# Tax-Managed Model Strategies

## 5 Models - Class S

# Snapshot

## Who we are

**We are a global investment solutions partner with decades of experience, helping investors at every stage of their financial journey.**

## Who we serve

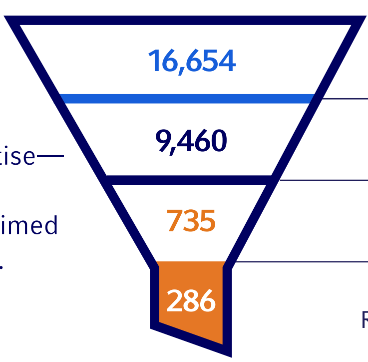
We work with some iconic institutional investors, financial advisors and the individuals they serve.

- Andersen Corporation
- AT&T Inc.
- Caterpillar Inc.
- Celanese Corporation
- Duke Energy Corporation
- HarbisonWalker International, Inc.
- National Grid UK Pension Scheme
- PG&E Corporation
- SalesForce.com Foundation
- SBZ Corporation
- Shell Oil Company
- Sony Group Corporation
- South Cross Health Society
- Thomas Jefferson University
- Toyota Motor Pension Fund
- Wales Pension Partnership

Representative client list as of 12/2025. Clients may contract for a variety of services from Russell Investments. The identification of the clients listed does not constitute an endorsement or recommendation of Russell Investments' products or services by such client.

## Investment approach

Our approach brings together managers and strategies selected for their specialized expertise—within an efficient and diversified portfolio—aimed at achieving your goals.




Manager products monitored

Manager products continually researched

Manager products with a primary 'hire' rating

Manager products used in Russell Investments' Funds

Data as of December 31, 2025

## Our experience

**90 years ago**

We were founded as a small brokerage firm by Frank Russell.

**57 years ago**

We were a pioneer in providing **asset allocation** and **manager research** to large pension plans.

**41 years ago**

We used our institutional expertise to build **multi-asset model portfolios** for advisors serving individual investors.

Data as of December 31, 2025



Invest without boundaries™

# Our purpose is to make financial security more achievable.

Whether you're trying to grow your investments, enhance your after-tax wealth, or generate sustainable income during retirement—together with your financial advisor—we can help you achieve your financial goals.

Learn more about how we can help at **russellinvestments.com**.

## Our numbers

**$377 billion**
Global assets under management

**17**
offices globally

**320**
investment professionals

**50+**
manager researchers

**2,185**
manager meetings per year

Data as of December 31, 2025

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**Important information**

The investment styles employed by a Fund's money managers may not be complementary. This concentration may be beneficial or detrimental to a Fund's performance depending upon the performance of those securities and the overall economic environment. The multi-manager approach could increase a Fund's portfolio turnover rates which may result in higher levels of realized capital gains or losses with respect to a Fund's portfolio securities, higher brokerage commissions and other transaction costs.

Please consult with your financial and tax advisors before investing.

Diversification does not assure a profit or guarantee against loss in declining markets. Please remember that all investments carry some level of risk.

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates Management, L.P., with a significant minority stake held by funds managed by Reverence Capital Partners, L.P. Certain of Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, non-controlling, ownership stakes.

**Client list selection criteria**

Global representative client list was selected from Russell Investments' complete client roster and clients have given permission to publish their names (as of 12/2025).

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First used December 2018. Updated February 2026.
RIFIS-26758 (02/28)   01-01-286 (2/26)

# Tax-Managed Model Strategies

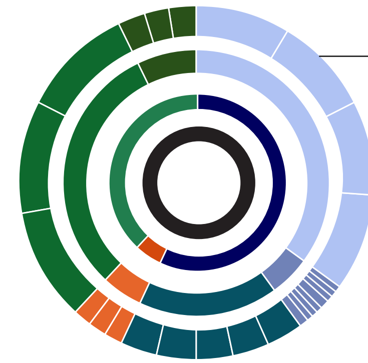
Sample Portfolio

Not a Deposit • Not FDIC Insured • May Lose Value • Not Bank Guaranteed
Not insured by any Federal Government Agency

# Tax-Managed Model Strategies

## Balanced Model Strategy

Broad diversification and access to a range of specialized managers and strategies, all in a single investment portfolio.



## A total portfolio solution

At Russell Investments, we believe an effective multi-asset portfolio incorporates diverse active manager insights. That's why we put our efforts into continually researching investment strategies and managers from around the world. We combine those manager strategies in our funds, making adjustments and implementing our own strategies to achieve desired fund exposures.

Using our funds as active investing building blocks, we design, construct and manage the Model Strategies. This includes establishing strategic asset allocations, selecting and combining funds, and monitoring the Models on an ongoing basis.

Managing the managers in the Tax-Managed Balanced Model Strategy

**Summary of manager activity**

Apr 2003 – Sep 2026

**229**
Total number of manager changes

**136**
Total number of hires

**93**
Total number of terminations

### RUSSELL INVESTMENT MANAGEMENT*

**3 Asset Classes**

| 57% Equity | 5% Alternatives | 38% Fixed Income |
|---|---|---|

**6 Funds**

**26 Third-Party Manager Strategies**

| 35% RIC Tax-Managed U.S. Large Cap Fund[1] | 5% RIC Tax-Managed U.S. Mid & Small Cap Fund[1] | 17% RIC Tax-Managed International Equity Fund[1] | 5% RIC Tax-Managed Real Assets Fund[1] | 31% RIC Tax-Exempt Bond Fund | 7% RIC Tax-Exempt High Yield Bond Fund |
|---|---|---|---|---|---|
| Brandywine | Ancora | Intermede | First Sentier | BBH | GSAM |
| Jacobs Levy | BAMCO | Oaktree | GMO | GSAM | MacKay |
| J.P. Morgan | DRZ | Pzena | RREEF/DWS | MacKay | Rockefeller |
| William Blair | Lord Abbett | RWC | | | |
| | Penn Capital | Wellington | | | |
| | Polen | | | | |
| | Royce & Asso. | | | | |
| | Summit Creek | | | | |

The above target allocation was effective 7/23/2026.

For illustrative purposes only.

*Russell Investment Management, LLC (RIM) provides or oversees the provision of all investment advisory and portfolio management services for the Russell Investment Company (RIC) Funds.

