WESTEND Advisors

A VICTORY CAPITAL® INVESTMENT FRANCHISE

Macroeconomic Highlights

Q1 2024

20240102-3304045

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WestEnd Outlook Highlights

- We see a potential fork in the road for the U.S. economy in 2024. We still see late-cycle conditions globally, with key factors that have supported growth in recent quarters fading and more challenges for the U.S. consumer ahead, which all raises the risk of recession. However, we also see a realistic path toward a "soft landing" that could further extend the cycle. A shift to less restrictive monetary policy could help limit the negative impacts of the Fed's sharp rate-hiking cycle, but we believe it is very unlikely to kick off a new period of rapid economic expansion.
  - Temporary post-COVID factors that have helped sustain economic growth are fading, including record demand for labor, rebounding labor market participation, and above-trend consumer savings and wage growth.
  - Our analysis suggests consumers have effectively spent down their savings cushion, the personal savings rate is now at lows not seen outside this cycle or the Great Financial Crisis era, and the three-year suspension of student debt payments has ended.
  - Absent an unexpected reacceleration of inflation, we also see potential for a continued pullback in Treasury yields in 2024. Still, interest rates should remain a headwind to growth, and credit spreads could widen.
- Foreign economies face many of the same economic headwinds as the U.S., but some key differences reduce our international outlook. For example, in emerging markets, China's growth remains anemic due to negative wealth effects and deleveraging. In developed markets, Europe is facing a pullback in household consumption and investment, along with higher inflation risks and less of a savings cushion than the U.S., but Japan is seeing inflation recede while stimulative monetary policy remains in place.
- We continue to position portfolios for the later stages of the economic cycle and in view of current risks and opportunities:
  - In U.S. large-cap equity allocations:
    - We are generally avoiding early-phase, cyclical U.S. sectors in all our strategies.
    - We are emphasizing mid-phase and late-phase sectors that we expect will see less deceleration in earnings as economic growth slows, including overweights of Communication Services, Health Care, Consumer Staples, and Utilities.
  - In global portfolios, we remain underweight to international equities, as a whole, including underweights of Europe and emerging markets, but we maintain an overweight of developed Asia, where we see the greatest potential for economic resilience abroad.
  - In traditional balanced portfolios:
    - Seeing reduced risk to fixed income returns and late economic cycle risks to equities, we maintain an overweight of fixed income.
    - Within fixed income allocations, we are emphasizing intermediate and longer-term securities that should benefit from declining interest rates, and we have moved to an overweight of Treasury exposure, which we believe could benefit amid a flight to perceived safe assets.

U.S. Equity Sector Allocations

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WESTEND ETF STRATEGIES

Current large-cap U.S. equity sector allocation and avoidance*

Sector Allocations

- Health Care
- Consumer Staples
- Utilities
- Information Technology
- Communication Services
- Consumer Discretionary

Sector Avoidance

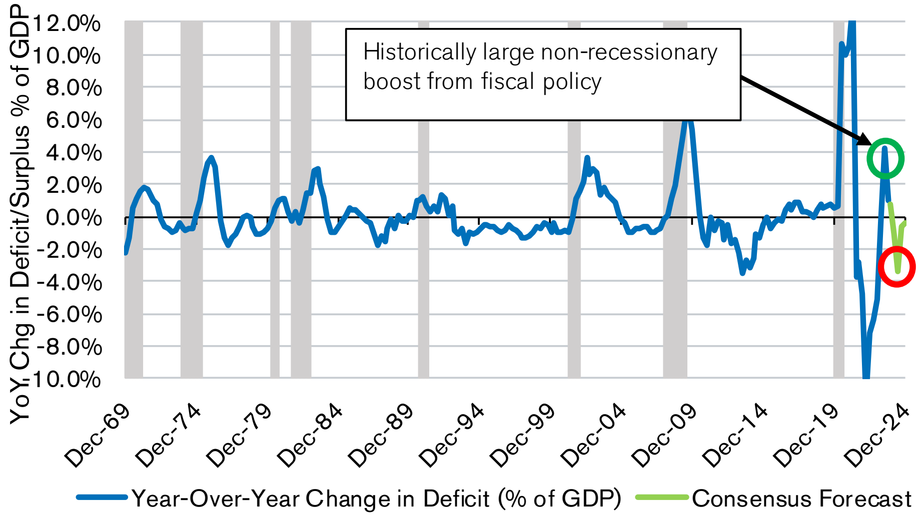
- Energy
- Financials
- Industrials
- Materials
- Real Estate

* For illustrative purposes only. Allocation information as of December 31, 2023. Source: WestEnd Advisors.

U.S. Economic & Market Backdrop

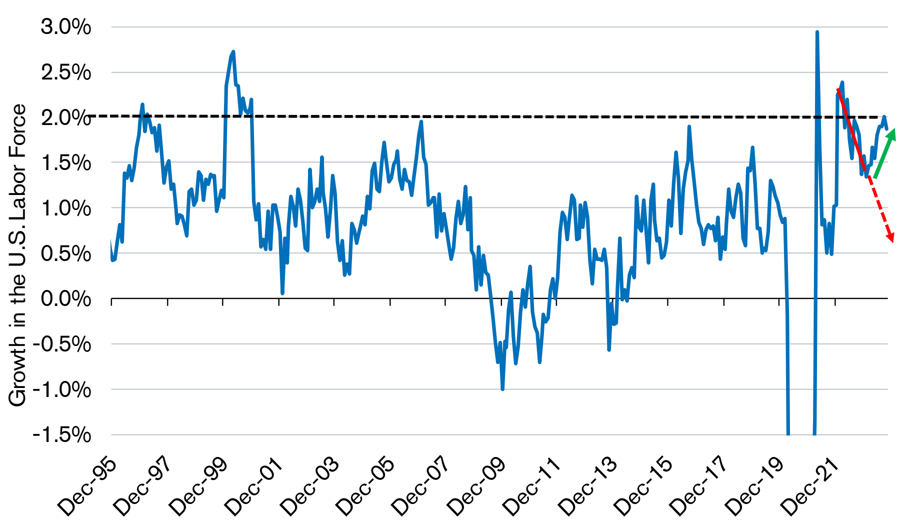
Economic Support in 2023 Extends the Cycle

FISCAL POLICY TAILWIND TO GROWTH IS SET TO FADE



Source: U.S. Treasury Department, BBG, WestEnd Advisors

RESURGENCE IN LABOR FORCE GROWTH BOOSTED INCOME



Source: WestEnd Advisors, Bureau of Labor Statistics

Portfolio Impact: Strong government spending, workers re-entering the labor force, pent-up demand, and other factors **provided unanticipated support to growth in 2023**. We **see these trends waning** in the quarters ahead, and we are therefore emphasizing a mix of defensive sectors like **Health Care, Utilities, and Consumer Staples**, along with more economically sensitive sectors like **Information Technology and Communication Services**.

A range of indicators had begun showing late-cycle conditions at the start of 2023. As a result, we had anticipated slowing economic growth with an elevated risk of recession last year.

While many of the negative trends played out, **several economic bullets were dodged** (e.g., bank failures, inventory reset, drop in existing home sales), and the risks to growth were at least partly **offset by developments that supported economic activity.** We expect many of these developments, like government spending and above-trend labor force growth, **to prove temporary**, but they have helped extend the economic cycle.

Late-Cycle Environment Brings Challenges

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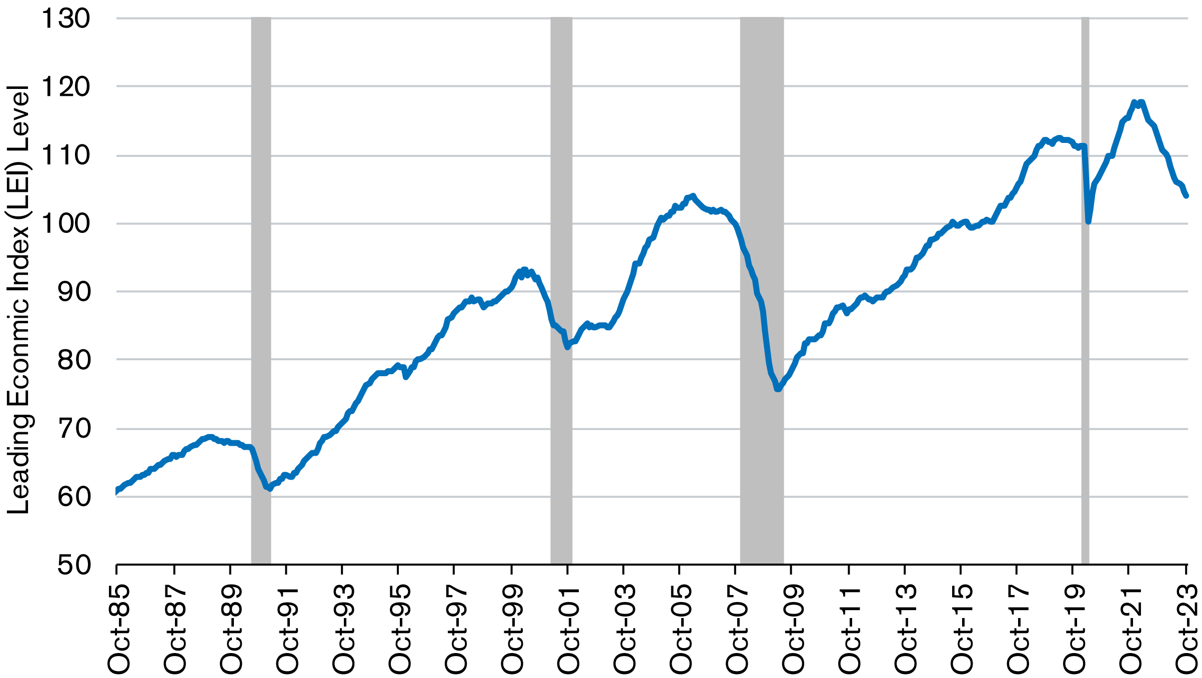
LEADING ECONOMIC INDEX CONTINUES TO TREND LOWER



Source: Conference Board, WestEnd Advisors

Portfolio Impact: Ongoing risks to the economy and profits in the U.S. warrant an emphasis of defensive sectors like **Health Care, Utilities, and Consumer Staples**, in our view, which have historically outperformed during periods of slowing economic growth.

