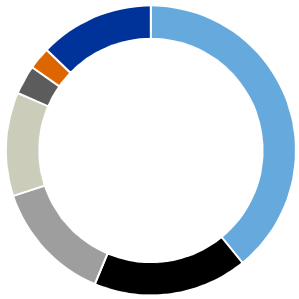
30 September 2022

Russell Investments International Bond Fund - $A Hedged

Geographic allocation[3]



North America	39.1%
Euro Zone	17.2%
Asia Pacific	13.6%
Non-Euro Zone	11.6%
Caribbean, South and Central America	3.3%
Middle East & Africa	2.5%
Other	12.8%

Data as at 31 August 2022

Fund facts

Share class

Class A

Inception date

31 December 1997

Fund size

AUD 346.45m

Benchmark^^

Bloomberg Global Aggregate Index ($A Hedged)

Portfolio manager

Gerard Fitzpatrick

Recommended investment timeframe

3 years

Tax structure

Investment - Class A

APIR code

RIM0007AU

ARSN code

092-806-954

Management fees and costs†

0.65%

Performance fees‡

N/A

Fund objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the medium term by providing exposure to a diversified portfolio of predominantly fixed income securities denominated in foreign currencies and largely hedged into Australian dollars.

Fund strategy

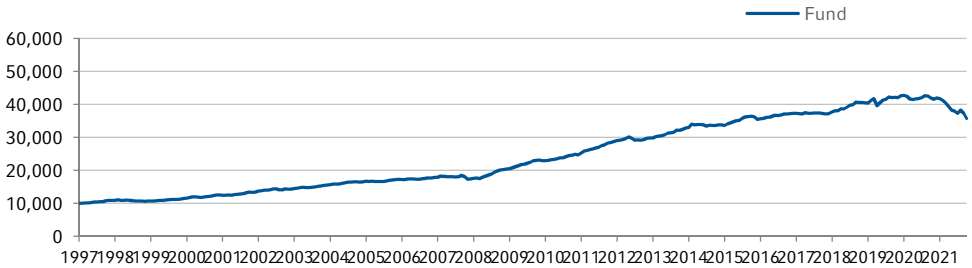
The Fund invests predominantly in debt securities issued by supranationals, international governments, quasi-governments, agencies and corporates as well as structured credit securities including mortgage and asset backed securities. The Fund may also be exposed to low grade or unrated debt securities, emerging markets and currency. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to Australian dollars, apart from those foreign currency exposures which are utilised to generate excess returns from active currency management.

Performance review[1]

Period ending 30/09/2022	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Total return	-4.06	-3.98	-14.80	-4.14	-0.72	5.29

1 Performance is net of fees and charges. Assumes reinvestment of income. Past performance is not a reliable indicator of future performance.

Growth of $10,000



Fund commentary

The Russell Investments International Bond Fund (AUD hedged) performed in line with the benchmark in the September quarter.

Credit positioning contributed positively to fund performance; notably our exposures to US high-yield debt, European investment-grade corporates and European-based emerging markets debt. Active currency positioning also added value over the period, driven largely by our long US dollar exposure. In terms of strategic factor performance, our credit risk premium, currency factor and rates factor strategies all added value in the third quarter, while our term risk premium strategy detracted from performance. In contrast, interest rates positioning detracted from overall returns. This included an overweight to US duration; positioning which was impacted by the sharp rise in bond yields we saw over the period. Our exposure to short-dated UK gilts also weighed on performance. Partly offsetting this was an underweight to German bunds.

Toward the end of the quarter, we added to our high-yield debt exposure on the basis that current valuations are attractive. We also made some enhancements to the Fund to reduce its carbon emissions profile. These enhancements include reducing the Fund's overall carbon footprint by 20% relative to the benchmark index and coal-related exclusions.

3 Allocations may not equal 100% due to rounding.
^^Effective August 24, 2021, the Bloomberg Barclays fixed income indices were rebranded the Bloomberg indices.
† As a percentage of net assets. Includes management fee, indirect costs and expense recoveries. Reflects RIM's reasonable estimates of the typical fees for the current financial year. All costs reflect the actual amount incurred for previous financial year and may include RIM's reasonable estimates where information was not available or where RIM was unable to determine the exact amount. Refer to the PDS for further information.
‡ As a percentage of net assets. RIM does not charge a performance fee at the Fund level, however underlying funds and managers may charge a performance fee. This estimated fee is based on the average of actual performance fees incurred over the past 5 financial years. Refer to PDS for further information.

