

Russell Global Opportunities Fund - \$NZ Hedged

Report and update

31 March 2016

Fund commentary

The Russell Global Opportunities Fund \$NZ Hedged returned 5.85% for the month, outperforming its benchmark by 0.11%. Over the quarter, the Fund returned -2.53%, underperforming its benchmark by 1.31%.

It was a challenging first quarter for the Fund. A key contributor of the underperformance during the period was stock selection within the financial sector, including overweight holdings in European banks such as Barclays, Credit Suisse and BNP Paribas. This was followed by a decrease in interest rates by central banks. An underweight exposure to energy and an overweight exposure to healthcare also detracted from performance, though the latter was offset by good stock selection within the sector.

In contrast, an environment of significant volatility and cautious investor sentiment proved to be particularly beneficial for quality and less-market-sensitive stocks. As a result, the Fund's global quality income positioning strategy contributed positively to performance. Good performance by the Fund's emerging markets exposure was another value-add source during the quarter.

Manager commentary

The **Russell global quality income positioning strategy** was the best performer for the quarter, benefiting from its more defensive exposure and embedded valuation discipline. Stock selection within the financial sector, particularly underweight exposures to major US banks, added considerable value.

Wellington was the weakest performing manager over the quarter in what was a challenging market environment for those stocks that are more sensitive to market movements. Stock selection was a main driver of underperformance, particularly within information technology, with an overweight to Amazon the biggest detractor.

Market commentary

Global equity markets returned 5.74% in March and -1.23% for the quarter, as measured by the Russell Global Large cap Net Index hedged to the NZ dollar.

Global equities were hardest hit in the early part of the quarter, as investors worried about another emerging markets crisis. Factors that fuelled this cautious sentiment included the less-than-encouraging developments in China, further oil price weakness and escalating geopolitical tensions. However, stocks were able to recover much of these early losses towards the end of the quarter. Valuations began to look more attractive than they did at the beginning of the year. Oil prices rebounded strongly and also the US Federal Reserve chair, Janet Yellen, reiterated that future interest rate hikes will be gradual. Moreover, investors reacted positively to moves by Chinese policymakers aimed at stimulating growth and an easing of US recessionary fears.

Emerging markets were weaker for the quarter, though they did outperform their developed peers. Much of the sector's decline came in the first half of the period as markets continued to be volatile. However, a subsequent rebound in oil prices and some encouraging central bank rhetoric did help to limit the decline.

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 information purposes only.

Underlying Manager Allocations (31/03/16)		
Manager	Current weight	Target weight
MFS	21.3%	22.5%
Numeric	22.7%	20.0%
Harris	11.0%	15.0%
Wellington	11.6%	15.0%
Sanders Capital	20.3%	15.0%
Russell Positioning Strategies	7.9%	7.5%
Russell Emerging Markets (CPM)	5.2%	5.0%

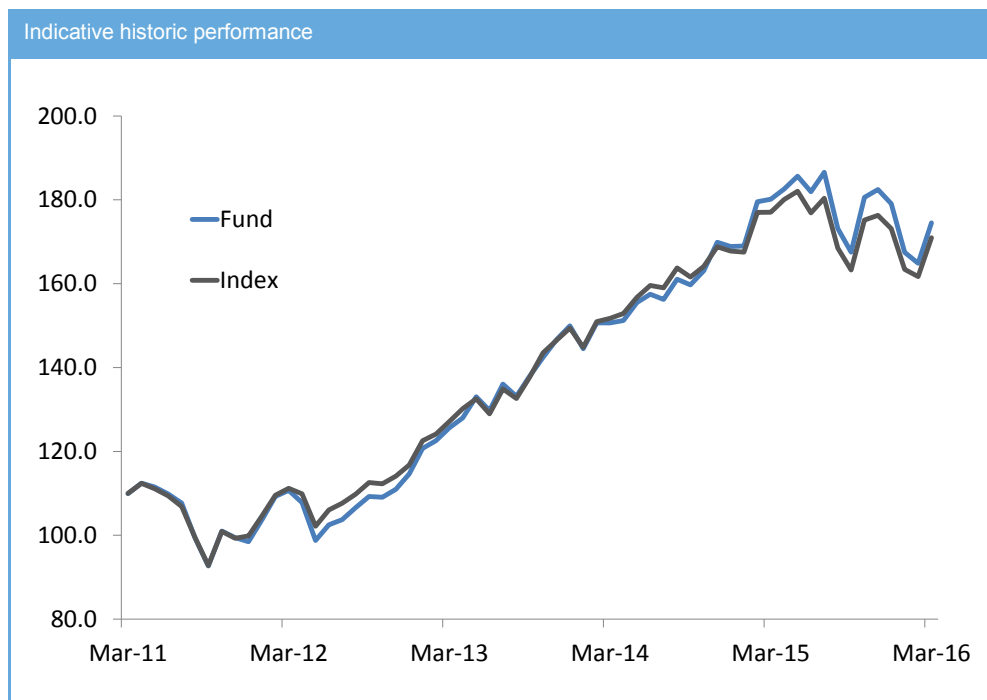
Sector Allocations (31/03/16)		
Sector	Fund	Index
Financials	20.4%	20.5%
Information Technology	16.3%	14.8%
Consumer Discretionary	15.6%	12.9%
Health Care	16.4%	11.5%
Industrials	10.4%	11.2%
Consumer Staples	9.5%	10.3%
Energy	3.8%	6.4%
Materials	4.0%	4.9%
Telecommunication Services	2.1%	4.0%
Utilities	1.5%	3.5%

Regional Allocations (31/03/16)		
Region	Fund	Index
North America	56.2%	57.1%
EMEA ex UK	19.4%	15.7%
Emerging markets	9.3%	9.8%
UK	6.9%	6.5%
Japan	4.5%	7.0%
Asia Pacific ex Japan	3.7%	3.9%

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Returns to 31 March 2016

	Month	Quarter	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.
Fund	5.85%	(2.54%)	(3.13%)	11.58%	9.68%	5.87%
Index	5.74%	(1.23%)	(3.44%)	10.37%	9.21%	5.54%

All performance unless otherwise stated is reported on a gross of tax and fees basis.

The benchmark for the Russell Global Opportunities Fund \$NZ Hedged was the MSCI World Net Index NZD Hedged until 31 December 2010, and thereafter the Russell Global Large Cap Net Index NZD Hedged.

Past performance is not necessarily indicative of future performance.

Performance figures above may differ slightly from the periodic returns found on Russell Performance Reviews.

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