Cornerstone High Growth Managed Portfolio - Core Model

cornerstone

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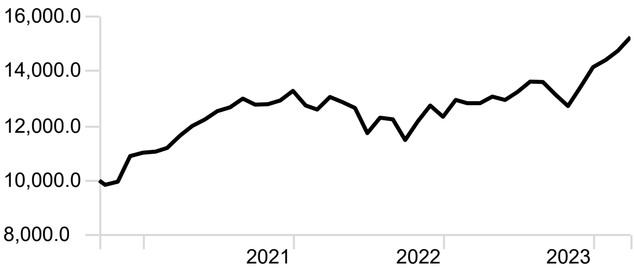
The portfolio returned 7.75%^ in the March quarter. Both our global equities exposure and the direct Australian equity portfolio delivered positive absolute returns over the period, however benchmark-relative performance was slightly negative.

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.

Growth of $10,000

Time Period: 16/09/2020 to 31/03/2024



Performance Review

As of Date: 31/03/2024

	Return
1 Month	3.42
3 Months	7.75
1 Year	18.85
2 Years	8.06
3 Years	9.42
YTD	7.75
Since Inception	12.67

Inception date: 16/09/2020

^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.

Main portfolio highlights

The direct Australian equity portfolio narrowly underperformed its benchmark, driven in part by a modest overweight to the materials space. This included overweights to iron ore majors BHP Group and Fortescue; both of which fell sharply on the back of weaker iron ore prices. Stock selection within the consumer staples sector also weighed on returns, including an overweight to Woolworths. Woolworths fell following the release of its financial results and the resignation of managing director and group CEO, Brad Banducci. In contrast, stock selection amongst real estate stocks added value over the period; notably an overweight to industrial property giant Goodman Group. Goodman Group rallied on a combination of solid financial results and a strong data centre pipeline.

In terms of global equity managers, Japan equity specialist Nissay Asset Management underperformed its benchmark, driven in part by overweights to Nippon Shinyaku and Misumi Group. Emerging markets specialist Redwheel (formerly RWC Partners) also underperformed. In contrast, growth manager Wellington and quantitative manager Numeric performed well over the period. In March, we removed UK equity specialist J O Hambro from the Russell Investments Global Opportunities Fund following the announcement that highly rated portfolio manager, Alex Savvides, will leave the company. J O Hambro was replaced by Joh. Berenberg, Gossler & Co. KG (Berenberg) and Brandywine Global Investment Management, LLC (Brandywine). Berenberg deploys capital to European companies capturing growth acceleration, while Brandywine has a focus on low absolute and relative valuations in the US.

With regard to Australian equity managers, the Russell Investments Australian Opportunities Fund (RAOF) significantly outperformed the benchmark. Within RAOF, Allan Gray performed well; the manager benefiting from both its factor exposures and stock selection. This included overweights to QBE Insurance and Alumina. Platypus also outperformed, driven in part by overweights to plumbing supplies group Reece Ltd., industrial property giant Goodman Group and data centre operator NEXTDC. In contrast, Firetrail underperformed over the period, with overweights to Domino's Pizza and Lynas Rare Earths among the key detractors.

There were no material positional changes over the period.

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

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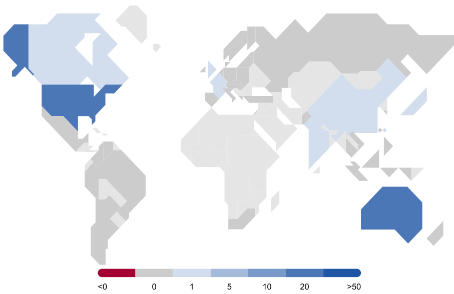
Country Exposure

Portfolio Date: 31/03/2024



	%
Australia	48.1
United States	29.6
Japan	4.0
United Kingdom	2.7
China	2.1
Taiwan	1.4
Switzerland	1.2
India	1.1
Canada	1.1
France	1.1

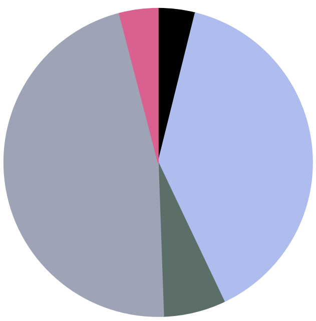
Main market highlights

Global share markets made strong gains in the March quarter. Stocks continued to be influenced in large part by the outlook for global interest rates. In the US, Federal Reserve (Fed) chairman Jerome Powell acknowledged that it would be appropriate to start lowering interest rates sometime this year; though he wouldn't be drawn on specific timing. He did add, however, that a March rate cut was unlikely as the Bank had yet to reach a point where it was confident that inflation was coming down sustainably toward its 2.0% target. He also reiterated that the Fed sees three interest rate cuts this year. At the time, the market was betting the Fed would cut rates six times in 2024; the first of which was pencilled in for March. Powell went on to say that whilst the Fed believes interest rates have peaked for this tightening cycle, policymakers remain wary of cutting rates too quickly as doing so could potentially cause inflation to reaccelerate. We saw a similar theme in the UK and Europe, while the Bank of Japan raised interest rates for the first time in 17 years in March. Australian shares performed well; though much of the gains came toward the end of the period after the Reserve Bank of Australia adopted a slightly less hawkish stance on interest rates.

