

INFORMATION MEMORANDUM

# Russell Funds – Class D

2 June 2014

## FUNDS

Russell Australian Cash Fund

Russell Australian Cash Enhanced Fund

Russell Australian Bond Fund

Russell International Bond Fund - \$A Hedged

Russell International Property Securities Fund - \$A Hedged

Russell Global Listed Infrastructure Fund - \$A Hedged

Russell Australian Shares Fund

Russell Australian Opportunities Fund

Russell Australian Shares Tracker Fund

Russell Australian Shares Enhanced Income Fund

Russell After-Tax Australian Shares Fund (for Superannuation Investors)

Russell International Shares Fund

Russell International Shares Fund - \$A Hedged

Russell International Shares Tracker Fund

Russell Global Opportunities Fund

Russell Global Opportunities Fund - \$A Hedged

## **About this Information Memorandum (IM)**

This IM describes the main features of the Russell Funds – Class D (“the Funds”). This IM was issued on 2 June 2014 by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence Number 247 185, the responsible entity of the Funds. We are a member of Russell Investments.

## **Eligibility**

This IM is an invitation to apply for Class D units in each Fund. Applications for units in a Fund may only be made using the Application Form attached to this IM.

This IM can only be used by persons receiving it (electronically or in hard copy) in Australia and does not constitute an offer or recommendation of securities in any jurisdiction, or to any person to whom it would be unlawful to make such an offer.

Please read this IM to find out more about the features, costs and benefits, as well as the risks involved in investing in the Funds. It is important that you read this IM before making any decision to invest in a Fund.

## **How to Contact Us**

Investors can contact or find us as follows:

Russell Investment Management Ltd  
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Sydney NSW 2001, Australia  
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Contact:

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# 1. Key Features

About the Funds	
Type of investments	Australian registered managed investment schemes – unit trusts.
Responsible Entity	Russell Investment Management Ltd.
Fees	
Entry/Contribution Fee	Nil
Withdrawal Fee	Nil
Switching Fee	Nil
Estimated Indirect Cost Ratio (ICR)	Depending on the Fund you select, ranges from 0.03% p.a. to 0.13% p.a.
Estimated Buy/Sell Spreads	The current estimated buy/sell spread for each Fund is published on our website at <a href="http://www.russell.com.au/disclosures">www.russell.com.au/disclosures</a> . We reserve the right to change the buy and/or sell spread for any Fund, at any time without providing notice to you.
Funds Available	
Russell Funds	<ul style="list-style-type: none"> <li>• Russell Australian Cash Fund</li> <li>• Russell Australian Cash Enhanced Fund</li> <li>• Russell Australian Bond Fund</li> <li>• Russell International Bond Fund - \$A Hedged</li> <li>• Russell International Property Securities Fund - \$A Hedged</li> <li>• Russell Global Listed Infrastructure Fund - \$A Hedged</li> <li>• Russell Australian Shares Fund</li> <li>• Russell Australian Opportunities Fund</li> <li>• Russell Australian Shares Tracker Fund</li> <li>• Russell Australian Shares Enhanced Income Fund</li> <li>• Russell After-Tax Australian Shares Fund (for Superannuation Investors)</li> <li>• Russell International Shares Fund</li> <li>• Russell International Shares Fund - \$A Hedged</li> <li>• Russell International Shares Tracker Fund</li> <li>• Russell Global Opportunities Fund</li> <li>• Russell Global Opportunities Fund - \$A Hedged</li> </ul>
Transacting	
Investing	You need to read this IM and complete the accompanying Application Form and the Client Account Manual available from Russell Fund Operations.
Withdrawing	You need to provide us with a written request with your instructions signed by authorised signatories.
Distributions	<p>Quarterly or half yearly, depending on the Fund you select. In addition:</p> <ul style="list-style-type: none"> <li>• Where there are large withdrawals from a Fund on any one day, we may determine that part of a withdrawal amount consists of income. If this circumstance affects a withdrawal you have made, this will be advised to you in your annual tax statement.</li> <li>• Where there are large applications to a Fund on any one day, we may determine to calculate and pay a special distribution to all unit holders of the Fund. If this occurs, you will be issued with a distribution statement.</li> </ul> <p>The processing of application and withdrawal requests may be delayed for a few days whilst the distribution is being determined.</p> <p>You can request to reinvest distributions as additional units in that Fund or have them paid to your bank account. Buy/sell spreads do not apply.</p>

<b>Reporting on Your Investment</b>	
Confirmations	We will send you a transaction statement each time you transact.
Monthly Reporting	We will send you a monthly transaction statement.
Annual Reporting	We will send you an annual tax statement and provide or make available to you an Annual Report.
Distributions	We will send you a distribution statement each time a distribution is made.
<b>Other Important Information</b>	
Risks	As with any investment there are a number of risks that may affect the value of your investment. However, some of these risks are specific to particular Funds. You should consider carefully the risks that may affect the financial performance of your investment in a Fund.

## 2. Your Guide to the Funds

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### About Russell Investments

Russell Investments is a global asset manager and one of only a few firms that offers actively managed multi-asset portfolios and services that include advice, investments and implementation.

Working with institutional investors, financial advisers and individuals, Russell's core capabilities extend across capital market insights, manager research, portfolio construction, portfolio implementation and indexes.

Russell has more than \$286 billion in assets under management (as of 31 December 2013) and works with 2,500 institutional clients and independent distribution partners and millions of individual investors globally. As a consultant to some of the largest pools of capital in the world, Russell has \$2.6 trillion in assets under advisement (as of 30 June 2013).

### WE STAND WITH YOU

We recognise that the money we manage represents the hard work and savings of real people like you. That's why we work to deliver real, lasting value. And that's why we're committed to our purpose: improving financial security for people.

### Benefits of investing in the funds

#### 1) Actively managed investment strategies

As one of the world's top three investment consultants, Russell creates investment strategies for some of the world's most demanding investors including many of Australia's household names. The investment strategy in your Russell-built portfolio will be based on the same deep insights, high standards and stringent research we use working for those large investors.

#### 2) Quality ingredients

Given the choice, wouldn't you prefer to work with some of the world's top investment managers and the opportunities they present to build your portfolio? At Russell, we don't just sell the best we have to offer. Instead, we find the top investment managers and strategies from around the world, no matter who is providing them.

#### 3) Efficient implementation

With one of the world's top-tier trading desks and our best-in-class implementation capabilities, Russell will work diligently to keep every cent possible where it belongs – working for you – even through the most challenging market conditions.

### 3. Russell Funds

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#### Russell Australian Cash Fund

ARSN: 092 806 767

##### Investment return objective

To provide a total return, before costs and tax, in line with the Fund's benchmark over the short term by providing exposure to a diversified portfolio of Australian dollar investment grade cash and cash equivalents.

##### Suitability

Suitable for investors seeking cash-like returns who have a short investment horizon.

##### Minimum investment timeframe

This Fund is appropriate for short term liquidity needs.

##### Benchmark

UBSA Bank Bill Index

##### Investment strategy

The Fund invests in bank deposits and money market instruments, including but not limited to bank bills and certificates of deposit.

##### Risk level\*

This Fund is expected to have low return volatility

##### Fund Size as at 31 March 2014:

\$1,130.15 million

##### Estimated ICR

0.04% p.a. (see page 21 for more information)

#### Russell Australian Cash Enhanced Fund

ARSN: 111 170 300

##### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the short to medium term by providing exposure to a diversified portfolio of predominantly Australian dollar investment grade cash and cash equivalents.

##### Suitability

Suitable for investors seeking cash-like returns who have a short investment horizon.

