

Citi Global Wealth
Investments

World Investment Navigator

JANUARY 2024

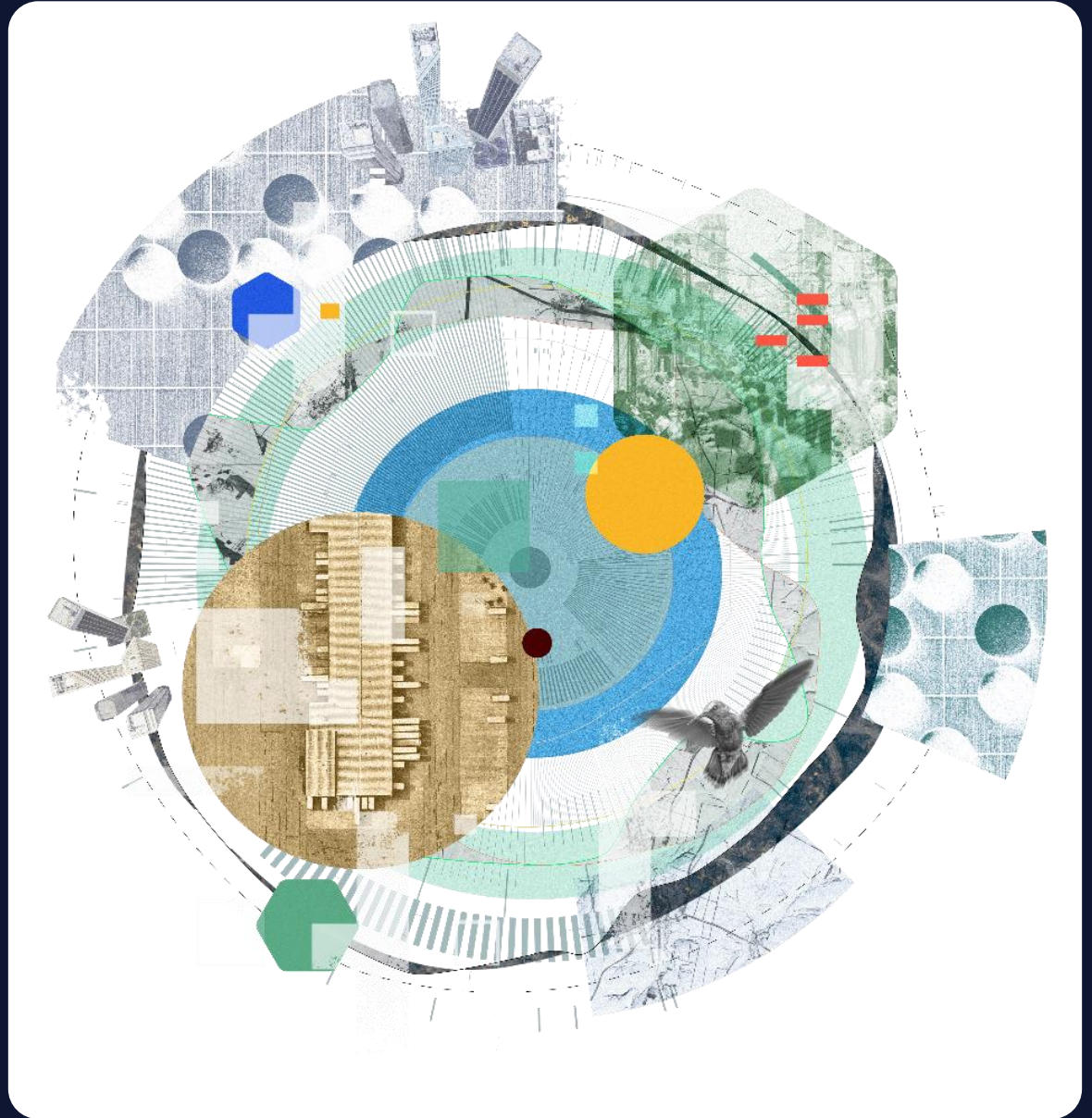


INVESTMENT PRODUCTS: NOT FDIC INSURED • NOT CDIC INSURED • NOT GOVERNMENT INSURED • NO BANK GUARANTEE • MAY LOSE VALUE

GLOBAL INVESTMENT STRATEGY

PERSPECTIVES

Welcome to 2024. No Collapse in Sight

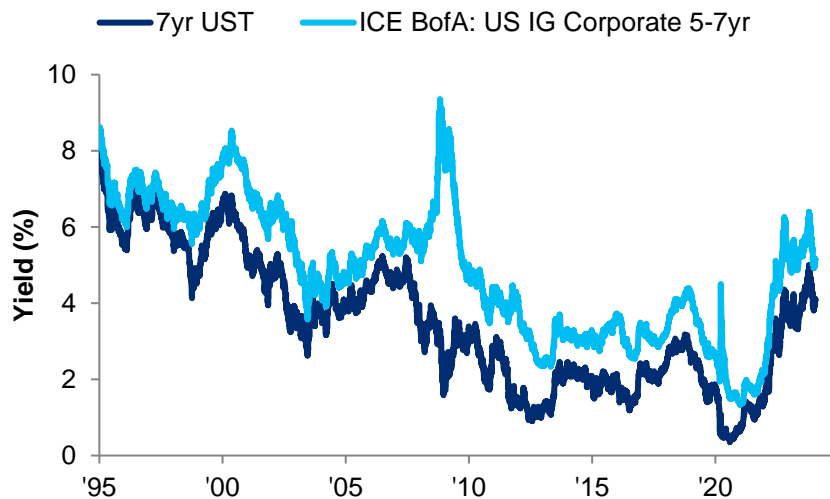


What a quarter! October 2023 price is gone, the opportunity remains

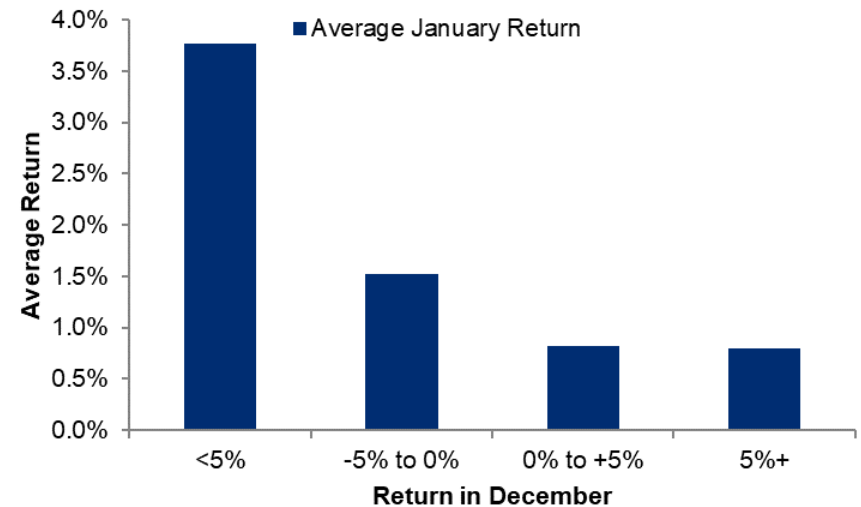
US treasury yields dropped 70bps in 4Q 2023. US investment grade debt total return +6.8%.
S&P 500 total return +11.7%. Global equities total return +11.0%.

- Yields are indeed off their highs. The bond market return in 2024 is likely to fall short of last year's +7% unless there is a sharp recession
- The big rally in global equities in 2023 likely reduces 10-year returns closer to +7%-7.5% vs the +8.4% we estimated prior to 4Q
- We would expect a high single-digit total return for the S&P 500 in 2024, more for some other global and US indices

YIELDS HAVE RISEN SHARPLY FROM 2020, BUT ARE 1% BELOW 2023 HIGHS



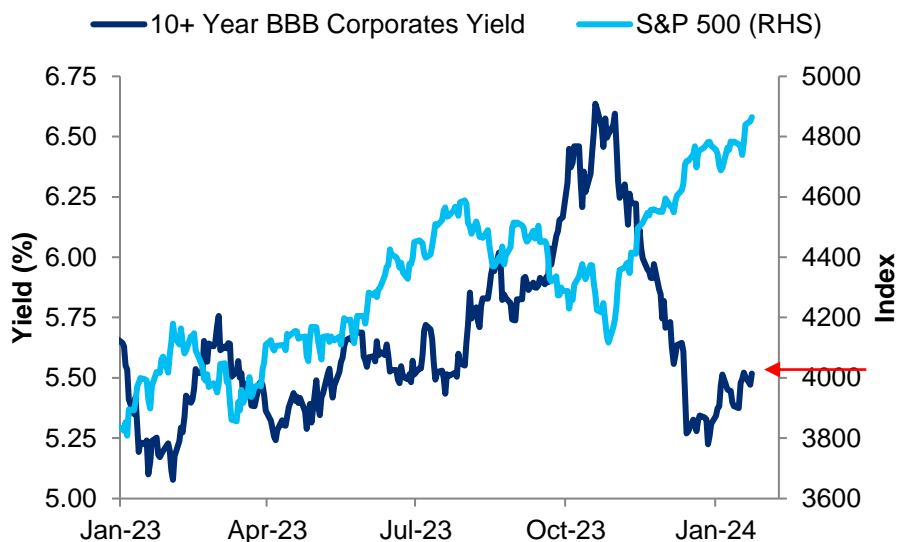
VERY STRONG DECEMBERS FOR THE S&P 500 TEND TO SOFTEN JANUARY (DATA SINCE 1954)



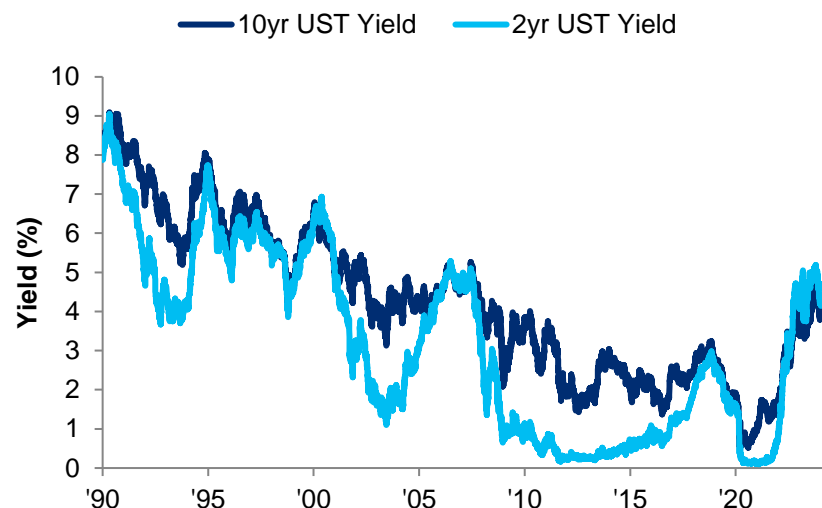
Source: Haver Analytics as of January 23, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Markets enjoyed a “Goldilocks” rally in 4Q 2023. The rate-cut “sparkle” is wearing off

YIELD DECLINES IN 4Q 2023 HELPED DRIVE EQUITIES HIGHER. YIELDS HAVE JUMPED SLIGHTLY IN THE NEW YEAR



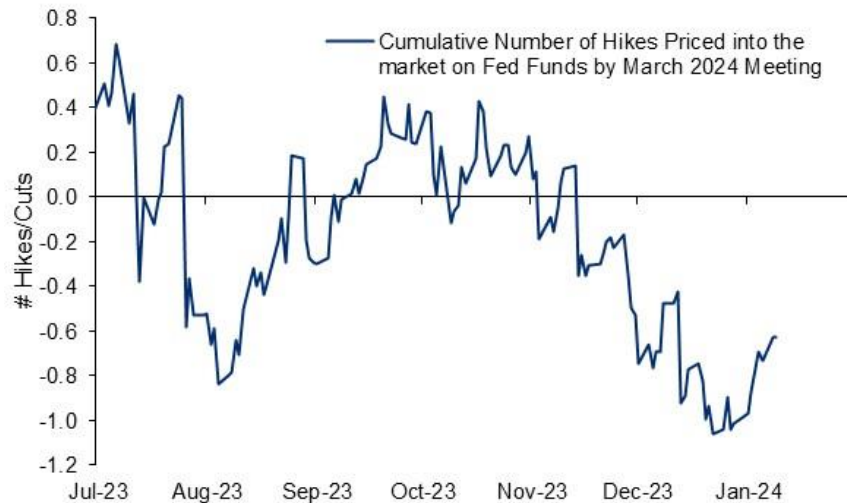
YIELDS HAVE ROOM TO DROP SOME, BUT THE IMMEDIATE BOND RALLY HAS STALLED
US TREASURY 2-YEAR, 10-YEAR YIELD (%)



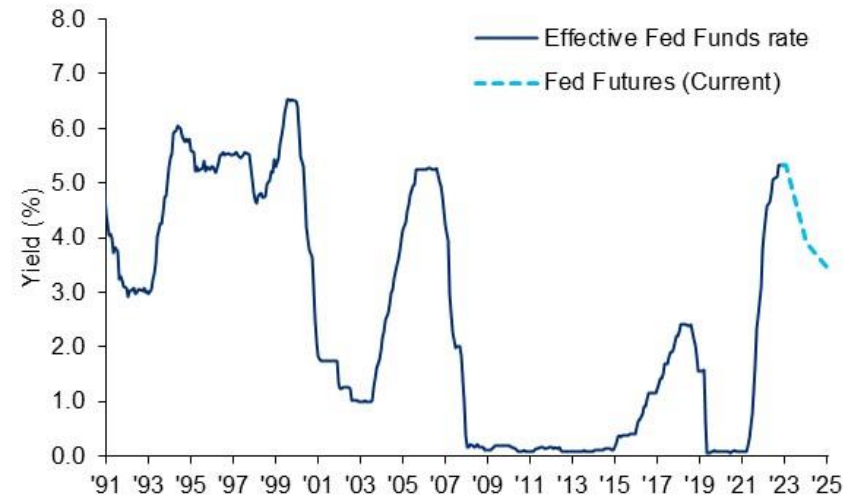
Source: Haver Analytics as of January 24, 2024. Note: red arrow denotes current yield for BBB corporates (ICE BofA 10+year BBB Corporates). Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Markets still price in too high a probability of a March rate cut, in our view. Still, 150 bps of cuts expected in 12 months is not extreme.

PROBABILITY OF FED RATE CUT PRICED BY MARCH 2024



5 ½ X 25 BPS CUTS PRICES BY END 2024

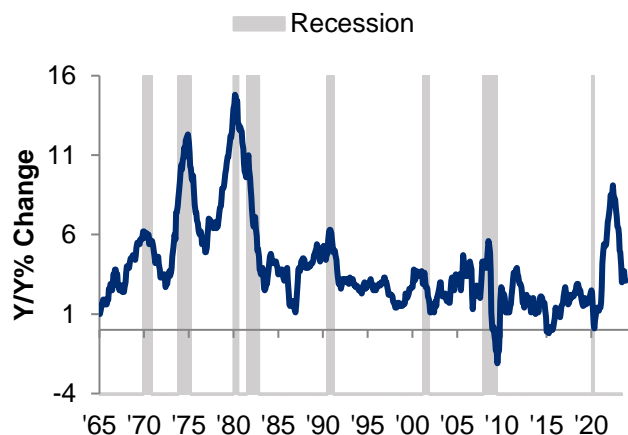


Source: Bloomberg as of January 9, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

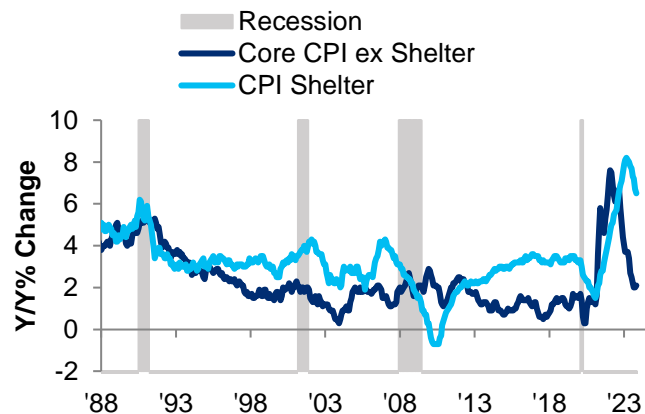
Falling inflation and slowing employment still drive the big picture

- Inflation is decelerating. More declines to be reported in 2024 as lagging measures of housing inflation normalize

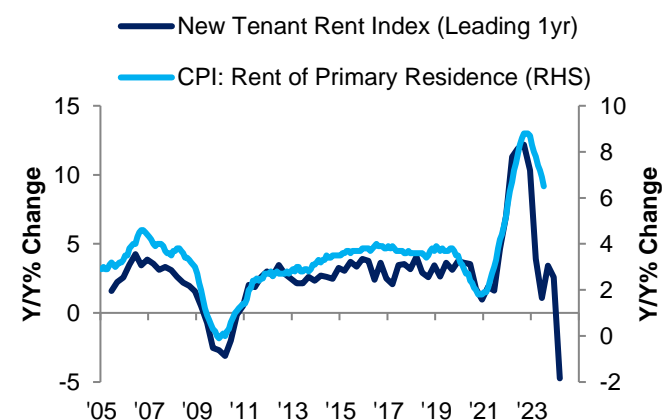
SHARP DROP IN INFLATION WITHOUT ECONOMIC COLLAPSE



CORE INFLATION EXCLUDING SHELTER IS ALREADY AT 2%, AND SHELTER IS ON ITS WAY DOWN



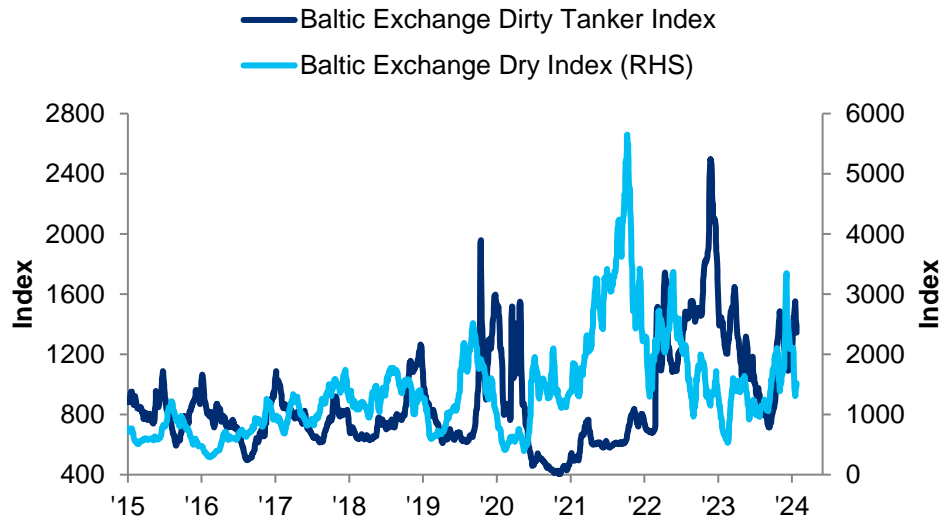
THE “NEW TENANT RENT” MEASURE SUGGESTS A SLOWING TOWARD 0% FOR THE CORE CPI COMPONENT IN THE YEAR AHEAD



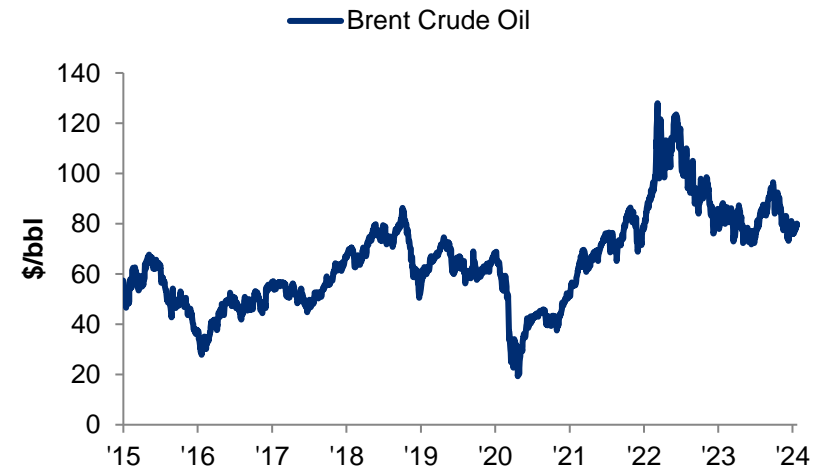
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The widening Middle East conflict bears watching. The loss of Red Sea shipping access shouldn't come close to the scope of pandemic era supply bottle necks. Note the crude oil price restraint

INTERNATIONAL SHIPPING COSTS FOR CRUDE OIL
VS DRY GOODS



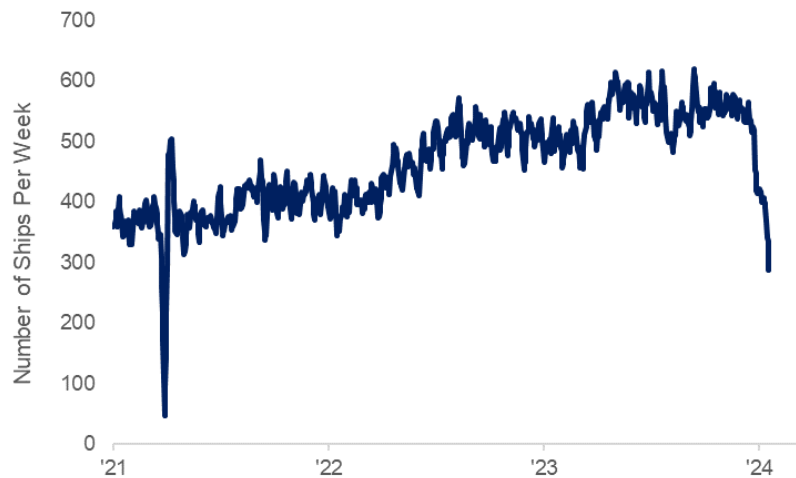
BRENT CRUDE OIL PRICE



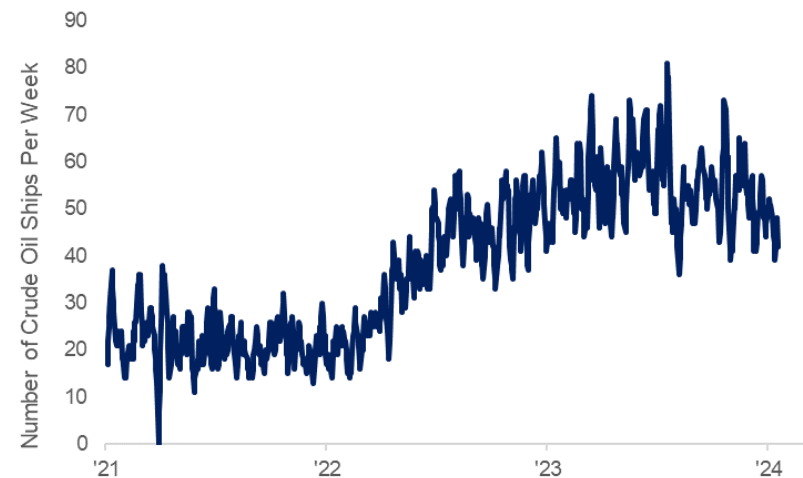
Source: Haver Analytics as of January 23, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Shipments dropped off drastically, but oil tankers with links to Russia and China are avoiding attacks

SHIPMENTS THROUGH THE SUEZ CANAL HAVE PLUMMETED



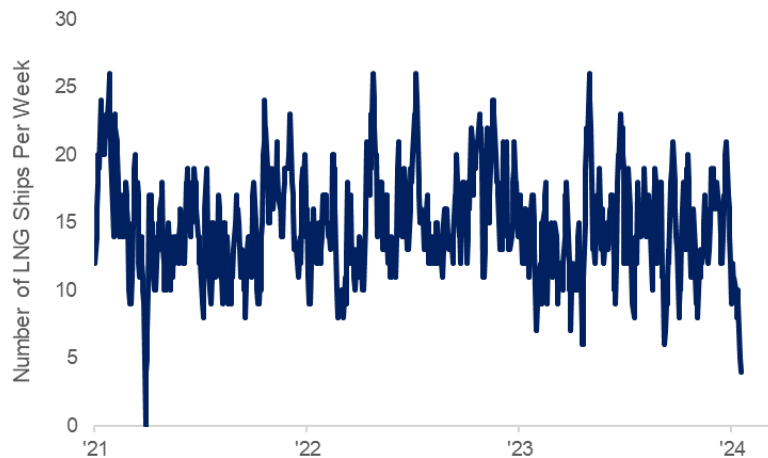
SHIPS CARRYING CRUDE OIL HAVE SEEN LESS IMPACT



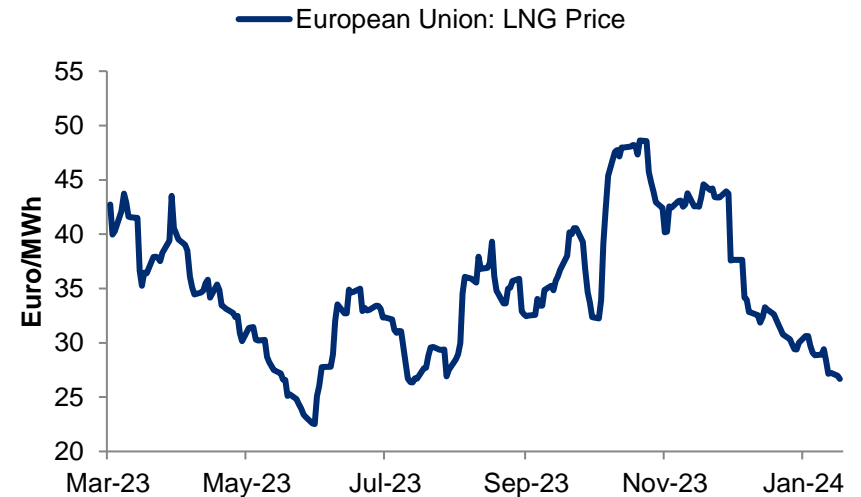
Source: Haver Analytics as of January 17, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Liquefied natural gas (LNG) carriers are diverting around Africa as stockpiles in Europe remain at healthy levels

THE NUMBER OF SHIPS CARRYING LNG THROUGH THE SUEZ CANAL HAS COLLAPSED



EUROPEAN UNION LNG SPOT PRICE



Source: Haver Analytics as of January 17, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Supply chains are in a much better place now than in 2021

NEW YORK FED'S GLOBAL SUPPLY CHAIN PRESSURE INDEX



US RETAIL INVENTORIES TO SALES RATIO



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We must remember that geopolitical shocks very rarely driver turning points for the world economy and markets

Geopolitical Event	Date	S&P 500 (% since event date)			Crude Oil (% since event date)			MSCI World ex USA (% since event date)			DXY Dollar Index		
		Initial Reaction	30 days	90 days	Initial Reaction	30 days	90 days	Initial Reaction	30 days	90 days	Initial Reaction	30 days	90 days
Pearl Harbor	12/7/1941	-6.87	-2.90	-12.02									
Cuban Missile Crisis	10/19/1962	-3.78	7.61	17.16									
JFK Assassination	11/21/1963	-2.81	3.06	8.28									
US Bombs Cambodia	4/29/1970	-15.30	-6.43	-4.94	0.00	0.00	0.00	-10.45	-17.01	-16.07	-0.20	-0.23	-0.51
Arab Oil Embargo	10/18/1973	-16.26	-5.61	-15.11	67.44	72.09	287.04	-14.68	1.96	-18.53	6.98	4.68	12.31
USSR Invades Afghanistan	12/24/1979	-2.27	5.37	-7.78	8.33	8.33	8.33	3.94	3.94	11.85	-1.06	-0.71	5.91
US Bombs Libya	4/15/1986	2.95	-1.39	0.16	-3.91	8.70	-15.65	0.00	6.19	8.16	-4.15	-4.80	-5.30
US Invades Panama	12/15/1989	-2.06	-3.73	-3.43	2.82	5.08	-6.21	0.00	3.67	-7.04	0.31	-1.69	-0.44
Gulf War	12/24/1990	-4.16	0.09	12.10	17.75	-20.67	-31.32	1.75	1.75	15.96	-0.21	-3.61	4.90
World Trade Center Bombing	2/26/1993	-0.31	1.67	2.04	-0.18	-3.44	-5.81	0.00	8.52	18.62	0.18	-1.15	-4.79
911	9/11/2001	-11.60	0.45	4.34	-4.09	-17.68	-31.98	-8.48	3.24	5.48	-1.08	0.29	1.85
US Invasion of Iraq	3/20/2003	2.49	2.06	15.57	-8.16	-5.86	-6.54	1.53	4.58	22.05	0.84	-1.85	-7.89
Russian Annexation of Crimea	2/26/2014	1.16	0.68	3.62	-3.77	-2.43	-0.92	-2.42	-0.45	3.25	-0.40	-0.31	-0.10
Russian invasion of Ukraine	2/24/2022	-3.11	5.54	-8.44	19.04	17.26	18.98	-8.76	-0.36	-7.10	2.99	2.70	5.89
North Korea Related													
Korean War	6/23/1950	-12.80	-8.67	1.20									
Operation Paul Bunyan	8/18/1976	-3.15	1.64	-4.32	0.00	0.00	0.00	0.00	-0.26	-7.60	0.07	-0.57	-0.12
2006 Nuclear test	10/9/2006	0.90	2.60	4.60	-1.46	1.09	-7.43	0.46	4.33	8.09	0.43	-1.32	-2.21
2009 Nuclear test	4/25/2009	-1.28	5.09	13.05	-3.73	19.56	36.56	-2.32	12.28	21.21	0.52	-5.54	-7.04
2013 Nuclear test	2/12/2013	0.02	2.88	7.53	-0.27	-8.18	-12.49	-0.99	1.15	5.73	0.59	3.12	3.96
2016 Nuclear test	9/9/2016	-2.55	-0.81	2.97	-3.38	14.12	16.54	-2.06	-0.81	-0.72	-0.01	1.36	6.05
2017 Escalation	8/7/2017	-0.24	-0.64	4.44	2.19	7.00	21.65	-0.26	-0.49	3.60	0.23	-1.22	1.62
Missile test over Japan	8/28/2017	0.08	2.69	6.43	-0.83	10.37	23.06	-0.25	1.80	5.45	0.05	1.25	0.62

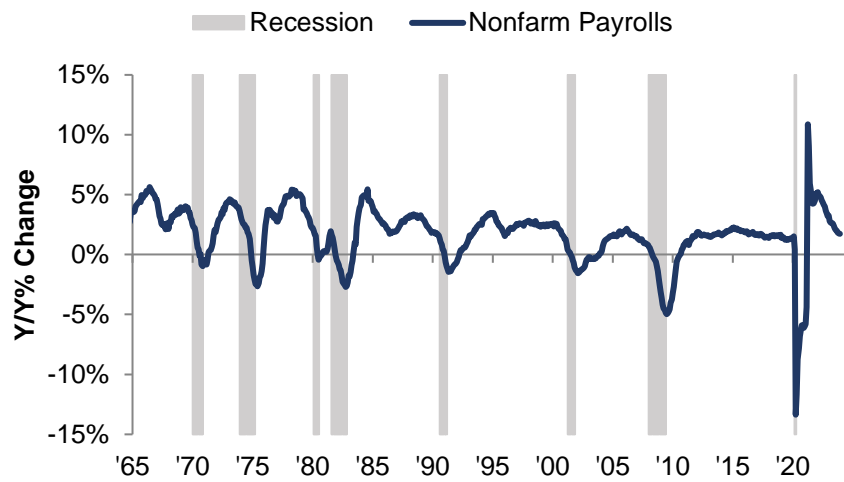
S&P 500	Initial Impact %	30 days %	90 days %
Average all events	-3.7	0.5	2.2
Average ex WW2	-3.5	0.7	2.8
Average ex WW2 and Oil Embargo	-2.9	1.0	3.7

Source: Bloomberg as of January 17, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

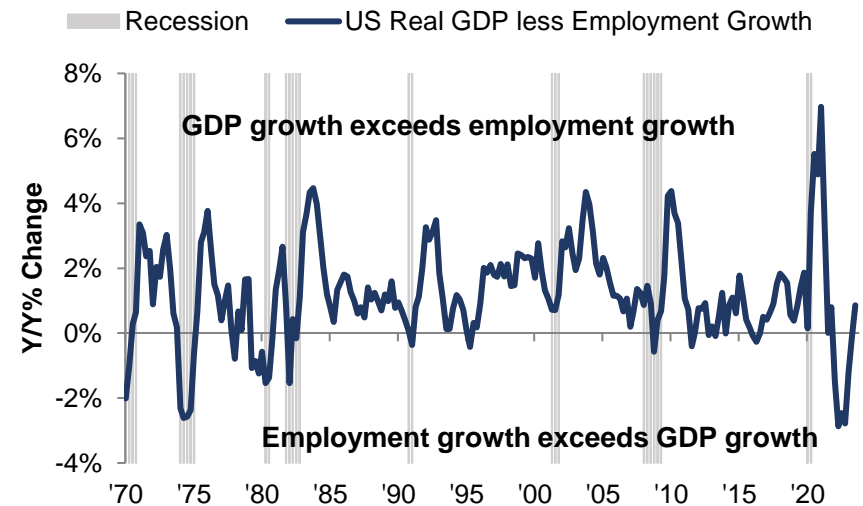
Productivity is rebounding as the US labor market slows

- Above consensus? In 2023, US job gains were 2.7 million. In 2022, 4.8 million. In 2021, 7.3 million.

