



US TRENDS | July 2024

# Portfolio Analysis & Consulting: US Portfolio Trends



# Best Performers in Q2 2024

	Q2 2024		Allocation (%)			Equity Characteristics			Fixed Income Characteristics	
	Return (%)	Risk (%)	Equity *	Fixed Income	Cash	US Equity % of Total Equity	Large Cap Equity % of US Equity	Growth % of Total Equity	HY as % of Fixed Income	Duration
1 <sup>st</sup> Quartile	1.8	7.7	57.8	31.3	3.6	83.1	77.6	50.4	19.3	5.0
2 <sup>nd</sup> Quartile	1.1	7.4	55.5	34.1	3.8	80.9	73.5	48.4	19.1	4.7
3 <sup>rd</sup> Quartile	0.7	7.6	55.9	33.3	2.9	79.3	71.6	48.1	18.9	4.8
4 <sup>th</sup> Quartile	-0.2	8.0	59.2	32.4	3.6	80.2	65.4	43.9	21.9	4.6

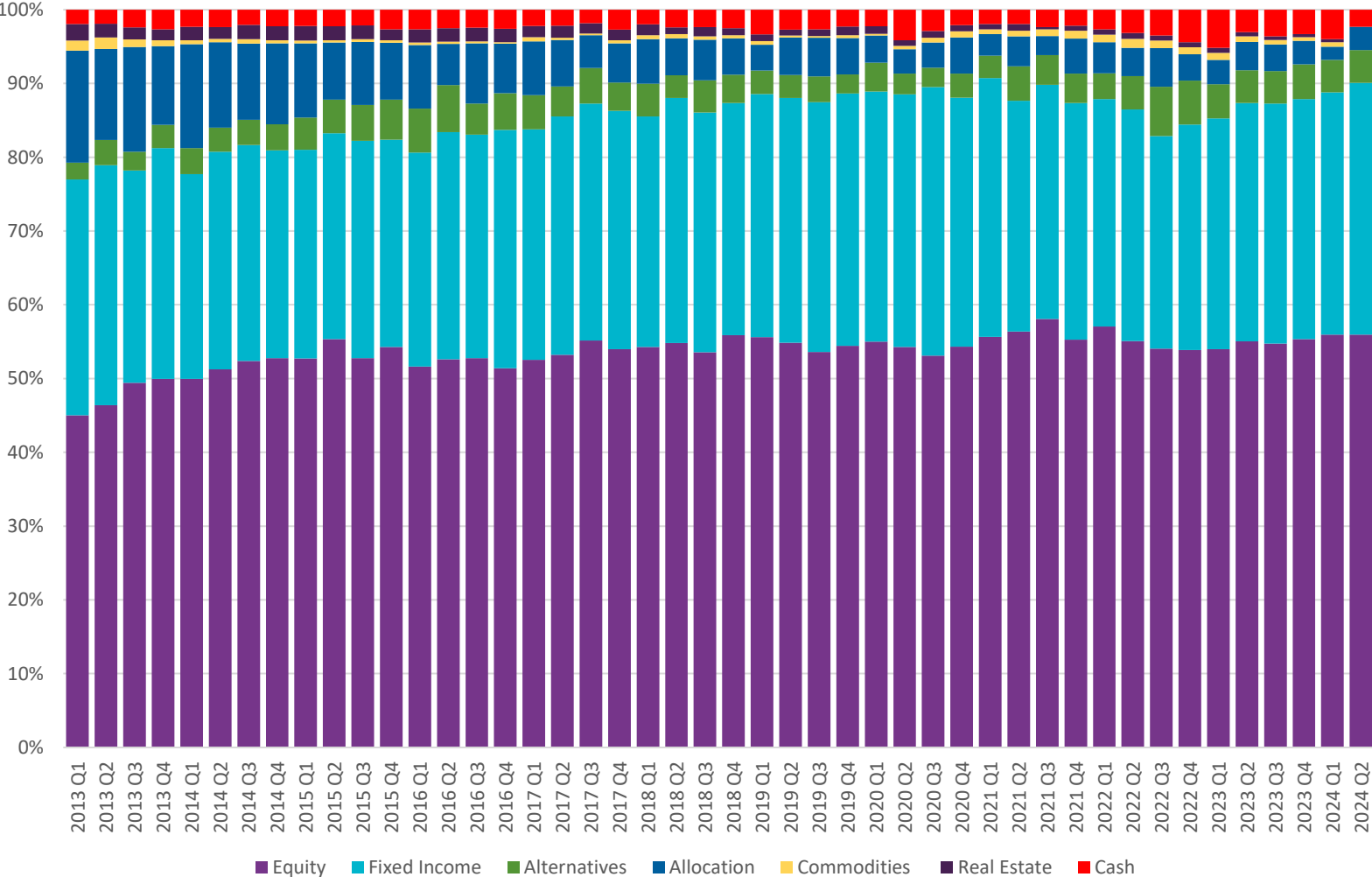
Top-performing portfolios in Q2 2024 had tilts to US, large caps, growth, and longer duration.

\* Equity weight includes estimated equity allocation from "Allocation Asset Class" funds. 60/40 Equity/Fixed Income is used as the baseline to attribute "Allocation Funds" into Equity and Fixed Income weights.

The Portfolio Analysis & Consulting Moderate Risk Peer Group is based on 229 moderate portfolios submitted to Natixis Portfolio Analysis & Consulting from January 2024 to June 2024.

Source: Natixis Investment Managers Solutions Portfolio Analysis & Consulting. Data as of 6/30/2024.

# Asset Allocation Trends



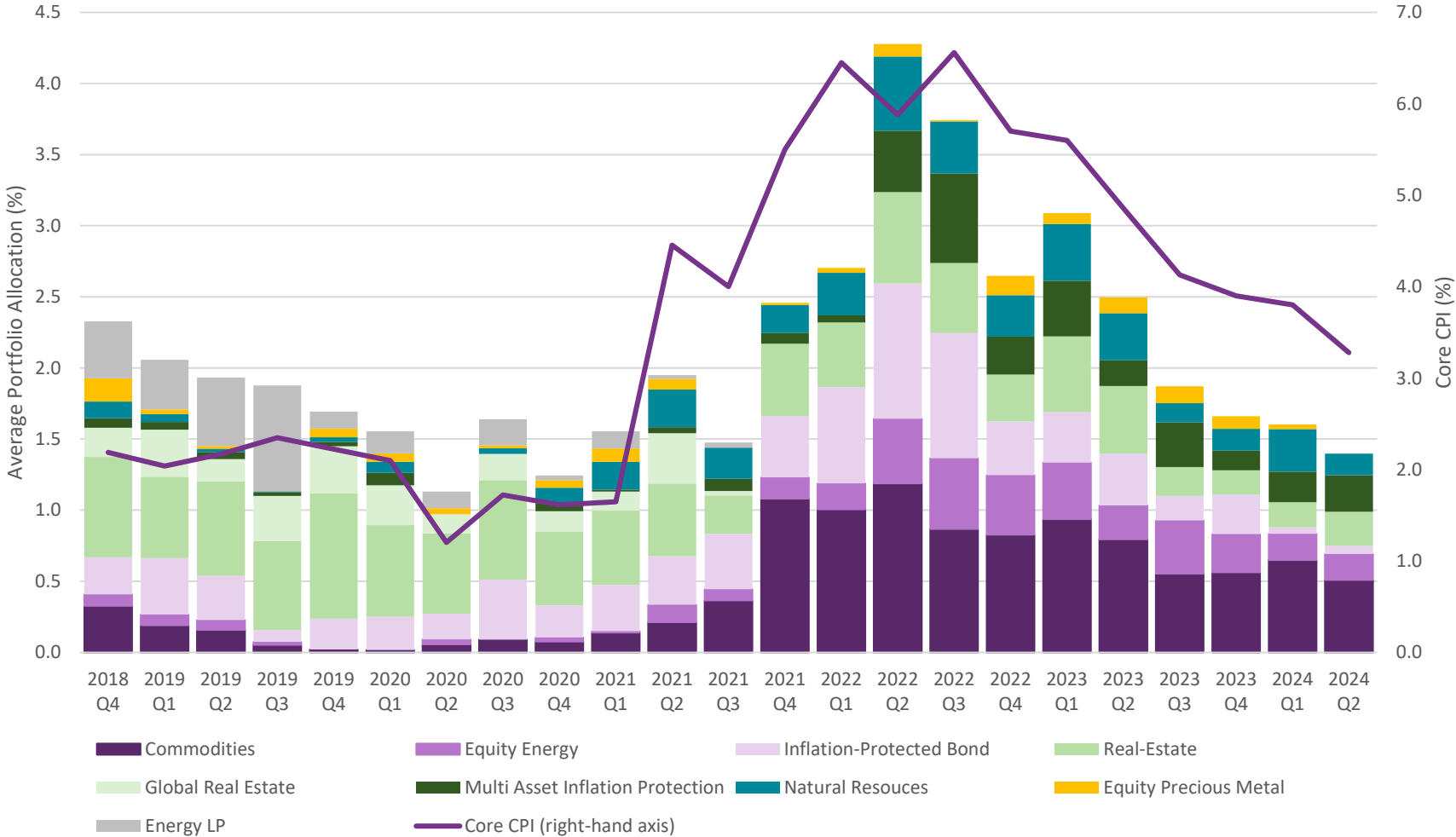
Advisors rotated out of cash and into fixed income and allocation funds in Q2 2024.

