

# Cornerstone Strategic Index Balanced Growth Managed Portfolio



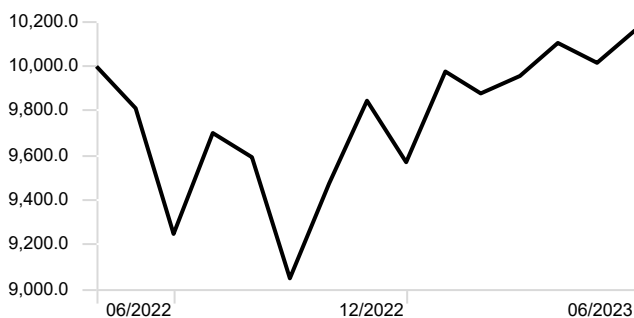
The portfolio returned 2.05%<sup>^</sup> in the June quarter, underperforming the benchmark by 0.15%. Performance of the portfolio's underlying assets was mixed over the period.

## Portfolio objective

The portfolio aims 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. The portfolio aims to perform in line with the benchmark over the long term, after fees.

## Growth of \$10,000

Time Period: 30/04/2022 to 30/06/2023



## Main portfolio highlights

An overweight to global equities contributed positively to performance, however benchmark-relative returns from our global equity portfolio were disappointing. Our Australian bond portfolio recorded negative absolute returns as government bonds sold off against a backdrop of higher domestic interest rates. In contrast, our direct Australian equity portfolio delivered positive absolute and excess returns for the quarter. Our exposure to high-yield and emerging markets debt added further, albeit modest, value over the period.

The direct Australian equity portfolio outperformed the benchmark, benefiting in part from positive stock selection within the materials space. This included overweights to James Hardie Industries and Lynas Rare Earths. Partly offsetting these positions was a small overweight to the sector. An overweight to industrials also added value; notably an overweight to Aurizon Holdings. Stock selection amongst consumer staples added further value over the period, including an overweight to Woolworths and an underweight to Treasury Wine Estates. In contrast, an underweight to the strong-performing information technology space weighed on overall returns.

More broadly, global share markets performed well in the June quarter. Contributing to the gains were increasing expectations the US Federal Reserve (Fed) would soon hit the pause button on interest rates, which it did; the Bank maintaining its benchmark fed funds rate at a target range of between 5.00% and 5.25% in June. In its press release accompanying the decision, the Fed said, "holding the target range steady...allows the Committee to assess additional information and its implications for monetary policy." However, a majority of officials still believe that high inflation, together with the enduring strength of the US economy, will likely warrant further rate increases this year. Stocks also benefited from fresh economic stimulus in China, an end to the standoff between Democrats and Republicans over the US government's debt ceiling and a series of mostly encouraging earnings updates. Australian shares made more modest gains relative to their global counterparts; the local market benefiting from easing inflation toward the end of the period and increasing speculation the Reserve Bank of Australia (RBA) would leave interest rates on hold in July. [Note: the RBA did in fact leave rates on hold following its early July gathering.]

Global and Australian government bonds were weaker for the quarter.

There were no material changes to the portfolio's overall positioning in April or May. However, in June we reduced the portfolio's exposure to listed equities and (some) higher-yielding credit in favour of Australian government bonds and cash.

## Performance Review

As of Date: 30/06/2023

|                 | Cornerstone Strategic Index Bal Growth Managed Portfolio | Morningstar AUS Growth Tgt Alloc NR AUD |
|-----------------|--|---|
| 1 Month         | 1.45   | 1.63                                    |
| 3 Months        | 2.05   | 2.20                                    |
| 1 Year          | 9.87   | 10.71                                   |
| 2 Years         | —  | 0.89                                    |
| 3 Years         | —  | 7.01                                    |
| YTD             | 6.17   | 6.84                                    |
| Since Inception | 1.38   | 2.50                                    |

Inception date: 30/04/2022

Benchmark: Morningstar Australia Growth 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.

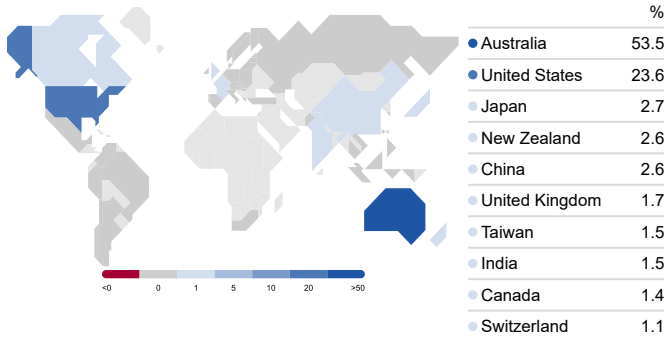
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

# Cornerstone Strategic Index Balanced Growth Managed Portfolio



## Country Exposure

Portfolio Date: 30/06/2023



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

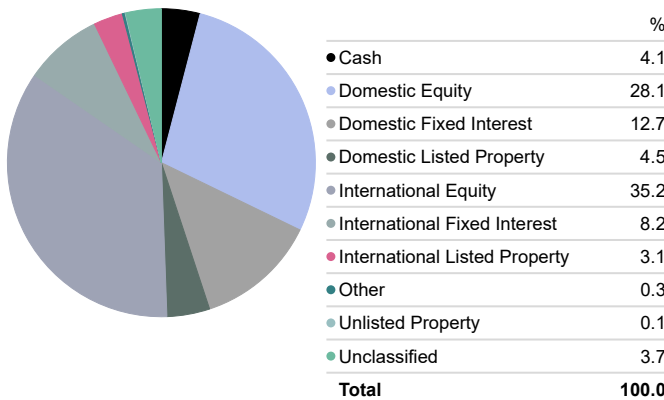
The portfolio has a long-term asset allocation of 70% to growth assets. Growth asset valuations have decreased significantly year to date but are marginally higher than long-term averages in the US and similar to long-term averages across other developed markets, such as Australia. Long term forward 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.

