Mission Wealth

MARKET PERSPECTIVES

Q1 2025

Presented By

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Kieran Osborne is responsible for 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 buoyed by an increasingly supportive economic outlook, better fundamental growth than previously anticipated, reduced inflation, and the Fed beginning a rate-cutting cycle. However, the recent repricing of Fed rate cut expectations, Artificial Intelligence (AI)-related headlines, concerns over market concentration and stretched mega-cap tech valuations, and tariff announcements have caused some recent volatility. Bond yields are currently relatively attractive, and the macroeconomic backdrop may be supportive of bond prices moving forward.
The Economy	The U.S. economy expanded strongly in 2024, and the economic outlook has improved. Robust consumer spending and increases in labor productivity have helped propel growth. Economic data continue to point to positive economic growth and the U.S. economy is expected to grow around 2% for the foreseeable future. Inflation has trended lower but remains above the Fed's 2% target. Given the uncertainty surrounding tariffs and the continued economic momentum, we anticipate the Fed will take a measured approach to future monetary policy and may be cautious to cut rates much further. As a result, we expect a higher-for-longer interest rate policy.
Asset Class Outlook	Historically, Fed rate cuts have been associated with rising stocks, so long as a recession is avoided. With that said, we are cautious about valuations and believe recent stock market strength is unsustainable over the long haul. As a result, we expect some moderation in long-term stock market returns. Bond yields are attractive, with many of our preferred bond funds yielding mid- to high-single digits. Moving forward, we believe alternative strategies may offer attractive risk-adjusted return potential.

Mission Wealth Actions

- The ongoing divergence in performance across asset classes continues to provide us with **enhanced rebalancing opportunities.**
- While we have been **positive on stocks** for some time and continue to **favor stocks over the long haul**, we believe long-term **return expectations should be moderated**. Some segments of the markets are expensive, while other areas appear to offer relative value. We believe **broad diversification and staying disciplined** with rebalancing is **critical** – any divergence in performance may offer us the opportunity to **add selectively on weakness**.
- We like **bonds**, given that **yields are more attractive today.** Many of our preferred bond funds yield **mid- to high-single digits,** and the **current yield is the strongest determining factor** for forward-looking bond total returns.
- We have increased our exposure to alternative strategies, which we believe offer **attractive risk-adjusted returns and limited correlation to public markets.**
- We continue to **focus on long-term fundamentals** and stay **disciplined with our investment decision-making.** We believe our portfolios are **well-positioned** to navigate the current and forthcoming period and **continue to meet our clients' long-term financial goals.**

Part 1:

MARKET UPDATE

Market Update

Stocks Strong

- Stocks have been supported by **reduced inflation**, the Fed beginning a **rate-cutting cycle**, an increasingly **supportive economic outlook**, and **better fundamental growth** than previously anticipated.
- With that said, a repricing of Fed rate cut expectations, AI-related headlines, concerns over market concentration and stretched mega-cap tech valuations, and tariff announcements have caused some **recent volatility**.

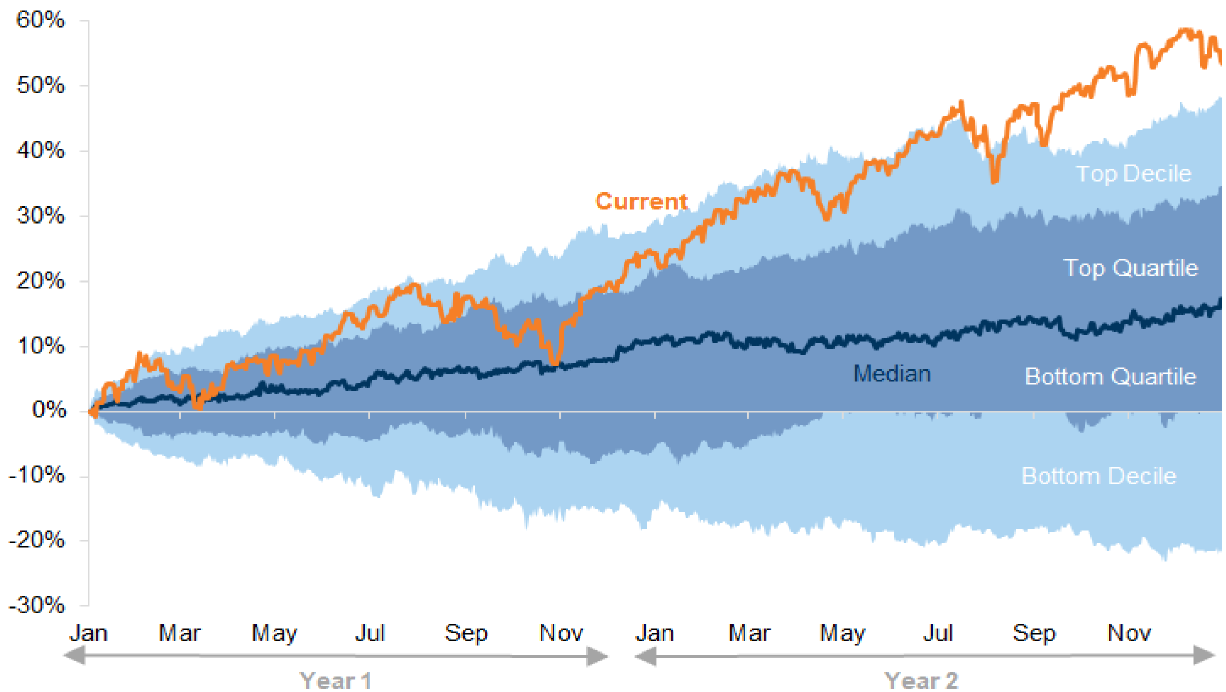
Source: FactSet

Market Update

Stocks Strong

- The rise in the S&P 500 in the past two years has been **one of the strongest** since 1928. **Valuations are very high** and arguably **already price in good news** for future growth.

2 year calendarized S&P 500 performance starting in January. Data since 1928



Source: Bloomberg, Datastream, Goldman Sachs Global Investment Research

Market Update

Stock Concentration

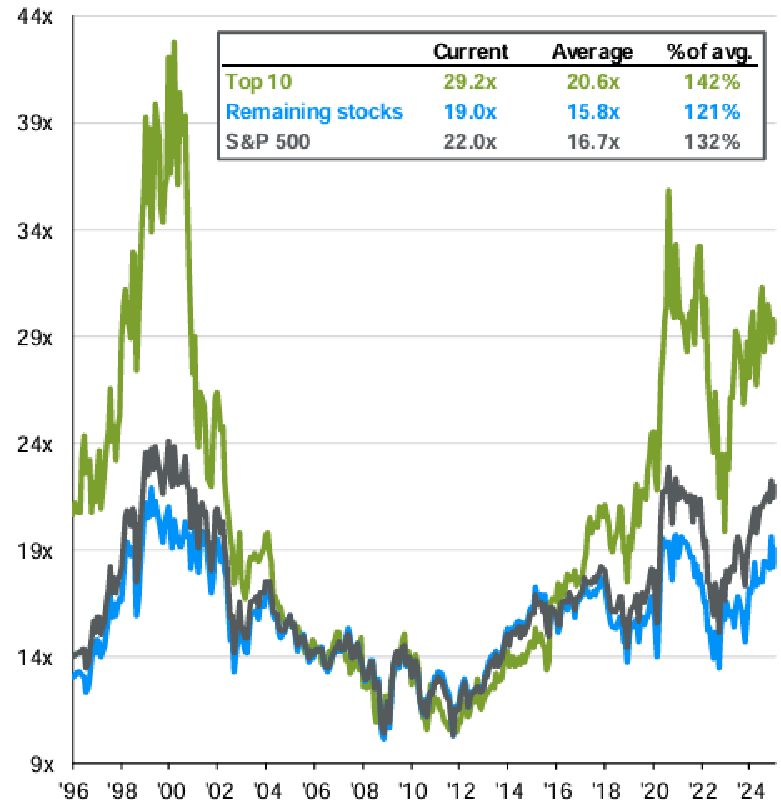
- Stock market **concentration** is at **historic levels.**
- These mega-cap companies have **stretched valuations** relative to the remaining stocks in the S&P 500 Index.

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

% of market capitalization of the S&P 500

P/E ratio of the top 10 and remaining stocks in the S&P 500

Next 12 months, 1996 - present



Source: FactSet, Standard & Poor's,

Market Update

Stock Concentration

- Data shows it is **very difficult for market leaders to maintain their dominance** indefinitely.
- The **largest companies tend to underperform** relative to the rest of the sector by an average of 3-4% in subsequent years. **The largest company** in a sector tends to **fare even worse**.
- Historically, **four of the largest ten S&P 500 companies fell out** of the top ten in the following five years.

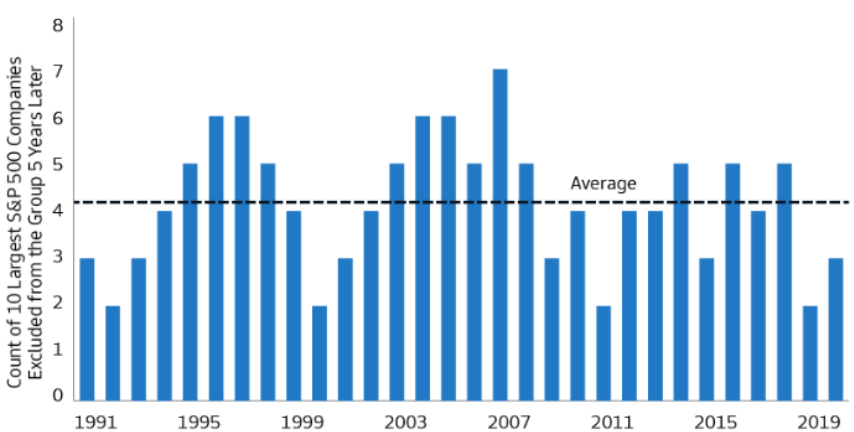
➢ ***Consider diversifying large, concentrated stock exposures.***

Average Forward Relative Return | 1952 – 2009

	1Y	5Y	10Y
Overall Market Leader[1]	-6.6%	-6.1%	-4.9%
Sector Leaders[2]	-3.5%	-3.9%	-3.3%

Source: Research Affiliates: Too Big to Succeed

Number of 10 Largest S&P 500 Companies No Longer in Top 10 5 Years Later

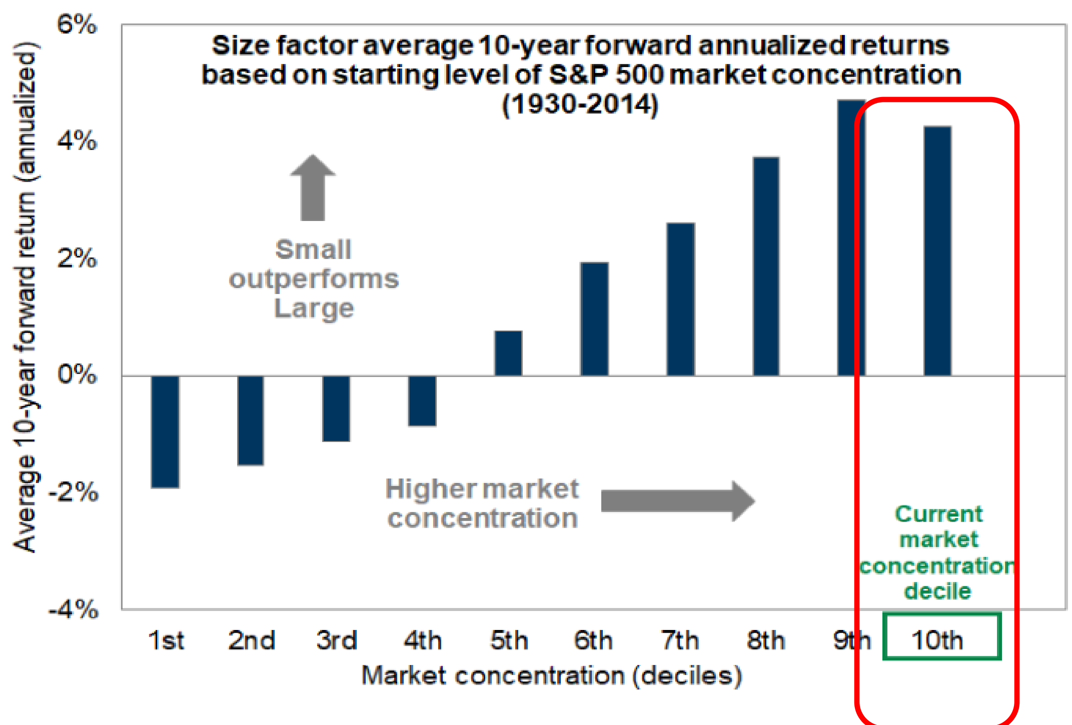


Source: Bloomberg and Goldman Sachs Asset Management. As of March 31, 2024.

Market Update

Stock Concentration

- Higher levels of stock concentration historically have led to **larger cap stocks underperforming smaller cap stocks.**
- Today's high level of market concentration may result in **lower relative performance for the Mag 7** moving forward.

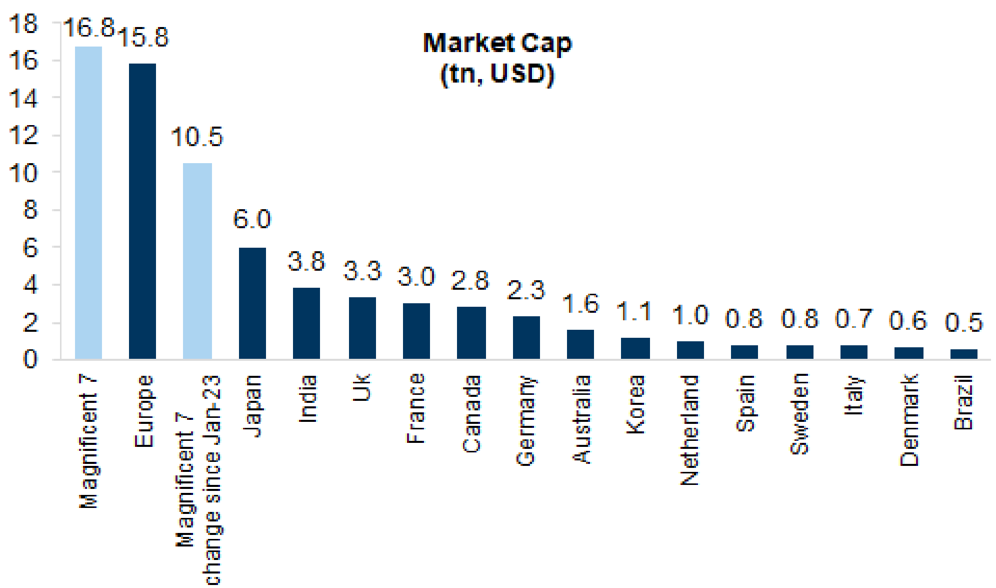


Source: Kenneth R. French, Goldman Sachs Global Investment Research

Market Update

Stock Concentration

- The Mag 7 now has a **larger market cap than the entire European stock market** and **has added $10.5 T in market value since January 2023—**equivalent to the total size of the UK, French, and German stock markets combined!
- Less about U.S. vs. International and more about Mag 7 vs. everything else.



