ILLIQUID ASSETS THROUGH THE LENS OF MANAGED PORTFOLIOS

IMAP THOUGHT LEADERS

Daniel Choo
Portfolio Manager, Head of Multi-Asset APAC

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Important information

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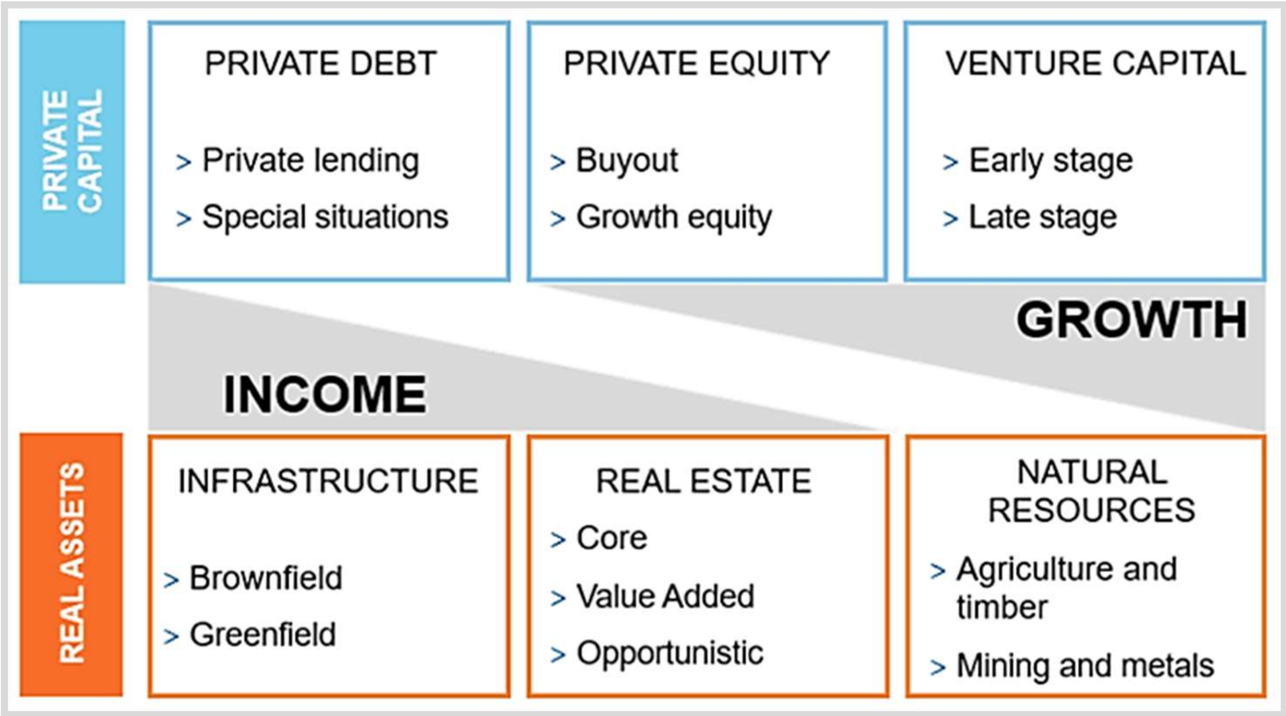
What are illiquid assets /private markets?



Source: Russell Investments ('What role can private markets play in a total portfolio strategy?')

Comparing public and private (illiquid) markets

Bloomberg

Business

Marriott Plans to Turn to Bond Markets Again This Year, CFO Says

- Hotel operator wants to opportunistically raise debt: Oberg
- The company has $350 million in debt coming due this year

By Nina Trentmann and Olivia Raimonde
May 5, 2023 at 12:51 AM GMT+10

Macro Matters

REUTERS®

US hotel developers run out of cash as construction lending dries up

By **Bianca Flowers** and **Priyamvada C**

June 7, 2023 1:51 AM GMT+10 · Updated 3 months ago

In some cases, private equity firms have stepped in to fill in funding gaps for construction loans, but at steeper costs, said Evens Charles, chief executive of Frontier Development and Hospitality Group, a Washington D.C. developer whose portfolio includes 10 hotels.

"I'm hearing 9-10% (interest rates) and it's coming from a 4% environment two-and-a-half years ago," he said.

