LIFEPOINTS® FUNDS
TARGET DATE SERIES

LifePoints® Funds

Target Date Series

PROSPECTUS

CLASS R1, R2 AND R3* SHARES:

2010 STRATEGY FUND

2020 STRATEGY FUND

2030 STRATEGY FUND

2040 STRATEGY FUND

MARCH 1, 2006

* Effective March 1, 2006, Class D Shares of these Funds were redesignated Class R3 Shares.

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As with all mutual funds, the Securities and Exchange Commission has neither determined that the information in this Prospectus is accurate or complete, nor approved or disapproved of these securities. It is a criminal offense to state otherwise.

Russell

Russell Funds: Class C; and Classes E and S
Institutional Funds: Classes E, I, S; and Classes Y and S
Tax-Managed Global Equity Fund: Classes C, E and S
LifePoints Funds, Target Portfolio Series: Classes R1, R2 and R3; Classes A and C; and Classes E and S
LifePoints Funds, Target Date Series: Classes R1, R2 and R3; Class A; and Classes E and S

FRANK RUSSELL INVESTMENT COMPANY
Supplement dated April 28, 2006 to
PROSPECTUSES DATED MARCH 1, 2006

I. The following information restates the section entitled "Money Manager Information" for the Equity I, Diversified Equity, Equity II, Special Growth, International, International Securities, Emerging Markets, Fixed Income I and Diversified Bond Funds in its entirety in each of the Frank Russell Investment Company Prospectuses listed above:

MONEY MANAGER INFORMATION

Equity I and Diversified Equity Funds

AllianceBernstein L.P., 1345 Avenue of the Americas, 35th Floor, New York, NY 10105.

Ark Asset Management Co., Inc., 125 Broad Street, New York, NY 10004.

Institutional Capital Corporation, 225 W. Wacker Drive, Suite 2400, Chicago, IL 60606.

Marsico Capital Management, LLC, 1200 17th Street, Suite 1600, Denver, CO 80202.

MFS Institutional Advisors, Inc., 500 Boylston Street, 21st Floor, Boston, MA 02116-3741.

Montag & Caldwell, Inc., 3455 Peachtree Road, NE, Suite 1200, Atlanta, GA 30326-3248.

Schneider Capital Management Corporation, 460 E. Swedesford Road, Suite 1080, Wayne, PA 19087.

Suffolk Capital Management, LLC, 1633 Broadway, 40th Floor, New York, NY 10019.

Turner Investment Partners, Inc., 1205 Westlakes Drive, Suite 100, Berwyn, PA 19312.

Equity II and Special Growth Funds

CapitalWorks Investment Partners, LLC, 402 West Broadway, 25th Floor, San Diego, CA 92101.

David J. Greene and Company, LLC, 599 Lexington Avenue, New York, NY 10022-6067.

Delphi Management, Inc., 50 Rowes Wharf, Suite 540, Boston, MA 02110.

Goldman Sachs Asset Management, L.P., 32 Old Slip, 17th Floor, New York, NY 10005.

Gould Investment Partners LLC, 1235 Westlakes Drive, Suite 280, Berwyn, PA 19312-2412.

Jacobs Levy Equity Management, Inc., 100 Campus Drive, P.O. Box 650, Florham Park, NJ 07932-0650.

PanAgora Asset Management, Inc., 260 Franklin Street, 22nd Floor, Boston, MA 02110.

Tygh Capital Management, Inc., 1211 S.W. Fifth Avenue, Suite 2100 Portland, OR 97204.

International and International Securities Funds

AllianceBernstein L.P., 1345 Avenue of the Americas, 35th Floor, New York, NY 10105.

AQR Capital Management, LLC, Two Greenwich Plaza, 3rd Floor, Greenwich, CT 06830.

Axiom International Investors LLC, 55 Railroad Avenue, Greenwich, CT 06830-6378.

The Boston Company Asset Management, LLC, Mellon Financial Center One Boston Place, 14th Floor, Boston, MA 02108-4408.

(Continued on Reverse Side)

Fidelity Management & Research Company, 82 Devonshire Street, Mail Zone—V5B, Boston, MA 02109-3614.

MFS Institutional Advisors, Inc. 500 Boylston Street, 21st Floor, Boston, MA 02116-3741.

Marvin & Palmer Associates, Inc., 1201 North Market Street, Suite 2300, Wilmington, DE 19801-1165.

Mondrian Investment Partners Limited, 80 Cheapside, 3rd Floor, London EC2V 6EE England.

Wellington Management Company, LLP, 75 State Street, Boston, MA 02109.

Emerging Markets Fund

AllianceBernstein L.P., 1345 Avenue of the Americas, 35th Floor, New York, NY 10105.

Arrowstreet Capital, Limited Partnership, 44 Brattle Street, 5th Floor, Cambridge MA 02138.

Genesis Asset Managers, LLP, P.O. Box 466 Barclays Court, Les Echelons, St. Peter Port, Guernsey, GY1 6AW Channel Islands.

Harding, Loevner Management, L.P., 50 Division Street, Suite 401, Somerville, NJ 08876.

T. Rowe Price International, Inc., 100 East Pratt Street, Baltimore, MD 21202-1009.

Wells Capital Management Inc., 525 Market Street, 10th Floor, San Francisco, CA 94105.

Fixed Income I and Diversified Bond Funds

Bear Stearns Asset Management Inc., 383 Madison Avenue, New York, NY 10179.

Lehman Brothers Asset Management LLC, 200 South Wacker Drive, Suite 2100, Chicago, IL 60606.

Pacific Investment Management Company LLC, 840 Newport Center Drive, Suite 300, P.O. Box 6430, Newport Beach, CA 92660-6430.

Western Asset Management Company, 385 East Colorado Boulevard, Pasadena, CA 91101.

Western Asset Management Company Limited, 10 Exchange Square Primrose Street, London, England EC2A 2EN

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RISK/RETURN SUMMARY

Investment Objective

Each of the following Frank Russell Investment Company ("FRIC") LifePoints Funds (the "Funds") has a non-fundamental investment objective. This means that each Fund's investment objective may be changed by the Board of Trustees of a Fund without shareholder approval. Each of the Funds is a "fund of funds" and invests only in the shares of other FRIC funds.

2010 Strategy Fund .... Seeks to provide capital growth and income consistent with its current asset allocation which will change over time, with an increasing allocation to fixed income funds.

The Fund pursues this objective by investing in a diversified portfolio that, as of January 1, 2006, consisted of approximately 44% stock funds and 56% fixed income funds, with an increasing allocation to fixed income funds over time. The Fund's allocation to fixed income funds will be fixed at 80% in approximately the year 2030.

2020 Strategy Fund .... Seeks to provide capital growth and income consistent with its current asset allocation which will change over time, with an increasing allocation to fixed income funds.

The Fund pursues this objective by investing in a diversified portfolio that, as of January 1, 2006, consisted of approximately 53% stock funds and 47% fixed income funds, with an increasing allocation to fixed income funds over time. The Fund's allocation to fixed income funds will be fixed at 80% in approximately the year 2040.

2030 Strategy Fund .... Seeks to provide capital growth and income consistent with its current asset allocation which will change over time, with an increasing allocation to fixed income funds.

The Fund pursues this objective by investing in a diversified portfolio that, as of January 1, 2006, consisted of approximately 63% stock funds and 37% fixed income funds, with an increasing allocation to fixed income funds over time. The Fund's allocation to fixed income funds will be fixed at 80% in approximately the year 2050.

2040 Strategy Fund .... Seeks to provide capital growth and income consistent with its current asset allocation which will change over time, with an increasing allocation to fixed income funds.

The Fund pursues this objective by investing in a diversified portfolio that, as of January 1, 2006, consisted of approximately 71% stock funds and 29% fixed income funds, with an increasing allocation to fixed income funds over time. The Fund's allocation to fixed income funds will be fixed at 80% in approximately the year 2060.

Principal Investment Strategies

Each of the Funds discussed in this Prospectus is a "fund of funds," and seeks to achieve its objective by investing, at present, in the Class S Shares of several other FRIC funds (the "Underlying Funds") representing various asset classes.

The Funds are designed for investors who plan to retire close to the year indicated in the Fund name, the "target year." The Funds are intended for investors planning for retirement who desire an asset allocated portfolio that becomes more conservative over time. The allocation of each Fund's assets to the Underlying Funds in which it invests will become more conservative over time. At the target year and for several years thereafter the Funds will maintain a substantial allocation to stock funds. About 20 years after a Fund's target year the Fund is expected to have and thereafter maintain a 20% allocation to stock funds and an 80% allocation to fixed income funds. This means that there is a higher level of risk associated with a Fund's asset allocation in its target year as compared to its asset allocation 20 years after its target year. Based on the Funds' asset allocation model, the Funds believe that it is appropriate for most investors to reach their most conservative asset allocation about 20 years after retirement. A more conservative investor might want to consider investing in a Fund with a target date earlier than one that is closest to their planned retirement year.

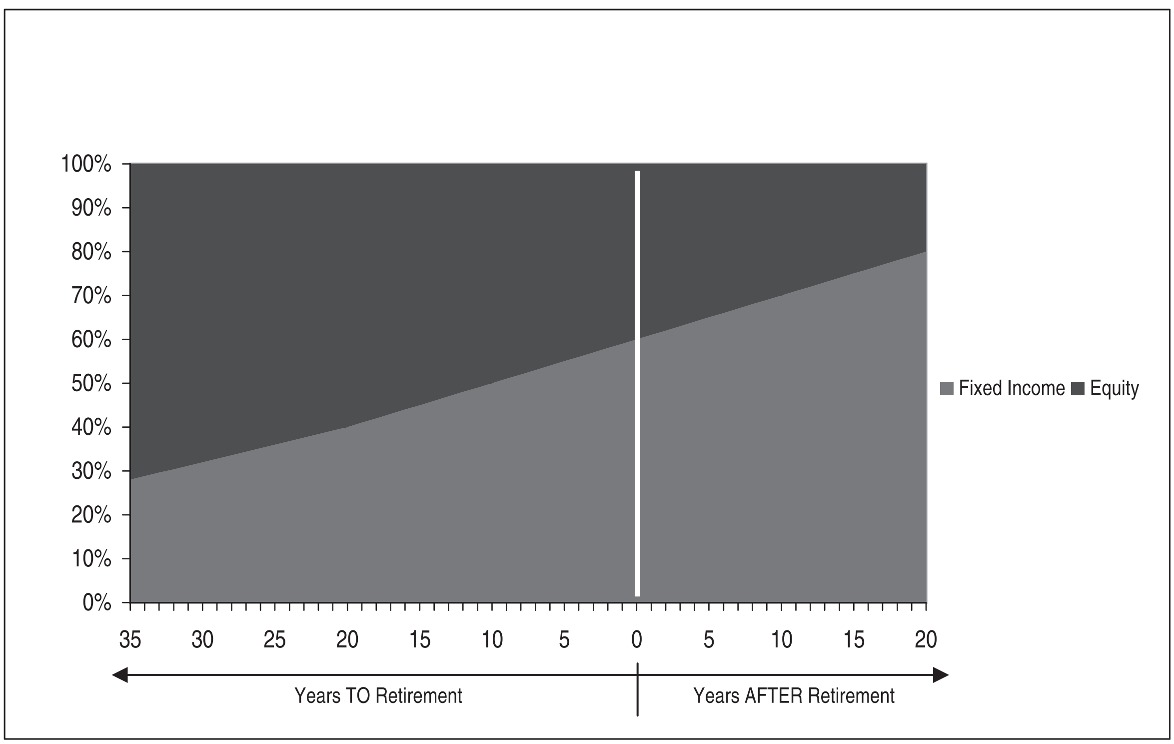
The following table shows the Funds' allocation to stock funds and fixed income funds as of January 1, 2006.

Asset Allocation	2010 Strategy Fund	2020 Strategy Fund	2030 Strategy Fund	2040 Strategy Fund
Underlying stock funds	44%	53%	63%	71%
Underlying fixed income funds	56%	47%	37%	29%

The following table shows the Underlying Funds in which each Fund invests and the target allocation as of January 1, 2006 to each Underlying Fund.

Underlying Fund	2010 Strategy Fund	2020 Strategy Fund	2030 Strategy Fund	2040 Strategy Fund
Diversified Equity Fund	12%	14%	17%	20%
Special Growth Fund	3%	4%	4%	4%
Quantitative Equity Fund	12%	14%	17%	20%
International Securities Fund	12%	14%	17%	18%
Diversified Bond Fund	26%	23%	17%	9%
Short Duration Bond Fund	26%	10%	0%	0%
Multistrategy Bond Fund	4%	14%	20%	20%
Real Estate Securities Fund	4%	5%	5%	6%
Emerging Markets Fund	1%	2%	3%	3%

The following chart illustrates how Frank Russell Investment Management Company ("FRIMCo"), the Funds investment adviser, expects the target asset allocation for the Funds to change over time. The actual asset allocations may differ from this chart but are not expected to vary by more than 10%. The Funds' investments in the Underlying Funds may be affected by a variety of factors. For example, an Underlying Fund may stop accepting or limit additional investments, forcing the Funds to invest in a different Underlying Fund.



Currently, FRIMCo will manage each Fund according to its target asset allocation strategy, and will not trade actively among the Underlying Funds or attempt to capture short-term market opportunities. However, from time to time, FRIMCo may modify the target asset allocation for any Fund and/or the Underlying Funds in which a Fund invests. Each Fund expects that the amounts it allocates to each Underlying Fund will generally vary only within 10% of the ranges specified in this prospectus.

Once a Fund's asset allocation is similar to that of FRIC's Conservative Strategy Fund (20% allocation to stock funds and 80% allocation to fixed income funds), the Fund's Board of Trustees may approve combining the Fund with the Conservative Strategy Fund. The Conservative Strategy Fund is also a fund of funds that invests in the same Underlying Funds as the Funds. The Conservative Strategy Fund's allocation of approximately 20% of its assets to stock funds and 80% of its assets to fixed income funds is expected to remain stable over time. The Board may grant approval of the combination if it determines the combination to be in the best interest of Fund shareholders. Once such a combination occurs, shareholders of the Fund will own shares of the Conservative Strategy Fund. Shareholders of the Fund will be notified prior to such a combination. These combinations are expected to occur within approximately 20 years after the year indicated in a Fund's name.

Choosing a Fund

The Funds are designed for investors who plan to retire close to the target year indicated in the Fund name. The Funds are intended for investors planning for retirement who desire an asset allocated portfolio that becomes more conservative over time. The Funds that are furthest from their stated target year invest a greater portion of their assets in Underlying Funds that invest in stocks, which provide a greater opportunity for capital appreciation over the long-term. Generally, the potential for higher returns over time is accompanied by a higher risk of a decline in the value of your investment. The Funds that are closer to their stated target year invest a greater portion of their assets in Underlying Funds that invest in fixed income securities, which typically offer reduced risk and price volatility, and, accordingly, lower expected returns than the Funds that are farther from their stated target year. After the target year, each Fund will continue towards a more conservative allocation until about 20 years after its target year when the Fund will have and thereafter maintain a 20% allocation to stock funds.

When selecting a Fund, consider your estimated retirement date. It is expected that you will choose a Fund whose stated target year is closest to your retirement date. Choosing a Fund targeting an earlier target year represents a more conservative choice; choosing a Fund with a later target year represents a more aggressive choice. It is important to note that the target year of the Fund you select should not necessarily represent the specific year you intend to start drawing retirement assets. It should be a guide only. More conservative investors might want to consider investing in a Fund with a target date earlier than one that is closest to their planned retirement year.

Asset allocation — dividing your investment among stocks and fixed income securities — is one of the most critical decisions you can make as an investor. It is also important to recognize that the asset allocation strategy you use today may not be appropriate as you move closer to retirement. The Funds are designed to provide you with a single Fund whose asset allocation changes over time as your investment time horizon changes.

You should also realize that the Funds are not a complete solution to your retirement needs. You must weigh many factors when considering when to retire, what your retirement needs will be, and what sources of income you may need.

Diversification

Each Fund is a "nondiversified" investment company for purposes of the Investment Company Act of 1940 because it invests in the securities of a limited number of issuers (i.e., the Underlying Funds). Each of the Underlying Funds in which the Funds invest is a diversified investment company.

