

Russell Investments Managed Portfolios – Conservative



The portfolio returned 2.54%^ in November. Overweights to growth assets such as 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 good gains in November, driven in part by hopes the US Federal Reserve (Fed) may soon pivot to smaller rate hikes amid speculation US inflation has peaked. The Fed raised interest rates by a further 0.75% early in the period after headline inflation jumped 8.2% in the 12 months to 30 September. However, subsequent data showed that headline inflation slowed to 7.7% in the 12 months to 31 October, which was the measure's lowest reading since January and less than the 7.9% rise the market had anticipated. Compounding this were the minutes from the Fed's November meeting, which revealed a substantial majority of participants judged that a slowing in the pace of rate increases would likely soon be appropriate. Stocks also benefited from preliminary data that showed consumer prices in the euro-zone slowed in the 12 months to 30 November, Beijing's decision to begin walking back some of its COVID-19 prevention measures and easing Sino-US tensions. Australian shares also performed well, benefiting from the Reserve Bank of Australia (RBA)'s decision to continue raising rates by just 0.25%, easing inflation and strong gains across the major miners.

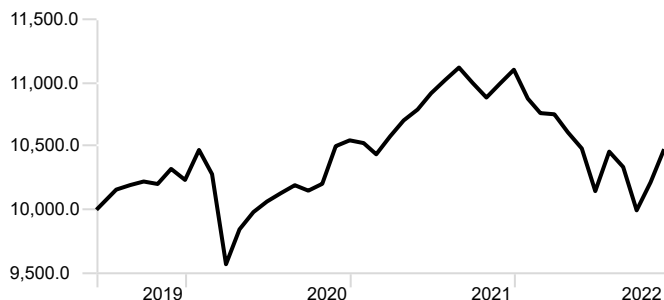
Global bonds outperformed in November amid softer US and European inflation figures and the asset class's traditionally defensive qualities in the face of heightened geopolitical risks.

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 30/11/2022



Performance Review

As of Date: 30/11/2022

	Return
1 Month	2.54
3 Months	1.35
1 Year	-4.69
2 Years	-0.11
3 Years	0.50
YTD	-5.63
Since Inception	1.36

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.

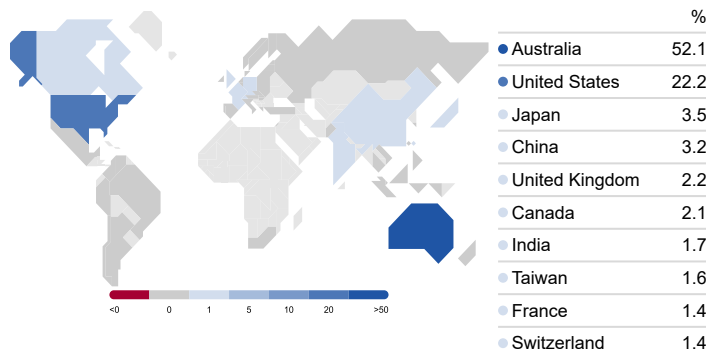
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

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Country Exposure

Portfolio Date: 30/11/2022



Long-term investing: Positioning for 5 years and beyond

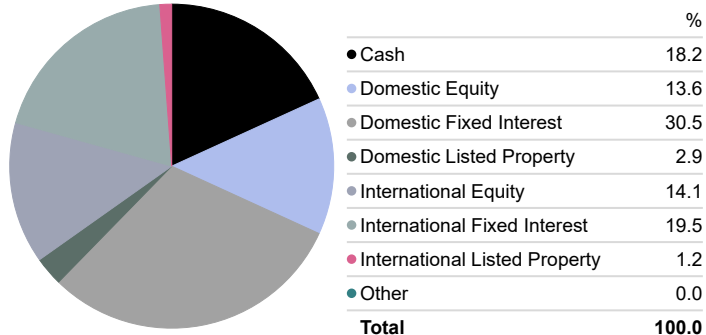
Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio. A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently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

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

Asset Allocation

Portfolio Date: 30/11/2022



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

The direct Australian equity portfolio outperformed the benchmark, driven in part by positioning within the materials space. This included overweights to sector heavyweights BHP Group and Rio Tinto and underweights to poor-performing lithium miners like Pilbara Minerals and Allkem. Stock selection amongst growth names also added value; notably overweights to Computershare and carsales.com. In contrast, positioning within financials detracted from overall performance, including overweights to Bendigo and Adelaide Bank and National Australia Bank.

