2024 Investment Outlook

10 Predictions

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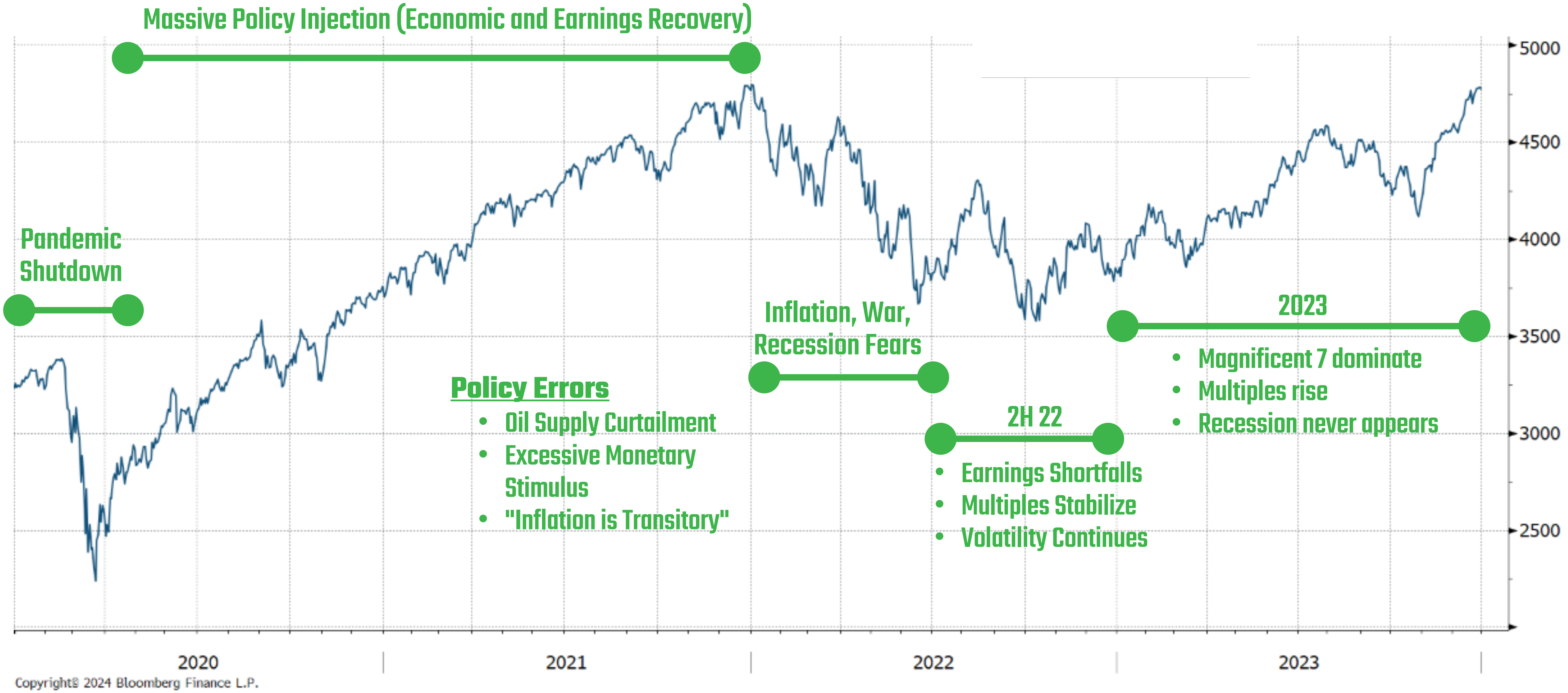
Bob is a financial services industry veteran, with over 40 years experience managing large-cap equity strategies, as well as long and long-short equity strategies. His weekly, quarterly and annual investment commentaries focus on key themes and risks driving equity markets, monetary policy, and the global economy. Bob is a regular guest and contributor to multiple media outlets such as CNBC, Bloomberg TV, Moneywise, and Fox Business News.

2023 Returns

Index	2023
90-Day Treasury Bills (Bloomberg U.S. Treasury Bill 1-3 Month TR)	5.1%
10-Year U.S. Treasury (Bloomberg U.S. Treasury 10+ Yr TR)	3.5%
U.S. Bonds (Bloomberg U.S. Agg Bond TR)	5.5%
High-Yield Corporate Bonds (Bloomberg U.S. Corp High Yield TR)	13.4%
S&P 500 TR Index	26.3%
S&P 500 Equally Weighted	13.9%
MSCI World Ex. U.S. (MSCI World Ex USA NR)	17.9%
MSCI Emerging Markets (MSCI EM NR)	9.8%
Commodities (DJ Commodity TR)	-7.9%

Source: Bloomberg, as of Dec. 31, 2023

S&P 500 4 Year History



Source: Bloomberg, as of Dec. 31, 2023

2023 Predictions Scorecard
Theme: The Fed Calls the Shots

✗	1	The U.S experiences a shallow recession as real GDP is in bottom ten of last 50 years.
✓	2	Inflation falls substantially, but remains above Fed's target.
✓	3	Fed funds reaches 5% and remains there for the balance of the year.
✓	4	Earnings fall short of expectations in 2023 due to cost pressures and revenue shortfalls.
✗	5	No major asset class is up or down by a double-digit percentage for only the fourth time this century.
✗	6	Energy, Consumer Staples, and Financials outperform Utilities, Technology, and Communication Services as Value beats Growth.
✗	7	The average active equity manager beats the index in 2023.
✗	8	International stocks outperform the U.S. for the second year in a row (first time since 2006-2007).
✓	9	India surpasses China as the world's largest population and is the fastest growing large economy.
✓	10	A double-digit number of candidates announce for President.

✓ 5 Correct
✗ 5 Incorrect

5.0 Correct

Why Was There No Recession in 2023?

Strong labor market

Excess savings from COVID

Big Fed injection in March (SVB, et al., collapse)

Significant government spending

Declining oil prices (and inflation generally)

A Good Question

Q: Hey Team

I am a simple man in many respects.
I do not know how you get S&P 11% EPS growth and 5% Revenue Growth in the same year as 6 FED rate cuts (2024 consensus).

You guys are very bright, what am I missing here?

Cheers,
Client

The equity market seems as convinced about a soft landing in 2024 as it was convinced of a recession in 2023.

Source: Strategas

Goldilocks Remains a Fairytale
(You can't have your cake and eat it, too)

1. **Economy slows down but is A-OK**
2. **Inflation falls to Fed target**
3. **Fed cuts rates multiple times**
4. **Earnings grow double-digits**
5. **Multiples stay near 20x**

Intractable Imbalances/Problems

1. There are consequences to the Fed raising rates from 0% to 5 ¼% in 18 months
2. 10+ years of quantitative easing (essentially zero interest rates) will go in history books as a major policy error
3. The U.S. is running a high federal budget deficit at essentially full employment

2024 Investment Questions

1	2	3	4	5
Are consequences of 0 ➔ 5 ¼% over?	Is inflation dragon slayed?	Will "higher for longer" be replaced by "lower and faster"?	Will unemployment rise noticeably?	Will something break?
6	**7**	**8**	**9**	**10**
Can we achieve double-digit earnings growth?	Will multiples stay high?	Who wins election?	Will wars stay contained?	Will China get through their problems?

2024 Outlook

Bull Case		Bear Case
Cutting Cycle Starts Soon!	**The Fed**	“Higher for Longer”
Sustained Decline Back to 2%	**Inflation**	Core Is Stickier Than Expected
“Soft Landing”	**Growth Outlook**	Modest Recession
Double-Digit Growth Ahead!	**Earnings**	Flattish
Sustained at High Levels	**Valuations**	Falling into Rising Risk Aversion
Early Cyclicals & ”Mag 7”	**Positioning**	Defensives & High Quality
“Fed Put” Is Firmly in Place	**“Blow Up” Risks**	Regional Banks: A Warning Sign

Source: Wolfe Research Portfolio Strategy

2023→2024 Handoffs

	2023	2024
GDP	Good	Slowing
Inflation	Slowing	Slowing, but at too slow a pace
Fed	Tightening	Cuts, but how many times?
Jobs	Slowing	Much weaker
Unemployment	Bottoms	Rises
Housing	Declining Activity	Declining prices
Earnings	Flattish	Falls short of expectations

Introduction Summary

A soft landing is assumed based on declining inflation without a major slowdown in economic growth so far.

1. Market discounting Goldilocks scenario
   - Good economic growth
   - Declining inflation
   - Multiple Fed cuts
   - Rising profit margins
   - Double-digit earnings growth
2. Fed cuts, but fewer times than consensus think as core inflation remains somewhat stubborn.
3. If economy and earnings are strong, interest rates will rise and compress equity valuations.

We expect slowing economic growth and profit margin compression.

Prediction 1

The U.S. economy experiences a mild recession as the unemployment rate rises above 4.5%

