RUSSELL INVESTMENTS

Investment Update

"Classic" Conservative Portfolio

March 2024

Russell Investments may trade a portion of the Fund's assets based on a model portfolio provided by the investment advisor. By employing this emulated portfolio approach, the Fund leverages off the implementation capabilities of Russel Investments in order to manage the funds in an efficient manner.

Russell Investments

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The cycle of market emotions

Over the lifetime of an investment you will experience a range of different emotions. Investment success over the long term depends on you working with your adviser to ensure this emotional journey does not lead to decisions that could derail your investment journey. This section illustrates that cycle in terms of historical periods.

Market outlook

This section looks at the current economic environment and what factors are driving markets. We also describe how we have recently adapted our multi-asset portfolios to adapt to this environment.

Model portfolio fact sheet

This section describes the model portfolio/s you are invested in, the makeup of the portfolio in terms of multi-manager investment funds, and the performance of the portfolio over time.

Capacity for loss guide

We'd like you to have a clear picture of the returns you may experience in this investment, so this section illustrates the typical returns your investment portfolio may generate over the coming years as well as a transparent look at what performance the portfolio has delivered over 12-month periods, since inception.

Model portfolio performance

A look at cumulative returns across the ten model portfolio range allows you to see the relationship between increasing risk and the resultant returns in rising markets (such as 2012) as well as more challenging times (such as 2011).

The Cycle of Market Emotions

		EXCITEMENT THRILL EUPHORIA		DENIAL ANXIETY FEAR		DEPRESSION PANIC CAPITULATION		DESPONDENCY SKEPTICISM HOPE RELIEF OPTIMISM
Market Cycle 1	30%	**NOV 1971-DEC 1972** • Inflationary pressures. Productivity improvements • Rapid corporate earnings growth • Introduction of paperless technology	-15%	**JAN 1973-JAN 1974** • OPEC Oil crisis – crude oil prices tripled. Inflation • Credit squeeze • Property company failures	-24%	**FEB 1974-NOV 1974** • Global recession • Extended bear market	39%	**DEC 1974-JUN 1975** • Stock market recovery despite recession
Market Cycle 2	136%	**AUG 1984-AUG 1987** • Credit boom • Strong world economic growth	-2%	**SEP 1987** • Irrational shareholder sentiment • Peak of overinflated stock values vs historical PEs	-28%	**OCT 1987-NOV 1987** • 1987 Global stock market crash	64%	**DEC 1987-DEC 1989** • Stock market recovery as value hunters sought to buy quality stocks cheaply
Market Cycle 3	99%	**APR 1997-SEP 2000** • Tech boom. Investor exuberance • Emergence of 'new economy' sectors	-28%	**OCT 2000-SEP 2001** • Tech bubble burst • September 11 terrorist attacks	-22%	**MAR 2002-FEB 2003** • Reduced global economic growth forecasts • Extended bear market • Corporate accounting scandals	52%	**MAR 2003-MAY 2005** • Geopolitical uncertainty • Refocus on world economic fundamentals • Boom in resources in response to industrialisation of China
Market Cycle 4	28%	**JUN 2005-JUL 2007** • UK house prices hit highs • Credit boom • Higher interest rates	-17%	**AUG 2007-SEP 2008** • Credit crunch. Sub-prime mortgage crisis • Collateralised debt obligation (CDO) failures • Lehman Brothers declares bankruptcy	-37%	**OCT 2008-FEB 2009** • Global financial crisis • European and U.S. recessions • Negative real GDP reported for major developed countries in Q4 2008	224%	**MAR 2009-DEC 2014** • Global stock market recovery • Deleveraging, slow economic growth
Market Cycle 5	79%	**JAN 2015-FEB 2020** • Return to full employment in U.S. • Optimism rises with U.S. tax cuts • Trade war creates volatility in 2018 • 2019 Fed rate cuts extend the cycle • Virus originating in China is identified as COVID-19	-13%	**Late Feb 2020** • COVID-19 virus spreads worldwide • Global stock markets fell in late Feb 2020 due to a significant rise in the number of COVID-19 cases outside of mainland China	-14%	**MAR 2020** • COVID-19 is classified as a global pandemic • Travel and commerce begin to be restricted worldwide as COVID-19 pandemic eventually forces most of the world population into quarantine • CARES Act was signed into U.S. law, sending Economic Impact Payments to qualifying U.S. citizens	63%	**APR 2020 - MAR 2021** • Global economic recovery begins • Supportive central bank policies • Global COVID-19 vaccine rollout
Market Cycle 6	18%	**APR 2021 – DEC 2021** • Effective COVID-19 vaccine announced and rolled out globally • Central banks maintain maximum levels of stimulus • Lockdown support from governments continue • Lockdowns begin to be eased	-21%	**JAN 2022 - JUN 2022** • Federal Reserve begins interest rate hiking regime • Inflation hits 40-year highs	-4%	**JUL 2022 - SEP 2022** • Job market remains strong as unemployment is near all-time lows • Inflation starts to decline from its June 2022 peak	35%	**OCT 2022 - DEC 2023** • Magnificent 7* drove markets for most of 2023 • The Federal Reserve has likely finished lifting rates due to slowing jobs growth and declining inflation • Labour markets need to soften further to put the final nail in the coffin of an inflation overshoot • Recession risks and macro uncertainty remain elevated, while markets are priced in anticipation of a "soft landing"

