

Russell Investments

Wales PP Global Opportunities Equity Fund

Period ending 30 September 2020



WILL PEARCE, ASIP
Senior Portfolio Manager

November 2020



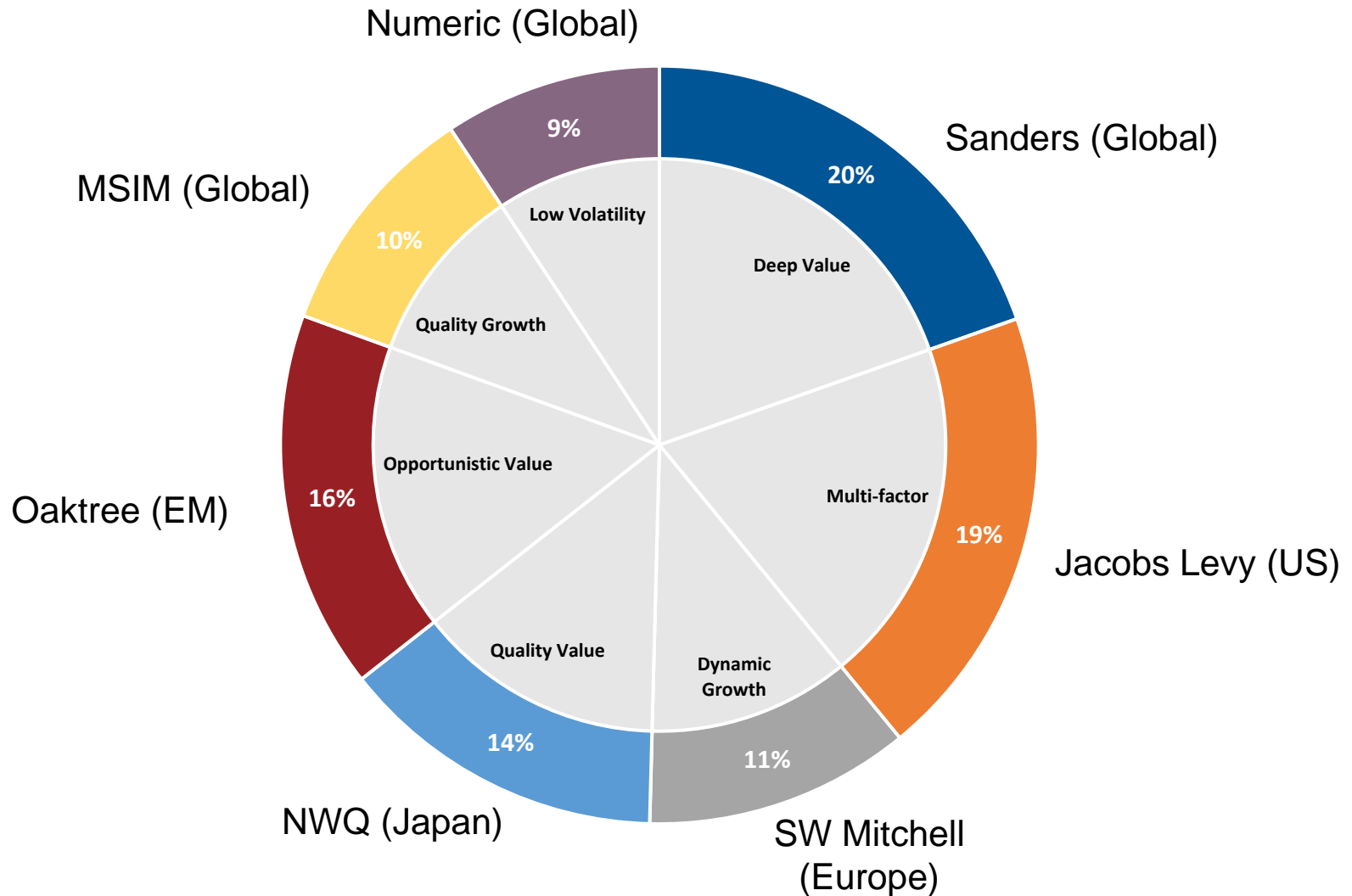
Market & Performance

Market Review

Q3

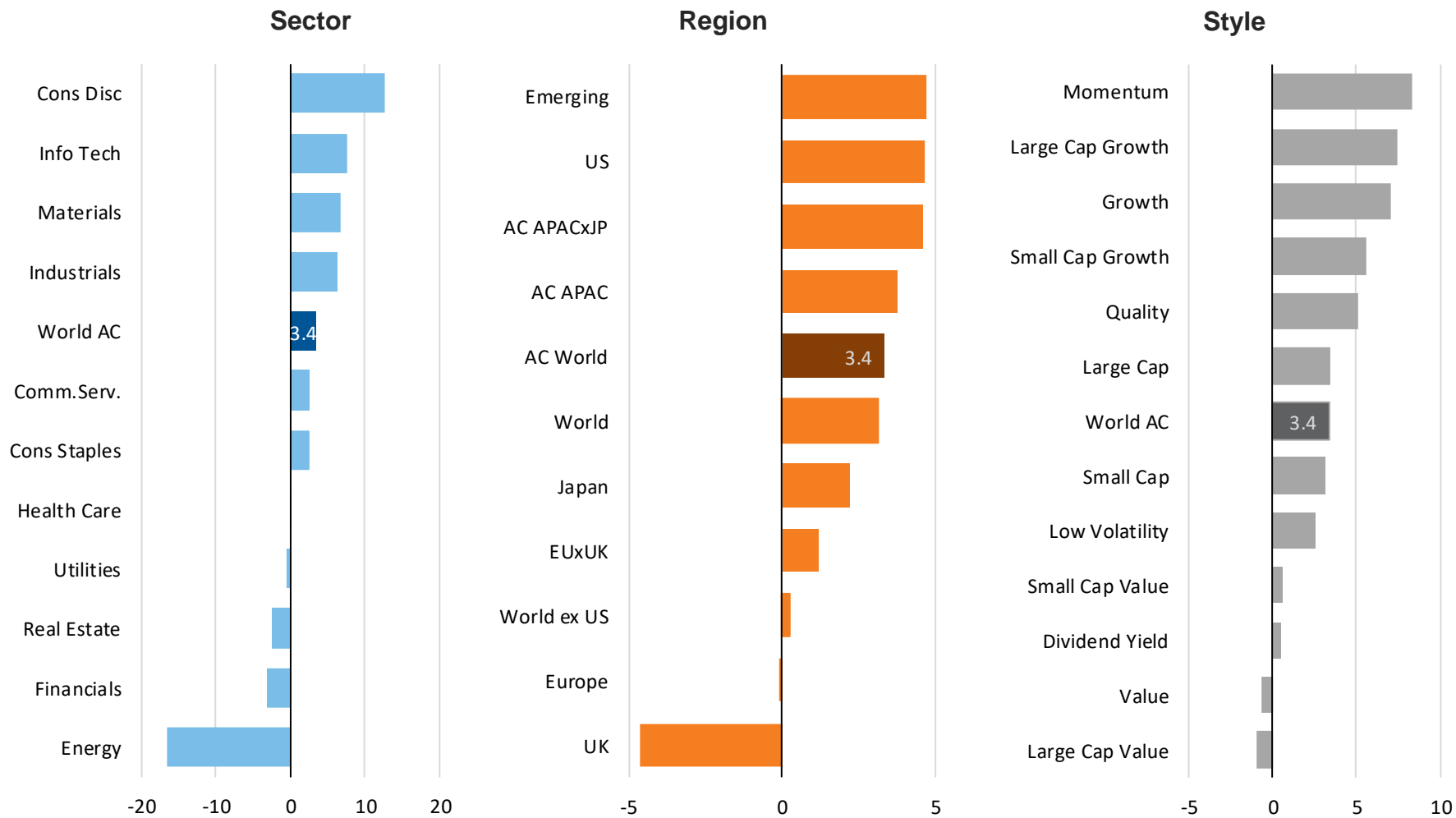
- With lockdown restrictions easing from the end of the second quarter, Covid-19 vaccine hopes and stabilising oil prices, risk appetite built up strongly in July and August which continued to drive the bounce-back rally which had started at the end of March.
- However, this “risk-on” sentiment reversed in September, as rising coronavirus cases pointed towards a second wave of infections. Hard Brexit concerns and volatility to the run-up to US presidential elections, further dampened investors’ mood.
