

JUNE 2024

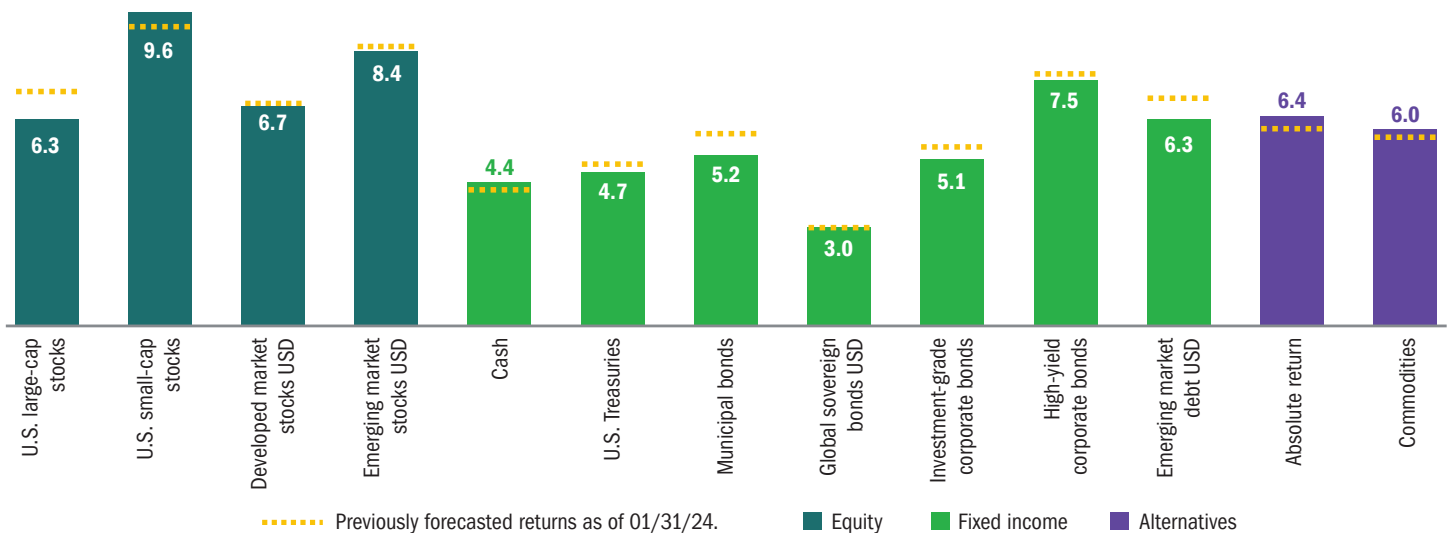
# Long-term strategic outlook

A five-year returns forecast for major asset classes — updated twice a year to help you set strategic portfolio allocations

## KEY TAKEAWAYS

- Five-year forecasts for most asset classes are lower relative to their level in January 2024.
- For equities, the main driver in lower returns is a forecasted hit to P/E values, particularly for U.S. For fixed income, yields have come down since peaking at the start of Q4 2023 and have been the main driver for lower forecasted returns.
- A stickier than expected inflationary environment and rising cash yields have lifted the outlook for returns available in commodity markets.
- Credit spreads remain tight and have retreated year to date, which has generally lowered their forecasted five-year returns alongside nearly unchanged fundamentals.

## Forecasted five-year total average returns (%)<sup>†</sup>



Source: Columbia Threadneedle Investments as of 06/15/24. **Past performance does not guarantee future results.**

**Strategic outlook:** Our growth and inflation expectations have not changed significantly since our last update and are provided below:

- Consensus estimates on U.S. and global growth for the rest of 2024 are higher and recession risks have diminished. Growth expectations for the forecast period indicate a rebound in developed markets, while emerging markets are expected to decline.
- Inflation is expected to continue falling towards longer term averages for both developed and emerging markets.

---

## About the authors

The long-term strategic outlook is created by Joshua Kutin, Head of Asset Allocation, North America and Alex Rivas, Portfolio Manager, Global Asset Allocation. This team is a dedicated group of investment professionals who manage asset allocation portfolios. The team evaluates economic conditions, market opportunities and risks across the global landscape to arrive at a five-year market forecast and determine asset allocation views.

## About Columbia Threadneedle Investments

At Columbia Threadneedle Investments, millions of people rely on us to manage their money and invest for their future; together they entrust us with \$652 billion.\* We are investing smarter for the world you want.

