KEEP CALM AND STAY INVESTED

3 GUIDELINES TO KEEP IN MIND IN VOLATILE MARKETS

Russell Investments

We are faced with headlines every day that may cause us to think about bailing on investments. Whether it's worries about economic growth, geopolitical tensions or inflation, the news can be very distracting.

On days where headlines are alarming and investors like you are wondering what's happening to your savings, it's more crucial than ever to focus on the bigger picture and your long-term goals. At Russell Investments, we believe that investors can avoid missteps that can lead to bigger shortfalls than they are already facing. Recent events have served as a reminder of this. Investing can be uncomfortable for a lot of people, but does it have to be?

It's important to remember to stick to your long-term financial plan and avoid emotional, headline-driven decisions. To help ease some of the angst, consider these three guidelines to help you keep things in perspective, and stay calm and invested.

1. No one (really) can time the market

Even the most sophisticated investors will tell you that it is virtually impossible to accurately predict the market's short-term moves. In fact, mistiming can have a severe negative impact on investment returns. In a low growth/lower return environment, what does this mean for investors saving for retirement? In today's reality, where investors are more likely than ever to face retirement income gaps, they can't afford to miss out on returns.

We believe in the power of being invested over the long term. Not being invested (strategy #5 in Exhibit 1), and simply leaving money in cash, yields by far the worst ending wealth of any investment option. Even investing your money on the worst days of the market (strategy #4) is still more favorable than not investing at all.

2. Nothing, especially volatility, lasts forever

There have been many times throughout history where markets have declined—but these relatively short periods are most often followed by the most favorable returns. Unfortunately, due to loss aversion[1]—one of the principles of behavioral economics—people tend to remember the bad twice as much as the good[2]. Despite the market's long-term tendency to rise, even a few bad days can cause some investors to rethink their investment strategy.

Since 1924, Canadian stocks have more often finished the calendar year in positive rather than in negative territory—in fact, 74% of the time[3], as evidenced in Exhibit 2. It's extremely challenging to predict whether a calendar year will be positive or negative.

> *In the financial markets, hindsight is forever 20/20, but foresight is legally blind. And thus, for most investors, market timing is a practical and emotional impossibility.*
>
> Benjamin Graham, The Intelligent Investor

[1] Loss aversion is people's tendency to prefer avoiding losses to acquiring equivalent gains.

[2] Source: Seeking Alpha: The Persistence of Aversion: Why Investor Pains Hurts Twice. https://seekingalpha.com/article/4240745-persistence-of-aversion-why-investor-pain-hurts-twice

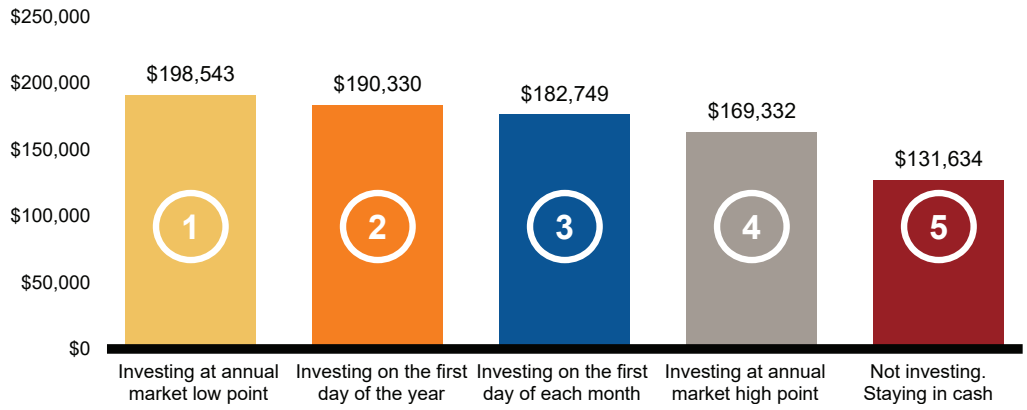
[3] Represented by the S&P/TSX Composite Index from 1924-2023. Source: Confluence

Exhibit 1: The power of being invested over the long term

1 Perfect timing	2 First of year	3 Dollar cost averaging	4 Perfectly wrong timing	5 Holding cash, no investment
This strategy is ideal, yet implausible.	Investing your money for the most amount of time can yield the most gain in most market environments	A popular rules-based strategy. Can help investors cope with uncertain or volatile markets.	Despite bad timing, assets invested in the market may grow faster than if left in cash.	Holding cash too long can result in the least growth of wealth.

Hypothetical ending wealth after investing $12,000 per year for 10 years

Period ending December 31, 2023



Note that one year represents a 12-month period ending the last day of December each year.

Assumes a one-time investment of $12,000 per year into the S&P/TSX Composite Index with no withdrawals between December 31, 2013 and December 31, 2023. Cash return based on return of $12,000 invested each year in the FTSE Canada 91-Day T-Bill Index without any withdrawals between December 31, 2013 and December 31, 2023. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.

Hypothetical analysis provided for illustrative purposes only.