A variety of leading economic indicators, from the inverted yield curve to weakness in cyclical spending categories, point to challenges to growth ahead in 2024. The chart above illustrates that the **Leading Economic Index (LEI) has fallen sharply**, and the magnitude of the recent decline is consistent with prior periods leading up to economic weakness.

Looking forward, we believe the prospect of economic retrenchment remains elevated, **which could put the earnings of the *most* economically sensitive sectors at risk**, but we remain constructive on mid-phase sectors that should benefit from continued earnings growth.

Labor Market Slowing as Expected, 2024 a Pivotal Year

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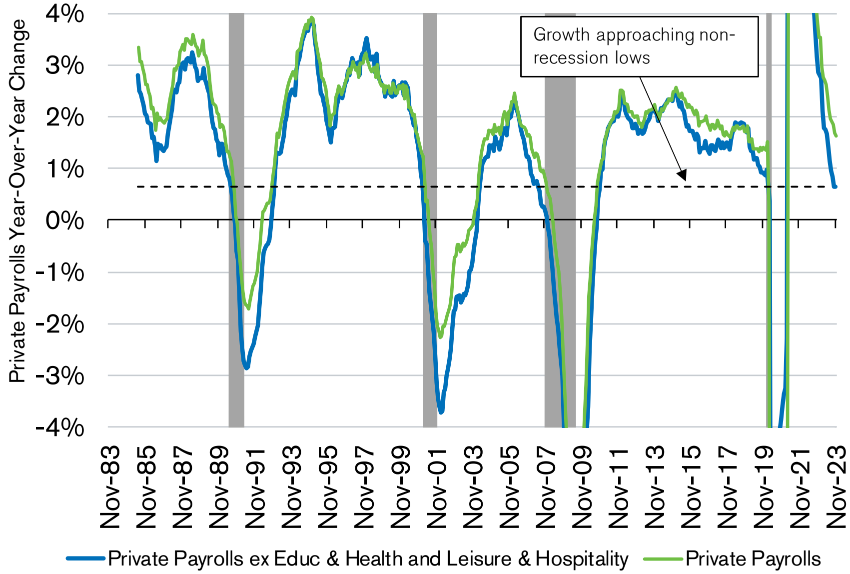
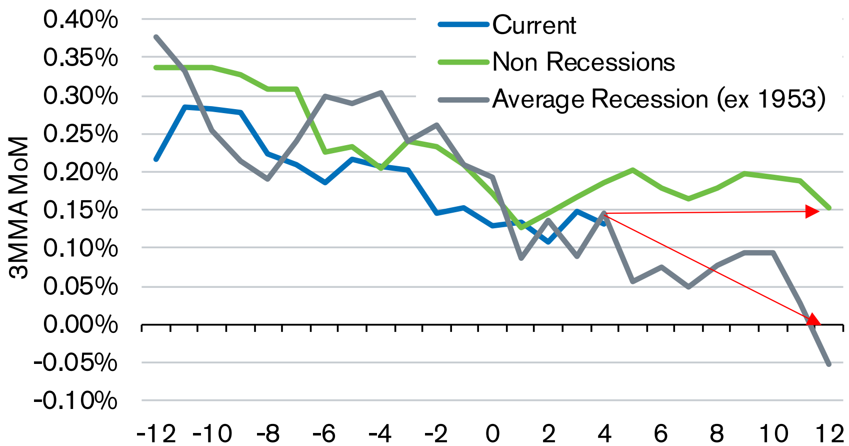
PAYROLL GROWTH SUPPORTED BY FEWER INDUSTRIES



Source: BLS, WestEnd Advisors

PAYROLL TRAJECTORY AROUND PROFIT DECLINES



Source: WestEnd Advisors, BEA, BLS

Portfolio Impact: The labor market was more resilient than expected in 2023, but the **data points to slowing job growth**. We believe the trajectory of employment and layoffs is likely to be a key determinant of the U.S. economy's path and whether a recession is avoided in the intermediate term.

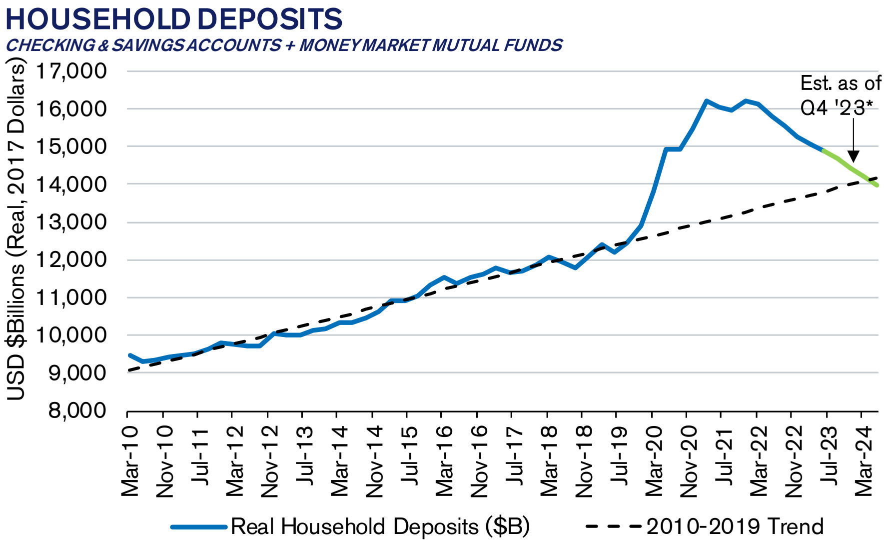
Over the last 12 months, **3-month average private payroll gains slowed from about 290k to about 150k** (in line with the 20-year average excl. months heavily impacted by COVID).

Recently, job gains have been narrowing (see top chart), indicating **many industries were impacted by weak profit growth in 2023 and slowed hiring**.

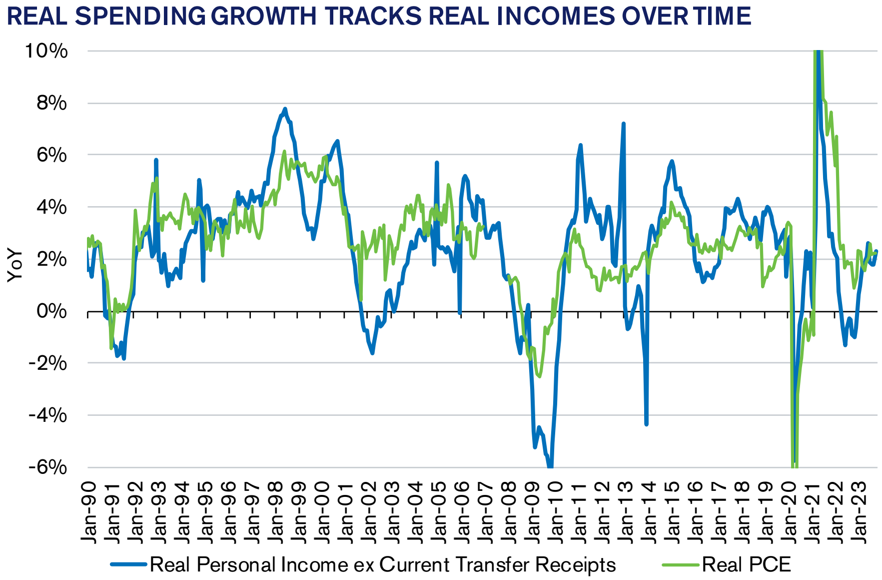
The mild "profits recession" of 2023 leaves the labor market at a key juncture. Typically, **profit declines lead to eventual job losses as companies cut costs, or, job gains can stabilize if profit growth resumes** (see bottom chart).

Industries that have recently supported job growth are becoming more balanced. As hiring naturally slows in those industries, **broad job growth is unlikely to accelerate absent a robust earnings recovery**, which we see as unlikely.

