EMPIRE LIFE
2024 MARKET OUTLOOK

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Introduction

As we begin the new year, we're reflecting on some of the key themes that impacted the markets in 2023. This includes everything from interest rates and inflation to geopolitical events and generative artificial intelligence (AI). We expect that many of these themes will continue to influence markets in 2024, and we'll continue to monitor them for risks and opportunities as they may arise.

PAUL HOLBA, CFA
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2024 Macroeconomic Overview

ASHLEY MISQUITTA, CFA
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Monetary policy & global growth

Decelerating inflation

Central banks across most of the developed world continued their rate hiking campaigns in 2023. Although headline inflation has cooled, core inflation, which adjusts for volatile components such as housing and energy, remains stubbornly above the 2% target that most Group of Seven (G7) economies are targeting. Despite this, market sentiment seems to indicate an expectation of a "soft landing" scenario, where inflation decelerates and a recession is avoided. Read the fixed income section of the market outlook to learn how the bond market has priced in this possibility.

Global growth

Market confidence, coupled with easing labour shortages, has led to a wave of optimism heading into the new year. However, whether or not this optimism is justified has yet to be determined. According to the International Monetary Fund (IMF), global growth remains well below the 2000-2019 average of 3.8% and is expected to decline further to 2.9% from its 2023 level of 3.0%. As outlined in the Canadian equity outlook, the possibility of a significant downturn is expected to cause some uncertainty with respect to energy demand.

Politics

Upcoming elections

2024 will see elections take place across the globe. Voting in the U.S. elections kicked off this month with the Iowa caucus and the New Hampshire primary. The general election will take place later this year in November. Early polling has indicated that this will be a tight race that may see a reinstatement of the Trump presidency.

Elsewhere, Taiwanese voters headed to the polls on January 13th and re-elected the Taiwanese nationalist Democratic Progressive Party (DPP). This spring, general elections will kick off in India, where state polls suggest that the current Prime Minister, Narendra Modi, will be elected for another term.[1] Finally, nine European parliamentary elections will take place throughout the year, of which four are expected to result in a notable change in government and/or policy direction.[2]

China-U.S. relations

Taking a look at the geopolitical landscape, U.S. relations with China appeared to thaw during the 2023 Asia-Pacific Economic Cooperation (APEC) Summit. However, many points of contention remain unresolved, such as export controls levied on semiconductor components to China among other trade restrictions, and military confrontations over the South China Sea. The deterioration in relations and increasingly antagonistic environment for foreign firms have encouraged many companies, backed by local government grants and loans, to rethink their supply chains and shift risks away from China. Read the global equity outlook to learn about some of the other headwinds the Chinese economy faces heading into the new year.

War in Ukraine

With minimal advancements on either side, it appears that the war between Russia and Ukraine has reached a stalemate. However, as we approach the second year of the war, Ukraine's demand for aid continues to grow. This has put pressure on the budgets and weapons stockpiles of countries within the North Atlantic Treaty Organization (NATO) alliance. As we approach the coldest months of winter, natural gas supplies in Europe also remain a persistent concern.

[1] Carnegie Endowment for International Peace, "Decoding India's 2024 Election Contest", December 7, 2023

[2] Economist Intelligence Unit, "Europe: Elections to Watch in 2024", November 17th, 2023

Innovation and the global transition to a green economy

Renewable Energy

The transition to renewable energy continues to face challenges south of the border. A large backlog of renewable energy projects has prompted the Federal Energy Regulatory Commission to announce that it will issue a final rule this year changing how new energy projects connect to the grid. Among the key goals listed were identifying efficiencies in linking up planned solar, wind and battery storage projects, along with reducing energy costs and making the grid more reliable.

Although the International Energy Agency (IEA) projects that demand for fossil fuels will peak before 2030, Brazil announced that it will join the Organization of Petroleum Exporting Countries (OPEC+) this year. At the COP28[3] in Dubai in December 2023, Brazil's President, Luiz Inacio Lula da Silva, attributed the move to the need to convince the 23 oil-producing countries that they must transition away from fossil fuels. We'll also monitor the increasing popularity of nuclear as an alternative to fossil fuels.

