

Fund Profile

An in-depth look at
Russell Investments' Sector Funds

Russell Investments After-Tax Australian Shares Fund (for Superannuation Investors)

The Russell Investments After-Tax Australian Shares Fund (the Fund) uses Russell Investments' in-house emulation capabilities to leverage the investment insights from multiple managers and incorporates a range of strategies aimed at enhancing after-tax returns specifically for superannuation investors.

The Fund's performance is reported after-tax as well as on a pre-tax basis to provide visibility to superannuation investors of after-tax outcomes at the managed fund level.

Fund design

The Fund aims to provide superannuation investors with exposure to a diversified portfolio of Australian equities. It seeks to provide a return before costs higher than the Fund's benchmark on both a pre-tax and after-tax basis over the long term.

To achieve these objectives, the Fund is structured to capture alpha-seeking investment insights from multiple managers and is implemented as a centrally managed portfolio. The underlying managers each have unique investment styles and processes which reduces 'Scenario risk'.

In addition, the Fund holds an investment bias to above average franked dividend payments and employs strategies with a focus on enhancing after-tax returns.

Fund design - implementation

The Fund is implemented to maximise equity returns. This is achieved by:

- Operating a centrally managed portfolio that is constructed to closely track the aggregated return series of the underlying managers.

Fund breakdown



- Numeric
- Dimensional
- Ausbil
- Platypus
- Russell Investments
- Liquidity reserve



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Quick Overview

Inception: 1 February 2011

Benchmark:

After-tax series[#] off S&P/ASX 300 Franking Credit Adjusted Annual Total Return Index (Superannuation)

AUM (AUD): \$1.30 billion (as at 31/03/2022)

Minimum Investment timeframe: 7 years

[#] From 1 July 2015. Off-market buy-back and capital gains tax (CGT) adjustments calculated by GBST



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b) Applying investment strategies to this portfolio in order to enhance after-tax returns. These include:

- » Turnover management
- » Tax effective off-market share buy-backs
- » Preservation of franking credits
- » Capital gains tax optimisation

The focus of these strategies will not be on tax minimisation but, rather, on enhancing overall returns on an after-tax basis as relevant to superannuation investors.

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About the benchmark

GBST uses the after-tax series off the S&P/ASX 300 Franking Credit Adjusted Annual Total Return Index (Superannuation) and takes into account the net tax effect of capital gains and off-market share buybacks as well as mirroring the Fund’s cash flows.

Current Fund structure

The Fund has exposure* to the following managers’ insights:

Numeric Quantitative

Numeric is a quantitative manager based in Boston, USA. The investment process is based around value, momentum, quality, and earnings trend factors. Numeric’s portfolio exhibits positive exposures to value and momentum, in line with our strategic preferences for factor exposures in our funds.

Dimensional

Value: deep value (small cap)

The manager seeks to add value by employing an investment process that focuses on capturing the value risk premium in a way that minimises turnover, manages market frictions, harnesses the effects of momentum and recognises the impact of liquidity seekers.

Ausbil Investment Management Core, earnings revisions focus

Ausbil maintains a relatively concentrated, core portfolio of 30-40 stocks with a focus on earnings and earnings revisions in the large- and mid-cap part of the market.

The manager’s investment process incorporates macroeconomic conditions as an input to the sector and stock selection process. Because of the portfolio’s dynamic nature, it can be tilted toward growth or value depending on market conditions. However, it tends to have a slight growth and momentum bias through time.

Platypus Asset Management Concentrated Growth

Platypus is a growth style manager, utilising a combination of top-down macroeconomic and bottom-up company analysis to construct a concentrated portfolio of 25-35 stocks, which exhibit high growth and momentum characteristics. The portfolios are constructed without regard for a benchmark, and the risk and return characteristics of the individual stocks are responsible for positioning within the portfolio, rather than any benchmark-relative positioning.

* Russell Investments’ portfolio managers may apply overlay tools to actively manage total Fund risk exposures from time to time to take advantage of market opportunities and avoid risks.

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Russell Investments Positioning strategies

Positioning strategies are customised exposures created and directly managed by Russell Investments to better achieve return and/or risk objectives in a total portfolio. Usually used in conjunction with third-party active managers, positioning strategies allow our portfolio managers to fully reflect our strategic and dynamic insights in a precise and flexible manner. Russell Investments' portfolio managers have ultimate responsibility for the total portfolio and use positioning strategies to help meet investment goals.

Positioning strategies in the Fund include a **defensive factor portfolio**; an all-cap strategy based on our low-volatility factor portfolios. This strategy provides the Fund with a return pattern that's expected to pay off during times of market stress and during market drawdowns, providing diversification relative to the Fund's other exposures and balancing overall fund risk. The strategy also provides the portfolio manager with greater tactical flexibility to respond to adverse market conditions.

Liquidity reserve

The Fund's liquidity reserve comprises cash awaiting investment or held to meet redemption requests or to pay expenses. The Fund typically exposes all or a portion of its cash to the performance of appropriate markets by purchasing equity securities and/or derivatives, which typically include index futures contracts. The Fund invests any remaining cash in an unregistered cash management fund advised by Russell Investment Management Ltd.

COMMITTED TO
RESPONSIBLE INVESTMENT



For more information, please contact your Russell Investments representative:

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Russell Investments became a signatory of the United Nations-Supported Principles for Responsible Investment (PRI) in 2009; the Carbon Disclosure Project's climate change program since 2010; and the Climate Action 100 in 2017. Russell Investments is also a member of the Institutional Investors Group on Climate Change (IIGCC) since 2015; and the Responsible Investment Association of Australasia. Russell Investments became a supporter for the Taskforce on Climate-Related Financial Disclosures (TCFD) in May 2019. Russell Investments has consecutively achieved an A+ rating for our strategy and governance approach from the PRI from 2016-2020. For further information visit <https://russellinvestments.com/au/about-us/responsible-investing>. This work is copyright 2022. Apart from any use permitted under the Copyright Act 1968, no part may be reproduced by any process, nor may any other exclusive right be exercised, without the permission of Russell Investment Management Ltd.

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