Money managers listed are current as of 09/03/2026. Subject to the fund's Board approval, Russell Investments has the right to engage or terminate a money manager at any time and without a shareholder vote, based on an exemptive order from the Securities and Exchange Commission. Please see the Prospectus for the full legal names of the fund's money managers.

[1]Manager strategies in the indicated Funds are non-discretionary; RIM manages these portions of the Fund's assets based upon model portfolios provided by the managers.

You and your financial and/or tax advisor may work to combine selected funds that differ from the illustrated combinations depending upon individual investment objectives.

See last page for additional disclosures.

*Fund objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling 800-787-7354 or by visiting https://russellinvestments.com. Please read a prospectus carefully before investing.*

Russell Investments

**Important risk disclosures**

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Mutual fund investing involves risk. Principal loss is possible.

Model Strategies are exposed to the specific risks of the funds directly proportionate to their fund allocation. The underlying funds included in the Model Strategies and the allocations to those funds have changed over time and may change in the future.

Strategic asset allocation and diversification do not assure profit or protect against loss in declining markets.

Investments that are allocated across multiple types of securities may be exposed to a variety of risks based on the asset classes, investment styles, market sectors, and size of companies preferred by the investment managers. Investors should consider how the combined risks impact their total investment portfolio and understand that different risks can lead to varying financial consequences, including loss of principal. Please see a prospectus for further details.

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than $2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large cap stocks. Investors should consider the additional risks involved in small cap investments.

International markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation.

Emerging or frontier markets involve exposure to economic structures that are generally less diverse and mature. The less developed the market, the riskier the security. Such securities may be less liquid and more volatile.

Investments in global equity may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

Alternative strategies may be subject to risks related to equity securities; fixed income securities; non-U.S. and emerging markets securities; currency trading, which may involve instruments that have volatile prices, are illiquid or create economic leverage; commodity investments; illiquid securities; and derivatives including futures, options, forwards and swaps.

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Investments in infrastructure-related companies have greater exposure to the potential adverse economic, regulatory, political and other changes affecting such entities. Investment in infrastructure related companies are subject to various risks including governmental regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and surplus capacity, competition from other providers of services and other factors. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

Certain underlying Funds within the model strategies may invest in derivatives, including futures, options, forwards and swaps. Investments in derivatives may cause the Fund's losses to be greater than if it invests only in conventional securities and can cause the Fund to be more volatile. Derivatives involve risks different from, or possibly greater than, the risks associated with other investments. The Fund's use of derivatives may cause the Fund's investment returns to be impacted by the performance of securities the Fund does not own and result in the Fund's total investment exposure exceeding the value of its portfolio.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. An increase in volatility and default risk are inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, with exposure to sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall. Interest rates in the United States are at, or near, historic lows, which may increase a Fund's exposure to risks associated with rising rates. Investment in international and emerging market debt is subject to currency fluctuations and to economic and political risks.

Income from funds managed for tax efficiency may be subject to an alternative minimum tax, and/or any applicable state and local taxes.

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01-01-332 (9/26)

# Tax-efficient investing:
# The proof is in the numbers

Russell Investments

## Russell Investments' Tax-Smart Funds

Since 1985, with the launch of its Tax-Exempt Bond Fund, Russell Investments' goal has been to help investors maximize their after-tax wealth. Our active tax-management strategies in our tax-managed equity funds and broad diversification in our tax-exempt bond funds have helped reduce capital gain distributions over time—managing the tax impact to investors.

## Yearly Capital Gain Distributions (%)

Tax-Managed and Tax-Exempt Funds – Class S Shares

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Tax-Managed U.S. Large Cap Fund - Class S | Short term | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Long term | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 4.23 | 0.00 | 0.00 | 0.24 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **4.23** | **0.00** | **0.00** | **0.24** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| Tax-Managed U.S. Mid & Small Cap Fund - Class S | Short term | 0.00 | 0.96 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 1.63 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Long term | 1.37 | 7.04 | 0.00 | 0.00 | 0.00 | 0.00 | 0.12 | 5.93 | 5.54 | 0.52 | 0.00 | 0.55 | 0.00 | 0.00 | 0.00 | 0.11 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **1.37** | **8.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.12** | **7.56** | **5.54** | **0.52** | **0.00** | **0.55** | **0.00** | **0.00** | **0.00** | **0.11** | **0.00** | **0.00** | **0.00** | **0.00** |
| Tax-Managed International Equity Fund - Class S | Short term | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Long term | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| Tax-Managed RealAssets Fund - Class S | Short term | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Long term | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| Tax-Exempt Bond Fund - Class S | Short term | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Long term | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |
| Tax-Exempt High Yield Bond Fund - Class S | Short term | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.00 | 0.08 | 0.16 | 0.00 | 0.09 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | Long term | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| | **Total** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **n/a** | **0.00** | **0.08** | **0.16** | **0.00** | **0.09** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** | **0.00** |

Historical data shown is not an indicator of future results. Investors should consult with their financial and tax advisors before investing.
Tax-Managed International Equity Fund was launched on 06/01/2015. Tax-Managed Real Assets Fund was launched on 06/10/2019.
Tax-Exempt High Yield Bond Fund was launched on 06/01/2015.

Russell Investments

## For more information

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Mutual fund investing involves risk. Principal loss is possible.

Investments in small cap, micro cap, and companies with capitalization smaller than the Russell 2000® Index, are subject to the risks of common stocks, may experience considerable price fluctuations and are more volatile than large company stocks. Generally, the smaller the company size, the greater the risks.

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Fund investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation.

Investments in infrastructure-related companies have greater exposure to the potential adverse economic, regulatory, political and other changes affecting such entities. Investment in infrastructure-related companies are subject to various risks including governmental regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and surplus capacity, competition from other providers of services and other factors.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high-yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall. Interest rates in the United States are at, or near, historic lows, which may increase a Fund's exposure to risks associated with rising rates. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

Non-U.S. markets, which may include developed, emerging, and frontier markets, entail different risks than those typically associated with U.S. markets, including currency fluctuations, political and economic instability, accounting changes and foreign taxation. Non-U.S. securities may be less liquid and more volatile than U.S. securities. The risks associated with non-U.S. securities may be amplified for emerging markets securities. Because frontier markets are among the smallest, least developed, least liquid, and most volatile of the emerging markets, investments in frontier markets are generally subject to a greater risk of loss than investments in developed or traditional emerging markets.

