

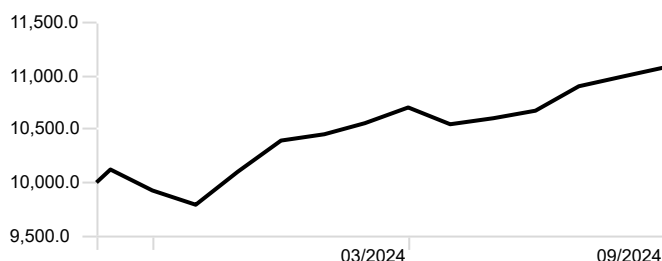
# Russell Investments Sustainable Managed Portfolio - Conservative



The portfolio returned 3.79%<sup>^</sup> in the September quarter. Traditional fixed income assets like government bonds performed well against a backdrop of falling yields. Lower government bond yields also contributed to very strong gains across the portfolio's global and Australian listed property assets. Our global equity exposure and the direct Australian equity ESG portfolio added further value over the period, as did our emerging markets exposure.

## Growth of \$10,000

Time Period: Since Inception to 30/09/2024



## Performance Review

As of Date: 30/09/2024

|                 | Return |
|-----------------|--------|
| 1 Month         | 0.78   |
| 3 Months        | 3.79   |
| 1 Year          | 11.60  |
| 2 Years         | —      |
| 3 Years         | —      |
| YTD             | 6.58   |
| Since Inception | 9.64   |

Inception date: 21/08/2023

<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.

## 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-orientated assets. The portfolio aims to provide exposure to predominantly sustainable investment strategies and outperform the benchmark, after fees, over a rolling 3-year period.

## Portfolio strategy

The portfolio typically invests in a diversified investment mix of predominantly sustainable investment strategies with exposure to growth investments of around 30% such as Australian shares, international shares, property, infrastructure and alternatives; and defensive investments of around 70% such as cash and fixed interest over the long term. These allocations will be actively managed within the allowable ranges depending on market conditions.

## Main market highlights

Global bonds made good gains in the September quarter. Longer-term government bond yields fell (prices rose) over the period, driven largely by the US Federal Reserve (Fed)'s first rate cut since the early days of the COVID-19 pandemic. Bonds also benefited from rate cuts in Europe and the UK and the asset class's traditionally defensive qualities in the face of heightened geopolitical risks; notably a material escalation in Middle East tensions. Global credit markets were stronger for the quarter, with spreads on US and European high-yield and investment-grade debt narrowing throughout the period. Both hard and local currency emerging markets debt recorded good gains. Australian bonds underperformed their global counterparts; though absolute returns were positive. The yield on domestic 10-year government debt fell in line with its global peers after the Fed, the European Central Bank and the Bank of England all cut interest rates and investors bet the Reserve Bank of Australia would soon follow suit; even as Governor Michele Bullock pushed back against market rate cut expectations. Meantime, Australian credit markets were mildly positive for the quarter, with spreads narrowing slightly throughout the period.

Both global and Australian share markets performed well.

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

**The portfolio has a long-term asset allocation of 56% 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 44% 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.

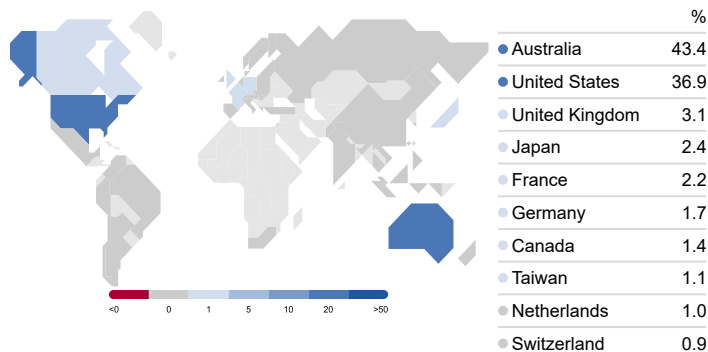
**Strategically, the portfolio has positions in cheaper and higher momentum securities per our research.**

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## Country Exposure

Portfolio Date: 30/09/2024



## Main portfolio highlights

The direct Australian equity ESG portfolio outperformed its benchmark, benefiting from structural underweights to the energy and utilities sectors. Both sectors underperformed the broader market over the period. In contrast, stock selection detracted from overall returns, albeit modestly. This included underweights to sleep device maker ResMed and QBE Insurance. Partly offsetting these positions were our holdings in Brambles and electronics retailer JB Hi-Fi. A small underweight to property trusts also weighed on performance.

Mirova's Global Sustainable Equity No.2 Fund underperformed its benchmark, driven in part by stock selection within the healthcare space; notably a sizable overweight to Danish pharmaceutical company Novo Nordisk A/S. Stock selection amongst industrials also weighed on returns, including an overweight to Danish wind turbine company Vestas Wind Systems A/S.

The Russell Investments Low Carbon Global Shares Fund narrowly outperformed its benchmark, benefiting from a structural underweight to the energy space and its exclusion of companies involved in defence contracting; notably nil holdings in plane makers Airbus SE and Boeing. In contrast, the Fund's exclusion of tobacco companies weighed on returns, including nil holdings in Philip Morris International and British American Tobacco.

The Impax Sustainable Leaders strategy outperformed its benchmark, driven by an overweight to industrials and stock selection within the healthcare sector. This included overweights to US laboratory technology provider Agilent Technologies and French laboratory testing company Eurofins Scientific SE.

