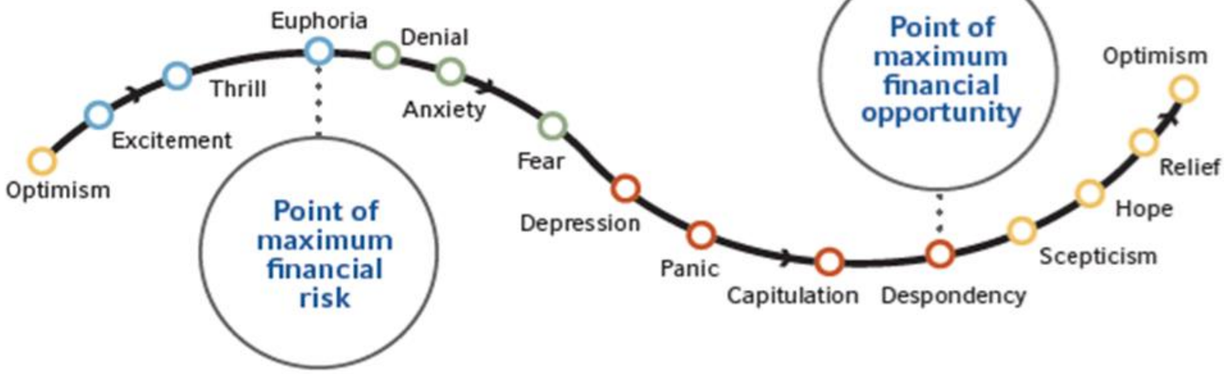
RUSSELL INVESTMENTS

Investment Update

"Classic Plus" Aggressive Portfolio
December 2024

Contents

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 – December 2024

- Equity and fixed income markets fell over the quarter. Within equities, all markets recorded losses except the US where equities were propelled by Donald Trump's decisive victory in the US presidential election. Europe was the laggard, impacted by a weak economic outlook and political uncertainty in Germany and France. Asia ex Japan and emerging markets (EM) also underperformed. In fixed income, long yields rose on central bank caution over further rate cuts. The Federal Reserve (Fed) and the European Central Bank (ECB) both lowered rates by 25 basis points (bps) twice, while the Bank of Canada made two 50-bps cuts. The Bank of England (BoE) cut rates by 25 bps in November but left them unchanged in December.
- US equities outperformed other markets, soaring on the US election result. Positive sentiment was fuelled by optimism that President-elect Trump's policies, including tax cuts and tariffs, would be business-friendly. Notably, Tesla, led by Trump's biggest backer Elon Musk, saw its shares rise +50.0% over the quarter. The Fed's 25-bps rate cut two days after the election propelled stocks higher still. The yield on 10-year Treasuries climbed to a five-month high, near 4.50%, following the election outcome as market expectations adjusted to the view that a Trump presidency will result in greater inflationary pressure and a pullback in interest rate cuts. The Fed delivered a 25-bps rate cut in December, as expected. However, its adjusted outlook with only two rate cuts projected in 2025, compared to the four expected in September, sent yields higher. In the economy, inflation ticked up in November to 2.7% from 2.6%. Revised data showed the economy experienced the strongest growth year-to-date in the third quarter (see chart). Over the quarter the 10-year benchmark US Treasury yield rose 79 bps to 4.57%.
- UK equities underperformed global equities but outperformed Europe, Asia ex Japan, and EM. Gilt yields fell on inflation data, which dropped to a three-year low in September. Later, yields approached a 16-week high ahead of the budget on the Chancellor's plans to change fiscal rules with the aim of raising borrowing. Markets anticipated higher gilt issuance, potentially pressuring the market. Gilt yields surged to 4.56% once investors had digested the scale of the budget. After lowering rates as expected, the BoE signalled a further cut this year is unlikely. The BoE's caution on rate cuts appeared justified by fresh data that showed headline inflation rose to a six-month high of 2.3% YoY in October and increased further in November to 2.6% (see chart). Over the quarter the 10-year gilt yield rose 57 bps to 4.57%. European equities (ex UK) lagged other markets, impacted by the sluggish economy, political uncertainty, and concerns over the potential impact of US tariffs on exports. The yield on the 10-year German bund rose 25 bps to 2.37% over the period.
- Japan equities lagged North America but outperformed other markets. Shares followed other markets lower in October before recovering in November. Later, shares fell back on disappointing economic data including higher than expected inflation. Headline inflation rose to 2.9% in November, a three-month high, up from October's 2.3%. Emerging markets (EM) underperformed most markets impacted by rising trade tensions with the US and a strengthening dollar. Taiwan's equity market benefitted from the dominance of technology names, notably TSMC. Chinese stocks retreated as investors were underwhelmed by the government's stimulus efforts to boost growth.
- Source: Confluence, Bloomberg. All data as at 31st December, 2024. All returns are in GBP terms.

