Q4’2023 Quarter Client Presentation

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October 11, 2023

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Main Takeaways:

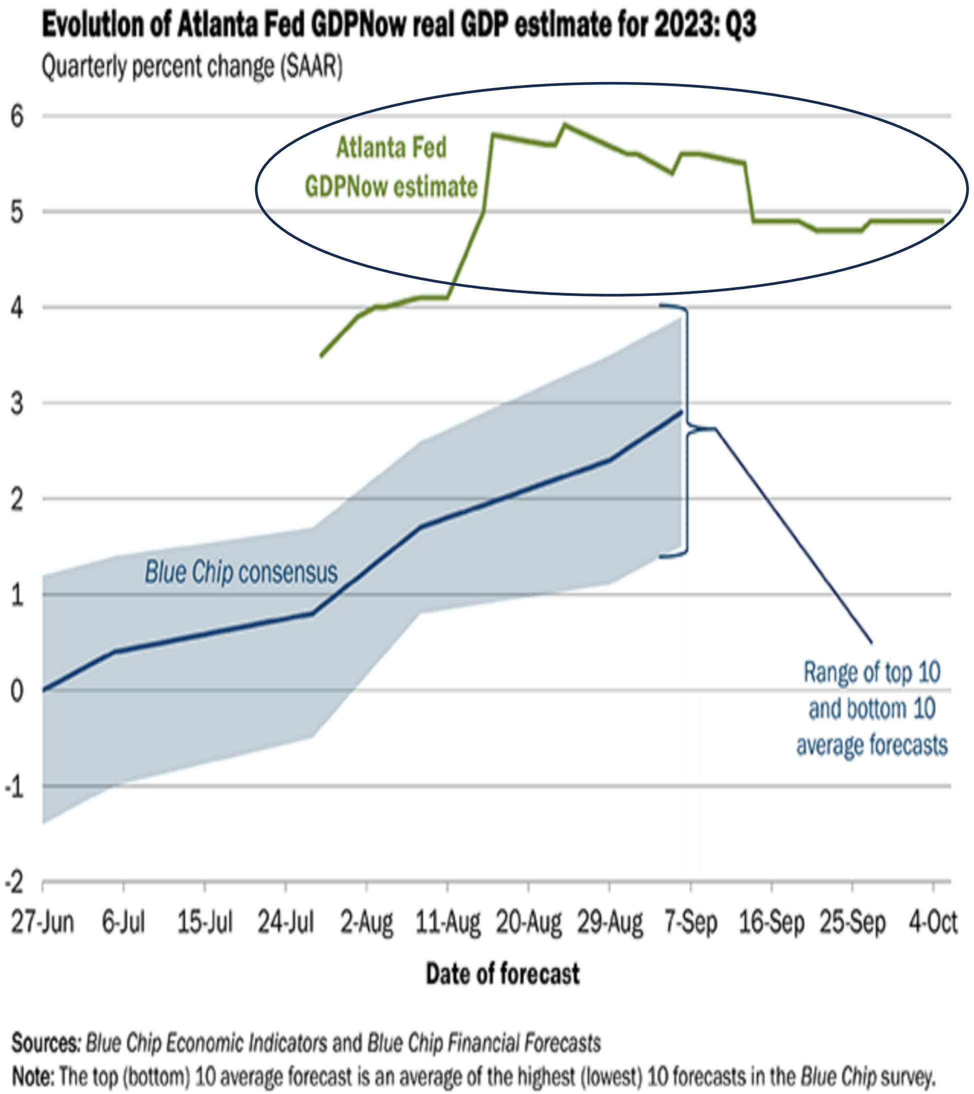
1) Near-term U.S. economic growth (i.e. GDP) looks strong, which is confirmed by pricing within the credit markets and earnings-per-share (EPS) estimates for the S&P 500.

2) However, leading indicators flashing signs of impending recessions remain in play. In addition, the resumption of student loan repayments, the UAW strikes, and other issues will add further pressure to future economic growth. In essence, we are still on guard.

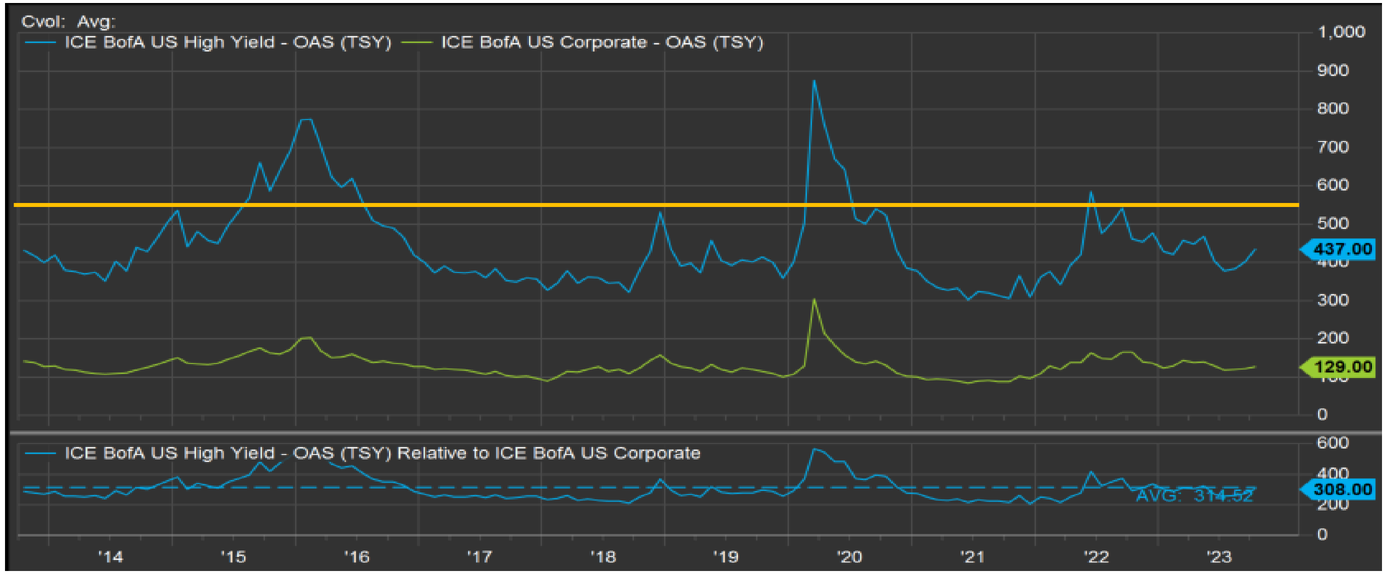
3) We believe that inflation is moderating but caution that continued progress back to the 2% target will not be easy. Nevertheless, we find portions of the fixed income market ("bonds") to be attractive and continue to add to client portfolios.