- Governments introduced fiscal policies to support their locked-down economies. G4 central banks remained accommodative: The US Federal Reserve (Fed) kept rates unchanged but adopted a monetary policy that “will likely aim to achieve inflation moderately above 2% (this is now an average target rate) for some time.
- In Japan, Prime Minister Shinzo Abe announced his resignation for health reasons. New leader Yoshihide Suga and the BoJ are expected to continue Abenomics.
- Cyclical stocks (Cons Disc, IT, Materials & Industrials) led the market, while Financials and Energy underperformed
- Emerging and US stocks outperformed, while European and UK stocks lagged
- Growth, Momentum and Quality were the best performing styles, while Value was the worst

Global Opportunities Sub-Fund



Market Performance

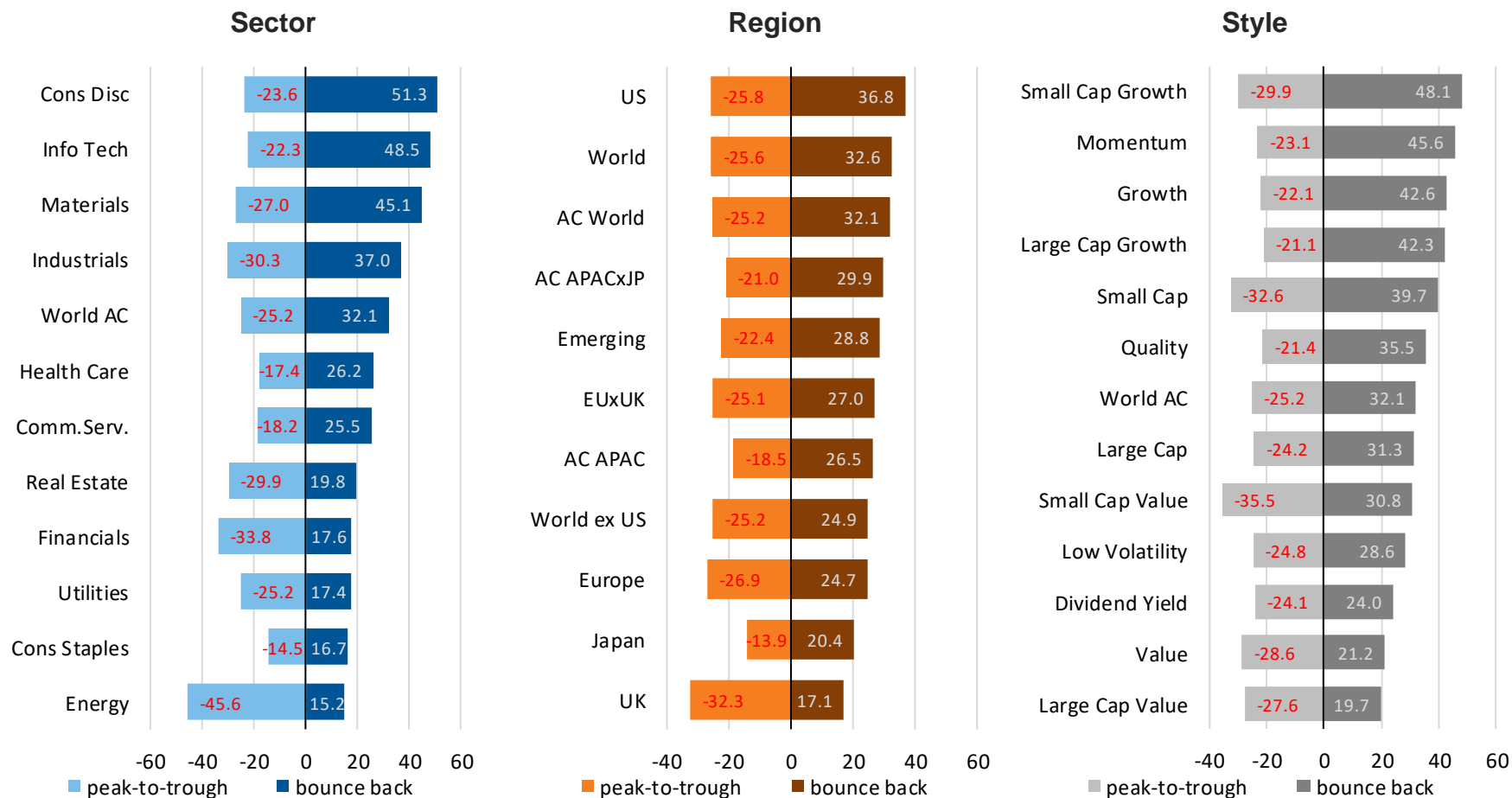
Q3 2020



Notes: MSCI indices, Total Return, Net, in GBP.
Source: MSCI and FactSet as of 30 September 2020.

