The Anatomy of a Recession

First Quarter 2024

Past performance is not a guarantee of future results. Financial term and index definitions are available in the appendix.

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Investor Pitfalls

Panic Attacks and the S&P 500

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Year	Panic Attacks	S&P 500 Max Drawdown	Cumulative S&P 500 Price Return*
1999	Y2K	-12.1%	248.8%
2000	Tech Bubble Bursts	-17.2%	191.9%
2001	September 11th, 2001 Recession	-29.7%	224.8%
2002	Final Tech Bubble Flush, Corporate Scandals (Worldcom)	-33.8%	273.5%
2003	Iraq War	-14.1%	387.4%
2004	Oil Price Breakout	-8.2%	285.6%
2005	Hurricane Katrina	-7.2%	253.8%
2006	Fed Culminates Hiking Cycle	-7.7%	243.5%
2007	Subprime Cracks Emerge	-10.1%	202.3%
2008	Global Financial Crisis, Bank Failures, Auto Bailouts	-48.8%	192.0%
2009	Global Financial Crisis Culminates	-27.6%	374.7%
2010	European Debt Crisis, Flash Crash	-16.0%	284.5%
2011	S&P Downgrades U.S. Debt, Greek Debt Writedowns	-19.4%	241.0%
2012	Euro Crisis, 2nd Greek Bailout	-9.9%	241.0%
2013	Taper Tantrum	-5.8%	200.7%
2014	Ebola	-7.4%	132.0%
2015	Chinese Slowdown, Yuan Devaluation, Deflation Scare	-12.4%	108.3%
2016	Brexit, Global Negative Rates	-10.5%	109.8%
2017	North Korea Tensions Escalate	-2.8%	91.5%
2018	Trade Wars, Short Vol Unwind	-19.8%	60.4%
2019	Repo Crisis, Yield Curve Inversion	-6.8%	71.1%
2020	Covid-19 Pandemic	-33.9%	32.7%
2021	Covid Variants, Chinese Regulatory Crackdown	-5.2%	14.2%
2022	Russian Invasion of Ukraine, Fed's Hawkish Pivot	-25.4%	-10.0%
2023	Regional Bank Crisis, Debt Ceiling Drama	-10.3%	24.2%

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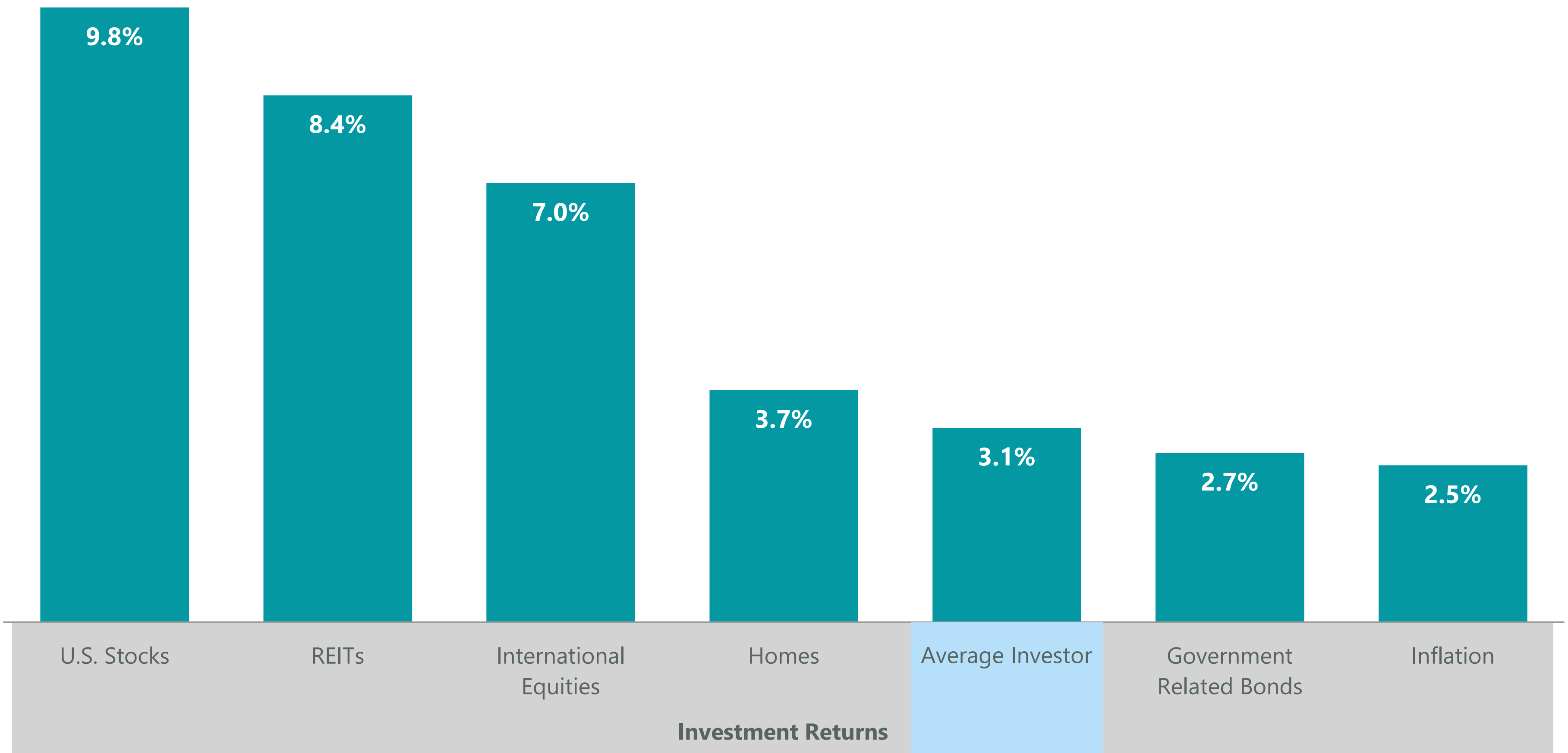
*Cumulative S&P 500 price return is calculated from day prior to the new year (ex. 1999 looks at 12/31/1998) to present. Data as of Dec. 31, 2023. Sources: Bloomberg, Federal Reserve, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

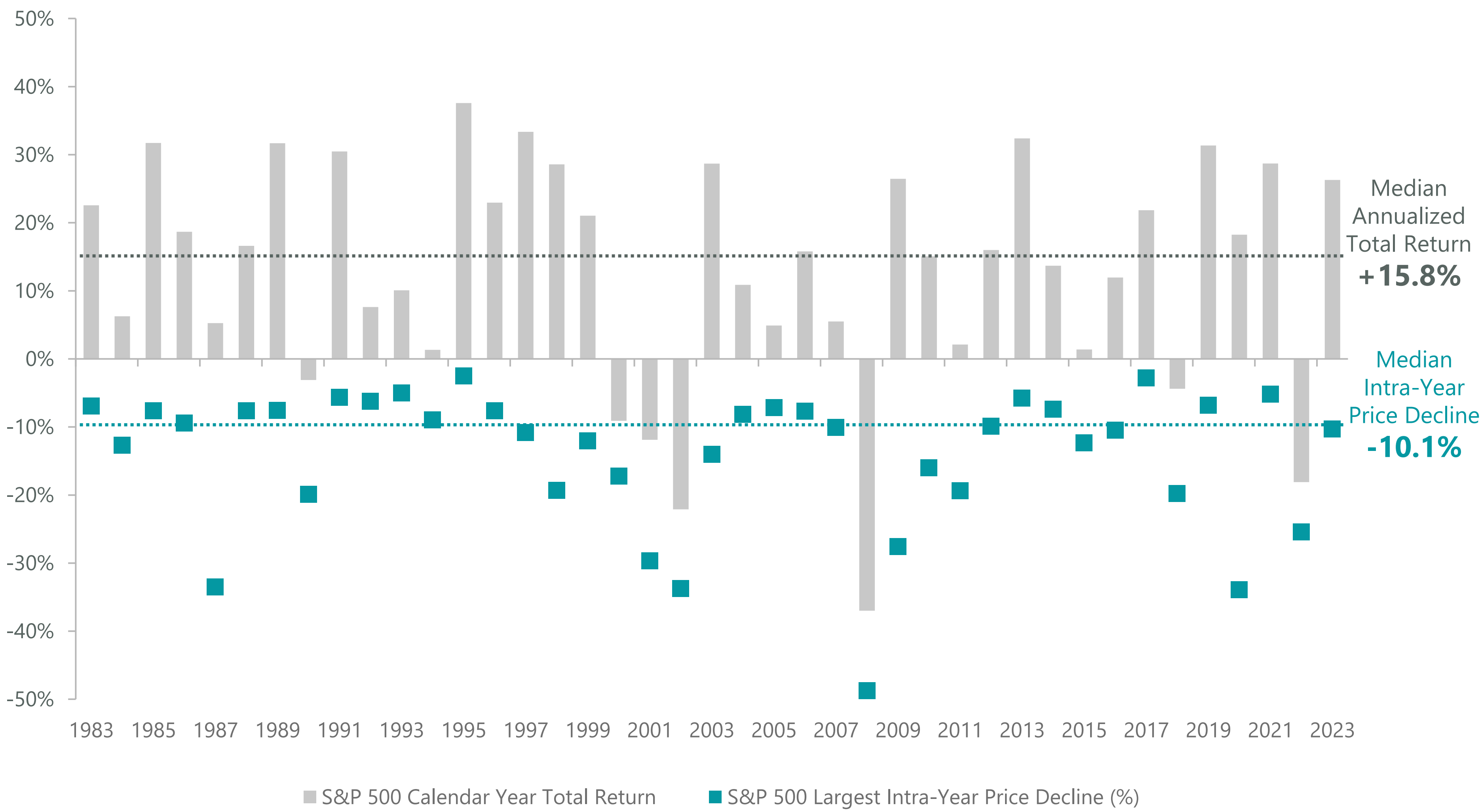
Don't Fall Victim to Panic Attacks

20-Year Annualized Returns (2003-2022)



Source: Bloomberg, June 30, 2023. Average asset allocation investor return is based on an analysis by DALBAR, Inc., which utilizes the net of aggregate mutual fund sales, redemptions and exchanges each month as a measure of investor behavior. Indices shown are as follows: REITs are represented by the NAREIT Equity REIT Index, U.S. Stocks are represented by the S&P 500 Index, International Equities are represented by the MSCI EAFE Index, Government-Related Bonds are represented by the Bloomberg Global Aggregate TR Index, Homes are represented by U.S. existing home sales median price, Inflation is represented by the Consumer Price Index. Indices are unmanaged and cannot be purchased directly by investors. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. **Past** performance is no guarantee of **future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Volatility Not a Financial Loss Unless You Sell



As of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Can You Time the Market?

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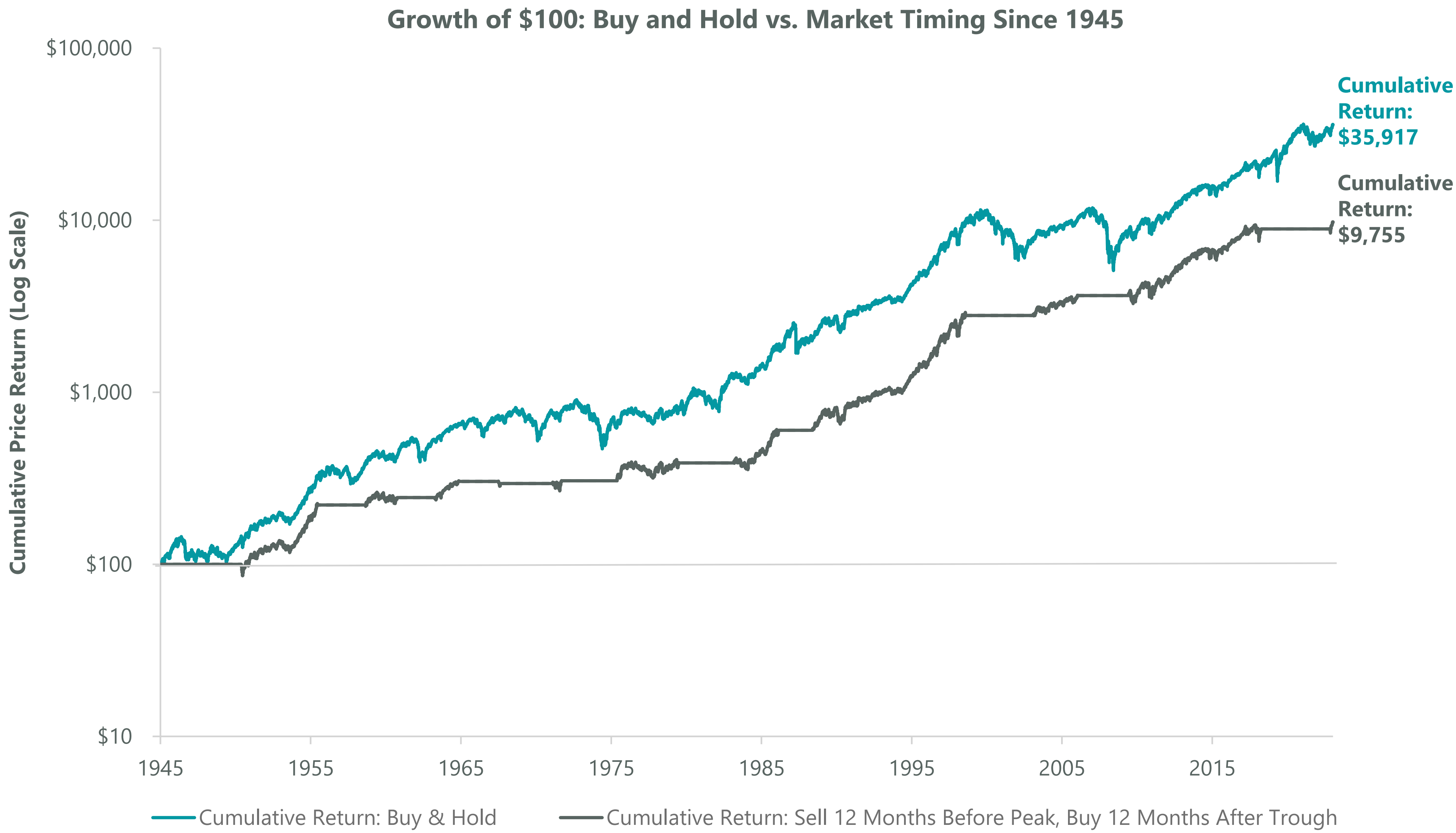

- **Since 1945, an investor that consistently sold 12 months prior to a market peak and bought back 12 months after the trough was worse off overall than a buy-and-hold investor.**

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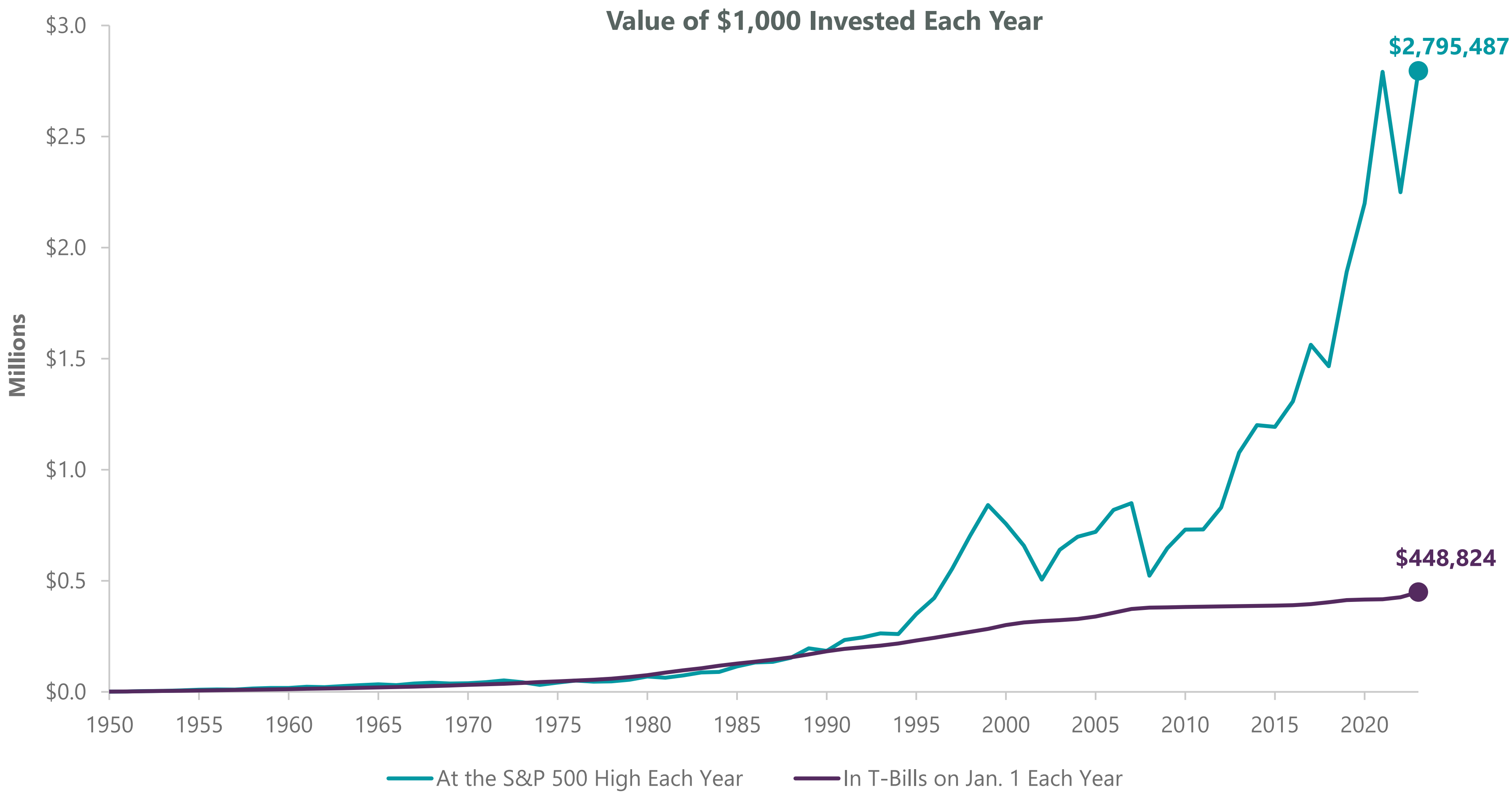
Data as of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results.
Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Time is On Your Side

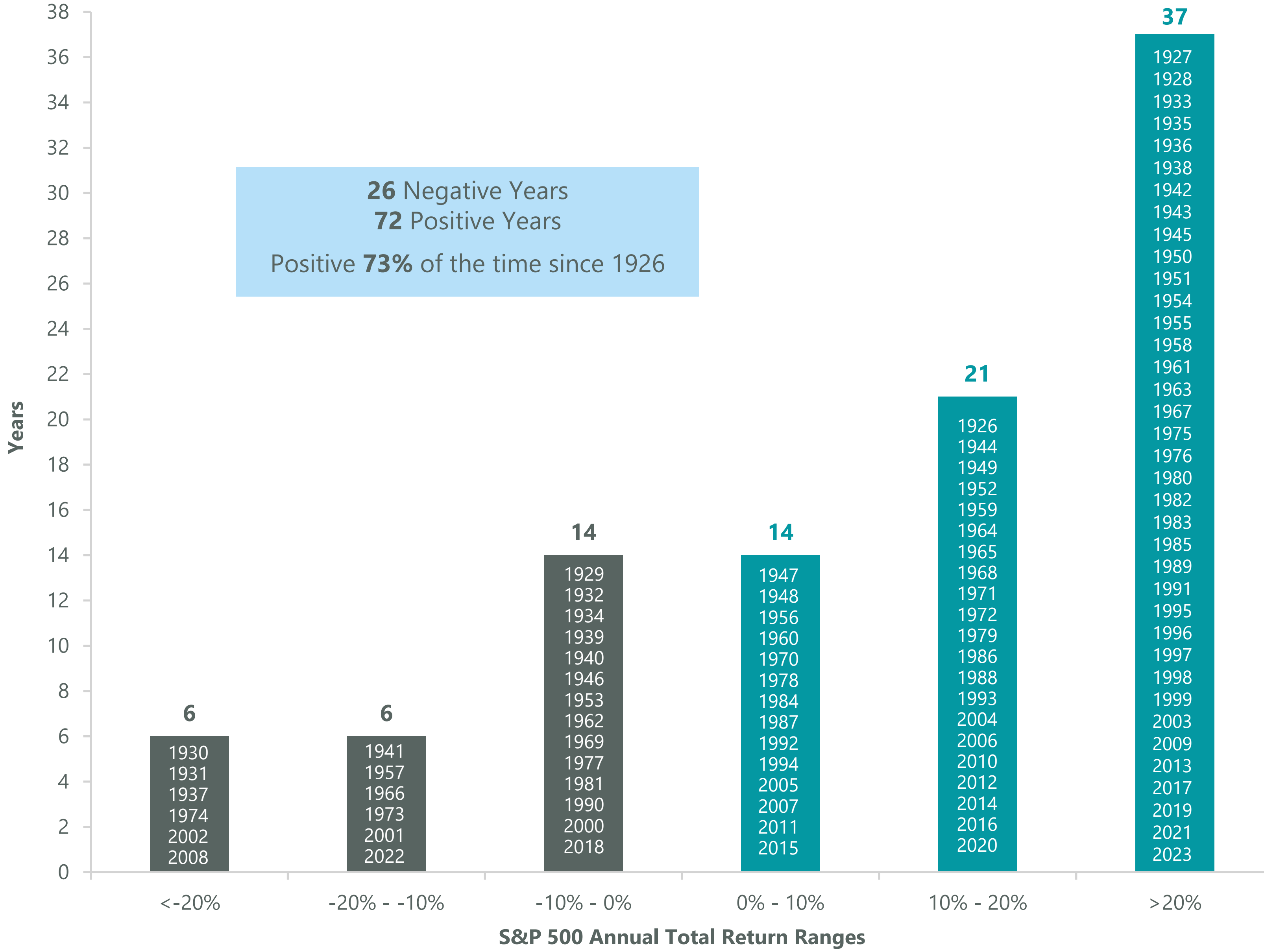


- **Even if an investor were to methodically put money to work at the annual high water mark in equities, they would still have outperformed T-Bills handily since 1950.**
- **There is validity to the old adage "it's not timing the market, it's time in the market".**

Note: Price Return. Data as of Dec. 31, 2023. Sources: FactSet, Federal Reserve, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Market Annual Returns

Distribution of S&P 500 Total Returns Since 1926



As of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Economic Outlook

It Always Starts as a Soft Landing

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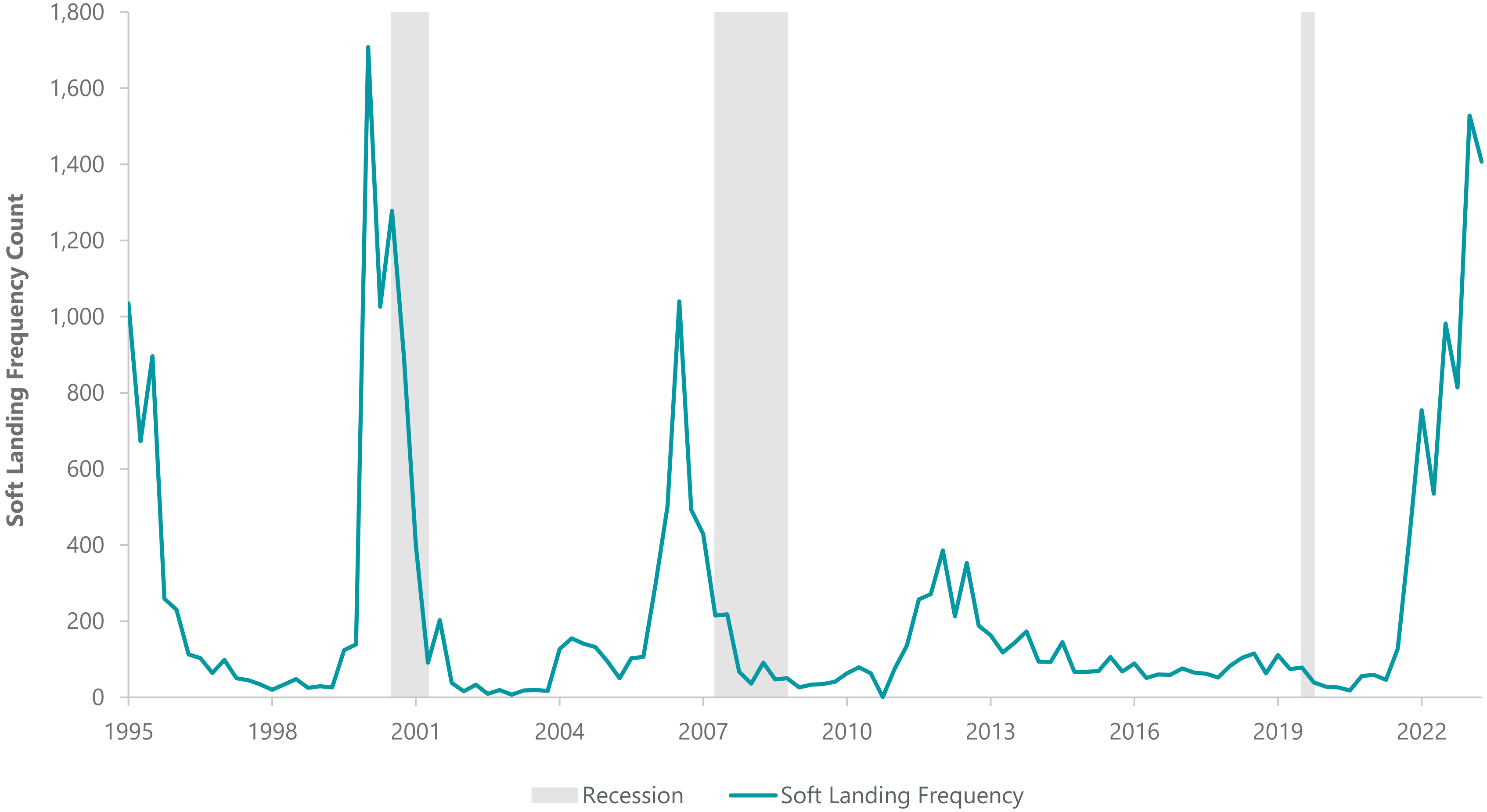

- **Although soft landing has supplanted recession as the base-case view, investors should take little solace as history suggests that soft landing optimism has typically preceded recessions.**

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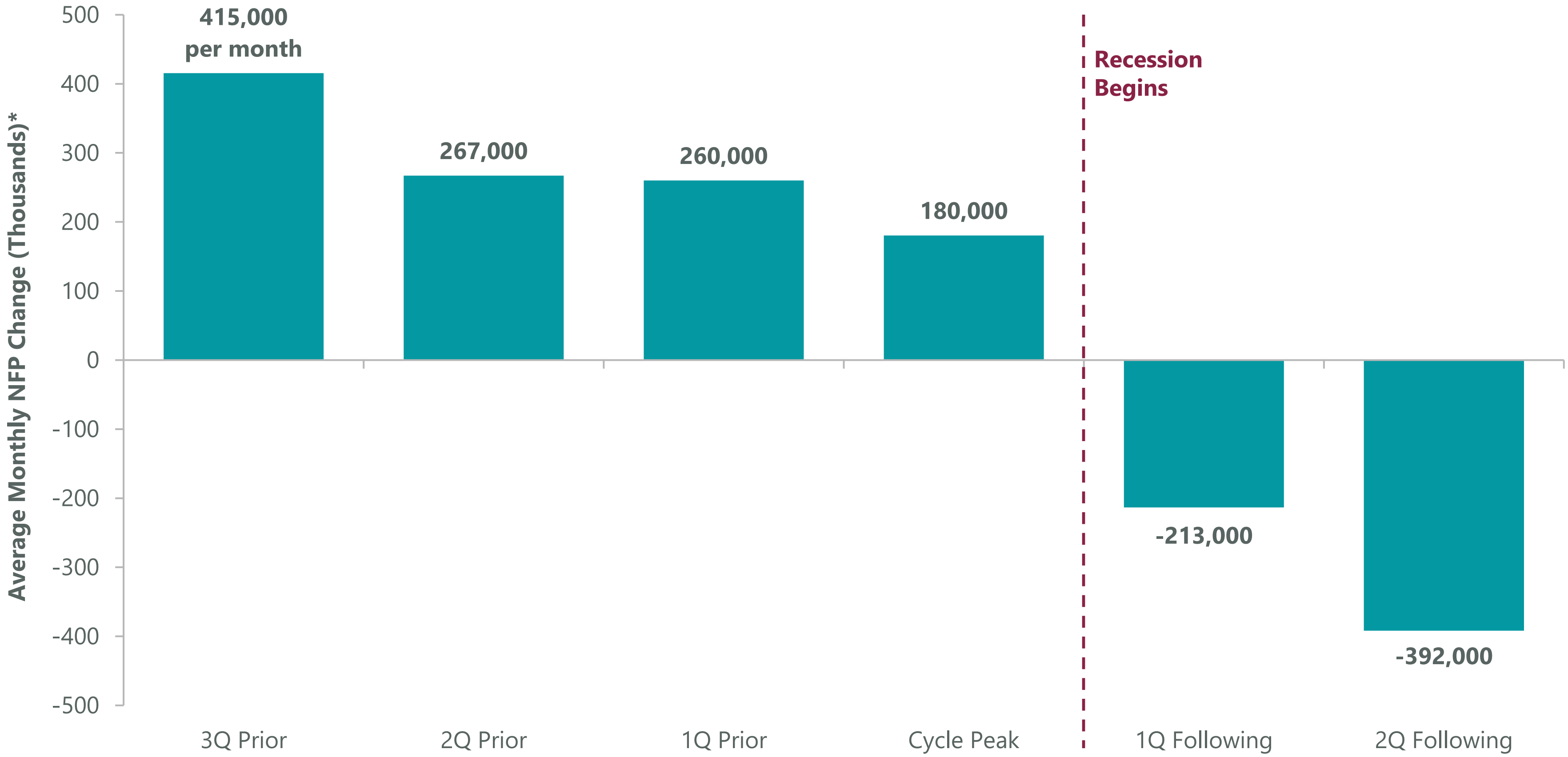
Note: Soft landing frequency is the count of mentions of the term "soft landing" in company filings, transcripts, and presentations since 3Q95.
Data as of Dec. 31, 2023. Sources: NBER and Bloomberg.

