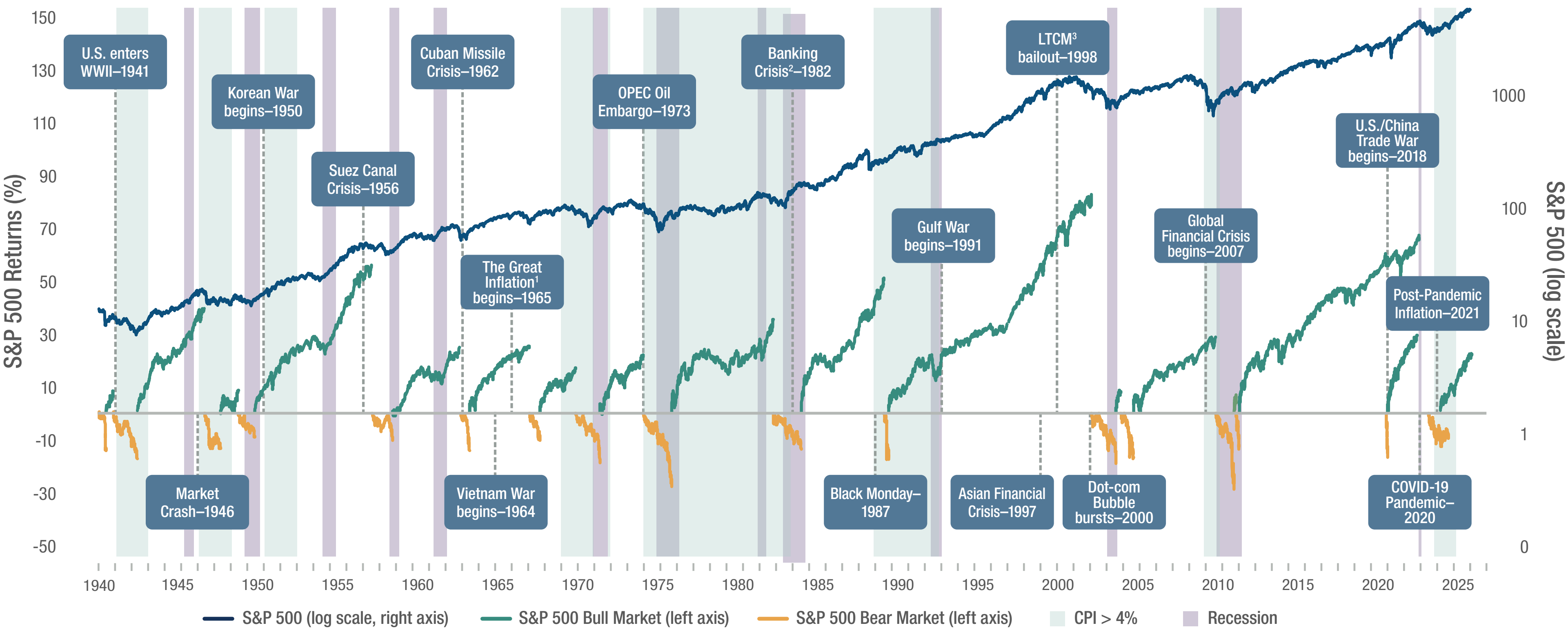
Why equities continue to make sense in today's environment

Periods of high inflation and economic recessions have not stopped the long-term trend of equity markets

When equities are impacted by macro events, they have typically bounced back to their upward trend. Additionally, market volatility has historically offered active equity managers the potential to better position portfolios for the longer term.

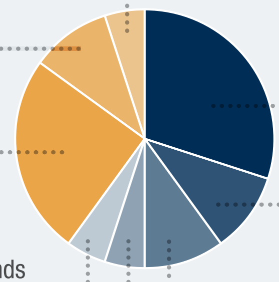
Equities Have Had a Long History of Resilience Through Periods of High Inflation and Recessions.



Sources: New York Life Investments Global Market Strategy Team, S&P 500 Index, U.S. Bureau of Labor Statistics, NBER, Macrobond, 1/1/1940 – 2/12/2025. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found on the next page.

Consider a new, rebalanced 60/40 equity to fixed income portfolio

New, rebalanced 60/40 portfolio



For illustrative purposes only. There is no guarantee that any strategies discussed will be effective.

- Investing in equities can deliver enhanced long-term returns, but at the cost of higher risk. Investors can tend to see higher risk-adjusted returns by diversifying their portfolio with a more dynamic equity allocation and a less correlated asset class, such as fixed income, including core and corporate bonds.
- The sample portfolio (left) is the result of the New York Life Investments' Global Market Strategy team's portfolio modeling and optimization analysis. Over a historical period (1973-2024), **this hypothetical portfolio has tended to outperform the all-equity and traditional 60/40 portfolio over the long-term.**
- Within equities, investors should consider an overweight to **high dividend-yielding equity** with additional exposure to large-cap equity (value and growth) and value equity (all-capitalizations). Also, in the current market environment, we expect satellite exposure to **infrastructure equity** and/or **currency hedged international equity** could outperform the broader market.
- Within bonds, diversifying core (income) bonds with **municipal** bond and **corporate** bond exposure was found to raise risk-adjusted returns and reduce the average drawdown.
  - Given that the yield curve is normalizing, and we see more upside risk at the long end of the U.S. Treasury curve, we think investors should consider reducing duration with satellite exposure to **short-duration high-yield bonds.**
  - We also expect a sustained period of yield curve volatility. Accordingly, we believe **taxable municipal bonds** may provide quality, long-dated duration with an attractive yield potential.

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1. The Great Inflation refers to a period of high inflation that occurred in the United States from 1965 to 1982.
2. Penn Square Bank of Oklahoma City fails sending shockwaves through the U.S. banking system.
3. Long Term Capital Management (LTCM) collapses leading to a $3.7 billion bailout.

Satellite exposure represents an actively managed portion of a portfolio in which a portfolio manager's skill provides an opportunity to earn greater returns than the broad market benchmark, as opposed to the "core" portion of a portfolio which may be passively managed. The **S&P 500 Index** is an unmanaged index that is widely regarded as the standard for measuring large-cap U.S. stock market performance. The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The **National Bureau of Economic Research (NBER)** traditionally defines recession as a significant decline in economic activity that is spread across the economy and that lasts more than a few months.