

Russell Investments Managed Portfolios – Conservative



The portfolio returned 3.10%[^] 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.

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

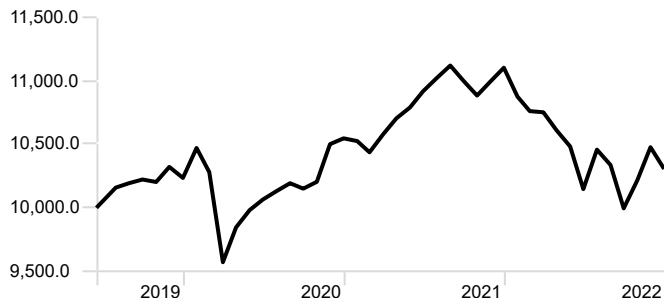
The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 30% and defensive investments of around 70% over the long term, however the allocations will be actively managed within the allowable ranges depending on market conditions.

Main market highlights

Global share markets 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.

Growth of \$10,000

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



Performance Review

As of Date: 31/12/2022

	Return
1 Month	-1.63
3 Months	3.10
1 Year	-7.16
2 Years	-1.15
3 Years	0.23
YTD	-7.16
Since Inception	0.85

Inception date: 17/06/2019

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. This positioning change is likely to reduce volatility if recession risks continue to rise. We also modestly increased our weighting to Metrics Credit during the quarter. Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

[^]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.

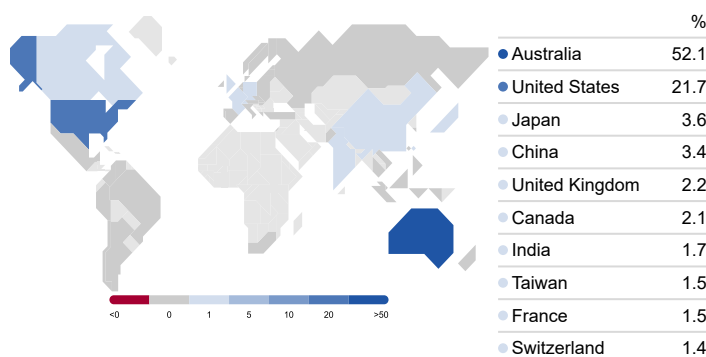
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

Russell Investments Managed Portfolios – Conservative



Country Exposure

Portfolio Date: 31/12/2022



Long-term investing: Positioning for 5 years and beyond

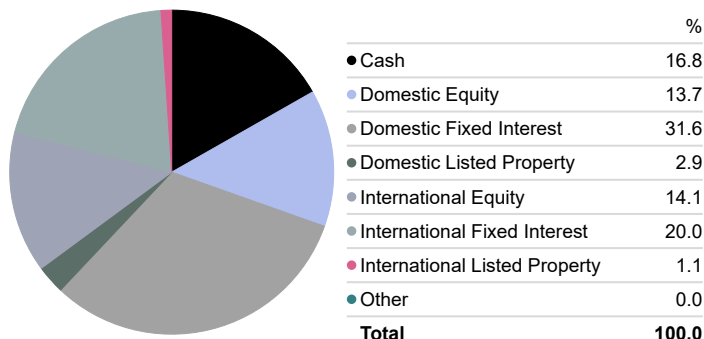
Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio. A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently 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: 31/12/2022



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.

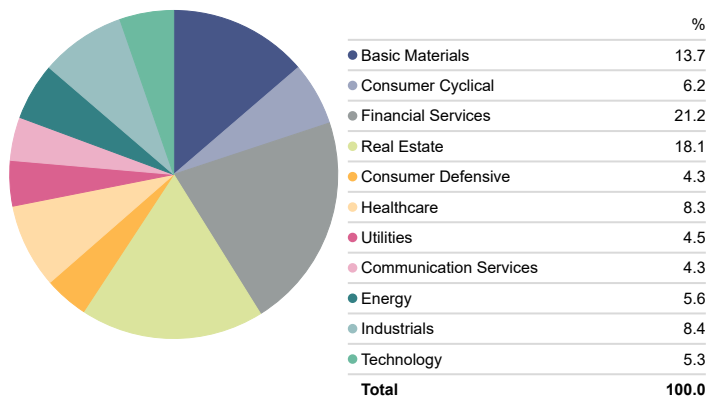
Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged outperformed its benchmark, benefiting in part from its credit exposure. The Russell Investments Floating Rate Fund and global high-yield debt also outperformed. The Russell Investments Australian Bond Fund recorded positive absolute and excess returns 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: 31/12/2022



