

Negative Correlations, Positive Allocations

The return of the inverse relationship between bonds and stocks allows for complementary and more diversified positions across asset classes. Multi-asset portfolios may be better positioned to target attractive returns while limiting volatility.

OVERALL RISK

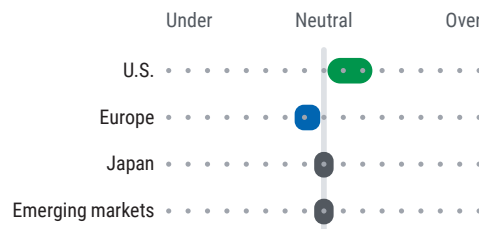


We are overweight risk as the U.S. economy, like others, appears poised to achieve a soft landing. Though risks remain, namely fiscal policy implications from the U.S. election, inflation in the U.S. and other developed markets appears on track to return to target levels in 2025. Fixed income has recently resumed its traditional inverse relationship with equities, providing valuable diversification benefits and potential tailwinds for multi-asset strategies.

POSITIONING

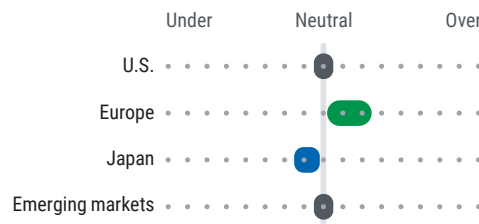
OPPORTUNITIES

EQUITIES



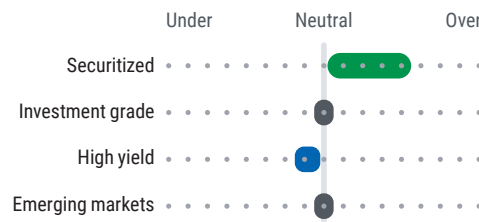
We are overweight equities, driven by our preference for the U.S. given the market's stronger and more resilient composition. Historically, U.S. equities¹ have a consistent record of delivering positive returns during soft landings, and we also expect the market to continue to broaden out beyond the Magnificent 7.² We are underweight Europe as we expect muted corporate earnings, largely resulting from lower relative economic growth and spillover effects from China.

RATES



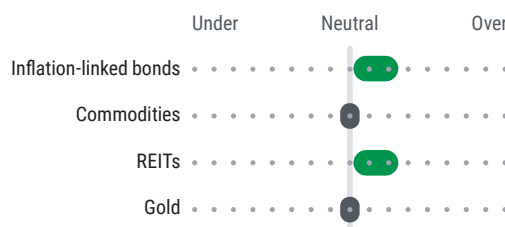
We are overweight duration and expect yield curves to steepen as global central banks continue to normalize policy, creating an attractive backdrop for capital appreciation potential. We favor developed ex-U.S. exposures, such as U.K. and Australian rates, and are neutral U.S. nominal rates, though we continue to express a steepening bias. We are underweight Japanese duration amid expectations for the BOJ to continue gradually raising rates despite recent market volatility.

CREDIT



Within global credit markets, we are overweight securitized credit. We have high conviction in senior non-agency MBS given a robust U.S. housing market, resilient consumer balance sheets, and low unemployment. In addition, spreads for high-quality non-agencies offer relative value versus corporate credit. We are neutral investment grade corporate credit given tight spreads and are underweight high yield amid similar valuation concerns.

REAL ASSETS

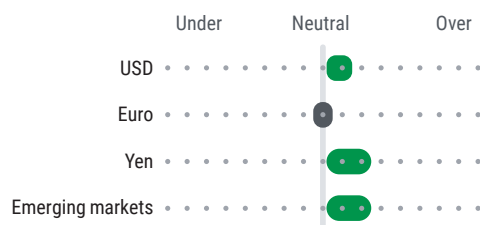


We are overweight real assets to hedge against upside inflation risks. We are overweight inflation-linked bonds, specifically U.S. TIPS, given we believe pricing is attractive for an inflation hedge, particularly in the 5-year portion of the TIPS curve. We are overweight REITs as Fed rate cuts should lower interest costs, providing a boost to earnings in 2025 and offering upside potential.

¹ U.S. equities is represented by MSCI USA Index.

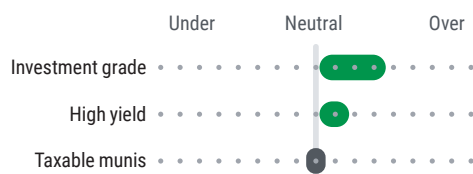
² Magnificent 7 consists of Apple, Microsoft, Alphabet, Amazon, NVIDIA, Meta, and Tesla.

CURRENCIES



We are slightly overweight the U.S. Dollar given upside risks from potential fiscal policy outcomes in light of the U.S. election. We are neutral on the Euro as we balance expectations for European growth to recover to a more normal pace as rates fall and negative impacts from trade policies. We are overweight the Japanese Yen as we believe the BOJ will hike rates over the cyclical horizon, and are overweight select EM currencies that provide attractive carry.

MUNIS



High nominal yields and strong fundamentals influence our overweight to tax-exempt municipals. Investment grade absolute and relative valuations are at attractive levels when considering taxable alternatives. Generic municipal high yield has become modestly rich but select sectors and structures offer compelling value. For investors looking to diversify their corporate credit risk, security selection can provide the potential for value in the taxable muni space.

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

All investments contain risk and may lose value. 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. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government. Income from **municipal bonds** is exempt from federal income tax and may be subject to state and local taxes and at times the alternative minimum tax. 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. **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.

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Investors should consult their investment professional prior to making an investment decision. Outlook and strategies are subject to change without notice.

Emerging Markets (EM); Bank of Japan (BOJ); Mortgage-backed securities (MBS); Real Estate Investment Trust (REIT).

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