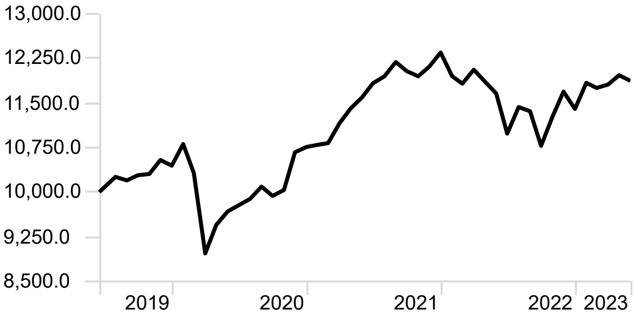
Cornerstone Balanced Growth Managed Portfolio - Core Model

The portfolio returned -0.79%^ in May, outperforming the benchmark by 0.22%. Positioning amongst the portfolio's more defensive assets, including Metrics Credit and the Russell Investments Australian Floating Rate Fund, contributed positively to returns over the period. So too did the direct Australian equity portfolio. In contrast, our global equities exposure detracted from benchmark-relative performance in May.

Growth of $10,000

Time Period: 17/06/2019 to 31/05/2023



Performance Review

As of Date: 31/05/2023

	Cornerstone Balanced Growth Managed Portfolio - Core Model	Morningstar AUS Growth Tgt Alloc NR AUD
1 Month	-0.79	-1.01
3 Months	1.02	1.82
1 Year	1.82	2.94
2 Years	1.20	1.21
3 Years	7.07	6.81
YTD	4.15	5.13
Since Inception	4.44	4.76

Inception date: 17/06/2019

Benchmark: Morningstar Australia Growth Target Allocation NR AUD Index

^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

To provide returns over the medium to long term, with moderate to high volatility, consistent with a diversified mix of predominantly growth oriented assets and some defensive assets.

Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 70% and defensive investments of around 30% over the long term, however the allocations will be actively managed within the allowable ranges depending on market conditions.

Main market highlights

Global share markets fell in May, driven largely by central bank activity. In the US, the Federal Reserve (Fed) lifted interest rates a further 0.25% following its early May meeting as it continues to battle persistently high inflation. Despite having moderated from the 9.1% peak we saw in June last year, at 4.0% currently, US inflation remains well above the 2.0% target that officials consider optimum. We also know from repeated public statements that Fed chairman Jerome Powell's priority is getting inflation under control, even if that means tipping the world's biggest economy into recession. The move took the benchmark fed funds rate to a target range of between 5.00% and 5.25%; it's highest level in almost 16 years. Elsewhere, still-high inflation saw both the European Central Bank and the Bank of England raise their benchmark interest rates in May, while the Bank of Japan maintained its ultra-loose monetary policy following its latest meeting. Stocks were also impacted by lingering concerns over the health of the US banking system and rising geopolitical risks. Limiting the decline was an end to the standoff between Democrats and Republicans over the US government's debt ceiling. Australian shares fell after the Reserve Bank of Australia unexpectedly raised interest rates early in the period; the Bank lifting the official cash rate a further 0.25% (to 3.85%). The local market was also impacted by sharp declines across the major banks and miners.

Global government bonds weakened in May. Australian government bonds underperformed their global peers.

Main portfolio highlights

There were no material positional changes in May. Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

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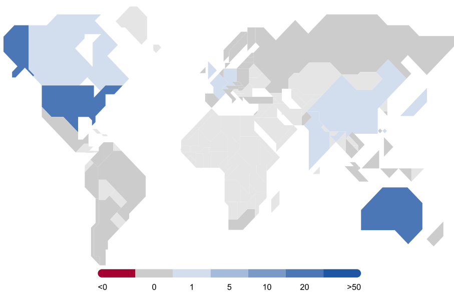
Country Exposure

Portfolio Date: 31/05/2023



	%
Australia	47.5
United States	31.0
Japan	3.4
United Kingdom	2.3
China	2.1
Canada	1.6
France	1.3
Switzerland	1.3
Taiwan	1.2
India	1.1

Long-term investing: Positioning for 5 years and beyond

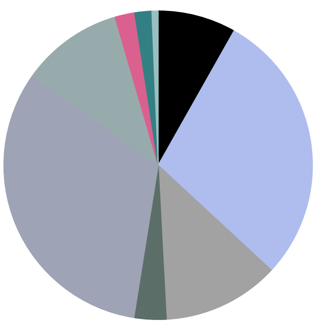
The portfolio has a long-term asset allocation of 76% to return generating assets (including high yield debt and other extended fixed income). Growth asset valuations have decreased significantly year to date but are marginally higher than long-term averages in the US and similar to long-term averages 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.

