

# 2023 Outlook: Equities

Melda Mergen

Global Head of Equities



We are very excited about 2023. It is not a call that the market is finding its trough, but we know that going down is not forever and that's where we are hoping that 2023 is going to be an inflection point.

When we are in an environment that the economy is weaker and really growth is challenged, definitely you need to pay more attention to the balance sheet quality. The quality of the company's operations and their cash flows in the way of they are generating more consistently and sustainable ways. And also it is very important, a lot of our clients rely on income still from equity. So in that way the free cash flow, which is the really free cash flow for the companies to pay back to their shareholders becomes much more important.

Although we generally try to be style neutral, we still think there are opportunities more in value than growth coming into 2023. But there are certain areas where we know that value covers, like still the cyclical areas -- industries or the energy materials -- will be benefiting in 2023. But growth is becoming more interesting. So there was a whole re-rating going on in 2022. If you believe that is done, I think growth will be very interesting too. But most of the portfolios and clients that we speak to, we try to make sure that you don't go too far in one direction or the other.

When we look at the valuations around the globe at the region or country level, everything looks really cheap. So in that way there are so many opportunities globally that we can invest in. We are very much, still focusing on, internationally, Europe. It's very challenged. We are definitely expecting the economies to be slowing. But at the company level, with the connection to the rest of the world, there are still a lot of European companies, exporters are taking advantage of dislocation.

EM markets and specifically China is very important in the allocation of equity portfolios. So instead of shying away from it, I think staying active and buying the right stocks in those markets will be very, very important this year.

We believe the markets will stay volatile in 2023, but we see that as an opportunity, not as a challenge for us because we can definitely find ideas and really good entry and exit points because volatility gives you that opportunity.

---

The views expressed are as of December 2022, 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.

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.