

Russell Australian Bond ETFs

Supplementary Product Disclosure Statement

Russell Australian Government Bond ETF (ARSN 154 587 710)
 Russell Australian Semi-Government Bond ETF (ARSN 154 588 048)
 Russell Australian Select Corporate Bond ETF (ARSN 154 588 477)

About this Supplementary Product Disclosure Statement

This Supplementary Product Disclosure Statement (SPDS) is dated 1 December 2014 and updates the Product Disclosure Statement (PDS) dated 23 February 2012 for the Russell Australian Bond ETFs and must be read in conjunction with the PDS. All changes disclosed below will take effect from the date of issue of this SPDS.

A copy of this SPDS has been lodged with the Australian Securities and Investments Commission (ASIC) and the Australian Securities Exchange (ASX). Neither ASIC nor the ASX take any responsibility for the contents of this SPDS.

Unless otherwise specified, terms used in this SPDS have the same meaning as in the PDS.

This SPDS sets out the following changes to the Russell Australian Select Corporate Bond ETF, the main features of which are described in the PDS:

1. Change to Transaction Fees

From 1 December 2014, the transaction fees for the Australian Bond ETFs will be reduced to the following:

- › Russell Australian Government Bond ETF (RGB): \$150
- › Russell Australian Semi-Government Bond ETF (RSM): \$180
- › Russell Australian Select Corporate Bond ETF (RCB): \$150

On page 4 of the PDS, delete the section of the Key Features table relating to 'Transaction Fee' and replace it with:

Transaction Fee	RGB - \$ 150 RSM - \$ 180 RCB - \$ 150 This fee is paid by an Authorised Participant on application and on redemption.
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In the section entitled 'Fees and Costs' on page 24 of the PDS, delete the section of the table relating to 'Transaction Fee' and replace it with:

Transaction Fee		
Transaction fee: The fee charged for every creation/redemption of Units**	RGB - \$ 150 RSM - \$ 180 RCB - \$ 150	Payable by the Authorised Participant at the time of application for creation or redemption.

2. Removal of INAV

On **page 5** of the PDS, delete in its entirety the section of the Key Features table relating to INAV.

3. Annual Reporting

On **page 5** of the PDS, delete the section of the Key Features table relating to Annual Reporting and replace it with:

Annual Reporting	We'll send you an annual investment statement if you are a retail investor, and an annual tax statement. We will also provide or make available to you an annual report.
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On **page 33** of the PDS, delete the wording in the section entitled 'Annual Report' and replace it with:

Under the Corporations Act 2001 we are required to provide or make available to you a copy of the annual financial report, the annual directors' report and the auditor's report on the annual financial report ('Annual Report') for the Fund in which you are invested unless you have elected not to receive them. The Annual Report is published on the website at www.russell.com.au.

4. Changes to the DBIQ 0-3 year Investment Grade Australian Corporate Bond Index

The Russell Australian Select Corporate Bond ETF (the Fund) tracks the performance of the DBIQ 0-3 year Investment Grade Australian Corporate Bond Index (the Index). From 1 December 2014, the Index methodology will be adjusted to reduce concentration risk in the Index and increase diversification across eligible issuers and securities, whilst maintaining the quality and liquidity of securities in the Index. This adjustment of the Index methodology will not impact the Fund's investment objective or investment strategy.

As a result, effective from 1 December 2014:

- the Index name will be changed from the DBIQ 0-3 year Investment Grade Australian Corporate Bond Index to the DBIQ 0-4 year Investment Grade Australian Corporate Bond Index as a result of the new term to maturity of approximately 4 years;
- all references in the PDS to DBIQ 0-3 year Investment Grade Australian Corporate Bond Index are deleted and replaced with DBIQ 0-4 year Investment Grade Australian Corporate Bond Index;
- delete in its entirety **page 9**; and
- the table set out at **page 8**, titled "Russell Australian Select Corporate Bond ETF (ARSN: 154 588 477)" is deleted and replaced with the following new table:

Russell Australian Select Corporate Bond ETF (ARSN: 154 588 477)

Investment objective	To aim to provide a total return before costs and tax, in line with DBIQ 0-4 year Investment Grade Australian Corporate Bond Index over the long term.
Investment strategy	The Fund seeks to track the performance of DBIQ 0-4 year Investment Grade Australian Corporate Bond 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. We will not significantly change the Fund's investment strategy as described in this PDS unless the change has been approved by a resolution passed by 75% of Units cast on the resolution.

Russell Australian Government Bond ETF (ARSN 154 587 710)
 Russell Australian Semi-Government Bond ETF (ARSN 154 588 048)
 Russell Australian Select Corporate Bond ETF (ARSN 154 588 477)

Index	<p>DBIQ 0 -4 year Investment Grade Australian Corporate Bond Index.</p> <p>The DBIQ 0 -4 year Investment Grade Australian Corporate Bond Index is a fixed income index provided by Deutsche Bank, designed to provide investors with an investable exposure to Australian Corporate Fixed income securities.</p> <p>The DBIQ 0 -4 year Investment Grade Australian Corporate Bond Index starts with a universe of Australian Fixed income securities.</p> <p>A number of filters are applied to the universe to ensure that the eligible fixed income securities are issued by Australian institutions, and have features of (including but not limited to) fixed rate, non-callable, fixed coupon paying terms.</p> <p>Eligible fixed income securities must achieve a minimum credit rating of A or above from the major rating agencies, in accordance with the index methodology. Credit ratings for fixed income securities relate to a rating agency's assessment of the creditworthiness of a particular entity's (such as a corporation's) debt issue. A credit rating of investment grade indicates that the ratings agencies view an issuer as likely to meet payment obligations.</p> <p>The index then specifically identifies an initial universe of fixed income securities that are credit type securities issued by an entity (i) whose ultimate parent is domiciled in Australia, and (ii) which is listed or has issued a class of securities that are quoted (or in the case of a fully guaranteed entity, the parent is listed or has issued a class of its securities that are quoted) on the ASX or any other Australian exchange which is a member of the World Federation of Exchanges. The fixed income securities must also have a principal amount outstanding greater than \$100 million to ensure sufficient liquidity and a term to maturity (TTM) of between a minimum of 1 year and approximately 4 years. A second universe is then derived to determine the 25th Percentile Issue size of the initial universe. Only securities greater than this 25th percentile remain. The fixed income securities are then ranked by TTM from longest to shortest, and two fixed income securities per issuer are selected up to a maximum of ten securities. If the resulting number of securities is less than ten, and any of the four largest Australian bank issuers has only one security, then another fixed income security from these issuers is selected according to the longest TTM. If the number of securities continues to be less than ten, then a third fixed income security per issuer is selected according to the longest TTM. It is possible that only fixed income securities issued by the four largest issuers will be eligible for inclusion in the index.</p> <p>The fixed income securities are then equally weighted based on market value on the day of reconstitution. The index is reconstituted quarterly, with the above rules applied and equal weighting occurring on reconstitution. The weighting of the individual fixed income securities is likely to vary between reconstitutions based on price movements.</p> <p>Coupons received from the constituents are to be reinvested back into the relevant security or securities.</p> <p>As at the date of this PDS, the index includes fixed income securities issued by the four largest banks in Australia and a non financial corporation. The underlying index constituents may change in the future in line with the index methodology.</p> <p>More details about the characteristics of the DBIQ 0 -4 year Investment Grade Australian Corporate Bond Index are available at: http://index.db.com</p>
Fund size	<p>Up to date information about the Fund's size will be made available on Russell's website at www.russell.com.au/etfs.</p>
Performance	<p>Performance information for the Fund will be available on Russell's website at www.russell.com.au/etfs.</p> <p>The return of capital or performance of the Fund is not guaranteed. Past performance is not a reliable indicator of future performance.</p>

Important Note:

The Funds in this PDS are not sponsored, endorsed, sold or promoted by Deutsche Bank or its affiliates. Neither Deutsche Bank nor its affiliates make any representations or warranties, express or implied, to the owners of the Russell Australian Bond ETFs or any other person regarding the advisability of investing in the Russell Australian Bond ETFs or as to the results obtained from the use of the DBIQ 5-10 year Australian Government Bond Index, the DBIQ 0-5 year Australian Semi-Government Bond Index and the DBIQ 0-4 year Investment Grade Australian Corporate Bond Index (the Indexes). Deutsche Bank and its affiliates have no obligation or liability in connection with the operation, marketing, trading or sale of the Russell Australian Bond ETFs or use of the Indexes and/or the Methodology for the Indexes. Deutsche Bank and its affiliates shall not be liable (whether in negligence or otherwise) to any person for any error in the Indexes and/or Methodology and shall not be under any obligation to advise any person of any error therein.

5. Your privacy

On **page 34** of the PDS, delete the section entitled 'Your privacy' and replace with the following text:

The way that we collect, use, disclose, keep secure and give people access to their personal information is regulated by the Privacy Act 1988. Our Privacy Policy states how we manage personal information and includes details about:

- › how we use personal information (for example, we may share it with related companies and external service providers, or use it to tell you about other products and services that we offer – but you can elect to stop receiving such information at any time);
- › how we store and maintain personal information;
- › how you can access or correct your personal information; and
- › how you can make a complaint to us about a breach of the Privacy Act 1988.

You do not need to give us any of the personal information requested in the Application Form or any other document or communication relating to the products or services that we supply to you. However, without this information, we may not be able to process your application or provide you with an appropriate level of service.

By completing the Application Form accompanying the PDS, you agree to us collecting, holding and using personal information about you, in the way set out in our Privacy Policy, to process your application, and administer and manage the products and services we provide to you. This includes monitoring, auditing and evaluating the products and services, modelling data, data testing, communicating with you and dealing with any complaints or enquiries.

You also agree to us disclosing your personal information to other Russell companies as well as our external service providers, which provide services in connection with our products and services.

We may also disclose your personal information:

- › if, acting in good faith, we believe that the law requires or permits us to do so;
- › if you consent; or
- › to any party proposing to acquire an interest in our business.

For full details on how we manage personal information, a copy of our Privacy Policy can be obtained on our website at www.russell.com.au or by contacting us.

If you wish to update or request access to your information or if you have any queries regarding our Privacy Policy, please contact us at:

The Privacy Officer
Russell Investments
Level 29, 135 King Street
SYDNEY NSW 2000

Email: aus-compliance@russell.com
Phone: 02 9229 5111

6. ASIC Relief

The relief disclosure, as detailed under the subheading 'ASIC Relief' section on **page 35** of the PDS is amended by adding the following paragraph to the end of that section:

Class Order Relief – Periodic Statements

ASIC has granted relief under Class Order 13/1200 from certain periodic statement requirements. In particular, we are not required to include purchase or sale price information in periodic statements or return on investment information where we are unable to determine such information. In addition, Class Order 13/1200 requires us to report in the periodic statement whether the fund has met its investment objective over the last one-year and five-year periods.

7. Index Provider

On **page 32** of the PDS, in the section entitled "Index Provider", add the following paragraph to the end of that section:

Deutsche Bank has given and, as the date hereof, has not withdrawn its written consent to be named as Index Provider in the form and context in which it is named. Deutsche Bank has no involvement in the preparation of any part of this PDS other than being named as the Index Provider and do not accept any responsibility or liability for any information contained in the PDS.

8. New Application Form

Please note that the attached Application/Redemption Form dated 1 December 2014, replaces the Application/Redemption Form attached to this SPDS to invest in the Fund from 1 December 2014 onwards.

You will need to complete the Application/Redemption Form attached to this SPDS to invest in the Fund from 1 December 2014 onwards.

Russell Australian Bond ETFs

Application for Creation/Redemption Form

Please complete the relevant sections in BLOCK LETTERS.

Investor details

Investor Name/s: (For joint applicants, include both names)

Investor Address:

Postcode: Contact Number: (In case we need to contact you about your application)

Note: You need to firstly contact Russell Fund Operations for instructions on how to invest and to obtain a copy of the Client ID Form. You will also need to complete the forms required by Russell for client identification and verification procedures (this includes proof of investor ID requirements). This form is issued with the Supplementary Product Disclosure Statement for the Russell Australian Bond ETFs dated 1 December 2014 (SPDS), which supplements the Product Disclosure Statement for the Russell Australian Bond ETFs dated 23 February 2012 (PDS).

