

# Russell Investments Managed Portfolio – Growth



The portfolio was down 10.09%<sup>^</sup> in the June quarter. An overweight to listed property and short-term credit (loans) weighed on overall performance. In contrast, positive stock selection within global equities and an underweight to government bonds added value.

## 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 sharply in the June quarter, driven by concerns that more aggressive central bank action in the face of persistently high inflation could derail the global recovery. In the US, consumer prices climbed a further 1.0% in May to be 8.6% higher for the year; the largest annual reading since December 1981. In response, the US Federal Reserve raised interest rates a further 0.75% midway through June. The move followed a 0.50% increase in early May and sparked fears that higher and faster rate hikes could tip the world's largest economy (and potentially the global economy) into recession. Australian shares underperformed their global counterparts after the Reserve Bank of Australia raised interest rates in response to a further spike in inflation; the Bank lifting the official cash rate twice over the period to 0.85%.

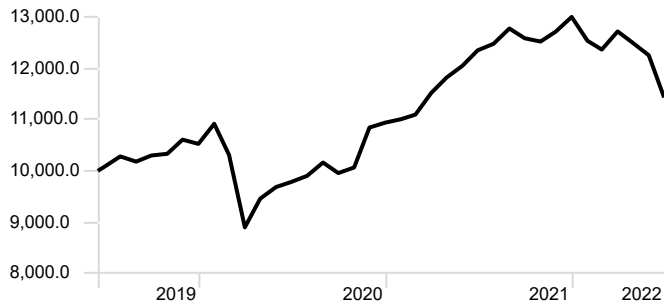
Rising inflation and global rate hike expectations also impacted government bonds, with longer-term yields climbing over the period.

## Main portfolio highlights

We reduced our exposure to growth assets as the market sold off. We also rebalanced our Australian equities exposure toward the end of the period. We increased our exposures to energy, materials and financials, while reducing our exposures to information technology and consumer-related names. Overall, the portfolio remains more defensively positioned, which is in line with our expectations of more volatility ahead.

## Growth of \$10,000

Time Period: 17/06/2019 to 30/06/2022



## Performance Review

As of Date: 30/06/2022

	Return
1 Month	-6.69
3 Months	-10.09
1 Year	-7.42
2 Years	8.07
3 Years	4.27
YTD	-12.04
Since Inception	4.27

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 core 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 assets 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 client level. Past performance is not a reliable indicator of future performance.

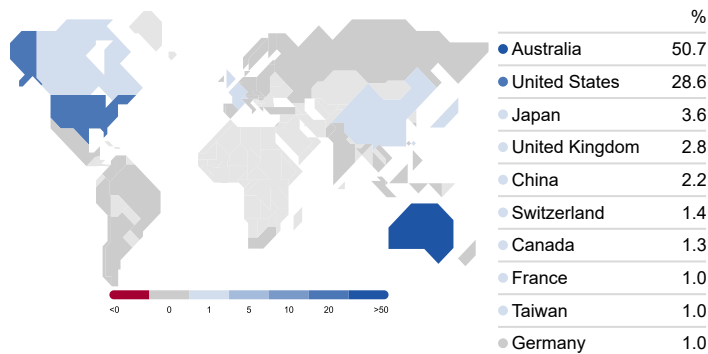
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolios.

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## Country Exposure

Portfolio Date: 30/06/2022



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

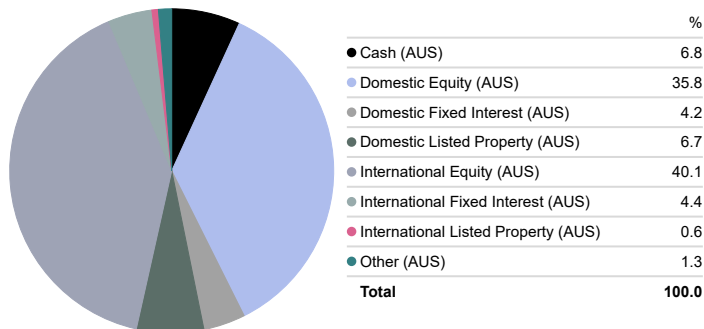
The portfolio has a long-term asset allocation of 90% to return generating assets (including high yield debt and other extended fixed income). Growth asset valuations are higher than average and return expectations for US shares and high yield debt are low. However, growth assets are still preferred due to superior returns relative to defensive assets over the medium term.

