**Chris Hyzy:** This is Chris Hyzy, Chief Investment Officer for the April Viewpoint titled “Transforming Markets.” We asked the question right up front, how are investors reacting to the high level of uncertainty that has developed in the last couple of months? Well, the most obvious impact has been filtering into both the macroeconomic environment, as well as across the various markets and asset classes, since the S&P 500 index reached an all-time high on February 19th, 2025.

Since that date, investor bearishness has reached the highest level from the lows in October ‘22, as well as levels last reached in late 2008. Equity market volatility, as measured by the Chicago Board Options Exchange Volatility Index, known as the VIX, spiked around 40% to over 27 in mid-March after spending much of January and February below its long-term average which is around 19.5. The so-called “Magnificent Seven Leaders” of the bull run in equities from the last few years have significantly underperformed the broader S&P year-to-date, as their price to earnings ratio’s multiples have declined about 20% or more.

Meanwhile, collectively in the non-US developed markets have handily outperformed the US markets, with Europe leading the way. Despite concerns over [Unintelligible] with various trading partners, we expect the better relative performance overseas to continue for much of this year. Now, the US dollar is also expected to continue this slightly weaker trend as well.

Fiscal spend is going up overseas, and the US is retrenching, and many central banks continue to maintain an easing bias across Europe. So, therefore, we maintain our neutral rating overseas. However, dollar-based investors should still maintain their home country bias in the US, as the choppy marketing environment is producing attractive opportunities to consider below the index level.

The financial sector has sold off back-to-valuation discounts, and the information technology sector is beginning to separate the highly-valued slower growth areas from the new leaders that are more leveraged to the software and cybersecurity advancement cycles in our opinion. Meanwhile, ensuring developments and infrastructure investment opportunities are beginning to gain traction. In this regard, we consider the favorable active and passive investment management. Moreover on the macro front, the most visible impact to spend on the consumer and business confidence areas. Both have wiped away all the pro-business environment, and enthusiasm expressed post-election back in the fall of ‘24. Much of this concern has been accelerated by [Unintelligible] and the noted risk for slower growth, higher prices, and potential supply chain disruptions. To this point, on the back of the latest uncertainty, BofA Global Research has revised their forecast to better reflect trade policy developments and the recent data flow. They have marked down fourth quarter over fourth quarter growth this year from 2.3% to 1.8, and have also raised their inflation forecast. They now expect the core personal consumption expenditure, known as the PCE, to reach 3% year over year in the second half of this year.

In summary, equity markets and the global economy are transforming. There’s a clear rebalancing taking place, which we believe is likely to result in another bull market advance. However, this time around, it’s going to be more broad based, include other regions of the world, be slightly choppier in terms of price actions, and ultimately produce an annual return closer to the multi-decade average of around 10-11% in our view.

Portfolio diversification across and within asset classes in the core framework with targeted schematic overlays is our preferred strategy, as markets in the world transform. In the short term, as we move to ‘25 and into 2026, we expect the current uncertainty to fade somewhat and believe that equity markets, once again, climb the wall of worry toward higher levels on the S&P 500.

The main catalyst remains solid corporate earnings throughout in a stable consumer, all things considered. We maintain our equity overweight relative to fixed income in our buyers on weakness. We still favor the US for our now neutral investments overseas. We prefer higher quality exposure overall and the rotation within the equity markets to continue. We also prefer large cap shares relative to small caps in favor of solid split in diversification between value and growth. In terms of the mid-capitalization segment, we expect the main catalyst to be the regulation and the potential for the long, stalled out merger and acquisition cycle to unfold. In fixed income, we are neutral basically across all segments with our view that rates are ranged bound at current levels, with credit spreads generally tame as well.

That will do it for today, thanks for listening.

**Operator:** Please see important information provided in this report.

END