



# Asset Allocation Perspectives 2025 Outlook

January 2025

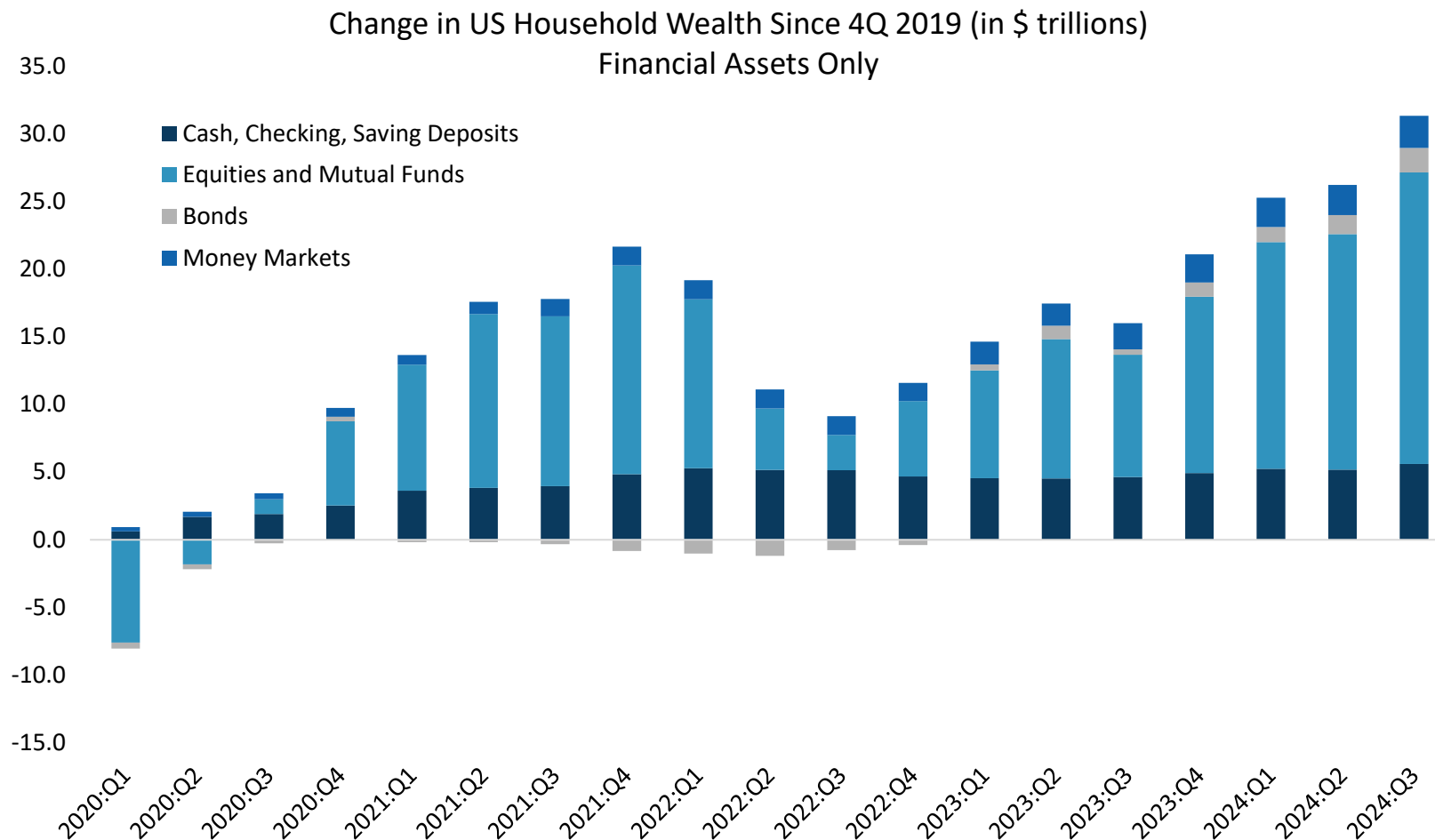
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*Macro Outlook and Themes*

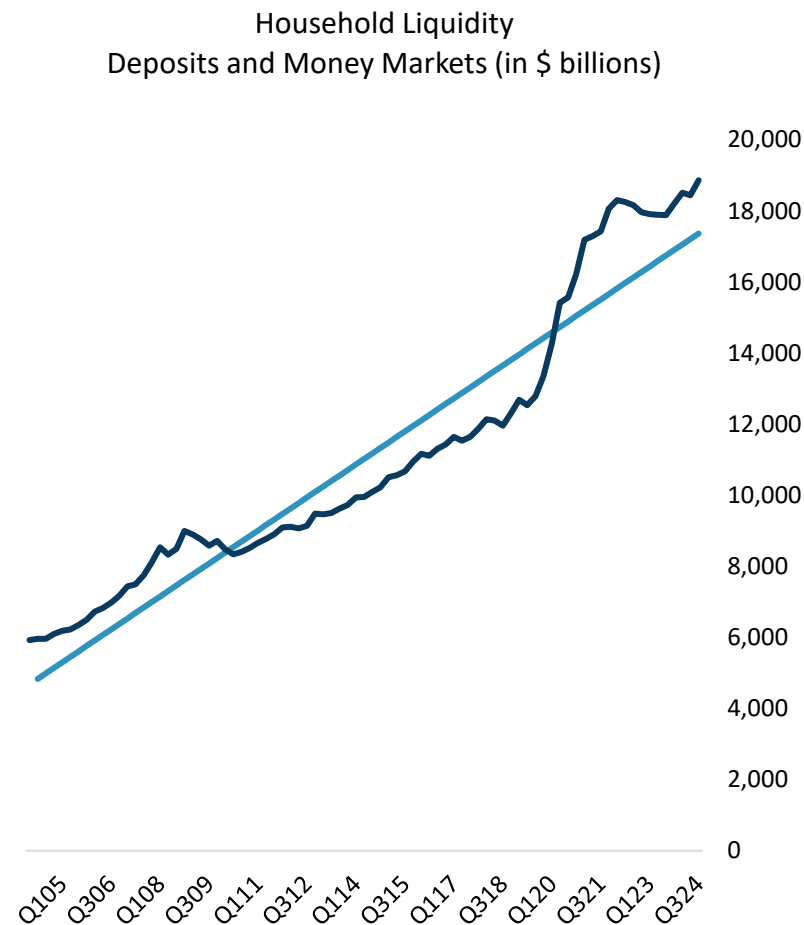
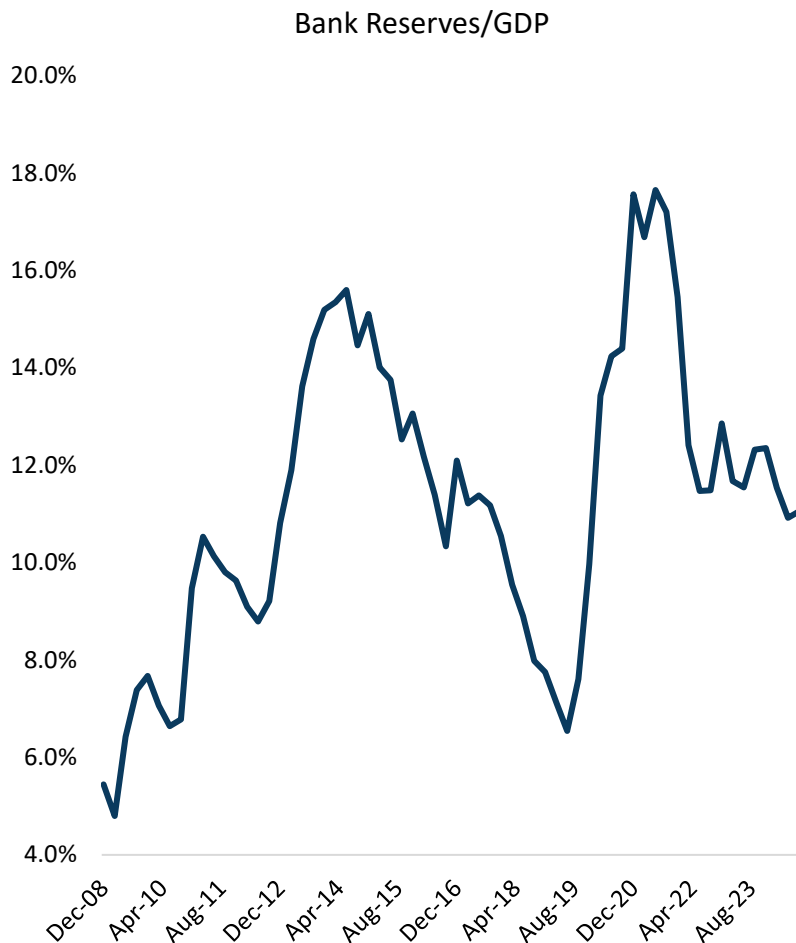
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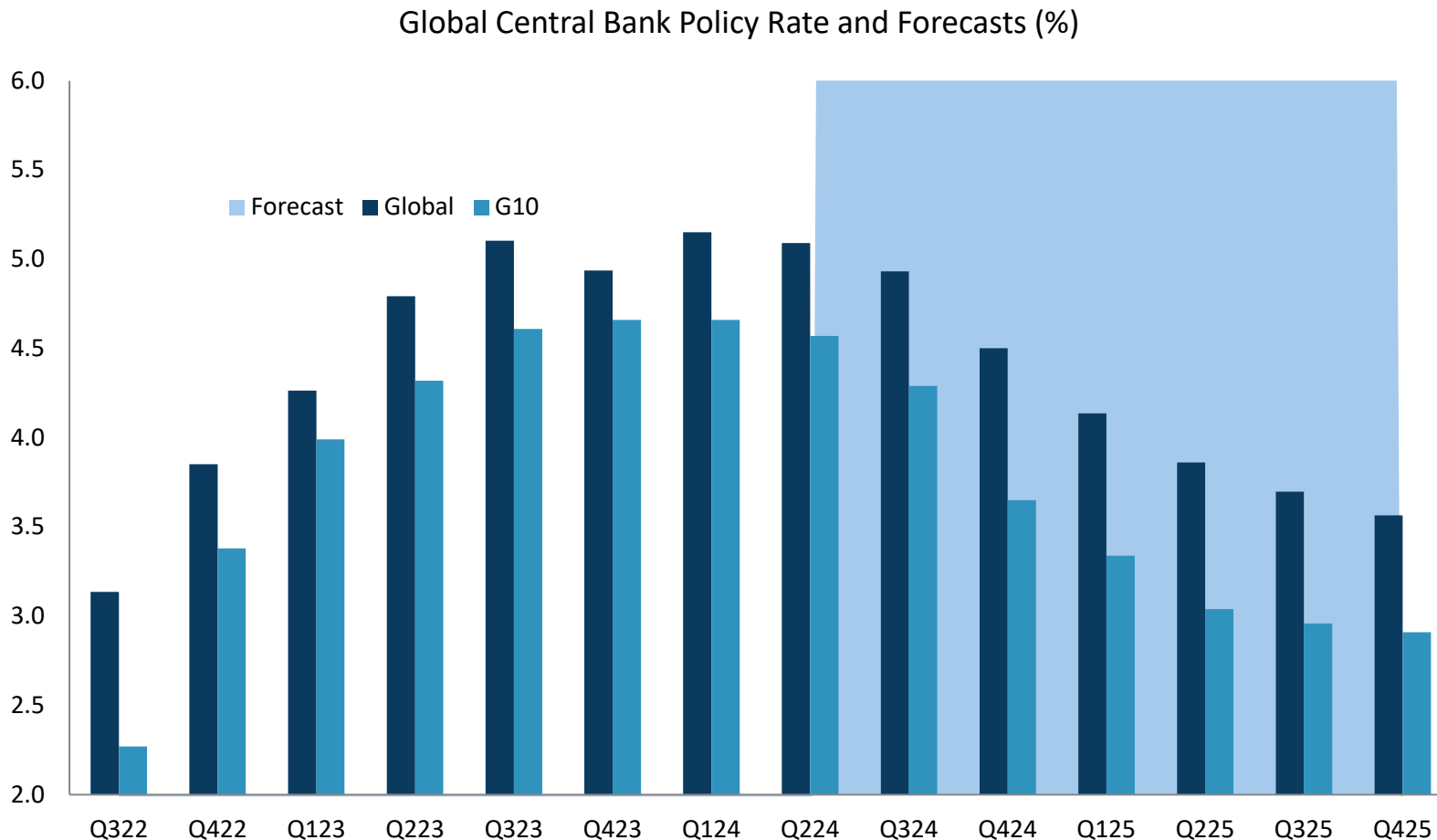
## Key 2025 Drivers: Consumer Wealth and Confidence



