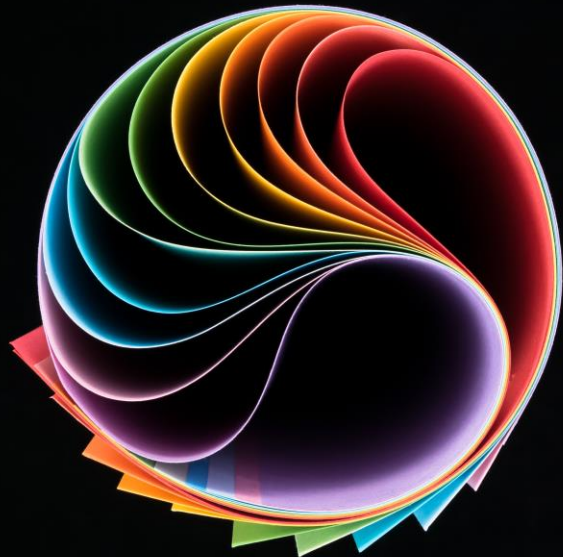


QUARTERLY FUND REVIEW

Multi-asset Funds



Q2 2020

Key Investment Themes

‘The Great Reopening’: Markets have rallied on hopes for a recovery as lockdowns are eased

GLOBAL ECONOMIES BEGIN REOPENING

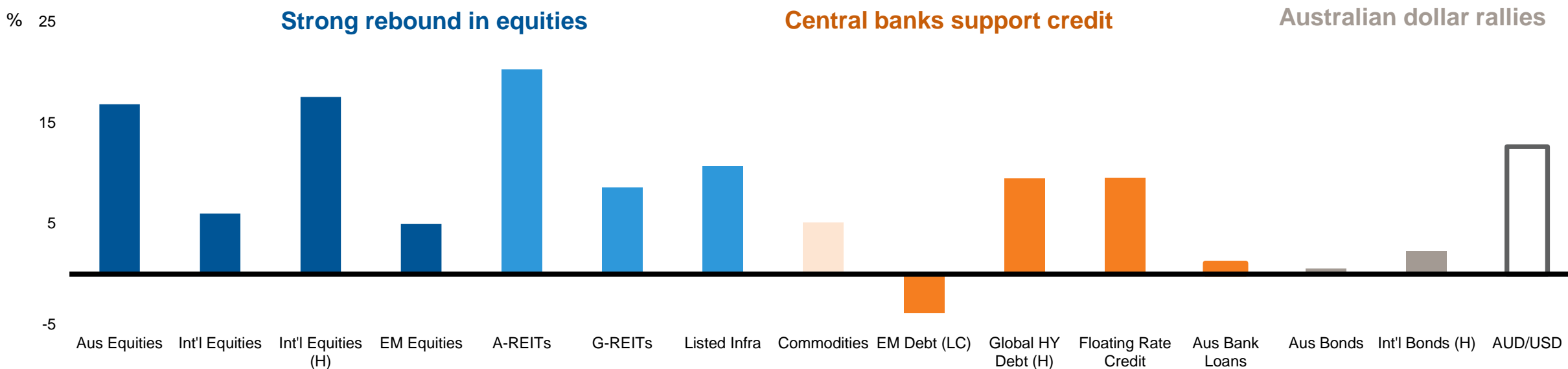
Economic data shows evidence of a sharp rebound, however the number of global COVID-19 cases continue to mount.

CENTRAL BANKS & GOVERNMENTS PLEDGE CONTINUED SUPPORT

Global government bond yields remain low as fiscal and monetary stimulus measures remain supportive of economies. The Fed engages in purchases of corporate bonds, assisting the rebound in credit markets.

US DOLLAR WEAKENS, EXTREME VOLATILITY IN OIL PRICES

US crude oil registers its largest quarterly percentage gain in 30 years, boosted by temporary production cuts by oil-producing nations. Commodity-linked currencies rebound sharply, led by the Australian dollar.



Source: Confluence, Bloomberg, Russell Investments. As at 30 Jun 2020. Returns are gross of fees.

