

# Russell Investments Managed Portfolio - Balanced



The portfolio returned 0.01%<sup>^</sup> in August. Positioning amongst the portfolio's more defensive assets, including Metrics Credit, global floating rate credit and the Russell Investments Australian Floating Rate Fund, contributed positively to performance. The direct Australian equity portfolio also outperformed its benchmark. In contrast, our global equity portfolio recorded negative excess returns for the month. Exposure to emerging markets equities also weighed on returns.

## Portfolio objective

To provide returns over the medium to long term, with moderate to high volatility, consistent with a diversified mix of predominantly growth oriented assets and some defensive assets.

## Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 70% and defensive investments of around 30% 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) in August. Contributing to the decline was speculation that US interest rates will remain higher for longer amid stickier services inflation and a tighter labour market. Whilst market pricing implies the US Federal Reserve will leave interest rates on hold when it next meets in September, there is still some way to go to temper inflationary pressures. Chairman Jerome Powell, speaking at the annual Jackson Hole Symposium toward the end of the month, said the Bank is prepared to raise interest rates further if necessary and will keep them high until its convinced that inflation is on a sustainable path back toward its 2.0% target. Stocks were also impacted by concerns over China's growth prospects. Australian shares also fell over the period, driven in part by concerns over the deteriorating economic outlook in China; our largest trading partner. Stocks were also impacted by weakness across the major miners and a poor lead from major developed markets. In contrast, the local market benefited from the Reserve Bank of Australia's decision to leave interest rates on hold at 4.10% following its early August gathering and a series of mostly encouraging earnings updates.

Global bonds were slightly weaker for the month, while Australian bonds made reasonable gains.

## Main portfolio highlights

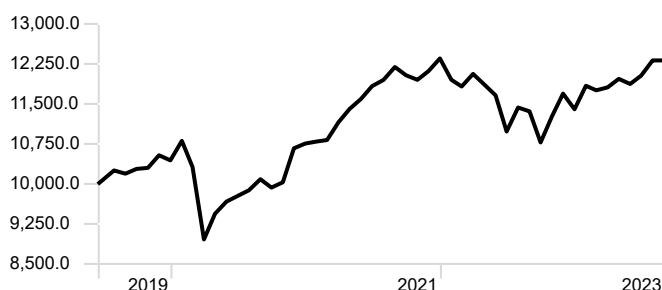
The direct Australian equity portfolio outperformed its benchmark, benefiting from stock selection within the healthcare space. This included an overweight to Cochlear and an underweight to Ramsay Health Care. Stock selection within communication services also added value; notably an overweight to Carsales.com, which performed well on the back of better-than-expected earnings. Stock selection within consumer staples added further value over the period, particularly amongst the major grocery retailers. This included an overweight to Woolworths and an underweight to Coles.

In terms of global equity managers, Sanders underperformed its benchmark, driven by poor stock selection within the healthcare and consumer discretionary sectors. Emerging markets specialist Oaktree Capital also underperformed. In contrast, Japan equity specialist Nissay Asset Management outperformed its benchmark, benefiting from strong stock picking within the consumer discretionary, information technology and industrials sectors. UK equity specialist JO Hambro also outperformed.

There were no material positional changes in August. 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 31/08/2023



## Performance Review

As of Date: 31/08/2023

	Return
1 Month	0.01
3 Months	3.65
1 Year	8.58
2 Years	0.49
3 Years	6.94
YTD	8.11
Since Inception	5.11

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.

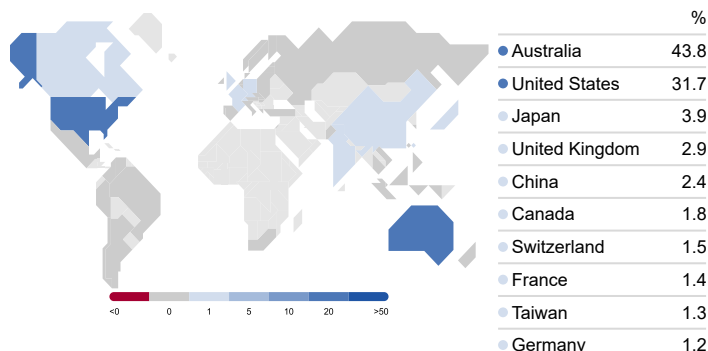
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

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## Country Exposure

Portfolio Date: 31/08/2023



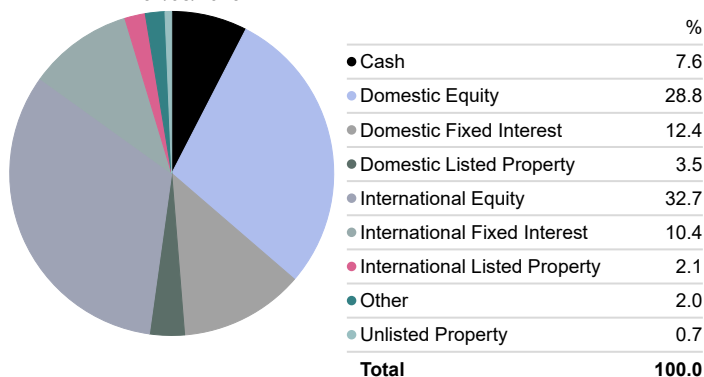
## Dynamic positioning: Managing positions over the next 12-18 months

