

# **Annual Report of the Independent Review Committee of**

## **The Russell Investments Funds**

September 18, 2019

### **IRC Annual Report to Securityholders of the Russell Investments Pools, Russell Investments Classes, Russell Investments Portfolios, Russell Investments Class Portfolios, Russell Investments Multi-Asset Solutions and Russell Investments Multi-Asset Class Solutions**

Dear Securityholder,

The Russell Investments Funds Independent Review Committee (the “IRC”) is pleased to publish its annual report to the Securityholders of the funds named on pages 4 and 5 of this Report (the “Funds”), describing the IRC and its activities during the fiscal year ended June 30, 2019 (the “Reporting Period”).

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* (the “Instrument” or “NI 81-107”), the mandate of the IRC is to consider and provide recommendations to Russell Investments Canada Limited (the “Manager”) on conflict of interest matters which the Manager may face when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts, and request input from the IRC on those written policies and procedures.

When a conflict of interest matter arises, the Manager must refer its proposed course of action in respect of any such conflict to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC will provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflict(s) in accordance with the SIs.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict of interest matter to the IRC. In those cases, it has sought to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the Funds.

## **Composition of the IRC**

The current members of the IRC, and their principal occupations, are as follows:

<b><i>Name and municipality of residence</i></b>	<b><i>Principal Occupation</i></b>	<b><i>Term of Office</i></b>
W. William Woods, (Chair) Toronto, Ontario	Consultant, Lawyer, Independent Director, former CEO of the Bermuda Stock Exchange	Initial Appointment: April 19, 2007.  Re-appointment for a period of three years with effect from June 1, 2018 until May 31, 2021.
Lawrence A. Ward, Toronto, Ontario	Consultant, retired partner PricewaterhouseCoopers, LLP	Initial Appointment: April 19, 2007.  Re-appointment for a period of one year with effect from June 1, 2019 until May 31, 2020.
Audrey Robinson, Burlington, Ontario	Investment professional, Board director	Initial Appointment: June 1, 2018 for a period of two years

Lawrence Ward's term was renewed on May 22, 2019 for a period of one year effective June 1, 2019. The re-appointment extended Mr. Ward's total years of service beyond the 6 year term limit set out in the Instrument. However, the Manager has provided its consent to and agreement with the re-appointment beyond the 6 year term limit in accordance with the provisions of the Instrument.

## **Compensation and Indemnification**

### **Members' Fees**

The aggregate compensation paid by all of the Funds, as well as the funds listed in Appendix "A", to the IRC Members was \$60,000 plus applicable taxes, during the Reporting Period. This amount is allocated amongst all the Funds in a manner considered by the IRC and the Manager to be fair and reasonable to each of the Funds. The IRC reviewed comparable benchmarks and has determined not to make any changes in the members' compensation at this time.

### **Indemnities Granted**

The Funds and the Manager have provided each IRC Member with a contractual indemnity to the fullest extent permitted by NI 81-107. No indemnities were paid to the IRC Members by the Funds or the Manager during the Reporting Period.

## **Disclosure of IRC Members' Holdings**

As at June 30, 2019, the IRC Members did not beneficially own, directly or indirectly:

- any units in any of the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or any Fund.

## **Recommendations and Approvals**

On February 6, 2019, the Manager sought the IRC's recommendation to change a sub-advisor in the Russell Investments Focused Canadian Equity Pool (the "Equity Pool") from QV Investors Inc. ("QV") replacing their weight in the Pool of 30% with Iris Management Ltd. ("IRIS"). The proposal was referred by the Manager as a conflict of interest matter since it involved a financial benefit to the Manager. After discussion and reasonable enquiry and based upon the information provided by the Manager at the meeting, the IRC **RESOLVED** that the proposed course of action to change sub-advisors from QV to IRIS achieved a fair and reasonable result for the Equity Pool.

On March 27, 2019, the Manager sought the IRC's recommendation to change a sub-advisor in the Russell Investments Fixed Income Pool (the "Income Pool") from Pacific Investment Management Company ("PIMCO") who manages 20% of the Income Pool and replace them with Western Asset Management Company ("Western") who would then manage 15% with the remaining 5% distributed between two other sub-advisors in the Income Pool, Leith Wheeler Investment Counsel ("Leith") and Beutel, Goodman and Company ("Beutel"). The proposal was referred by the Manager as a conflict of interest matter since it involved a material financial benefit to the Manager. After discussion and reasonable enquiry and based upon the information provided by the Manager at the meeting, the IRC **RESOLVED** that the proposed course of action to change sub-advisors from PIMCO to Western, Leith and Beutel achieved a fair and reasonable result for the Income Pool.