Defensive assets such as fixed income and cash have an allocation of 24% in the portfolio. A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently begun to show signs of value across some markets and are now offering much higher yields than at the beginning of 2022.

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

Asset Allocation

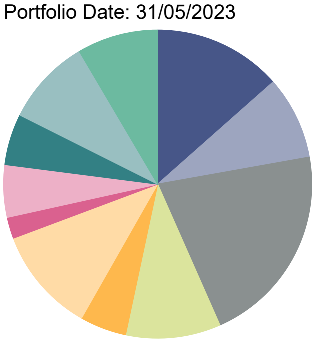
Portfolio Date: 31/05/2023



	%
Cash	8.2
Domestic Equity	28.7
Domestic Fixed Interest	12.3
Domestic Listed Property	3.4
International Equity	32.3
International Fixed Interest	10.6
International Listed Property	2.1
Other	1.8
Unlisted Property	0.6
Total	**100.0**

Sector Allocation

Portfolio Date: 31/05/2023



	%
Basic Materials	13.5
Consumer Cyclical	8.7
Financial Services	21.2
Real Estate	10.0
Consumer Defensive	4.9
Healthcare	11.1
Utilities	2.2
Communication Services	5.5
Energy	5.4
Industrials	9.1
Technology	8.5
Total	**100.0**

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

The direct Australian equity portfolio outperformed the benchmark; though it did record negative absolute returns for the month. Contributing to the portfolio's outperformance was positive stock selection within the materials space, including overweights to James Hardie Industries and Lynas Rare Earths. Stock selection within the real estate, healthcare and energy sectors also added value; the latter including an underweight to Whitehaven Coal. In contrast, an underweight to the strong-performing information technology sector weighed on overall returns. At the stock level, an overweight to National Australia Bank and an underweight to Insurance Australia Group were amongst the key detractors.

In terms of global equity managers, emerging markets specialist Oaktree Capital, UK equity specialist JO Hambro and Numeric's low-volatility strategy all underperformed. In contrast, global growth manager Wellington performed well, benefiting from overweights to large US names like Google parent Alphabet and Amazon.com.

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 emerging markets over developed markets and overweights to both global small caps and floating rate credit.

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Detailed Asset Allocation

Portfolio Date: 31/05/2023

	Portfolio Weighting %
Russell Inv Multi-Asset Growth Strat A	32.06
Vanguard US Total Market Shares ETF	7.97
Vanguard All-World ex-US Shares ETF	7.03
Vanguard MSCI Intl (Hdg) ETF	3.71
Vanguard Global Aggregate Bd Hdg ETF	3.39
iShares Core Cash ETF	2.92
Russell Inv Australian Government Bd ETF	2.89
Vanguard Global Value Equity Active ETF	2.21
Russell Inv Australian Select CorpBd ETF	2.04
Vanguard Intl Credit Secs (Hdg) ETF	1.95
Vanguard MSCI Australian Small Coms ETF	1.93
Vanguard International Prpty Secs IdxHdg	1.59
iShares S&P Small-Cap ETF	1.55
Vanguard FTSE Emerging Markets Shrs ETF	1.43
Vanguard Australian Property Secs ETF	1.41
Russell Global Opportunities A	1.34
Vanguard Global Infrastructure Index Hgd	0.87
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.47
Vanguard Australian Shares ETF	0.34

BHP Group Ltd	2.57
Commonwealth Bank of Australia	2.01
CSL Ltd	1.85
National Australia Bank Ltd	1.12
Transurban Group	1.02
Westpac Banking Corp	0.96
ANZ Group Holdings Ltd	0.93
Macquarie Group Ltd	0.83
Woodside Energy Group Ltd	0.81
Woolworths Group Ltd	0.69
Wesfarmers Ltd	0.69
Telstra Group Ltd	0.66
Rio Tinto Ltd	0.65
Goodman Group	0.51
Cochlear Ltd	0.49
Fortescue Metals Group Ltd	0.46
James Hardie Industries PLC	0.45
Aristocrat Leisure Ltd	0.43
Suncorp Group Ltd	0.41
Santos Ltd	0.38
South32 Ltd	0.38
Carsales.com Ltd	0.37
Sonic Healthcare Ltd	0.37
Dexus	0.35
Computershare Ltd	0.34
Aurizon Holdings Ltd	0.32
Mineral Resources Ltd	0.31
Mirvac Group	0.31
Lynas Rare Earths Ltd	0.28
Harvey Norman Holdings Ltd	0.27

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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