4) The S&P 500 continues to be driven by seven stocks ("Magnificent 7"). We continue to see value in positioning our equity exposure to emphasize other areas of the overall equity market, with certain areas offering historically low valuations relative to the S&P 500.

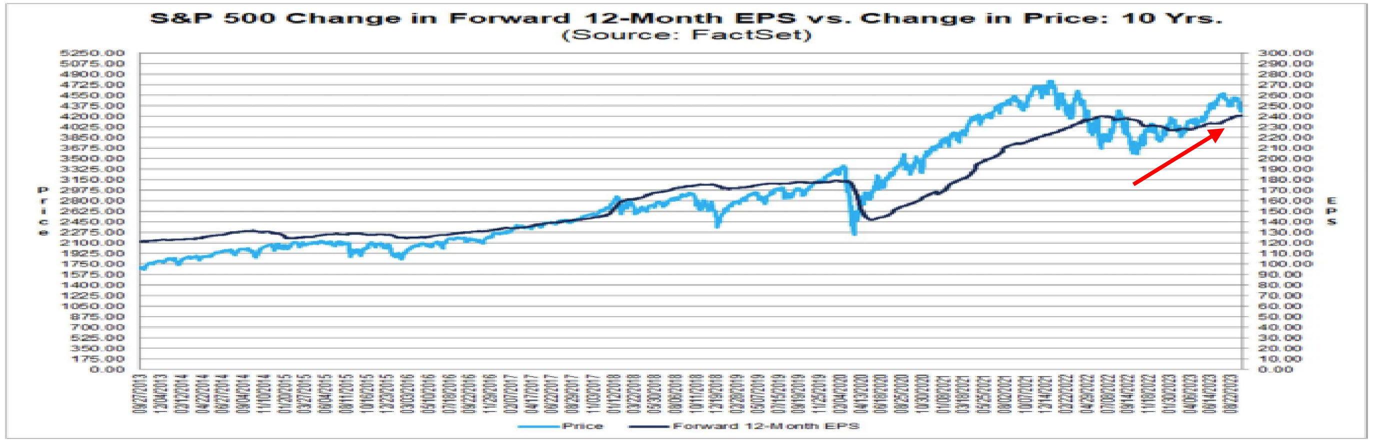
Near-Term Economic Growth Looks Strong



Bond Market Does Not Appear Worried About Weak Economic Growth



Equity Analysts Agree As EPS Estimates Have Rebounded



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On The Other Hand…

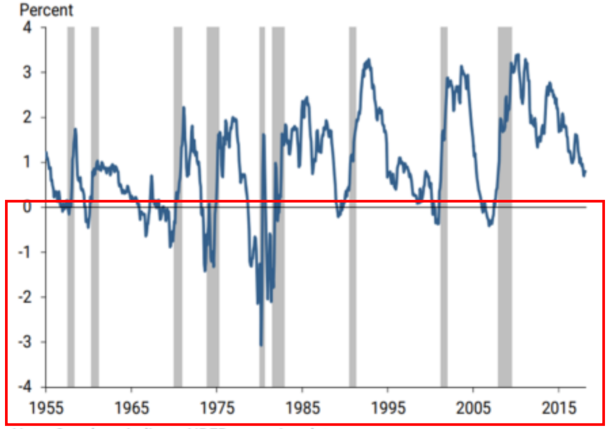
San Francisco Fed Letter (March 2018)

"The delay between the term spread turning negative and the beginning of a recession has ranged between 6 and 24 months."