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01-01-428 (01/26)
QSR-07172027-8719055.1.1

Three reasons to consider Russell Investments'

# Tax-Managed Solutions

Russell Investments

## Not all investment assets are treated equally.

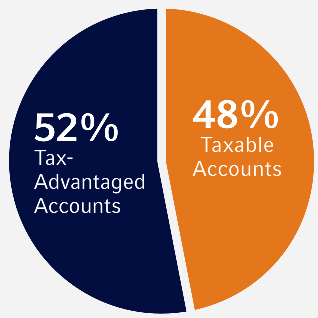
Notably, around 48% of the $28.5 trillion invested in open-ended mutual funds in the U.S. resides within taxable accounts.[1] Many investors tend to employ the same investment strategies in both taxable and tax-deferred accounts. However, investment solutions well-suited for tax-deferred environments may falter when taxes come into play. Ignoring the tax impact on your taxable investments likely comes at a cost. What does your portfolio look like? Are you applying different investment strategies based on your account type?

### Taxes have the ability to seriously erode returns.

According to Morningstar, U.S. equity funds[2] (active, passive, ETFs) collectively lost 2% of returns to taxes over the five-year period up to June 2026. This implies that a mutual fund with a 10% pre-tax, five-year annualized return translated to just 8% on an after-tax basis.[3] We call this "tax drag".

**Have you considered a different investment approach for your taxable accounts?**

Open-Ended Mutual Fund Assets by Tax Status[1]




**Industry average annualized tax drag by asset class**
**Five years ending on June 30, 2026**

| U.S. Equity | International Equity | Fixed Income |
|---|---|---|
| 1.9% | 1.4% | 1.8% |

Russell Investments' Tax-Managed Solutions aim to maximize after-tax returns by minimizing tax drag.

**What is tax drag?**

The reduction in potential investment returns due to taxes is called tax drag. Being thoughtful in maximizing after-tax returns can be key for successful longterm investment outcomes.

## Three reasons to consider Russell Investments' Tax-Managed Solutions:

**1 Holistic tax management:**
An integrated approach to addressing all tax-related factors at the portfolio level

**2 Demonstrated expertise:**
A disciplined tax-managed investment approach with 40 years' experience

**3 Compelling results:**
Historically consistent returns with lower-than-average tax drag[4]

[1] Source: 2025 ICI Factbook. Including taxable nonhousehold accounts, taxable household accounts, and tax-exempt funds.
[2] Source: Morningstar. Morningstar U.S. Fund categories/groups used for average calculation: For U.S. Equity, U.S. Equity Category Group. For International Equity, 75% Foreign Large Blend and 25% Diversified Emerging Markets. For Fixed Income, Taxable Bond Category Group. Tax drag is Morningstar's calculated tax cost ratio. See page 6 for Methodologies for Universe Construction and Tax Drag, Morningstar's tax cost ratio assumes the highest possible applicable tax rates, including the 3.8% net investment income tax. Many investors are not subject to the highest rates. Note that tax drag calculations only apply to taxable accounts.
[3] For illustrative purposes only.
[4] Past performance is no guarantee of future results. See page 5 for annualized returns.

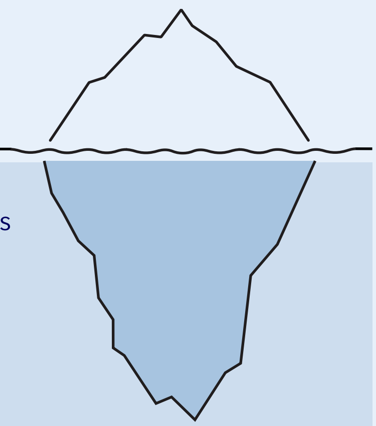
# 1 Holistic tax management:
## An integrated approach to addressing all tax-related factors at the portfolio level

Taxes can be inherently complicated and confusing, posing challenges even for seasoned investors. It's fairly straightforward to see the tax consequences related to capital gain distributions, dividends, and interest. But it may be difficult to see how each investment and implementation decision can result in tax liabilities at the portfolio level.

### Tax costs: Looking at what is beneath the surface

Tax costs in a portfolio can arise from various sources:

- Capital gain distributions
- Dividends
- Interest



- Asset allocation changes
- Fund/money manager changes
- Portfolio rebalancing
- Inefficient trading activities

- **Asset allocation changes:** Making changes to your portfolio allocations can trigger taxable events. Shifting equity to fixed income, for instance, entails selling securities/funds and realizing taxable capital gains.
- **Fund/money manager changes:** Replacing a fund or money manager in your portfolio can carry weighty consequences. Depending on the success of the fund or manager and holding period, this shift can prompt the full realization of capital gains, leading to substantial taxes.
- **Portfolio rebalancing:** Periodic rebalancing upholds portfolio stability but requires caution. Frequent rebalancing, coupled with tactical decisions, can amplify tax liabilities and elevate short-term capital gains taxes.
- **Inefficient trading activities:** Frequent trading within a portfolio can result in realized gains, leading to increased tax bills. These transactions often generate short-term gains taxed at ordinary income rates, thereby eroding overall investment value.

Effectively managing these taxable events is crucial, as the tax consequences may adversely impact portfolio performance. At Russell Investments, we employ a holistic tax management approach for optimizing tax efficiency across the portfolio. This involves considering the tax impact of all aspects of investment management, from investment selection to trading practices, with the goal of minimizing tax liabilities and maximizing after-tax returns for investors.

# 2 Demonstrated expertise:
## A disciplined tax-managed investment approach with 40 years' experience

At Russell Investments, we have been continuously evolving our tax-managed investment expertise. Our active tax-managed investment approach goes beyond tax-loss harvesting, seeking to further increase tax efficiency to help generate the best possible returns.

### Here's how we aim to do it:

**Active management**
We research and select compelling active money managers, seeking to access skilled stock selection from our decades of rigorous manager research.

**Centralized trading and implementation**
We aggregate multiple managers and centralize implementation in a single fund to better coordinate trading activities, and potentially create greater efficiencies.

