

Russell International Shares Fund - \$A Hedged

ARSN 092 805 939

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 Shares Fund - \$A Hedged, present their report together with the financial report of Russell International Shares Fund - \$A Hedged ("the Fund") for the half-year ended 31 December 2010.

Principal activities

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets, through investing in the Russell International Shares Fund and derivatives, 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 (Consolidated)	
	31 December 2010	31 December 2009
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	99,018	449,127
Distribution paid and payable (\$'000)	108	113
<i>Distributions - Class D</i>		
Distribution (cents per unit)	0.03	0.01

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 Shares 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 Shares Fund - \$A Hedged during the period.

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

TJO Peel
Partner
PricewaterhouseCoopers

Sydney
10 March 2011

Statement of comprehensive income

	Half-year ended	
	31 December	(Consolidated) 31 December
	2010	2009
Notes	\$'000	\$'000
Investment income		
Interest income from financial assets not held at fair value through profit or loss	37	1,838
Distribution income	90	22,664
Net gains/(losses) on financial instruments held at fair value through profit or loss	100,081	428,135
Write-back of accruals	-	1,841
Other operating income	-	2,706
Total net investment income/(loss)	<u>100,208</u>	<u>457,184</u>
Expenses		
Responsible Entity's fees	74	561
Management fees	1,012	3,476
Custody fees	26	311
Auditor's remuneration	15	68
Broker commission expense - Futures	11	86
Transaction costs	39	1,214
Withholding taxes on foreign dividends and interest	-	2,191
Other operating expenses	13	150
Total operating expenses	<u>1,190</u>	<u>8,057</u>
Operating profit/(loss) for the half-year	<u>99,018</u>	<u>449,127</u>
Finance costs attributable to unitholders		
Distributions to unitholders	3 (108)	(113)
(Increase)/decrease in net assets attributable to unitholders	2 (98,910)	(343,915)
(Increase)/decrease in net assets attributable to minority interests	-	(105,099)
Profit/(loss) for the half-year	<u>-</u>	<u>-</u>
Other comprehensive income for the half-year	-	-
Total comprehensive income for the half-year	<u>-</u>	<u>-</u>

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

Statement of financial position

		As at	
	Notes	31 December 2010 \$'000	30 June 2010 \$'000
Assets			
Cash and cash equivalents		294	253
Deposits held with brokers for margin		337	803
Receivables		67	21,766
Financial assets held at fair value through profit or loss	4	<u>452,060</u>	<u>673,816</u>
Total assets		<u>452,758</u>	<u>696,638</u>
Liabilities			
Payables		906	944
Distributions payable	3	108	41,495
Financial liabilities held at fair value through profit or loss	5	<u>3,161</u>	<u>18,555</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>4,175</u>	<u>60,994</u>
Net assets attributable to unitholders - liability	2	<u>448,583</u>	<u>635,644</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	(Consolidated) 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	-	-

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	(Consolidated) 31 December
	2010	2009
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	455,284	1,894,991
Purchase of financial instruments held at fair value through profit or loss	(126,674)	(1,087,087)
Dividends and distributions received	119	21,103
Interest received	37	1,839
Other income received	-	312
Management and Responsible Entity's fees paid	(1,080)	(3,615)
Custodian fee paid	(26)	(8)
Payment of other expenses	(153)	(3,806)
Net cash inflow/(outflow) from operating activities	<u>327,507</u>	<u>823,729</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	18,252	195,079
Payments for redemptions by unitholders	(342,262)	(1,028,711)
Distributions paid	(3,456)	-
Net cash inflow/(outflow) from financing activities	<u>(327,466)</u>	<u>(833,632)</u>
Net increase/(decrease) in cash and cash equivalents	41	(9,903)
Cash and cash equivalents at the beginning of the half-year	253	234,544
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	1,278
Effects of deconsolidation of subsidiary on cash and cash equivalents	-	(205,489)
Cash and cash equivalents at the end of the half-year	<u>294</u>	<u>20,430</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 *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report covers Russell International Shares Fund - \$A Hedged ("the Fund") as an individual entity. The Fund was constituted on 30 January 1998 and will terminate on 29 January 2078 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 Shares 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 invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets, through investing in the Russell International Shares Fund and derivatives, 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.

The comparative information presented in relation to the half year ended 31 December 2009 in the Statement of comprehensive income, Statement of changes in equity and Statement of cash flows reflects the consolidated results and cash flows for the half year then ended as the Fund consolidated Russell International Shares Fund as at 31 December 2009. The fund ceased to control Russell International Shares Fund prior to 30 June 2010, accordingly all current period information presented reflects the Fund's results and cash flows for the half year ended 31 December 2010 and financial position as at 31 December 2010 on a standalone basis.

