

# What's a conservative investor to do?

The webinar will begin shortly



Russell Investments  
**New Zealand Investment Forum**

**David Kandziora, CFA, CAIA**  
Senior Investment Consultant  
New Zealand

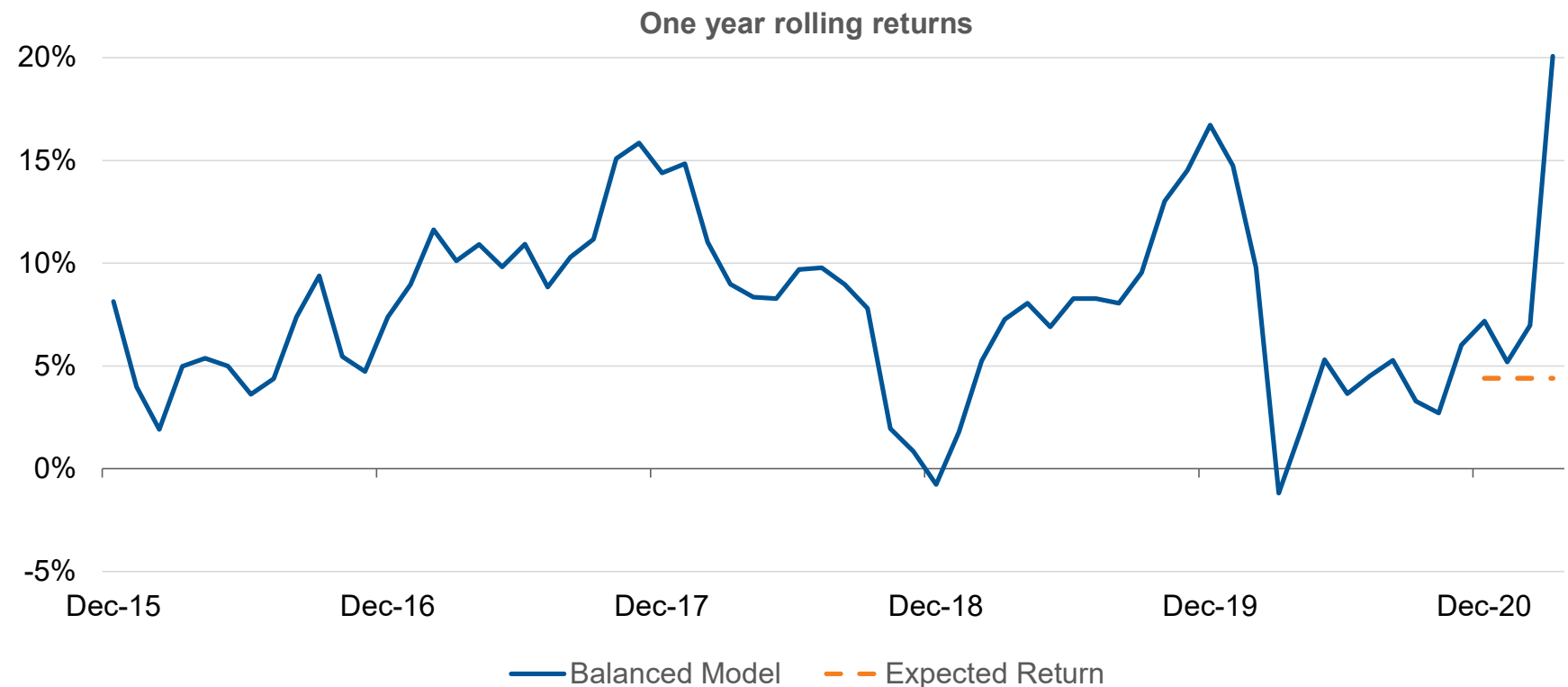
**Kevin Turner, CFA**  
Head of Investment Strategy & Solutions  
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May 2021



# We have been paid

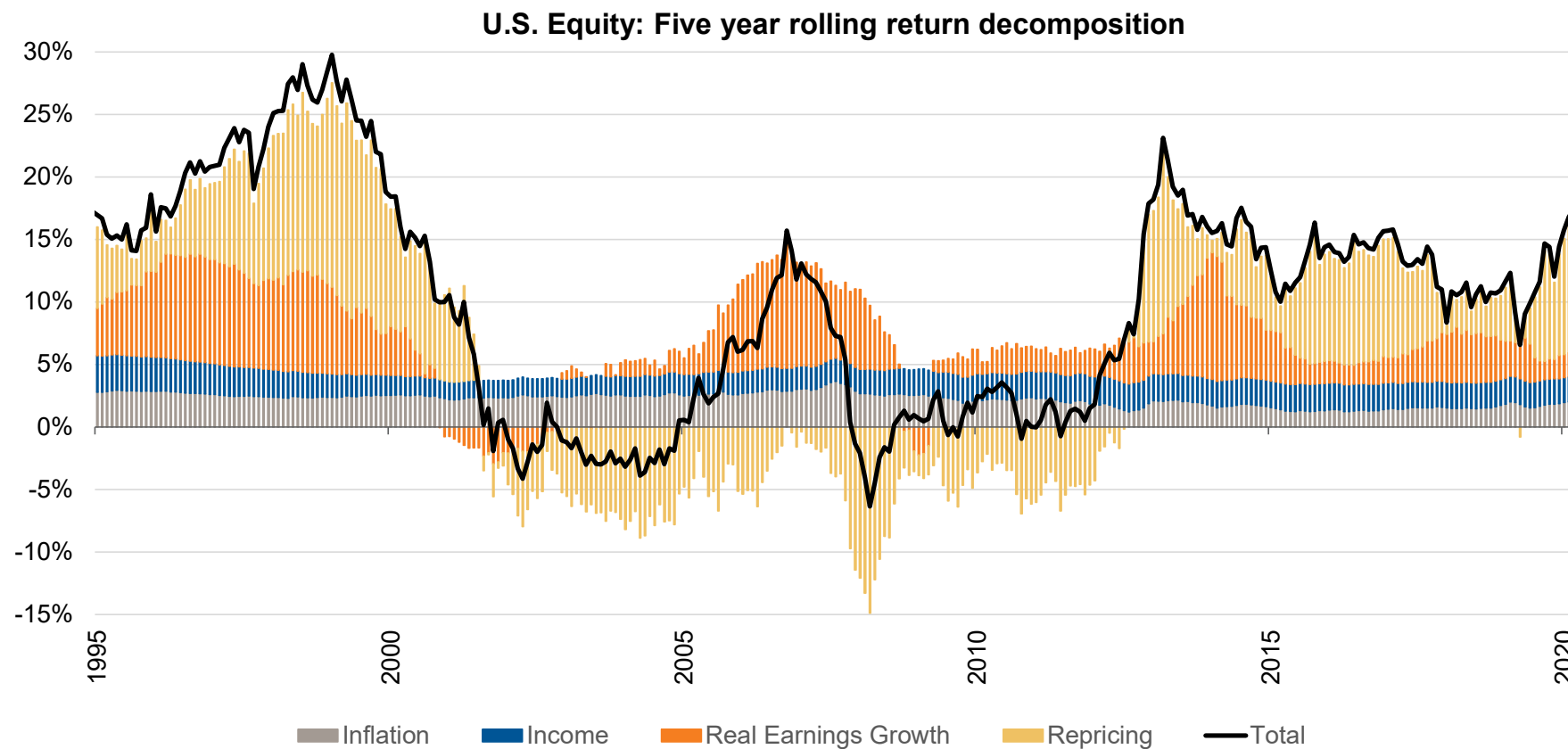
## Recent returns for Russell Investments' Balanced Model



Source: Actual Returns for Russell Investments' Balanced Model (50% growth, 50% fixed income). Net of fees.  
Expected return based on Strategic Planning Forecasts as of December 2020. Ten-year horizon.

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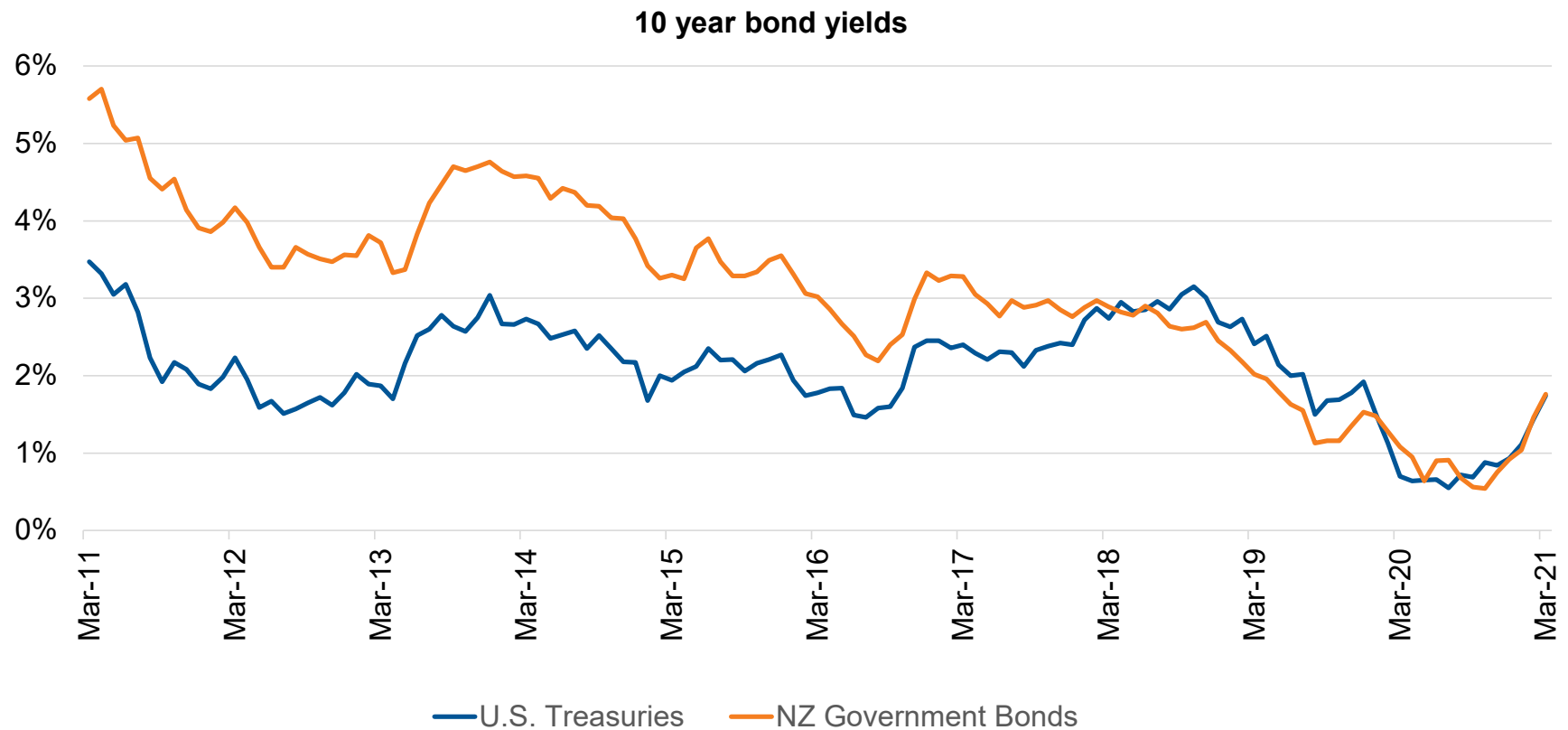
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Source: U.S Equity represented by MSCI U.S. Large and Mid Cap Index.

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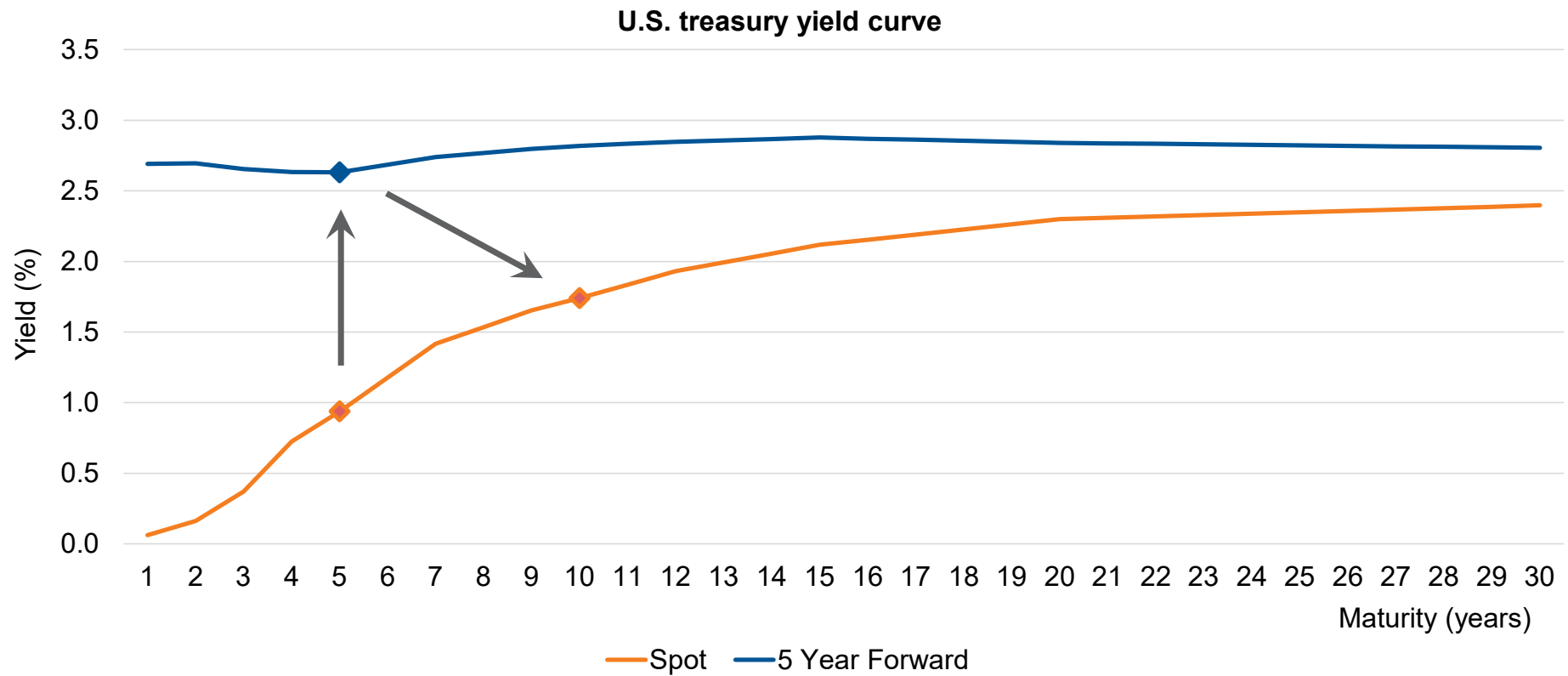
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	HISTORICAL	TODAY
Total return	✓✓	Limited
Income	✓	Limited
Diversification	✓	✓
Tail risk protection	✓✓	✓



