

# Russell Investments Managed Portfolios – Conservative



The portfolio returned 2.73%^ in January. 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 performed well in January, driven largely by expectations the world's major central banks will slow the pace of interest rate hikes amid further evidence inflation has peaked. In the US, headline inflation climbed 6.5% in the 12 months to 31 December, which was down on the 7.1% rise we saw in November and the sixth month in a row that inflation has slowed. We also saw declines in European and UK inflation. Neither the US Federal Reserve (Fed), the European Central Bank (ECB) or the Bank of England (BoE) met in January, however all three banks raised rates in early February. As expected, the Fed lifted rates by a smaller increment of just 0.25%, while the ECB and the BoE each raised rates by a further 0.50%; in line with their most recent moves as well as market expectations. Both the ECB and the BoE reduced the size of their rate hikes from 0.75% to 0.50% in December on signs inflationary pressures were beginning to ease. Australian shares made strong gains over the period, benefiting from early expectations the pace of domestic rate hikes would slow amid growing optimism inflation would peak below the 8.0% the Reserve Bank of Australia forecast at its December meeting.

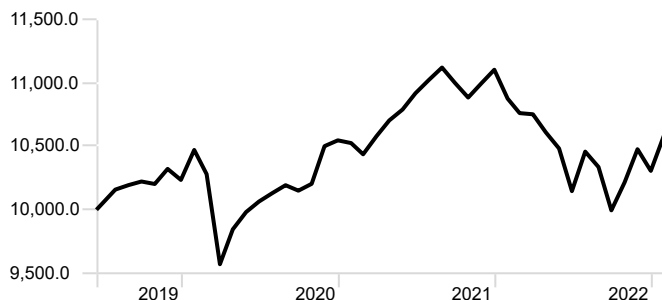
Government bonds outperformed in January on expectations of less aggressive rate hikes globally.

## Main portfolio highlights

During the month we reduced risk by selling listed growth exposure within the dynamic core. Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

## Growth of \$10,000

Time Period: 17/06/2019 to 31/01/2023



## Performance Review

As of Date: 31/01/2023

	Return
1 Month	2.73
3 Months	3.63
1 Year	-2.64
2 Years	0.30
3 Years	0.37
YTD	2.73
Since Inception	1.59

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.

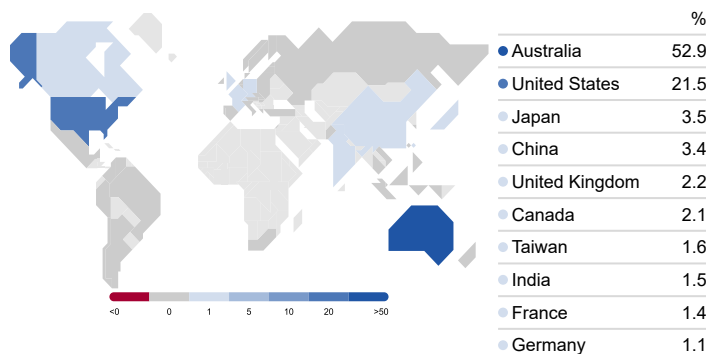
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

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## Country Exposure

Portfolio Date: 31/01/2023



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

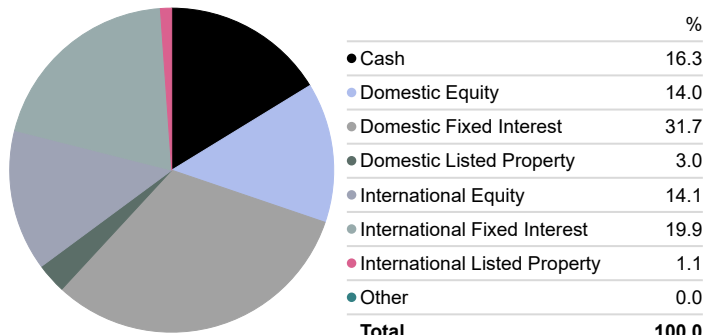
**Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio.** A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently 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: 31/01/2023



