

# QUARTERLY COORDINATES 2Q 2024

HI-SCORE

39598



# THE NEXT LEVEL UP

ARE YOU READY?

YES ◀

NO

Lawrence V. Adam III, CFA, CIMA®, CFP®

Chief Investment Officer

RAYMOND JAMES

INVESTORS  
39990

 X 5

TOPIC  
1-7

TIME  
3300

CONGRATULATIONS!  
YOU COMPLETED  
LEVEL 2



INVESTORS  
39990



TOPIC  
1-7

TIME  
3300

## LEVEL 1 ACHIEVEMENTS

Global COVID Recovery  
Unprecedented Fiscal Stimulus  
Supportive Fed Monetary Policy  
Record Spending By Consumer  
Healthy Recovery in Employment  
Improving Corporate Fundamentals

## LEVEL 2 ACHIEVEMENTS

Economy Stronger Than Expected  
Inflation Decelerating  
Record High Equity Market  
Record Corporate Earnings  
Credit Spreads Nearing Record Lows  
Low Impact From Geopolitical Events



2019



2022

Now

INVESTORS  
39990

 X 5

TOPIC  
1-7

TIME  
3300

# LEVEL 3

CLICK TO ENTER  
THE NEXT LEVEL

## DANGERS

Fed Interest Rates  
Inflation  
Recession  
Gas Prices  
Valuations  
Election



and More Surprises Along the Way!

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## 2Q24 MARKET OUTLOOK: THE NEXT LEVEL UP

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- 1 Economy** | Avoiding the Obstacles Similar to Frogger
- 2 Monetary Policy** | Building Blocks for a Soft Landing
- 3 Politics** | Election Season Underway
- 4 Fixed Income** | Gobbling Up Coupons Like Ms. Pac-Man
- 5 Equities** | Powered Up Equity Returns Year-to-Date
- 6 International** | Follow the Developers
- 7 Commodities** | A Real Life Game of Pong
- 8 Asset Allocation** | The Similarities Between Vintage Video Games and Asset Allocation



# 1

## ECONOMY

Avoiding the Obstacles Similar to Frogger

### INSIGHT:

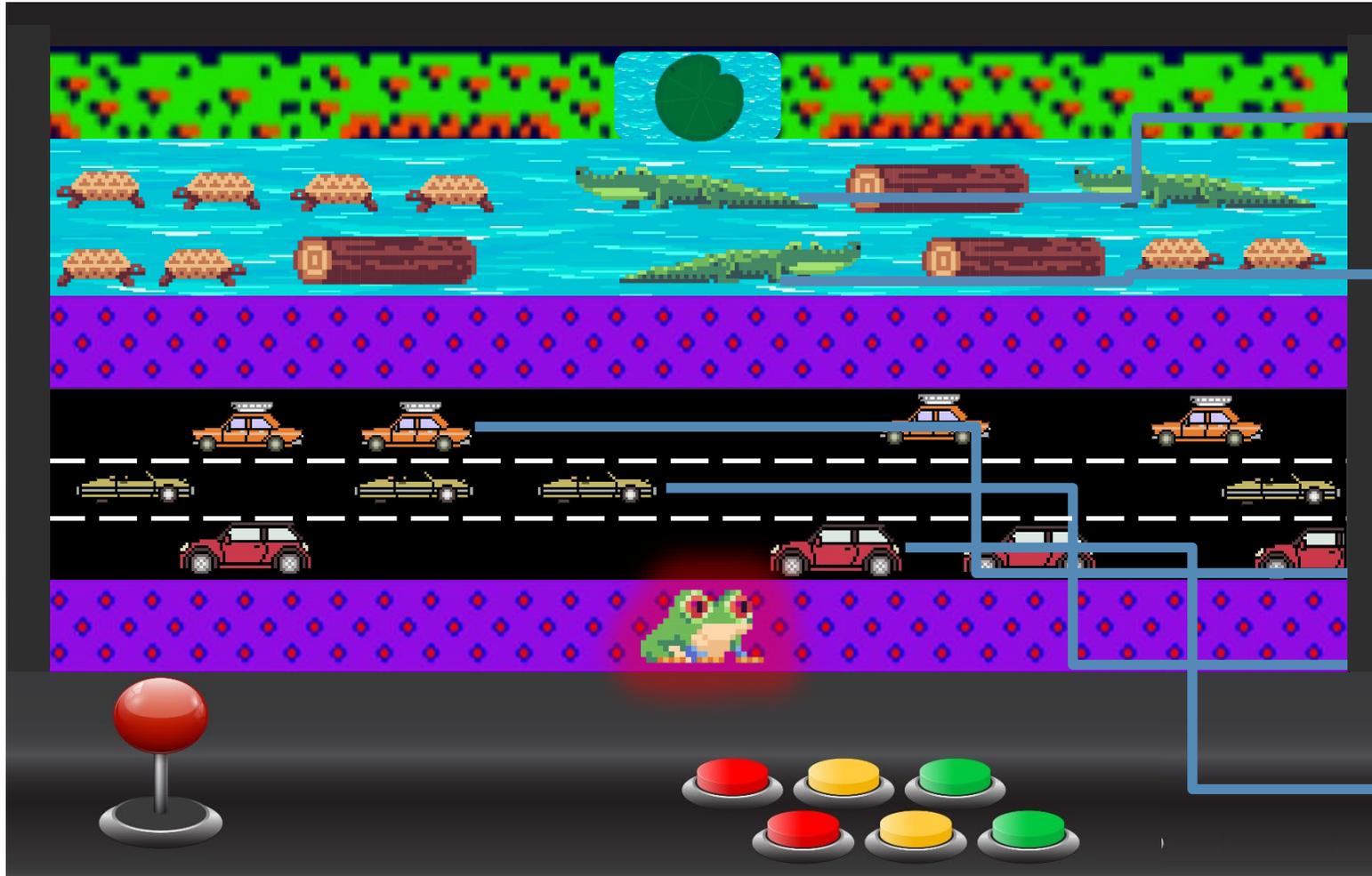
Like Frogger, the US economy has avoided a multitude of obstacles skirting a recession. Ultimately, we expect the economy to have the first soft landing in 30 years.

### BOTTOM LINE:

The resilience of the consumer, continued fiscal spending and few excesses in the economy should help it continue to avoid a recession. However, we expect growth to slow to 2.1% in 2024 and 1.9% in 2025.

# US ECONOMY AVOIDING THE OBSTACLES

UP UNTIL THIS POINT, THE US ECONOMY HAS BEEN RESILIENT DESPITE OBSTACLES



Obstacles the Economy Has Overcome

## Self-Fulfilling Prophecy

*Consumer recession searches rise to record high*

## Weak Global Growth

*Three of G7 countries entered a recession since 2022*

## Sharp Housing Decline

*Housing activity down 36% from peak*

## Increasing Borrowing Costs

*Credit card and small business loans at multi-year highs*

## Over 500 bps of Fed Rate Hikes

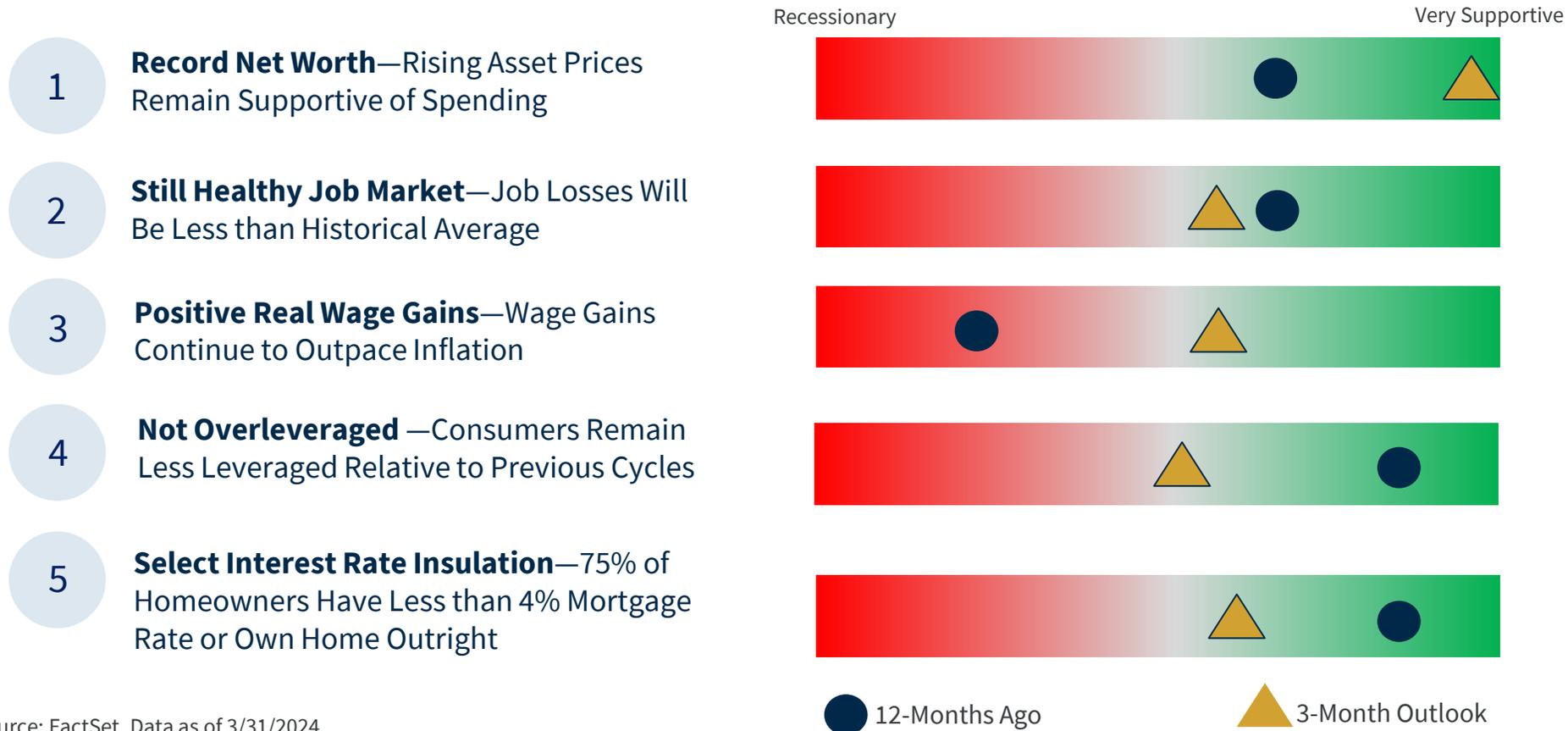
*Most aggressive tightening cycle of last 40 years*

Source: FactSet, Data as of 3/31/2024.

# CONSUMER HAS BEEN THE DRIVER OF THE ECONOMY

DESPITE RISKS, CONSUMER IN AGGREGATE REMAINS HEALTHY AND SUPPORTIVE OF GROWTH

## Reasons Why Consumer Spending Has Lifted Economy



60%

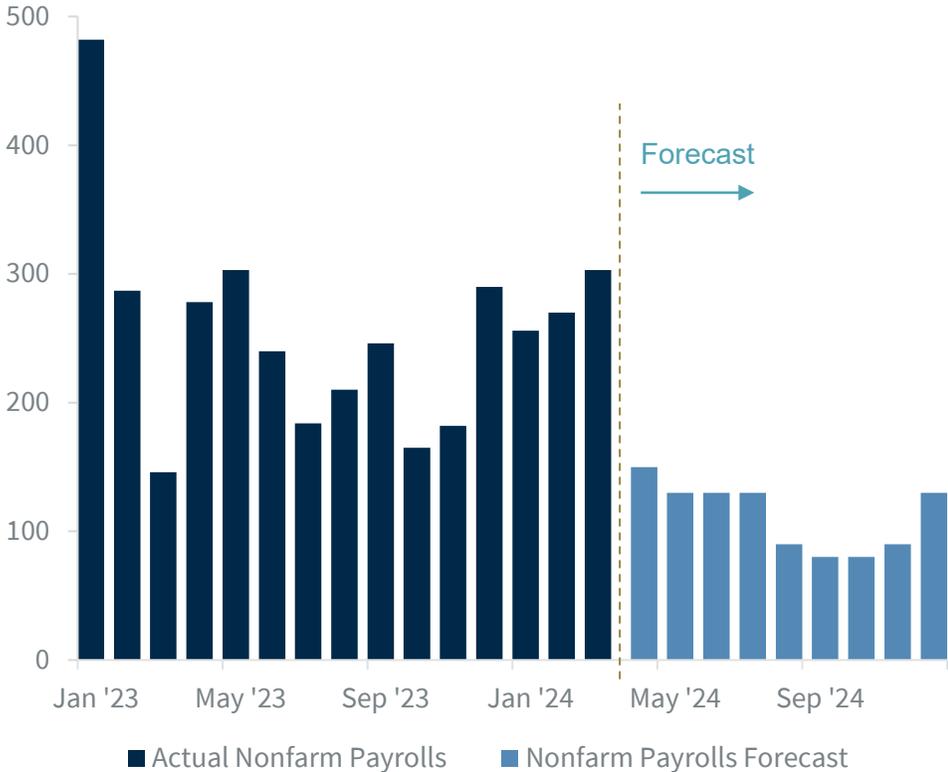
Of Consumers Do Not Carry Any Credit Card Debt

Source: FactSet, Data as of 3/31/2024.

# FURTHER HEADWINDS ON THE HORIZON

## FACTORS SUPPORTING CONTINUED ECONOMIC EXPANSION

### Labor Market Softness Not Recessionary



**1 M**  
Minimum Number of Jobs Lost For Economy to Enter Recession

### Delayed Spending from Fiscal Packages to Continue

#### Spending Packages

**Intel awarded up to \$8.5 billion in CHIPS Act grants, with billions more in loans available**

**Chip-Making Giant TSMC Gets \$6.6 Billion for Arizona Project**

**Samsung Poised to Win Over \$6 Billion for Expanded US Investment**

#### AI Boost

**OpenAI and Microsoft Plan \$100 Billion 'Stargate' Data Center in the U.S.**

**Accenture to invest \$3 billion in AI**

#### Defense Spend

**Pentagon eyes stockpile replenishment, funds to spur tech industry in 2025 budget**

Source: FactSet, Data as of 3/31/2024.

