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Investment Outlook

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We see an extended runway for economic growth now that inflation has been tamed.

While central banks may not have reached their absolute inflation targets, we feel confident the trend in core inflation is lower from here. Emerging market central banks have been cutting interest

rates for some time. Now, developed economy central banks, such as the Swiss National Bank (SNB), are joining in. Additional rate cuts appear to be on the horizon as a global easing cycle begins to broaden out.

We believe the Federal Reserve (Fed) is prepared to lower rates in 2024. Current market pricing of three to four cuts looks appropriate. The European Central Bank (ECB) and Bank of England (BoE) may begin rate cutting cycles as well, but most likely after the Fed begins.



PAGE 3 Macro Drivers

In our view, last quarter's corporate earnings confirmed an upturn in US large-cap profit growth. We suspect the recovery has room to broaden out across more sectors and into smaller-capitalization companies.

PAGE 4 Corporate Credit

US and European corporate credit spreads appear tight relative to history, but for good reason, in our view.

PAGE 5 Government Debt & Policy

North American and European government bond yields reached a peak for this cycle last October.

PAGE 6 Currencies

We believe the beginning of a developed-economy monetary easing cycle should usher in emerging market currency strength relative to the US dollar.

PAGE 7 Global Equities

Consensus estimates for the US, Japan and emerging markets are indicating double-digit EPS growth for calendar year 2024.

PAGE 8 Potential Risks

Valuations have expanded, leaving markets vulnerable to negative surprise.

PAGE 8 Asset Class Outlook

We are constructive on US duration and prefer US securitized assets within credit. US growth equity exposure is preferred but we do believe the rally can broaden globally.



Investment Themes:

KEY TAKEAWAYS

Macro Drivers

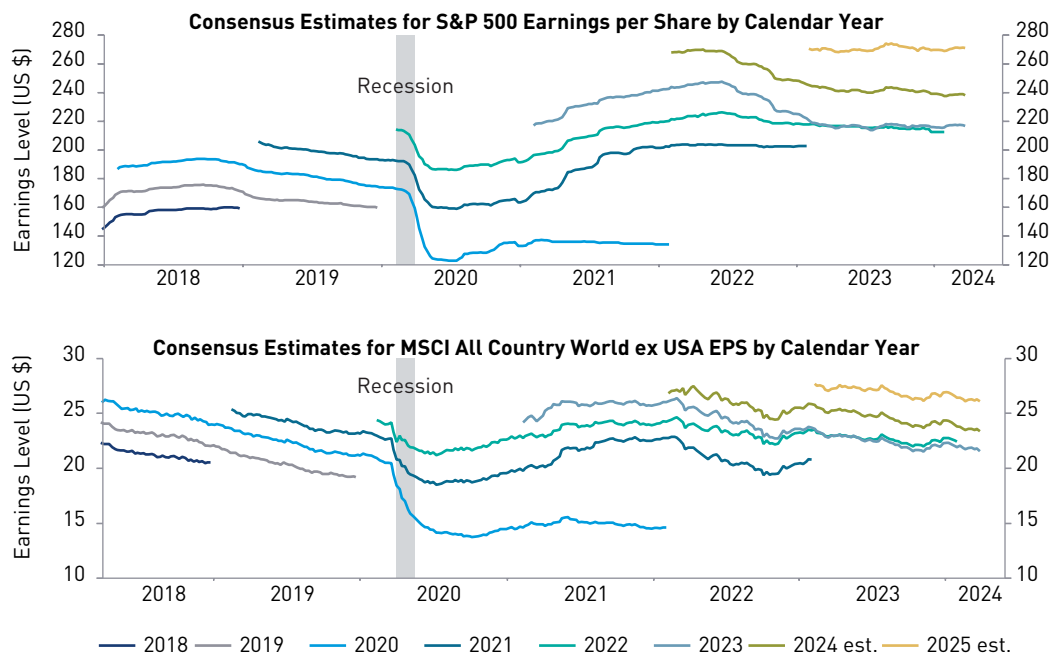
US corporations are showing leadership, while global market fundamentals look set to bottom soon and improve throughout 2024.

- We estimate US real GDP growth will be 2.5% in 2024— driven by services and goods consumption.
- Our forecast indicates second-quarter US core Personal Consumption Expenditures Price Index (PCE) inflation will average just under 2.5% for the first time this cycle.
- The Federal Open Market Committee's (FOMC) March Summary of Economic Projections indicated it expects three rate cuts this year, which is generally in line with our views.
- We believe that risk assets and the economy can still perform well whether the Fed decides to deliver three 25-basis-point cuts or four.
- The unemployment rate should shift higher toward 4.1% from the latest 3.9% reading. However, we do not believe this will alarm the Fed, especially with the economic and profit growth backdrop intact.
- We see green shoots across continental Europe in regards to future economic growth, but most countries are inching higher off of a flat-to-slightly-negative second half in 2023.
- In our view, relative growth differentials do not favor European corporates.