EMPLOYMENT GROWTH IS SLOWING...



...YET ECONOMIC GROWTH HAS REBOUNDED

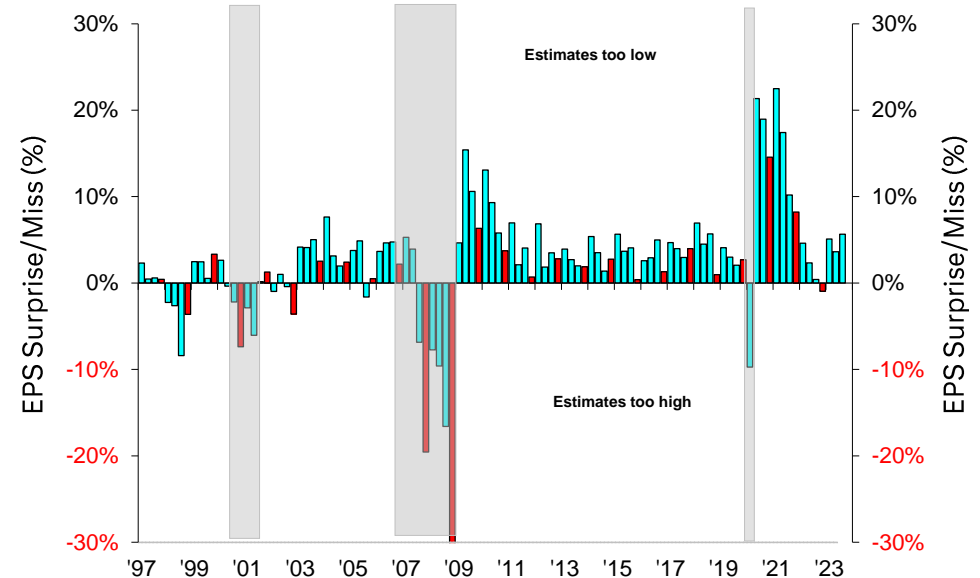
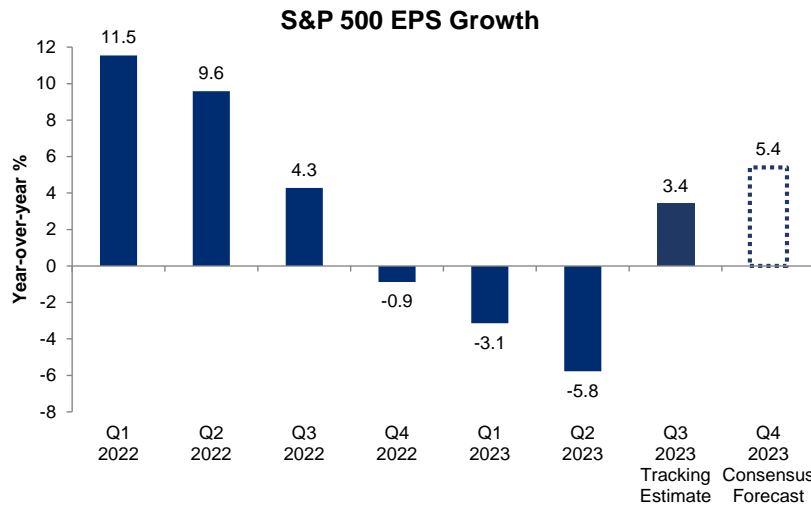


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Watch the 4Q reporting season... if you outgrow expectations in late 2023, you won't need to grow 11% to hit 2024 estimates

CORPORATE PROFITS ARE BEGINNING TO GROW AGAIN WHILE LABOR DEMAND SUBSIDES

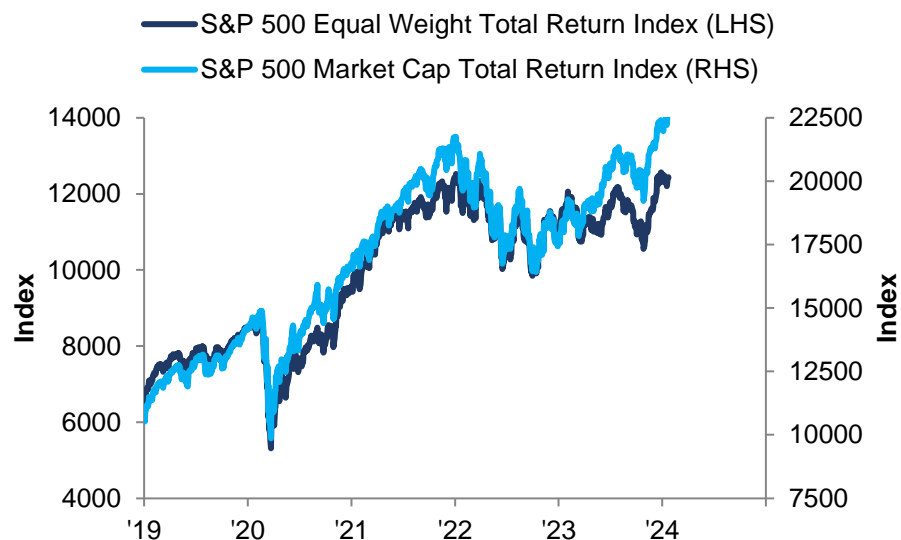
4Q EPS RESULTS BIASED DOWN TO THE BENEFIT OF 1Q PERIODS EX-2008, 1Q EPS SURPRISES AVERAGE +3.2 PCT POINTS HIGHER THAN 4Q EX-2008*



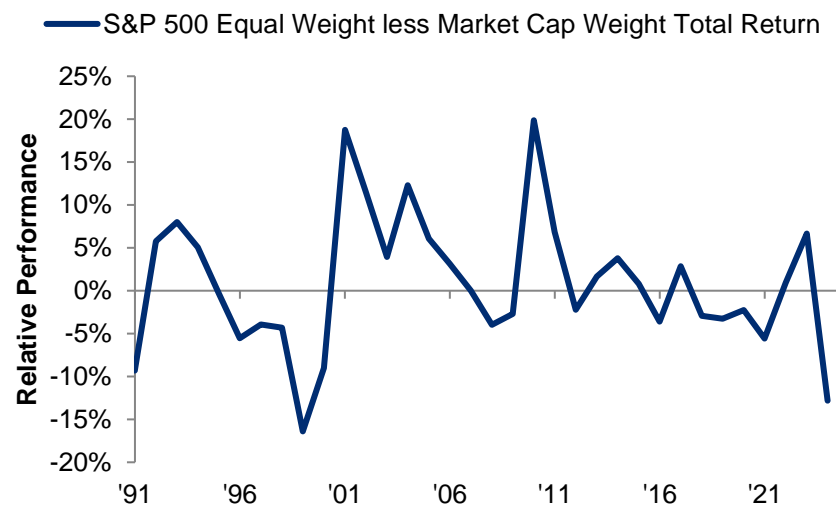
Source: Bloomberg as of November 14, 2023. *Red bars are all Q4 EPS results, blue bars are Q1, Q2, and Q3 results. Indices are unmanaged. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Our view of 2024: No +25% year, but stronger “breadth”

THE S&P 500 EQUAL WEIGHT INDEX HAS LAGGED WELL BEHIND MARKET CAP WEIGHTED INDEX



THIS IS DESPITE HISTORICALLY OUTPERFORMING IN 50% OF YEARS (S&P EQUAL WEIGHT LESS MARKET CAP WEIGHT TR)

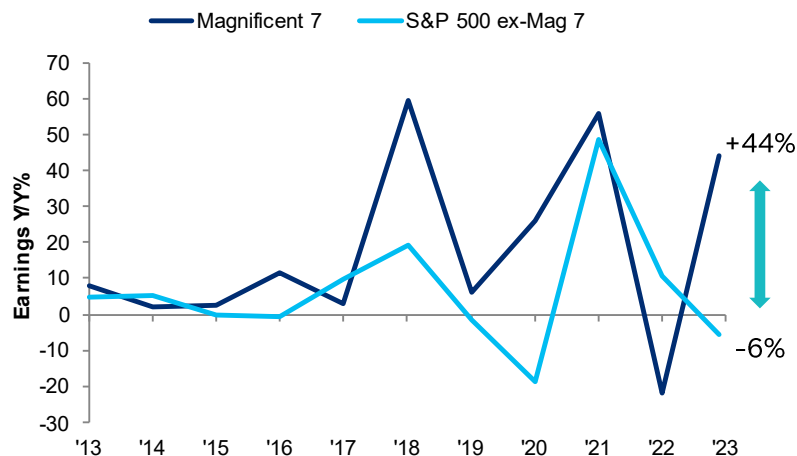


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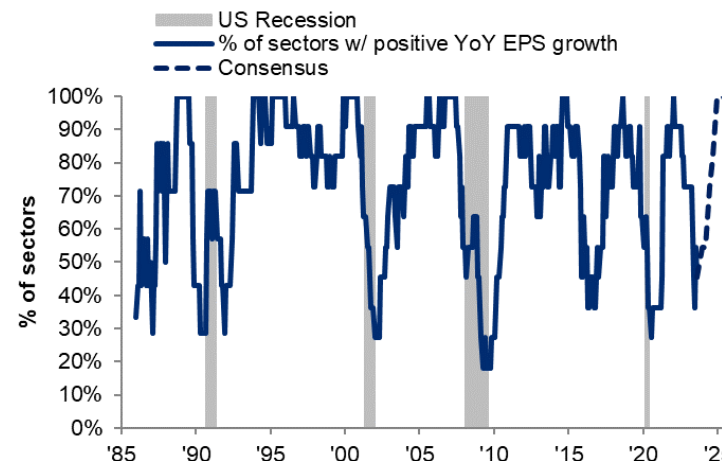
EPS boomed for the Mag 7 in 2023. We see EPS recovery commencing for broader industries in 2024

- EPS are estimated +44% for the Magnificent 7 in 2023. This is great positive momentum for 2024, but it's the EPS performance of the non-Magnificent 493 (-6%) in 2023 that is likely to rebound in the coming year.

MAGNIFICENT 7 EPS VS REMAINDER OF S&P 500 EPS Y/Y%



SECTOR EPS GAINS IN 2023 WERE RECESSIONARY



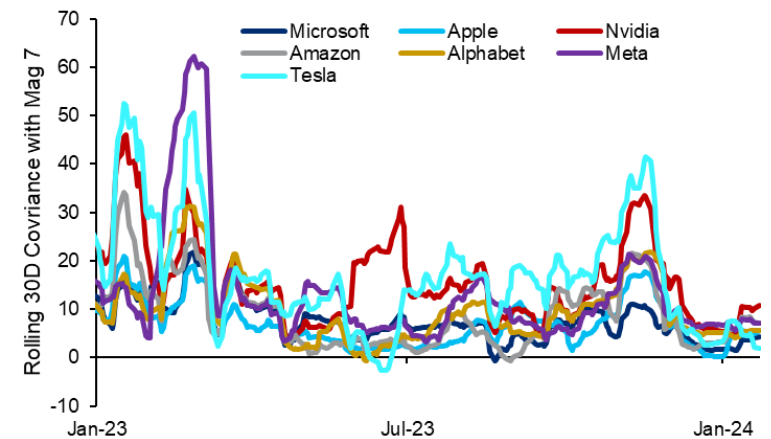
Source: Bloomberg and Factset as of November 11, 2023. The Magnificent 7 stocks: Amazon.com, Apple, Google parent Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

Investors aren't fighting the positive momentum in Mag 7 yet. Only Tesla has seen correlation fall to the overall grouping

MAGNIFICENT 7 CORRELATION: MOSTLY TRADING AS A GROUP

	Microsoft	Apple	Nvidia	Amazon	Alphabet	Meta	Tesla
Since 2020	0.84	0.79	0.83	0.77	0.79	0.71	0.77
Since 2023	0.74	0.74	0.79	0.66	0.69	0.78	0.73
Since 2024	0.90	0.89	0.97	0.91	0.93	0.96	0.16

MILD PERFORMANCE DISPERSION BETWEEN MAG 7

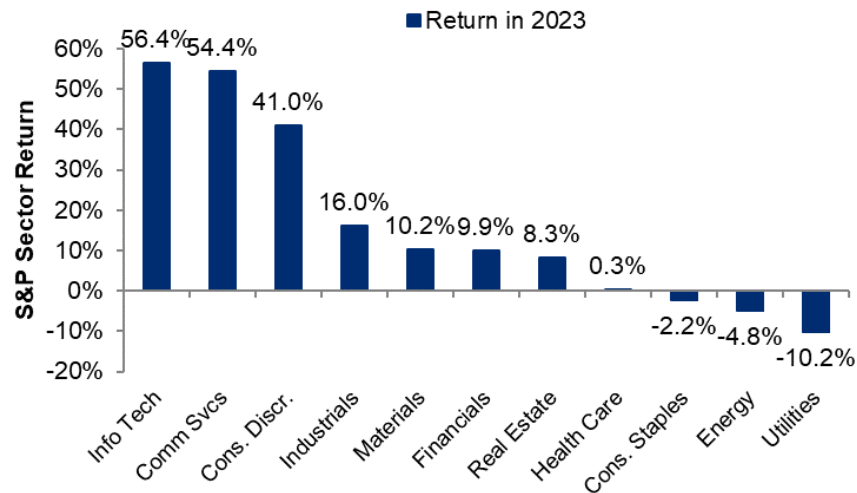


Source: Bloomberg and Factset as of January 22, 2024. The Magnificent 7 stocks: Amazon.com, Apple, Google parent Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary. Correlation: The extent to which the values of different types of investments move in tandem with one another in response to changing economic and market conditions. Correlation is measured on a scale of 1 to +1. Investments with a positive correlation tend to rise and fall in value at the same time, while investments with a negative correlation tend to move in opposite directions. An asset class has a correlation of 1 with itself.

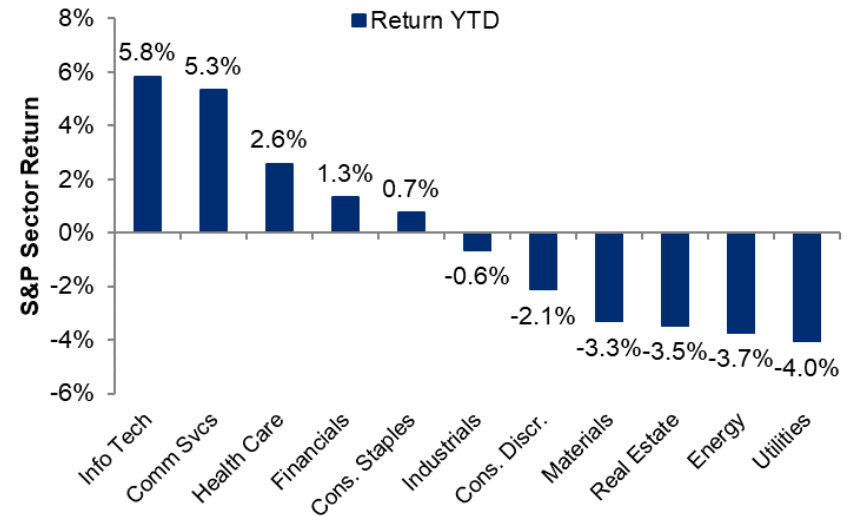
Sector performance in 2023 driven by Mag 7 (IT, comm services, consumer discretionary)

Some rotation already evident

S&P 500 SECTOR RETURNS FOR 2023



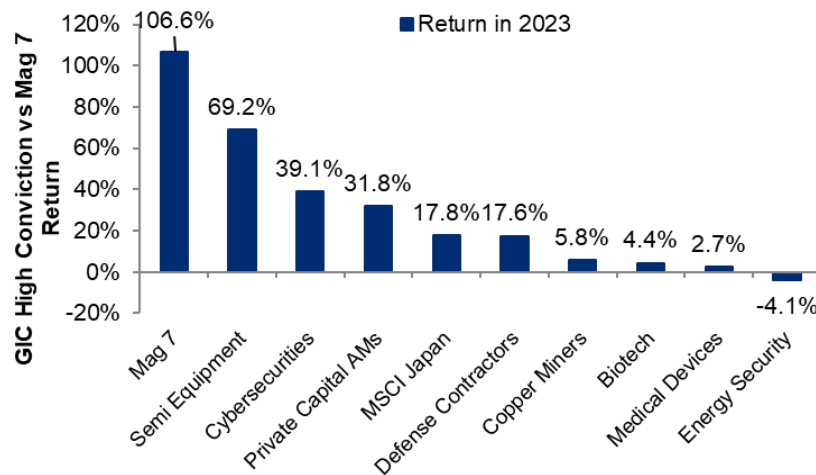
S&P 500 SECTOR RETURNS YTD



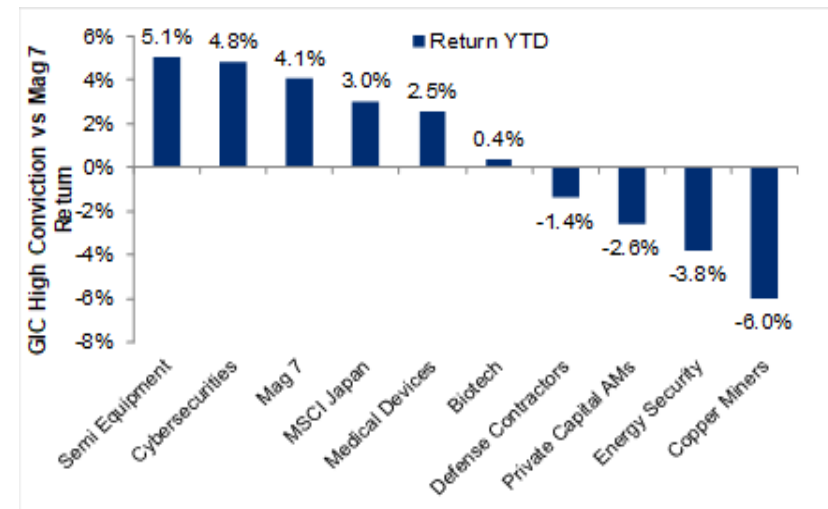
Source: Bloomberg as of January 23, 2024. The Magnificent 7 stocks: Amazon.com, Apple, Google parent Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Mag 7 have demonstrably strong fundamentals, but other opportunities may rise faster in 2024

GLOBAL INVESTMENT COMMITTEE (GIC) CONVICTION RETURNS VS MAG 7 FOR 2023



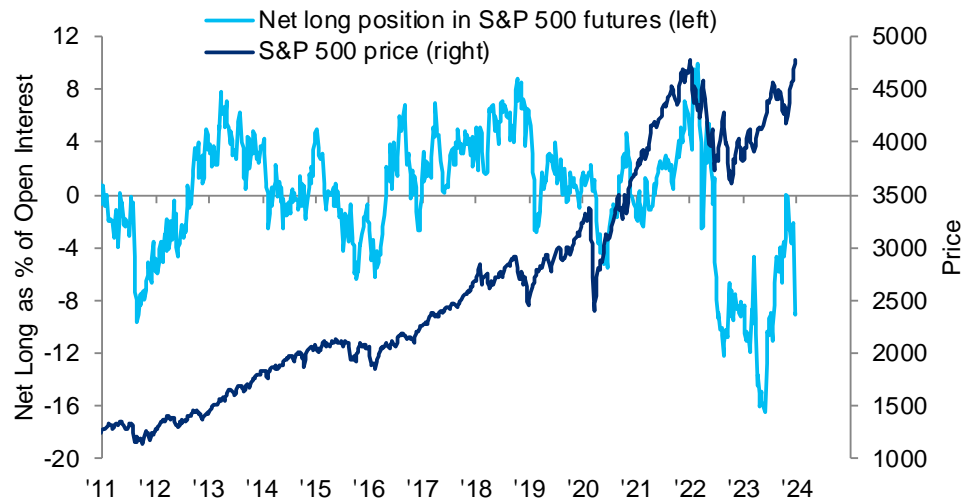
GLOBAL INVESTMENT COMMITTEE (GIC) CONVICTION RETURNS VS MAG 7 YTD



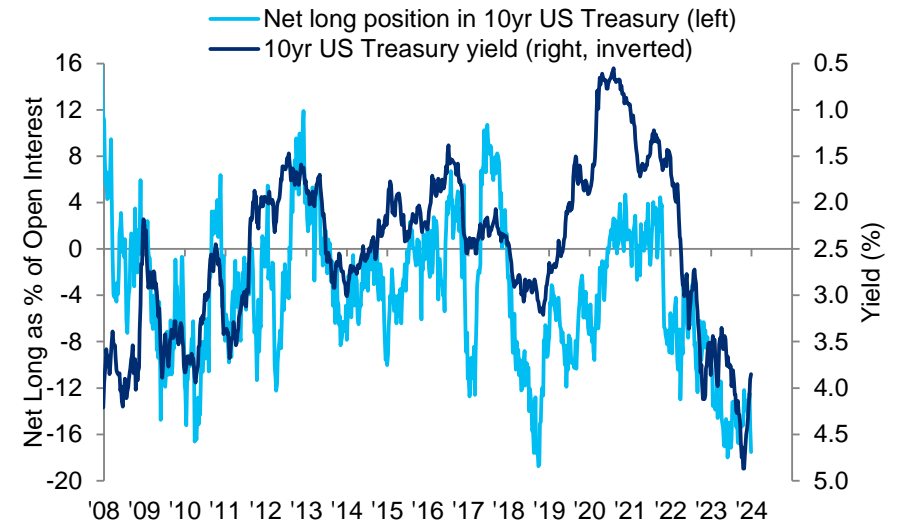
Source: Bloomberg as of January 23, 2024. The Magnificent 7 stocks: Amazon.com, Apple, Google parent Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Despite a surge in investor bullishness (a contrary negative indicator), the short base remains large in both equities and bonds

NET LONG POSITIONS IN S&P 500 FUTURES AS % OF OPEN INTEREST



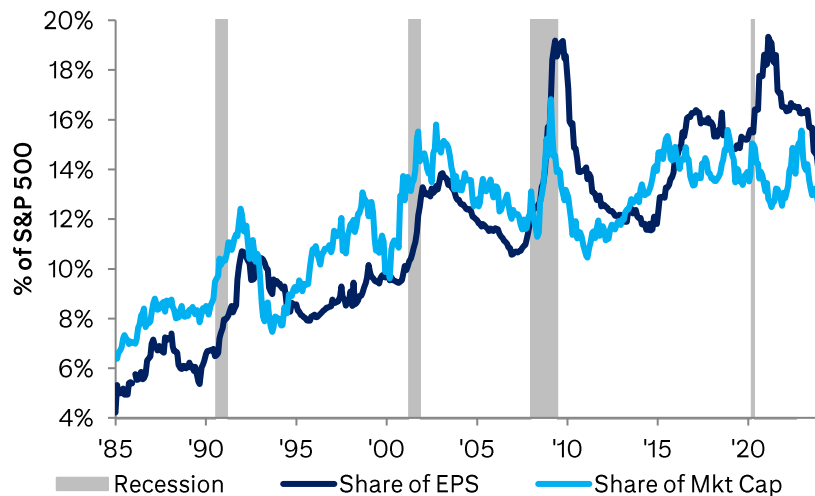
NET LONG POSITIONS IN US 10-YEAR NOTE FUTURES AS % OF OPEN INTEREST



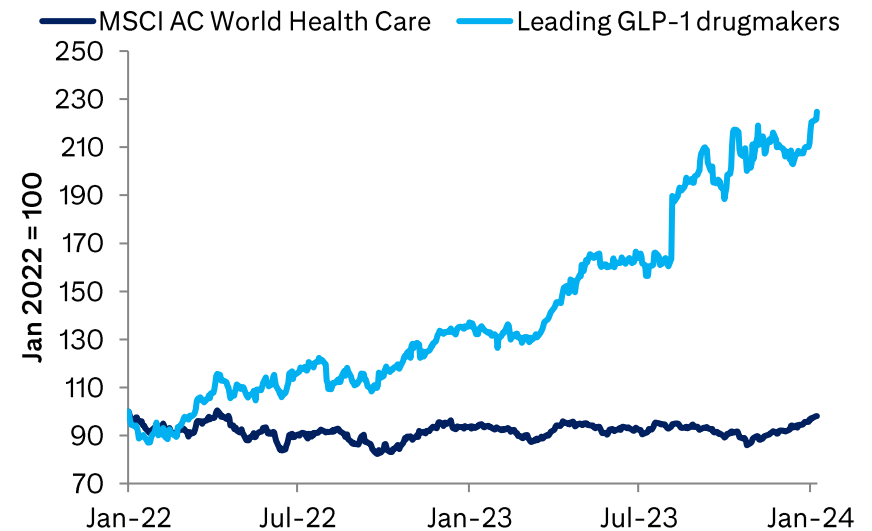
Source: Bloomberg as of January 5, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Where could we shift thematically? Healthcare's underperformance may have run its course. Performance concentration far too extreme

HEALTHCARE SHARE OF EPS AND MARKET CAP



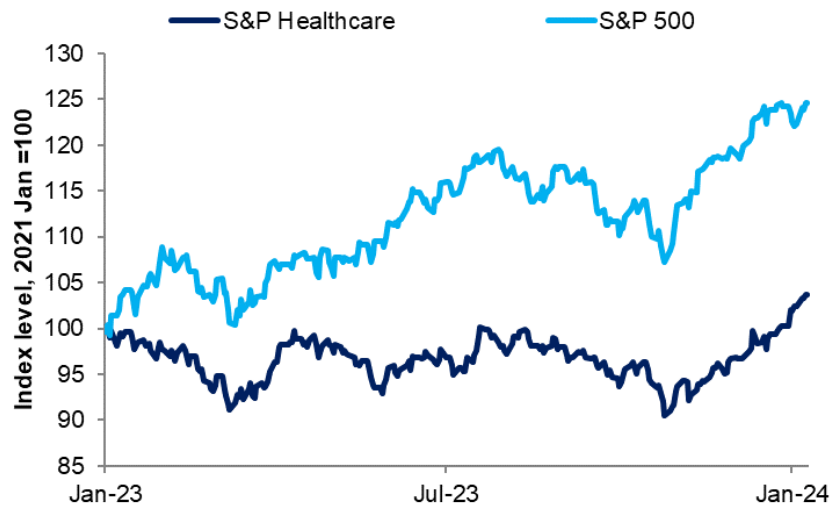
HEALTHCARE VS LEADING GLP-1 DRUGMAKERS



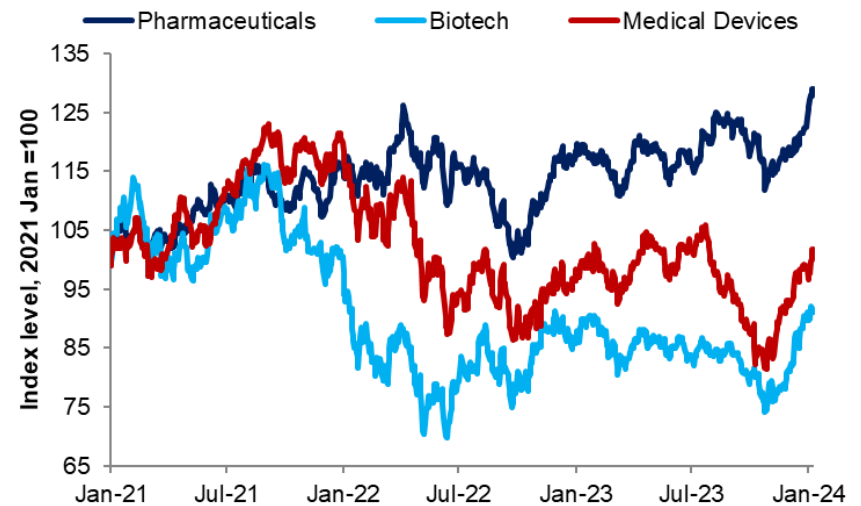
Source: Bloomberg as of January 17, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Medical devices and biotech lagged far behind pharma in 2023

HEALTHCARE SECTOR SIGNIFICANTLY LAGGED IN 2023



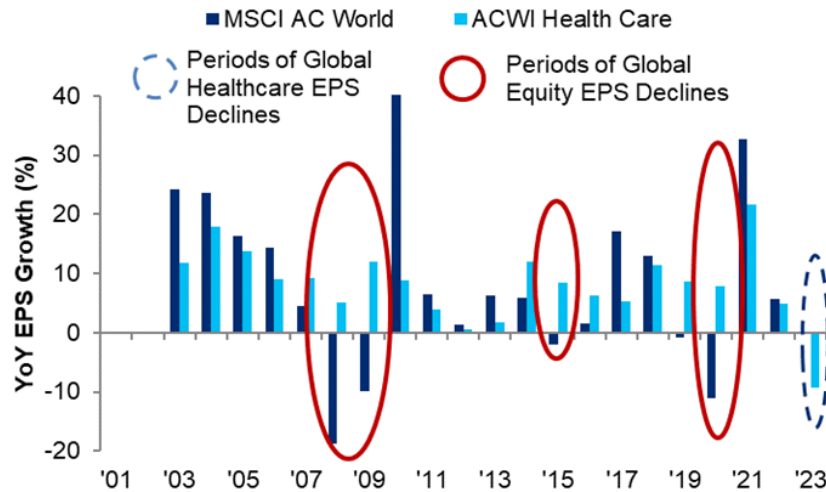
MEDICAL TECH AND DEVICES, BIOTECH ARE STILL “ON SALE”