Asset Category	Q1 2024	Q2 2024	
Equity	56.0	55.4	↓
Fixed Income	32.9	33.8	↑
Alternatives	4.4	4.4	-
Allocation	1.8	3.1	↑
Commodities	0.6	0.5	↓
Real Estate	0.4	0.4	-
Cash	4.0	2.3	↓
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	

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# Inflation Fears Subsiding

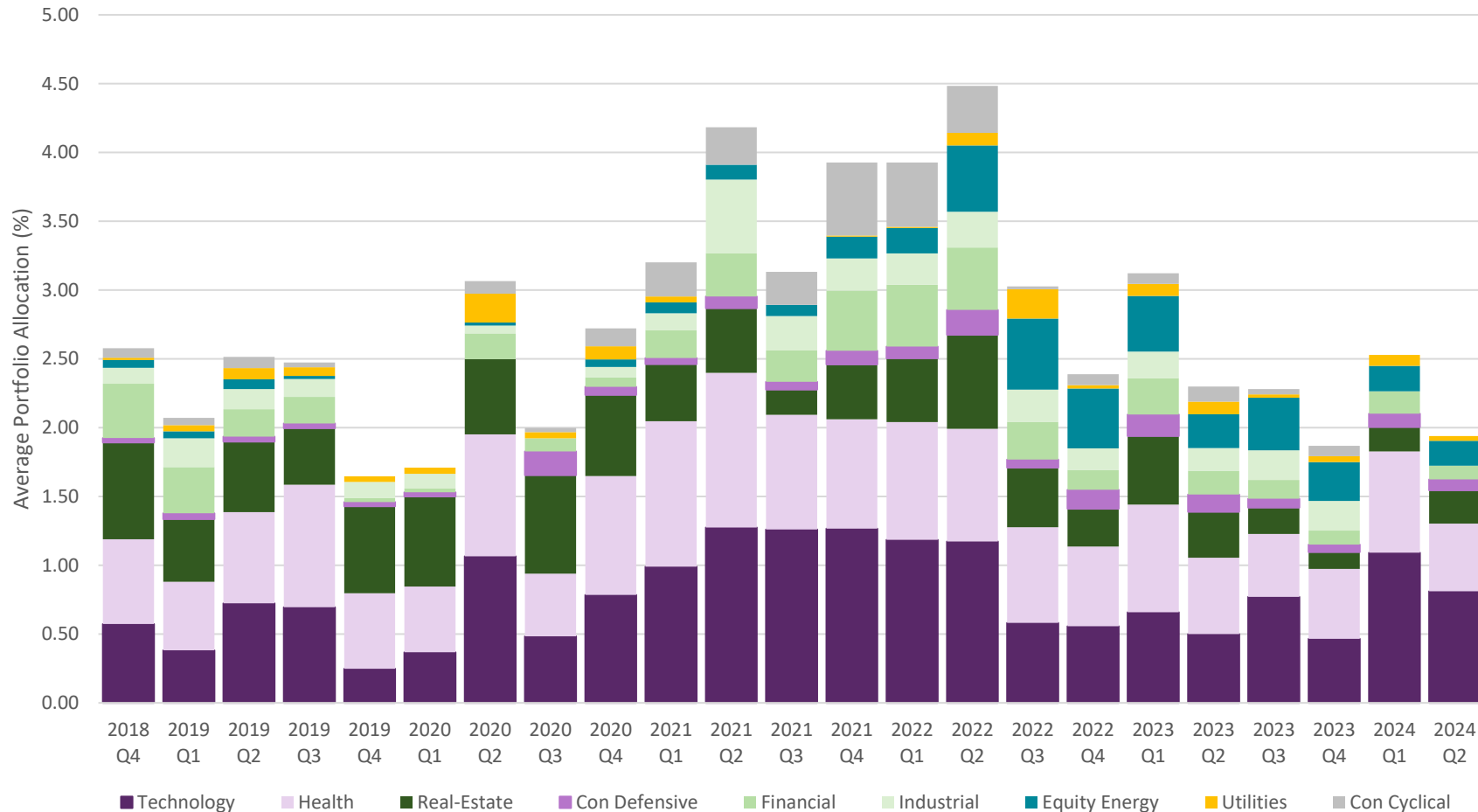


Explicit inflation-hedging sector funds have declined from 2022 peaks, settling below pre-pandemic ranges.

The Portfolio Analysis & Consulting Moderate Risk Peer Group is based on 2981 moderate portfolios submitted to Portfolio Analysis & Consulting from Jan 2018 to Jun 2024.