Principal Risks

You should consider the following factors before investing in a Fund:

- Each Fund has a different level of risk. The Funds that are farther from their stated target year will tend to be more risky than the Funds that are closer to their stated target year.
- An investment in a Fund, like any investment, has risks. The value of each Fund fluctuates, and you could lose money.
- Neither the Funds nor FRIMCo can offer any assurance that the recommended asset allocation of a Fund will either maximize returns or minimize risks. Nor can the Funds or FRIMCo offer assurance that a recommended asset allocation will be the appropriate allocation in all circumstances for every investor with a particular time horizon.
- The asset allocation of each fund is based solely on time horizon. An investor may need to take into account other factors in determining the appropriateness of an investment in the Funds.
- Since the assets of each Fund are invested primarily in shares of the Underlying Funds, the investment performance of each Fund is directly related to the investment performance of the Underlying Funds in which it invests. The Funds have no control over the Underlying Funds' investment strategies.
- The policy of each Fund is to allocate its assets among the Underlying Funds within certain ranges. Therefore, each Fund may have less flexibility to invest than a mutual fund without such constraints.
- A Fund is exposed to the same risks as the Underlying Funds in direct proportion to the allocation of its assets among the Underlying Funds. These risks include the risks associated with a multi-manager approach to investing and security selection, as well as those associated with investing in equity securities, fixed income securities and international securities. For further detail on the risks summarized here, please refer to the section "Risks."
- The Funds' exposure, through the Underlying Funds, to international investments subjects the Funds to risks posed by political or economic conditions and regulatory requirements of a particular country which may be less stable or mature than in the US.
- An investment in any Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.
- The officers and Trustees of the Funds presently serve as officers and Trustees of the Underlying Funds. FRIMCo presently serves as investment manager of the Funds and Underlying Funds. Therefore, conflicts may arise as those persons and FRIMCo fulfill their fiduciary responsibilities to the Funds and to the Underlying Funds.

Performance

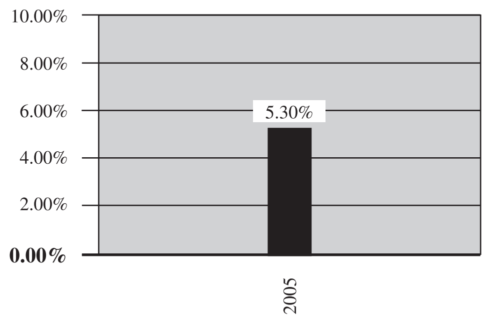
The following bar charts illustrate the risks of investing in the Funds by showing how the performance of each Fund's Class R1 Shares varies over the life of each Fund. The returns (both before and after tax) for Class R2 and Class R3 Shares offered by this Prospectus will differ from the Class R1 returns shown in the bar charts because the expenses of Class R2 and R3 Shares differ from those of Class R1 Shares. The highest and lowest returns for a full quarter during the periods shown in the bar charts for the Funds' Class R1 Shares are set forth below the bar charts.

The tables accompanying the bar charts further illustrate the risks of investing in each Fund by showing how each Fund's average annual returns for one year and since the beginning of operations of each Fund compare with the returns of certain indexes that measure broad market performance. Index returns do not reflect deduction for fees, expenses or taxes. Index returns do not include fair valuation adjustments which may be included in fund returns. After-tax returns are shown only for one class. After-tax returns for other classes will vary. 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 are not relevant to investors who hold their Shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. If a Fund has realized capital losses, the total return after taxes on distributions and sale of Fund Shares may be higher than the total return before taxes and the total return after taxes on distributions. The calculation of total 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.

Past performance, both before-tax and after-tax, is no indication of future results. A more detailed description of how returns are calculated can be found in the Fund's Statement of Additional Information in the section entitled "Yield and Total Return Quotations."

2010 Strategy Fund

Annual Total Returns
(for the years ended December 31)
Class R1#



Best Quarter: 2.59% (3Q/05)
Worst Quarter: (1.20)% (1Q/05)

Average annual total returns for the periods ended December 31, 2005*	1 Year	Since Inception*
Return Before Taxes, Class R2**	5.04%	5.04%
Return Before Taxes, Class R3***	4.81%	4.81%
Return Before Taxes, Class R1#	5.30%	5.30%
Return After Taxes on Distributions, Class R1#	4.46%	4.46%
Return After Taxes on Distributions and Sale of Fund Shares, Class R1#	3.44%	3.44%
Lehman Brothers Aggregate Bond Index	2.43%	2.43%

* Commenced operations by issuing Class D, E and S Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.

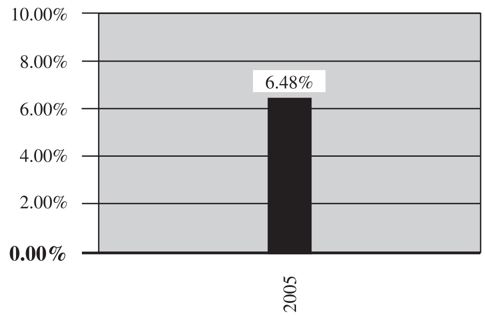
** The Fund first issued Class R2 Shares on March 1, 2006. Performance shown for Class R2 Shares prior to March 1, 2006 is the performance of Class E Shares.

*** The Fund first issued Class D Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.

\# The Fund first issued Class R1 Shares on March 1, 2006. Performance shown for Class R1 Shares prior to March 1, 2006 is the performance of Class S Shares.

2020 Strategy Fund

Annual Total Returns
(for the years ended December 31)
Class R1#



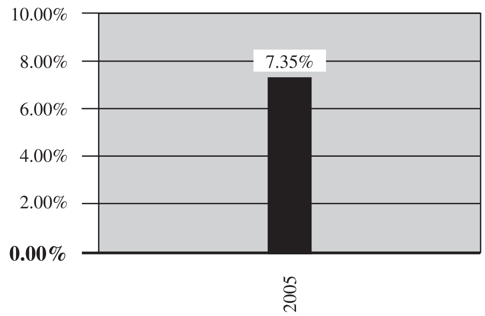
Best Quarter: 3.41% (3Q/05)
Worst Quarter: (1.30)% (1Q/05)

Average annual total returns for the periods ended December 31, 2005*	1 Year	Since Inception*
Return Before Taxes, Class R2**	6.22%	6.22%
Return Before Taxes, Class R3***	5.85%	5.85%
Return Before Taxes, Class R1#	6.48%	6.48%
Return After Taxes on Distributions, Class R1#	5.63%	5.63%
Return After Taxes on Distributions and Sale of Fund Shares, Class R1#	4.19%	4.19%
Lehman Brothers Aggregate Bond Index	2.43%	2.43%

* Commenced operations by issuing Class D, E and S Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.
** The Fund first issued Class R2 Shares on March 1, 2006. Performance shown for Class R2 Shares prior to March 1, 2006 is the performance of Class E Shares.
*** The Fund first issued Class D Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.
\# The Fund first issued Class R1 Shares on March 1, 2006. Performance shown for Class R1 Shares prior to March 1, 2006 is the performance of Class S Shares.

2030 Strategy Fund

Annual Total Returns
(for the years ended December 31)
Class R1#



Best Quarter: 3.98% (3Q/05)
Worst Quarter: (1.40)% (1Q/05)

Average annual total returns for the periods ended December 31, 2005*	1 Year	Since Inception*
Return Before Taxes, Class R2**	7.09%	7.09%
Return Before Taxes, Class R3***	6.85%	6.85%
Return Before Taxes, Class R1#	7.35%	7.35%
Return After Taxes on Distributions, Class R1#	6.59%	6.59%
Return After Taxes on Distributions and Sale of Fund Shares, Class R1#	4.76%	4.76%
Russell 1000® Index	6.27%	6.27%

* Commenced operations by issuing Class D, E and S Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.

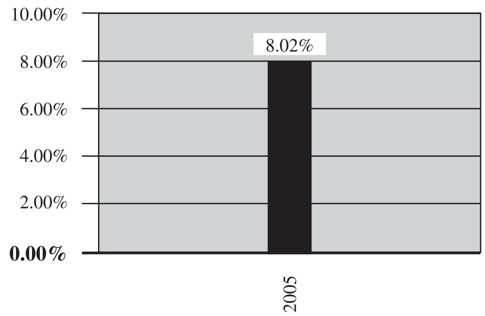
** The Fund first issued Class R2 Shares on March 1, 2006. Performance shown for Class R2 Shares prior to March 1, 2006 is the performance of Class E Shares.

*** The Fund first issued Class D Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.

\# The Fund first issued Class R1 Shares on March 1, 2006. Performance shown for Class R1 Shares prior to March 1, 2006 is the performance of Class S Shares.

2040 Strategy Fund

Annual Total Returns
(for the years ended December 31)
Class R1#



Best Quarter: 4.53% (3Q/05)
Worst Quarter: (1.50)% (1Q/05)

Average annual total returns for the periods ended December 31, 2005*	1 Year	Since Inception*
Return Before Taxes, Class R2**	7.75%	7.75%
Return Before Taxes, Class R3***	7.41%	7.41%
Return Before Taxes, Class R1#	8.02%	8.02%
Return After Taxes on Distributions, Class R1#	7.29%	7.29%
Return After Taxes on Distributions and Sale of Fund Shares, Class R1#	5.19%	5.19%
Russell 1000® Index	6.27%	6.27%

* Commenced operations by issuing Class D, E and S Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.

** The Fund first issued Class R2 Shares on March 1, 2006. Performance shown for Class R2 Shares prior to March 1, 2006 is the performance of Class E Shares.

*** The Fund first issued Class D Shares on December 31, 2004. Class D Shares were redesignated Class R3 Shares on March 1, 2006.

The Fund first issued Class R1 Shares on March 1, 2006. Performance shown for Class R1 Shares prior to March 1, 2006 is the performance of Class S Shares.

Fees and Expenses

The following tables describe the fees and expenses that you may pay if you buy and hold Shares of the Funds. The Fund expenses shown in the Annual Fund Operating Expenses table do not include the pro-rata expenses of the Underlying Funds, which are shown in the two tables under "Indirect Expenses."

Shareholder Fees
(fees paid directly from your investment)

	Maximum Sales Charge (Load) Imposed on Purchases	Maximum Sales Charge (Load) Imposed on Reinvested Dividends	Maximum Deferred Sales Charge (Load)	Redemption Fees*	Exchange Fees
All Funds, All Classes	None	None	None	None	None

* Each Fund may charge a fee to cover the cost of sending a wire transfer for redemptions, and your bank may charge an additional fee to receive the wire. For more information, please refer to the section "Payment of Redemption Proceeds."

Annual Fund Operating Expenses##
(expenses that are deducted from Fund assets)
(% of net assets)

	Advisory Fee	Distribution (12b-1) Fees**	Other Expenses***#	Total Annual Fund Operating Expenses***#	Less Fee Waivers and Expense Reimbursements***#	Net Annual Fund Operating Expenses
Class R1 Shares*						
2010 Strategy Fund	0.20%	0.00%	3.21%	3.41%	(3.41)%	0.00%
2020 Strategy Fund	0.20%	0.00%	3.04%	3.24%	(3.24)%	0.00%
2030 Strategy Fund	0.20%	0.00%	3.16%	3.36%	(3.36)%	0.00%
2040 Strategy Fund	0.20%	0.00%	3.10%	3.30%	(3.30)%	0.00%
Class R2 Shares*						
2010 Strategy Fund	0.20%	0.00%	3.46%	3.66%	(3.41)%	0.25%
2020 Strategy Fund	0.20%	0.00%	3.29%	3.49%	(3.24)%	0.25%
2030 Strategy Fund	0.20%	0.00%	3.41%	3.61%	(3.36)%	0.25%
2040 Strategy Fund	0.20%	0.00%	3.35%	3.55%	(3.30)%	0.25%
Class R3 Shares*						
2010 Strategy Fund	0.20%	0.25%	3.46%	3.91%	(3.41)%	0.50%
2020 Strategy Fund	0.20%	0.25%	3.29%	3.74%	(3.24)%	0.50%
2030 Strategy Fund	0.20%	0.25%	3.41%	3.86%	(3.36)%	0.50%
2040 Strategy Fund	0.20%	0.25%	3.35%	3.80%	(3.30)%	0.50%

* "Other Expenses" includes a shareholder services fee of 0.25% of average daily net assets for Class R2 and Class R3 Shares and an administrative fee of 0.05% of average daily net assets for Class R1, Class R2 and Class R3 Shares.

** Pursuant to the rules of the National Association of Securities Dealers, Inc. ("NASD"), the aggregate initial sales charges, deferred sales charges and asset-based sales charges on Shares of the Funds may not exceed 6.25% of total gross sales, subject to certain exclusions. This 6.25% limitation is imposed on the Class R3 Shares of each Fund rather than on a per shareholder basis. Therefore, long-term shareholders of the Class R3 Shares may pay more than the economic equivalent of the maximum front-end sales charges permitted by the NASD.

*** Amounts have been restated to reflect expenses not expected to be incurred during the fiscal year ending October 31, 2006 and the implementation of a new transfer agency fee schedule.

\# FRIMCo, as investment adviser, has contractually agreed to waive, at least through February 28, 2007, its 0.20% advisory fee for each Fund. This waiver may not be terminated during the relevant period except at the Board's discretion. FRIMCo, as transfer agent, has agreed to waive its transfer agency fees and to reimburse the Funds for all direct operating expenses other than Rule 12b-1 distribution fees, shareholder services fees, non-recurring expenses and extraordinary expenses.

\#\# If you purchase Shares through a Financial Intermediary, such as a bank or an investment adviser, you may also pay additional fees to the intermediary for services provided by the intermediary. You should contact your Financial Intermediary for information concerning what additional fees, if any, will be charged.

Indirect Expenses

Shareholders in a Fund bear indirectly the proportionate expenses of the Underlying Funds in which the Fund invests. The following table provides the expense ratios for each of the Underlying Funds in which the Funds may invest.

As explained at the beginning of this Prospectus, each Fund will invest in some, but not all, of the Underlying Funds.

	Advisory Fee	Other Expenses**	Total Annual Fund Operating Expenses**	Less Fee Waivers and Expense Reimbursements**	Net Annual Fund Operating Expenses**
Underlying Fund (Class S Shares)*					
Diversified Equity	0.73%	0.24%	0.97%	0.00%	0.97%
Quantitative Equity	0.73%	0.24%	0.97%	0.00%	0.97%
Special Growth	0.90%	0.34%	1.24%	0.00%	1.24%
Real Estate Securities	0.80%	0.28%	1.08%	0.00%	1.08%
International Securities	0.90%	0.33%	1.23%	0.00%	1.23%
Emerging Markets	1.15%	0.57%	1.72%	0.00%	1.72%
Diversified Bond	0.40%	0.25%	0.65%	0.00%	0.65%
Multistrategy Bond	0.60%	0.26%	0.86%	0.00%	0.86%
Short Duration Bond	0.45%	0.20%	0.65%	0.00%	0.65%

* "Other Expenses" includes an administrative fee of 0.05% of average daily net assets for Class S Shares.

** Amounts have been restated to reflect (1) expense reimbursements not expected to be paid during the fiscal year ending October 31, 2006, (2) the implementation of a new transfer agency fee schedule and (3) the discontinuation of the payments, pursuant to an SEC exemptive order, by the Underlying Funds of certain expenses of the Funds investing in the Underlying Funds.

Based on these expense ratios, the total direct and indirect operating expense ratios of each Fund (calculated as a percentage of average net assets) are expected to be as follows:

	Class R1	Class R2	Class R3
2010 Strategy Fund	0.85%	1.10%	1.35%
2020 Strategy Fund	0.92%	1.17%	1.42%
2030 Strategy Fund	0.98%	1.23%	1.48%
2040 Strategy Fund	1.01%	1.26%	1.51%

Each Fund's total expense ratio is based on its total direct operating expense ratio plus a weighted average of the expense ratios of the Underlying Funds in which it invests. These total expense ratios may be higher or lower depending on the allocation of a Fund's assets among the Underlying Funds, the actual expenses of the Underlying Funds and the actual expenses of a Fund.

Example

This example is intended to help you compare the cost of investing in each Fund with the cost of investing in other mutual funds.

The example assumes that you invest $10,000 in a Fund for the time periods indicated and then redeem all of your Shares at the end of those periods. The example also assumes your investment has a 5% return each year and that operating expenses, which include the indirect expenses of the Underlying Funds, remain the same. The calculation of costs for each period takes into account the expected asset allocation shift of each Fund over time. The calculation of costs for the one year period takes into account the effect of any current advisory fee waivers contractually agreed to by FRIMCo through February 28, 2007. The calculation of costs for the three year period takes such advisory fee waivers into account only for the first year of the period. The calculation of costs for all periods taked into account the effect of the current transfer agency fee waiver and reimbursements for all years of each period.

