

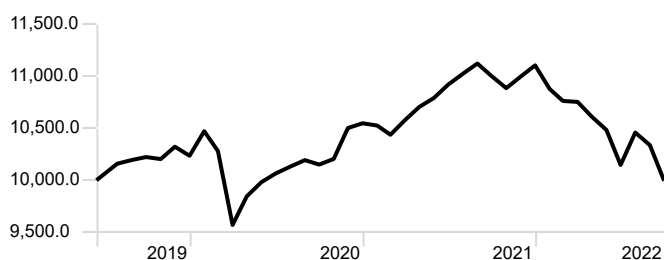
# Russell Investments Managed Portfolios – Conservative



The portfolio returned -1.49%<sup>^</sup> in the September quarter. Overweights to listed growth assets, i.e. equities, and credit detracted from performance. Stock selection within Australian equities also weighed on returns. In contrast, stock selection within global equities and Australian bonds added value.

## Growth of \$10,000

Time Period: 17/06/2019 to 30/09/2022



## Performance Review

As of Date: 30/09/2022

	Return
1 Month	-3.30
3 Months	-1.49
1 Year	-9.12
2 Years	-0.77
3 Years	-0.75
YTD	-9.96
Since Inception	-0.01

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.

## Portfolio objective

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

## Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 30% and defensive investments of around 70% 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 local currency terms in the September quarter. Much of the decline was driven by further, aggressive central bank activity globally and growing recession fears. In the US, the Federal Reserve raised interest rates twice, with chairman Jerome Powell making it clear that interest rates will continue to rise until price stability is restored; even if it means tipping the world's largest economy into recession. Elsewhere, rising consumer prices in the euro-zone saw the European Central Bank (ECB) deliver its first rate hike in 11 years in July; the Bank lifting its main refinancing rate by 0.50%. The ECB followed this up with a further, unprecedented 0.75% increase in early September. Meanwhile, the Bank of England raised rates twice over the period and warned of steeper rate hikes ahead after UK inflation hit double figures in July. Stocks were also impacted by ongoing geopolitical risks and disappointing Chinese growth. Australian shares made modest gains despite the Reserve Bank of Australia raising interest rates three times over the period as it tries to curb rising inflation; investors betting instead that the Bank may need to slow the pace at which it tightens monetary policy if growth slows too quickly.

Government bonds underperformed, with yields continuing to rise amid sharply higher interest rates globally.

## Main portfolio highlights

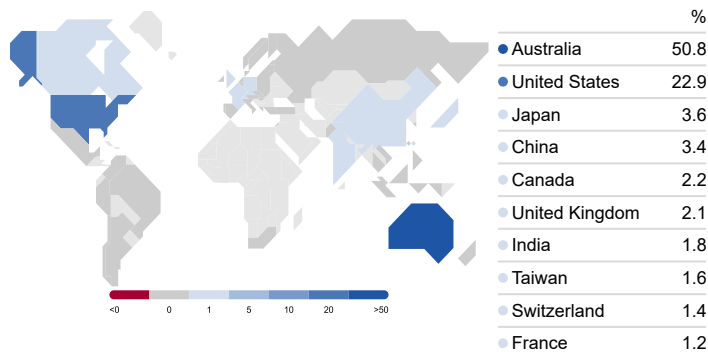
During the quarter, we diversified listed real assets away from Australian listed property by selling the Vanguard Australian Property ETF and buying both the Vanguard International Property Fund and the Vanguard Global Infrastructure Fund. Further, we added emerging markets debt via the iShares J.P. Morgan USD Emerging Markets Bond ETF. We did this to gain exposure to a superior income and extended return source relative to global bonds. Overall, the portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities in this volatile environment.

# Russell Investments Managed Portfolios – Conservative



## Country Exposure

Portfolio Date: 30/09/2022



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

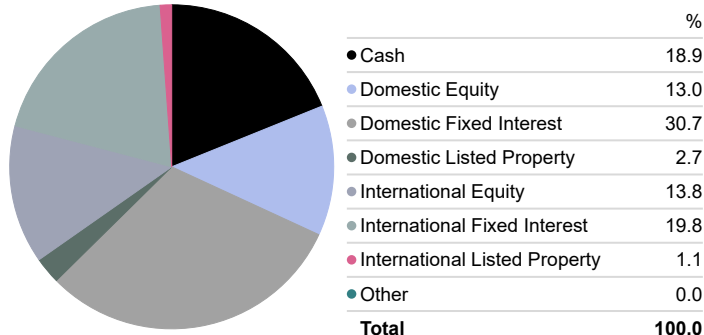
**Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio.** A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently begun to show signs of value across some markets and are now offering much higher yields than at the beginning of 2022.

