Eaton Vance

# Insights

In-depth perspectives from portfolio managers and industry experts on the issues that matter most to institutional investors.

## Featured

INTERNATIONAL/GLOBAL

### Forward Thinking: How Global Inflationary Trends Fuel Opportunity for Investors

*By: Forward Thinking | September 12, 2023*

In this issue of Forward Thinking, we guide investors seeking to maximize the return potential amid shifting inflationary trends throughout the world, sharing our insights about how to increase their allocations to both global equities and fixed income.

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## LATEST

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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CALVERT INSIGHTS | RESPONSIBLE INVESTING

### Where's the Trickle Down? Gender Diversity in Corporate Pipeline Lags the Boardroom

*By: Yijia Chen, CFA | March 15, 2024*

As March is Women's History Month, it's timely that we review women's headway moving up the corporate ranks and the progress of gender diversity initiatives worldwide.

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### 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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HIGH CONVICTION ACTIVE

### Artificial Intelligence from a Value Perspective: Enabling the Evolution of Compute Power

*By: Aaron Dunn, CFA | & Bradley Galko, CFA | April 24, 2024*

**KEY POINTS**

**1.** AI opportunity expands beyond the growth darlings that were the immediate and primary beneficiaries over the past year.

**2.** Utilities experienced the largest historical relative underperformance to the broader market in 2023; in our view, the reward relative to risk

is now quite compelling for a sector that is experiencing an inflection in fundamentals.
**3.** We believe renewables, such as solar and wind, combined with battery storage, will play an increasing role in behind-the-meter power solutions.

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Co-Head of Value Equity
Portfolio Manager
Eaton Vance Equity

Bradley Galko, CFA
Co-Head of Value Equity
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Paul Psaila
Managing Director
Emerging Markets Equity
Team

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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

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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

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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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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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