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# Sector Equity



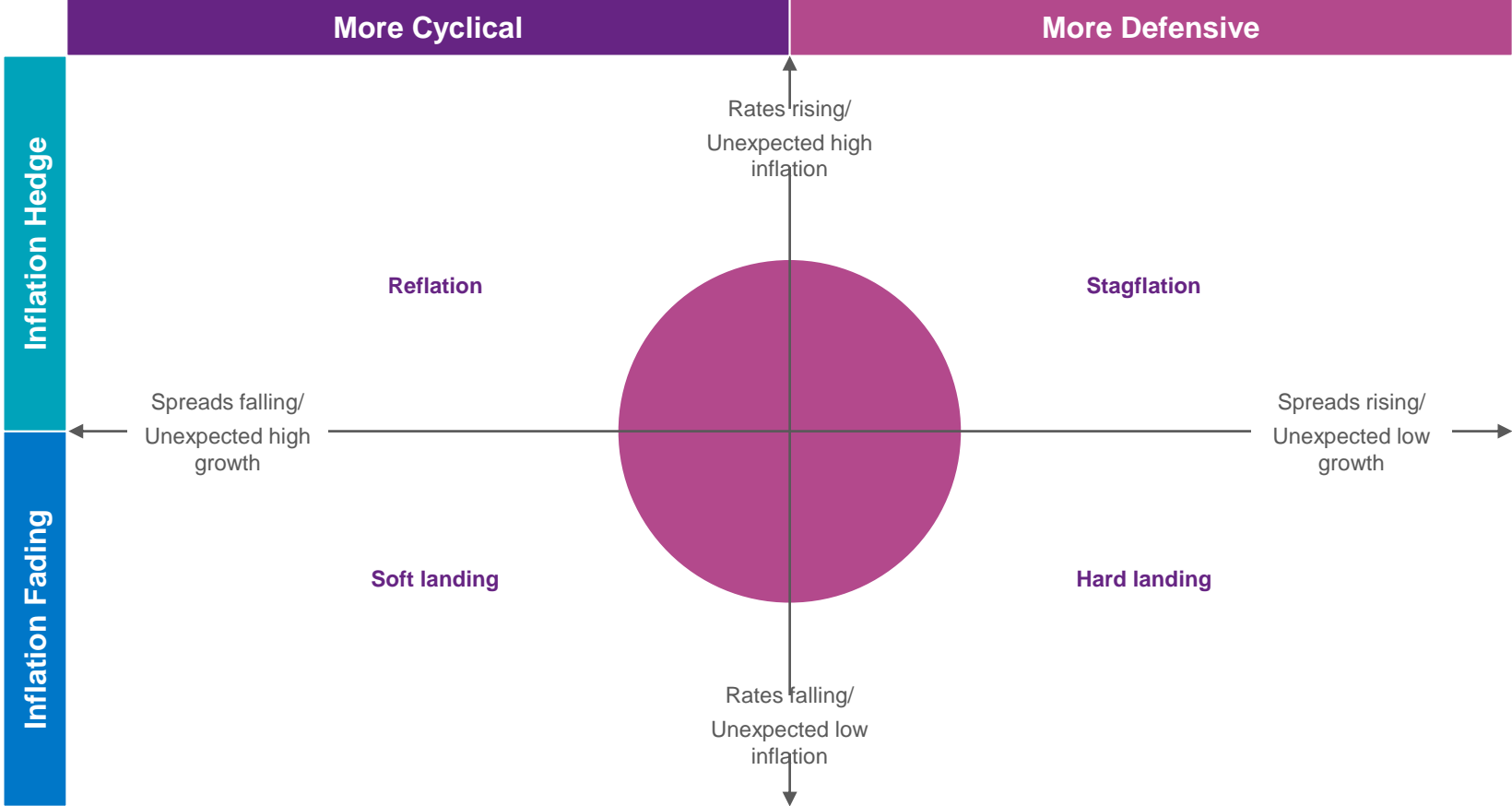
Allocations to sector equity strategies declined, although the largest segment (Info Tech) generated outsized returns in Q2.

S&P 500 Sector	Q2 2024 Return
Info Technology	+13.8%
Communication Svcs	+9.3%
Utilities	+4.4%
Consumer Staples	+1.2%
Cons Discretionary	+0.6%
Health Care	-1.1%
Financials	-2.2%
Real Estate	-2.2%
Energy	-2.7%
Industrials	-3.0%
Materials	-4.6%

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# Thematic Analysis: Cyclicity vs. Inflation

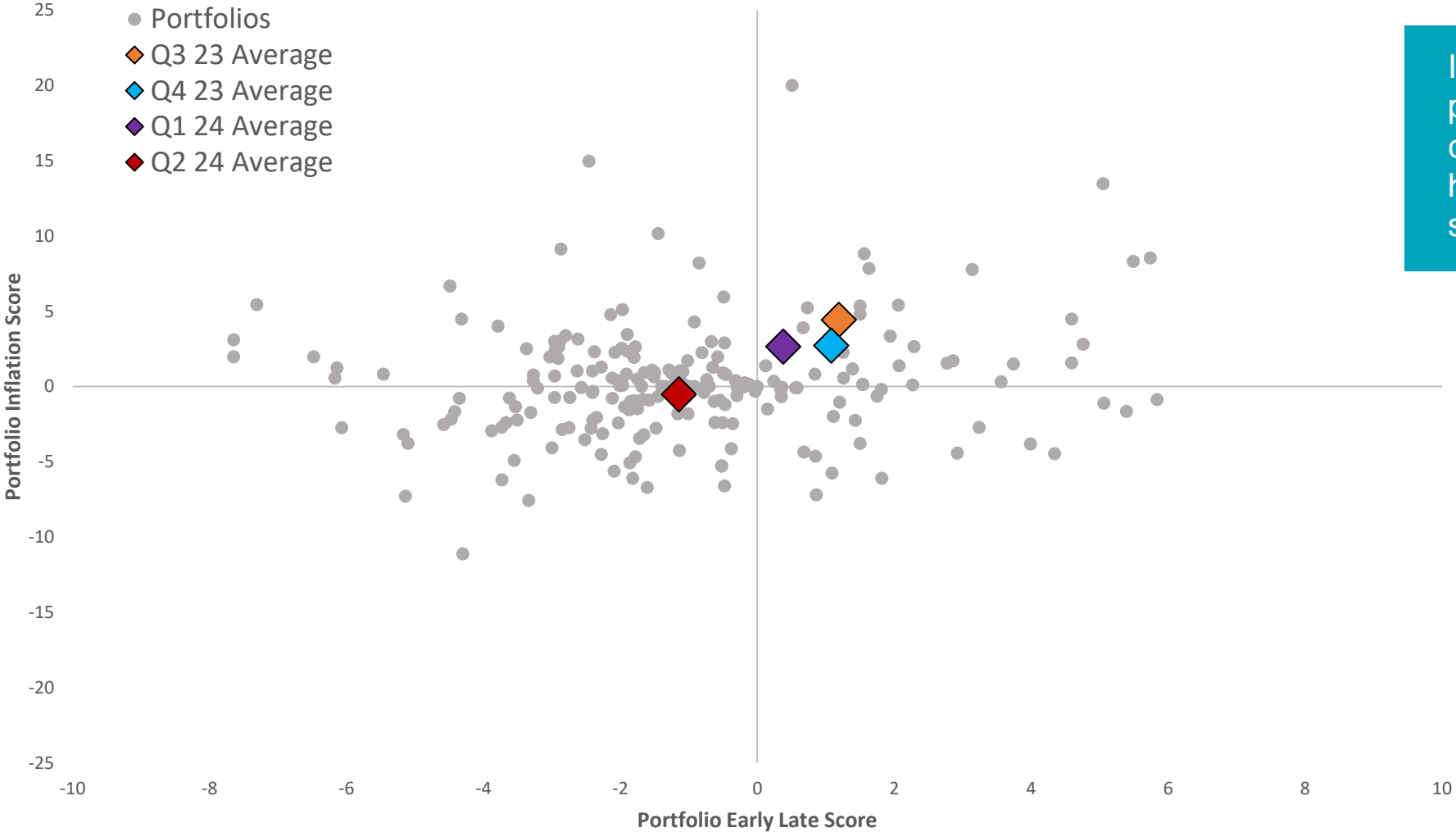


**Cyclicity vs. Inflation:**

Which types of investments are more likely to outperform during inflation and growth surprises?

Our *cyclicity vs. inflation* framework highlights strategy and portfolio tilts that can provide headwinds or tailwinds in future investment regimes.

