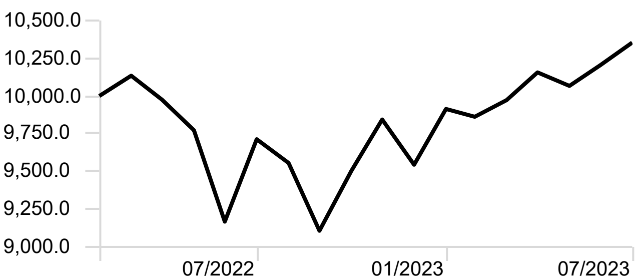
Cornerstone Sustainable Balanced Growth Managed Portfolio

The portfolio returned 1.47% in July. Our equity portfolio delivered positive absolute returns over the period; though our Australian equities exposure accounted for much of this positive performance. The portfolio's listed property exposure also performed well, with the sector extending its recent gains. We continue to favour listed property as we believe the asset class offers attractive value. Our corporate debt exposure added further value; the sector outperforming traditional global fixed income assets in July.

Growth of $10,000

Time Period: 28/02/2022 to 31/07/2023



Performance Review

As of Date: 31/07/2023

	Return
1 Month	1.47
3 Months	1.94
1 Year	6.59
2 Years	—
3 Years	—
YTD	8.48
Since Inception	2.48

Inception date: 28/02/2022

^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 portfolio focusing on diversified mix of growth-oriented assets and defensive assets. The portfolio aims to provide exposure to predominantly sustainable investment strategies and outperform the benchmark, after fees, over a rolling five year period.

Portfolio strategy

The portfolio typically invests with around 70% exposure to growth investments (such as Australian shares, International shares, property and alternatives) and around 30% exposure to defensive investments (such as cash and fixed interest) over the long term. The allocations are actively managed within the allowable ranges, depending on market conditions.

Main market highlights

Global share markets made good gains in July, benefiting from speculation the US Federal Reserve (Fed) may be nearing the end of its rate-hiking cycle. The Fed lifted interest rates another 0.25% late in the period, however the market's reaction to the move was relatively muted as investors – buoyed by the latest inflation figures – bet instead that the Bank may actually be done with raising rates altogether. Both headline and core inflation in the US continued to ease in the 12 months to 30 June. Investors were also encouraged by Fed Chairman Jerome Powell's July post-meeting comments; the Bank's chief noting that whilst it's certainly possible the Bank could raise interest rates again when it next meets in September, it's also possible the Bank could choose to hold rates steady. Much will depend on upcoming economic data. Stocks also benefited from a series of surprisingly strong US earnings updates. Australian shares performed well in July, driven in part by the Reserve Bank of Australia (RBA)'s decision to leave the official cash rate on hold at 4.10% early in the period. The local market also benefited from easing inflation and speculation the RBA may be approaching the end of its own rate tightening cycle.

Global bonds were flat for the month, while Australian bonds recorded only modest gains in July.

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 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.

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 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.

Strategically, the portfolio has positions in cheaper and higher momentum securities per our research.

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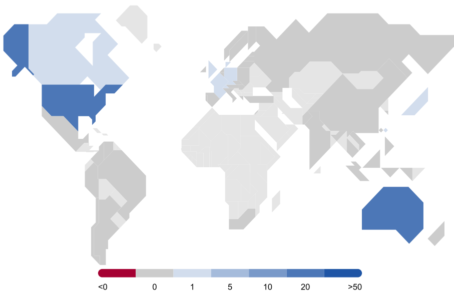
Country Exposure

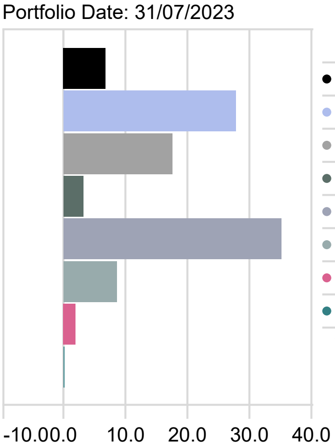
Portfolio Date: 31/07/2023



	%
Australia	44.6
United States	35.4
Japan	2.6
France	2.4
United Kingdom	1.9
Germany	1.7
Denmark	1.7
Switzerland	1.5
Canada	1.1
Taiwan	1.0

Asset Allocation

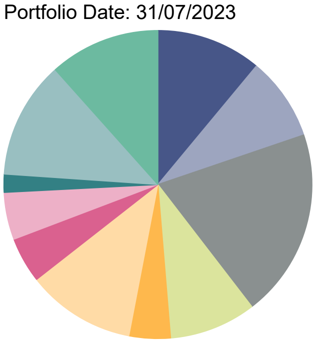
Portfolio Date: 31/07/2023



	%
Cash	6.6
Domestic Equity	27.7
Domestic Fixed Interest	17.4
Domestic Listed Property	3.1
International Equity	35.0
International Fixed Interest	8.5
International Listed Property	1.8
Other	0.0
Total	**100.0**

Sector Allocation

Portfolio Date: 31/07/2023



	%
Basic Materials	11.0
Consumer Cyclical	8.8
Financial Services	19.8
Real Estate	9.1
Consumer Defensive	4.3
Healthcare	11.4
Utilities	4.8
Communication Services	5.0
Energy	1.9
Industrials	12.3
Technology	11.6
Total	**100.0**

Main portfolio highlights

The direct Australian equity portfolio underperformed its benchmark, driven largely by a sizable underweight to the energy space. The energy sector performed well amid a near-16% rise in oil prices. Stock selection within materials also weighed on returns. This included overweights to miners Fortescue Metals Group, IGO Ltd. and new addition to the portfolio, Iluka Resources. Partly offsetting these positions were overweights to BlueScope Steel, James Hardie Industries and another new addition to the portfolio, Evolution Mining. In contrast, stock selection amongst financials added value over the period; notably overweights to the ‘Big Four’ banks (CBA, NAB, Westpac and ANZ).

