

# Russell Investments NZ Fixed Interest Fund



**Portfolio Manager**  
Clive Smith

Russell Investments' New Zealand Fixed Income Team brings over 20 years of experience in managing portfolios.

The team works closely with our researchers, portfolio analysts, and strategists in Russell Investments offices around the globe. The team manages cash and multi-strategy fixed income portfolios, which include global, regional, investment grade, high yield, emerging market debt and absolute return mandates.

## Fund facts

### Inception date

14 February 2013

### Benchmark\*\*

Bloomberg NZ Bond Composite 0+ Yr Index

### Currency

NZD

### Total Annual Fund Charges

0.49%

### Management Fees

0.40%

### Estimated Administration Fee

0.09%

### Dealing frequency; Cut off

Daily, 11am NZT

### Dividend reinvestment available

Yes

## Fund objective

To provide a total return, before costs and tax, higher than the Bloomberg NZ Bond Composite 0+ Yr Index over the long term (3 years plus).

## Fund update

Security selection contributed positively to performance over the period, driven largely by an overweight to shorter-dated swaps and a corresponding underweight to New Zealand Government Stock. The Fund also benefited from its exposures to Auckland Council, Bank of New Zealand and Kiwi Bank. Partly offsetting these positions were our holdings in GMT Bond Issuer Ltd. and Asian Development Bank. Credit positioning – notably our overweights to corporates and supernatural, sovereign and agency bonds – and our exposure to inflation-indexed bonds added further value over the period. In contrast, duration positioning detracted from overall performance in the third quarter. The Fund maintained a long duration exposure (in aggregate) throughout the period; positioning which was impacted by the sharp rise in bond yields we saw over the quarter. Both Harbour Asset Management and Western Asset Management maintain tactical approaches to duration and yield curve positioning in order to take advantage of opportunities where they believe the market may have overshot the mark.

## Performance review (%)

| Period ending 30/09/2023        | 1 month | 3 months | 1 year p.a. | 3 years p.a. | 5 years p.a. | Since inception p.a. |
|---------------------------------|---------|----------|-------------|--------------|--------------|----------------------|
| Gross fund performance          | -1.51   | -1.60    | 0.95        | -4.12        | 0.23         | 2.70                 |
| Net fund performance            | -1.55   | -1.72    | 0.46        | -4.68        | -0.43        | 1.98                 |
| Benchmark return*               | -1.42   | -1.62    | 0.25        | -4.97        | -0.38        | 2.09                 |
| Excess fund performance (gross) | -0.09   | 0.02     | 0.70        | 0.85         | 0.61         | 0.61                 |

## Rolling 12 month performance (%)

| Period ending 30/09/2023 | 30/09/18<br>30/09/19 | 30/09/19<br>30/09/20 | 30/09/20<br>30/09/21 | 30/09/21<br>30/09/22 | 30/09/22<br>30/09/23 |
|--------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Gross fund performance   | 8.79                 | 5.46                 | -4.79                | -8.28                | 0.95                 |
| Net fund performance     | 7.97                 | 4.67                 | -5.51                | -8.77                | 0.46                 |
| Benchmark return*        | 8.88                 | 5.03                 | -6.14                | -8.80                | 0.25                 |

\*As at 28 Jun 19 the benchmark 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.

Net fund performance shown is net of fees and charges. Assumes reinvestment of income.

Performance data is provided for informational purposes only and is not intended to imply a recommendation about a product or form the basis for making an investment decision.

Past performance is not a reliable indicator of future performance.

## Portfolio statistics

|                        | Fund  | Benchmark |
|------------------------|-------|-----------|
| Duration               | 4.96  | 4.53      |
| Yield                  | 5.04% | 5.31%     |
| Average quality/rating | AA    | AAA       |
| Number of issuers      | 57    | 51        |

Data as at 31 August 2023

| 3 years           | Fund   | Benchmark |
|-------------------|--------|-----------|
| Volatility        | 4.45%  | 4.46%     |
| Tracking error    | 0.38%  | -         |
| Sharpe ratio      | -1.23% | -         |
| Information ratio | 2.24%  | -         |

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## Top ten issuers (%)

| Security                             | Fund  | Benchmark |
|--------------------------------------|-------|-----------|
| New Zealand Government               | 41.58 | 62.91     |
| NZ Local Govt Funding Agency Ltd     | 7.98  | 8.23      |
| Housing New Zealand Limited          | 4.73  | 3.39      |
| Bank of New Zealand                  | 3.33  | 1.50      |
| Westpac New Zealand Limited          | 2.46  | 1.57      |
| Intl Bank for Reconstruction and Dev | 2.12  | 4.06      |
| Asian Development Bank               | 1.98  | 3.21      |
| Kiwibank Limited                     | 1.70  | 0.54      |
| Transpower New Zealand Limited       | 1.68  | 0.67      |
| ASB Bank Limited                     | 1.66  | 1.48      |

Data as at 31 August 2023

## Credit ratings (%)

|           | Fund  | Benchmark |
|-----------|-------|-----------|
| AAA       | 69.30 | 88.47     |
| AA        | 6.69  | 1.65      |
| A         | 14.71 | 7.22      |
| BBB       | 5.60  | 2.52      |
| Not Rated | 3.70  | 0.14      |

Data as at 31 August 2023

## Sector allocation(%)

|                      | Fund  | Benchmark |
|----------------------|-------|-----------|
| Government           | 72.86 | 90.28     |
| Corporate            | 20.82 | 9.72      |
| Cash                 | 3.96  | -         |
| Securitized Products | 2.36  | -         |

Data as at 31 August 2023

# Russell Investments NZ Fixed Interest Fund

## Portfolio structure (manager weight)

| Manager                  | Style                         | Target Allocation |
|--------------------------|-------------------------------|-------------------|
| Harbour Asset Management | Short-term local rates        | 50%               |
| Western Asset Management | Medium-term thematic strategy | 50%               |

### Footnotes

\*\*Effective August 24, 2021, the Bloomberg Barclays fixed income indices were rebranded the Bloomberg Indices.

## Important Information

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