A year of transition

BROUGHT TO YOU BY THE MULTI-ASSET SOLUTIONS TEAM

2022 MARKET OUTLOOK

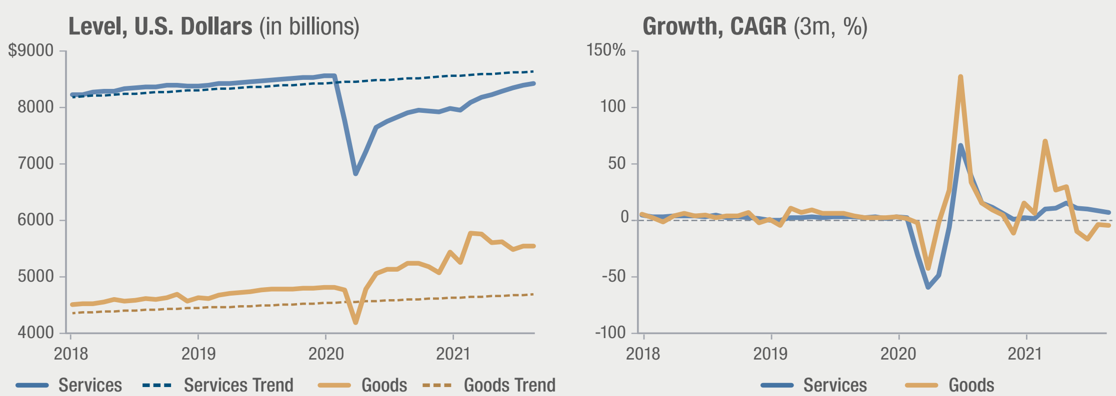
One thing we know for sure is that 2022 will be a year of transition: from shuttered to reopen; from public- to private-sector driven; towards increasing great-power competition.

Pandemic shutdown to post-pandemic reopening

For the last two years, the COVID-19 pandemic has driven developments in the global economy and the market outcomes shaped by it. It has been the major driver of our investment perspectives and portfolio positioning. Now, many countries will be holistically open for business. There will be important remnants of the pandemic era, not least of which are the price pressures that supply chain and reopening-sensitive sectors will experience in the coming months.

As the global economy learns to live with the virus, we expect business market outcomes to reflect that trend. Top of mind is the transition in household spending from goods to services. While this transition began in the summer of 2021, it has experienced fits and starts — just like the economic reopening did. In 2022, we expect a more sustained rotation. This may create data interpretation challenges for investors. Leading indicators of manufacturing activity tend to receive a lot of attention because they are early warning signs of swings in economic growth. Rarely, however, do manufacturing and services conditions move in opposite directions, particularly with an approximately $500 billion difference in magnitude. That may be the case in this cycle, with important implications for business conditions and sector preferences.

As pandemic-era consumer spending on goods moderates, will services spending accelerate?



Sources: New York Life Investments Multi-Asset Solutions, Bureau of Economic Analysis, 11/15/21.

