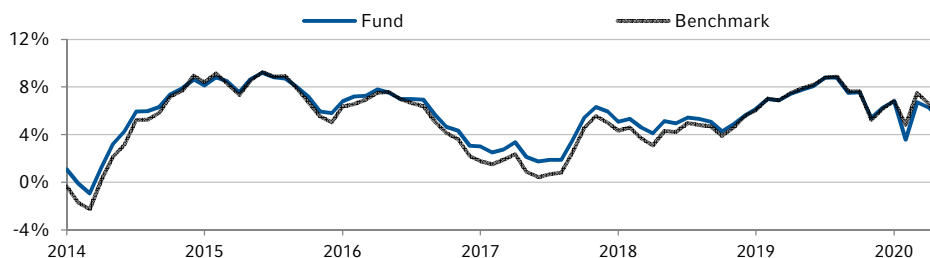


Russell Investments NZ Fixed Interest Fund

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

Rolling 1 year performance history



Performance review

Period ending 30/06/2020	1 month %	3 months %	1 year %	3 years %p.a.	5 years %p.a.	Since inception %p.a.
Gross fund performance	-0.1	3.6	5.3	6.1	5.5	5.4
Benchmark return*	-0.3	2.4	5.4	5.8	5.2	4.9
Excess return	0.2	1.2	-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 the exit price.

Fund commentary

The Russell Investments NZ Fixed Interest Fund outperformed the benchmark for the June quarter.

Long-term government bond yields fell (prices rose) over the period, hitting multi-year lows as the country remained in lockdown. The local economy shrank 1.6% in the first quarter - this being the worst reading in 29 years. With growth certain to decline further in the second quarter, the economy looks set to enter recession for the first time since the global financial crisis over a decade ago. The unemployment rate rose to 4.2% in the March quarter; and according to Treasury this is expected to rise to as high as 9.8% in the coming months. The market was also supported by heightened US-China tensions and growing concerns a potential second wave of coronavirus infections could derail the global recovery. Countries such as China, Japan and Germany all reported an increase in new cases during the period while the virus death toll in the US surpassed 122,000 even as many states were easing restrictions. Continued fiscal and monetary policy support included the Reserve Bank of New Zealand (RBNZ)'s announcement that it would almost double its bond-buying program to \$60 billion. The Bank's previous limit was \$33 billion; comprising \$30 billion of government bonds and \$3 billion of local authority paper. Sentiment was further buoyed by a surge in retail spending and evidence business confidence continues to improve; though both readings remain well below pre-pandemic levels. The yield on New Zealand 10-year government bonds eventually closed the quarter 16 basis points lower at 0.93%.

Credit markets performed well over the period, with spreads narrowing significantly as investors adopted a more 'risk on' tone amid hopes the worst of the coronavirus pandemic had passed and additional central bank stimulus.

In the currency space, the New Zealand dollar (NZD) strengthened on improving risk appetites, stronger commodity prices and general US dollar (USD) weakness. Limiting the currency's advance was softer first-quarter growth and fresh virus concerns. The NZD rose 7.4% against the British pound, 7.2% against the USD, 6.3% against the Japanese yen and 4.9% against the euro. It fell 4.1% against the Australian dollar, while the broader New Zealand Trade-Weighted Index closed the quarter up 3.7%.

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	4.90	5.07
Yield	0.93%	0.69%
Average quality/rating	AA	AA+
Number of issuers	50	45

Top 10 issuers

	Fund %	Benchmark %
New Zealand Government	35.6%	59.2%
NZ Local Govt Fund Agenc	9.1%	8.7%
New Zealand Gvt Ilb	4.4%	-
Housing New Zealand Ltd	3.3%	2.5%
Auckland Council	2.9%	0.9%
Westpac New Zealand Ltd	2.7%	2.1%
ANZ Bank New Zealand Ltd	2.4%	1.6%
Q Card Trust	2.1%	-
Spark Finance Ltd	1.6%	0.3%
Landwirtsch. Rentenbank	1.6%	1.5%

Credit ratings

	Fund %	Benchmark %
AAA	15.3%	15.5%
AA+	54.0%	70.7%
AA Other	16.8%	8.7%
A	7.8%	2.6%
BBB	2.7%	2.5%
Not Rated	3.6%	-

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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