Market Performance

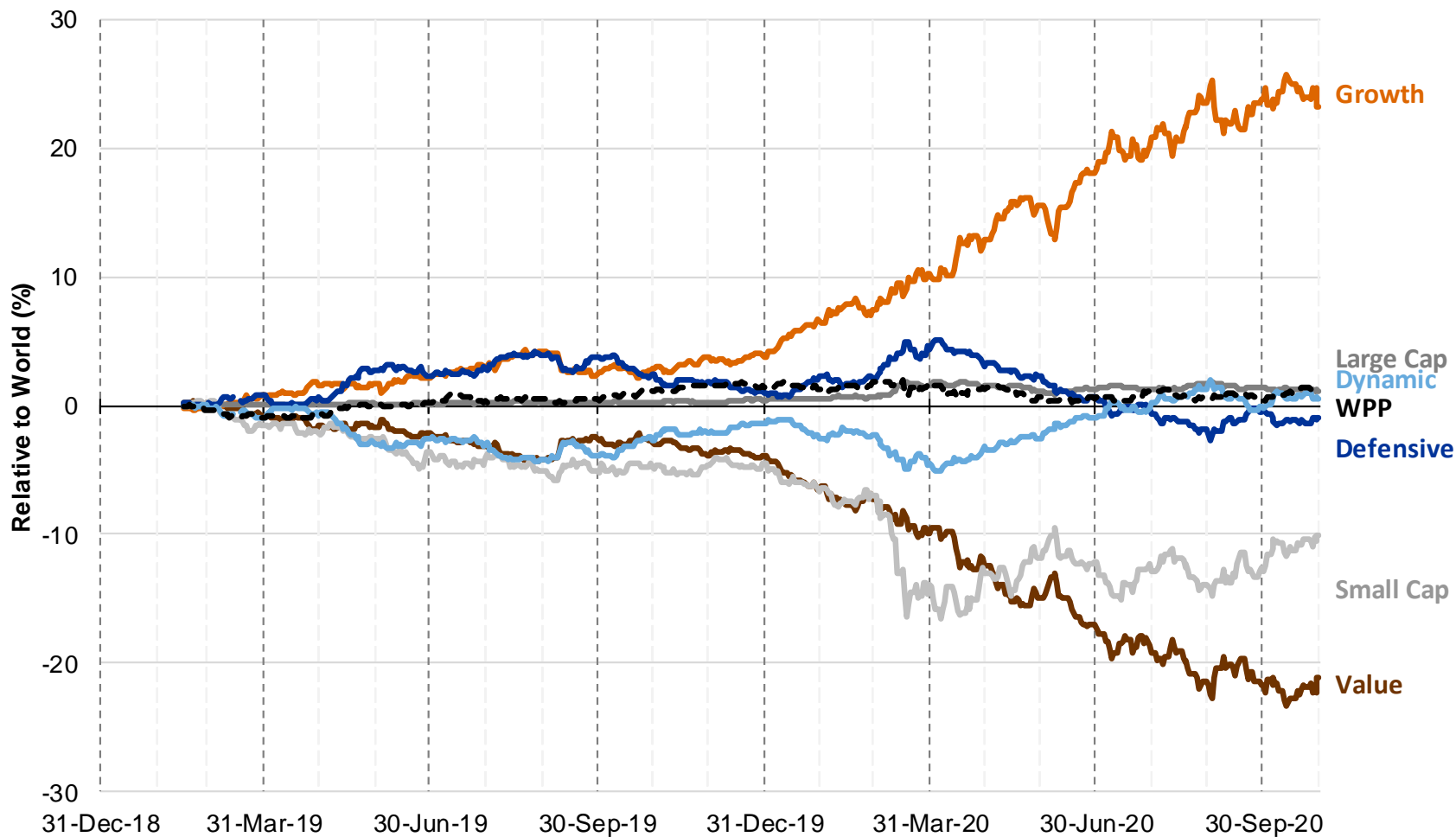
Peak-to-trough (19-Feb to 23-Mar) & Bounce back (23-Mar to 30-Sep) Return



Notes: MSCI indices, Total Return, Net, in GBP.
 Peak-to-Trough (19-Feb-2020 to 23-Mar-2020) and Trough-Bounce back (23-Mar-2020 to 30-Sep-2020)
 Source: MSCI and FactSet as of 30 September 2020.

Market Performance - ITD

Relative



Notes: Arithmetic excess return, Wales portfolio vs MSCI ACWI NR GBP

Source: Bloomberg, FactSet, Russell Investments as of 30 October 2020. Style relative performance vs MSCI ACWI, TR, Gross in GBP.

Performance review

31 October 2020	Oct 20	Q3 30Sep20	YTD	1 Year	Since Inception
LF Wales PP Global Opportunities Equity Fund (GROSS)	-1.9	3.0	0.9	4.1	8.4
LF Wales PP Global Opportunities Equity Fund (NET)	-1.9	2.9	0.6	3.8	8.1
MSCI AC World Index Net of withholdings tax	-2.5	3.4	1.3	-4.3	7.9
Excess returns	0.5	-0.4	-0.5	-0.2	0.5

Excess return target: 2% in excess of the fund benchmark (gross of fees) over the longer term.