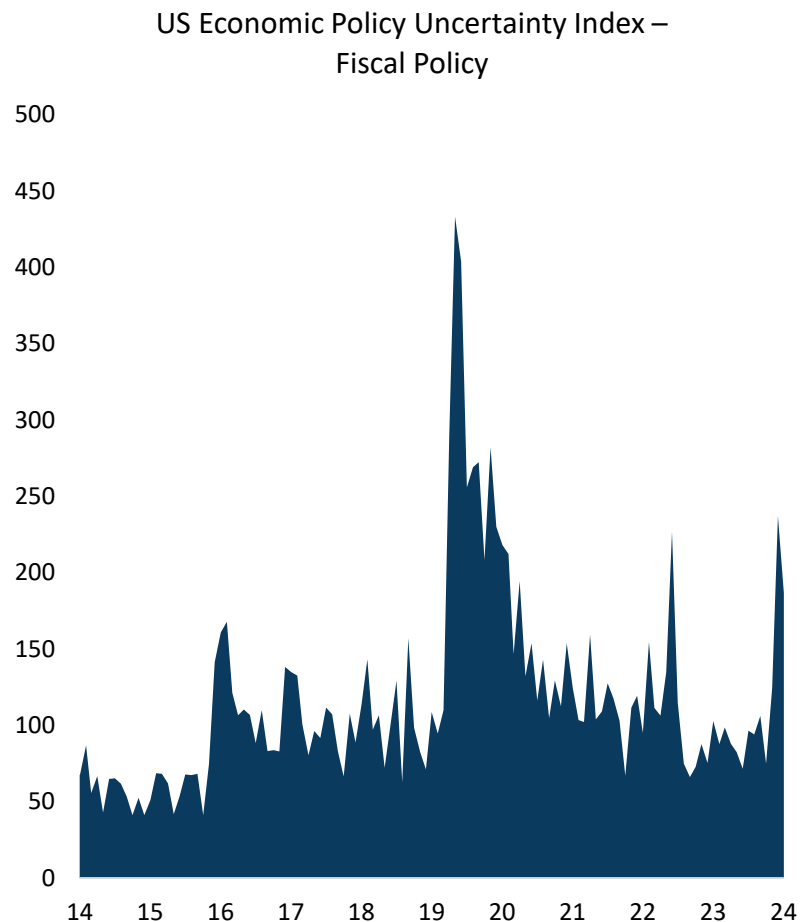
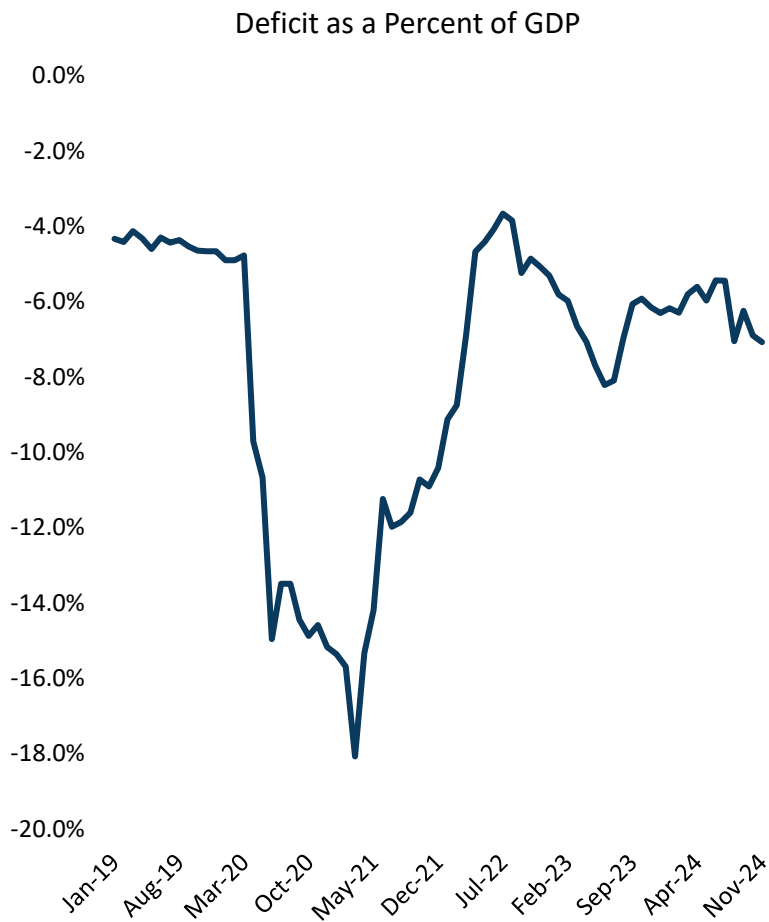
## Key 2025 Drivers: Liquidity and Excess Capital Conditions Still Favorable



