

Fund Update

For the quarter ended 30 September 2016

Russell Investment Funds

Russell Investments NZ Shares Fund

This fund update was first made publicly available on: 26 October 2016

What is the purpose of this update?

This document tells you how the Russell Investments NZ Shares Fund has performed and what fees were charged. The document will help you to compare the fund with other funds. Implemented Investment Solutions Limited prepared this update in accordance with the Financial Markets Conduct Act 2013. This information is not audited and may be updated.

Description of this fund

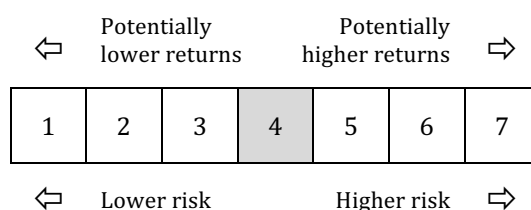
Objective: to provide a total return, before costs and tax, higher than the S&P/NZX 50 Index (gross and including imputation credits) over the long term (3 years plus).

Strategy: the underlying investment exposure is typically comprised of a broad range of shares and other equity securities listed on the NZX. This may include derivative instruments which may be used to obtain or reduce exposure to securities and to hedge any Australian dollar exposure. Investment in Australian shares will generally be in those companies which have a listing on the NZX. Where the Fund holds Australian equities, the resulting Australian dollar exposure may be hedged to the New Zealand dollar.

Total value of the fund	\$NZ 150,607,242
The date the fund started	14 February 2013

What are the risks of investing?

Risk indicator for the Russell Investments NZ Shares Fund.¹



The risk indicator is rated from 1 (low) to 7 (high). The rating reflects how much the value of the fund's assets goes up and down. A higher risk generally means higher potential returns over time, but more ups and downs along the way.

To help you clarify your own attitude to risk, you can seek financial advice or work out your risk profile at www.sorted.org.nz.

Note that even the lowest category does not mean a risk-free investment, and there are other risks that are not captured by this rating.

This risk indicator is not a guarantee of a fund's future performance. The risk indicator is based on a combination of actual and market index returns data for 5 years to 30 September 2016. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

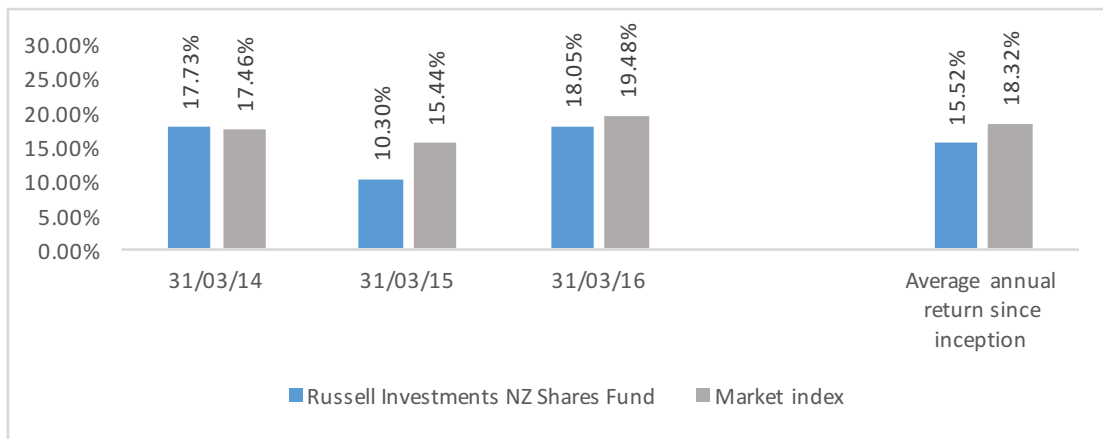
See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund

How has the fund performed?

