

Russell Investment Funds  
Financial Statements  
For the year ended 31 March 2021

## Statements of Comprehensive Income

\$ For the year ended 31 March	Note	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Income</b>											
Interest income	10	256	1,071	258	1,052	17,411	106,446	3,876,688	2,134,623	1,210	5,404
Distribution and dividend income		13,092,010	5,643,391	4,449,349	1,374	4,568,331	6,658,540	-	-	57,614,788	24,831,977
Net foreign currency gains/(losses) on cash and cash equivalents and margin accounts		-	-	-	-	7,712	22,313	4,164	(109)	-	-
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss		14,194,579	(5,354,154)	33,936,117	(10,084,527)	56,278,222	(7,301,753)	(8,290,859)	664,639	(22,117,339)	(576,068)
Sundry income		374	-	451	-	2,626	40,954	8,988	456	-	-
<b>Total income/(loss)</b>		<b>27,287,219</b>	<b>290,308</b>	<b>38,386,175</b>	<b>(10,082,101)</b>	<b>60,874,302</b>	<b>(473,500)</b>	<b>(4,401,019)</b>	<b>2,799,609</b>	<b>35,498,659</b>	<b>24,261,313</b>
<b>Expenses</b>											
Management fees	9	1,192,761	1,052,839	1,204,268	1,042,590	3,037,525	2,808,948	900,600	421,134	4,274,850	3,963,152
Administration expenses		103,768	88,555	104,610	91,788	180,075	161,396	145,619	88,982	394,409	302,123
Transaction costs		-	-	-	-	326,591	323,558	5,375	(1,420)	-	-
Other expenses		1,665	1,180	1,625	1,241	10	1,923	52	1,731	3,326	2,648
<b>Total operating expenses</b>		<b>1,298,194</b>	<b>1,142,574</b>	<b>1,310,503</b>	<b>1,135,619</b>	<b>3,544,201</b>	<b>3,295,825</b>	<b>1,051,646</b>	<b>510,427</b>	<b>4,672,585</b>	<b>4,267,923</b>
<b>Net profit/(loss)</b>		<b>25,989,025</b>	<b>(852,266)</b>	<b>37,075,672</b>	<b>(11,217,720)</b>	<b>57,330,101</b>	<b>(3,769,325)</b>	<b>(5,452,665)</b>	<b>2,289,182</b>	<b>30,826,074</b>	<b>19,993,390</b>
<b>Profit/(loss) for the year attributable to Unitholders</b>		<b>25,989,025</b>	<b>(852,266)</b>	<b>37,075,672</b>	<b>(11,217,720)</b>	<b>57,330,101</b>	<b>(3,769,325)</b>	<b>(5,452,665)</b>	<b>2,289,182</b>	<b>30,826,074</b>	<b>19,993,390</b>
<b>Total comprehensive income/(expense) for the year attributable to Unitholders</b>		<b>25,989,025</b>	<b>(852,266)</b>	<b>37,075,672</b>	<b>(11,217,720)</b>	<b>57,330,101</b>	<b>(3,769,325)</b>	<b>(5,452,665)</b>	<b>2,289,182</b>	<b>30,826,074</b>	<b>19,993,390</b>

These statements are to be read in conjunction with the accompanying notes.

## Statements of Changes in Net Assets Attributable to Unitholders

\$ For the year ended 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Net assets attributable to Unitholders at the beginning of the year</b>	<b>77,266,761</b>	70,430,579	<b>72,441,005</b>	70,080,989	<b>201,153,633</b>	213,668,592	<b>68,602,294</b>	63,139,751	<b>581,588,647</b>	504,115,366
Proceeds from units issued	<b>13,161,621</b>	16,723,494	<b>12,660,248</b>	20,377,433	<b>43,479,398</b>	19,546,105	<b>148,639,479</b>	9,557,171	<b>161,491,259</b>	146,953,997
Redemption of units	<b>(16,167,149)</b>	(7,856,297)	<b>(23,884,533)</b>	(5,641,509)	<b>(19,260,857)</b>	(21,508,307)	<b>(3,418,368)</b>	(5,309,153)	<b>(76,374,251)</b>	(66,778,162)
Distributions	<b>(1,200,121)</b>	(1,170,403)	<b>(1,151,946)</b>	(1,154,344)	<b>(7,021,570)</b>	(6,735,141)	<b>(2,986,678)</b>	(1,063,634)	<b>(21,599,503)</b>	(19,782,712)
Unitholder tax liabilities	<b>(3,469)</b>	(8,346)	<b>(4,249)</b>	(3,844)	<b>(33,992)</b>	(48,291)	<b>(9,346)</b>	(11,023)	<b>(1,714,325)</b>	(2,913,232)
<b>Net increase/(decrease) from transaction in units</b>	<b>(4,209,118)</b>	7,688,448	<b>(12,380,480)</b>	13,577,736	<b>17,162,979</b>	(8,745,634)	<b>142,225,087</b>	3,173,361	<b>61,803,180</b>	57,479,891
Total comprehensive income/(loss) for the year attributable to Unitholders	<b>25,989,025</b>	(852,266)	<b>37,075,672</b>	(11,217,720)	<b>57,330,101</b>	(3,769,325)	<b>(5,452,665)</b>	2,289,182	<b>30,826,074</b>	19,993,390
<b>Net assets attributable to Unitholders at the end of the year</b>	<b>99,046,668</b>	77,266,761	<b>97,136,197</b>	72,441,005	<b>275,646,713</b>	201,153,633	<b>205,374,716</b>	68,602,294	<b>674,217,901</b>	581,588,647
<b>Units on issue</b>	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
<b>For the year ended 31 March</b>	<b>2021</b>	2020	<b>2021</b>	2020	<b>2021</b>	2020	<b>2021</b>	2020	<b>2021</b>	2020
Units on issue at the beginning of the year	<b>40,930,734</b>	36,296,793	<b>41,309,958</b>	33,675,497	<b>113,607,688</b>	114,512,147	<b>54,115,853</b>	50,790,628	<b>499,148,591</b>	433,934,750
Units issued	<b>6,020,325</b>	8,380,682	<b>5,753,229</b>	10,319,408	<b>20,372,773</b>	9,968,406	<b>112,479,174</b>	7,517,085	<b>131,459,859</b>	123,485,866
Units redeemed	<b>(7,136,136)</b>	(3,746,741)	<b>(10,172,846)</b>	(2,684,947)	<b>(9,771,973)</b>	(10,872,865)	<b>(2,620,644)</b>	(4,191,860)	<b>(64,006,295)</b>	(58,272,025)
<b>Units on issue at the end of the year</b>	<b>39,814,923</b>	40,930,734	<b>36,890,341</b>	41,309,958	<b>124,208,488</b>	113,607,688	<b>163,974,383</b>	54,115,853	<b>566,602,155</b>	499,148,591

These statements are to be read in conjunction with the accompanying notes.

## Statements of Financial Position

\$ As at 31 March	Note	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Current assets</b>											
Cash and cash equivalents		134,555	181,294	170,840	154,244	9,530,457	6,486,285	20,498,257	3,985,682	320,676	351,771
Margin accounts		-	-	-	-	-	-	258,809	417,742	-	-
Financial assets at fair value through profit or loss	6	99,142,533	77,193,466	97,213,806	72,398,626	265,628,768	194,108,691	183,549,905	64,306,939	674,345,469	582,572,670
Outstanding settlements receivable		-	50,000	150,000	50,000	234,955	653,682	-	596,978	4,400,000	18,230,000
Dividends receivable		-	-	-	-	878,406	1,453,437	-	-	-	-
Accrued interest		-	-	-	-	-	-	1,676,489	651,134	-	-
Tax receivable on behalf of unitholders		-	-	-	-	-	-	-	23	-	-
<b>Total assets</b>		<b>99,277,088</b>	<b>77,424,760</b>	<b>97,534,646</b>	<b>72,602,870</b>	<b>276,272,586</b>	<b>202,702,095</b>	<b>205,983,460</b>	<b>69,958,498</b>	<b>679,066,145</b>	<b>601,154,441</b>
<b>Current liabilities</b>											
Financial liabilities at fair value through profit or loss	7	-	-	-	-	-	-	431,937	490,440	-	-
Outstanding settlements payable		-	-	-	-	194,996	1,171,173	-	754,057	-	-
Management fees payable	9	113,284	83,756	113,400	80,352	279,711	214,899	107,384	37,208	384,283	342,870
Withdrawals payable		50,453	15,777	213,755	16,034	28,999	31,668	12,206	40,384	422,775	14,367,674
Distributions payable		35,761	31,841	41,214	39,454	54,683	49,457	4,272	3,506	2,310,391	1,932,957
Other payables		29,974	21,951	26,117	22,181	33,492	33,316	43,599	19,579	46,311	51,875
Tax payable on behalf of unitholders		948	4,674	3,963	3,844	33,992	47,949	9,346	11,030	1,684,484	2,870,418
<b>Total liabilities</b>		<b>230,420</b>	<b>157,999</b>	<b>398,449</b>	<b>161,865</b>	<b>625,873</b>	<b>1,548,462</b>	<b>608,744</b>	<b>1,356,204</b>	<b>4,848,244</b>	<b>19,565,794</b>
<b>Net assets attributable to Unitholders</b>		<b>99,046,668</b>	<b>77,266,761</b>	<b>97,136,197</b>	<b>72,441,005</b>	<b>275,646,713</b>	<b>201,153,633</b>	<b>205,374,716</b>	<b>68,602,294</b>	<b>674,217,901</b>	<b>581,588,647</b>

The Directors of Implemented Investment Solutions Limited authorised these Financial Statements for issue on 19 July 2021.

Director



Director



These statements are to be read in conjunction with the accompanying notes.