##### Minimum investment timeframe

1 year

##### Benchmark

UBSA Bank Bill Index

##### Investment strategy

The Fund invests predominantly in bank deposits, money market instruments (including but not limited to bank bills and certificates of deposit), corporate floating rate notes and asset backed and mortgage backed securities. Derivatives and fixed rate corporate debt may also be used. The Fund may be exposed to non-Australian dollar denominated cash and cash equivalent securities. Any foreign currency exposures will be largely hedged back to Australian dollars.

##### Risk level\*

This Fund is expected to have low return volatility.

##### Fund Size as at 31 March 2014

\$1,447.28 million

##### Estimated ICR

0.06% p.a. (see page 21 for more information)

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.

## Russell Funds (continued)

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### Russell Australian Bond Fund

ARSN: 092 806 169

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the medium term by providing exposure to a diversified portfolio of predominantly fixed income securities.

#### Suitability

Suitable for investors seeking bond-like returns who do not have a long investment horizon and wish to limit the chance of negative returns over this horizon.

#### Minimum investment timeframe

3 years

#### Benchmark

UBSA Composite Bond Index

#### Investment strategy

The Fund invests predominantly in Australian issued government, quasi-government and corporate fixed income securities. In addition, the portfolio may also include debt securities issued by supranationals and non-Australian governments, agencies and corporates, as well as structured credit securities including mortgage and asset backed securities. The Fund from time to time may be exposed to low grade or unrated debt securities, exchange traded funds, emerging markets and currency to a limited extent. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Risk level\*

This Fund is expected to have low return volatility.

#### Fund Size as at 31 March 2014

\$1,957.85 million

#### Estimated ICR

0.04% p.a. (see page 21 for more information)

### Russell International Bond Fund - \$A Hedged

ARSN: 092 806 954

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the medium term by providing exposure to a diversified portfolio of predominantly fixed income securities denominated in foreign currencies and largely hedged into Australian dollars.

#### Suitability

Suitable for investors seeking overseas bond-like returns who do not have a long investment horizon and wish to limit currency risks and the chance of negative returns over this horizon.

#### Minimum investment timeframe

3 years

#### Benchmark

Barclays Global Aggregate Index (\$A Hedged)

#### Investment strategy

The Fund invests predominantly in debt securities issued by supranationals, international governments, quasi-governments, agencies and corporates as well as structured credit securities including mortgage and asset backed securities. The Fund may also be exposed to low grade or unrated debt securities, emerging markets and currency to a limited extent. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to Australian dollars.

#### Risk level\*

This Fund is expected to have low return volatility.

#### Fund Size as at 31 March 2014

\$1,248.82 million

#### Estimated ICR

0.06% p.a. (see page 21 for more information)

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.



## Russell Funds (continued)

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### Russell International Property Securities Fund - \$A Hedged

ARSN: 111 169 987

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly international and Australian listed property securities, largely hedged into Australian dollars.

#### Suitability

Suitable for investors seeking property-like returns who have a long investment horizon. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

FTSE EPRA/NAREIT Developed Real Estate Index Net TRI - \$A Hedged

#### Investment strategy

The Fund invests predominantly in property trusts and property-related securities listed on stock exchanges in developed international markets. The Fund may also invest in securities which have exposure to properties in emerging markets. Foreign currency exposures are largely hedged back to Australian dollars.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$449.29 million

#### Estimated ICR

0.03% p.a. (see page 21 for more information)

### Russell Global Listed Infrastructure Fund - \$A Hedged

ARSN: 139 233 971

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly global listed infrastructure securities, largely hedged into Australian dollars.

#### Suitability

Suitable for investors seeking infrastructure-like returns who have a long investment horizon. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

S&P Global Infrastructure Index (\$A Hedged) (Net TR)

#### Investment strategy

The Fund invests predominantly in infrastructure and infrastructure related securities listed on stock exchanges in developed and emerging markets. The Fund may also invest in unlisted securities on a limited basis. Foreign currency exposures are largely hedged back to Australian dollars.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund size as at 31 March 2014

\$393.89 million

#### Estimated ICR

0.05% p.a. (see page 21 for more information)

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.

## Russell Funds (continued)

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### Russell Australian Shares Fund

ARSN: 092 807 728

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly Australian shares.

#### Suitability

Suitable for investors seeking share-like returns, who have a long investment horizon. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

S&P/ASX 300 Accumulation Index

#### Investment strategy

The Fund invests predominantly in shares and unit trusts listed or about to be listed on the Australian Securities Exchange. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$2,489.74 million

#### Estimated ICR

0.04% p.a. (see page 21 for more information)

### Russell Australian Opportunities Fund

ARSN: 108 895 469

#### Investment return objective

To significantly outperform the Fund's benchmark, before costs and tax, over the long term by providing exposure to a diversified portfolio of predominantly Australian shares.

#### Suitability

Suitable for investors with a long-term investment horizon who are seeking share-like returns. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

S&P/ASX 300 Accumulation Index

#### Investment strategy

The Fund invests predominantly in shares and unit trusts listed or about to be listed on the Australian Securities Exchange. The Fund may also engage in short selling of securities. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$727.71 million

#### Estimated ICR

0.13%<sup>+</sup> p.a. (see page 21 for more information)

<sup>+</sup> Indicates a performance fee element. Please see 'Performance Fees' under section 'Additional Explanation of Fees and Costs'

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.

## Russell Funds (continued)

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### Russell Australian Shares Tracker Fund

ARSN: 125 507 226

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly Australian shares.

#### Suitability

Suitable for investors seeking share-like returns who have a long investment horizon. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

S&P/ASX 300 Accumulation Index

#### Investment strategy

The Fund invests predominantly in shares or unit trusts listed or about to be listed on the Australian Securities Exchange. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Risk level\*

The Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$1,109.91 million

#### Estimated ICR

0.04% p.a. (see page 21 for more information)

### Russell Australian Shares Enhanced Income Fund

ARSN: 146 415 803

#### Investment return objective

To provide a higher level of income including franking credits and lower volatility than the Fund's benchmark, before costs and tax, with the potential for capital growth over the medium to long term, by investing predominantly in Australian shares and through the sale of call options.

#### Suitability

Suitable for investors seeking share-like returns with an income focus, who have a long investment horizon. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

5 years

#### Benchmark

S&P/ASX 200 Accumulation Index

#### Investment strategy

The Fund invests predominantly in shares and unit trusts listed or about to be listed on the Australian Securities Exchange and may also invest in hybrid equity securities such as convertible and preference shares. The Fund will use derivatives such as options and futures to generate additional income and manage investment risk. Derivatives are not used to leverage the Fund.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$163.61 million

#### Estimated ICR

0.07% p.a. (see page 21 for more information)

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.

## Russell Funds (continued)

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### Russell After-Tax Australian Shares Fund (for Superannuation Investors)

ARSN: 148 173 808

#### Investment return objective

To provide a total after tax return (net of fees), higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly Australian shares.

#### Suitability

Suitable for investors seeking share-like returns, who have a long investment horizon. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

FTSE ASFA Australia 200 Superannuation Index

#### Investment strategy

The Fund invests predominantly in shares and unit trusts listed or about to be listed on the Australian Securities Exchange. Derivatives may be used to obtain or reduce exposure to securities or markets, to implement investment strategies and to manage risk. Tax efficient strategies are implemented to enhance the after-tax return of the Fund.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$2,154.33 million

#### Estimated ICR

0.04% p.a. (see page 21 for more information)

### Russell International Shares Fund

ARSN: 092 808 261

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly international shares.

#### Suitability

Suitable for investors seeking overseas share-like returns, who have a long investment horizon and are willing to accept some currency risks. Investors must also be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

Russell Developed Large Cap Index - Net

#### Investment strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets. The Fund may also be exposed to emerging market shares. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$1,685.53 million

#### Estimated ICR

0.05% p.a. (see page 21 for more information)

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.

## Russell Funds (continued)

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### Russell International Shares Fund - \$A Hedged

ARSN: 092 805 939

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly international shares largely hedged into Australian dollars.

