

# Russell Investments Balanced Managed Portfolio



Q1 2022 Performance Update



## Dynamic and active managed accounts at an attractive cost.

The portfolio is a dynamic cost-effective multi-asset portfolio with approximately 70% growth assets and 30% defensive assets. The focus for this portfolio is to provide long-term returns and to manage investment risks over time.

### Main market highlights:

- Global equity markets were weaker in the first quarter of the year with headwinds from tighter monetary policy, i.e. faster interest rate hikes, and the invasion of Ukraine. An equity market rebound in March helped offset some of the losses as investors grew slightly more comfortable with the economy's ability to withstand these headwinds. Australian equities proved to be much more resilient, with higher commodity prices leading to gains.
- Government bonds sold off viciously due to the steep repricing of higher short-term cash rates as a reaction to higher inflation. Some central banks, including the US Federal Reserve, increased their cash rates and are signaling multiple rate hikes over the next two years.

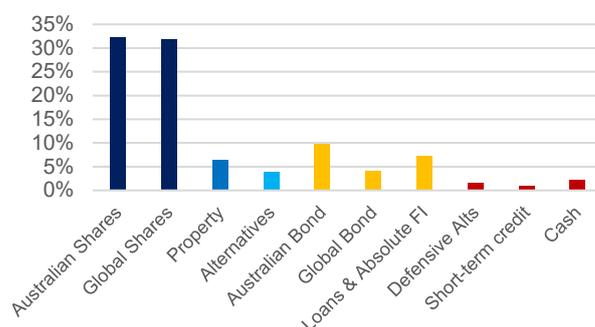
### Main portfolio highlights:

- The portfolio was down -2.3%<sup>1</sup> during the quarter. Global shares were the largest drag on performance. Partially offsetting these losses was better performance from Australian shares.
- In mid-February, the portfolio was rebalanced. The main asset allocation change was an increase in the Australian dollar hedge ratio from 15% to 25%. The increase in the hedge ratio means there is less foreign currency exposure. The other change was the semi-annual rebalance to the Australian direct share portfolio.

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<sup>1</sup>Performance is net of management fees and assumes income received is reinvested without tax deduction. Individual investor performance will differ from the performance shown above. Past performance is not a reliable indicator of future performance. Refer to the Important Information section and your platform operator for more information.

## Chart of portfolio positioning



Asset allocation as at 31/03/2022

Asset allocation classification may differ depending on platforms.

## Chart of long-term performance



Cumulative returns (monthly) as of 31/03/2022.

June 2019 return is a part month return from 17/06/19.

## 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 are higher than average and return expectations for US shares and high yield debt are low. However, 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 to credit further enhances the long-term return potential, but also increases the risk of losses. Government bonds are universally expensive and portfolio holdings are relatively low but held for diversification benefits.
- **Strategically, the portfolio has positions in cheaper and higher momentum securities as per our researched beliefs.** Additionally, we prefer emerging markets over developed market equities.

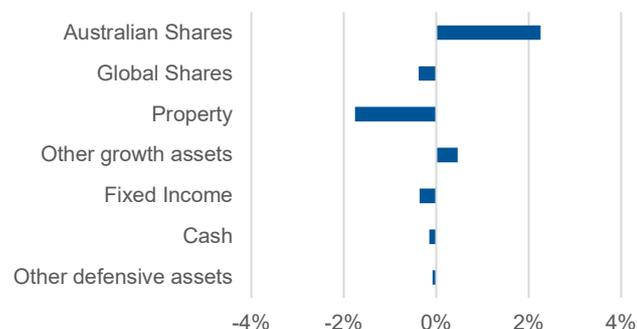
#### Dynamic positioning: Managing positions over the next 12 to 18 months

- During the selloff in January and February 2022, we added equities and high-yield debt via the dynamic real return core. This was an efficient way of rebalancing the total portfolio and led to some upside participation in the rebound in March. The increase in the Australian dollar was another effective way of adding risk into the portfolio
- Looking forward, 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: overweight emerging market equities over developed markets, overweight global small caps versus large caps and overweight floating rate credit versus government bonds.

#### Active security selection:

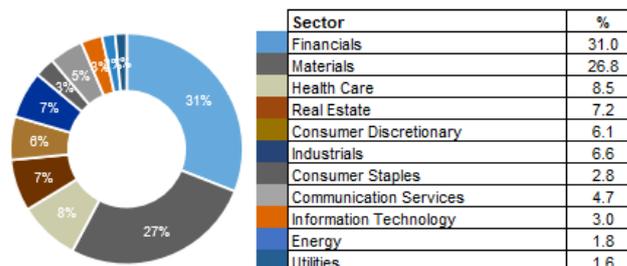
- Performance for the large cap direct Australian shares was positive during the quarter (up 3.3% for the quarter and 17.2% for the last 12 months). The main contributors to excess returns were Aurizon, South32 and Lynas. The detractors to excess returns were Sonic Healthcare, James Hardie and Ampol.
- The Australian equity managers and global equity managers outperformed during the quarter, with most of the tailwinds coming earlier in the period. Expensive shares with high expectations struggled during the period, while cheaper shares with more cyclical outperformed. The resources sector – notably energy – was stronger.