# Equity: Tilts Toward Lower Inflation and Stronger Growth

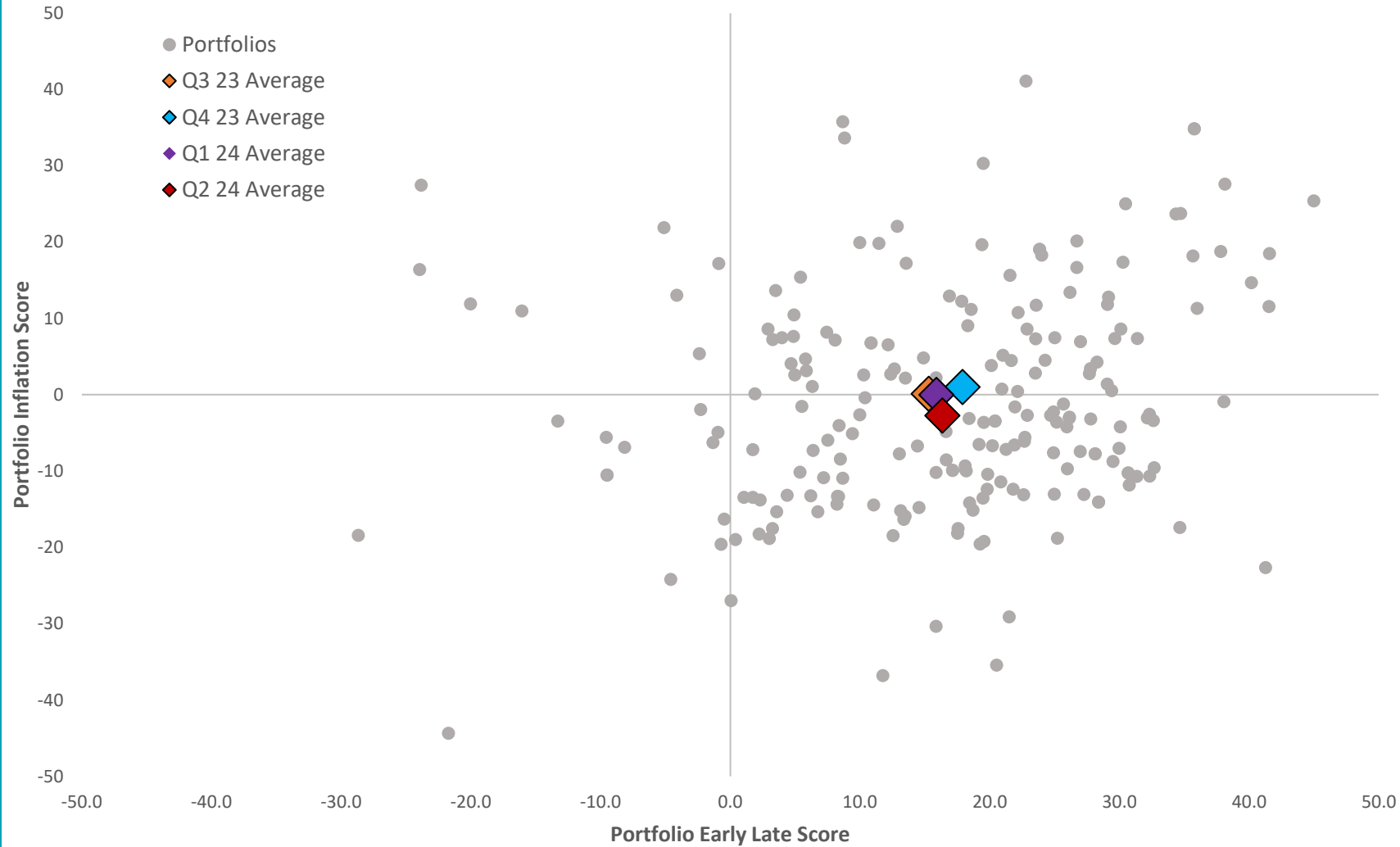


In Q2 2024, more advisors positioned for a soft landing, continuing a directional shift that has taken place over the last several quarters.

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# Fixed Income: Modest Tilt Toward Lower Inflation



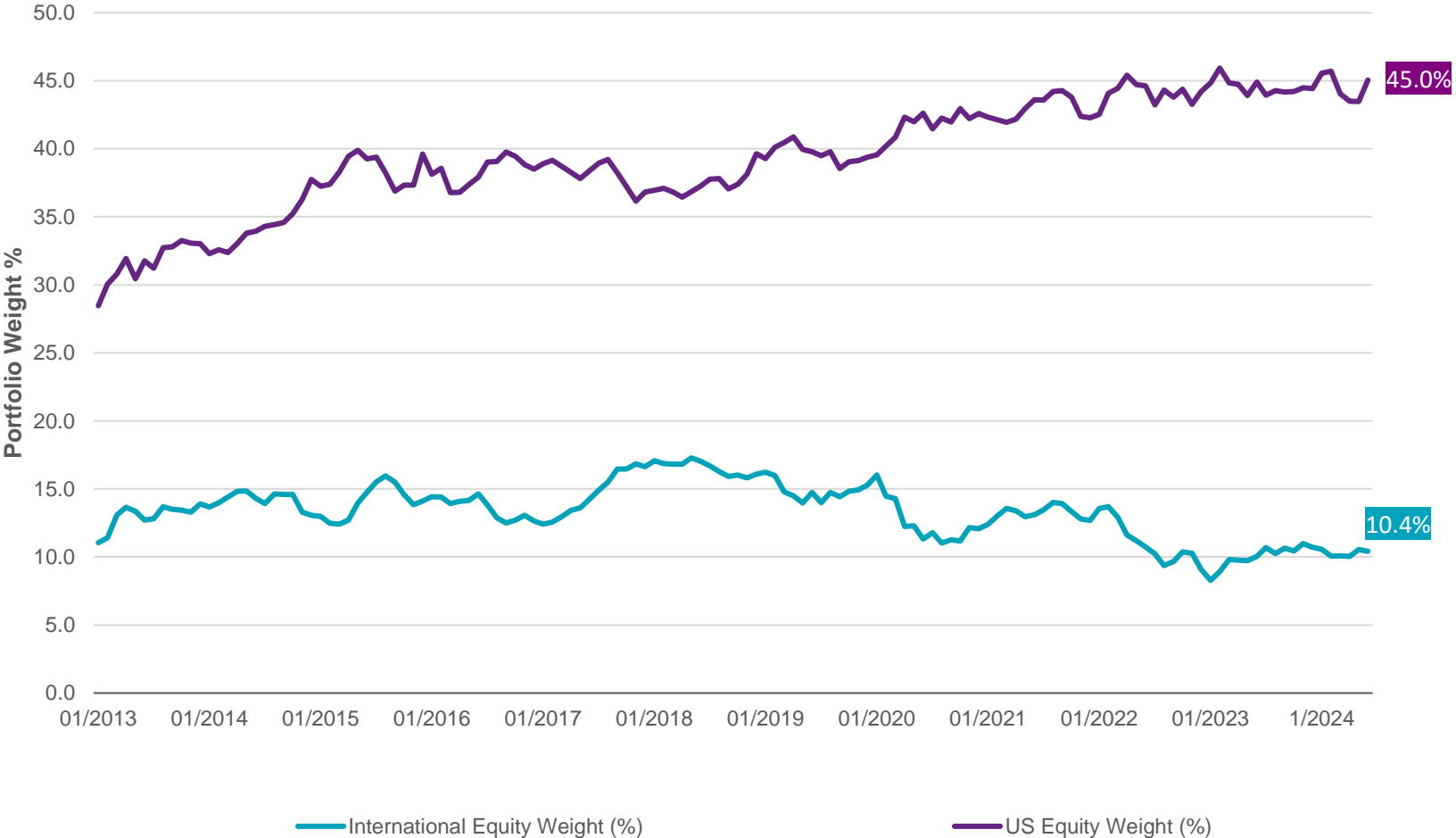
Advisor fixed income sleeves also shifted toward inflation fading in Q2 2024, with a much more defensive posture when compared to equities, reflecting higher credit quality.