Although your actual costs may be higher or lower, under these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Class R1 Shares:				
2010 Strategy Fund	$ 87	$315	$561	$1,265
2020 Strategy Fund	94	336	597	1,344
2030 Strategy Fund	100	355	630	1,415
2040 Strategy Fund	103	364	645	1,447
Class R2 Shares:				
2010 Strategy Fund	$112	$393	$694	$1,550
2020 Strategy Fund	119	414	731	1,629
2030 Strategy Fund	125	432	762	1,695
2040 Strategy Fund	128	442	778	1,729
Class R3 Shares:				
2010 Strategy Fund	$137	$469	$825	$1,827
2020 Strategy Fund	145	492	863	1,905
2030 Strategy Fund	151	511	895	1,971
2040 Strategy Fund	154	520	910	2,003

THE PURPOSE OF THE FUNDS
MULTI-STYLE, MULTI-MANAGER DIVERSIFICATION

The Frank Russell Investment Company ("FRIC") funds ("FRIC Funds") are offered through certain banks (including bank trust departments), registered investment advisers, broker-dealers and other financial services organizations that have been selected by the Funds' adviser or distributor ("Financial Intermediaries"). Each Fund offers investors the opportunity to invest in a diversified mutual fund investment allocation program and is designed to provide a means for investors to use Frank Russell Investment Management Company's ("FRIMCo") and Frank Russell Company's ("Russell") "multi-style, multi-manager diversification" investment method and to obtain FRIMCo's and Russell's money manager research services. On or about July 1, 2006, FRIC expects to change its name to Russell Investment Company, and FRIMCo expects to change its name to Russell Investment Management Company.

Unlike most investment companies that have a single organization that acts as investment adviser, the Funds divide responsibility for investment advice between FRIMCo and a number of different money managers. FRIMCo utilizes the money manager research and other resources of Russell in providing services to the Funds. Russell's money manager research services include evaluating and recommending professional investment advisory and management organizations ("money managers") to make specific portfolio investments for each asset class, according to designated investment objectives, styles and strategies. Fund assets are invested using a "multi-style, multi-manager diversification" technique. The goals of this process are to manage risk and to increase returns. This process forms the basis of the FRIC Funds' investment philosophy.

The FRIC Funds believe investors should seek to hold fully diversified portfolios that reflect both their own investment time horizons and their ability to accept risk. The FRIC Funds believe that for many, this can be accomplished through strategically purchasing shares in one or more FRIC Funds which have been structured to provide access to specific asset classes employing a multi-style, multi-manager approach.

Capital market history shows that asset classes with greater risk will generally outperform lower risk asset classes over time. For instance, corporate equities, over the past 50 years, have outperformed corporate debt in absolute terms. However, what is generally true of performance over extended periods will not necessarily be true at any given time during a market cycle, and from time to time asset classes with greater risk may also underperform lower risk asset classes, on either a risk adjusted or absolute basis. Investors should select a mix of asset classes that reflects their overall ability to withstand market fluctuations over their investment horizons.

Studies have shown that no single investment style within an asset class will consistently outperform competing styles. For instance, investment styles favoring securities with growth characteristics may outperform styles favoring income producing securities, and vice versa. For this reason, no single manager has consistently outperformed the market over extended periods. Although performance cycles tend to repeat themselves, they do not do so predictably.

The FRIC Funds believe, however, that by employing a unique combination of qualitative and quantitative measurements, it is possible to select managers within subsets or styles of specific asset classes and investment styles who have shown a consistent ability to achieve results that exceed their respective asset class subset or style specific benchmarks. Most FRIC Funds combine these select managers with other managers within the same asset class who employ complementary styles. By combining complementary investment styles within an asset class, investors are better able to reduce their exposure to the risk of any one investment style going out of favor.

By strategically selecting from among a variety of investments by asset class, each of which has been constructed using these multi-style, multi-manager principles, investors are able to design portfolios that meet their specific investment needs.

Each Fund has a greater potential than most mutual funds for diversification among investment styles and money managers since it invests in shares of several Underlying Funds. Each Fund was created to provide a mutual fund investor with a simple but effective means of structuring a diversified mutual fund investment program suited to meet the investor's individual needs. FRIMCo has long stressed the value of diversification in an investment program, and has offered its advisory expertise in assisting investors on how to design their individual investment program.

MANAGEMENT OF THE FUNDS AND THE UNDERLYING FUNDS

The Funds' and Underlying Funds' investment adviser is FRIMCo, 909 A Street, Tacoma, Washington 98402. FRIMCo pioneered the "multi-style, multi-manager" investment method in mutual funds and, as of December 31, 2005, managed over $28.9 billion in 39 mutual fund portfolios. FRIMCo was established in 1982 to serve as the investment management arm of Russell.

Russell was founded in 1936 and has been providing comprehensive asset management consulting services for over 30 years to institutional investors, principally large corporate employee benefit plans. Russell provides FRIMCo and the FRIC Funds with the money manager research services that it provides to its other clients. The Funds and Underlying Funds do not compensate Russell for these services. Russell and its affiliates have offices around the world, in Tacoma, New York, Toronto, London, Paris, Sydney, Auckland, Singapore and Tokyo.

Russell is a subsidiary of The Northwestern Mutual Life Insurance Company. Founded in 1857, Northwestern Mutual is a mutual insurance company headquartered in Milwaukee, Wisconsin. In the life and health insurance category, it was named the most admired company in the US in Fortune's corporate reputation survey published in 2005.

Each Fund and Underlying Fund conducts its business through a number of service providers who act on their behalf. FRIMCo, the Funds' and Underlying Funds' administrator and investment adviser, performs the Funds' and Underlying Funds' day to day corporate management and also evaluates and oversees the Underlying Funds' money managers as more fully described below. Each of the Underlying Fund's money managers makes investment decisions for the portion of the Underlying Fund assigned to it by FRIMCo. The Funds' custodian, State Street Bank, maintains custody of all of the Funds' assets. FRIMCo, in its capacity as the Funds' transfer agent, is responsible for maintaining the Funds' shareholder records and carrying out shareholder transactions. When a Fund acts in one of these areas, it does so through the service provider responsible for that area.

FRIMCo provides or oversees the provision of all general management and administration, investment advisory and portfolio management services for the Funds and Underlying Funds, including developing the investment program for each Fund and Underlying Fund. Except for money market funds, FRIMCo allocates most of each Underlying Fund's assets to multiple money managers.

FRIMCo exercises investment discretion over the portion of each Underlying Fund's assets that FRIMCo determines not to allocate to the money managers and for each Underlying Fund's cash reserves by selecting the individual portfolio securities for those portions of assets. FRIMCo may also directly manage portions of an Underlying Fund during transitions between money managers.

FRIMCo selects, subject to the approval of the Underlying Funds' Board, money managers for the Underlying Funds, allocates Underlying Fund assets among money managers, oversees the money managers and evaluates the performance results. All assets of the Funds are allocated to Underlying Funds. The Underlying Funds' money managers select the individual portfolio securities for the assets of the Underlying Funds assigned to them and either FRIMCo or the money manager may arrange for execution of portfolio transactions for the Underlying Funds.

FRIMCo's officers and employees who manage the FRIC Funds, oversee the money managers of the FRIC Funds and have primary responsibility for the management of the FRIC Funds (the "FRIMCo Managers") are:

- Scott Crawshaw, Portfolio Manager since January 1, 2006. From 2004 to 2006, Mr. Crawshaw was a Research Analyst with Russell Investments Limited, an affiliate of FRIMCo. From 1998 to 2003, Mr. Crawshaw was a global emerging markets fund manager for ISIS Asset Management PLC. Mr. Crawshaw has co-responsibility for the management of the Emerging Markets Fund.
- Ann Duncan, Portfolio Manager since February of 1998. Ms. Duncan has primary responsibility for the management of the 2010 Strategy, 2020 Strategy, 2030 Strategy and 2040 Strategy Funds.
- Bruce A. Eidelson, Portfolio Manager since January 2002. Mr. Eidelson has been Director of Real Estate Portfolio Management since 1999. Mr. Eidelson has primary responsibility for the management of the Real Estate Securities Fund.
- Tereasa Gandhi, Portfolio Manager since January 1, 2006. Before rejoining Russell as a Senior Research Analyst in September 2003, Ms. Gandhi was a consultant on Russell Developing Managers initiative from February 2003 to September 2003. From 2000 to 2003, Ms. Gandhi was a client executive for Russell's Strategic Institutional Services Group. Ms. Gandhi has co-responsibility for the management of the Tax-Managed Large Cap and Tax-Managed Mid & Small Cap Funds.

- Robert E. Hall, Portfolio Manager since April 2003. From 1995 to 2002, Mr. Hall was a Senior Research Analyst with Russell Investments Limited, an affiliate of FRIMCo. Mr. Hall has co-responsibility for the management of the Emerging Markets Fund.
- Jeffrey T. Hussey, Head of US Fixed Income since March 2003. Mr. Hussey has also been a Portfolio Manager since 2001. From 1996 to 2001, Mr. Hussey was a Senior Research Analyst. Mr. Hussey has primary responsibility for the management of the Diversified Bond, Fixed Income I, Fixed Income III and Multistrategy Bond Funds.
- Dennis Jensen, Portfolio Manager since February 2004. From 1998 to 2004 Mr. Jensen was a Research Analyst. Mr. Jensen has primary responsibility for the management of the Select Value Fund.
- Jill F. Johnson, Portfolio Manager since May 2004 and Senior Investment Officer since March 2000. From 1995 to 2000, Ms. Johnson was the Principal of JF Johnson Consulting in Seattle and Los Angeles. Ms. Johnson has primary responsibility for the management of the Equity Aggressive Strategy, Aggressive Strategy, Balanced Strategy, Moderate Strategy, Conservative Strategy and Tax-Managed Global Equity Funds.
- James A. Jornlin, Portfolio Manager since July 1996. Mr. Jornlin has primary responsibility for the management of the International and International Securities Funds.
- Brian C. Mock, Portfolio Manager since July 2005. From 1998 to 2005, Mr. Mock was a Senior Portfolio Trader. Mr. Mock has primary responsibility for the management of the portions of the portfolios of certain Funds allocated to the select holdings strategy which may be employed by certain Underlying Funds as described under "Investment Objective and Investment Strategies" later in this Prospectus.
- Tom Monroe, Portfolio Manager since February 2004. Mr. Monroe was Director, Investment Technology from 2002 to 2004 for Russell. From 1999 to 2002 Mr. Monroe was Director, North America and Australasia. From 1993 to 1999 he was Director of Equity Research. Mr. Monroe has primary responsibility for the management of the Equity Q and Quantitative Equity Funds.
- Erik W. Ogard, Portfolio Manager since March 2000. Mr. Ogard was a Research Analyst from 1995 to 1997 and a Senior Research Analyst from 1997 to 2000. Mr. Ogard has primary responsibility for the management of the Equity II and Special Growth Funds.
- Michael R. Ruff, Portfolio Manager since November 2002. From 2000 to 2002, Mr. Ruff was a Research Analyst. From 1998 to 2000, Mr. Ruff was a Senior Technical Analyst. Mr. Ruff has primary responsibility for the management of the Short Duration Bond and Tax Exempt Bond Funds.
- Stephen W. Skatrud, Portfolio Manager since December, 2001. From 1999 to December, 2001, Mr. Skatrud was a Senior Research Analyst. Mr. Skatrud has primary responsibility for the management of the Select Growth Fund and co-responsibility for the Tax-Managed Large Cap and Tax-Managed Mid & Small Cap Funds.
- Dennis J. Trittin, who has been a Portfolio Manager since January 1996. Mr. Trittin has primary responsibility for the management of the Equity I and Diversified Equity Funds.

Please see the Funds' Statement of Additional Information for additional information about the FRIMCo Managers' compensation, other accounts managed by the FRIMCo Managers and the FRIMCo Managers' ownership of securities in the Funds.

In the last fiscal year, the Funds did not pay FRIMCo any advisory fees. However, the Funds paid indirectly a proportionate share of operating expenses of the Underlying Funds, including the advisory and administrative fees paid by the Underlying Funds in which the Funds invest.

For three of the Underlying Funds, the Diversified Equity Fund, the Quantitative Equity Fund and the International Securities Fund, the advisory fee is based on the asset level of the Underlying Funds. The advisory fee rates for these Underlying Funds are as follows:

Diversified Equity Fund Average Daily Net Assets	Annual Rate
First $2 billion	0.73%
Next $3 billion	0.72%
Over $5 billion	0.70%

Quantitative Equity Fund Average Daily Net Assets	Annual Rate
First $2 billion	0.73%
Next $3 billion	0.72%
Over $5 billion	0.70%

International Securities Fund Average Daily Net Assets	Annual Rate
First $2 billion	0.90%
Next $3 billion	0.89%
Over $5 billion	0.87%

In the last fiscal year, the aggregate annual rate of the advisory and administrative fees paid to FRIMCo monthly on a pro rata basis as a percentage of average daily net assets of each Underlying Fund was: Diversified Equity Fund 0.78%, Special Growth Fund 0.95%, Quantitative Equity Fund 0.78%, International Securities Fund 0.95%, Diversified Bond Fund 0.45%, Short Duration Bond Fund 0.50%, Multistrategy Bond Fund 0.65%, Real Estate Securities Fund 0.85% and Emerging Markets Fund 1.20%. Of this aggregate amount per Underlying Fund, 0.05% is attributable to administrative services.

A discussion regarding the basis for the Board of Trustees' approval of the investment advisory contract between FRIMCo and the Funds is available in the Funds' annual report to shareholders covering the period ended October 31, 2005.

THE MONEY MANAGERS FOR THE UNDERLYING FUNDS

Each Underlying Fund allocates most of its assets among the money managers listed under "Money Manager Information" at the end of this Prospectus. Assets not allocated to money managers are managed by FRIMCo. FRIMCo, as the Underlying Funds' adviser, may change the allocation of an Underlying Fund's assets among money managers at any time. The Underlying Funds received an exemptive order from the Securities and Exchange Commission (SEC) that permits FRIMCo to engage or terminate a money manager at any time, subject to the approval by the Underlying Funds' Board of Trustees (Board), without a shareholder vote. An Underlying Fund notifies its shareholders within 60 days of when a money manager begins providing services. Each Underlying Fund selects money managers based primarily upon the research and recommendations of FRIMCo and Russell. FRIMCo and Russell evaluate quantitatively and qualitatively the money managers' skills and results in managing assets for specific asset classes, investment styles and strategies. Short-term investment performance, by itself, is not a controlling factor in the selection or termination of any money manager.

Each money manager has complete discretion to select portfolio securities for its segment of an Underlying Fund. At the same time, however, each money manager must operate within each Underlying Fund's investment objectives, restrictions and policies. Additionally, each money manager must operate within more specific constraints developed from time to time by FRIMCo. FRIMCo develops such constraints for each money manager based on FRIMCo's assessment of the money manager's expertise and investment style. By assigning more specific constraints to each money manager, FRIMCo attempts to capitalize on the strengths of each money manager and to combine their investment activities in a complementary fashion. Although the money managers' activities are subject to general oversight by the Board and the Underlying Funds' officers, neither the Board, the officers, FRIMCo nor Russell evaluate the investment merits of a money manager's individual security selections.

INVESTMENT OBJECTIVE AND INVESTMENT STRATEGIES OF THE UNDERLYING FUNDS

The objective and principal strategies of each Underlying Fund are described in this section. Further information about the Underlying Funds is contained in the Prospectus and the Statement of Additional Information of the Underlying Funds. Because each Fund invests in the Underlying Funds, investors in each Fund will be affected by the Underlying Funds' investment strategies in direct proportion to the amount of assets each Fund allocates to the Underlying Fund pursuing such strategies. To request a copy of a Prospectus for an Underlying Fund, contact FRIC at 800-787-7354 (in Washington, 253-627-7001).

Each of the following Underlying Funds has a non-fundamental investment objective. This means that each Underlying Fund's investment objective may be changed by the Board of Trustees of an Underlying Fund without shareholder approval.

DIVERSIFIED EQUITY FUND

Non-Fundamental Investment Objective

Seeks to provide long term capital growth.

Principal Investment Strategies

The Diversified Equity Fund invests primarily in common stocks of medium and large capitalization US companies. While market capitalization changes over time and there is not one universally accepted definition of the lines between large, medium and small capitalization, the Fund generally defines large and medium capitalization stocks as stocks of those companies represented by the Russell 1000® Index. On May 31, 2005, the day on which capitalization data was used for the annual reconstitution of the Russell indexes, the market capitalization of these companies ranged from approximately $386.9 billion to $1.8 billion. The market capitalization of these companies will change with market conditions and these capitalization ranges may vary significantly between index reconstitutions and at the time of the next index reconstitution. The Fund may invest a limited amount in non-US firms from time to time.

The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in equity securities. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The Fund employs a "multi-style, multi-manager" approach whereby portions of the Fund are allocated to different money managers who employ distinct investment styles. Fund assets not allocated to money managers are managed by FRIMCo. The Fund uses the following principal investment styles intended to complement one another:

- *Growth Style* emphasizes investments in equity securities of companies with above-average earnings growth prospects.
- *Value Style* emphasizes investments in equity securities of companies that appear to a money manager to be undervalued relative to their corporate worth, based on earnings, book or asset value, revenues, cash flow or other measures.
- *Market-Oriented Style* emphasizes investments in companies that appear to a money manager to be undervalued relative to their growth prospects. Managers select securities from the broad equity market rather than focusing on the growth or value segments of the market.