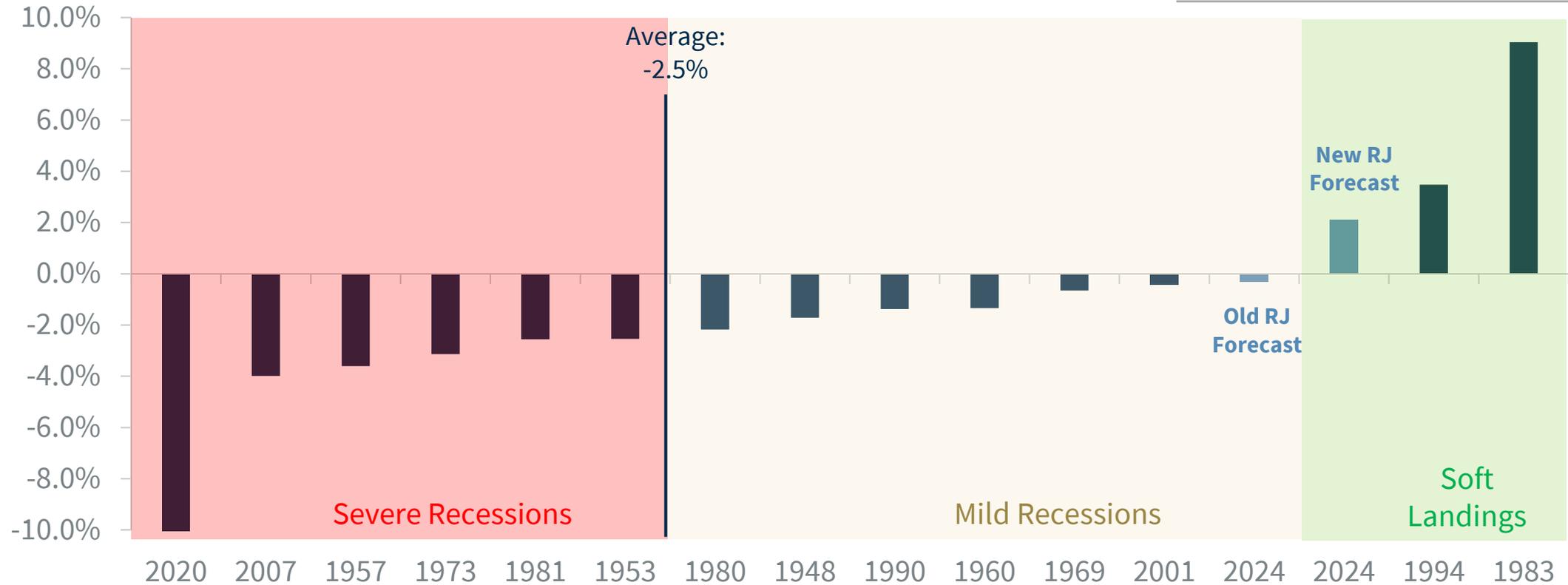
## SOFT LANDING IN FOCUS

A SMALL UPGRADE IN OUR ECONOMIC FORECAST

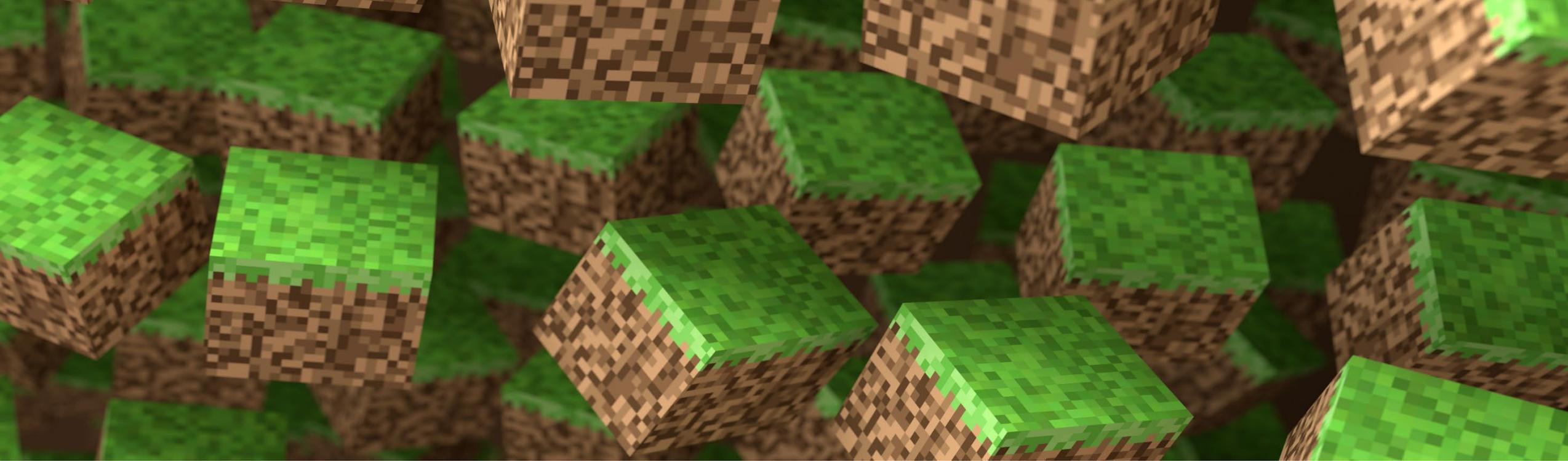
Shift from the Mildest of Mild Recession, to the Softest of Soft Landings

**+2.1%**

2024 US GDP  
Forecast



Source: FactSet, Data as of 3/31/2024. Bars represent peak to trough GDP decline during recession. Soft landing represents one-year growth rate following first Fed cut.



# 2 Monetary Policy

## Minecraft: The Building Blocks of a Soft Landing

### INSIGHT:

The recent uptick in inflation and improvement in economic activity have lessened expectations for 2024 Fed rate cuts. Ultimately, we expect the Fed to cut rates three times in 2024.

### BOTTOM LINE:

As we expect inflation to continue on a downward path and the labor market to ease, we expect the Fed to begin its easing cycle in June. Given that we expect only three 2024 cuts, cash remains a suitable investment.

# FED STILL ON COURSE TO CUT RATES

## RISKS BUILDING TO THE START OF THE POTENTIAL FED EASING CYCLE

Near-Term Inflation Rising



Fed Expectations Getting More Intense



**7 Months**

Average Duration  
Between Last Fed  
Hike and First Fed  
Cut

Source: FactSet, Data as of 3/31/2024.

## INFLATION REMAINS ON A DOWNWARD PATH

### INFLATION IS LIKELY TO CONTINUE TO MOVE ON A DOWNWARD PATH

#### Discrepancy Between Real Time and Official Inflation Metrics

	<b>Real-Time Metric (%YoY)</b>	<b>Official Metric (% YoY)</b>
<i>Rental Prices</i>	<b>Apartment List -1.0%</b>	+6.0%
<i>Used Cars</i>	<b>Manheim Used Vehicles -14.9%</b>	-1.4%
<i>Watches</i>	<b>WatchCharts Index -7.4%</b>	-1.0%
<i>Food</i>	<b>Food Price Index -10.5%</b>	+2.2%
<i>Wine</i>	<b>Fine Wine Index -14.5%</b>	+3.9%

#### Disinflationary Pressures Building

Amazon's new Big Spring Sale is on now—  
here's everything you need to know to  
shop deals on spring essentials

**McDonald's puts value back on the  
menu Wendy's-style**

**Why the EV Price War is Set to Escalate  
Even Further**

**Brazil launches anti-dumping probes after China imports soar**

**Consumers are increasingly pushing  
back against price increases — and  
winning**

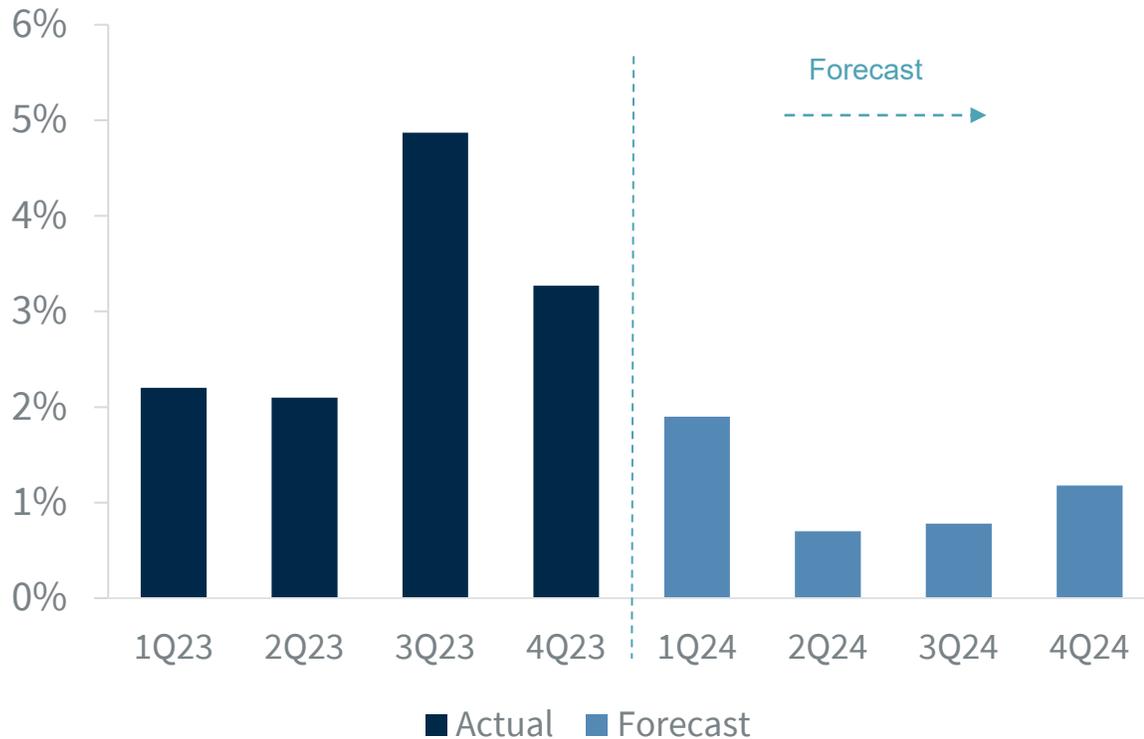
**BYD Takes On EV Laggards Toyota,  
VW With Steep China Price Cuts**

Source: FactSet, Data as of 3/26/2024.

## FED CUTS REMAIN ON THE HORIZON

WE CONTINUE TO EXPECT THE FED TO CUT RATES THREE TIMES IN 2024

### Our GDP Quarterly Estimates Reflect Slowdown



Source: FactSet, San Francisco Fed, Data as of 3/31/2024.

### Fed Has Typically Cut Regardless Of Naysayers

#### “Inflation is Still Above 2%”

*The Fed Cut While Inflation Was Above 2% in Eight of the Last Nine Cut Cycles*

#### “Job Growth is Still Positive”

*3-Month Job Growth Was Positive Prior to the Last Nine Cut Cycles*

#### “Economic Activity Hasn’t Contracted”

*GDP Growth Was Still Positive Prior to Last Nine Cutting Cycles*

#### “Asset Prices Are Soaring!”

*The S&P 500 Was Up ~6% on Average in the Six Months Leading Up to the Last Nine Cut Cycles*

#### “It’s an Election Year!”

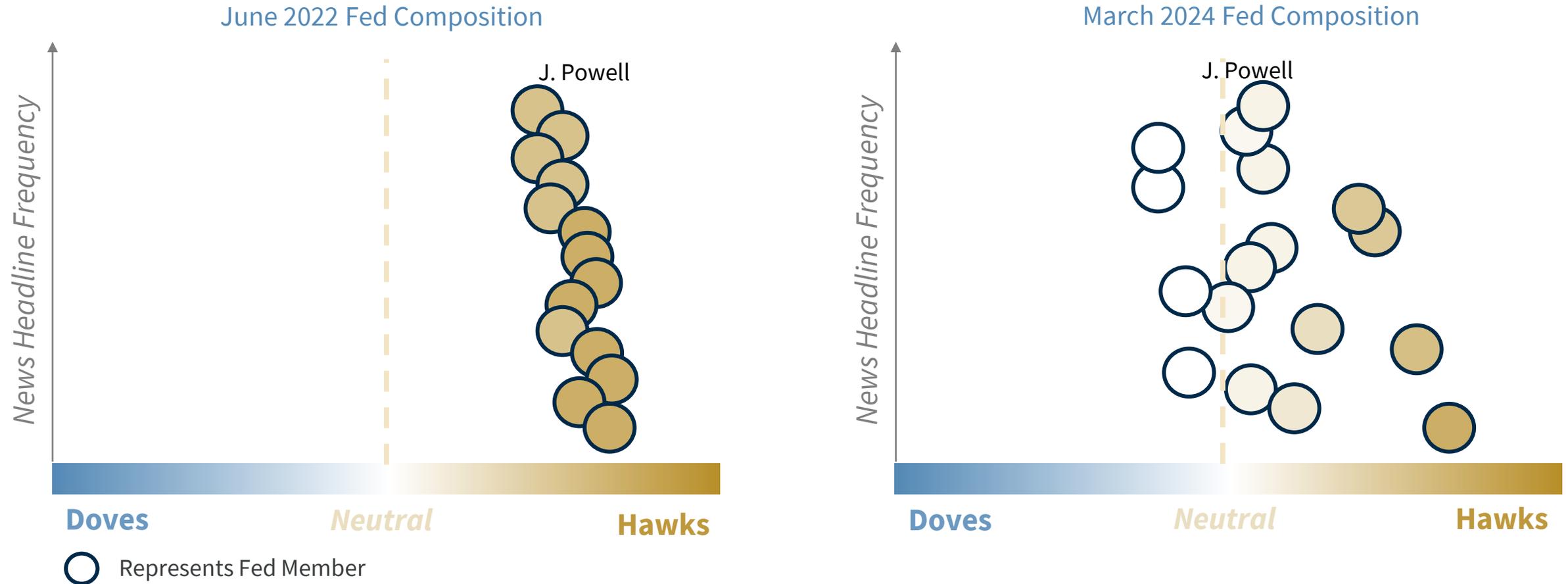
*The Fed has Cut/Raised Rates in 85% of Election Years*

#### “Net Worth Is at Record Highs!”

*Net Worth Was at a Record High Prior to the Last Nine Cut Cycles*

## FED CONSENSUS BECOMING LESS CLEAR

THE FED'S VIEW BECOMING LESS CLEAR RELATIVE TO RECENT YEARS

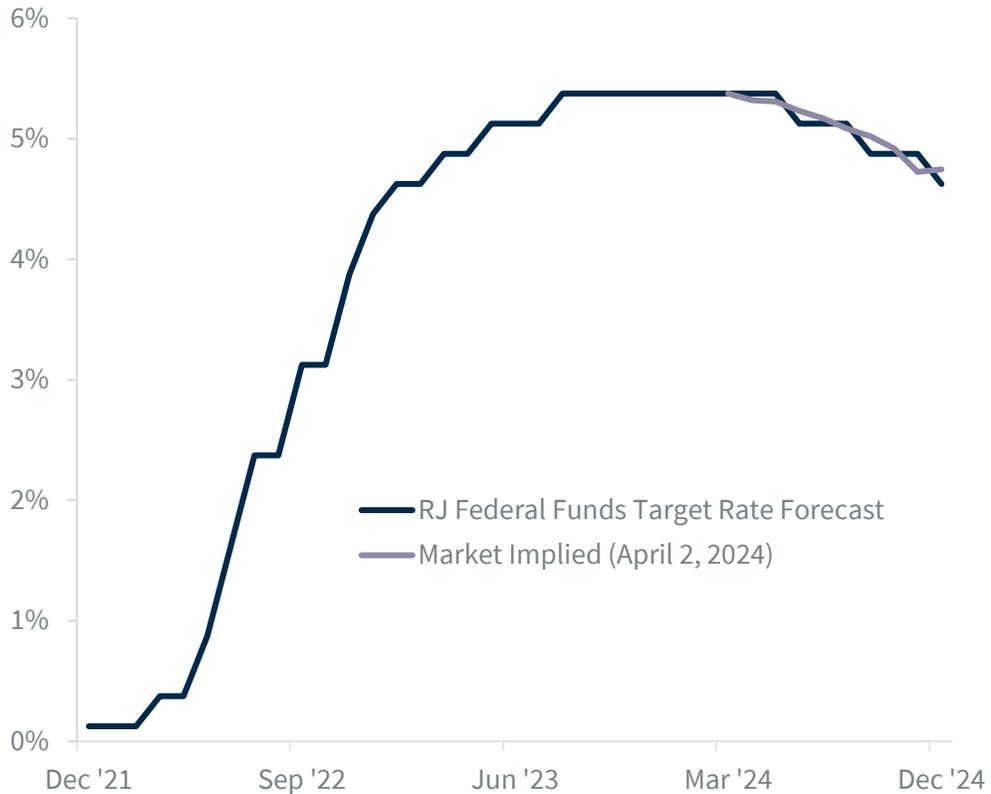


Source: Bloomberg Finance LP, Data as of 3/31/2024.