Multi-Asset: Summary as at 30 June 2020

Investing in a recovery: a balanced view on the investment outlook


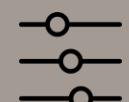
MARKET OUTLOOK:

The cycle has improved from fiscal & monetary stimulus and economies reopening. However, the market rebound means that value is no longer compelling for growth assets.

We believe the recovery from the recession will lead to a long period of low-inflationary growth, supported by stimulus.

OVERALL NEUTRAL POSITIONING, WITH A BIAS TO CREDIT

After adding growth assets in March and April 2020, the most recent action has been to reduce global shares via options (in June). Remain patient as the 'grand reopening' will have speedbumps along the way.

Q2 2020	POSITIONS	RESULTS
 Strategic	Diversified AA: Preference for liquid growth assets vs peers with concentrated positions in private assets, hedge funds or listed real assets	Positive
	Active stock selection and multi-manager sector funds Equity Factors: Value, low volatility, quality, size and momentum overweight Credit: Credit, rates duration	Negative
 Tactical	AA: Overweight equities vs <i>alternatives</i> , overweight credit	Positive
	Regions: Overweight EM & Australian equities, Underweight US [<i>Preference for cheaper regions</i>]	Negative
	Currency: Underweight AUD, Overweight JPY and EM currencies [<i>Hedge to equity overweight</i>]	Negative
	Other: Overweight REITs, underweight alternatives (commodities, listed infrastructure, volatility)	Positive
		+

Strategic Positioning

Russell Investments Balanced Fund (Strategic Asset Allocation, 30 June 2020)

Australian shares

■ Russell Investments Australian Shares Core Fund	27.50%
■ Vanguard Australian Property Securities Index Fund	1.50%

International shares

■ Russell Investments Tax Effective Global Shares Fund	7.40%
■ Russell Investments Global Opportunities Fund	7.40%
■ Russell Investments Multi-Asset Factor Exposure Fund	12.20%
■ Vanguard International Property Securities Index Fund (H)	4.50%

Alternatives

■ Russell Investments Multi-Strategy Volatility Premia Fund	2.50%
■ Russell Investments EM Debt Local Currency Fund	2.00%
■ Russell Investments Global High Yield Fund (H)	5.00%
■ Amundi Absolute Volatility World Equities Fund (H)	0.50%
■ Russell Investments Commodities	0.50%
■ Russell Investments Global Listed Infrastructure Fund (H)	2.00%

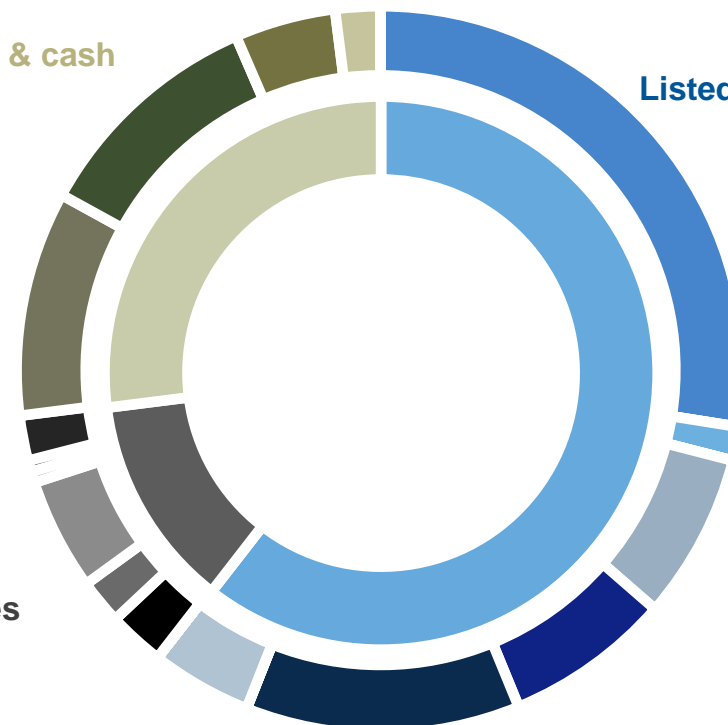
Fixed income & cash

■ Russell Investments International Bond Fund (H)	10.00%
■ Russell Investments Australian Bond Fund	10.50%
■ Russell Investments Australian Cash Enhanced Fund	4.50%
■ Russell Investments Floating Rate Fund (H)	2.00%

