

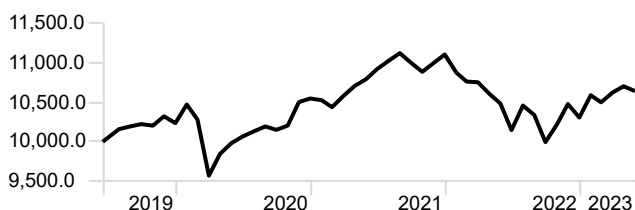
# Cornerstone Conservative Managed Portfolio – Core Model



The portfolio returned -0.57%<sup>^</sup> in May, outperforming the benchmark by 0.28%. 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 Conservative Managed Portfolio – Core Model	Morningstar AUS Mod Tgt Alloc NR AUD
1 Month	-0.57	-0.85
3 Months	1.35	1.72
1 Year	1.50	1.53
2 Years	-0.69	-1.22
3 Years	2.15	1.55
YTD	3.24	3.69
Since Inception	1.58	1.55

Inception date: 17/06/2019

Benchmark: Morningstar Australia Moderate Target Allocation NR AUD Index

<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

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.

## Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 30% and defensive investments of around 70% 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.

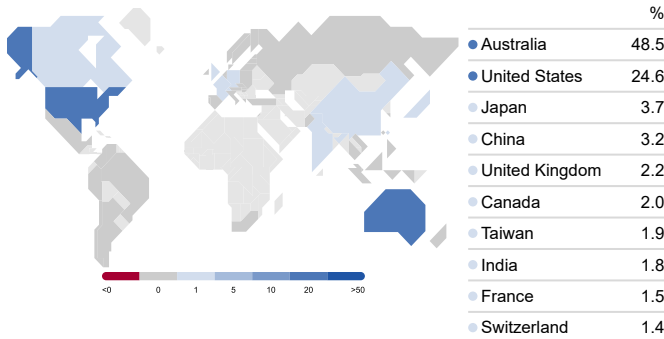
## Main portfolio highlights

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.

# Cornerstone Conservative Managed Portfolio – Core Model

## Country Exposure

Portfolio Date: 31/05/2023



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

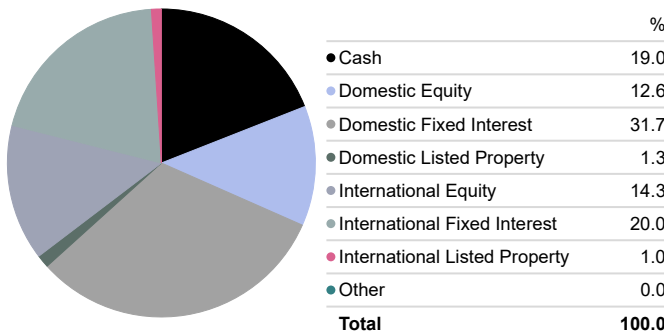
**Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio.** A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have widened, providing additional yield over Treasuries. Government bonds have recently begun to show signs of value across some markets and are now offering much higher yields than at the beginning of 2022.

**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 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.**

## Asset Allocation

Portfolio Date: 31/05/2023



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

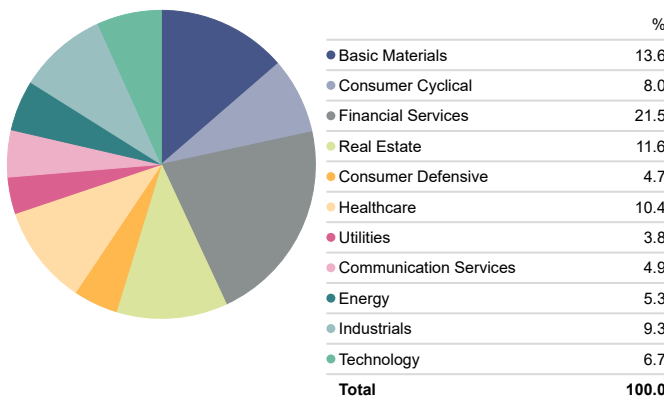
The direct Australian equity portfolio outperformed the benchmark; though it did record negative absolute returns for the month. Contributing to the portfolio's outperformance was positive stock selection within the materials space, including overweights to James Hardie Industries and Lynas Rare Earths. 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.

Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged delivered both negative absolute and excess returns in May. The Russell Investments Australian Bond Fund also recorded negative absolute returns for the month, though it did perform in line with its benchmark; the Fund benefiting in part from an overweight to credit. Metrics Credit performed well, with Australian loans continuing to generate income-like returns. The Russell Investments Australian Floating Rate Fund also outperformed in May.

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.

## Sector Allocation

Portfolio Date: 31/05/2023



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.

# Cornerstone Conservative Managed Portfolio – Core Model



## Detailed Asset Allocation

Portfolio Date: 31/05/2023

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	34.69
iShares Core Cash ETF	13.71
Russell Inv Australian Government Bd ETF	10.66
Vanguard Global Aggregate Bd Hdg ETF	8.63
Vanguard Intl Credit Secs (Hdg) ETF	4.81
Vanguard All-World ex-US Shares ETF	3.87
Russell Inv Australian Select CorpBd ETF	3.57
Vanguard US Total Market Shares ETF	2.28
Russell Inv Australian Semi-Govt Bd ETF	2.02
iShares S&P Small-Cap ETF	1.05
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.97
Vanguard FTSE Emerging Markets Shrs ETF	0.97
Vanguard Global Infrastructure Index Hgd	0.87
Vanguard International Prpty Secs IdxHdg	0.83
Vanguard Australian Property Secs ETF	0.53
BHP Group Ltd	1.03
Commonwealth Bank of Australia	0.80
CSL Ltd	0.75
National Australia Bank Ltd	0.43
Transurban Group	0.41
Westpac Banking Corp	0.38
ANZ Group Holdings Ltd	0.38
Macquarie Group Ltd	0.34
Woodside Energy Group Ltd	0.33
Woolworths Group Ltd	0.28
Wesfarmers Ltd	0.27
Telstra Group Ltd	0.27
Rio Tinto Ltd	0.26
Goodman Group	0.22
Cochlear Ltd	0.19
Fortescue Metals Group Ltd	0.19
Aristocrat Leisure Ltd	0.18
James Hardie Industries PLC	0.18
Suncorp Group Ltd	0.18
Santos Ltd	0.16
South32 Ltd	0.16
Sonic Healthcare Ltd	0.15
Carsales.com Ltd	0.14
Dexus	0.14
Mineral Resources Ltd	0.13
Computershare Ltd	0.13
Aurizon Holdings Ltd	0.13
Mirvac Group	0.12
Lynas Rare Earths Ltd	0.12
Harvey Norman Holdings Ltd	0.11

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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