New York Life Investments

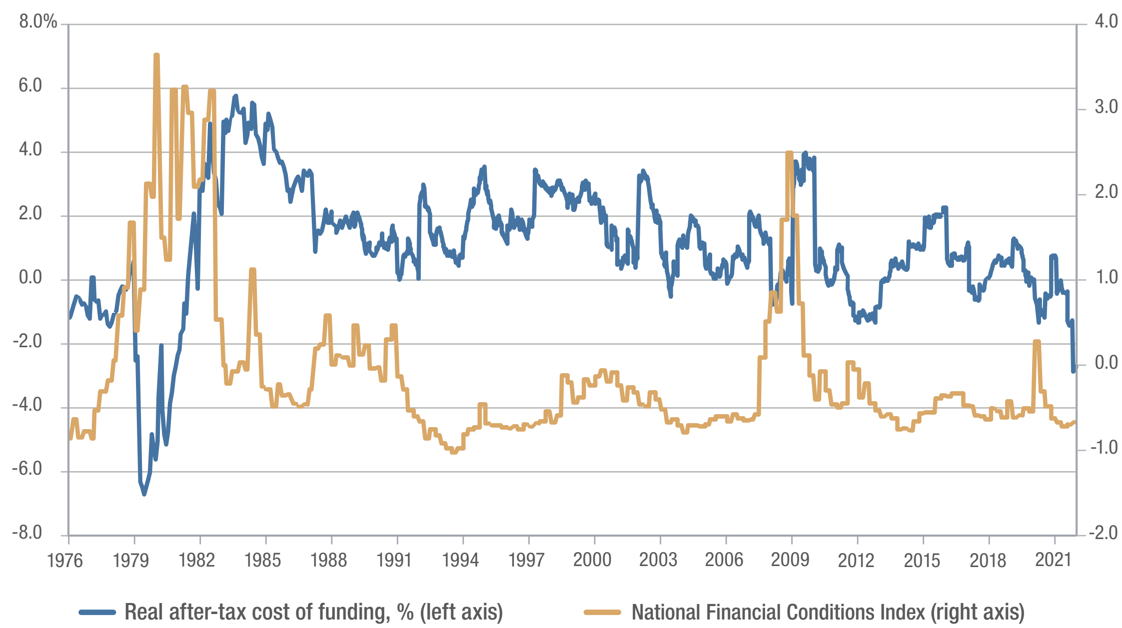
Public support to private-sector driven

The two other major drivers of our investment thesis in the last two years — fiscal and monetary policy — are also undergoing a change. The Federal Reserve is tapering its asset purchase program, with a rate liftoff likely to come thereafter. And even with additional government spending on infrastructure, the economy faces a fiscal cliff comparable to the sizable stimulus to businesses and households in 2020 and 2021. To put it bluntly, an economy driven by government support will now need to stand on the private sector's feet.

Our assessment is that this transition will be successful but uneasy. Where monetary policy is concerned, there are real-economy and market factors to consider. In the real economy, borrowing costs for businesses and households are still very low, reducing our concern about the demand impact of modest interest rate increases. However, we believe that market pricing and Federal Reserve assertions may remain at odds, as they have been for much of 2021. This increases the likelihood of rates volatility, and the potential for a disorderly, if brief, increase in interest rates as market expectations adjust.

Fiscal policy, in our view, presents fewer immediate risks. Federal programs supporting businesses and households have helped the U.S. economy avoid many worst-case pandemic scenarios. Corporate and household fundamentals have strengthened. Stronger government spending on physical and social infrastructure has so far been met with market enthusiasm, and lower-than-expected price tags generate less tax risk.

Amid rate-hike anxiety, financing costs are low



Sources: New York Life Investments Multi-Asset Solutions, Bloomberg Finance LP, Federal Reserve Bank of Chicago, 11/15/21. The real after-tax cost of funding is calculated incorporating nominal borrowing costs, effective tax rates, and inflation. The National Financial Conditions Index provides a comprehensive update on U.S. financial conditions in money markets, debt and equity markets, and the traditional and "shadow" banking systems.

