WESTEND Advisors

A VICTORY CAPITAL® INVESTMENT FRANCHISE

Macroeconomic Highlights

Q1 2025

20250106-4133637

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WestEnd Outlook Highlights

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- We believe the U.S. should maintain slow-to-moderate late-cycle growth in 2025, but elevated market valuations, along with uncertainty over monetary, fiscal, and trade policy also warrant consideration. We see earnings growth as a driver of positive U.S. equity returns this year, while a steepening yield curve could weigh on equity valuations and limit upside to fixed income returns absent an unexpected economic downturn as the Fed pursues a moderate pace of rate cuts.
  - The U.S. consumer remains on solid footing, partly due to continued income growth and gains in household wealth, but has limited capacity to accelerate spending from here, in our view, as labor demand appears to be slowing and the savings rate remains low.
  - The Republican sweep in November's election presents some potential policy headwinds to growth, such as widespread tariffs or shifts in immigration policy, but we believe the balance of fundamental policy and sentiment impacts on the economy is likely to skew in favor of continued growth in the near term.
  - We believe the Fed has flexibility to continue easing, but the expected pace of cuts suggests monetary policy will remain moderately restrictive in the near-term, which further argues for an extension of late-cycle economic growth rather than a material reacceleration of growth in the near-term.
- Internationally, most major economies still face late-cycle challenges, in addition to risks from potential U.S. tariffs and dollar strength. China continues to face deleveraging headwinds while Europe also faces political uncertainty and slowing employment gains. Japan is an outlier, in our view, with positive growth trends and relatively loose monetary policy.
- We continue to position portfolios for the later stages of the economic cycle and in view of current risks and opportunities:
  - In U.S. large-cap equity allocations:
    - We are avoiding several of the most cyclical early-phase sectors, but are overweight of Financials, which we see benefitting from continued economic growth, a steeper yield curve, and growth in capital markets activity.
    - We maintain a significant-but-underweight exposure to mid-phase sectors in aggregate, where valuations present risk, in our view, if financial results undershoot lofty investor expectations or the near-term benefits of AI underwhelm.
    - We also maintain material late-phase, defensive Health Care and Consumer Staples exposure that we expect can outperform as growth slows.
  - In global portfolios, we are underweight Europe, where we do not expect recent rate cuts to provide an immediate boost to growth, and emerging markets, including China, where headwinds persist and our analysis suggests its stimulus will have limited near-term impact on growth. We retain an overweight of developed Asia, where we see Japan's relatively stimulative monetary policy and defensive characteristics as attractive.
  - In balanced portfolios:
    - We have eliminated an overweight of fixed income in traditional balanced portfolios, as the potential for continued late-cycle economic growth and upside risk to longer-term interest rates has made the risk/return profile we see for bonds at this point in the cycle less attractive.
    - Within fixed income allocations, we have reduced average duration (interest rate sensitivity) by reducing intermediate and longer-term Treasury exposure, and we are focusing corporate exposure in shorter maturities, as widening credit spreads could put longer-term corporate bonds at greater risk.

U.S. Equity Sector Allocations

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WESTEND ETF STRATEGIES

Current large-cap U.S. equity sector allocation and avoidance*

Sector Allocations

- Financials
- Health Care
- Consumer Staples
- Communication Services
- Consumer Discretionary
- Information Technology

Sector Avoidance

- Energy
- Industrials
- Materials
- Real Estate
- Utilities

** For illustrative purposes only. Allocation information as of December 31, 2024. Source: WestEnd Advisors.*

International Equity and Fixed Income Allocations

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WESTEND GLOBAL ETF STRATEGIES

Current regional equity allocation positioning in global portfolios*

Regional Equity Overweights

- U.S.A.
- Japan/Developed Asia

Regional Equity Underweights

- Europe
- Emerging Markets

WESTEND BALANCED ETF STRATEGIES

Current fixed income and asset class positioning in balanced portfolios*

Fixed Income Overweights

- Short-term Corporate Credit
- Longer-Term Treasury Securities

Fixed Income Underweights

- Short-term Treasury Securities
- Long-term Corporate Credit

** For illustrative purposes only. Allocation information as of December 31, 2024. Source: WestEnd Advisors.*

U.S. Economic & Market Backdrop

Economic Tailwinds to Shift in 2025

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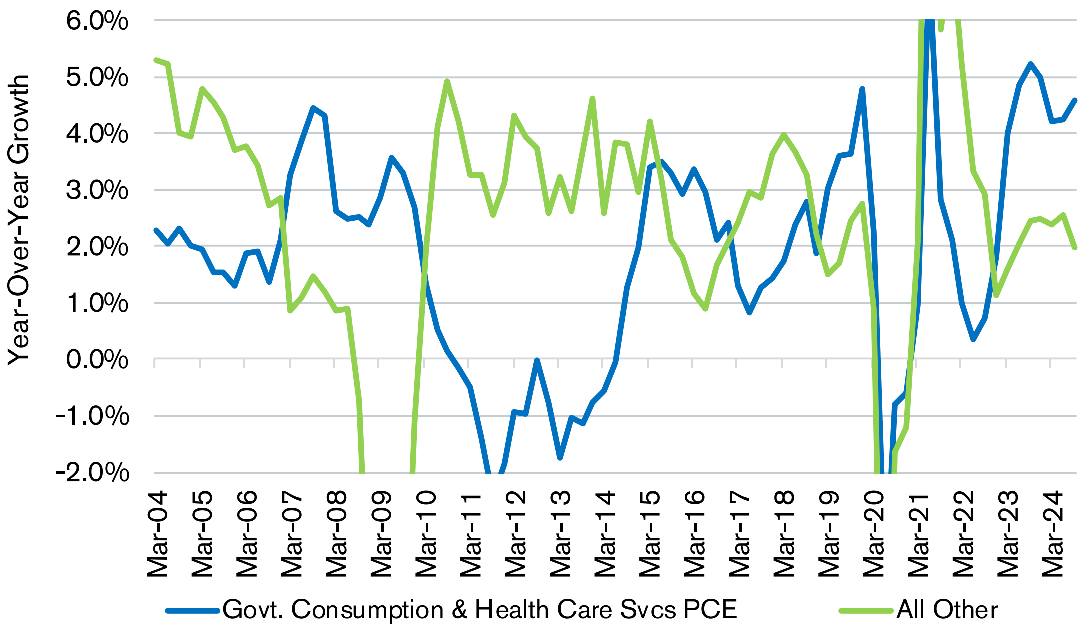
STRENGTH IN GDP HAS BEEN NARROW



Source: BEA, WestEnd Advisors

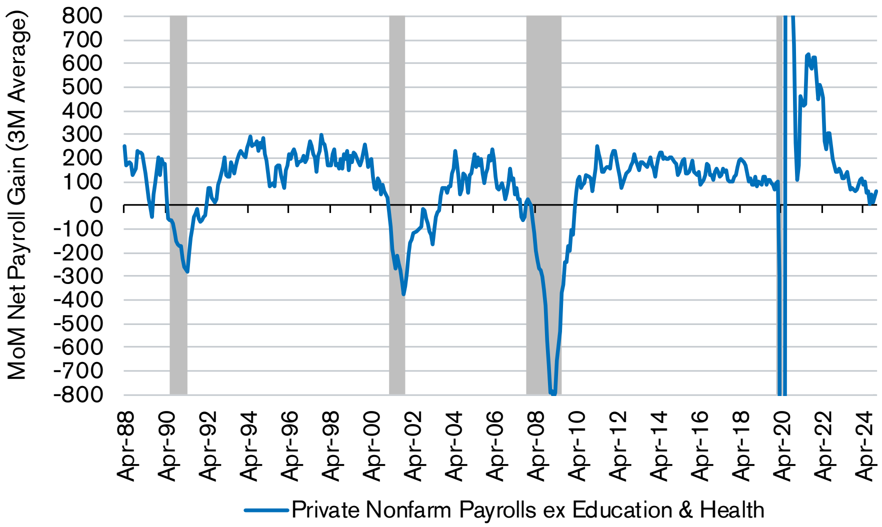
Portfolio Impact: A lower probability of *improving* economic fundamentals points to a potential return to below-trend economic growth which warrants an avoidance of highly cyclical sectors like Energy, Materials, and Industrials, in our view. We continue to emphasize market segments that we believe present strong growth opportunities like Communication Services and Capital Markets as well as sectors with defensive characteristics (Health Care and Consumer Staples) given late-cycle dynamics.

Higher interest rates have assisted in slowing the labor market and inflation, even as real GDP has continued to grow at a healthy pace. Under the surface, government consumption and spending on health care services has contributed ~50% of growth over the past year, despite accounting for less than 30% of the economy. Growth for all other sectors has been noticeably slower (see chart).

