

Russell Investments Australian Select Corporate Bond ETF

ARSN 154 588 477

Interim report

For the half-year ended 31 December 2018

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Contents

	Page
Directors' report	2
Auditor's independence declaration	4
Statement of comprehensive income	5
Statement of financial position	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the financial statements	9
Directors' declaration	17
Independent audit report to the unitholders of Russell Investments Australian Select Corporate Bond ETF	18

This interim 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 2018 and any public announcements made in respect of Russell Investments Australian Select Corporate Bond ETF during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Russell Investments Australian Select Corporate Bond ETF as an individual entity.

The Responsible Entity of the Russell Investments Australian Select Corporate Bond ETF is Russell Investment Management Ltd

(ABN 53 068 338 974) (AFSL 247185).

The Responsible Entity's registered office is:

Level 29, 135 King Street,
Sydney, NSW 2000.

Directors' report

The directors of Russell Investment Management Ltd (ABN 53 068 338 974 AFSL No. 247185), the Responsible Entity of Russell Investments Australian Select Corporate Bond ETF, present their report together with the financial statements of Russell Investments Australian Select Corporate Bond ETF (the "Fund"), for the half-year ended 31 December 2018.

Principal activities

The Fund seeks to track the performance of the DBIQ 0-4 year Investment Grade Australian Corporate Bond Index (the "Index") by investing predominantly in Australian Corporate Fixed Income Securities. The Index filters the largest and most liquid Corporate Fixed income securities and weights them equally upon reconstitution. Derivatives may also be used to a limited extent to obtain or reduce exposure to such securities.

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 or since the end of the half-year and up to the date of this report.

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:

Peter Gunning
 Jodie Hampshire (appointed, effective 1 July 2018)
 Symon Parish
 Kenneth Willman (resigned, effective 31 December 2018)
 Bronwyn Yates
 Richard Smirl (appointed, effective 28 February 2019)

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.

The Fund generally invests in the securities comprising the Index in proportion to their relative weightings and aims to achieve investment returns (before costs and tax), that closely correspond to the performance of the Index.

Results

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

	Half-year ended	
	31 December 2018	31 December 2017
Operating profit/(loss) before finance costs attributable to unitholders (\$'000)	<u>3,555</u>	<u>2,372</u>
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<u>2,661</u>	<u>2,774</u>
Distribution (Cents per unit - CPU)	<u>29.25</u>	<u>36.89</u>

The performance above is primarily driven by the performance of the Index which this Fund tracks resulting in the increase of 1.99% comprising distributions paid and payable and changes in the post distribution unit price for the half-year ended 31 December 2018.

The movement in the assets and liabilities in the Statement of financial position corresponds with the units issued and redeemed during the half-year as reflected in note 4 and the performance of the Fund during the half-year.

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.

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.

The future returns are dependent upon the performance of the underlying Index. The Fund's investment objective and strategy remains unchanged which is to track the performance of the Index (before fees and costs). Accordingly the future returns of the Fund are dependent on the performance of the Index.

Rounding of amounts to the nearest thousand dollars

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report and financial statements. Amounts in the Directors' report and financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated. Due to rounding, rounded components presented throughout the financial statements may not add up precisely to the rounded sum.

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
13 March 2019



Auditor's Independence Declaration

As lead auditor for the review of Russell Investments Australian Select Corporate Bond ETF for the half-year ended 31 December 2018, 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.

A handwritten signature in blue ink, appearing to read 'Joe Sheeran'.

Joe Sheeran
Partner
PricewaterhouseCoopers

Sydney
13 March 2019

Statement of comprehensive income

	Half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
Investment income		
Net gains/(losses) on financial instruments at fair value through profit or loss	3,760	2,525
Other operating income	25	38
Total investment income/(loss)	<u>3,785</u>	<u>2,563</u>
Expenses		
Management costs	230	191
Total operating expenses	<u>230</u>	<u>191</u>
Profit/(loss) for the half-year	<u>3,555</u>	<u>2,372</u>
Other comprehensive income	-	-
Total comprehensive income for the half-year	<u>3,555</u>	<u>2,372</u>

