Market Intel Exchange

Market data and insights from Lincoln and industry asset management partners

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Market intelligence, made easy

Saving you time.

Helping you stay informed.

Providing you valuable insights.

Market Intel Exchange.

The S&P 500 gained 10.2% in the first quarter of 2024. Since 1950, this is the 12th time the index has gained 10% or more in the first three months of a year.

In these instances, the next three quarters were positive 10 of 11 times, with an average additional gain of 6.5% (see page 39).

Did you know?

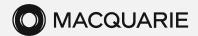A special *thank you* to this quarter's featured contributors:

BlackRock.

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ClearBridge Investments

FRANKLIN TEMPLETON

HARTFORDFUNDS
Our benchmark is the investor.

Invesco

J.P.Morgan
Asset Management

MACQUARIE

P I M C O

Putnam INVESTMENTS

What's inside?

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Equities

Fixed income

Asset allocation

Foundations

On the minds of investors

Three key themes on the minds of investors

1 Is the progress on inflation stalling?

2 What are the potential implications of the Fed's next move on the U.S. economy?

3 Could market participation broaden beyond the "Magnificent 7?"

Is the progress on inflation stalling?

Inflation proving sticky around 3% due largely to shelter prices
Year-over-year change in the CPI for all urban consumers in the U.S.

Legend:
- All items (Headline CPI)
- Headline CPI ex. Shelter
- Shelter Inflation

Callouts: 5.8%, 3.2%, 1.8%

Falling market rents not yet reflected in CPI data
Private vs. official rent price changes, (year-over-year)

Legend:
- Apartment List Rent Growth
- CPI – Rent of Primary Residence
- CPI – Owners' Equivalent Rent of Residence
- Headline CPI

Callouts: Peak: +18%, February: -1%

What is this chart showing?

These charts show various components of the Consumer Price Index (CPI) over time, along with data on national rent price growth.

Why is it important?

After a year of steady decline, headline CPI has remained relatively flat since June 2023, largely due to elevated shelter inflation. However, it's important to note that actual trends in shelter prices take time to show up in the official government data.

In fact, shelter prices were up nearly 6% in February's CPI report while real time data, reflected by Apartment List rent growth, showed rent prices had fallen by 1% year over year.

In time, prices "on the ground" will likely work their way into official data. This should contribute to further declines in the Consumer Price Index, though progress may continue to be choppy.

Source: Federal Reserve Bank of St. Louis, Bureau of Labor Statistics, Apartment List national rent report. 2024 data as of the latest reading of 2/29/2024, not seasonally adjusted.

The Fed's balancing act

"Goldilocks Economy"
Balanced state of steady economic growth and moderating inflation

WE ARE HERE

Fed holds rates high for too long

Cracks in economy emerge as lagged effects set in

Fed cuts rates prematurely

Inflation reaccelerates as demand is stimulated

Potential recession

- Slowing economic growth and labor market
- Inflation falls due to weakening demand
- Fed forced to cut in an attempt stimulate a weakening economy and avoid a recession

No landing

- Strong economic growth
- Reacceleration in inflation
- Fed may need to reverse course and raise rates, which could increase recession risks

What is this chart showing?

This chart helps illustrate what the U.S. Federal Reserve is balancing as they consider both the timing and magnitude of potential future rate cuts.

Why is it important?

Today, we're in a "Goldilocks Economy" - not too hot, not too cold. However, there's fragility in this balancing act – something the Fed is acutely aware of as they consider their path forward. What could tip the economy?

On one side, if the Fed holds rates high for too long, this could dampen demand ("too cold") and push the economy toward a recession.

On the other side, if the Fed cuts rates too soon, this could accelerate growth ("too hot") and reignite inflation – which would likely lead to the Fed raising rates again. While this would delay a recession, it could ultimately lead to a more protracted one down the road.

The Fed will be heavily data-dependent as they attempt to thread the needle on monetary policy and maintain balance in the economy.

Could market participation broaden beyond the "Magnificent 7"?

Percent change in total market value
(January 2023 – March 2024)

The "Magnificent 7" dominated market returns in 2023, accounting for approximately **two-thirds of the S&P 500's** yearly gain

Magnificent 7
95%

2023: +74%

S&P 500
40%

2023: +26%

S&P 493
24%

2023: +14%

Start of 2024

Reasons to consider opportunities beyond big tech

1 Elevated valuations, concentrated positioning within benchmarks, and potential regulatory issues could lead investors to seek opportunities in companies outside of the "Mag 7."

2 Supportive valuations, along with a resilient economy and declining interest rates could provide a boost for mid- and small-cap companies that rely more heavily on financing to grow.

3 The productivity benefits of Artificial Intelligence (AI) are likely to broaden out beyond large tech companies and chipmakers.

4 Over the long-term, AI could meaningfully boost labor productivity, accelerating the potential growth rate of the U.S. economy and therefore broad earnings growth.

What is this chart showing?

This chart shows the growth of the "Magnificent 7" stocks relative to the remaining companies in the S&P 500, as well as the index as a whole.

Why is it important?

The leading U.S. tech companies continue to offer some of the highest-quality growth exposure, boasting robust cash balances, generous capex spending, and profitable business models.

While this strength is likely to continue, investors could benefit from considering a broader set of return opportunities for their portfolios moving forward.

Not only are many mid- and small-cap companies trading at relatively low valuations, but they also have the potential to benefit from macro tailwinds provided by a resilient economy with falling interest rates.

This could also result in an environment that favors active managers as they seek to identify quality businesses at reasonable prices.

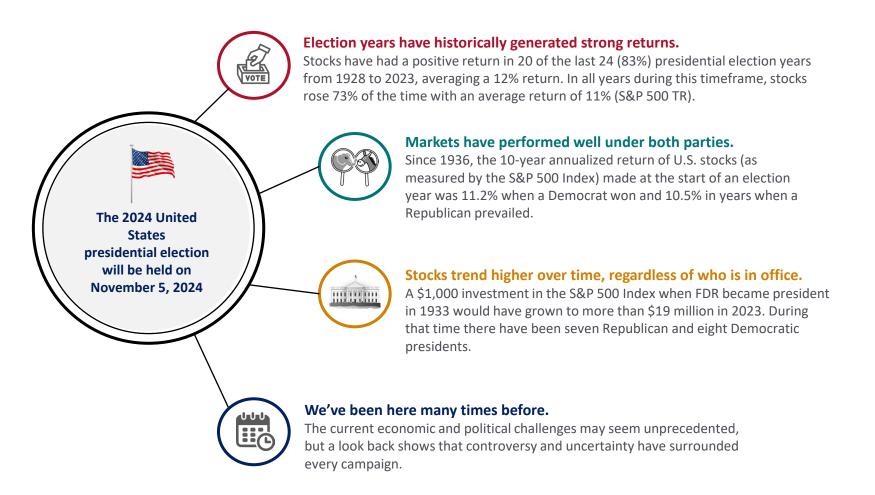Source: FactSet. Note: Magnificent 7 stocks = Apple, Microsoft, NVIDIA, Google, Amazon, Meta, Tesla. S&P 493 represents all companies ex. Mag 7 that contributed to the S&P 500 Index's return. May not add up to 493 due to index reconstitution(s). **Past performance is no guarantee of future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.**

2024 election

Markets and election years

Election years have historically generated strong returns.
Stocks have had a positive return in 20 of the last 24 (83%) presidential election years from 1928 to 2023, averaging a 12% return. In all years during this timeframe, stocks rose 73% of the time with an average return of 11% (S&P 500 TR).

Markets have performed well under both parties.
Since 1936, the 10-year annualized return of U.S. stocks (as measured by the S&P 500 Index) made at the start of an election year was 11.2% when a Democrat won and 10.5% in years when a Republican prevailed.

The 2024 United States presidential election will be held on November 5, 2024

Stocks trend higher over time, regardless of who is in office.
A $1,000 investment in the S&P 500 Index when FDR became president in 1933 would have grown to more than $19 million in 2023. During that time there have been seven Republican and eight Democratic presidents.

We've been here many times before.
The current economic and political challenges may seem unprecedented, but a look back shows that controversy and uncertainty have surrounded every campaign.

What is this chart showing?

This chart highlights key points related to election years and market performance — a timely and relevant topic given the U.S. presidential election that is upon us in 2024.

Why is it important?

Investors may be thinking about how the added uncertainty that comes with an election year could impact markets, and their portfolios.

The highlighted points can help ease concerns and reinforce the fact that while near-term events like presidential elections can bring short-term volatility, it is often short-lived.
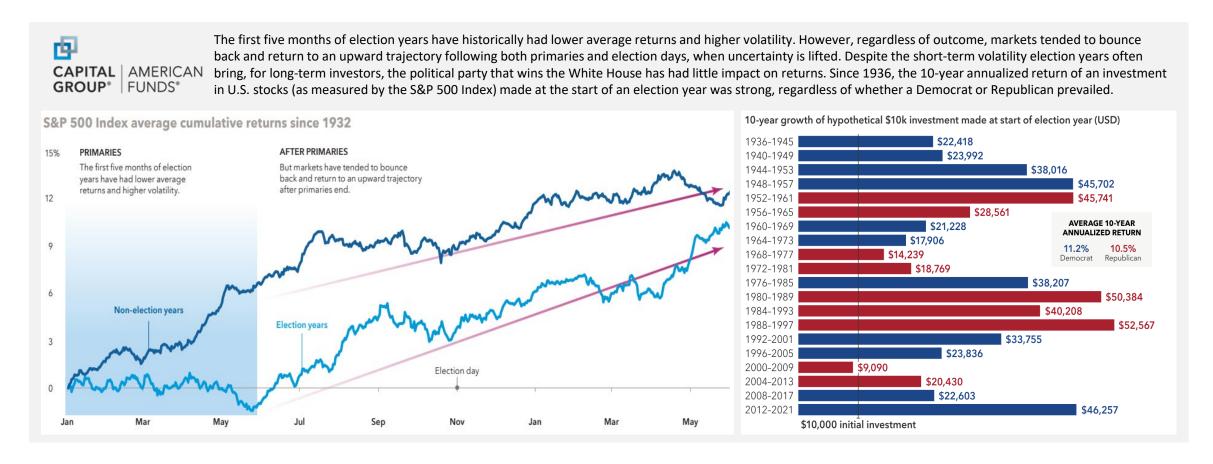
Therefore, the best approach for many is to tune the noise out and stay focused on their long-term goals.

Potential market impact of the presidential election

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The first five months of election years have historically had lower average returns and higher volatility. However, regardless of outcome, markets tended to bounce back and return to an upward trajectory following both primaries and election days, when uncertainty is lifted. Despite the short-term volatility election years often bring, for long-term investors, the political party that wins the White House has had little impact on returns. Since 1936, the 10-year annualized return of an investment in U.S. stocks (as measured by the S&P 500 Index) made at the start of an election year was strong, regardless of whether a Democrat or Republican prevailed.

S&P 500 Index average cumulative returns since 1932

PRIMARIES
The first five months of election years have had lower average returns and higher volatility.

AFTER PRIMARIES
But markets have tended to bounce back and return to an upward trajectory after primaries end.

Non-election years
Election years
Election day

10-year growth of hypothetical $10k investment made at start of election year (USD)

Period	Value
1936–1945	$22,418
1940–1949	$23,992
1944–1953	$38,016
1948–1957	$45,702
1952–1961	$45,741
1956–1965	$28,561
1960–1969	$21,228
1964–1973	$17,906
1968–1977	$14,239
1972–1981	$18,769
1976–1985	$38,207
1980–1989	$50,384
1984–1993	$40,208
1988–1997	$52,567
1992–2001	$33,755
1996–2005	$23,836
2000–2009	$9,090
2004–2013	$20,430
2008–2017	$22,603
2012–2021	$46,257

$10,000 initial investment

AVERAGE 10-YEAR ANNUALIZED RETURN
11.2% Democrat
10.5% Republican

Source: Capital Group, (left chart): *Guide to Investing in an Election Year*. Capital Group, IMES, Standard & Poor's. Includes all daily price returns from January 1, 1932, through December 31, 2022. Non-election years exclude all years with either a presidential or midterm elections. (Right chart): Sources: Capital Group, Standard & Poor's. Each 10-year period begins on January 1 of the first year shown and ends on December 31 of the tenth year. For example, the first period covers January 1, 1936, through December 31, 1945. Figures shown are past results and are not predictive of results in future periods. https://www.capitalgroup.com/advisor/insights/articles/2024-economic-outlook.html?sfid=1995476238&cid=81086127&et_cid=81086127&cgsrc=SFMC&alias=btn-LP-A1cta-advisor.
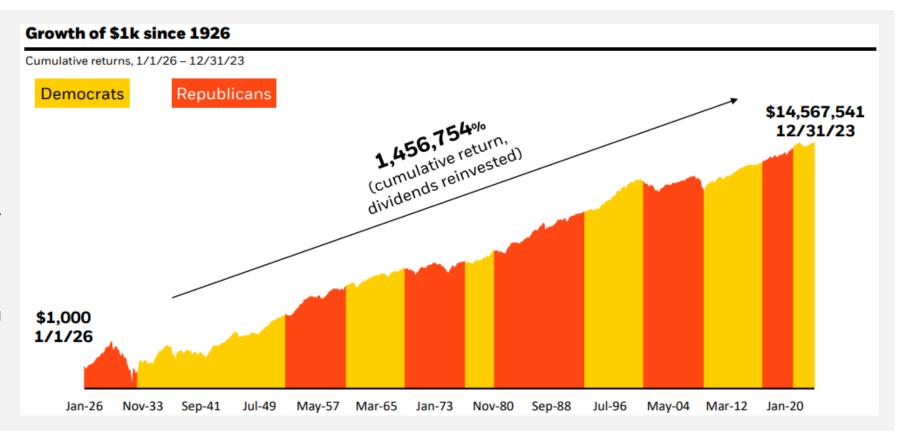
Stocks have continued higher regardless of party holding the presidency

BlackRock

Since 1926, amid repeated shifts of the political landscape, the S&P 500 has produced cumulative returns of 1,456,754%. The market's political agnosticism is also evident on a shorter timeframe: people who stayed invested performed far better than those who only invested when one party was in power.

The bottom line is investing based on political beliefs has historically led to underperformance compared to remaining focused on the long term – and staying invested.
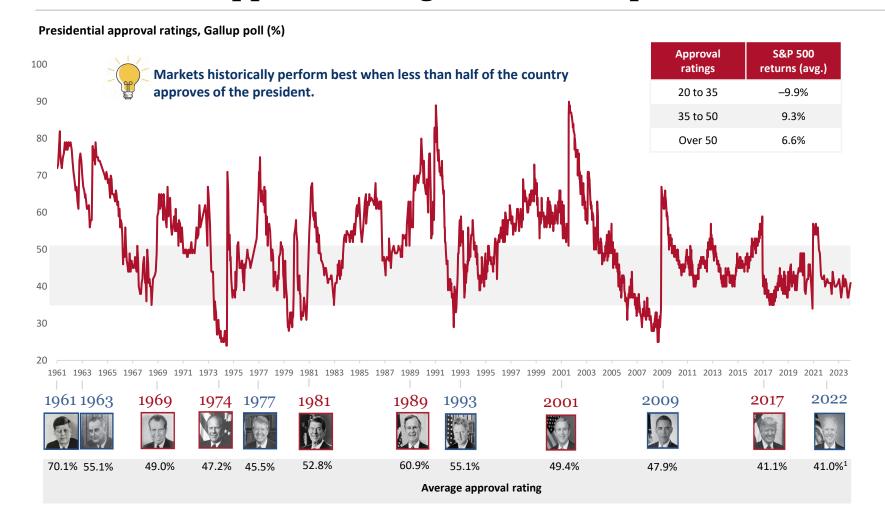
Growth of $1k since 1926

Cumulative returns, 1/1/26 – 12/31/23

Democrats | Republicans

1,456,754% (cumulative return, dividends reinvested)

$14,567,541
12/31/23

$1,000
1/1/26

Jan-26 | Nov-33 | Sep-41 | Jul-49 | May-57 | Mar-65 | Jan-73 | Nov-80 | Sep-88 | Jul-96 | May-04 | Mar-12 | Jan-20

Source: BlackRock, Student of the Market. Morningstar as of 12/31/23. Stock market represented by the S&P 500 Index from 1/1/70 to 9/30/23 and IA SBBI U.S. large cap stocks index from 1/1/26 to 1/1/70. Past performance does not guarantee or indicate future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Presidential approval ratings and market performance

Presidential approval ratings, Gallup poll (%)

💡 **Markets historically perform best when less than half of the country approves of the president.**

Approval ratings	S&P 500 returns (avg.)
20 to 35	−9.9%
35 to 50	9.3%
Over 50	6.6%

1961	1963	1969	1974	1977	1981	1989	1993	2001	2009	2017	2022
70.1%	55.1%	49.0%	47.2%	45.5%	52.8%	60.9%	55.1%	49.4%	47.9%	41.1%	41.0%[1]

Average approval rating

What is this chart showing?

