

# Cornerstone High Growth Managed Portfolio - Core Model

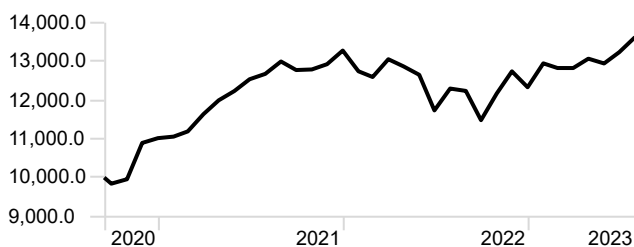
cornerstone

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it's possible.

The portfolio returned 2.92%<sup>^</sup> in July. The portfolio's exposure to small caps and emerging markets equities contributed positively to performance. Our global equity portfolio recorded negative excess returns in July, though absolute performance was positive for the month. The direct Australian equity portfolio performed in line with its benchmark.

## Growth of \$10,000

Time Period: 16/09/2020 to 31/07/2023



## Performance Review

As of Date: 31/07/2023

|                 | Return |
|-----------------|--------|
| 1 Month         | 2.92   |
| 3 Months        | 4.24   |
| 1 Year          | 10.78  |
| 2 Years         | 3.67   |
| 3 Years         | —      |
| YTD             | 10.48  |
| Since Inception | 11.38  |

Inception date: 16/09/2020

<sup>^</sup>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.

## Portfolio objective

The portfolio is a dynamic cost-effective multi-asset portfolio with approximately 98% growth assets and 2% defensive assets. The focus for this portfolio is to provide long-term returns and to manage investment risks over time.

## Main market highlights

Global share markets made good gains in July, benefiting from speculation the US Federal Reserve (Fed) may be nearing the end of its rate-hiking cycle. The Fed lifted interest rates another 0.25% late in the period, however the market's reaction to the move was relatively muted as investors – buoyed by the latest inflation figures – speculated that the Bank may actually be done with raising rates altogether. Both headline and core inflation in the US continued to ease in the 12 months to 30 June. Investors were also encouraged by Fed Chairman Jerome Powell's July post-meeting comments; the Bank's chief noting that whilst it's certainly possible the Bank could raise interest rates again when it next meets in September, it's also possible the Bank could choose to hold rates steady. Much will depend on upcoming economic data. Stocks also benefited from a series of surprisingly strong US earnings updates. Australian shares performed well in July, driven in part by the Reserve Bank of Australia (RBA)'s decision to leave the official cash rate on hold at 4.10% early in the period. The local market also benefited from easing inflation and speculation the RBA may be approaching the end of its own rate tightening cycle. Global bonds were flat for the month, while Australian bonds recorded only modest gains in July.

## Main portfolio highlights

The direct Australian equity portfolio performed in line with the benchmark. Stock selection within the information technology space contributed positively to performance, including an overweight to WiseTech Global and small underweights to Xero and NEXTDC. Stock selection amongst materials also added value; notably an overweight to James Hardie Industries. In contrast, stock selection amongst industrials detracted from overall performance in July, including an overweight to supply-chain logistics firm Brambles. Stock selection within the communication services space also weighed on returns; notably underweights to Seek and REA Group.

In terms of global equity managers, emerging markets specialist RWC Partners and UK equity specialist JO Hambro both outperformed their benchmarks. In contrast, PineStone underperformed, driven in part by overweights to Taiwan Semiconductor Manufacturing Co. and Japan's Keyence Corp.

With regard to Australian equity managers, the Russell Investments Australian Opportunities Fund (RAOF) outperformed the benchmark. Within RAOF, both Allan Gray and Firetrail outperformed; the latter benefiting from overweights to Virgin Money UK, Incitec Pivot and AGL Energy. In contrast, Ausbil underperformed the benchmark, driven in part by overweights to CSL Ltd. and Aurizon Holdings.

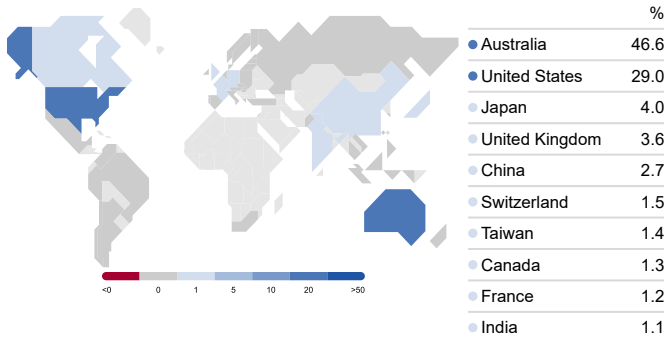
In terms of overall positioning, we rebalanced the direct Australian equities component of the portfolio to better reflect our target factor exposures. We also increased the portfolio's allocation to listed property and reduced its exposure to global equities. We added listed property as we believe the asset class has become oversold and now offers attractive value. We reduced global equities due to recent equity market strength and expectations of softer global growth ahead. We also increased the portfolio's allocation to Australian small caps.

Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

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## Country Exposure

Portfolio Date: 31/07/2023



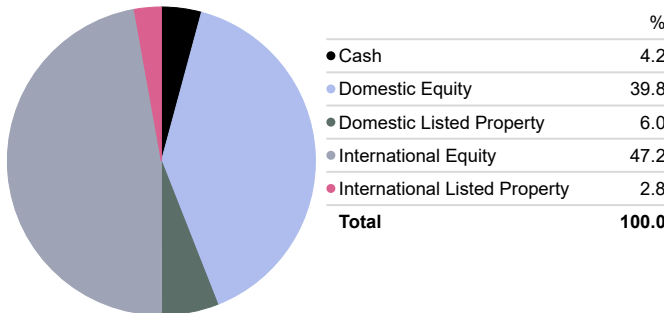
## Dynamic positioning: Managing positions over the next 12-18 months

We believe the main uncertainty for markets is the outlook for the US economy. Whilst economic data so far this year has proven more resilient than markets initially expected, our base case remains that a recession in the US is more likely than not. Inflation globally should continue to ease as demand slows, allowing central banks to hit the pause button. Nonetheless, heightened short-term market volatility is likely to remain given responses across markets to ongoing inflation prints and central bank interest rate decisions.

We retain the same themes as recent months, i.e. a preference for emerging markets over developed markets and a peer-relative overweight to global small caps.

## Asset Allocation

Portfolio Date: 31/07/2023



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

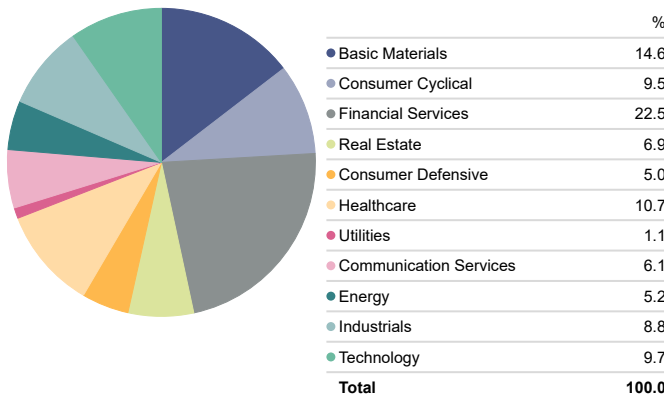
**The portfolio has a long-term asset allocation of 98% to return generating assets.** Growth asset valuations have decreased significantly year to date but are marginally higher than long-term averages in the US and similar to long-term averages across other developed markets, such as Australia. Long term forward looking return expectations for US shares and high-yield debt have improved during the year, but the economic outlook creates uncertainty in the near term. Given this, growth assets are still preferred due to superior returns relative to defensive assets over the medium term.

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

There is a cash allocation of 2% in the portfolio.

## Sector Allocation

Portfolio Date: 31/07/2023



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## Detailed Asset Allocation

Portfolio Date: 31/07/2023

|  | Portfolio Weighting % |
|--|-----------------------|
| Russell Global Opportunities A           | 18.80                 |
| Vanguard MSCI Intl (Hdg) ETF             | 11.58                 |
| Vanguard All-World ex-US Shares ETF      | 4.91                  |
| Mercer Indexed Australian Listed Prpty   | 3.43                  |
| Vanguard US Total Market Shares ETF      | 3.25                  |
| Russell Global Listed Infr \$A Hedged    | 3.08                  |
| Vanguard FTSE Emerging Markets Shrs ETF  | 3.04                  |
| Vanguard MSCI Australian Small Coms ETF  | 2.70                  |
| Vanguard International Prpty Secs IdxHdg | 2.58                  |
| Vanguard Global Value Equity Active ETF  | 2.39                  |
| iShares S&P Small-Cap ETF                | 2.15                  |
| iShares Core Cash ETF                    | 0.98                  |
| BHP Group Ltd                            | 4.93                  |
| Commonwealth Bank of Australia           | 3.74                  |
| CSL Ltd                                  | 2.93                  |
| National Australia Bank Ltd              | 2.18                  |
| ANZ Group Holdings Ltd                   | 1.87                  |
| Westpac Banking Corp                     | 1.87                  |
| Transurban Group                         | 1.82                  |
| Woodside Energy Group Ltd                | 1.60                  |
| Macquarie Group Ltd                      | 1.57                  |
| Wesfarmers Ltd                           | 1.30                  |
| Rio Tinto Ltd                            | 1.29                  |
| Woolworths Group Ltd                     | 1.28                  |
| Telstra Group Ltd                        | 1.16                  |
| Goodman Group                            | 1.02                  |
| Fortescue Metals Group Ltd               | 0.96                  |
| James Hardie Industries PLC              | 0.93                  |
| Cochlear Ltd                             | 0.86                  |
| Aristocrat Leisure Ltd                   | 0.85                  |
| Suncorp Group Ltd                        | 0.83                  |
| Santos Ltd                               | 0.72                  |
| South32 Ltd                              | 0.70                  |
| Carsales.com Ltd                         | 0.70                  |
| Computershare Ltd                        | 0.67                  |
| Sonic Healthcare Ltd                     | 0.66                  |
| Dexus                                    | 0.65                  |
| Aurizon Holdings Ltd                     | 0.61                  |
| Mirvac Group                             | 0.60                  |
| Mineral Resources Ltd                    | 0.60                  |
| Harvey Norman Holdings Ltd               | 0.53                  |
| Lynas Rare Earths Ltd                    | 0.46                  |

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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For more information please visit our website:

[russellinvestments.com.au/cornerstone](https://russellinvestments.com.au/cornerstone) or contact your Invest Blue representative: 1300 346 837

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