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

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: 30/06/2022



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

We reduced our exposure to growth assets over the quarter. We also rebalanced our Australian equities exposure toward the end of the period. We increased our exposures to energy, materials and financials, while reducing our exposures to information technology and consumer-related names. Overall, the portfolio remains more defensively positioned, which is in line with our expectations of more volatility ahead.

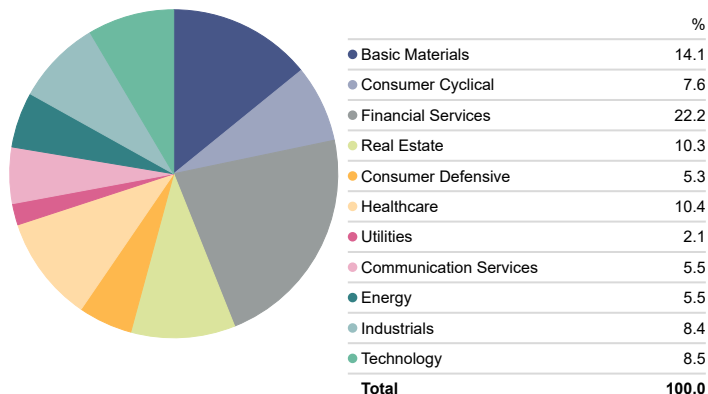
Looking ahead, we expect higher levels of volatility to continue, with active management to play an important role in navigating through it. We expect to increase growth asset exposure on major market reversals and decrease growth asset exposure on market rallies. This is a very important time to remain 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.

The direct Australian equity portfolio underperformed the benchmark in the second quarter, driven in part by an underweight to Woodside Energy. Overweights to industrial property giant Goodman Group and Pilbara Minerals also weighed on returns. In contrast, the portfolio benefited from overweights to Ampol and Transurban Group.

## Sector Allocation

Portfolio Date: 30/06/2022



In terms of global equity managers, Numeric (low volatility), Fiera Capital (quality growth) and Japan equity specialist Nissay Asset Management all outperformed, while Wellington (growth) and Oaktree Capital (emerging markets) both struggled.

# Russell Investments Managed Portfolio – Growth



## Detailed Asset Allocation

Portfolio Date: 30/06/2022

	Portfolio Weighting %
Russell Inv Multi-Asset Growth StratPlus	24.14
Russell Global Opportunities A	8.05
Vanguard US Total Market Shares ETF	7.89
Vanguard MSCI Intl (Hdg) ETF	7.40
Vanguard All-World ex-US Shares ETF	6.03
Vanguard Australian Shares ETF	4.49
Vanguard Australian Property Secs ETF	4.42
Vanguard Global Value Equity Active ETF	2.99
Vanguard FTSE Emerging Markets Shrs ETF	1.50
iShares S&P Small-Cap ETF	1.50
Russell Inv Australian Government Bd ETF	1.02
Vanguard Global Aggregate Bd Hdg ETF	1.02
iShares Core Cash ETF	0.30
BHP Group Ltd	4.19
Commonwealth Bank of Australia	2.59
National Australia Bank Ltd	2.26
CSL Ltd	2.11
Macquarie Group Ltd	1.53
Westpac Banking Corp	1.50
Australia and New Zealand Banking Group Ltd	1.39
Transurban Group	1.37
Goodman Group	1.18
Dexus	1.02
Telstra Corp Ltd	0.97
Rio Tinto Ltd	0.97
Aurizon Holdings Ltd	0.93
Woolworths Group Ltd	0.85
South32 Ltd	0.80
Wesfarmers Ltd	0.79
Sonic Healthcare Ltd	0.78
Suncorp Group Ltd	0.75
Aristocrat Leisure Ltd	0.70
Ampol Ltd	0.63
James Hardie Industries PLC DR	0.61
Carsales.com Ltd	0.57
Newcrest Mining Ltd	0.55
Fortescue Metals Group Ltd	0.55
AGL Energy Ltd	0.54
Lynas Rare Earths Ltd	0.54
WiseTech Global Ltd	0.46
Pilbara Minerals Ltd	0.43
IDP Education Ltd	0.42
Altium 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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Russell Investments Managed Portfolios have been rated Superior by SQM Research<sup>1</sup> for world class manager research capabilities and management of multi-asset portfolios.

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