



Fund Update

For the quarter ended 31 March 2017

- **Russell Investment Funds**
- **Russell Investments NZ Shares Fund**

This fund update was first made publicly available on: 28 April 2017

What is the purpose of this update?

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

Description of this fund

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

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

| | |
|---------------------------|------------------|
| Total value of the fund | \$NZ 192,487,382 |
| The date the fund started | 14 February 2013 |

What are the risks of investing?

Risk indicator for the Russell Investments NZ Shares Fund.¹



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

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

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

This risk indicator is not a guarantee of a fund’s future performance. The risk indicator is based on a combination of actual and market index returns data for 5 years to 31 March 2017. While risk indicators are usually relatively stable, they do shift from time to time. The risk indicator will continue to be updated in future fund updates.

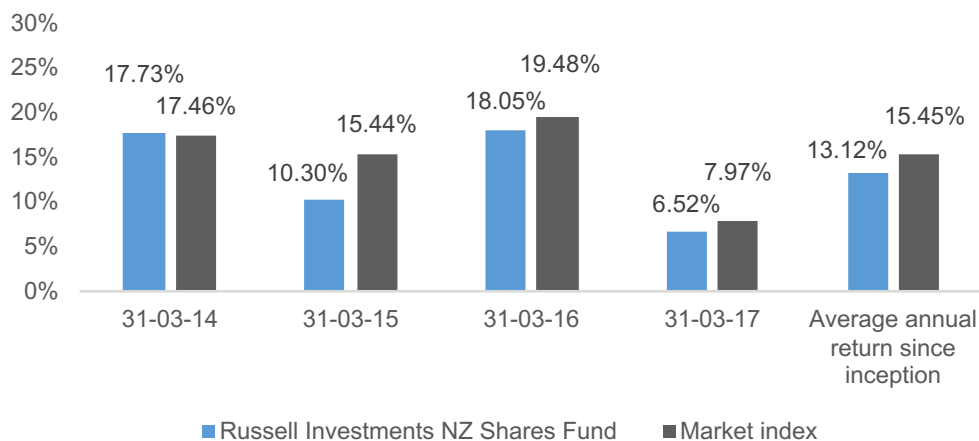
See the product disclosure statement (PDS) for more information about the risks associated with investing in this fund.

How has the fund performed?

| | Past year ² |
|--|------------------------|
| Annual return (after deductions for charges and tax) | 6.52% |
| Annual return (after deductions for charges but before tax) | 7.59% |
| Market index annual return (reflects no deduction for charges and tax) | 7.97% |

The market index return is the S&P/NZX 50 Index (gross and including imputation credits) return. Additional information about the market index is available on the offer register at www.companiesoffice.govt.nz/disclose.

Annual Return Graph³



This shows the return after fund charges and tax for each year ending 31 March since the fund started. The last bar shows the average annual return since the fund started, up to 31 March 2017.

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

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

What fees are investors charged?

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

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

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

Example of how this applies to an investor

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

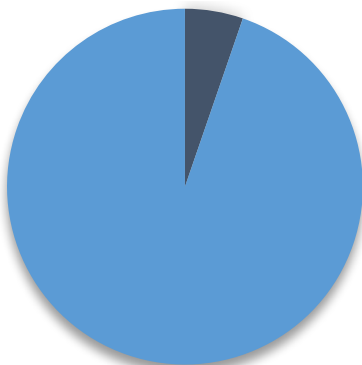
Anthony had \$10,000 in the fund at the start of the year and did not make any further contributions. At the end of the year, Anthony received a return after fund charges were deducted of \$759 (that is 7.59% of his initial \$10,000). This gives Anthony a total return after tax of \$652 for the year.

What does the fund invest in?

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

Actual investment mix

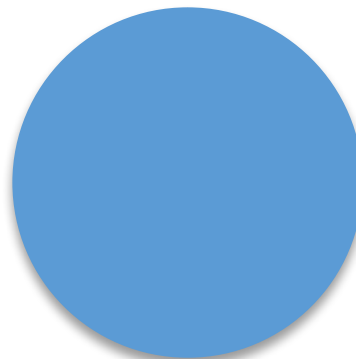
Cash and cash equivalents 5.28%



Australasian equities 94.72%

Target investment mix

Australasian equities 100%



Top 10 investments

| | Name | % of Fund net assets | Type | Country | Credit Rating (if applicable) |
|----|------------------------------------|----------------------|---------------------------|---------|-------------------------------|
| 1 | Spark New Zealand Ltd | 9.19% | Australasian equities | NZ | |
| 2 | Fletcher Building Ltd | 8.93% | Australasian equities | NZ | |
| 3 | Fisher & Paykel Healthcare Ltd | 8.22% | Australasian equities | NZ | |
| 4 | Contact Energy Ltd | 6.50% | Australasian equities | NZ | |
| 5 | Mainfreight Ltd | 5.57% | Australasian equities | NZ | |
| 6 | Meridian Energy Limited | 5.43% | Australasian equities | NZ | |
| 7 | Auckland International Airport Ltd | 5.04% | Australasian equities | NZ | |
| 8 | Cash at Bank | 4.63% | Cash and cash equivalents | NZ | AA- |
| 9 | Vista Group International | 3.87% | Australasian equities | NZ | |
| 10 | Z Energy Ltd | 3.74% | Australasian equities | NZ | |

The top 10 investments make up 61.12% of the net asset value of the fund.

Key personnel

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

| Name | Current position | Time in current position | Previous or other current position | Time in previous or other current position |
|-----------------------|---|--------------------------|---|--|
| Anthony Edmonds | Managing Director | 6 years 5 months | Financial Services Consultant | 1 years 2 months |
| Andrew Brockway | Investment & Product manager | 5 years 11 months | Financial Services Consultant | 10 months |
| Alistair Van der Maas | Director | 5 years 8 months | Managing Director, Russell Investments (current) | 5 years 11 months |
| Andrew Bascand | Managing Director, Harbour Asset Management | 7 years 2 months | Senior Vice President and Portfolio Manager, AllianceBernstein (NZ) | 10 years 1 months |
| Paul Glass | Executive Chairman, Devon Funds Management | 7 years 0 months | C-Founder and Portfolio Manager, Brook Asset Management | 6 years 9 months |

Further information

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

Notes

- ¹ A combination of actual Fund returns and market index returns have been used to determine the risk indicator as the Fund has not been operating for the required five years. The risk indicator may therefore provide a less reliable indicator of the Fund's future volatility. Market index returns have been used for the period to 28 February 2013.
- ² These returns are for the year to 31 March 2017.
- ³ The bar chart shows fund returns after deducting fees and tax. Tax is deducted at the highest Prescribed Investor Rate of 28%. However, the market index returns are shown before deducting fees and tax.