RUSSELL INVESTMENTS

Investment Update

“Classic Plus” Moderate Portfolio
October 2023

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.

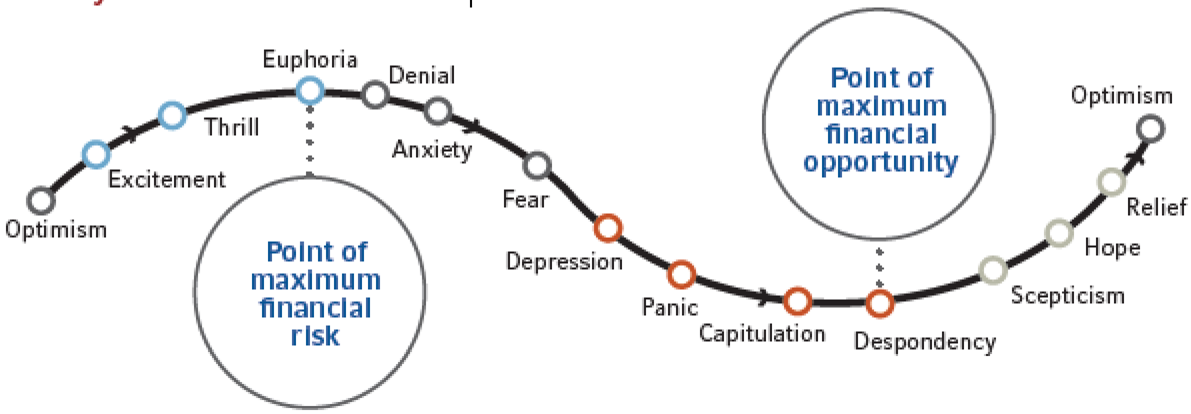
Capacity for loss guide

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		ANXIETY DENIAL FEAR		DEPRESSION PANIC CAPITULATION		DESPONDENCY DESPERATION HOPE 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	225%	MAR 2009-DEC 2014 · Global stock market recovery · Deleveraging, slow economic growth
Market Cycle 5	85%	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	-29%	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	63%	MAR 2020-DEC 2021 · Global economic recovery begins · Supportive central bank policies
Market Cycle 6	35%	NOV 2020 – 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	-18%	DEC 2021 – MAY 2022 · Russian invasion of Ukraine sparks geopolitical fears, energy price shocks · Fears that spiking inflation will not be transitory · Bank of England and U.S. Fed commence rate hikes · Global stock markets start to fall	-7%	JUN 2022 – OCT 2022 · Investors panic and stock markets decline on fears that central banks will need to act aggressively to contain inflation · Bond yields rise sharply · Short lived Liz Truss government forces the Bank of England into emergency operations to stem gilt yield increases · UK bond markets sell-off in response to government policies for unfunded tax cuts that markets believe will be inflationary	18%	NOV 2022 – FEB 2023 · Stock market recovery on hopes that inflation is declining and central banks are close to pausing rate hikes · China re-opening and stimulus hopes as "zero-tolerance" COVID lockdowns are eased

For illustrative purposes only. Latest month end data as at 31 January 2023.

Source: Russell Investments. Market cycle returns calculated using Ibbotson U.S. Equity Total Return Index from 1971–1978 and Russell 3000® Index from 1979–2023. 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 – October 2023