## Statements of Cash Flows

\$ For the year ended 31 March	Note	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
		2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Cash flows from operating activities</b>											
Proceeds from sale of financial instruments at fair value through profit or loss		13,030,001	4,830,001	20,775,286	2,570,001	94,714,339	86,681,102	88,088,979	43,805,681	35,375,000	34,270,002
Purchase of financial instruments at fair value through profit or loss		(7,645,000)	(11,300,000)	(7,305,000)	(14,970,000)	(110,269,970)	(80,594,943)	(215,902,114)	(48,624,132)	(77,880,000)	(102,455,000)
Net interest received on swap contracts		-	-	-	-	-	-	(4,244)	10,517	-	-
Net settlement of forward currency contracts		-	-	-	-	-	-	(29,897)	10,862	-	-
Net settlement on future contracts		-	-	-	-	-	-	(60,704)	(107)	-	-
Net settlement of swap contracts		-	-	-	-	-	-	154,352	(676,501)	-	-
Net decrease in margin accounts		-	-	-	-	-	-	158,933	146,403	-	-
Dividends and distributions received		-	-	-	-	4,892,188	6,043,216	-	-	-	-
Sundry income received		374	-	451	-	10,126	33,454	8,988	456	-	(30,000)
Interest income received		256	1,080	258	1,061	17,411	106,908	2,855,577	2,052,171	1,210	5,422
Transaction costs		-	-	-	-	(326,591)	(322,368)	(5,375)	1,420	-	-
Management fees paid		(1,163,233)	(1,043,211)	(1,171,220)	(1,035,617)	(2,972,713)	(2,798,969)	(830,424)	(414,086)	(4,233,437)	(3,887,677)
Administration and other expenses paid		(97,410)	(82,160)	(102,299)	(83,477)	(179,909)	(159,752)	(121,651)	(83,865)	(373,299)	(314,080)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>11</b>	<b>4,124,988</b>	<b>(7,594,290)</b>	<b>12,197,476</b>	<b>(13,518,032)</b>	<b>(14,115,119)</b>	<b>8,988,648</b>	<b>(125,687,580)</b>	<b>(3,771,181)</b>	<b>(47,110,526)</b>	<b>(72,411,333)</b>
<b>Cash flows from financing activities</b>											
Proceeds from units issued		11,599,521	15,616,711	11,579,840	19,299,280	36,353,963	12,909,103	145,661,250	8,500,243	105,192,342	130,992,702
Redemptions of units		(15,700,762)	(7,860,674)	(23,674,985)	(5,645,629)	(19,052,195)	(21,495,592)	(3,446,546)	(5,291,835)	(51,223,983)	(52,899,521)
Unitholders tax liabilities		(4,674)	(7,162)	(4,130)	(3,458)	(47,949)	(33,958)	(11,030)	(12,054)	(2,870,609)	(1,834,715)
Distributions paid		(65,812)	(64,429)	(81,605)	(74,132)	(102,240)	(96,325)	(7,683)	(5,424)	(4,018,319)	(3,681,139)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(4,171,727)</b>	<b>7,684,446</b>	<b>(12,180,880)</b>	<b>13,576,061</b>	<b>17,151,579</b>	<b>(8,716,772)</b>	<b>142,195,991</b>	<b>3,190,930</b>	<b>47,079,431</b>	<b>72,577,327</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(46,739)</b>	<b>90,156</b>	<b>16,596</b>	<b>58,029</b>	<b>3,036,460</b>	<b>271,876</b>	<b>16,508,411</b>	<b>(580,251)</b>	<b>(31,095)</b>	<b>165,994</b>
Cash and cash equivalents at the beginning of the financial year		181,294	91,138	154,244	96,215	6,486,285	6,192,096	3,985,682	4,566,042	351,771	185,777
Foreign exchange (losses)/gains on cash and cash equivalents denominated in foreign currencies		-	-	-	-	7,712	22,313	4,164	(109)	-	-
<b>Cash and cash equivalents at the end of the financial year</b>		<b>134,555</b>	<b>181,294</b>	<b>170,840</b>	<b>154,244</b>	<b>9,530,457</b>	<b>6,486,285</b>	<b>20,498,257</b>	<b>3,985,682</b>	<b>320,676</b>	<b>351,771</b>
<i>The cash balances of the Funds comprise of:</i>											
Cash and cash equivalents		134,555	181,294	170,840	154,244	9,530,457	6,486,285	20,498,257	3,985,682	320,676	351,771
		134,555	181,294	170,840	154,244	9,530,457	6,486,285	20,498,257	3,985,682	320,676	351,771

For the Funds, prior year comparative figures for cash flows from financing activities have been corrected for re-invested distributions previously recognised on a gross basis. Re-invested distributions, which are non-cash items, were previously recognised in error as distributions paid, with a corresponding amount recognised as proceeds from units issued. There is no impact to the net cash inflows from financing activities or the statement of changes in net assets attributable to unitholders.

	Global Shares Fund	Hedged Global Shares Fund	NZ Shares Fund	NZ Fixed Interest Fund	Global Fixed Interest Fund
Prior year reinvested distributions	1,106,783	1,078,153	6,637,002	1,056,928	15,961,295

These statements are to be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## 1. General information

### Reporting Entities

These financial statements are for the year ended 31 March 2021 and have been prepared for the Funds which have been registered as the Russell Investments Funds Managed Investment Scheme. The Russell Investment Funds (the Funds) is registered as a Managed Investment Scheme in accordance with the Financial Markets Conduct Act 2013 on 4 August 2016. These Funds are the Russell Investments Global Shares Fund, Russell Investments Hedged Global Shares Fund, Russell Investments NZ Shares Fund, Russell Investments NZ Fixed Interest Fund and the Russell Investments Global Fixed Interest Fund.

The Funds, which are separate legal entities are open-ended investment funds domiciled in New Zealand and established in Wellington under a Master Trust Deed and Unit Trust Establishment Deeds supplemental to the Trust Deed, dated 15 June 2011. To be in compliance with the Financial Markets Conduct Act 2013 a new Trust Deed has been issued dated 29 July 2016. Each Fund was established on the date of its Unit Trust Establishment Deed and will terminate in accordance with the provisions of the Trust Deed. The Unit Trust Establishment Deeds for the Russell Investment NZ Fixed Interest Fund and the Russell Investments Global Fixed Interest Fund were amended by Amendment Deeds dated 20 September 2011 and for the Russell Investments NZ Shares Fund by an Amendment Deed dated 8 April 2013. The Unit Trust Establishment Deeds for the Russell Investments NZ Fixed Interest Fund and the Russell Investments NZ Shares Fund were further amended by Amendment Deeds dated 3 September 2014. The Unit Trust Establishment Deed for the Russell Investment NZ Shares Fund was further amended by an Amendment Deed dated 10 September 2014. The Funds commenced operations on the following dates:

- \* Russell Investments Global Shares Fund (Global Shares Fund) commenced operations on 14 November 2012.
- \* Russell Investments Hedged Global Shares Fund (Hedged Global Shares Fund) commenced operations on 24 July 2012.
- \* Russell Investments NZ Shares Fund (NZ Shares Fund) commenced operations on 13 February 2013.
- \* Russell Investments NZ Fixed Interest Fund (NZ Fixed Interest Fund) commenced operations on 13 February 2013.
- \* Russell Investments Global Fixed Interest Fund (Global Fixed Interest Fund) commenced operations on 20 December 2011.

The principal activity of the Funds is investment, either via investments in other managed funds or holding investments directly.

The objectives of the Funds are as follows:

- \* Global Shares Fund: To provide a total return, before costs and taxes, higher than the Russell Global Large Cap - Net Index over the long term by having an underlying exposure to a diversified portfolio of international shares. The investment policy of the Fund is investment with the intent that the Fund's principal investment is investment indirectly in equity securities in any country.
- \* Hedged Global Shares Fund: To provide a total return, before costs and taxes, higher than the Russell Global Large Cap NZ Hedged Net Index over the long term by having an underlying exposure to a diversified portfolio of international shares, targeting a position of being fully hedged back to New Zealand dollars. The Fund's principal investment is indirectly in equity securities in any country.
- \* NZ Shares Fund: 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 by having an underlying exposure to a diversified portfolio of predominantly in New Zealand shares. The Fund also has the ability to invest in Australian equity securities. The investment policy of the Fund is investment directly in equity securities in Australia and New Zealand.
- \* NZ Fixed Interest Fund: To provide a total return, before costs and tax, higher than a composite comprising 75% of the S&P/NZX NZ Government Stock Index and 25% of the S&P/NZX A Grade Corporate Bond Index over the long term (3 years plus). The investment policy of the Fund is investment directly in fixed interest securities denominated in New Zealand dollars. The Fund also has the ability to invest in the Australian fixed income market either through Australian dollar denominated debt securities or derivative instruments.
- \* Global Fixed Interest Fund: To provide a total return, before costs and tax, higher than the Bloomberg Barclays Capital Global Aggregate Index -100% New Zealand dollar hedged over the long term by having an underlying exposure to a diversified portfolio of predominantly foreign currency fixed interest securities, targeting a position of being fully hedged back to New Zealand dollars. The principal investment policy of the Fund is investment in fixed interest securities in any country via investments in other managed funds.

The Funds' licensed manager is Implemented Investment Solutions Limited (the Manager). The registered office for Implemented Investment Solutions Limited is Level 2, Woodward House, 1 Woodward Street, Wellington 6011. Russell Investment Group Limited is the Investment Manager for the Funds whose role is to make recommendations and decisions about what the Funds invest in. Sub-investment managers may also be appointed to manage fund assets in accordance with the Investment Manager's philosophy.

These financial statements were authorised for issue by the Board of Directors of the Manager on 19 July 2021.

### Statutory Base

The Funds are a Managed Investment Scheme as defined by the Financial Markets Conduct Act 2013 and are subject to the provisions of that Act.

The Financial Statements have been prepared in accordance with the requirements of the Financial Markets Conduct Act 2013 and the Trust Deed.

# Notes to the Financial Statements

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been consistently applied throughout the period presented, unless otherwise stated.