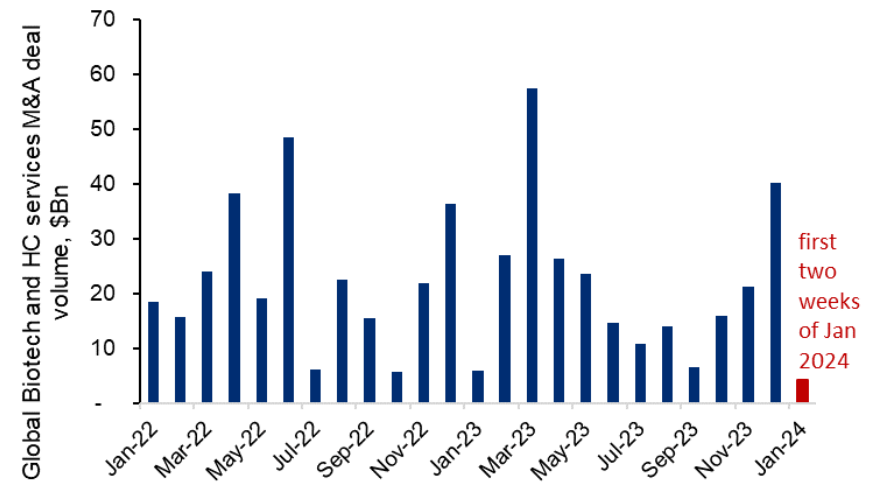
Source: Bloomberg as of January 11, 2024. Pharmaceuticals is VANECK PHARMACEUTICAL ETF, Biotech is ISHARES BIOTECHNOLOGY ETF and Medical Devices is ISHARES U.S. MEDICAL DEVICES. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

After an exceedingly rare healthcare recession, health care acquisitions may help drive a performance recovery

GLOBAL EQUITY VS HEALTHCARE EARNINGS CYCLES



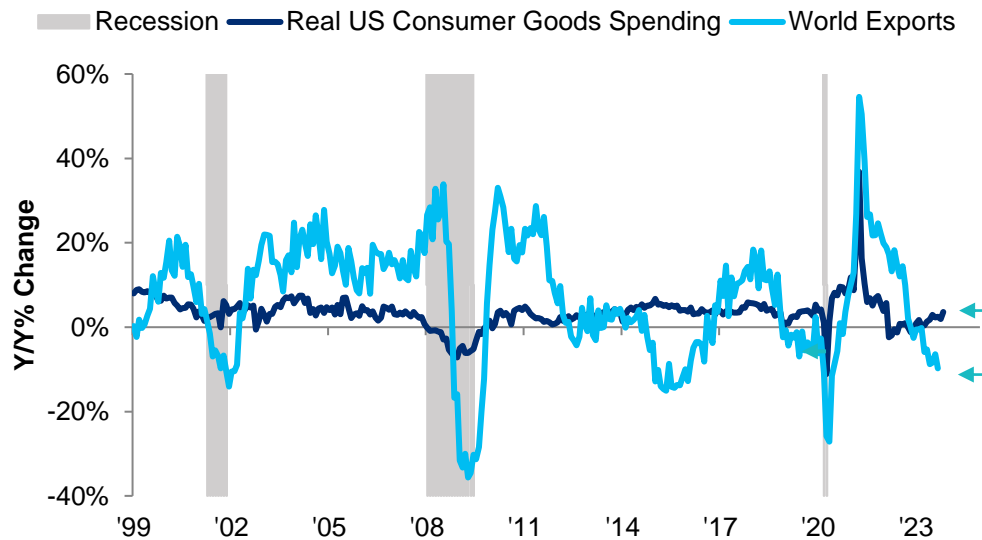
M&A ACTIVITY IN BIOTECH AND HEALTHCARE SERVICES



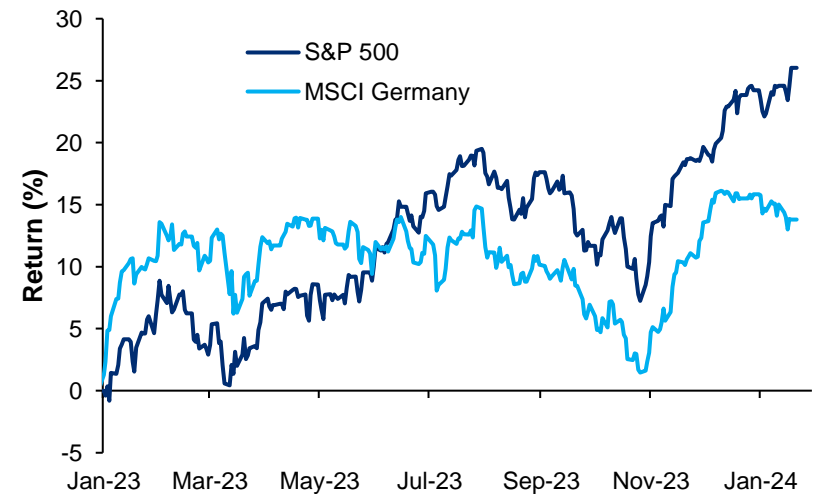
Source: Bloomberg as of January 17, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

The global trade outlook (and some regional economies) should be approaching a low point... how about related regions?

GLOBAL EXPORTS VS REAL CONSUMER GOODS SPENDING Y/Y



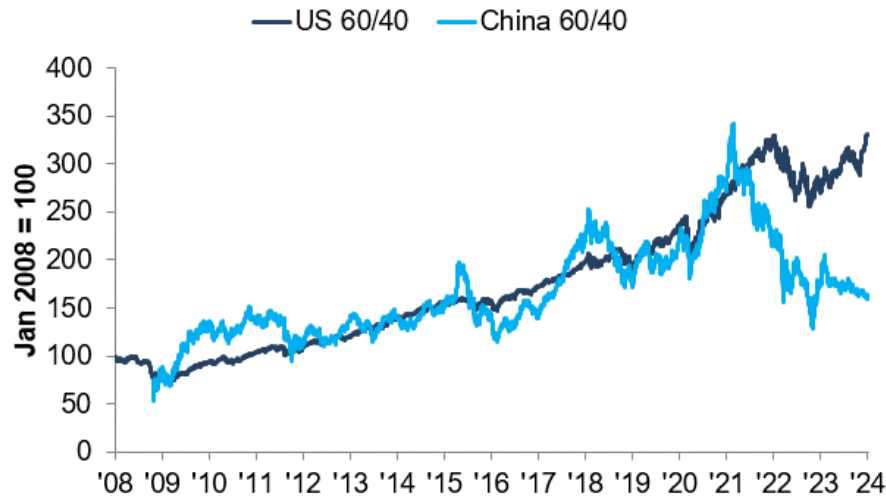
US VS GERMANY EQUITY MARKET INDICES



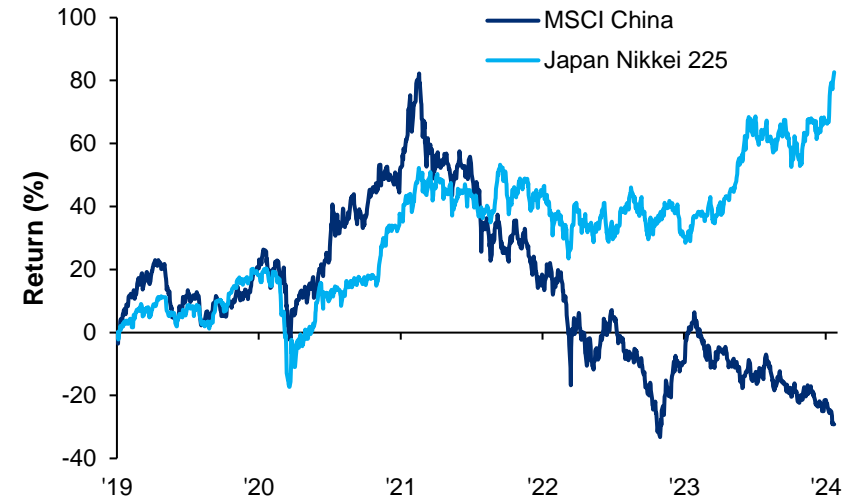
Source: Bloomberg as of January 21, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

China's extreme underperformance: We won't assume a policy rescue, but we should take note of both long-term risks and rewards.

US 60/40 VS CHINA 60/40 RETURN INDICES

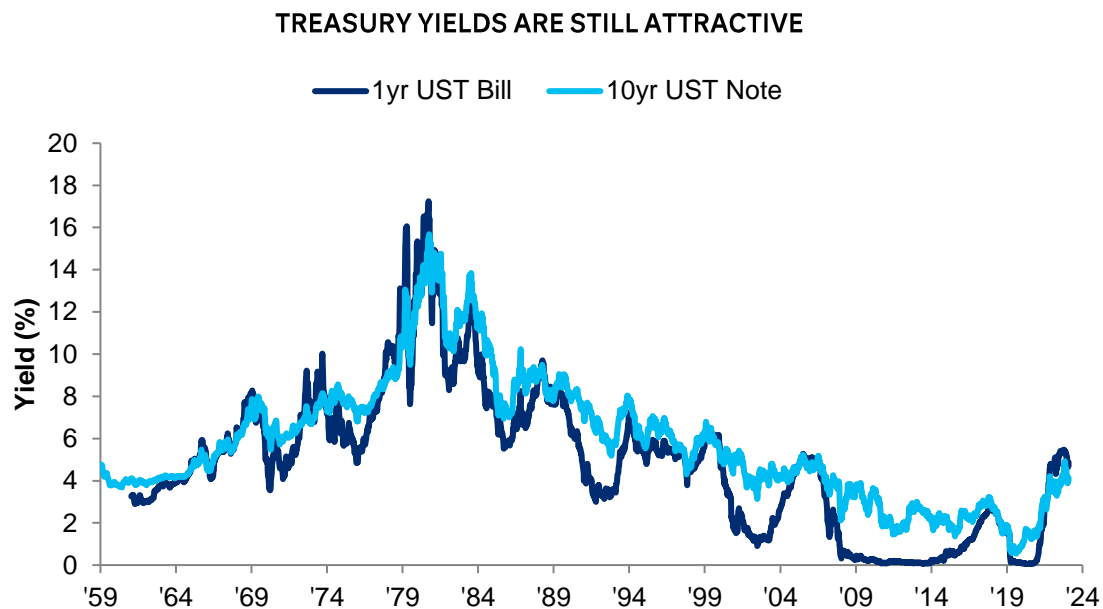


JAPAN VS CHINA EQUITY MARKET INDICES



Source: Bloomberg, CGWI as of January 18, 2024. Note: 60/40 columns show the combination of the annual total return of the S&P 500 and the 10 Year US Treasury with 60% allocated to the S&P, and 40% allocated to UST. For China, it is 60% allocated to MSCI China, and 40% allocated to Asia Broad Bond Index. Indices are unmanaged and an investor cannot invest directly in an index. Indexes are used to proxy for the asset class. Index returns do not include any transaction costs, expenses, fees or sales charges, which would lower performance. The 60/40 Blend in this chart represents moderate risk level allocation, which includes allocations to equities, and fixed income. Risk levels are an indication of clients' appetite for risk. A moderate risk level seeks modest capital appreciation and, secondly, capital preservation. Asset Allocation seeks to represent the general asset allocation strategy, and the chart is for educational purposes designed to show the historical perspective of the index blend rather than any particular strategy. All performance information shown above is hypothetical not the actual performance of any client account. Hypothetical information reflects the application of a model methodology and selection of securities in hindsight. No hypothetical record can completely account for the impact of financial risk in actual trading. The returns shown above are for indexes and do not represent the result of actual trading of investable assets/securities. The asset classes used to populate the blend model may underperform their respective indexes and lead to lower performance than the model anticipates. Past performance is no guarantee of future results. Real results may vary. ²⁴

Where to cut? Yields have not fallen sufficiently to reallocate with ease



Source: Factset as of January 23, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Note: Take 2024's start with a grain of salt

Wall Street's data miners love descriptive statistics. But they require context.

Consider the historical “January Barometer”

- In the last seven decades, the S&P 500 total return index has been positive in 74% of calendar years
- Losses in January have occurred more frequently, in 42% of all months
- When the S&P 500 has lost in January, the full year has had a negative return 45% of the time (less than half of cases)
For the gaining years, the average return is +12.9%
- Most recently, 2020, 2021 and 2022 all had a losing January, with full year gains in 2 of the 3 years

Of the 26 years since 1954 that had a negative first week of the year, 50% (13) still showed positive full year returns. These have averaged +13.2%.

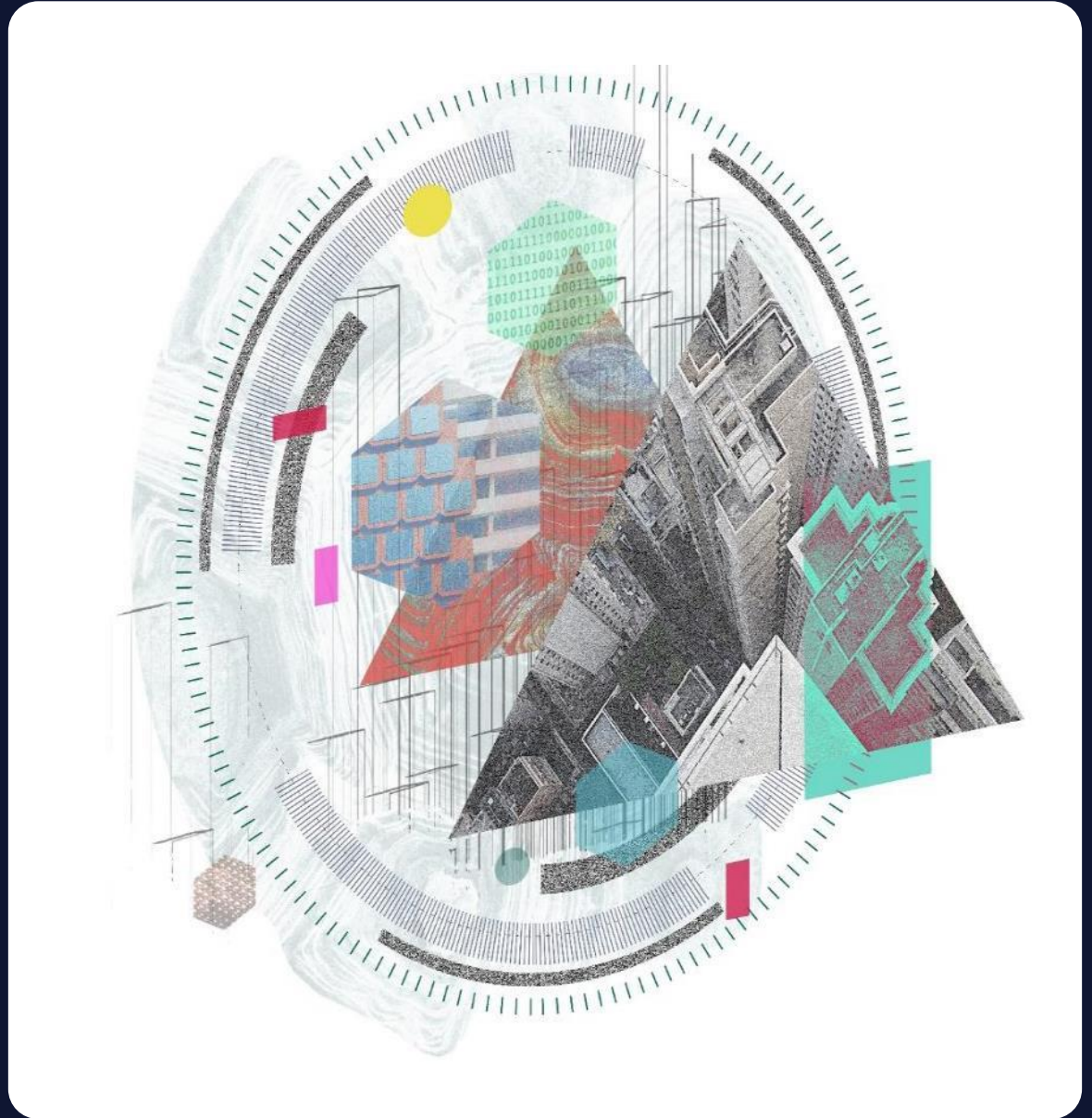
Statistically, the correlation of early year movements and full year performance is a “coin toss.” It seems impressive because generalized equity returns tend to be more positive by comparison.

What really matters is if the early-year decline is part of a broader bull or bear market (years like 2008 or 2022).

Source: Bloomberg and CGWI as of January 22, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

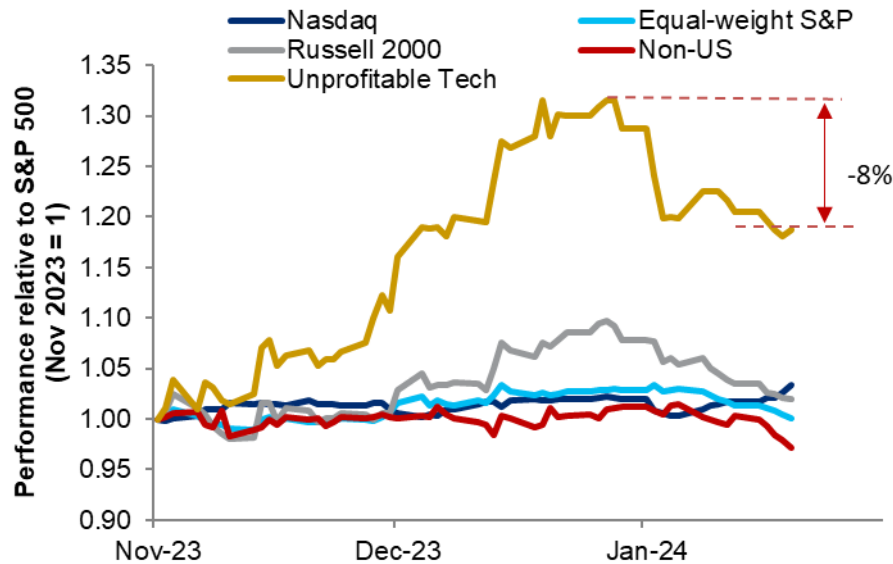
GLOBAL EQUITY INVESTMENT STRATEGY

PERSPECTIVES

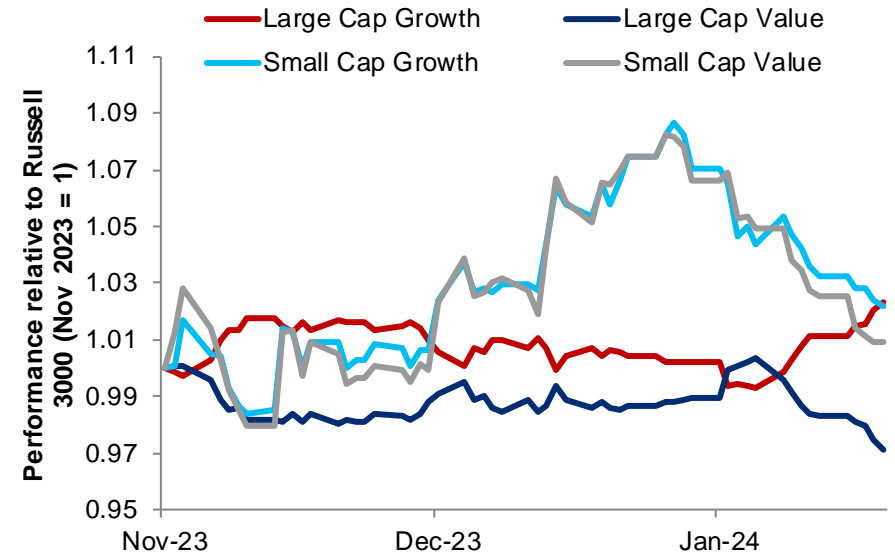


What has happened since OL24: Junk rally amid dovish Fed turn

JUNK RALLY HAS ROLLED OVER SINCE JAN24, WHEN THE MARKETS STARTED TO DIAL BACK A MARCH CUT



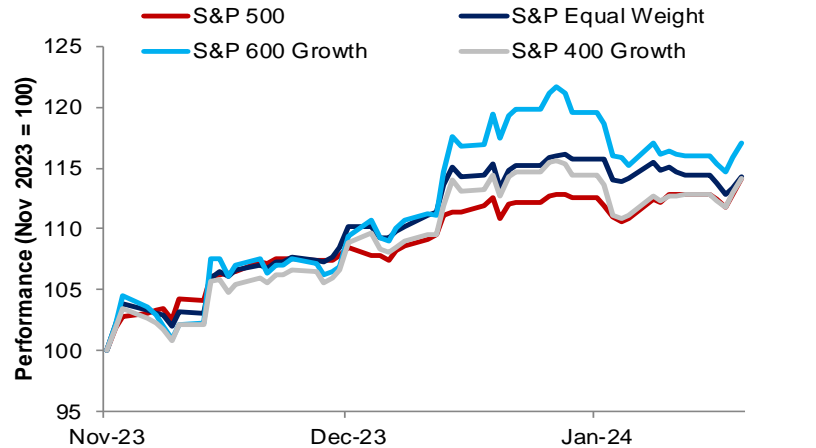
SMALL CAP IS CATCHING UP, BUT UNDERPERFORMED AMID RECEDING RATE CUT EXPECTATIONS



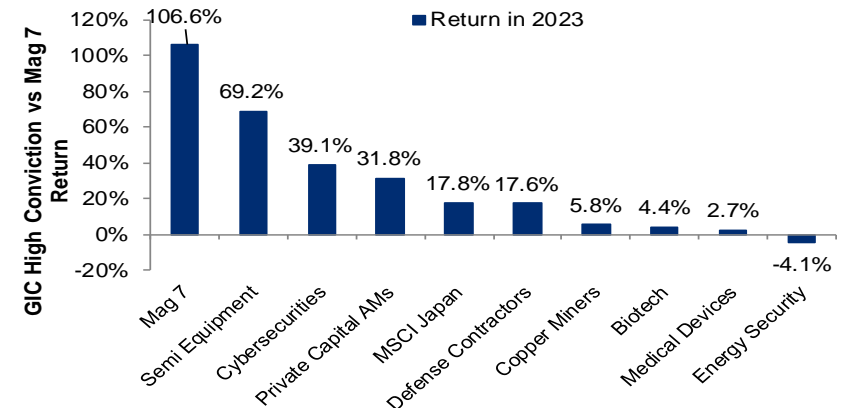
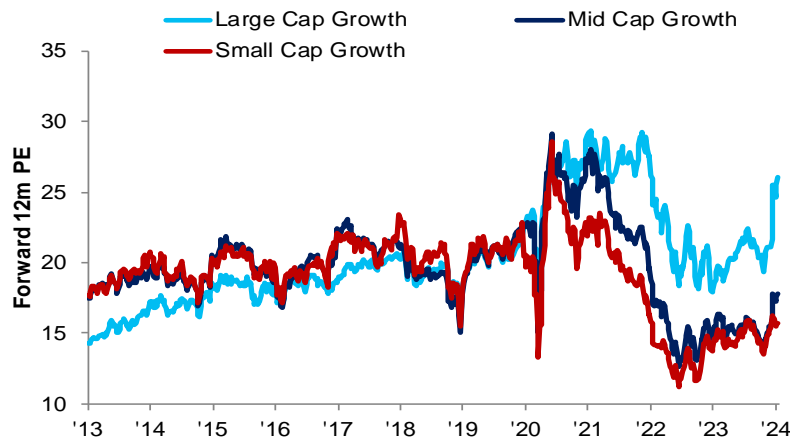
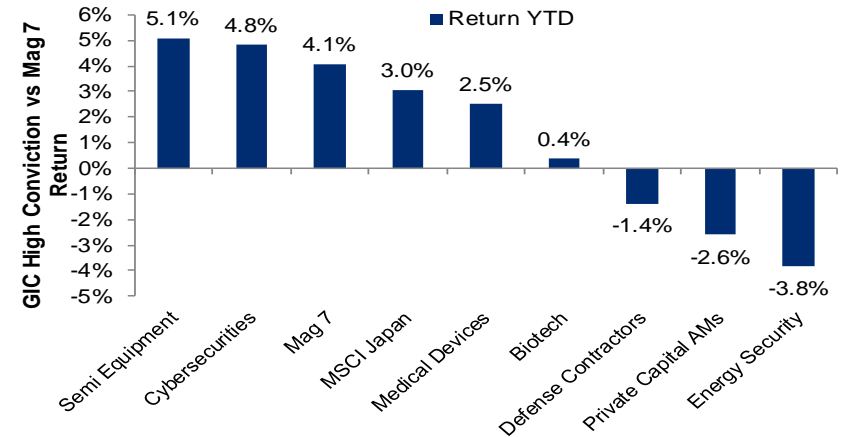
Source: Bloomberg and Factset as of January 19, 2024. The proxy for Unprofitable Tech is the UBS Unprofitable Tech Index. The proxy for Non-US is MSCI ACWI ex-US. The proxy for Large Cap Growth/Value is S&P 500 Growth and S&P 500 Value. The proxy for Small Cap Growth/Value is S&P 600 Growth and S&P 600 Value. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

How's the broadening trade going?

SMID GROWTH AND EQUAL WEIGHT HAVE PICKED UP MOMENTUMS SINCE THE FED TURN



GIC HIGH CONVICTION IDEAS SHOW SIGNS OF BROADENING YTD

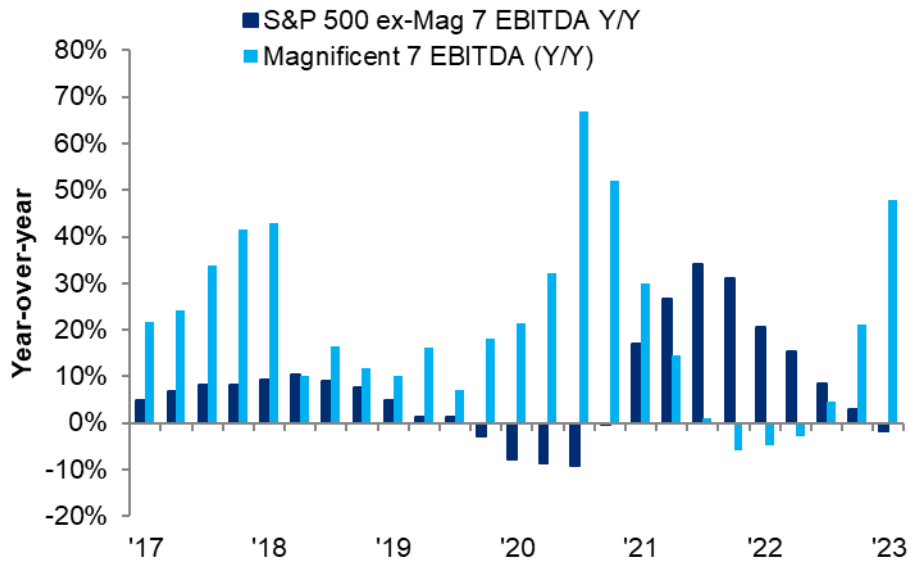


Source: Bloomberg and Factset as of January 22, 2024. The proxy for Large/Mid/Small Cap Growth is S&P 500/400/600 Growth. First Trust NASDAQ Cybersecurity ETF used as a proxy for Cybersecurity. Bloomberg Magnificent 7 Price Return Index used as a proxy for Mag 7. iShares U.S. Medical Devices ETF used as a proxy for Medical Devices. Energy Select Sector SPDR Fund used as a proxy for Energy Security. Invesco Global Listed Private Equity ETF used as a proxy for Private Capital Markets. iShares Biotechnology ETF used as a proxy for Biotech. Invesco Aerospace & Defense ETF used as a proxy for Defense Contractors. Global X Copper Miners ETF used as a proxy for Copper Miners. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

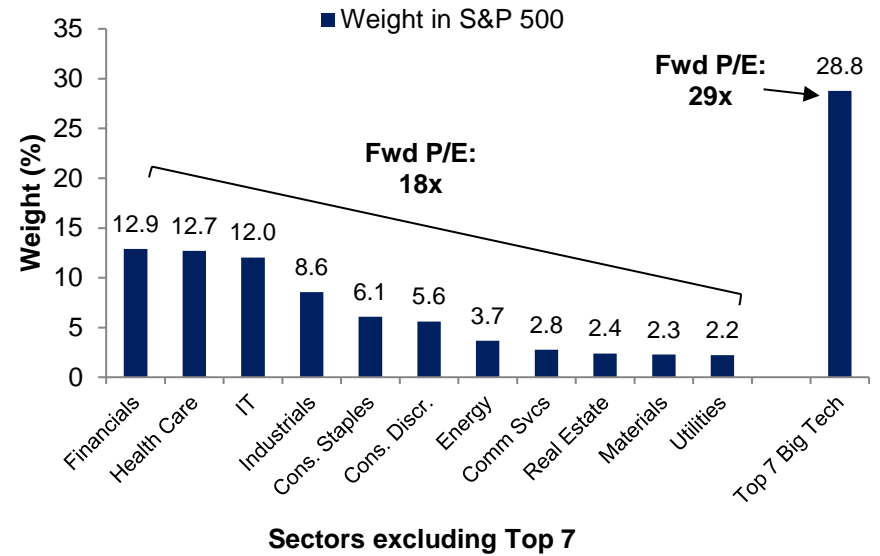


Ultimately broader EPS growth is needed for market broadening

S&P 500 EX-MAG 7 HAS BEEN IN EARNINGS RECESSION LAST YEAR



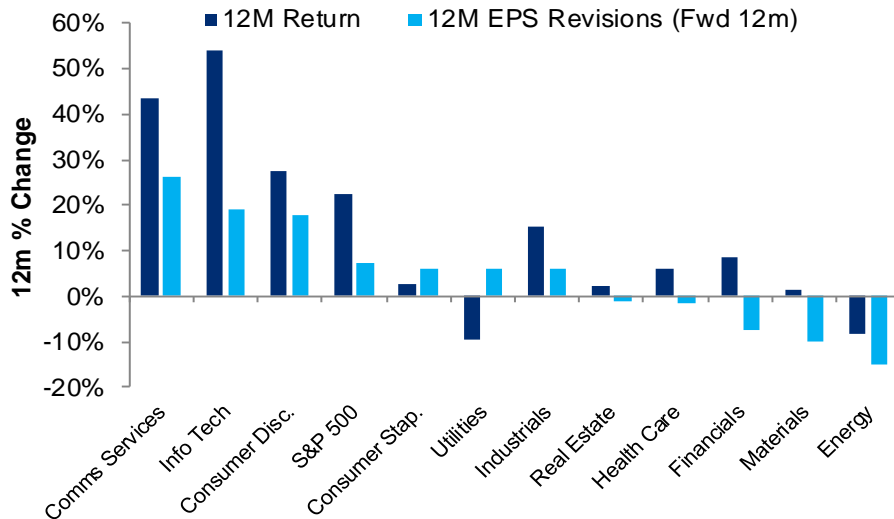
EXCLUDING MAG 7, THE REST OF SPX IS STILL ATTRACTIVELY PRICED



