|  |
| --- |
| sustainable managed portfolios |
|  |

portfolio changes: October 2024

The following CHAnges apply only to managed portfolios on the **AMP MyNorth** and **BT Panorama** platforms

|  |
| --- |
|  |
| Dear client,  In this note, we provide a short update on recent trade activity and changes to the **Russell Investments Sustainable Managed Portfolio – Conservative**, **Diversified 50**, **Balanced**, **Growth** and **High Growth** (Portfolios). Here’s a summary of key changes:   * Added the Russell Investments Sustainable Global Opportunities Complex ETF. * Removed the Mirova Global Sustainable Equity No.2 Fund. * Reduced the allocation to the Impax Sustainable Leaders Fund. * Increased the allocation to the Russell Investments Low Carbon Global Shares Fund. * Reduced exposure to Australian real estate investment trusts in favour of Australian fixed income and cash (**Diversified 50 and Balanced only**). * Reduced exposure to Australian real estate investment trusts in favour of global listed infrastructure (**Growth only**). |

# Rationale for portfolio changes

## All portfolios

We added the Russell Investments Sustainable Global Opportunities Complex ETF (RGOS) to the Portfolios’ global equity allocation. Launched in April of this year, RGOS is an active ETF which incorporates the investment strategies of multiple global ESG specialist investment managers within a single investment product. These strategies allow Russell Investments to combine a mix of investment styles focusing on value, quality and growth.

At least 80% of RGOS is invested in shares and equity-related securities selected by Russell Investments based on advice received from investment managers pursuing a sustainable strategy. In addition, RGOS is managed in line with the climate objectives set out in the 2015 Paris Agreement adopted under the United Nations Framework Convention on Climate Change. Specifically, it has targets in relation to carbon emissions reduction, and net zero alignment and net zero engagement. RGOS also has a process to exclude companies Russell Investments does not consider sustainable.

The allocation to RGOS was funded by removing the Mirova Global Sustainable Equity No.2 Fund and reducing exposure to the Impax Sustainable Leaders Fund. [*Note: The Mirova Global Sustainable Equity No.2 Fund is one of the four strategies included in RGOS.*]

We also increased the Portfolios’ allocation to the Russell Investments Low Carbon Global Shares Fund. This Fund targets reduced carbon exposure – and increased renewable energy exposure – compared to its benchmark. It also employs certain investment exclusions.

## Russell Investments Sustainable Managed Portfolio – Diversified 50 and Balanced only

We reduced the Portfolios’ allocation to Australian real estate investment trusts (A-REITs) in favour of Australian fixed income and cash. The Portfolios have held a material overweight to A-REITs (relative to the benchmark) for some time; positioning which has contributed strongly to excess returns. Given the asset class’s strong benchmark-relative performance, together with interest rate cut expectations having largely been priced in, we decided to lock in profits and reallocate the funds to Australian fixed income and cash.

The Portfolios remain modestly underweight Australian fixed income. However, with government bond yields having risen slightly, we felt this provided a good opportunity to add to our exposure.

We reduced exposure to A-REITs by selling the Vanguard Australian Property Securities Index ETF. We increased exposure to Australian fixed income by buying the Pendal Sustainable Australian Fixed Interest Fund.

## Russell Investments Sustainable Managed Portfolio – Growth only

We reduced the Portfolio’s allocation to A-REITs in favour of global listed infrastructure. The Portfolio has held a material overweight to A-REITs (relative to the benchmark) for some time; positioning which has contributed strongly to excess returns. Given the asset class’s strong benchmark-relative performance, together with interest rate cut expectations having largely been priced in, we decided to lock in profits and reallocate the funds to global listed infrastructure.

The Portfolio had maintained a tactical underweight to global listed infrastructure in favour of global listed property. However, with global listed infrastructure now looking attractive from a valuation perspective, we felt the time was right to close our tactical underweight and increase our exposure to the asset class.