Source: Bloomberg, Reuters

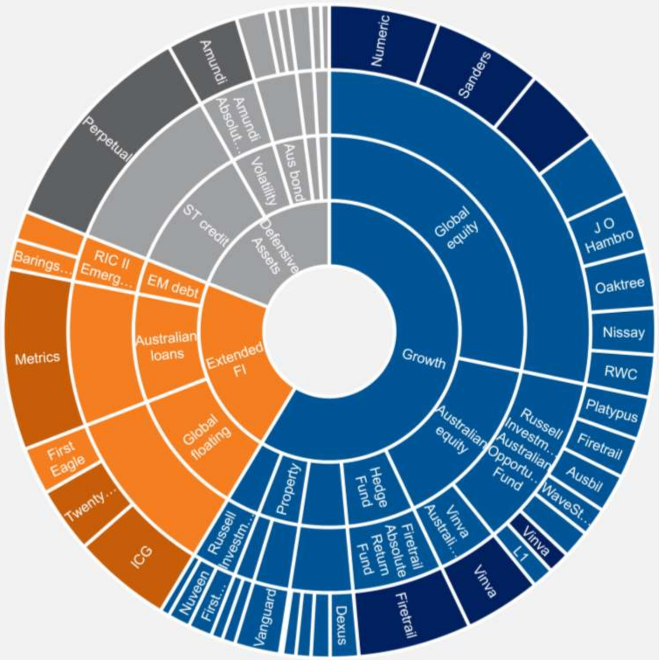
10 year Capital Market Assumptions

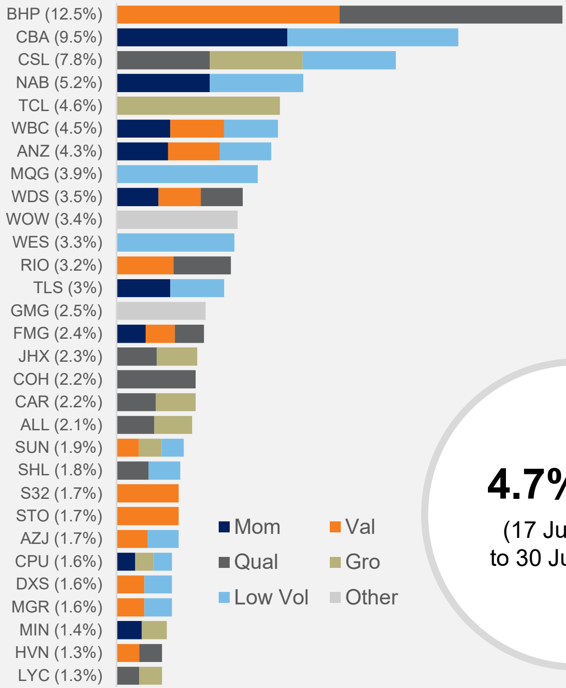
	Gross return (p.a.)	Volatility (p.a.)
Australian Equity	8.8%	17.2%
Global High Yield Debt	6.7%	8.2%
US Private Debt (A$ Hedged)	9.9%	6.2%
Australian Private Debt	7.7%	5.3%
Australian 10 Year Government Bond	4.6%	5.2%

Source: Russell Investments as at June 2023. Returns are gross of fees and tax. Past performance is not a reliable indicator of future performance.

Russell Investments Balanced Managed Portfolio

~32%	~22%	~46%
Multi-Asset Growth Strategy Fund	Direct shares & other active sector strategies	ETFs and Index Funds





4.7% p.a.

(17 June 2019 to 30 June 2023)

