

28 June 2019

Russell Investments New Zealand Fixed Interest Fund

Russell Investments advises of some changes to the Russell Investments New Zealand Fixed Interest Fund ("Fund").

Key changes

- Western Asset Management Company ("WAMCo") added to the Fund's manager line up.
- The Fund's benchmark changed to the Bloomberg NZ Bond Composite Index.

WAMCo added to the Fund's manager line up

We have added WAMCo to the Fund's manager line up. WAMCo is a highly-rated investment manager who currently manage money in both the Russell Investments Australian Bond Fund and the Russell Investments Australian Bond Income Fund.

Until now, Harbour Asset Management ("Harbour") was the Fund's only manager. Harbour is a New Zealand-based asset manager whose strength lies in shorter-term management of local interest rates strategies. Their investment strategy focuses more on active duration management and spread trading, which is why it tends to be more short term in nature.

WAMCo is a large, global asset manager with a strong focus on credit management. Their global macro investment approach focuses more on medium-term outcomes and will provide the Fund scope to invest in a wider range of NZD-denominated securities; most notably NZD euro medium-term notes.

By introducing WAMCo and moving to a multi-manager fund structure, not only do we greatly increase the Fund's level of diversification, we also expose investors to a wider range of investment views and ideas. Investors also gain access to Russell Investments' significant expertise in areas such as manager research, portfolio implementation and capital markets insights.

Benchmark change

We have changed the Fund's benchmark to the Bloomberg NZ Bond Composite Index. The Fund's previous benchmark comprised the S&P/NZX NZ Government Stock Index (75%) and the S&P/NZX A-Grade Corporate Index (25%).

In the past, New Zealand fixed interest managers have used either a government index or a blended benchmark comprising two sub-indices. However, since late last year, there has been a general shift away from these types of benchmarks in favour of the Bloomberg NZ Bond Composite Index. It is our belief that the benchmark should provide a true reflection of the universe of investible securities, and a better measure of manager skill.

To date, the Fund's blended benchmark has aligned with the exposures in the portfolio and met our requirements for a benchmark. Accordingly, the change in benchmark is not expected to have a material impact on either the Fund's structure or absolute performance. It is important to note that excess return and tracking error targets will remain the same with the new benchmark. However, moving to the new benchmark does internalise exposure to supranationals and Kauri bonds, which until now were ex-benchmark exposures for most managers.

Effective date

These changes are effective **28 June 2019**.

Fund manager line up

The new manager line-up and target weights for the Russell Investments New Zealand Fixed Interest Fund are illustrated below.

Manager	Role in the Fund	Old weight (%)	New weight (%)
Harbour Asset Management	Shorter-term local rates strategy	100.0	50.0
Western Asset Management Co.	Medium-term thematic strategy	0.0	50.0

Target weights as at 28 June 2019. Source: Russell Investments.

This update is provided by Russell Investment Group Limited (Russell Investments) in good faith and is designed as a summary to accompany the Product Disclosure Statement for the Russell Investment Funds (Funds). The Product Disclosure Statement is available from Russell Investments, the issuer Implemented Investment Solutions Limited (IIS) on <https://iisolutions.co.nz/library/> and on <https://disclose-register.companiesoffice.govt.nz/> The information contained in this report update is not an offer of units in the Fund or a proposal or an invitation to make an offer to sell, or a recommendation to subscribe for or purchase, any units in the Fund. If you are making an investment directly then you will be required to complete the application form, which can be obtained from the Manager, IIS. The information and any opinions in this update are based on sources that Russell Investments believes are reliable and accurate. Russell Investments, its directors, officers and employees make no representations or warranties of any kind as to the accuracy or completeness of the information contained in this fact sheet and disclaim liability for any loss, damage, cost or expense that may arise from any reliance on the information or any opinions, conclusions or recommendations contained in it, whether that loss or damage is caused by any fault or negligence on the part of Russell Investments, or otherwise, except for any statutory liability which cannot be excluded. All opinions reflect Russell Investments' judgment on the date of this update and are subject to change without notice. This disclaimer extends to IIS, and any entity that may distribute this publication. The information in this update is not intended to be financial advice for the purposes of the Financial Advisers Act 2008 or the Financial Markets Conduct Act 2013. In particular, in preparing this document, Russell Investments did not take into account the investment objectives, financial situation and particular needs of any particular person. Professional investment advice from an appropriately qualified adviser should be taken before making any investment. Past performance is not necessarily indicative of future performance, unit prices may go down as well as up and an investor in the Fund may not recover the full amount the capital that they invest. No part of this document may be reproduced without the permission of Russell Investments or IIS. IIS is the issuer and manager of the Funds.