#### Chart of % changes to asset allocation since 31 December 2021 – changes are minor



Asset allocation as at 31/03/2022

#### Chart of Australian equity exposure from direct Australian shares

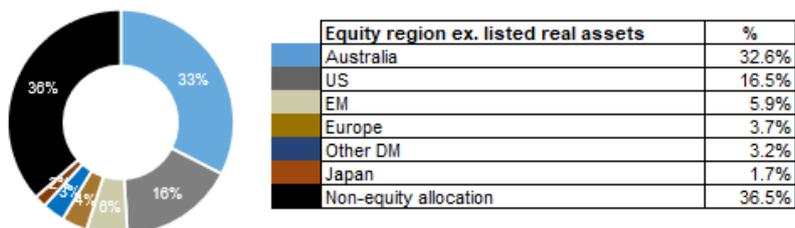


Asset allocation as at 31/03/2022

#### Direct shares (% weight of Australian equity model) – as at 31/03/2022

BHP GROUP LTD	12.8
COMMONWEALTH BANK OF AUSTRALIA	7.8
NATL AUSTRALIA BK	7.0
CSL LTD	6.3
MACQUARIE GP LTD	5.0
AUSTRALIA AND NEW ZEALAND BANKING GROUP LTD	4.6
WESTPAC BANKING CORP	4.5
GOODMAN GROUP	4.0
TRANSURBAN GROUP	4.0
DEXUS	3.2
TELSTRA CORP LTD	3.0
RIO TINTO LIMITED	2.9
WOOLWORTHS GRP LTD	2.8
AURIZON HOLDINGS	2.6
WESFARMERS LTD	2.5
SOUTH32 LTD	2.4
JAMES HARDIE INDUS	2.1
SONIC HEALTHCARE	2.2
SUNCORP GROUP LTD	2.1
ARISTOCRAT LEISURE	2.1
NEWCREST MINING	1.9
AMPOL LTD	1.8
CARSALLES.COM LTD	1.7
WISETECH GLOBAL LT	1.6
LYNAS RARE EARTHS	1.7
FORTESCUE METALS G	1.7
AGL ENERGY	1.6
IDP EDUCATION LTD	1.5
PILBARA MINERALS L	1.4
ALTium LTD	1.4

## Chart of regional exposure for equity allocation (as at 31/03/2022)



## Portfolio weights % (as at 31/03/2022)

<b>AUSTRALIAN SHARES</b>	<b>DIRECT AUSTRALIAN SHARES</b>	23.3
	VANGUARD AUSTRALIAN SHARES INDEX ETF (VAS)	2.1
<b>GLOBAL SHARES</b>	RUSSELL INVESTMENTS GLOBAL OPPORTUNITIES FUND – CLASS A	1.9
	VANGUARD GLOBAL VALUE EQUITY ACTIVE ETF (VVLU)	3.1
	VANGUARD ALL-WORLD EX-U.S. SHARES INDEX ETF (VEU)	3.8
	VANGUARD U.S. TOTAL MARKET SHARES INDEX ETF (VTS)	6.0
	ISHARES S&P SMALL-CAP ETF (IJR)	1.8
	VANGUARD FTSE EMERGING MARKETS SHARES ETF (VGE)	1.4
	VANGUARD MSCI INDEX INTERNATIONAL SHARES (HEDGED) ETF (VGAD)	5.6
<b>PROPERTY</b>	VANGUARD AUSTRALIAN PROPERTY SECURITIES INDEX ETF (VAP)	5.0
<b>FIXED INCOME</b>	RUSSELL INVESTMENTS AUSTRALIAN GOVERNMENT BOND ETF (RGB)	4.2
	RUSSELL INVESTMENTS AUSTRALIAN SEMI-GOVERNMENT BOND ETF (RSM)	1.0
	RUSSELL INVESTMENTS AUSTRALIAN SELECT CORPORATE BOND ETF (RCB)	1.3
	VANGUARD GLOBAL AGGREGATE BOND INDEX (HEDGED) ETF (VBND)	2.8
<b>CASH</b>	ISHARES CORE CASH ETF (BILL)	1.4
	CASH	1.0
<b>DYNAMIC REAL RETURN CORE</b>	RUSSELL INVESTMENTS MULTI-ASSET GROWTH STRATEGY FUND - CLASS A	34.4



**IMAP**  
**MANAGED ACCOUNT**  
**AWARD FINALIST**  
 MULTI ASSET



### Superior rating

Russell Investments Managed Portfolios have been rated Superior for world class manager research capabilities and robust strategic and dynamic asset allocation based process by independent research firm SQM Research.

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