UPDATE – 3RD QUARTER 2023

MULTI-ASSET INCOME STRATEGY

Russell Investments

Introduction

Financial markets lost ground in the third quarter amid an uncertain economic outlook, sticky inflation, rising oil prices and soaring bond yields.

Economic signals globally are mixed and the potential for mild recessions to hit Canada, the U.S. and Europe next year remains strong China's economy is struggling with its property and consumer sectors underperforming and government stimulus has so far been only slightly effective. Japan is bucking the trend with an accommodative monetary policy and healthy growth prospects. Australia is another bright spot, where even as the economy slows, recession risks are lower, given that the Reserve Bank of Australia's monetary policy is less restrictive.

Despite the specter of a global economic slowdown, central banks globally are standing firm on interest rates as they remain focused on wrestling inflation lower.

The U.S. Federal Reserve (Fed) has indicated that it would likely cut interest rates more slowly in 2024 and 2025 than markets have priced in. Wage pressures, high oil prices, and a still-strong U.S. economy indicate that wrestling inflation back to the Fed's 2% target may take a while. As a result, markets have priced in a "higher for longer" outlook on interest rates, which in turn put upward pressure on yields during the third quarter.

The Bank of Canada has a more delicate balancing act, as high household debt means any increase in interest rates could weaken consumer spending which could in turn reverberate throughout the economy. Gross Domestic Product (GDP) has fallen twice in the past three quarters, and the outlook is for continued weakness, with a recession likely in the next 12-18 months. Moreover, high immigration has helped support the economy over the past year, but GDP per capita has been steadily declining. Still, inflation remains above target and while the central bank has paused its rate hikes for now, further hikes can't be ruled out.

Even with sagging demand from China, oil prices strengthened in the third quarter following announcements by Saudi Arabia and Russia that they would extend production cuts to the end of the year. This in turn has raised fears that inflation may prove more stubborn, adding to the argument that interest rates may stay higher for longer.

The Russell 1000 Index slipped 0.7% in Canadian dollar (CAD) terms in the quarter, and the MSCI World Index lost 1.36% in CAD terms. The S&P/TSX Composite Index retreated 2.2% as the poor economic outlook and rising yields trumped the strength in oil and gold prices. Meanwhile, the Bloomberg Canada Aggregate Index fell 3.8%.

In a potential harbinger of a change in market leadership, the U.S. technology sector weakened towards the end of the third quarter. This was partly due to a two-day selloff of Apple's shares that wiped away almost US$200 billion from its market capitalization which followed news that the Chinese government staff will impose further restrictions on iPhone use among its employees. Meanwhile, Taiwan chipmaker TSMC lowered its revenue forecast, further dampening sentiment in the sector.

Overall, we have a neutral outlook on equities although valuations are more attractive in non-U.S. markets. We see limited upside with recession risks on the horizon.

We have a positive outlook on government bonds and believe they have the potential to rally once investors are convinced that inflation has peaked, economies are slowing and central banks will no longer raise rates.

Real assets appear attractive compared to global equities, and once rates stabilize, REITs should benefit. Commodities are unlikely to significantly strengthen in the face of a subdued Chinese economy, But geopolitics may keep volatility elevated.

The U.S. dollar is vulnerable to any change in the outlook for rate cuts. It strengthened in the third quarter on expectations of a soft landing and interest rates remaining higher for longer but could weaken if the economy slows faster than expected and the Fed eases policy.

Market Outlook

BUSINESS CYCLE Outlook for the global economy	VALUATION Current asset prices	SENTIMENT Investor behaviour
—	—	○
NEGATIVE	NEGATIVE	NEUTRAL
The possibility of a mild recession over the next 12 months keeps us cautious on the business cycle outlook. Central banks seen standing pat until inflation moves closer to target or economies deteriorate.	Equity valuations unattractive globally, with the U.S. most expensive. But bond valuations are favorable, and attractive yields offer decent income.	Equities drifting to oversold conditions but not enough to turn positive yet. Signs of a soft landing could help turn the tide unless poor corporate earnings raise recession risks.

Source: Russell Investments. As of September 30, 2023.