For illustrative purposes only. Latest month end data as at 31 January 2024.

Source: Russell Investments. Market cycle returns calculated using Ibbotson U.S. Equity Total Return Index from 1971–1978 and Russell 3000® Index from 1979–2024. Any past performance is not necessarily a guide to future performance. Past performance does not predict future returns. Indexes are unmanaged and cannot be invested in directly.

Market Outlook

Market Review – March 2024

- Global equities rose while fixed income markets declined in the first quarter of 2024. For equities, the year-end rally continued into the new year, propelling benchmark indices in the US, Europe and Japan to record highs. Sentiment was boosted by strong earnings results, optimism over artificial intelligence (AI)-related technology and expectations of interest rate cuts. Nevertheless, the US dollar strengthened against most currencies as investors were faced with the prospect of fewer cuts than initially expected amid a buoyant US economy. Within fixed income, high yield outperformed investment grade assets, with risk-on sentiment driving the market. Oil prices rose amid continuing geopolitical concerns in the Middle East and Ukraine. The Federal Reserve (Fed), the European Central Bank (ECB), and the Bank of England, all left interest rates unchanged, as expected.
- US equities outperformed all other markets except Japan. Strong quarterly results and excitement over AI propelled indices higher. The S&P 500 hit an all-time high, albeit led by select stocks. However, in March the rally became more broad-based, propelling markets to new highs following the Fed's message that it still anticipates three interest rate cuts this year. In economic news, the US added more jobs than expected in February (see chart), which led investors to rein in expectations of interest rate cuts. Consumer price inflation (CPI) for February unexpectedly rose to 3.2% YoY versus January's 3.1% increase, while core inflation edged down to 3.8% YoY from 3.9%, above the 3.7% forecast. The benchmark 10-year US Treasury yield rose 32 basis points (bps) to 4.20%.
- UK equities underperformed other developed markets in the first quarter due to stubborn inflation and concerns over the economy. However, data released later in the period showed that both headline and core inflation eased in February (see chart). The benchmark 10-year gilt yield rose 39 bps to 3.93%. European equities outperformed UK equities but underperformed most other markets amid a pushback on rate cuts. After leaving interest rates unchanged in March, ECB president Christine Lagarde refused to commit to a particular path of interest rate cuts, warning that high wage growth and weak productivity would keep services inflation elevated for most of the year. In this market environment, the German 10-year bund yield rose, increasing by 28 bps to 2.30%. Japanese equities outperformed all other markets this quarter, with the Nikkei 225 beating its previous record set in 1989. The Bank of Japan ended eight years of negative interest rates with its first interest rate increase in 17 years. The central bank also abandoned its yield curve control programme.
- Emerging markets (EM) underperformed most markets except Asia ex Japan, as Chinese equities continued to be a drag despite a brief rebound in February.

Source: Confluence, Bloomberg. All data as at 31st March, 2024. All returns are in GBP terms.

