MISSION WEALTH
Market Perspectives
Q1 | 2024

Presented By

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Kieran Osborne is responsible for all portfolio management, trading, analysis, investment, and economic research functions and leads the firm's Investment Committee.

Mr. Osborne oversees portfolio construction and implementation, conducts in-depth manager research and due diligence, and monitors fund performance on an ongoing basis.

Key Themes

KEY THEMES	COMMENTARY
Market Update	Stocks have been supported by reduced inflation, a robust labor market, positive economic revisions, an increased likelihood of a "soft" or "no landing" outcome, a Fed pause, and expectations for rate cuts in 2024. Divergence in performance, particularly Growth vs. Value stocks, has led to enhanced rebalancing opportunities. Stock market returns were recently dominated by the largest tech-oriented names, but those same companies are historically expensive. Bonds have experienced recent strength, and current bond yields remain attractive relative to longer-term averages.
The Economy	Economic growth forecasts have been revised higher and indicate an increased chance of a "soft" or "no landing" economic outcome, though expectations remain for an incremental slowdown in economic growth. A still resilient consumer and easing financial conditions may support GDP growth, while on the other hand labor market rebalancing, tight credit, and leading economic indicators point towards a slowdown in growth. Inflation has moderated but is expected to stay elevated in the near term. Housing market dynamics and geopolitical issues may complicate the Fed's path toward its 2% inflation target. The Fed may cut rates this year; however, we believe the Fed would need to see a significant deterioration in economic fundamentals to consider cutting rates more aggressively than its current timeline suggests.
Asset Class Outlook	Stocks may be supported should the Fed cut rates and the economy avoid a recession. Longer term, we believe expectations should be reset for stock returns more in line with historic averages of mid- to high-single digits, given the structural shift in monetary policy. Bond yields are more attractive today and may be supported by Fed policy and macroeconomic dynamics. We believe alternative strategies offer attractive risk-adjusted return potential, which may be increasingly important should we experience a moderation in stock market returns in the years ahead.

Mission Wealth Actions

- Recent divergence in performance across asset classes continues to provide us with **enhanced rebalancing opportunities.**
- We are **positive on the outlook for stocks**, though believe **expectations over the long term should be reset to mid- to high-single digit annualized returns.** Any near-term volatility may offer us the opportunity to add on weakness.
- We are also more **positive on the outlook for bonds**, given **yields are more attractive today**, while **Fed policy and macroeconomic forces may be supportive.** Many of our preferred bond funds are **yielding mid- to high-single digits.**
- We have increased our exposure to alternative strategies, which we believe offer **attractive risk-adjusted returns and compelling income streams. Alternatives may be increasingly important** should we experience a moderation in stock market returns.
- Ultimately, we continue to focus on long-term fundamentals and believe our portfolios are **well positioned** to continue to **meet the financial goals of our clients.**

PART 1:
MARKET UPDATE

Market Update

Stocks Higher

- **Stocks have been supported** by several factors:
  - Banking crisis was contained.
  - Headline inflation cut in half.
  - Labor markets softened but still strong.
  - Fed pause and future rate cuts expected.
  - Economic growth and company earnings stronger than anticipated.
  - "Soft" and "no landing" economic outcomes increasingly priced in by the market.

S&P 500 (SP50-USA)

Source: FactSet

Market Update

Stocks Higher, Despite Headlines

- Headlines always give investors a "reason" not to invest…but despite all the headlines in 2023, stocks and bonds performed well.

As Much of 2023 That Fits on One Page

Data from 1/1/2023 – 12/29/2023. Source: FactSet, Avantis Investors. **Past performance is no guarantee of future results.**

Market Update

Stock Volatility Below Average

- Despite significant headline risks and concerns, **2023 was a relatively mundane year from a risk perspective.**
- +/-1% daily moves were in line with historic averages, but **larger daily swings were all but non-existent** and much lower than 2022 and long-term history.

S&P 500 Daily Price Δ (days)	±1%	±2%	±3%	±4%	±5%
Avg	62	17	7	3	2
Bear Market Avg	87	31	13	7	3
2022	122	46	12	3	1
2023	64	2	0	0	0

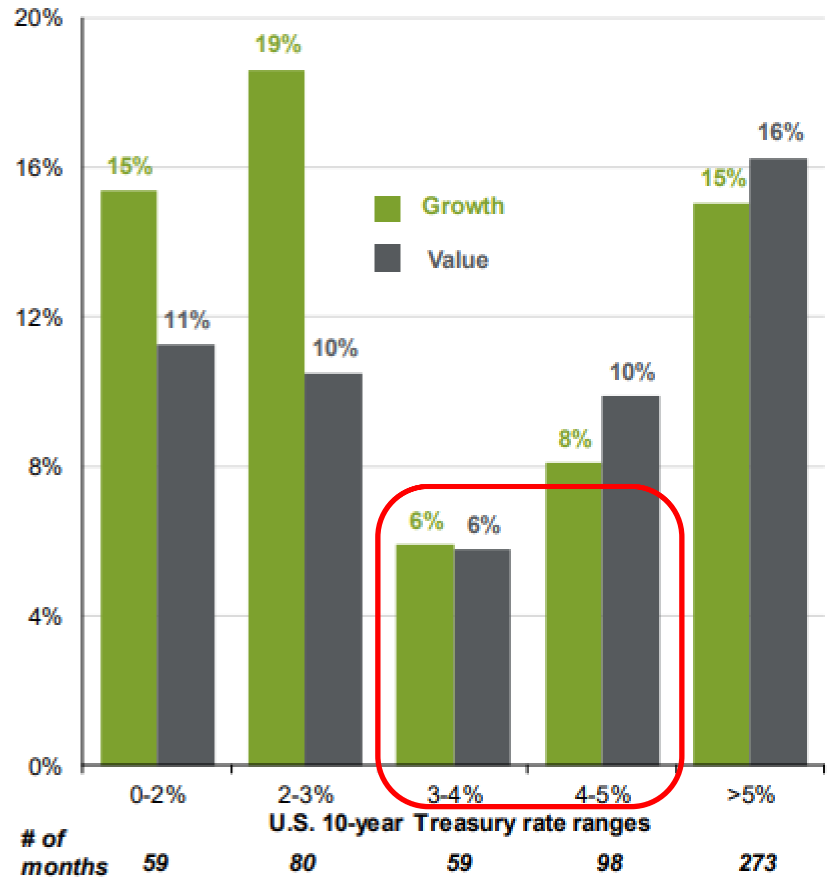
Source: Bloomberg and Goldman Sachs Asset Management. As of December 31, 2023.

Market Update

Stocks – Divergence in Returns

- Growth stocks significantly outperformed Value stocks in 2023.
- This follows 2022 when Value stocks significantly outperformed Growth stocks.
    - ➢ This divergence underscores the importance of disciplined rebalancing.
- Our disciplined approach to rebalancing forces us to "sell high, buy low" periodically, which has proven to add to performance over the long haul.
- The current interest rate environment may support both Value and Growth stocks.
- Any short-term divergence may allow for additional rebalancing opportunities.

Value vs. Growth in different interest rate environments
Annualized total return by 10-year Treasury rate ranges, 1979 - present



Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

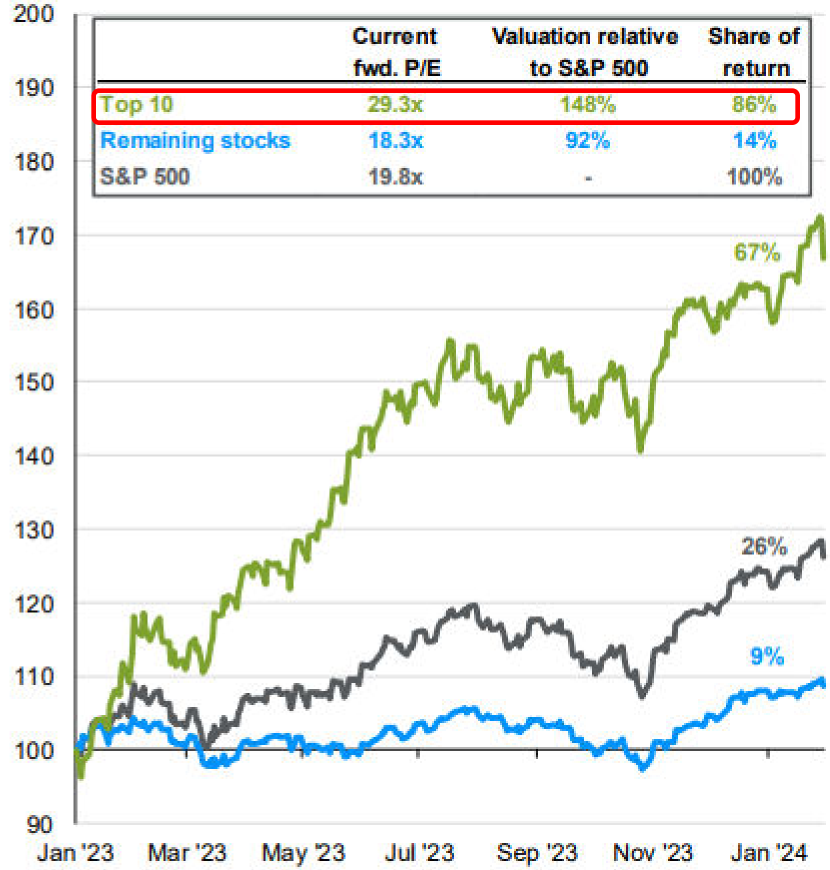
Market Update

Stock Market Returns Dominated by Largest Names

- Largest stocks have driven S&P 500 performance.
- …but those large names are historically expensive.
- Consider diversifying, especially any concentrated stock exposures.

Performance of the top 10 stocks in the S&P 500

Indexed to 100 on 1/1/2023, price return, top 10 held constant



	Current fwd. P/E	Valuation relative to S&P 500	Share of return
Top 10	29.3x	148%	86%
Remaining stocks	18.3x	92%	14%
S&P 500	19.8x	-	100%

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Market Update

Historic end to 2023 for Bonds

- After a historically challenging environment, bonds rebounded strongly to the end of 2023.
- Nov-Dec 2023 represented the 7th best two-month period for the bond market going back to 1926.
- A shift in sentiment around Fed policy – with cuts potentially on the horizon – helped buoy bond market returns during this timeframe.

Top 10 best 2-month returns for bonds since 1926

Total return (%)

Top 10 best bond months	Return	1 Year Later
Apr-May 1980	16.6	-3.1
Oct- Nov-1981	14.9	25.2
Mar- Apr 1981	11.4	-2.1
Jul- Aug-1982	10.0	16.4
Aug-Sept 1982	9.7	15.6
Sept- Oct 1982	9.6	10.1
Nov-Dec 2023	8.5	?
Apr- May 1985	7.4	18.2
Feb- Mar 1986	7.2	8.7
Nov- Dec 2008	7.1	5.9

Morningstar as of 12/31/23.

Market Update

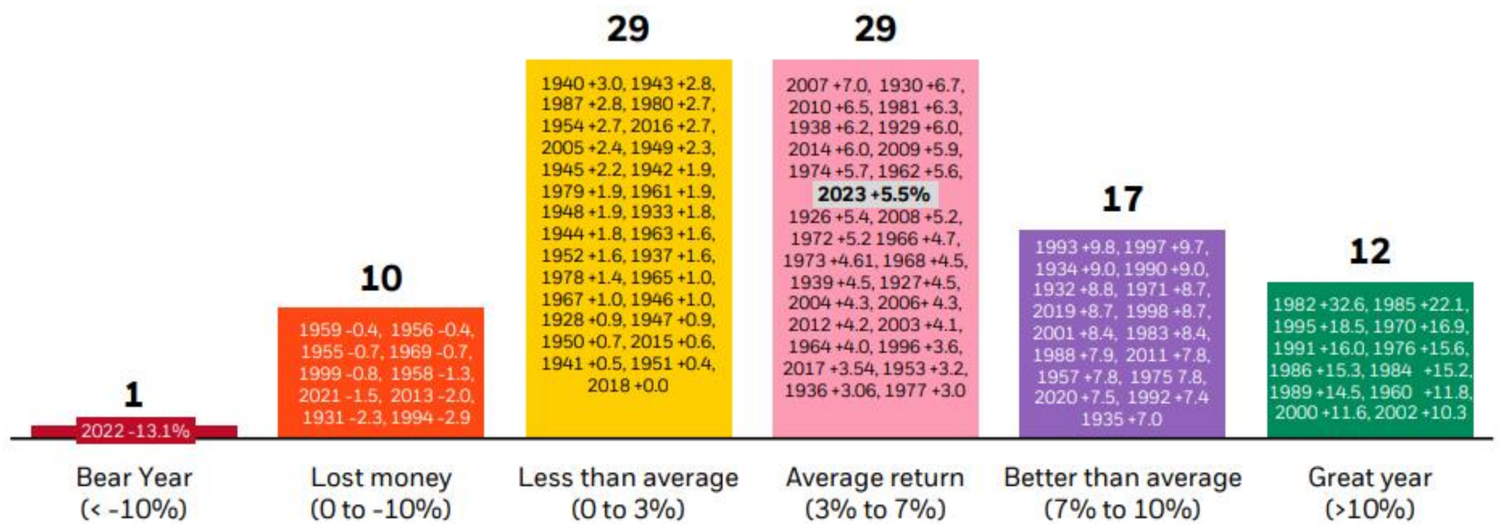
2023 Bond Performance In Line with Historic Average

- With the rally to end the year, the bond market ended 2023 with returns slightly above the long-term average.

