Russell Investments Managed Portfolio - Conservative

The portfolio returned 0.56%^ in January. The direct Australian equity portfolio contributed positively to performance over the period. Our global and Australian fixed income exposures also delivered positive excess returns for the month. Australian private credit manager Metrics Credit and the Russell Investments Australian Floating Rate Fund added further value. In contrast, our global equities exposure detracted from benchmark-relative performance; though the asset class did deliver positive absolute returns for the month.

Portfolio objective

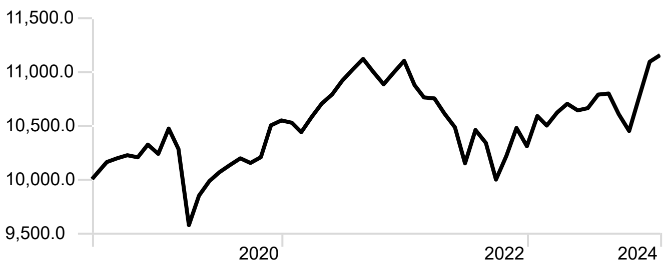
To provide returns over the short to medium term, with low volatility, consistent with a diversified mix of predominantly defensive assets and some growth oriented assets.

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.

Growth of $10,000

Time Period: 17/06/2019 to 31/01/2024



Performance Review

As of Date: 31/01/2024

	Return
1 Month	0.56
3 Months	6.76
1 Year	5.35
2 Years	1.28
3 Years	1.96
YTD	0.56
Since Inception	2.39

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.

Main market highlights

Global share markets made good gains in January. Stocks continued to be influenced in large part by the outlook for global interest rates. In the US, the Federal Reserve (Fed) maintained its benchmark fed funds rate at a target range of between 5.25% and 5.50% following its latest gathering. Speaking after the meeting, chairman Jerome Powell said it will be appropriate to start lowering interest rates sometime this year; though he wouldn't be drawn on specific timing. However, he did add that he doesn't believe a March rate cut is likely as the Bank has yet to reach a point where it's confident that inflation is coming down sustainably toward its 2.0% target. It was only last month that investors bet the Fed would cut interest rates six times, or 1.50%, in 2024; the first of which was penciled in for March. Interest rates also remained on hold in the UK and Europe; though investors are still betting on multiple rate cuts in both regions despite policymakers' warnings that inflation is still too high. Australian shares also performed well as investors upped their bets that the Reserve Bank of Australia will start cutting interest rates sooner following the release of the latest (quarterly) inflation figures.

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

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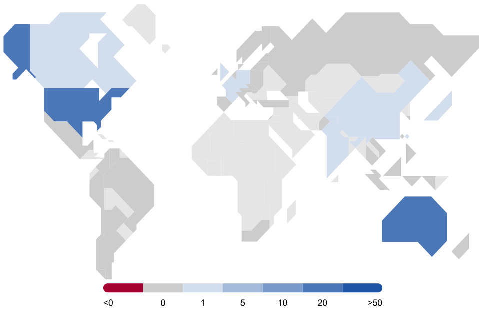
Russell Investments

Country Exposure

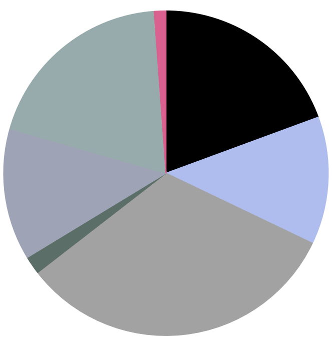
Portfolio Date: 31/01/2024



	%
Australia	47.1
United States	27.5
Japan	3.7
United Kingdom	2.7
China	2.5
Canada	1.8
Switzerland	1.6
Taiwan	1.5
France	1.5
India	1.4

Asset Allocation

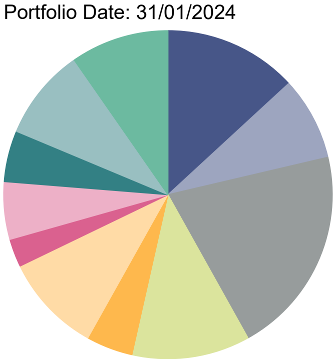
Portfolio Date: 31/01/2024



	%
Cash	19.4
Domestic Equity	12.7
Domestic Fixed Interest	32.4
Domestic Listed Property	1.8
International Equity	13.1
International Fixed Interest	19.4
International Listed Property	1.2
Other	0.0
Total	**100.0**