**Tax-loss harvesting**
With a trading desk staffed 24 hours a day by traders averaging more than 15 years of experience across the investment spectrum, we are systematically looking for loss positions in order to offset a taxable gain.

**Minimize wash sales**
The potential benefits of tax-loss harvesting can be negated when sold securities are repurchased within 30 days. It's important to be mindful of this Wash Sale Rule. Our total portfolio approach can help minimize wash sales.

**Tax-smart turnover–refreshing tax lots**
A common challenge for after-tax-focused mutual funds and separate accounts is portfolio *lock-up*—where a continuous process of loss harvesting eventually results in no more losses to harvest. We carefully evaluate the tax lots and engage in thoughtful, tax-smart turnover designed to avoid lock-up.

**Manage holding period**
Tax rate on capital gains can differ depending on holding period. We understand this and make it integral in how we manage the assets.

**Manage a fund's yield**
Managing yield isn't about eliminating yield. It's about understanding the tax rules and maximizing the amount you get to keep.

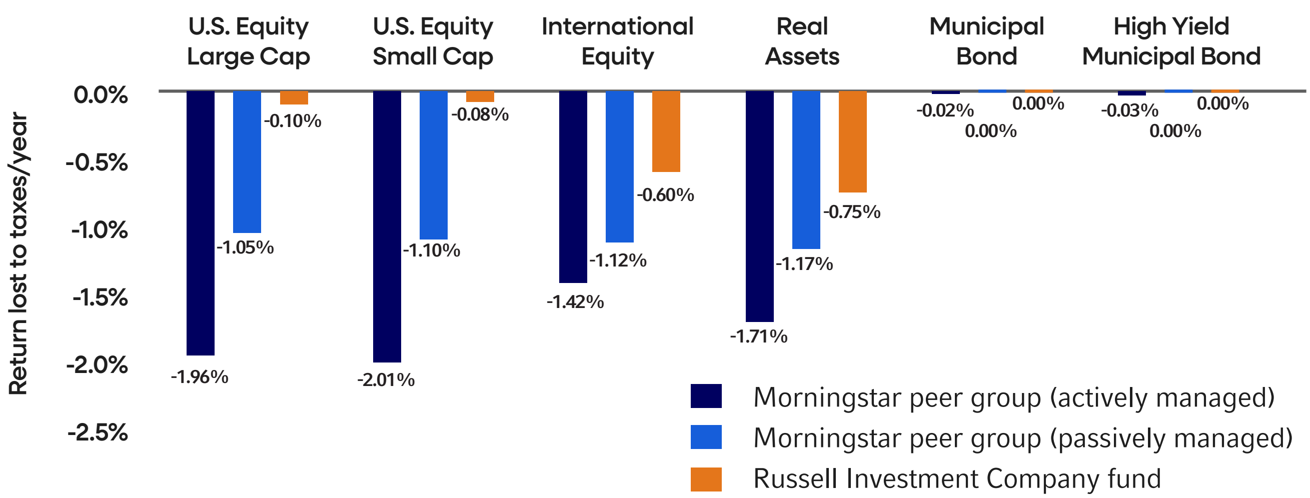
# 3 Compelling results:
## Historically consistent returns with lower-than-average tax drag

As shown in the chart below, over the last five years ending June 30, 2026:

- The average U.S. large cap actively managed mutual fund surrendered 1.96% to taxes each year, while the Russell Investment Company Tax-Managed U.S. Large Cap Fund gave up only 0.10% annually.
- The average U.S. small cap actively managed mutual fund lost 2.01% to taxes each year, while the Russell Investment Company Tax-Managed U.S. Mid & Small Cap Fund gave up only 0.08% annually.
- The Russell Investment Company Tax-Managed International Equity Fund, Tax-Managed Real Assets Fund, Tax-Exempt Bond Fund and Tax-Exempt High Yield Bond Fund achieved materially less tax drag than industry averages.

## Tax drag comparison

**Russell Investments' tax-managed and tax-exempt funds (Class S) vs. Morningstar peer groups**
**Average annual tax drag for 5 years ending June 30, 2026**




**Investment Company funds (Class S) and Morningstar peer groups**

| Asset Class | Fund Name | Ticker | Morningstar Peer Group |
|---|---|---|---|
| U.S. Equity - Large Cap | Tax-Managed U.S. Large Cap Fund | RETSX | U.S. Fund Large Blend |
| U.S. Equity - Small Cap | Tax-Managed U.S. Mid & Small Cap Fund | RTSSX | U.S. Fund Small Blend |
| International Equity | Tax-Managed International Equity Fund | RTNSX | 75% U.S. Fund Foreign Large Blend<br>25% U.S. Fund Diversified Emerging Markets |
| Real Assets | Tax-Managed Real Assets Fund | RTXSX | 40% U.S. Fund Real Estate/30% U.S Fund Natural Resources/30% U.S. Fund Infrastructure |
| Municipal Bond | Tax-Exempt Bond Fund | RLVSX | U.S. Fund Muni National Intermediate |
| High Yield Municipal Bond | Tax-Exempt High Yield Bond Fund | RTHSX | U.S. Fund High Yield Muni |

Source: Morningstar. Tax drag is Morningstar's calculated tax cost ratio.
See page 6 for Morningstar Categories, Methodologies for Universe Construction and Tax Drag.