#### Suitability

Suitable for investors seeking overseas share-like returns, who have a long investment horizon but wish to limit currency risks. Investors must be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

Russell Developed Large Cap AUD Hedged Index – Net

#### Investment strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets. The Fund may also be exposed to emerging market shares. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to Australian dollars.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$495.6 million

#### Estimated ICR

0.06% p.a. (see page 21 for more information)

### Russell International Shares Tracker Fund

ARSN: 138 704 597

#### Investment return objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly international shares.

#### Suitability

Suitable for investors seeking overseas share-like returns who have a long investment horizon and are willing to accept some currency risks. Investors must also be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

Russell Developed Large Cap Index - Net

#### Investment strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets. The Fund may also be exposed to emerging market shares. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Risk level\*

The Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$404.38 million

#### Estimated ICR

0.05% p.a. (see page 21 for more information)

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.

## Russell Funds (continued)

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### Russell Global Opportunities Fund

ARSN: 111 169 745

#### Investment return objective

To significantly outperform the Fund's benchmark, before costs and tax, over the long term by providing exposure to a diversified portfolio of predominantly international shares.

#### Suitability

Suitable for investors seeking overseas share-like returns, who have a long investment horizon and are willing to accept some currency and emerging markets risks. Investors must also be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

Russell Global Large Cap Index – Net

#### Investment strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed and emerging international markets. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$2,817.34 million

#### Estimated ICR

0.06% p.a. (see page 21 for more information)

### Russell Global Opportunities Fund - \$A Hedged

ARSN: 133 924 526

#### Investment return objective

To significantly outperform the Fund's benchmark, before costs and tax, over the long term by providing exposure to a diversified portfolio of predominantly international shares, largely hedged into Australian dollars.

#### Suitability

Suitable for investors seeking overseas share-like returns, who have a long investment horizon and are willing to accept some emerging markets risks, but wish to limit currency risks. Investors must also be willing to accept the possibility of negative returns over the short to medium term.

#### Minimum investment timeframe

7 years

#### Benchmark

Russell Global Large Cap AUD Hedged Index – Net

#### Investment strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed and emerging international markets. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to Australian dollars.

#### Risk level\*

This Fund is expected to have high return volatility.

#### Fund Size as at 31 March 2014

\$813.18 million

#### Estimated ICR

0.09% p.a. (see page 21 for more information)

\* The risk level assigned to a Fund is based on our assessment of its overall investment risks relative to the other Funds offered by Russell Investments.

## 4. How the Funds Invest

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### Investment management

As well as appointing investment managers to manage the assets of a Fund, we, or other members of Russell Investments, may directly manage a portion of the assets of a Fund or of an underlying fund in which the Fund is invested.

### Changing managers and/or underlying funds

We may change the investment managers and/or underlying funds of the Funds from time to time without notice.

Updated information may be found on our website at [www.russell.com.au/disclosures](http://www.russell.com.au/disclosures). You can contact us if you would like a paper copy of this information free of charge.

### Currency management

Some Funds may use currency hedging as part of their investment strategy. Currency hedging is an investment strategy that aims to reduce currency risk, thereby protecting or potentially improving returns. However it may also reduce potential gain from investments. Derivatives including, but not limited to, forward foreign exchange contracts and swaps may be used to reduce the impact of currency fluctuations. Currency hedging may be implemented by us (including other members of Russell Investments) or by an investment manager appointed by us.

### Derivatives

Derivatives such as futures, options, swaps and forward contracts may be used by the Funds or underlying funds from time to time to: achieve a desired investment position without buying or selling the underlying asset; implement investment strategies; as a hedging mechanism to protect against changes in the market value of existing investments; or to manage actual or anticipated risk.

In particular, some Funds may use futures contracts to equitise cash holdings. Those Funds that have foreign currency exposures may use derivatives to manage currency exposures.

The Funds that invest in fixed income securities may use a range of derivatives to manage interest rate, currency, duration and credit risk. Derivatives may also be used to create net short positions in the assets of some of the Funds.

### Borrowings

Apart from the Russell Australian Opportunities Fund, it is not our intention to borrow money in relation to the Funds, other than to meet short-term liquidity requirements. Some Funds may borrow securities to implement an investment strategy. The Russell Australian Opportunities Fund may borrow money to implement investment strategies, however it will not be leveraged in aggregate as a result. With the exception of borrowing to implement investment strategies, the Funds currently have no material borrowings.

### Securities lending

We have established a securities lending program, under which a Fund's assets may be loaned to a borrower. In exchange, the Fund will receive collateral equal to at least 100% of the value of the assets loaned. We may place restrictions on which assets of a Fund are available to be loaned. Acceptable collateral may include, but is not limited to, cash, cash equivalents, shares and government bonds.

Any income (net of fees paid for administering securities lending) that a Fund generates from the securities lending program will be used to offset the Fund's custody expenses. This may result in reduced expense recoveries for a Fund. There are additional risks involved with securities lending. See page 16 for more details.

### Ethical investments

Although the investment managers we appoint may take into account labour standards and/or environmental, social or ethical considerations when making their investment decisions, we do not use these criteria when we select investment managers, or when we evaluate their performance.

Where Russell manages the assets, we also do not use these criteria when making investment decisions.

## 5. The Risks of Investing

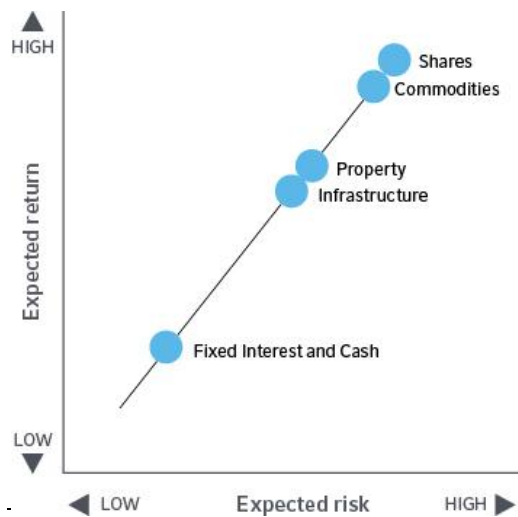
All investing involves risk. It's the trade-off for the return that investors seek. Assets with higher expected long term return generally carry a higher level of short term risk. For example, shares and commodities have relatively higher risk, and higher expected return, than fixed interest and cash.

As with most investing, it is not guaranteed that you will make money. The value of your investment can go up or down with the value of the underlying assets.

Short-term fluctuations in the value of investments are common, particularly with respect to shares and commodities. Different types of investments perform differently at different times and carry varying forms of risk.

The risk/return graph below indicates the relative position of each major asset class.

### Risk and Return



Source: Russell Investment Management Ltd.

Note: The above risk/return graph indicates potential return volatility for different asset classes. Asset classes with higher volatility of returns are considered to have higher risk, but they are generally expected to produce a greater return over the long-term.

Risks may result in loss of income, loss of principal invested and possible delays in repayment. You could receive back less than you invested and there is no guarantee that you will receive any income.

Managed Investment Scheme laws may change in the future and this may affect your investment. Also remember that past returns are not a reliable indicator of future returns.

The risks you should be aware of are:

- **Interest rate risk:** Some Funds may be sensitive to movements in domestic and international interest rates. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease, and vice versa.
- **Derivatives risk:** some Funds may be exposed to exchange-traded and over-the counter derivative instruments including but not limited to currency forwards and swaps, interest rate and total return swaps and futures and options. Derivatives usually derive their value from the value of a physical asset, interest rate, exchange rate or market index. They can be used to manage certain risks in investment portfolios; however, they can also expose a portfolio to additional risks. A risk, though not unique to derivatives, includes the possibility that the position is difficult or costly to reverse or that there is an adverse movement in the asset, interest rate, exchange rate or index underlying the derivative, as derivatives do not always perfectly or even highly correlate or track the value of the assets, rates or indices they are designed to track.