Electric Vehicle (EV) sales

Global electric vehicle (EV) sales grew by 65% between 2018 and 2022, accounting for 10% of passenger car sales.[4] It appears, however, that demand has cooled in North American markets. As we discuss in the U.S. equities outlook, we'll continue to monitor this.

Generative AI

Finally, we'll continue to monitor generative AI tools and other innovative technologies, particularly as they pertain to product integration. This includes Adobe's plans to integrate AI into some of its most popular applications, such as Photoshop and Illustrator, and GitHub's launch of Copilot Chat, which embeds a chat assistant into Visual Studio, in an effort to boost creativity.

These are some of the themes the Empire Life Investment team will continue to monitor in 2024. In this special annual report, we will take a deeper dive into some of these themes, and provide an outlook for the different asset classes as we head into the new year.

[3] Stands for the Conference of the Parties to the United Nations Framework on Climate Change (COP28 to the UNFCCC)

[4] "Tracking Climate Action: How the World Can Still Limit Warming to 1.5 Degrees C", https://www.bezosearthfund.org/news-and-insights/state-climate-action-2023-how-we-can-still-limit-warming-1-5-degrees-c November 14, 2023

U.S. equities

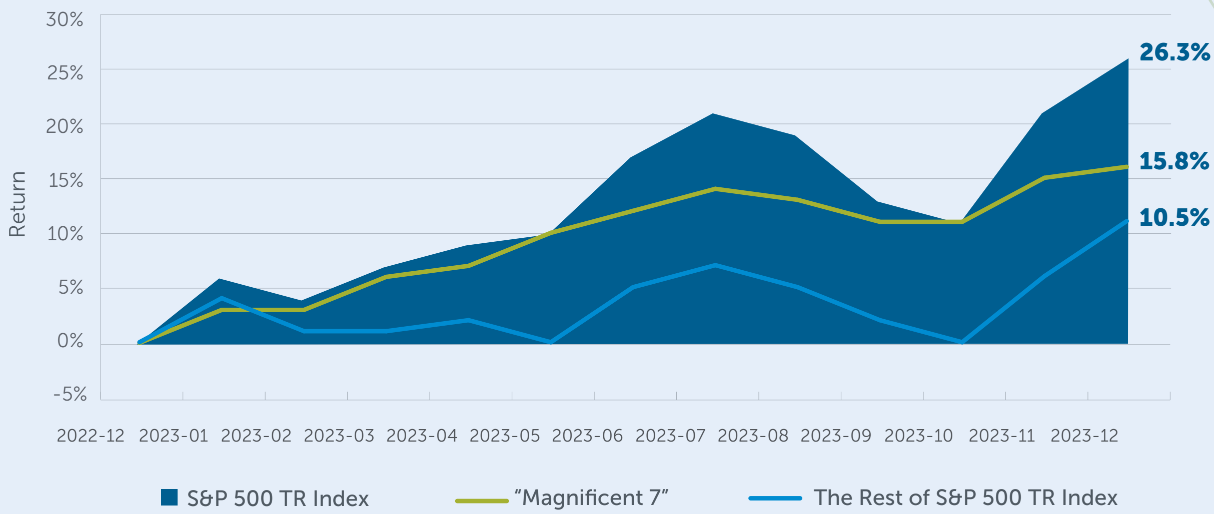
2023 overview

Last year was a volatile year in U.S. equity markets.

In March, the failure of Silicon Valley Bank, a prominent lender in the tech industry with $210 billion in assets, was the first of a series of regional bank failures that later included Signature Bank, Credit Suisse and First Republic Bank. This led to fears of a broader banking crisis, although it was ultimately contained.

Outsized enthusiasm over the capabilities and future of generative AI also fueled a market rally. A group of several stocks dubbed the "Magnificent Seven," comprised of Apple, Microsoft, NVIDIA, Amazon, Meta (Facebook), Tesla and Alphabet (Google), accounted for over 60% of the gains in the S&P 500 Total Return Index as of December 31, 2023. This performance can largely be attributed to their concentration level in the S&P 500 Index, which is constructed based on market capitalization.

Contribution of the "Magnificent 7" to S&P 500 Index Returns



Source: Bloomberg as of December 31, 2023. Total returns, presented in USD.