US EARNINGS EXPECTATIONS HAVE BEEN STABLE FOR SEVERAL MONTHS WHILE GLOBAL INDEX EARNINGS DRIFT LOWER

Global ex-US earnings are expected to improve, but growth is predominantly driven by EM and Japan.

Source: LSEG Datastream, IBES, data as of 26 March 2024.



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Corporate Credit

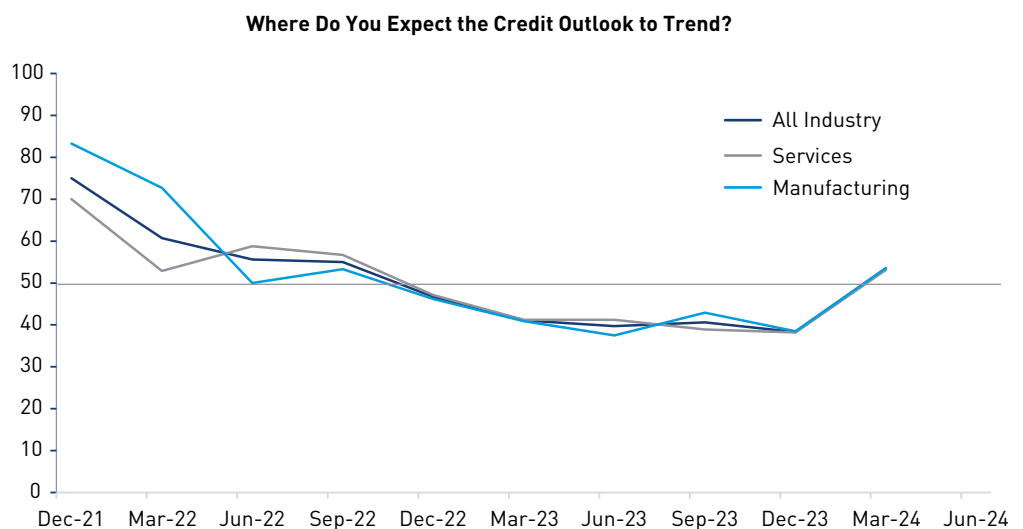
In our view, investors should be able to harvest the yield advantage that corporates offer relative to Treasuries but spread compression is less likely.

- Valuation, in terms of spread in excess of US Treasury yield, may not look attractive. But we believe yields on corporate credits do look compelling.
- With little expectation of a default wave, we believe that the potential to earn over 7.5% on US high yield credit could be an opportunity for equity-like returns.
- Underlying fundamentals and prospects look best to us in the US, with modest improvement in Europe.
- The proprietary quantitative and fundamental frameworks we utilize suggest corporate health is quite strong and spreads have tightened for that reason.
- Our CHIN framework (Credit Health Index) remains solid and is signaling that the US economy is firmly in late-cycle expansion.
- The same quantitative-based framework estimates a 12-month high yield default rate of 3.3%. Expected defaults are low relative to history, but the estimate has been consistently rising.
- Our CANDIs (Credit Analyst Diffusion Indices) are a survey-based framework that filters bottom-up, industry-specific fundamental analysis from our deep bench of senior credit analysts. The CANDIs presently suggest key fundamentals like profit margins and leverage have been heading in the right direction for three consecutive quarters.

OUR DIFFUSION INDEX MEASURING THE TREND IN CREDIT OUTLOOK INFLECTED HIGHER FOR NEARLY ALL THIRTY INDUSTRIES COVERED AT LOOMIS SAYLES

The shift above 50 signals credit outlook upgrades are now more likely than downgrades.

Source: Loomis Sayles CANDIs framework, data as of 31 March 2024.



