

# Russell Investments Managed Portfolio - Conservative



The portfolio returned -0.10%<sup>^</sup> in the June quarter. Both the Russell Investments International Bond Fund – \$A Hedged and the Russell Investments Australian Bond Fund outperformed their respective benchmarks over the period; though absolute returns were slightly negative. In terms of equities, our global equity exposure weighed on benchmark-relative performance, while the direct Australian equity portfolio delivered both positive absolute and excess returns for the quarter. Australian private credit manager Metrics Credit and the Russell Investments Australian Floating Rate Fund continued to perform well.

## Portfolio objective

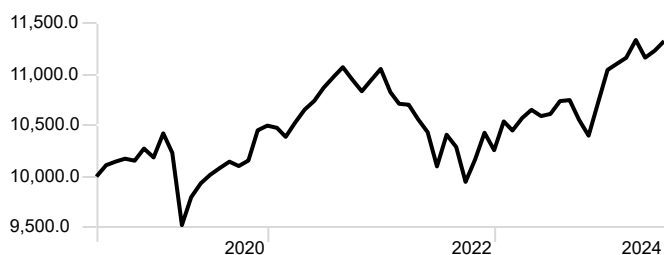
To provide returns over the short to medium term, with low volatility, consistent with a diversified mix of predominantly defensive assets and some growth oriented assets.

## Portfolio strategy

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

## Growth of \$10,000

Time Period: 1/07/2019 to 30/06/2024



## Performance Review

As of Date: 30/06/2024

	Return
1 Month	0.82
3 Months	-0.10
1 Year	6.69
2 Years	5.87
3 Years	1.38
5 Years	2.51
YTD	2.54
Since Inception	2.59

Inception date: 17/06/2019

## 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.

## 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.**

<sup>^</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.

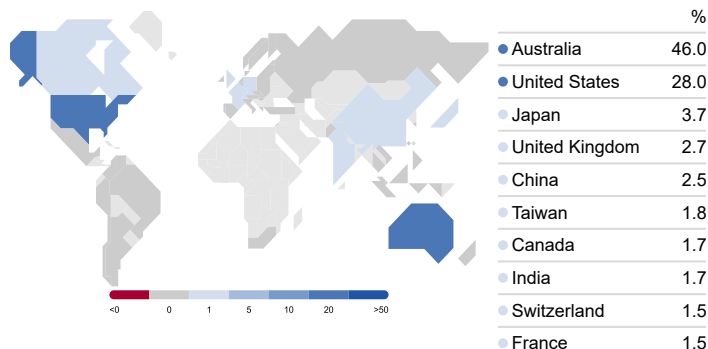
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

# Russell Investments Managed Portfolio - Conservative



## Country Exposure

Portfolio Date: 30/06/2024



## Main portfolio highlights

The direct Australian equity portfolio outperformed its benchmark, benefiting in part from an overweight exposure and positive stock selection within financials. This included an overweight to Bendigo and Adelaide Bank and an underweight to QBE Insurance. An underweight to the poor-performing real estate space also added value; though the portfolio did benefit from an overweight to industrial property giant Goodman Group. Stock selection within the healthcare sector added further value over the period; notably an overweight to New Zealand's Fisher & Paykel Healthcare, which climbed almost 20% for the quarter. In contrast, stock selection within the energy space detracted from overall performance. This included an overweight to Ampol and a nil exposure to Whitehaven Coal, which rose on the back of higher coal prices.

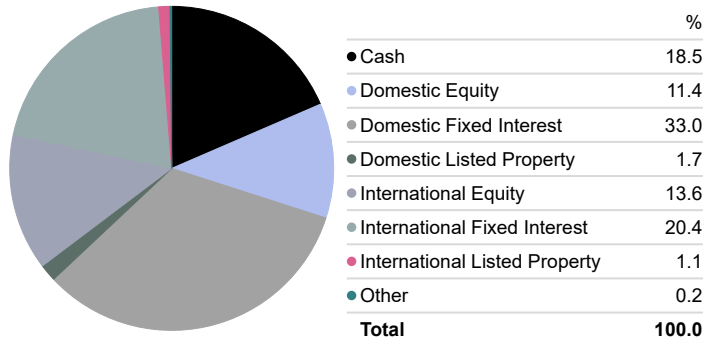
Within the fixed income portfolio, the Russell Investments International Bond Fund – \$A Hedged and the Russell Investments Australian Bond Fund narrowly outperformed their respective benchmarks over the period; though absolute returns were slightly negative. Both funds benefited from their credit exposure. 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.

## Asset Allocation

Portfolio Date: 30/06/2024



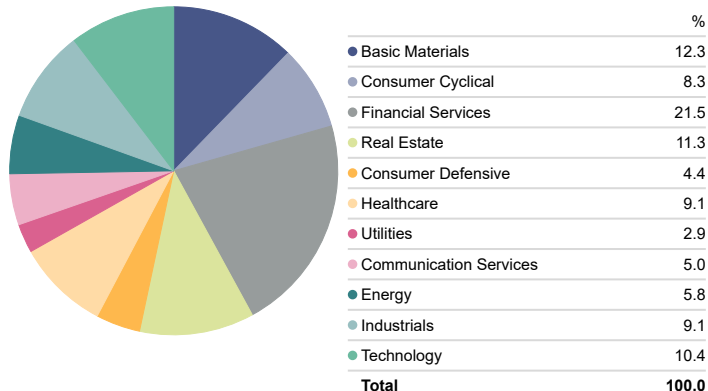
## Dynamic positioning: Managing positions over the next 12-18 months

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 peer-relative overweights to global small caps and the value factor.

