

Russell Investments High Dividend Australian Shares ETF

ARSN 142 405 721

Annual report

For the year ended 30 June 2018

Russell Investments High Dividend Australian Shares ETF

ARSN 142 405 721

Annual report

For the year ended 30 June 2018

Contents

	Page
Directors' report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	30
Independent audit report to the unitholders of Russell Investments High Dividend Australian Shares ETF	31

Directors' report

The directors of Russell Investment Management Ltd (ABN 53 068 338 974 AFSL No. 247185), the Responsible Entity of Russell Investments High Dividend Australian Shares ETF, present their report together with the financial statements of Russell Investments High Dividend Australian Shares ETF (the "Fund"), for the year ended 30 June 2018.

Principal activities

The Fund seeks to track the performance of the Russell Australia High Dividend Index (the "Index") by investing predominantly in Australian shares and trusts listed on the ASX. The Index is weighted to companies that are expected to make high dividend payments. Derivatives may also be used to a limited extent to obtain or reduce exposure to such securities.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year or since the end of the year and up to the date of this report.

Directors

The following persons held office as directors of Russell Investment Management Ltd during the year or since the end of the year and up to the date of this report:

Peter Gunning
 Jodie Hampshire (appointed, effective 3 July 2018)
 Symon Parish
 Glenn Smith (resigned, effective 29 June 2018)
 Kenneth Willman
 Bronwyn Yates

Review and results of operations

During the year, the Fund continued to invest in accordance with its investment objective and investment strategy as set out in the offer documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The Fund generally invests in the securities comprising the Index in proportion to their relative weightings and aims to achieve investment returns (before costs and tax), that closely correspond to the performance of the Index.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Year ended	
	30 June 2018	30 June 2017
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>11,456</u>	<u>40,025</u>
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<u>18,335</u>	<u>14,639</u>
Distribution (Cents per unit - CPU)	<u>191.07</u>	<u>158.20</u>

The performance above is primarily driven by the performance of the Index which this Fund tracks resulting in the increase of 4.28% comprising distributions paid and payable and changes in the post distribution unit price for the year ended 30 June 2018.

The movement in the assets and liabilities in the Statement of financial position corresponds with the units issued and redeemed during the year as reflected in note 7 and the performance of the Fund during the year.

Directors' report (continued)

Distribution

Distributions of income generally occur quarterly with a final annual distribution as at 30 June each year. Realised capital gains are distributed only at 30 June each year. A detailed summary of the Distributions to unitholders for the year can be found in note 8 of the financial statements.

Options

There were no options over interests in the Fund at any time during the year.

Significant changes in state of affairs

The Responsible Entity has elected for the Attribution Managed Investment Trust ("AMIT") rules to apply to the Fund, from 1 July 2017. The new rules are intended to reduce complexity, increase certainty and reduce compliance costs for MITs and their investors.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the offer documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

The future returns are dependent upon the performance of the underlying Index. The Fund's investment objective and strategy remains unchanged which is to track the performance of the Index (before fees and costs). Accordingly the future returns of the Fund are dependent on the performance of the Index.

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Russell Investment Management Ltd or the auditors of the Fund. So long as the officers of Russell Investment Management Ltd act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund. The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in note 12 of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 12 of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 7 of the financial statements.

Directors' report (continued)

Interests in the Fund (continued)

The value of the Fund's assets and liabilities is disclosed in the Statement of financial position and derived using the basis set out in note 2 of the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated. Due to rounding, rounded components presented throughout the financial statements may not add up precisely to the rounded sum.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors.



Director

Sydney
25 September 2018



Auditor's Independence Declaration

As lead auditor for the audit of Russell Investments High Dividend Australian Shares ETF for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'Joe Sheeran', with a long horizontal flourish extending to the right.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
25 September 2018

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001

T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124

T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Statement of comprehensive income

	Notes	Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000
Investment income			
Interest income from financial assets not held at fair value through profit or loss		10	7
Distributions income		15,519	14,004
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	(3,136)	26,986
Other operating income		-	1
Total investment income/(loss)		12,393	40,998
Expenses			
Management costs	12	877	908
Transaction costs		60	65
Total operating expenses		937	973
Operating profit/(loss) for the year		11,456	40,025
Distributions to unitholders	8	-	(14,639)
(Increase)/decrease in net assets attributable to unitholders	7	-	(25,386)
Profit/(loss) for the year		11,456	-
Other comprehensive income		-	-
Total comprehensive income for the year		11,456	-