- Global equities and fixed income markets continued to struggle in October. Signs of resilience in the US economy amplified investor concerns about a prolonged period of high interest rates. Geopolitical concerns also weighed with the outbreak of war in the Middle East triggering a flight to safe-haven assets. All markets suffered losses although the US outperformed. The US dollar strengthened against most currencies, particularly versus the Japanese yen and commodity-sensitive currencies. Oil prices fell on concerns about the global economic outlook while gold strengthened, boosted by safe-haven demand. The European Central Bank (ECB) left interest rates unchanged amid signs of a weakening eurozone economy.
- Within the US, non-farm payrolls, a key metric for the Federal Reserve, climbed to 336,000 in September, well above August's 227,000 and expectations of 170,000. Highlighting the continuing resilience of the US economy despite interest rates reaching a 22-year high, this strengthened expectations that interest rates would remain at elevated levels for some time. The benchmark 10-year US Treasury yield rose 36 basis points (bps) to 4.93%.
- UK equities underperformed other markets. Inflation remained stubbornly higher than elsewhere, rising by 0.5% MoM in September, following a 0.3% rise in August; YoY inflation was unchanged at 6.7%. Meanwhile, the impact of persistent inflation and higher interest rates was highlighted in weaker consumer spending with retail sales volumes falling 0.9% MoM in September, far worse than the 0.4% increase in August and the -0.4% market forecast. Wage growth slowed marginally in the three months to August but remained near record highs. The benchmark 10-year gilt yield rose only seven bps at 4.51%. European equities underperformed as concerns about the prospect of a recession in the region weighed on sentiment. Reflecting the weakness in the economy, flash PMI figures for October declined with the eurozone manufacturing PMI falling to 43.0 from 43.4, the services down to 47.8 from 48.7 and the composite lower at 46.5 from 47.2 in September. The central bank left its benchmark deposit interest rate unchanged at 4.0%, a decision expected by analysts. The German 10-year bund yield fell three bps to 2.81%.
- Elsewhere, emerging markets underperformed developed markets this period.

Source: Confluence, Bloomberg. All data as at 31st October 2023. All returns are in GBP terms.

Market Outlook

Strategist's Outlook

- Equities have limited upside with recession risk on the horizon. Although **non-US developed equities** are cheaper than US equities, we have a neutral preference until the Fed become less hawkish and the US dollar weakens significantly.
- Within equities, we prefer the **quality factor**, which tracks stocks that have low debt and stable earnings growth. These stocks **typically show good relative performance during periods of economic slowdown**. Quality stocks are relatively cheap compared to the rest of the market.
- **Emerging market equities** have underperformed developed markets so far this year. Concerns about China's economy have been a headwind and these worries seem unlikely to lift over the near-term. For now, a neutral stance is warranted. Emerging markets usually deliver stronger returns when the US dollar is declining. This may be delayed until 2024 when investors start anticipating the Fed will lower interest rates and the dollar declines in response.
- **High yield** has rallied on soft landing expectations and the spread to Treasuries is below the long-term average. **Investment grade credit** spreads are closer to their long-term averages. The poor cycle outlook is a challenge with default rates likely to rise as US recession probabilities increase.
- **Government bond** valuations are attractive. US, UK and German bonds offer reasonable value. They have the potential to rally as investors become confident that central banks have finished tightening, inflation has peaked, and economies are slowing. It is likely the US yield curve can steepen in coming months. The spread between the 2-year and 10-year bond yields is close to an extreme. The yield curve tends to steepen after the Fed has completed raising interest rates and markets start looking toward monetary easing. Japan remains the exception, where the 10-year yield is around 70 basis points and still expensive.
- **Real assets**: **Real estate investment trusts** (REITs) and **infrastructure** have attractive valuations compared to global equities. While the office sector faces challenges, it is only a small portion of the overall REIT market. The end of Fed rate hikes should favour REITs over equities. Oil has benefited from the OPEC+ supply cuts to push toward $100 per barrel. The upside appears limited, however given the subdued Chinese economy. This should also weigh on agricultural prices and base metals. Recession risks for developed economies are a further headwind.
- The **USD** has strengthened over the past couple of months as investors speculate the economy could have a soft landing that would delay rate cuts. The dollar is expensive in real trade-weighted terms and will be under downside pressure if markets lose faith in a soft landing.

