

# Russell Investments Hedged Global Shares Fund

## Report and update

30 November 2017

### Fund Commentary

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 [iisolutions.co.nz](http://iisolutions.co.nz) and [business.govt.nz/disclose](http://business.govt.nz/disclose).

The Russell Investments Hedged Global Shares Fund returned 1.39% for the month of November 2017, in line with the benchmark of 1.42%.

Stock selection at the regional level contributed positively to performance over the period, particularly in Japan and North America; though the latter was partly offset by an underweight exposure to the U.S. Stock selection within healthcare and materials was also positive, including an overweight holding in Becton, Dickinson and Company, and an ex-benchmark exposure to China's Angang Steel Co. An ex-benchmark holding in Japan's Broadleaf Co. added the most value in November; the stock jumping almost 30% on the back of better-than-expected third-quarter earnings.

### Manager Commentary

**Tiburon** was the best-performing manager for the month, benefiting from very strong stock selection within the information technology sector. This included an ex-benchmark exposure to Broadleaf Co. Stock selection was also positive within the industrial, healthcare and materials sectors. In contrast, stock selection within the consumer staples and financials sectors weighed the most on returns; the latter including an ex-benchmark exposure to Jaccs Co.

**RWC Partners** underperformed in November, driven largely by poor stock selection within the telecommunication services, consumer discretionary and information technology sectors. This included not holding China's Tencent Holdings and India's Bharti Infratel. The manager's small caps exposure also weighed on returns. In contrast, stock selection within materials and financials sectors added the most value over the period; the latter including an overweight holding in Sberbank Russia OJSC.

### Market Commentary

Global equity markets returned 1.42% for the month of November 2017, as measured by the Russell Global Large Cap Net Index hedged to the NZ dollar.

Contributing to the gains were encouraging U.S. earnings results, with the likes of Apple, Cisco and retail giant Wal-Mart all providing updates which beat analysts' expectations. Stocks also benefited from an upward revision to third-quarter U.S. economic growth, fresh hopes over Donald Trump's proposed tax reform and news U.S. consumer confidence jumped to its highest level in almost 17 years. Sentiment was further boosted by a series of improving economic data in Europe and Japan, stronger oil prices and expectations Trump's nominee to lead the U.S. Federal Reserve, Jerome Powell, will maintain his predecessor's path of gradual interest rate hikes. Limiting the advance was some softer Chinese economic data, political uncertainty in Germany and an element of profit taking in the wake of recent strong gains. Stocks were also negatively impacted by renewed missile testing in North Korea; claiming it has successfully developed an intercontinental ballistic missile that puts the U.S. mainland firmly in range of its nuclear weapons.

At the country level, U.S. stocks continued to hit record highs in November with the Dow Jones Industrial Average in particular cracking the 24,000-point mark for the first time in its history. Japanese and Chinese stocks were also up for the month, while share markets in the U.K. and Europe were lower.

Emerging markets extended their gains in November, though underperforming their developed peers over the period. Contributing to the gains was a sustained rise in oil prices and further U.S. dollar (USD) weakness. South Africa, Colombia and the Czech Republic posted the biggest gains for the month. Malaysia and Russia were also stronger, while Chile and Turkey were among the worst performers.

In terms of sectors, telecommunication services was the best performer for the month, followed by consumer staples, consumer discretionary and property trusts. Materials was the only sector to record a loss in November, albeit a very modest one.

In the currency space, the U.S. dollar (USD) struggled in November, with much of the weakness coming in the early part of the month as US policymakers continued to debate Trump's proposed tax plan. Argentina's peso, South Africa's rand and Malaysia's ringgit were among the best performers against the USD, while Chile's peso and Turkey's lira both underperformed.