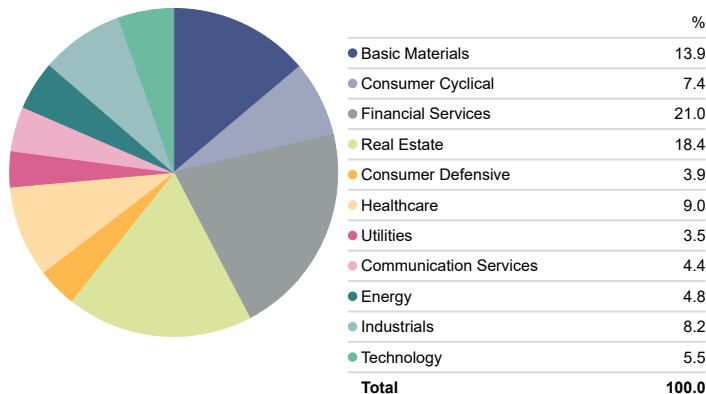
## Dynamic positioning: Managing positions over the next 12-18 months

The direct Australian equity portfolio outperformed the benchmark, benefiting from an overweight exposure and positive stock selection within the materials space; including overweights to Lynas Rare Earths and James Hardie Industries. Partly offsetting these positions was a nil holding in Pilbara Minerals. Stock selection amongst financials also added value; notably an overweight to Macquarie Group. In contrast, stock selection within the information technology sector detracted from returns, including an overweight to Computershare.

Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged outperformed its benchmark, benefiting largely from its credit exposure. The Russell Investments Floating Rate Fund and the Russell Investments Australian Bond Fund (RABF) also performed well in January. Like its global counterpart, RABF benefited mainly from its credit exposure. Metrics Credit recorded positive absolute performance for the month, with Australian loans continuing to generate income-like returns.

## Sector Allocation

Portfolio Date: 31/01/2023



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: 31/01/2023

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	34.41
iShares Core Cash ETF	11.62
Russell Inv Australian Government Bd ETF	10.71
Vanguard Global Aggregate Bd Hdg ETF	8.68
Vanguard Intl Credit Secs (Hdg) ETF	4.86
Vanguard All-World ex-US Shares ETF	4.16
Russell Inv Australian Select CorpBd ETF	3.56
Vanguard Australian Property Secs ETF	2.09
Vanguard US Total Market Shares ETF	2.07
Russell Inv Australian Semi-Govt Bd ETF	2.02
iShares S&P Small-Cap ETF	1.08
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.99
Vanguard FTSE Emerging Markets Shrs ETF	0.96
Vanguard Global Infrastructure Index Hgd	0.95
Vanguard International Prpty Secs IdxHdg	0.93
BHP Group Ltd	1.18
Commonwealth Bank of Australia	0.90
CSL Ltd	0.73
National Australia Bank Ltd	0.52
Westpac Banking Corp	0.43
ANZ Group Holdings Ltd	0.40
Transurban Group	0.38
Macquarie Group Ltd	0.37
Woodside Energy Group Ltd	0.34
Rio Tinto Ltd	0.31
Wesfarmers Ltd	0.28
Woolworths Group Ltd	0.27
Telstra Group Ltd	0.25
Fortescue Metals Group Ltd	0.22
Goodman Group	0.22
South32 Ltd	0.19
Cochlear Ltd	0.18
Mineral Resources Ltd	0.17
Aristocrat Leisure Ltd	0.17
Suncorp Group Ltd	0.17
Lynas Rare Earths Ltd	0.16
James Hardie Industries PLC DR	0.15
Santos Ltd	0.15
Carsales.com Ltd	0.14
Dexus	0.14
Computershare Ltd	0.14
Harvey Norman Holdings Ltd	0.14
Mirvac Group	0.13
Aurizon Holdings Ltd	0.13
Sonic Healthcare Ltd	0.13

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