



Fund Profile

An in-depth look at Russell Investments' Sector Funds

Russell Investments Australian Shares Fund

The Russell Investments Australian Shares Fund (the Fund) employs multiple managers and strategies to reduce scenario risk and provide investors with exposure to a diversified portfolio of Australian equities. The Fund emphasises alpha returns, while aiming to control risk.

Fund design

The Fund aims to provide investors with exposure to a diversified portfolio of Australian equities. It seeks to provide a total return before costs and taxes higher than the benchmark over the long term. To achieve these objectives, multiple managers and strategies are employed to reduce 'scenario risk'. These multiple strategies are in the form of multiple investment styles and processes. At the total Fund level, our goal is to reduce dependency on a particular economic scenario by creating an aggregate portfolio of managers and strategies that provide opportunities to outperform in various market environments.

An important driver of success is to amplify those return sources we believe provide the most reliable means of alpha generation, while controlling risks we believe are uncompensated over the long term. In the case of Australian shares, we believe stock selection provides the most reliable alpha and therefore emphasise this source of return. In contrast, factors such as sector bias, capitalisation bias and volatility are generally uncompensated over the long term and introduce significant risks in the short term.

They are therefore controlled to moderate levels in the Fund. Importantly, this approach should not be construed as attempting factor neutrality at all times; rather, within moderate parameters, we allow tactical bets on these factors with a goal of strategic neutrality over the long term.

Fund breakdown



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



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Quick overview

Inception: 31 December 1997

Benchmark: S&P/ASX 300 Accumulation Index

AUM (AUD): \$159.90 Million (as on 30/9/2022)

Minimum Investment timeframe: 7 years

Russell Investments Australian Shares Fund

The key style factor controlled for is growth versus value, with exponents of each style included in the Fund, with a slight bias towards value. For example, some managers focus on growth stocks, while others have valuation-based approaches. The Fund achieves further diversification within these value and growth sub-sets. Within the growth segment, the Fund utilises the strengths of a secular, industry-focused growth manager, as well as one focusing on relative growth opportunities. The Fund also employs value managers with distinct sub-styles, including value plus momentum, deep value and relative value.

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Another important factor controlled for is capitalisation. The inclusion of managers with distinct biases toward both small and large capitalisation

stocks provides a balanced exposure across the capitalisation spectrum, while ensuring that the Fund will tend to be broadly neutral on market capitalisation over time.

No particular number of managers or strategies is targeted; the current number provides good diversification and coverage of the market. Should other compelling managers and strategies be identified, we may further increase them to enhance the alpha prospects for the Fund. Allocations to each manager and strategy reflects both their structural importance (e.g. capitalisation or growth/value bias) as well as our confidence in their alpha generating capability and consistency.

The Fund invests predominantly in shares or unit trusts listed or about to be listed on the Australian Securities Exchange. The Fund is kept as close to fully invested as is practical.

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.

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Platypus Asset Management Concentrated Growth

Platypus is a growth style manager, utilizing 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 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



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