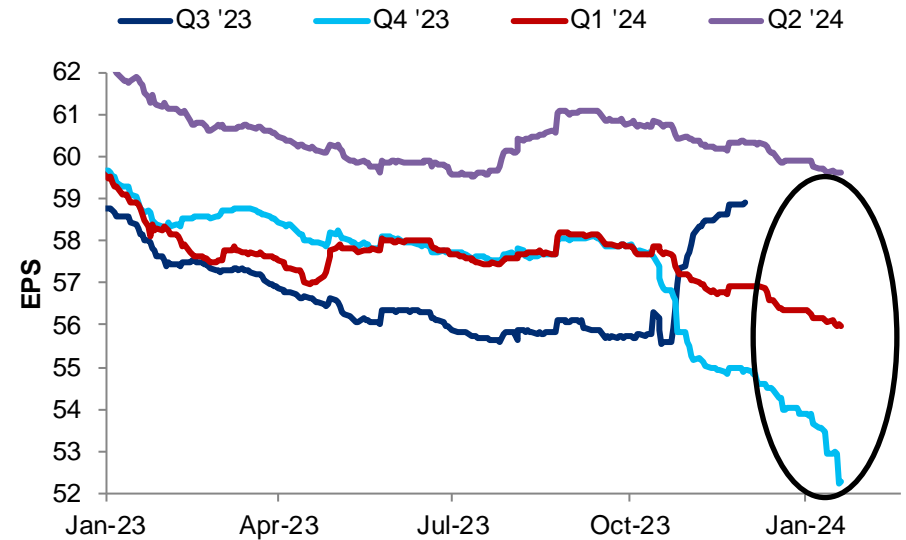
Source: Bloomberg and Factset as of January 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

Waiting for a fuller picture from 4Q earnings

EARNINGS RECOVERY REMAINS UNEVEN ACROSS S&P 500 SECTORS (RANKED BY 12M EPS REVISIONS)



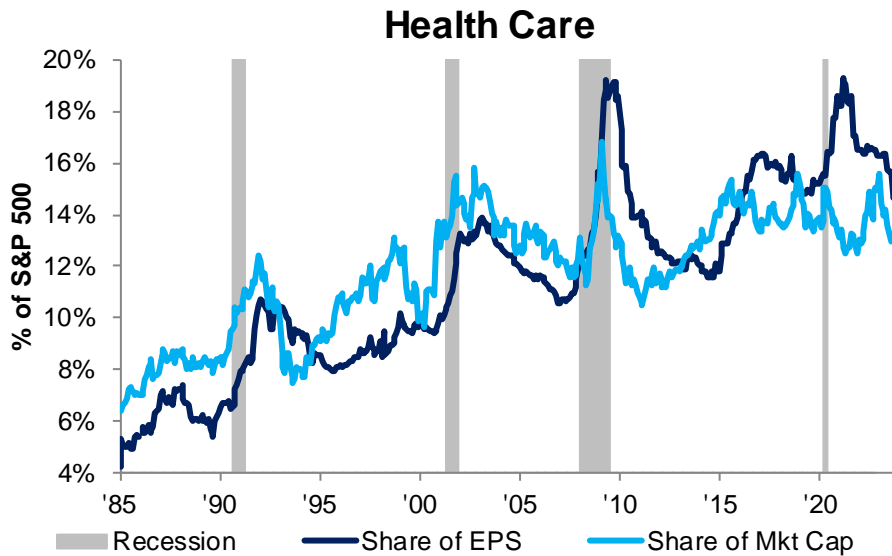
THE MAJORITY HASN'T REPORTED, Q4'23 S&P 500 EARNINGS HAVE BEEN WEIGHED DOWN BY FINANCIAL SECTOR INITIALLY



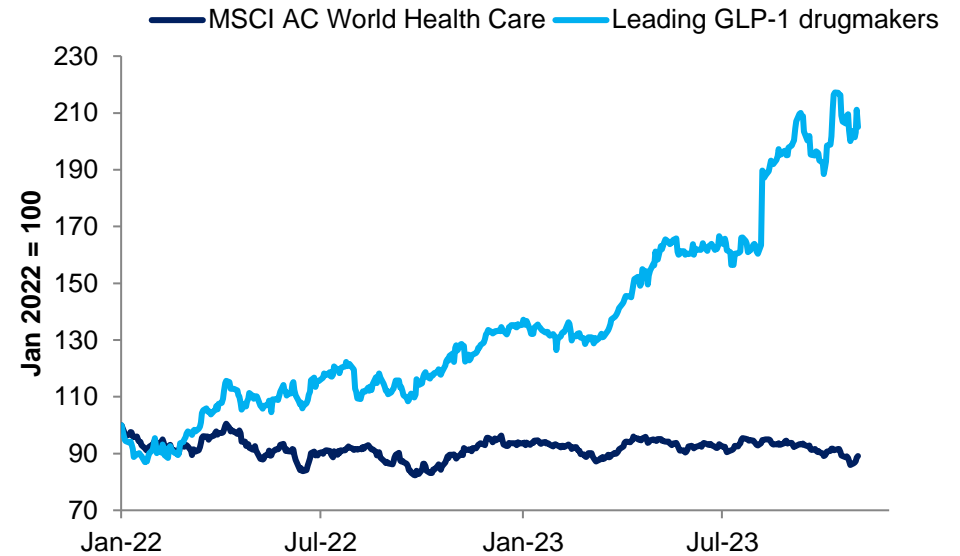
Source: Bloomberg and Factset as of January 19, 2024. S&P 500 sectors were used as proxy. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

Health Care: the anti-obesity craze won't stymie innovation

THE SECULAR TREND REMAINS SOLID



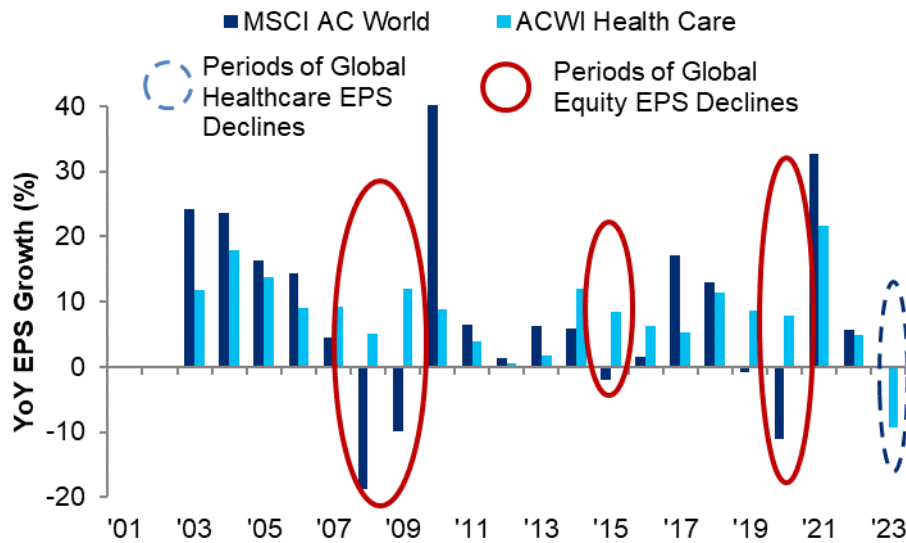
HOWEVER, EXCEPT FOR A FEW GLP-1 DRUGMAKERS, THE REST OF THE SECTOR REMAINED DEPRESSED



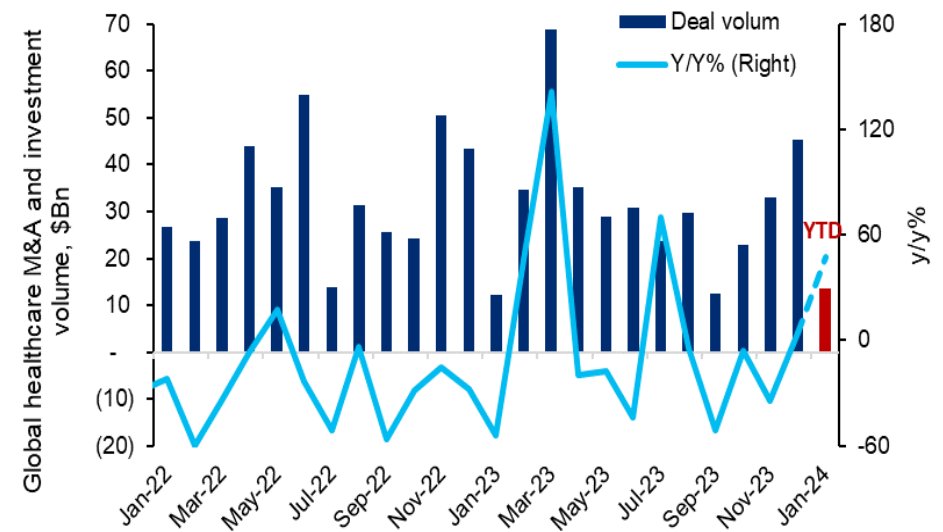
Source: Bloomberg and Factset as of January 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

Health Care: green shoots in financing activities point to a year of potential recovery

A RARE RECESSION OVER THE PAST TWO DECADES



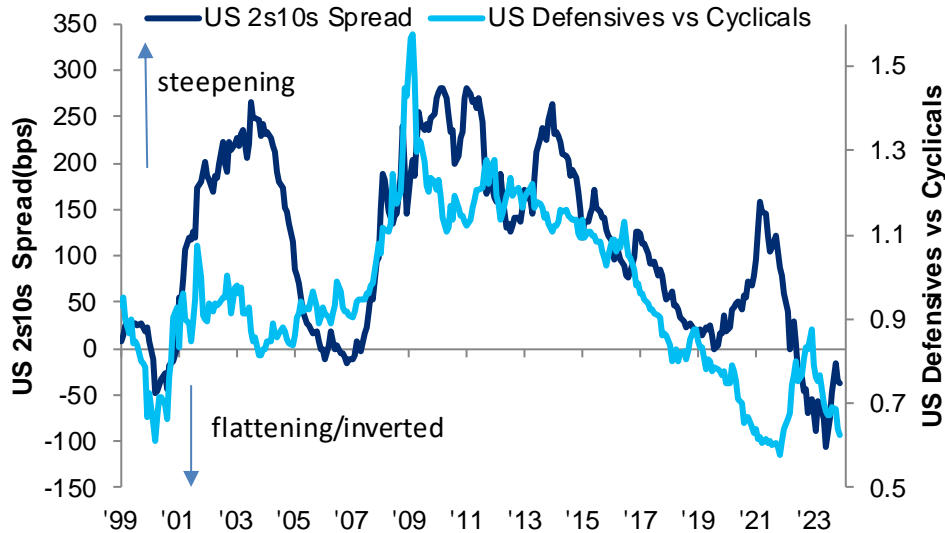
GLOBAL HEALTHCARE M&A AND INVESTMENT RECOVERED SINCE DEC'23



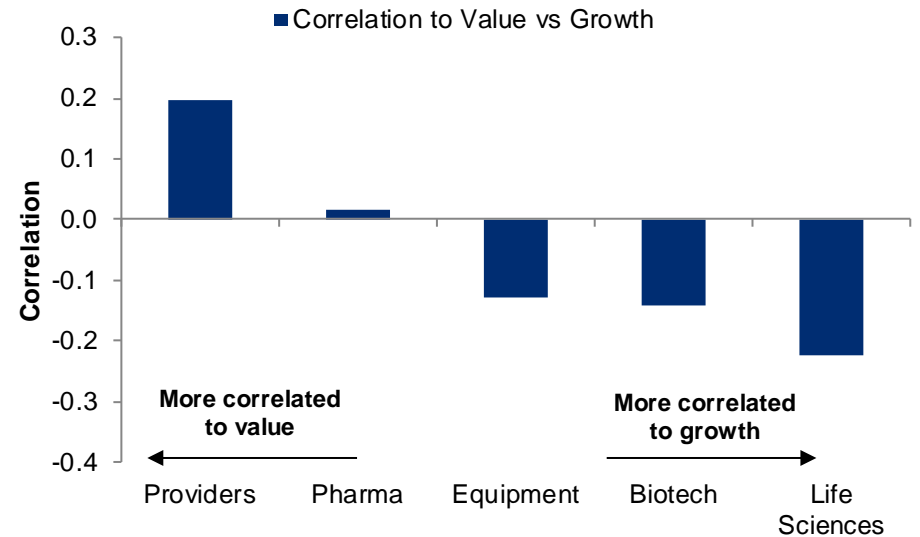
Source: Bloomberg and Factset as of January 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

What does the re-steepening of yield curve mean for healthcare?

DEFENSIVES MAY STILL HAVE AN EDGE IN A SLOWING ECONOMY WITH STEEPENING YIELD CURVE



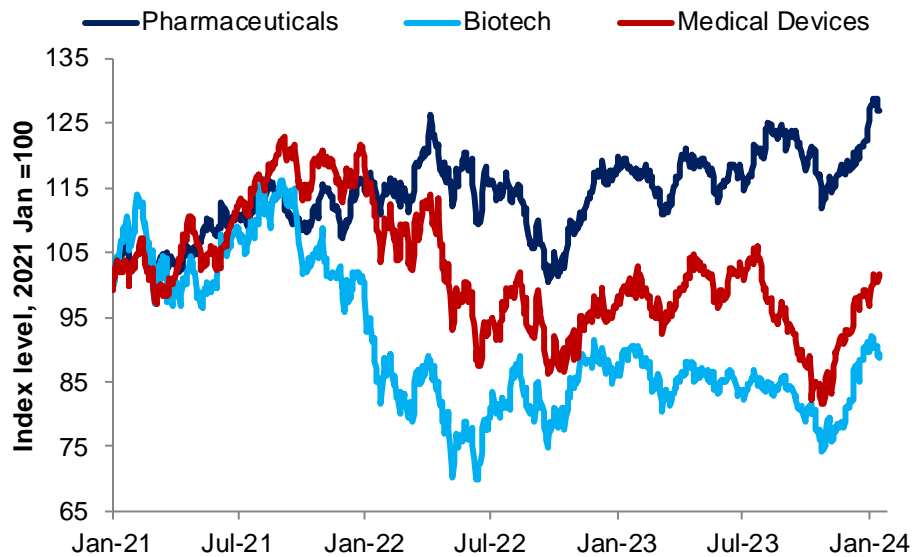
BIOTECH, LIFE SCIENCES AND EQUIPMENT ARE THE WAYS TO GET GROWTH EXPOSURE



Source: Bloomberg and Factset as of January 19, 2024. Defensives and Cyclical are using MSCI Defensives and MSCI Cyclical as proxy. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary. Correlation: The extent to which the values of different types of investments move in tandem with one another in response to changing economic and market conditions. Correlation is measured on a scale of 1 to +1. Investments with a positive correlation tend to rise and fall in value at the same time, while investments with a negative correlation tend to move in opposite directions. An asset class has a correlation of 1 with itself.

Health Care: prefer medical devices, life science and select biotech

MEDICAL DEVICES AND BIOTECH ARE STILL ATTRACTIVELY PRICED



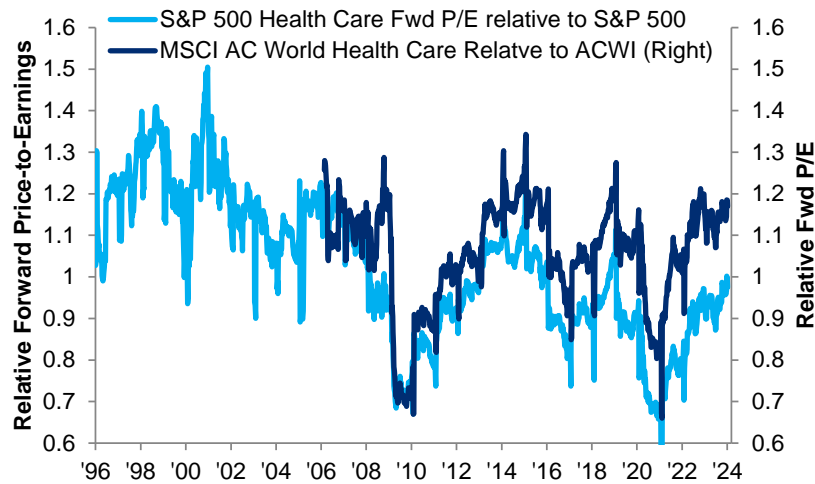
BIOTECH LOOKS LIKE A HIGH RISK / HIGH REWARD TRADE AS IT IS HIGHLY SENSITIVE TO YIELDS



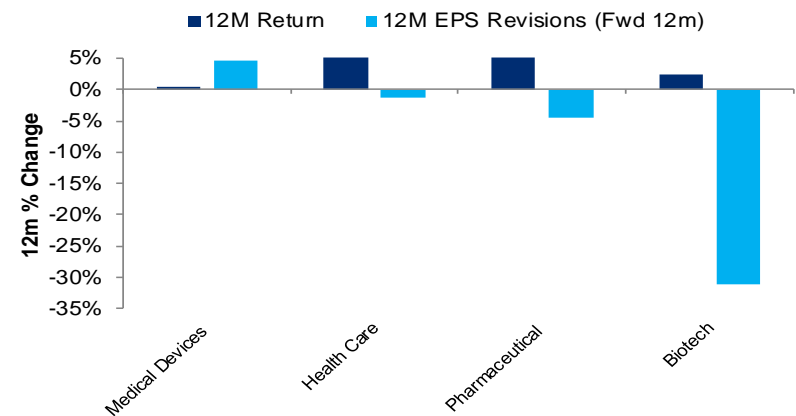
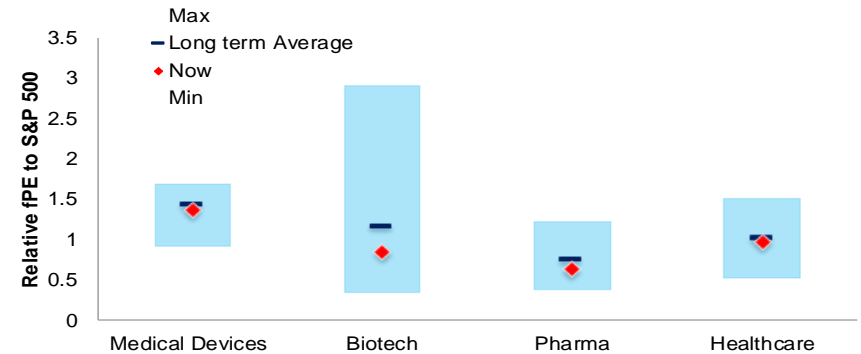
Source: Bloomberg and Factset as of January 19, 2024. Pharmaceuticals is VANECK PHARMACEUTICAL ETF, Biotech is ISHARES BIOTECHNOLOGY ETF and Medical Devices is ISHARES U.S. MEDICAL DEVICES. The proxy for US Biotech is NASDAQ Biotechnology Equal Weighted Index. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

Health Care: Valuations aren't compelling, but also not demanding

US HEALTHCARE IS TRADING AT A LARGER DISCOUNT VS GLOBAL PEERS



ALL THE SUBSECTORS ARE TRADING AT MILD DISCOUNTS TO THEIR OWN HISTORIES, IMPROVEMENT WILL HAVE TO COME FROM EARNINGS



Source: Bloomberg and Factset as of January 22, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

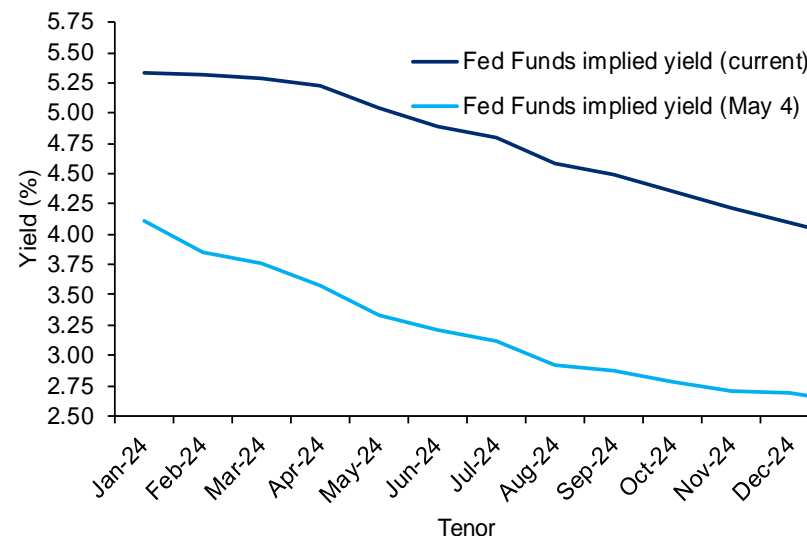
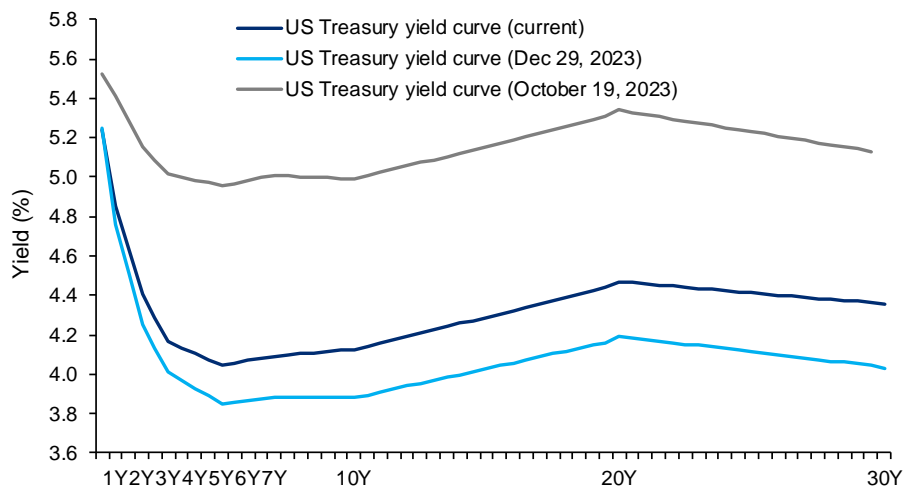
GLOBAL FIXED INCOME INVESTMENT STRATEGY

PERSPECTIVES



Treasuries experienced a massive price rally in Q423 as yields collapsed over 80-100bps across the curve, then retraced slightly higher about 15-30bps 1Q24

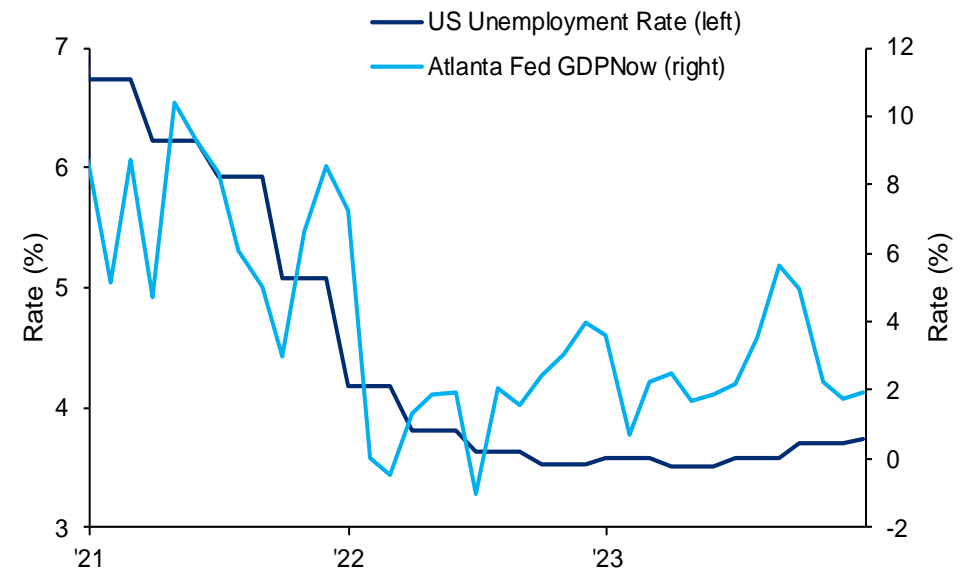
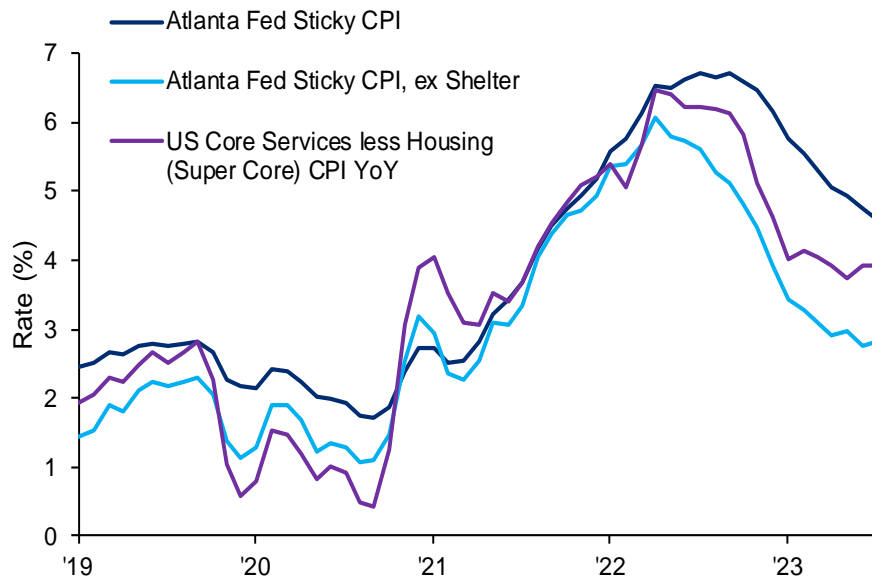
In December FOMC, Chairman Powell’s comments interpreted to mean rate cuts would begin in 2024. With employment data softening, and disinflation trends intact, market is now pricing about 5-6 rate cuts for 2024. Should the economy slow more rapidly than expected, rate cuts may be more extreme.



Source: Bloomberg as of January 23, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Past performance is no guarantee of future results. Real results may vary.

US economic data has been positive, and inflation is not yet near target – but economy is slowing. Fed now focused on “balance of risks” as opposed to just inflation.

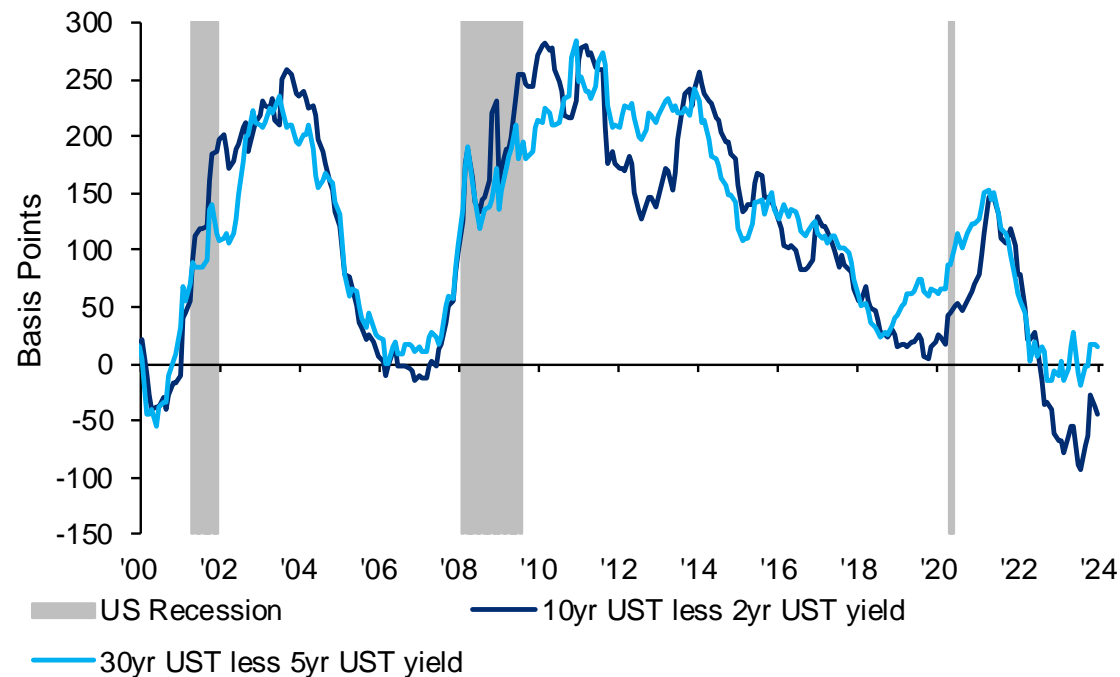
Inflation continues declining, but economic data points to sustainable – albeit slowing – growth. But Federal Reserve expected to cut rates pre-emptively if there is further slowing of employment (accompanied by additional declines in inflation). Conversely, they are unlikely to cut if economic growth remains on-trend.



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Yield curve is now very flat, and positively sloped between intermediate-to-long dated maturities

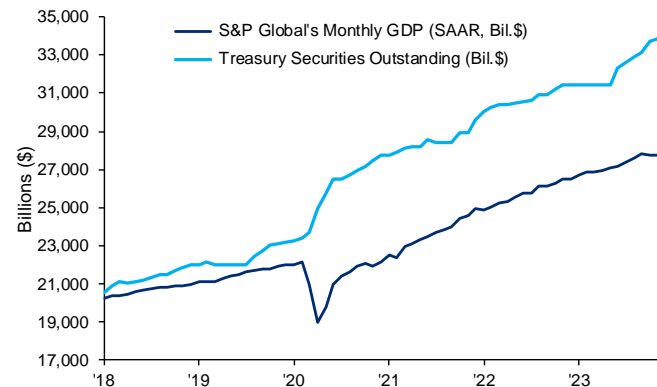
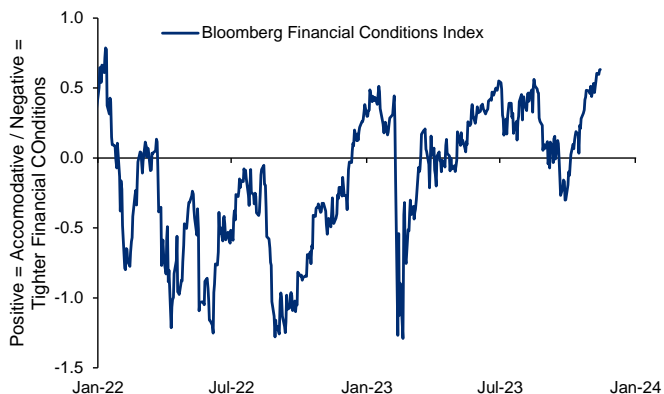
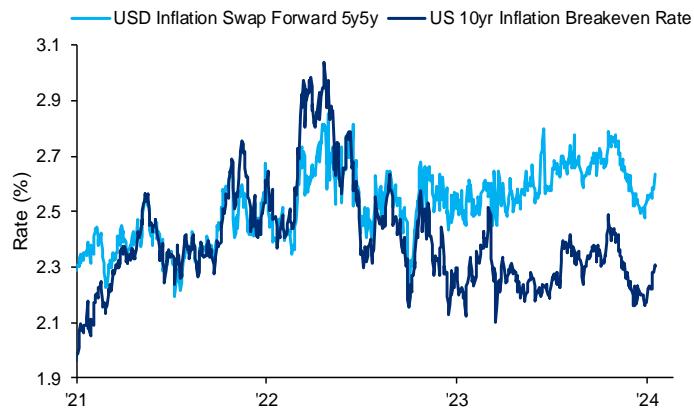
Only 50bps difference now between the 1y and the 30y yield, with 3y-10y yields almost flat in a range of about 4-4.15%. Inversion is likely to reverse across the entire curve once the Fed begins to cut rates, with further steepening of the curve if Fed cuts.



Source: Bloomberg as of January 23, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Past performance is no guarantee of future results. Real results may vary.

