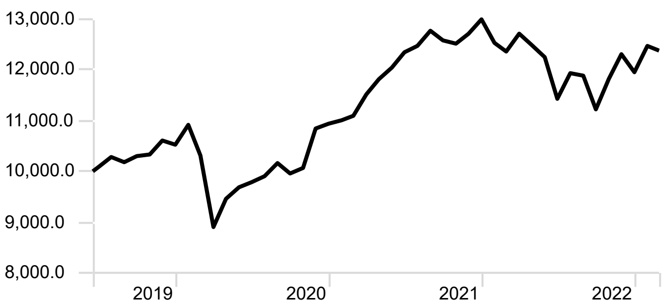
Russell Investments Managed Portfolios – Growth

The portfolio returned -0.74%^ in February. An overweight to listed growth assets, including global equities, detracted from performance. Partly offsetting this was an overweight to extended fixed income assets and short-term credit.

Growth of $10,000

Time Period: 17/06/2019 to 28/02/2023



Performance Review

As of Date: 28/02/2023

	Return
1 Month	-0.74
3 Months	0.57
1 Year	0.15
2 Years	5.63
3 Years	6.28
YTD	3.56
Since Inception	5.93

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.

Portfolio objective

To provide capital growth over the long term consistent with a portfolio focusing on growth assets, while accepting fluctuations in capital values in the short term.

Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 90% and defensive investments of around 10% 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 fell (in local currency terms) over the period, driven by expectations US interest rates will need to rise by more than previously thought following a surprisingly strong jobs report and disappointing inflation numbers. The US economy added over half a million jobs in January, while the latest headline inflation figures revealed only a modest easing in prices. Compounding this was a jump in the Personal Consumption Expenditures Price Index – the Federal Reserve (Fed)'s preferred measure of inflation – which climbed 5.4% in the 12 months to 31 January. The Fed had raised interest rates by a smaller 0.25% margin early in the period amid increasing evidence inflation had peaked. However, the recent jobs and inflation figures suggested US interest rates would need to go higher (and likely remain there for longer). In fact, at month end the market was forecasting US interest rates to peak at 5.50% this year compared to market pricing of a 4.90% peak at the beginning of the period. Stocks were also impacted by a series of mixed corporate earnings and heightened Sino-US tensions. Australian shares also underperformed after the Reserve Bank of Australia raised interest rates for a ninth consecutive month and warned that more rate hikes will be needed to tame inflation.

Government bonds weakened in February, with longer-term yields rising (prices falling) over the period.

Main portfolio highlights

We reduced equity risk toward the end of January in response to the strong run up in share markets we saw in preceding months. We reduced equity risk further in early February by selling listed growth assets in favour of cash. We also added some downside protection in the form of options within the dynamic core.

Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

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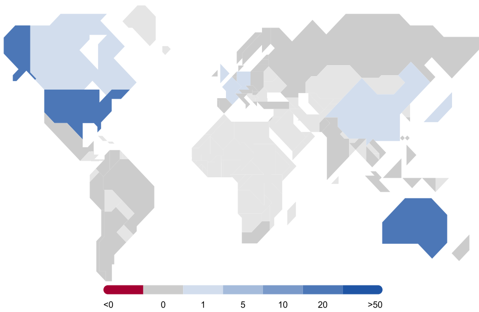
Country Exposure

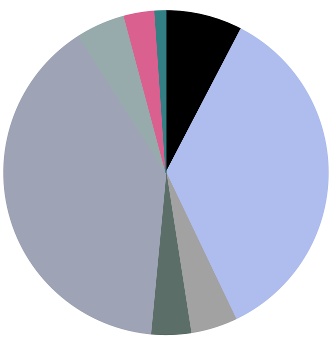
Portfolio Date: 28/02/2023



	%
Australia	46.4
United States	32.0
Japan	3.6
United Kingdom	2.9
China	1.9
Canada	1.9
France	1.2
Switzerland	1.2
Germany	1.1
Taiwan	1.0