This chart shows the average presidential approval ratings from 1961 through January 31, 2024, as well as the average historical market performance under different presidential approval rating ranges.

Why is it important?

Investors don't need to agree with political agendas to do well in the markets. In fact, some of the best returns in the market happened when approval ratings were between 35% and 50%. In other words, strong returns came even when less than half the country approved of the current administration.

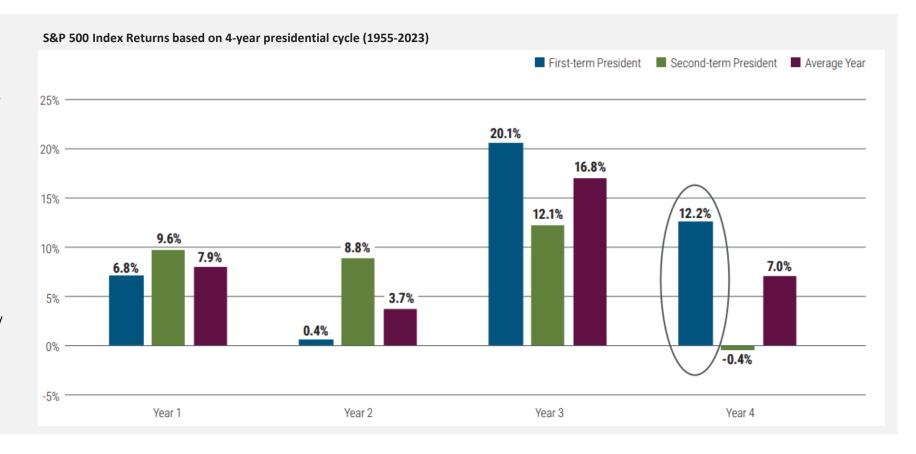# A look at market performance during U.S. presidential election years

While past performance is not necessarily a predictor of future returns, a look at market performance in past U.S. presidential election years can be nevertheless instructive.

Historical data shows that risk markets, such as the stock market, have typically shaken off election year concerns, especially during the election of an incumbent president (circled) – as is the case this year.

After all, there is arguably less uncertainty about policy changes when an incumbent president is seeking reelection vs. an open presidential election when two new candidates are running.
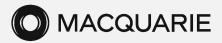
Source: PIMCO, LPL Research, FactSet. Data as of December 5, 2023.

S&P 500 Index Returns based on 4-year presidential cycle (1955-2023)

Legend: ■ First-term President   ■ Second-term President   ■ Average Year

	Year 1	Year 2	Year 3	Year 4
First-term President	6.8%	0.4%	20.1%	12.2%
Second-term President	9.6%	8.8%	12.1%	-0.4%
Average Year	7.9%	3.7%	16.8%	7.0%

Small-caps have historically outperformed large-caps in presidential election years
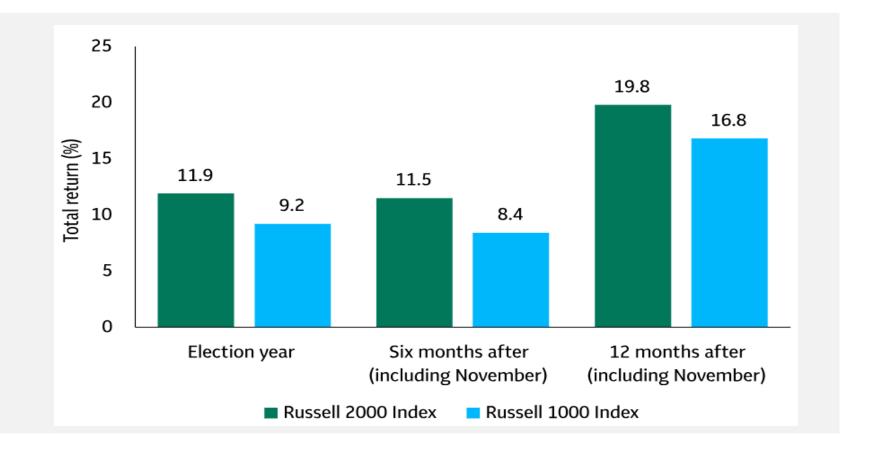
MACQUARIE

Since 1980, U.S. small-caps have outperformed U.S. large-caps in 7 of 11 presidential election years. Furthermore, small-caps have outpaced large-caps in the 6 and 12 months following the election.

These small companies typically generate a greater percentage of their revenue in the U.S., providing the opportunity to benefit more from policy changes or economic growth relative to large companies.

This may provide a compelling opportunity for investors seeking to rebalance their portfolios by allocating to small-caps.

Source: Macquarie, Morningstar.

Chart: Total return (%)

Period	Russell 2000 Index	Russell 1000 Index
Election year	11.9	9.2
Six months after (including November)	11.5	8.4
12 months after (including November)	19.8	16.8

Source: Macquarie. **Past performance is no guarantee of future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.**
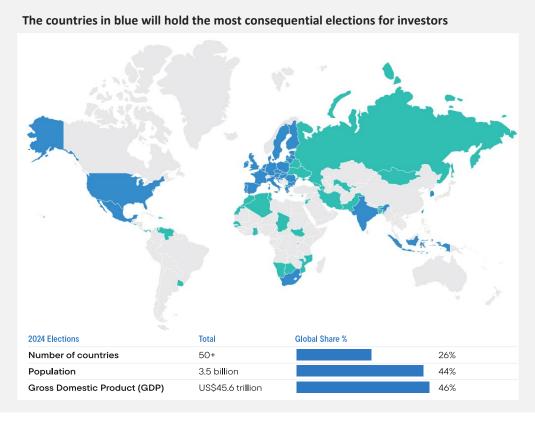
Global elections to watch in 2024

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More than 50 countries are expected to hold national elections in 2024. That number includes presidential and legislative elections, but also local government elections that are national in nature and will impact domestic politics.

Investors will be focused on the elections held in the countries that are most relevant to their investment portfolios, and those countries where a binary election outcome has the potential to generate investment profits or losses, depending on the capital markets' assessment of a country's future economic prospects.

Source: Franklin Templeton. Notes: Population and GDP data as of 2022. Figures exclude elections for European Parliament. Sources: Analysis by Franklin Templeton Institute, World Bank, Department of Household Registration of Taiwan, IMF, Macrobond.

The countries in blue will hold the most consequential elections for investors

2024 Elections	Total	Global Share %	
Number of countries	50+		26%
Population	3.5 billion		44%
Gross Domestic Product (GDP)	US$45.6 trillion		46%

Notable elections in 2024	
January 13	Taiwan
February 14	Indonesia
March 17	Russia
April	India
May 29	South Africa
June 2	Mexico
June 6	European Union
November 5	United States
TBD	United Kingdom

Source: Franklin Templeton.

Economy

For use with the general public.

Important days to watch in April

APRIL 2024

SUN	MON	TUE	WED	THU	FRI	SAT
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30				

Monday, April 1
- Manufacturing PMI (Mar)
- ISM Manufacturing PMI (Mar)
- ISM Manufacturing Prices (Mar)

Tuesday, April 2
- JOLTS Job Openings (Feb)

Wednesday, April 3
- ADP Nonfarm Employment Change (Mar)
- Services PMI (Mar)
- ISM Non-Manufacturing PMI (Mar)
- ISM Non-Manufacturing Prices (Mar)
- Fed Chair Powell Speaks

Friday, April 5
- Unemployment Rate (Mar)
- Average Hourly Earnings (MoM) (Mar)
- Nonfarm Payrolls (Mar)

Wednesday, April 10
- Consumer Price Index (CPI) (Mar)
- FOMC Minutes

Thursday, April 11
- Producer Price Index (MoM) (Mar)

Friday, April 12
- Michigan Consumer Sentiment Index (Apr)

Monday, April 15
- Tax Day
- Retail Sales (MoM) (Mar)

Tuesday, April 16
- Building Permits (Mar)

Wednesday, April 17
- Beige Book Release (Apr)

Tuesday, April 23
- Manufacturing PMI (Apr)
- Services PMI (Apr)

Thursday, April 25
- GDP Growth Rate (Q1- First Est.)
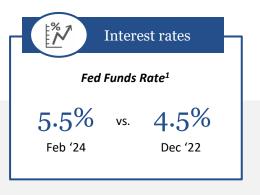
Friday, April 26
- Core PCE Price Index (MoM) (Mar)
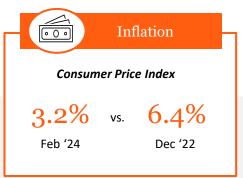- Personal Spending (MoM) (Mar)
- Personal Income (MoM) (Mar)

Tuesday, April 30
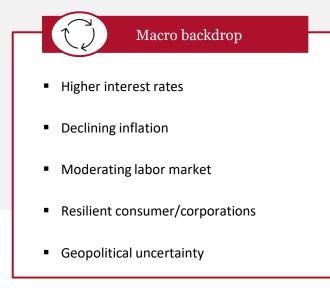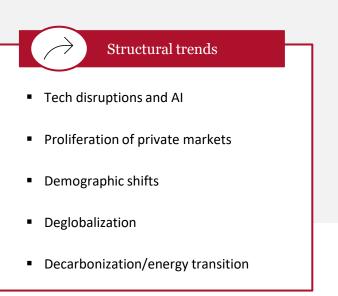- FOMC Meeting (2-day meeting begins)

Trends shaping the economic landscape

Interest rates

Fed Funds Rate[1]

5.5% vs. 4.5%

Feb '24 Dec '22

Inflation

Consumer Price Index

3.2% vs. 6.4%

Feb '24 Dec '22

Labor market

Unemployment Rate

3.9% vs. 3.5%

Feb '24 Dec '22

Macro backdrop

- Higher interest rates
- Declining inflation
- Moderating labor market
- Resilient consumer/corporations
- Geopolitical uncertainty

Structural trends

- Tech disruptions and AI
- Proliferation of private markets
- Demographic shifts
- Deglobalization
- Decarbonization/energy transition

What is this chart showing?

This chart is showing where several key economic data points started 2023 and stand today, along with considerations for investors regarding both the current macro backdrop, as well as long-term structural trends.

Why is it important?

Inflation, interest rates, and labor markets were closely watched in 2023. Rate hikes largely helped drive disinflation, but investors remained concerned about how these actions could impact the economy and the markets. Despite the economy's resilience to date, astute investors will continue to keep a close eye on the macro backdrop for any signs of weakening.
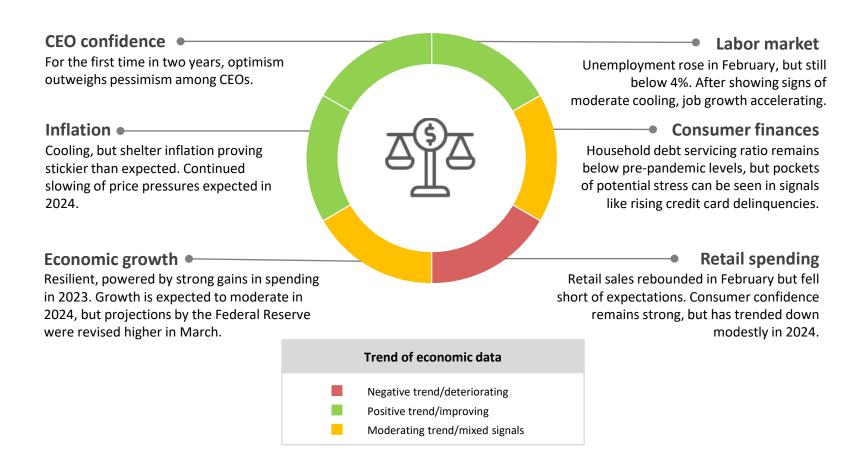
The latest data will continue to dominate short-run concerns, but there are several dominant trends playing out that will likely shape the economy and markets in 2024 and beyond. Some are more firmly intact, like demographic shifts, while others will take time to unfold, like the climate transition. Thinking about these structural themes may provide insights into longer term investment opportunities.

For use with the general public.

The state of the U.S. economy and what's ahead

CEO confidence
For the first time in two years, optimism outweighs pessimism among CEOs.

Inflation
Cooling, but shelter inflation proving stickier than expected. Continued slowing of price pressures expected in 2024.

Economic growth
Resilient, powered by strong gains in spending in 2023. Growth is expected to moderate in 2024, but projections by the Federal Reserve were revised higher in March.

Labor market
Unemployment rose in February, but still below 4%. After showing signs of moderate cooling, job growth accelerating.

Consumer finances
Household debt servicing ratio remains below pre-pandemic levels, but pockets of potential stress can be seen in signals like rising credit card delinquencies.

Retail spending
Retail sales rebounded in February but fell short of expectations. Consumer confidence remains strong, but has trended down modestly in 2024.

Trend of economic data

- 🟥 Negative trend/deteriorating
- 🟩 Positive trend/improving
- 🟨 Moderating trend/mixed signals

What is this chart showing?

This chart uses a combination of hard (numerical) and soft (survey) data to provide a snapshot of how several important economic indicators are trending.

Why is it important?

Despite widespread forecasts for a 2023 recession, the U.S. economy remains surprisingly resilient.

Inflation continued its orderly decline through the first half of 2023 but has now remained stuck at around 3% since last June. That said, high interest rates and sticky inflation have not deterred American consumers, who powered economic growth through robust spending.

Despite modest cooling beginning to show up in some areas, there are signs the economic resiliency could continue throughout 2024.

That said, the biggest risks to the economy are often the ones we don't see coming. So, there is the potential that this picture could change rapidly.
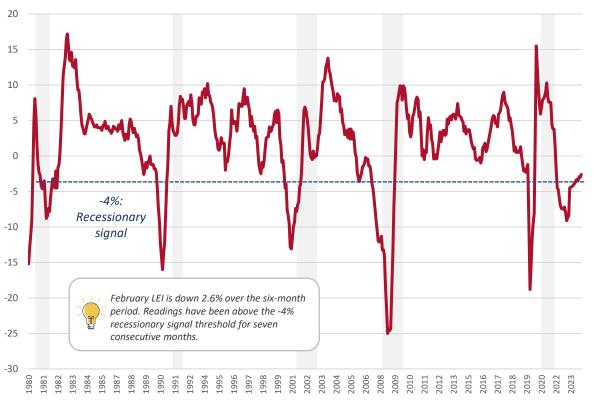
Source: As of 3/31/2024. See "Sources and Methodology for Economic Dashboard" in appendix.

U.S. LEI turns positive amid ongoing resiliency

U.S. leading economic index, 6-months % change

-4%: Recessionary signal

February LEI is down 2.6% over the six-month period. Readings have been above the -4% recessionary signal threshold for seven consecutive months.

LEI Constituents
(Ranked by Weightings in the Index)

Weekly manufacturing hours worked	▲
ISM index of new orders	▼
Consumer expectations	▼
Yield spread	▼
Leading credit index	▲
New orders of consumer goods and materials	▲
New orders of nondefense capital goods	▲
Stock prices	▲
Building permits	▲
Weekly initial claims, unemployment	▲

What is this chart showing?

This chart shows the six-month percentage change in the Leading Economic Index (LEI), published by the Conference Board. LEI aggregates 10 individual leading indicators into one index, attempting to cut through the volatility of individual economic indicators.

Why is it important?