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

Statement of financial position

		As at	
		31 December 2018	30 June 2018
	Notes	\$'000	\$'000
Assets			
Cash and cash equivalents		367	419
Receivables		1,907	1,618
Financial assets at fair value through profit or loss	3	<u>186,698</u>	<u>164,555</u>
Total assets		<u>188,972</u>	<u>166,592</u>
Liabilities			
Payables		221	212
Distributions payable to unitholders	5	<u>1,367</u>	<u>997</u>
Total liabilities		<u>1,588</u>	<u>1,209</u>
Net assets attributable to unitholders - equity	4	<u>187,384</u>	<u>165,383</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 2018	31 December 2017
	Note	\$'000	\$'000
Total equity at the beginning of the financial half-year		165,383	-
Reclassification due to AMIT tax regime implementation	4	-	132,857
Comprehensive income for the half-year			
Profit/(loss) for the half-year		3,555	2,372
Other comprehensive income		-	-
Total comprehensive income for the half-year		3,555	2,372
Transactions with unitholders			
Applications		21,065	21,212
Redemptions		-	-
Reinvestment of distributions		42	58
Distributions paid and payable		(2,661)	(2,774)
Total transactions with unitholders		18,446	18,496
Total equity at the end of the financial half-year		187,384	153,725

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 2018	31 December 2017
	\$'000	\$'000
Cash flows from operating activities		
Proceeds related to financial instruments at fair value through profit or loss	83,940	125,513
Payments related to financial instruments at fair value through profit or loss	(102,277)	(143,402)
Interest received/(paid)	(334)	57
Proceeds from receivables	24	25
Management costs paid	(221)	(173)
Net cash inflow/(outflow) from operating activities	(18,868)	(17,980)
Cash flows from financing activities		
Proceeds from applications by unitholders	21,065	21,212
Distributions paid	(2,249)	(3,140)
Net cash inflow/(outflow) from financing activities	18,816	18,072
Net increase/(decrease) in cash and cash equivalents	(52)	92
Cash and cash equivalents at the beginning of the half-year	419	40
Cash and cash equivalents at the end of the half-year	367	132

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

Contents of the notes to the financial statements

	Page
1 Basis of preparation of interim report	10
2 Fair value measurement	13
3 Financial assets at fair value through profit or loss	15
4 Net assets attributable to unitholders	15
5 Distributions to unitholders	16
6 Events occurring after the reporting period	16
7 Contingent assets and liabilities and commitments	16

1 Basis of preparation of interim report

These condensed financial statements for the half-year ended 31 December 2018 has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

These interim financial statements cover Russell Investments Australian Select Corporate Bond ETF (the "Fund") as an individual entity. The Fund was constituted on 1 December 2011 and will terminate on 30 October 2091 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these interim financial statements are to be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made in respect of Russell Investments Australian Select Corporate Bond ETF 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 interim financial statements are presented in Australian currency.

The Fund seeks to track the performance of the DBIQ 0-4 year Investment Grade Australian Corporate Bond Index (the "Index") by investing predominantly in Australian Corporate Fixed Income Securities. The Index filters the largest and most liquid Corporate Fixed income securities and weights them equally upon reconstitution. Derivatives may also be used to a limited extent to obtain or reduce exposure to such securities.

The Fund is organised into one main segment which operated solely in the business of investment management within Australia. The Fund operates in Australia and holds investments in Australia.

The nature of the Fund's operation is such that income and expenses are incurred in a manner which is not impacted by any form of seasonality.

These interim financial statements are prepared based upon an accrual concept which requires income and expenses to be recorded as earned or incurred and not as received or paid throughout the period.

The interim financial statements were authorised for issue by the directors on 13 March 2019. The directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

(a) Significant accounting policies

Except for the below, the accounting policies applied in these interim financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2018.

The Fund had to change some of its accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

New and amended standards adopted by the Fund

- AASB 9 *Financial Instruments* (and applicable amendments)

AASB 9 *Financial Instruments* became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

Classification and measurement of debt securities is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI).

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from solely payments of principal and interest (SPPI) and to sell.

1 Basis of preparation of interim report (continued)

(a) Significant accounting policies (continued)

All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments in either the current or comparative period. The Fund's financial assets and financial liabilities continue to be classified as fair value through profit or loss. There was no material impact on adoption from the application of the new impairment model.

- *AASB 15 Revenue from Contracts with Customers*

AASB 15 replaces AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 January 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Financial assets and liabilities at fair value through profit or loss

(i) Classification

Assets:

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are 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) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

1 Basis of preparation of interim report (continued)

(b) Financial assets and liabilities at fair value through profit or loss (continued)

(ii) Measurement (continued)

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair values of financial instruments are determined please see note 2 to the financial statements.

