RUSSELL INVESTMENTS

Investment Update

"Classic Plus" Balanced Portfolio
January 2024

Contents

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.

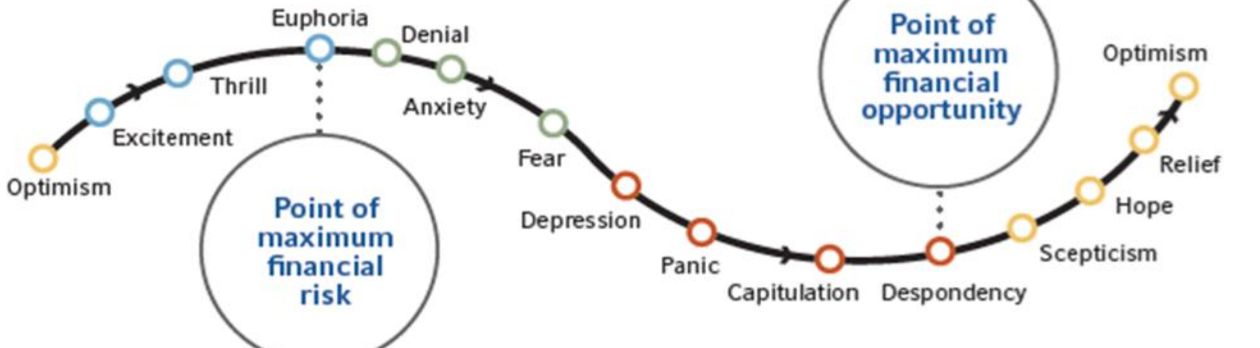
Capacity for loss guide

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 – January 2024

- Global equity markets were positive while fixed income markets started the year on a weak note. The US dollar made broad gains against other major currencies, while oil prices climbed on supply concerns triggered by escalating tension in the Middle East. Strong demand for gold, notably from China, kept prices for the precious metal above US$2,000 per troy ounce after reaching record highs in December. The Federal Reserve (Fed), European Central Bank (ECB) and the Bank of England (BoE) left interest rates unchanged at their rate-setting meetings, as expected.
- US equities outperformed most other markets except Japan. Positive sentiment over the economy and dovish comments from the Fed drove indices higher with the S&P 500 Index reaching a record high. In addition, early signs from the earnings season indicated that companies have coped with higher interest rates well. Although the Fed signalled interest rate cuts ahead, Chair Jerome Powell stressed they won't come as early as March, which sent stock prices sharply lower. The benchmark 10-year US Treasury yield rose three basis points (bps) to 3.91%.
- In contrast, UK equities weakened over the month, underperforming global equities and other western markets amid concerns over stubborn inflation and fears of recession. However, GDP grew 0.3% in November, better than forecast. Stocks fell mid-month following news that headline inflation rose unexpectedly in December. UK gilts struggled in this market environment; the benchmark 10-year gilt yield rose 25 bps to 3.79%. European equities were subdued, but did better than Asia Pacific, emerging markets and the UK. Rising inflation in December spooked markets early in the month, denting optimism over potential rate cuts. In this market environment, the German 10-year bund yield also rose, increasing by 15 bps to 2.17%. On the other hand, Japanese equities outperformed all other markets, with the TOPIX reaching the highest level in 34 years, boosted by the weaker yen, which supported exports and robust corporate earnings.
- Emerging markets continued to underperform developed markets this month, with China being one of the biggest laggards alongside Asia ex Japan. China investors remained unconvinced that government measures would reinvigorate the economy and restore the ailing property sector. The latter hit the headlines again when a Hong Kong court ordered the country's largest property developer Evergrande to be liquidated.