Looking ahead, we see little reason to expect a sustained reacceleration of growth in the near term. Interest rate cuts by the Fed typically take time to flow into the real economy, and labor demand has decelerated in recent quarters. As such, we expect that personal income and consumption growth could slow from the healthy pace seen in 2024. We believe late-cycle conditions remain in place, and do not expect growth to improve in 2025.

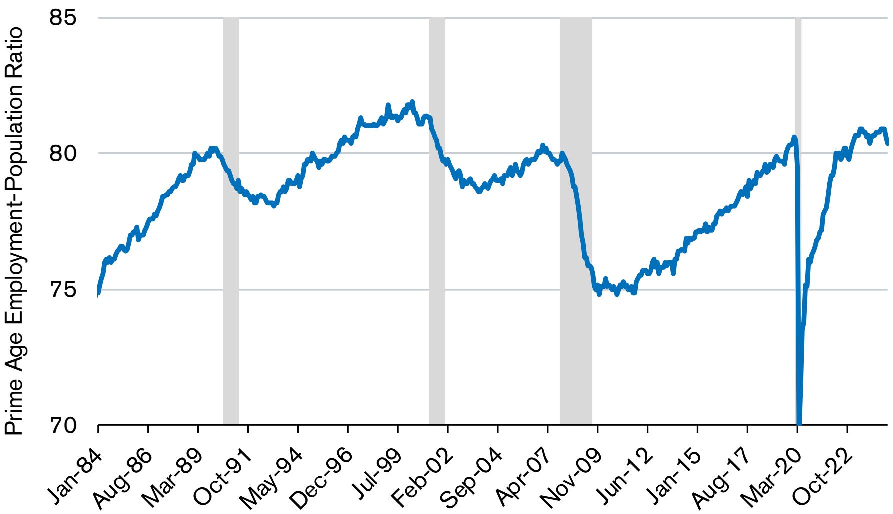
Modest Labor Demand Still Apparent

PAYROLL SLOWDOWN HAS YET TO STABILIZE



Source: BLS, WestEnd Advisors

LABOR MARKET CONDITIONS LOOK LATE CYCLE



Source: BLS, Bloomberg, WestEnd Advisors

Portfolio Impact: Softening employment trends, which have been percolating under the surface for a number of quarters, have become more visible in the labor market data. We believe the trajectory of hiring demand relative to layoffs is likely to be a key determinant of whether the U.S. economy is able to sustain a soft landing.

The three-month average of nonfarm payroll gains has slowed from 267k at the end of Q1 2024 to 159k as of the latest Employment Situation report.

Throughout 2024, payroll growth was narrow, and the concurrent slowdown deserves attention. A swift softening of payrolls has been a common trait of prior recessions. However, those prior periods usually have job losses as a contributor to the payroll slowdown. Today, layoffs are very low, which is encouraging.

Nonetheless, the labor market is one of the largest drivers of broad economic growth, and we believe slow hiring is a late-cycle phenomenon. At current levels, the employment-to-population ratio shows job gains may provide limited fuel for growth going forward.

Consumption Has Been Supported by Wealth Gains

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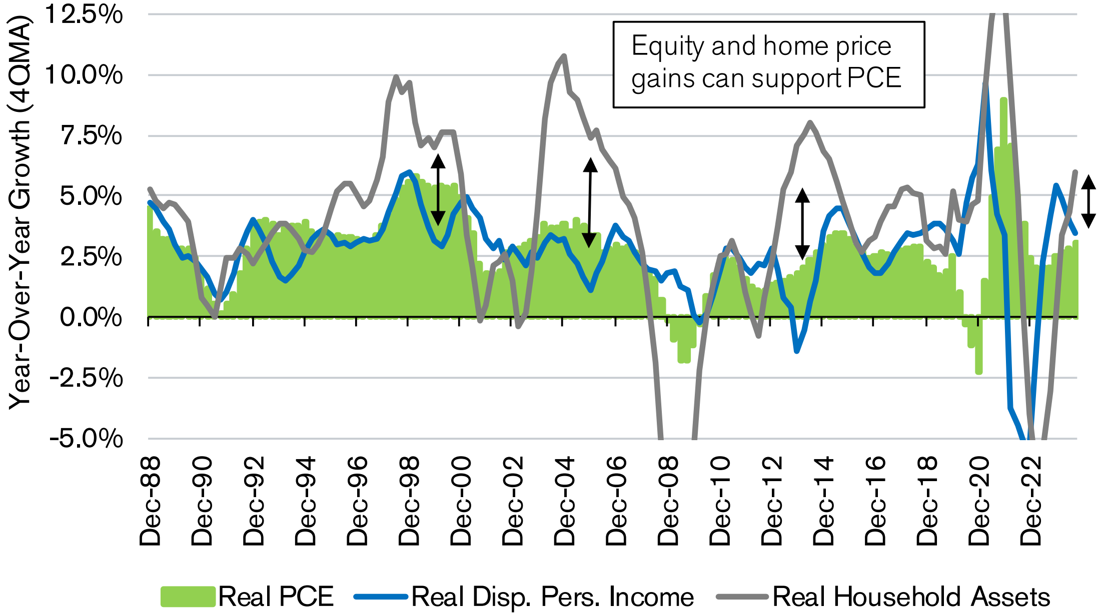
WEALTH GAINS CAN SUPPORT CONSUMER SPENDING



Source: BEA, Federal Reserve, WestEnd Advisors

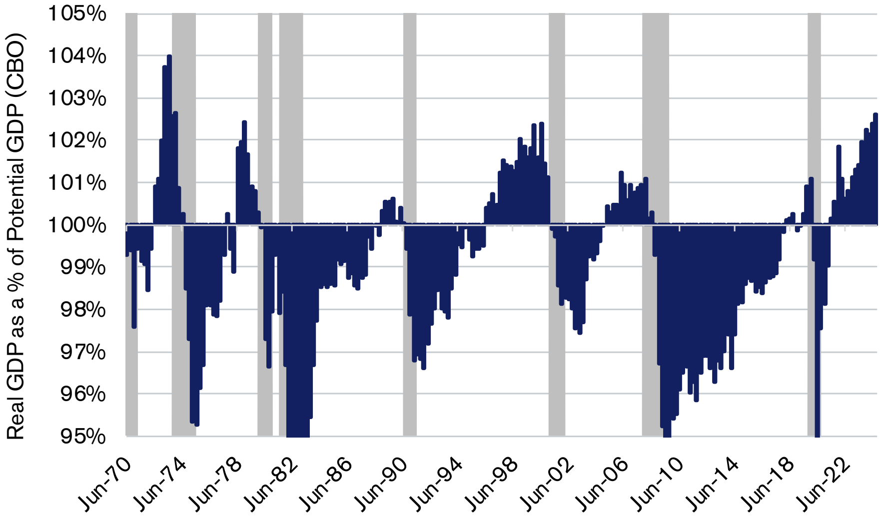
Portfolio Impact: Wealth gains have supported consumer spending over the past year, even as income growth has moderated. With hiring softening, we believe balanced exposure to the consumer is necessary. Consumer Discretionary companies could capitalize on a pick-up in goods spending, while Consumer Staples companies should benefit if household spending patterns rotate toward more essential items.

Growth in real consumer spending has remained healthy in recent quarters, even as real disposable income growth has slowed. Gains in household net worth, driven by appreciating home and equity prices, have lifted consumer confidence and enabled households to drive down the savings rate and continue to spend.

As the chart above shows, wealth gains have at times bolstered consumption in the past during periods of slowing income growth. However, we see limited capacity for consumption growth to *accelerate* sustainably from here, due to lower savings, decelerating income and employment growth, and equity gains that we believe are likely to slow moving forward.

