

Russell Investments Managed Portfolio - Conservative

Asset allocation as at 31 December 2021²



■ Alternatives	1.7%
■ Aust Shares	14.0%
■ Property	4.2%
■ Fixed Int & Cash	68.0%
■ Int Shares	12.1%

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.

Performance review

Period ending 31/12/2021	1	3	1	2	3	5	Since
	month	months	year	years	years	years	inception
	%	%	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Total return	0.9	0.9	5.1	4.2	-	-	4.3

Performance is net of fees and charges. Assumes reinvestments of income. Past performance is not a reliable indicator of future performance.

Fund Facts

Inception date

19 June 2019

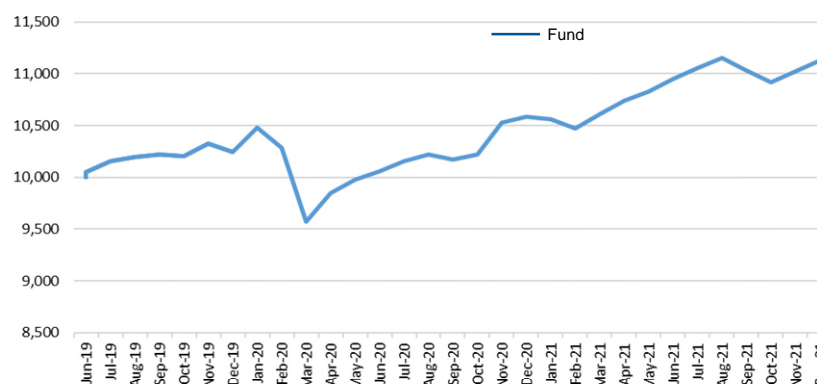
Portfolio manager

Daniel Choo

Recommended investment timeframe

3 years

Growth of \$10,000



Performance results are net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. These results do not take into account any third party platform fees charged to individual investors or transaction costs (which include buy/sell spread and brokerage fees). They assume income received is reinvested without any tax deduction. An individual investor's actual performance will differ from this performance depending on a range of factors including the amount invested in the Managed Portfolio, transaction timing, transaction costs, actual underlying manager fees and costs, any exclusions selected by the investor, whether income is paid in cash and any divergence by the investor from Managed Portfolio weightings. In addition, the actual performance experienced by individual investors may be aggregated and averaged by platform providers, resulting in a further departure from the performance results published here. Past performance is not a reliable indicator of future performance.



IMAP
MANAGED ACCOUNT
AWARD FINALIST
MULTI ASSET



Russell Investments Managed Portfolios have been rated Superior by SQM Research¹ for world class manager research capabilities and management of multi-asset portfolios.

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(continued)

Portfolio commentary

The Russell Investments Managed Portfolio – Conservative returned 0.9% on a net of fees basis in the December quarter.

The Portfolio's exposure to global equities contributed positively to performance over the period, with the Vanguard MSCI Index International Shares (Hedged) ETF delivering strong returns for the quarter. Partly offsetting this were our exposures to the iShares S&P Small Cap ETF and the Vanguard FTSE Emerging Markets Shares ETF; both of which underperformed. Emerging markets in particular were impacted by the prospect of rising interest rates globally, disappointing Chinese growth and the ongoing uncertainty surrounding China's embattled property sector. Our exposure to the Vanguard Australian Property Securities Index ETF also added value over the period, with listed property significantly outperforming the broader share market amid still-easy monetary policy settings and the reopening of the NSW and Victorian economies. The Portfolio also benefited from its exposure to floating rate credit strategies, including loans, which outperformed both government bonds and cash over the period. In contrast, the Portfolio's underweight to US equities detracted from overall returns in the fourth quarter. Performance was further impacted by the Portfolio's value factor bias, with value stocks underperforming their growth counterparts over the period.

In terms of overall positioning, the current strategy is to buy back into equities on market reversals as our medium-term outlook on the asset class remains positive. However, we still feel it's too early to increase our equity exposure as our sentiment indicators are not yet pointing to oversold conditions. More broadly, 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 credit. Our strategy to 'buy the dip' in growth assets hasn't been necessary but we believe we'll eventually see a market correction worth buying into. To this end, we reserve some capital to capture opportunities as they arise. In saying that, we expect to trim some growth asset exposure if the market continues to run higher (as a way of rebalancing).