To find out more, call **800.426.3750**  
or visit **columbiathreadneedle.com**.



\* As of March 30, 2024.

† Equity forecasts are based on three components: expected dividend payments, expected earnings growth and change in valuation levels (price-to-earnings ratios). Expected earnings growth is driven by expected economic growth, input cost changes and pricing power. Fixed-income forecasts are based on the shape of the yield curve, direction of interest rates, increase/decrease in yield spreads and timing of those changes. The major asset classes are based on the following indices: U.S. large-cap stocks (S&P 500 Index), U.S. small-cap stocks (Russell 2000 Index), Developed market stocks USD (MSCI EAFE Index), Emerging market stocks USD (MSCI EM Index), Cash (FTSE U.S. Domestic 3-Month T-Bill Index), U.S. Treasuries (Bloomberg U.S. Treasury Index), Municipal Bonds (Bloomberg Municipal Bond Index), Global sovereign bonds USD (Bloomberg Global Treasury Index (excl. U.S.)), Investment-grade corporate bonds (Bloomberg U.S. Aggregate Credit Index), High-yield corporate bonds (Bloomberg Corporate High Yield Index), Emerging market debt USD (JPMorgan EMBI Global Diversified Index), Absolute return (FTSE U.S. Domestic 3-Month T-Bill Index), Commodities (Bloomberg Commodity Index).

The Standard & Poor's (S&P) 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index. The MSCI Europe, Australasia, Far East (EAFE) Index is a capitalization-weighted index that tracks the total return of common stocks in 21 developed-market countries within Europe, Australasia and the Far East. The Bloomberg Municipal Bond Index is considered representative of the broad market for investment grade, tax-exempt bonds with a maturity of at least one year. The Bloomberg U.S. Aggregate 1-3 Years Index is an unmanaged index of publicly issued investment grade corporate, US Treasury and government agency securities with remaining maturities of one to three years. Unlike mutual funds, indices are not managed and do not incur fees or expenses. It is not possible to invest directly in an index. The JPMorgan Emerging Markets Bond Index Global ("EMBI Global") tracks total returns for traded external debt instruments in the emerging markets, and is an expanded version of the JPMorgan EMBI+. As with the EMBI+, the EMBI Global includes U.S. dollar-denominated Brady bonds, loans, and Eurobonds with an outstanding face value of at least \$500 million. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity. FTSE U.S. Domestic 3-Month T-Bill Index: FTSE 3-Month Treasury Bill Index is an unmanaged index that tracks short-term U.S. government debt instruments. Bloomberg U.S. Treasury Index: Bloomberg US Treasury Index represents the US Treasury component of the US Government index. Bloomberg Global Treasury Index: Bloomberg Global Treasury Index tracks fixed-rate local currency government debt of investment grade countries. The index represents the Treasury sector of the Global Aggregate Index and currently contains issues from 37 countries denominated in 23 currencies. The three major components of this index are the U.S. Treasury Index, the Pan-European Treasury Index, and the Asian-Pacific Treasury Index, in addition to Canadian, Chilean, Mexican, and South-African government bonds. Bloomberg Corporate High Yield Index: The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Bloomberg EM country definition, are excluded. The Bloomberg Commodity Index Total Return (formerly DJ UBS Commodity Index), is a broadly diversified index composed of commodities traded on U.S. exchanges, with the exception of aluminum, nickel and zinc, which trade on the London Metal Exchange (LME). It is not possible to invest directly in an index.

Indices are unmanaged and not available for direct investment.

Diversification does not assure a profit or protect against loss.

Columbia Management Investment Advisers, LLC is an investment adviser registered with the U.S. Securities and Exchange Commission.

Columbia Threadneedle Investments (Columbia Threadneedle) is the global brand name of the Columbia and Threadneedle group of companies.

The views expressed are as of the date given, may change as market or other conditions change and may differ from views expressed by other Columbia Management Investment Advisers, LLC (CMIA) associates or affiliates. Actual investments or investment decisions made by CMIA and its affiliates, whether for its own account or on behalf of clients, may not necessarily reflect the views expressed. This information is not intended to provide investment advice and does not take into consideration individual investor circumstances. Investment decisions should always be made based on an investor's specific financial needs, objectives, goals, time horizon and risk tolerance. Asset classes described may not be appropriate for all investors. Past performance does not guarantee future results, and no forecast should be considered a guarantee either. Since economic and market conditions change frequently, there can be no assurance that the trends described here will continue or that any forecasts are accurate.