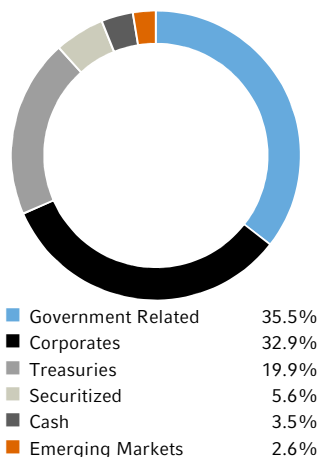


Russell Investments Australian Bond Fund

Sector allocation



Fund objective

To provide a total return, before costs and tax, higher than the Fund's benchmark over the medium term by providing exposure to a diversified portfolio of predominantly fixed income securities.

Fund strategy

The Fund invests predominantly in Australian issued government, quasi-government and corporate fixed income securities. In addition, the portfolio may also include debt securities issued by supnationals and non-Australian governments, agencies and corporates, as well as structured credit securities including mortgage and asset backed securities. The Fund from time to time may be exposed to low grade or unrated debt securities, exchange traded funds, emerging markets and currency to a limited extent. Derivatives may be used to obtain or reduce exposure to securities and markets, to implement investment strategies and to manage risk.

Performance review[†]

Period ending 30/06/2020	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Total return	0.57	1.68	3.61	5.03	4.37	5.66

Fund facts

Share class

Class A

Inception date

31 December 1997

Fund size

AUD 313.90m

Benchmark

Bloomberg AusBond Composite 0+ Yr Index

Portfolio manager

Clive Smith

Recommended investment timeframe

3 years

Tax structure

Investment - Class A

APIR code

RIM0005AU

ARSN code

092-806-169

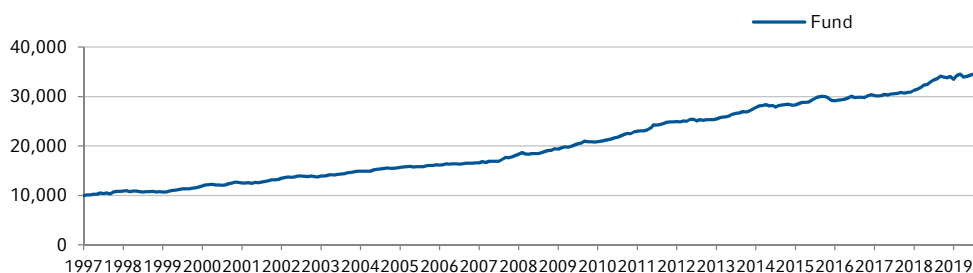
Management cost[†]

0.58%

Performance-related fee[‡]

N/A

Growth of \$10,000



Fund commentary

The Russell Investments Australian Bond Fund outperformed the benchmark in the June quarter.

The Fund's overweight to credit drove performance. Credit markets rebounded strongly from the sharp selloff we saw in the first quarter, with spreads contracting significantly amid ongoing central bank support and improving risk sentiment generally. Also adding value was Western Asset Management's GMS strategy; notably its exposures to bank loans and investment-grade and high-yield corporates. Duration positioning added further value over the period. The Fund was short duration for most of the quarter; positioning which benefited from rising bond yields. Our overlay strategies were mixed. The Russell Conscious Currency Index (RCCI) strategy performed well, benefiting from long New Zealand and Canadian dollar positions. A short British pound position was also positive. In contrast, our Global Adjusted Real Yield (GARY) strategy detracted from returns, albeit modestly. Much of GARY's underperformance was driven by a long Australia position. Partly offsetting this was a short Canada exposure. Meanwhile, yield curve positioning had no material impact on overall fund performance in the second quarter.

Moving forward, we remain short duration and overweight credit. In fact, we added to our credit exposure over the quarter and altered the Fund's manager mandates to allow them to invest in tier 2 debt; though this will be limited to securities issued by the 'Big Four' banks. Importantly, the majority of the Fund's holdings are rated AA or better.

[†] For the year ending 30/6/2019 as a percentage of net assets. Includes performance-related fees. Refer to PDS for further information.

[‡] For the year ending 30/6/2019. May be charged if performance targets are met. Refer to PDS for further information.

Russell Investments Australian Bond Fund (continued)

Detailed performance review^{1,2}

	1 year %p.a.	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Total return	3.6	5.0	4.4	5.7
Distribution	6.8	4.6	4.5	5.5
Growth	-3.2	0.4	-0.2	0.1

Portfolio structure*

Manager	Style	Weight %	Comment
AMP Capital	Alpha seeking	20.5	AMP Capital outperformed the benchmark over the quarter, driven primarily by their credit and interest rates positioning.
Russell Investments	Positioning strategy	20.0	RCCI outperformed over the quarter, benefiting from long New Zealand and Canadian dollar positions. GARY underperformed due mainly to a long Australia exposure.
UBS	Alpha seeking	27.5	UBS outperformed the benchmark over the quarter; the manager benefiting largely from their overweight to spread sectors.
Western Asset	Alpha seeking	32.0	Western Asset Management outperformed the benchmark over the quarter, benefiting from an overweight to credit; notably banks (NAB) and property (GPT Group and Dexus). The manager's GMS strategy also added value.

Contact Russell Investments

To find out more about Russell Investments or how you can diversify your portfolio in just one transaction, you can:
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To invest in Russell Investments Retail Funds, contact your adviser today.
For more information:
NSW, QLD, ACT & NT : 02 9229 5111 VIC, SA, WA & TAS: 03 9270 8111

Footnotes

1 Performance is net of fees and charges. Assumes reinvestment of income. Past performance is not a reliable indicator of future performance.
2 The distribution return reflects income paid from the Fund, whilst the growth return reflects changes in the capital values of the units.

*Russell Investments retains the discretion to change the investment managers at any time without notice. Please check russellinvestments.com.au/disclosures for the latest list of managers.

Allocations may not equal 100% due to rounding

Important information

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