

Fund update

Income portfolios



January 2022

At Russell Investments Canada Limited (“Russell Investments Canada”), we are committed to providing high conviction investment solutions that reflect our global view of the opportunities and risks available in the financial markets. From time to time, we revise the strategic asset allocation of our portfolios to keep them in line with our most recent analysis of the market environment.

Our 2022 Global Market Outlook forecasts a slight slowdown in global growth next year, but still above trend. Our strategists believe that as the pandemic wanes, the recovery should favor undervalued cyclical value stocks over expensive growth stocks. This leads them to prefer non-U.S. equities to U.S. equities. They anticipate the U.S. dollar will weaken during the recovery phase, and economically sensitive commodity currencies – like the Canadian dollar – are expected to do well.

Based on this outlook, we have made changes to our Income portfolios to reflect our preferences and improve the portfolios’ long-term overall risk and return profiles. Our Income portfolios – **Russell Investments Conservative Income**, **Russell Investments Income Essentials** and **Russell Investments Diversified Monthly Income** – are designed to provide investors at or near retirement with the potential for a responsible level of income and growth in a risk-controlled manner.

The changes include*:

- Increased exposure to the equity risk premium
- Replacing our Focused Canadian, Focused US, and Focused Global Equity pools with Canadian Dividend, US Equity, and Global Equity pools respectively, to increase income generating capabilities and to simplify the portfolio structure
- Reduced exposure to listed real assets
- Replacing Short Term Income Pool and reduced exposure to Global Unconstrained Bond pool with increased exposure to Fixed Income Pool
- Reduced exposure to positioning strategies

In addition, we have modified the benchmarks for these portfolios to reflect the positioning used by the peer group. This is expected to provide a more accurate comparison of performance. As well, it has reduced the composition of our benchmarks to include fewer components.

The increased duration in our fixed income exposure is expected to provide better diversification against equity risk, helping to balance the higher weighting to equities resulting from these changes.

The positioning strategies are cash equivalent securities required to meet margin and collateral needs on tactical derivatives that may be used in the Income portfolios. These positions are equitized with equity futures to eliminate potential cash drag.

*All fund names are preceded by Russell Investments

New strategic asset allocation weights

The percentages below represent the target strategic asset allocation (SAA) to each underlying Fund.

	RUSSELL INVESTMENTS CONSERVATIVE INCOME		
	Prior SAA	New SAA	SAA change
Russell Investments Short Term Income Pool	11.0%	0.0%	-11.0%
Russell Investments Fixed Income Pool	43.0%	58.0%	15.0%
Russell Investments Global Credit Pool	10.0%	9.0%	-1.0%
Total Fixed Income Allocation	64.0%	67.0%	3.0%
Russell Investments Canadian Dividend Pool	4.0%	6.0%	2.0%
Russell Investments Focused Global Equity Pool	4.0%	0.0%	-4.0%
Russell Investments Global Equity Pool	0.0%	4.0%	4.0%
Russell Investments Global Smaller Companies Pool	0.0%	2.0%	2.0%
Russell Investments Emerging Markets Equity Pool	2.0%	2.0%	0.0%
Total Equity Allocation	10.0%	14.0%	4.0%
Russell Investments Global Infrastructure Pool	3.0%	2.5%	-0.5%
Russell Investments Global Real Estate Pool	3.0%	2.5%	-0.5%
Total Real Assets Allocation	6.0%	5.0%	-1.0%
Russell Investments Global Unconstrained Bond Pool	12.0%	7.0%	-5.0%
Total Absolute Return Allocation	12.0%	7.0%	-5.0%
Russell Investments Yield Opportunities Pool	6.0%	6.0%	0.0%
Total Liquid Alternatives Allocation	6.0%	6.0%	0.0%
Russell Investments Positioning Strategies	2.0%	1.0%	-1.0%
Total	100.0%	100.0%	0.0%