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at	
		30 June 2018 \$'000	30 June 2017 \$'000
Assets			
Cash and cash equivalents	9	1,085	629
Receivables		2,914	2,571
Due from brokers - receivable for securities sold		1,963	-
Financial assets held at fair value through profit or loss	6	<u>281,428</u>	<u>274,346</u>
Total assets		<u>287,390</u>	<u>277,546</u>
Liabilities			
Payables		596	677
Distributions payable to unitholders	8	<u>5,890</u>	<u>5,495</u>
Total liabilities (30 June 2017: excluding net assets attributable to unitholders)		<u>6,486</u>	<u>6,172</u>
Net assets attributable to unitholders - equity*	7	<u>280,904</u>	-
Net assets attributable to unitholders - liability*	7	<u>-</u>	<u>271,374</u>

* Net assets attributable to unit holders are classified as equity for the year ended 30 June 2018 and as a financial liability for the year ended 30 June 2017. Refer to Note 1 for further detail.

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Note	Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000
Total equity at the beginning of the financial year		-	-
Reclassification due to AMIT tax regime implementation*	7	271,374	-
Comprehensive income for the year			
Profit/(loss) for the year		11,456	-
Other comprehensive income		-	-
Total comprehensive income for the year		<u>11,456</u>	<u>-</u>
Transactions with unitholders			
Applications		19,461	-
Redemptions		(5,757)	-
Reinvestment of distributions		2,705	-
Distributions paid and payable		<u>(18,335)</u>	<u>-</u>
Total transactions with unitholders		<u>(1,926)</u>	<u>-</u>
Total equity at the end of the financial year*		<u>280,904</u>	<u>-</u>

* Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer Note 1 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statement for the year ended 30 June 2018.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000
Cash flows from operating activities			
Proceeds related to financial instruments held at fair value through profit or loss		77,048	76,836
Payments related to financial instruments held at fair value through profit or loss		(75,527)	(80,399)
Distributions received		15,178	14,253
Interest received/(paid)		9	8
Proceeds from receivables		-	2
Management costs paid		(1,019)	(1,034)
Net cash inflow/(outflow) from operating activities	10(a)	<u>15,689</u>	<u>9,666</u>
Cash flows from financing activities			
Proceeds from applications by unitholders		2	-
Payments for redemptions by unitholders		-	(26)
Distributions paid		(15,235)	(9,745)
Net cash inflow/(outflow) from financing activities		<u>(15,233)</u>	<u>(9,771)</u>
Net increase/(decrease) in cash and cash equivalents		456	(105)
Cash and cash equivalents at the beginning of the year		<u>629</u>	<u>734</u>
Cash and cash equivalents at the end of the year	9	<u>1,085</u>	<u>629</u>
Non-cash financing activities	10(b)		

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

	Page	
1	General information	11
2	Summary of significant accounting policies	11
3	Financial risk management	16
4	Fair value measurement	20
5	Net gains/(losses) on financial instruments held at fair value through profit or loss	22
6	Financial assets held at fair value through profit or loss	23
7	Net assets attributable to unitholders	23
8	Distributions to unitholders	24
9	Cash and cash equivalents	25
10	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	25
11	Auditor's remuneration	26
12	Related party transactions	26
13	Segment information	29
14	Events occurring after the reporting period	29
15	Contingent assets and liabilities and commitments	29

1 General information

These financial statements cover Russell Investments High Dividend Australian Shares ETF (the "Fund") as an individual entity. The Fund was constituted on 18 March 2010. The Fund will terminate on 17 March 2090 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Russell Investment Management Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 29, 135 King Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency.

The Fund seeks to track the performance of the Russell Australia High Dividend Index (the "Index") by investing predominantly in Australian shares and trusts listed on the ASX. The Index is weighted to companies that are expected to make high dividend payments. Derivatives may also be used to a limited extent to obtain or reduce exposure to such securities.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund have been re-classified from a financial liability to equity on 1 July 2017, see Note 7 for further information.

The financial statements were authorised for issue by the directors of the Responsible Entity on 25 September 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all year presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* in Australia. The Fund is a for-profit fund for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and liabilities and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

Compliance with International Financial Reporting Standards

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

New and amended standards adopted by the Fund

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Fund.