# FED CUTS REMAIN ON THE HORIZON

WE CONTINUE TO EXPECT THE FED TO CUT RATES 3 TIMES IN 2024

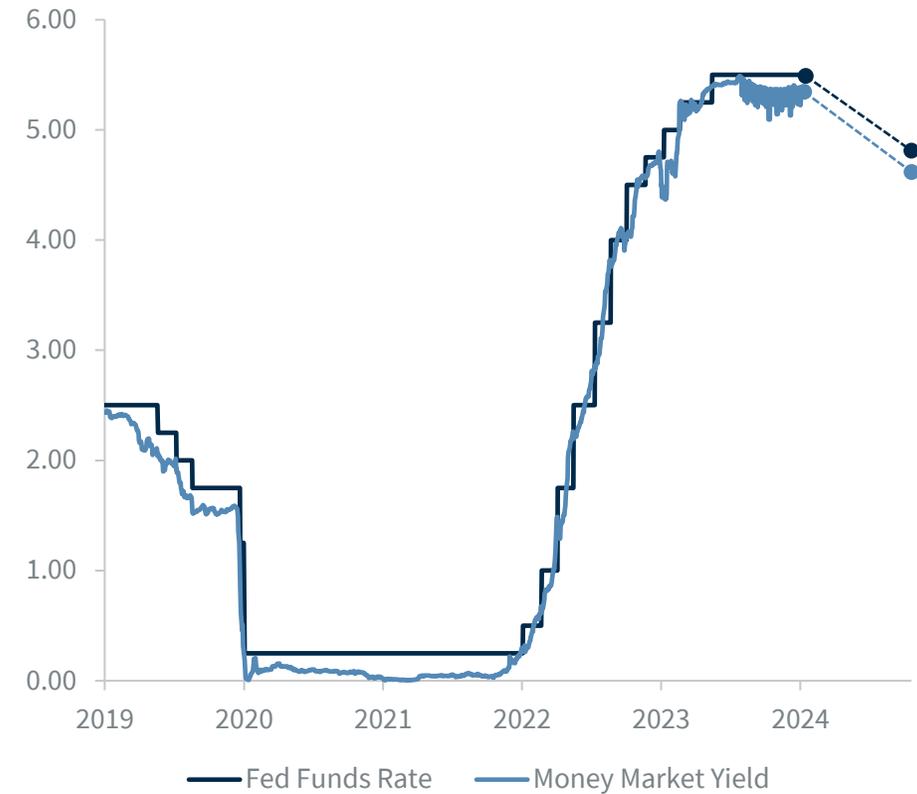
### Fed Funds Forecasts



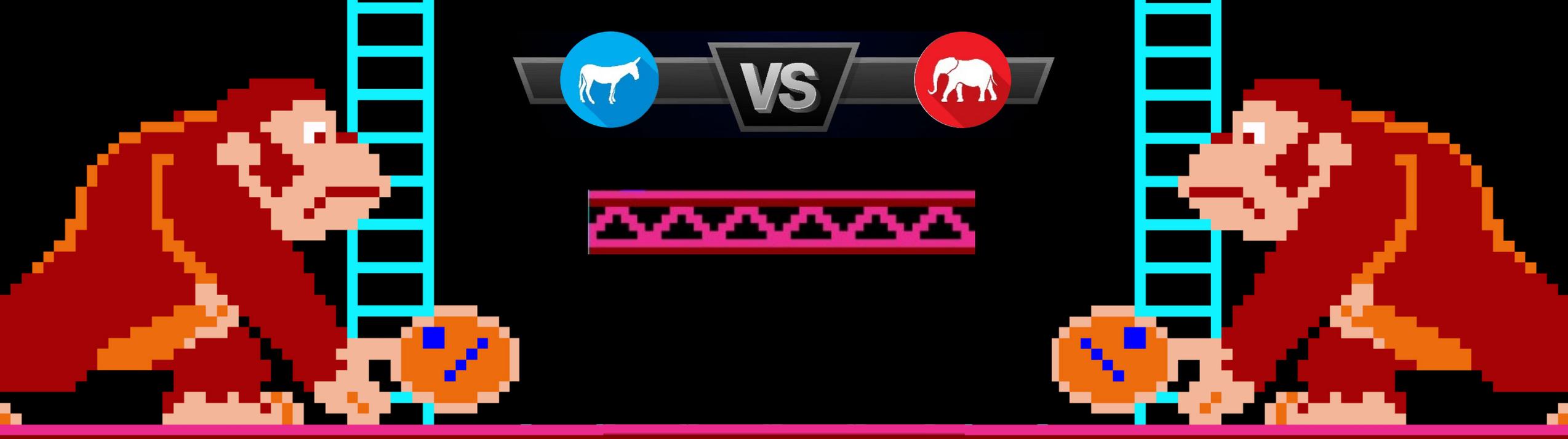
**3**

Fed Interest  
Rate Cuts  
Forecasted  
for 2024

### Still Value in Cash



Source: FactSet, Data as of 3/31/2024.



# 3

## Politics

Hurling Rhetorical ‘Barrels’ into the 2024 Election Season

**INSIGHT:**

The 2024 presidential election is almost six months away. With two unpopular candidates, the economy will be a driving factor in choosing the eventual winner.

**BOTTOM LINE:**

While the economy remains on solid footing, voters have not felt the strength up until this point. Gridlock remains the most likely scenario, but the threat of a recession and near-term equity performance will be important in determining the eventual winner.

# THE ECONOMY IS A MAJOR DRIVER OF ELECTION OUTCOMES

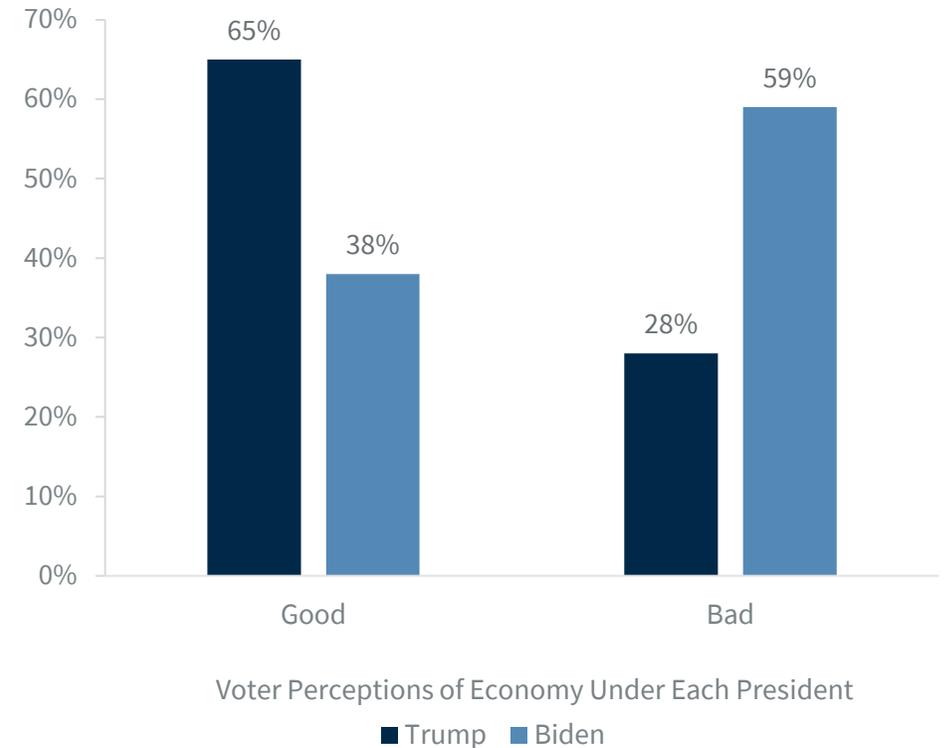
## THE ECONOMY IS THE BIGGEST PREDICTOR OF THE ELECTION

A Recession (Within Two Years of the Election) Has Been the Deciding Factor in Past Elections

President	Recession?	Reelected?	President	Recession?	Reelected?
Obama	No	Yes	Trump	Yes	No
Bush II	No	Yes	Bush I	Yes	No
Clinton	No	Yes	Carter	Yes	No
Reagan	No	Yes	Ford	Yes	No
Nixon	No	Yes	Hoover	Yes	No
LBJ	No	Yes	Taft	Yes	No
Eisenhower	No	Yes			
Truman	No	Yes			
FDR	No	Yes			
FDR	No	Yes			
FDR	No	Yes			
Wilson	No	Yes			

#1  
View Economy as  
Single Biggest  
Issue

## Different Perceptions on Economy



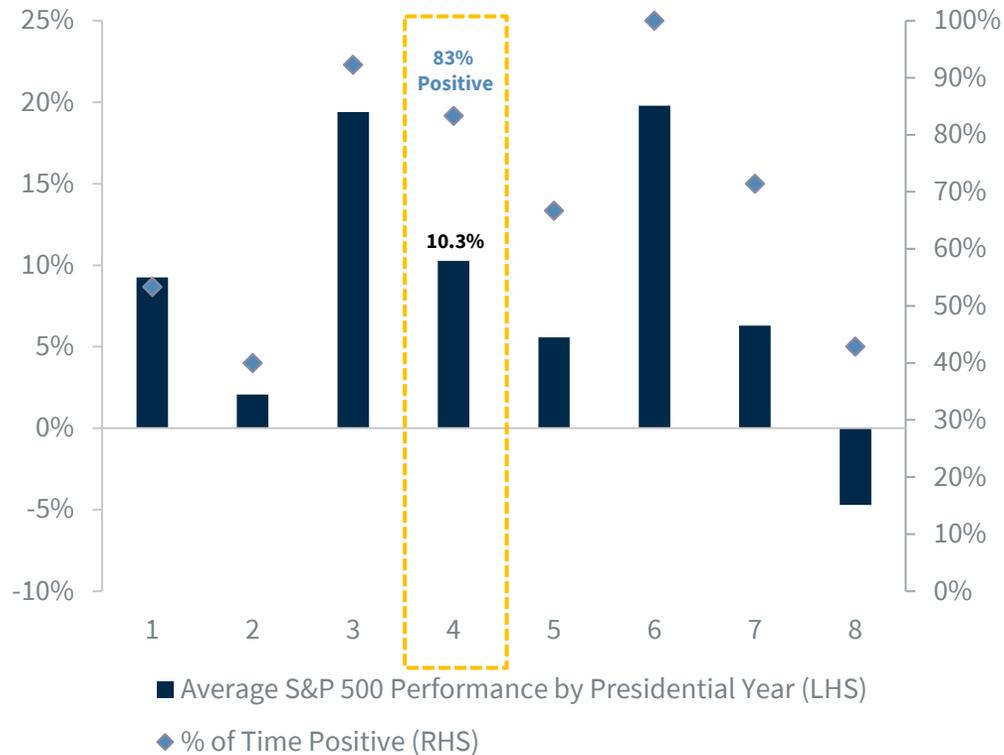
Source: FactSet, Data as of 3/31/2024.

Source: ABC News/Washington Post, Data as of 3/31/2024.

# THE EQUITY MARKET IS A SOLID PREDICTOR

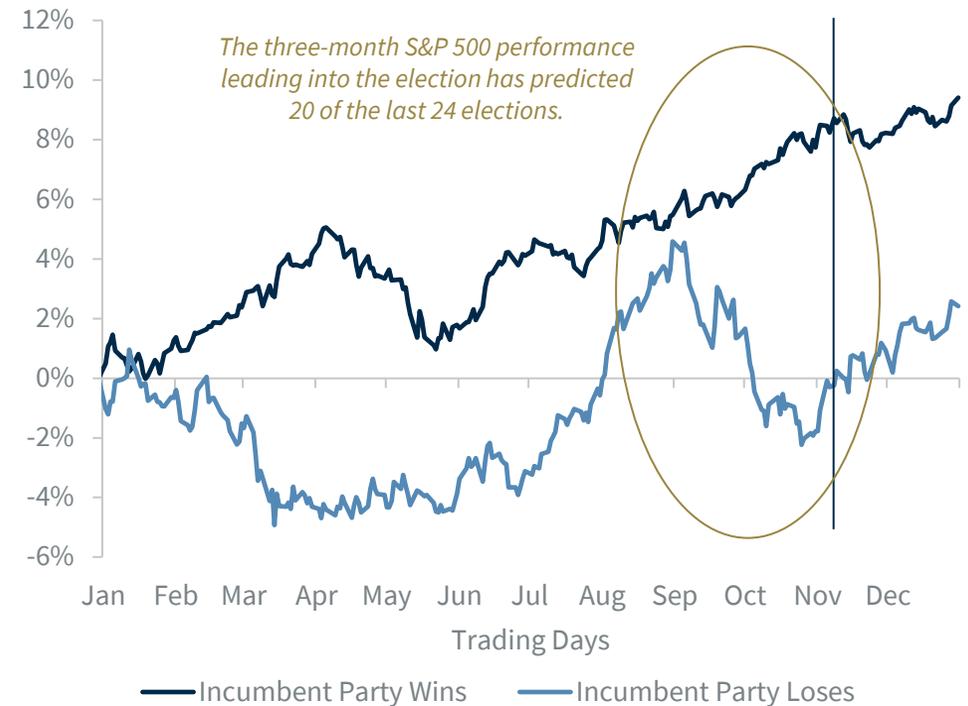
## NEAR-TERM EQUITY PERFORMANCE HAS BEEN A SOLID PREDICTOR OF ELECTION OUTCOME

### 4<sup>th</sup> Year of Election Cycle a Positive for the Equity Market



Source: FactSet, Data as of 3/31/2024.

### Three-Month Equity Performance Leading into Election a Solid Predictor



Source: FactSet, Data as of 3/31/2024.

# 2024 LIKELY TO BE A CLOSE ELECTION

IT WILL LIKELY BE A CLOSE ELECTION. KEY ITEMS WILL BE IMPORTANT TO WATCH GOING FORWARD.

## Tight Presidential Elections

Election	Electoral College Spread	Vote Difference
	2016 <b>37</b>	Pennsylvania: 68k Michigan: 11k Wisconsin: 27k
	2020 <b>37</b>	Wisconsin: 21k Georgia: 12k Arizona: 10k

## Swing Congressional Districts Narrowing

**54%**

Betting Market Probability Democrats Maintain the House

**47-46%**

Trump Lead in National Polling Average



<b>VP Announcement</b>	<b>Conventions</b>	<b>Resources and Funds</b>	<b>Legal Cases</b>	<b>Debates</b>	<b>Third Party</b>
TBA	Democratic National Convention: Chicago August 19-22, 2024  Republican National Convention: Milwaukee July 15-18, 2024	Dem Party: \$155mn on hand Rep Party: \$36.6mn on hand	Not guilty: Trump leads by 5%; Guilty: Biden leads by 2%	TBA	Kennedy Jr. is receiving 12% of votes



Source: Raymond James Investment Strategy

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## FORECAST FOR ELECTION OUTCOMES

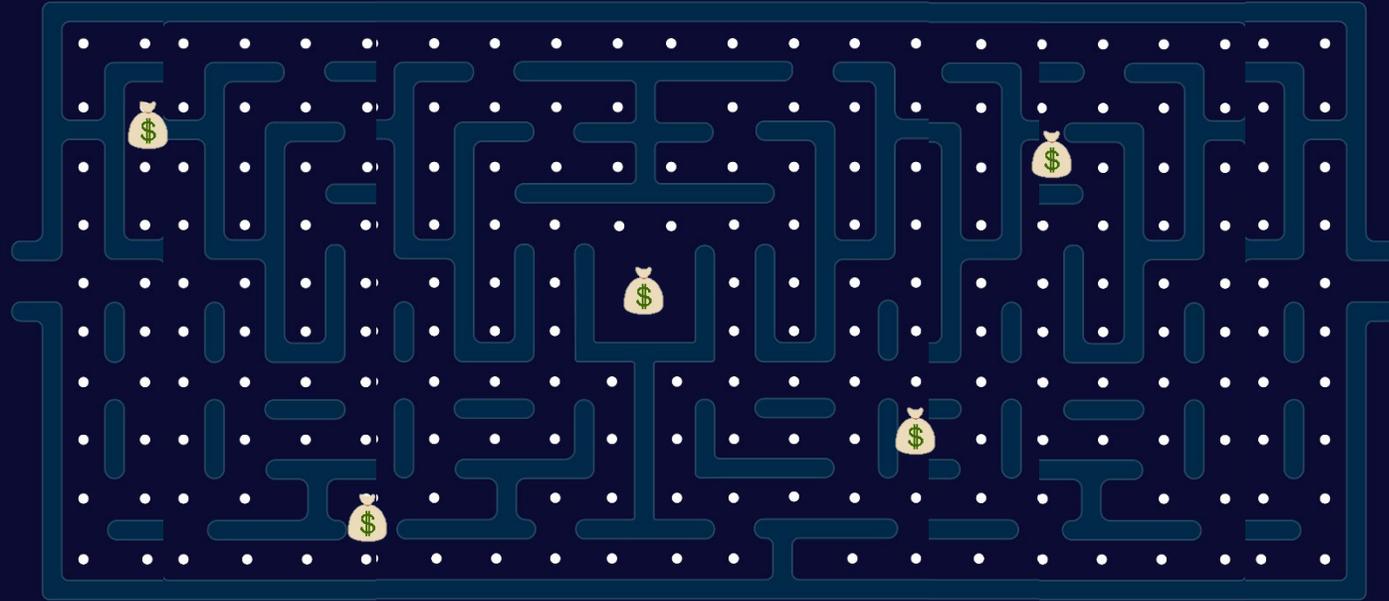
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WE EXPECT GRIDLOCK STEMMING FROM 2024 PRESIDENTIAL ELECTION

2024 Election Scenario Analysis

	Projection	Rationale
<b>President</b>	<b>Toss-up</b>	<ul style="list-style-type: none"><li>• Trump currently leading in six of seven swing states</li><li>• Economy remains on solid footing, favoring Biden</li><li>• Both candidates have two of the lowest approval ratings in history</li></ul>
<b>Senate</b>	<b>70% Probability Of <u>Republican</u> Win</b>	<ul style="list-style-type: none"><li>• Base case is 50 Dem/50 Rep seats to start with Senator Manchin (D-WV) retiring and high likelihood Republicans win</li><li>• Republicans Need to flip one additional seat to control</li><li>• Three toss-up seats (AZ, MT, OH), all of which Democrats are defending</li></ul>
<b>House</b>	<b>60% Probability Of <u>Democrat</u> Win</b>	<ul style="list-style-type: none"><li>• 190 and 202 Solid/Likely Dem/Rep seats respectively</li><li>• 17 Republican held House seats in Biden districts</li><li>• Due to redistricting, only 23 toss-up competitive seats in 2024 – this is down from 164 in 1998</li></ul>

Source: FactSet, Data as of 3/31/2024.