# Expectations matter

It is not sufficient to think rates will rise

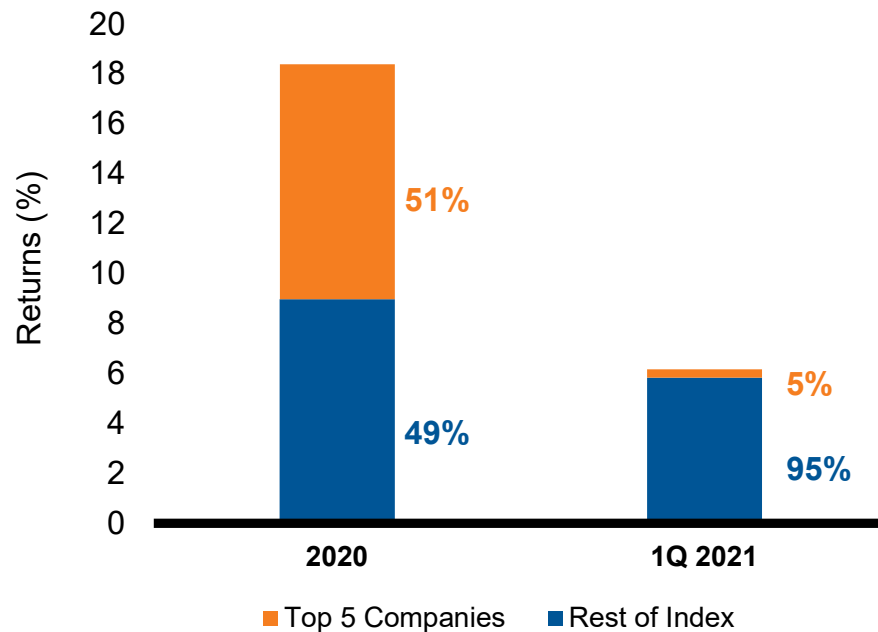


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# Looking to increase growth assets?

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## Contributors to U.S. equity returns



## And, by the way...

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**Significant demand for private markets...**