The LEI Index can be a helpful data point to look to for forecasting turning points in the economy. Historically, when the index has fallen more than four percent over a span of six months, a recession has followed not long after.
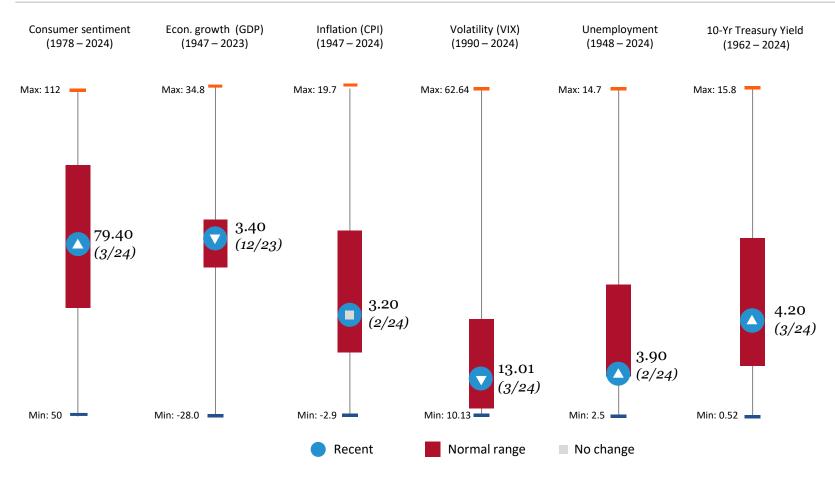
While financial markets and the economy are not the same, they do move similarly. However, the stock market tends to lead the economy, as investors often anticipate turning points in the economy – both to the upside and downside.

Source: The Conference Board. Leading Economic Index weightings reported 6 months ending February 2024.

Key economic and market metrics

Consumer sentiment (1978 – 2024)	Econ. growth (GDP) (1947 – 2023)	Inflation (CPI) (1947 – 2024)	Volatility (VIX) (1990 – 2024)	Unemployment (1948 – 2024)	10-Yr Treasury Yield (1962 – 2024)
Max: 112	Max: 34.8	Max: 19.7	Max: 62.64	Max: 14.7	Max: 15.8
79.40 (3/24)	3.40 (12/23)	3.20 (2/24)	13.01 (3/24)	3.90 (2/24)	4.20 (3/24)
Min: 50	Min: -28.0	Min: -2.9	Min: 10.13	Min: 2.5	Min: 0.52

Legend: ● Recent   ▮ Normal range   ▪ No change

What is this chart showing?

This chart shows the historical range and recent level of six key economic and market indicators.

Why is it important?

Investors can use this chart to quickly determine if economic indicators are at, above, or below historical ranges. Indicators that are outside of their normal range may provide insight into the health or direction of the economy and the market.

Consumer Sentiment as measured by the Michigan Consumer Sentiment Index is calculated each month on the basis of a household survey of consumers' opinions on current conditions and future expectations of the economy.

Economic Growth (GDP - nominal) is the total monetary or market value of all the finished goods and services produced within a country's borders in a specific time period.

Inflation (CPI) is a measure of inflation that calculates the change in the prices of a basket of goods and services. This measure includes food and energy. Core CPI (excludes food and energy) was +3.8% YOY February 2024.

Volatility VIX is a real-time market index representing the market's expectations for volatility over the coming 30 days.
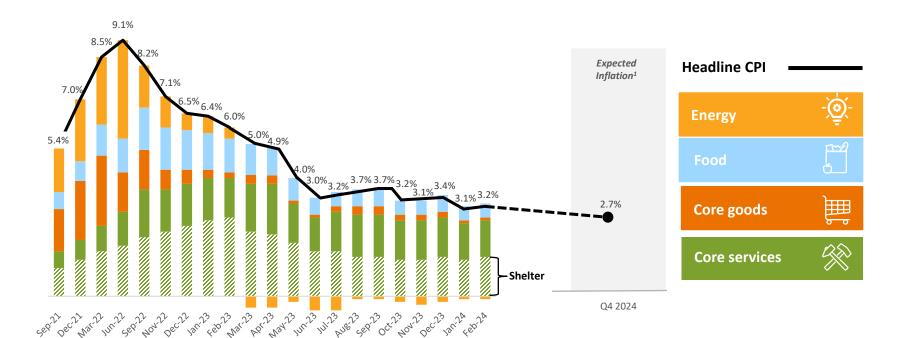
Unemployment rate as measured by the U.S. Bureau of Labor Statistics.

Source: Most recent data available as of March 31, 2024. Bloomberg. Arrows in the blue circles are indicative of most recent three-month trend, with exception of GDP, which is based on quarter-over-quarter trend. Normal range represents +/- one standard deviation to the mean over timeframe referenced. See Additional Information for more details. **Past performance is not indicative of future returns.**

Inflation trends and components

Headline CPI and components of CPI inflation (year-over-year)

What is this chart showing?

This chart shows the recent trend in year-over-year U.S. inflation, along with analyst forecasts for the fourth quarter of 2024.

Why is it important?

Inflation continued its orderly decline through the first half of 2023 but has now remained stuck at around 3% since last June.

That said, the progress on inflation thus far and expectations for its continued moderation in 2024 will likely support a Fed pivot, though the timing of cuts continues to be uncertain due to the stickiness of services inflation.

Source: U.S. Bureau of Labor Statistics. 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. This measure includes food and energy, which tend to have more price volatility and whose price shocks cannot be damped through monetary policy. Percentages may not sum due to rounding. [1]Inflation expectations for Q4 2024 represent median analyst expectations compiled by Bloomberg as of 03/28/2024.
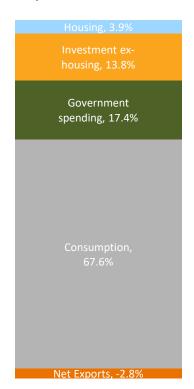
U.S. gross domestic product

Real gross domestic product, actuals and future projections

Legend: ■ Real GDP

Values: 2.9% (2015), 1.8% (2016), 2.5% (2017), 3.0% (2018), 2.5% (2019), -2.2% (2020), 5.8% (2021), 1.9% (2022), 2.5% (2023), 2.1% (2024*), 2.0% (2025*), 2.0% (2026*), 1.6% (2025-2036)

Components of GDP as of 4Q23

- Housing, 3.9%
- Investment ex-housing, 13.8%
- Government spending, 17.4%
- Consumption, 67.6%
- Net Exports, -2.8%

What is this chart showing?

The chart on the left shows historical real GDP, as well as the most recently reported economic growth projections prepared by the Federal Open Market Committee.

The chart on the right shows the components of GDP as of the latest available data.

Why is it important?

Economic growth influences many factors that can impact the long-term performance of the markets, including interest rates and corporate earnings growth. As such, these GDP projections can be a valuable input for investors looking to set future portfolio return expectations.
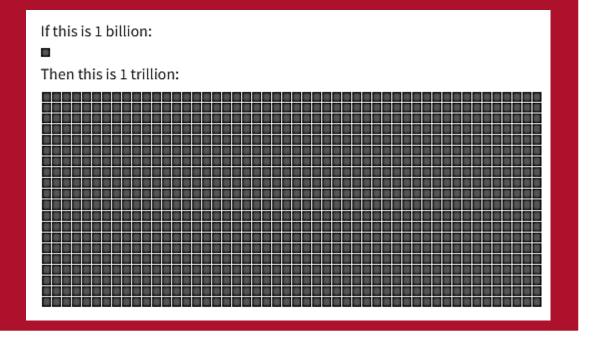
Source: Federal Reserve Bank of St. Louis Economic Research, Federal Open Market Committee, The Conference Board. *Indicates future projections as of March 2024. 2025-2036 long-term projections are as of March 2024. Components of GDP depicted as 4Q23 nominal. Values may not sum to 100% due to rounding.

Visualizing the U.S. national debt

At the end of March 2024, the U.S. national debt was $34.6 trillion.

That's 34,600 squares!

If this is 1 billion:

Then this is 1 trillion:

What is this chart showing?

This chart helps readers visualize the size of the U.S. national debt.
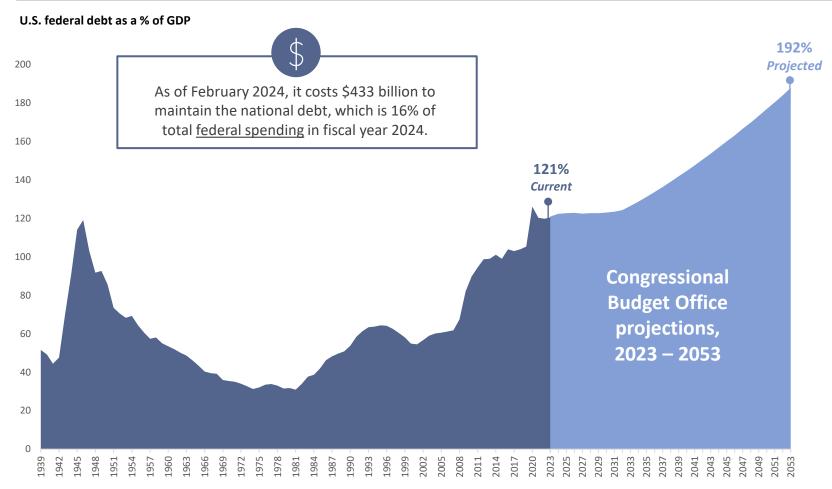
Why is it important?

1 trillion dollars is hard for the average person to conceptualize given the sheer size of the number.

A relative comparison to 1 billion dollars, which in and of itself is a very large number, puts the 34.6 trillion-dollar debt level into perspective.

Government debt, when sustainably managed, is not inherently bad. In fact, the U.S. has carried debt since its inception. Debt is an important tool to help fund programs like Social Security, national security, health care services, etc., that benefit the American people.

The national debt enables the federal government to pay for important programs and services for the American public.

Source: Understanding the National Debt | U.S. Treasury Fiscal Data as of 3/31/2024.

U.S. debt levels

U.S. federal debt as a % of GDP

As of February 2024, it costs $433 billion to maintain the national debt, which is 16% of total federal spending in fiscal year 2024.

121% *Current*

192% *Projected*

Congressional Budget Office projections, 2023 – 2053

What is this chart showing?

This chart shows historical U.S. national debt levels as a percentage of gross domestic product (GDP), as well as projections by the Congressional Budget Office through 2053.

Why is it important?

The U.S. government has been running a consistent fiscal deficit since the Global Financial Crisis, with spending outpacing revenue.

This has contributed to a rapidly rising pool of national debt, and more recently, increased interest expense as rates have risen.
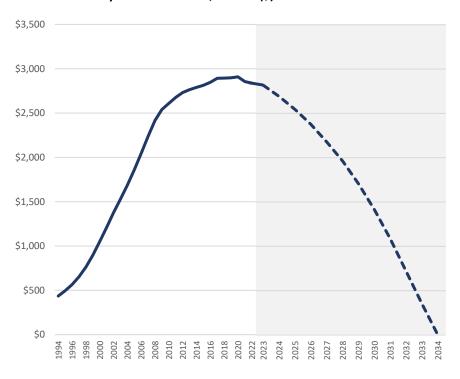
The ratio of a country's total debt to GDP helps show the burden of its debt relative to total economic output, and therefore its ability to pay it.

It remains to be seen how this issue will be addressed, but it is likely to be an ongoing challenge requiring careful management and bipartisan policy decisions to help ensure long-term fiscal sustainability.

Source: Historical data sourced from Federal Reserve Bank of St. Louis. 2023 – 2053 U.S. federal debt projections sourced from Congressional Budget Office (CBO). Federal spending statistic sourced from U.S. Treasury Fiscal Data.

The long-term outlook for Social Security

Social Security Asset Trust Fund, billions ($)

Common questions about Social Security

1 **Why is Social Security important?**
For millions of Americans, Social Security provides an essential source of income in retirement, along with disability benefits.

2 **How is Social Security financed?**
Social Security is funded by payroll tax deductions.

3 **When will trust fund reserves be depleted?**
Without reform, the Social Security Trust Fund is scheduled to be depleted in 2034.

4 **What are the differences in life expectancy when Social Security was created vs. now?**
Life expectancy at birth in the 1930s was about 58 for men and 62 for women, with a retirement age of 65. In recent years, the average life expectancy at birth is approximately 79, with a retirement age of 67.

What is this chart showing?

This chart shows the actual and projected Social Security Asset Trust Fund reserve amounts at year-end from 1994 through 2034, in billions of U.S. dollars.

Why is it important?

The 2023 annual Old-Age, Survivors, and Disability Insurance (OASDI) trustees report by the Social Security Administration (SSA) showed that given current conditions, the asset reserve dedicated to the benefit program could be depleted sooner rather than later.

Absent reform, the projected depletion date for the combined OASDI trust funds is 2034, a year earlier than in last year's report.

Even after this happens, the program will still collect taxes, which means that it will be able to continue to pay benefits to retirees. However, the benefits will likely be smaller than they are now.
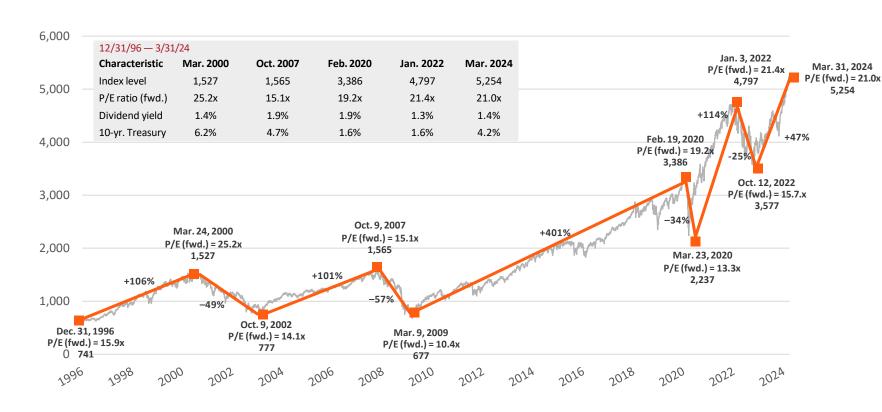
Source: Social Security Administration (SSA). Historical data sourced from Social Security Administration Operations of the OASDI Trust Fund Report, Calendar Years 1937-2022. 2023 onwards data sourced from Social Security Administration Operations of the OASDI Trust Fund Report, Fiscal Year 2022. Shaded region on chart indicates future projections.

Equities

S&P 500: Cumulative returns

12/31/96 — 3/31/24					
Characteristic	**Mar. 2000**	**Oct. 2007**	**Feb. 2020**	**Jan. 2022**	**Mar. 2024**
Index level	1,527	1,565	3,386	4,797	5,254
P/E ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	21.0x
Dividend yield	1.4%	1.9%	1.9%	1.3%	1.4%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	4.2%

Jan. 3, 2022
P/E (fwd.) = 21.4x
4,797

Mar. 31, 2024
P/E (fwd.) = 21.0x
5,254

+114%

Feb. 19, 2020
P/E (fwd.) = 19.2x
3,386

−25%

+47%

−34%

Oct. 12, 2022
P/E (fwd.) = 15.7.x
3,577

Mar. 24, 2000
P/E (fwd.) = 25.2x
1,527

Oct. 9, 2007
P/E (fwd.) = 15.1x
1,565

+401%

Mar. 23, 2020
P/E (fwd.) = 13.3x
2,237

+106%

−49%

+101%

−57%

Dec. 31, 1996
P/E (fwd.) = 15.9x
741

Oct. 9, 2002
P/E (fwd.) = 14.1x
777

Mar. 9, 2009
P/E (fwd.) = 10.4x
677

What is this chart showing?

This chart shows the cumulative return of the S&P 500 Index from 1996 to present. It also highlights the return of major expansionary and contraction periods during this time.

Why is this important?

This chart can help put market cycles in context by comparing the magnitude and duration of bull and bear markets, along with the long-term trend of the S&P 500.
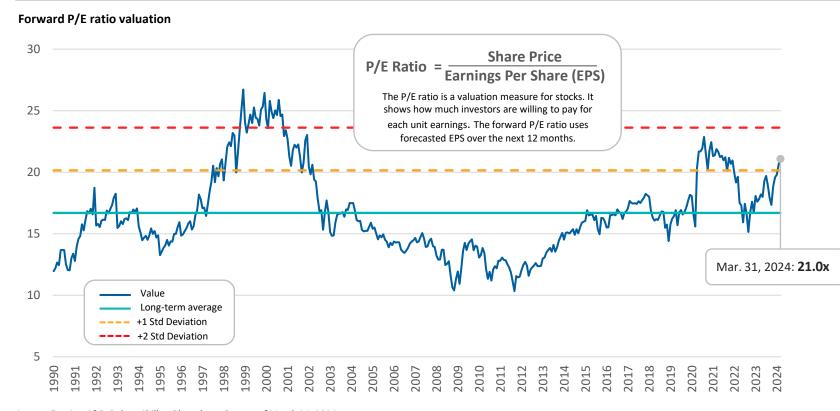
S&P 500: Valuation measures

Forward P/E ratio valuation

P/E Ratio $= \dfrac{\text{Share Price}}{\text{Earnings Per Share (EPS)}}$

The P/E ratio is a valuation measure for stocks. It shows how much investors are willing to pay for each unit earnings. The forward P/E ratio uses forecasted EPS over the next 12 months.