# 4

## Fixed Income

Gobbling Up Coupons Like Pac-Man

### INSIGHT:

Interest rates up until this point have remained stubbornly high. However, this has provided an opportunity for investors to gobble up coupons. The health of corporate America should lead to an attractive opportunity for investment grade credit.

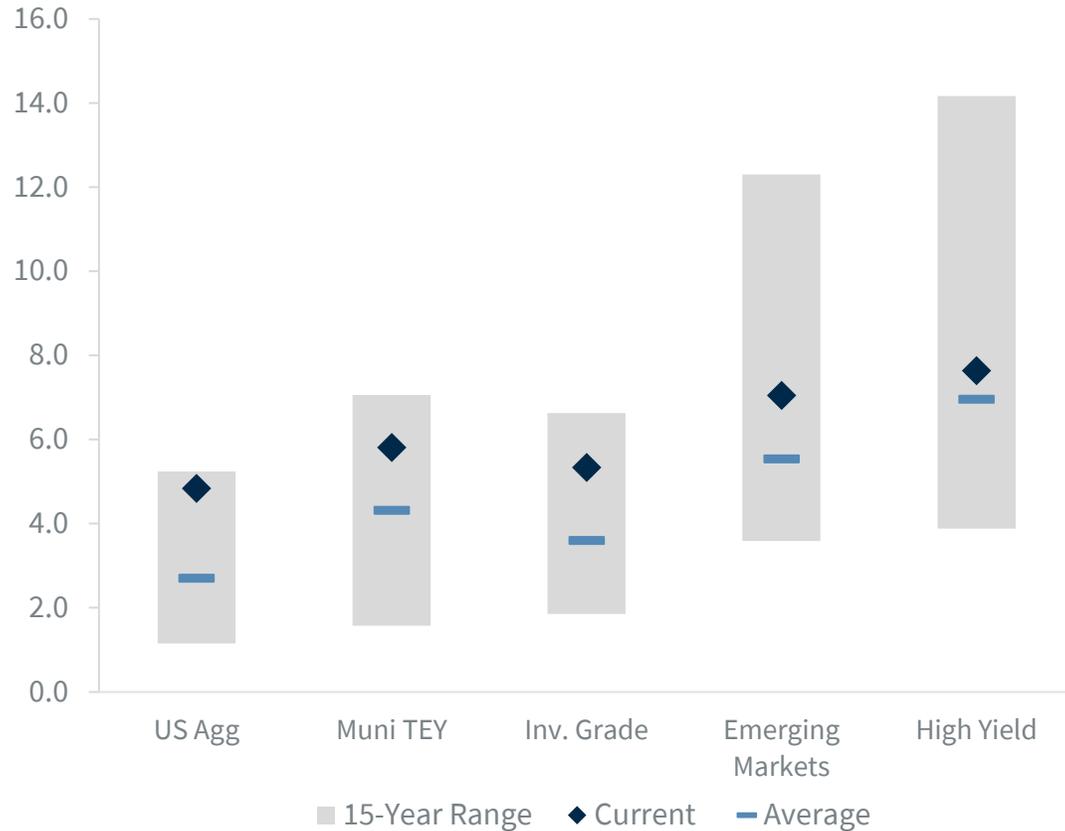
### BOTTOM LINE:

We expect the 10-year Treasury yield to decline to 3.75% over the next 12 months. In an environment in which growth will slow, we prefer to focus on high quality bonds, such as Treasuries and investment grade corporate bonds.

# INVESTORS GOBBLING UP THE INTEREST PAYMENTS

## BOND MARKET RESET PROVIDES MORE ELEVATED LEVELS OF INCOME PAYMENTS

### High Quality Yields Remain Attractive



### Highest Coupon Payments Since 2016

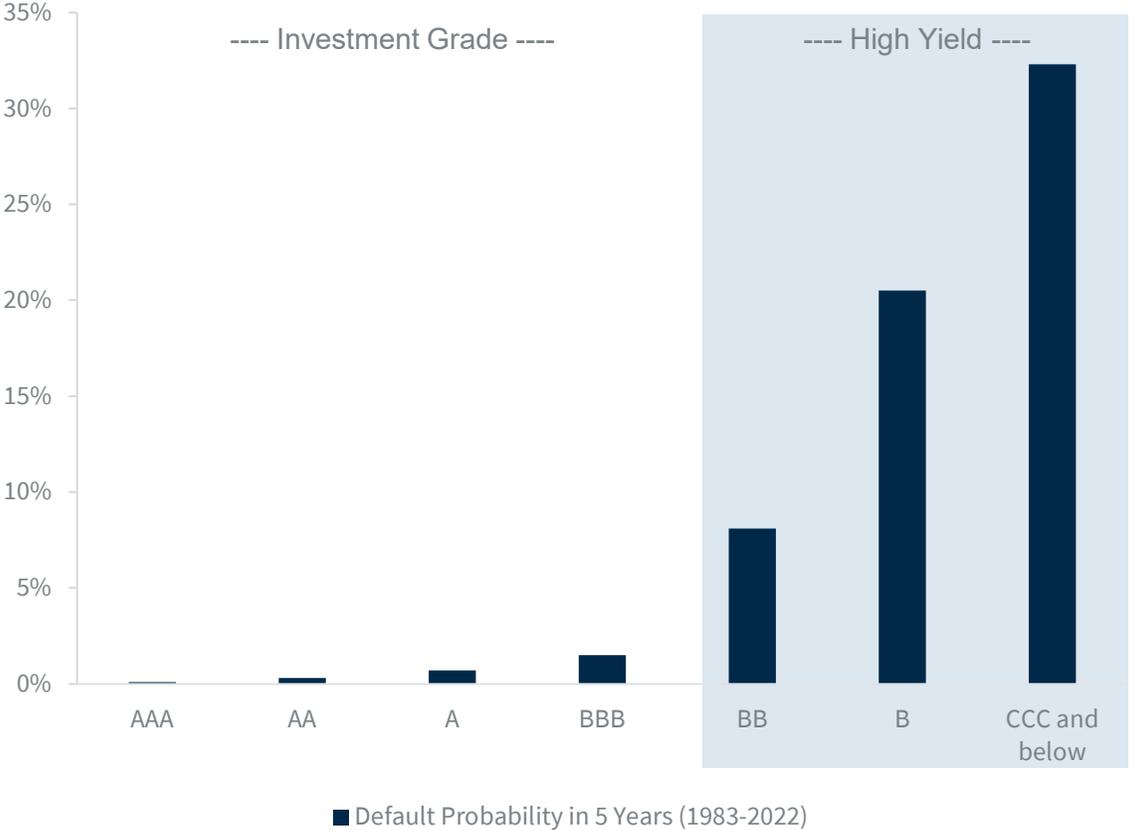


Source: FactSet, Data as of 3/26/2024.

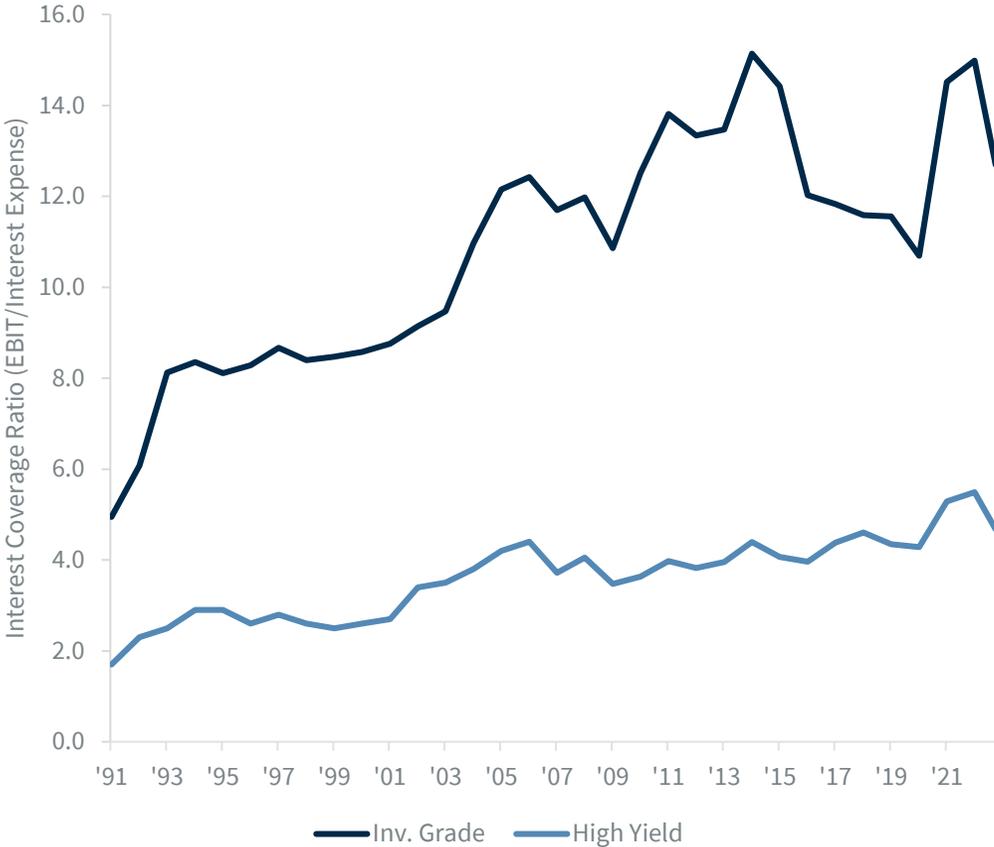
# IMPROVING CORPORATE FUNDAMENTALS

STAY WITH QUALITY AS CORPORATE FUNDAMENTALS HAVE IMPROVED

### High Quality Bonds Have Low Default Risk



### Interest Coverage Ratios Have Generally Improved



Source: FactSet, Data as of 3/26/2024.

# THE GHOSTS AND FRUITS FOR THE FIXED INCOME MARKET

## WHAT TO WATCH OUT FOR GOING FORWARD FOR FIXED INCOME RETURNS

Factors that the Bond Market Needs to *AVOID*



**No Landing Economy**  
*(Positive Growth Surprise Would Lift Rates)*



**Resurgence in Inflation**  
*(A Sustained Reversal–Big Negative)*



**Fed Raises Interest Rates**  
*(Or Does Not Cut)*



**Reduction in Bond Appetite**  
*(Need Strong Auctions)*

---

**3.75%**

Year-End 2024  
10-Year Treasury  
Yield

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Reason the Bond Market Could ‘Score’ with Lower Rates



**Economy Slows**  
*(Soft Patch Expected Mid Year)*



**Disinflationary Trends Continue**  
*(Inflation Expected to Move Lower)*

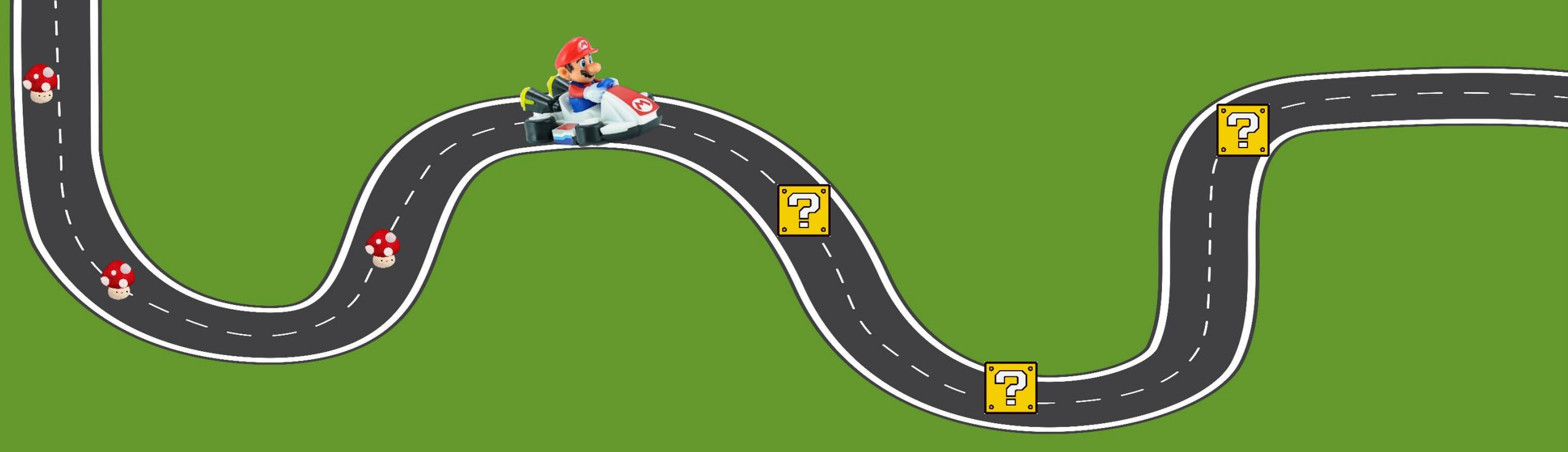


**Fed Interest Rate Easing Cycle**  
*(Tends to Drive Rates Lower)*



**Slowing or End of Fed Balance Sheet Reduction**  
*(Fed to Pullback Increasing Supply of Treasurys)*

Source: FactSet, Data as of 3/31/2024.



# 5 Equities

Powering Up Like Super Mario

**INSIGHT:**

The US equity market has gotten off to a strong start to the year, up over 10%. The resilience of the US economy has helped to support corporate fundamentals and thereby earnings growth.

**BOTTOM LINE:**

While we remain optimistic longer term due to the health of corporate earnings, volatility will likely be elevated in the near term due to stretched valuations. We continue to favor the Tech, Health Care and Industrials sectors.