Market Outlook

Strategist's Outlook

- Within equities, we are focused on US small caps, where post-election dynamics, improving earnings, and attractive valuations may create compelling opportunities. We also see growth managers targeting high-growth cyclicals like software, while value managers identify M&A (mergers and acquisitions) potential in financials and healthcare. Core managers are balancing cyclical exposure and managing risks in rate-sensitive sectors. In addition, we expect increased market volatility from U.S. foreign policy actions to create opportunities for active managers to find quality companies temporarily impacted by headline risks.
- We see a steepening yield curve offering opportunities in short-term bonds, as short-term rates are expected to decline faster than long-term yields. Credit markets may have limited upside due to tight spreads, particularly in US high yield and investment-grade bonds. This creates an opportunity to expand fixed income exposure into areas with more attractive risk/return trade-offs, such as emerging-market US dollar bonds and private credit.
- We see attractive investment opportunities in real estate and infrastructure, particularly in areas benefitting from stabilising long-term interest rates and favourable relative valuations compared to other growth assets. AI applications in real estate, such as data centres and healthcare facilities, are emerging as key growth areas. Additionally, infrastructure investments are gaining momentum from energy utilities and pipeline exposures, especially with the U.S. administration's focus on expanding LNG (liquified natural gas) production.
- The US dollar is expected to face upward pressure from tariffs, the strength of the U.S. economy, and a less dovish Fed compared to other central banks. However, its valuation remains high, and emerging-market currencies have already been under pressure. Given this, we are keeping currency bets in portfolios limited for 2025, while staying alert to any opportunities and risks that may arise throughout the year.

Aggressive Portfolio

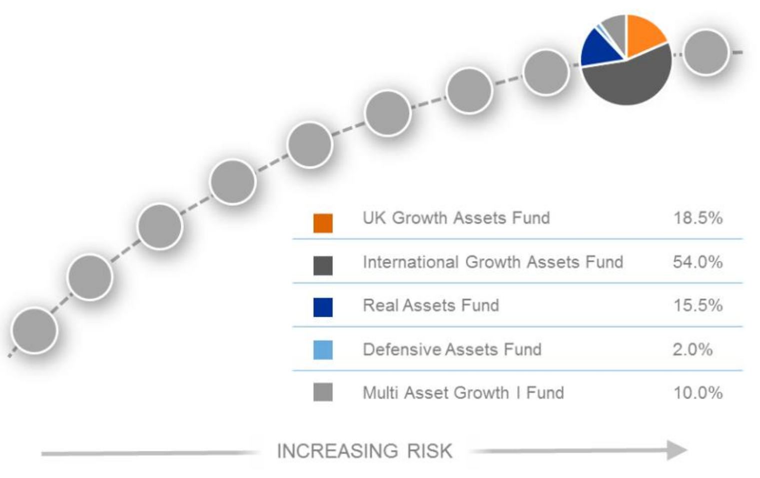
Russell Investments Client Portfolio Manager

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.