Job Market Can Turn Quickly



- **The labor market is notoriously a lagging indicator that typically rolls over after a recession begins.**
- **While an average of 204,000 jobs have been created over the last three months, history suggests this does not preclude a recessionary outcome.**

*Average monthly non-farm payrolls (NFP) change based on three-month historical average change (relative to cycle peaks as defined by NBER) as a percentage of total NFP adjusted for the current size of the labor force. Data as of Nov. 30, 2023, latest available as of Dec. 31, 2023. Source: BLS, NBER, and Bloomberg. Note: 1948-present; 2020 recovery excluded due to pandemic distortions. Past performance is not a guarantee of future results.

Consumer Spending Can Turn Quickly

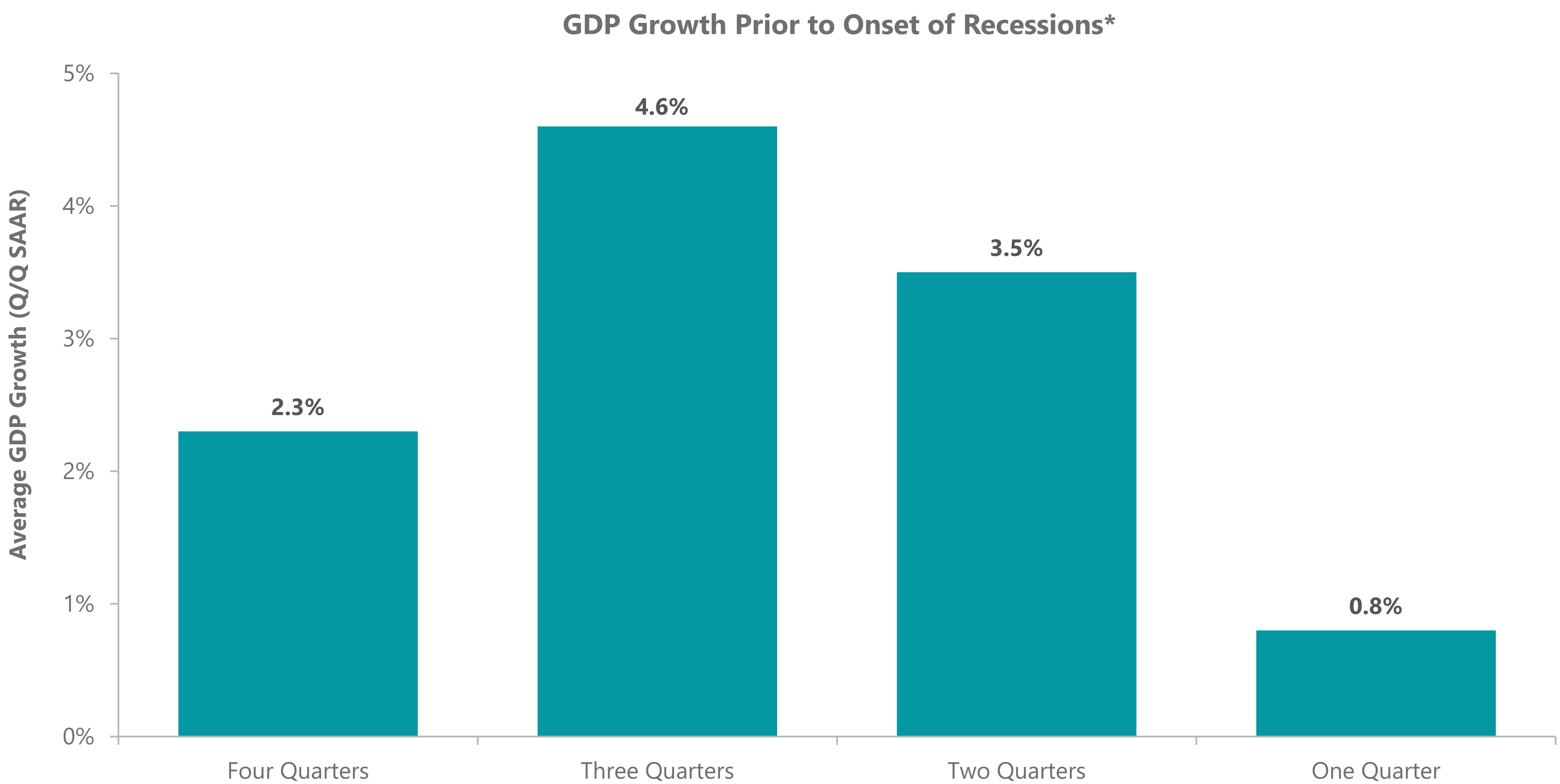
Real Consumer Spending and Historical Recessions (Q/Q SAAR)

Recession Start	-2 Quarters	-1 Quarter	Recession	+1 Quarter
1969 – 1970	2.6%	2.0%	3.2%	2.5%
1973 – 1975	**-0.2%**	1.4%	**-1.2%**	**-3.5%**
1980	4.0%	1.0%	**-0.6%**	**-8.7%**
1981 – 1982	1.3%	0.0%	1.9%	**-2.7%**
1990 – 1991	3.4%	1.2%	1.6%	**-3.0%**
2001	3.9%	3.5%	1.5%	0.8%
2007 – 2009	1.1%	2.7%	1.6%	**-0.5%**
2020	4.1%	2.6%	**-6.4%**	**-30.2%**
Median	**3.0%**	**1.7%**	**1.6%**	**-2.9%**
% Positive	**87.5%**	**100.0%**	**62.5%**	**25.0%**

- **Consumption is currently running at 3.1% (3Q23) which is helping to power above-trend GDP growth.**
- **However, strength today does not necessarily beget strength tomorrow, as history shows consumption typically slows rapidly into recessions.**

Sources: BEA, NBER, and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Economy Can Turn Quickly



- **Economic growth often holds up quite well leading into a recession, with a rapid decline only coming just before onset.**

*The chart includes data from recessions according to NBER, starting with the recession that began in Dec. 1969.
Data as of Dec. 31, 2023. Sources: FactSet, BEA, NBER. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

U.S. Recession Risk Indicators

- 12 variables have historically foreshadowed a looming recession
- The overall dashboard is currently signaling recession

		December 31, 2023	September 30, 2023	June 30, 2023
Consumer	Housing Permits	✖	✖	✖
	Job Sentiment	✖	✖	✖
	Jobless Claims	●	●	●
	Retail Sales	●	✖	✖
	Wage Growth	✖	✖	✖
Business Activity	Commodities	●	✖	✖
	ISM New Orders	✖	✖	✖
	Profit Margins	✖	✖	✖
	Truck Shipments	●	●	●
Financial	Credit Spreads	●	✖	✖
	Money Supply	✖	✖	✖
	Yield Curve	✖	✖	✖
	Overall Signal	✖	✖	✖

⬆ Expansion ● Caution ✖ Recession

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Data as of Dec. 31, 2023. Sources: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

U.S. Recession Risk Indicators

- 12 variables have historically foreshadowed a looming recession
- The overall dashboard is currently signaling recession

		Current	2020	2007-2009	2001	1990-1991	1981-1982	1980	1973-1975	1969-1970
Consumer	Housing Permits	✖	⬆	✖	●	✖	✖	✖	✖	✖
	Job Sentiment	✖	●	✖	✖	✖	✖	●	●	●
	Jobless Claims	●	⬆	●	✖	✖	✖	✖	⬆	✖
	Retail Sales	●	⬆	✖	✖	✖	✖	✖	●	✖
	Wage Growth	✖	✖	✖	✖	✖	✖	✖	✖	✖
Business Activity	Commodities	●	⬆	✖	✖	✖	✖	●	●	●
	ISM New Orders	✖	●	✖	✖	✖	✖	✖	✖	✖
	Profit Margins	✖	✖	✖	✖	✖	✖	✖	●	✖
	Truck Shipments	●	⬆	●	✖	✖	✖	✖	n/a	n/a
Financial	Credit Spreads	●	⬆	✖	✖	✖	✖	✖	⬆	●
	Money Supply	✖	⬆	✖	✖	✖	✖	✖	✖	✖
	Yield Curve	✖	✖	✖	✖	✖	✖	✖	✖	✖
	Overall Signal	✖	●	✖	✖	✖	✖	✖	●	✖

⬆ Expansion ● Caution ✖ Recession

Data as of Dec. 31, 2023. Sources: BLS, Federal Reserve, Census Bureau, ISM, BEA, American Chemistry Council, American Trucking Association, Conference Board, and Bloomberg. The ClearBridge Recession Risk Dashboard was created in January 2016. References to the signals it would have sent in the years prior to January 2016 are based on how the underlying data was reflected in the component indicators at the time.

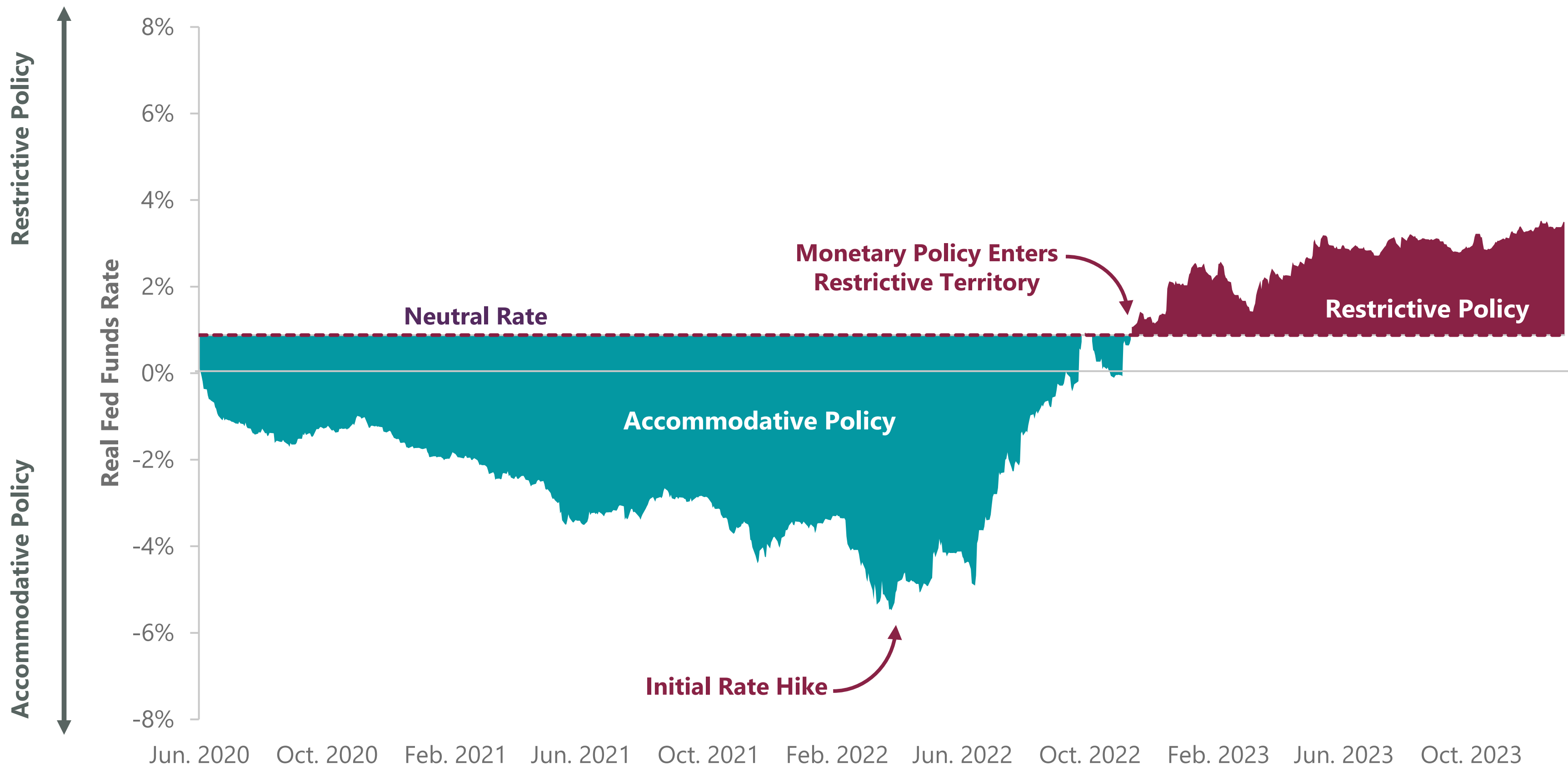
Long and Variable Lags

Start of a Persistent* Hike Cycle	Start of Recession	Recession Within 3.5 Years?	Duration of Hiking Cycle (Months)
Nov. 1958	April 1960	Yes	17
July 1963	Dec. 1969	No	76
Nov. 1968	Dec. 1969	Yes	12
Jan. 1973	Nov. 1973	Yes	9
Aug. 1977	Jan. 1980	Yes	29
Aug. 1980	July 1981	Yes	11
March 1984	July 1990	No	75
March 1988	July 1990	Yes	27
Feb. 1994	March 2001	No	85
June 1999	March 2001	Yes	20
June 2004	Dec. 2007	Yes	41
Dec. 2016	Feb. 2020	Yes	38
		Average for All Hiking Cycles	**37**
		Average When Recession Started within 3.5 Years	**23**

- **On average, a recession has historically begun a little over three years after a rate hike cycle gains momentum.**
- **In hard landing (recession) scenarios, this timeframe is condensed to just under two years.**

*A Persistent Hike Cycle is the period when the majority of Fed rate hikes occur in a tightening cycle. The date of the initial rate hike in the tightening cycle may not align with the start of the Persistent Hike Cycle. Sources: FactSet, Federal Reserve. Past performance is not a guarantee of future results.

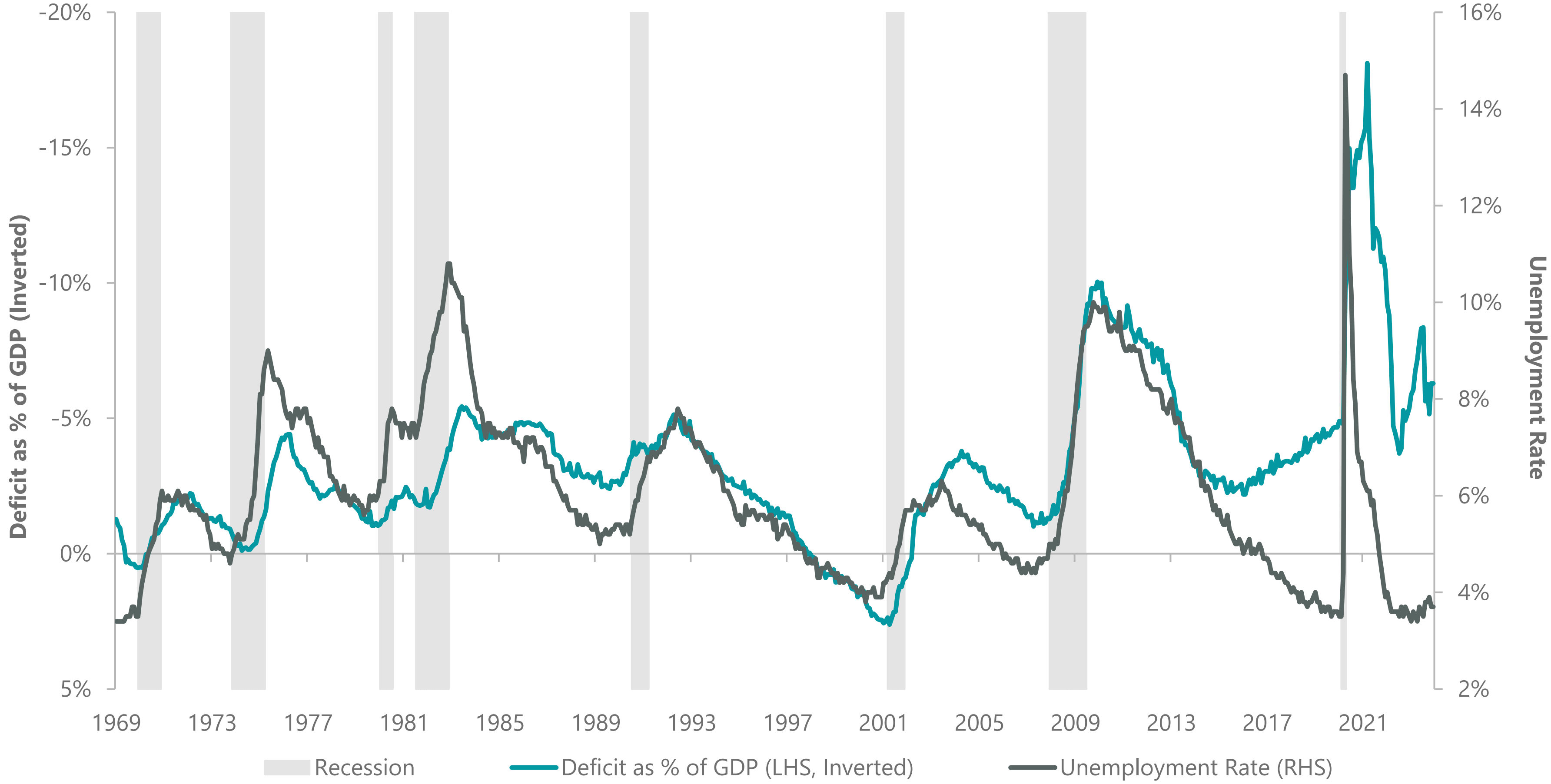
When Did The Fed Headwind Arrive?



- **Despite rapidly rising rates in the summer and fall of 2022, the Fed only reached restrictive policy (real Fed funds above neutral rate) in late 2022.**
- **As a result, the U.S. is squarely in the window when restrictive monetary policy would be expected to slow economic growth given the traditional lags of monetary policy.**

Note: Real Fed Funds is Fed Funds Rate less 1-Year Zero Coupon Inflation Swap; Neutral Rate is current estimate of Holston-Laubach-Williams Model. Data as of Dec. 31, 2023. Sources: Federal Reserve and Bloomberg. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

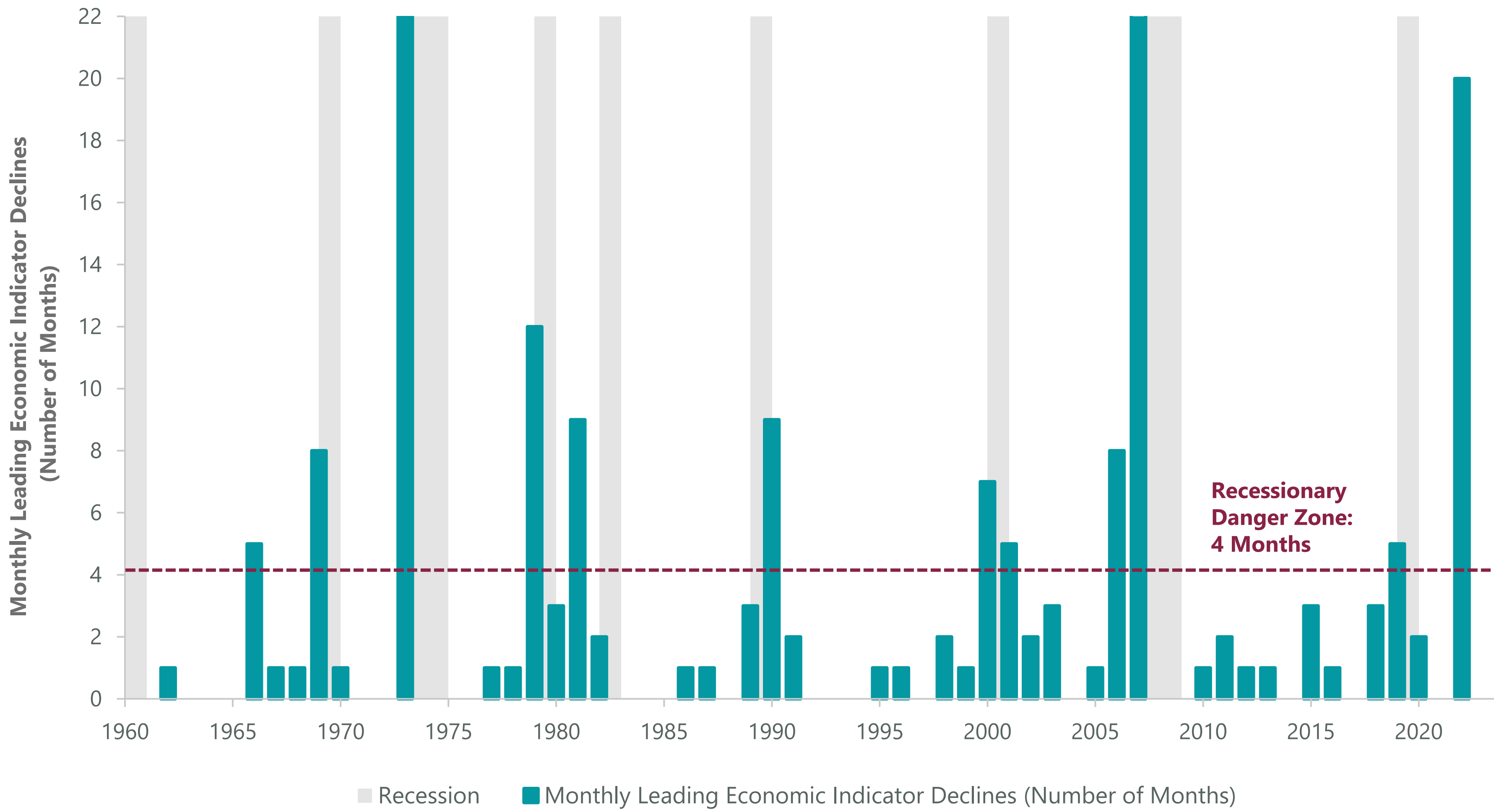
Huge Deficit, Low Unemployment?



- **The Federal deficit (as a % of GDP) tends to move in the opposite direction of the unemployment rate with tight labor markets (and a strong economy) helping to reduce deficits, and vice versa.**
- **At present, the deficit is at an unprecedented level given the strength of the economy, however, there are no additional spending bills on the horizon to further boost economic activity in 2024.**

As of Dec. 31, 2023. Sources: BLS, BEA, NBER, U.S. Treasury, Bloomberg.

Leading Indicators Point to Recession



- **Historical declines in the Leading Economic Indicators lasting more than several months have foreshadowed economic downturns.**
- **The Leading Economic Indicators have been declining for the last 20 months.**

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Data as of Nov. 30, 2023, latest available as of Dec. 31, 2023.
Sources: The Conference Board, FactSet, NBER. Past performance is not a guarantee of future results.

Lending Standards Retrenching

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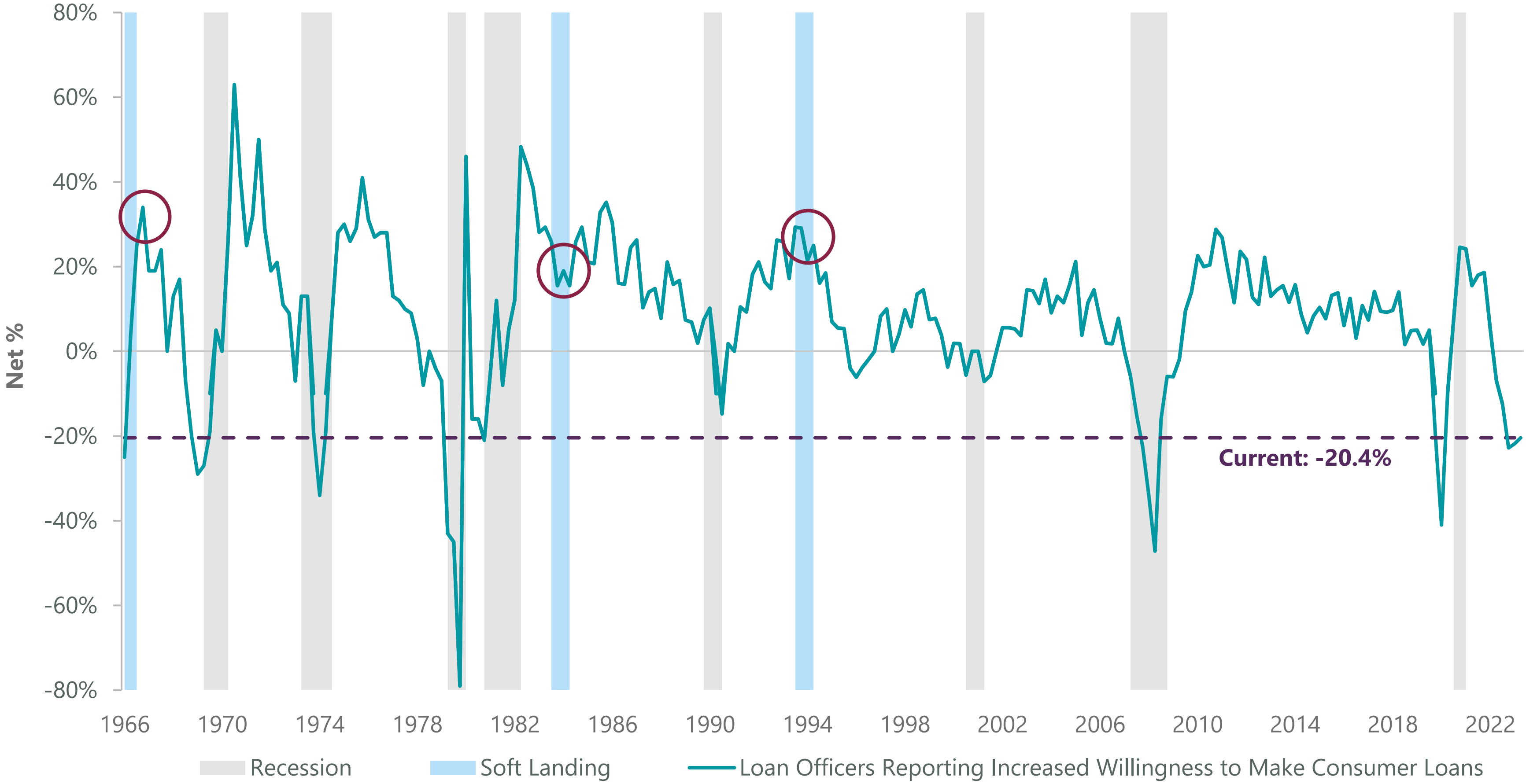

- **Lending standards tightening to the current degree has historically presaged a U.S. economic downturn. By contrast, soft landings have typically seen more accommodating credit conditions.**
- **This dynamic is playing out, with the percentage of people reporting credit is harder to obtain versus one year ago at 58%, up from 32% in September 2021.**

ClearBridge Investments

Data as of Dec. 31, 2023. Sources: Federal Reserve, FactSet, NBER. Past performance is not a guarantee of future results.

