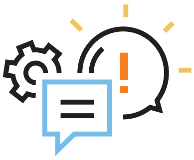
STEPS TO SUCCESSFUL INVESTING

HELPING TO TURN CLIENT GOALS INTO REALITY

Let's make the complex simple

Successful investing is hard. Reaching your investment goal is no easy task, because financial markets are complicated and can be unpredictable. But by getting a better understanding of investment principles you can avoid some common pitfalls. Follow these principles, and together with your financial adviser, we'll work to turn your goals into reality.



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Get the balance right

Don't put faith in star funds

Spend time in the market instead of timing the market

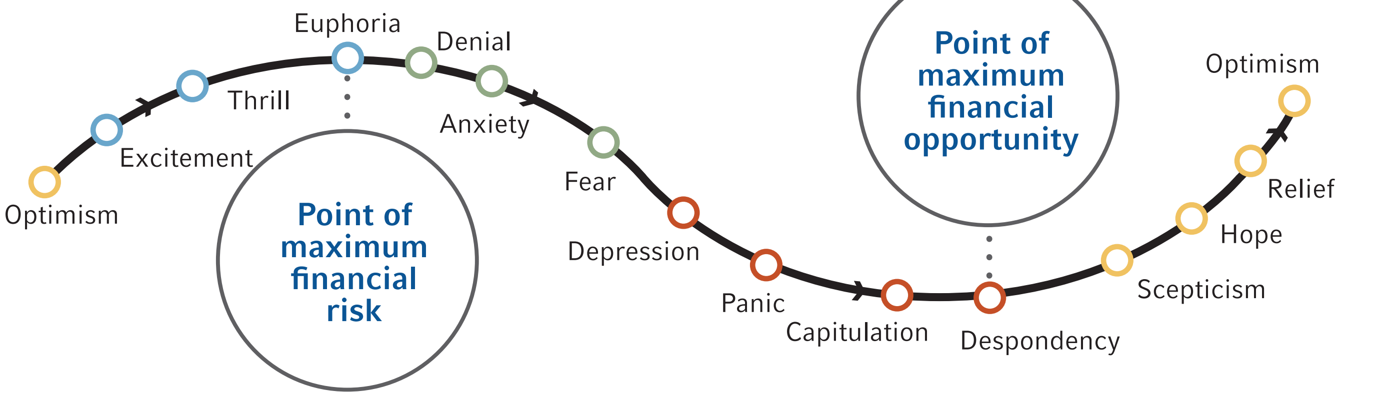
Successful investors are marathon runners, not sprinters. So staying invested in the markets over the long term usually gives the best returns.

When you see the markets fluctuate, it can be tempting to buy and sell investments to chase short-term gains. But this will rarely help you meet your longer-term financial goals.

Investing is a human activity. To succeed, we need to be aware of how emotions may impact our investment actions. As the chart shows, investors experience a range of emotions at different points of a market cycle. Unfortunately, this can often result in entering or exiting the market at precisely the wrong time.

As markets peak, we may all feel excited and be tempted to flood into the market. But this is often the worst time to do so, as markets are likely to be over-priced at this point. At the other end of the spectrum, when markets dip, investors often feel panic and the fight-or-flight part of our brains urges us to exit the market.

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	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. *Magnificent 7 refers to Apple, Microsoft, Alphabet, Amazon, NVIDIA, Tesla and Meta as the largest market cap stocks.

Which asset class will be the winner in 2024?

Best performing

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	North American equity 17.8%	UK Small Cap 12.6%	Emerging Markets 32.5%	China 37.6%	Cash 0.5%	UK Small Cap 28.6%	China 32.6%	North American equity 26.8%	Cash 1.2%	North American equity 18.5%
2	UK Gilts 14.9%	Europe 6.4%	North American equity 31.3%	UK Small Cap 27.6%	UK Gilts 0.1%	North American equity 25.0%	North American equity 15.2%	Property 26.3%	Global Governments Bonds -5.7%	Europe 14.4%
3	Property 13.1%	Property 4.7%	Global Equity 24.1%	Emerging Markets 24.6%	Global Governments Bonds -0.4%	China 22.2%	Emerging Markets 13.8%	UK Small Cap 23.3%	UK Equity -6.1%	Global Equity 12.7%
4	China 9.4%	UK Equity 4.5%	Global Governments Bonds 19.8%	Europe 16.9%	North American equity -1.1%	Global Equity 22.1%	Global Equity 12.6%	UK Equity 17.3%	Europe -7.6%	UK Equity 7.8%
5	Global Equity 7.0%	North American equity 2.1%	China 19.8%	Global Equity 13.3%	Property -3.4%	UK Equity 21.9%	UK Gilts 8.6%	Cash -0.1%	North American equity -10.0%	Property 5.1%
6	Global Governments Bonds 4.9%	Global Equity 1.4%	Europe 17.4%	UK Equity 12.9%	Global Equity -6.0%	Europe 20.2%	Europe 8.5%	Emerging Markets -1.2%	Global Equity -11.1%	Cash 4.6%
7	Emerging Markets 3.4%	Cash 0.2%	UK Equity 10.9%	North American equity 10.2%	UK Equity -10.6%	Property 19.1%	UK Small Cap 5.7%	Global Governments Bonds 0.0%	Emerging Markets -14.0%	UK Gilts 3.7%
8	UK Equity 0.9%	UK Gilts 0.0%	UK Gilts 9.8%	Property 6.7%	Emerging Markets -11.4%	Emerging Markets 15.9%	Global Governments Bonds 5.7%	Global Equity 19.0%	China -16.3%	Emerging Markets 3.5%
9	Cash 0.3%	China -0.8%	UK Small Cap 8.4%	Global Governments Bonds 2.0%	Europe -11.8%	UK Gilts 6.5%	Cash 0.1%	Europe 15.9%	Property -18.1%	UK Small Cap 0.9%
10	Europe -0.9%	Global Governments Bonds -1.8%	Property 3.6%	UK Gilts 1.6%	UK Small Cap -12.8%	Global Governments Bonds 5.4%	Property -7.1%	UK Gilts -5.4%	UK Gilts -24.2%	Global Governments Bonds 0.4%
11	UK Small Cap -1.6%	Emerging Markets -8.1%	Cash 0.3%	Cash 0.2%	China -14.8%	Cash 0.6%	UK Equity -7.7%	China -12.5%	UK Small Cap -25.4%	China -21.3%