iShares

Russell Investments

Vanguard

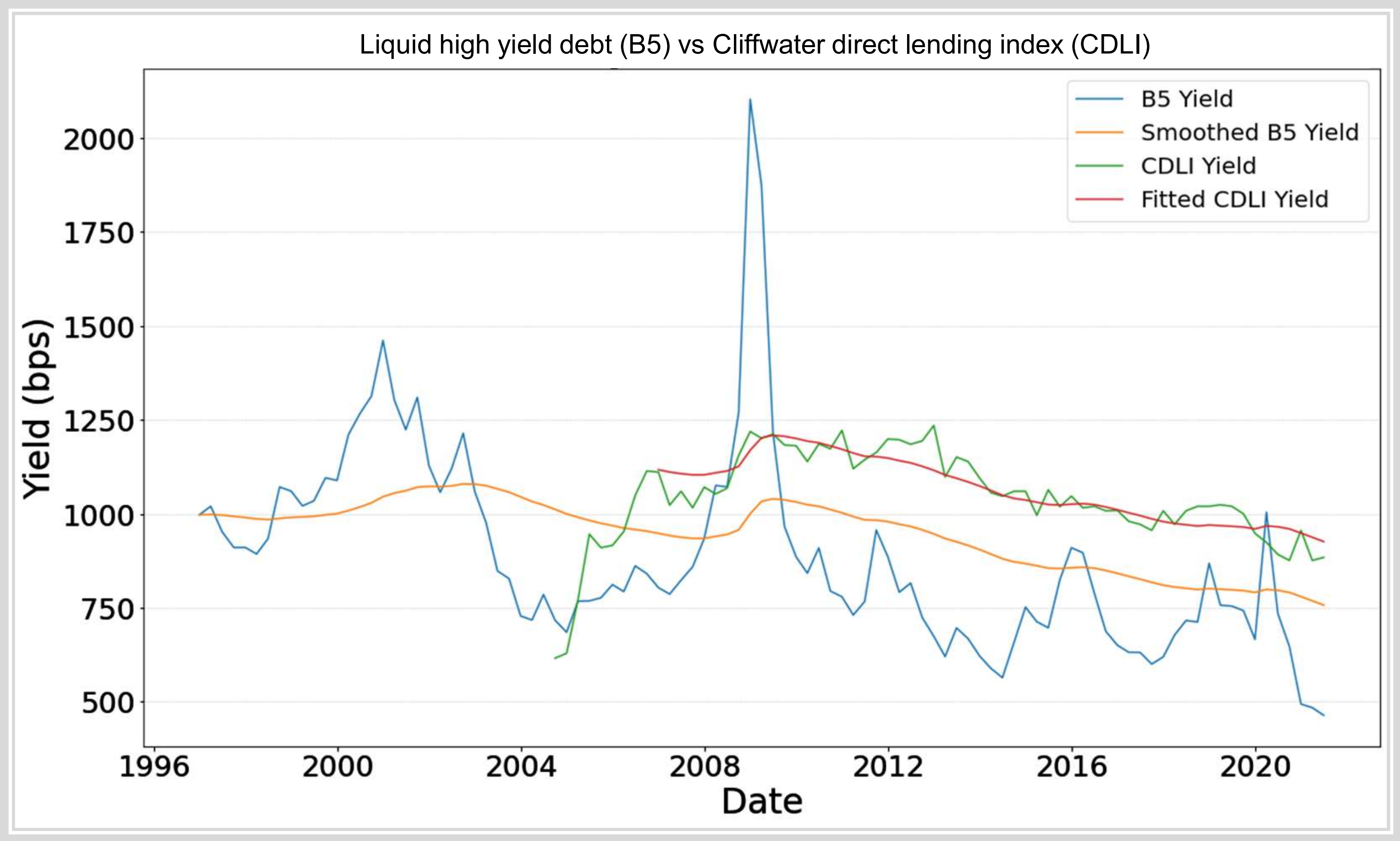
METRICS | ICG | TwentyFour a boutique of Vontobel | dexus | Charter Hall | MORRISON&CO

Source: Russell Investments. Data as at 30 June 2023 for Russell Investments Balanced Managed Portfolio. Past performance is not a reliable indicator of future performance. Performance results are net of management fees for both the Managed Portfolio and the underlying managers' fees and costs. They assume income received is reinvested without any tax deduction. An individual investor's performance will differ from the performance shown above depending on a range of factors. Refer to the Important Information and Disclosures slide for full detail.

PANEL DISCUSSION

Matthew Swieconek (Findex)
Ryan Synnot (Arrow Private Wealth)