Delinquency Rates Rising

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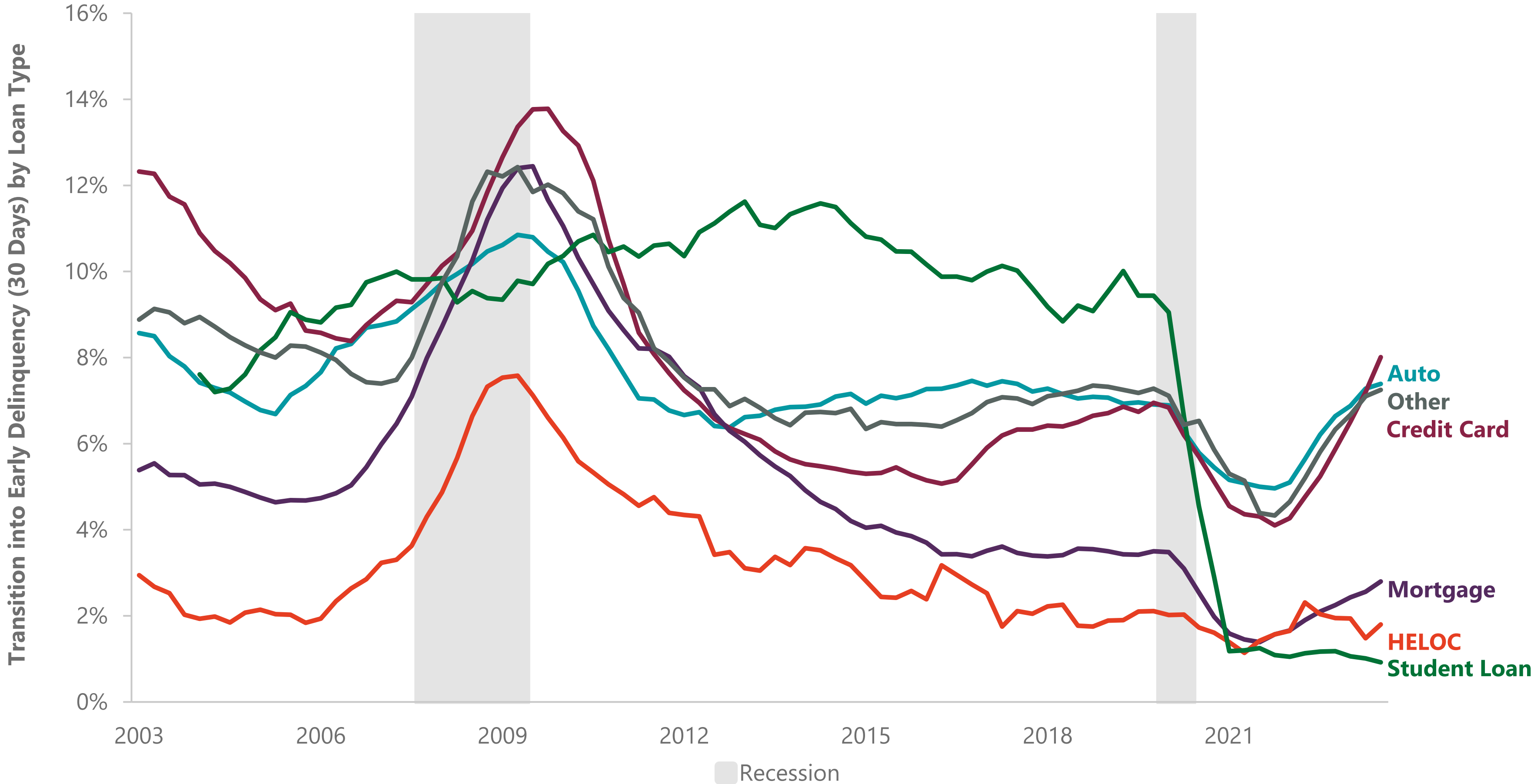
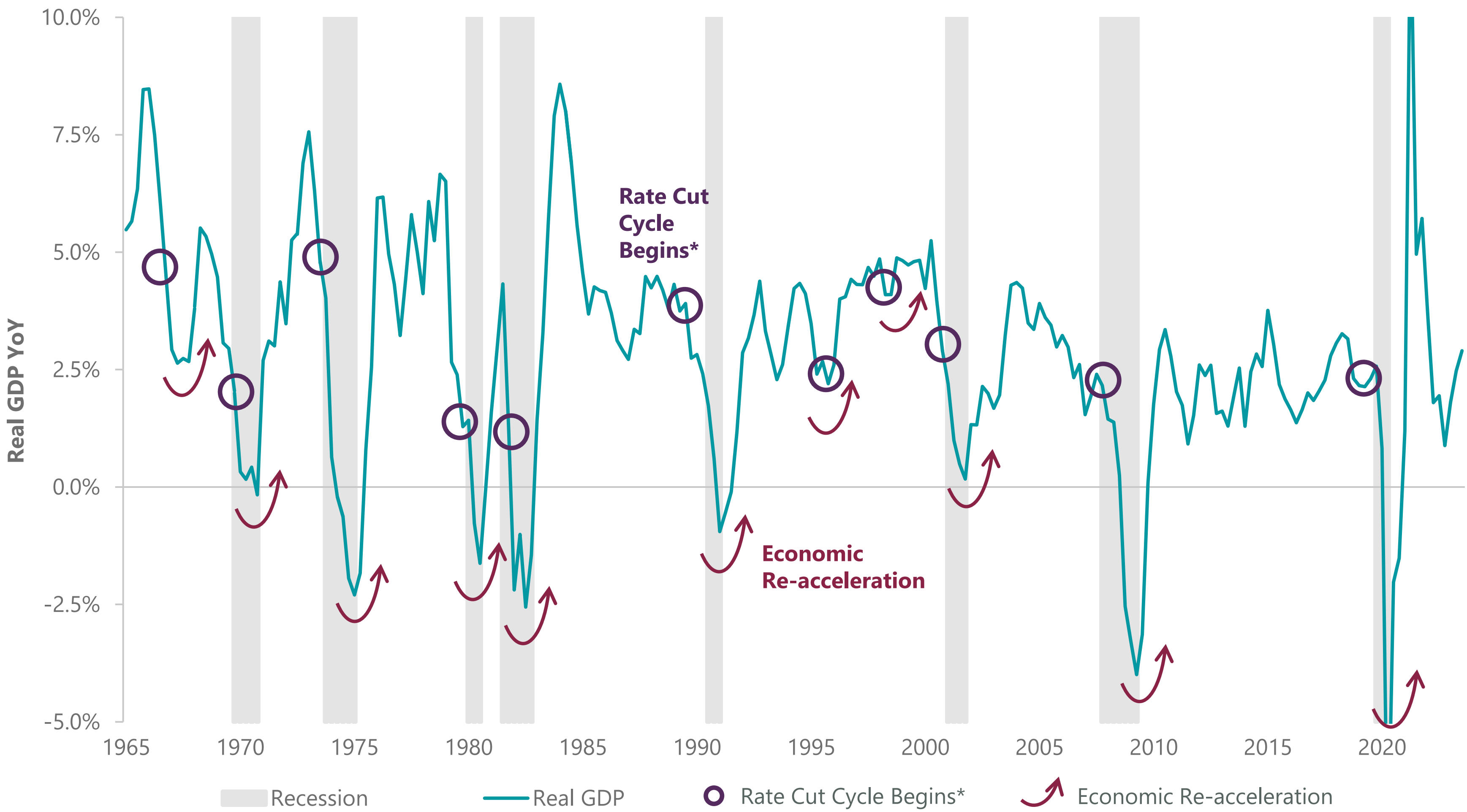


- **Rising delinquency rates are typically a sign of consumer balance sheet fatigue and increasing recession odds.**
- **Consumers are facing additional pressure with the student loan payment moratorium now expired and meaningful upticks in borrowing costs. For example, credit card rates are 6% above the pandemic lows while a 48-month auto loan is up 3%, on average.**

ClearBridge

HELOC stands for Home Equity Line of Credit. Data as of Sept. 30, 2023, latest available as of Dec. 31, 2023. Sources: NY Fed, Equifax, NBER. Past performance is not a guarantee of future results.

Economy Needs Fed Resuscitation



- **Inflections higher in economic growth have historically only followed sustained Fed rate cut cycles by nearly two quarters on average.**
- **With inflation moderating, the Fed now has the flexibility to provide monetary support if needed, which raises the probability of a soft landing.**

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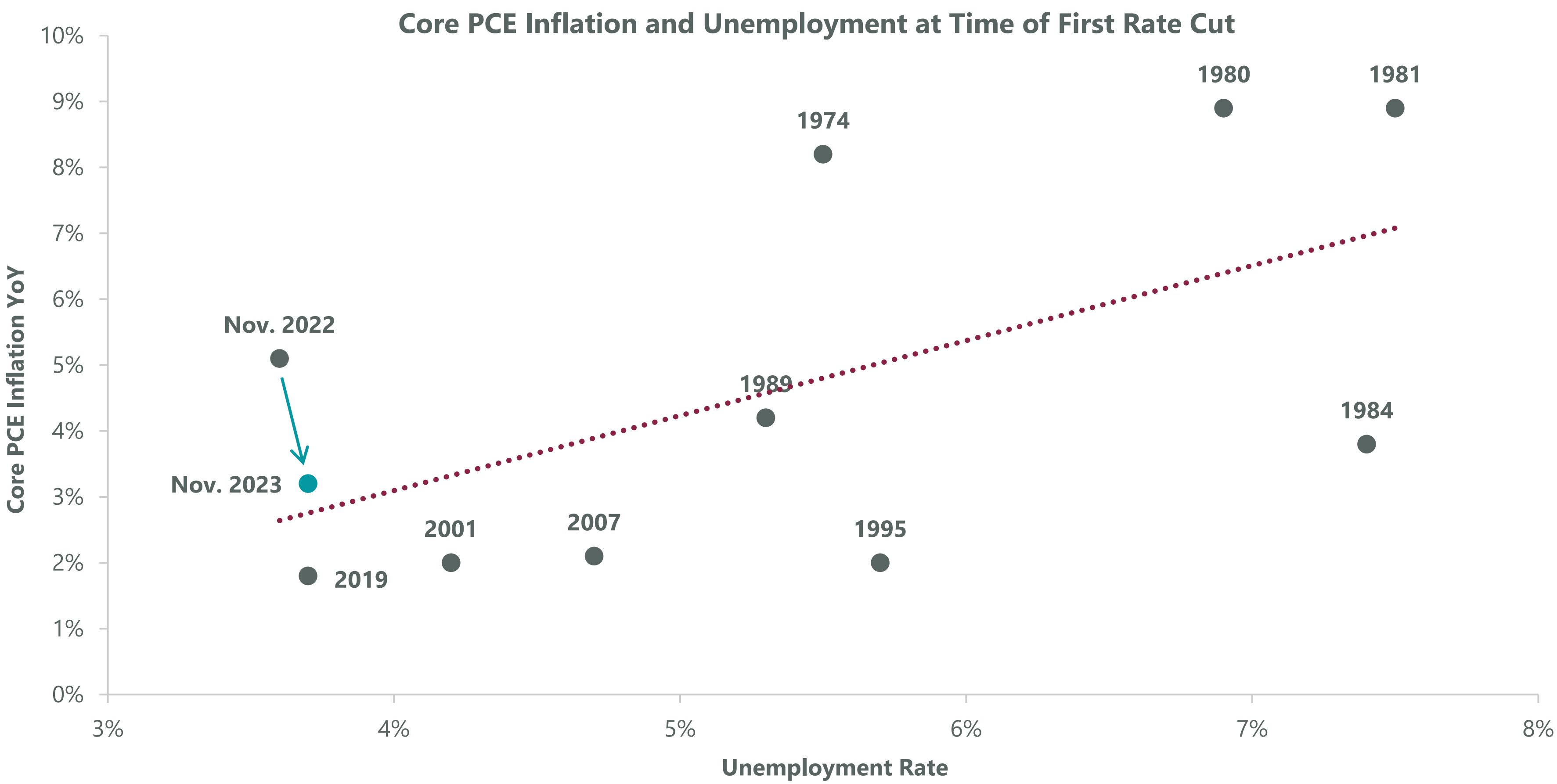
*Rate Cut Cycles of at least 75 bps that did not occur within broader hiking cycles. Data as of Sept. 30, 2023, latest available as of Dec. 31, 2023. Sources: BEA, Federal Reserve, FactSet, NBER. Past performance does not guarantee future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

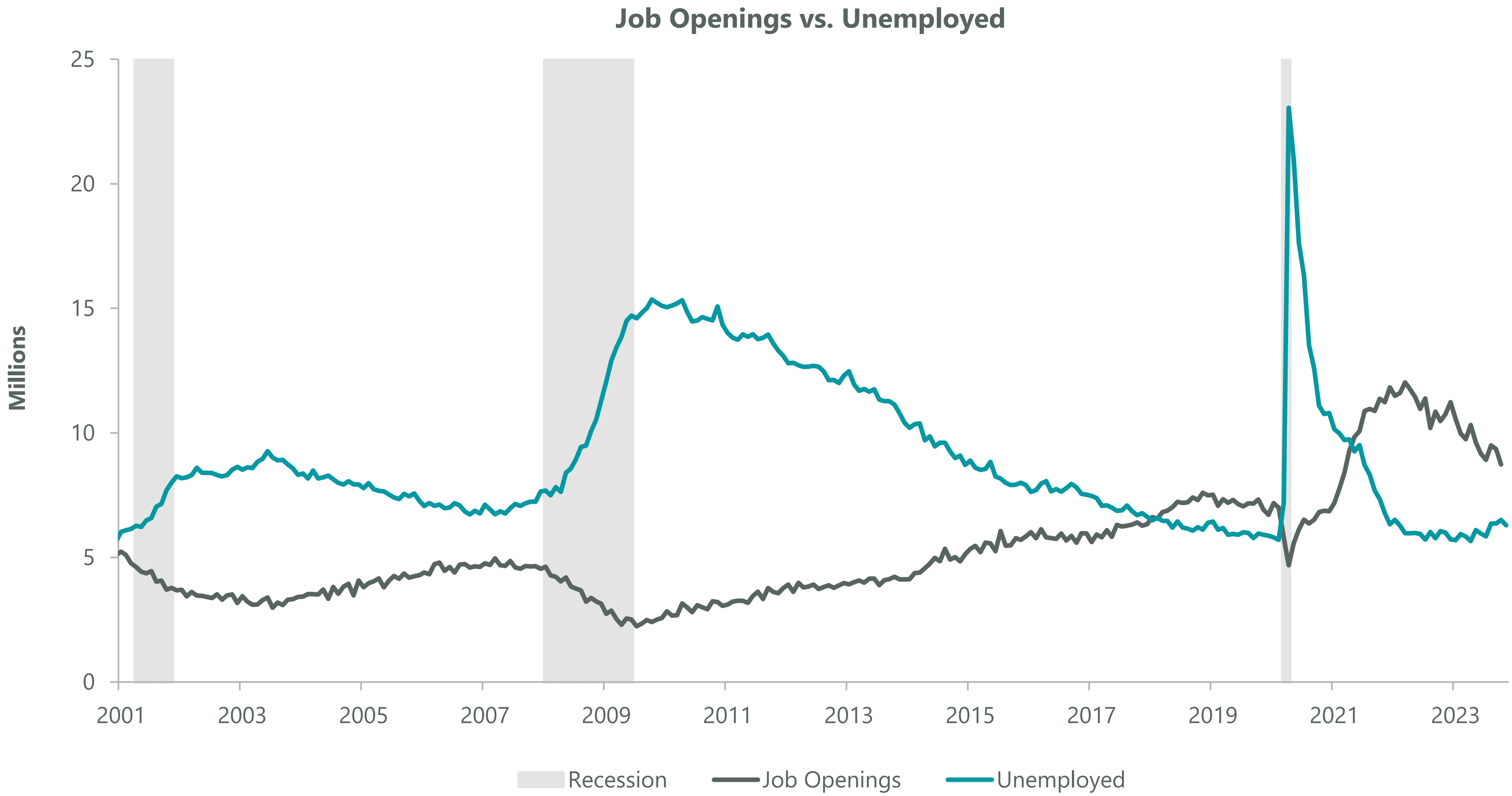
Inflation No Longer Primary Consideration



- Over the last 6 months core PCE has come in at 1.9% on an annualized basis, indicating that the Fed is on track to bring inflation back to its 2% target in 2024.
- With inflation cooling, the Fed has more latitude to cut rates and support the full employment side of its dual mandate.

Data as of Dec. 31, 2023. Sources: FactSet, BLS, BEA, FOMC, Bloomberg. Past performance is not a guarantee of future results.

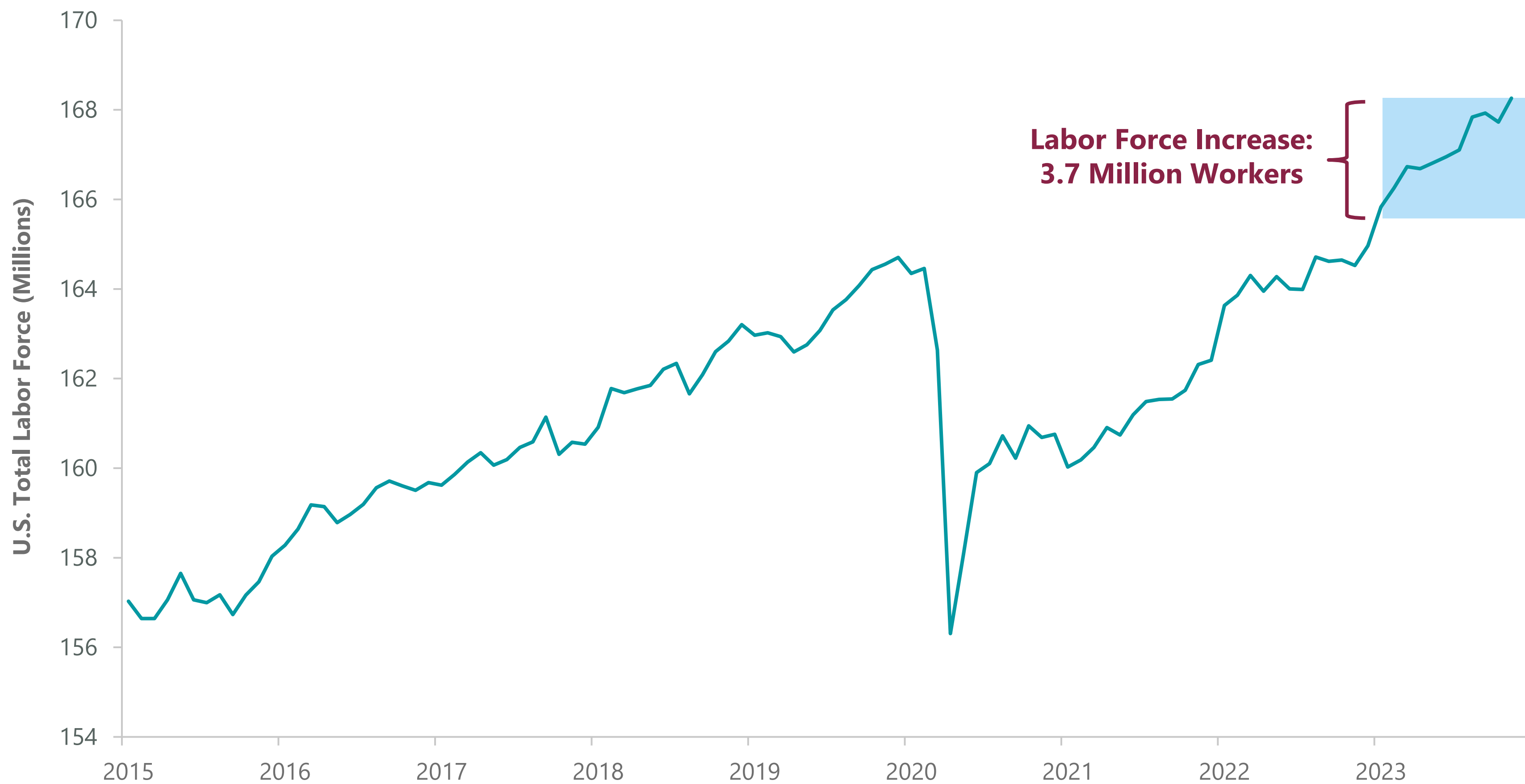
Softer Demand, Better Balance



- **From peak, job openings have dropped by 3.3 million which has helped loosen the labor market without a substantial rise in unemployment so far.**
- **Should this trend continue, the prospects for a soft landing will continue to improve.**

Job Openings data as of Oct. 31, 2023, latest available as of Dec. 31, 2023. Unemployment data as of Nov. 30, 2023, latest available as of Dec. 31, 2023. Sources: FactSet, BLS, St. Louis Fed, NBER. Past performance is not a guarantee of future results.

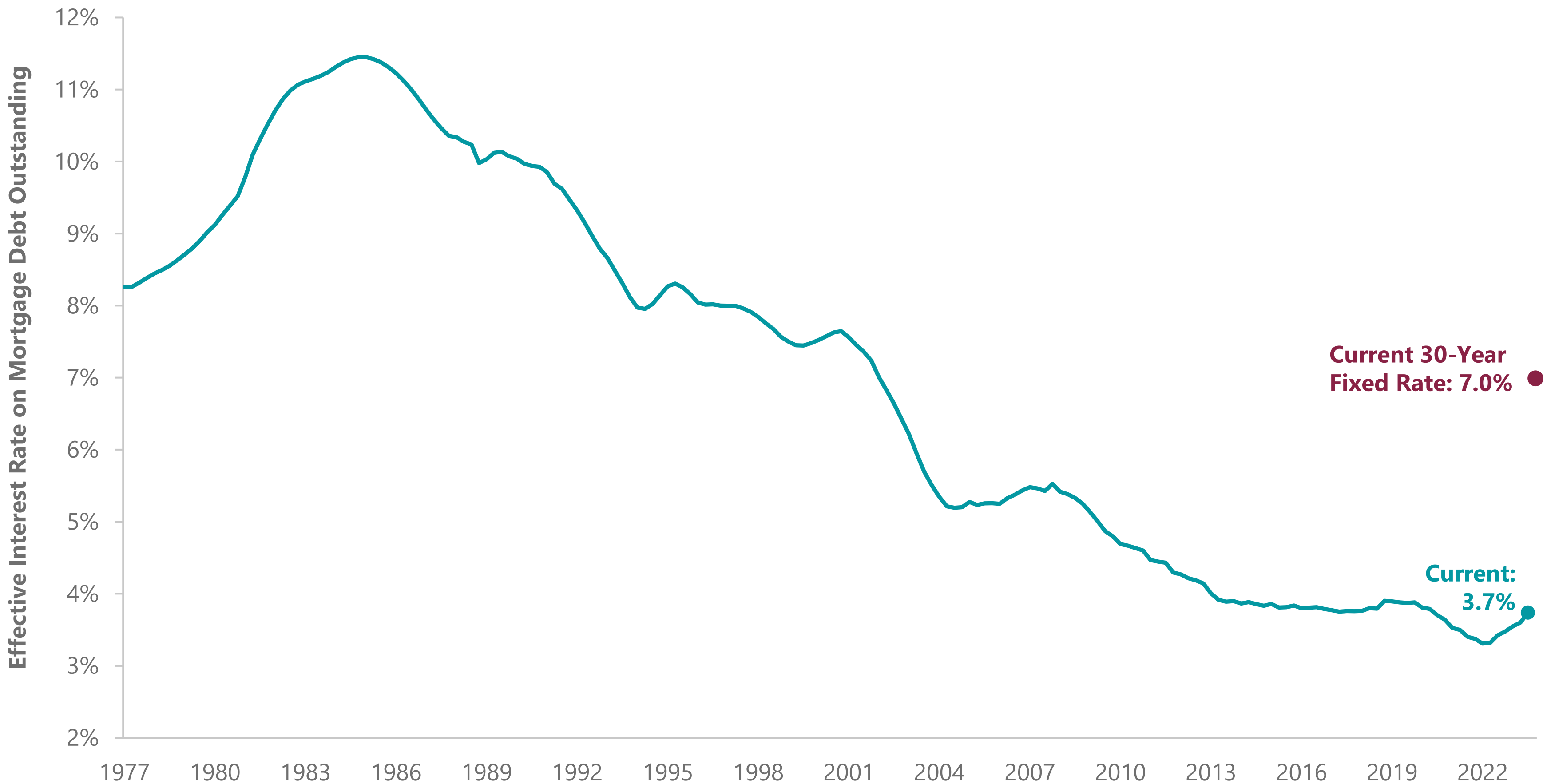
Improving Supply, Better Balance



- **Over the last 12 months, the labor force has increased by 3.7 million workers, helping to bring better balance to the labor market and easing wage pressures.**

Data as of Nov. 30, 2023, latest available as of Dec. 31, 2023. Sources: FactSet, DOL.
Past performance is not a guarantee of future results.

Consumers are Locked In

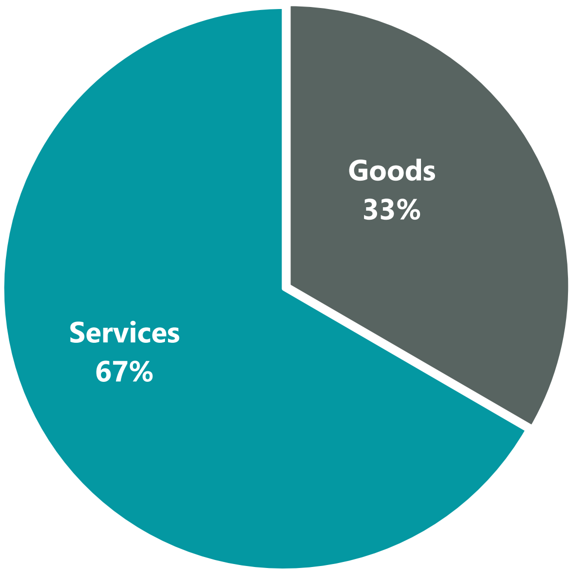


- **The U.S. consumer has become less interest rate sensitive with lower utilization of adjustable-rate mortgages in favor of fixed.**
- **As a result, while the current 30-year fixed mortgage rate is above 7%, the average rate consumers are paying is just 3.7%.**

30-year fixed rate data as of Dec. 29, 2023, effective interest rate on mortgage debt outstanding as of Sept. 30, 2023, latest available as of Dec. 31, 2023. Sources: FactSet, BEA, Mortgage Bankers Association. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Services Holding Up

Share of U.S. Consumption

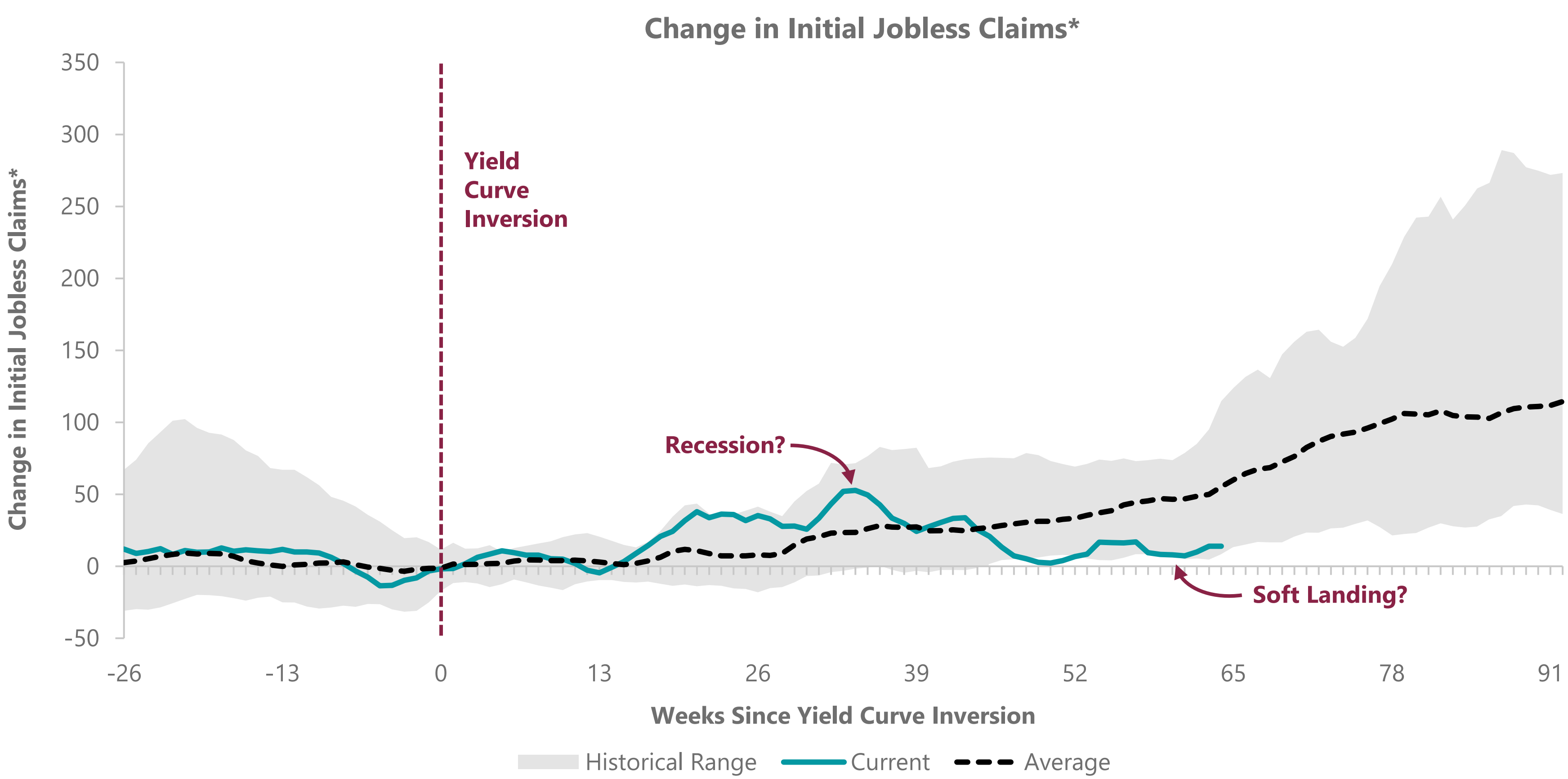


Goods vs. Services Consumption Growth

- **While goods were an initial pandemic beneficiary, services roared back following the reopening.**
- **As spending patterns have re-normalized, services have proven remarkably steady. This has provided an offset to weakness in manufacturing in 2023.**

Data as of Sept. 30, 2023, latest available as of Dec. 31, 2023. Sources: BEA, FactSet.

