

# **Russell Investments Australian Shares Fund**

ARSN 092 807 728

## **Interim report**

**For the half-year ended 31 December 2021**



Half Year Financial Report

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## For the half-year ended 31 December 2021

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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 2021 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 2021.

### 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

### Review and results of operations

The directors and management continue to assess the potential financial and other impacts to the Fund of the actions taken to address the coronavirus (COVID-19) outbreak. The current high-level of uncertainty regarding severity and length of the outbreak and the depth and duration of the associated effects on economic and business activity and on investment markets has impacted investment outcomes and increased volatility in investment performance during the half-year.

There have been no other 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:

	<b>Half-year ended</b>	
	<b>31 December 2021</b>	31 December 2020
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>9,982</u>	<u>34,070</u>
<i>Distributions - Class A</i>		
Distribution paid and payable (\$'000)	<u>2,562</u>	<u>1,581</u>
Distribution (Cents per unit - CPU)	<u>2.65</u>	<u>1.17</u>
<i>Distributions - Class C</i>		
Distribution paid and payable (\$'000)	<u>73</u>	<u>33</u>
Distribution (Cents per unit - CPU)	<u>1.47</u>	<u>0.58</u>
<i>Distributions - Class D</i>		
Distribution paid and payable (\$'000)	<u>172</u>	<u>83</u>
Distribution (Cents per unit - CPU)	<u>3.36</u>	<u>1.67</u>

### Matters subsequent to the end of the half-year

Current geopolitical events have caused market disruptions on a global basis and uncertainties remain as to their implications. These types of disruptions can adversely affect assets of the Fund and thus performance of the Fund. Management are continually monitoring the situation and will assess its impact on the Fund.

## Directors' report (continued)

### Matters subsequent to the end of the half-year (continued)

No other matter or circumstance has arisen since 31 December 2021 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.

### 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.

A handwritten signature in black ink, appearing to be 'R. Y.', with a long horizontal stroke extending to the right.

Sydney  
9 March 2022



## Auditor's Independence Declaration

As lead auditor for the review of Russell Investments Australian Shares Fund for the half-year ended 31 December 2021, 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 'S. Cuthbert', written in a cursive style.

Simon Cuthbert  
Partner  
PricewaterhouseCoopers

Sydney  
9 March 2022

## Statement of comprehensive income

	Notes	Half-year ended	
		31 December 2021 \$'000	31 December 2020 \$'000
<b>Investment income</b>			
Distribution income		3,607	2,199
Net gains/(losses) on financial instruments at fair value through profit or loss		7,312	32,855
Net foreign exchange gains/(losses)		1	(20)
<b>Total investment income/(loss)</b>		<b>10,920</b>	<b>35,034</b>
<b>Operating expenses</b>			
Management fees	6	873	874
Responsible entity's fees	6	16	16
Custody fees		22	27
Auditor's remuneration		7	11
Transaction costs		5	23
Other operating expenses		15	13
<b>Total operating expenses</b>		<b>938</b>	<b>964</b>
<b>Operating profit/(loss) for the half-year</b>		<b>9,982</b>	<b>34,070</b>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	5	(2,807)	(1,697)
(Increase)/decrease in net assets attributable to unitholders	4	(7,175)	(32,373)
<b>Profit/(loss) for the half-year</b>		<b>-</b>	<b>-</b>
Other comprehensive income for the half-year		-	-
<b>Total comprehensive income for the half-year</b>		<b>-</b>	<b>-</b>

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

## Statement of financial position

		As at	
		31 December 2021	30 June 2021
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		394	215
Receivables		7	12
Financial assets at fair value through profit or loss	3	<u>211,273</u>	<u>282,696</u>
<b>Total assets</b>		<u>211,674</u>	<u>282,923</u>
<b>Liabilities</b>			
Payables		190	316
Distribution payable	5	<u>1,905</u>	<u>3,272</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>2,095</u>	<u>3,588</u>
<b>Net assets attributable to unitholders - liability</b>	4	<u>209,579</u>	<u>279,335</u>

*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 2021 \$'000	31 December 2020 \$'000
<b>Total equity at the beginning of the financial half-year</b>	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income for the half-year	-	-
<b>Total comprehensive income for the half-year</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial half-year</b>	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the half-year.

*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 2021 \$'000	31 December 2020 \$'000
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	86,833	12,709
Purchase of financial instruments at fair value through profit or loss	(4,491)	(3,315)
Distribution received	-	281
Proceeds from receivables	5	-
Management fees paid	(911)	(853)
Responsible entity's fees paid	(16)	(16)
Payment of other expenses	(53)	(79)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>81,367</b>	<b>8,727</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	14,998	4,682
Payments for redemptions by unitholders	(92,542)	(7,757)
Distribution paid	(3,645)	(5,398)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(81,189)</b>	<b>(8,473)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>178</b>	<b>254</b>
Cash and cash equivalents at the beginning of the half-year	215	472
Effects of foreign currency exchange rate changes on cash and cash equivalents	1	(36)
<b>Cash and cash equivalents at the end of the half-year</b>	<b>394</b>	<b>690</b>
<b>Non-cash financing activities</b>		
During the half-year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	529	290

*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 2021 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 2021 and any public announcements made in respect of Russell Investments Australian Shares Fund during the interim reporting period.

