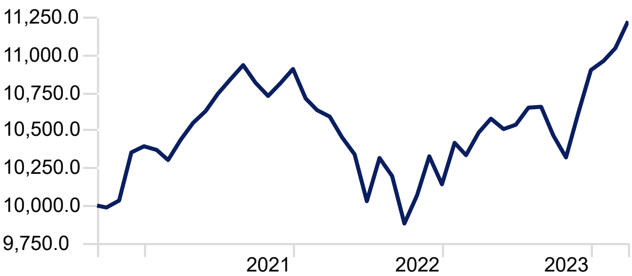
# Cornerstone Conservative Managed Portfolio - Funds Only

The portfolio returned 2.98%^ in the March quarter. Our Australian equity exposure contributed positively to benchmark-relative performance over the period, while our global equities portfolio underperformed; though absolute returns were strong for the quarter. In terms of fixed income, both the Russell Investments Australian Bond Fund and the Russell Investments International Bond Fund – $A Hedged modestly outperformed their respective benchmarks. Meanwhile, Australian private credit manager Metrics Credit and the Russell Investments Australian Floating Rate Fund performed relatively well.

## Growth of $10,000

Time Period: 7/09/2020 to 31/03/2024




## Performance Review

As of Date: 31/03/2024

| | Return |
|---|---|
| 1 Month | 1.62 |
| 3 Months | 2.98 |
| 1 Year | 7.06 |
| 2 Years | 2.95 |
| 3 Years | 2.45 |
| YTD | 2.98 |
| Since Inception | 3.30 |

Inception date: 7/09/2020

^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.

## Portfolio objective

The managed portfolio aims to provide returns over the short to medium term, with low volatility, consistent with a diversified mix of predominantly defensive assets and some growth-oriented assets. The managed portfolio aims to outperform the benchmark over the long term.

## 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.

## Main portfolio highlights

In terms of Australian equity managers, Platypus significantly outperformed its benchmark; the manager benefiting from overweights to Reece Ltd. and Goodman Group. Allan Gray and Ausbil also outperformed; the latter benefiting from overweights to Goodman Group and technology company Life360.

With regard to 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.

Within the fixed income portfolio, the Russell Investments Australian Bond Fund generated positive absolute and excess returns for the quarter. The Russell Investments International Bond Fund – $A Hedged also outperformed its benchmark, benefiting from its credit exposure as spreads narrowed in what was a largely 'risk on' market environment. Metrics Credit outperformed cash and traditional fixed income assets over the period, with Australian loans continuing to generate income-like returns. The Russell Investments Australian Floating Rate Fund also performed well.

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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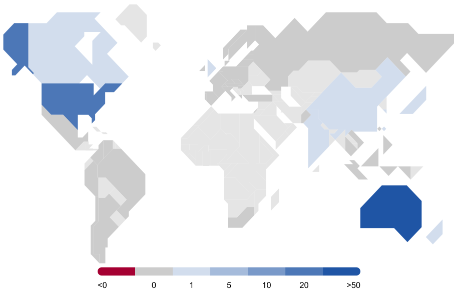
## Country Exposure

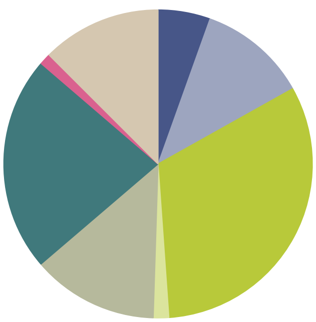
Portfolio Date: 31/03/2024




| | % |
|---|---|
| Australia | 51.8 |
| United States | 22.7 |
| China | 3.3 |
| United Kingdom | 2.7 |
| Japan | 2.4 |
| Taiwan | 2.2 |
| India | 1.9 |
| New Zealand | 1.8 |
| South Korea | 1.6 |
| Canada | 1.2 |

## Asset Allocation

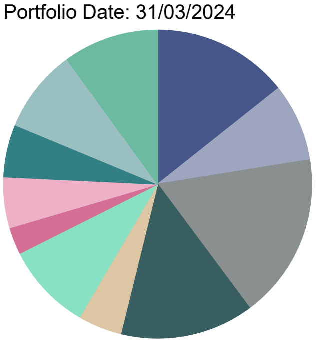
Portfolio Date: 31/03/2024



| | % |
|---|---|
| Cash | 5.5 |
| Domestic Equity | 11.4 |
| Domestic Fixed Interest | 32.0 |
| Domestic Listed Property | 1.6 |
| International Equity | 13.2 |
| International Fixed Interest | 22.6 |
| International Listed Property | 1.2 |
| Mortgages (retired) | 0.0 |
| Other | 0.0 |
| Unlisted Property | 0.0 |
| Unclassified | 12.5 |
| **Total** | **100.0** |

## Sector Allocation

Portfolio Date: 31/03/2024



| | % |
|---|---|
| Basic Materials | 14.3 |
| Consumer Cyclical | 8.1 |
| Financial Services | 17.4 |
| Real Estate | 14.0 |
| Consumer Defensive | 4.6 |
| Healthcare | 9.1 |
| Utilities | 2.8 |
| Communication Services | 5.3 |
| Energy | 5.5 |
| Industrials | 8.7 |
| Technology | 10.0 |
| **Total** | **100.0** |

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

Looking ahead, we expect higher levels of volatility to continue, with active management to play an important role in navigating through it. 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 as recent months, i.e. a preference for less expensive equity markets versus US equities and a peer-relative overweight to the value factor.

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

**Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio.** A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have narrowed and are near their long-term averages. Government bonds are cheap across some markets and are now offering much higher yields than at the beginning of 2022.

**The portfolio has a long-term asset allocation of 33% to return generating assets (including high yield debt and other extended fixed income).** 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.**

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## Detailed Asset Allocation

Portfolio Date: 31/03/2024

| | Portfolio Weighting % |
|---|---|
| Russell Inv Multi-Asset Income Strategy | 34.37 |
| AMP Australian Fixed Interest Index | 17.43 |
| Macquarie Cash Fund - Class M Units | 12.50 |
| AMP International Fixed Intst Idx Hdg | 11.43 |
| AMP International Equity Index | 5.82 |
| Ausbil 130/30 Focus - Wholesale | 3.36 |
| Allan Gray Australia Equity A | 3.06 |
| Vanguard International Crdt Secs Idx Hdg | 2.83 |
| Vanguard Emerging Markets Shares Index | 2.42 |
| Platypus Australian Equities - Wholesale | 2.37 |
| AMP Australian Property Index | 1.24 |
| AMP International Property Index Hdg | 0.85 |
| Vanguard International Shrs Idx Hdg AUD | 0.57 |
| Vanguard Global Infrastructure Index Hgd | 0.44 |

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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