Fixed income & cash

Listed equities

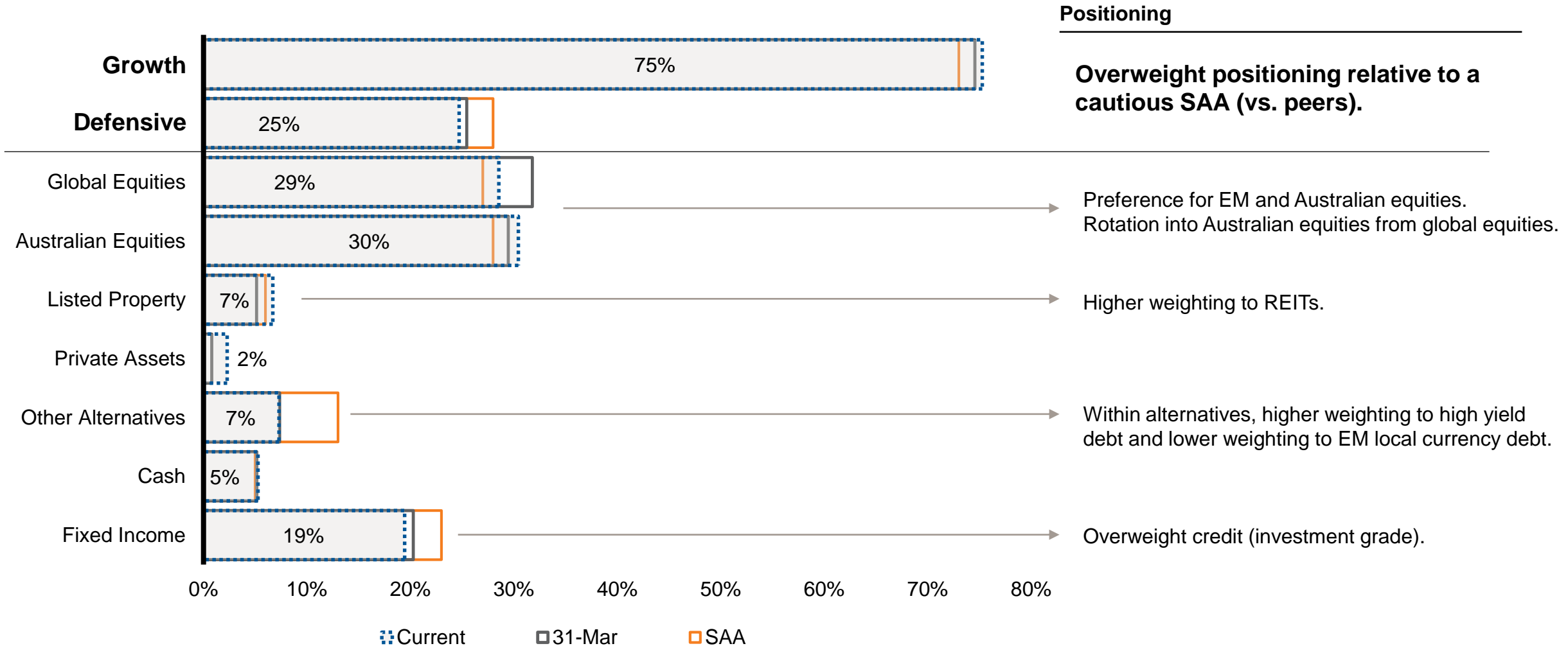
Alternatives



Source: Russell Investments. Asset allocation shown is for Russell Investments Balanced Fund, Class A, as at 30 June 2020.