Mirova’s Global Sustainable Equity No.2 Fund underperformed its benchmark, driven in part by stock selection within financials, materials and utilities; the latter including overweights to renewable names like Spain’s Iberdrola SA and Denmark’s Ørsted A/S.

The Russell Investments Low Carbon Global Shares Fund narrowly underperformed its benchmark. Stock selection within the materials space detracted from performance, including overweights to US names PPG Industries and Ecolab. The Fund’s structural underweight to the sector also weighed on returns, with materials outperforming the broader market in July. Performance was further impacted by an underweight to the strong-performing energy space. In contrast, the Fund’s exclusion of companies involved in the manufacture of nuclear weapons added value.

The Impax Sustainable Leaders strategy underperformed, driven largely by stock selection within the materials and information technology sectors; the latter including overweights to machine vision companies Cognex Group (US) and Keyence Corporation (Japan).

Pendal’s Sustainable Australian Fixed Interest Fund outperformed its benchmark. Both government and non-government positioning contributed positively to performance over the period, including the Fund’s exposures to supranationals, financials and utilities.

In terms of positioning, the portfolio underwent its semi-annual rebalance during the period. As part of this rebalance, we increased the portfolio’s allocations to global and domestic listed property and reduced its exposure to global equities. We added listed property as we believe the asset class has become oversold and now offers attractive value. We reduced global equities due to recent equity market strength and expectations of softer global growth ahead. We also felt it appropriate to take some profits given the sector’s recent gains.

At the same time, we increased the portfolio’s allocation to fixed income. Government bonds experienced their worst year of returns on record in 2022, and we believe they’re likely to rebound through the remainder of this year as long-term yields decline amid recession risks. In addition, government bonds that mature further into the future, e.g. 10 years or more, continue to look attractive and will help diversify the portfolio. We used the portfolio’s cash holdings to fund the additional fixed income exposure.

We also rebalanced the direct Australian equities component of the portfolio to better reflect our target factor exposures.

Following this latest rebalance, the portfolio’s overall positioning reflects a more neutral exposure (relative to the benchmark) to the major asset classes, i.e. equities, fixed income and cash.

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Detailed Asset Allocation

Portfolio Date: 31/07/2023

	Portfolio Weighting %
Russell Invmts Low Carbon Glb Shrs A	8.90
Russell Invmts Low Carbon Glb Shrs AUDH	8.68
Pendal Sustainable Aust Fixed Interest	7.94
Mirova Global Sustainable Equity Fund	7.29
Impax Sustainable Leaders Fund A	6.82
Vanguard Etclly Cons Gbl Aggt Bd H ETF	6.19
Perpetual ESG Australia Share	4.36
Altius Sustainable Short Term Income Ord	3.98
Ausbil Active Sustainable Equity	3.27
Alphinity Sustainable Share	3.15
First Sentier Responsible Listed Infras	2.97
Altius Green Bond Ordinary	2.83
iShares Core Cash ETF	2.57
Russell Intl Property Secs Hedged A	2.08
Regnan Credit Impact Trust	1.93
Ardea Real Outcome Fund	1.93
Vanguard Australian Property Secs ETF	1.86
Robeco SDG Credit Income (AUD Hdg) C	1.83
Russell Inv Australian Rspnb Inv ETF	0.62
Commonwealth Bank of Australia	2.00
CSL Ltd	1.50
National Australia Bank Ltd	1.12
ANZ Group Holdings Ltd	0.98
Westpac Banking Corp	0.96
Wesfarmers Ltd	0.95
Telstra Group Ltd	0.89
Macquarie Group Ltd	0.84
Transurban Group	0.69
Goodman Group	0.69
BlueScope Steel Ltd	0.67
Newcrest Mining Ltd	0.63
Woolworths Group Ltd	0.61
Sonic Healthcare Ltd	0.60
Fortescue Metals Group Ltd	0.60
James Hardie Industries PLC	0.59
Brambles Ltd	0.52
Worley Ltd	0.49
Coles Group Ltd	0.38
Scentre Group	0.38
Computershare Ltd	0.36
Northern Star Resources Ltd	0.36
Pilbara Minerals Ltd	0.35
JB Hi Fi Ltd	0.33
Amcor PLC	0.33
Alumina Ltd	0.30
Lynas Rare Earths Ltd	0.27
IGO Ltd	0.26
Mineral Resources Ltd	0.26

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.

Cornerstone Sustainable Balanced Growth Managed Portfolio

For more information please visit our website:

russellinvestments.com.au/cornerstone or contact your Invest Blue representative:1300 346 837

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