

# Russell Tax-Managed U.S. Mid & Small Cap Fund

Tax-Efficient Management for Mid-Cap and Smaller Stocks

## Investment Strategy

- Seeks to provide long-term capital growth on an after-tax basis.
- Emphasis on mid- and small-capitalization stocks.
- Uses managers with tax-sensitive investment approaches.
- Core equity exposure incorporates market-oriented, growth and value styles.

## Fund Highlights

- Provides broad exposure to small-cap stocks by blending managers that invest in diverse styles across the mid and small capitalization spectrum without the tax impact of a fund that buys and sells with no regard for taxes.
- Helps tax-sensitive investors by seeking to maximize after-tax returns.

## About the Fund



Robert Kuharic, CFA  
Russell Portfolio  
Manager

Russell chooses managers that use different investment styles based on our confidence in their stock selection capabilities and the level of tax-efficiency of their approaches. For example, we may have a growth manager that selects higher quality growth companies, focusing on longer-term economic, geo-political and business trends. Another growth manager may focus on security selection with the belief that earnings expectations and momentum drive stock prices. One value manager may be selected for its strong value-based, bottom-up research, while another may focus on attractively priced value stocks with clear drivers of profit growth and price appreciation. We may also include a tax-focused, enhanced index manager that is expected to help harvest taxable losses to enhance post-tax returns.

## Sector Weightings<sup>1,2</sup>

Consumer Discretionary	18.4%
Energy	4.2%
Financial Services	18.0%
Health Care	12.0%
Materials and Processing	5.9%
Producer Durables	16.6%
Consumer Staples	3.6%
Technology	17.7%
Utilities	3.7%

<sup>1</sup> Due to rounding, totals may not equal 100%.

<sup>2</sup> Data is as of 02/29/2012.

## Allocation of Fund Assets

	Current Allocation	Year Assigned
<i>Growth</i>		
Summit Creek Advisors, LLC	21%	2010
Turner Investment Partners, Inc.	11%	2004
<i>Market-Oriented</i>		
Parametric Portfolio Associates, LLC	30%	2004
<i>Value</i>		
Chartwell Investment Partners	17%	2004
Netols Asset Management, Inc.	21%	2004

The above represents the percentage of fund assets allocated to money managers, excluding the fund's cash reserves. Fund assets not allocated to money managers are managed directly by Russell for a variety of purposes.

Money managers listed are current as of 03/31/12. Subject to the fund's Board approval, Russell 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. Investments in the Funds are not deposits with or other liabilities of any of the money managers and are subject to investment risk, including loss of income and principal invested and possible delays in payment of redemption proceeds. The money managers do not guarantee the performance of any Fund or any particular rate of return.

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 company stocks. Investors should consider the additional risks involved in small cap investments.

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

**Fund objectives, risks, charges and expenses should be carefully considered before investing. A prospectus containing this and other important information can be obtained by calling 800-787-7354 or by visiting [www.russell.com](http://www.russell.com). Please read the prospectus carefully before investing.**

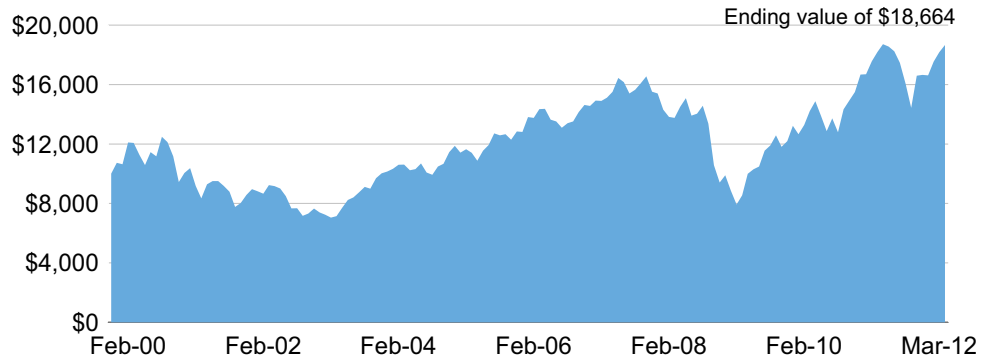
	Class A	Class C	Class E	Class S
CUSIP	782494330	782478507	782478887	782478408
TICKER	RTSAX	RTSCX	RTSEX	RTSSX