October 2023

Moderate Portfolio

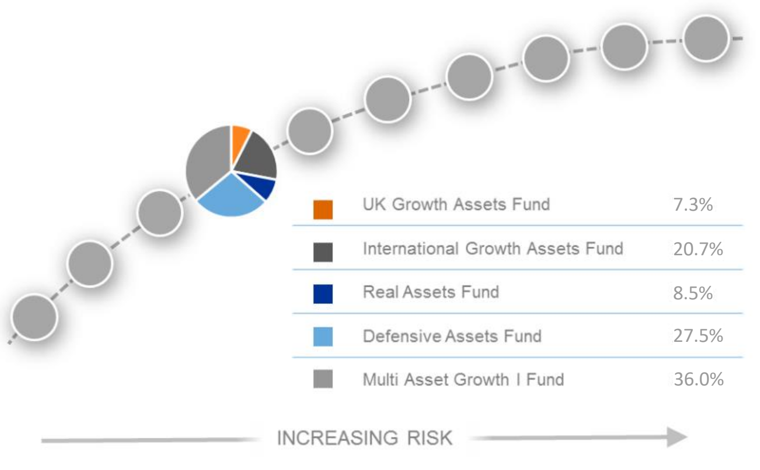
Russell Investments Client Portfolio Manager

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.

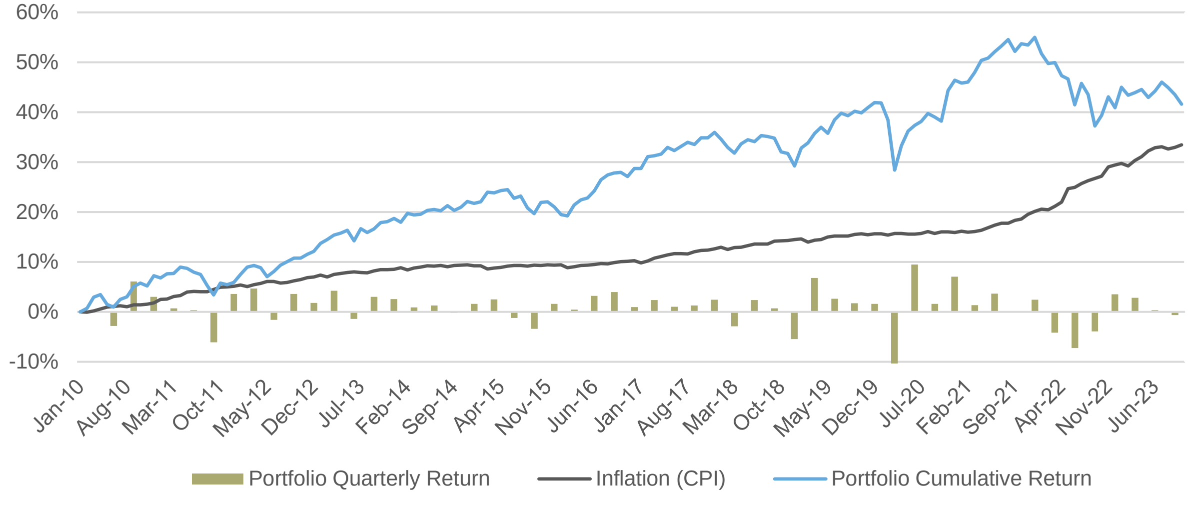
This careful blending emphasises return potential whilst attempting to manage risk and may help provide more consistent returns over the long term. This diversification means that your investment is working for you no matter what investment approach or style is in favour at any given time.

Russell Investments Moderate Portfolio aims to provide a balance between capital preservation and appreciation. By featuring a significant weight to defensive strategies, such as those designed to produce positive returns even in turbulent market conditions, as well as a significant allocation to growth-oriented assets than their most risk-averse portfolios. The greatest of these allocations is to UK and global equities (33%), 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 Moderate Portfolio within our Model Portfolio Range