	Past year ²
Annual return (after deductions for charges and tax)	31.81%
Annual return (after deductions for charges but before tax)	33.11%
Market index annual return (reflects no deduction for charges and tax)	33.91%

The market index return is the S&P/NZX 50 Index (gross and including imputation credits) return. For the period 1 December 2014 to 30 June 2016 the index was the Russell New Zealand Domestic Index including imputation credits (previously known as the Russell NZ Tradable Gross Index). Additional information about the market index is available on the offer register at www.business.govt.nz/disclose.

Annual Return Graph³



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 30 September 2016.

Important: This does not tell you how the fund will perform in the future.

Returns in this update are after tax at the highest prescribed investor rate (PIR) of tax for an individual New Zealand resident. Your tax may be lower.

What fees are investors charged?

Investors in the Russell Investments NZ Shares Fund are charged fund charges. In the year to 31 March 2016 these were:

	% of net asset value
Total fund charges	1.34%
Which are made up of -	
Total manager and administration charges	1.34%
Including -	
Manager’s basic fee (including GST)	1.22%
Other management and administration charges (including GST)	0.12%

Investors may also be charged individual action fees for specific actions or decisions (for example, for withdrawing from or switching funds). See the PDS for the Russell Investment Funds on the offer register at www.business.govt.nz/disclose for more information about those fees.

Example of how this applies to an investor

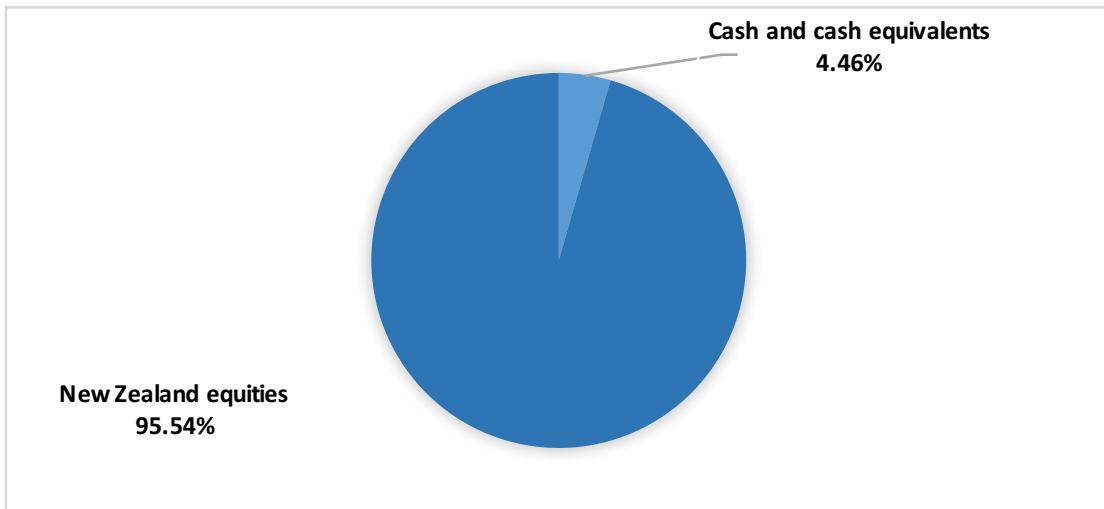
Small differences in fees and charges can have a big impact on your investment over the long term.

Anthony had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Anthony received a return after fund charges were deducted of \$1,951 (that is 19.51% of his initial \$10,000). This gives Anthony a total return after tax of \$1,805 for the year.

