

SUPPLEMENTARY PRODUCT DISCLOSURE STATEMENT

Russell Funds – Class C

16 DECEMBER 2009

FUNDS

Russell Conservative Fund

Russell Diversified 50 Fund

Russell Balanced Fund

Russell Growth Fund

Russell High Growth Fund

Russell Australian Shares Fund

Russell International Shares Fund

Russell International Shares Fund - \$A Hedged

Address

Russell Investment
Management Ltd
Level 17, 19-29 Martin Place,
Sydney NSW 2000, Australia

16 December 2009



Russell Funds – Class C

Supplementary Product Disclosure Statement

About this Supplement

This is a Supplementary Product Disclosure Statement (supplementary PDS) and is dated 16 December 2009. It provides some additional information to the Russell Funds – Class C Product Disclosure Statement (the original PDS) that was issued on 1 June 2009 by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence Number 247 185.

Changes to the ‘Additional Explanation of Fees and Costs’ section

On page 22 of the original PDS in the section headed ‘**Management Costs**’ **delete** the last paragraph beginning with “Where a Russell Fund invests...” and **replace** it with the following:

Where a Fund invests in an underlying fund managed by us, the underlying fund may charge an investment management fee and any such investment management fee will be reflected in the ICR for that Fund.

Changes to the ‘Investing in the Funds’ section

On page 25 of the original PDS, in the section headed ‘**Unit Prices and Valuation**’ **delete** the fourth paragraph beginning with “Assets are valued...” and **replace** with the following:

Assets are valued in accordance with our securities market valuation policy, usually at the current market value. The Russell Diversified Funds’ exposure to Alternatives may be valued less frequently.

New Application Form

To invest in the Russell Funds – Class C Units, you will need to complete the attached Application Form dated 16 December 2009:



Russell Funds - Class C Units

Application Form

Investor details

Account number: Investor name/s:
(For joint applicants, include both names)

Investor address:

Postcode: Contact number:
(In case we need to contact you about your application)

Date of birth:

This Application Form relates to the supplementary PDS dated 16 December 2009.

Note: You need to firstly contact Russell Fund Operations for instructions on how to invest and to obtain a copy of the Client Account Manual and complete the forms required by it (this includes proof of investor ID requirements). You must have received the Product Disclosure Statement (the original PDS) that was issued on 1 June 2009 and the supplementary PDS that was issued on 16 December 2009 for the Russell Funds – Class C Units.

Application Amount		Application Date
<input type="text"/>	FR050 Russell Conservative Fund – Class C Units	<input type="text"/>
<input type="text"/>	FR049 Russell Diversified 50 Fund – Class C Units	
<input type="text"/>	FR052 Russell Balanced Fund – Class C Units	
<input type="text"/>	FR051 Russell Growth Fund – Class C Units	
<input type="text"/>	FR090 Russell High Growth Fund – Class C Units	
<input type="text"/>	FR054 Russell Australian Shares Fund – Class C Units	
<input type="text"/>	FR053 Russell International Shares Fund – Class C Units	
<input type="text"/>	FR060 Russell International Shares Fund - \$A Hedged – Class C Units	

Signature:

I/We:

- >> confirm that I/we have read the PDS to which this Application Form relates;
- >> agree to be bound by the terms and conditions of the PDS and the Fund's relevant constitution;
- >> acknowledge that the repayment of investment capital and the payment of any income is not guaranteed;
- >> consent to the use of my/our personal information in accordance with the 'Your Privacy' section of the PDS;
- >> acknowledge that the law prohibits a person from giving another person this Application Form (either electronically or otherwise) without also giving them a copy of the PDS. Paper copies of the PDS are available fee of charge.

This Application Form must be signed by the applicant, or all applicants if it is a joint application. If signed under power of attorney, the attorney verifies that no notice of revocation of power has been received. A certified copy of the power of attorney must be forwarded with the Application Form. Corporate applications must be signed in accordance with the corporation's constitution and the *Corporations Act (2001)*. Joint applications will be treated as joint tenants. This means that on the death of one holder, the survivor will have title to the units.

Investor _____
 Signature Printed name Date

Investor _____
 Signature Printed name Date

PRODUCT DISCLOSURE STATEMENT

Russell Funds – Class C

1 JUNE 2009

FUNDS

Russell Conservative Fund

Russell Diversified 50 Fund

Russell Balanced Fund

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Russell Australian Shares Fund

Russell International Shares Fund

Russell International Shares Fund - \$A Hedged

Address

Russell Investment
Management Ltd
Level 17, 19-29 Martin Place,
Sydney NSW 2000, Australia

About this Product Disclosure Statement (PDS)

This PDS describes the main features of the Russell Funds – Class C. This PDS was issued on 1 June 2009 by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence Number 247 185, the responsible entity of the Funds. We are a member of Russell Investments.

Eligibility

This PDS is an invitation to apply for Class C units in each Fund. Applications for units in a Fund may only be made using the Application Form attached to this PDS.

This PDS can only be used by persons receiving it (electronically or in hard copy) in Australia and does not constitute an offer or recommendation of securities in any jurisdiction, or to any person to whom it would be unlawful to make such an offer.

Please read this PDS to find out more about the features, costs and benefits, as well as the risks involved in investing in the Funds. It is important that you read this PDS before making any decision to invest in a Fund.

How to Contact Us

If you are accessing the Funds through a master trust or wrap account you should first contact the operator of the master trust or wrap account.

Other investors can contact or find us as follows:

Russell Investment Management Ltd
Level 17, 19-29 Martin Place,
Sydney NSW 2000, Australia

or

GPO Box 3279
Sydney NSW 2001, Australia
www.russell.com.au

Contact: Russell Fund Operations

Tel: 1300 728 208 (in Australia)

Tel: +61 2 9229 5187 (outside Australia)

Fax: 1300 768 040 (in Australia)

Fax: +612 9229 5116 (outside Australia)

E-mail: syd-ops@russell.com

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1. Key Features

Features of the Funds		Further Information
About the Funds		
Type of investments	Australian registered managed investment schemes – unit trusts.	
Responsible Entity	Russell Investment Management Ltd.	
Fees		
Entry/Contribution Fee	Nil	
Withdrawal Fee	Nil	
Switching Fee	Nil	
Estimated Indirect Cost Ratio (ICR)	Depending on the Fund you select, ranges from 0.88% p.a. to 1.27% p.a.	
Estimated Buy-Sell Spreads	Depending on the Fund, the transaction costs associated with buying and selling your investments currently range from 0.19% to 0.29% for the buy spread and 0.25% to 0.43% for the sell spread. We reserve the right to change the buy and/or sell spread for any Fund, at any time without providing notice to you. The updated information will be published on our website at: http://www.russell.com/au/Russell_Funds/Unit_Prices/	Sections 10 and 11
Funds Available		
Russell Diversified Funds	<ul style="list-style-type: none"> ▪ Russell Conservative Fund ▪ Russell Diversified 50 Fund ▪ Russell Balanced Fund ▪ Russell Growth Fund ▪ Russell High Growth Fund 	Section 5
Russell Sector Funds	<ul style="list-style-type: none"> ▪ Russell Australian Shares Fund ▪ Russell International Shares Fund ▪ Russell International Shares Fund - \$A Hedged 	Section 6
Transacting		
For investors accessing a Fund through a master trust or wrap account, please contact the operator for this information.		
Investing	You need to read this PDS and complete the accompanying Application Form and the Client Account Manual available from Russell Fund Operations.	
Withdrawing	You need to provide us with a written request with your instructions signed by authorised signatories.	Section 12
Distributions	Quarterly. You can request to reinvest distributions as additional units in the relevant Fund or have them paid to your bank account. Buy-Sell spreads do not apply.	
Reporting on Your Investment		
For investors accessing a Fund through a master trust or wrap account please contact the operator for information on the reports you will receive.		
Confirmations	We'll send you a transaction statement each time you transact.	
Monthly Reporting	We'll send you a monthly transaction statement.	
Annual Reporting	We'll send you an annual investment statement and annual tax statement.	Section 13
Distributions	We'll send you a distribution statement each time a distribution is made.	

Other Important Information

Cooling Off	<p>If you are a retail client and you invest in a Fund and decide that the investment is not suitable, you can request in writing to have your investment cancelled during the 14 day cooling off period. The amount refunded to you will be adjusted for any changes in unit prices and taxes, transaction costs and administration expenses.</p> <p>Investors accessing a Fund through a master trust or wrap account should consult the PDS of the master trust or wrap account operator for information on cooling-off period terms.</p>	Section 12
Risks	<p>As with any investment there are a number of risks that may affect the value of your investment. However, some of these risks are specific to particular Funds. You should consider carefully the risks that may affect the financial performance of your investment in a Fund.</p>	Section 8

2. Benefits of Investing in the Funds

Global leaders in multi-manager investing

The Funds bring you in direct contact with Russell, the global leader in multi-manager investing¹.