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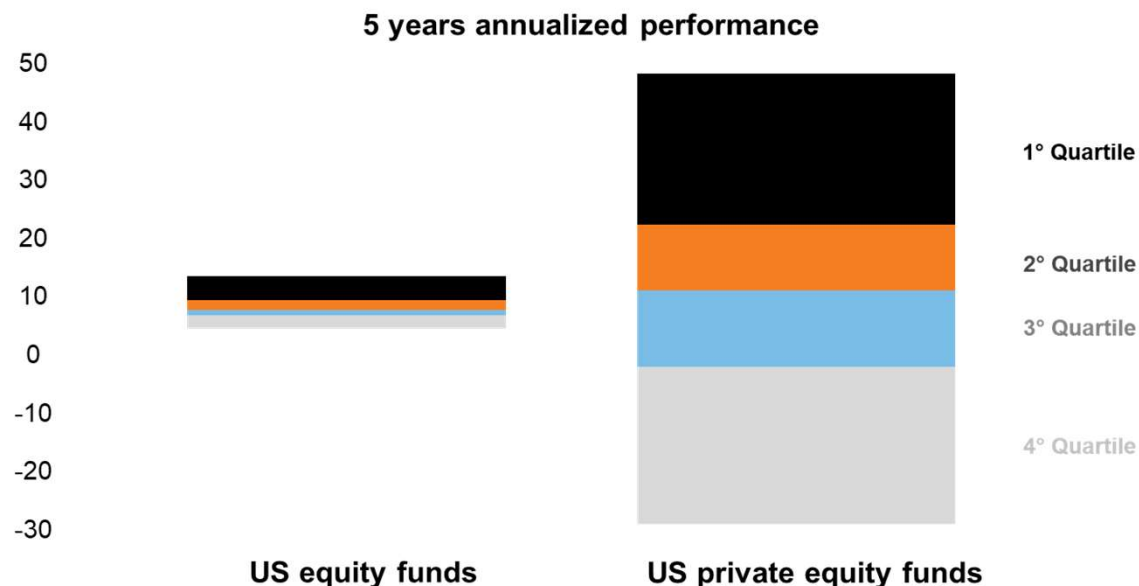
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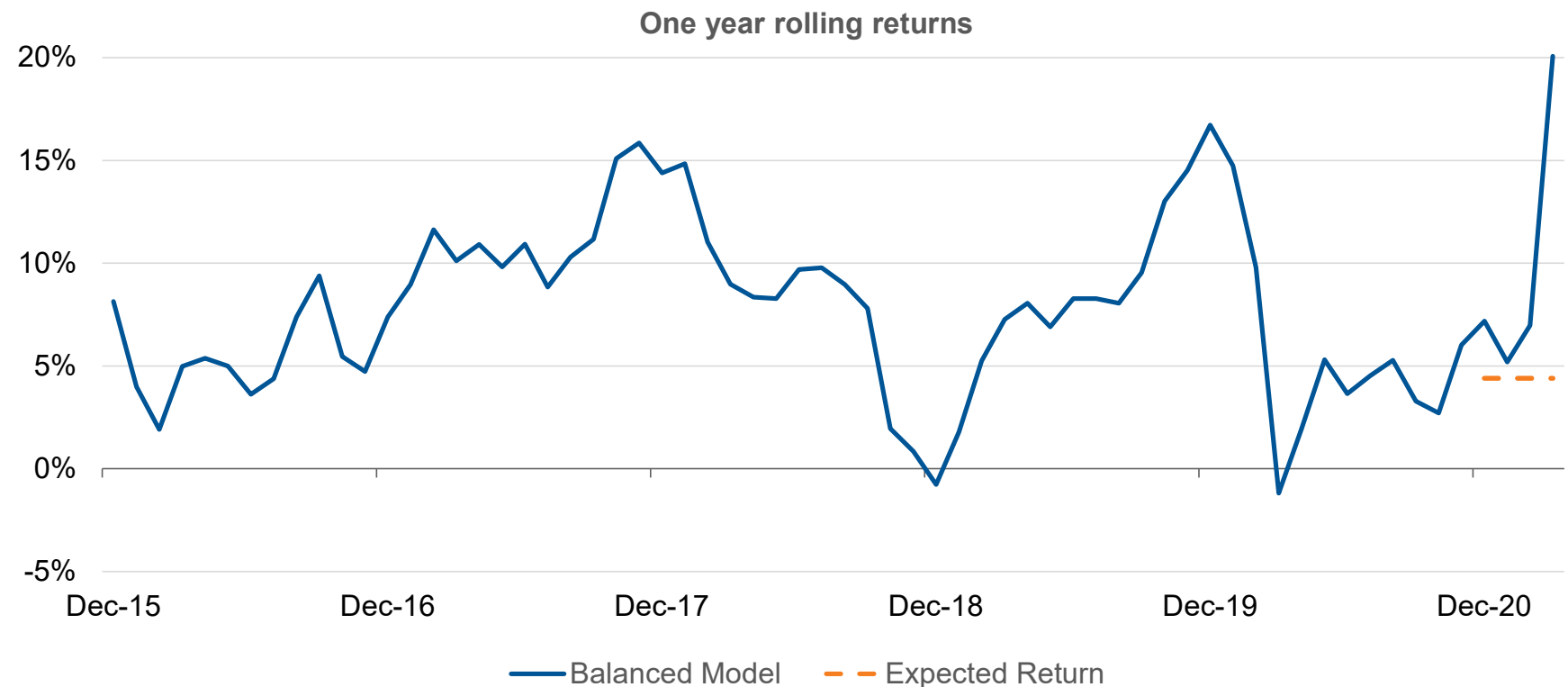
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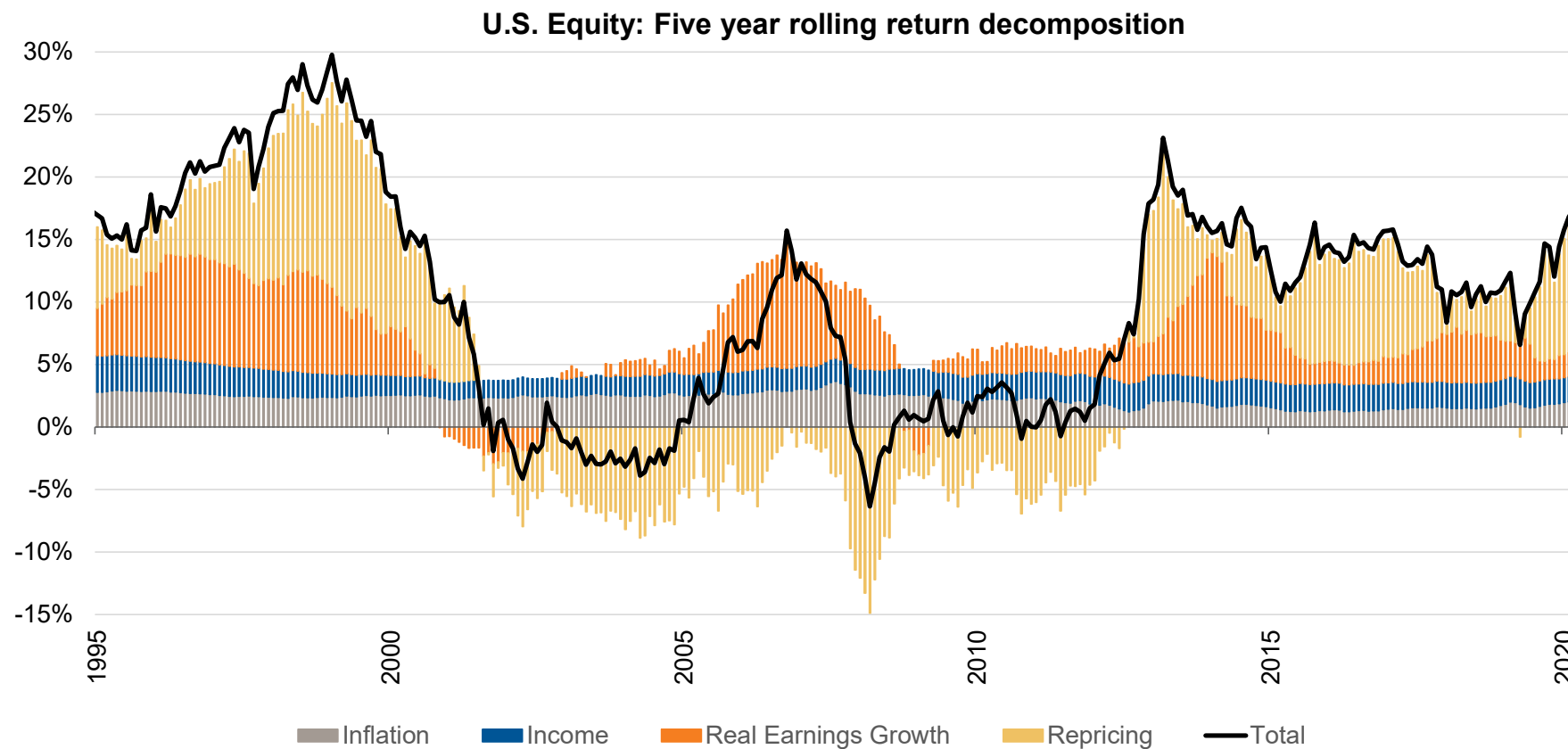
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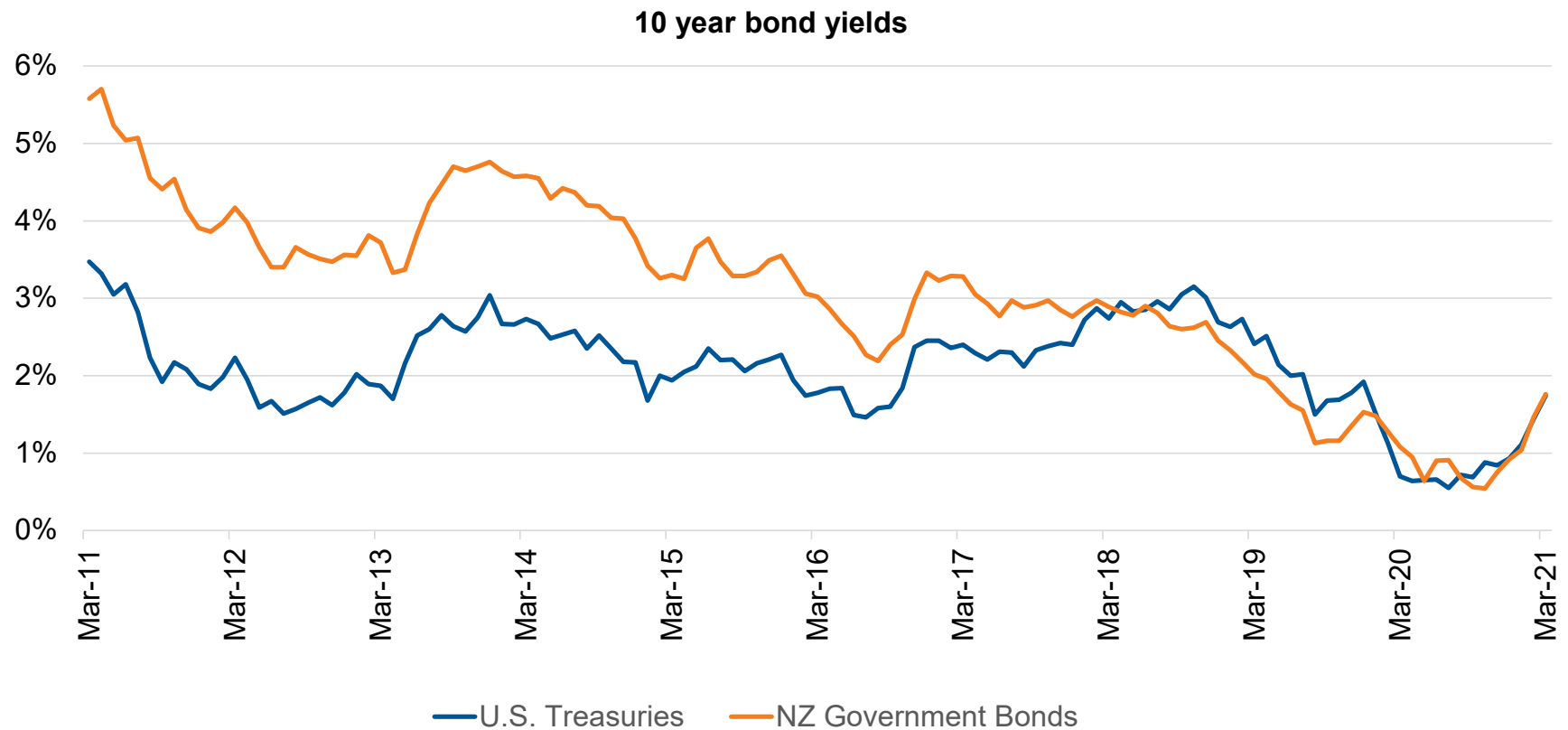
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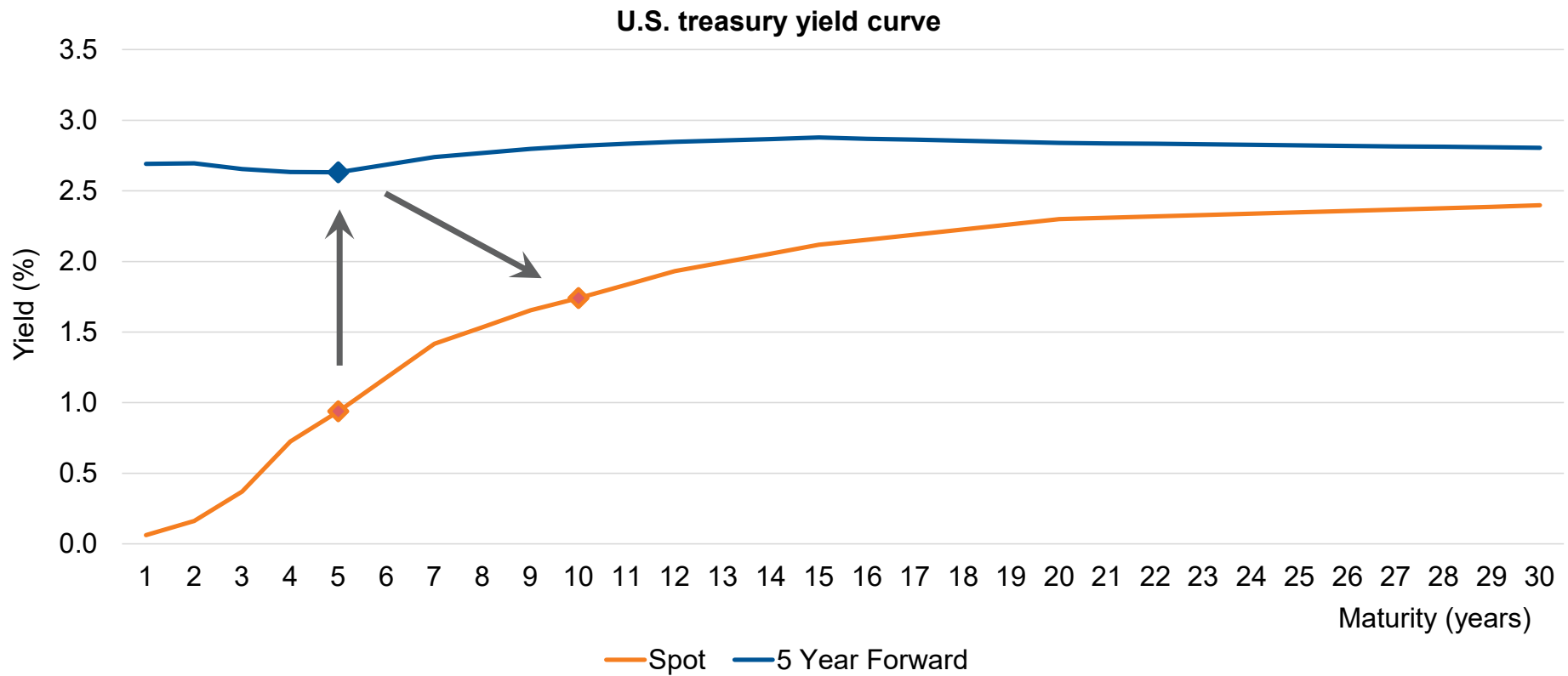
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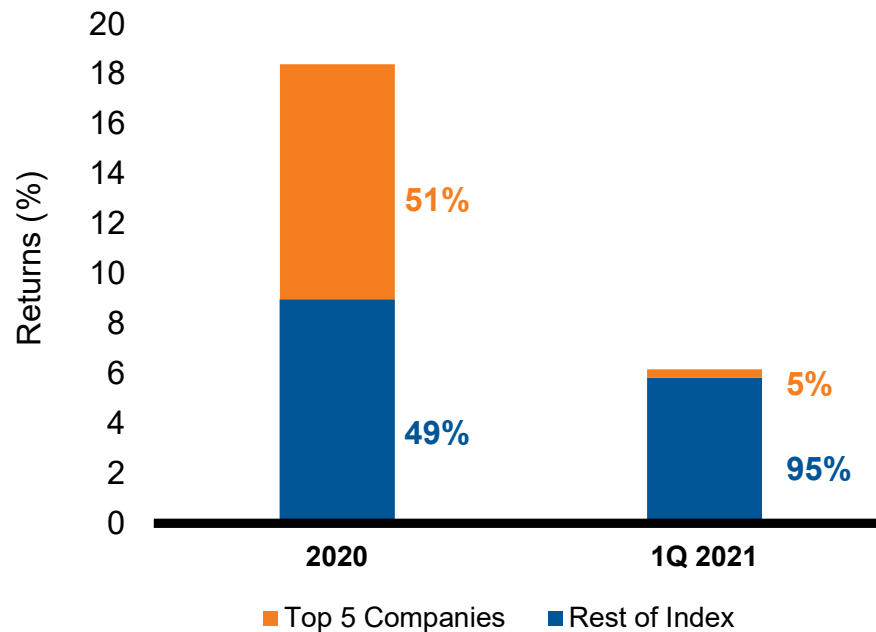
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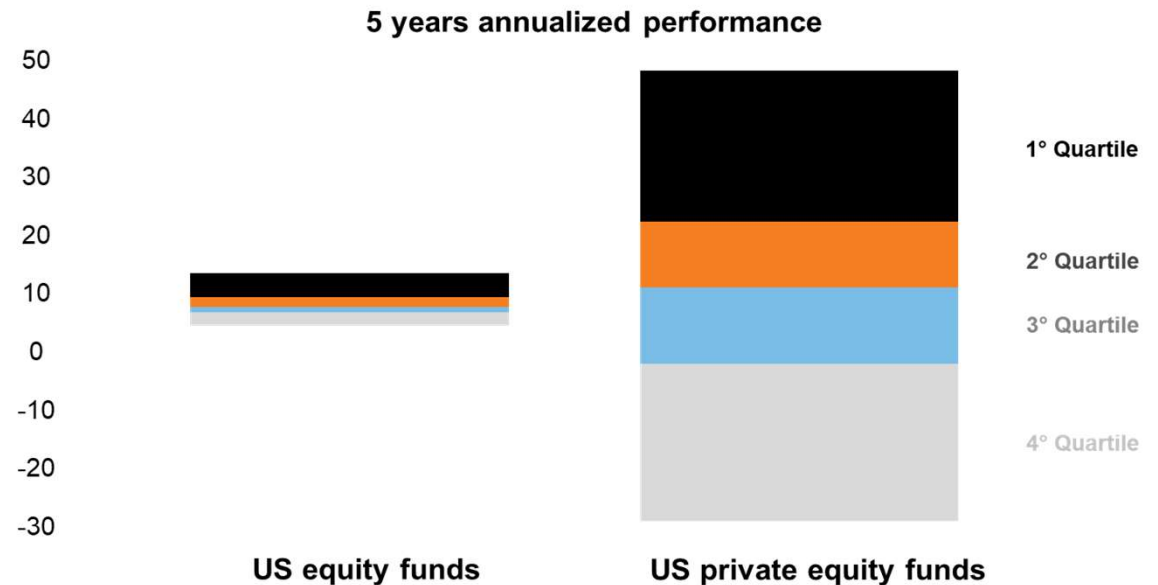
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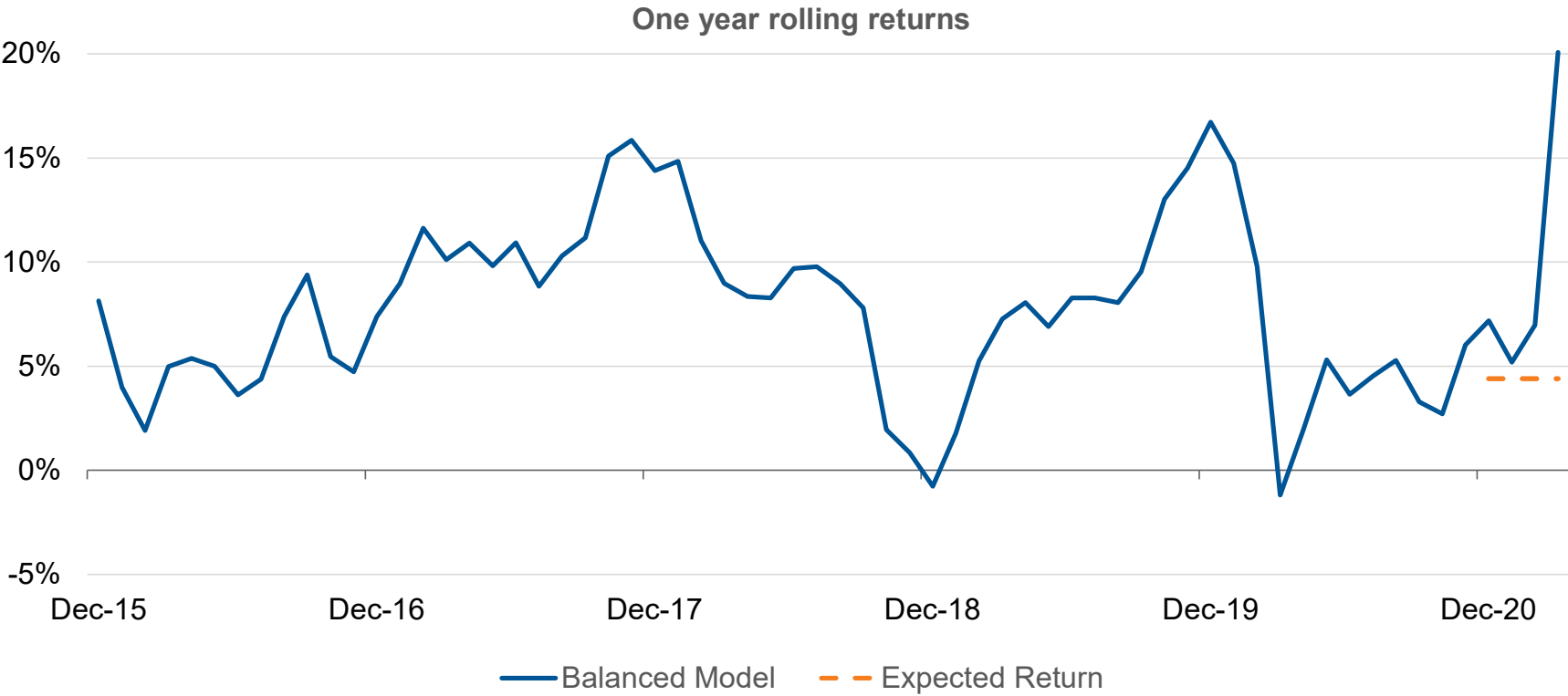
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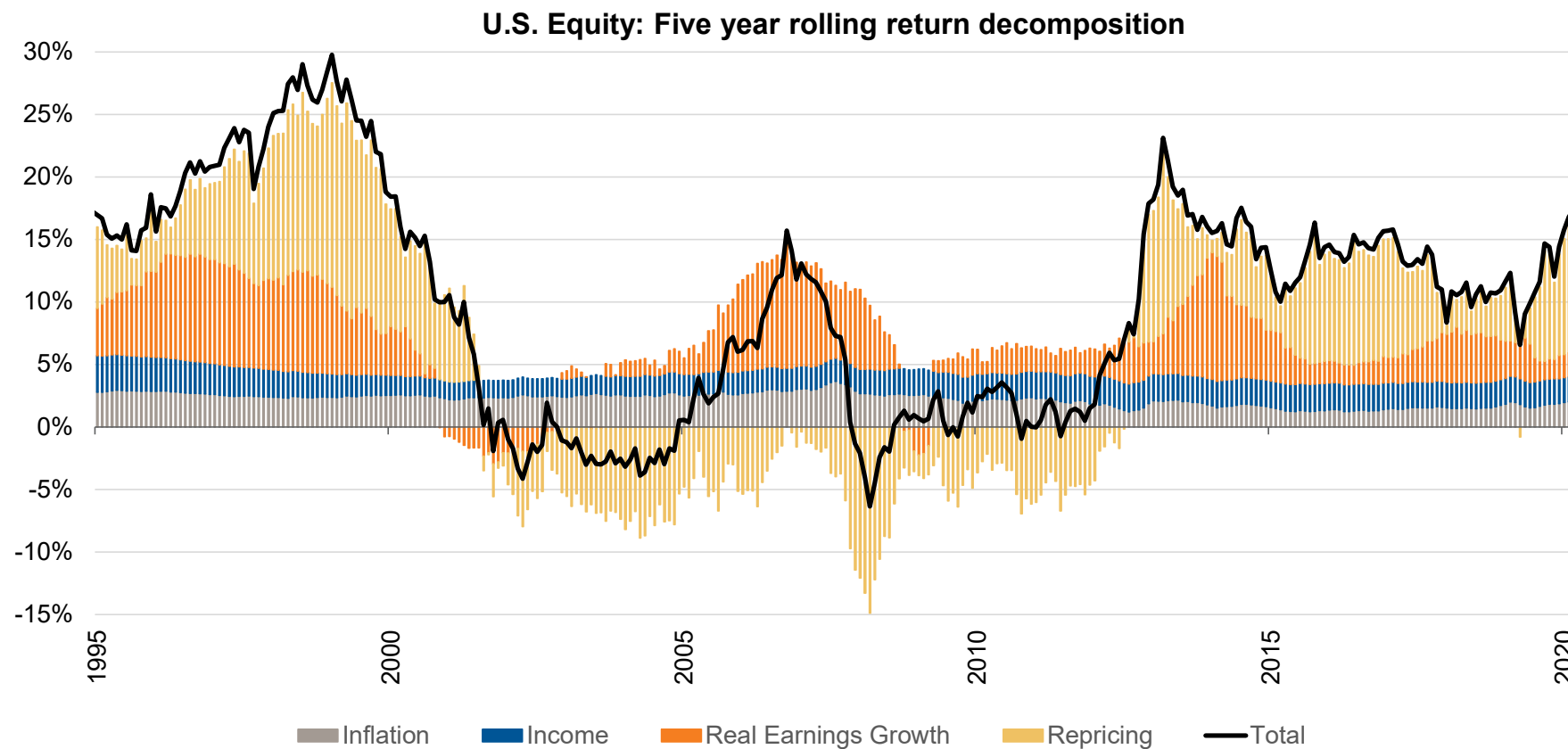
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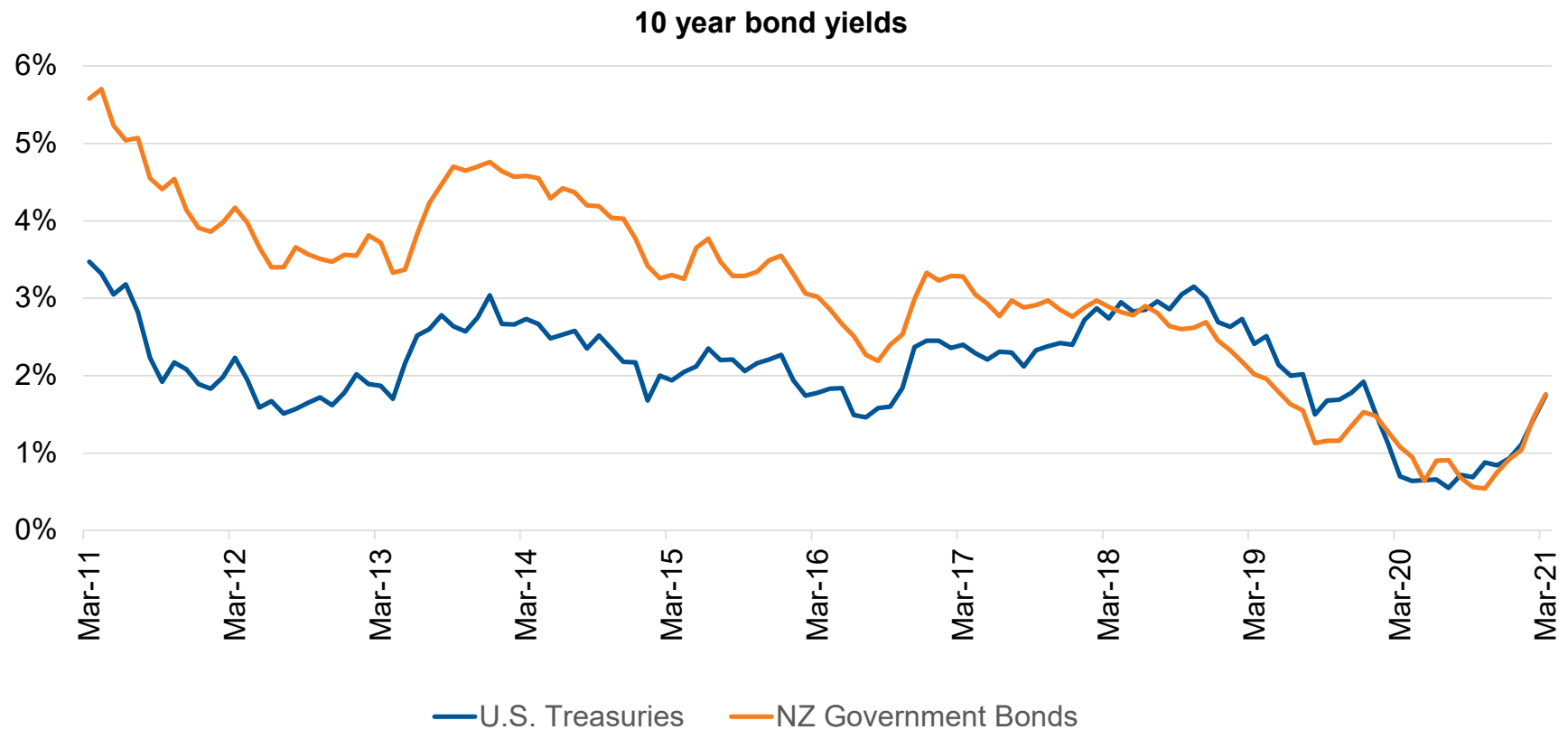
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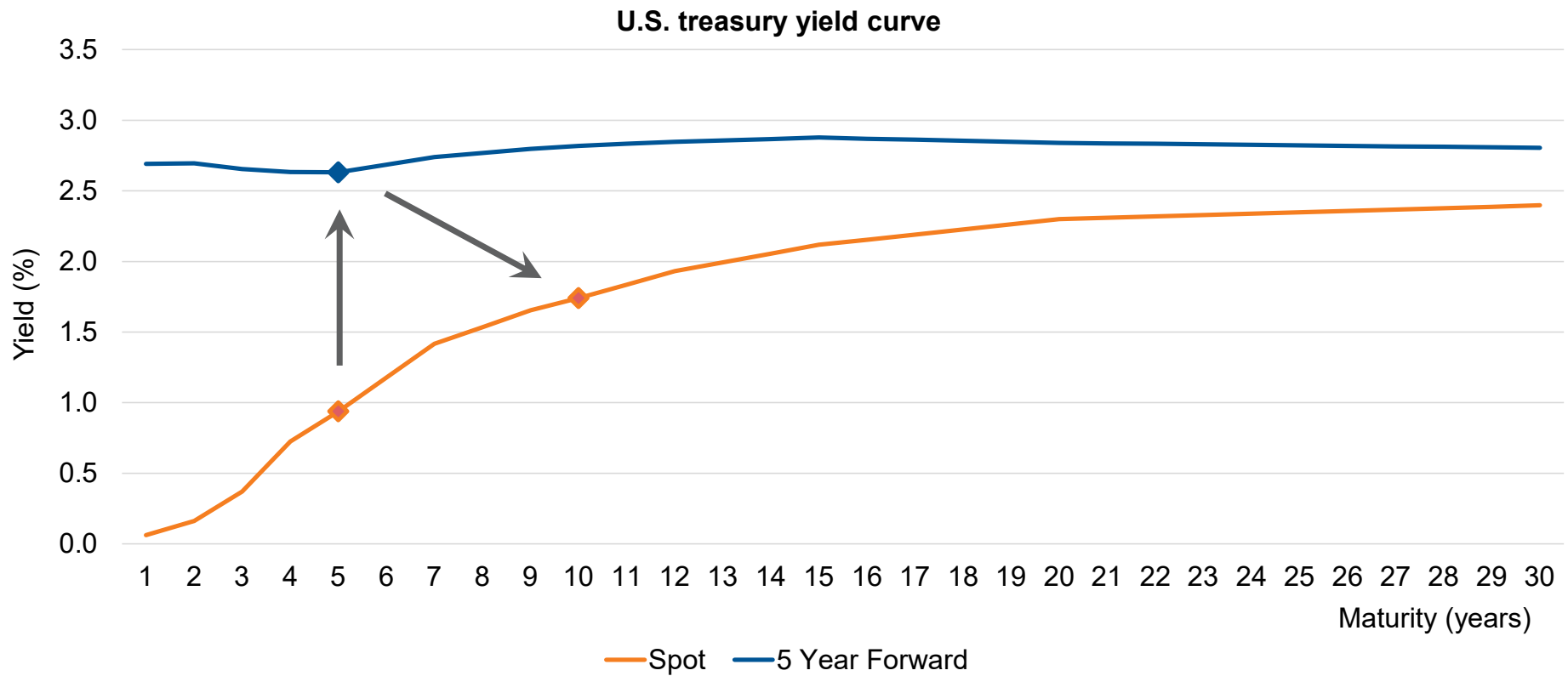
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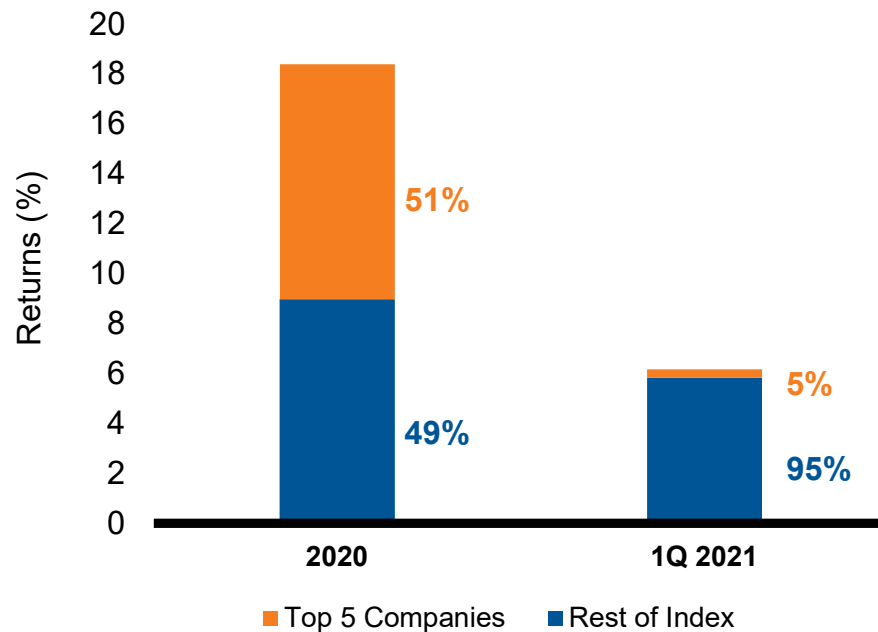


