

**Russell International Property Securities Fund -
\$A Hedged**

ARSN 111 169 987

Interim Report

For the half-year ended 31 December 2010

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Directors' Report

The directors of Russell Investment Management Ltd (ABN 53 068 338 974 AFSL No. 247185), the Responsible Entity of Russell International Property Securities Fund - \$A Hedged, present their report together with the financial report of Russell International Property Securities Fund - \$A Hedged ("the Fund") for the half-year ended 31 December 2010.

Principal activities

The Fund typically invests in property trusts and property related securities listed on stock exchanges in developed international markets as set out in the Fund's offer documents and in accordance with the provisions of the Fund's Constitution.

The Fund utilises a Multi Style, Multi Manager investment approach which combines the individual strengths of multiple investment managers.

The Fund did not have any employees during the half-year.

There were no significant changes in the nature of the Fund's activities during the half-year.

Directors

The following persons held office as directors of Russell Investment Management Ltd during the half-year or since the end of the half-year and up to the date of this report:

Alan N Schoenheimer
 Glenn T Smith
 Symon J Parish
 Christopher A Corneil
 Kenneth W Willman

Review and results of operations

During the half-year, the Fund continued to invest in accordance with its investment objective and investment strategy as set out in the offer documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Results

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December 2010	31 December 2009
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	161,159	265,018
Distribution paid and payable (\$'000)	657	-
<i>Distributions - Class A</i>		
Distribution paid and payable (\$'000)	271	-
Distribution (cents per unit)	0.06	-
<i>Distributions - Class D</i>		
Distribution paid and payable (\$'000)	386	-
Distribution (cents per unit)	0.06	-

Directors' Report (continued)

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial half-year under review.

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the offer documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of the kind referred to in Class Order 98/100 (as amended) issued by the Australian Securities and Investments Commission relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and financial report have been rounded to the nearest thousand dollars in accordance with that Class Order, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.



Director

Sydney
10 March 2011



Auditor's Independence Declaration

As lead auditor for the review of Russell International Property Securities Fund - \$A Hedged for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Russell International Property Securities Fund - \$A Hedged during the period.

A handwritten signature in blue ink that reads 'TJO Peel'.

TJO Peel
Partner
PricewaterhouseCoopers

Sydney
10 March 2011

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Statement of comprehensive income

	Notes	Half-year ended	
		31 December 2010 \$'000	31 December 2009 \$'000
Investment income			
Interest income from financial assets not held at fair value through profit or loss		129	257
Dividend and distribution income		12,758	18,702
Net gains/(losses) on financial instruments held at fair value through profit or loss		152,417	251,157
Write-back of accruals		-	587
Other operating income		501	294
Total net investment income/(loss)		165,805	270,997
Expenses			
Management fees		1,411	1,632
Custody fees		221	100
Auditor's remuneration		17	15
Transaction costs		839	2,397
Withholding taxes on foreign dividends and interest		1,986	1,717
Other operating expenses		172	118
Total operating expenses		4,646	5,979
Operating profit/(loss) for the half-year		161,159	265,018
Finance costs attributable to unitholders			
Distributions to unitholders	3	(657)	-
(Increase)/decrease in net assets attributable to unitholders	2	(160,502)	(265,018)
Profit/(loss) for the half-year		-	-
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		-	-

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		As at	
		31 December	30 June
	Notes	2010 \$'000	2010 \$'000
Assets			
Cash and cash equivalents		8,327	15,386
Receivables		3,870	4,326
Due from brokers - receivable for securities sold		7,344	6,629
Investment in cash collateral trust	6	31,255	33,172
Financial assets held at fair value through profit or loss	4	<u>830,207</u>	<u>876,295</u>
Total assets		<u>881,003</u>	<u>935,808</u>
Liabilities			
Distributions payable	3	657	-
Payables		2,192	2,163
Due to brokers - payable for securities purchased		9,265	10,237
Contractual obligation to repay cash collateral	6	31,255	33,172
Financial liabilities held at fair value through profit or loss	5	<u>5,949</u>	<u>28,515</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>49,318</u>	<u>74,087</u>
Net assets attributable to unitholders - liability	2	<u>831,685</u>	<u>861,721</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Half-year ended	
	31 December 2010 \$'000	31 December 2009 \$'000
Total equity at the beginning of the financial half-year	-	-
Total comprehensive income for the half-year	-	-
Transactions with unitholders in their capacity as equity holders	-	-
Total equity at the end of the financial half-year	<u>-</u>	<u>-</u>

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the half-year.