Q3 Comments:

- > The Market bounce-back rally momentum continued into Q3, but slowed down. Nevertheless, Growth continued to outperform Value. Overweights to Value, Volatility and underweight to Momentum detracted from relative return in the quarter.
- > Growth managers such as Morgan Stanley and SW Mitchell continued to be the strongest performers, driven by their stylistic tailwinds. Defensive NWQ and low volatility Numeric and were notable laggards, along with value manager Jacobs Levy, as these style were not in favour. Sanders outperformed expectations given their value tilt.
- > Stock selection was a small positive, especially within IT, as well as an overweight to the sector. Positive stock selection was mainly driven by EMEA and Emerging Markets, while Japan and US selection was a drag.

Source: Russell Investments as at 30 October 2020.

Notes: Inception: 14 February 2019. Since Inception Performance is Annualised.

Any past performance is not necessarily a guide to future performance.

Strategy diversification

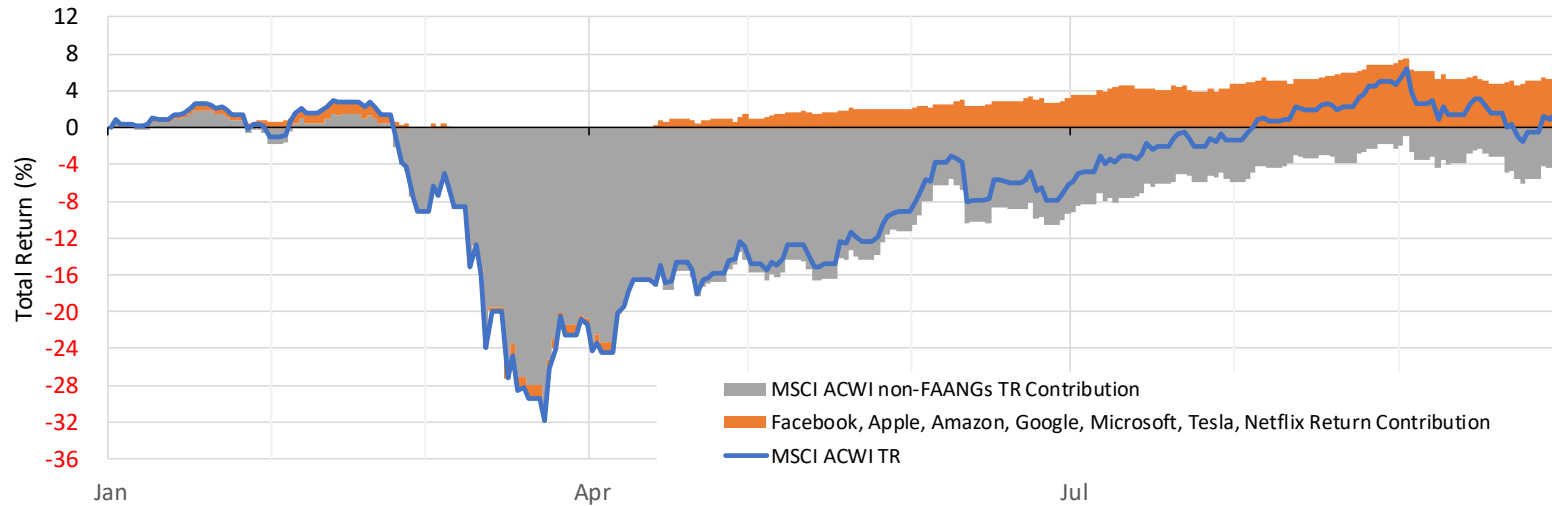
Wales Pension Partnership



Notes: For illustration only, manager-strategies vs their own benchmarks
Source: Russell Investments. Data as of 31 August 2020.

FAANGs Performance YTD

FAANGs contribution to MSCI ACWI

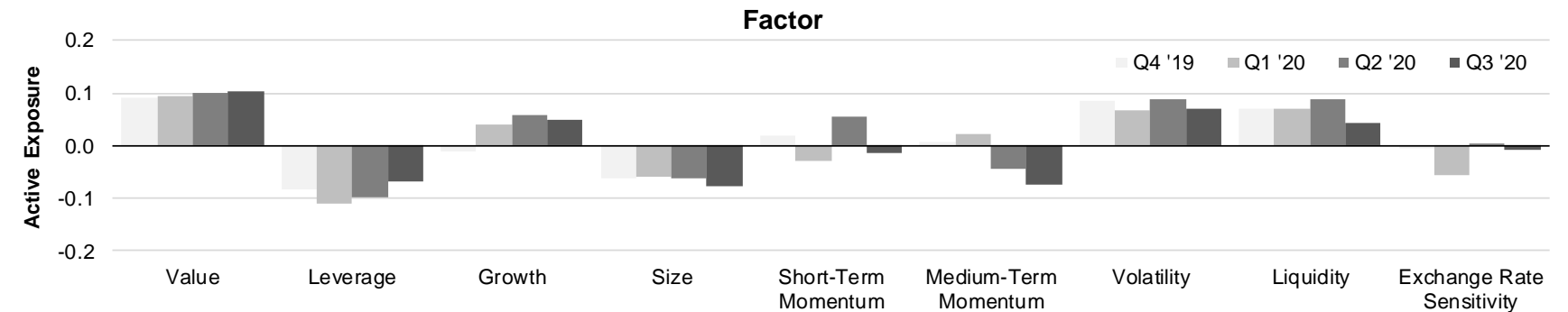
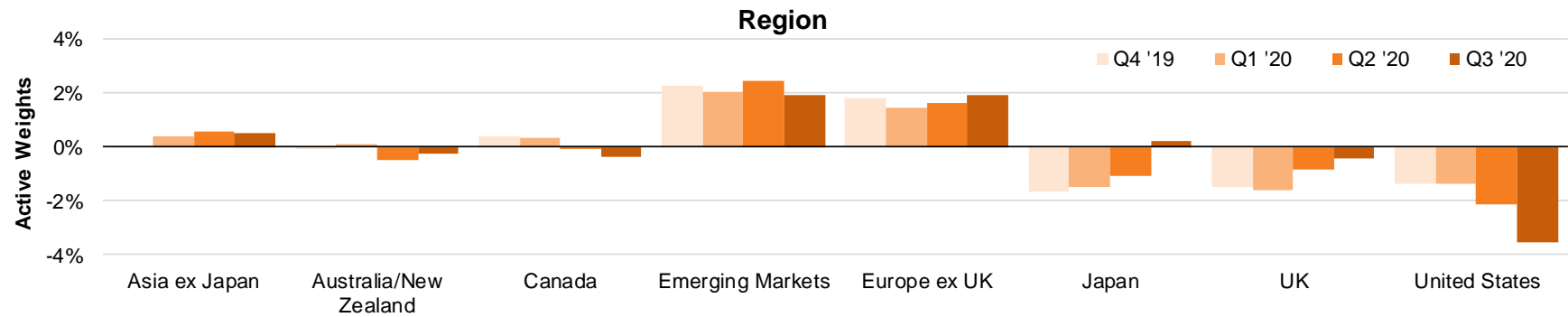
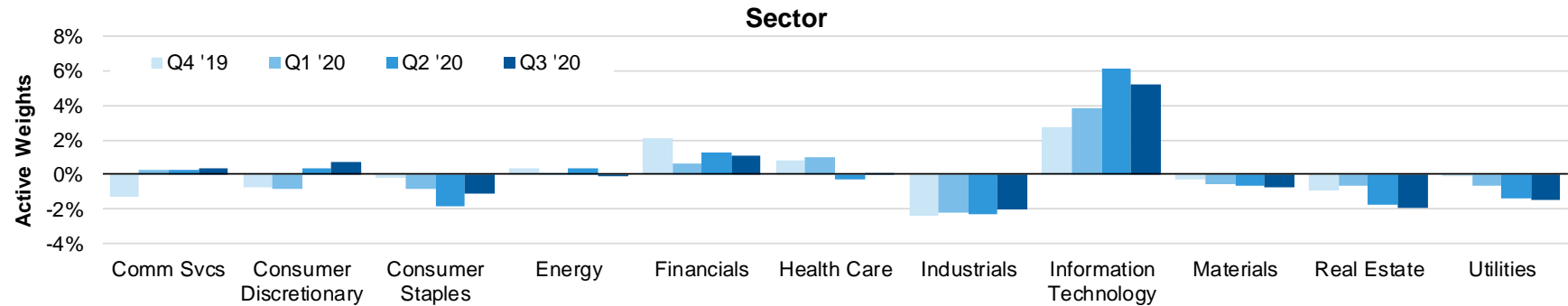


