

28 October 2016

Proposed constitution amendments to allow for adoption of the Attribution Managed Investment Trust regime

Russell Investment Management Ltd ABN 53 068 338 974 (**RIML**) is the responsible entity of each of the following registered management investments schemes (together, the **Funds**):

1. Russell Australian Government Bond ETF (ARSN 154 587 710)
2. Russell Australian Responsible Investment ETF (ARSN 603 169 384)
3. Russell Australian Semi-Government Bond ETF (ARSN 154 588 048)
4. Russell Australian Value ETF (ARSN 147 518 081)
5. Russell High Dividend Australian Shares ETF (ARSN 142 405 721)
6. Russell Australian Select Corporate Bond ETF (ARSN 154 588 477)

Each Fund is eligible to be an attribution managed investment trust (**AMIT**) and apply the new tax system for managed investment trusts established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 and additional supplemental legislation (**AMIT Regime**).

This notice is published by RIML under section 601GCA(3) of the Corporations Act 2001 as modified by ASIC Corporations (Attribution Managed Investment Trusts) Instrument 2016/489 (**ASIC Instrument**). This notice is to inform unit holders in each Fund that RIML proposes to make amendments to the Constitution for each Fund (**Constitutions**) that are necessary for or incidental for the Fund to be effectively operated as an AMIT under the AMIT Regime.

As at the date of this notice RIML intends to make an election for each of the Funds to operate as an AMIT under the AMIT Regime from the financial year commencing 1 July 2017. The decision of RIML to adopt the AMIT Regime for each of the Funds will be based on the best interest of unit holders in the applicable Fund as a whole.

The proposed AMIT Regime changes to a Constitution will only apply from the time an election is made by RIML to adopt the AMIT Regime for the relevant Fund and will continue to take effect for so long as the Fund remains an AMIT.

REASONS FOR THE PROPOSED AMENDMENTS TO THE CONSTITUTIONS

If implemented, the proposed amendments to the Constitutions will allow RIML to adopt the AMIT Regime for each of the Funds. RIML considers that there may be the following potential benefits to unit holders from operating a Fund as an AMIT under the AMIT Regime:

- > certainty as to the tax status of a Fund and its entitlement to certain tax concessions, including a deemed 'fixed trust' status for tax purposes;
- > flexibility in attributing and determining, on a fair and reasonable basis, the amount and character of the taxable income of each unit holder in a Fund;

- > the ability to attribute taxable income to unit holders on a 'flow through' basis while retaining the character of the income for tax purposes in the hands of unit holders as if they had received that income directly;
- > the ability to quarantine and treat each different class of units within a Fund separately for tax purposes so as to ensure distribution entitlements unit holders receive properly reflect the units they hold;
- > flexibility for reconciling under-estimations or over-estimations of net income for a Fund ("unders" or "overs"), including through adjustments to unit holder entitlements to trust income in the year of discovery, rather than requiring amendments to unit holder tax returns previously lodged (as is currently the case); and
- > the ability to minimise the potential for double taxation for unit holders where there are disparities between the amounts distributed to unit holders and the taxable income of the Fund assessed to unit holders. This may be achieved under the AMIT Regime by allowing for cost base adjustments to be made where the amount distributed to a unit holder is greater or less than the taxable income assessed to that unit holder.

EFFECT OF THE CHANGES TO THE CONSTITUTIONS

The key feature of the AMIT Regime is that unit holders are taxed on the taxable income that is allocated or 'attributed' to them. The AMIT Regime will require RIML to undertake such an allocation or attribution on a fair and reasonable basis. This differs to the current tax regime in which unit holders are subject to tax to the extent, proportionately, that each unit holder is presently entitled to the income of a managed investment scheme according to trust law principles.

It is proposed that changes be made to the Constitutions that are determined by RIML to be necessary or incidental to implement and facilitate each of the following matters under the AMIT Regime:

REFERENCE	DESCRIPTION OF AMENDMENT
	Provide that:
Withdrawal Income Entitlement	<ul style="list-style-type: none"> > the existing prescribed method for determining the allocation of capital gains and income entitlements on redemption of a unit in the Fund applies only while the Fund is not operated as an AMIT; and > while the Fund is operated as an AMIT, the capital and income allocations attributed to the relevant class of units payable on redemption will be as determined by the responsible entity on a fair and reasonable basis in accordance with the Constitution and the AMIT Regime.
Income distributions while not an AMIT	Confirm that the existing provisions in relation to the distribution of income and capital only apply in respect of a financial year in which the Fund is not operated as an AMIT.