**The portfolio has a long-term asset allocation of 33% 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. Return expectations for US shares and high-yield debt are low but improving. Given this, growth assets are still preferred due to superior returns relative to defensive assets over the medium term.

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

## Asset Allocation

Portfolio Date: 30/09/2022



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

The direct Australian equity portfolio underperformed the benchmark, driven almost entirely by positioning within the energy and materials sectors; including underweights to Pilbara Minerals and Whitehaven Coal. We rebalanced these sectors in the portfolio as the momentum factor has changed. Both sectors have weighed on performance due to a combination of recent volatility within the macro environment and sector-specific factors in some commodities, e.g. lithium.

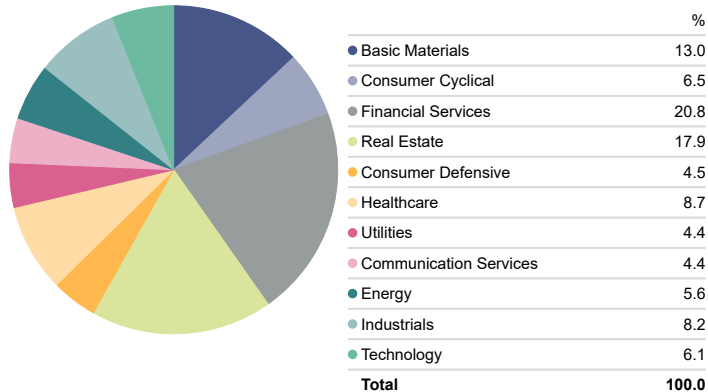
Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged performed in line with its benchmark over the period, while global high-yield debt and the Russell Investments Floating Rate Fund recorded negative returns. The Russell Investments Australian Bond Fund outperformed its benchmark, due in part to its duration and sector positioning. Metrics Credit recorded strong absolute returns for the quarter, with Australian loans continuing to generate income-like returns.

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: 30/09/2022



# Russell Investments Managed Portfolios – Conservative



## Detailed Asset Allocation

Portfolio Date: 30/09/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	33.65
iShares Core Cash ETF	12.22
Russell Inv Australian Government Bd ETF	11.21
Vanguard Global Aggregate Bd Hdg ETF	8.91
Vanguard Intl Credit Secs (Hdg) ETF	4.93
Vanguard All-World ex-US Shares ETF	3.95
Russell Inv Australian Select CorpBd ETF	3.65
Vanguard US Total Market Shares ETF	2.13
Russell Inv Australian Semi-Govt Bd ETF	2.08
Vanguard Australian Property Secs ETF	1.84
iShares S&P Small-Cap ETF	1.05
Vanguard FTSE Emerging Markets Shrs ETF	0.97
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.96
Vanguard Global Infrastructure Index Hgd	0.92
Vanguard International Prpty Secs IdxHdg	0.88
Vanguard MSCI Intl (Hdg) ETF	0.01
BHP Group Ltd	1.17
CSL Ltd	0.66
Commonwealth Bank of Australia	0.64
National Australia Bank Ltd	0.53
Macquarie Group Ltd	0.36
Westpac Banking Corp	0.36
Rio Tinto Ltd	0.34
Australia and New Zealand Banking Group Ltd	0.33
Transurban Group	0.33
Woolworths Group Ltd	0.29
South32 Ltd	0.25
Dexus	0.20
Wesfarmers Ltd	0.19
Sonic Healthcare Ltd	0.18
Carsales.com Ltd	0.18
Aurizon Holdings Ltd	0.18
Telstra Group Ltd	0.18
Suncorp Group Ltd	0.16
Lynas Rare Earths Ltd	0.16
Woodside Energy Group Ltd	0.15
Harvey Norman Holdings Ltd	0.15
James Hardie Industries PLC DR	0.15
Computershare Ltd	0.15
Santos Ltd	0.15
Ampol Ltd	0.14
Vicinity Centres	0.14
AGL Energy Ltd	0.14
Worley Ltd	0.14
Mirvac Group	0.13
Bendigo and Adelaide Bank Ltd	0.12

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

For further information about Russell Investments please visit [russellinvestments.com.au](http://russellinvestments.com.au)

## Important Information



Russell Investments Managed Portfolios have been rated Superior by SQM Research<sup>1</sup> for world class manager research capabilities and management of multi-asset portfolios.

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