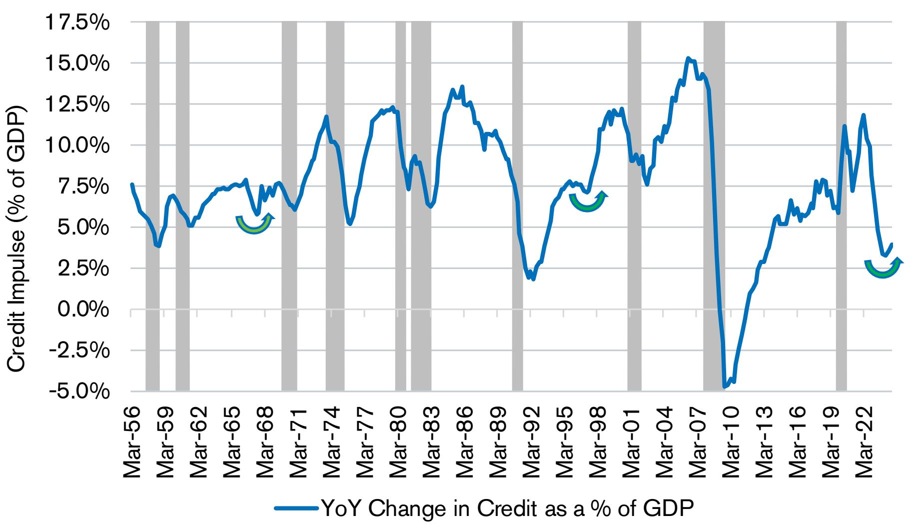
Economic Cycle is Mature, But Credit Growth Offers Support

GDP OUTPACING POTENTIAL



Source: CBO, Federal Reserve, WestEnd Advisors

CREDIT IMPULSE TURNING HIGHER



Source: BEA, Federal Reserve, WestEnd Advisors

Portfolio Impact: Ongoing late-cycle risks to the economy in the U.S. warrant an avoidance of highly cyclical sectors, in our view. At the same time, improving credit conditions and the absence of extreme excesses could enable the economic cycle to tread along. In our portfolios, we have balanced our exposure between traditionally defensive sectors, like Health Care, with sectors that can benefit from a continuation of the cycle, such as Financials.

We continue to see late-cycle conditions for the U.S. economy, such as a tight labor market, restrictive monetary policy, and above-potential GDP (a positive "output gap").

The output gap's swift rebound from COVID-19 (top chart) suggests that the progression of the economic cycle has been rapid. A positive output gap is a sign that GDP has grown faster than its long-run potential, which is typically a late-cycle phenomenon.

With employment growth slowing, other drivers are needed to keep economic growth at healthy levels. Improved productivity (a 1990s phenomenon) and/or renewed credit growth (bottom chart) could help extend the cycle.

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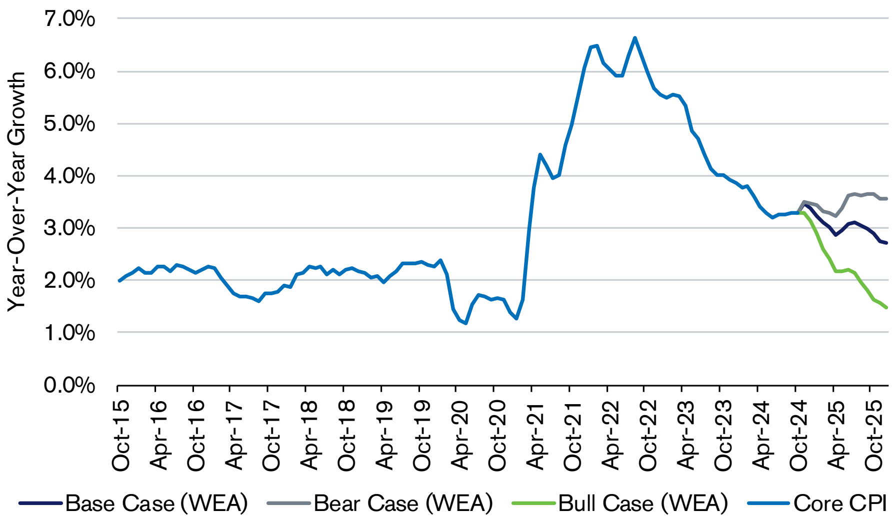
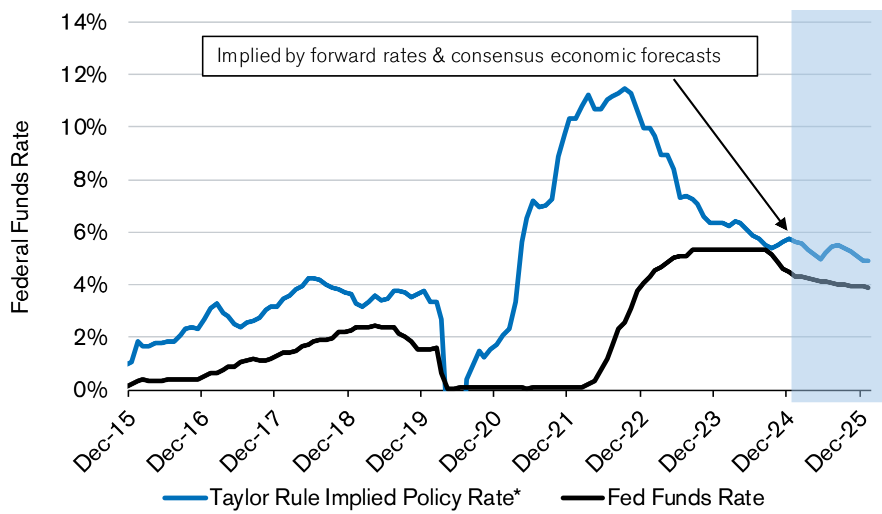
Path Ahead For Rates: Inflation Outlook is Key

INFLATION BIASED LOWER, BUT OUTCOMES VARY WIDELY



Source: Bloomberg, WestEnd Advisors

INFLATION & UNEMPLOYMENT TO DRIVE FED DECISIONS



** Calculation based on output gap, unemployment gap, headline and core inflation, and an average of neutral rate estimates.*

Source: BLS, Census Bureau, Bloomberg, WestEnd Advisors

Portfolio Impact: Lower inflation will provide further Fed flexibility, particularly in response to further labor market softening. However, upside risks to inflation are more prevalent than a year ago. We are maintaining a significant allocation to the long end of the yield curve, while avoiding long-duration corporate bonds due to risks from a potential widening of credit spreads.

Disinflation has afforded the Fed flexibility with it's dual mandate, resulting in 100 bps of FF cuts in 2024.

The Fed is likely to cut a few more times in 2025, in our view. The path of disinflation can deviate based on how key drivers evolve, including core goods prices, shelter prices, and other services prices. Some policy wildcards, such as tariffs, could also have an impact.

As illustrated in the top chart, our base case is for Core CPI to end the year above 2.5%. The path to this level would free up the Fed to continue to ease, in our view, but the pace of rate cuts may be more measured than some market participants are expecting.

Expect Earnings to Drive Returns in 2025

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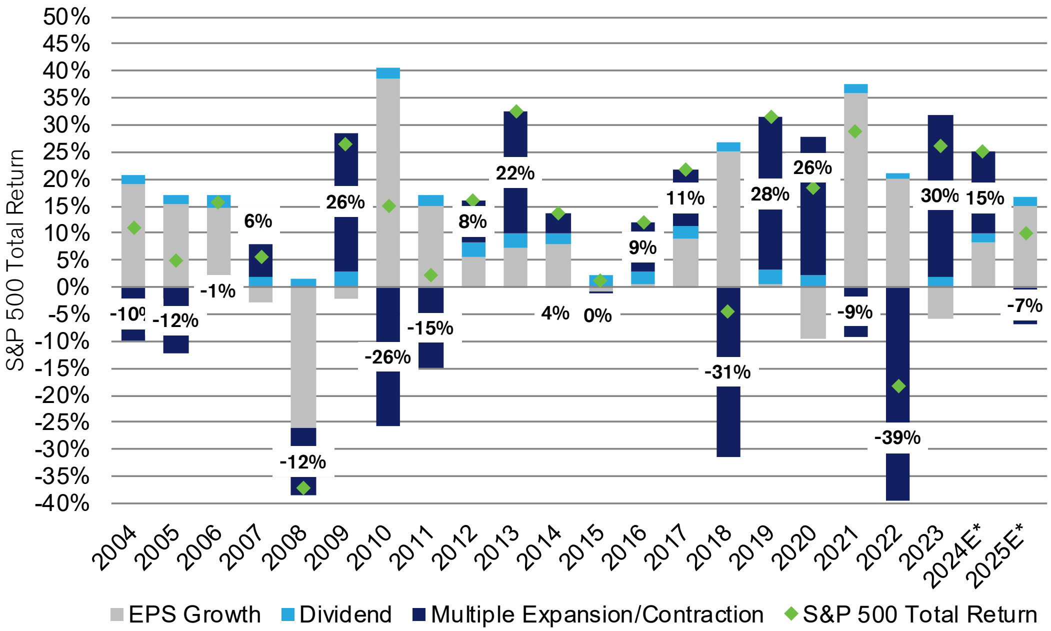
CONTRIBUTORS TO S&P 500 TOTAL RETURN



** Uses consensus 2025 EPS growth. Assumes 10% return in 2024, consistent with long-run average.*
Source: FactSet, Bloomberg, WestEnd Advisors

Portfolio Impact: Our 2025 return outlook for the S&P 500 contemplates healthy returns, but valuation compression is likely to leave returns lower relative to 2023 and 2024, in our view. We believe sector dispersion will offer ample alpha generation opportunities as earnings growth becomes a larger portion of equity returns.