Consumption to Realign with Fundamentals in 2024



*Green forecast data represent projection using current trend
Source: WestEnd Advisors, Federal Reserve



Source: BEA, Bloomberg, WestEnd Advisors

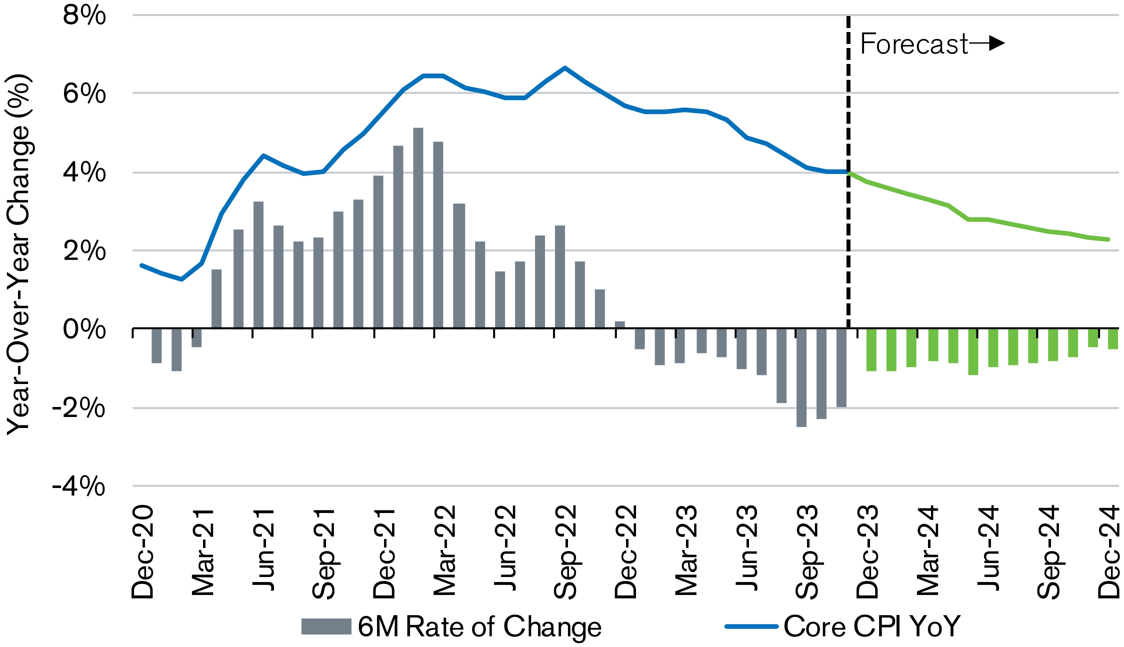
Portfolio Impact: Many of the irregular factors that supported consumption growth post-COVID are unlikely to persist in 2024, in our view. As a result, we think that **more traditional fundamental drivers of consumption are taking hold**. With job gains and nominal income growth moderating, we continue to limit cyclical exposures across our portfolios and are comfortable **deemphasizing or even avoiding exposure to the most economically sensitive areas**.

Consumers outspent their income in the second half of 2023, which drove the savings rate lower but also supported economic growth. Further "excess spending" (i.e., declines in the savings rate) should be constrained by shrinking savings (see top chart), and the now meaningfully higher cost of debt.

With less savings to tap into and reduced credit availability, aggregate consumption growth should be more reliant on aggregate income growth in 2024. **Aggregate income growth will slow, in our view,** due to **slowing job gains, slowing wage growth, and fewer hours worked.**

Inflation is Fading From Investors' Minds…

CORE CPI TO NEAR 2%, DISINFLATIONARY IMPULSE FADING



Source: WestEnd Advisors, BLS

Portfolio Impact: Periods of **disinflation can support real growth** without overheating the economy, which has **historically benefited mid- and late-phase sectors**. Slow growth and disinflation are also catalysts for lower interest rates, in our view, which could provide opportunity in sectors like **Health Care, Consumer Staples, and Information Technology.**

In 2024, we see potential for inflation to continue on a path towards 2% (green portion of top chart), driven by ongoing supply normalization in the goods sector, softer aggregate demand, and decelerating core services inflation due to slower wage growth and the lagged nature of the BLS' shelter price calculations.

Disinflation towards normal levels is a positive for the economy. However, 2023 likely marked the peak in the disinflationary impulse. Looking forward, we believe **lower levels of inflation can provide a lift to real growth, but to a lesser degree than we saw in 2023**.

…While Fed Policy is Moving Front and Center

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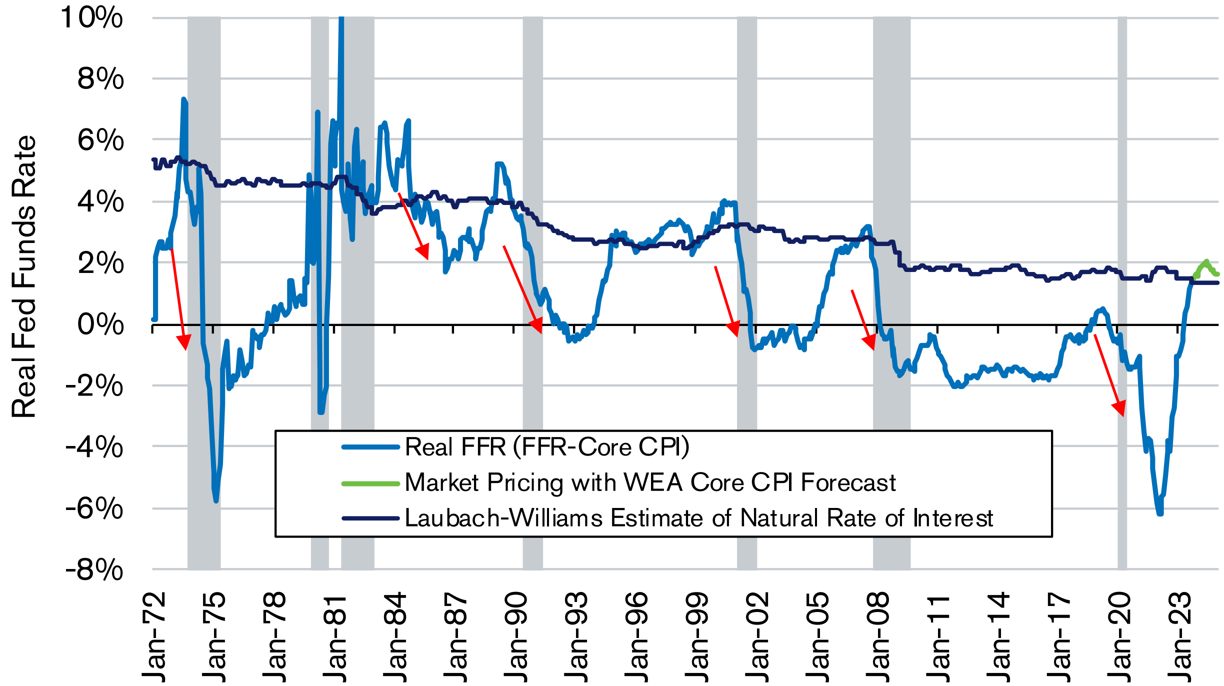
REAL RATES TO REMAIN HIGH EVEN WITH CUTS IN '24



Source: WestEnd Advisors, BLS, Bloomberg

Portfolio Impact: The **Fed is done hiking**, in our view, but **without real economic weakness** we **do not expect to see** the type of material policy easing associated with the start of **a new cycle**.

If our inflation forecast materializes, **we expect that the Fed is finished with this hiking cycle**. The market currently agrees and is pricing in 150+ basis points of rate cuts in the coming year.

This outlook aligns with the Fed's messaging that they may **manage real interest rates lower as inflation cools**. However, this **does not equate to the degree of easing that is typically seen in response to economic weakness, which in turn helps generate a subsequent cyclical recovery.**

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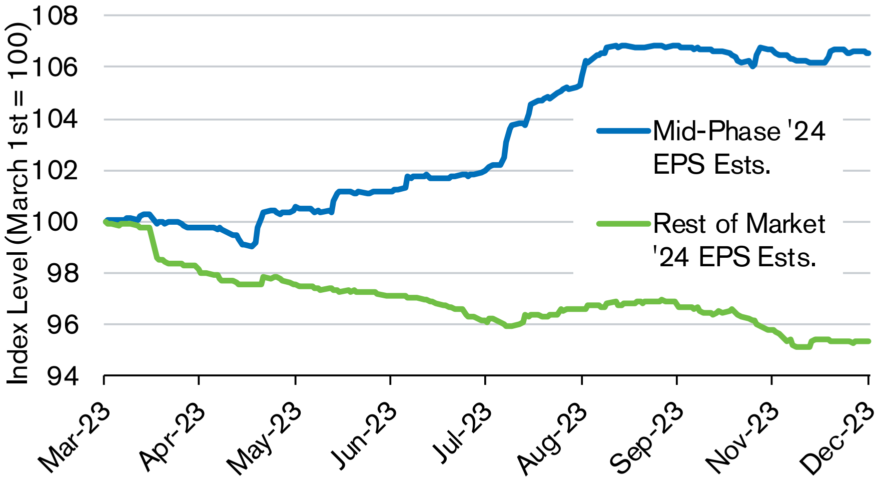
U.S. Sector Outlook

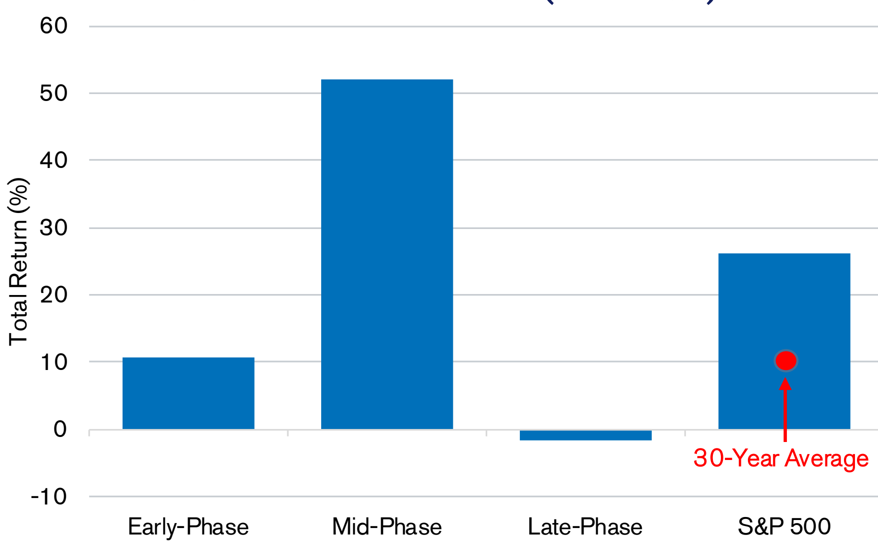
Mixed Picture Below the Narrow 2023 Market Rally

MID-PHASE THE SOURCE OF NARROW UPWARD REVISIONS



Source: BBG, WestEnd Advisors

2023 PERFORMANCE BY PHASE (AVERAGE)



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Risk management, particularly through the lens of the evolution of the economic cycle, is **always key to our portfolio construction**. Significant exposure to mid-phase sectors helped drive absolute returns for our portfolios in 2023, but the substantial overweight of mid-phase sectors that would have been required to drive outperformance entailed a **level of risk that was not consistent with our investment process given our macroeconomic outlook** at the time.