Breakeven inflation yields have moved slightly higher since early December

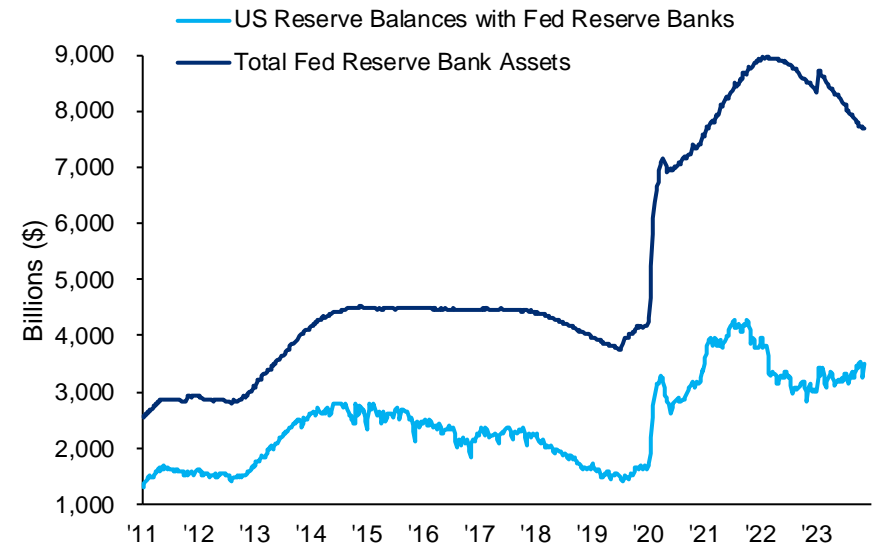
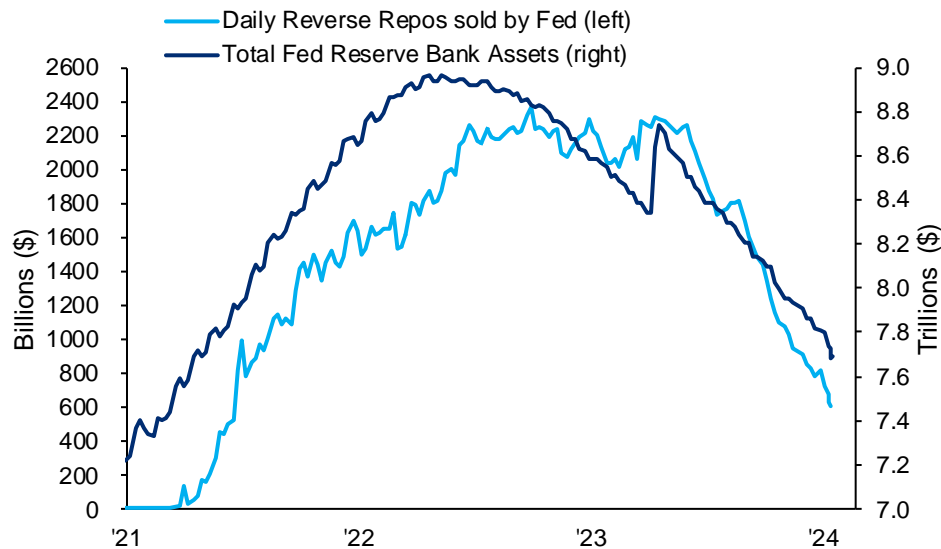
Market is not pricing a return to high inflation, but suggesting a higher level of base inflation in future years may be possible. Financial conditions have eased to levels not seen since before rate hikes, while US federal deficit still high (currently running at \$2T for FY24, growing by 8.5% p.a. vs about 6.25% growth in nominal GDP).



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Federal Reserve may begin to “taper” QT in 2024 which would reduce supply of Treasuries to private market, as funding sourced primarily from Reverse Repo Program (RRP) approaches zero

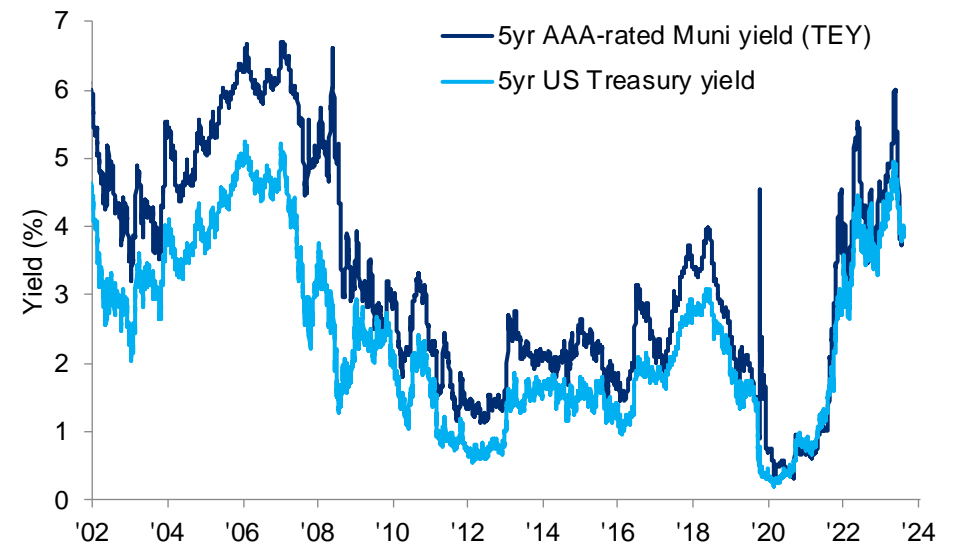
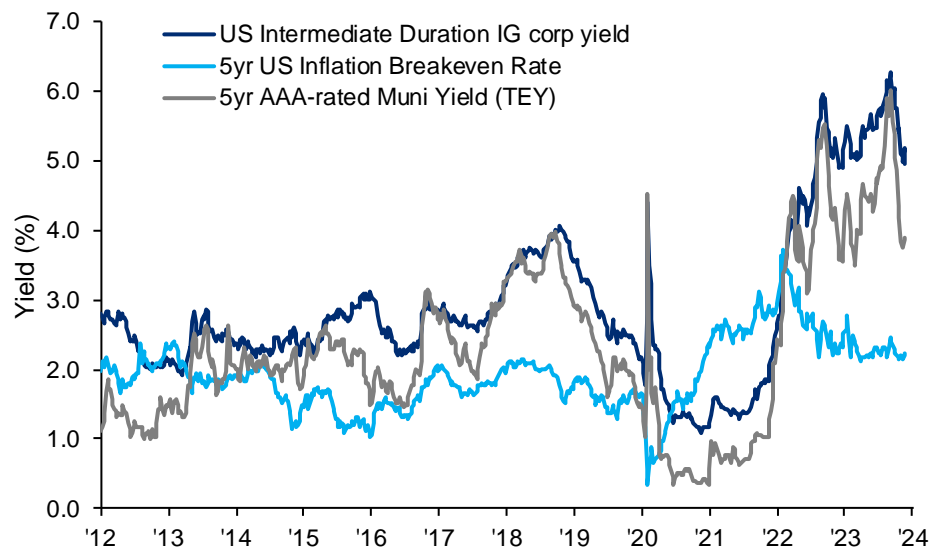
The RRP has effectively “funded” the entirety of the Fed’s quantitative tightening, with the Fed’s balance sheet lower by about \$1.4T and the RRP lower by about \$1.6T from their peaks. Once the RRP nears zero, continuing QT will be mechanically absorbed by reducing bank excess reserves. The Fed may be willing to allow bank excess reserves to reduce further, but unlikely to allow them much below 10–11% of GDP (or \$2.7–3T, as Fed Governor Waller noted last week).



Source: Bloomberg as of January 17, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Past performance is no guarantee of future results. Real results may vary.

Intermediate IG still offer attractive “real” yields vs expected inflation with yields of about 5.15% for duration of about 4 years

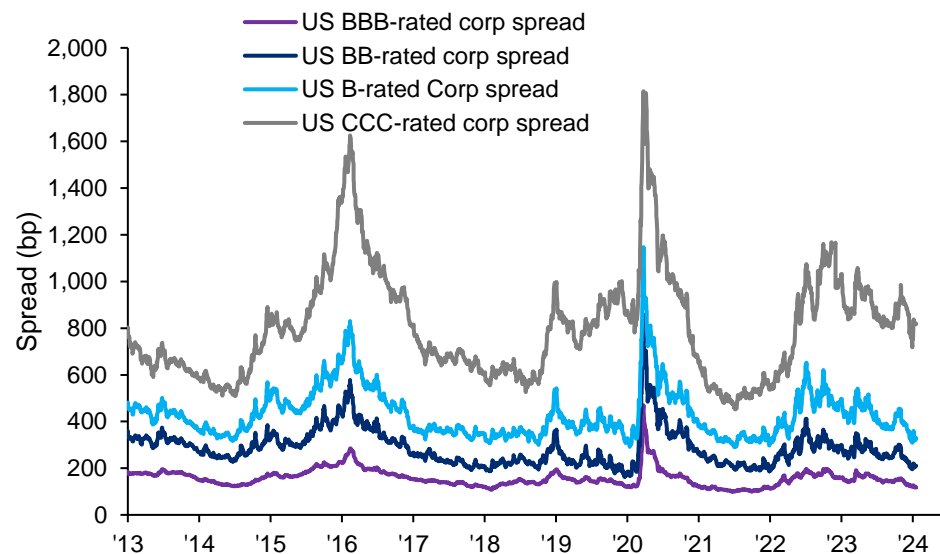
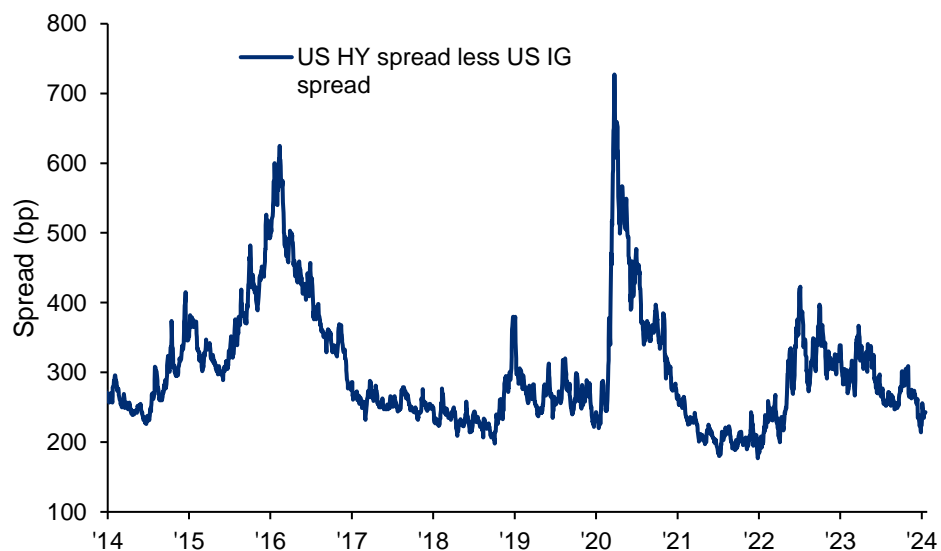
IG yields (as well as municipal bond yields) are well above breakeven inflation rates in the low 2% area, offering durable core income.



Source: Bloomberg as of January 17, 2024. All yields are from their respective Bloomberg indices. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Past performance is no guarantee of future results. Real results may vary.

HY spreads in general are very tight. Not all “high yield” is created equal: we prefer “up-in-quality” BB-rated issuance.

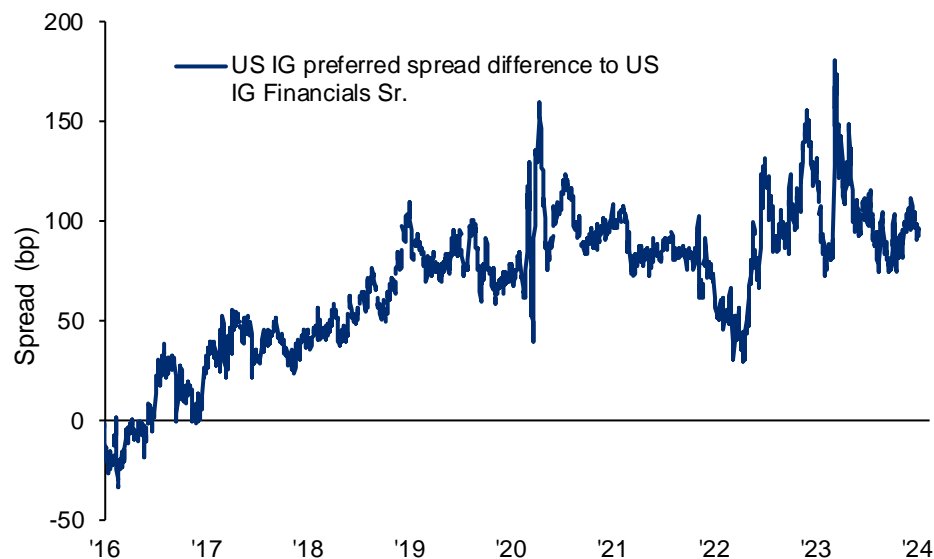
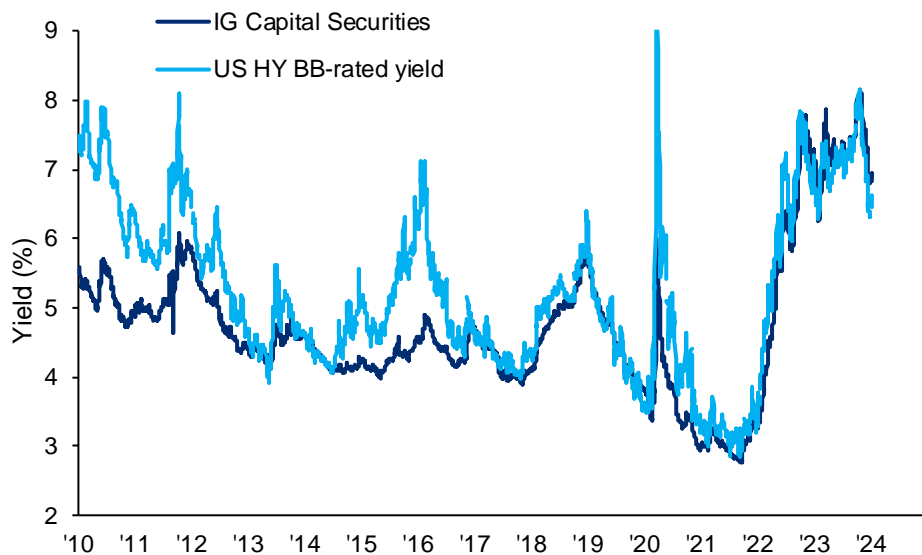
The HY index pays about 335bps over Treasuries, near multi-decade tights of about 275bps. BBs contribute less than half of the overall index spread (about 105bps). The bulk of the index’s spread comes from riskier single-B (125bps) and CCC issuers (105bps), including many companies which are still technically paying interest but are also unlikely to repay in full (“phantom yield”). The communications sector especially has numerous distressed issuers.



Source: Bloomberg, Bloomberg Barclays Indices as of January 17, 2024. All yields are from their respective Bloomberg indices. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Past performance is no guarantee of future results. Real results may vary.

IG preferreds yields are comparable to HY BB credit, and spreads remain at a premium to senior financial debt

Preferreds still offer very high yields of around 6.75% , about a 25bps premium over the US BB HY index.



Source: Bloomberg as of January 12, 2024. All yields are from their respective Bloomberg Indices. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Past performance is no guarantee of future results. Real results may vary.

GLOBAL FOREIGN EXCHANGE INVESTMENT STRATEGY

PERSPECTIVES



USD: The recent squeeze up in DXY may partly be due to a rise in risk aversion related to the Middle East



Source: Bloomberg and Factset as of January 18, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

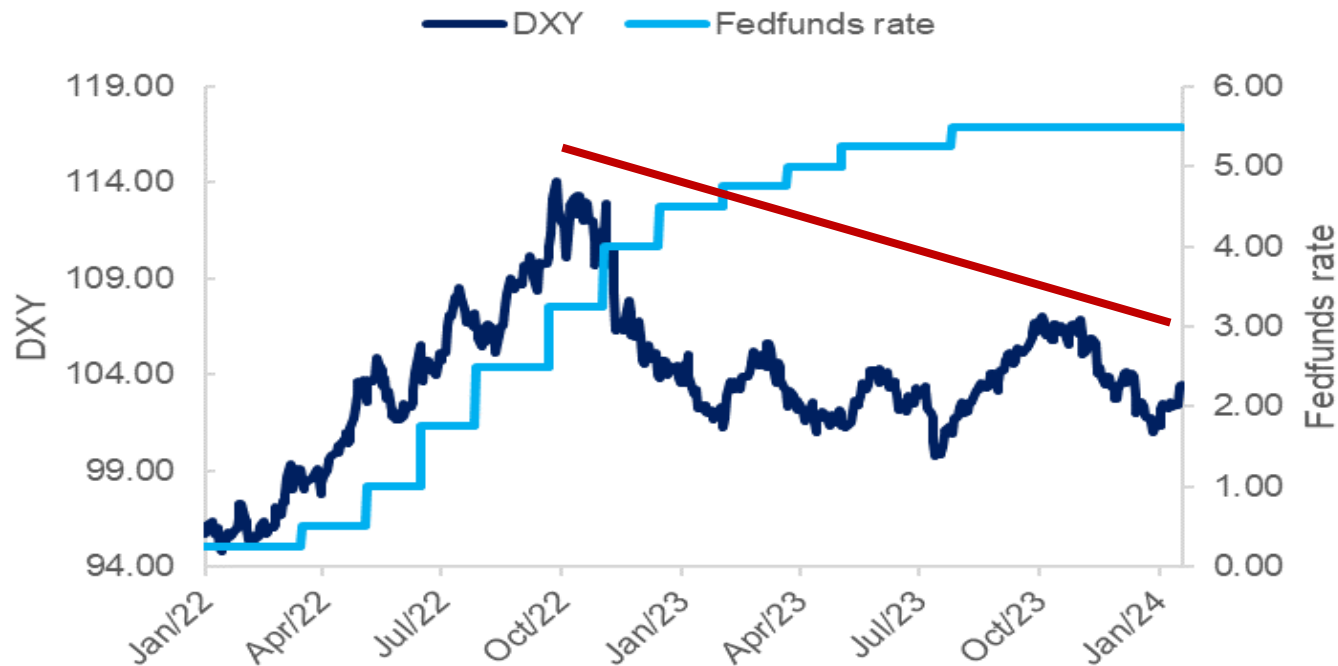
USD: DXY's recent squeeze up may also be partly attributed to the significant long positioning in EUR – making it difficult to extend the selloff in DXY for now

CFTC (NON-COMMERCIAL) SPECULATIVE POSITIONING IN EUR



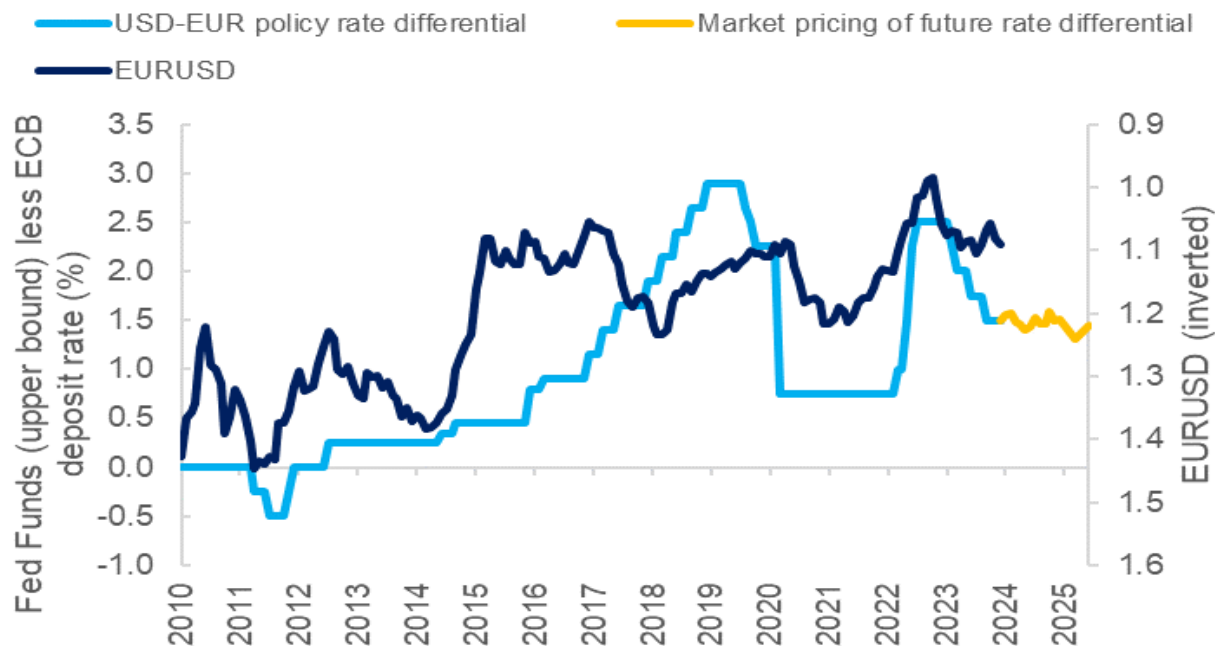
Source: Bloomberg and Factset as of January 18, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

USD: But DXY has been on an overall declining trend since September 2022 with lower highs despite the Fed continuing to raise rates



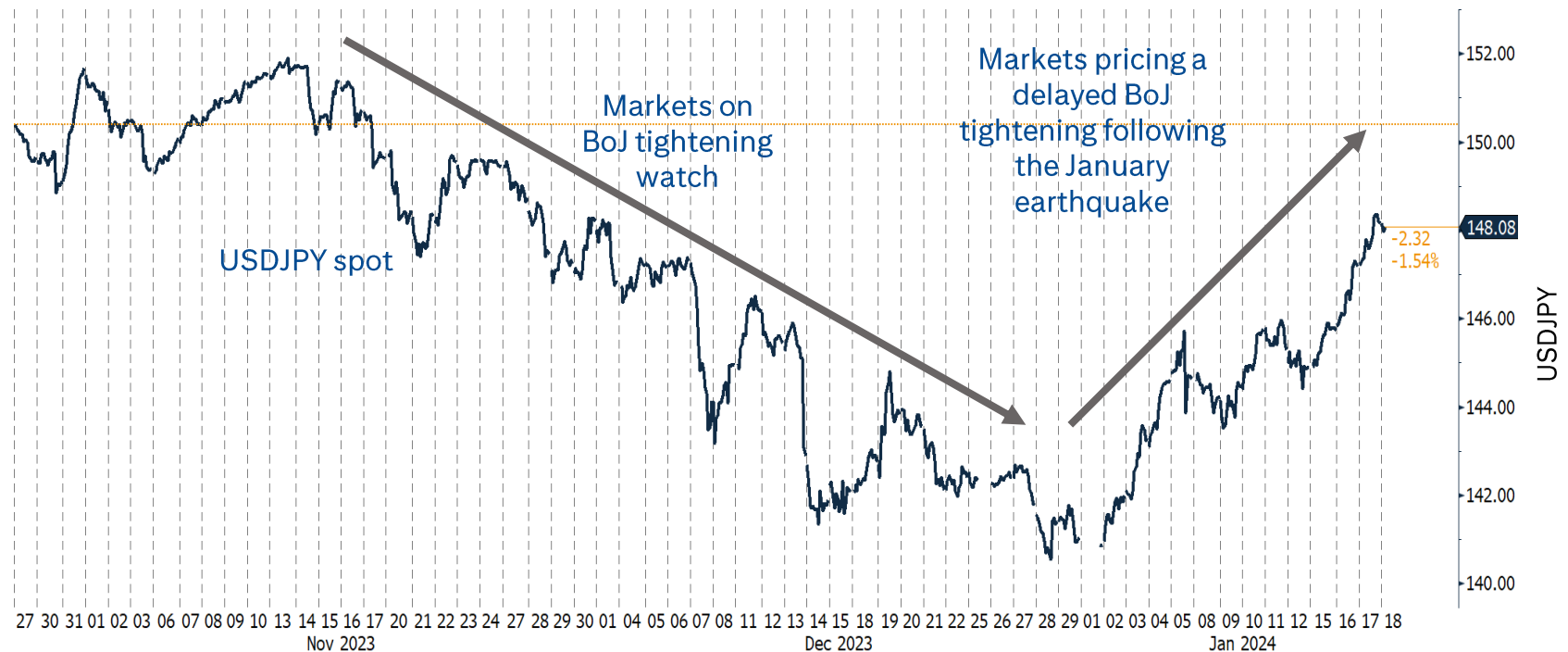
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USD: Forward rate projections however continue to show flatlining Fed – ECB rate differentials despite the relatively more aggressive push back from ECB officials to the current dovish rates pricing – until rates markets price more Fed activism relative to other central banks, DXY is unlikely to weaken more sustainably



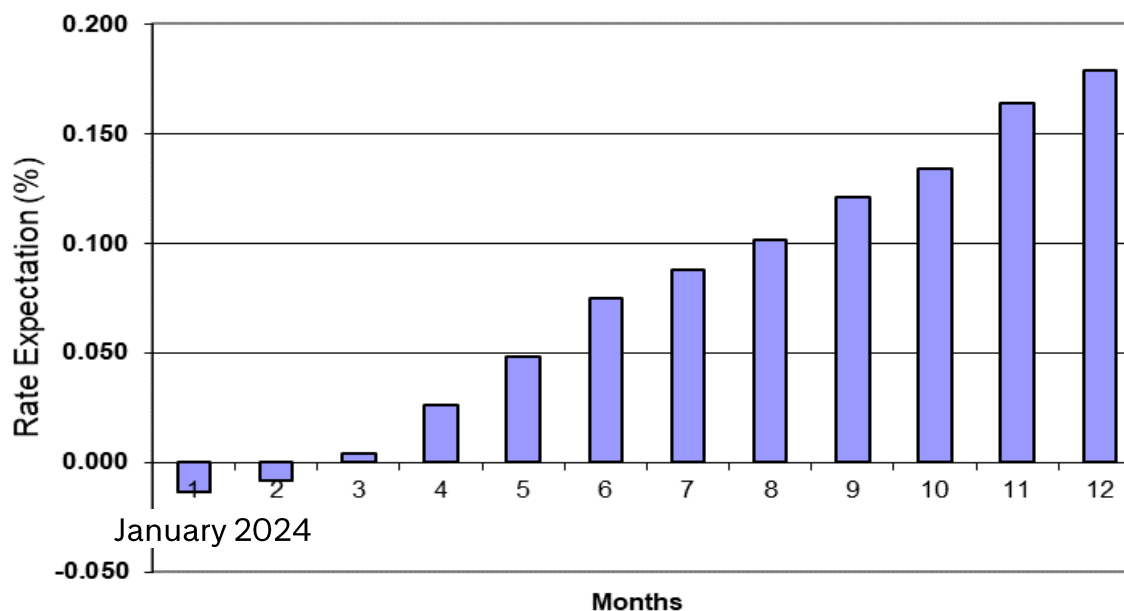
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JPY: BoJ maintained monetary policy with a dovish tone in December and Japan's earthquake in January has likely delayed BoJ's exit from NIRP but still seen likely during H1'2024 – Fed easing and BoJ possibly exiting NIRP within a similar timeframe makes current JPY weakness look like an overshoot



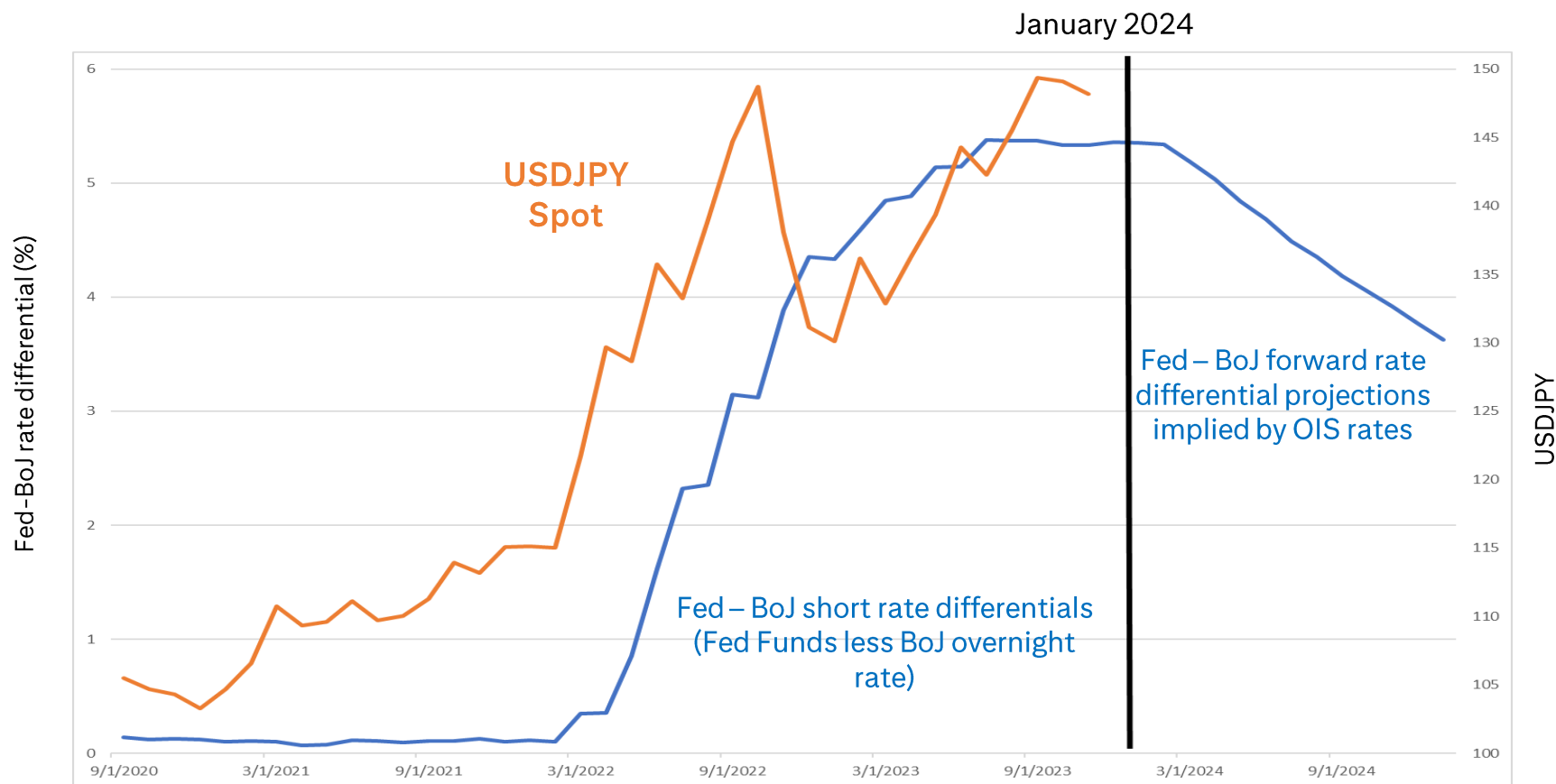
Source: Bloomberg and Factset as of January 18, 2024. NIRP stands for negative interest rate policy. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

JPY: OIS rates have shifted to price BoJ's exit from NIRP in April 2024 after having steadfastly priced a January exit for the past 4-5 months – this shift is largely due to Japan's January 1 earthquake; BoJ's subtle shift in messaging at this week's meeting suggests April is on the radar of most analysts