*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 (30/11/2017)

Manager	Current weight	Target weight
Man Numeric	15.0%	15.0%
Janus (Perkins)	11.8%	12.0%
Wellington	8.3%	8.0%
Sanders Capital	15.4%	16.0%
Russell Investments Positioning Strategies	14.8%	12.5%
J O Hambro Capital	5.4%	6.0%
Tiburon Partners	6.8%	7.0%
RWC Partners	6.4%	6.0%
Fiera Capital	16.1%	17.5%

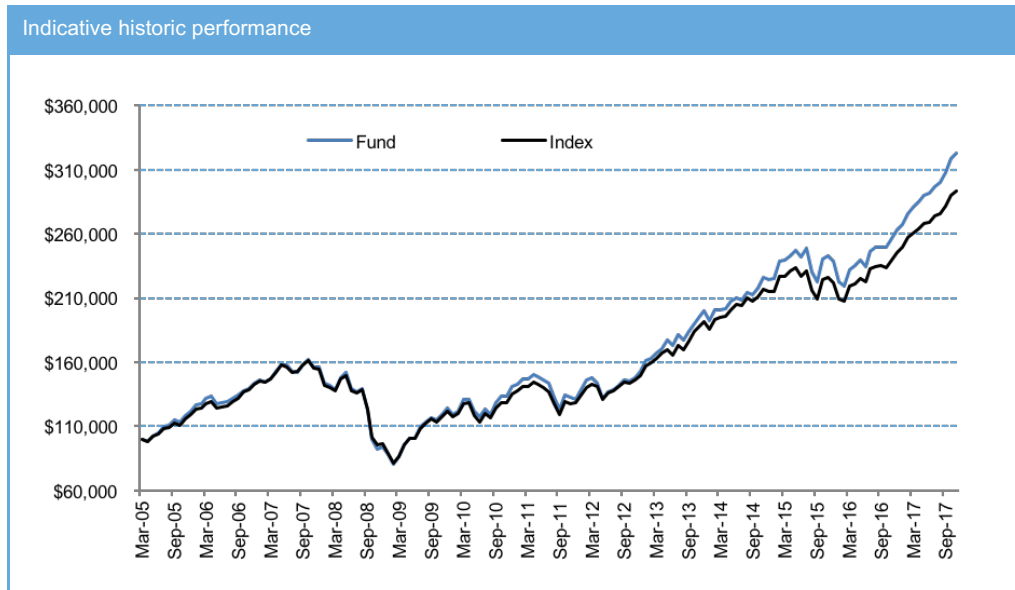
### Sector Allocations (30/11/2017)

Sector	Fund	Index
Financials	19.8%	18.6%
Information Technology	19.1%	17.2%
Consumer Discretionary	11.6%	11.9%
Health Care	12.4%	10.8%
Consumer Staples	10.3%	8.6%
Industrials	12.0%	11.3%
Energy	4.3%	6.1%
Materials	4.6%	5.5%
Telecommunication Services	2.6%	3.5%
Utilities	2.0%	3.1%
Real Estate	1.4%	3.6%

### Regional Allocations (30/11/2017)

Region	Fund	Index
North America	48.1%	56.4%
EMEA ex UK	19.0%	15.4%
UK	6.3%	5.8%
Japan	11.1%	7.8%
Emerging markets	12.7%	10.8%
Asia Pacific ex Japan	2.8%	3.8%

# Russell Investments Hedged Global Shares Fund



\*\* The performance is gross of tax and fees. From July 2012 the performance is for the Russell Investments Hedged Global Shares Fund. For the period July 2011 to July 2012 the performance is for the Russell Global Opportunities Fund - \$NZ Hedged (Class B). This is the Fund that the Russell Investments Hedged Global Shares Fund invests in, and is available to NZ investors (including retail investors). Prior to July 2011 the performance is for the Russell Global Opportunities Fund - \$NZ Hedged (Class A), which is a fund held by wholesale investors. Prior to April 2010 the Russell Global Opportunities Fund - \$NZ Hedged (Class A) was called the "Russell Global Equity Strategies Fund \$NZ Hedged", and included an enhanced passive exposure. In April 2010 the Fund was re-named the "Russell Global Opportunities Fund - \$NZ Hedged", and adopted a more concentrated investment approach.

The benchmark is the MSCI World Net – \$NZ Hedged until 31 December 2010 and the Russell Global Large Cap \$NZ Hedged Net Index thereafter

Returns to 30/11/2017				
	Month	Quarter	1 Year	3 Years p.a.
Fund	1.38%	7.74%	26.07%	12.64%
Index	1.42%	6.70%	22.65%	10.70%

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

The benchmark for the Russell Investments 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.

## Disclaimer

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