Hegemonic system to a bipolar world

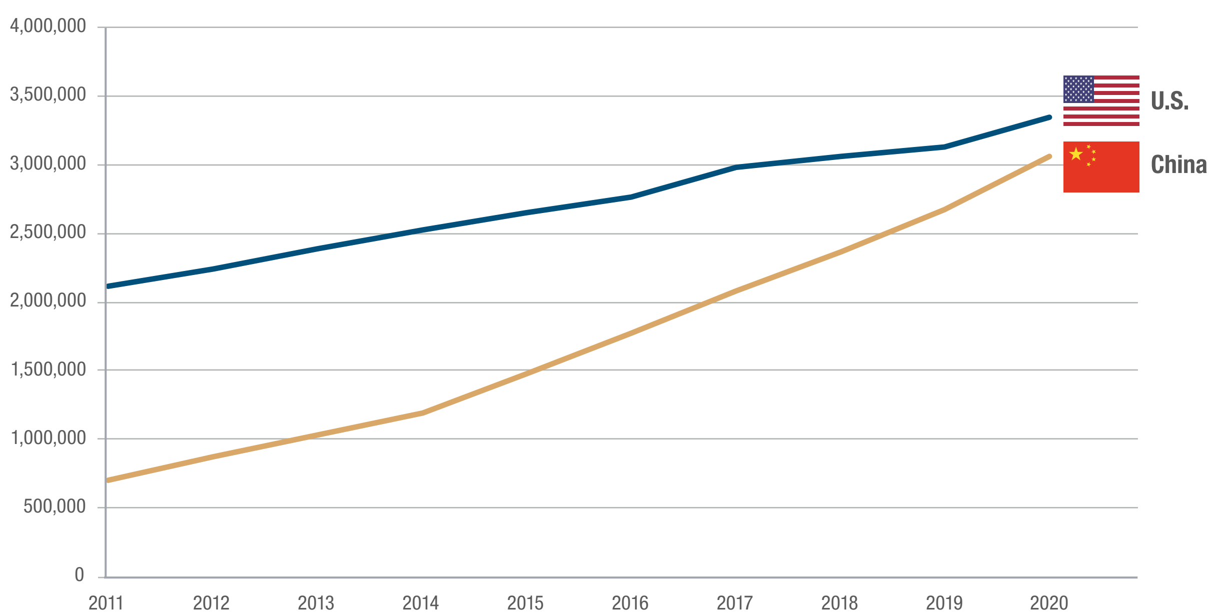
Another important transition we see gaining steam in 2022 is that of the global balance of power. Where the U.S. has been the single dominant global economic force in recent history, China's growth and influence make a two-power world system more likely.

Of course, this is a decades-long trend and not one that will stop or start in the new year. However, a few developments in 2021 increase our attention to the topic for 2022. For starters, the Trump Administration's trade policy was unusual in tone, but the Biden Administration's policy so far has been very similar in substance. Long-term concerns around competitiveness and fairness persist. What's more, pandemic-era disruptions in travel and supply-chain linkages have raised concern about countries' over-reliance on one another for necessary personal protective gear, technological components, and services.

Combined, these factors present a risk that U.S.-China tensions could escalate. Business activities, particularly those related to technological advancement, are seen as national strategy and sovereignty issues for both countries. While outright conflict is a long-tail risk, ebbs and flows in these tensions can contribute to currency volatility and sector and geographic rotation.

Global economic influence shifting

Number of patents in force



Sources: New York Life Investments Multi-Asset Solutions, World Intellectual Property Organization, 11/15/21.

Fault lines

The transition from pandemic to post-pandemic life has created fault lines in global economic and social structures. Which ones will fade, and which will persist? The answers will impact investors' optimal allocation.

SUPPLY CHAINS: ***Just in time or just in case?***

- Persistent supply chain tensions could reflect a build-up of systemic risks. Will they undermine the current supply chain model?
- Will China cease to be the supplier of last resort, shifting corporations' production strategy?
- Which sectors will capture booming demand, and which will struggle stocking shelves?

LABOR MARKETS: ***Bargaining power or displacement?***

- After a decade of sluggish wage growth, has the era of worker bargaining power arrived?
- Does record investment in automation point to higher productivity or populist disruption?
- Will winning companies reduce labor costs or lean into the benefits of an engaged workforce?

CITIES: ***Location, location, location, or sector, sector, sector?***

- The pandemic accelerated pre-existing trends towards digitization and e-commerce. How can investors leverage the bifurcation between "haves" and "have nots"?
- New trends are emerging around where we work. Will they abate or retrench? How will employer needs adapt?
- Tenants increasingly favor more technologically adept, efficient space that attracts workers and meets ESG goals. This exacerbates supply-demand imbalances. Where can investors add value?