## Key 2025 Drivers: Less Restrictive Global Monetary Policy



## Key 2025 Drivers: Fiscal Spending May Slow



## Base Case Outlook: Upside With Uncertainty

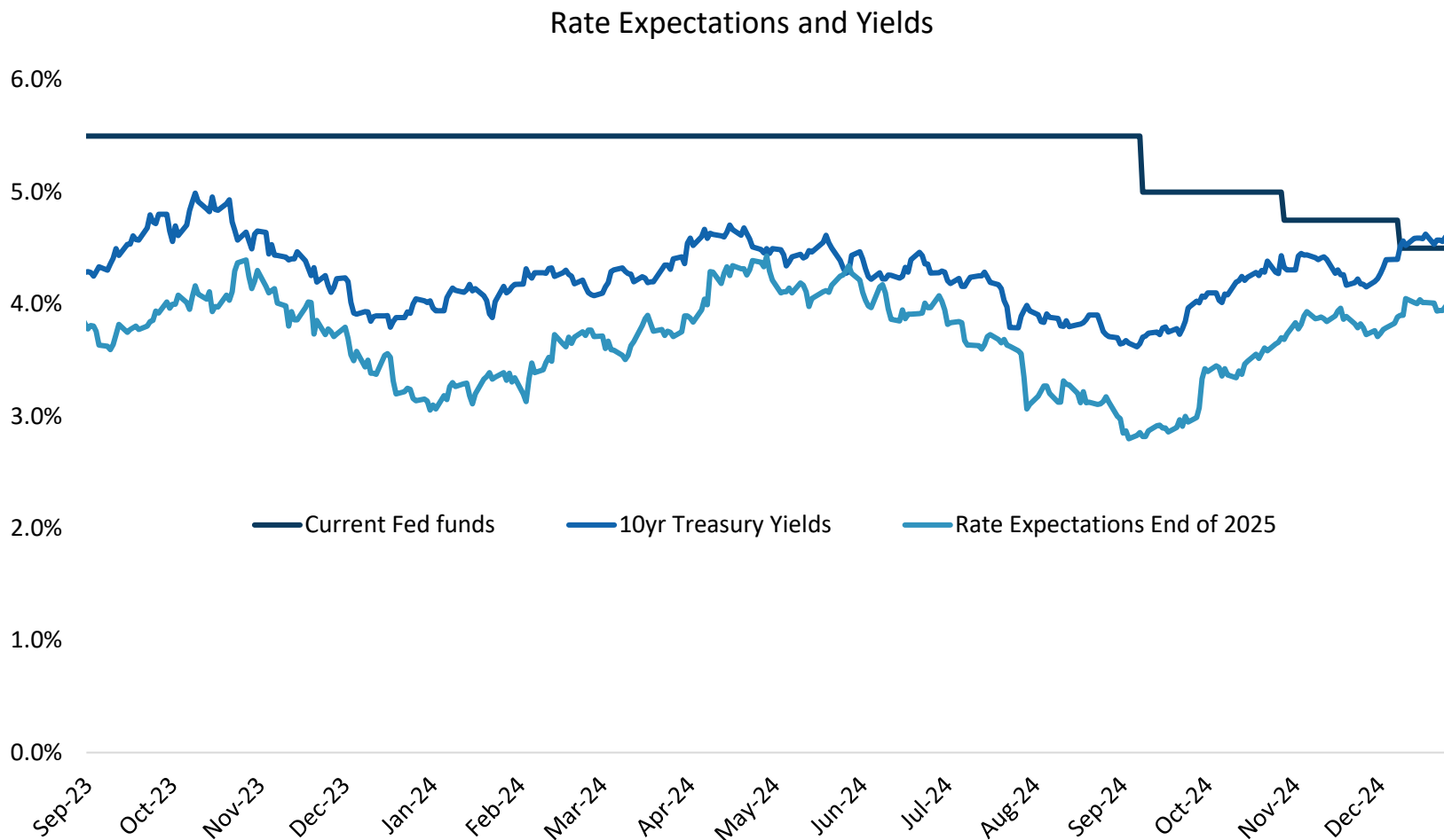
Asset/Market	Base Case View	Investment Implications
Equities	Macro conditions support further momentum in the first half	Policy uncertainty, profit taking, and stretched valuations suggest lower returns than in 2024 and higher volatility
Rates	Rates will be contained by further Fed easing, weaker growth, and a slow grind down in inflation	Yield carry will drive returns, but duration will be a hedge against macro uncertainty
Spreads	Rangebound spread outlook given demand for yield and strong fundamentals	Valuations make it difficult to add value beyond yield; security selection and wider opportunity set will be key to excess returns
Curve	Modest steepening as Fed continues to cut	Fed pricing suggests yields are fully priced; extending out of cash to coupon bonds makes sense as curves steepen

## Suprises or Dynamics that Could Alter Outlooks in 2025

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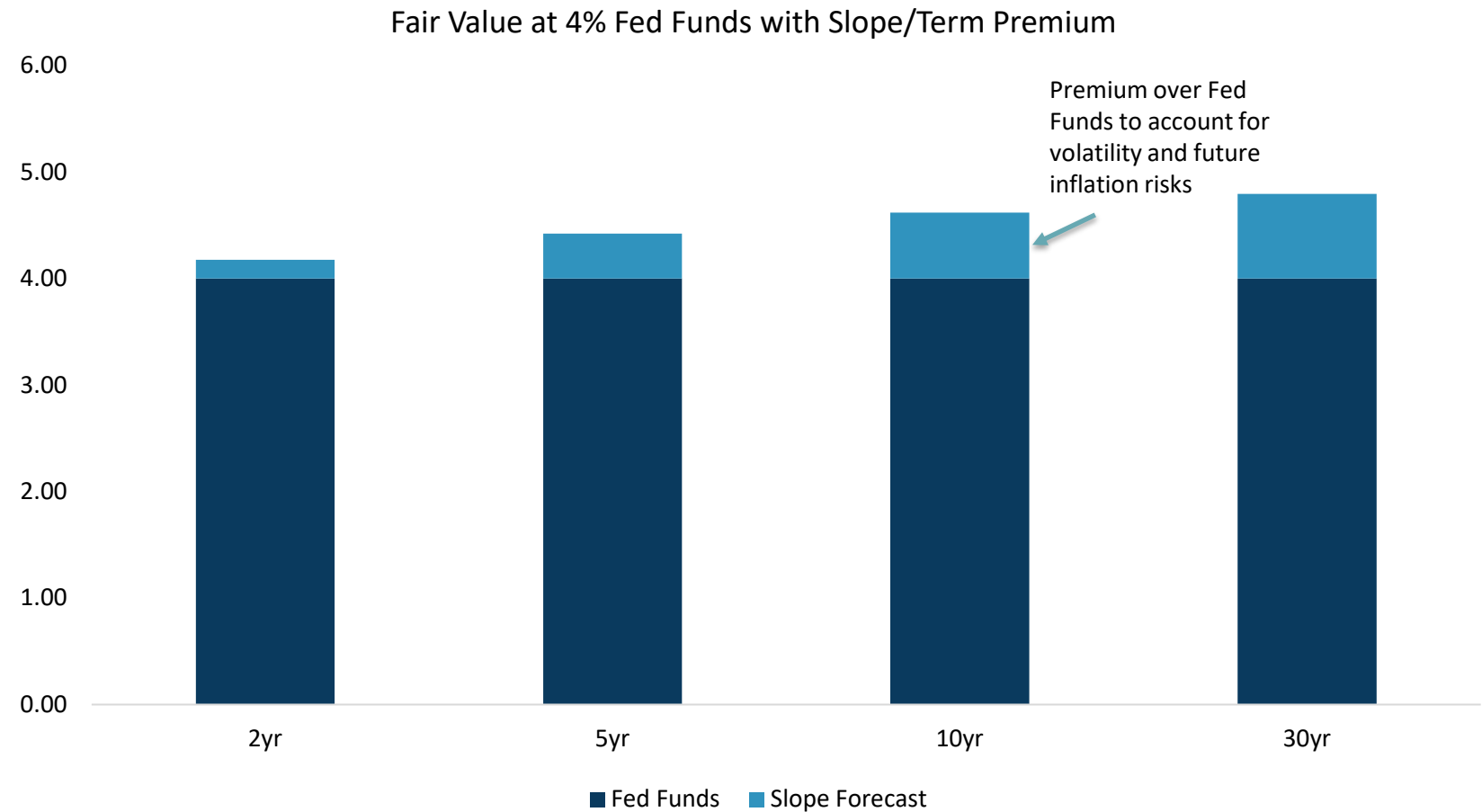
Risk/Headwind	Possible Impacts
Deeper Labor Market Weakness	Recession fears
Inflation Pressure	Pressure on rates and equities
Tariff/Immigration Fallout	Inflationary pressure
EPS Disappointment	Lower equity outlooks, valuations
Deficit/Spending	Pressure on rates/Slower growth if less spending
Alternative Energy/Shift to Nuclear	Lower traditional energy prices

