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The Current Market Environment Q4, 2017

Christy Stoner, AIF®, President and CEO

Encouraging economic data and a series of unsettling news headlines vied for Wall Street's attention in the third quarter. Ultimately, investors were not shaken. The S&P 500 rose 3.96% over three months, getting a lift from upbeat manufacturing and consumer confidence readings as well as earnings news. [1] Away from our shores, the economies of China and the European Union ("EU") showed improvement, and foreign stock benchmarks rallied along with ours. A slumping dollar offered no big spark for the commodities markets. The residential real estate market looked to be cooling off. The quarter was filled with major news stories, yet the bulls sauntered through the disruptions.

Domestic economic health. Consumer confidence barometers were among the most impressive economic indicators last quarter. By August, the Conference Board's index topped 120, far above its origin score of 100; it was at 119.8 in September.[2]

One of the economy's key Purchasing Manager Indices ("PMI") was also elevated well above the 50 level, which also cheered Wall Street. In September, the Institute for Supply Management's factory PMI jumped to 60.8 – rising above 60 for the first time in 13 years.[3]

Employers added 156,000 net new jobs in August after a July gain of 189,000. [4] The main jobless rate ticked up from 4.3% in July to 4.4% in August, while the U-6 rate, tracking unemployment and underemployment, held at 8.6%.[5]

Inflation showed definite signs of picking up, or at least, nearing the Federal Reserve's 2.0% target. Few investors thought the Federal Reserve would tinker with interest rates in the third quarter, and it did not. It did announce a strategy to cut its $4.2 trillion balance sheet at its September policy meeting.[6] The Federal Reserve is starting the slow process of balance sheet reduction and a gradual path to raise the federal funds rate. The implication of this is that we have seen the end of declining interest rates for this cycle in the economy.

Cybercrimes were also conspicuous in the quarter. The credit reporting titan, Equifax, had its databases hacked, leaving the personal information of more than 140 million Americans at risk. Whole Foods and Sonic also suffered major identity theft breaches.[7] The implications of these cyber attacks to our economy have yet to be fully realized.

Global economic health. News about the European economy was increasingly positive, even as Spain's Catalonia region threatened to secede and Brexit negotiations continued. By August, the unemployment rate in the EU fell to 9.1%, an 8-year low; unemployment was down to a record-low 5.6% in Germany. Euro area consumer confidence rose to a high unseen since prior to the credit crisis, as the summer ended. In September, the European Central Bank ("ECB") forecast growth of 2.2% for the region, which could lead the ECB to wind down its longstanding bond-buying effort.[8]

Securities and/or insurance products are not FDIC insured, are not deposits or other obligations of any financial institution, and are subject to investment risks, including possible loss of the principal amount invested.

Late in the quarter, China's official statistics bureau projected 6.9% GDP for the year; Nomura, JPMorgan Chase, and Citibank upgraded their forecasts for China's 2017 growth to 6.8%.[9] When it came to India, the outlook was far less rosy; as Q3 ended, the Asian Development Bank cut its GDP forecast for India's current fiscal year by 0.4% to 7.0%, and Fitch Ratings slashed their forecasts by 0.5% to 6.9%.[10] Particularly alarming was news that the Indian manufacturing sector had advanced only 1.2% year-over-year through July.

World markets. As September's final trading day ended, 13-week (quarterly) gains were widespread among foreign benchmarks. The MSCI Emerging Markets index surged 7.02% in Q3. [11] Not far behind was the Hang Seng; Hong Kong's index soared 6.95%. The Shanghai Composite rose 4.90%. MSCI's World Index posted an advance of 4.39%.[12]

Investors think of the fourth quarter as a "sweet spot" for the market, and they can cite history to affirm their belief. Since 1950, the S&P 500 has advanced in 79.1% of fourth quarters. Its average Q4 performance from 1950-2016: +3.9%. Both the Dow and S&P are entering the quarter on 6-month winning streaks, and bulls seem to be okay with the prospect of a Q4 rate hike and the Federal Reserve thinning its bond holdings. Then again, there is no sure thing on Wall Street. As an example, September has long been characterized as a bad month for equities, but that was not the case this year. Confidence is certainly abundant and anticipation is high as a new earnings season begins, and if history repeats itself, 2017 will go into the books as a strong year for U.S. equities.[13]

Will the current bull market run for another year? How about another two or three years? Some investors will confidently say "yes" to both questions. Optimism abounds on Wall Street: the major indices climb more than they retreat, and they have attained new peaks. On average, the S&P 500 has gained nearly 15% a year for the past eight years.[14]

Stocks will correct at some point. A bear market could even emerge. Are you and your investment portfolio ready for either kind of event?

