

Cornerstone Strategic Index Managed Portfolio Update

Trade activity on BT Panorama

January 2023

Summary of key changes

- Updated shares held in the direct Australian equity portfolio in the Cornerstone Strategic Index Conservative, Balanced, Balanced Growth, Growth and High Growth Managed Portfolios
- Reduced exposure to the value factor within the global equity asset allocation in the Cornerstone Strategic Index Balanced, Balanced Growth, Growth and High Growth Managed Portfolios

Why have we made these changes?

Direct Australian Equity Portfolio

A key component in our research process is to continually review and monitor how we build equity portfolio with respects to strategic factors. This is to ensure the portfolio is best positioned to capture the exposures we expect to provide excess returns over the long term. In our recent review, the framework was updated to provide investors a more balanced exposure across the portfolio. As a result, the Strategic Factor weights were updated, and the following shares were traded to rebalance the portfolio.

Strategic Factors	Previous weight	New weight	Change
Momentum	35.0%	22.0%	-13.0%
Value	30.0%	24.0%	-6.0%
Low Volatility	15.0%	22.0%	7.0%
Quality	10.0%	20.5%	10.5%
Growth	10.0%	11.5%	1.5%
Trade activity			
Shares purchased	Fortescue Metals Group Ltd (FMG) Goodman Group Ltd (GMG) Cochlear Ltd (COH) Aristocrat Leisure Ltd (ALL) Mineral Resources Ltd (MIN)		
Shares sold	Bendigo & Adelaide Bank Ltd (BEN) Vicinity Centres (VCX) Worley Ltd (WOR) Ampol Ltd (ALD) AGL Energy Ltd (AGL)		

Reduce exposure to the value factor within the global equity asset allocation

In 2022, we saw interest rates and inflation rise rapidly. In this environment, the value factor within global equities asset allocation outperformed the broad market index. This was a result of increased discount rates having a less negative effect on companies which generate strong earnings now, as opposed to the future. Given the outperformance of the value factor, and rates approaching their terminal level, we have reduced the portfolio's exposure to the Vanguard Global Value Active ETF and replaced it with a more broad index exposure via the Vanguard MSCI Index International Shares ETF AUD.

Note: This change does not apply to the Cornerstone Strategic Index Conservative Managed Portfolio.

Effective date

These changes were completed on 6 January 2023.

Outlook for 2023

The recent rebound in markets has provided some relief for investors. However, the economy is likely to deteriorate. A mild recession is likely in the U.S. due to the rapid pace of rate hikes from the central bank.

The most pressing concern for 2023 is whether inflation will subside enough for central banks to halt their rate hikes. We anticipate global demand will wane, leading to a decline in inflation. After experiencing negative returns in 2022, fixed income is expected to make a comeback in 2023.

For more information please visit our website:

russellinvestments.com.au/cornerstone or

contact your Invest Blue representative: 1300 346 837

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