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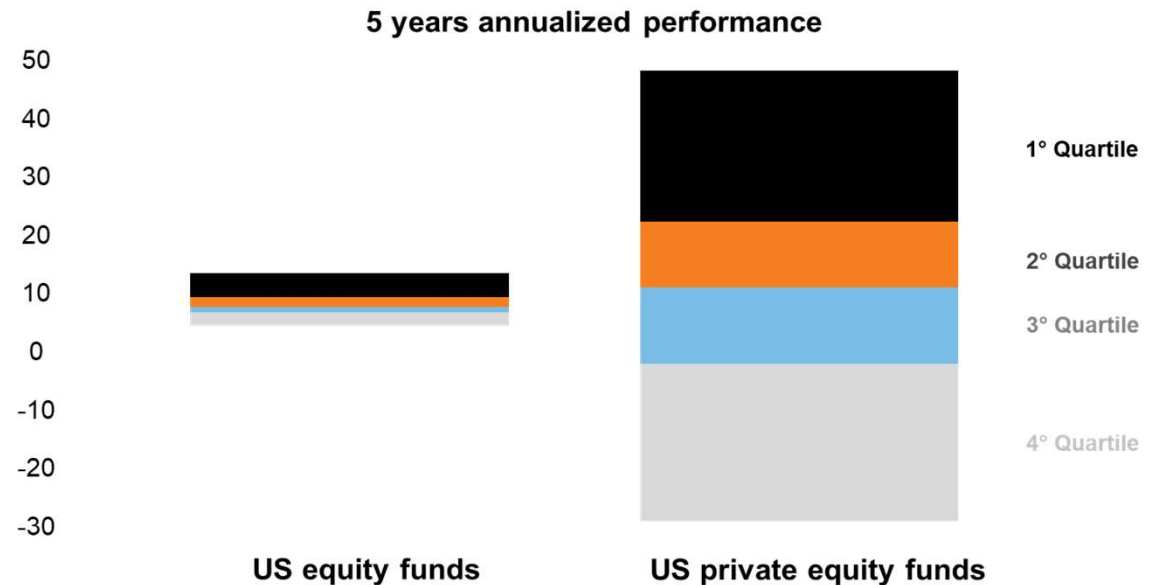
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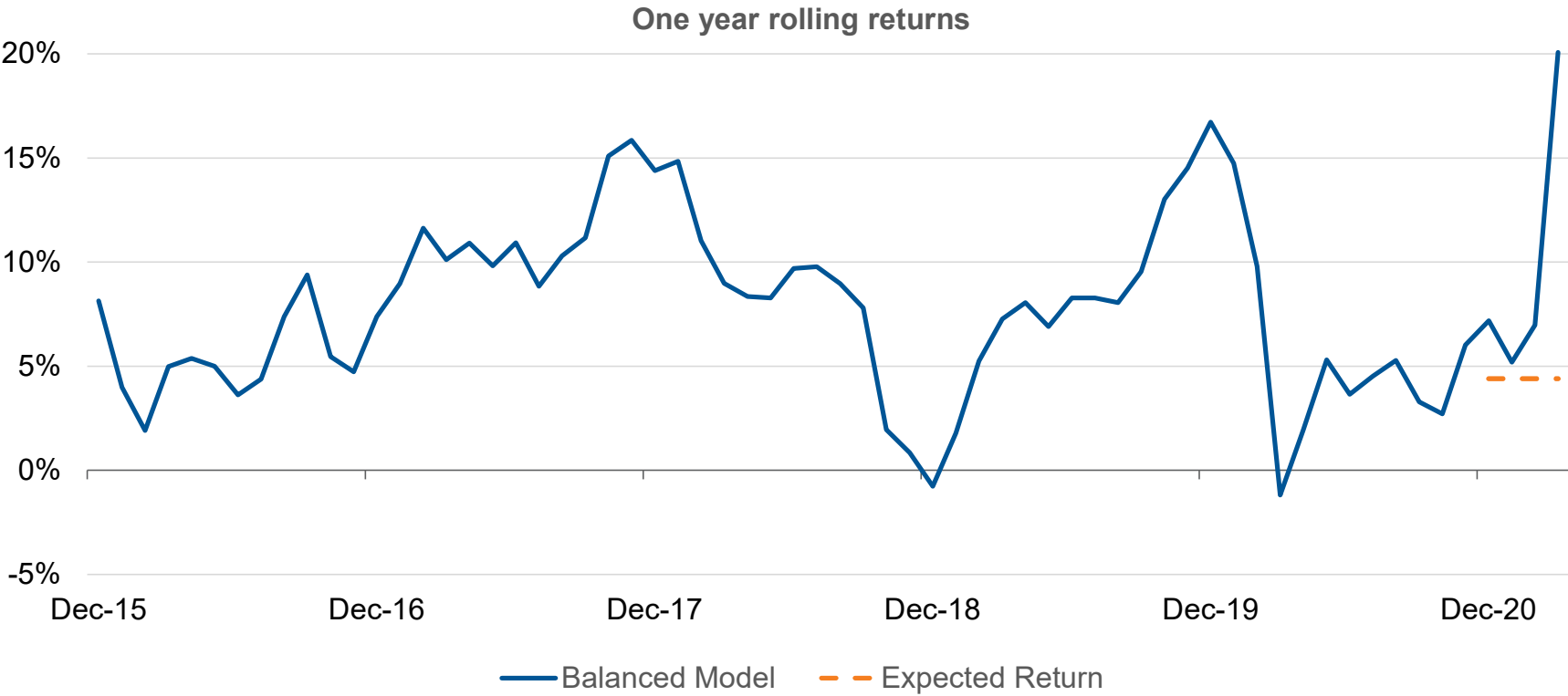
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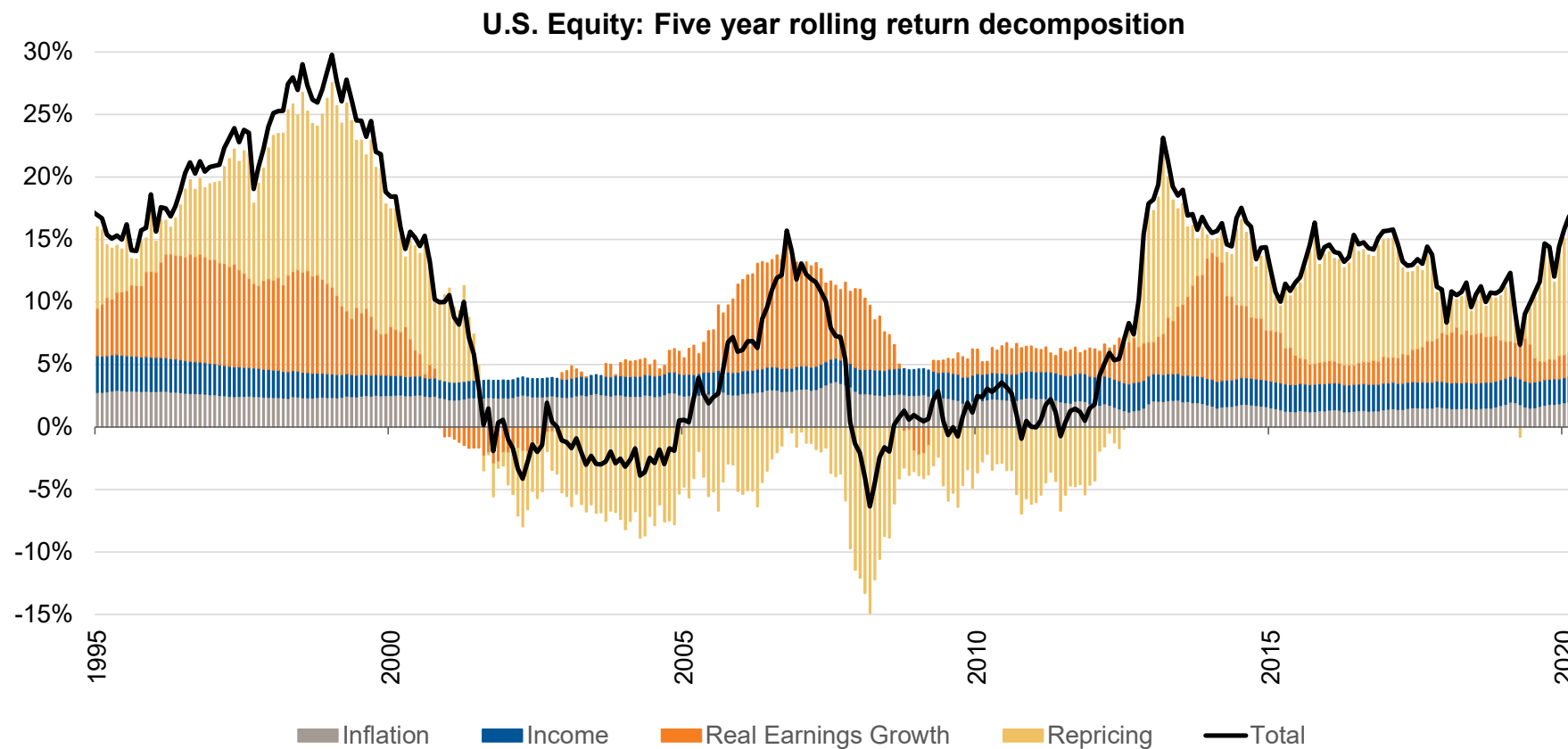