# Russell Investment Company Tax-Managed and Tax-Exempt Mutual Funds (Class S)
## Performance as of June 30, 2026

| Russell Investment Company Fund Class S | | Annualized Returns (%) | | | | | Annual Fund Operating Expenses[7] | |
|---|---|---|---|---|---|---|---|---|
| | Qtrly (%) | 1 Year | 5 Years | 10 Years | Since Inception | Inception Date | Total % | Net % |
| **Tax-Managed U.S. Large Cap**[9] | 14.02 | 18.13 | 10.57 | 13.26 | 9.07 | | | |
| Pre-liquidation after-tax returns[5] | 14.02 | 18.01 | 10.46 | 13.10 | 8.87 | 10/7/1996 | 0.90 | 0.90 |
| Post-liquidation after-tax returns[5] | 8.30 | 10.81 | 8.38 | 11.10 | 8.02 | | | |
| **Tax-Managed U.S. Mid & Small Cap**[9] | 19.39 | 31.70 | 5.67 | 9.95 | 7.58 | | | |
| Pre-liquidation after-tax returns[5] | 19.39 | 31.56 | 5.58 | 9.87 | 7.33 | 11/30/1999 | 1.26 | 1.21 |
| Post-liquidation after-tax returns[5] | 11.48 | 18.84 | 4.41 | 8.21 | 6.51 | | | |
| **Tax-Managed International Equity**[9] | 10.56 | 22.18 | 6.78 | 8.24 | 6.10 | | | |
| Pre-liquidation after-tax returns[5] | 10.56 | 21.84 | 6.65 | 8.11 | 5.98 | 6/1/2015 | 1.11 | 1.04 |
| Post-liquidation after-tax returns[5] | 6.25 | 13.73 | 5.55 | 6.94 | 5.12 | | | |
| **Tax-Managed Real Assets**[9] | 1.32 | 24.82 | 6.62 | - | 8.61 | | | |
| Pre-liquidation after-tax returns[5] | 1.32 | 23.72 | 5.83 | - | 7.92 | 6/10/2019 | 1.16 | 1.07 |
| Post-liquidation after-tax returns[5] | 0.78 | 14.99 | 4.91 | - | 6.65 | | | |
| **Tax-Exempt Bond**[9] | 1.94 | 5.90 | 1.29 | 2.18 | 4.02 | | | |
| Pre-liquidation after-tax returns[5] | 1.94 | 5.90 | 1.27 | 2.16 | 4.01 | 9/5/1985 | 0.57 | 0.51 |
| Post-liquidation after-tax returns[5] | 1.53 | 4.97 | 1.66 | 2.32 | 3.99 | | | |
| **Tax-Exempt High Yield Bond**[9] | 3.63 | 7.42 | 0.97 | 3.06 | 3.78 | | | |
| Pre-liquidation after-tax returns[5] | 3.63 | 7.28 | 0.90 | 3.00 | 3.72 | 6/1/2015 | 0.76 | 0.61 |
| Post-liquidation after-tax returns[5] | 2.64 | 6.17 | 1.56 | 3.18 | 3.77 | | | |

[5] After-tax returns:
- Pre-liquidation after-tax returns represent returns after taxes on fund distributions. Returns After Taxes on distributions may be the same as pre-tax returns for the same period if there were no distributions for that period.
- Post-liquidation after-tax returns represent returns after taxes on distributions and realized taxable gain or loss from sale of Fund shares. Returns After Taxes on distributions may be the same as pre-tax returns for the same period if there were no distributions for that period.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and the 3.8% net investment income tax, and do not reflect the impact of state and local taxes. If the Fund has realized capital losses, the return after taxes on distributions and sale of fund shares may be higher than the return before taxes and the return after taxes on distributions. The calculation of return after taxes on distributions and sale of fund shares assumes that a shareholder has sufficient capital gains of the same character to offset any capital losses on a sale of fund shares and that the shareholder may therefore deduct the entire capital loss. After-tax returns depend on an investor's tax situation and may differ from those shown. Post-liquidation returns may be adversely impacted by an investor's deferred tax liabilities. If this product engages in tax loss harvesting, any immediate tax savings are offset by any future tax expense, as any harvested tax loss creates an offsetting reduction of a client's tax basis in their investment portfolio. After-tax returns shown are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts.

[6] Not annualized

[7] As of 3/1/2026.

[8] The Maximum Deferred Sales Charge (Load) is charged on the lesser of the purchase price of the Shares being redeemed or the net asset value of those Shares at the time of redemption.

[9] The Net Annual Operating Expense Ratio is/may be less than the Total Operating Expense Ratio as a result of a contractual transfer agency fee or advisory fee waiver through February 28, 2027. These contractual agreements may not be terminated during the relevant periods except at the Board of Trustee's discretion. Details of these agreements are in the current prospectus.

*Performance quoted represents past performance and should not be viewed as a guarantee of future results. The investment return and principal value of an investment will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Current to the most recent month-end performance may be obtained by visiting russellinvestments.com/us/fund-center/performance-pricing.*

**Ask your financial and/or tax advisor to learn more.**

IMPORTANT INFORMATION

*Fund objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling **Call 800-787-7354** or visit **russellinvestments.com.** Please read a prospectus carefully before investing.*

**Important Risk Disclosures**

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high-yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to subprime mortgages. Generally, when interest rates rise, prices of fixed-income securities fall.

Small capitalization (small cap) investments generally involve stocks of companies with a market capitalization based on the Russell 2000® Index. Investments in small cap, micro cap, and companies with capitalization smaller than the Russell 2000 Index are subject to the risks of common stocks, including the risks of investing in securities of large and medium capitalization companies. Investments in smaller capitalization companies may involve greater risks as, generally, the smaller the company size, the greater these risks. In addition, micro capitalization companies and companies with capitalization smaller than the Russell 2000 Index may be newly formed with more limited track records and less publicly available information.

Investments in global equity may be significantly affected by political or economic conditions and regulatory requirements in a particular country. International markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Emerging or frontier markets involve exposure to economic structures that are generally less diverse and mature. The less developed the market, the riskier the security. Such securities may be less liquid and more volatile.

Investments in infrastructure-related companies have greater exposure to the potential adverse economic, regulatory, political and other changes affecting such entities. Investment in infrastructure related companies are subject to various risks including governmental regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and surplus capacity, competition from other providers of services and other factors.

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment. The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional. Income from funds managed for tax efficiency may be subject to an alternative minimum tax, and/or any applicable state and local taxes.

**Methodology for Universe Construction:**

- Average of Morningstar's Tax Cost Ratio for universes as defined.
- Averages calculated on a given category. For example, average reflects the arithmetic average of the Morningstar Tax Cost Ratio for the universe/category as listed. Data includes all share classes.
- Large Cap/Small Cap determination based upon Morningstar Category.
- If fund is indicated by Morningstar as passive or an ETF, the fund is considered to be passively managed. Otherwise, the fund is considered to be actively managed.
- Tax Drag: Morningstar calculated Tax Cost Ratio

**Methodology for Tax Drag:** Includes all open-ended investment products – mutual funds/ETFs that are both active and passive. Tax Drag reflects the arithmetic average of Morningstar Tax Cost Ratio. Data includes all share classes and reflects Morningstar category.