We know diversification is important, especially when one investment sector that has done well for you suddenly turns sideways or plummets. When a bull market becomes as celebratory as this one, that lesson risks being lost. Recent positive performance with low volatility, especially in the short-term, can be a huge lure. As investors pile into a rising equity market with greater momentum, they face heightened risk in a larger reversal when that momentum changes.

How do bear markets begin? They seldom arrive abruptly, but some telltale signs may hint that one is ahead. It is the elevated level of the cyclically adjusted price earnings ratio that makes us nervous. Economist Robert Schiller developed a methodology that measures the current level of corporate earnings with the 10 year average inflation adjusted earnings. This ratio currently stands at just over 30 times earnings, a level only reached twice before: during the tech bubble of the late 1990s and in the 1929 boom. Historically when this ratio gets above 22 times, the market will correct. We past the 22-times mark four years ago, so this market is already an outlier. The current market has a lot of momentum and a benign economic environment could see the current markets trend even higher. The Shiller ratio indicates that values are high and that the market has more downside risk than upside potential. [15]

How long could the next bear market last? It is impossible to say, but we do know that the longest bear market on record lasted 929 days (calendar days, not trading days). That was the 2000-02 bear. [13] A typical bear market lasts 9-14 months.[14]

Enjoy this record-setting Wall Street run, but be pragmatic. Equities do have bad years, and bears do come out of hibernation from time to time. Patience and adequate diversification may make a downturn more tolerable for you. You certainly do not want the value of your portfolio to fall drastically in the years preceding your retirement, when you will have a narrow window of time to try and recoup that loss. Remember, the market does not always advance.
At Uwharrie Investment Advisors, we utilize a quantitative approach, aiming to minimize the subjectivity of investing. This approach employs multiple factors that seek to stay invested while markets are appreciating, but also seek to be defensive in a "risk-off" position if markets are depreciating. Whether markets are going up or down, our bias is to be ready when things change. As portfolios come up for review, your advisor will be contacting you to talk through your situation to make sure that you are comfortable where you are positioned in the event of an inevitable correction.

As many of our clients are aware, we have partnered with Russell Investments to help us design and deliver the appropriate portfolios to meet our clients' needs. We have chosen Russell because of their history, research and global reach. George Russell helped pioneer the field of institutional investment consulting in 1969, and below are some key facts about the firm:

- Over 40 years of experience of providing strategic advice;
- Assets under advisement valued at approximately $2.3 trillion as of 12/31/16;
- Over 30 years of experience providing multi-asset solutions.

We, as a Russell partner, can provide you with access to a dynamic portfolio management process by utilizing a tailored combination of strategies, asset types, and risk exposures, managed by experienced portfolio managers who combine Russell's researched "best of breed" investment strategies, proprietary insights, and state of the art implementation techniques.

Enclosed you will find the 2017 3rd Quarter Review that provides Russell's model commentary and market insights. The enclosure(s) either aligns with the portfolio(s) that you may already be in or the Balanced Portfolio, intended to give you a perspective on information you will receive if moving to a Russell portfolio is the best fit for your specific situation.

As always, we appreciate the opportunity to work with you and are available to assist or answer any questions you may have.

Citations.
1 - quotes.wsj.com/index/SPX [10/2/17]
2 - investing.com/economic-calendar/ [10/1/17]
3 - investors.com/news/economy/ism-manufacturing-index-jumps-to-highest-since-2004/ [6/2/17]
4 - instituteforsupplymanagement.org/ISMReport/NonMfgROB.cfm [9/6/17]
5 - ncsl.org/research/labor-and-employment/national-employment-monthly-update.aspx [9/1/17]
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14- investopedia.com/news/how-do-bear-markets-start/ [10/14/16]
15- Russell Investments 2017 Global Market Outlook – Q4 Update [9/17]

