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# Russell Investment Funds

## Other Material Information

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# Contents

<b>Introduction</b> .....	<b>4</b>
<b>Other information on the Funds</b> .....	<b>4</b>
Investing through administration and custodial services.....	4
<b>Other information on the parties involved</b> .....	<b>5</b>
Manager .....	5
Investment Manager.....	5
Supervisor .....	5
Custodians.....	6
Administration managers.....	6
Registry manager .....	6
Other.....	6
Manager and Supervisor's Indemnity .....	7
<b>Material Contracts</b> .....	<b>7</b>
<b>Disclosure of Interests</b> .....	<b>7</b>
Apex Investment Administration (NZ) Limited .....	7
Management of conflicts of interest .....	8
<b>Explanation of Key terms</b> .....	<b>8</b>
Making an application.....	8
Issue price .....	8
<b>Charges</b> .....	<b>9</b>
Buy/sell spreads .....	9
Management fee .....	9
Manager's termination fees .....	9
Supervisor's fee, Administration Manager's fee and certain other costs .....	9
Other charges.....	10
Supervisor's other fees.....	10
Initial service fee.....	10
Variation to fees .....	10
<b>Distributions</b> .....	<b>10</b>
Amendments to the Trust Deed or Unit Trust Establishment Deeds .....	11
Altering your investment.....	11
<b>Redemption of units</b> .....	<b>11</b>
Minimum redemption amounts .....	11
Redemption price .....	12
Deferral of redemptions .....	12
Suspension of redemptions.....	12
Tax on redemptions.....	12
Right to sell units .....	12
Termination of the Funds .....	13
Fund-specific information .....	13
Russell Investments Global Shares Fund .....	13
Russell Investments Hedged Global Shares Fund .....	13
Russell Investments Sustainable Global Shares Fund .....	14

Russell Investments Hedged Sustainable Global Shares Fund .....	14
Russell Investments NZ Shares Fund .....	14
Russell Investments NZ Fixed Interest Fund .....	14
Russell Investments Global Fixed Interest Fund .....	15
Russell Investments Global Listed Infrastructure Fund .....	15
Russell Investments Global Listed Real Estate Fund .....	15
Emulation Strategies .....	15
Investment information .....	15
<b>Taxation .....</b>	<b>16</b>
Portfolio Investment Entities .....	16
Foreign residents .....	16
Withholding tax .....	16
General .....	17
<b>Basis of estimates for fund charges in PDS .....</b>	<b>17</b>
<b>Other Risks .....</b>	<b>17</b>
How risks can affect an investment .....	18
<b>Insolvency or winding up .....</b>	<b>19</b>
<b>More information about market indices .....</b>	<b>19</b>
Where to find more information .....	19
Disclaimers .....	19
<b>No guarantee .....</b>	<b>20</b>
<b>Glossary .....</b>	<b>21</b>

## Introduction

This is an important document in relation to your investment in the Russell Investment Funds ("Scheme") and should be read together with the Russell Investment Funds Product Disclosure Statement, the Russell Investment Funds Listed Real Assets Product Disclosure Statement and the Russell Investment Funds Sustainable Global Shares Funds Product Disclosure Statement (together the "PDSs"), the Statement of Investment Policy and Objectives ("SIPO") and other documents held on the register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose) ("Disclose Register"). If you are a retail investor you must be given a copy of the relevant PDS before we can accept your application for Units.

This Other Material Information Document ("Document") has been prepared to meet the requirements of section 57(1)(b)(ii) of the Financial Markets Conduct Act 2013 ("FMC Act") and clause 52 of Schedule 4 of the Financial Markets Conduct Regulations 2014 ("FMC Regulations"). All legislation referred to in this Document can be viewed at [www.legislation.govt.nz](http://www.legislation.govt.nz).

In this Document, "you" or "your" refers to a person or entity that invests in any of the funds within the Scheme, whether directly or through a wrap platform or similar administration and custodial service. If you hold units through a wrap platform or similar administration and custodial service, please note the section "*Investing through administration and custodial services*". "We", "us", "our", "Manager" or "FundRock" refers to FundRock NZ Limited as Manager of the Scheme. When we use the word "current" or "currently" in relation to any legislation, regulation, policy, information, activity or practice, we refer to these at the date of this Document. Any legislation, regulation, policy, information, activity or practice may be reviewed or changed without us notifying you.

Capitalised terms have the same meaning as in the trust deed for the Implemented Investment Solutions Funds ("Trust Deed") unless they are otherwise defined in this Document.

## Other information on the Funds

This document relates to the offer of units in the following funds ("Funds"):

- Russell Investments Global Shares Fund
- Russell Investments Hedged Global Shares Fund
- Russell Investments Sustainable Global Shares Fund
- Russell Investments Hedged Sustainable Global Shares Fund
- Russell Investments NZ Shares Fund
- Russell Investments NZ Fixed Interest Fund
- Russell Investments Global Fixed Interest Fund
- Russell Investments Global Listed Infrastructure Fund
- Russell Investments Global Listed Real Estate Fund

The Funds are constituted within a managed investment scheme called the "Russell Investment Funds", registered scheme number SCH10586. The Scheme is governed by the Trust Deed dated 29 July 2016 and the Funds are invested in accordance with their SIPO. You can get an electronic copy of the Trust Deed and the current SIPO from the scheme register on the Disclose website <https://disclose-register.companiesoffice.govt.nz/>.

## Investing through administration and custodial services

The Funds are offered through certain administration and custodial services. These include "wrap platforms". When you invest through an administration and custodial service you do not hold Units in the Funds directly. Instead, your Units are held in the name of a custodial entity for the wrap platform on your behalf. This means many of the legal rights attaching to those Units are held by that custodial entity rather than by you, and so your ability to exercise those rights is subject to the terms and conditions agreed between you and the provider of the service. You are encouraged to familiarise yourself with those terms and conditions as set out in service provider's marketing and legal documentation.