Enable the applicable Fund to qualify and be operated as an AMIT, including to:

- > allow the responsible entity to determine standing principles for calculating and classifying the income of the Fund, but not change those standing principles in a way that is not fair and reasonable to existing unit holders;
- > provide the responsible entity with the power to attribute income and capital of the Fund to unit holders on a fair and reasonable basis in accordance with the AMIT Regime, the Constitution and as disclosed in any current offer document for the Fund;
- > determine the distribution entitlements of each separate class of units in the Fund and make those distributions on a per class basis to each unit holder in proportion to the number of units held by the unit holder in the relevant class;
- > issue AMIT Member Annual Statements "AMMA Statements" to each Unit Holder;
- > set out the mechanisms for the responsible entity to make income and capital distributions from the Fund whilst the Fund operates as an AMIT, including ensuring all income properly attributable to a class of units is distributed on a proportionate basis to unit holders in that class at the end of a financial year unless the responsible entity has determined that income of that class is to be accumulated. Such distributions will be made as soon as practicable after the end of the relevant period, or for special distributions, within 2 months of the responsible entity determining the distribution entitlement;
- > confirm that, subject to any preferred, deferred or other special rights, obligations or restrictions with respect to distributions of any class of unit issued from time to time, where there is only one class of units in issue, each unit ranks equally for distributions from the day it was created and where there is more than one class of units in issue, each unit of that class ranks equally for distributions for that class from the day it was created;
- > confirm that, if all of the holdings of units of a unit holder in the Fund are transferred after a distribution entitlement arises but before the distribution is satisfied, whether upon a transmission or any other circumstance, the distribution entitlement of that unit holder, must be paid to the transferor unless the transferor requests the responsible entity to credit the distribution to the transferee and the responsible entity agrees to do so; and
- > the responsible entity may deduct from any distributions payable to a unit holder any sums payable to the responsible entity as provided in the Constitution.

AMIT Regime

Rights and powers in relation to the AMIT Regime

Specifically address the powers and rights required by a responsible entity operating the Fund under the AMIT Regime. These include enabling the responsible entity to:

- > in its discretion, take any steps necessary to enable the Fund to qualify as an AMIT and for each class of units to qualify and continue to qualify as a separate AMIT;
- > make a choice for the Fund to be an AMIT and for each class of units to be a separate AMIT;
- > subject to its duties, determine to exercise or not to exercise any rights or powers granted to it under the AMIT Regime; and
- > in its discretion reconcile an "under" or "over" in accordance with the AMIT Regime and as disclosed in the most recent offer document for the Fund.

Right of indemnity

Provide that the responsible entity is indemnified and is entitled to pay or to be paid or reimbursed out of the assets of the Fund in respect of, or in connection with, any tax or other liability or cost which it may pay or incur, in properly performing or exercising any of its duties in connection with the Fund or the unit holders or as a consequence of any act or omission of any unit holder provided that any such tax or other liability or costs:

- > is an income tax liability that results from the Fund being operated as an AMIT; or
- > results from a unit holder or former unit holder making a claim against the responsible entity in relation to an income tax liability that results from the Fund being operated as an AMIT and an attribution by the responsible entity to the interests held by the unit holder or former unit holder.

Incidental changes

Facilitate the proposed amendments referred to above, for example to include definitions referable to the AMIT Regime and to include cross references to relevant AMIT related provisions throughout the Constitution where applicable.

RESPONDING TO THIS NOTICE

RIML will proceed to amend the Constitution of each Fund as proposed in this notice after the day which is 7 days from the date of this notice, unless RIML receives requests in writing to call and arrange to hold a meeting of a Fund's unit holders to consider and vote on a special resolution to modify the Constitution as proposed from unit holders with at least 5% of the votes that may be cast on the resolution.

You do not need to respond to this notice. If you wish to request a meeting of unit holders of a Fund to vote on the amendments to the Constitution of the Fund as proposed in this notice, please send a request in writing to syd-unitholdermeeting@russellinvestments.com by 5pm on 4 November 2016.