Fund Performance Attribution

ASSET CLASS	IMPACT*	COMMENTARY
EQUITIES	–	Stocks rose broadly in July as economic data led investors to believe rate hikes may be coming to an end and that a recession was unlikely this year. However, fears of a rebound in inflation and concerns of economic slowdown weighed on global equity markets in August and September. US equities modestly declined.
REAL ASSETS	–	Real estate and infrastructure continue to suffer from higher rates, posting negative returns and were notable laggards this quarter. Utilities and Real Estate were the two worst performing sectors within the S&P 500 with real estate underperforming global equities. Global infrastructure was the worst-performing category within real assets due to weakness among the utilities sectors.
COMMODITIES	+	Commodities was a top performing asset class in the period driven by the meaningful rise in energy prices amid oil production cuts from Saudi Arabia and Russia. Gold has nearly given back all its 2023 gains due to weaker prices and a stronger US dollar in the third quarter.
FIXED INCOME	–	A shift in market expectations to a 'higher for longer' environment, in conjunction with the US sovereign debt downgrade in August put downward pressure on treasuries, leading to a rise in yields. Although many central banks likely finished their hiking cycle during the quarter, global government bond yields moved sharply higher in September driven by US treasuries. Core bonds were negative, though corporate bonds outperformed government bonds as spreads narrowed over the period.

Source: Russell Investments, as at 09/30/2023. For illustrative purposes only. *Did the asset class go up or down.

Multi-Asset Income Strategy

ASSET ALLOCATION	Q3	Q2
FIXED INCOME	**62.7%**	**62.0%**
Government Bonds	23.9%	23.5%
Investment Grade Credit	17.7%	18.1%
Inflation Linked Bonds	4.3%	4.2%
High Yield Credit	3.3%	3.3%
Convertible Bonds	7.6%	7.1%
Emerging Markets Bonds	2.4%	2.3%
Securitized Credit	3.6%	3.4%
EQUITIES	**19.3%**	**18.8%**
Canadian Equities	2.0%	2.0%
U.S. Equities	6.5%	5.8%
EMEA Equities	5.0%	5.2%
Asia & Pacific Equities	2.6%	2.6%
Emerging Markets Equities	3.2%	3.3%
REAL ASSETS	**12.7%**	**12.4%**
Listed Infrastructure	2.9%	3.0%
Listed Real Estate	4.4%	4.5%
Commodities	5.4%	5.0%
CASH & OTHER	**5.3%**	**6.8%**

Source: Russell Investments. Data as of September 30, 2023.
May not add to 100% due to rounding.

Goal:
Income

Long-Term Return Target:
Consumer Price Index (CPI) + 2.5%

There is no guarantee the stated goals and objectives will be met.

POSITIONING CHANGES – Portfolio targets were unchanged during the quarter. The portfolio's defensive positioning, which include being underweight equity and high yield credit to hold cash and gold exposure, remain the preferred allocations. Though the first half of 2023 saw a robust rally for stocks, equities took a modest hit in the third quarter offering investors somewhat of a reality check. Fixed income did not act as a defensive asset however, as it also declined as interest rates rose in the period.

RUSSELL INVESTMENTS POSITIONING STRATEGIES - The weighting of this allocation will remain constant at 2%, but the underlying strategies will vary. At the end of the quarter, the strategies within the allocation were the following:

- **Long JPY / Short CAD** – Despite some volatility in the quarter, the Japanese Yen continued to lose value against the Canadian dollar. The potential appreciation of this undervalued currency makes this trade very attractive. With a potential recession on the horizon, flows into the Japanese Yen, which is usually seen as a safe haven currency, against the procyclical Canadian dollar would result in a profitable trade. Moreover, the possibility of the Bank of Japan relaxing its yield curve control of keeping bond yields stable as inflation rises, could trigger a yen rally.
- **Option Collar** – The portfolio continues to hold the put spread collar^ on the S&P 500 index purchased earlier in the year. The strategy sold a call at a strike of 4500, sold a put at 3450 and bought a put at 4000. A decline in market prices, of up to 20% from the entry point, would result in a profitable strategy. This costless strategy has an expiration date of December 2023.
- **HIGH YIELD CREDIT DEFAULT SWAPS*** – The protection against the high yield exposure in the core fixed income portfolio remained in place to reduce credit sensitivity.