Legend:
- Value
- Long-term average
- +1 Std Deviation
- +2 Std Deviation

Mar. 31, 2024: **21.0x**

Valuation measures	Recent	20-year average
Forward P/E	21.0x	15.6x
Shiller's P/E	34.8	26.5
Dividend yield	1.4%	2.0%
Price-to-book	4.3	2.7
Price-to-cash flow	15.9	11.0

What is this chart showing?

This chart shows the historical trend of the S&P 500 forward P/E ratio compared to the modern-era historical average.

Why is it important?

Equity valuation measures, like the forward P/E, can help investors gauge if the market is overvalued or undervalued relative to the historical average.

Source: FactSet, S&P, Robert Shiller, Bloomberg. Data as of March 31, 2024.

Forward P/E ratio (or forward price-to-earnings ratio) is the most-recent stock price divided by the forward-looking EPS estimate. **Shiller's P/E ratio** is the most recent stock price divided by the average of 10 years of inflation-adjusted earnings. **Dividend yield** is the percentage of its stock price that a company is projected to pay out as dividends. It is calculated by dividing estimated annual dividends per share for the current fiscal year by the company's most recent month-end stock price. **Price-to-book** compares a firm's market capitalization to its book value. It's calculated by dividing the company's stock price per share by its book value per share (BVPS). **Price-to-cash flow** is a valuation indicator or multiple that measures the value of a stock's price relative to its operating cash flow per share. **Standard deviation** is a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time.

S&P 500: Index concentration, valuations and earnings

The left-hand side chart shows how inflated the P/E valuations are for the top 10 stocks in the S&P 500 relative to the remainder of the index. This gap widened in 2023 as large technology companies rallied. The right side shows how the market capitalization of the top 10 stocks has increased recently despite the earnings contribution remaining muted.

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. The top 10 S&P 500 companies are based on the 10 largest index constituents at the beginning of each month. As of 3/31/2024, the top 10 companies in the index were MSFT (7.2%), AAPL (5.6%), NVDA (5.1%), AMZN (3.7%), META (2.4%), GOOGL (2.0%), BRK.B (1.7%), GOOG (1.7%), LLY (1.4%), AVGO (1.3%) and JPM (1.3%). The remaining stocks represent the rest of the 492 companies in the S&P 500.
Guide to the Markets – U.S. Data are as of March 31, 2024.

P/E ratio of the top 10 and remaining stocks in the S&P 500
Next 12 months, 1996 - present

	Current	Average	% of avg.
Top 10	28.4x	20.3x	140%
Remaining stocks	18.3x	15.7x	117%
S&P 500	21.0x	16.5x	127%

Weight of the top 10 stocks in the S&P 500
% of market capitalization of the S&P 500

Mar. 31, 2024: 33.5%

Earnings contribution of the top 10 in the S&P 500
Based on last 12 months' earnings

Mar. 31, 2024: 25.5%

Source: J.P. Morgan Asset Management, as of March 31, 2024.

S&P 500: Calendar returns and intra-year declines

What is this chart showing?

This chart shows calendar year returns of the S&P 500 Price Index from 1992 to present. It also shows the largest intra-year declines (lows) for each year.
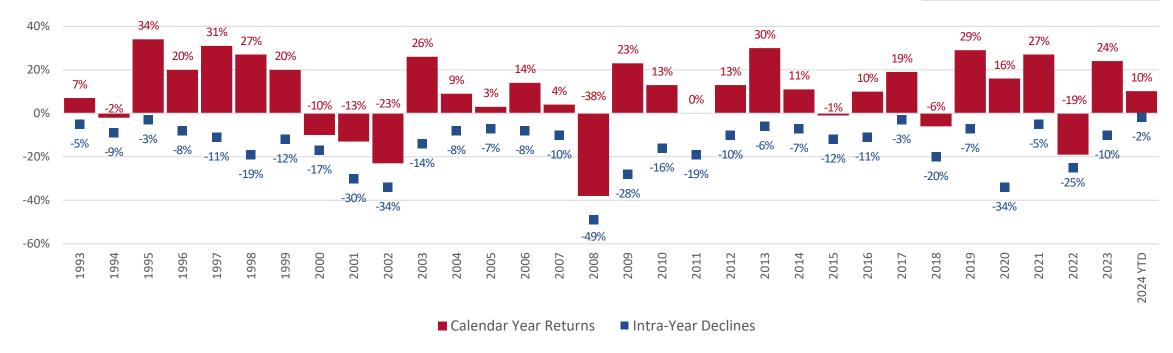
Why is it important?

Investors can use this to understand how looking at annual returns alone can hide that there are often large drops that occur within the year.

> **Despite average intra-year declines of 14.8%, annual returns were positive in 22 of 31 years.**

■ Calendar Year Returns ■ Intra-Year Declines

You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. Please see the back of this presentation for index definitions and disclosures.

Source: Morningstar, Standard & Poor's. Data as of March 31, 2024. Returns are based on price index only and do not include dividends. Intra-year declines refer to the largest market drops from a peak to a trough during the year. For illustrative purposes only. **Past performance is not indicative of future returns.**
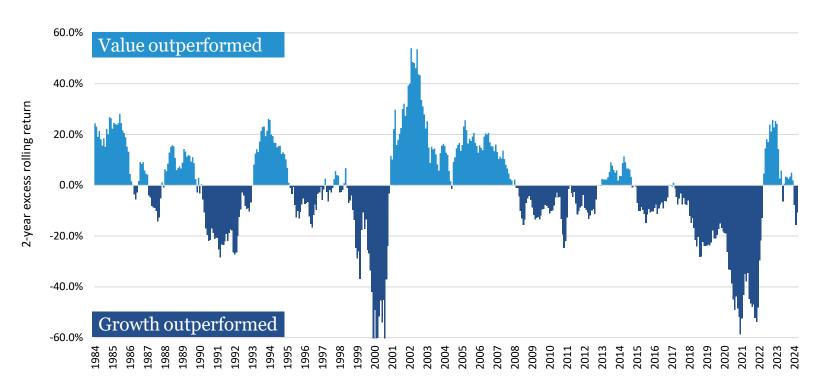
Growth vs. Value leadership rotation

What is this chart showing?

Growth and Value styles have rotated leadership during different market and economic environments.

Why is it important?

Historically, Value has led early in the economic recovery and when rates are rising, where Growth has led when interest rates are falling, and earnings are strong.

Value sectors

Industrials	Real Estate
Financials	Utilities
Energy	Consumer Staples
Manufacturing	

Growth sectors

Communication Services
Technology
Healthcare
Consumer Discretionary
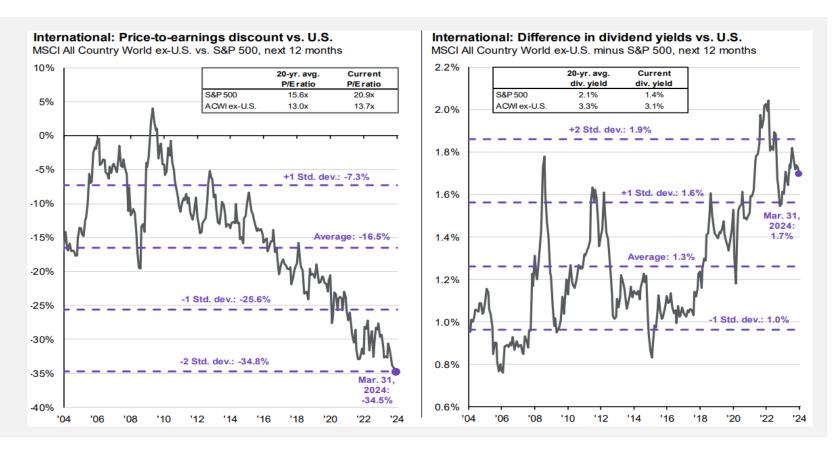
International valuations and dividend yields

J.P.Morgan
Asset Management

This shows valuation measures for international equity markets. The left-hand side shows the price-to-earnings discount of international vs. U.S. equities. On the right-hand side, we show the difference in dividend yields between international and U.S. stocks.

Investors can see that international equities are trading at a significant discount today, and that they generally offer an attractive yield relative to U.S. equities.

Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of March 31, 2024.

International: Price-to-earnings discount vs. U.S.
MSCI All Country World ex-U.S. vs. S&P 500, next 12 months

	20-yr. avg. P/E ratio	Current P/E ratio
S&P 500	15.6x	20.9x
ACWI ex-U.S.	13.0x	13.7x

+1 Std. dev.: -7.3%
Average: -16.5%
-1 Std. dev.: -25.6%
-2 Std. dev.: -34.8%
Mar. 31, 2024: -34.5%

International: Difference in dividend yields vs. U.S.
MSCI All Country World ex-U.S. minus S&P 500, next 12 months

	20-yr. avg. div. yield	Current div. yield
S&P 500	2.1%	1.4%
ACWI ex-U.S.	3.3%	3.1%

+2 Std. dev.: 1.9%
+1 Std. dev.: 1.6%
Average: 1.3%
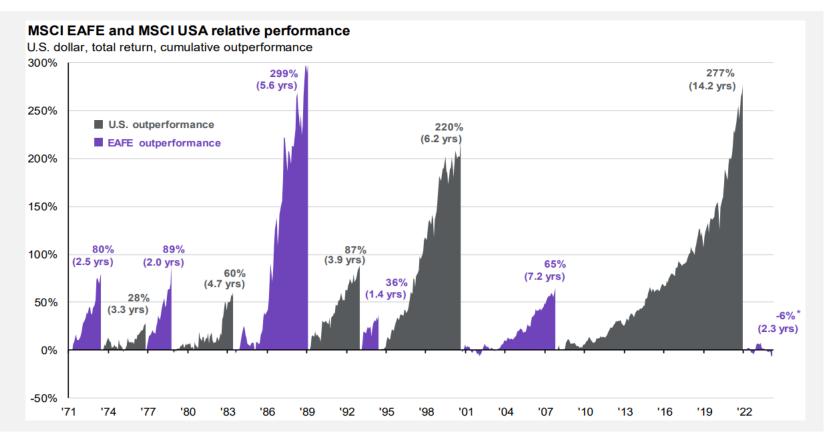-1 Std. dev.: 1.0%
Mar. 31, 2024: 1.7%

Cycles of U.S. equity outperformance

J.P.Morgan Asset Management

Over the past 50 years, there have been different regimes of U.S. vs. international outperformance. In other words, outperformance comes in waves. After a long period of U.S. outperformance, it is worth considering whether we may be transitioning to a new wave. The regime changes are determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period.

Source: FactSet, MSCI, J.P. Morgan Asset Management. Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period. *Peak MSCI EAFE outperformance vs. MSCI USA occurred in April 2023. If this is sustained for 12 months, the regime will switch in April 2024.
Guide to the Markets – U.S. Data are as of March 31, 2024.

MSCI EAFE and MSCI USA relative performance
U.S. dollar, total return, cumulative outperformance

- U.S. outperformance
- EAFE outperformance

80% (2.5 yrs)
28% (3.3 yrs)
89% (2.0 yrs)
60% (4.7 yrs)
299% (5.6 yrs)
87% (3.9 yrs)
36% (1.4 yrs)
220% (6.2 yrs)
65% (7.2 yrs)
277% (14.2 yrs)
-6% * (2.3 yrs)

Source: J.P. Morgan Asset Management, as of March 31, 2024.

Consumer confidence and subsequent S&P returns
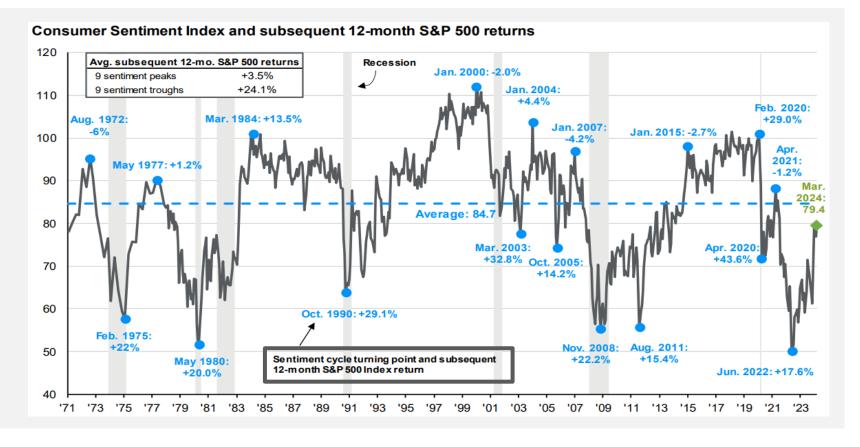
J.P.Morgan
Asset Management

This chart shows consumer sentiment over the past 50 years and how much the S&P 500 gained or lost on average 12 months after nine distinct peaks and troughs. Buying at a confidence peak returned on average 3.5%, while buying at a trough returned 24.1%.

This underscores that when investors feel gloomy and worried about the outlook, history shows they should consider resisting the temptation to sell risk assets.

Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management.

Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only starting from the end of the month and excluding dividends. Past performance is not a reliable indicator of current and future results.

Guide to the Markets – U.S. Data are as of March 31, 2024.

Consumer Sentiment Index and subsequent 12-month S&P 500 returns

Avg. subsequent 12-mo. S&P 500 returns	
9 sentiment peaks	+3.5%
9 sentiment troughs	+24.1%

Recession

Jan. 2000: -2.0%
Jan. 2004: +4.4%
Aug. 1972: -6%
Mar. 1984: +13.5%
Feb. 2020: +29.0%
Jan. 2007: -4.2%
Jan. 2015: -2.7%
Apr. 2021: -1.2%
May 1977: +1.2%
Mar. 2024: 79.4
Average: 84.7
Feb. 1975: +22%
Mar. 2003: +32.8%
Oct. 2005: +14.2%
Apr. 2020: +43.6%
Oct. 1990: +29.1%
May 1980: +20.0%
Nov. 2008: +22.2%
Aug. 2011: +15.4%
Jun. 2022: +17.6%

Sentiment cycle turning point and subsequent 12-month S&P 500 Index return

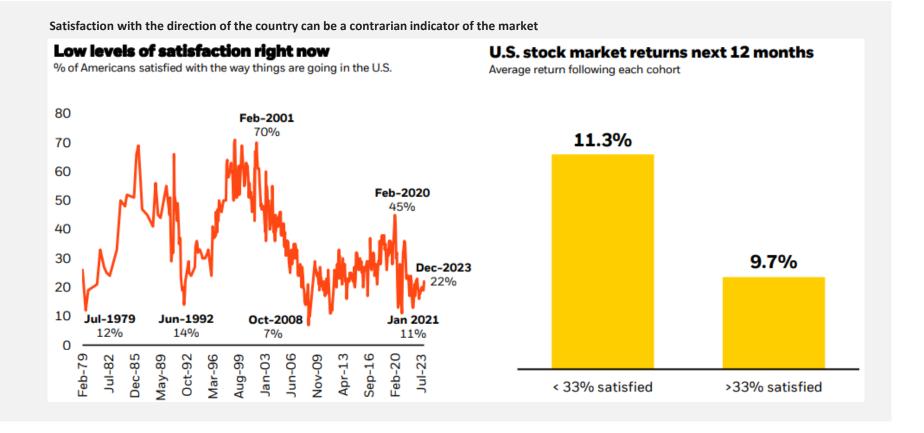Source: J.P. Morgan Asset Management, as of March 31, 2024.

Public satisfaction level vs. markets

BlackRock

Public pessimism can be a negative force, but when it comes to the financial markets, sometimes the opposite is true.

Satisfaction with the direction of the country can be a contrarian indicator of the market, signaling potential positive opportunity ahead. In fact, when less than 33% of the country was satisfied with the way things are going in the U.S., the stock market returned on average 11.3% over the next 12 months.