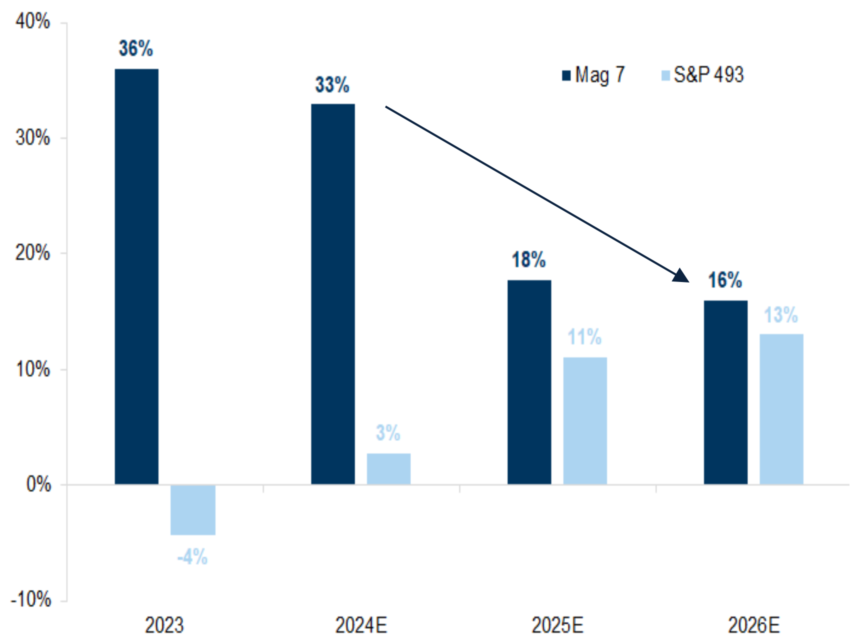
Source: Datastream, Goldman Sachs Global Investment Research

Market Update

Stock Concentration

- The Mag 7 has produced much stronger earnings growth than the remaining 493 stocks, though **forward-looking expectations are set to normalize**, and Mag 7 profitability may be **impacted by any increase in tariffs.**

Annual earnings growth. Expected figures are based on consensus estimates

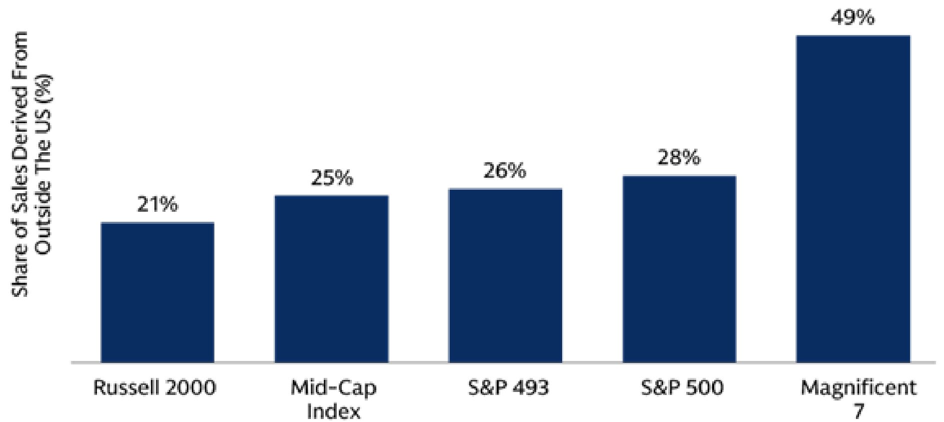


Source: FactSet, Goldman Sachs Global Investment Research

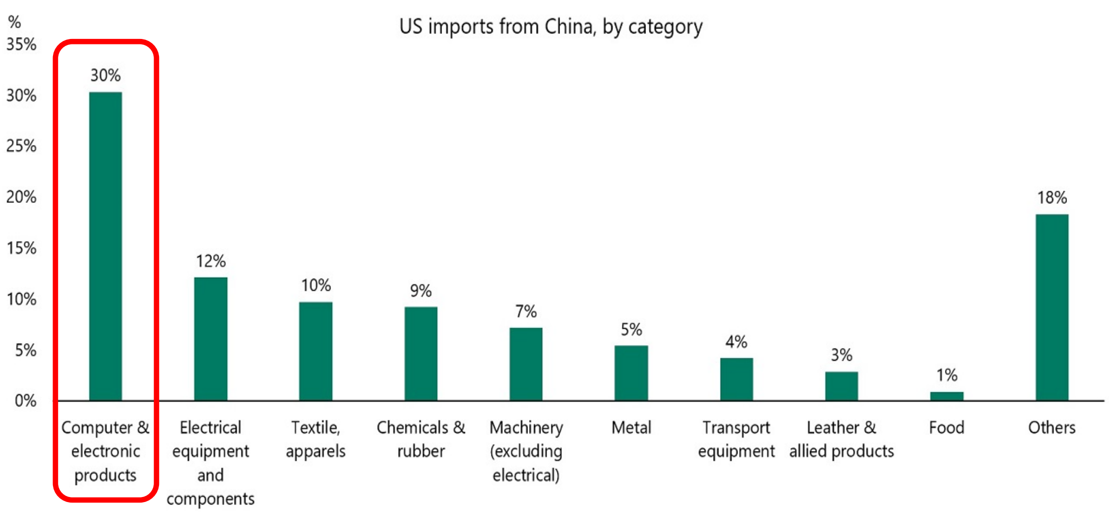
Market Update

Stock Concentration

- The **Mag 7 derive 49% of their revenue from international sales** vs. 26% for the remaining S&P 500 companies.
- The largest import category from China is computer & electronic products.
- **Mag 7 margins may be susceptible** to any escalation in global trade wars.



Source: GS GIR and GS Asset Management. As of January 16, 2025.

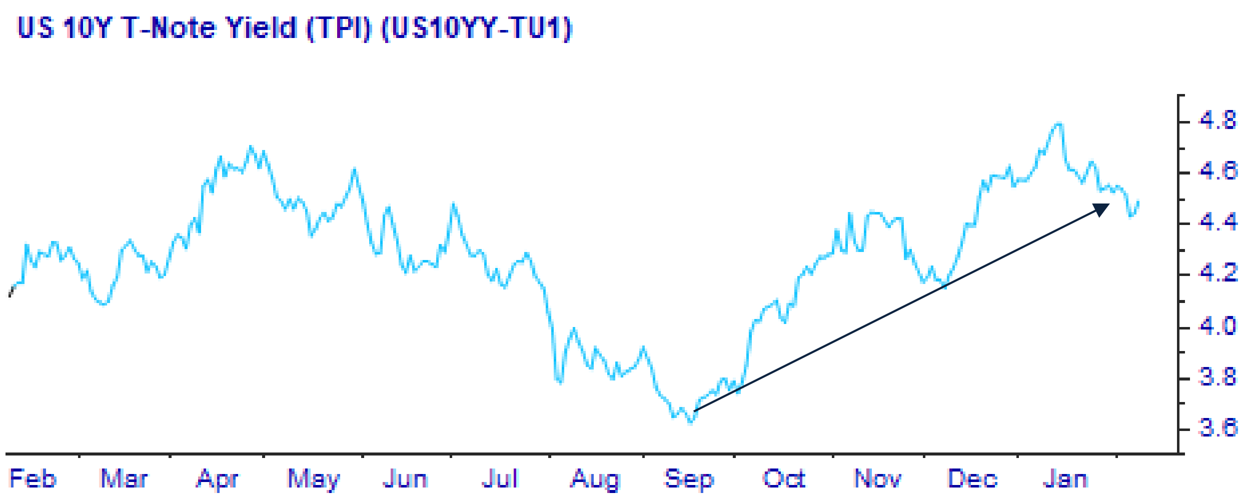


Source: Census Bureau, Haver Analytics

Market Update

Bond Yields Move Higher

- Bond yields have recently moved higher on the back of a **stronger economic outlook,** the potential for **inflation to stay elevated** over the near term and the associated repricing of Fed rate expectations.
- Yields are currently relatively **more attractive**, and the macroeconomic backdrop may help **support bond prices.**



Source: FactSet

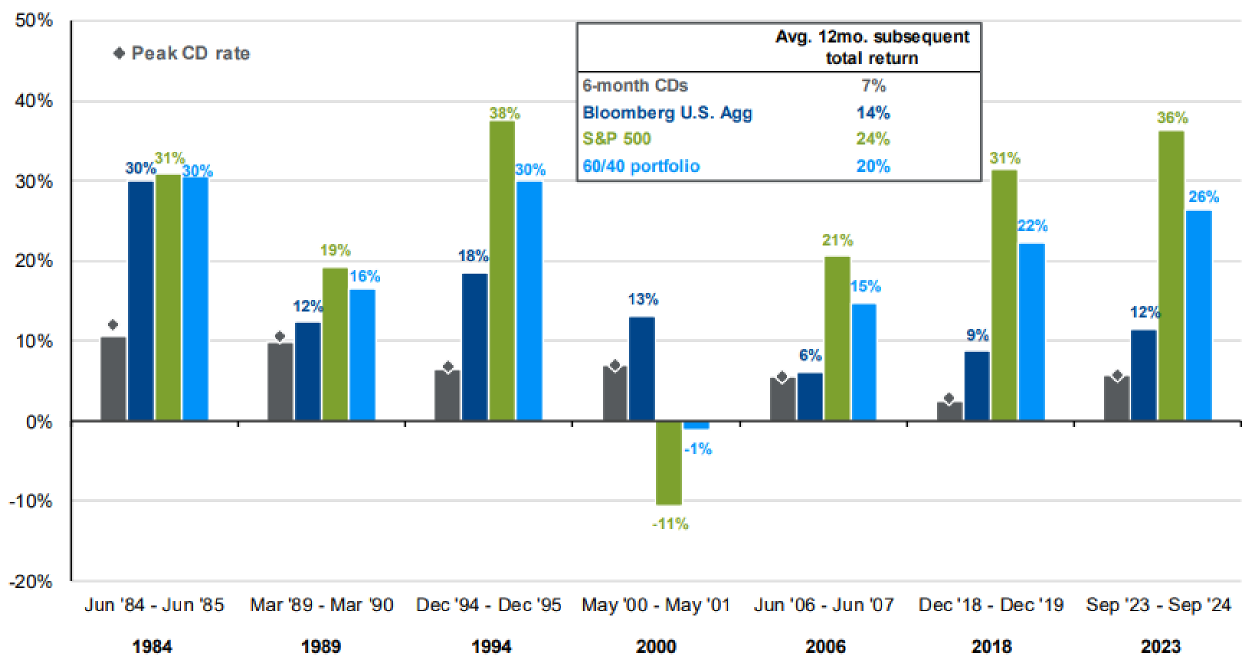
Market Update

Don't Sit in Cash

- We're **witnessing record levels of cash on the sidelines,** despite **cash yields being less attractive** after Fed cuts.
- There is an opportunity cost of holding cash, even at peak interest rates.

Investment opportunities outside of CDs

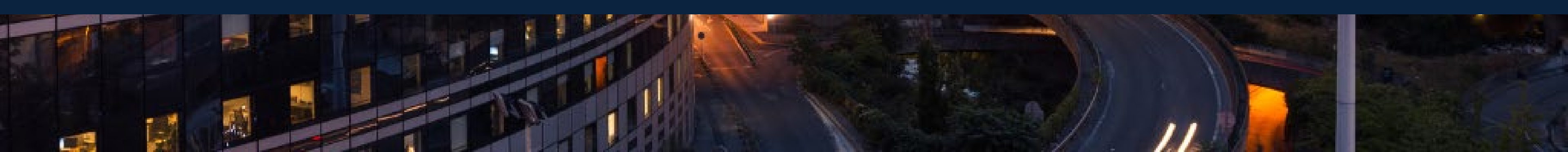
Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



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

Part 2:

THE ECONOMY



The Economy

Economic Outlook

- The **U.S. economic outlook has improved.** After **growing 2.8% for the full year in 2024,** positive economic growth is expected for the foreseeable future, with the economy expected to **expand around +2%** in 2025 through 2027.
- At the same time, the market anticipates **inflation will remain above the Fed's long-term target of 2% through at least 2027.**

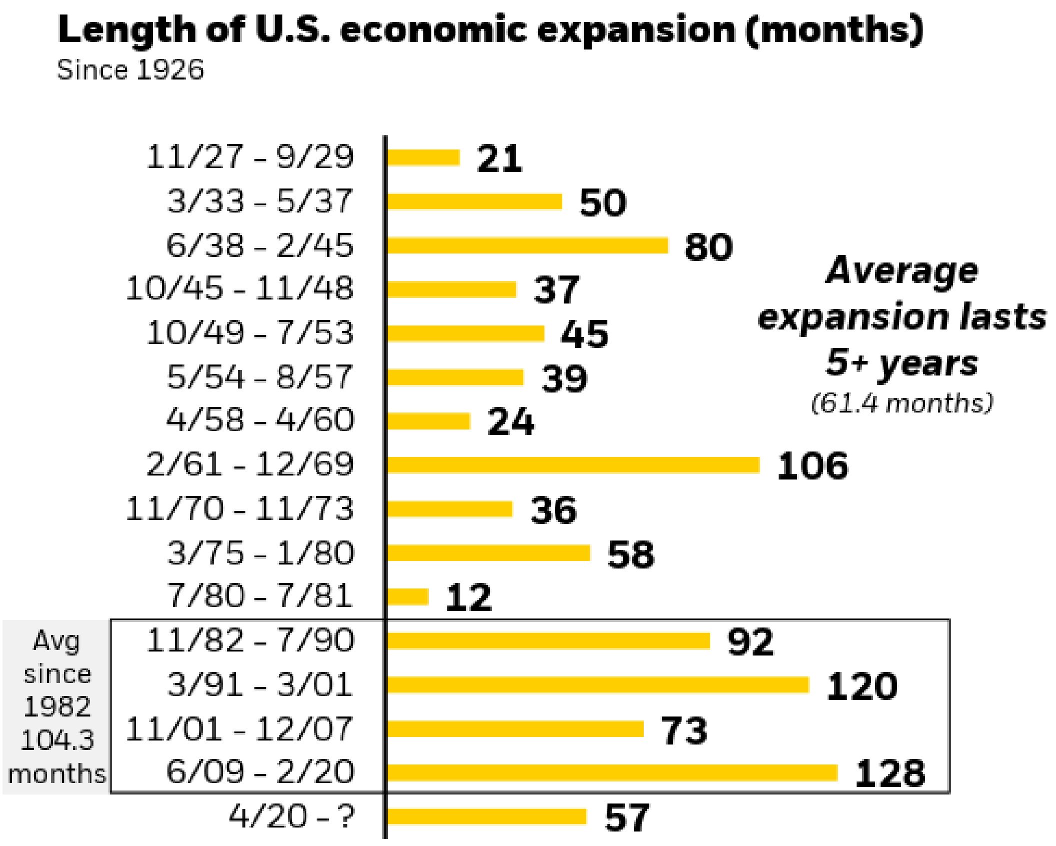
United States Economy	2022	2023	2024	2025 Est.	2026 Est.	2027 Est.
Real GDP (%y/y)	2.5	2.9	2.8	2.1	2.0	1.9
Household Consumption (Real, %y/y)	3.0	2.5	2.8	2.4	1.8	2.4
Government Consumption (Real, %y/y)	-1.1	3.9	3.4	1.9	1.3	0.8
Gross Private Domestic Investment, Residential (Real, %y/y)	-8.6	-8.3	4.2	1.1	3.3	2.5
Gross Private Domestic Investment, Non-Residential (Real, %y/y)	7.0	6.0	3.7	2.4	2.4	2.4
Inflation	**2022**	**2023**	**2024**	**2025 Est.**	**2026 Est.**	**2027 Est.**
CPI (%q/q, SAAR)	8.0	4.1	3.0	2.4	2.5	2.5
Core CPI (%q/q, SAAR)	6.2	4.8	3.4	2.7	2.5	2.3
PPI (%y/y)	9.5	2.0	2.3	0.8	1.8	1.7

