

# Russell Investments Managed Portfolio – Balanced



The portfolio returned -0.62%<sup>^</sup> in August. Overweights to equities and credit detracted from performance, including global high-yield debt, which gave back the previous month's gains. In contrast, stock selection within equities added value over the period.

## Portfolio objective

To provide returns over the medium to long term, with moderate to high volatility, consistent with a diversified mix of predominantly growth oriented assets and some defensive assets.

## Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 70% and defensive investments of around 30% over the long term, however the allocations will be actively managed within the allowable ranges depending on market conditions.

## Main market highlights

Global share markets fell in August. Stocks actually began the month well as investors adjusted their US rate hike expectations in the wake of better-than-expected inflation data. However, comments from several US Federal Reserve (Fed) officials – all of whom reiterated the central bank's determination to do what is necessary to control inflation – saw share markets reverse direction midway through the month. Stocks were also pressured by some surprisingly hawkish rhetoric from Fed chairman Jerome Powell, who reaffirmed his bank's commitment to maintaining its current pace of rate hikes and cautioned against easing monetary conditions too early. Meanwhile, sharply higher inflation in the UK and Europe raised the prospect of even more aggressive rate hikes from the Bank of England and the European Central Bank. Stocks were also impacted by the ongoing uncertainty stemming from the war in Ukraine, heightened Sino-US frictions and fresh Chinese growth concerns. Australian shares rose as investors looked past yet another domestic rate hike and bet instead that the Reserve Bank of Australia may need to slow the pace at which it tightens monetary policy if growth slows too quickly.

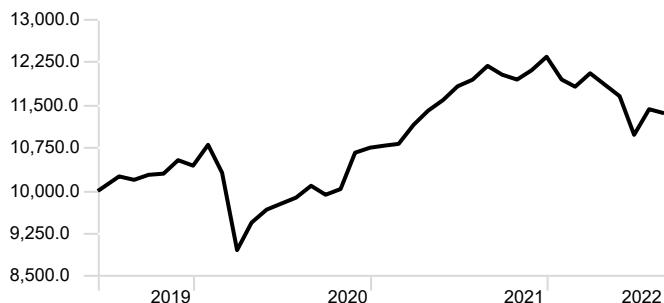
Government bonds were weaker, with longer-term yields rising amid expectations of further interest rate hikes globally.

## Main portfolio highlights

During the month, we used derivatives to add some downside protection to the dynamic real return core strategy. Overall, the portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities in this volatile environment.

## Growth of \$10,000

Time Period: 17/06/2019 to 31/08/2022



## Performance Review

As of Date: 31/08/2022

	Return
1 Month	-0.62
3 Months	-2.56
1 Year	-6.79
2 Years	6.10
3 Years	3.67
YTD	-8.00
Since Inception	4.06

Inception date: 17/06/2019

<sup>^</sup>This performance is net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. It does not take into account any third party platform fees charged to individual investors or transaction costs (including buy/sell spreads and brokerage fees). It assumes income is reinvested without any tax deduction. It is for [RIML's] preferred model portfolio of holdings. A holding in the preferred model portfolio may be restricted or replaced with another similar asset in the Managed Portfolio on different platforms if the preferred holding is not available. Different platforms may also charge different management fees for the Managed Portfolio. This can result in variances in performance of the Managed Portfolio between platforms. An individual investor's performance will differ, according to the investor's actual exposures to Managed Portfolio holdings and other factors (including transaction timing, transaction costs, actual underlying manager fees and costs and whether income is paid in cash). Platforms will have their own methodology for calculating performance, at both a platform level and an individual investor level. Past performance is not a reliable indicator of future performance.

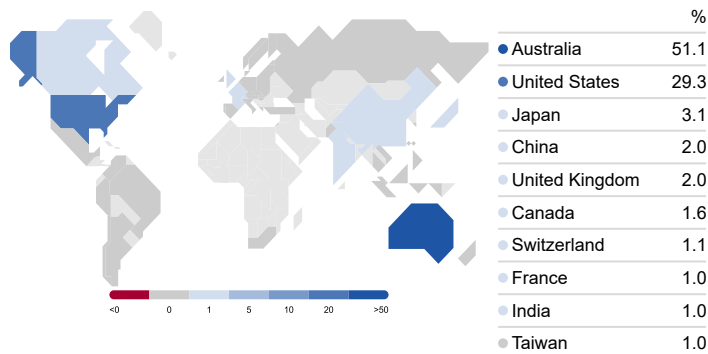
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

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## Country Exposure

Portfolio Date: 31/08/2022



## Long-term investing: Positioning for 5 years and beyond

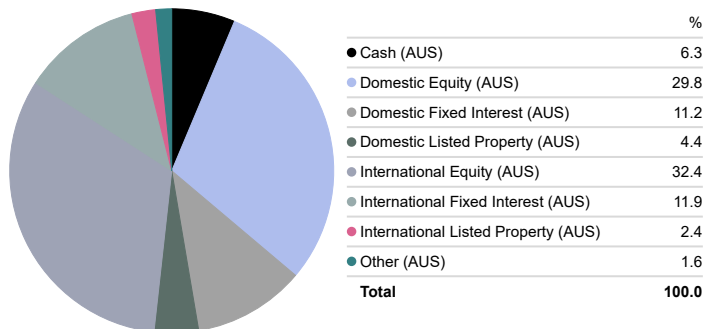
The portfolio has a long-term asset allocation of 76% to return generating assets (including high yield debt and other extended fixed income). Growth asset valuations are higher than average and return expectations for US shares and high yield debt are low. However, growth assets are still preferred due to superior returns relative to defensive assets over the medium term.