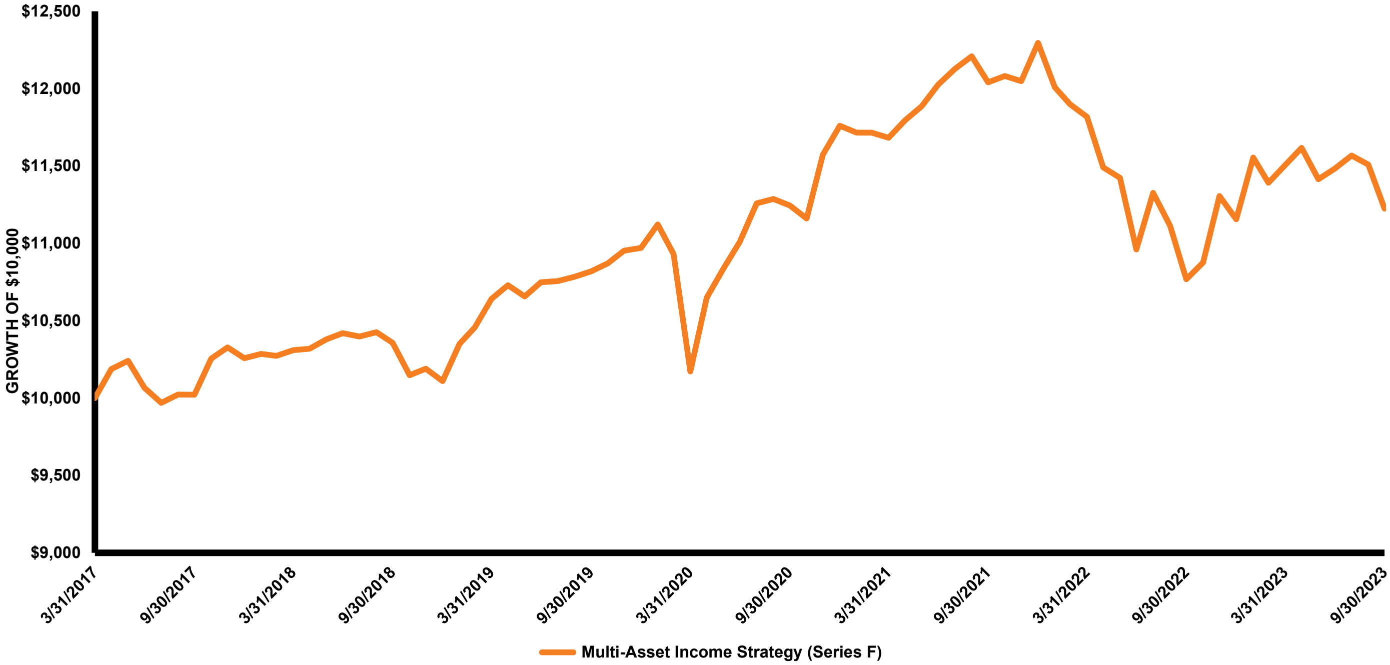
^ Using another financial instrument or strategy to offset the risk of any negative price movement.
* A type of insurance contract on fixed income securities that will compensate the buyer in the event of loan default.