The satisfaction reading as of December was 22%, firmly in the below 33% satisfaction cohort.

Satisfaction with the direction of the country can be a contrarian indicator of the market

Low levels of satisfaction right now
% of Americans satisfied with the way things are going in the U.S.

U.S. stock market returns next 12 months
Average return following each cohort

S&P 500: Investing at all-time highs

J.P.Morgan
Asset Management

Market highs can lead to worry for investors wary of potential corrections. However, historical data suggest that all-time highs are more common and less daunting than perceived. Since 1988, the S&P 500 has, on average, reached new highs 20 times per year. More importantly, nearly 85% of the time, one-year forward returns from these highs were positive. In fact, during this period one-, two-, and three-year forward returns were more favorable when investing at all-time highs compared to a random day. Given that markets spend about half the time within 5% of all-time highs, remaining on the sidelines can result in significant opportunity cost.

Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. Average cumulative S&P 500 total return data from January 1, 1988, to January 29, 2024.

Source: J.P. Morgan Asset Management. **Past performance is no guarantee of future results. Index performance is for illustrative purposes only. You cannot invest directly in the index.**

Strong first quarter returns: a historical prelude to continued strength

S&P 500 returns in years where Q1 gained at least 10% (1950- 2024)

Year	First Quarter Return	Return in Next 3 Quarters	Full Year Return
1961	12.0%	10.0%	23.1%
1967	12.3%	7.0%	20.1%
1975	21.6%	8.2%	31.5%
1976	13.9%	4.6%	19.1%
1986	13.1%	1.4%	14.6%
1987	20.5%	-15.3%	2.0%
1991	13.6%	11.2%	26.3%
1998	13.5%	11.6%	26.7%
2012	12.0%	1.3%	13.4%
2013	10.0%	17.8%	29.6%
2019	13.1%	14.0%	28.9%
2024	10.2%	?	?
Average	**14.1%**	**6.5%**	**21.4%**

Following gains of 10% or more in the first quarter of a year, the S&P 500 index was higher over the next three quarters **10 out of 11 times** with an **average additional gain of 6.5%.**

What is this chart showing?

This chart shows the years in which the S&P 500 gained at least 10% in the first quarter, as well as the S&P 500 performance for the remainder of the year and full year return.

Why is it important?

Strength often begets strength. The S&P 500 gained 10.2% in the first quarter of 2024. Since 1950, this is the 12th time the index has gained 10% or more in the first three months.
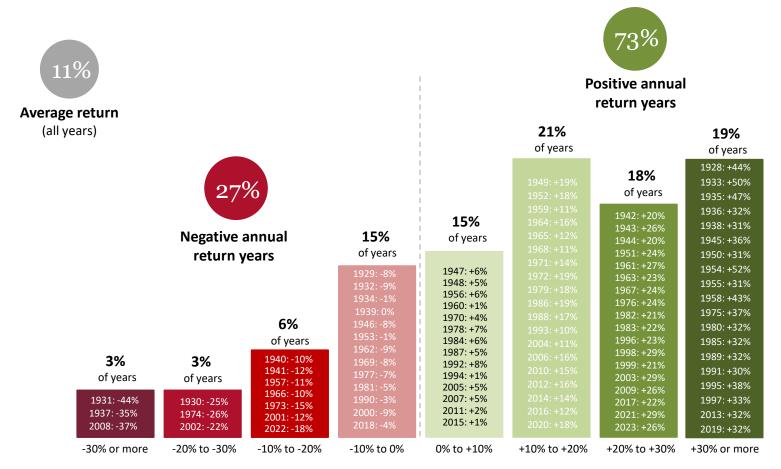
In the previous 11 instances, the index was higher over the remaining three quarters all but one time, with an average additional gain of 6.5%.

Source: Morningstar, Lincoln Financial Group. 1950-2023. S&P 500 Price Return Index (does not include dividends). 2024 not included in average returns. Past performance does not guarantee future results.

Stocks rise far more often than they fall

11%

Average return
(all years)

27%

**Negative annual
return years**

73%

**Positive annual
return years**

What is this chart showing?

This chart shows the distribution of calendar year returns for the S&P 500 Index from 1928 through 2023.

Why is it important?

While the market has certainly suffered down years, they've been far outweighed by good – and even great – ones.

From 1928 to 2023, the average calendar year return for the S&P 500 Index was 11%.

Over that timeframe, 73% of yearly returns were positive while only 27% experienced a negative return.

Not only has the market risen far more often than it has fallen, many of the worst years for stocks were followed by strong rallies – rewarding investors who chose to stay the course.
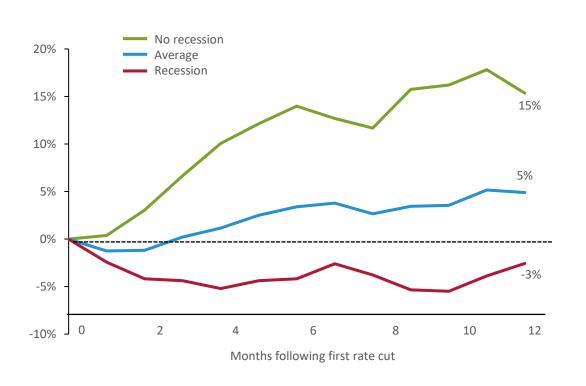
Past performance is not indicative of future returns. Index performance is for illustrative purposes only. You cannot invest directly in the index.

3% of years	**3%** of years	**6%** of years	**15%** of years	**15%** of years	**21%** of years	**18%** of years	**19%** of years
			1929: -8%		1949: +19%		1928: +44%
			1932: -9%		1952: +18%		1933: +50%
			1934: -1%		1959: +11%		1935: +47%
			1939: 0%		1964: +16%	1942: +20%	1936: +32%
			1946: -8%		1965: +12%	1943: +26%	1938: +31%
			1953: -1%		1968: +11%	1944: +20%	1945: +36%
			1962: -9%	1947: +6%	1971: +14%	1951: +24%	1950: +31%
			1969: -8%	1948: +5%	1972: +19%	1961: +27%	1954: +52%
			1977: -7%	1956: +6%	1979: +18%	1963: +23%	1955: +31%
			1981: -5%	1960: +1%	1986: +19%	1967: +24%	1958: +43%
		1940: -10%	1990: -3%	1970: +4%	1988: +17%	1976: +24%	1975: +37%
		1941: -12%	2000: -9%	1978: +7%	1993: +10%	1982: +21%	1980: +32%
		1957: -11%	2018: -4%	1984: +6%	2004: +11%	1983: +22%	1985: +32%
	1930: -25%	1966: -10%		1987: +5%	2006: +16%	1996: +23%	1989: +32%
1931: -44%	1974: -26%	1973: -15%		1992: +8%	2010: +15%	1998: +29%	1991: +30%
1937: -35%	2002: -22%	2001: -12%		1994: +1%	2012: +16%	1999: +21%	1995: +38%
2008: -37%		2022: -18%		2005: +5%	2014: +14%	2003: +29%	1997: +33%
				2007: +5%	2016: +12%	2009: +26%	2013: +32%
				2011: +2%	2020: +18%	2017: +22%	2019: +32%
				2015: +1%		2021: +29%	
						2023: +26%	
-30% or more	**-20% to -30%**	**-10% to -20%**	**-10% to 0%**	**0% to +10%**	**+10% to +20%**	**+20% to +30%**	**+30% or more**

Source: NYU.edu for S&P 500 returns (including dividends) from 1928 – 1936. Morningstar for returns from 1937 – 2023.

What has happened when the Fed cuts rates?

S&P 500 12-month average performance following first cut: cycles since 1965

What is this chart showing?

This chart shows average S&P 500 returns in the twelve months following the first rate cut by the U.S. Federal Reserve in previous cycles.

Why is it important?

Thanks in large part to moderating inflation, a pivot in FOMC policy is on the horizon.

What this could mean for equity markets is likely to come down to the state of the U.S. economy.

History shows that on average, returns in the twelve months following the first rate cut are positive, but roughly half the long-term average of stocks.

However, there is a stark difference in results during times where the economy avoided a recession throughout these twelve months, versus those when a recession occurred.

Historical Fed rate cut cycle insights

There have been 12 U.S. rate cutting cycles since 1965...

Stocks have on average delivered a modest 5% return in the 12 months following the initial cut...

However, when a recession was avoided during those 12 months, average returns were 18% higher (15% vs. -3%) than when a recession occurred.

Equity performance around U.S. recessions

S&P 500 Index Price Return

Recession Start Date	Duration (Months)	Return During Recession	Return 1 Yr. After Recession	Return 3 Yrs. After Recession	Return 5 Yrs. After Recession
July 1953	10	18%	30%	62%	101%
August 1957	8	−4%	33%	50%	61%
April 1960	10	17%	10%	23%	44%
December 1969	11	−5%	8%	10%	5%
November 1973	16	−13%	23%	7%	22%
January 1980	6	7%	8%	34%	57%
July 1981	16	6%	20%	46%	66%
July 1990	8	5%	8%	19%	72%
March 2001	8	−2%	−18%	3%	23%
December 2007	18	−38%	12%	48%	113%
February 2020	2	−1%	44%	43%	N/A
Average return		−1%	+16%	+31%	+56%
Number of positive periods (%)		45%	91%	100%	100%

Did you know?

+16%
Average S&P return one year after recession

+31%
Average S&P return three years after recession

+56%
Average S&P return five years after recession

What is this chart showing?

This chart shows performance of the S&P 500 Index in the periods during and after past U.S. recessions.

Why is it important?

Although recessions can be a time of uncertainty, investors likely shouldn't let the prospect of a bumpy landing for the economy keep them from staying invested.

History shows that returns during recessionary periods have been relatively mixed, lending itself to the adage that the stock market is not the economy.
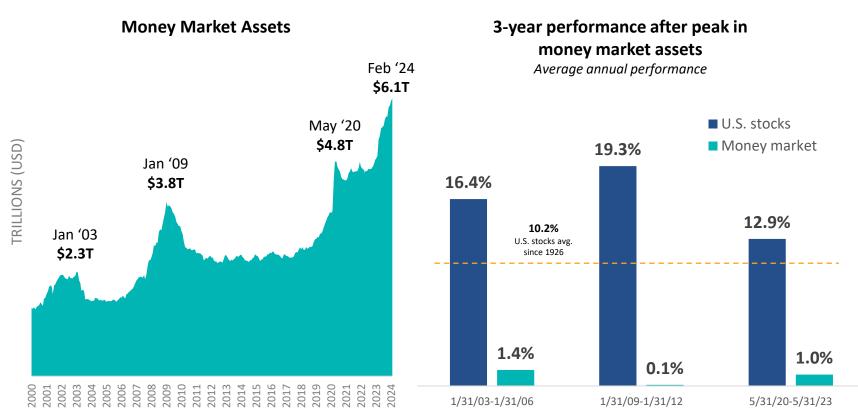
Returns following recessions have been strong, with cumulative gains one, three and five years later of 16%, 31%, and 56%.

Additionally, the S&P 500 was negative only one time 12 months following the end of a recession and generated a positive return 100% of the time both three and five years later.

Source: Morningstar, NBER. Cumulative price return of the S&P 500 Index. Past performance does not guarantee future results. Recession duration is measured from the first day of the month following the peak month, to the end of the trough month.

Returns following money market asset peaks

Money Market Assets

Feb '24
$6.1T

May '20
$4.8T

Jan '09
$3.8T

Jan '03
$2.3T

TRILLIONS (USD)

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023 2024

3-year performance after peak in money market assets
Average annual performance

■ U.S. stocks
■ Money market

16.4%

19.3%

12.9%

10.2%
U.S. stocks avg.
since 1926

1.4%

0.1%

1.0%

1/31/03-1/31/06   1/31/09-1/31/12   5/31/20-5/31/23

What is this chart showing?

This chart shows the rise in money market assets over time, and how money markets and U.S. stocks performed over the three-year period following peak money market assets.

Why is it important?

While it can be beneficial for investors to hold cash for preservation or liquidity purposes, holding too much can lead to suboptimal results.

Money market fund assets continue to touch new all-time highs.

Historically, this has been a bullish sign for stocks as they have performed better than average following periods of peak money market assets.

Fixed income

U.S. Treasury yield

What is this chart showing?

This chart shows the historical yield for the 10-year Treasury, along with an expanded view of more recent yield movements and bond asset class returns.

U.S. 10-year Treasury yield

> 💡 Despite recent increases in interest rates, the 10-year Treasury still stands below its long-term average.

Past performance is not indicative of future returns.

Core bonds represented by Bloomberg US Aggregate Bond Index; Intermediate Treasuries represented by ICE BofA 5-10Y US Trsy TR USD; Long-term Treasuries represented by ICE BofA 10+Y US Trsy TR USD.

You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. See index definitions and disclosures at back of presentation.

Source: Morningstar, Bloomberg, J.P. Morgan Asset Management. Data as of March 31, 2024. [1]Real 10-year Treasury yields are calculated as the daily Treasury yield less year-over-year core CPI inflation for that month. For the current month, we use the prior month's core CPI figures until the latest data is available.

Why is it important?

Experts view the 10-year Treasury yield as a benchmark for the state of the economy and investor confidence. It drives interest rates throughout the market, making money more or less expensive to borrow. While the recent upward trend in rates is notable, it's essential to consider historical context and fluctuations when evaluating long-term averages.
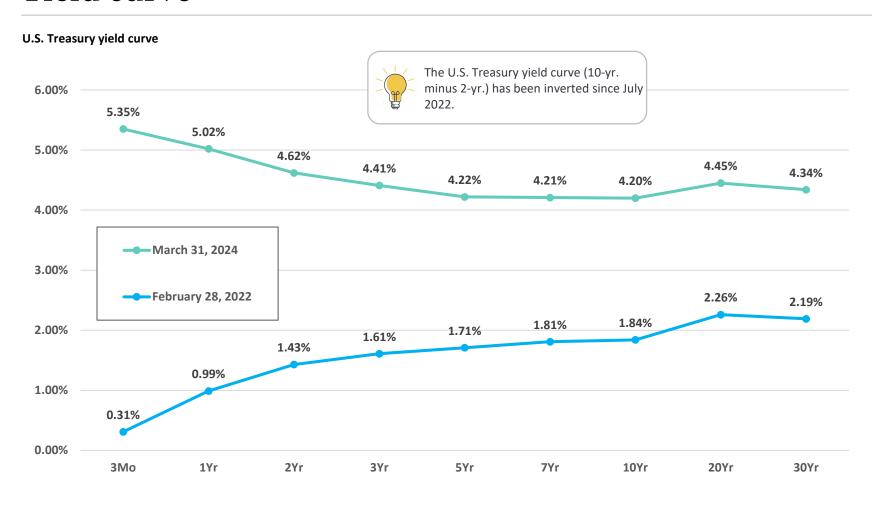
U.S. 10-year Treasury yield, EOY December 2021 thru March 2024

	YTD return (thru 3/31/2024)
Core bonds	-0.78%
Intermediate Treasuries	-1.03%
Long-term Treasuries	-2.88%

	Nominal yield	Core inflation[1]	Real yield
10-year Treasury	4.20%	3.76%	0.44%

Yield curve

U.S. Treasury yield curve

The U.S. Treasury yield curve (10-yr. minus 2-yr.) has been inverted since July 2022.

March 31, 2024 data points:
- 3Mo: 5.35%
- 1Yr: 5.02%
- 2Yr: 4.62%
- 3Yr: 4.41%
- 5Yr: 4.22%
- 7Yr: 4.21%
- 10Yr: 4.20%
- 20Yr: 4.45%
- 30Yr: 4.34%

February 28, 2022 data points:
- 3Mo: 0.31%
- 1Yr: 0.99%
- 2Yr: 1.43%
- 3Yr: 1.61%
- 5Yr: 1.71%
- 7Yr: 1.81%
- 10Yr: 1.84%
- 20Yr: 2.26%
- 30Yr: 2.19%

Legend:
- March 31, 2024
- February 28, 2022

What is this chart showing?

This chart shows the U.S. Treasury yield curve as of the latest month end, as well as in February 2022 — just before the Federal Reserve began raising interest rates.

Why is it important?

The yield curve is an economic indicator as it is a representation of investors' expectations for future interest rates, economic growth and inflation.

The yield curve is currently inverted, meaning shorter rates are higher than longer rates. This tends to happen when investors believe the economy could be weakening and is likely to slow in the future.