### 2.1 Basis of preparation

The Financial Statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP, the Funds are for-profit entities. These Financial Statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS). These Financial Statements have been prepared under the historical cost method, except for financial assets and liabilities held at fair value through profit or loss.

The preparation of Financial Statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires the Directors of the Manager to exercise their judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 3.

The Manager enters into a fund hosting arrangement with the Investment Manager. The arrangements involve the issuing and managing of funds, under the Manager's Managed Investment Scheme license, on behalf of an Investment Manager who wants to provide investors with access to their investment solutions. The Manager contracts with other service providers to provide the services required to be provided directly to the Funds. This includes investment management, trustee/supervisor, custodian, fund administration and audit services. In respect of these services the Manager is acting as an agent of the Fund.

The Financial Statements have been prepared for the year ended 31 March 2021. The comparative period is for the year ended 31 March 2020.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the Financial Statements.

### Standards and amendments to existing standards effective 1 April 2020 impacting the Funds

There are no new standards, amendments to standards or interpretations that are effective for annual periods beginning on 1 April 2020 that have a material effect on the financial statements of the Funds.

### 2.2 Financial instruments

#### (a) Classification

##### *Financial assets*

Financial assets are recognised initially at fair value. After initial recognition, financial assets are measured at fair value or amortised cost, determined on the basis of both (a) the Fund's business model for managing the financial assets; and (b) the contractual cash flow characteristics of the financial asset.

##### *(i) Financial assets at fair value through the profit or loss*

**Financial assets at fair value through the profit or loss** can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Funds' debt securities are solely principal and interest, however, the debt securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental in achieving the Funds' business model. As a result these debt securities are classified as financial assets at fair value through profit or loss.

Financial assets previously categorised as designated at fair value through profit or loss upon initial recognition comprised of the total investment portfolio held by the Funds, except for derivative financial assets. Financial assets categorised as held for trading comprised of all derivative financial assets held by the Funds. Financial assets measured mandatorily at fair value through profit or loss comprise of equities, funds/unit trusts, fixed interest securities (bonds), floating rate notes and mortgage backed securities except for term deposits, futures, interest rate swaps and forward foreign exchange contracts.

##### *(ii) Financial assets at amortised cost*

(a) **Cash and cash equivalents** include cash in hand and deposits held at call with banks in New Zealand dollars and foreign currencies. Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Funds' main income generating activity.

(b) **Outstanding settlements receivable** represent receivables for securities sold that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The due from brokers balance is held for collection.

(c) **Receivables** include margin accounts, interest, dividends and contributions receivables. Cash collateral provided by the Funds is identified in the Statements of Financial Position as margin accounts and is not included as a component of cash and cash equivalents. The NZ Fixed Interest Fund trades future derivative contracts and holds a margin account as collateral with the broker.

##### *Financial liabilities*

##### *(i) Financial liabilities at fair value through the profit or loss*

**Financial liabilities at fair value through the profit or loss** can be either designated as such upon initial recognition or mandatorily measured at fair value in accordance with NZ IFRS 9. The portfolio of financial liabilities is managed and performance is evaluated on a fair value basis. All financial liabilities are now mandatorily measured at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

##### *(ii) Financial liabilities at amortised cost*

(a) **Outstanding settlements payable** represent payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively.

(b) **Payables** are amounts representing liabilities and accrued expenses owing by the Funds at year end and may include related party fees.

The Fund's policy requires the Manager and the Board of Directors to evaluate the information about financial assets and liabilities on a fair value basis together with other related financial information.

## Notes to the Financial Statements

### (b) Recognition, derecognition and measurement

#### (i) Financial assets and liabilities at fair value through the profit or loss

The Funds recognise financial assets and liabilities at fair value through the profit or loss on the date they become parties to the contractual agreement. Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the Statements of Comprehensive Income. Financial assets at fair value through profit or loss are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities at fair value through profit or loss are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at fair value through the profit or loss are measured at fair value. Gains and losses arising from changes in the fair value are recognised in the Statements of Comprehensive Income when they arise. Any gain or loss arising on derecognition of the financial asset or financial liability at fair value through profit or loss is included in the Statements of Comprehensive Income in the period the item is derecognised. Gains or losses are calculated as the difference between the disposal proceeds and the carrying amount of the item. Interest and dividend income are separately recognised in the Statements of Comprehensive Income. Purchases and sales of investments are recognised on the trade date, the date on which the Funds commit to purchase or sell the investment.

#### (ii) Financial assets and liabilities at amortised cost

The Funds recognise financial assets and liabilities at amortised cost on the date they become parties to the contractual agreement. Financial assets and liabilities at amortised cost are initially recognised at fair value. Financial assets at amortised cost are derecognised when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all of the risks and rewards of ownership. This occurs upon maturity or disposal of the asset. Financial liabilities at amortised cost are derecognised when the obligation under the liability is discharged, cancelled or expires. Subsequent to initial recognition, all financial assets and liabilities at amortised cost are measured at amortised cost. At each reporting date, the Funds shall measure the loss allowance of the financial assets at amortised cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Funds shall measure the loss allowance at an amount equal to 12 month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due or a counterparty credit rating which has fallen below BBB/Baa. Any contractual payment which is more than 90 days past due is considered credit impaired. There is risk of non-recovery.

### (c) Fair value estimation

Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date in the principal or, in its absence, the most advantageous market to which the Funds had access at that date. The fair value of a liability reflects its non-performance risk.

#### *Fair value in an active market*

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. Financial assets and liabilities are priced at last traded price. Where the last sale price falls outside of the bid-ask spread for a particular stock, bid price will be used to value the investment.

#### *Fair value in an inactive or unquoted market*

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Funds' investments in other funds are subject to the terms and conditions of the respective funds' offering documentation. The investments in other funds are primarily valued based on the latest available redemption price of such units for each other fund investment, as determined by the other funds' administrators. The Funds review the details of the reported information obtained from the other funds and consider: the liquidity of the other fund or its underlying investments; the value date of the net asset value provided; and restrictions on redemptions; and the basis of accounting and, in instances where the basis of accounting is other than fair value, fair valuation information is obtained from the other funds' advisors.

The rights of the Funds to request redemption of their investments in other funds may vary in frequency from daily to weekly redemptions. As a result, the carrying values of the other funds may not be indicative of the values ultimately realised on redemption. In addition, the Funds may be materially affected by the actions of other investors who have invested in other funds in which the Funds have invested.

If necessary, the Funds make adjustments to the net asset value of various other fund investments to obtain the best estimate of fair value. Other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss in the Statements of Comprehensive Income include the change in fair value of each other fund.

#### *Fair value of forward foreign exchange contracts*

Forward foreign exchange contracts are primarily used by the Funds to economically hedge against foreign currency exchange rate risks on its non-New Zealand dollar denominated trading securities. The Funds agree to receive or deliver a fixed quantity of foreign currency for an agreed price on an agreed future date. The fair value of forward foreign exchange contracts is determined using valuation techniques based on spot exchange rates and forward points supplied by WM/Reuters. The Funds recognise a gain or loss equal to the change in fair value at the balance date.

#### *Fair value of futures*

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Bond futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market. The fair value of futures contracts is based on quoted market prices at balance date.

#### *Fair value of swaps*

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period. The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance date, taking into account current interest rates and the current creditworthiness of the swap counterparties.



## Notes to the Financial Statements

### 2.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 2.4 Net assets attributable to unitholders

The Funds issue units that are redeemable at the Unitholders' option and have identical features and are therefore classified as equity. Redemption may take place at the redemption price on any business day after appropriate notice. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the balance date if Unitholders exercised their right to put the units back to the Funds.

Applications received for units in the Funds are recorded net of any entry fees payable prior to the issue of units in the Funds and any initial service fee (if any). Redemptions from the Funds are recorded gross of any exit fees payable after the cancellation of the units redeemed. Units are issued and redeemed at the holder's option at prices based on the Funds' net asset value per unit at the time of issue or redemption adjusted for a margin spread ranging from 5bps to 25bps for the respective Funds. The margin spreads on applications and redemptions are to cover costs associated with the transactions. The Funds' net asset value per unit is calculated by dividing the net assets attributable to the holders of the Fund with the total number of outstanding units of the Fund. In accordance with the provisions of the offering documents, investment positions are valued based at the appropriate market value for the purpose of determining the net asset value per unit for subscriptions and redemptions.

### 2.5 Investment income

#### *Interest income*

Interest earned on financial assets held at amortised cost, including cash and cash equivalents and the margin accounts and interest earned on assets at fair value through the profit or loss, including fixed interest securities, money market securities and net interest earned on interest rates swap contracts are included as Interest income in the Statements of Comprehensive Income on an accruals basis.

#### *Dividend and distribution income*

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded in the Statements of Changes in Net Assets Attributable to Unitholders as a unitholder tax liability. Trust distributions are recognised on a present entitlement basis.

#### *Net gains and losses on financial assets at fair value through profit or loss*

Realised and unrealised gains and losses are reflected in the Statements of Comprehensive Income as net gain/(loss) on financial instruments held at fair value through profit or loss.

Unrealised gains or losses include the change in net market value of investments held as at balance date and the reversal of prior periods unrealised gains or losses on investments that have been realised in the current year. Realised gains or losses are calculated based on the gross sale proceeds and the weighted average cost of the investments sold.

### 2.6 Interest expense

Interest expense are included in the Statements of Comprehensive Income on an accruals basis. Interest expense includes net interest paid or payable on interest rate swap contracts and interest paid or payable on cash and cash equivalents in overdraft during the year.

### 2.7 Expenses

All expenses, including the Funds' management fees, are recognised in the Statements of Comprehensive Income on an accruals basis.

### 2.8 Foreign currency translation

#### *(a) Functional and presentation currency*

Items included in the Funds' financial statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The functional currency for the Funds is the New Zealand dollar, which reflects the currency in which the Funds compete for funds and are regulated. The Funds' investors are from New Zealand, with the subscriptions and redemptions of the units denominated in New Zealand dollars. The performance of the Funds is measured in New Zealand dollars. The Manager considers the New Zealand dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in New Zealand dollars, which is also the Funds' presentation currency.

#### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at balance date.

Foreign exchange gains and losses resulting from translation are included in the Statements of Comprehensive Income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the Statements of Comprehensive Income within 'net foreign currency gains or losses on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statements of Comprehensive Income within 'net gains/(loss) on financial assets and liabilities at fair value through profit or loss'.

## Notes to the Financial Statements

### 2.9 Income tax

The Funds qualify as and have each elected to be a Portfolio Investment Entity (PIE) for tax purposes. The Russell Investments NZ Fixed Interest Fund and the Russell Investments NZ Shares Fund have elected to be Foreign Investment PIEs (a PIE that applies a different tax treatment for notified foreign investors). Under the PIE regime income is effectively taxed in the hands of the Unitholders and therefore the Funds have no income tax expense. Accordingly, no income tax expense is recognised in the Statements of Comprehensive Income. Income is disclosed gross of any resident and foreign withholding taxes deducted at source and the taxes are included in Unitholder tax liabilities in the Statements of Changes in Net Assets Attributable to Unitholders.

Under the PIE regime, the Manager attributes the taxable income of the Funds to Unitholders in accordance with the proportion of their interest in the Funds. The income attributed to each Unitholder is taxed at the Unitholder's "prescribed investor rate" which is capped at 28% on redemptions and annually at 31 March each year.

Unitholder tax liabilities disclosed in the Statements of Changes in Net Assets Attributable to Unitholders consists of withdrawals to meet Unitholder tax liabilities under the PIE regime and any resident and foreign withholding taxes deducted at source.

### 2.10 Distribution to unitholders

Distributions may be made from the Funds in accordance with the terms of the Trust Deed, the relevant Establishment Deed and the distribution policy for the fund. Amounts that are not distributed, remain invested as part of the assets of the relevant Fund. Proposed distributions to unitholders are recognised in the Statements of Changes in Net Assets Attributable to Unitholders when they are appropriately authorised and no longer at the discretion of the Funds' Manager.

Unitholders have the choice to automatically reinvest their distributions. The reinvestment is made on the first available ex distribution net asset value price for the relevant Fund.

### 2.11 Goods and services tax (GST)

The Funds are not registered for GST. The Statements of Comprehensive Income and Statements of Cash Flows have been prepared so that all components are stated inclusive of GST. All items in the Statements of Financial Position are stated inclusive of GST.

## 3. Critical accounting estimates and judgements

The Manager of the Funds makes estimates and assumptions that affect the reported amounts of assets and liabilities. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below. Estimates are continually evaluated and are based on historical experience among other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### *Fair value of securities not quoted in an active market*

The valuation models employed use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The fair value of investments in other funds have been fair valued in accordance with the policies set out above in note 2.2 (c).

For certain other financial instruments, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the short term nature of these financial instruments.

#### *Net assets attributable to Unitholders*

The Funds classify units as equity instruments in accordance with revised NZ IAS 32, 'Financial Instruments: Presentation'. The Funds continue to assess the classification of the redeemable units to ensure they have all the features or meet all the conditions set out in paragraphs 16A and 16B of NZ IAS 32.

#### *COVID - 19*

The Manager continues to closely monitor the impacts of the COVID-19 Pandemic on the Funds. The Manager has evaluated the impact of COVID-19 on the valuation of financial instruments as at 31 March 2021 and has concluded that an adjustment was not required on the basis that the markets were functioning and the redemption price for the financial assets at fair value through profit or loss represented fair value.

## Notes to the Financial Statements

### 4. Derivative financial instruments

#### 4.1 Interest rate swaps

An interest rate swap is an agreement between two parties to exchange their interest obligations (payments) or receipts at set intervals on a notional principal amount over an agreed time period.

The NZ Fixed Interest Fund held the following interest rate swap contracts at balance date:

	31 March 2021		31 March 2020	
	Notional value \$	Net fair value \$	Notional value \$	Net fair value \$
<i>Included in financial assets measured at fair value through profit or loss</i>				
Pay floating	(21,200,000)		(22,400,000)	
Receive fix	21,200,000	32,947	22,400,000	283,214
Pay fix	(6,270,000)		(1,000,000)	
Receive floating	6,270,000	365,277	1,000,000	10,264
		<u>398,224</u>		<u>293,478</u>

	31 March 2021		31 March 2020	
	Notional value \$	Net fair value \$	Notional value \$	Net fair value \$
<i>Included in financial liabilities measured at fair value through profit or loss</i>				
Pay floating	(7,500,000)			
Receive fix	7,500,000	(64,376)		
Pay fix	(7,000,000)		(7,500,000)	
Receive floating	7,000,000	(320,064)	7,500,000	(490,440)
		<u>(384,440)</u>		<u>(490,440)</u>

#### 4.2 Forward foreign currency contracts

Forward currency contracts are primarily used by the NZ Fixed interest Fund to economically hedge against foreign currency exchange rate risks on its non New Zealand denominated securities. Forward foreign currency contracts are contractual obligations to buy or sell one currency on a future date in exchange for a second currency at a specified forward foreign exchange rate which is established in an organised market. The forward contracts are agreed between the parties to the contract and are not traded on an exchange. The Funds' open positions in forward contracts at balance date are outlined below:

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Forward exchange contracts (notional value in NZ\$)</b>										
Sell AUD/Buy NZD	-	-	-	-	-	-	1,556,329	1,000,711	-	-
<b>Forward exchange contracts (fair value in NZ\$)</b>										
Sell AUD/Buy NZD	-	-	-	-	-	-	(10,979)	9,278	-	-

## Notes to the Financial Statements

### 4. Derivative Financial Instruments (continued)

#### 4.3 Futures

Futures are contractual obligations to buy or sell instruments on a future date at a specified price established in an organised market. The fair value of the future is based on the amount that will be paid or received to settle the obligation on a net basis on the exchange. As at 31 March 2021, the NZ Fixed Interest Fund had an obligation to sell 40 Australian 10 Year Bond futures with a maturity date of 15 June 2021 with a NZD equivalent notional value of \$6,044,644. The fair value for the future at 31 March 2021 was a loss of \$36,518. There were no bond futures held as at 31 March 2020.

#### 4.4 Margin accounts

The NZ Fixed Interest Fund has AUD and NZD margin accounts which are held as security for bond futures and interest rate swaps.

As at 31 March the NZD equivalent value of the margin account balances were as follows:

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
Margin accounts	-	-	-	-	-	-	258,809	417,742	-	-

### 5. Financial risk management

#### 5.1 Financial risk factors

The Trust Deed for the Funds requires the Manager to invest the assets of each Fund in accordance with the Statement of Investment Policy and Objectives ("SIPO") in order to manage risk. The Funds' activities expose them to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Funds' overall risk management programme seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential adverse effects on the Funds' financial performance.

All securities investments present a risk of loss of capital. The Funds hold various financial instruments such as long listed equities, unlisted unit trusts and fixed interest securities and money market securities where the maximum loss of capital is limited to the carrying value of those positions. The maximum loss of capital on forward foreign exchange contracts and purchased futures contracts is limited to the notional amount of currency that is contracted to be delivered under each contract. On sold futures contracts the maximum loss of capital is potentially unlimited.

The Global Shares Fund, Hedged Global Shares Fund and the Global Fixed Interest Fund are also indirectly exposed to risk factors such as credit risk and interest rate risk via its investments in the Russell Australian Unit Trusts (refer to the Related parties note 9). However the risk management note outlined below are not prepared on a look through basis.

In addition to internal risk management carried out by the Fund Manager and the Investment Manager, financial risk is also managed by the setting of an investment policy, agreed with and monitored by the Supervisor and set out in the Funds' SIPO and Product Disclosure Statements ("PDS").

The Manager uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

#### 5.1.1 Market risk

##### (a) Price risk

The Funds are exposed to price risk due to their investments in managed funds, listed equities and fixed interest securities for which prices in the future are uncertain. The Funds manage their price risk by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits. In the case of the NZ Fixed Interest Fund price risk is considered to be part of the risk captured under interest rate risk and credit risk.

The table below summarises the sensitivity of the Funds' net assets attributable to Unitholders to movements in prices including the effect of movements in foreign currency exchange rates, as at 31 March. If prices for the Funds' investments had increased or decreased by 5% with all other variables held constant, this would have had the following impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders:

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
As at 31 March										
5% increase in prices	4,957,127	3,859,673	4,860,690	3,619,931	13,281,438	9,705,435	-	-	33,717,273	29,128,634
5% decrease in prices	(4,957,127)	(3,859,673)	(4,860,690)	(3,619,931)	(13,281,438)	(9,705,435)	-	-	(33,717,273)	(29,128,634)

## Notes to the Financial Statements

### 5.1.1 Market risk (continued)

#### (b) Foreign exchange risk

Foreign currency risk, as defined in NZ IFRS 7, 'Financial Instruments: Disclosures', arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. NZ IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and liabilities to be a component of market price risk not foreign currency risk.

The Funds may enter into foreign exchange derivatives to hedge the foreign currency risk implicit in the value of the portfolio securities denominated in foreign currency. As the nature of these contracts is to manage the international investment activities, they are accounted for by marking to market at balance date in a manner consistent with the valuation of the underlying securities.

At the balance date the Funds had the following foreign currency exposures due to holdings of monetary assets (expressed in NZD equivalents):

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Monetary assets</b>										
Australian Dollar (AUD)	-	-	-	-	5,530	262,106	(365,319)	(379,638)	-	-

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders on monetary assets at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Monetary assets</b>										
Exchange rates increased by 5%	-	-	-	-	(263)	(12,481)	17,396	18,078	-	-
Exchange rates decreased by 5%	-	-	-	-	291	13,795	(19,227)	(19,981)	-	-

At the balance date the Funds had the below foreign currency exposures due to holdings of monetary liabilities (31 March 2020:nil).