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Half-year ended	
	31 December 2010 \$'000	31 December 2009 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	650,424	772,848
Purchase of financial instruments held at fair value through profit or loss	(475,722)	(608,987)
Dividends and distributions received	12,985	16,584
Interest received	129	257
Other income received	437	319
Management fees paid	(1,391)	(1,406)
Payment of other expenses	(3,226)	(4,397)
Net cash inflow/(outflow) from operating activities	<u>183,636</u>	<u>175,218</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	41,515	73,414
Payments for redemptions by unitholders	(232,053)	(259,436)
Net cash inflow/(outflow) from financing activities	<u>(190,538)</u>	<u>(186,022)</u>
Net increase/(decrease) in cash and cash equivalents	(6,902)	(10,804)
Cash and cash equivalents at the beginning of the half-year	15,386	34,884
Effects of foreign currency exchange rate changes on cash and cash equivalents	(157)	66
Cash and cash equivalents at the end of the half-year	<u>8,327</u>	<u>24,146</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

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1 Basis of preparation of the half-year report

This general purpose financial report for the interim half-year ended 31 December 2010 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report covers Russell International Property Securities Fund - \$A Hedged ("the Fund") as an individual entity. The Fund was constituted on 12 October 2004 and will terminate on 11 October 2084 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made in respect of Russell International Property Securities Fund - \$A Hedged during the interim reporting period.

The Responsible Entity of the Fund is Russell Investment Management Ltd ("the Responsible Entity"). The Responsible Entity's registered office is Level 29, 135 King Street, Sydney, NSW 2000. The financial report is presented in Australian dollars.

The Fund typically invests in property trusts and property related securities listed on stock exchanges in developed international markets as set out in the Fund's offer documents and in accordance with the provisions of the Fund's Constitution.

The financial report was authorised for issue by the directors on March 2011. The directors of the Responsible Entity have the power to amend and reissue the financial report.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the half-year were as follows:

	31 December		Half-year / year ended	
	2010	30 June	31 December	30 June
	No. '000	No. '000	\$'000	\$'000
Class A				
Opening balance	493,127	705,024	305,236	351,781
Applications	13,362	222,635	9,371	145,003
Redemptions	(50,370)	(434,532)	(35,116)	(277,031)
Increase/(decrease) in net assets attributable to unitholders	-	-	58,462	85,483
Closing balance	456,119	493,127	337,953	305,236
Class D				
Opening balance	879,633	1,280,872	556,485	647,810
Applications	46,018	234,645	32,144	145,097
Redemptions	(276,313)	(635,884)	(196,937)	(401,337)
Increase/(decrease) in net assets attributable to unitholders	-	-	102,040	164,915
Closing balance	649,338	879,633	493,732	556,485
Total net assets attributable to unitholders - liability	1,105,457	1,372,760	831,685	861,721

2 Net assets attributable to unitholders (continued)

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit in the Fund and does not extend to a right to the underlying assets of the Fund.

There are two separate classes of units. Each unit within the same class has the same rights as all other units within that class. Except for different management fee rates, the two different classes have the same preferences and restrictions.

3 Distributions to unitholders

The distributions were paid/payable as follows:

	Half-year ended			
	31 December 2010 \$'000	31 December 2010 CPU	31 December 2009 \$'000	31 December 2009 CPU
Class A				
Distributions payable	<u>271</u>	<u>0.06</u>	-	-
	<u>271</u>	<u>0.06</u>	-	-
Class D				
Distributions payable	<u>386</u>	<u>0.06</u>	-	-
	<u>386</u>	<u>0.06</u>	-	-
Total distributions	<u>657</u>		-	