2024 Economy

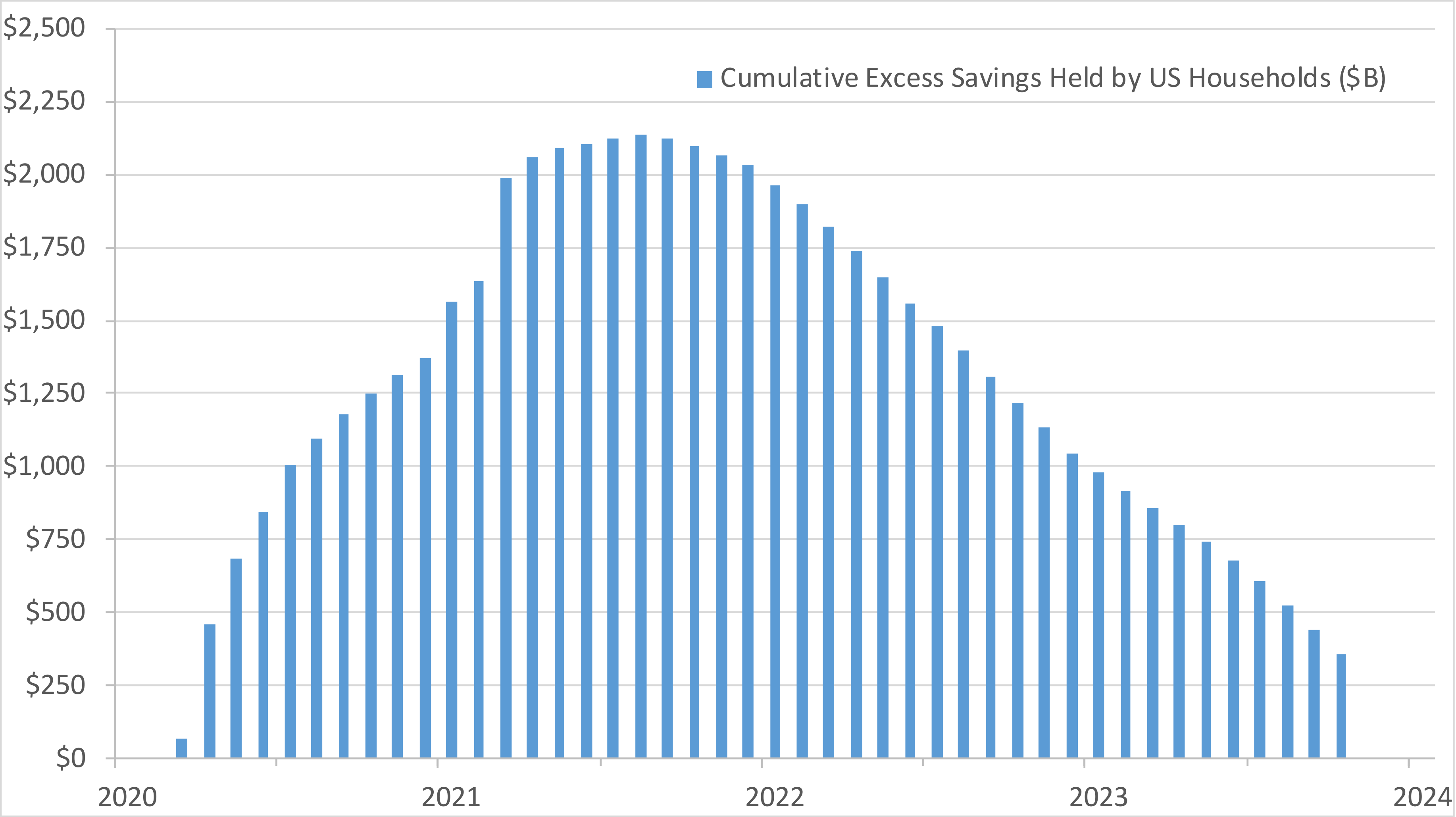
Tailwinds	Headwinds
1. Good nominal GDP / revenue growth	1. Lagged impact of higher Fed funds
2. Good labor market / wage gains	2. Lagged impact of higher bond yields
3. Decent personal savings	3. Banks tightening lending standards
4. Government spending	4. Rising consumer delinquencies
5. Declining gasoline prices	5. Corporate revenue slowing
	6. Inverted yield curve
	7. High retail inventory levels
	8. Savings shortage at low / middle incomes
	9. Commercial real estate excess (esp. office)
	10. Geopolitical turmoil

Source: Piper Sandler

Prediction 1

The U.S. economy experiences a mild recession as the unemployment rate rises above 4.5%

Cumulative excess savings held by U.S. households

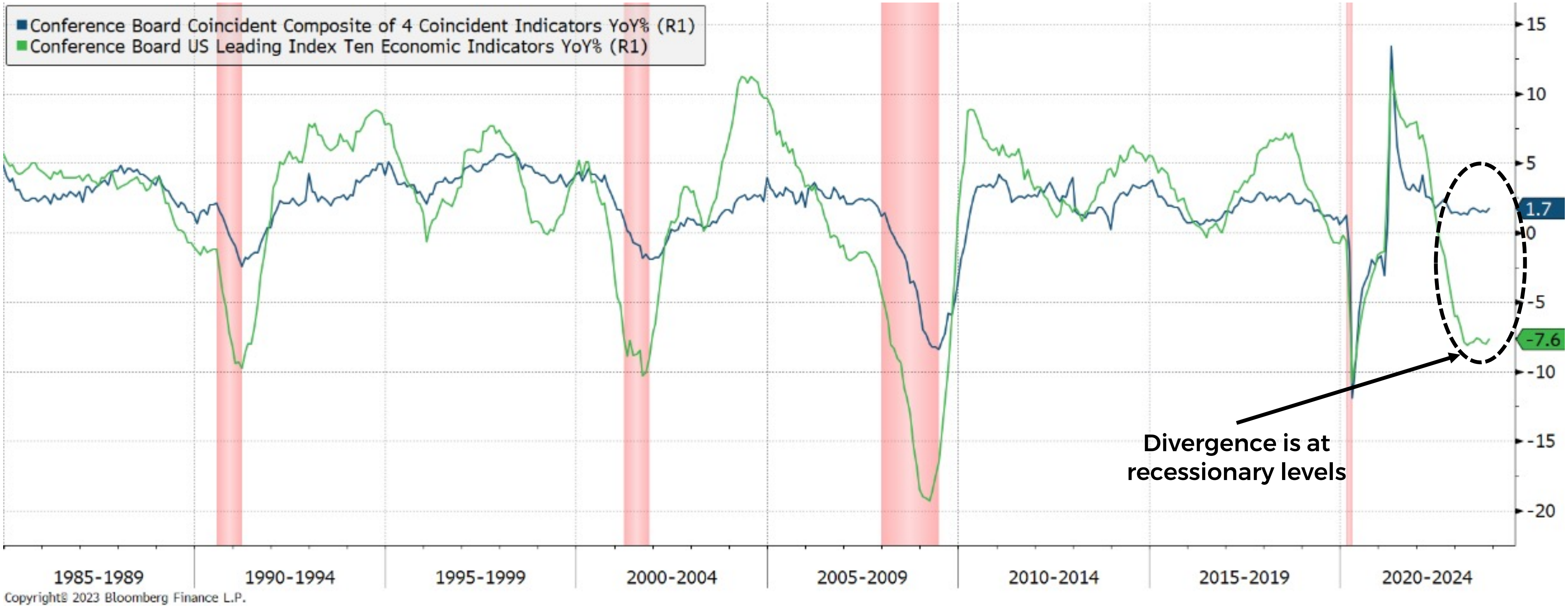


Source: Federal Reserve Bank of San Francisco

Prediction 1

The U.S. economy experiences a mild recession as the unemployment rate rises above 4.5%

Coincident Index vs. Leading Index

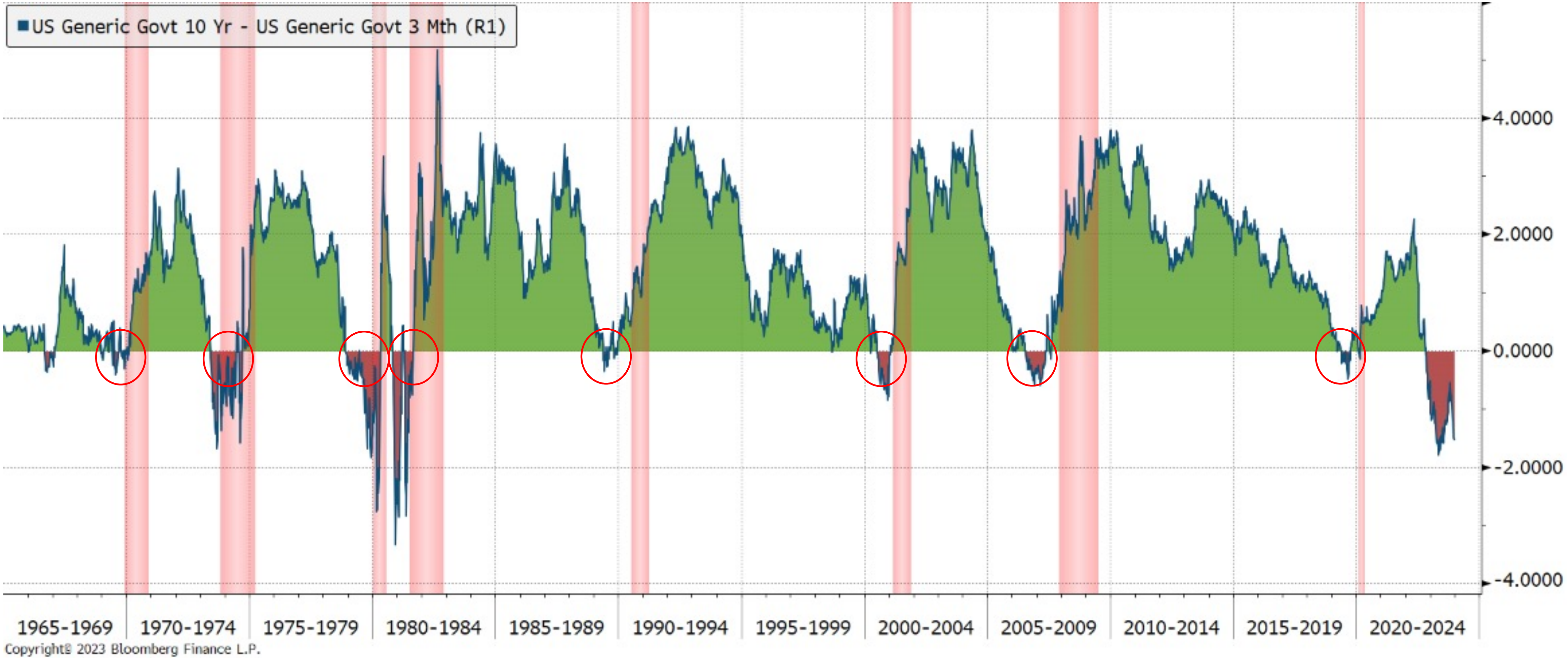


Source: Bloomberg and Conference Board

Prediction 1

The U.S. economy experiences a mild recession as the unemployment rate rises above 4.5%

The consensus has shifted to no landing, but the yield curve has never been wrong … the lead-lag averages 18 months (it inverted in October '22)



Source: Bloomberg

Prediction 1

The U.S. economy experiences a mild recession as the unemployment rate rises above 4.5%

We're just entering the timeframe when tightening triggers a downturn

Fed Funds Initial Hike	First Quarter of Recession	Quarters from Liftoff
3Q 1958	3Q 1960	8
4Q 1967	1Q 1970	9
2Q 1972	1Q 1974	7
2Q 1977	2Q 1980	12
4Q 1980	4Q 1981	4
4Q 1986	4Q 1990	16
2Q 1999	2Q 2021	8
3Q 2004	1Q 2008	14
Average		10
1Q 2022	?	8

Source: Piper Sandler

Prediction 1

The U.S. economy experiences a mild recession as the unemployment rate rises above 4.5%