Source: FactSet, U.S. Department of the Treasury, Federal Reserve Bank of St. Louis. Data as of March 31, 2024.

Core bonds: Total return breakdown

Bloomberg U.S. Aggregate Bond Index

Chart data:

Period	Income	Price appreciation	Total return
1980s	11.1%	1.7%	
1990s	7.6%	0.3%	
2000s	5.6%	0.7%	
2010s	3.3%	0.5%	
2019	3.1%	5.6%	8.7%
2020	2.3%	5.2%	7.5%
2021	1.8%	-3.4%	-1.5%
2022	2.4%	-15.4%	-13.0%
2023	3.6%	1.9%	5.5%
2024 YTD	0.9%	-1.7%	-0.8%

4.85% yield (as of 3/31/2024)

6.21 yrs. duration (as of 3/31/2024)

Legend: Income / Price appreciation / Total return

What is this chart showing?

This chart breaks down the total return of the Barclays U.S. Aggregate Bond Index into separate income and price appreciation components throughout different time periods.

Why is it important?

Investors can use this to see what has historically contributed to the total return of bonds, and how it has shifted over the decades. In 2022, a spike in interest rates resulted in significant price declines in core bonds. With little income to offset this price loss, the asset class ended the year deeply in the red.

While returns for the index were negative for most of the 2023, bonds rallied in the fourth quarter, ending the year with a healthy 5.5% return.

Looking ahead, attractive starting yields could prove beneficial for the longer term returns of core bonds.

You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. Please see the back of this presentation for index definitions and disclosures.
Source: Bloomberg, Morningstar. YTD data as of March 31, 2024. **Past performance is not indicative of future returns.**

Core bonds: Starting yields and subsequent returns

Bloomberg U.S. Aggregate Bond Index

Starting yields have had a 97% correlation to subsequent 10-year returns.

Legend: Starting yield — Subsequent 10-year returns

What is this chart showing?

This chart shows the starting yield of U.S. core bonds for the past 40+ years, along with the subsequent 10-year total returns from that point.

Why is it important?

Investors commonly look to current yields to inform their total return expectations, as historically, the starting yield is an accurate predictor of future bond returns (97% correlation).

You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. Please see the back of this presentation for index definitions and disclosures.

Source: Research affiliates based on data from Bloomberg and FactSet as of March 31, 2024. Proxy: Bloomberg U.S. Aggregate Bond Index. **Past performance is not a guarantee or a reliable indicator of future results.**

Long-term bond returns and changes to interest rates

BlackRock

The starting interest rate often dictates the longer-term total return for bond investors.

This slide shows two ten-year historical examples of this concept, one in which interest rates rose over the decade, and another where they fell.

In both cases, the average annual return was very close to the starting yield.

Using history to better understand changes to interest rates and bond returns

Bloomberg U.S. Aggregate Bond Index (10/31/64 - 11/30/23)

Interest rate change	Period	10-year average annual return
Up by 3.6%	**10/31/64 to 10/31/74** Interest rates start at **4.2%** and finish at **7.8%**	▶ **+4.7%**
Fall by 2.1%	**11/30/06 to 11/30/16** Interest rates start at **4.5%** and finish at **2.4%**	▶ **+4.3%**

Long-term high quality bond returns are more dictated by starting interest rates than changes in interest rates

Asset allocation

60/40 portfolio returns

2024 YTD 60/40 Portfolio Return 6.0%

Average 60/40 portfolio returns 10.5%

Average U.S. bond returns 6.8%

Average U.S. stock returns 13.0%

What is this chart showing?

This chart shows both the annual and long-term average returns of a portfolio consisting of 60% U.S. stocks and 40% U.S. bonds.

Why is it important?

Investors can use this to compare the performance of a domestic 60/40 portfolio to other strategies, as well as view the respective contribution to total return from both stocks and bonds.

Stocks are represented by the S&P 500 Index. Bonds are represented by the Bloomberg Barclays U.S. Aggregate Bond Index. You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. Please see the back of this presentation for index definitions and disclosures.

Source: Data from Morningstar, Stocks = S&P 500 TR, Bonds = Barclays US Aggregate Bond Index, 1976 through March 31, 2024; 60/40 Portfolio = 60% S&P 500 TR + 40% Barclays US Aggregate Index. Arithmetic averages used. **Past performance is not indicative of future returns. Asset allocation does not ensure a profit nor protect against loss.**

60/40 portfolio return expectations

Stocks are represented by the S&P 500 Index. Bonds are represented by the Bloomberg U.S. Aggregate Bond Index.

You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. Please see the back of this presentation for index definitions and disclosures. **Past performance is not indicative of future returns. This market forecast is based on the latest forward-looking expectations from select fund partners and is not intended as a recommendation to invest in any particular asset class or strategy or as a promise — or even estimate — of future performance.**

Source: Morningstar, S&P, Bloomberg. Data as of March 31, 2024. 60/40 Portfolio Then = 60% S&P 500 TR + 40% Barclays US Aggregate Index; 60/40 (Next 10 years) = Average Equity and bond returns based on capital market expectations shown in the table. Core equity = US Equity, Core bonds = US aggregate bonds. **See Additional Information for more information.**

Capital market expectations	U.S. stocks	U.S. bonds
J.P. Morgan Asset Management	8.19%	5.19%
Goldman Sachs Asset Management	7.20%	4.30%
BlackRock	4.80%	4.00%
State Street	5.60%	4.10%
Average	**6.45%**	**4.40%**

What is this chart showing?

This chart shows the average historical return of a portfolio allocated to 60% equity and 40% bonds, compared to the projected 10-year future return of a similarly weighted portfolio based on the average of capital market expectations from several of our asset management partners.
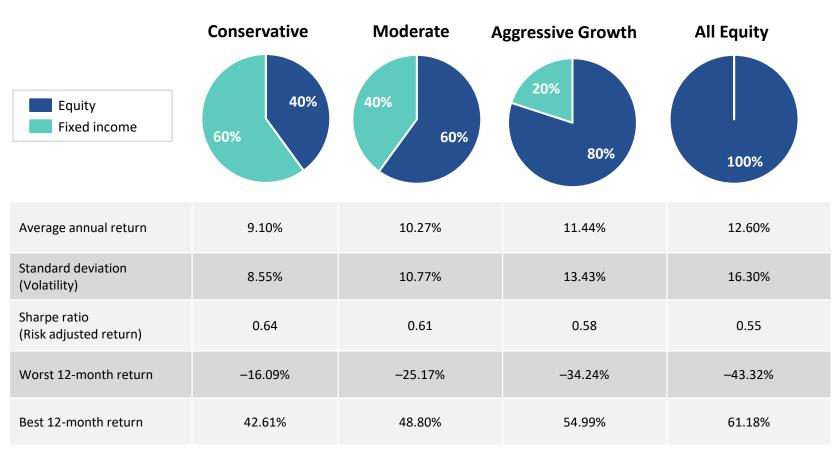
Why is it important?

Understanding what future returns may look like relative to the past can help inform investment decisions and be a valuable input for planning purposes.

The value of diversification

Conservative
- Equity: 40%
- Fixed income: 60%

Moderate
- Equity: 60%
- Fixed income: 40%

Aggressive Growth
- Equity: 80%
- Fixed income: 20%

All Equity
- Equity: 100%

Legend:
- Equity (dark blue)
- Fixed income (teal)

	Conservative	Moderate	Aggressive Growth	All Equity
Average annual return	9.10%	10.27%	11.44%	12.60%
Standard deviation (Volatility)	8.55%	10.77%	13.43%	16.30%
Sharpe ratio (Risk adjusted return)	0.64	0.61	0.58	0.55
Worst 12-month return	−16.09%	−25.17%	−34.24%	−43.32%
Best 12-month return	42.61%	48.80%	54.99%	61.18%

What is this chart showing?

This chart shows return, volatility, and risk-adjusted return statistics for four hypothetical portfolio mixes.

Why is it important?

Diversification, or investing in a variety of assets such as stocks and bonds, has historically helped reduce the overall risk of a portfolio and improve risk-adjusted returns over time.

Past performance is not indicative of future returns. Index performance is for illustrative purposes only. You cannot invest directly in the index.

Source: Morningstar. Data is based on 1-year rolling returns. Equity represented by the S&P 500 Total Return Index. Fixed Income represented by the Bloomberg U.S. Aggregate Bond Index. Data is from January 1976 to December 2023.

The diversification benefits of alternatives

J.P.Morgan
Asset Management

This chart shows how adding a diversified sleeve of alternatives (real estate, private equity and hedge funds) to traditional stock/bond portfolios can help manage risk and improve return.

Source: Bloomberg, Burgiss, HFRI, NCREIF, Standard & Poor's, FactSet, J.P. Morgan Asset Management. Alts include hedge funds, real estate, and private equity, with each receiving an equal weight. Portfolios are rebalanced at the start of the year. Equities are represented by the S&P 500 Total Return Index. Bonds are represented by the Bloomberg U.S. Aggregate Total Return Index. Data are based on availability as of February 29, 2023.

Alternatives and portfolio risk/return
Annualized volatility and returns, 1989 – 3Q23

Portfolio allocation	Volatility	Annualized returns
40 Equities/60 Bonds	6.8%	7.3%
60 Equities/40 Bonds	9.6%	8.3%
80 Equities/20 Bonds	12.7%	9.2%
30 Equities/40 Bonds/30 Alts.	6.5%	8.4%
40 Equities/30 Bonds/30 Alts.	7.9%	8.9%
50 Equities/20 Bonds/30 Alts.	9.5%	9.3%

Source: J.P. Morgan Asset Management, "Guide to Alternatives," 2024.

Fed pauses have paid off, even more than easing periods

BlackRock

This chart shows the average annualized total return of equities, bonds, and cash during the following periods of the Fed rate cycle: six months before the last rate hike, six months after the first rate cut, and the pause period between the last hike and first cut of the rate cycle.

During both the rate pause and first cut periods, equities and bonds have tended to outperform cash.

Average total return (annualized)

	6 months before last hike	Rate pause period	6 months after first cut
Equities	~7%	~21%	~14.5%
Bonds	~2%	~14.5%	~6.5%
Cash	~4.5%	~5%	~4%

■ Equities ■ Bonds ■ Cash

What's the real return on 12-month CDs?

HARTFORDFUNDS
Our benchmark is the investor.®

Twelve-month rates on certificates of deposit (CDs) were below 3% from 2008 to 2022 but have recently increased.

However, when taxes and inflation are factored in, 12-month CDs have provided negative real returns in 17 out of the last 20 years.

Inflation and taxes have had a significantly negative effect on CD return rates

Year	12-Month CD Yield (%)[1]	Taxes (%)[2]	Inflation (%)	Real Return After Taxes & Inflation (%)
2004	2.58	25	3.34	-1.41
2005	4.22	25	3.34	-0.18
2006	4.91	25	2.52	1.16
2007	4.43	25	4.11	-0.79
2008	2.65	25	-0.02	2.01
2009	1.44	25	2.81	-1.73
2010	0.96	25	1.44	-0.72
2011	0.77	25	3.06	-2.48
2012	0.69	25	1.76	-1.24
2013	0.67	25	1.51	-1.01
2014	0.70	25	0.65	-0.13
2015	0.62	25	0.64	-0.18
2016	0.59	25	2.05	-1.61
2017	0.80	25	2.10	-1.50
2018	1.29	22	1.92	-0.91
2019	1.14	22	2.26	-1.37
2020	0.39	22	1.28	-0.98
2021	0.28	22	7.10	-6.88
2022	2.35	22	6.42	-4.59
2023	5.32	22	3.40	0.75

Source: Hartford Funds, Bloomberg, FactSet. Past performance does not guarantee future results, 1/24.

Asset class returns

J.P.Morgan
Asset Management

This table shows the annual returns for a range of different asset classes across a 16-year time period. It has everything from stocks and bonds to commodities and cash. On the far left-hand side of the chart, we show both the annualized return and annualized volatility over the last 15 years for each asset class.

Cutting through the middle of the chart is a hypothetical diversified portfolio composed of different weights of these asset classes.

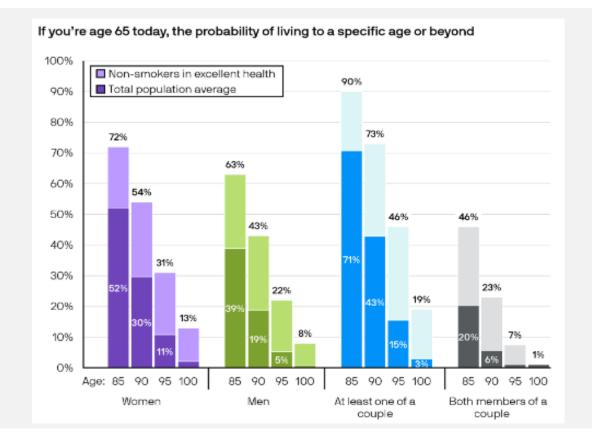| 2009-2023 Ann.	2009-2023 Vol.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Large Cap 14.0%	Small Cap 21.9%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 26.3%	Large Cap 10.6%
Small Cap 11.3%	REITs 21.2%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 18.9%	DM Equity 5.8%
REITs 10.9%	EM Equity 20.3%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Large Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Small Cap 16.9%	Small Cap 5.2%
High Yield 8.6%	DM Equity 18.4%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 14.1%	Asset Alloc. 4.2%
Asset Alloc. 8.1%	Comdty. 16.6%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 14.0%	Comdty. 2.2%
DM Equity 7.4%	Large Cap 16.1%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	REITs 11.4%	EM Equity 2.2%
EM Equity 6.9%	High Yield 11.5%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 10.3%	High Yield 2.1%
Fixed Income 2.7%	Asset Alloc. 11.5%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income 5.5%	Cash 1.3%
Cash 0.8%	Fixed Income 4.5%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	Fixed Income -0.8%
Comdty. -0.2%	Cash 0.7%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -7.9%	REITs -1.3%

Foundations

Life expectancy probabilities

J.P.Morgan
Asset Management

Life expectancies in the United States continue to increase as more people are living to older ages.

This chart shows the probability that 65-year-old men and women today will reach various ages. For a 65-year-old couple, there is nearly an even chance that one of them will live to age 90 or beyond.

Individuals should plan for living well beyond the average – to age 95 or even 100 – especially those in good health. Shown on the purple bars, half of women will make it at least to 85, and more than half of female nonsmokers in excellent health will pass age 90. Men are not that far behind, with 4 in 10 healthy nonsmoking men expected to surpass age 90.

If you're age 65 today, the probability of living to a specific age or beyond

Legend:
- Non-smokers in excellent health
- Total population average

Women (purple bars, Non-smokers / Total population average):
- Age 85: 72% / 52%
- Age 90: 54% / 30%
- Age 95: 31% / 11%
- Age 100: 13% / 2%

Men (green bars):
- Age 85: 63% / 39%
- Age 90: 43% / 19%
- Age 95: 22% / 5%
- Age 100: 8%

At least one of a couple (blue bars):
- Age 85: 90% / 71%
- Age 90: 73% / 43%
- Age 95: 46% / 15%
- Age 100: 19% / 3%

Both members of a couple (gray bars):
- Age 85: 46% / 20%
- Age 90: 23% / 6%
- Age 95: 7%
- Age 100: 1%

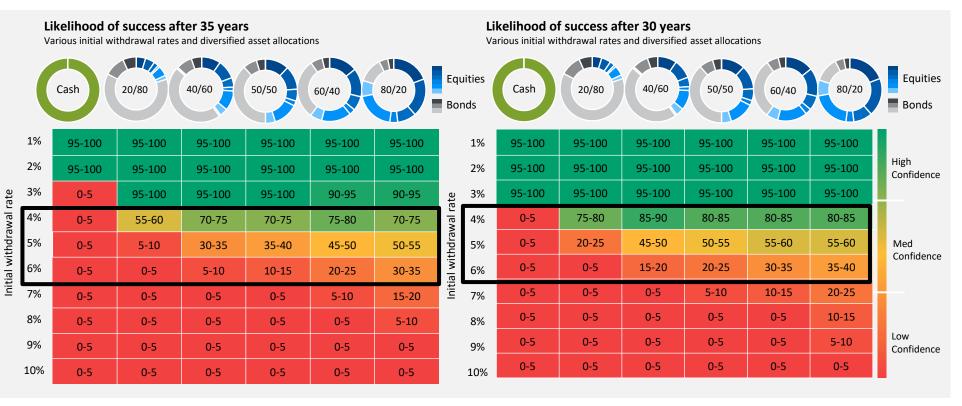Source: J.P. Morgan Asset Management, "Guide to Retirement," 2024.