Defensive assets such as fixed income and cash have an allocation of 30% 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 per our researched beliefs.

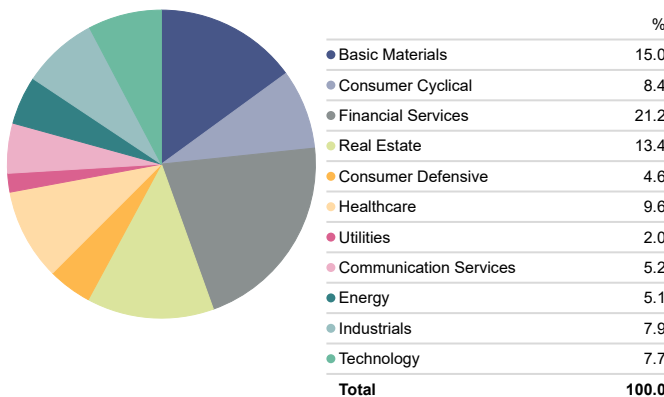
## Asset Allocation

Portfolio Date: 30/06/2023



## Sector Allocation

Portfolio Date: 30/06/2023



# Cornerstone Strategic Index Balanced Growth Managed Portfolio



## Detailed Asset Allocation

Portfolio Date: 30/06/2023

|  | Portfolio Weighting % |
|--|-----------------------|
| AMP International Equity Index           | 13.16                 |
| Vanguard MSCI Intl (Hdg) ETF             | 10.41                 |
| iShares Core S&P/ASX 200 ETF             | 7.59                  |
| Russell Inv Australian Government Bd ETF | 7.34                  |
| AMP International Fixed Intst Idx Hdg    | 5.77                  |
| Russell Inv Australian Semi-Govt Bd ETF  | 3.83                  |
| Vanguard FTSE Emerging Markets Shrs ETF  | 3.80                  |
| Macquarie Cash Fund - Class M Units      | 3.71                  |
| Vanguard All-World ex-US Shares ETF      | 3.67                  |
| AMP Australian Property Index            | 2.79                  |
| iShares S&P/ASX Small Ordinaries ETF     | 2.72                  |
| AMP International Property Index Hdg     | 2.62                  |
| Vanguard Intl Credit Secs (Hdg) ETF      | 1.89                  |
| Vanguard Global Value Equity Active ETF  | 1.64                  |
| iShares Core Cash ETF                    | 1.49                  |
| Russell Inv Australian Select CorpBd ETF | 1.43                  |
| Vanguard US Total Market Shares ETF      | 1.14                  |
| iShares S&P Small-Cap ETF                | 1.07                  |
| iShares JP Morgan USD EmMkts Bd AUDH ETF | 0.99                  |
| Vanguard Global Infrastructure Index Hgd | 0.94                  |
| BHP Group Ltd                            | 2.50                  |
| Commonwealth Bank of Australia           | 1.96                  |
| CSL Ltd                                  | 1.58                  |
| National Australia Bank Ltd              | 1.06                  |
| Transurban Group                         | 0.93                  |
| Westpac Banking Corp                     | 0.93                  |
| ANZ Group Holdings Ltd                   | 0.88                  |
| Macquarie Group Ltd                      | 0.82                  |
| Woodside Energy Group Ltd                | 0.70                  |
| Woolworths Group Ltd                     | 0.69                  |
| Wesfarmers Ltd                           | 0.68                  |
| Rio Tinto Ltd                            | 0.64                  |
| Telstra Group Ltd                        | 0.60                  |
| Goodman Group                            | 0.51                  |
| Fortescue Metals Group Ltd               | 0.49                  |
| James Hardie Industries PLC              | 0.48                  |
| Carsales.com Ltd                         | 0.46                  |
| Cochlear Ltd                             | 0.45                  |
| Aristocrat Leisure Ltd                   | 0.43                  |
| Suncorp Group Ltd                        | 0.39                  |
| Santos Ltd                               | 0.35                  |
| Sonic Healthcare Ltd                     | 0.35                  |
| South32 Ltd                              | 0.35                  |
| Aurizon Holdings Ltd                     | 0.33                  |
| Computershare Ltd                        | 0.32                  |
| Dexus                                    | 0.32                  |
| Mirvac Group                             | 0.32                  |
| Mineral Resources Ltd                    | 0.29                  |
| Lynas Rare Earths Ltd                    | 0.27                  |
| Harvey Norman Holdings Ltd               | 0.25                  |

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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