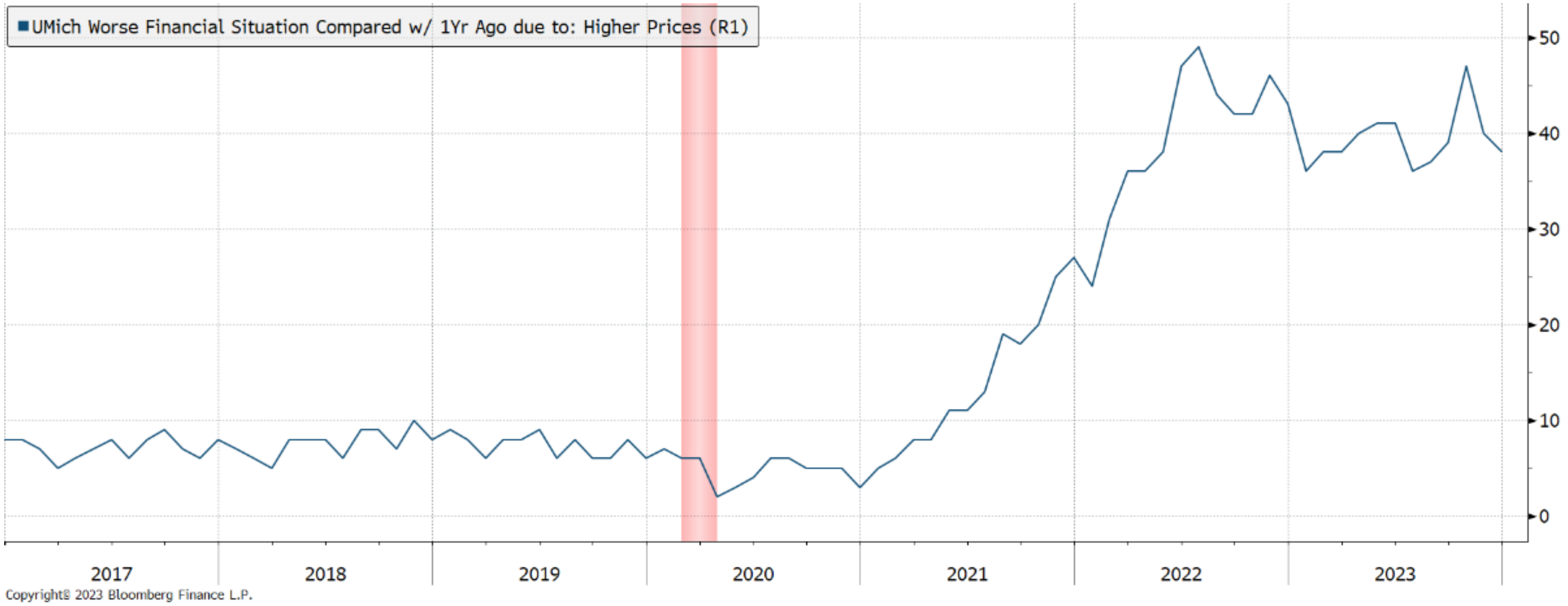
U.S. Unemployment Rate Total in Labor Force Seasonally Adjusted

Source: Bloomberg

Prediction 2

The 2-3% inflation ceiling of the 2010s becomes the 2-3% inflation floor of the 2020s

Inflation may be down, but prices aren't. And consumers hate it.



Source: Bloomberg

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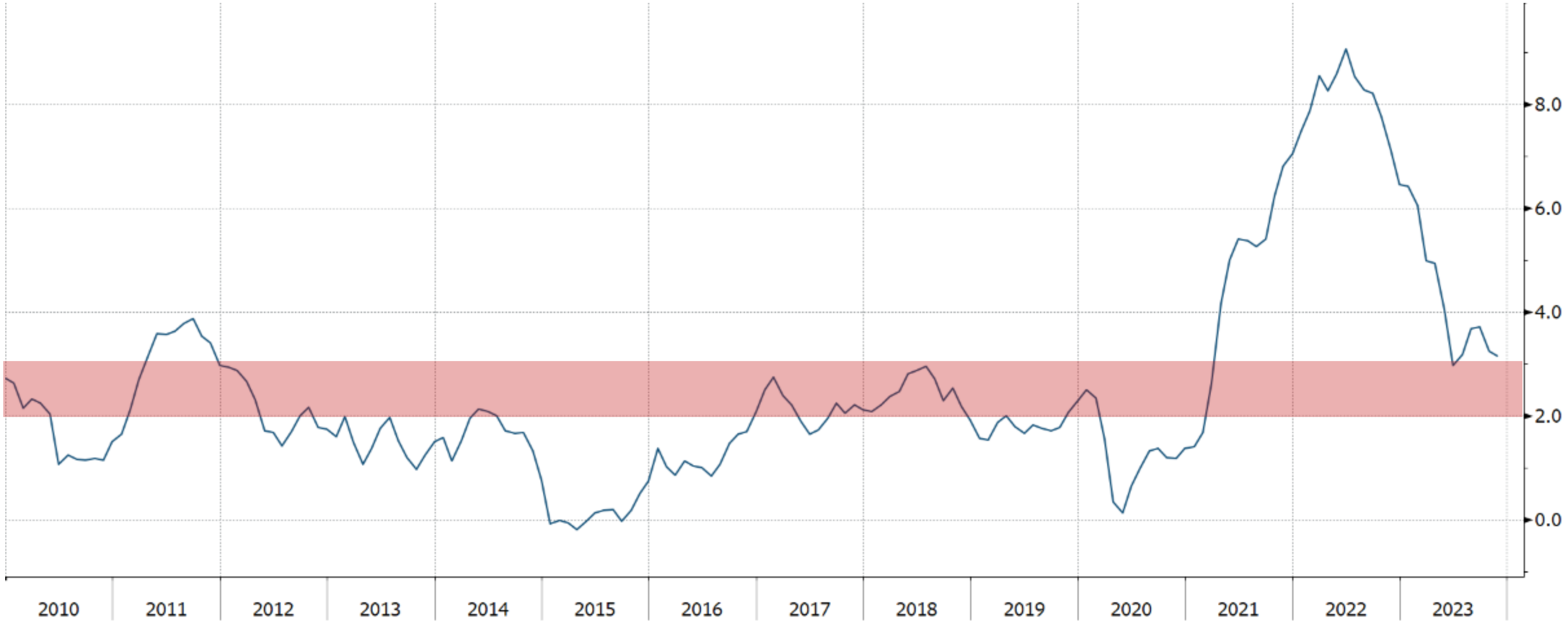
US CPI Inflation year over year %



Source: Bloomberg

Prediction 3

The Fed cuts rates fewer than the six times suggested by the Fed funds futures curve

Is mission accomplished?

	CPI Trailing 12 Months	
	Headline	**Core**
November 2022	**7.1%**	**6.0%**
November 2023	**3.1**	**4.0**

Note: Energy is -5.4% over the past 12 months.

Source: FactSet

Prediction 3

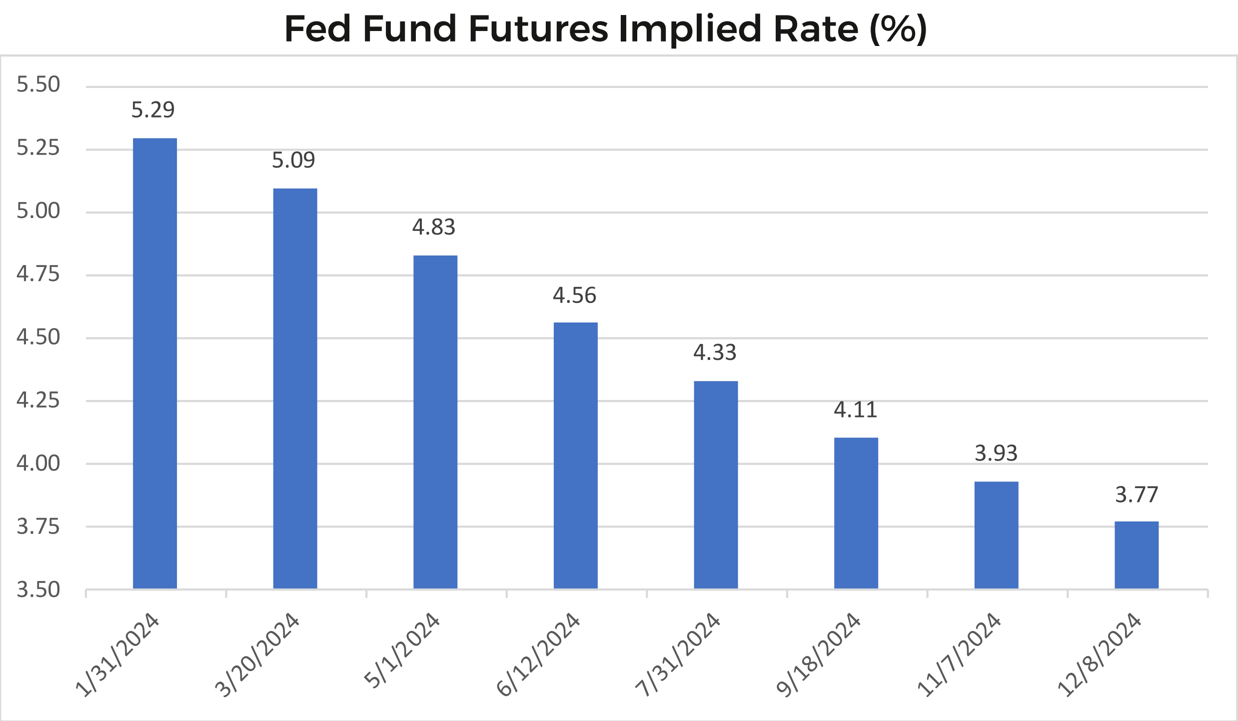
The Fed cuts rates fewer than the six times suggested by the Fed funds futures curve

Observations/Expectations

1. The Fed's tightening cycle has been the most aggressive in amount and speed since 1980.
2. Because rates rose so quickly, the full lagged effects of the tightening have yet to hit the economy.
3. Core PCE falls, but disappoints the Fed and the consensus
4. Payroll growth slows to 100K per month, before several months of negative growth

Are investors too complacent on inflation?

