

# Russell Investments Managed Portfolio – Conservative



The portfolio returned 3.06%<sup>^</sup> in July. A rebound in credit contributed positively to performance; notably global high-yield debt and floating rate credit. In contrast, stock selection within equities and an underweight to government bonds detracted from overall returns.

## 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 even as central banks continued to raise interest rates in the face of persistently high inflation. In the US, the Federal Reserve (Fed) raised its benchmark rate by a further 0.75% in July after inflation surged 9.1% in the year to 30 June. However, investors had already begun to speculate that the Fed could be forced to reduce the size of future rate hikes if growth in the world's biggest economy was to slow too quickly. Compounding this speculation was data just a day after the Fed's rate hike decision which showed the US economy shrank 0.9% on an annualised basis in the June quarter. Stocks also benefited from a series of encouraging US and European earnings updates; which is to say results to date haven't been as bad as many had feared. Australian shares rose despite the Reserve Bank of Australia lifting interest rates by a further 0.50% (to 1.35%) early in the period; investors encouraged by the fact that the move wasn't more aggressive, easing fears that the current tightening cycle may trigger a sharp economic downturn.

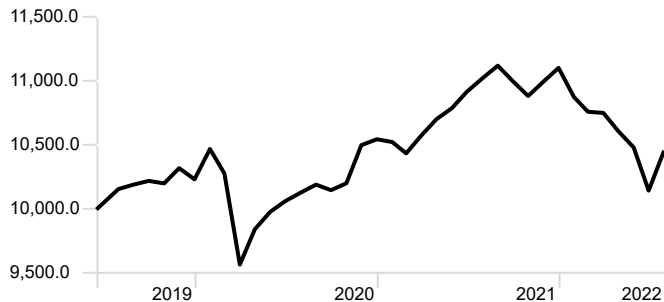
Government bonds were positive, with longer-term yields falling amid a more bearish economic outlook.

## Main portfolio highlights

Toward the end of the month, we introduced a couple of new strategies to further diversify the portfolio. Specifically, we added global property and infrastructure to diversify away from our Australian property exposure. 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 31/07/2022



## Performance Review

As of Date: 31/07/2022

	Return
1 Month	3.06
3 Months	-1.43
1 Year	-5.10
2 Years	1.60
3 Years	0.97
YTD	-5.80
Since Inception	1.31

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 RIM'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. Platforms may also have 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.

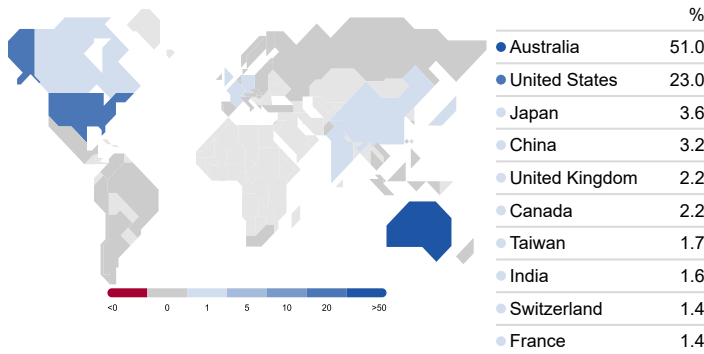
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolios.

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## Country Exposure

Portfolio Date: 31/07/2022



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

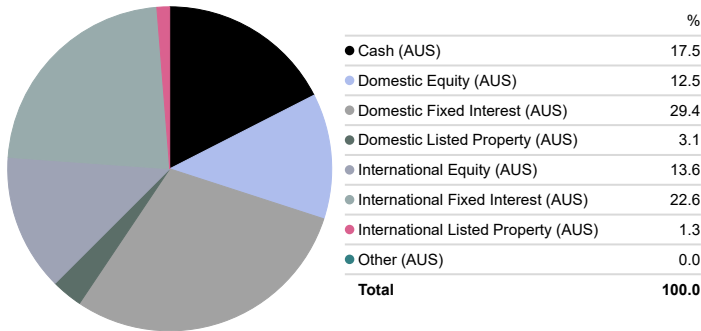
Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio. A tilt to credit further enhances the long-term return potential, but also increases the risk of losses. Government bonds are universally expensive and portfolio holdings are relatively low but held for diversification benefits.