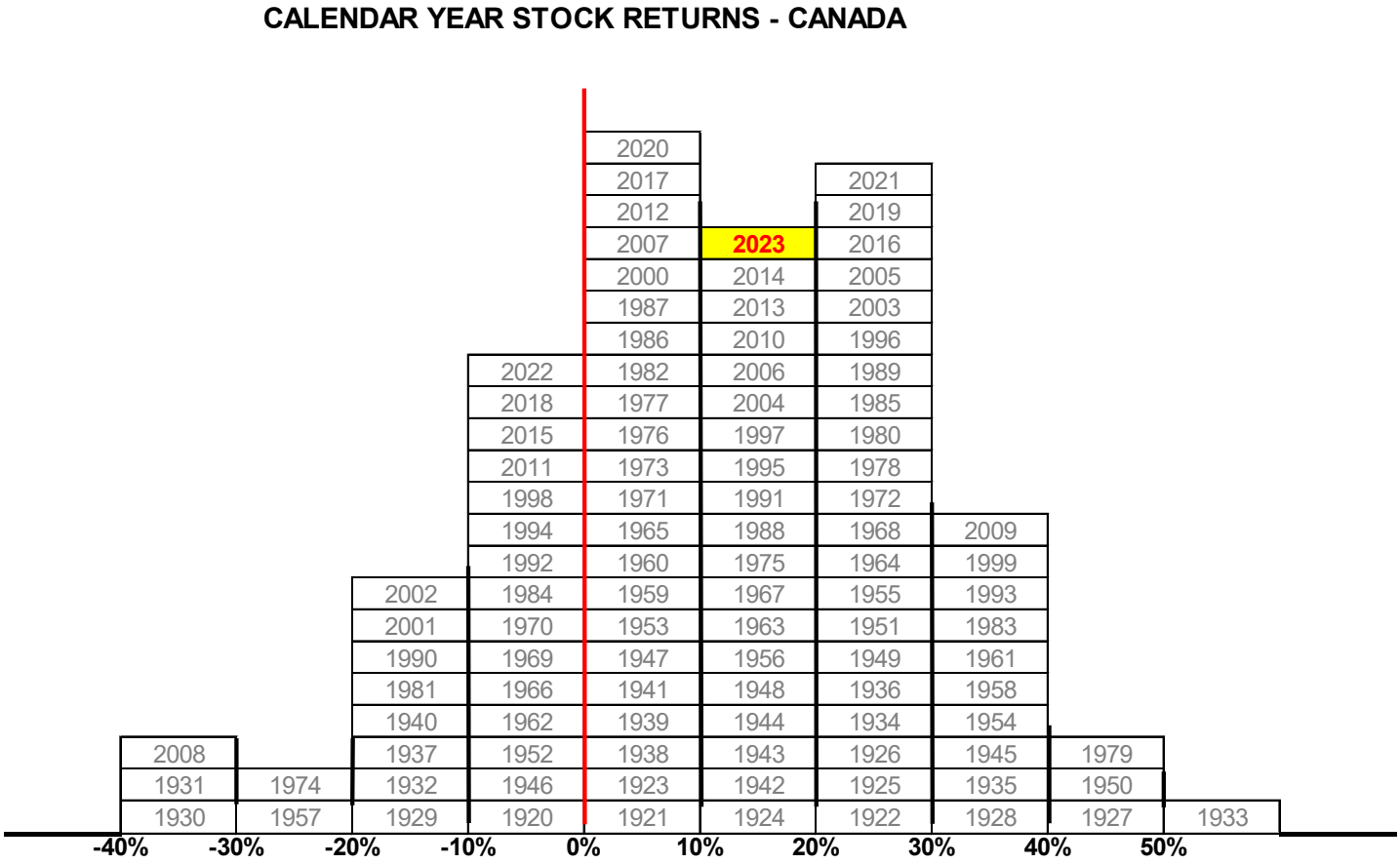
3. Diversification matters

Russell Investments has consistently advocated for investors to consider a global multi-asset approach to investing. We believe doing so may put investors on a smoother path toward meeting goals, while also helping to manage risk. Put simply, investors diversify because the future is uncertain, and no one can predict with certainty which asset class will win or lose over the upcoming market cycles.

> *"The only investors who shouldn't diversify are those who are right 100% of the time."*
>
> John Templeton[5]

[5] Source: Financial Express: How legendary investor John Templeton learned to put his eggs in different baskets, by Sushruth Sunder. https://www.financialexpress.com/market/how-legendary-investor-john-templeton-learned-to-put-his-eggs-in-different-baskets/847894/

Exhibit 2: Historically it has paid to own stocks



Represented by the S&P/TSX Composite Index from 1924-2023. Source: Confluence.

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The bottom line

While navigating uncertainty and extreme market volatility is difficult, it's important to keep the big picture in mind and stay focused on your long-term goals. Historically, over the long term, markets have been positive more often than negative, as shown in Exhibit 2. Volatility is a reality, even in positive markets, and diversification is a tool every investor can rely upon to help withstand market corrections. Rather than reacting to volatility and trying to time short-term market gyrations, Russell Investments believes that investments should be based on personal long-term goals, time horizon, financial circumstances and risk tolerance, not on what markets are doing at a given moment. Economic uncertainty will always be a cause for anxiety, so it's important to remember these guidelines and to speak with your financial advisor when the markets get choppy.

Russell Investments

About Russell Investments

Russell Investments is a leading global investment solutions firm providing a wide range of investment capabilities to institutional investors, financial intermediaries, and individual investors around the world. Building on an 87-year legacy of continuous innovation to deliver exceptional value to clients, Russell Investments works every day to improve the financial security of its clients.

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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.

Diversification and strategic asset allocation do not assure a profit or protect against loss in declining markets.

Dollar Cost Averaging does not assure a profit or prevent a loss in declining markets, and you should consider your ability to continue investing during low price levels.

S&P/TSX Composite Index: The benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange.

FTSE Canada 91-Day T-Bill Index: A benchmark that tracks the performance of 3-month Canadian government treasury bills.

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