# Russell Tax-Managed U.S. Mid & Small Cap Fund

## Managing Money Differently

The Russell approach has been trusted for decades by many of the world's largest investors; our mutual funds allow you to employ that same approach. We identify investment managers we believe have exceptional capabilities, blend them to help manage risk through diversification, and constantly monitor them. Regardless of market conditions, Russell's investment approach remains constant.

## Growth of \$10,000 – Class S Shares (since inception)



## Characteristics

Total Net Assets – All Classes	\$163.1M
Net Asset Value – Class Level	\$16.70

## Top 10 Holdings<sup>1</sup>

Advisory Board Co. (The)	1.1%
MWI Veterinary Supply, Inc.	1.0%
SXC Health Solutions Corp.	0.9%
LKQ Corp.	0.9%
ExlService Holdings, Inc.	0.9%
DealerTrack Holdings, Inc.	0.9%
ANSYS, Inc.	0.9%
Hibbett Sports, Inc.	0.8%
HMS Holdings Corp.	0.8%
TreeHouse Foods, Inc.	0.8%

<sup>1</sup> Data is as of 02/29/2012.

The top ten holdings list does not reflect the investment of cash reserves and cash collateral received in securities lending transactions in one or more of Russell Investment Company's money market funds.

Russell Investment Group is a Washington, USA corporation, which operates through subsidiaries worldwide, including Russell Investments, and is a subsidiary of The Northwestern Mutual Life Insurance Company.

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

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

Fund performance is reported net of fund advisory and administrative fees, and gross of financial intermediary fees.

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## Performance Review

As of March 31, 2012

	Quarterly	Year to Date	Annualized				Since Inception <sup>1</sup>
			1 Year	3 Years	5 Years	10 Years	
Russell Tax-Managed U.S. Mid & Small Cap Fund † <sup>(a)(b)(c)</sup> – Class S Return Before Taxes	12.31%	12.31%	2.64%	29.76%	4.31%	7.29%	5.19%
Pre-Liquidation After Tax Return <sup>2,3</sup>	12.31	12.31	2.64	29.76	3.98	7.10	5.03
Post-Liquidation After Tax Return <sup>3,4</sup>	8.00	8.00	1.72	26.14	3.62	6.39	4.53
Annual Total Operating Expenses	1.36%						
Annual Net Operating Expenses	1.25%						

**Performance information is historical and does not guarantee future results. Investment return and principal value will fluctuate so that redeemed shares 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 for Russell mutual funds is available by visiting: [www.russell.com/us/fundperformance](http://www.russell.com/us/fundperformance).**

The fund offers other classes of shares with higher fees and expenses. These other classes may charge up to a 0.75% distribution fee and a 0.25% shareholder servicing fee which will result in a higher expense ratio and lower performance than that shown above. For a full description of other available classes, please see the prospectus.

†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 application of:

- (a) a contractual transfer agency fee waiver through February 28, 2013;
- (b) a contractual advisory fee waiver and/or reimbursement through February 28, 2013;
- (c) a contractual cap on expenses through February 28, 2013.

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. Absent these reductions, the fund's return would have been lower.

<sup>1</sup> Fund inception date: 11/30/99.

<sup>2</sup> 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.

<sup>3</sup> After-tax returns are calculated using the historical highest individual federal marginal income tax rates 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.

<sup>4</sup> 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.

**Securities products and services offered through Russell Financial Services, Inc., member FINRA, part of Russell Investments.**

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Not FDIC Insured  
May Lose Value  
No Bank Guarantee