1. Services inflation is still elevated
2. Wage growth remains robust
3. Intentions to cut spur easier financial conditions
4. Attempts to guarantee a soft landing could lead to stubborn inflation
5. Watch bond yields carefully



Source: Bloomberg

Prediction 4

Credit spreads widen as interest rates decline

10-Year Treasury Returns (Since 1928)

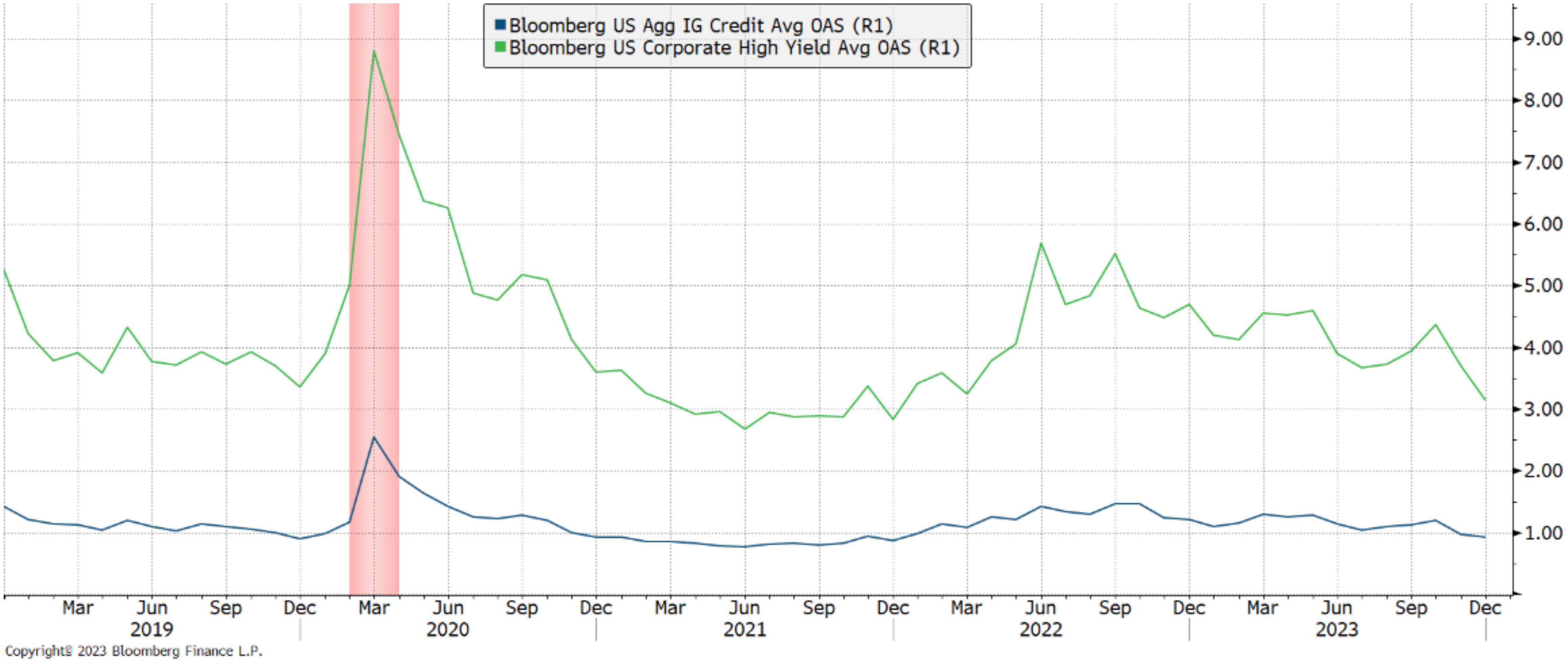
Number of down years (Total Returns)	19/96	20%
Number of back-to-back down years	3/95	3%
Number of three down years in a row (In fact, never in the 250-year history of U.S. Treasuries)	0/95	0%

Note: Total return for 2021-2022 was worst in over 100 years; 2023 return turned positive in Q4

Sources: FactSet, Crossmark Global Investments

Prediction 4

Credit spreads widen as interest rates decline



Source: Bloomberg

Prediction 4

Credit spreads widen as interest rates decline

Our base case:

- 10-year yields back up early in 2024, but end the year with a 3-handle
- 10-year Treasury range 3.50% - 4.50%; year-end target 3.75%
- Credit spreads widen by at least 50 basis points during 2024

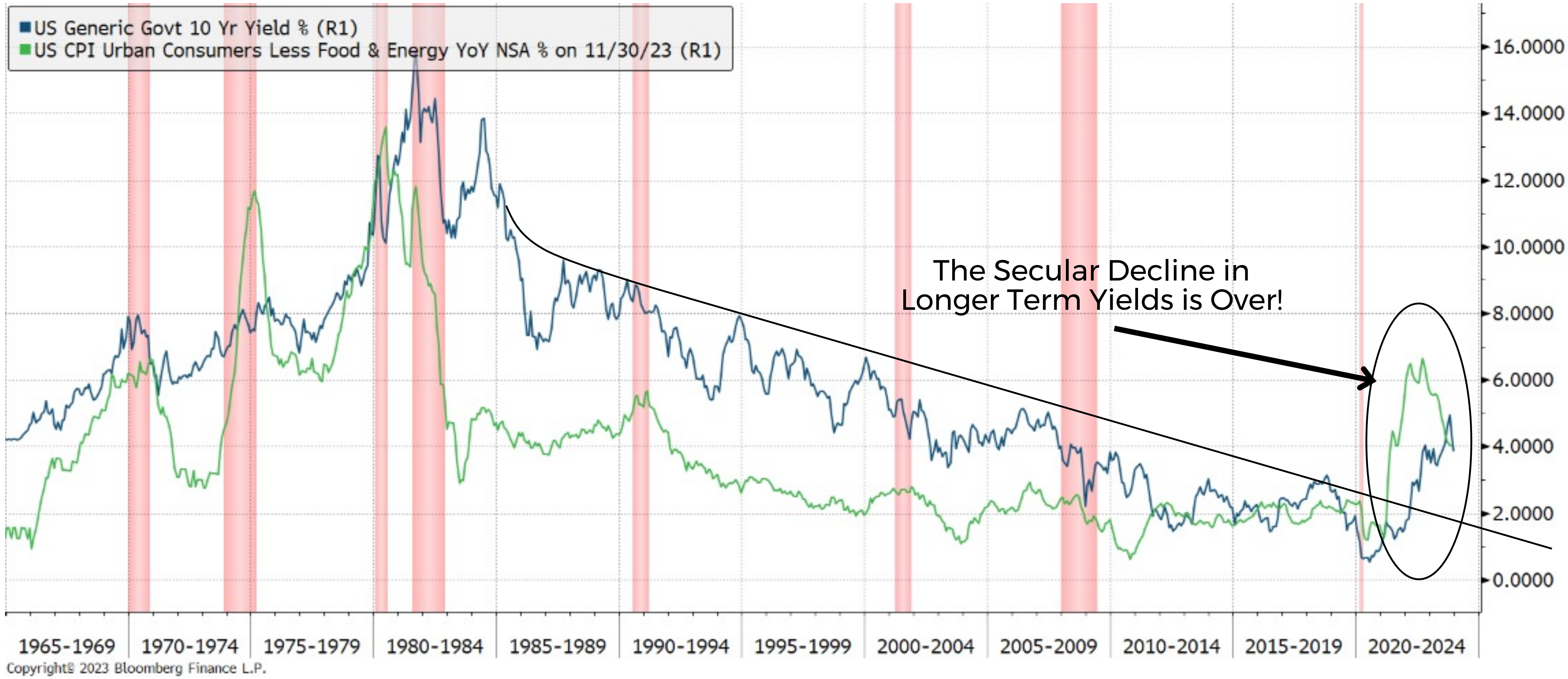
Fixed income positioning:

- Maintain neutral duration as Fed decision timing is unclear
- Use a barbell – short-term and 7+ years
- Focus on quality (spreads likely to widen), i.e., investment grade
- Hold some highly liquid securities to alter duration as volatility increases
- Munis attractive vs. investment grade corporates

Prediction 4

Credit spreads widen as interest rates decline

U.S. Core CPI YoY vs. 10Y Yield Graph

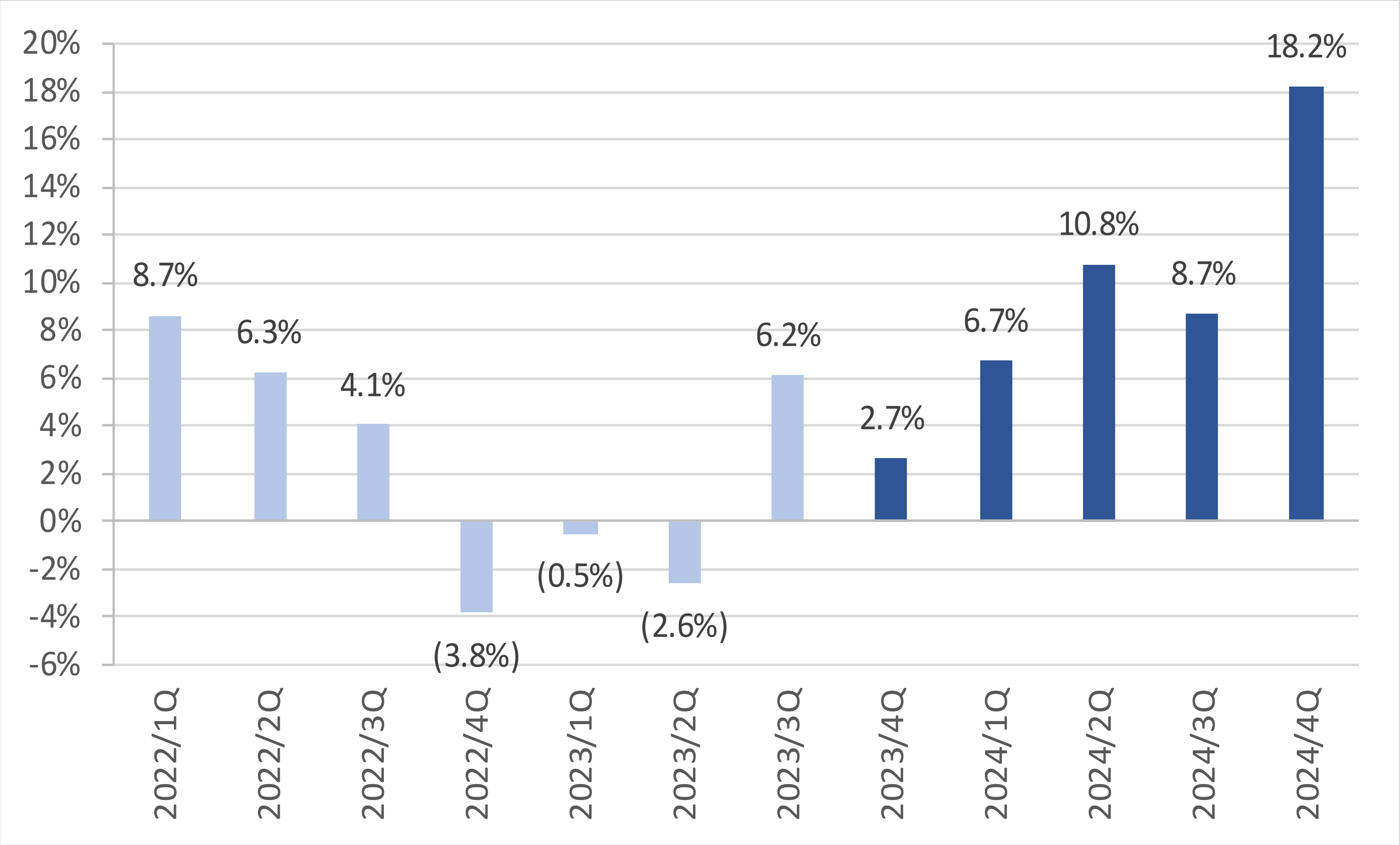


Source: Bloomberg

Prediction 5

Earnings growth falls short of the double-digit percentage consensus expectation.