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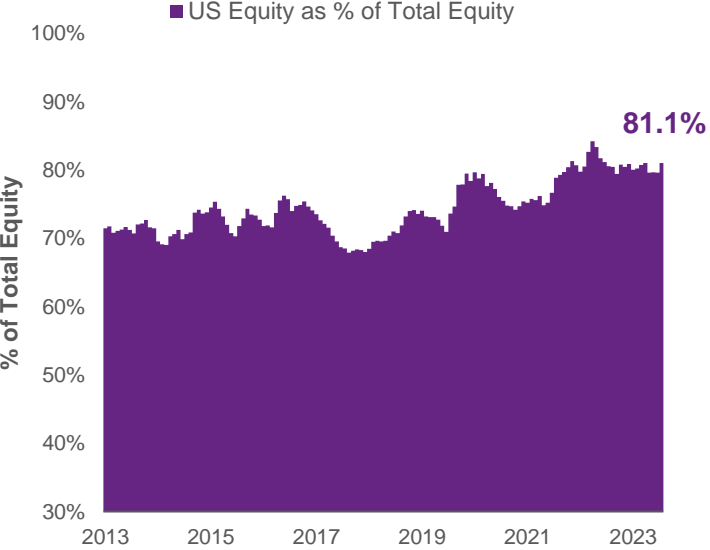
Source: Portfolio Analysis & Consulting. Data as of 6/30/2024



# US Equity Overweight Persists

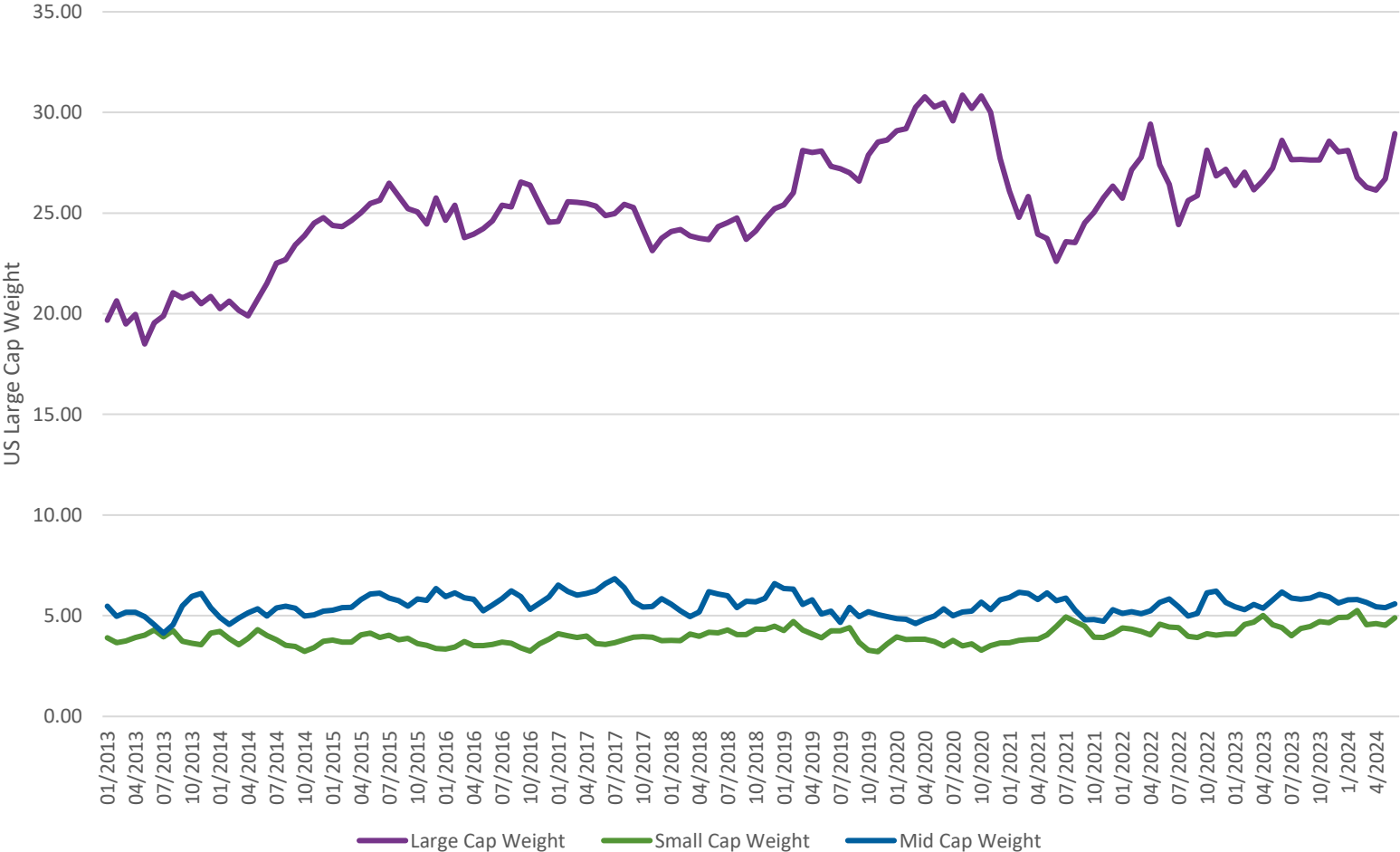


US home country bias remains strong at 81%, after steadily rising over the past decade.

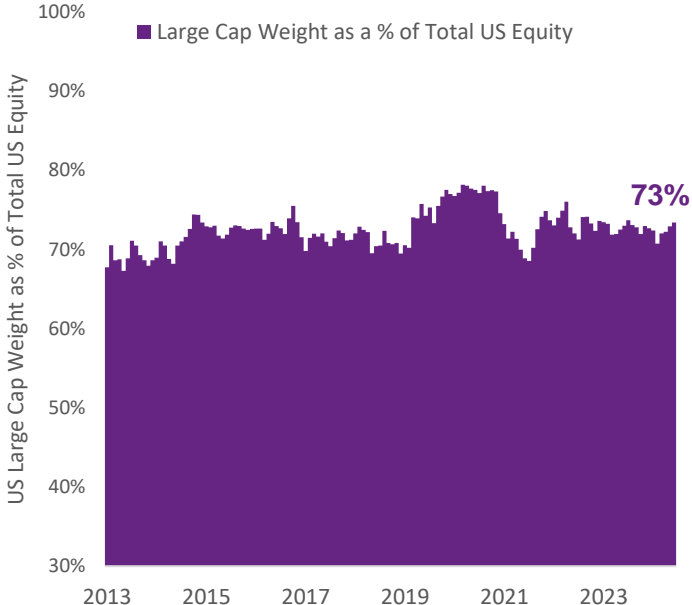


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# Large Cap Allocations Tick Up



