

Russell Investments International Shares Fund

ARSN 092 808 261

Interim report

For the half-year ended 31 December 2022

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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 2022 and any public announcements made in respect of Russell Investments International 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 International Shares Fund as an individual entity.

The responsible entity of the Russell Investments International 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 International 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) before finance costs attributable to unitholders (\$'000)	<u>37,117</u>	<u>79,037</u>
<i>Distributions - Class A</i>		
Distribution paid and payable (\$'000)	<u>732</u>	<u>1,152</u>
Distribution (Cents per unit - CPU)	<u>0.46</u>	<u>0.62</u>
<i>Distributions - Class C</i>		
Distribution paid and payable (\$'000)	<u>6</u>	<u>8</u>
Distribution (Cents per unit - CPU)	<u>0.43</u>	<u>0.55</u>
<i>Distributions - Class D</i>		
Distribution paid and payable (\$'000)	<u>1,128</u>	<u>1,810</u>
Distribution (Cents per unit - CPU)	<u>1.45</u>	<u>1.64</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.

A handwritten signature in black ink, appearing to be 'Paul Smith', written over a light blue rectangular background.

Director

Sydney
6 March 2023



Auditor's Independence Declaration

As lead auditor for the review of Russell Investments International 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 'S Cuthbert'.

Simon Cuthbert
Partner
PricewaterhouseCoopers

Sydney
6 March 2023

Statement of comprehensive income

		Half-year ended	
		31 December 2022	31 December 2021
	Notes	\$'000	\$'000
Investment income			
Interest income from financial assets at amortised cost		9	-
Distribution income		5,782	7,128
Net gains/(losses) on financial instruments at fair value through profit or loss		34,780	75,346
Net foreign exchange gains/(losses)		(299)	610
Other income		40	66
Total investment income/(loss)		40,312	83,150
Operating expenses			
Management fees	7	1,843	2,231
Responsible entity's fees	7	26	53
Custody fees		77	145
Auditor's remuneration		10	10
Transaction costs		182	455
Withholding taxes		923	874
Other operating expenses		134	345
Total operating expenses		3,195	4,113
Operating profit/(loss) for the half-year		37,117	79,037
Finance costs attributable to unitholders			
Distributions to unitholders	6	(1,866)	(2,970)
(Increase)/decrease in net assets attributable to unitholders	5	(35,251)	(76,067)
Profit/(loss) for the half-year		-	-
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		-	-

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		19,650	36,759
Deposits held with brokers for margin		9,995	11,104
Receivables		1,800	2,149
Due from brokers - unsettled sales		-	3,196
Financial assets at fair value through profit or loss	3	<u>479,043</u>	<u>541,522</u>
Total assets		<u>510,488</u>	<u>594,730</u>
Liabilities			
Payables		612	948
Distribution payable	6	115	2,308
Due to brokers - unsettled purchases		-	4,203
Financial liabilities at fair value through profit or loss	4	<u>3,198</u>	<u>4,118</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>3,925</u>	<u>11,577</u>
Net assets attributable to unitholders - liability	5	<u>506,563</u>	<u>583,153</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 2022	31 December 2021
	\$'000	\$'000
Total equity at the beginning of the financial half-year	-	-
Profit/(loss) for the half-year	-	-
Other comprehensive income for the half-year	-	-
Total comprehensive income for the half-year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial half-year	-	-

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 2022 \$'000	Restated 31 December 2021 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	166,907	393,257
Purchase of financial instruments at fair value through profit or loss	(71,615)	(214,993)
Distribution received	5,024	6,424
Interest received	9	-
Amount received from brokers for margin	1,109	3,755
Proceeds from receivables	44	62
Management fees paid	(1,859)	(2,188)
Responsible entity's fees paid	(38)	(53)
Payment of other expenses	(441)	(887)
Net cash inflow/(outflow) from operating activities	99,140	185,377
Cash flows from financing activities		
Proceeds from applications by unitholders	5,573	115,514
Payments for redemptions by unitholders	(119,434)	(301,615)
Distribution paid	(2,309)	(2,555)
Net cash inflow/(outflow) from financing activities	(116,170)	(188,656)
Net increase/(decrease) in cash and cash equivalents	(17,030)	(3,279)
Cash and cash equivalents at the beginning of the half-year	36,759	39,760
Effects of foreign currency exchange rate changes on cash and cash equivalents	(79)	(44)
Cash and cash equivalents at the end of the half-year	19,650	36,437
Non-cash financing activities		
During the half-year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	1,750	2,687

The above statement of cash flows should be read in conjunction with the accompanying notes. Refer to note 1(b) for restated 31 December 2021 figures.

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 International 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 2022 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Comparative revisions

In the financial statements for half-year ended 31 December 2021, certain assets were classified as financial assets at fair value through profit or loss in the statement of financial position. These assets met the definition of cash and cash equivalents under AASB 107 *Statement of Cash Flows* and have since been corrected. In the current half-year, comparative amounts have been restated to appropriately account for these assets as cash and cash equivalents. The affected financial statement line items within statement of cash flows for the prior comparative period is as follows:

Statement of Cash Flows 31 December 2021 (Extract)

	31 December 2021	Increase / (Decrease)	31 December 2021 (Restated)
	\$'000	\$'000	\$'000
Purchase of financial instruments at fair value through profit or loss	(205,021)	(9,972)	(214,993)
Net cash inflow/(outflow) from operating activities	195,349	(9,972)	185,377
Net increase/(decrease) in cash and cash equivalents	6,693	(9,972)	(3,279)
Cash and cash equivalents at the beginning of the half-year	4,436	35,324	39,760
Cash and cash equivalents at the end of the half-year	11,085	25,352	36,437

2 Fair value measurement

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

- Financial assets / liabilities at fair value through profit or loss (FVTPL) (see note 3 and note 4)

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:

- 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); or

2 Fair value measurement (continued)

(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 other than exchange traded futures, which are valued at the market closing price.