3Q17 Quarterly Review

Russell Investments

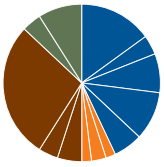
CORE MODEL STRATEGIES

Balanced Model Strategy

Not FDIC Insured · May Lose Value · No Bank Guarantee

30 YEARS MULTI-ASSET MODEL PORTFOLIOS

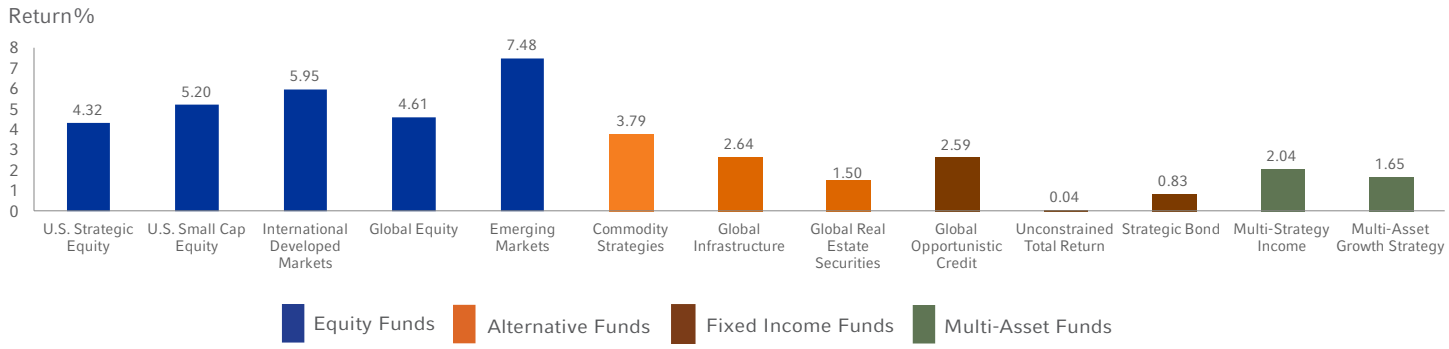
CONTENTS



Strategy Commentary

From a broad asset class perspective, U.S. equity funds were the main contributors to the Balanced Model Strategy's ("Strategy") total performance in the quarter ending 09/30/2017. Based on the percentage allocation in the Strategy, the U.S. Strategic Equity Fund contributed the most to Strategy performance. The Global Real Estate Securities Fund detracted the most.

3Q 2017 FUND CONTRIBUTION TO BALANCED MODEL STRATEGY



EQUITIES

- **Third Quarter**

  For the third consecutive quarter, non-U.S. stocks led global equity markets. This strong result was reflected in the models as the International Developed Markets Fund and the Emerging Markets Fund were the best performing funds of third quarter. The International Developed Markets Fund benefited from exposure to European stocks, as well as developing markets. The Emerging Markets Fund's exposure to two of the larger emerging market countries, China and Brazil, helped results as exposure to the countries returned 14% and 22% respectively.

- **One Year**

  U.S. equity funds and international developed market funds produced returns approaching 20%, with the U.S. Small Cap Equity Fund and Emerging Markets leading the way for the year ending September as both were up close to 20%. Despite trailing other equity funds YTD, the Small Cap Fund has been the best performing equity fund for the twelve-month period, benefiting from the late 2016 small cap rally and strong third quarter results. As the second-best performer, the Emerging Markets Fund profited from exposure to numerous markets posting returns over 30% for the twelve months, led by exposure to Poland which returned over 50%.

FIXED INCOME

- **Third Quarter**

  The fixed income markets produced modest results for core bonds. Credit was rewarded as the Global Opportunistic Credit Fund produced the best results among the bond funds, capitalizing on exposure to local currency emerging markets debt and bank loans. In core bond space, both Investment Grade Bond Fund and Strategic Bond Fund posted market like returns. A reduction in credit exposure for these two funds kept results muted.

- **One Year**

  For the one year, core fixed income market returns were disappointing, finishing in negative territory, down a fraction of a percent point. Strategic Bond did modestly better to finish with positive results and Investment Grade Bond did slightly worse to finish down 50 basis points. Just as for third quarter, credit exposure was rewarded in the fixed income markets for the twelve months.

ALTERNATIVES

- **Third Quarter**

  Real assets had a solid quarter as all three asset segments posted positive results. Commodities were the best performing segment and that was captured by the strong results of the Commodity Strategies Fund. It's return nearing 4% was reflective of exposure to the energy sector. The Global Real Estate Securities Fund was the poorest performer in this space, but still finished up 1.5%.