Please refer to the Creation and Redemption Procedure in the Authorised Participant Agreement for fax details to use when sending the Application for Creation/Redemption Form.

Number of Creation/Redemption Units applied/redeemed

The Investor applies to Russell Investment Management Ltd. ABN 53 068 338 974, AFS Licence Number 247 185 as responsible entity for the Russell Australian Bond ETFs for the issue/redemption of the number of Creation/Redemption Units specified (whole multiples of 100,000 Units for RGB and RSM and 300,000 Units for RCB only).

ETF	ASX code	Number of Creation Units	Number of Redemption Units
Russell Australian Government Bond ETF ARSN 154 587 710	RGB	<input type="text"/>	<input type="text"/>
Russell Australian Semi-Government Bond ETF ARSN 154 588 048	RSM	<input type="text"/>	<input type="text"/>
Russell Australian Select Corporate Bond ETF ARSN 154 588 477	RCB	<input type="text"/>	<input type="text"/>

Please specify whether the Creation/Redemption will be in the form of a Standard basket or a Non-standard basket (which includes cash creations/redemptions).

Standard baskets

In-specie creation/redemption

Non-standard baskets

The Authorised Participant is responsible for notifying us regarding "non-standard-baskets". Non standard baskets include a Creation or Redemption Basket which has an omitted security component and which requires the Authorised Participant or the Fund (as the case may be) to deliver cash in lieu of the omitted securities. For further information on notification of non-standard baskets please refer to the Creation and Redemption Procedures which form part of the Authorised Participant Agreement (there is no assurance that we will accept requests for non-standard baskets).

- Cash creation/redemption
- In-specie and cash (in lieu of omitted security/securities) creation/redemption

(Please list the omitted security/securities in the table below)

Restricted/Omitted securities	ISIN	Quantity
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>



Exchange Traded Funds

Russell Australian Bond ETFs

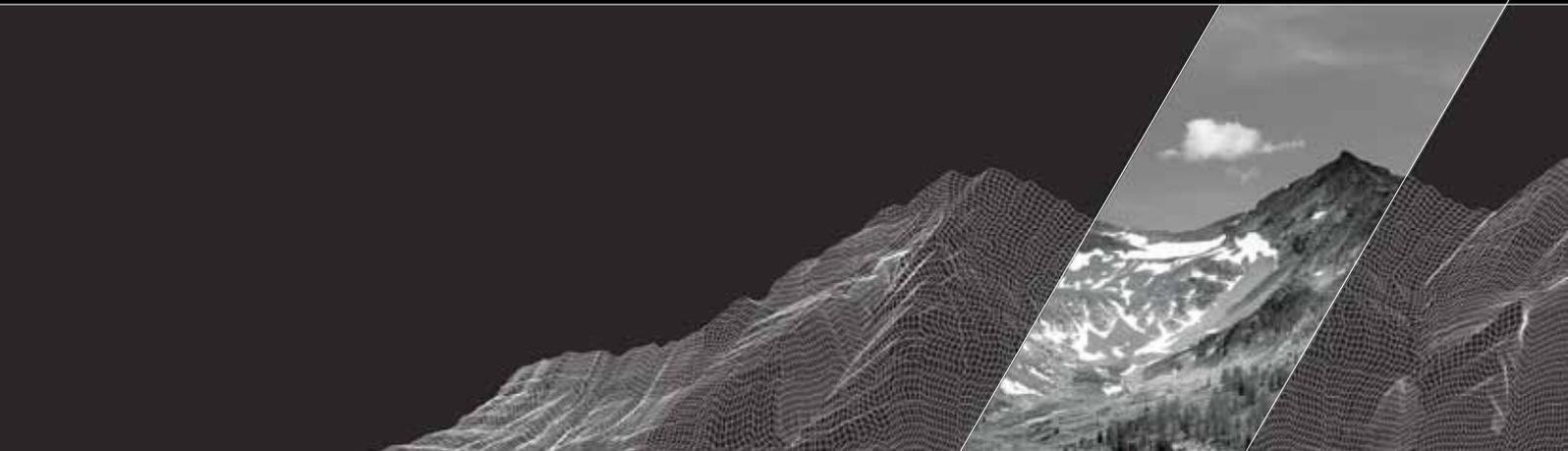
PRODUCT DISCLOSURE STATEMENT

Russell Australian Government Bond ETF – ARSN 154 587 710

Russell Australian Semi-Government Bond ETF – ARSN 154 588 048

Russell Australian Select Corporate Bond ETF – ARSN 154 588 477

23 FEBRUARY 2012



Important Information

Eligibility

The offer in this PDS is only available to stockbrokers acting as principal. That is, persons who have been authorised as trading participants under the ASX Operating Rules (Authorised Participants) and, where required, have entered into a relevant Authorised Participant Agreement.

The minimum investment for Units in each Fund is specified in the Key Features section on page 4.

Investors who are not Authorised Participants looking to acquire Units a Fund cannot invest through this PDS but may do so through the ASX. Please consult your stockbroker or financial adviser. Investors who are not Authorised Participants may use this PDS for informational purposes only and may obtain further information in relation to the Funds by contacting the registrar (refer to page 33 for details of how to contact the registrar).

This PDS can only be used by persons receiving it (electronically or in hard copy) in Australia and does not constitute an offer or recommendation of securities in any jurisdiction, or to any person to whom it would be unlawful to make such an offer.

Please read this PDS to find out more about the features, costs and benefits, as well as the risks involved in investing in each of the Funds. It is important that you read this PDS before making any decision to invest in any of the Funds. An investor in a Fund could lose all or a substantial part of its investment in the Fund. In particular, the performance of a Fund will depend on the performance and market value of the assets held by the Fund as a result of tracking the index.

About this PDS

This PDS describes the main features of the Funds outlined below:

- › Russell Australian Government Bond ETF
- › Russell Australian Semi-Government Bond ETF
- › Russell Australian Select Corporate Bond ETF

This PDS is dated 23 February 2012 and is issued by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence Number 247 185, the responsible entity of each of the Funds. We are a member of Russell Investments.

A copy of this PDS has been lodged with both ASIC and the ASX. Neither ASIC nor the ASX take any responsibility for the contents

of this PDS. As at the date of this PDS, Units in the Funds are yet to be quoted and an application for quotation in respect of each Fund has been made to the ASX.

In preparing this PDS, we did not take into account your particular investment objectives, financial situation or needs. As investors' needs and aspirations differ, you should consider whether investing in a Fund is appropriate for you in light of your particular needs, objectives and financial circumstances. You may also wish to obtain independent advice.

The information in this PDS is up to date at the time of preparation. However, some information and terms (see below) can change from time to time and you can obtain updated information as set out below. If a change is considered materially adverse we will issue a supplementary or replacement PDS.

For updated or other information about the Funds, please visit our website: www.russell.com.au/etfs. We will also send you a copy of the updated information free of charge upon request.

The offer or invitation to subscribe for Units in each Fund under this PDS is subject to the terms and conditions described in this PDS. We reserve the right to accept or decline applications in full or in part and reserve the right to change these terms and conditions. Notice would be provided before or as soon as practicable after the change occurs.

Russell has sufficient working capital to enable it to operate the Funds as outlined in this PDS.

How to contact us

You can contact or find us as follows:
Russell Investment Management Ltd
Level 29, 135 King Street,
Sydney NSW 2000, Australia

or

GPO Box 3279
Sydney NSW 2001, Australia
www.russell.com.au

For Authorised Participants

Contact: Fund Operations

Tel: 1300 728 208 (in Australia)
Tel: +61 2 9229 5368 (outside Australia)
Fax: 1300 768 040 (in Australia)
Fax: +612 9229 5116 (outside Australia)
E-mail: syd-ops@russell.com

For other investors

Contact: Computershare Investor Services Pty Limited

Yarra Falls
452 Johnston Street
Abbotsford Vic 3067
Tel: 1800 RSL ETF (1800 775 383)
www.computershare.com.au

Russell

Australian Bond ETFs

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Key Features

About the Fund	
Fund Names (ASX Code)	Russell Australian Government Bond ETF (RGB) Russell Australian Semi-Government Bond ETF (RSM) Russell Australian Select Corporate Bond ETF (RCB)
Type of investment	Each Fund is classified as an exchange traded fund (ETF). This means investors have the opportunity to buy or sell a portfolio of assets in a single transaction. The portfolio is based upon an index. ETFs have a number of benefits, including diversification, transparency and taxation efficiency.
Quotation	Each Fund is quoted under the AQUA Rules of the ASX. Units in a Fund may be traded like any other quoted security. For full details on the AQUA Rules, please see the 'AQUA Rules' on page 11.
Responsible Entity	Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence Number 247 185.
Fees	
Entry/Contribution Fee	Nil
Withdrawal Fee	Nil
Switching Fee	Nil
Transaction Fee	RGB - \$ 275 RSM - \$ 330 RCB - \$ 275 This fee is paid by an Authorised Participant on application and on redemption.
Management Costs	RGB – 0.24% RSM - 0.26% RCB - 0.28% For full details of all fees and charges, please see 'Fees and Costs' on page 24.
Transacting	
Creation Unit	The offer in this PDS is only available to Authorised Participants. Units in a Fund can only be acquired in multiples of: RGB – 100,000 Units RSM – 100,000 Units RCB – 300,000 Units where each minimum number of Units represents one creation unit (Creation Unit). The minimum investment under this PDS is one Creation Unit.
Creating	An Authorised Participant may make an application for a creation of Units by completing the Application for Creation/Redemption Form and transferring to a Fund a specified parcel of securities (the Creation Basket) via Austraclear together with a cash amount (if applicable), in return for which we will issue the Authorised Participant with a Creation Unit. Creation Units will be transferred to the Authorised Participant via CHES. There are no cooling-off rights available. For full details of how to apply for a creation of Units in a Fund, please see 'Creating and Redeeming' on page 27. You may also purchase Units on the AQUA market of the ASX. The purchase of Units on the ASX is not governed by the terms of this PDS and therefore the minimum investment requirement does not apply to Units purchased on the ASX.
Redemption Unit	Units in a Fund can only be redeemed by an Authorised Participant who is an Australian Resident, and in multiples of: RGB – 100,000 Units RSM – 100,000 Units RCB – 300,000 Units where each minimum number of Units represents one Redemption Unit (Redemption Unit).

Transacting cont...	
Redeeming	<p>An Authorised Participant can make an application for a redemption of Units by completing the Application for Creation/Redemption Form and transferring to a Fund a Redemption Unit via CHESS, in exchange for which we will transfer a specified parcel of securities together with a cash amount (if applicable) (the Redemption Basket).</p> <p>The Redemption Basket will be transferred to the Authorised Participant via Austraclear.</p> <p>For full details of how to redeem from a Fund, please see the 'Creating and Redeeming' on page 27.</p> <p>You may also sell your Units on the AQUA market of the ASX. The sale of Units on the ASX is not governed by this PDS and therefore the minimum redemption requirement does not apply to Units sold on the ASX.</p>
Distributions	<p>Distributions are calculated four times a year or at such other times as may be determined by us. The Funds have a mechanism in place to ensure that a Fund's yield is not diluted by applications for creations from a Fund. You can find more information about this feature on page 30.</p> <p>You can request to reinvest distributions as additional Units in the relevant Fund or have them paid to your nominated bank account.</p> <p>Information in relation to distributions will be disclosed to the ASX via the ASX Market Announcements Platform.</p>
Reporting on Your Investment	
Annual Reporting	An annual tax statement for the relevant Fund will be sent to you.
Distributions	A distribution statement for the relevant Fund will be sent to you each time a distribution is made.
Website	<p>The following information can be obtained from our website at www.russell.com.au/etfs:</p> <ul style="list-style-type: none"> › each Fund's daily NAV (as at 5.00pm on the previous Business Day); › each Fund's daily NAV per Unit (as at 5.00pm on the previous Business Day); › the daily underlying investments held by each Fund (as at 5.00pm on the previous Business Day); › copies of announcements made to the ASX via the ASX Market Announcements Platform (including continuous disclosure notices and distribution information); › copies of the latest PDS; and › copies of Annual Reports and financial statements.
INAV	<p>It is intended that an intra-day NAV ('INAV') be made available for each of the Funds via a third party data vendor. For details about the INAV, please refer to www.russell.com.au/etfs.</p> <p>Please note that any INAV is an estimate only and may not accurately represent the value of a Fund. Russell does not guarantee the accuracy of any INAV disclosed.</p>
Key risks	
Risks	<p>There are a number of risks associated with investing in a Fund.</p> <p>You should consider carefully the risks that may affect the financial performance of your investment in a Fund.</p> <p>For full details on risks, please see the 'The Risks of Investing' on page 14.</p>