Russell provides investment products and services in 46 countries, for more than 2,900 clients and manages around \$195 billion in assets².

Our extensive understanding of markets, managers and investors has enabled us to design funds that seek to deliver consistent long-term results.

When you invest with us, you're investing with a leader in multi-manager investing and a respected and highly awarded investment company.



2008: Russell's Multi-Manager funds have been 'Recommended' by Lonsec.³



2008 – Russell International Shares Fund has been awarded 4 Stars by Standard & Poor's, the highest rating awarded in the 2008 S&P International Equity Multi-Manager Review.⁴

¹ Cerulli Global Multi-Manager Products 2007.

² All figures current as at 31/12/08, except AUM figure current as at 31/03/09. The AUM figure is expressed in AUD.

³ The Lonsec Limited ('Lonsec') ABN 56 061 751 102 rating (assigned February 2009) presented in this document is limited to 'General Advice' and based solely on consideration of the investment merits of the financial product(s). It is not a recommendation to purchase, sell or hold the relevant product(s), and you should seek independent financial advice before investing in this product(s). The rating is subject to change without notice and Lonsec assumes no obligation to update this document following publication. Lonsec receives a fee from the fund manager for rating the product(s) using comprehensive and objective criteria.

⁴ To the extent that any ratings, opinions or other information of Standard & Poor's Information Services (Australia) Pty Ltd (ABN: 17 096 167 556, Australian Financial Services Licence Number: 258896) ('Standard & Poor's') constitutes general advice, this advice has been prepared by Standard & Poor's without taking into account any particular person's financial or investment objectives, financial situation or needs. Before acting on any advice, any person using the advice should consider its appropriateness having regard to their own or their clients' objectives, financial situation and needs. You should obtain a Product Disclosure Statement relating to the product and consider the statement before making any decision or recommendation about whether to acquire the product. Past performance is not a reliable indicator of future performance. Ratings can change or cease at any time and should not be relied upon without referring to the meaning of the rating. For more information regarding ratings please call S&P Customer Service on 1300 792 553 and also refer to Standard & Poor's Financial Services Guide at www.assirt.com.au. Each analytic product or service of Standard & Poor's is based on information received by the analytic group responsible for such product or service. 'S&P' and 'Standard & Poor's' are trademarks of The McGraw-Hill Companies, Inc.

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Providing you with a new level of diversification

We seek to manage risk via our pioneering MULTI ASSET MULTI STYLE MULTI MANAGER™ approach. The fact that our funds are managed by multiple investment managers helps minimise many of the risks common to a single-manager fund.

Russell has spent 40 years helping institutional investors find quality managers, and now we offer this service for individual investors through the Funds.

In each Fund, investment responsibility is shared across a group of independent investment managers – each chosen for what Russell believes are their outstanding capabilities. This all means that you get some of the world's best investment ideas contributing to the performance of your investment.

- Russell monitors close to 8,000 investment products worldwide², selecting what Russell believes to be the 'best of the best', and then distilling them into optimised investment solutions for you.
- Russell is an industry leader in manager research, with over 700 investment professionals worldwide² involved in the investment process.
- You'll access some of the world's leading investment managers, some of which are traditionally reserved only for the world's largest investors.

No one knows managers like Russell.

3. Your Guide to the Funds

The Russell Diversified Funds offer:

- a unique spread of almost 40 managers
- automatic rebalancing of assets and manager weightings
- manager monitoring and replacement when necessary

The Russell Diversified Funds are investment portfolios built with our MULTI ASSET, MULTI STYLE, MULTI MANAGER™ investment approach.

The Russell Diversified Funds provide exposure to a number of investments through allocations to selected asset classes, within pre-determined ranges as shown on pages 9 to 11. The Russell Diversified Funds generally gain exposure to these asset classes by investing in a range of Russell Sector Funds but may also invest in other underlying funds or appoint investment managers directly.

The Russell Sector Funds offer well-diversified single sector funds to help you build your own customised portfolio. You can choose from our Australian and International Russell Sector Funds.

They may be combined with one another or as a core to match with other single manager funds that you may wish to include to create your own tailored portfolio.

The Russell Sector Funds offer you unique access to our multi-manager configurations across a range of asset classes.

The Russell Sector Funds are investment portfolios built with our MULTI STYLE, MULTI MANAGER™ investment approach.

The Russell Sector Funds invest in a single asset class using directly appointed investment managers or by investing in other underlying funds. More information on how the Russell Sector Funds access an asset class can be found on pages 12 to 13.

Russell's MULTI ASSET, MULTI STYLE, MULTI MANAGER™ investment approach

MULTI ASSET — means each of the major asset classes can be included in your portfolio, in proportion to your objectives and risk parameters.

MULTI MANAGER — means some of the world's leading investment managers are employed to manage a portion of the Funds. Selected by extensive research, they are managed and monitored on an ongoing basis.

MULTI STYLE — means each manager specialises in a different style or strategy of investment. Styles are combined in an effort to reduce risk.

The careful blending of investment managers and assets is at the core of our sophisticated, long term investment approach.

4. Current Managers and their Styles

The table below sets out by asset class the investment managers appointed by Russell and their styles, as at 31 March 2009. The extent to which a Fund has exposure to these investment managers is dependent upon the asset classes that the Fund invests in, in accordance with its stated investment strategy. Please be advised that in order to manage a Fund to its investment objectives Russell retains the discretion to change the investment managers at any time without notice. Please check www.russell.com.au for the latest list of managers.

Multi Asset	Multi Style	Multi Manager
Australian Shares	Value: Relative Value	Perennial Value
	Growth: Sustainable Growth	Fortis Investments
	Style Neutral	Karara Capital
	Value: Large Cap	BEM
	Growth: Valuation Sensitive	Orion
	Value: Quantitative	MIR
	Value	Bernstein
	Style Neutral: Select Holdings	Russell Investments
Australian Opportunities	Growth: Concentrated	Quest
	Value: Contrarian	452 Capital
	Style Neutral: Active Extension (Quantitative)	Plato
	Value: Contrarian (Deep Value)	Orbis
	Value: Active Extension	MIR
	Growth: Sustainable Growth (Concentrated)	Fortis Investments
	Style Neutral: Concentrated	L1 Capital
	Style Neutral: Concentrated	Paradice Investment Management
International Shares and International Shares - \$A Hedged	Value (Non-U.S.)	Bernstein
	Growth: Valuation Sensitive	MFS
	Value (U.S.)	ICAP
	Style Neutral: Quantitative	ClariVest
	Growth: Large Cap	Turner
	Total Return	Marsico
	Currency Hedging*	Russell Implementation Services
Global Opportunities and Global Opportunities - \$A Hedged	Style Neutral: Quantitative	Arrowstreet
	Growth	Axiom
	Growth: Valuation Sensitive	MFS
	Growth: Momentum	T. Rowe Price
	Value: Large Cap	Harris Associates
	Currency Hedging*	Russell Implementation Services

* This only applies to the International Shares Fund - \$A Hedged and Global Opportunities Fund - \$A Hedged

Current Managers and their Styles (continued)

Multi Asset	Multi Style	Multi Manager
International Property Securities - \$A Hedged	Value: North America	AEW
	Style Neutral: Global	Invesco
	Value: Europe/Asia Pacific	Morgan Stanley
	Total Return: Global	Perennial
Australian Bonds	Core: Market Dynamics	Credit Suisse
	Core: Value	UBS
	Core Plus	PIMCO
International Bonds – \$A Hedged	Global Core Plus	Drake
	Macro: Value	Colchester
	Sector Specialist	PIMCO
	Core: Value	Loomis Sayles
Australian Cash Enhanced	Enhanced Cash	Perpetual
Australian Cash	Cash Management	Perpetual

5. Russell Diversified Funds

Russell Conservative Fund

ARSN: 094 799 578

Investment Objective

To aim to provide investors with exposure to a diversified mix of predominantly defensive assets and some growth orientated assets with low volatility.

Recommended investment timeframe

3+ years

Investment Strategy

This Fund typically invests in a diversified portfolio mix with exposure to 30% growth and 70% defensive investments. Derivatives may be used to implement investment strategies.

Asset allocation neutral position (NP) & ranges*

	NP %	Range %
Australian shares	15	5 - 25
International shares	12	2 - 22
Property	3	0 - 13
Fixed Interest	40	30 - 50
Cash	30	20 - 40
Alternatives	0	0 - 10

Fund Size as at 31 March 2009

\$121.6 million

Estimated ICR

0.88% p.a. (see page 20 for more information)

Russell Diversified 50 Fund

ARSN: 095 296 049

Investment Objective

To aim to provide investors with exposure to a diversified mix of defensive and growth orientated assets with some volatility.

Recommended investment timeframe

3+ years

Investment Strategy

This Fund typically invests in a diversified portfolio mix with exposure to 50% growth and 50% defensive investments. Derivatives may be used to implement investment strategies.