Additionally, the Fund is diversified by equity substyle. For example, within the Growth Style, the Fund expects to employ both an Earnings Momentum substyle (concentrating on companies with more volatile and accelerating growth rates) and a Consistent Growth substyle (concentrating on companies with stable earnings growth over an economic cycle).

When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and substyle and its performance record, as well as the characteristics of the money manager's typical portfolio investments. These characteristics include capitalization size, growth and profitability measures, valuation measures, economic sector weightings and earnings and price volatility statistics. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another.

The Fund intends to be fully invested at all times.

Non-Principal Investment Strategies

FRIMCo may employ a "select holdings" strategy for a portion of the Fund's assets that FRIMCo determines not to allocate to the money managers. Pursuant to this strategy, FRIMCo analyzes the stocks purchased for the Fund by each of the Fund's money managers to identify particular stocks that are concurrently overweighted by the money managers. FRIMCo uses a proprietary model to rank these overweighted stocks. Based on this ranking, FRIMCo purchases additional shares of certain stocks for the Fund. The strategy is designed to increase the Fund's exposure to stocks that are collectively viewed as attractive by multiple money managers. Implementation of this strategy includes periodic rebalancing of the holdings.

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves to achieve its strategy to be fully invested by exposing these reserves to the performance of appropriate markets by purchasing equity securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

SPECIAL GROWTH FUND

Non-Fundamental Investment Objective

Seeks to provide long term capital growth.

Principal Investment Strategies

The Special Growth Fund invests primarily in common stocks of small and medium capitalization companies, most of which are US based. While market capitalization changes over time and there is not one universally accepted definition of the lines between large, medium and small capitalization, the Fund generally defines medium and small capitalization stocks as stocks of those companies represented by the Russell 2500™ Index. On May 31, 2005, the day on which capitalization data was used for the annual reconstitution of the Russell indexes, the market capitalization of these companies ranged from approximately $4.5 billion to $182.6 million. The market capitalization of these companies will change with market conditions and these capitalization ranges may vary significantly between index reconstitutions and at the time of the next index reconstitution. The Fund's investments may include companies that have been publicly traded for less than five years and smaller companies, such as companies not listed in the Russell 2000® Index.

The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in equity securities. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The Fund employs a "multi-style, multi-manager" approach whereby portions of the Fund are allocated to different money managers who employ distinct investment styles. Fund assets not allocated to money managers are managed by FRIMCo. The Fund uses the following principal investment styles intended to complement one another:

- *Growth Style* emphasizes investments in equity securities of companies with above-average earnings growth prospects.
- *Value Style* emphasizes investments in equity securities of companies that appear to a money manager to be undervalued relative to their corporate worth, based on earnings, book or asset value, revenues, cash flow or other measures.
- *Market-Oriented Style* emphasizes investments in companies that appear to a money manager to be undervalued relative to their growth prospects. Managers select securities from the broad equity market rather than focusing on the growth or value segments of the market.

When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and performance record, as well as the characteristics of the money manager's typical portfolio investments. These characteristics include capitalization size, growth and profitability measures, valuation measures, economic sector weightings and earnings and price volatility statistics. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another.

The Fund intends to be fully invested at all times.

Non-Principal Investment Strategies

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves to achieve its strategy to be fully invested by exposing these reserves to the performance of appropriate markets by purchasing equity securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

A portion of the Fund's net assets may be "illiquid" securities (i.e., securities that do not have a readily available market or that are subject to resale restrictions).

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

QUANTITATIVE EQUITY FUND

Non-Fundamental Investment Objective

Seeks to provide long term capital growth.

Principal Investment Strategies

The Quantitative Equity Fund invests primarily in common stocks of medium and large capitalization companies which are predominantly US based. While market capitalization changes over time and there is not one universally accepted definition of the lines between large, medium and small capitalization companies, the Fund generally defines large and medium capitalization stocks as stocks of those companies represented by the Russell 1000® Index. On May 31, 2005, the day on which capitalization data was used for the annual reconstitution of the Russell indexes, the market capitalization of these companies ranged from approximately $386.9 billion to $1.8 billion. The market capitalization of these companies will change with market conditions and these capitalization ranges may vary significantly between index reconstitutions and at the time of the next index reconstitution.

The Fund generally pursues a Market-Oriented Style of security selection. Managers select securities from the broad equity market rather than focusing on the growth or value segments of the market. As a result, the Fund holds securities representing a broad section of companies and industries. Security selection is based on quantitative investment models which are mathematical formulas based on statistical analyses. The Fund emphasizes stocks that are deemed attractive based upon the quantitative models and factors that the managers' research has found to be predictive of positive excess returns over the long term and may include both growth and value securities.

Each of the Fund's money managers uses quantitative models to rank securities based upon their expected ability to outperform the total return of the Russell 1000® Index. The Russell 1000® Index consists of the 1,000 largest US companies by capitalization (i.e., market price per share times the number of shares outstanding) as of May 31, 2005, the date of the annual reconstitution of the index. Once a money manager has ranked the securities, it then selects the securities it believes most likely to outperform and constructs, for its segment of the Fund, a portfolio that has risks similar to the Russell 1000® Index. Each money manager performs this process independently from each other money manager.

The Fund's money managers typically use a variety of quantitative models and techniques to rank the relative attractiveness of the securities. Examples of those quantitative models are dividend discount models, price/cash flow models, price/earnings models, earnings surprise and earnings estimate revisions models and price momentum models.

The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in equity securities. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The Fund employs a multi-manager approach whereby portions of the Fund are allocated to different money managers whose approaches are intended to complement one another. Fund assets not allocated to money managers are managed by FRIMCo.

When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and performance record, as well as the characteristics of the money manager's typical portfolio investments. These characteristics include capitalization size, growth and profitability measures, valuation measures, economic sector weightings and earnings and price volatility statistics. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another.

The Fund intends to be fully invested at all times.

Non-Principal Investment Strategies

FRIMCo may employ a "select holdings" strategy for a portion of the Fund's assets that FRIMCo determines not to allocate to the money managers. Pursuant to this strategy, FRIMCo analyzes the stocks purchased for the Fund by each of the Fund's money managers to identify particular stocks that are concurrently overweighted by the money managers. FRIMCo uses a proprietary model to rank these overweighted stocks. Based on this ranking, FRIMCo purchases additional shares of certain stocks for the Fund. The strategy is designed to increase the Fund's exposure to stocks that are collectively viewed as attractive by multiple money managers. Implementation of this strategy includes periodic rebalancing of the holdings.

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves to achieve its strategy to be fully invested by exposing these reserves to the performance of appropriate markets by purchasing equity securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

INTERNATIONAL SECURITIES FUND

Non-Fundamental Investment Objective

Seeks to provide long term capital growth.

Principal Investment Strategies

The International Securities Fund invests primarily in equity securities issued by companies domiciled outside the US and in depositary receipts which represent ownership of securities of non-US companies. The Fund's investments span most of the developed nations of the world (particularly Europe and the Far East) to maintain a high degree of diversification among countries and currencies.

The Fund may seek to protect its investments against adverse currency exchange rate changes by purchasing forward currency contracts. These contracts enable the Fund to "lock in" the US dollar price of a security that it plans to buy or sell. The Fund may not accurately predict currency movements.

The Fund employs a "multi-style, multi-manager" approach whereby portions of the Fund are allocated to different money managers who employ distinct investment styles. Fund assets not allocated to money managers are managed by FRIMCo. The Fund uses the following principal investment styles intended to complement one another:

- *Growth Style* emphasizes investments in equity securities of companies with above-average earnings growth prospects.
- *Value Style* emphasizes investments in equity securities of companies that appear to a money manager to be undervalued relative to their corporate worth, based on earnings, book or asset value, revenues, cash flow or other measures.
- *Market-Oriented Style* emphasizes investments in companies that appear to a money manager to be undervalued relative to their growth prospects. Managers select securities from the broad equity market rather than focusing on the growth or value segments of the market. A variation of this style maintains investments that replicate country and sector weightings of a broad international market index.

When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and performance record, as well as the characteristics of the money manager's typical portfolio investments. These characteristics include capitalization size, growth and profitability measures, valuation measures, economic sector weightings and earnings and price volatility statistics. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another.

The Fund intends to be fully invested at all times.

Non-Principal Investment Strategies

FRIMCo may employ a "select holdings" strategy for a portion of the Fund's assets that FRIMCo determines not to allocate to the money managers. Pursuant to this strategy, FRIMCo analyzes the stocks purchased for the Fund by each of the Fund's money managers to identify particular stocks that are concurrently overweighted by the money managers. FRIMCo uses a proprietary model to rank these overweighted stocks. Based on this ranking, FRIMCo purchases additional shares of certain stocks for the Fund. The strategy is designed to increase the Fund's exposure to stocks that are collectively viewed as attractive by multiple money managers. Implementation of this strategy includes periodic rebalancing of the holdings.

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves to achieve its strategy to be fully invested by exposing these reserves to the performance of appropriate markets by purchasing equity securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

The Fund may invest a portion of its assets in equity securities of companies that are located in countries with emerging markets or that derive a majority of their revenues from operations in such countries.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

DIVERSIFIED BOND FUND

Non-Fundamental Investment Objective

Seeks to provide current income and the preservation of capital.

Principal Investment Strategies

The Diversified Bond Fund invests primarily in investment grade bonds. Bonds are also called fixed-income securities. Bonds are securities representing debt obligations that require the issuer to repay the bondholders the principal amount borrowed and to generally pay interest. In particular, the Fund holds fixed income securities issued or guaranteed by the US government and, to a lesser extent by non-US governments, or by their respective agencies and instrumentalities. It also holds mortgage-backed securities, including collateralized mortgage obligations. The Fund also invests in corporate debt securities and dollar-denominated obligations issued in the US by non-US banks and corporations (Yankee Bonds). A majority of the Fund's holdings are US dollar denominated. The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in bonds. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The duration of the Fund's portfolio typically ranges within 10% of the duration of the Lehman Brothers Aggregate Bond Index, which was 4.44 years as of December 31, 2005, but may vary up to 25% from the Index's duration. The Fund has no restrictions on individual security duration. Duration is a measure of a bond price's sensitivity to a change in interest rates. In general, as interest rates rise, the value of the bonds held in the Fund will tend to decline, and, as interest rates fall, the value of the bonds held in the Fund will tend to rise. Bonds with longer durations tend to be more sensitive to changes in interest rates than those with shorter durations.

The Fund invests in securities of issuers in a variety of sectors of the fixed-income market. The Fund's money managers also identify sectors of the fixed-income market that they believe are undervalued and concentrate the Fund's investments in those sectors. These sectors will differ over time. To a lesser extent, the Fund may attempt to anticipate shifts in interest rates and hold securities that the Fund expects to perform well in relation to market indexes as a result of such shifts.

The Fund employs multiple money managers, each with its own expertise in the fixed-income markets. When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and performance record as well as the characteristics of the money manager's typical portfolio investments. These characteristics include portfolio biases, magnitude of sector shifts and duration movements. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another. Fund assets not allocated to money managers are managed by FRIMCo.

The Fund may use derivatives such as interest rate futures contracts, options on futures contracts and currency, credit or interest rate swaps as a substitute for holding physical securities or to facilitate the implementation of its investment strategy but not for leverage purposes.

Non-Principal Investment Strategies

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves by exposing these reserves to the performance of appropriate markets by purchasing fixed income securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

SHORT DURATION BOND FUND

Non-Fundamental Investment Objective

Seeks to provide current income and preservation of capital with a focus on short duration securities.

Principal Investment Strategies

The Short Duration Bond Fund invests primarily in bonds. Bonds are also called fixed-income securities. Bonds are securities representing debt obligations that require the issuer to repay the bondholders the principal amount borrowed and to generally pay interest. In particular, the Fund holds fixed income securities issued or guaranteed by the US government and, to a lesser extent by non-US governments, or by their respective agencies and instrumentalities. It also holds mortgage-backed securities, including collateralized mortgage obligations. The Fund also invests in corporate debt securities and dollar-denominated obligations issued in the US by non-US banks and corporations (Yankee Bonds). A majority of the Fund's holdings are US dollar denominated. From time to time, the Fund may invest in municipal debt obligations. The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in bonds. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The Fund defines short duration as a duration ranging from 0.5 to 3.0 years. The Fund has no restrictions on individual security duration. Duration is a measure of a bond price's sensitivity to a change in interest rates. In general, as interest rates rise, the value of the bonds held in the Fund will tend to decline, and, as interest rates fall, the value of the bonds held in the Fund will tend to rise. Bonds with longer durations tend to be more sensitive to changes in interest rates than those with shorter durations.

The Fund may invest up to 10% of its assets in debt securities that are rated below investment grade as determined by one or more nationally recognized securities rating organizations or in unrated securities judged by the Fund to be of comparable quality. These securities are commonly referred to as "junk bonds."

The Fund invests in securities of issuers in a variety of sectors of the fixed-income market. The Fund's money managers identify sectors of the fixed-income market that they believe are undervalued and concentrate the Fund's investments in those sectors. These sectors will differ over time. To a lesser extent, the Fund may attempt to anticipate shifts in interest rates and hold securities that the Fund expects to perform well in relation to market indexes as a result of such shifts. Additionally, the Fund typically holds proportionately fewer US Treasury obligations than are represented in the Merrill Lynch 1-2.99 Years Treasury Index.

The Fund employs multiple money managers, each with its own expertise in the fixed-income markets. When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and performance record as well as the characteristics of the money manager's typical portfolio investments. These characteristics include portfolio biases, magnitude of sector shifts and duration movements. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another. Fund assets not allocated to money managers are managed by FRIMCo.

The Fund may use derivatives such as interest rate futures contracts, options on futures contracts and currency, credit or interest rate swaps as a substitute for holding physical securities or to facilitate the implementation of its investment strategy but not for leverage purposes.

Non-Principal Investment Strategies

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves by exposing these reserves to the performance of appropriate markets by purchasing fixed income securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

MULTISTRATEGY BOND FUND

Non-Fundamental Investment Objective

Seeks to provide current income, and as a secondary objective, capital appreciation.

Principal Investment Strategies

The Multistrategy Bond Fund invests primarily in bonds. Bonds are also called fixed-income securities. Bonds are securities representing debt obligations that require the issuer to repay the bondholders the principal amount borrowed and to generally pay interest. In particular, the Fund holds fixed income securities issued or guaranteed by the US government and, to a lesser extent by non-US governments, or by their respective agencies and instrumentalities. It also holds mortgage-backed securities, including collateralized mortgage obligations. The Fund also invests in corporate debt securities and dollar-denominated obligations issued in the US by non-US banks and corporations (Yankee Bonds). A majority of the Fund's holdings are US dollar denominated. The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in bonds. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The Fund may invest up to 25% of its assets in debt securities that are rated below investment grade as determined by one or more nationally recognized securities rating organizations or in unrated securities judged by the Fund to be of comparable quality. These securities are commonly referred to as "junk bonds." Junk bonds, and to a lesser extent other types of bonds, may sell at a discount and thereby provide opportunities for capital appreciation.

The duration of the Fund's portfolio typically ranges within 10% of the duration of the Lehman Brothers Aggregate Bond Index, which was 4.44 years as of December 31, 2005, but may vary up to 35% from the Index's duration. The Fund has no restrictions on individual security duration. Duration is a measure of a bond price's sensitivity to a change in interest rates. In general, as interest rates rise, the value of the bonds held in the Fund will tend to decline, and, as interest rates fall, the value of the bonds held in the Fund will tend to rise. Bonds with longer durations tend to be more sensitive to changes in interest rates than those with shorter durations.

The Fund invests in securities of issuers in a variety of sectors of the fixed-income market. The Fund's money managers also identify sectors of the fixed-income market that they believe are undervalued and concentrate the Fund's investments in those sectors. These sectors will differ over time. To a lesser extent, the Fund may attempt to anticipate shifts in interest rates and hold securities that the Fund expects to perform well in relation to market indexes as a result of such shifts. Additionally, the Fund typically holds proportionately fewer US Treasury obligations than are represented in the Lehman Brothers Aggregate Bond Index.

The Fund employs multiple money managers, each with its own expertise in the fixed-income markets. When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and performance record as well as the characteristics of the money manager's typical portfolio investments. These characteristics include portfolio biases, magnitude of sector shifts and duration movements. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another. Fund assets not allocated to money managers are managed by FRIMCo.

The Fund may use derivatives such as interest rate futures contracts, options on futures contracts and currency, credit or interest rate swaps as a substitute for holding physical securities or to facilitate the implementation of its investment strategy but not for leverage purposes.