Following Which Script?



- **Jobless claims have historically been a terrific economic indicator, slowly grinding higher in the six months following the initial yield curve inversion before embarking on a steeper climb at the 1-year mark.**
- **Jobless claims have sent mixed messages in 2023, flashing heightened recession risk only to moderate towards a soft landing more recently.**

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*Based on % change in Initial Jobless Claims, adjusted to number of claims at October 2022 yield curve inversion. Note: 1968-Present; Evaluates Major Inversions of the 10Y-3M Yield Curve excluding 2020; 4-week moving average. Data as of Dec. 31, 2023. Sources: BLS, NBER, and Bloomberg. Past performance is not a guarantee of future results.

Market Outlook

Who's Right?

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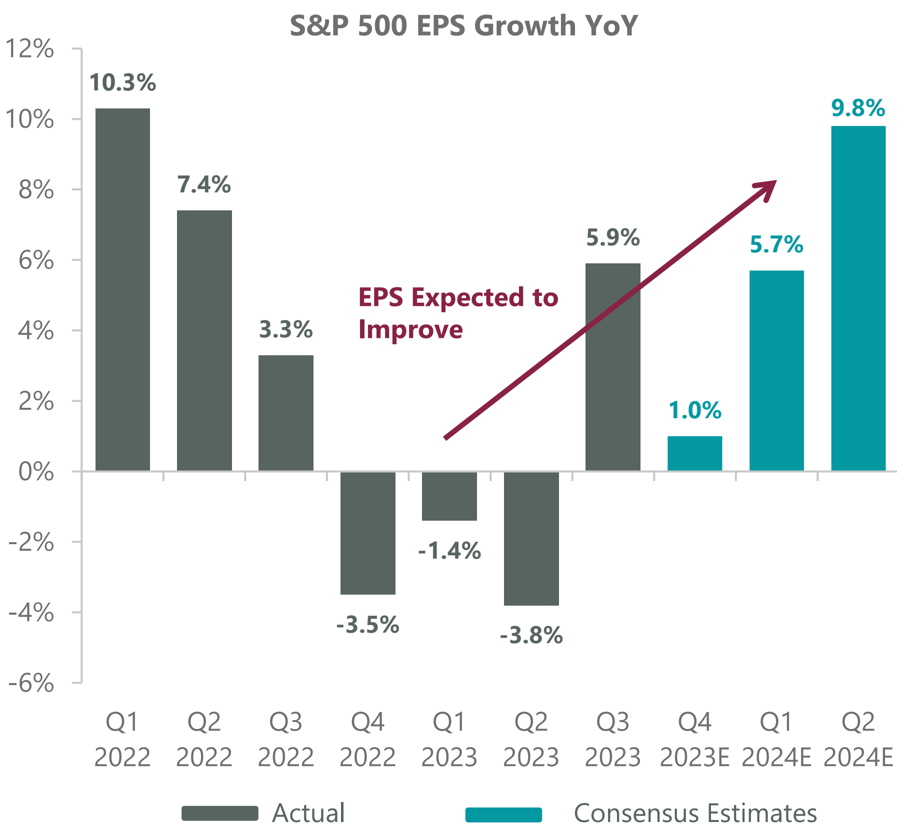

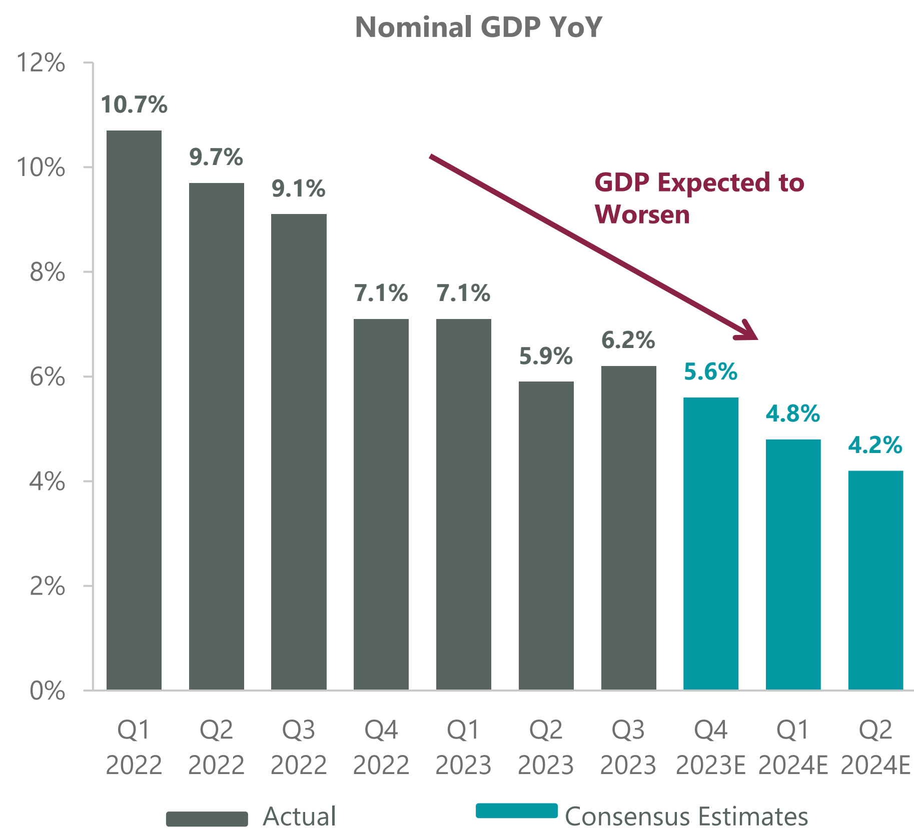

- **Consensus estimates for equity markets and the economy have diverged, providing fuel for both the bulls and the bears.**

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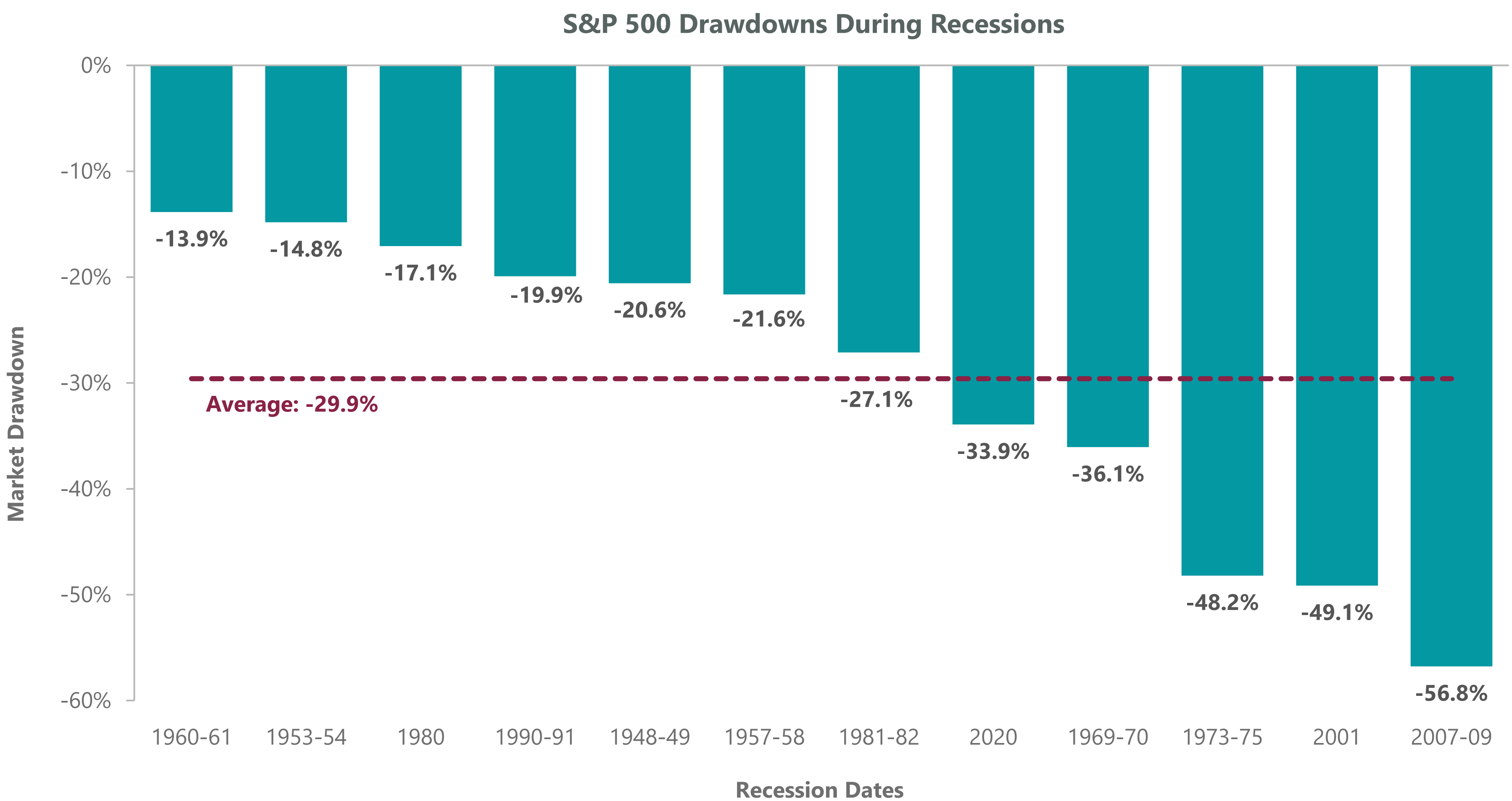
EPS Growth YoY is YoY growth of current constituents. Data as of Dec. 31, 2023. Sources: Bloomberg, BEA, FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

S&P 500 Recessionary Drawdowns

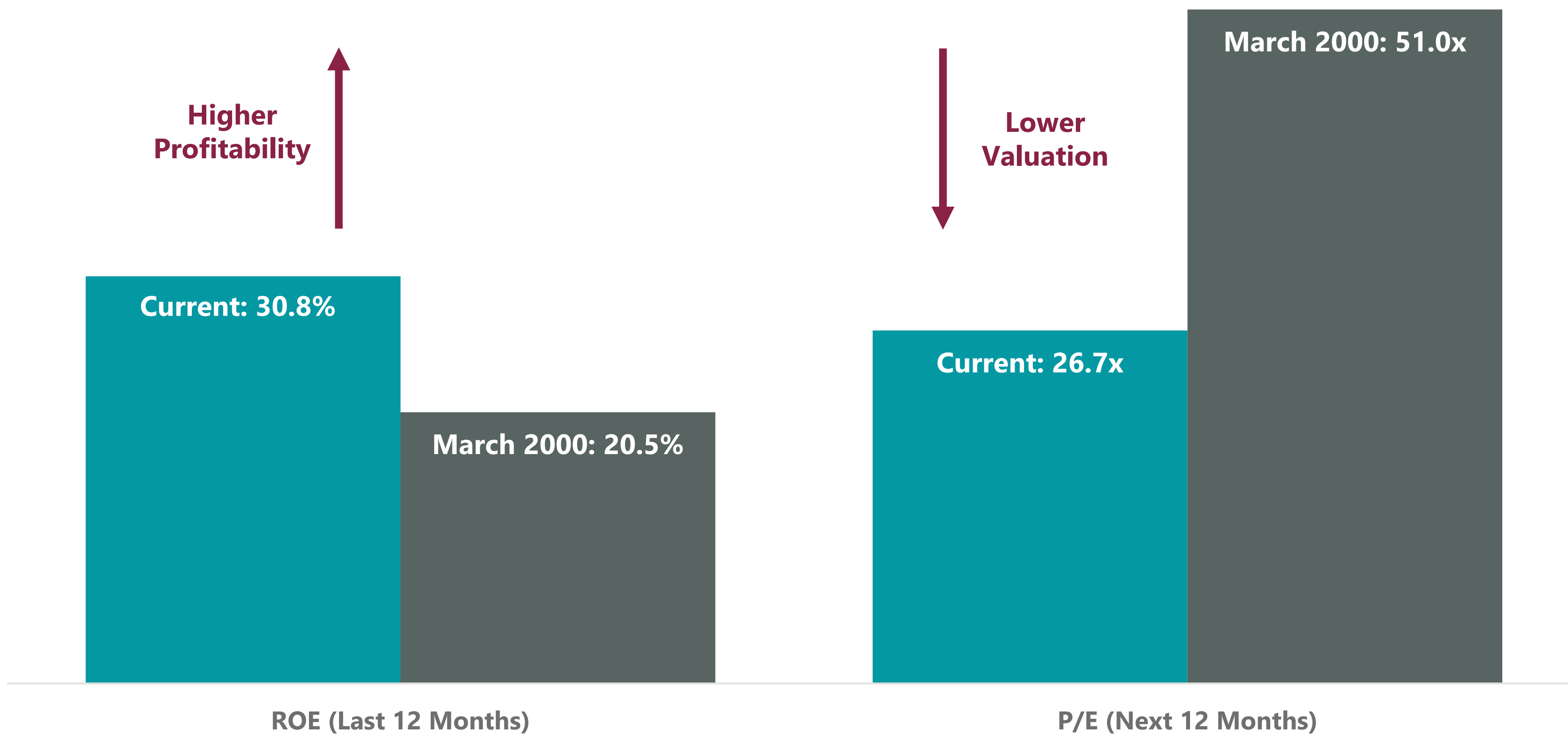


- **Since World War II, the average recessionary selloff has been -29.9%.**

Sources: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Not the Dot Com

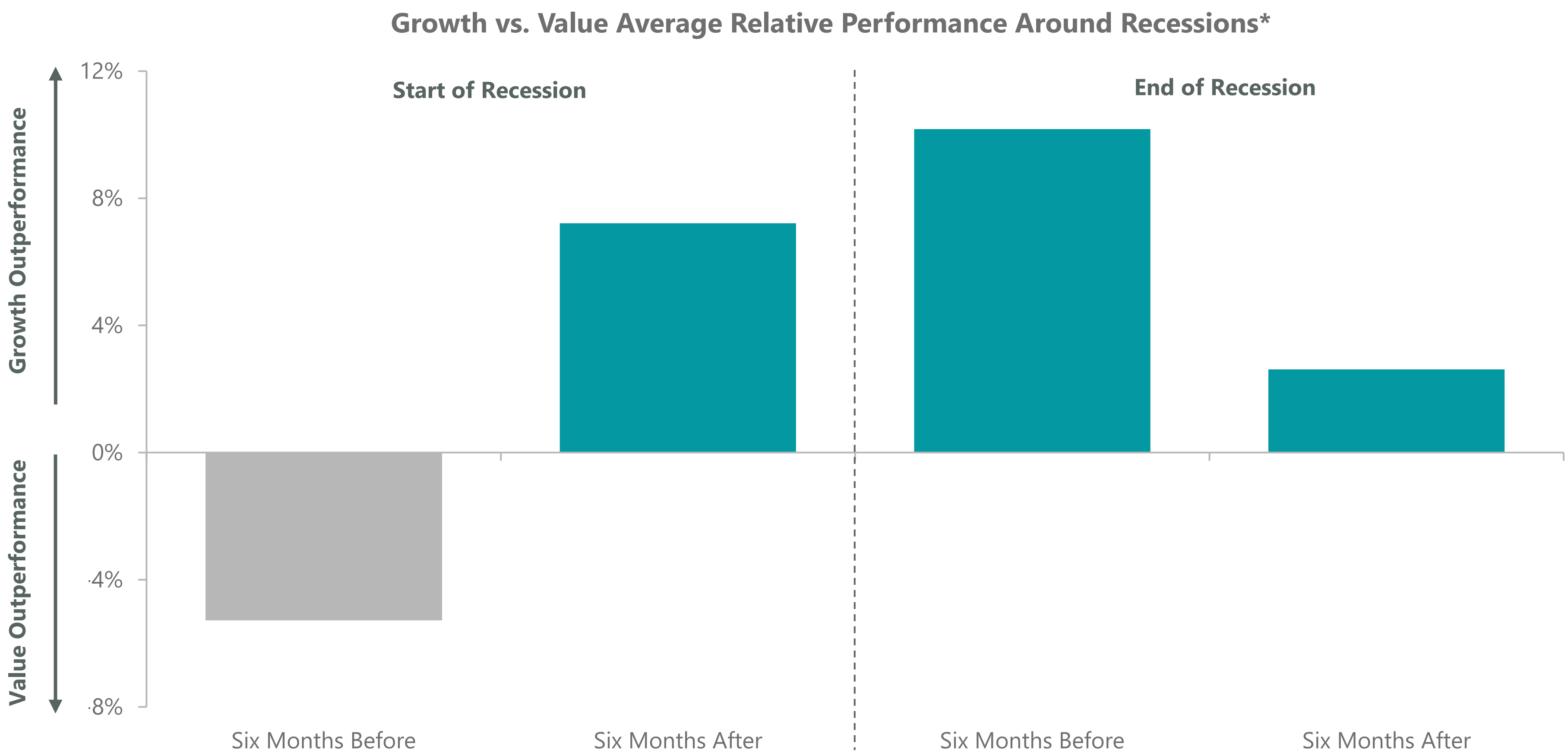
S&P 500 Technology Sector Profitability and Valuation



- **Although valuations in AI beneficiaries expanded rapidly in 2023, the Technology sector remains well below the levels seen at the height of the dot com bubble.**
- **Importantly, companies today are more profitable (higher ROEs), which may provide a buffer against future disappointments.**

Data as of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

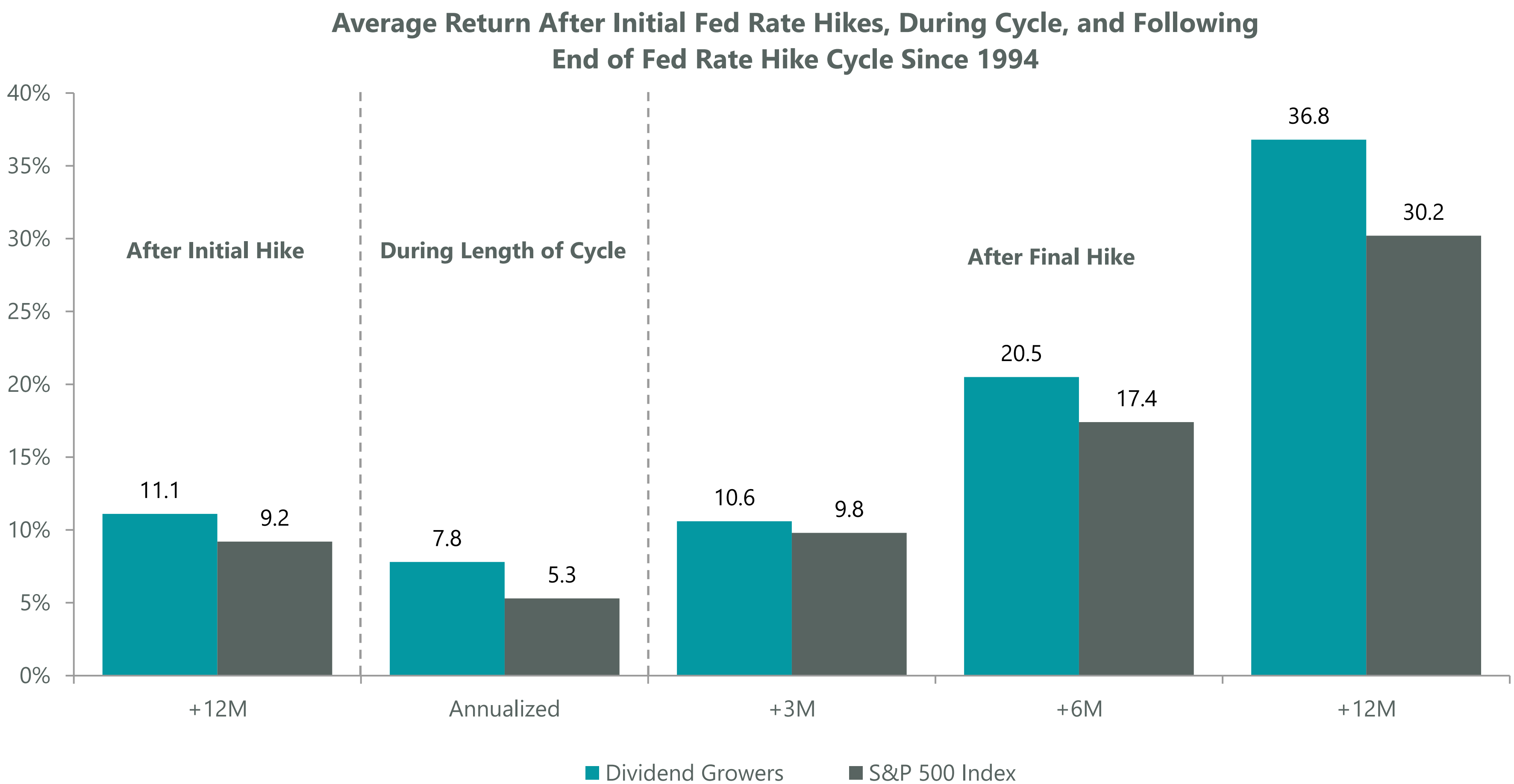
Leadership To and Through Recessions



- **Typically, Value has outpaced Growth leading into a recession.**
- **However, leadership often flips with Growth picking up the baton once the recession is underway.**

*Averages in the chart include the last three NBER recessions that occurred from March 15, 2001 through Nov. 16, 2001, Dec. 15, 2007 through June 15, 2009, and Feb. 15, 2020 through April 15, 2020. Indices used for each asset class include the following: Growth - Russell 1000 Growth; Value - Russell 1000 Value. Sources: NBER, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Dividend Growers Have Historically Dominated



- **Dividend growth has historically been a desirable trait for equities during and after Fed hiking cycles.**

Sources: BMO Capital Markets Investment Strategy Group, FactSet, Compustat, FRB.
Dividend Growth Screening Methodology: S&P 500 stocks screened each month end, no dividend cuts in the past five years, latest one-year dividend per share growth greater than the S&P 500, current dividend yield greater than the S&P 500, free cash flow yield greater than the dividend yield, dividend payout ratio lower than the S&P 500. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges. Dividends may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time.

Trouble Concentrating?

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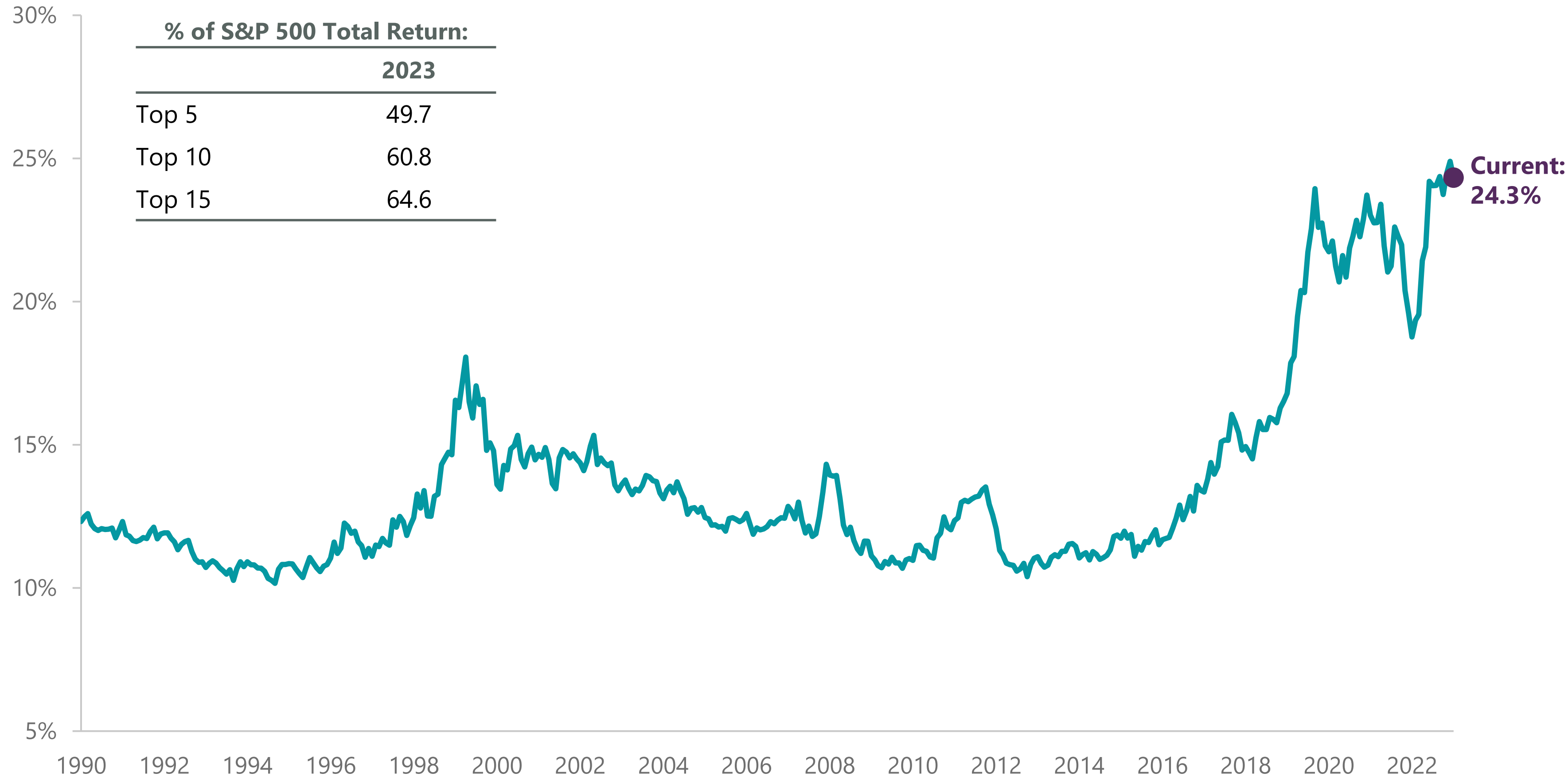
Sum of Top Five Largest Weights in the S&P 500

% of S&P 500 Total Return:	2023
Top 5	49.7
Top 10	60.8
Top 15	64.6



- **The weight of the largest stocks in the benchmark is near the highest levels in recent history.**
- **While this dynamic can persist, history suggests that a reversion to the mean will eventually occur with the average stock outperforming in the coming years.**

