

A new approach to informally funding non-qualified executive benefits



Taxes can impact investment returns. At Russell Investments, we believe taxes can be managed.

Investors can give up a lot of their returns to taxes. It's something we call "tax drag"—or an investment's pre-tax return less its after-tax return. The smaller the tax-drag number, the less you'll likely pay in taxes. Taking a look at U.S. and international equities as well as fixed income, as of June 30, 2019, the average actively-managed U.S. large cap and U.S. small cap equity mutual funds surrendered an average of 2.01% and 2.18% each year over the last three years respectively. During that same timeframe, the Russell Investment Company (RIC) Tax-Managed U.S. Large Cap Fund **gave up considerably less to taxes**—only 0.22%—while the RIC Tax-Managed U.S. Mid & Small Cap Fund surrendered just 0.04%. In addition, RIC Tax-Managed International Equity, Tax-Exempt Bond, and Tax-Exempt High Yield Bond Funds achieved materially less tax drag than industry averages.⁵

1

Tax-managed designed to minimize any tax-drag differential between participant and employer accounts.

2

Five broadly-diversified models, from conservative strategy to equity growth strategy. Fully asset-allocated model investment options designed around after-tax returns.

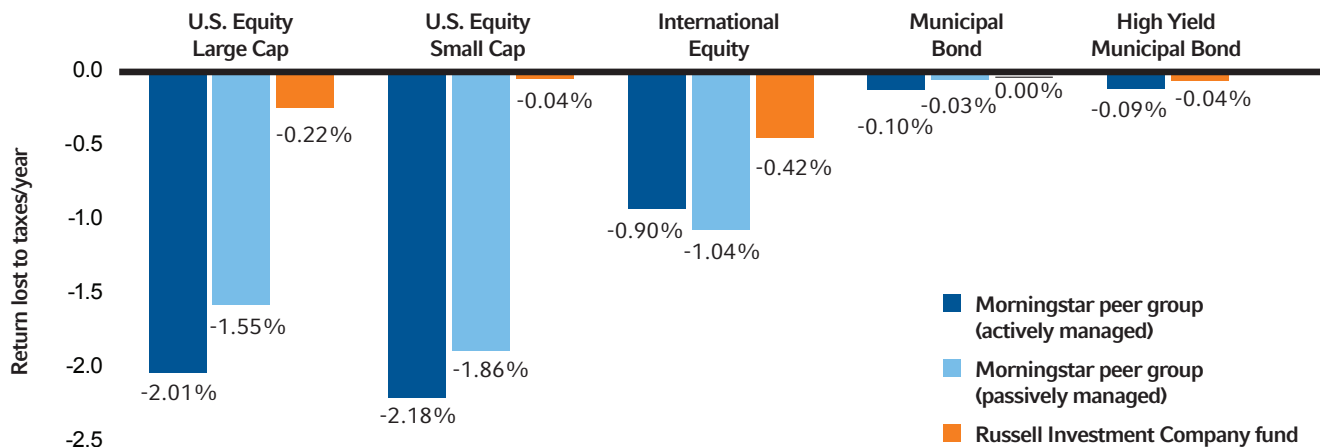
3

Multi-manager funds within our models. Manager changes take place within each fund.

PARTICIPANT INVESTMENT OR EMPLOYER FUNDING OPTION
Russell Investments Tax-Managed Model Strategies
Conservative
Moderate
Balanced
Growth
Equity growth

Annual tax drag comparison

Russell Investments' tax-managed and tax-exempt funds (Class S) vs. Morningstar peer groups



Source: Morningstar. Tax drag is Morningstar's calculated tax cost ratio.

See page 2 for methodology. Passive is defined as being an index fund as reported by Morningstar or part of an ETF Category.

Annualized returns as of June 30, 2019

Annual fund
operating
expenses³

RUSSELL INVESTMENT COMPANY FUNDS – CLASS	LAST 3 MOS %	1 YEAR %	5 YEARS %	10 YEARS %	SINCE INCEPTION %	INCEPTION DATE	TOTAL %	NET % ⁴
Tax-Managed U.S. Large Cap^{*(a)}	4.44	8.57	9.00	13.78	7.74	10/7/1996	0.96	0.92
Pre-liquidation after-tax returns ¹	4.44	8.34	8.57	13.51	7.51			
Post-liquidation after-tax returns ^{1,2}	2.63	5.19	7.02	11.58	6.62			
Tax-Managed U.S. Mid & Small Cap^{*(b)}	3.77	1.74	6.26	13.47	6.92	11/30/1999	1.29	1.20
Pre-liquidation after-tax returns ¹	3.77	1.74	5.93	13.05	6.62			
Post-liquidation after-tax returns ^{1,2}	2.23	1.03	4.84	11.24	5.79			
Tax-Managed International Equity^{*(c)}	1.85	-1.08	-	-	2.49	6/1/2015	1.16	1.04
Pre-liquidation after-tax returns ¹	1.85	-1.07	-	-	2.38			
Post-liquidation after-tax returns ^{1,2}	1.10	-0.07	-	-	2.11			
Tax-Exempt Bond^{*(d)}	2.07	6.08	3.22	3.79	4.43	9/5/1985	0.58	0.52
Pre-liquidation after-tax returns ¹	2.07	6.07	3.21	3.78	4.42			
Post-liquidation after-tax returns ^{1,2}	1.53	4.80	3.10	3.59	4.35			
Tax-Exempt High Yield Bond^{*(e)}	2.76	7.13	-	-	6.13	6/1/2015	0.81	0.64
Pre-liquidation after-tax returns ¹	2.76	7.05	-	-	6.06			
Post-liquidation after-tax returns ^{1,2}	2.07	5.83	-	-	5.57			

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/funds/performance-prices.