Effect of withdrawal rates and portfolio allocations

J.P.Morgan
Asset Management

The table on the left shows the probability of systematic withdrawal rates ranging from 1–10% successfully lasting for 35 years given various diversified asset allocations.

The table on the right reflects the probability of success after 30 years.

Likelihood of success after 35 years
Various initial withdrawal rates and diversified asset allocations

Initial withdrawal rate	Cash	20/80	40/60	50/50	60/40	80/20
1%	95-100	95-100	95-100	95-100	95-100	95-100
2%	95-100	95-100	95-100	95-100	95-100	95-100
3%	0-5	95-100	95-100	95-100	90-95	90-95
4%	0-5	55-60	70-75	70-75	75-80	70-75
5%	0-5	5-10	30-35	35-40	45-50	50-55
6%	0-5	0-5	5-10	10-15	20-25	30-35
7%	0-5	0-5	0-5	0-5	5-10	15-20
8%	0-5	0-5	0-5	0-5	0-5	5-10
9%	0-5	0-5	0-5	0-5	0-5	0-5
10%	0-5	0-5	0-5	0-5	0-5	0-5

Equities
Bonds

Likelihood of success after 30 years
Various initial withdrawal rates and diversified asset allocations

Initial withdrawal rate	Cash	20/80	40/60	50/50	60/40	80/20
1%	95-100	95-100	95-100	95-100	95-100	95-100
2%	95-100	95-100	95-100	95-100	95-100	95-100
3%	95-100	95-100	95-100	95-100	95-100	95-100
4%	0-5	75-80	85-90	80-85	80-85	80-85
5%	0-5	20-25	45-50	50-55	55-60	55-60
6%	0-5	0-5	15-20	20-25	30-35	35-40
7%	0-5	0-5	0-5	5-10	10-15	20-25
8%	0-5	0-5	0-5	0-5	0-5	10-15
9%	0-5	0-5	0-5	0-5	0-5	5-10
10%	0-5	0-5	0-5	0-5	0-5	0-5

Equities
Bonds

High Confidence

Med Confidence

Low Confidence

Sequence of returns: A tale of two investors

Investor 1

- $500,000 investment
- 7.4% average annual return
- 4% withdrawals, increasing 3% each year
- Negative returns during early years
- Ran out of money in year 24
- Positive returns in later years were not enough to sustain income

Investor 2

- $500,000 investment
- 7.4% average annual return
- 4% withdrawals, increasing 3% each year
- Positive returns early in retirement
- Still had substantial cash value, even with negative returns in later years
- Will likely have a legacy to leave behind

Investor 1's portfolio

Year	Annual return	4% withdrawals	Year-end value
1	−11.36%	$20,000	$425,472
2	−0.10%	$20,600	$405,277
3	10.79%	$21,218	$425,499
4	15.63%	$21,855	$466,734
5	−17.37%	$22,510	$367,062
6	−29.72%	$23,185	$241,676
7	31.55%	$23,881	$286,510
8	19.15%	$24,597	$312,069
9	−11.50%	$25,335	$253,759
10	1.06%	$26,095	$230,077
11	12.31%	$26,878	$228,212
12	25.77%	$27,685	$252,203
13	−9.73%	$28,515	$201,923
14	14.76%	$29,371	$198,021
15	17.27%	$30,252	$196,743
16	1.40%	$31,159	$167,902
17	26.33%	$32,094	$171,566
18	14.62%	$33,057	$158,759
19	2.03%	$34,049	$127,242
20	12.40%	$35,070	$103,601
21	27.25%	$36,122	$85,867
22	−6.56%	$37,206	$45,469
23	26.31%	$38,322	$9,028
24	4.46%	$9,028	$0
25	7.06%	$0	$0

Investor 2's portfolio

Year	Annual return	4% withdrawals	Year-end value
1	7.06%	$20,000	$513,888
2	4.46%	$20,600	$515,289
3	26.31%	$21,218	$624,061
4	−6.56%	$21,855	$562,701
5	27.25%	$22,510	$687,393
6	12.40%	$23,185	$746,570
7	2.03%	$23,881	$737,359
8	14.62%	$24,597	$816,967
9	26.33%	$25,335	$1,000,069
10	1.40%	$26,095	$987,609
11	17.27%	$26,878	$1,126,649
12	14.76%	$27,685	$1,261,171
13	−9.73%	$28,515	$1,112,718
14	25.77%	$29,371	$1,362,527
15	12.31%	$30,252	$1,496,278
16	1.06%	$31,159	$1,480,649
17	−11.50%	$32,094	$1,281,971
18	19.15%	$33,057	$1,488,081
19	31.55%	$34,049	$1,912,779
20	−29.72%	$35,070	$1,319,654
21	−17.37%	$36,122	$1,060,582
22	15.63%	$37,206	$1,183,330
23	10.79%	$38,322	$1,268,554
24	−0.10%	$39,472	$1,230,312
25	−11.36%	$40,656	$1,054,511

Source: This hypothetical is for illustrative purposes only and does not reflect the performance of any product. Investor 1's portfolio is based on S&P 500 Index returns, price only (dividends not reinvested), from January 1, 1969, to December 31, 1993. Investor 2's portfolio is based on reversing the order of Investor 1's returns. Average annual return is a simple average of the yearly returns and does not account for cash flows. Indices are unmanaged and unavailable for direct investment. **Past performance does not indicate future results.**

Impact of being out of the market

Performance of $10,000 investment between January 1, 2004, and December 31, 2023.

	Invested entire period	Missed 10 best days	Missed 20 best days	Missed 30 best days
Cumulative Return	329.0%	96.7%	18.1%	−22.4%
Annualized Return	7.6%	3.4%	0.8%	−1.3%

What is this chart showing?

This chart shows how missing the best days in the market over the last 20 years would have impacted returns of an investment in the S&P 500 Index.

Why is it important?

Missing the best days can be costly, while avoiding the worst days can be beneficial. However, because the best days often follow the worst, it is nearly impossible to accurately time the market.

For this reason, simply staying the course is generally the best approach.

6 of the **best 10 days** happened within 10 trading days following <u>one of the worst 10 days.</u>

Source: Bloomberg, Lincoln Financial Group. Equity represented by the S&P 500 Price Return Index. Data is from January 1, 2004, to December 31, 2023. **Past performance is not indicative of future returns.** Index performance is for illustrative purposes only. You cannot invest directly in the index.

The power of a retirement paycheck

J.P.Morgan
Asset Management

When comparing households with similar total retirement wealth, those who are more heavily weighted to retirement income spend significantly more per year. Total retirement wealth includes investable assets plus the present value of retirement income sources like Social Security, pensions and annuities.
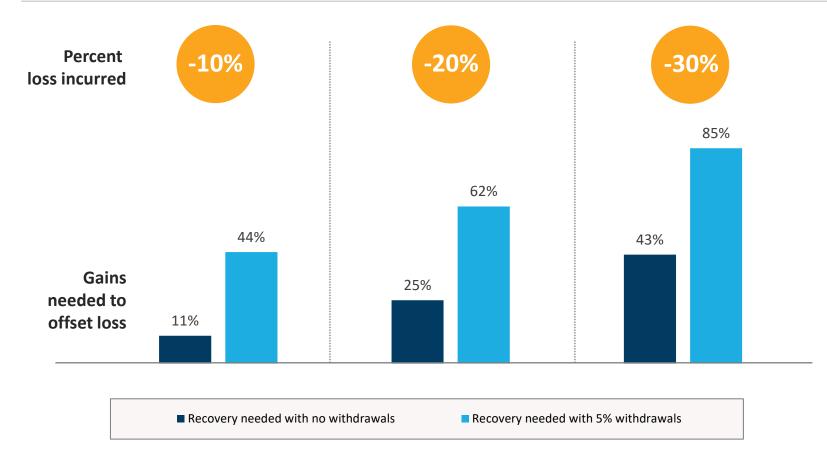
Source: Chase data including select Chase credit and debit card, electronic payment, ATM withdrawal and check transactions in 2022. Information that would have allowed identification of specific customers was removed prior to the analysis. Asset estimates for de-identified and aggregated households supplied by IXI/Equifax, Inc. *Total retirement wealth is the sum of investable wealth and the present value of observed retirement income sources including Social Security (inflated), pensions and annuities (both not inflated) until age 90. Inflation rate assumption is 2.5%. Observed retirement income sources are adjusted to pre-tax values to be consistent with investable wealth. The 40 – 60% retirement income percentile mean values: Total retirement wealth: $3.6M comprised of $1.9M of investable wealth and $1.7M of total retirement income (present value of $102K annual retirement income until age 90).

Spending levels: total retirement wealth* $3-5M

Spending based on level of retirement income ages 70-75
Median annual spending

Source: J.P. Morgan Asset Management, "Annuities Improve Outcomes," 2023.

Returns needed to recover from losses

Percent loss incurred

-10% -20% -30%

Gains needed to offset loss

-10%: 11% / 44%
-20%: 25% / 62%
-30%: 43% / 85%

■ Recovery needed with no withdrawals ■ Recovery needed with 5% withdrawals

What is this chart showing?

This chart shows the gains needed to recover from losses, both with and without distributions.

Why is it important?

Many investors underestimate the gains needed to recover from investment losses — especially when withdrawals are being taken.

Recouping losses always requires a larger percentage of gains than the loss itself to fully recover.
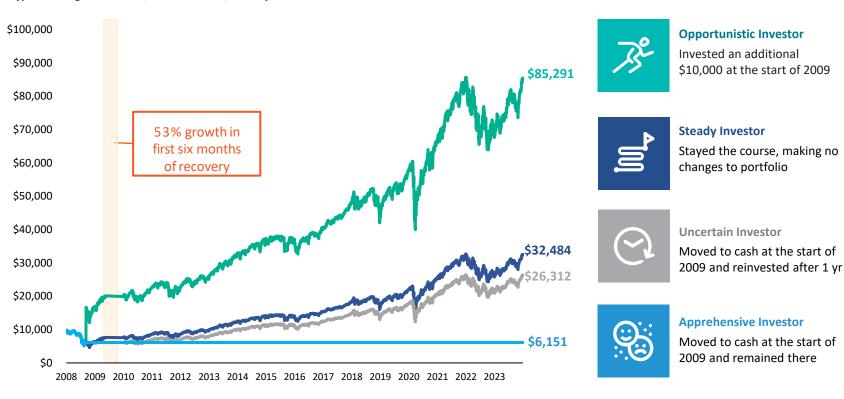
Source: Lincoln Financial Group.

The calculation of the cumulative gains required over five years with withdrawals includes the initial loss (−10%, −20%, −30%) and the continued 5% annual withdrawals from the portfolio. It does not include the impact of investment returns. This is a hypothetical example. No actual investment is being illustrated.

Your response to volatility matters

Four investor reactions to the 2008 Financial Crisis
Hypothetical growth of $10,000 investment, January 2008 to December 2023

53% growth in first six months of recovery

$85,291

$32,484

$26,312

$6,151

Opportunistic Investor
Invested an additional $10,000 at the start of 2009

Steady Investor
Stayed the course, making no changes to portfolio

Uncertain Investor
Moved to cash at the start of 2009 and reinvested after 1 yr

Apprehensive Investor
Moved to cash at the start of 2009 and remained there

What is this chart showing?

This chart shows how four different investors may have responded to the market volatility during the 2008 Financial Crisis.

Why is it important?

Investors can use this to help understand how different reactions to market volatility can impact their long-term outcomes.
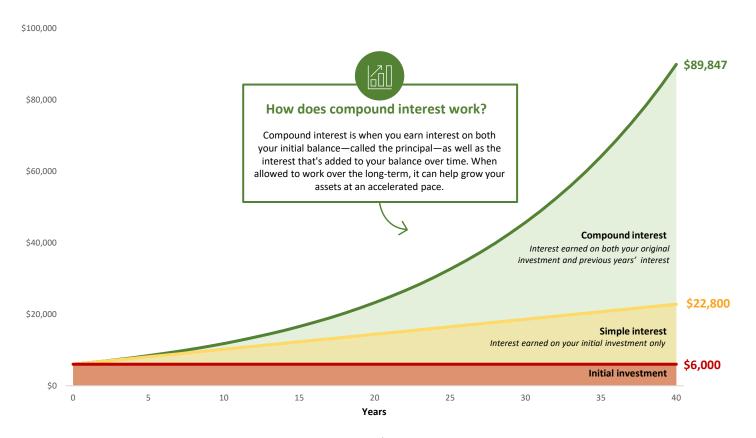
While the steady investor outperformed those who moved to cash, the opportunistic investor who invested an additional $10,000 during this period of market volatility had the most positive outcome of the group.

Source: Morningstar, Lincoln Financial Group. 1/1/2008 – 12/31/2023. S&P 500 Price Return Index used, which does not include dividends. Cash assumed to have a net yield of 0%. **Past performance is not indicative of future returns.** You cannot invest directly in an index. All indices are unmanaged and do not include fees or expenses. Please see the back of this presentation for index definitions and disclosures.

The power of compounding

Over time, compound interest can significantly boost the growth of your investments

How does compound interest work?

Compound interest is when you earn interest on both your initial balance—called the principal—as well as the interest that's added to your balance over time. When allowed to work over the long-term, it can help grow your assets at an accelerated pace.

$89,847

Compound interest
Interest earned on both your original investment and previous years' interest

$22,800

Simple interest
Interest earned on your initial investment only

$6,000

Initial investment

Years

What is this chart showing?

This chart shows the power of allowing investments to compound over time.

Why is it important?

Staying the course over the long-term in a diversified portfolio has historically been a hallmark of successful investors. One of the biggest reasons for this is it allows them to benefit from compound interest over time.

For example, a one-time investment of $6,000 compounded at 7% annually would grow to nearly $90,000 after 40 years.

However, due to the power of compound interest, more than half of that growth occurred in the last 10 years alone.
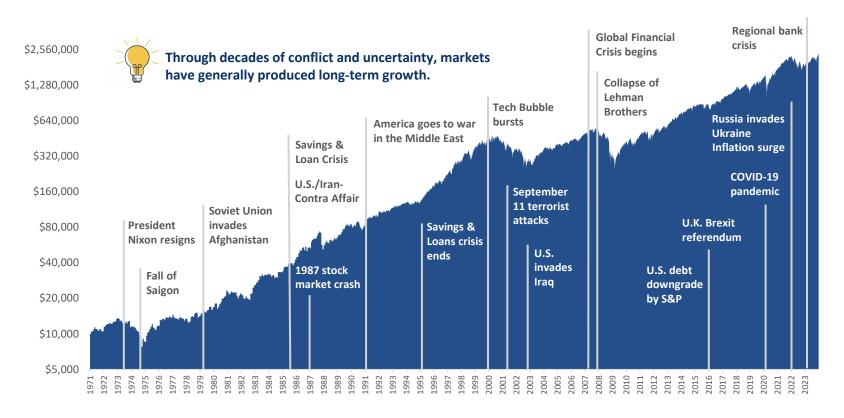
Much like a snowball rolling down a snowy hill will collect more snow with each turn, earning interest on the interest earned in previous years can lead to exponential growth if left undisturbed over time.

Source: Morningstar. This hypothetical example assumes the following: (1) an initial $6,000 contribution and no additional contributions; (2) An annual rate of return of 7% that accrues as simple and compound interest. (3) The ending values do not reflect taxes, fees, inflation, or withdrawals. If they did, amounts would be lower. This example is for illustrative purposes only and does not represent the performance of any security. Consider your current and anticipated investment horizon when making an investment decision, as the illustration may not reflect this. The assumed rate of return used in this example is not guaranteed. Investments that have potential for 7% annual rate of return also come with risk of loss.