## Other information on the parties involved

### Manager

FundRock is the Manager of the Scheme.

FundRock is a fund management company specialising in establishing and managing New Zealand-domiciled funds. With a deep understanding of New Zealand's investment management industry, FundRock works with both local and global investment managers to enable investors to access these specialist managers' investment expertise within funds and solutions that have been tailored for New Zealand's tax and legislative environment.

FundRock was granted a licence to act as the manager of a registered scheme under the FMC Act by the Financial Markets Authority ("FMA") on 25 August 2015. The licence is subject to us maintaining the same or better standard of capability, governance and compliance as was the case when the FMA assessed our licence application. The licence is subject to the normal conditions imposed under the FMC Act and the FMC Regulations, and the standard conditions imposed by the FMA.

The names and contact details for directors and information on the shareholders of FundRock are available at [www.companiesoffice.govt.nz/companies](http://www.companiesoffice.govt.nz/companies). This information may change from time to time without notice to you.

### Investment Manager

Russell Investment Management Ltd is the investment manager ("Investment Manager") of the Funds. Russell Investment Management Ltd is part of Russell Investments Group, LLC, a global investment solutions provider providing solutions and services to institutions and individuals through financial intermediaries. Headquartered in Seattle, Washington, Russell Investments operates through additional offices in major financial centres. Russell Investments' investment philosophy is identifying active underlying investment managers and combining them in robust multi-manager structures which aim to provide consistency of returns above an index. Russell Investments employs both specialist third-party investment managers and related parties to manage underlying assets.

Where Russell Investments manages fund assets directly, they may employ quantitative and/or rules-based processes and qualitative analysis to assess fund characteristics and invest in securities and instruments, which provide the desired overall fund exposures.

Further information about Russell Investments may be found at [www.russellinvestments.com/nz/](http://www.russellinvestments.com/nz/).

### Supervisor

The Supervisor ("Supervisor") of the Scheme is Public Trust and is independent of us.

Public Trust is a statutory corporation and Crown entity established and constituted in New Zealand on 1 March 2002 under the Public Trust Act 2001.

The Supervisor is responsible for supervision of FundRock and the Scheme, including:

- acting on behalf of the Funds' investors in relation to FundRock and any contravention of FundRock's issuer obligations;
- supervising the performance by FundRock of its functions and the financial position of FundRock and the Scheme; and
- holding the assets of each Fund or ensuring that the assets are held in accordance with applicable legislative requirements.

The Supervisor holds a licence under section 16(1) of the Financial Markets Supervisors Act 2011 to act as supervisor in respect of managed funds.

## Custodians

Public Trust RIF Nominees Limited, a wholly owned subsidiary of Public Trust, is the custodian of assets for the following funds:

- Russell Investments NZ Shares Fund
- Russell Investments NZ Fixed Interest Fund
- Russell Investments Global Fixed Interest Fund

BNP Paribas Fund Services Australasia Pty Ltd (“BNP Paribas”) is the custodian of assets for the following funds:

- Russell Investments Global Shares Fund
- Russell Investments Hedged Global Shares Fund
- Russell Investments Sustainable Global Shares Fund
- Russell Investments Hedged Sustainable Global Shares Fund
- Russell Investments Global Listed Infrastructure Fund
- Russell Investments Global Listed Real Estate Fund

As required by the FMC Act, the Custodians are independent of us.

## Administration Managers

FundRock has appointed Apex Investment Administration (NZ) Limited (“Apex NZ”) as the administration manager for the following funds:

- Russell Investments NZ Shares Fund
- Russell Investments NZ Fixed Interest Fund
- Russell Investments Global Fixed Interest Fund

FundRock has appointed BNP Paribas as the administration manager for the following funds:

- Russell Investments Global Shares Fund
- Russell Investments Hedged Global Shares Fund
- Russell Investments Sustainable Global Shares Fund
- Russell Investments Hedged Sustainable Global Shares Fund
- Russell Investments Global Listed Infrastructure Fund
- Russell Investments Global Listed Real Estate Fund

Key roles undertaken by the administration managers include:

- Unit pricing, and
- Fund accounting

## Registry manager

FundRock has appointed Apex NZ to manage all Fund registry functions.

## Other

Other key parties employed by FundRock are:

<i>Party</i>	<i>Role</i>
PricewaterhouseCoopers	Auditor
DLA Piper New Zealand	Legal adviser
Deloitte New Zealand	Tax adviser

## Manager and Supervisor's Indemnity

Both we and the Supervisor are entitled to be indemnified out of the relevant Fund. The indemnity covers any personal liability (including Portfolio Investment Entity ("PIE") tax) incurred by or on behalf of a Fund, or any action taken or omitted in connection with the affairs of a Fund (other than in respect of our or the Supervisor's negligence, wilful default or wilful breach of trust). It also covers the costs of any litigation or other proceedings in which such liability has been determined (including legal fees and disbursements). The indemnity ranks in priority to the claims of Investors. It is subject to the limits on permitted indemnities under the FMC Act which only make the indemnity available in relation to the proper performance of the duties under the FMC Act.

We and the Supervisor, in incurring any debts, liabilities or obligations or in taking or omitting any other action for or in connection with the affairs of a Fund, are each deemed to be acting for and on behalf of the Fund and not in our own respective capacities.

Neither the Supervisor nor we, (except as otherwise expressly provided in the Trust Deed) are under any personal liability, nor may resort be had to our private property, for the satisfaction of any obligation of the Fund.

