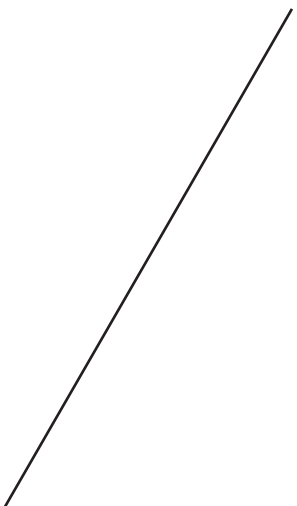


Q2 2022

GLOBAL MARKET OUTLOOK



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SYNOPSIS

The Russia-Ukraine war adds to near-term growth risks for the global economy and will likely keep inflation elevated for longer. While uncertainty is high, we believe equity markets are oversold and should recover if tensions ease in the coming months.

KEY MARKET THEMES

Russia's invasion of Ukraine creates near-term risks for markets, but also casts a shadow over the longer-term outlook. The immediate threat comes from high energy prices, rising food prices and disrupted supply chains. The longer-term issues are a new cold war between Russia and the West, increased military spending and a further blow to globalization. The war is a defining moment for Europe, which now needs to unwind decades of Russian energy dependence, accelerate its sustainable energy transition and rebuild military capability.

We believe the invasion will lead to lower global growth—with Europe taking the largest hit—as well as higher inflation. Even so, we think global growth could still be above-trend this year, provided the hostilities ease and global energy prices stabilize. While above-trend growth should support equities over bonds and cash, the war in Ukraine has created significant uncertainty, which likely means more market volatility.

We expect the U.S. will be among the most resilient economies to the conflict globally, given its energy independence and lower share of commodity consumption in GDP (gross domestic product). In addition, with interest-rate hikes now priced for every remaining U.S. Federal Reserve (Fed) meeting in 2022, we see this as a maturing risk factor to markets.

In Europe, the invasion of Ukraine has created significant uncertainty, with the main risk coming from energy prices—due to the region's dependency on Russian natural gas and oil. A decision by Russia to shut down energy exports to Europe, or by European governments to boycott Russian energy, could trigger a recession. In our view, this seems unlikely, given Russia's need for oil and gas revenues and Europe's reliance on Russian energy—but we don't think it can be ruled out. On the other hand, a short-lived shock to energy prices could lead to a recovery in European economies during the second half of

2022. This outlook would likely allow the MSCI EMU Index—which reflects the European Economic and Monetary Union—to recover.



The UK economy began the year with strong momentum, but it is likely to slow due to Bank of England tightening, high energy prices from Russia's invasion of Ukraine and a planned national insurance levy increase (effectively a tax hike) to help fund the National Health Service. Despite economic concerns, the FTSE 100 Index has been one of the better performing equity markets this year. The index has high exposure to commodity prices and financial stocks that benefit from higher interest rates, and almost no exposure to under-pressure technology stocks.

In China, the government recently announced an above-expectations 5.5% GDP growth target for 2022. The country's economy, however, continues to face pressures, and we expect that significantly more stimulus will be required to get close to the growth target. In addition, COVID-19 still poses a challenge to the Chinese economy, mainly due to the government's zero-tolerance approach.

While we still expect above-trend growth in Japan, the conflict in Ukraine and China's recent lockdowns have added to headwinds. As an importer of energy products and food, Japan is exposed to higher prices from the war.

In Australia, the labor market has tightened over the last three months, but wage growth has remained reasonably contained. This allows the Reserve Bank of Australia (RBA) to be more patient than many of its global counterparts. While we think market pricing for RBA interest-rate rises is too aggressive, we do expect the central bank to raise its rates at least once this year.

We believe Canada stands to benefit from rising commodity prices, particularly energy prices. Our 2022 GDP growth forecast is unchanged at 3.8%, although accelerating commodities inflation adds uncertainty to this outlook. We think this will make the Bank of Canada more measured in its approach, potentially hiking an additional three to four times this year.

ECONOMIC VIEWS



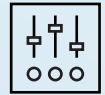
SLOWDOWN IN EUROPEAN GROWTH

We've lowered our forecast for Europe's 2022 GDP growth rate to 2.5%, due to impacts stemming from the war in Ukraine.