Source: FactSet

The Economy

Economic Outlook

- For context, the **current economic expansion is still relatively young** in comparison to recent historic expansions.
- The **average length of economic expansions since 1982 is 104.3 months (8.7 years).**

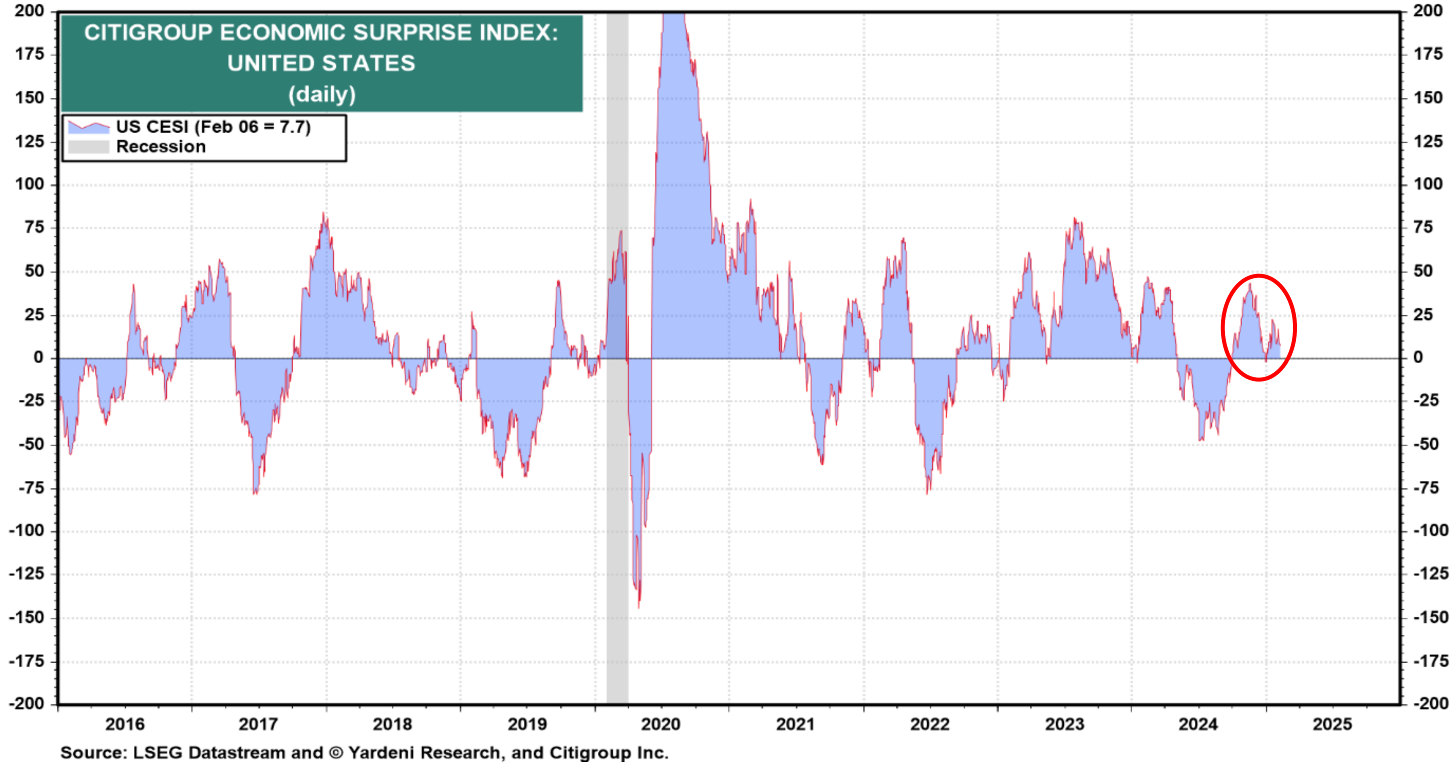


Source: National Economic Bureau of Research and Morningstar as of 12/31/24. For illustrative purposes only.

The Economy

Economic Outlook

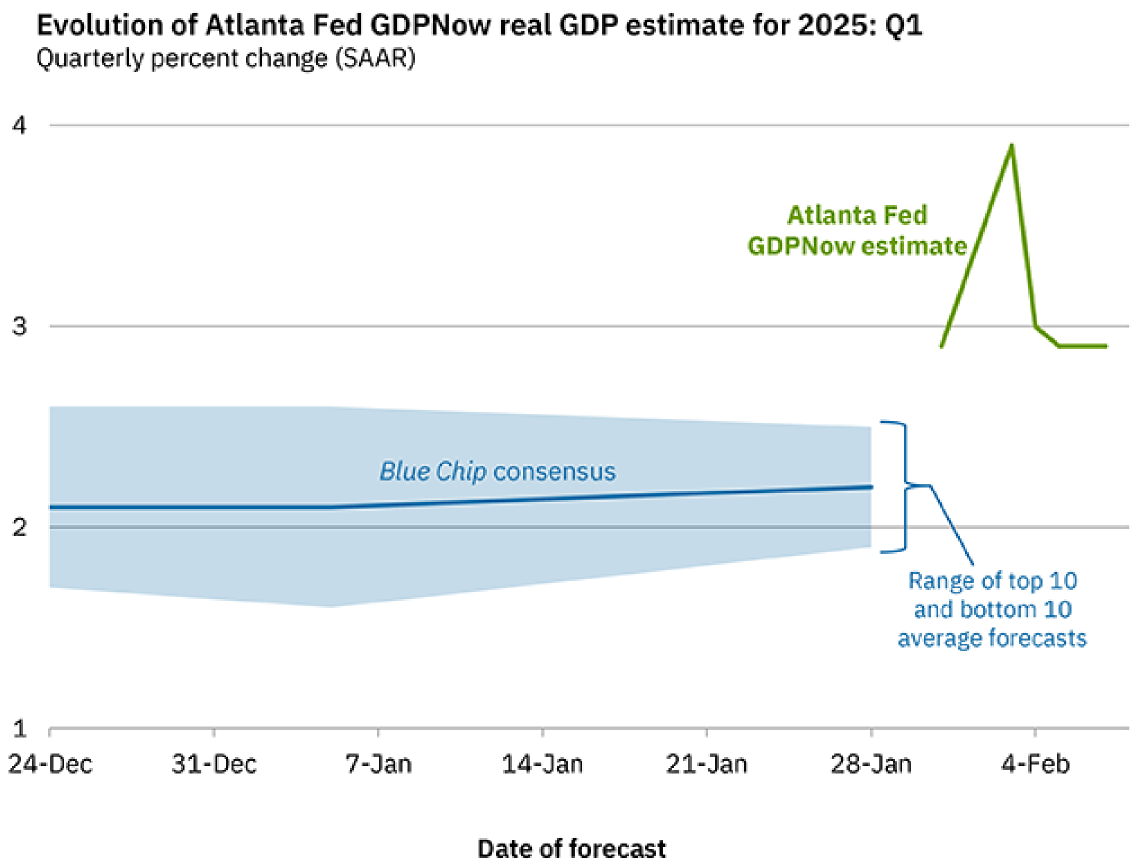
- **Economic data has exceeded consensus estimates.**
- Incoming data continue to point to **above-trend GDP growth** over the near term, **buoyed by a strong and resilient consumer.**



The Economy

Economic Outlook

- Expectations are for **continued above-trend U.S. economic growth** over the near term.
- The Atlanta Fed's latest GDPNow currently estimates **+2.9% GDP growth for Q1 2025.**



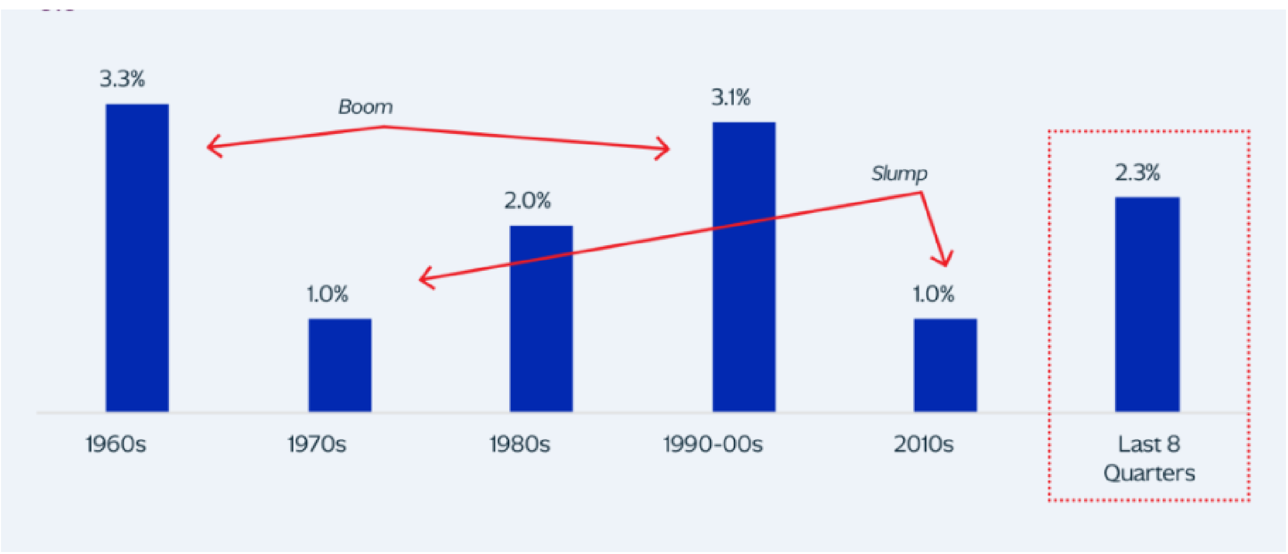
Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

The Economy

Productivity Up

- Labor productivity has increased over recent quarters and relative to recent years.
- **Stronger labor productivity is key to extending the current economic expansion,** which has been helped by investments in technology (AI particularly).

U.S. Annual Labor Productivity Growth, %

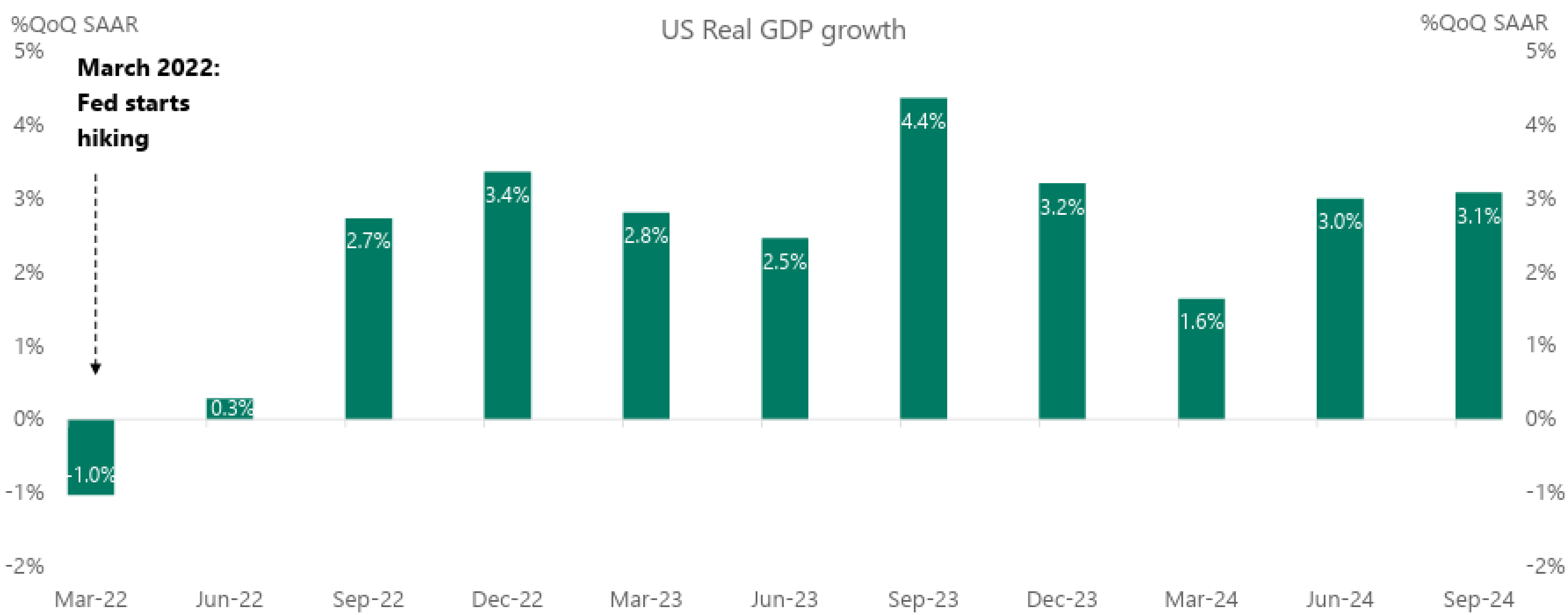


Note: 1960s refer to 1959-68; 1990s-00s refer to 1995-05; 1970s refer to 1973-79; 2010s refer to 2010-19; 1980s refer to 1980-88. Data as at October 31, 2024. Source: Bloomberg, Federal Reserve Bank of San Francisco.

The Economy

Economic Resilience

- The **economy has been strong** since the Fed raised interest rates.

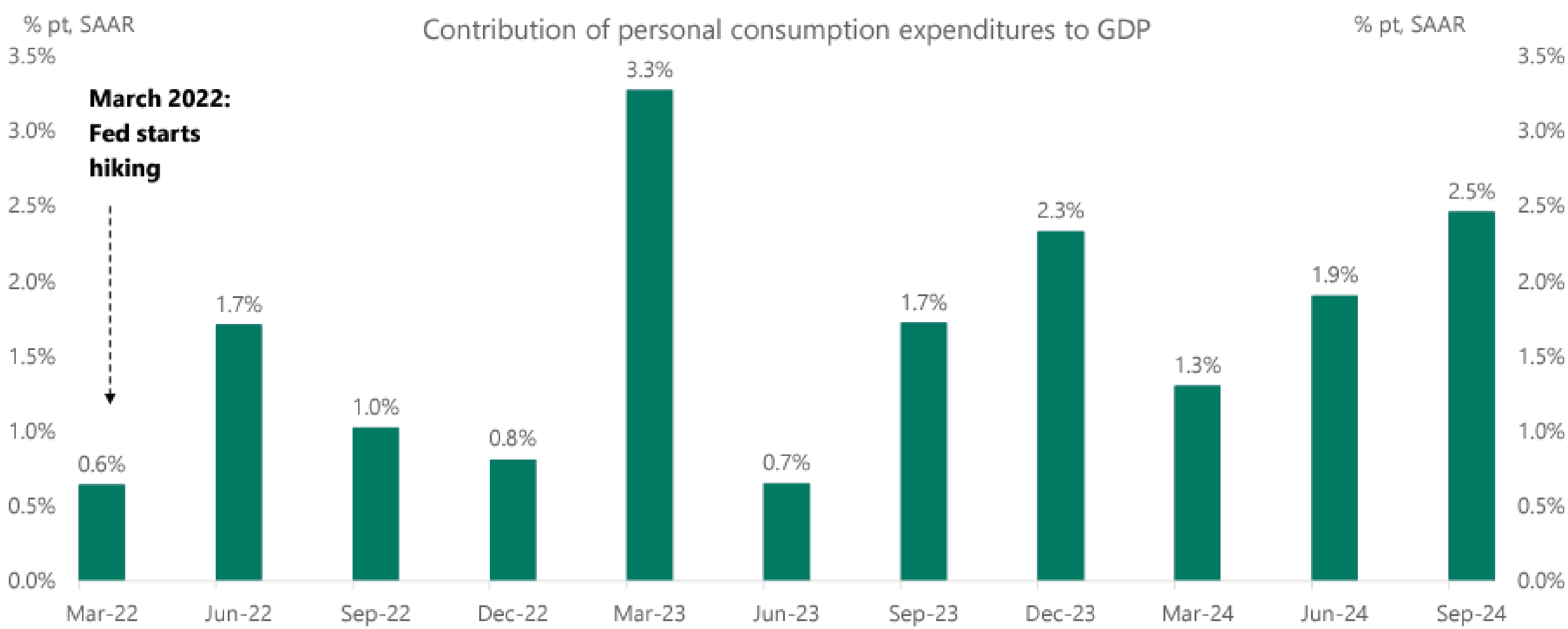


Source: BEA, Haver Analytics, Apollo Chief Economist

The Economy

Economic Resilience

- Economic growth has been driven by a **strong labor market underpinning a robust consumer -** despite higher interest rates, **consumer spending has been strong**.