Market Outlook

Strategist's Outlook

- The **equity market** outlook is constrained by expensive valuation multiples, optimistic industry consensus earnings growth expectations, and overbought sentiment. We previously preferred Quality equities – profitable companies with strong balance sheets – however that overweight was neutralised in February following a stretch of strong performance for these stocks.
- Our portfolio strategies are neutral across major equity regions. **Non-US developed equities** still trade at a steep discount to US equities but there is significant uncertainty around the ability for these markets to deliver differentiated earnings. **Chinese equities** have sharply underperformed in recent years. The market is very cheap, with the index trading at book value and many companies trading in-line with the value of the cash on their balance sheet. Our proprietary measure of market psychology shows extreme pessimism towards Chinese equities, which is a positive signal for the market outlook. However, China faces numerous structural challenges, weak consumer confidence, and has thus far only delivered a measured policy response to support its economy and markets. We are neutral to slightly overweight China across our equity portfolio strategies with the latter largely driven by where our underlying money managers are finding the best value in emerging markets.
- **Government bonds** provide attractive value for investors as yields still trade well in excess of expected inflation. Markets are not currently putting much weight on the possibility of adverse economic scenarios. Therefore, if developed market economies slow or slip into recession, we expect central banks to cut interest rates more aggressively than what is currently priced into forward curves. **US Treasuries** are a preferred overweight exposure where our fixed income strategy team sees particularly good value in the five-year point of the yield curve. They also see potential for the curve to re-steepen if more aggressive rate cuts are delivered in the next few years. Our favourable outlook for government bonds still extends across most major developed sovereign markets, including Canada, Germany, Australia and the UK. The only notable outlier is Japan, where yields are depressed and out-of-synch with the rest of the world.
- **US high yield** and **US investment grade** spreads are very tight into an environment of elevated economic uncertainty, leading us to dampen our normal strategic overweight to corporate credit.
- The prospect of developed market central banks cutting interest rates in 2024 should be a major tailwind for **real estate**. Real Estate Investment Trust (REIT) valuations continue to look attractive. Given the significant uncertainty surrounding the macro-outlook, we think the defensive nature of **infrastructure** investments make them a useful lever for portfolio diversification – cushioning the portfolio in a market downturn, while not giving up significant upside potential should a soft landing come to pass. **Oil** prices might remain rangebound as the tug-of-war between softer growth and supply constraints from the OPEC+ group of oil-producing countries continue. **Gold**, which is trading at near record highs, appears overvalued relative to current real yields. While gold prices may soften later this year, several factors – elevated recession risks, the potential for lower real interest rates, heightened geopolitical tensions, and structural support from central bank purchases – still create a favourable cyclical environment for gold that could mitigate the extent of price declines.
- The **US dollar** is expensive which suggests potential for the greenback to decline over the medium-term. However, the potential for a global recession in 2024 could result in further upside for the dollar in the short term as investors flock to the relative safety of US assets. We believe these two-sided risks warrant a neutral stance.

Conservative Portfolio

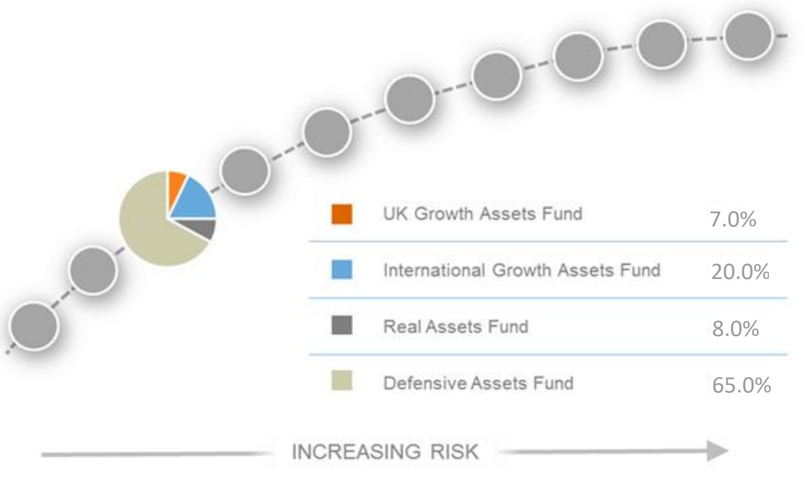
Russell Investments Client Portfolio Manager

Using a multi-asset approach, our Model Portfolios are globally diversified. Each one provides exposure to a mix of shares, bonds and alternative investments delivered by a variety of underlying money managers and investment styles.