Russell Investments Managed Portfolios – Conservative



Detailed Asset Allocation

Portfolio Date: 31/12/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	33.72
iShares Core Cash ETF	11.93
Russell Inv Australian Government Bd ETF	10.93
Vanguard Global Aggregate Bd Hdg ETF	8.73
Vanguard Intl Credit Secs (Hdg) ETF	4.87
Vanguard All-World ex-US Shares ETF	4.23
Russell Inv Australian Select CorpBd ETF	3.58
Vanguard US Total Market Shares ETF	2.09
Russell Inv Australian Semi-Govt Bd ETF	2.03
Vanguard Australian Property Secs ETF	2.00
iShares S&P Small-Cap ETF	1.05
iShares JP Morgan USD EmMkts Bd AUDH ETF	1.02
Vanguard FTSE Emerging Markets Shrs ETF	0.98
Vanguard Global Infrastructure Index Hgd	0.95
Vanguard International Prpty Secs IdxHdg	0.89
Vanguard MSCI Intl (Hdg) ETF	0.01
BHP Group Ltd	1.34
Commonwealth Bank of Australia	0.70
CSL Ltd	0.65
National Australia Bank Ltd	0.55
Rio Tinto Ltd	0.41
Westpac Banking Corp	0.40
Macquarie Group Ltd	0.39
ANZ Group Holdings Ltd	0.34
Transurban Group	0.34
Woolworths Group Ltd	0.28
South32 Ltd	0.27
Wesfarmers Ltd	0.20
Dexus	0.20
Carsales.com Ltd	0.19
Aurizon Holdings Ltd	0.19
Suncorp Group Ltd	0.18
Telstra Group Ltd	0.18
Sonic Healthcare Ltd	0.17
Woodside Energy Group Ltd	0.17
Harvey Norman Holdings Ltd	0.16
Lynas Rare Earths Ltd	0.16
Vicinity Centres	0.15
AGL Energy Ltd	0.15
Computershare Ltd	0.15
Worley Ltd	0.15
Bendigo and Adelaide Bank Ltd	0.15
Mirvac Group	0.15
Santos Ltd	0.14
Ampol Ltd	0.13
James Hardie Industries PLC DR	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.

FOR FINANCIAL PROFESSIONAL USE ONLY

Russell Investments Managed Portfolios – Conservative



Contact Russell Investments

Further information

For further information about Russell Investments please visit russellinvestments.com.au

Important Information



IMAP
MANAGED ACCOUNT
AWARD FINALIST
MULTI-ASSET



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.

Issued by Russell Investment Management Ltd ABN 53 068 338 974, AFSL 247185 (RIM). This document contains factual information only about the Russell Investments Managed Portfolios. The information provided is not intended to imply any recommendation or opinion about a financial product. RIM is not providing financial product advice in this document. It has not been prepared having regard to any investor's objectives, financial situation or needs. Before making an investment decision, an investor must obtain advice from a financial adviser and consider whether that advice is appropriate to their objectives, financial situation or needs. This information has been compiled from sources considered to be reliable but is not guaranteed. Past performance is not a reliable indicator of future performance. Any potential investor should also consider the latest financial product disclosure statement in respect of the Managed Portfolio ("Disclosure Document") in deciding whether to make, or continue to hold, an investment in the Managed Portfolio. The Disclosure Document can be obtained by contacting a financial adviser or the relevant platform operator(s) offering the Managed Portfolio.

RIM is part of Russell Investments. RIM is the investment adviser for the Managed Portfolio. RIM is the issuer of the Russell Investments Funds and Russell Investments ETFs mentioned in this document. RIM or its associates, officers or employees may have interests in the financial products referred to in this information by acting in various roles, including trustee, investment manager, broker or adviser, and may receive fees, brokerage or commissions for acting in these capacities. In addition, Russell Investments or its associates, officers or employees may buy or sell the financial products as principal or agent.

To the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. This material does not constitute professional advice or opinion and is not intended to be used as the basis for making an investment decision.

This work is copyright 2022. Apart from any use permitted under the Copyright Act 1968, no part may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of Russell Investment Management Ltd.

© 2022 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor their content providers guarantee the data or content contained herein to be accurate, complete, or timely nor will they have any liability for its use or distribution. Any general advice or 'regulated financial advice' under New Zealand law has been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. For more information refer to our Financial Services Guide (AU) and Financial Advice Provider Disclosure Statement (NZ) at www.morningstar.com.au/s/fsg.pdf and www.morningstar.com.au/mca/s/fapds.pdf. You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statements before making any decision to invest. Our publications, ratings and products should be reviewed as an additional investment resource, not as your sole source of information. Morningstar's full research reports are the source of any Morningstar Ratings and are available from Morningstar or your adviser. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782.