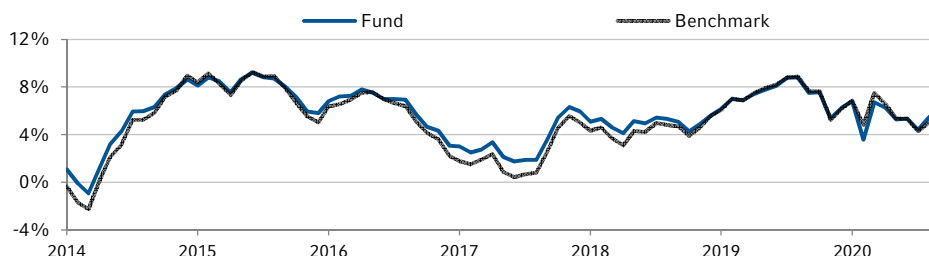


Russell Investments NZ Fixed Interest Fund

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

Rolling 1 year performance history



Performance review

| Period ending 31/10/2020 | 1 month % | 3 months % | 1 year % | 3 years %p.a. | 5 years %p.a. | Since inception %p.a. |
|--------------------------|-----------|------------|----------|---------------|---------------|-----------------------|
| Gross fund performance | 0.1 | 1.8 | 6.2 | 6.3 | 5.6 | 5.5 |
| Benchmark return* | -0.1 | 1.4 | 5.7 | 6.0 | 5.1 | 4.9 |
| Excess return | 0.1 | 0.5 | 0.5 | 0.3 | 0.5 | 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 October.

Sector positioning contributed the most to fund performance during the month; 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 much of the period. Specifically, 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 in October, as did security selection; the latter including our exposures to New Zealand Local Government Funding Agency, International Finance Corporation and Kommunalbanken. However, this was partly offset by our exposure to Z Energy, which underperformed over the period. Yield curve positioning also had a modest positive impact on returns during the month, with the Fund's overweight to shorter-dated maturities and underweight to longer-dated maturities proving beneficial. Meanwhile, duration positioning had no meaningful impact on overall performance in October. The Fund maintained a short duration position throughout the month, though in aggregate interest rate moves were relatively small and therefore had little effect on returns. 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 5.10%.

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 | 5.35 | 5.57 |
| Yield | 0.68% | 0.39% |
| Average quality/rating | AA | AA+ |
| Number of issuers | 60 | 47 |

Top 10 issuers

| | Fund % | Benchmark % |
|--------------------------|--------|-------------|
| New Zealand Government | 38.2% | 64.1% |
| NZ Local Govt Fund Agenc | 9.0% | 8.0% |
| New Zealand Gvt IIb | 5.4% | - |
| Housing New Zealand Ltd | 4.2% | 2.3% |
| Transpower New Zealand | 4.0% | 0.6% |
| ASB Bank Limited | 3.4% | 1.2% |
| Westpac New Zealand Ltd | 3.4% | 1.7% |
| Landwirtsch. Rentenbank | 2.8% | 1.1% |
| Fonterra Cooperative Grp | 2.4% | 0.5% |
| ANZ Bank New Zealand Ltd | 2.2% | 1.2% |

Credit ratings

| | Fund % | Benchmark % |
|-----------|--------|-------------|
| AAA | 13.8% | 13.6% |
| AA+ | 51.5% | 74.5% |
| AA Other | 20.5% | 7.3% |
| A | 8.9% | 2.3% |
| BBB | 4.9% | 2.4% |
| 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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