Global bonds were slightly weaker for the quarter, while Australian bonds recorded modest gains.

Asset Allocation

Portfolio Date: 31/03/2024



	%
Cash	3.9
Domestic Equity	39.1
Domestic Listed Property	6.5
International Equity	46.5
International Listed Property	4.0
Total	**100.0**

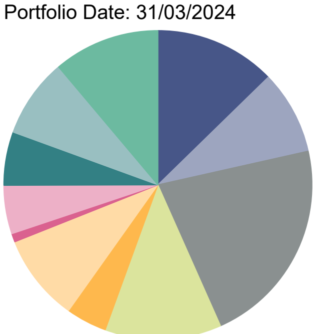
Dynamic positioning: Managing positions over the next 12-18 months

We believe the main uncertainty for markets is the outlook for the US economy. Whilst economic data has so far proven more resilient than markets initially expected, we believe the risk of a recession in the US over the next 12 to 18 months remains elevated. US core inflation has trended lower over the past year but remains well above the Fed's 2% target. The key question now is how long will it take for core inflation to settle closer to the central bank's target? Fears that US monetary policy will remain too restrictive for too long have softened due to the recent decline in core inflation, however until we see core inflation reach the Fed's target, markets may remain volatile.

We retain the same themes as recent months, i.e. a preference for less expensive equity markets versus US equities and peer-relative overweights to global small caps and the value factor.

Sector Allocation

Portfolio Date: 31/03/2024



	%
Basic Materials	12.7
Consumer Cyclical	8.8
Financial Services	21.8
Real Estate	12.2
Consumer Defensive	4.3
Healthcare	9.1
Utilities	0.9
Communication Services	5.1
Energy	5.6
Industrials	8.3
Technology	11.2
Total	**100.0**

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 increased year to date but are below pre-pandemic levels. Long-term, forward-looking return expectations for US shares and high-yield debt have moderated. The economic outlook creates uncertainty in the near term, however in the long term, growth assets are still preferred due to superior returns relative to defensive assets.

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.

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Detailed Asset Allocation

Portfolio Date: 31/03/2024

	Portfolio Weighting %
Russell Global Opportunities A	18.78
Vanguard MSCI Intl (Hdg) ETF	12.24
Vanguard MSCI Australian Small Coms ETF	4.69
Vanguard Australian Property Secs ETF	4.53
Vanguard International Prpty Secs IdxHdg	3.95
Vanguard All-World ex-US Shares ETF	3.50
Russell Global Listed Infr $A Hedged	2.97
Vanguard FTSE Emerging Markets Shrs ETF	2.85
Vanguard US Total Market Shares ETF	2.39
Vanguard Global Value Equity Active ETF	2.30
iShares S&P Small-Cap ETF	2.13
iShares Core Cash ETF	0.81
Vanguard Australian Shares ETF	0.56
BHP Group Ltd	4.42
Commonwealth Bank of Australia	3.67
CSL Ltd	2.45
National Australia Bank Ltd	2.10
Westpac Banking Corp	1.82
ANZ Group Holdings Ltd	1.63
Wesfarmers Ltd	1.59
Goodman Group	1.49
Macquarie Group Ltd	1.39
Telstra Group Ltd	1.26
Rio Tinto Ltd	1.25
Woolworths Group Ltd	1.12
Woodside Energy Group Ltd	1.07
Fortescue Ltd	1.06
Transurban Group	1.02
WiseTech Global Ltd	0.94
James Hardie Industries PLC	0.91
Aristocrat Leisure Ltd	0.83
Suncorp Group Ltd	0.69
Medibank Private Ltd	0.66
Bendigo and Adelaide Bank Ltd	0.65
Cleanaway Waste Management Ltd	0.63
Ampol Ltd	0.62
Seven Group Holdings Ltd	0.60
Origin Energy Ltd	0.59
Santos Ltd	0.56
Incitec Pivot Ltd	0.56
Fisher & Paykel Healthcare Corp Ltd	0.56
Ansell Ltd	0.52
Newmont Corp Chess Depository Interest	0.52

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 or contact your Invest Blue representative:1300 346 837

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