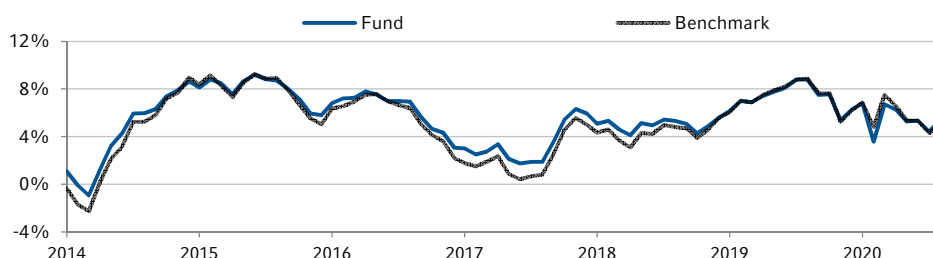


Russell Investments NZ Fixed Interest Fund

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

Rolling 1 year performance history



Performance review

Period ending 30/09/2020	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Gross fund performance	0.9	2.5	5.5	6.5	5.7	5.5
Benchmark return*	0.7	2.1	5.0	6.2	5.2	5.0
Excess return	0.3	0.4	0.4	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 NZ Fixed Interest Fund outperformed the benchmark for the September quarter.

Domestic long-term government bond yields fell (prices rose) over the period, driven in part by additional central bank stimulus. Whilst the Reserve Bank of New Zealand (RBNZ) left the official cash rate unchanged at a historically low 0.25% throughout the quarter, the Bank did increase the cap on its Large-Scale Asset Purchase Program from \$60 billion to \$100 billion and noted that progress was being made on its ability to deploy additional monetary instruments. These included a Funding for Lending Program, a negative cash rate and purchases of foreign assets. Officials view these instruments as being mutually supportive in terms of bolstering economic activity, though they could also be deployed independently. Bonds also benefited from the government's decision to reintroduce lockdown restrictions following several new coronavirus infections in Auckland. Compounding this was a surge in new virus cases globally, with the UK and several European countries, including Spain and France, forced to reintroduce stiff restrictions that could potentially undermine the global recovery. Bonds were further supported by some disappointing inflation and growth data. Annual inflation came in at 1.5% for the 12 months to 30 June, which was well below the 2% midpoint of the RBNZ's 1-3% target range, while the economy shrank a record 12.2% in the second quarter. This followed the 1.4% contraction we saw in the March quarter and dragged the economy into recession for the first time in 11 years. [Note: recession is widely defined as two consecutive quarters of negative growth]. Other factors that favoured bonds were ongoing US-China frictions, US government officials' failure to agree a new stimulus package and sharp contractions in economic growth across the major economies, including the US, Japan and euro-zone.

Limiting the market's gains were promising developments on the coronavirus vaccine front – though an effective vaccine has yet to materialise – and better-than-expected jobs data, with the unemployment rate falling to 4.0% in the second quarter. This was down on the 4.2% recorded in the first quarter and considerably better than the 5.0% to 6.4% range that most economists had anticipated. Moreover, it eclipsed the RBNZ's own forecast of 7.0%. Bonds were also impacted by news a preliminary reading of ANZ's business confidence survey showed a pickup in sentiment in September, a record current account surplus in the June quarter and evidence the post-coronavirus recovery in China is gathering momentum; the world's second-biggest economy expanding 3.2% for the year to 30 June. The yield on New Zealand 10-year government bonds closed the quarter 42 basis points lower at 0.50%.

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	5.41	5.55
Yield	0.65%	0.40%
Average quality/rating	AA	AA+
Number of issuers	58	45

Top 10 issuers

	Fund %	Benchmark %
New Zealand Government	32.6%	63.3%
NZ Local Govt Fund Agenc	8.0%	8.4%
New Zealand Gvt Ilb	5.5%	-
Housing New Zealand Ltd	3.5%	2.2%
Transpower New Zealand	3.5%	0.6%
ASB Bank Limited	3.1%	1.2%
Westpac New Zealand Ltd	2.9%	1.8%
Fonterra Cooperative Grp	2.5%	0.5%
Landwirtsch. Rentenbank	2.4%	1.2%
Intl Finance Corp	2.0%	1.5%

Credit ratings

	Fund %	Benchmark %
AAA	14.4%	14.0%
AA+	51.3%	73.9%
AA Other	19.9%	7.5%
A	9.3%	2.3%
BBB	4.9%	2.3%
Not Rated	0.2%	0.0%

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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