A derivative contract may involve leverage i.e. it provides exposure to a potential gain or loss from a change in the level of the market price of a security, currency or basket index in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivative contract. Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage. Accordingly, derivative instruments can be highly volatile and expose investors to a high risk of loss.

- **Liquidity risk:** some Funds may be exposed to assets that have restricted or limited liquidity. In extreme circumstances this may result in delays in processing withdrawal requests due to general market interruptions or inadequate market depth.
- **Counterparty and settlement risk:** some Funds may be exposed to counterparty and settlement risks. These risks are influenced by, amongst other things, market practices (e.g. settlement and custody practices), the creditworthiness of the parties the Fund is exposed to, and the level of government regulation in countries in which the Fund invests.
- **Currency risk:** the Funds that have exposure to foreign assets will be exposed to currency risk. Currency movements may affect the performance of these Funds. Some Funds may use currency hedging programs.



For the Funds that are identified as fully hedged, although the benchmark is to be 100% currency hedged, some foreign currency exposures can remain which may affect the investment values of these Funds.

- **Performance fee risk:** performance fees may be charged by us or by an underlying investment manager or fund. Performance fees are based on realised and unrealised gains. Therefore, a performance fee may be paid on unrealised gains that may never subsequently be realised. In addition, performance fees provide an incentive to make investments that carry more risk than those made in the absence of a performance fee.
- **Emerging markets risk:** the Funds exposed to emerging market securities may be subject to higher levels of market volatility leading to higher general investment risk. Interest rate and currency risks may be greater due to higher levels of volatility in the economies of emerging markets. Furthermore, emerging market securities are often less liquid than the securities of developed markets. Counterparty and settlement risks are also increased.
- **Short selling risk:** some Funds may be exposed to short selling risk. This is where an asset is sold that the investor does not actually own, with the aim of gains being made if the asset's price falls, and can be bought back later at a lower price. Short selling involves a higher level of risk than normal investment in shares. This is because when the underlying fund invests in shares the maximum loss is generally limited to the amount invested. With short positions, there is theoretically no limit on the loss because the loss will continue to increase as the price of the share increases.
- **Leverage or borrowing risk:** some Funds may be exposed to leverage or borrowing strategies that can magnify both gains and losses on investment returns. Money borrowed will be subject to interest and other costs, which may or may not exceed the income received from the instruments purchased with borrowed funds. Leverage creates an opportunity for greater returns, but at the same time, may significantly increase the risk of your investment in the Fund.
- **Securities lending risk:** where a Fund is exposed to securities lending there is a risk that the borrower may become insolvent or otherwise become unable to meet, or refuse to honour, its obligations to return the loaned assets. In this event, the Fund could experience delays in recovering assets and may incur a capital loss.
- **Credit risk:** the Funds may be exposed to credit risk. Credit risk refers to the issuer of a debt instrument or banks holding cash deposits failing to meet an obligation to pay periodic interest, to repay the principal sum at maturity or to otherwise honour its obligations. Unrated or low grade debt securities are generally subject to greater risk of loss of principal and interest than higher rated securities.

- **Political risk:** investments may be affected by uncertainties such as political developments, changes in law or government policies, and currency repatriation restrictions on foreign investment in some countries a Fund may be exposed.
- **Underlying funds' absence of regulatory oversight:** some Funds may be exposed to managed investment schemes established in other jurisdictions that do not have an equivalent level of investor protection to that which is provided in Australia. Investment in such schemes may also adversely impact the transparency of a Fund.

**To manage your risks, you should obtain professional investment advice that is tailored to your investment objectives, financial situation and particular needs. We strongly encourage you to invest for the recommended time frame.**

## 6. Tax

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The following summary of Australian taxation matters is a general guide in relation to the Australian taxation implications applicable to the Fund for Australian resident unitholders who hold their units in the Fund on capital account. It is intended as an outline of some of the Australian tax issues which may affect an investment in the Fund and should not be relied upon as a complete statement of all the potential tax considerations which may arise upon investing in the Fund.

The summary is based on the Australian tax laws as at the date of this IM. The Australian tax laws are subject to continual change, and as the tax treatment applicable to particular unitholders may differ, it is recommended that all unitholders seek their own professional advice on the taxation implications before investing in the Fund.

### Fund income

The Fund fully distributes distributable income to unitholders in respect of each income year. You will be subject to tax on your share of the tax net income of the Fund, in proportion to your entitlement to the distributable income of the Fund, in the year in which your entitlement arises, irrespective of whether the income is distributed to you after year end or is reinvested.

You may be entitled to franking credits which arise from franked dividends received in respect of the Fund's investment in Australian shares (if applicable). Subject to various eligibility criteria, including the holding period rule, you can use the credits to reduce your tax liability on your share of the tax net income of the Fund or your other assessable income. Excess franking credits may be refundable to resident individuals and complying superannuation entities, and in certain circumstances may give rise to tax losses for companies.

With the exception of the Russell Australian Cash Fund, the Funds have made the managed investment trust (MIT) capital gains tax (CGT) election, and subject to continuing to satisfy the eligibility requirements to be a MIT for an income year, will hold its eligible assets (including equities, and units in other trusts, but excluding derivatives and foreign exchange contracts) on capital account. The Russell Australian Cash Fund has not made the MIT CGT election and accordingly will hold its eligible assets on revenue account.

Your share of the net income of the Fund may include a net capital gain of the Fund, where the Fund holds its assets on capital account or where the Fund holds units in other fund(s) which distribute capital gains to the Fund. If you withdraw, switch or transfer any part of your investment, it is treated as a disposal and you may be subject to capital gains tax. A discount may be available in calculating the taxable amount of a capital gain where the asset has been held for twelve months or more. A capital gain distributed by the Fund may also be subject to the discount. The amount of the discount is one-half

for individuals and trusts, and one-third for complying superannuation entities. No discount is available for a corporate investor.

### Foreign income

The Fund may derive income from sources outside Australia. Your share of the gross foreign income will be treated as foreign income in your hands. You may be entitled to a foreign income tax offset for any foreign tax paid by the Fund on the income.

### Controlled Foreign Company (CFC) Rules

The CFC rules may apply to certain interests in foreign companies where controlling interests are held by one or more Australian residents (including the Fund), in certain circumstances.

Under the CFC rules, the tax net income of the Fund may include the Fund's share of a CFC's attributable income (generally passive income) for a year on an accruals basis, even though the income has not been distributed by the CFC. Further, if a CFC is considered to be a 'foreign hybrid' under Australian tax law, the partnership rules may also apply to attribute taxable income to the Fund. A holding of at least 10% is generally required to be an "attributable taxpayer" under the CFC rules. However, it is generally expected that the Fund's interests in foreign companies will not be CFC interests. If applicable, the Responsible Entity will monitor the concentration of Australian (or Australian associated) ownership of any foreign companies to determine if any income attribution under the CFC rules is required.

The Government had previously announced its intention to rewrite the CFC rules. Exposure Draft legislation in respect of the rewrite was subsequently released on 17 February 2011. However, on 14 December 2013, the Assistant Treasurer announced that the proposed rewrite of the CFC rules would not proceed further at this stage. Accordingly, as at the date of this PDS, the current CFC provisions remain relevant for Australian resident unitholders in the Fund. The Responsible Entity will continue to monitor developments on these reforms and their potential impact on the Fund.

### Taxation of Financial Arrangements (TOFA) regime

The TOFA rules may apply to certain "financial arrangements" held by the Fund. In broad terms, in calculating the net (taxable) income of the Fund, returns on certain financial arrangements may be recognised on an accruals basis rather than a realisation basis, and on revenue account. The administrator of the Fund will assist the Responsible Entity with compliance with the TOFA rules, as required by the tax legislation.

## Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act (FATCA) is US tax law that requires Foreign Financial Institutions (FFIs) to comply with a number of additional compliance obligations in order to ensure that 30% FATCA withholding tax is not deducted from:

- › certain US sourced income (referred to as fixed, determinable, annual or periodic (FDAP) income);
- › gross proceeds from the sale of securities giving rise to US FDAP income; and
- › passthru payments.

The definition of a FFI is very broad. Both the Responsible Entity and the individual Fund fall within the definition of a FFI and will therefore be required to comply with relevant FATCA obligations.

### **Australian Inter-Governmental Agreement**

On 28 April 2014, an Inter-Governmental Agreement (IGA) was signed between Australia and the US. Further, Exposure Draft legislation was also released on 28 April 2014 in order to give effect to Australia's obligations under the IGA, some of which may apply from 1 July 2014.

Generally speaking, a number of FATCA compliance obligations will arise under an Australian IGA:

- relevant entities will be required to register with the US Internal Revenue Service (IRS);
- unitholder identification processes and documentation requirements will be required to be enhanced from 1 July 2014 (such as Anti-Money Laundering/Know Your Client procedures) in order to determine status for FATCA purposes;
- due diligence will be required to be conducted on unitholders in existence as at 30 June 2014 in order to determine status for FATCA purposes; and
- annual reporting to the ATO of relevant unitholders (if any) will be required.

The Responsible Entity may therefore be required to request unitholders to provide additional information in order to comply with FATCA compliance obligations.

Important note: the FATCA regulations continue to be modified by the IRS. Further, the Australian legislation is in draft form and subject to change until enacted. The Responsible Entity will continue to monitor developments in this regard to ensure relevant FATCA compliance obligations are met.

For further information regarding the FATCA regulations please refer to the IRS website:

[www.irs.gov/Businesses/Corporations/Information-for-Foreign-Financial-Institutions](http://www.irs.gov/Businesses/Corporations/Information-for-Foreign-Financial-Institutions)

For further information regarding the Australian IGA please refer to the ATO website:

[www.ato.gov.au/General/New-legislation/In-detail/Other-topics/International/Foreign-Account-Tax-Compliance-Act/](http://www.ato.gov.au/General/New-legislation/In-detail/Other-topics/International/Foreign-Account-Tax-Compliance-Act/)

## Tax reform

The comments noted above are based on the taxation legislation and administrative practice as at the issue date of the IM, together with changes to the taxation legislation as announced by the Government. However, it should be noted that the Australian tax system is in a continuing state of reform, and based on the Government's reform agenda, reform is likely to escalate rather than diminish. Any reform of a tax system creates uncertainty, whether it be uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process.

Current reforms in progress include the proposed new regime for the taxation of managed investment trusts, the proposed rewrite of Division 6 of the Tax Act dealing with the taxation of trusts, and announcements in the 13 May 2014 Federal Budget which may have tax implications. These reforms may impact on the tax position of the Fund and its investors. Accordingly, it will be necessary to closely monitor the progress of these reforms, and it is strongly recommended that investors seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

## Tax File Numbers (TFN) and Australian Business Numbers (ABN)

It is not compulsory for an Australian investor to quote their TFN or ABN. If an Australian investor is making this investment in the course of a business or enterprise carried on by the investor, the investor may quote an ABN instead of a TFN. Failure by an investor to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate plus the Medicare Levy, on gross payments including distributions of income to the investor. The investor may be able to claim a credit in the investors' tax return for any TFN/ABN tax withheld. By quoting their TFN or ABN, the investor authorises the Responsible Entity to apply it in respect of all the investor's investments with the Responsible Entity. If the investor does not want to quote their TFN or ABN for some investments, the Responsible Entity should be advised.

## **Goods and Services Tax (GST)**

The Fund is registered for GST. The issue or withdrawal of units in the Fund and where applicable the receipt of any distributions are not subject to GST.

The Fund may be required to pay GST included in management and other fees, charges, costs and expenses incurred by the Fund. However, to the extent permissible, the Responsible Entity will claim on behalf of the Fund a proportion of this GST as a reduced input tax credit.

Unless otherwise stated, fees and charges quoted in this IM are inclusive of GST and take into account any available reduced input tax credits.

To the extent that the Fund is investing in international securities, the Fund may be entitled to as yet undetermined additional input tax credit on the fees, charges or costs incurred. If the Responsible Entity is unable to claim input tax credits on and/or reduced input tax credits on behalf of the Fund, the Responsible Entity retains the ability to recover the entire GST component of all fees and charges.

Unitholders should seek professional advice with respect to the GST consequences arising from their unit holding.

## 7. Fees and Costs

The table below shows the fees and other costs that you may be charged from the Funds. These fees and costs may be deducted from your account balance, from the returns on your investment or from the Funds as a whole. Information about taxes is set out on page 17.

You should read all the information about fees and costs because it is important to understand their impact on your investment. Fees and costs for particular Funds are set out in the tables below.

Type of fee or cost	Amount
<b>Fees when you move money in or out of the Funds</b>	
<i>Establishment fee:</i> This is the fee to set up your account with the Funds.	Nil
<i>Contribution fee:</i> This is the fee for the initial and every subsequent investment you make to a Fund.	Nil
<i>Withdrawal fee:</i> This is the fee charged for each withdrawal you make from a Fund (including any instalment payments and the final payment).	Nil
<i>Termination fee:</i> This is the fee when you close your account with the Funds.	Nil
<b>Management costs</b> (The fees and costs for managing your investment)	
<i>Estimated indirect cost ratio (ICR)</i>	Ranges from 0.03%p.a. to 0.13%p.a. depending on the Fund(s) you choose to invest in. The amount you pay for each specific Fund is shown in the table below.

## Table of Estimated ICRs

The following table provides the estimated ICR that you will pay for a specific Fund.

<b>Russell Funds</b>	<b>Estimated ICR (% p.a.)*</b>
Russell Australian Cash Fund	0.04
Russell Australian Cash Enhanced Fund	0.06
Russell Australian Bond Fund	0.04
Russell International Bond Fund - \$A Hedged	0.06
Russell International Property Securities Fund - \$A Hedged	0.03
Russell Global Listed Infrastructure Fund - \$A Hedged	0.05
Russell Australian Shares Fund	0.04
Russell Australian Opportunities Fund	0.13 <sup>+</sup>
Russell Australian Shares Tracker Fund	0.04
Russell Australian Shares Enhanced Income Fund	0.07
Russell After-Tax Australian Shares Fund (for Superannuation Investors)	0.04
Russell International Shares Fund	0.05
Russell International Shares Fund - \$A Hedged	0.06
Russell International Shares Tracker Fund	0.05
Russell Global Opportunities Fund	0.06
Russell Global Opportunities Fund - \$A Hedged	0.09

\* Please see 'Indirect Cost Ratio ('ICR')' under section 'Additional Explanation of Fees and Costs'.

+ Indicates a performance fee element. Please see 'Performance Fees' under section 'Additional Explanation of Fees and Costs'.

## 8. Additional Explanation of Fees and Costs

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The following information has been provided to help you understand the Fees and Costs section.

### Changes in fees

We have the right to change the fees and costs described in this IM at any time, without your consent.

Any increase by us in a Fund's fees and costs will be communicated to you at least thirty days before it occurs.

### Management costs

Management costs include all estimated expense recoveries, investment management fees and estimated performance fees payable out of Fund assets. This includes any known management costs charged by underlying investment managers and underlying funds.

They do not include transaction costs and other costs that an investor would incur if the investor invested directly in the underlying assets. Management costs are based on the latest available figures as at the date of this IM. The management costs are estimates only and actual management costs could vary.

Where a Fund invests in an underlying fund managed by us, the underlying fund may charge an investment management fee and any such investment management fee will be reflected in the ICR for that Fund.

