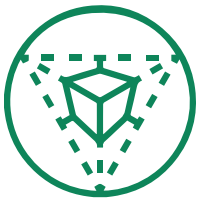


2024 Market Outlook

Oppenheimer Asset Management (OAM) anticipates a nuanced market landscape, requiring strategic positioning to navigate uncertainties and capitalize on potential opportunities. Read the perspectives on 2024 from OAM, as well as from some of our select investment platform managers.

NOTE: The following commentary is provided for informational purposes only and should not be construed as investment advice. The opinions and forecasts reflect the research, subjective judgments, and assumptions of the commentator and are not a guarantee of future results.

Economic Overview



We believe 2024 will be a year of transition as markets navigate what we expect will be the Fed's pivot from a restrictive monetary policy setting to an easier stance. While we still can't rule out the possibility that the central bank may have to nudge rates slightly higher early in the year if inflation doesn't continue its downward trend, we expect that by the fourth quarter of 2024 the Fed will be moving to lower rates. Our outlook assumes that the slowing economic growth evident in early data for the fourth quarter for 2023 extends into 2024, further dampening the inflationary pressures that necessitated the Fed's tight policy.

In our view it's been quite remarkable that the swift rise in short-term rates didn't tip the U.S. economy into recession in 2023. Instead consumption demand as well as business spending on investment items continued to power the economy.

Against that economic and interest rate backdrop, we expect corporate revenues and earnings to continue to grow over the course of 2024. We expected earnings for the S&P 500¹ companies to reach \$240/share, about 9% higher than the \$220 figure we expect for 2023. Based on our assumption of a P/E multiple of 21x, that puts our year-end price target for the S&P 500 at \$5200, about 13% higher from its closing level on Dec. 8, 2023. Markets don't move up in a straight line and setbacks are likely, but those with patience and perseverance should see gains over the long term.

Research Perspective



Looking forward to 2024, OAM Research expects the difficult macro landscape, coupled with an upcoming presidential election, to keep volatility elevated in both equity and fixed income markets until a clearer path for the economy and policy emerges.

We believe active managers running high conviction portfolios have the potential to generate outperformance in a slower growth environment by investing in high quality businesses with healthy balance sheets and avoiding low quality companies. We believe there are attractive opportunities within large cap value and small cap equities where relative valuations are more compelling, as compared to the large cap growth space where valuations appear stretched. Additionally, with investors more focused on taxes, our separate account strategies (as well as other portfolios) may be able to help unlock tax benefits in unpredictable markets.

The total return outlook for core fixed income looks very compelling compared to other asset classes given current yields. Higher yields should limit further downside if rates move higher, while there is significant capital appreciation potential if the economy starts to turn and rates continue to move lower. Higher quality biases within other segments such as high yield and private credit may also offer

attractive income with some downside protection in the event of a deterioration in the credit cycle.

Given the expected volatility in traditional asset classes, OAM Research continues to favor meaningful allocations to diversifying strategies with low correlations to equities and fixed income. Real asset strategies, inclusive of real estate investments, may provide portfolio diversification benefits and may be poised to outperform if inflation remains elevated. Uncorrelated strategies such as merger arbitrage can also add potential diversification during periods of heightened stock-bond correlations.

Fixed Income and Municipal Commentary



In our view, fixed-income is a more attractive asset class than it has been in decades due to this higher interest rate environment that offers investors opportunities for increased income and yields. We believe we have seen the high mark on interest rates this cycle. We suspect rates will be range bound in 2024 as the market tries to price in rate cuts against a Fed trying to leave rates higher for longer. Our inclination is that rate cuts may not come as quickly as the market expects. Higher interest rates have provided a nice window for fixed income investing over the next year as we believe the Fed will be slow to lower the fed funds rate in 2024.

In 2024, we expect corporate spreads versus Treasury bonds to widen only modestly given strong balance sheets, corporate credit fundamentals and rating trends remaining strong. We will continue to stay up-in-quality, and we believe credit selection will be paramount in both investment grade and high yield, as the focus will shift toward fundamentals and the ability of corporates to navigate this macro uncertainty with U.S. economic growth risks tilted to the downside as lending standards tighten.

Our optimism regarding the prospects for the asset class is tempered by our belief that the Fed's anticipated 2024 easing of monetary policy will not be aggressive in nature but instead a fine tuning of policy with slow measured decreases in interest rates.

We expect that any economic slowdown will have modest impact on the general financial health of municipal credits. We expect tax revenue, primarily sales and income tax growth will slow as economic conditions moderate, robust rainy day funds and budget surpluses will temper revenue variability. Overall, we believe municipalities are prepared for the upcoming cycle – be it a soft landing or modest recession.

Overall demand for municipal bonds appears positive given the attractive levels in yields relative to historical averages. We expect new issue supply to be flat to modestly higher relative to 2023 levels. Thus, the demand verses supply dynamics should foster an overall positive environment for the asset class, bolstering our optimistic outlook for the sector in 2024.