## Material Contracts

The following material contracts are in place in relation to the Funds:

- FundRock and Apex NZ have entered into an Administration Agreement under which FundRock delegates certain administrative functions in relation to certain Funds to Apex NZ, including registry, fund accounting and unit pricing.
- FundRock and BNP Limited have entered into an Administration Agreement under which FundRock delegates certain administrative functions in relation to certain Funds to BNP, including fund accounting and unit pricing.
- FundRock and Russell Investments have entered into a Fund Hosting Agreement under which FundRock acts as manager and issuer of the Funds.
- FundRock and Russell Investments have also entered into an Investment Management Agreement under which Russell Investments provides investment management services in respect of the Funds, including the selection of investment managers. That agreement is on standard industry terms.
- As investment manager, Russell Investments has entered into investment management agreements with sub-investment managers for the investment management of certain Funds.
- FundRock and Public Trust have entered into the Trust Deed for the Implemented Investment Solutions Funds. The Trust Deed appoints the Supervisor as supervisor of the Funds, and the Manager as manager of the Funds.

These contracts may be amended from time to time. Any material amendments will be noted in an updated version of this Document.

## Disclosure of Interests

Circumstances where potential or actual conflicts of interest may arise in relation to the Funds and our policy on managing such conflicts are discussed below.

### Apex Investment Administration (NZ) Limited

Both we and the Scheme's registry manager, Apex Investment Administration (NZ) Limited, are ultimately owned by Apex Group Limited. This common ownership may influence us to agree commercial terms with Apex NZ that are more favourable to Apex NZ than would otherwise be the case. If that happened, it would benefit the interests of Apex NZ at the expense of the interests of investors. We manage this potential conflict of interest by certifying to the Supervisor that the arrangement with Apex NZ is on arms' length commercial terms and by complying with our Conflicts of Interest Policy in respect of our relationship with Apex NZ.

## **Management of conflicts of interest**

The FMC Act imposes statutory controls on conflicts of interest:

- A related party transaction in respect of a Fund may only be done if the details are notified to the Supervisor and we: 1) certify the transaction (or series of transactions) is "permitted" on the basis that it compromises investment into a regulated investment in NZ or Australia, or the transaction is on arm's length, or 2) we obtain the Supervisor's consent on the basis that it is in the best interests of investors, or contingent on Special Resolution approval by investors.
- As Manager of the Funds, we are subject to various statutory duties in the performance of our duties as manager, including the requirement to act honestly and in the best interests of investors.
- Where we contract out our functions to other parties, such as the investment management of the Funds to Russell Investment Management Ltd, we must ensure the persons to whom we contract those functions perform them to the same standard and subject to the same duties and restrictions as if we were performing them ourselves. These include the statutory duties referred to above. We must also monitor the performance of that function.
- Russell Investment Management Ltd as investment manager of the Funds must comply with a professional standard of care i.e., in exercising any powers, or performing any duties as investment manager, they must exercise the care, diligence, and skill that a prudent person engaged in the profession of investment management would exercise in the same circumstances.

We have built these statutory controls into our internal compliance processes and procedures. We have conflicts of interest and related party transactions policies and procedures ("Policies") which extend the statutory duties imposed on us to our staff members.

The Policies define what a conflict of interest is and provides for reporting and disclosure of conflicts of interest to the Board, Manager and Directors. It also sets out protocols for personal securities transactions, including pre-clearance and reporting.

## **Explanation of Key terms**

The information below is a summary of the key provisions of the Trust Deed. For a detailed description of the Funds' governing terms, please refer to the Trust Deed held on the scheme register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose). If there is any conflict between information in this Document and the terms of the Trust Deed, then the terms of the Trust Deed prevail.

## **Making an application**

The application process is described in the PDSs.

## **Issue price**

If we accept your application, you will be issued Units in a Fund at the Issue Price. The Issue Price is the Net Asset Value per Unit in the Fund, plus an amount calculated to reflect the cost of acquiring investments following the issue of Units ("buy spread") and an initial service fee (if any). We have no current intention to charge an initial service fee. For the current buy spreads for the Funds see [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting).

The Issue Price of a Unit is generally determined on each Business Day ("Valuation Time"). The Russell Investments Global Fixed Interest Fund invests into an underlying fund located outside New Zealand (i.e., Australia). In some circumstances (e.g., where there is a public holiday in the jurisdiction of the underlying fund) it may not be possible to determine the Issue Price of a Unit for the Russell Investments Global Fixed Interest Fund because there is no valuation data available for the underlying fund. In these cases, the Issue Price may be determined on the next Business Day on which valuation data is available for the underlying fund. Alternatively, with the approval of the Supervisor, the Issue Price may be determined by applying an index movement to the previous day's price.

If an application is received and accepted before the cut-off time for a Fund on a Valuation Time, Units will be issued at the Issue Price determined as at the end of that day. If an application is received and accepted at or after the cut-off time on a Valuation Time, Units will be issued at the Issue Price determined as at the end of the following Valuation Time.

The cut-off time for the receipt of applications and cleared funds for all Funds is currently 11.00 a.m. New Zealand time.

If a payment is dishonoured or reversed, no Units will be issued in respect of that payment or any Units issued based on that payment will be cancelled.

## Charges

### Buy/sell spreads

The Issue Price includes a buy spread that provides for the cost of acquiring investments in the Fund. The Redemption Price includes a sell spread that provides for the cost of realising investments in the Fund. For the current buy/sell spreads for the Funds see [www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting](http://www.fundrock.com/fundrock-new-zealand/frnz-documents-and-reporting).

We review the buy/sell spreads from time to time.

### Management fee

Each Fund pays an annual management fee based on that Fund's Net Asset Value as outlined in the relevant PDS.

Management fees are calculated daily and paid monthly in arrears. We may waive or decrease a management fee without notice. We may increase a management fee by giving you at least three months' notice. No management fee may be increased above 2.00% p.a. of Gross Asset Value.

The management fees include any investment management fees deducted within an underlying fund or paid to an underlying investment manager but do not include any other fees and charges deducted within an underlying fund. Where investment management fees are deducted from an underlying fund or paid to an underlying investment manager, we adjust our fee to ensure that you are not double charged for investment management services. You do not pay, directly or indirectly, any additional amount for the investment management services provided by entities associated with the Investment Manager in respect of the underlying funds.