4 Financial assets held at fair value through profit or loss

	Notes	As at	
		31 December 2010 Fair value \$'000	30 June 2010 Fair value \$'000
Held for trading			
Derivatives		<u>48,824</u>	<u>18,938</u>
Total held for trading		<u>48,824</u>	<u>18,938</u>
Designated at fair value through profit or loss			
Equity securities		739,316	819,490
Equity securities on loan	6	<u>29,724</u>	<u>32,013</u>
Unlisted unit trusts		<u>12,343</u>	<u>5,854</u>
Total designated at fair value through profit or loss		<u>781,383</u>	<u>857,357</u>
Total financial assets held at fair value through profit or loss		<u>830,207</u>	<u>876,295</u>

4 Financial assets held at fair value through profit or loss (continued)

	As at	
	31 December	30 June
	2010	2010
	Fair value	Fair value
Notes	\$'000	\$'000
Comprising:		
Derivatives		
Foreign currency forward and spot contracts	<u>48,824</u>	<u>18,938</u>
Total derivatives	<u>48,824</u>	<u>18,938</u>
Equity securities		
Australian equity securities	67,357	84,188
International equity securities	<u>671,959</u>	<u>735,302</u>
Total equity securities	<u>739,316</u>	<u>819,490</u>
Equity securities on loan		
Australian equity securities	2,541	32,013
International equity securities	<u>27,183</u>	<u>-</u>
Total equity securities on loan	<u>29,724</u>	<u>32,013</u>
Unlisted unit trusts		
Units in Australian trusts	<u>12,343</u>	<u>5,854</u>
Total unlisted unit trusts	<u>12,343</u>	<u>5,854</u>
Total financial assets held at fair value through profit or loss	<u>830,207</u>	<u>876,295</u>

5 Financial liabilities held at fair value through profit or loss

	As at	
	31 December	30 June
	2010	2010
	Fair value	Fair value
	\$'000	\$'000
Held for trading		
Derivatives	<u>5,949</u>	<u>28,515</u>
Total held for trading	<u>5,949</u>	<u>28,515</u>
Total financial liabilities held at fair value through profit or loss	<u>5,949</u>	<u>28,515</u>
Comprising:		
Derivatives		
Foreign currency forward and spot contracts	<u>5,949</u>	<u>28,515</u>
Total derivatives	<u>5,949</u>	<u>28,515</u>
Total financial liabilities held at fair value through profit or loss	<u>5,949</u>	<u>28,515</u>

6 Securities lending

The Fund has entered into securities lending arrangements with State Street Bank and Trust Company under which legal title to some of the Fund's assets may be transferred to another entity. The securities are loaned by State Street Bank and Trust Company, as agent of the Responsible Entity, to certain brokers and other financial institutions (the "Borrowers"). The Borrowers provide cash, securities, or letters of credit as collateral against loans in an amount between 102% and 105% of the fair value of the loaned securities. At the balance date the cash collateral provided by the Borrowers is invested in the cash collateral funds.

Risks and Indemnification

The risks and benefits of ownership of the loaned assets remain with the Fund. Consistent with the accounting policy for recognition and de-recognition of financial instruments, assets that have been loaned have not been derecognised (i.e. treated as having been sold). These financial instruments have been separately classified as loaned equity securities.

State Street Bank and Trust Company, as lending agent, indemnifies the Fund for replacement of any loaned securities (or, in certain circumstances, return of equivalent cash value) due to a Borrower default on a security loan. The Fund is also exposed to the benefits or losses of the investments in the cash collateral funds and consequently recognises as an asset the contractual right to the cash collateral funds.

7 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 31 December 2010 or on the results and cash flows of the Fund for the half-year ended on that date.

8 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2010 and 30 June 2010.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial report and notes set out on pages 5 to 13 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Director

Sydney
10 March 2011



Independent auditor's review report to the unitholders of Russell International Property Securities Fund - \$A Hedged

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Russell International Property Securities Fund - \$A Hedged (the "Fund"), which comprises the financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Russell International Property Securities Fund - \$A Hedged.

Directors' responsibility for the half-year financial report

The directors of Russell Investment Management Ltd (the Responsibility Entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Russell International Property Securities Fund - \$A Hedged, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

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Independent auditor's review report to the unitholders of Russell International Property Securities Fund - \$A Hedged (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Russell International Property Securities Fund - \$A Hedged is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

TJO Peel

TJO Peel
Partner

Sydney
10 March 2011