## POWERED UP EARNINGS

POWERED UP EARNINGS BOOST OUR YEAR-END EQUITY FORECAST

**\$240**  
\$225  
**EPS**

\*

**21.5x**  
21.5x  
**P/E**

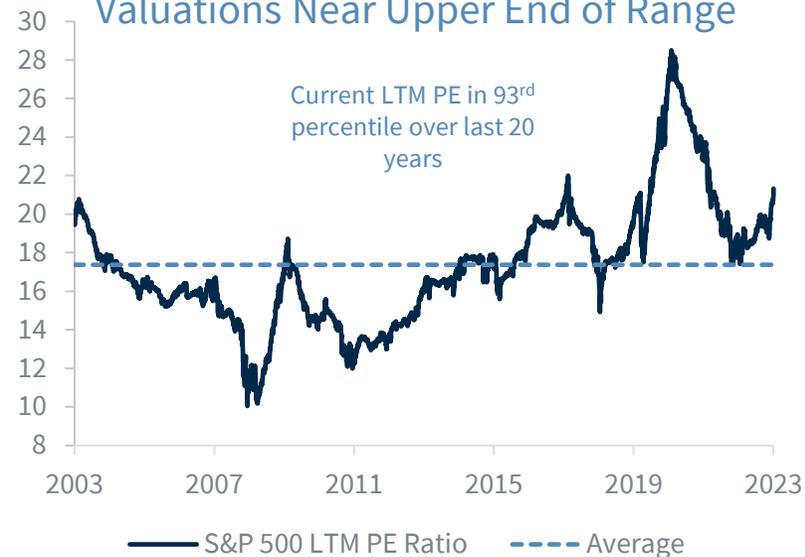
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**5,200**  
4,850  
**2024 Target**

Five Reasons We 'Powered Up' EPS Forecast

-  Better Than Expected GDP Growth
-  Tech Earnings Supportive (e.g., AI)
-  Resilient Margins
-  Rising Oil Boosts Energy
-  Broadening of Earnings

No Change in P/E Target:  
Valuations Near Upper End of Range



**5% Pullbacks**

*3-4 Times  
Per Year*

**-13%**

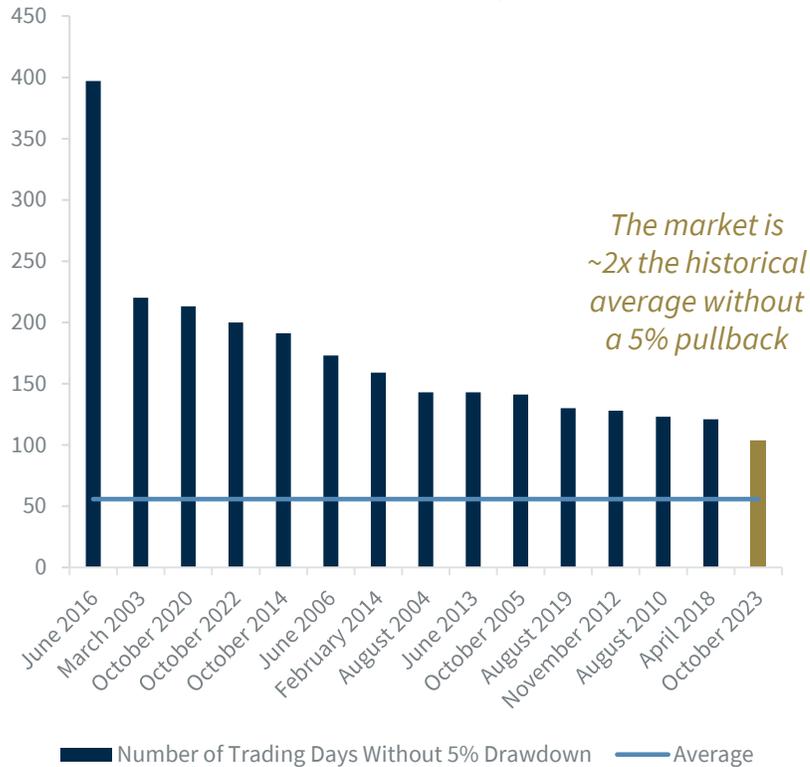
*Average Max  
Drawdown in a  
Given Year*

Source: FactSet, Data as of 3/31/2024.

# REASONS WHY WE EXPECT VOLATILITY GOING FORWARD

## VOLATILITY IS LIKELY TO INCREASE IN THE NEAR TERM

Length of Time Without 5% Pullback/Number per Year

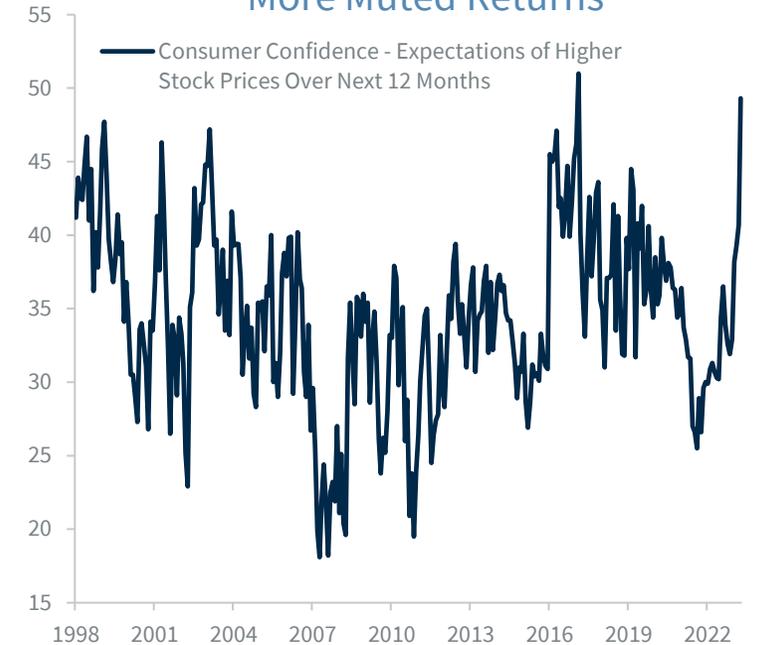


Source: FactSet, Data as of 3/26/2024.

## Five Reasons We Expect a Pullback

- 1 S&P 500 LTM PE in the 93<sup>rd</sup> Percentile Over Last 20 Years—Highest Ex-COVID
- 2 S&P 500 Extended—Trading ~13% Above its 200-Day Moving Average
- 3 April-May Months Typically Volatile in Presidential Election Years
- 4 Equity Ownership Elevated—% of Equity Allocation Nearing 70%
- 5 % of Investors Expecting Rise in Equity Prices at 2<sup>nd</sup> Highest Level on Record

## Over-Confident Investors Have Led to More Muted Returns

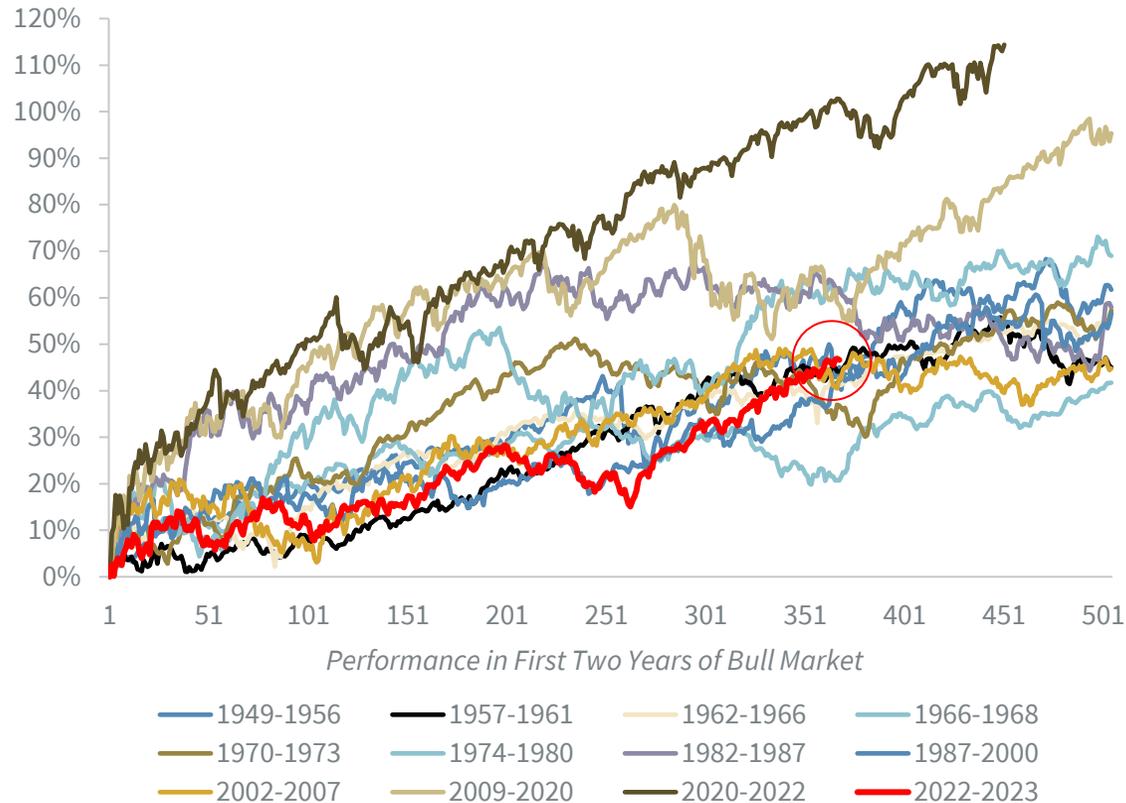


	+1Month	+3Months	+6Months	+12Months
Performance Following Increase in Stock Prices >45% (LHS)	-0.6%	-1.0%	-2.8%	1.7%
% of Time Positive (RHS)	63%	63%	38%	63%

# WHY WE REMAIN OPTIMISTIC LONGER TERM

## BULL MARKET BELOW AVERAGE IN DURATION AND MAGNITUDE

Duration and Magnitude Less Than Historical Average



**Current**

**+47%**

Return During  
Current Bull Market

**Average**

**+50%**

Average Return of  
Bull Market at this  
Juncture

**1.5**

Duration of Current  
Bull Market in Years

**5.5**

Average Duration of  
Bull Market in Years

### Why Bull Market Can Continue

Earnings Continue to Move  
Higher

Still Positive Economic  
Growth

Record Amount of Cash on  
Sidelines

Lower Interest Rates and  
Inflation

Source: FactSet, Data as of 4/1/2024.

## UNLOCKING OUR FAVORITE SECTORS

The image is a stylized Super Mario Bros. level. It features a dark blue brick wall at the top and a blue brick floor at the bottom. Three green pipes are positioned in the middle ground, each labeled with a sector name: 'Info Tech', 'Industrials', and 'Health Care'. To the right of the pipes, a Mario character stands on the floor. Below each pipe is a black thought bubble containing a list of bullet points.

**Info Tech**

- Should benefit from long-term trend in AI
- Highest margins of any sector
- Consistently beat earnings estimates
- Well-diversified business strategy of mega-cap companies

**Industrials**

- Continues to benefit from government spending
- Boost from AI infrastructure investment
- ISM Manufacturing in expansion supportive of the sector

**Health Care**

- Trading at discount to historical average
- Offensive and defensive factors
- aging demographics
- Historically strong earnings and revenue growth (good visibility)

## THE EVOLUTION OF TECH

THE EVOLUTION OF THE TECH SECTOR IS SIMILAR TO THE EVOLUTION OF VIDEO GAMES

### Evolution of Video Games



1970s



1980s



1990s



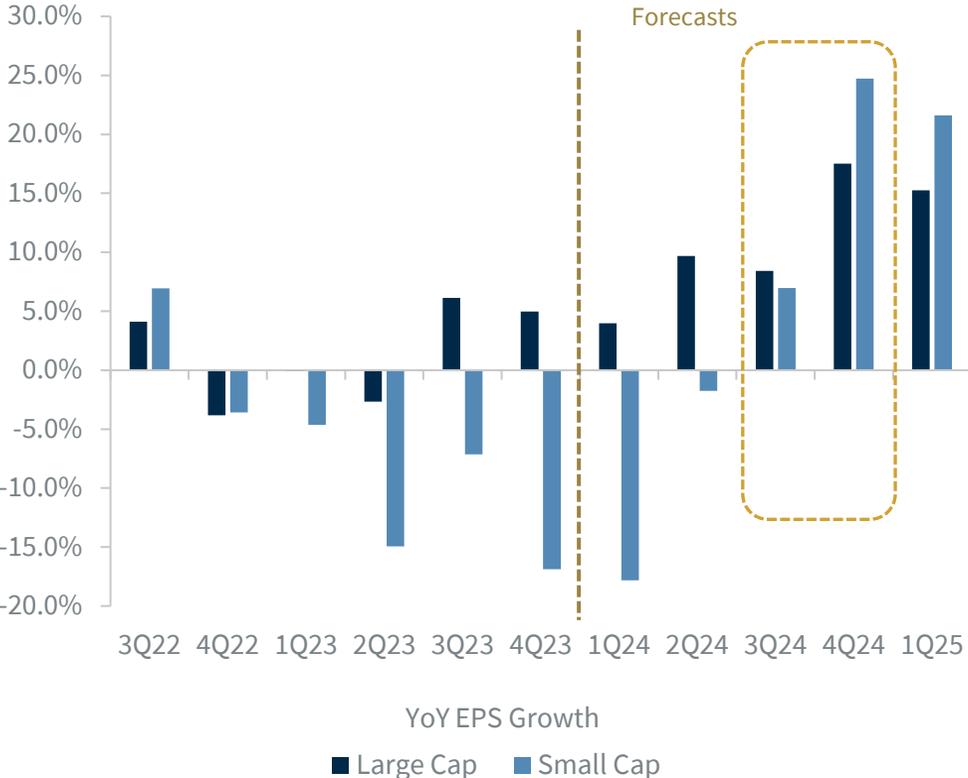
2010s

Source: Getty Images.

