

Russell Investments Australian Shares Fund

ARSN 092 807 728

Interim report

For the half-year ended 31 December 2022

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Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	15
Independent review report to the unitholders of Russell Investments Australian Shares Fund	16

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made in respect of Russell Investments Australian Shares Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Russell Investments Australian Shares Fund as an individual entity.

The responsible entity of the Russell Investments Australian Shares Fund is Russell Investment Management Ltd (ABN 53 068 338 974) (AFSL 247185).

The responsible entity's registered office is:
Level 28, 85 Castlereagh Street,
Sydney, NSW 2000.

Directors' report

The directors of Russell Investment Management Ltd (ABN 53 068 338 974 AFSL No. 247185), the responsible entity of Russell Investments Australian Shares Fund (the "Fund"), present their report together with the financial statements of the Fund, for the half-year ended 31 December 2022.

Directors

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

Peter Gunning
 Jodie Hampshire
 Symon Parish
 Bronwyn Yates
 Neil Rogan (appointed, effective 9 December 2022)

Review and results of operations

There have been no significant changes to the Fund's operations since the previous financial year. During the half-year, the Fund continued to invest in accordance with its investment objective and investment strategy as set out in the governing documents of the Fund and the provisions of the Fund's constitution.

Results

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

	Half-year ended	
	31 December 2022	31 December 2021
Operating profit/(loss) (\$'000)	<u>17,651</u>	<u>9,982</u>
<i>Distributions - Class A</i>		
Distribution paid and payable (\$'000)	<u>2,969</u>	<u>2,562</u>
Distribution (Cents per unit - CPU)	<u>8.25</u>	<u>2.65</u>
<i>Distributions - Class C</i>		
Distribution paid and payable (\$'000)	<u>198</u>	<u>73</u>
Distribution (Cents per unit - CPU)	<u>4.77</u>	<u>1.47</u>
<i>Distributions - Class D</i>		
Distribution paid and payable (\$'000)	<u>-</u>	<u>172</u>
Distribution (Cents per unit - CPU)	<u>-</u>	<u>3.36</u>

Matters subsequent to the end of the half-year

No matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect:

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

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *Australian Securities & Investments Commission ("ASIC") Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Directors' report (continued)

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 4.

This report is made in accordance with a resolution of the directors. The directors of the responsible entity have the power to amend and reissue the financial statements.



Director

Sydney
6 March 2023



Auditor's Independence Declaration

As lead auditor for the review of Russell Investments Australian Shares Fund for the half-year ended 31 December 2022, 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 review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'Simon Cuthbert'.

Simon Cuthbert
Partner
PricewaterhouseCoopers

Sydney
6 March 2023

Statement of comprehensive income

		Half-year ended	
		31 December 2022	31 December 2021
		\$'000	\$'000
Investment income			
Distribution income		1,891	3,607
Net gains/(losses) on financial instruments at fair value through profit or loss		16,407	7,312
Net foreign exchange gains/(losses)		-	1
Other income		38	-
Total investment income/(loss)		<u>18,336</u>	<u>10,920</u>
Operating expenses			
Management fees	6	604	873
Responsible entity's fees	6	11	16
Custody fees		15	22
Auditor's remuneration		7	7
Transaction costs		3	5
Other operating expenses		45	15
Total operating expenses		<u>685</u>	<u>938</u>
Operating profit/(loss) for the half-year		<u>17,651</u>	<u>9,982</u>
Finance costs attributable to unitholders			
Distributions to unitholders	5	-	(2,807)
(Increase)/decrease in net assets attributable to unitholders	4	-	(7,175)
Profit/(loss) for the half-year		<u>17,651</u>	<u>-</u>
Other comprehensive income		-	-
Total comprehensive income for the half-year		<u>17,651</u>	<u>-</u>

Net assets attributable to unitholders were reclassified from liability to equity during the half-year ended 31 December 2022. As a result, the Fund's distributions were no longer classified as finance costs in the statement of comprehensive income, but rather distributions paid and payable as part of transactions with unitholders in the statement of changes in equity. Refer to note 1 for further detail.

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

Statement of financial position

		As at	
		31 December 2022	30 June 2022
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		639	255
Due from brokers - unsettled sales		1	-
Financial assets at fair value through profit or loss	3	<u>66,482</u>	<u>173,523</u>
Total assets		<u>67,122</u>	<u>173,778</u>
Liabilities			
Payables		123	162
Distribution payable	5	2,062	3,410
Due to brokers - unsettled purchases		<u>450</u>	<u>-</u>
Total liabilities		<u>2,635</u>	<u>3,572</u>
Net assets attributable to unitholders - equity	4	<u>64,487</u>	<u>-</u>
Net assets attributable to unitholders - liability*	4	<u>-</u>	<u>170,206</u>

* Net assets attributable to unitholders were classified as equity as at 31 December 2022 and as a liability as at 30 June 2022. 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

