

TAX-EXEMPT HIGH YIELD BOND FUND

Money Manager and Russell Investments Overview



Russell Investments' approach

Russell Investments uses a multi-asset approach to investing, combining asset allocation, manager selection and dynamic portfolio management in its investment portfolios. Using this approach as a framework for mutual fund construction, we research, monitor, hire and terminate (subject to Fund Board approval) money managers from around the world and strategically allocate fund assets to them. We oversee all investment advisory services to the Fund and manage assets not allocated to money managers.

The Fund

The Tax-Exempt High Yield Bond Fund seeks to provide a high level of current income that is exempt from federal tax, and as a secondary objective, total return. The Fund invests principally in municipal debt obligations providing federal tax-exempt interest income, but may invest up to 20% of the value of its net assets plus borrowings for investment purposes in municipal debt securities, the interest on which is subject to federal income tax, including the alternative minimum tax. The Fund generally intends to invest a substantial portion of its assets in medium- to low-quality municipal debt securities including those that are rated in the lowest rating category by a nationally recognized statistical rating organization.

The Fund's performance benchmark is the Bloomberg 60% Muni HY Tax-Exempt/40% Muni Bond Index, which is a custom blend of 60% Bloomberg Municipal Bond High Yield Index/40% Bloomberg Municipal Bond Index, created and maintained by Bloomberg¹.

¹Indexes are unmanaged and cannot be invested in directly. The benchmark shown represents the Fund's performance benchmark, which may be different from the Fund's regulatory benchmark included in the Fund's Prospectus and Annual Reports. The Bloomberg Municipal High Yield Bond Index is an unmanaged index made up of bonds that are non-investment grade, unrated, or rated below Ba1 by Moody's Investors Service with a remaining maturity of at least one year. The Bloomberg Municipal Bond Index covers the USD denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

Russell Investments portfolio manager(s)

Brian Pringle, Senior Director, Co-Head of North America Fixed Income, and Riti Samanta, Senior Director, Co-Head of North America Fixed Income, have primary responsibility for the management of the Fund. Mr. Pringle and Ms. Samanta have managed the Fund since January 2025.

The portfolio managers' role

The Russell Investments portfolio managers are responsible for identifying and selecting the strategies and money managers included in the Fund and determining the weight for each assignment. The portfolio managers manage the Fund on a daily basis to help keep it on track, constantly monitoring risk and return expectations at the total fund level and making changes when deemed appropriate and/or necessary. Multiple resources from across the firm are used to help determine what is believed to be the best combination of managers and strategies. Manager research and capital markets research are just some of the tools at the portfolio managers' disposal to help identify opportunities and manage risk.

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

Tax-Exempt High Yield Bond Fund

Managers and Strategies Summary & Target allocation of fund assets

The percentages below represent the target allocation of the Fund’s assets to each money manager’s strategy and Russell Investment Management, LLC’s (“RIM”) strategy. RIM may change a Fund’s asset allocation at any time, including not allocating Fund assets to one or more money manager strategies.

FIRM NAME	TARGET ALLOCATION	ROLE	INVESTMENT FOCUS
Goldman Sachs Asset Management, L.P.	39%	High Yield Municipals	Goldman Sachs uses bottom-up investment strategies focused on identifying inefficiencies or informational advantages. The strategy is total-return oriented and takes active bets based on technical, political and fundamental views.
MacKay Shields LLC	39%	High Yield Municipals	MacKay is a fundamental and relative value focused manager that seeks to exploit inefficiencies in the high yield municipal market. The firm will take on relatively aggressive position sizes versus the benchmark and will also hold lower- and non-rated securities when attractive market opportunities exist.
Rockefeller & Co. LLC	20%	High Yield Municipals	Rockefeller’s strategy focuses on bottom-up credit research and identifying inefficiencies within the municipal market.
Russell Investment Management, LLC (RIM)	2%	Cash Reserves	RIM manages the Fund’s liquidity reserves.

Money managers listed are current as of September 30, 2025. 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.

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Goldman Sachs Asset Management, L.P.