U.S. GROWTH FORECAST

We think the conflict in Ukraine is unlikely to reduce U.S. growth by more than 0.5% this year—and forecast a GDP growth rate of 3.0% in 2022.



FED RATE HIKES

Markets are expecting six more Fed rate hikes this year. We agree the Fed will keep hiking policy rates back toward a neutral setting of around 2.25%.



CHINA STIMULUS

We anticipate there will be more easing measures from the People's Bank of China in 2022, including an interest-rate cut, and more fiscal spending in the form of infrastructure spending.



ECB MONETARY POLICY

We believe the European Central Bank will focus on growth risks more than inflation this year. While markets expect two rate hikes in 2022, we think it's likely that rates will remain unchanged or only rise once as higher energy prices slow economic growth.

ASSET CLASS VIEWS

Equities: Small preference for non-U.S. developed equities

Despite the Ukraine war, we have a small preference for non-U.S. developed equities to U.S. equities. Provided the hostilities subside, above-trend global growth should favor relatively cheaper non-U.S. markets.

Fixed income: Mixed valuations for government bonds

We see government bond valuations as mixed after the recent selloff, with U.S. bonds now fairly valued and Japanese, German and UK bonds still expensive. Yields will face upward pressure from continuing inflation pressure and central-bank hawkishness. One positive we see is that markets have fully priced hawkish outlooks for most central banks, which should limit the extent of any further selloff in government bonds.

Currencies: U.S. dollar could weaken if hostilities lessen

The U.S. dollar has made gains this year on Fed hawkishness and safe-haven appeal during the Russia-Ukraine conflict. We think it should weaken if hostilities subside, and if lower inflation outcomes later in the year lead to less Fed tightening than markets currently expect. The main beneficiaries in this scenario are likely to be the euro—which has become more undervalued—and the Japanese yen, which has weakened on commodity price inflation and China growth concerns.



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IMPORTANT INFORMATION

The views in this Global Market Outlook report are subject to change at any time based upon market or other conditions and are current as of March 28, 2022. While all material is deemed to be reliable, accuracy and completeness cannot be guaranteed.

Please remember that all investments carry some level of risk, including the potential loss of principal invested. They do not typically grow at an even rate of return and may experience negative growth. As with any type of portfolio structuring, attempting to reduce risk and increase return could, at certain times, unintentionally reduce returns.

Keep in mind that, like all investing, multi-asset investing does not assure a profit or protect against loss.

No model or group of models can offer a precise estimate of future returns available from capital markets. We remain cautious that rational analytical techniques cannot predict extremes in financial behavior, such as periods of financial euphoria or investor panic. Our models rest on the assumptions of normal and rational financial behavior. Forecasting models are inherently uncertain, subject to change at any time based on a variety of factors and can be inaccurate. Russell believes that the utility of this information is highest in evaluating the relative relationships of various components of a globally diversified portfolio. As such, the models may offer insights into the prudence of over or under weighting those components from time to time or under periods of extreme dislocation. The models are explicitly not intended as market timing signals.

Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.

Investment in global, international or emerging markets may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Such securities may be less liquid and more volatile. Investments in emerging or developing markets involve exposure to economic structures that are generally less diverse and mature, and political systems with less stability than in more developed countries.

Currency investing involves risks including fluctuations in currency values, whether the home currency or the foreign currency. They can either enhance or reduce the returns associated with foreign investments.

Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation.

Bond investors should carefully consider risks such as interest rate, credit, default and duration risks. Greater risk, such as increased volatility, limited liquidity, prepayment,

non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage-backed securities, especially mortgage-backed securities with exposure to sub-prime mortgages. Generally, when interest rates rise, prices of fixed income securities fall. Interest rates in the United States are at, or near, historic lows, which may increase a Fund's exposure to risks associated with rising rates. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries.

Performance quoted represents past performance and should not be viewed as a guarantee of future results.

The FTSE 100 Index is a market-capitalization weighted index of UK-listed blue chip companies.

The MSCI EMU Index (European Economic and Monetary Union) captures large and mid cap representation across the 10 developed markets countries in the EMU. With 246 constituents, the index covers approximately 85% of the free float-adjusted market capitalization of the EMU.

Indexes are unmanaged and cannot be invested in directly.

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