* (a) Asset class: U.S. Equity - Large Cap, Ticker: RETSX, Morningstar peer group: Large Blend.

(b) Asset class: U.S. Equity - Small Cap, Ticker: RTSSX, Morningstar peer group: Small Blend.

(c) Asset class: International Equity, Ticker: RTNSX, Morningstar peer group: 75% Foreign Large Blend / 25% Diversified Emerging Markets.

(d) Asset class: Municipal Bond, Ticker: RLVSX, Morningstar peer group: Muni National Intermediate.

(e) Asset class: High Yield Municipal Bond, Ticker: RTHSX, Morningstar peer group: High-Yield Muni.

¹ After-tax returns are calculated using the historical highest individual federal marginal income tax rates, as well as the 3.8% net investment income tax, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. 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. Returns After Taxes on Distributions may be the same as Returns Before Taxes for the same period if there were no distributions for that period.

² Return After Taxes on Distributions and Sale of Fund Shares. If a Fund has realized capital losses, the 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.

³ The Net Annual Operating Expense Ratio may be less than the Total Operating Expense Ratio and represents the actual expenses expected to be borne by shareholders after the application of: for the Tax-Managed U.S. Mid & Small Cap Fund and Tax-Exempt Bond Fund, a contractual transfer agency fee or advisory fee waiver through February 29, 2020; for the Tax-Managed U.S. Large Cap Fund, Tax-Managed U.S. Mid & Small Cap Fund, Tax-Managed International Equity Fund, and Tax-Exempt High Yield Bond Fund, a contractual cap and reimbursement on expenses through February 29, 2020; These contractual agreements may not be terminated during the relevant periods except at the Board of Trustee's discretion.

⁴ As of 3/1/2019.

⁵ **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.

Morningstar Categories included:

- U.S. Equity: US Fund Large Blend, US Fund Large Value, US Fund Large Growth, US Fund Mid-Cap Blend, US Fund Mid-Cap Value, US Fund Mid-Cap Growth

- Fixed Income (Taxable Bond): US Fund Long Government, US Fund Intermediate Government, US Fund Short Government, US Fund Inflation-Protected Bond, US Fund Long-Term Bond, US Fund Intermediate-Term Bond, US Fund Short-Term Bond, US Fund Ultrashort Bond, US Fund Bank Loan, US Fund Stable Value, US Fund Corporate Bond, US Fund Preferred Stock, US Fund High-Yield Bond, US Fund Multisector Bond, US Fund World Bond, US Fund Emerging Markets Bond, US Fund Emerging-Markets Local-Currency Bond, US Fund Nontraditional Bond
- International Equity: US Fund China Region, US Fund Diversified Emerging Markets, US Fund Diversified Pacific/Asia, US Fund Europe Stock, US Fund Foreign Large Blend, US Fund Foreign Large Growth, US Fund Foreign Large Value, US Fund Foreign Small/Mid Blend, US Fund Foreign Small/Mid Growth, US Fund Foreign Small/Mid Value, US Fund India Equity, US Fund Japan Stock, US Fund Latin America Stock, US Fund Miscellaneous Region, US Fund Pacific/Asia ex-Japan Stock, US Fund World Large Stock, US Fund World Small/Mid Stock

The Morningstar categories are as reported by Morningstar and have not been modified. © 2019 Morningstar, Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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 of U.S. Equity and Taxable Bond for equities and fixed income respectively.

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.

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

Mutual fund investing involves risk, principal loss is possible.

Diversification and strategic asset allocation do not assure profit or protect against loss in declining markets.

Model Strategies represent target allocations of Russell Investment Company funds; these models are not managed and cannot be invested in directly. You and your financial advisor may work to combine selected funds that differ from the illustrated combinations depending upon individual investment objectives. Model Strategies are exposed to the specific risks of the funds directly proportionate to their fund allocation. The funds comprising the strategies and the allocations to those funds have changed over time and may change in the future.

All underlying money managers of Russell Investment Company tax-

managed equity funds are non-discretionary money managers. Russell Investment Management, LLC (RIM) manages the respective portions of the fund's assets based upon model portfolios provided by each firm.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. Greater risk, such as increased volatility, limited liquidity, prepayment, nonpayment 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. 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.

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 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.

Executive Benefit plan consulting provided by Rouse & Company

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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 800-787-7354. Please read a prospectus carefully before investing.

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First used April 2015. Updated August 2019.

RIFIS-21724