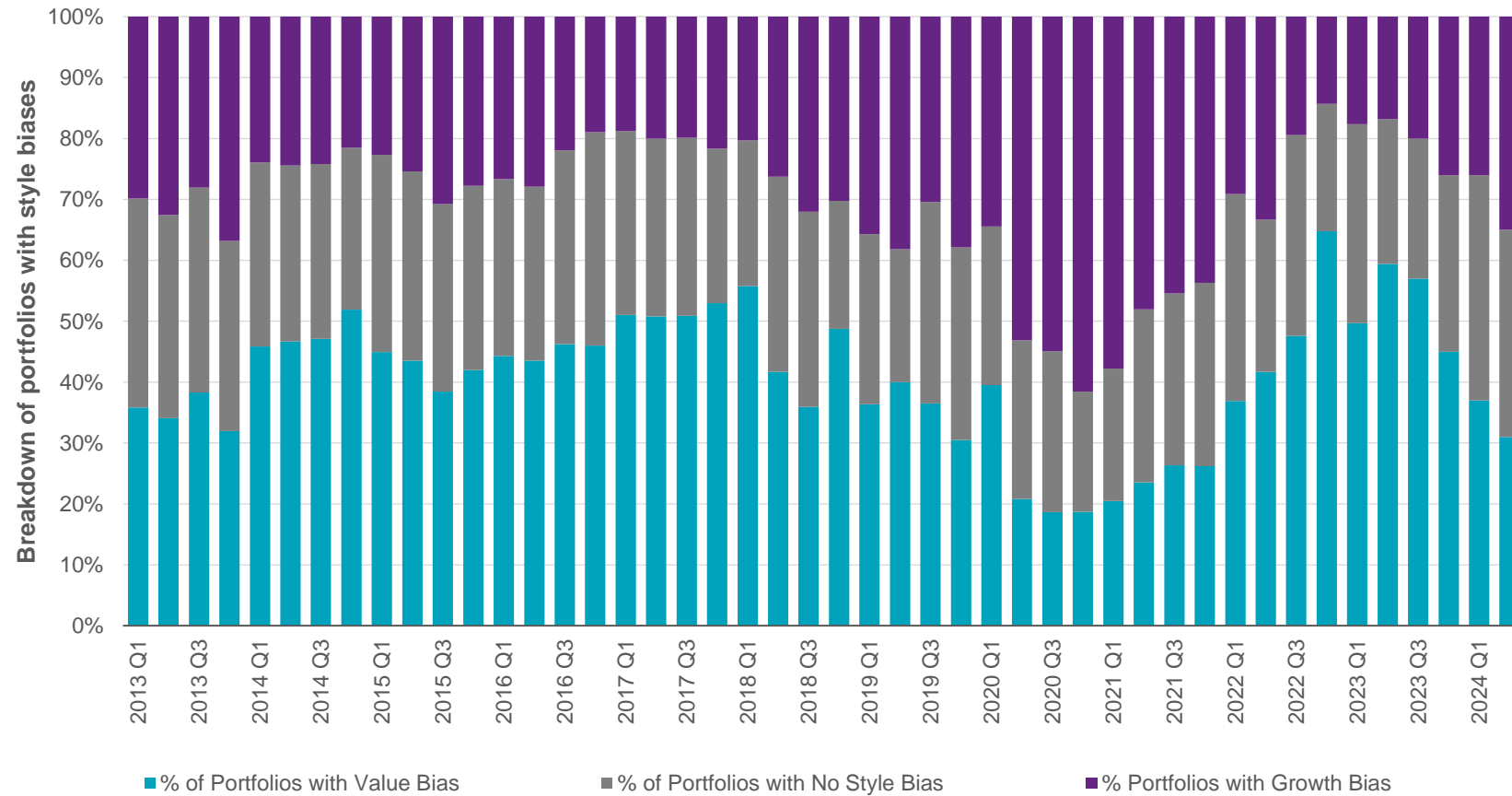
Increases in equity allocations have mostly taken place in large caps, with small and mid cap allocations largely unchanged.



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# Rotation Back into Growth

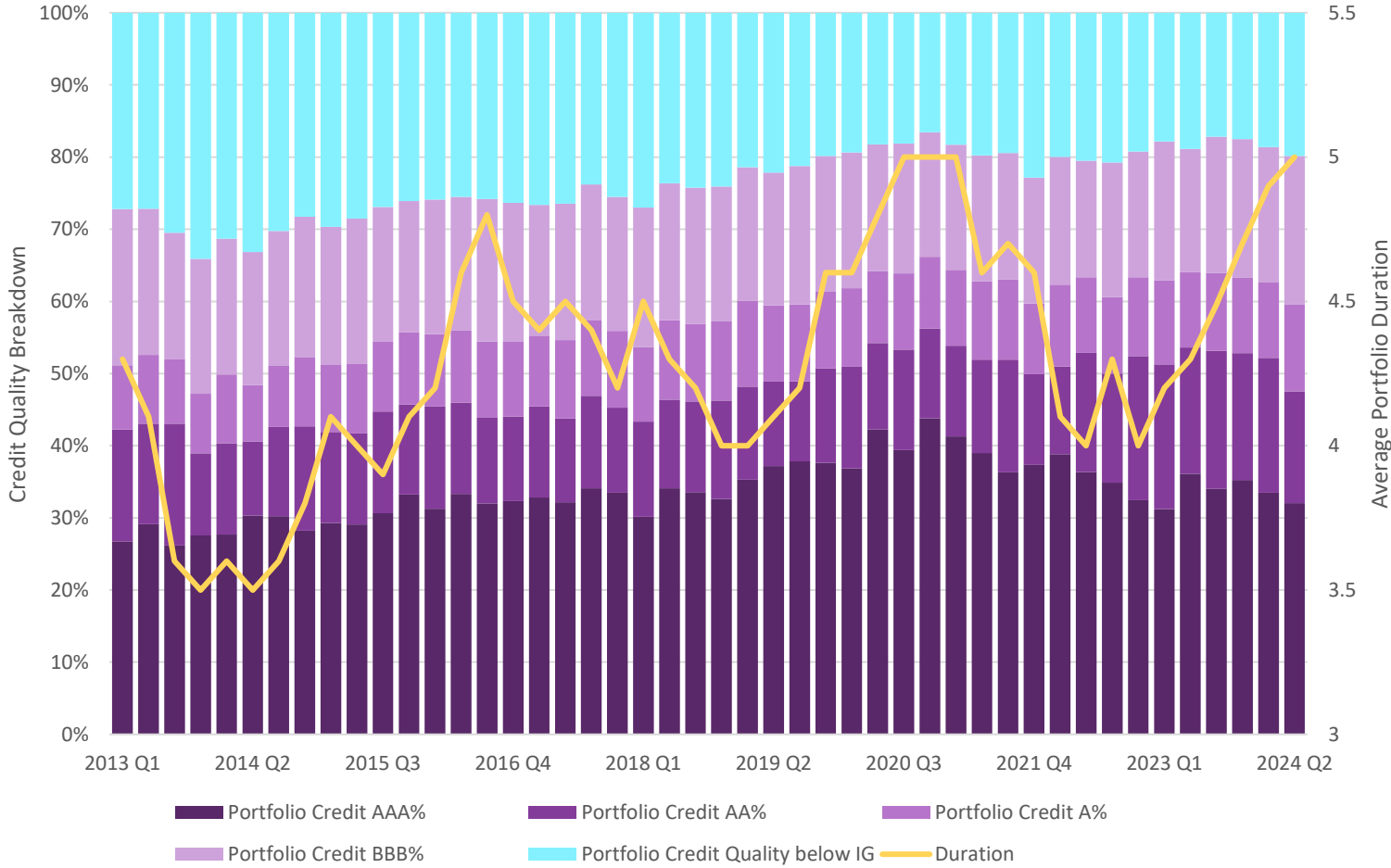


Advisors are trimming value tilts and shifting toward growth or neutral allocations. The percentage of portfolios with a growth bias is the highest since Q4 2021.

