

Russell Investments Sustainable Managed Portfolio - Balanced



The portfolio returned 3.45%[^] in July. The direct Australian equity ESG portfolio generated strong excess returns over the period. Our global equities and emerging markets exposures performed well, while lower government bond yields contributed to strong gains across the portfolio's global and Australian listed property assets. Traditional fixed income assets like government bonds were also positive for the month.

Portfolio objective

To provide returns over the medium to long term, with moderate to high volatility, consistent with a portfolio focusing on diversified mix of growth-oriented assets and defensive assets. The portfolio aims to provide exposure to predominantly sustainable investment strategies and outperform the benchmark, after fees, over a rolling five year period.

Portfolio strategy

The portfolio typically invests with around 70% exposure to growth investments (such as Australian shares, International shares, property and alternatives) and around 30% exposure to defensive investments (such as cash and fixed interest) over the long term. The allocations are actively managed within the allowable ranges, depending on market conditions.

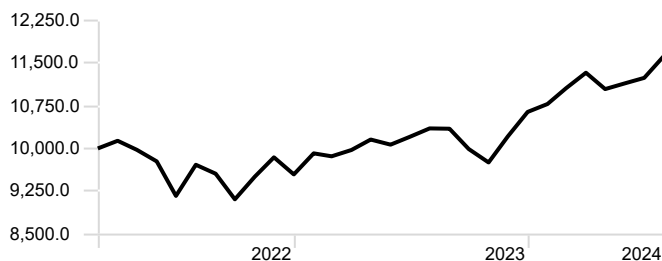
Main market highlights

Global share markets performed well in July. Much of the gains continued to be driven by inflation outcomes and 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% following its latest gathering. Speaking after the Bank's meeting, Chairman Jerome Powell noted that whilst officials hadn't made any decisions about future meetings, they now had greater confidence that inflation would meet their 2.0% target. The latest figures showed headline inflation in the US rose 3.0% in the 12 months to 30 June, which was down on the 3.3% gain we saw in May. Core inflation slowed from 3.4% to 3.3% over the same period. For some time, Powell has said the Fed wouldn't cut interest rates until it was confident inflation was moving sustainably toward its target. Armed with these latest figures, he conceded that if inflation remains on its current path, then a reduction in interest rates could be on the table as soon as the Bank's next meeting in September. Meantime, the Bank of Japan unexpectedly raised interest rates again in July, while the Bank of England delivered its first rate cut in more than four years in early August. The European Central Bank left its main refinancing rate on hold. Share markets also benefited from a series of mostly positive corporate updates and a decline in longer-term government bond yields. Australian shares made strong gains over the period, driven largely by better-than-expected June quarter inflation data.

Both global and domestic bonds recorded good gains for the month.

Growth of \$10,000

Time Period: Since Inception to 31/07/2024



Performance Review

As of Date: 31/07/2024

	Return
1 Month	3.45
3 Months	5.29
1 Year	12.32
2 Years	9.40
3 Years	—
YTD	9.26
Since Inception	6.43

Inception date: 28/02/2022

[^]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.

Long-term investing: Positioning for 5 years and beyond

The portfolio has a long-term asset allocation of 70% to growth assets. 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 30% 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.

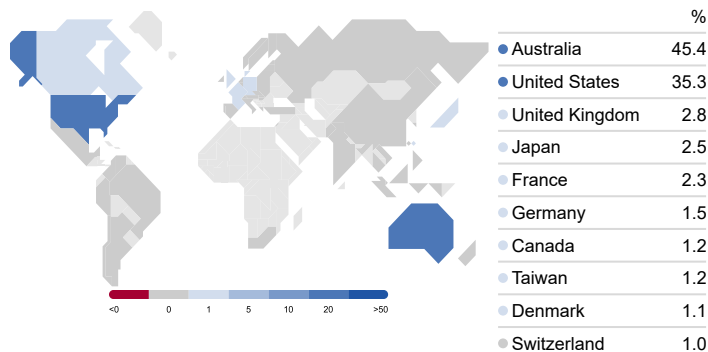
Strategically, the portfolio has positions in cheaper and higher momentum securities per our research.

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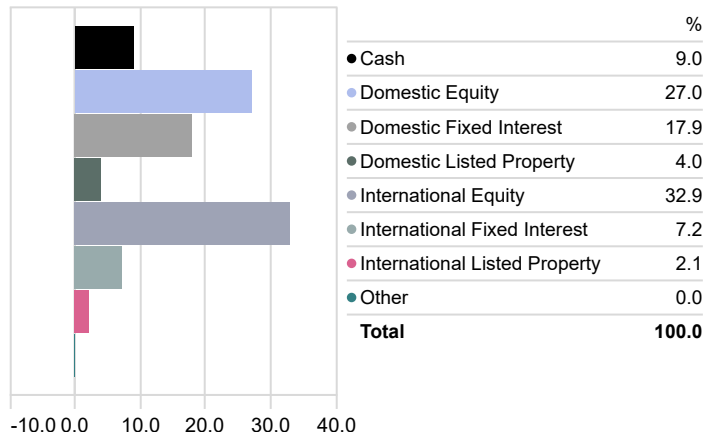
Country Exposure