Consensus: The earnings recession is likely over



Source: FactSet

Prediction 5

Earnings growth falls short of the double-digit percentage consensus expectation

Our guess (S&P 500 EPS)

	Baseline	Mild Recession	Bull Case	Consensus*
2022	$222	$222	$222	$222
2023 E	$223	$223	$223	$223
2024	$235 +5%	$200 -10%	$245 +10%	$248 +11%
2025	$250 +6%	$230 +15%	$270 +10%	$276 +11%

*Source: FactSet

Prediction 5

Earnings growth falls short of the double-digit percentage consensus expectation

U.S. 12-Month Forward EPS During Past Recessions

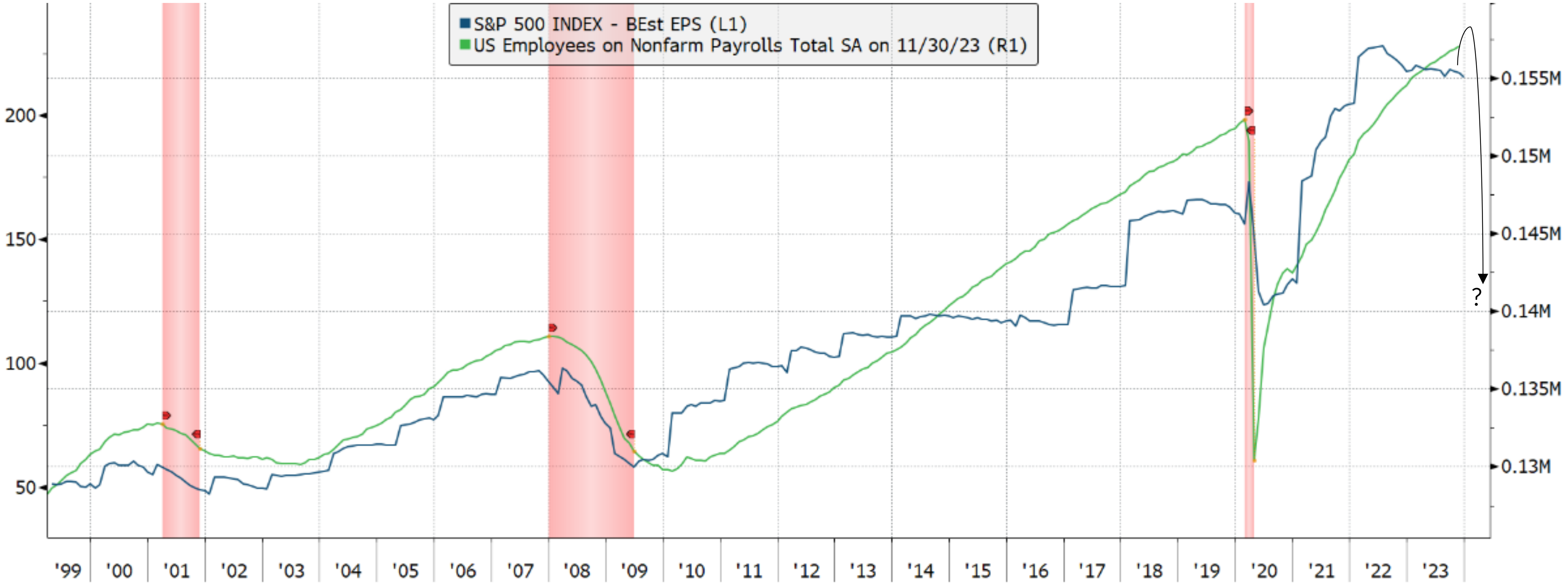
MSCI US 12-Month Fwd. EPS			
Recession year	Peak date	Trough date	Peak to trough move
1990	Jan. 1991	May 1991	-14%
2001	Aug. 2000	Nov. 2001	-23%
2008	Oct. 2008	April 2009	-40%
2020	March 2020	Sept. 2020	-15%
Average			-23%
Median			-19%

Source: FactSet

Prediction 5

Earnings growth falls short of the double-digit percentage consensus expectation

Earnings outlook inextricably linked to employment



Source: Bloomberg

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

The market has already baked in a prolonged cutting cycle

Source: Bloomberg

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

Real GDP Range	# Instances	Average Return	Median Return
< 0%	11	+18.3%	+23.5%
0 – 2%	9	(4.3%)	0.0%
2 – 4%	29	+8.6%	+10.8%
> 4%	27	+9.6%	+12.4%
All years (1947 – 2022)	76	+8.9%	+11.1%

Source: RBC

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

Valuation Metric	S&P 500	
	Current	Historical Percentile
Forward P/E	18.8x	81%
EV/EBITDA	13.4x	88%
EV/Sales	2.8x	93%
Free Cash Flow Yield	4.2%	43%
Price/Book	4.3x	88%
U.S. Market Cap/GDP	196%	94%

Source: Goldman Sachs

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

Scenario Analysis

S&P 500 Current: 4,750

	Earnings	P/E						
2023	$223	21.3x						
	Baseline		Mild Recession		Bull Case		Consensus	
2024	$235	20x	$200	24x	$245	19.5x	$248	19x
2025	$250	19x	$230	20.5x	$270	17.5x	$270	17x

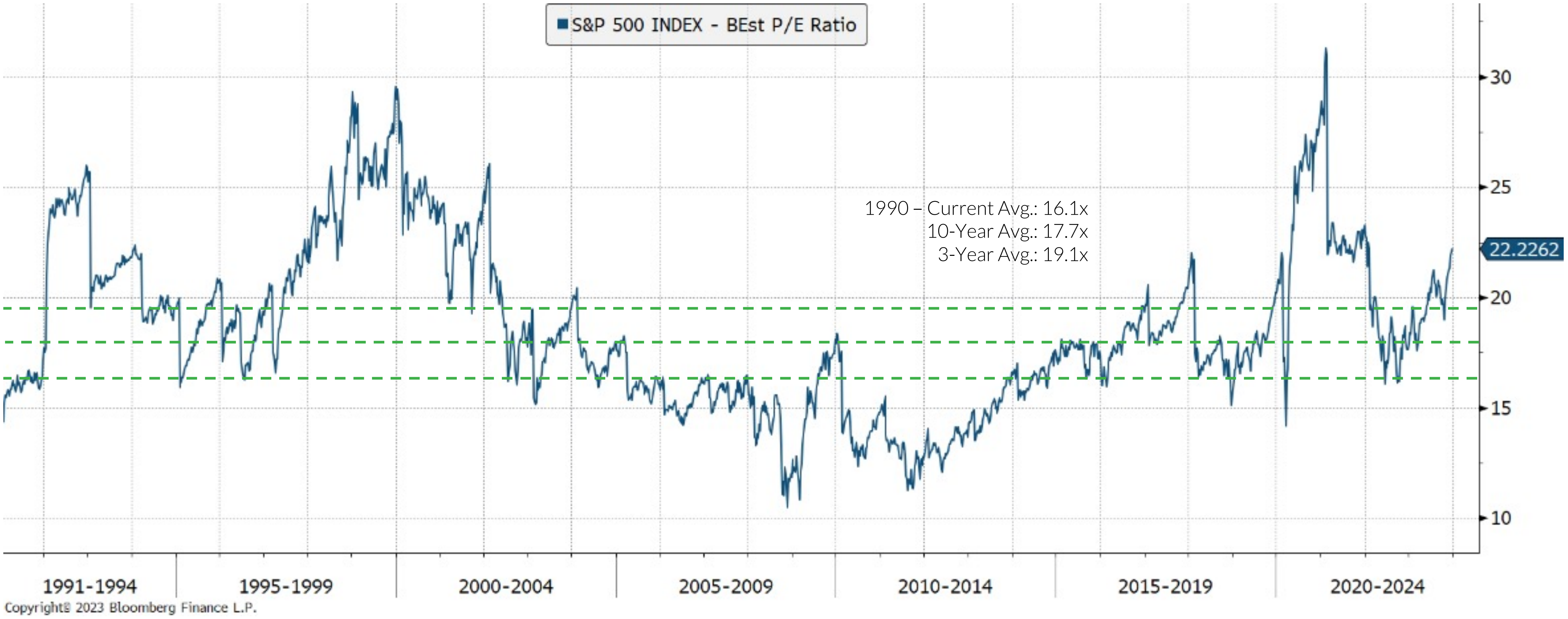
	Probability	Fair P/E	EPS	
Mild Recession	30%	18 x	200 =	3,600
Base Case	50%	20 x	235 =	4,700
Bull Case	20%	18 x	245 =	4,590
Weighted Average				4,350

= Year-End Target

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

Stocks are not cheap!