A portfolio is considered as style neutral if equity style growth – equity style value is between -2% and 2%. A portfolio is considered to have a growth bias when equity style growth – equity style value is larger than 2%. A portfolio is considered to have a value bias when equity style value – equity style growth is larger than 2%. The Portfolio Analysis & Consulting Moderate Risk Peer Group is based on 6,011 moderate portfolios submitted to Natixis Portfolio Analysis & Consulting from January 2013 to June 2024.

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# Duration and Credit Quality Drift Higher



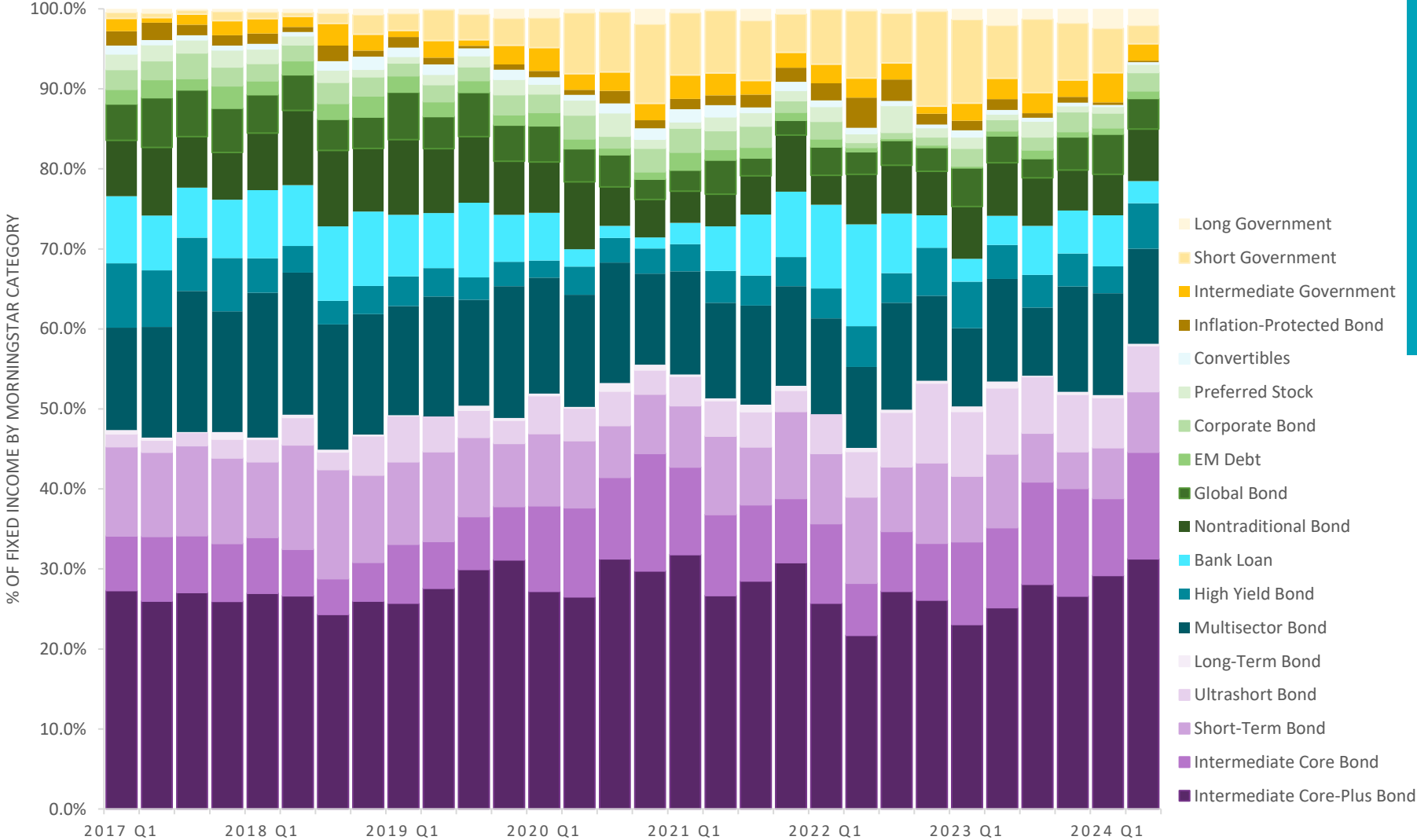
Average portfolio duration continued to trend up, reaching 5.0 years.

Although many portfolios extended duration through IG credit, overall credit quality is among the highest in our data history.

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# Fixed Income Category Allocations Over Time



Fixed income safety buckets saw modest shifts from pure government bond sectors to term bond categories.

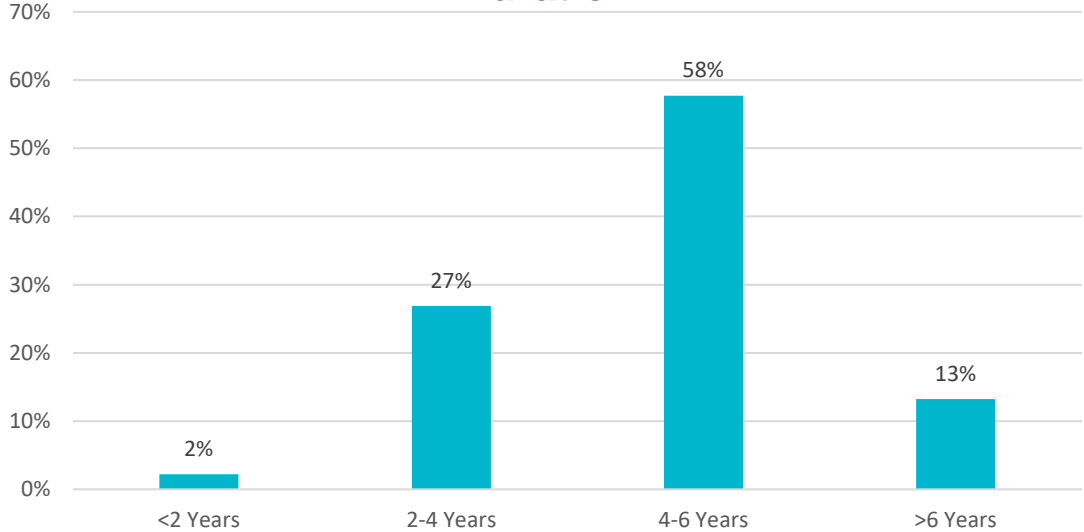
In return-seeking buckets, advisors favored high yield over bank loans in Q2.