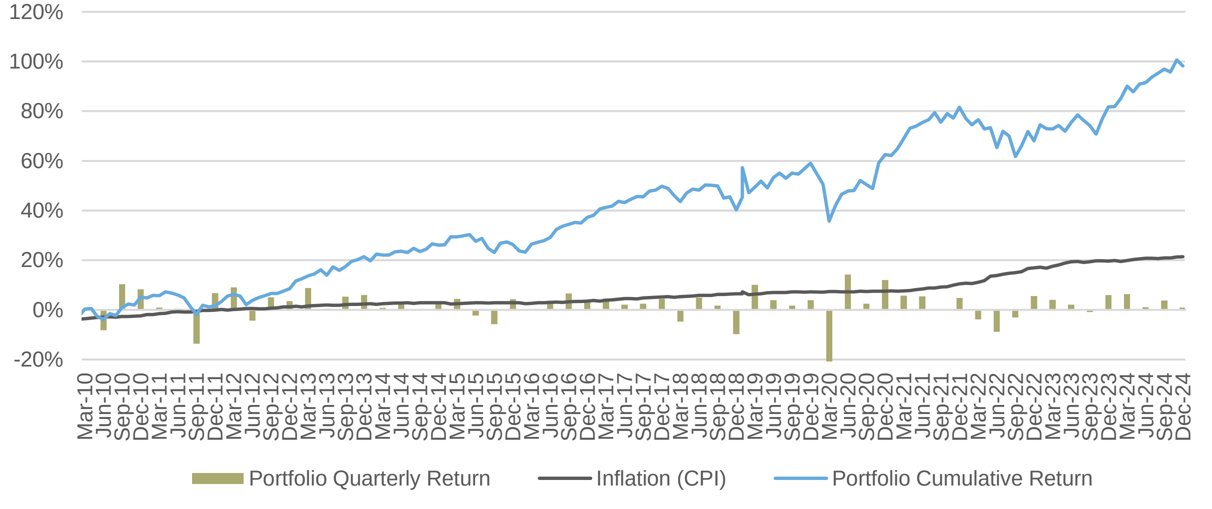
This careful blending emphasises return potential whilst attempting to manage risk and may help provide more consistent returns over the long term. This diversification means that your investment is working for you no matter what investment approach or style is in favour at any given time.

Designed to achieve greater returns by investing more heavily in growth-orientated assets and strategies, the portfolio is invested predominantly in global equities which comprise 73.5% of the total portfolio. Strategies seeking to keep pace with inflation also feature significantly. These types of strategies involve investing in assets that have a demonstrable link to inflation; commodities, property and infrastructure are all represented here and can help to defend the portfolio against inflationary pressures. 9.5% of the portfolio is allocated to defensive strategies and assets in order to lower overall portfolio volatility and provide a 'cushion' effect in the event of a falling market. This portfolio is better suited to investors with greater appetites for risk and longer investment time horizons.

The Aggressive Portfolio within our Model Portfolio Range



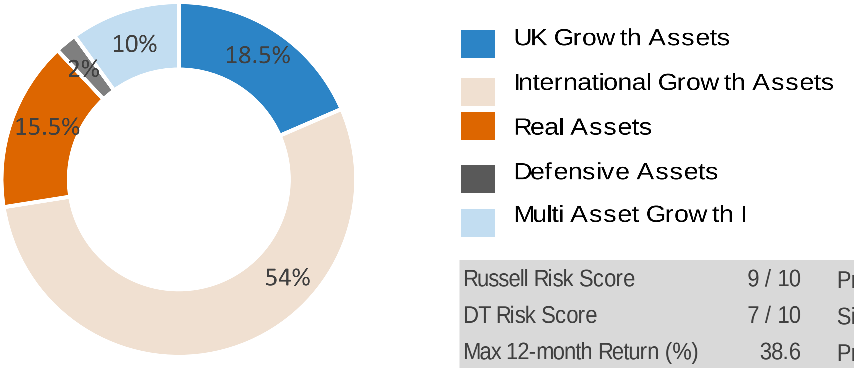
Inception to Date Cumulative Return



Source: Russell Investments, net returns in GBP from 01/02/2010 to 31/12/2024. Any past performance figures is not a guide to future performance.