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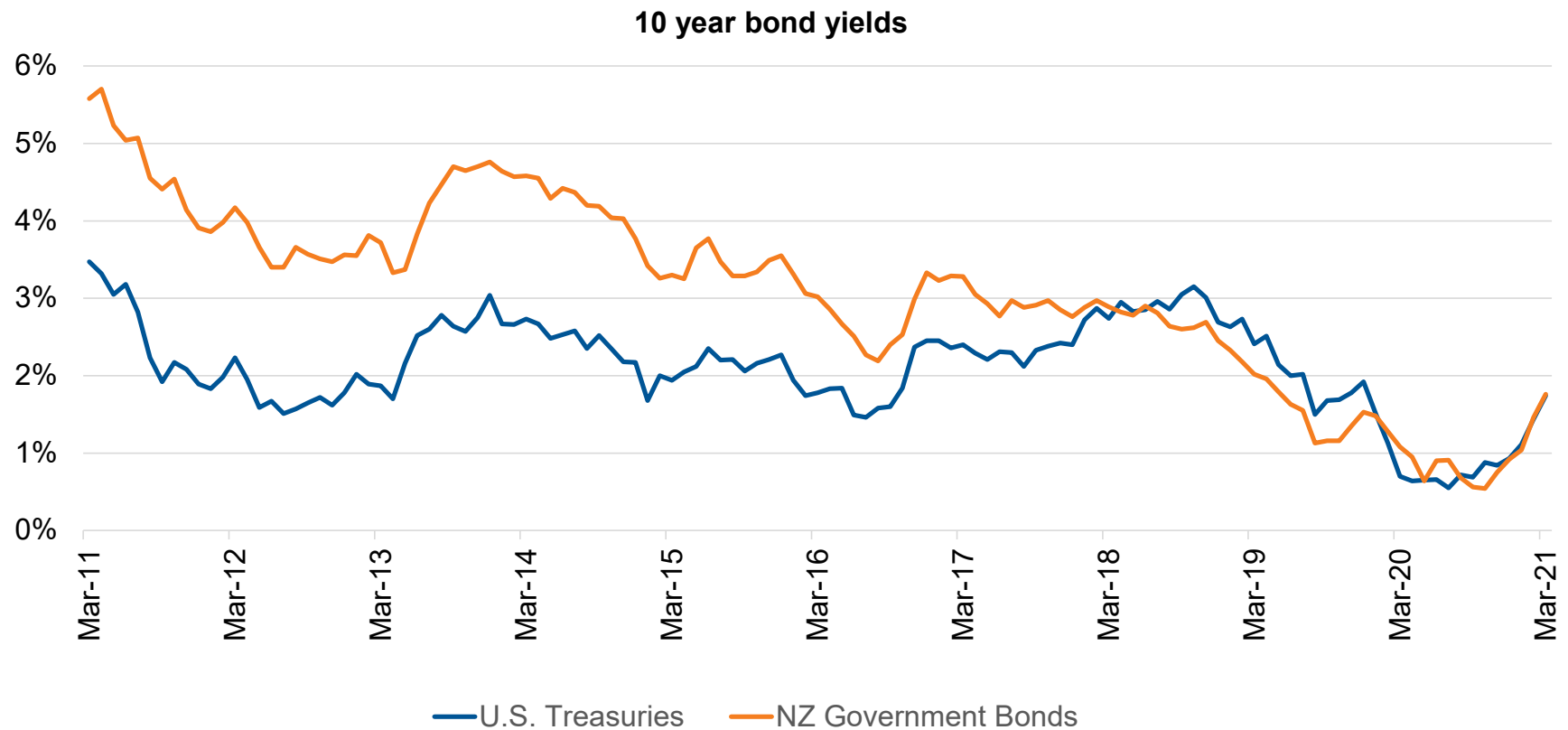
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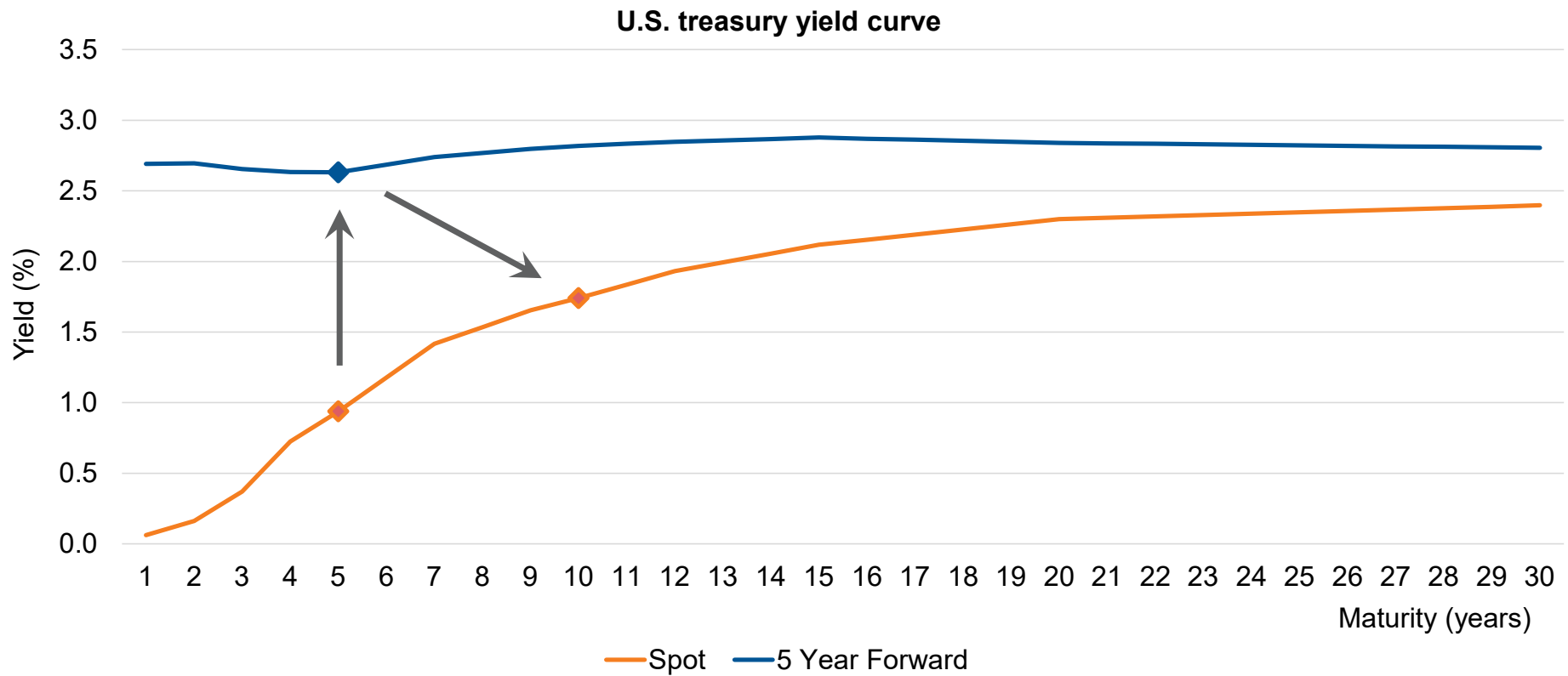
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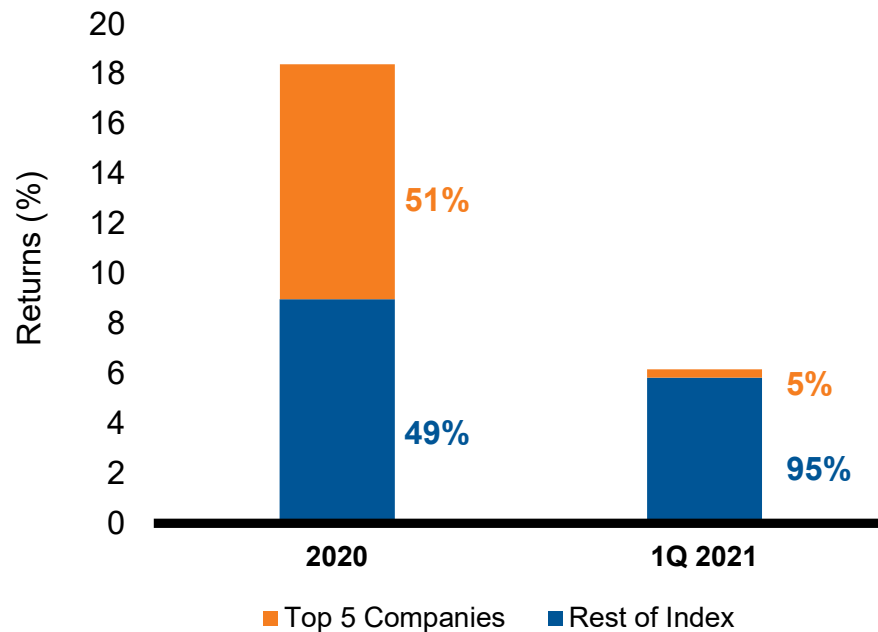