Range of returns for bonds by calendar year

Average annual return, 1/1/26 – 12/31/23

2023	**+5.5%**
U.S. Bonds avg. annual return (1926 – 2023):	**+5.0%**

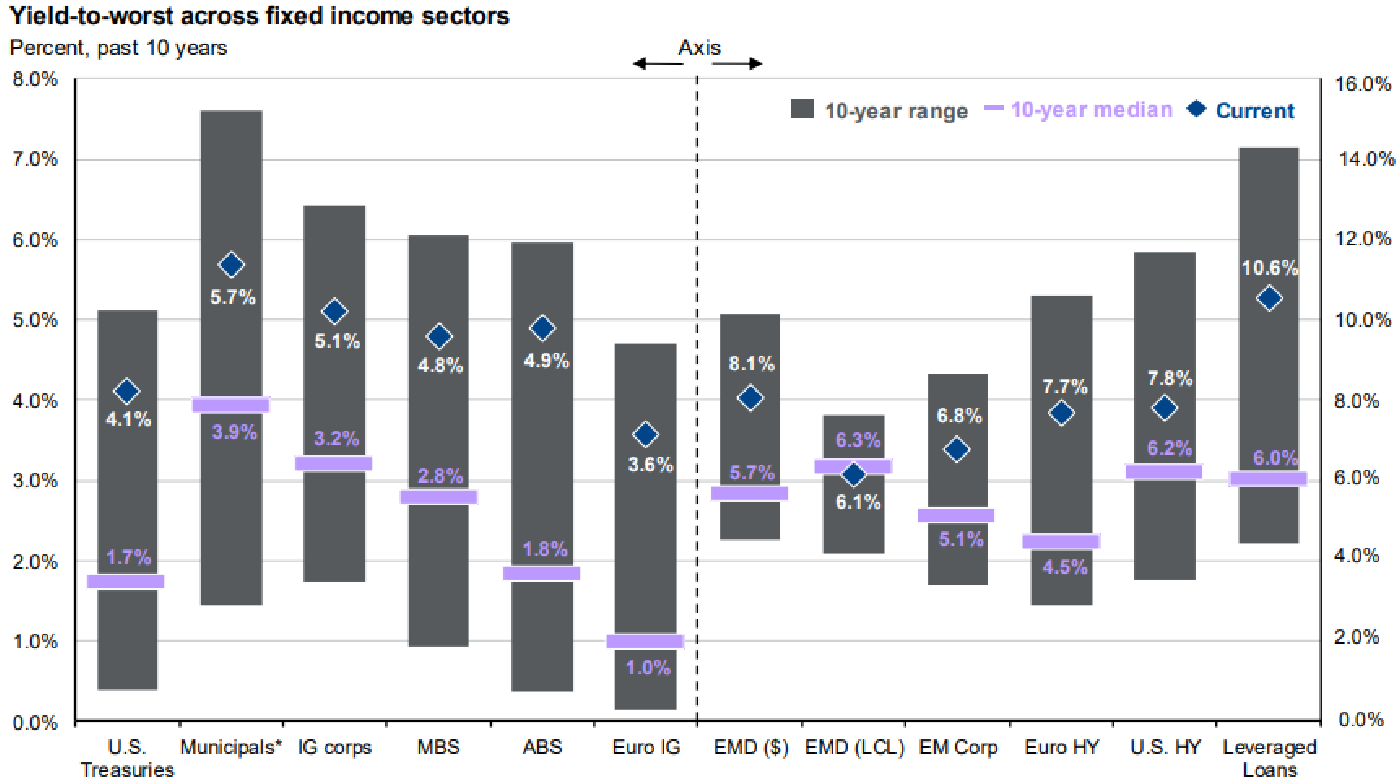


Source: Morningstar as of 12/31/23.

Market Update

Bond Yields Attractive

- Despite recent strength, **current bond yields across all major bond asset classes are much more attractive** today relative to recent past.



Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.

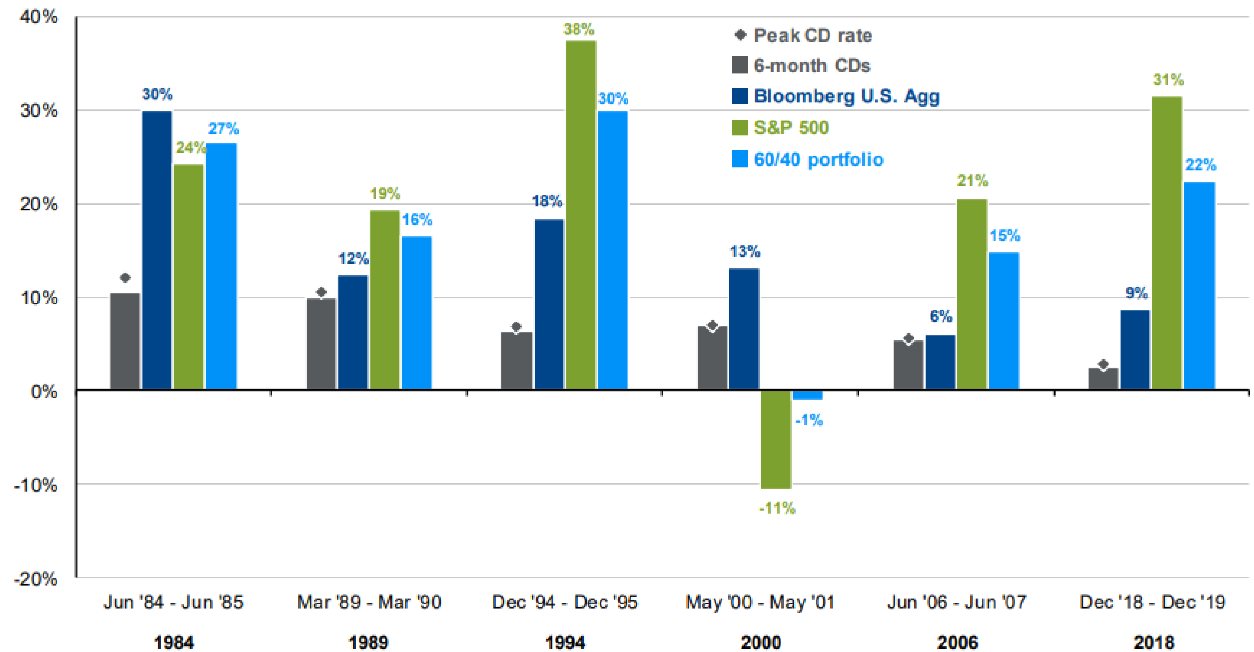
Market Update

Do Not Sit in Cash

- Despite recent strong markets, we are **witnessing record levels of cash on the sidelines.**
- Historically, there has been a **significant opportunity cost of holding cash**, even at peak interest rates.

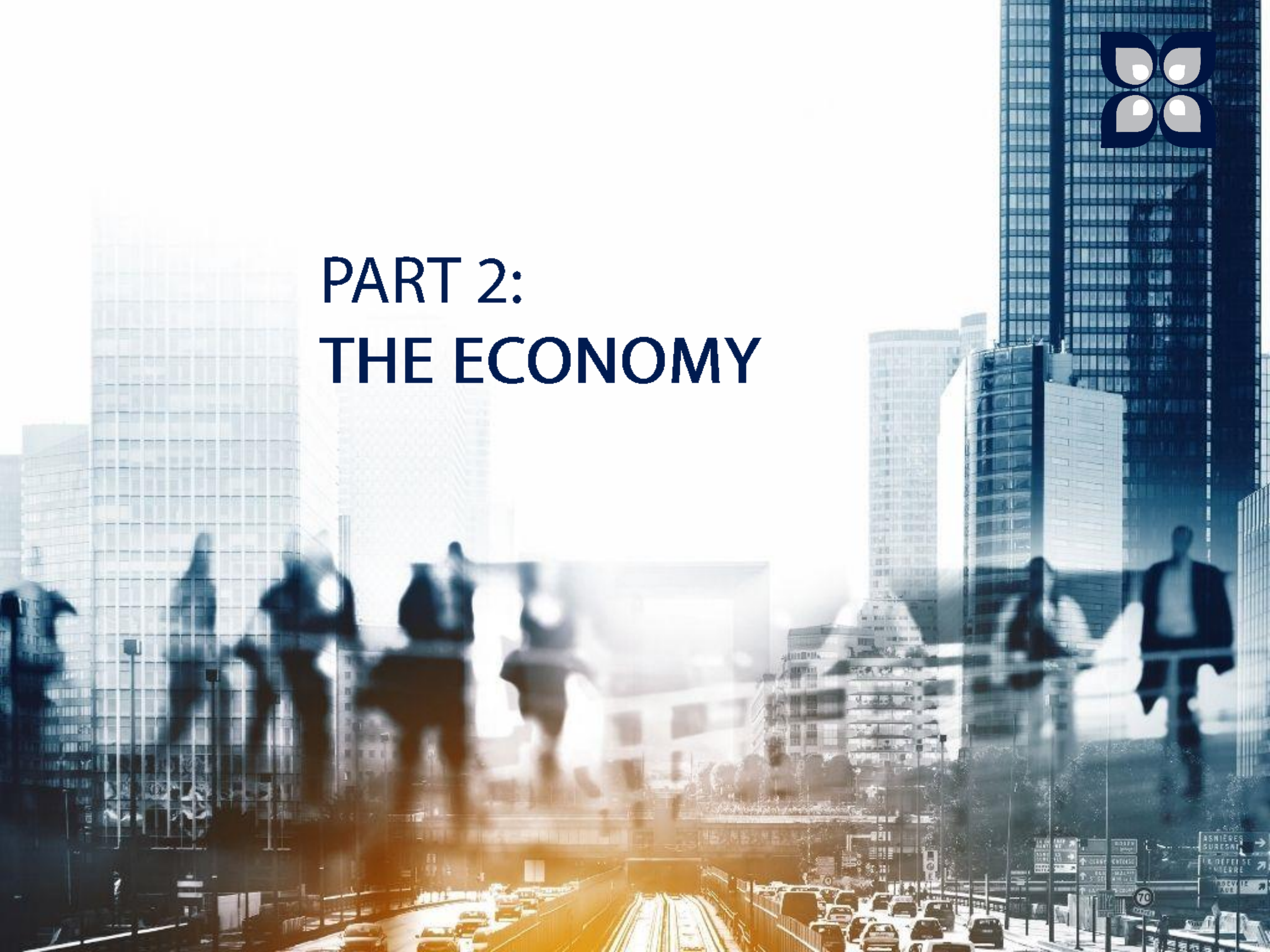
Investment opportunities outside of CDs

Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, J.P. Morgan Asset Management.

PART 2: THE ECONOMY



The Economy

Economic Outlook

- Economic growth forecasts have been revised higher, indicating an increased chance of a "soft" or "no landing."
- Labor market strength and consumer spending have underpinned the economy.
- The U.S. economy expanded +2.5% in 2023 and is expected to produce a more moderate +1.4% real GDP growth in 2024.
- The market also anticipates inflation will remain above the Fed's long-term target of 2% through at least 2025.

United States Economy	2021	2022	2023	2024 Est.	2025 Est.	2026 Est.
Real GDP (%y/y)	5.8	1.9	2.5	1.4	1.7	1.9
Household Consumption (Real, %y/y)	8.4	2.5	2.2	1.1	1.5	1.9
Government Consumption (Real, %y/y)	-0.3	-0.9	4.0	2.0	0.9	1.3
Gross Private Domestic Investment, Residential (Real, %y/y)	10.7	-9.0	-10.7	1.2	4.5	1.8
Gross Private Domestic Investment, Non-Residential (Real, %y/y)	5.9	5.2	4.4	1.3	2.2	2.9
Inflation						
CPI (%q/q, SAAR)	4.7	8.0	4.1	2.6	2.3	2.2
Core CPI (%q/q, SAAR)	3.6	6.1	4.8	2.8	2.4	2.1
PPI (%y/y)	7.0	9.5	2.0	1.6	1.2	1.1

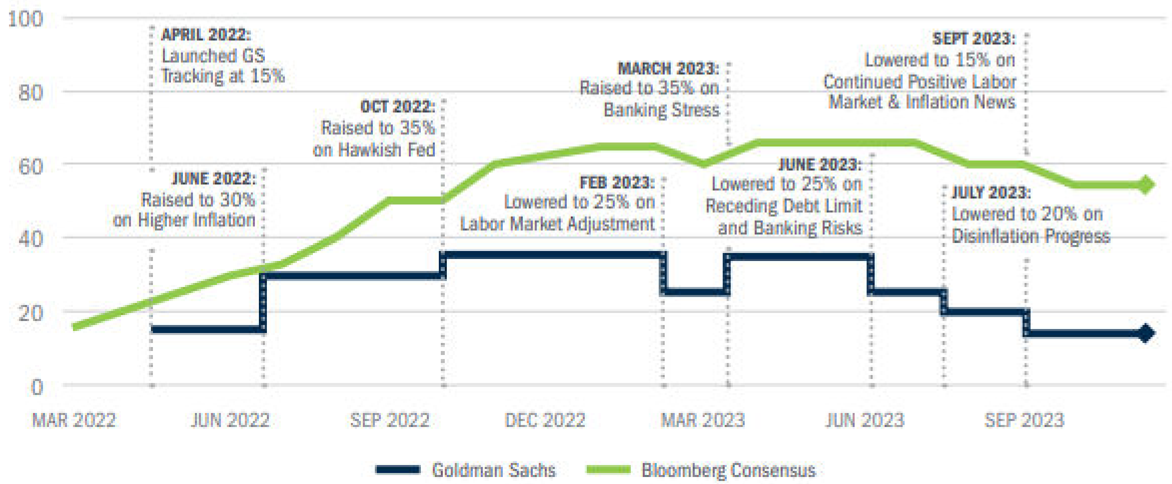
Source: FactSet

The Economy

Economic Outlook

- **Recession probabilities have fallen** on the back of **improvements in economic data**, though expectations remain for an **incremental slowdown in economic growth.**
- On the one hand, a **resilient consumer and easing financial conditions may support GDP growth**, on the other hand **labor market rebalancing, tight credit and leading economic indicators point towards a slowdown in growth.**