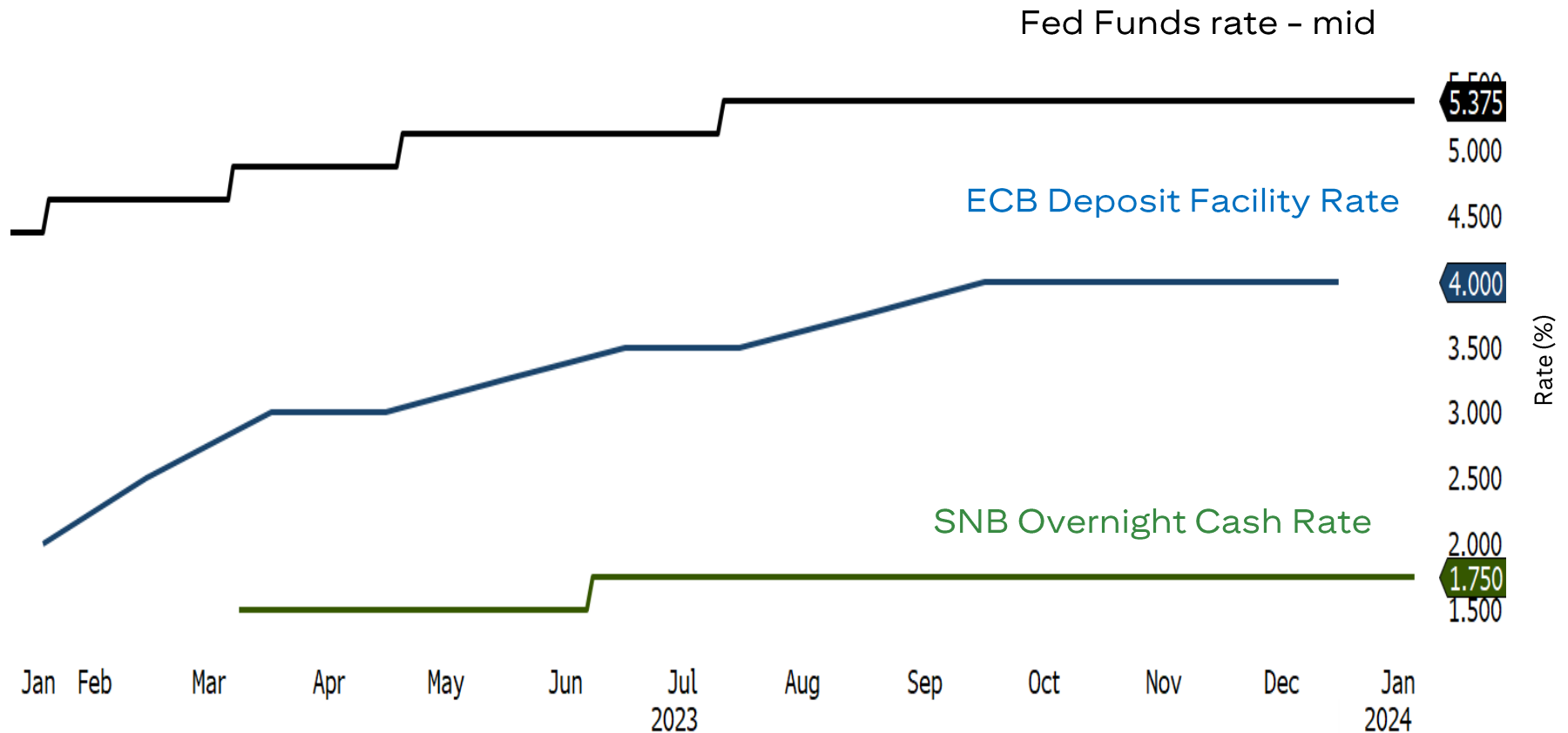
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JPY: Forward Fed – BoJ rate differentials continue to point to a sharp compression in yield spreads despite pushing back BoJ’s timeline to exit NIRP in April



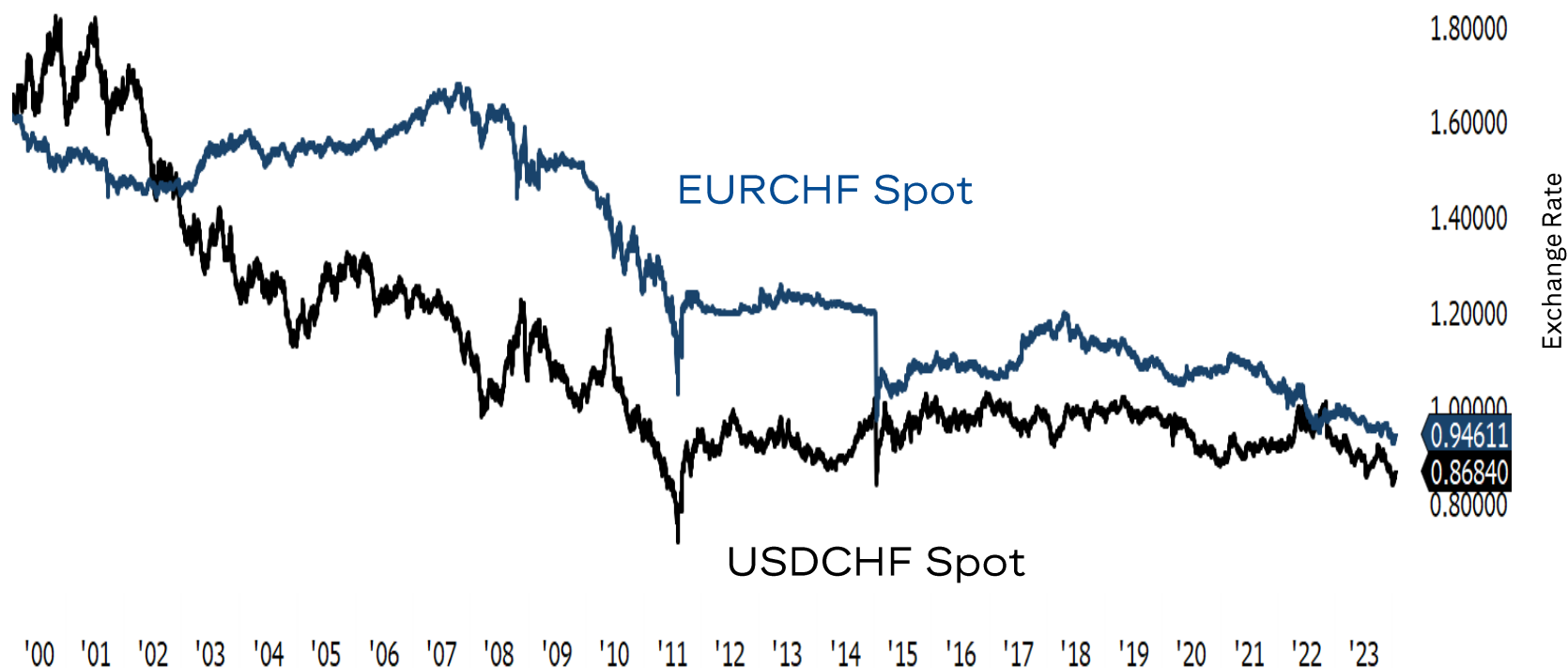
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CHF: With central bank rates having peaked (ex Japan), client interest has risen to consider using CHF as a funding currency



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CHF: EURCHF and USDCHF are close to the multi-year lows seen when SNB de-pegged CHF from EUR around mid-January 2015 – difficult to see CHF strengthening further given SNB has ended its rate hike cycle and curtailed FX sales/ CHF purchases as Swiss inflation drops well below SNB’s 2% target



Source: Bloomberg and Factset as of January 18, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

NORTH AMERICA INVESTMENT STRATEGY

PERSPECTIVES



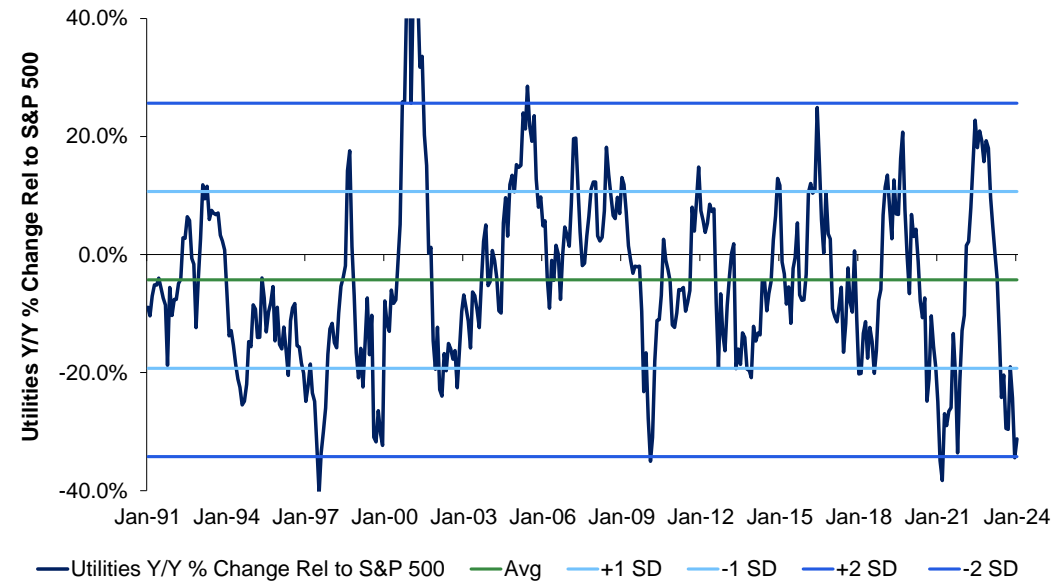
Media & Entertainment vs Utilities

- Media & Entertainment appears overbought y/y versus the S&P 500
- Utilities appears oversold y/y versus the S&P 500

MEDIA & ENTERTAINMENT Y/Y % CHG REL TO S&P 500



UTILITIES Y/Y % CHG REL TO S&P 500

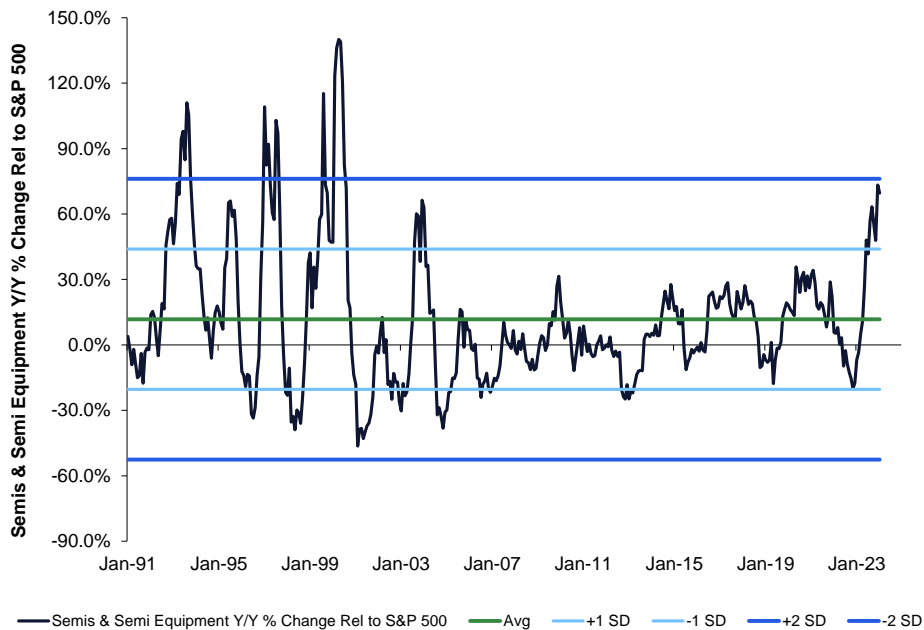


Source: Factset and Haver Analytics as of January 22, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

Semis & Semi Equipment vs Real Estate

- Semis & Semi Equipment appears overbought y/y versus the S&P 500
- Real Estate appears oversold y/y versus the S&P 500

SEMIS & SEMI EQUIPMENT Y/Y % CHG REL TO S&P 500



REAL ESTATE Y/Y % CHG REL TO S&P 500



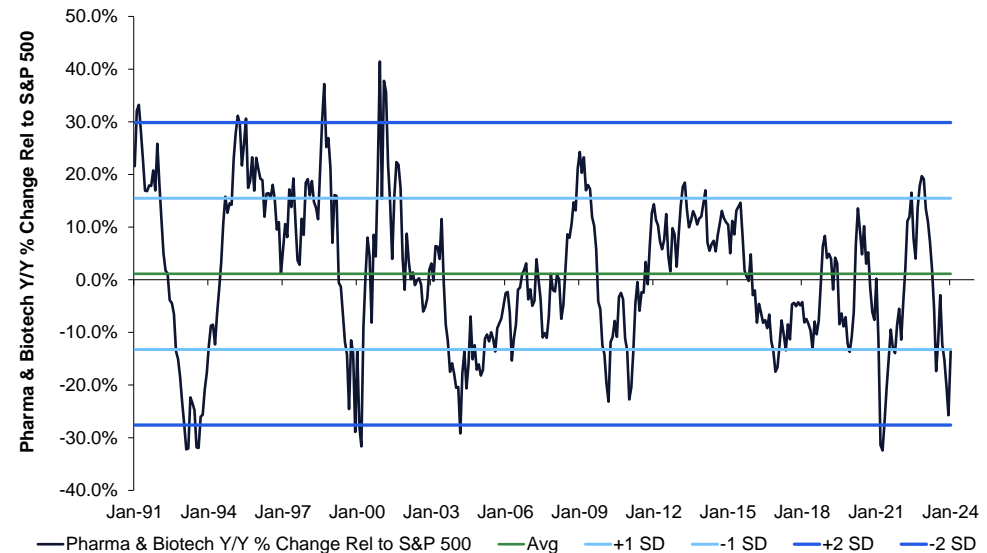
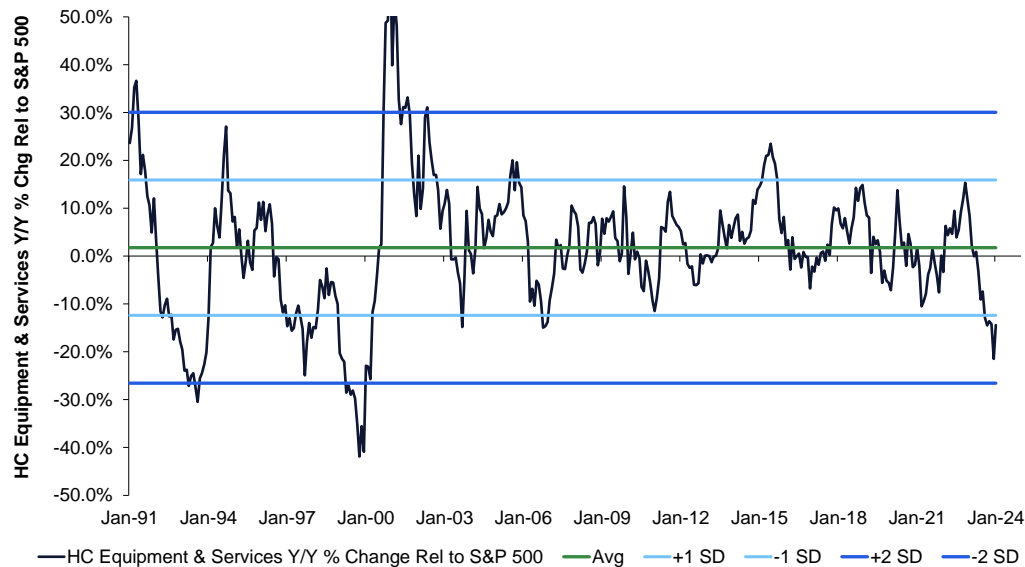
Source: Factset and Haver Analytics as of January 22, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

Health Care Equipment & Services vs Pharma & Biotech

- HC Equipment and Services appear somewhat oversold y/y versus the S&P 500
- Pharma & Biotech also appear somewhat oversold y/y versus the S&P 500

HC EQUIPMENT & SERVICES Y/Y % CHG REL TO S&P 500

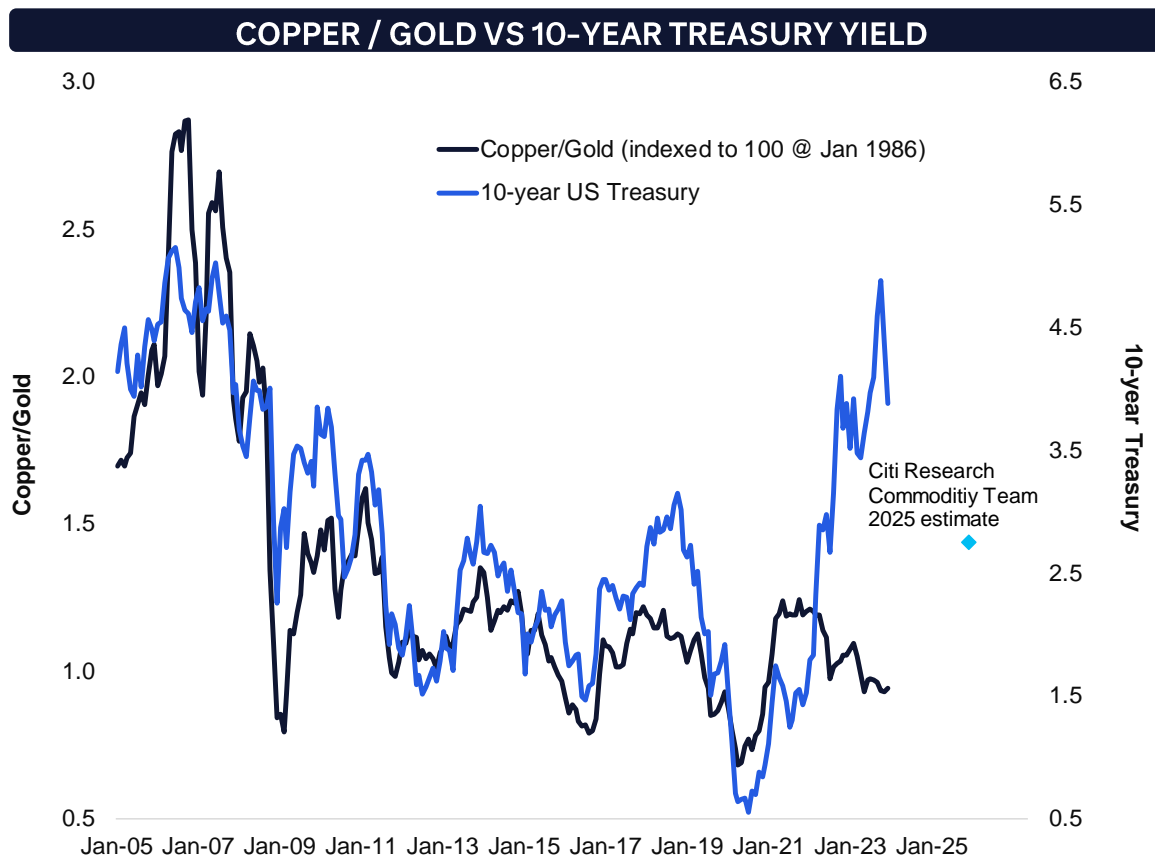
PHARMA & BIOTECH Y/Y % CHG REL TO S&P 500



Source: Factset and Haver Analytics as of January 22, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

Commodities versus Treasury Yields

- Treasury yields have become unglued to the copper/gold ratio

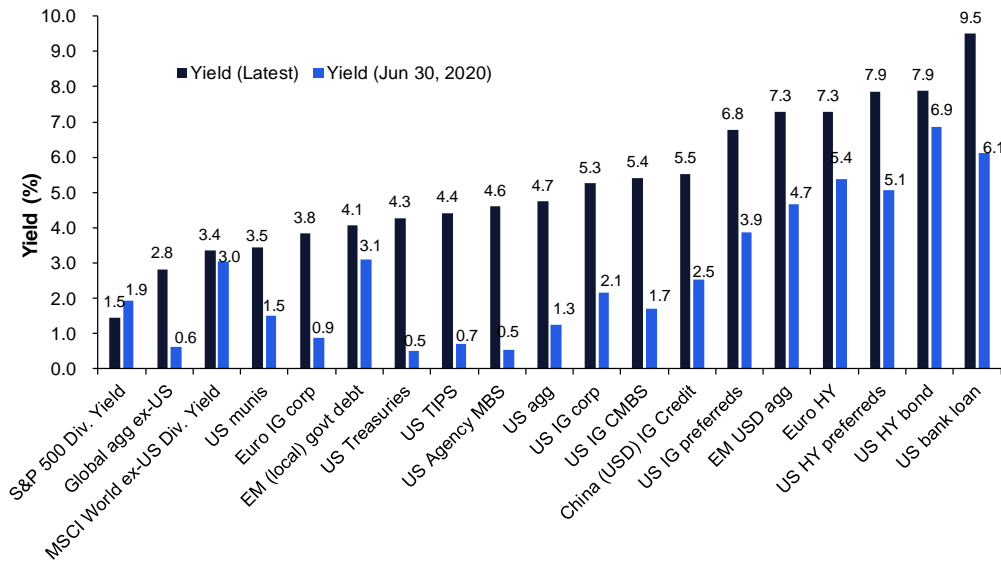


Sources: Haver Analytics and Citi Research as of December 31, 2023. For illustrative purposes only. **Past performance is no guarantee of future results. Real results may vary.** Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance..

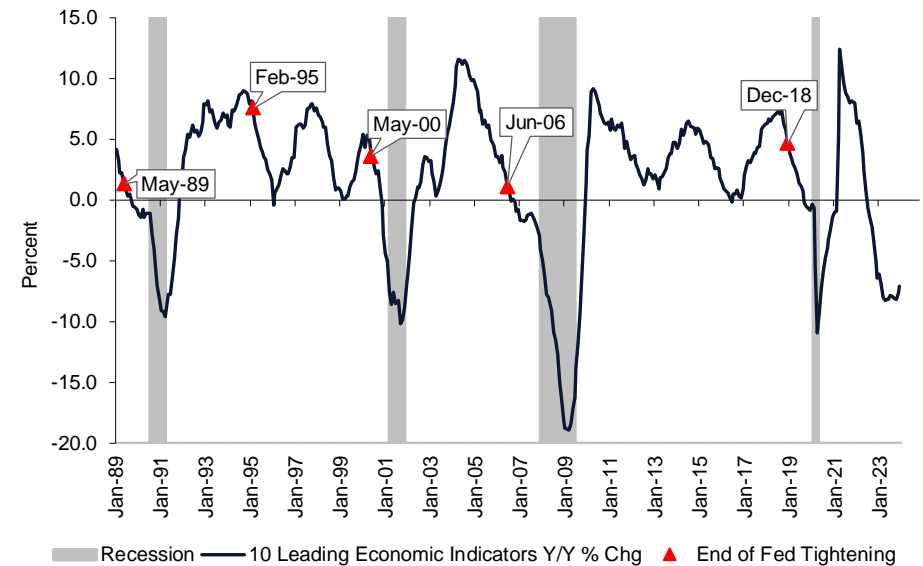
Bonds: Income Generation and Defensive Benefits

- Yields are higher across the spectrum than they were a few years ago
- Bonds should benefit from slowing growth and falling inflation
- Leading economic indicators may be stabilizing but have yet to turn up
- It all points to the possibility of yield-plus returns for bond investors

YIELD LEVELS – JANUARY 2024 VS JUNE 2020



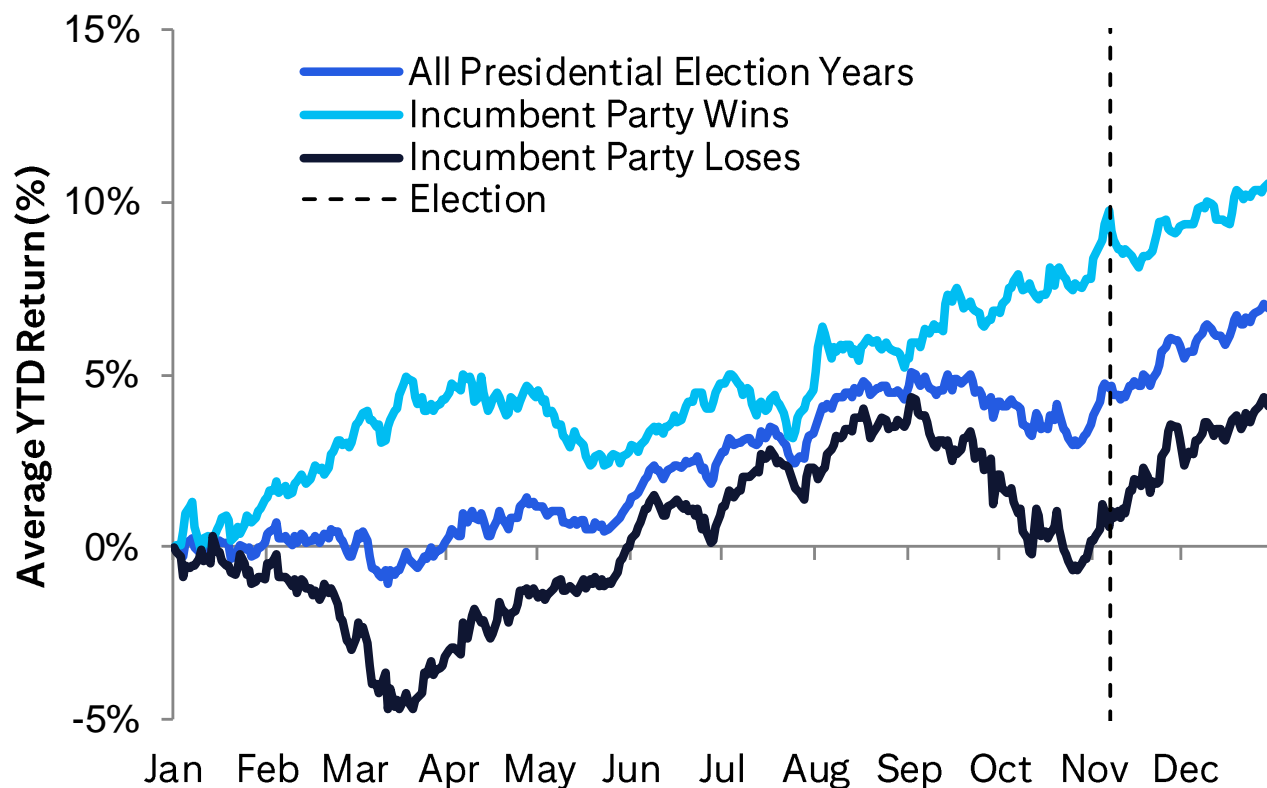
COMPOSITE INDEX OF 10 LEADING INDICATORS Y/Y% CHG



Source: Bloomberg, Haver Analytics, and Factset as of January 22, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

Presidential Year Stock Market Returns

PRESIDENTIAL YEAR STOCK MARKET RETURNS USING S&P 500

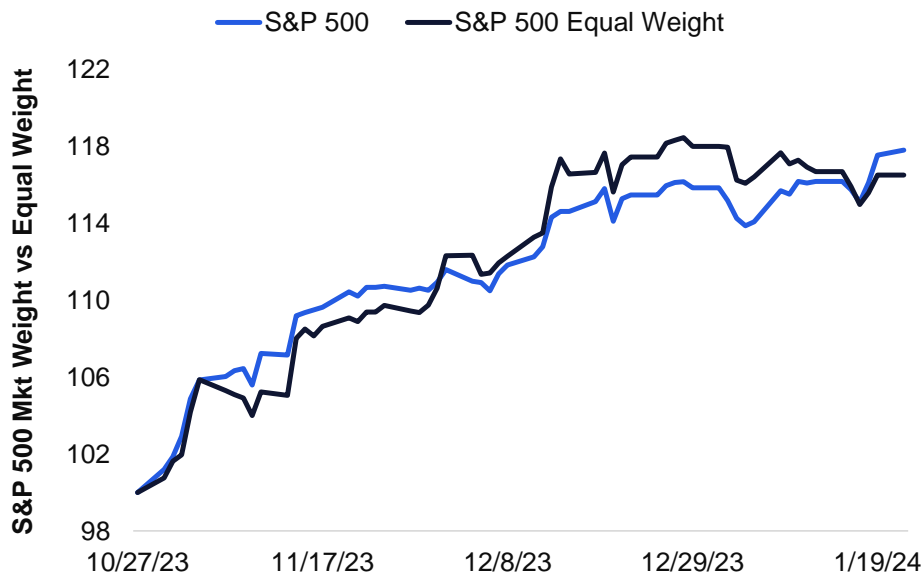


Source: Haver Analytics as of December 15, 2023. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary**

US Stocks Off the October 2023 Low

- Market-cap weighted S&P 500 slightly ahead of the Equal-weighted S&P 500 (both near 18%)
- Small-cap growth (around 21%) ahead of mid-cap growth (near 18%)

S&P 500: MKT CAP VS EQUAL WEIGHT



S&P 600 GROWTH VS S&P 400 GROWTH



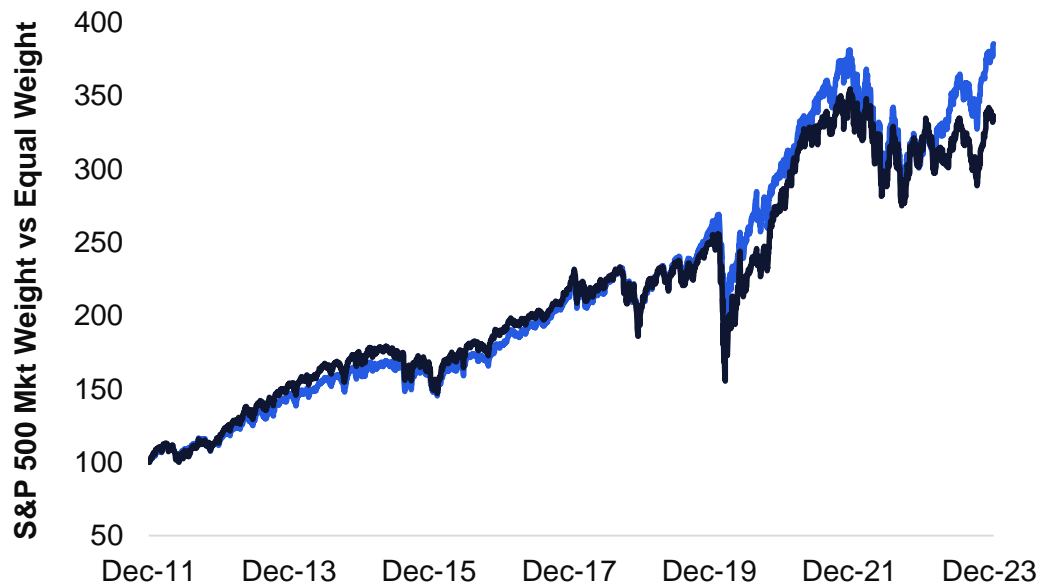
Source: Bloomberg as of January 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

Market-cap vs Equal-weighted S&P 500 Over Time

- Market-cap weighted S&P 500 has outperformed the equal-weighted S&P 500 (left)
- It has recently pulled about as far ahead as it did in just before COVID (right)
- We think another catch-up trade for the equal-weighted S&P 500 is likely to unfold