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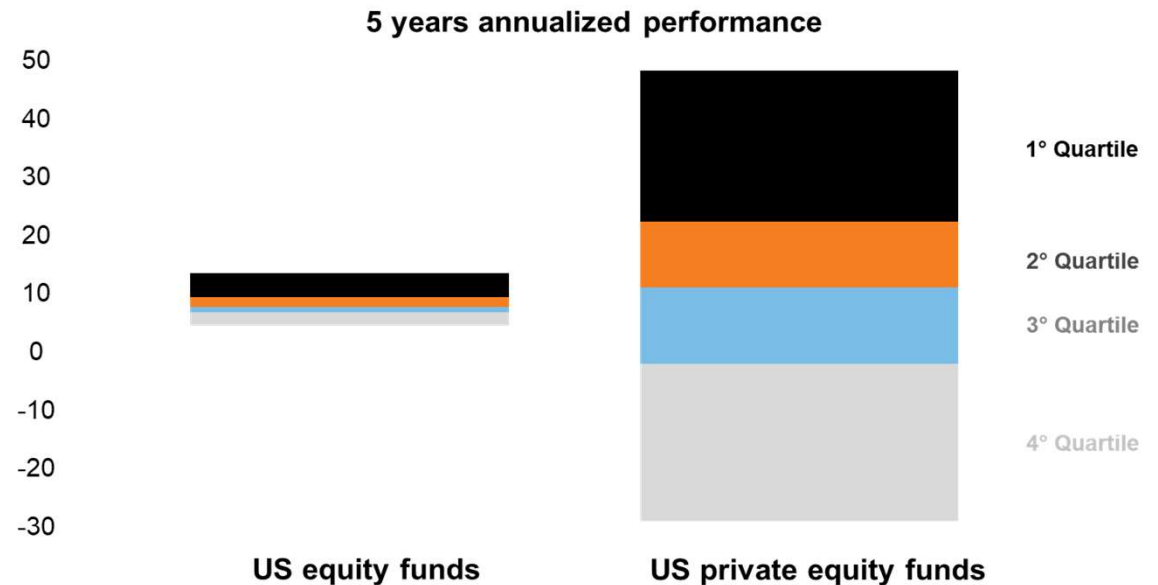
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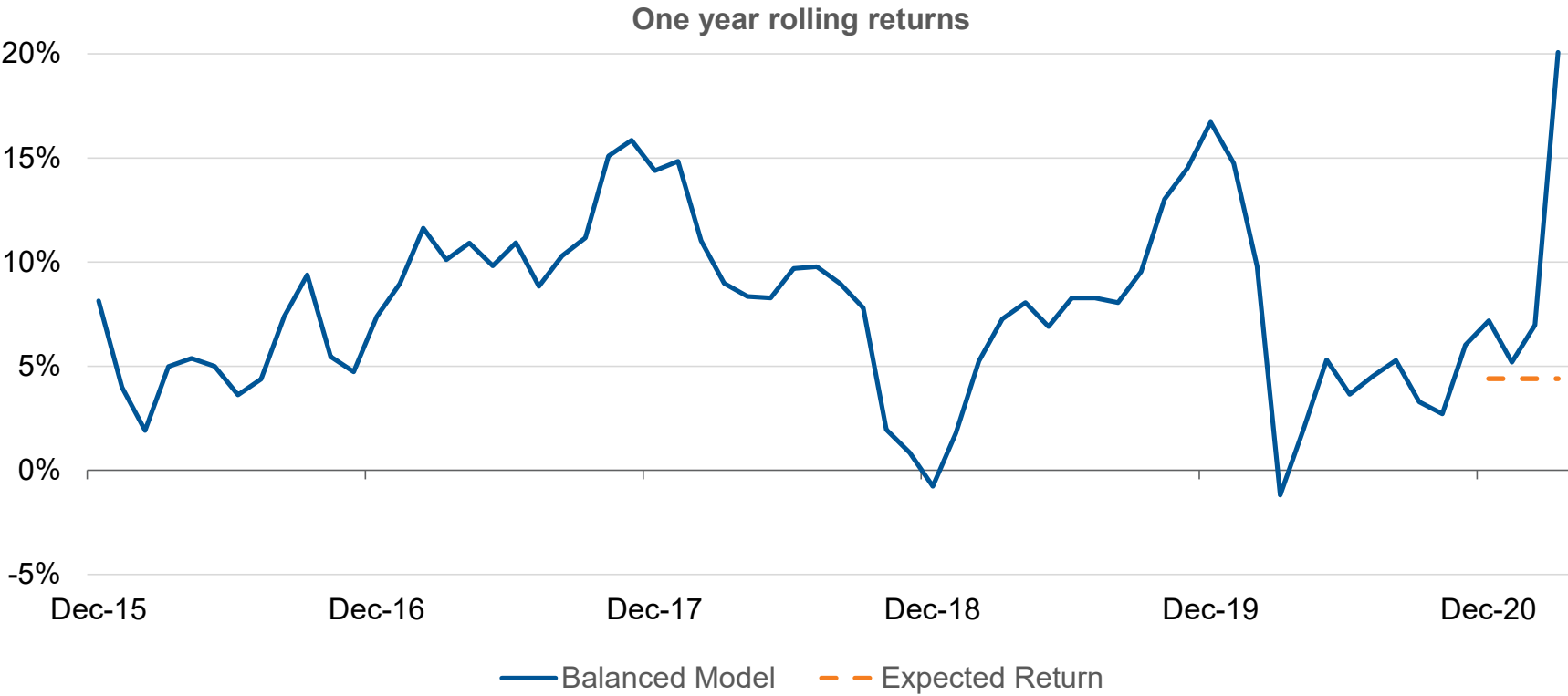
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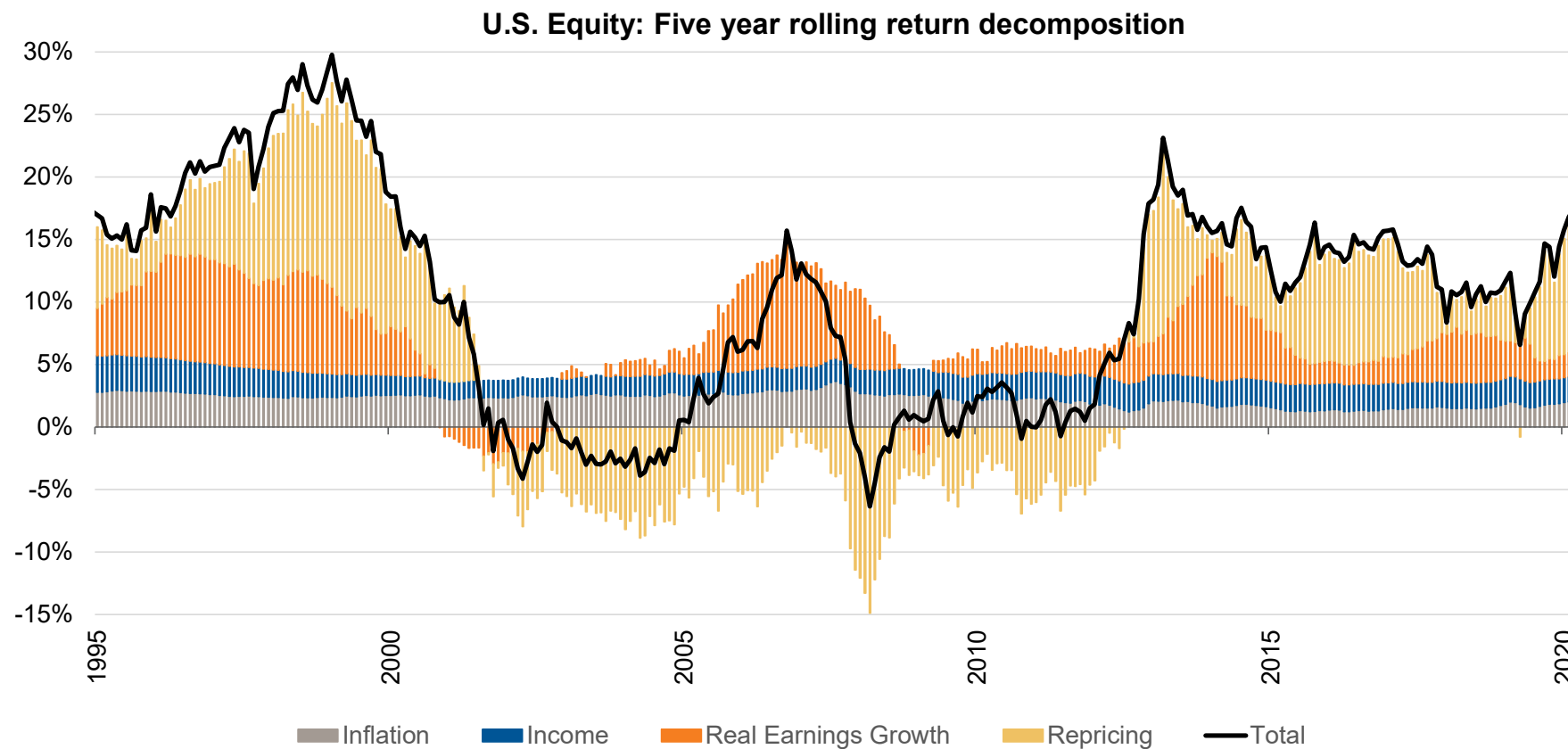
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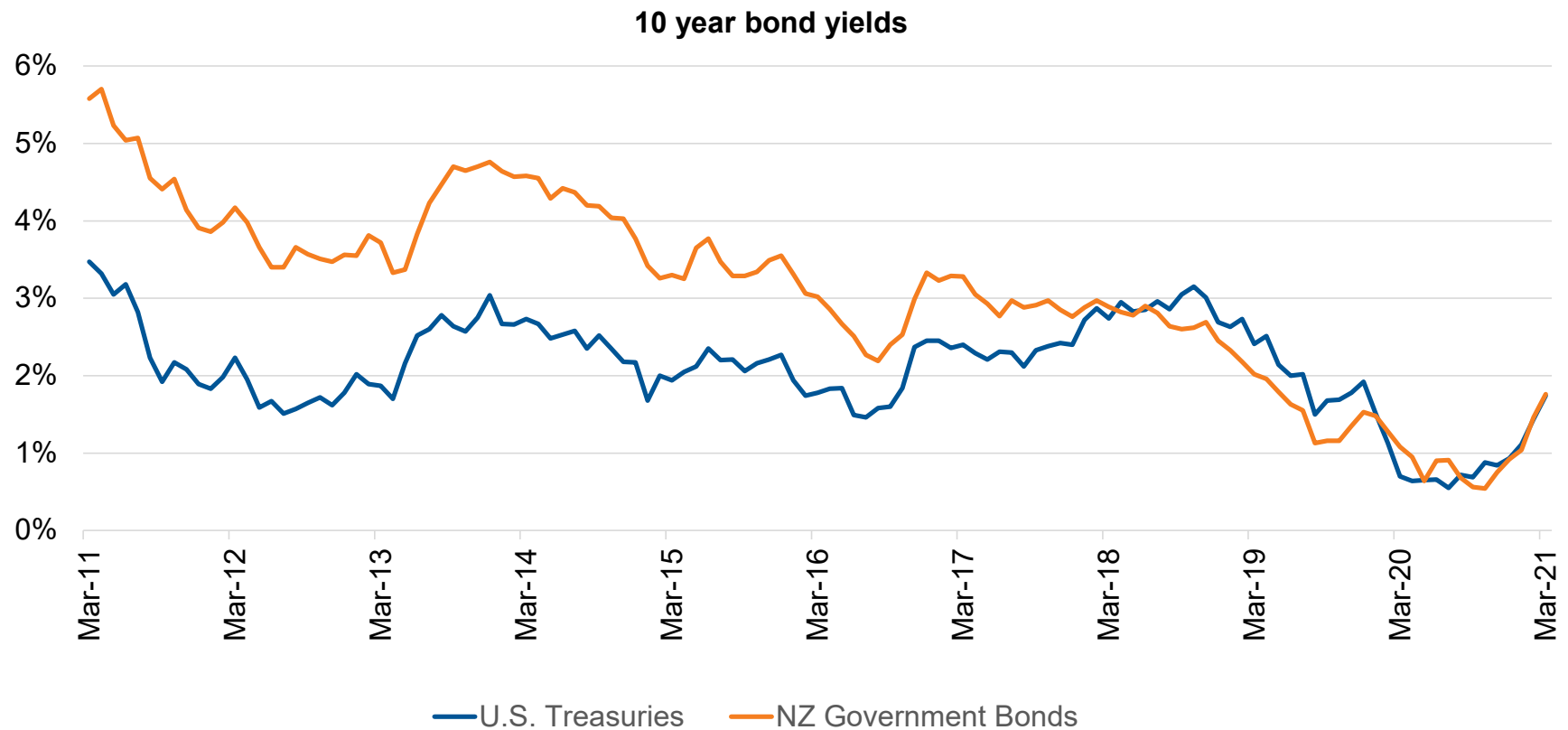
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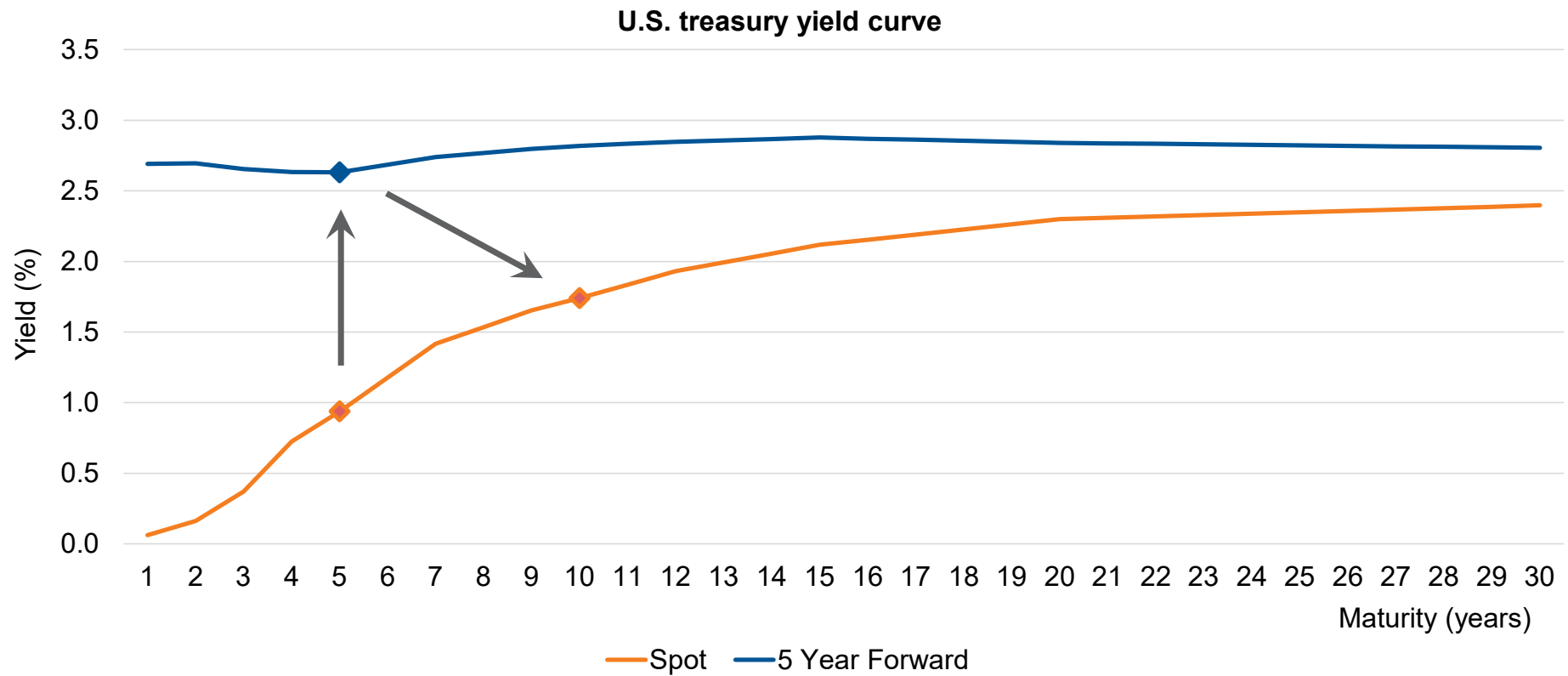
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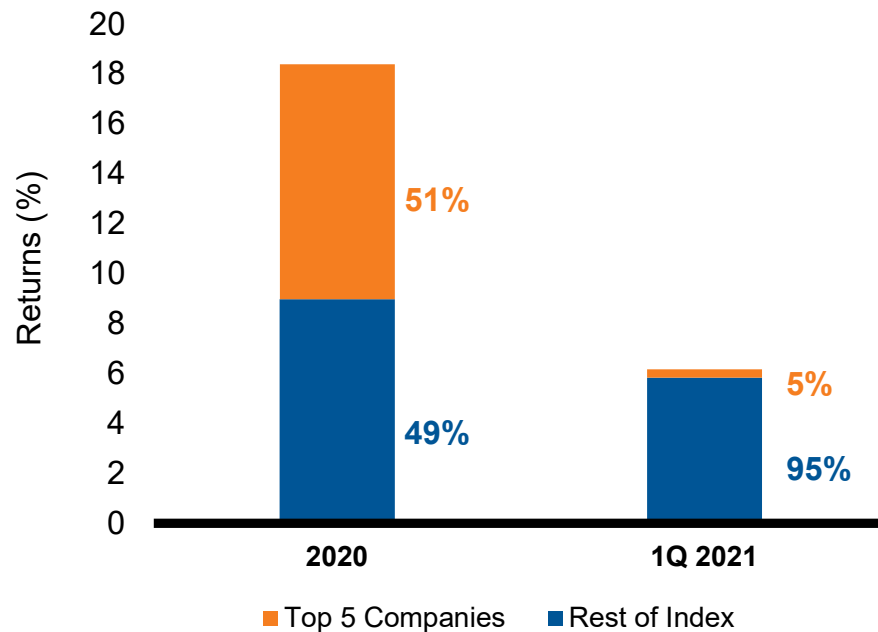