**Changes in global equity allocation (%)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ASSET CLASS | RISK PROFILE | | | | |
| **CONSERVATIVE** | **DIV 50** | **BALANCED** | **GROWTH** | **HIGH GROWTH** |
| Russell Investments Sustainable Global Opportunities Complex ETF | +4.0 | +5.0 | +7.0 | +10.0 | +15.0 |
| Mirova Global Sustainable Equity No.2 Fund | -4.0 | -3.7 | -6.5 | -9.5 | -11.7 |
| Impax Sustainable Leaders Fund | - | -2.0 | -3.0 | -4.0 | -4.0 |
| Russell Investments Low Carbon Global Shares Fund | - | +0.7 | +2.6 | +3.5 | +0.7 |
| Russell Investments Low Carbon Global Shares Fund (AUD hedged) | - | - | - | +0.1 | +0.1 |

# Changes in asset allocation (%)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ASSET CLASS | RISK PROFILE | | | | |
| **CONSERVATIVE** | **DIV 50** | **BALANCED** | **GROWTH** | **HIGH GROWTH** |
| A-REITs | - | -0.5 | -0.5 | -0.5 | +0.1 |
| Australian fixed income | - | +0.1 | +0.1 | - | - |
| Global listed infrastructure | - | - | - | +0.5 | - |
| Cash | - | +0.4 | +0.4 | -0.1 | - |

# Final asset class exposure after these changes (%)[[1]](#footnote-2)

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| ASSET CLASS | RISK PROFILE | | | | |
| **CONSERVATIVE** | **DIV 50** | **BALANCED** | **GROWTH** | **HIGH GROWTH** |
| GROWTH ASSETS | **31.8** | **50.8** | **67.4** | **83.2** | **97.5** |
| Australian equity | 13.1 | 21.4 | 29.4 | 36.2 | 41.9 |
| Global equity | 12.7 | 22.7 | 29.5 | 37.9 | 43.6 |
| Australian property | 0.7 | 0.9 | 1.4 | 1.8 | 3.6 |
| Global property | 2.1 | 3.2 | 4.2 | 4.0 | 4.1 |
| Infrastructure | 1.5 | 1.4 | 2.3 | 2.7 | 4.2 |
| Growth alternatives | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Extended credit | 1.8 | 1.3 | 0.6 | 0.5 | 0.0 |
| DEFENSIVE ASSETS | **68.2** | **49.2** | **32.6** | **16.8** | **2.5** |
| Loans & absolute return credit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Australian fixed income | 22.8 | 18.4 | 12.5 | 5.2 | 0.0 |
| Global fixed income | 22.6 | 13.5 | 8.6 | 5.3 | 0.0 |
| Defensive alternatives | 3.7 | 1.9 | 1.8 | 0.9 | 0.0 |
| Short-term credit | 11.5 | 8.2 | 5.4 | 1.8 | 0.0 |
| Cash | 7.6 | 7.2 | 4.4 | 3.7 | 2.5 |

# Effective date

These changes were completed during the first week of October 2024.

# Looking ahead

Over the past 12 to 24 months, markets have faced significant challenges, driven largely by elevated inflation and major geopolitical events. Central banks responded by aggressively raising interest rates, which led to a substantial rise in market volatility. Despite these hurdles, the US economy has demonstrated remarkable resilience, with markets pricing in a ‘soft landing’ as inflationary pressures have eased and unemployment has remained low.

As inflation continues to decline and job market pressures ease, the primary driver of market volatility may shift from inflation to growth. While the US labour market remains a key watchpoint, there is a risk that weakening job conditions could impact consumer spending, leading to slower economic activity.

If equity markets continue to rally, we may continue to trim risk assets and increase defensive assets. Opportunities may also arise if markets react more negatively to potential recession outcomes.

Moving forward, it’s important to remember that whilst we cannot control what markets do, we can control how we react to them. The Portfolios have been constructed to respond to changing market dynamics in real time, to effectively manage risk and to take advantage of market opportunities as they arise.

Moreover, we are committed to achieving long-term outperformance for investors and remain both patient and alert to any investment opportunities.

Questions?

Visit [russellinvestments.com](https://russellinvestments.com).au

About Russell Investments

Russell Investments is a leading global investment solutions partner providing a wide range of investment capabilities to institutional investors, financial intermediaries, and individual investors around the world. Since 1936, Russell Investments has been building a legacy of continuous innovation to deliver exceptional value to clients, working every day to improve people’s financial security. Headquartered in Seattle, Washington, Russell Investments has offices worldwide, including Dubai, London, New York, Paris, Shanghai, Sydney, Tokyo, and Toronto.

important information

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 is not intended to imply any recommendation or opinion about a financial product. RIM is not providing financial product advice and you should consider obtaining independent advice before making any financial decisions. This information has been compiled from sources considered to be reliable but is not guaranteed.

RIM is part of Russell Investments. RIM is the issuer of the Russell Investments Funds and Russell Investments ETFs mentioned in this document. Russell Investments or its associates, officers or employees may have interests in the financial products referred to in this information by acting in various roles including 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 2024. 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.

1. Asset class breakdown is based on the model and may vary slightly depending on the Platform. [↑](#footnote-ref-2)