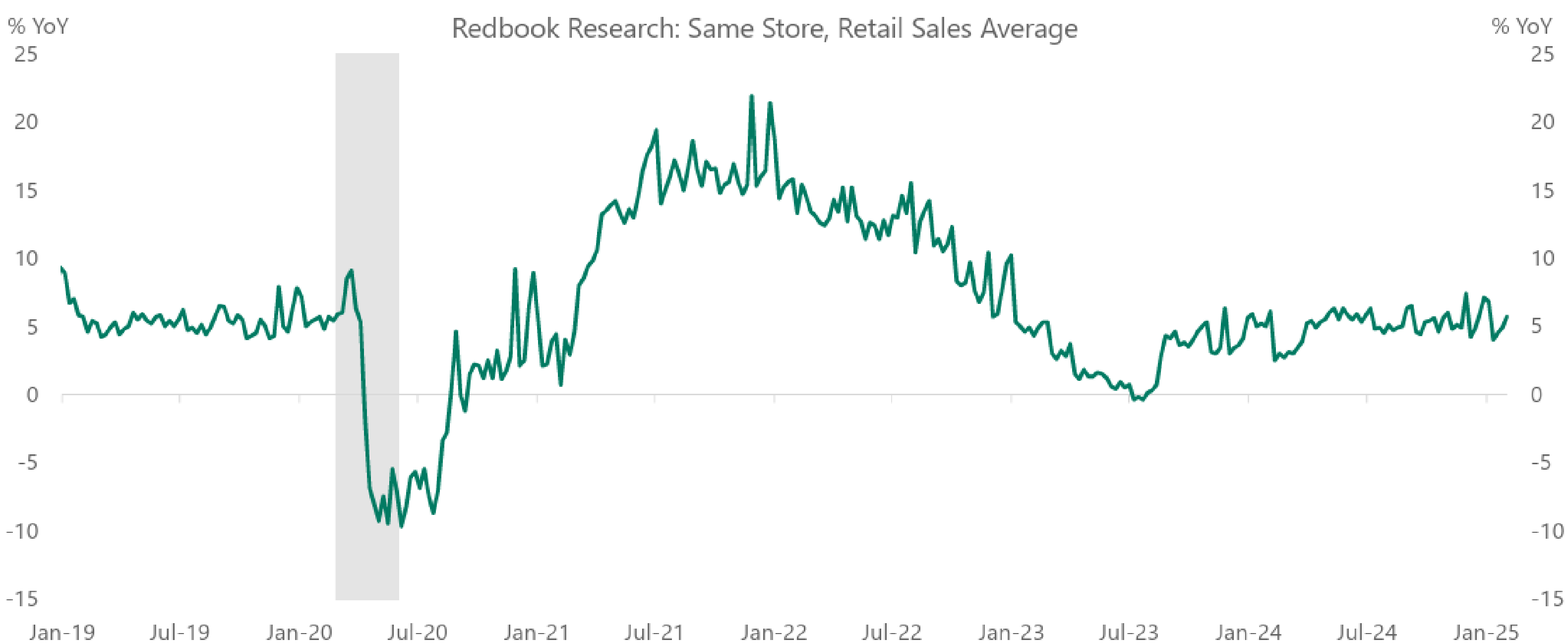


Source: BEA, Haver Analytics, Apollo Chief Economist.

The Economy

Still Strong Consumer

- Same store **retail sales growth remains strong**, indicating ongoing consumer spending, helping to propel continued positive economic growth.
- The **importance of consumer spending** cannot be overstated: it **makes up nearly 70% of U.S. GDP**



Source: Redbook, Haver Analytics, Apollo Chief Economist

The Economy

Manufacturing Set to Improve

- New orders to inventories ratio signals a potential **increase in U.S. manufacturing activity**.

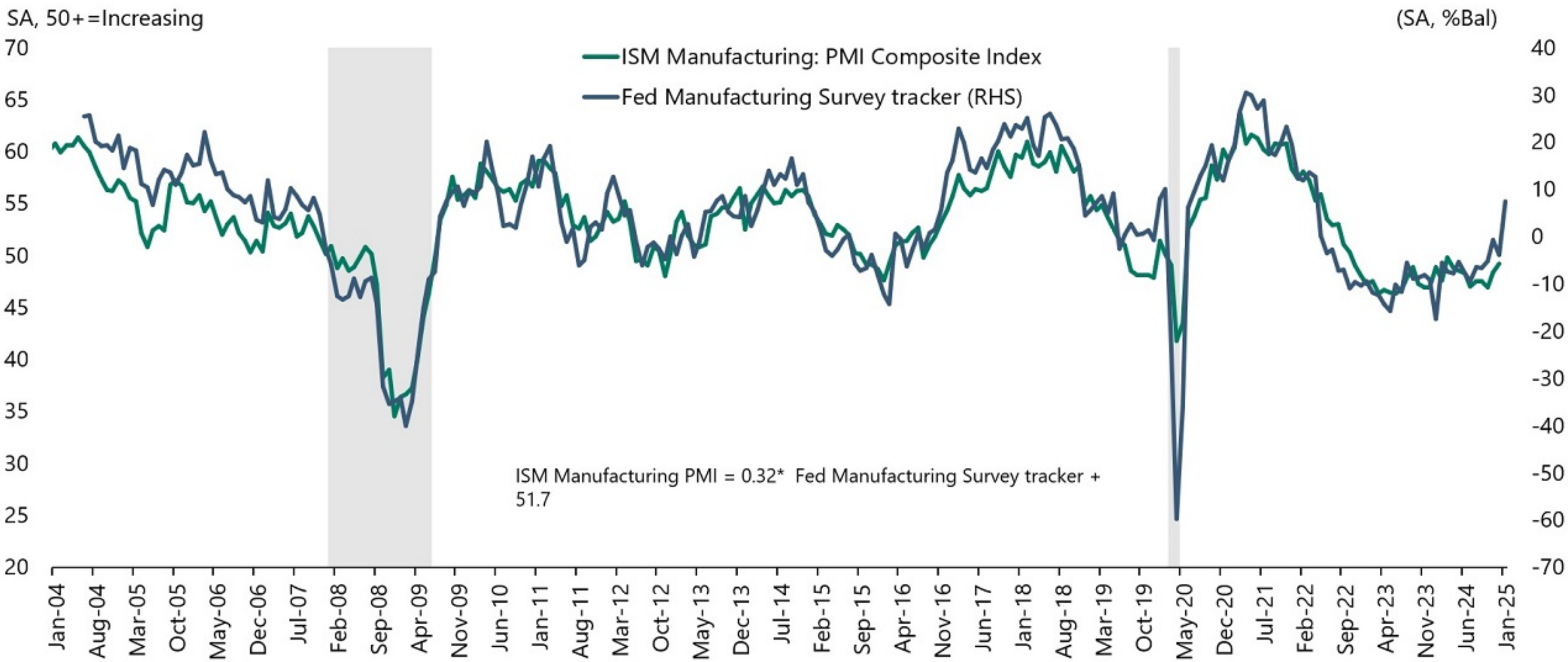
ISM New Orders/Inventories Ratio May Suggest a Gradual Improvement in Headline Manufacturing Survey
ISM manufacturing (LH), ISM new orders/inventory ratio 3-mo moving average (RH)

Source: Bloomberg, MSIM. As of December 31, 2024.

The Economy

Manufacturing Set to Improve

- Regional Fed manufacturing surveys point to a **rebound in nationwide manufacturing**.

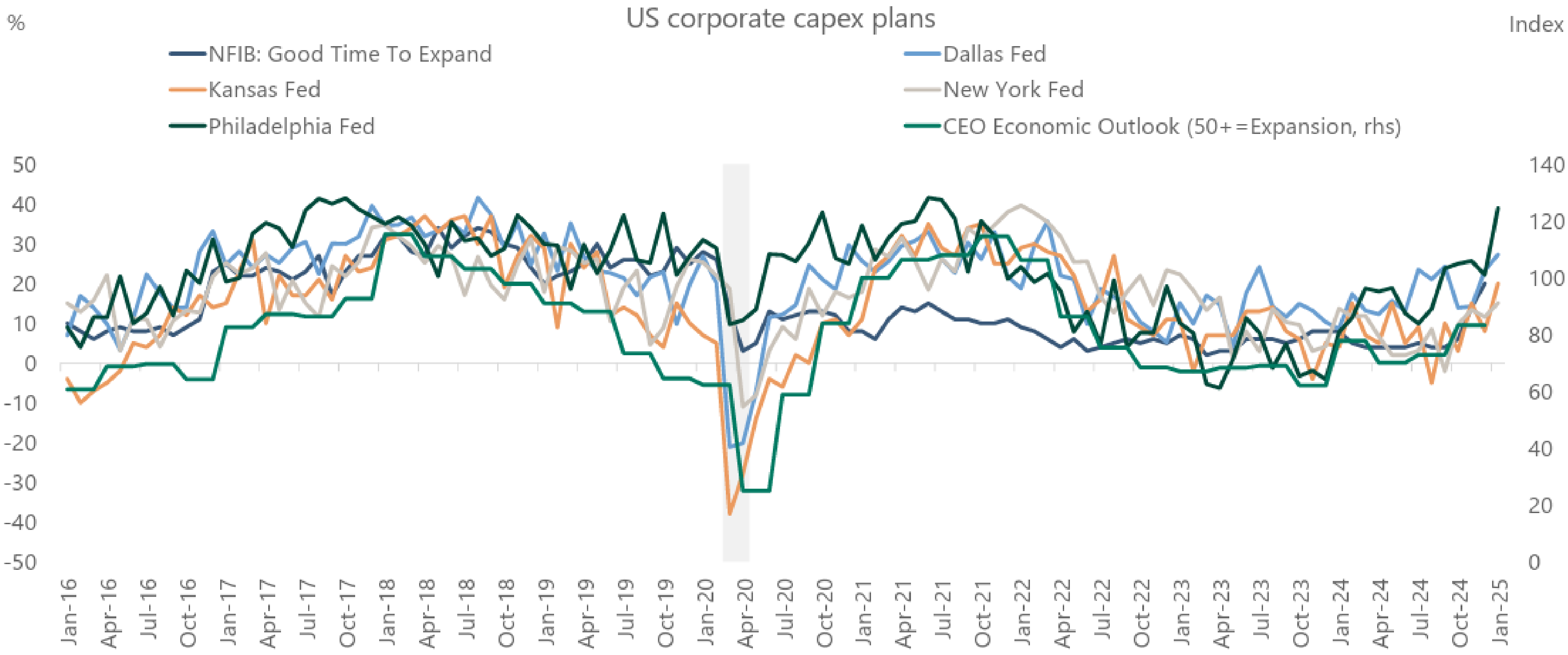


Note: Fed Manufacturing tracker is the average of the FRBNY, Federal Reserve Bank of Richmond, Federal Reserve Bank of Philadelphia, Kansas City Fed, Federal Reserve Bank of Dallas manufacturing surveys. Source: ISM, FRBNY, Federal Reserve Bank of Richmond, Federal Reserve Bank of Philadelphia, Kansas City Fed, Federal Reserve Bank of Dallas

The Economy

Capex Improving

- Corporate capex spending plans have moved higher, pointing to **upside growth potential.**

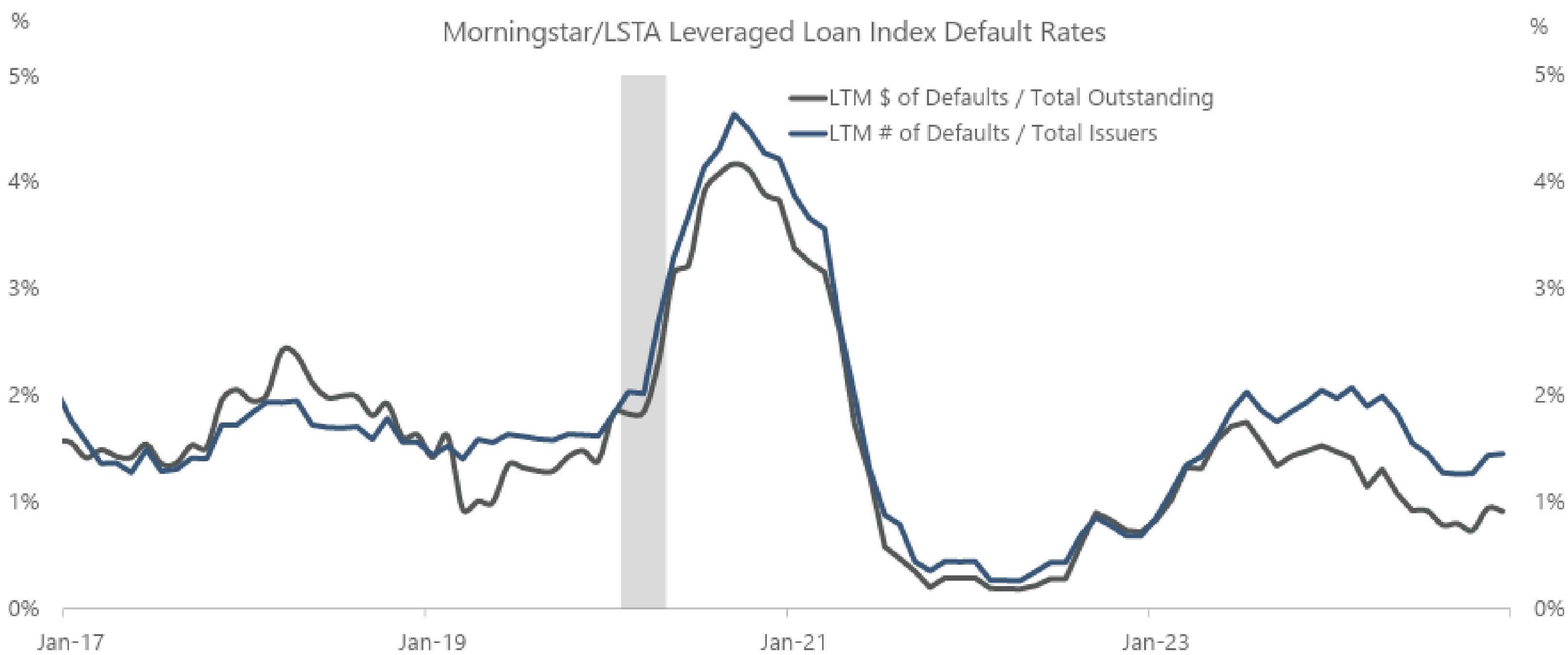


Source: Business Roundtable, NFIB, Federal Reserve Bank of Philadelphia, Dallas, New York, Kansas and Richmond. Apollo Chief Economist.