Market resiliency

Growth of $10,000, S&P 500 (1971 – 2023)

💡 **Through decades of conflict and uncertainty, markets have generally produced long-term growth.**

Chart annotations (left to right):
- Fall of Saigon
- President Nixon resigns
- Soviet Union invades Afghanistan
- U.S./Iran-Contra Affair
- Savings & Loan Crisis
- 1987 stock market crash
- America goes to war in the Middle East
- Savings & Loans crisis ends
- Tech Bubble bursts
- September 11 terrorist attacks
- U.S. invades Iraq
- Global Financial Crisis begins
- Collapse of Lehman Brothers
- U.S. debt downgrade by S&P
- U.K. Brexit referendum
- Regional bank crisis
- Russia invades Ukraine / Inflation surge
- COVID-19 pandemic

Y-axis (logarithmic): $5,000 / $10,000 / $20,000 / $40,000 / $80,000 / $160,000 / $320,000 / $640,000 / $1,280,000 / $2,560,000

X-axis: 1971 through 2023

What is this chart showing?

This chart shows that $10,000 invested in the S&P 500 Index from January 1, 1971, to December 31, 2023, grew to over $2.3 million throughout various crisis events. This equates to an annualized return of more than 10.5%.

Why is it important?

Market volatility has always been a source of concern for investors — whether it's caused by geopolitical events, pandemics, inflation, interest rates or other economic conditions.

It's important to remember that while current events may feel unprecedented to us, markets have seen and tackled these types of challenges before — and are poised to do so again.

Source: Morningstar, S&P 500 Total Return Index, January 1, 1971, through December 31, 2023. Scale is logarithmic. **Past performance is no guarantee of future results.** This chart is for illustrative purposes only and not indicative of any actual investment. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Stocks are not guaranteed and have been more volatile than the other asset classes. These returns were the result of certain market factors and events which may not be repeated in the future. The information presented is not intended to constitute an investment recommendation for, or advice to, any specific person. Data as of December 29, 2023

Despite the headlines...it's always a good time to invest for the long term

Year	Worrisome event	Cumulative Returns[1]
2000	Tech wreck; bubble bursts	**410.9%**
2001	September 11	**462.1%**
2002	Dot-com bubble; market down -49%	**537.9%**
2003	War on Terror – U.S. invades Iraq	**718.9%**
2004	Boxing Day Tsunami kills 225,000+ in Southeast Asia	**536.4%**
2005	Hurricane Katrina	**473.9%**
2006	Not a bad year, but Pluto demoted from planet status	**447.0%**
2007	Subprime meltdown	**372.4%**
2008	Global Financial Crisis; bank failures	**347.8%**
2009	GFC; market down −56%; depths of despair	**610.8%**
2010	Flash crash; BP oil spill; QE1 ends	**462.1%**
2011	S&P downgrades U.S. debt; 50% write-down of Greek debt	**388.5%**

Year	Worrisome event	Cumulative Returns[1]
2012	Second Greek bailout; existential threat to Euro	**378.4%**
2013	Taper Tantrum	**312.4%**
2014	Ebola epidemic; Russia annexes Crimea	**211.5%**
2015	Global deflation scare; China FX devaluation	**174.0%**
2016	Brexit vote; U.S. election	**170.3%**
2017	Fed rate hikes; North Korea tensions	**141.4%**
2018	Trade war; February inflation scare	**98.1%**
2019	Trade war; impeachment inquiry, global growth slowdown	**107.2%**
2020	Covid-19 pandemic; U.S. presidential election	**57.6%**
2021	Omicron variant, China regulatory crackdown	**33.1%**
2022	Russia invasion of Ukraine, inflation hits 40-year high	**3.4%**
2023	Fed rate hikes; bank failures, recession concerns	**26.3%**

What is this chart showing?

This chart shows annual worrisome events, along with the cumulative returns from the beginning of each year through 2023.

Why is it important?

It always feels like there are compelling reasons not to invest. This is just a sampling of worrying headlines over the past two decades.

Bad news may make short-term waves, but over time, those waves tend to smooth out and not disturb the long-term trajectory of markets.

Time in the market, not timing the market

Rolling returns, range of outcomes (1976 – 2023)

What is this chart showing?

This chart shows rolling returns of the S&P 500 Index, as well as an 80/20 and 60/40 portfolio of U.S. stocks and core bonds over 1-, 5-, 10-, 15-, 20-, 25- and 30-year periods.

Why is it important?

While returns can be volatile over short periods of time, staying the course over the long term in a balanced portfolio can help shrink the range of potential investment outcomes.

Source: Morningstar. 80/20 portfolio = 80% S&P 500 TR and 20% Bloomberg U.S. Aggregate Bond Index TR. 60/40 portfolio = 60% S&P 500 TR and 40% Bloomberg U.S. Aggregate Bond Index TR.

Rolling returns are annualized on a 5, 10-, 15-, 20-, 25- and 30-year basis. Using monthly S&P 500 Total Return and Bloomberg U.S. Aggregate Bond Index data starting in January of 1976, summary return statistics were calculated based on the total number of rolling return periods existing for each given period of time with a one-month step. For each rolling return period, a range of returns (maximum and minimum) as well as the average return has been calculated to provide a historical reference for how equities and balanced portfolios have performed. Returns >1yr annualized. **Past performance is not indicative of future returns.**

Historical income tax rates

Top marginal individual federal tax rate

Median: 54%

94%

7%

37%
Current rate

What is this chart showing?

This chart shows the historical top marginal individual federal tax rate over time, along with the long-term median.

Why is it important?

Today's income tax rates, especially for those in the top individual bracket, are relatively low compared to the median over the last 100+ years.
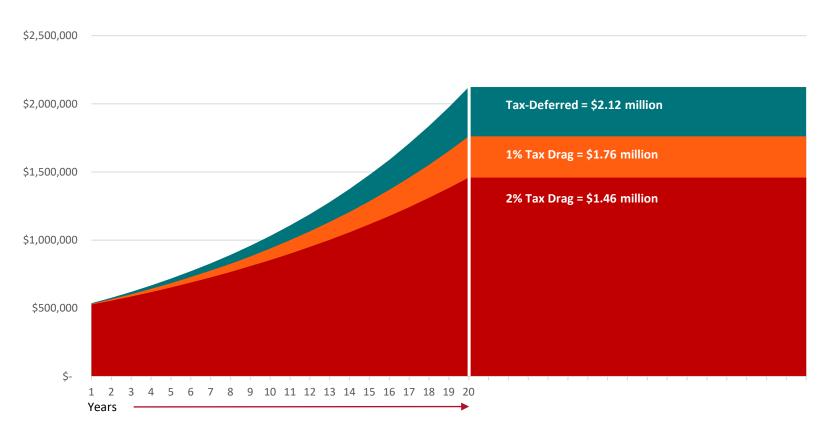
Investors may benefit from working with a tax expert to determine the most effective and appropriate tax planning strategies to meet their long-term goals.

Source: Federal Reserve Bank of St. Louis U.S. Individual Income Tax: Tax Rates for Regular Tax: Highest Bracket, Percent, Annual, Not Seasonally Adjusted for 1913-2018. Taxfoundation.org for years 2019-2024.

The benefits of tax deferral

Hypothetical growth of $500,000 over 20 years at 7.5% per year, with 0%, 1% and 2% tax drag scenarios.

Chart y-axis: $2,500,000 / $2,000,000 / $1,500,000 / $1,000,000 / $500,000 / $-

Labels within chart:
- Tax-Deferred = $2.12 million
- 1% Tax Drag = $1.76 million
- 2% Tax Drag = $1.46 million

X-axis: Years 1 through 20

US Equity	International Equity	Fixed Income
1.5% Lost to taxes each year[1]	**1.2%** Lost to taxes each year[1]	**1.4%** Lost to taxes each year[1]

Every dollar paid in taxes is a dollar less invested for your long-term goals.

What is this chart showing?

This chart shows the financial impact that taxes can have on a portfolio over an extended period of time.

Why is it important?

Taxes can have a meaningful impact on the long-term growth of portfolios. Because of this, investors often benefit from considering strategies designed to improve their after-tax returns.

Note: This illustration is for hypothetical purposes only and may not represent an actual experience. Tax drag represents the reduction in portfolio returns due to taxes paid on distributions (stock dividends, bond dividends and capital gains). [1]Average 5yr tax cost ratio as of 3/31/24 for U.S. funds within the Morningstar categories of U.S. equity, international equity, and taxable bond. Source: Morningstar. Assumes that distributions are taxed at the highest federal tax-rate prevailing for each type of distribution, and the appropriate current or historical federal tax rate is applied to each distribution date. State and local taxes are ignored, as are the effects of AMT, exemptions, phase-out credits, or any individual specific issues.
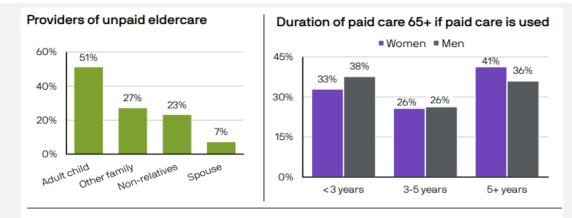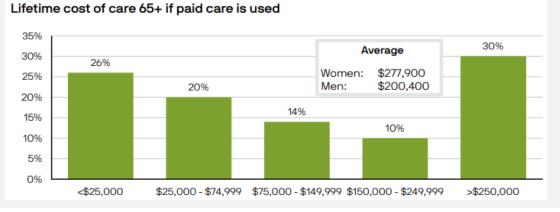
Long-term care planning

J.P.Morgan
Asset Management

Family members and friends often provide unpaid eldercare – but it typically falls on adult children.

Duration of paid care varies, but when used, 36% of men and 41% of women need it for five years or more. The lifetime cost of care averages $277,900 for women and $200,400 for men, although there is a wide range of outcomes.

A care plan may help individuals avoid burdening others, ensure their family understands their wishes, and allow them to have more control over their care.

Providers of unpaid eldercare

Adult child	51%
Other family	27%
Non-relatives	23%
Spouse	7%

Duration of paid care 65+ if paid care is used

■ Women ■ Men

	Women	Men
< 3 years	33%	38%
3-5 years	26%	26%
5+ years	41%	36%

Lifetime cost of care 65+ if paid care is used

Average	
Women:	$277,900
Men:	$200,400

<$25,000	26%
$25,000 - $74,999	20%
$75,000 - $149,999	14%
$150,000 - $249,999	10%
>$250,000	30%

Source: Long-term care includes needing help with two or more activities of daily living such as eating, dressing, bathing, transferring, and toileting or severe cognitive impairment. Average of cost is in 2020 dollars and includes all payors.
Source: U.S. Department of Health and Human Services, *APSE* Brief, August 2022, "Long-term Services and Supports for Older Americans," Risks and Financing, 2022; "Retirement Security, Some Parental and Spousal Caregivers Face Financial Risk," May 2019, Figure 1. Latest data available as of December 31, 2022.

Source: J.P. Morgan Asset Management, "Guide to Retirement," 2023.

Additional information

Index Descriptions

S&P 500 Index is a market-cap weighted index that measures the performance of 500 widely held large capitalization stocks in the U.S. equity market. It is regarded as the best gauge of the U.S. equity market.

Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. It is a subset of the Russell 3000.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that measures equity market performance in large and mid cap representation across 27 emerging market countries.

MSCI EAFE Index is a free float-adjusted equity index that captures large and mid cap representation across 21 developed market countries, excluding the U.S. and Canada.

MSCI All Country World Index (ACWI) is a free float-adjusted market capitalization index that captures large and mid cap representation across 23 developed markets and 27 emerging market countries.

Bloomberg Commodity Total Return Index is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13-week (3-month) U.S. Treasury bills.

Bloomberg Barclays Global High Yield Index is a multicurrency flagship measure of the global high yield debt market. The index represents the union of the U.S. High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices.

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS, ABS and CMBS.

The FTSE Nareit All Equity REITs Index is a free float-adjusted market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The Bloomberg Barclays U.S. Treasury Bills 1–3 Month Index includes all publicly issued zero coupon U.S. Treasury bills that have a remaining maturity of less than three months and at least one month, are rated investment-grade, are U.S.-dollar denominated, nonconvertible, and have $300 million or more of outstanding face value.

University of Michigan (UoM) Inflation Expectations measures the percentage that consumers expect the price of goods and services to change during the next 12 months.

Capital Market Expectations

- BlackRock: https://www.blackrock.com/institutions/en-us/insights/charts/capital-market-assumptions, as of February 2024. 10-year return time period.

- J.P. Morgan Asset Management, 2024 Long Term Capital Market Assumptions: https://am.jpmorgan.com/us/en/asset-management/adv/insights/portfolio-insights/ltcma/.

- StateStreet: https://www.ssga.com/us/en/intermediary/ic/insights/long-term-asset-class-forecasts-q2-2023, as of May 2023. 10+ year return time period.

- Goldman Sachs: Goldman Sachs: US Q4 2023 Multi-Asset Solutions (MAS) Team Strategic Long-Term Assumptions. 10-year return time period, as of December 31, 2023. https://visit.lfg.com/GSMAS

Sources and Methodology for Economic Dashboard

- CEO Confidence via. The Conference Board. The Conference Board Measure of CEO Confidence™ is a barometer of the health of the U.S. economy from the perspective of U.S. chief executives. The Measure of CEO Confidence™ is based on CEOs' perceptions of current and expected business and industry conditions. The survey also gauges CEOs' expectations about future actions their companies plan on taking in four key areas: capital spending, employment, recruiting, and wages. A reading below 40 indicates that CEOs maintain a negative outlook regarding what's ahead for the economy. A measure in the range of 40–50 indicates that CEOs maintain a cautious outlook regarding what's ahead for the economy. A reading above 50 indicates that CEOs maintain a positive outlook regarding what's ahead for the economy.

- Inflation: Based on the 3-month moving average trend (last 3 observations) in headline CPI as of Feb. 2024 via. the U.S. Bureau of Labor Statistics. 2024 expectations based on PCE inflation median projection from the Mar. 2024 FOMC Summary of Economic Projections.

- Economic Growth: Based on 3-quarter trend in U.S. GDP (percent change seasonally adjusted annual rate as of Q4 2023) via. the U.S. Bureau of Economic Analysis. 2024 expectations based on median projection from the Mar. 2023 FOMC Summary of Economic Projections.

- Labor market: Based on the 3-month moving average trend (last 3 observations) in total nonfarm job additions and the 3-month moving average trend (last 3 observations) in unemployment rate via. the U.S. Bureau of Labor Statistics as of data available on Mar, 2024.

- Consumer finances: Household debt service payments as a percent of disposable personal income as of Q4 2023 via. The Board of Governors of the Federal Reserve System. Pre-pandemic level defined as ratio value in Q1 2020. Credit card delinquencies as of Q4 2023 and based on 3-quarter trend in delinquency rate on credit card loans, all commercial banks via. the Board of Governors of the Federal Reserve System.

- Retail spending: Based on the 3-month moving average trend (last 3 observations) in year-over-year retail sales growth as of Feb. 2024 via the U.S. Census Bureau, and the 3-month moving average trend (last 3 observations) in consumer confidence as measured by the Conference Board Consumer Confidence Index as of Mar. 2024.

Economic and Market Indicators

- Consumer sentiment based on month-end data, starting in Jan. 1978 to March 2024. +/- 1 std. deviation of historical value range from 98.16% to 71.71%.

- Economic expansion (CQOQ Index) based on QOQ % change data of quarterly data, starting in June 1947 to December 2023. +/- 1 std. deviation of historical value range from 7.75% to –1.38%.

- Inflation (CPI) based on YOY % change of monthly CPI seasonally adjusted data, starting in Jan. 1947 to February 2024. +/- 1 std. deviation of historical value range from 7.02% to 0.46%.

- Market volatility (VIX) based on average daily closing values for the month of the CBOE VIX index from Jan. 1990 to March 2024. +/- 1 std. deviation of historical value range from 25.55% to 11.20%.

- Unemployment based on month-end data, starting in Jan. 1948 to February 2024. +/- 1 std. deviation of historical value range from 7.41% to 3.99%.

- 10Y U.S. Treasury yield based on daily data, starting in Jan. 1962 to March 2024. +/- 1 std. deviation of historical value range from 8.83% to 2.89%.

Disclosures

The S&P 500® Price Return Index tracks the stock performance of 500 large U.S. companies. This is a product of S&P Dow Jones Indices LLC, a division of S&P Global, or its affiliates ("SPDJI"), and has been licensed for use by The Lincoln National Life Insurance Company. Standard & Poor's®, S&P® and S&P 500® are registered trademarks of Standard & Poor's Financial Services LLC, a division of S&P Global ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by The Lincoln National Life Insurance Company.

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