## Rate Outlook: Fair Value is a Moving Target

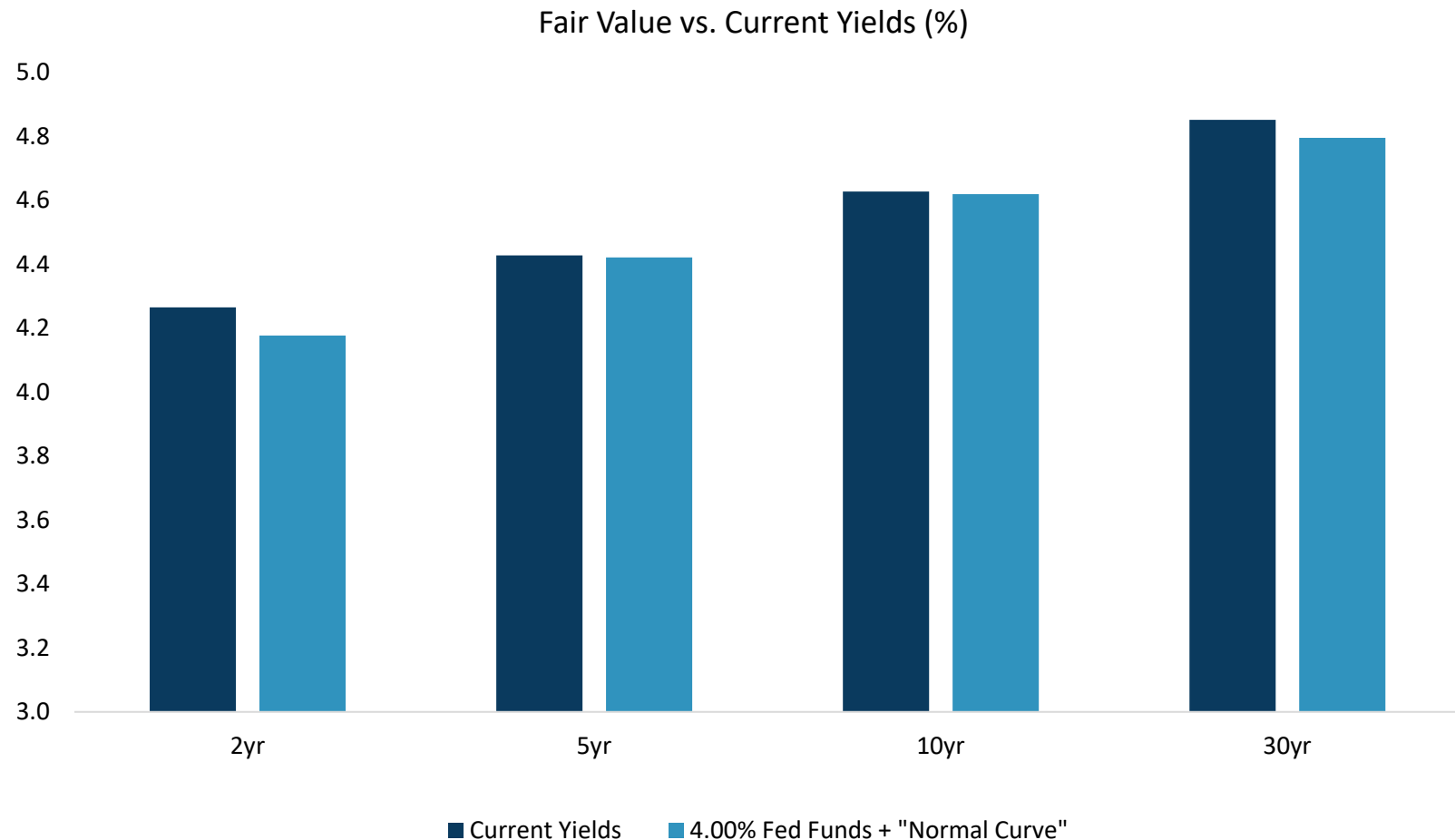




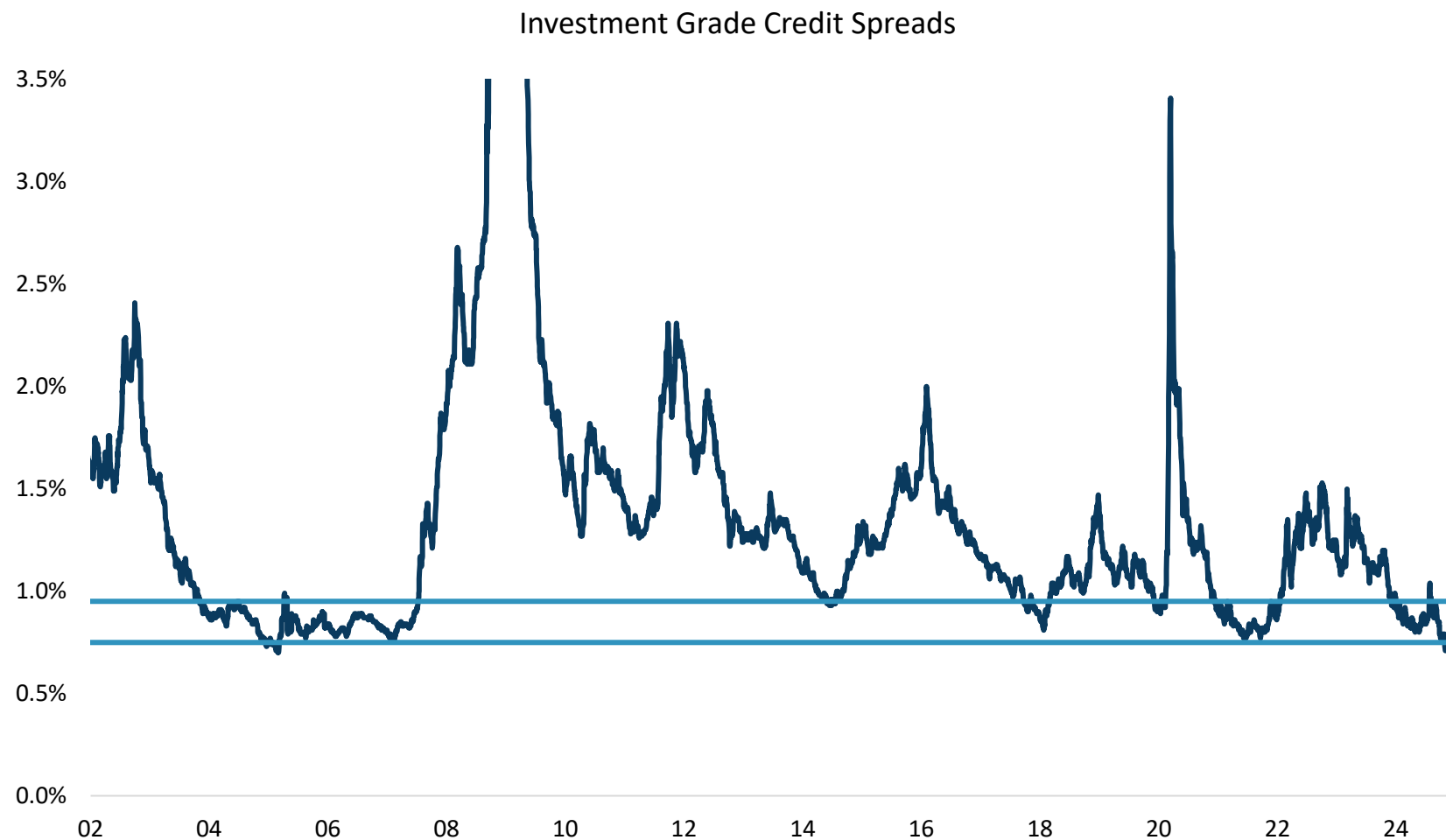
## Rate Outlook: Building Blocks



## Rate Outlook: Priced for Limited Economic Downside

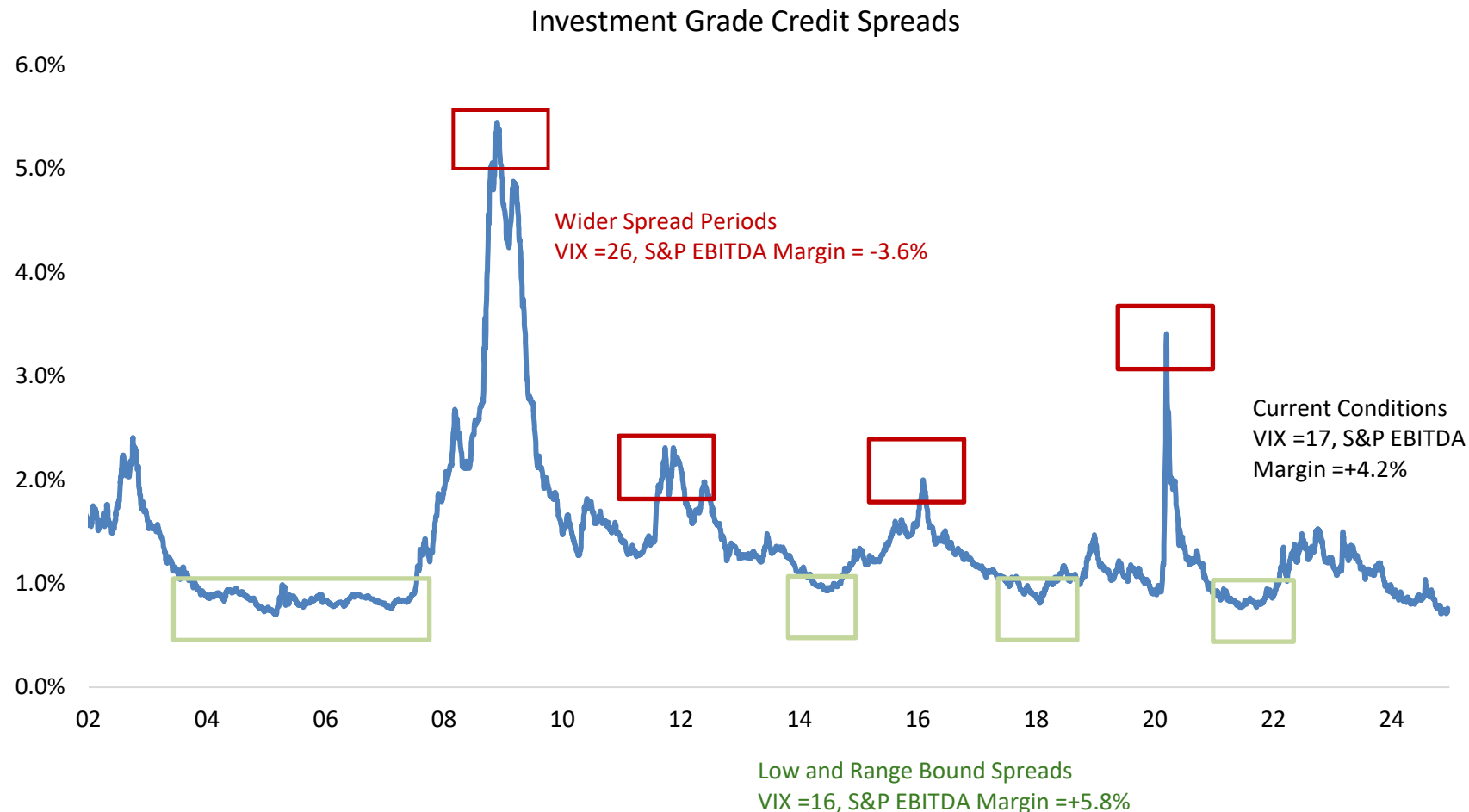


