

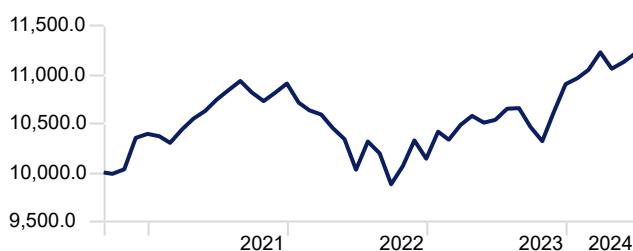
# Cornerstone Conservative Managed Portfolio - Funds Only



The portfolio returned -0.11%<sup>A</sup> in the June quarter. The Russell Investments International Bond Fund – \$A Hedged and the Russell Investments Australian Bond Fund outperformed their respective benchmarks; though absolute returns were slightly negative. In terms of equities, our global equity exposure generated both negative absolute and benchmark-relative performance over the period. In contrast, our Australian equity exposure delivered positive absolute returns for the quarter. Meanwhile, Australian private credit manager Metrics Credit and the Russell Investments Australian Floating Rate Fund continued to perform well.

## Growth of \$10,000

Time Period: 7/09/2020 to 30/06/2024



## Performance Review

As of Date: 30/06/2024

	Return
1 Month	0.77
3 Months	-0.11
1 Year	6.41
2 Years	5.74
3 Years	1.44
YTD	2.86
Since Inception	3.05

Inception date: 7/09/2020

<sup>A</sup>This performance is net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. It does not take into account any third party platform fees charged to individual investors or transaction costs (including buy/sell spreads and brokerage fees). It assumes income is reinvested without any tax deduction. It is for RIML's preferred model portfolio of holdings. A holding in the preferred model portfolio may be restricted or replaced with another similar asset in the Managed Portfolio on different platforms if the preferred holding is not available. Different platforms may also charge different management fees for the Managed Portfolio. This can result in variances in performance of the Managed Portfolio between platforms. An individual investor's performance will differ, according to the investor's actual exposures to Managed Portfolio holdings and other factors (including transaction timing, transaction costs, actual underlying manager fees and costs and whether income is paid in cash). Platforms will have their own methodology for calculating performance, at both a platform level and an individual investor level. Past performance is not a reliable indicator of future performance.

Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

## Portfolio objective

The managed portfolio aims to provide returns over the short to medium term, with low volatility, consistent with a diversified mix of predominantly defensive assets and some growth-oriented assets. The managed portfolio aims to outperform the benchmark over the long term.

## Main market highlights

Global share markets made only modest gains in the June quarter. Much of the gains continued to be driven by central bank activity. In the US, the Federal Reserve (Fed) left its benchmark fed funds rate on hold at a target range of between 5.25% and 5.50% throughout the period. Speaking after the Bank's June gathering, Chairman Jerome Powell said that while inflation has eased considerably from its peak, it nonetheless remains too high, and that policymakers do not yet have the confidence to begin lowering interest rates. However, he did reaffirm his belief that current monetary policy is sufficiently restrictive to achieve the Bank's inflation goal. Encouragingly, the latest inflation figures showed an easing in consumer prices between April and May. At the time of writing, the market was fully priced for a first Fed rate cut in November. Elsewhere, the European Central Bank cut interest rates in June; the Bank lowering its main refinancing rate by 0.25% (to 4.25%). However, the Bank gave no indication of the timing of its next move. Meantime, both the Bank of England and the Bank of Japan left their respective benchmark policy rates unchanged over the period. Australian shares underperformed their global counterparts; the local market falling on expectations domestic interest rates will remain higher for longer amid stubbornly high inflation.

Both global and domestic bonds were weaker for the quarter, albeit modestly.

## Main portfolio highlights

In terms of Australian equity managers, Allan Gray underperformed its benchmark, driven by overweights to Fletcher Building, Sims Ltd. and Orora. Platypus also underperformed its benchmark; due in part to the manager's overweights to Afterpay owner Block, James Hardie Industries and plumbing supplies group Reece Ltd. In contrast, Ausbil outperformed its benchmark, benefiting from overweights to Origin Energy and gaming machine maker Aristocrat Leisure. Underweights to Mineral Resources and iron ore major Fortescue Ltd. also added value.

With regard to global equity managers, Japan equity specialist Nissay Asset Management underperformed its benchmark, driven in part by overweights to pharmaceutical company Nippon Shinyaku Co., travel agency H.I.S. Co. and Nagoya Railroad Co. Brandywine and European growth manager Joh Berenberg, Gossler & Co. KG also underperformed. In contrast, value manager Sanders outperformed its benchmark over the period, benefiting from a material overweight to Taiwan Semiconductor Manufacturing Co. Overweights to Google parent Alphabet and Dutch bank ING Groep N.V. added further value. Emerging markets specialist Redwheel (formerly RWC Partners) also performed well.

Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged and the Russell Investments Australian Bond Fund narrowly outperformed their respective benchmarks over the period; though absolute returns were slightly negative. Both funds benefited from their credit exposure. Metrics Credit outperformed cash and traditional fixed income assets, with Australian loans continuing to generate income-like returns. The Russell Investments Australian Floating Rate Fund also performed well; the Fund outperforming cash as floating rate assets continued to benefit from a higher interest rate environment.