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 2021 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 2021. 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 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 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Unit trusts	-	211,273	-	211,273
<b>Total</b>	-	<b>211,273</b>	-	<b>211,273</b>

As at 30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Unit trusts	-	282,696	-	282,696
<b>Total</b>	-	<b>282,696</b>	-	<b>282,696</b>

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 2021. There were also no changes made to any of the valuation techniques applied as of 30 June 2021.

#### (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 half-year ended 31 December 2021.

#### (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.

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 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 2021	30 June 2021
	Fair value \$'000	Fair value \$'000
<b>Financial assets at fair value through profit or loss</b>		
Unit trusts	<u>211,273</u>	<u>282,696</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>211,273</u>	<u>282,696</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 2021	31 December 2020	31 December 2021	31 December 2020
	No.'000	No.'000	\$'000	\$'000
<b>Class A</b>				
Opening balance	133,781	136,318	263,787	210,025
Applications	7,308	2,762	14,965	4,665
Redemptions	(45,770)	(4,417)	(92,229)	(7,472)
Units issued upon reinvestment of distributions	176	119	357	207
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>6,736</u>	<u>30,546</u>
Closing balance	<u>95,495</u>	<u>134,782</u>	<u>193,616</u>	<u>237,971</u>
<b>Class C</b>				
Opening balance	5,167	6,038	5,493	5,016
Applications	31	19	33	17
Redemptions	(211)	(464)	(229)	(412)
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>152</u>	<u>704</u>
Closing balance	<u>4,987</u>	<u>5,593</u>	<u>5,449</u>	<u>5,325</u>
<b>Class D</b>				
Opening balance	5,115	4,967	10,055	7,626
Applications	-	-	-	-
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	85	49	172	83
Increase/(decrease) in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u>287</u>	<u>1,123</u>
Closing balance	<u>5,200</u>	<u>5,016</u>	<u>10,514</u>	<u>8,832</u>
<b>Total net assets attributable to unitholders - liability</b>	<u>105,682</u>	<u>145,391</u>	<u>209,579</u>	<u>252,128</u>

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.

#### 4 Net assets attributable to unitholders (continued)

There are three separate classes of units. Each unit within the same class has the same rights as all other units within that class. Except for different management fee rates, the three different classes have the same preferences and restrictions.

#### 5 Distributions to unitholders

The distributions for the half-year were as follows:

	Half-year ended			
	31 December 2021 \$'000	31 December 2021 CPU	31 December 2020 \$'000	31 December 2020 CPU
<b>Class A</b>				
Interim distributions	<u>2,562</u>	<u>2.65</u>	<u>1,581</u>	<u>1.17</u>
Distributions for the half-year	<u>2,562</u>	<u>2.65</u>	<u>1,581</u>	<u>1.17</u>
<b>Class C</b>				
Interim distributions	<u>73</u>	<u>1.47</u>	<u>33</u>	<u>0.58</u>
Distributions for the half-year	<u>73</u>	<u>1.47</u>	<u>33</u>	<u>0.58</u>
<b>Class D</b>				
Interim distributions	<u>172</u>	<u>3.36</u>	<u>83</u>	<u>1.67</u>
Distributions for the half-year	<u>172</u>	<u>3.36</u>	<u>83</u>	<u>1.67</u>
<b>Total distributions for the half-year</b>	<u><b>2,807</b></u>		<u><b>1,697</b></u>	

At 31 December 2021, the above distributions for class A, class C and class D include a distribution payable amount of \$1,844,555 (2020: \$1,200,241), \$60,891 (2020: \$29,893) and \$0 (2020: \$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% (2020: 0.737%) per annum.

Russell Investments Australian Shares Fund - Class C - Management fee 0.737% (2020: 0.737%) per annum.

Russell Investments Australian Shares Fund - Class D - Management fee Nil% (2020: Nil%) per annum.

The responsible entity's fee is 0.013% (2020: 0.013%) per annum of the average daily net assets (excluding net assets attributable to unitholders) for the half-year ended 31 December 2021.

## 6 Responsible entity's/manager's fees and other transactions (continued)

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 2021	31 December 2020
	\$	\$
Management fees for the half-year paid by the Fund	<b>873,408</b>	874,415
Responsible entity's fees for the half-year paid by the Fund	<b>16,427</b>	16,235
Aggregate amounts payable to the manager at the end of the reporting period	<b>113,752</b>	141,366
Aggregate amounts payable to the responsible entity at the end of the reporting period	<b>11,653</b>	12,125

## 7 Events occurring after the reporting period

Current geopolitical events have caused market disruptions on a global basis and uncertainties remain as to their implications. These types of disruptions can adversely affect assets of the Fund and thus performance of the Fund. Management are continually monitoring the situation and will assess its impact on the Fund.

Other than the above, there are 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 2021 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 2021 and 30 June 2021.

## Directors' declaration

In the opinion of the directors of the responsible entity:

- (a) the financial statements and notes set out on pages 5 to 13 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 2021 and of its performance for the financial half-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.

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



Director

Sydney  
9 March 2022



# 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 2021, 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 2021 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 2021 and of its

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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.

*PricewaterhouseCoopers*

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Simon Cuthbert', written in a cursive style.

Simon Cuthbert  
Partner

Sydney  
9 March 2022