

10 June 2010

Dear Investor

Changes to Russell Diversified Funds' Fees and Withdrawal Procedures

From **1 August 2010**, we will be increasing the Management Costs of the Russell Diversified Funds by a modest amount and providing clarification with regard to our ability to transfer assets to investors on withdrawal. This letter explains the rationale for these changes.

The changes will be reflected in our new Product Disclosure Statement (**PDS**), which will be effective from 1 August 2010.

Changes to fees

In our PDS, the Management Cost of each fund is given as an estimated Indirect Cost Ratio (**ICR**). The ICR includes all estimated expense recoveries, investment management fees and any performance fees payable. The table below shows the small increase from our current ICR to the new ICR for most of the Russell Diversified Funds (**Funds**):

Fund	Current ICR (% p.a.)	New ICR (% p.a.)	Change (% p.a.)
Russell Conservative Fund	0.67	0.70	0.03
Russell Diversified 50 Fund	0.77	0.80	0.03
Russell Balanced Fund	0.82	0.86	0.04
Russell Growth Fund	0.89	0.93	0.04
Russell High Growth Fund	1.04	1.04	0.00

These fee increases are a result of our commitment to ensuring that the Funds are continually managed in accordance with our investment beliefs and global best practice.

We have introduced a number of fund enhancements over the past two years and, together with those soon to be implemented as part of this year's strategic review, all target improved risk/return outcomes for our investors.

Some of the recent enhancements to the Funds include introduction of new asset exposures in the form of global listed infrastructure securities, commodities futures and high yield bonds, as well as implementing tilts in asset allocations to take advantage of perceived (extreme) mispricing in markets.

While these enhancements have come at an increased cost, we believe that the performance benefits enjoyed by investors have far outweighed the fee increases. Each of our Funds above has enjoyed top quartile performance over the last two years compared to other like-funds in the industry.¹

¹ Performance survey used is the Chant West Implemented Consultants Gross Survey for two years ending 30 April 2010.

Liquidity Management Restriction

The constitution of each of the Funds provides us with the power to transfer assets to investors in lieu of cash in satisfaction of their withdrawal requests. We have decided to clarify and expand on how and when we intend to use this power so as to provide investors with greater certainty.

From 1 August 2010, we may apply a Liquidity Management Restriction (LMR) at certain times in order to manage a Fund in accordance with its stated investment strategy. The LMR will be applied when we feel it is in the best interests of investors to do so. It will only impact investors holding units representing more than 10% of a Fund's assets under management (AUM).

When an LMR is imposed on a Fund, it will operate as follows:

- All unit holders will be notified when the LMR has been imposed.
- While the LMR is in place, a redeeming unit holder will receive the first part, up to a maximum of 10% of the Fund's AUM (i.e. the cash threshold) of their withdrawal request in cash. For the purposes of determining a unit holder's entitlement to cash proceeds up to the cash threshold, all withdrawal requests lodged by that unit holder during the period that the LMR is in place will be assessed as a whole.
- The balance (if any) of a unit holder's withdrawal proceeds that are greater than the cash threshold will be satisfied with a combination of cash and assets.
- All unit holders will be notified when the LMR has been lifted.

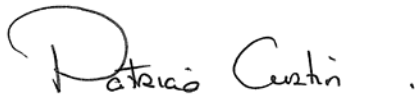
For full details of how the LMR will operate, please refer to the new PDS.

Accessing the new PDS

As noted, the above changes will be reflected in our new PDS. You may access the new PDS electronically on www.russell.com.au from 1 August 2010.

We would like to take this opportunity to thank you for investing with us. If you have any queries regarding this, please contact your financial adviser.

Yours sincerely,



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