



ASSET ALLOCATION INSIGHTS

A Broader Tilt to Value

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KEY INSIGHTS

- We recently shifted to an overweight to value stocks, given attractive valuations and a potentially favorable economic backdrop.
- Within the value universe, we are seeking opportunities in regions outside the U.S., such as Japan and emerging markets.

For the first time in over 10 years, we recently tilted our multi-asset portfolios to an overweight position in value stocks relative to growth stocks.

Several years of underperformance by value stocks has led to a large spread in valuations between value and growth stocks, exposing attractive opportunities with meaningful upside potential. As we look forward to a post-pandemic world, we believe that 2021 could be a period of significant global economic acceleration, an environment that typically favors value stocks.

Our tilt toward value includes regions outside the U.S., especially Japan and emerging markets. In Japan, equity markets are comparatively less expensive and, therefore, a good place to find potential value. Given Japan's export-oriented economy, Japanese equities are also more likely to benefit from increased global economic activity than from the nation's domestic economy.

As outlined in the chart below, the MSCI Emerging Markets Index is dominated by technology-heavy Asian stocks. However, other emerging markets regions—such as Latin America, Eastern Europe, Africa, and the Middle East—have greater exposure to value-oriented cyclical sectors, which include financials, industrials and business services, energy, and materials. We believe that investors can better navigate and capture potential upside within this asset class through active portfolio management.

We think that 2021 offers the potential of strong economic acceleration, which could benefit portfolios exposed to value stocks. In our view, investors should consider broadening their search for value to regions outside the U.S. by incorporating actively managed strategies with strong stock selection to help discern and identify opportunities.

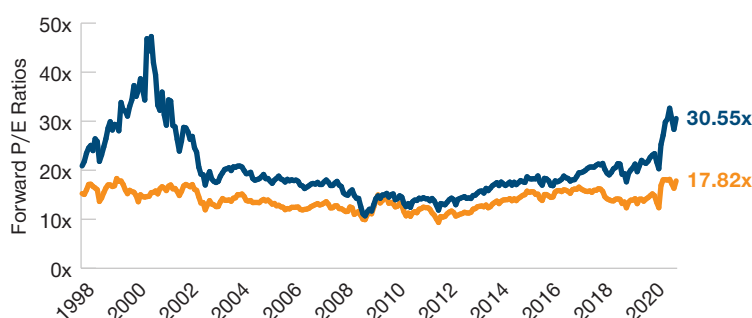
The Case for Value Stocks

Broadening the search for value

Forward Price/Earnings Ratio

December 31, 1997 to November 30, 2020

■ Russell 1000 Growth ■ Russell 1000 Value



Past performance is not a reliable indicator of future performance.

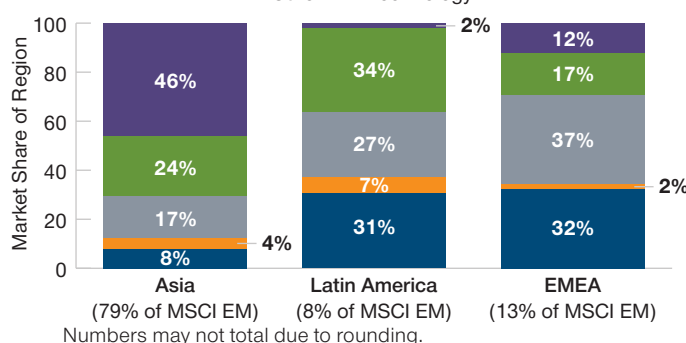
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¹ "Technology+" includes the information technology sector as well as the internet retail and interactive media industries, which are part of the consumer discretionary and communications sectors, respectively.

MSCI EM Index Breakdown by Region

As of December 21, 2020.

■ Energy & Materials ■ Industrials ■ Financials & Real Estate
■ Other ■ Technology+¹



Numbers may not total due to rounding.

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