## Credit/Spread Outlook: Riding the Range

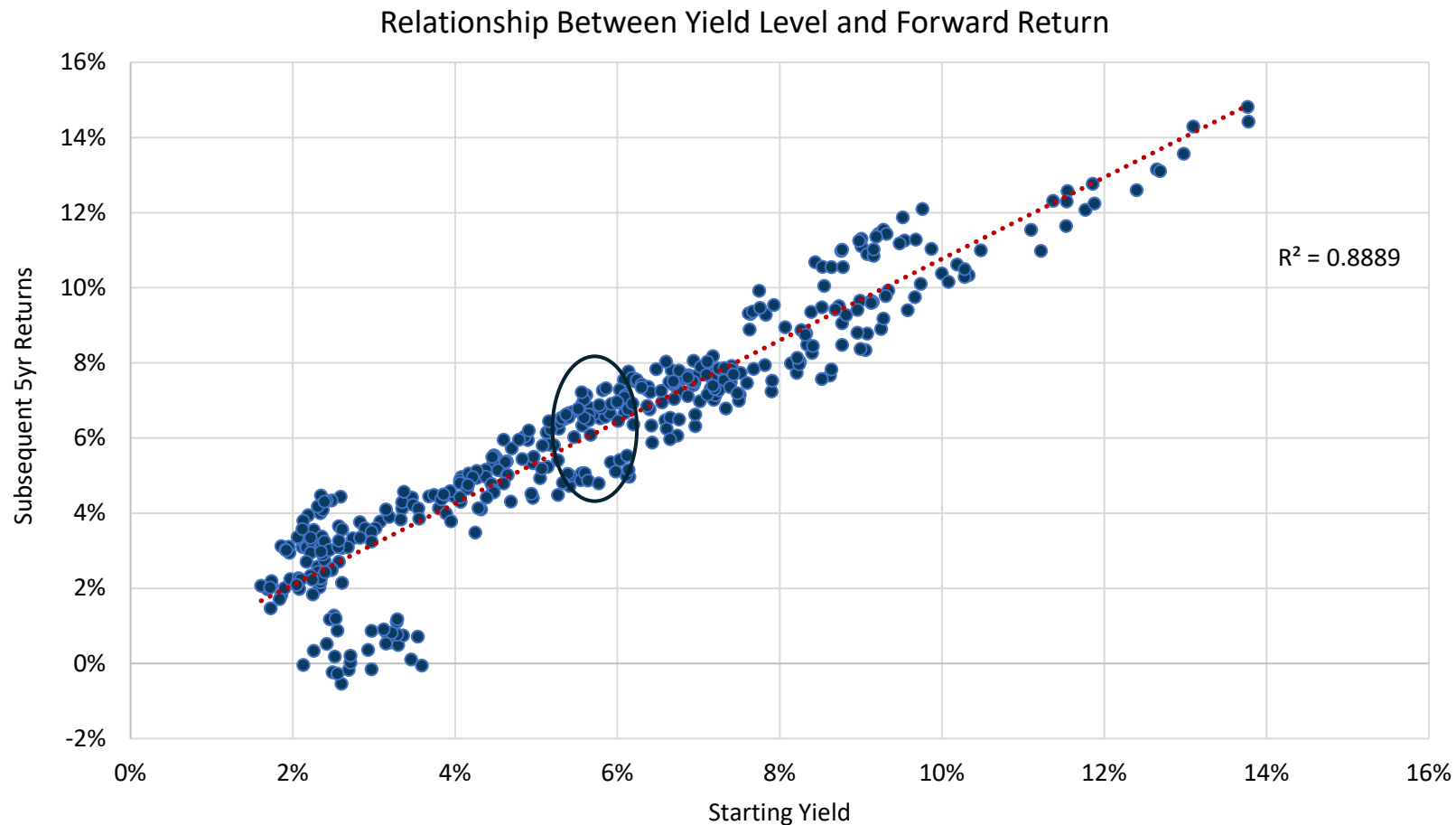


Source: Bloomberg, Sage. As of 1/6/2025

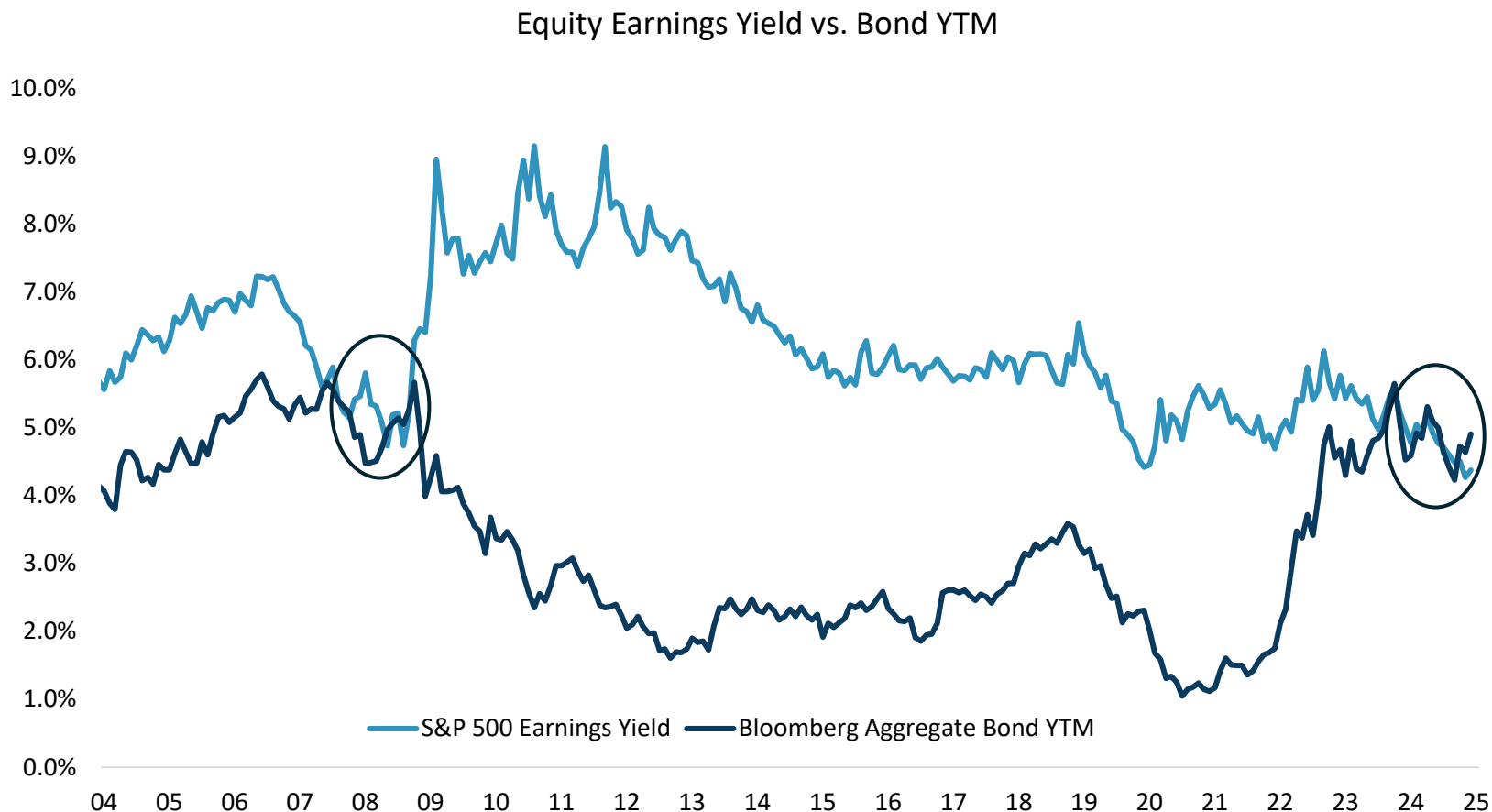
## Things to Look Out For: Volatility Events or Deteriorating Fundamentals