The IRC did not provide any other decisions or approvals during the Reporting Period.

## **Standing Instructions Approved**

The IRC has approved and grouped standing instructions into SI No. 1, SI No. 2, SI No. 3 and SI No. 4, which constitute a written approval or decision from the IRC that permit the Manager to proceed with the specific actions set out in the SIs on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SIs required the Manager to comply with its related policy and procedures and to report periodically to the IRC.

**Standing Instruction No. 1: Conflicts of Interest Policies and Procedures** deals with a number of conflict of interest matters, including:

1. Fees and Expenses
2. Trade Allocations
3. Fair Valuation
4. Pricing Errors and Other Errors
5. Soft Dollars
6. Capacity Issues
7. Proxy Voting
8. Outsourcing to Third-Parties
9. Selecting or Changing Sub-advisers
10. Personal Trading/ Gifts
11. Benchmark Indices
12. A Fund Proposes to Invest in Another Mutual Fund
13. Services Provided by Related Parties

During the reporting period, the Manager relied on SI No. 1.

**Standing Instruction No. 2: Related Party Issues: Inter Fund Trades (“SI No. 2”)**

During the Reporting Period, the Manager did not rely on SI No. 2.

**Standing Instruction No. 3: Related Party Issues: Fund Purchase of Securities Underwritten by the Manager or an Entity Related to the Manager (“SI No. 3”)**

During the Reporting Period, the Manager did not rely on SI No. 3.

**Standing Instruction No. 4: Related Party Issues: A Fund Purchases Securities (Whether Debt or Equity) Issued By a Company Related to the Manager or an Entity Related to the Manager (“SI No. 4”)**

During the Reporting Period, the Manager did not rely on SI No. 4.

**Funds Covered by this Report**

All of the funds covered by this report have a year-end of June 30. They are:

**Russell Investments Pools**

Russell Investments Money Market Pool  
Russell Investments Short Term Income Pool  
Russell Investments Fixed Income Pool  
Russell Investments Global Unconstrained Bond Pool  
Russell Investments Global Credit Pool  
Russell Investments Canadian Dividend Pool  
Russell Investments Focused Canadian Equity Pool  
Russell Investments Canadian Equity Pool  
Russell Investments Focused US Equity Pool  
Russell Investments US Equity Pool  
Russell Investments Overseas Equity Pool  
Russell Investments Focused Global Equity Pool  
Russell Investments ESG Global Equity Pool  
Russell Investments Global Equity Pool  
Russell Investments Multi-Factor Canadian Equity Pool  
Russell Investments Multi-Factor US Equity Pool  
Russell Investments Multi-Factor International Equity Pool  
Russell Investments Global Smaller Companies Pool  
Russell Investments Emerging Markets Equity Pool  
Russell Investments Global Infrastructure Pool  
Russell Investments Global Real Estate Pool  
Russell Investments Real Assets

**Russell Investments Classes**

Russell Investments Money Market Class  
Russell Investments Short Term Income Class  
Russell Investments Fixed Income Class  
Russell Investments Global Unconstrained Bond Class  
Russell Investments Global Credit Class  
Russell Investments Canadian Dividend Class  
Russell Investments Focused Canadian Equity Class  
Russell Investments Canadian Equity Class

Russell Investments Focused US Equity Class  
Russell Investments US Equity Class  
Russell Investments Overseas Equity Class  
Russell Investments Focused Global Equity Class  
Russell Investments Global Equity Class  
Russell Investments Global Smaller Companies Class  
Russell Investments Emerging Markets Equity Class  
Russell Investments Global Infrastructure Class

**Russell Investments Portfolios**

Russell Investments Income Essentials  
Russell Investments Diversified Monthly Income

**Russell Investments Class Portfolios**

Russell Investments Conservative Income Class  
Russell Investments Income Essentials Class  
Russell Investments Diversified Monthly Income Class  
Russell Investments Balanced Class  
Russell Investments Balanced Growth Class  
Russell Investments Long-Term Growth Class

**Russell Investments Multi-Asset Solutions**

Multi-Asset Growth & Income Strategy  
Multi-Asset International Equity

**Russell Investments Multi-Asset Class Solutions**

Multi-Asset Fixed Income Class  
Multi-Asset Income Strategy Class  
Multi-Asset Growth & Income Strategy Class  
Multi-Asset Growth Strategy Class

This report is available on the Manager's website at <http://www.russellinvestments.com/ca> or you may request a copy, at no cost to you, by contacting the Manager at (416)-362-8411 or 1-888-509-1792 or email the Manager at [canada@russellinvestments.com](mailto:canada@russellinvestments.com). This document and other information about the Funds are available on [www.sedar.com](http://www.sedar.com).