Another top performer this year was gold, which benefited from the volatility caused by the regional banking crisis earlier this year and ongoing geopolitical events. Gold is largely seen as a "safe haven" asset and tends to perform well during periods of uncertainty.

Finally, despite a widely anticipated recession in 2023, the U.S. economy ended the year better than expected, with GDP growth of 2.1% expected for the year.[5]

[5] IMF Data Mapper, October 2023 https://www.imf.org/en/Countries/USA

2024 U.S. equities outlook

We're entering the new year with a cautious view on U.S. equities. With elections taking place this year, and early polls indicating it will be a close race, we expect to see a budget deadlock in Congress to some extent as partisan politics enters the equation.

The fiscal deficit nearly doubled to $1.84 trillion in 2023 from $950 billion in 2022.[6] With such a large debt load, defense spending is on track to be overtaken by interest costs unless rates begin to fall.

Much like most of the other G7 economies, core inflation in the U.S. remains above the 2% target. Although the Federal Reserve hinted at rate cuts during its last meeting in December, we expect that we will be in a "higher for longer" interest rate environment.

2023 was a tumultuous year across many different industries in the U.S. as workers participated in labour actions. These affected everyone from actors to nurses, hotel staff and pilots. The United Auto Workers union ratified new contracts with the "big three" manufacturers: Ford, General Motors (GM) and Stellantis. United Parcel Service (UPS) also reached a new labour agreement with the International Brotherhood of Teamsters, a union representing many UPS employees, in 2023. The agreements for the three automakers and UPS run through 2028 and we expect them to translate into higher costs for the respective companies as wage increases were a focal point of both contracts.

Some important secular trends that we will monitor in 2024 include innovation, energy, manufacturing, demographics and the re-emergence of India.

ASHLEY MISQUITTA, CFA
Senior Portfolio Manager and Investment Strategist

2024 HIGHLIGHTS

- Unless rates fall meaningfully, US defense spending is on track to be overtaken by interest costs.
- Labour actions in 2023 are expected to translate into higher costs for goods and services.
- We expect the growing working-age population and improving trade relations with India to serve as tailwinds for the U.S.

[6] 2024 Economic Outlook: 10 Considerations for the US Economy, JP Morgan Chase, https://www.jpmorgan.com/insights/outlook/economic-outlook/economic-trends#:~:text=4.,from%20%24950%20billion%20in%202022.

| Secular trends we are monitoring

Innovation

We'll keep an eye on advancements in AI, and whether or not the space becomes more crowded as competitors such as Alphabet (Google) catch up to Open AI, the current market leader. Other innovations we'll continue to monitor include gene sequencing technologies as they become less expensive, and equipment that will improve access to vast oil and gas reserves.

Energy

We continue to monitor the transition to a green economy, focusing on key themes such as the establishment of renewable power generation (including wind and solar) and the role of nuclear energy, and improvements in electric vehicle infrastructure. As we transition to a greener economy, we will also be monitoring U.S. domestic oil and gas production. As the largest oil producer in the world, this has been a tailwind for growth and employment.

Manufacturing

As relations between the U.S. and China have deteriorated, U.S. companies have shifted their supply chains away from China in a bid to manage risks, starting the process of bringing it to friendlier shores or onshoring entirely. This is especially true for the creation of a domestic semiconductor supply chain.

Demographics

Unlike many other developed countries, the working-age population is expected to continue to grow in the U.S. for decades to come. This is expected to provide a tailwind to the U.S. economy.

Re-emergence of India

India has grown to become the fifth largest economy in the world. Yet, it is still in the relatively early stages of transitioning away from an agrarian economy towards an industrial economy. We expect that this will provide an economic tailwind for the U.S. in terms of trade.

Global equities

2023 overview

Overall, the strong performance of global equities in 2023 was not driven by a particular investment style.

The performance of European equities was driven by higher interest rates, which led to the material outperformance of banks and other rate-sensitive sectors. However, as Europe's third largest trading partner,[7] a slowing Chinese economy had a negative impact on exports.

China's tepid post-COVID recovery and macro pressures, such as a contraction in Chinese manufacturing, surging youth unemployment, deflationary pressures and a slumping property market, have all contributed to China's economic malaise in 2023.