Manager Perspectives

As a follow up to our house views, we reached out to some of our discovered managers to gain their perspective going into 2024. See what they have to say:



We think there are several positive factors pointing to opportunities in the global markets in 2024. These include changes in the overall economic situation, with a decrease in inflation expected and interest rates likely reaching their peak. Earnings expectations have been adjusted reasonably, and companies prioritizing profitability are in a better position from a fundamental perspective to meet expectations.



In the last 40 years, quality stocks – meaning businesses with long-term records of consistent, stable earnings – have outperformed within the Russell 1000 Growth on a 10 year rolling basis in every interest rate environment other than from 2010 to 2021 during which time the Fed's zero rate policy drove the market to largely overlook low quality factors like high leverage, inconsistent or no earnings, and high valuation. Despite the potential for volatility, we believe with rates now solidly positive and the fed continuing to fight inflation, quality stocks have the potential to resume their long-term outperformance.



As international equity managers, we believe 2024 will see the continued expansion of the consumer class in various emerging markets, especially in Asia. This expanding consumer demand for goods and services presents an opportunity for the year ahead. Additionally, international companies that earn attractive profit margins, carry strong balance sheets, and generate cash on a consistent basis should hold even if the near-term economic backdrop remains soft.



Coho Partners, Ltd.

As 2023 concluded, the consensus was for a soft landing and a recession to be avoided. If the consensus is correct, then looking to 2024 we would expect fundamentals to play a larger role in performance and for participation to broaden should markets move higher. However, consensus is often wrong, and should markets turn lower we would expect to see a reversal in high multiple stocks similar to the pattern observed in 2022.



Despite increased borrowing and building costs (related to our current inflationary environment), we believe data points reflect a resiliency in multi-family and industrial opportunities within real estate today—driven by demand and growth above long-term averages.



Despite the difficult environment for the energy markets in 2023, we continue to believe that many companies in this sector possess strong fundamentals and are encouraged by the strong growth trends across the industry, related to energy transition and demand for alternative energy sources. Tailwinds in the energy sector we highlight include: continued demand towards the clean energy transition and electrification, final codification of the Inflation Reduction Act, stabilization of interest rates, and energy sector companies trading at attractive valuations.



As we head into 2024 we foresee slower growth, which will pressure company margins and earnings. This should place high quality companies, with strong earnings growth and secular tailwinds, in a good position to outperform the broader market. The long-term valuation of small cap equities relative to large cap hasn't been this attractive since the late 90's and we expect this will also be a driver of small cap outperformance.¹



As a private credit firm, we see increased public market volatility and tighter credit conditions have meaningfully increased the volume of opportunities in the private credit space. Additionally, the elevated rate environment offers a substantial increase in yield since 2022 in what we consider to be more conservative lending structures.



As an equity manager, we believe the current environment is constructive and driven by the following: 1) the higher interest rate environment, 2) the degree to which different sectors in the economy are experiencing distinct and asynchronous cycles, and 3) the high degree of industry change within various sectors of the economy.



In evaluating the broader market landscape as we head into 2024 it is our belief that an equity portfolio of high-quality multinational companies compares favorably on both valuation and dividend yield to a U.S.-only portfolio.¹

¹ [J.P. Morgan Guide to the Markets 1Q 2024.](#)

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Risk factors specific to certain asset classes include:

Small Cap Risk: While small-cap companies have a lot of growth potential, they have equal potential to fail. Small-cap stocks are a riskier investment than large-cap stocks. The companies usually have less access to investment capital and are more sensitive to market changes. **Foreign Security Risk:** Investment in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to, the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities. International investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. **Fixed Income Risk:** The risks associated with investing in fixed income include risks related to interest rate movements as the price of these securities will decrease as interest rates rise (interest rate risk and reinvestment risk), the risk of credit quality deterioration which is an issuer will not be able to make principal and interest payments on time (credit or default risk), and liquidity risk (the risk of not being able to buy or sell investments quickly for a price that is close to the true underlying value of the asset). **High Yield Fixed Income Risk:** High yield fixed income securities are considered to be speculative and involve a substantial risk of default. Adverse changes in economic conditions or developments regarding the issuer are more likely to cause price volatility for issuers of high yield debt than would be the case for issuers of higher grade debt securities. **Diversifying Strategies Risk:** The risks associated with investing in diversifying strategies include risks related to the potential use of leverage, hedging strategies, short sales and derivative transactions, which may result in significant losses; concentration risk and potential lack of diversification; potential lack of liquidity; and the potential for fees and expenses to offset profits. **Merger-arbitrage & Event-driven strategies** involve the additional risk that the portfolio manager's evaluation of the outcome of a proposed event, whether it be a merger, reorganization, regulatory issue, or other event, will prove incorrect and the strategy will suffer losses.

Please note that a company's history of paying dividends is not a guarantee of such payments in the future. Companies may suspend their dividends for a variety of reasons, including adverse financial results.

Index definitions:

The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted Index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. The Index is one of the most widely used benchmarks of US Equity Large Cap performance.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values

The performance of a benchmark index is not indicative of the performance of any particular investment; however, they are considered representative of their respective market segments. Please note that indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

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