

# Russell Investments Global Opportunities Fund-\$NZ Hedged

## Report and update

31 December 2017

### Fund Commentary

The Russell Investments Global Opportunities Fund \$NZ Hedged returned 6.17% for the December 2017 quarter, outperforming the benchmark by 0.40%.

Stock selection drove the Fund's outperformance over the period, particularly in North America. An ex-benchmark exposure to Japanese firm Pasona Group added the most value for the quarter; the stock jumping 85%. In terms of sectors, stock selection was strongest amongst industrials, materials, healthcare and energy. An overweight exposure to several leading European banks and poor stock selection within the information technology space detracted from performance.

### Manager Commentary

**Tiburon Partners** was the best-performing manager for the quarter. Strong stock selection within the industrials, consumer discretionary and healthcare sectors added the most value over the period. This included overweight holdings in Pasona Group, Tsukui Corp. and Marui Group.

**The Russell Investments active positioning strategy** underperformed the benchmark over the quarter, driven by poor stock selection amongst momentum names. An overweight exposure to Europe also weighed on returns, particularly financials such as BNP Paribas SA, Banco Santander S.A. and UniCredit S.p.A. In contrast, the strategy benefited from an overweight holding in Deutsche Lufthansa AG.

### Market Commentary

Global equity markets returned 5.77% for the December 2017 quarter, as measured by the Russell Global Large Cap Net Index hedged to the NZ dollar.

Contributing to the gains were some encouraging US earnings results, with IBM, Google, Amazon and retail giant Wal-Mart all beating analysts' lofty expectations. Stocks also benefited from a series of improving US, European and Chinese economic data, including stronger-than-expected third-quarter US growth and a jump in US consumer confidence. Sentiment was further boosted by stronger commodity prices, expectations the US Federal Reserve (Fed) will maintain its gradual approach to raising interest rates, and news Congress had finally approved Donald Trump's much-anticipated tax plan. Other factors to support share markets over the period were Shinzo Abe's resounding election win in Japan, the European Central Bank's decision to wind back its monthly bond purchases – a move seen by investors as a nod to the underlying strength of the region's economy – and the optimism surrounding the global growth outlook generally. Limiting the gains was still-low inflation in the US, renewed political uncertainty in Europe – this time in Germany and Italy – and claims by North Korea that it now possesses an intercontinental ballistic missile. Stocks were also negatively impacted by news several members of Trump's campaign team had been charged in relation to the investigation into Russian meddling in 2016's presidential election, and an element of profit taking in the wake of recent strong gains.

At the country level, US stocks, including the benchmark S&P 500 Index, the Dow Jones Industrial Average and the tech-heavy NASDAQ, continued to hit record highs throughout the quarter; the latter even topping the 7,000-point mark for the first time in its history. Japanese, UK and Chinese stocks were also stronger for the period while European stocks struggled amid some disappointing corporate earnings, fresh political uncertainty and profit taking.

Emerging markets continued to outperform their developed counterparts over the quarter, benefiting in part from rising commodity prices, further US dollar (USD) weakness and the general optimism surrounding the global growth outlook. South Africa posted the biggest gains, followed by India, South Korea and Greece. Colombia was the only country to record a loss for the period, albeit a modest one.

In terms of sectors, information technology, consumer discretionary and materials posted the biggest gains for the quarter; the latter benefiting from rising commodity prices. Energy, financials and consumer staples were also stronger for the period while the traditionally defensive utilities sector was the only sector to post a loss for the quarter.

In terms of currencies, the USD fell steadily throughout the period, closing the year with its steepest annual drop since 2003. South Africa's rand posted the strongest gains against the USD amid speculation the country's president, Jacob Zuma, could be removed and replaced by recently-elected leader of the African National Congress, Cyril Ramaphosa. South Korea's won and Poland's zloty were also positive while Mexico's peso, Turkey's lira and Brazil's real were amongst the worst performers for the period.