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Data as of Dec. 31, 2023. Sources: S&P, FactSet, and Bloomberg. **Past performance is not a guarantee of future results.**
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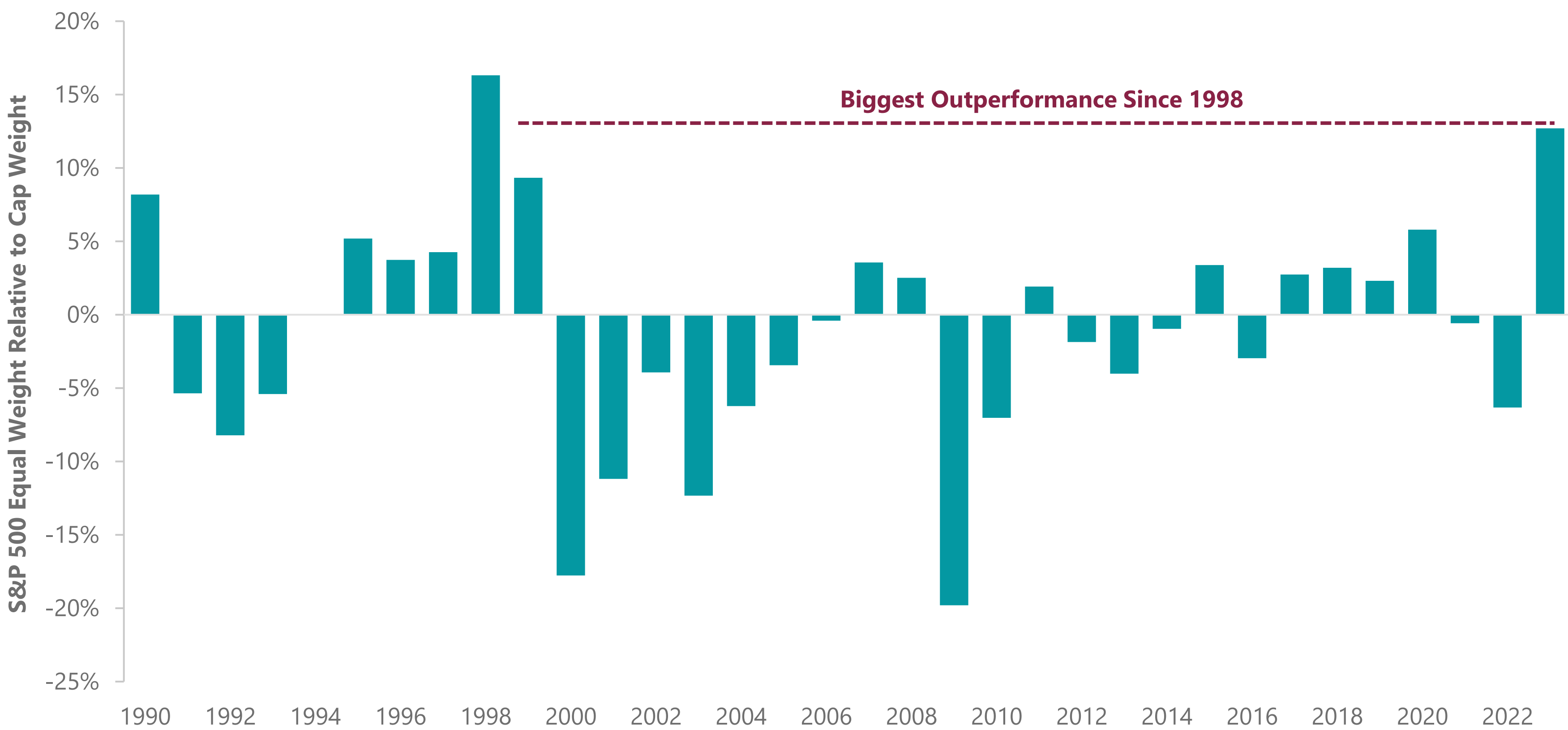
S&P 500 Equal vs. Cap Weighted



- **A handful of the largest companies had an outsized impact on the S&P 500 in 2023, leading the cap-weighted index to outpace the equal-weighted version by 12.7%, the largest gap since 1998.**
- **The period following the late 1990s – which, like today, observed elevated market concentration and pronounced mega-cap outperformance – witnessed a reversion to the mean for valuations and performance with previous leaders becoming laggards and vice versa.**

Note: Price Return. Data as of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results.
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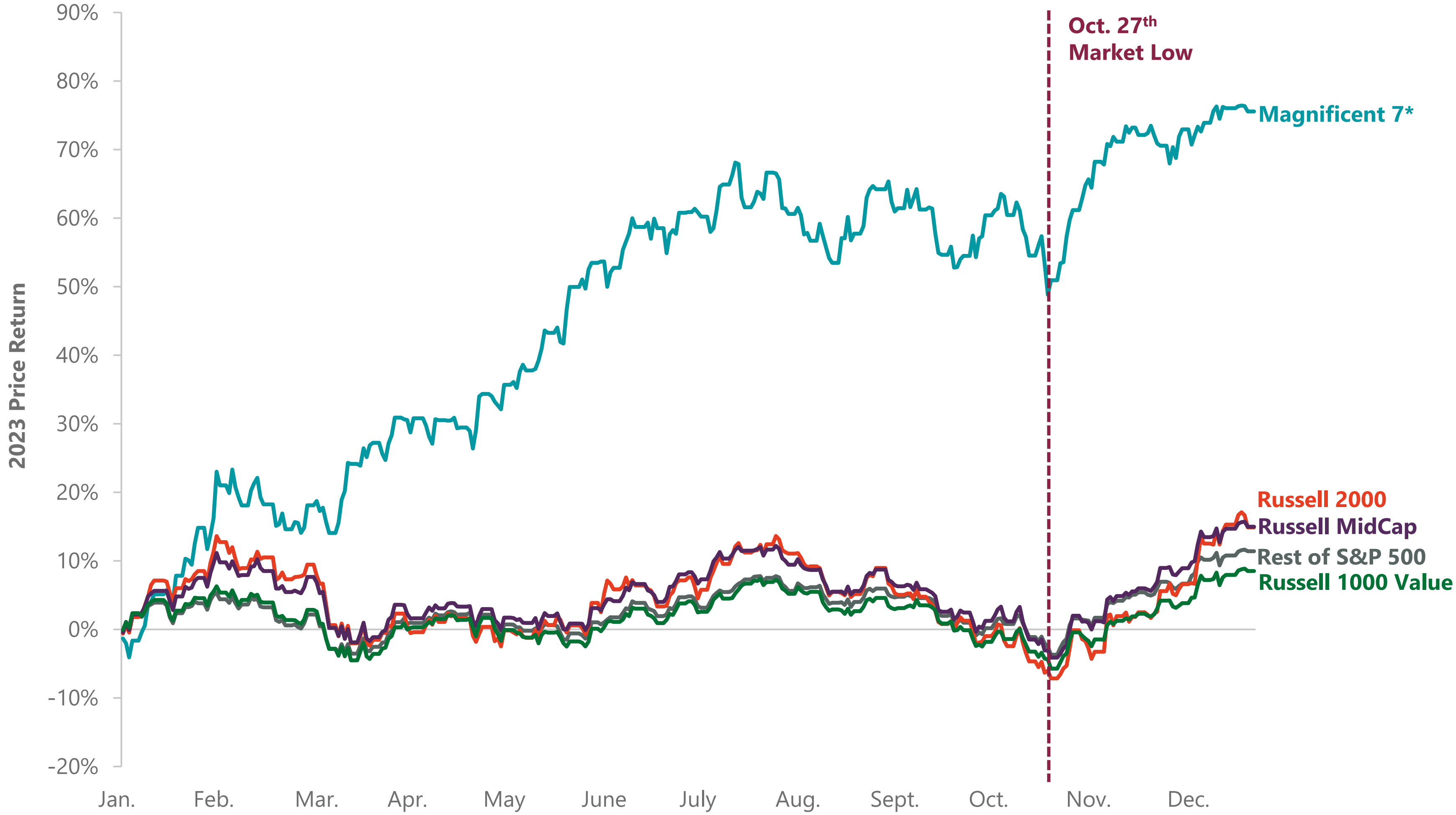
The Mag 7 and Everyone Else



- **2023 saw narrow market leadership dominated by the Magnificent 7.**
- **Since the October lows, leadership has broadened out with the relative advantage of the Magnificent 7 diminishing and the prospects of a soft landing improving.**

ClearBridge

*Magnificent 7 data is cap-weighted and refers to the following set of stocks: Microsoft (MSFT), Amazon (AMZN), Meta (META), Apple (AAPL), Google parent Alphabet (GOOGL), Nvidia (NVDA), and Tesla (TSLA). Data as of Dec. 31, 2023. Sources: FactSet, Russell, S&P. **Past performance is not a guarantee of future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

The Market's Bad Breadth

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- Historically, new bull markets have seen broad participation (>80% of stocks above their 200-day moving average) in their first year.
- While this level was not achieved in the year following the October 2022 lows, breadth has notably picked up more recently, an encouraging sign for the health of the rally.

ClearBridge

Data as of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Copious Cash on Sidelines

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Change in Money Market Fund AUM One Year Following Major Market Lows

Year	Money Market AUM Net Change (Millions)	Money Market AUM Percent Change	Fed Funds Rate
1990	$55,580	13.5%	5.25%
1998	$215,000	16.9%	5.25%
2002	-$81,620	-3.7%	1.00%
2009	-$815,860	-20.9%	0.25%
2016	-$78,570	-2.9%	0.75%
2018	$565,460	18.6%	1.75%
2020	$226,310	5.4%	0.25%
2022	$1,118,160	24.4%	5.50%

Largest Increase Following a Major Market Low

- **In the year following the October 2022 lows, investors flocked into money market funds with a net increase of over $1.1 trillion, or 24.4%.**
- **This is the largest jump following a major market low and could represent a source of further upside for equities should a soft landing materialize.**

Data as of Dec. 31, 2023. Sources: S&P, Bloomberg. Past performance is not a guarantee of future results.
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Strength Begets Strength

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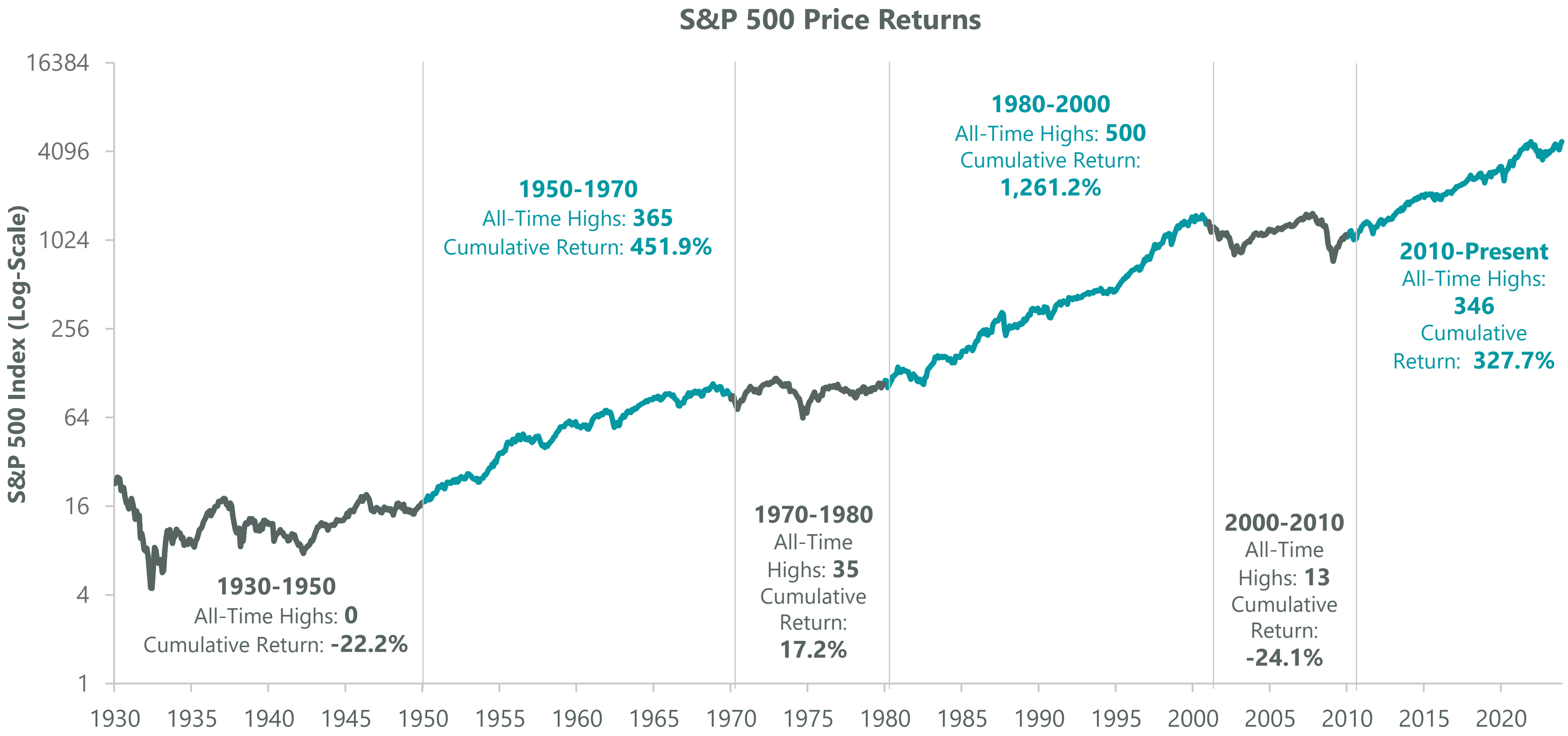
1st All Time High in 12+ Months	Subsequent S&P 500 Price Return (%)		
Date	**3 Months**	**6 Months**	**1 Year**
Sept. 1954	10.4%	13.0%	41.8%
Sept. 1958	8.7%	12.4%	14.1%
Jan. 1961	6.9%	8.8%	11.3%
Sept. 1963	1.3%	7.7%	13.6%
May 1967	1.6%	**-2.7%**	4.6%
Mar. 1972	**-0.5%**	1.6%	4.9%
July 1980	8.3%	11.0%	7.7%
Nov. 1982	1.0%	13.6%	14.4%
Jan. 1985	3.4%	11.4%	17.4%
July 1989	0.0%	**-3.6%**	5.3%
Feb. 1995	8.9%	16.0%	35.9%
May 2007	**-4.7%**	**-3.2%**	**-8.5%**
Mar. 2013	2.4%	7.8%	18.4%
July 2016	0.0%	6.5%	13.5%
Average	**3.4%**	**7.2%**	**13.9%**
% Positive	**71.4%**	**78.6%**	**92.9%**

- **New all time highs following 12 (or more) month periods of consolidation have historically given way to further upside.**

ClearBridge

Data as of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

New Secular Bull Market?



Secular Bear: Average Drawdown -46.1%
Secular Bull: Average Drawdown -26.1%

- **In the 12 months following an all-time high, stocks have historically been up 8.3% on average with positive returns 70% of the time.**

Secular bear market average drawdown includes selloff beginning September 1929. Data as of Dec. 31, 2023. Sources: Bloomberg, FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Economic and Market Summary

First Quarter 2024

U.S. Economic Outlook

- U.S. recession risks are moderating with three individual indicator upgrades last quarter, but an overall red signal suggests continued caution.
- The lagged effects of Fed tightening and a reduced fiscal impulse will likely bring economic activity below trend in 1H 2024, creating a growth scare.
- Consumption appears poised to slow on the back of a softening labor market and already strained consumer balance sheets.

U.S. Market Outlook

- Double-digit 2024 earnings expectations along with elevated valuations (19.5x NTM P/E) present potential downside risk to the S&P 500 near term.
- We continue to believe that markets will experience heightened volatility until visibility is restored regarding the path forward for the economy and earnings.
- Historically, the S&P 500 typically moves higher after not hitting an all-time high for over a year, providing good opportunities for long-term investors.

Recession Dashboard Overall Signal

Recession

As of December 31, 2023.

All opinions and data included in this commentary are as of the publication date and are subject to change. The opinions and views expressed herein are of the author and may differ from other portfolio managers or the firm as a whole, and are not intended to be a forecast of future events, a guarantee of future results or investment advice. This information should not be used as the sole basis to make any investment decision.

One-Year Outlook

Themes That May Drive the Market Over the Next 12 Months

Fixed Income

Labor Market

Presidential Election

Market Leadership

International

Fixed Income

Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls. Low-rated, high-yield bonds are subject to greater price volatility, illiquidity and possibility of default.

Normalizing Vol, Higher Returns?

Historical 12-Month Annualized Returns By Starting MOVE Index Level

	Leveraged Loans	Corporate Bonds	Emerging Market Bonds	Global Bonds	High Yield Bonds	Multi-Sector	MBS	TIPS	Short-Term Bonds	U.S. Treasury Bonds
MOVE <76	4.10%	3.05%	3.34%	1.27%	5.25%	1.41%	2.09%	2.74%	1.85%	2.15%
MOVE 76-100	4.36%	4.93%	8.41%	3.21%	4.85%	3.34%	4.20%	6.08%	2.86%	4.29%
MOVE >100	6.38%	7.54%	12.95%	6.14%	10.42%	6.33%	5.54%	7.12%	3.96%	5.14%
Average	4.91%	4.99%	7.74%	3.35%	6.84%	3.50%	3.74%	5.01%	2.79%	3.66%

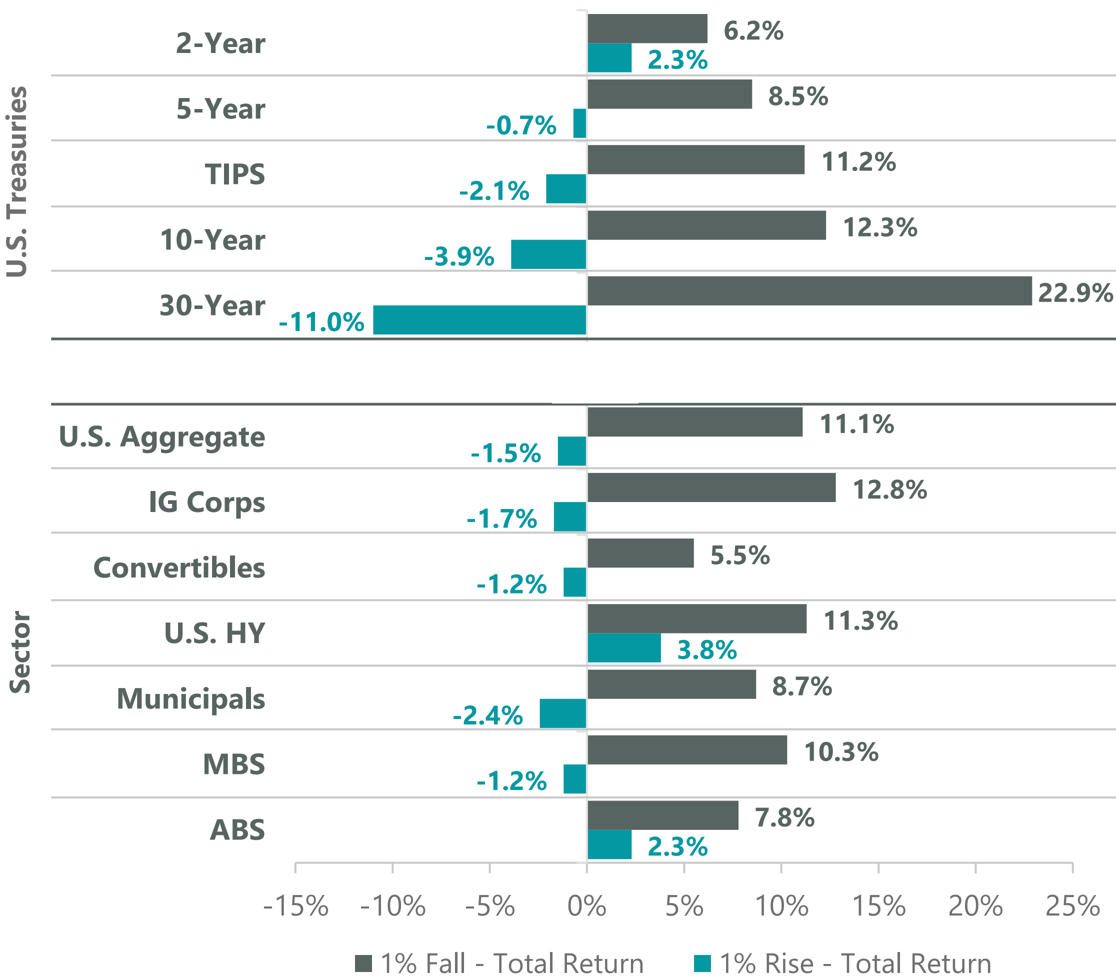
Current MOVE Index (as of Dec. 29, 2023): 114.62

- **Historically, when bond market volatility has been elevated at these levels (MOVE >100), subsequent 12-month returns were strong.**

The MOVE Index measures U.S. interest rate volatility through U.S. Treasury options pricing and is designed to measure fixed income market sentiment. Data represents period from January 29, 1999 – Dec. 29, 2023, as of Dec. 29, 2023. Sources: ICE, Bank of America Merrill Lynch, Bloomberg, Credit Suisse. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Interest Rate Impact by Asset Class

Impact of a 1% Rise or Fall in Interest Rates*



		15-Year Correlation to 10-Year Treasuries	15-Year Correlation to S&P 500
U.S. Treasuries	2-Year	0.75	0.01
	5-Year	0.94	-0.02
	TIPS	0.68	0.33
	10-Year	1.00	-0.06
	30-Year	0.93	-0.09
Sector	U.S. Aggregate	0.87	0.26
	IG Corps	0.58	0.48
	Convertibles	-0.10	0.82
	U.S. HY	-0.03	0.72
	Municipals	0.62	0.23
	MBS	0.77	0.24
	ABS	0.31	0.10

*Total return, assumes a parallel shift in the yield curve. Data as of Dec. 31, 2023. Sources: Bloomberg, ICE, Credit Suisse, S&P, Morningstar Direct. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Peak CD Rates, Now What?

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12-Month Forward Annual Returns after CD Rates Peak

Peak	CDs	Short-Term Bonds	Municipal Bonds	Core/Core Plus Bonds	Investment-Grade Corporate Bonds
Aug. 1984	11.2%	17.5%	20.1%	23.9%	27.2%
Apr. 1989	9.2%	10.6%	10.6%	12.3%	11.8%
Feb. 1995	5.7%	10.4%	15.1%	16.9%	20.5%
Sept. 2000	5.5%	10.0%	10.2%	12.4%	13.8%
Sept. 2006	3.8%	5.4%	2.3%	5.3%	4.3%
June 2019	1.0%	4.6%	4.0%	9.4%	10.0%
Average	6.1%	9.8%	10.4%	13.4%	14.6%

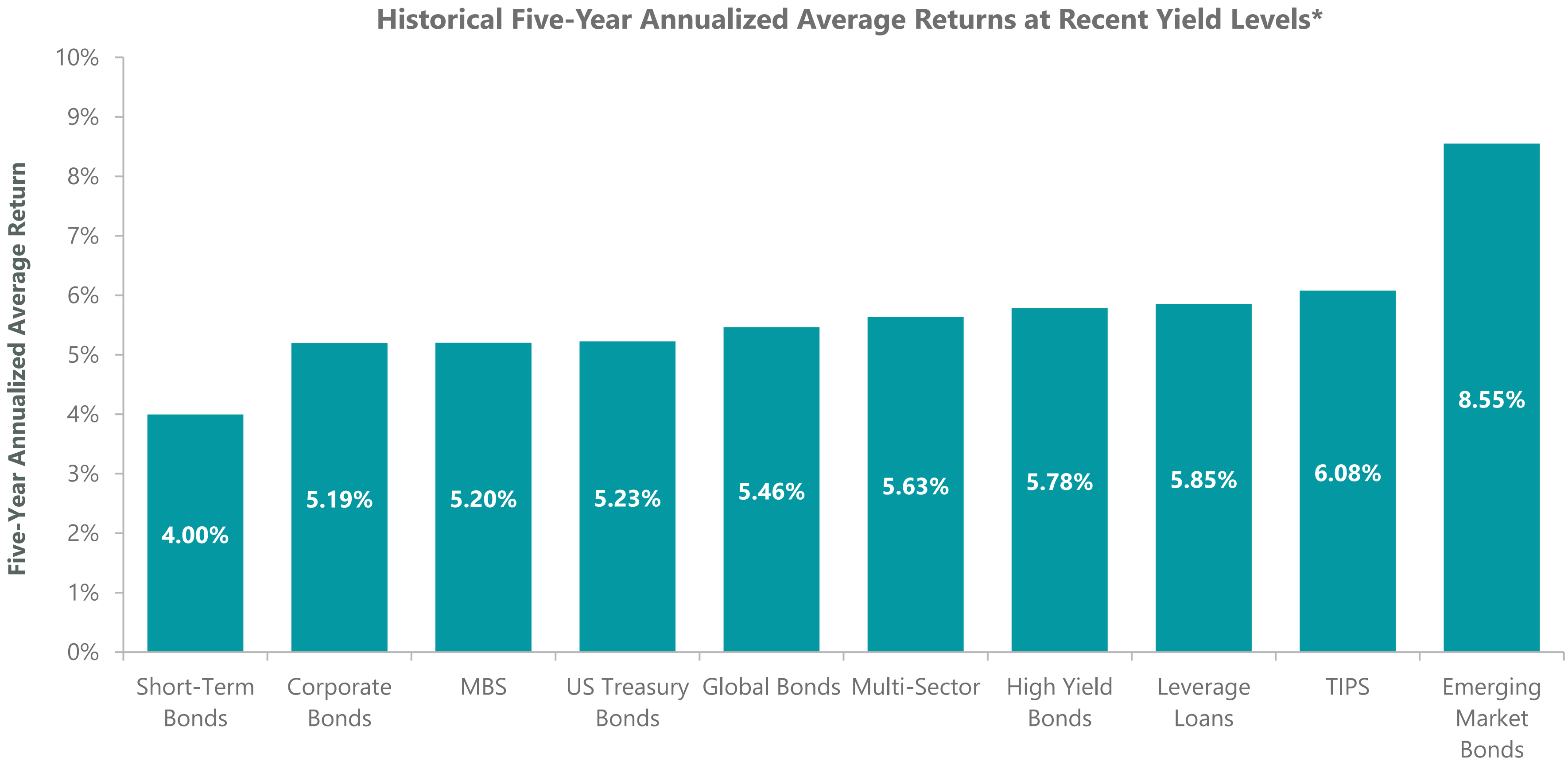
Worst Performing

Best Performing

- **The Fed's tightening cycle is likely complete, which suggests short-term interest rates have peaked as well. Historically, CD rates have fallen by 1.6% on average in the year after they peak.**
- **Although short-term yields are attractive, history suggests that longer duration credit tends to outperform in the year following peak CD rates.**

Investment-Grade Corporate Bonds represented by the Bloomberg US Corporate Total Return Value Unhedged Index, Core/Core Plus Bonds represented by the Bloomberg US Agg Total Return Value Unhedged Index, Short-Term Bonds represented by the Bloomberg 1-3 Yr US Gov/Credit Total Return Index, and Municipal Bonds represented by the Bloomberg Municipal Bond Total Return Index. Sources: Bloomberg, Bankrate.com. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Recent Yields Offer Attractive Return Potential



Current Yield	4.52%	5.06%	4.68%	4.08%	3.51%	3.73%	7.59%	9.13%	4.24%	7.04%

- **Following the strongest tightening cycle in 40 years, bond yields have risen to levels that have historically offered attractive five-year returns.**

*Returns represent the average five-year annualized return between Jan. 29, 1999 and Dec. 29, 2023 when the current yield was within 50bps on Dec. 29, 2023 for each fixed income sector.
As of Dec. 29, 2023. Sources: Bloomberg, Credit Suisse. **Past performance does not guarantee future results.**