FRBSF: Economic Forecasts with the Yield Curve

March 5, 2018

Figure 1
The term spread and recessions

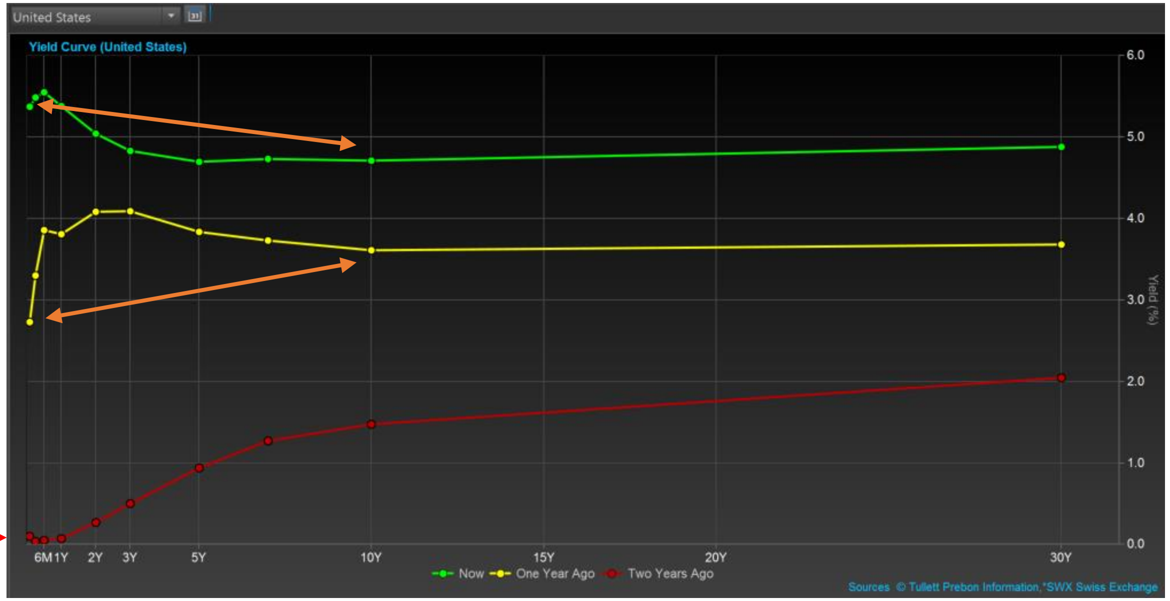


Note: Gray bars indicate NBER recession dates.

Today…

1 Year ago…

2 Years ago…



Notable Potential Economic Drags:

1.) Student loan payments restarting.
2.) UAW strikes, especially if longer and broader.
3.) Global "Hot" Wars
4.) Chinese economic struggles.
5.) Federal Reserve policy remains "higher for longer".
6.) D.C. Political Dysfunction.

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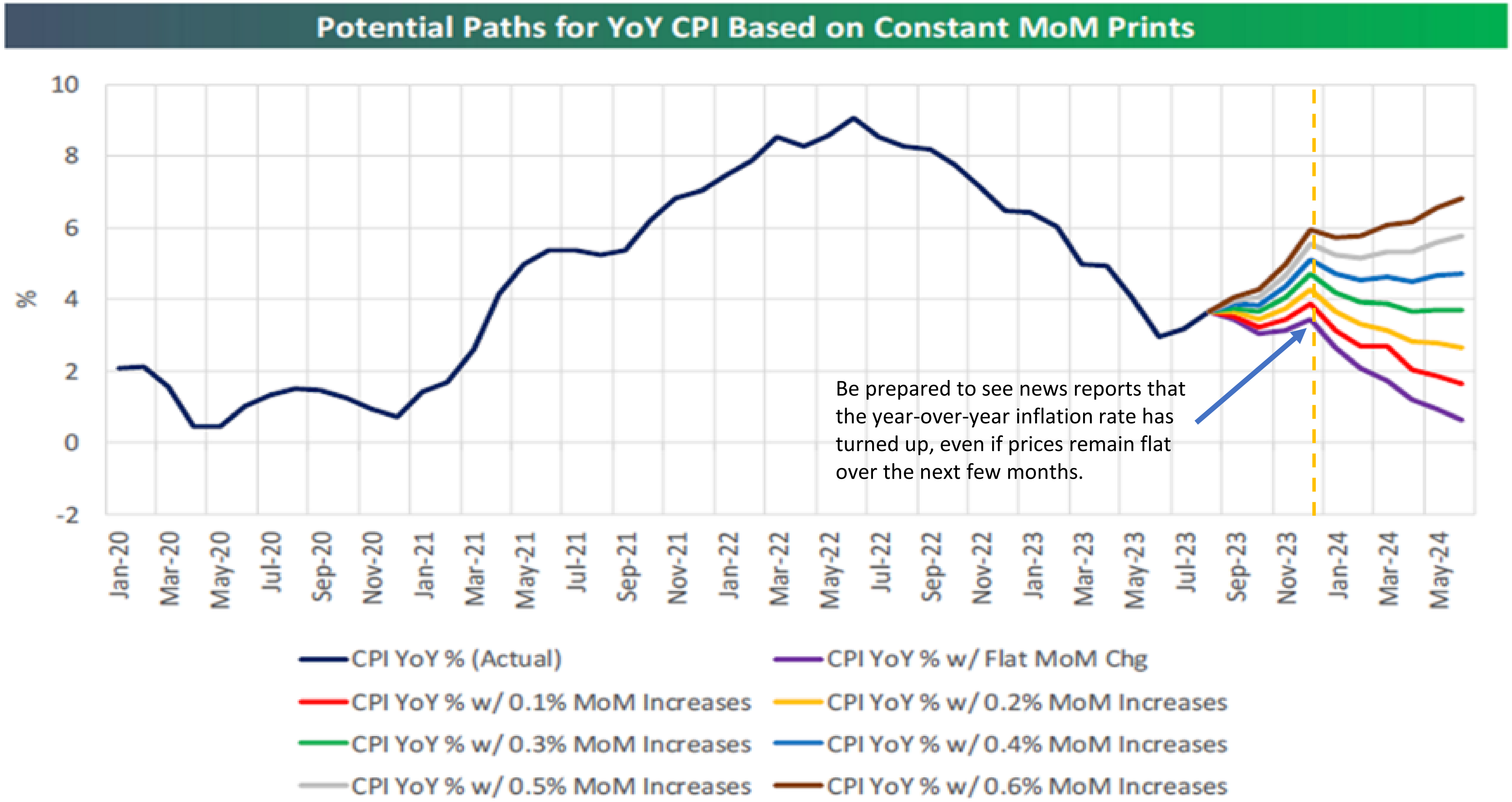
Overall Annual CPI Inflation Will Likely Remain Above the Fed's 2% Target Well Into 2024 Even If Inflation Remains Flat Month/Month.