The S&P 500 return of 26% in 2023 was dominated by mid-phase sectors: Info. Tech. (+58%), Communication Services (+56%) and Consumer Discretionary (+42%). Not only did valuations expand for these sectors, but **earnings expectations for mid-phase sectors in aggregate improved substantially more than other parts of the index** (top chart).

Both early-phase, cyclical sectors and late-phase, defensive sectors underperformed the S&P 500 in 2023, with returns that averaged about 6%, versus an average of nearly 52% for mid-phase sectors.

Earnings Outlook Inconsistent with a Cyclical Restart

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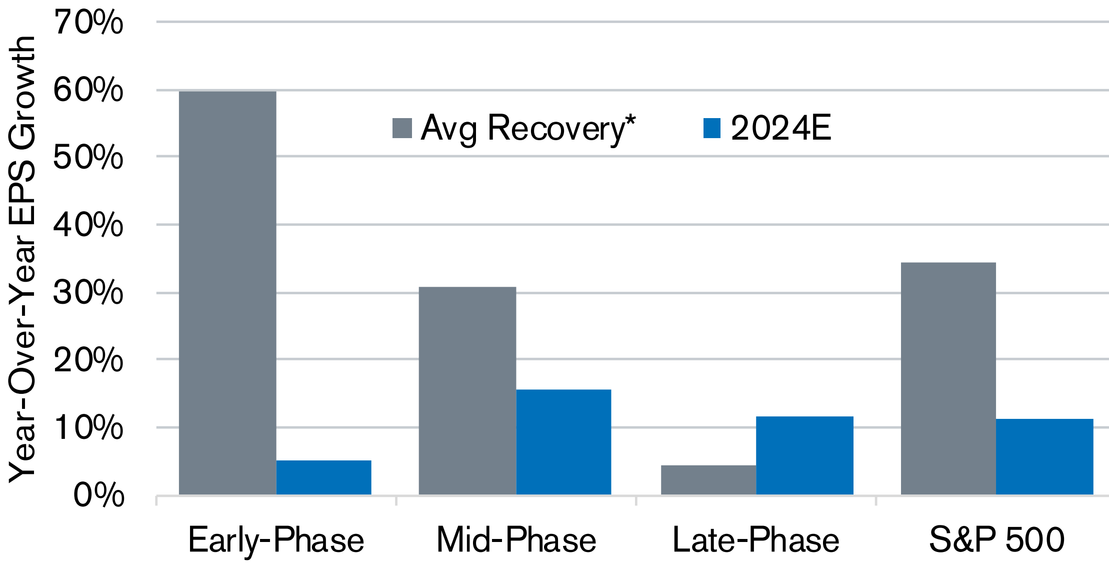
AVERAGE CYCLICAL EARNINGS RECOVERY VS 2024 EST.



Source: Bloomberg, WestEnd Advisors

**Includes early 2000's, post-GFC, and post-Covid (ex-energy) recoveries. Phase growth calculated using sector averages*

Portfolio Impact: Consensus estimates indicate double-digit earnings growth for the S&P 500 in 2024, with **mid-phase and late-phase sectors delivering the strongest growth**. While we believe these areas can support equity performance in 2024, we do not expect recovery-like market returns.

Some investors contend that an upturn in earnings in 2024 is a catalyst for, or a sign of, a strong, recovery-like market environment. We see it differently. Even if the U.S. economy achieves a soft landing, the cyclical **pent-up demand typically seen in a recovery has already been exhausted** post-COVID, which we believe will **limit the magnitude of the economic and earnings rebound**.

Early-phase sector earnings typically rebound the most in macro cycle recoveries, but that is not the environment we see in 2024. We expect **earnings growth for mid- and late-phase sectors to lead the market**, and, with reasonable valuations for these sectors, we believe the stock market can post a positive return in 2024.

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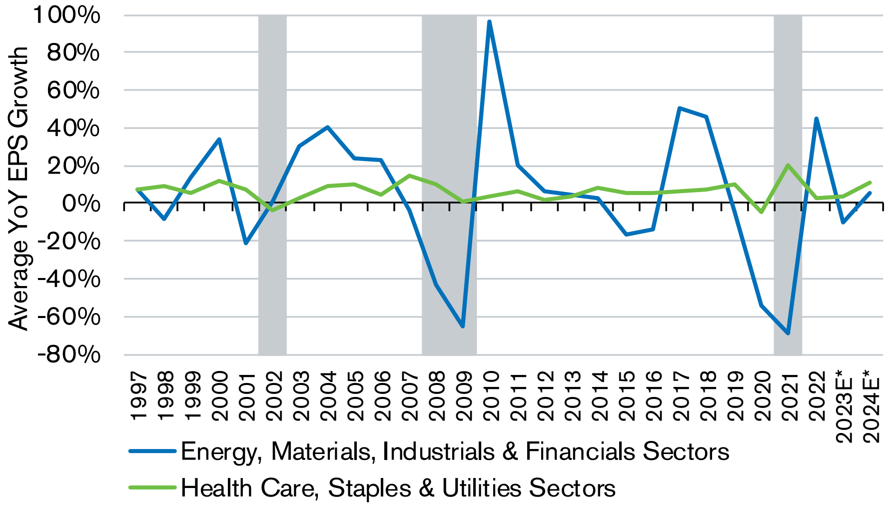
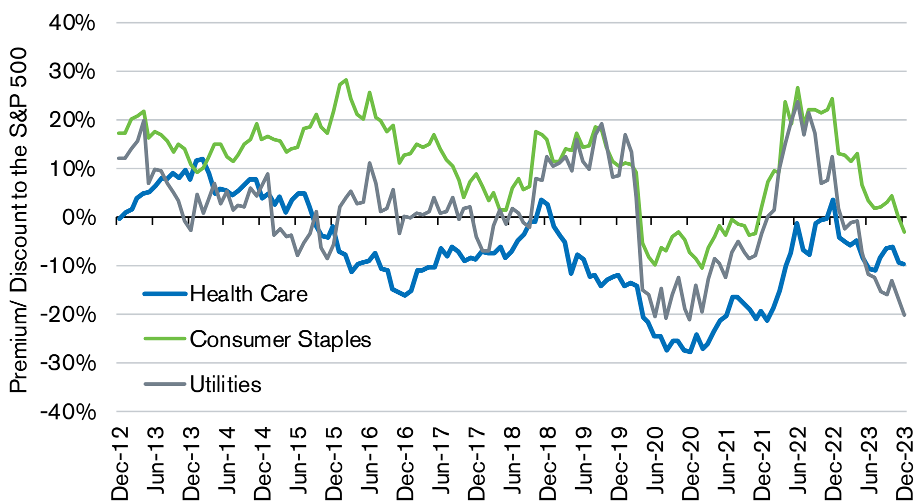
Late-Phase Sectors Provide Steady Earnings

EARNINGS GROWTH BY SECTOR



Source: Bloomberg, WestEnd Advisors
*Consensus estimates for 2023/2024 sector EPS.

LATE PHASE RELATIVE VALUATIONS ARE ATTRACTIVE



Source: WestEnd Advisors

Portfolio Impact: We believe exposure to defensive areas of the market – such as Health Care, Consumer Staples, and Utilities – is warranted. **Consistent earnings growth and above-market profitability** make these sectors more attractive than economically sensitive sectors at this stage of the cycle, in our view.

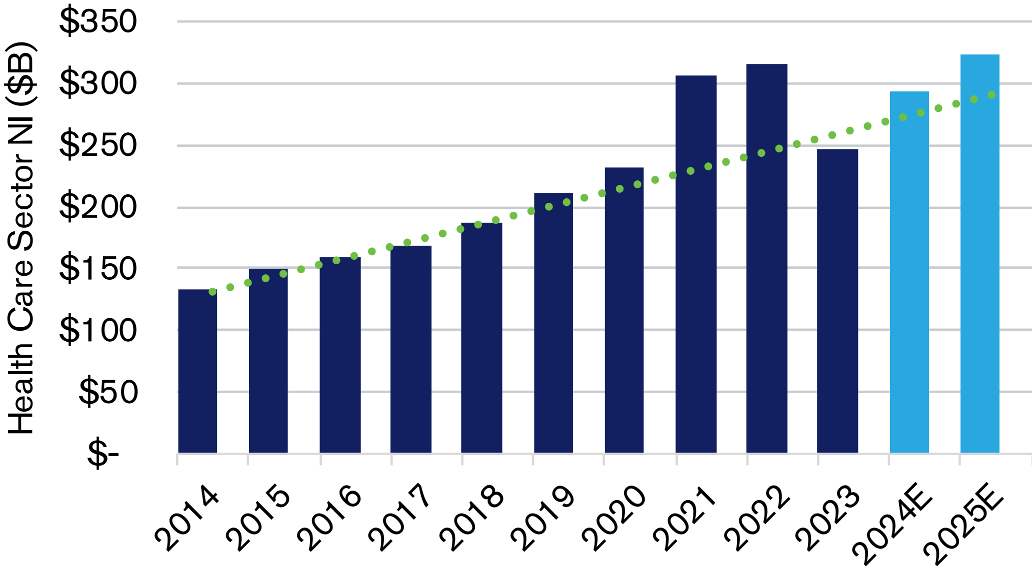
We see the financial stability of Health Care, Consumer Staples, and Utilities as desirable as **the economic cycle matures**.

Defensive, **late-phase sectors have generated very consistent EPS growth over time**. Alternatively, the most **economically sensitive sectors,** like Energy, Materials, Industrials, and Financials, **have much more cyclical earnings**, as illustrated in the top chart.