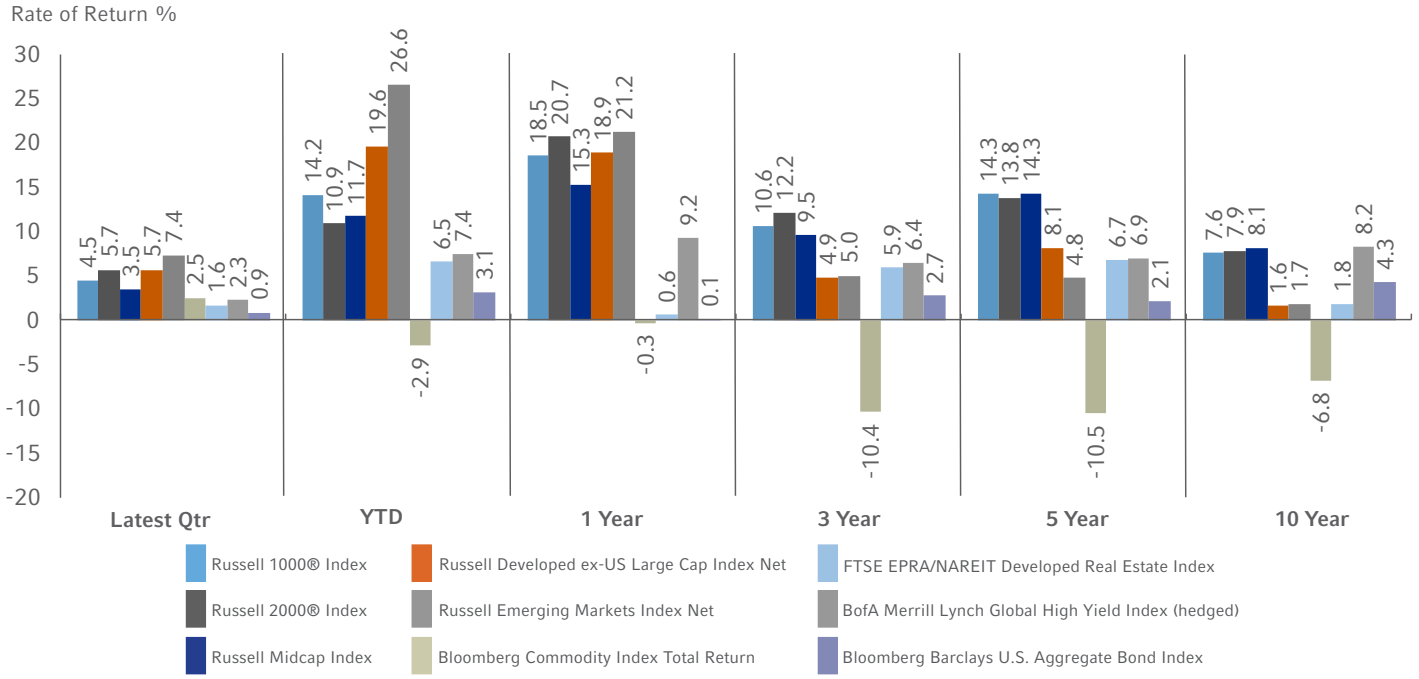
- **One Year**

  The real asset story is quite different for the 12 months ending September. Infrastructure has produced the best results by far, with the Global Infrastructure Fund up over 11%. Both the Global Real Estate Securities Fund and the Commodity Strategies Fund were disappointing, up less than 2% and flat for the year.

Capital Markets Insights

Equity markets across the globe experienced positive performance in the third quarter. Emerging markets had the strongest returns based on solid economic data and attractive valuations. Non-U.S. equities have outperformed U.S. stocks for the quarter and year-to-date.

Return on Indexes



U.S. Equity Indexes

The Russell 1000® Index was up 4.5% for the quarter. Almost all sectors were positive for the quarter apart from Consumer Staples, which was down -2.0%. The Technology Sector was the best performer, up 8.2% for the quarter followed by Energy up 6.8%. Small cap stocks, as measured by the Russell 2000® Index, were up 5.7% for the quarter with Producer Durables as the best performing sector up 8.8%. Small cap stocks were up partly in anticipation of tax reform.

Non-U.S. Equity Indexes

International stocks have provided strong returns year to date, and continued to provide positive performance in the third quarter. Developed non-U.S. equities were up 5.4% for the quarter as measured by the MSCI EAFE Index. Emerging markets (MSCI Emerging Markets Index) were up 7.9% for the quarter, and up 27.8% year-to-date, with Brazil as the best performing country up 23.0% quarter-to-date.

Alternative Indexes

Commodities were up across most sectors in Q3 with the Bloomberg Commodity Index up 2.5% for the quarter. The leading commodity was heating oil up 21.3% and the worst performing was wheat down -19.5%. Global real estate (FTSE EPRA/NAREIT Developed Real Estate Index) was up 1.6% for the quarter, and 6.5% year-to-date ending September 30th, 2017.

Fixed Income Indexes

U.S. bonds provided positive returns for the quarter and year to date on continued low inflation and strong economic data, with the Bloomberg Barclays U.S. Aggregate Bond Index returning 0.8% for the quarter. The market will be looking to see if the Federal Reserve increases the Feds Fund rate in December.

Source: *Russell Investments. The 1 year, 3 year, 5 year and 10 year returns shown above are annualized to the most recent quarter end. Index returns represent past performance, are not a guarantee of future performance,and are not indicative of any specific investments.*

Performance is as of 09/30/2017.
Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.
Nothing contained on this page is intended to constitute legal, tax, securities or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type.
The general information contained in this publication should not be acted upon without obtaining specific legal, tax and investment advice from a licensed professional.
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.
Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which can be expected to have less stability than those of more developed countries. Securities may be less liquid and more volatile than US and longer-established non-US markets.
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 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.
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.