High Yield, Low Refinancing Risk

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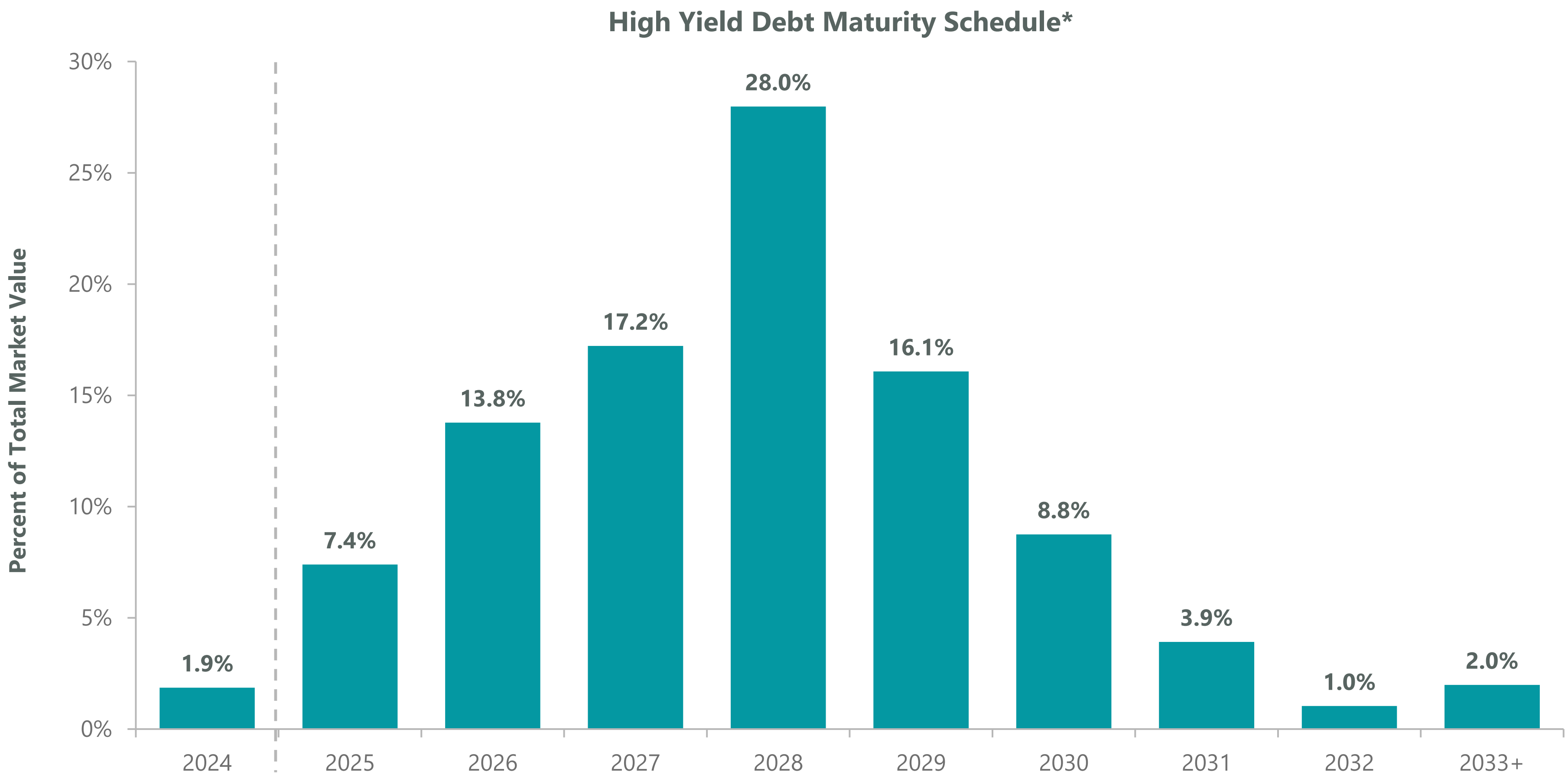
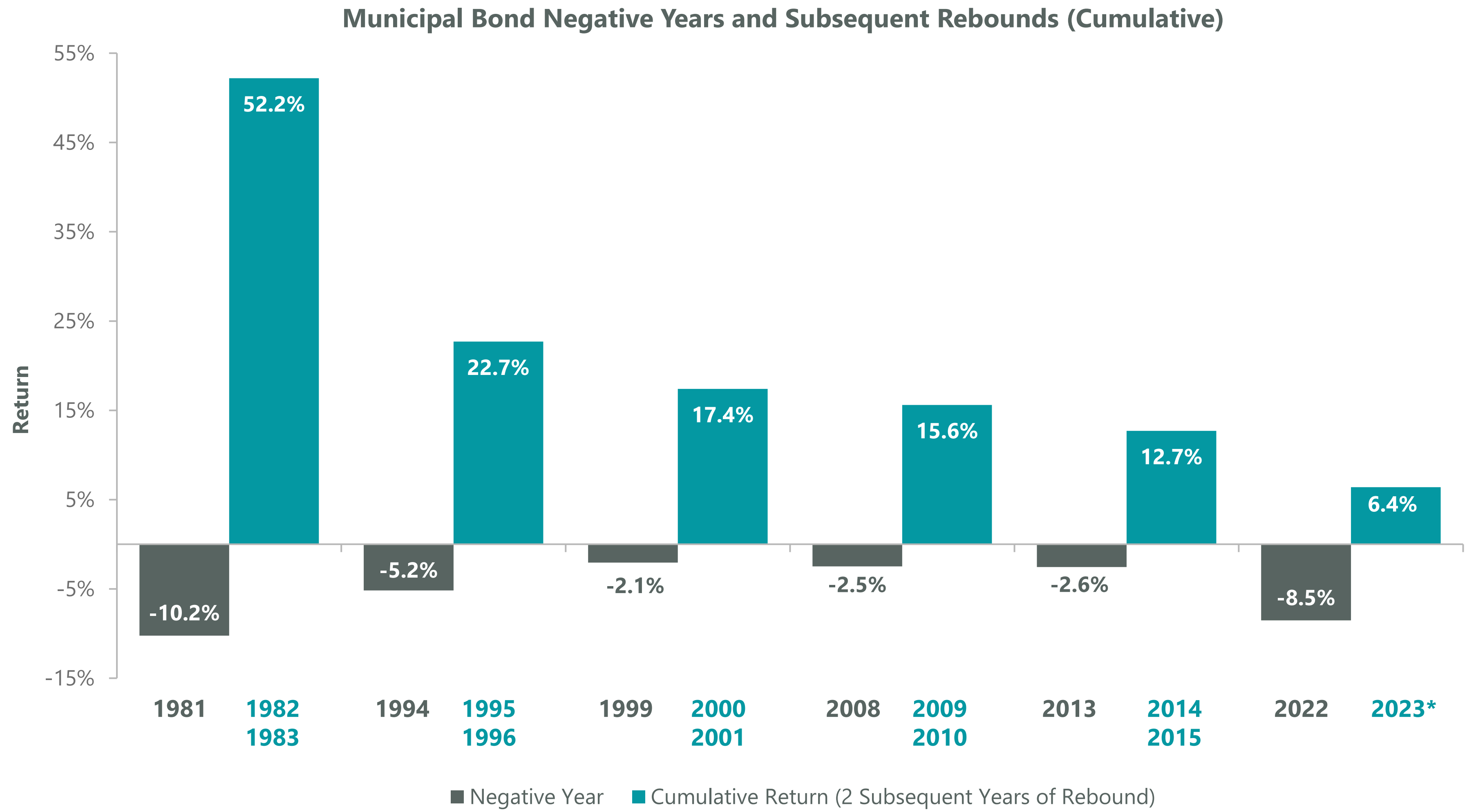


- **Companies with sub-investment grade ratings have taken advantage of the recent ample liquidity available and termed out their debt.**
- **There isn't a meaningful amount of rollover risk in the high yield benchmark until 2025-26.**

*The chart represents the amount of high yield debt maturing as a percent of total outstanding high yield debt by calendar year for the ICE BofA ML U.S. High Yield Index. Maturities shown are from 2024 through 2033+. As of Nov. 30, 2023, latest available as of Dec. 31, 2023. Sources: ICE, Bank of America Merrill Lynch Global Research. Due to rounding, figures may not total 100%. Past performance is not a guarantee of future results.

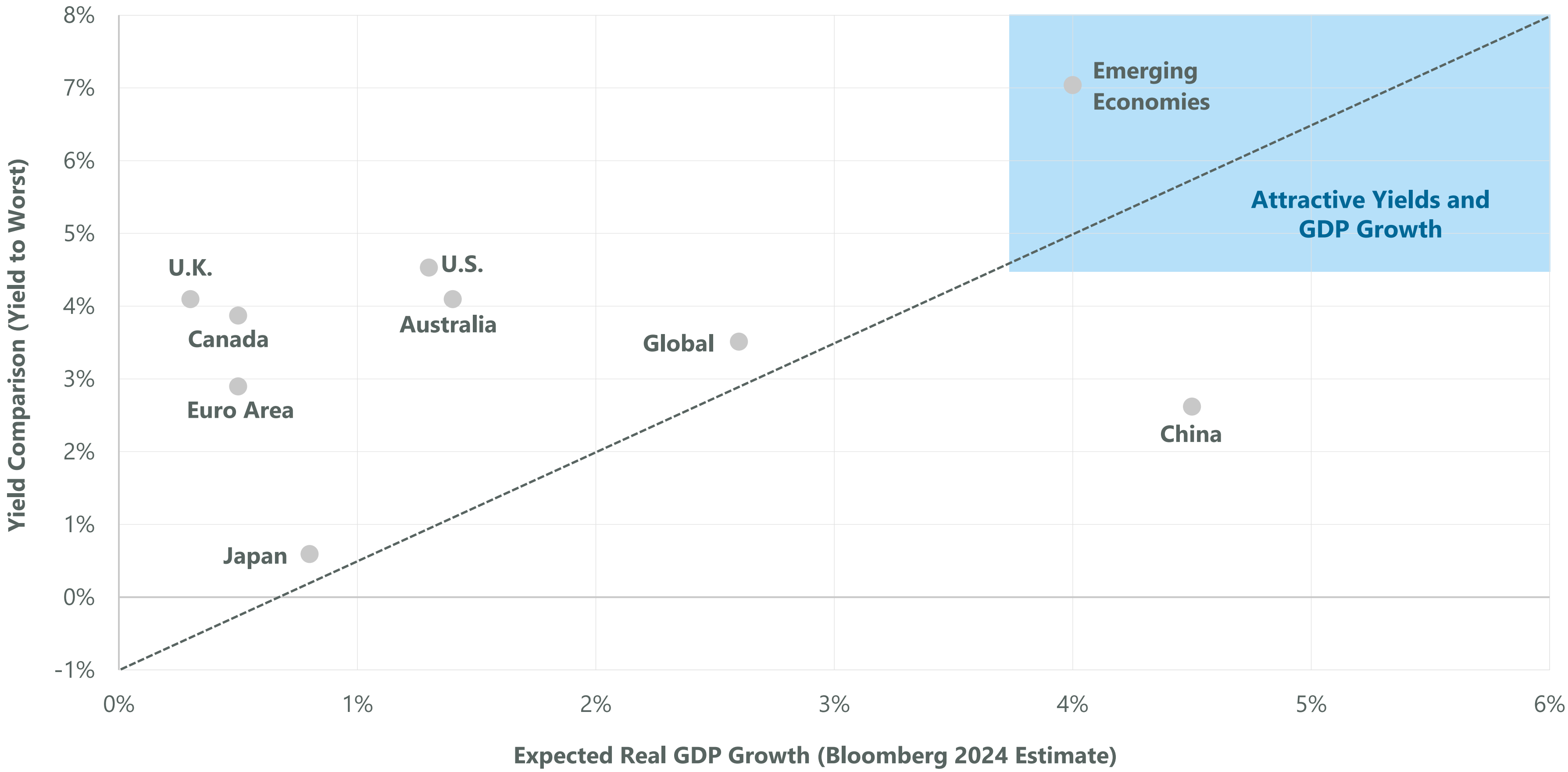
The Muni Bounce Back?



- **Since 1980, municipal bonds have tended to bounce back strongly following down years.**
- **So far, the muni rebound following 2022 has been disappointing relative to history. With the Fed poised to cut rates in 2024, further upside may be on the horizon.**

*2023 is a single year while the other cumulative return periods are two years. As of Dec. 31, 2023. Source: Bloomberg. The data in the chart is reflective of the Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

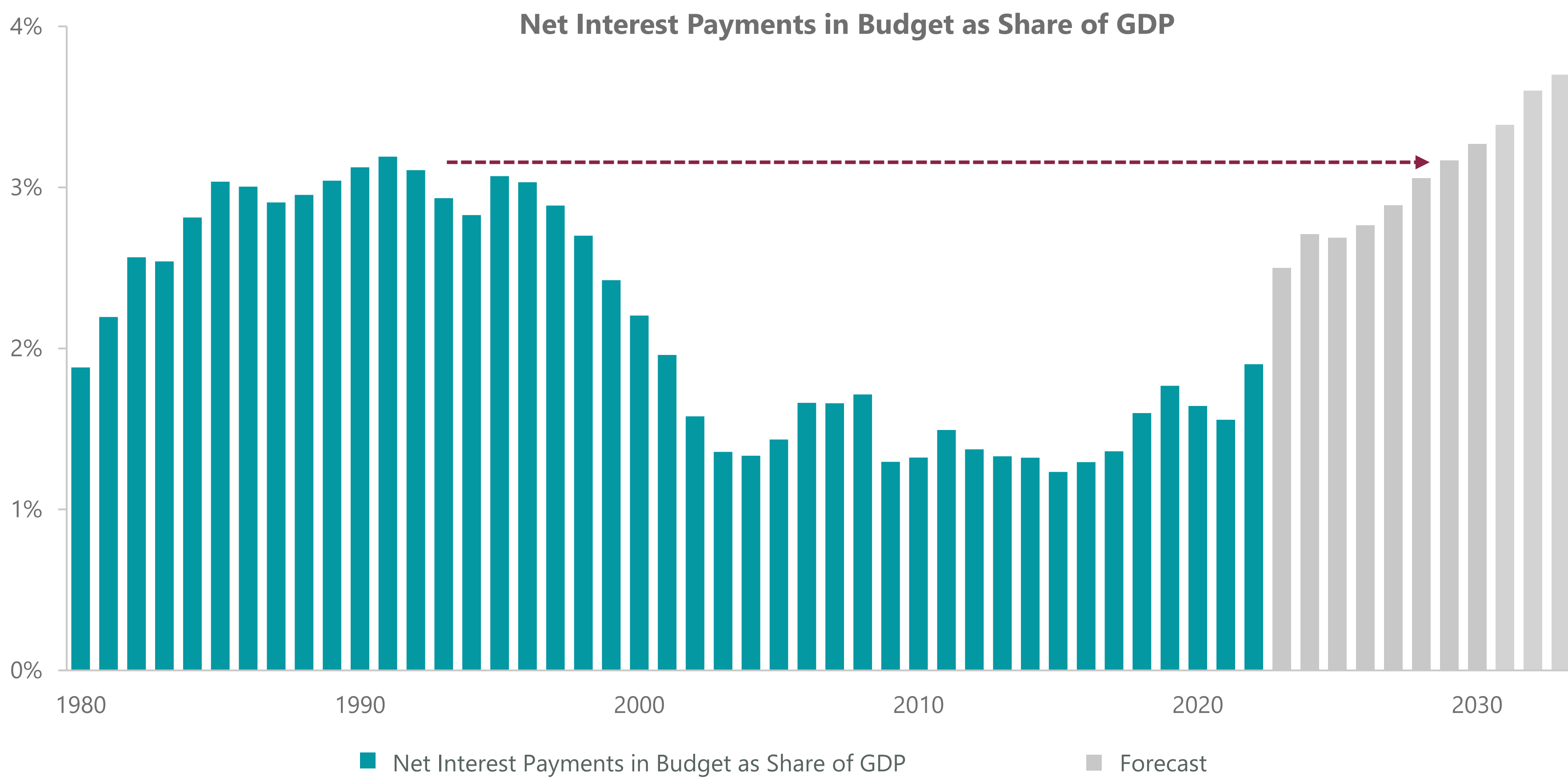
Emerging Markets: A Dual Threat



- **Consensus estimates call for Emerging Markets to see strong GDP growth in 2024.**
- **Emerging Markets also boast the highest yields globally, a potentially attractive combination for long-term investors.**

As of Dec. 31, 2023. Source: Bloomberg. The Bloomberg 2024 estimate represents the consensus average year-over-year GDP growth. There is no assurance that any estimate, forecast or projection will be realized. Past performance is not a guarantee of future results.

When Will U.S. Debt Be An Issue?

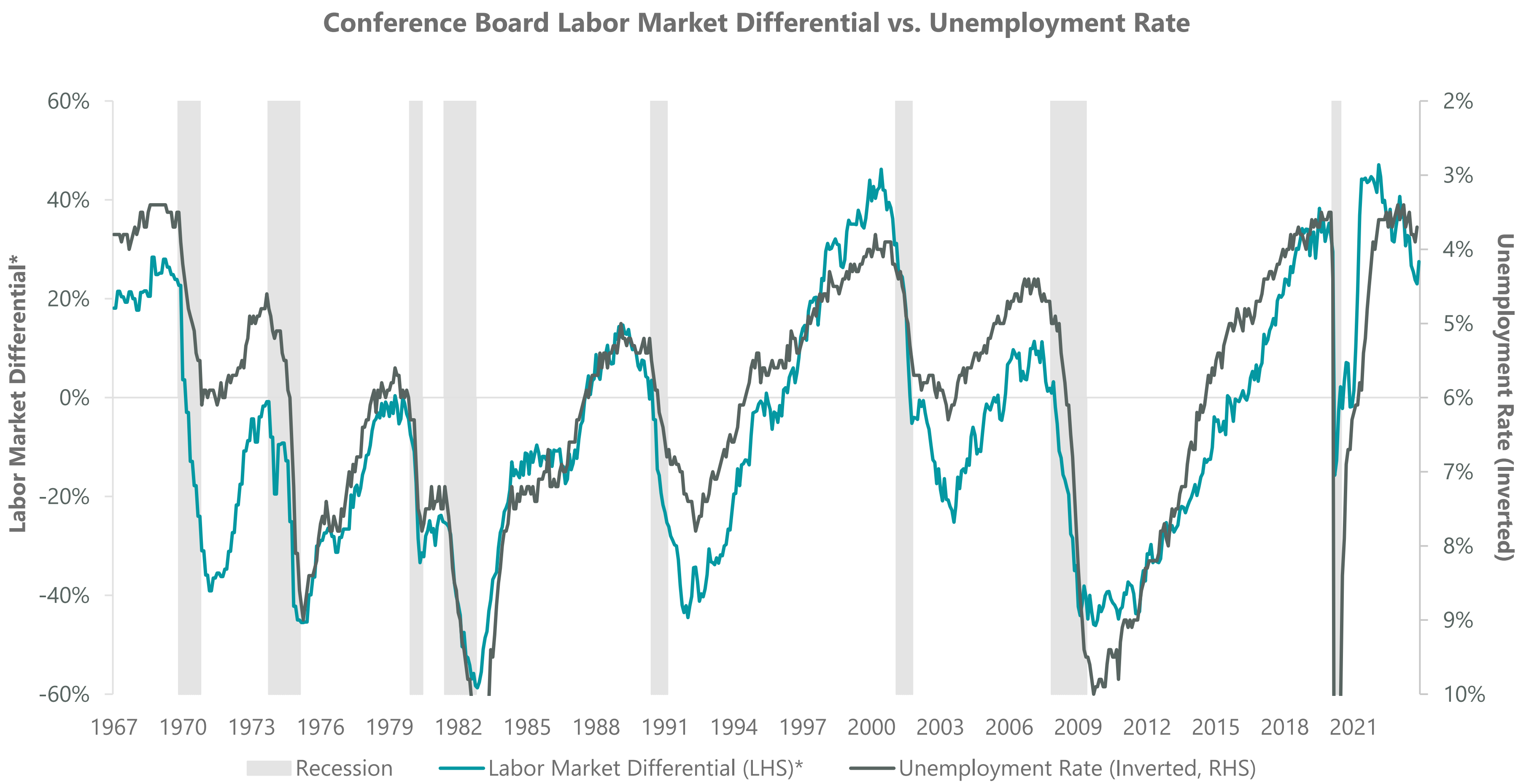


- Despite a dramatic increase in government debt outstanding, total debt servicing costs as a percent of GDP have declined due to falling rates.
- Current CBO projections show the interest burden returning to early 1990s levels over the next decade.

Data as of May 12, 2023, latest available as of Dec. 31, 2023. Source: Congressional Budget Office (CBO).

Labor Market

U.S. Recession Indicator: Job Sentiment



- **Consumer sentiment towards the health of the labor market (jobs plentiful minus jobs hard to get) traditionally foreshadows a rising unemployment rate and economic weakness.**

*Jobs plentiful minus jobs hard to get (employment conditions).
Unemployment rate data as of Nov. 30, 2023, latest available as of Dec. 31, 2023. Labor Market data as of Dec. 31, 2023. Sources: FactSet, Conference Board, NBER. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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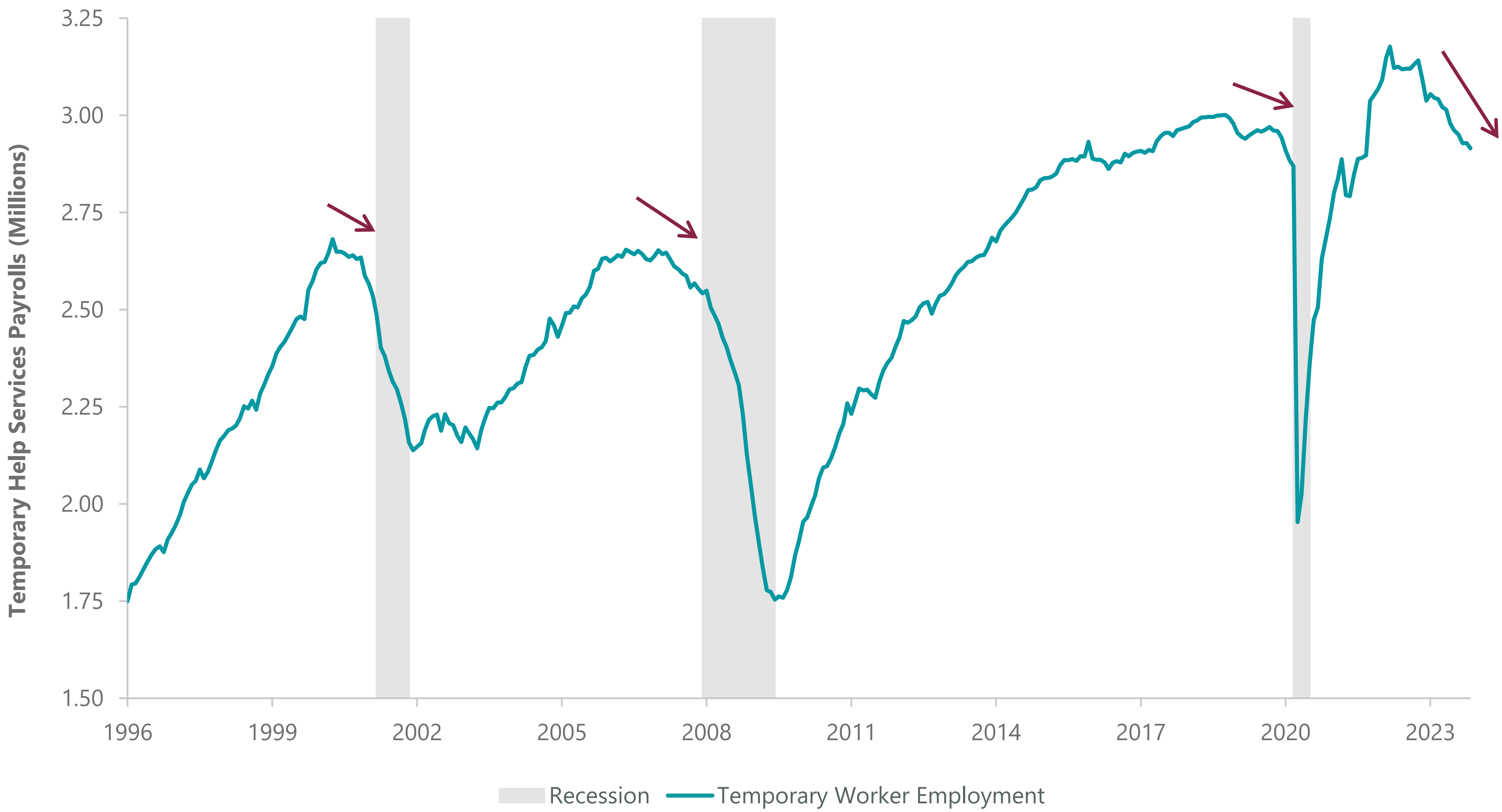
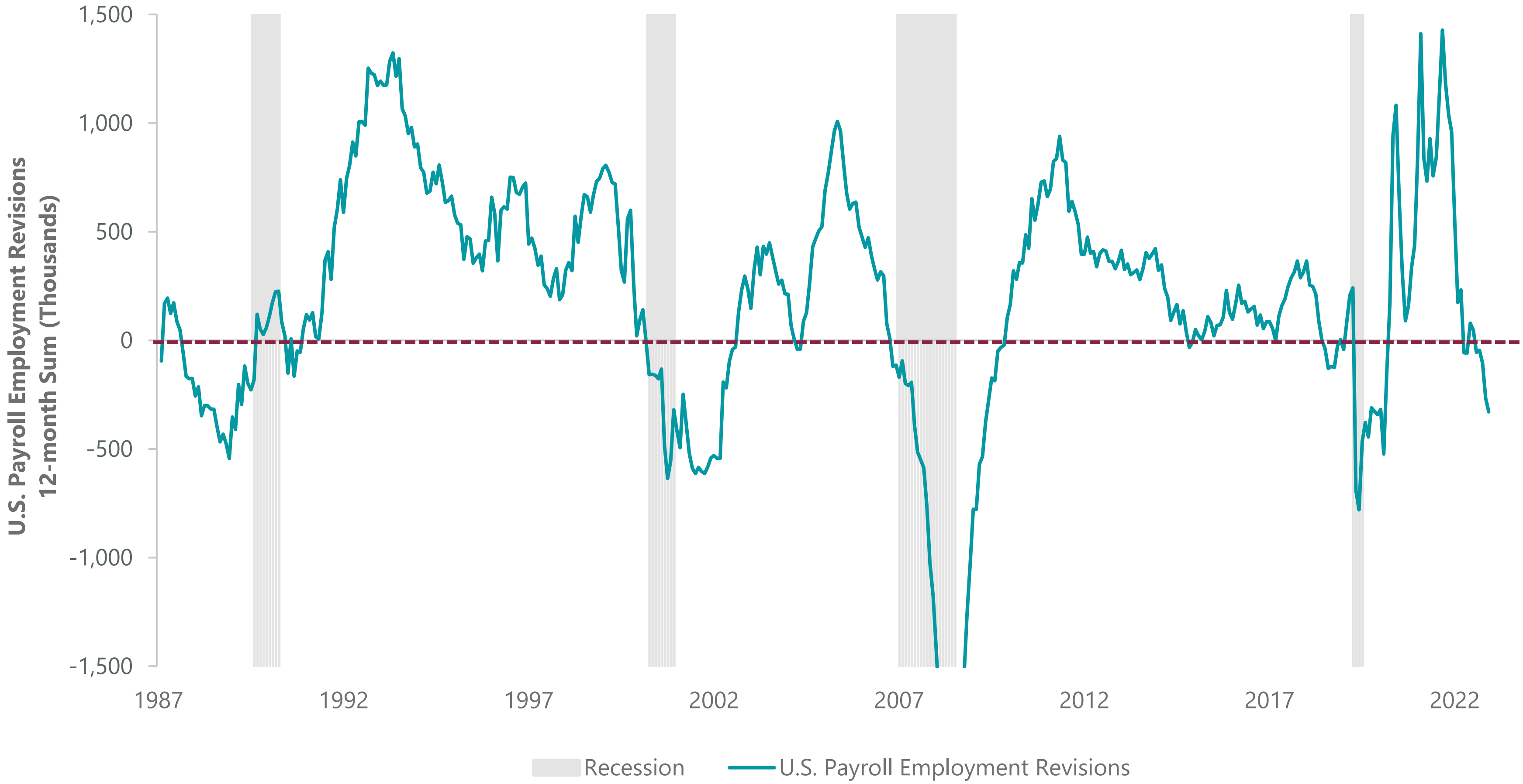
Temp Trends Troubling



- **A rollover in temporary worker employment has preceded each of the last three recessions as temps are often laid off before full-time employees.**

Data as of Nov. 30, 2023, latest available as of Dec. 31, 2023. Source: BLS, NBER, Federal Reserve Bank of St. Louis.

