Market & economic uncertainty – what next for investors?

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In uncertain times, when your clients are left to wonder if the markets will go off a cliff, **to the moon**, or somewhere in between, it's often most prudent to be disciplined and diversified.

The capital market **recovery has been strong** since the market bottom of 2009. As of September 30, 2012, the Russell 3000® Index, a measure of the broad U.S. equity market, has returned 134% on a cumulative basis (that's a 27% annualized return from March 9, 2009 through September 30, 2012). However, many skeptics believe this remarkable performance has been the result of government stimulus and that markets are on the brink of another collapse. People in this camp point to European debt concerns, the impending approach of the U.S. fiscal cliff, political uncertainty with the upcoming elections, and an anemic economy to justify their view. On the flip side, more optimistic investors point out that Europe is making progress towards solving its fiscal problems, equity markets are still below pre-crash highs and there is a lot of **room for additional returns** as corporations are producing record profits and interest rates remain low.

Who is correct? It is always difficult (nearly impossible) to predict the future. What usually occurs is something in between the two extremes.

At Russell, we do not have a crystal ball, but we do possess some rational **expectations about the ongoing performance** of the economy and markets in general, and some sensible ideas that may be helpful to investors. Our expectations are:

1. Markets likely will remain in a lower-return, higher-volatility mode, at least through the end of the year
2. Long-term discipline should help mitigate the effects of short-term shocks and uncertainty
3. Global strategies, asset allocation, and active insights are likely to be essential in meeting long-term objectives

We believe that discipline and diversification can be an investors' **best tools for navigating the future**. Help your clients determine a long-term plan (and asset allocation) that can be adhered to during the good and bad times. This is the often the best strategy for avoiding derailment during the extremes (both good and bad).

The Russell 3000® Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

Indexes are unmanaged and cannot be invested in directly. RFS 9533-a

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