### Manager's termination fees

If a Fund terminates, we may charge the Fund a fee (based on time spent by us) and recover costs and disbursements from the Fund for matters relating to termination. The fee, costs and disbursements must be approved by the Supervisor as reasonable. You may ask us how much that fee was following termination.

If Investors of a Fund remove us as Manager by Extraordinary Resolution (other than for breach of trust or negligence), we may charge that Fund a termination fee, being the greater of:

- \$150,000; and
- Four times the per annum percentage management fee for the Fund multiplied by the Gross Asset Value of the Fund on the last Valuation Time before we cease to hold office.

With the approval of the Supervisor, a third party may pay an amount to us equivalent to the termination fee, instead of the termination fee being paid from the Fund.

### Supervisor's fee, Administration Manager's fee and certain other costs

Each Fund pays the Supervisor for independent supervisory services. Each Fund pays the relevant Custodian for custody services. Each Fund also pays the relevant administration

manager for unit pricing, fund accounting and registry services. Each Fund also incurs the cost of obtaining professional services such as legal fees and audit costs.

### **Other charges**

Each Fund will incur other expenses, including brokerage fees, custody transaction costs, and taxation charges and there are indirect costs within the underlying funds. These brokerage fees, custody transaction costs, taxation, indirect costs and other expenses do not form part of the in-fund costs outlined above but are reflected in each fund's unit price and, consequently, affect its performance. Some of these expenses may be paid to us or an administration manager. There is no limit on these expenses, which (except for the costs charged within the underlying funds) will be shown in each Fund's financial statements. Note that the costs associated with advertising, and marketing and promotion of the Funds are borne by the party who prepared the advertisement or marketing or promotional materials.

### **Supervisor's other fees**

The Supervisor may also charge special fees to a Fund for services of an unusual or onerous nature outside the Supervisor's regular services (e.g., on termination).

### **Initial service fee**

While we have no current intention to do so, we may charge an initial service fee determined by us on the issue of any Unit. Any initial service fee, if it were to be charged, would be in addition to any buy spread.

### **Variation to fees**

We may, in our absolute discretion, rebate the buy and sell spread and/or management fee, by agreement, with an Investor, or a group of Investors.

### **Distributions**

At the date of this document, we intend to make semi-annual distributions from the following Funds:

- Russell Investments NZ Fixed Interest Fund
- Russell Investments Global Fixed Interest Fund
- Russell Investments NZ Shares Fund
- Russell Investments Global Shares Fund
- Russell Investments Hedged Global Shares Fund
- Russell Investments Sustainable Global Shares Fund
- Russell Investments Hedged Sustainable Global Shares Fund
- Russell Investments Global Listed Infrastructure Fund
- Russell Investments Global Listed Real Estate Fund

We expect to make distributions in respect of the periods ("Distribution Periods") ending on the last Valuation Times in March and September. However, the Distribution Periods may be varied in accordance with the Distribution Policy agreed by us and the Supervisor from time to time.

If all Investors in a fund elect for their distribution to be reinvested no distribution will be made for that fund.

The amount available for distribution, if any, will be determined in accordance with the Distribution Policy. Distributions will be expressed in cents per Unit and will therefore be calculated by dividing the distribution amount by the number of Units on issue for the relevant Fund on the last day of a Distribution Period.

Investors recorded on the Register on the last day of a Distribution Period will receive their pro-rata share of the distribution amount. The amount payable to each Investor is calculated by multiplying their number of Units by the cents per Unit distribution amount. We expect

distribution payments to be made within 10 Business Days of the last day of a Distribution Period.

You can elect to have your distributions paid to a nominated bank account or reinvested in the relevant Fund. In the event that you have not made a distribution election the default option is reinvestment. Additional Units will be issued for amounts reinvested. Distributions reinvested do not incur the buy spread.

Note that immediately following a distribution, the Unit price of a distributing fund will be reduced by the cents per Unit distribution amount.

We can vary the Distribution Policy for a Fund with the agreement of the Supervisor. You will receive three months' notice of any change to the Distribution Policy for a Fund.

### **Amendments to the Trust Deed or Unit Trust Establishment Deeds**

We can agree with the Supervisor to change the Trust Deed or the Establishment Deeds in certain circumstances, without consulting you. This ability is, however, subject to certain protections (for your benefit) as set out in the Trust Deed.

### **Altering your investment**

We may alter or introduce minimum application amounts, holding amounts, transfer amounts and redemption amounts for any Fund at any time. We may allow applications, holdings, transfers and redemptions for less than those minimums at our discretion.

We may decrease or waive the management fee for any Fund at any time without notice. We may increase the management fee for any Fund to the 2.00% p.a. limit, but only after giving three months' notice to Investors.

We can change the SIPO. Before making changes to the SIPO, we will consider if the changes are in your best interests and consult with the Supervisor. We will give notice of changes to investors in the relevant Funds prior to effecting any material changes.

Payment of redemption requests may be suspended or deferred. Details of when this may occur are under the "*Redemption of units*" section.

We may resolve to wind up a Fund. In that case, all assets of the Fund will be realised, and the Fund wound up (as explained under the "*Insolvency or winding up*" section).

If your holding in a Fund falls below the minimum holding amount fixed by us from time to time or if we determine that an adjustment for PIE tax would reduce your holding to below that minimum holding amount, we may redeem your entire holding and pay the net proceeds into your nominated bank account. We will give you at least one month's notice of our intention to do this.

The current minimum holding amount in a Fund fixed by us is \$500 worth of units.

We may take all steps necessary to ensure each Fund remains eligible to be a PIE. This includes our ability to compulsorily redeem some or all of your Units and pay the net proceeds to your nominated bank account.