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Government Debt & Policy

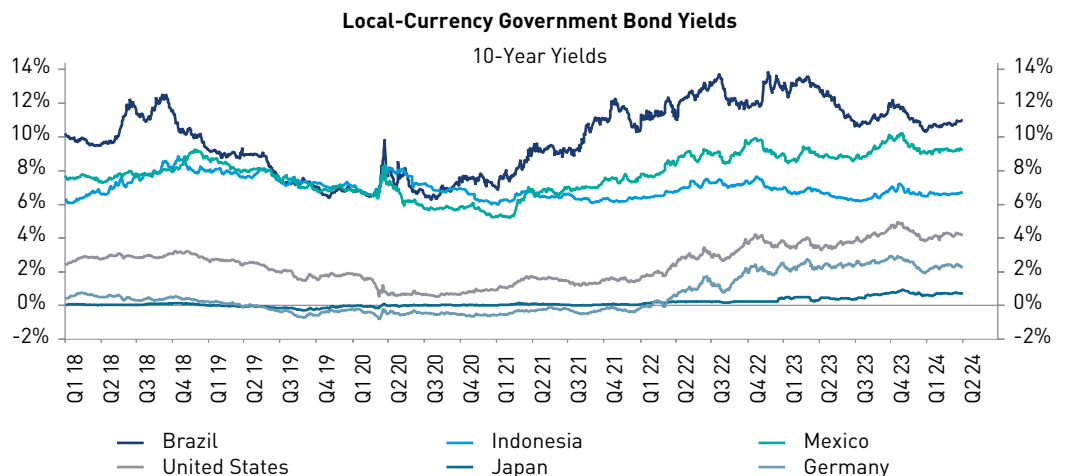
We believe disinflationary trends are likely to remain in place since global supply chains have normalized and economic growth rates are likely to find long-term trend levels in 2024.

- In our view, one of the biggest drivers of global inflation was worldwide supply chain disruption. Now inflation rates are well off their highs in developed and emerging economies because the supply chain appears to have normalized.
- We still consider inflation to be one of the most critical policy drivers. Inflation's decline will dictate just how much central banks can reduce rates.
- We are of the view that developed market longer-term yields can slide lower throughout 2024. We are constructive on US duration and expect the 10-year yield to find fair value around 3.75% by the fall of 2024.
- Market expectations suggest the ECB may cut interest rates three or more times in 2024, but we are reluctant to embrace that dovish view. Any cuts delivered by the ECB would likely be late in the second half of 2024.
- Similarly, in the UK market, expectations are hovering around three hikes, which looks too dovish to us given sticky core inflation measures. As a result, we are neutral on developed market non-US duration.
- We see value in local emerging market fixed income right now based on relatively higher yields and prospects for US dollar weakness. There is potential for investors to collect foreign currency appreciation plus interest income.

WE THINK MOST GOVERNMENT BOND YIELDS HAVE PEAKED ALONG WITH INFLATION

The relative yield advantage in emerging market local bonds is attractive in an easing cycle.

Source: LSEG Datastream, data as of 29 March 2024.



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Currencies

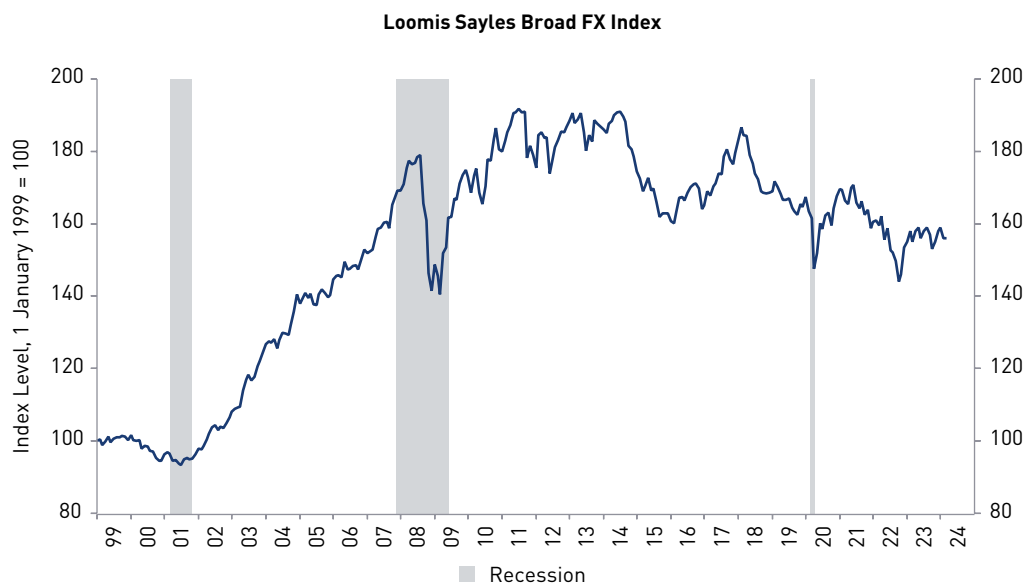
Financial conditions should remain easy in the US, especially if the Fed is able to cut the fed funds rate by 75 basis points by year-end.