Your Guide to the Funds

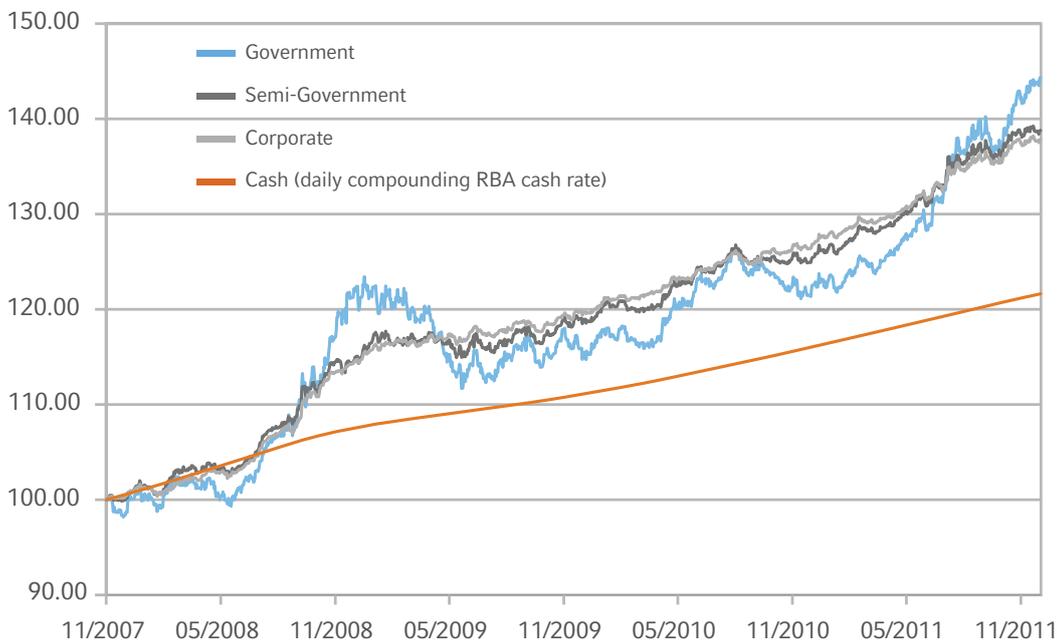
Russell Australian Government Bond ETF (ARSN: 154 587 710)	
Investment objective	To aim to provide a total return before costs and tax, in line with the DBIQ 5-10 year Australian Government Bond Index over the long term.
Investment strategy	<p>The Fund seeks to track the performance of the DBIQ 5-10 year Australian Government Bond Index by investing predominantly in Australian Government fixed income securities. The index filters the largest and most liquid Commonwealth Government 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.</p> <p>We will not significantly change the Fund's investment strategy as described in this PDS unless the change has been approved by a resolution passed by 75% of Units cast on the resolution.</p>
Index	<p>DBIQ 5-10 year Australian Government Bond Index.</p> <p>The DBIQ 5-10 year Australian Government Bond Index is a fixed income index provided by Deutsche Bank. It is designed to provide investors with diversified and investable exposure to Australian Government fixed income securities.</p> <p>The DBIQ 5-10 year Australian Government Bond Index starts with a universe of Australian fixed income securities. A number of filters are applied to the universe to ensure that the eligible fixed income securities are issued by Australian institutions, and have features (including but not limited to) of fixed rate, non-callable, fixed coupon paying terms.</p> <p>The index then specifically identifies fixed income securities that are Commonwealth Government fixed income securities, and that have a minimum issuance outstanding of over \$2 billion based on face value to ensure sufficient liquidity.</p> <p>The fixed income securities are then ranked by term to maturity (TTM), and a maximum of ten securities closest to approximately 10 years TTM are selected, with a minimum TTM rule of approximately 5 years.</p> <p>The securities are then equally weighted based on market value on the day of reconstitution. The index is reconstituted quarterly, with the above rules applied and equal weighting occurring on reconstitution. The weighting of the individual fixed income securities is likely to vary in between reconstitutions based on price movements.</p> <p>Coupons received from the constituents are to be reinvested back into the relevant security or securities.</p> <p>More details about the characteristics of the DBIQ 5-10 year Australian Government Bond Index are available at: http://index.db.com</p>
Fund size	The Fund was established on 15 December 2011 and therefore there is no meaningful information on Fund size as at the date of this PDS. Information about the Fund's size will be available at www.russell.com.au/etfs .
Performance	<p>Performance information for the Fund will be available on Russell's website at www.russell.com.au/etfs.</p> <p>The return of capital or performance of the Fund is not guaranteed. Past performance is not a reliable indicator of future performance.</p>

Russell Australian Semi-Government Bond ETF (ARSN: 154 588 048)	
Investment objective	To aim to provide a total return before costs and tax, in line with the DBIQ 0 -5 year Australian Semi- Government Bond Index over the long term.
Investment strategy	<p>The Fund seeks to track the performance of the DBIQ 0 -5 year Australian Semi- Government Bond Index by investing predominantly in Australian Semi-Government Fixed income securities. The index filters the largest and most liquid State Government securities and weights them equally upon reconstitution. Derivatives may also be used to a limited extent to obtain or reduce exposure to such securities.</p> <p>We will not significantly change the Fund's investment strategy as described in this PDS unless the change has been approved by a resolution passed by 75% of Units cast on the resolution.</p>
Index	<p>DBIQ 0 -5 year Australian Semi- Government Bond Index</p> <p>The DBIQ 0 -5 year Australian Semi- Government Bond Index is a fixed income index provided by Deutsche Bank. It is designed to provide investors with diversified and investable exposure to Australian Semi-Government Fixed income securities.</p> <p>The DBIQ 0 -5 year Australian Semi- Government Bond Index starts with a universe of Australian fixed income securities</p> <p>A number of filters are applied to the universe to ensure that the eligible fixed income securities are issued by Australian institutions, and have features of (including but not limited to) fixed rate, non-callable, fixed coupon paying terms.</p> <p>The index then specifically identifies fixed income securities that are issued by approved State Government agencies as specified in the index methodology, and that have a minimum issuance outstanding of over \$1 billion based on face value to ensure sufficient liquidity.</p> <p>The fixed income securities are then ranked by term to maturity (TTM), and a maximum of two fixed income securities per issuer are selected based on the TTM closest to approximately 5 years, with a minimum TTM rule of 1 year.</p> <p>The fixed income securities are then equally weighted based on market value on the day of reconstitution. The index is reconstituted quarterly, with the above rules applied and equal weighting occurring on reconstitution. The weighting of the individual fixed income securities is likely to vary in between reconstitutions based on price movements.</p> <p>Coupons received from the constituents are to be reinvested back into the relevant security or securities.</p> <p>More details about the characteristics of the DBIQ 0 -5 year Australian Semi- Government Bond Index are available at: http://index.db.com</p>
Fund size	The Fund was established on 15 December 2011 and therefore there is no meaningful information on Fund size as at the date of this PDS. Information about the Fund's size will be available at www.russell.com.au/etfs .
Performance	<p>Performance information for the Fund will be available on Russell's website at www.russell.com.au/etfs.</p> <p>The return of capital or performance of the Fund is not guaranteed. Past performance is not a reliable indicator of future performance.</p>

Russell Australian Select Corporate Bond ETF (ARSN: 154 588 477)	
Investment objective	To aim to provide a total return before costs and tax, in line with DBIQ 0 -3 year Investment Grade Australian Corporate Bond Index over the long term.
Investment strategy	<p>The Fund seeks to track the performance of DBIQ 0 -3 year Investment Grade Australian Corporate Bond 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.</p> <p>We will not significantly change the Fund's investment strategy as described in this PDS unless the change has been approved by a resolution passed by 75% of Units cast on the resolution.</p>
Index	<p>DBIQ 0 -3 year Investment Grade Australian Corporate Bond Index.</p> <p>The DBIQ 0 -3 year Investment Grade Australian Corporate Bond Index is a fixed income index provided by Deutsche Bank. It is designed to provide investors with an investable exposure to Australian Corporate Fixed income securities.</p> <p>The DBIQ 0 -3 year Investment Grade Australian Corporate Bond Index starts with a universe of Australian Fixed income securities</p> <p>A number of filters are applied to the universe to ensure that the eligible fixed income securities are issued by Australian institutions, and have features of (including but not limited to) fixed rate, non-callable, fixed coupon paying terms.</p> <p>Eligible fixed income securities must achieve a minimum credit rating of A or above from the major rating agencies, in accordance with the index methodology. Credit ratings for fixed income securities relate to a rating agency's assessment of the creditworthiness of a particular entity's (such as a corporation's) debt issue. A credit rating of investment grade indicates that the ratings agencies view an issuer as likely to meet payment obligations.</p> <p>The index then specifically identifies an initial universe of fixed income securities that are credit type securities issued by an entity (i) whose ultimate parent is domiciled in Australia, and (ii) which is listed or has issued a class of its securities that are quoted (or in the case of a fully guaranteed entity, the parent is listed or has issued a class of its securities that are quoted) on the ASX or any other Australian exchange which is a member of the World Federation of Exchanges. The fixed income securities must also have a principal amount outstanding greater than \$100 million to ensure sufficient liquidity and a term to maturity (TTM) of between a minimum of 1 year and approximately 3 years. A second universe is then derived to determine the average issuance size of the initial universe. Only securities greater than this average remain. The fixed income securities are then ranked by TTM from longest to shortest and a maximum of ten securities, two fixed income securities per issuer, are selected. If the number of securities is less than ten, then a third fixed income security per issuer is selected according to the longest TTM. It is possible that only fixed income securities issued by the four largest issuers will be eligible for inclusion in the index.</p> <p>The fixed income securities are then equally weighted based on market value on the day of reconstitution. The index is reconstituted quarterly, with the above rules applied and equal weighting occurring on reconstitution. The weighting of the individual fixed income securities is likely to vary in between reconstitutions based on price movements.</p> <p>Coupons received from the constituents are to be reinvested back into the relevant security or securities.</p> <p>As at the date of this PDS, the index only includes fixed income securities issued by the four largest banks in Australia (ANZ, CBA, NAB and WBC). The underlying index constituents may change in the future in line with the index methodology.</p> <p>More details about the characteristics of the DBIQ 0 -3 year Investment Grade Australian Corporate Bond Index are available at: http://index.db.com</p>
Fund size	The Fund was established on 15 December 2011 and therefore there is no meaningful information on Fund size as at the date of this PDS. Information about the Fund's size will be available at www.russell.com.au/etfs .
Performance	<p>Performance information for the Fund will be available on Russell's website at www.russell.com.au/etfs.</p> <p>The return of capital or performance of the Fund is not guaranteed. Past performance is not a reliable indicator of future performance.</p>

We have included for your reference the below graph which displays the historical performance of the DBIQ 5-10 year Australian Government Bond Index, the DBIQ 0-5 year Australian Semi- Government Bond Index and the DBIQ 0-3 year Investment Grade Australian Corporate Bond Index for the period 30 November 2007 to 30 November 2011

benchmarked against the daily compounded Reserve Bank of Australia (RBA) Official Cash Rate. The RBA Cash Rate is the official cash rate set by the RBA and charged for overnight loans between financial intermediaries for the implementation of monetary policy. Its publication can be found on: <http://www.rba.gov.au/statistics/cash-rate.html>.



Source: Deutsche Bank

All data for any index prior to its launch date is an historical estimation using available data. Historical results should not and cannot be viewed as an indicator of future results. Indexes are unmanaged and cannot be invested in directly and do not incur management fees, costs or expenses.