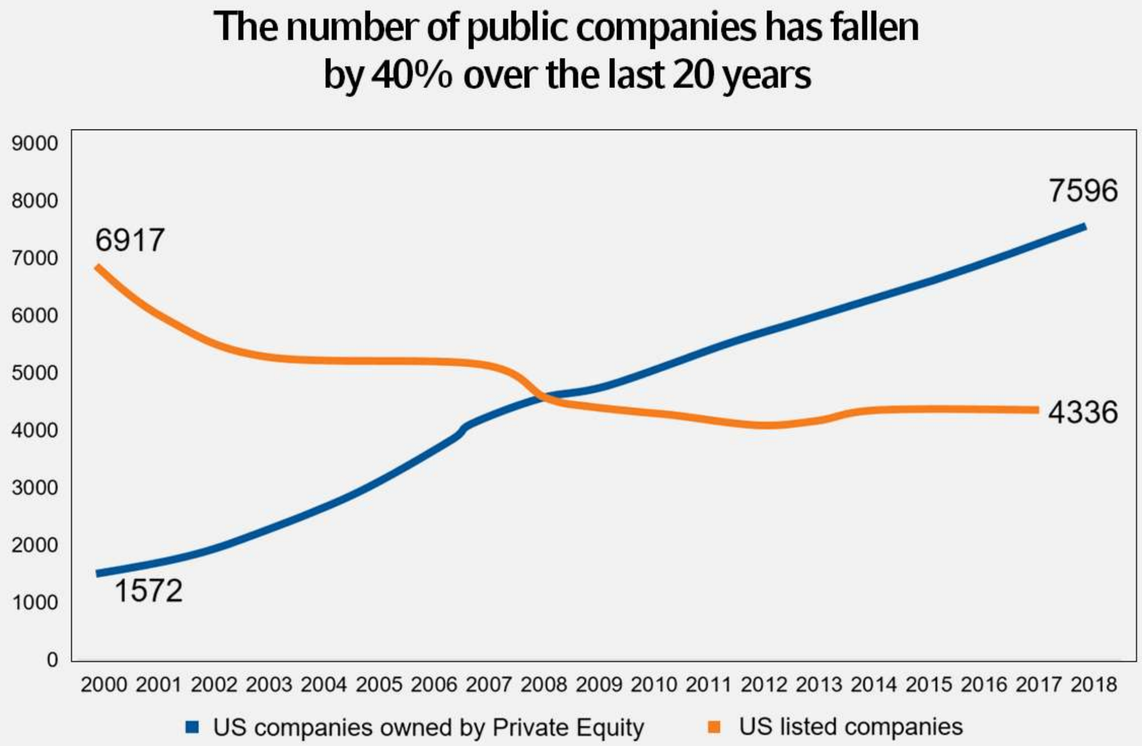
Q: Benefits of illiquid assets - is there an illiquidity premium?



Estimated
Private credit premium
= 150-200 bps

Source: Russell Investments, 8 September 2022

Q: Benefits of illiquid assets – more private companies



Source: Russell Investments, World Bank, World Federation of Exchanges, Pitchbook, Credit Suisse
As of 12/31/2017 for public companies; 3/31/2018 for private companies. For illustrative purposes only.

Source: Russell Investments ('Power tool: Why private markets are no longer niche')

Q: Which sub-sectors are attractive at present?

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	10-year horizon IRR*
11.2%	13.6%	18.9%	19.4%	21.3%	18.7%	20.2%	24.9%	23.4%	30.1%	32.2%	32.1%	43.8%	42.1%	18.2%
10.8%	13.6%	13.4%	15.2%	16.9%	17.3%	17.5%	23.2%	21.4%	27.8%	32.0%	30.8%	38.0%	40.2%	16.8%
10.1%	13.1%	12.7%	13.6%	16.7%	15.6%	16.7%	20.3%	20.6%	24.3%	30.3%	26.0%	36.0%	30.5%	16.6%
8.9%	11.3%	12.3%	13.5%	16.6%	15.5%	15.2%	18.5%	18.8%	22.3%	27.2%	25.3%	35.6%	29.7%	14.2%
6.3%	7.7%	11.5%	13.2%	14.9%	14.6%	12.3%	16.5%	14.8%	21.5%	19.9%	24.2%	31.1%	26.7%	14.0%
5.8%	7.6%	11.5%	11.4%	14.1%	13.7%	11.9%	12.8%	14.1%	15.1%	18.8%	19.5%	30.3%	26.0%	12.8%
5.3%	5.9%	11.1%	10.8%	11.8%	13.7%	10.7%	12.6%	13.1%	13.8%	18.4%	15.4%	28.3%	24.8%	12.8%
5.1%	4.8%	8.8%	8.3%	8.9%	13.0%	9.0%	11.1%	11.1%	11.3%	16.0%	15.1%	20.9%	22.8%	10.4%
3.6%	3.8%	6.8%	7.7%	5.8%	7.1%	6.8%	10.3%	9.8%	9.9%	11.2%	13.2%	12.5%	16.5%	8.8%
2.3%	-3.5%	1.4%	-5.2%	2.7%	1.4%	6.6%	6.4%	7.3%	9.6%	8.2%	8.6%	11.1%	8.7%	4.7%