	Total Return (%)				Contribution to MSCI ACWI YTD	MSCI ACWI Weight (%)		
	Q1	Q2	Q3	YTD		30-Sep-20	Sector	Country
Apple	-13.3	43.7	27.1	58.5	1.7	3.9	Information Technology	United States
Amazon	5.5	41.5	14.1	70.4	1.4	2.6	Consumer Discretionary	United States
Microsoft	0.2	29.3	3.5	34.1	1.0	2.9	Information Technology	United States
Tesla	25.3	106.1	98.7	412.8	0.5	0.6	Consumer Discretionary	United States
NVIDIA	12.1	44.2	42.5	130.2	0.4	0.6	Information Technology	United States
Facebook	-18.7	36.1	15.3	27.6	0.4	1.2	Communication Services	United States
Alibaba	-8.3	10.9	36.3	38.6	0.3	1.1	Consumer Discretionary	China
Tencent Holdings	1.8	31.5	2.6	37.3	0.3	0.7	Communication Services	China
PayPal	-11.5	82.0	13.1	82.1	0.2	0.4	Information Technology	United States
Netflix	16.0	21.2	9.9	54.5	0.2	0.4	Communication Services	United States
Taiwan Semiconductor	-17.3	17.8	41.6	37.9	0.2	0.7	Information Technology	Taiwan
Adobe	-3.5	36.8	12.7	48.7	0.2	0.5	Information Technology	United States
Shopify,	4.0	128.6	7.7	156.0	0.2	0.2	Information Technology	Canada
Home Depot	-14.1	34.7	11.3	28.8	0.2	0.6	Consumer Discretionary	United States