Asset allocation neutral position (NP) & ranges*

	NP %	Range %
Australian shares	23	13 - 33
International shares	22	12 - 32
Property	5	0 - 15
Fixed Interest	35	25 - 45
Cash	15	5 - 25
Alternatives	0	0 - 10

Fund Size as at 31 March 2009

\$239.5 million

Estimated ICR

0.98% p.a. (see page 20 for more information)

* Please see 'How the Funds Invest' section for more information. Note that the Neutral Position can change at any time without prior notice. Please see our website http://www.russell.com/au/Russell_Funds/Diversified_Funds/ for up to date information on the Neutral Position.

Russell Diversified Funds (continued)

Russell Balanced Fund

ARSN: 094 799 345

Investment Objective

To aim to provide investors with exposure to a diversified mix of predominantly growth orientated assets with moderate to high volatility and some defensive assets.

Recommended investment timeframe

5+ years

Investment Strategy

This Fund typically invests in a diversified portfolio mix with exposure to 70% growth and 30% defensive investments. Derivatives may be used to implement investment strategies.

Asset allocation neutral position (NP) & ranges*

	NP %	Range %
Australian shares	31	21 - 41
International shares	29	19 - 39
Property	7	0 - 17
Fixed Interest	28	18 - 38
Cash	2	0 - 12
Alternatives	3	0 - 13

Fund Size as at 31 March 2009

\$676.2 million

Estimated ICR

1.02% p.a. (see page 20 for more information)

Russell Growth Fund

ARSN: 094 799 443

Investment Objective

To aim to provide investors with capital growth over the long term by focusing on growth assets, while accepting fluctuations in capital values in the short term.

Recommended investment timeframe

5+ years

Investment Strategy

This Fund typically invests in a diversified portfolio mix with exposure to 90% growth and 10% defensive investments. Derivatives may be used to implement investment strategies.

Asset allocation neutral position (NP) & ranges*

	NP %	Range %
Australian shares	40	30 - 50
International shares	38	28 - 48
Property	9	0 - 19
Fixed Interest	10	0 - 20
Cash	0	0 - 10
Alternatives	3	0 - 13

Fund Size as at 31 March 2009

\$282.6 million

Estimated ICR

1.10% p.a. (see page 20 for more information)

* Please see 'How the Funds Invest' section for more information. Note that the Neutral Position can change at any time without prior notice. Please see our website http://www.russell.com/au/Russell_Funds/Diversified_Funds/ for up to date information on the Neutral Position.

Russell Diversified Funds (continued)

Russell High Growth Fund

ARSN: 111 170 122

Investment Objective

To aim to provide investors with capital growth over the long term by focusing solely on growth assets, while accepting fluctuations in capital values in the medium term.

Recommended investment timeframe

6+ years

Investment Strategy

This Fund typically invests in a diversified portfolio mix with exposure to 100% growth investments. Derivatives may be used to implement investment strategies.

Asset allocation neutral position (NP) & ranges*

	NP %	Range %
Australian shares	46	36 - 56
International shares	44	34 - 54
Property	10	0 - 20
Cash	0	0 - 10
Alternatives	0	0 - 10

Fund Size as at 31 March 2009

\$103.0 million

Estimated ICR

1.20% p.a. (see page 20 for more information)

* Please see 'How the Funds Invest' section for more information. Note that the Neutral Position can change at any time without prior notice. Please see our website http://www.russell.com/au/Russell_Funds/Diversified_Funds/ for up to date information on the Neutral Position.

6. Russell Sector Funds

Russell Australian Shares Fund

ARSN: 092 807 728

Investment Objective

To aim to provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly Australian shares.

Recommended investment timeframe

5+ years

Benchmark

S&P/ASX 300 Accumulation Index

Investment Strategy

The Fund invests predominantly in shares and unit trusts listed or about to be listed on the Australian Stock Exchange. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies (including short selling) and to manage risk.

Fund Exposure by Sector	As at 31 March 2009 (% of NAV)
Financials (ex Property Trusts)	38.6
Materials	23.1
Energy	8.6
Consumer discretionary	6.3
Consumer Staples	6.4
Other	17.0

Fund Size as at 31 March 2009

\$3,899.4 million

Estimated ICR

1.01% p.a. (see page 20 for more information)

Russell International Shares Fund

ARSN: 092 808 261

Investment Objective

To aim to provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly international shares.

Recommended investment timeframe:

5+ years

Benchmark

MSCI World Net Dividends Reinvested Accumulation Index

Investment Strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the MSCI World Index). The Fund may also be exposed to emerging market equity securities. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies (including short selling) and to manage risk. Foreign currency exposures are largely hedged back to Australian dollars.

Fund Exposure by Region	As at 31 March 2009 (% of NAV)
North America	51.2
Europe (ex-UK)	24.4
UK	9.7
Japan	7.6
Asia (ex-Japan)	3.0
Emerging Markets	4.1

Fund Size as at 31 March 2009

\$2,679.7 million

Estimated ICR

1.23 % p.a. (see page 20 for more information)

Russell Sector Funds continued

Russell International Shares Fund - \$A Hedged

ARSN: 092 805 939

Investment Objective

To aim to provide a total return, before costs and tax, higher than the Fund's benchmark over the long term by providing exposure to a diversified portfolio of predominantly international shares hedged into Australian dollars.

Recommended investment timeframe:

5+ years

Benchmark

MSCI World Net Dividends Reinvested Accumulation Index – \$A Hedged

Investment Strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets (such as countries included in the MSCI World Index). The Fund may also be exposed to emerging market equity securities. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies (including short selling) and to manage risk. Foreign currency exposures are largely hedged back to Australian dollars.

Fund Exposure by Region	As at 31 March 2009 (% of NAV)
North America	51.2
Europe (ex-UK)	24.4
UK	9.7
Japan	7.6
Asia (ex-Japan)	3.0
Emerging Markets	4.1

Fund Size as 31 March 2009

\$1,540.3 million

Estimated ICR

1.27% p.a. (see page 20 for more information)

7. How the Funds Invest

Investment Management

As well as appointing investment managers to manage the assets of a Fund, we, or other members of Russell Investments, may directly manage a portion of the assets of a Fund or of an underlying fund in which a Fund is invested.

Russell Sector Funds

The Russell Sector Funds generally invest in a single asset class using multiple investment managers and/or by investing in underlying funds.

Russell Diversified Funds

The Russell Diversified Funds provide exposure to a number of investments through allocations to selected asset classes, within pre-determined ranges as set out on pages 9 to 11. The asset classes are split into two types of investments: growth investments and defensive investments (as indicated in the table below). The Investment Strategy for each Russell Diversified Fund sets out the target allocations between growth investments and defensive investments. However, we may adjust a Russell Diversified Fund's allocation between growth investments and defensive investments by 10% either side of the target so specified.

The asset allocation neutral position (NP) is the starting point for all asset class allocation decisions.

The NP for each Russell Diversified Fund is current as at the date of this PDS. However, we may adjust a Russell Diversified Fund's NP (within the minimum and maximum ranges specified) at any time without notice to you. Please see our website at http://www.russell.com/au/Russell_Funds/Diversified_Funds/ for up to date information on the NPs for each Russell Diversified Fund.

We may also adjust the actual exposure to a particular asset class, within the specified minimum and maximum ranges.

The Russell Diversified Funds generally gain exposure to these asset classes by investing in a range of Russell Sector Funds but may also invest in other underlying funds. The Russell Diversified Funds may also appoint investment managers directly (including Russell) to manage a portion of the assets of a Russell Diversified Fund.

For the Russell Diversified Funds, the benchmark is a weighted average of various indices used by each Russell Sector Fund, underlying fund and investment manager, according to the asset allocation neutral position and ranges shown on pages 9 to 11. Further information on these indices can be found on our website at www.russell.com.au.

The Asset Classes may be exposed, but are not limited, to the following types of investments.

Asset Class	Types of investments
Growth Investments	
Australian Shares	Australian listed and unlisted equity type securities, listed investment companies and investment trusts, listed managed investment schemes and Australian equity type derivatives.
International Shares	International listed and unlisted equity type securities, listed investment companies and investment trusts, listed managed investment schemes and international equity type derivatives.
Property	Australian and international listed or unlisted property funds and property related securities, direct property and hybrid property type vehicles.
Defensive Investments	
Fixed Interest	Debt securities issued by supranationals, Australian and international governments, quasi-governments, government agencies, and corporates and, structured credit securities including mortgage and asset backed securities and fixed interest type derivatives.
Cash	Cash deposits and money market securities (including but not limited to bank bills and certificates of deposit), corporate floating rate notes and interest rate swap contracts.
Growth/Defensive Investments	
Alternatives	Alternatives may include non-traditional asset sectors (e.g. high yield, emerging markets, commodities, infrastructure) and strategies (e.g. hedge funds, long-short equities).