Japanese equity performance was strong throughout 2023. This was underpinned by rising inflation and a depreciation in the yen, which has declined by 20% on average against major currencies since early 2022,[8] making imports relatively more competitive and inbound travel more attractive. Finally, a shifting corporate culture that permits shareholder activism is also believed to have played a role in the strong performance. Unlike other economies, such as the U.S. and Europe where investor activists tend to focus on environmental, social & governance (ESG) issues, shareholder activism in Japan is driven by business performance and governance.[9]

[7] European Union, https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en

[8] East Asia Forum, October 31, 2023 https://www.eastasiaforum.org/2023/10/31/an-undervalued-yen-poses-problems-for-the-bank-of-japan/

[9] Pham, Nga, "Shareholder Activism in Japan", June 23, 2020 https://blogs.cfainstitute.org/investor/2020/06/23/shareholder-activism-in-japan/

2024 Global equities outlook

As we begin the new year, we have a slightly negative outlook on Europe, slight optimism on China and a continued positive view of Japan.

DAVID MANN, CFA
Senior Portfolio Manager

Europe

GDP projections for Europe continue to be revised downward, to just over 1% for the year.[10] This can be attributed to the high cost of living, monetary tightening and a contracting manufacturing sector, which is impacted by the slowdown in China, its third-largest export market.

Additionally, a trend appears to be emerging, whereby Chinese tourists have become keener on traveling within their own borders rather than internationally. If this trend reverses in 2024, it is expected to be a positive catalyst for Europe.

Like much of the developed world, Europe has also been impacted by higher interest rates which has weighed heavily on borrowing and capital expenditures, particularly in more capital-intensive industries, such as construction, manufacturing and machinery, as well as those that supply them (metal mining, lumber, fabricated metals).[11]

Higher rates are also impacting consumer discretionary spending and will likely continue to do so throughout the year.

2024 HIGHLIGHTS

- GDP projections for Europe continue to be revised downward.
- We continue to see opportunities to invest in Chinese companies due to the persistent discrepancy between fundamentals and valuations.
- Changes to Japan's Corporate Governance Code are conducive to increased ROE and shareholder returns.

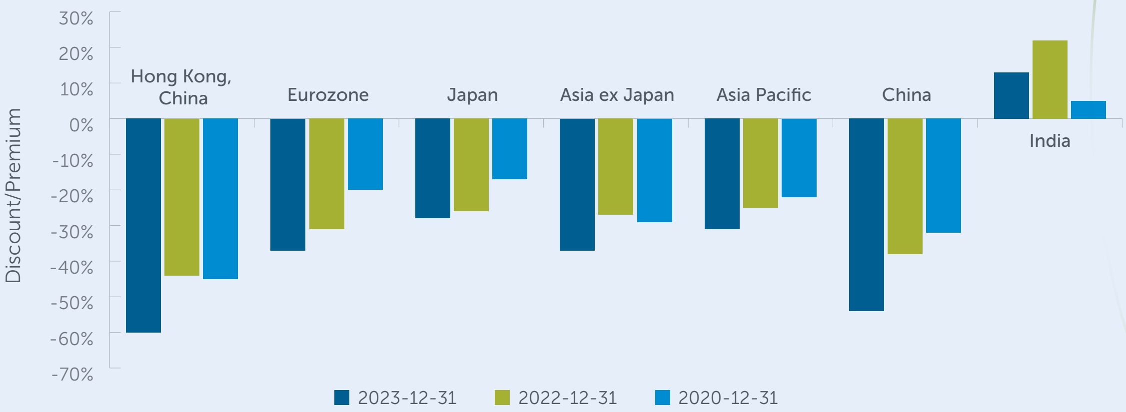
[10] European Commission, November 15, 2023 https://economy-finance.ec.europa.eu/economic-forecast-and-surveys/economic-forecasts/autumn-2023-economic-forecast-modest-recovery-ahead-after-challenging-year_en#:~:text=EU%20GDP%20growth%20is%20forecast,2024%20and%201.6%25%20in%202025.