**Morningstar Category Definition:**

**U.S. Fund Large Blend:** Large-blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.

**U.S. Fund Small Blend:** Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.

**U.S. Fund Foreign Large-Blend:** Foreign large-blend portfolios invest in a variety of big international stocks. Most of these portfolios divide their assets among a dozen or more developed markets, including Japan, Britain, France, and Germany. These portfolios primarily invest in stocks that have market caps in the top 70% of each economically integrated market (such as Europe or Asia ex-Japan). The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios typically will have less than 20% of assets invested in U.S. stocks.

**U.S. Fund Diversified Emerging Markets:** Diversified emerging-markets portfolios tend to divide their assets among 20 or more nations, although they tend to focus on the emerging markets of Asia and Latin America rather than on those of the Middle East, Africa, or Europe. These portfolios invest predominantly in emerging market equities, but some funds also invest in both equities and fixed income investments from emerging markets.

**U.S. Fund Real Estate:** Real Estate portfolios invest primarily in real-estate investment trusts (REITs) of various types. REITs are companies that develop and manage real-estate properties. There are several different types of REITs, including apartment, factory-outlet, health-care, hotel, industrial, mortgage, office, and shopping center REITs. Some portfolios in this category also invest in real-estate operating companies.

**U.S. Fund Natural Resources:** Natural Resources portfolios focus on commodity-based industries such as energy, chemicals, minerals, and forest products in the United States or outside of the United States. Some portfolios invest across this spectrum to offer broad natural-resources exposure. Others concentrate heavily or even exclusively in specific industries. Portfolios that concentrate primarily in energy-related industries are part of the equity energy category.

**U.S. Fund Infrastructure:** Infrastructure funds invest more than 60% of their assets in stocks of companies engaged in infrastructure activities. Industries considered to be part of the infrastructure sector include: oil & gas midstream; waste management; airports; integrated shipping; railroads; shipping & ports; trucking; engineering & construction; infrastructure operations; and the utilities sector.

**U.S. Fund Muni National Intermediate:** Muni national intermediate portfolios invest in bonds issued by various state and local governments to fund public projects. The income from these bonds is generally free from federal taxes. To lower risk, these portfolios spread their assets across many states and sectors. These portfolios have durations of 4.0 to 6.0 years (or average maturities of five to 12 years).

**U.S. Fund High-Yield Muni:** High-Yield Muni portfolios typically invest a substantial portion of assets in highincome municipal securities that are not rated or that are rated at the level of or below BBB (considered high-yield within the municipal-bond industry) by a major ratings agency such as Standard & Poor's or Moody's.



**General Disclosures**

Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates Management, L.P., with a significant minority stake held by funds managed by Reverence Capital Partners, L.P. Certain of Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, noncontrolling, ownership stakes.

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First used: September 2023.

Updated: July 2026.

RIFIS-26463_S [Exp. 12/26]

01-01-422 (07/26) AIS0678 800720

# Multi-asset investing with a focus on enhancing after-tax returns

The Tax-Managed Model Strategies are globally diversified and strategically asset-allocated portfolios with Russell Investments' sophisticated tax-managed investing approach at their core. They seek to enhance after-tax wealth over the long-term.

## Why Russell Investments

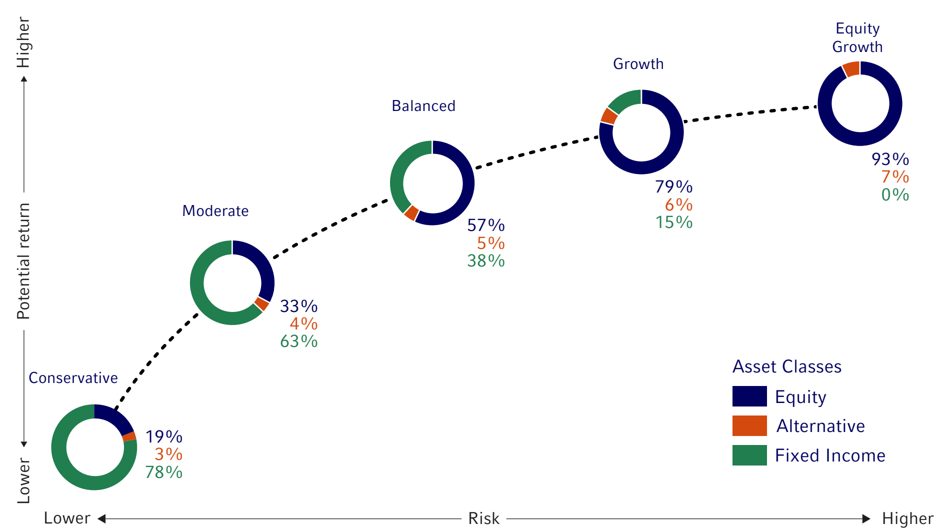
**40 years** in managing multi-asset portfolios for individual investors

**Active tax-managed approach** designed to maximize after-tax returns

**50+ years** of rigorous manager research

As of 6/30/2026

### 5 model strategies designed to help meet different risk tolerance levels




As you move from left to right on the graph—increasing risk—there are model strategies that can offer higher return potential. However, as with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns or increase volatility.

## Portfolio target allocations (%)

| Fund | Ticker | Conservative | Moderate | Balanced | Growth | Equity Growth |
|---|---|---|---|---|---|---|
| **Equity Allocation** | | **19.0** | **33.0** | **57.0** | **79.0** | **93.0** |
| RIC Tax-Managed U.S. Large Cap Fund | Class M: RTMTX \| S: RETSX | 12.0 | 20.0 | 35.0 | 48.0 | 55.0 |
| RIC Tax-Managed U.S. Mid & Small Cap Fund | Class M: RTOUX \| S: RTSSX | 2.0 | 3.0 | 5.0 | 5.0 | 6.0 |
| RIC Tax-Managed International Equity Fund | Class M: RTIUX \| S: RTNSX | 5.0 | 10.0 | 17.0 | 26.0 | 32.0 |
| **Alternative Allocation** | | **3.0** | **4.0** | **5.0** | **6.0** | **7.0** |
| RIC Tax-Managed Real Assets Fund | Class M: RTXMX \| S: RTXSX | 3.0 | 4.0 | 5.0 | 6.0 | 7.0 |
| **Fixed Income Allocation** | | **78.0** | **63.0** | **38.0** | **15.0** | **0.0** |
| RIC Tax-Exempt Bond Fund | Class M: RBCUX \| S: RLVSX | 64.0 | 52.0 | 31.0 | 11.0 | 0.0 |
| RIC Tax-Exempt High Yield Bond Fund | Class M: RHYTX \| S: RTHSX | 14.0 | 11.0 | 7.0 | 4.0 | **0.0** |
| **Tax-aware (%)** | | **100.0** | **100.0** | **100.0** | **100.0** | **100.0** |

