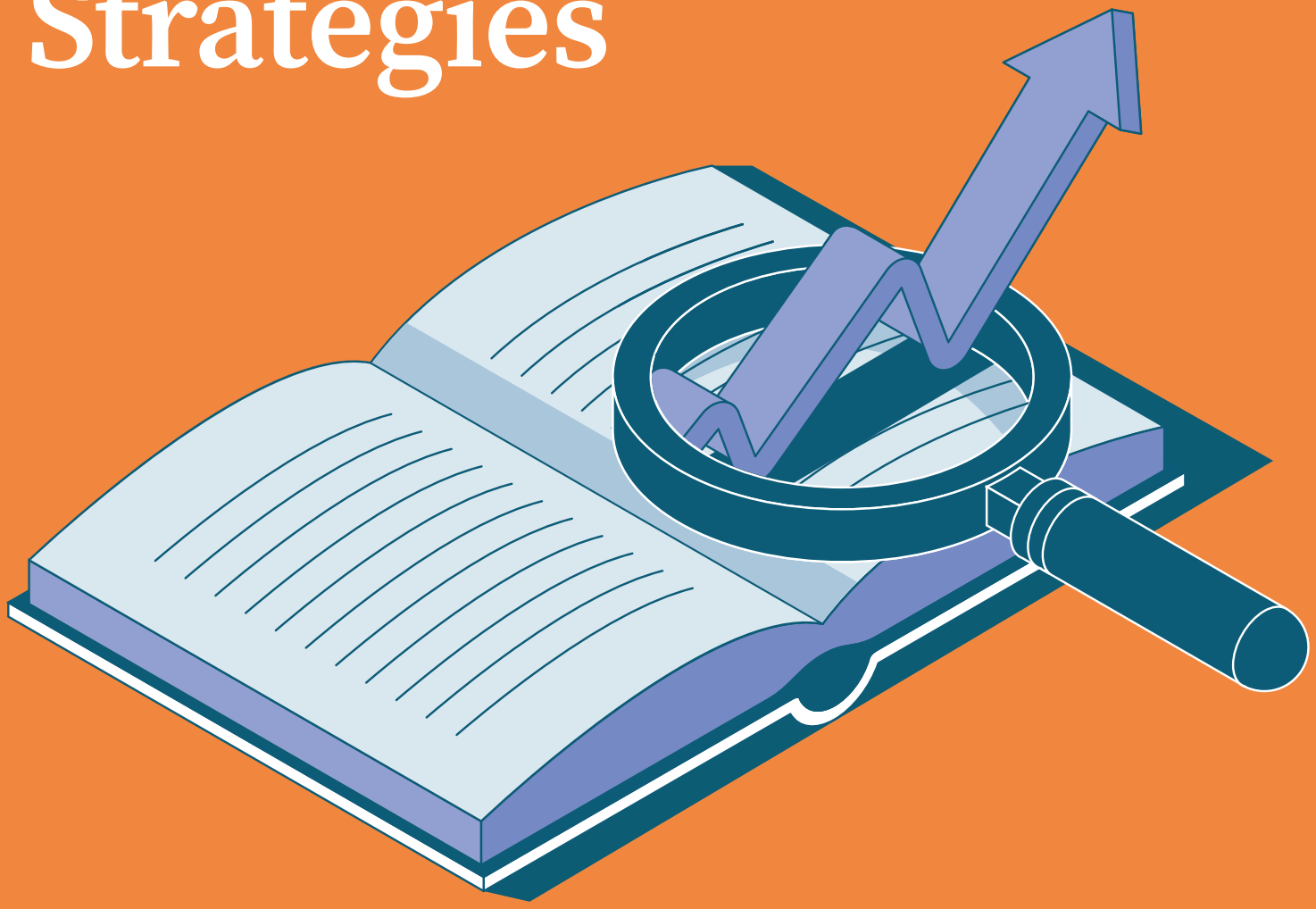
The Recession Playbook

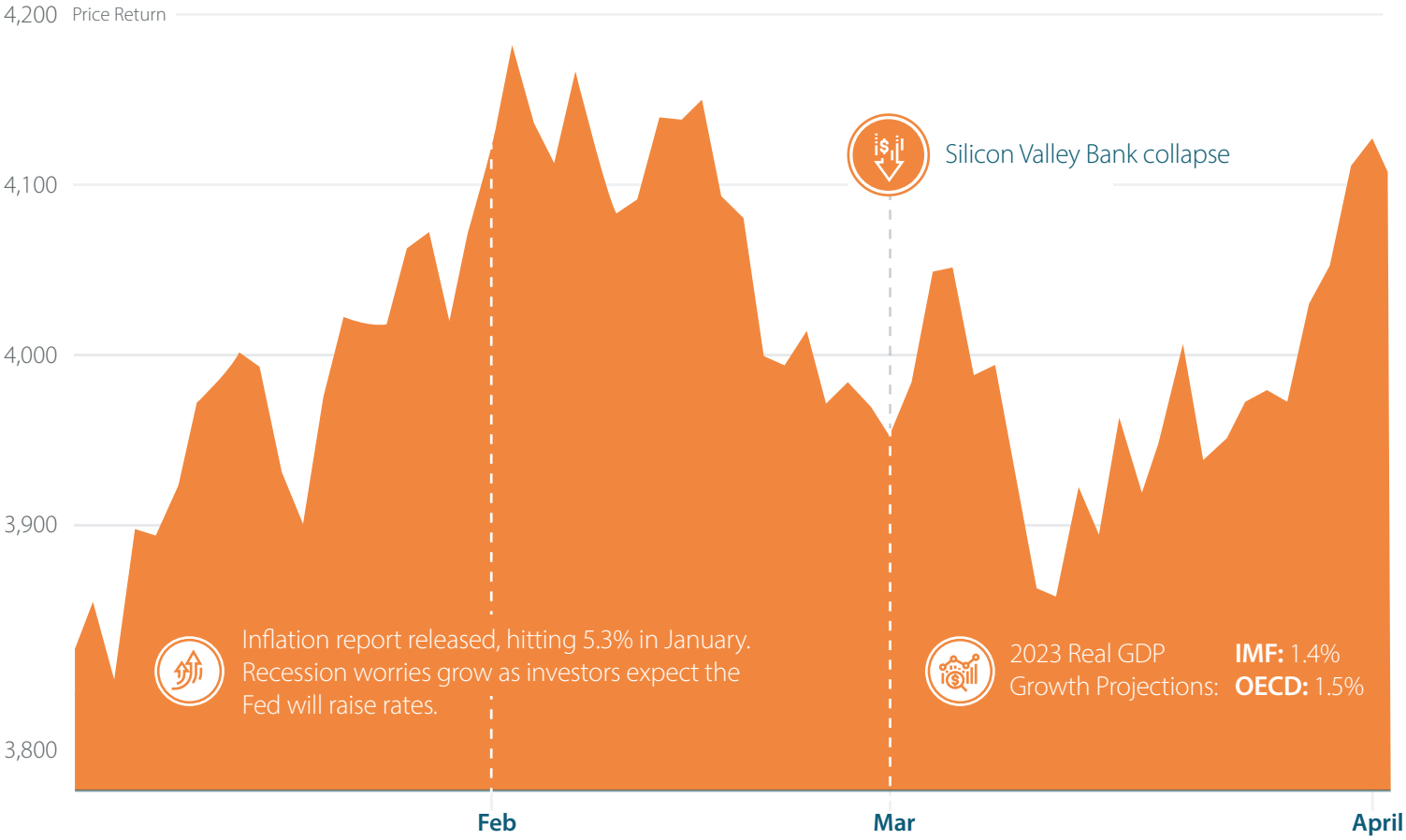
Three All-Weather Strategies



NEW YORK LIFE INVESTMENTS

Trouble in the U.S. banking sector has led to increased market uncertainty.

S&P 500 Index



Source: Yahoo Finance 4/3/2023, Bureau of Economic Analysis, 3/31/2023, IMF 1/31/2023, OECD 3/13/2023. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece. Past performance is no guarantee of future results.

Before this began to surface, several factors were driving slower returns:

- **Inflation** Above-Target