Buyout
Funds of funds
Growth-expansion
Infrastructure
Oil & gas
Private debt
Value-add real estate
Opportunistic real estate
Secondaries
Venture capital

Source: Russell Investments ('The Power of a Fund-of-Funds Approach in Private Markets') as at December 2020

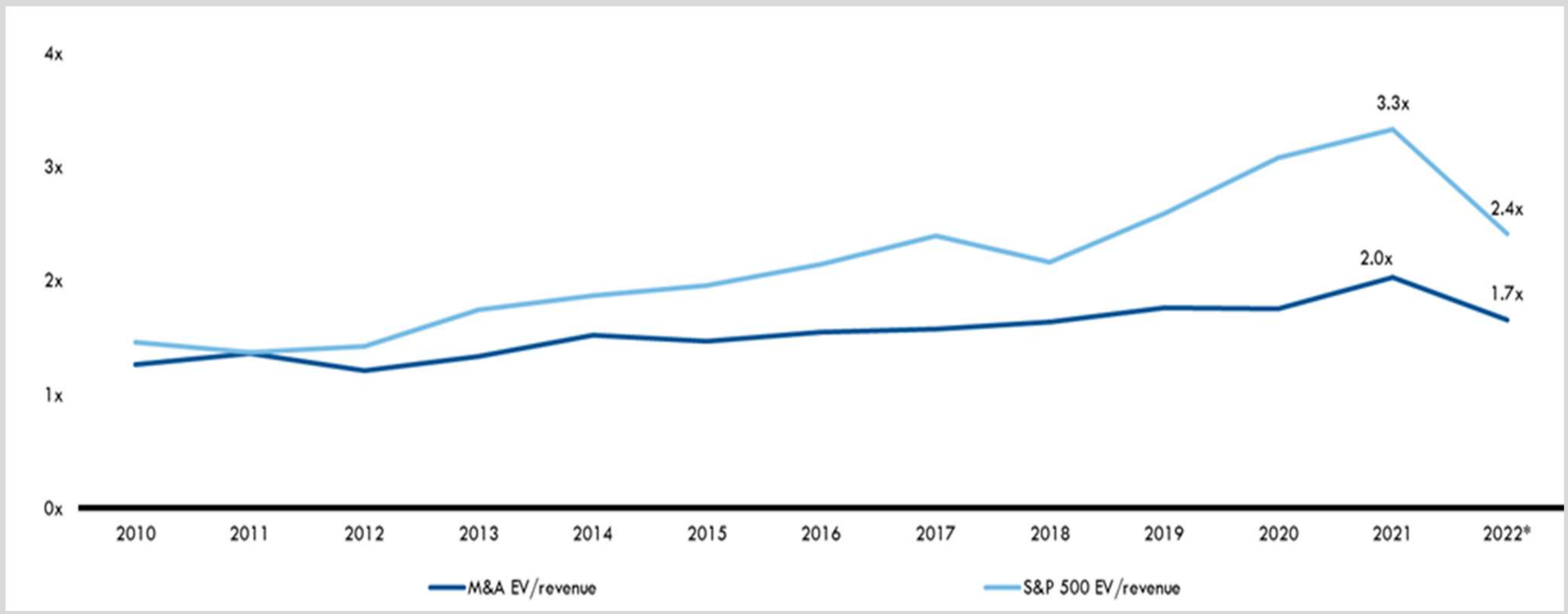
Q: How to access illiquids?

SIDE-BY-SIDE COMPARISON

	Traditional Private Equity	Evergreen Funds	Mutual Funds
Structure	Typically closed-end limited partnerships	Open ended fund structures with no termination date; typically priced monthly	Typically open ended structure; priced daily
Investor Eligibility	Qualified Purchasers	Usually Qualified Clients or Accredited Investors sometimes open to all investors	Generally open to all investors
Capital Deployment	Multi-year commitment period	Potentially fully deployed upon investment	Fully deployed upon investment
Administration	Typically involves processing capital calls over five-year commitment period Often greater than $5M USD minimum commitment	No Capital Calls Lower minimum investment (e.g., 50-100k)	Daily liquidity requires strict liquidity regulation and can lead to increased volatility due to market action
Liquidity	7–15-year lock-up period	Limited liquidity; Typically quarterly	Ability to redeem daily
Diversification	Multiple manager selection requiring resources or Fund of Funds	Diversified exposure through single allocation	Strategy specific
Asset Allocation	Static and difficult to maintain target allocation	Potential for diversified exposure through single allocation, but strategy specific	Either dynamic or tied to benchmark depending on strategy