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

Market Outlook

Strategist's Outlook

- **Equities** offer limited upside as valuation multiples are expensive given elevated recession risks. The Quality factor is a preferred exposure within the equity market. It trades at a reasonable relative valuation to the market and the style's emphasis on profitable companies with strong balance sheets can offer useful defense if the economy slows and interest rates decline.
- Our portfolio strategies are **neutral across major equity regions. Non-US developed equities** trade at a steep discount to US equities but lack cycle support, particularly in Europe, where economies are flirting with recession and earnings trends have been weaker in recent quarters.
- Chinese equities have sharply underperformed the S&P 500 Index in 2023, lagging by almost 30 percentage points. Given the structural challenges facing China's economy, we need evidence that the market is extremely oversold before overweighting the region. Our sentiment indicators show pessimism – but not a panic extreme – leaving us neutral on China and broader **Emerging Markets.**
- **Government bonds** offer attractive value as yields trade well in excess of expected inflation. If developed market economies slip into recession, we expect central banks to cut interest rates more aggressively than currently priced into forward curves. **US Treasuries** are a preferred overweight exposure. Our fixed income strategy team sees particularly good value in the five-year segment of the yield curve and potential for the curve to re-steepen if more aggressive rate cuts are delivered in 2024 and 2025. Our favourable outlook for government bonds extends across most major sovereigns, 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.
- **High yield** and **investment grade** spreads are uncomfortably tight into an environment of elevated economic uncertainty, leading us to dampen our normal strategic overweight to corporate credit.
- **Real Estate Investment Trusts (REITs)** and **Global Listed Infrastructure** look attractively valued relative to global equities. Our business cycle outlook is more positive for REITs than infrastructure, as REITs are more interest-rate sensitive and could benefit from lower yields in the year ahead. Oil is likely to be volatile in 2024 given the potential for further supply cuts from OPEC+, geopolitical risk in the Middle East and slowing global demand. Industrial metals should benefit from increased construction, infrastructure, and capital expenditure in China.
- The **US dollar** is expensive on a purchasing-power-parity basis, which suggests potential for the greenback to depreciate 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. These two-sided risks warrant a neutral stance.

Balanced Portfolio

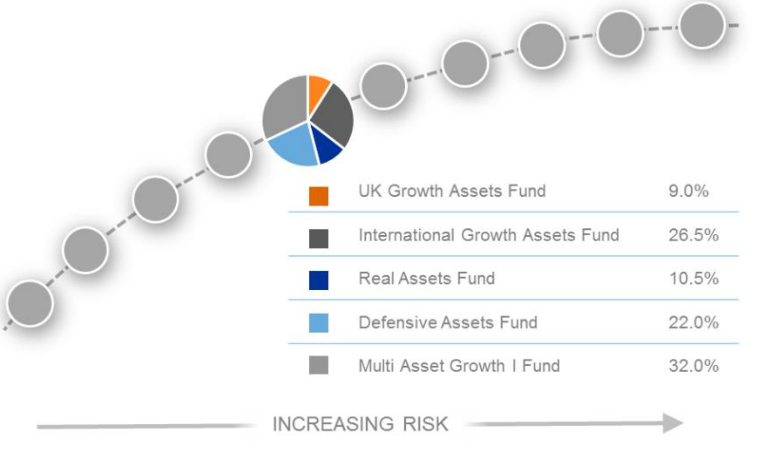
Russell Investments Client Portfolio Manager

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.

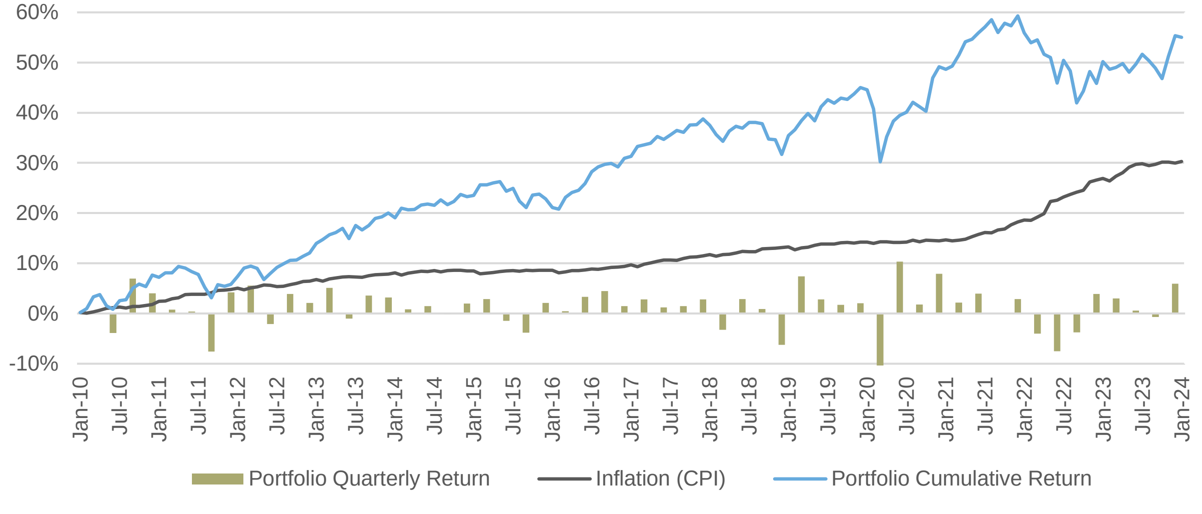
This careful blending emphasises return potential whilst attempting to manage risk and may help provide more consistent returns over the long term. This diversification means that your investment is working for you no matter what investment approach or style is in favour at any given time.