The trailing price-to-earnings multiple for the S&P 500 rose for the second consecutive year in 2024, alongside a high-single-digit contribution from EPS growth. Rising valuations have driven above-average equity returns since the end of 2022.

With equity valuations at the high end of their historical range, we expect market returns in 2025 to be driven primarily by an *acceleration* in earnings growth, paired with a slight degree of multiple contraction (estimated at -7% in chart). Returns over the next year are likely to hinge upon a broadening out of earnings growth, in our view, with investors expecting all eleven sectors to generate positive EPS growth in 2025.

That said, we do not expect equity returns to be as strong as they were in 2023 and 2024. Of the 12 episodes in the past century in which the S&P 500 generated consecutive 20%+ returns, only 2 instances saw a third-year return above 20%.

Economic Risks Have Diminished as Market Risks Rise

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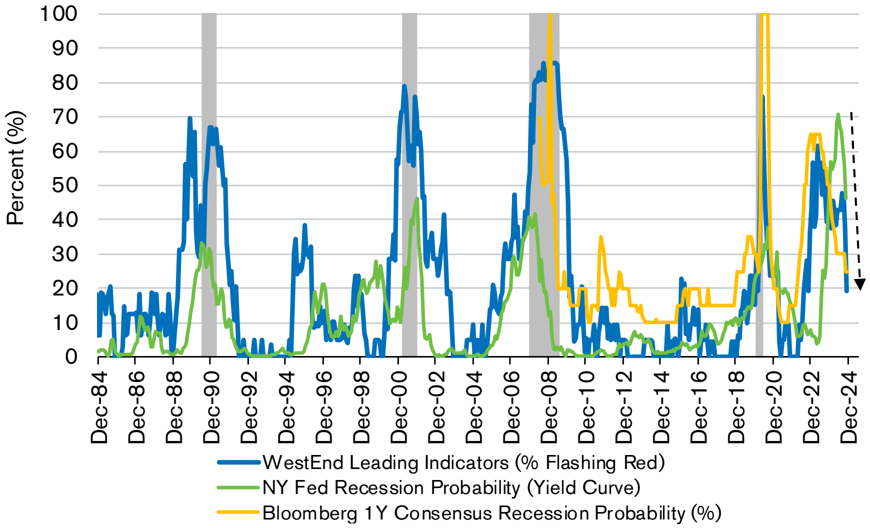
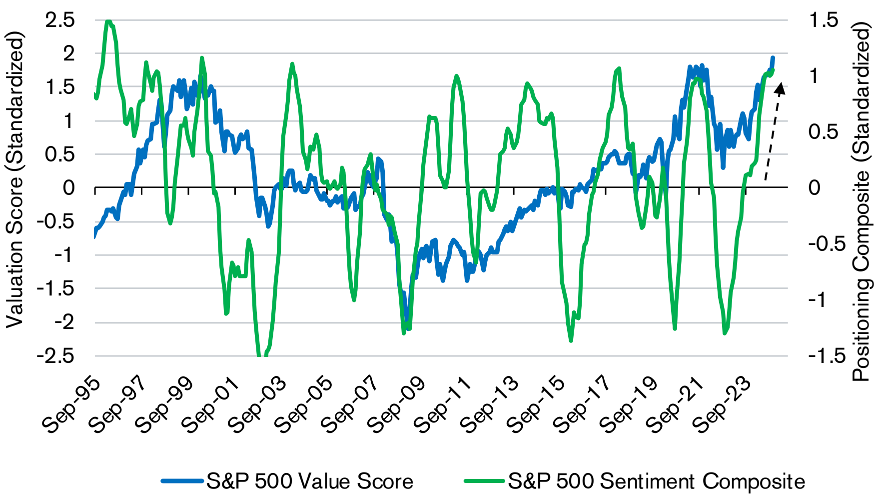
MACRO RISKS HAVE DIMINISHED OVER THE PAST YEAR



Source: WestEnd Advisors

AS VALUATION & SENTIMENT HAS SURGED



Source: WestEnd Advisors

Portfolio Impact: We have reduced defensive exposures in our portfolios over the past year as near-term recession risks have receded. However, late-phase sector exposures remain warranted, in our view, amid stretched valuations and investor sentiment. Looking ahead, we believe our portfolios are poised to benefit from a more normalized volatility environment and a broadening out of sector returns.

As leading economic indicators have stabilized over the past 18 months, a variety of measures of recession risk have moved lower (top chart).

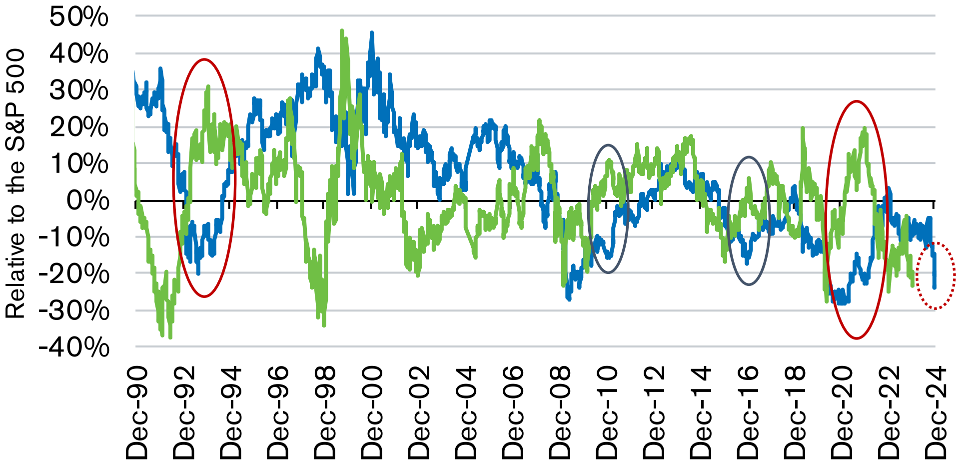
At the same time, the strong (but narrow) market performance has coincided with a rapid rise in valuations and sentiment over the past 18 months. Historically, elevated valuations and stretched sentiment have benefitted the more defensive parts of the market, even in positive return environments.

WestEnd's internal indicators measuring valuation and sentiment are near the highest levels in recent decades (bottom chart).

U.S. Sector Outlook

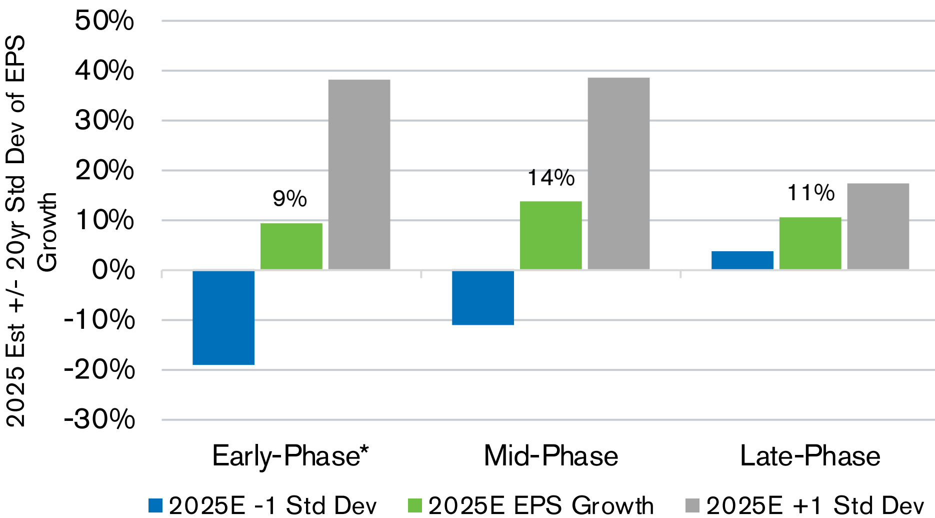
Pairing Earnings Strength with Attractive Valuations

VALUATION OPPORTUNITY IN HEALTH CARE



Source: Bloomberg, WestEnd Advisors

STABLE GROWTH IS ATTRACTIVE FOR LATE-PHASE



** ex-Energy*
Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Exposure to the Health Care sector provides attractive defensive characteristics with insulation from cyclical risks, but also leaves portfolios well positioned to capture strong earnings growth which has historically come with less uncertainty, in our view.

The Health Care sector currently trades for a sizeable valuation discount to the market, which has historically offered attractive relative return opportunities (top chart). We believe the combination of strong fundamentals and a historically wide valuation discount makes the sector compelling on a go forward basis.

Late-phase sectors, including Health Care, have historically delivered more stable earnings growth than early-phase and mid-phase sectors. This characteristic can offer protection in a risk-off environment, yet the current earnings growth profile for late-phase sectors is in-line with the broader market.