Tax-Managed Model Strategies represent target allocations to certain Russell Investment Company (RIC) mutual funds; these models are not managed and cannot be invested in directly. Depending upon individual investment objectives, you may want to combine funds that differ from the illustrated combinations. The above allocations were effective July 23, 2026.

# Open-architecture manager selection and objective oversight

At Russell Investments, we believe an effective multi-asset portfolio incorporates diverse active manager insights. That's why we put our efforts into continually researching investment strategies and managers from around the world. We combine those manager strategies in our funds, making adjustments and implementing our own strategies to achieve desired fund exposures.†

Using our funds as active investing building blocks, we design, construct and manage the Model Strategies. This includes establishing strategic asset allocations, selecting and combining funds, and monitoring the Models on an ongoing basis.

## Third-party manager strategies

| RIC Tax-Managed U.S. Large Cap Fund | |
|---|---|
| Brandywine* | Value |
| J.P. Morgan* | Market-Oriented |
| Jacobs Levy* | Market-Oriented |
| William Blair* | Growth |
| **RIC Tax-Managed U.S. Mid & Small Cap Fund** | |
| Ancora* | Market-Oriented |
| BAMCO* | Growth |
| DRZ* | Value |
| Lord Abbett* | Biotechnology |
| Penn Capital* | Market-Oriented |
| Polen* | Growth |
| Royce & Asso.* | Value |
| Summit Creek* | Growth |
| **RIC Tax-Managed International Equity Fund** | |
| Intermede* | Growth |
| Oaktree* | Value |
| Pzena* | Value |
| RWC* | Growth |
| Wellington* | Growth / Value |

| RIC Tax-Managed Real Assets Fund | |
|---|---|
| First Sentier* | Global Listed Infrastructure |
| GMO* | Global Natural Resources |
| RREEF/DWS* | U.S. REITs |

| RIC Tax-Exempt Bond Fund | |
|---|---|
| BBH | Investment Grade Municipals |
| GSAM | Investment Grade Municipals |
| MacKay | Investment Grade Municipals |
| **RIC Tax-Exempt High Yield Bond Fund** | |
| GSAM | High Yield Municipals |
| MacKay | High Yield Municipals |
| Rockefeller | High Yield Municipals |

† Russell Investment Management, LLC (RIM) provides or oversees the provision of all investment advisory and portfolio management services for the Russell Investment Company (RIC) Funds.

Money managers listed are current as of September 3, 2026. Subject to the fund's Board approval, Russell Investments has the right to engage or terminate a money manager at any time and without a shareholder vote, based on an exemptive order from the Securities and Exchange Commission. Please see the Prospectus for the full legal names of the fund's money managers.

* Indicated manager strategies are non-discretionary; RIM manages these portions of the Fund's assets based upon model portfolios provided by the managers.

You and your financial and/or tax advisor may work to combine selected funds that differ from the illustrated combinations depending upon individual investment objectives.

See last page for additional disclosures.

# Work with your financial professional

Share your personal investment needs with your financial professional and work together to build the long-term strategy and the appropriate mix of investments for you. Visit **russellinvestments.com.**

*Fund objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling 800-787-7354 or by visiting https://russellinvestments.com. Please read a prospectus carefully before investing*

### Important risk disclosures

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Mutual fund investing involves risk. Principal loss is possible.

Model Strategies are exposed to the specific risks of the funds directly proportionate to their fund allocation. The underlying funds included in the Model Strategies and the allocations to those funds have changed over time and may change in the future.

Strategic asset allocation and diversification do not assure profit or protect against loss in declining markets.

Investments that are allocated across multiple types of securities may be exposed to a variety of risks based on the asset classes, investment styles, market sectors, and size of companies preferred by the investment managers. Investors should consider how the combined risks impact their total investment portfolio and understand that different risks can lead to varying financial consequences, including loss of principal. Please see a prospectus for further details.

Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than $2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large cap stocks. Investors should consider the additional risks involved in small cap investments.

International markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation.

Emerging or frontier markets involve exposure to economic structures that are generally less diverse and mature. The less developed the market, the riskier the security. Such securities may be less liquid and more volatile.

Investments in global equity may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

Alternative strategies may be subject to risks related to equity securities; fixed income securities; non-U.S. and emerging markets securities; currency trading, which may involve instruments that have volatile prices, are illiquid or create economic leverage; commodity investments; illiquid securities; and derivatives including futures, options, forwards and swaps.

Specific sector investing such as real estate can be subject to different and greater risks than more diversified investments. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments.

Investments in infrastructure-related companies have greater exposure to the potential adverse economic, regulatory, political and other changes affecting such entities. Investment in infrastructure related companies are subject to various risks including governmental regulations, high interest costs associated with capital construction programs, costs associated with compliance and changes in environmental regulation, economic slowdown and surplus capacity, competition from other providers of services and other factors. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

Certain underlying Funds within the model strategies may invest in derivatives, including futures, options, forwards and swaps. Investments in derivatives may cause the Fund's losses to be greater than if it invests only in conventional securities and can cause the Fund to be more volatile. Derivatives involve risks different from, or possibly greater than, the risks associated with other investments. The Fund's use of derivatives may cause the Fund's investment returns to be impacted by the performance of securities the Fund does not own and result in the Fund's total investment exposure exceeding the value of its portfolio.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. An increase in volatility and default risk are inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, with exposure to sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall. Interest rates in the United States are at, or near, historic lows, which may increase a Fund's exposure to risks associated with rising rates. Investment in international and emerging market debt is subject to currency fluctuations and to economic and political risks.