### Indirect Cost Ratio (ICR)

The ICR for a Fund is the ratio of the Fund's management costs to the Fund's total average net assets. The estimated ICR is paid directly from the assets of the Fund and is reflected in the daily unit price when declared. The management costs of the Fund (as reflected in the estimated ICR) are payable monthly or as otherwise incurred by the Fund. The ICR does not include transaction costs or other costs that you would incur if you invested directly in the underlying assets of the Fund. The ICR for the Fund is an estimate only.

### Expense recoveries (including taxes)

All expenses relating to the proper performance of our duties are recoverable from the Funds, including but not limited to custody, administration, registry, GST (less any reduced input tax credits), responsible entity costs, legal fees, reporting and audit expenses. The total expense recoveries will be reduced by any income generated by the Funds' participation (if any) in the Russell securities lending program. The actual expense recoveries are not known until the end of the financial year.

The estimated expense recoveries for each Fund are included in that Fund's ICR and are based on the latest available figures as at the date of this IM. The actual expense recoveries may increase or decrease throughout the year.

We are entitled to be indemnified for any cost or liability we properly incur in relation to a Fund.

Please refer to page 19 for more information on tax.

### Performance fees

Performance fees provide an incentive for managers to achieve superior performance. Performance fees may be charged by Russell directly, by the underlying funds or by the managers appointed by Russell.

Where a Fund contains a performance fee component, any performance fee impact has been determined with reference to the performance fees accrued over the 12 months to 31 March 2014. This fee is included in the Fund's estimated ICR and is not a separate fee payable.

For new managers or new underlying funds introduced after the date of this IM, we assume for disclosure purposes that the manager or underlying fund has achieved performance in line with its benchmark and therefore no performance fee would be payable.

Please note, however, that past performance is not a reliable indicator of future performance and it is impossible to accurately forecast the performance fees that will be payable.

Performance fees are based on realised and unrealised gains. Therefore, a performance fee may be paid on unrealised gains that may never subsequently be realised. Performance fees are accrued daily in the relevant Fund's unit price.

### Different fees

We may negotiate different fees with investors who are 'wholesale' investors under section 761G of the Corporations Act 2001. Accordingly, we may waive or rebate some of our fees (or issue units in a Fund) to these 'wholesale' investors so that they pay reduced fees. This is generally because they invest large amounts of money in the Funds. We cannot enter into individual fee arrangements with other investors. Please contact us if you require further details on negotiating fees.

### Buy/sell spread

The difference between the unit price and the entry price is called the 'buy spread'. The difference between the unit price and the exit price is called the 'sell spread'. The buy/sell spread covers our estimate of the transaction costs (such as brokerage and settlement costs) of buying or selling underlying assets when you invest or withdraw from a Fund. The buy/sell spread is retained by the Fund, not by us or the underlying managers.

The current estimated buy/sell spread for each Fund is published on our website at [www.russell.com.au/disclosures](http://www.russell.com.au/disclosures). We reserve the right to change the buy/sell spread for a Fund at any time without providing notice to you.

### Commissions and other benefits received

We, or members of Russell Investments, may receive commissions and other benefits (e.g. research) from brokers in respect of trades for the Funds. These benefits may flow to the Funds and to other funds managed by us. We instruct the investment managers of the Funds to trade only with brokers who will provide

best execution, regardless of whether these trades are placed with brokers related to us or not.

#### **Related party payments**

Members and affiliates of Russell Investments may receive fees on normal commercial terms for providing services to the Funds.

In particular, Russell Implementation Services Inc (RIS), a related party of the responsible entity based in Washington, USA provides implementation and execution services for the Fund on an arm's length basis. RIS receives brokerage of up to 0.2% of the value of a trade for providing these services to the Funds.

Russell engages an external company to provide comparative cost and best execution analysis on a regular basis, so as to ensure that the RIS services are provided on an arm's length basis.

Another related party, Russell Investment Group Pty Ltd (RIG), an Australian company, provides asset consulting services to the Fund on an arm's length basis. The responsible entity pays RIG up to \$200,000 p.a. for providing these services. RIG's remuneration is paid out of the responsible entity's management fee so it does not represent an additional cost to you.

As both of the abovementioned related party transactions occur on an arm's length basis, member approval is not required. We do not see any risks associated with these related party transactions other than normal arm's length business risks. The responsible entity has policies and procedures that govern related party transactions. Specifically the compliance plan for the Funds contains a section covering related party transactions and the responsible entity also has a conflicts policy that is relevant to such transactions.



## 9. Investing in the Funds

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### Initial investment

You can only invest in the Funds pursuant to this IM if you are a 'wholesale client' as defined in section 761G of the Corporations Act 2001 and you have entered into a fee arrangement with us.

You need to firstly contact Russell Fund Operations for instructions on how to invest. You will then need to complete the Application Form attached and the Client Account Manual (available from Russell Fund Operations).

Generally the minimum initial investment is \$500,000. We reserve the right to refuse any investment or to accept an initial investment lower than \$500,000.

### Additional investments

You can make additional investments into Funds in which you already hold units. Please contact Russell Fund Operations for instructions on how to make additional investments

If you are an existing investor making an additional investment into a Fund in which you have not held units before, you will need to fill out the Application Form that accompanies this IM.

### Processing applications

Generally, applications for units are processed each business day.

If we receive your completed Application Form or additional investment instruction and money by the 'cut off time' on a business day, we will generally process your application using the entry price for that day. If it is received after the 'cut off time', or on a non-business day for us, we generally process your application using the entry price for the next business day after we receive it.

#### ***The 'cut off time' is 12.00 noon Sydney time.***

Application monies that have been received but are not able to be invested will be held without bearing interest for up to one month following receipt. Application monies which are not invested within one month of receipt will be returned to you without interest.

Please note that we may, without giving any reason, refuse or accept all or part of an application for units.

Generally, we will send you confirmation of your investment within 5 days of us processing your application.

Please note that if you are investing by cheque, should your cheque be dishonoured you may be liable for all reasonable costs associated with processing your application.

Reinvestment of distributions occurs after a distribution has been declared and therefore the reinvestment may occur on a non business day if the distribution period ends on a non business day.

The processing of applications may be delayed for a few days while a distribution is being determined. Upon resumption of processing we will process your application using the entry price for the day we received it.

### Unit prices and valuation

We generally determine entry and exit prices each business day.

For each Fund, Class D unit prices are based on the net asset value of the Class D units of the relevant Fund, divided by the number of Class D units of that Fund on issue. The entry and exit prices are the unit prices of the Class D units of the Fund adjusted for any buy-sell spread, respectively.

Generally, the assets of each Fund are valued daily. Assets are valued in accordance with our securities and market valuation policy, usually at the current market value. Where the Fund has exposure to certain types of assets for which daily prices are unavailable (eg. alternatives, private equity, or unlisted property/infrastructure), these assets may be valued less frequently.

You can contact us for a copy of our policies on exercising discretions when calculating unit prices, free of charge.

### Your account balance

Your account balance changes as investments are made and as investment returns are added. Fees, and taxes, as well as investment losses, reduce your account balance.

The unit price fluctuates in line with the market value of assets held in each Fund. Generally, if market values are going up, the unit price rises, and if market values are declining, the unit price falls.

If the unit price increases relative to the original unit price at which you received your units, you have made an investment gain and your account balance rises accordingly. If the unit price decreases, you've made an investment loss and your account balance will fall.

### Making a withdrawal

You need to contact Russell Fund Operations for instructions on how to withdraw money.

Generally, withdrawal requests are processed each business day. If we receive your withdrawal request by the 'cut off time' on a business day, we will generally process the request using the exit price for that day. If we receive your request after the 'cut off time' or on a non-business day for us, we will generally process the request using the exit price for the next business day after we receive it.