The Economy

Default Rates Contained

- Corporate default rates remain relatively benign and contained.
- **Supports positive economic outlook**: if the economy were declining, we would see default rates spiking.

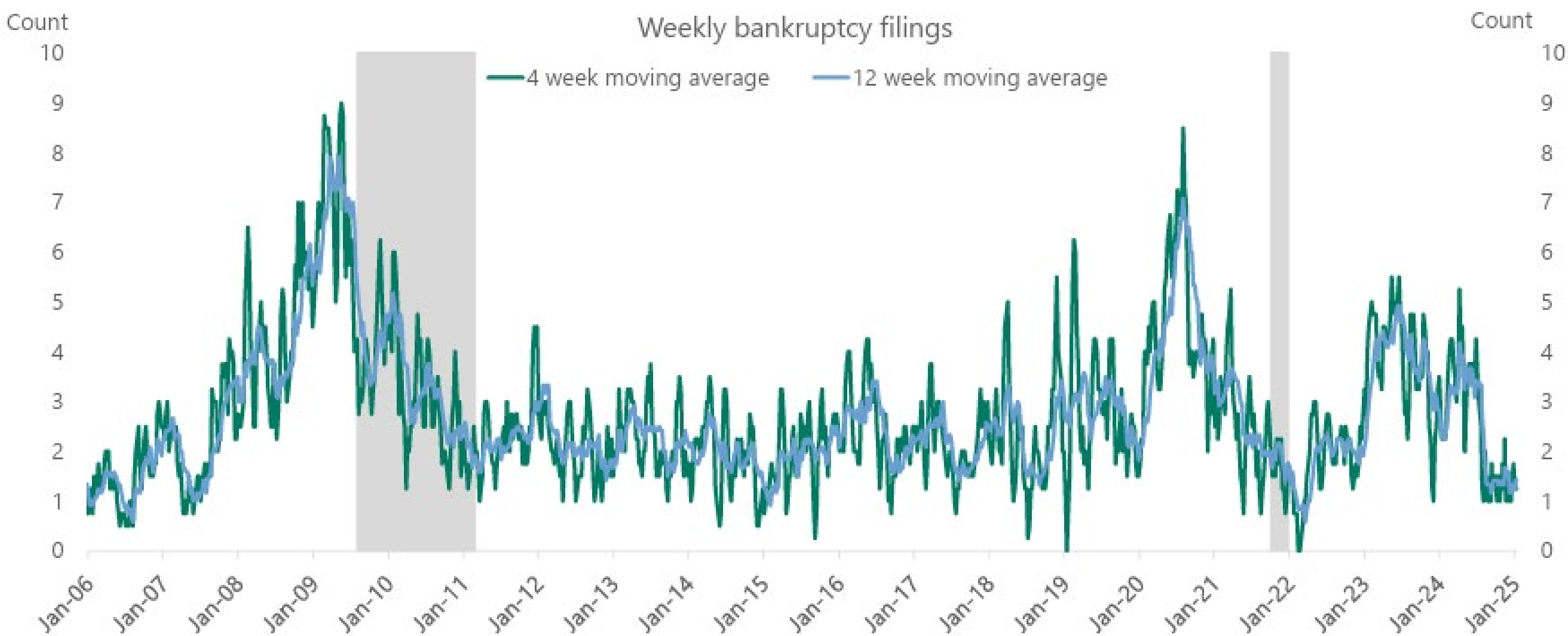


Source: PitchBook LCD, Apollo Chief Economist

The Economy

Bankruptcies Remain Low

- Bankruptcy filings have **trended lower and remain contained.**



Source: Bloomberg, Apollo Chief Economist. Note: Filings are for companies with more than $50mn in liabilities. For week ending on January 16th, 2025.

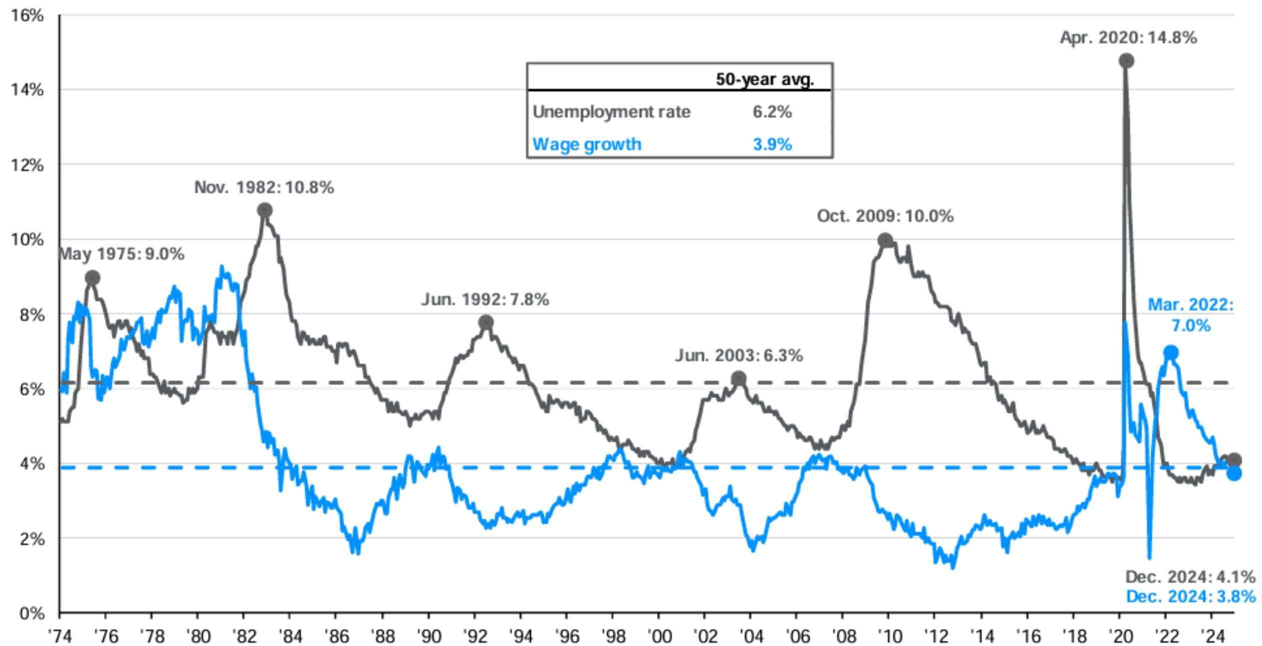
The Economy

Unemployment Trended Higher But Remains Low

- **Labor market conditions have generally eased**, with the **unemployment rate trending higher** but remaining historically low.
- As labor market conditions have eased, **wage growth has moderated.**

Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



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

Policy Implications of a Trump Administration

- Under a Trump administration, we expect an extension of the 2017 Tax Cuts and Jobs Act.
- Lower taxes: President-elect Trump has indicated a possible reduction in the corporate tax rate from 21% to 15%, and proposed no taxes on tips, overtime, and auto interest payments.
    - Tax law changes can be time-consuming, given the formal process required, and any changes may not realistically be passed until the summer.
- Higher Tariffs: President Trump campaigned to raise tariffs on goods imported into the U.S., particularly from China.
    - Increasing tariffs may increase government income, though the increased cost is often passed on to the consumer. It may also incentivize the onshoring of manufacturing to the U.S., though that will occur over time, given the significant investment required.

➢ **Economists generally consider these policies will be on net inflationary.**

The Economy

Tariffs Have Caused Increased Uncertainty

- Trade policy uncertainty has returned to levels last seen during the escalation of the U.S. / China trade tensions between 2018 and 2020.

U.S. Trade Policy Uncertainty Has Spiked to Levels Consistent with 2019 Episodes of U.S./China Trade War
U.S. Trade Policy Uncertainty Index

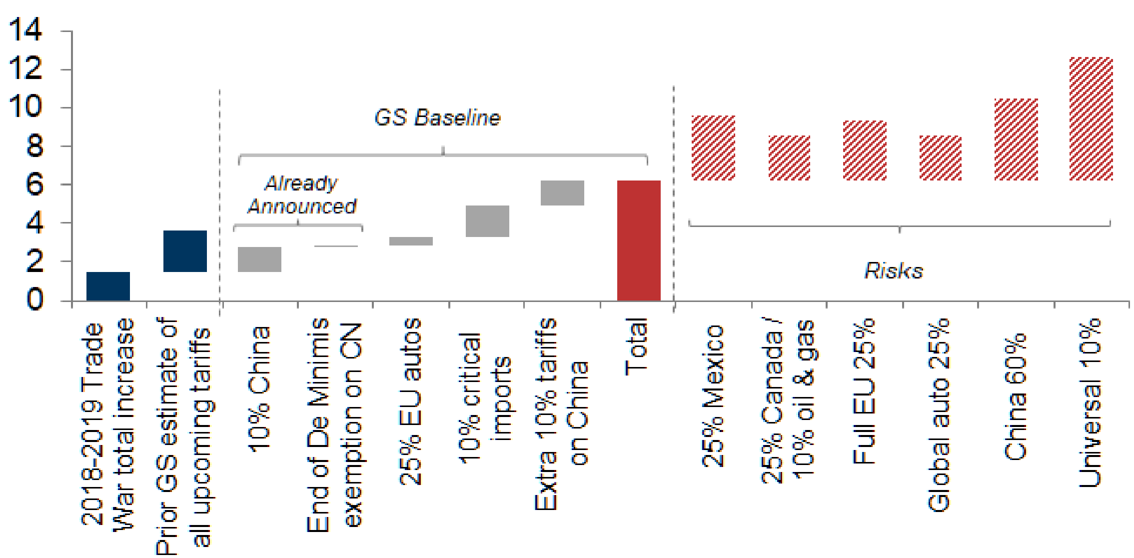
Source: Bloomberg, MSIM. As of December 31, 2024.

The Economy

Tariffs May Raise Inflation

- The current expected tariffs are set to raise the effective tariff rate by 4.7%, with potential upside should additional tariffs come into effect.
- It is expected that this will translate to **approx. 0.5% increase in inflation**.

Impact of tariff increases on the effective tariff rate, pp



Source: Goldman Sachs Global Investment Research.

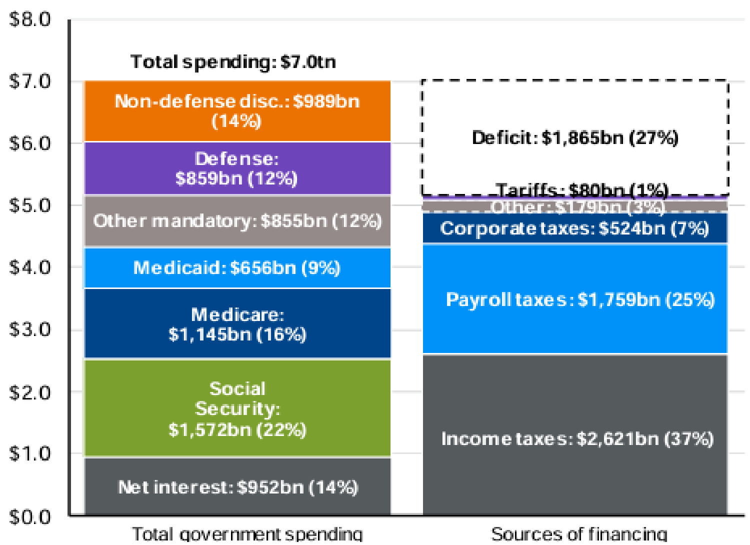
The Economy

Fiscal Situation

- Under current policies, **U.S. government debt is forecasted to expand** in the years ahead.
- For now, the market seems ok with kicking the proverbial can down the road.
- DOGE aims to reduce government spending and waste; it is to be determined how material these will be, but the reality is that **additional reforms are likely needed in the years ahead**.

The 2025 federal budget

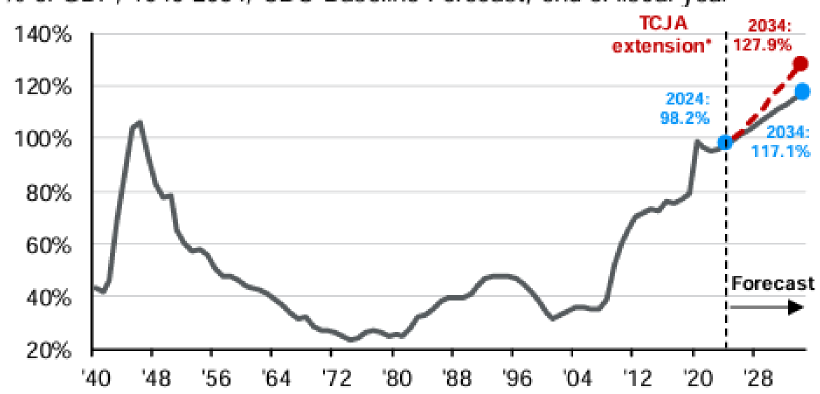
USD trillions



Source: CBO

Federal net debt (accumulated deficits)

% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; BEA, Treasury Department

The Economy

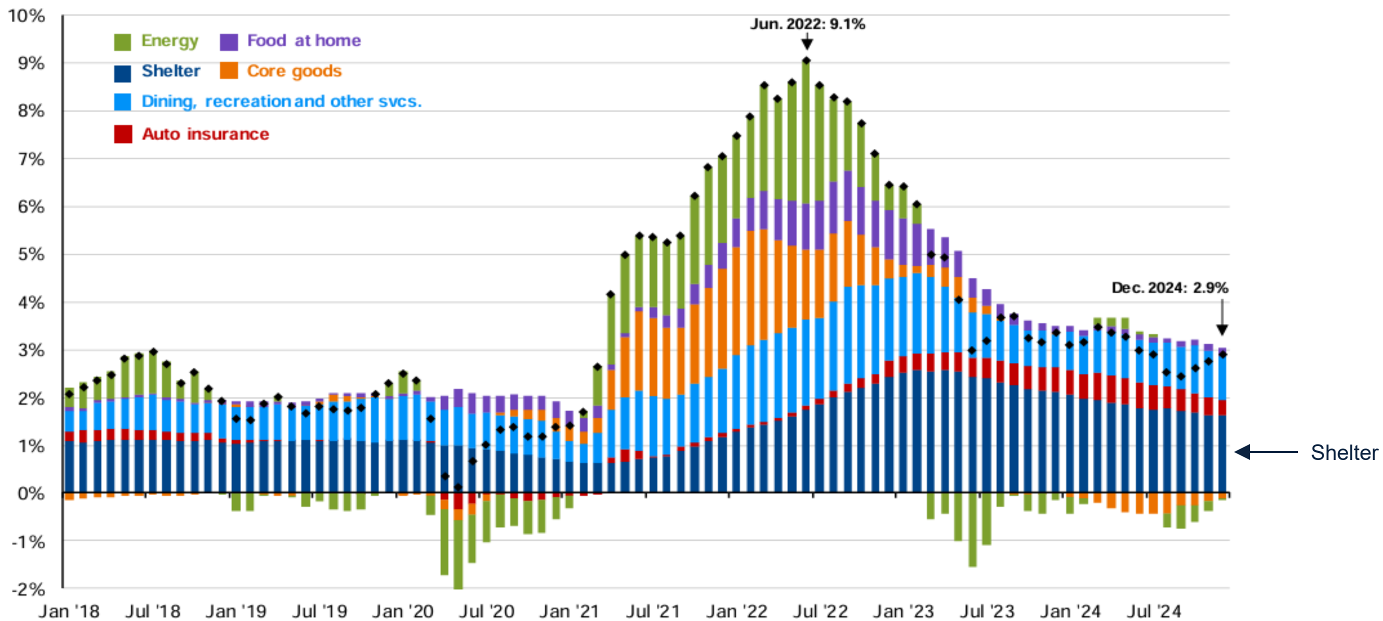
Inflation Lower But Above the Fed’s Target

- **Inflation measures have trended lower** but remain above the Fed’s long-term target of 2%. **The “last mile”** of inflation has proved **challenging**.