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Monetary liabilities</b>										
Australian Dollar (AUD)	-	-	-	-	-	-	(105,370)	-	-	-

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders on monetary liabilities at balance date, had the exchange rates between the New Zealand dollar and the foreign currencies increased or decreased by 5% with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in exchange rates with regard to historical volatility.

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Monetary liabilities</b>										
Exchange rates increased by 5%	-	-	-	-	-	-	5,018	-	-	-
Exchange rates decreased by 5%	-	-	-	-	-	-	(5,546)	-	-	-

## Notes to the Financial Statements

### 5.1.1 Market risk (continued)

#### (c) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flow. The NZ Fixed Interest Fund holds fixed interest securities and interest rate swaps that expose that fund to fair value interest rate risk. The Funds hold cash and cash equivalents and floating rate notes that expose the Funds to cash flow interest rate risk. The NZ Fixed Interest Fund also hold margin accounts which are subject to cash flow interest rate risk.

The following table represents the maturity profile of financial instruments subject to interest rate risk at 31 March:

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<i>Financial assets at fair value through profit or loss</i>										
<b>Interest rate swaps*</b>										
Less than one year	-	-	-	-	-	-	21,710	67,293	-	-
1- 2 years	-	-	-	-	-	-	1,274	93,759	-	-
2-5 years	-	-	-	-	-	-	59,416	132,426	-	-
Over 5 years	-	-	-	-	-	-	315,824	-	-	-
	-	-	-	-	-	-	398,224	293,478	-	-
<b>Fixed interest securities</b>										
Less than one year	-	-	-	-	-	-	18,902,965	6,864,437	-	-
1-2 years	-	-	-	-	-	-	13,417,949	5,731,564	-	-
2-5 years	-	-	-	-	-	-	79,331,065	13,643,303	-	-
Over 5 years	-	-	-	-	-	-	67,961,828	33,981,954	-	-
	-	-	-	-	-	-	179,613,807	60,221,258	-	-
<b>Floating rate notes</b>										
Less than one year	-	-	-	-	-	-	400,120	327,065	-	-
1-2 years	-	-	-	-	-	-	395,559	398,912	-	-
2-5 years	-	-	-	-	-	-	980,312	582,565	-	-
Over 5 years	-	-	-	-	-	-	881,141	2,174,383	-	-
	-	-	-	-	-	-	2,657,132	3,482,925	-	-
*Full details on the underlying notional amounts are disclosed in note 4.1.										
<i>Financial assets at amortised cost</i>										
<b>Margin accounts</b>										
Less than 1 year	-	-	-	-	-	-	258,809	417,742	-	-
<b>Cash and cash equivalents</b>										
Less than 1 year	134,555	181,294	170,840	154,244	9,530,457	6,486,285	20,498,257	3,985,682	320,676	351,771
	134,555	181,294	170,840	154,244	9,530,457	6,486,285	20,757,066	4,403,424	320,676	351,771

## Notes to the Financial Statements

### 5.1.1 Market risk (continued)

(c) Interest rate risk (continued)

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<i>Financial liabilities at fair value through profit or loss</i>										
<b>Interest rate swaps*</b>										
Less than one year	-	-	-	-	-	-	35,372	-	-	-
2-5 years	-	-	-	-	-	-	349,068	91,508	-	-
Over 5 years	-	-	-	-	-	-	-	398,932	-	-
	-	-	-	-	-	-	<b>384,440</b>	490,440	-	-

\*Full details of the underlying notional amounts are disclosed in Note 4.

#### Cashflow interest rate risk

The Funds hold cash and cash equivalents in New Zealand dollars that expose the Funds to cash flow interest rate risk. The NZ Fixed Interest Fund also hold margin accounts and floating rate securities which are subject to cash flow interest rate risk.

The table below summarises the impact on the Statements of Comprehensive Income and Net Assets Attributable to Unitholders had the relevant interest rates increased or decreased by 1% at balance date with all other variables held constant. The analysis is based on the Manager's best estimate of a reasonable possible shift in interest rates with regard to historical volatility.

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Increase of 1%	1,346	1,813	1,708	1,542	95,305	64,863	234,142	78,863	3,207	3,518
Decrease of 1%	(1,346)	(1,813)	(1,708)	(1,542)	(95,305)	(64,863)	(234,142)	(78,863)	(3,207)	(3,518)

These movements arise substantially from the cash flow variability from cash and cash equivalents.

#### Fair value interest rate risk

At the balance date, had the interest rate increased or decreased by 1% (which is the Manager's assessment of a reasonable movement with regard to historical volatility) with all other variables held constant, the impact would be as follows:

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Increase of 1%	-	-	-	-	-	-	(9,234,210)	(3,232,028)	-	-
Decrease of 1%	-	-	-	-	-	-	9,691,668	3,296,079	-	-

In addition to the Funds' direct exposure to interest rate changes on the fair value of financial assets and liabilities and on the cash flows of cash and cash equivalents shown above, the Global Fixed Interest Fund is indirectly affected by the impact of interest rate changes on the earnings of their investments in the Russell Global Bond Fund Class D, which forms part of the Price Risk sensitivity (Note 5.1.1 (a)). Therefore, the above sensitivity analysis may not fully indicate the total effect on the Fund's net assets attributable to unitholders of future movements in interest rates.





## Notes to the Financial Statements

### 5.1.2 Credit risk (continued)

The Global Fixed Interest Fund is indirectly exposed to credit risk through its investment in the Russell Global Bond Fund Class D, which forms part of the price risk sensitivity. The NZ Fixed Interest Fund margin accounts as disclosed in note 4.4 are with OM Financial (no credit rating is available for the entity), and ANZ (AA-). The forward foreign exchange contracts and interest rate swaps as disclosed in note 4.2 are with New Zealand Registered Banks with a AA- Standard and Poor's credit rating.

### 5.1.3 Liquidity risk

Liquidity risk is the risk that the Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Funds are exposed to daily redemptions of units. The liquidity policy applied by the Manager is dependent on the type of investments held by the Funds. For the Global Shares Fund, the Hedged Global Shares Fund and the Global Fixed Interest Fund the policy is to be fully invested in unlisted unit trusts that provide adequate liquidity. For the NZ Shares Fund and NZ Fixed Interest Fund, that hold direct assets, the investment mandate allocates a proportion of investable assets to cash and cash equivalents that can be realised to fund withdrawals. Withdrawals from the Funds are generally paid within 30 days of the request. The Manager considers this as part of monitoring the liquidity of the Funds.

The following table analyses each of the Funds' financial liabilities and derivative financial instruments in a loss position based on a contractual maturity basis rather than on an expected maturity basis, as the expected maturities for such contracts are not considered to be essential to an understanding of the timing of cash flows. The amounts in the table are the contractual undiscounted cash flows.

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Financial liabilities at fair value through profit or loss</b>										
1 - 3 Months	-	-	-	-	-	-	(76,471)	53,268	-	-
3 - 6 Months	-	-	-	-	-	-	43,085	(9,619)	-	-
6 - 12 Months	-	-	-	-	-	-	(54,419)	52,113	-	-
1 - 2 Years	-	-	-	-	-	-	(94,533)	106,888	-	-
2- 5 Years	-	-	-	-	-	-	(13,950)	218,816	-	-
5+ Years	-	-	-	-	-	-	295,408	78,542	-	-
<b>Outstanding settlements payable</b>										
1- 7 days	-	-	-	-	194,996	1,171,173	-	754,057	-	-
<b>Management fees payable</b>										
7 days to 1 month	113,284	83,756	113,400	80,352	279,711	214,899	107,384	37,208	384,283	342,870
<b>Withdrawals payable</b>										
1 - 7 days	50,453	15,777	213,755	16,034	28,999	31,668	12,206	40,384	422,775	14,367,674
<b>Distributions payable</b>										
1 - 7 days	35,761	31,841	41,214	39,454	54,683	49,457	4,272	3,506	2,310,391	1,932,957
<b>Other payables</b>										
7 days to 1 month	29,974	21,951	26,117	22,181	33,492	33,316	43,599	19,579	46,311	51,875
	<b>229,472</b>	<b>153,325</b>	<b>394,486</b>	<b>158,021</b>	<b>591,881</b>	<b>1,500,513</b>	<b>266,581</b>	<b>1,354,742</b>	<b>3,163,760</b>	<b>16,695,376</b>

The required cash outflow to settle a bond future which was in a loss position at 31 March 2021, would have been the fair value as at 31 March 2021, if it was settled on that date, refer to Note 4.3. The actual future undiscounted cash flows will be different, given that the instrument was marked to market. The required cash outflow to settle the forward currency contract which is in a loss position at balance date, will be the fair value as at 31 March 2021, if it was settled on that date, refer to Note 4.2. It is expected that the actual undiscounted cash flows will be different, given that the instrument is marked to market. The open currency contract which is in a loss position at 31 March 2021, matured within one month after balance date.

There were no open bond future positions or forward currency contracts at 31 March 2020 which were in a loss position.

### 5.2 Capital risk management

The Funds' capital is represented by the net assets attributable to Unitholders. The Funds' objective when managing capital is to provide returns for Unitholders through investing and to employ an established Investment Manager who manages a diversified portfolios of funds.

If a redemption request or a series of redemption requests in respect of a Fund are received within a period of 60 business days that in total comprise more than 10% of the number of units on issue in that Fund, and the Manager determines it is in the interest of the Fund's unitholders to defer immediate redemption of the total Units requested, the Manager will determine a basis for redemption that it considers to be in the general interests of all the Fund's unitholders.

The Manager may suspend redemptions where the Manager in good faith forms the opinion that it is not practicable, or would be materially prejudicial to the interests of Unitholders of any of the Funds for the Supervisor to realise assets or borrow in order to permit redemption of units.

The Funds do not have any externally imposed capital requirements. Units may be redeemed at any month end subject to the receipt of the redemption request.

Neither the Supervisor, the Manager, or any other party guarantee the units offered by the Funds, the performance or returns of the Funds or the repayment of capital.