Russell Investments Balanced Portfolio aims to provide a balance between capital preservation and opportunities for growth by splitting allocation between defensive and more growth-orientated strategies. The greatest of these more aggressive allocations is to UK and global equities (41%), followed by investments in assets that traditionally exhibit a link to inflation. These include commodities, property and infrastructure; all of which can help to defend against inflationary pressures on a portfolio.

The Balanced Portfolio within our Model Portfolio Range



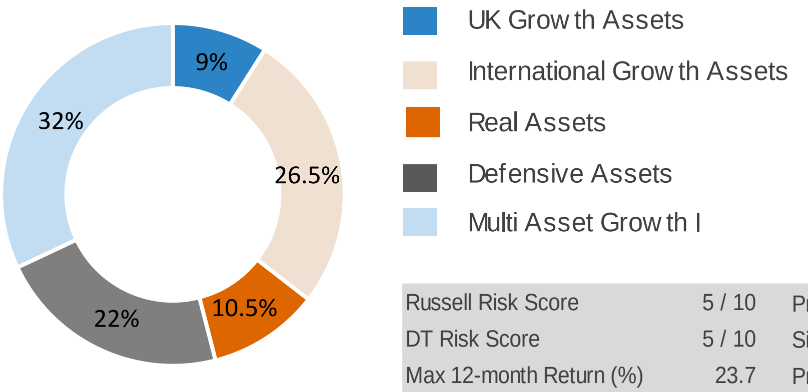
Inception to Date Cumulative Return



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

Capacity for Loss

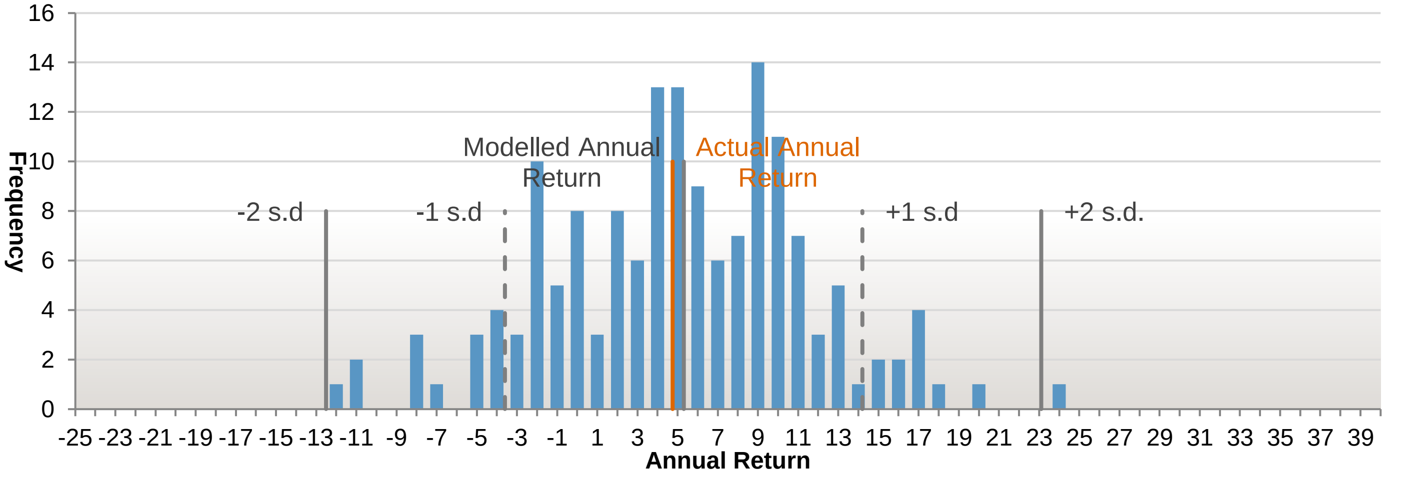
Balanced Model Portfolio



Russell Risk Score	5 / 10	Projected Annual Return (%)	5.3
DT Risk Score	5 / 10	Since Inception Annual Return (%)	4.8
Max 12-month Return (%)	23.7	Projected Annual Volatility (%)	8.9
Min 12-month Return (%)	-12.2	Since Inception Annual Volatility (%)	7.4

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 31/01/2024. Any past performance figures is not a guide to future performance.