Firm background

Goldman Sachs Asset Management, L.P. is a subsidiary of the Goldman Sachs Group, Inc., a bank holding company that engages in investment banking, securities services, and investment management. Goldman, Sachs & Co. was founded in 1869.

Headquarters: New York, NY

Founded: Goldman Sachs Asset Management, L.P. was founded in 1988

Lead manager: Scott Diamond

Asset class: Fixed income

Manager profile

Russell Investments added Goldman Sachs Asset Management, L.P. (GSAM) to the Tax-Exempt High Yield Bond Fund at its launch in 2015. The senior investment team has worked together for more than 13 years and is supported by a well-resourced and experienced analyst and portfolio management team.

Investment process

Goldman uses bottom-up investment strategies focused on identifying inefficiencies or informational advantages. The team of experienced research analysts and veteran portfolio managers works efficiently and diligently to seek to exploit mispricing in the municipal market.

From a top-down perspective, GSAM's portfolio strategy incorporates analysis of the broad fixed income market environment, shape of the yield curve, economic and sector trends, and U.S. politics.

Russell Investments believes the firm's willingness to invest in a broad range of municipal sectors is an advantage relative to peers, who may have a more limited focus.

Russell Investments' manager analysis

Russell Investments considers the GSAM investment team to be a strong, tenured, cohesive group with the ability to perform deep fundamental credit research across a variety of municipal sectors. The nimbleness of the team should allow the firm to exploit the inefficiencies of the municipal sector when or where possible.

GSAM tends to have a modestly heavier credit focus than the average peer within municipals, which Russell Investments believes will pay off over time with skillful security selection. During times of spread widening, Russell Investments expects GSAM to modestly underperform.

*See definitions on last page.

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MacKay Shields LLC

Firm background

MacKay Shields LLC offers a range of fixed income related strategies and solutions for a wide array of global clients including pension funds, government and financial institutions, family offices, high net worth individuals, endowments and foundations, and retail clients.

Headquarters: New York, NY

Founded: 1939

Lead manager: Michael Petty

Asset class: Fixed income

Manager profile

Russell Investments added MacKay Shields LLC (MacKay) to the Tax-Exempt High Yield Bond Fund at its launch in 2015. The MacKay team is an experienced team where the majority of its team members have 20+ years of experience in the municipal market. Most of the team has worked together at some point in the past at prior investment firms before reuniting at MacKay Shields.

Investment process

MacKay is a fundamental and relative value focused manager that seeks to exploit inefficiencies in the high yield municipal market. Furthermore, Russell Investments is of the view that the work environment at MacKay is collegial and intimate, which is conducive to effective information sharing among team members and may enhance timely execution of short-lived trading opportunities.

Russell Investments has a favorable view on MacKay’s research-driven security selection process and ability to generate creative trade ideas. MacKay also employs a general macro approach by taking into consideration high level drivers of municipal market performance, such as trends/changes in municipal investor demand, economic environment, tax laws, and political developments.

MacKay’s investment style is generally more contrarian in nature, taking advantage of select opportunities in underperforming sectors or securities that may be out of favor with the broader municipal market investor base. MacKay also seeks to add value by leveraging its specialized municipal knowledge in segments of the market less understood by other investors, leading to potentially attractive investment opportunities.

The municipal high yield market is less liquid than the investment grade municipal market, notably in non-rated issuers. MacKay may underweight the non-rated sector of the market to seek to avoid some of the illiquidity risks.

Russell Investments’ manager analysis

Russell Investments considers MacKay a high confidence manager whose size and tendency to hold less consensus views are seen as intriguing elements to what the firm brings to the table.

MacKay tends to underweight non-rated bonds and offsets this underweight through a higher allocation to high yield bonds relative to peers. Russell Investments expects that if the non-rated sector outperforms, MacKay may underperform peers. However, when high yield bonds outperform, MacKay is expected to outperform. or vice versa. As a whole, nimble security selection should otherwise mitigate any other major biases over multiple market cycles.

*See definitions on last page.

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Rockefeller & Co. LLC

Firm background

Rockefeller Capital Management, L.P.