Changing Managers and/or Underlying Funds

We may change the investment managers and/or underlying funds for the Russell Sector Funds from time to time without notice.

We may change the investment managers, the Russell Sector Funds and the underlying funds for the Russell Diversified Funds from time to time without notice.

Updated information may be found on our website at www.russell.com.au. You can contact us if you would like a paper copy of this information free of charge.

Currency Management

Investing in assets that are denominated in foreign currencies means you are exposed to movements in those currencies. Currency markets can be extremely volatile and affected by a host of factors.

The Russell Sector Funds identified as \$A Hedged use currency hedging as part of their investment strategy. Currency hedging is an investment strategy that aims to reduce currency risk, thereby protecting or potentially improving returns. However it may also reduce the potential gain from investments. Derivatives including, but not limited to, forward foreign exchange contracts and swaps may be used to reduce the impact of currency fluctuations. Currency hedging may be implemented by Russell or by an investment manager appointed by us.

Assets within the Russell Diversified Funds that have an exposure to foreign currencies may be unhedged and/or partially or fully hedged. We may actively manage the unhedged/hedged currency exposure of the Russell Diversified Funds. Active currency management has the potential to add further value but can also expose a fund to greater risk.

Derivatives

Derivatives such as futures, options, swaps and forward contracts may be used by the Russell Sector Funds from time to time to: achieve a desired investment position without buying or selling the underlying asset; implement investment strategies; as a hedging mechanism to protect against changes in the market value of existing investments; or to manage actual or anticipated risk.

In particular, the Russell Sector Funds may use futures contracts to equitise cash holdings.

The Russell Sector Funds that have foreign currency exposures, as indicated in their respective investment strategies, may use derivatives to manage currency exposures.

Derivatives may also be used to create net short positions in the underlying assets of the Russell

Australian Shares Fund, Russell International Shares Fund and the Russell International Shares Fund - \$A Hedged.

Overlay Management

Russell may also use derivatives to implement overlay techniques for the Russell Diversified Funds.

Such overlay techniques allow for efficient rebalancing across asset classes within the Russell Diversified Funds, at lower transaction costs than if the Funds were to buy or sell the underlying securities.

Borrowings

It is not our intention to borrow money in relation to the Funds, other than to meet short-term liquidity requirements.

The Funds may borrow securities to implement an investment strategy. With the exception of borrowed securities, the Funds currently have no material borrowings. However, the Russell Diversified Funds with an exposure to Alternatives may be indirectly exposed to gearing and leverage.

Securities Lending

We have established a securities lending program, under which a Russell Sector Fund's assets may be loaned to a borrower. In exchange, the Fund will receive collateral equal to at least 100% of the value of the assets loaned. We may place restrictions on which assets of a Fund are available to be loaned.

Acceptable collateral may include but is not limited to cash, cash equivalents, shares and government bonds.

Any income (net of fees paid for administering securities lending) that a Fund generates from the securities lending program will be used to offset the Fund's custody expenses. This may result in reduced expense recoveries for a Fund. There are additional risks involved with securities lending. See page 17 for details.

Ethical Investments

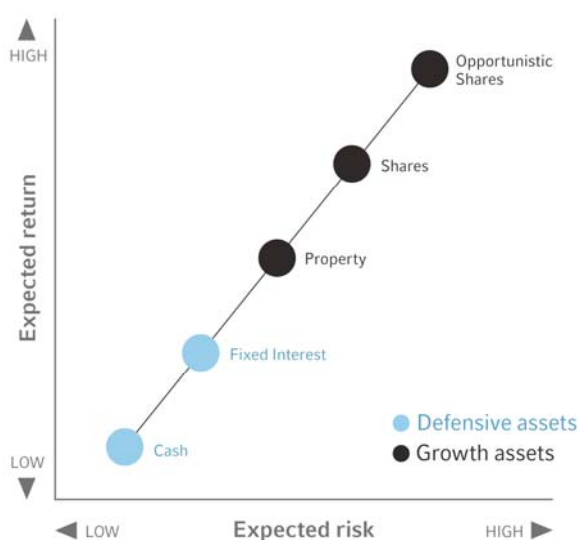
Although the investment managers we appoint may take into account labour standards and/or environmental, social or ethical considerations when making their investment decisions, we do not use these criteria when we select investment managers, or when we evaluate their performance. Where Russell manages the assets, we also do not use these criteria when making investment decisions.

8. The Risks of Investing

All investing involves risk. It's the trade-off for the return that investors seek. Generally you only get higher expected return with higher risk.

Growth investments (shares and property) have relatively higher risk, and higher expected return, than defensive investments (fixed interest and cash). So the relative risk of each Fund depends on its asset allocation to or between these groups of investments. The risk/return graph below indicates the relative position of each major asset class.

Position on risk/return spectrum



Source: Russell Investment Management Ltd.

As with most investing, it is not guaranteed that you will make money from a Fund. The value of your investment can go up or down.

The risks may result in loss of income, loss of principal invested and possible delays in repayment. You could receive back less than you invested and there is no guarantee that you will receive any income.

The value of an investment in a Fund and the return on such investment will be influenced by many factors (including factors outside our control), such as market and economic conditions, government policy, political climate, interest rates, currency movements, inflation and the investment managers not performing to expectation.

The significant risks you should be aware of are:

Market risk: the performance of a Fund will depend on the performance and market value of the assets that it holds. Investments in securities and other financial instruments and products that are subject to market forces, risk the permanent loss of capital as a result of adverse market developments, which can be unpredictable.

Interest rate risk: the Funds that have a direct or indirect exposure to fixed interest investments may be sensitive to movements in domestic and international interest rates. Generally, the value of fixed interest

securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease.

Conversely, as interest rates fall, the market value of fixed income securities tends to increase. The magnitude of these changes depends on the term to maturity of the security. In general, a security with a longer term to maturity is more affected by interest rate changes.

Derivatives risk: the Funds may be directly or indirectly exposed to exchange-traded and over-the-counter derivative instruments including but not limited to currency forwards and swaps, interest rate and total return swaps and futures and options. Derivatives usually derive their value from the value of a physical asset, interest rate, exchange rate or market index. They can be used to manage certain risks in investment portfolios; however, they can also increase other risks in a portfolio or expose a portfolio to additional risks. A risk, though not unique to derivatives, includes the possibility that the position is difficult or costly to reverse or that there is an adverse movement in the asset, interest rate, exchange rate or index underlying the derivative, as derivatives do not always perfectly or even highly correlate or track the value of the assets, rates or indices they are designed to track.

A derivative contract may involve leverage i.e. it provides exposure to a potential gain or loss from a change in the level of the market price of a security, currency or basket index in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivatives contract.

Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than would have resulted from an investment that did not involve the use of leverage inherent in many derivatives contracts. Accordingly, derivative instruments can be highly volatile and expose investors to a high risk of loss.

Transactions in over-the-counter derivatives involve additional risk as there is no exchange or market on which to close out an open position. As a result, it may be impossible to liquidate an existing position, to value a position or to assess the exposure to risk.

Furthermore, these transactions involve exposure to credit risk since contract performance depends in part on the financial condition of the counterparty.

Liquidity risk: the Funds may be directly or indirectly exposed to assets that have restricted or limited liquidity. This may result in delays in the settlement of withdrawals from a Fund due to the inability of the Fund or an underlying fund to liquidate these assets promptly. Furthermore, where a Fund is required to liquidate assets to settle withdrawals, there is a risk that liquidation may be done on unfavourable terms thereby potentially subjecting the Fund to losses. These risks will be amplified if there are substantial withdrawals during a concentrated period of time. Under the terms of each Fund's constitution we may

suspend the processing of redemptions in certain situations.

Settlement risk: the Funds may be exposed to settlement risk. These risks are influenced by, amongst other things, market practices (for example settlement and custody practices), the creditworthiness of the parties the Funds are exposed to, and the level of government regulation in countries in which the Funds invest.

Currency risk: the Funds that have a direct or indirect exposure to foreign currencies will be exposed to currency risk. Changes in exchange rates may affect the investment returns of the Funds. Some Russell Sector Funds may use currency hedging programs.

For the Russell Sector Funds that are identified as \$A Hedged, although the benchmark is to be 100% currency hedged, some foreign currency exposures can remain which may affect the investment values of these Funds.

The currency exposure within the Russell Diversified Funds that have an exposure to foreign currencies, may be unhedged and/or partially or fully hedged. We may actively manage the unhedged/hedged currency exposure of those Russell Diversified Funds. Active currency management has the potential to add further value but can also expose a fund to greater risk.

Debt securities risk: the Funds that have a direct or indirect exposure to fixed interest will be exposed to credit risk. Credit risk refers to the issuer of a debt instrument failing to meet an obligation to pay periodic interest or to repay the principal sum at maturity. In the case of fixed income securities which are of investment grade credit quality, the risk of default is considered to be lower than sub-investment grade securities.