Source: Bloomberg, Wolfe Research

Prediction 6

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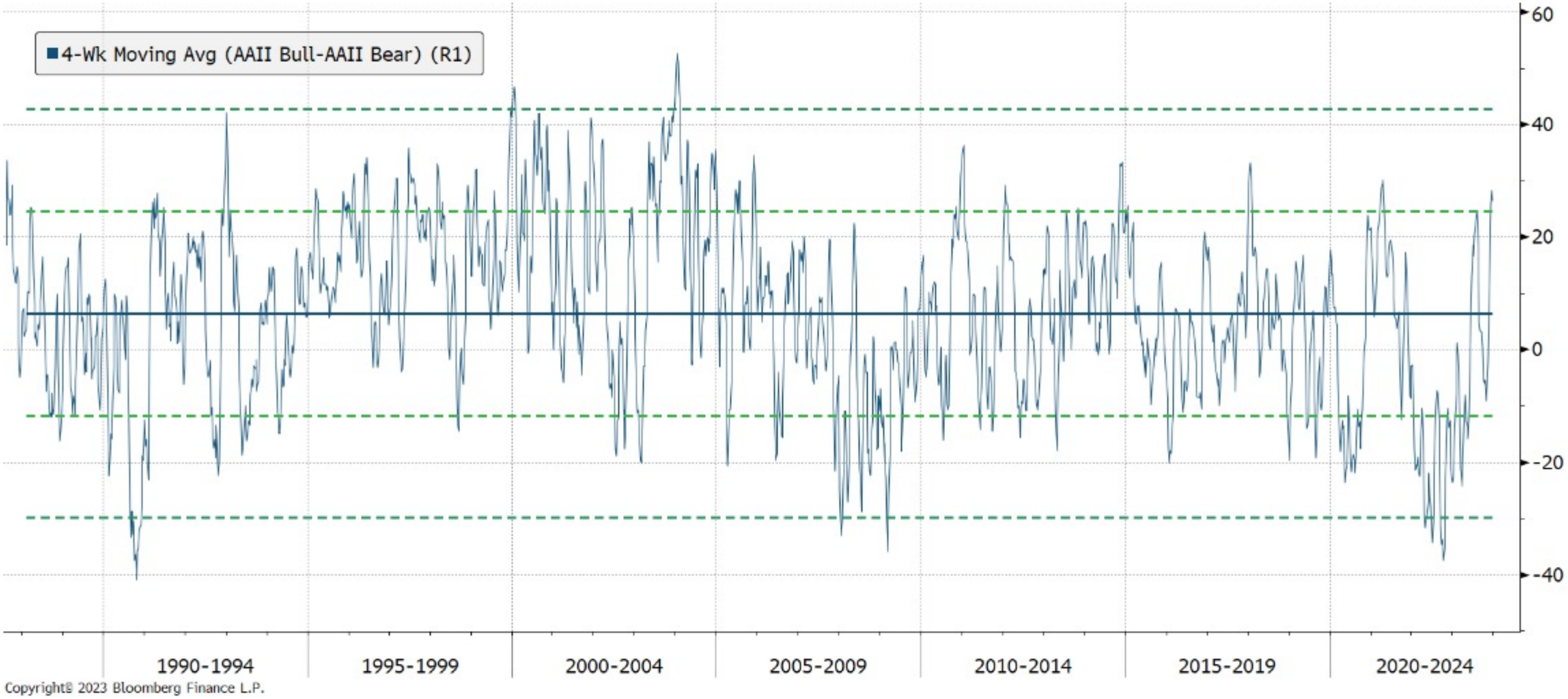
Bulls starting to dominate again (unlike the end of 2022)



Source: Bloomberg, AAII

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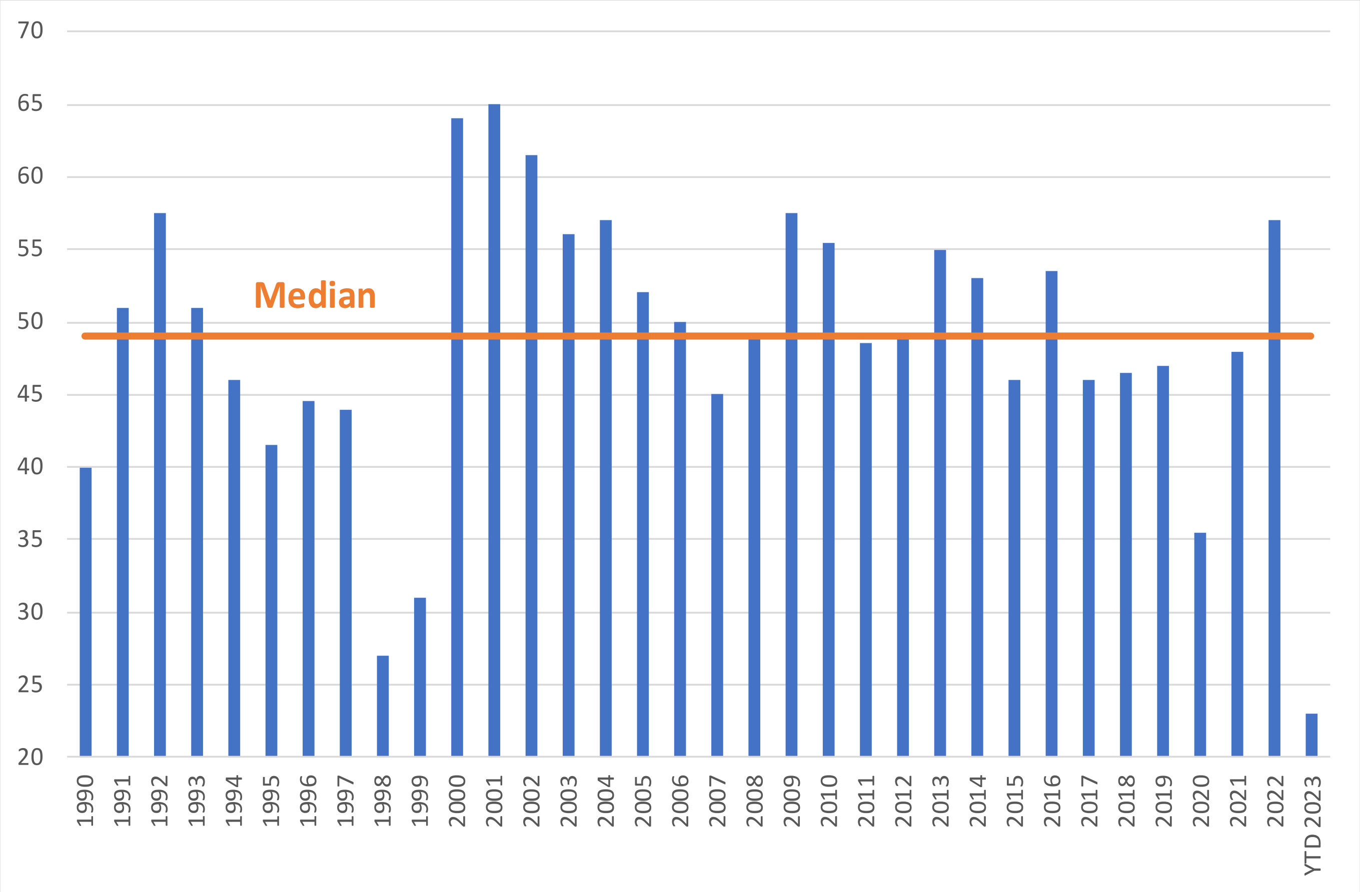
Percentage of Stocks Outperforming Index



Ticker	Weight in S&P 500	YTD Return
MSFT	7.19%	55.8%
AAPL	6.92%	49.8%
GOOG/GOOGL	3.74%	59.8%
AMZN	3.49%	83.1%
NVDA	3.06%	235.2%
META	1.94%	194.2%
TSLA	1.78%	106.6%
TOTAL	**28.12%**	

Median YTD 2023 return is 83.1% as of 12/21/23
Avg. YTD 2023 return is 112.1% as of 12/21/23

Russell 2000 hit a new 52-week high on Dec. 14, 2023, just 48 days after a 52-week low. That's the shortest turnaround in history!