The relative valuations of Health Care, Consumer Staples, and Utilities sectors moved lower last year, which provides an **attractive investment opportunity,** in our view, as **defensive sector relative valuations tend to rise during periods of slowing economic growth**.

Positioned for Improving Health Care Fundamentals

HEALTH CARE NET INCOME POISED TO REBOUND…



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: We believe **Health Care sector** exposure provides attractive **defensive** characteristics with **insulation from cyclical risks,** but also leaves portfolios **well positioned** for a **rebound in the sector's earnings growth** as COVID-related impacts recede.

Health Care sector earnings have been volatile over the last several years driven, in large part, by the impact of the COVID pandemic (e.g. vaccines, testing, treatments). **COVID-related spending led to a substantial increase in revenue and net income for the sector in 2021 and 2022,** but as we've moved past the pandemic, a slowdown in COVID-related spending and tough comparisons led to a substantial drag on 2023 earnings.

Looking ahead, we anticipate Health Care sector earnings could grow double-digits in the next two years. This dynamic, combined with the sector's historically defensive characteristics, make it an attractive sector to own at this point in the economic cycle, in our view.

Mid-Phase Sectors Should Benefit From Profitability and Less Pressure on Valuations

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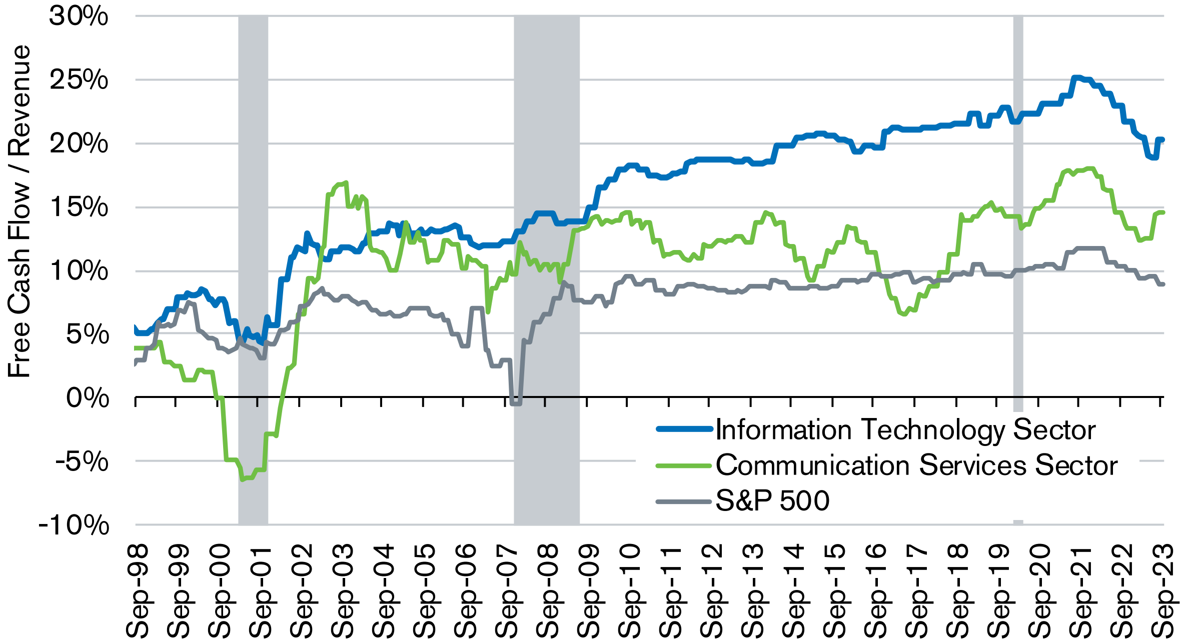
MID-PHASE SECTORS EXHIBIT STRONG PROFITABILITY



Source: WestEnd Advisors, Bloomberg

Portfolio Impact: As economic growth continues to slow, we believe **Information Technology and Communication Services can maintain profitability due to the muted cyclicality of technology business investment and high margins.** These quality attributes are favorable in the latter stages of the economic cycle, in our view.

The quality and profitability of the Information Technology and Communication Services sectors can be seen in the sectors' above-market conversion of sales into free cash flow.

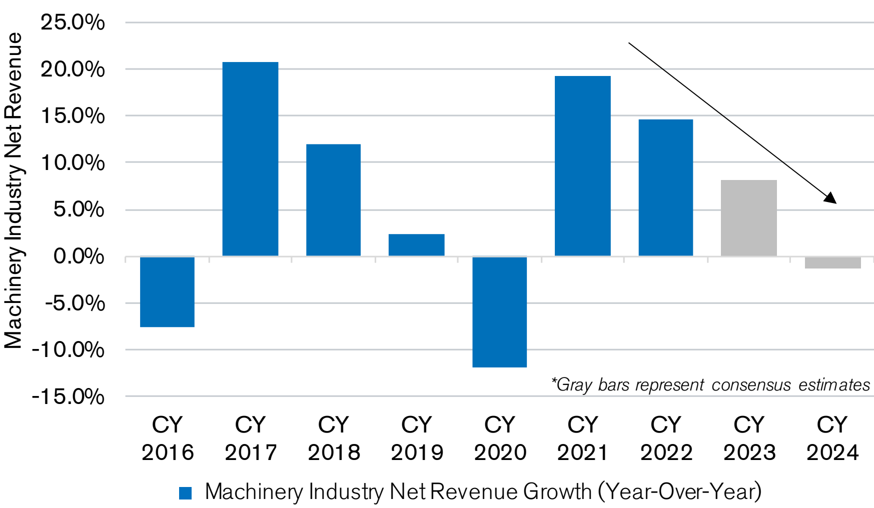
These quality attributes should benefit the fundamentals of Tech and Communication Services companies, as our **outlook for strong, above-market EPS growth,** coupled with a very low chance of **Fed rate hikes over the next year, should produce less downward pressure on mid-phase valuations, in our view.**

Industrials Demand Fading as Sector Rebalances

NORMALIZING BACKLOGS POINT TO MUTED GROWTH AHEAD

Source: U.S. Census Bureau, WestEnd Advisors

MACHINERY DEMAND OUTLOOK IS SOFTENING



Source: WestEnd Advisors

Portfolio Impact: We are generally avoiding the Industrials sector in portfolios, as we believe the prospects of **falling backlogs, softer pricing power, and decelerating order demand** increase the likelihood of a **deterioration in the earnings outlook** for the sector.

Fiscal policy and elevated backlogs helped drive growth in the U.S industrial economy in 2023, as investment in non-residential structures and transportation equipment made the strongest contribution to growth in over a decade.

These **tailwinds are unlikely to repeat next year,** in our view, **as backlogs have largely been depleted** (top chart) and **fiscal policy is expected to inflect negatively** in the coming months.

As a result, **demand for industrial machinery is likely to soften in the coming quarters**, in our view (bottom chart). The Industrials sector is likely to be more dependent on incremental demand at a time when elevated interest rates threaten to reduce investment and slow overall economic activity.

Energy Sector Fundamentals At Risk of Downgrade

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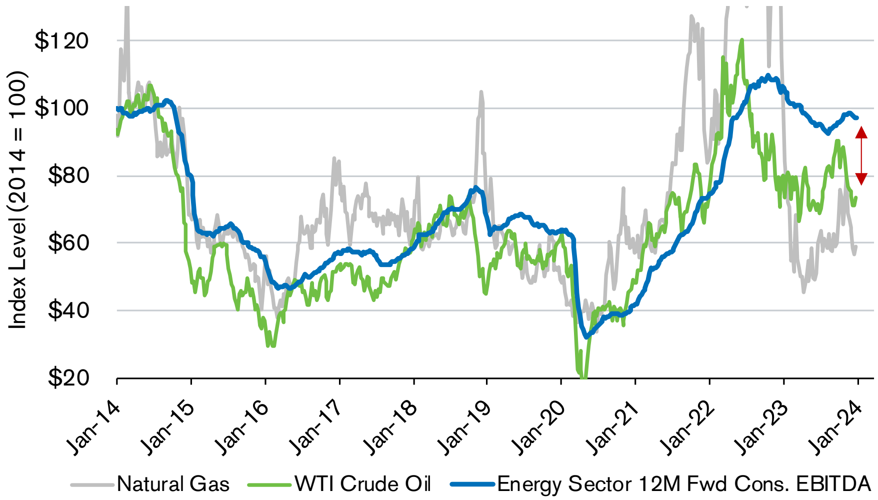
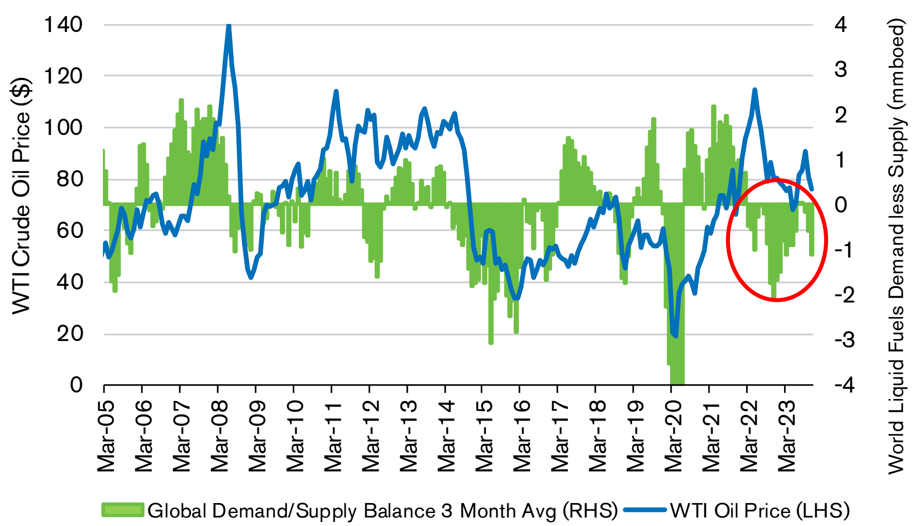
ENERGY SECTOR ESTIMATES TOO HIGH…



Source: WestEnd Advisors

…EVEN AS SUPPLY/DEMAND BALANCE REMAINS SOFT



Source: EIA, WestEnd Advisors

Portfolio Impact: We continue to **avoid U.S. Energy sector exposure** in portfolios, as we believe the prospect of slower growth in the U.S. and abroad, coupled with falling commodity prices and the **potential for significant refining margin compression**, increases the likelihood of a deterioration in the earnings outlook for the sector.

