

# Russell Investments Managed Portfolio - Diversified 50



The portfolio returned -0.21%<sup>^</sup> in the June quarter. Our global equity exposure weighed on benchmark-relative performance over the period, while the direct Australian equity portfolio delivered both positive absolute and excess returns. In terms of fixed income, both 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 for the quarter. Australian private credit manager Metrics Credit and the Russell Investments Australian Floating Rate Fund continued to perform well.

## Portfolio objective

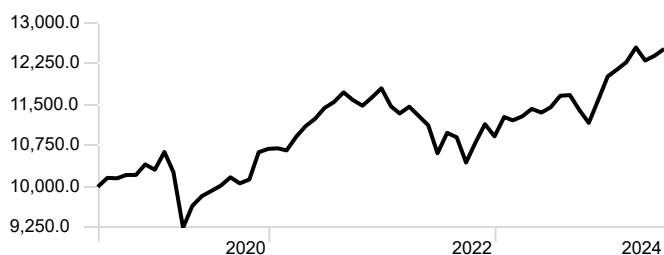
To provide returns over the medium term, with moderate volatility, consistent with a diversified mix of defensive and growth oriented assets.

## Portfolio strategy

The Portfolio typically invests in a diversified investment mix with exposure to growth investments of around 50% and defensive investments of around 50% 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	0.99
3 Months	-0.21
1 Year	9.31
2 Years	8.61
3 Years	3.06
5 Years	4.60
YTD	4.19
Since Inception	4.68

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

**The portfolio has a long-term asset allocation of 55% 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.

**Defensive assets such as fixed income and cash have an allocation of 45% 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.

**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.

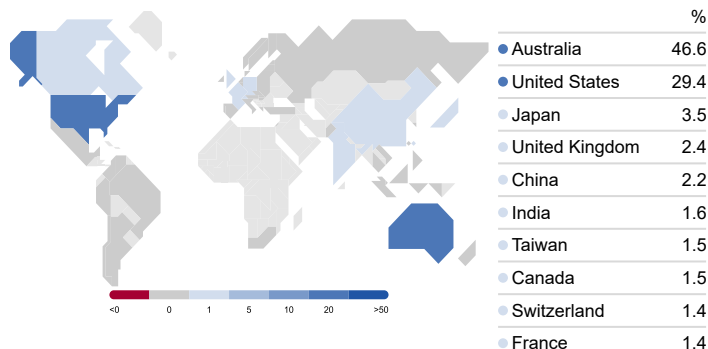
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

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## Country Exposure

Portfolio Date: 30/06/2024



## Main portfolio highlights

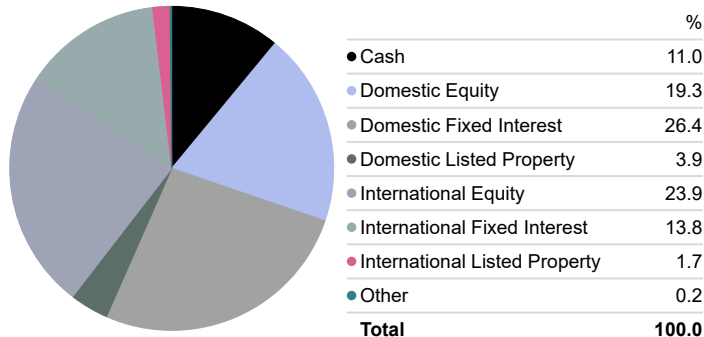
The direct Australian equity portfolio outperformed its benchmark, benefiting in part from an overweight exposure and positive stock selection within financials. This included an overweight to Bendigo and Adelaide Bank and an underweight to QBE Insurance. An underweight to the poor-performing real estate 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.

In terms of 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.

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



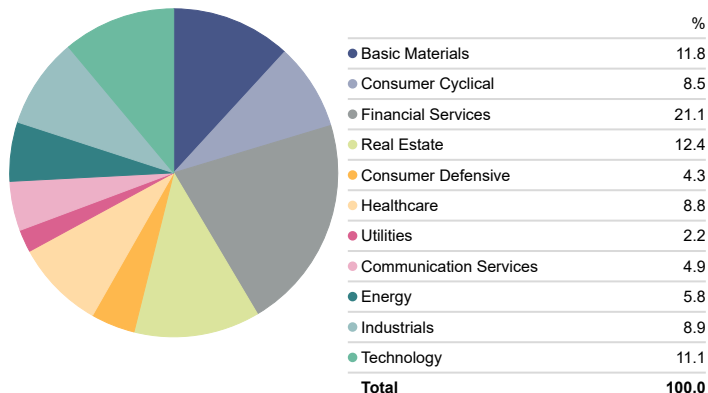
## Dynamic positioning: Managing positions over the next 12-18 months

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 - Diversified 50



## Detailed Asset Allocation

Portfolio Date: 30/06/2024

	Portfolio Weighting %
Russell Inv Multi-Asset Income Strategy	32.33
Russell Inv Australian Government Bd ETF	8.14
Vanguard Global Aggregate Bd Hdg ETF	6.73
Vanguard All-World ex-US Shares ETF	6.66
Vanguard US Total Market Shares ETF	5.98
iShares Core Cash ETF	5.66
Vanguard Australian Property Secs ETF	2.82
Vanguard MSCI Intl (Hdg) ETF	2.50
Vanguard MSCI Australian Small Coms ETF	2.47
Russell Inv Australian Select CorpBd ETF	1.95
Vanguard Global Value Equity Active ETF	1.70
Vanguard FTSE Emerging Markets Shrs ETF	1.48
Vanguard International Prpty Secs IdxHdg	1.43
iShares S&P Small-Cap ETF	1.06
Vanguard Australian Shares ETF	0.95
iShares JP Morgan USD EmMkts Bd AUDH ETF	0.92
Vanguard Global Infrastructure Index Hgd	0.48
BHP Group Ltd	1.64
Commonwealth Bank of Australia	1.50
CSL Ltd	0.97
National Australia Bank Ltd	0.87
Westpac Banking Corp	0.76
ANZ Group Holdings Ltd	0.62
Goodman Group	0.59
Wesfarmers Ltd	0.59
Macquarie Group Ltd	0.56
Rio Tinto Ltd	0.47
Telstra Group Ltd	0.46
Woolworths Group Ltd	0.44
Woodside Energy Group Ltd	0.38
WiseTech Global Ltd	0.38
Transurban Group	0.38
Aristocrat Leisure Ltd	0.37
Fortescue Ltd	0.34
Bendigo and Adelaide Bank Ltd	0.28
Suncorp Group Ltd	0.28
James Hardie Industries PLC	0.27
Origin Energy Ltd	0.27
Fisher & Paykel Healthcare Corp Ltd	0.26
Medibank Private Ltd	0.26
Cleanaway Waste Management Ltd	0.25
Newmont Corp Chess Depository Interest	0.24
Ansell Ltd	0.22
Incitec Pivot Ltd	0.22
Seven Group Holdings Ltd	0.22
Santos Ltd	0.22
Ampol Ltd	0.19

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