		Half-year ended	
		31 December 2022	31 December 2021
	Notes	\$'000	\$'000
Total equity at the beginning of the financial half-year		-	-
Reclassification from liability to equity*		170,206	-
Comprehensive income for the half-year			
Profit/(loss) for the half-year		17,651	-
Other comprehensive income		-	-
Total comprehensive income for the half-year		<u>17,651</u>	<u>-</u>
Transactions with unitholders	4		
Applications		2,192	-
Redemptions		(123,055)	-
Reinvestment of distributions		660	-
Distribution paid and payable	5	<u>(3,167)</u>	<u>-</u>
Total transactions with unitholders		<u>(123,370)</u>	<u>-</u>
Total equity at the end of the financial half-year		<u>64,487</u>	<u>-</u>

* Under Australian Accounting Standards, during the half-year ended 31 December 2022, the Fund's units were reclassified from liability to equity. Refer to note 1 for further detail. As a result, unitholder transactions, including distributions are disclosed in the above statement for the half-year ended 31 December 2022.

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

Statement of cash flows

	Half-year ended	
	31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	20,712	86,833
Purchase of financial instruments at fair value through profit or loss	(51)	(4,491)
Proceeds from receivables	38	5
Management fees paid	(639)	(911)
Responsible entity's fees paid	(12)	(16)
Payment of other expenses	(74)	(53)
Net cash inflow/(outflow) from operating activities	19,974	81,367
Cash flows from financing activities		
Proceeds from applications by unitholders	2,192	14,998
Payments for redemptions by unitholders	(17,927)	(92,542)
Distribution paid	(3,855)	(3,645)
Net cash inflow/(outflow) from financing activities	(19,590)	(81,189)
Net increase/(decrease) in cash and cash equivalents	384	178
Cash and cash equivalents at the beginning of the half-year	255	215
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	1
Cash and cash equivalents at the end of the half-year	639	394
Non-cash financing activities		
During the half-year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	660	529
During the half-year, the following redemptions were satisfied by in specie asset transfers of assets	105,127	-

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

1 Basis of preparation of interim report

This interim report for the half-year ended 31 December 2022 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these interim financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made in respect of Russell Investments Australian Shares Fund during the interim reporting period.

On 19 July 2022, all unitholders within class D fully redeemed their units in the Fund and only class A and class C unitholders remained in the Fund. As class A and class C has identical class features for all its unitholders, the Fund satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that allows it to classify net assets attributable to unitholders as equity. Hence, during the half-year ended 31 December 2022, the Fund's net assets attributable to unitholders were reclassified from liability to equity.

The principal accounting policies adopted are consistent with those of the previous financial year and the corresponding interim reporting period, unless otherwise stated.

(a) New accounting standards and interpretations

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Fair value measurement

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

- Financial assets at fair value through profit or loss (FVTPL) (see note 3)

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

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); or
- (c) 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 (level 1)

The Fund values its investments in accordance with the accounting policies set out in notes to the financial statements as at 30 June 2022. 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.

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

The fair value of financial assets and liabilities that are not traded in an active market are determined by using prices from underlying unlisted investment trusts.

Forward currency contracts are valued using quoted exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts as at the valuation date.

2 Fair value measurement (continued)

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value through profit or loss across the fair value hierarchy.

As at 31 December 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Unit trusts	-	66,482	-	66,482
Total	-	66,482	-	66,482

As at 30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets				
Financial assets at fair value through profit or loss:				
Unit trusts	-	173,523	-	173,523
Total	-	173,523	-	173,523

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 were no transfers between levels for the half-year ended 31 December 2022. There were also no changes made to any of the valuation techniques applied as of 30 June 2022.

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

The following table presents the movement in level 3 instruments for the half-year ended 31 December 2022:

For the half-year ended 31 December 2022	Equity securities \$'000
Opening balance	-
Purchases	-
Sales	(36)
Transfers	-
Gains/(losses) recognised in statement of comprehensive income*	36
Closing balance	-
*includes unrealised gains/(losses) recognised in the statement of comprehensive income attributable to balances held at the end of the reporting period	-

2 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 could be regarded as being level 2 or level 3 securities.

(iv) Fair values of other financial instruments

The Fund has assets and liabilities carried at amortised cost. Due to their short-term nature, their carrying values are a reasonable approximation of fair value.

3 Financial assets at fair value through profit or loss

	As at	
	31 December 2022	30 June 2022
	Fair value \$'000	Fair value \$'000
Financial assets at fair value through profit or loss		
Unit trusts	<u>66,482</u>	<u>173,523</u>
Total financial assets at fair value through profit or loss	<u>66,482</u>	<u>173,523</u>

4 Net assets attributable to unitholders

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

	Half-year ended			
	31 December 2022	31 December 2021	31 December 2022	31 December 2021
	No.'000	No.'000	\$'000	\$'000
Class A				
Opening balance	89,072	133,781	156,575	263,787
Applications	1,146	7,308	2,177	14,965
Redemptions	(57,898)	(45,770)	(113,284)	(92,229)
Units issued upon reinvestment of distributions	357	176	660	357
Distribution paid and payable	-	-	(2,969)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	-	6,736
Profit/(loss) for the half-year	-	-	17,216	-
Closing balance	<u>32,677</u>	<u>95,495</u>	<u>60,375</u>	<u>193,616</u>

