

Russell Investments Managed Portfolio - Balanced

Asset allocation as at 31 March 2021¹



■ Alternatives	6.2%
■ Aust Shares	32.2%
■ Property	7.4%
■ Fixed Int & Cash	24.1%
■ Int Shares	30.1%

Portfolio objective

To provide returns over the medium to long term, with moderate to high volatility, consistent with a diversified mix of predominantly growth oriented assets and some defensive assets.

Portfolio strategy

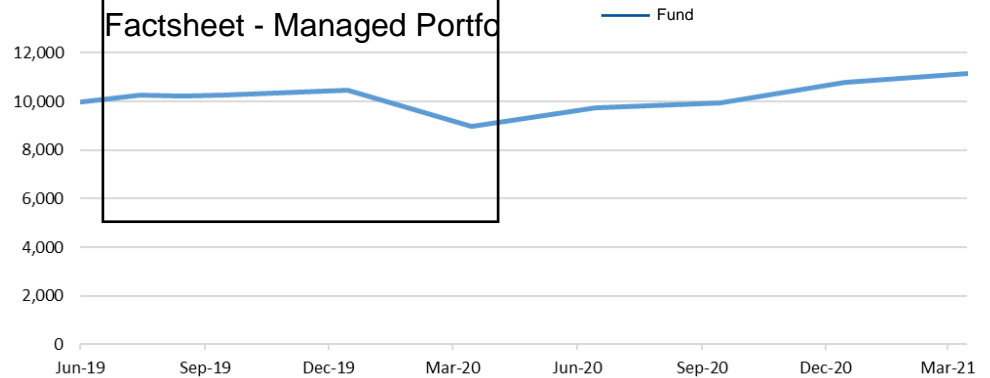
The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 70% and defensive investments of around 30% over the long term, however the allocations will be actively managed within the allowable ranges depending on market conditions.

Performance review

Period ending 31/03/2021	1 month %	3 months %	1 year % p.a.	3 years % p.a.	5 years % p.a.	Since inception % p.a.
Total return	3.1	3.7	24.5	-	-	6.4

Performance is net of fees and charges. Assumes reinvestments of income. Past performance is not a reliable indicator of future performance.

Growth of \$10,000



Fund Facts

Inception date

19 June 2019

Portfolio manager

Daniel Choo

Recommended investment timeframe

5 years

Performance results are net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. These results do not take into account any third party platform fees charged to individual investors or transaction costs (which include buy/sell spread and brokerage fees). They assume income received is reinvested without any tax deduction. An individual investor's actual performance will differ from this hypothetical performance depending on a range of factors including the amount invested in the Managed Portfolio, transaction timing, transaction costs, actual underlying manager fees and costs, any exclusions selected by the investor, whether income is paid in cash and any divergence by the investor from Managed Portfolio weightings. In addition, the actual performance experienced by individual investors may be aggregated and averaged by platform providers, resulting in a further departure from the performance results published here. Past performance is not a reliable indicator of future performance.

Russell Investments Managed Portfolio – Balanced (continued)

Portfolio commentary

The Russell Investments Managed Portfolio – Balanced returned 3.7% on a net of fees basis in the March quarter.

The Portfolio benefited from active stock selection as well as our exposure to global equity exchange-traded funds. Our Australian and global multi-manager funds outperformed their benchmarks over the period, driven largely by their exposure to more cyclical stocks. Within these multi-manager funds, the Russell Investments Global Opportunities Fund and Vinva's Australian Equitised Long/Short Fund contributed the most to performance.

In terms of positioning, we retain the same broad themes as the previous quarter, i.e. a preference for emerging markets over developed markets and overweights to both global small caps and credit. In February, we increased the value factor bias within our global shares exposure by adding to the Vanguard Global Value Active ETF. We also reduced our high-yield debt exposure within the Russell Investments Multi-Asset Growth Strategy Fund following the strong rally in the asset class. More broadly, our strategy to 'buy the dip' in growth assets hasn't been necessary but we believe we'll eventually see a market correction worth buying into. To this end, we reserve some capital to capture opportunities as they arise. In saying that, we expect to trim some growth asset exposure if the market continues to run higher (as a way of rebalancing). We also expect to continue our rotation away from US small caps in favour of global value. US small caps have had a very strong run and we believe their early cycle rally is close to being fully priced in. In contrast, we believe the value factor has more room to rally.