[11] S&P Global Market Intelligence, June 30, 2023 https://www.spglobal.com/marketintelligence/en/mi/research-analysis/high-interest-rates-euro-area-economy-impact.html

China

Although we maintain a cautious outlook on China due to the ongoing geopolitical concerns and property crisis, we see some opportunity in Chinese equities, which exhibit attractive valuations, even when factoring in a country discount. We continue to see opportunities in the discrepancy between the fundamentals of many Chinese companies and their valuations, whereby strong fundamentals are not captured.

Forward P/E discounts relative to US equities



Source: Bloomberg as at Dec, 31, 2023. The following indices are displayed in the graph above. Hang Seng Index (Hong Kong), Euro Stoxx 50 PR (Eurozone), Tokyo Stock Price Index (Japan), MSCI AC Asia ex Japan (Asia Pacific), MSCI China Index (China), MSCI India Index (India).

Japan

We believe that Japanese equities will continue to outperform in the new year, however, there are some headwinds expected. In particular, Japan is experiencing its highest rate of inflation in almost a decade at 3.21%[12] in 2023. In addition, most economists believe that the Bank of Japan will adjust its negative interest rate policy in 2024.[13]

Despite the existence of these headwinds, we expect that they will be more than offset by several tailwinds. This includes changes in Japan's Corporate Governance Code that strongly encourages companies to increase their Return on Equity (ROE) and shareholder returns. We expect that this will result in lower levels of cross shareholding, a practice that is common in Japan where publicly traded companies own shares in other public companies, which may not be in the best interest of shareholders. Seeing an opportunity, activist funds are stepping in and buying these shares, building large owernship stakes in companies and encouraging management teams to be more shareholder friendly.

[12] Bloomberg as of December 31, 2023

[13] Reuters, November 21, 2023 https://www.reuters.com/markets/asia/boj-end-negative-interest-rates-2024-over-80-economists-say-2023-11-22/

Canadian equities

2023 overview

Canada's GDP growth has decelerated materially in the third quarter, coming in at -1.1% in Q3 despite positive levels in Q1 (+2.5%) and Q2 (+1.4%). Canadian GDP has lagged U.S. growth substantially in Q2 (+2.1%) and Q3 (+5.2%).

In another sign of a slowdown, unemployment also increased modestly from 5% in Q1 to 5.5% in Q3. Official GDP figures will be released on February 29, 2024. However, if the consensus view that Canada's GDP grows by 0.2% in the fourth quarter proves to be correct, a recession will be narrowly avoided.

With inflation slowing, the Bank of Canada increased the overnight rate modestly in 2023 (from 4.5% to 5%) compared to the previous year. It has also signaled that it will hold rates steady for the time being, but are not ruling out additional rate hikes at this time.

Canadian equities have experienced a decent 2023, with the S&P/TSX Composite Index closing the year up 11.8%, but lagging behind the S&P 500 Index (+22.9%), MSCI World EAFE Index (+15.6%) and the Tokyo Stock Price Index (TOPIX) (+16.8%).[14]

Canadian equities are heavily skewed toward interest rate-sensitive sectors that include Canadian banks, energy pipeline companies, telecommunication companies, utilities and real estate investment trusts (REITs). These dividend-paying equity sectors can serve as bond proxies. As rates have increased, capital has been drawn away from these sectors and reallocated to risk-free investments that offer much higher yields compared to the recent past. These sectors of the market also tend to require significant capital, which has become more expensive.

Elsewhere in the market, energy has performed roughly in line with the S&P/TSX Composite Index, with a significant positive contribution from oil producers that has offset the underperformance of pipelines. Technology significantly outperformed in 2023, although this outperformance was mostly attributable to two stocks, including Shopify Inc. and to a lesser extent, Constellation Software Inc. Gold equities underperformed the S&P/TSX Composite Index in 2023 despite the price of gold finishing the year up 13.1% as of December 31, 2023.[15]

[14] Indexes are total return versions, as of December 31, 2023 in Canadian dollars.

[15] Spot price of gold in USD per ounce. Source: Bloomberg as of December 31, 2023

2024 Canadian equities outlook

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Economic growth is expected to continue to slow in 2024. Higher interest rates are anticipated to weigh more heavily on Canadian consumers and overall economic activity in 2024. Higher rates have had a disproportionately negative impact on Canadians due to higher consumer debt levels and shorter duration mortgages compared to the U.S. Unemployment is also expected to continue to increase at a slightly higher pace compared to 2023.

