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Advisory Blog

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Dividends | Equities

Not Your Parents' Dividends

By: Charles Gaffney | February 28, 2024

KEY POINTS

1. 56 companies in the S&P 500 have already announced dividend increases in 2024, by a median of 6%.[1]
2. For decades, large, global-branded companies were among the headline performers for dividend-paying companies.
3. A new wave of companies has begun distributing dividends and rewarding shareholders. We think it's about time.

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Charles Gaffney
Core/Growth Portfolio Manager
Eaton Vance Equity

Income | Navigating the Curve

Making a Compelling Case for Core and Core Plus Strategies

By: Vishal Khanduja, CFA | & Brian S. Ellis, CFA | February 20, 2024

A decade of extremely low interest rates followed by the Federal Reserve's aggressive policy normalization created a challenging environment for bond investors over the last two years. We see the environment for fixed income improving greatly from here for these reasons:

KEY POINTS

1. **Income**: Starting yields are near post-financial crisis highs and have been a reliable indicator of future returns.
2. **Total Return**: The Fed has signaled a pivot from its restrictive stance, which has historically been a compelling time to increase duration in fixed income allocations.
3. **Diversification**: Correlations between bonds and risk assets should normalize as the Fed cuts interest rates.

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Vishal Khanduja, CFA
Co-Head of Broad Markets
Fixed Income

Brian S. Ellis, CFA
Portfolio Manager
Broad Markets Fixed
Income

Equities

Election Cycle is Very Likely to Impact Stocks

By: Aaron Dunn, CFA | & Bradley Galko, CFA | February 14, 2024

KEY POINTS

1. During presidential election years over most of the last century, on average both U.S. large- and small-cap value have outperformed their growth peers.
2. Value vs. Growth's dominance in election years also correlates with U.S. gross domestic product (GDP) growth and detraction.
3. Incumbent candidates and parties keen to win reelection seek to make voters feel financially secure when heading to the polls.

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Bradley Galko, CFA
Co-Head of Value Equity
Portfolio Manager
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Charitable Giving | Legislation | Taxes

Three Ways High Earners Can Take Advantage of the Tax Cut and Jobs Act (TCJA) Before It Sunsets

By: Eileen Tam | February 12, 2024

While we do not anticipate any meaningful changes in U.S. tax laws this year, high earners should consider three ways to prepare for the Tax Cut and Jobs Act (TCJA) to sunset in 2025. The TCJA enacted in 2018 benefited many affluent taxpayers by more than doubling the gift and lifetime exemptions, slashing tax rates for the highest bracket from 39.6% to 37%, and significantly reducing the impact of the alternative minimum tax (AMT).[1] Acting now may lead to potential significant savings.

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Eileen Tam
Director of Philanthropic Solutions
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[Legislation](#) | [Taxes](#)

How Bracket Creep, Capital Gains and the Election May Impact what Taxpayers Owe the Government

By: Jeremy Milleson | February 8, 2024

The brackets of March Madness can consume both diehard fans and casual followers of college basketball. Old rivalries are stoked, and friendly wagers are made among friends, neighbors and coworkers. This annual rite of spring seems perfectly timed to set a cheerful tone—it may even be therapeutic. Just a few weeks after the tournament concludes, a different set of brackets takes center stage in the lives of U.S. taxpayers.

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Jeremy Milleson
Director
Investment Strategy
Parametric

Emerging Markets | Equities | High Conviction Active

Brazilian Economy Boosted by Reasonable Government Legislations and Tight Monetary Policy

By: Paul Psaila | February 5, 2024

KEY POINTS

1. A year into President Lula's term, the political and economic situation in Brazil is better than many had expected.
2. The economy will likely grow more than expected as interest rates continue to fall.
3. We believe Brazil remains cheap compared to other emerging markets with lower inflation and rates acting as a tailwind for growth.

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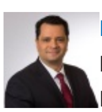
Paul Psaila
Managing Director
Emerging Markets Equity Team

Markets and Economy

The BEAT - February 2024

February 5, 2024

In-depth review of asset class and economic activity via impactful charts and analysis.

READ ARTICLE

Equities | International/Global

[Postcard from Ghana: The Cocoa Supply Chain Risk for Multinational Chocolate Producers]

By: Jennifer Byron, CFA | & Christopher M. Dyer, CFA | February 2, 2024

KEY POINTS

1. We believe cocoa farmers must earn a living income to end child labor and deforestation.

2. Cocoa farmers are up against formidable forces along the supply chain and have little or no bargaining power on price.