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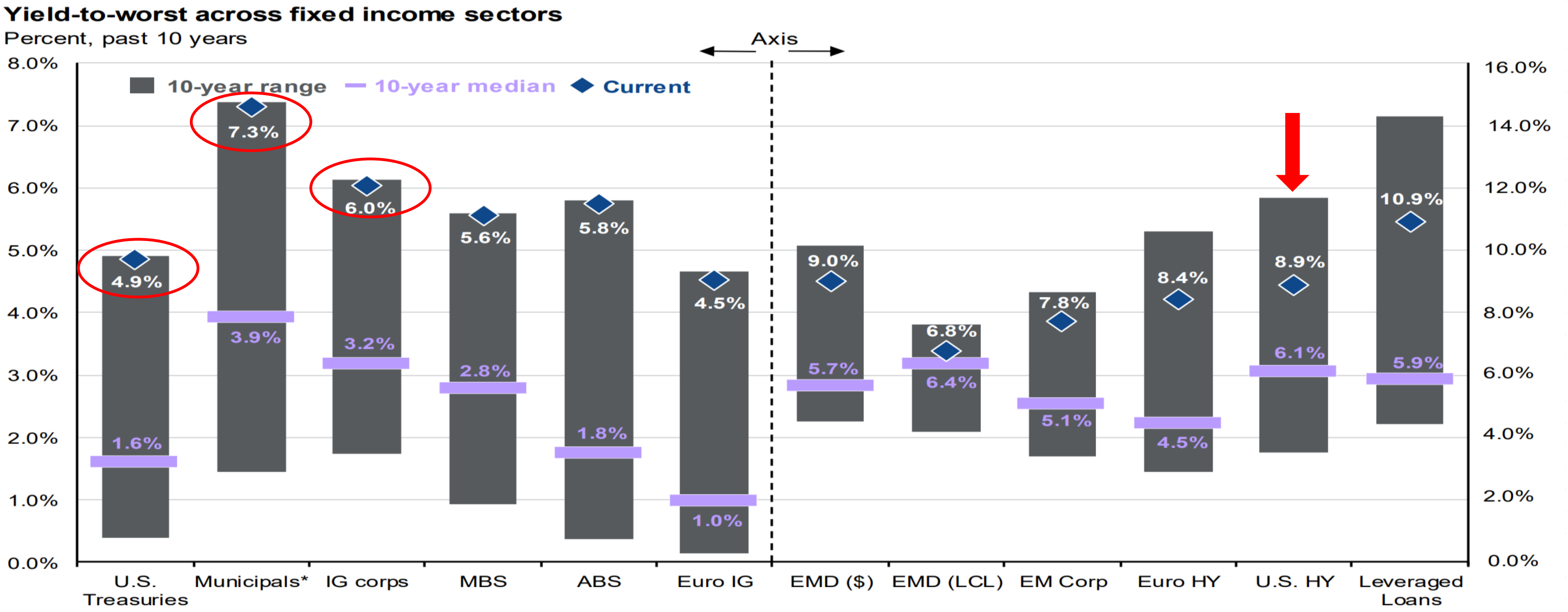
Fixed Income Overview: Bonds Remain Attractive



Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.
Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting. *All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.
Guide to the Markets – U.S. Data are as of September 30, 2023.

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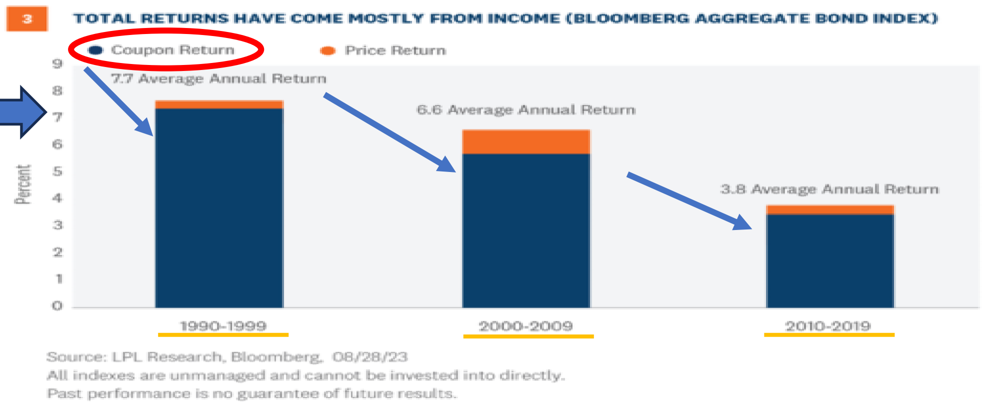
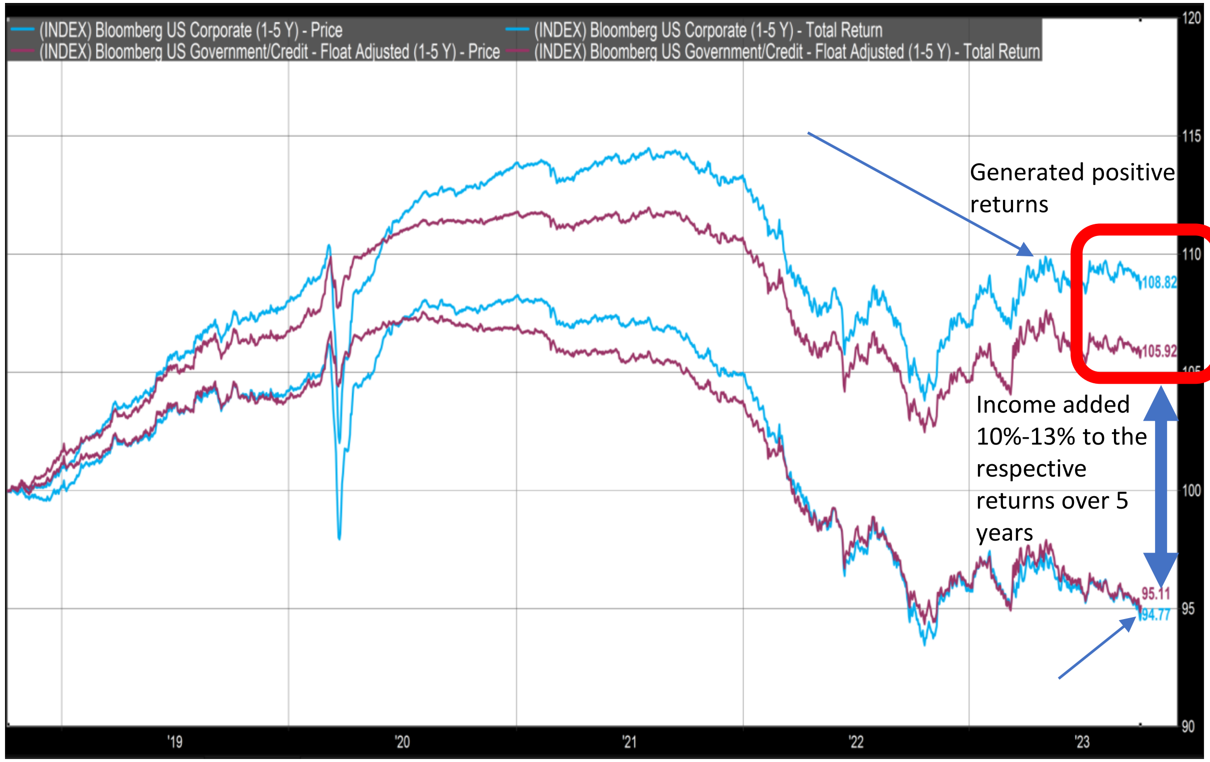
Bond Returns Must Be Judged On A Total Return Basis (Price and Income Received)