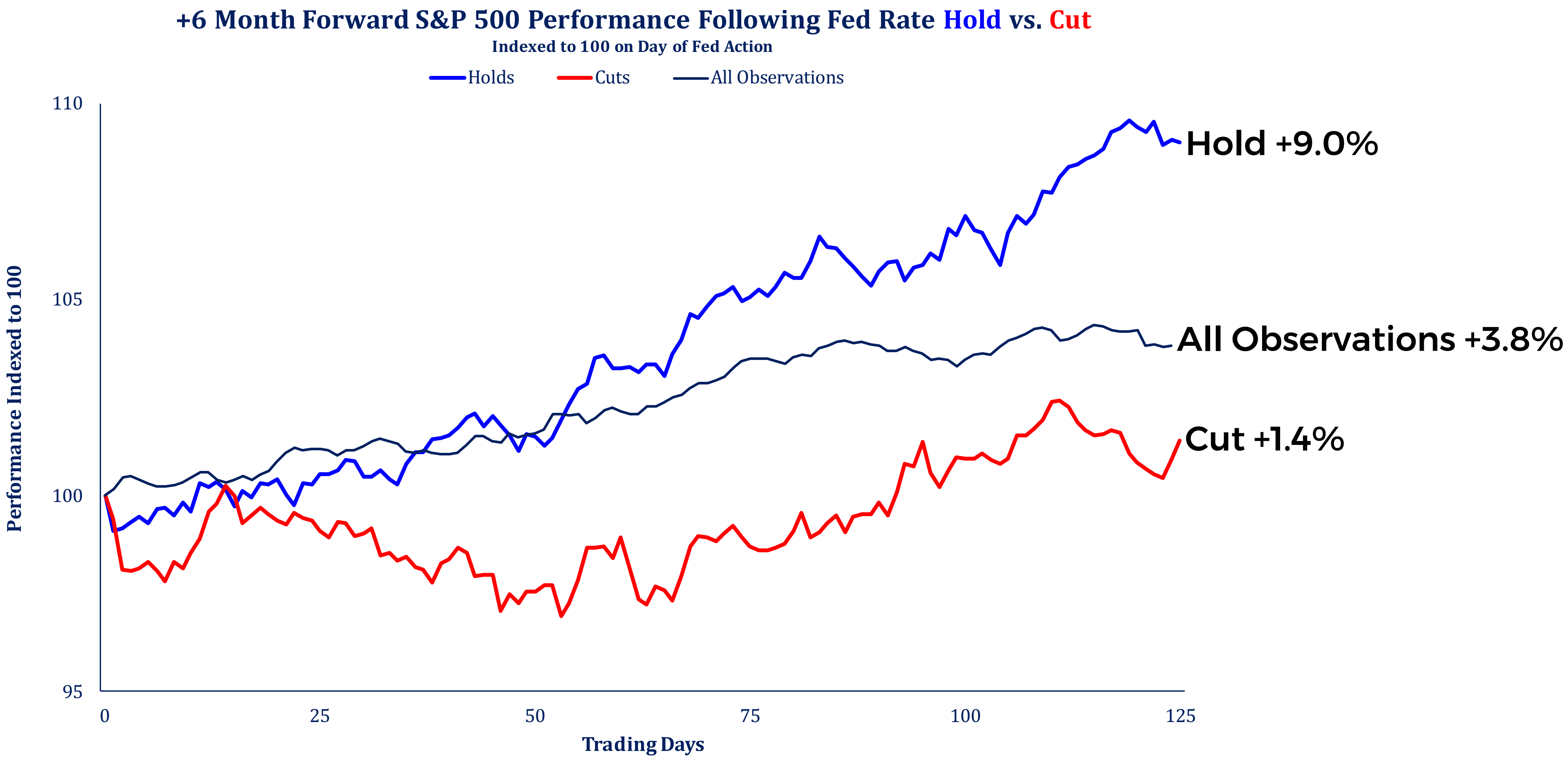
Source: FactSet

Source: Richard Bernstein Advisors, LLC

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

Fear the Cut, Not the Pause



Source: Strategas

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

Source: Professor Robert Shiller, Yale School of Management; Strategas

Prediction 6

Stocks record a new all-time high early in the year, but then experience a fade

Starting P/E	S&P 500 Average Forward Returns			
	1-Year	3-Year	5-Year	10-Year
<10x	13.4%	11.2%	12.3%	11.5%
10-12	14.9%	13.0%	10.4%	10.5%
12-14	10.5%	9.1%	8.5%	9.6%
14-16	12.4%	10.9%	9.8%	9.3%
16-18	6.4%	6.3%	5.3%	5.2%
18-20	7.4%	6.0%	5.5%	4.4%
>20	3.9%	4.4%	5.5%	3.0%

Source: Strategas

Prediction 7

Energy, Financials and Consumer Staples outperform Utilities, Healthcare and Real Estate

Overweights	Underweights
Energy • Cheap; strong earnings generation • Strong and growing cash flow • Global energy security concerns Risk: World peace	**Utilities** • Dividend yield less attractive • Payouts high • Not cheap vs. bonds Risk: Late cycle outperformance track record
Financials • High quality/low leverage vs. history • Historically inexpensive • Eventually positive yield curve Risk: Regulatory risk; commercial real estate	**Healthcare** • Typical election year underperformance • Poor drug pipeline • Not particularly cheap Risk: Good defensive characteristics
Consumer Staples • Defensive characteristics if recession • Weakening dollar beneficiary • Valuations have de-rated Risk: Will lag in economy and market recovery	**Real Estate** • Commercial/office space risk • Tough to secure investment capital • Patience required given headwinds Risk: Dividends strong

Prediction 7

Energy, Financials and Consumer Staples outperform Utilities, Healthcare and Real Estate

Sector Earnings vs. Capitalization Comparison

	Earnings Weight	Sector Weight in S&P 500	Difference
Energy	7.4%	4.0%	3.5%
Financials	17.6%	12.9%	4.6%
Staples	6.4%	6.2%	0.2%
	31.4%	23.1%	8.3%
Utilities	2.9%	2.4%	0.5%
Healthcare	14.1%	12.7%	1.4%
Real Estate	1.3%	2.5%	(1.2)
	18.3%	17.6%	0.7%

Source: Strategas. As of 12/2/22.

Prediction 7

Energy, Financials and Consumer Staples outperform Utilities, Healthcare and Real Estate

S&P 500 Sector Earnings Contribution and Market Cap Weight

Sector	Next 12 Mo. Earnings Contribution (%)	Market-Cap Weight (%)	Difference b/w NTM Contribution and Market-Cap Weight (%)
Finance	17.6	12.9	4.6
Energy	7.4	4.0	3.5
Healthcare	14.1	12.7	1.4
Communications	3.4	2.9	0.6
Utilities	2.9	2.4	0.5
Consumer Discretionary	5.9	5.7	0.3
Industrials	8.6	8.4	0.2
Consumer Services	6.4	6.2	0.2
Materials	2.5	2.4	0.1
Real Estate	1.3	2.5	(1.2)
Technology	9.4	11.4	(2.1)
Magnificent 7	20.5	28.7	(8.2)

Source: Strategas

Prediction 7

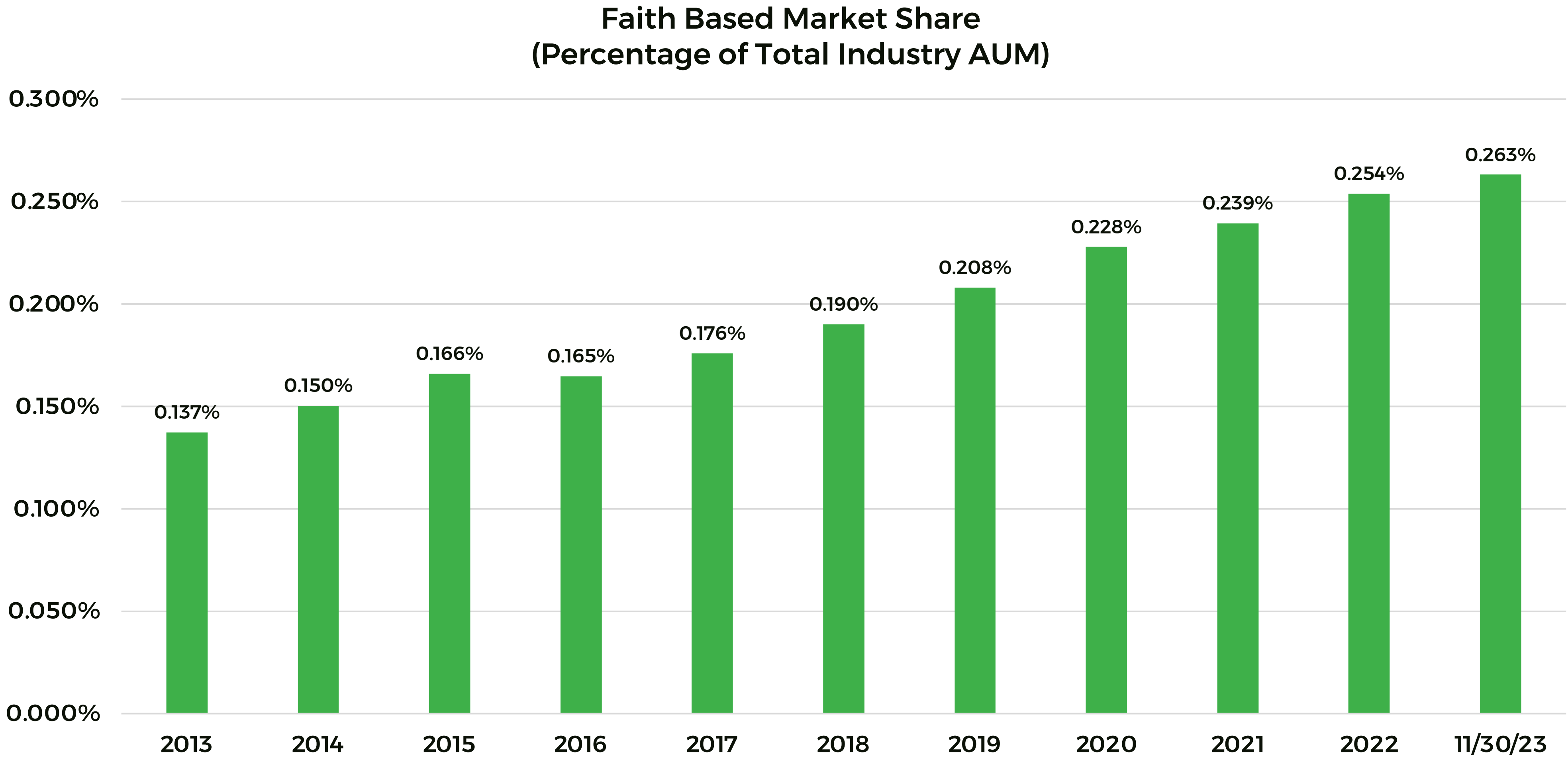
Energy, Financials and Consumer Staples outperform Utilities, Healthcare and Real Estate

- Preferred Characteristics
  - High Quality
  - High Earnings Predictability
  - High Earnings Persistence
  - Good Cash Flow Generators
  - Selected Cheap Cyclicals

Small Caps cheap but tend not to do well in economic deceleration. But market is broadening, which is helping small stocks.

Prediction 8

Faith-based share of industry AUM rises for the eighth year in a row



Source: Morningstar and Crossmark

Prediction 8

Faith-based share of industry AUM rises for the eighth year in a row

Faith-Based Investing

1. Primarily, but not exclusively, a Christian endeavor
2. Attempt to line up investments with values
3. Faith-based investing is not ESG
4. How much in returns do I have to give up? (Numerous empirical studies show no difference in returns.)
5. Avoid/Embrace/Engage
6. Avoid companies doing “bad”; embrace companies doing “good”
7. Goal – “Well done, good and faithful servant.”

Prediction 8

Faith-based share of industry AUM rises for the eighth year in a row

Assets Under Management

	Fund Family	Total Net Assets ($ B)
1	GuideStone Funds	17.0
2	Eventide Funds	6.3
3	**Crossmark Global Financial/Steward Funds**	**5.0**
4	Ave Maria Mutual Funds	2.9
5	Praxis Mutual Funds	2.4
6	Timothy Plan	2.1
7	Inspire	1.6
8	Knights of Columbus Asset Advisors	1.4
9	OneAscent Investment ETF	0.3
	TOTAL	**38.9**

Source: Morningstar, Mutual fund data as of Oct. 31, 2023; SMA data as of Sept. 30, 2023

Prediction 9

Geopolitical crosscurrents multiply but have little impact on markets

Geopolitical Issues

1. Extreme polarization within U.S. (on lots of issues, especially wars)
2. Two highly unpopular leaders running for president
3. Ukraine-Russia war
4. Middle East war
5. Iran nuclear threat
6. China cold war
7. Global political uncertainty: 40% of countries, 41% of population, nearly 60% of global GDP, and nearly 80% of stock market capitalization experiencing national elections in 2024

Prediction 9

Geopolitical crosscurrents multiply but have little impact on markets

Why Little Impact?

