

# Russell Investments Sustainable Managed Portfolio - Growth



The portfolio returned 1.70%^ in January. Our global equities exposure and the direct Australian equity ESG portfolio contributed positively to performance over the period. The portfolio's Australian fixed income exposure also added value despite elevated levels of volatility within the asset class. In contrast, our global fixed income exposure was slightly negative for the month. Similarly, our exposure to Australian listed property added value, while global listed property underperformed. The portfolio's US small caps exposure also weighed on returns as smaller companies underperformed their larger counterparts over the period.

## Portfolio objective

The managed portfolio aims 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. The managed portfolio aims to outperform the benchmark over the long term.

## Portfolio strategy

The portfolio typically invests in a diversified investment mix of predominantly sustainable investment strategies with exposure to growth investments of around 90% such as Australian Investment strategy and approach shares, international shares, property, infrastructure and alternatives; and defensive investments of around 10% such as cash and fixed interest over the long term. These allocations will be actively managed within the allowable ranges depending on market conditions.

## 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 pencilled 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.

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

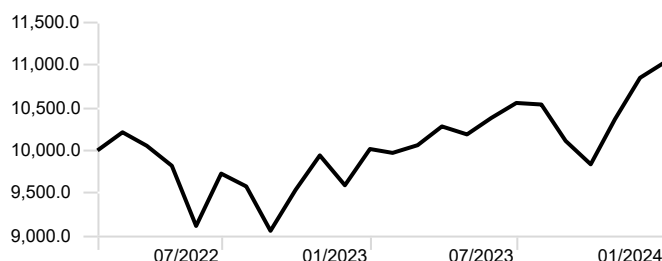
**The portfolio has a long-term asset allocation of 85% to growth assets.** Growth asset valuations have increased year to date but are below pre-pandemic levels. Long-term, forward-looking return expectations for US shares and high-yield debt have moderated. The economic outlook creates uncertainty in the near term, however in the long term, growth assets are still preferred due to superior returns relative to defensive assets.

**Defensive assets such as fixed income and cash have an allocation of 15% 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.

**Strategically, the portfolio has positions in cheaper and higher momentum securities per our research.**

## Growth of \$10,000

Time Period: Since Inception to 31/01/2024



## Performance Review

As of Date: 31/01/2024

|                 | Return |
|-----------------|--------|
| 1 Month         | 1.70   |
| 3 Months        | 12.16  |
| 1 Year          | 10.16  |
| 2 Years         | —      |
| 3 Years         | —      |
| YTD             | 1.70   |
| Since Inception | 5.25   |

Inception date: 28/02/2022

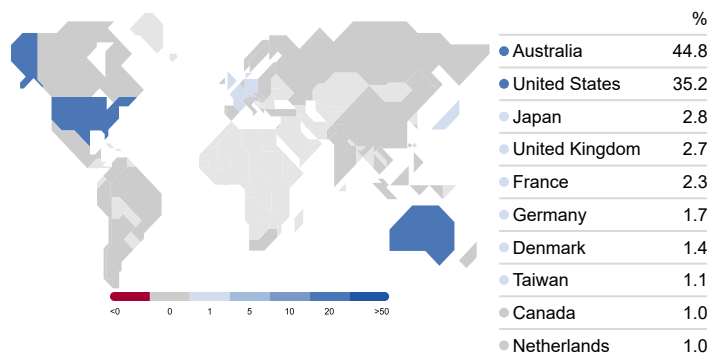
^This performance is net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. It does not take into account any third party platform fees charged to individual investors or transaction costs (including buy/sell spreads and brokerage fees). It assumes income is 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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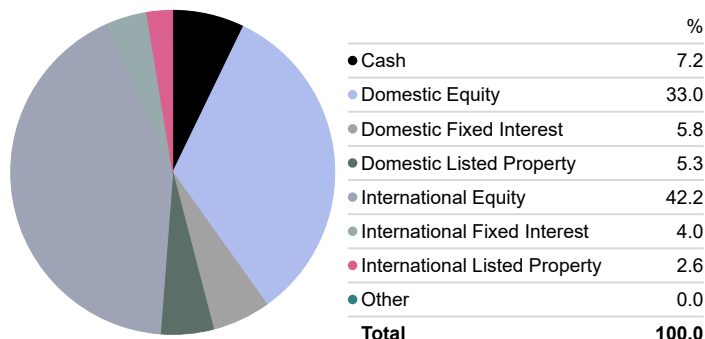
## Country Exposure