*Bond returns are heavily dependent upon the periodic income (coupon) received over a period.
*As shown in the top right chart, the income received has driven the bond market's return over multi-year periods.
*The charts at the bottom of the page represent the Benchmark Bloomberg Aggregate Index (left chart) and shorter maturity government bonds and corporate bonds (right chart) over the past five years (through October 4, 2023).
*The takeaway is that bonds did not lose money during one of the worst five year stretches in history.





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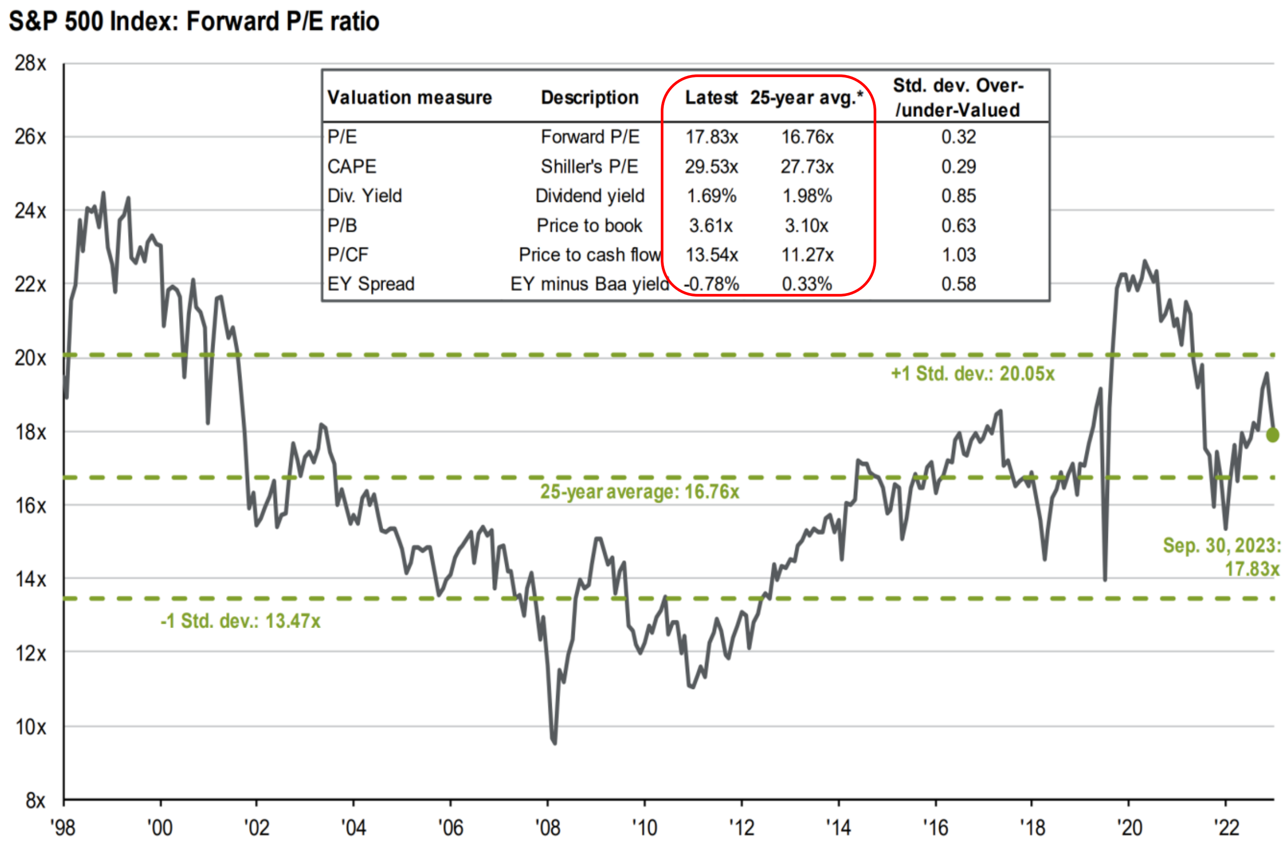
The S&P 500's Valuation Influenced By 7 Stocks. Opportunity Elsewhere, Both Domestically And Abroad.



Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	17.83x	16.76x	0.32
CAPE	Shiller's P/E	29.53x	27.73x	0.29
Div. Yield	Dividend yield	1.69%	1.98%	0.85
P/B	Price to book	3.61x	3.10x	0.63
P/CF	Price to cash flow	13.54x	11.27x	1.03
EY Spread	EY minus Baa yield	-0.78%	0.33%	0.58

Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since October 1998 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $241. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability.
Guide to the Markets – U.S. Data are as of September 30, 2023.

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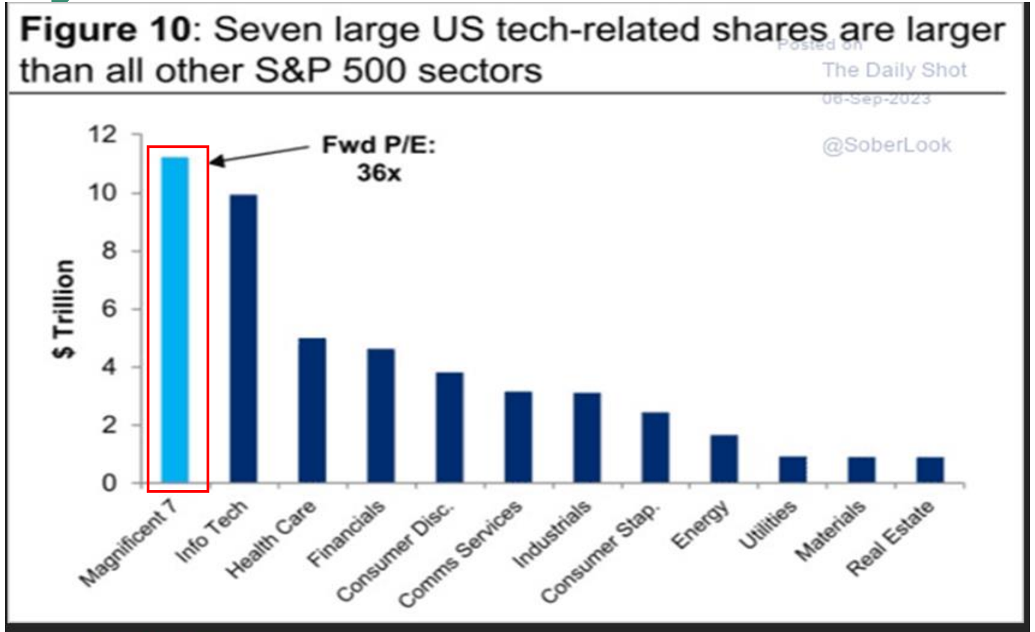
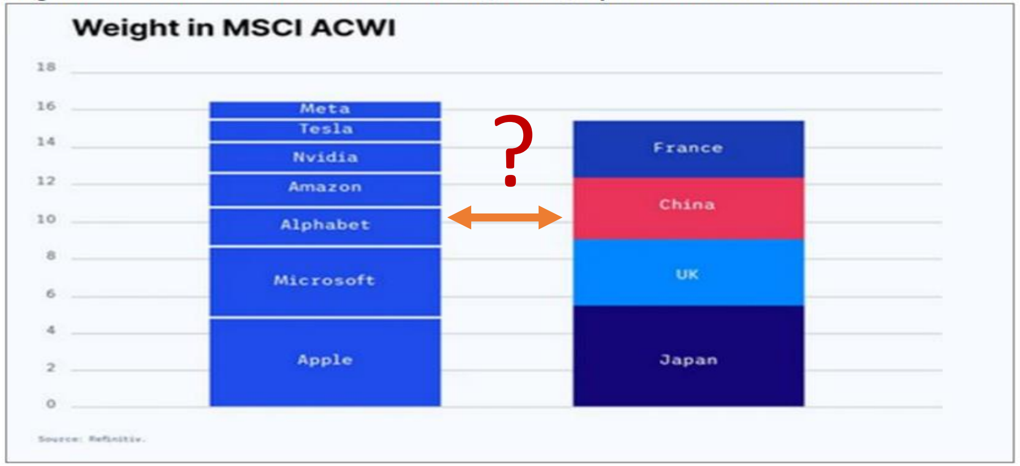


Source: Citi Private Bank

Magnificent-7 stocks are worth more than China, France, Japan and the UK stock markets combined.