S&P 500: MKT CAP VS EQUAL WEIGHT

— S&P 500 — S&P 500 Equal Weight



S&P 500 RELATIVE TO S&P 500 EQUAL WEIGHT

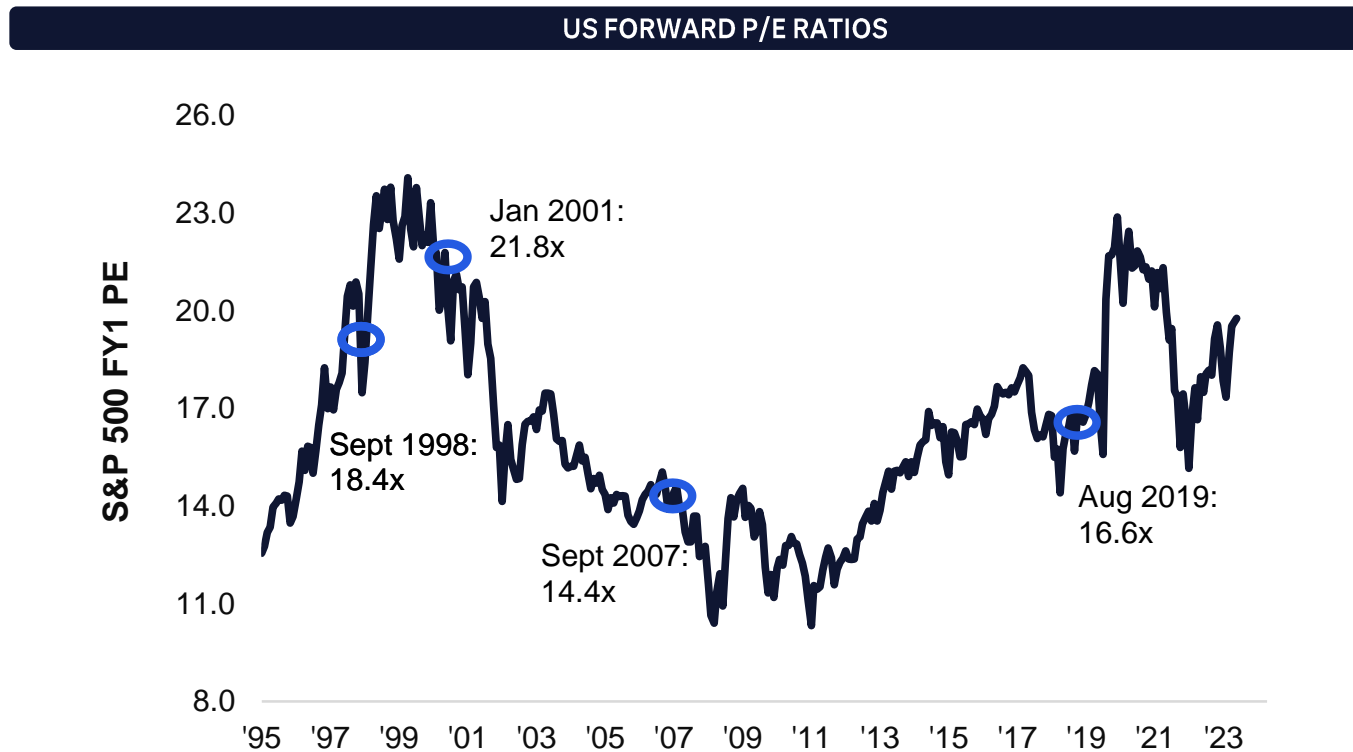
— S&P 500 rel S&P 500 Equal Weight




Source: Bloomberg as of January 19, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

US Forward Price / Earnings Ratios at First Rate Cuts

- When the Fed cut rates against high multiples in September 1998 it helped fuel a bubble into March 2000



 S&P 500 Forward PE at month-end of 1st rate cut

EUROPE, MIDDLE EAST AND AFRICA INVESTMENT STRATEGY

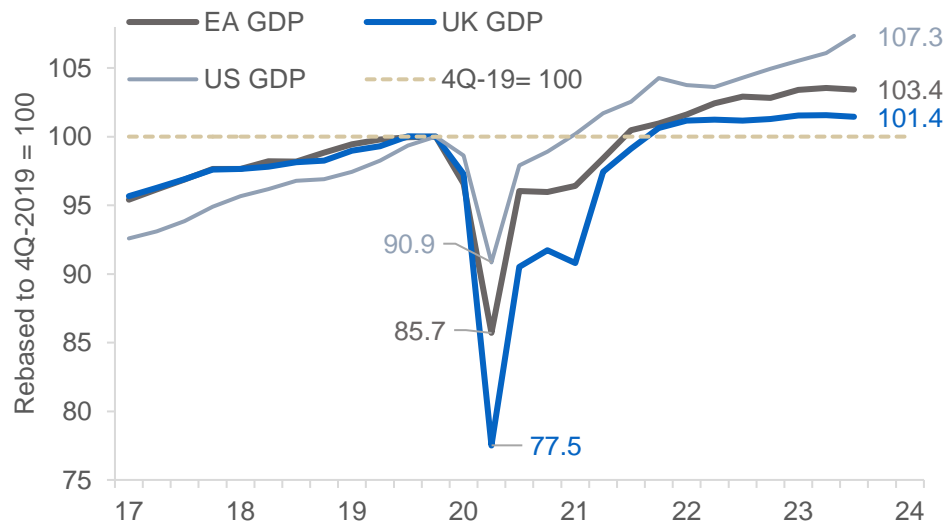
PERSPECTIVES



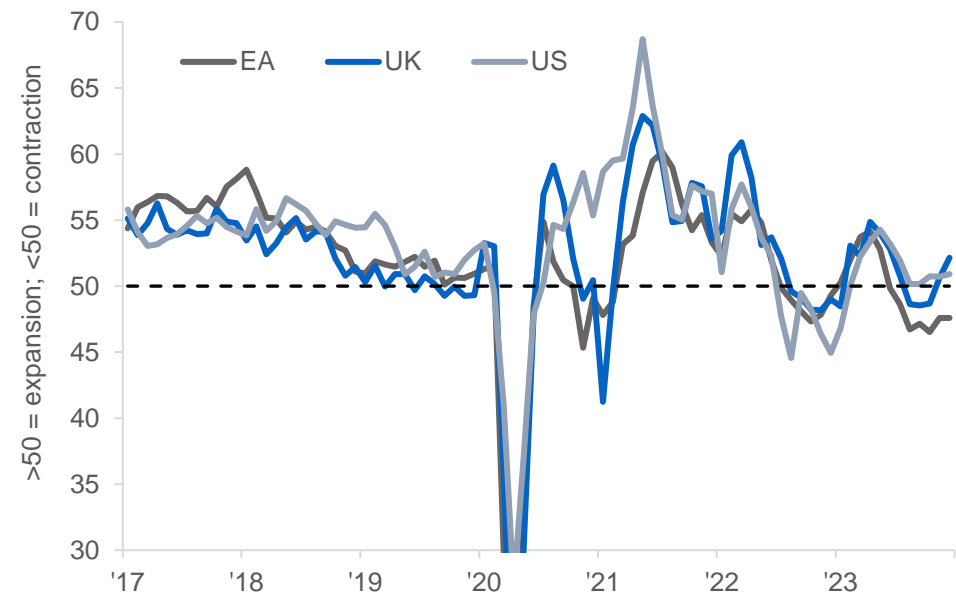
Activity: Europe lagging behind US exceptionalism

- Euro area and UK GDPs have recovered slightly, but by a much smaller margin relative to the US
- Transmission of monetary policy is starting to bite, but less so in the US as illustrated by the PMIs

EU AND UK LAGGING FAR BEHIND THE US



COMPOSITE OUTPUT MEASURES SHOW US RESILIENCE

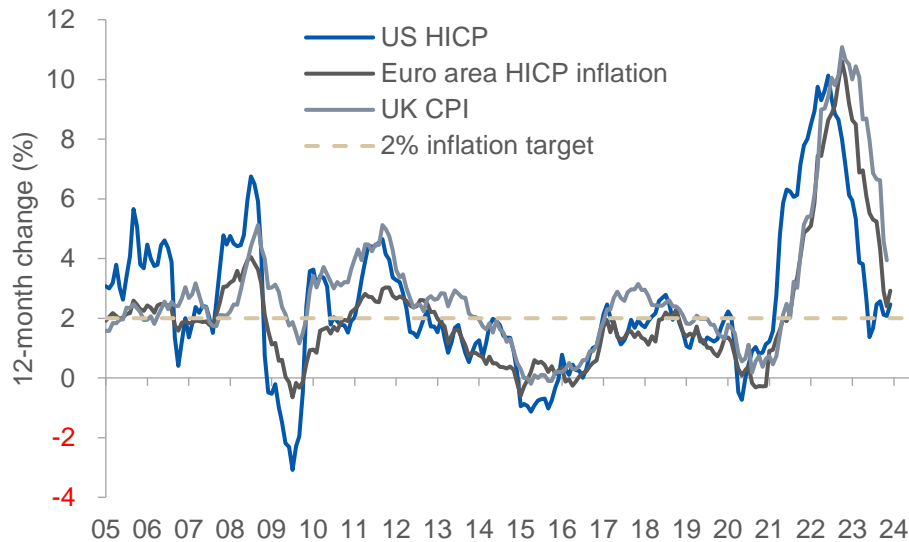


Source: Eurostat, Haver Analytics and Citi Global Wealth Investments, 12 January 2024. Real results may vary. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Past performance is no guarantee of future results. Real results may vary.

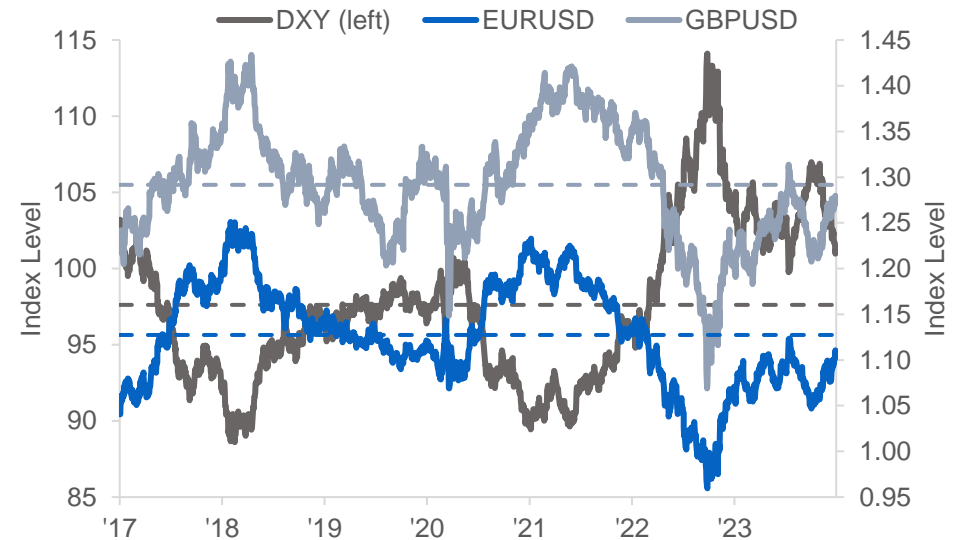
Inflation: falling quickly; we believe the USD is still overvalued

- Using the same methodology as in Europe, US inflation is already hovering around the 2% YY level
- US inflation has tended to be more volatile than euro area or UK inflation since the COVID pandemic
- The general trend is one of rapidly normalising inflation, which should help central banks move away from highly restrictive monetary policy as real yields have increased materially, dampening economic activity
- The DXY is ~5% above its 6-year average, while EUR/USD and GBP/USD are ~3% and ~1% below, respectively

HOUSEHOLD INFLATION EXPECTATIONS NOT FULLY RE-ANCHORED



THE SAME HOLDS FOR MARKET-BASED INFLATION EXPECTATIONS

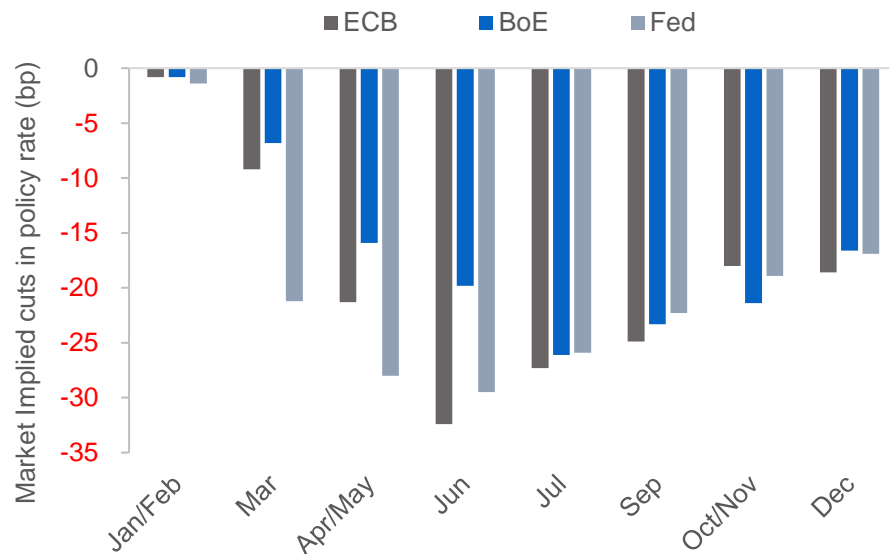


Source: Eurostat, Haver Analytics, Bloomberg and Citi Global Wealth Investments, 12 January 2024. For discussion purposes only. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

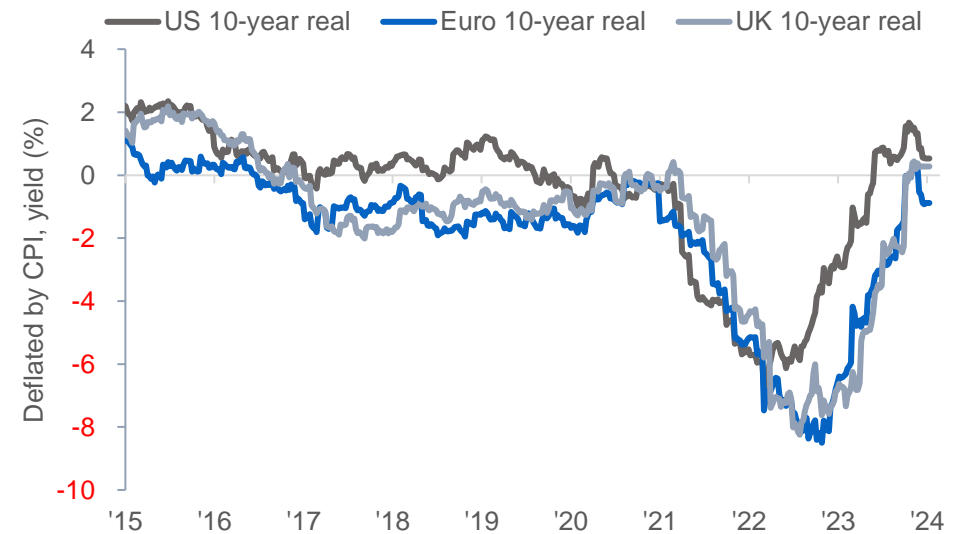
Fixed income strategy

- In terms of the likely timing of rate cuts, we see the BoE coming last, after the Fed and the ECB
- Market pricing for a first 25bp rate cut is around early 2Q-24 for the Fed and ECB, and late 2Q-24 for BoE
- Bonds are still very much back, even in Europe, given the jump in real yields from very negative levels in 2022-23
- We continue to prefer US fixed income over Europe and UK given the substantial positive real yield gap

INTEREST CUTS SET TO START IN 2024



US REAL YIELDS NOW WELL INTO POSITIVE TERRITORY

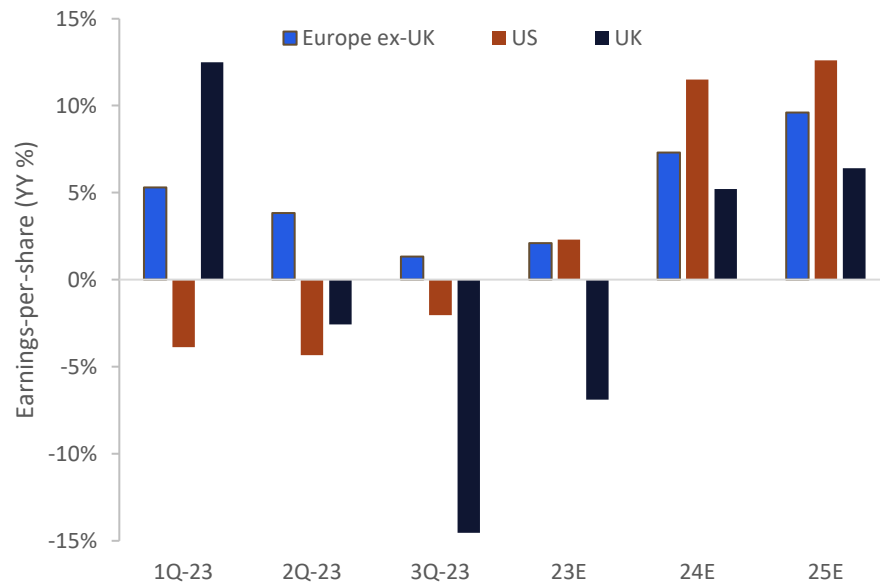


Source: Bloomberg and Citi Global Wealth Investments, 12 January 2023. For discussion purposes only. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Past performance is no guarantee of future results. Index returns do not include any expenses, fees or sales charges, which would lower performance. Real results may vary. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events.

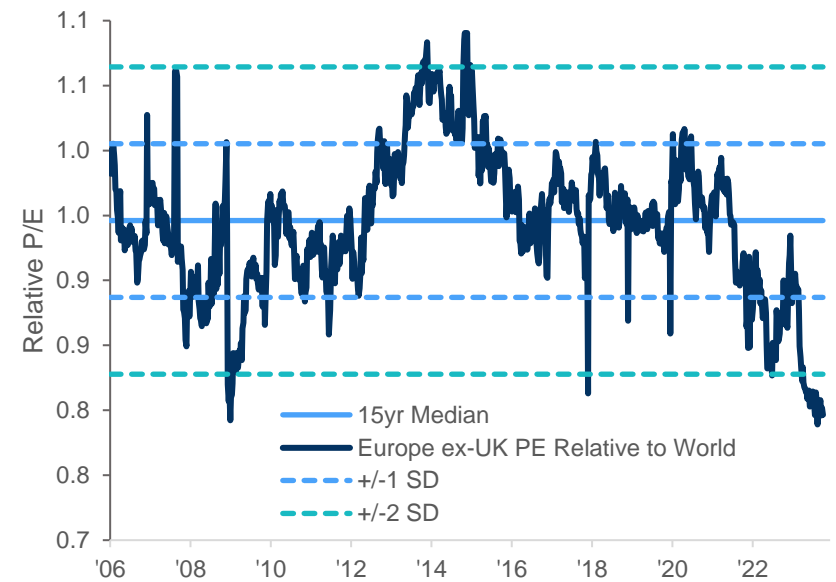
Equity strategy

- Europe ex-UK earnings growth outperformed US earnings growth in the first three quarters of 2023, as well as UK earnings growth in 2Q-23 and 3Q-23
- EPS recovery supported by 1) potential lower rates, 2) growing demand and growth and 3) index composition
- Europe ex-UK valuations remain cheap in absolute terms and relative to both world and US equities

EARNINGS GROWTH SHOULD IMPROVE IN BOTH 2024 & 2025



EUROPEAN EQUITIES REMAIN CHEAP



Source: MSCI for all of the indices, ie Europe ex-Uk US, UK, World and Citi Global Wealth Investments, 12 January 2024. For discussion purposes only. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Past performance is no guarantee of future results. Index returns do not include any expenses, fees or sales charges, which would lower performance. Real results may vary. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events.

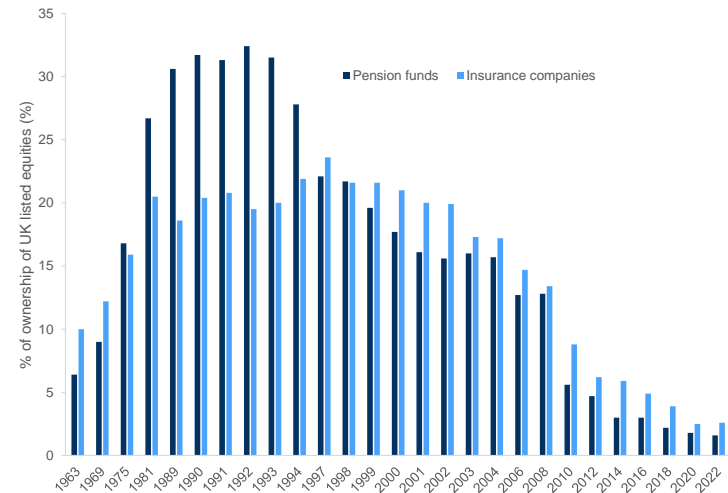
UK strategy

- Outlook for UK equities looks challenging in 2024; relative underperformance of the FTSE 100/MSCI UK index largely due to the lack of technology companies relative to US and world equities
- Growing threat of de-listing of firms from the LSE in favour of listing onto the US or Europe stock exchange
- Institutional money has not recovered back to the pre-pandemic highs of Dec-21. This exodus of capital away from UK equities could at partly explain the cheap valuations of UK equities

SECTOR COMPOSITION OF GLOBAL EQUITIES

Sector Composition	MSCI				
	UK	Europe ex-UK	Switzerland	USA	World
Financials	19%	18%	18%	13%	23%
Consumer Staples	18%	10%	22%	6%	7%
Consumer Discretionary	6%	12%	5%	11%	11%
Healthcare	12%	16%	34%	13%	12%
Industrials	12%	17%	10%	9%	11%
Materials	11%	6%	8%	2%	4%
Energy	14%	4%	N/A	4%	5%
Utilities	4%	4%	0%	2%	3%
Communication Services	3%	3%	1%	9%	7%
Information Technology	1%	9%	1%	29%	23%
Real Estate	1%	1%	1%	2%	2%

UK PENSION AND INSURERS OWNERSHIP OF UK EQUITIES HAS SEEN A LARGE DECLINE

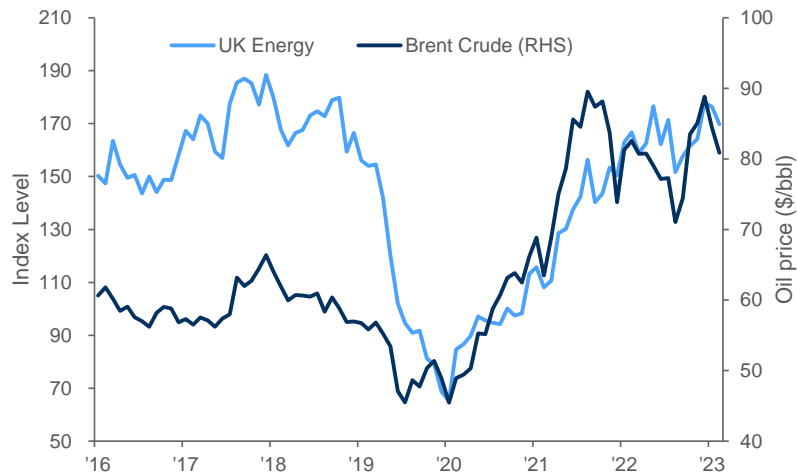


Sources: MSCI indices, Bloomberg. Data as of 4 January 2024. Past performance is no guarantee of future returns. Real results may vary. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

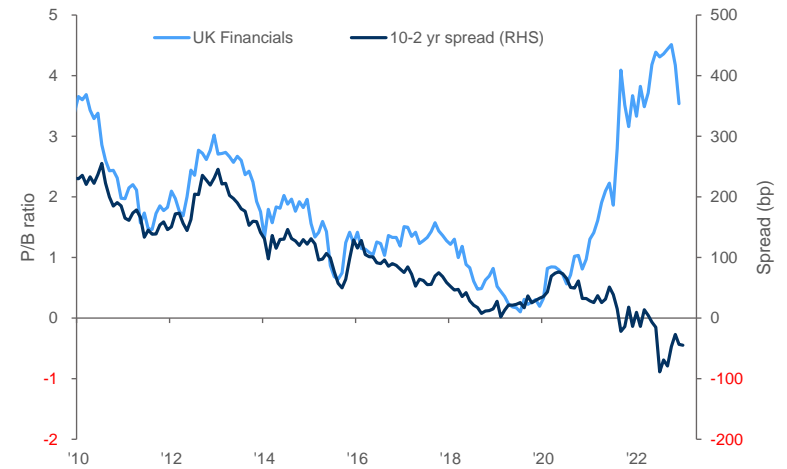
UK strategy

- Financials and energy have benefited on average over the past two years from rising rates and elevated commodity prices, providing a significant boost to their performance and profit margins
- However, with the market pricing interest rate cuts in 2024 and the oil price adjusting lower the incremental benefit is likely to diminish
- Therefore, we potentially expect UK equities to underperform, mainly driven UK equity sectors coming under pressure

UK ENERGY SECTOR PERFORMANCE CLOSELY ALIGNED WITH BRENT CRUDE PRICE SINCE OCT 2020



DECOUPLING OF THE UK FINANCIAL P/B RATIO TO 10-2YR GILT SPREAD



Sources: MSCI indices, Bloomberg. Data as of 4 January 2024. Past performance is no guarantee of future returns. Real results may vary. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

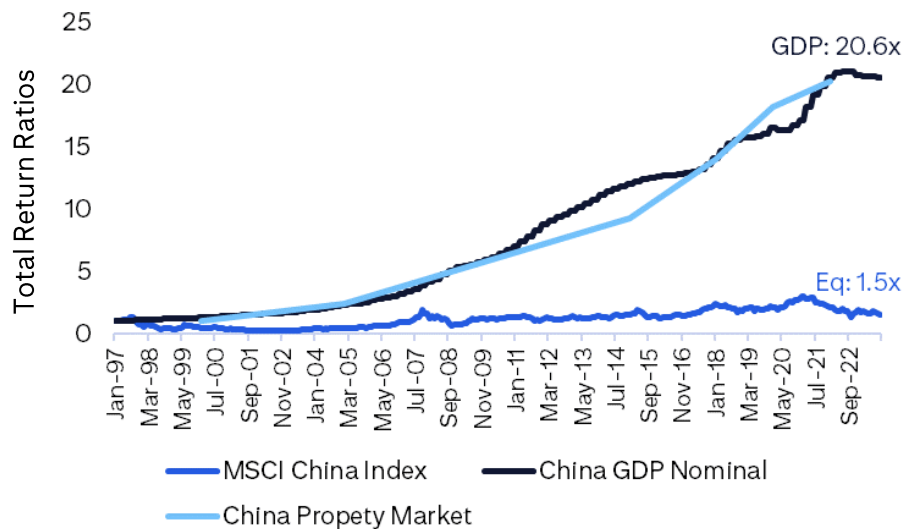
ASIA PACIFIC INVESTMENT STRATEGY

PERSPECTIVES

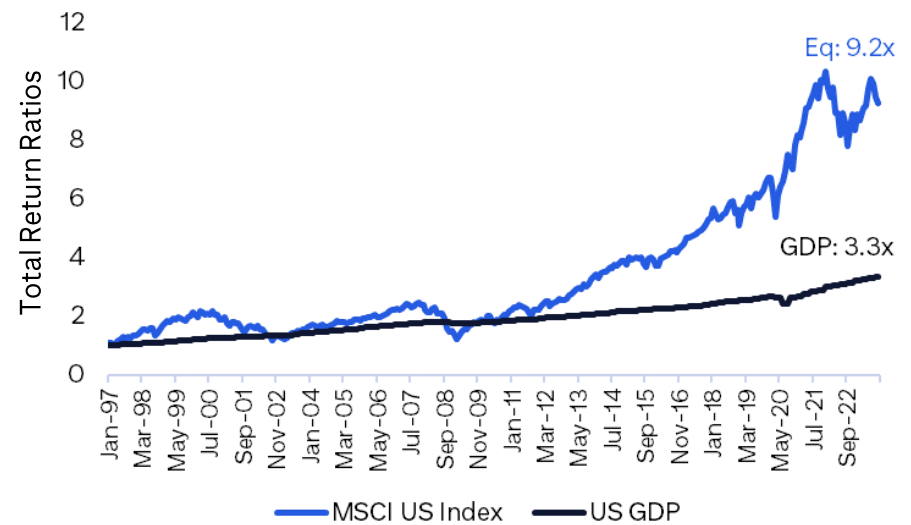


China's equity performance is uncorrelated with its GDP growth, while the property market has acted as a key source of wealth generation since 1997

CHINA TOTAL RETURNS COMPARISON: EQUITY INDEX VS GDP VS PROPERTY MARKET



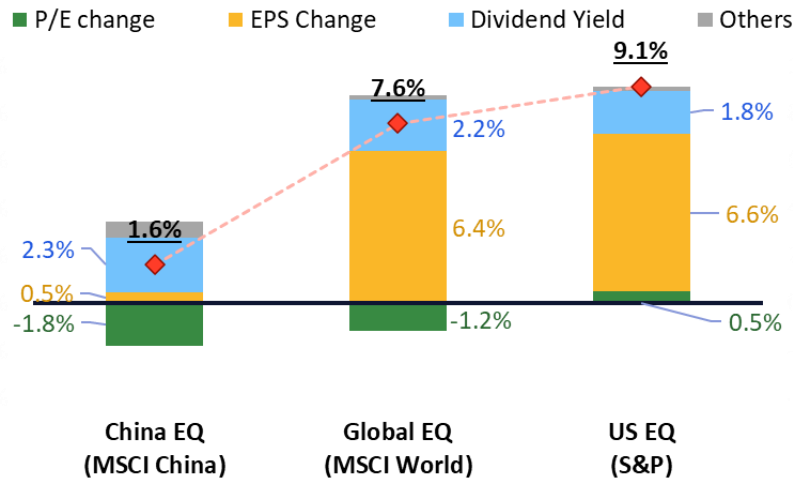
US TOTAL RETURNS COMPARISON: EQUITY INDEX VS GDP



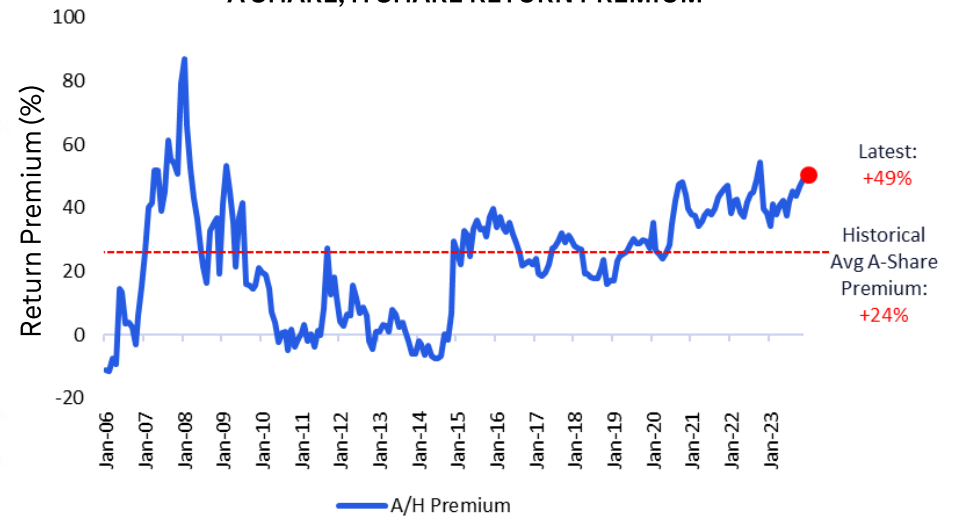
Source: Bloomberg and Zeping Macro, as of 5 Jan 2024. **Past performance is no guarantee of future results.** All forecasts are expressions of opinion and are subject to change without notice, are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. **Real results may vary.**

Chinese equity underperformance can be attributable to sub-par EPS growth and P/E contraction

ANNUALIZED RETURN DECOMPOSITION OF CHINESE, GLOBAL AND US EQUITIES (1997-2023)



A SHARE, H SHARE RETURN PREMIUM



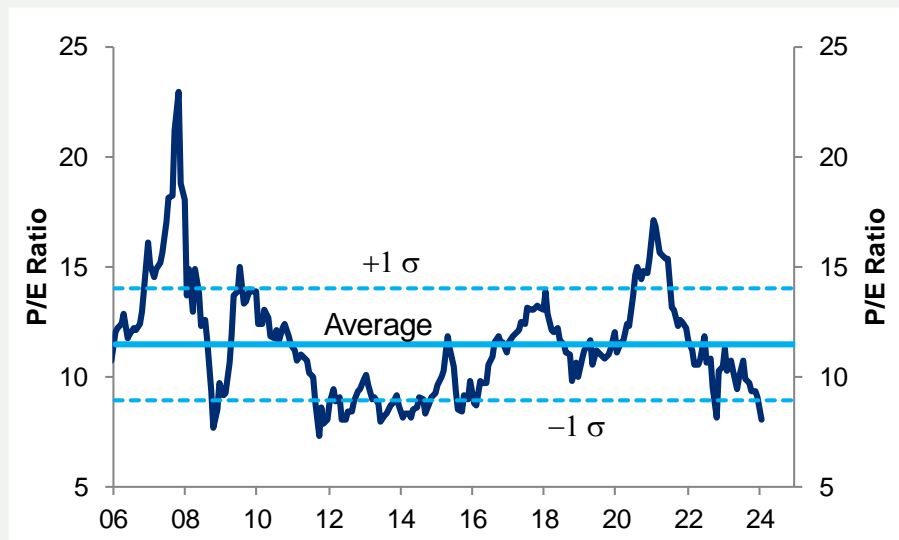
Note: the return has been adjusted by inflation.