3. Profit margins could be impacted if the price of cocoa soars, as farmers out opt out for other sources of income.

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Global Consumer Analyst
Global Team
Eaton Vance Equity

Christopher M. Dyer, CFA
Head of Global Equity
Portfolio Manager
Eaton Vance Equity

Emerging Markets Debt | International/Global

Improved Rate Outlook Lifts Emerging Markets Debt

By: Emerging Markets Debt | January 31, 2024

KEY POINTS

1. We expect emerging markets debt to continue benefitting from global disinflation and prospects for rate cuts, which already supported stronger performance in late 2023.

2. As ever, country selection remains key in emerging markets to capture the most attractive idiosyncratic risk and opportunity in this broad and diverse investment universe.

3. We foresee stronger appetite for EM debt in 2024, with net flows returning to positive territory as investors come back to the asset class.

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Emerging Markets Debt

[Outlook](#)

2024 Outlook: Private Real Estate

By: Morgan Stanley Real Estate Investing (MSREI) | January 4, 2024

Real Estate Investors Eye Opportunity Amid Strong Fundamentals Fueling Growth for High Quality Assets

KEY POINTS

1. Real estate has re-priced meaningfully over the last two years; returns following periods of re-pricing have typically exceeded historical averages.
2. Strength in real estate fundamentals should support rent growth for high quality assets in sectors backed by long-term demand drivers.
3. We believe debt maturities and the higher-for-longer interest rate environment will lead to idiosyncratic seller distress and attractive recapitalization/credit investment opportunities.

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Morgan Stanley Real Estate Investing (MSREI)

Inflation | International/Global | Volatility

Market dislocation creates buying opportunities for bottom-up stock pickers

By: Global Opportunity | January 2, 2024

Thoughts from the Global Opportunity Team on the impact of rates on equities

KEY POINTS

1. The impact of higher real interest rates impacts the intrinsic value of all equities nearly evenly.
2. Inflation can benefit companies with competitive advantages and pricing power.
3. Market dislocation creates buying opportunities for bottom-up stock pickers.

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Global Opportunity

Morgan Stanley Investment Management

Markets and Economy | Navigating the Curve

EV_Agency MBS and Housing Market Monitor Q4 2023

December 31, 2023

READ ARTICLE

Alternatives | Outlook

2024 Outlook: We believe the market environment in 2024 will continue to support private credit, particularly as private equity activity increases

By: David Miller | December 21, 2023

KEY POINTS

1. Within Direct Lending, we focus on lending to sponsors in non-cyclical industries such as software, insurance, and residential services, which can typically maintain cash flow levels through market cycles.

2. Companies are increasingly seeking junior capital solutions to manage interest expenses and boost cash flow.

3. We anticipate ongoing support for private credit through increased private equity activity.

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David Miller
Head of Global Private
Credit & Equity

Alternatives | Outlook

2024 Outlook: GPs who have been diligent about developing, pursuing, and executing on value creation processes have the opportunity to generate private equity returns at historical levels

By: David Miller | December 21, 2023

KEY POINTS

1. We believe value creation through operational enhancements will be crucial to drive EBITDA and profitability.

2. The higher cost of debt is clearly a headwind for private equity (PE), but is not insurmountable.

3. In our view, companies in the middle market may be afforded a wider variety of exit opportunities .

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David Miller
Head of Global Private
Credit & Equity

Income | Navigating the Curve | Outlook

2024 Outlook: Multi-Sector Fixed Income, Return of the Core

By: Vishal Khanduja, CFA | & Brian S. Ellis, CFA | December 19, 2023

A Myriad of Macroeconomic Drivers Are in Play; However, We See a Stronger Backdrop for Fixed Income Markets in 2024

KEY POINTS

1. A decade of extremely low interest rates followed by the Federal Reserve's aggressive policy normalization created a challenging environment for bond investors over the last two years. The breakdown of the inverse correlation between long-term, risk-free rates and spread sectors has led investors to rethink their fixed income allocations.

2. We see a compelling backdrop for fixed income in 2024, where inflation continues to decelerate, and higher interest rates continue to slow growth and the Fed clearly pivots from their restrictive stance. Under that scenario, we believe fixed income will return to its traditional role of providing investors with income and portfolio diversification.