We believe the main uncertainty for markets is the outlook for the US economy. Whilst economic data so far this year has proven more resilient than markets initially expected, our base case remains that a recession in the US is more likely than not. Inflation globally should continue to ease as demand slows, allowing central banks to hit the pause button. Nonetheless, heightened short-term market volatility is likely to remain given responses across markets to ongoing inflation prints and central bank interest rate decisions.

We retain the same themes as recent months, i.e. a preference for emerging markets over developed markets and a peer-relative overweight to global small caps.

## Asset Allocation

Portfolio Date: 31/08/2023



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

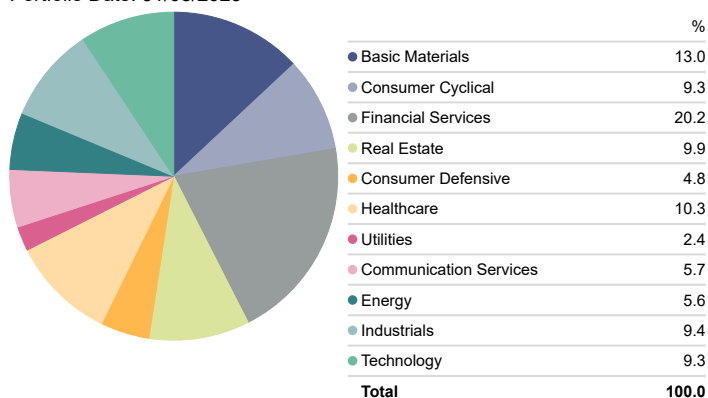
The portfolio has a long-term asset allocation of 76% to return generating assets (including high yield debt and other extended fixed income). Growth asset valuations have decreased significantly year to date but are marginally higher than long-term averages in the US and similar to long-term averages 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 24% 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.**

## Sector Allocation

Portfolio Date: 31/08/2023



# Russell Investments Managed Portfolio - Balanced



## Detailed Asset Allocation

Portfolio Date: 31/08/2023

	Portfolio Weighting %
Russell Inv Multi-Asset Growth Strat A	31.56
Vanguard US Total Market Shares ETF	8.34
Vanguard All-World ex-US Shares ETF	7.07
Vanguard MSCI Intl (Hdg) ETF	3.82
Vanguard Global Aggregate Bd Hdg ETF	3.23
iShares Core Cash ETF	2.84
Russell Inv Australian Government Bd ETF	2.72
Vanguard Global Value Equity Active ETF	2.39
Russell Inv Australian Select CorpBd ETF	1.99
Vanguard MSCI Australian Small Coms ETF	1.91
Vanguard Intl Credit Secs (Hdg) ETF	1.87
iShares S&P Small-Cap ETF	1.63
Vanguard International Prpty Secs IdxHdg	1.58
Vanguard FTSE Emerging Markets Shrs ETF	1.45
Vanguard Australian Property Secs ETF	1.43
Russell Global Opportunities A	1.36
Vanguard Global Infrastructure Index Hgd	0.84
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.47
Vanguard Australian Shares ETF	0.34
BHP Group Ltd	2.64
Commonwealth Bank of Australia	2.09
CSL Ltd	1.59
National Australia Bank Ltd	1.20
ANZ Group Holdings Ltd	0.99
Westpac Banking Corp	0.98
Transurban Group	0.90
Woodside Energy Group Ltd	0.87
Macquarie Group Ltd	0.83
Wesfarmers Ltd	0.76
Woolworths Group Ltd	0.69
Rio Tinto Ltd	0.68
Telstra Group Ltd	0.60
Goodman Group	0.59
James Hardie Industries PLC	0.53
Cochlear Ltd	0.53
Fortescue Metals Group Ltd	0.50
Aristocrat Leisure Ltd	0.46
Carsales.com Ltd	0.45
Suncorp Group Ltd	0.41
Santos Ltd	0.39
Computershare Ltd	0.37
Dexus	0.33
Aurizon Holdings Ltd	0.32
Sonic Healthcare Ltd	0.32
Mirvac Group	0.32
South32 Ltd	0.32
Harvey Norman Holdings Ltd	0.31
Mineral Resources Ltd	0.30
Lynas Rare Earths Ltd	0.26

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

For further information about Russell Investments please visit [russellinvestments.com.au](http://russellinvestments.com.au)

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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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