Income from funds managed for tax efficiency may be subject to an alternative minimum tax, and/or any applicable state and local taxes.

### General disclosures

This material is produced periodically by Russell Investments and contains information that is current as of the "as of" date shown. Updates to fund information, such as changes to money managers, that occur after the "as of" date will be reflected in the next version of this report. For the most current and complete information about the fund(s), please refer to the most recent prospectus, as supplemented, available at https://connect.rightprospectus.com/russellinvestments?Site=RIC.

Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment. The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional.

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Last Update: September 2026 RIFIS-26857_5
(Exp. 07/28) AIS0657 1497249

01-01-434 (09/26)

# Principles of active tax management in investment portfolios

How russell investments manages taxes

## Dynamic investment strategies designed to seek improved after-tax returns

When you invest what you earn, you want to keep as much of your return as you can. That's why, at Russell Investments, We apply a disciplined, repeatable tax-management process tailored to portfolio circumstances. We employ our active tax management approach designed to strategically identify and address tax inefficiencies to seek to improve after-tax outcomes over time. This approach is applied across our range of tax-managed investment solutions, including tax-managed mutual funds, multi-asset portfolios and separately managed accounts. Tax-sensitive investors can select from these solutions based on their individual needs and preferences.

Explore the core principles guiding our efforts to help reduce the impact of taxes on investment portfolios.

### Total tax management in action—Implementing active tax management with a full year focus


For illustrative purposes only.

**Tax Loss Harvesting**

Security values fluctuate somewhat randomly over short periods of time, while ideally trending upwards over the long run. During these random fluctuations, selling a position that drops below its cost basis creates a loss that can be carried forward. This loss can be used to offset a gain elsewhere or at another time. As long as the overall composition of the portfolio is materially unchanged, harvesting losses can potentially improve after-tax performance.

**Tax-Smart Turnover**

Depending on an investor's individual situation, capital gains taxes are typically only paid when an investment is sold at a gain. High turnover strategies that lead to selling positions at a gain could erode after-tax return. For example, if a position is sold for a 10% gain after one year, and a 20% tax is assessed on the gain, the return could be reduced to 8%.

**Wash Sale Minimization**

If a security is sold for a loss, a potential tax benefit is obtained that can be used to offset a gain elsewhere. This potential tax benefit is negated if the same or a substantially identical position is purchased within 30 days of the sale date. Systematically avoiding wash sales is an important step to construct an efficient after-tax strategy. In a multi-manager portfolio, managers acting autonomously can easily generate wash sales.

**Optimal Tax Lot Selection**

When a partial sale of a position is made, the tax impact of selling shares purchased at different prices and dates needs to be evaluated. If there is an ability to sell lots with a higher cost basis, then gains can be deferred. By reducing immediate taxes, you can help improve after-tax return. This assumes that future tax rates won't be higher. Of course, no one can predict what future rates could be.

**Holding Period Management**

Under current U.S. tax rules, selling investments held for less than one year may generate short-term gains which can significantly affect a tax bill. Short-term gains are taxed at the Federal level as ordinary income, which can be as high as 40.8% of the gain, after accounting for the 3.8% of Net Investment Income Tax (NIIT). Long-term gains for investors in the highest tax bracket are taxed at a maximum tax rate of 23.8% including the NIIT, if applicable. Generally speaking, tax-managed strategies should seek to avoid short-term gains, and even limit realizing long-term gains.

Source: Internal Revenue Service.

**Yield Management**

Dividends generate a potential tax liability in the year they are paid and can be taxed as ordinary income. These taxes reduce the principal to which investment returns accrue. Reducing dividends helps defer taxes paid, which promotes a larger principal amount with greater compounding potential. In managing dividend yield, desired portfolio exposures need to be considered.

**Transition Management**

Portfolio transitions, such as adjusting asset allocation, rebalancing, or changing investment strategies or money managers, demand meticulous attention to tax implications such as realizing capital gains. Employing tax-efficient transition management strategies such as tax-loss harvesting, optimizing asset location, and strategically timing transactions, can help reduce the tax impact on investment returns, aiming to enhance long-term wealth accumulation for investors.

**Centralized Trading & Implementation**

When multiple money managers are combined in a single portfolio, there are opportunities to reduce turnover, defer gains and avoid wash sales by using an overlay portfolio manager who coordinates the trading activity across all managers. With total portfolio management (TPM), active manager positions are held in a single custody account, where the active manager security positions are implemented by the overlay manager. Considerable potential tax benefits can be derived using TPM:

- When any manager signals a sale, the sale can be transacted from the most beneficial tax lot considering all managers and all tax lots.
- When one manager is buying a position and another is selling the same position, the total transaction can be lessened because all or part of the buyer's purchase can be fulfilled by the seller, with potentially no actual transaction required in the portfolio.
- Wash sales that occur across managers can be managed. For example, if one manager sells a security at a loss and another manager requests purchase of the same security, the overlay manager can delay the purchase until the end of the wash sale period. Keep in mind this approach does not guarantee that wash sales will not occur from time to time.
- If a manager signals a sale of a short-term gain position that is nearing conversion to long-term status, the overlay manager can delay the sale.
- If a portfolio position drops significantly below its cost basis, some of the position can be sold to book a loss. If desired, the position can be added to after the wash sale period.

Transitioning between money managers requires careful planning, management, and trading techniques to help reduce and lower the tax impact of the realization of net capital gains, and especially net short-term capital gains.

Talk to your financial professional and/or tax accountant to see what steps can be taken to potentially reduce your tax burden.

Or visit **russellinvestments.com** to discover the potential benefits of tax-managed investing.

***Fund objectives, risks, charges and expenses should be carefully considered before investing. A summary prospectus, if available, or a prospectus containing this and other important information can be obtained by calling 800-787-7354 or by visiting https://www.russellinvestments.com. Please read a prospectus carefully before investing.***

**Important Risk Disclosures:**
Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Nothing contained in this material is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment. The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional.

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Tax-loss harvesting may not produce tax benefits, which depend on an investor's tax situation and applicable tax laws. The strategy can increase transaction costs and may cause investors to miss potential market gains if replacement investments underperform. Wash sale rules, limited capital gains, or reduced cost basis may limit benefits or increase future tax liabilities.



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