

Fund Profile

An in-depth look at Russell Investments' Sector Funds

Russell Investments Emerging Markets Fund

The Russell Investments Emerging Markets Fund (the Fund) is exposed to a broad range of shares listed on stock exchanges in emerging markets and may also be exposed to selected countries which are considered 'frontier.'

Fund design

The Fund adopts a multi-style, multi-manager approach that creates a broadly diversified portfolio and provides a vehicle for an investor's core exposure to this asset class. The Fund seeks to provide investors with exposure to a diversified portfolio of emerging markets shares and outperform its benchmark before costs and taxes, over a rolling five-year period. This is achieved by gaining exposure to managers with complementary approaches to investing; and consistency through judicious management of country – level risk. This is because country effects are typically more important in emerging markets than in other asset classes. Russell Investments' portfolio management team also has the ability to use positioning strategies to manage exposures to specific global market segments, factors or concepts.

Although the underlying managers have greater discretion than those in other Russell Investments multi-country funds, overall country deviations from the benchmark are closely monitored.

Fund Profile - Emerging Markets Superior and consistent performance

By combining managers with complementary investment styles, the underlying Fund aims to reduce performance volatility and increase the predictability of returns. Managers are selected on the basis of their ability to successfully employ differentiated investment processes and performance patterns through time. This creates broad diversification at the overall Fund level, allowing the Fund to perform well through a variety of different market environments.

Fund breakdown



- AllianceBernstein
- Axiom
- Neuberger Berman
- Numeric
- Oaktree Capital
- Somerset
- RWC Partners
- Russell Investments

Quick overview

The underlying Fund is the Russell Investments Emerging Markets Equity Fund.

Inception: 30 April 2007

Benchmark: MSCI Emerging Markets Index – Net

AUM (AUD): \$89.85 Million (as on 30/09/2020)

Minimum Investment Timeframe: 7 Years

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"Russell Investments selects the managers and strategies in this Fund for exposure to emerging markets, adopting a multi-style, multi-manager and multi-strategy approach."

KATHRINE HUSVAEG
PORTFOLIO MANAGER
RUSSELL INVESTMENTS

Russell Investments Emerging Markets Fund

Building a diversified portfolio

Emerging markets can be an important part of an international investor's equity portfolio. Emerging markets should be approached as a higher risk equity investment that offers potential for higher returns over the longer term. Historically, they have been more volatile than major world equity markets, and relatively sensitive to the global economy and investor risk appetite. However, investors have been compensated for these risks with higher returns over time. Emerging markets offer some diversification benefits as well.

In addition, specialist emerging market fund managers have been able to augment returns for investors by outperforming emerging market indexes. In part this reflects the relative inefficiency of these markets. Data available is often of lower quality than in the developed world. News about companies and economies may take days, or even weeks to permeate the markets.

This makes decision-making more difficult, for instance when stocks are illiquid, but it also presents a significant opportunity for managers able to uncover new information or process current information more quickly. Managers can also add value through country allocation. Russell Investments' research in emerging markets aims to identify managers and strategies that are able to exploit these opportunities.

Emerging markets: improving investment opportunities

The emerging markets asset class has suffered from a number of 'crises' in recent decades. The Mexican peso crisis in late-1994 was followed by the Asian currency devaluations in mid-1997 and the Russian debt default of 1998 among others.

These events, which saw capital become a scarce resource to emerging markets countries significantly impacted the asset class and have prompted important changes.

"Emerging markets should be approached as a higher risk equity investment that offers potential for higher returns over the longer term"

For instance, economic and political reforms have been enacted at the country level, while corporations have reduced debt levels and improved corporate governance dramatically. As a consequence, emerging market countries and companies are considered to be more investor-friendly than ever before and the asset class has re-emerged.

Underlying fund manager descriptions and strategies

Numeric Investors LLC Value, momentum

Numeric use a proprietary model to forecast future stock returns in emerging markets. Their multi-factor model ranks stocks based on valuation, earnings momentum and quality variables. The rewards to these factors are well documented in academic literature and Russell Investments believes that they will continue to add value over time.

The capabilities of the investment team, both as quantitative researchers and investment practitioners are highly regarded by Russell Investments.

AllianceBernstein L.P. Value

AllianceBernstein's investment approach is based on the premise that market participants tend to overreact to near-term events, resulting in the creation of exploitable stock

mispricings. AllianceBernstein achieves this through a disciplined, value-based approach.

Stocks are screened using quantitative/screening techniques and those securities exhibiting the most pronounced value are then researched in-depth by the firm's large team of global sector analysts. Those stocks considered most mispriced are subsequently purchased. The inherent risks resulting from this bottom-up approach are controlled explicitly through the use of an optimisation tool and portfolios are well diversified. As well as the classic value characteristics of low price-to-book and low price-to-earnings, AllianceBernstein's portfolios tend to exhibit a small capitalisation bias.

Axiom International Investors Quality, growth

Axiom invests in stocks with consistent growth characteristics, such as higher-than-average earnings revisions, as well as higher-quality names. The manager's investment approach focuses on identifying the key drivers of growth of emerging markets companies, which they rank based on two criteria: dynamism of a company's growth opportunities and the solidity of its business. Axiom's focus on dynamism seeks to generate a portfolio with consistent growth characteristics across the market capitalisation spectrum, while their focus on business solidity seeks to provide a quality overlay. This quality overlay lends itself to a slight overall tilt toward quality over a full market cycle.

Russell Investments Emerging Markets Fund

**Oaktree Capital Management,
L.P.**

Market-oriented

Oaktree uses an opportunistic, fundamental-driven investment process in an effort to identify securities which are undervalued relative to growth expectations. As a result, the strategy is not wedded to any one investment style, but driven by in depth fundamental research.

Somerset Capital Management LLP Quality, value mid-cap & frontier

Somerset takes a highly disciplined investment approach in identifying high quality companies with a strong growth trajectory that are trading at highly attractive valuations.

We have developed strong confidence in Somerset over many years, and admire their focus on covering the full breadth of opportunities in the asset class and generating high returns.

RWC Partners Opportunistic, focus on value & growth

RWC is a boutique investment manager based in London. The strategy's primary objective is long-term capital appreciation through a concentrated portfolio of its highest conviction positions in emerging markets stocks. This is achieved by combining top-down thematic and bottom-up fundamental inputs, enabling RWC's investment team to select the themes, countries, sectors and companies with the strongest return prospects.

Neuberger Berman

Growth

Neuberger adopts a growth at a reasonable price investment philosophy with a quality focus. The strategy aims to exploit the mispricing of high secular growth companies with sustainable cash flows and earnings, offering the potential for strong investment returns over a relatively longer investment horizon. A flexible application of the

growth philosophy combined with a broad definition of quality and an all cap approach is the strength of the process. This leads to a consistent exposure to growth. Neuberger integrate environmental, social and corporate governance factors into their investment strategy, to provide an additional insight on stock quality.

Russell Investments Positioning strategy

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

For more information, please contact your Russell Investments representative:

NSW, QLD, ACT & NT: 02 9229 5111
VIC, SA, WA & TAS: 03 9270 8111

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