Source: Hamilton Lane 'Private Markets Due Diligence: Investment Strategies and Fund Structures'

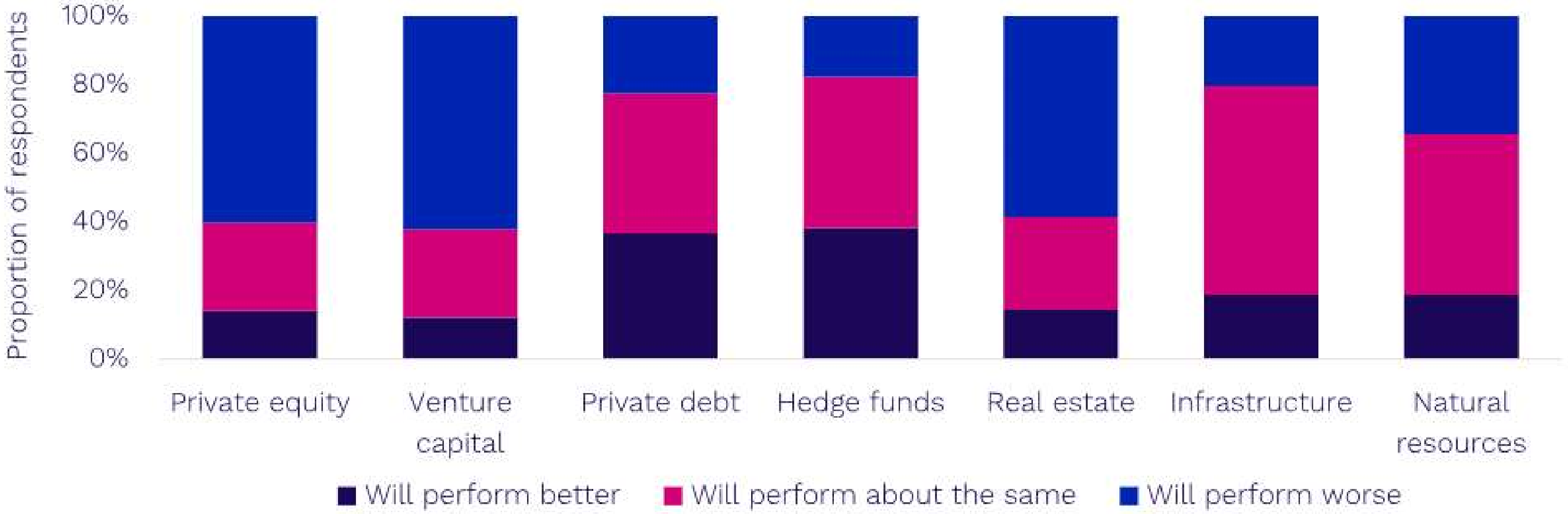
Q: Valuations – private equity and direct property



Source: Russell Investments ('Why we believe you should be investing in private markets during down equity markets') as at December 2022

Q: Valuations – private equity and direct property

Fig. 3: Investor expectations for the performance of their investment portfolios in the next 12 months compared with the previous 12 months



Source: Preqin Investor Survey, November 2022

Source: Preqin (Chapter: Alternatives performance continues, but uneven)

Q: Global backdrop/ trends, risks and increased product access

Private Markets Survey: How are managers creating value in today's environment?

Darren Spencer
Director, Client Portfolio Manager, Alternative Investments

Introduction

Private markets continue to be a more prevalent component of investor portfolios, providing access to an expanded opportunity set and strong diversification beyond traditional stocks and bonds. We expect this trend will continue as investors seek to find new sources of return and portfolio protection in a challenging market environment.

Given the dynamic nature of private markets, we recently conducted a survey of private markets specialists using our distinct relationship with underlying mangers to help provide a clear lens through which to view the changing nature of this growing and increasingly important investment landscape.

In this survey, 32 firms representing $1.6 trillion in total assets responded to questions around the following five topics:

- Key investment themes
- Opportunities and risks
- Value creation
- ESG / impact
- Product

73% of respondents identified the macroeconomic risks of high interest rates, inflationary pressure and recession risk are their biggest investment risks in 2023.