## Notes to the Financial Statements

### 5.3 Fair value estimation

All financial assets and financial liabilities included in the Statements of Financial Position, are carried at amounts that represent or approximate fair value. The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the year end date. The quoted market price used for financial assets held by the Funds is the last traded price. The price used for unlisted unit trusts is the published withdrawal price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

NZ IFRS 13 requires the Funds to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

\* Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

\* Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

\* Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

The determination of what constitutes 'observable' requires significant judgement by the Manager. The Manager considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Funds' financial assets and financial liabilities (by class) measured at fair value at the period end:

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>										
<b>Level 1 Assets</b>										
<i>Financial assets at fair value through profit or loss</i>										
Listed equities	-	-	-	-	265,319,701	194,108,691	-	-	-	-
Listed funds/trusts	-	-	-	-	309,067	-	-	-	-	-
<b>Total Level 1 Assets</b>	-	-	-	-	265,628,768	194,108,691	-	-	-	-
<b>Level 2 Assets</b>										
<i>Financial assets at fair value through profit or loss</i>										
Interest rate swaps	-	-	-	-	-	-	398,224	293,478	-	-
Forward foreign exchange contracts	-	-	-	-	-	-	-	9,278	-	-
Fixed interest securities	-	-	-	-	-	-	179,613,807	60,221,258	-	-
Floating rate notes	-	-	-	-	-	-	1,711,560	1,396,698	-	-
Mortgage-backed securities	-	-	-	-	-	-	880,742	-	-	-
Unlisted funds	99,142,533	77,193,466	97,213,806	72,398,626	-	-	-	-	674,345,469	582,572,670
Term deposits	-	-	-	-	-	-	-	300,000	-	-
<b>Total Level 2 Assets</b>	99,142,533	77,193,466	97,213,806	72,398,626	-	-	182,604,333	62,220,712	674,345,469	582,572,670
<b>Level 3 Assets</b>										
<i>Financial assets at fair value through profit or loss</i>										
Floating rate notes	-	-	-	-	-	-	945,572	2,086,227	-	-
<b>Total Level 3 Assets</b>	-	-	-	-	-	-	945,572	2,086,227	-	-
<b>Total financial assets at fair value through profit or loss</b>	99,142,533	77,193,466	97,213,806	72,398,626	265,628,768	194,108,691	183,549,905	64,306,939	674,345,469	582,572,670

## Notes to the Financial Statements

### 5.3 Fair value estimation (continued)

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>										
<b>Level 1 Liabilities</b>										
<i>Financial liabilities at fair value through profit or loss</i>										
Bond futures	-	-	-	-	-	-	36,518	-	-	-
<b>Total Level 1 Liabilities</b>	-	-	-	-	-	-	36,518	-	-	-
<b>Level 2 Liabilities</b>										
<i>Financial liabilities at fair value through profit or loss</i>										
Interest rate swaps	-	-	-	-	-	-	384,440	490,440	-	-
Forward foreign exchange contracts	-	-	-	-	-	-	10,979	-	-	-
<b>Total Level 2 Liabilities</b>	-	-	-	-	-	-	395,419	490,440	-	-
<b>Total financial liabilities at fair value through profit or loss</b>	-	-	-	-	-	-	431,937	490,440	-	-

The NZ Shares Fund only holds investments in listed equities for which quoted prices are available. These investments are classified in Level 1. The Australian 10 year bond future held by the NZ Fixed Interest Fund is exchange traded on the ASX and classified as a Level 1.

The Russell Investments NZ Fixed Interest Fund holds investments in fixed interest securities, mortgage-backed securities, floating rate notes, term deposits, interest rate swaps and forward currency contracts. The fair values of these instruments are determined by using valuation models for which the inputs are market observable and are therefore classified in Level 2. Fixed income securities are calculated using market accepted formulas. The yields are derived from either credit spreads sourced from the New Zealand Financial Markets Association, direct sourcing such as New Zealand government bonds, relative value against like securities where there are a small number of quotes available and matrix yield curves. New Zealand capital notes are set with reference to trading activity on the New Zealand Debt market exchange and evaluations are calculated using a margin to the New Zealand swap curve. Par bonds such as term deposits and non tradable debentures are evaluated at par where the yield to maturity is set to equal the coupon rate and capital price set at par value. Discount securities are evaluated with reference to the appropriate yield curve and are calculated using the standard New Zealand Government Treasury Bill formula. Floating rate notes are calculated using a rate bond formula applying the appropriate observable traded margins in the model.

The investments in Russell Global Bond Fund Class D, Russell Global Opportunities Fund Class D and Russell Global Opportunities Fund NZ Hedged Class A (the investee funds) are not quoted in an active market (see note 9.2 for more details). The investee funds classified in Level 2 were fair valued using the net asset value of the underlying fund, as reported by the investee fund's administrator. For the investee funds, management believes the Funds could have redeemed their investments at the net asset value per unit at balance date.

The Level 3 floating rate notes held by the Russell Investments NZ Fixed Interest Fund at 31 March 2021 consist of the following:

\* New Zealand unlisted asset backed medium term corporate floating rate note which had a credit rating of A by Standard & Poor's. The bond is backed by a revolving pool of Flexi card receivables. The security is valued by an independent pricing provider, applying a bond yield-curve model. The traded margins for the security is derived with reference to other AUD denominated asset backed issuers with reference to note seniority, weighted average life and asset type. As observable prices are not available for this security, the derived values may not approximate the realisable value if the security were to be sold at balance date.

\* New Zealand corporate debenture with a credit rating of AA+ by Standard & Poor's. The bond is issued by an unlisted New Zealand incorporated entity. The security is valued by an independent pricing provider, applying a bond yield-curve model. The bond is backed by a revolving pool of motor trade receivables. The traded margins for the security are derived with reference to other NZ corporate debentures with reference to note seniority, weighted average life and asset type. As observable prices are not available for this security, the derived value may not approximate the realisable value if the security were to be sold at balance date.

The securities approximate 0.46% (31 March 2020 : 3.04%) of the Net asset value of the Fund at balance date.

The sensitivity of the Level 3 investment's valuation to the unobservable inputs is not considered to be material to the financial statements.

There have been no transfers between the different classifications during the financial year for any of the Funds. Transfers between levels of the fair value hierarchy, if any, for the purpose of preparing the table below, are deemed to occur at the beginning of the reporting period.

#### Movement of the Level 3 investments during the year:

\$	NZ Fixed Interest Fund	
	2021	2020
<b>For the year ended 31 March</b>		
Balance at the beginning of the year	2,086,227	2,297,438
Sales	(1,144,454)	(207,388)
Purchases	-	-
Net gains recognised in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss.	3,799	(3,823)
Balance at the end of the year	945,572	2,086,227
Change in unrealised gains for Level 3 assets held at year end and included in other net changes in fair value on financial assets and financial liabilities at fair value through profit or loss	3,799	(3,823)

## Notes to the Financial Statements

### 5.4 Offsetting and amounts subject to master netting arrangements and similar agreements

As at 31 March 2021, the NZ Fixed Interest Fund was subject to an International Swaps and Derivatives Association (ISDA) arrangement with the following derivative counterparties: ANZ, BNZ, Commonwealth Bank of Australia and Westpac Banking Corporation. According to the terms of the ISDA arrangement with the respective counterparties all the derivatives are settled net.

The NZ Fixed Interest Fund has margin accounts with Jarden & ANZ. The Jarden accounts are used to settle bond futures and the ANZ margin account is used to settle any swap obligations by the Fund. The total cash held in the margin account with Jarden at 31 March 2021 was \$178,809 (31 March 2020: \$47,742) of which \$36,518 would have been required to settle the bond future obligation at 31 March 2021 (31 March 2020: \$nil). The total cash held in the margin account with ANZ at 31 March 2021 was \$80,000 (31 March 2020: \$370,000) of which \$nil would have been required to settle the swap obligation at 31 March 2021 (31 March 2020: \$291,154).

The following tables present the Fund's financial assets and liabilities subject to offsetting, enforceable master netting arrangements and similar agreements. The tables are presented by type of financial instrument.

\$	NZ Fixed Interest Fund	
As at 31 March	2021	2020
<i>Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements</i>		
Gross amounts of recognised financial assets	398,224	302,756
Gross amounts of recognised financial liabilities set-off in the statement of financial position	-	-
<b>Net amounts of financial assets presented in the statement of financial position</b>	<b>398,224</b>	<b>302,756</b>
<i>Related amounts not set-off in the statement of financial position</i>		
Financial instruments	(320,064)	(208,564)
<b>Net amount</b>	<b>78,160</b>	<b>94,192</b>
<i>Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements</i>		
Gross amounts of recognised financial liabilities	431,937	490,440
Gross amounts of recognised financial liabilities set-off in the statement of financial position	-	-
<b>Net amounts of financial liabilities presented in the statement of financial position</b>	<b>431,937</b>	<b>490,440</b>
<i>Related amounts not set-off in the statement of financial position</i>		
Financial instruments	(320,064)	(208,564)
Cash collateral	(258,809)	(370,000)
<b>Net amount</b>	<b>(146,936)</b>	<b>(88,124)</b>

Each party has the option to settle all open contracts on a net basis in the event of default by the other party. Per the terms of the ISDA agreement, an event of default includes the following:

- \* failure by a party to make a payment when due
- \* failure by a party to perform an obligation required by the agreement (other than payment) if such failure is not remedied within 30 days after such notice of such failure is given to the party
- \* bankruptcy

The related amounts not set-off in the statement of financial position represent amounts that have not been offset in the statement of financial position but could be expected to be offset in the event of default by either the Fund or its counterparty to the derivative contract. For financial instruments this is the maximum value of assets and liabilities that could be offset. For cash collateral this is the value of cash that could be withheld by the counterparty to settle derivative liabilities.