Labor Revisions Raise Alarm



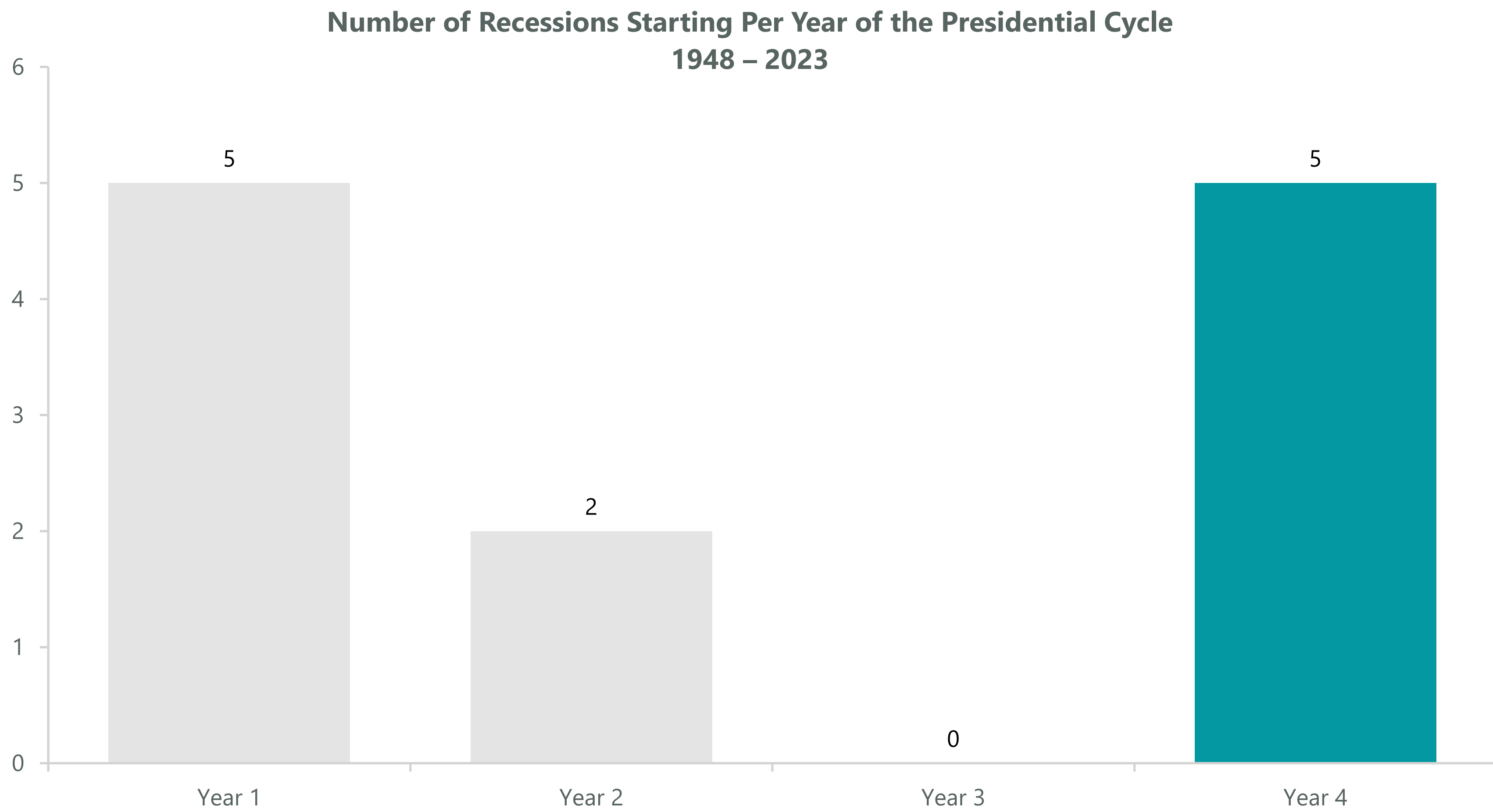
- **Historically, large downward revisions to employment have coincided with recessions.**
- **Over the last 12 months, payrolls have seen a net revision of -329,000 which puts this indicator in the danger zone.**

Data as of Nov. 30, 2023, latest available as of Dec. 31, 2023. Sources: BLS, NBER, Federal Reserve Bank of St. Louis. Past performance is not a guarantee of future results.

Presidential Election

Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. Large-capitalization companies may fall out of favor with investors based on market and economic conditions.

The Presidential Cycle

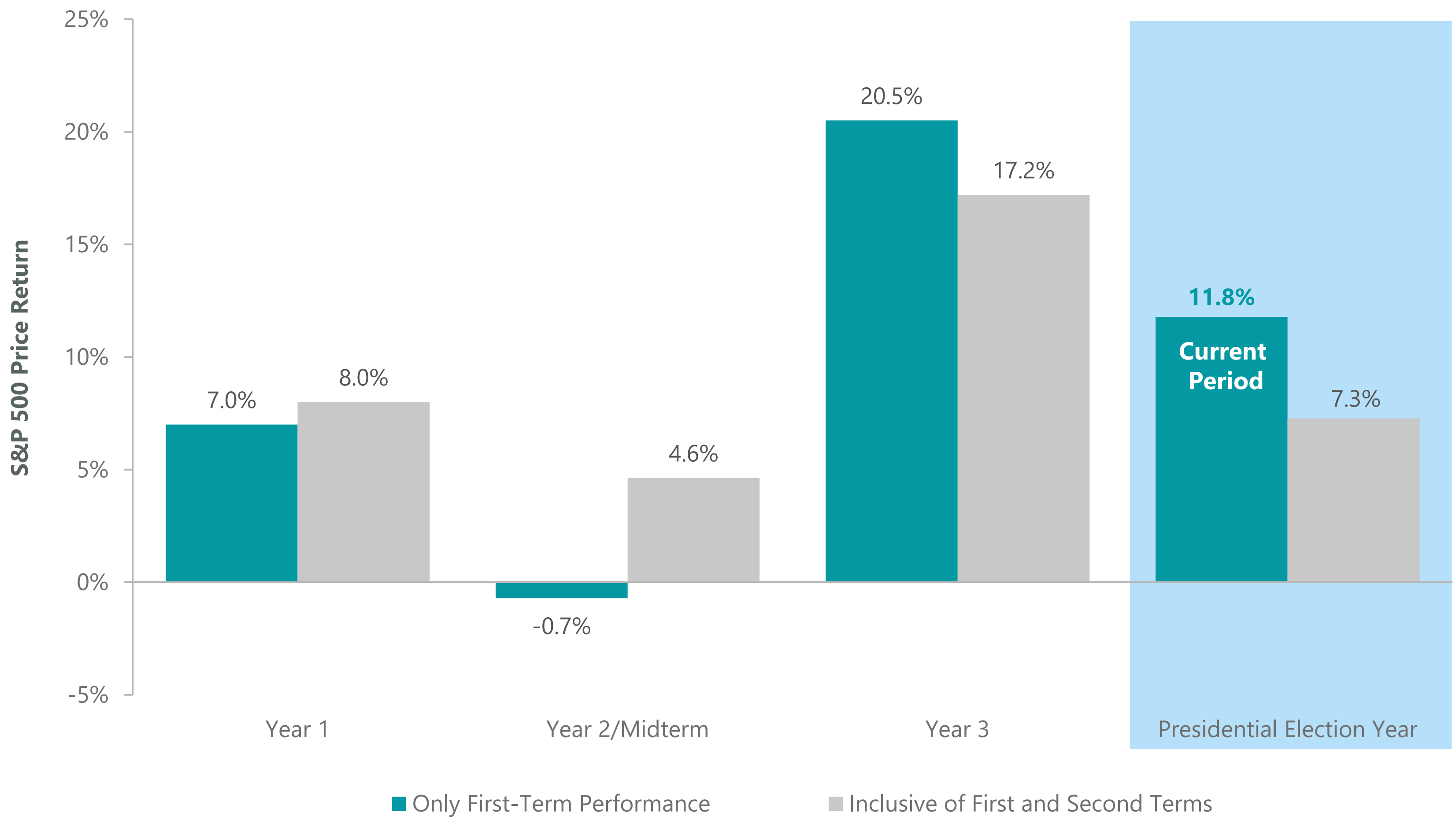


- **Economic cycles have typically followed the presidential cycle, with most recessions occurring near the sunrise or sunset of a presidential term.**

Presidential Years are based on inauguration day and recessions begin one month following NBER business cycle peaks.
Source: NBER. Past performance is not a guarantee of future results.

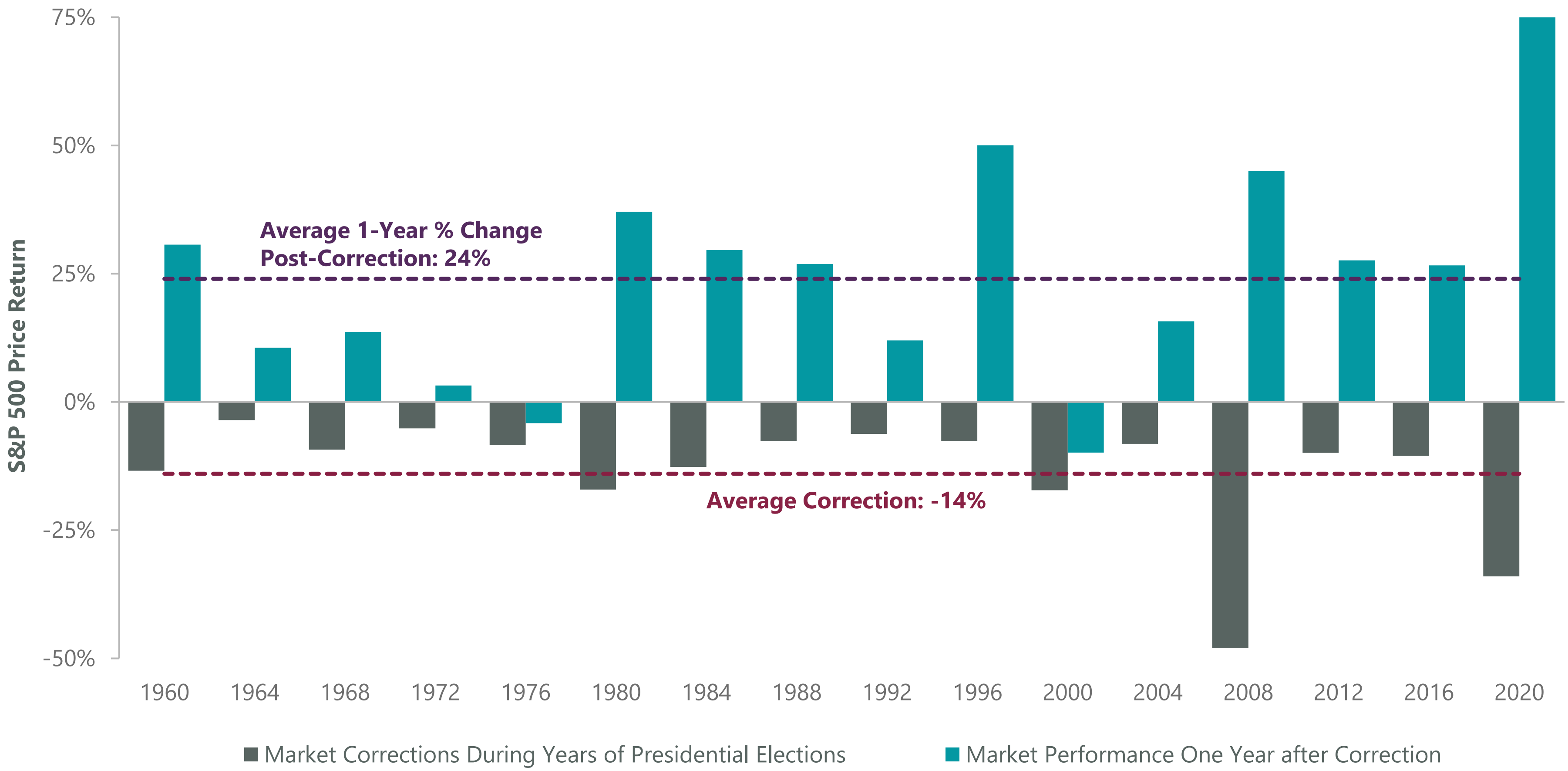
Presidential Cycle: The Stock Market

S&P 500 Annual Performance by Presidential Cycle Year (1949-Present)



Data as of Dec. 31, 2023. Sources: S&P, FactSet. **Past performance is not a guarantee of future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Corrections During Presidential Election Years



- **Historically, drawdowns during presidential election years have proven to be good entry points for long-term investors, with an average rebound of 24% in the 12 months following the lows.**
- **The opposition took the White House in the five largest drawdowns (2020, 2008, 2000, 1980, and 1960).**

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As of Dec. 31, 2023. Sources: S&P, FactSet. **Past performance is not a guarantee of future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Stocks Anticipate Election Outcome

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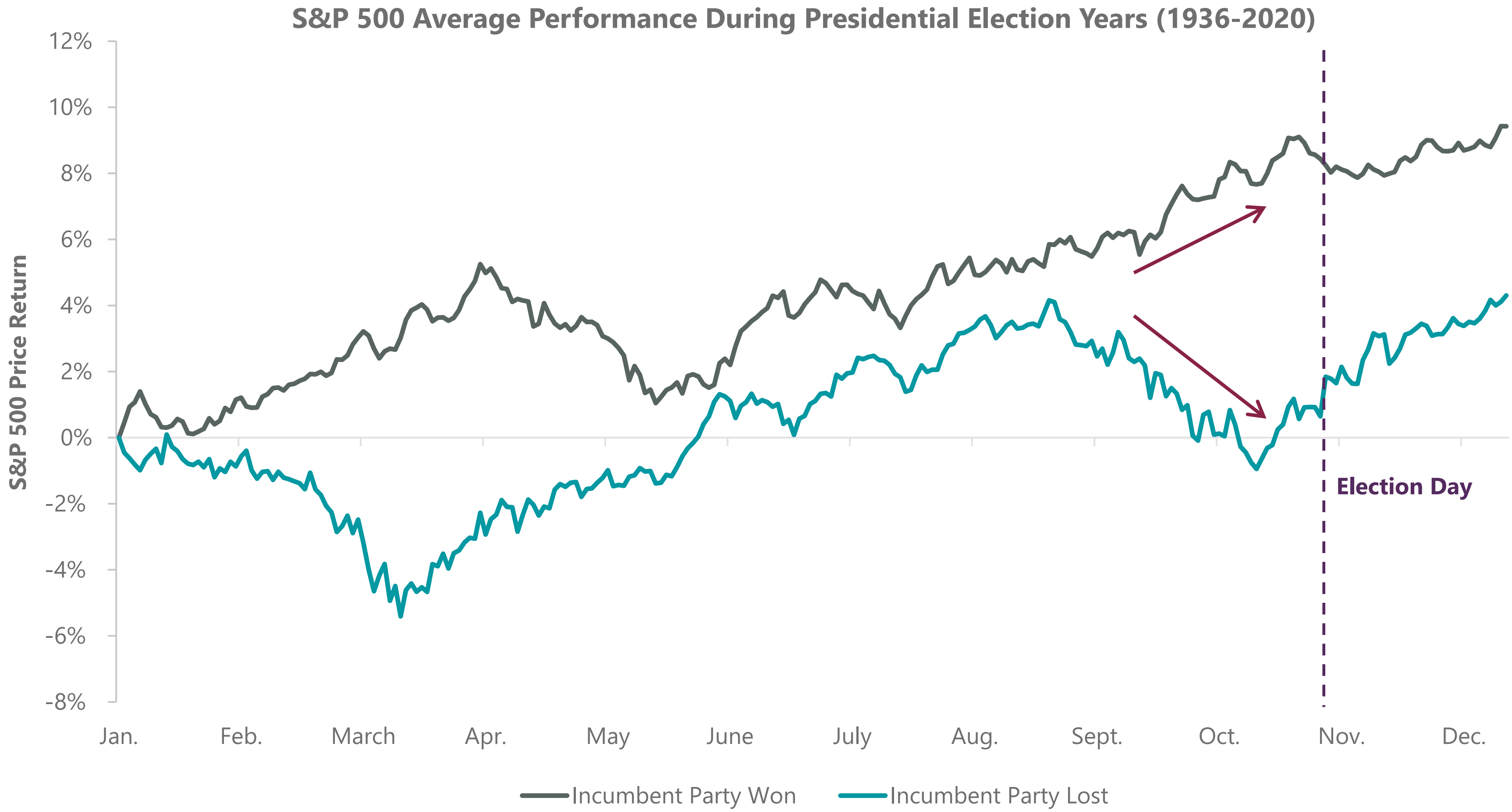

- **In the three months before the election, stocks have historically fallen ahead of a change in party, and rallied when the incumbent retained the White House.**
- **The market has correctly "predicted" every election 82% of the time since 1936.**

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Sources: S&P, FactSet. **Past performance is not a guarantee of future results.** Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

When It Comes to Re-election, It's All About the Economy

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No Recession in Two Years Before Election					
Year	President	Change in Election Year Unemployment Rate*	Recession?	Re-election?	Margin of Victory (Popular Vote)
2012	Obama	-1.6%	No	**Yes**	3.9%
2004	Bush 43	-0.2%	No	**Yes**	2.5%
1996	Clinton	-0.6%	No	**Yes**	8.5%
1984	Reagan	-3.0%	No	**Yes**	18.2%
1972	Nixon	0.1%	No	**Yes**	23.2%
1964	Johnson	-0.3%	No	**Yes**	22.6%
1956	Eisenhower	-1.8%	No	**Yes**	15.4%

Recession in Two Years Before Election					
Year	President	Change in Election Year Unemployment Rate**	Recession?	Re-election?	Margin of Victory (Popular Vote)
1992	Bush 41	1.4%	Yes	**No**	-5.6%
1980	Carter	1.7%	Yes	**No**	-9.7%
1976	Ford	1.7%	Yes	**No**	-2.1%
2020	Trump	3.1%	Yes	**No**	-4.5%

- **Presidents facing re-election tend to win when the economy is strong, and not when conditions worsen ahead of voting day.**

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*Recession ended in Nov. 1970 and Nov. 1982. **Change over the 24 months leading into the election.
Sources: FactSet, BLS, NBER, The American Presidency Project (UCSB). **Past performance is not a guarantee of future results.**
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Market Leadership

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New Bull Market in Context

Start of Bear (Peak)	End of Bear (Trough)	Bear Lows?	Up 20% from Bear Lows	S&P 500 Price Returns Post 20% Rise from Bear Lows: 6 Months	12 Months	24 Months
5/29/1946	5/19/1947	No	5/15/1948	-7.7%	-9.9%	10.3%
6/15/1948	6/13/1949	Yes	11/2/1949	10.9%	20.8%	40.4%
8/2/1956	10/22/1957	Yes	7/25/1958	19.2%	27.0%	15.4%
12/12/1961	6/26/1962	Yes	12/5/1962	12.1%	18.1%	34.1%
2/9/1966	10/7/1966	Yes	2/14/1967	7.3%	2.2%	17.5%
11/29/1968	5/26/1970	Yes	9/24/1970	18.7%	17.2%	29.3%
1/11/1973	10/3/1974	Yes	11/5/1974	19.9%	18.7%	34.2%
11/28/1980	8/12/1982	Yes	9/14/1982	22.5%	34.3%	37.1%
8/25/1987	12/4/1987	Yes	3/8/1988	-1.3%	9.1%	26.3%
3/24/2000	9/21/2001	No	12/5/2001	-10.3%	-22.5%	-9.3%
1/4/2002	10/9/2002	Yes	11/21/2002	-1.1%	10.9%	25.3%
10/9/2007	11/20/2008	No	12/8/2008	3.2%	20.0%	35.0%
1/6/2009	3/9/2009	Yes	3/23/2009	28.9%	42.7%	57.7%
2/19/2020	3/23/2020	Yes	4/8/2020	25.3%	49.0%	63.2%
1/3/2022	10/12/2022	???	6/8/2023	7.2%	???	???
	Average	11 of 14 marked the lows		**10.3%**	**17.0%**	**29.8%**
	% Positive			**73.3%**	**85.7%**	**92.9%**

- **On average, a new bull market has historically seen continued positive momentum.**
- **However, there have been three instances where the market failed to reach escape velocity and ultimately made new lows.**

Equity Opportunities Following the Pause

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1-Year Returns Following Last Rate Hike

Last Rate Hike	S&P 500	Russell 1000 Growth	Russell 1000 Value	Russell Mid Cap	Russell 2000
Feb. 1980	15.5%	18.0%	11.5%	21.9%	25.8%
May 1981	-15.6%	-18.4%	-15.2%	-18.3%	-20.5%
Aug. 1984	13.2%	11.7%	16.9%	18.3%	13.1%
Feb. 1989	14.9%	17.6%	9.6%	8.9%	2.1%
Feb. 1995	35.2%	36.6%	33.8%	31.8%	28.0%
May 2000	-12.3%	-30.3%	5.0%	0.6%	-1.8%
June 2006	18.1%	17.3%	18.8%	19.3%	16.7%
Dec. 2018	30.6%	36.9%	24.5%	26.1%	26.1%
Median	**15.2%**	**17.5%**	**14.2%**	**18.8%**	**14.9%**

Worst Performing   Best Performing

- **Stocks have historically delivered robust returns following the Fed's final rate hike, with large growth and mid cap leading the way.**

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Sources: FactSet, Russell, S&P. Month-end dates used to calculate returns through 1995, Jan. 31, 1995 used to calculate the Feb. 1, 1995 pause. Exact last hike/pause dates used from 1996-present. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

No Earnings, No Problem

Percent of Non-Profitable Companies

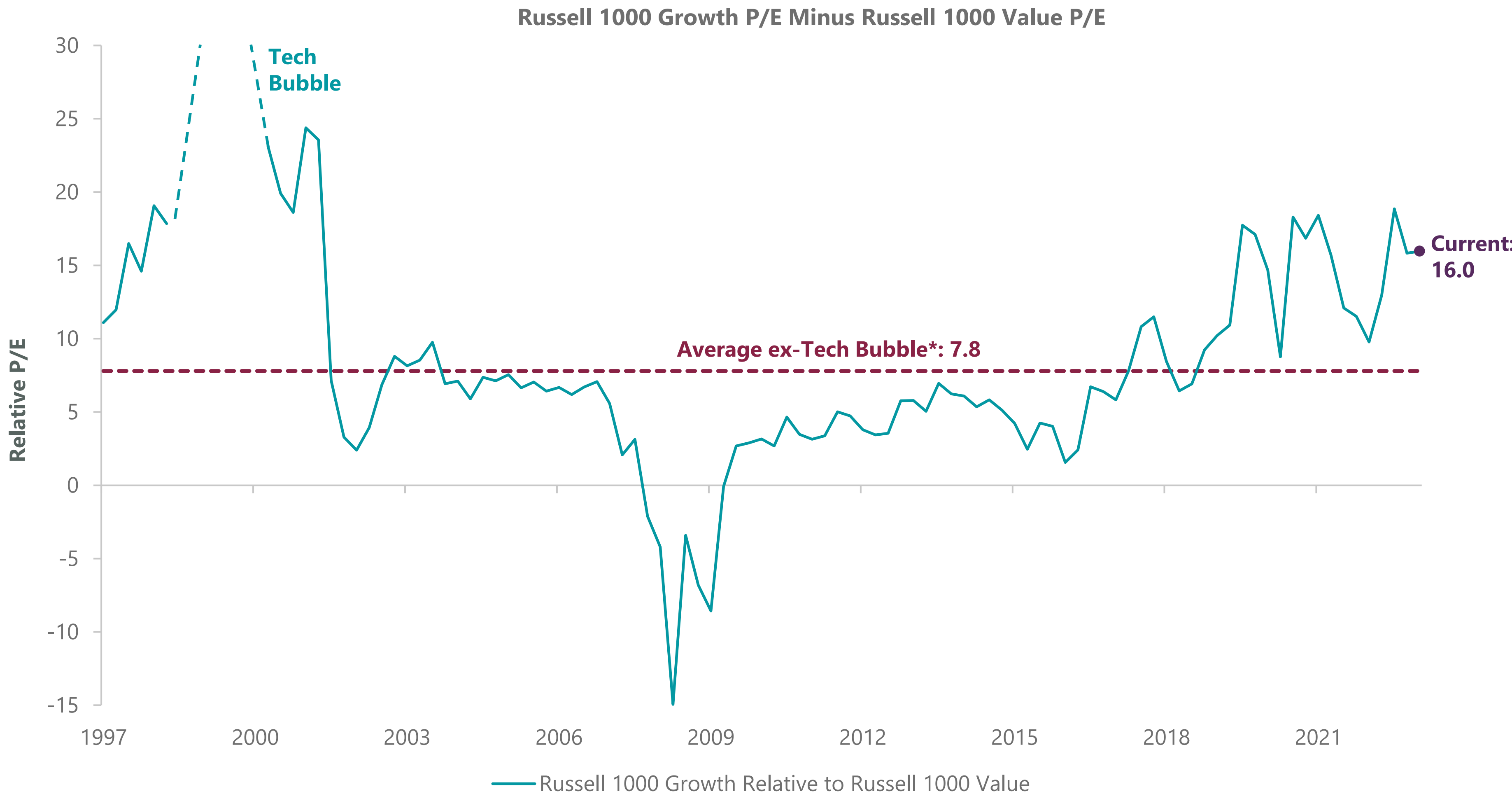
	Current	Long-Term Average	Highest Since 1990
Russell 1000 Growth	16.0%	11.2%	33.5%
Russell 1000	16.3%	11.8%	28.4%
Russell 1000 Value	15.5%	12.7%	37.0%
Russell 2000 Growth	45.5%	30.1%	54.8%
Russell 2000	42.6%	28.0%	48.6%
Russell 2000 Value	41.7%	25.6%	46.2%

Lowest Percentage of Non-Profitable Companies

- **The Large Cap Value benchmark has the lowest share of non-profitable companies.**
- **This dynamic could support the group in an earnings slowdown or recession.**

Data as of Dec. 31, 2023. Source: Strategas. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Value Not Yet Expensive



- **While Value outpaced Growth by 21.6% in 2022, Growth roared back in 2023 with a 31.2% advantage, once again driving the valuation differential to an extreme.**

Note: Price Return. *The Tech Bubble period removed from the chart is from June 30, 1999 through Dec. 31, 2000. Data as of Dec. 31, 2023.
Sources: FactSet, Russell. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Typical Market Leadership: High & Falling Inflation

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Market Cap	Value	Blend	Growth
Large	**Large Cap Value** 9.0% Avg. Perf. 65.9% Hit Rate	**Large Cap** 3.0% Avg. Perf. 50.0% Hit Rate	**Large Cap Growth** -2.8% Avg. Perf. 36.4% Hit Rate
Mid	**Mid Cap Value** 11.1% Avg. Perf. 56.8% Hit Rate	**Mid Cap** 4.9% Avg. Perf. 54.5% Hit Rate	**Mid Cap Growth** -1.0% Avg. Perf. 47.7% Hit Rate
Small	**Small Cap Value** 12.2% Avg. Perf. 54.5% Hit Rate	**Small Cap** 7.2% Avg. Perf. 54.5% Hit Rate	**Small Cap Growth** 1.7% Avg. Perf. 50.0% Hit Rate

Investment Style

▶ **During historical periods of high and falling inflation, tilts toward value and small caps have been rewarded.**

Note: Price Return. Average annualized return during high and falling inflationary periods. High is defined as greater than 2.3% YoY CPI (average over the period used) and falling is if CPI is lower than the prior month. Hit Rate: Hit rate of outperformance vs. S&P 1500 Index. Benchmarks used: Large Value: S&P 500 Value, Large Blend: S&P 500, Large Growth: S&P 500 Growth; Mid Value: S&P 400 Value, Mid Blend: S&P 400, Mid Growth: S&P 400 Growth; Small Value: S&P 600 Value, Small Blend: S&P 600, Small Growth: S&P 600 Growth. Data as of Dec. 31, 2023. Sources: S&P, FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

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Buy the Growth Dip?

