

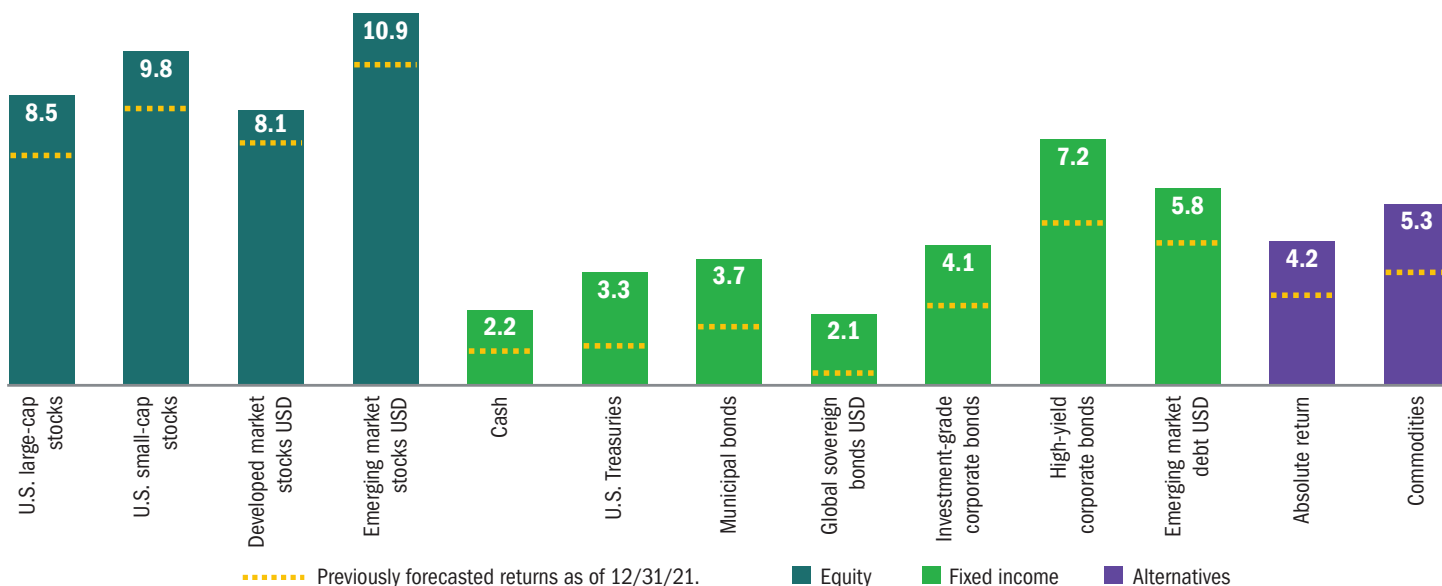
LONG-TERM STRATEGIC OUTLOOK

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

KEY TAKEAWAYS

- Our forecast for interest rates has increased since the beginning of the year. We now expect rates to rise to around 3% by the end of 2022, which would improve cash returns over the next five years. Return expectations for Treasuries have risen, and we expect they will once again serve as an effective hedge to equities.
- Although riskier segments of credit markets and equities saw sharp declines in the first half of 2022, returns are likely to improve over the medium term, driven by valuations. Nominal earnings are largely unchanged as lower growth is supplanted with higher prices. Higher yields and spread compression over the medium term adds to credit returns.
- It is worth highlighting that while nominal return expectations have gone up, real return expectations are lower compared to six months ago because inflation has risen.

Forecasted five-year total average returns (%)†



Source: Columbia Threadneedle Investments and BMO GAM (EMEA) as of 06/30/22. Past performance does not guarantee future results. Variation versus previously forecasted return is skewed by pandemic-driven volatility prevalent at the time of the last forecast.

Strategic outlook: We see equal odds (50/50) of a either a recession or simply a slowdown to trend growth in the U.S. over the medium term.

- Inflation has remained uncomfortably high, driving consumer sentiment to record lows. Consumer spending fell sharply in the second quarter but not to recessionary levels. Nominal spending is strong, but after adjusting for inflation, real spending has weakened considerably. This has brought down growth expectations.
- Housing is slowing too, but we aren't seeing excess supply.
- Goods spending is rebalancing into services which is healthy — it's a substitution of spending, not an absolute imbalance.
- The Fed is laser focused on bringing down inflation from 8% to their mandate of 2%. This will require aggressive action, perhaps to the detriment of the labor market which has remained strong so far.

About the authors

The long-term strategic outlook is created by Joshua Kutin, Head of Asset Allocation, North America; Anwiti Bahuguna, Senior Portfolio Manager and Head of Multi-Asset Strategy 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

Columbia Threadneedle Investments is a leading global asset manager that provides a broad range of investment strategies for individual and institutional clients. With over 650 investment professionals across 19 countries, we manage \$699 billion* across asset classes. Our global investment team debates and challenges their best ideas to make better decisions, leading to better outcomes for you and your clients.

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



Source: Columbia Threadneedle and BMO GAM (EMEA) as of March 31, 2022. Contact us for more current data.

Not FDIC or NCUA Insured | **No Financial Institution Guarantee** | **May Lose Value**

† 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.

Securities products offered through Columbia Management Investment Distributors, Inc., member FINRA. Advisory services provided by Columbia Management Investment Advisers, LLC.

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.

© 2022 Columbia Management Investment Advisers, LLC. All rights reserved.

7PC (07/22) 4838644