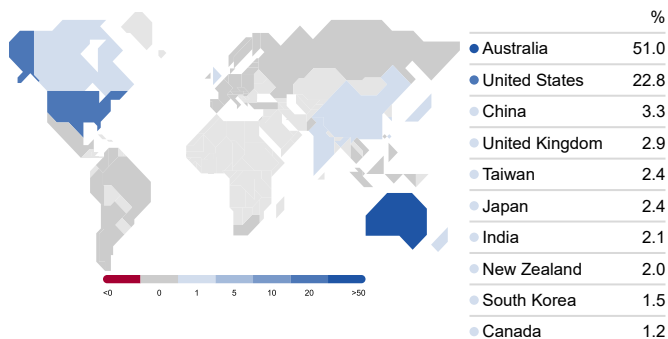
In May, we added some equity protection to the portfolio via a put spread with a November 2024 expiry. This will provide some downside protection if equity markets – namely the US S&P 500 Index – experience volatility during the second half of the year due to either macroeconomic or geopolitical events.

Overall, the managed portfolio is aligned with its long-term asset allocation as we wait patiently for opportunities.

# Cornerstone Conservative Managed Portfolio - Funds Only

## Country Exposure

Portfolio Date: 30/06/2024



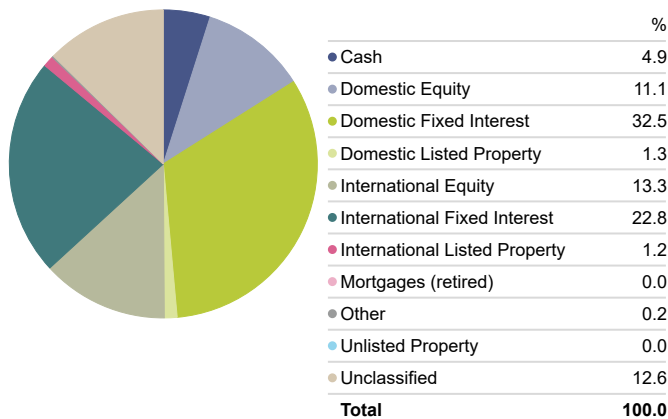
## Dynamic positioning: Managing positions over the next 12-18 months

Looking ahead, we expect higher levels of volatility to continue, with active management to play an important role in navigating through it. We expect to increase growth asset exposure on major market reversals and decrease growth asset exposure on market rallies. This is a very important time to remain flexible as there are competing forces related to inflation and growth.

We retain the same themes as recent months, i.e. a preference for less expensive equity markets versus US equities and a peer-relative overweight to the value factor.

## Asset Allocation

Portfolio Date: 30/06/2024



## Long-term investing: Positioning for 5 years and beyond

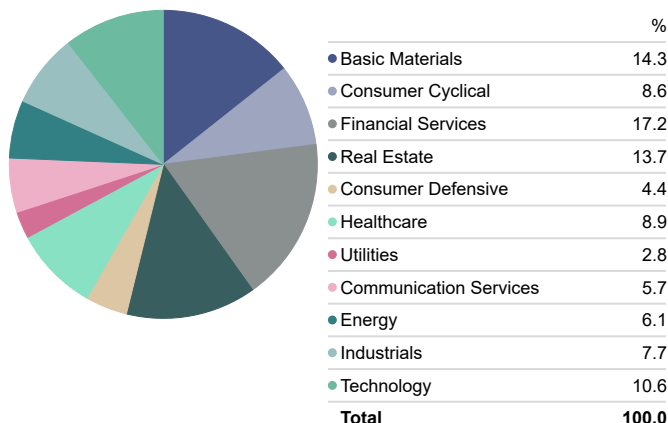
**Defensive assets such as fixed income and cash have an allocation of 67% in the portfolio.** A tilt toward credit further enhances the long-term return potential, but also increases the risk of losses. Credit spreads have narrowed and are near their long-term averages. Government bonds are cheap across some markets and are now offering much higher yields than at the beginning of 2022.

**The portfolio has a long-term asset allocation of 33% to return generating assets (including high yield debt and other extended fixed income).** Growth asset valuations have increased year to date but are below pre-pandemic levels. Long-term, forward-looking return expectations for US shares and high-yield debt have moderated. The economic outlook creates uncertainty in the near term, however in the long term, growth assets are still preferred due to superior returns relative to defensive assets.

**Strategically, the portfolio has positions in cheaper and higher momentum securities as per our researched beliefs.**

## Sector Allocation

Portfolio Date: 30/06/2024



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## Detailed Asset Allocation

Portfolio Date: 30/06/2024

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	34.43
AMP Australian Fixed Interest Index	17.30
Macquarie Cash Fund - Class M Units	12.65
AMP International Fixed Intst Idx Hdg	11.42
AMP International Equity Index	5.84
Ausbil 130/30 Focus - Wholesale	3.37
Allan Gray Australia Equity A	3.01
Vanguard International Crdt Secs Idx Hdg	2.83
Vanguard Emerging Markets Shares Index	2.48
Platypus Australian Equities - Wholesale	2.34
AMP Australian Property Index	1.17
AMP International Property Index Hdg	0.84
Vanguard International Shrs Idx Hdg AUD	0.59
Vanguard Global Infrastructure Index Hgd	0.44

Allocations may not equal 100% due to rounding. In order to manage a fund/portfolio to its investment objectives, Russell Investments retains the discretion to change the underlying investments at any time, without notice to investors. Please refer to the relevant Product Disclosure Statement for more information.

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[russellinvestments.com.au/cornerstone](https://russellinvestments.com.au/cornerstone) or contact your Invest Blue representative: 1300 346 837

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