Attribution and Positioning

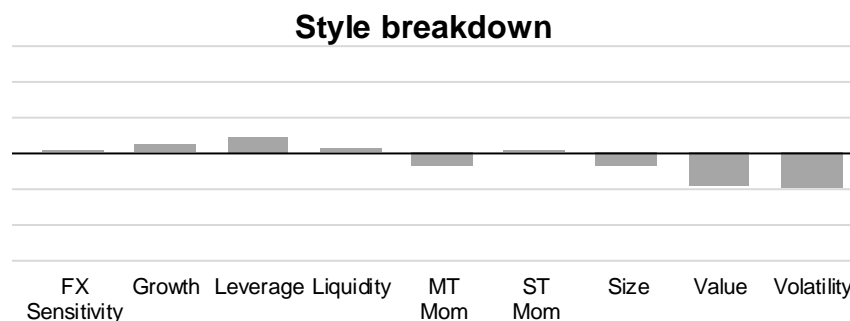
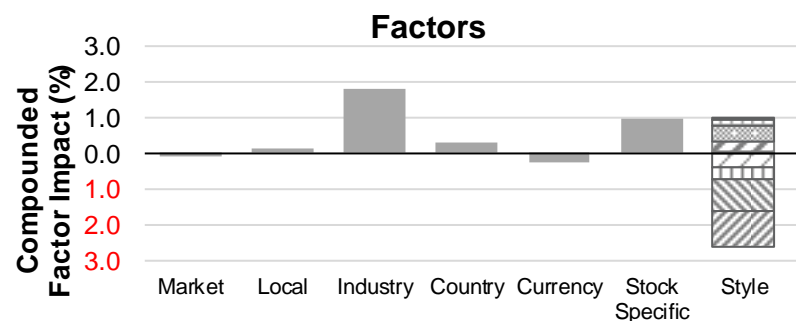
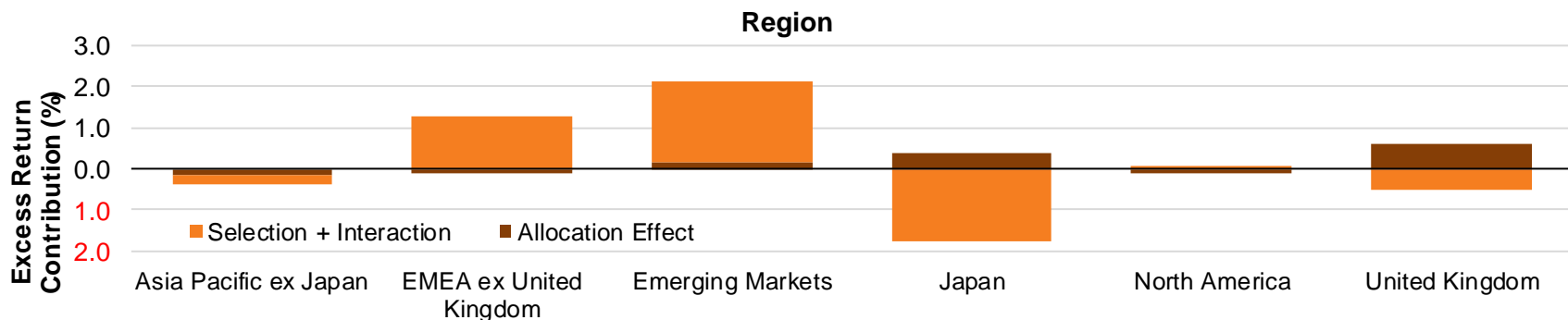
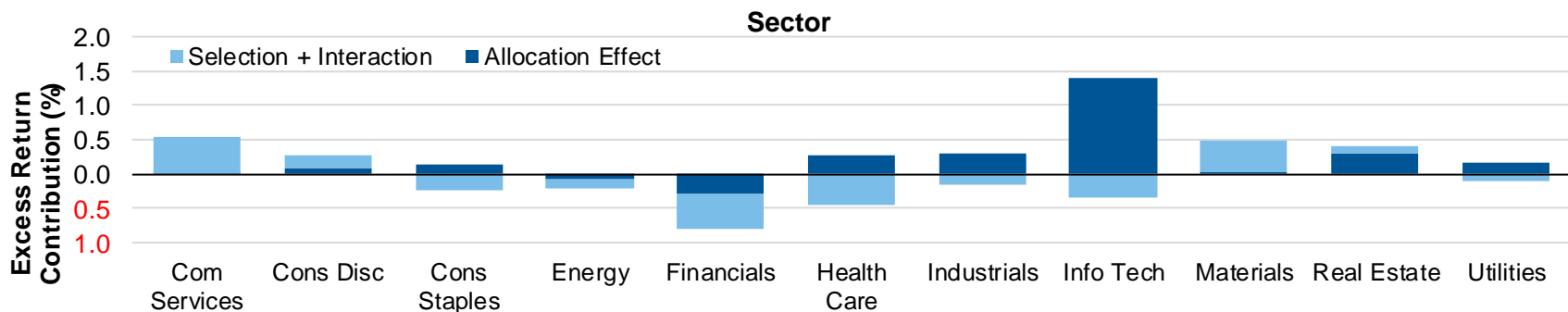
Portfolio positioning