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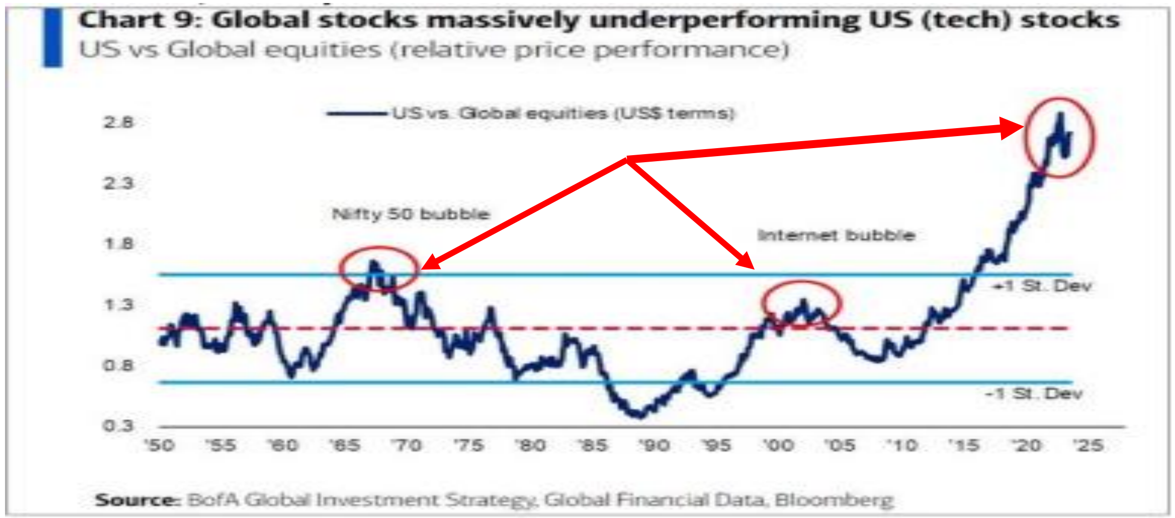
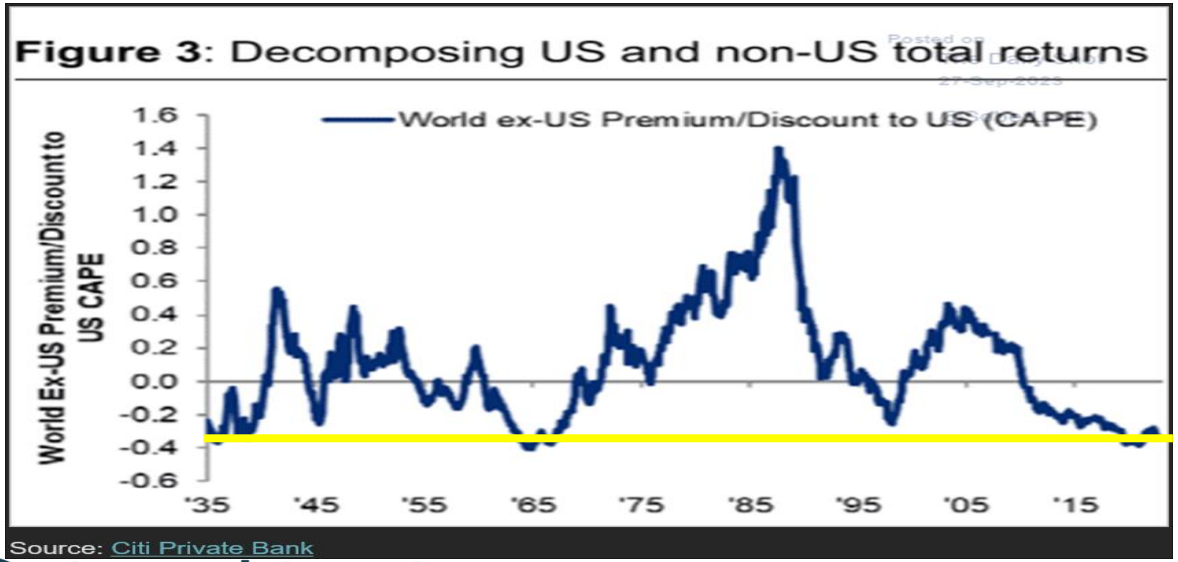
How Long Can The USA Outperform? The Rest Of The World Offers Similar Growth At Much Lower Valuations.