Unrated or low grade debt securities that are generally subject to greater risk of loss of principal and interest than higher-rated debt securities. They Funds that have a direct or indirect exposure to fixed interest may also be exposed to debt securities that rank junior to other outstanding securities and obligations of the issuer, and debt securities that are not protected by financial covenants or limitations on additional indebtedness.

Performance fee risk: Performance fees may be charged by us and/or by an investment manager of a Fund or an underlying fund.

Please refer to page 21 for a list of Funds that currently have a performance related fee.

Where performance fees are charged to an underlying fund, they will be reflected by a reduction in the unit price of the underlying fund, and ultimately reflected as a reduction in the unit price of the Fund. Where performance fees are charged directly to a Fund, they will be reflected by a reduction in the unit price of the Fund. These performance fees are based on realised and unrealised gains. Therefore, a performance fee may be paid on unrealised gains that may never subsequently be realised. In addition, performance fees provide an incentive to make investments that

carry more risk than those made in the absence of a performance fee.

The accrual of such performance fees in a Fund's unit price or in an underlying fund's unit price and therefore ultimately in the relevant Fund's unit price, can result in different implied levels of performance fee for individual investors in the Fund depending on the timing of their investment and the relative performance of the Fund and/or underlying fund over time. This reflects the commingled nature of the Funds and the fact that performance fees are (directly or indirectly) charged to the Funds rather than against each individual investor.

Emerging markets risk: the Funds that have a direct or indirect exposure to emerging market securities may be subject to higher levels of market volatility leading to higher general investment risk. Interest rate and currency risks may be greater due to higher levels of volatility in the economies of emerging markets. Furthermore, emerging market securities are often less liquid than the securities of developed markets. Counterparty and settlement risks are also increased.

Short selling risk: the Funds that engage in short selling will be exposed to short selling risk. Short selling involves selling securities that may or may not be owned and borrowing the same securities for delivery to the purchaser, with the obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from declines in market prices to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. Because the borrowed securities must be replaced by purchases at market prices in order to close out the short position, any appreciation in the price of the borrowed securities can result in a loss. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in the inability of a Fund or underlying fund to cover the short position, and of theoretically unlimited potential loss.

Leverage or borrowing risk: the Russell Diversified Funds with exposure to Alternatives may be indirectly exposed to leverage or borrowing strategies that can magnify both gains and losses on investment returns. Money borrowed will be subject to interest and other costs, which may or may not exceed the income received from the instruments purchased with borrowed funds. Leverage creates an opportunity for greater returns, but at the same time, will significantly increase the risk of your investment in a Fund.

Alternative strategies risk: there are increased risks inherent in alternative investments. These include a higher exposure to counterparty and settlement risk, liquidity risk, short selling risk, and more leverage than traditional investment strategies.

Securities lending risk: if a Fund engages in securities lending (see page 15) there is a risk that the borrower may become insolvent or otherwise become unable to meet, or refuse to honour, its obligations to return the loaned assets. In this event, the Fund could experience delays in recovering assets and may incur

a capital loss. Where a Fund invests any collateral it receives as part of the securities lending program, such investments are also subject to the general investment risks outlined above.

Political Risk: investments may be affected by uncertainties such as political developments, changes in government policies, currency repatriation restrictions on foreign investment in some countries that the Funds or underlying funds may have exposure to.

Underlying funds' absence of regulatory oversight: The Funds may be exposed to managed investment schemes established in other jurisdictions that do not have an equivalent level of investor protection as that provided in Australia. Investment in such schemes may also adversely impact the transparency of a Fund.

Underlying fund changes: If we decide to replace any underlying fund with a new underlying fund there

is a risk that a Fund will not be invested in an underlying fund and therefore not exposed to the market for a period of time.

Change in law: there may be a change in law affecting the Funds (such as taxation) at any time which may affect your investment in the Funds.

To manage your risks, you should obtain professional investment advice that is tailored to your investment objectives, financial situation and particular needs. We strongly encourage you to invest for the recommended time frame.

9. Tax

The following information is a brief outline of the tax consequences of investing in the Funds for an Australian resident. The tax laws are subject to continual change and the taxation consequences of investing in the Funds may differ between investors. We recommend you seek taxation advice specific to your situation.

Non-residents should seek specific advice from their tax advisers.

Fund Income

The Funds fully distribute all net income to investors. You will be subject to tax at your marginal tax rate on your share of the tax net income of a Fund, in the year in which your entitlement arises, irrespective of whether the income is reinvested.

You may be entitled to franking credits which arise from franked dividends received in respect of a Fund's investment in Australian shares. Subject to various anti-avoidance rules, including the holding period rule, you can use the credits to reduce your tax liability on your share of the tax net income of a Fund or your other assessable income. Excess franking credits may be refundable to resident individuals, complying superannuation entities, and in certain circumstances may give rise to tax losses for companies.

Your share of the tax net income of a Fund may include a net capital gain of the Fund, where the relevant Fund holds its assets on capital account or where the Fund holds units in other Fund(s) which distribute capital gains to that Fund. If you withdraw or transfer any part of your investment, it is treated as a disposal and you may be subject to capital gains tax. A discount may be available in calculating the taxable amount of a capital gain where the asset has been held for twelve months or more. A capital gain distributed by the Fund may also be subject to the discount. The amount of the discount is one-half for individuals and trusts, and one-third for complying superannuation entities.

The CGT discount should generally not be available on the disposal of units in the Russell Emerging Markets Fund in cases where you and your associates beneficially held 10% or more of the units in this Fund just before the disposal, as a majority of the assets of this Fund should generally have been held for less than 12 months each year.

Foreign Income

A Fund may derive income from sources outside Australia. Your share of the income will be treated as foreign income in your hands. You may be entitled to a foreign tax credit for any foreign tax paid by the Fund on the income.

Foreign Investment Funds

A Fund may invest in foreign companies or trusts that are 'foreign investment funds' (FIF) for Australian tax purposes. Our investment strategy aims to minimise the impact of the FIF regime on the Funds. Nevertheless, the net income distributed to you may include unrealised income and gains accumulating from these investments.

Taxation of Financial Arrangements (TOFA) regime

The Tax Laws Amendment (Taxation of Financial Arrangements) Act 2008 (TOFA) may apply new tax rules to certain 'financial arrangements'. Subject to transitional rules, the TOFA rules apply only to arrangements entered into after the income year starting on or after 1 July 2010 or, if an election is made, 1 July 2009.

Broadly speaking the TOFA regime seeks to tax gains from financial arrangements on a revenue basis and, where a gain from the arrangement is sufficiently certain at commencement to arise, or becomes sufficiently certain during the term to arise, on an accruals basis over the term of the arrangement. Where a gain arising from a financial arrangement is not, and does not become, sufficiently certain before it is realised, the gain will be taxed on a realisation basis. The TOFA rules also allow certain taxpayers to elect to apply one of a number of alternative methods for the purpose of calculating gains and losses from financial arrangements.

The TOFA rules may require a change in the calculation of the net income of the Funds (which will be included in the assessable income of unitholders).

We are currently working with the Fund's custodian to ascertain the impact of the TOFA rules and any changes that may be required in calculating the taxable income of the Fund(s).

10. Fees and Costs

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to pay lower contribution fees and management costs where applicable. Ask the fund or your financial planner.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out the different fee options.

Fees and other costs

The table below shows the fees and other costs that you may be charged from the Funds. These fees and costs may be deducted from your account balance, from the returns on your investment or from the Funds as a whole.

For information on taxes, see page 19.

You should read all of the information about fees and costs, as it is important to understand their impact on your investment in a Fund. Fees and costs for particular Funds are set out on page 21.

Type of Fee or Cost	Amount	How and when paid
Fees when you move money in or out of the Funds		
<i>Establishment fee:</i> This is the fee to set up your account with the Funds.	Nil	Not applicable
<i>Contribution fee:</i> This is the fee for the initial and every subsequent investment you make to a Fund.	Nil	Not applicable
<i>Withdrawal fee:</i> This is the fee charged for each withdrawal you make from a Fund (including any instalment payments and the final payment).	Nil	Not applicable
<i>Termination fee:</i> This is the fee when you close your account with the Funds.	Nil	Not applicable
Management Costs		
The fees and costs for managing your investment.		
Estimated Indirect Cost Ratio ('ICR'):	Ranges from 0.88%p.a. to 1.27%p.a. depending on the Fund(s) you choose to invest in. The amount you pay for each specific Fund is shown on page 21.	The estimated ICR is paid directly from the assets of the relevant Fund and is reflected in the daily unit price when declared. The estimated ICR is quoted on a GST inclusive basis. The management costs of each Fund (as reflected in the estimated ICR) are payable monthly or as otherwise incurred by each Fund.
Service Fees		
<i>Switching fee:</i> This is the fee charged when you switch between the Funds.	Nil	Not applicable

Table of Estimated ICRs and Buy/Sell Spreads

The following table provides the estimated ICR and estimated buy-sell spreads that you will pay for a specific Fund.