The federal government announced a plan to increase permanent resident admissions to 485,000 in 2024. We believe that elevated levels of immigration could act as an offsetting factor. The market view is that the Bank of Canada will begin to cut rates in April 2024 given slowing macroeconomic growth and easing inflation. We believe, however, that the timeline is overly optimistic.

A few sectors that we will continue to monitor as we head into the new year include banks, housing, and energy.

Banks

Canadian banks are expected to continue to increase provisions for credit losses in response to the negative impact of higher rates on Canadian consumers, whose household debt levels are 187% of net disposable income, among the highest in the Organization for Economic Co-operation and Development (OECD).[16] Higher credit losses and further provisioning are expected to be driven primarily by the banks' non-mortgage loan books (such as personal auto loans, credit cards, etc.), which will continue to pressure bank earnings in 2024.

2024 HIGHLIGHTS

- High rates are expected to impact economic activity due to the high debt levels of Canadian consumers.
- Although market participants expect rate cuts this year, the impact on housing is less clear.
- We see opportunities in Canadian equities as valuation levels are at a meaningful discount relative to historical levels.

[16] OECD, 2023 https://data.oecd.org/hha/household-debt.htm

Housing

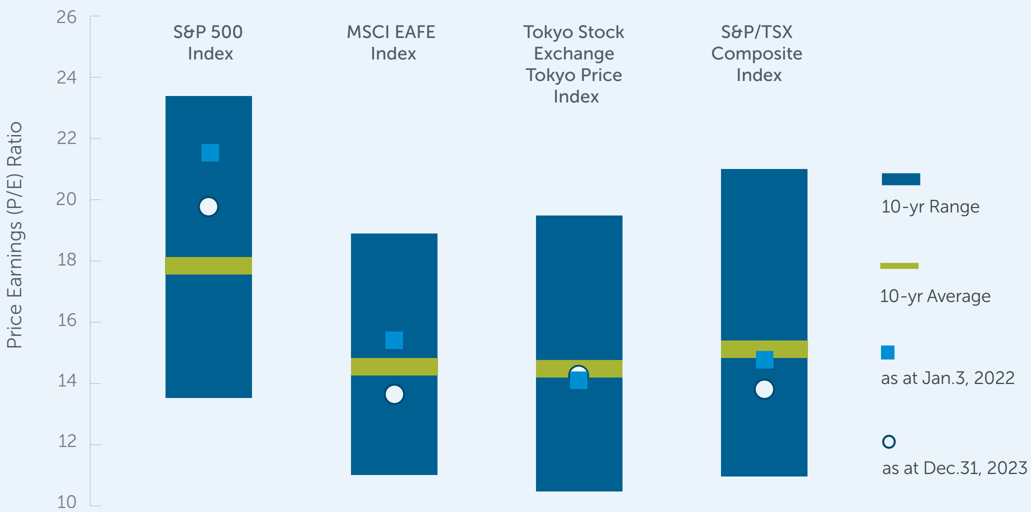
The Canadian housing and mortgage markets will continue to remain topical as inflation and elevated borrowing costs have taken a toll on affordability. The Bank of Canada rate cuts that are expected to take place in 2024 may bring some relief to mortgage holders, however, the impact on housing prices is less clear. Re/Max recently published a forecast that indicated average home prices will grow by only 0.5% in 2024.[17]

Energy

Multiple factors are supportive of oil prices heading into the new year. Supply-side dynamics remain attractive, primarily due to a long history of underinvestment in oil production. In addition, the OPEC+ organization has proven to be very aggressive in curtailing oil production to support oil prices. Ongoing conflicts also continue to introduce significant risks to global oil supply. These supportive factors for oil prices could be offset by the uncertainty surrounding oil demand, given the uncertain economic outlook for 2024, in particular the expectation of slowing economic growth.

While there are several economic headwinds that are expected to negatively impact the Canadian economy, as discussed above, a slowdown in inflation and the expectation that we begin to see rate cuts will help to offset these headwinds. In addition, valuation levels of Canadian equities are at a meaningful discount relative to historical averages.