Investment Objective

Seeks to provide above average long term capital appreciation and a moderate level of current income.

Underlying Fund Allocation (%)	
Equity Funds	**43**
U.S. Strategic Equity	15
U.S. Small Cap Equity	4
International Developed Markets	8
Global Equity	10
Emerging Markets	6
Alternative Funds	**7**
Commodity Strategies	2
Global Infrastructure	3
Global Real Estate Securities	2
Fixed Income Funds	**37**
Global Opportunistic Credit	5
Unconstrained Total Return	4
Strategic Bond	28
Multi-Asset Funds	**13**
Multi-Strategy Income	4
Multi-Asset Growth Strategy	9

Performance Review AS OF SEPTEMBER 30, 2017

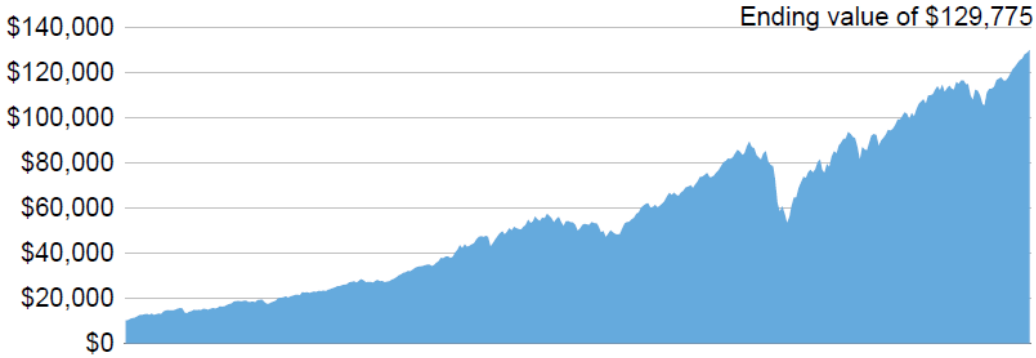
			ANNUALIZED				
	Quarterly	Year-to-Date	1 Year	3 Years	5 Years	10 Years	Since Inception
Balanced Model Strategy - Class S	3.02	10.40	10.19	5.28	6.57	4.07	8.36

Strategy Inception date: 10/01/85

Notice:

- New allocations for the Core Model Strategies, Class S, were effective March 8, 2017.
- Effective March 1, 2017, the Funds removed "Russell" from their name.

Growth of 10K Since Inception



Calendar year returns (%)

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
-0.71	22.04	13.09	16.12	11.53	12.31	0.52	-3.84	-7.30	22.17	11.09	7.18	13.12	6.94	-29.79	26.71	13.99	-2.39	12.94	11.86	4.41	-2.76	7.22

Underlying fund performance (%)

			ANNUALIZED						Annual Fund Operating expenses	
RIC Funds Class S	Quarterly	Year-to-Date	1 Year	3 Years	5 Years	10 Years	Since Inception	Inception Date ‡	Total	Net †
U.S. Strategic Equity †(a)(b)(c)	4.32	12.90	18.62	9.43	13.05	--	13.36	8/6/2012	1.06	0.78
U.S. Small Cap Equity †(a)	5.20	9.77	19.87	11.18	13.61	6.43	10.98	12/28/1981	1.00	0.96
International Developed Markets †(a)(c)	5.95	20.24	19.93	5.54	8.57	0.89	9.07	1/31/1983	1.00	0.93
Global Equity	4.61	16.62	19.46	8.98	11.87	4.28	4.92	2/28/2007	1.25	1.25
Emerging Markets †(a)	7.48	28.37	23.28	4.57	4.36	1.63	6.64	1/29/1993	1.53	1.47
Commodity Strategies †(a)(d)	3.79	-3.18	-0.36	-11.33	-11.17	--	-5.78	6/30/2010	1.89	1.19
Global Infrastructure †(a)(c)	2.64	17.45	11.26	6.24	9.29	--	9.04	9/30/2010	1.59	1.13
Global Real Estate Securities	1.50	6.92	1.13	5.55	6.69	2.96	9.68	7/28/1989	1.13	1.13
Global Opportunistic Credit †(a)	2.59	9.13	7.10	5.06	4.36	--	5.50	9/30/2010	1.33	0.89
Unconstrained Total Return †(b)	0.04	1.64	2.36	--	--	--	2.21	9/22/2016	1.48	0.94
Strategic Bond †(a)(c)	0.83	3.82	0.29	2.88	2.41	4.61	5.64	1/29/1993	0.76	0.59
Multi-Strategy Income †(b)(c)	2.04	8.47	8.63	--	--	--	4.57	5/1/2015	1.12	0.78
Multi-Asset Growth Strategy †(b)(c)(d)	1.65	--	--	--	--	--	4.92	3/7/2017	1.45	0.93

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 Investments mutual funds is available by visiting https://russellinvestments.com/us/funds/performance-prices.