Pricing for the global energy commodity complex has moved lower since mid-2022 on the back of sluggish demand, even in the face of fragile OPEC+ supply cuts.

Still, **forward earnings estimates for the Energy sector appear too optimistic, in our view** (top chart). While elevated refining margins have been a tailwind for Energy earnings over the past two years, industry capacity is expected to rebound in 2024, which should put downward pressure on margins.

As the economy remains in the latter stages of this cycle, we believe oil and gas demand growth is likely to remain subdued, in part because the post-pandemic rebound has already played out. **Global liquids production has consistently outpaced consumption** since Q3 of 2022 (bottom chart).

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International Economic & Market Backdrop

Global Economic Cycle Developing As Expected

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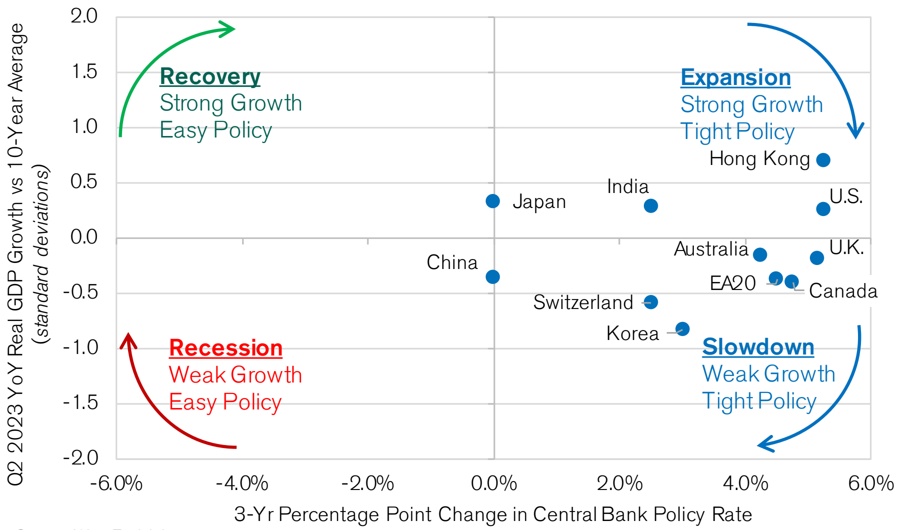
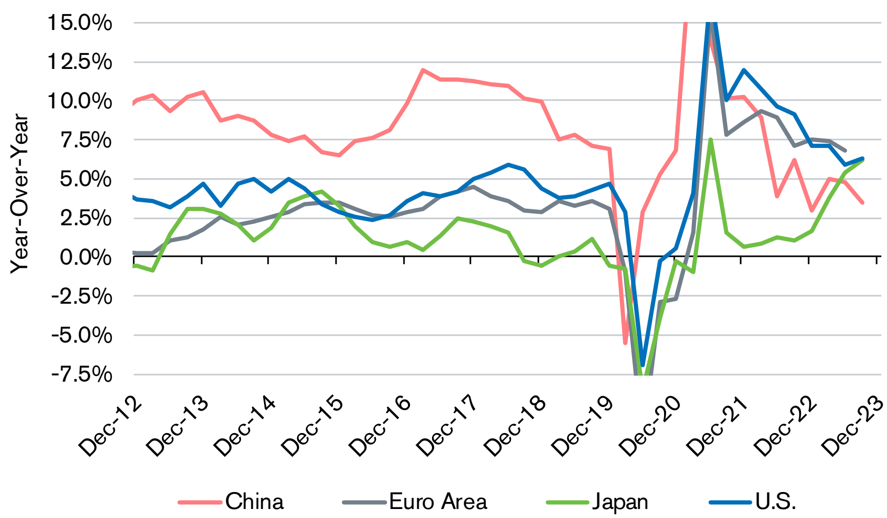
GLOBAL ECONOMIC & POLICY CYCLE IN LATER INNINGS



Source: WestEnd Advisors

NOMINAL GDP GROWTH



Source: WestEnd Advisors

Portfolio Impact: The global economy is in the later stages of this economic cycle, in our view. Growth is decelerating in most major economies, and we believe the impact of the synchronized central bank tightening cycle has yet to be fully felt. We remain **overweight defensive regions globally, such as the U.S. and Japan.**

Most of the world's **major economies remain mired in the mid-to-late stages of the cycle**, with nominal growth slowing and unemployment starting to tick up.

The U.S., the Eurozone, and the U.K. are all facing tight monetary conditions and elevated, albeit slowing, inflation. Services sector activity has been resilient, but economic tailwinds (e.g., excess savings) continue to wane, and we see continued risks to growth over the next 6-18 months.

Outliers include **Japan, which is experiencing its strongest nominal growth in decades**, and China, which is struggling with deleveraging headwinds and has seen its growth rate drop below peers.

Relief on the Horizon for Households in Japan

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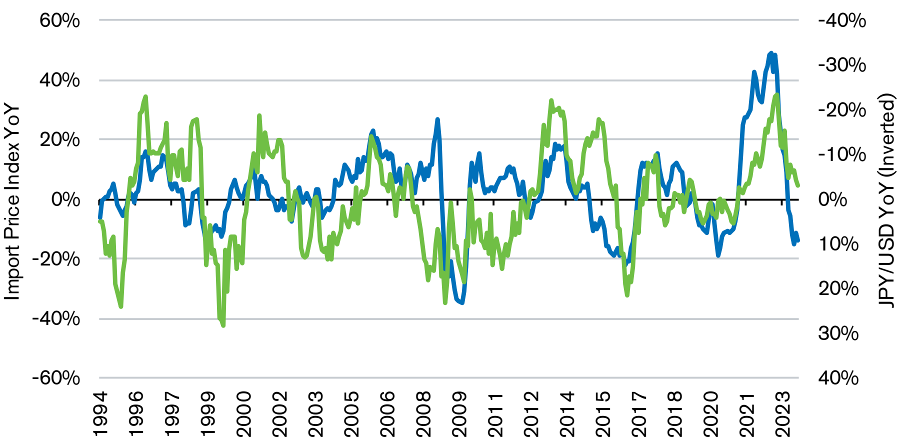
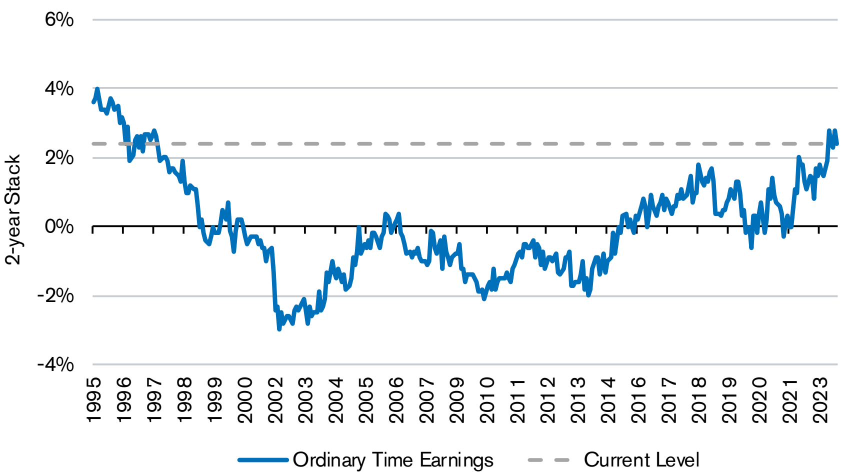
HEADWINDS ARE FADING FOR JAPANESE HOUSEHOLDS



Source: WestEnd Advisors, Bloomberg, Bank of Japan

STRONGEST NOMINAL WAGE GROWTH IN DECADES



Source: WestEnd Advisors, Ministry of Health, Labour, & Welfare

Portfolio Impact: We continue to **overweight Japan**, which not only **has fewer economic headwinds compared to the rest of the developed world**, in our view, but is also typically a more **defensive region** during risk-off environments.

Inflationary pressures have begun to recede in Japan, which will help to broaden the recovery beyond tourism and **provide relief to Japanese consumers,** in our view. Supply-side inflation forces, such as higher import prices and yen deprecation, have moderated over the past year (top chart).

This, in addition to other factors, should allow the **BoJ to keep monetary conditions accommodative**, even as it begins to normalize policy. Any narrowing of interest rate differentials to the rest of the world could provide support for the Yen.

Over the last two years, workers in Japan have had the largest bump in nominal earnings since the late 1990s. We expect strong nominal earnings growth, paired with easing inflation, to bolster household consumption.