78% of those managers who responded confirmed they were looking to expand their offering to individual investors.

Source: Russell Investments, 2023 Private Markets Survey

Q: Client attitudes to holding direct property and other illiquid assets

Source: Preqin (Global Reports 2023)

Q&A FROM AUDIENCE

THANK YOU!

ANY QUESTIONS?

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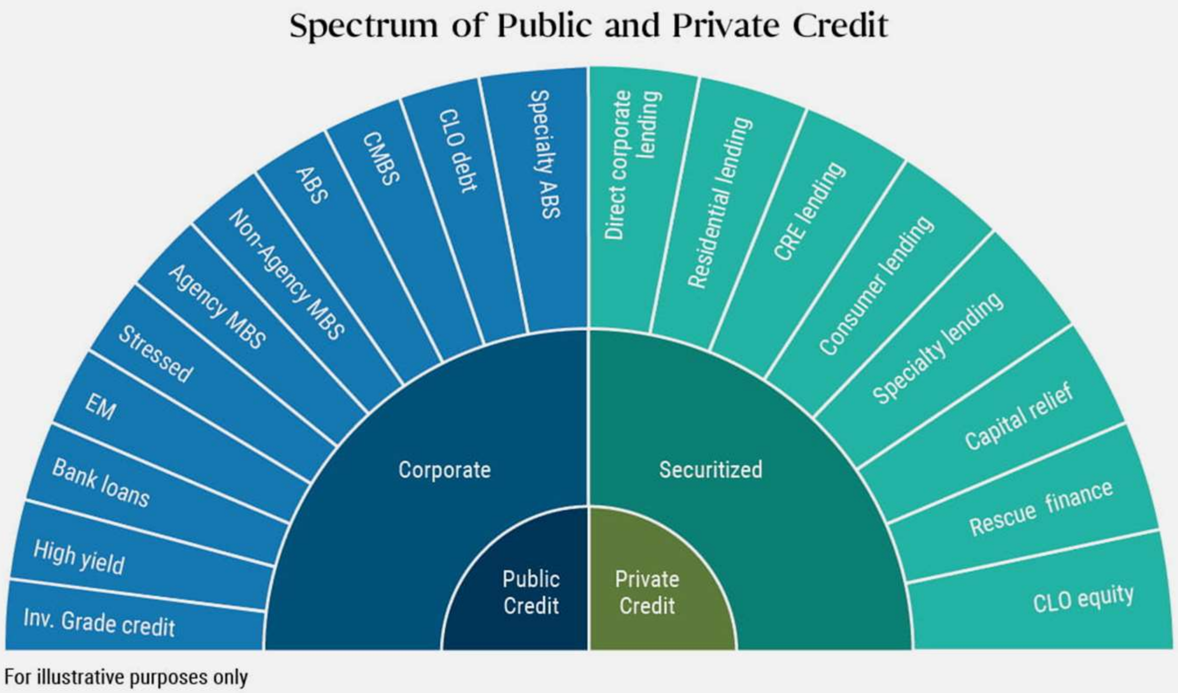
What's the 'goal' of illiquidity?

Expanded investment universe, diversification and lower volatility

European Senior Loan Fund



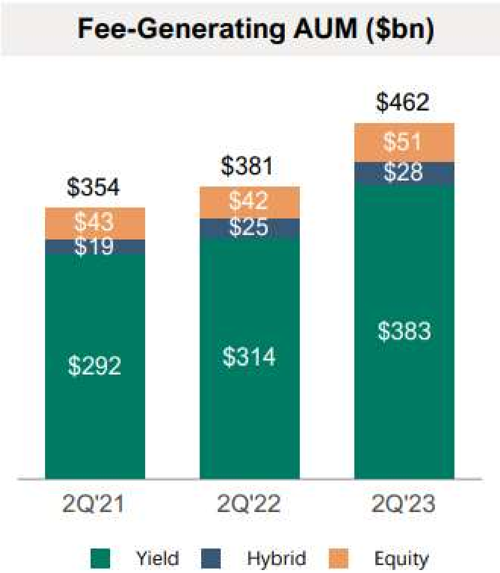
Credit Partners Diversified Australian Senior Loan Fund

Source: PIMCO ('Spectrum of Public and Private credit')

Private credit capital raising is strong despite market uncertainty

Long-term investors are increasing allocations, hunting for higher yielding floating rate