RUSSELL INVESTMENTS INCOME ESSENTIALS

	Prior SAA	New SAA	SAA change
Russell Investments Short Term Income Pool	6.0%	0.0%	-6.0%
Russell Investments Fixed Income Pool	40.0%	48.0%	8.0%
Russell Investments Global Credit Pool	7.5%	8.0%	0.5%
Total Fixed Income Allocation	53.5%	56.0%	2.5%
Russell Investments Canadian Dividend Pool	5.0%	9.0%	4.0%
Russell Investments Focused Canadian Equity Pool	2.0%	0.0%	-2.0%
Russell Investments Focused US Equity Pool	3.5%	0.0%	-3.5%
Russell Investments US Equity Pool	0.0%	3.0%	3.0%
Russell Investments Overseas Equity Pool	3.5%	4.0%	0.5%
Russell Investments Focused Global Equity Pool	4.0%	0.0%	-4.0%
Russell Investments Global Equity Pool	0.0%	6.0%	6.0%
Russell Investments Global Smaller Companies Pool	2.0%	2.0%	0.0%
Russell Investments Emerging Markets Equity Pool	2.0%	2.0%	0.0%
Total Equity Allocation	22.0%	26.0%	4.0%
Russell Investments Global Infrastructure Pool	5.0%	3.0%	-2.0%
Russell Investments Global Real Estate Pool	4.0%	3.0%	-1.0%
Total Real Assets Allocation	9.0%	6.0%	-3.0%
Russell Investments Global Unconstrained Bond Pool	8.5%	6.0%	-2.5%
Total Absolute Return Allocation	8.5%	6.0%	-2.5%
Russell Investments Yield Opportunities Pool	5.0%	5.0%	0.0%
Total Liquid Alternatives Allocation	5.0%	5.0%	0.0%
Russell Investments Positioning Strategies	2.0%	1.0%	-1.0%
Total	100.0%	100.0%	0.0%

RUSSELL INVESTMENTS DIVERSIFIED MONTHLY INCOME

	Prior SAA	New SAA	SAA change
Russell Investments Short Term Income Pool	3.0%	0.0%	-3.0%
Russell Investments Canadian Fixed Income Fund	25.0%	30.0%	5.0%
Russell Investments Global Credit Pool	6.5%	5.0%	-1.5%
Total Fixed Income Allocation	34.5%	35.0%	0.5%
Russell Investments Canadian Dividend Pool	10.0%	13.0%	3.0%
Russell Investments Focused Canadian Equity Pool	3.5%	0.0%	-3.5%
Russell Investments US Equity Pool	7.0%	9.0%	2.0%
Russell Investments Overseas Equity Pool	6.5%	7.0%	0.5%
Russell Investments Global Equity Pool	8.0%	11.0%	3.0%
Russell Investments Global Smaller Companies Pool	3.0%	3.0%	0.0%
Russell Investments Emerging Markets Equity Pool	4.0%	3.0%	-1.0%
Total Equity Allocation	42.0%	46.0%	4.0%
Russell Investments Global Infrastructure Pool	6.0%	4.0%	-2.0%
Russell Investments Global Real Estate Pool	5.0%	4.0%	-1.0%
Total Real Assets Allocation	11.0%	8.0%	-3.0%
Russell Investments Global Unconstrained Bond Pool	5.5%	5.0%	-0.5%
Total Absolute Return Allocation	5.5%	5.0%	-0.5%
Russell Investments Yield Opportunities Pool	5.0%	5.0%	0.0%
Total Liquid Alternatives Allocation	5.0%	5.0%	0.0%
Russell Investments Positioning Strategies	2.0%	1.0%	-1.0%
Total	100.0%	100.0%	0.0%

For more information about Russell Investments Accumulation Portfolios, please contact us at 1-888-509-1792 or by email at canada@russellinvestments.com

Important information

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Positioning strategies are customized portfolios directly managed by Russell Investments for use within the total portfolio. Portfolio managers use positioning strategies to seek excess return and manage portfolio risks by targeting specific exposures. The Russell Investments positioning strategy allocation includes the Fund’s liquidity reserve.

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