Yours truly,



W. William Woods, Chair

## **Appendix “A”**

### **Funds with a December 31 Year-End**

#### **Russell Investments Group of Funds**

Russell Investments Canadian Cash Fund  
Russell Investments Canadian Fixed Income Fund  
Russell Investments Inflation Linked Bond Fund  
Russell Investments Overseas Equity Fund

#### **Russell Investments Portfolios**

Russell Investments Conservative Income  
Russell Investments Balanced  
Russell Investments Balanced Growth  
Russell Investments Long-Term Growth  
Russell Investments Multi-Factor Global Balanced

#### **Russell Investments Multi-Asset Solutions**

Multi-Asset Fixed Income  
Multi-Asset Income Strategy  
Multi-Asset Growth Strategy

#### **Russell Investments Alternative Mutual Funds**

Russell Investments Yield Opportunities Pool

## Schedule of IRC Members who sit on IRCs for other Fund Families

W. William Woods serves as a member of the Independent Review Committees for the following funds:  
Investment funds that are reporting issuers managed by Educators Financial Group Inc.;  
Investment funds that are reporting issuers managed by Goodwood Inc.;  
*(Ceased to be a member effective December 31, 2018)*  
Investment funds that are reporting issuers managed by Next Edge Capital Corp.;  
Investment funds that are reporting issuers managed by Ninepoint Partners LP;  
Investment Funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;  
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC;  
Investment funds that are reporting issuers managed by Picton Mahoney Asset Management Investment  
Investment funds that are reporting issuers managed by Spartan Asset Management Inc.;  
Investment funds that are reporting issuers managed by Sprott Asset Management LP; and  
*(Ceased to be a member effective December 31, 2018)*  
Investment funds that are reporting issuers managed by WisdomTree Asset Management Canada, Inc.  
*(appointed effective August 1, 2018)*

Lawrence A. Ward serves as a member of the Independent Review Committees for the following funds:  
Investment funds that are reporting issuers managed by Goodwood Inc.;  
Investment funds that are reporting issuers managed by Newgen Asset Management Ltd.;  
*(appointed effective January 11, 2019)*  
Investment funds that are reporting issuers managed by Ninepoint Partners LP;  
Investment Funds that are reporting issuers managed by Northwest & Ethical Investments L.P.;  
Investment funds that are reporting issuers managed by Picton Mahoney Asset Management;  
Investment funds that are reporting issuers managed by Sprott Asset Management LP; and  
Investment funds that are reporting issuers managed by Vertex One Management Inc.  
*(Ceased to be a member effective December 31, 2018)*

Audrey Robinson serves as a member of the Independent Review Committees for the following funds:  
Investment funds that are reporting issuers managed by Educators Financial Group Inc.; and  
*(appointed effective January 1, 2019)*  
Investment funds that are reporting issuers managed by Equium Capital Management Inc.  
*(Ceased to be a member on March 29, 2019)*

Eamonn McConnell serves as a member of the Independent Review Committees for the following funds:  
Investment funds that are reporting issuers managed by Edgehill Partners;  
*(appointed effective July 24, 2018)*  
Investment funds that are reporting issuers managed by Genus Capital Management Inc.;  
*(appointed effective January 1, 2019)*  
Investment funds that are reporting issuers managed by Goodwood Inc.;  
Investment funds that are reporting issuers managed by Integra Capital Limited;  
Investment funds that are reporting issuers managed by Next Edge Capital Corp.;  
Investment funds that are reporting issuers managed by Ninepoint Partners LP;  
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC.;  
Investment funds that are reporting issuers managed by SmartBe Wealth Inc.; and  
*(appointed effective October 24, 2018)*  
Investment funds that are reporting issuers managed by Sprott Asset Management LP.  
*(Ceased to be a member effective February 11, 2019)*