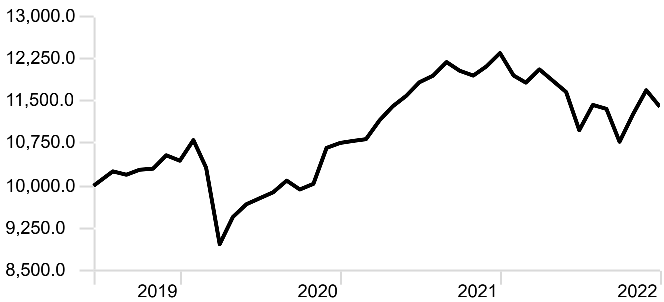
Russell Investments Managed Portfolios – Balanced

The portfolio returned 5.75%^ in the December quarter. Overweights to listed growth assets, i.e. Australian and global equities, contributed positively to performance. An overweight to extended fixed income assets also added value.

Growth of $10,000

Time Period: 17/06/2019 to 31/12/2022



Performance Review

As of Date: 31/12/2022

	Return
1 Month	-2.50
3 Months	5.75
1 Year	-7.70
2 Years	2.93
3 Years	2.96
YTD	-7.70
Since Inception	3.77

Inception date: 17/06/2019

^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.

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 rose over the period, driven largely by expectations the world's major central banks would soon pivot to smaller rate hikes amid increasing evidence inflation may have peaked. This theme drove strong model portfolio performance, which was positioned overweight growth assets. The US Federal Reserve, the European Central Bank and the Bank of England all raised their benchmark rates by smaller (0.50%) increments in December; though the banks did warn that further rate hikes were needed to tame inflation. The reduction in the magnitude of central bank rate hikes caused credit spreads to tighten as the market interpreted a lower terminal rate being more favourable for economic conditions. Overweights to credit during the quarter were additive to performance. Stocks also benefited from a series of mostly encouraging US and European earnings updates and Beijing's decision to begin relaxing its strict COVID-19- related restrictions. Australian shares also performed well, benefiting from the Reserve Bank of Australia's decision to reduce the size of its interest rate hikes despite high inflation; the Bank raising the official cash rate just 0.25% at its early October meeting and again by the same increment in November and December. The local market also benefited from strong gains across the major banks and miners. Government bonds continued to underperform against a backdrop of rising interest rates.

Main portfolio highlights

During the quarter, there were changes to positioning within the dynamic core of the managed portfolio. Early in the period, bond duration was increased, while equity options protection was added in December after a strong rebound. Both of these changes are likely to reduce volatility if recession risks continue to rise. We also added a small weighting to private assets during the quarter. Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

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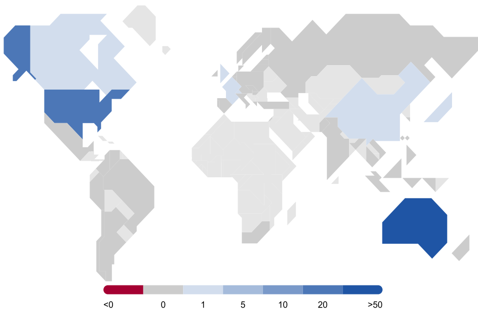
Country Exposure

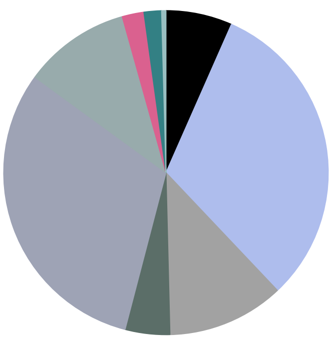
Portfolio Date: 31/12/2022



	%
Australia	51.9
United States	28.1
Japan	3.1
United Kingdom	2.1
China	2.0
Canada	1.6
Switzerland	1.2
France	1.2
India	1.0
Germany	1.0