Non-Principal Investment Strategies

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves by exposing these reserves to the performance of appropriate markets by purchasing fixed income securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

REAL ESTATE SECURITIES FUND

Non-Fundamental Investment Objective

Seeks to provide current income and long term capital growth.

Principal Investment Strategies

The Real Estate Securities Fund seeks to achieve its objective by concentrating its investments in equity securities of real estate companies whose value is derived from ownership, development and management of underlying real estate properties ("real estate securities"). The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in real estate securities. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The Fund invests primarily in securities of companies, known as real estate investment trusts (REITs), that own and/or manage properties. By investing in REITs indirectly through the Fund, a shareholder will bear expenses of the REITs in addition to expenses of the Fund. The Fund may also invest in equity securities of other types of real estate-related companies. The Fund invests in companies which are predominantly US based, although the Fund may invest a limited portion of its assets in non-US firms from time to time.

The Fund employs a multi-manager approach whereby portions of the Fund are allocated to different money managers whose approaches are intended to complement one another. Fund assets not allocated to money managers are managed by FRIMCo.

When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and its performance record, as well as the characteristics of the money manager's typical portfolio investments. These characteristics include capitalization size, growth and profitability measures, valuation measures, property type and geographic weightings and earnings and price volatility statistics. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another.

The Fund intends to be fully invested at all times.

Non-Principal Investment Strategies

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves to achieve its strategy to be fully invested by exposing these reserves to the performance of appropriate markets by purchasing equity securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

A portion of the Fund's net assets may be "illiquid" securities (i.e., securities that do not have a readily available market or that are subject to resale restrictions).

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

EMERGING MARKETS FUND

Non-Fundamental Investment Objective

Seeks to provide long term capital growth.

Principal Investment Strategies

The Emerging Markets Fund will primarily invest in equity securities of companies that are located in countries with emerging markets or that derive a majority of their revenues from operations in such countries. These companies are referred to as "Emerging Market Companies." For purposes of the Fund's operations, an "emerging market country" is a country having an economy and market that the World Bank or the United Nations considers to be emerging or developing. These countries generally include every country in the world except the United States, Canada, Japan, Australia and most countries located in Western Europe. The Fund has a non-fundamental policy to invest, under normal circumstances, at least 80% of the value of its assets in Emerging Market Companies. The Fund will provide 60 days' notice to its shareholders prior to a change in this policy. The 80% investment requirement applies at the time the Fund invests its assets.

The Fund seeks to maintain a broadly diversified exposure to emerging market countries and ordinarily will invest in the securities of issuers in at least ten different emerging market countries.

The Fund invests in common stocks, and to a limited extent in preferred stocks, of Emerging Market Companies and in depositary receipts which represent ownership of securities of non-US companies. The Fund's securities are denominated primarily in foreign currencies and may be held outside the US.

Some emerging market countries do not permit foreigners to participate directly in their securities markets or otherwise present difficulties for efficient foreign investment. Therefore, when it believes it is appropriate to do so, the Fund may invest in pooled investment vehicles, such as other investment companies, which enjoy broader or more efficient access to shares of Emerging Market Companies in certain countries but which may involve a further layering of expenses.

The Fund employs a "multi-style, multi-manager" approach whereby portions of the Fund are allocated to different money managers who employ distinct investment styles. Fund assets not allocated to money managers are managed by FRIMCo. The Fund uses the following principal investment styles intended to complement one another:

- *Growth Style* emphasizes investments in equity securities of companies with above-average earnings growth prospects.
- *Value Style* emphasizes investments in equity securities of companies that appear to a money manager to be undervalued relative to their corporate worth, based on earnings, book or asset value, revenues, cash flow or other measures.
- *Market-Oriented Style* emphasizes investments in companies that appear to a money manager to be undervalued relative to their growth prospects. Managers select securities from the broad equity market rather than focusing on the growth or value segments of the market. A variation of this style maintains investments that replicate country and sector weightings of a broad international market index.

When determining how to allocate its assets among money managers, the Fund considers a variety of factors. These factors include a money manager's investment style and performance record, as well as the characteristics of the money manager's typical portfolio investments. These characteristics include country weightings, capitalization size, growth and profitability measures, valuation measures, economic sector weightings and earnings and price volatility statistics. The Fund also considers the manner in which money managers' historical and expected investment returns correlate with one another.

The Fund intends to be fully invested at all times.

Non-Principal Investment Strategies

The Fund, like any mutual fund, maintains cash reserves, (i.e. cash awaiting investment or cash held to meet redemption requests or to pay expenses). Cash reserves are invested in short-term investments, including certain FRIC money market funds. In addition to investing in such short-term investments, the Fund may use a hedging strategy for its cash reserves to achieve its strategy to be fully invested by exposing these reserves to the performance of appropriate markets by purchasing equity securities and/or derivatives. This is intended to cause the Fund to perform as though its cash reserves were actually invested in those markets.

A portion of the Fund's net assets may be "illiquid" securities (i.e., securities that do not have a readily available market or that are subject to resale restrictions).

The Fund may lend its portfolio securities in an amount up to one-third of its total assets to earn income. These loans may be terminated at any time. The Fund will receive either cash or US government debt obligations as collateral. The Fund may also occasionally invest in rights, warrants and convertible fixed-income securities.

From time to time, the Fund may agree to purchase securities for a fixed price at a future date beyond customary settlement time. This kind of agreement is known as a "forward commitment" or as a "when-issued" transaction.

On rare occasions, the Fund may take a temporary defensive position that may be inconsistent with its long-term principal investment strategies in an attempt to respond to adverse market, economic, political or other conditions. If this occurs, the Fund may not achieve its investment objective during such times. The Fund may take a defensive position by raising cash levels and/or reducing or eliminating the hedging strategy for its cash reserves.

RISKS

An investment in the Funds, like any investment, has risks. The value of each Fund fluctuates and you could lose money. The following section describes types of risks that each Fund is subject to, based on the investments made by the Underlying Funds, and the Funds and Underlying Funds most likely to be affected by each risk. Other Funds and Underlying Funds that are not listed may be subject to one or more of the risks, but not in a way that is expected to principally affect the performance of such Funds and Underlying Funds as a whole. Please refer to the Funds' Statement of Additional Information for a discussion of risks associated with types of securities held by the Underlying Funds and the investment practices employed by the individual Underlying Funds.

Principal Risks

Multi-Manager Approach

(All Funds (All Underlying Funds))

The investment styles employed by a Fund's money managers may not be complementary. The interplay of the various strategies employed by a Fund's multiple money managers may result in a Fund holding a concentration of certain types of securities. 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 money managers selected for a Fund may underperform the market generally or other money managers that could have been selected for that Fund. The multi-manager approach could increase a Fund's portfolio turnover rates, realization of capital gains or losses, brokerage commissions and other transaction costs.

Security Selection

(All Funds (All Underlying Funds))

The securities chosen by FRIMCo or a money manager to be in a Fund's portfolio may decline in value. Security selection risk may cause a Fund to underperform other funds with similar investment objectives and investment strategies.

Asset Allocation Risk

(All Funds (All Underlying Funds))

Neither the Funds nor FRIMCo can offer any assurance that the recommended allocation will either maximize returns or minimize risks. Nor can the Funds or FRIMCo offer assurance that a recommended allocation will be the appropriate allocation in all circumstances for every investor with a particular time horizon.

Equity Securities

- **Common Stocks**

  (All Funds (Underlying Funds: Diversified Equity, Special Growth, Quantitative Equity, International Securities, Real Estate Securities, Emerging Markets))

  The value of common stocks will rise and fall in response to the activities of the company that issued the stock, general market conditions and/or economic conditions. If an issuer is liquidated or declares bankruptcy, the claims of owners of bonds will take precedence over the claims of owners of common stocks.

- **Value Stocks**

  (All Funds (Underlying Funds: Diversified Equity, Special Growth, International Securities, Emerging Markets))

  Investments in value stocks are subject to the risks of common stocks, as well as the risks that (i) their intrinsic values may never be realized by the market or (ii) such stock may turn out not to have been undervalued.

- **Growth Stocks**

  (All Funds (Underlying Funds: Diversified Equity, Special Growth, International Securities, Emerging Markets))

  Investments in growth stocks are subject to the risks of common stocks. Growth company stocks generally provide minimal dividends which could otherwise cushion stock prices in a market decline. The value of growth company stocks may rise and fall significantly based, in part, on investors' perceptions of the company, rather than on fundamental analysis of the stocks.

- **Market-Oriented Investments**

  (All Funds (Underlying Funds: Diversified Equity, Special Growth, Quantitative Equity, International Securities, Emerging Markets))

  Market-oriented investments are subject to the risks of common stocks, as well as the risks associated with growth and value stocks.

- **Securities of Small Capitalization Companies**

  (All Funds (Underlying Fund: Special Growth))

  Investments in securities of small capitalization companies are subject to the risks of common stocks. Investments in smaller companies may involve greater risks because these companies generally have a limited track record. Smaller companies often have narrower markets and more limited managerial and financial resources than larger, more established companies. As a result, their performance can be more volatile, which may increase the volatility of a Fund's portfolio.

- **Preferred Stocks**

  (All Funds (Underlying Funds: Emerging Markets, International Securities))

  Investments in preferred stocks are subject to the risks of common stocks, as well as the risk that interest rates will rise and make the fixed dividend feature, if any, less appealing to investors. Preferred stock does not usually have voting rights.

Fixed-Income Securities

(All Funds (Underlying Funds: Diversified Bond, Multistrategy Bond, Short Duration Bond))

Prices of fixed-income securities rise and fall in response to interest rate changes. Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. A 1% increase in interest rates would reduce the value of a $100 note by approximately one dollar if it had a one-year duration. There is also a risk that fixed income securities will be downgraded in credit rating or go into default. Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks.

- **Non-Investment Grade Fixed-Income Securities ("Junk Bonds")**

  (All Funds (Underlying Funds: Multistrategy Bond, Short Duration Bond))

  Although lower rated debt securities generally offer a higher yield than higher rated debt securities, they involve higher risks, higher volatility and higher risk of default than investment grade bonds. They are especially subject to:

  - Adverse changes in general economic conditions and in the industries in which their issuers are engaged,
  - Changes in the financial condition of their issuers and
  - Price fluctuations in response to changes in interest rates.

  As a result, issuers of lower rated debt securities are more likely than other issuers to miss principal and interest payments or to default which could result in a loss to a Fund.

- **Government Issued or Guaranteed Securities**

  (All Funds (Underlying Funds: Diversified Bond, Multistrategy Bond, Short Duration Bond))

  Bonds guaranteed by a government are subject to inflation risk and price depreciation risk. Bonds issued by non-US governments are also subject to default risk. These risks could result in losses to a Fund.

Municipal Obligations

(All Funds (Underlying Fund: Short Duration Bond))

Municipal obligations are affected by economic, business or political developments. These securities may be subject to provisions of litigation, bankruptcy and other laws affecting the rights and remedies of creditors, or may become subject to future laws extending the time for payment of principal and/or interest, or limiting the rights of municipalities to levy taxes.

Mortgage or Asset Backed Securities

(All Funds (Underlying Funds: Diversified Bond, Multistrategy Bond, Short Duration Bond))

Prepayment of principal on mortgage and asset backed securities may expose a Fund to a lower rate of return upon reinvestment of principal. Also, if a security subject to prepayment has been purchased at a premium, in the event of prepayment the value of the premium would be lost. A Fund that purchases mortgage backed securities is subject to certain additional risks. Rising interest rates tend to extend the duration of mortgage backed securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, a Fund that holds mortgage backed securities may exhibit additional volatility. This is known as extension risk.

International Securities

(All Funds (Underlying Funds: Diversified Bond, International Securities, Multistrategy Bond, Emerging Markets, Short Duration Bond))

A Fund's return and net asset value may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Non-US markets, economies and political systems may be less stable than US markets, and changes in exchange rates of foreign currencies can affect the value of a Fund's foreign assets. Non-US laws and accounting standards typically are not as comprehensive as they are in the US and there may be less public information available about foreign companies. Non-US securities markets may be less liquid and have fewer transactions than US securities markets. Additionally, international markets may experience delays and disruptions in securities settlement procedures for a Fund's portfolio securities.

- **Non-US Equity Securities**

  (All Funds (Underlying Funds: International Securities, Emerging Markets)

  Non-US equity securities can involve additional risks relating to political, economic or regulatory conditions in foreign countries. Less information may be available about foreign companies than about domestic companies, and foreign companies generally are not subject to the same uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to those applicable to domestic companies.

- **Non-US Debt Securities**

  (All Funds (Underlying Funds: Diversified Bond, Multistrategy Bond, Short Duration Bond))

  A Fund's non-US debt securities are typically obligations of sovereign governments and corporations. To the extent that a Fund invests a significant portion of its assets in a concentrated geographic area like Eastern Europe or Asia, the Fund will generally have more exposure to regional economic risks associated with foreign investments.

- **Emerging Market Countries**

  (All Funds (Underlying Fund: Emerging Markets))

  Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than those of more developed countries. These securities are particularly subject to a risk of loss from political instability. Emerging market securities are subject to currency transfer restrictions and may experience delays and disruptions in securities settlement procedures for a Fund's portfolio securities. The volatility of emerging markets can be significantly higher than other equity asset classes.

- **Instruments of US and Foreign Banks and Branches and Foreign Corporations, Including Yankee Bonds**

  (All Funds (Underlying Funds: Diversified Bond, Multistrategy Bond, Short Duration Bond))

  Non-US corporations and banks issuing dollar denominated instruments in the US are not necessarily subject to the same regulatory requirements that apply to US corporations and banks, such as accounting, auditing and recordkeeping standards, the public availability of information and, for banks, reserve requirements, loan limitations and examinations. This complicates efforts to analyze these securities, and may increase the possibility that a non-US corporation or bank may become insolvent or otherwise unable to fulfill its obligations on these instruments.

Derivatives (e.g. Futures Contracts, Options on Futures, Currency, Credit or Interest Rate Swaps)

(All Funds (Underlying Funds: Diversified Bond, Multistrategy Bond, Short Duration Bond))

If a Fund incorrectly forecasts interest rates in using derivatives, the Fund could lose money. Price movements of a futures contract, option or structured note may not be identical to price movements of portfolio securities or a securities index resulting in the risk that, when a Fund buys a futures contract or option as a hedge, the hedge may not be effective. Furthermore, regulatory requirements for the Funds to set aside assets to meet their obligations with respect to derivatives may result in a Fund being unable to purchase or sell securities when it would otherwise be favorable to do so, or in a Fund needing to sell securities at a disadvantageous time. A Fund may also be unable to close out its derivatives positions when desired.

Depositary Receipts

(All Funds (Underlying Funds: International Securities, Emerging Markets))

Depositary receipts are securities traded on a local stock exchange that represent interests in securities issued by a foreign publicly-listed company. They may be affected by the risks associated with international securities, such as changes in political or economic conditions of other countries and changes in the exchange rates of foreign currencies. The value of depositary receipts will rise and fall in response to the activities of the company that issued the securities represented by the depositary receipts, general market conditions and/ or economic conditions. Also, if there is a rise in demand for the underlying security and it becomes less available to the market, the price of the depositary receipt may rise, causing the Fund to pay a premium in order to obtain the desired depositary receipt.

Non-Principal Risks

Repurchase Agreements

(All Funds (Underlying Funds: Diversified Bond, Short Duration Bond, Multistrategy Bond))

Under a repurchase agreement, a bank or broker sells securities to a Fund and agrees to repurchase them at the Fund's cost plus interest. If the value of the securities declines and the bank or broker defaults on its repurchase obligation, a Fund could incur a loss.

Exposing Cash Reserves to Appropriate Markets

(All Funds (All Underlying Funds))

By exposing its cash reserves to the performance of appropriate markets by purchasing equity securities (in the case of equity funds) or fixed income securities (in the case of fixed income funds) and/or derivatives, a Fund's performance tends to correlate more closely to the performance of that market as a whole. However, the market performance of these instruments may not correlate precisely to the performance of the corresponding market. This approach increases a Fund's performance if the particular market rises and reduces a Fund's performance if the particular market declines.

Non-US Equity Securities

(All Funds (Underlying Fund: Diversified Equity)

Non-US equity securities can involve additional risks relating to political, economic or regulatory conditions in foreign countries. Less information may be available about foreign companies than about domestic companies, and foreign companies generally are not subject to the same uniform accounting, auditing and financial reporting standards or to other regulatory practices and requirements comparable to those applicable to domestic companies.

Emerging Market Countries

(2020 Strategy, 2030 Strategy, 2040 Strategy (Underlying Fund: International Securities))

Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and to political systems which have less stability than those of more developed countries. These securities are particularly subject to a risk of loss from political instability. Emerging market securities are subject to currency transfer restrictions and may experience delays and disruptions in securities settlement procedures for a Fund's portfolio securities. The volatility of emerging markets can be significantly higher than other equity asset classes.