Sector Allocation

Portfolio Date: 31/01/2024



	%
Basic Materials	13.1
Consumer Cyclical	8.2
Financial Services	20.6
Real Estate	11.6
Consumer Defensive	4.6
Healthcare	9.7
Utilities	2.8
Communication Services	5.7
Energy	5.0
Industrials	9.0
Technology	9.7
Total	**100.0**

Main portfolio highlights

The direct Australian equity portfolio modestly outperformed its benchmark, benefiting in part from stock selection within the consumer discretionary space. This included an overweight to gaming machine maker Aristocrat Leisure and an underweight to Domino's Pizza. Stock selection amongst materials also added value, including overweights to Fortescue, James Hardie Industries and Incitec Pivot. Partly offsetting this was our broader overweight to the sector, which underperformed the wider market in January. Performance was further impacted by stock selection within the healthcare sector; notably an overweight to Ansell and an underweight to ResMed, which extended its recent bounce over the period.

Within the fixed income portfolio, the Russell Investments Australian Bond Fund delivered positive absolute and excess returns for the month. The Russell Investments International Bond Fund – $A Hedged also outperformed its benchmark, driven in part by interest rates positioning; including an underweight to Japanese government bonds. However, absolute returns were slightly negative. Metrics Credit outperformed cash and traditional fixed income assets over the period, with Australian loans continuing to generate income-like returns. The Russell Investments Australian Floating Rate Fund also performed well.

There were no material positional changes in January.

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

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

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 less expensive equity markets versus US equities and peer-relative overweights to global small caps and the value factor.

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 toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have narrowed and are near their long-term averages. Government bonds are cheap across some markets and are now offering much higher yields than at the beginning of 2022.

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 have increased year to date but are below pre-pandemic levels. Long-term, forward-looking return expectations for US shares and high-yield debt have moderated. The economic outlook creates uncertainty in the near term, however in the long term, growth assets are still preferred due to superior returns relative to defensive assets.

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

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Detailed Asset Allocation

Portfolio Date: 31/01/2024

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	34.65
iShares Core Cash ETF	13.36
Russell Inv Australian Government Bd ETF	11.41
Vanguard Global Aggregate Bd Hdg ETF	10.48
Vanguard All-World ex-US Shares ETF	3.72
Vanguard Intl Credit Secs (Hdg) ETF	2.78
Russell Inv Australian Select CorpBd ETF	2.54
Vanguard US Total Market Shares ETF	2.23
Russell Inv Australian Semi-Govt Bd ETF	2.00
iShares S&P Small-Cap ETF	1.17
Vanguard Australian Property Secs ETF	1.12
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.97
Vanguard FTSE Emerging Markets Shrs ETF	0.95
Vanguard International Prpty Secs IdxHdg	0.84
Vanguard MSCI Intl (Hdg) ETF	0.51
Vanguard Global Infrastructure Index Hgd	0.48
Vanguard Australian Shares ETF	0.12
BHP Group Ltd	1.16
Commonwealth Bank of Australia	0.84
CSL Ltd	0.72
National Australia Bank Ltd	0.53
Westpac Banking Corp	0.44
ANZ Group Holdings Ltd	0.38
Goodman Group	0.34
Telstra Group Ltd	0.33
Wesfarmers Ltd	0.32
Rio Tinto Ltd	0.31
Woolworths Group Ltd	0.30
Macquarie Group Ltd	0.30
Woodside Energy Group Ltd	0.29
Fortescue Ltd	0.27
James Hardie Industries PLC	0.27
Transurban Group	0.26
Cochlear Ltd	0.24
Brambles Ltd	0.22
Aristocrat Leisure Ltd	0.22
Car Group Ltd	0.20
Suncorp Group Ltd	0.18
WiseTech Global Ltd	0.17
Medibank Private Ltd	0.17
Santos Ltd	0.16
Computershare Ltd	0.14
Dexus	0.14
Sonic Healthcare Ltd	0.13
South32 Ltd	0.13
Mineral Resources Ltd	0.11

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

Important Information

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

1 The rating is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

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