Important Note: The Funds in this PDS are not sponsored, endorsed, sold or promoted by Deutsche Bank or its affiliates. Neither Deutsche Bank nor its affiliates make any representations or warranties, express or implied, to the owners of the Russell Australian Bond ETFs or any other person regarding the advisability of investing in the Russell Australian Bond ETFs or as to the results obtained from the use of the DBIQ 5-10 year Australian Government Bond Index, the DBIQ 0-5 year Australian Semi-Government Bond Index and the DBIQ 0-3 year Investment Grade Australian Corporate Bond Index (the Indexes). Deutsche Bank and its affiliates have no obligation or liability in connection with the operation, marketing, trading or sale of the Russell Australian Bond ETFs or use of the Indexes and/or the Methodology for the Indexes. Deutsche Bank and its affiliates shall not be liable (whether in negligence or otherwise) to any person for any error in the Indexes and/or Methodology and shall not be under any obligation to advise any person of any error therein.

Benefits of using ETFs

What are ETFs?

ETFs are quoted managed funds providing you with the opportunity to buy a diversified portfolio of assets in a single transaction.

What are the benefits of ETFs in general?

- › **Diversification**
ETFs provide you with the ability to diversify across an asset class through the holding of a single security.
- › **Liquidity and transparency**
As a traded security, the ETF enables you to enter and exit your holding on the ASX. You can easily track performance and can even trade on the same day (subject to ASX rules).
- › **Lower cost**
Since ETFs are typically able to achieve lower operating costs, the management fees can be lower when compared to other forms of managed funds. However, brokerage or adviser fees may still apply when buying or selling an ETF.
- › **Access**
ETFs may also enable access to portfolios of underlying securities that are not readily accessible to non-institutional investors.

What are the benefits specific to these Funds?

- › **Targeted exposure**
The Funds will predominantly invest in portfolios of different types of Australian fixed income securities, which may not generally be easily accessible to retail and small institutional investors.
- › **Flexible approach**
The availability of security based exposure ETFs enables investors a greater level of flexibility to customise their fixed income exposures to their own needs, including the level at which they wish to incorporate credit and interest rate risk in their portfolio construction. The flexible approach of Term To Maturity ranges also enables investors to more accurately tailor their duration exposure.
- › **Equal weighting of fixed income securities**
There are advantages associated with an equally weighted approach compared to market-cap weighted fixed income indexes. While market-cap fixed income benchmarks may create a closer reflection of the performance of that particular sector, they may not necessarily result in the optimum portfolio for an investor. A market-cap weighted fixed income portfolio will have its largest exposure to an issuer with the largest issuance of debt, whereas an equally weighted fixed income benchmark holds eligible fixed income securities at equal weight on reconstitution. This arguably provides more diversified exposure and can assist in spreading default risk more evenly amongst the portfolio.
- › **Tradable and liquid**
The indexes used in these portfolios have been specifically designed to be implemented and traded in an ETF structure. Therefore the index methodology includes specific rules to ensure that only the most liquid and tradable fixed income securities are included, which assists in providing a more efficient implementation of the index.

AQUA Rules

Each Fund is quoted on the ASX under the AQUA Rules. The AQUA Rules have been designed to offer greater flexibility and are specifically designed for managed funds, ETFs and structured products.

As most investors are more familiar with the ASX Listing Rules, it is important to note the main differences between the AQUA Rules and the ASX Listing Rules, which are set out below:

ASX Listing Rules	ASX AQUA Rules
Control	
<p>A person:</p> <ul style="list-style-type: none"> › controls the value of its own securities and the business it runs, › the value of those securities is directly influenced by the equity issuer's performance and conduct. <p>e.g. the management and board generally control the fate of the business and, therefore, have direct influence over the share price.</p>	<p>A person:</p> <ul style="list-style-type: none"> › does not control the value of the assets underlying its products, but › offers products that give investors exposure to the underlying assets – such as shares, indices, currencies or commodities. <p>The value (price) of products quoted under the AQUA Rules is dependent upon the performance of the underlying assets rather than the financial performance of the issuer itself.</p> <p>e.g. A managed fund issuer does not control the value of the shares it invests in.</p>
Continuous Disclosure	
<p>Products under the ASX Listing Rules are subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act 2001.</p>	<p>Issuers of products quoted under the AQUA Rules are not subject to the continuous disclosure requirements under ASX Listing Rule 3.1 and section 674 of the Corporations Act 2001 but must disclose information about:</p> <ul style="list-style-type: none"> › the net tangible assets (NTA) or the NAV of the funds; › dividends, distributions and other disbursements; and › any other information that is required to be disclosed to ASIC under section 675 of the Corporations Act 2001 must be disclosed to ASX via the ASX Market Announcements Platform
Periodic Disclosure	
<p>Products under the ASX Listing Rules are required to disclose half yearly and annual financial information or annual reports under Chapter 4 of the ASX Listing Rules.</p>	<p>Products under the AQUA Rules are not required to disclose half yearly and annual financial information or annual reports.</p> <p>However, because the Fund is a registered managed investment scheme, we are still required to prepare financial reports under Chapter 2M of the Corporations Act 2001.</p>
Corporate Control	
<p>Requirements in the Corporations Act 2001 and the ASX Listing Rules in relation to matters such as takeover bids, share buy-backs, change of capital, new issuers, restricted securities, disclosure of directors' interests and substantial shareholdings apply to companies and schemes.</p>	<p>Certain requirements in the Corporations Act 2001 and the ASX Listing Rules in relation to matters such as takeover bids, buy-backs, change of capital, new issuers, restricted securities, disclosure of directors' interests and substantial shareholdings that apply to companies and listed schemes do not apply to products quoted under the AQUA Rules.</p> <p>Issuers of products quoted under the AQUA Rules are subject to general requirement to provide the ASX with any information concerning itself that the non-disclosure of which may lead to the establishment of a false market or materially affect the price of its products.</p>

Related Party Transactions	
Chapter 10 of the ASX Listing Rules, which relates to transactions between an entity and persons in a position to influence the entity, specifies controls over related party transactions, and Chapter 2E and Part 5C.7 of the Corporations Act 2001.	Chapter 10 of the ASX Listing Rules does not apply to AQUA products.
Auditor Rotation	
There are specific requirements in relation to auditor rotation under Part 2M.4 Division 5 of the Corporations Act 2001.	Issuers of products under the AQUA Rules are not subject to the requirements under Part 2M.4 Division 5 of the Corporations Act 2001.
Disclosure	
Entities admitted under the ASX Listing Rules are subject to the requirements of the Corporations Act 2001 in relation to the issue of a PDS.	Products quoted under the AQUA Rules will also be subject to these requirements of the Corporations Act 2001.

Source: ASX Rules Framework

How the Funds Invest

Investment Management

We will perform the investment management function for each of the Funds. We may be assisted in this role by a related company, Russell Implementation Services Inc.

Derivatives

A Fund may use bond and bond index futures contracts that are listed on the Sydney Futures Exchange to give cash holdings market exposure in order to achieve a desired investment position without buying or selling the underlying assets. Futures usage will generally be limited to a maximum of 5% of a particular Fund's value at any time. Derivatives will not be used speculatively or to leverage a Fund.

Borrowings

Whilst the Constitution for each Fund allows the Responsible Entity to borrow, it is not our intention that borrowing arrangements will be entered into by a Fund other than temporary overdrafts which may be used as a means of managing certain cash flows.

None of the Funds have material borrowings or other liabilities as at the date of this PDS.

Securities lending

The Funds do not currently participate in a securities lending program.

Ethical investments

We do not take into account labour standards and/or environmental, social or ethical considerations when making investment decisions.

The Risks of Investing

General risks

All investing involves risk. It's the trade-off for the return that investors seek. Generally you only get higher expected return with higher risk.

Growth investments (such as shares and property) have relatively higher risk, and higher expected return, than defensive investments (such as fixed interest and cash). So the relative risk of a fund depends on its asset allocation to or between these groups of investments. The risk/return graph below indicates the relative position of each major asset class.



Source: Russell Investments

As with most investing, it is not guaranteed that you will make money from investing in a Fund. The value of your investment can go up or down.

The risks may result in loss of income, loss of principal invested and possible delays in repayment. You could receive back less than you invested and there is no guarantee that you will receive any income.

The value of an investment in a Fund and the return on such investment will be influenced by many factors (including factors outside our control), such as market and economic conditions, government policy, political climate, interest rates, currency movements, inflation and the investment managers not performing to expectation.

In relation to the Funds, the significant risks you should be aware of are:

Market risk: the performance of a Fund will depend on the performance and market value of the assets held as a result of tracking the index. If the assets held by a Fund reduce in value, so will the value of the Fund.

Investments in securities and other financial instruments and products that are subject to market forces, risk the permanent loss of capital as a result of adverse market developments, which can be unpredictable.

Interest rate risk: where a Fund has a direct or indirect exposure to fixed income or interest earning investments, the Fund may be sensitive to movements in domestic and international interest rates. Generally, the value of fixed income securities will change inversely with changes in interest rates. As interest rates rise, the market value of fixed income securities tends to decrease. Conversely, as interest rates fall, the market value of fixed income securities tends to increase. The magnitude of these changes depends on the term to maturity of the security. In general, a security with a longer term to maturity is more affected by interest rate changes.

Credit risk: a Fund may be directly or indirectly exposed to credit risk. Credit risk refers to the issuer of a debt instrument, banks holding cash deposits or the counterparty to a derivatives contract failing to meet an obligation to pay periodic interest, to repay the principal sum at maturity or to otherwise honour its obligations.

Inflation risk: Inflation risk is generally associated with uncertainty around the future real value (after inflation) of an investment. Investors must be aware that while fixed income securities may deliver a nominal return when held to maturity, inflation may reduce the real return earned by investors.

Counterparty risk: a Fund may be directly or indirectly exposed to counterparty risk. Counterparty risk is the risk of loss due to counterparty default. Counterparties include option writers, brokers of exchange traded futures and options, clearing brokers for exchange traded futures and options and swap and structured deal counterparties.

Concentration risk: There is a risk that a Fund's underlying investments may be concentrated in a particular country, market, industry sector or asset class, which may result in the Fund being impacted by adverse events affecting a specific country, market, industry sector or asset class. For example, where a minimum credit rating is imposed as an eligibility criterion for inclusion in a Fund's Index, there is a risk that a Fund may need to liquidate all of the underlying holdings of a Fund should a simultaneous downgrade in credit ratings to below the minimum specified rating occur, thereby causing a potential capital loss.

Liquidity risk: a Fund may be directly or indirectly exposed to assets that have restricted or limited liquidity. This may result in delays in the settlement of withdrawals from the Fund due to its inability to liquidate these assets promptly. Furthermore, where a Fund is required to liquidate assets to settle withdrawals, there is a risk that liquidation may occur on unfavourable terms thereby potentially subjecting the Fund to losses. These risks will be amplified if there are substantial withdrawals during a concentrated period of time or if there is a downgrade of any fixed income security or securities held by a Fund. Under the terms of a Fund's constitution we may suspend the processing of redemptions in certain situations. Liquidity risk is partially mitigated through index methodology as the Indexes have been specifically constructed with the intent of including highly liquid securities. For further information about index construction please refer to pages 6, 7 and 8.

Debt securities risk: where a Fund has a direct or indirect exposure to fixed interest securities, the Fund will be exposed to credit risk. Credit risk refers to the issuer of a debt instrument failing to meet an obligation to pay periodic interest or to repay the principal sum at maturity. In the case of fixed income securities which are of investment grade credit quality, the risk of default is considered to be lower than sub-investment grade securities. At the date of this PDS it is intended that the Funds will only invest in fixed income securities of investment grade quality. However there is a risk that a Fund may hold non-investment grade bonds for a period of time as a result of any downgrading of fixed income securities already held by a Fund. In the event that a security ceases to hold an investment grade rating prior to the official Index reconstitution date, we may, where we believe it is in the best interests of a Fund, undertake the orderly liquidation of the position prior to any Index reconstitution.

Unrated or low grade debt securities are generally subject to greater risk of loss of principal and interest than higher-rated debt securities. Where a Fund has a direct or indirect exposure to fixed interest securities the Fund may also be directly or indirectly exposed to debt securities that rank junior to other outstanding securities and obligations of the issuer, and debt securities that are not protected by financial covenants or limitations on additional indebtedness.