3. We believe the Fed has ended its aggressive hiking cycle and has recently indicated their intention to pivot in 2024. We think the pace of inflation and magnitude of economic growth will keep monetary policy variable, aiding active fixed income managers.

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Brian S. Ellis, CFA
Portfolio Manager
Broad Markets Fixed
Income

Equities | High Conviction Active | Outlook

2024 Outlook: International Equity

By: Bruno Paulson | December 15, 2023

Compounding Through the Hype with High Quality Equities

KEY POINTS

1. MSCI World Index's current forward multiple does not look cheap, particularly as it is based on an arguably optimistic, double-digit earnings growth assumption for 2024. Our view is that the possibility of a downturn is not reflected in today's earnings expectations, nor in the current market multiple.

2. We seek to avoid the permanent destruction of capital by focusing on high quality,[1] reasonably priced companies with earnings resilience and by resisting the urge to get caught up in potentially detrimental speculative bubbles.

3. Looking beyond the "Magnificent 7" stocks, we believe there will be "slow burners" for whom the benefits of generative artificial intelligence (GenAI), and AI in general, will take longer to emerge but could be significant over time. We believe these GenAI model users will be able to generate value for customers and/or reduce costs by virtue of their "Walled Gardens."

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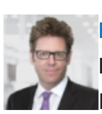
Bruno Paulson
Portfolio Manager
International Equity

Emerging Markets | International/Global | Outlook

2024 Outlook: Emerging Markets Equities

By: Jitania Kandhari | December 15, 2023

Increased Heterogeneity in Economies and Markets

KEY POINTS

1. Increasing dispersion of returns in emerging markets (EM) countries enhances the appeal of active management.

2. We are taking active positions in countries and stocks based on our high-conviction views.

3. Growth, inflation and interest rates will remain important variables across different countries in 2024, as will elections as several countries go to the polls.

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Jitania Kandhari
Head of Macro and Thematic Research
Emerging Markets Equity

Responsible Investing

Bridge to ESG Integration: Country Selection in Emerging Markets

By: Marshall L. Stocker, Ph.D., CFA | December 14, 2023

When investing in emerging markets (EM), top-down country selection can be a powerful way to generate excess returns and positive change on environmental, social and governance (ESG) issues. While it might feel satisfying to find the company with the best ESG characteristics within a specific country, our research shows the country allocation decision explains 80% of excess returns in EM equity. That's why, in the Calvert Emerging Markets Advancement Fund, we utilize a top-down investment process that evaluates the macroeconomic and governance environment at the country level.

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Marshall L. Stocker, Ph.D., CFA
Co-Head of Emerging Markets Debt
Portfolio Manager

Outlook

2024 Outlook: Global Listed Real Assets

By: Laurel Durkay | & Matthew King | December 14, 2023

Powerful Secular Themes Drive Demand in Listed Real Assets

KEY POINTS

1. The expected stabilization in interest rates globally is expected to benefit listed real assets.

2. Under current credit conditions, our analysis focuses on balance sheets to ensure strategies are best protected.

3. We expect continued divergence in performance among sectors into 2024.

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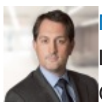
Laurel Durkay
Head of Global Listed Real Assets
Lead Portfolio Manager


Matthew King
Lead Portfolio Manager
Global Listed Infrastructure
Energy Transition and Innovation Opportunities

Equities | High Conviction Active

2024 Outlook: Global and U.S. Small Cap

By: Global Small/Mid Cap Equity Team | December 14, 2023

Higher Quality Small Caps Have Edge in Uncertain Market

KEY POINTS

1. Headwinds from higher prices, increased financing costs and waning consumer confidence may weigh on global small-caps' earnings in 2024.

2. In our view, current conditions validate the need to focus on higher quality companies with the ability to deliver sustainable performance over a market cycle.

3. Innovations in artificial intelligence and drugs for diabetes and obesity could ripple out to create risks and opportunities across global small-cap sectors.

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Global Small/Mid Cap Equity Team

Emerging Markets Debt | International/Global

Go Global in 2024 with Emerging Markets Corporate Debt

By: Emerging Markets Debt | December 14, 2023

KEY POINTS

1. Emerging markets (EM) corporate debt asset class has grown to be a source of ample investment opportunity since the launch of its main index in 2007.