## **Redemption of units**

### **Minimum redemption amounts**

If a Redemption Request would cause your holding in a Fund to fall below the minimum holding amount (as determined by us from time to time) we may treat the Redemption Request as a request to redeem all your Units in that Fund.

If your holding falls below the minimum holding amount or to a level where an adjustment for PIE tax would leave your holding below the minimum holding amount, we may redeem all of your Units and pay the proceeds to your nominated bank account.

## Redemption price

The Redemption Price of a Unit is determined on each Valuation Time for the Fund. If an Investors' Redemption Request is received prior to the applicable cut-off time on a Valuation Time, the Redemption Price applicable to your Redemption Request will be the Redemption Price determined as at the end of that day. If your Redemption Request is received at or after the applicable cut-off time on a Valuation Time, the applicable Redemption Price will be the Redemption Price determined as at the end of the following Valuation Time.

## Deferral of redemptions

If a Redemption Request or a series of Redemption Requests in respect of a Fund are received within a period of 60 Business Days that in total comprise more than 10% of the number of Units on issue in that Fund, and we determine it is in the interests of the Fund's Investors to defer immediate redemption of the total Units requested, we will determine a basis for redemption that we consider to be in the general interests of all that Fund's Investors.

We must notify the Supervisor of our intention to defer redemptions as soon as reasonably practicable.

## Suspension of redemptions

We may suspend redemptions where we in good faith form the opinion that it is not practicable or would be materially prejudicial to the interests of Investors of any of the Funds for the Supervisor to realise assets or borrow in order to permit redemption of Units.

If redemptions are suspended, we must give notice to all Investors who have made a Redemption Request. If the suspension is for a period of more than two weeks, we must give notice to all Investors in the relevant Fund.

The suspension will continue until:

- we give notice that the suspension is concluded; or
- nine months after the date of the notice; or
- such longer period as may be approved by a Special Resolution of Investors.

## Tax on redemptions

Where Units are redeemed, the tax liability on income allocated to you up to the redemption date will need to be satisfied either by us cancelling Units or by deduction from any distributions. Generally, this will occur by cancellation of Units on redemption.

## Right to sell units

You may sell and transfer all or any of your Units, (either to an existing Investor or another person) by completing a Transfer Request Form, to be signed by the transferor and transferee. The transfer becomes effective when it is entered in the Register.

We may decline to register any transfer if it does not comply with the Trust Deed or the Establishment Deeds, including if:

- The transfer is in respect of less than the minimum transfer amount as determined by us from time to time.
- Registration of the transfer would result in the transferor or the transferee holding less than the minimum holding amount for the Fund as determined by us from time to time.
- The transfer would result in the Fund losing its Portfolio Investment Entity ("PIE") status.

No transfer of any Units can be registered unless any sums owed in respect of those Units (including any applicable PIE tax, or other duties or any commissions, fees and charges in respect of the transfer of the Units) have been paid.

## Termination of the Funds

Each Fund will terminate on the first of the following:

- the date of termination (if any) notified in writing by us and the Supervisor to each Investor of the Fund which will be at least three months after the date of the notice;
- 80 years less two days from the date of the Establishment Deed for the relevant Fund; or
- the date on which a Special Resolution is passed by Investors of the Fund resolving to terminate the Fund.

## Fund-specific information

### **Russell Investments Global Shares Fund**

The Russell Investments Global Shares Fund has two sub-funds: an unhedged sub-fund and a hedged sub-fund. Each sub-fund issues a corresponding class of units – unhedged class and hedged class respectively.

Only the unhedged sub-fund is being offered to investors. All references to the Russell Investments Global Shares Fund in the PDS and other offer documentation should therefore be read as references to the unhedged sub-fund. As the name implies, the unhedged sub-fund provides exposure to an unhedged portfolio of global shares investments.

The hedged sub-fund is only available for investment by the Russell Investments Hedged Global Shares Fund and is that fund's primary investment. The hedged sub-fund provides the Russell Investments Hedged Global Shares Fund with exposure to the same portfolio of global shares investments as the unhedged sub-fund, but with a currency hedging overlay to achieve its currency hedging strategy.

The sub-funds were created by replacement establishment deed dated 21 September 2021 and the amendments took effect on 3 December 2021. Prior to 3 December 2021, the Russell Investments Global Shares Fund was not divided into sub-funds and had a single unit class. Under the replacement deed, the unhedged sub-fund is the legal continuation of the Russell Investments Global Shares Fund, and all pre-existing units were converted into unhedged class units. As such, the units in the unhedged class will continue the pricing and performance series of the Russell Investments Global Shares Fund prior to 3 December 2021.

The assets of the sub-funds are not segregated. This means that if the assets of one sub-fund were insufficient to meet that sub-fund's liabilities, the assets of the other sub-fund could be used to meet them. However, given the nature of the sub-funds' liabilities (fees, expenses and, in the case of the hedged sub-fund, exposure under the currency hedging contracts), we consider the chances of this occurring as extremely remote.

For further information on the sub-fund structure and the implications for investors please contact us.

The Russell Investments Global Shares Fund uses an emulation strategy which is described in the *Emulation Strategies* section below.

The Russell Investments Global Shares Fund has elected to be a Foreign Investment PIE. The consequences of this election are explained in the *"Taxation"* section.

### **Russell Investments Hedged Global Shares Fund**

The Russell Investments Hedged Global Shares Fund targets being fully hedged to New Zealand dollars which aims to minimise the effect of currency fluctuations. Some foreign currency exposures are likely to remain unhedged, due to active currency positions taken by underlying managers, which may affect the investment values of the Fund.

Underlying assets are managed using an emulation strategy which is described in the *Emulation Strategies* section below.

The Russell Investments Hedged Global Shares Fund has elected to be a Foreign Investment PIE. The consequences of this election are explained in the “*Taxation*” section.

