

Russell Investments Sustainable Managed Portfolio - Diversified 50



The portfolio returned 4.55%[^] in the three months to 31 July. Our global equities and emerging markets exposures delivered positive returns over the period. Traditional fixed income assets like government bonds also performed well against a backdrop of falling yields. Our corporate bond exposure added further value. Lower government bond yields also contributed to strong gains across the portfolio's global and Australian listed property assets. In contrast, the direct Australian equity ESG portfolio underperformed its benchmark over the period.

Portfolio objective

To provide returns over the medium term, with moderate volatility, consistent with a diversified mix of defensive and growth-oriented assets. The portfolio aims to provide exposure to predominantly sustainable investment strategies and outperform the benchmark, after fees, over a rolling 4-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 **50%** such as Australian shares, international shares, property, infrastructure and alternatives; and defensive investments of around **50%** 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 share markets performed well. Much of the gains came toward the end of the period after US Federal Reserve (Fed) Chairman Jerome Powell, speaking in the wake of the Bank's July gathering, said 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, which strips out volatile food and energy prices, 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.

Long-term investing: Positioning for 5 years and beyond

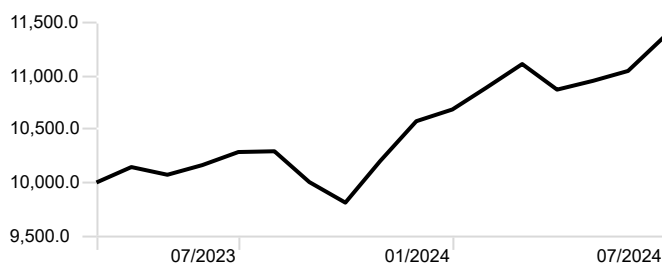
The portfolio has a long-term asset allocation of 56% to growth assets. Growth asset valuations have increased year to date but are below pre-pandemic levels. Long-term, forward-looking return expectations for US shares and high-yield debt have moderated. The economic outlook creates uncertainty in the 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.

Growth of \$10,000

Time Period: Since Inception to 31/07/2024



Performance Review

As of Date: 31/07/2024

	Return
1 Month	2.89
3 Months	4.55
1 Year	10.49
2 Years	—
3 Years	—
YTD	7.47
Since Inception	10.04

Inception date: 31/03/2023

[^]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.

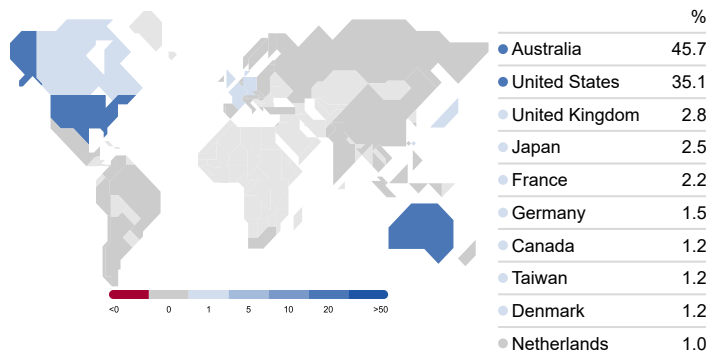
Please contact your platform or adviser for details of your performance or current holdings in the Managed Portfolio.

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Country Exposure

Portfolio Date: 31/07/2024



Main portfolio highlights

The direct Australian equity ESG portfolio underperformed its benchmark, driven in part by stock selection within the consumer discretionary sector. This included our structural underweight to gaming machine maker Aristocrat Leisure, which gained almost 36% over the period. Stock selection amongst materials also weighed on returns, including a modest overweight to iron ore major Fortescue Ltd. In contrast, the portfolio benefited from a structural underweight to the energy space and a modest overweight to financials.

Mirova's Global Sustainable Equity No.2 Fund underperformed its benchmark, driven largely by stock selection amongst industrials and financials. In terms of industrials, an overweight to Danish wind turbine manufacturer Vestas Wind Systems A/S detracted from returns, while in the financials sector, a large overweight to Mastercard weighed the most on performance. In contrast, the Fund benefited from an underweight exposure to consumer-related names.

The Russell Investments Low Carbon Global Shares Fund outperformed its benchmark. Stock selection amongst financials contributed positively to performance, including a modest overweight to Warren Buffett's Berkshire Hathaway. The Fund also benefited from stock selection within the information technology space; notably overweights to US names Apple, Microsoft and Google parent Alphabet.

The Impax Sustainable Leaders strategy underperformed its benchmark, driven by large overweights to the more cyclical industrials and materials sectors. Stock selection within the information technology space also weighed on returns, albeit modestly.