# OPTIMISM FOR SMALL CAP BUILDING

## BROADENING PERFORMANCE SET TO SUPPORT SMALL-CAP EQUITIES

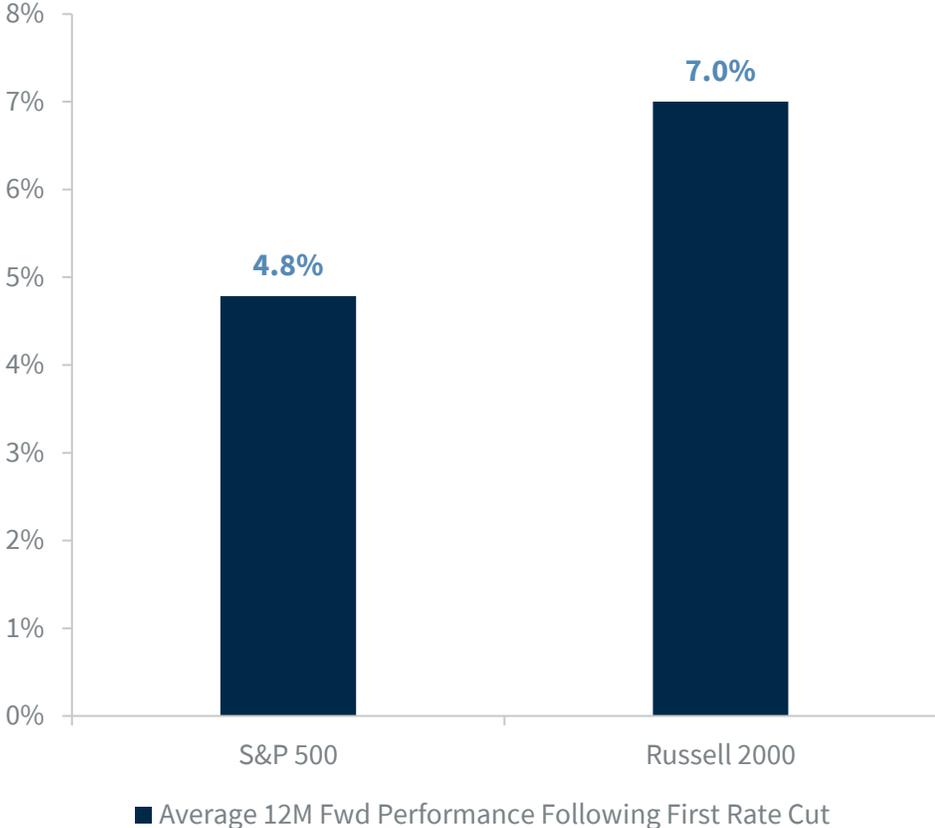
Small-Cap EPS Set to Outpace Large Cap



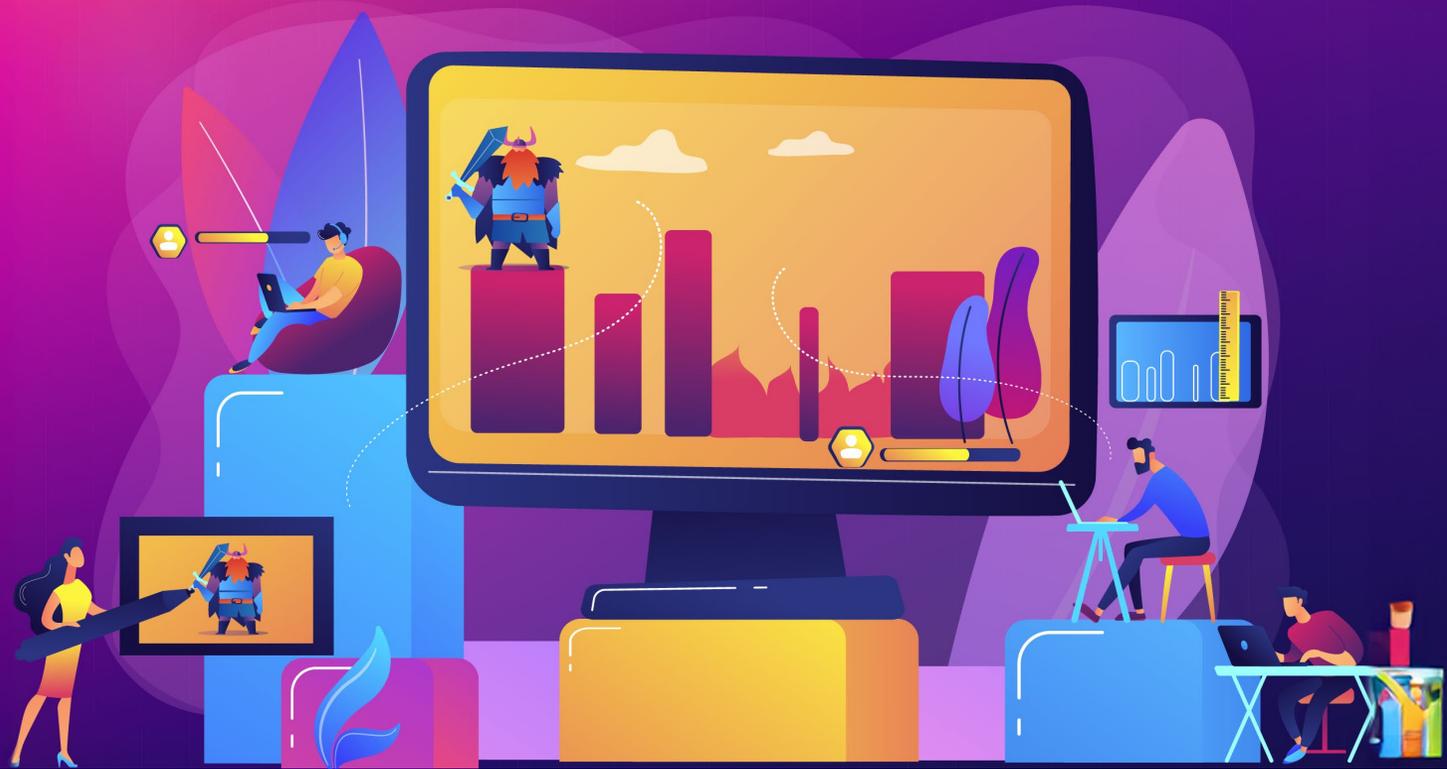
**~30%**

Small Cap Trading at a 30% Discount to Large Cap, Nearly the Largest Amount in the Last 30 Years

Falling Interest Rates/Fed Cuts Supportive



Source: FactSet, Data as of 3/31/2024.



# 6 International Equities

## Follow the Developers

### INSIGHT:

When looking at the global equity markets, US equities are still our ‘favorite developer’ choice, but we continue to see opportunities in Japan and select emerging markets, particularly in India and Mexico.

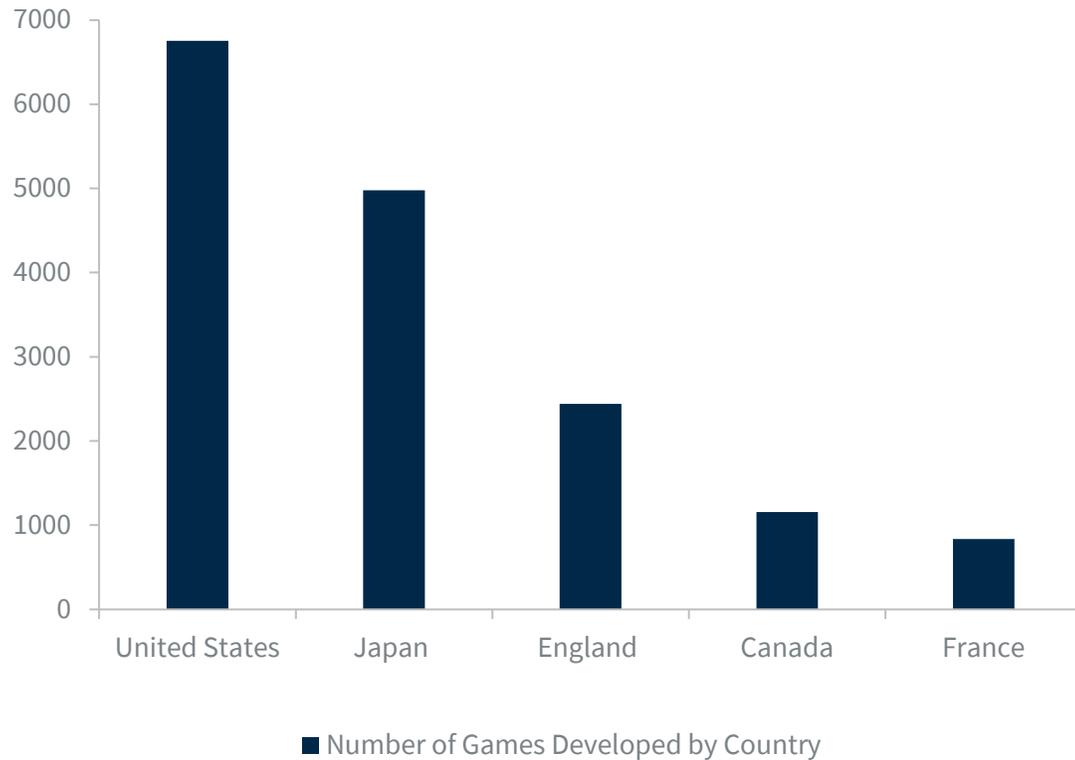
### BOTTOM LINE:

Europe remains weak but selectivity in emerging markets may yield flavorful results for investors.

## FOLLOW THE DEVELOPERS

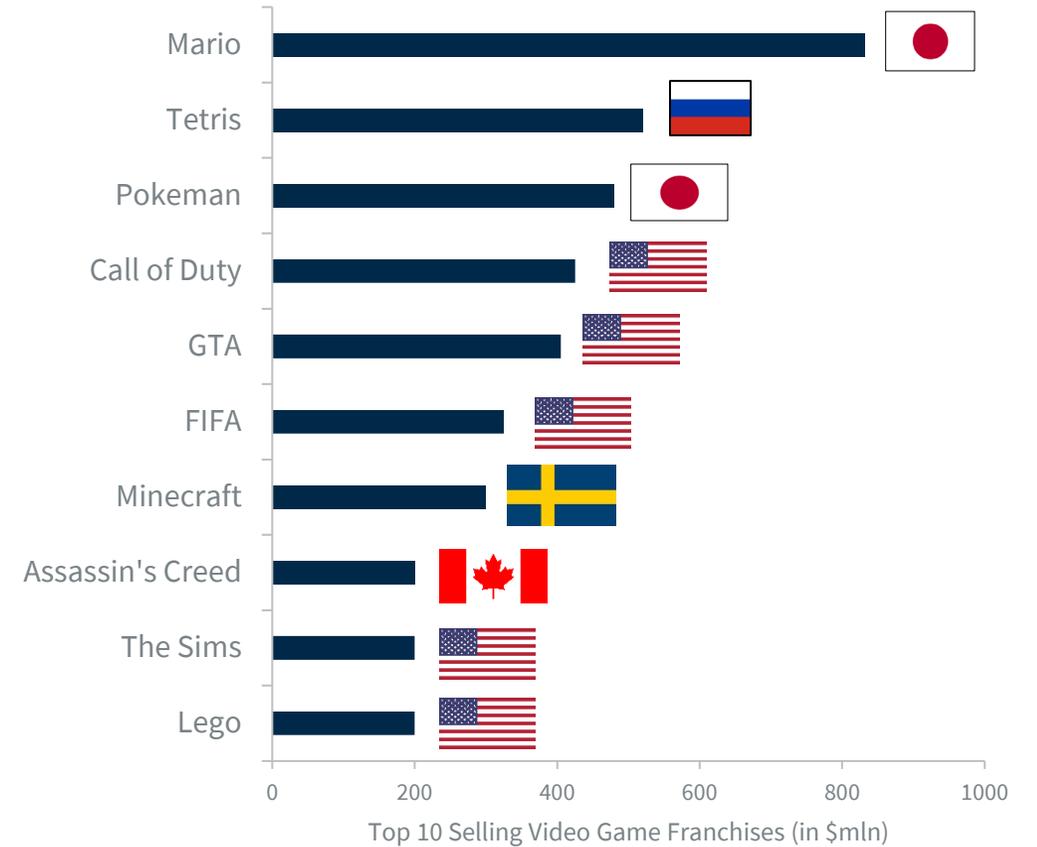
SIMILAR TO GAME DEVELOPMENTS – THE US LEADS THE ECONOMIC AND EQUITY CHARGE

### The US Is the Largest Video Game Developer



Source: FactSet, Data as of 3/31/2024.

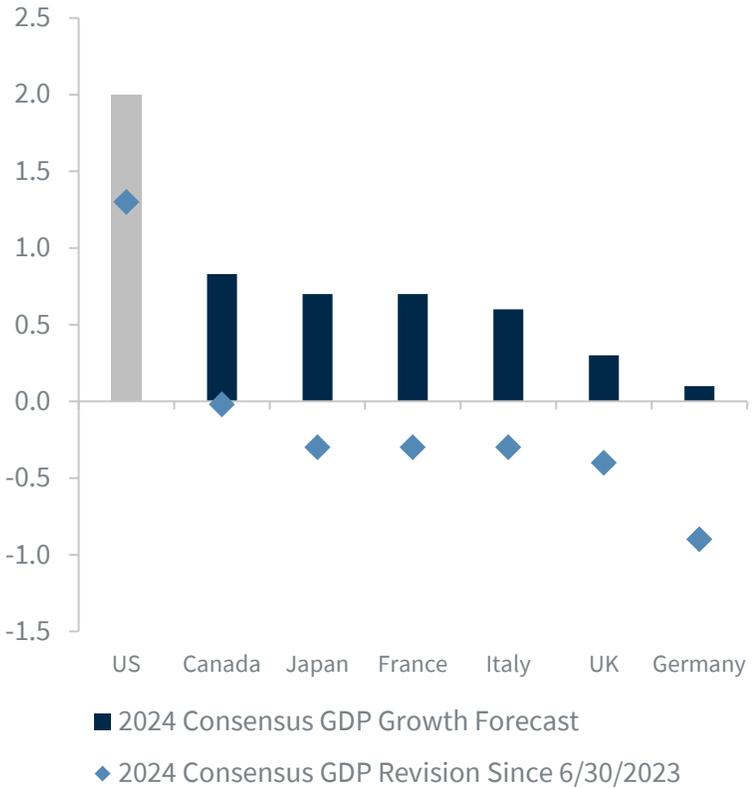
### US and Japan Dominate Top 10 Franchises