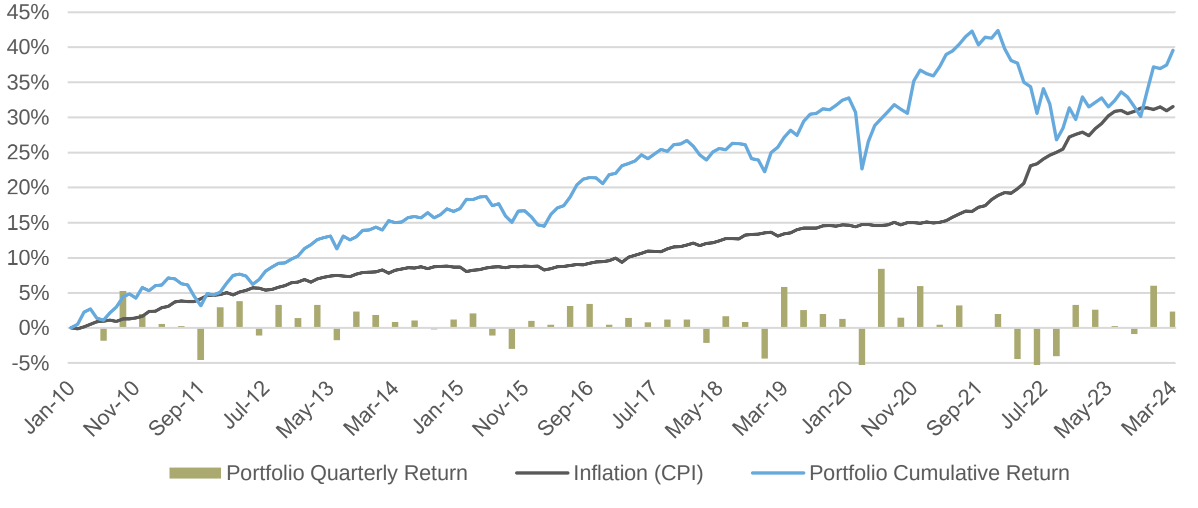
This careful blending emphasises return potential whilst attempting to manage risk and may help provide more consistent returns over the long term. This diversification means that your investment is working for you no matter what investment approach or style is in favour at any given time.

Comprised mainly of investment strategies designed to weather turbulent market conditions, the Conservative Portfolio is the most adventurous of those portfolios which are more suited to fairly risk-averse investors that want their money to work harder than bank deposits. Fixed income and absolute return type investments feature heavily, especially those designed to generate positive returns without exercising a greater amount of investment risk. The portfolio features small allocations to global equity and inflation-linked investments such as property, commodities and infrastructure; the total allocation to these investments is just a third of the total portfolio.

The Conservative Portfolio within our Model Portfolio Range



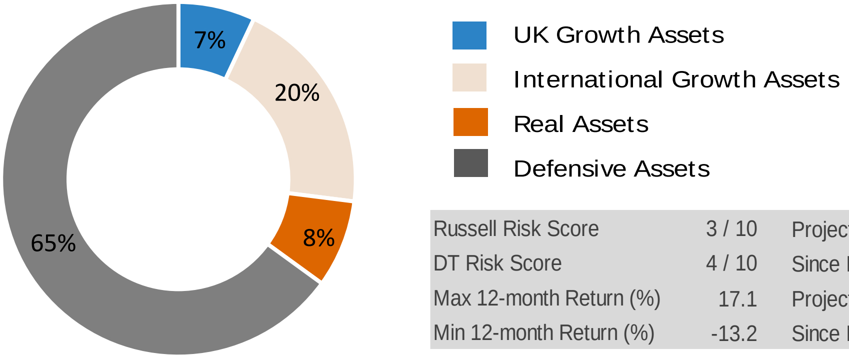
Inception to Date Cumulative Return



Source: Russell Investments, net returns in GBP from 01/02/2010 to 31/03/2024. Any past performance figures is not a guide to future performance.