Portfolio Date: 31/07/2024



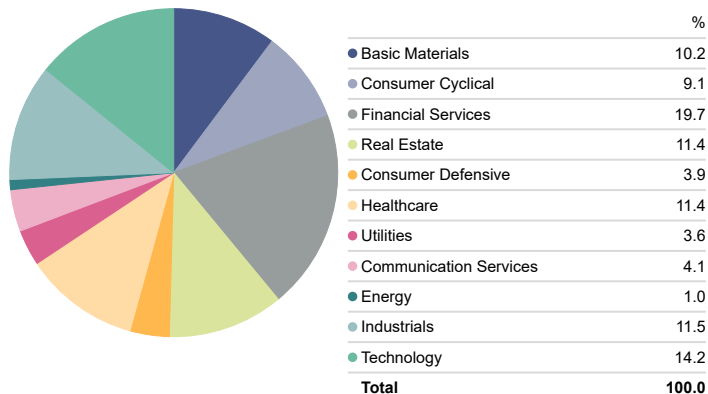
Asset Allocation

Portfolio Date: 31/07/2024



Sector Allocation

Portfolio Date: 31/07/2024



Main portfolio highlights

The direct Australian equity ESG portfolio significantly outperformed its benchmark, driven largely by stock selection within the materials and consumer discretionary sectors. Amongst materials, overweights to BlueScope Steel and James Hardie Industries contributed positively to performance, while in the consumer discretionary space, an overweight to electronics retailer JB Hi-Fi and an underweight to The Lottery Corp. added the most value. Structural underweights to the energy and utilities sectors also added value over the period.

Mirova's Global Sustainable Equity No.2 Fund underperformed its benchmark. Stock selection within the healthcare space detracted from overall returns, including overweights to US pharmaceutical company Eli Lilly & Co. and Denmark's Novo Nordisk A/S. Partly offsetting these positions was a modest overweight to the utilities sector.

The Russell Investments Low Carbon Global Shares Fund outperformed its benchmark, benefiting from positioning within the information technology space. This included an overweight to Apple and underweights to Microsoft and NVIDIA. Positioning amongst financials also added value in July, including overweights to US names JPMorgan Chase and Mastercard.

The Impax Sustainable Leaders strategy outperformed its benchmark, driven in part by large overweights to the more cyclical industrials and materials sectors. Stock selection within the healthcare space also added value, including sizable overweights to US consumer electronics company Agilent Technologies and French laboratory testing provider Eurofins Scientific SE.

Pendal's Sustainable Australian Fixed Interest Fund outperformed its benchmark, benefiting from the selloff we saw midway through July after the Australian Office of Financial Management issued a new 2035 nominal bond. The Fund had been well positioned to take advantage of the selloff. The Fund also benefited from its government, non-government and sector positioning; notably positioning amongst industrials.

In July, we reduced the portfolio's allocation to Australian real estate investment trusts (A-REITs) in favour of global real estate investment trusts (G-REITs). G-REITs have not only underperformed A-REITs but also the broader global equity market. As a result, we believe G-REITs offer better value. G-REITs also provide greater diversification benefits, with the global listed property market comprising more than 300 constituents compared to just 33 in Australia.

We also increased the portfolio's allocations to global and Australian fixed income, which we expect to outperform cash as government bond yields fall in response to central bank interest rate cuts.

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Detailed Asset Allocation

Portfolio Date: 31/07/2024

	Portfolio Weighting %
Russell Invmts Low Carbon Glb Shrs AUDH	8.63
Pendal Sustainable Aust Fixed Interest	8.25
Mirova Global Sustainable Equity Fund	7.58
Russell Invmts Low Carbon Glb Shrs A	7.38
Impax Sustainable Leaders Fund A	6.93
Vanguard Etcly Cons Gbl Aggt Bd H ETF	5.84
iShares Core Cash ETF	5.23
Perpetual ESG Australia Share	4.17
Altius Sustainable Short Term Income Ord	3.82
Altius Green Bond Ordinary	3.64
Ausbil Active Sustainable Equity	3.36
Alphinity Sustainable Share	3.23
Vanguard Australian Property Secs ETF	3.07
Russell Intl Property Secs Hedged A	2.60
First Sentier Responsible Listed Infrs	2.35
Ardea Real Outcome Fund	1.75
Robeco SDG Credit Income (AUD Hdg) C	1.29
Regnan Credit Impact Trust	0.95
Commonwealth Bank of Australia	1.94
CSL Ltd	1.32
National Australia Bank Ltd	1.26
Wesfarmers Ltd	1.14
Westpac Banking Corp	1.11
ANZ Group Holdings Ltd	1.06
Telstra Group Ltd	0.79
Rio Tinto Ltd	0.71
JB Hi Fi Ltd	0.63
Brambles Ltd	0.61
QBE Insurance Group Ltd	0.54
Goodman Group	0.53
Fortescue Ltd	0.49
Transurban Group	0.49
Woolworths Group Ltd	0.48
Sonic Healthcare Ltd	0.47
Technology One Ltd	0.46
BlueScope Steel Ltd	0.45
Ancor PLC	0.43
James Hardie Industries PLC ADR	0.42
WiseTech Global Ltd	0.38
Macquarie Group Ltd	0.37
Medibank Private Ltd	0.36
Northern Star Resources Ltd	0.35
Coles Group Ltd	0.34
Evolution Mining Ltd	0.31
Stockland Corp Ltd	0.28
Lynas Rare Earths Ltd	0.25
Iluka Resources Ltd	0.23
Pilbara Minerals Ltd	0.19

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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