#### ***The 'cut off time' is 12 noon Sydney time.***

Generally, withdrawal monies will be paid within 14 days of us processing a withdrawal request. We will send you a transaction statement with details of your withdrawal.

The processing of withdrawals may be delayed for a few days in the case of a distribution. Upon resumption of processing we will process your withdrawal request using the exit price for the day we received it.

Please note while every endeavour is made to comply with the payment terms above, under the constitution of each Fund (with the exception of those Funds noted below), we do have up to 30 days to process your redemption request (unless withdrawals are suspended), and up to 30 days to pay the withdrawal monies after the date your withdrawal request is processed.

Under the constitution of the Russell Australian Shares Tracker Fund and the Russell International Shares Tracker Fund, we have up to 30 days to accept redemption requests (unless withdrawals are suspended), a further 90 days to process redemption requests after acceptance and up to six months to pay the withdrawal monies after the date your withdrawal request is processed.

Subject to certain conditions, where we are unable to meet a withdrawal request in respect of a Fund with the payment of cash, we may transfer assets of the Fund to the investor in satisfaction of that withdrawal request.

In relation to the following Funds:

- Russell Global Listed Infrastructure Fund - \$A Hedged
- Russell Australian Shares Tracker Fund
- Russell Australian Shares Enhanced Income Fund
- Russell After-Tax Australian Shares Fund (for Superannuation Investors)
- Russell International Shares Tracker Fund
- Russell Global Opportunities Fund - \$A Hedged

the withdrawal conditions described above assume that these Funds remain 'liquid' for the purposes of the Corporations Act 2001. We are currently of the view that these Funds are 'liquid'. Under the Corporations Act 2001, if such a Fund is 'illiquid', we may offer investors the opportunity to withdraw from the Fund on a periodic basis, but we are not obliged to do so. Where no such offer is made, investors have no right to withdraw from the Fund.

### **Suspension of transactions**

Under the constitution of each Fund, we may suspend application and withdrawal requests in certain circumstances. Application and withdrawal requests received by us during a period of suspension are deemed to be received on the first business day after cessation of the suspension.

### **Transferring units**

You can request to transfer some, or all, of your units to another person at any time. All transfers must be made in the form that we require and be appropriately stamped for stamp duty. We have the discretion to refuse to register any transfer of units in a Fund.

Please contact our Client Services Team for more information. A transfer may have tax implications. We recommend you seek legal and tax advice before requesting a transfer.

### **Distributions**

For the Russell Australian Opportunities Fund, any income is usually distributed half yearly.

For all other Funds, any income is usually distributed quarterly. In addition:

- Where there are large withdrawals from a Fund on any one day, we may determine that part of a withdrawal amount consists of income. If this circumstance affects a withdrawal you have made, this will be advised to you in your annual tax statement.
- Where there are large applications to a Fund on any one day, we may determine to calculate and pay a special distribution to all unit holders of the Fund. If this occurs, you will be issued with a distribution statement.

The processing of application and withdrawal requests may be delayed for a few days whilst the distribution is being determined.

Your share of income will depend on how many Class D units in a Fund you hold at the end of the distribution period. Unit prices may fall after income is paid. If you invest just before income is paid, you may find you quickly get back some of your capital as income.

Income is reinvested unless you elect otherwise. You can elect to have your distributions paid directly into a nominated Australian bank account by notifying us.

Any reinvested income is reinvested at the price next calculated after the income distribution is made. There is no buy-sell spread associated with income reinvestment.

Please note that, whilst generally the Funds will distribute income as specified above, there is no guarantee that income will be available for each distribution period.

## 10. Additional Information

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### **Our legal relationship with investors**

Each Fund's constitution provides the framework for the operation of that Fund, and together with this IM and the Corporations Act 2001, sets out our relationship with investors. A copy of each Fund's constitution is available free of charge on request.

Some of the provisions in the Funds' constitutions are discussed elsewhere in this IM. Others relate to:

- how we must calculate unit prices
- our powers – which are very broad – and how and when we exercise them
- our ability to refuse applications and transfers
- calling, attending and voting at investor meetings
- when we are not liable to investors
- that we can combine the assets of a Fund with other assets
- changing the constitution
- when we can terminate a Fund or retire, and what happens if we do (if we terminate a Fund investors share the net proceeds from us selling the investments).

We are not liable for any loss unless we fail to comply with our duties under the Corporations Act 2001. An investor's liability is limited by the constitution to the value of their units but the courts are yet to determine the effectiveness of provisions like this.

We may change the terms of this IM, but will notify investors of any material changes.

### **Unit classes**

Each Fund may offer different classes of units. Identical rights attach to all units within a class. However, the rights and obligations attaching to different classes of units may vary, and are set out in the constitution and the relevant offer document. This IM only relates to Class D units of each Fund.

### **Compliance plan and compliance committee**

Each Fund has a compliance plan which describes the means that we take to ensure compliance with the Corporations Act 2001 and each Fund's constitution. A Compliance Committee with a majority of independent members has been established by us to oversee compliance with the Funds' constitutions and the Corporations Act 2001.

### **Custodian and administrator**

We have appointed State Street Australia Limited ('State Street') as the custodian and administrator of the Funds. In these capacities, State Street will provide custodial and certain administrative services to the Funds. State Street has not been involved in any way in the preparation of this IM and is named only for information purposes.

### **Auditors**

The Funds and the compliance plan for the Funds are required to be audited annually. We have appointed PricewaterhouseCoopers as auditor to these Funds.

### **Reporting on your investments**

The below is a summary of the statements you will be provided with when you invest in the Funds. For more information on fund reporting, contact Russell Fund Operations.

#### *Confirmations*

You will receive an investment confirmation each time you invest in or redeem from a Fund.

#### *Distributions*

You will receive a distribution statement each time a distribution is made.

#### *Monthly reports*

You will receive an investment statement at the end of each month with details of any transactions you made over the month.

#### *Annual Tax statement*

You will receive annual tax reports in relation to your investments in the Funds.

### **Annual report**

Under the Corporations Act 2001 we are required to provide or make available to you a copy of the annual report, the annual directors' report and the auditor's report on the annual report ('Annual Report') for each of the Funds in which you invest unless you have elected not to receive them. The Annual Report is published on the website at [www.russell.com.au](http://www.russell.com.au).

### **Disclosing entity**

If any Fund has more than 100 investors it will be a disclosing entity for the purposes of the Corporations Act 2001. Where this is the case we will comply with our continuous disclosure obligations under the law by publishing material information about the fund at [www.russell.com.au/disclosures](http://www.russell.com.au/disclosures) on our website, in accordance with ASIC's good practice guidance for website disclosure. For funds that are disclosing entities, you can also obtain the annual and half year financial reports which were most recently lodged with ASIC and other information from our website. We encourage you to regularly check our website for new information that may be relevant to your investment.

### **Investor identification and verification**

In making an application for units investors must provide and we must verify specified proofs of identity. Refer to the Client Account Manual for further details of what identification is required.

The protection of your investments is an important matter. We have investor identification and verification procedures (ID Procedures) in place to manage risks associated with fraud and unauthorised transactions. At

times these procedures may cause inconvenience or delay to you. Please remember that the procedures are applied to safeguard your investments.

In addition, under Anti-Money Laundering and Counter Terrorism Financing legislation, we are required to establish and enforce appropriate risk control programs with accompanying ID Procedures. The procedures require investors to provide satisfactory proof of identity which must be verified before an application for units can be accepted. The ID Procedures may also require us, from time to time, to reverify that information or request additional identification or related information from you, before we can process a requested transaction on your behalf.

We do not accept any liability for any loss you may incur (whether by delay in acceptance of an application; transaction processing or otherwise), arising from the application of our ID Procedures.