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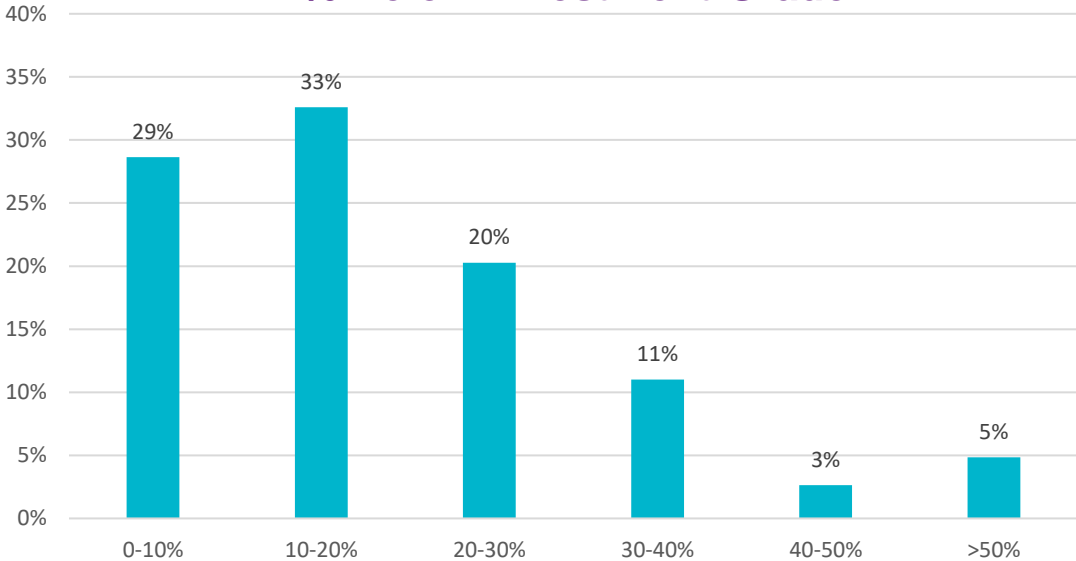
Source: Natixis Portfolio Analysis & Consulting. Data as of 6/30/2024.

# Fixed Income Portfolio Attributes

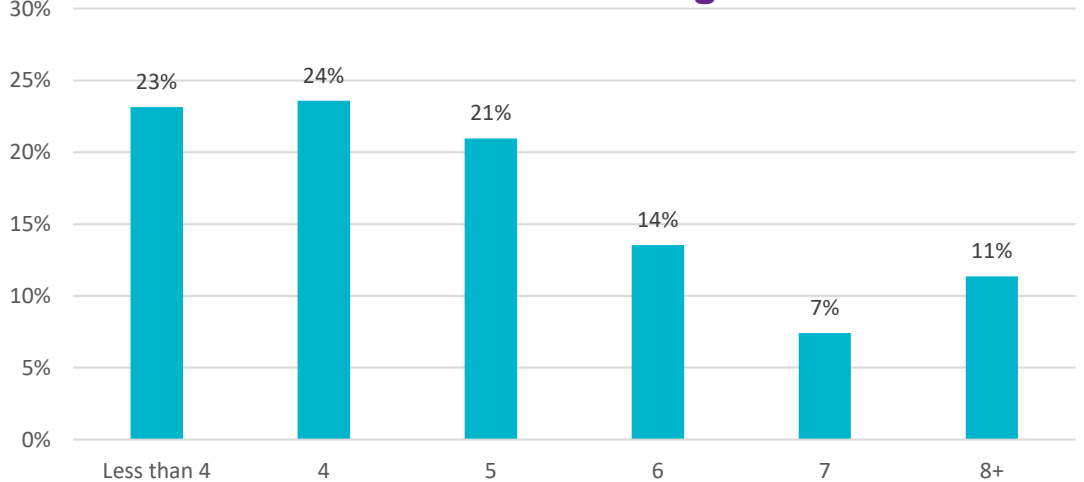
**Duration**



**% Below Investment Grade**



**Number of Strategies**

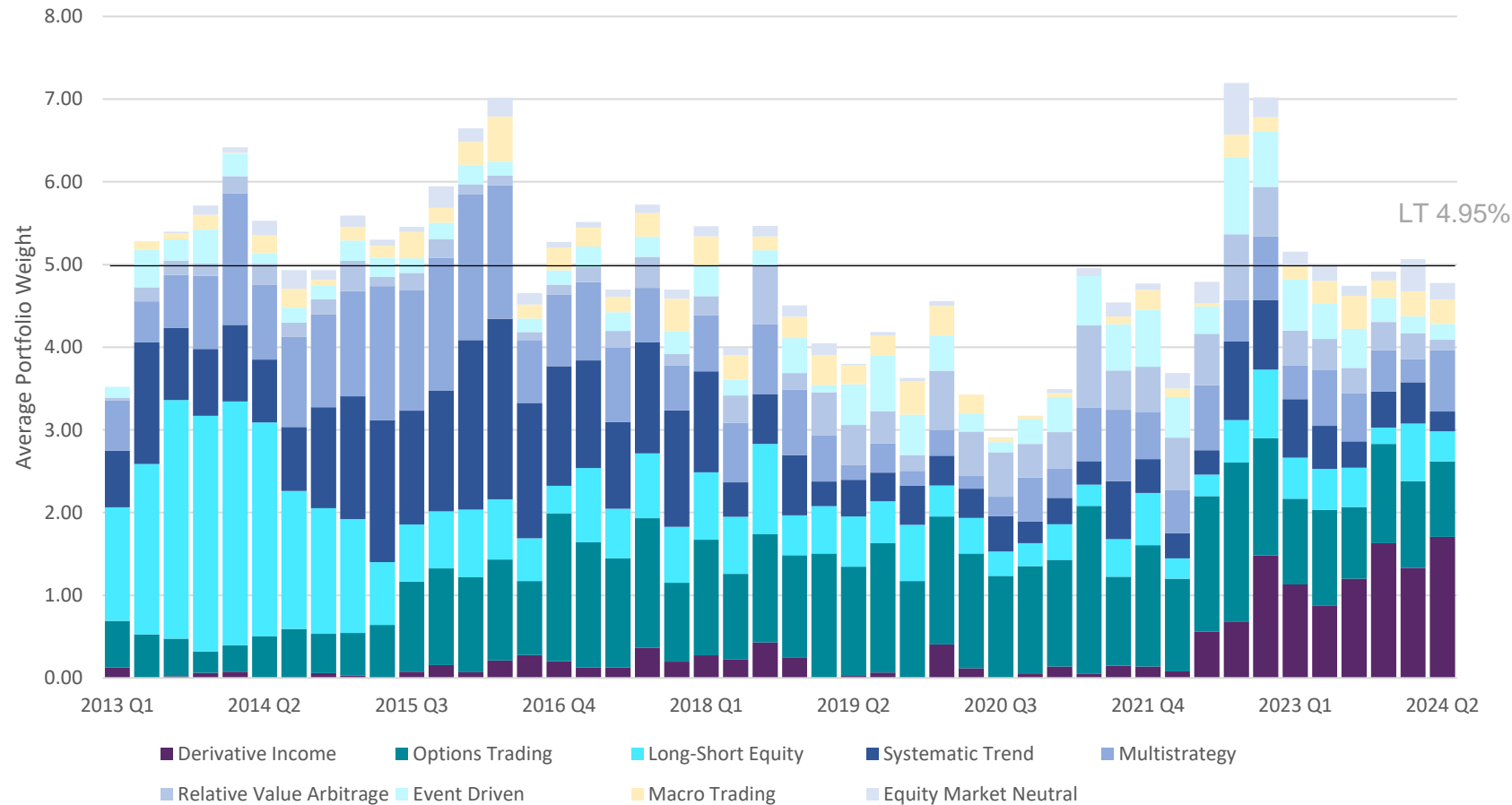


Our fixed income portfolio attribute data shows considerable dispersion around the average duration, high yield allocation, and number of strategies.

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Data as of 6/30/2024.

# Alternatives Trends



Alternatives exposure\* has declined markedly from a high of 7.2% in Q3 2022. It is now back to its 10-year average range.

Derivative income remains the most common area of focus in the alternatives sleeve.

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\* Includes Derivative Income and Long-Short Equity, both are classified as Nontraditional Equity.

Source: Natixis Investment Managers Solutions Portfolio Analysis & Consulting. Data as of 6/30/2024.

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