Capacity for Loss

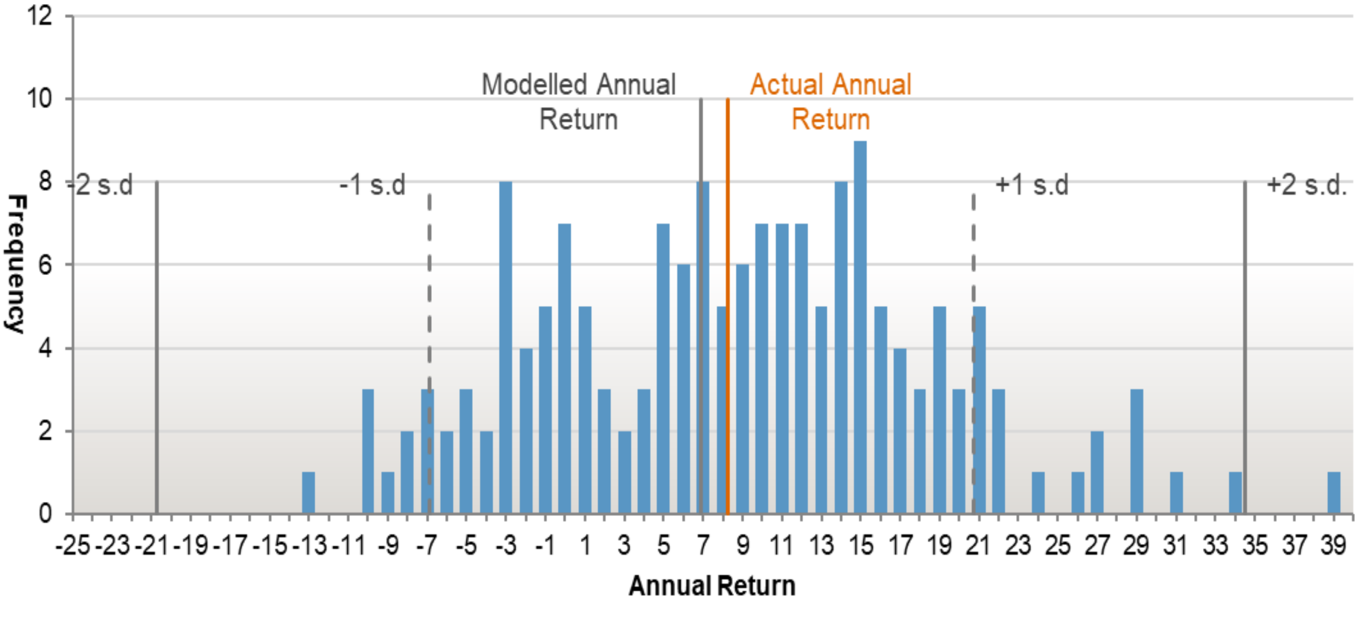
Aggressive Model Portfolio



Russell Risk Score	9 / 10	Projected Annual Return (%)	6.9
DT Risk Score	7 / 10	Since Inception Annual Return (%)	8.1
Max 12-month Return (%)	38.6	Projected Annual Volatility (%)	13.8
Min 12-month Return (%)	-13.7	Since Inception Annual Volatility (%)	10.9

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 31/12/2024. Any past performance figures is not a guide to future performance.

Model Portfolio Performance

Performance data as at 31 December 2024

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

Portfolio Name	Cumulative Performance (%)						PA (%)
	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years	Since launch*
Secure	-0.8	-0.6	3.7	-3.4	2.7	16.4	1.9
Cautious	-0.9	-0.4	4.7	-1.6	6.4	24.1	2.7
Conservative	-1.1	-0.2	5.8	0.5	10.7	33.3	3.5
Moderate	-1.2	0.0	6.9	2.5	14.9	42.6	4.3
Balanced	-1.3	0.1	7.9	4.3	18.6	51.4	5.0
Progressive	-1.4	0.3	9.0	6.2	22.6	61.3	5.7
Adventurous	-1.5	0.5	10.1	8.3	26.8	72.0	6.5
Growth	-1.5	0.7	11.3	10.4	31.3	84.3	7.3
Aggressive	-1.6	1.0	12.5	12.6	35.8	97.1	8.1
Aggressive Plus	-1.7	1.0	13.5	14.5	39.7	108.1	8.7