SUB-ADVISER CHANGES

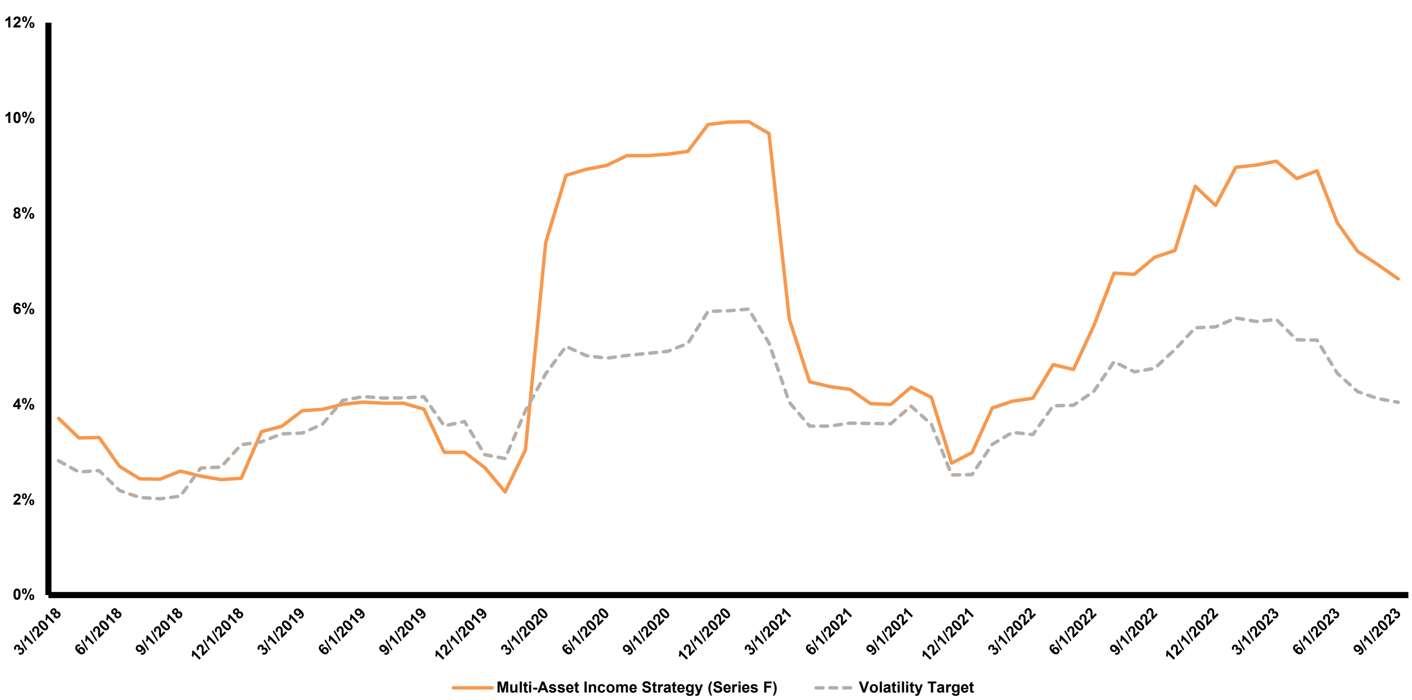
Within emerging market equity, Neuberger Berman Investment Advisers LLC ("Neuberger") was terminated and Sands Capital Management LLC ("Sands") and Pzena Investment Management LLC ("Pzena") were added as sub-advisers. Sands looks to identify dominant businesses within a preferred segment of the market, with high quality, sustainable higher sales- and earnings growth while looking at a longer-term horizon. Pzena will provide the desired large cap value exposure due to its ability to select companies trading at lower valuations on a normalized earnings basis.

Multi-Asset Income Strategy (MAIS)

Performance net of fees (Series F)



Rolling 12-Month Volatility (Series F)



Source: Russell Investments. As of September 30, 2023. All Performance shown is for Series F. Series F is a wrap or fee-for-service program and as such, the performance shown does not include the advisory fee paid by the investor to the dealer that would have reduced returns. Other series of units of the fund are subject to higher management fees and/or expenses which result in lower returns for those series than cited above. Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

Volatility is measured by standard deviation. Standard Deviation is a statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution. The greater the degree of dispersion, the greater the risk.

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Performance (%) as of September 30, 2023

	3 mo	YTD	1 yr	3 yr	5 yr	10 yr	Since inception
Multi-Asset Income Strategy (Series F)	-2.25	0.62	4.24	-0.06	1.62	3.36	3.87

Performance is annualized except for periods of less than one year. Inception: July 25, 2005. Source: Russell Investments/Confluence. Indexes are unmanaged and cannot be invested in directly. Past performance is not indicative of future results.

Fund Code (FRC)

	Trust	Class
B (front load)	303	4200
B-5	155	4207
F (fee based)	803	4205
F-5	455	4206
O	483	1403
O-7	407	N/A

For additional Series fund codes, visit russellinvestments.com/ca/fundcodes

IMPORTANT INFORMATION

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of returns are the historical annual compounded total returns including changes in unit/share value and reinvestment of all dividends or distributions, and does not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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Sub-advisers are current as of September 2023. Russell Investments has the right to engage or terminate a sub-adviser at any time.

Positioning strategies are customized exposures directly managed by Russell Investments for use within the total portfolio. Used in conjunction with third-party active managers, positioning strategies allow our portfolio managers to seek excess return and manage portfolio risk by giving them the ability to fully reflect our strategic and dynamic insights with integrated liquidity and risk management.

As with all mutual funds, investment in this mutual fund contains risks that may make it unsuitable for you, depending on your investment objectives and risk tolerance. If the fund does not perform as intended, you may experience a loss of part or all of your principal invested. Please read the prospectus of this fund for a detailed description of the risks involved in this investment.

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