Seeking Palatable Valuations in Tech Allocation

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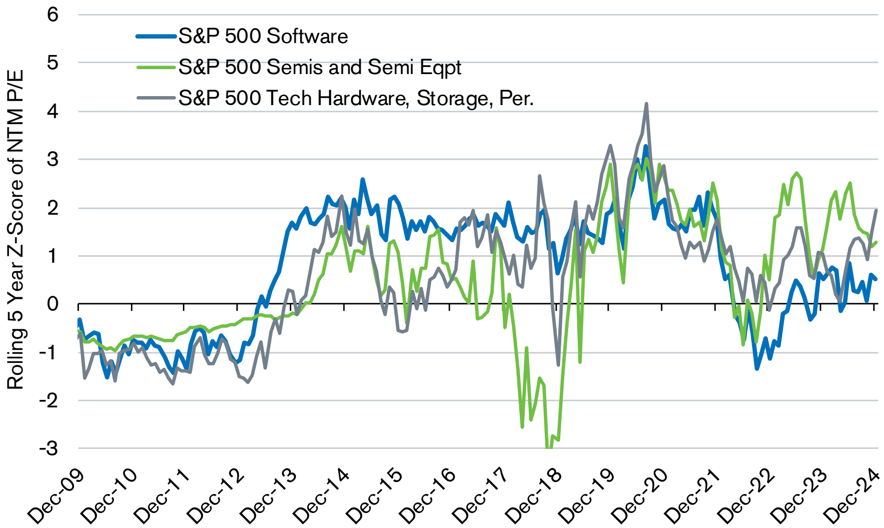
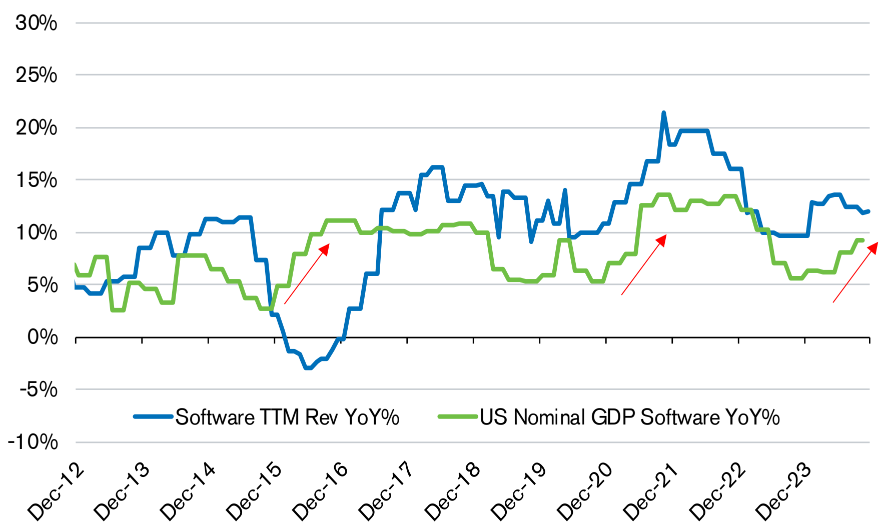
SOFTWARE MOST REASONABLY PRICED VS. HISTORY



Source: Bloomberg, WestEnd Advisors

SOFTWARE INVESTMENT SUPPORTIVE OF DOUBLE-DIGIT GROWTH



Source: Bloomberg, WestEnd Advisors

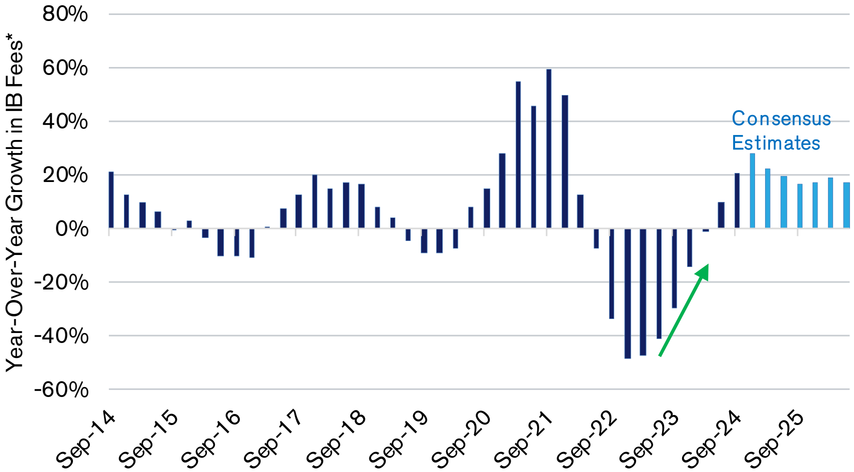
Portfolio Impact: The Information Technology sector has been a dominant driver of market fundamentals and returns over the past 24 months. Looking forward, we expect Information Technology returns to cool off as earnings catch up to elevated valuations. While we view the sector as having robust growth and quality attributes, we are targeting what we believe is currently the most attractive industry: Software.

Growth expectations for the Information Technology sector have risen sharply thanks to a profit turnaround and an A.I.-driven investment cycle, which has pushed valuations for Technology companies to elevated levels. Of the sector's three dominant industries, Software screens as the most reasonably priced versus history (top chart).

Additionally, secular tailwinds persist for Information Technology, and we believe that Software investment can continue as companies implement A.I. into their operations. Within the broader economy, Software investment growth has stabilized and begun to inflect higher, which we view as supportive of top-line growth for the sector moving forward.

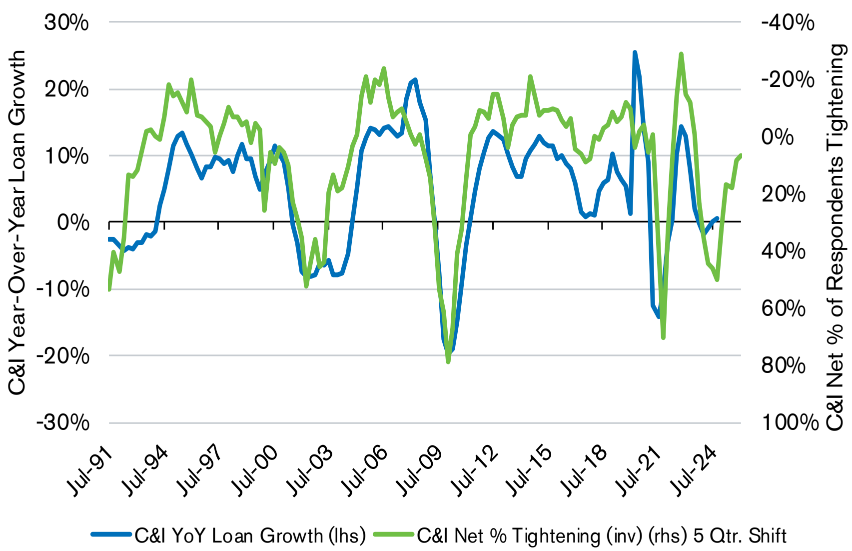
Multiple Tailwinds for Financials Sector Fundamentals

INVESTMENT BANKING REBOUND OFFERS ATTRACTIVE OPPORTUNITY



* YoY change in GS and MS TTM investment banking fees.
Source: Bloomberg, WestEnd Advisors