Weakest performing

Source: The Investment Association as at 31 December 2023.

Figures show the median percentage rise or fall of each asset grouping per calendar year. Figures do not include fees or other charges. The effect of these would reduce the figures quoted.

Get the balance right

Typically, all around the world, investors tend to have too much exposure to their own market – the market you know best is the easiest to invest in. For example, many investors in the UK hold too many investments in UK-based companies.

Statistics show that if you have a well-diversified portfolio of investments, you'll often achieve better returns. Different assets or regions will perform differently, and can often vary significantly year to year. The diversification that comes with this varied performance can help reduce the risk of having all your assets drop at once.

The previous chart shows the performance of different asset classes over the last 10 years. You'll see that assets classes perform erratically from year to year. And asset classes that are the best performer one year can become the worst performer the following year. Like trying to predict the winner of the Grand National, it's very difficult to predict the best performing sector year to year.

What's the remedy?

By having a diversified portfolio covering a range of regions and asset classes, it's often possible to get better returns over a period of time, and with less volatility. Markets will change, so you need a solution that is dynamically managed.

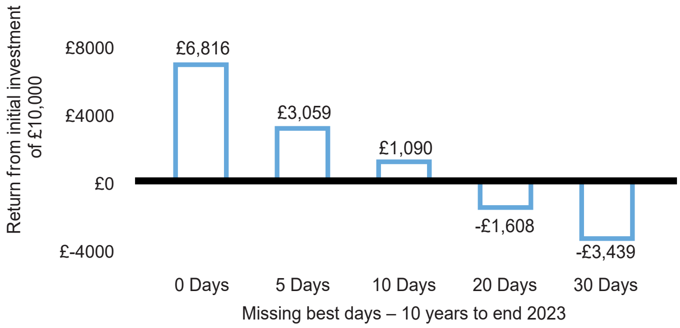
It's easy to miss the best day

Trying to time the market has plenty of risks, but the biggest may be the risk of missing out. Exiting the market to reduce risk during a downward-trending market can mean missing some of the biggest rebound days. To put it another way, by selling when the market is near the bottom of a downturn, you can easily miss out on the best of the upside.

The table on the right shows the effect of missing out on some of the best days for performance during a 10 year investment period using an initial investment of £10,000 in UK companies.

In this example, if you'd stayed invested for the full ten year period, you'd have enjoyed a profit, before fees and charges are applied, of £12,814. Investors who missed the five, ten and twenty best days saw profits, before fees and charges are applied, drop to £7,767, £5,217 and £1,566 respectively. Those who missed the best 30 days saw a loss of £883.

Missing out on the best performance



For illustrative purposes only.
Source: Morningstar. FTSE All Share Total Return. Data as at 31 December 2023. Based on investment of £10,000. Figures do not include fees or other charges. The effect of these would reduce the figures quoted. Any past performance figures are not a guide to future performance. Past performance does not predict future returns.

What's the remedy?

We believe the wisest investors are the ones who spend the time up front to create a good long-term strategy, and then have the discipline to stay in the market when necessary, even if it feels uncomfortable. Statistically, they have the best chance of success. Your adviser will be able to help you create an investment strategy to meet your goals.

Don’t put your faith in star funds

The best fund one year could be the worst fund the following year.