Illiquid Securities

(All Funds (Underlying Funds: Special Growth, Emerging Markets, Real Estate Securities))

An illiquid security is one without an active secondary market, making it difficult for an owner of the security to sell it. A Fund with an investment in an illiquid security may not be able to sell the security quickly and at a fair price, which could cause the Fund to realize losses on the security if the security is sold at a price lower than that at which it had been valued. An illiquid security may also have large price volatility.

Securities Lending

(All Underlying Funds)

If a borrower of a Fund's securities fails financially, the Fund's recovery of the loaned securities may be delayed or the Fund may lose its rights to the collateral which could result in a loss to a Fund.

Real Estate Securities

(2020 Strategy, 2030 Strategy, 2040 Strategy (Underlying Fund: Real Estate Securities))

Just as real estate values go up and down, the value of the securities of companies involved in the industry, and in which a Fund invests, also fluctuates. A Fund that invests in real estate securities is also subject to the risks associated with direct ownership of real estate. Additional risks include declines in the value of real estate, changes in general and local economic and real estate market conditions, increases in property taxes or other operating expenses and changes in tax laws and interest rates. The value of securities of companies that service the real estate industry may also be affected by such risks.

- **REITs**

  (2010 Strategy, 2020 Strategy, 2030 Strategy, 2040 Strategy (Underlying Fund: Real Estate Securities, Special Growth))

  REITs may be affected by changes in the value of the underlying properties owned by the REITs and by the quality of tenants' credit. Moreover, the underlying portfolios of REITs may not be diversified, and therefore subject to the risk of investing in a limited number of properties. REITs are also dependent upon management skills and are subject to heavy cash flow dependency, defaults by tenants, self-liquidation and the possibility of failing either to qualify for tax-free pass-through of income under federal tax laws or to maintain their exemption from certain federal securities laws.

PORTFOLIO TURNOVER

The portfolio turnover rates for multi-manager funds are likely to be somewhat higher than the rates for comparable mutual funds with a single money manager. Each of the Underlying Funds' money managers makes decisions to buy or sell securities independently from other money managers. Thus, one money manager for an Underlying Fund may be selling a security when another money manager for the Underlying Fund (or for another Underlying Fund) is purchasing the same security. Also, when an Underlying Fund replaces a money manager, the new money manager may significantly restructure the investment portfolio. These practices may increase the Underlying Funds' portfolio turnover rates, realization of gains or losses, brokerage commissions and other transaction costs. The annual portfolio turnover rates for each of the Underlying Funds, which in certain cases exceed 100%, are available in the Financial Highlights tables in the Prospectuses of the Underlying Funds.

PORTFOLIO DISCLOSURE

A description of the Funds' policies and procedures with respect to the disclosure of each Fund's portfolio securities is available in the Funds' Statement of Additional Information.

DIVIDENDS AND DISTRIBUTIONS

Each Fund distributes substantially all of its net investment income and net capital gains to shareholders each year.

Income Dividends

The amount and frequency of distributions are not guaranteed; all distributions are at the Board's discretion. Currently, the Board intends to declare dividends from net investment income, if any, for each Fund on a quarterly basis, with payment being made in April, July, October and December. An additional distribution of net investment income may be declared and paid by a Fund if required to avoid the imposition of a federal tax on the Fund.

Capital Gains Distributions

The Board will declare capital gains distributions (both short-term and long-term) once a year in mid-December to reflect any net short-term and net long-term capital gains, if any, realized by a Fund in the prior fiscal year. An additional distribution may be declared and paid by a Fund if required to avoid the imposition of a federal tax on the Fund. Distributions that are declared in October, November or December to shareholders of record in such months, and paid in January of the following year, will be treated for tax purposes as if received on December 31 of the year in which they were declared.

In addition, each Fund receives capital gains distributions from the Underlying Funds. Consequently, capital gains distributions may be expected to vary considerably from year to year. Also, each Fund may generate capital gains through rebalancing its portfolio to meet its Underlying Fund allocation percentages.

Buying a Dividend

If you purchase Shares just before a distribution, you will pay the full price for the Shares and receive a portion of the purchase price back as a taxable distribution. This is called "buying a dividend." Unless your account is a tax-deferred account, dividends paid to you would be included in your gross income for tax purposes even though you may not have participated in the increase of the net asset value of a Fund, regardless of whether you reinvested the dividends. To avoid "buying a dividend," check a Fund's distribution dates before you invest.

Automatic Reinvestment

Your dividends and other distributions will be automatically reinvested at the closing net asset value on the record date, in additional Shares of the appropriate Fund, unless you elect to have the dividends or distributions paid in cash or invested in another Fund. You may change your election by delivering written notice no later than ten days prior to the record date to your Financial Intermediary.

TAXES

In general, distributions from a Fund are taxable to you as either ordinary income or capital gains. This is true whether you reinvest your distributions in additional Shares or receive them in cash. Any long-term capital gains distributed by a Fund are taxable to you as long-term capital gains no matter how long you have owned your Shares. Every January, you will receive a statement that shows the tax status of distributions you received for the previous year.

If you are an individual investor, a portion of the dividends you receive from a Fund may be treated as "qualified dividend income" which is taxable to individuals at the same rates that are applicable to long-term capital gains. A Fund distribution is treated as qualified dividend income to the extent that the Fund receives dividend income from taxable domestic corporations and certain qualified foreign corporations, provided that certain holding period and other requirements are met. Fund distributions generally will not qualify as qualified dividend income to the extent attributable to interest, capital gains and, in many cases, distributions from non-US corporations.

When you sell or exchange Shares, you may have capital gains or losses. Any losses you incur if you sell or exchange Shares that you have held for six months or less will be treated as long-term capital losses, but only to the extent that the Fund has paid you long-term capital gains dividends with respect to those Shares during that period. The tax rate on any gains from the sale or exchange of your Shares depends on how long you have held your Shares.

The Funds make no representation as to the amount or variability of each Fund's capital gains distributions which may vary as a function of several factors including, but not limited to, prevailing dividend yield levels, general market conditions, shareholders' redemption patterns and Fund cash equitization activity.

Fund distributions and gains from the sale or exchange of your Shares will generally be subject to state and local income tax. Non-US investors may be subject to US withholding and estate taxes. For Fund taxable years beginning after December 31, 2004 and before January 1, 2008, a portion of Fund distributions received by a non-US investor may, however, be exempt from US withholding tax to the extent attributable to US source interest income and short-term capital gains earned by the Fund. Also for that same three-year period, US estate taxes may not apply to that portion of Shares held by a non-US investor that is attributable to Fund assets consisting of certain debt obligations or other property treated as not within the United States for US estate tax purposes. You should consult your tax professional about federal, state, local or foreign tax consequences of holding Shares.

If you are a corporate shareholder, a portion of the dividends you receive from a Fund may qualify for the corporate dividends received deduction.

By law, a Fund must withhold the legally required amount of your distributions and proceeds if you do not provide your correct taxpayer identification number, or certify that such number is correct, or if the IRS instructs the Fund to do so.

The tax discussion set forth above is included for general information only. You should consult your own tax adviser concerning the federal, state, local or foreign tax consequences of an investment in a Fund.

Additional information on these and other tax matters relating to each Fund and its shareholders is included in the section entitled "Taxes" in the Funds' Statement of Additional Information.

HOW NET ASSET VALUE IS DETERMINED

Net Asset Value Per Share

The net asset value per share is calculated for Shares of each Class of each Fund on each business day on which Shares are offered or redemption orders are tendered. For each Fund, a business day is one on which the New York Stock Exchange (NYSE) is open for regular trading. Each Fund and each Underlying Fund determines net asset value at 4:00 p.m. Eastern time or as of the close of the NYSE, whichever is earlier.

The price of Fund Shares is computed by dividing the current value of a Fund's assets (i.e., the share of the Underlying Funds at that day's net asset value per share of such Underlying Fund) (less liabilities) by the number of Shares of the Fund outstanding and rounding to the nearest cent. Share value for purchase, redemption or exchange will be based on the net asset value next calculated after your order is received in good form (i.e., when all required documents and your check or wired funds are received) by the Funds or an authorized Fund agent. See "How to Purchase Shares," "How to Redeem Shares" and "Exchange Privilege" for more information.

Valuation of Portfolio Securities

The Funds value their portfolio securities, the shares of the Underlying Funds, at the current net asset value per share of each Underlying Fund.

The Underlying Funds value portfolio securities according to Board-approved Securities Valuation Procedures, including Market Value Procedures, Fair Value Procedures and Pricing Services. Money market fund securities are priced using the amortized cost method of valuation, as are debt obligation securities maturing within 60 days of the date of purchase, unless the Board determines that amortized cost does not represent market value of short-term debt obligations. The Board has delegated the responsibility for administration of the Securities Valuation Procedures to FRIMCo.

Ordinarily, the Underlying Funds value each portfolio security based on market quotations provided by Pricing Services or alternative pricing services or dealers (when permitted by the Market Value Procedures). Generally, Underlying Fund securities are valued at the close of the market on which they are traded as follows:

- US listed equities; equity and fixed-income options: Last sale price; last bid price if no sales;
- US over-the-counter equities: Official closing price; last bid price if no closing price;
- Listed ADRs/GDRs: Last sale price; last bid price if no sales;
- Municipal bonds, US bonds, Eurobonds/foreign bonds: Evaluated bid price; broker quote if not evaluated bid price;
- Futures: Settlement price.
- Investments in other mutual funds are valued at their net asset value per share, calculated at 4 p.m. Eastern time or as of the close of the NYSE, whichever is earlier.
- The value of swap agreements are equal to the Funds' obligation (or rights) under swap contracts which will generally be equal to the net amounts to be paid or received under the contracts based upon the relative values of the positions held by each party to the contracts.
- Equity securities traded on a national securities foreign exchange or an over-the-counter market (foreign or domestic) are valued on the basis of the official closing price, or, lacking the official closing price, at the last sale price on the primary exchange on which the security is traded.

If market quotations are not readily available for a security or if subsequent events suggest that a market quotation is not reliable, the Underlying Funds will use the security's fair value, as determined in accordance with the Fair Value Procedures. This generally means that equity securities and fixed income securities listed and traded principally on any national securities exchange are valued on the basis of the last sale price or, lacking any sales, at the closing bid price, on the primary exchange on which the security is traded. The Fair Value Procedures may involve subjective judgments as to the fair value of securities. The effect of fair value pricing is that securities may not be priced on the basis of quotations from the primary market in which they are traded, but rather may be priced by another method that the Board of Trustees believes reflects fair value. The use of fair value pricing by an Underlying Fund may cause the net asset value of its shares to differ significantly from the net asset value that would be calculated using current market values. Fair value pricing could also cause discrepancies between the daily movement of the value of Underlying Fund shares and the daily movement of the benchmark index if the index is valued using another pricing method.

This policy is intended to assure that the Underlying Funds' net asset values fairly reflect security values as of the time of pricing. Events or circumstances affecting the values of Underlying Fund securities that occur between the closing of the principal markets on which they trade and the time the net asset value of Underlying Fund Shares is determined may be reflected in the calculation of net asset values for each applicable Underlying Fund (and each Fund which invests in such Underlying Fund) when the Underlying Funds deem that the particular event or circumstance would materially affect such Underlying Fund's net asset value. Underlying Funds that invest primarily in frequently traded exchange listed securities will use fair value pricing in limited circumstances since reliable market quotations will often be readily available. Underlying Funds that invest in foreign securities are likely to use fair value pricing more often since significant events may occur between the close of foreign markets and the time of pricing which would trigger fair value pricing of the foreign securities. Underlying Funds that invest in low rated debt securities are also likely to use fair value pricing more often since the markets in which such securities are traded are generally thinner, more limited and less active than those for higher rated securities. Examples of events that could trigger fair value pricing of one or more securities are: a material market movement (defined in the Fair Value Procedures as the movement by any two of four major US Indexes greater than a certain percentage); a company event such as a material business development, dividend declaration, stock split or rights offering; a material disaster; or an armed conflict.

Because foreign securities can trade on non-business days, the net asset value of a Fund's portfolio that includes an Underlying Fund which invests in foreign securities may change on days when shareholders will not be able to purchase or redeem Fund Shares.

DISTRIBUTION AND SHAREHOLDER SERVICES ARRANGEMENTS AND PAYMENTS TO FINANCIAL INTERMEDIARIES

The Funds offer multiple Classes of Shares in this Prospectus: Class R1 Shares, Class R2 Shares and Class R3 Shares.

Class R1, R2 and R3 Shares are available only to (1) employee benefit and other plans, such as 401(k) plans, 457 plans, employer sponsored 403(b) plans, profit sharing plans, money purchase plans, defined benefit plans and non-qualified deferred compensation plans that consolidate and hold all Fund Shares in plan level or omnibus accounts on behalf of participants or (2) separate accounts investing in the Funds offered to investors through a group annuity contract exempt from registration under the Securities Act of 1933. Class R1, R2 and R3 Shares are not available to any other category of investor, including, for example, retail non-retirement accounts, traditional or Roth IRA accounts, Coverdell Education Savings Accounts, SEPs, SAR-SEPs, SIMPLE IRAs or individual 403(b) plans. Each Fund reserves the right to change the categories of investors eligible to purchase its Shares.

Class R1 Shares do not participate in either the Funds' distribution plan or the Funds' shareholder services plan.

Class R2 Shares participate in the Funds' shareholder services plan. Under the shareholder services plan, the Class R2 Shares pay shareholder services fees of 0.25% on an annualized basis for services provided to Class R2 shareholders. The shareholder services fees are paid out of the Class R2 Share assets on an ongoing basis, and over time will increase the cost of your investment in the Funds.

Class R3 Shares participate in the Funds' Rule 12b-1 distribution plan and in the Funds' shareholder services plan. Under the distribution plan, the Class R3 Shares pay distribution fees of 0.25% annually for the sale and distribution of Class R3 Shares. Under the shareholder services plan, the Class R3 Shares pay shareholder services fees of 0.25% on an annualized basis for services provided to Class R3 shareholders. Because both of these fees are paid out of the Class R3 Share assets on an ongoing basis, over time these fees will increase the cost of an investment in Class R3 Shares of the Funds, and the distribution fee may cost an investor more than paying other types of sales charges.

Financial Intermediaries may receive shareholder services compensation from the Funds' Distributor with respect to Class R2 Shares of the Funds pursuant to the Funds' shareholder services plan. Financial Intermediaries may receive distribution compensation and/or shareholder services compensation from the Funds' Distributor with respect to Class R3 Shares of the Funds pursuant to the Funds' Rule 12b-1 distribution plan and/or the Funds' shareholder services plan. These payments are reflected in the fees and expenses listed in the annual fund operating expenses table earlier in the Prospectus.

In addition to the foregoing payments, FRIMCo, in its capacity as the Funds' transfer agent or Adviser, or the Funds' Distributor may make cash payments, from its own resources, to key Financial Intermediaries (including those who may offer Fund Shares through specialized programs such as tax deferred retirement programs) in recognition of, or to pay a portion of costs related to, marketing, account consolidation, transaction processing and/or administrative services support. These compensation arrangements may vary by Financial Intermediary and may increase as the dollar value of Fund Shares held through a particular Financial Intermediary increases. Because these payments are not made by the Funds, these payments are not reflected in the fees and expenses listed in the annual fund operating expenses table.

FRIMCo or the Funds' Distributor may pay or allow other promotional incentive payments to Financial Intermediaries to the extent permitted by the rules adopted by the Securities and Exchange Commission and the National Association of Securities Dealers relating to the sale of mutual fund shares.

To enable Financial Intermediaries to provide a higher level of service and information to prospective and current Fund shareholders, FRIMCo also offers them a range of complimentary software tools and educational services. FRIMCo provides such tools and services from its own resources.

Ask your Financial Intermediary for additional information as to what compensation, if any, it receives from the Funds, the Funds' Distributor or FRIMCo.

HOW TO PURCHASE SHARES

Unless you are eligible to participate in a Russell employee investment program, Shares are only available through a select network of Financial Intermediaries. If you are not currently working with one of these Financial Intermediaries, please call 800-787-7354 for assistance in contacting an investment professional near you.

There is currently no required minimum initial investment for the Funds offered by this Prospectus. Class R1, R2 and R3 Shares are available only to (1) employee benefit and other plans, such as 401(k) plans, 457 plans, employer sponsored 403(b) plans, profit sharing plans, money purchase plans, defined benefit plans and non-qualified deferred compensation plans that consolidate and hold all Fund Shares in plan level or omnibus accounts on behalf of participants or (2) separate accounts investing in the Funds offered through a group annuity contract exempt from registration under the Securities Act of 1933. Class R1, R2 and R3 Shares are not available to any other category of investor, including, for example, retail non-retirement accounts, traditional or Roth IRA accounts, Coverdell Education Savings Accounts, SEPs, SAR-SEPs, SIMPLE IRAs or individual 403(b) plans. Each Fund reserves the right to change the categories of investors eligible to purchase its Shares.