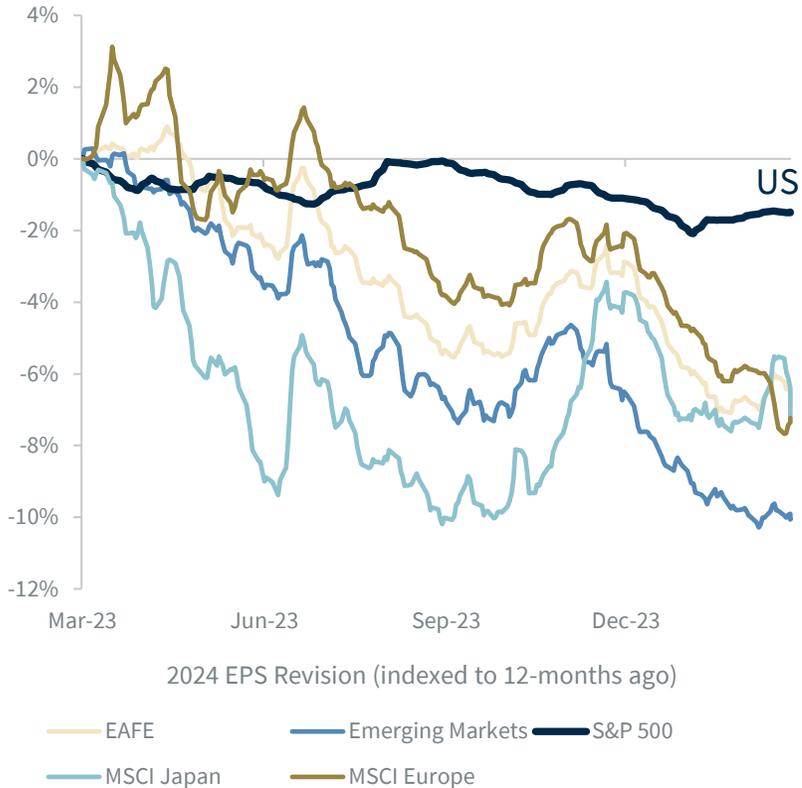
# FUNDAMENTALS SUPPORT THE US IN 2024

## ECONOMIC AND EARNINGS FUNDAMENTALS SUPPORT THE US IN 2024

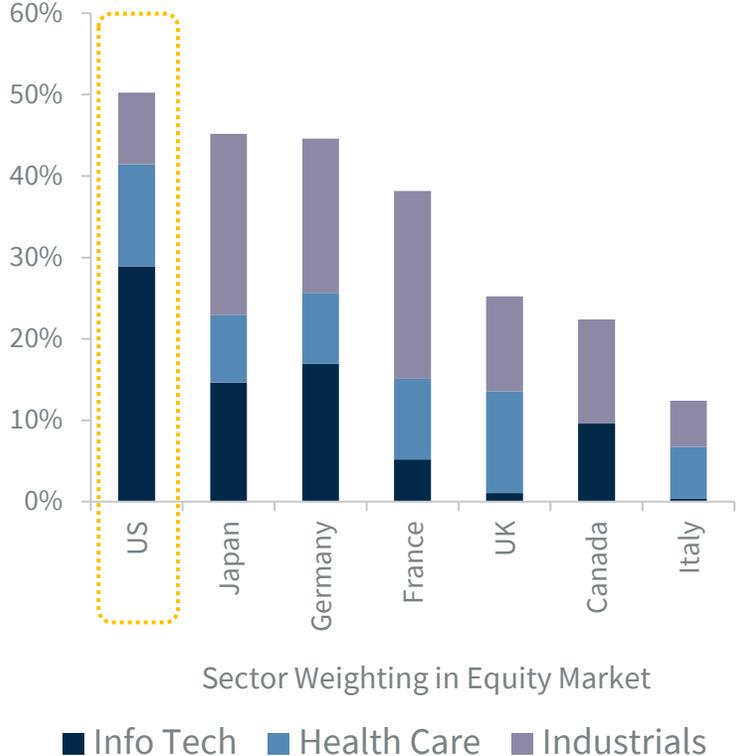
### Stronger US Economic Growth



### More Resilient Revisions



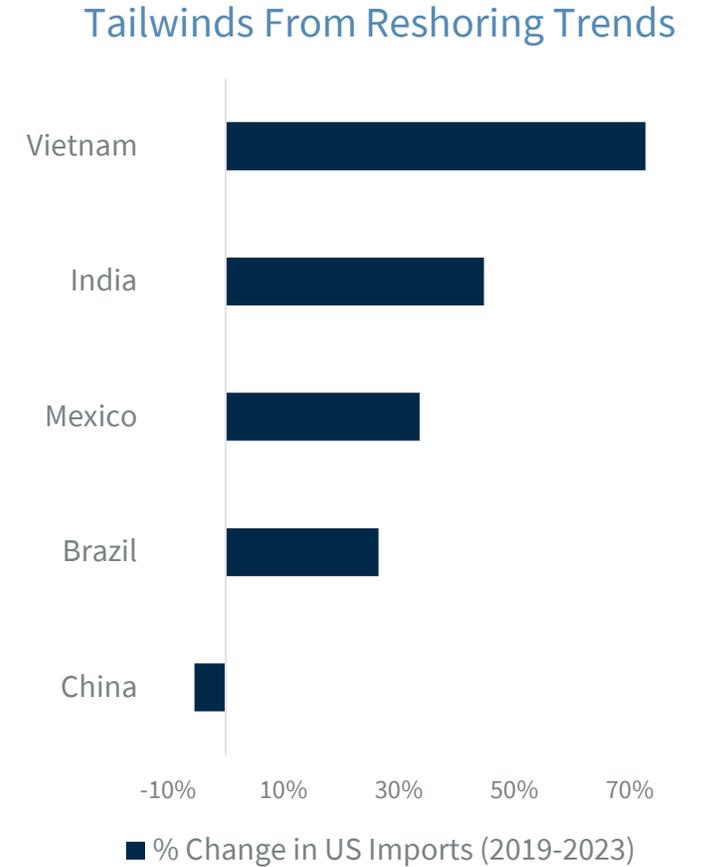
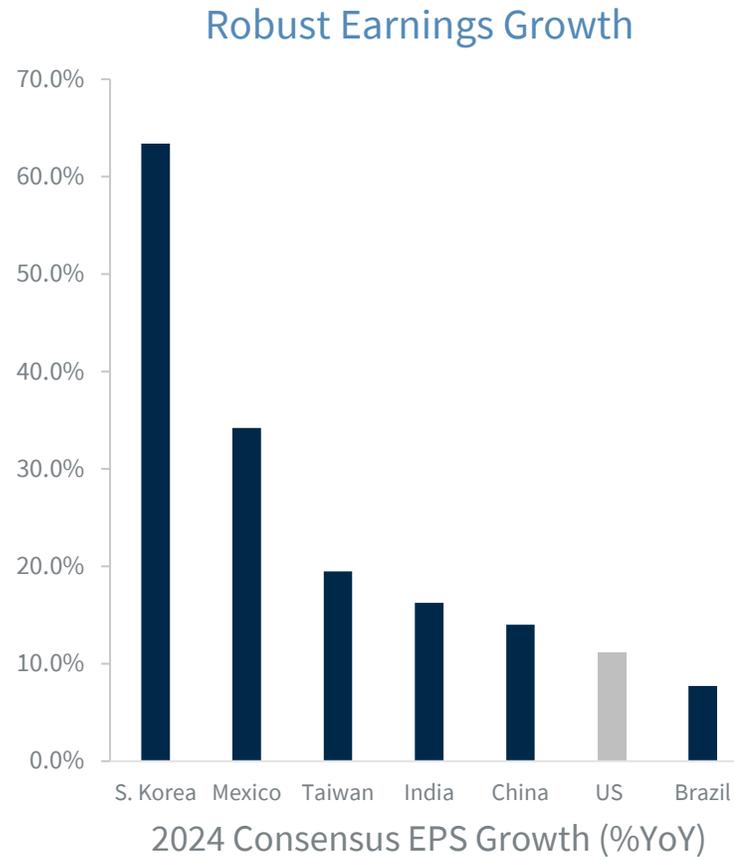
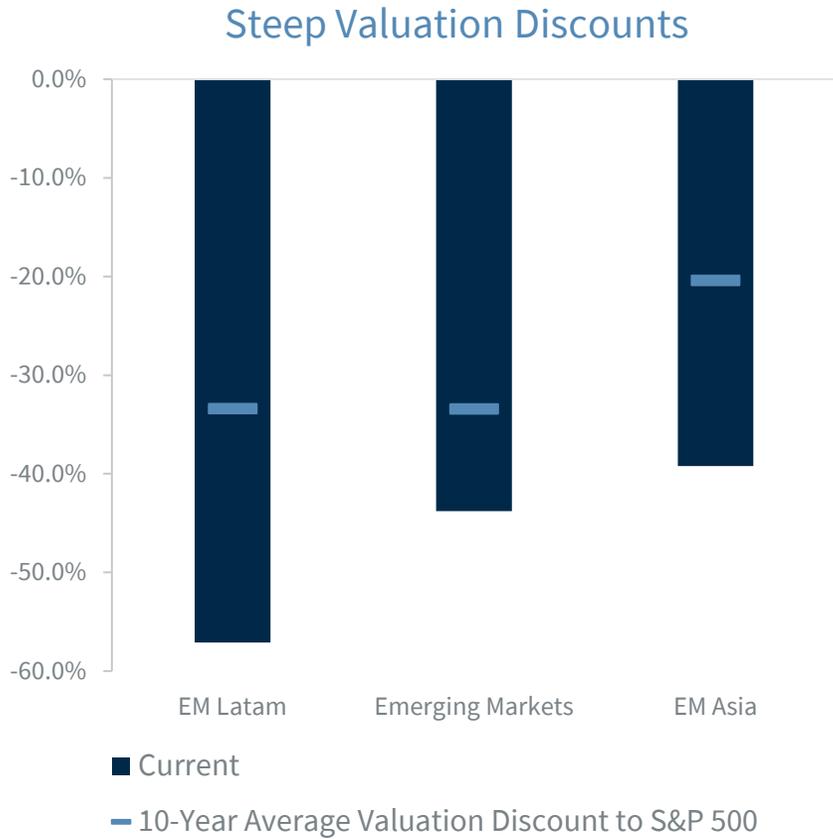
### Sector Weightings Favor US Over International



Source: FactSet, Data as of 3/26/2024.

# MACRO TAILWINDS SUPPORT EM

## EMERGING MARKETS REMAIN ATTRACTIVELY VALUED



Source: FactSet, Data as of 3/26/2024.



# 7 Oil

## Pong: A Balance Between Supply and Demand

### INSIGHT:

Investors are watching oil prices bounce back and forth between supply and demand dynamic paddles. Expect the range to continue with a modest move higher by year end.

### BOTTOM LINE:

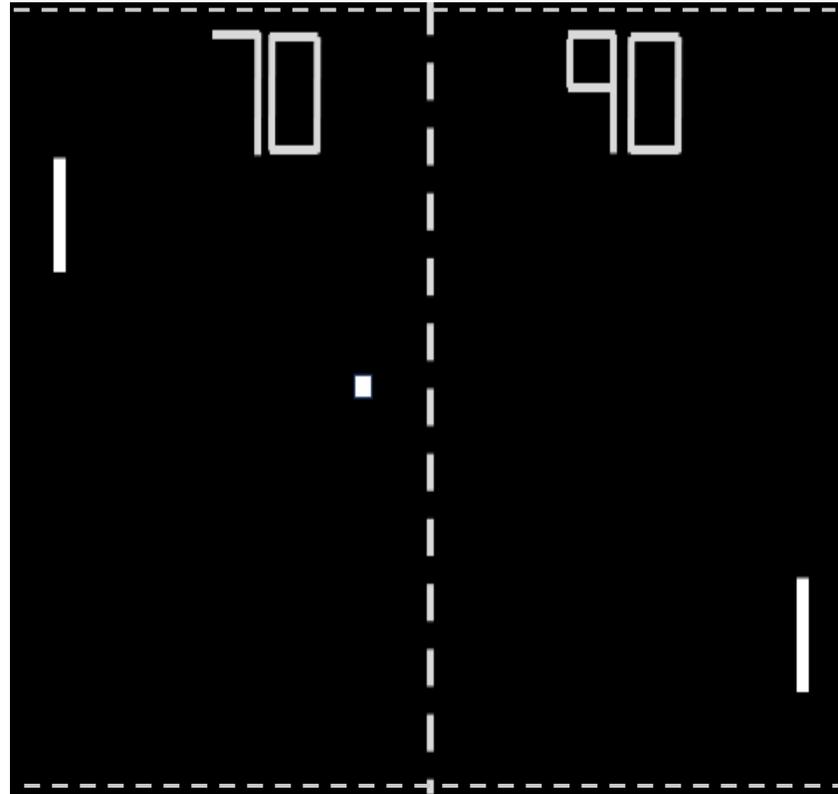
Demand is likely to rise as a global easing cycle gets underway and weakness in the worldwide economy recedes. We reiterate our year-end target of ~ \$85 a barrel.

## SUPPLY AND DEMAND DYNAMICS ARE PLAYING PONG WITH OIL PRICES

OIL HAS BEEN RANGEBOUND BETWEEN \$70 AND \$90

### Reasons for \$70 Oil

-  Record US oil production and/or cracks in OPEC+ agreement
-  Moderation in demand amid growth slowdown
-  Increasing US crude stockpiles
-  Excess demand expected to shift to excess supply in 2025



**\$85**

12-Month Crude Oil Target

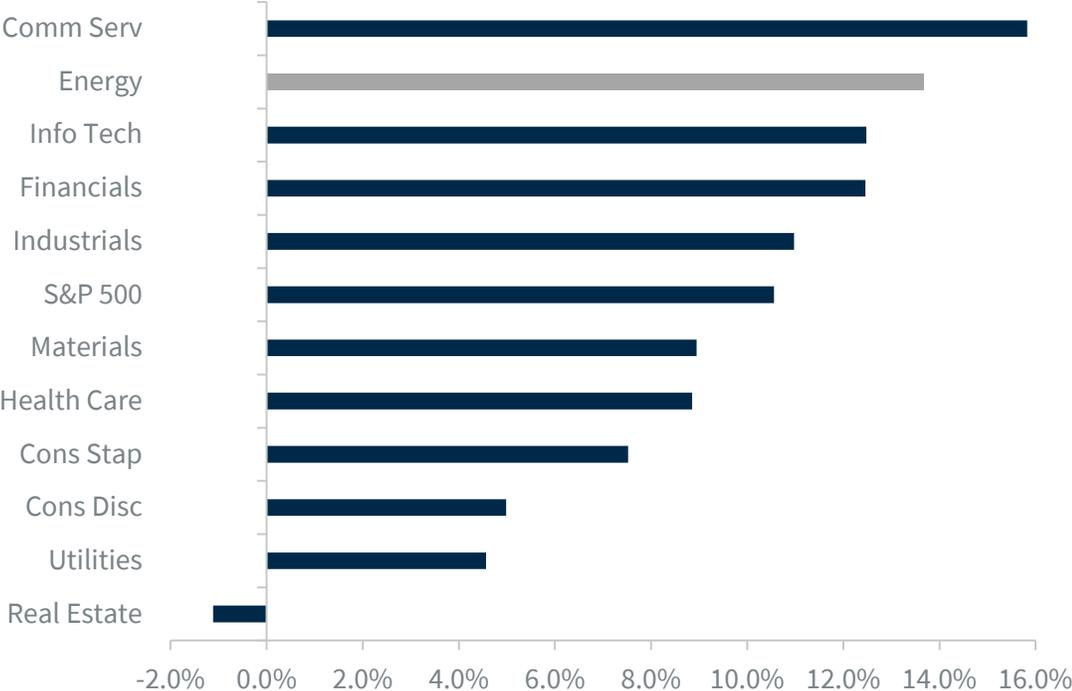
### Reasons for \$90 Oil

-  Continued production cuts from OPEC+ nations, limiting supply
-  Summer driving season a tailwind
-  Need to refill the Strategic Petroleum Reserve
-  Ongoing geopolitical event risk and impact on supply

# REMAIN OPTIMISTIC ON THE ENERGY SECTOR

OIL FUNDAMENTALS SUPPORT FURTHER UPSIDE FOR THE EQUITY SECTOR, BUT AT A MORE MODEST PACE

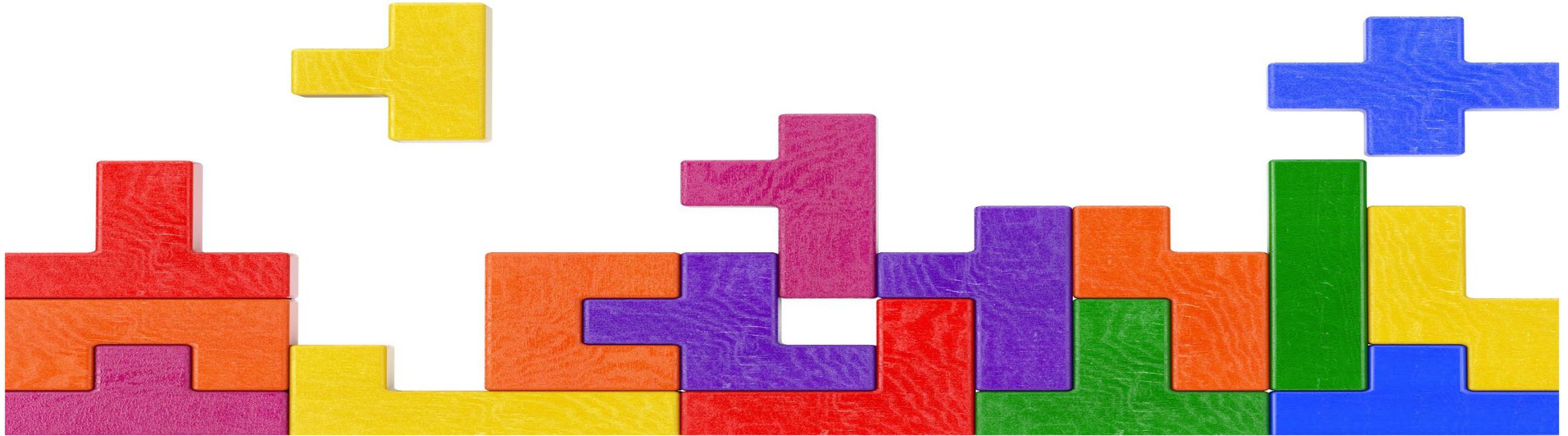
Energy the Second-Best Performing Sector Year-to-Date



Five Reasons Energy Rally Can Continue – At a Milder Pace

- 1 Elevated **Oil Prices** Support Slight Upside for Sector
- 2 Price of Oil Remains **Well Above Current Breakeven** Production Levels
- 3 **Attractive Valuations** Relative to S&P 500
- 4 **Highest Dividend and Buyback Yield** of Any S&P 500 Sector
- 5 **Deleveraging in Sector Continues**—Net Debt/EBIT Remains Near Multi-Year Lows

Source: FactSet, Data as of 3/31/2024.



# 8 Asset Allocation

Just Like Vintage Video Games!

**INSIGHT:**

Similar to vintage video games, determining your risk/return profile and time horizon, setting an asset allocation and choosing your favorite ‘players’ is critical in achieving extended play.

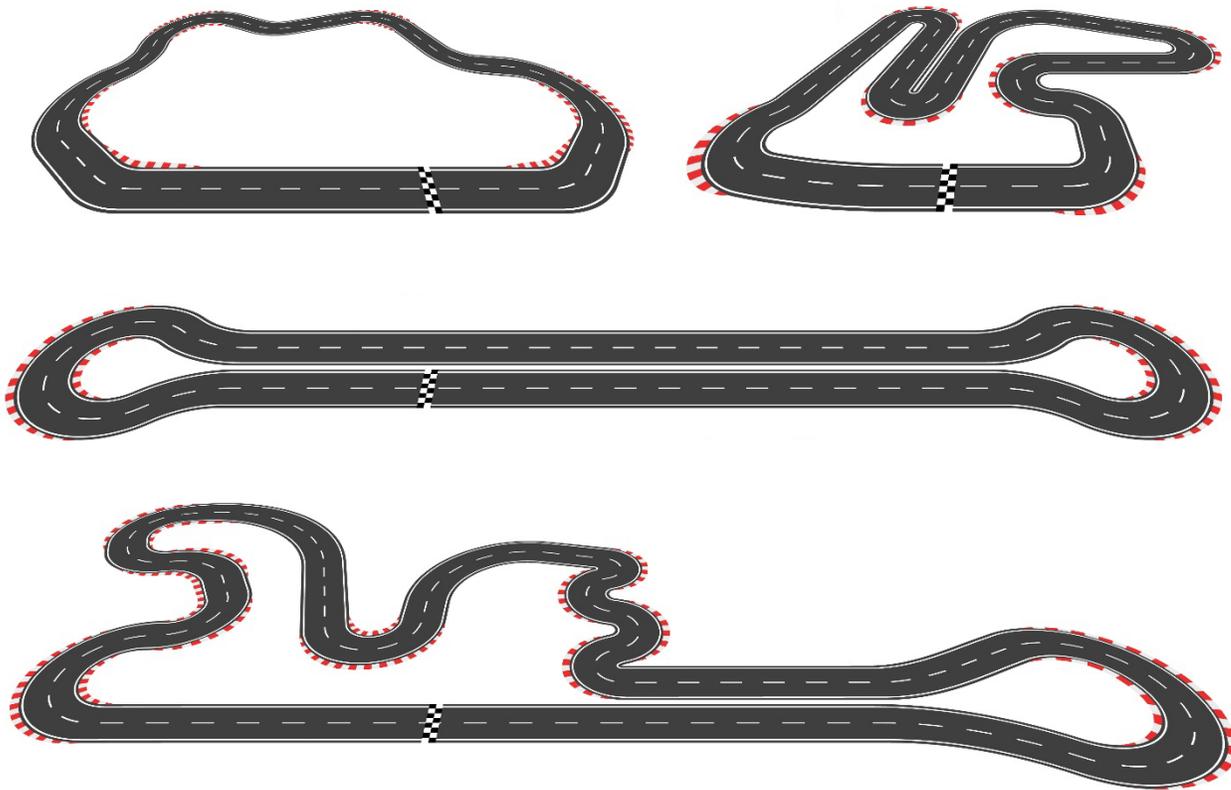
**BOTTOM LINE:**

A balanced, well-rounded, and consistent long-term focused strategy is essential. Focus on diversification and asset allocation to help get you to the final stages of the game—your investing time horizon!