(b) Financial instruments

(i) Classification

The Fund's investments are classified as at fair value through profit or loss, which comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold.

These are investments in equity securities and unit trusts.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

(ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

Financial assets and liabilities held at fair value through profit or loss

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of comprehensive income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market prices used for both financial assets and financial liabilities were last traded prices.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognised the difference in the Statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 4.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unit holders

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under *AASB 132 Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2017, net assets attributable to unit holders are classified as a financial liability. Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

(d) Cash and cash equivalents

For the purpose of presentation in the Statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in the Statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income is recognised in the Statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

2 Summary of significant accounting policies (continued)

(e) Investment income (continued)

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income as distribution income.

Trust distributions are recognised on an entitlements basis as at the date the unit value is quoted ex-distribution.

(f) Expenses

All expenses, including Responsible Entity's fees, management fees and custodian fees, are recognised in the Statement of comprehensive income on an accruals basis. The Responsible Entity is entitled under the Fund's Constitution to be reimbursed for certain expenses incurred in administering the Fund.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

(h) Distribution to unitholders

Distributions are payable as set out in the Fund's product disclosure statement. Such distributions are determined by the responsible entity of the Fund. Distributable income includes capital gains arising from the disposal of financial assets and liabilities. Unrealised gains and losses on financial assets and liabilities that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

(i) Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unitholders.

(j) Foreign currency translation

(i) Functional and presentation currency

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian Dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian Dollar is also the Fund's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of comprehensive income in other operating income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of comprehensive income on a net basis within net gains/(losses) on financial instruments held at fair value through profit or loss.

The Fund does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which are due to changes in foreign exchange rates from those that are due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(k) Receivables

Receivables may include amounts for interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables. Receivables balances are measured at amortised cost using the effective interest rate method.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of comprehensive income.

(l) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. Payables balances are measured at amortised cost using the effective interest rate method.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the Statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(m) Applications and redemptions

Application for creation and redemption of units can only be done through authorised participants as defined in the Product Disclosure Statement (PDS).

Application amounts can be in the form of specified parcel of securities transferred through Austraclear or cash. The specified parcel of securities related to in specie applications generally corresponds to the composition of the Index. Investors may purchase units by trading on the Australian Securities Exchange (ASX).

The withdrawal amount can be made by way of an in specie transfer of a specified parcel of securities or cash. Investors may sell units by trading on the ASX.

Unit prices are determined by reference to the net assets of the Fund divided by the number of units on issue. For unit pricing purposes, net assets are determined using the last reported trade price for securities. These price may differ from the market price quoted on the ASX.

(n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(o) Segment reporting

Operating segments are reported in a manner consistent with the Fund's internal reporting provided to the Board of the Responsible Entity.

The Board of the Responsible Entity reviews performance of the segments against the performance of the Fund's benchmark.

(p) Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated. Due to rounding, rounded components presented throughout the financial statements may not add up precisely to the rounded sum.

(q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) *AASB 9 Financial Instruments* (and applicable amendments), (effective from 1 July 2018)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 July 2018 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting.

(ii) *AASB 15 Revenue from Contracts with Customers*, (effective from 1 July 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main source of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk. Russell Investment Management Ltd oversees and monitors the overall level of risk in the Fund.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

The Fund aim to provide a total return before costs and tax, in line with the Russell Australia High Dividend Index over the long term. The Fund seeks to track the performance of the Russell Australia High Dividend Index by investing predominantly in Australian shares and trusts listed on the ASX. The index is weighted to companies that are expected to make high dividend payments. Derivatives may also be used to a limited extent to obtain or reduce exposure to such securities.

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund's Portfolio Manager monitors their portfolio holdings and reviews the Fund's characteristics on a regular basis.

The table on page 18 summarises the impact of an increase/decrease on the Fund's net assets attributable to unitholders at 30 June 2018. The analysis is based on the assumptions that the underlying investments increased/decreased by 8% (2017: 10%) with all other variables held constant. The impact mainly arises from the possible change in the fair value of listed equities, unlisted unit trusts and equity derivatives.

(ii) Foreign exchange risk

The majority of the Fund's assets are listed shares or unit trusts equities denominated in Australian Dollar. Therefore, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of foreign exchange rates.