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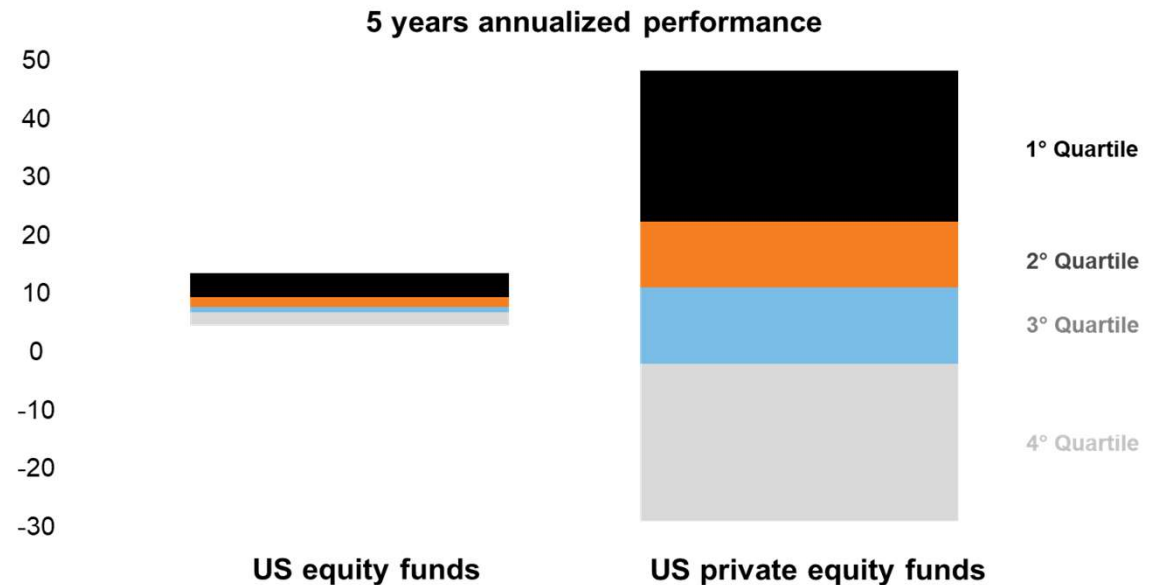
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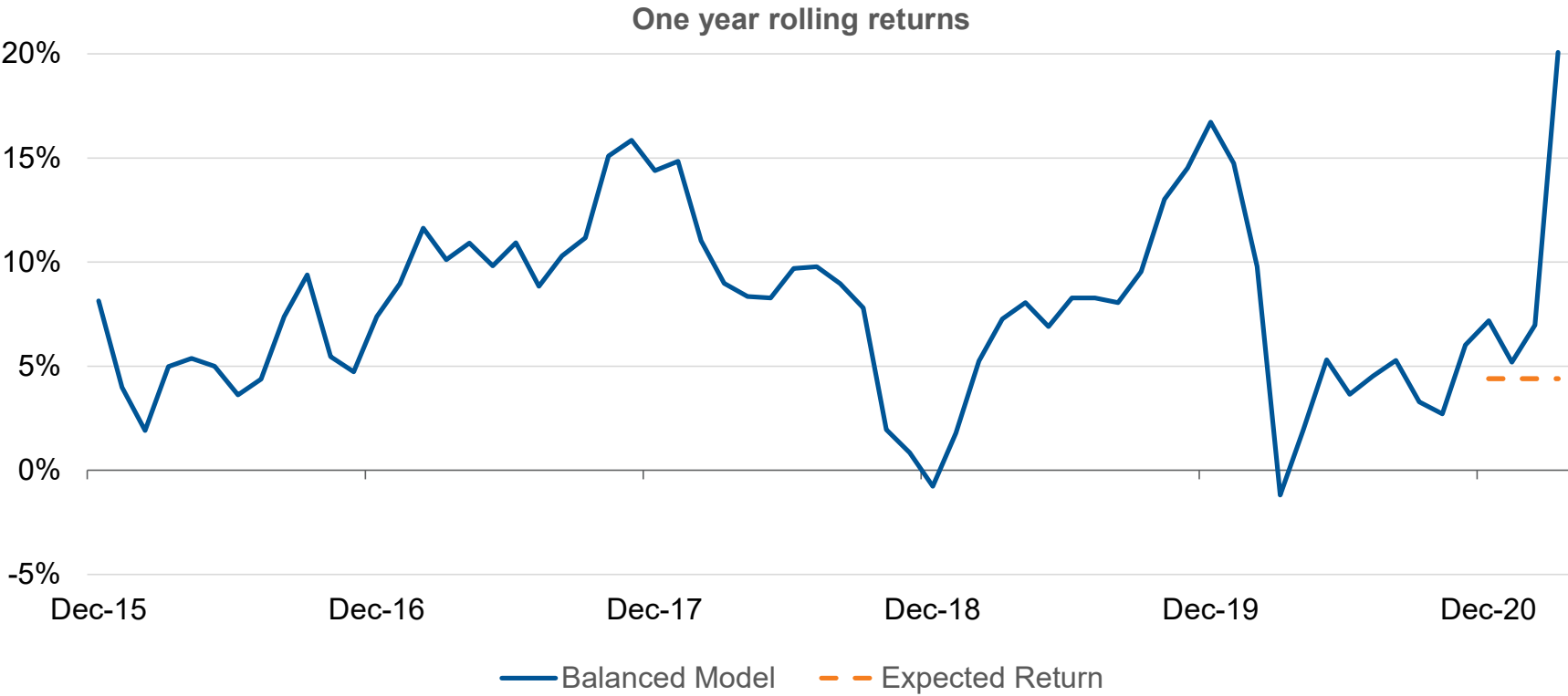
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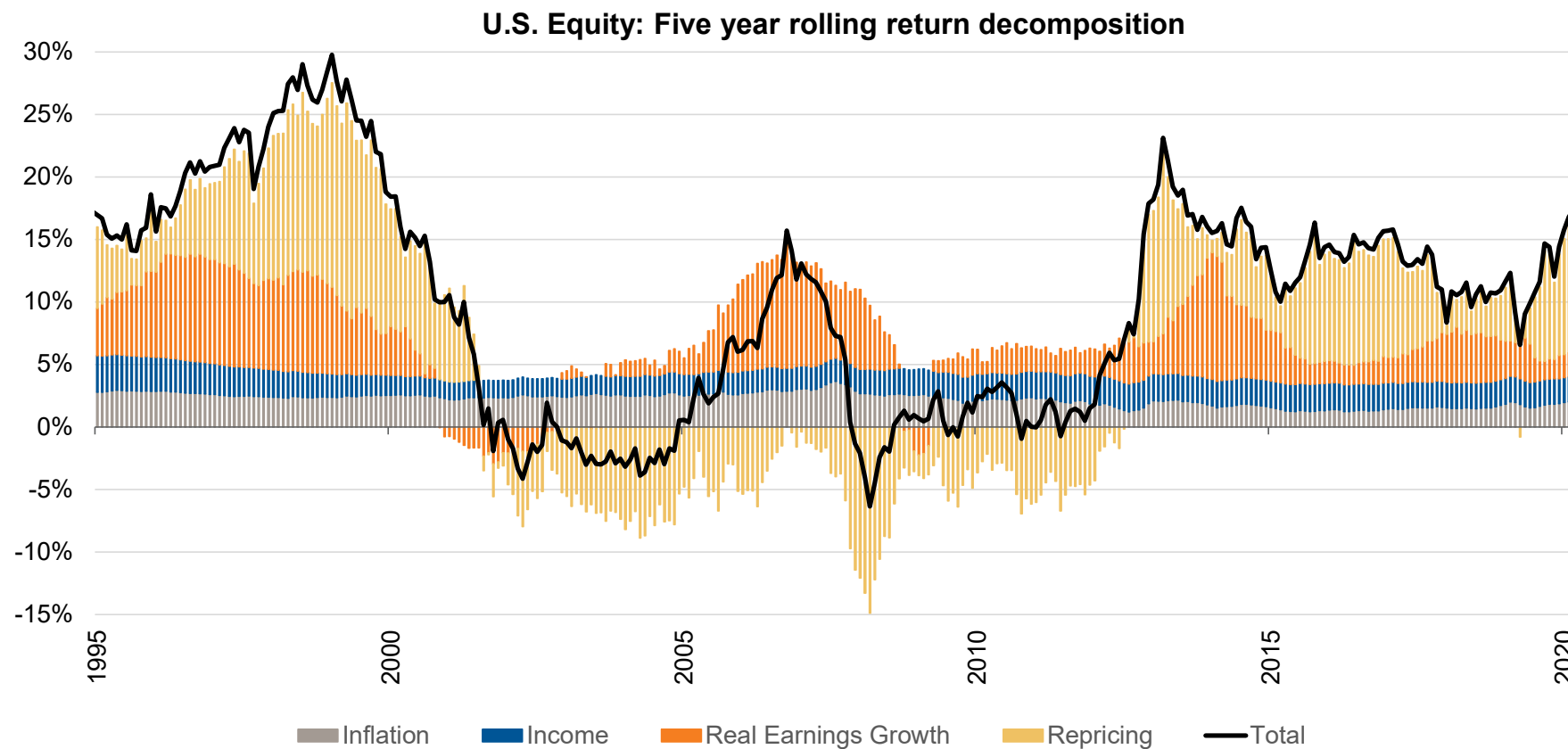
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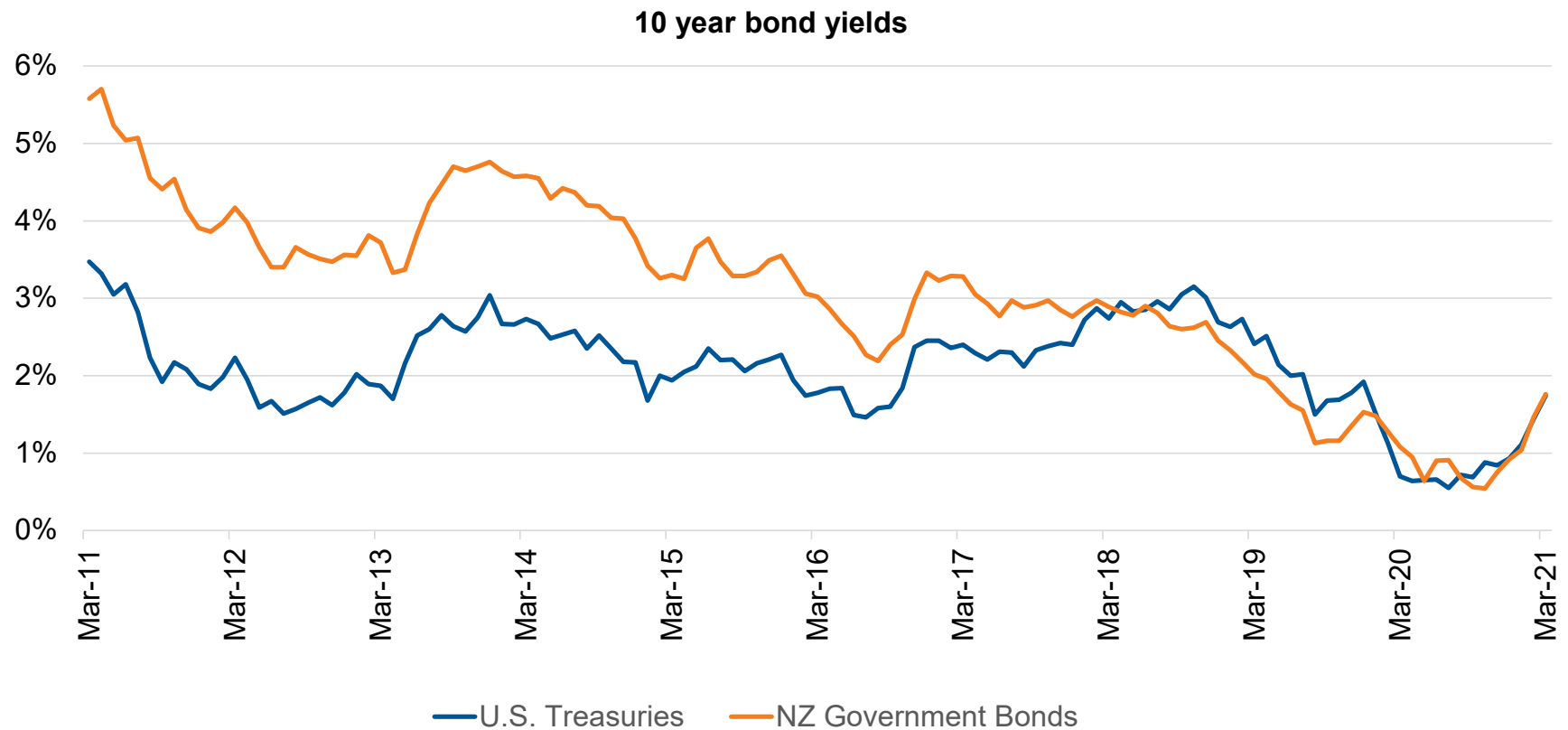
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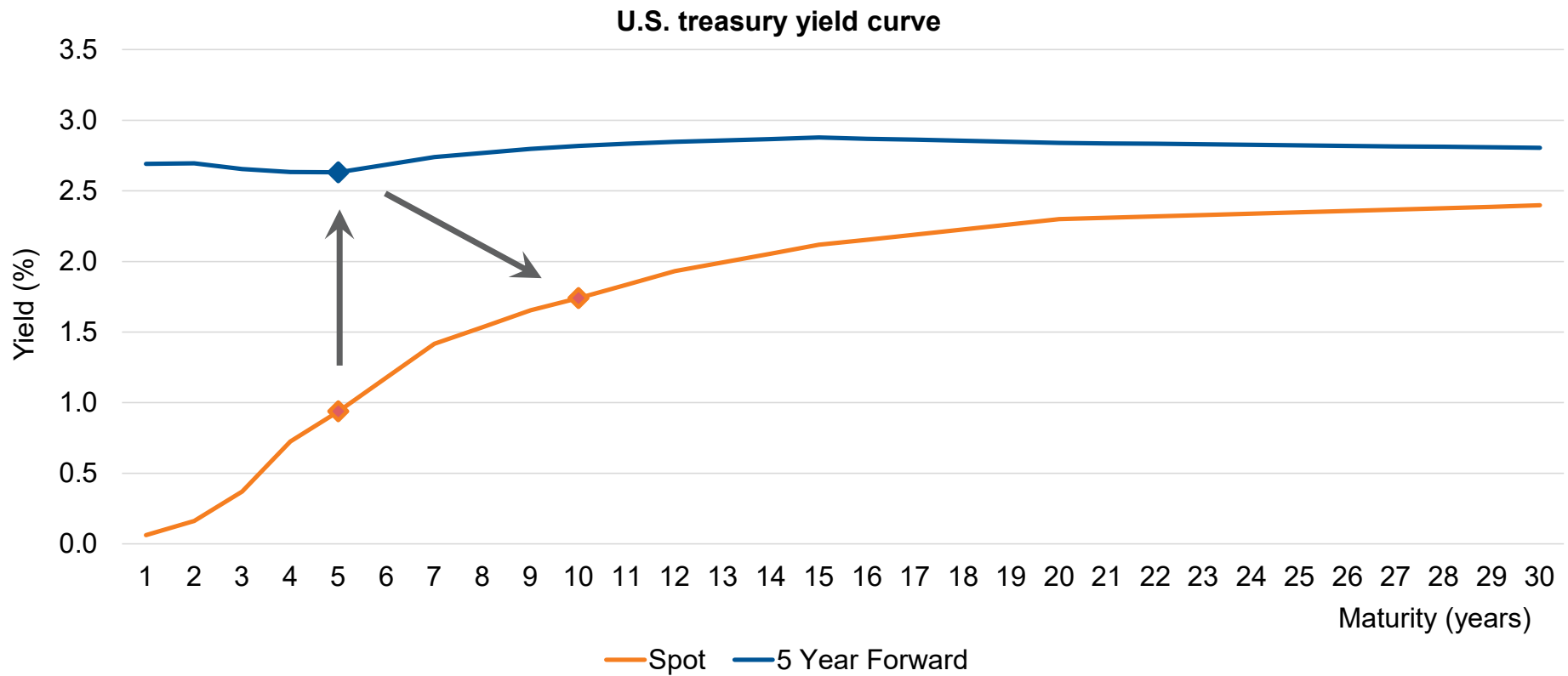
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Total return	✓✓	Limited
Income	✓	Limited
Diversification	✓	✓
Tail risk protection	✓✓	✓