Russell Investment Balanced Fund

Positioning as at 30 June 2020



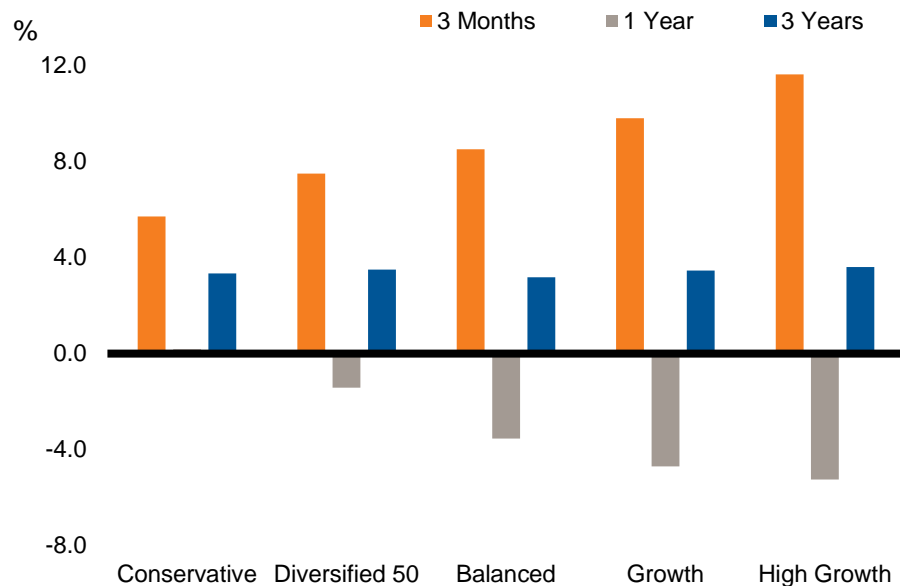
Russell Investment Balanced Fund

Performance Scorecard: Q2 2020

Rally in equities and credit off the March lows spurred by the reopening of economies and fiscal & monetary support. Positioned with higher credit exposures vs. peers.

Russell Investments Multi-asset funds

(Class A, as at 30 June 2020, net A\$ returns, % terms)



Source: Morningstar, Russell Investments. Past performance is not a reliable indicator of future performance. Returns shown for Russell Investments Multi-Asset funds are Class A, net terms as at 30 June 2020. Global sector alpha is shown in gross A\$ terms as appropriate for component parts of multi-asset funds. 'Key drivers' includes reference to some Russell Investments sector funds. Peer return comparisons are indicative and derived from custom list of key competitors drawn from Morningstar database.

Drivers of return versus peers*

Q2 2020:

Strategic AA
(Design)

+

> Underweight private assets / hedge funds

Manager XS Return
(Construct)

=

> Active stock selection, overweight value
> Overweight credit

Dynamic AA
(Manage)

+

> Equities exposure + currency positioning (JPY vs. AUD)

1 YEAR

Strategic AA
(Design)

-

> Underweight private assets / hedge funds

Manager XS Return
(Construct)

-

> Active stock selection, overweight value
> Overweight credit

Dynamic AA
(Manage)

=

> Equities exposure + hedges (Amundi & JPY vs. AUD)

*vs. Morningstar

Global equity factor and regional performance

Funds are overweight value, non-US regions and small cap

- > Value underperforms on a global basis, driven by financials lagging
- > Small caps outperform
- > Regional: UK, Japan & Europe underperform, US outperforms

	MSCI ACWI	ASX 100
Index	18.5%	16.0%
Small Cap	23.7%	25.1%
Growth	24.9%	19.9%
Momentum	21.6%	17.6%
Quality	20.4%	16.1%
Value	16.3%	17.1%
Low Volatility	13.5%	11.2%