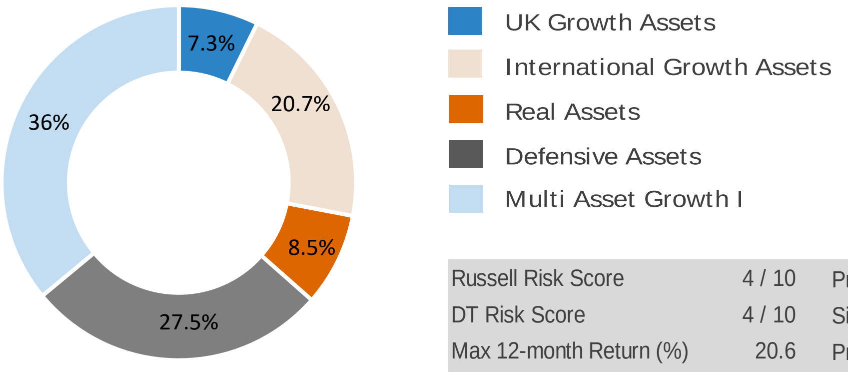
Inception to Date Cumulative Return



Source: Russell Investments, net returns in GBP from 01/02/2010 to 31/10/2023. Any past performance figures is not a guide to future performance.

Capacity for Loss

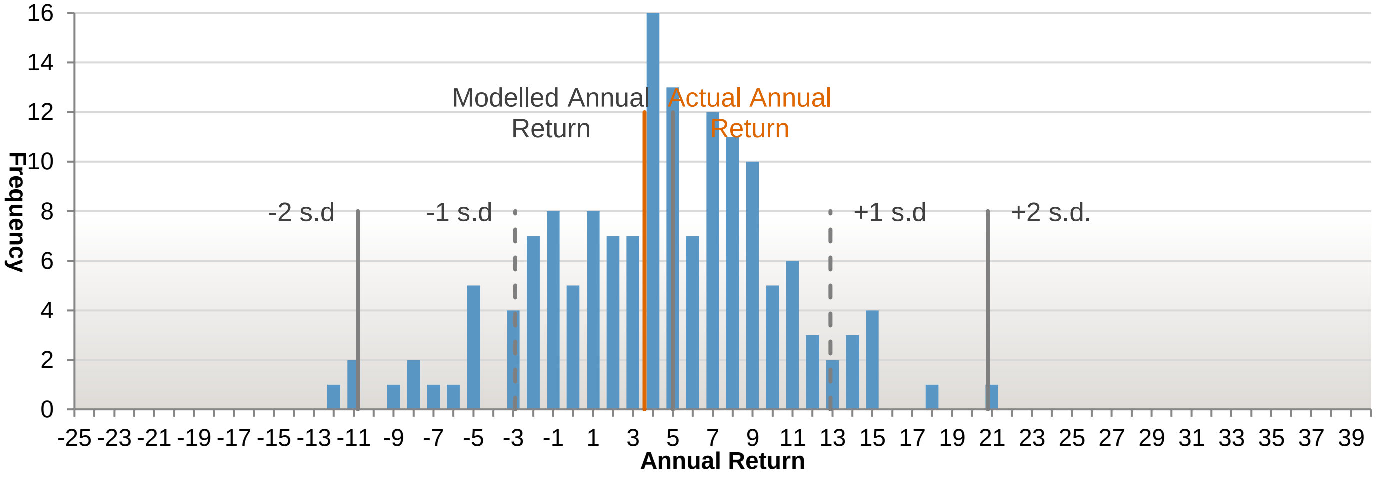
Moderate Model Portfolio



Russell Risk Score	4 / 10	Projected Annual Return (%)	5.0
DT Risk Score	4 / 10	Since Inception Annual Return (%)	3.6
Max 12-month Return (%)	20.6	Projected Annual Volatility (%)	7.9
Min 12-month Return (%)	-12.6	Since Inception Annual Volatility (%)	6.5

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 31/10/2023. Any past performance figures is not a guide to future performance.

Model Portfolio Performance

Performance data as at 31 October 2023

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	-1.0	-2.5	1.4	-8.1	-0.6	6.6	1.3
Cautious	-1.2	-3.0	1.6	-4.6	2.6	13.3	2.1
Conservative	-1.5	-3.5	1.8	-0.7	6.2	21.3	2.8
Moderate	-1.8	-3.9	2.1	3.2	9.7	29.3	3.6
Balanced	-1.9	-4.4	2.4	6.5	12.8	36.9	4.3
Progressive	-2.2	-4.8	2.7	10.2	16.1	45.3	5.0
Adventurous	-2.4	-5.2	3.1	14.0	19.5	54.3	5.7
Growth	-2.6	-5.6	3.6	18.0	23.3	64.7	6.4
Aggressive	-2.8	-6.1	4.1	22.1	27.0	75.5	7.2
Aggressive Plus	-3.0	-6.6	4.2	26.0	30.0	84.7	7.8

