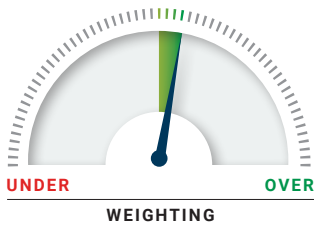


Building Resiliency Amid Uncertainty

After a decade of steady growth and rising asset prices, economies and financial markets were rocked by the COVID-19 pandemic. The global health crisis forced most governments to lock down their communities, halting economic activity almost overnight and causing financial markets to reprice lower at an unprecedented speed. Policymakers responded with extraordinary monetary and fiscal support measures, leading to an equally dramatic upside move in risk assets. The challenge facing investors today is how to construct portfolios in an environment where asset prices appear disconnected from the real economy and the resolution of the health crisis is murky.

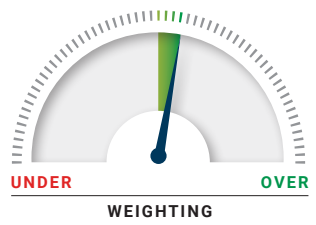
Here is how we are positioning asset allocation portfolios in light of our outlook for the global economy and markets.



OVERALL RISK

Our baseline view is that global economies will gradually recover over the next six to 12 months. We have a modest risk-on posture in multi-asset portfolios, but recognize the distribution of potential paths is wider than usual. We are emphasizing resiliency within procyclical exposures and seeking to access multiple sources of diversification across asset classes.

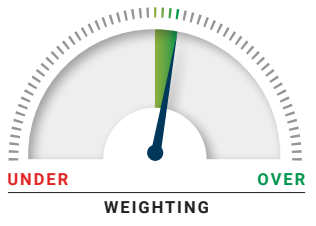
POSITIONING OPPORTUNITIES



EQUITIES

U.S.	-	+
Europe	-	+
Japan	-	+
Emerging markets	-	+

Despite the deterioration in fundamentals, equity valuations appear close to fair after adjusting for easier financial conditions. We favor a modest overweight to equities with a focus on high quality and growth characteristics within sector and country selection. Within countries, this favors the U.S. and Japan over Europe and emerging markets.



RATES

U.S.	-	+
Europe	-	+
Japan	-	+
Emerging markets	-	+

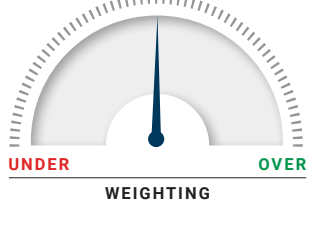
We believe high quality duration should continue to provide a defensive ballast in multi-asset portfolios, despite the recent rally in rates. Rates are likely to stay anchored for the foreseeable future given slow economic growth, weak near-term inflation, and central bank intervention. We hold a modest duration overweight and favor the U.S. and Australia within developed markets, as they have more room to fall in a risk-off event versus Europe and Japan.



CREDIT

Securitized	-	+
Investment grade	-	+
High yield	-	+
Emerging markets	-	+

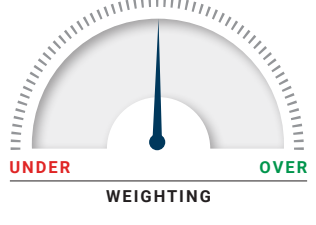
While credit spreads have widened, there is heightened default risk in lower-quality segments of the corporate credit market. We are overweight credit, favoring high quality corporate issuers and mortgage-backed securities while remaining cautious on high yield corporates. Select opportunities in emerging market credit are attractive as well.



REAL ASSETS

Inflation-linked bonds	-	+
Commodities	-	+
REITs	-	+
Gold	-	+

Inflation is likely to be subdued in the near term and markets have priced in low expectations. However, the significant increase in government debt could result in higher inflation over the long run. We have allocations to gold, real estate investment trusts (REITs), and U.S. Treasury Inflation-Protected Securities (TIPS) as hedges against an inflation surprise, but remain cautious on commodity-related assets.



CURRENCIES

U.S. dollar	-	+
Euro	-	+
Yen	-	+
Emerging markets	-	+

We are neutral with respect to the U.S. dollar (USD) given a strong rally year to date. We are currently overweight the Japanese yen (JPY) as a risk-off portfolio hedge. While emerging market currencies appear cheap, we remain cautious in the near term given downside risks posed by the global health crisis.

A "safe haven" currency is a currency perceived to be low risk due to the stability of the issuing government and the strength of the underlying economy. All investments contain risk and may lose value.

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

All investments contain risk. Investing in the **bond market** is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. **Sovereign securities** are generally backed by the issuing government. Obligations of U.S. government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the U.S. government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. **Inflation-linked bonds (ILBs)** issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. **Treasury Inflation-Protected Securities (TIPS)** are ILBs issued by the U.S. government. **Equities** may decline in value due to both real and perceived general market, economic and industry conditions. **Mortgage- and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. Investing in **foreign-denominated and/or -domiciled securities** may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. **Currency rates** may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. **Diversification** does not ensure against loss.

Management risk is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy.

There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. Investors should consult their investment professional prior to making an investment decision.

Alpha is a measure of performance on a risk-adjusted basis calculated by comparing the volatility (price risk) of a portfolio vs. its risk-adjusted performance to a benchmark index; the excess return relative to the benchmark is alpha.

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