(iii) Cash flow and fair value interest rate risk

The majority of the Fund's financial assets and liabilities are non-interest bearing or have a very short time to maturity. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short term market interest rates.

The table below summarises the Fund's exposure to interest rate risks. It includes the Fund's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

30 June 2018	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Assets				
Cash and cash equivalents	1,085	-	-	1,085
Receivables	-	-	2,914	2,914
Due from brokers - receivable for securities sold	-	-	1,963	1,963
Financial assets held at fair value through profit or loss	-	-	281,428	281,428
Liabilities				
Distributions payable	-	-	(5,890)	(5,890)
Payables	-	-	(596)	(596)
Net exposure	<u>1,085</u>	<u>-</u>	<u>279,819</u>	<u>280,904</u>

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

30 June 2017	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
Assets				
Cash and cash equivalents	629	-	-	629
Receivables	-	-	2,571	2,571
Financial assets held at fair value through profit or loss	-	-	274,346	274,346
Liabilities				
Distributions payable	-	-	(5,495)	(5,495)
Payables	-	-	(677)	(677)
Net exposure	<u>629</u>	<u>-</u>	<u>270,745</u>	<u>271,374</u>

An analysis of financial liabilities by maturities is provided in paragraph (d) on page 19.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk Impact on operating profit/Net assets attributable to unitholders	
	-8% \$'000	+8% \$'000
30 June 2018	(22,514)	22,514
30 June 2017	(27,435)	27,435

The sensitivity factors for 30 June 2017 were +/-10% for price risk.

Some limitations of the sensitivity analysis above are:

1. The models are based on historical data and cannot take account of the fact that future market price movements, correlations between markets and levels of market liquidity in conditions of market stress may bear no relation to historical patterns;
2. The market price risk information is a relative estimate of risk rather than a precise and accurate number;
3. The market price information represents a hypothetical outcome and is not intended to be predictive; and future market conditions could vary significantly from those experienced in the past.

3 Financial risk management (continued)

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due. There are no receivables balances which are past due nor impaired as at reporting date.

The Fund's main credit risk concentrations arise from trading equity. Other credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

All securities, cash at bank balances and bank overdrafts are held by the Custodian and Trustee through its affiliate, State Street Bank and Trust Company or through a sub custodian. At the reporting date the exposure to credit risk for cash and cash equivalents, deposits with banks and amounts due from brokers is considered low as all counterparties of the Fund have a rating of Investment Grade or higher (as determined by external credit rating agencies). Periodic monitoring and an annual credit review are performed on the custodian by a credit research team. This review may include as appropriate an assessment of the custodian's liquidity position, income streams, asset quality and credit ratings.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely State Street Australia Limited. At 30 June 2018, State Street Australia Limited had a credit rating of Aa1 (2017: AA1). At 30 June 2018, substantially all cash and investments are held in custody by State Street Australia Limited.

(d) Liquidity risk

The Fund is exposed to cash redemptions of redeemable units by unitholders from time to time. It therefore primarily holds investments that are traded in an active market and can be readily disposed.

The Fund may also invests in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of Fund's particular issuer or counterparty. Russell Investment Management Ltd and underlying investment manager monitors the Fund's liquidity position on a daily basis.

(i) Maturities of non-derivative financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
At 30 June 2018					
Payables	596	-	-	-	-
Distributions payable	5,890	-	-	-	-
Undiscounted contractual cash flows	6,486	-	-	-	-

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(i) Maturities of non-derivative financial liabilities (continued)

At 30 June 2017	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	No stated maturity \$'000
Payables	677	-	-	-	-
Distributions payable	5,495	-	-	-	-
Net assets attributable to unitholders	<u>271,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Undiscounted contractual cash flows	<u>277,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

4 Fair value measurement

The Fund measures and recognises the following assets at fair value on a recurring basis:

- Financial assets designated at fair value through profit or loss (FVTPL) (see note 6)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market prices used for both financial assets and financial liabilities were last traded prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

4 Fair value measurement (continued)

(ii) Valuation techniques used to derive level 2 and level 3 fair value (continued)

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 30 June 2018 and 30 June 2017.