U.S. 12-Month Ahead Recession Probability

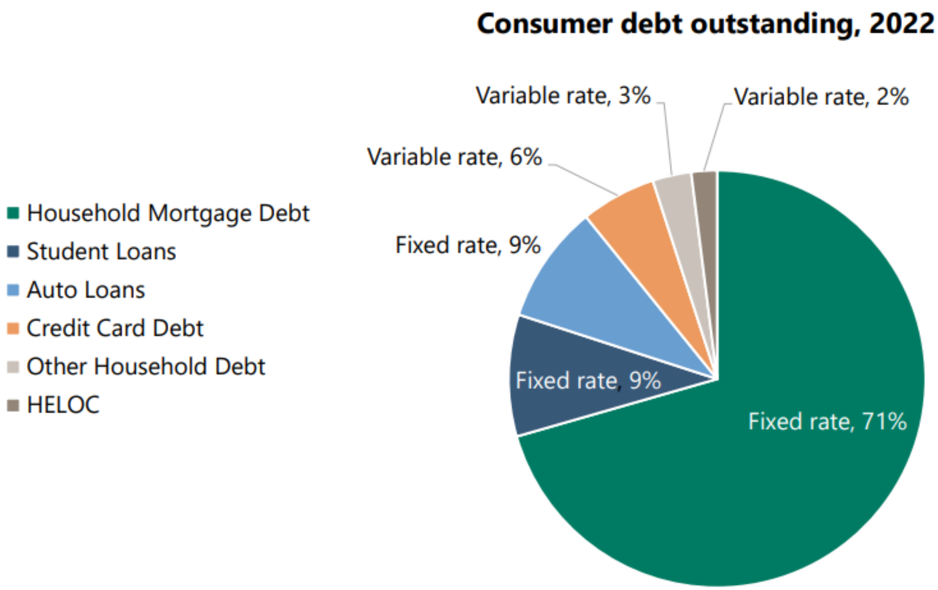


Source: Bloomberg, Goldman Sachs Global Investment Research

The Economy

Resilience of the Consumer

- Why has the consumer been so strong in the face of the Fed raising rates?
- **89% of U.S. consumer debt is fixed rate** (mortgage, student, and auto loans). As a result – and combined with significant excess savings built up during COVID – the **Fed's interest rate policies have had a limited impact on slowing consumer spending.**

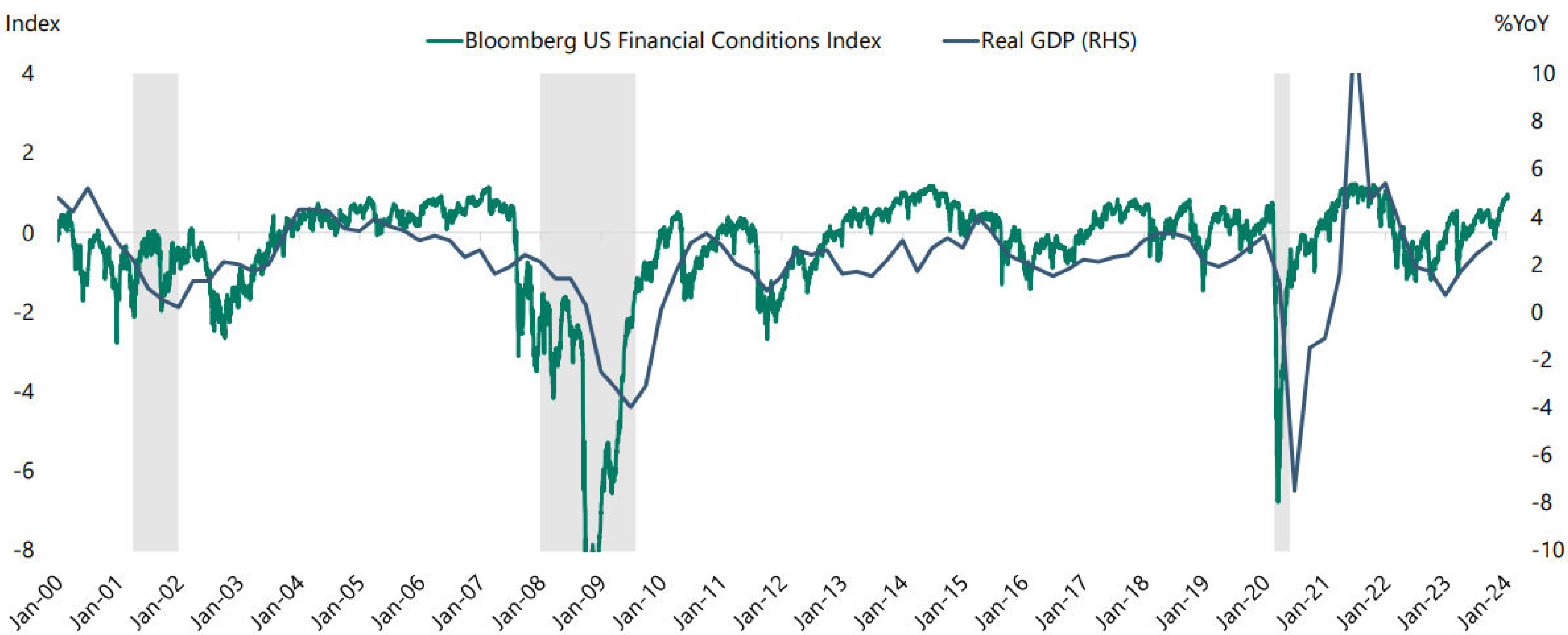


Source: FRBNY Consumer Credit Panel, Haver Analytics, Apollo Chief Economist

The Economy

Financial Conditions Easing

- Easier financial conditions point to a reacceleration in GDP growth in the coming months.

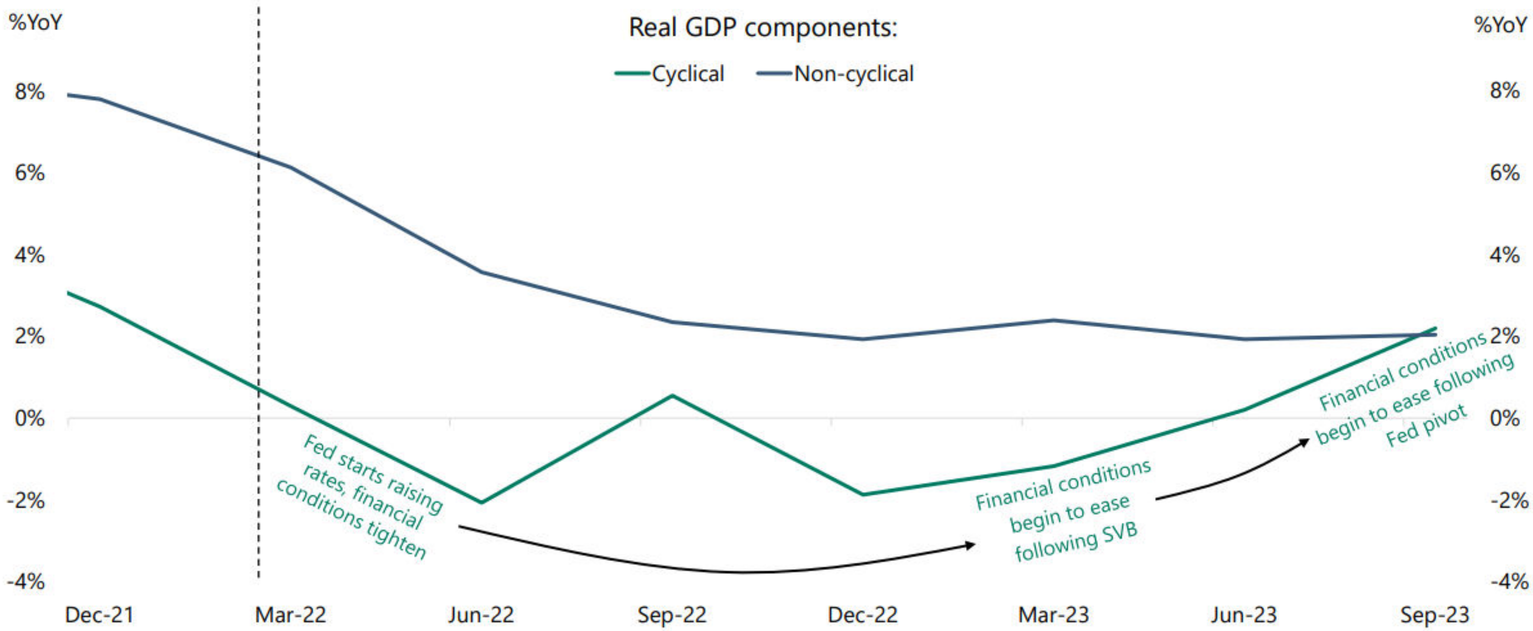


Source: BEA, Bloomberg, Apollo Chief Economist

The Economy

Cyclical Components of GDP Trending Higher

- Non-cyclical components of GDP have held up well, driven by a strong consumer.
- Cyclical components are more interest rate sensitive: housing, capital expenditures, and durable goods. These cyclical components slowed significantly when the Fed began raising interest rates. Recent easing in financial conditions may underpin cyclical components of GDP moving forward.

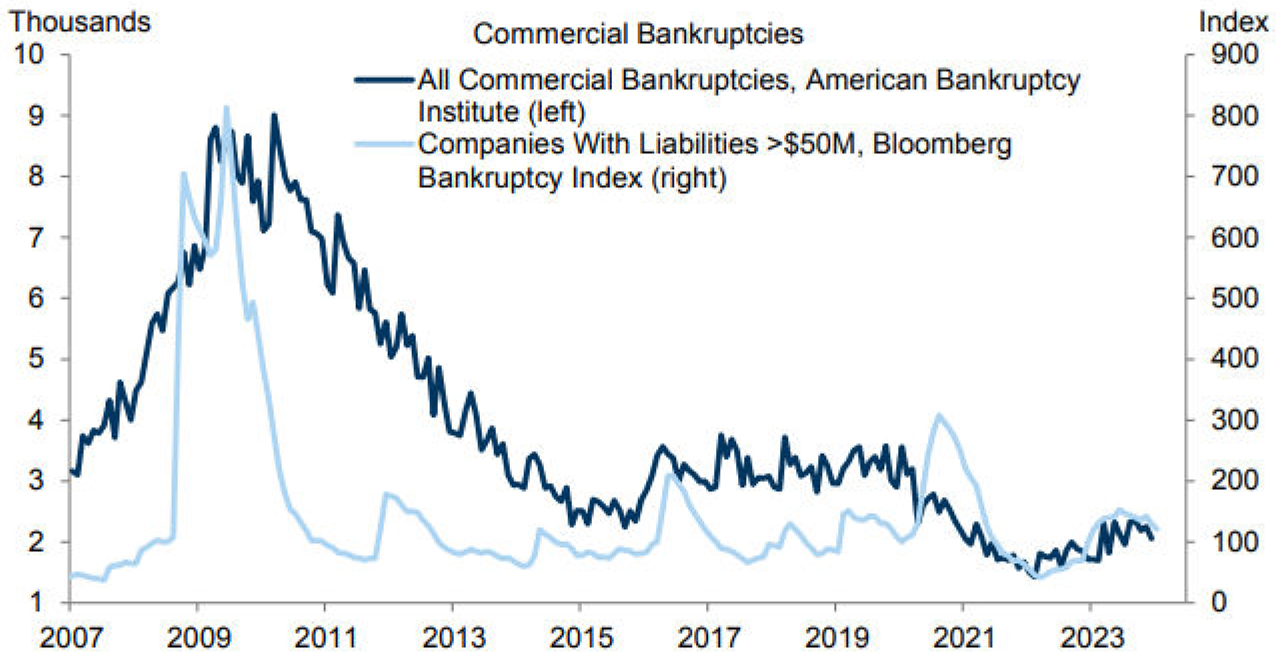


Source: BEA, Haver Analytics, Apollo Chief Economist. Note: Cyclical components include interest-sensitive components, i.e., durable goods consumption, nonresidential structures, equipment investment, and residential investment. Non-cyclical components include non-durable goods consumption, services consumption, and nonresidential investment in intellectual property products.

The Economy

Corporate Bankruptcies Contained

- A rise in corporate bankruptcies has hit the headlines, but the reality is current bankruptcies are well below pre-pandemic levels.