Valuation: 12 Month Forward P/E



Source: Bloomberg as of December 31, 2023. US equities are represented by the S&P 500 Index, Canadian equities are represented by the S&P/TSX Composite Index, Japanese equities are represented by the Tokyo Stock Exchange Tokyo Price Index (TOPIX), and international equities are represented by the MSCI EAFE Index.

[17] Re/Max National Market Outlook https://blog.remax.ca/canadian-housing-market-outlook/

Fixed income overview

2023 overview

2023 was a volatile year for fixed income, as yields were whipsawed by the combination of rate hikes and tightening monetary policy. The failures of Silicon Valley Bank and Credit Suisse in March led to fears of a broader regional banking crisis and opened the door to debate over whether rates had peaked and if a cutting cycle would soon follow. These arguments proved to contain little credence in 2023, as the Federal Reserve continued hiking rates until the May meeting, then paused for a couple of meetings before hiking again in July.

The Bank of Canada took a slightly different approach, hiking rates once in January before pausing until June and tightening twice more before the end of the year.

In both countries, inflation remained elevated but began to decline.

The collapse of Silicon Valley Bank and Credit Suisse also shook corporate bonds, as spreads peaked in March over fears of a broader bank failure. As these issues proved to be relatively contained and economic data and corporate earnings both came in strong, credit spreads and other risk assets rallied and priced in the potential for a soft landing for the economy.

Despite the high volatility throughout the year, credit spreads across the risk spectrum finished the year tighter.[18]

[18] Bloomberg, November 30, 2023

2024 Fixed income outlook

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IAN FUNG, CFA
Senior Portfolio Manager

As we enter 2024, we believe that rates have peaked in both Canada and the U.S., and the focus has shifted away from further rate hikes towards when easing will take place, and by how much. Inflation has eased in much of the developed world, and we believe that it will continue to move lower throughout the year, however, remain above the 2% level targeted by central banks.

Economic growth has downshifted as a result of the rate hiking campaigns. We expect to see the lagged effects of tighter policy throughout 2024 as the effects of the higher rates continue to transmit throughout the economy.

We maintain a positive view of fixed income as it appears rates have peaked, growth trajectories are slowing (making less risky assets relatively more appealing), and yields are starting the year at an attractive level. We believe this could cause the yield curve to re-steepen and lead to less inverted, or even positive, sloping curves.

Government bonds

Canada

Given the interest rate sensitivity of the Canadian economy, the impact of the rate hikes have been effective in restraining the economy, which has been slowing through the second and third quarters of 2023.[19] According to the Bank of Canada, the economy is no longer reflecting excess demand, and the upward risk of inflation is balanced with the downside risk of a slowing economy. Market sentiment suggests easing may begin as early as the first quarter in 2024, but we believe that the timing is optimistic given the progress that has been made on inflation. However, the Bank of Canada has previously acknowledged that rate cuts could begin before inflation is sustainably at 2%, depending on market conditions.

Key areas we will continue to monitor include inflation, particularly core inflation and inflation expectations, and wage and job growth, which remain at elevated levels.

2024 HIGHLIGHTS

- Given the interest rate sensitivity of the Canadian economy, we expect to see the lagged effects of tighter policy throughout 2024.
- We believe a “soft landing” scenario remains uncertain.
- Rates that have likely peaked and a slowing growth trajectory are supportive of less risky assets, making fixed income relatively more appealing.