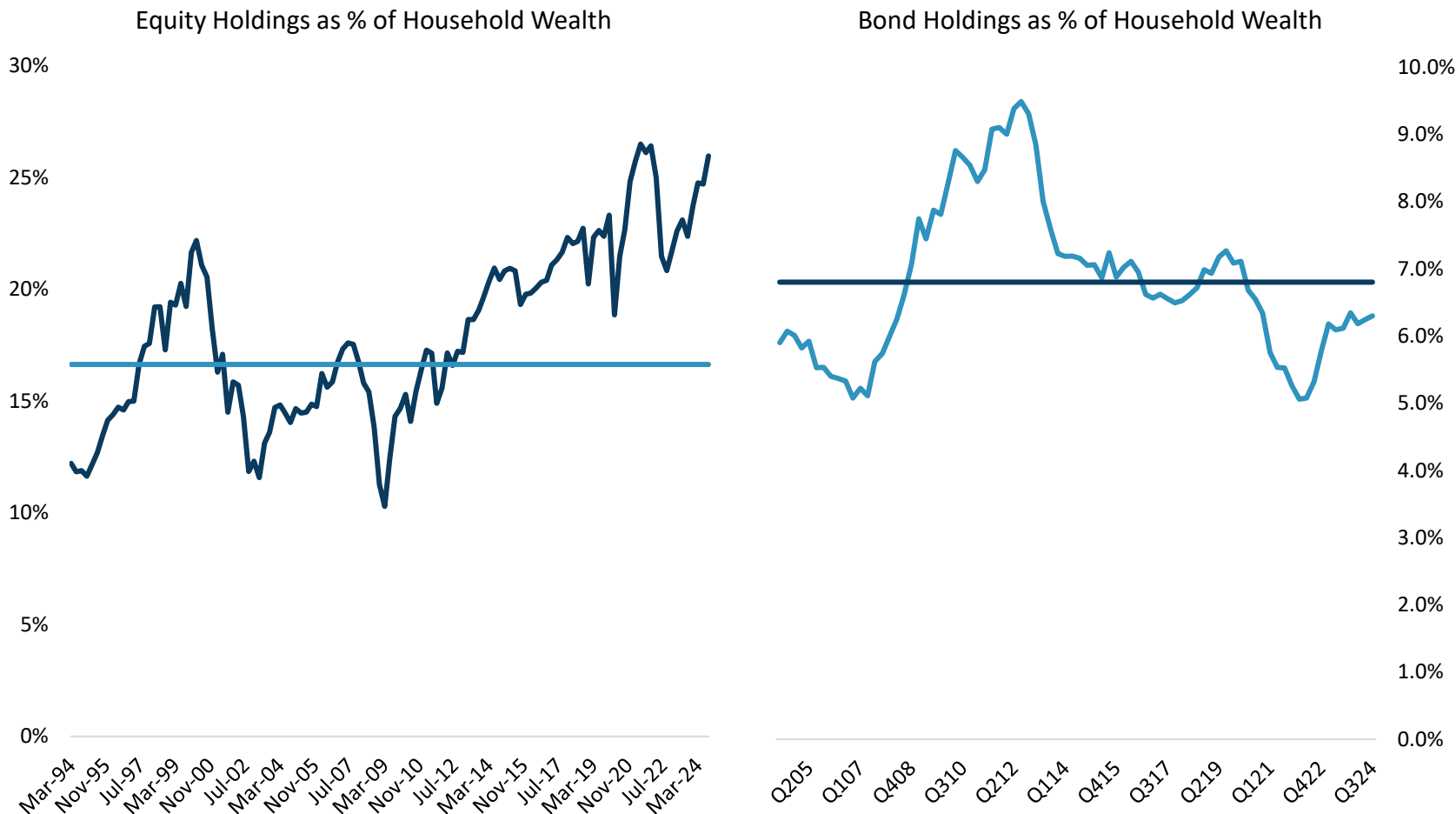
## Fixed Income Outlook: A Nice Base



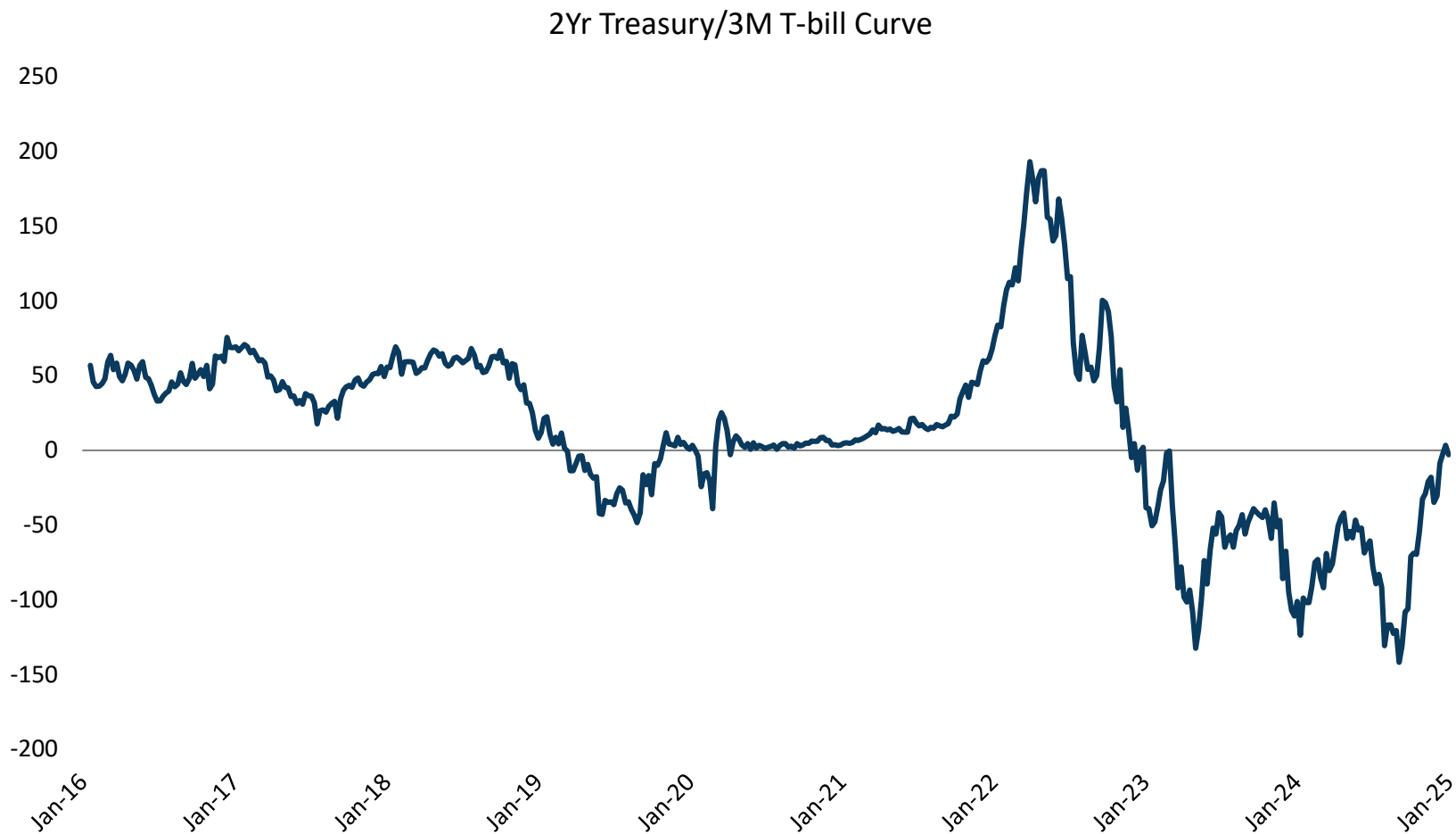
## Asset Allocation Outlook: Relative Value Suggests Rebalancing