Capacity for Loss

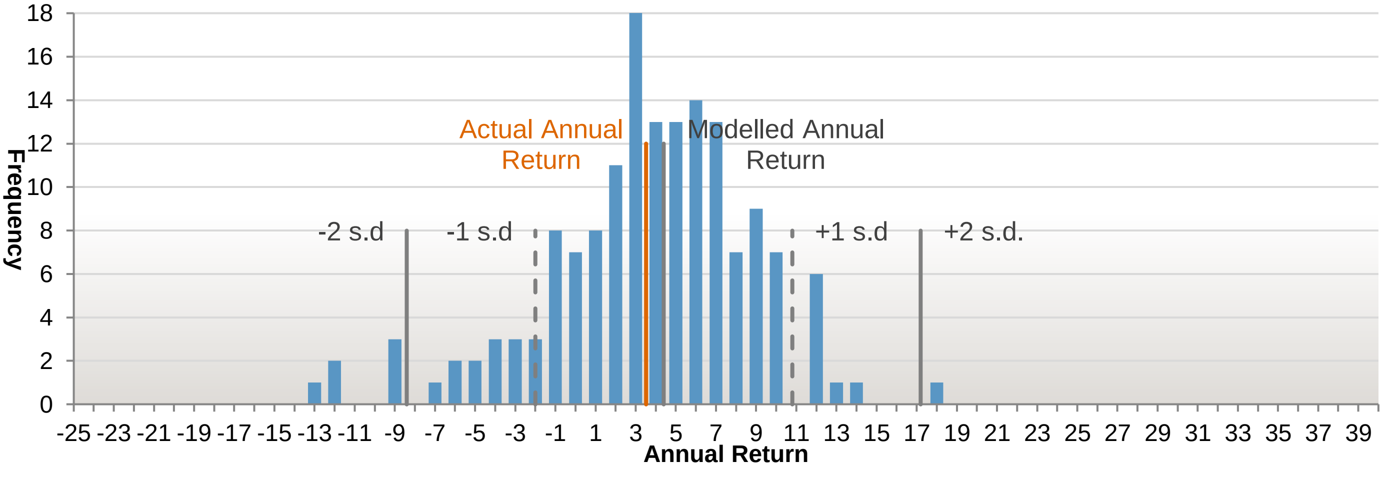
Conservative Model Portfolio



Russell Risk Score	3 / 10	Projected Annual Return (%)	4.4
DT Risk Score	4 / 10	Since Inception Annual Return (%)	3.5
Max 12-month Return (%)	17.1	Projected Annual Volatility (%)	6.4
Min 12-month Return (%)	-13.2	Since Inception Annual Volatility (%)	5.7

Historic Returns

The number of times a portfolio has experienced a given return (horizontal axis) in any 12-month period since launch. Standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility, it is a statistical measurement that illustrates historical volatility. For example, a volatile stock has a high standard deviation, while the deviation of a stable stock is lower. A large dispersion indicates how much the return on the fund is deviating from the expected normal returns.



Source: Russell Investments, net returns in GBP from 01/02/2010 to 31/03/2024. Any past performance figures is not a guide to future performance.

Model Portfolio Performance

Performance data as at 31 March 2024

This table shows the performance of all ten Russell Investments Model Portfolios for different periods.

Portfolio Name	Cumulative Performance (%) 1 Month	3 Months	1 Year	3 Years	5 Years	10 Years	PA (%) Since launch*
Secure	1.5	1.1	5.8	-2.6	5.2	15.2	1.9
Cautious	1.8	1.7	6.8	-0.2	9.5	23.5	2.7
Conservative	2.1	2.4	7.8	2.3	13.8	32.6	3.5
Moderate	2.4	3.1	8.9	4.7	18.3	42.2	4.3
Balanced	2.7	3.9	10.3	7.8	24.1	53.7	5.2
Progressive	2.9	4.5	11.1	10.1	28.0	63.1	5.9
Adventurous	3.3	5.1	12.2	12.9	32.7	73.8	6.6
Growth	3.5	5.7	13.2	15.3	37.1	85.3	7.4
Aggressive	3.8	6.4	14.2	18.3	41.8	97.7	8.1
Aggressive Plus	4.0	7.0	15.2	20.7	46.2	109.1	8.8

Discrete Performance (%) 31/03/24-31/03/23	31/03/23-31/03/22	31/03/22-31/03/21	31/03/21-31/03/20	31/03/20-31/03/19	31/03/19-31/03/18	31/03/18-31/03/17	31/03/17-31/03/16	31/03/16-31/03/15	31/03/15-31/03/14	31/03/14-31/03/13
5.8	-6.3	-1.7	10.5	-2.4	2.8	2.4	3.5	4.5	5.6	6.9
6.8	-6.0	-0.7	13.8	-3.6	3.2	-6.3	-7.8	-9.1	-10.9	-12.0
7.8	-5.6	0.5	17.1	-5.1	3.7	1.6	9.2	-2.7	4.1	3.7
8.9	-5.1	1.3	20.6	-6.3	4.2	2.0	10.8	-2.9	5.1	3.9
10.3	-4.6	2.4	24.9	-7.8	4.6	2.4	12.4	-3.1	6.0	5.4
11.1	-4.3	3.5	27.9	-9.1	5.0	2.8	14.0	-3.3	6.9	7.0
12.2	-3.7	4.5	31.9	-10.9	5.4	3.2	15.7	-3.5	7.9	8.5
13.2	-3.5	5.6	35.2	-12.0	5.8	3.6	17.5	-3.7	8.9	10.2
14.2	-3.0	6.9	39.2	-13.9	6.2	4.1	19.2	-3.9	10.0	11.9
15.2	-2.7	7.7	42.5	-15.0	6.6	4.4	20.8	-4.1	11.0	13.2