(c) Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities. Interest income on assets at fair value through profit or loss is included in the net gains/(losses) on financial instruments at fair value through profit or loss.

Other changes in fair value for such instruments are recorded in accordance with the policies described in note 1(b) to the financial statements.

(d) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker 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 Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker 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. Any contractual payment which is more than 90 days past due is considered credit impaired.

(e) Receivables

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in note 1(c) above. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial

1 Basis of preparation of interim report (continued)

(e) Receivables (continued)

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

These balances are classified at amortised cost as they are deemed to be held in a business model with the objective to collect contractual cash flows through to maturity, and whose terms meet the SPPI criterion by virtue of the fact that payments pertain to only principal and/or simple interest and have a maturity of less than 12 months.

(f) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period. As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the Statement of financial position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period. These amounts are recognised initially at fair value and subsequently measured at amortised cost.

2 Fair value measurement

The Fund measures and recognises the following assets at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (FVTPL) (see note 3)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) 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 end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in notes to the financial statements as at 30 June 2018. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market prices used for both financial assets and financial liabilities were last traded prices.

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.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

2 Fair value measurement (continued)

(ii) Valuation techniques used to derive level 2 and level 3 fair value (continued)

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 31 December 2018 and 30 June 2018.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 31 December 2018				
Financial assets				
Financial assets at fair value through profit or loss:				
Debt securities	-	186,698	-	186,698
Total	-	186,698	-	186,698

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2018				
Financial assets				
Financial assets at fair value through profit or loss:				
Debt securities	-	164,555	-	164,555
Total	-	164,555	-	164,555

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(i) Transfers between levels

There have been no transfer between levels for the half-year ended 31 December 2018. There were also no changes made to any of the valuation techniques applied as of 30 June 2018.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the half-year ended 31 December 2018 or year ended 30 June 2018.

2 Fair value measurement (continued)

(iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

(iv) Fair values of other financial instruments

The Fund has assets and liabilities carried at amortised cost. Due to their short-term nature, their carrying values are a reasonable approximation of fair value.

3 Financial assets at fair value through profit or loss

	As at	
	31 December 2018	30 June 2018
	Fair value \$'000	Fair value \$'000
Financial assets at fair value through profit or loss		
Debt securities	<u>186,698</u>	<u>164,555</u>
Total financial assets at fair value through profit or loss	<u>186,698</u>	<u>164,555</u>
Comprising:		
Debt securities		
Corporate bonds	<u>186,698</u>	<u>164,555</u>
Total debt securities	<u>186,698</u>	<u>164,555</u>
Total financial assets at fair value through profit or loss	<u>186,698</u>	<u>164,555</u>

4 Net assets attributable to unitholders

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

	Half-year ended			
	31 December 2018	31 December 2017	31 December 2018	31 December 2017
	No.'000	No.'000	\$'000	\$'000
Opening balance	8,273	6,617	165,383	132,857
Applications	1,050	1,050	21,065	21,212
Units issued upon reinvestment of distributions	2	3	42	58
Distributions paid and payable	-	-	(2,661)	(2,774)
Profit/(loss) for the half-year	-	-	3,555	2,372
Closing balance	<u>9,325</u>	<u>7,670</u>	<u>187,384</u>	<u>153,725</u>

4 Net assets attributable to unitholders (continued)

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

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

5 Distributions to unitholders

The distributions for the half-year were as follows:

	31 December 2018 \$'000	Half-year ended 31 December 2018 CPU	31 December 2017 \$'000	31 December 2017 CPU
Total distributions for the half-year	<u>2,661</u>	<u>29.25</u>	<u>2,774</u>	<u>36.89</u>

At 31 December 2018, the above distributions include a distribution payable amount of \$1,366,952 (2017: \$1,406,588).

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 2018 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, liabilities or commitments as at 31 December 2018 and 30 June 2018.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 16 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 2018 and of its performance for the financial 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
13 March 2019



Independent auditor's review report to the unitholders of Russell Investments Australian Select Corporate Bond ETF

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Russell Investments Australian Select Corporate Bond ETF (the Registered Scheme), which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors of the Responsible Entity's declaration.

Directors of the Responsible Entity's responsibility for the half-year financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity 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 Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a 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 half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2018 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 Investments Australian Select Corporate Bond ETF, 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. 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.

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation.



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 Investments Australian Select Corporate Bond ETF is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Joe Sheeran', written in a cursive style.

Joe Sheeran
Partner

Sydney
13 March 2019