## Sector Allocation

Portfolio Date: 30/06/2024



# Russell Investments Managed Portfolio - Conservative



## Detailed Asset Allocation

Portfolio Date: 30/06/2024

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	34.48
iShares Core Cash ETF	13.41
Russell Inv Australian Government Bd ETF	11.09
Vanguard Global Aggregate Bd Hdg ETF	10.35
Vanguard All-World ex-US Shares ETF	3.81
Vanguard Intl Credit Secs (Hdg) ETF	2.75
Russell Inv Australian Select CorpBd ETF	2.52
Vanguard US Total Market Shares ETF	2.36
Russell Inv Australian Semi-Govt Bd ETF	1.98
iShares S&P Small-Cap ETF	1.13
Vanguard Australian Property Secs ETF	1.13
Vanguard FTSE Emerging Markets Shrs ETF	1.03
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.98
Vanguard International Prpty Secs IdxHdg	0.87
Vanguard MSCI Intl (Hdg) ETF	0.55
Vanguard Global Infrastructure Index Hgd	0.50
Vanguard Australian Shares ETF	0.12
BHP Group Ltd	1.05
Commonwealth Bank of Australia	0.96
CSL Ltd	0.61
National Australia Bank Ltd	0.55
Westpac Banking Corp	0.48
ANZ Group Holdings Ltd	0.40
Goodman Group	0.38
Wesfarmers Ltd	0.38
Macquarie Group Ltd	0.35
Rio Tinto Ltd	0.30
Telstra Group Ltd	0.29
Woolworths Group Ltd	0.28
WiseTech Global Ltd	0.25
Woodside Energy Group Ltd	0.25
Aristocrat Leisure Ltd	0.24
Transurban Group	0.24
Fortescue Ltd	0.22
Suncorp Group Ltd	0.18
Bendigo and Adelaide Bank Ltd	0.18
James Hardie Industries PLC	0.17
Origin Energy Ltd	0.17
Fisher & Paykel Healthcare Corp Ltd	0.17
Medibank Private Ltd	0.17
Cleanaway Waste Management Ltd	0.15
Newmont Corp Chess Depository Interest	0.15
Ansell Ltd	0.14
Santos Ltd	0.14
Incitec Pivot Ltd	0.14
Seven Group Holdings Ltd	0.14
Ampol Ltd	0.13

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.

FOR FINANCIAL PROFESSIONAL USE ONLY

# Russell Investments Managed Portfolio - Conservative



## Contact Russell Investments

For further information about Russell Investments please visit [russellinvestments.com.au](https://russellinvestments.com.au)

## Important Information



Russell Investments Managed Portfolios have been rated Superior by SQM Research<sup>1</sup> for world class manager research capabilities and management of multi-asset portfolios.

<sup>1</sup> The rating is issued by SQM Research Pty Ltd ABN 93 122 592 036 AFSL 421913. SQM Research is an investment research firm that undertakes research on investment products exclusively for its wholesale clients, utilising a proprietary review and star rating system. The SQM Research star rating system is of a general nature and does not take into account the particular circumstances or needs of any specific person. The rating may be subject to change at any time. Only licensed financial advisers may use the SQM Research star rating system in determining whether an investment is appropriate to a person's particular circumstances or needs. You should read the product disclosure statement and consult a licensed financial adviser before making an investment decision in relation to this investment product. SQM Research receives a fee from the Fund Manager for the research and rating of the managed investment scheme.

Issued by Russell Investment Management Ltd ABN 53 068 338 974, AFSL 247185 (RIM). This document provides general information for financial advisers only. It must not be passed onto any retail client. This document contains factual information only. The information provided is not intended to imply any recommendation or opinion about a financial product. RIM is not providing financial product advice in this document. It has not been prepared having regard to any investor's objectives, financial situation or needs. Before making an investment decision, an investor must obtain advice from a financial adviser and consider whether that advice is appropriate to their objectives, financial situation or needs. This information has been compiled from sources considered to be reliable but is not guaranteed. Past performance is not a reliable indicator of future performance. Any potential investor should also consider the latest financial product disclosure statement in respect of the Managed Portfolio ("Disclosure Document") in deciding whether to make, or continue to hold, an investment in the Managed Portfolio. The Disclosure Document can be obtained by contacting a financial adviser or the relevant platform operator(s) offering the Managed Portfolio.

To the extent permitted by law, no liability is accepted for any loss or damage as a result of reliance on this information. This material does not constitute professional advice or opinion and is not intended to be used as the basis for making an investment decision.

This work is copyright 2024. 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.

© 2024 Morningstar, Inc. All rights reserved. Neither Morningstar, its affiliates, nor their content providers guarantee the data or content contained herein to be accurate, complete, or timely nor will they have any liability for its use or distribution. Any general advice or 'regulated financial advice' under New Zealand law has been prepared by Morningstar Australasia Pty Ltd (ABN: 95 090 665 544, AFSL: 240892) and/or Morningstar Research Ltd, subsidiaries of Morningstar, Inc, without reference to your objectives, financial situation or needs. For more information refer to our Financial Services Guide (AU) and Financial Advice Provider Disclosure Statement (NZ) at [www.morningstar.com.au/s/fsg.pdf](http://www.morningstar.com.au/s/fsg.pdf) and [www.morningstar.com.au/mca/s/fapds.pdf](http://www.morningstar.com.au/mca/s/fapds.pdf). You should consider the advice in light of these matters and if applicable, the relevant Product Disclosure Statements before making any decision to invest. Our publications, ratings and products should be reviewed as an additional investment resource, not as your sole source of information. Morningstar's full research reports are the source of any Morningstar Ratings and are available from Morningstar or your adviser. Past performance does not necessarily indicate a financial product's future performance. To obtain advice tailored to your situation, contact a professional adviser. Some material is copyright and published under licence from ASX Operations Pty Ltd ACN 004 523 782.