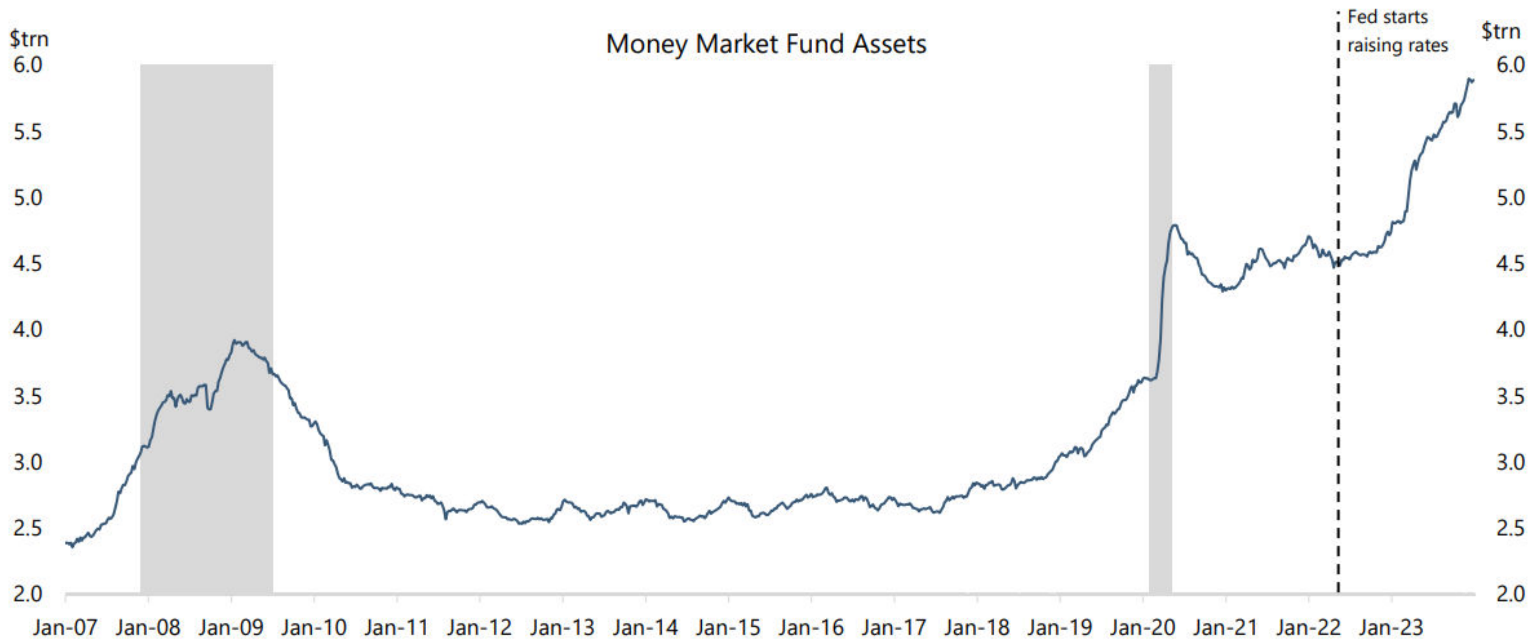


Source: American Bankruptcy Institute, Bloomberg, Goldman Sachs Global Investment Research

The Economy

Record Cash May Help Underpin Economic Growth

- Since the Fed started raising rates in March 2022, **money market assets have ballooned** and remain at historic highs.
- As the Fed cuts rates, expect to see some of this money flow into stocks and bonds, but it also may help **underpin the economy, in the form of increased business investment.**



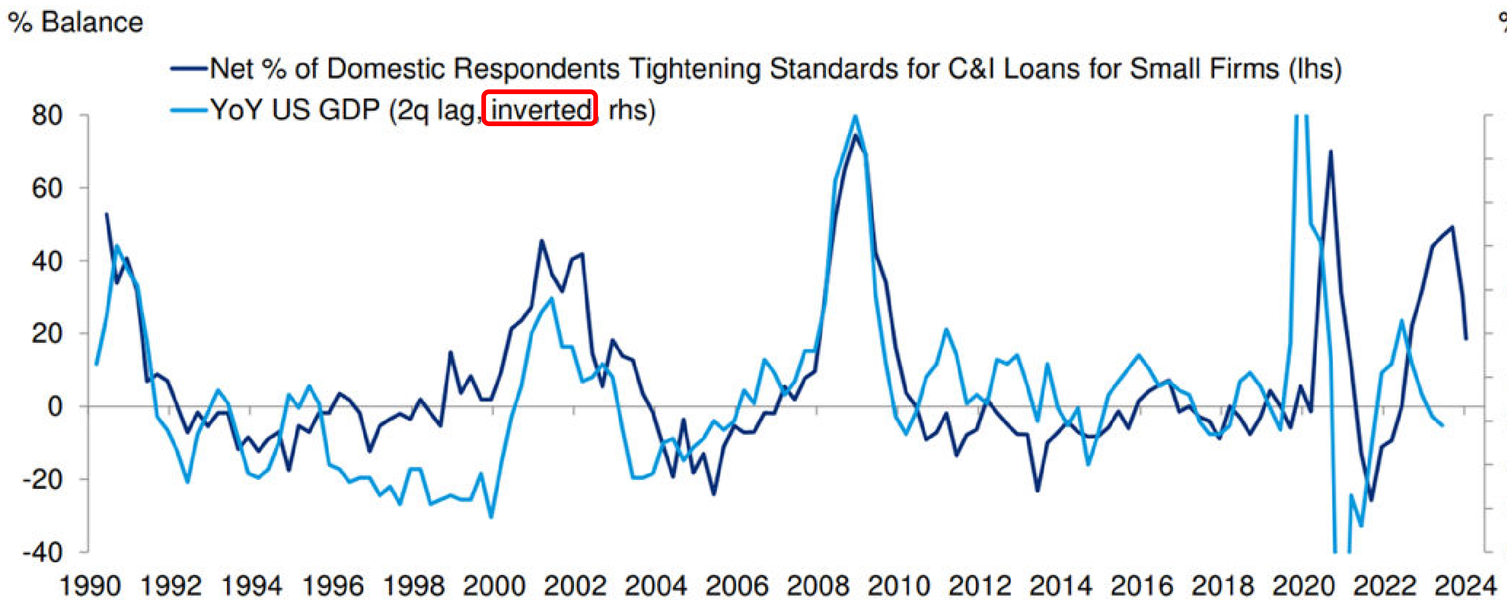
Source: Bloomberg, Apollo Chief Economist

The Economy

Tighter Credit Standards Point to Moderating Growth

- It's not all one-way for the economy. Historically, lending standards lead real GDP growth by approximately two quarters.
- As long as lending remains restrictive, there is a higher chance lending weighs on economic growth.

US Senior Loan Officers Survey (SLOOS) leads GDP by around a couple of quarters.

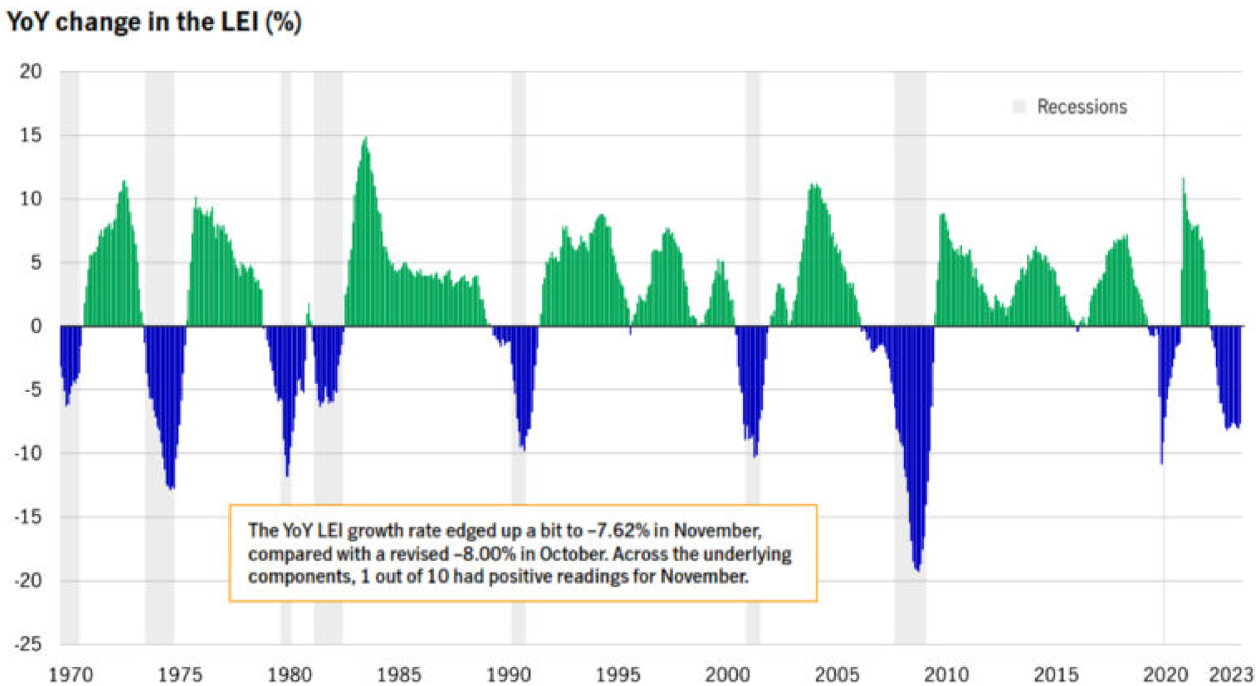


Source : FRB, BEA, Bloomberg Finance LP, Deutsche Bank

The Economy

Leading Economic Indicators Point to Moderating Growth

- Despite the economy's ongoing resilience, U.S. Leading Economic Indicators (LEI) indicate the possibility for a **downshift in economic activity** ahead.

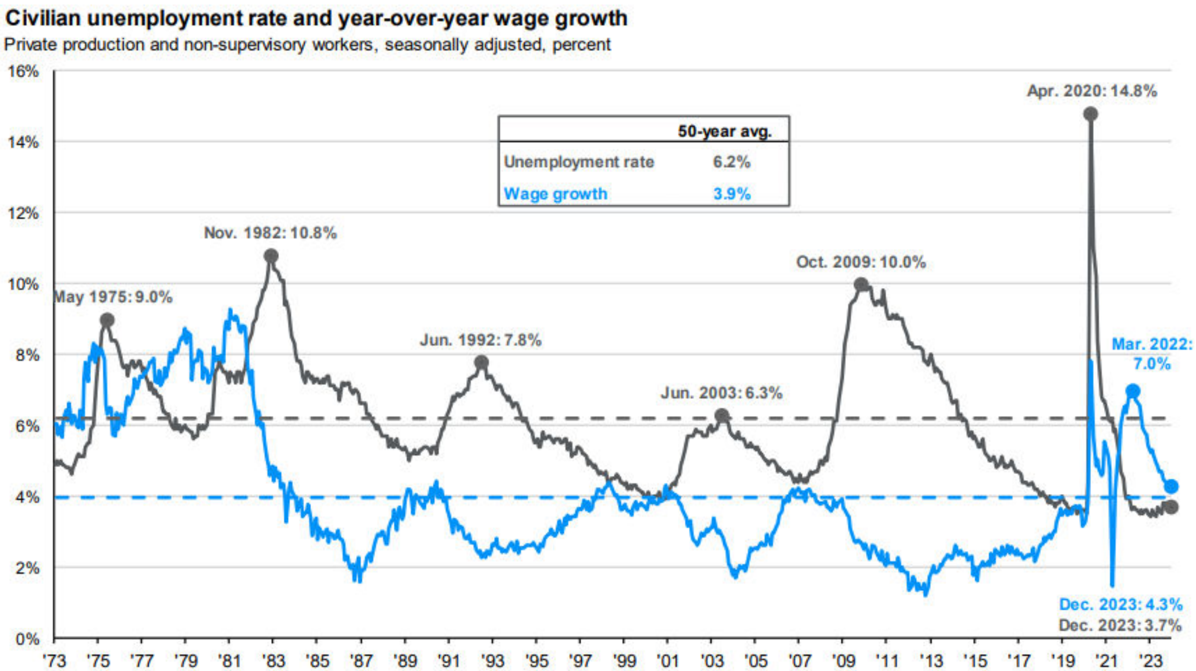


Source: The Conference Board, as of 11/30/23.

The Economy

Labor Market

- The unemployment rate has stayed below 4% for 25 straight months – it's been a **very long period of labor market strength.**
- Despite this, **wage growth has been moderating**, which may help contain overall inflation.



Source: BLS, FactSet, J.P. Morgan Asset Management. Private production and non-supervisory jobs represent just over 80% of total private nonfarm jobs.

The Economy

Bifurcated Labor Force Participation

- **Labor force participation for the prime working age population (25-54-year-olds) is at historically high levels**, whereas labor force participation for those over 55 years of age is at historically low levels.

- Underpins the **tightness in the labor market**, with many 25-54-year-olds actively wanting to work, whereas many participants in the 55+ cohort have chosen not to, often a lifestyle choice.

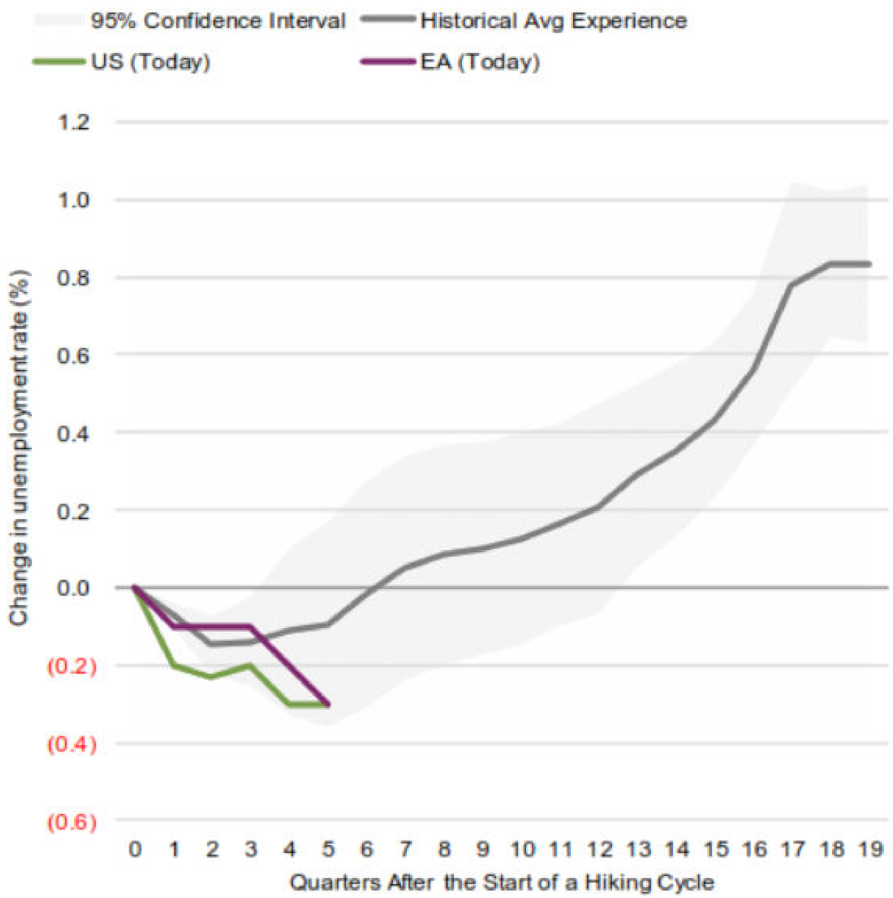
Source: BLS, Conference Board, FactSet, ISM, NFIB, J.P. Morgan Asset Management.