- **Shelter costs may improve** in the near term, while **other measures indicate upside risks**.

Contributors to headline CPI inflation

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



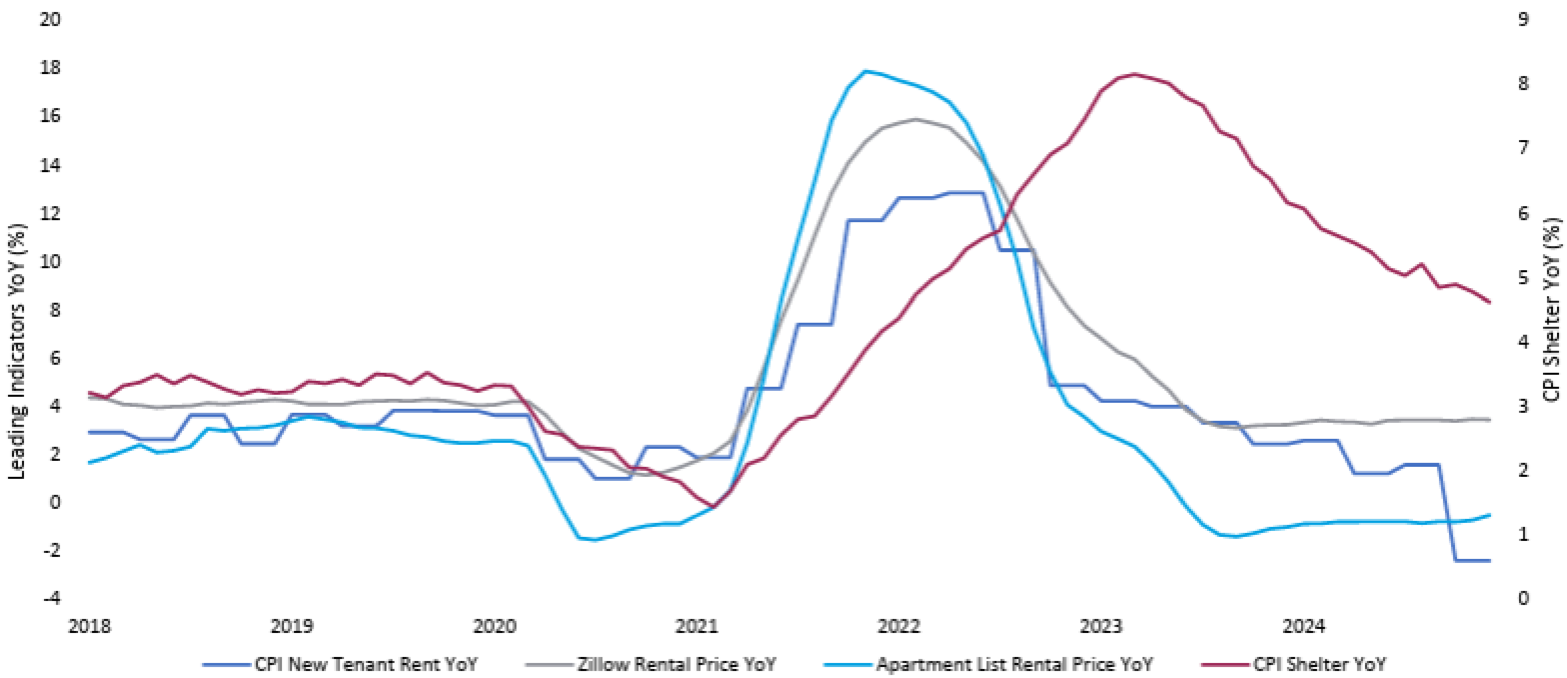
Source: BLS, FactSet

The Economy

Inflation Lower But Above the Fed's Target

- **Leading indicators suggest a continued moderation in shelter inflation.** The shelter component of CPI has been elevated but recent trends suggest **shelter inflation may move lower in 2025.**

Leading Indicators of Rental Prices Have Historically Led Headline Shelter Inflation by About One Year
Leading indicators of shelter inflation (LH) and U.S. CPI shelter component (RH)

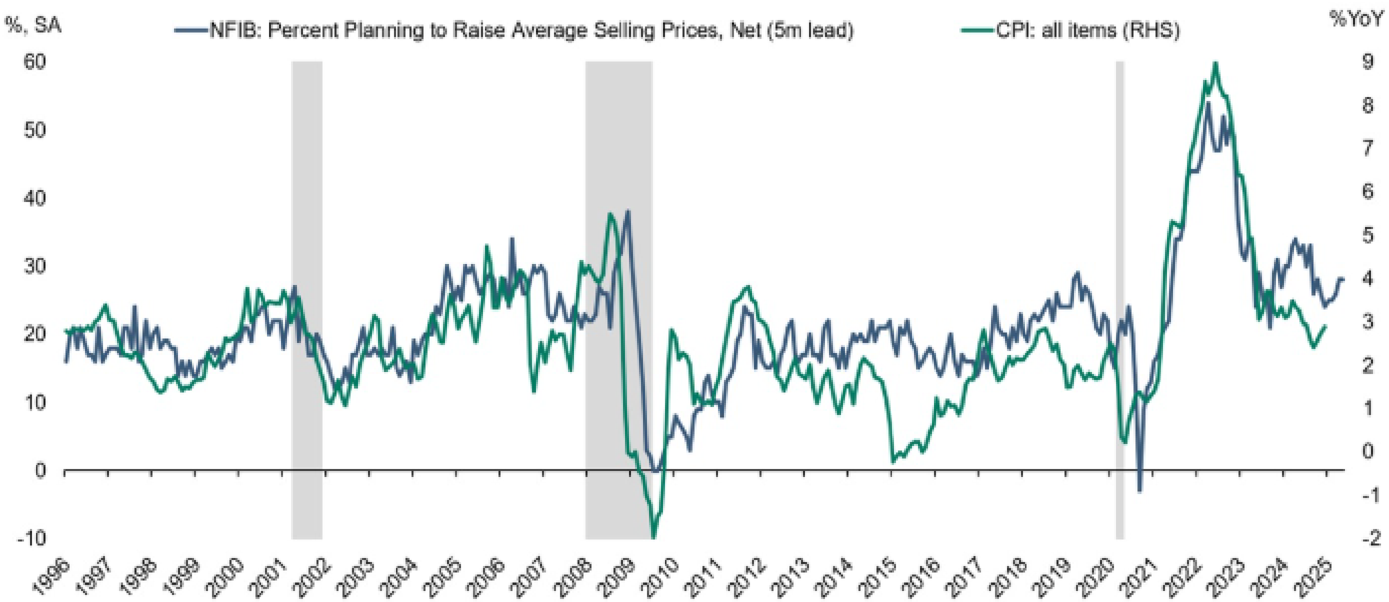


Source: Macrobond. MSIM. As of December 31. 2024.

The Economy

Inflation Lower But Above the Fed's Target

- The share of companies planning to **raise prices remains elevated** and has already started to **trend higher**.
- **Tariffs may compound this trend**, putting upward pressure on inflation.

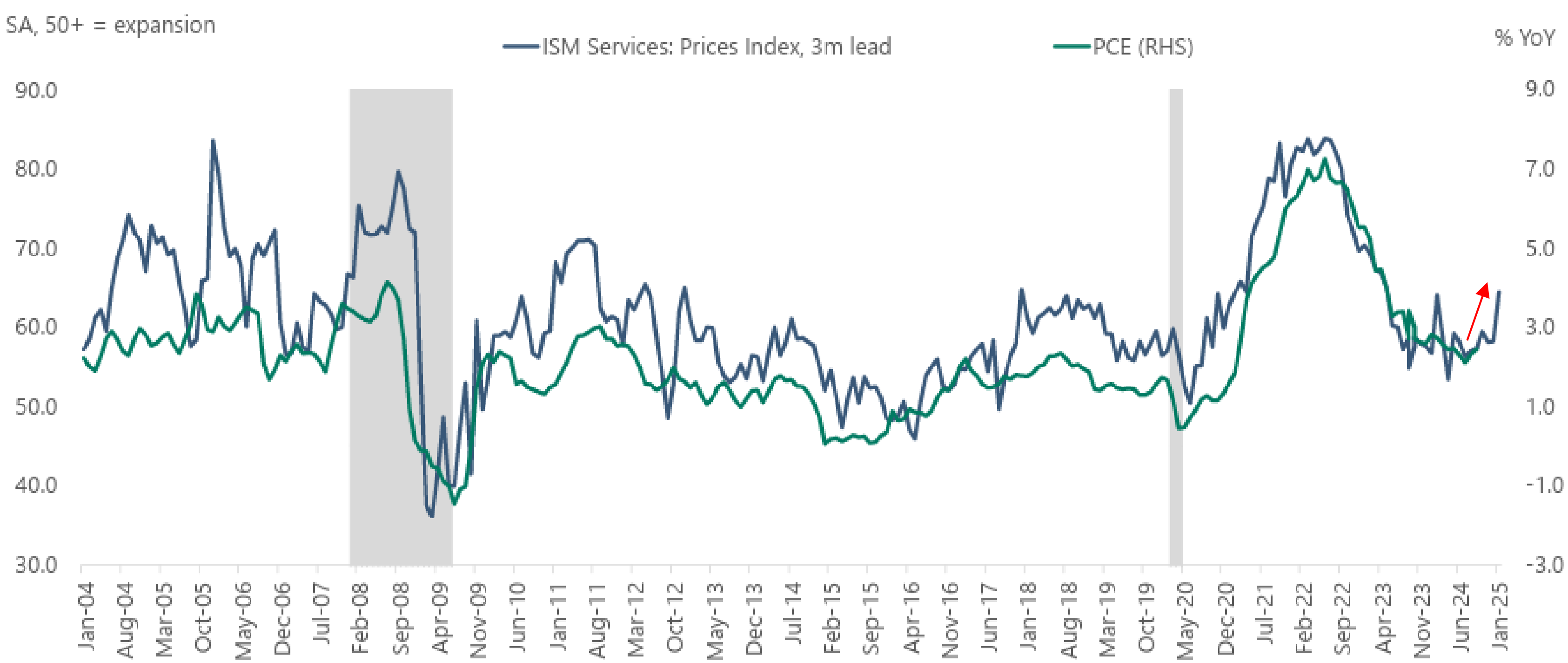


Source: NFIB, Haver Analytics, Apollo Chief Economist

The Economy

Inflation Lower But Above the Fed's Target

- The Institute for Supply Management (ISM) services prices paid index is **trending higher** and is a leading indicator for inflation.



Source: BEA, ISM, Haver Analytics, Apollo Chief Economist

The Economy

Fed Policy: Easing Cycle Paused

- Recent **economic growth has exceeded the Fed's expectations**, and the Fed believes **inflation will stay elevated** over the near-term.

- After cutting rates 1.00% in 2024, the Fed is currently on pause, though its forecasts indicate **0.50% of total rate cuts in 2025**.

- Given the uncertainty surrounding tariffs and the continued economic momentum, we anticipate the **Fed will be cautious to cut rates further** and remain data-dependent.

➢ Expect **higher-for-longer interest rate policy.**

Economic projections of Fed Board members & Fed Bank presidents, December 2024

Percent

Variable	Median[1]				
	2024	2025	2026	2027	Longer run
Change in real GDP	2.5	2.1	2.0	1.9	1.8
September projection	2.0	2.0	2.0	2.0	1.8
Unemployment rate	4.2	4.3	4.3	4.3	4.2
September projection	4.4	4.4	4.3	4.2	4.2
PCE inflation	2.4	2.5	2.1	2.0	2.0
September projection	2.3	2.1	2.0	2.0	2.0
Core PCE inflation[4]	2.8	2.5	2.2	2.0	
September projection	2.6	2.2	2.0	2.0	
Memo: Projected appropriate policy path					
Federal funds rate	4.4	3.9	3.4	3.1	3.0
September projection	4.4	3.4	2.9	2.9	2.9

Source: Federal Reserve

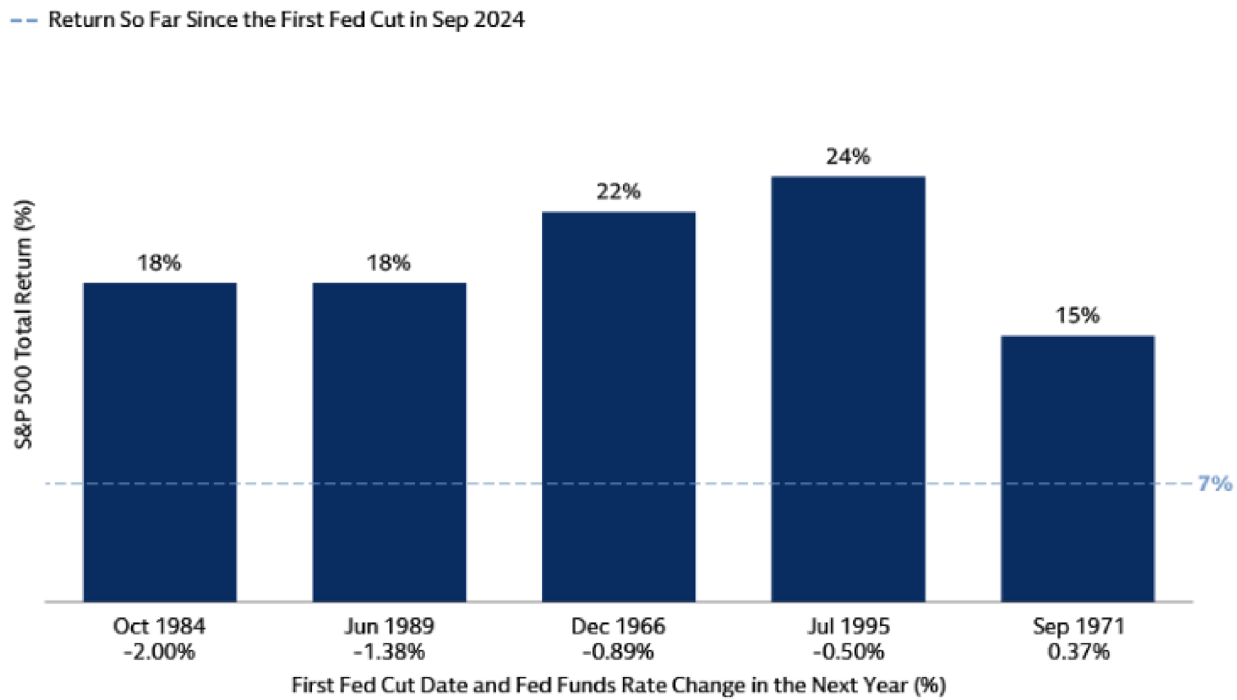
Part 3:

OUTLOOK

Outlook

Fed Cuts Supportive

- **Fed rate cuts tend to lead to positive stock market returns.** If history is a guide, we may expect further upside for the stock market.