LOOSENING LENDING STANDARDS A POSITIVE FOR CREDIT GROWTH



Source: Federal Reserve, Bloomberg, WestEnd Advisors

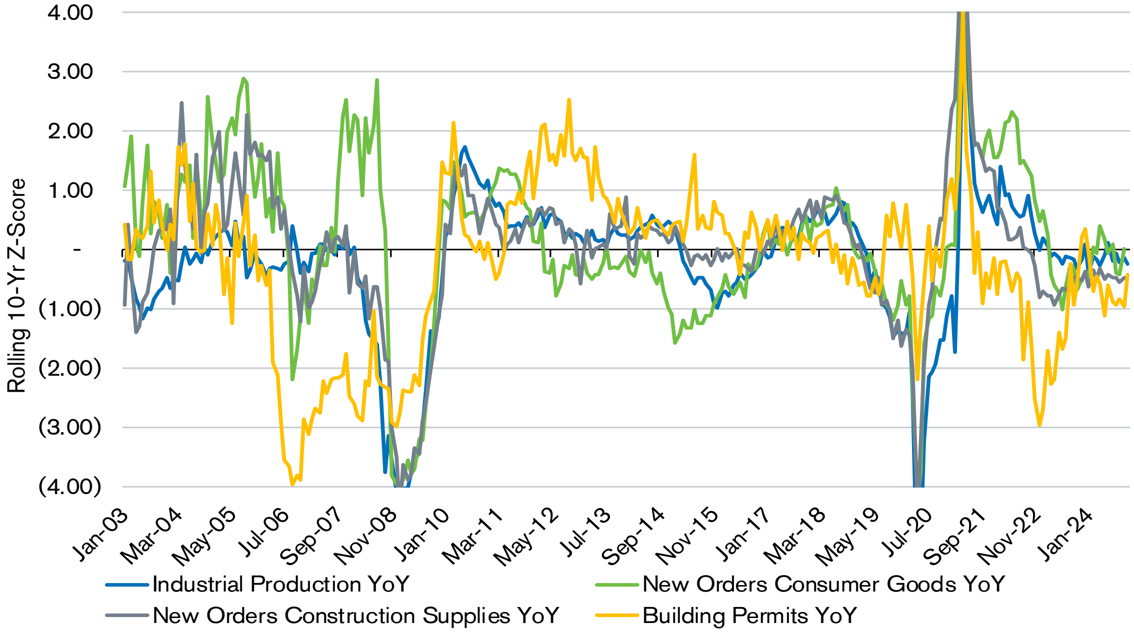
Portfolio Impact: We have maintained an overweight to the Financials sector in our U.S. large-cap allocations, as Federal Reserve flexibility, an emerging rebound in capital markets activity, and a potentially friendlier regulatory regime in the new Trump administration could provide a confluence of tailwinds for the sector, in our view.

Investment banking momentum continues to trend in a positive direction, benefitting Capital Markets firms and major money-center banks (top chart). Even though interest rates are high, we believe many companies need to refinance and can withstand doing so. With election uncertainty behind us, a more favorable M&A environment can develop, in our view.

Credit growth has been very sluggish, but we are seeing incrementally positive signals in the credit backdrop, such as less stringent lending standards, and stabilization in the pace of loan growth (bottom chart). We believe a reacceleration of loan growth amid a period of looser financial conditions could be an additional tailwind for the broader Financials sector.

Cyclical Industrial Areas Still Facing Rate Headwinds

SLUGGISH ACTIVITY PERSISTS IN RATE-SENSITIVE AREAS



Source: Census Bureau, Federal Reserve, WestEnd Advisors

Portfolio Impact: Although broader economic activity remains stable, the manufacturing sector and other rate-sensitive areas of the economy have experienced one of the longest periods of weakness on record, supporting our continued avoidance of the Industrials sector. Looking ahead, looser monetary policy could spur incremental activity in this space, though the extent of policy easing expected in 2025 remains uncertain.

Higher interest rates have had a recognizable negative impact on economic activity since 2022. More recently, activity in rate-sensitive areas has shown signs of stabilization, but in many cases remains sluggish. The chart above shows that manufacturing, construction-related indicators, and consumer durable goods orders are growing at rates that are below long-term averages. While the removal of election uncertainty and a shift to looser monetary policy could catalyze increased activity, the extent of policy easing remains a critical factor to consider. Current Fed Funds futures pricing indicates that the market is expecting less than 2 additional rate cuts by the end of 2025.

International Economic & Market Backdrop

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Near-Term Drivers of U.S. Exceptionalism Intact

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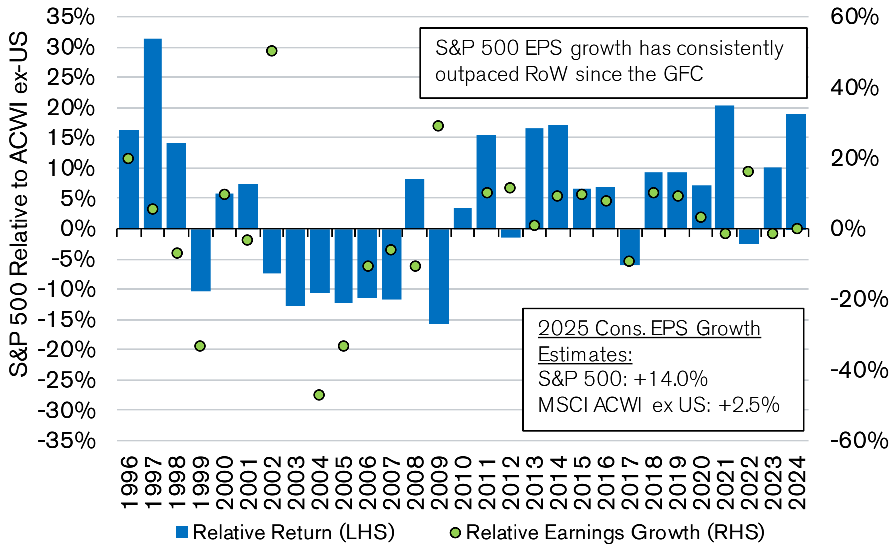
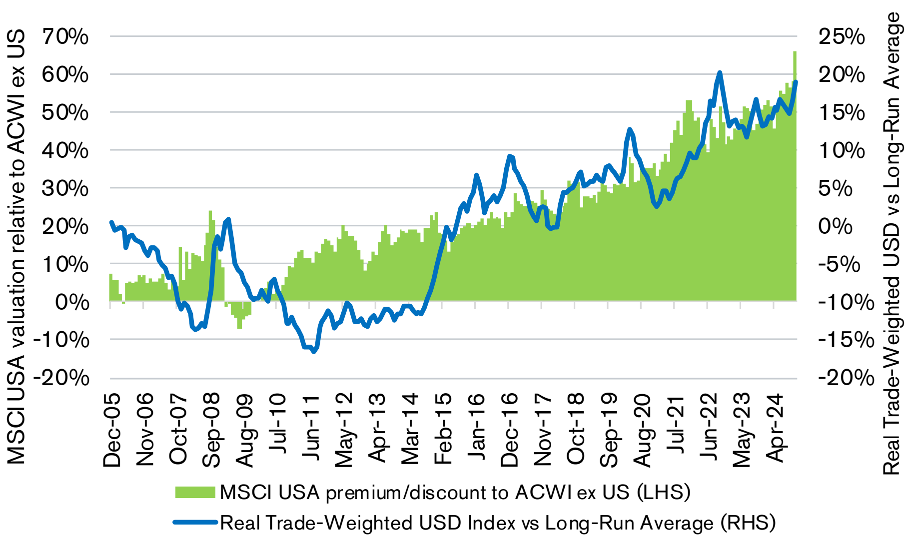
U.S. EARNINGS A MAJOR DRIVER OF OUTPERFORMANCE



Source: Bloomberg, WestEnd Advisors

U.S. EQUITY AND FX VALUATIONS INCREASINGLY STRETCHED



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Heading into 2025, economic and earnings growth in the U.S. remains on a promising trajectory compared to the rest of the world, in our view. In global portfolios, we have increased our U.S. equity exposure, where we see attractive sector opportunities, to a modest overweight versus the benchmark. Still, international equity allocations can provide diversification benefits, given elevated U.S. equity & currency valuations.

Heading into 2025, we see reasons to expect the near-term drivers of U.S. outperformance to remain intact. Resilient economic growth in the U.S. has been supported by healthy consumer spending, and U.S. companies are expected to continue to generate stronger earnings growth than most other regions (top chart).

Over the longer-run, prospects for significant U.S. outperformance appear more mixed:

- Valuations for U.S. equities are now ~66% higher than those abroad
- Real trade-weighted USD index is ~20% above its long-term average (bottom chart)