The Portfolio's direct Australian equity component outperformed the benchmark over the period. Our holdings in Altium, industrial property giant, Goodman Group, and Macquarie Group all contributed positively to returns. Partly offsetting these positions were our holdings in Suncorp Group, Westpac Banking Corp. and Aristocrat.

The post-lockdown recovery remains intact, albeit at a slower pace and against a backdrop of uncertainty over what happens next; particularly around the outlooks for monetary policy and inflation. Moving forward, near-term risks include the Delta and Omicron (or similar) variants proving resilient to vaccines and/or an escalation in infection rates during the Northern Hemisphere winter. Other watchpoints include inflation (and central banks' responses) and a sharper-than-expected slowdown in China; though Beijing has already signalled that more stimulus is on the way.

Market commentary

Global share markets made strong gains in the December quarter, driven largely by a series of encouraging US and European earnings results. Stocks also benefited from the prospect of additional US infrastructure spending, further corporate activity – including Australian healthcare giant CSL's acquisition of Vifor Pharma for AUD16.4 billion – and Beijing's vow to prioritise economic stability in 2022. Limiting the advance was central bank tapering and tighter monetary policy globally, with the US Federal Reserve announcing its plan to wrap up its massive asset-purchase program sooner than expected and both the Reserve Bank of New Zealand and the Bank of England raising their benchmark interest rates. Stocks were also impacted by the discovery of the Omicron variant of COVID-19 and heightened geopolitical uncertainty, including the threat of conflict between Russia and Ukraine and rising tensions between the US and China after Washington reaffirmed its support of Taiwan. Australian shares tracked their global counterparts higher over the period, benefiting from the Reserve Bank of Australia's decision to maintain its ultra-easy monetary policy settings and the easing of virus-related restrictions in New South Wales (NSW) and Victoria.

Global bonds were flat for the quarter. Longer-term government bond yields rose slightly (prices fell) over the period, while credit markets were mixed. Australian bonds underperformed their global peers.

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Detailed Asset Allocation

Portfolio holdings ²	Weight
ASX100 SMA Portfolio	8.0%
AGL Energy Ltd	0.1%
Altium Ltd	0.2%
Ancor PLC	0.2%
Aristocrat Leisure Ltd	0.2%
Aurizon Holdings Ltd	0.1%
Australia and New Zealand Banking Group Ltd	0.4%
BHP Group Ltd	0.5%
Coles Group Ltd	0.2%
Commonwealth Bank of Australia	0.7%
CSL Ltd	0.6%
Dexus	0.3%
Fortescue Metals Group Ltd	0.2%
Goodman Group	0.3%
James Hardie Industries PLC DR	0.3%
Macquarie Group Ltd	0.5%
National Australia Bank Ltd	0.5%
Newcrest Mining Ltd	0.2%
Orica Ltd	0.1%
Rio Tinto Ltd	0.2%
Sonic Healthcare Ltd	0.2%
South32 Ltd	0.2%
Suncorp Group Ltd	0.3%
Telstra Corp Ltd	0.4%
Transurban Group	0.3%
Wesfarmers Ltd	0.3%
Westpac Banking Corp	0.4%
Woodside Petroleum Ltd	0.1%
Woolworths Group Ltd	0.2%
Xero Ltd	0.1%
Ampol Ltd	0.0%
Russell Multi Asset Growth Strategy Plus Fund	0.0%
Russell Multi Asset Income Strategy Fund	35.5%
Russell Multi-Asset Growth Strategy Fund	0.0%
Russell Investments Australian Select Corp Bond ETF	3.8%
Russell Investments Australian Govt Bond ETF	7.6%
Russell Investments Australian-Semi Govt Bond ETF	5.7%
Vanguard Australian Shares Index ETF	1.0%
Vanguard FTSE All-World ex-US Shares Index ETF	2.6%
Vanguard Australia Property Securities ETF	3.3%
Vanguard FTSE Emerging Markets ETF	1.1%
Vanguard Global Aggregate Bond ETF	8.6%
Vanguard US Total Market Shares Index ETF	4.1%
Vanguard Global Value Equity Active ETF	0.0%
Vanguard MSCI International Shares Hedged ETF	0.0%
iShares Core Cash ETF	12.2%
iShares Government Inflation ETF	2.9%
iShares S&P Small-Cap ETF CDI	0.0%
Russell Investments Global Opportunities Fund	0.0%
Vanguard International Credit Securities Index (Hedged) ETF	1.6%
Cash	1.7%

Portfolio holdings may not equal 100% due to rounding.

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Footnotes

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2 Allocations may not equal 100% due to rounding.

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