#### **Russell Investments Sustainable Global Shares Fund**

The Russell Investments Sustainable Global Shares Fund has two sub-funds: an unhedged sub-fund and a hedged sub-fund. Each sub-fund issues a corresponding class of units – unhedged class and hedged class respectively. This fund is an offer of units in the unhedged sub-fund.

The assets of the sub-funds are not segregated. This means that if the assets of one sub-fund were insufficient to meet that sub-fund's liabilities, the assets of the other sub-fund could be used to meet them. However, given the nature of the sub-funds' liabilities (fees, expenses and, in the case of the hedged sub-fund, exposure under the currency hedging contracts), we consider the chances of this occurring as extremely remote.

For further information on the sub-fund structure and the implications for investors please contact us.

The Russell Investments Sustainable Global Shares Fund, and hence the unhedged class, has elected to be a Foreign Investment PIE. The consequences of this election are explained in the “*Taxation*” section.

#### **Russell Investments Hedged Sustainable Global Shares Fund**

The Russell Investments Hedged Sustainable Global Shares Fund is an offer of units in the hedged sub-fund of the Russell Investments Sustainable Global Shares Fund.

The assets of the Russell Investments Sustainable Global Shares Fund sub-funds are not segregated. This means that if the assets of one sub-fund were insufficient to meet that sub-fund's liabilities, the assets of the other sub-fund could be used to meet them. However, given the nature of the sub-funds' liabilities (fees, expenses and, in the case of the hedged sub-fund, exposure under the currency hedging contracts), we consider the chances of this occurring as extremely remote.

For further information on the sub-fund structure and the implications for investors please contact us.

The Russell Investments Sustainable Global Shares Fund, and hence the hedged class, has elected to be a Foreign Investment PIE. The consequences of this election are explained in the “*Taxation*” section.

#### **Russell Investments NZ Shares Fund**

The Russell Investments NZ Shares Fund invests predominantly in shares from New Zealand. Therefore, investors are exposed to the risks associated with only having predominant exposure to this economy, market and currency.

The Russell Investments NZ Shares Fund is managed using an emulation strategy which is described in the Emulation Strategies section below.

The Russell Investments NZ Shares Fund has elected to be a Foreign Investment PIE. The consequences of this election are explained in the “*Taxation*” section.

#### **Russell Investments NZ Fixed Interest Fund**

The Russell Investments NZ Fixed Interest Fund invests primarily in fixed interest securities denominated in New Zealand dollars but can also have exposure to the Australian fixed income market. Therefore, investors are exposed to the risks associated with having exposure to a limited number of economies, markets and currencies.

The Russell Investments NZ Fixed Interest Fund has elected to be a Foreign Investment PIE. The consequences of this election are explained in the “*Taxation*” section.

### **Russell Investments Global Fixed Interest Fund**

The Russell Investments Global Fixed Interest Fund currently invests in an Australian Unit Trust. Key consequences of this arrangement are that the fund:

- Indirectly incurs costs deducted within the Australian Unit Trust, and
- Cannot recognise withholding tax on income received by the Australian Unit Trust (see “Taxation” section).

The underlying Australian Unit Trust has a maximum exposure to non-investment grade securities of 30%.

The Russell Investments Global Fixed Interest Fund targets being fully hedged to New Zealand dollars which aims to minimise the effect of currency fluctuations. Some foreign currency exposures are likely to remain unhedged, due to active currency positions taken by underlying managers, which may affect the investment values of the Fund.

### **Russell Investments Global Listed Infrastructure Fund**

Russell Investments Global Listed Infrastructure Fund predominantly invests in infrastructure and infrastructure-related securities that are listed or expected to be listed (within the next 6 months) on stock exchanges in developed and emerging markets.

The Russell Investments Global Listed Infrastructure Fund is managed using an emulation strategy which is described in the Emulation Strategies section below.

The Russell Investments Global Listed Infrastructure Fund has elected to be a Foreign Investment PIE. The consequences of this election are explained in the “Taxation” section.

### **Russell Investments Global Listed Real Estate Fund**

Russell Investments Global Listed Real Estate Fund predominantly invests in property trusts and real estate-related securities listed on stock exchanges in developed international markets. The Fund may also invest in securities which have exposure to real estate in emerging markets.

The Russell Investments Global Listed Real Estate Fund is managed using an emulation strategy which is described Emulation Strategies section below.

The Russell Investments Global Listed Real Estate Fund has elected to be a Foreign Investment PIE. The consequences of this election are explained in the “Taxation” section.

### **Emulation Strategies**

The emulation framework centralises security trading, effectively separating trading from manager insight. Rather than each manager trading in a separate account, Russell Investments receives model portfolios which are combined into a fund target portfolio. Russell Investments regularly rebalances the fund to this target portfolio. Russell Investments then rebalances the fund to this target portfolio periodically (usually weekly). Emulated funds generally have significantly lower turnover than traditional multi-manager funds as trades are netted between managers, and trivial trades are not implemented. Fewer transactions lead to reduced trading costs. The benefits tend to be more pronounced in concentrated markets where there is large overlap between the holdings of sub managers. There are also operational benefits, for example cash flows are more efficient to implement in and out of one account rather than numerous accounts.

### **Investment information**

Russell Investments, in their capacity as Investment Manager, is responsible for making recommendations and decisions about what the Scheme invests in, in accordance with the SIPO. Underlying funds, sub-investment managers and strategies may change without notice. Details of the current underlying specialist managers can be obtained from us.

## Taxation

This section briefly summarises the taxation regime as it applies to the Funds. It is intended as a general guide only. All Investors have different taxation positions and should seek their own tax advice prior to investing.

### Portfolio Investment Entities

The Funds are PIEs.

At the date of this document, the Funds calculate the taxable income accruing from investments in global shares listed outside of New Zealand and Australia, and forward currency contracts used for the purposes of currency hedging, using the Fair Dividend Rate (“FDR”) method. You can find more information on the FDR method on the IRD website (<http://www.ird.govt.nz>) – search for ‘IR461’. The method of calculation of taxable income may change without notice.