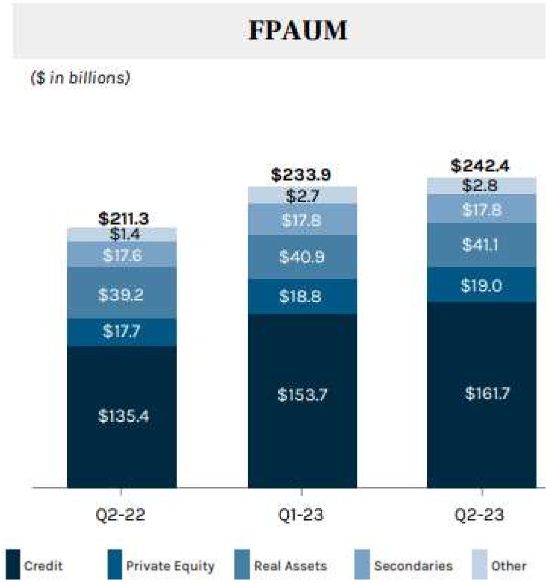
Apollo Global Management, Inc. Reports Second Quarter 2023 Results



ARES

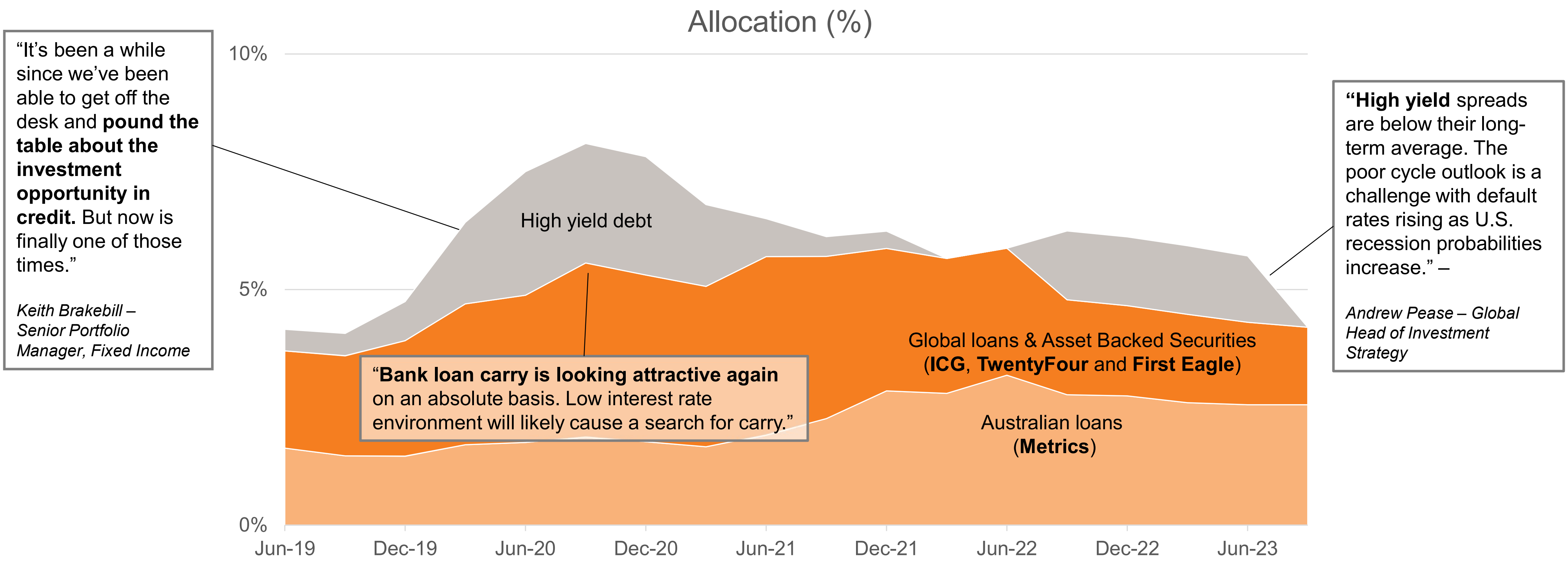
Earnings Presentation

Second Quarter 2023



Source: Apollo, Ares. Past performance is not a reliable indicator of future performance.

Case study: Allocating between liquid and illiquid credit



Source: Russell Investments, as at 1 September 2023.