FUND	Estimated ICR (% p.a.)*	Current Estimated Buy Spread (%)**	Current Estimated Sell Spread (%)**
Russell Diversified Funds			
Russell Conservative Fund	0.88 ⁺	0.19	0.43
Russell Diversified 50 Fund	0.98 ⁺	0.22	0.41
Russell Balanced Fund	1.02 ⁺	0.24	0.37
Russell Growth Fund	1.10 ⁺	0.25	0.28
Russell High Growth Fund	1.20 ⁺	0.29	0.29
Russell Sector Funds			
Russell Australian Shares Fund	1.01	0.25	0.25
Russell International Shares Fund	1.23	0.25	0.25
Russell International Shares Fund - \$A Hedged	1.27	0.26	0.26

- * Please see 'Estimated Indirect Cost Ratio ('ICR')' under section 'Additional Explanation of Fees and Costs'.
 ** Please see 'Transaction Costs (buy-sell spread)' under section 'Additional Explanation of Fees and Costs'.
 + Indicates a performance fee element. Please see 'Performance Fees' under section 'Additional Explanation of Fees and Costs'

11. Additional Explanation of Fees and Costs

The following information has been provided to help you understand the Fees and Costs section.

Example of annual fees and charges for a balanced investment choice

This table gives an example of how the fees and costs in the Russell Balanced Fund can affect your investment over a 1 year period. You should use this table to compare this product with other investment products.

Example: Russell Balanced Fund (Balance of \$50,000 with total contributions of \$5,000 during the year)

Contribution Fee	Nil	For every \$5,000 you put in, you will be charged \$0
PLUS Management Costs	1.02% p.a.	And , for every \$50,000 you have in the Fund you will be charged \$510 each year.
EQUALS Cost of Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during a year and your balance was \$50,000, then for that year you will be charged fees of \$510* . What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser

Establishment Fee - \$Nil

* Note: the Cost of Fund does not take into account any Management Costs that may be payable on the \$5,000 contributions during that year.

Changes in Fees and Costs

We have the right to change the fees and costs described in this PDS at any time, without your consent. Any increase by us in a Fund's fees and costs will be communicated to you at least thirty days before it occurs.

The constitution of each Fund allows us to receive a management fee of up to 2% p.a. and charge a contribution fee of up to 4%, a buy-sell spread of up to 5% and a switching fee of up to 1%.

Currently, we receive lower management fees, charge lower buy-sell spreads, and do not charge a contribution or switching fee. We may change the fees or the basis for charging expenses but will notify you first.

Management Costs

Management costs include all estimated expense recoveries, investment management fees and estimated performance fees payable to us and other investment managers and (where they are known) the estimated expense recoveries, investment management fees and estimated performance fees of any underlying funds through which a Fund invests. They do not include transaction costs and costs that an investor would incur if the investor invested directly in the asset. Management costs (with the exception of performance fees) are based on the latest available figures as at the date of this PDS. The management costs are estimates only and actual management costs could vary.

Where a Fund invests in an underlying fund managed by us, the underlying fund will charge no investment management fee and therefore only the investment management fee at the top level will be charged to the investor.

Estimated Indirect Cost Ratio ('ICR')

The ICR for a Fund is the ratio of the Fund's management costs that are not deducted directly from an investor, to the Fund's total average net assets. The ICR for a Fund is an estimate only. The actual ICR could vary.

Expense Recoveries (including taxes)

All expenses relating to the proper performance of our duties are recoverable from the Funds, including but not limited to custody, administration, registry, GST (less any reduced input tax credits), responsible entity, legal, reporting and audit expenses. The actual expense recoveries are not known until the end of the financial year.

The estimated expense recoveries for each Fund are included in that Fund's Indirect Cost Ratio and are based on the latest available figures as at the date of this PDS. The actual expense recoveries may increase or decrease over time.

We are entitled to be indemnified for any liability we properly incur in relation to a Fund.

Please refer to page 19 for more information on tax.

Performance Fees

Performance fees provide an incentive for managers to achieve superior performance.

Performance fees may be charged by Russell directly, by the underlying funds or by the managers appointed by Russell.

Where a Fund contains a performance fee component, that performance fee has been estimated with reference to the Fund's performance over the 12 months to 31 March 2009 and included within that Fund's estimated ICR. For Funds which do not have 12 months of performance history, the actual performance fees paid since inception to 31 March 2009 have been used. Please refer to the table below for performance fees paid over the 12 months to 31 March 2009 for each Fund that contains a performance fee component.

Fund	Performance fees paid 12 months to 31 March 2009
Russell Diversified Funds	
Russell Conservative Fund	0.00%
Russell Diversified 50 Fund	0.00%
Russell Balanced Fund	0.00%
Russell Growth Fund	0.00%
Russell High Growth Fund	0.02%

For new managers or new underlying funds introduced after the date of this PDS, we assume for disclosure purposes that the manager or underlying fund has achieved performance in line with its benchmark and therefore no performance fee would be payable. Please note, however, that past performance is not a reliable indicator of future performance and it is impossible to accurately forecast the performance fees that will be payable. We generally review and update the estimated performance fees every 12 months.

Performance Fee Examples

The following examples illustrate when performance fees may be payable in different situations. The examples relate to a hypothetical Australian shares fund with two managers – Manager A and Manager B – each of which manages a portfolio comprising 50% of the fund's assets.

Manager A and Manager B have identical performance fee arrangements. The performance fee is calculated as 25% of the return (net of fees) of the portfolio above the hurdle rate of return. The hurdle rate of return is the benchmark (S&P/ASX 300 Accumulation Index) plus 2%. A performance fee is only payable to the extent that past underperformance by the manager has been recovered.

Examples	Performance fees payable?
Both Manager A and Manager B outperform the hurdle rate of return Fund outperforms its benchmark	Yes Both Manager A and Manager B receive a performance fee
Manager A outperforms the hurdle rate of return Manager B significantly underperforms the benchmark Fund underperforms its benchmark	Yes Manager A receives a performance fee
Both Manager A and Manager B outperform the hurdle rate of return, but they both have past underperformance that has not yet been recovered Fund outperforms its benchmark	No
Both Manager A and Manager B outperform the benchmark but underperform the hurdle rate of return Fund outperforms its benchmark	No

Generally, a performance fee will not be payable unless Russell, the investment manager or the underlying fund (whichever is relevant) has achieved a return in excess of the relevant hurdle rate, and unless any past underperformance has been recovered.

Please note that for Funds with a performance fee component, a performance fee may be payable to a manager or underlying fund that has satisfied its individual performance fee criteria even at times when the Fund as a whole has underperformed its benchmark.

Performance fees are also based on realised and unrealised gains. Therefore, a performance fee may be paid on unrealised gains that may never subsequently be realised. Performance fees are accrued daily.

Different Fees

We may negotiate different fees with investors who are 'wholesale' investors under section 761G of the Corporations Act 2001. Accordingly, we may waive or rebate some of our fees (or issue units in a Fund) to these 'wholesale' investors so that they pay reduced fees. This is generally because they invest large amounts of money in the Funds. We cannot enter into individual fee arrangement with other investors. Please contact us if you require further details on negotiating fees.

Commissions and Other Benefits Received

We, or members of Russell Investments, may receive commissions and other benefits (e.g. research) from brokers effecting trades for the Funds. These benefits may flow to the Funds and to other funds managed by us. We instruct the investment managers of the Funds

to trade only with brokers who will provide best execution, regardless of whether these trades are placed with brokers related to us or not.

Transaction Costs (buy-sell spread)

The difference between the entry price and exit price of a unit is often called the 'buy-sell spread'. This covers our estimate of the transaction costs (such as brokerage and settlement costs) of buying or selling investments when you invest or withdraw from a Fund.

The buy-sell spread is designed to cover these costs and is not retained by us or the investment managers. The differences in the entry prices and exit prices from the daily unit prices for the Funds currently range from 0.19% to 0.29% for the buy spread and 0.25% to 0.43% for the sell spread.

The current estimated buy-sell spreads for each Fund are set out on page 21 of this PDS. We reserve the right to change the buy and/or sell spread for any Fund, at any time without providing notice to you. The updated information will be published on our website at http://www.russell.com/au/Russell_Funds/Unit_Prices/

The tables below provide a hypothetical example of how the cost of the buy-sell spread can affect a \$10,000 application for units that is subsequently withdrawn from the Russell Balanced Fund. For simplicity, the daily unit price for the Fund is assumed to be constant at \$1.00 per unit.