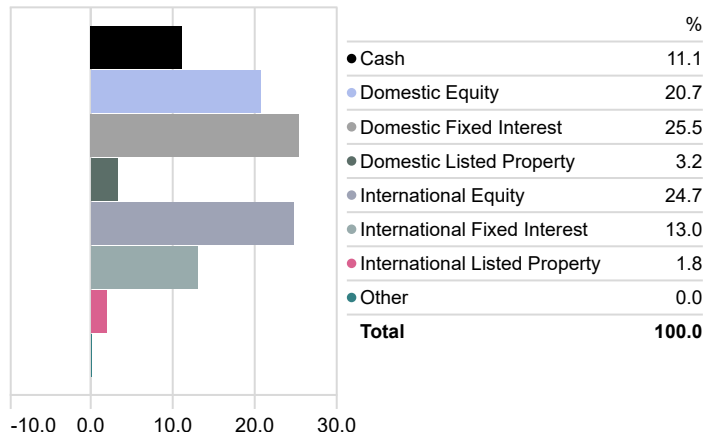
Pendal's Sustainable Australian Fixed Interest Fund outperformed its benchmark, benefiting from the selloff we saw midway through July after the Australian Office of Financial Management issued a new 2035 nominal bond. The Fund had been well positioned to take advantage of the selloff.

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.

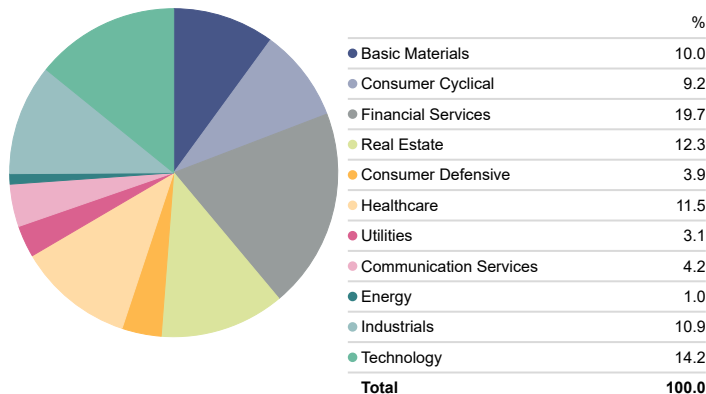
Asset Allocation

Portfolio Date: 31/07/2024



Sector Allocation

Portfolio Date: 31/07/2024



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Detailed Asset Allocation

Portfolio Date: 31/07/2024

	Portfolio Weighting %
Pendal Sustainable Aust Fixed Interest	11.30
Vanguard Etclly Cons Gbl Aggt Bd H ETF	10.34
iShares Core Cash ETF	7.20
Russell Invmts Low Carbon Glb Shrs A	6.60
Mirova Global Sustainable Equity Fund	6.08
Russell Invmts Low Carbon Glb Shrs AUDH	5.95
Altius Sustainable Short Term Income Ord	5.29
Altius Green Bond Ordinary	4.67
Impax Sustainable Leaders Fund A	4.63
Perpetual ESG Australia Share	3.51
Regnan Credit Impact Trust	2.92
Robeco SDG Credit Income (AUD Hdg) C	2.92
Ausbil Active Sustainable Equity	2.83
Alphinity Sustainable Share	2.77
Vanguard Australian Property Secs ETF	2.52
Russell Intl Property Secs Hedged A	2.29
Ardea Real Outcome Fund	1.83
First Sentier Responsible Listed Infrs	1.41
Commonwealth Bank of Australia	1.40
CSL Ltd	0.95
National Australia Bank Ltd	0.90
Wesfarmers Ltd	0.82
Westpac Banking Corp	0.80
ANZ Group Holdings Ltd	0.77
Telstra Group Ltd	0.56
Rio Tinto Ltd	0.51
JB Hi Fi Ltd	0.44
Brambles Ltd	0.44
Goodman Group	0.38
QBE Insurance Group Ltd	0.38
Transurban Group	0.36
Fortescue Ltd	0.36
Woolworths Group Ltd	0.35
Sonic Healthcare Ltd	0.33
Technology One Ltd	0.33
BlueScope Steel Ltd	0.32
Amtor PLC	0.31
James Hardie Industries PLC ADR	0.31
WiseTech Global Ltd	0.27
Macquarie Group Ltd	0.26
Medibank Private Ltd	0.26
Northern Star Resources Ltd	0.25
Coles Group Ltd	0.25
Evolution Mining Ltd	0.22
Stockland Corp Ltd	0.20
Lynas Rare Earths Ltd	0.18
Iluka Resources Ltd	0.16
Pilbara Minerals Ltd	0.14

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