‡ For information on the underlying fund performance since inception, see the performance notes on the disclosure page.

†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 or advisory fee waiver through February 28, 2018;
(b) a contractual cap and reimbursement on expenses through February 28, 2018;
(c) a contractual cap and reimbursement on expenses through February 28, 2019;

These contractual agreements may not be terminated during the relevant periods except at the Board of Trustee's discretion.

(d) a contractual agreement to permanently waive the advisory and administrative fees paid by the Fund in an amount equal to the advisory and administrative fees paid by the Subsidiary. This contractual agreement may not be terminated.

Details of these agreements are in the current prospectus. Absent these reductions, the fund's return would have been lower.

Model Strategy returns represent past performance and are not indicative of any specific investment. Model Strategy returns are calculated by obtaining the weighted monthly returns of the strategy component funds from the prior month-end to the current month-end. These weighted returns are then added to the prior month's return history and annualized. Performance is calculated based upon the actual historical fund allocations at the beginning of each month during the periods shown, which may differ from the current allocation. The funds comprising the strategies and the allocations to those funds have changed over time and may change in the future. Actual historical performance has not been adjusted to reflect current fund allocations.

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 ("RIM"). This does not include liquidity reserves managed directly by RIM, which may constitute 5% or more of fund assets at any given time.

Money Manager and Advisor	Role	Percent
U.S. Strategic Equity Fund		**15.00%**
AJO	Dynamic	1.20%
Barrow Hanley	Value	2.25%
Brandywine*	Value	1.05%
Jacobs Levy	Defensive	2.55%
RIM**	Positioning Strategy	4.50%
Suffolk	Dynamic	1.05%
William Blair	Growth	2.40%
U.S. Small Cap Equity Fund		**4.00%**
Ancora	Market-oriented	0.32%
Boston Partners	Value	0.48%
Copeland	Market-oriented	0.44%
DePrince, Race & Zollo	Value	0.44%
Falcon Point	Growth	0.48%
Jacobs Levy	Value	0.56%
PENN	Market-oriented	0.20%
RIM**	Positioning strategy	0.60%
Timpani	Growth	0.48%
International Developed Markets Fund		**8.00%**
Barrow Hanley	Market-Oriented	1.00%
GQG Partners	Growth	1.20%
Numeric	Value	1.20%
Pzena	Value	1.20%
RIM**	Positioning Strategy	2.40%
Wellington	Growth	1.00%
Global Equity Fund		**10.00%**
GQG Partners	Growth	1.75%
Polaris Capital	Value	2.25%
RIM**	Positioning strategy	2.00%
Sanders Capital	Value	2.25%
Wellington	Growth	1.75%
Emerging Markets Fund		**6.00%**
AllianceBernstein	Value	0.90%
Consilium*	Market-Oriented	0.36%
Delaware Management	Value	0.84%
Harding Loevner	Growth	0.78%
Numeric	Market-Oriented	0.84%
Oaktree Capital	Market-Oriented	0.90%
RIM**	Positioning Strategy	0.96%
Westwood	Growth	0.42%
Commodity Strategies Fund		**2.00%**
CoreCommodity Management	Global Market-Oriented	0.40%
Credit Suisse	Global Market-Oriented	0.60%
Mellon Capital	Global Market-Oriented	0.40%
RIM**	Positioning Strategy	0.60%