Sovereign risk: Sovereign risk is the risk that the government of a country (or an agency backed by the government) will refuse to comply with the terms of a loan agreement during economically difficult or politically volatile times. Whilst sovereign nations do not generally become insolvent, they can assert their independence in any manner they choose and cannot be sued without their assent.

Investment grading risk: There is a risk that information about the investment grading of debt securities by provided external rating agencies and included in this PDS may change, be withdrawn or suspended at any time. In addition, ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Information included in this PDS with respect to ratings does not take into account your objectives, financial situation or needs.

Reconstitution risk: There is a risk that the liquidation of fixed income securities upon reconstitution of an Index may result in the crystallisation of a capital loss. This risk is of particular significance in instances where a debt security issuers' credit rating has been downgraded or interest rates and/or credit spreads have materially increased.

Derivatives risk: a Fund may be directly exposed to exchange-traded futures. Derivatives usually derive their value from the value of a physical asset, interest rate, exchange rate or market index. They can be used to manage certain risks in investment portfolios.

However, they can also increase other risks in a portfolio or expose a portfolio to additional risks.

A risk, though not unique to derivatives, includes the possibility that a position may be difficult or costly to reverse or that there may be an adverse movement in the asset, interest rate, exchange rate or index underlying the derivative, as derivatives do not always perfectly or even highly correlate or track the value of the assets, rates or indices they are designed to track.

A derivative contract may involve leverage. That is, it may provide exposure to a potential gain or loss from a change in the level of the market price of a security, currency or basket index in a notional amount that exceeds the amount of cash or assets required to establish or maintain the derivatives contract. Consequently, an adverse change in the relevant price level can result in a loss of capital that is more exaggerated than what would have resulted from an investment that did not involve the use of leverage inherent in many derivatives contracts. Accordingly, derivative instruments can be highly volatile and expose investors to a high risk of loss.

Settlement risk: a Fund may be exposed to settlement risk as it is reliant on the operation of CHESS and Austraclear for unit creation and redemption. The operation of the CHESS and Austraclear platforms means that the issue of Units via CHESS proceeds independently of the transfer of the Creation Basket and residual cash payment via Austraclear. Therefore, there is a possibility that Units may be transferred to an Authorised Participant before it has complied with its obligation to deliver the Creation Basket and/or the residual cash payment. If an Authorised Participant fails to comply with its settlement obligations, this may adversely impact upon the Fund. The risk of units being transferred prior to receipt of the Creation Basket and/or any cash amount is partly mitigated as Trading Participants using CHESS and Austraclear are subject to regulation, which includes sanctions if there is a failure to meet obligations. In addition, all transactions via CHESS and Austraclear will occur on a Delivery versus Payment (DvP) basis to further mitigate any settlement risk, unless otherwise agreed with the Authorised Participant,

Settlement risk with respect to the underlying securities may also be influenced by, amongst other things, market practices (for example settlement and custody practices), and the creditworthiness of the parties the Fund is exposed to.

Trading risk: Each Fund is quoted under the AQUA Rules on the ASX and there is a risk that the ASX may, in certain circumstances, suspend trading, or even remove a Fund from quotation on the ASX. The underlying assets held by a Fund may also be suspended or delisted.

Under these circumstances, we may take measures, such as suspending the creation and redemption process or we may potentially terminate a Fund.

We will use best endeavours to meet all ASX requirements to ensure the Units in each Fund remain quoted, including putting in place compliance and monitoring procedures. However, there is no guarantee that these requirements will always be met.

Although Units in a Fund are quoted on the ASX, there can be no assurance that there will be a liquid market.

There is the risk that the issue price and redemption price applicable to a Unit may differ from the trading price of a Unit on the ASX. The trading price is dependent upon a number of factors, including demand for Units in a Fund. The risk is mitigated as the creation and redemption mechanism is designed to minimise the likelihood that the Units will trade on the ASX at a significantly different price to the issue price or redemption price.

Market making risk: Under the AQUA Rules, Russell has certain market making obligations in respect of a Fund. In order to facilitate an orderly and liquid market in each Fund, we will appoint market maker(s) to provide alternate liquidity. Whilst we monitor our market maker(s)' ability to maintain continuous liquidity to the market, there is no guarantee that these requirements will always be met, particularly if there is a failure by a market maker.

Tracking risk: It will not be always possible for a Fund to accurately track the index and the actual underlying portfolio may differ to the index. We aim to manage the portfolio in a manner consistent with the objectives of the Fund, which includes appropriately managing any deviations that may arise between the portfolio and the underlying index. No investment strategy, asset or financial instrument will guarantee automatic and continuous tracking of the performance of an Index. The performance of a Fund and its Index may vary due to fees, asset valuations and corporate actions. In such circumstances, the necessary actions will be taken to limit the impact of such deviations. In addition, a Fund may hold cash from time to time. While we will manage the risk through the use of instruments such as futures, there may be instances where a Fund may hold a larger than normal cash balance, until such time that we are able to invest that cash in line with the index.

Index risk: Deutsche Bank is the provider of the Indexes. Deutsche Bank may alter, amend, terminate or change the Indexes subject to the terms of the index license agreement. As such there is a risk that this may impact upon our ability to manage a Fund in accordance with its stated investment strategy, in which case the Responsible Entity may change the index for a Fund. In the event that a Fund or any Unit holder suffers a loss due to any error, omission, or interruption arising in relation to the Indexes, Deutsche Bank will not compensate the Fund or any Unit holder for such loss.

Distributions risk: There is no assurance that a Fund will pay a distribution. Each Fund is reliant on the receipt of coupons and income from its underlying holdings.

Political risk: A Fund's investments may be affected by uncertainties such as political developments or changes in government policies.

Change in law: there may be a change in law affecting the Funds (such as taxation) at any time which may affect your investment in a Fund.

Fund risk: As each of the Funds is a managed investment scheme, there are a number of risks. These include that a Fund may terminate under the terms of the constitution, the terms, fees and charges could change, the constitution could be amended and we could retire or be replaced as responsible entity.

Operational risk: Each Fund is subject to a number of operational risks including business interruptions arising through human error, technology or infrastructure failure, and possible external events beyond the reasonable control of Russell such as strikes, industrial disputes, fires or other casualty, war, civil disturbance terrorist acts, governmental pre-emption in connection with an emergency of state and epidemics; Additionally, a Fund may rely on a number of service providers to provide operational services. The failure of a service provider to deliver such services (due to business interruption, external factors or otherwise) may adversely impact on the operation and performance of a Fund.

Russell Investments risk: Several members of Russell Investments provide services to the Funds. As discussed at page 32, these related parties are appointed subject to commercial terms. However, a change in the circumstances of Russell Investments (such as the sale of an entity) could have an adverse impact on the operation or performance of a Fund.

An investment in the Funds, like any investment, is subject to risk. Before investing in the Funds, you should consider whether the investment is suitable for you and appropriate in light of your particular investment needs, objectives and financial circumstances. You are advised to take independent legal, tax and financial advice.

Tax

The Australian tax commentary below is provided for Unitholders who are Australian resident taxpayers. The commentary assumes that Unitholders will be either stockbrokers, who will acquire or dispose of Units by way of creation or redemption, or other investors who will acquire or dispose of Units by buying or selling them on the ASX AQUA market. In the case of stockbrokers, it is assumed that they act as a principal i.e., are authorised as trading participants under the ASX Operating Rules and, where required, have entered into an Authorised Participant Agreement.

It is assumed that stockbrokers hold their Units in the Fund as trading stock as part of a securities trading business, and that other Unitholders hold their Units on capital account.

The tax laws are subject to continual change and as the circumstances of Unitholders may vary, the taxation consequences of investing in the Fund may differ between Unitholders. It is recommended that Unitholders seek taxation advice specific to their own particular circumstances, from a suitably qualified tax adviser. Similarly, non-residents should seek their own advice.

Taxation of the Fund

The Fund will distribute all of its distributable income to Unitholders. On the basis that the Unitholders of the Fund will be presently entitled to all of the distributable income of the Fund, pursuant to existing income tax legislation the Responsible Entity should not be subject to Australian income tax on the net income of the Fund.

Taxation of Australian resident investors

General

On the basis that Unitholders will be presently entitled to all of the distributable income of the Fund, Unitholders will be assessable on the net income of the Fund in proportion to their entitlement to the distributable income of the Fund.

The net income of the Fund may include amounts of interest income, other income and revenue gains. Based on the investment strategy of and the type of assets held by the Fund, gains derived by the Fund are likely to be treated as revenue gains and not as capital gains. The distributable income of the Fund may also include non-taxable amounts (discussed below).

Unitholders will be subject to tax at their applicable tax rate (or marginal tax rate for individual investors) on their share of the net income of the Fund in the year in which the entitlement arises, irrespective of whether the income is paid or reinvested in the following income year.

Unitholders who become entitled to a distribution from the Fund in respect of a financial year will receive an annual distribution statement detailing all relevant taxation information concerning the distributions they receive, including foreign taxes withheld (if any) and returns of capital.

The tax consequences for Unitholders of receiving distributions from the Fund depend on the tax components of net income which relate to the distributable income to which Unit holders have become entitled.

As a result of the investment strategy of the Fund, it is not anticipated that the Fund will receive franked dividends. As such, no comments have been included on the treatment of franked dividends or franking credits in this document.

Gains distributed by the Fund

It is expected that gains realised on the disposal of investments by the Fund will be treated as revenue gains and not as capital gains.

A Unitholder's share of the net income of the Fund may include a share of the revenue gains made by the Fund. In general, it is intended that an amount of distributable income equating to the realised gains (if any) arising from in-specie transfers of assets immediately prior to a redemption of Units will be allocated to the redeeming Unitholder (discussed below). Other gains will generally be distributed to Unitholders entitled to the final distribution on 30 June each year.

Non-taxable amounts

A distribution received by a Unitholder may include amounts which are not taxable, such as 'tax deferred amounts' (e.g. relating to distributions of corpus by the Fund).

Tax deferred amounts reduce the capital gains cost base of a Unitholder's Units, and may increase the gain or reduce the loss subsequently realised on disposal of the Units. Where the total tax deferred amounts received by a Unitholder have exceeded the cost base of their Units, the excess is treated as a capital gain to the Unitholder.

For Unitholders who are stockbrokers, the abovementioned tax consequences for tax deferred amounts are unlikely to arise. This is because distributions received by such Unitholders will typically be taxable in full as ordinary income (note the Australian Taxation Office's treatment of such amounts derived by financial institutions in respect of Units held in the ordinary course of their business – refer Taxation Ruling IT 2512. Also refer to comments in the October 2010 Regime MIT Discussion Paper and ATO Interpretative Decision ATO ID 2011/58).

Application for creation and redemption of Units by Authorised Participants (stockbrokers)

As the precise taxation implications will depend on each stockbroker's specific circumstances, it is recommended that stockbrokers seek their own independent professional taxation advice concerning the consequences of investing in the Fund. The comments below are general in nature only.

In-specie creations

The consideration for an application for creation of Units will be made by an in-specie transfer of a specified basket of securities (the Creation basket). The transfer will represent a disposal of the securities by the stockbroker for an amount equal to the market value of the units received, plus any negative, or minus any positive, Purchase Cash Component.

On the assumption that such Unitholders would hold the securities as trading stock in the course of their securities trading business, any profit would be assessable as ordinary income and any loss would be deductible. Specifically, the proceeds received on disposal of the Index Parcel (i.e. the value of the Units received plus or minus the Purchase Cash Component) should be treated as assessable income and a deduction will effectively be allowed for the cost (or opening tax value) of the securities contributed.

The Units acquired should be treated as trading stock acquired for a cost equal to the value of the securities contributed plus any positive, or minus any negative, Purchase Cash Component (which includes any Transaction fee).

In-specie redemptions

General

In respect of a redemption of Units, the total proceeds received (or the 'Withdrawal Amount') may include a distribution of Income (a 'Withdrawal Income Entitlement'). The balance of the Withdrawal Amount is the 'Redemption Price'. The Withdrawal Amount will be made by way of an in-specie transfer of a specified basket of securities (the Redemption basket) plus any positive, or minus any negative, Withdrawal Cash Component.