Activity in Europe Has Slowed, but Risks Remain

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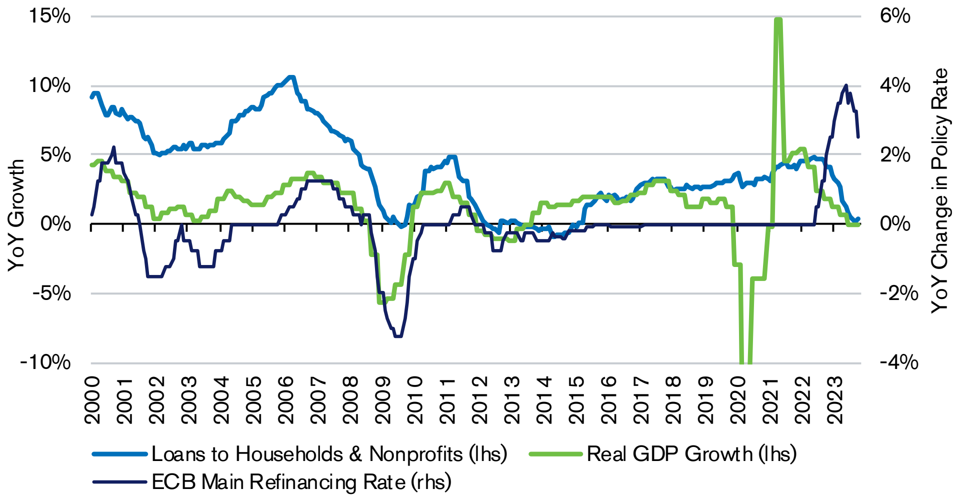
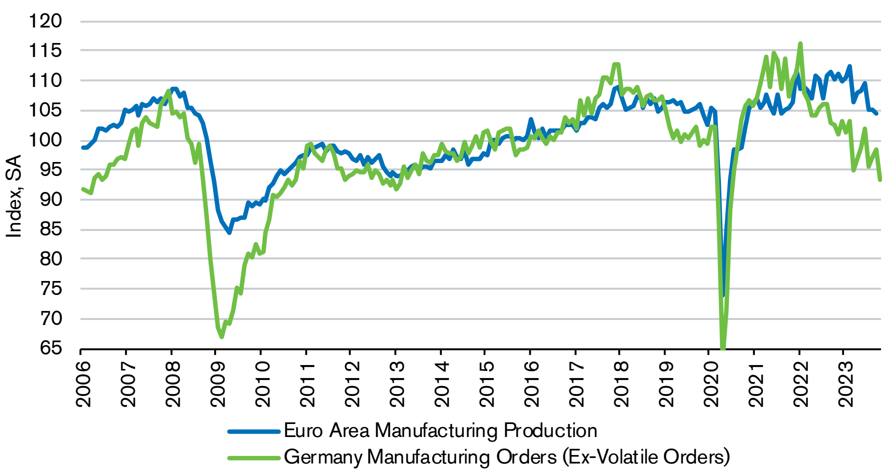
EVIDENCE OF HIGHER RATES RESTRICTING EUROZONE GROWTH



Source: WestEnd Advisors, ECB

NO SIGN OF RECOVERY IN NEW ORDERS



Source: WestEnd Advisors, Deutsche Bundesbank, Eurostat

Portfolio Impact: Macroeconomic headwinds, including elevated interest rates, quantitative tightening, wage pressures, softening industrial demand, and the tightening of credit standards, lead us to **underweight Europe**. The region's higher relative **exposure to cyclical sectors could lead to weaker than expected earnings outcomes**, in our view.

Real GDP growth has slowed to a standstill in the Euro Area. Higher rates and tighter credit standards have contributed to **waning loan growth** (top chart), which has, in turn, led to a **pull-back in household consumption and investment**.

While similar risks exist in the U.S. economy, Europe has been plagued by **less fiscal support and a higher degree of interest rate sensitivity** relative to other developed markets.

The backdrop for **the manufacturing sector**, a key pillar for Europe's economy, **has remained soft, as evidenced by the ongoing deterioration in manufacturing orders** in Germany (bottom chart). We believe risks to growth remain elevated in Europe.

Interest Rates & Real Assets

Yield Curve Unbroken, Signals Late-Stage Economy

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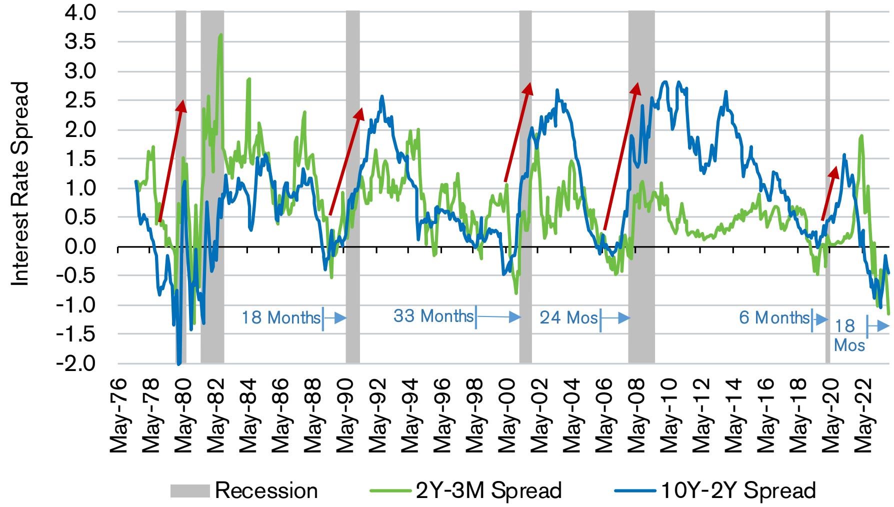
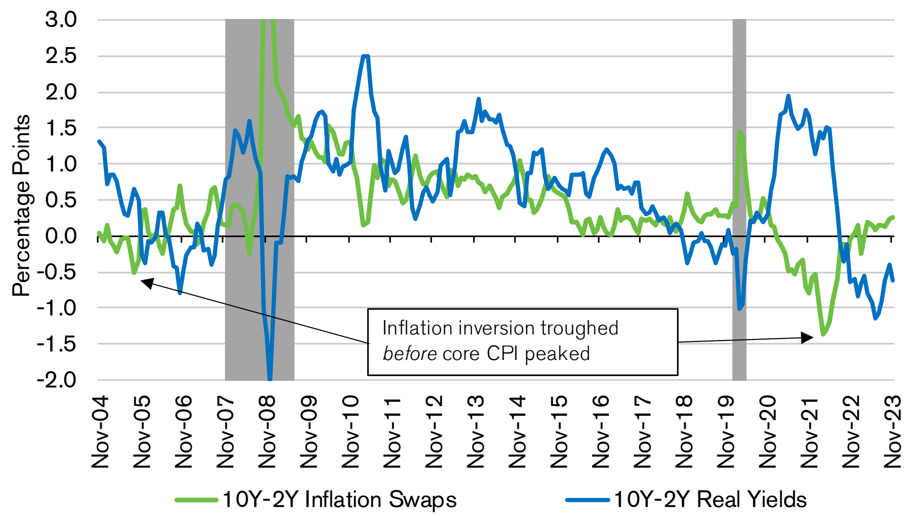
YIELD CURVE CAN STAY INVERTED FOR EXTENDED PERIODS



Source: Bloomberg, WestEnd Advisors

YIELD CURVE INVERSION STILL IN PLACE, BUT DRIVERS HAVE SHIFTED



Source: WestEnd Advisors

Portfolio Impact: Due to potential fallout from Fed tightening and late-cycle conditions, **we see limited upside to economic growth**. As such, in balanced portfolios, we have moved to an underweight of corporate credit and **added to our defensive intermediate and long-duration Treasury exposure**, which we believe will outperform if growth and inflation surprise to the downside.

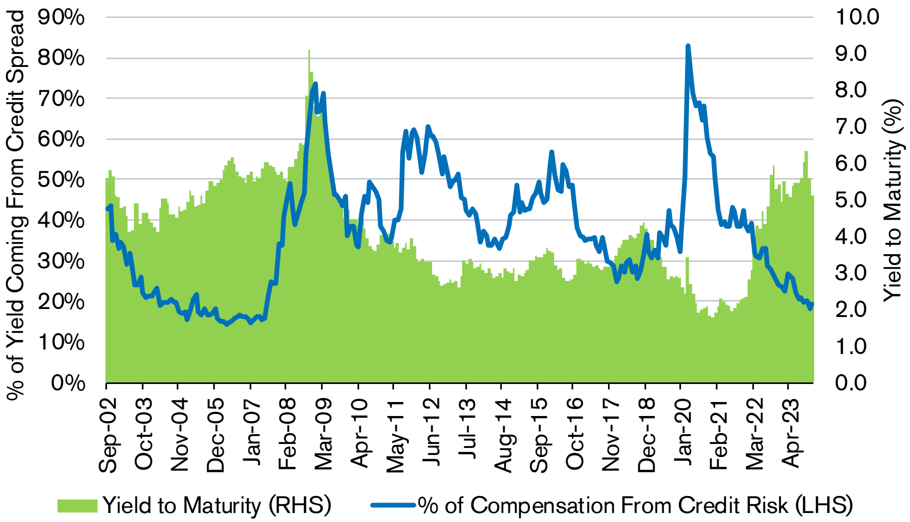
Many leading economic indicators suggest that the risk of a recession in the next 12 months remains elevated, though the exact timing of its onset is uncertain. As shown in the chart above, **yield curve inversions typically signal that recession risk is elevated, but not necessarily imminent.**

The current cycle's 18-month long inversion is longer than in the pre-Covid cycle, but it is not atypical by historical standards (top chart).

Importantly, the **driver of the inversion has shifted** from inflation expectations, which correctly foreshadowed disinflation in 2023, **to real yields** (bottom chart).