## Notes to the Financial Statements

### 6. Financial assets at fair value through profit or loss

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>										
<b>Measured at fair value through profit or loss</b>										
Interest rate swaps	-	-	-	-	-	-	398,224	293,478	-	-
Forward foreign exchange contracts	-	-	-	-	-	-	-	9,278	-	-
Listed equities	-	-	-	-	265,319,701	194,108,691	-	-	-	-
Listed trusts	-	-	-	-	309,067	-	-	-	-	-
Unlisted funds	99,142,533	77,193,466	97,213,806	72,398,626	-	-	-	-	674,345,469	582,572,670
Mortgage-backed securities	-	-	-	-	-	-	880,742	-	-	-
Fixed interest securities	-	-	-	-	-	-	179,613,807	60,221,258	-	-
Floating rate notes	-	-	-	-	-	-	2,657,132	3,482,925	-	-
Term deposits	-	-	-	-	-	-	-	300,000	-	-
<b>Total measured at fair value through profit or loss</b>	<b>99,142,533</b>	<b>77,193,466</b>	<b>97,213,806</b>	<b>72,398,626</b>	<b>265,628,768</b>	<b>194,108,691</b>	<b>183,549,905</b>	<b>64,306,939</b>	<b>674,345,469</b>	<b>582,572,670</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>99,142,533</b>	<b>77,193,466</b>	<b>97,213,806</b>	<b>72,398,626</b>	<b>265,628,768</b>	<b>194,108,691</b>	<b>183,549,905</b>	<b>64,306,939</b>	<b>674,345,469</b>	<b>582,572,670</b>

### 7. Financial liabilities at fair value through profit or loss

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>										
<b>Measured at fair value through profit or loss</b>										
Bond futures	-	-	-	-	-	-	36,518	-	-	-
Interest rate swaps	-	-	-	-	-	-	384,440	490,440	-	-
Forward foreign exchange contracts	-	-	-	-	-	-	10,979	-	-	-
<b>Total measured at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>431,937</b>	<b>490,440</b>	<b>-</b>	<b>-</b>
<b>Total financial liabilities at fair value through profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>431,937</b>	<b>490,440</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

### 8. Financial instruments by category

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>										
<b>Financial assets at fair value through profit or loss</b>										
Financial assets measured at fair value through profit or loss	99,142,533	77,193,466	97,213,806	72,398,626	265,628,768	194,108,691	183,549,905	64,306,939	674,345,469	582,572,670
<b>Total financial assets at fair value through the profit or loss</b>	<b>99,142,533</b>	<b>77,193,466</b>	<b>97,213,806</b>	<b>72,398,626</b>	<b>265,628,768</b>	<b>194,108,691</b>	<b>183,549,905</b>	<b>64,306,939</b>	<b>674,345,469</b>	<b>582,572,670</b>
<b>Financial assets at amortised cost</b>										
Cash and cash equivalents	134,555	181,294	170,840	154,244	9,530,457	6,486,285	20,498,257	3,985,682	320,676	351,771
Margin accounts	-	-	-	-	-	-	258,809	417,742	-	-
Accrued Interest	-	-	-	-	-	-	1,676,489	651,134	-	-
Outstanding settlements receivable	-	50,000	150,000	50,000	234,955	653,682	-	596,978	4,400,000	18,230,000
Dividends receivable	-	-	-	-	878,406	1,453,437	-	-	-	-
<b>Total financial assets at amortised cost</b>	<b>134,555</b>	<b>231,294</b>	<b>320,840</b>	<b>204,244</b>	<b>10,643,818</b>	<b>8,593,404</b>	<b>22,433,555</b>	<b>5,651,536</b>	<b>4,720,676</b>	<b>18,581,771</b>
<b>Total financial assets</b>	<b>99,277,088</b>	<b>77,424,760</b>	<b>97,534,646</b>	<b>72,602,870</b>	<b>276,272,586</b>	<b>202,702,095</b>	<b>205,983,460</b>	<b>69,958,475</b>	<b>679,066,145</b>	<b>601,154,441</b>
<b>\$</b>										
<b>As at 31 March</b>										
<b>Financial liabilities at fair value through profit or loss</b>										
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	-	431,937	490,440	-	-
<b>Total financial liabilities at fair value through the profit or loss</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>431,937</b>	<b>490,440</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>										
Outstanding settlements payable	-	-	-	-	194,996	1,171,173	-	754,057	-	-
Management fees payable	113,284	83,756	113,400	80,352	279,711	214,899	107,384	37,208	384,283	342,870
Withdrawals payable	50,453	15,777	213,755	16,034	28,999	31,668	12,206	40,384	422,775	14,367,674
Distributions payable	35,761	31,841	41,214	39,454	54,683	49,457	4,272	3,506	2,310,391	1,932,957
Other payables	29,974	21,951	26,117	22,181	33,492	33,316	43,599	19,579	46,311	51,875
<b>Total financial liabilities at amortised cost</b>	<b>229,472</b>	<b>153,325</b>	<b>394,486</b>	<b>158,021</b>	<b>591,881</b>	<b>1,500,513</b>	<b>167,461</b>	<b>854,734</b>	<b>3,163,760</b>	<b>16,695,376</b>
<b>Total financial liabilities</b>	<b>229,472</b>	<b>153,325</b>	<b>394,486</b>	<b>158,021</b>	<b>591,881</b>	<b>1,500,513</b>	<b>599,398</b>	<b>1,345,174</b>	<b>3,163,760</b>	<b>16,695,376</b>

## Notes to the Financial Statements

### 9. Related parties

#### 9.1 Key management and key management personnel

As outlined in the Funds' PDS, the Funds incur following management fees including GST, as a percentage of the net asset value per annum:

Global Shares Fund	1.50%
Hedged Global Shares Fund	1.53%
NZ Shares Fund	1.31%
NZ Fixed Interest Fund	0.76%
Global Fixed Interest Fund	0.78%

GST is currently charged at various rates driven by the nature of the service provided including exempt services such as custody and up to 15% for other services. The management fees include fees paid to the Investment Manager, the Manager for hosting the Fund, the Supervisor, the Custodian and Administration Manager, bank charges and other various costs and expenses incurred.

Management fees payable are payable to the Manager.

The Supervisor of the Fund is Public Trust. For the year ended 31 March 2021 the Supervisor fee payable with respect to the Funds amounted to \$177,810 (31 March 2020: \$155,836) and was paid by the Manager.

Audit fees for the year have been paid by the Manager on behalf of the Funds. The total audit fee for the year ended 31 March 2021 for all the Funds was \$52,000 excluding GST (31 March 2020: \$50,000 excluding GST).

As at 31 March 2021 and 31 March 2020 no directors of the Manager, Investment Manager or the Supervisor or close family members or entities that are controlled, jointly controlled or significantly influenced by the directors or close family members of the Manager, Investment Manager or Supervisor held any investment interest in the Funds.

As at 31 March 2021 and 31 March 2020, the Manager held no units in the Russell Investment Funds.

Investments held by related party investors in the Funds at year end:

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>										
InvestNow KiwiSaver Scheme	125,916	-	150,099	-	-	-	18,533	-	14,063	-

#### 9.2 Related party investments

The Global Shares Fund invests into the Class D units of the Russell Global Opportunities Fund.

The Hedged Global Shares Fund invests into the Class A units of the Russell Global Opportunities Fund NZ Hedged.

The Global Fixed Interest Fund invest into the Class D units of the Russell Global Bond Fund.

The above mentioned fund investments are managed by Russell Investment Management Limited (RIML). RIML is part of the Russell Investment Group and hence is a related party. Russell Investment Group owns 15% (31 March 2020: 15%) of Implemented Investment Solutions Limited and Russell Investment Group is the Investment Manager of the Russell Investment Funds.

Investments held by the Russell Investment Funds and income earned on funds managed by Russell Investment Management Limited as at balance date are outlined below:

\$	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>As at 31 March</b>										
Russell Global Opportunities Fund Class D	99,142,533	77,193,466	-	-	-	-	-	-	-	-
Russell Global Opportunities Fund NZ Hedged Class A	-	-	97,213,806	72,398,626	-	-	-	-	-	-
Russell Global Bond Fund Class D	-	-	-	-	-	-	-	-	674,345,469	582,572,670
	<b>99,142,533</b>	<b>77,193,466</b>	<b>97,213,806</b>	<b>72,398,626</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>674,345,469</b>	<b>582,572,670</b>

## Notes to the Financial Statements

### 9. Related parties (continued)

#### 9.2 Related party investments (continued)

The total income and gains earned and losses suffered on the investments with related parties were:

\$ As at 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Russell Global Opportunities Fund Class D	27,286,589	289,237	-	-	-	-	-	-	-	-
Russell Global Opportunities Fund NZ Hedged Class A	-	-	38,385,467	(10,083,153)	-	-	-	-	-	-
Russell Global Bond Fund Class D	-	-	-	-	-	-	-	-	35,497,449	24,255,909
	<b>27,286,589</b>	<b>289,237</b>	<b>38,385,467</b>	<b>(10,083,153)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,497,449</b>	<b>24,255,909</b>

### 10. Interest income/(expense)

\$ For the year ended 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
<b>Interest income at amortised cost:</b>										
Margin accounts and cash and cash equivalents	256	1,071	258	1,052	17,411	106,446	22,197	41,129	1,210	5,404
<b>Interest income at fair value through profit and loss:</b>										
Debt securities	-	-	-	-	-	-	3,858,735	2,082,977	-	-
Interest rate swaps (net)	-	-	-	-	-	-	(4,244)	10,517	-	-
<b>Total net interest income</b>	<b>256</b>	<b>1,071</b>	<b>258</b>	<b>1,052</b>	<b>17,411</b>	<b>106,446</b>	<b>3,876,688</b>	<b>2,134,623</b>	<b>1,210</b>	<b>5,404</b>