The Portfolio's direct Australian equity component performed in line with its benchmark over the quarter. Stock selection within financials contributed positively to performance, including our holdings in Westpac Banking Corp. and National Australia Bank. Banks generally benefited from an improving housing market and a steeper yield curve. Offsetting these positions were our holdings in technology names like Altium and Xero. Technology names underperformed as investors rotated away from stocks with higher growth expectations. However, it's worth noting that both Xero and Afterpay have since rebounded strongly. Other holdings to weigh on returns were AGL Energy and Ampol.

Moving forward, near-term risks include vaccines proving less effective than anticipated against variants of COVID-19, issues with vaccine distribution and a sluggish economic rebound due to lockdowns. Regarding US politics, the Democrats' Senate majority will make it easier for President Joe Biden to push through his policy agenda, including tax reform, healthcare changes and energy and infrastructure investment. Outside of the US, geopolitics could also deliver negative surprises from China, Iran or Russia as the Biden Administration moves to cement its foreign policy agenda.

Market commentary

Global share markets made good gains in the March quarter, benefiting largely from an acceleration in vaccination efforts worldwide and additional US stimulus. The rollout of vaccines in some of the hardest hit regions, including the US and the UK, gathered momentum throughout the period, while US President Joe Biden finally implemented the USD1.9 trillion emergency relief package he unveiled ahead of his inauguration. Stocks also benefited from a series of better-than-expected economic data globally, including the latest US, European and Chinese manufacturing figures, and some encouraging US and European earnings updates. Limiting the advance was a sharp spike in global bond yields midway through the quarter. Yields rose amid fears that vaccine rollouts, additional fiscal and monetary stimulus and rising energy prices would drive up inflation and cause interest rates to rise. Stocks were also impacted by ongoing Sino-US tensions. Australian shares tracked their global counterparts higher over the period, driven by further fiscal and monetary policy support, the local rollout of the coronavirus vaccine and some encouraging domestic economic data, including better-than-expected growth and jobs figures.

Global bonds were weaker over the period. Longer-term government bond yields were higher for the quarter, while credit markets performed well. Australian bonds underperformed their global counterparts.

Russell Investments Managed Portfolio – Balanced (continued)

Detailed Asset Allocation

Portfolio holdings	Weight
ASX100 SMA Portfolio	24.6%
Afterpay Limited	0.4%
AGL Energy Limited	0.5%
Altium	0.4%
Ancor PLC	0.7%
Ampol Limited	0.4%
Aurizon Holdings Ltd.	0.5%
Australia and New Zealand Banking Group Limited	1.2%
BHP Group Ltd	1.7%
Coles Group Ltd.	0.5%
Commonwealth Bank of Australia	2.0%
CSL Limited	2.1%
Dexus	0.9%
Fortescue Metals Group Ltd	0.4%
Goodman Group	0.8%
James Hardie Industries PLC Chess Units of Foreign Securities	0.6%
Macquarie Group Limited	0.9%
National Australia Bank Limited	1.4%
Newcrest Mining Limited	0.5%
Orica Limited	0.7%
QBE Insurance Group Limited	0.4%
Rio Tinto Limited	0.6%
Sonic Healthcare Limited	0.9%
South32 Ltd.	0.6%
Telstra Corporation Limited	0.7%
Transurban Group Ltd.	1.0%
Wesfarmers Limited	1.2%
Westpac Banking Corporation	1.4%
Woodside Petroleum Ltd	0.4%
Woolworths Group Ltd	0.5%
Xero Limited	0.4%
Russell Multi Asset Growth Strategy Plus Fund	
Russell Multi Asset Income Strategy Fund	
Russell Multi-Asset Growth Strategy Fund	33.9%
Russell Investments Australian Select Corp Bond ETF	1.0%
Russell Investments Australian Govt Bond ETF	3.0%
Russell Investments Australian-Semi Govt Bond ETF	2.2%
Vanguard FTSE All-World ex-US Shares Index ETF	6.6%
Vanguard Australia Property Securities ETF	5.7%
Vanguard FTSE Emerging Markets ETF	1.1%
Vanguard Global Aggregate Bond ETF	3.3%
Vanguard US Total Market Shares Index ETF	8.2%
Vanguard Global Value Equity Active ETF	3.4%
Vanguard MSCI International Shares Hedged ETF	0.0%
iShares Core Cash ETF	0.9%
iShares Government Inflation ETF	
iShares S&P Small-Cap ETF CDI	2.4%
Russell Investments Global Opportunities Fund	2.6%
Vanguard International Credit Securities Index (Hedged) ETF	
Cash	1.1%

Portfolio holdings may not equal 100% due to rounding.

Russell Investments Managed Portfolio – Balanced (continued)

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Footnotes

1 Allocations may not equal 100% due to rounding.

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