As at 30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Equity securities	261,797	-	-	261,797
Unit trusts	19,631	-	-	19,631
Total	281,428	-	-	281,428

As at 30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets designated at fair value through profit or loss at inception:				
Equity securities	261,753	-	-	261,753
Unit trusts	12,593	-	-	12,593
Total	274,346	-	-	274,346

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Transfers between levels

There have been no transfer between levels for the year ended 30 June 2018. There were also no changes made to any of the valuation techniques applied as of 30 June 2017.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended 30 June 2018 or year ended 30 June 2017.

4 Fair value measurement (continued)

(iii) *Valuation processes*

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

(iv) *Fair values of other financial instruments*

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate their fair value.

5 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
Financial assets		
Net gain/(loss) on financial assets designated at fair value through profit or loss	(3,136)	26,986
Net gains/(losses) on financial assets held at fair value through profit or loss	(3,136)	26,986
Total net gains/(losses) on financial instruments held at fair value through profit or loss	(3,136)	26,986

6 Financial assets held at fair value through profit or loss

	As at	
	30 June 2018	30 June 2017
	Fair value \$'000	Fair value \$'000
Designated at fair value through profit or loss		
Equity securities	261,797	261,753
Unit trusts	19,631	12,593
Total designated at fair value through profit or loss	<u>281,428</u>	<u>274,346</u>
Total financial assets held at fair value through profit or loss	<u>281,428</u>	<u>274,346</u>
Comprising:		
Equity securities		
Australian equity securities	<u>261,797</u>	<u>261,753</u>
Total equity securities	<u>261,797</u>	<u>261,753</u>
Unit trusts		
Unit trusts	<u>19,631</u>	<u>12,593</u>
Total unit trusts	<u>19,631</u>	<u>12,593</u>
Total financial assets held at fair value through profit or loss	<u>281,428</u>	<u>274,346</u>

An overview of the risk exposures and fair value measurements relating to financial assets held at fair value through profit or loss is included in note 3 and note 4 to the financial statements.

7 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017, the Fund classified its net assets attributable to unit holders as liabilities in accordance with AASB 132. From 1 July 2017, the Fund has elected into the AMIT tax regime. The Fund's Constitution has been amended and it no longer has a contractual obligation to pay distributions to unit holders. Therefore the net assets attributable to unit holders of the Fund meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unit holders from liabilities to equity, the Fund's distributions are no longer classified as finance costs in the statement of comprehensive income, but rather as distributions paid in the statement of changes in equity.

7 Net assets attributable to unitholders (continued)

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	Year ended		30 June 2017	30 June 2017
	30 June 2018	30 June 2017		
	No.'000	No.'000	\$'000	\$'000
Opening balance*	9,174	10,004	271,374	269,917
Applications	650	400	19,461	11,932
Redemptions	(200)	(1,300)	(5,757)	(37,863)
Units issued upon reinvestment of distributions	91	70	2,705	2,002
Distributions paid and payable	-	-	(18,335)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	-	25,386
Profit/(loss) for the year	-	-	11,456	-
Closing balance*	9,715	9,174	280,904	271,374

* Net assets attributable to unit holders are classified as equity for the year ended 30 June 2018 and as a financial liability for the year ended 30 June 2017. Refer to Note 1 for further details.

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Applications and redemptions in the form of specified parcels of quoted securities are non-cash in nature.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability until 30 June 2017. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

8 Distributions to unitholders

The distributions for the year were as follows:

	Year ended		30 June 2017	30 June 2017
	30 June 2018	30 June 2018		
	\$'000	CPU	\$'000	CPU
Total distributions for the year	18,335	191.07	14,639	158.20

8 Distributions to unitholders (continued)

At 30 June 2018, the above distributions include a distribution payable amount of \$5,889,937 (2017: \$5,494,953).

9 Cash and cash equivalents

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Cash at bank	1,085	629
	1,085	629

10 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	11,456	-
Increase/(decrease) in net assets attributable to unitholders	-	25,386
Distributions to unitholders	-	14,639
Purchase of financial instruments held at fair value through profit or loss	(75,527)	(80,399)
Proceeds from sale of financial instruments held at fair value through profit or loss	77,048	76,836
Net (gains)/losses on financial instruments held at fair value through profit or loss	3,136	(26,986)
Net change in receivables	(343)	251
Net change in payables	(81)	(61)
Net cash inflow/(outflow) from operating activities	15,689	9,666
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	2,705	2,002
During the year, the following applications were satisfied by in specie asset transfers of assets	19,459	11,933
During the year, the following redemptions were satisfied by in specie asset transfers of assets	5,757	(37,837)