As a Multi-Rate PIE, the Funds will allocate its taxable income to Investors and, where applicable, pay tax on allocated income on behalf of Investors for an Investor with a prescribed investor rate (“PIR”) of greater than zero. The Funds will undertake any necessary adjustments to an Investor’s interests in the Funds to reflect that the Funds pays tax at varying rates on behalf of Investors.

Investors will not pay tax on distributions (if any) paid to Investors from the Funds.

You can find out more about PIE funds and how they are taxed on the Inland Revenue website ([www.ird.govt.nz](http://www.ird.govt.nz)) – search for ‘PIE for Investors’.

### Foreign residents

If an Investor is not a New Zealand resident, the Investor’s allocated income from a Fund will be taxed at 28%. FundRock will account to the IRD directly for tax on a non-resident Investor’s allocated income from the relevant Fund.

However, FundRock has elected for:

- the Russell Investments Global Shares Fund,
- the Russell Investments Hedged Global Shares Fund,
- the Russell Investments Sustainable Global Shares Fund (and hence the Russell Investments Hedged Sustainable Global Shares Fund),
- the Russell Investments NZ Fixed Interest Fund,
- the Russell Investments NZ Shares Fund,
- the Russell Investments Global Listed Infrastructure Fund, and
- the Russell Investments Global Listed Real Estate Fund

to be Foreign Investment PIEs. For these funds lower PIRs will apply to eligible foreign residents who have sufficiently completed and provided to us a notified foreign investor form (available on request). The lower rates are as follows:

All non-New Zealand sourced income, fully imputed dividends, income from New Zealand based financial arrangements excluding interest covered below	0%
New Zealand interest income	1.44%
New Zealand dividend income, to the extent it is un-imputed, is taxed based on whether the investor is resident in a country with which New Zealand hold a double tax agreement (“DTA”) that reduces the dividend withholding tax rate below the standard 30%.	15% (non-standard); 30% (standard)
Other New Zealand sourced income (if any)	28%

### Withholding tax

The Russell Investments Global Fixed Interest Fund currently invests through an Australian Unit Trust. The Australian Unit Trust may have foreign withholding tax deducted

from income that it receives. Withholding tax on income received by the Australian Unit Trust is not recognised under New Zealand tax law and therefore cannot be utilised against any PIE tax liability related to investments in the fund. However, withholding tax on global bonds is typically minimal as foreign governments do not typically charge withholding tax on income derived from global bonds.

## General

Investors must advise FundRock of their PIR and IRD number when applying to invest in a Fund and if their PIR changes at any time. If an Investor does not provide their PIR to FundRock they will automatically be taxed at the maximum default rate of 28%. If an Investor provides an incorrect PIR, they may be liable for any additional income tax.

The Commissioner of Inland Revenue can require FundRock to disregard a PIR notified by an Investor if the Commissioner considers the rate to be incorrect. The rate specified by the Commissioner would then apply to that Investor's attributed income.

Taxable income is attributed annually to 31 March, or at any time an Investor withdraws all or part of their investment from the Fund.

If there is a tax loss or there are excess tax credits allocated to an Investor for a period, these will generally be available to Investors with a PIR other than 0% in the form of a rebate. The relevant Fund will either re-invest this rebate by purchasing Units in the Fund on an Investor's behalf in respect of annual attributions as at 31 March or include it in the net proceeds payable to that Investor or applied on their behalf as a result of a full withdrawal. For non-individual Investors with a 0% PIR, the tax loss or excess credits may be available for offset in that Investor's tax return against other income, with any excess available to carry forward.

Investors will not pay tax on distributions (if any) paid to Investors from a Fund.

There may be changes to the taxation legislation and tax rates in the future which may impact each Investor differently. Investors should always seek independent professional taxation advice for their individual circumstances.

## Basis of estimates for fund charges in PDS

The fund charges disclosed in the PDSs are comprised of:

- Management fees charged by us or the investment managers responsible for managing the Funds' assets. The management fees disclosed in the PDSs are the actual fees as at the date of each PDS. They are not estimates.
- In-fund costs and administration charges incurred by the Funds in New Zealand. These include the Supervisor and custody costs, the costs associated with fund administration, accounting, unit pricing the registry, as well as the cost of audit and other professional charges associated with operating the Funds.
- The costs within the offshore fund that the Russell Investments Global Fixed Interest Fund invests in. Offshore fund costs are provided to us by Russell Investments. For the purpose of estimating the offshore fund costs in the PDSs, we have assumed the future level of offshore fund costs will be similar to those charged historically.
- The Funds invest in diversified portfolios of assets. These portfolios may include funds that are listed on a stock exchange like exchange traded funds. We are unable to reasonably estimate amounts charged by some underlying funds that are listed on a stock exchange so have omitted them from the estimated administration charges figure. We do not expect these charges to be material.

## Other Risks

Different investments have different types of risks. We recommend that you seek professional advice before investing in any of the Funds to understand what risks are associated with these, especially in relation to your circumstances. Risks relevant to the Funds include, but are not limited to investment risk, market risk, manager risk, currency risk, interest rate risk,

concentration risk, liquidity risk, credit risk, regulatory risk, tax related risk, operational risk, product risk, and risk of restrictions of withdrawals, transfers or switches. The following risks are supplemental to the risks disclosed in the PDSs.

**NZ Fixed Interest:** The Russell Investments NZ Fixed Interest Fund invests primarily in fixed interest securities denominated in New Zealand dollars but can also have exposure to the Australian fixed income market. Therefore, investors are exposed to the risks associated with having exposure to a limited number of economies, markets and currencies. Individual Investors can look to manage this risk by including other investments in their portfolio.

**NZ Shares:** The Russell Investments NZ Shares Fund invests predominantly in shares from New Zealand. Therefore, investors are exposed to the risks associated with only having predominant exposure to this economy, market and currency. Individual Investors can look to manage this risk by including other investments in their portfolio.

