

Fund profile

April 2022

RIML Global Bond Fund - \$NZ hedged

The RIML Global Bond Fund - \$NZ hedged is designed to be an ideal vehicle for an investor's core exposure to global bond markets.

About the Fund

The RIML Global Bond Fund - \$NZ hedged employs a multi-strategy approach. The Fund uses several different money managers and strategies managed by Russell Investments to achieve its objective.

Russell Investments uses this multi-strategy approach to combine duration, country, credit and currency strategies within a well-defined risk framework to create a broadly diversified solution.

The Fund mainly invests in bonds issued by governments, their agencies, companies and non-government organisations worldwide. The Fund invests in developed and emerging countries.

The Fund may also invest in mortgage and asset-backed securities (a financial security backed by loans, leases and other assets).

The Fund can also take currency positions relative to the benchmark.

A percentage (determined by current manager weights and their respective guidelines) of the Fund's value may be invested in bonds which are rated non-investment grade (lower quality), but which are high-yield (debt that pays a relatively high rate of return).

Fund benefits

- » The Fund employs multiple managers and strategies with complementary, active investment styles
- » Drawing on the core strengths of a selection of the world's leading investment managers
- » Actively monitored by an experienced and well-qualified team of Russell Investments' analysts and portfolio managers

Fund features

- » Australian unit trust hedged to the New Zealand dollar
- » Access to global bond managers with differing styles
- » Invests in debt securities issued by supranationals, government agencies and corporates
- » Daily pricing and trading

Funds at a glance

Investment objective	To provide a total return, before costs and tax, higher than the Fund's benchmark over the medium term by providing exposure to a diversified portfolio of predominantly fixed income securities denominated in foreign currencies and largely hedged into New Zealand dollars.
Investment strategy	The Fund invests predominantly in debt securities issued by supranationals, international governments, quasi-governments, agencies and corporates as well as structured credit securities including mortgage and asset backed securities. The Fund may also be exposed to low grade or unrated debt securities, emerging markets and currency. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk. Foreign currency exposures are largely hedged back to New Zealand dollars.
Legal structure	Australian unit trust hedged to the New Zealand dollar. Russell Investment Management Limited (RIML) is the responsible entity of the Fund.
Currency	New Zealand dollar
Benchmark	Bloomberg Global Aggregate Index - \$NZ hedged
Minimum investment timeframe	3 years
Distributions	Quarterly
Trading days	Daily each business day (before 12.00pm Sydney time)
Inception date	23 February 2010
Assets under management	NZ\$1.30 billion as at 31/03/2022



**Gerard
Fitzpatrick**
PORTFOLIO
MANAGER

RIML Global Bond Fund - \$NZ hedged

Managers

Schroders' investment philosophy is based on the concept of relative value. They attempt to identify relative value anomalies through the assessment of relationships between supply and demand, changes in interest rates and associated prepayment expectations, market volatility, and investor trends. The investment process is focused on security selection and allocation among credit rating classes and real estate sectors.

Western Asset Management employs a long-term fundamental value approach to credit. The manager's investment strategy combines top-down fundamental macroeconomic research with bottom-up inputs from specialised sector analysts to generate sector views. Duration and yield curve management is considered a secondary alpha source which is used to complement and diversify the portfolio's credit positioning.

BlueBay emphasises bottom-up government and sovereign research with a focus on valuation and technical factors. The team has demonstrated skill in country selection, employing deep fundamental analysis with a robust relative value framework. The mandate allows for focus on excess return generation from rates, curve, country and foreign exchange management in the global government bond space. The investment style is nimble and tactical and may tend to have a shorter investment horizon.

The **Russell Investments Intelligent Credit strategy** provides the portfolio with exposure to the credit value factor. Our research has shown that value, size, quality and momentum are all factors with efficacy. However, the factor to have made the greatest contribution to traditional active portfolios is the credit value factor. Like other value factors, the credit value factor seeks to benefit from investor behaviours that cause an asset to become mispriced relative to its intrinsic value. There is evidence that an asset's intrinsic value can be systematically observed using quantitative methods that allow for a more efficient comparison of default probabilities across sectors. We partner with Moody's

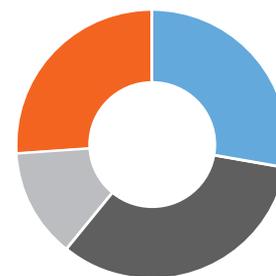
CreditEdge, an established quantitative credit platform, to determine the default probability and intrinsic value of each bond we select. Importantly, these types of value strategies tend to outperform during periods when the credit risk premium is under stress. This will further diversify the Fund's potential sources of excess returns.

The **Russell Investments Integrated Governments strategy** comprises the Fund's allocations to physical government bonds and rates and currency factor positioning strategies. The physical government bond allocation complements the country selection of our government specialist, BlueBay, and also helps balance the Fund's rates and currency factor positioning strategies. Moreover, it allows for bespoke physical allocations that are outside the scope of the rates and currency factor positioning strategies, such as local currency emerging markets debt and inflation-linked securities.

The rates factor positioning strategy uses value and carry factors to capture global real yields and term premiums as a return source. It aims to overweight those markets exhibiting higher real yields and steeper yield curves in order to earn the premiums generated by such biases. The strategy is designed to better align global interest rate risk in the Fund with our strategic beliefs and serves as another potential return source. It also enhances diversification due to its historically low correlation not only to credit excess returns, but also to currency factor returns and the excess returns of the Fund's active managers.

The currency factor positioning strategy uses a mix of carry, value and trend factor strategies and aims to access currency exposures in a more efficient and systematic way. Currencies have historically exhibited a lower correlation to many traditional types of fixed income investments, including interest rates and credit, and therefore provide the Fund not only with another return source but diversification benefits as well.

Fund structure



- Western
- Russell Investments
- Schroders
- BlueBay

Together with the Fund's **liquidity reserve**, the Russell Investments Integrated Governments strategy will facilitate more agile tactical management by enabling more explicit sector rotation and targeted physical allocations in preferred areas of the government bond market. These accounts will also enhance liquidity management and reduce excessive reliance on derivatives.

Leverage and derivatives

No leverage is permitted but derivatives might be used for efficient portfolio management purposes. These derivatives might include futures, forwards, options, swaps on interest rates, currencies or securities and credit default swaps

Responsible investing

Russell Investments recognises the importance of responsible investing and environmental, social and governance issues for our clients. To reflect this, the Fund does not knowingly invest directly in companies which a) produce components that are key and dedicated to the production of anti-personnel mines and/or cluster munitions; b) manufacture tobacco products or; c) are involved, either directly or indirectly, in the production of the core nuclear weapon system, or components/services of the core nuclear weapon system, that are considered tailor-made and essential for the lethal use of the weapon.

More information

To receive a copy of the Product Disclosure Statement or receive more information about this or any other Russell Investments fund please call **09 357 6633**

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