The Economy

Labor Market Rebalancing

- Historically – and contrary to conventional wisdom – the **unemployment rate *falls* as central banks hike interest** rates.
- We expect the **unemployment rate to migrate higher from here,** in line with historic trends.
- This may **weigh on consumer spending and act to moderate economic growth.**

Unemployment rate, past hiking cycles vs today

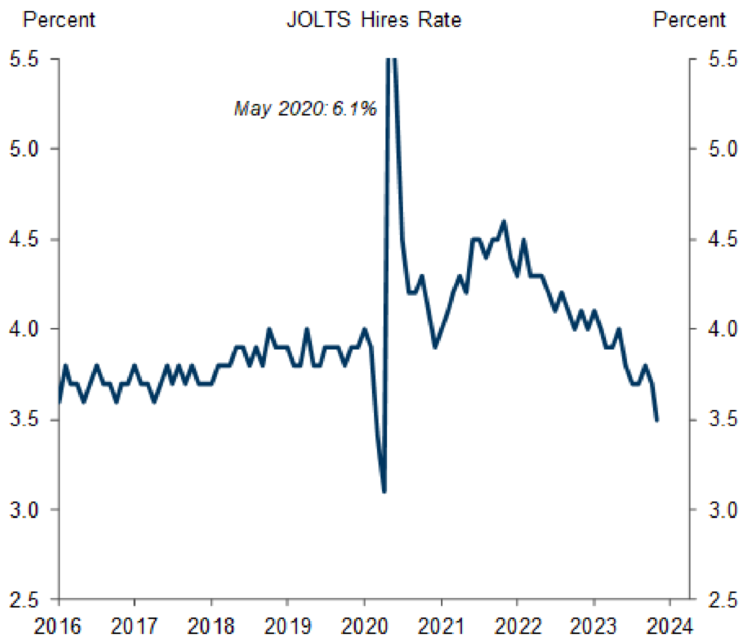


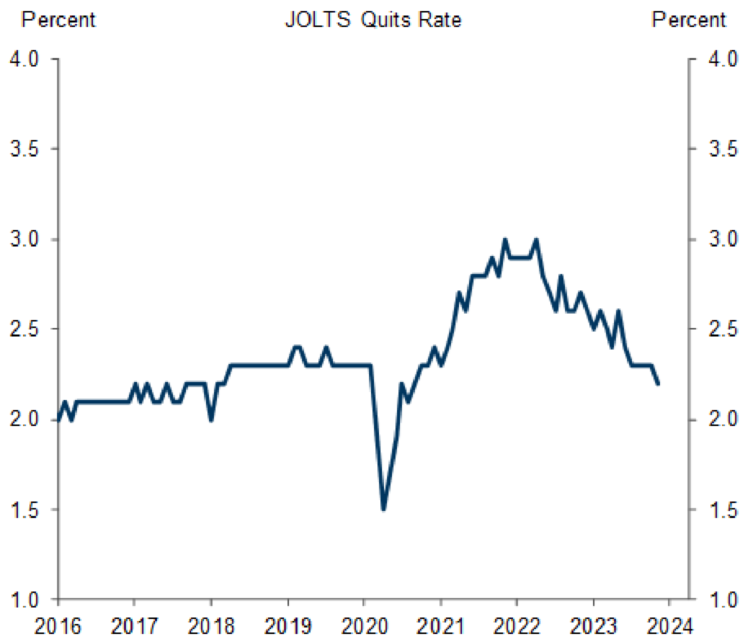
As of 30 September 2023. Source: Haver, PIMCO calculations.

The Economy

Labor Market Rebalancing

- Hiring and quit rates are now below pre-pandemic levels.



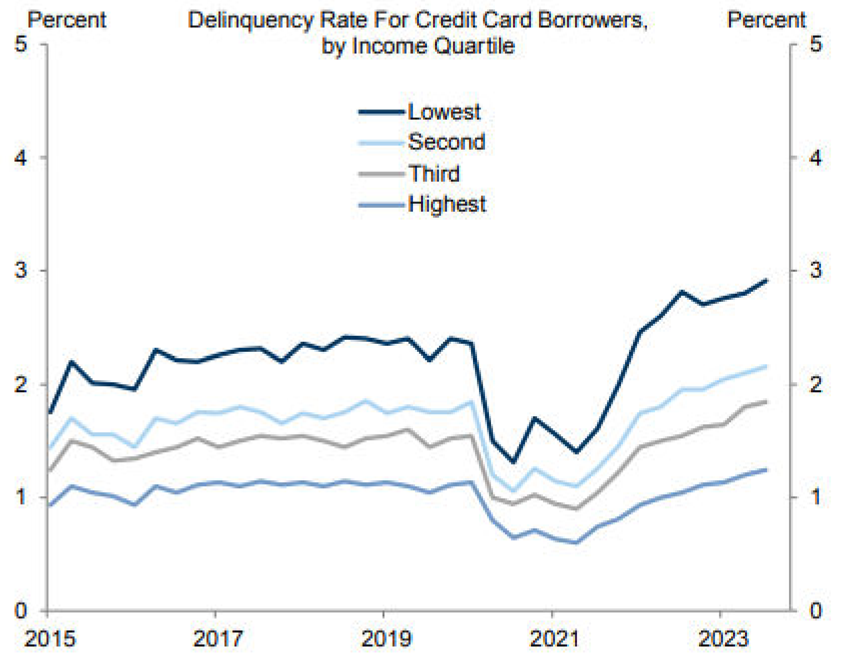


Source: Haver Analytics, Goldman Sachs Global Investment Research

The Economy

A Weakening Consumer?

- While the labor market continues to rebalance, consumer delinquency and defaults have risen, especially for credit cards and across all income quartiles. This may weigh on consumer spending moving forward.

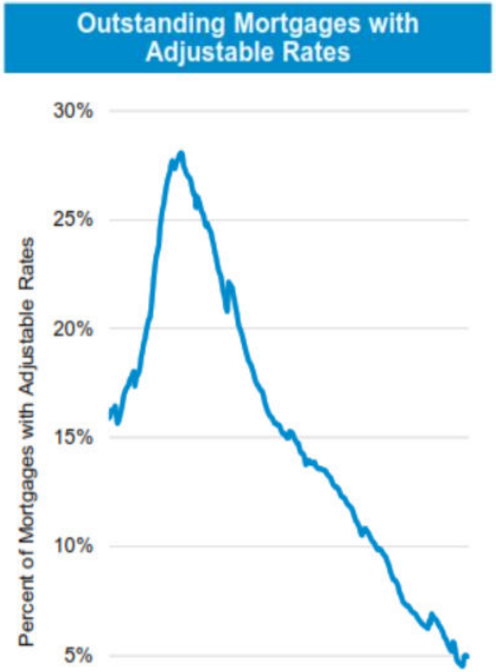


Source: Federal Reserve, Goldman Sachs Global Investment Research

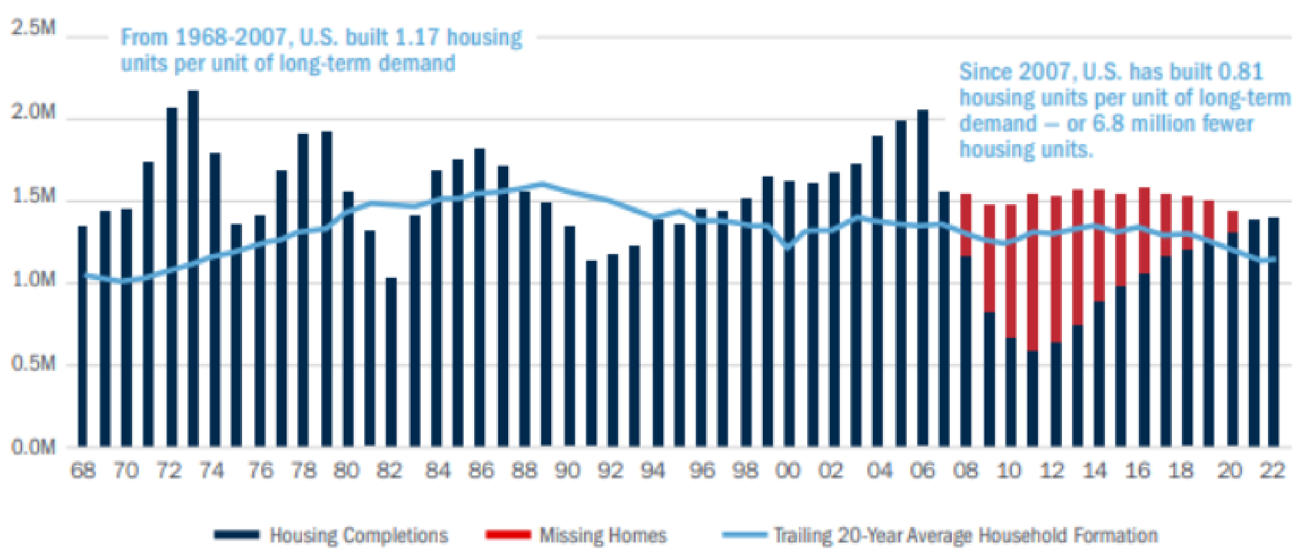
The Economy

Housing Market: this is not 2008

- Very few mortgages in the U.S. are directly exposed to higher interest rates (adjustable).
- The undersupply of housing that has existed since the Global Financial Crisis of 2008 continues to support housing pricing dynamics.



Source: PIMCO, Bloomberg as of 31 December 2022.



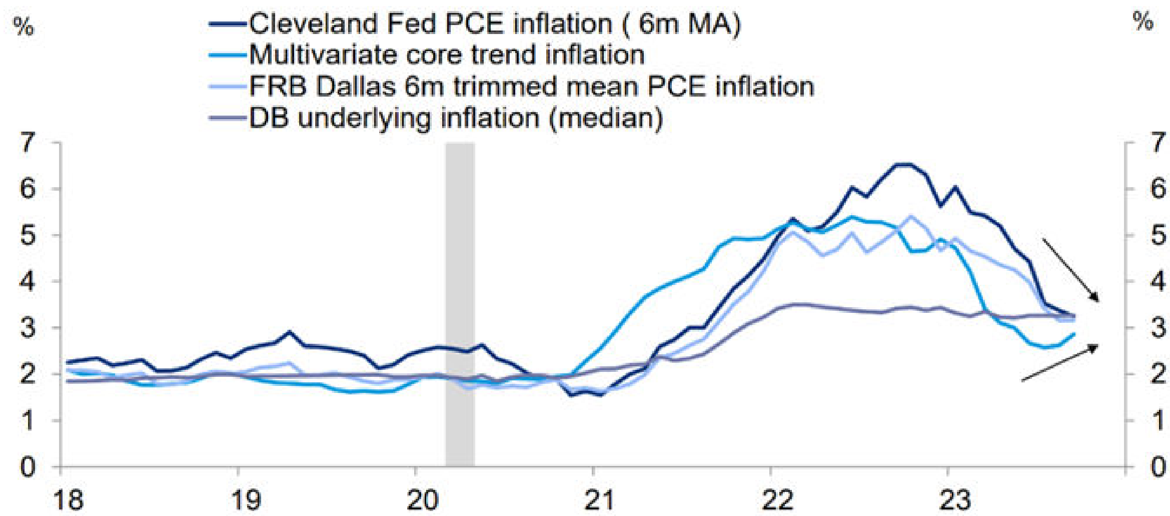
Source: Census Bureau, CBRE Investment Management, 2022. Housing construction figures are annualized through August 2022.

The Economy – Inflation

Inflation Trending Lower, But Remains Above the Fed's Target

- **Inflation measures continue to trend lower** but remain above the Fed's long-term target of 2%. Current issues may **complicate the Fed's goal of bringing inflation back to 2%.**

- Consensus estimates inflation will not approach the Fed's 2% goal until at least 2025; the Fed has communicated it **will not rush to cut rates** until the Fed sees continued movement towards its goal.