2. Historically, registered defaults and recoveries for EM corporate debt are in-line with U.S. high yield, while offering investors additional yield spread.

3. The asset class offers investors geographical diversity while still retaining attractive risk adjusted returns.

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Emerging Markets Debt

Global Investing | High Conviction Active | Outlook

2024 Outlook: Global Equities

By: Manas Gautam | December 12, 2023

Keep Calm & Carry On

KEY POINTS

1. We remain focused on company-specific fundamentals. While market conditions and macro events change year-to-year, company fundamentals drive share price appreciation over the long-term, which, across portfolio holdings, have largely remained healthy and in-line with our expectations.

2. We believe our companies are poised for growth. Many companies that suffered sharp declines in their share prices last year made the most of this slump by refocusing on the best opportunities and achieving profitability faster. In our view, these businesses have essentially de-risked themselves — and yet these improvements are not reflected in their current share prices.

3. We continue to assess the long-term implications of a higher cost of capital. We believe many companies that did not build sustainable businesses will start to run out of cash, thus reducing competition and benefiting companies that have already established valuable businesses and brands.

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Manas Gautam
Head of Global Endurance
Counterpoint Global

Responsible Investing

Bridge to ESG Integration: Our Engagement Framework

By: John Wilson | December 12, 2023

Many investors prefer to own and engage companies with concerning ESG practices rather than simply relying on outright divestment. We believe ESG engagement may enhance risk-adjusted returns while giving investors the opportunity to participate in driving positive change with their capital.

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John Wilson
Director of Corporate Engagement
Calvert Research and Management

Equities | High Conviction Active | Outlook

2024 Outlook: Value Equity

By: Aaron Dunn, CFA | & Bradley Galko, CFA | December 11, 2023

Normalization of Supply Chains May Create Opportunity for Value Investors

KEY POINTS

1. While inventory destocking has been deep and painful, we believe the slate is now clean for companies in sectors that have been beaten

down due to this phenomenon. We also continue to closely watch what we term the GLP-1 (or weight-loss drug) reversion trade — our assumption being that consumer goods companies will still have a place when the dust settles.
2. We're focusing on company-specific opportunities within the industrials, basic materials, semiconductors, consumer and utilities sectors.
3. We believe rates will be higher for longer, and a balanced approach among equity allocations will be key in this regime where risk has a price.

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Bradley Galko, CFA
Co-Head of Value Equity
Portfolio Manager
Eaton Vance Equity

Investment Grade Fixed Income | Navigating the Curve | Outlook

2024 Outlook: Agency Mortgage-Backed Securities

By: Andrew Szczurowski, CFA | December 8, 2023

Limited Supply to Support Agency MBS Market in 2024

KEY POINTS
1. Agency mortgage-backed securities (MBS) spreads sit over 100 basis points (bps) wider than their 2021 lows. While spreads have been at historically wide levels for the last two years, an improving technical landscape in 2024 will likely pave the way for tighter spreads.
2. The average mortgage rate of existing homeowners with a mortgage sits at just 3.74% as of December 1, making it uneconomical for existing mortgage holders to move or refinance, dampening supply in the agency MBS market in 2024.
3. We expect the focus to shift in the agency MBS market from extension protection to call protection in 2024. With the specter of recession and credit defaults on the horizon, money manager demand for agency MBS is set to pick up in 2024.

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Andrew Szczurowski, CFA
Head of Agency MBS
Portfolio Manager

High Yield | Navigating the Curve | Outlook

2024 Outlook: High Yield Bonds

By: Stephen C. Concannon, CFA | & Will Reardon | December 6, 2023

Higher Volatility in 2024 May Present Attractive Entry Points for High Yield Bonds

KEY POINTS
1. As global central banks near the end of a historical cycle of tightening monetary policy, we believe a moderate recession is a more probable outcome in 2024.
2. Increasing dispersion in valuations across rating segments, sectors and individual issuers will continue to provide opportunity and the ability to capture attractive entry points.
3. We have maintained our cautious positioning and continue to prefer defensive sectors that trade wide of historical norms, such as health care, given the sector's historically defensive characteristics.