Defensive assets such as fixed income and cash have an allocation of 24% in the portfolio. A tilt to credit further enhances the long-term return potential, but also increases the risk of losses. Government bonds are universally expensive and portfolio holdings are relatively low but held for diversification benefits.

Strategically, the portfolio has positions in cheaper and higher momentum securities as per our researched beliefs. Additionally, we prefer emerging markets over developed market equities (e.g. the US).

## Asset Allocation

Portfolio Date: 31/08/2022



## Dynamic positioning: Managing positions over the next 12-18 months

The direct Australian equity portfolio underperformed the benchmark, driven in part by poor stock selection within the industrials and materials sectors. This included an overweight to rail operator Aurizon and zero exposures to Pilbara Minerals and OZ Minerals. Performance was further impacted by an overweight to financials; notably Bendigo Bank.

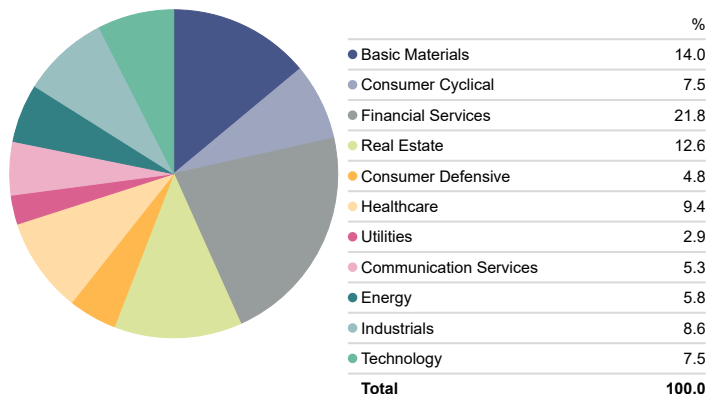
In terms of global equity managers, UK equity specialist J O Hambro underperformed over the period, while Numeric (low volatility) and emerging markets specialists RWC Partners and Oaktree Capital all performed well.

Looking ahead, we expect higher levels of volatility to continue, with active management to play an important role in navigating through it. We expect to increase growth asset exposure on major market reversals and decrease growth asset exposure on market rallies. This is a very important time to remain flexible as there are competing forces related to inflation and growth.

We retain the same themes as recent months, i.e. a preference for emerging markets over developed markets and overweights to both global small caps and floating rate credit.

## Sector Allocation

Portfolio Date: 31/08/2022



# Russell Investments Managed Portfolio – Balanced



## Detailed Asset Allocation

Portfolio Date: 31/08/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Growth Strat A	31.13
Vanguard US Total Market Shares ETF	6.95
Vanguard All-World ex-US Shares ETF	6.06
Vanguard MSCI Intl (Hdg) ETF	3.71
Vanguard Global Aggregate Bd Hdg ETF	3.52
Vanguard Global Value Equity Active ETF	3.16
Russell Inv Australian Government Bd ETF	3.03
Vanguard Australian Property Secs ETF	2.62
Vanguard MSCI Australian Small Coms ETF	2.11
Vanguard Australian Shares ETF	2.11
Russell Inv Australian Select CorpBd ETF	2.05
Vanguard Intl Credit Secs (Hdg) ETF	2.01
Vanguard International Prpty Secs IdxHdg	1.92
iShares S&P Small-Cap ETF	1.61
Vanguard FTSE Emerging Markets Shrs ETF	1.51
Russell Global Opportunities A	1.16
Vanguard Global Infrastructure Index Hgd	0.99
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.50
iShares Core Cash ETF	0.31
BHP Group Ltd	2.86
Commonwealth Bank of Australia	1.72
CSL Ltd	1.68
National Australia Bank Ltd	1.42
Macquarie Group Ltd	1.05
Westpac Banking Corp	0.94
Transurban Group	0.93
Rio Tinto Ltd	0.87
Australia and New Zealand Banking Group Ltd	0.83
Woolworths Group Ltd	0.76
South32 Ltd	0.66
Carsales.com Ltd	0.62
Dexus	0.56
Wesfarmers Ltd	0.53
Sonic Healthcare Ltd	0.50
Aurizon Holdings Ltd	0.48
Lynas Rare Earths Ltd	0.47
Telstra Corp Ltd	0.44
Ampol Ltd	0.42
Suncorp Group Ltd	0.42
James Hardie Industries PLC DR	0.41
AGL Energy Ltd	0.37
Woodside Energy Group Ltd	0.36
Harvey Norman Holdings Ltd	0.35
Santos Ltd	0.34
Worley Ltd	0.34
Vicinity Centres	0.34
Computershare Ltd	0.32
Mirvac Group	0.31
Bendigo and Adelaide Bank Ltd	0.30

Allocations may not equal 100% due to rounding. In order to manage a fund/portfolio to its investment objectives, Russell Investments retains the discretion to change the underlying investments at any time, without notice to investors. Please refer to the relevant Product Disclosure Statement for more information.

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## Contact Russell Investments

### Further information

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