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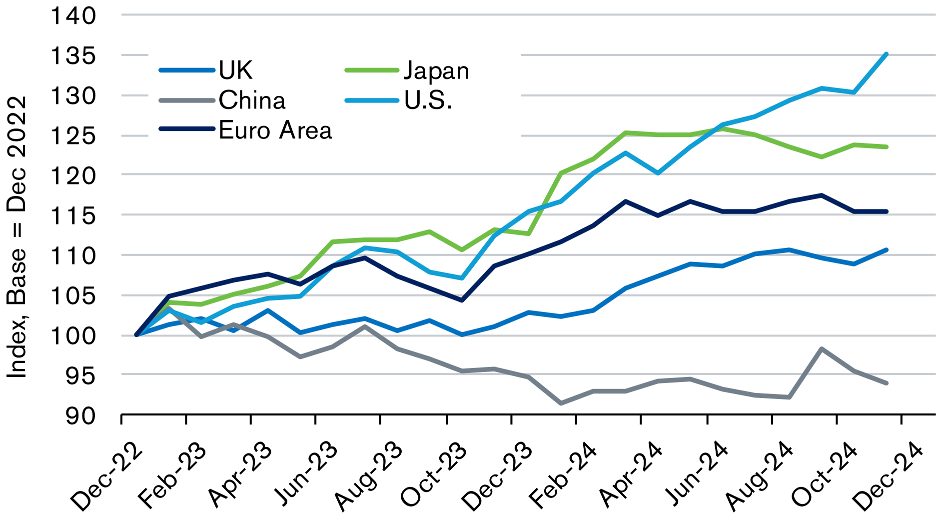
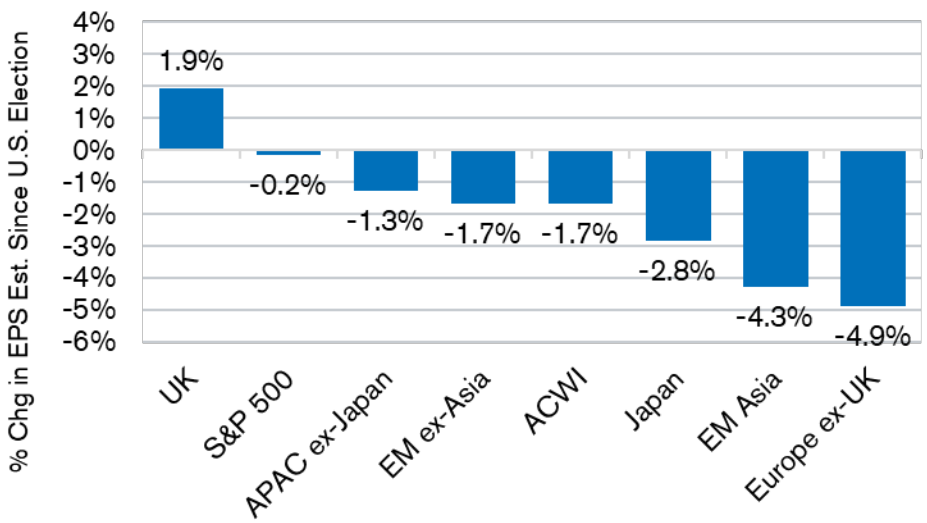
Tailwinds Remain in Place for the U.S. and Japan

HOUSEHOLD WEALTH TAILWIND FOR U.S. & JAPAN



Source: Bloomberg, WestEnd Advisors

EPS REVISIONS REFLECT HEADWINDS FOR INTL



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: In global portfolios, we continue to overweight Japan and have added to our U.S. exposure, where we believe household wealth tailwinds can support ongoing strength in personal consumption. We continue to underweight Europe and Emerging Markets due to weak economic activity and heightened political and geopolitical uncertainty.

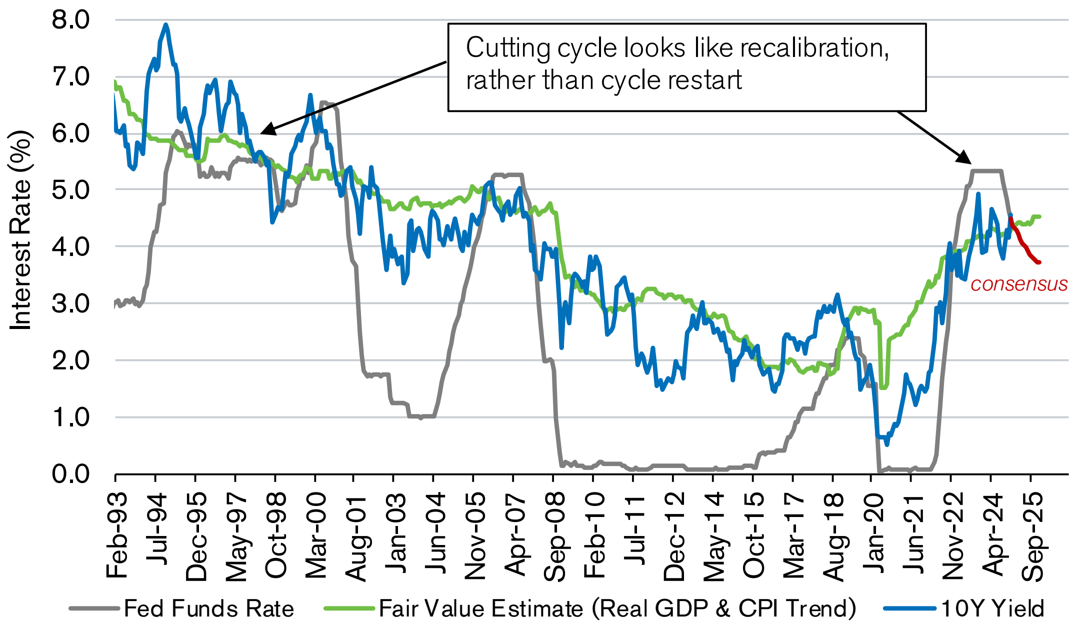
In the near term, we see opportunities in Japan and the U.S., where household wealth, a measure of local stock and house prices, can continue to bolster consumption. In contrast, China has experienced one of the steepest peak-to-trough house price declines in recent history, creating a more pronounced negative impact on consumer spending.

Since the U.S. election, regions with higher cyclical exposure have experienced negative earnings revisions to calendar year 2025. Expectations for tougher trade policy and a stronger USD are key headwinds, in our view, for regions such as emerging Asia and Europe.

Interest Rates & Real Assets

Yield Curve Steepening Has Room to Run in 2025

YIELD CURVE RE-STEEPENING ON THE HORIZON



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: With the Federal Reserve on a path toward policy recalibration, we believe the yield curve re-steepening process can continue. Resilient economic growth and gradual disinflation could limit the downside to longer-term interest rates. As a result, we expect fixed income returns in 2025 to be driven primarily by healthy coupon yields, as price gains could be limited. In balanced portfolios, we have eliminated an overweight to fixed income and believe a neutral allocation to bonds is warranted.

The yield curve remains inverted at the short-end, signaling late-cycle conditions. We expect the yield curve to steepen further in 2025. Historically, the method in which the curve steepens has depended on the economic trajectory:

- *Bull Steepening*: Consistent with recession, in which the Fed rapidly lowers short-term interest rates
- *Bear Steepening*: Driven by the long-end of the curve increasing as the rate-cutting cycle stalls out. More consistent with soft-landing episodes and/or recalibration cuts (e.g. 1967, mid-to-late 1990s)

The 10-year yield is roughly in-line with fair value, according to WEA's internal model estimate based on long-run real GDP growth and CPI. Consensus economic forecasts suggests that fair value for the 10-year yield could remain between 4% and 5% in 2025, absent a sharp deterioration in growth (see chart above).

Corporate Credit Priced for Perfection as Costs Rise

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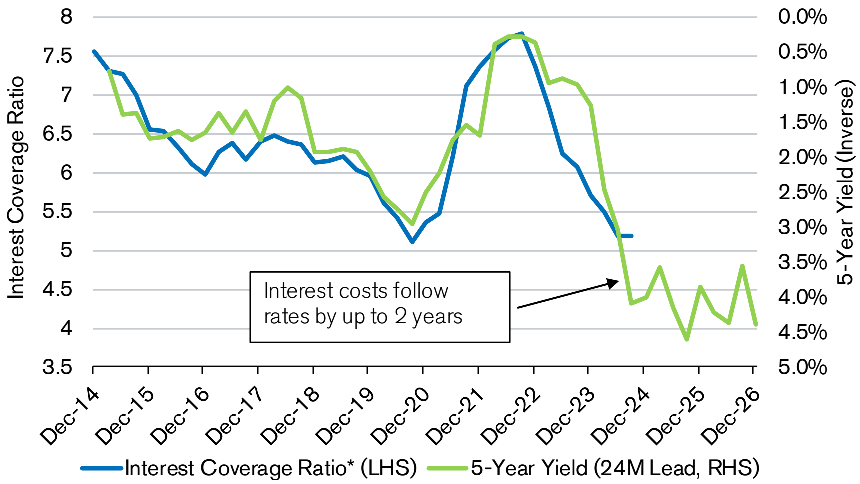
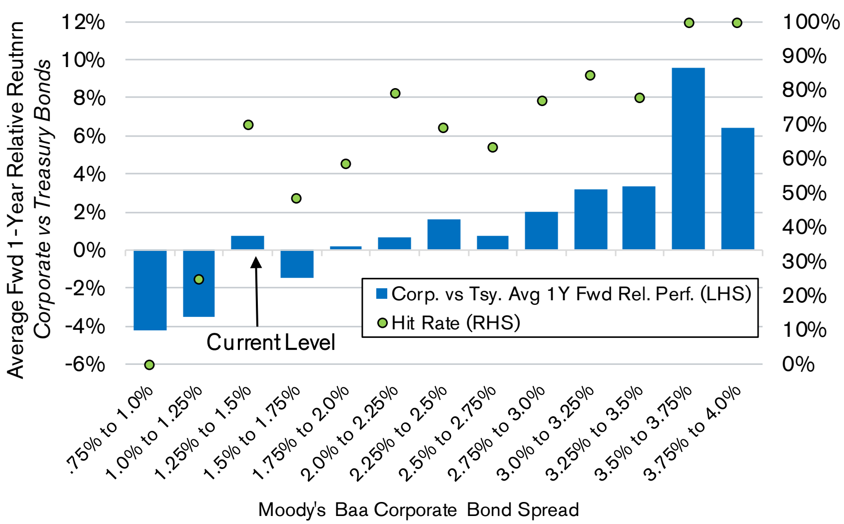
INTEREST COVERAGE UNLIKELY TO IMPROVE IN 2025



** For investment grade corporate bond universe.*
Source: Bloomberg, WestEnd Advisors

CREDIT SPREADS REMAIN AT UNFAVORABLE LEVELS



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Rising interest costs associated with debt refinancing has the potential to weigh on longer-duration corporate credit spreads, in our view, despite the Fed's gradual easing of short-term rates. As such, we have shifted corporate bond exposure to the short-end of the curve and remain underweight corporate bonds with longer maturities.