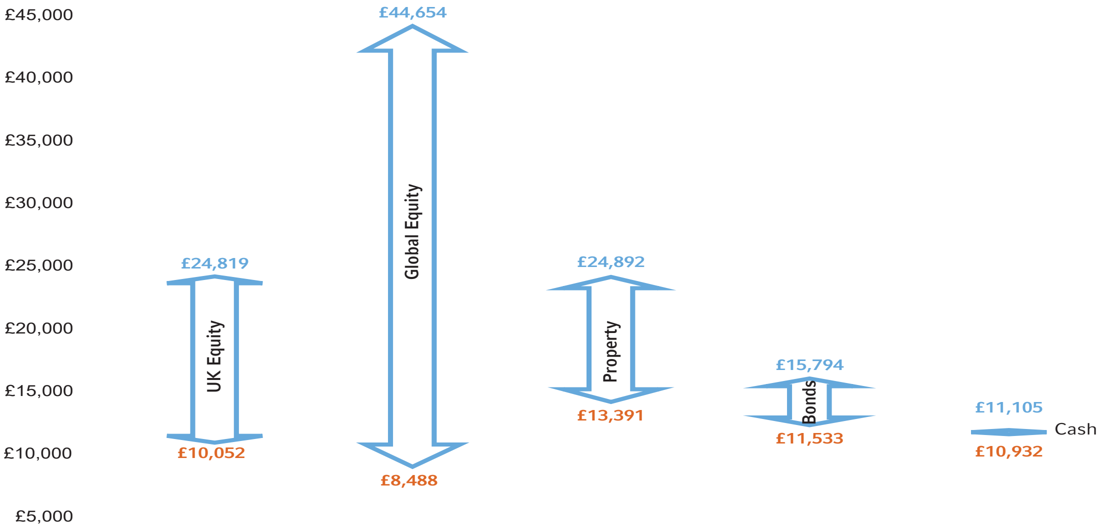
There are hundreds of funds available from different managers – for example, the UK All Companies sector alone contains over 200* funds. Many of them seem to offer similar investment opportunities. But the difference in performance can be dramatic.

The chart below shows you the difference between the best and worst performing funds in different asset classes. Over ten years, the range of profits from investing £10,000 in either shares in UK listed companies, or shares from worldwide companies, is significant. For example, some investors would have made a 148.1% profit (net of fees) over the ten years shown, but another investor would have made a 0.5% profit.

So it seems you need to make sure you invest in the best fund. But how to tell which is the best? Choosing a ‘star’ fund manager isn’t a sure way to guarantee ongoing top performance.

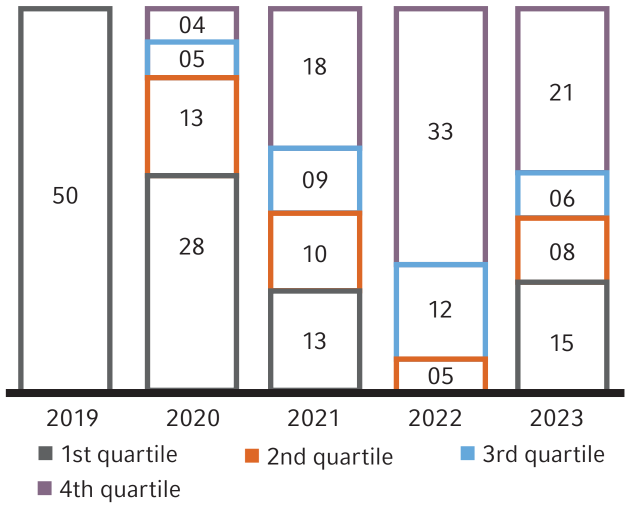
*Source: Morningstar January 2024.

The difference between the best and worst fund choice with a £10,000 investment over a 10-year period



For illustrative purposes only.

Source: The Investment Association sectors, January 2024. Data shows returns from a £10,000 investment in the Morningstar funds sectors (Bond GBP, Equity Global, Equity UK, Money Market GBP, Real Estate UK) between 1 January 2014 and 31 December 2023.



For illustrative purposes only.

Source: The Investment Association sectors, January 2024.

Number of funds in top quartile for 1 year performance 2019 and their subsequent positions until 2023.

The performance of many funds varies significantly (when compared to their peers) each year. The chart on the left shows how easily successful funds can fall from glory. The performance of the top 25% of fund managers tends to weaken over time. Of the 50 companies in the top 25% of performers for one year, only 28 remained in the top 25% a year later.

What's the remedy?

To succeed in today's market requires an additional layer of diversification across fund managers and asset classes. Dynamic portfolio management can help your investments respond to changing market conditions.

Let's take a different path

We know investing is hard. And we know what's at stake: the financial future of people like you. At Russell Investments, we have a unique set of capabilities to design, construct and manage investment solutions.

Global research

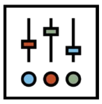
Our researchers and analysts scour the market for the right opportunities on your behalf.

Diversified and dynamic solutions

We use our research to develop sophisticated portfolios that combine the skills of diverse investment managers – all of them among the very best in their field.

Risk management

We not only spread investment risk by investing across asset classes and geographies, but also across manager styles in the aim to deliver more consistent performance over time.



Active portfolio management

We monitor and adjust our portfolios in line with changing market conditions with the aim of giving you the returns you need, but with a level of volatility that helps you feel confident to invest for the long term.

We believe this approach gives you the highest likelihood of meeting your goals. There's a range of Russell Investments portfolios available. Talk with your adviser to choose the solution that's right for you.

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