Sector, Region and Factors



Portfolio attribution

ITD Sep 2020: Sector, Region and Factors

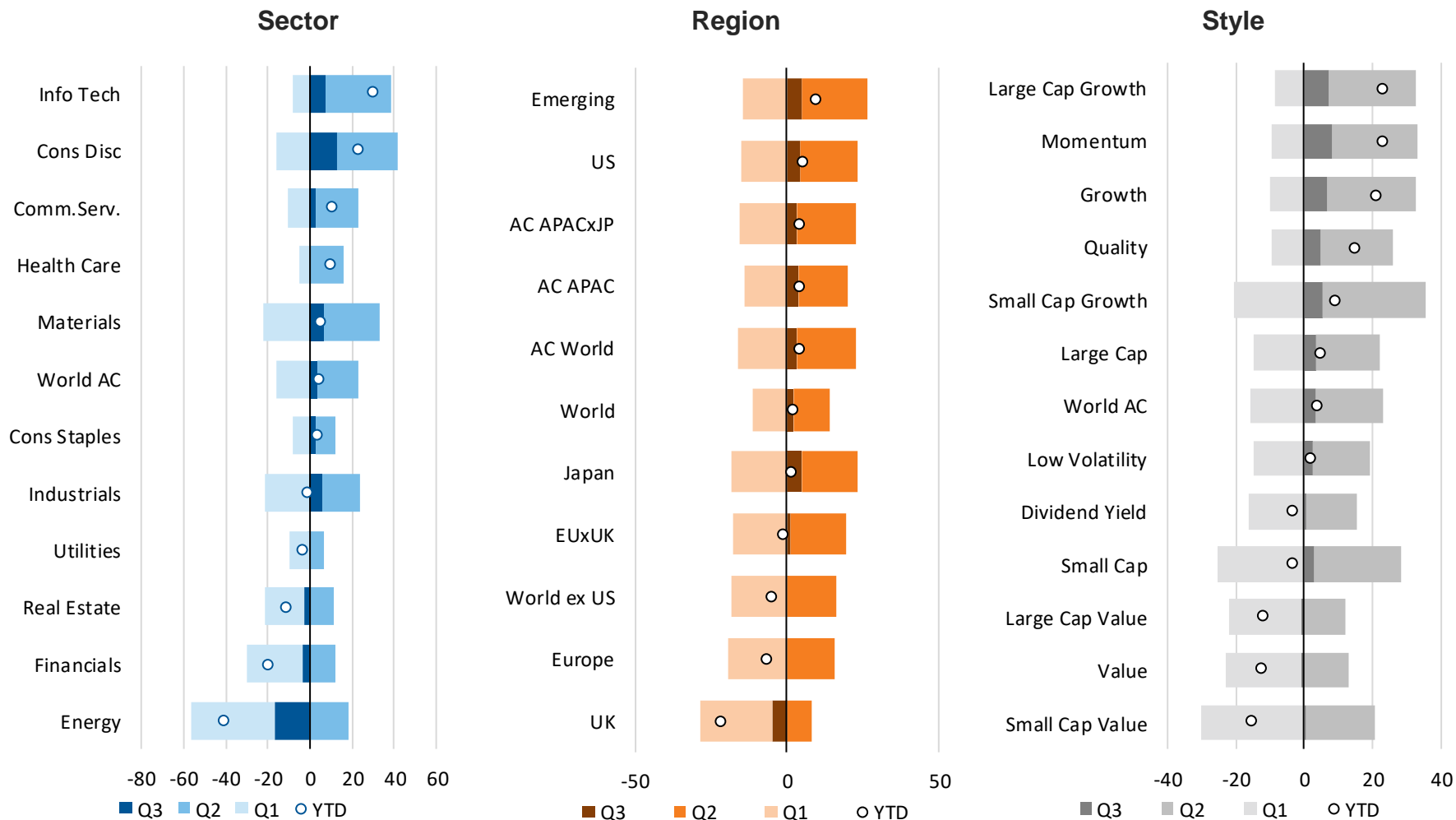




Appendix

Market Performance

Q1, Q2, Q3 and YTD 2020 Return (ranked by YTD)

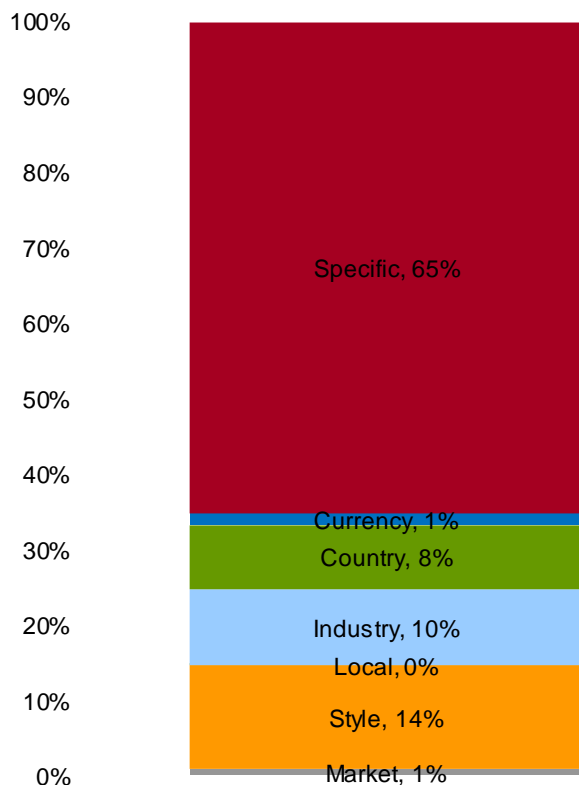


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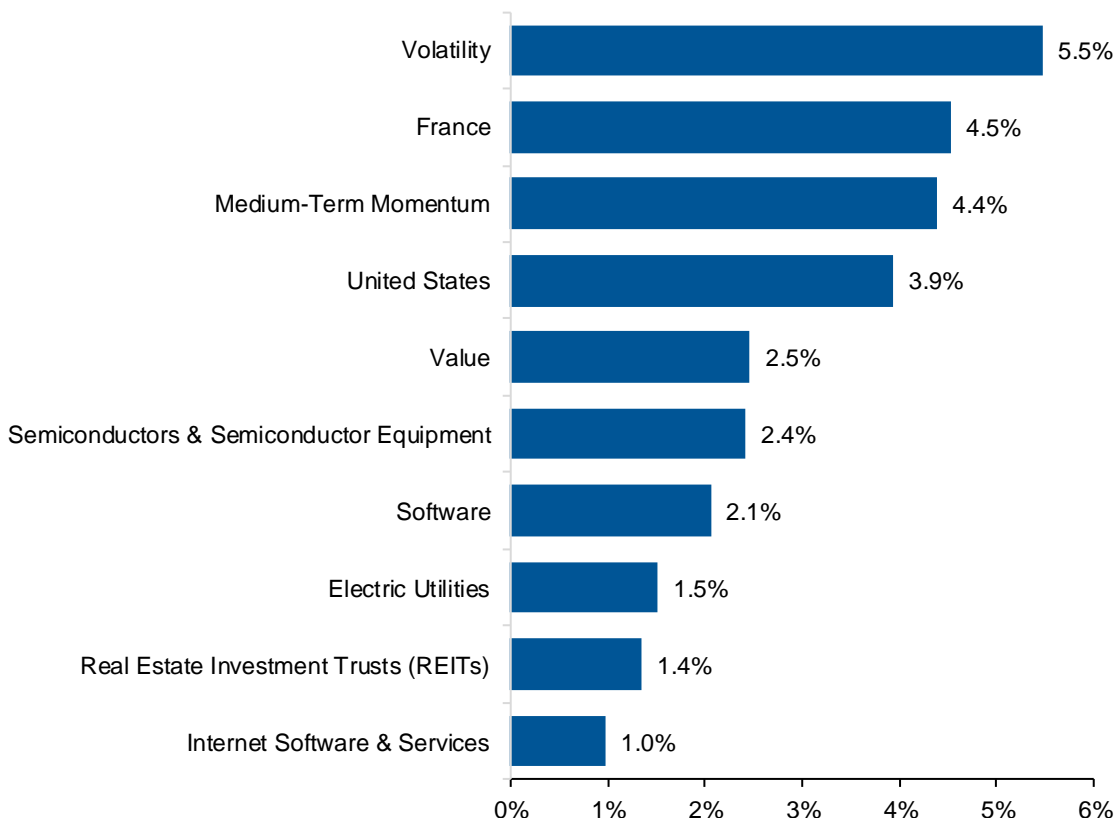
Risk metrics

