RUSSELL INVESTMENTS

Investment Update

Multi Asset Growth IV
February 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.

Fund fact sheet

This section describes the fund you are invested in, the makeup of the Fund in terms of multi-manager investments, and the performance of the portfolio over time.

Fund range performance

A look at cumulative returns across the five fund range allows you to see the relationship between increasing risk and the resultant returns in rising markets as well as more challenging times.

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 – February 2024

- Global equities rose in February while fixed income markets were subdued. The equity market rally which began in the final quarter of 2023 pushed benchmark indices in the US, Europe and Japan to record highs, boosted by strong fourth quarter earnings in the US and optimism over artificial intelligence (AI)-related technology. China's equity market partially rebounded following moves by the government to support the stock market, which buoyed emerging market performance. The US dollar strengthened against most currencies although it was flat versus the euro. Within fixed income, high yield outperformed investment grade assets, with risk-on sentiment driving the market. Oil prices rose amid continuing geopolitical concerns, predominantly the impact of the Middle East conflict. The Bank of England (BoE) followed other central banks, leaving interest rates unchanged.
- US equities outperformed most other markets, driven by solid fourth quarter results, Meta's first dividend announcement, and AI prospects. Nvidia's remarkable 265.0% increase in quarterly revenues fueled a broader rally. The S&P 500 hit an all-time high, albeit led by select stocks. In economic news, the US added more jobs than expected in January (see chart), which led investors to rein in expectations of interest rate cuts. Headline inflation eased to 3.1% YoY, while core inflation remained at 3.9% YoY. The drop rekindled speculation about rate cuts by the Federal Reserve. The benchmark 10-year US Treasury yield rose 34 basis points (bps) to 4.25%
- UK equities remained flat over the month, trailing other markets. Concerns persisted about sluggish growth and higher inflation. The economy entered a recession at the end of 2023, with GDP declining by 0.3% in the last quarter. Signs of an upturn emerged after a weak 2023, as services strengthened, and manufacturing PMIs were revised upward. Inflation held steady at 4.0% YoY in January, below the forecasted 4.1%. UK gilts struggled in this market environment; the benchmark 10-year gilt yield rose 33 bps to 4.12%. European equities underperformed most markets, except the UK, due to economic concerns and persistent inflation. Preliminary data showed the economy stagnated in Q4 2023, following a 0.1% contraction in the previous period. In this market environment, the German 10-year bund yield also rose, increasing by 24 bps to 2.41%. Japanese equities underperformed other markets this month except Europe and the UK.
- Emerging markets (EM) outperformed most markets, except the US and Asia ex Japan. China led the EM table, followed by South Korea and Peru. China's markets gained from government support for their struggling equity market and speculation of further measures. Meanwhile, in South Korea, weakening inflation and a recovery in semiconductor exports boosted market sentiment.

Source: Confluence, Bloomberg. All data as at 29th February 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.

Synaptic Risk Rating 4.2 1-5

DYNAMIC PLANNER PROFILED 6

RISK RATING 6 defaqto

Russell Investments

29 February 2024

Multi Asset Growth IV

The Fund aims to achieve capital appreciation over the long term. Capital invested in the Fund is at risk and there is no guarantee that that the investment objective will be met. The Fund may invest up to 90% of the scheme property in riskier assets providing potential for more aggressive growth, such as equities, indirect exposure to listed real estate, listed infrastructure and commodities. The Fund may use currency hedging techniques to reduce exposure to currencies other than Sterling. The fund utilises both active management and passive strategies in its implementation.

Portfolio Manager
Alain Zeitouni

Russell Investment's Multi-Asset Strategies Team comprises over 50 experienced professionals, including portfolio managers, researchers, portfolio analysts, and strategists in Russell Investments offices around the globe.
This team focuses on total client outcomes, including all major asset classes in their solutions.
They identify areas of the market offering attractive valuations and growth potential with a reasonable level of risk and research strategies and managers to exploit these pockets of value.