Source: FRB Dallas, FRB Cleveland, FRB New York, Haver Analytics, Deutsche Bank

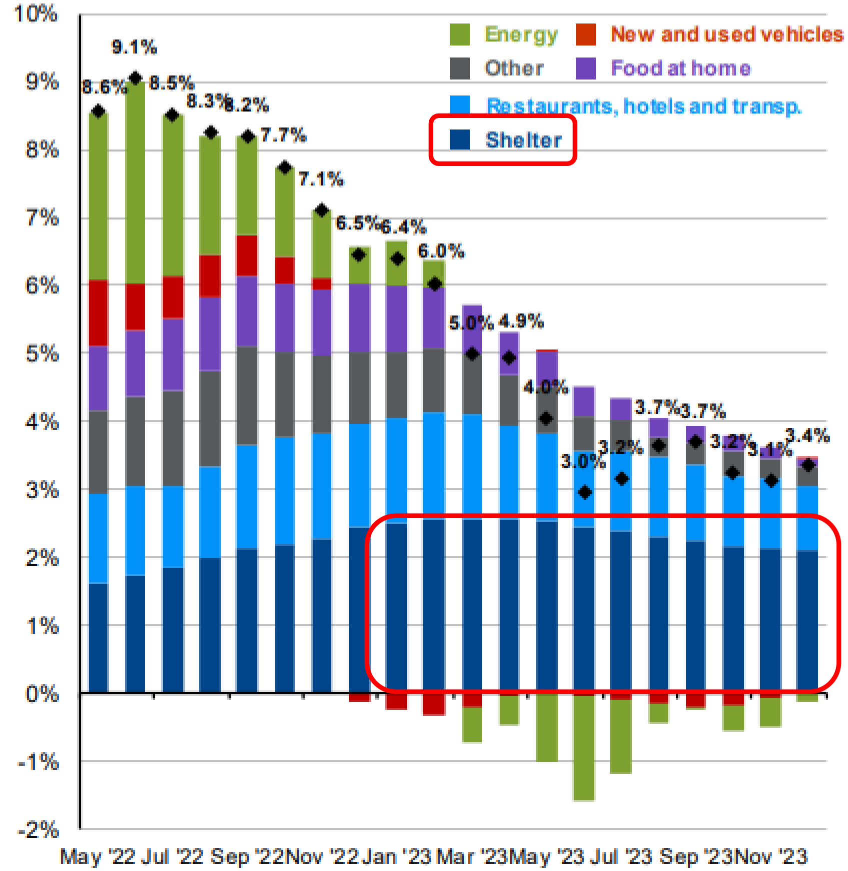
The Economy – Inflation

Shelter Inflation

- Many components of inflation have already eased.
- One key component that **remains elevated is shelter inflation.**
- Shelter inflation should ease in the months ahead, as rental growth rates abate, and **increased housing supply comes into the market near term.**
- With that said, the **new supply of housing is set to fall off a cliff thereafter,** and combined with a **rebounding housing market, shelter inflation may again become elevated.**

Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted

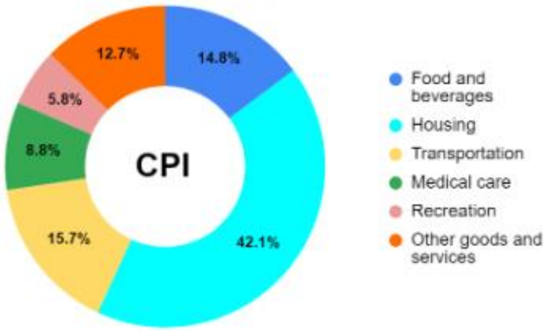


Source: BLS, FactSet, J.P. Morgan Asset Management.

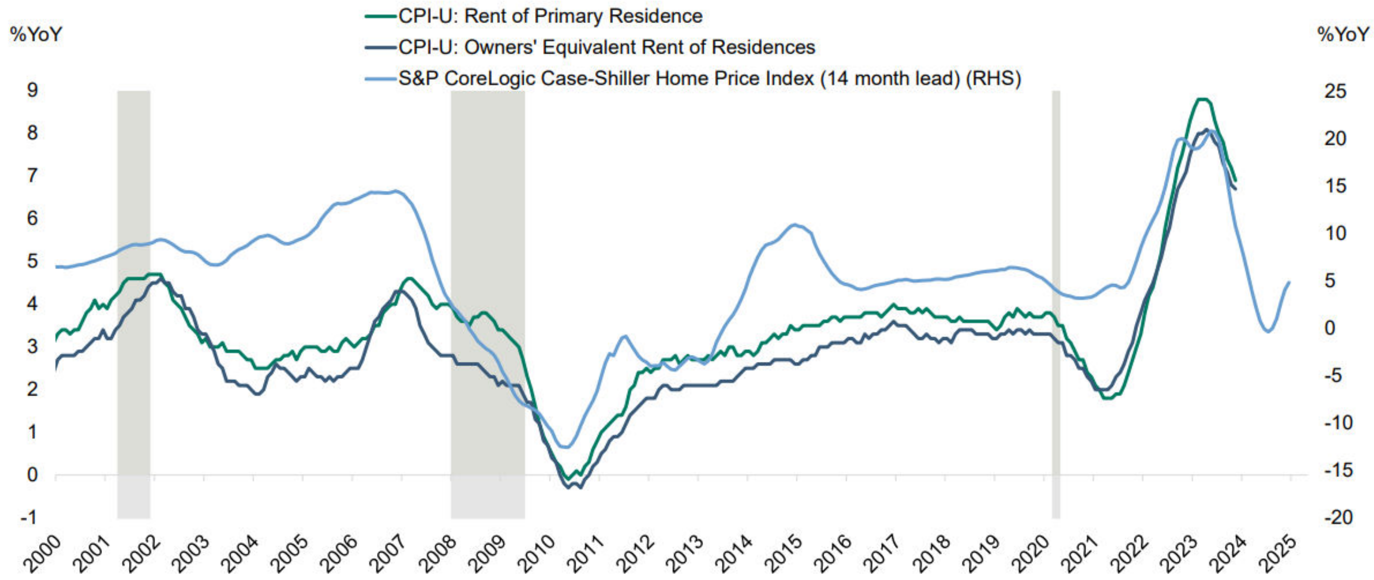
The Economy – Inflation

Shelter Inflation

- Housing makes up over 40% of overall CPI. Shelter inflation may continue to ease in the near term. If the housing market continues to rebound, it may lead to elevated shelter inflation, thus complicating the Fed's path toward its 2% inflation target.



Source: BLS, BEA

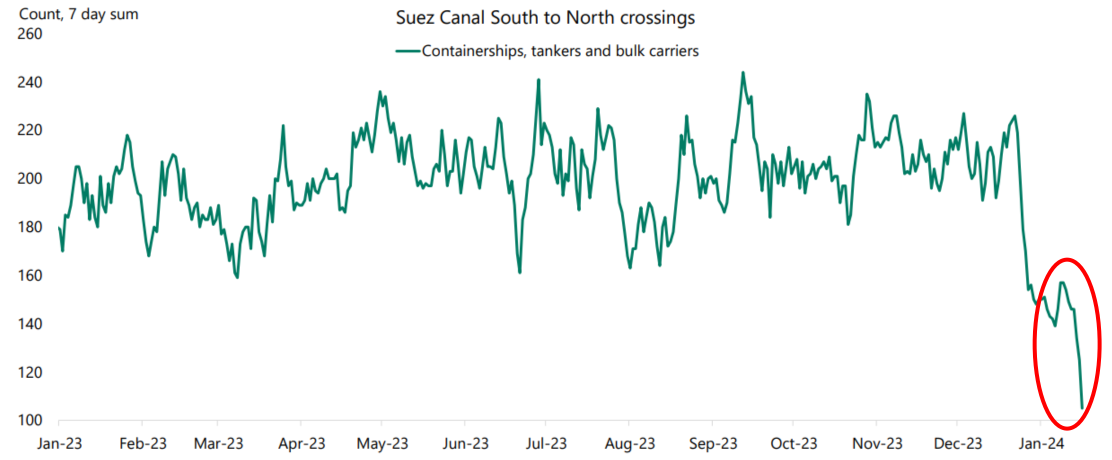


Source: Haver Analytics, BLS, S&P, Apollo Chief Economist

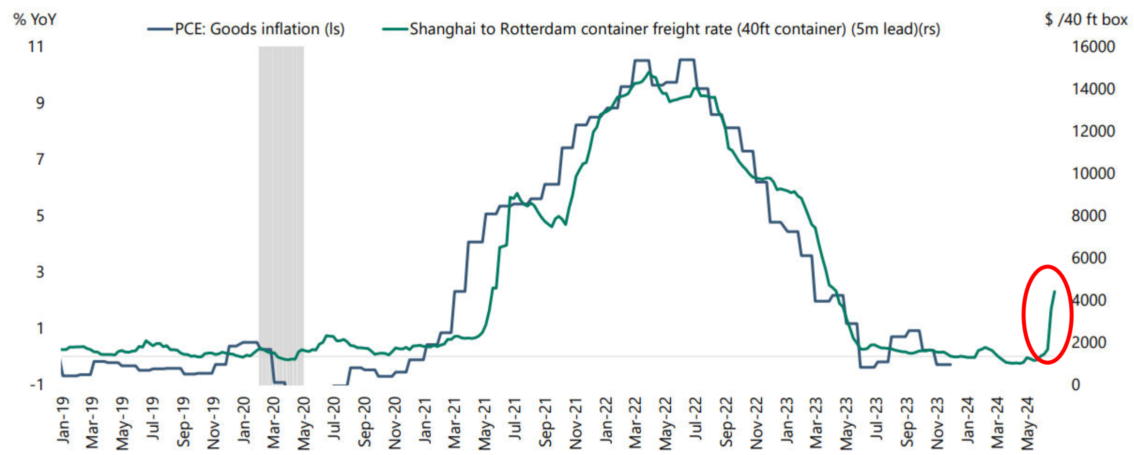
The Economy – Inflation

Geopolitical Concerns Further Complicate Inflation

- Suez Canal ship traffic has **declined 50%** in response to the Houthi attacks in the Red Sea.
- As a result, **shipping costs have increased significantly**, which may put renewed **upward pressure on goods inflation.**
- Again, complicating the Fed's goal of bringing inflation back to 2%.



Source: Bloomberg, Apollo Chief Economist



Source: BEA, Bloomberg, Apollo Chief Economist

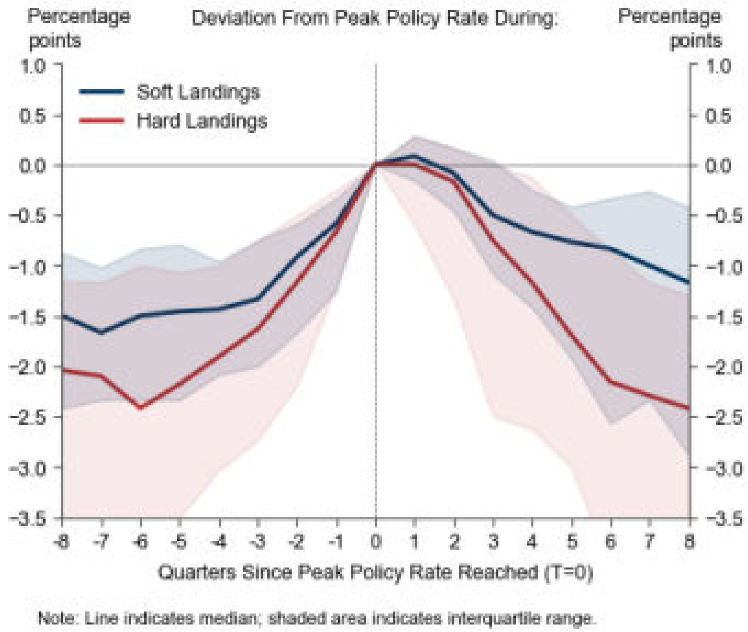
The Economy – Fed Policy

Fed Cuts on the Horizon

- Assuming we experience a "soft landing" economic outcome – if history is a guide – we should expect relatively shallow and gradual rate cuts.

- During soft landings central banks tend to cut by less than half as much as "hard landings", and in two-thirds of cases, cut by less than 2% in the two years after finishing their hiking cycle.

  - This is in line with the Fed's interest rate forecasts and supports the outlook for higher-for-longer interest rates.



Source: Haver Analytics, Goldman Sachs Global Investment Research

The Economy – Fed Policy

Fed Cuts on the Horizon

- The Fed's most recent economic projections ("dot plot" forecasts) indicate the Fed **anticipates a "soft landing".**
  - ➢ Rosier near-term economic growth outlook, robust but moderating labor market, and reduced but still elevated inflation.
- With this backdrop, the Fed **has indicated three 25 basis point cuts are likely in 2024,** followed by another four 25 **basis point** cuts in 2025.
- We believe the Fed would need to see a significant deterioration in economic fundamentals **for the Fed to consider cutting rates more aggressively** than its current timeline suggests.