### Complaints

We have procedures in place for dealing with complaints promptly and in any case within 45 days of receiving the complaint. We will acknowledge complaints received within 5 business days of receiving the complaint. If you have any complaints, please contact us:

The Complaints Manager  
Russell Investment Management Ltd  
GPO Box 3279  
SYDNEY NSW 2001, Australia

Email: [disputeresolution@russell.com](mailto:disputeresolution@russell.com)  
Fax number: 1300 768 040 (in Australia)  
+612 9229 5116 (outside Australia)  
Phone number: (02) 9229 5111 (in Australia)  
+612 9229 5111 (outside Australia)

We are also a member of the Financial Ombudsman Service Limited ('FOS'). If you have any complaints you may write to FOS at:

GPO Box 3  
Melbourne VIC 3001, Australia  
Phone: 1300 78 08 08 (in Australia)  
+61 3 9613 7366 (outside Australia)  
Fax: (03) 9613 6399 (in Australia)  
+61 3 9613 6399 (outside Australia)  
Email: [info@fos.org.au](mailto:info@fos.org.au)  
Website: [www.fos.org.au](http://www.fos.org.au)

### Your Privacy

The way that we collect, use, disclose, keep secure and give people access to their personal information is regulated by the Privacy Act 1988. Our Privacy Policy states how we manage personal information and includes details about:

- how we use personal information (for example, we may share it with related companies and external service providers, or use it to tell you about other products and services that we offer – but you can elect to stop receiving such information at any time);

- how we store and maintain personal information;
- how you can access or correct your personal information; and
- how you can make a complaint to us about a breach of the *Privacy Act 1988*.

You do not need to give us any of the personal information requested in the Application Form or any other document or communication relating to the products or services that we supply to you. However, without this information, we may not be able to process your application or provide you with an appropriate level of service.

By completing the Application Form accompanying the PDS, you agree to us collecting, holding and using personal information about you, in the way set out in our Privacy Policy, to process your application, and administer and manage the products and services we provide to you. This includes monitoring, auditing and evaluating the products and services, modelling data, data testing, communicating with you and dealing with any complaints or enquiries.

You also agree to us disclosing your personal information to other Russell companies as well as our external service providers, which provide services in connection with our products and services.

We may also disclose your personal information:

- if, acting in good faith, we believe that the law requires or permits us to do so;
- if you consent; or
- to any party proposing to acquire an interest in our business.

For full details on how we manage personal information, a copy of our Privacy Policy can be obtained on our website at [www.russell.com.au](http://www.russell.com.au) or by contacting us.

If you wish to update or request access to your information or if you have any queries regarding our Privacy Policy, please contact us at:

The Privacy Officer  
Russell Investments  
Level 29, 135 King Street  
SYDNEY NSW 2000  
Email: [aus-compliance@russell.com](mailto:aus-compliance@russell.com)  
Phone: 02 9229 5111

### What You Need to Remember

This IM contains general information only. It has not been prepared having regard to your investment objectives, financial situation or specific needs. Before making a decision to invest in a Fund, you need to consider whether the Fund is appropriate to your objectives, financial situation and needs. We encourage you to talk to a financial adviser before making an investment decision.

### Updated Information

Information in this IM is subject to change. Where information in this IM changes which is not materially adverse to an investor (e.g. changes to investment

managers and underlying funds), we may update this information by publishing the changes on our website: [www.russell.com.au/disclosures](http://www.russell.com.au/disclosures). You can contact us if you would like a paper copy of this information, free of charge. We may also be required to issue a supplementary IM as a result of certain changes. Certain other changes will be deemed to be incorporated into this IM by reference.

Electronic or paper copies of this IM can be obtained free of charge from us.

### **Terms used in this IM**

**'Application Form'** refers to the application form attached to this IM.

**'Client Account Manual'** refers to the documentation that is required to be completed in addition to the Application Form when you apply for units in a Fund.

**'business days'** means every business day on which the Australian Securities Exchange and the trading banks in NSW are open for business.

**'Fund'** or **'Russell Fund'** refers to any of the registered managed investment schemes offered in this IM, collectively referred to as the 'Funds' or the 'Russell Funds'.

**'IM'** means Information Memorandum.

**'Russell'** refers to a company which is a member of Russell Investments.

**'Russell Investments'** is the registered tradename of Frank Russell Company, a Washington, USA corporation.

**'underlying fund'** means a managed investment scheme that a Fund holds units or shares in. The underlying fund may be domiciled in Australia or in another jurisdiction and may be managed by Russell or by a third party investment manager.

**'unit'** refers to the Class D units of a Fund.

**'we', 'our' or 'us'** means Russell Investment Management Ltd., the responsible entity of the Funds.

# Russell Funds - Class D Units



## Application Form

### Investor details

Account number:  Investor name/s:   
*(For joint applicants, include both names)*

Investor address:

Postcode:  Contact number:   
*(In case we need to contact you about your application)*

This Application Form relates to the Information Memorandum (IM) dated 2 June 2014.

Note: You need to firstly contact Russell Fund Operations for instructions on how to invest and to obtain a copy of the Client Account Manual and complete the forms required by it (this includes proof of investor ID requirements). You must have received the IM that was issued on 2 June 2014 for the Russell Funds – Class D.

Application Amount		Application Date
\$A	FR097 Russell Australian Cash Fund – Class D Units	/ /
\$A	FR146 Russell Australian Cash Enhanced Fund – Class D Units	/ /
\$A	FR096 Russell Australian Bond Fund – Class D Units	/ /
\$A	FR101 Russell International Bond Fund - \$A Hedged – Class D Units	/ /
\$A	FR105 Russell International Property Securities Fund - \$A Hedged – Class D Units	/ /
\$A	FR255 Russell Global Listed Infrastructure Fund - \$A Hedged – Class D Units	/ /
\$A	FR100 Russell Australian Shares Fund – Class D Units	/ /
\$A	FR104 Russell Australian Opportunities Fund – Class D Units	/ /
\$A	FR222 Russell Australian Shares Tracker Fund – Class D Units	/ /
\$A	FR266 Russell Australian Shares Enhanced Income Fund – Class D Units	/ /
\$A	FR278 Russell After-Tax Australian Shares Fund (for Superannuation Investors) – Class D Units	/ /
\$A	FR102 Russell International Shares Fund – Class D Units	/ /
\$A	FR103 Russell International Shares Fund - \$A Hedged – Class D Units	/ /
\$A	FR247 Russell International Shares Tracker Fund – Class D Units	/ /
\$A	FR106 Russell Global Opportunities Fund – Class D Units	/ /
\$A	FR251 Russell Global Opportunities Fund - \$A Hedged – Class D Units	/ /

Please see overleaf for signature section

## Signature:

I/We:

- >> confirm that I/we have read the IM to which this Application Form relates;
- >> agree to be bound by the terms and conditions of the IM and the relevant Fund's constitution;
- >> acknowledge that the repayment of investment capital and the payment of any income is not guaranteed;
- >> consent to the use of my/our personal information in accordance with the 'Your Privacy' section of the IM;
- >> acknowledge that I/we am/are a "wholesale client" within the meaning of section 761G of the Corporations Act 2001 and indemnify Russell Investment Management Ltd for any consequences that may arise if I/we am/are not a "wholesale client";
- >> acknowledge that the law prohibits a person from giving another person this Application Form (either electronically or otherwise) without also giving them a copy of the IM. Paper copies of the IM are available free of charge;

This Application Form must be signed by the applicant, or all applicants if it is a joint application. If signed under power of attorney, the attorney verifies that no notice of revocation of power has been received. A certified copy of the power of attorney must be forwarded with the Application Form. Corporate applications must be signed in accordance with the corporation's constitution and the Corporations Act (2001). Joint applications will be treated as joint tenants. This means that on the death of one holder, the survivor will have title to the units.

Investor

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*Signature*

*Printed name*

*Date*

Investor

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*Signature*

*Printed name*

*Date*