2 Net assets attributable to unitholders

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

	Half-year / year ended			
	31 December 2010 No. '000	30 June 2010 No. '000	31 December 2010 \$'000	30 June 2010 \$'000
Class A				
Opening balance	349,624	759,267	186,972	368,925
Applications	20,773	329,165	11,084	193,284
Redemptions	(51,060)	(746,080)	(27,650)	(430,261)
Units issued upon reinvestment of distributions	16,409	7,272	8,085	4,341
Increase/(decrease) in net assets attributable to unitholders	-	-	36,751	50,683
Closing balance	<u>335,746</u>	<u>349,624</u>	<u>215,242</u>	<u>186,972</u>
Class C				
Opening balance	22,771	22,114	15,173	13,604
Applications	1,571	4,734	1,140	3,417
Redemptions	(4,847)	(4,077)	(3,566)	(3,012)
Increase/(decrease) in net assets attributable to unitholders	-	-	2,950	1,164
Closing balance	<u>19,495</u>	<u>22,771</u>	<u>15,697</u>	<u>15,173</u>

2 Net assets attributable to unitholders (continued)

	31 December 2010 No. '000	Half-year / year ended		30 June 2010 \$'000
		30 June 2010 No. '000	31 December 2010 \$'000	
Class D				
Opening balance	896,711	2,667,896	433,499	1,249,806
Applications	11,299	133,268	6,028	75,493
Redemptions	(583,257)	(1,927,167)	(311,046)	(1,100,591)
Units issued upon reinvestment of distributions	59,657	22,714	29,954	13,831
Increase/(decrease) in net assets attributable to unitholders	-	-	59,209	194,960
Closing balance	<u>384,410</u>	<u>896,711</u>	<u>217,644</u>	<u>433,499</u>
Total net assets attributable to unitholders - liability	<u>739,651</u>	<u>1,269,106</u>	<u>448,583</u>	<u>635,644</u>

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 three 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 three different classes have the same preferences and restrictions.

3 Distributions to unitholders

The distributions were paid/payable as follows:

	31 December 2010 \$'000	Half-year ended		31 December 2009 CPU
		31 December 2010 CPU	31 December 2009 \$'000	
Class D				
Distributions payable	<u>108</u>	<u>0.03</u>	<u>113</u>	<u>0.01</u>
	<u>108</u>	<u>0.03</u>	<u>113</u>	<u>0.01</u>
Total distributions	<u>108</u>		<u>113</u>	

No distribution was paid for Class A and C for the half-year ended 31 December 2010 and 31 December 2009.

4 Financial assets held at fair value through profit or loss

	As at	
	31 December 2010	30 June 2010
	Fair value \$'000	Fair value \$'000
Held for trading		
Derivatives	<u>26,210</u>	<u>8,838</u>
Total held for trading	<u>26,210</u>	<u>8,838</u>
Designated at fair value through profit or loss		
Unlisted unit trusts	<u>425,850</u>	<u>664,978</u>
Total designated at fair value through profit or loss	<u>425,850</u>	<u>664,978</u>
Total financial assets held at fair value through profit or loss	<u>452,060</u>	<u>673,816</u>
Comprising:		
Derivatives		
International share price index futures	37	-
Foreign currency forward contracts	<u>26,173</u>	<u>8,838</u>
Total derivatives	<u>26,210</u>	<u>8,838</u>
Unlisted unit trusts		
Units in Australian equity trusts	<u>425,850</u>	<u>664,978</u>
Total unlisted unit trusts	<u>425,850</u>	<u>664,978</u>
Total financial assets held at fair value through profit or loss	<u>452,060</u>	<u>673,816</u>

5 Financial liabilities held at fair value through profit or loss

	As at	
	31 December 2010	30 June 2010
	Fair value \$'000	Fair value \$'000
Held for trading		
Derivatives	<u>3,161</u>	<u>18,555</u>
Total held for trading	<u>3,161</u>	<u>18,555</u>
Total financial liabilities held at fair value through profit or loss	<u>3,161</u>	<u>18,555</u>
Comprising:		
Derivatives		
International share price index futures	29	94
Australian share price index futures	2	8
Foreign currency forward contracts	<u>3,130</u>	<u>18,453</u>
Total derivatives	<u>3,161</u>	<u>18,555</u>
Total financial liabilities held at fair value through profit or loss	<u>3,161</u>	<u>18,555</u>

6 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.

7 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and 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 Shares Fund - \$A Hedged

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Russell International Shares 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 Shares 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 Shares 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.

PricewaterhouseCoopers, ABN 52 780 433 757

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Independent auditor's review report to the unitholders of Russell International Shares 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 Shares 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