Headquarters: New York, NY

Founded: 2018

Lead managers: Michael Camarella, Scott
Cottler, Mark DeMitry

Asset class: Fixed income

Manager profile

Russell Investments added Rockefeller & Co. LLC (Rockefeller) to the Tax-Exempt High Yield Bond Fund in 2025.

Investment process

Rockefeller’s strategy focuses on bottom-up credit research and identifying inefficiencies within the municipal market. The team may take concentrated positions in smaller, often overlooked issuers. These issuers tend to be in the less liquid segments of the market, so the strategy tends to barbell the less liquid portion of the portfolio with an investment grade allocation through the cycle. The investment team is experienced and well regarded but is currently small as Rockefeller’s municipal platform is in a growth phase. The strategy focuses on some niche segments and may participate in smaller deal sizes.

Russell Investments’ manager analysis

The strategy has seen a majority of its excess returns driven from a combination of sector and security selection. The strategy benefitted from allocations into the lower quality and not-rated portions of the market. Participating in smaller deals where the team owns majority of the deal also contributed to the strategy’s outperformance. This niche segment of the portfolio will be notably less liquid but provides high running yield/carry and alpha generation potential. The less liquid portfolio should benefit long-term results, but during periods of market risk sell-offs, the portfolio will likely trail more liquid peers.

*See definitions on last page.

Tax-Exempt High Yield Bond Fund

Russell Investment Management, LLC

Firm background

Russell Investment Management, LLC is the advisor to Russell Investment Company (RIC) Funds. Russell Investments’ ownership is composed of a majority stake held by funds managed by TA Associates Management, L.P. with minority stakes held by funds managed by Reverence Capital Partners, L.P., certain of Russell Investments’ employees, and Hamilton Lane Advisors, LLC. Russell Investments provides asset management and investment services to institutional and individual investors around the world.

Headquarters: Seattle, WA
Founded: 1936

CASH RESERVES

Asset class: Fixed income

RIM oversees all investment advisory services to the Fund and manages assets not allocated to managers.

Manager and strategy oversight

Russell Investments’ portfolio seek to ensure that fund outcomes are consistent with fund objectives. The portfolio manager and analysts track the effectiveness of every money manager and strategy in the Fund. Occasionally, adjustments may be necessary due to reasons such as a change in control at a money manager, the opportunity to select another manager or strategy the portfolio manager believes offers an investment proposition that would help improve the Fund, or changes in market dynamics. Any significant fund changes must be validated through an internal governance process to ensure all key considerations were addressed by the portfolio manager. Money manager changes are also subject to approval by the Fund’s Board of Trustees.

Managing the liquidity reserve

Every Russell Investment Company mutual fund maintains cash reserves, which is cash awaiting investment or held to meet redemption requests or to pay expenses. This Fund typically exposes all or a portion of its cash to changes in interest rates or market/sector returns by purchasing fixed income securities and/or derivatives (also known as “equitization”), which typically include exchange traded fixed income futures contracts and swaps. The Fund invests any remaining cash in an unregistered cash management fund advised by RIM and/or fixed income.

For more information on Russell Investment Company Funds, contact your investment professional or plan administrator for assistance.

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 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 sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall. 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.

Fixed Income: Prices of fixed income securities generally rise and fall in response to, among other things, interest rate changes. Volatility in interest rates and in fixed income markets may increase the risk that the Fund's investments in fixed income securities could lose money. In addition, the Fund could lose money if the issuer or guarantor of a fixed income security or other issuer of credit support is unable or unwilling to make timely principal and/or interest payments, or to otherwise honor its obligations. Fixed income securities may be downgraded in credit rating or go into default. Fixed income securities generally are subject to the following risks: interest rate risk, market risk, company risk, and credit and default risk. Additional risk and disclosures can be found in the prospectus.

International: Non-U.S. securities have risks relating to political, economic, social and regulatory conditions in foreign countries. Non-U.S. securities may also be subject to risk of loss because of more or less foreign government regulation, less public information and less stringent investor protections and disclosure standards. Additional risk and disclosures can be found in the prospectus.

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.

A portion of the interest return of tax-exempt mutual funds may be subject to the Alternative Minimum Tax and/or any applicable state and local taxes.

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.

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