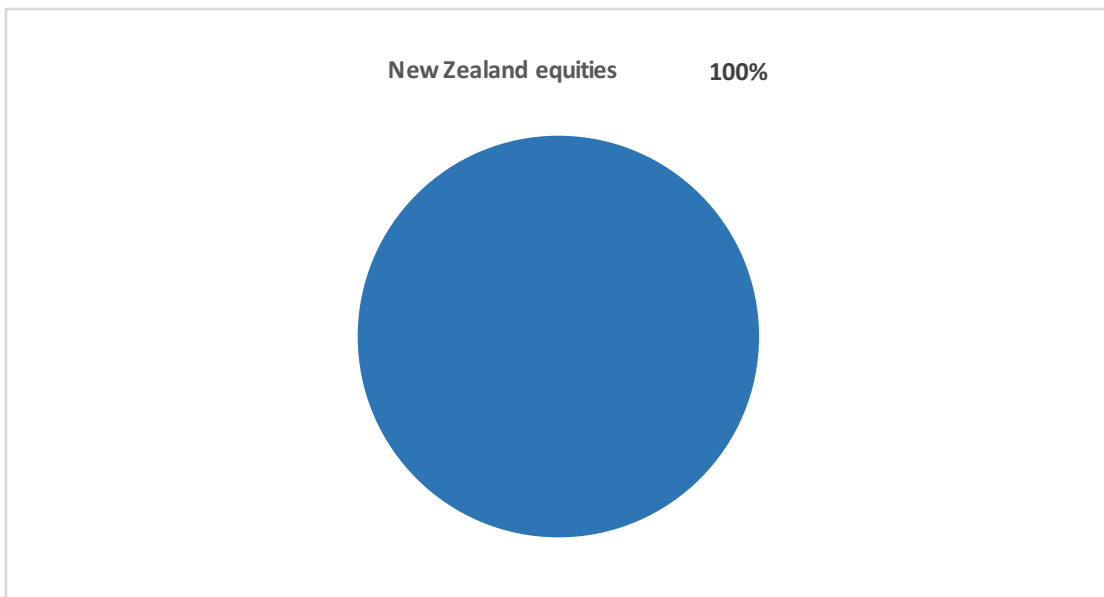
What does the fund invest in?

This shows the types of assets that the fund invests in.

Actual investment mix



Target investment mix



Top 10 investments

	Name	% of Fund net assets	Type	Country	Credit Rating (if applicable)
1	Fletcher Building Ltd	11.56%	Australasian equities	NZ	
2	Fisher & Paykel Healthcare Ltd	8.06%	Australasian equities	NZ	
3	Spark New Zealand Ltd	7.30%	Australasian equities	NZ	
4	Auckland International Airport Ltd	6.16%	Australasian equities	NZ	
5	Contact Energy Ltd	6.02%	Australasian equities	NZ	
6	Mainfreight Ltd	5.23%	Australasian equities	NZ	
7	Z Energy Ltd	4.03%	Australasian equities	NZ	
8	Cash at Bank	3.68%	Cash and cash equivalents	NZ	AA-
9	Vista Group International	3.44%	Australasian equities	NZ	
10	Meridian Energy Limited	3.33%	Australasian equities	NZ	

The top 10 investments make up 58.81% of the net asset value of the fund.

Key personnel

This shows the directors and employees who have the most influence on the investment decisions of the fund.

Name	Current position	Time in current position	Previous or other current position	Time in previous or other current position
Anthony Edmonds	Managing Director	5 years 11 months	Financial Services Consultant	1 year 2 months
Andrew Brockway	Investment & Product Manager	5 years 5 months	Financial Services Consultant	10 months
Alister Van der Maas	Director	5 years 2 months	Managing Director, Russell Investments	5 years 5 months
Andrew Bascand	Managing Director, Harbour Asset Management	6 years 8 months	Senior Vice President and Portfolio Manager, AllianceBernstein (NZ)	10 years 1 month
Paul Glass	Executive Chairman, Devon Funds Management	6 years 6 months	Co-Founder and Portfolio Manager, Brook Asset Management	6 years 9 months

Further information

You can also obtain this information, the PDS for the Russell Investment Funds, and some additional information from the offer register at www.business.govt.nz/disclose.

Notes

¹ A combination of actual Fund returns and market index returns have been used to determine the risk indicator as the Fund has not been operating for the required five years. The risk indicator may therefore provide a less reliable indicator of the Fund's future volatility. Market index returns have been used for the period to 28 February 2013.

² These returns are for the year to 30 September 2016.

³ The bar chart shows fund returns after deducting fees and tax. Tax is deducted at the highest Prescribed Investor Rate of 28%. However, the market index returns are shown before deducting fees and tax.