Asset Allocation

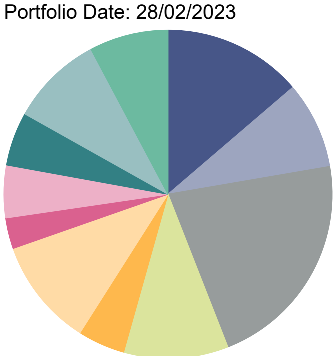
Portfolio Date: 28/02/2023



	%
Cash	7.6
Domestic Equity	35.3
Domestic Fixed Interest	4.6
Domestic Listed Property	3.9
International Equity	39.5
International Fixed Interest	4.9
International Listed Property	3.1
Other	1.1
Total	**100.0**

Sector Allocation

Portfolio Date: 28/02/2023



	%
Basic Materials	13.7
Consumer Cyclical	8.6
Financial Services	21.8
Real Estate	10.3
Consumer Defensive	4.6
Healthcare	10.6
Utilities	3.0
Communication Services	5.2
Energy	5.3
Industrials	9.1
Technology	7.8
Total	**100.0**

Long-term investing: Positioning for 5 years and beyond

The portfolio has a long-term asset allocation of 90% 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.

Defensive assets such as fixed income and cash have an allocation of 10% 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.

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

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

The direct Australian equity portfolio underperformed the benchmark, driven in part by poor stock selection within the financials space; including a nil holding in QBE Insurance. Stock selection within materials also weighed on returns. This included overweights to poor-performing names like Lynas Rare Earths and Rio Tinto. In contrast, the portfolio benefited from positive stock selection within the healthcare sector; notably an overweight to Cochlear. Stock selection within the real estate space added further value, including an overweight to Dexus.

In terms of global equity managers, UK equity specialist J O Hambro underperformed its benchmark in February. Emerging markets specialists Oaktree Capital and RWC Partners also struggled, while Numeric's core strategy outperformed on the back of overweight exposures to the information technology and industrials sectors.

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: 28/02/2023

	Portfolio Weighting %
Russell Inv Multi-Asset Growth StratPlus	24.04
Vanguard US Total Market Shares ETF	7.71
Vanguard MSCI Intl (Hdg) ETF	7.20
Russell Global Opportunities A	6.62
Vanguard All-World ex-US Shares ETF	5.99
Vanguard International Prpty Secs IdxHdg	2.57
Vanguard MSCI Australian Small Coms ETF	2.47
Vanguard Global Infrastructure Index Hgd	2.46
Vanguard Global Value Equity Active ETF	2.33
iShares Core Cash ETF	2.04
iShares S&P Small-Cap ETF	1.65
Vanguard Australian Property Secs ETF	1.63
Vanguard FTSE Emerging Markets Shrs ETF	1.38
Russell Inv Australian Government Bd ETF	0.93
Vanguard Global Aggregate Bd Hdg ETF	0.92
Vanguard Australian Shares ETF	0.02
BHP Group Ltd	3.56
Commonwealth Bank of Australia	2.76
CSL Ltd	2.37
National Australia Bank Ltd	1.65
Westpac Banking Corp	1.35
Transurban Group	1.29
ANZ Group Holdings Ltd	1.28
Macquarie Group Ltd	1.19
Woodside Energy Group Ltd	1.04
Rio Tinto Ltd	0.93
Wesfarmers Ltd	0.91
Woolworths Group Ltd	0.89
Telstra Group Ltd	0.81
Goodman Group	0.71
Fortescue Metals Group Ltd	0.67
Cochlear Ltd	0.59
Aristocrat Leisure Ltd	0.55
South32 Ltd	0.55
Suncorp Group Ltd	0.54
James Hardie Industries PLC DR	0.49
Computershare Ltd	0.48
Santos Ltd	0.47
Mineral Resources Ltd	0.47
Dexus	0.47
Carsales.com Ltd	0.46
Sonic Healthcare Ltd	0.43
Mirvac Group	0.41
Lynas Rare Earths Ltd	0.40
Aurizon Holdings Ltd	0.39
Harvey Norman Holdings Ltd	0.39

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

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Russell Investments Managed Portfolios have been rated Superior by SQM Research[1] for world class manager research capabilities and management of multi-asset portfolios.

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