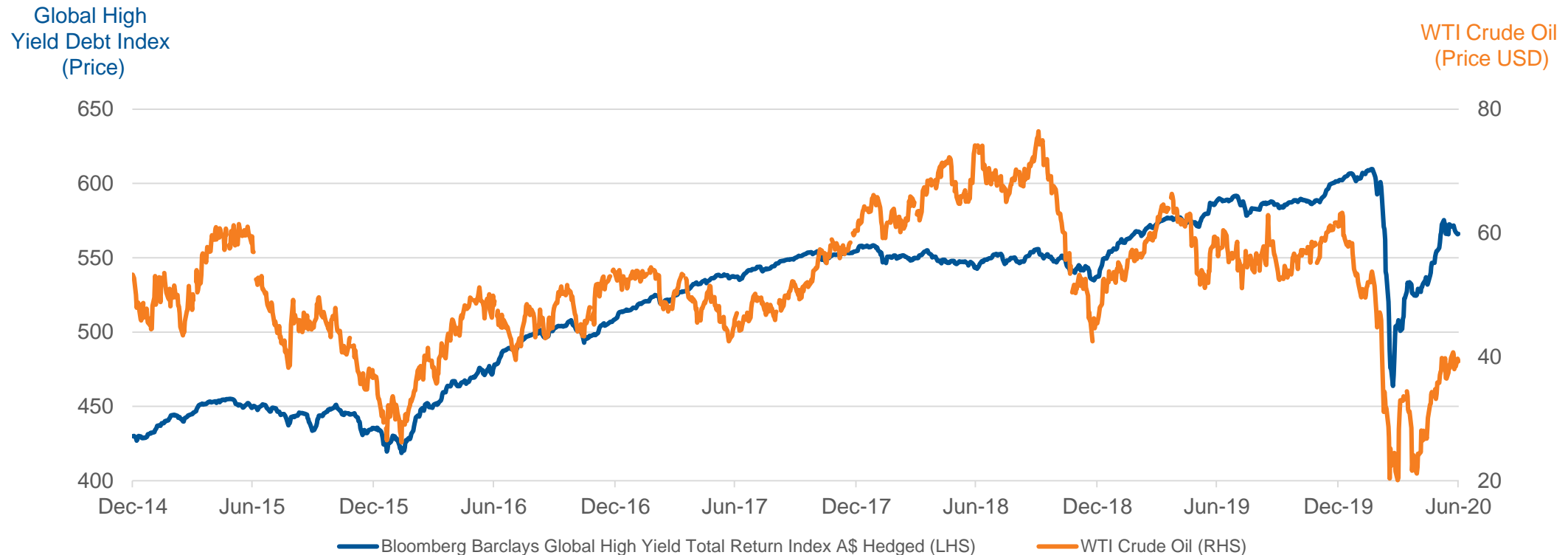
	Region
Australia	16.0%
US	21.8%
EM	16.9%
Europe	13.4%
Japan	11.3%
UK	10.2%

Source: Russell Investments

Credit markets rebound in Q2

Calmness restored from Fed support and recovering energy prices

- > High yield debt rallied as the Fed pledged to buy corporate bonds and oil prices climbed
- > Credit was very attractive in late March during the market panic -> funds added exposure to HY debt
- > Our current neutral view on HY debt is driven by fair valuations and a likely rise in default rates following the recession



Source: Bloomberg.