Money Manager and Advisor	Role	Percent
Global Infrastructure Fund		**3.00%**
Cohen & Steers † †	Global Market-Oriented	0.45%
Colonial First State	Global Market-Oriented	1.05%
Maple-Brown	Global Market-Oriented	0.45%
Nuveen	Global Market-Oriented	0.90%
RIM**	Positioning Strategy	0.15%
Global Real Estate Securities Fund		**2.00%**
Cohen & Steers † †	Global Market-Oriented	0.60%
Morgan Stanley Investment Management***	Global Value	0.60%
RREEF America ∓	Global Market-Oriented	0.60%
RIM**	Positioning Strategy	0.20%
Global Opportunistic Credit Fund		**5.00%**
Axiom	Specialist	0.30%
Barings †	Specialist	0.75%
DDJ Capital	Specialist	0.60%
DuPont	Specialist	0.75%
Lazard	Specialist	0.70%
RIM**	Positioning Strategy	1.35%
THL	Specialist	0.55%
Unconstrained Total Return Fund		**4.00%**
H2O Asset Management	Diversified	0.60%
Post Advisory Group	Yield	1.20%
Putnam	Opportunistic	0.80%
RIM**	Positioning Strategy	0.60%
THL	Yield	0.80%
Strategic Bond Fund		**28.00%**
Colchester	Generalist	1.40%
Logan Circle	Specialist	3.64%
Pareto	Generalist	1.68%
RIM**	Positioning Strategy	6.72%
Schroder	Specialist	4.76%
Scout	Generalist	4.90%
Western	Generalist	4.90%
Multi-Strategy Income Fund		**4.00%**
Cohen & Steers † †	Global Real Estate and Infrastructure	0.56%
DDJ Capital	High Yield Debt	0.32%
GLG LLC	Emerging Market Debt	0.40%
Janus*	Global Equity	0.38%
JO Hambro*	UK Equity	0.24%
Kopernik*	Global Equity	0.12%
Oaktree	Convertibles	0.24%
OFI Global*	Global Equity	0.12%
Putnam	Mortgages	0.20%
RIM**	Positioning strategy	0.42%
T. Rowe Price	Global Credit	0.44%
THL	Bank Loans	0.56%
Multi-Asset Growth Strategy Fund		**9.00%**
AllianceBernstein*	Emerging Markets	0.27%
Axiom*	Int'l Equity - All Cap Growth	0.27%
Cohen & Steers* † †	Global Real Estate Securities	0.54%
Colonial First State*	Global Listed Infrastructure	0.54%
GLG LLC	Emerging Market Debt	0.63%
Hermes	High Yield Debt	0.36%
Kopernik*	Global Equity - All Cap Value	0.27%
Levin Capital*	U.S. Equity - Large Cap Value	0.18%
Oaktree	Convertibles	0.54%
OFI Global*	Global Equity - All Cap Value	0.27%
Polaris Capital*	Global Equity - All Cap Value	0.36%
Putnam	Mortgages	0.54%
RIM**	Positioning Strategy	2.25%
RiverPark Advisors*	U.S. Equity - Large Cap Growth	0.18%
Sustainable Growth*	Global Equity - Large Cap Growth	0.27%
T. Rowe Price	Global Credit	0.90%
THL	Bank Loans	0.36%
Wellington*	Global Equity - All Cap Growth	0.27%

What changed this quarter

- U.S. Small Cap Equity Fund
  Terminated Manager: Cardinal
- Multi-Strategy Income Fund
  Hired Manager: OFI Global

Due to rounding, totals may not equal 100%.

* Indicated managers are non-discretionary money managers. Russell Investments manages these portions of the Fund's assets based upon model portfolios provided by these firms.

Money managers listed are current as of 09/30/2017. Subject to the fund's board approval, Russell Investment Management, LLC 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.

** Russell Investment Management, LLC ("RIM") manages this portion of the fund's assets to effect the fund's investment strategies and/or to actively manage the fund's overall exposures to seek to achieve the desired risk/return profile for the fund. Positioning strategies are used to seek excess return and manage portfolio risks by targeting specific exposures. These strategies are used in conjunction with allocations to third-party managers to fully reflect Russell Investments' strategic and dynamic views with integrated liquidity and risk management.
Fund allocations presented herein do not reflect the funds' liquidity reserves, which are managed by Russell Investments, and may not reflect assets managed by Russell Investments to effect the funds' investment strategies and/or to actively manage the funds' overall exposures to seek to achieve the desired risk/return profile for the funds. As a result, the allocations presented herein do not reflect the allocation of 100% of the funds' assets.
*** Morgan Stanley Investment Management refers to Morgan Stanley Investment Management Inc. (New York, NY, USA) Morgan Stanley Investment Management Limited (London, UK) and Morgan Stanley Investment Management Company (Singapore).
† Barings refers to Barings LLC and Barings Global Advisors Limited.
†† Cohen & Steers Capital Management, Inc. refers to Cohen & Steers Capital Management, Inc. (New York, NY), Cohen & Steers UK Limited (London, UK) and Cohen & Steers Asia Limited (Central Hong Kong).
∓ RREEF America L.L.C. refers to RREEF America L.L.C. (Chicago, IL), Deutsche Investments Australia Limited (Sydney, Australia) and Deutsche Alternatives Asset Management (Global) Limited (London, UK) operating under the brand name Deutsche Asset Management.

Core Model Strategies are allocations of Russell Investment Company funds that are not managed and cannot be invested in directly. Depending upon individual investment objectives, you and your financial advisor may want to combine funds that differ from the illustrated combinations.

Core 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.