Economic Projections of Fed Board members and presidents, December 2023

Percent

Variable	Median 2023	2024	2025	2026	Longer run
Change in real GDP	2.6	1.4	1.8	1.9	1.8
September projection	2.1	1.5	1.8	1.8	1.8
Unemployment rate	3.8	4.1	4.1	4.1	4.1
September projection	3.8	4.1	4.1	4.0	4.0
PCE inflation	2.8	2.4	2.1	2.0	2.0
September projection	3.3	2.5	2.2	2.0	2.0
Core PCE inflation[4]	3.2	2.4	2.2	2.0	
September projection	3.7	2.6	2.3	2.0	
Memo: Projected appropriate policy path		-0.75	-1.00%		
Federal funds rate	5.4	4.6	3.6	2.9	2.5
September projection	5.6	5.1	3.9	2.9	2.5

Source: Federal Reserve

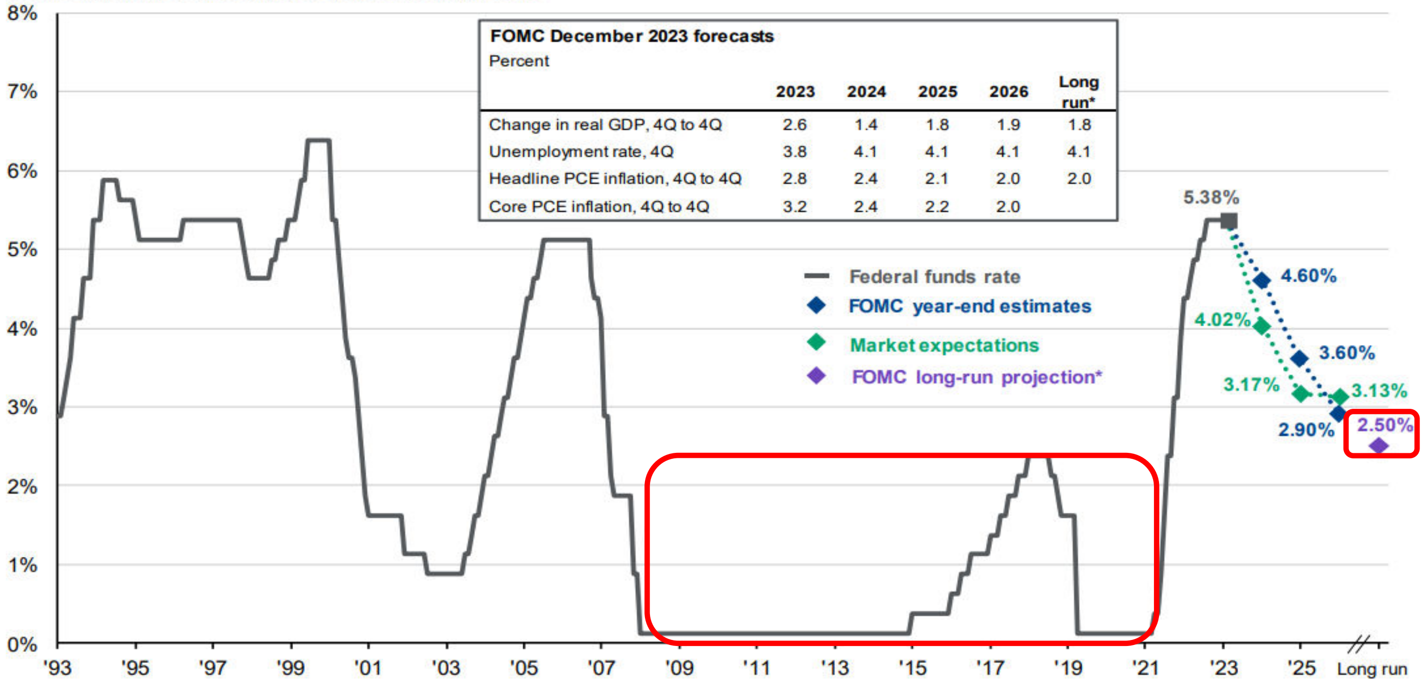
The Economy – Fed Policy

New Phase for Monetary Policy

- We anticipate **tighter monetary policies in the years ahead** relative to those experienced post-2008 through 2021. Even if the Fed gets the fed funds rate back to its long-term target rate of 2.5%, monetary policy will **still represent tighter monetary policy relative to the 2008-2021 era.**

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



FOMC December 2023 forecasts

Percent

	2023	2024	2025	2026	Long run*
Change in real GDP, 4Q to 4Q	2.6	1.4	1.8	1.9	1.8
Unemployment rate, 4Q	3.8	4.1	4.1	4.1	4.1
Headline PCE inflation, 4Q to 4Q	2.8	2.4	2.1	2.0	2.0
Core PCE inflation, 4Q to 4Q	3.2	2.4	2.2	2.0	

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

PART 3: OUTLOOK

Outlook

Monetary Policy Implications

- Historically, there is a big performance difference for stocks when the Fed cuts rates and a recession does not occur.

➢ Stock market returns should be supported should the economy avoid a recession.

S&P 500 price change x months after first cut with how long it took for a recession to occur.

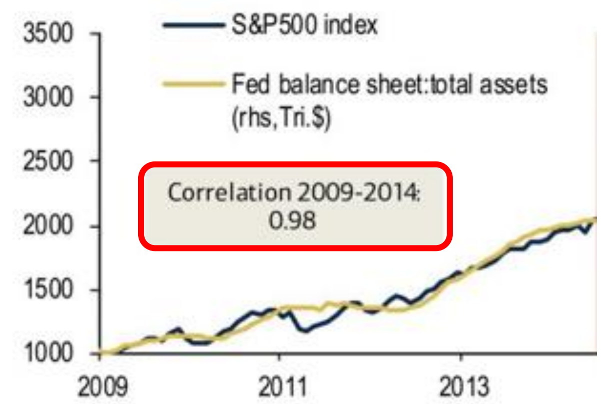
First cut date	Months before (after) recession	3m	6m	9m	12m	18m	24m
11/12/1957	-2	3%	10%	21%	34%	46%	44%
6/14/1960	-1	-4%	-2%	9%	14%	24%	-6%
11/22/1966	38	10%	15%	18%	18%	22%	33%
2/10/1970	-1	-8%	-11%	-2%	13%	9%	23%
7/1/1974	-7	-26%	-20%	-4%	10%	5%	20%
4/1/1980	-2	12%	24%	33%	34%	15%	11%
1/16/1981	7	0%	-3%	-12%	-14%	-18%	9%
10/2/1984	70	1%	10%	17%	13%	44%	43%
10/19/1987	34	11%	15%	19%	23%	37%	54%
6/5/1989	14	9%	9%	4%	14%	2%	20%
7/6/1995	69	5%	11%	18%	19%	35%	66%
9/29/1998	31	18%	25%	29%	21%	44%	37%
1/3/2001	3	-18%	-8%	-20%	-14%	-29%	-33%
9/18/2007	4	-4%	-12%	-12%	-21%	-48%	-30%
7/31/2019	8	2%	8%	-2%	10%	25%	47%
Average		**1%**	**5%**	**8%**	**12%**	**14%**	**23%**
Median		**2%**	**9%**	**9%**	**14%**	**22%**	**23%**
Average if recession		**-5%**	**-2%**	**1%**	**7%**	**3%**	**10%**
Average if no recession		**9%**	**14%**	**18%**	**18%**	**31%**	**42%**

Source : Bloomberg Finance LP, Deutsche Bank

Outlook

Monetary Policy Implications

- Longer term, the **importance of monetary policy on stock returns cannot be overstated.**
- Fed policy influences financial markets; **there is a very high correlation between the Fed's balance sheet and the S&P 500.**
- The tailwind of easy policies that were in place in the post-2008 years ending 2021 has been removed.
- As such, we anticipate some **moderation in stocks**, with future returns in line with historic averages of **high single-digit annualized returns.**



Source: Standard & Poor's; Federal Reserve Board

S&P500 performance and Fed net QE since the pandemic began

Source: Federal Reserve Board, Bloomberg, Apollo Chief Economist. (FED QE = Fed total assets – Balance of the Treasury General Account – Temporary cash added/drained through Overnight Reverse Repo).

Outlook

Inflation Implications

- Inflation peaked in June 2022 at 9.1%. Since then, inflation has steadily declined.
- Historically, falling inflation has helped underpin stock and bond returns.
- Given the strength already experienced for stocks, we may see some moderation in returns moving forward.
- On the other hand, bonds have experienced relative weakness (despite recent strength), which may indicate further upside potential.

Returns following "peak" inflation rates

Since 1926, returns for the next 12 months

Peak Inflation	Next 12 months	
	Stocks	Bonds
May 1934	4.8%	6.3%
May 1942	57.6%	2.0%
Mar 1947	5.3%	0.9%
February 1951	13.6%	0.3%
December 1969	4.0%	16.9%
December 1974	37.0%	7.8%
March 1980	40.1%	13.1%
November 1990	20.3%	14.4%
July 2008	-20.0%	7.9%
June 2022	20.6%	-0.9%
Avg.	*18.3%*	*6.9%*
June '22 to Dec '23 (cumulative)	**29.2%**	**2.4%**

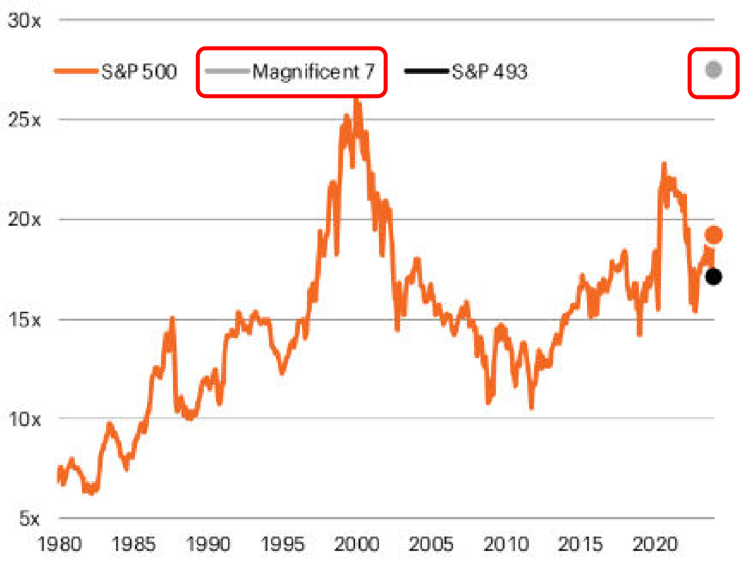
Source: Morningstar, Bureau of Labor Statistics as of 12/31/23.

Outlook

Valuation Implications

- High valuations may challenge future returns. This is particularly acute for the "magnificent 7" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla).

U.S. forward equity multiples



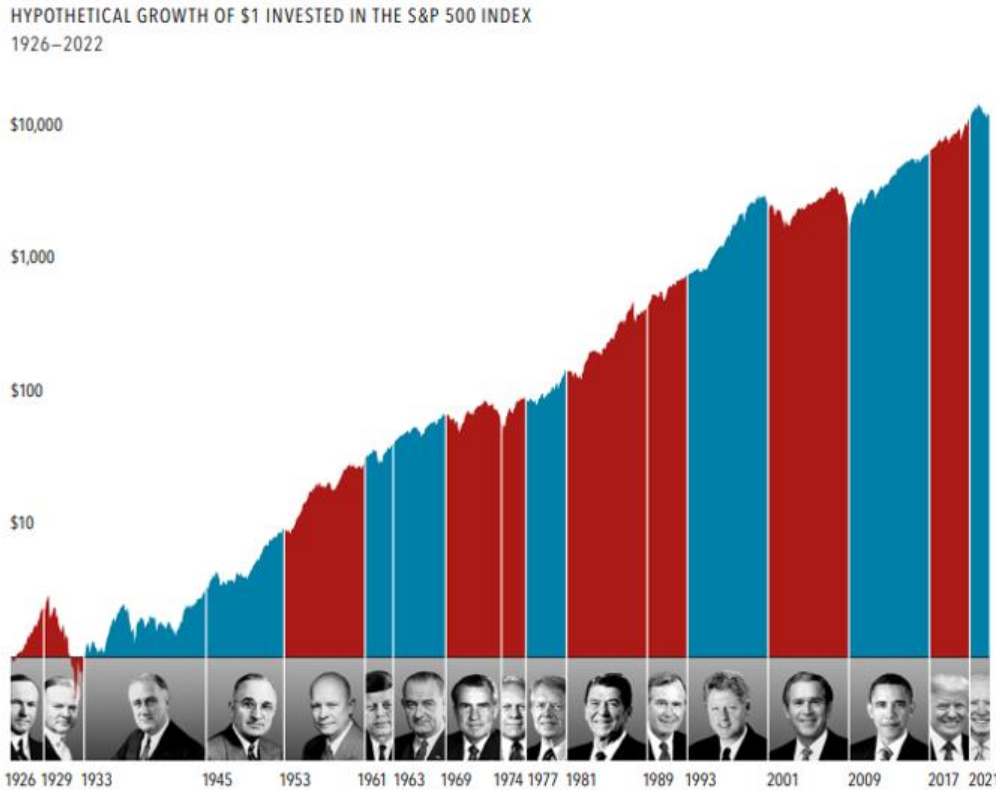
Source: Bloomberg Finance, L.P., as of December 31, 2023.

Starting P/E range	6.2–10.9	10.9–13.9	13.9–15.4	15.4–17.6	17.6–26.1
Quintile	1	2	3	4	5
Average forward returns (annualized)					
1 year	21%	15%	11%	13%	5%
2 years	18%	16%	10%	13%	3%
3 years	17%	16%	10%	13%	3%
5 years	17%	15%	13%	9%	2%
10 years	16%	14%	10%	8%	2%

Outlook

Election Year

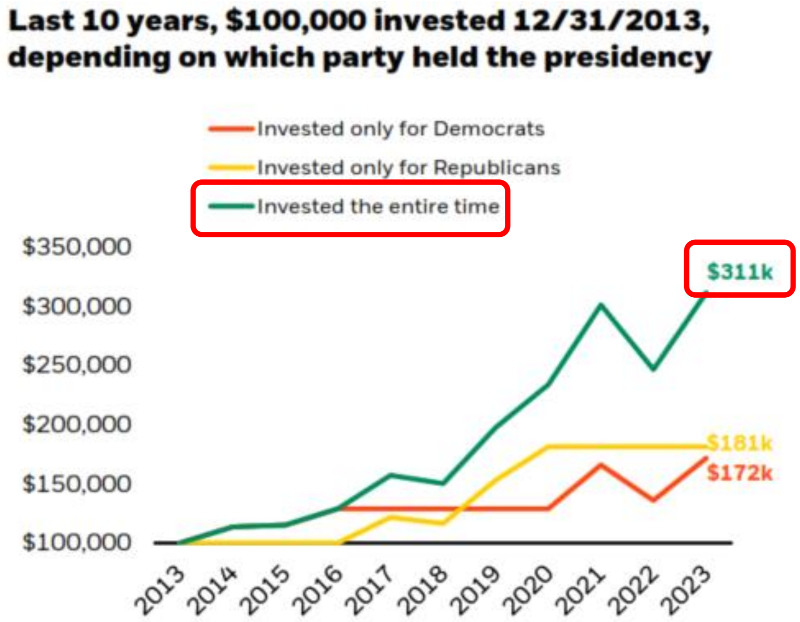
- There has been little bearing on the long-term trend of the stock market, **regardless of which political party wins the White House.**
- We have witnessed **solid stock market gains and economic growth under Democrat-controlled, Republican-controlled, and divided governments.**
- The President is just one factor that impacts market returns – interest rates, productivity, technological advances, etc. all have a bearing on stock market returns.