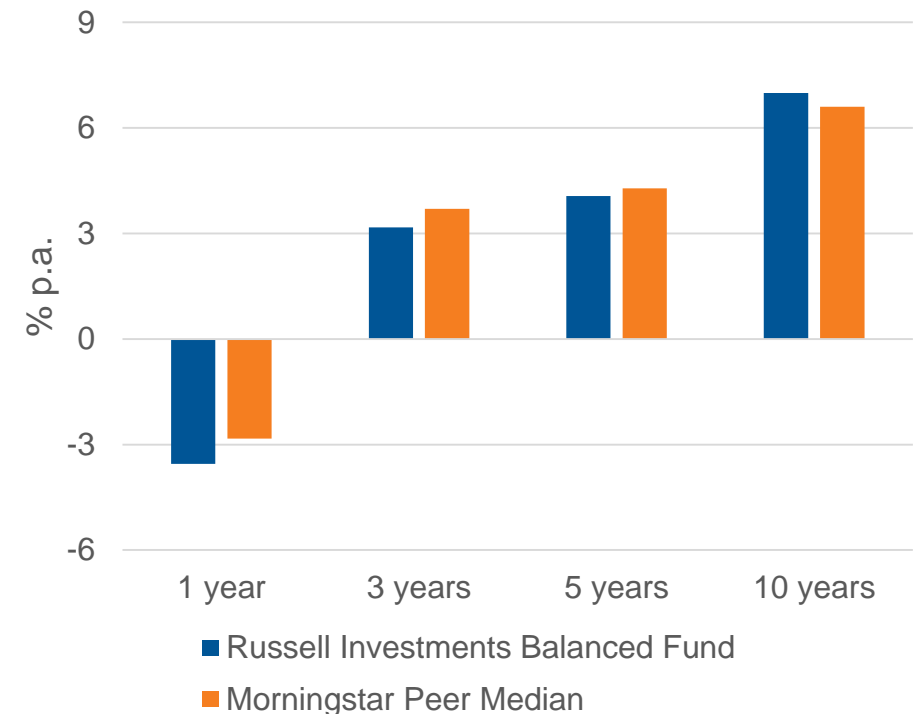
Longer-term performance

Balanced Fund peer relative commentary

- > Peer relative performance is behind peer median over 3 & 5 years, but ahead over 10 years
 - > Includes significant rebound post-GFC
 - > Medium-term underperformance driven by:
 - > Underweight unlisted assets relative to peers
 - > Negative equity stock and factor selection
- These detractors were offset by:
- > Currency and credit allocations

Peer performance comparison

(Class A, as at 30 June 2020, net A\$ returns, % terms)



Source: Morningstar, Russell Investments. Past performance is not a reliable indicator of future performance. Returns shown for Russell Investments Multi-Asset funds are Class A, net terms as at 30 June 2020. Global sector alpha is shown in gross A\$ terms as appropriate for component parts of multi-asset funds. 'Key drivers' includes reference to some Russell Investments sector funds. Peer return comparisons are indicative and derived from custom list of key competitors drawn from Morningstar database.

Market outlook

The Grand Reopening



Economic views



FISCAL STIMULUS

The U.S. fiscal stimulus packages passed since March provide the nation's economy with its most significant fiscal thrust since World War II. With the potential for more stimulus on the way, we are positive on the U.S. economic outlook.



FORECAST

The Organisation for Economic Co-operation and Development (OECD) forecasts a 9.1% decline in eurozone GDP this year, followed by a 6.5% rebound in 2021. In the UK, the OECD predicts an 11.5% decrease in GDP in 2020, followed by a 9% rebound in 2021.



GEOPOLITICAL RISKS

While geopolitical risks are rising between the U.S. and China, we don't believe the increased rhetoric will lead to a dissolution of the *phase one* trade deal signed earlier this year.



GLOBAL ECONOMY

China appears well-positioned for a strong rebound through the second half of 2020 and into 2021, as stimulus kicks in and the global economy recovers.



RECOVERY

We believe the recovery from the recession will lead to a long period of low-inflationary growth, supported by monetary and fiscal stimulus.

Asset class views

Equities: Preference for non-U.S. equities

We have a preference for non-U.S. equities over U.S. equities. This is partly driven by expensive relative valuations, but is also reflective of the likelihood that the second stage of the post-coronavirus recovery will see corporate profits improve. This should favour cyclical and value stocks over defensive and growth stocks - and the rest of the world is overweight these stocks, relative to the U.S.

We also like the value in emerging markets (EM) equities. China's early exit from the lockdown, coupled with additional stimulus measures, should benefit EM more broadly.

Fixed income: Bonds universally expensive

We see government bonds as universally expensive. Low inflation and dovish central banks should limit the rise in bond yields during the recovery from lockdowns. We have a neutral view on high-yield and investment-grade credit.

Currencies: U.S. dollar should weaken during recovery

The dollar typically gains during global downturns and declines in the recovery phase. The main beneficiaries during the recovery should be the economically sensitive *commodity currencies* - the Australian dollar, New Zealand dollar and Canadian dollar. The euro and British sterling are undervalued at mid-year 2020.



Please visit:

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

to read the complete 2020 Global Market Outlook – Q3 update.