Performance of the Core Model Strategies represent target allocations of Russell Investment Company Class S Share funds. Your financial advisor may have access to a different share class for the underlying funds allocated in the Core Model Strategies that could be more or less expensive which will impact the returns of the Core Model Strategies shown.

Performance is based on full investment in the core model strategy. You and your financial professional may implement your investment in a different manner than the above-referenced strategy. For example, if you allocate up to 2% of your portfolio in a money market mutual fund to facilitate the payment of advisory fees and charges, your actual performance may differ.

Multi-Asset is defined as funds that contain more than one broad asset class (equity, fixed income, alternative).

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

Mutual fund investing involves risk, principal loss is possible.

Exposure to the commodities markets may subject the Fund to greater volatility than investments in traditional securities, particularly if the investments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates or sectors affecting a particular industry or commodity and international economic, political and regulatory developments. The use of leveraged commodity-linked derivatives creates an opportunity for increased return, but also creates the possibility for a greater loss. The Commodity Strategies Fund 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.

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.

Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country.

Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

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 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 currency fluctuations and to economic and political risks associated with such foreign countries.

Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

The Russell 1000®Index is an index of 1000 issues representative of the U.S. large capitalization securities market. The Russell 1000®Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000®Index and includes approximately 1,000 of the largest securities based on a combination of their market cap and current index membership. The Russell 1000®Index represents approximately 92% of the U.S. market.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap® Index represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The Russell Developed ex-U.S. Large Cap index offers investors access to the large-cap segment of the developed equity universe, excluding securities classified in the U.S., representing approximately 40% of the global equity market. This index includes the largest securities in the Russell Developed ex-U.S. Index.

The Russell Developed Large Cap index offers investors access to the large-cap segment of the developed equity universe representing approximately 70% of the global equity market. This index includes the largest securities in the Russell Developed Index.

The Russell Emerging Markets index measures the performance of the largest investable securities in emerging countries globally, based on market capitalization. The index covers 21% of the investable global market.

Bloomberg Commodity Index Total Return, which is a broadly diversified collateralized commodities futures index comprised of futures contracts on 22 physical commodities.

FTSE EPRA/NAREIT Developed Real Estate Index is a global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

The Bank of America Merrill Lynch (BofAML) Global High Yield Index tracks the performance in US dollars on either a currency hedged or unhedged basis of Canadian Dollar, British sterling, US dollar and euro denominated developed market below investment grade corporate debt publicly issued in the major US or eurobond markets.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investmentgrade corporate debt securities and mortgage-backed securities.

The S&P Global Infrastructure Index is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities.

S&P 500® Index: An index, with dividends reinvested, of 500 issues representative of leading companies in the U.S. large cap securities market.

The Russell Global Index measures the performance of the global equity market based on all investable equity securities. The index includes approximately 10,000 securities in 63 countries and covers 98% of the investable global market. All securities in the Russell Global Index are classified according to size, region, country, and sector, as a result the Index can be segmented into more than 300 distinct benchmarks.

The Russell Global Large Cap Index measures the performance of the largest securities in the Russell Global Index, based on market capitalization. The index includes approximately 3,000 securities and covers 86% of the investable global market.

Barclays Emerging Market Bonds Index includes fixed-and floating-rate USD-denominated debt from emerging markets in the following regions: Americas, Europe, Middle East Africa, and Asia. For the index, an emerging market is defined as any country that has a long term foreign currency debt sovereign rating of Baa1/BBB+/BBB+ or below, using the middle rating of Moody's, S&P, and Fitch.

MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of the following 23 developed market country indexes: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom, and the United States.

The Multi-Strategy Income Fund seeks to provide a high level of current income and. as a secondary objective, long term capital growth. The fund invests in a broad range of income-producing fixed income, equity and real asset securities.

The Multi-Strategy Income Fund, Multi-Asset Growth Strategy Fund and Unconstrained Total Return Funds are new funds. There can be no assurance that a new Underlying Fund will grow to an economicallyviable size, in which case the Underlying Fund may cease operations. A Fund may be required to liquidate or transfer its investment in the Underlying Fund at an inopportune time.

Performance Notes

The U.S. Small Cap Equity Fund, International Developed Markets Fund and Strategic Bond Fund first issued Class S Shares on September 2, 2008. The returns shown for Class S Shares prior to that date are the returns of the Fund's Class I Shares.

The Emerging Markets Fund Class S Shares returns prior to April 1, 1995 were reported gross of investment advisory and administrative fees. Had these fees been reflected, the returns would have been negatively affected. For periods thereafter, returns are reported net of investment advisory and administrative fees but gross of financial intermediary fees.

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.

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First used: October 2017 RIFiS 19380