## Notes to the Financial Statements

### 11. Reconciliation of operating profit/(loss) to net cash outflow from operating activities

\$ For the year ended 31 March	Global Shares Fund		Hedged Global Shares Fund		NZ Shares Fund		NZ Fixed Interest Fund		Global Fixed Interest Fund	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Operating profit/(loss)	25,989,025	(852,266)	37,075,672	(11,217,720)	57,330,101	(3,769,325)	(5,452,665)	2,289,182	30,826,074	19,993,390
<b>Adjustments for non-cash items</b>										
Net unrealised changes in the fair value of financial assets and liabilities	(14,692,428)	5,281,925	(32,708,740)	9,880,535	(46,414,477)	25,618,532	8,290,449	1,317,884	22,494,691	2,560,398
Net foreign currency gains or losses on cash and cash equivalents	-	-	-	-	(7,712)	(22,313)	(4,164)	109	-	-
Distributions received as units rather than cash	(13,092,010)	(5,643,391)	(4,449,349)	(1,374)	(251,174)	(818,076)	-	-	(57,614,788)	(24,831,977)
	(27,784,438)	(361,466)	(37,158,089)	9,879,161	(46,673,363)	24,778,143	8,286,285	1,317,993	(35,120,097)	(22,271,579)
<b>Movements in working capital items</b>										
(Increase)/decrease in trade and other receivables	-	9	-	9	582,531	195,714	(1,025,355)	(71,935)	-	(29,982)
Increase/(decrease) in trade and other payables	37,551	17,203	36,984	16,525	64,988	14,736	94,196	13,896	65,849	66,166
(Increase)/decrease in margin accounts	-	-	-	-	-	-	158,933	146,403	-	-
(Increase)/decrease in net cost of investments	5,882,850	(6,397,770)	12,242,909	(12,196,007)	(25,419,376)	(12,230,620)	(127,748,974)	(7,466,720)	(42,882,352)	(70,169,328)
	5,920,401	(6,380,558)	12,279,893	(12,179,473)	(24,771,857)	(12,020,170)	(128,521,200)	(7,378,356)	(42,816,503)	(70,133,144)
	(21,864,037)	(6,742,024)	(24,878,196)	(2,300,312)	(71,445,220)	12,757,973	(120,234,915)	(6,060,363)	(77,936,600)	(92,404,723)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>4,124,988</b>	<b>(7,594,290)</b>	<b>12,197,476</b>	<b>(13,518,032)</b>	<b>(14,115,119)</b>	<b>8,988,648</b>	<b>(125,687,580)</b>	<b>(3,771,181)</b>	<b>(47,110,526)</b>	<b>(72,411,333)</b>

### 12. Assets and liabilities not carried at fair value but for which fair value is disclosed

All financial assets and liabilities not measured at fair value through profit or loss are carried at amortised cost and their carrying values are a reasonable approximation of fair value.

Cash and cash equivalents (including the margin account) referred to in Note 8 include cash on hand, deposits held with banks and brokers and other short-term investments in an active market.

Outstanding settlements represent the contractual amount due by the Funds for settlement of trades.

### 13. Commitments and contingent liabilities

There are no material commitments or contingencies as at 31 March 2021 (31 March 2020: none).

### 14. Events occurring after balance date

There have been no significant events that have occurred since balance date which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 31 March 2021 or on the results and cash flows of the Fund for the years ended on that date.



## Independent auditor's report

To the unitholders of Russell Investment Funds which comprise:

Russell Investments Global Shares Fund  
Russell Investments Hedged Global Shares Fund  
Russell Investments NZ Shares Fund  
Russell Investments NZ Fixed Interest Fund  
Russell Investments Global Fixed Interest Fund  
(Collectively referred to as the Funds)

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### Our opinion

In our opinion, the accompanying financial statements of the Funds, present fairly, in all material respects, the financial position of the Funds as at 31 March 2021, their financial performance and their cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### What we have audited

The Funds' financial statements comprise:

- the statements of financial position as at 31 March 2021;
- the statements of comprehensive income for the year then ended;
- the statements of changes in net assets attributable to unitholders for the year then ended;
- the statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Funds in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided the following services to Implemented Investment Solutions Limited (the Manager): agreed upon procedures on the net tangible assets calculation, controls assurance reporting, registry compliance assurance reporting and the audit of the financial statements of the Manager and other funds managed by the Manager. Subject to certain restrictions, employees of the firm may invest in the Funds on normal market terms. These services and relationships have not impaired our independence as auditor of the Funds. Other than in our capacity as auditor, we have no other relationships with, or interests in, the Funds.



**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. We have one key audit matter: Valuation and existence of financial assets and financial liabilities at fair value through profit or loss. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Description of the key audit matter	How our audit addressed the key audit matter
<p><b>Valuation and existence of financial assets and financial liabilities at fair value through profit or loss</b></p> <p>Refer to notes 5.3, 6 and 7 to the financial statements for disclosures of financial assets and financial liabilities at fair value through profit or loss (financial instruments).</p> <p>This was an area of focus for our audit as it represents the majority of the net assets attributable to unitholders of the Funds.</p> <p>The fair value of the financial instruments traded in active markets are based on quoted market prices at 31 March 2021 and are categorised as level 1 in the fair value hierarchy.</p> <p>The fair value of the financial instruments that are not traded in an active market are determined using valuation techniques. The valuation technique depends on the underlying asset or liability and includes assumptions that are based on market conditions existing at 31 March 2021. Financial instruments with inputs to the valuation that are observable either directly or indirectly are categorised as level 2 in the fair value hierarchy. Where inputs are not observable the financial instrument is categorised as level 3 in the fair value hierarchy.</p> <p>The Funds' level 2 financial instruments include (where applicable) fixed interest securities, floating rate notes, mortgage backed securities, forward foreign exchange contracts and interest rate swaps, and investments in unlisted funds.</p> <p>The fair value of the unlisted funds is based on the redemption price established by the investment fund manager. In assessing the</p>	<p>We assessed the processes employed by the Manager, for recording and valuing the financial instruments including the relevant controls operated by third party service organisations. The third party service organisations include the Administrator and the Custodian. Our assessment of the business processes included obtaining the internal control reports over custody and investment accounting provided by third party service organisations. We evaluated the evidence provided by the internal controls reports over the design and operating effectiveness of the key controls operated by the third party service organisations for the year.</p> <p><b>Valuation</b></p> <p>For all investments where quoted market prices in an active market were available, we agreed the last market price at 31 March 2021 and the exchange rate of Australian dollars used to translate to New Zealand dollars to independent third party pricing sources.</p> <p>We used our own valuation experts to test the fair value of fixed interest securities, floating rate notes and mortgage backed securities using independent valuation models and reconciled inputs used to independent sources and available market data.</p> <p>For investments in forward foreign exchange contracts and interest rate swaps, we agreed the observable inputs to third party pricing sources and used our own valuation experts to test the fair value using independent valuation models.</p> <p>For investments in unlisted funds, we agreed the redemption price at 31 March 2021 to the confirmation provided by the investment fund manager. We evaluated the redemption price represents fair value by, where applicable:</p> <ul style="list-style-type: none"> <li>• comparing the redemption price at 31 March 2021 to recent transactions to support the fair</li> </ul>



Description of the key audit matter	How our audit addressed the key audit matter
<p>fair value, the Manager uses information provided by the investment fund manager.</p> <p>Where the markets are inactive or where a quoted market price or observable input is not available, the fair value is determined by using valuation techniques.</p> <p>The Russell Investments NZ Fixed Interest Fund has \$945,572 (0.46% of net assets) of financial instruments where there are no observable inputs to the valuation. The fair values of these level 3 financial instruments are based on valuation methods and techniques using assumptions relevant to the underlying security.</p> <p>When the market prices are quoted in Australian dollars, these are translated to New Zealand dollars using the exchange rate at 31 March 2021.</p> <p>Holdings of all financial instruments are either held by the Custodian on behalf of the Funds or entered into with counterparties.</p>	<p>value of the investments at fair value through profit or loss;</p> <ul style="list-style-type: none"> <li>comparing the Net Asset Value per unit calculated based on the latest audited financial statements of the underlying unlisted fund to the published unit price on that date to provide evidence on reliability of unit pricing; and</li> <li>assessing whether the fair value of underlying assets and liabilities of the unlisted funds are primarily determined through observable market data.</li> </ul> <p>For the level 3 financial instruments we used our own valuation experts to test the fair value using an independent valuation model.</p> <p><b>Existence</b> We obtained confirmation from the Custodian and counterparties of the holdings of all of the financial instruments held by the Funds as at 31 March 2021.</p>

## Our audit approach

### Overview

<p><b>Materiality</b></p>	<p>Our materiality for each Fund is calculated based on approximately 1% of the net assets attributable to unitholders for each Fund.</p> <p>We chose net assets as the benchmark because, in our view, the objective of the Funds is to provide unitholders with a total return on the Funds' net assets, taking into account both capital and income returns.</p>
<p><b>Key audit matters</b></p>	<p>As reported above, because of the significance of the financial instruments to the financial statements, we have determined that there is one key audit matter: valuation and existence of financial assets and financial liabilities at fair value through profit or loss.</p>

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.



### **Materiality**

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of each Fund as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements of each Fund as a whole.

### **How we tailored our audit scope**

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of each Fund as a whole, taking into account the structure of each Fund, the Funds' investments and the accounting and registry processes and controls.

The Manager is responsible for the governance and control activities of the Funds. The Funds' investments are held by a Custodian. The Manager has outsourced investment accounting (Administrator) and registry services (Registrar) to a third party service organisation.

In completing our audit, we performed relevant audit procedures over the control environment of the Manager, the Custodian, the Administrator and the Registrar to support our audit conclusions.

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### **Other information**

The Manager is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of the Manager for the financial statements**

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing each Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate a Fund or to cease operations, or has no realistic alternative but to do so.

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### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a



guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

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### Who we report to

This report is made solely to the Funds' unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Funds' unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

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The engagement partner on the audit resulting in this independent auditor's report is Christopher Barber.

For and on behalf of:

A handwritten signature in black ink that reads "Christopher Barber".

Chartered Accountants  
21 July 2021

Wellington