# Expectations matter

It is not sufficient to think rates will rise



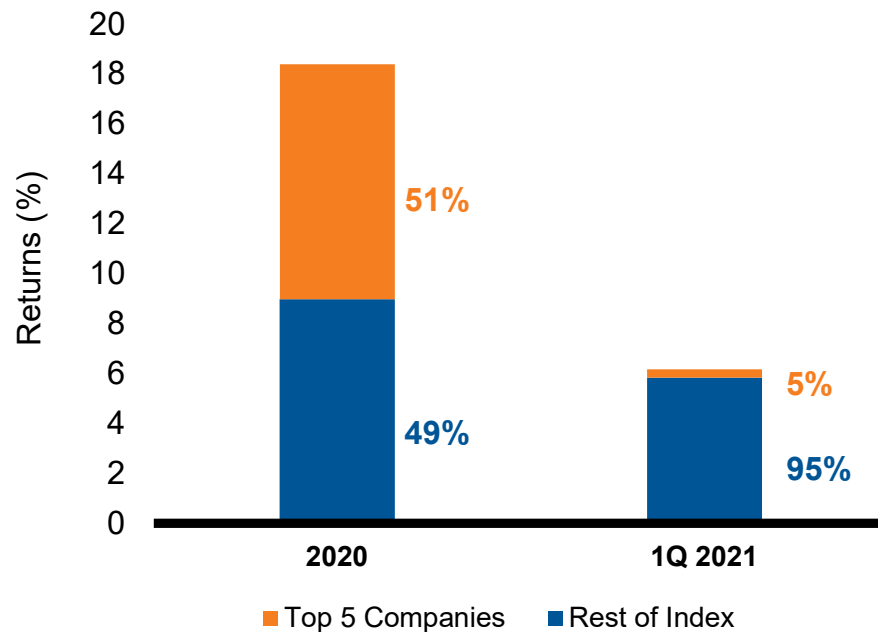
Source: U.S. Treasury yields as of March 31, 2021



# Looking to increase growth assets?

Mitigate dangers of unmanaged equity exposures

## Contributors to U.S. equity returns



## And, by the way...

In the U.S., the top 5 companies represent ~21% of the S&P 500 Index

In NZ, the top 5 companies represent ~38% of the NZX 50

Source: U.S Equity returns reflect S&P 500 Index. S&P500 and S&PNZX50 Index composition as of March 31, 2021.

# Private Markets

Requires skilled implementation and access

**Significant demand for private markets...**

## Return requirements

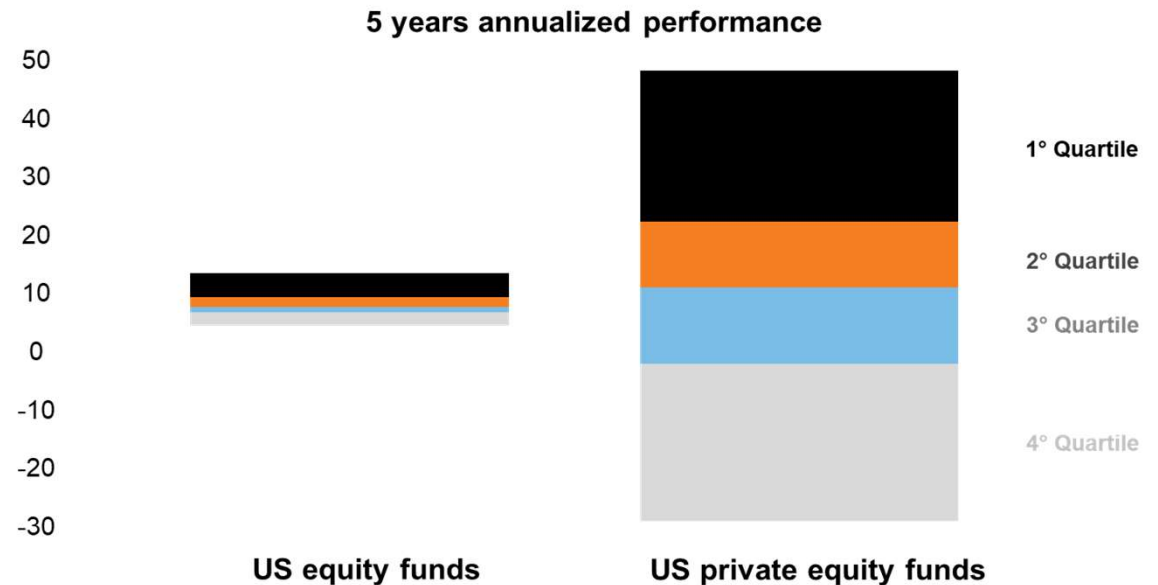
- > Lower interest rates
- > Tighter credit spreads
- > Higher equity valuations



## Market dynamics

- > Public listings shrinking
- > Companies staying private longer
- > Broader opportunity set

**... but simply “allocating” to private markets is not sufficient**




Source: Russell Investments, McKinsey, Morningstar, Burgiss from 31/12/2013 to 31/12/2018. For illustrative purposes only.

# Closing thoughts

Be careful out there

- > Fixed income continues to play a role... even if return dimension is challenged
- > Diversify growth assets... not just equity
- > Active equity... thoughtful exposures vs. index/peer replication
- > Consider private markets... albeit with requisite skill/access



**Thank you.**  
Any questions?

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