The Withdrawal Income Entitlement, if any, may depending on the circumstances, include an amount of distributable income. This will be equal to the sum of realised gains (or losses) arising in respect of the in-specie transfer of securities at market value to the redeeming Unitholder plus (or minus) a proportionate share of other income and gains (or losses) of the Fund up to the date of the redemption (to the extent not previously distributed in respect of that year). However, if this overall amount is negative, the Withdrawal Income Entitlement will be nil.

The redeeming Unitholder will be presently entitled to this amount of distributable income (if any), and will be assessable on the net income (and the tax components of the net income) of the Fund in proportion to their share of the distributable income of the Fund. The notification of tax components in respect of the Withdrawal Income Entitlement will be advised to the Unitholder after 30 June, in the annual tax statement, once the final tax calculations for the Fund for that year have been completed.

Gain / loss on redemption of Units

In calculating the Unitholder's profit or loss on disposal of the Units for tax purposes, the proceeds on disposal of the Units should be the Redemption Price. On the assumption that the Units are held as trading stock, the assessable profit or deductible loss on disposal of the Units should be equal to the Redemption Price less the cost (or opening tax value) of the Units.

Specifically, the Redemption Price component of the Withdrawal Amount (which is net of the Transaction fee payable on redemption) should be brought into account as assessable income on the disposal of the Units, and a deduction should be available for the cost (or opening tax value) of the Units.

On the assumption that the Units constitute trading stock, any Withdrawal Income Entitlement should be treated as a normal receipt of income to a redeeming Unitholder.

An alternative view may exist whereby the full Withdrawal Amount could be construed as the disposal proceeds instead of the Redemption Price. In this instance double taxation could arise as the Withdrawal Income Entitlement could be assessable both as a distribution of income and as part of the disposal proceeds. However, it is considered that this result will not arise in the case of Units held and redeemed as trading stock, as a result of certain provisions in the tax legislation against the same amount being taxed twice, as well as a general judicial principle against double taxation.

Acquisition and disposal of Units on the ASX AQUA market

For a Unitholder holding Units on capital account, the amount paid for the Units acquired on the ASX AQUA market (plus incidental acquisition costs) will be included in the capital gains cost base of the Units. The sale of Units on the ASX AQUA market, will give rise to a CGT event which may result in a capital gain or loss to the Unitholder. The discount concession may be available to individuals, trustees and complying superannuation entities where the Units have been held for at least 12 months. Capital losses must be offset against gross discount capital gains before any CGT discount is applied.

Review of the taxation system

The comments noted above are based on the taxation legislation and administrative practice as at the issue date of this PDS, together with changes to the taxation legislation as announced by the Government. However, it should be noted that the Australian tax system is in a continuing state of reform, and based on the Government's reform agenda, reform is likely to escalate rather than diminish. Any reform of a tax system creates a degree of uncertainty, whether it be uncertainty as to the full extent of announced reforms, or uncertainty as to the meaning of new law that is enacted pending interpretation through the judicial process.

New tax regime for Trusts and Managed Investment Trusts (MITs)

On 21 November 2011, Treasury released for public comment a consultation paper in relation to updating the law on the taxation of trusts, contained in Division 6 of Part III of the Income Tax Assessment Act 1936 ("Division 6"). The consultation paper explores issues with the effective operation of Division 6, as well as those impeding the effective taxation of trusts more broadly, and highlights a number of options for reform. Also, on 29 November 2011, the Government announced a deferral of a proposed new tax regime for MITs, to commence from 1 July 2013. This was to allow more time for consultation with stakeholders about how to best implement elements of these measures. The Responsible Entity will monitor developments in respect of these proposed reforms.

Other reforms

Other current reforms in progress include the Henry review of the taxation system, the Cooper and Ripoll reviews of the superannuation industry, and announcements made in the 2010-11 Budget which may have taxation implications. These reforms may impact on the tax position of the Fund and its investors. Accordingly, it will be necessary to closely monitor the progress of these reforms, and it is strongly recommended that investors seek their own professional advice, specific to their own circumstances, of the taxation implications of investing in the Fund.

Taxation of Financial Arrangements (TOFA) regime

The TOFA rules may apply to “financial arrangements” held by the Fund. In broad terms, in calculating the net (taxable) income of the Fund, returns on certain financial arrangements may be recognised on an accruals basis rather than a realisation basis.

The administrator of the Fund will assist the Responsible Entity with compliance with the TOFA rules, as required by the tax legislation.

Tax File Numbers (TFN) and Australian Business Numbers (ABN)

It is not compulsory for an Australian investor to quote their TFN or ABN. If an Australian investor is making this investment in the course of a business or enterprise carried on by the investor, the investor may quote an ABN instead of a TFN. Failure by an investor to quote an ABN or TFN or claim an exemption may cause the Responsible Entity to withhold tax at the top marginal rate plus the Medicare Levy on gross payments including distributions of income to the investor. The investor may be able to claim a credit in the investor’s tax return for any TFN/ABN tax withheld. By quoting their TFN or ABN, the investor authorises the Responsible Entity to apply it in respect of all the investor’s investments with the Responsible Entity. If the investor does not want to quote their TFN or ABN for some investments, the Responsible Entity should be advised

Fees and Costs

Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns. For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000). You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs. You may be able to pay lower contribution fees and management costs where applicable. Ask the fund or your financial planner.

To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out the different fee options.

Fees and other costs

The table below shows the fees and other costs that you may be charged by a Fund. These fees and costs may be deducted from your account balance, from the returns on your investment or from the Fund as a whole.

For information on taxes, see page 19.

You should read all of the information about fees and costs, as it is important to understand their impact on your investment in the Funds.

Type of Fee or Cost	Amount	How and When Paid
Fees when you move money in or out of the Fund		
Establishment fee: The fee to set up your investment	Nil	Not applicable
Contribution fee: The fee on each amount contributed to your investment	Nil	Not applicable
Withdrawal fee: The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee: The fee to close your investment	Nil	Not applicable
Management Costs		
The fees and costs for managing your investment*	RGB - 0.24% p.a. RSM - 0.26% p.a. RCB - 0.28% p.a.	The management costs are estimated and are paid directly from the assets of the relevant Fund and are reflected in the daily Unit price. The estimated management costs are quoted on a GST inclusive basis and are payable monthly or as otherwise incurred by the relevant Fund.
Service Fees		
Switching fee: The fee charged for changing investment options	Nil	There are currently no fees for changing investment options. However, the constitution provides for a switching fee of up to 1% p.a. that could be charged in the future.
Transaction Fee		
Transaction fee: The fee charged for every creation/redemption of Units**	RGB - \$ 275 RSM - \$ 330 RCB - \$ 275	Payable by the Authorised Participant at the time of application for creation or redemption.

* You may be entitled to management cost rebates which may reduce the fees and costs of your investment. Please see page 25 under 'Different fees'.

** Please see 'Transaction fee for Authorised Participants' under section 'Additional Explanation of Fees and Costs'.

Additional Explanation of Fees and Costs

The following information has been provided to help you understand the Fees and Costs section.

Example of annual fees and charges for a Government Bond exposure

This table gives an example of how fees and costs can affect your investment in a Fund over a 1 year period. You should use this table to compare this product with other investment products.

Example: Russell Australian Government Bond ETF (Balance of \$50,000 with total contributions of \$5,000 during the year)		
Contribution Fee	Nil	For every \$5,000 you put in, you will be charged \$0.
PLUS Management Costs*	0.24% p.a.	And , for every \$50,000 you have in the Fund you will be charged \$120 each year.
EQUALS Cost of Fund	Nil	If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during a year and your balance was \$50,000, you would be charged fees of \$120** . What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.

* You may be entitled to management cost rebates which may reduce the fees and costs of your investment. Please see 'Different fees' below.

** Note: the Cost of Fund does not take into account any Management Costs that may be payable on the \$5,000 contributions during that year.

Management Costs

Management Costs include:

- › the management fee; and
- › estimated expense recoveries.

Management fee

We receive a management fee for managing your investments in a Fund. Although the constitution of each Fund allows us to receive a management fee of up to 4% p.a of a Fund's NAV, we currently receive a lower management fee. The management fee that we receive forms part of the management costs.

Expense recoveries (including taxes)

All expenses relating to the proper performance of our duties are recoverable from each Fund, including but not limited to custody, administration, registry, GST (less any reduced input tax credits), responsible entity, legal, reporting and audit expenses.

The actual expense recoveries are not known until the end of the financial year. The estimated expense recoveries for each Fund is included in the Management Costs and is based on the latest available figures as at the date of this PDS. The actual expense recoveries may vary.

Amounts disclosed are inclusive of GST.

Changes in fees and costs

We do not have any current intention to change the fees and costs set out in this PDS but we may do so at any time, without your consent. We will provide notice of any increase in a Fund's fees at least thirty days before it occurs.

Different fees

We may negotiate different fees with investors who are 'wholesale clients' under the Corporations Act 2001. Accordingly, we may waive or rebate some of our fees (or issue Units in the Funds) to these 'wholesale clients' so that they pay reduced fees but are ultimately at our discretion, subject to the Corporations Act 2001 and ASIC policy.

This is generally because they invest large amounts of money in the Funds. We cannot enter into individual fee arrangements with other investors. Please contact us if you require further details on negotiating fees.

Commissions and other benefits received

We, or members of Russell Investments, may receive commissions and other benefits (e.g. research) from brokers effecting trades for the Funds. These benefits may flow to the Funds and to other funds managed by us. We trade only with brokers who will provide best execution, regardless of whether these trades are placed with brokers related to us or not.

Transaction fee for Authorised Participants

The transaction fee is payable with every application for creation or redemption of Units. This fee represents the custody and administration costs associated with the in specie nature of the transaction and is payable to the relevant Fund.

The same transaction fee is applied to all applications for creations and redemptions and is a separate flat dollar fee regardless of the size of the transaction.

The transaction fee is payable by the Authorised Participant upon application for creation and/or redemption. In the case of an application for creation of Units the transaction fee is payable in addition to the issue price and in the case of a redemption of Units the transaction fee will be deducted from the redemption proceeds.

The transaction fee is GST inclusive.

Stockbroker fees for all other investors

Investors other than Authorised Participants will incur customary brokerage fees and commissions associated with buying and selling Units on the ASX. This fee should be discussed with a stockbroker prior to investing.

Transaction costs

Transaction costs are the costs incurred when buying and selling the underlying securities of a Fund and include things such as brokerage and settlement. Transaction costs will be paid out of the assets of the relevant Fund.

Where an Authorised Participant applies for a Creation Unit or Redemption Unit by way of non-standard basket which contains cash in lieu of any omitted securities, any actual brokerage incurred (plus any GST) in acquiring or realising securities may be required to be borne by the Authorised Participant. For further information please refer to page 29.

Related party payments

Members and affiliates of Russell Investments may receive fees on normal commercial terms for providing services to the Funds. In particular Russell Implementation Services Inc. will receive fees and other amounts for assisting us with investment management services in relation to the Funds.

Alternative Remuneration Register

Occasionally, we may provide alternative forms of remuneration to Australian Financial Services Licensees and/or their representatives who recommend our funds to investors. The cost of any alternative remuneration will be paid out of our management fee, so it does not represent any additional cost to you.

As a member of the Financial Services Council, we are required to maintain an Alternative Remuneration Register. This register lists each occasion on which we give or receive a material amount of alternative remuneration. Our Alternative Remuneration Register is a public register and will be made available to you on request.

Creating and Redeeming

Creations and redemptions

Applications for creations for and redemptions from a Fund may be made by an Authorised Participant. In addition, redemptions from a Fund can only be made by Authorised Participants who are Australian Residents.

Authorised Participants must enter into an Authorised Participant Agreement and will be required to comply with any additional requirements set out in that agreement. For a copy, please contact Russell Fund Operations.

To create or redeem Units in a Fund, Authorised Participants must complete the Application for Creation/Redemption Form attached to this PDS and send it to the Administrator by the required 'cut off time'. Please refer to the Creation and Redemption Procedures in the Authorised Participant Agreement for further instructions about sending an Application for Creation/Redemption Form to the Administrator.

Please note that we may, without giving any reason, refuse or accept all or part of an application for creation of Units in our sole discretion.

Other investors looking to acquire or sell Units in a Fund may do so on the ASX.