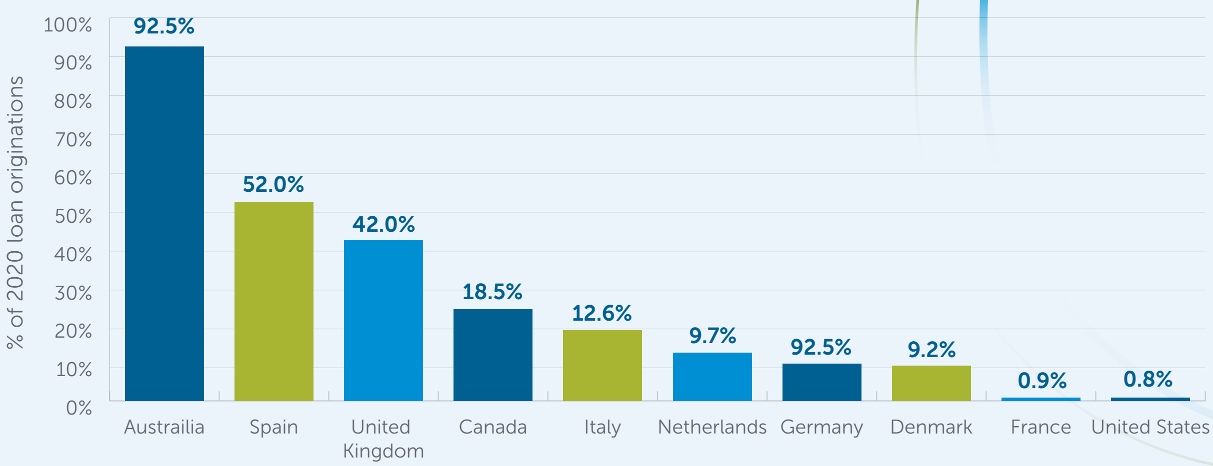
[19] Stats Canada, September 30 2023.

Government bonds cont'd.

United States

The U.S. economy has remained more resilient than the Canadian economy, given lower levels of interest rate sensitivity, which is particularly noticeable in the housing market due to longer-dated fixed mortgages south of the border, versus the shorter resets in Canada.

Share of residential mortgages originated with rates that expire or reset within 24 months



Source: Fitch Ratings Share of residential mortgages originated with rates that expire or reset within 24 months Expressed as % of 2020 loan originations. Analysis as of December 2022.

The American consumer has also remained more resilient as wage growth and employment have remained robust.[20]

We'll continue to monitor inflation expectations which remain elevated, and employment growth which is starting to show some signs of softening. Inflation has also been trending lower in the U.S. but given a more resilient economy, the Fed may not feel the need to cut rates as early, or by as much, as markets currently expect.

[20] US Bureau of Labor Statistics, November 30, 2023

Corporate bonds

We see the potential for a wide range of outcomes as the market appears to be pricing in a high probability of a soft landing as described in the macroeconomic outlook. However, we believe that this scenario remains uncertain.

Investment grade

Heading into the new year, our base case for higher quality corporate bonds is that credit spreads are likely to widen, but not significantly. Higher-quality investment grade bonds tend to be issued by businesses with more resilient business models that can withstand economic downturns and tend to be less impacted by increasing spreads if economic growth slows further. Furthermore, investment-grade companies generally find it easier to maintain access to capital markets to refinance debt maturities, making them less likely to be affected by tighter lending conditions if growth slows significantly.

High yield

Although balance sheet fundamentals remain strong, we have seen some deterioration. After six consecutive quarters between Q1 2021-Q2 2022 where credit rating upgrades have exceeded downgrades, the past six quarters (from Q3 2022 to Q4 2023) have seen the opposite occur. In addition, historically low default rates have hovered around 1% for all of 2022. In 2023, default rates have increased to roughly 2.5%[21] and most market strategists expect them to increase further by up to 2% to 4.5%.

As with past default cycles, defaults will be heavily skewed towards companies with lower-quality balance sheets and ratings. We expect that there will be pressure on companies rated CCC- and below, and that overall spreads will widen. However, increasing amounts of capital raised in private credit markets could mitigate the default rate as private credit investors look to deploy capital.

[21] Bank of America Securities, December 2023

Final thoughts

As we head into the new year, these are some of the key themes we will be monitoring across asset classes. We expect that monetary policy will affect both equities and fixed income investments, through higher borrowing costs, widening credit spreads and the possibility of a broader economic slowdown triggered by a “higher for longer” interest rate environment. With elections taking place across the globe, most notably in the United States, we will continue to monitor the impact of these elections, particularly where they lead to a change in governments and policy directions. Finally, in a time of unprecedented technological innovation, we will continue to monitor rapidly advancing technologies such as generative AI and other innovative technologies in healthcare. We believe these broad themes have the potential to create new opportunities and challenges in 2024 and we will therefore continue to monitor them throughout the year.

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Watch for our semi-annual update, which will be published in Q2 2024

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