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 are higher than average and return expectations for US shares and high yield debt are low. However, 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. Additionally, we prefer emerging markets over developed market equities (e.g. the US).

## Asset Allocation

Portfolio Date: 31/07/2022



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

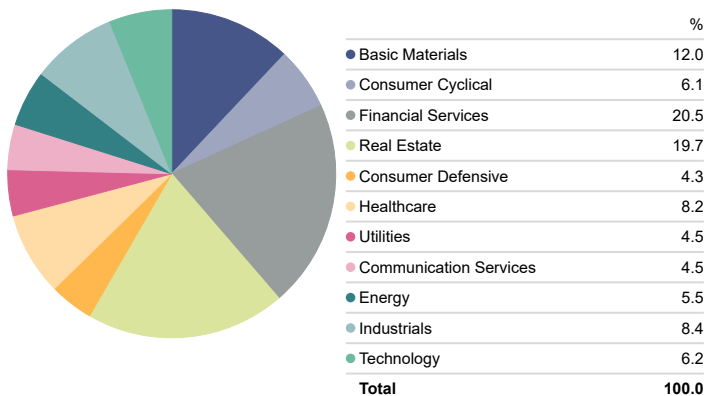
The direct Australian equity portfolio underperformed the benchmark in July, driven by an overweight to materials and an underweight to information technology, which performed well as growth stocks recovered. Overweights to Dexu and Transurban Group also weighed on returns. In contrast, the portfolio benefited from an overweight to financials as banks outperformed.

Within the fixed income portfolio, both the Russell Investments International Bond Fund – \$A Hedged and the Russell Investments Australian Bond Fund outperformed, due largely to their credit exposures. Credit performed well, with spreads narrowing in line with improving investor sentiment. Metrics Credit also outperformed, 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.

## Sector Allocation

Portfolio Date: 31/07/2022



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: 31/07/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	33.27
iShares Core Cash ETF	11.64
Russell Inv Australian Government Bd ETF	11.39
Vanguard Global Aggregate Bd Hdg ETF	9.17
Vanguard Intl Credit Secs (Hdg) ETF	5.10
Vanguard All-World ex-US Shares ETF	4.04
Russell Inv Australian Select CorpBd ETF	3.57
Vanguard Australian Property Secs ETF	2.11
Vanguard US Total Market Shares ETF	2.11
Russell Inv Australian Semi-Govt Bd ETF	2.04
iShares S&P Small-Cap ETF	1.06
Vanguard International Prpty Secs IdxHdg	1.02
iShares JP Morgan USD EmMkts Bd AUDH ETF	1.02
Vanguard Global Infrastructure Index Hgd	1.02
Vanguard FTSE Emerging Markets Shrs ETF	0.96
Vanguard MSCI Intl (Hdg) ETF	0.01
BHP Group Ltd	1.05
Commonwealth Bank of Australia	0.67
CSL Ltd	0.64
National Australia Bank Ltd	0.54
Macquarie Group Ltd	0.41
Transurban Group	0.37
Westpac Banking Corp	0.36
Rio Tinto Ltd	0.33
Australia and New Zealand Banking Group Ltd	0.32
Woolworths Group Ltd	0.30
South32 Ltd	0.24
Dexus	0.23
Wesfarmers Ltd	0.20
Aurizon Holdings Ltd	0.19
Sonic Healthcare Ltd	0.19
Carsales.com Ltd	0.18
Lynas Rare Earths Ltd	0.17
Telstra Corp Ltd	0.17
James Hardie Industries PLC DR	0.17
Suncorp Group Ltd	0.17
AGL Energy Ltd	0.16
Vicinity Centres	0.15
Ampol Ltd	0.15
Harvey Norman Holdings Ltd	0.15
Bendigo and Adelaide Bank Ltd	0.15
Computershare Ltd	0.14
Worley Ltd	0.14
Mirvac Group	0.14
Santos Ltd	0.14
Woodside Energy Group Ltd	0.14

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

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## Important Information



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