Households and businesses withstood interest rate increases in the current cycle, as many borrowers were able to lock in low interest rates before or during the COVID-19 pandemic. This phenomenon may work in reverse, however, as borrowers' interest costs could rise even as the Fed gradually lowers interest rates (top chart). We believe maturing debt is likely to be refinanced at prevailing rates that are still higher than levels from the past decade.

Investment-grade credit spreads have remained near historic lows for the majority of 2024. As such, we view the risk/reward profile for long-duration corporate credit as unappealing. Historically, credit spreads at-or-below current levels have coincided with neutral relative performance or worse for corporate bonds compared to Treasury bonds (bottom chart).

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Asset Class Returns Driven by Macro Environment

WESTEND Advisors
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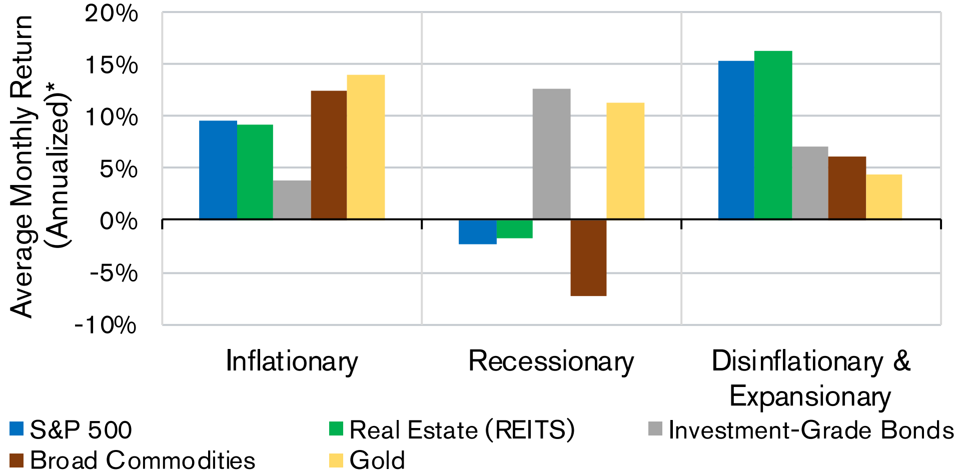
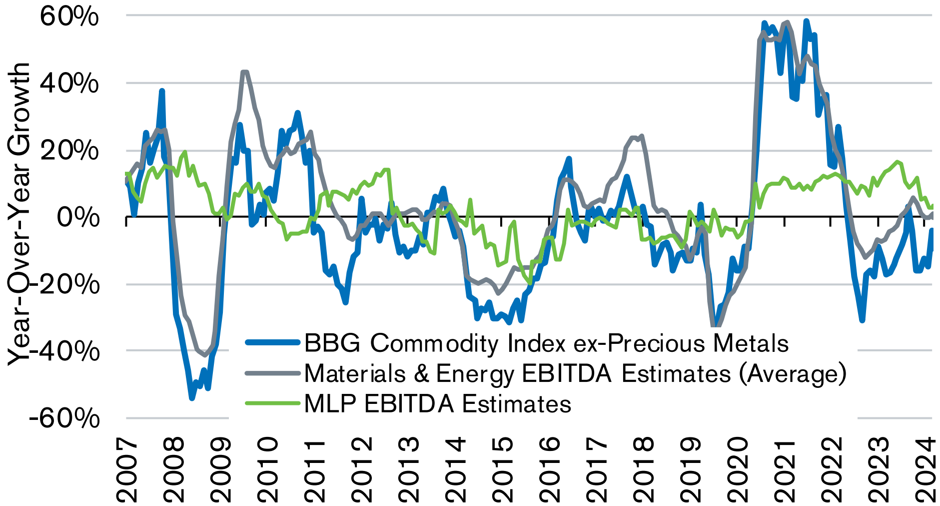
MACRO CONDITIONS DRIVE ASSET DISPERSION



Source: Bloomberg, WestEnd Advisors ** Covers all periods from 1975 through Q4 2023*

MLP FUNDAMENTALS HAVE BEEN RESILIENT



Source: Bloomberg, WestEnd Advisors

Portfolio Impact: Against a backdrop with moderate economic growth, we have been emphasizing MLPs in our multi-asset portfolios, while underweighting or avoiding the more economically sensitive assets, such as real estate and broad commodities. We continue to maintain an allocation to gold, which we see as benefiting in either an inflationary or recessionary environment.

Our work has shown that assets outside of traditional equities and fixed income can be additive over the course of the economic cycle, and that characteristics of the cycle can have implications for the drivers of asset returns (top chart).

MLPs tend to be less sensitive to commodity prices moves (bottom chart). Indeed, estimates for earnings growth for energy MLPs (master-limited partnerships) have been fairly robust, especially when compared to other commodity-oriented equities such as Materials and traditional Energy companies.

Footnotes & Disclosures

WestEnd Advisors, LLC ("WestEnd"), an SEC-registered investment adviser, operates as an autonomous Victory Capital® Investment Franchise. WestEnd's active principals are responsible for managing the firm and its day-to-day operations. Registration of an investment adviser does not imply any level of skill or training. WestEnd manages equity securities for individual, institutional and wrap clients.

This report should not be relied upon as investment advice or recommendations, and is not intended to predict the performance of any investment. Past performance is not indicative of future results. It should not be assumed that recommendations made in the future will be profitable. The information contained herein is not intended to be an offer to provide investment advisory services. Such an offer may only be made if accompanied by WestEnd Advisors' SEC Form ADV Part 2. These opinions may change at anytime without prior notice. All investments carry a certain degree of risk including the possible loss of principal, and an investment should be made with an understanding of the risks involved with owning a particular security or asset class. The information has been gathered from sources believed to be reliable, however data is not guaranteed.

This report is not intended to predict the outcome of the upcoming Presidential election, and all statistics provided have been gathered from sources deemed to be reliable. Discussion of potential impacts of the election on WestEnd portfolios or portfolio positioning is for illustrative purposes only and is not intended as a recommendation or indication of future positioning or returns.

The Standard and Poor's 500 Stock Index includes 500 stocks and is a common measure of the performance of the overall U.S. stock market. The MSCI ACWI consists of 47 country indexes comprising 23 developed and 24 emerging market country indexes. The total return of the MSCI ACWI (Net) Index is calculated using net dividends. Net total return reflects the reinvestment of dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. The Bloomberg Barclays US Aggregate Treasury Index measures US dollar-denominated, fixed-rate, nominal debt issued by the US Treasury. The Bloomberg Barclays US Aggregate Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. An index is unmanaged and is not available for direct investment.

Any portfolio characteristics, including position sizes and sector allocations, among others, are generally averages and are for illustrative purposes only and do not reflect the investments of an actual portfolio unless otherwise noted. The investment guidelines of an actual portfolio may permit or restrict investments that are materially different in size, nature, and risk from those shown. The investment processes, research processes, or risk processes shown herein are for informational purposes to demonstrate an overview of the process. Such processes may differ by product, client mandate, or market conditions. Portfolios that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than a portfolio whose investments are more diversified.

Holdings, Sector Weightings, and Portfolio Characteristics were current as of the date specified in this presentation. The listing of particular securities should not be considered a recommendation to purchase or sell these securities. While these securities were among WestEnd Advisors' strategies' holdings at the time this material was assembled, holdings will change over time. There can be no assurance that the securities remain in the portfolio or that other securities have not been purchased. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities presently in the portfolio. Individual clients' portfolios may vary. Upon request, WestEnd Advisors will provide a list of all recommendations for the prior year.

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