Asset Allocation

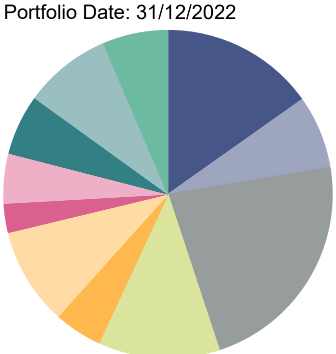
Portfolio Date: 31/12/2022



	%
Cash	6.6
Domestic Equity	31.3
Domestic Fixed Interest	11.7
Domestic Listed Property	4.4
International Equity	31.0
International Fixed Interest	10.6
International Listed Property	2.2
Other	1.7
Unlisted Property	0.4
Total	**100.0**

Sector Allocation

Portfolio Date: 31/12/2022



	%
Basic Materials	15.2
Consumer Cyclical	7.2
Financial Services	22.6
Real Estate	12.0
Consumer Defensive	4.7
Healthcare	9.6
Utilities	2.9
Communication Services	4.9
Energy	6.0
Industrials	8.6
Technology	6.4
Total	**100.0**

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 have decreased significantly year to date but are marginally higher than long-term averages in the US and similar to long-term averages across other developed markets, such as Australia. Long term forward looking return expectations for US shares and high-yield debt have improved during the year, but the economic outlook creates uncertainty in the near term. Given this, 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 toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently begun to show signs of value across some markets and are now offering much higher yields than at the beginning of 2022.

Strategically, the portfolio has positions in cheaper and higher momentum securities as per our researched beliefs.

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

The direct Australian equity portfolio underperformed the benchmark. A modest underweight to the strong-performing utilities space detracted from returns. Stock selection within the materials and energy sectors also weighed on performance, including overweights to Ampol and James Hardie. Partly offsetting these positions was a nil exposure to Pilbara Minerals, which fell sharply over the period. Stock selection within the financials space also added value; notably an overweight to Suncorp Group.

In terms of global equity managers, UK equity specialist J O Hambro significantly outperformed its benchmark, benefiting in part from stock selection within the communication services and utilities sectors. Emerging markets specialist Oaktree Capital and core global equities manager Fiera Capital also outperformed.

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.

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Detailed Asset Allocation

Portfolio Date: 31/12/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Growth Strat A	31.15
Vanguard US Total Market Shares ETF	6.75
Vanguard All-World ex-US Shares ETF	6.32
Vanguard MSCI Intl (Hdg) ETF	3.57
Vanguard Global Aggregate Bd Hdg ETF	3.39
Vanguard Global Value Equity Active ETF	3.27
Russell Inv Australian Government Bd ETF	2.96
Vanguard Australian Property Secs ETF	2.53
Vanguard Australian Shares ETF	2.15
Vanguard MSCI Australian Small Coms ETF	2.07
Russell Inv Australian Select CorpBd ETF	2.04
Vanguard Intl Credit Secs (Hdg) ETF	1.94
Vanguard International Prpty Secs IdxHdg	1.74
iShares S&P Small-Cap ETF	1.58
Vanguard FTSE Emerging Markets Shrs ETF	1.47
Russell Global Opportunities A	1.17
Vanguard Global Infrastructure Index Hgd	0.93
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.49
iShares Core Cash ETF	0.31
BHP Group Ltd	3.42
Commonwealth Bank of Australia	1.81
CSL Ltd	1.65
National Australia Bank Ltd	1.42
Rio Tinto Ltd	1.07
Westpac Banking Corp	1.04
Macquarie Group Ltd	1.00
Transurban Group	0.88
ANZ Group Holdings Ltd	0.88
Woolworths Group Ltd	0.70
South32 Ltd	0.67
Carsales.com Ltd	0.57
Wesfarmers Ltd	0.52
Dexus	0.51
Aurizon Holdings Ltd	0.48
Suncorp Group Ltd	0.46
Sonic Healthcare Ltd	0.45
Telstra Group Ltd	0.44
Lynas Rare Earths Ltd	0.41
AGL Energy Ltd	0.39
Woodside Energy Group Ltd	0.38
Harvey Norman Holdings Ltd	0.35
Ampol Ltd	0.35
Worley Ltd	0.35
Vicinity Centres	0.35
Computershare Ltd	0.33
Bendigo and Adelaide Bank Ltd	0.33
Mirvac Group	0.32
James Hardie Industries PLC DR	0.32
Santos Ltd	0.31

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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Russell Investments

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