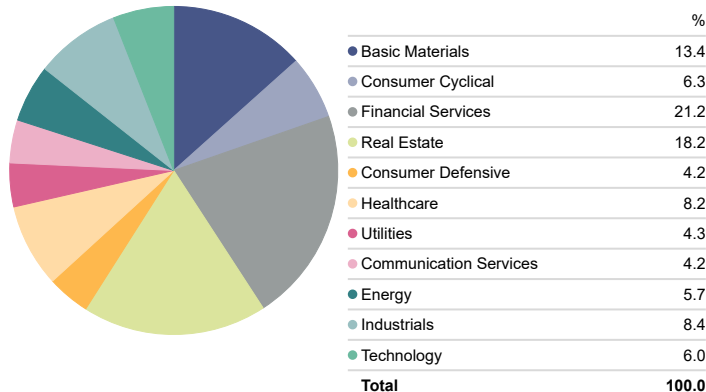
Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged outperformed its benchmark, benefiting from its duration and credit exposures. The Russell Investments Floating Rate Fund and our exposure to emerging markets credit also added value. The Russell Investments Australian Bond Fund outperformed its benchmark over the period. Metrics Credit also performed well, 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: 30/11/2022



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Detailed Asset Allocation

Portfolio Date: 30/11/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	33.70
iShares Core Cash ETF	11.71
Russell Inv Australian Government Bd ETF	11.10
Vanguard Global Aggregate Bd Hdg ETF	8.69
Vanguard Intl Credit Secs (Hdg) ETF	4.82
Vanguard All-World ex-US Shares ETF	4.19
Russell Inv Australian Select CorpBd ETF	3.54
Vanguard US Total Market Shares ETF	2.14
Vanguard Australian Property Secs ETF	2.04
Russell Inv Australian Semi-Govt Bd ETF	2.03
iShares S&P Small-Cap ETF	1.10
iShares JP Morgan USD EmMkts Bd AUDH ETF	1.00
Vanguard FTSE Emerging Markets Shrs ETF	0.97
Vanguard Global Infrastructure Index Hgd	0.97
Vanguard International Prpty Secs IdxHdg	0.91
Vanguard MSCI Intl (Hdg) ETF	0.01
BHP Group Ltd	1.32
Commonwealth Bank of Australia	0.73
CSL Ltd	0.66
National Australia Bank Ltd	0.57
Macquarie Group Ltd	0.41
Westpac Banking Corp	0.41
Rio Tinto Ltd	0.38
Transurban Group	0.36
Australia and New Zealand Banking Group Ltd	0.35
Woolworths Group Ltd	0.28
South32 Ltd	0.26
Wesfarmers Ltd	0.21
Carsales.com Ltd	0.21
Dexus	0.19
Aurizon Holdings Ltd	0.19
Sonic Healthcare Ltd	0.18
Suncorp Group Ltd	0.18
Telstra Group Ltd	0.17
Woodside Energy Group Ltd	0.17
Lynas Rare Earths Ltd	0.17
Computershare Ltd	0.16
Harvey Norman Holdings Ltd	0.16
Vicinity Centres	0.15
AGL Energy Ltd	0.15
Worley Ltd	0.15
Mirvac Group	0.15
Santos Ltd	0.14
James Hardie Industries PLC DR	0.14
Bendigo and Adelaide Bank Ltd	0.14
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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IMAP
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AWARD FINALIST
MULTI-ASSET



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