- Oftentimes the US dollar is sought after as a perceived safe haven asset when an event causes financial stress abroad. There are a number of geopolitical risks and reasons for caution, but generally speaking, the global economy remains in decent shape, in our view.
- A flight-to-quality bid looks unlikely to boost the US dollar near term, but we do not expect material weakness. Capital flight out of the US dollar is also unlikely near term.
- The US economy is still performing quite well relative to developed market peers, therefore domestic investment opportunities in credit and equity are plentiful.
- The euro and pound sterling may struggle to make significant gains relative to the US dollar. The Fed will most likely be easing first but the ECB and BoE won't be that far behind with rate cutting, in our view.
- Within the global economy, we are focused on a return to growth in weaker pockets. In that event, we believe investor capital would flow overseas toward higher-yielding assets and non-dollar opportunities.
- China is one area where we remain cautious, but view upside surprise as possible. A growth impulse out of China would be highly beneficial to other emerging market neighboring countries and their currencies.
- Outside of Asia, we believe Latin America is an attractive region to add foreign exchange exposure. Top-ranked currencies around the globe include Brazil's real, Mexico's peso and South Africa's rand.

OUR BROAD FX INDEX EQUALLY WEIGHTS 23 CURRENCIES SO THAT NO SINGLE CURRENCY DOMINATES PERFORMANCE

Broad FX can provide positive returns in the quarters ahead but we believe in selectively adding FX exposure to preferred currencies and monitoring potential progress in Asia.

Source: LSEG Datastream, data as of 1 April 2024.



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Global Equities

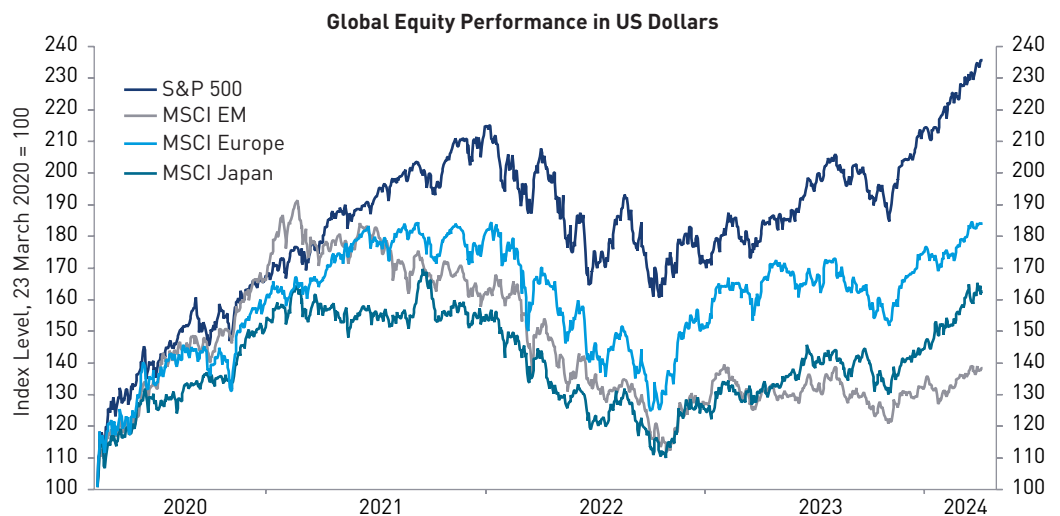
Earnings growth expectations for Europe are the laggard, but we think valuations on those indices are not rich.

- A global bull market backed by fundamentals is underway. We believe it can continue, although a repeat of first-quarter 2024 performance does not look likely in most cases.
- Nearly every country's most common benchmark index is within two percent of a 52-week or all-time high. Even if momentum cools near term, we believe equities have more to gain in 2024.
- Lagging markets year to date include China and Hong Kong, where certain benchmarks are in bear market territory.
- The turn higher in earnings and expectations has been a key driver of the equity market rally. In our view, if China and Hong Kong earnings can turn, then support for those markets may not be far behind.
- Valuations expanded for most indices during this global bull market, which began in the fourth quarter of 2023.
- Some of the valuation expansion is built on expectations for central bank easing. Expectations for rate cuts have been pared back since the start of 2024, yet markets continued to grind higher.
- We believe the most important factors driving markets are underlying earnings growth and sector composition. Markets and sectors with the best long-term-earnings prospects should continue to outperform.
- We believe the global rally can push forward and broaden to include value-style equities and small caps.