(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.

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:				
Derivatives	1,464	843	-	2,307
Equity securities	472,963	-	-	472,963
Unit trusts	3,773	-	-	3,773
Total	478,200	843	-	479,043
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	2,381	817	-	3,198
Total	2,381	817	-	3,198

2 Fair value measurement (continued)

Recognised fair value measurements (continued)

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:				
Derivatives	491	3,860	-	4,351
Equity securities	531,339	-	-	531,339
Unit trusts	<u>5,832</u>	<u>-</u>	<u>-</u>	<u>5,832</u>
Total	<u>537,662</u>	<u>3,860</u>	<u>-</u>	<u>541,522</u>
Financial liabilities				
Financial liabilities at fair value through profit or loss:				
Derivatives	<u>2,378</u>	<u>1,740</u>	<u>-</u>	<u>4,118</u>
Total	<u>2,378</u>	<u>1,740</u>	<u>-</u>	<u>4,118</u>

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. Russian securities were transferred from Level 1 to Level 3 at a fair value of \$Nil as at 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	810
Sales	(810)
Transfers	-
Gains/(losses) recognised in statement of comprehensive income*	<u>-</u>
Closing balance	<u>-</u>
*includes unrealised gains/(losses) recognised in the statement of comprehensive income attributable to balances held at the end of the reporting period	<u>(47)</u>

(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		
Derivatives	2,307	4,351
Equity securities	472,963	531,339
Unit trusts	3,773	5,832
Total financial assets at fair value through profit or loss	479,043	541,522

4 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2022	30 June 2022
	Fair value \$'000	Fair value \$'000
Financial liabilities at fair value through profit or loss		
Derivatives	3,198	4,118
Total financial liabilities at fair value through profit or loss	3,198	4,118

5 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	186,978	187,053	373,043	410,646
Applications	2,664	32,855	5,553	74,518
Redemptions	(29,099)	(35,446)	(62,590)	(82,125)
Units issued upon reinvestment of distributions	295	363	622	877
Increase/(decrease) in net assets attributable to unitholders	-	-	22,451	42,101
Closing balance	160,838	184,825	339,079	446,017

5 Net assets attributable to unitholders (continued)

	Half-year ended			
	31 December 2022 No.'000	31 December 2021 No.'000	31 December 2022 \$'000	31 December 2021 \$'000
Class C				
Opening balance	1,327	1,400	2,174	2,524
Applications	12	14	20	27
Redemptions	(42)	(37)	(74)	(70)
Increase/(decrease) in net assets attributable to unitholders	-	-	123	248
Closing balance	1,297	1,377	2,243	2,729
Class D				
Opening balance	103,511	170,048	207,936	376,834
Applications	-	16,737	-	41,000
Redemptions	(26,221)	(86,800)	(56,500)	(207,811)
Units issued upon reinvestment of distributions	532	755	1,128	1,810
Increase/(decrease) in net assets attributable to unitholders	-	-	12,677	33,718
Closing balance	77,822	100,740	165,241	245,551
Total net assets attributable to unitholders - liability	239,957	286,942	506,563	694,297

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 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.

6 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>732</u>	<u>0.46</u>	<u>1,152</u>	<u>0.62</u>
Distributions for the half-year	<u>732</u>	<u>0.46</u>	<u>1,152</u>	<u>0.62</u>
Class C				
Interim distributions	<u>6</u>	<u>0.43</u>	<u>8</u>	<u>0.55</u>
Distributions for the half-year	<u>6</u>	<u>0.43</u>	<u>8</u>	<u>0.55</u>
Class D				
Interim distributions	<u>1,128</u>	<u>1.45</u>	<u>1,810</u>	<u>1.64</u>
Distributions for the half-year	<u>1,128</u>	<u>1.45</u>	<u>1,810</u>	<u>1.64</u>
Total distributions for the half-year	<u>1,866</u>		<u>2,970</u>	

At 31 December 2022, the above distributions for class A, class C and class D include distribution payable amount of \$109,798 (2021: \$275,445), \$5,596 (2021: \$7,513) and \$0 (2021: \$0) respectively.

7 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 International Shares Fund - Class A - Management fee 0.963% (2021: 0.963%) per annum.

Russell Investments International Shares Fund - Class C - Management fee 0.963% (2021: 0.963%) per annum.

Russell Investments International 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	1,842,855	2,231,427
Responsible entity's fees for the half-year incurred by the Fund	26,264	52,803
Aggregate amounts payable to the manager at the end of the reporting period	318,232	395,147
Aggregate amounts payable to the responsible entity at the end of the reporting period	104,860	118,575

8 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.

9 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 15 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 International Shares Fund

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Russell Investments International 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 International 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.

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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.

A stylized, handwritten signature of 'PricewaterhouseCoopers' in a cursive script.

PricewaterhouseCoopers

A stylized, handwritten signature of 'Simon Cuthbert' in a cursive script.

Simon Cuthbert
Partner

Sydney
6 March 2023