*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. Due to availability some of the below information is reported with a delay of one month.*

#### Underlying Manager Allocations (31/12/2017)

Manager	Current weight	Target weight
Man Numeric	15.9%	15.0%
Janus (Perkins)	11.6%	12.0%
Wellington	8.2%	8.0%
Sanders Capital	15.2%	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	15.7%	17.5%

#### Sector Allocations (31/12/2017)

Sector	Fund	Index
Financials	19.9%	18.7%
Information Technology	18.5%	17.5%
Consumer Discretionary	11.9%	11.9%
Health Care	12.2%	10.6%
Consumer Staples	10.3%	8.6%
Industrials	12.3%	11.4%
Energy	4.5%	6.3%
Materials	4.8%	5.6%
Telecommunication Services	2.4%	2.9%
Utilities	1.8%	2.9%
Real Estate	1.4%	3.6%

#### Regional Allocations (31/12/2017)

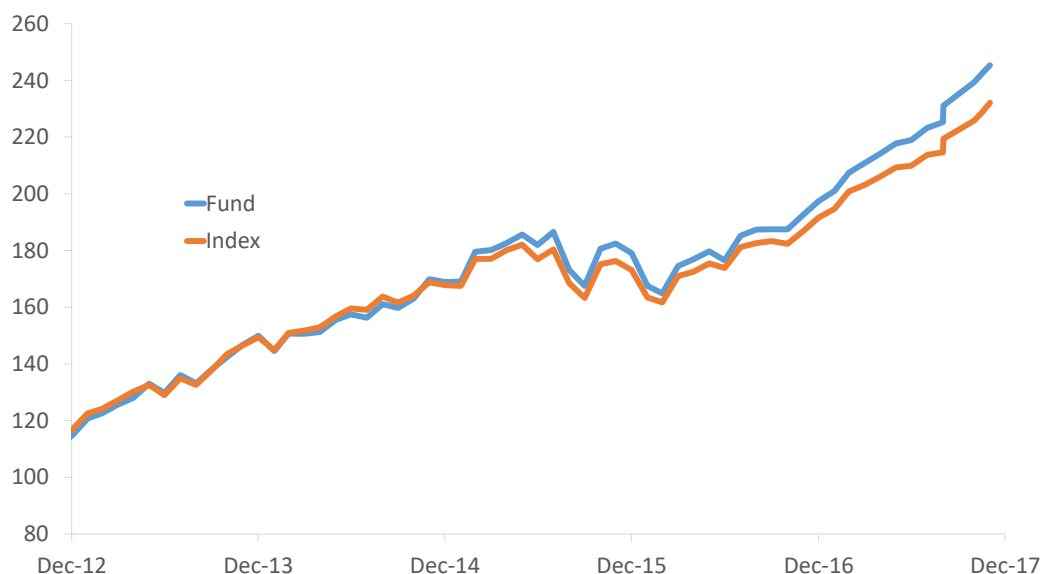
Region	Fund	Index
North America	48.5%	56.1%
EMEA ex UK	18.8%	15.2%
UK	6.3%	6.0%
Japan	11.0%	7.8%
Emerging markets	12.7%	11.0%
Asia Pacific ex Japan	2.7%	3.9%

# Russell Investments Global Opportunities Fund-\$NZ Hedged

Report and update

31 December 2017

Indicative historic performance



Returns to 31 December 2017

	Month	Quarter	1 Year	3 Years p.a.	5 Years p.a.	10 Years p.a.
Fund	1.09%	6.17%	24.26%	13.25%	16.44%	7.70%
Index	1.34%	5.77%	21.10%	11.42%	14.73%	6.79%

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.

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

## Disclaimer

The information contained in this publication was prepared by Russell Investment Group Ltd on the basis of information available at the time of preparation. This publication provides general information only and should not be relied upon in making an investment decision. Investors should seek professional financial advice from an authorised financial adviser which takes into account their personal circumstances before making an investment decision. In particular, the information contained in this publication is not personalised financial advice for the purposes of the Financial Advisers Act 2008 (NZ). Russell Investment Management Ltd and its directors will not be liable (to the maximum extent permitted by law) for any loss or damage arising as a result of reliance being placed on any of the information contained in this publication. None of Russell Investment Group Ltd, Russell Investment Management Ltd, any member of the Russell Group, their directors or any other person guarantees the investments or the returns on the investments in the Russell Investments Funds Investment Programme.

The Product Disclosure Statements or the Information Memorandum for the Russell Investments Funds (as applicable) are available by contacting Russell Investment Group on 0800 357 6633. Copyright 2017 Russell Investment Group Ltd. All rights reserved.