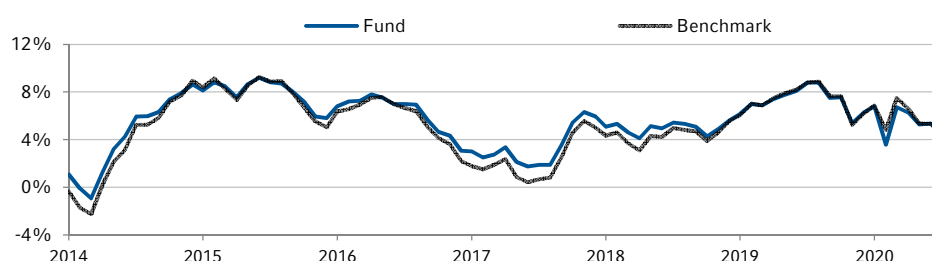


Russell Investments NZ Fixed Interest Fund

Fund facts
Inception date
14 February 2013
Benchmark
Bloomberg NZ Bond Composite Index
Currency
NZD

Rolling 1 year performance history



Performance review

Period ending 31/08/2020	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Gross fund performance	0.8	1.4	4.4	6.2	5.5	5.4
Benchmark return*	0.8	1.2	4.3	6.0	5.0	5.0
Excess return	0.0	0.3	0.1	0.2	0.4	0.5

*As at 28 Jun 19 the index changed to the Bloomberg NZ Bond composite index. From December 2014 through to June 2019 the benchmark was 75:25 weighted average of the S&P/NZX NZ Government Stock Index and S&P/NZX A-Grade Corporate Index. Prior to December 2014 the benchmark was the S&P/NZX NZ Government Stock Index. Performance is calculated on exit price.

Fund commentary

The Russell Investments New Zealand Fixed Interest Fund performed in line with the benchmark in August.

The Russell Investments New Zealand Fixed Interest Fund returned 0.81% in August, outperforming the benchmark by 0.03%.

Sector positioning contributed the most to fund performance over the period; notably an overweight to credit. Credit continued to perform well as spreads narrowed in line with the general 'risk on' tone that permeated financial markets throughout the month. In particular, the Fund benefited from its exposure to higher-quality corporates as well as supranational, sovereign and agency sectors. The Fund's exposure to inflation-indexed bonds also added value. August saw inflation-indexed bonds record their first meaningful recovery in pricing since the coronavirus pandemic began. The initial outbreak of the virus had sparked deflationary fears, which are now beginning to moderate. The Fund maintains its exposure to inflation-indexed bonds; much of which is centred on assets with a 2025 maturity.

In contrast, security selection detracted from overall performance in August. For Western Asset Management (Western), this included long positions in Australia and New Zealand Banking Group, Commonwealth Bank of Australia and National Australia Bank; all of which underperformed during the month. For Harbour Asset Management, security selection, which captures a variety of performance drivers, was impacted largely by transaction costs associated with a significant increase in the size of the manager's portfolio. Duration positioning also weighed on returns, albeit modestly. This was driven mainly by Western, whose small short position was impacted by the decline in bond yields we saw over the period. Meanwhile, yield curve positioning had no material impact on overall fund performance in August. The Fund's underlying managers maintain tactical approaches to both duration and yield curve positioning in order to take advantage of opportunities where they believe the market may have overshot the mark.

Moving forward, the Fund remains underweight government debt and overweight credit. Importantly, the majority of the Fund's holdings are rated AA or better.

The Fund's cash position at month end was 10.49%.

Russell Investments NZ Fixed Interest Fund

The following information provides the investment and exposures within the underlying investment portfolio. Please note that this information is indicative only and is provided for general purposes only.

Portfolio statistics

	Fund	Benchmark
Duration	5.24	5.48
Yield	0.67%	0.47%
Average quality/rating	AA	AA+
Number of issuers	55	45

Top 10 issuers

	Fund %	Benchmark %
New Zealand Government	33.4%	61.3%
NZ Local Govt Fund Agenc	8.1%	8.9%
New Zealand Gvt IIb	5.0%	-
Transpower New Zealand	4.4%	0.5%
Housing New Zealand Ltd	3.1%	2.3%
Fonterra Cooperative Grp	2.5%	0.6%
Landwirtsch. Rentenbank	2.2%	1.3%
ANZ Bank New Zealand Ltd	2.0%	1.5%
Intl Finance Corp	2.0%	1.3%
Auckland Council	1.9%	0.8%

Credit ratings

	Fund %	Benchmark %
AAA	12.9%	13.8%
AA+	52.5%	74.0%
AA Other	21.5%	7.6%
A	7.6%	2.3%
BBB	5.0%	2.3%
Not Rated	0.5%	-

Investment performance and positions

The performance in this fact sheet is gross of fees and tax. Investors should also refer to the quarterly Fund Update, which is available on www.iisolutions.co.nz and www.business.govt.nz/disclose

Important Information

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