The Multi Asset Growth Funds Range

Increasing allocation to defensive assets

Increasing allocation to growth assets

For illustration only

What happened this month

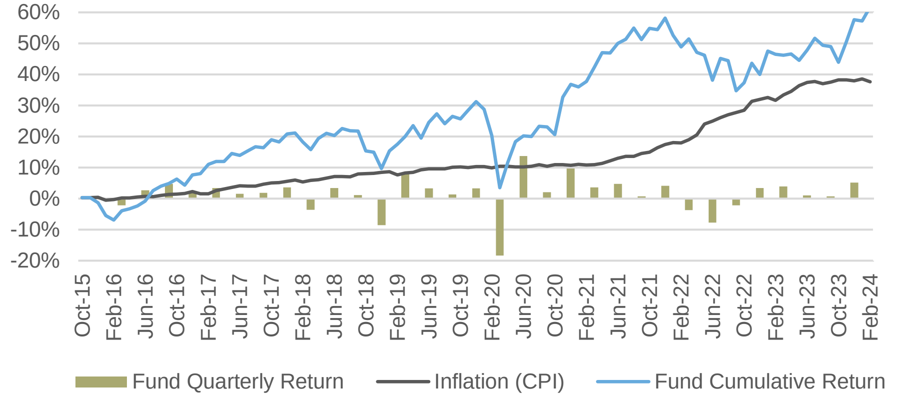
The Fund delivered a positive return in February. Global equity markets rallied over the month, driven by strong corporate earnings and resilient growth. In contrast, fixed income markets came under pressure amid a surprise uptick in inflation and a pushback by central banks on imminent rate cuts. China rebounded following the government's supportive measures and cuts to the loan prime rate by banks. In this market environment, the performance of our large exposure to equities was additive. Within the asset class, US equities were boosted by strong corporate earnings of technology companies like Nvidia, while emerging markets bounced back following the Chinese government's efforts to support the country's struggling equity market. In contrast, UK stocks lagged other markets due to its defensive nature and low technology weight. Our active management within equities was rewarded with strong excess returns from the UK Equity Fund, Japan Equity Fund and the Emerging Markets Equity Fund. Our convertible bonds exposure was also beneficial due to their sensitivity to equities. Our small allocation to listed infrastructure and listed real estate was positive, but lagged global equities given the higher rates environment and the continued pushback on rate cuts. Our small exposure to commodities was unhelpful due to a sharp decline in natural gas prices.

Performance Review

Fund Name	1 Month	6 Months	1 Year	2 Years	3 Years	Since Inception (PA)	29/02/24-28/02/23	28/02/23-28/02/22	28/02/22-28/02/21	28/02/21-29/02/20	29/02/20-28/02/19
Multi Asset Growth IV (C Acc)	2.5	7.3	9.2	7.6	15.3	5.1	9.2	-1.4	7.1	12.5	2.0

The Fund does not have a benchmark. The Fund has a flexible allocation between equity and fixed income investments, meaning that there is no index or sector that would be an appropriate comparator. The Fund is risk-rated by a risk-rating service provided by Synaptic Software Limited ("Synaptic Risk Ratings"). For further details please see: https://www.synaptic.co.uk/research-tools/synaptic-risk Synaptic Risk Ratings associates a fund's returns with a particular level of risk and enables comparison between funds which are managed on a similar basis. The risk profile allocated to a fund by Synaptic Risk Ratings will depend on the allocation of the fund's assets to riskier assets. The higher the fund's allocation to riskier assets the more risky the fund. This Fund may invest up to 90% of the scheme property in riskier assets.

The fund is priced at market open (7am) so Fund prices have been moved a day later with benchmarks which price at market close (7pm).



Source: Russell Investments. As at 29 February 2024. Returns in GBP, net of C Class Fees. Past Performance is not a guide to future performance.

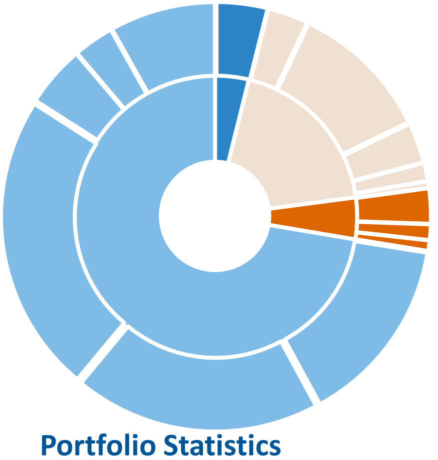
Fund facts

Inception Date
23rd November 2015
ISIN (SEDOL)
GB00(BYXJKS9)1
Ongoing Charge
0.67% (31/05/2022)
Minimum Investment
£1,000 initial, £500 subsequent
Currency
GBP
Distribution Date
28 February

29 February 2024

Multi Asset Growth IV (continued)

Current Fund Allocation



Cash	0.9%	Cash	0.9%
Investment Grade	5.9%		
Government Bonds	11.1%		
High Yield	2.7%	Fixed Income	20.9%
Convertible Debt	1.1%		
Alternative Credit	0.1%		
EMD	0.0%		
Real Estate	4.1%		
Infrastructure	0.0%	Real Assets	5.0%
Commodities	0.9%		
Global Equities	13.9%		
US	21.5%		
UK	20.9%	Equities	73.3%
Pan Europe ex UK	4.9%		
Japan	2.8%		
Emerging Equity	9.3%		

Source: Russell Investments. Data correct as at 29 February 2024. Total may not add up to 100% due to rounding.