The Russell Balanced Fund currently has a buy spread of 0.24% and a sell spread of 0.37%. This means that the 'entry price' of a unit would be 0.24% higher than the daily unit price (i.e. \$1.0024 per unit), and the 'exit price' would be 0.37% lower than the daily unit price (i.e. \$0.9963 per unit).

On a \$10,000 application at the entry price of \$1.0024 per unit, an investor would receive 9,976 units. These units would be worth \$9,976 at the daily unit price of \$1.00 per unit.

Application amount	Entry Price (daily unit price plus buy spread)	No of units issued
\$10,000	\$1.0024 per unit (\$1 + (\$1 x 0.0024))	9,976

On a withdrawal of these 9,976 units at the exit price of \$0.9963 per unit the investor would receive approximately \$9,939.

No of units redeemed	Exit Price (daily unit price less sell spread)	Withdrawal amount
9,976	\$0.9963 per unit (\$1 - (\$1 x 0.0037))	\$9,939

The example shows that the total cost of the 0.24% buy spread and a 0.37% sell spread for a \$10,000 application is approximately \$61 as the investor only receives \$9,939 on withdrawal.

Please note this example is provided for illustrative purposes only. The actual cost to you of the buy-sell spread depends on the amount you invest or withdraw and the Fund you have chosen.

Related Party Payments

Members and affiliates of Russell Investments may receive fees on normal commercial terms for providing services to the Funds.

Adviser Remuneration Paid

We may pay adviser remuneration of up to 0.35% of the value of your investment in a Fund to Australian Financial Services licensees and/or their representatives who recommend a Fund to investors. We will pay any adviser remuneration out of our

investment management fee, so it does not represent any additional cost to you.

The following table provides a hypothetical example of the adviser remuneration payable in relation to the Russell Balanced Fund, based on an account balance (over 12 months) of \$10,000 at the maximum adviser remuneration of 0.35% p.a.

Fund	Dollar Amount of Commission (0.35% p.a. x \$10,000)
Russell Balanced Fund	\$35.00

12. Investing in the Funds

Investing through a Master Trust or Wrap Account

You can invest in Class C units of a Fund through an investment and reporting service such as a master trust, wrap account, investor directed portfolio service, nominee or custody service. We call these services master trusts or wrap accounts and refer to people who invest through them as indirect investors.

To invest, indirect investors complete the application forms provided by the master trust or wrap account operator. You will receive reports from your master trust or wrap account operator, not us. Any enquiries or complaints should be directed to your master trust or wrap account operator.

To withdraw, you need to contact your master trust or wrap account operator for instructions.

To invest or withdraw, master trust and wrap account operators need to follow the same steps as direct investors.

Indirect investors do not themselves become investors in a Fund. Instead it is generally the master trust or wrap account operator who invests for you and so has the rights of an investor. They exercise them or not in accordance with their arrangements with you.

Some provisions of the constitutions of the Funds and this PDS are not relevant for indirect investors. For example, indirect investors cannot attend investor meetings or transfer units.

Any reference to 'you' in this section, unless otherwise indicated, should be construed as a reference to the master trust or wrap account operator or any other person who is a direct investor in a Fund.

Initial Investment

You need to firstly contact Russell Fund Operations for instructions on how to invest. You will then need to complete the Application Form and the Client Account Manual (available from Russell Fund Operations).

Additional investments

You can make additional investments to the Funds. Please contact Russell Fund Operations for instructions on how to make additional investments.

If you are an existing investor making an additional investment to a Fund in which you have not held units before, you will need to fill out the Application Form that accompanies the PDS.

Processing Applications

Generally, applications for units are processed each business day. If we receive your completed Application Form or additional investment instruction and money by the 'cut off time' on a business day, we will generally process your application using the entry price for that day.

The 'cut off time' is 12.00 noon Sydney time.

If it is received after the 'cut off time', or on a non-business day for us, we generally process your application using the entry price for the next business day after we receive it.

Application monies that have been received but are not able to be invested will be held without bearing interest for up to one month following receipt. Application monies which are not invested within one month of receipt will be returned to you without interest.

Please note that we may, without giving any reason, refuse or accept all or part of an application for units.

Generally, we will send you confirmation of your investment within 5 days of us processing your application.

Please note that if you are investing by cheque, should your cheque be dishonoured you may be liable for all reasonable costs associated with processing your application.

Cooling Off Rights

If you are a retail client, you have a cooling off period to reconsider your investment. To decide to exercise your cooling off right, we must receive your written request within 14 days from the earlier of:

- the date you receive your application confirmation;

- or
- five business days after you become an investor in the relevant Fund(s). Your request must state that you are exercising your cooling off right.

The amount payable to you may be different to the amount you invested. Adjustments may be made to reflect any change in unit prices since your investment was made, tax and reasonable administration fees.

If you ask us to make a payment directly to you, lump sum tax may be payable.

Indirect investors investing through a master trust or wrap account should consult the PDS of the master trust or wrap account operator in relation to cooling-off terms.

Unit Prices and Valuation

We generally determine entry and exit prices at least each business day.

For each Fund, Class C unit prices are based on the net asset value of the Class C units of the relevant Fund, divided by the number of Class C units of that Fund on issue. The entry and exit prices are the unit prices of the Class C units of the Fund adjusted for any buy-sell spread, respectively.

Generally, the assets of each Fund are valued daily. Assets are valued in accordance with our securities market valuation policy, usually at the current market value. The Russell Diversified Funds' exposures to Alternatives may be valued less frequently, and the unit prices in those Funds will reflect the last available valuation of the underlying investment.

You can contact us for a copy of our policies on exercising discretions when calculating unit prices, free of charge.

Your Account Balance

Your account balance changes as investments are made and as investment returns are added. Fees, and taxes, as well as investment losses, reduce your account balance.

The unit price fluctuates in line with the market value of assets held in each Fund. Generally, if market values are going up, the unit price rises, and if market values are declining, the unit price falls.

If the unit price increases relative to the original unit price at which you received your units, you have made an investment gain and your account balance rises accordingly. If the unit price decreases, you've made an investment loss and your account balance will fall.

Making a withdrawal

You need to contact Russell Fund Operations for instructions on how to withdraw money.

Generally, withdrawal requests are processed each business day. If we receive a withdrawal request by the 'cut off time' on a business day, we will generally process the request using the exit price for that day. If we receive a request after the 'cut off time' or on a non-business day for us, we will generally process the

request using the exit price for the next business day after we receive it.

The 'cut off time' is 12 noon Sydney time.

Generally, withdrawal monies will be paid within 14 days of us processing a withdrawal request. Generally, we will send you a transaction statement with details of your withdrawal.

Under the constitution of each Fund we have up to 30 days to process your redemption request (unless withdrawals are suspended), and up to 30 days to pay the withdrawal monies after the date your withdrawal request is processed.

Under the constitution of the each Fund, we may suspend all withdrawals for a Fund in certain circumstances.

Withdrawal requests received by us during a period of suspension are deemed to be received on the first business day after cessation of the suspension.

A suspension period may not exceed 30 days. Subject to certain conditions, where we are unable to meet a withdrawal request in respect of a Fund with the payment of cash, we may transfer assets of the Fund to the investor in satisfaction of that withdrawal request.

Transferring Units

You can request to transfer some, or all, of your units to another person at any time. All transfers must be made in the form that we require and be appropriately stamped for stamp duty. We have the discretion to refuse to register any transfer of units in a Fund. Contact our client services team for more information. A transfer may have tax implications. We recommend you seek legal and tax advice before requesting a transfer.

Fund Income – When and How?

Any income is usually distributed quarterly - within 30 days after the end of March, June, September and December each year.

Your share of income will depend on how many Class C units in a Fund you hold at the end of the distribution period. Unit prices may fall after income is paid. If you invest just before income is paid, you may find you quickly get back some of your capital as income.

Income is reinvested unless you tell us otherwise. You can elect to have your distributions paid directly into a nominated Australian bank account by notifying us.

Any reinvested income is reinvested at the price next calculated after the income distribution is made. There is no buy-sell spread associated with income reinvestment. If you are an indirect investor through a master trust or wrap account, income distributions are paid to the operator on your behalf.

Please note that, whilst generally the Funds will distribute income as specified above, there is no guarantee that income will be available for each distribution period.

13. Additional Information

Our Legal Relationship with Investors

Each Fund's constitution provides the framework for the operation of that Fund, and together with this PDS and the Corporations Act 2001, sets out our relationship with investors. A copy of each Fund's constitution is available free of charge on request.

However, remember that when you invest through a master trust or wrap account you do not become an investor in the Fund.

Any reference to 'you' in this section, unless otherwise indicated, should be construed as a reference to the master trust or wrap account operator or any other person who is a direct investor in the Fund.