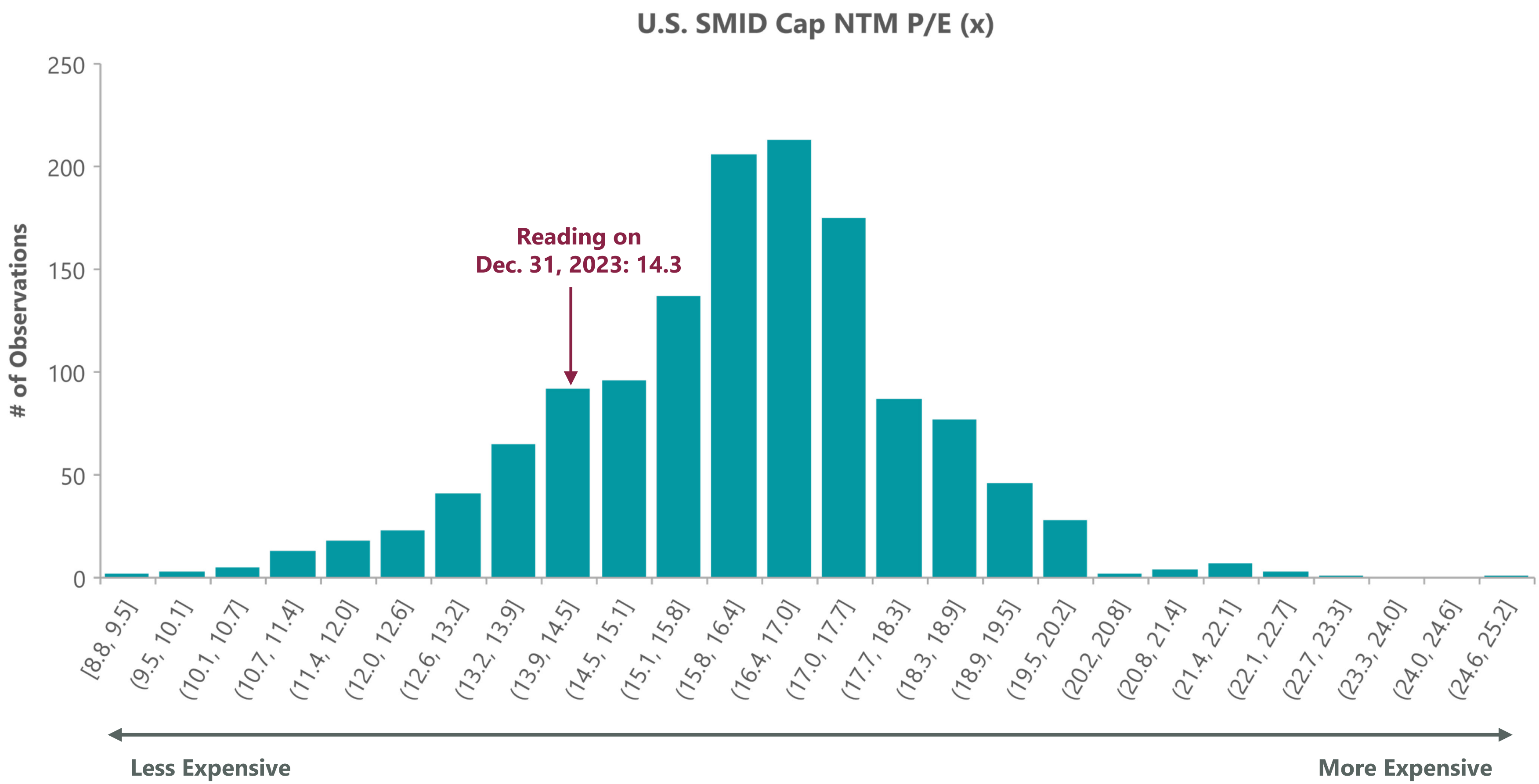
Russell 1000 Growth Cumulative Returns After a Drop of 25% or More

Market Peak	Market Trough	Decline	+1 Year	+3 Years	+5 Years	+10 Years
11/30/1980	7/31/1982	-26.2%	62.2%	84.6%	227.5%	434.9%
8/31/1987	11/30/1987	-31.7%	18.2%	59.0%	141.8%	461.9%
3/23/2000	10/7/2002	-63.6%	35.9%	52.2%	101.0%	134.1%
10/31/2007	3/9/2009	-51.3%	70.1%	122.3%	215.5%	459.7%
2/19/2020	3/23/2020	-31.5%	85.2%	84.6%	???	???
12/27/2021	10/14/2022	-32.7%	32.9%	???	???	???
Average		**-39.5%**	**50.7%**	**80.5%**	**171.4%**	**372.6%**

- **Historically, long term investors have been rewarded for buying the dip after 25% (or greater) declines in large cap growth stocks.**

Note: Total Return. Source: FactSet, Russell. Past performance is not a guarantee of future results.
Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

SMID Caps on Sale



- **Following a large de-rating in 2022, SMID cap equities remain attractively priced relative to their history over the last 25 years.**

Data shows the S&P 1000 Index 12-month forward P/E histogram from Apr. 1998 through Dec. 2023. Data as of Dec. 31, 2023. Sources: FactSet, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Small Caps Unfazed by Inflation

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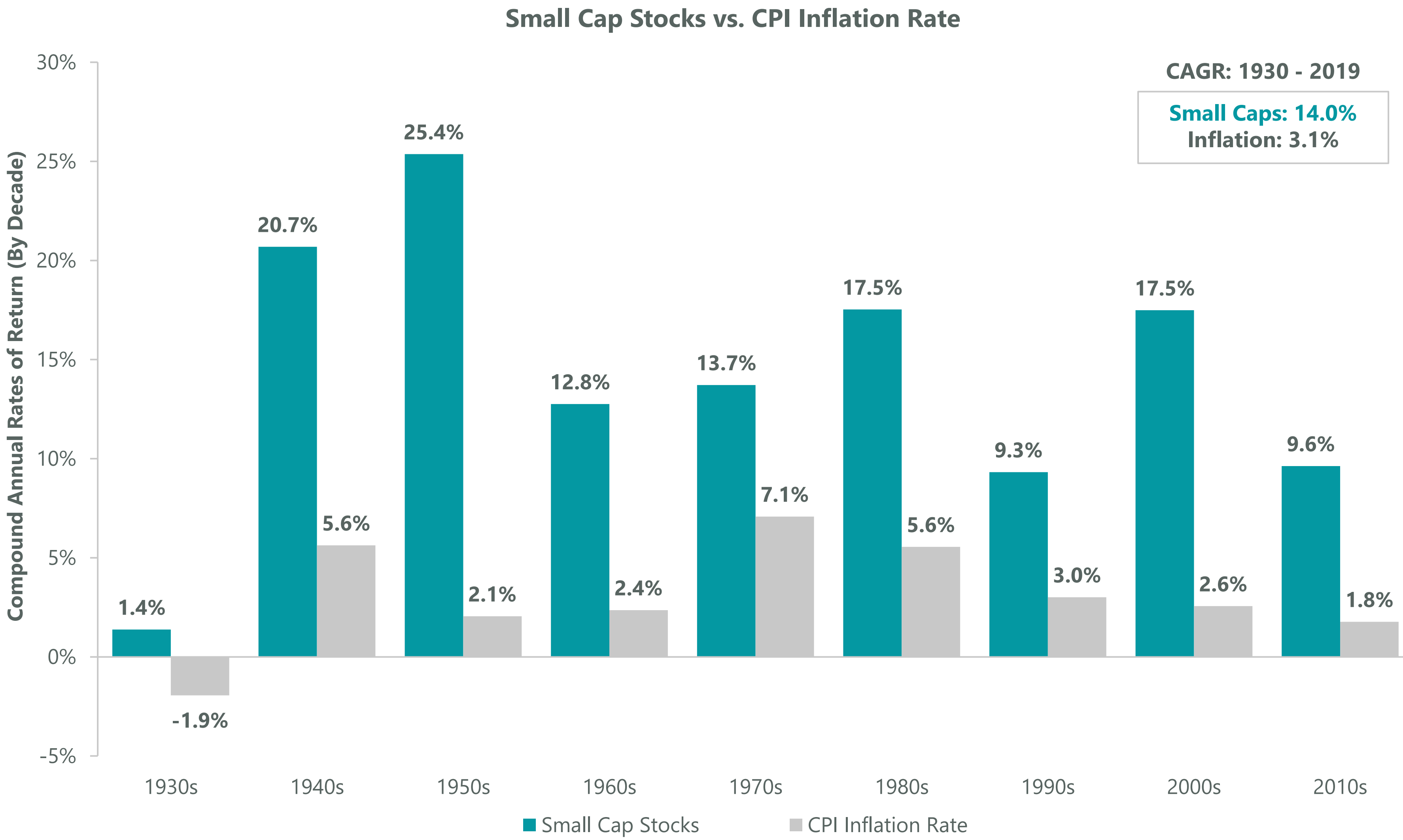


- **Since the 1930s, small cap stocks are the only major asset class to outperform inflation in each decade.**

ClearBridge

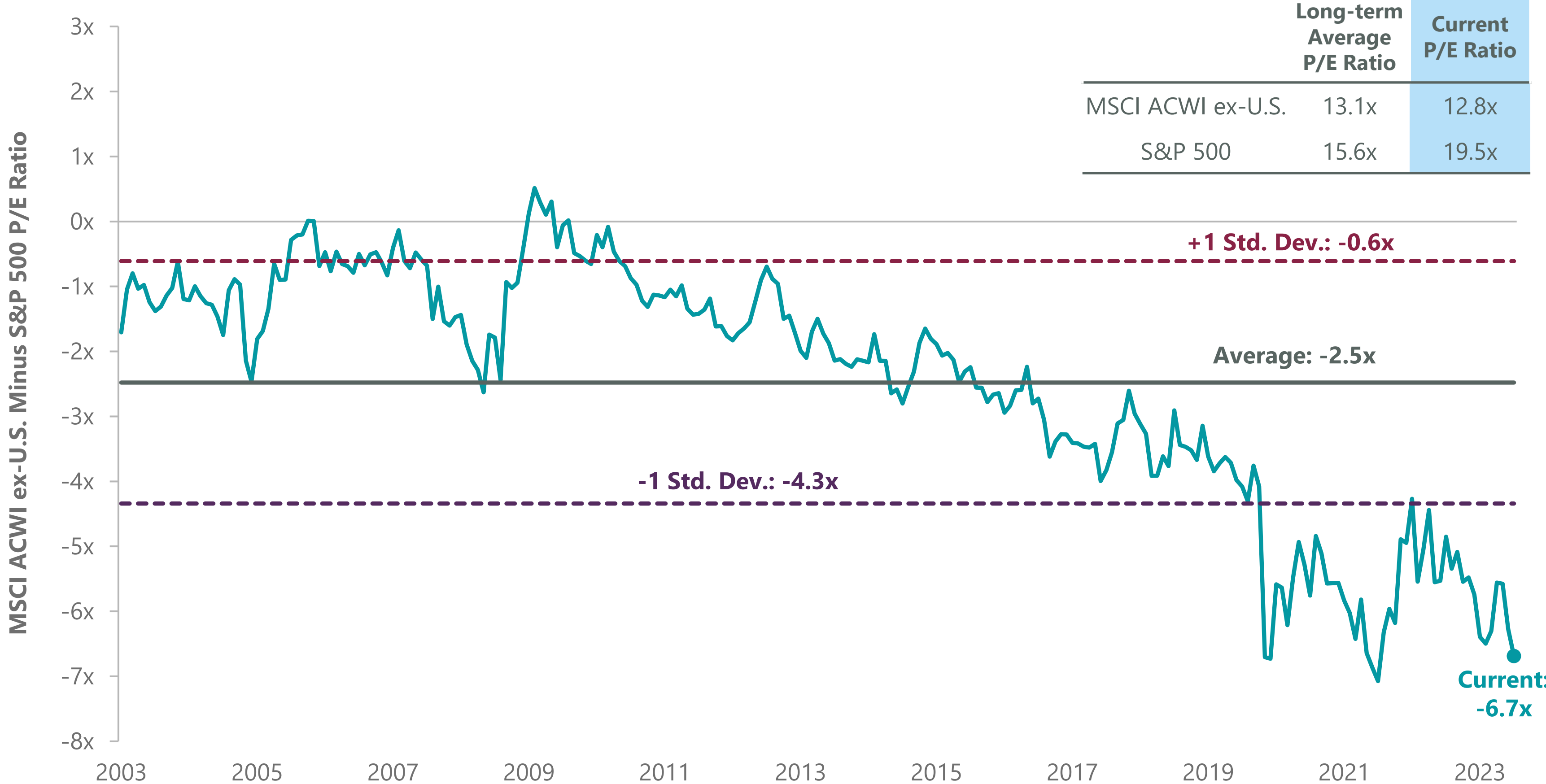
Sources: Ibbotson Small Cap Index-Morningstar, BLS. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

International

International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets.

Global Valuations Attractive

	Long-term Average P/E Ratio	Current P/E Ratio
MSCI ACWI ex-U.S.	13.1x	12.8x
S&P 500	15.6x	19.5x

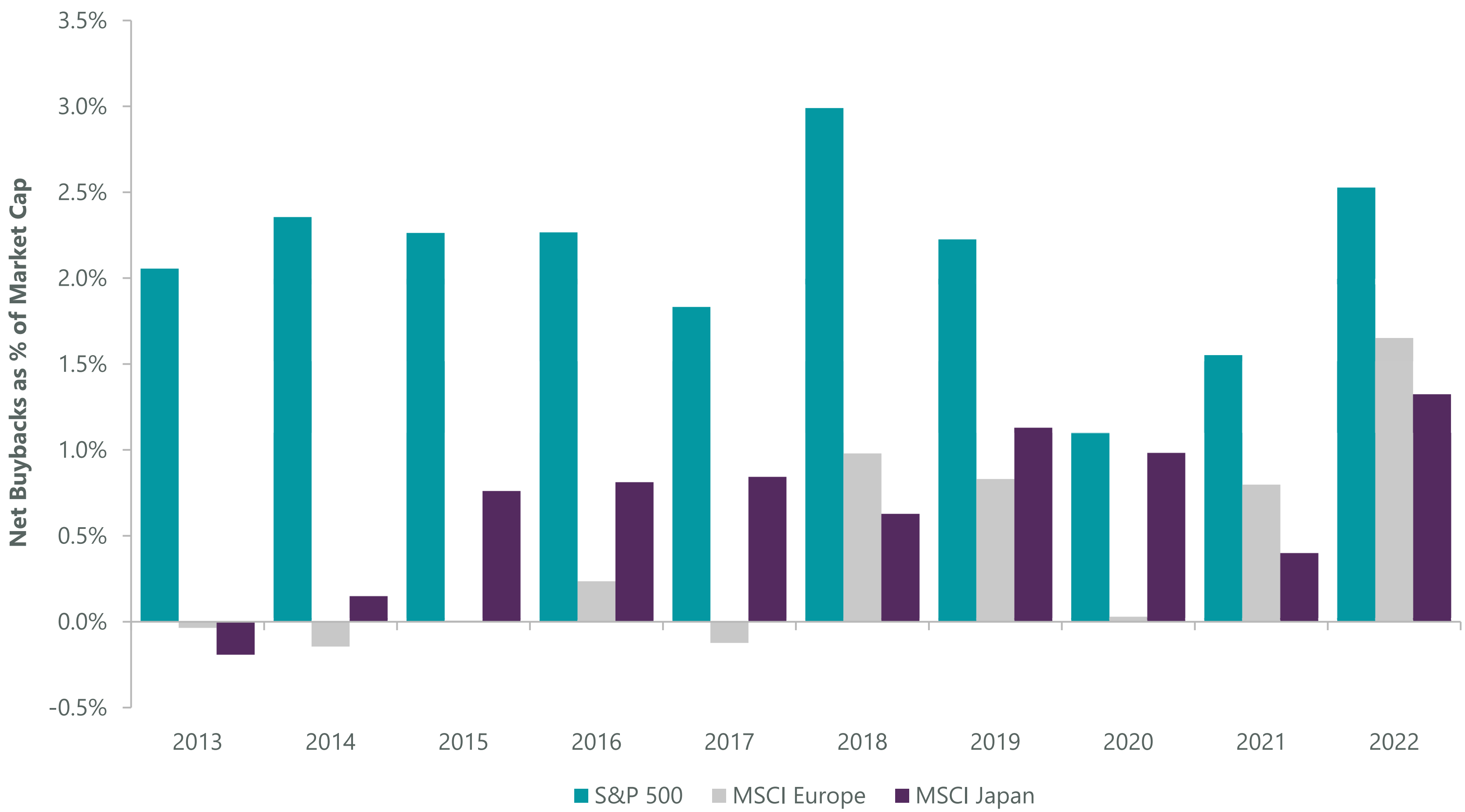


- **Although U.S. equities typically trade at a premium, international stocks are currently cheap compared to history.**

ClearBridge

As of Dec. 31, 2023. Sources: FactSet, MSCI, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Closing the Gap

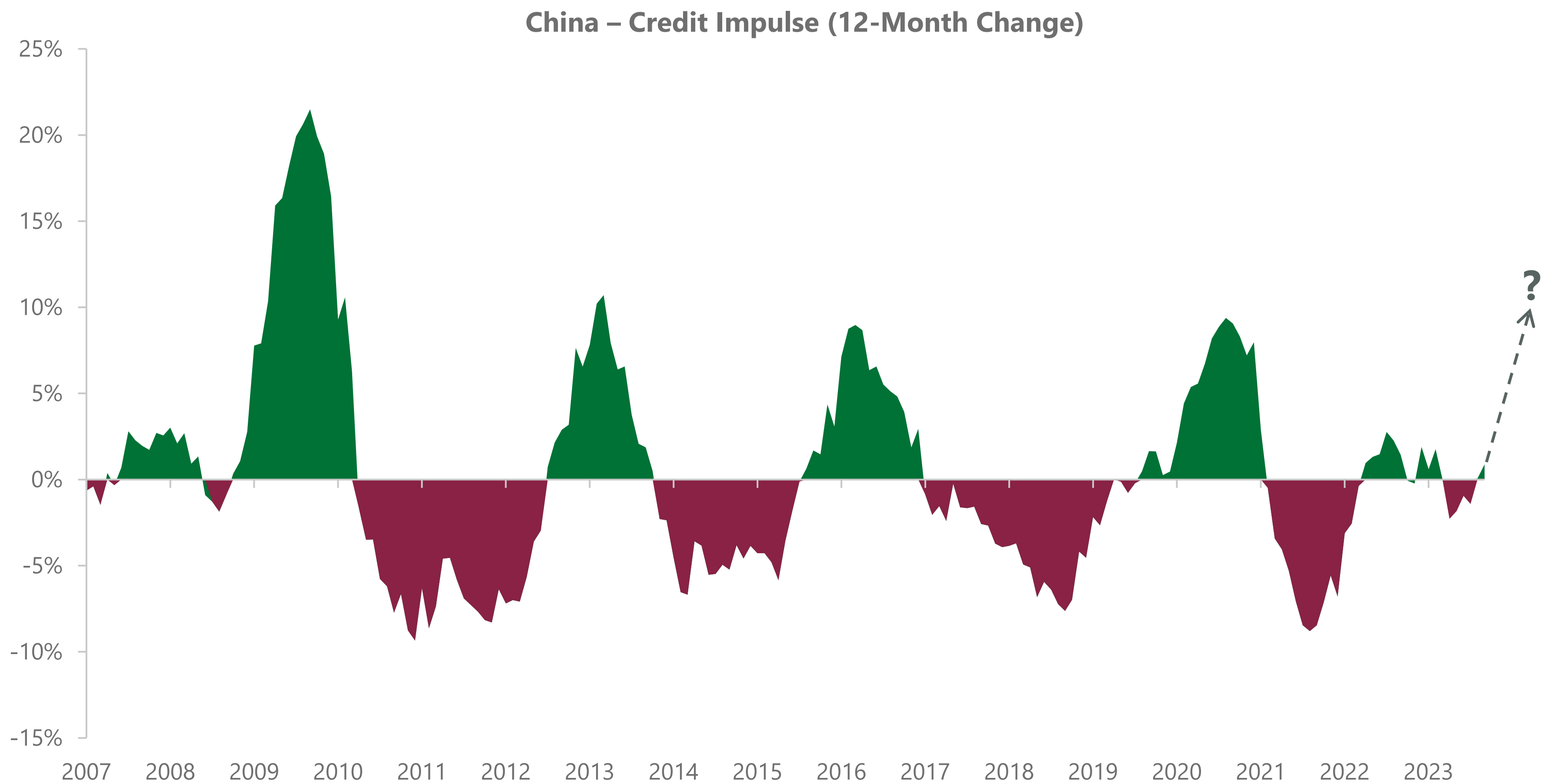


- **Buybacks have been a strong driver of U.S. equity returns over the last decade, and are gaining traction in Europe and Japan.**
- **This dynamic may be one of several factors that could help close the relative performance gap in the years ahead.**

ClearBridge

As of Dec. 31, 2022, latest available as of Dec. 31, 2023. Net Buybacks are share repurchases less issuance. Sources: FactSet, MSCI, S&P. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Chinese Credit Cycle Bottoming?



- The Chinese credit cycle is an important driver of domestic and global economic growth.
- Chinese policymakers have moved cautiously following the reopening. Should the economic recovery remain sluggish, a stronger policy response may be forthcoming.

Data as of Nov. 30, 2023, latest available as of Dec. 31, 2023. Source: Bloomberg.

Weaker Dollar Supercharges Non-U.S. Stocks

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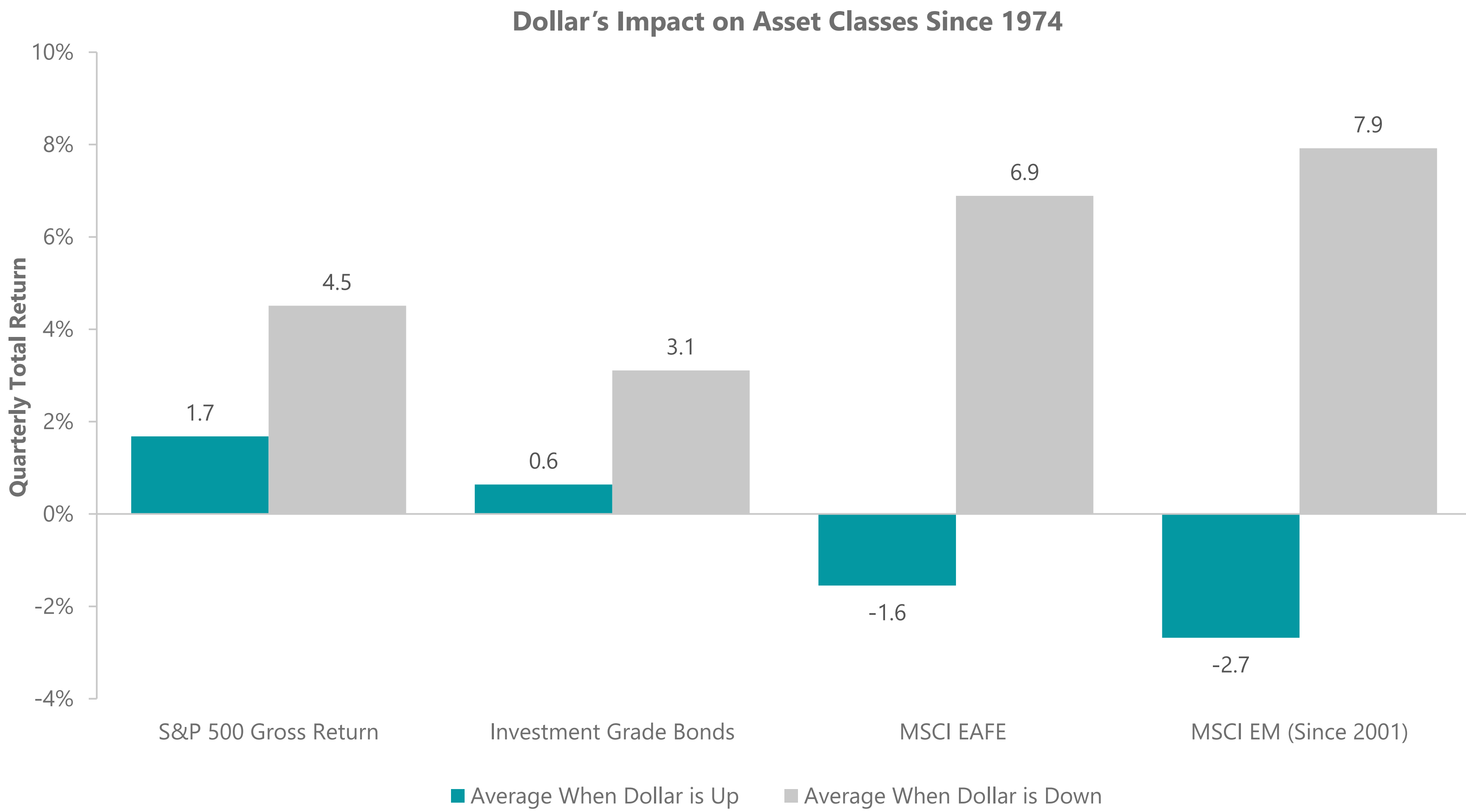

International equities tend to outperform during periods of dollar weakness.

ClearBridge

Data as of Dec. 31, 2023. MSCI EAFE and MSCI EM are net returns; MSCI EM data starts in 2001. Investment Grade Bonds refers to the Bloomberg U.S. Corporate Investment Grade Bond Index. Source: FactSet. Past performance is not a guarantee of future results. Investors cannot invest directly in an index, and unmanaged index returns do not reflect any fees, expenses or sales charges.

Glossary of Terms

BEA: Bureau of Economic Analysis

Bloomberg US Aggregate Bond Index: an unmanaged index of U.S. investment-grade fixed-income securities.

Bloomberg US Corporate Investment Grade Bond Index: an unmanaged index of U.S. investment-grade corporate bond securities.

Bloomberg Global Aggregate Total Return Index: measure of global investment grade debt from a multitude of local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

CPI (Consumer Price Index): measure of the average change in U.S. consumer prices over time in a fixed market basket of goods and services as determined by U.S. Bureau of Labor Statistics.

EPS (Earnings per Share): the portion of a company's profit allocated to each outstanding share of common stock.

Fed (Federal Reserve Board): the U.S. central bank, responsible for policies designed to promote full economic growth, full employment, and price stability.

GDP: Gross Domestic Product

GFC (Great Financial Crisis): the severe economic and market downturn experienced in 2007-2008.

Home Sales Median Price: measures the price at which half of existing homes sold for more and half sold for less.

MSCI All Country Asia Index: unmanaged index of large and mid cap stocks across Developed Markets countries and Emerging Markets countries in Asia.

MSCI EM Index: unmanaged index of large- and mid-cap stocks in 27 emerging market countries.

MSCI Europe Index: unmanaged index of large- and mid-cap stocks across 15 Developed Markets (DM) countries in Europe.

MSCI EAFE Index: unmanaged index of equity securities from developed countries in Western Europe, the Far East, and Australasia.

MSCI Germany Index: unmanaged index of large- and mid-cap stocks across the German market.

MSCI Japan Index: unmanaged index of large- and mid-cap stocks across the Japanese market.

MSCI UK Index: unmanaged index of large- and mid-cap stocks across the UK market.

MSCI USA Index: unmanaged index of US large- and mid-cap equity securities.

NAREIT All-Equity REITS Total Return Index: free-float-adjusted market capitalization weighted index that includes all tax qualified REITS listed in the NYSE, AMEX and NASDAQ National Markets.

NFIB (National Federation of Independent Business): a U.S. small business advocacy association, representing over 350,000 small and independent business owners.

NFIB Small Business Optimism Index: measure of small business sentiment produced by the National Federation of Independent Business based on its monthly survey of small business owners.

P/E Ratio: Price/Earnings ratio

Glossary of Terms

PMI: Purchasing Manager's Index

Russell 1000 Index: a subset of the Russell 3000 Index that includes approximately 1,000 of the largest companies in the U.S. equity universe.

Russell 1000 Growth Index: unmanaged index of large-cap stocks chosen for their growth orientation.

Russell 1000 Value Index: unmanaged index of large-cap stocks chosen for their value orientation.

Russell 2000 Index: unmanaged index of small-cap stocks.

Russell 2000 Growth Index: unmanaged index of small-cap stocks chosen for their growth orientation.

Russell 2000 Value Index: unmanaged index of small-cap stocks chosen for their value orientation.

Russell Mid Cap Index: unmanaged index consisting of the 800 smallest companies in the Russell 1000 Index.

Russell Mid Cap Growth Index: unmanaged index of mid-capitalization U.S. equities that exhibit growth characteristics.

Russell Mid Cap Value Index: unmanaged index of mid-capitalization U.S. equities that exhibit value characteristics.

S&P MidCap 400 Index: unmanaged index of 400 US mid-cap stocks

S&P 400 Growth Index: unmanaged index of mid-cap stocks having higher price-to-book ratios relative to the S&P 400 MidCap as a whole.

S&P 400 Value Index: unmanaged index of mid-cap stocks having lower price-to-book ratios relative to the S&P 400 MidCap as a whole.

S&P 500 Growth Index: unmanaged index of large-cap stocks selected based on sales growth, the ratio of earnings change to price and momentum.

S&P 500 Value Index: unmanaged index of large-cap stocks selected based on the ratios of book value, earnings, and sales to price.

S&P 600 Index: unmanaged index of 600 US small-cap stocks

S&P 600 Growth Index: unmanaged index of US small-cap growth stocks, selected based on sales growth, the ratio of earnings change to price, and momentum.

S&P 600 Value Index: unmanaged index of US small-cap value stocks, selected based on ratios of book value, earnings, and sales to price.

S&P 500 Index: Unmanaged index of 500 stocks that is generally representative of the performance of larger companies in the U.S.

Yield Curve: Comparison of interest rates at a point in time of bonds with equal credit quality but different maturity dates.

YoY: Year Over Year

U.S. Treasurys: Direct debt obligations issued and backed by the "full faith and credit" of the U.S. government. The U.S. government guarantees the principal and interest payments on U.S. Treasuries when the securities are held to maturity. Unlike U.S. Treasury securities, debt securities issued by the federal agencies and instrumentalities and related investments may or may not be backed by the full faith and credit of the U.S. government. Even when the U.S. government guarantees principal and interest payments on securities, this guarantee does not apply to losses resulting from declines in the market value of these securities.

Biographies

The Anatomy of a Recession

	Name and Position	Industry Experience	ClearBridge Tenure	Education, Experience and Professional Designations
	**Josh Jamner CFA** Director, Investment Strategy Analyst	14 years	• Joined ClearBridge in 2017	• Member of the CFA Institute • RBC Capital Markets - Assistant Vice President, Associate Strategist - U.S. Equity • Bessemer Trust - Assistant Vice President, Client Portfolio Analyst • BA in Government from Colby College
	**Jeffrey Schulze CFA** Managing Director, Head of Economic and Market Strategy	18 years	• Joined ClearBridge in 2014	• Member of the CFA Institute • Lord Abbett & Co., LLC – Portfolio Specialist • BS in Finance from Rutgers University

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