Discrete Performance (%)										
30/09/23-30/09/22	30/09/22-30/09/21	30/09/21-30/09/20	30/09/20-30/09/19	30/09/19-30/09/18	30/09/18-30/09/17	30/09/17-30/09/16	30/09/16-30/09/15	30/09/15-30/09/14	30/09/14-30/09/13	30/09/13-30/09/12
3.5	-14.4	4.4	1.3	5.5	0.8	1.8	5.9	-1.1	1.8	0.2
4.3	-13.8	6.9	0.6	5.5	1.3	3.0	7.1	-1.0	2.6	2.2
5.1	-13.1	9.7	-0.3	5.4	1.9	4.4	8.4	-1.0	3.5	4.4
6.0	-12.6	12.4	-1.1	5.3	2.5	5.7	9.7	-0.9	4.4	6.6
6.9	-12.2	14.7	-1.7	5.3	3.1	6.9	10.8	-0.9	5.3	8.8
7.8	-11.8	17.2	-2.4	5.2	3.8	8.3	11.9	-0.8	6.2	10.9
8.9	-11.5	19.7	-3.1	5.2	4.5	9.8	13.0	-0.8	7.0	13.2
10.0	-11.2	22.4	-3.7	5.1	5.4	11.4	14.2	-0.8	8.0	15.6
11.1	-10.9	25.0	-4.4	5.0	6.2	13.1	15.4	-0.7	9.0	17.9
11.8	-10.3	27.5	-5.4	5.0	6.8	14.3	16.5	-0.7	9.8	19.9

Source: Russell Investments as at 31/10/2023 (% 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 October 2023

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	4.3	5.4	6.6	9.0	0.8
UK Gilts ICE BofA UK Gilts All Stocks	-0.3	-1.8	-5.8	-30.2	-19.3	1.1	1.7
Global Credit Bloomberg Global Agg Credit GBP Hedged	-0.9	-3.2	2.7	-14.7	-1.3	13.2	2.4
UK equities FTSE All Share	-4.1	-4.8	5.9	39.4	21.1	58.0	6.7
Global equities MSCI ACWI GBP Hedged	-2.6	-7.9	8.9	29.1	45.6	113.1	9.0
Emerging Markets MSCI Emerging Markets Index Net	-3.3	-6.9	5.1	-4.8	14.0	49.0	4.4
Property FTSE EPRA/NAREIT Global Developed	-4.2	-8.4	-10.8	6.8	-2.2	50.1	6.7

Discrete Performance (%)										
30/09/23-30/09/22	30/09/22-30/09/21	30/09/21-30/09/20	30/09/20-30/09/19	30/09/19-30/09/18	30/09/18-30/09/17	30/09/17-30/09/16	30/09/16-30/09/15	30/09/15-30/09/14	30/09/14-30/09/13	30/09/13-30/09/12
4.1	0.8	0.1	0.4	0.7	0.5	0.2	0.5	0.5	0.5	0.5
-2.5	-23.3	-6.8	3.5	13.4	0.6	-3.6	12.6	8.3	5.6	-3.0
3.1	-17.4	1.2	4.6	9.6	-1.2	0.8	8.1	1.9	6.9	0.5
13.8	-4.0	27.9	-16.6	2.7	5.9	11.9	16.8	-2.3	6.1	18.9
19.6	-16.5	28.6	6.8	1.3	11.3	17.0	9.8	-0.8	15.3	22.5
2.2	-13.2	13.3	5.4	3.7	2.0	18.6	36.2	-13.6	4.2	0.7
-7.0	-6.7	24.3	-22.1	19.6	6.6	-2.6	33.9	9.9	5.8	9.9

Source: Russell Investments as at 31/10/2023 (% 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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