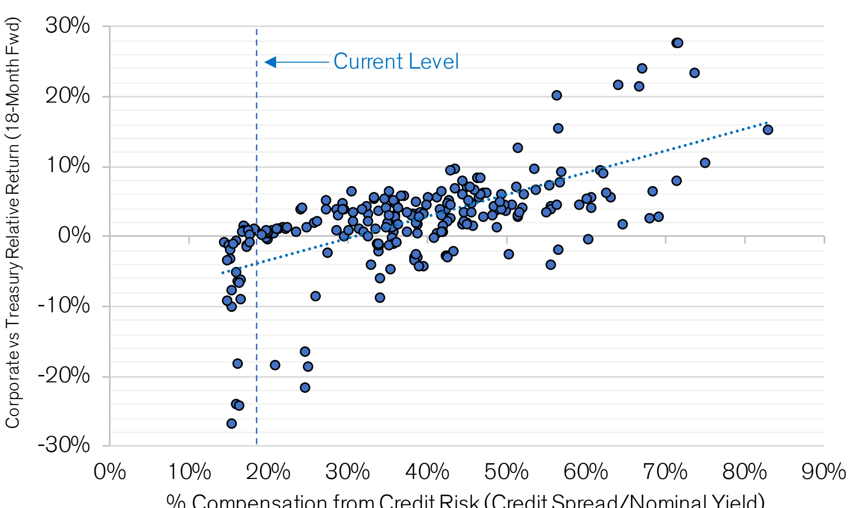
Highest Quality Fixed Income Looks Attractive

CREDIT UPSIDE LIMITED AT CURRENT LEVELS



Source: WestEnd Advisors

CREDIT OFFERS LITTLE COMPENSATION FOR RISKS



Source: WestEnd Advisors

Portfolio Impact: Corporate spreads are providing limited compensation for taking on credit risk, despite late-cycle economic risks. **Higher interest costs, growing net charge-offs, lower credit availability, and rapidly approaching maturities** have the potential to weigh on credit markets in the next 18 months, in our view. As such, we have moved to an **underweight of corporate credit** within fixed income allocations.

Investment-grade credit spreads, which narrowed in 2023 as the economy proved resilient, currently sit near the low end of historical ranges. As a result, the **risk/reward profile for corporate credit has become less attractive**, in our view, even as overall yields remain elevated (top right chart).

At current levels, **credit spreads represent less than one-fifth of the total compensation potential for investment-grade corporate bonds**. Historically, credit compensation at these levels has been associated with limited outperformance, or even outright underperformance, compared to Treasury bonds (bottom chart) over the subsequent 18 months.

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Elevated Rates Improve Fixed Income Return Potential

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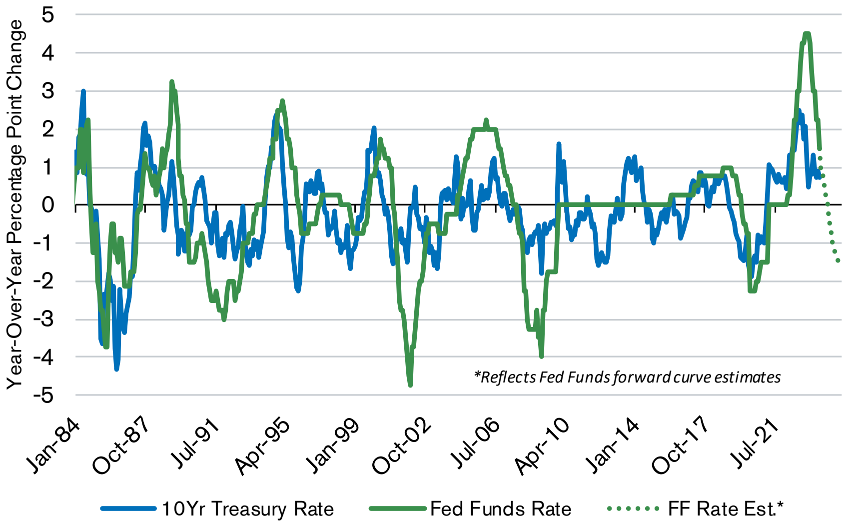
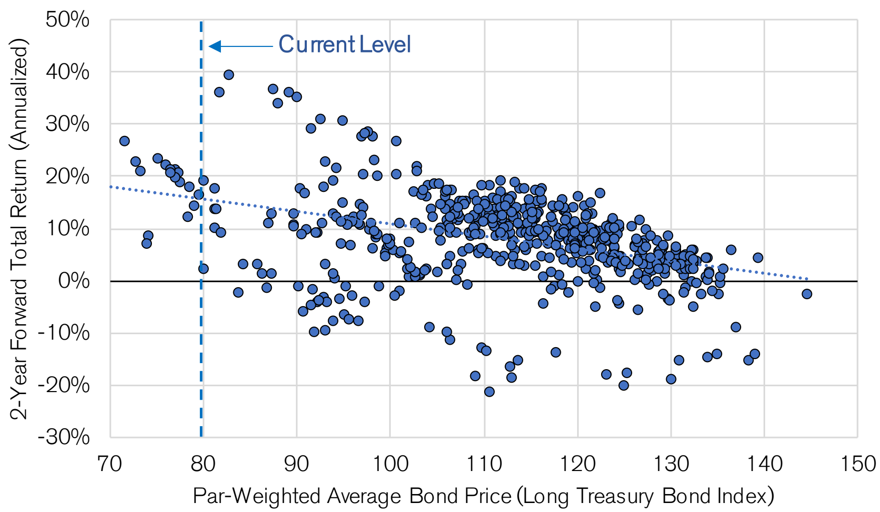
FED POLICY HEADWIND TO LONG BONDS ABATING



Source: Bloomberg, WestEnd Advisors

POTENTIAL RETURNS FOR LONG TREASURIES STILL ATTRACTIVE



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Recent disinflationary trends are likely to provide the Fed with increased policy flexibility over the coming quarters, in our view, raising the potential for lower interest rates over the course of our investment time horizon. As a result, **we find the risk/reward for longer-term bond returns appealing**, and we are therefore maintaining an overweight allocation to long-duration fixed income in traditional balanced portfolios.

Following the rapid rise in interest rates since the beginning of 2022, **we believe the risk for long-term rates is likely skewed to the downside within our investment window,** due in part to the Fed likely being at or near the end of its tightening cycle (see top chart).

Historically, when long-duration Treasury bond prices have been at-or-below current levels, returns over the subsequent two years have been consistently positive and often well above average. **We see attractive return opportunities in fixed income given our interest rate outlook.**

Asset Class Returns Driven by Macro Environment

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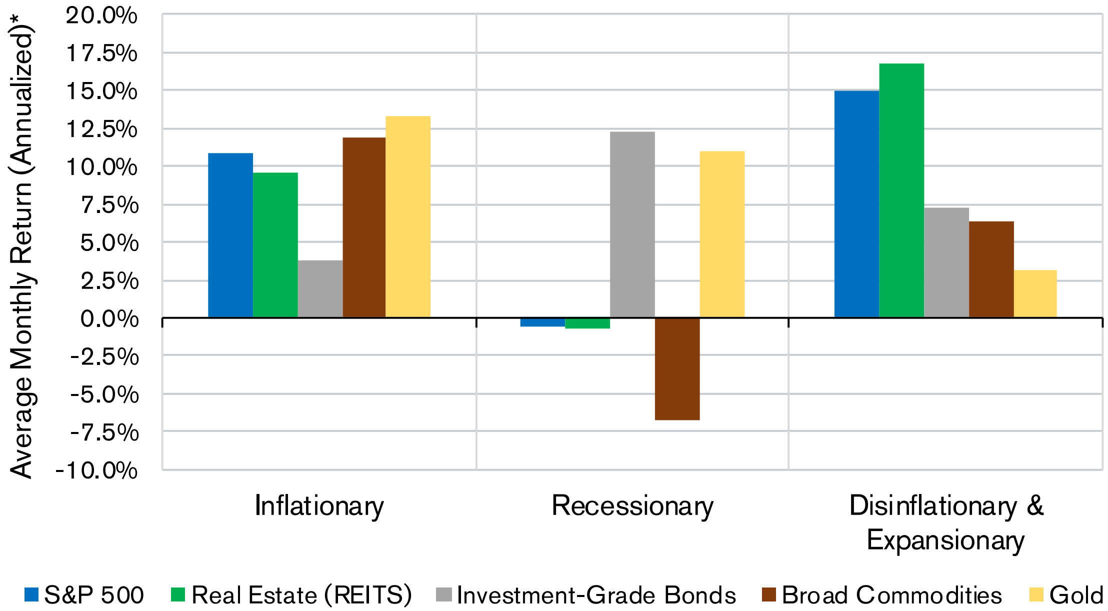
MACRO CONDITIONS DRIVE ASSET CLASS DISPERSION



Source: Bloomberg, WestEnd Advisors *Covers all periods since 1975.

Portfolio Impact: Moving forward, we see a growing likelihood that inflation pressures continue to fade as the risk of recession rises. As such, we are **emphasizing high-quality fixed income and gold in our multi-asset portfolios**, while underweighting or avoiding the most economically sensitive assets, such as equities, real estate, and broad commodities.

The economic and market volatility exhibited so far this cycle have showcased that asset class performance can vary significantly depending on the underlying economic environment. During inflationary environments, such as we experienced in 2021 and 2022, we believe commodities can add significant capital appreciation potential and inflation protection to a portfolio.

However, as we look ahead to 2024, **we see potential for recent disinflationary trends to continue alongside an elevated risk of recession**. As such, we have positioned our multi-asset portfolios to benefit from more modest economic growth as well as to protect capital in the event of a downturn. As the chart above shows, investment grade bonds and gold have historically generated positive returns during both recessions and disinflationary expansions.

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The Standard and Poor's 500 Stock Index includes 500 stocks and is a common measure of the performance of the overall U.S. stock market. The MSCI ACWI consists of 47 country indexes comprising 23 developed and 24 emerging market country indexes. The total return of the MSCI ACWI (Net) Index is calculated using net dividends. Net total return reflects the reinvestment of dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The Bloomberg Barclays US Aggregate Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. The Bloomberg Barclays US Aggregate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. An index is unmanaged and is not available for direct investment.

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