Structure

Russell Investments Balanced Fund – Portfolio Structure *

AUSTRALIAN SHARES	INTERNATIONAL SHARES		FIXED INTEREST		ALTERNATIVES
Russell Investments Australian Shares Core Fund	Russell Investments Global Opportunities Fund	Russell Investments Multi-Asset Factor Exposure Fund	Russell Investments Australian Bond Fund	Russell Investments International Bond Fund - \$A Hedged	Amundi Absolute Volatility World Equities Fund
Ausbil	Fiera	Russell Investments	AMP Capital	BlueBay	Amundi
DFA	J O Hambro	Russell Investments Tax Effective Global Shares Fund	Russell Investments	Colchester	Russell Investments Global High Yield Fund (A\$ Hedged)
Investors Mutual Limited	Nissay	Fiera	UBS	Insight	Barings
Numeric	Numeric	J O Hambro	Western Asset	Russell Investments	Hermes Sourcecap
Platypus	Oaktree	Morgan Stanley	Russell Investments Australian Cash Enhanced Fund	Schroders	Russell Investments
Russell Investments	Russell Investments	Nissay	Perpetual	Voya	Russell Investments Global Listed Infrastructure Fund - (A\$ Hedged)
Vanguard Australian Property Securities Index Fund	RWC	Numeric	Russell Investments	Russell Investments Floating Rate Fund	Cohen & Steers
Vanguard	Sanders	Oaktree	Russell Investments Australian Cash Fund	First Eagle	Colonial First State
	Wellington	Russell Investments		ICG	Nuveen
		RWC			
		Sanders	Russell Investments	TwentyFour	Russell Investments
		Vanguard International Property Securities Index Fund (A\$ Hedged)		Voya	Russell Investments Commodities
		Vanguard			Russell Investments
					Russell Investments Emerging Market Debt Local Currency Fund
					Babson
					Colchester
					GLG Partners

*Strategy line-up for Russell Investments Balanced Fund (Class A) as at 30 June 2020. 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.

Activity

Russell Investments Balanced Fund – recent strategy changes*

STRATEGY	CHANGE	TIMING	RATIONALE
Australian Shares	Ausbil hired / Karara terminated	Jan 2020	More consistent alpha expected over time through the dynamism of Ausbil's investment process and ability to adapt to different market environments.
International Shares	Global Opportunities Fund: Perkins & QUAERO terminated / Oaktree & Nissay hired Numeric mandated updated to a blend of core & global low volatility	Jan 2020	Refreshes line-up to highest conviction managers, maximising alpha. Specialist regional managers complement global equity managers in providing additional sources of alpha. Updated Numeric mandate allows flexibility to switch between core and low-volatility strategies in response to changing market conditions and/or the Funds' other exposures.
International Bond Fund	PIMCO terminated / Voya & Russell Investments rates carry strategy hired	Jun 2019	Diversifies alpha from securitised assets and improved risk mitigation in rates and FX. Rates carry strategy extracts carry risk premium in global bond markets.
Global High Yield Fund	DDJ & PIMCO terminated / Position strategies enhanced (US HY Intelligent Credit)	Oct 2019	Concentrate in higher conviction existing active managers. PIMCO termination aligns with global bond funds. Addition of intelligent credit updates positioning strategies to reflect Russell's latest research.
Global Listed Infrastructure Fund	Maple-Brown Abbott terminated	Jul 2019	Highly concentrated 'satellite' allocation no longer fits fund's strategy – reallocate to existing managers.

*Strategy line-up for Russell Investments Balanced Fund (Class A) as at 30 June 2020. Funds shown in 'strategy' and 'change' columns refer to Russell Investments sector funds. 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.

Top 10 Share Holdings

Russell Investments Balanced Fund (Class A, 30 June 2020)

AUSTRALIAN SHARES

CSL

BHP Group

Commonwealth Bank of Australia

National Australia Bank

Westpac Banking Corp

ANZ Banking Group

Goodman Group

Rio Tinto

Macquarie Group

Telstra

INTERNATIONAL SHARES

Apple

Microsoft

Taiwan Semiconductor

Alphabet

Samsung Electronics

Alibaba

Amazon

Tencent

Facebook

Nestle

Source: Russell Investments, Factset as at 30 June 2020. 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.

We are here to help

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