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Co-Head of High Yield
Portfolio Manager


Will Reardon
Institutional Portfolio Manager
High Yield

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2024 Outlook: Investment Grade Credit

By: Richard Ford | December 6, 2023

Investment Grade Credit Can Offer Attractive Income and Capital Preservation in Uncertain Times

KEY POINTS

1. We expect risk of recession and capital preservation to dominate the investment debate in 2024. Investment grade credit offers potential risk mitigation for when central banks move rates lower.
2. We believe corporates enter 2024 with conservative business models, having cut costs and raised liquidity in recent times. This makes high quality Fixed Income an attractive asset in uncertain times.
3. A global regime change characterized by de-globalization, higher structural inflation, quantitative tightening, increased geo-political risk and higher government debt, suggests 2024 is the start of a new era for investing.

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Richard Ford
Global Head of Investment Grade Credit
Portfolio Manager

[Outlook](#) | [Responsible Investing](#)

2024 Outlook: Responsible Investing

By: John Streur | December 6, 2023

Market Decoupling of "E, S and G" Factors Likely to Accelerate in 2024

KEY POINTS

1. The shakeout in the responsible investment industry that began in late 2022 is driving specialist firms to increasingly incorporate financial viability into the analysis of corporate climate and social business objectives.
2. As both specialist firms and mainstream investors have moved towards more intensive and granular ESG research, a consensus is building around the importance of human capital management. In particular, a greater focus is being placed on workforce diversity in differentiating a company's potential for value creation.
3. Decarbonizing the global economy is proving to be a difficult task because the cost of transitioning from fossil fuels to clean energy is currently higher than originally anticipated.

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John Streur
Calvert Research and Management

Municipal Bonds | Navigating the Curve | Outlook

2024 Outlook: Municipal Bonds

By: Craig R. Brandon, CFA | & Cynthia J. Clemson | December 6, 2023

High Stakes Tug-of-War in 2024

KEY POINTS

1. Elevated yields, low issuance and solid credit fundamentals could underpin a reversal of fund flows into municipals.

2. Positioning for a rally in high quality, longer duration bonds may be timely given where we are in this interest rate cycle.

3. The expectation for a significant decrease in yields across the curve is contingent on softer inflationary data and a more restrained Federal Reserve (Fed).

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Co-Head of Municipals
Portfolio Manager

Cynthia J. Clemson
Co-Head of Municipals
Portfolio Manager

High Conviction Active | High Quality Equity | Outlook

2024 Outlook: Atlanta Capital

By: Joe Hudepohl, CFA | & Lance Garrison, CFA | December 6, 2023

High Quality Stocks Offer Opportunity Amid a Sea of Market Noise and Volatility

KEY POINTS

1. Major equity indexes are at record levels of concentration, skewing index returns. This scenario provides an opportunity for active managers whose portfolios are differentiated from the benchmark to add value over the long term.

2. Inflation, interest rates, the Fed's balance sheet, credit issues and corporate earnings add to the sea of noise and volatility in the marketplace. Moreover, macro uncertainty is heightened by geopolitical wars.

3. We believe high quality[1] companies with proven pricing power, leadership in secularly growing markets, and disciplined expense management are well positioned to navigate these volatile environments.

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Portfolio Manager and Managing Director
Atlanta Capital

Lance Garrison, CFA
Portfolio Manager
Atlanta Capital

Emerging Markets Debt | International/Global | Outlook

2024 Outlook: Emerging Markets Debt

By: Marshall L. Stocker, Ph.D., CFA | & Kyle Lee, CFA | December 6, 2023

Technicals Tailwind Expected for Emerging Markets Debt in 2024

KEY POINTS

1. Many emerging markets (EM) central banks were early and more aggressive in tightening policy than their developed market peers, which is helping to tame inflation and opening the way for more growth-friendly policy.

2. We expect net inflows to rebound into EM debt in 2024, providing a technicals tailwind for the asset class.

3. The asset class remains susceptible to macro sensitivity, which places an added emphasis on in-depth country and company research to guide judicious credit selection.

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Kyle Lee, CFA
Co-Head of Emerging Markets Debt
Portfolio Manager

Responsible Investing

Bridge to ESG Integration: A Lens for Quality

By: Lance Garrison, CFA | December 5, 2023

When selecting a strategy, one of the first questions that investors should ask is, "What am I trying to accomplish?" Intentionality matters and, at Atlanta Capital, we are clear on ours: Our goal is quality.

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