Russell Investments International Bond Fund - $A Hedged (continued)

Detailed performance review[1,2]

	1 year %p.a.	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Total return	-14.8	-4.1	-0.7	5.3
Distribution	-	5.7	4.3	6.2
Growth	-14.8	-9.8	-5.0	-0.9

1 Performance is net of fees and charges. Assumes reinvestment of income. Past performance is not a reliable indicator of future performance.
2 The distribution return reflects income paid from the Fund, whilst the growth return reflects changes in the capital values of the units.

Portfolio structure[4]

Manager	Style	Weight %	Comment
BlueBay	Country selection	26.0	BlueBay performed in line with its benchmark over the quarter. The manager benefited in part from overweights to Brazilian and South African government debt. Offsetting these positions were overweights to short-dated UK gilts and New Zealand government bonds.
Russell Investments	Integrated Global Governments	14.0	The Russell Investments Integrated Governments strategy underperformed its benchmark over the period, driven in part by overweights to German bunds and US Treasuries.
Russell Investments	Intelligent Credit	14.0	The Russell Investments Intelligent Credit strategy outperformed its benchmark over the period, benefiting in part from an underweight to US investment-grade industrials. An underweight to UK investment-grade debt also added value.
Russell Investments	Liquidity	5.0	The Fund's liquidity reserve comprises cash awaiting investment or held to meet redemption requests or to pay expenses.
Schroders	Securitised specialist	13.0	Corporate credit specialist Schroders outperformed its benchmark over the quarter; the manager benefiting largely from their exposure to US asset-backed securities.
Western Asset Management	Security selection	28.0	Western Asset Management performed in line with its benchmark over the quarter. The manager benefited in part from overweight exposures to US high-yield financials and industrials. Offsetting these positions was an overweight to US duration.

4 Russell Investments retains the discretion to change the investment managers at any time without notice. Please check russellinvestments.com.au/disclosures for the latest list of managers.

Contact Russell Investments

To find out more about Russell Investments or how you can diversify your portfolio in just one transaction, you can:
visit our website at russellinvestments.com.au
To invest in Russell Investments Retail Funds, contact your adviser today.
For more information:
NSW, QLD, ACT & NT : 02 9229 5111 VIC, SA, WA & TAS: 03 9270 8111

Important information

Issued by Russell Investment Management Ltd ABN 53 068 338 974, AFS Licence 247185 (RIM). This document provides general information only and has not been prepared having regard to your objectives, financial situation or needs. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation or needs. This information has been compiled from sources considered to be reliable, but is not guaranteed. The performance data shown does not take into account fees, charges and taxes, and is not a reliable indicator of the net return to you as an investor. Past performance is not a reliable indicator of future performance. This document is not intended to be a complete statement or summary of the Russell Investments Funds (the Funds). Investing in the Funds has risks. You should consider these risks in light of your objectives, financial situation and needs. Any potential investor should consider the latest PDS in deciding whether to acquire, or to continue to hold, an investment in any Russell Investments product. The PDS can be obtained by visiting russellinvestments.com.au or by phoning (02) 9229 5111. The Target Market Determinations for the RIM Funds are available on our website at www.russellinvestments.com/au/support/tmds. RIM is part of Russell Investments. Russell Investments or its associates, officers or employees may have interests in the financial products referred to in this information by acting in various roles including broker or adviser, and may receive fees, brokerage or commissions for acting in these capacities. In addition, Russell Investments or its associates, officers or employees may buy or sell the financial products as principal or agent. The Russell Indexes mentioned in this document are trademarks of Frank Russell Company (Russell). Russell is the owner of the Russell trademarks and all trademark rights related to the Russell trademarks, which the members of the Russell Investments group of companies are permitted to use under licence from Russell. The members of the Russell Investments group of companies are not affiliated in any manner with Russell or any entity operating under the 'FTSE Russell' brand. Russell Investments' ownership is composed of a majority stake held by funds managed by TA Associates, with a significant minority stake held by funds managed by Reverence Capital Partners. Russell Investments' employees and Hamilton Lane Advisors, LLC also hold minority, non-controlling, ownership stakes. This work is copyright 2022. Apart from any use permitted under the Copyright Act 1968, no part may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of Russell Investment Management Ltd. Russell Investments became a signatory of the Principles for Responsible Investment (PRI) in 2009; the Carbon Disclosure Project's climate change program since 2010; and the Climate Action 100 in 2017. Russell Investments is also a member of the Institutional Investors Group on Climate Change (IIGCC) since 2015; and the Responsible Investment Association of Australasia. Russell Investments became a supporter for the Taskforce on Climate-Related Financial Disclosures (TCFD) in May 2019. Russell Investments has consecutively achieved an A+ rating for our strategy and governance approach from the PRI from 2016-2020. For further information visit russellinvestments.com.