4 Net assets attributable to unitholders (continued)

	31 December 2022 No.'000	31 December 2021 No.'000	Half-year ended 31 December 2022 \$'000	31 December 2021 \$'000
Class C				
Opening balance	4,474	5,167	4,239	5,493
Applications	15	31	15	33
Redemptions	(347)	(211)	(341)	(229)
Distribution paid and payable	-	-	(198)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	-	152
Profit/(loss) for the half-year	-	-	397	-
Closing balance	4,142	4,987	4,112	5,449
Class D				
Opening balance	5,363	5,115	9,392	10,055
Applications	-	-	-	-
Redemptions	(5,363)	-	(9,430)	-
Units issued upon reinvestment of distributions	-	85	-	172
Increase/(decrease) in net assets attributable to unitholders	-	-	-	287
Profit/(loss) for the half-year	-	-	38	-
Closing balance	-	5,200	-	10,514
Closing balance	36,819	105,682	64,487	209,579

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.

During the half-year, redemptions of \$105,126,866 (2021: \$0) were satisfied by asset in specie transfers in the form of a parcel of quoted securities and are non-cash in nature.

On 19 July 2022, all unitholders within class D fully redeemed their units in the Fund and only class A and class C unitholders remained in the Fund. As class A and class C has identical class features for all its unitholders, the Fund satisfies the criteria under AASB 132 *Financial Instruments: Presentation* that allows it to classify net assets attributable to unitholders as equity. Hence, during the half-year ended 31 December 2022, the Fund's net assets attributable to unitholders were reclassified from liability to equity. Upon reclassification of net assets attributable to unitholders to equity, the Fund's distributions were classified as distributions paid and payable in the statement of changes in equity, rather than finance costs in the statement of comprehensive income. Refer to note 1 for further detail. Refer to note 6 for the applicable management fee rates.

5 Distributions to unitholders

The distributions for the half-year were as follows:

	31 December 2022 \$'000	Half-year ended 31 December 2022 CPU	31 December 2021 \$'000	31 December 2021 CPU
Class A				
Interim distributions	<u>2,969</u>	<u>8.25</u>	<u>2,562</u>	<u>2.65</u>
Distributions for the half-year	<u>2,969</u>	<u>8.25</u>	<u>2,562</u>	<u>2.65</u>
Class C				
Interim distributions	<u>198</u>	<u>4.77</u>	<u>73</u>	<u>1.47</u>
Distributions for the half-year	<u>198</u>	<u>4.77</u>	<u>73</u>	<u>1.47</u>
Class D				
Interim distributions	<u>-</u>	<u>-</u>	<u>172</u>	<u>3.36</u>
Distributions for the half-year	<u>-</u>	<u>-</u>	<u>172</u>	<u>3.36</u>
Total distributions for the half-year	<u>3,167</u>		<u>2,807</u>	

At 31 December 2022, the above distributions for class A, class C and class D include distribution payable amount of \$1,876,380 (2021: \$1,844,555), \$185,551 (2021: \$60,891) and \$0 (2021: \$0) respectively.

6 Responsible entity's/manager's fees and other transactions

Under the terms of the Fund's constitution, the responsible entity is entitled to receive management fees and responsible entity's fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Fund as follows:

Russell Investments Australian Shares Fund - Class A - Management fee 0.737% (2021: 0.737%) per annum.

Russell Investments Australian Shares Fund - Class C - Management fee 0.737% (2021: 0.737%) per annum.

Russell Investments Australian Shares Fund - Class D - Management fee Nil% (2021: Nil%) per annum.

The responsible entity's fee is 0.013% (2021: 0.013%) per annum of the average daily net assets (excluding net assets attributable to unitholders) for the half-year ended 31 December 2022.

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

	31 December 2022 \$	31 December 2021 \$
Management fees for the half-year incurred by the Fund	603,873	873,408
Responsible entity's fees for the half-year incurred by the Fund	10,781	16,427
Aggregate amounts payable to the manager at the end of the reporting period	58,913	113,752
Aggregate amounts payable to the responsible entity at the end of the reporting period	10,438	11,653

7 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 31 December 2022 or on the results and cash flows of the Fund for the half-year ended on that date.

8 Contingent assets and liabilities and commitments

There were no outstanding contingent assets, liabilities or commitments as at 31 December 2022 and 30 June 2022.

Directors' declaration

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date.
- (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.

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



Director

Sydney
6 March 2023



Independent auditor's review report to the unitholders of Russell Investments Australian Shares Fund

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Russell Investments Australian Shares Fund (the Registered Scheme) which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Russell Investments Australian Shares Fund does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Registered Scheme's financial position as at 31 December 2022 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors of the Responsible Entity for the half-year financial report

The directors of the Responsible Entity are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.



Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2022 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The PricewaterhouseCoopers logo, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Simon Cuthbert'.

Simon Cuthbert
Partner

Sydney
6 March 2023