Minimum application and redemption

Except in respect of a reinvestment, the minimum number of Units required for any creation or redemption of Units must be in whole multiples of Units as detailed in the Key Features section on page 4, where each whole multiple of Units represents one Creation or Redemption Unit.

Creations

An Authorised Participant must apply to create a whole multiple of a Creation Unit by transferring to the relevant Fund a Creation Basket via Austraclear with a cash amount (if applicable) representing any residual cash amount and any cash amount in lieu of any omitted securities in a non-standard Creation Basket. In return, we will issue the Authorised Participant with a Creation Unit. The transfer of the Creation Unit from the Fund to the Authorised Participant occurs via CHESSE.

Under the constitution for each Fund, an Authorised Participant agrees to indemnify us for any liability arising out of a failure to pay for a Unit. For example, if the Authorised Participant fails to transfer all or part of the Creation Basket.

Units issued pursuant to an application for creation will be quoted under the AQUA Rules on the ASX with effect from the settlement of the issue of the relevant Units through CHESSE. On a monthly basis we will announce to the ASX via the ASX Market Announcements Platform each Fund's total Units on issue. We are not required to hold application moneys prior to the issue of the Units, as the settlement of Units in the Fund occurs via CHESSE.

Redemptions

An Authorised Participant may only redeem a whole multiple of a Redemption Unit by transferring a Redemption Unit to us for cancellation, and receiving in return from the relevant Fund, a Redemption Basket via Austraclear with a cash amount (if applicable) representing any residual cash amount and any cash amount in lieu of any non-standard Redemption Basket. The transfer of the Redemption Unit from the Authorised Participant occurs via CHESSE.

In certain circumstances we may be required or permitted by the relevant Fund constitution, or by law, to deduct or withhold amounts relating to tax and other amounts from the redemption proceeds that would otherwise be payable to a Unitholder. These amounts (if any) will be deducted from the cash amount that would otherwise be payable to the relevant Unitholder in respect of the redemption.

Basket of securities

Prior to the opening of trade for each Business Day, the relevant Creation and Redemption Basket of securities is determined by us. This basket generally corresponds to the composition of the index but may differ.

When a Creation or Redemption Basket is transferred via Austraclear, the corresponding Creation or Redemption Unit will be transferred via CHESS. Both these transactions will occur on a DVP basis, unless otherwise agreed with an Authorised Participant.

Each Fund's NAV and NAV per Unit together with the Fund's underlying holdings, will be published daily on our website at www.russell.com.au/etfs. This information may also be provided directly to Authorised Participants once it has been published on our website.

Residual cash amount

The residual cash amount is a balancing amount to cover the difference between the value of the Creation or Redemption Basket of securities and the aggregate of the NAV per Unit to ensure there is no impact on existing Unitholders from applications for creations or redemptions.

The residual cash amount is calculated at the close of every Business Day.

Processing applications and redemptions

Generally, applications for creations and redemptions are processed each Business Day. If the Administrator receives your completed Application for Creation/Redemption Form by the required 'cut off time' on a Business Day, the Administrator will generally process your application for creation or redemption (as the case may be) using the issue or redemption price calculated as at the close of trading on that Business Day.

The required 'cut off time' is 3.00pm on each Business Day (except in the case of non-standard baskets where it is 1:00pm on each Business Day).

If your completed Application for Creation/Redemption Form is received after the required 'cut off time', or on a non-Business Day, the Administrator will generally process your application for creation or redemption (as the case may be) using the issue price or redemption price calculated at the close of trading on the next Business Day after it has been received.

Settlement of Units in respect of applications for creations and redemptions generally occurs through CHESS on T+3 which is in line with the relevant ASX rules. Likewise, settlement of the corresponding basket of securities and any cash component in respect of applications for creations and redemptions generally occurs through Austraclear on T+3. Further terms are available in the Authorised Participant Agreement.

Issue price and redemption price

The issue price and redemption price is determined at the close of business for each Business Day.

The issue price and redemption price is calculated as the NAV of the Fund, divided by the number of Units in the Fund on issue (Fund's NAV per Unit).

Details of the daily NAV of a Fund and its NAV per Unit are available on Russell's website at www.russell.com.au/etfs.

The redemption amount paid to a Unitholder on the redemption of Units from a Fund may include an entitlement to the distributable income of that Fund.

Assets are valued in accordance with our securities market valuation policy, usually at the current market value.

You can contact us for a copy of our policies on exercising discretions when calculating Unit prices, including details of any discretions we may exercise in various circumstances, free of charge.

Non-standard baskets

The Authorised Participant is responsible for notifying us of any non-standard-baskets. Non-standard baskets include a Creation or Redemption Basket which has an omitted security component which requires the Authorised Participant or a Fund (as the case may be) to deliver additional cash in lieu of the omitted securities.

Where an Authorised Participant applies for a Creation Unit by way of non-standard basket which contains cash in lieu of omitted securities, and the actual cost to the Fund of purchasing the omitted securities (including brokerage) is more than the value of those securities at the relevant valuation time, the Authorised Participant may be required to pay an amount to the Fund equal to the difference. Conversely, where the actual cost to the Fund of acquiring the omitted securities (including brokerage) is less than the value of those securities at the relevant valuation time, the Authorised Participant may receive an amount from the Fund equal to the difference.

The same process will be applied in respect of applications for Redemption Units. That is, where an Authorised Participant applies for a Redemption Unit by way of a non-standard basket which includes cash in lieu of omitted securities, and the actual proceeds received by the Fund for realising the omitted securities from the Redemption Basket differ from the value of those securities as at the relevant valuation time, the Authorised Participant may either receive an amount from the Fund equal to the difference, or may be required to pay any amount to the fund equal to the difference, depending on whether or not the actual proceeds received by the Fund for realising the securities is more or less than the value of those securities as at the relevant valuation time.

The Authorised Participant must notify both the Administrator and Russell (simultaneously) of any non-standard baskets as soon as possible but in any event no later than 1:00 pm Sydney time. We must approve any non standard baskets before any CHESS or Austraclear instruction can occur. Please refer to the Creation and Redemption Procedures in the Authorised Participant Agreement for further details about how to provide notification of non-standard baskets.

Your account balance

Your account balance changes as investments are made and as investment returns are added. Fees and taxes, as well as investment losses, reduce your account balance.

Each Fund's NAV fluctuates in line with the market value of assets held in that Fund. Generally, if market values are going up, a Fund's NAV rises and if market values are declining, a Fund's NAV falls.

If a Fund's NAV increases relative to the NAV at which you received your Units, you have made an investment gain and your account balance rises accordingly. If a Fund's NAV decreases, you've made an investment loss and your account balance will fall.

Suspension of applications and redemptions

We may suspend applications for creations or redemptions in certain circumstances. Suspensions will generally occur around the end of a distribution period when we are calculating and paying the distributable income for the relevant period or where there are factors, as determined by us, which may prevent the accurate calculation of Unit prices. However, we may suspend applications for creations or redemptions in other circumstances. We will advise you when such an event occurs.

Applications for creations or redemptions received by us during a period of suspension are deemed to be received on the first Business Day after cessation of the suspension.

'Liquid' for the purposes of the Corporations Act 2001

The redemption conditions described above assume that a Fund is 'liquid' for the purposes of the Corporations Act 2001. If a Fund is 'liquid', we must redeem Units within 90 days of the date on which a redemption request is accepted by us or such longer period as may be permitted in the Fund's constitution. We are currently of the view that each of the Funds is 'liquid'.

Under the Corporations Act 2001, if a Fund is 'illiquid', we may offer Unitholders the opportunity to redeem from the Funds on a periodic basis, but we are not obliged to do so. Where no such offer is made, Unitholders have no right to redeem from an illiquid Fund.

Transferring Units

Subject to the Fund constitution and any ASX requirements, a Unit is usually transferable through the ASX. A Unit may also be transferred by any other method of transfer which is required or permitted by the Corporations Act 2001 and ASX.

Fund income – when and how?

Any Fund income is usually distributed four times each year within 30 days after the end of March, June, September and December each year.

Your share of income will depend on how many Units you hold a Fund at the end of the distribution period. Importantly, the Funds have a mechanism in place to ensure a Fund's yield is not diluted by applications for creations and redemptions from a Fund. At the time of each Application for Creation or Redemption of Units in a Fund, a daily income yield is calculated by the Administrator and used to apportion any Application for Creation or Redemption between capital and income accounts so as to maintain the requisite income yield.

Fund income can be paid directly to your nominated Australian bank account or you can choose to participate in the Distribution Reinvestment Plan (DRP). Details of the DRP are provided below.

Please note that whilst a Fund will generally distribute income as specified above, there is no guarantee that income will be available in each distribution period.

Information in relation to Fund distributions will be disclosed to the ASX via the ASX Market Announcements Platform.

Distribution Reinvestment Plan

A DRP is available to eligible Unitholders so distributions (if any) can be automatically reinvested into additional Units in a Fund.

Partial reinvestment is available.

If you do not elect to participate in the Distribution Reinvestment Plan, any distributions will be automatically paid to you in cash.

Unitholders can participate in the DRP by registering directly with Russell's share registrar at www.computershare.com.au/easyupdate/ and select the respective ETF or contacting them on 1800 RSL ETF (1800 775 383).

Participation is subject to terms outlined in the DRP rules available on www.russell.com.au/etfs.

Additional Information

Our legal relationship with Unitholders

In our role as responsible entity, we are responsible for the operation of the Funds. Each Fund's constitution provides the framework for its operation, and together with this PDS and the Corporations Act 2001, sets out our relationship with Unitholders as the responsible entity. A free copy of each Fund's constitution is available on request. We may amend the constitution only after a special resolution of Unitholders or if we believe the amendment is not adverse to Unitholders' rights.

Some of the provisions in each Fund's constitution are discussed elsewhere in this PDS. Others relate to:

- › how we must calculate Unit prices;
- › our powers – which are very broad – and how and when we exercise them;
- › our ability to refuse applications;
- › calling, attending and voting at Unitholder meetings;
- › when we are not liable to Unitholders;
- › when we may retire as responsible entity; and
- › when a Fund may terminate and what happens if a Fund does terminate.

In our role as the responsible entity, we are not liable for any loss unless we fail to comply with our duties under the Corporations Act 2001. A Unitholder's liability is limited by the constitution to the value of their Units but the courts are yet to determine the effectiveness of provisions like this.

The Responsible Entity

The responsible entity of each of the Funds is Russell Investment Management Ltd, a part of Russell Investments. Russell Investments has approximately \$137 billion in assets under management as of 31 December 2011 and serves individual, institutional and adviser clients in more than 40 countries. Russell Investments is a subsidiary of The Northwestern Mutual Life Insurance Company.

Russell Investment Management Ltd has sufficient financial resources to enable to operation the Funds as outlined in this PDS.

We are the Responsible Entity for the Fund, and as such we are licensed by ASIC which is responsible for regulating the operation of managed investment schemes like the Funds. Under the Corporations Act 2001 the responsible entity may be changed with a resolution passed by at least 50% of the total votes that may be cast by Unitholders entitled to vote on the resolution.

Our responsibilities and obligations as Responsible Entity of the Funds are governed by the Constitution for each Fund as well as the Corporations Act 2001 and general trust law.

Russell Investment Management Ltd holds an Australian Financial Services License and is a member of the Financial Services Council ("FSC").

Unit classes

A Fund may offer different classes of units. Identical rights attach to all units within a class. However, the rights and obligations attaching to different classes of units may vary and are set out in the constitution and the relevant offer document. As at the date of this PDS, there is only one class of units that have the features described in this PDS.

Compliance plan and compliance committee

Each Fund has a compliance plan which describes the means by which we ensure compliance with the Corporations Act 2001 and the relevant Fund constitution. A Compliance Committee with a majority of independent members has been established by us to oversee compliance with each Fund constitution and the Corporations Act 2001.

Market maker

Under the AQUA Rules, we have certain obligations in respect of the Funds to facilitate an orderly and liquid market in each Fund. We may appoint a market maker to maintain continuous liquidity to the market by acting as a buyer and seller to the secondary market.

A market maker will create and redeem Units as required to hold inventory of a security and provide buy and sell prices to the secondary market, while potentially hedging their underlying positions also.