Portfolio Date: 31/01/2024



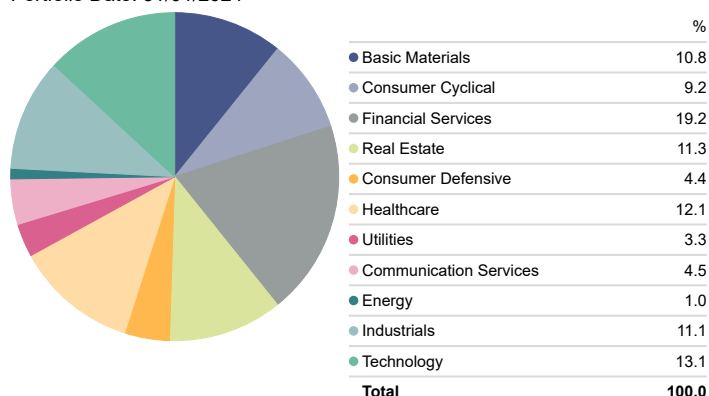
## Asset Allocation

Portfolio Date: 31/01/2024



## Sector Allocation

Portfolio Date: 31/01/2024



## Main portfolio highlights

The direct Australian equity ESG portfolio outperformed its benchmark, benefiting in part from strong stock selection within the materials space. This included overweights to Amcor, iron ore major Fortescue and James Hardie Industries. Partly offsetting these positions was our broader overweight to the sector, which underperformed the wider market in January. Stock selection amongst industrials also added value over the period; notably an overweight to Brambles and an underweight to engineering company Worley Ltd. In contrast, stock selection within the healthcare space weighed on overall returns, including an overweight to Ansell and an underweight to ResMed.

Mirova's Global Sustainable Equity No.2 Fund outperformed its benchmark. Stock selection within the information technology space contributed positively to performance, including overweights to leading US chip maker and 'Magnificent 7' member NVIDIA. An overweight to Taiwan Semiconductor Manufacturing Co. also added value. Both stocks benefited from strong global chip demand. Stock selection within the healthcare sector added further value over the period; notably overweights to Denmark's Novo Nordisk A/S and US pharmaceutical company Eli Lilly & Co.

The Russell Investments Low Carbon Global Shares Fund performed in line with its benchmark. The Fund benefited from its exclusion of tobacco producers and companies involved in defence contracting, however this was offset by stock selection amongst materials and utilities stocks.

The Impax Sustainable Leaders strategy underperformed its benchmark, driven in part by overweights to materials and industrials and an underweight to the consumer discretionary space. Stock selection within the healthcare and information technology sectors also weighed on returns; the latter including an overweight to Texas Instruments.

Pendal's Sustainable Australian Fixed Interest Fund outperformed its benchmark, benefiting from both its government and non-government positioning. This included the Fund's exposures to supranationals and industrials.

There were no material positional changes during the month.

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## Detailed Asset Allocation

Portfolio Date: 31/01/2024

|  | Portfolio Weighting % |
|--|-----------------------|
| Russell Invmts Low Carbon Glb Shrs AUDH  | 12.87                 |
| Mirova Global Sustainable Equity Fund    | 10.67                 |
| Russell Invmts Low Carbon Glb Shrs A     | 8.13                  |
| Impax Sustainable Leaders Fund A         | 7.83                  |
| Perpetual ESG Australia Share            | 5.20                  |
| Alphinity Sustainable Share              | 4.13                  |
| Ausbil Active Sustainable Equity         | 4.12                  |
| Vanguard Australian Property Secs ETF    | 3.48                  |
| Pendal Sustainable Aust Fixed Interest   | 3.37                  |
| Russell Intl Property Secs Hedged A      | 3.22                  |
| Vanguard Etcly Cons Gbl Aggt Bd H ETF    | 2.71                  |
| iShares Core Cash ETF                    | 2.65                  |
| First Sentier Responsible Listed Infrs   | 2.21                  |
| Altius Sustainable Short Term Income Ord | 1.88                  |
| Robeco SDG Credit Income (AUD Hdg) C     | 1.32                  |
| Ardea Real Outcome Fund                  | 0.90                  |
| Commonwealth Bank of Australia           | 2.43                  |
| CSL Ltd                                  | 1.89                  |
| National Australia Bank Ltd              | 1.48                  |
| Westpac Banking Corp                     | 1.37                  |
| Fortescue Ltd                            | 1.27                  |
| Wesfarmers Ltd                           | 1.26                  |
| ANZ Group Holdings Ltd                   | 1.10                  |
| Telstra Group Ltd                        | 1.06                  |
| Goodman Group                            | 0.86                  |
| Macquarie Group Ltd                      | 0.82                  |
| Transurban Group                         | 0.76                  |
| BlueScope Steel Ltd                      | 0.76                  |
| James Hardie Industries PLC              | 0.68                  |
| Woolworths Group Ltd                     | 0.66                  |
| WiseTech Global Ltd                      | 0.59                  |
| Brambles Ltd                             | 0.54                  |
| Coles Group Ltd                          | 0.53                  |
| Sonic Healthcare Ltd                     | 0.52                  |
| Ancor PLC                                | 0.50                  |
| JB Hi Fi Ltd                             | 0.49                  |
| Northern Star Resources Ltd              | 0.47                  |
| Ansell Ltd                               | 0.44                  |
| Scentre Group                            | 0.39                  |
| Computershare Ltd                        | 0.37                  |
| Iluka Resources Ltd                      | 0.36                  |
| Mineral Resources Ltd                    | 0.32                  |
| Evolution Mining Ltd                     | 0.29                  |
| Lynas Rare Earths Ltd                    | 0.29                  |
| Pilbara Minerals Ltd                     | 0.25                  |
| IGO Ltd                                  | 0.22                  |

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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