

Russell Investments Managed Portfolio – Conservative



The portfolio returned 2.21%^ in October. 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.

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 made strong gains in October even as the world's major central banks continued to raise interest rates in the face of persistently high inflation. Investors were instead encouraged by speculation that officials may soon pivot toward a less aggressive monetary policy stance given the typical lag effects of higher interest rates and the potential impact that sharply higher rates will have on economic growth. Share markets also benefited from a series of positive US and European earnings updates, as well as speculation that stocks, which have sold off sharply so far this year, may have reached the bottom. Australian shares also performed well, driven largely by the Reserve Bank of Australia's decision to cut interest rates by less than expected despite uncomfortably high inflation.

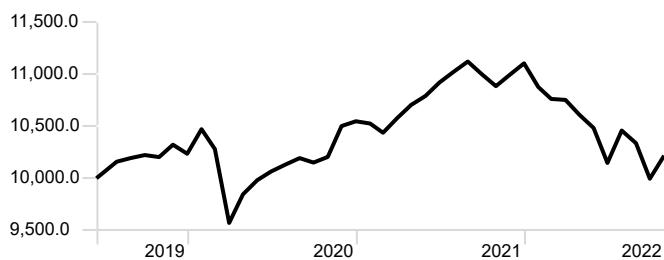
Government bonds continued to underperform against a backdrop of rising interest rates.

Main portfolio highlights

There were no material positional changes to the portfolio during the month. 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 31/10/2022



Performance Review

As of Date: 31/10/2022

	Return
1 Month	2.21
3 Months	-2.30
1 Year	-6.12
2 Years	0.06
3 Years	0.04
YTD	-7.97
Since Inception	0.64

Inception date: 17/06/2019

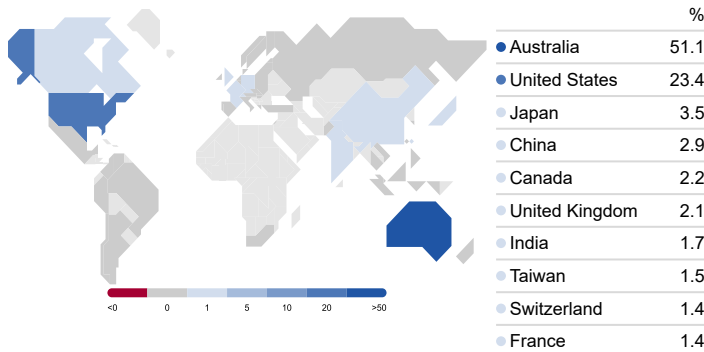
^This performance is net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. It does not take into account any third party platform fees charged to individual investors or transaction costs (including buy/sell spreads and brokerage fees). It assumes income is 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.

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Country Exposure

Portfolio Date: 31/10/2022



Long-term investing: Positioning for 5 years and beyond

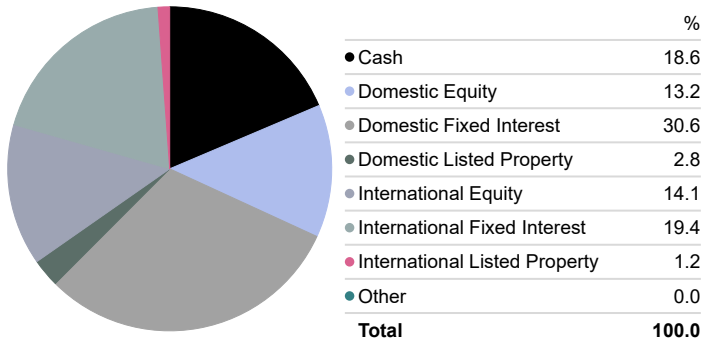
Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio. A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently 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: 31/10/2022



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

The direct Australian equity portfolio underperformed the benchmark, driven largely by positioning within the energy and materials sectors. This included underweights to Pilbara Minerals, Whitehaven Coal and Worley Ltd. Whilst the portfolio is not underweight energy, its energy exposure is more to service-orientated companies as opposed to oil and gas producers which benefit directly from higher commodity prices.

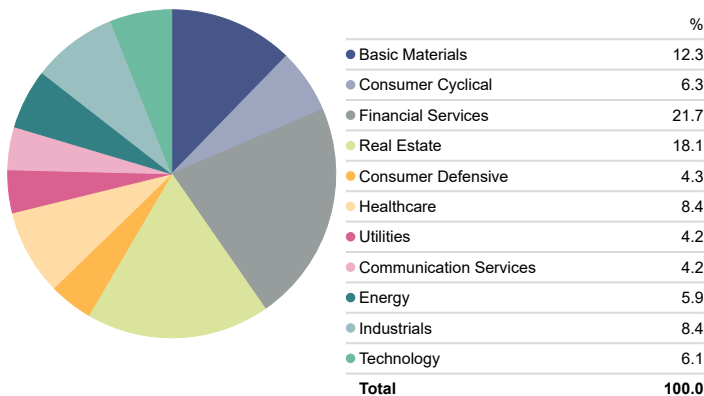
Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged underperformed its benchmark. The Russell Investments Floating Rate Fund recorded negative absolute returns, while global high-yield debt outperformed. The Russell Investments Australian Bond Fund underperformed its benchmark, though it did deliver positive absolute returns for the month. Metrics Credit also recorded positive absolute returns, 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: 31/10/2022



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Detailed Asset Allocation

Portfolio Date: 31/10/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	33.68
iShares Core Cash ETF	11.98
Russell Inv Australian Government Bd ETF	11.17
Vanguard Global Aggregate Bd Hdg ETF	8.70
Vanguard Intl Credit Secs (Hdg) ETF	4.79
Vanguard All-World ex-US Shares ETF	4.04
Russell Inv Australian Select CorpBd ETF	3.59
Vanguard US Total Market Shares ETF	2.26
Russell Inv Australian Semi-Govt Bd ETF	2.06
Vanguard Australian Property Secs ETF	1.97
iShares S&P Small-Cap ETF	1.15
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.96
Vanguard FTSE Emerging Markets Shrs ETF	0.93
Vanguard Global Infrastructure Index Hgd	0.93
Vanguard International Prpty Secs IdxHdg	0.89
Vanguard MSCI Intl (Hdg) ETF	0.01
BHP Group Ltd	1.11
Commonwealth Bank of Australia	0.72
CSL Ltd	0.64
National Australia Bank Ltd	0.59
Westpac Banking Corp	0.41
Macquarie Group Ltd	0.39
Australia and New Zealand Banking Group Ltd	0.36
Transurban Group	0.35
Rio Tinto Ltd	0.32
Woolworths Group Ltd	0.27
South32 Ltd	0.24
Wesfarmers Ltd	0.20
Dexus	0.19
Sonic Healthcare Ltd	0.19
Carsales.com Ltd	0.19
Aurizon Holdings Ltd	0.18
Suncorp Group Ltd	0.18
Telstra Group Ltd	0.18
Woodside Energy Group Ltd	0.17
Lynas Rare Earths Ltd	0.17
James Hardie Industries PLC DR	0.16
Harvey Norman Holdings Ltd	0.16
Santos Ltd	0.15
Vicinity Centres	0.15
Computershare Ltd	0.15
Worley Ltd	0.15
Mirvac Group	0.14
Bendigo and Adelaide Bank Ltd	0.14
AGL Energy Ltd	0.13
Ampol Ltd	0.13

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

Important Information



Russell Investments Managed Portfolios have been rated Superior by SQM Research¹ for world class manager research capabilities and management of multi-asset portfolios.

¹ The rating is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

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