Some of the provisions in the Funds' constitution are discussed elsewhere in this PDS. Others relate to:

- how we must calculate unit prices
- our powers – which are very broad – and how and when we exercise them
- our ability to refuse transfers and applications
- calling, attending and voting at investor meetings
- when we are not liable to investors
- that we can combine the assets of a Fund with other assets
- changing the constitution
- when we can terminate a Fund or retire, and what happens if we do (if we terminate a Fund investors share the net proceeds from us selling the investments).

We are not liable for any loss unless we fail to comply with our duties under the Corporations Act 2001. An investor's liability is limited by the constitution to the value of their units but the courts are yet to determine the effectiveness of provisions like this.

We may change the terms of this PDS, but will notify investors of any material changes.

Unit Classes

Each Fund may offer different classes of units. Identical rights attach to all units within a class. However, the rights and obligations attaching to different classes of units may vary, and are set out in the constitution and the relevant offer document. This PDS only relates to Class C units of each Fund.

Compliance Plan and Compliance Committee

Each Fund has a compliance plan which describes the means that we take to ensure compliance with the Corporations Act 2001 and each Fund's constitution. A Compliance Committee with a majority of independent members has been established by us to oversee compliance with the Funds' constitutions and the Corporations Act 2001.

Custodian and Administrator

We have appointed State Street Australia Limited ('State Street') as the custodian and administrator of the Funds. In these capacities, State Street will provide custodial and certain administrative services to the Funds. State Street has not been involved in any way in the preparation of this PDS and is named only for information purposes.

Auditors

The Funds and the compliance plans for the Funds are required to be audited annually. We have appointed PricewaterhouseCoopers as auditor to these Funds.

Reporting on Your Investments

For investors accessing a Fund through a master trust or wrap account, please contact your provider for information on reports you will receive.

The below is a summary of the statements you will be provided with when you invest in the Funds. For more information on fund reporting, contact Russell Fund Operations.

Confirmations

You will receive an investment confirmation each time you invest in or redeem from a Fund.

Distributions

You will receive a distribution statement each time a distribution is made.

Monthly Reports

You will receive a statement the end of each month with details of any transactions you made over the month.

Annual Investment Statements

If you are a retail investor, you will receive an annual investment statement setting out information in relation to your investment since the last annual statement, including details of the return on your investment in the Funds and any transactions affecting your investment in the Funds.

Further, we will provide you with annual tax reports in relation to your investments in the Funds.

Annual Report

Under the Corporations Act 2001 we are required to send you a copy of the annual report, the annual directors' report and the auditor's report on the annual report ('Annual Report') for each of the Russell Funds in which you are invested unless you request not to receive the annual report.

Disclosing Entity

If any Fund has more than 100 investors it will be a disclosing entity for the purposes of the Corporations Act 2001. As such, it will be subject to regular reporting and disclosure obligations and copies of any

documents lodged with ASIC in relation to those obligations may be obtained from, or inspected at, an ASIC office.

You may obtain copies of the following documents in relation to the Funds in which you have invested by contacting us:

- the annual report most recently lodged with ASIC in relation to a Fund which has more than 100 investors;
- any half year financial report lodged with ASIC in relation to a Fund which has more than 100 investors after the lodgment of that annual report; and
- any continuous disclosure notices given by us in relation to a Fund which has more than 100 investors after the lodgment of that annual report and before the date of the latest PDS.

Investor Identification and Verification

In making an application for units investors must provide and we must verify specified proofs of identity. Refer to the Client Account Manual for further details of what identification is required.

The protection of your investments is an important matter. We have investor identification and verification procedures (ID Procedures) in place to manage risks associated with fraud and unauthorised transactions. At times these procedures may cause inconvenience or delay to you. Please remember that the procedures are applied to safeguard your investments.

In addition, under new Anti-Money Laundering and Counter Terrorism Financing legislation, we are required to establish and enforce appropriate risk control programs with accompanying ID Procedures. The procedures require investors to provide satisfactory proof of identity which must be verified before an application for units can be accepted. The ID Procedures may also require us, from time to time, to reverify that information or request additional identification or related information from you, before we can process a requested transaction on your behalf.

We do not accept any liability for any loss you may incur (whether by delay in acceptance of an application; transaction processing or otherwise), arising from the application of our ID Procedures.

If you invest in a Fund through a master trust or wrap account, you will need to comply with your master trust or wrap account operator's investor identification and verification procedures.

Complaints

We have procedures in place for dealing with complaints promptly and in any case within 45 days of receiving a complaint. If you have any complaints, please contact us:

The Complaints Manager
Russell Investment Management Ltd
GPO Box 3279
SYDNEY NSW 2001, Australia

Email: disputeresolution@russell.com

Fax number: 1300 768 040 (in Australia)
+612 9229 5116 (outside Australia)

Phone number: (02) 9229 5111 (in Australia)
+612 9229 5111 (outside Australia)

We are also a member of the Financial Ombudsman Service Limited ('FOS'). If you have any complaints you may write to FOS at:

GPO Box 3
Melbourne VIC 3001, Australia
Phone: 1300 78 08 08 (in Australia)
Fax: (03) 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

If you are an indirect investor, your first point of contact is the operator of your master trust or wrap account. If any issues you have about a Fund remain unresolved then you can contact the complaints scheme of which they are a member.

Your Privacy

By completing the Application Form accompanying this PDS you agree to us collecting, holding and using personal information about you to process your application, and administer and manage the products and services we provide to you. This includes, monitoring, auditing and evaluating the products and services, modelling data, data testing, communicating with you and dealing with any complaints or enquiries.

You do not need to give us any of the personal information requested in the Application Form or in any other document or communication relating to the products or services that we supply to you. However, without this information, we may not be able to process your application or provide you with an appropriate level of service.

You agree to allow us to disclose your personal information to other companies within Russell Investments as well as our external service providers, which provide services in connection with our products and services. We may also disclose this important information to regulators where required.

We may also disclose your personal information:

- if, acting in good faith, we believe that the law requires or permits us to do so;
- if you consent; or
- to any party proposing to acquire an interest in our business.

Under the Privacy Act 1988, you may request access to your personal information that we hold. You can contact us to make such a request or for any other reason relating to the privacy of your personal information.

The way we collect, use and store personal information is regulated by the Privacy Act 1988 and by our privacy policy. Our privacy policy covers:

- how we use personal information (for example, we may share it with related companies and external service providers, or use it to tell you about other products and services that we offer);
- how we store and maintain personal information; and
- how you can access or correct your personal information.

To obtain a copy of our privacy policy, please contact us.

When you invest in a Fund through a master trust or wrap account, we will not collect or hold personal information about you. You should contact your master trust or wrap account operator for details on how they manage your personal information.

What You Need to Remember

This PDS contains general information only. It has not been prepared having regard to your investment objectives, financial situation or specific needs. Before making a decision to invest in a Fund, you need to consider whether the Fund is appropriate to your objectives, financial situation and needs. We encourage you to talk to a financial adviser before making an investment decision.

The Funds are designed to control risk through multiple layers of diversification. However, as with most investing, it is not guaranteed that you will make money from investing in the Funds. The value of your investment can go up or down and you could get back less than you invested. Please note that neither we nor any other member of Russell Investments guarantees the repayment of your capital or the performance of any of the Funds. We recommend that you satisfy yourself with respect to the risks associated with an investment in any of the Funds. Please refer to page 16 for a more detailed description of those risks. We recommend that you invest for the recommended time frame (see pages 9 to 13).

Updated Information

Information in this PDS is subject to change. Where information in this PDS changes which is not materially adverse to an investor (e.g. changes to investment managers and underlying funds), we may update this information by publishing the changes on our website: www.russell.com.au. You can contact us if you would like a paper copy of this information, free of charge. We may also be required to issue a supplementary PDS as a result of certain changes. Certain other

changes will be deemed to be incorporated into this PDS by reference.

Electronic or paper copies of this PDS can be obtained free of charge from us.

Terms used in this PDS

'Application Form' refers to the application form attached to this PDS.

'Client Account Manual' refers to the documentation that is required to be completed in addition to the Application Form when you apply for units in a Fund.

'business days' means every business day on which the Australian Stock Exchange and the trading banks in NSW are open for business.

'Fund' refers to any of the registered managed investment schemes offered in this PDS, collectively referred to as the 'Funds'.

'PDS' means Product Disclosure Statement.

'Russell' refers to a company which is a member of Russell Investments.

'Russell Investments' is the registered tradename of Frank Russell Company, a Washington, USA corporation.

'Russell Diversified Funds' refers to those Funds identified as such in the 'Key Features' section of this PDS.

'Russell Sector Funds' refers to those Funds identified as such in the 'Key Features' section of this PDS.

'underlying fund' means a managed investment scheme that a Fund holds units or shares in. The underlying fund may be domiciled in Australia or in another jurisdiction and may be managed by Russell or by a third party investment manager.

'unit' refers to the Class C units of a Fund.

'we', 'our' or 'us' means Russell Investment Management Ltd., the responsible entity of the Funds.