US LARGE CAPS, WHICH INCLUDE A NUMBER OF HIGH-GROWTH COMPANIES, HAVE BEEN PERFORMANCE STANDOUTS

In local-currency terms, Europe and Japan have already broken above pre-tightening cycle highs.

Source: LSEG Datastream, data as of 26 March 2024.



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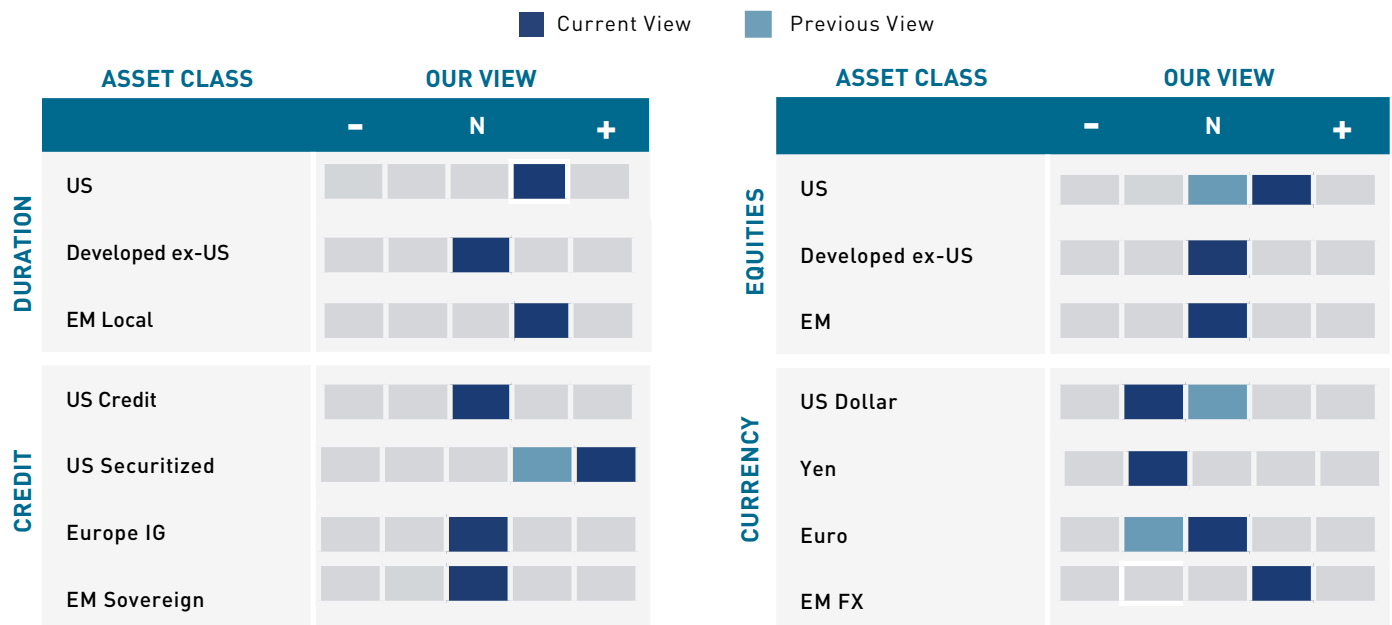
Potential Risks

Most markets are priced for positive developments. We believe that could remain the case over the next quarter.

- Despite high valuations in corporate credit and equities, we think that if the macro environment continues as we project, opportunities could be present.
- In our view, if inflation proves stickier than markets expect, higher rate expectations could weigh on risk assets.
- There is a possibility that consumers around the globe are more strapped for cash than we currently believe. Less consumer spending would be a material impediment to the prospect of steady-state economic growth.
- The expectations component of US consumer sentiment is not as robust as investor sentiment.
- There are themes driving performance within these markets that hold the promise of structural economic change, most notably artificial intelligence (AI) on productivity. In our view, the fear of missing out could drive valuations to an excessive place reminiscent of prior bubbles.
- Our outlook for markets is an optimistic one, but we realize much of our enthusiasm has been priced in.

Asset Class Outlook

We are constructive on US duration and prefer US securitized assets within credit. US growth equity exposure is preferred but we do believe the rally can broaden globally.



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Past performance is no guarantee of future results.

Any investment that has the possibility for profits also has the possibility of losses, including the loss of principal.

Diversification does not ensure a profit or guarantee against a loss.

Market conditions are extremely fluid and change frequently.

Commodity, interest and derivative trading involves substantial risk of loss.

Indices are unmanaged and do not incur fees. It is not possible to invest directly in an index.

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