





Russell Investments' Income Portfolios are managed with the goal of producing responsible income and outperforming a blended benchmark.

UPDATE AS OF MARCH 31, 2024

## FUND ATTRIBUTION

ASSET CLASS	IMPACT*	COMMENTARY
 <b>EQUITIES:</b> Conservative Income	-	The overall impact of equity exposure relative to its benchmark was modestly negative in the period. Though exposure to the overall equity market was positive as they posted strong returns, regional and sector allocations detracted from performance. Style positioning was slightly negative, positive performance of driven by value and quality factors was offset by the exposure to smaller capitalization and low volatility stocks.
 <b>EQUITIES:</b> Diversified Monthly Income and Income Essentials	-	An underweight to equities detracted from performance as global equity markets experienced robust gains in the first quarter of 2024. The underweight to U.S. equities was unrewarded as the U.S. economy outperformed expectations in the period. This was driven by growing economic output, labor market resilience, and easing inflation. Style positioning was negative this quarter.
 <b>REAL ASSETS</b>	-	Listed Real assets outperformed their respective benchmarks and had a positive impact on absolute returns though they lagged the strong performance of equities in the period. Energy infrastructure, data centers, and waste were among the best performing sectors, while the more interest rate-sensitive utilities and cellular tower segments were weaker. U.S. real estate led the globe, with strength in malls and technology REITs. Real estate securities in Hong Kong and Singapore were among the weaker performers during the period. Commodity prices rose in the period pushing the index higher, driven by the rise in energy prices apart from natural gas which had a sharp decline.
 <b>FIXED INCOME</b>	-	Interest rates continue to be the main driver of performance. Bonds declined over the quarter as interest rates rose due to stronger-than-expected economic data pushing yields higher. The tactical overweight to core bonds detracted from performance. Spreads compressed this quarter which resulted in lower quality credit outperforming investment grade, and corporate bonds outperforming government bonds. The underweight to high yield bonds was a negative in the period.

For illustrative purposes only. \*Did the asset class go up or down.

## ASSET ALLOCATION

	Conservative Income		Diversified Monthly Income		Income Essentials	
	Q1	Q4	Q1	Q4	Q1	Q4
<b>FIXED INCOME</b>	74.1%	73.6%	42.7%	42.5%	62.9%	62.4%
■ Government Bonds	35.9%	35.8%	19.6%	19.7%	29.8%	29.8%
■ Investment Grade Credit	19.4%	19.4%	10.7%	10.7%	16.1%	16.1%
■ Inflation Linked Bonds	1.5%	1.4%	1.2%	1.2%	1.4%	1.4%
■ High Yield Credit	5.5%	5.5%	3.4%	3.4%	5.1%	5.1%
■ Convertible Bonds	2.5%	2.5%	2.0%	2.0%	2.1%	2.1%
■ Emerging Markets Bonds	4.3%	4.0%	2.8%	2.6%	3.9%	3.7%
■ Securitized Credit	5.0%	4.8%	3.0%	2.8%	4.5%	4.2%
<b>EQUITIES</b>	16.1%	15.6%	43.1%	43.3%	25.5%	25.6%
■ Canadian Equities	5.2%	5.2%	11.8%	11.7%	7.6%	7.6%
■ U.S. Equities	5.4%	4.9%	15.7%	16.0%	8.3%	8.4%
■ EMEA Equities	2.0%	2.0%	7.8%	7.9%	4.7%	4.7%
■ Asia & Pacific Equities	1.0%	1.0%	3.4%	3.6%	2.1%	2.2%
■ Emerging Markets Equities	2.6%	2.6%	4.4%	4.1%	2.9%	2.7%
<b>REAL ASSETS</b>	5.5%	5.5%	8.4%	8.3%	6.1%	6.1%
■ Listed Infrastructure	2.5%	2.5%	4.0%	4.0%	3.0%	3.0%
■ Listed Real Estate	3.0%	3.0%	4.4%	4.4%	3.1%	3.1%
■ Commodities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CASH &amp; OTHER</b>	4.3%	5.4%	5.8%	5.9%	5.5%	5.9%

Source: Russell Investments. Data as of March 31, 2024. May not add to 100% due to rounding.

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## UPDATES AND OUTLOOK

### FUND UPDATES:

#### Income Essentials, Diversified Monthly

There were no changes to the tactical targets during the quarter. Overall, the fund remains defensively positioned with an underweight to equity and high yield fixed income to hold a higher weight in core fixed income and infrastructure.

The portfolio's active durations increased throughout the period and remains attractive at current levels given the recessionary outlook. The portfolio betas rose during the quarter, driven by the equity rally and the resulting rotation into riskier assets.

#### Conservative Income

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### POSITIONING AND OUTLOOK –

Although recession probabilities have been elevated, they have decreased due to the robust labor market, while weaker sectors are beginning to exhibit signs of recovery. In light of persistent inflation data, the market has largely adjusted its expectations regarding rate cuts. Instead, the focus is on a more cautious approach by the Federal Reserve, with the first rate cut likely to occur later in 2024.

The outlook for earnings growth continues to be optimistic, even as it stands in contrast to the possibility of a recession. Investors appear to be upbeat about corporate earnings, with expectations pointing toward a positive trajectory. Markets are optimistic that a soft landing can be achieved and that inflation will continue to moderate. As economies continue to digest the impact of higher rates, risks from sluggish economic growth and geopolitical tensions remain elevated.

Tactically, the fund is underweight high risk fixed income to hold a higher weight to core. This is both to reduce credit exposure while also increasing duration, which is long relative to benchmark. Given the possibility of an economic recession, attractive yields have led to the removal of the duration underweight. On the equity side, a strategic overweight to real assets and value have helped to reduce market sensitivity.

\*Beta is a measure of the volatility of a security or portfolio compared to the market as a whole. A beta value equal to 1.0 indicates that its price activity is strongly correlated with the market; a beta value lower or higher than 1.0 indicates its relative correlation to the market's movements.

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#### SUB-ADVISER CHANGES

No changes in the period.

### PERFORMANCE

#### Performance (%) as of March 31, 2024

	3 mo	YTD	1 yr.	3 yr.	5 yr.	10 yr.	Since inception
Conservative Income (Series F)	0.91	0.91	4.69	0.09	1.51	2.58	3.14
Diversified Monthly Income (Series F)	3.93	3.93	9.42	3.18	4.17	4.93	5.29
Income Essentials (Series F)	1.99	1.99	6.30	1.22	2.43	3.40	4.27

Performance is annualized except for periods of less than one year. Source: Russell Investments / Confluence. Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

## FUND CODES (FRC)

### Conservative Income

	Trust	Class
B (front load)	034	4100
B-5	041	4118
F (fee based)	037	4104
F-5	038	4115
O	431	1301

### Diversified Monthly Income

	Trust	Class
B (front load)	N/A	2079
B-5	550	2069
B-7	701	2066
F (fee based)	N/A	2084
F-5	555	2064
F-7	777	2065
O	704	5006
O-7	804	2085

### Income Essentials

	Trust	Class
B (front load)	811	2029
B-5	855	2044
B-6	856	2047
B-7	857	2050
F (fee based)	830	2040
F-5	845	2041
F-6	846	2042
F-7	847	2043
O	878	5005
O-7	978	7005

For additional Series fund codes, visit [russellinvestments.com/ca/fundcodes](https://russellinvestments.com/ca/fundcodes)

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