RATES: ***Volatility returned, or "low for forever"?***

- Will sustained price pressures challenge the Fed's Flexible Average Inflation Targeting framework?
- Can investors adapt their investment mix to account for tighter spreads? Where will they generate income?
- Investors seek broader mandates and more levers of value creation. How will managers build flexibility in response?

CLIMATE AWARENESS: ***Green living or greenwashed?***

- Will companies invest in asset modernization or divest from environmentally unfriendly business lines?
- If companies don't make green transitions, will regulators or lenders starve them of capital?
- Investors are adapting their practices to focus on sustainable value. How quickly will business and asset management strategies adapt?

Respect the macro, but invest in the micro

A shifting macroeconomic regime can create different contexts for identifying value and maintaining investment discipline. In a strong bear market, for example, this may mean having the grit to stay invested when market sentiment is poor. In a long bull market, as we saw in the last cycle, investors struggle to recalibrate fundamentals and exceed booming index returns.

Today's investment regime is neither of these. While macroeconomic forces remain highly important for tactical asset allocation, they may not be the predominant forces shaping investment returns. Instead, in our view, 2022 will be shaped by macroeconomic uncertainty, higher market volatility, and positive but lower investment returns. In this type of regime, it is the *microeconomic* factors — where high-level themes meet business reality — that will likely shape investment performance. Traditional style boxes like "value vs. growth" or "small caps vs. large caps" may cede influence to sector positioning, company business models, and management experience.

Based on our views, we believe the following takeaways are key for investors:

Theme	Macro headwinds	Strong fundamentals	Abbreviated cycle
Market Implication	Macroeconomic tailwinds such as policy support and COVID-19 reopening are ceding to *headwinds* such as policy transition and business tensions.	Investment returns may be driven by sector- and company-level trends, not macroeconomic ones. Interest rate increases could be disruptive, but higher rates do not mean high rates.	Deploying capital into real asset and private market opportunities is already competitive.
How to Invest	■ Broaden portfolio allocation to include rates-resilient asset classes, durable themes, and a global exposure.	■ Cyclical and value equity sectors ■ Global asset allocation ■ Non-core bonds, including convertibles, short duration high yield, high-yield municipals, and leveraged loans ■ Secular themes such as infrastructure	■ Geographic diversification ■ Middle market segment of private equity and private credit ■ Value-add approach

Why the Multi-Asset Solutions team?

We are New York Life Investment's specialists in multi-asset investing, assisting our partners in their persistent pursuit of investment success.

Access

We leverage the depth and breadth of the New York Life Investments platform to support our clients and partners.

Skill

We identify smart investments while providing profitable and secure long-term outcomes.

Navigation

We guide our partners through the rapidly changing investment environment using research and innovation.

Partner with us

Our mission is to build, preserve, and grow financial assets alongside our partners with integrity and respect through quality investments, education, and innovation.

Multi-Asset Strategies

Asset allocation strategies designed to capitalize on market opportunities within a variety of investment objectives.

- Model delivery
- Separate accounts

Market Insights

Investment services designed to support our partners and our investors.

- Thought leadership
- Risk analysis
- Investment strategy
- Financial education
- ESG analysis

Customized Solutions

Strategic partnerships designed to help meet investment objectives through holistic solutions.

- Global tactical allocation
- Risk modeling
- Income generation
- Inflation protection
- Insurance asset management

Definitions

Active investing (also called active management) is an investment strategy involving ongoing buying and selling actions by the investor. Active investors purchase investments and continuously monitor their activity to exploit profitable conditions. Active management typically charges higher fees.

Alpha, often considered the excess return on an investment, gauges the performance of an investment against a market index or benchmark that is considered to represent the market's movement as a whole. The excess return of an investment relative to the return of a benchmark index is the investment's alpha.