Active risk decomposition

Current Active Risk Decomposition



Top 10 Common Factor Contrib. to Active Risk

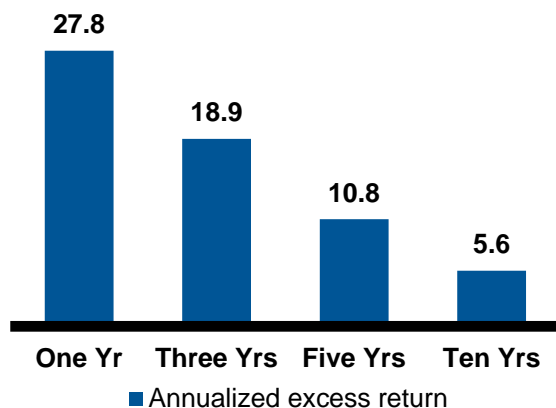


Growth vs. value stocks

Leadership can shift quickly

Growth vs. Value

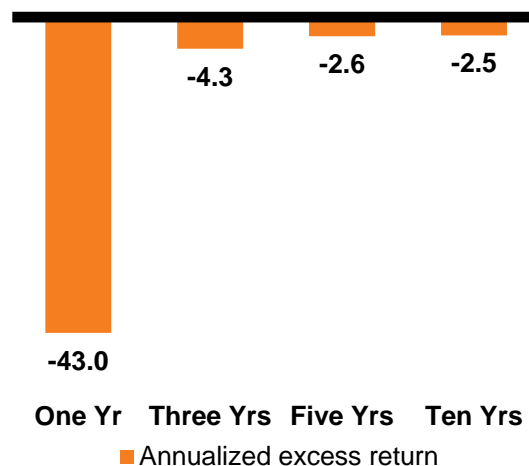
Periods Ending March 2000



Peak tech

Growth vs. Value

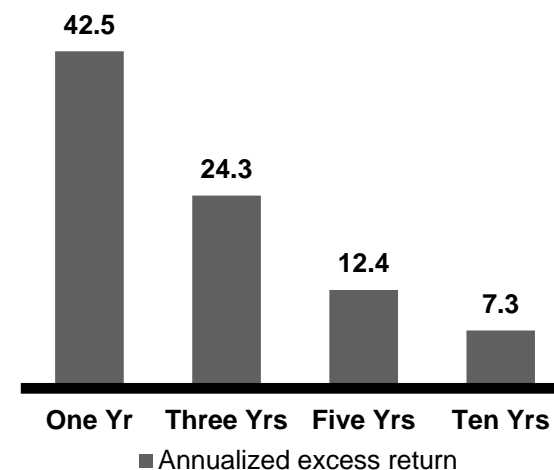
Periods Ending March 2001



One year later

Growth vs. Value

Periods Ending September 2020

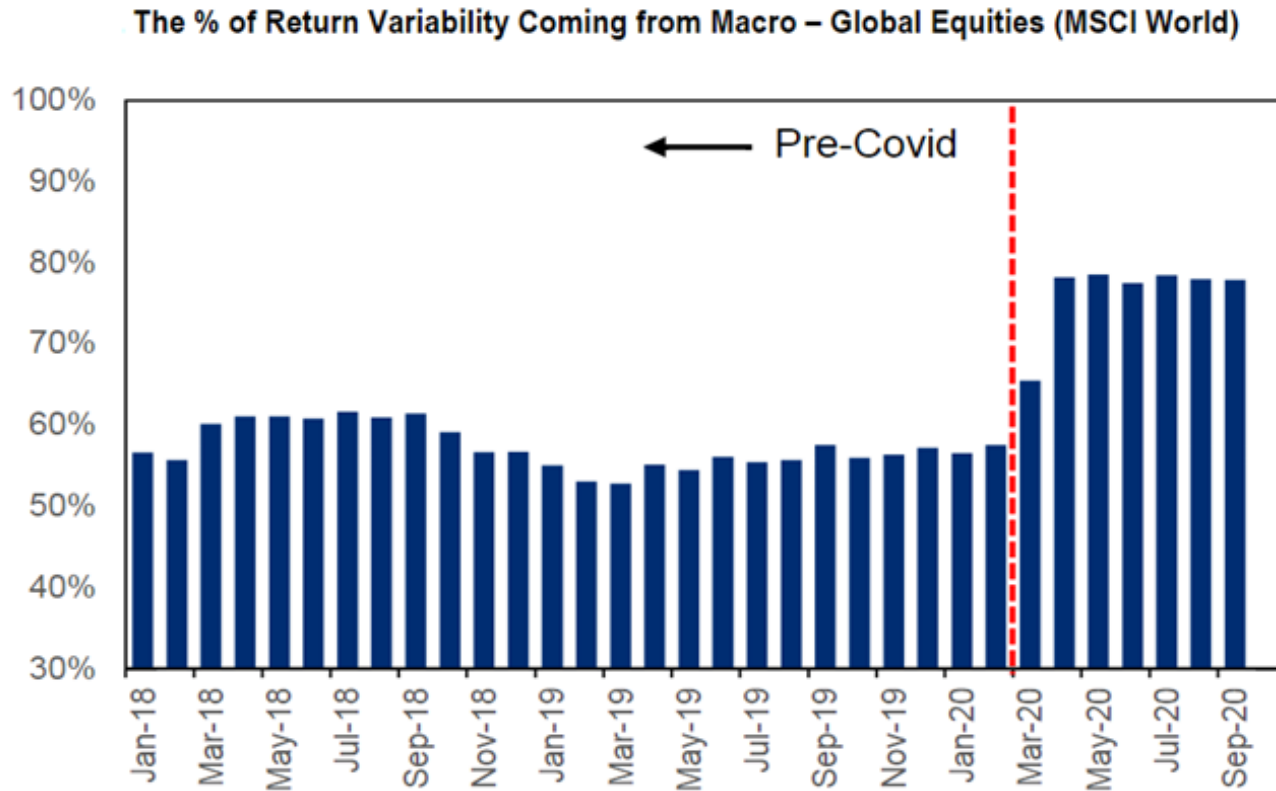


Today

- Today's growth vs value gap is greater than the peak of the Tech Bubble
- The Tech Bubble corrected in less than one year

Growth: Russell 1000 Growth Index; Value: Russell 1000 Value Index. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Macro influences remain elevated



Source: Citi Research

Concentration risk

Mega cap technology stocks dominate the S&P500

The US equity market is exceptionally concentrated

Market capitalization of 5 largest S&P 500 companies, % of index



Source: Compustat and Goldman Sachs Global Investment Research from 1980 to April 2020. Thomson Reuters Datastream and Russell Investments calculations from April 2020 to August 27, 2020.

Important information and disclosures

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