

Russell Investments Emerging Markets Fund

Fund facts

Inception date

30 April 2007

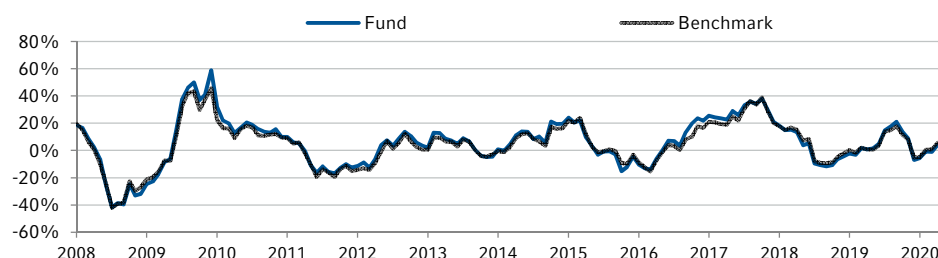
Benchmark

MSCI Emerging Markets Index - Net

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	0.1	9.3	5.0	3.5	7.4	5.2
Benchmark return*	0.7	9.5	6.8	4.9	7.4	4.4
Excess return	-0.7	-0.2	-1.9	-1.5	0.0	0.8

Note: Past performance is not indicative of future performance. Performance data shown is gross of fees, charges or taxes and is not in any way an indicator of the net return to you as an investor.

* MSCI Emerging Markets Free Index 31/12/2008, MSCI Emerging Markets Net Index until 31/12/2010, Russell Emerging Markets - Net Index until 31/12/2017 and MSCI Emerging Markets Net Index thereafter. Performance is calculated on exit price.

Fund commentary

The Russell Investments Emerging Markets Fund underperformed the benchmark in August. Much of the Fund's underperformance was driven by poor stock selection in China. This included underweights to Alibaba Group, Meituan Dianping and Xiaomi Corp.; all of which posted strong, double-digit gains for the month. Stock selection in South Korea and Taiwan also detracted from returns; the former including overweights to Samsung Electronics and SK hynix. Both stocks remain amongst our largest overweight positions. At the sector level, a material underweight exposure and poor stock selection within the consumer discretionary sector detracted. In addition to our holding in Meituan Dianping, this included an underweight to Chinese car manufacturer NIO, Inc. and an ex-benchmark holding in Times China. Returns were further impacted by our use of derivatives. We use derivatives to manage country risk and limit any potential structural country tilts within the Fund that may arise from our specialist managers. We currently hold long futures positions in China and Taiwan, which are offset by short MSCI Emerging Markets futures. In contrast, the Fund benefited from ex-benchmark exposures to Vietnam and Bangladesh; both of which recorded strong gains in August. Our long-held underweights to Malaysia and Thailand also added value over the period, as did positive stock selection in Russia; the latter including an ex-benchmark holding in Yandex NV. Other notable positions to add value included overweights to India's ICICI Bank and South Korea's LG Chem and Kumho Petrochemical Co. In terms of strategic factor performance, the Fund's momentum and small caps exposures both added value in August, while our value bias detracted from returns as growth stocks continued to outperform.

At the manager level, Alliance Bernstein was the worst performer for the month; the manager's deep value exposure struggling in the prevailing 'risk on' market environment. Poor stock selection in China detracted, including zero exposures to Alibaba Group and Meituan Dianping. Overweights to South Korean technology names also impacted returns; notably Samsung Electronics and SK hynix. Axiom and RWC Partners both outperformed over the period.

We maintain underweight exposures to China, Saudi Arabia, Malaysia and India. We also maintain overweight exposures to Russia, South Korea and Brazil, as well as tilts toward value and momentum factors. The dispersion between value and growth factors remains greater than the long-term average and has extended further this year. However, we believe maintaining a balanced portfolio with tilts toward both value and momentum factors remains attractive. At the sector level, the Fund is most overweight information technology, materials and consumer staples.

Russell Investments Emerging Markets Fund

Sector allocation

	Fund	Benchmark
Information Technology	19.5%	17.6%
Consumer Discretionary	18.4%	19.8%
Financials	17.0%	17.9%
Communication Services	11.6%	12.9%
Materials	8.9%	7.0%
Consumer Staples	6.3%	6.3%
Energy	5.3%	5.6%
Health Care	4.2%	4.2%
Industrials	4.1%	4.4%
Real Estate	2.2%	2.4%
Utilities	1.5%	2.0%
Other	1.0%	0.0%

Geographic exposure

	Fund	Benchmark
China	38.9%	42.5%
South Korea	13.5%	11.5%
Taiwan	12.6%	12.5%
India	7.7%	8.3%
Brazil	5.5%	4.8%
Russia	5.2%	2.9%
South Africa	3.3%	3.5%
Mexico	1.6%	1.6%
Indonesia	1.2%	1.4%
Other	10.5%	10.9%

Top ten holdings

Security
Taiwan Semiconductor Manufacturing Co., Ltd.
Alibaba Group Holding Ltd.
Tencent Holdings Ltd.
Samsung Electronics Co., Ltd.
Reliance Industries Ltd.
JD.com, Inc. Class A
LUKOIL
Sberbank of Russia
Ping An Insurance (Group) Co. of China, Ltd. Class H
SK Hynix Inc

Portfolio structure

Manager	Style	Strategic weight %
Alliance Bernstein	Value	13.0
Axiom International Investors	Quality, growth	14.0
Neuberger Berman	Growth	14.0
Numeric	Value, momentum	16.0
Oaktree Capital	Market-oriented	14.0
Russell Investments	Positioning strategies	10.0
RWC Partners	Opportunistic, focus on value & growth	9.0
Somerset Capital	Quality, value mid-cap & frontier	5.0
Westwood International Advisors	Quality, SMID cap	5.0

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Footnotes

All information contained in this document is for the current reporting period unless otherwise stated.

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