Source: Russell Investments as at 31/03/2024 (% change, GBP). Performance figures for the Russell Investments Model Portfolios are calculated using the performance of the underlying FP Russell Investments ICVC funds (C class shares) during the same period. The performance of the Model Portfolios is calculated using the current portfolio weightings of each fund as shown in the brochure “Helping you achieve outcomes that matter” dated June 2017. The since launch date (31/01/2010) is the date that we launched the Russell Investments Model Portfolios. 3, 5 and 10 year figures are cumulative, since inception annualised. All performance quoted net of C share class fees. Performance figures are calculated assuming a quarterly rebalance. Any past performance figures are not necessarily a guide to future performance.

Model Portfolio Performance

Performance data as at 31 March 2024

This table shows the performance of some common asset classes for different periods.

Common indices	Cumulative Performance (%) 1 Month	3 Months	1 Year	3 Years	5 Years	10 Years	PA (%) Since launch*
Cash Bank of England Base	0.4	1.3	5.0	7.6	8.5	11.1	0.9
UK Gilts ICE BofA UK Gilts All Stocks	1.7	-1.7	-0.1	-20.7	-17.6	7.7	2.1
Global Credit Bloomberg Global Agg Credit GBP Hedged	1.2	0.0	4.9	-7.0	1.9	19.8	2.9
UK equities FTSE All Share	4.8	3.6	8.4	26.1	30.3	75.3	7.3
Global equities MSCI ACWI GBP Hedged	3.4	10.2	25.8	30.6	73.3	151.0	10.4
Emerging Markets MSCI Emerging Markets Index Net	2.6	3.3	5.9	-6.5	15.1	76.4	5.0
Property FTSE EPRA/NAREIT Global Developed	3.6	-0.4	5.1	5.6	2.1	78.2	7.6

Discrete Performance (%) 31/03/24-31/03/23	31/03/23-31/03/22	31/03/22-31/03/21	31/03/21-31/03/20	31/03/20-31/03/19	31/03/19-31/03/18	31/03/18-31/03/17	31/03/17-31/03/16	31/03/16-31/03/15	31/03/15-31/03/14	31/03/14-31/03/13
5.0	2.3	0.2	0.1	0.7	0.7	0.4	0.3	0.5	0.5	0.5
-0.1	-16.3	-5.1	-5.6	10.0	3.7	0.5	6.6	3.3	13.9	-2.5
4.9	-6.6	-5.1	7.4	2.0	3.3	1.6	3.0	1.2	7.5	2.0
8.4	2.9	13.0	26.7	-18.5	6.4	1.2	22.0	-3.9	6.6	8.8
25.8	-6.9	11.5	49.4	-11.2	5.4	8.8	16.6	-5.0	14.0	18.5
5.9	-4.9	-7.1	42.3	-13.5	-0.3	11.4	34.7	-9.1	12.8	-10.2
5.1	-16.3	20.0	21.0	-20.1	21.9	-8.0	16.0	3.7	29.3	-7.6

Source: Russell Investments as at 31/03/2024 (% change, GBP). Performance figures for the Russell Investments Model Portfolios are calculated using the performance of the underlying FP Russell Investments ICVC funds (C class shares) during the same period. The performance of the Model Portfolios is calculated using the current portfolio weightings of each fund as shown in the brochure "Helping you achieve outcomes that matter" dated June 2017. The since launch date (31/01/2010) is the date that we launched the Russell Investments Model Portfolios. 3, 5 and 10 year figures are cumulative, since inception annualised. All performance quoted net of C share class fees. Performance figures are calculated assuming a quarterly rebalance. Any past performance figures are not necessarily a guide to future performance.

FOR MORE INFORMATION:

Call Russell Investments at +44(0)207 024 6601 or email ukadviser.support@russellinvestments.com

IMPORTANT INFORMATION:

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Any data on past performance, modeling or back-testing contained herein is no indication as to future performance. No representation is made as to the reasonableness of the assumptions made within or the accuracy or completeness of any modeling or back-testing.

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