If you purchase, redeem, exchange or hold Shares through a Financial Intermediary, your Financial Intermediary may charge you transaction-based fees, activity based fees and other fees for its services based upon its own policies and procedures. Those fees are retained entirely by your Financial Intermediary and no part of those fees are paid to FRIMCo, the Funds' Distributor or the Funds. Please contact your Financial Intermediary for more information about these fees as they may apply to your investments and your accounts.

You may purchase Shares through a Financial Intermediary on any business day of the Funds (a day on which the NYSE is open for regular trading). Purchase orders are processed at the next net asset value per share calculated after the Fund receives your order in proper form (as determined by your Financial Intermediary). The Funds will close early if the NYSE closes early. Any purchase order received after the close of the NYSE will be processed on the following business day at the next calculated net asset value per share.

All purchases must be made in US dollars. Checks must be drawn on US banks and made payable to "Frank Russell Investment Company" or as otherwise instructed by your Financial Intermediary. Each Fund may reject purchase orders if a payment check does not clear the bank or payment does not arrive in proper form by the settlement date. Generally, the settlement date is the first business day following receipt by the Funds of your order. However, Financial Intermediaries settling through National Securities Clearing Corporation, or in limited circumstances with prior arrangement with the Funds, may settle trades on the third business day following receipt by the Funds of your order. If you fail to properly settle a purchase, you will be responsible for any resulting loss to the Funds (i.e. any difference in net asset value between the trade date and the settlement date). In the case of insufficient funds checks, an overdraft charge may also be applied. Third party checks are generally not accepted, however exceptions may be made by prior special arrangements with certain Financial Intermediaries. Cash, checks drawn on credit card accounts, cashiers checks, money orders, traveler checks, and other cash equivalents will not be accepted.

Customer Identification Program: To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account and to determine whether such person's name appears on government lists of known or suspected terrorists and terrorist organizations. When you open a new account to buy Shares of the Funds, the Funds or your Financial Intermediary will ask your name, address, date of birth, taxpayer identification or other government identification number and other information that will allow the Funds to identify you. If the Funds or your Financial Intermediary are unable to adequately identify you within the time frames set forth in the law, your Shares may be automatically redeemed. If the net asset value per share has decreased since your purchase, you will lose money as a result of this redemption.

Offering Dates and Times

Orders must be received by a Fund or an authorized Fund agent prior to 4:00 p.m. Eastern Time or the close of the NYSE, whichever is earlier, to be processed at the net asset value calculated on that day. Purchases can be made on any day when Shares are offered. An authorized Fund agent is an entity contractually designated by FRIMCo to receive and accept orders for the purchase and redemption of Shares of the Funds. Some, but not all, Financial Intermediaries are authorized Fund agents, and some, but not all, authorized Fund agents are Financial Intermediaries. Because Financial Intermediaries' processing times may vary, please ask your Financial Intermediary when your account will be credited.

Order and Payment Procedures

Generally, you must place purchase orders for Shares through your Financial Intermediary. You may pay for your purchase by mail or funds transfer. Please contact your Financial Intermediary for instructions on how to place orders and make payment to the Funds.

Automated Investment Program

If you invest through certain Financial Intermediaries, you may choose to make regular investments (with a minimum of $25 per Fund) in an established account on a monthly, quarterly, semiannual, or annual basis by automatic electronic funds transfer from an account held within US financial institutions that are members of the Federal Reserve System. Depending on the capabilities of your Financial Intermediary, a separate transfer may be made for each Fund in which you purchase Shares. You may change the amount or stop the automatic purchase at any time. Contact your Financial Intermediary for further information on this program.

EXCHANGE PRIVILEGE

How to Exchange Shares

Through your Financial Intermediary you may exchange Shares you own in one Fund for Shares of any other Fund offered by this Prospectus on the basis of the current net asset value per share at the time of the exchange. Shares of a Fund offered by this Prospectus may only be exchanged for shares of a FRIC Fund offered through another Prospectus under certain conditions and only in states where the exchange may be legally made. For additional information, including Prospectuses for other FRIC Funds, contact your Financial Intermediary.

Contact your Financial Intermediary for assistance in exchanging Shares and, because Financial Intermediaries' processing times may vary, to find out when your account will be credited or debited. To request an exchange in writing, please contact your Financial Intermediary.

An exchange involves the redemption of Shares, which is treated as a sale for income tax purposes. Thus, capital gains or losses may be realized. Please consult your tax adviser for more information.

Systematic Exchange Program

If you invest through certain Financial Intermediaries, the Funds offer a systematic exchange program which allows you to redeem Shares from one or more Funds and purchase Shares of certain other FRIC Funds. Systematic exchanges may be established to occur on a monthly, quarterly, semiannual or annual basis. If you would like to establish a systematic exchange program, please contact your Financial Intermediary.

A systematic exchange involves the redemption of Shares, which is treated as a sale for income tax purposes. Thus, capital gains or losses may be realized. Please consult your tax adviser for more information.

RIGHT TO REJECT OR RESTRICT PURCHASE AND EXCHANGE ORDERS

The Funds discourage frequent purchases and redemptions of Fund Shares by Fund shareholders. The Funds do not accommodate frequent purchases and redemptions of Fund Shares by Fund shareholders. Each Fund reserves the right to restrict or reject, without prior notice, any purchase or exchange order for any reason, including transactions representing frequent trading. For example, a Fund may, in its discretion, restrict or reject a purchase or exchange order even if the transaction is not subject to the specific limitations on frequent trading described below if the Fund or its agents determine that accepting the order could interfere with the efficient management of a Fund's portfolio or otherwise not be in a Fund's best interests. In the event that a Fund rejects an exchange request, the Fund will not process the purchase side of the exchange and will seek additional instructions from the Financial Intermediary regarding whether or not to proceed with the redemption side of the exchange. The Funds' frequent trading policies have been approved by the Funds' Board of Trustees.

Frequent Trading Policies and Limitations on Trading Activity

Frequent trading of Fund Shares, often in response to short-term fluctuations in the market, also known as "market timing", is not knowingly permitted by the Funds. Frequent traders and market-timers should not invest in the Funds. The Funds are intended for long-term investors.

The Funds, subject to the limitations described below, take steps reasonably designed to curtail frequent trading practices by investors or Financial Intermediaries.

The Funds monitor for redemptions made within 60 days of purchase on a "first-in, first-out" basis.

If this monitoring activity detects an account whose trading activity falls within the above described categories, the Funds will take the following steps:

- Review the trading history for that account to determine if two round trips have occurred in a 90 day period to establish whether the pattern of trading activity may constitute impermissible frequent trading.
- If a potential impermissible frequent trading pattern has been identified, the Funds will contact the Financial Intermediary to remind that Financial Intermediary of the Funds' frequent trading policy and to notify the Financial Intermediary that if the trading pattern continues, the Funds' will exercise their right to restrict or reject purchase and exchange orders.
- The Funds will continue to monitor trading activity in the account and if a third round trip is detected, the Funds will again contact the Financial Intermediary to remind that Financial Intermediary of the Funds' frequent trading policy and to notify the Financial Intermediary that if the trading pattern continues, the Funds' will exercise their right to restrict or reject purchase and exchange orders.
- The Funds will continue to monitor trading activity in the account and if another round trip occurs, the Funds will generally exercise their right to restrict or reject all purchase and exchange orders for that Financial Intermediary. However, if the Financial Intermediary does not have the ability to control the trading activity of the shareholder in question due to retirement plan exchange limits, ERISA considerations or Department of Labor regulations or if the termination of the Financial Intermediary's trading relationship with the Funds may not be in the best interest of the Fund or its shareholders, the Funds will seek the advice of legal counsel regarding how to proceed in this situation and will provide a report to the Board of Trustees regarding the situation and its resolution.

The Funds, through their agents, will use their best efforts to exercise the Funds' right to restrict or reject purchase and exchange orders as described above.

These trading limits may be modified for accounts held by certain retirement plans to conform to plan exchange limits, ERISA considerations or Department of Labor regulations. These trading limits are subject to the Funds' ability to monitor trading activity as described below. Automated or pre-established exchange, asset allocation and dollar cost averaging long-term investment programs of Financial Intermediaries are not subject to these trading limitations.

The Funds will make best efforts to enforce the policy described above, however there may be limitations on the ability of the Funds to detect and curtail frequent trading practices for a significant percentage of a Fund's shareholders, depending on the structure of a Fund's shareholder accounts. In applying the policy on limitations on trading activity, the Funds consider the information available to them at the time and reserve the right to consider trading history in any FRIC fund including trading history in other accounts under common ownership or control in determining whether to suspend or terminate trading privileges. This policy will not affect any shareholder's redemption rights.

Currently, Funds that have principal investment strategies to invest in fixed income securities are not considered to have the same risks associated with frequent trading as equity funds. However, these Funds or their agents will take the steps described above to curtail any frequent trading activity that is identified.

Risks of Frequent Trading

Short-term or excessive trading into and out of a Fund may harm a Fund's performance by disrupting portfolio management strategies and by increasing expenses. These expenses are borne by all Fund shareholders, including long-term investors who do not generate such costs. Frequent trading may interfere with the efficient management of a Fund's portfolio, and may result in the Fund engaging in certain activities to a greater extent than it otherwise would, such as maintaining higher cash balances, using its line of credit and engaging in portfolio transactions. Increased portfolio transactions and use of the line of credit would correspondingly increase the Fund's operating expenses and decrease the Fund's performance. Since the Funds use hedging strategies to ensure that each Fund is fully invested, maintenance of a higher level of cash balances would not decrease a Fund's exposure to market moves but would decrease the proportion of the Fund that is actively managed.

Additionally, to the extent that a Fund invests in Underlying Funds that invest significantly in foreign securities traded on markets which may close prior to when the Fund determines its net asset value (referred to as the valuation time), frequent trading by certain shareholders may cause dilution in the value of Fund Shares held by other shareholders. Because events may occur after the close of these foreign markets and before the valuation time of the Funds that influence the value of these foreign securities, investors may seek to trade Fund Shares in an effort to benefit from their understanding of the value of these foreign securities as of the Fund's valuation time (referred to as price arbitrage). These Underlying Funds have procedures designed to adjust closing market prices of foreign securities under certain circumstances to better reflect what they believe to be the fair value of the foreign securities as of the valuation time. To the extent that an Underlying Fund does not accurately value foreign securities as of its valuation time, investors engaging in price arbitrage may cause dilution in the value of Fund Shares held by other shareholders.

Because certain small cap equity securities may be traded infrequently, to the extent that a Fund invests in Underlying Funds that invest significantly in small cap equity securities investors may seek to trade Fund Shares in an effort to benefit from their understanding of the value of these securities (referred to as price arbitrage). Any such frequent trading strategies may interfere with efficient management of a Fund's portfolio to a greater degree than Funds which invest in Underlying Funds that invest in highly liquid securities, in part because the Underlying Fund may have difficulty selling these small cap portfolio securities at advantageous times or prices to satisfy large and/or frequent redemption requests. Any successful price arbitrage may also cause dilution in the value of Fund Shares held by other shareholders.

Limitations on the Ability to Detect and Curtail Frequent Trading

The Funds will use reasonable efforts to detect frequent trading activity but may not be able to detect such activity in certain circumstances. These circumstances include:

- Shareholders seeking to engage in frequent trading activities may use a variety of strategies to avoid detection and, despite the efforts of the Funds to prevent frequent trading, there is no guarantee that the Funds or their agents will be able to identify each such shareholder or curtail their trading practices.
- The ability of the Funds and their agents to detect and curtail frequent trading activity may also be limited by operation systems and technological limitations.
- The Funds generally receive purchase, exchange and redemption orders through Financial Intermediaries and cannot always know or reasonably detect frequent trading which may be facilitated by certain Financial Intermediaries.
- Omnibus account arrangements are common forms of holding Fund Shares, particularly among certain Financial Intermediaries such as brokers and retirement plans. These arrangements permit the Financial Intermediary to aggregate their clients' transactions and ownership positions into one account with a Fund. Generally, in these circumstances, the identities of individual shareholders are not known to a Fund.

The Underlying Funds have similar frequent trading policies. Please see the Prospectuses of the Underlying Funds for further information.

HOW TO REDEEM SHARES

Shares may be redeemed through your Financial Intermediary on any business day of the Funds (a day on which the NYSE is open for regular trading). Redemption requests are processed at the next net asset value per share calculated after the Fund receives an order in proper form as determined by your Financial Intermediary. The Funds will close early if the NYSE closes early. Any redemption requests received following an early closure will be processed on the following business day at the next calculated net asset value per share. Shares recently purchased by check may not be available for redemption for 15 days following the purchase or until the check clears, whichever occurs first, to assure that the Fund has received payment for your purchase.

Redemption Dates and Times

Redemption requests must be received by a Fund or an authorized Fund agent prior to 4:00 p.m. Eastern Time or the close of the NYSE, whichever is earlier, to be processed at the net asset value calculated on that day. Please contact your Financial Intermediary for instructions on how to place redemption requests. Because Financial Intermediaries' processing times may vary, please ask your Financial Intermediary when your account will be debited.

Systematic Withdrawal Program

If you invest through certain Financial Intermediaries, the Funds offer a systematic withdrawal program which allows you to redeem your Shares and receive regular payments from your account on a monthly, quarterly, semiannual or annual basis. If you would like to establish a systematic withdrawal program, please contact your Financial Intermediary. You will generally receive your payment by the end of the month in which a payment is scheduled. When you redeem your Shares under a systematic withdrawal program, it may be a taxable transaction.

You may discontinue the systematic withdrawal program, or change the amount and timing of withdrawal payments by contacting your Financial Intermediary.

PAYMENT OF REDEMPTION PROCEEDS

Payment will ordinarily be made within seven days of receipt of your request in proper form. Each Fund reserves the right to suspend redemptions or postpone the date of payment for more than seven days if an emergency condition (as determined by the SEC) exists.

Your redemption proceeds will be paid in one of the following manners: (1) if you invest through certain Financial Intermediaries, your redemption proceeds will be sent directly to your Financial Intermediary who will then settle the redemption with you as agreed between you and your Financial Intermediary; (2) a check for the redemption proceeds may be sent to the shareholder(s) of record at the address of record within seven days after the Funds receive a redemption request in proper form; or (3) if you have established the electronic redemption option, your redemption proceeds can be (a) wired to your predesignated bank account on the next bank business day after a Fund receives your redemption request in proper form or (b) sent by Electronic Funds Transfer (EFT) to your predesignated bank account on the second business day after a Fund receives your redemption request in proper form. On Federal Reserve holidays, funds will settle on the next day the Federal Reserve is open. Each Fund may charge a fee to cover the cost of sending a wire transfer for redemptions, and your bank may charge an additional fee to receive the wire. The Funds will always charge a fee when sending an international wire transfer. The Funds reserve the right to charge a fee when sending a domestic wire transfer for redemptions. The Funds do not charge for EFT though your bank may charge a fee to receive the EFT. Wire transfers and EFTs can be sent to US financial institutions that are members of the Federal Reserve System.

OTHER INFORMATION ABOUT SHARE TRANSACTIONS

Written Instructions

The Funds require that written instructions be in proper form and reserve the right to reject any written instructions that are not in proper form. Your Financial Intermediary will assist you in preparing and submitting transaction instructions to the Funds to insure proper form. Generally, your instructions must include:

- The Fund name and account number
- Details related to the transaction including type and amount
- Signatures of all owners exactly as registered on the account
- Any supporting legal documentation that may be required

Responsibility for Fraud

Please take precautions to protect yourself from fraud. Keep your account information private and immediately review any account confirmations or statements that the Funds or your Financial Intermediary send you. Contact your Financial Intermediary immediately about any transactions that you believe to be unauthorized.

Signature Guarantee

Each Fund reserves the right to require a signature guarantee for any request related to your account including, but not limited to, requests for transactions or address maintenance. A signature guarantee verifies the authenticity of your signature. You should be able to obtain a signature guarantee from a bank, broker, credit union, savings association, clearing agency, or securities exchange or association, but not a notary public. If a signature guarantee is required, the Funds will only accept STAMP2000 Medallion Imprints. Contact your Financial Intermediary for assistance in obtaining a signature guarantee.

Redemption In-Kind

A Fund may pay for any portion of a redemption amount in excess of $250,000 by a distribution of in-kind securities from the Fund's portfolio, instead of in cash. If you receive an in-kind distribution of portfolio securities, and choose to sell them, you will incur brokerage charges and continue to be subject to tax consequences and market risk pending any sale.