Portfolio Statistics

	Fund
Volatility (Since Inception)*	9.6%
Highest One-Year Return	31.7%
Lowest One-Year Return	-11.8%
Positive One-Year Returns	69.3%
Current Yield	1.4%
Fund Size	£39.7m

Source: Russell Investments, as at 29 February 2024.
Any past performance is not necessarily a guide to future performance.
*Volatility describes the extent to which the funds’ return has fluctuated over time

Multi Asset Growth Range

Performance data as at 29 February 2024

This table shows the performance of the Multi Asset Growth Funds for different periods.

	Cumulative Performance (%)						PA (%)
Fund Name	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since launch*
Multi Asset Growth I	0.3	3.1	4.4	5.0	-2.4	-1.8	1.8
Multi Asset Growth II	0.9	4.0	5.2	6.1	0.6	3.7	3.0
Multi Asset Growth III	1.7	5.2	6.1	7.2	4.1	9.6	4.6
Multi Asset Growth IV	2.5	6.5	7.3	9.2	7.6	15.3	5.1
Multi Asset Growth V	3.3	7.2	7.7	9.7	10.5	21.6	6.2

	Discrete Performance (%)										
Fund Name	29/02/24-28/02/23	28/02/23-28/02/22	28/02/22-28/02/21	28/02/21-29/02/20	29/02/20-28/02/19	28/02/19-28/02/18	28/02/18-28/02/17	28/02/17-29/02/16	29/02/16-28/02/15	28/02/15-28/02/14	28/02/14-28/02/13
Multi Asset Growth I	5.0	-7.1	0.7	4.2	4.1	0.1	0.9	9.6	--	--	--
Multi Asset Growth II	6.1	-5.3	3.1	6.9	3.5	0.1	2.5	12.4	--	--	--
Multi Asset Growth III	7.2	-2.9	5.3	9.9	2.7	-0.1	4.7	13.4	-4.3	8.5	3.7
Multi Asset Growth IV	9.2	-1.4	7.1	12.5	2.0	-0.6	5.6	15.9	--	--	--
Multi Asset Growth V	9.7	0.7	10.0	14.7	1.0	-0.6	6.1	18.4	--	--	--

Source: Russell Investments as at 29/02/2024. Any past performance figures are not necessarily a guide to future performance.

Multi Asset Growth Range

Performance data as at 29 February 2024

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

Common indices	Cumulative Performance (%)						PA (%)
	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	Since launch*
Cash Bank of England Base	0.4	1.3	2.6	4.9	7.0	7.2	1.0
UK Gilts FTSE All Stocks Gilts	-1.2	1.9	3.5	1.0	-19.5	-22.0	0.4
Global Credit Bloomberg Global Agg Credit GBP Hedged	-1.1	2.4	3.7	5.7	-5.5	-9.0	1.8
UK equities FTSE All Share	0.2	3.3	3.9	0.6	7.9	25.2	6.6
Global equities MSCI ACWI GBP Hedged	4.7	11.0	12.4	24.6	16.8	31.6	11.0
Emerging Markets MSCI Emerging Markets	5.5	3.9	5.1	4.1	-2.3	-9.1	4.9
Property FTSE EPRA/NAREIT Global	0.1	4.5	3.5	-3.9	-9.6	6.2	5.7

Common indices	Discrete Performance (%)										
	29/02/24-28/02/23	28/02/23-28/02/22	28/02/22-28/02/21	28/02/21-29/02/20	29/02/20-28/02/19	28/02/19-28/02/18	28/02/18-28/02/17	28/02/17-29/02/16	29/02/16-28/02/15	28/02/15-28/02/14	28/02/14-28/02/13
Cash Bank of England Base	4.9	2.0	0.1	0.1	0.8	0.6	0.3	0.4	0.5	0.5	0.6
UK Gilts FTSE All Stocks Gilts	1.0	-20.3	-3.0	-4.2	11.9	2.5	-1.2	6.1	5.5	11.7	-0.8
Global Credit Bloomberg Global Agg Credit GBP Hedged	5.7	-10.6	-3.7	1.6	11.0	1.5	1.2	5.1	-0.3	7.3	2.1
UK equities FTSE All Share	0.6	7.3	16.0	3.5	-1.4	1.7	4.4	22.8	-7.3	5.6	13.3
Global equities MSCI ACWI GBP Hedged	24.6	-6.2	12.6	24.5	3.9	1.3	12.5	21.6	-10.0	14.7	21.4
Emerging Markets MSCI Emerging Markets	4.1	-6.1	-6.9	24.3	2.2	-6.7	17.9	45.0	-15.1	13.9	-14.9
Property FTSE EPRA/NAREIT Global	-3.9	-5.9	17.4	-7.6	6.1	16.0	-10.3	25.7	1.4	25.3	-6.1

Source: Russell Investments as at 29/02/2024. Any past performance figures are not necessarily a guide to future performance.

FOR MORE INFORMATION:

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