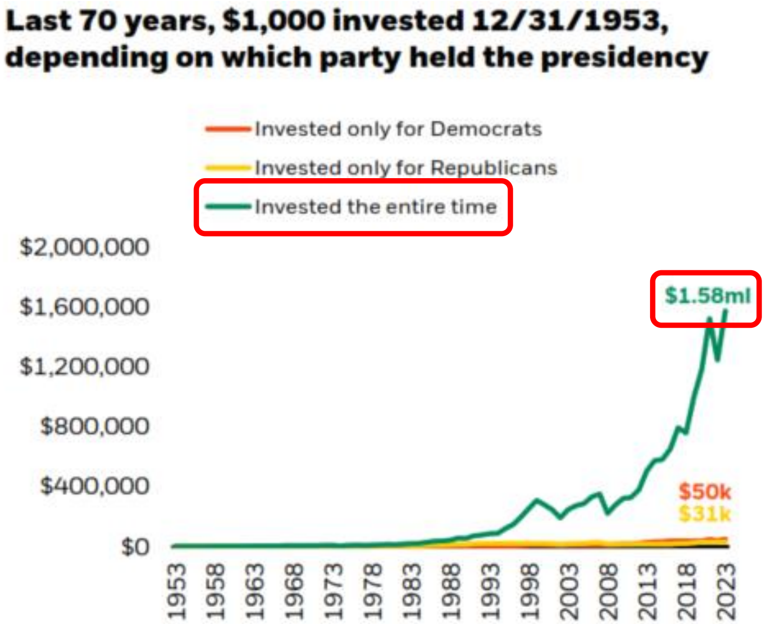


Outlook

Election Year

- Taking a long-term view, **time in the market benefits investors the most**, not the political party of the president.



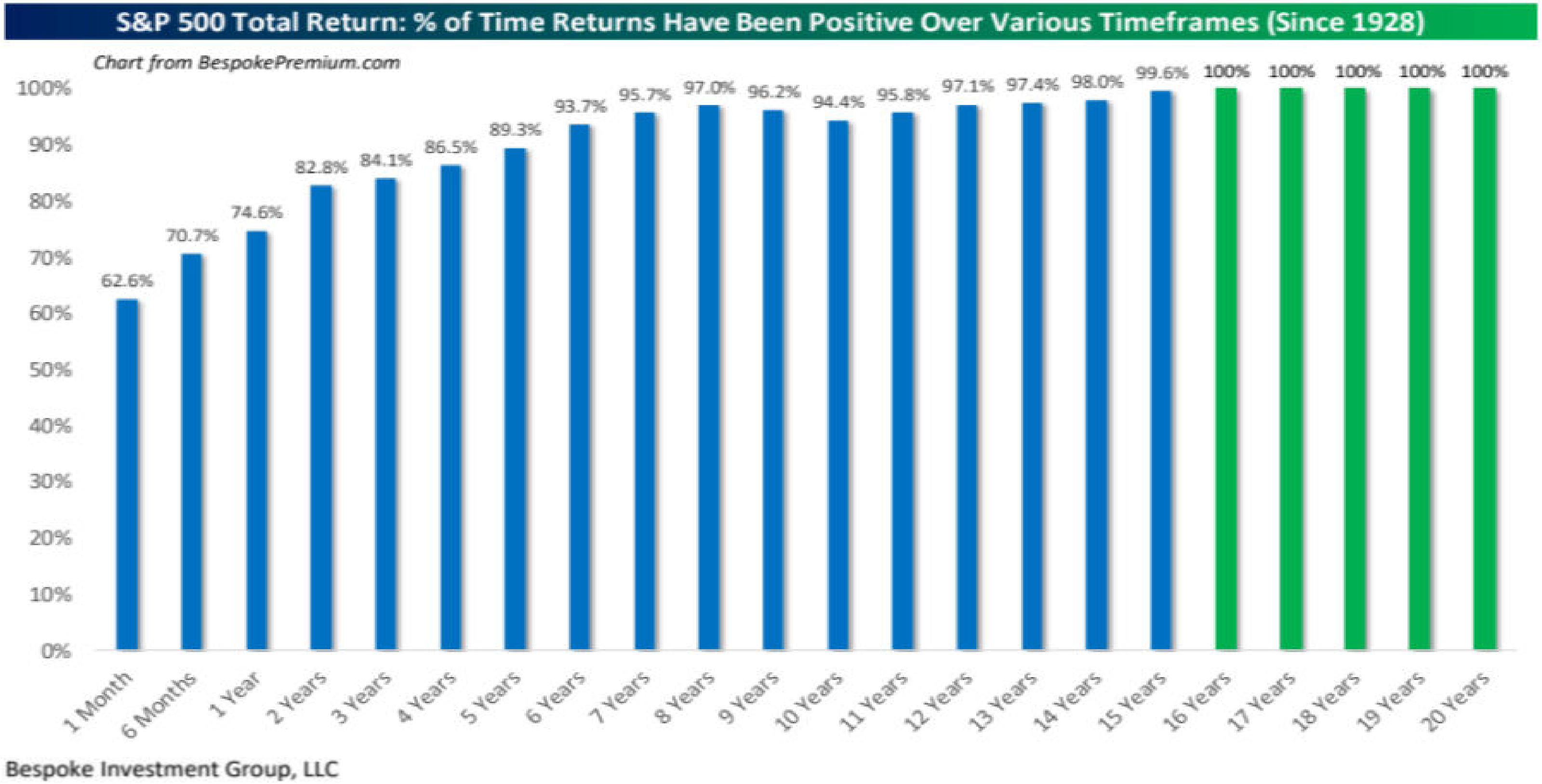


Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 12/31/23 and IA SBBI U.S. large cap stocks index from 1/1/54 to 1/1/70.

Outlook

Stocks: Take the Long View

- The longer you stay invested, the greater your probability of success. Since 1928, all 16-year or more timeframes have produced a positive total return for the S&P 500.



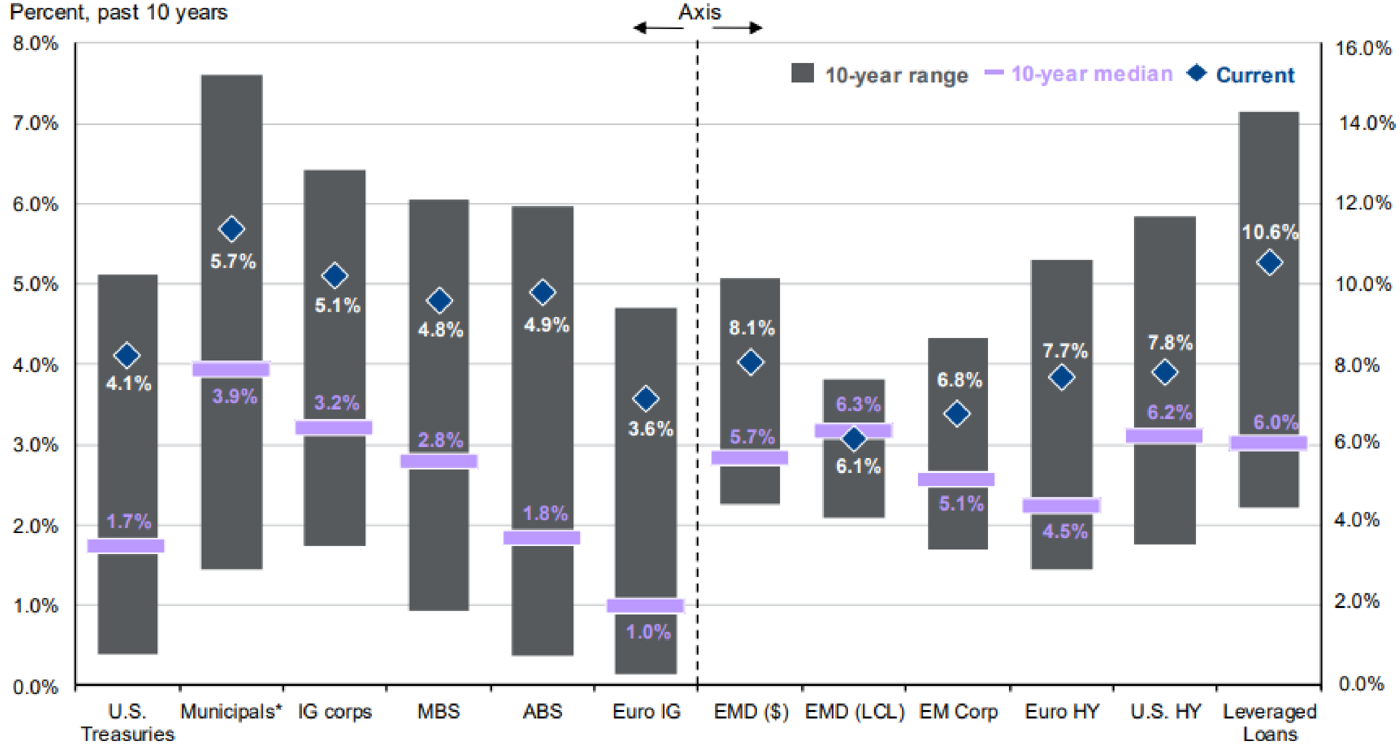
Outlook

Bonds: Constructive on Outlook

- **Bond yields are much more attractive today** relative to the end of 2021. Many of our preferred bond funds are **currently yielding mid-to-high single digits.**

Yield-to-worst across fixed income sectors

Percent, past 10 years



Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management

Outlook

Bonds: Constructive on Outlook

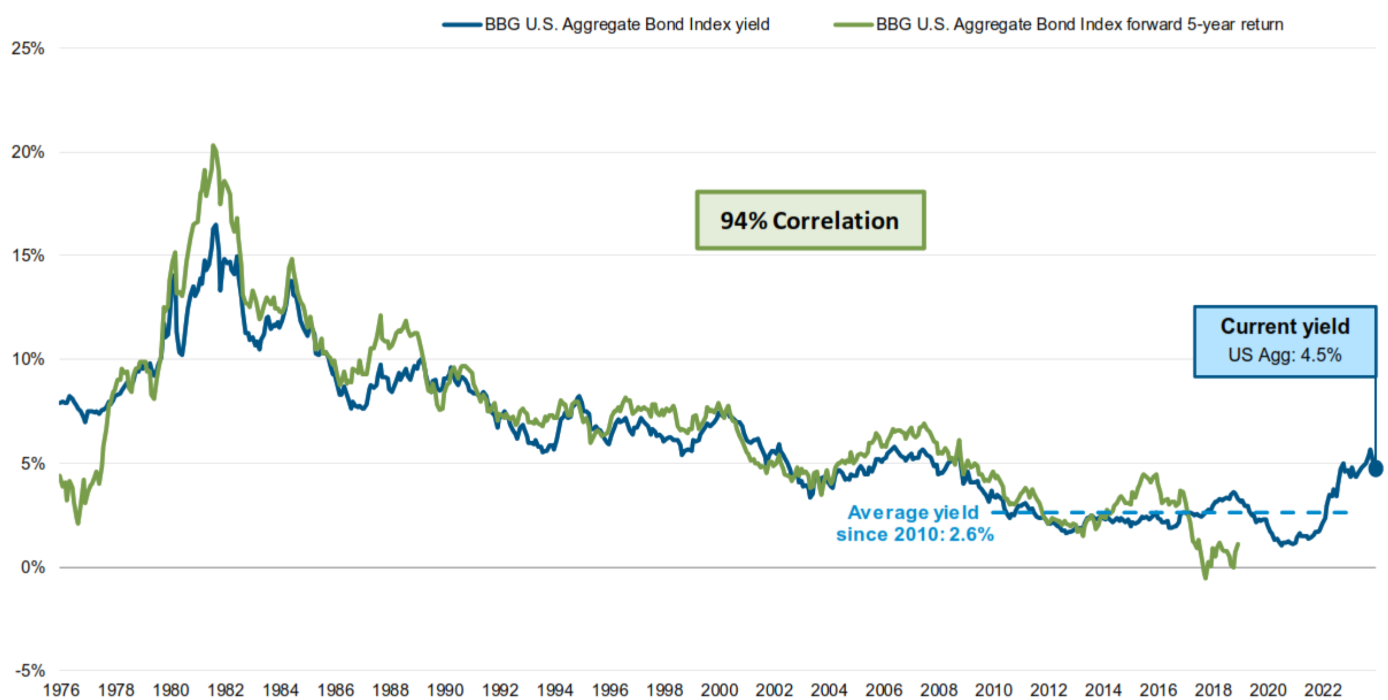
- The market expects yields to fall over the course of 2024, which would **support bond market valuations and returns.**

Outlook

Bonds: Constructive on Outlook

- …and the **current yield is the strongest determining factor** for forward-looking bond returns.

Yield vs. 5-year forward return



As of 31 December 2023. Source: Bloomberg, PIMCO

Outlook - Alternatives

Private Equity

- We believe private equity offers **attractive upside return potential,** which may be particularly important in the years ahead should public stocks experience relative moderation in returns.

Real Assets

- We believe infrastructure offers investors long-term **consistency in returns and yield**, in assets like power and utilities, ports, airports, toll roads, data centers, cell towers, and fiber networks. **Trillions of dollars in spending are required in these areas over the coming years** to sustain ongoing economic growth.
- Real Estate has **already cycled capitalization rate increases** and we are **positive on the outlook moving forward**, particularly for residential, industrial logistics, medical office, and select data center exposures.

Direct Lending

- We consider it to be a **favorable environment for direct lending strategies**, with higher interest rates more than compensating for the potential for any increase in default rates. **Business fundamentals continue to be robust**, supporting credit.

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