Uncashed Checks

Please make sure you promptly cash checks issued to you by the Funds. If you do not cash a dividend, distribution, or redemption check, the Funds will act to protect themselves and you. This may include restricting certain activities in your account until the Funds are sure that they have a valid address for you. After 180 days, the Funds will no longer honor the issued check and, after attempts to locate you, the Funds will follow governing escheatment regulations in disposition of check proceeds. No interest will accrue on amounts represented by uncashed checks.

Registration of Fund Accounts

Many brokers, employee benefit plans and bank trusts combine their clients' holdings in a single omnibus account with the Funds held in the brokers', plans', or bank trusts' own name or "street name." Therefore, if you hold Shares through a brokerage account, employee benefit plan or bank trust fund, a Fund may have records only of that Financial Intermediary's omnibus account. In this case, your broker, employee benefit plan or bank is responsible for keeping track of your account information. This means that you may not be able to request transactions in your Shares directly through the Funds, but can do so only through your broker, plan administrator or bank. Ask your Financial Intermediary for information on whether your Shares are held in an omnibus account.

FINANCIAL HIGHLIGHTS

The following financial highlights tables are intended to help you understand the Funds' financial performance for at least the past 60 months (or, if a Fund or Class has not been in operation for 60 months, since the beginning of operations for that Fund or Class). Certain information reflects financial results for a single Fund Share throughout each of the periods shown below. The total returns in the table represent how much your investment in a Fund would have increased (or decreased) during each period, assuming reinvestment of all dividends and distributions. This information has been audited by PricewaterhouseCoopers LLP, whose report, along with the Fund's financial statements, are included in the Fund's annual report, which are available upon request.

The information in the following tables represents the Financial Highlights for the Funds' Class R3 Shares for the periods shown. No Class R1 or Class R2 Shares of the Funds were outstanding as of October 31, 2005.

2010 Strategy Fund—Class R3 Shares

	Fiscal Year Ended October 31, 2005*
Net Asset Value, Beginning of Period	$10.00
Income From Operations	
Net investment income (loss) (a) (b)	.10
Net realized and unrealized gain (loss)	.08
Total income from operations	.18
Distributions	
From net investment income	(.11)
Net Asset Value, End of Period	$10.07
Total Return (%) (c)	1.79
Ratios/Supplemental Data:	
Net Assets, end of period (in thousands)	$1,768
Ratios to average net assets (%):	
Operating expenses, net (d) (f)	.50
Operating expenses, gross (d) (e)	5.56
Net investment income (loss) (c) (f)	1.06
Portfolio turnover rate (%) (c)	.99

* For the period January 1, 2005 (commencement of sale) to October 31, 2005.

(a) Average month-end shares outstanding were used for this calculation.

(b) Recognition of net investment income by the Fund is affected by the timing of the declaration of dividends by the Underlying Funds in which the Fund invests.

(c) Periods less than one year are not annualized.

(d) The ratios for periods less than one year are annualized.

(e) The calculation includes those expenses charged directly to the Funds, including those fees of the Funds pushed down to the Underlying Funds through June 30, 2005.

(f) May reflect amounts waived and/or reimbursed by FRIMCo as the investment adviser or transfer agent. Expenses are shown net of those expenses pushed down to the Underlying Funds through June 30, 2005.

2020 Strategy Fund—Class R3 Shares

	Fiscal Year Ended October 31, 2005*
Net Asset Value, Beginning of Period	$10.00
Income From Operations	
Net investment income (loss) (a) (b)	.08
Net realized and unrealized gain (loss)	.14
Total income from operations	.22
Distributions	
From net investment income	(.09)
Net Asset Value, End of Period	$10.13
Total Return (%) (c)	2.23
Ratios/Supplemental Data:	
Net Assets, end of period (in thousands)	$1,545
Ratios to average net assets (%):	
Operating expenses, net (d) (f)	.50
Operating expenses, gross (d) (e)	5.38
Net investment income (loss) (c) (f)	.89
Portfolio turnover rate (%) (c)	6.98

* For the period January 1, 2005 (commencement of sale) to October 31, 2005.

(a) Average month-end shares outstanding were used for this calculation.

(b) Recognition of net investment income by the Fund is affected by the timing of the declaration of dividends by the Underlying Funds in which the Fund invests.

(c) Periods less than one year are not annualized.

(d) The ratios for periods less than one year are annualized.

(e) The calculation includes those expenses charged directly to the Funds, including those fees of the Funds pushed down to the Underlying Funds through June 30, 2005.

(f) May reflect amounts waived and/or reimbursed by FRIMCo as the investment adviser or transfer agent. Expenses are shown net of those expenses pushed down to the Underlying Funds through June 30, 2005.

2030 Strategy Fund—Class R3 Shares

	Fiscal Year Ended October 31, 2005*
Net Asset Value, Beginning of Period	$10.00
Income From Operations	
Net investment income (loss) (a) (b)	.07
Net realized and unrealized gain (loss)	.20
Total income from operations	.27
Distributions	
From net investment income	(.08)
Net Asset Value, End of Period	$10.19
Total Return (%) (c)	2.69
Ratios/Supplemental Data:	
Net Assets, end of period (in thousands)	$1,452
Ratios to average net assets (%):	
Operating expenses, net (d) (f)	.50
Operating expenses, gross (d) (e)	5.62
Net investment income (loss) (c) (f)	.75
Portfolio turnover rate (%) (c)	1.11

* For the period January 1, 2005 (commencement of sale) to October 31, 2005.

(a) Average month-end shares outstanding were used for this calculation.

(b) Recognition of net investment income by the Fund is affected by the timing of the declaration of dividends by the Underlying Funds in which the Fund invests.

(c) Periods less than one year are not annualized.

(d) The ratios for periods less than one year are annualized.

(e) The calculation includes those expenses charged directly to the Funds, including those fees of the Funds pushed down to the Underlying Funds through June 30, 2005.

(f) May reflect amounts waived and/or reimbursed by FRIMCo as the investment adviser or transfer agent. Expenses are shown net of those expenses pushed down to the Underlying Funds through June 30, 2005.

2040 Strategy Fund—Class R3 Shares

	Fiscal Year Ended October 31, 2005*
Net Asset Value, Beginning of Period	$10.00
Income From Operations	
Net investment income (loss) (a) (b)	.06
Net realized and unrealized gain (loss)	.24
Total income from operations	.30
Distributions	
From net investment income	(.06)
Net Asset Value, End of Period	$10.24
Total Return (%) (c)	3.03
Ratios/Supplemental Data:	
Net Assets, end of period (in thousands)	$1,701
Ratios to average net assets (%):	
Operating expenses, net (d) (f)	.50
Operating expenses, gross (d) (e)	5.52
Net investment income (loss) (c) (f)	.59
Portfolio turnover rate (%) (c)	2.39

* For the period January 1, 2005 (commencement of sale) to October 31, 2005.

(a) Average month-end shares outstanding were used for this calculation.

(b) Recognition of net investment income by the Fund is affected by the timing of the declaration of dividends by the Underlying Funds in which the Fund invests.

(c) Periods less than one year are not annualized.

(d) The ratios for periods less than one year are annualized.

(e) The calculation includes those expenses charged directly to the Funds, including those fees of the Funds pushed down to the Underlying Funds through June 30, 2005.

(f) May reflect amounts waived and/or reimbursed by FRIMCo as the investment adviser or transfer agent. Expenses are shown net of those expenses pushed down to the Underlying Funds through June 30, 2005.

MONEY MANAGER INFORMATION

The money managers have no affiliations with the Funds or the Funds' service providers other than their management of Underlying Fund assets. Each money manager is principally engaged in managing institutional investment accounts. These managers may also serve as managers or advisers to other investment companies unaffiliated with FRIC, other FRIC funds, or to other clients of FRIMCo or of Frank Russell Company, including Frank Russell Company's wholly-owned subsidiary, Frank Russell Trust Company.

This section identifies the money managers for the Underlying Funds in which the Funds invest. The Underlying Funds may engage or terminate a money manager at any time, subject to the approval of the Underlying Funds' Board of Trustees, without a shareholder vote. A complete list of current money managers for the Underlying Funds can also be found at www.Russell.com. Assets not allocated to money managers are managed by FRIMCo.

Diversified Equity Fund

Alliance Capital Management L.P., which acts as money manager to the Fund through its Bernstein Investment Research and Management Unit, 1345 Avenue of the Americas, 35th Floor, New York, NY 10105.

Ark Asset Management Co., Inc., 125 Broad Street, New York, NY 10004.

Institutional Capital Corporation, 225 W. Wacker Drive, Suite 2400, Chicago, IL 60606.

Marsico Capital Management, LLC, 1200 17th Street, Suite 1600, Denver, CO 80202.

MFS Institutional Advisors, Inc., 500 Boylston Street, 21st Floor, Boston, MA 02116-3741.

Montag & Caldwell, Inc., 3455 Peachtree Road, NE, Suite 1200, Atlanta, GA 30326-3248.

Schneider Capital Management Corporation, 460 E. Swedesford Road, Suite 1080, Wayne, PA 19087.

Suffolk Capital Management, LLC, 1633 Broadway, 40th Floor, New York, NY 10019.

Turner Investment Partners, Inc., 1205 Westlakes Drive, Suite 100, Berwyn, PA 19312.

Quantitative Equity Fund

Aronson+Johnson+Ortiz, LP, 230 South Broad Street, 20th Floor, Philadelphia, PA 19102.

Franklin Portfolio Associates, LLC, One Boston Place, 29th Floor, Boston, MA 02108.

Goldman Sachs Asset Management, L.P., 32 Old Slip, 17th Floor, New York, NY 10005.

Jacobs Levy Equity Management, Inc., 100 Campus Drive, P.O. Box 650, Florham Park, NJ 07932-0650.

Special Growth Fund

CapitalWorks Investment Partners, LLC, 402 West Broadway, 25th Floor, San Diego, CA 92101.

David J. Greene and Company, LLC, 599 Lexington Avenue, New York, NY 10022-6067.

Delphi Management, Inc., 50 Rowes Wharf, Suite 540, Boston, MA 02110.

Goldman Sachs Asset Management, L.P., 32 Old Slip, 17th Floor, New York, NY 10005.

Gould Investment Partners LLC, 1235 Westlakes Drive, Suite 280, Berwyn, PA 19312-2412.

Jacobs Levy Equity Management, Inc., 100 Campus Drive, P.O. Box 650, Florham Park, NJ 07932-0650.

Nicholas-Applegate Capital Management LLC, 600 West Broadway, Suite 2900, San Diego, CA 92101.

TimesSquare Capital Management, LLC, Four Times Square, 25th Floor, New York, NY 10036-9998.

Tygh Capital Management, Inc., 1211 S.W. Fifth Avenue, Suite 2100 Portland, OR 97204.

Real Estate Securities Fund

AEW Management and Advisors, L.P., World Trade Center East, Two Seaport Lane, 16th Floor, Boston, MA 02210-2021.

Heitman Real Estate Securities LLC, 191 North Wacker Drive, Suite 2500, Chicago, IL 60606.

INVESCO Institutional (N.A.), Inc. which acts as a money manager to the Fund through its INVESCO Real Estate division, Three Galleria Tower, Suite 500, 13155 Noel Road, Dallas, TX 75240.

RREEF America L.L.C., The Hancock Building, 875 North Michigan Avenue, 41st Floor, Chicago IL 60611-1901.

International Securities Fund

Alliance Capital Management L.P., which acts as money manager to the Fund through its Bernstein Investment Research and Management Unit, 1345 Avenue of the Americas, 35th Floor, New York, NY 10105.

AQR Capital Management, LLC, Two Greenwich Plaza, 3rd Floor, Greenwich, CT 06830.

Axiom International Investors LLC, 55 Railroad Avenue, Greenwich, CT 06830-6378.

The Boston Company Asset Management, LLC, Mellon Financial Center One Boston Place, 14th Floor, Boston, MA 02108-4408.

Fidelity Management & Research Company, 82 Devonshire Street, Mail Zone—V5B, Boston, MA 02109-3614.

MFS Institutional Advisors, Inc. 500 Boylston Street, 21st Floor, Boston, MA 02116-3741.

Marvin & Palmer Associates, Inc., 1201 North Market Street, Suite 2300, Wilmington, DE 19801-1165.

Mondrian Investment Partners Limited, 80 Cheapside, 3rd Floor, London EC2V 6EE England.

Wellington Management Company, LLP, 75 State Street, Boston, MA 02109.

Emerging Markets Fund

Alliance Capital Management L.P., which acts as money manager to the Fund through its Bernstein Investment Research and Management Unit, 1345 Avenue of the Americas, 35th Floor, New York, NY 10105.

Arrowstreet Capital, Limited Partnership, 44 Brattle Street, 5th Floor, Cambridge MA 02138.

Genesis Asset Managers, LLP, P.O. Box 466 Barclays Court, Les Echelons, St. Peter Port, Guernsey, GY1 6AW Channel Islands.

T. Rowe Price International, Inc., 100 East Pratt Street, Baltimore, MD 21202-1009.

Wells Capital Management Inc., 525 Market Street, 10th Floor, San Francisco, CA 94105.

Diversified Bond Fund

Bear Stearns Asset Management Inc., 383 Madison Avenue, New York, NY 10179.

Lehman Brothers Asset Management LLC, 200 South Wacker Drive, Suite 2100, Chicago, IL 60606.

Pacific Investment Management Company LLC, 840 Newport Center Drive, Suite 300, P.O. Box 6430, Newport Beach, CA 92660-6430.

Western Asset Management Company, 385 East Colorado Boulevard, Pasadena, CA 91101.

Multistrategy Bond Fund

Bear Stearns Asset Management Inc., 383 Madison Avenue, New York, NY 10179.

Delaware Management Company, a series of Delaware Management Business Trust, One Commerce Square, 2005 Market Street, Philadelphia, PA 19103-3682.

Morgan Stanley Investment Management Inc., One Tower Bridge, 100 Front Street, Suite 1100,West Conshohocken, PA 19428-2881.

Pacific Investment Management Company LLC, 840 Newport Center Drive, Suite 300, P.O. Box 6430, Newport Beach, CA 92660-6430.

Short Duration Bond Fund

Merganser Capital Management L.P., 99 High Street, Boston, MA 02110-2320.

Pacific Investment Management Company LLC, 840 Newport Center Drive, Suite 300, P.O. Box 6430, Newport Beach, CA 92660-6430.

STW Fixed Income Management, 6185 Carpinteria Avenue, Carpinteria, CA 93013.

When considering an investment in the Funds, do not rely on any information unless it is contained in this Prospectus or in the Funds' Statement of Additional Information. The Funds have not authorized anyone to add any information or to make any additional statements about the Funds. The Funds may not be available in some jurisdictions or to some persons. The fact that you have received this Prospectus should not, in itself, be treated as an offer to sell Shares to you. Changes in the affairs of the Funds or in the Underlying Funds' money managers may occur after the date on the cover page of this Prospectus. This Prospectus will be amended or supplemented to reflect any material changes to the information it contains.

For more information about the Funds, the following documents are available without charge:

ANNUAL/SEMIANNUAL REPORTS: Additional information about the Funds' investments is available in the Funds' annual and semiannual reports to shareholders. In each Fund's annual report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during its last fiscal year.

STATEMENT OF ADDITIONAL INFORMATION (SAI): The SAI provides more detailed information about the Funds.

The annual report for each Fund and the SAI are incorporated into this Prospectus by reference. You may obtain free copies of the annual report, semi-annual report or the SAI of the Funds and the Underlying Funds, and may request other information or make other inquiries, by contacting your Financial Intermediary or the Funds at:

Frank Russell Investment Company
909 A Street
Tacoma, WA 98402
Telephone: 1-800-787-7354
Fax: 253-591-3495

The Funds' and the Underlying Funds' SAI and annual and semi-annual reports to shareholders are available, free of charge, on the Funds' Web site at www.russell.com.

You can review and copy information about the Funds and the Underlying Funds (including the SAI) at the Securities and Exchange Commission's Public Reference Room in Washington, D.C. You can obtain information on the operation of the Public Reference Room by calling the Commission at 1-202-942-8090. Reports and other information about the Funds are available on the EDGAR Database on the Commission's Internet website at http://www.sec.gov. Copies of this information may be obtained, after paying a duplicating fee, by electronic request at the following email address: publicinfo@sec.gov, or by writing the Commission's Public Reference Section, Washington, D.C. 20549-0102.

FRANK RUSSELL INVESTMENT COMPANY

Class R1, R2 and R3 Shares:

2010 Strategy Fund
2020 Strategy Fund
2030 Strategy Fund
2040 Strategy Fund

On or about July 1, 2006, Frank Russell Investment Company expects to change its name to Russell Investment Company, and Frank Russell Investment Management Company expects to change its name to Russell Investment Management Company.

Russell

Distributor: Russell Fund Distributors, Inc.
Frank Russell Investment Company's SEC File No. 811-03153
36-08-173 (0306)

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