



# Fund Profile

## An in-depth look at Russell Investments' Sector Funds

### Russell Investments International Shares Fund

The Russell Investments International Shares Fund employs broad diversification with a multi-style, multi-manager and multi-strategy approach. This aims to capture sources of alpha while avoiding unnecessary risk at the total fund level and providing exposure to the international equities market.

#### The Russell Investments approach

The Russell Investments International Shares Fund (the Fund) employs a multi-style, multi-manager and multi-strategy approach. It is broadly diversified and provides an ideal vehicle for an investor's core exposure to international shares markets.

#### Fund objective

The Fund aims to provide a total return, before costs and tax, higher than the benchmark over the long term by providing exposure to a diversified portfolio of predominantly international shares.

#### Global investment strategy

The Fund invests predominantly in a broad range of international shares listed on stock exchanges in developed international markets. The Fund may also be exposed to emerging market shares. Derivatives

may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

#### Fund design\*

Russell Investments draws from its list of hire ranked global managers and strategies using a variety of different styles and approaches to ensure diversification of risks, while maintaining return potential.

Russell Investments gives each manager specific risk controls at different levels, including country, sector, capitalisation, number of stocks held in the portfolio and style tilts, based on their individual styles and strengths. We believe this use of portfolio controls provides investors with access to aggressive, return-seeking managers and strategies within a risk-controlled environment.

#### Fund breakdown



- Numeric
- Sanders
- Morgan Stanley
- Fiera Capital
- Wellington
- Russell Investments
- Liquidity Reserve



“The goal of above-average consistency is achieved by combining strategies with different payoffs over different phases of an economic and stock market cycle.”

**JORDAN MCCALL**  
PORTFOLIO MANAGER  
RUSSELL INVESTMENTS

\* 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.

### Quick overview

**Inception:** 31 December 1997

**Benchmark:** MSCI World Index - Net

**AUM (AUD):** \$619.95 million (as at 31/03/2022)

**Minimum Investment Timeframe:** 7 Years

# Russell Investments International Shares Fund

## Currency hedging

Currency hedging in the Fund is limited. Each manager has guidelines such that the Fund overall will not be more than 10% hedged. We limit hedging because currency exposure has been an important contributor to the diversification benefit of international investing, and the Fund's benchmark is not hedged. Consequently, in the absence of convincing evidence that managers can consistently add value from hedging, we limit this source of potential risk.

## 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.

## Current structure

The Fund is made up of the following managers and positioning strategies:

### Russell Investments Dynamic 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. 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.

### Man Numeric Investors (Numeric) Quantitative: Global core, low-volatility blend

Numeric is a leading, global quantitative investment manager. Their core strategy's combination of value and momentum factors means it's particularly focused on capturing value opportunities at an early stage of mean reversion. The manager's low-volatility strategy selects stocks using a fundamentally-oriented investment process with a focus on low-volatility characteristics. The strategy includes alpha models to avoid historical biases found in more generic low-volatility processes. These models are based on established factors such as value, information flow and quality, enabling the manager to consistently exploit market inefficiencies. Numeric complements its statistical factor risk model with Barra's Fundamental risk model to achieve a more robust perspective on risk overall. This risk management/optimisation process delivers a portfolio with low-beta, low-volatility characteristics. The portfolio manager's ability to blend the two strategies means they can adjust the strategies' weightings in response to changing market conditions and/or the Fund's other exposures.

### Wellington Management Company Global contrarian value

Wellington is a global equity manager whose contrarian, deeper value investment strategy aims to benefit from inefficient investment behaviours by investing in stocks which are impacted by a market overreaction to a particular event, but whose underlying fundamentals support a return to normalised earnings strength. An emphasis on strong balance sheets

is intended to provide downside protection and allow time for a stock's underlying fundamentals to turn more favourable so that its value can be realised.

### Fiera Capital Quality Growth: Global

Fiera Capital looks for best of breed companies with superior growth potential at attractive valuations. It seeks businesses with stable earnings, high return on equity and strong balance sheets. It takes a long-term investment horizon and resulting portfolios tend to have lower turnover.

# Russell Investments International Shares Fund

## Sanders Capital (Sanders)

### Value: Global

Sanders' primary focus is on investing in companies with depressed valuations due to transitory issues. They seek to identify stocks that are fundamentally mispriced on a normalised earnings basis. However they seek also to capture the return premium associated with factors that create anxiety among investors. Anxiety may stem from adverse macroeconomic conditions, unsettling industry specific issues or troubling developments unique to a company.

Sanders employs an approach tends to invest in larger capitalisation companies across all countries, including emerging markets.

## Morgan Stanley Investment

### Management

### Growth: Global

Morgan Stanley Investment Management is a global asset manager who uses a high-conviction investment approach to develop concentrated, best-idea portfolios that target specific growth and quality characteristics. The manager's portfolios also have significant style risk, meaning performance has the potential to be volatile, and an additional focus on sustainability.

## 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.

Updated as of: April2022 AUSF2-01138

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