**Country risk:** The Russell Investments Global Fixed Interest, Global Shares and Hedged Global Shares, Sustainable Global Shares and Hedged Sustainable Global Shares Funds each invest internationally. While this provides investors with additional diversification benefits beyond just holding New Zealand investments and assets, investing internationally brings with it a range of specific risks. Each country's market is regulated by different authorities, resulting in different levels of consumer protection. The volatility of economic and political conditions will vary from country to country, creating uncertainty and an increase in unforeseen factors.

**Inflation risk:** This is the risk that an investment will lose real value because of the rate of inflation. The risk is greater in long term investments due to the difficulty in predicting inflation rates over long periods. All of the Russell Investment Funds are exposed to this risk.

**Diversification risk:** The Russell Investment Funds invest either directly or indirectly in well diversified portfolios of securities. As the funds are actively managed the composition of the underlying portfolios will vary from the composition of the relevant Fund benchmark. This will result in Fund returns being both above and below relevant benchmark returns.

**Administration risk:** There will also always be the risk of a technological or other failure or event impacting on the Funds or the financial markets in general that may affect returns.

Also, although the Manager has mechanisms available to manage compliance with the PIE eligibility requirements, there is a risk that a Fund could lose its PIE status if there is a breach of those requirements and the Manager does not become aware of the breach in time to correct it.

**Operational risk:** the Funds are exposed to operating risk. This is the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. Adverse impacts may arise internally through human error, technology, or infrastructure changes, or through external events, such as third-party failures or crisis events. Russell Investments has processes in place designed to manage these risks.

**Integrated financial product risk:** The Russell Investments Sustainable Global Shares Fund, the Hedged Sustainable Global Shares Fund, the Global Fixed Interest Fund and the Russell Investments Global Listed Infrastructure Fund are integrated financial products that claim to have non-financial impacts. These funds have stated ESG objectives as described in the SIPO. There is a risk these funds may not achieve their non-financial objectives and therefore may not align with the intended outcomes of those who invested for the funds' non-financial features.

#### How risks can affect an investment

The actual or perceived existence of risk may manifest itself in uncertainty, which in turn increases volatility of investment returns. When the collective sentiment of the market is positive, prices rise; when it is negative, prices fall. If specific risks eventuate (i.e. the collapse of a company or a borrower defaulting on a debenture) a total loss of capital may occur. Each investment will be affected by a different combination of risks.

Because of these risks, it is foreseeable that an Investor may receive back less than the capital invested by the Investor into the Funds. However, the Investor will not be required to pay more

money than the amount the Investor invested in the Funds (with the exception of any PIE tax liability that may be incurred).

## Insolvency or winding up

You will not be liable to pay money to any person as a result of the insolvency or winding up of a Fund (except as described below).

You will be liable to meet any tax liability attributable to you which exceeds the value of your investment in a Fund (in which case you indemnify the Supervisor for the difference between the value of the Units and the tax liability). A custodian that holds legal title to Units on behalf of underlying investors and elects to be a proxy for PIE investors will, under the terms of the application form, indemnify us and the Supervisor for any losses, liabilities, costs or expenses arising from any breach (in relation to underlying investors that such custodian is responsible for) of the investor interest size requirements under section HM 15 or the investor membership requirements under section HM 14 of the Income Tax Act 2007, including the losses, liabilities, costs or expenses arising from the Fund losing PIE status.

On insolvency or winding up of a Fund, the assets of the Fund are first applied to meet the claims of any creditors of the Fund (whether preferred, secured or unsecured), which includes the Supervisor's and Manager's claims for fees and expenses. Following this, the remainder of the assets of the Fund will be distributed to Investors in proportion to the number of Units held.

At the date of this document there are no other claims on the assets of the Scheme that rank ahead of or equally with the claims of Investors. In certain circumstances, you may receive assets other than cash (e.g. securities in another investment held by a Fund) as part of a wind up.

## More information about market indices

### Where to find more information

The Funds' returns are measured against various market indices as set out in the SIPO. More information about these market indices can be found at the following web pages:

- S&P/NZX Indices: <https://www.spglobal.com/spdji/en/regional-exposure/asia-pacific/new-zealand/#overview>
- S&P Indices: <https://www.spglobal.com/spdji/en/>
- Bloomberg Indices: <https://www.bloomberg.com/professional/product/indices/>
- MSCI Indices: <http://www.msci.com/indexes>
- FTSE Indices: <https://www.lseg.com/en/ftse-russell>

## Disclaimers

Our use of some market indices is subject to terms and conditions of licence agreements entered into with the index provider. These require us to provide the following disclaimer in relation to our use of those market indices:

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### **No guarantee**

Neither the Supervisor, Manager nor any other person guarantees or provides undertakings in relation to the return of capital invested in any of the Funds by an Investor, the payment of any return on capital, or provision of any distribution or payment of any money in relation to any of the Funds, or the performance of the Funds. An Investor's investment is not secured against any assets.

## Glossary

“Custodian” means Public Trust RIF Nominees Limited or BNP Paribas Fund Services Australasia Pty Ltd.

“FMA” means the Financial Markets Authority.

“FMC Act” means the Financial Markets Conduct Act 2013.

“FMC Regulations” means the Financial Markets Conduct Regulations 2014.

“Investment Manager” means Russell Investment Management Ltd.

“PIE” means Portfolio Investment Entity.

“PIR” means prescribed investor rate.

“Russell” means Russell Investment Management Ltd.

“Scheme” means the Russell Investment Funds, registered scheme number SCH10586.

“SIPO” means the Statement of Investment Policy and Objectives for the Russell Investment Funds.

“Supervisor” means Public Trust.

“Trust Deed” means the trust deed that governs the Funds (as amended and consolidated from time to time).

Words or phrases not defined in this Glossary have the same meaning as in the Trust Deed.