11 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
PricewaterhouseCoopers Australian firm		
<i>Audit and other assurance services</i>		
Audit and review of financial statement and compliance plan audit	<u>31,030</u>	<u>29,721</u>
Total remuneration for audit and other assurance services	<u>31,030</u>	<u>29,721</u>
<i>Taxation services</i>		
Tax compliance services	<u>9,682</u>	<u>9,399</u>
Total remuneration for taxation services	<u>9,682</u>	<u>9,399</u>
Total remuneration of PricewaterhouseCoopers	<u>40,712</u>	<u>39,120</u>

The Responsible Entity pays the remuneration of auditors on behalf of the Fund (refer note 12).

12 Related party transactions

Responsible Entity

Russell Investment Management Ltd (ABN 53 068 338 974), the responsible entity and manager of the Fund, is a wholly owned subsidiary of Russell Investment Group Pty Ltd (Australia) which is a wholly owned subsidiary within the Russell Investments Group of Companies with the parent entity of the Group owned by funds managed by TA Associates and Reverence Capital Partners, and also interests held by Russell Investments management.

The Responsible Entity is engaged in the business of providing investment management and administrative services on behalf of the Fund. It has appointed State Street Australia Limited to perform custody and certain administrative functions such as unit registry reporting and valuation services.

The Responsible Entity has received the following goods and services from brokers and dealers generally over the period of these accounts:

- written and oral research reports from brokers or dealers;
- computer based financial analytical systems, together with their associated software and servicing support; and
- statistical analysis relating to markets, companies, industries, business and economic factors, market trends and portfolio strategies.

Brokerage commissions

The Fund may effect portfolio transactions through an affiliate of the Responsible Entity, when an investment manager determines that a Fund will receive competitive execution, price, and commissions. Amounts retained by affiliates of the Responsible Entity for the year ended 30 June 2018 were \$114,557 (2017: \$164,787).

Additionally, the Fund paid brokerage commissions to non-affiliated brokers who provided brokerage and research services to the Responsible Entity.

12 Related party transactions (continued)

Key management personnel

(a) Directors

Key management personnel includes persons who were directors of Russell Investment Management Ltd at any time during the financial year as follows:

Peter Gunning
Jodie Hampshire (appointed, effective 3 July 2018)
Symon Parish
Glenn Smith (resigned, effective 29 June 2018)
Kenneth Willman
Bronwyn Yates

(b) Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

Key management personnel unitholdings

The key management personnel of Russell Investment Management and their related parties held units in the Fund as follows:

30 June 2018

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Bronwyn Yates	171	182	5,262	-	11	-	341
Jayne Nicole Parish	4,396	5,491	158,754	0.06	1,095	-	9,262

30 June 2017

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Bronwyn Yates	164	171	5,058	-	7	-	266
Jayne Nicole Parish	4,210	4,396	130,029	0.05	186	-	6,841

Key management personnel compensation

Key management personnel are paid by Russell Investment Management Ltd. Payments made from the Fund to Russell Investment Management Ltd do not include any amounts directly attributable to the compensation of key management personnel.

12 Related party transactions (continued)

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into any transaction with the Fund since the end of the previous financial year and there were no material balance involving directors' interests outstanding at year end.

Responsible Entity's/manager's fees and other transactions

The Responsible Entity charges management costs at the rate of 0.340% (2017: 0.340%) per annum of daily Net asset value of the Fund under the terms of constitution and the Product Disclosure Statement.

Management cost includes management fees and other operating expenses of the Fund. Included in the management cost is the Responsible Entity's fees is 0.013% (2017: 0.013%) per annum to the average daily net assets (excluding net asset attributable to unitholders) for 2018.