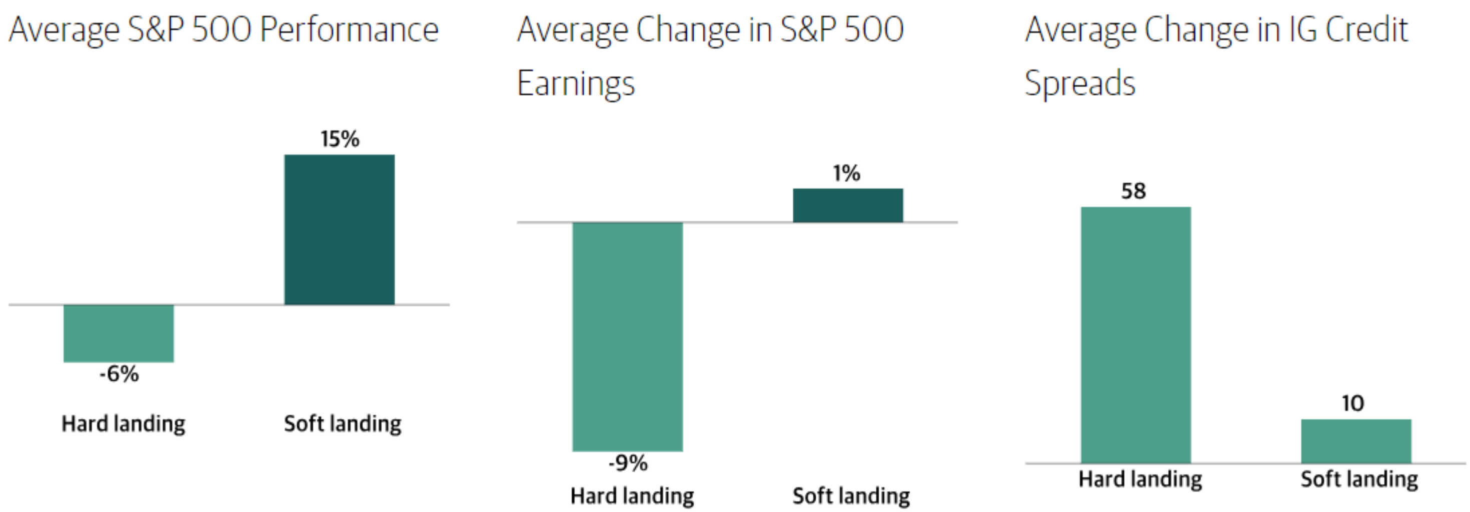
Source: Goldman Sachs Investment Strategy Group and Goldman Sachs Asset Management. As of February 3, 2025. Chart shows S&P 500 performance following the first cut in prior Fed cutting cycles, in addition to the total amount of cuts/hikes issued by the Fed in each specific period. Past performance does not predict future returns and does not guarantee future results, which may vary.

Outlook

Soft Landings Supportive

- **The "why" behind Fed rate cuts matters.**
- Modest reductions in rates under soft landing scenarios tend to be **supportive to the stock market and credit** (our base case).

In the 12 Months Following the First Cut



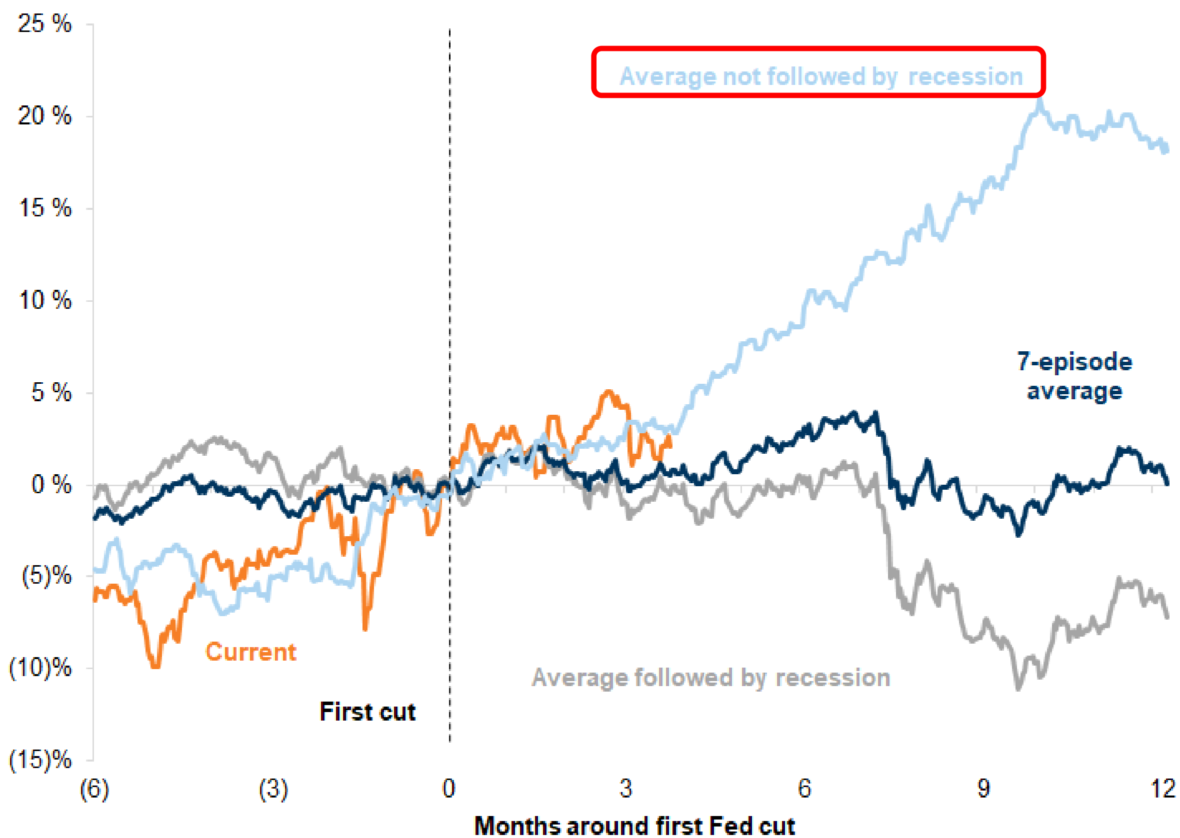
Source: Bloomberg, Standard & Poor's and Macrobond.

Outlook

Soft Landings Supportive

- Interest rate-cutting cycles have historically been associated with **rising stocks, so long as a recession is avoided.**

Global equities around Fed cut with and without recession



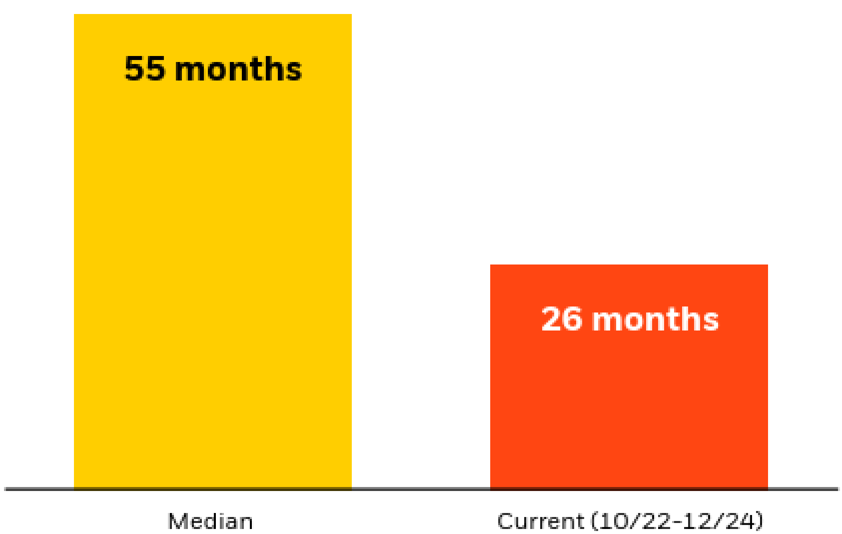
Source: Datastream, Goldman Sachs Global Investment Research

Outlook

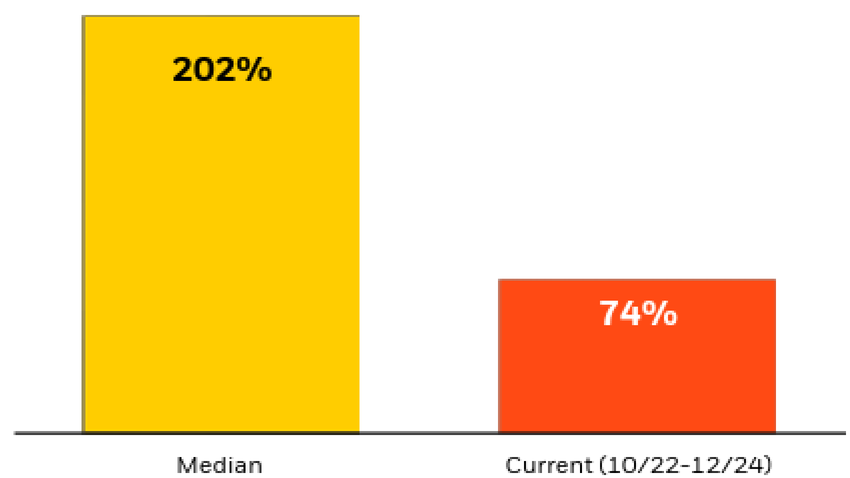
Bull Markets Tend to be Long

- While stock valuations appear stretched, **bull markets have historically lasted 55 months,** and we're currently at 27 months (through Jan '25).
- The **cumulative return during a bull market can be quite high**. (Conversely, bear markets have been shorter and less severe, lasting an average of 14.5 months and with an average -30.5% return).

Length of bull market, since 1926



Cumulative return during bull markets, since 1926



Source: Morningstar and BlackRock as of 12/23/24

Outlook

Cautious on Valuations

- The stock market is **expensive** relative to historic averages, across most metrics.
- Today's Price-to-Earnings (P/E) ratio **implies more moderate annualized returns for the S&P 500 in the years ahead.**
- Higher interest rates and associated cost of capital may also act to **moderate stock returns.**

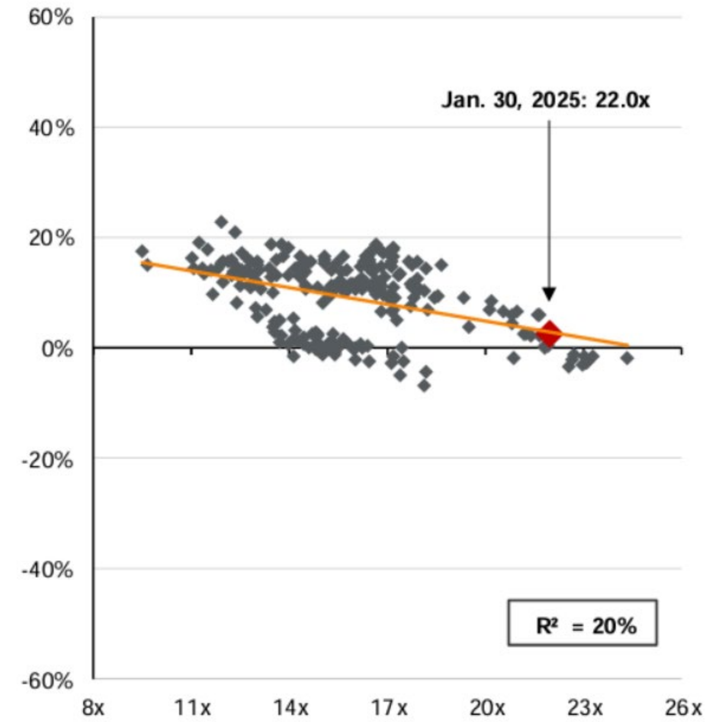
S&P 500 Index

Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	21.97x	16.86x	1.56
CAPE	Shiller's P/E	38.26x	28.06x	1.67
Div. Yield	Dividend yield	1.30%	1.98%	1.91
P/B	Price to book	4.61x	3.19x	1.70
P/CF	Price to cash flow	16.89x	11.34x	2.34
EY Spread	EY minus Baa yield	-0.91%	0.69%	0.74

As of 1/30/2025

Forward P/E and subsequent 5-yr. annualized returns

S&P 500 Total Return Index

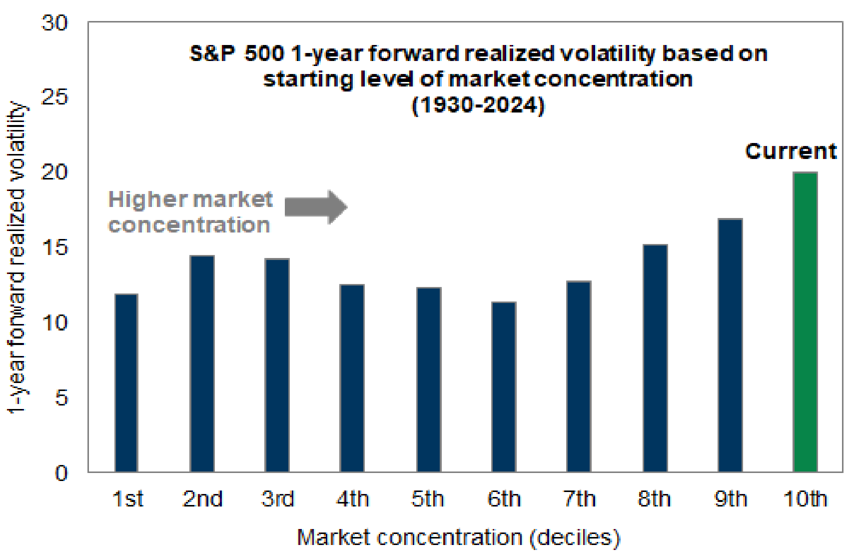


Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

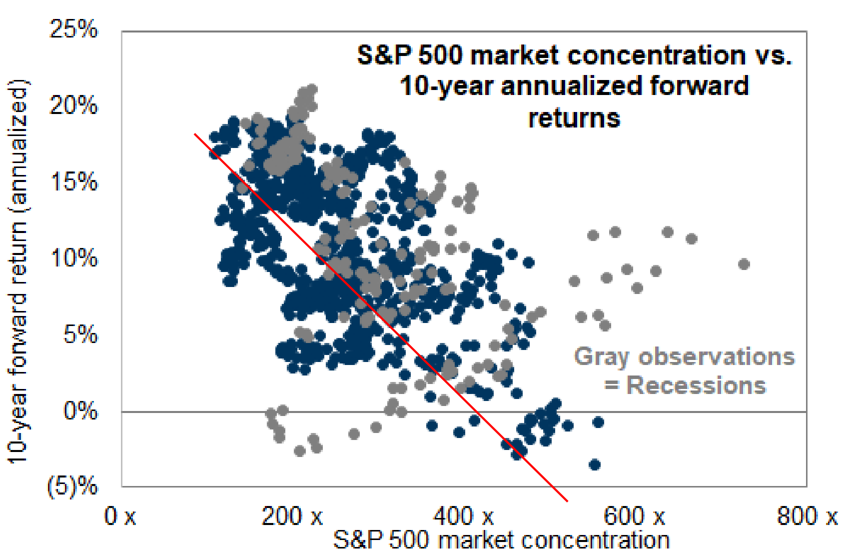
Outlook

Bumpier Road Ahead

- **Higher levels of stock concentration** tend to be associated with **higher levels of volatility.**
- Higher market concentration also tends to be **associated with lower forward returns.**