- Markets are primarily about transmission mechanism to the economy
- E.g., 1) Markets have so far ignored the Middle-East crisis because energy markets have not been impacted.
- E.g., 2) Europe successfully avoided energy rationing last winter and natural gas storage seems plentiful this winter.

<u>Emergence of a multi-polar world/End of U.S. Hegemony</u>

- U.S.-Europe, et al.
- China-Russia-Iran-North Korea
- “Neutral” countries

<u>Recent Events</u>

- Washington Post (December 12) reports that the Chinese have penetrated U.S. power and water utilities as well as communication and transportation systems especially in Texas, Hawaii, and parts of the West Coast.

Prediction 9

Geopolitical crosscurrents multiply but have little impact on markets

Country	Earnings Yield (%)	Local 10-Year (%)	Equity Risk Premium (%)
China	9.0	2.6	6.5
United Kingdom	9.1	3.5	5.6
Singapore	8.2	2.7	5.5
Japan	6.1	0.6	5.5
Germany	6.8	1.9	4.9
Switzerland	5.2	0.6	4.6
France	6.8	2.5	4.3
Hong Kong	7.0	3.2	3.8
Canada	6.2	3.1	3.1
Australia	6.2	3.9	2.3
United States	4.2	3.8	0.4
New Zealand	2.5	4.3	(1.8)
India	3.5	7.2	(3.7)

Source: Bloomberg, Strategas

Prediction 10

The White House, Senate and House all switch parties in November

Key Issues	
1.	Tax policy (Extension of Trump tax cuts)
2.	Massive fiscal deficits/increased interest expense/entitlements
3.	Relationship with China (trade, technology, Taiwan)
4.	NATO commitment/Ukraine funding
5.	Middle East war funding/Middle East relationship
6.	Possible tariffs (more nationalism)
7.	Southern border/drug traffic/cities and crime

Will the Supreme Court play a significant role in the election?

Prediction 10

The White House, Senate and House all switch parties in November

Factoids

1. Voters have kicked out of office the party in power in nine of the last 10 elections.
2. The stock market has not declined in a year in which an incumbent president was running for election since 1952 (whether or not the incumbent was re-elected.)
3. No incumbent president has run for re-election and lost if there was no recession in the two years leading up to election.
4. No incumbent president has run for re-election and won if there was a recession in the two years leading up to election.
5. In the three months leading up to election day, the incumbent party has been re-elected 92% of the time if the market is up.
6. In the three months leading up to Election Day, the incumbent party has been defeated 73% of the time if the market is down.

Source: Strategas

Prediction 10

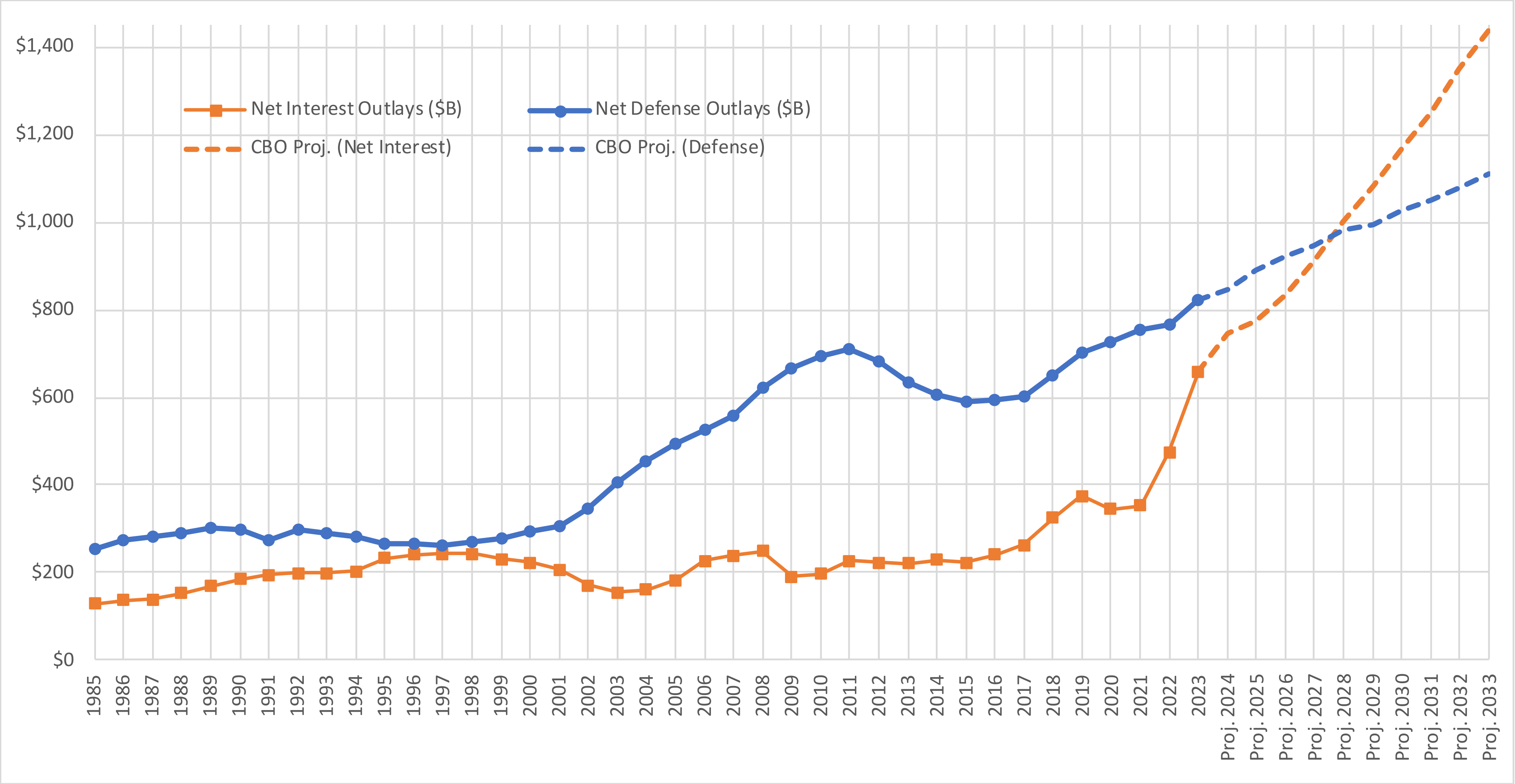
The White House, Senate and House all switch parties in November

Voters have removed the party in power in eight of the last nine elections (this is the most political turnover in the U.S. since Reconstruction post the Civil War).

	President	House	Senate
2004	R	R	R
2006	R	D	D
2008	D	D	D
2010	D	R	D
2012	D	R	D (only unchanged election in the last nine)
2014	D	R	R
2016	R	R	R
2018	R	D	R
2020	D	D	D
2022	D	R	D
2024 (Estimated)	R	D	R

Source: Strategas

Major Components of Federal Spending



Source: Congressional Budget Office (CBO)

Conclusions

1. The delayed recession shows up in 2024.
2. Inflation continues to fall but central bank targets (2%) remain elusive.
3. The Fed lowers rates, but less than expected.
4. Earnings fall short of expectations, even without a recession.
5. Stocks are expensive on most all measures.
6. Own stocks with good earnings predictability and persistence, and strong cash flow.
7. Do some dollar cost averaging into international.
8. Expect dollar weakness.
9. Geopolitical threats continue to create uneasiness.
10. Election crosscurrents continue to accentuate polarization.

Risks

1. Recession
2. Inflation returns with monetary easing
3. Earnings disappoint
4. Bond vigilantes strike due to debt/interest expense
5. Stocks suffer with P/E nosebleed
6. Something breaks (e.g., commercial real estate)
7. Oil is impacted by Middle East conflict
8. Dollar falls significantly
9. Political polarization has bad consequences
10. New geopolitical hotspot

What Can Go Right?

1. No Recession
2. Global and economic growth picks up
3. Inflation falls to Fed's 2% goal
4. Short and long-term interest rates continue to fall
5. Earnings grow double-digit
6. AI benefits are felt early
7. Ukraine/Russia Settlement
8. Middle East conflict ends
9. Political environment calms down
10. Cash comes off sidelines into stocks and bonds

What To Do?

1. Expect choppy markets (buy dips/trim rallies)
2. Focus on earnings growth and free cash flow (not P/E expansion)
3. Own some quality fixed income
4. Diversify across asset classes and geographies (more non-U.S.)
5. Own high-quality value and less expensive growth
6. Consider an absolute return strategy to complement market exposures
7. Be prepared to step up if significant weakness

Fundamentals Favoring Active Management

1. Higher interest rates increase dispersion
2. Peaking of recent concentration of Magnificent Seven (broadening of market)
3. Lower returns
4. Up-cap expensive / down-cap cheap
5. Active tends more toward equal weight than cap-weighted portfolios

Think About the Long Term and Stay Diversified

1. Inflation rise curtails returns
2. High starting valuation and profit margins suggest lower returns going forward
3. Equity returns acceptable, but below long-term averages
4. International markets begin to outperform
5. Traditional balanced portfolios mediocre
6. A gradual decline in U.S. dollar
7. India to extend lead over China
8. Emerging markets offer the best, but most volatile, long-term performance
9. Pension plans expected rates of return not realized
10. Absolute return products are more interesting

10-Year Return Forecast By Asset Class	Forecasted Return Range
Equities	**4-6%**
U.S.	4-6%
Non-U.S. Developed Markets	4-6%
Emerging Markets	5-7%
Bonds	**2-4%**
U.S. Government	2-4%
U.S. Investment Grade	2-4%
U.S. High Yield	3-5%
Emerging Market Sovereign	4-6%
Cash	**2-4%**
Inflation	**3-5%**
Diversified Portfolios	
Conservative	2-4%
Balanced	3-5%
Aggressive	4-6%

What to Expect Over the Next 10 Years

1. More modest investment market returns
2. Another recession
3. Population: older, with more grandparents than grandchildren
   - World population growth nearly 100% in 65 and older citizens
   - Obese children now outnumber underweight children for the first time ever
4. Technological innovation: information, healthcare, energy, and manufacturing
5. Robots and automation threaten jobs
6. Smart phone turns into smart everything
7. Space tourism
8. Globalization replaced by more isolationism/protectionism/populism
9. U.S./China cold war
10. Cyber warfare, possible biological warfare

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