Other operating expenses include but are not limit to custody, administration, registry, GST (less any reduced input tax credits), Responsible Entity, legal, reporting and audit expense. These expenses will be paid by the Responsible Entity on behalf of the Fund.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Fund and the Responsible Entity were as follows:

	30 June 2018	30 June 2017
	\$	\$
Management cost for the year paid by the Fund	877,293	907,490
Management cost payable to the Manager at the end of the reporting period	527,638	606,448

Related party unitholdings

Parties related to the Fund (including Russell Investment Management Ltd, its affiliates and other schemes managed by, or under trusteeship of Russell Investment Management Ltd or its affiliates), held units in the Fund as follows:

30 June 2018

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Russell Investments After-Tax Australian Shares Fund (For superannuation investors)	150,920	-	-	-	-	150,920	-
Russell Investments Australian Shares Enhanced Income Fund	46,559	-	-	-	251,894	298,453	148,716

12 Related party transactions (continued)

Related party unitholdings (continued)

30 June 2017

Unitholders	Number of units held opening (Units)	Number of units held closing (Units)	Fair value of investment (\$)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Russell Investments After-Tax Australian Shares Fund (For superannuation investors)	-	150,920	4,473,269	1.64	150,920	-	118,921
Russell Investments Australian Opportunities Fund	247,902	-	-	-	-	247,902	-
Russell Investments Australian Shares Enhanced Income Fund	755,765	46,559	1,380,009	0.51	644,495	1,353,701	224,961

Investments

The Fund did not hold any investments in Russell Investment Management Ltd or its related parties during the year or at 30 June 2018 (2017: Nil).

13 Segment information

The Fund is organised into one main segment which operates solely in the business of investment management within Australia.

The Fund operates in Australia and holds investments in Australia.

14 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the Statement of financial position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 29 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.



Director

Sydney
25 September 2018



Independent auditor's report

To the unitholders of Russell Investments High Dividend Australian Shares ETF

Our opinion

In our opinion:

The accompanying financial report of Russell Investments High Dividend Australian Shares ETF (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the Directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Liability limited by a scheme approved under Professional Standards Legislation.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Registered Scheme, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
<ul style="list-style-type: none"> For the purpose of our audit we used overall materiality of \$2,809,040, which represents approximately 1% of the Registered Scheme's net assets. We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose net assets as the benchmark because, in our view, it is the most significant area of interest to the investors in the Registered Scheme, and is a generally accepted benchmark in the fund industry. We selected 1% based on our professional judgement, noting that it is within the range of commonly acceptable asset related thresholds. 	<ul style="list-style-type: none"> Our audit focused on where the directors of the Responsible Entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. Our audit approach reflects the nature of the investments held by the Registered Scheme and the consideration of the work undertaken by third party service providers. The key service provider relevant to our audit is the administrator/custodian who maintains the accounting records of the Registered Scheme and provides custodian services for the investments. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matter to the Board of Directors: <ul style="list-style-type: none"> Existence and valuation of financial assets This is further described in the <i>Key audit matters</i> section of our report.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter

How our audit addressed the key audit matter

Existence and valuation of financial assets

Refer to note 2 (Summary of significant accounting policies) and note 4 (Fair value measurement)

At 30 June 2018, the investment in financial assets of \$281.4m, was comprised primarily of investments in equity securities and unit trusts.

The existence and valuation of financial assets was a key audit matter because financial assets represent the principal element of the statement of financial position in the financial report, accounting for the majority of net assets. A discrepancy in the valuation or existence of investments could cause the net assets attributable to unitholders to be materially misstated which could also impact the Registered Scheme's performance as the valuation of financial assets is the main driver of movements in the profit of the Registered Scheme.

We performed the following procedures, amongst others over investments in equity securities and unit trusts:

- We obtained the most recent reports issued by the provider of administrator and custody services setting out the controls in place at that service organisation (including those over the valuation and existence of investments). These reports included an independent audit opinion over the design and operating effectiveness of those controls. We assessed the reports by: obtaining an understanding of the control objectives and associated control activities; evaluating the tests undertaken by the auditor; and evaluating the results of these tests and the conclusions formed by the auditor on the design and operational effectiveness of controls to the extent relevant to our audit of the Registered Scheme.
 - We obtained price data from independent third party price vendors for a sample of the investments of the Registered Scheme and compared it to the prices used by the Registered Scheme to value the investments at year end.
 - We obtained a confirmation from the custodian of the investment holdings at year end and reconciled the investment holdings per the custodian confirmation with the holdings per the Registered Scheme's accounting records.
-



Key audit matter

How our audit addressed the key audit matter

- Where there were material reconciling items, we selected a sample of these and obtained supporting evidence to explain the differences noted.

Other information

The directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2018, including the Directors' report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors of the Responsible Entity for the financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Registered Scheme to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intend to liquidate the Registered Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material



if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'Joe Sheeran'.

Joe Sheeran
Partner

Sydney
25 September 2018