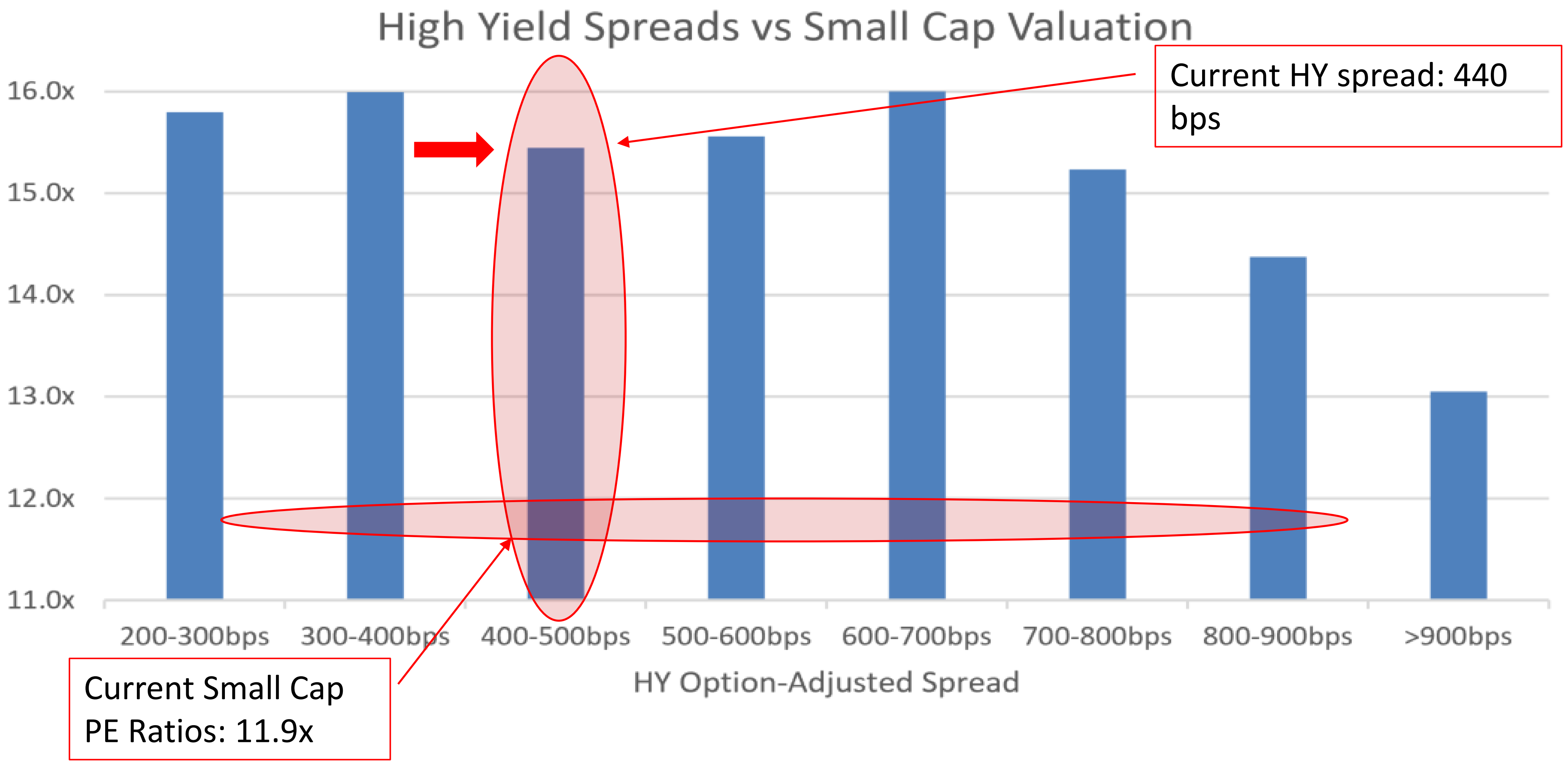


Consensus Analyst Estimated Growth by MSCI Region

	2023	2024
	Revenue / EPS	Revenue / EPS
USA	+2.0% / +1.7%	+5.0% / +11.9%
World ex. USA	+0.9% / -1.7%	+4.5% / +9.8%

Source: Yardeni, Thomson Reuters I/B/E/S

High Yield Spreads vs Small Cap Valuation



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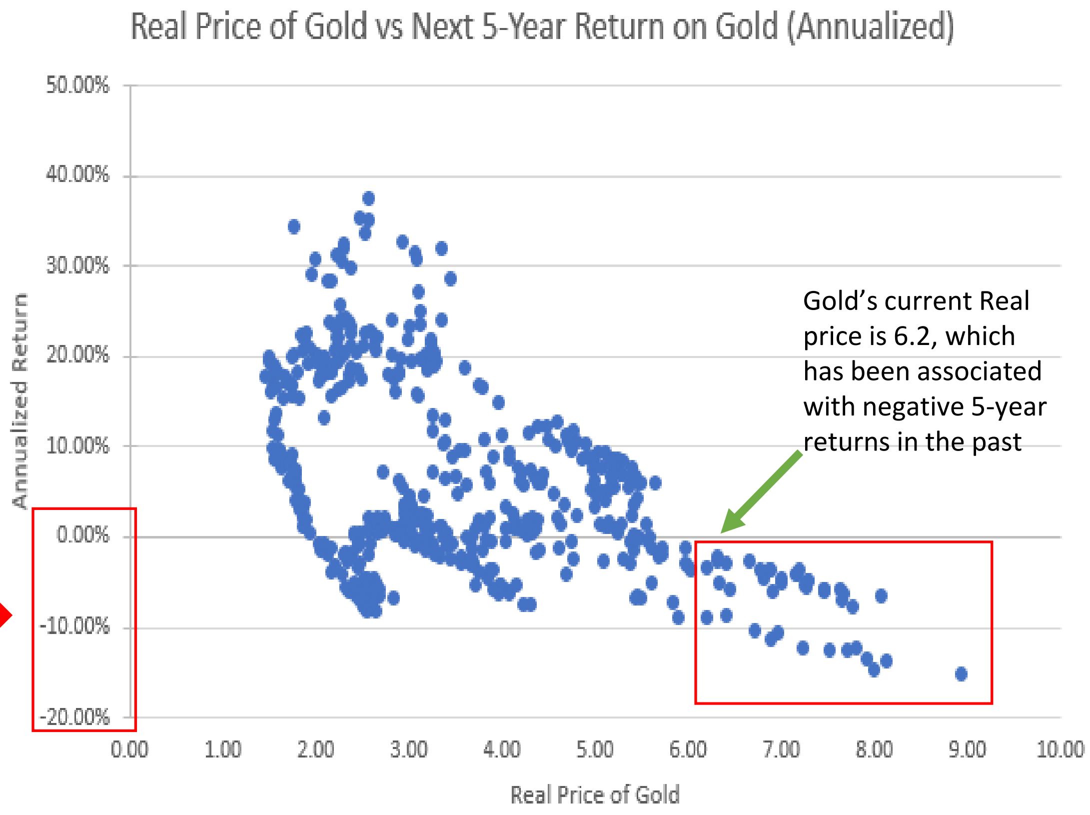
Commodities Have Been A Useful Inflation Hedge Against UNEXPECTED Inflation



Q3'23 (September End) Index Performance

Benchmark	Quarter To Date	Month To Date
S&P 500 Total Return Index	-3.3%	-4.8%
S&P 500 Growth Index Total Return	-2.6%	-4.9%
S&P 500 Value Index Total Return	-4.1%	-4.6%
S&P 400 TR	-4.2%	-5.3%
S&P 600 TOTAL RETURN INDEX	-4.9%	-6.0%
MSCI EAFE INDEX	-4.0%	-3.4%
Bloomberg Barclays Aggregate Bond Index	-3.2%	-2.5%
Bloomberg Commodity TR Index	4.7%	-0.7%
RUSSELL 2000	-5.1%	-5.9%
65% S&P 500/35% BC AGG BOND	-3.2%	-4.0%
70% S&P 500 / 30% BC AGG	-3.2%	-4.1%
60% S&P 500 TR / 40% BC AGG BOND COMPOSITE INDEX	-3.2%	-3.9%
RUSSELL 1000 TOTAL RETURN IDX TOTAL RETURN	-3.1%	-4.7%
RUSSELL 1000 VALUE INDEX 1000 VALUE	-3.7%	-4.0%
RUSSELL 1000 GROWTH INDEX RUSL 1000 GROW	-3.3%	-5.5%

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