

Russell Investments

Unconstrained Bond Fund



Portfolio Manager
Adam Smears

Russell Investments' Global Fixed income team comprises 25 experienced professionals (including 10 manager research analysts) in Russell Investments London, Seattle, New York, Toronto and Sydney offices.

The team manages over US \$60bn in cash and multi-strategy portfolios, which include Global, Regional, Investment Grade, High Yield, Emerging Market and Absolute Return mandates.

Fund facts

Share class; Dealing ccy

Class I Acc; USD

Dealing frequency; Cut off

Daily; 2.00pm GMT

Domicile; Category

Ireland; UCITS

Fund size

USD 654.42m

ISIN; Bloomberg

IE00B9HH8J19; RUSABRI ID

Fund launch date

09 April 2013

Share class launch date

09 April 2013

Management fee

0.85%

Share class NAV

USD 1,095.73

Fund objective

The aim of the Fund is to achieve an absolute return on your investment in excess of the 3-month LIBOR, principally by investing worldwide in bonds, while using financial derivatives. The Fund is broadly diversified across countries worldwide, across currencies and holds bonds of varying maturities.

Fund update

The Fund added to its inception-to-date outperformance in April. The core yield engine – namely Hermes and Post – continued to drive outperformance in a month where credit and high yield spreads tightened. Our overweight exposure to corporate high yield was a key contributor with exposure to investment-grade industrials and financials also rewarded. Allocation to Putnam's opportunistic mortgage prepayment strategy continued to add to performance. In rates, long exposure to the US and Canada weighed on additional relative returns. In FX, a short position in Swiss Franc added to performance, however a long position in Swedish Krone held back further gains.

Performance review (%)

| Performance to period end Returns shown in USD | 1 month | 3 months | Year to date | 12 months | 3 years | 5 years | Since inception* |
|---|------------|-------------|-----------------|--------------|------------|------------|---------------------|
| Return gross of management fee Class I Acc | 0.6 | 2.0 | 3.7 | 4.9 | - | - | 4.1 |
| Return net of management fee Class I Acc | 0.6 | 1.8 | 3.4 | 4.0 | - | - | 3.2 |
| Libor 3 Month USD | 0.2 | 0.6 | 0.9 | 2.5 | - | - | 1.8 |

*Inception: 06 September 2016

All returns greater than 1 year are annualised

Discrete rolling 12 month performance (%)

| Returns shown in USD | 31/03/14 31/03/15 | 31/03/15 31/03/16 | 31/03/16 31/03/17 | 31/03/17 31/03/18 | 31/03/18 31/03/19 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
| Return gross of management fee Class I Acc | - | - | - | 3.4 | 4.5 |
| Return net of management fee Class I Acc | - | - | - | 2.6 | 3.7 |
| Libor 3 Month USD | - | - | - | 1.5 | 2.5 |

Past performance is not a guide to future performance.

The Fund was originally launched on 9th April 2013. However the Fund was subject to a material change to the investment policy on 6 September 2016, at which point it adopted a new name and an amended investment policy. Accordingly, the performance data for the period ending 6 September was achieved in circumstances which no longer apply.

Portfolio statistics

| | Fund | Benchmark |
|-----------------------|------|-----------|
| Effective duration | 0.9 | 0.2 |
| Average maturity | 3.4 | 0.3 |
| Average credit rating | A | n/a |
| Yield to worst | 3.9 | 2.6 |

Data as at 31 March 2019
Source: Factset

Russell Investments Unconstrained Bond Fund (continued)

Ten largest holdings by weight

| Security | Fund |
|--|------|
| Fnc1 3 13-May-2019 | 4.2% |
| Fnc1 3.5 13-Jun-2019 | 3.4% |
| Fnc1 4 13-Jun-2019 | 1.7% |
| Japan Treasury Disc Bill 0 08-Jul-2019 | 1.2% |
| Dutch Treasury Cert 0 27-Jun-2019 | 1.0% |
| French Discount T-Bill, 0%, 06/26/2019 | 1.0% |
| Esm Tbill 0 06-Jun-2019 | 1.0% |
| GERMAN Treasury Bill 0 14-Aug-2019 | 0.8% |
| GERMAN Treasury Bill 0 19-Jun-2019 | 0.6% |
| Lennar Corp 4.5 30-Apr-2024 | 0.6% |

Source: State Street

Sector weights

| | Fund |
|----------------------|-------|
| Corporate HY | 26.3% |
| Governments and Cash | 24.8% |
| RMBS | 22.2% |
| IG - Industrials | 9.3% |
| IG - Finance | 7.2% |
| Gov-related | 3.4% |
| ABS | 2.6% |
| EMD | 2.4% |
| CMBS | 1.8% |

Data as at 31 March 2019

Source: Factset

Governments and Cash includes the market value of all derivative positions except for TBAs, which are shown under RMBS Agency.

Credit quality weights

| | Fund |
|------------|-------|
| AAA & Cash | 40.3% |
| AA | 7.0% |
| A | 6.2% |
| BBB | 9.9% |
| BB | 19.7% |
| B | 7.2% |
| CCC | 1.1% |
| NR/Other | 8.5% |

Data as at 31 March 2019

Source: Factset

Market weights (ccy)

| | Fund |
|--------|-------|
| USD | 83.7% |
| EUR | 12.7% |
| JPY | 2.2% |
| GBP | 1.2% |
| CHF | 0.1% |
| CAD | 0.0% |
| NZD | 0.0% |
| AUD | 0.0% |
| ZAR | 0.0% |
| Others | 0.0% |

Data as at 31 March 2019

Source: Factset

Fund structure

| Manager/Strategy | Role in fund | Target | Actual |
|------------------------------------|--|--------|--------|
| H2O Asset Management | Global multi-asset volatility strategy. Long volatility bias | 15.0% | 15.1% |
| Putnam | Mortgage-backed securities and prepayment risk strategies | 15.0% | 21.1% |
| Post Advisory | Short dated High Yield credit. US focus | 25.0% | 15.0% |
| Hermes | Short-dated High Yield credit. Global perspective | 25.0% | 26.0% |
| Russell Investments | Positioning strategy targeting currency factors and markets with high real yield | 20.0% | 22.9% |
| Russell Investments (cash & other) | | - | - |

Russell Investments Unconstrained Bond Fund (continued)

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Any past performance is not necessarily a guide to future performance.

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Any reference to returns linked to currencies may increase or decrease as a result of currency fluctuations. Tax treatments depend on the circumstances of the individual client and may be subject to change in the future.

Decisions to invest should be based on the fund's prospectus, ex-ante costs & charges document and key investor information document (KIID), with consideration to risk warnings. Copies available free of charge from Russell Investments.

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