

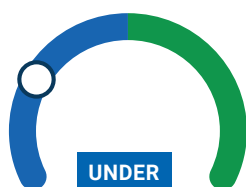
Whether Pause or Pivot, Look to Bonds

With the U.S. likely to enter a recession, investors are asking, are there better opportunities for allocation in global markets? We are selective in our approach.

In light of our macro and market forecasts, we favor bonds as a portfolio allocation due to their diversification, capital preservation, and upside opportunities. Starting yields appear competitive, and we favor high quality duration as well as select credit and securitized assets. In equities, however, we remain cautious as earnings expectations appear too high, and valuations too rich.

Here is a summary of how we are positioning multi-asset portfolios in light of our global economic outlook.

OVERALL RISK

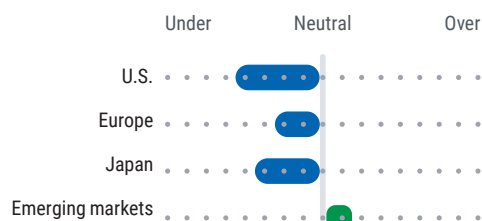
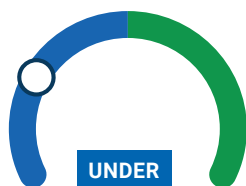


Despite a robust start to the year, the outlook is clouded by restrictive monetary policy, bank failures and still-elevated inflation. These factors appear likely to constrain bank lending and exert a material drag on activity. For this reason, we are underweight risk as the probability of an earlier, deeper recession has risen. Moreover, should a recession occur, policy responses are likely to be lagged and less aggressive compared to past cycles.

POSITIONING

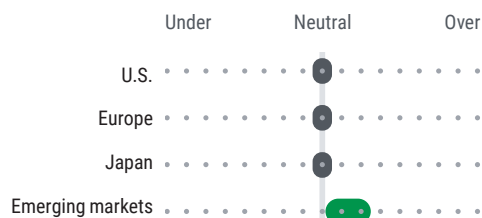
OPPORTUNITIES

EQUITIES



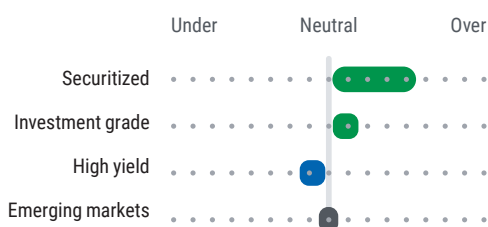
We are cautious on equities amidst an increasingly fragile growth outlook and overly optimistic valuations. These concerns are most prevalent in the U.S., which represents our largest underweight, but also lead us to be cautious on European and Japanese equities. Conversely, we believe the Chinese reopening is in its early stages so we are constructive on emerging markets but sizing is modest as idiosyncratic geopolitical issues remain a risk.

RATES



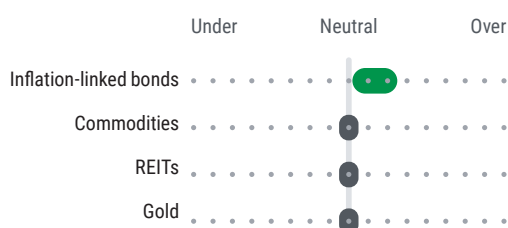
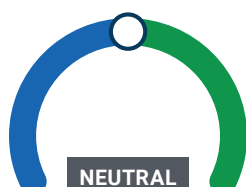
We are constructive on duration given slowing growth and the view that policy rates are close to peaking. Duration tilts within the developed world remain modest so we are neutral, remaining diversified across regions and tactically adjusting exposures as yields shift within their expected ranges. We find select, high quality emerging market duration offers a diversified, attractive source of return for investors.

CREDIT



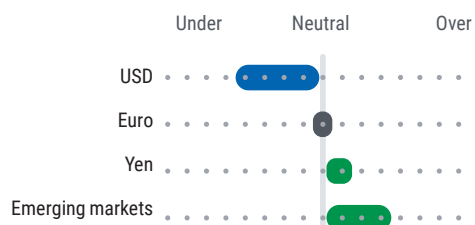
We are modestly overweight credit, emphasizing higher quality issues. Non-agency MBS stands out given its strong fundamentals and attractive valuations. High all-in yields and wider spreads in investment grade corporate credit should provide greater downside cushion in a recession. However, we are cautious on lower quality issues as tight financial conditions are expected to weigh on fundamentals, though we believe defaults should remain in-line with historical averages.

REAL ASSETS



We believe markets are fairly reflecting the path of inflation so we are neutral on real assets but recognize inflationary risks skew to the upside. We find inflation-linked bonds attractive as they should provide protection in a recession, an upside inflation surprise, or both. Despite commodities' inflation hedging potential, most may struggle over the cyclical horizon given their dependence on growth so we are neutral. We are monitoring relative value opportunities in the asset class.

CURRENCIES



We are cautious on the U.S. Dollar due to a likely peaking U.S. policy rate, an anticipated US relative growth deficit, and overvaluation concerns. Instead, we favor emerging markets' currencies, which should be supported by stronger growth as well as valuation tailwinds, and to a lesser extent, the Japanese Yen, which should benefit if Japanese rates move higher. We are neutral on the Euro as we expect higher policy rates in the region to be offset by slowing growth.

Past performance is not a guarantee or a reliable indicator of future results.

Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Inflation-linked bonds (ILBs)** issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may fluctuate in response to the market's perception of issuer creditworthiness; while generally supported by some form of government or private guarantee, there is no assurance that private guarantors will meet their obligations. References to Agency and non-agency mortgage-backed securities refer to mortgages issued in the United States. **High yield, lower-rated securities** involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. **Commodities** contain heightened risk, including market, political, regulatory and natural conditions, and may not be appropriate for all investors. **REITs** are subject to risk, such as poor performance by the manager, adverse changes to tax laws or failure to qualify for tax-free pass-through of income. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **The credit quality** of a particular security or group of securities does not ensure the stability or safety of an overall portfolio. **Diversification** does not ensure against loss.

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