Source: Goldman Sachs Global Investment Research



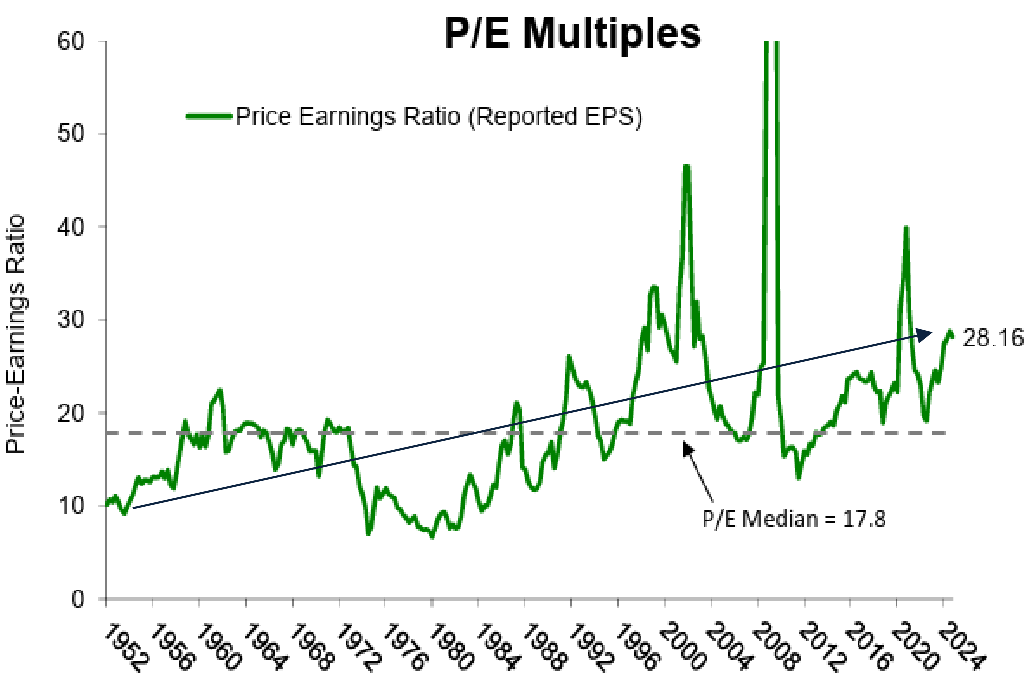
Source: Goldman Sachs Global Investment Research

Market concentration defined by largest stock / 75th percentile stock.

Outlook

Moderated Long-Term Returns

- P/E Multiples have historically **expanded over time and equate to approx. 2%** of the S&P 500 Index's **long-term returns** of just over 10%.
- Adjusting for multiple expansions and assuming no additional expansion over the long haul infers long-term returns in the **high single digits.**



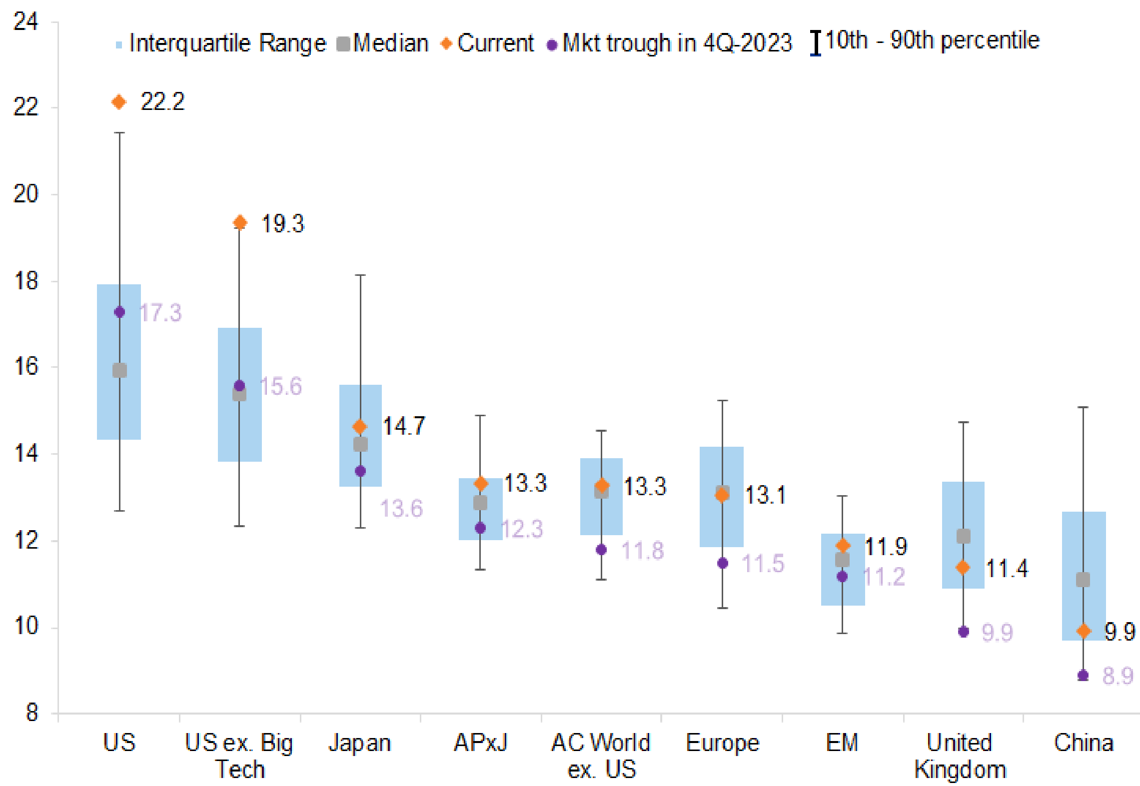
Source: S&P Dow Jones, FTSE Russell

Outlook

International Relatively Cheaper

- **The U.S. has a valuation at its 20-year peak,** which holds true even after excluding the largest Tech companies.
- Having **dedicated international stock exposure may help diversify** U.S.-specific stock risks.

12m fwd P/E, MSCI regions; data since 2003



Source: FactSet, Goldman Sachs Global Investment Research

Outlook

International Relatively Cheaper

- International stocks are currently trading at **historical discounts** to the U.S. market and offer **higher dividend yields**.

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

Outlook

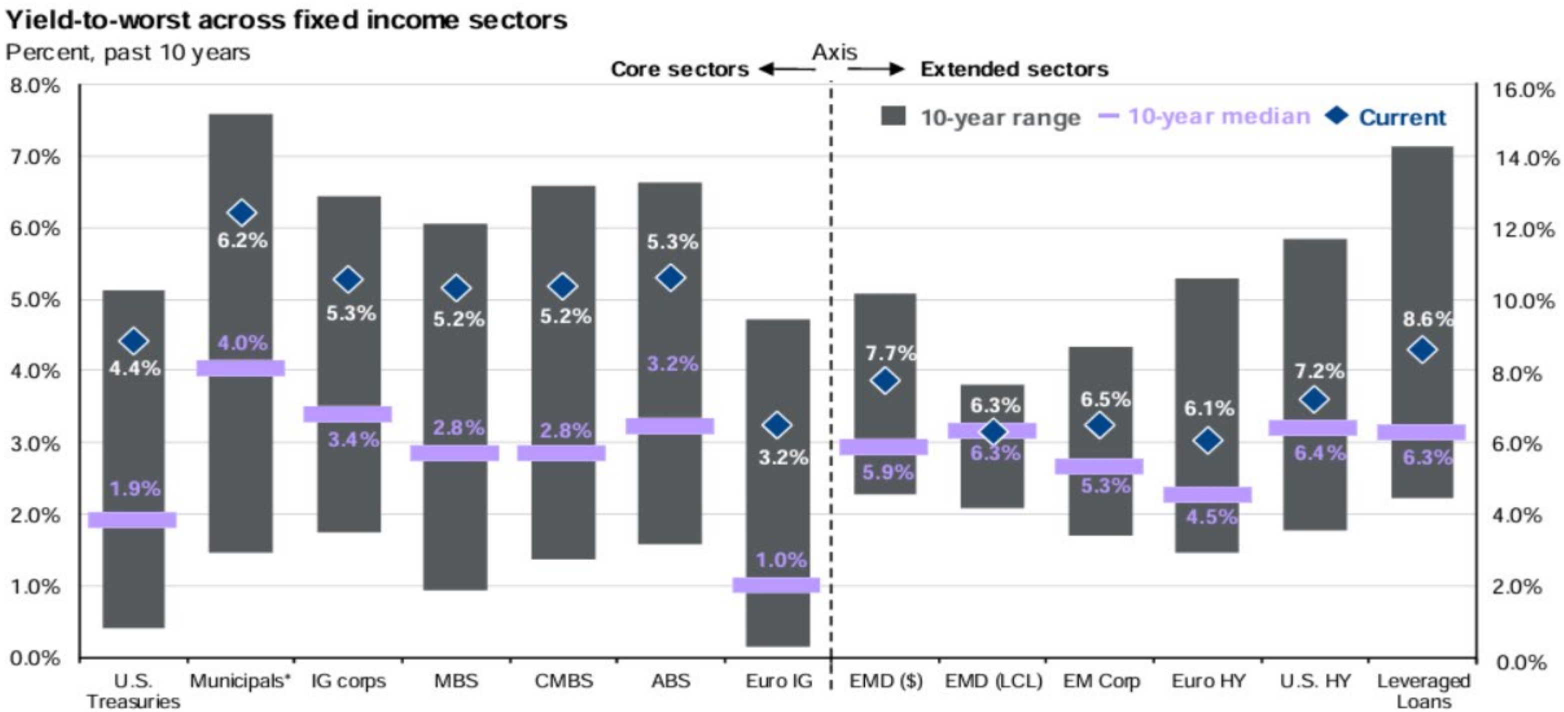
Tariffs & International & EM Stocks

- We've seen tariffs before. Despite the uncertainty surrounding tariffs during President Trump's first term, **Chinese stocks doubled in value while he was in office.**
- When conventional wisdom indicates one thing, **the opposite can very well occur.**

Outlook

Bond Yields Attractive

- **Current bond yields are attractive** relative to recent history, and the **current yield is the strongest determining factor** for forward-looking bond returns.
- Many of our bond funds are **yielding mid- to high-single digits**.

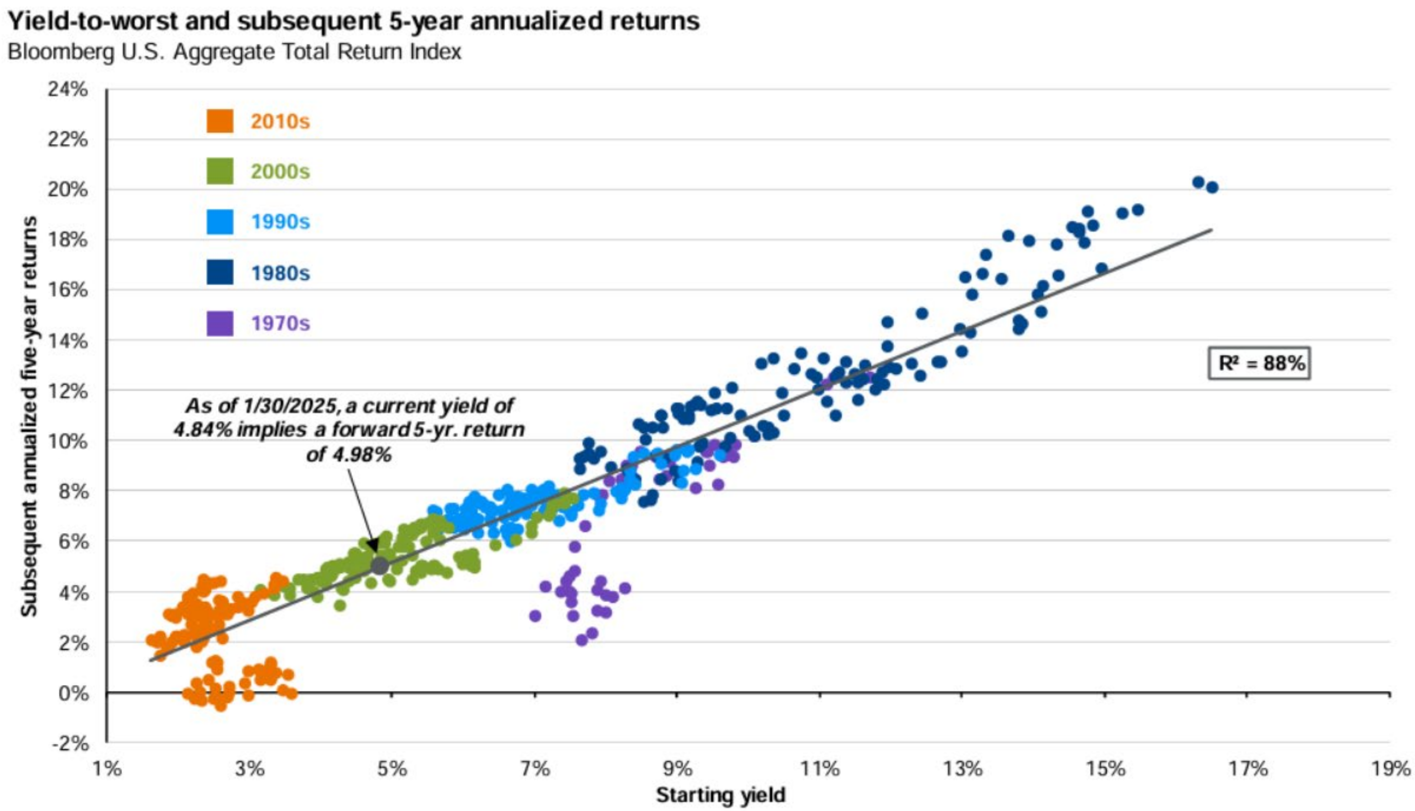


Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.

Outlook

Bond Yields Attractive

- The current yield on core fixed income infers a **healthy mid-single-digit forward-looking return expectation**.



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

Outlook - Alternatives

Private Equity

- We believe private equity (PE) offers **attractive upside return potential.** PE has historically **outperformed public stock market equivalents, with less volatility** over time. PE represents a **large, untapped investment opportunity** for many investors.

Real Assets

- Real Estate appears to have **cycled capitalization rate increases, and transaction volumes have picked up.** We are positive about the outlook moving forward, particularly for residential, industrial logistics, medical offices, data centers, and others.
- 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 infrastructure areas over the coming years** to sustain ongoing economic growth.

Direct Credit

- We consider it to be a **favorable environment for direct lending strategies**, with still high interest rates driving increased current yield. **Business fundamentals continue to be robust**, supporting credits.

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The information in this presentation is subject to change without notification. Certain statements contained within are forward-looking, including, but not limited to, statements that predict or indicate future events, trends, plans, or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties. Although the opinions expressed are based upon assumptions believed to be reliable, there is no guarantee that they will come to pass. This information may change at any time due to market or other conditions.

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Fixed income yields are based on Bloomberg indices and from the following sources: US Treasury, FactSet, PIMCO, JP Morgan Asset Management, and are represented by Broad Market, U.S. Treasuries, Municipals, U.S. Corporate bonds, MBS, ABS, Euro Corporates, Emerging Markets Debt, Emerging Markets Corporates, U.S. High Yield, Euro High Yield, Leveraged Loans. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting and considers factors like call provisions, prepayments, and other features that may affect the bonds' cash flows.

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