## Asset Allocation Outlook: High Equity Allocations Also Suggest Rebalancing



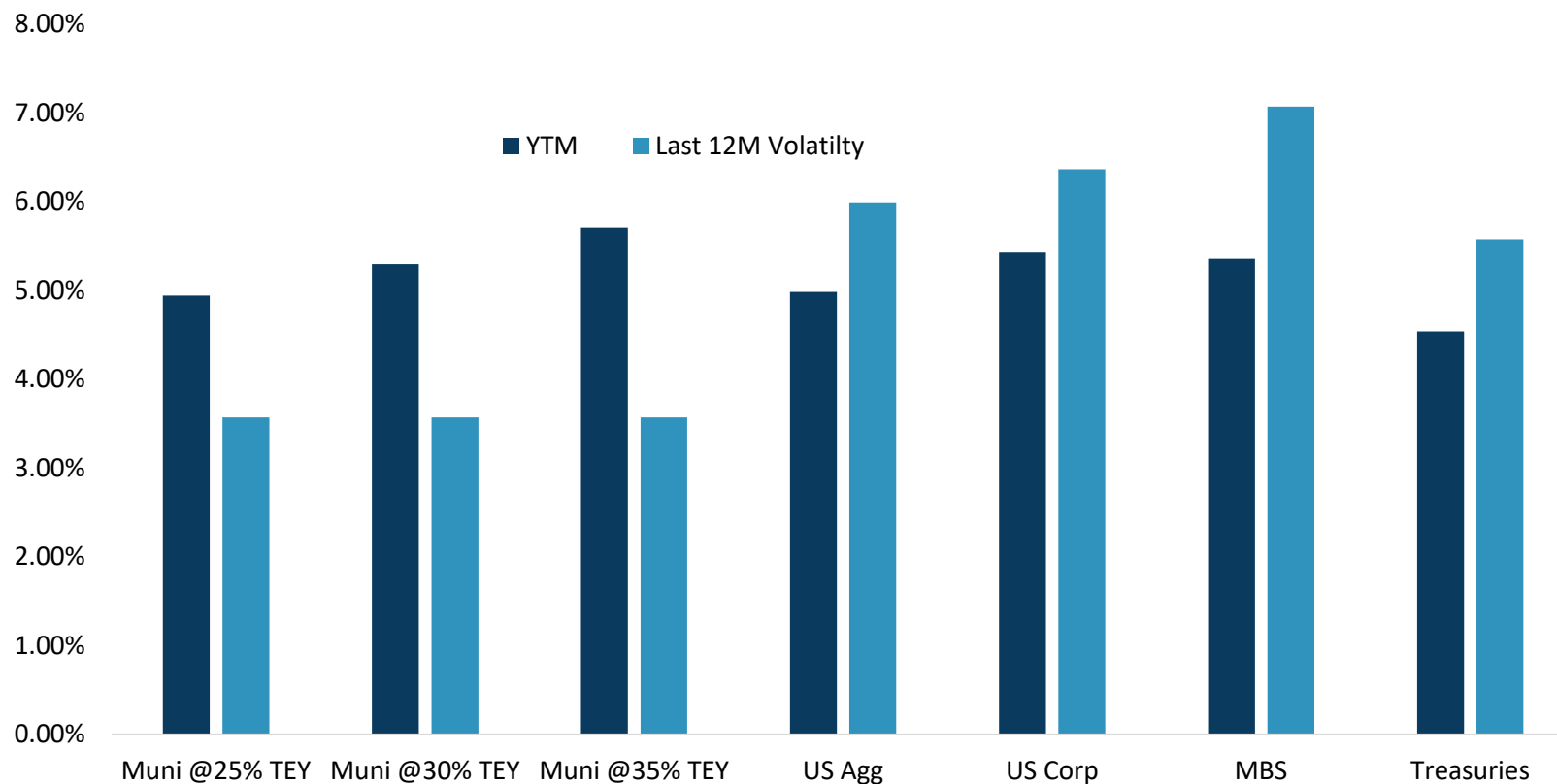
## Asset Allocation Outlook: Cash is Less Attractive vs. Coupon Bonds



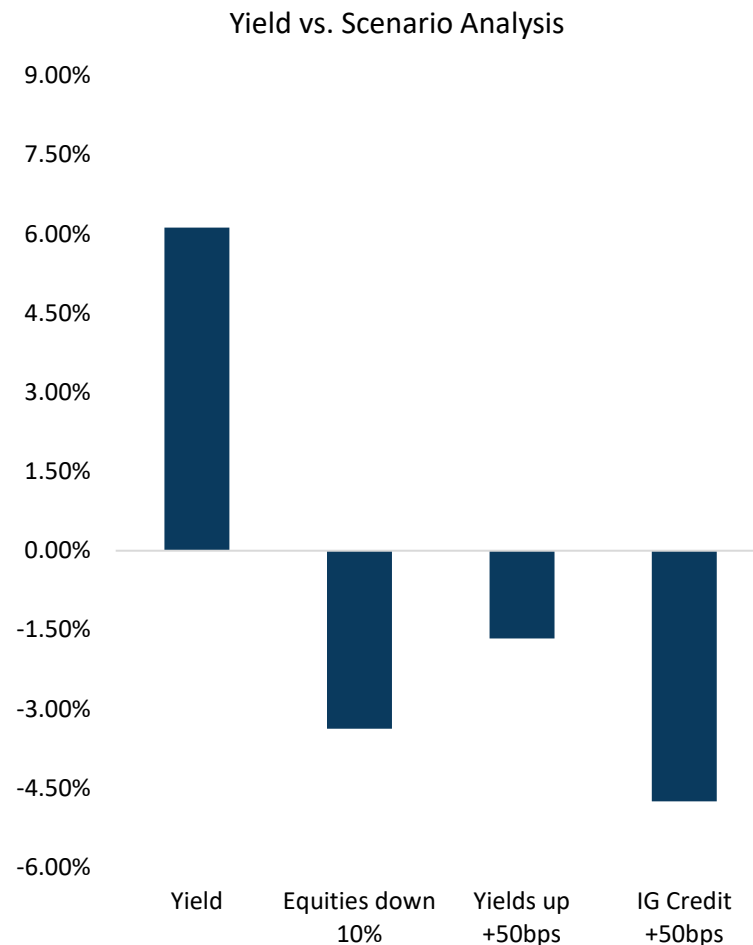
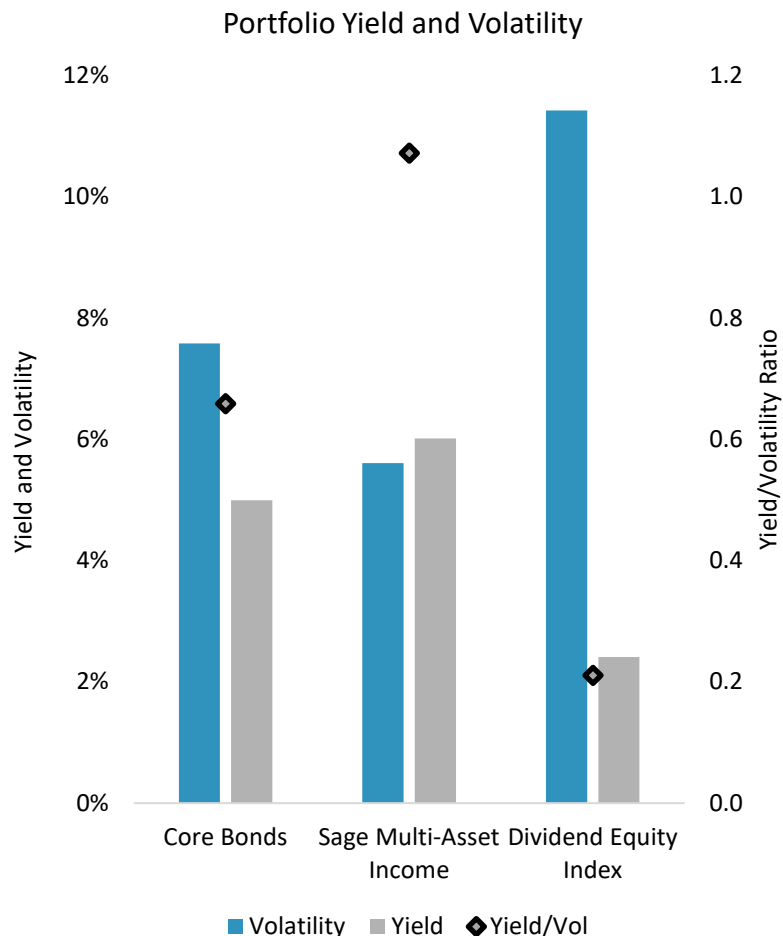


## Asset Allocation Outlook: Municipals Offer Attractive Risk/Reward

Municipal Yields and Volatility vs. Core Fixed Income Markets



## Asset Allocation Outlook: Multi-Asset Income Also Has Favorable Risk/Reward



Source: Bloomberg, Sage. As of 12/31/2024. Yield and volatility stats are based on Bloomberg Aggregate, S&P Dividend Index and Sage Multi-Asset Income composite.