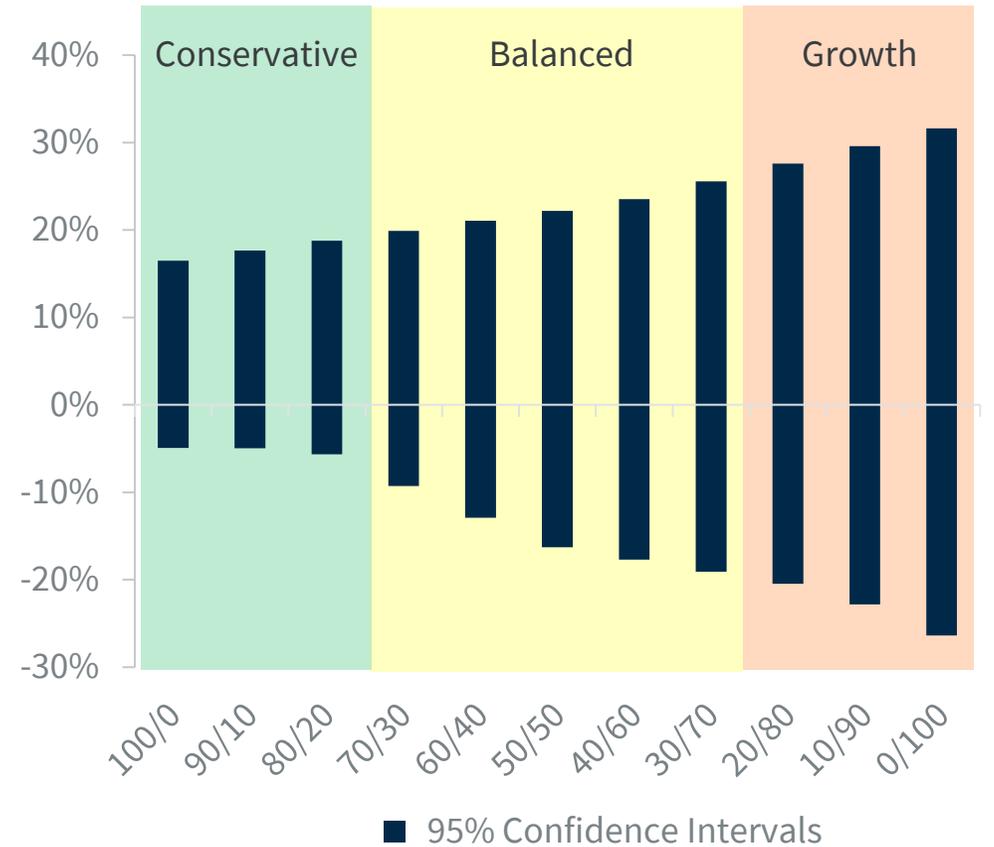
## STEP 1: PICK YOUR COURSE, INVESTOR HORIZON AND RISK PROFILE

### STEP 1: PICK YOUR COURSE, INVESTOR HORIZON AND RISK PROFILE

#### Pick Your Course



#### Pick Your Risk Profile\*



\*Bonds/Equity % of Portfolio Allocation, data since 1976

**STEP 1: SELECT YOUR INVESTMENT VEHICLE**

**SUV**



**PERFORMANCE**



**ACCELERATION**



**COMFORT**



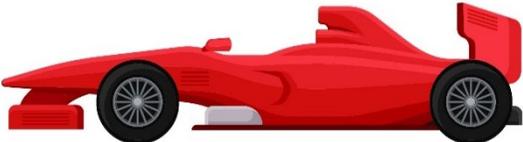
**DURABILITY**



**TRANSMISSION**



**RACE CAR**



**PERFORMANCE**



**ACCELERATION**



**COMFORT**



**DURABILITY**



**TRANSMISSION**

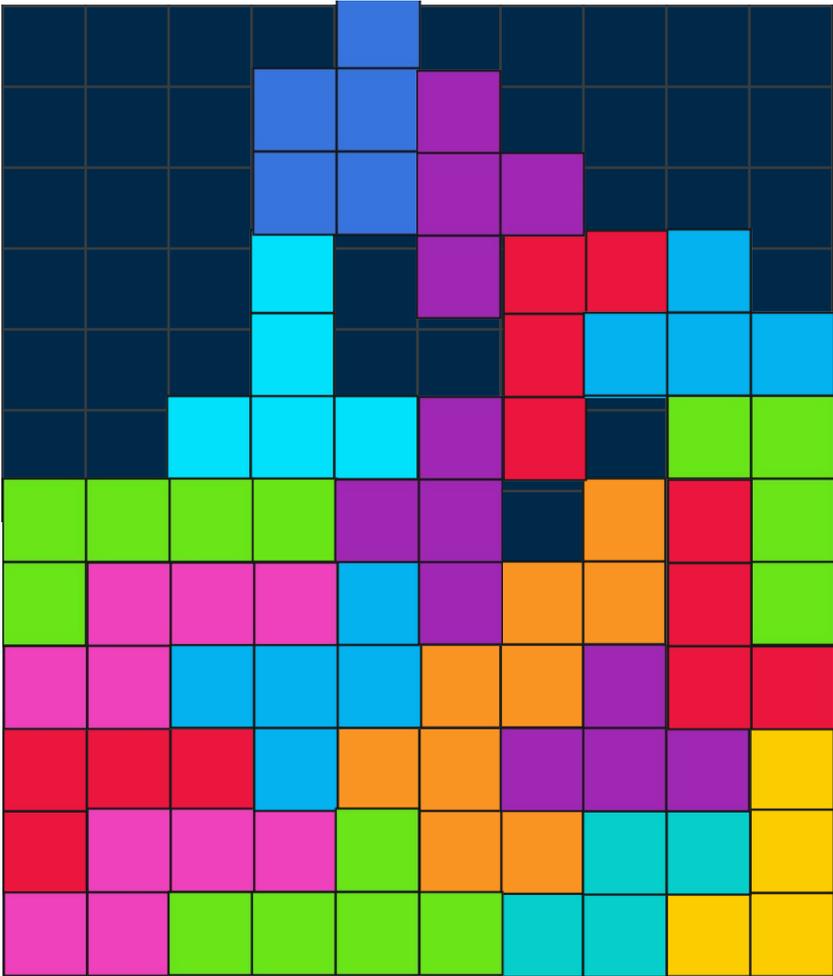


**PORTFOLIO**



- > **RETURN POTENTIAL**
- > **TIME HORIZON**
- > **VOLATILITY**
- > **MAX DRAWDOWN**
- > **MANAGEMENT STYLE**

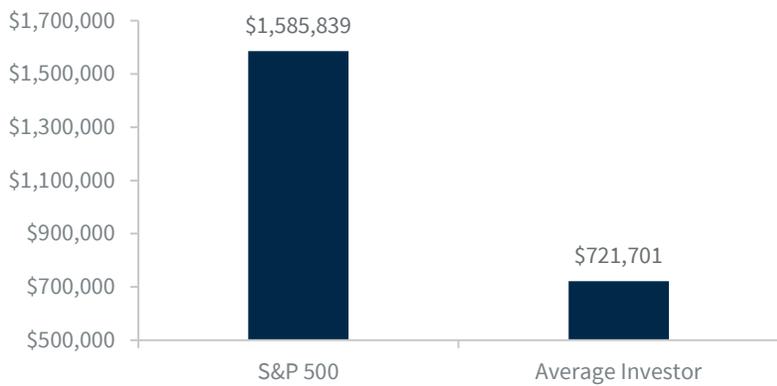
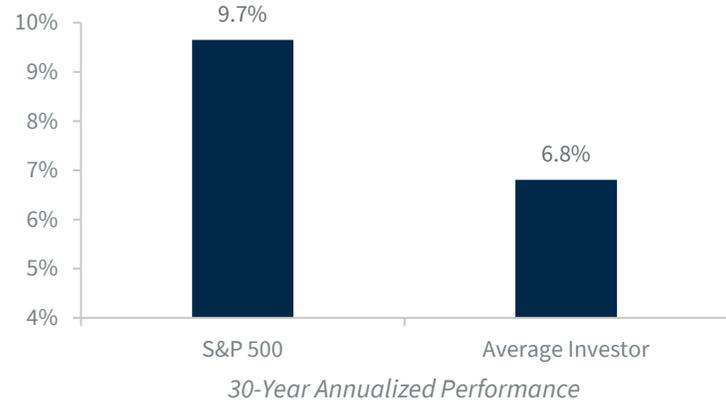
# STEP 2: ASSET ALLOCATION 'FITS' THE PIECES TOGETHER; DO NOT PANIC WITH VOLATILITY



**Asset Allocation**  
91%

**NEAT**

Asset Allocation is Critical to Portfolio Construction



Growth of \$100k Investment Over Last 30 Years  
Source: DALBAR, Data as of 12/31/2023.

# STEP 3: PICK AN ALL-PRO TEAM TO MANAGE EACH ASSET CLASS

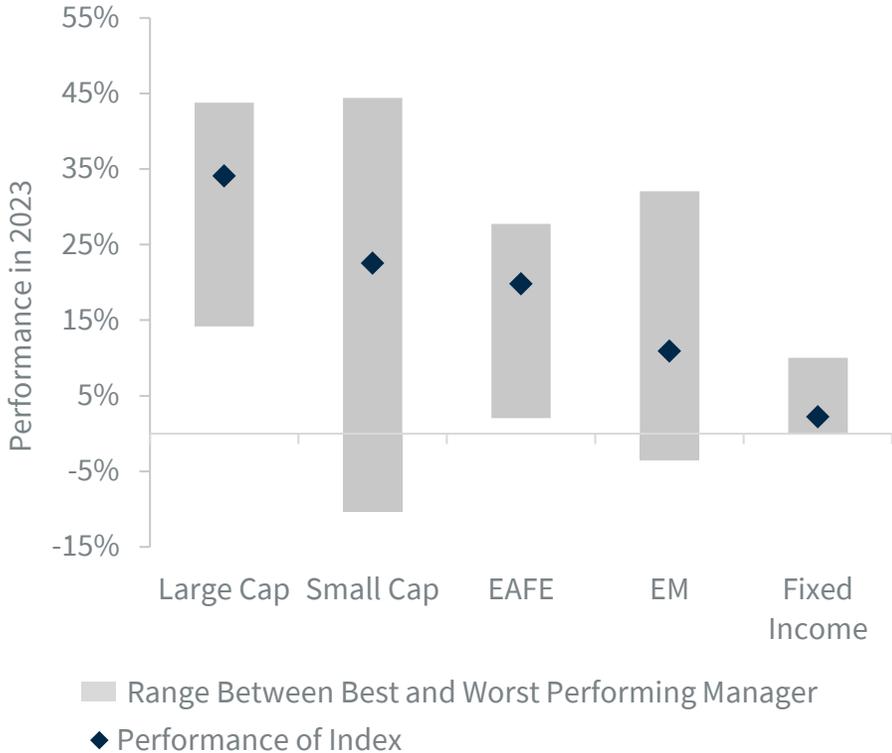
## STEP 3: PICK AN ALL-PRO TEAM TO MANAGE EACH ASSET CLASS

### Multiple Vehicles in Which to Invest



The investment vehicles listed above may not be suitable for every investor. Prior to making an investment decision, please consult with your financial advisor about your individual situation.

### Selecting the Right Manager is Critical



Source: FactSet, performance represents trailing 1-year performance as of 3/31/2024 for largest 100 mutual funds in each asset class.

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## UPCOMING WEBINARS

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**May 6 | 4:00 pm E.T.**

Market Outlook and Timely Investment Topics

*This presentation will discuss recent market and economic trends and impacts.*

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**INTERNATIONAL INVESTING** | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Investing in emerging markets can be riskier than investing in well-established foreign markets.

**SECTORS** | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

**OIL** | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

**WEST TEXAS INTERMEDIATE** | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

**CURRENCIES** | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

**GOLD** | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

**FIXED INCOME** | Fixed-income securities (or "bonds") are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

**US TREASURIES** | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

**US TREASURY INDEX** | An index based on recent auctions of US Treasury bills and is commonly used as a benchmark when determining interest rates, such as mortgage rates.

**CAPEX** | CAPEX Capital Expenditures are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

### FIXED INCOME DEFINITION

**AGGREGATE BOND** | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

**HIGH YIELD** | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

**CREDIT** | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supnationals and local authorities.

**US DOLLAR** | The U.S. Dollar Index is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

**200 DAY MOVING AVERAGE** | The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days.

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## US INDEXES AND EQUITY SECTORS DEFINITION

**S&P 500** | The **S&P 500 Total Return Index**: The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

**RUSSELL 2000** | **Russell 2000 Total Return Index**: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

## INTERNATIONAL EQUITY DEFINITION

**EMERGING MARKETS EASTERN EUROPE** | **MSCI EM Eastern Europe Net Return Index**: The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**EMERGING MARKETS** | **MSCI Emerging Markets Net Return Index**: This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

**MSCI EAFE** | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

**GERMAN BUND** | A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond.

**SMALL CAP** | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

**LARGE-CAP STOCK** | also known as big caps are shares that trade for corporations with a market capitalization of \$10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

**MSCI AC WORLD EX-US** | The **MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries\*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

**LATAM** | **MSCI EM Latin America Net Return Index**: The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**ASIA EX-JAPAN** | **MSCI Pacific Ex Japan Net Return Index**: The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

**JAPAN** | **MSCI Japan Net Return Index**: The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

## COMMODITIES DEFINITION

**BLOOMBERG COMMODITY INDEX** | Bloomberg Commodity Index is a commodity group sub index of the Bloomberg CITR. The index is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return on fully collateralized futures positions and is quoted in USD.

**WTI** | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

**BLOOMBERG EMERGING MARKETS AGGREGATE BOND INDEX** | The Bloomberg s Emerging Markets Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

**ZILLOW OBSERVED RENT INDEX** | A measure of the typical home value and market changes across a given region and housing type. It reflects the typical value for homes in the 35th to 65th percentile range. Available as a smoothed, seasonally adjusted measure and as a raw measure.

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[ADOBE DIGITAL PRICE INDEX](#) | The Digital Price Index is the most comprehensive measure of inflation in the digital economy, and it's made possible by the ability of Adobe Analytics to turn terabytes of data into useable insights.

[NAR HOUSING AFFORDABILITY INDEX](#) | The Housing Affordability Index measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data.

[COX AUTOMOTIVE INDEX](#) | The Cox Automotive/Moody's Analytics Vehicle Affordability Index measures the ability of a household earning the median income to afford the purchase of an average-priced automobile.

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## DATA SOURCES:

FactSet.

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