Source: Global Investment Lab and Bloomberg, as of 5 Jan 2024. **Past performance is no guarantee of future results.** All forecasts are expressions of opinion and are subject to change without notice, are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. **Real results may vary.**

Historical lows in valuations have not yet attracted investors

Drivers of recent sell off

- Continued weak economic momentum, especially in demand
- Policy messaging continue to avoid big stimulus
- Significant structured product knock-in levels breached



What needs to be done? Create effective demand

- Significant additional policy:
 - Rate cuts (Likely, but small, to protect bank net interest margins)
 - Large QE program (2tn & counting)
- Allow housing market to reprice, protect depositors of weak banks through PBOC & MOF (Unlikely)
- Deregulation in services sector and create jobs (Unlikely)
- Tourism may see some strengthening from easing visa rules

What's likely to be done?

- **National Security:** cybersecurity, national defense, space/satellite development
- **Technological Self Sufficiency:** industrial policy for chips, renewable energy, biotech, etc.
- **Encourage childbirth:** reduce cost of childcare, boost capacity in free early education

Source: National Bureau of Statistics and Haver Analytics, as of 13 Jan 2024. The chart is showing the forward P/E ratio for MSCI China.

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What is the opportunity cost of waiting for a recovery?



- **Cyclical recovery is still likely:** Stimulus policies accumulating. External drag from USD may reverse. But recent progress remains slow. Recovery can be more time consuming when policies focus on industry rather than demand



- **Real estate and confidence remain weak:** Real estate still await restructuring and sales recovery. Negative wealth effect. Business and consumer confidence still lacking



- **Cheap but still highly uncertain:** MSCI China forward PE is 1 standard deviation below historical mean, while timing of recovery remains unknown

GIC Asset Allocation to China
% of Equities

	China % of Equities
Global	4%
Asia Bias	17%

How long is the wait?

How far is MSCI China index from following levels

2023 High.....	37%
2021 High.....	135%
2022 Low.....	-14%
2008 Low.....	-50%

What is the opportunity cost of waiting?

Historical returns of select assets

5-7yr UST returns 2 years after last hike.....	15-20%
HFRI Equity Hedged 5yr annual returns.....	8%
USDJPY return to early 2022 level.....	20%

Returns are gross of fees. HFRI: Hedge Fund Research Indices.

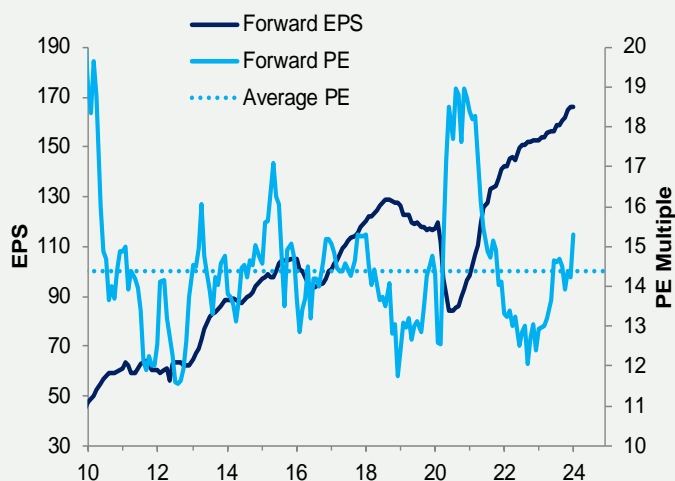
Source: Bloomberg, as of 2 Jan 2024.

Neither diversification nor asset allocation can guarantee a profit or protect against loss in declining markets. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

Japan – Profitability, Investor Inflows, Currency Kicker

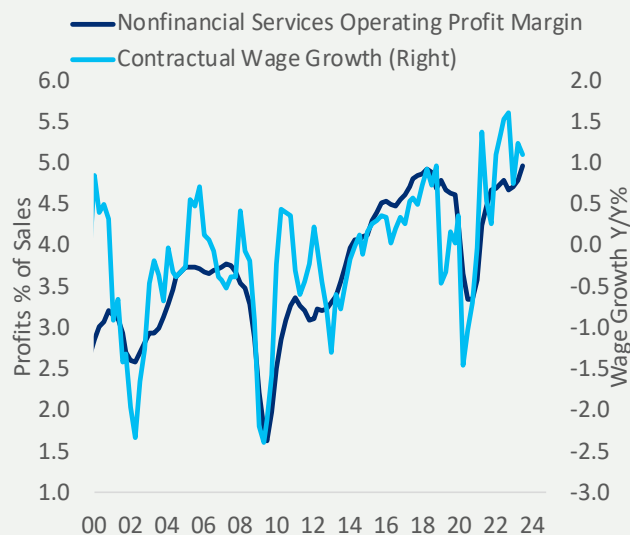
Japanese equities are benefiting from
Reflation: higher profitability
Reforms: higher ROE
Re-allocation: greater inflows and demand

The TOPIX rally came with strong earnings revisions, forward PE at 15x, is just above historical average



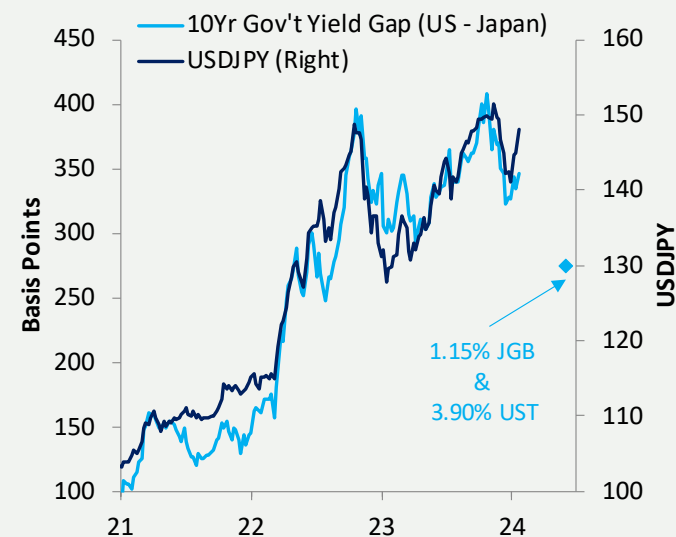
Spring wage negotiations are likely to produce another solid wage growth agreement

Corporates are willing to increase wages because their profitability is stronger



BOJ hinted at considerations for potentially ending ultra-loose policy (yield curve control and negative interest rate policy)

50bp rise in JGB yield and 20bp fall in UST yields would be consistent with JPY at 130 area



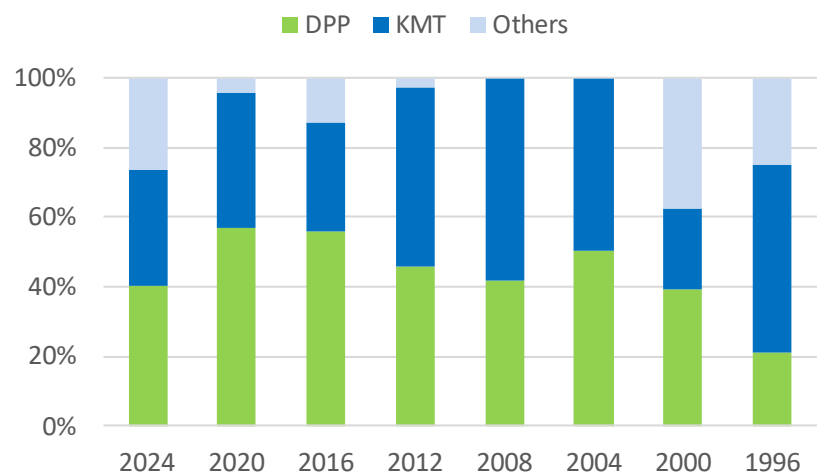
Source: Bloomberg, as of 22 Jan 2024.

All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

Taiwan's Election likely to prolong Status Quo, positive for TW equities

Democratic Progressive Party (DPP) presidential win had lowest voter share since 2000

- DPP lost legislative majority to pan-Blue camp, DPP has the fewest seats since 2012
- President-elect Lai appears to be dialing back pro-independence rhetoric after victory
- China & US response consistent with status quo



Taiwan equities already had deep earnings recession in 2023, poised to recover



Source: Bloomberg, as of 22 Jan 2024.

All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. **Past performance is no guarantee of future results. Real results may vary.**

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Investment Strategy

ASIA PACIFIC

Ken Peng

Head, Asia Pacific
Investment Strategy

Calvin Ha

Senior Asia Pacific
Investment Strategist

Andrea Leung

Senior Asia Pacific
Investment Strategist



GLOSSARY

Li Ke Qiang Index (or Keqiang Index) measures China's economy using three indicators; railway cargo volume, electricity consumption and loans disbursed by banks.

Asia Pacific ex Japan equities are measured against the MSCI Asia Pacific ex Japan Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the performance of large cap stocks in Australia, Hong Kong, New Zealand and Singapore.

Cash is measured against the three-month LIBOR, which is the interest rate that banks charge each other in the international inter-bank market for three-month loans (usually denominated in Eurodollars).

CBOE Volatility Index (VIX) is a key measure of market expectations of near-term volatility conveyed by Standard & Poor's 500 stock index option prices.

CBOE Crude Oil Volatility Index (OVX) measures the market's expectation of 30-day volatility of crude oil prices.

MOVE index: The Merrill Lynch Option Volatility Estimate Index is a yield curve weighted index of the normalized implied volatility US Treasury options.

CBOE SKEW Index ("SKEW") is an index derived from the price of S&P 500 tail risk. Similar to VIX, the price of S&P 500 tail risk is calculated from the prices of S&P 500 out-of-the-money options. SKEW typically ranges from 100 to 150. A SKEW value of 100 means that the perceived distribution of S&P 500 log-returns is normal, and the probability of outlier returns is therefore negligible.

Citigroup GRAMI (Global Risk Aversion Macro Index) measures risk aversion across asset classes. It is an equally weighted index of developed and emerging market sovereign spreads, US credit spreads, TED spread and implied FX, equity and swap volatility. GRAMI is shown as standard deviations from the mean.

Citi Economic Surprise Index cover all G10 economies and are available by each country. They are defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median). A positive reading of the Economic Surprise Index suggests that economic releases have on balance beating consensus. The indexes are calculated daily in a rolling three-month window. The weights of economic indicators are derived from relative high-frequency spot FX impacts of 1 standard deviation data surprises. The indexes also employ a time decay function to replicate the limited memory of markets.

Commodities are measured against the Dow Jones-UBS Commodity Index, which is composed of futures contracts on physical commodities traded on exchanges, with the exception of aluminium, nickel and zinc, which trade on the London Metal Exchange (LME). The major commodity sectors are represented, including energy, petroleum, precious metals, industrial metals, grains, livestock, softs, agriculture and ex. energy.

Corporate high yield is measured against the Citigroup US High Yield Market Index, which includes all issues rated between CCC and BB+. The minimum issue size is \$50 million. All issues are individually trader priced monthly.

Corporate investment grade is measured against the Citi World Broad Investment Grade Index (WBIG) – Corporate, a subsector of the WBIG. This index includes fixed rate global investment grade corporate debt within the finance, industrial and utility sectors, denominated in the domestic currency. The index is rebalanced monthly.

Developed market large cap equities are measured against the MSCI World Large Cap Index. This is a free-float adjusted, market-capitalization weighted index designed to measure the equity market performance of the large cap stocks in 23 developed markets. Large cap is defined as stocks representing roughly 70% of each market's capitalization.

Developed market small and mid cap equities are measured against the MSCI World Small Cap Index, a capitalization-weighted index that measures small cap stock performance in 23 developed equity markets.

Developed sovereign is measured against the Citi World Government Bond Index (WGBI), which consists of the major global investment grade government bond markets and is composed of sovereign debt, denominated in the domestic currency. To join the WGBI, the market must satisfy size, credit and barriers-to-entry requirements. In order to ensure that the WGBI remains an investment grade benchmark, a minimum credit quality of BBB-/Baa3 by either S&P or Moody's is imposed. The index is rebalanced monthly.

World Government bond index-ex US is measured against the Citi World Government Bond Index (WGBI), which consists of the major global investment grade government bond markets excluding the United States and is composed of sovereign debt, denominated in the domestic currency. To join the WGBI, the market must satisfy size, credit and barriers-to-entry requirements. In order to ensure that the WGBI remains an investment grade benchmark, a minimum credit quality of BBB-/Baa3 by either S&P or Moody's is imposed. The index is rebalanced monthly.

Emerging sovereign is measured against the Citi Emerging Market Sovereign Bond Index (ESBI). This index includes Brady bonds and US dollar-denominated emerging market sovereign debt issued in the global, Yankee and Eurodollar markets, excluding loans. It is composed of debt in Asia, Latin America (Latam), Europe/Middle East/Africa (EMEA) We classify an emerging market as a sovereign with a maximum foreign debt rating of BBB+/Baa1 by S&P or Moody's. Defaulted issues are excluded. Sub-indices for these regions are also used for greater detail.

Europe ex UK equities are measured against the MSCI Europe ex UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the performance of large cap stocks in each of Europe's developed markets, excluding the United Kingdom.

Global bonds are measured against the Citigroup Broad Investment Grade Bond. The index is weighted by market capitalization and includes fixed rate Treasury, government sponsored, mortgage, asset backed, and investment grade (BBB-/Baa3) issues with a maturity of one year or longer and a minimum amount outstanding of \$1 billion for Treasuries, \$5 billion for mortgages, and \$200 million for credit, asset-backed and government-sponsored issues.

Global equities are measured against the MSCI All Country World Index, which represents 48 developed and emerging equity markets. Index components are weighted by market capitalization.

Japan equities are measured against the MSCI Japan Large Cap Index. A free-float-adjusted market-capitalization-weighted index designed to measure large-cap stock performance in Japan.

GLOSSARY

Topix is the Tokyo Stock Exchange Tokyo Price Index. Along with the Nikkei 225, is an important stock market index for the Tokyo Stock Exchange in Japan, tracking all domestic companies of the exchange's First Section.

Nikkei Index is a price-weighted average of the top-rated Japanese companies listed in the First Section of the Tokyo Stock Exchange.

LDXY Index is a spot index of emerging Asia's most actively traded currency pairs valued against the US dollar.

MSCI EM (Emerging Markets) Index is free-float adjusted and weighted by market capitalization. The index is designed to measure equity market performance in regions of Asia, Latin America, Europe, and Africa.

MSCI North America Index is free-float adjusted and weighted by market capitalization. The index is designed to measure equity market performance in the US and Canada.

MSCI AC World Index captures large and mid-cap representation across 23 Developed Markets and 24 Emerging Markets countries.

MSCI World Index (Gross) is free-float adjusted and weighted by market capitalization. The index is designed to measure global developed market equity performance.

Emerging markets equities are measured against the MSCI Emerging Markets Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure equity market performance of 22 emerging markets in Asia, Latin America, Europe, and Africa. Sub-indices are also available for these regions and by country.

Shanghai Shenzhen CSI 300 Index (CSI 300) Index is a free-float weighted index that consists of 300 A-share stocks listed on the Shanghai or Shenzhen Stock Exchanges. CSI 700 Index consists of all the constituents of CSI 200 Index and CSI 500 Index. It is designed to reflect the overall performance of the mid-large, mid and small cap A-shares.

Hang Seng Composite Index (HSI) is a market-cap weighted index that covers about 95% of the total market capitalisation of companies listed on the Main Board of the Hong Kong Stock Exchange.

TWSE, or TAIEX, Index is capitalization-weighted index of all listed common shares traded on the Taiwan Stock Exchange.

German DAX is a blue chip stock market consisting of the 30 major German companies trading on the Frankfurt Stock Exchange.

FTSE 100 is a share index of the largest 100 companies listed on the London Stock Exchange with the highest market capitalization. The **FTSE 250** is the 101st to 350th largest companies listed on the London Stock exchange.

S&P/TSX Composite is the headline index for the Canadian equity market.

Securitized: Citi World Broad Investment Grade Index (WBIG)—Securitized is a subsector of the WBIG. This index includes global investment grade collateralized debt denominated in the domestic currency, including mortgage-backed securities, covered bonds (Pfandbriefe) and asset-backed securities. The index is rebalanced monthly.

Supranationals: Citi World Broad Investment Grade Index (WBIG)—Government Related is a subsector of the WBIG. This index includes fixed rate investment grade agency, supranational and regional government debt, denominated in the domestic currency. The index is rebalanced monthly.

UK equities are measured against the MSCI UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large-cap stock performance in the United Kingdom.

Europe STOXX 600 Index is a consists of 600 companies which represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

S&P 100 index is a subset of the S&P 500, and includes 100 leading U.S. stocks with exchange-listed options. Constituents of the S&P 100 are selected for sector balance and represent about 57% of the market capitalization of the S&P 500 and almost 45% of the market capitalization of the U.S. equity markets. The stocks in the S&P 100 tend to be the largest and most established companies in the S&P 500.

US Dollar Index (DXY) indicates the general international value of the USD. The USDIX does this by averaging the exchange rates between the USD and six major world currencies. The ICE US computes this by using the rates supplied by some 500 banks.

Thomson Reuters/Core Commodity CRB index (CRY) is a commodity futures index which comprises 19 commodities: Aluminium, Cocoa, Coffee, Copper, Corn, Cotton, Crude Oil, Gold, Heating Oil, Lean Hogs, Live Cattle, Natural Gas, Nickel, Orange Juice, Silver, Soybeans, Sugar, Unleaded Gas and Wheat.

US equities are measured against the Standard & Poor's 500 Index, a capitalization-weighted index which includes a representative sample of 500 leading companies in leading industries of the US economy. Although the S&P 500 focuses on the large cap segment of the market, with over 80% coverage of US equities, it is also an ideal proxy for the total market.

Wells Fargo Hybrid & Preferred Securities Financial Index: The Wells Fargo Hybrid and Preferred Securities Aggregate Index is a modified market-capitalization weighted index composed of preferred stock and securities that are functionally equivalent to preferred stock including, but not limited to, depositary preferred securities, perpetual subordinated debt and certain securities issued by banks and other financial institutions that are eligible for capital treatment with respect to such instruments akin to that received for issuance of straight preferred stock.

Hedge funds are measured against the HFRI Fund Weighted Composite Index. This is an equally weighted composite index including both domestic and offshore funds, with no fund of funds. The index includes over 2,000 constituent funds. All funds report assets in USD and all funds report net of all fees returns on a monthly basis. Fund must have at least \$50 million under management or have been actively trading for at least 12 months.

GLOSSARY

Barclay CTA Index is a leading industry benchmark of representative performance of commodity trading advisors. There are currently 565 programs included in the calculation of the Barclay CTA Index for the year 2011, which is unweighted and rebalanced at the beginning of each year.

LIBOR (London Inter-Bank Offered Rate) is based on rates that contributor banks in London offer each other for inter-bank deposits. From a bank's perspective, deposits are simply funds that are loaned to them. So in effect, a LIBOR is a rate at which a fellow London bank can borrow money from other banks. LIBOR is offered in various durations (i.e. overnight, one month, 3 month, 6 month, 1 year).

EuroCOIN index is a coincident indicator of the euro area business cycle that provides an estimate of monthly growth of euro area GDP after the removal of measurement errors, seasonal, and other short run fluctuations.

Eurofirst 300 index is a stock market index consisting of the 300 largest companies ranked by market capitalisation in the FTSE Developed Europe Index.

The Broad Trade Weighted Exchange Value of US Dollar index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. The index weights, which change over time, are derived from U.S. export shares and from U.S. and foreign import shares.

The real effective exchange rate (REER) is the weighted average of a country's currency relative to an index or basket of other major currencies, adjusted for the effects of inflation. The weights are determined by comparing the relative trade balance of a country's currency against each country within the index.

Cyclically Adjusted Price-to-Earnings ratio (CAPE) is a valuation measure usually applied to the equity market. It is defined as price divided by the average of ten years of earnings (moving average), adjusted for inflation. As such, it is principally used to assess likely future returns from equities over timescales of 10 to 20 years, with higher than average CAPE values implying lower than average long-term annual average returns.

The Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI is based on five major indicators: new orders, inventory levels, production, supplier deliveries and the employment environment.

Mortgage-backed security (MBS) is a type of asset-backed security that is secured by a mortgage or collection of mortgages. The mortgages are sold to a group of individuals (a government agency or investment bank) that securitizes, or packages, the loans together into a security that investors can buy.

The S&P MidCap 400 Index, more commonly known as the S&P 400, is a stock market index that serves as a barometer for the U.S. mid-cap equities sector.

M2 is a measure of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, mutual funds and other time deposits.

Cryptocurrency is a digital asset designed to work as a medium of exchange that uses cryptography to secure its transactions, to control the creation of additional units, and to verify the transfer of assets. Cryptocurrencies are classified as a subset of digital currencies and are also classified as a subset of alternative currencies and virtual currencies.

Fiat money is a currency without intrinsic value established as money, often by government regulation. It has an assigned value only because the government uses its power to enforce the value of a fiat currency or because the exchanging parties agree to its value. It was introduced as an alternative to commodity money and representative money.

Group of Seven (G7) is a group consisting of Canada, France, Germany, Italy, Japan, UK and the US.

S&P Dividend Aristocrats Index measures the performance of S&P 500 companies that have increased dividends every year for the last 25 consecutive years. The Index treats each constituent as a distinct investment opportunity without regard to its size by equally weighting each company.

Dow Jones Select Dividend Index aims to represent the U.S.'s leading stocks by dividend yield.

Repatriation is a tax break which gave U.S. multinational corporations a one-time tax break on bringing back money earned in foreign countries back to the United States.

Moody's Baa Corporate Bond Index is an investment bond index that tracks the performance of all bonds given an Baa rating by Moody's Investors Service.

Bofa ML HY index tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market.

Economic policy uncertainty index is made up of three components which measure economic policy uncertainty. The dispersion in three forecast variables, the consumer price index (CPI), purchase of goods and services by state and local governments, and purchases of goods and services by the federal government are used as proxies for uncertainty about monetary policy and about government purchases of goods and services at the federal level.

Trade Policy Uncertainty Index is derived using terms from over 2,000 US newspapers by scanning for language stressing uncertainty around various policy event types.

Bond Connect is a new mutual market access scheme that allows investors from mainland China and overseas to trade in each other's respective bond market.

Adaptive Valuation Strategies (AVS) is Citi Private Bank's proprietary strategic asset allocation methodology. It determines the suitable long-term mix of assets for each client's investment portfolio.

A covenant lite loan is a loan agreement that has fewer covenants to protect the lender and fewer restrictions on the borrower regarding payment terms, income requirements and collateral. Conversely a covenant heavy loan has more covenants.

Corporate Sector Purchase Program (CSPP) is part of the European Central Bank's asset purchase program (APP). Its purpose was to ease financing conditions in the real economy. In broad terms, the CSPP consists of purchases by the Eurosystem of investment-grade euro-denominated bonds issued by non-bank corporations.

GLOSSARY

Barbell strategies incorporate weighing two distinctively different investments in order to mitigate potential market risk.

Fixed to Float Preferred (F2F) securities are junior subordinated structures that carry a fixed coupon for a specified period of time. If not redeemed by the issuer at that time, coupon payments would then float at a spread, determined at issuance, over a specified benchmark — typically three-month LIBOR.

The SIFMA Municipal Swap Index is a 7-day high-grade market index comprised of tax-exempt VRDOs reset rates that are reported to the Municipal Securities Rule Making Board's (MSRB's) SHORT reporting system. The index is calculated by Bloomberg as the calculation agent for SIFMA.

The Chicago Fed's National Financial Conditions Index (NFCI) provides a comprehensive weekly update on U.S. financial conditions in money markets, debt and equity markets and the traditional and "shadow" banking systems.

The PHLX Semiconductor Sector Index (SOX) is a Philadelphia Stock Exchange capitalization-weighted index composed of companies primarily involved in the design, distribution, manufacture, and sale of semiconductors.

MSCI USA High Dividend Yield Index is based on MSCI USA, its parent index. The index is designed to reflect the performance of equities with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

The S&P 500 Dividend Aristocrats Index is a list of companies in the S&P 500 with a track record of increasing dividends for at least 25 consecutive years.

Dow Jones Select Dividend Index aims to represent the U.S.'s leading stocks by dividend yield.

NYSE FANG+ index includes 10 highly liquid stocks that represent the top innovators across today's tech and internet/media companies. The index's underlying composition is equally weighted across all stocks.

The FTSE Nareit Mortgage REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. Mortgage REITs. Mortgage REITs include all tax-qualified REITs with more than 50 percent of total assets invested in mortgage loans or mortgage-backed securities secured by interests in real property.

World ex US equities are measured against the MSCI World ex USA Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the performance of large cap stocks in the world's developed markets, excluding the United States.

GLOSSARY

Asset classes	Benchmarked against
Global equities	MSCI All Country World Index, which represents 48 developed and emerging equity markets. Index components are weighted by market capitalization.
Global bonds	Bloomberg Barclays Capital Multiverse (Hedged) Index, which contains the government-related portion of the Multiverse Index, and accounts for approximately 14% of the larger index.
Hedge funds	HFRX Global Hedge Fund Index, which is designed to be representative of the overall composition of the hedge fund universe. It comprises all eligible hedge fund strategies; including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative value arbitrage. The strategies are asset-weighted based on the distribution of assets in the hedge fund industry.
Commodities	Dow Jones-UBS Commodity Index, which is composed of futures contracts on physical commodities traded on US exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). The major commodity sectors are represented including energy, petroleum, precious metals, industrial metals, grains, livestock, softs, agriculture and ex-energy. The Thomson Reuters / Core Commodity Index is designed to provide timely and accurate representation of a long-only, broadly diversified investment in commodities through a transparent and disciplined calculation methodology.
Cash	Three-month LIBOR, which is the interest rates that banks charge each other in the international inter-bank market for three-month loans (usually denominated in Eurodollars).
Equities	
Developed market large cap	MSCI World Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the equity market performance of the large cap stocks in 23 developed markets. Large cap is defined as stocks representing roughly 70% of each market's capitalization.
US	Standard & Poor's 500 Index, which is a capitalization-weighted index that includes a representative sample of 500 leading companies in leading industries of the US economy. Although the S&P 500 focuses on the large cap segment of the market, with over 80% coverage of US equities, it is also an ideal proxy for the total market.
Europe ex UK	MSCI Europe ex UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in each of Europe's developed markets, except for the UK.
UK	MSCI UK Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in the UK.
Japan	MSCI Japan Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure large cap stock performance in Japan.
Asia Pacific ex Japan	MSCI Asia Pacific ex Japan Large Cap Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure the performance of large cap stocks in Australia, Hong Kong, New Zealand and Singapore.
Developed market small and mid-cap (SMID)	MSCI World Small Cap Index, which is a capitalization-weighted index that measures small cap stock performance in 23 developed equity markets.
Emerging market	MSCI Emerging Markets Index, which is free-float adjusted and weighted by market capitalization. The index is designed to measure equity market performance of 22 emerging markets.
Bonds	
Developed sovereign	Citi World Government Bond Index (WGBI), which consists of the major global investment grade government bond markets and is composed of sovereign debt, denominated in the domestic currency. To join the WGBI, the market must satisfy size, credit and barriers-to-entry requirements. In order to ensure that the WGBI remains an investment grade benchmark, a minimum credit quality of BBB-/Baa3 by either S&P or Moody's is imposed. The index is rebalanced monthly.
Emerging sovereign	Citi Emerging Market Sovereign Bond Index (ESBI), which includes Brady bonds and US dollar-denominated emerging market sovereign debt issued in the global, Yankee and Eurodollar markets, excluding loans. It is composed of debt in Africa, Asia, Europe and Latin America. We classify an emerging market as a sovereign with a maximum foreign debt rating of BBB+/Baa1 by S&P or Moody's. Defaulted issues are excluded.
Supra-nationals	Citi World Broad Investment Grade Index (WBIG)—Government Related, which is a subsector of the WBIG. The index includes fixed rate investment grade agency, supranational and regional government debt, denominated in the domestic currency. The index is rebalanced monthly.
Corporate investment grade	Citi World Broad Investment Grade Index (WBIG)—Corporate, which is a subsector of the WBIG. The index includes fixed rate global investment grade corporate debt within the finance, industrial and utility sectors, denominated in the domestic currency. The index is rebalanced monthly.
Corporate high yield	Bloomberg Barclays Global High Yield Corporate Index. Provides a broad-based measure of the global high yield fixed income markets. It is also a component of the Multiverse Index and the Global Aggregate Index.
Securitized	Citi World Broad Investment Grade Index (WBIG)—Securitized, which is a subsector of the WBIG. The index includes global investment grade collateralized debt denominated in the domestic currency, including mortgage-backed securities, covered bonds (Pfandbriefe) and asset-backed securities. The index is rebalanced monthly.

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IMPORTANT INFORMATION

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Alpha and/or numeric symbols used to give indications of relative credit quality. In the municipal market, these designations are published by the rating services. Internal ratings are also used by other market participants to indicate credit quality.

Bond credit quality ratings	Rating agencies		
	Moody's ¹	Standard and Poor's ²	Fitch Ratings ²
Credit risk			
Investment Grade			
Highest quality	Aaa	AAA	AAA
High quality (very strong)	Aa	AA	AA
Upper medium grade (Strong)	A	A	A
Medium grade	Baa	BBB	BBB
Not Investment Grade			
Lower medium grade (somewhat speculative)	Ba	BB	BB
Low grade (speculative)	B	B	B
Poor quality (may default)	Caa	CCC	CCC
Most speculative	Ca	CC	CC
No interest being paid or bankruptcy petition filed	C	D	C
In default	C	D	D

1 The ratings from Aa to Ca by Moody's may be modified by the addition of a 1, 2, or 3 to show relative standing within the category.

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