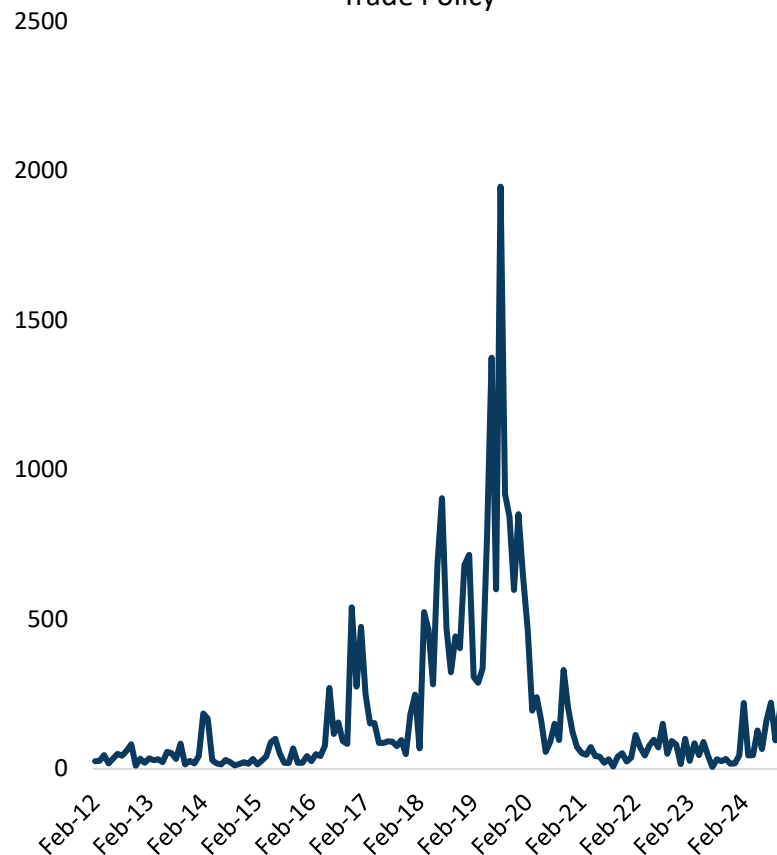
## Equity Outlook: Priced for Perfection

		12M Forward PE Ratio S&P 500					
		<u>20x</u>	<u>21x</u>	<u>22x</u>	<u>23x</u>	<u>24x</u>	<u>25x</u>
12M Fwd. EPS	\$224	-25%	-21%	-17%	-15%	-10%	-6%
	\$237	-21%	-17%	-13%	-10%	-5%	-1%
	\$250	-16%	-12%	-8%	-5%	1%	5%
	\$263	-12%	-7%	-3%	0%	6%	10%
	\$277	-7%	-3%	2%	5%	11%	16%
	\$290	-3%	2%	7%	10%	17%	21%
	\$303	2%	7%	12%	15%	22%	27%

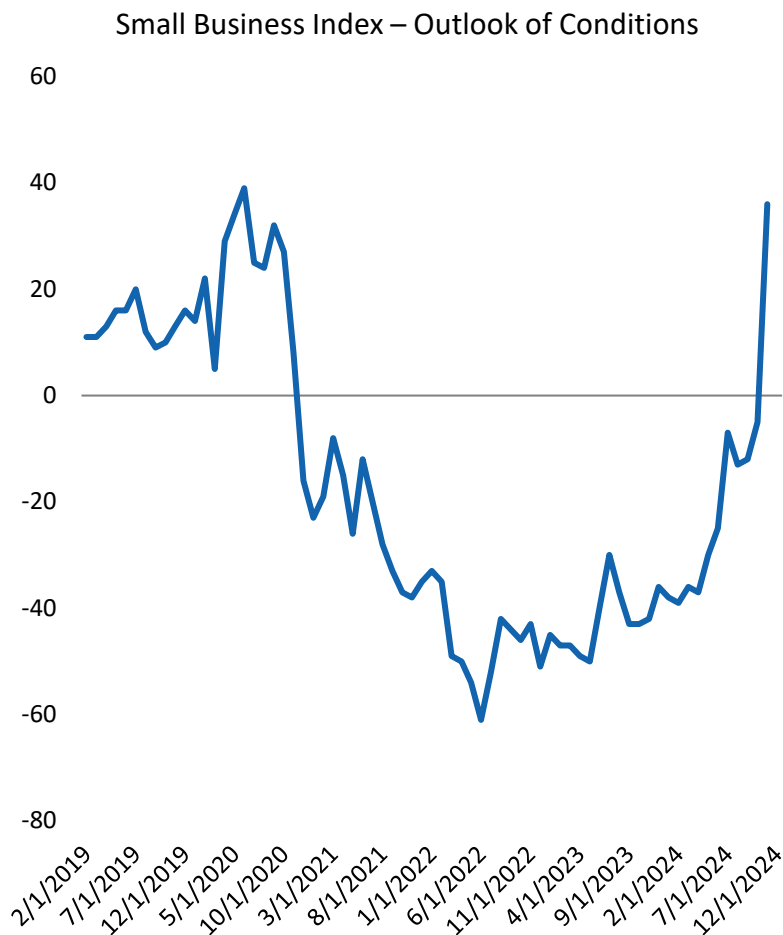
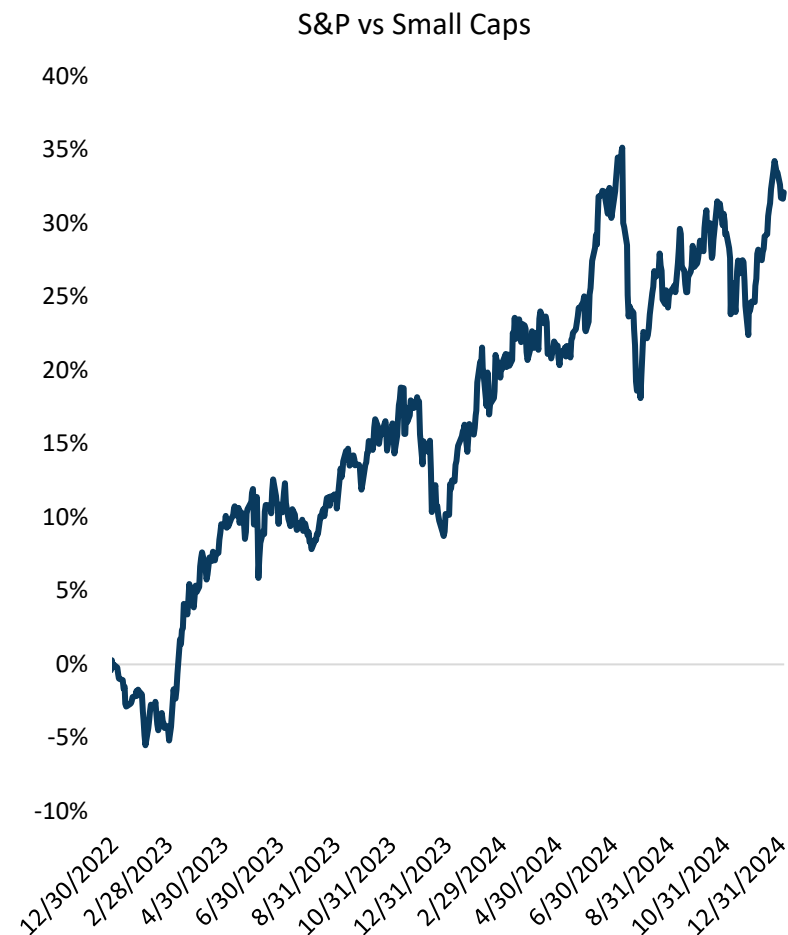
## Equity Outlook: Favor US



US Economic Policy Uncertainty Index –  
Trade Policy



## Equity Outlook: Overweight Small Caps



## IMPORTANT DISCLOSURES

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