Each day the basket of underlying securities for each Fund is provided, allowing the market maker to calculate the total value of a Fund. The market maker applies a buy and sell spread to the calculated value and publishes these prices on the exchange, continuously updating the prices throughout the trading day and trading as orders are submitted.

We understand the importance of the role of the market maker and seek to appoint market makers that: have experience in making markets in both Australia and overseas; that are ASX participants and have agreements with the ASX to act as a market maker; and that have the necessary skill and expertise to perform a market making function.

We have selected Deutsche Securities Australia Limited ("DSAL") to act as the lead market maker for the Funds. DSAL has experience in making markets globally.

DSAL does not sponsor or endorse the Funds in any way and does not give any representation, warranty, guarantee, assurance or undertaking express or implied as to any matter in connection with the Funds (including, but not limited to, the performance of the market making function described in this PDS or the expected or projected success, profitability, return, performance, results or benefit of any investment or participation in the Funds). DSAL has had no involvement in the preparation of any part of this PDS (including, but not limited to, the role of the market maker and the market making function described in this PDS). DSAL has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS.

Subject to the AQUA Rules, we may replace a market maker appointed in respect of a Fund or appoint additional market makers.

Related party contracts

We may enter into arrangements with related body corporates. In particular, Russell Implementation Services Inc. will provide us with ongoing assistance with respect to index replication for the Funds.

We will appoint any related party on an arm's length commercial basis and after considering the requirements of our conflicts of interest policy and our obligation to manage conflicts of interest under the Corporations Act 2001.

Index Provider

We have entered into an index license agreement to appoint Deutsche Bank as the index provider to each of the Funds. Deutsche Bank global indexes offers custom fixed income indexes.

Please refer to page 6, 7 and 8 for a full description of the index.

The responsible entity of the Funds may substitute the index for another. However, the responsible entity will not do this if to do so would significantly change a Fund's investment strategy as described in this PDS, unless the change of investment strategy has been approved by a resolution passed by 75% of Units cast on the resolution.

If the index is changed, we will make an announcement to the ASX and take such steps as required by law.

Custodian and administrator

We have appointed State Street Australia Limited as the custodian and administrator for the Funds. The custodian and administrator will provide custodial and certain administrative services to the Funds, including holding the assets of the Funds. The Administrator provides administration services to the Funds. These services include fund accounting, maintenance of books and records, calculation of distribution amounts, calculation of the issue price and taxation and other services. The Responsible Entity may change the custodian and administrator at any time.

The custodian and administrator have not been involved in any way in the preparation of this PDS and is named only for information purposes.

Registrar

We have appointed Computershare Investor Services Pty Limited to maintain Unitholder records such as quantity of securities held, tax file number and details of participation in the DRP. The registrar can be contacted at:

Computershare Investor Services Pty Limited

Yarra Falls, 452 Johnston Street
Abbotsford Vic 3067
Ph: 1800 RSL ETF (1800 775 383)
Website: www.computershare.com.au

Computershare Investor Services Pty Limited has given and, as at the date hereof, has not withdrawn its written consent to be named as the Registrar in the form and context in which it is named. Computershare Investor Services Pty Limited has had no involvement in the preparation of any part of this PDS other than being named as the Registrar for the Funds. Computershare Investor Services Pty Limited has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS.

Auditors

The Funds and the compliance plan for the Funds are required to be audited annually. We have appointed PricewaterhouseCoopers as auditor of the Funds and of the compliance plan.

Annual Report

Except in circumstances where the Corporations Act 2001 does not require us to, we will send to you a copy of the annual financial report, the annual directors' report and the auditor's report on the annual financial report (Annual Report) for each Fund in which you hold Units.

Interest

In circumstances where a Fund holds cash after the receipt of application monies any interest earned on these amounts will be retained for the benefit of all the members of that Fund. In addition, a Fund may hold cash pending the payment of redemption proceeds and any interest earned on these amounts will be retained for the benefit of all members of the Fund to which the redemption proceeds relate.

The registrar may also hold cash immediately pending the payment of a distribution. Any interest earned on such will be retained by the registrar to offset expenses incurred in relation to the relevant Fund.

Investor identification and verification

In making an application for creation of Units in a Fund under this PDS applicants must provide and we must verify specified proofs of identity before processing an application. Refer to the Client ID Form for further details of the information and identification that is required, which can be obtained by contacting Russell Fund Operations.

The protection of your investments is an important matter. We have investor identification and verification procedures (ID Procedures) in place to manage risks associated with fraud and unauthorised transactions. At times these procedures may cause inconvenience or delay to you. Please remember that the procedures are applied to safeguard your investments.

In addition, under Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) legislation, we are required to establish and enforce appropriate risk control programs with accompanying ID Procedures and transaction monitoring procedures. The procedures require applicants to provide satisfactory proof of identity which must be verified before they are added to an approved Authorised Participant list, and therefore prior to applications for creation or redemption of Units can be accepted. The ID Procedures may also require us, from time to time, to re-verify information, or request additional identification or related information from you, before we can process a requested transaction on your behalf.

We do not accept any liability for any loss you may incur (whether by delay in acceptance of an application for creation or redemption, transaction processing or otherwise), arising from the application of our ID Procedures.

Complaints

We have procedures in place for dealing with complaints promptly and in any case within 45 days of receiving a complaint. If you have any complaints, please contact us:

The Complaints Manager

Russell Investment Management Ltd
GPO Box 3279
SYDNEY NSW 2001, Australia
Email: disputeresolution@russell.com
Fax number: 1300 768 040 (in Australia)
+612 9229 5116 (outside Australia)
Phone number: (02) 9229 5111 (in Australia)
+612 9229 5111 (outside Australia)

We are also a member of the Financial Ombudsman Service Limited ('FOS'). If you have any complaints you may write to FOS at:

GPO Box 3
Melbourne VIC 3001 Australia
Phone: 1300 78 08 08 (in Australia)
Fax: (03) 9613 6399
Email: info@fos.org.au
Website: www.fos.org.au

Your privacy

As an investor in a Fund you agree to us collecting, holding and using personal information about you to process your application, and administer and manage the products and services we provide to you. This includes, monitoring, auditing and evaluating the products and services, modelling data, data testing, communicating with you and dealing with any complaints or enquiries. We may collect this information from our external service providers.

You do not need to give us any of the personal information requested in the Application for Creation/Redemption Form or in any other document or communication relating to the products or services that we supply to you. However, without this information, we may not be able to process your application or provide you with an appropriate level of service.

You agree to allow us to disclose your personal information to other companies within Russell Investments as well as our external service providers, which provide services in connection with our products and services. We may also disclose this important information to regulators where required.

We may also disclose your personal information:

- › If, acting in good faith, we believe that the law requires or permits us to do so;
- › If you consent; or
- › To any party proposing to acquire an interest in our business.

Under the Privacy Act 1988, you may request access to your personal information that we hold. You can contact us to make such a request or for any other reason relating to the privacy of your personal information.

The way we collect, use and store personal information is regulated by the *Privacy Act 1988* and by our privacy policy. Our privacy policy covers:

- › how we use personal information (for example, we may share it with related companies and external service providers, or use it to tell you about other products and services that we offer),
- › how we store and maintain personal information,
- › how you can access or correct your personal information.

To obtain a copy of our privacy policy, please contact us.

What you need to remember

This PDS contains general information only. It has not been prepared having regard to your investment objectives, financial situation or specific needs. Before making a decision to invest in the Funds, you need to consider whether the Funds are appropriate to your objectives, financial situation and needs. We encourage you to obtain financial advice before making an investment decision.

As with most investing, it is not guaranteed that you will make money from investing in the Funds. The value of your investment can go up or down and you could get back less than you invested. Please note that neither we nor any other member of Russell Investments guarantees the repayment of your capital or the performance of the Funds. We recommend that you satisfy yourself with respect to the risks associated with an investment in the Funds. Please refer to page 14 for a more detailed description of those risks.

Updated information

Information in this PDS is subject to change. Where information in this PDS changes which is not materially adverse to a Unitholder, we may update this information by publishing the changes on our website: www.russell.com.au/etfs. You can contact us if you would like a paper copy of this information, free of charge. We may also be required to issue a supplementary PDS as a result of certain changes. Certain other changes will be deemed to be incorporated into this PDS by reference.

Electronic or paper copies of this PDS can be obtained free of charge from us.

As responsible entity of each of the Funds, we are subject to continuous disclosure obligations that require us to make material information available. We will comply with our continuous disclosure obligations under the law by publishing material information about the Funds on our website in accordance with ASIC's good practice guidance for website disclosure. You can obtain a copy of a Fund's continuous disclosure information by visiting our website www.russell.com.au. We encourage you to regularly check our website for new information that may be relevant to your investment. A paper copy of this information will also be given to you, on request, without charge.

ASIC Relief

Equal Treatment Relief

ASIC has granted relief under section 601QA of the Corporations Act 2001 from the equal treatment requirement in section 601FC(1) (d), to the extent necessary to permit the redemption requirements and procedures for Units for Authorised Participants as described in this PDS.

PDS and Issue of Securities Requirements

ASIC has granted relief under section 1020F(1) (c) of the Corporations Act 2001 from sections 1013H, 1016D and 1016E to reflect the continuous offering of Units in a Fund. For the purposes of this relief Units issued pursuant to an application will be quoted under the AQUA Rules on the ASX with effect from the settlement of the issue of the relevant Units through CHESS and on a monthly basis we will announce to the ASX via the ASX Market Announcements Platform each Fund's total Units on issue within 5 Business Days after the month end. As the settlement of the issue of the relevant Units will be made through CHESS, we will not be required to hold application moneys prior to the issue of Units.

Ongoing Disclosure Relief

ASIC has granted relief under section 1020F(1)(a) of the Corporations Act 2001 from the ongoing disclosure requirements in section 1017B on condition that Russell complies with the continuous disclosure requirements of the Corporations Act 2001 as if each Fund is an unlisted disclosing entity.

Class Based Pricing Relief

ASIC has granted relief under section 601QA(1) (b) of the Corporations Act 2001 from sections 601GAB and 601GAC which are notionally inserted by ASIC Class Order [CO 05/26] as the terms of a Fund's constitution permit Russell, as responsible entity of each of the Funds to issue units of each of the Funds in different classes.

Terms used in this PDS

'Administrator' refers to State Street Australia Limited.

'Application for Creation/Redemption Form' refers to the application/redemption form attached to this PDS. **'AQUA Rules'** refers to the ASX Operating Rules that apply to AQUA products and AQUA trading.

'ASIC' refers to the Australian Securities and Investments Commission.

'ASX' refers to the Australian Securities Exchange Ltd.

'Austraclear' refers to the Central Securities Depository (CSD) of Debt Securities in Australia

'Australian Resident' means a person who is an Australian resident in accordance with criteria determined by us.

'Authorised Participant' refers to persons who have been authorised as trading participants under the ASX Operating Rules and, where required, have entered into a relevant Authorised Participant Agreement.

'Authorised Participant Agreement' refers to an agreement between us and an Authorised Participant governing the application for creation and redemption of Units in the Fund.

'Business Day' has the same meaning as in the ASX Operating Rules.

'CHESS' refers to Clearing House Electronic Sub-register System.

'Creation/Redemption Basket' means a portfolio of securities determined by us.

'Creation/Redemption Unit' means 100,000 Units in respect of the Russell Australian Government Bond ETF and the Russell Australian Semi-Government Bond ETF or 300,000 Units in respect of the Russell Australian Select Corporate Bond ETF.

'Deutsche Bank' refers to Deutsche Bank AG

'ETF' refers to an exchange traded fund.

'Fund' refers to any of the registered managed investment schemes offered in this PDS, collectively referred to as the 'Funds'.

'NAV' refers to the net asset value of the Funds.

'PDS' means this product disclosure statement as amended or supplemented from time to time.

'Russell Investments' refers to the group of companies that are subsidiaries of Frank Russell Company, a Washington, a USA corporation. **'Russell Investments'** is a registered trademark of Frank Russell Company.

'Unit' refers to units in the Funds as described in this PDS.

'Unitholder' refers to a person holding Units in a Fund.

'we', 'our', 'us' or 'Russell' means Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence Number 247 185, the responsible entity of the Fund.