Model Portfolio Performance

Performance data as at 31 January 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	-0.3	6.6	3.8	-5.3	5.0	13.7	1.8
Cautious	-0.3	6.9	3.9	-2.6	8.6	21.0	2.5
Conservative	-0.3	7.2	4.0	0.4	12.8	29.8	3.3
Moderate	-0.3	7.4	4.2	3.4	16.9	38.7	4.1
Balanced	-0.3	7.7	4.4	5.9	20.6	47.2	4.8
Progressive	-0.2	8.1	4.7	8.7	24.7	56.7	5.5
Adventurous	-0.1	8.4	5.1	11.5	28.9	66.9	6.2
Growth	0.0	8.8	5.5	14.6	33.6	78.7	7.0
Aggressive	0.1	9.2	5.9	17.6	38.2	91.1	7.7
Aggressive Plus	0.1	9.5	6.0	20.6	42.0	101.8	8.3

Discrete Performance (%) 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	31/12/13-31/12/12
7.0	-13.0	1.4	4.8	8.9	-3.0	3.4	5.6	-1.6	1.7	0.1
7.5	-12.5	3.3	4.6	10.2	-3.8	4.6	6.6	-1.4	2.2	2.3
8.0	-12.0	5.5	4.4	11.7	-4.6	5.9	7.9	-1.1	2.8	4.9
8.5	-11.6	7.6	4.1	13.2	-5.4	7.2	9.0	-0.9	3.4	7.5
9.0	-11.3	9.3	4.0	14.6	-5.9	8.4	10.0	-0.6	4.0	10.0
9.5	-11.0	11.2	3.8	16.0	-6.5	9.8	11.0	-0.4	4.5	12.6
10.1	-10.7	13.1	3.6	17.5	-7.1	11.1	12.0	-0.2	5.0	15.2
10.8	-10.5	15.0	3.4	19.2	-7.6	12.7	13.1	0.0	5.6	18.1
11.5	-10.3	17.0	3.1	20.9	-8.2	14.2	14.2	0.2	6.3	20.8
11.9	-9.8	19.0	2.5	22.3	-8.7	15.4	15.2	0.3	6.9	23.2

Source: Russell Investments as at 31/01/2024 (% 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 January 2024

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

	Cumulative Performance (%)						PA (%)
Common indices	1 Month	3 Months	1 Year	3 Years	5 Years	10 Years	Since launch*
Cash Bank of England Base	0.4	1.3	4.8	6.8	7.7	10.3	0.8
UK Gilts ICE BofA UK Gilts All Stocks	-2.2	6.1	-1.2	-25.5	-16.1	7.3	2.1
Global Credit Bloomberg Global Agg Credit GBP Hedged	-0.1	7.9	4.3	-9.4	4.1	20.9	2.9
UK equities FTSE All Share	-1.3	6.2	1.9	27.5	30.4	71.2	7.0
Global equities MSCI ACWI GBP Hedged	1.8	14.6	17.2	29.0	67.8	142.1	9.9
Emerging Markets MSCI Emerging Markets Index Net	-4.5	2.0	-6.2	-14.7	8.5	71.1	4.5
Property FTSE EPRA/NAREIT Global Developed	-3.9	10.7	-6.6	8.1	2.7	76.5	7.4

Discrete Performance (%)										
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	31/12/13-31/12/12
4.7	1.5	0.1	0.2	0.7	0.6	0.3	0.4	0.5	0.5	0.5
3.7	-23.8	-5.2	8.3	7.0	0.5	1.8	10.2	0.6	13.8	-4.0
7.6	-15.3	-1.1	6.8	10.0	-2.1	4.2	5.3	0.2	7.8	-0.3
7.9	0.3	18.3	-9.8	19.2	-9.5	13.1	16.8	1.0	1.2	20.8
22.5	-17.1	23.9	11.7	25.5	-8.4	17.6	8.2	1.8	10.0	29.1
3.6	-10.0	-1.6	14.7	13.8	-9.3	25.4	32.6	-10.0	3.9	-4.4
3.5	-15.7	27.3	-11.8	17.2	0.2	0.8	24.1	5.0	22.2	1.7

Source: Russell Investments as at 31/01/2024 (% 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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