Discrete Performance (%)										
31/12/24-31/12/23	31/12/23-31/12/22	31/12/22-31/12/21	31/12/21-31/12/20	31/12/20-31/12/19	31/12/19-31/12/18	31/12/18-31/12/17	31/12/17-31/12/16	31/12/16-31/12/15	31/12/15-31/12/14	31/12/14-31/12/13
3.7	7.0	-13.0	1.4	4.8	8.9	-3.0	3.4	5.6	-1.6	1.7
4.7	7.5	-12.5	3.3	4.6	10.2	-3.8	4.6	6.6	-1.4	2.2
5.8	8.0	-12.0	5.5	4.4	11.7	-4.6	5.9	7.9	-1.1	2.8
6.9	8.5	-11.6	7.6	4.1	13.2	-5.4	7.2	9.0	-0.9	3.4
7.9	9.0	-11.3	9.3	4.0	14.6	-5.9	8.4	10.0	-0.6	4.0
9.0	9.5	-11.0	11.2	3.8	16.0	-6.5	9.8	11.0	-0.4	4.5
10.1	10.1	-10.7	13.1	3.6	17.5	-7.1	11.1	12.0	-0.2	5.0
11.3	10.8	-10.5	15.0	3.4	19.2	-7.6	12.7	13.1	0.0	5.6
12.5	11.5	-10.3	17.0	3.1	20.9	-8.2	14.2	14.2	0.2	6.3
13.5	11.9	-9.8	19.0	2.5	22.3	-8.7	15.4	15.2	0.3	6.9

Source: Russell Investments as at 31/12/2024 (% 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 December 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	1.2	5.1	11.6	12.0	14.9	1.1
UK Gilts ICE BofA UK Gilts All Stocks	-2.2	-3.1	-3.4	-23.7	-21.7	-5.0	1.8
Global Credit Bloomberg Global Agg Credit GBP Hedged	-1.2	-1.6	3.1	-6.0	-0.7	17.5	3.0
UK equities FTSE All Share	-1.2	-0.4	9.5	18.5	26.5	81.9	7.3
Global equities MSCI ACWI GBP Hedged	-1.9	2.1	21.4	23.2	70.5	154.0	10.6
Emerging Markets MSCI Emerging Markets Index Net	1.3	-1.5	9.4	2.0	15.1	77.9	5.2
Property FTSE EPRA/NAREIT Global Developed	-5.7	-3.3	2.7	-10.3	0.6	55.2	7.4

Discrete Performance (%) 31/12/24-31/12/23	31/12/23-31/12/22	31/12/22-31/12/21	31/12/21-31/12/20	31/12/20-31/12/19	31/12/19-31/12/18	31/12/18-31/12/17	31/12/17-31/12/16	31/12/16-31/12/15	31/12/15-31/12/14	31/12/14-31/12/13
5.1	4.7	1.5	0.1	0.2	0.7	0.6	0.3	0.4	0.5	0.5
-3.4	3.7	-23.8	-5.2	8.3	7.0	0.5	1.8	10.2	0.6	13.8
3.1	7.6	-15.3	-1.1	6.8	10.0	-2.1	4.2	5.3	0.2	7.8
9.5	7.9	0.3	18.3	-9.8	19.2	-9.5	13.1	16.8	1.0	1.2
21.4	22.5	-17.1	23.9	11.7	25.5	-8.4	17.6	8.2	1.8	10.0
9.4	3.6	-10.0	-1.6	14.7	13.8	-9.3	25.4	32.6	-10.0	3.9
2.7	3.5	-15.7	27.3	-11.8	17.2	0.2	0.8	24.1	5.0	22.2

Source: Russell Investments as at 31/12/2024 (% 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.

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