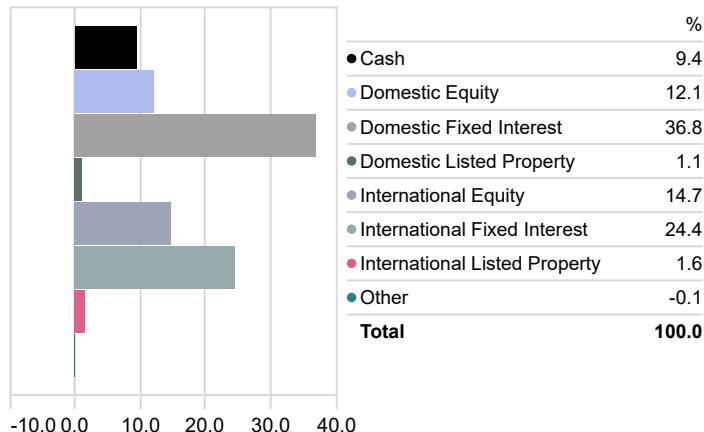
Pendal's Sustainable Australian Fixed Interest Fund narrowly outperformed its benchmark, benefiting in part from positioning amongst supranationals and the real estate sector.

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.

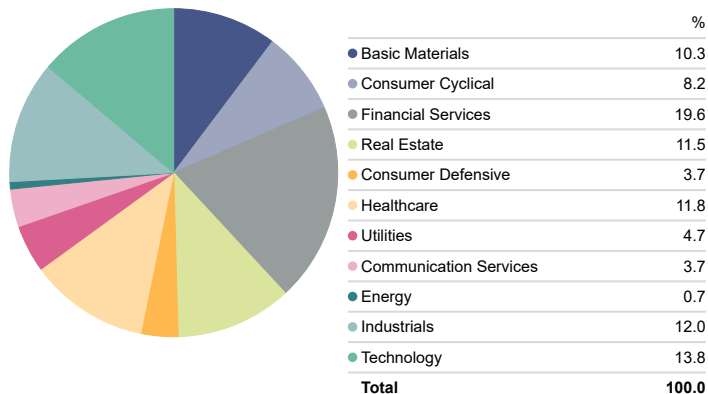
## Asset Allocation

Portfolio Date: 30/09/2024



## Sector Allocation

Portfolio Date: 30/09/2024



# Russell Investments Sustainable Managed Portfolio - Conservative



## Detailed Asset Allocation

Portfolio Date: 30/09/2024

|  | Portfolio Weighting % |
|--|-----------------------|
| Vanguard Etcly Cons Gbl Aggt Bd H ETF    | 20.41                 |
| Pendal Sustainable Aust Fixed Interest   | 17.77                 |
| Altius Sustainable Short Term Income Ord | 6.55                  |
| iShares Core Cash ETF                    | 6.35                  |
| Regnan Credit Impact Trust               | 5.09                  |
| Altius Green Bond Ordinary               | 4.89                  |
| Mirova Global Sustainable Equity Fund    | 4.04                  |
| Robeco SDG Credit Income (AUD Hdg) C     | 3.94                  |
| Russell Invmts Low Carbon Gbl Shrs AUDH  | 3.89                  |
| Ardea Real Outcome Fund                  | 3.70                  |
| Impax Sustainable Leaders Fund A         | 2.99                  |
| Russell Intl Property Secs Hedged A      | 2.00                  |
| Russell Invmts Low Carbon Gbl Shrs A     | 1.79                  |
| Ausbil Active Sustainable Equity         | 1.57                  |
| First Sentier Responsible Listed Infrs   | 1.50                  |
| Perpetual ESG Australia Share            | 1.34                  |
| Alphinity Sustainable Share              | 1.29                  |
| Vanguard Australian Property Secs ETF    | 0.71                  |
| Commonwealth Bank of Australia           | 0.81                  |
| CSL Ltd                                  | 0.63                  |
| National Australia Bank Ltd              | 0.54                  |
| Westpac Banking Corp                     | 0.54                  |
| ANZ Group Holdings Ltd                   | 0.51                  |
| Wesfarmers Ltd                           | 0.50                  |
| Telstra Group Ltd                        | 0.38                  |
| Rio Tinto Ltd                            | 0.37                  |
| Fortescue Ltd                            | 0.31                  |
| Macquarie Group Ltd                      | 0.30                  |
| Goodman Group                            | 0.29                  |
| Woolworths Group Ltd                     | 0.29                  |
| Brambles Ltd                             | 0.26                  |
| James Hardie Industries PLC ADR          | 0.26                  |
| BlueScope Steel Ltd                      | 0.24                  |
| Transurban Group                         | 0.23                  |
| QBE Insurance Group Ltd                  | 0.22                  |
| Ancor PLC                                | 0.21                  |
| Ramsay Health Care Ltd                   | 0.21                  |
| Cochlear Ltd                             | 0.20                  |
| Coles Group Ltd                          | 0.19                  |
| JB Hi Fi Ltd                             | 0.19                  |
| Northern Star Resources Ltd              | 0.19                  |
| Atlas Arteria Ltd                        | 0.18                  |
| Suncorp Group Ltd                        | 0.16                  |
| WiseTech Global Ltd                      | 0.16                  |
| Medibank Pvt Ltd                         | 0.15                  |
| Pilbara Minerals Ltd                     | 0.14                  |
| Xero Ltd                                 | 0.13                  |
| Iluka Resources Ltd                      | 0.12                  |

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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