Capital expenditures (CAPEX) are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment.

Diversification is a risk management strategy that mixes a wide variety of investments within a portfolio.

Earnings per share (EPS) is calculated as a company's profit divided by the outstanding shares of its common stock.

Environmental, Social, and Governance (ESG) refers to the three central factors in measuring the sustainability and societal impact of an investment in a company or business.

Passive investing (also called passive management) refers to an investment style for which investors expect a return that closely replicates the investment weighting and returns of a benchmark index.

The U.S. 10-year Treasury Note is a debt obligation issued by the United States government with a maturity of 10 years upon initial issuance.

Index definitions

The Consumer Price Index (CPI) is an aggregate of prices paid by urban consumers for a typical basket of goods, excluding food and energy.

The National Financial Conditions Index provides a comprehensive update on U.S. financial conditions in money markets, debt and equity markets, and the traditional and "shadow" banking systems.

The S&P 500 Index is a stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is widely regarded as the standard for measuring large-cap U.S. stock market performance.

FOR DISTRIBUTION IN JAPAN:

当資料は、一般的な情報提供のみを目的としています。

当資料は、投資助言の提供、有価証券その他の金融商品の売買の勧誘、または取引戦略への参加の提案を意図するものではありません。

また、当資料は、金融商品取引法、投資信託及び投資法人に関する法律または東京証券取引所が規定する上場に関する規則等に基づく開示書類または運用報告書ではありません。New York Life Investment Management Asia Limited およびその関係会社は、当資料に記載された情報について正確であることを表明または保証するものではありません。

当資料は、その配布または使用が認められていない国・地域にて提供することを意図したものではありません 。当資料は、機密情報を含み、お客様のみに提供する目的で作成されています。New York Life Investment Management Asia Limited による事前の許可がない限り、当資料を配布、複製、転用することはできません。

New York Life Investment Management Asia Limited

金融商品取引業者　登録番号　関東財務局長（金商）第2964 号

一般社団法人日本投資顧問業協会会員

一般社団法人第二種金融商品取引業協会会員

FOR DISTRIBUTION IN KOREA:

The content of this document shall not be construed as marketing or soliciting investment of any products or services and is being made available to you for general educational/economic purposes only. Any products or services that may be offered will be done separately in accordance with the applicable laws and regulations of Korea. Not all products and services are available to all clients and in all jurisdictions or regions.

IMPORTANT INFORMATION

The Multi-Asset Solutions team is a part of New York Life Investment Management LLC, an indirect wholly owned subsidiary of New York Life Insurance Company.

Impact investing and/or environmental, social, and governance (ESG) managers may take into consideration factors beyond traditional financial information to select securities, which could result in relative investment performance deviating from other strategies or broad market benchmarks, depending on whether such sectors or investments are in or out of favor in the market. Further, ESG strategies may rely on certain values-based criteria to eliminate exposures found in similar strategies or broad market benchmarks, which could also result in relative investment performance deviating. Opinions expressed are current opinions as of the date appearing in this material only and are subject to change.

This material represents an assessment of the market environment as of a specific date; is subject to change, and; is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding any funds or any particular issuer/security. The strategies discussed are strictly for illustrative and educational purposes and are not a recommendation, offer, or solicitation to buy or sell any securities or to adopt any investment strategy. There is no guarantee that any strategies discussed will be effective.

Any forward-looking statements are based on a number of assumptions concerning future events, and although we believe the sources used are reliable, the information contained in these materials has not been independently verified, and its accuracy is not guaranteed. In addition, there is no guarantee that market expectations will be achieved.

This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances, and consideration should be given to talking to a financial professional before making an investment decision.

NEW YORK LIFE INVESTMENTS

For more information

newyorklifeinvestments.com

Not FDIC/NCUA Insured	Not a Deposit	May Lose Value	No Bank Guarantee	Not Insured by Any Government Agency

1923360 MS186-21

MS74r-12/21