- **Interest Rates** Restrictive
- **Economic Growth** Below-Trend

What types of investing strategies have historically displayed signs of resiliency when the market has faced headwinds?

1 Value Equities

During periods of high inflation and slower growth, value equities have been well-positioned.



Drivers:

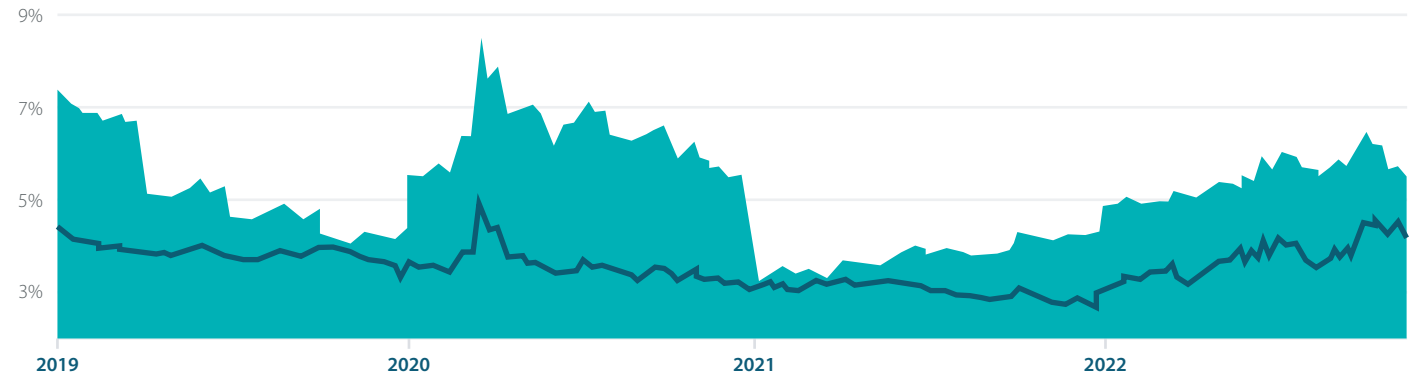
- Income generation
- Quality
- Higher cash balances
- Low correlation to the economic cycle

Value equities include the four most traditional "defensive" sectors, whose earnings are less correlated to economic cycles:

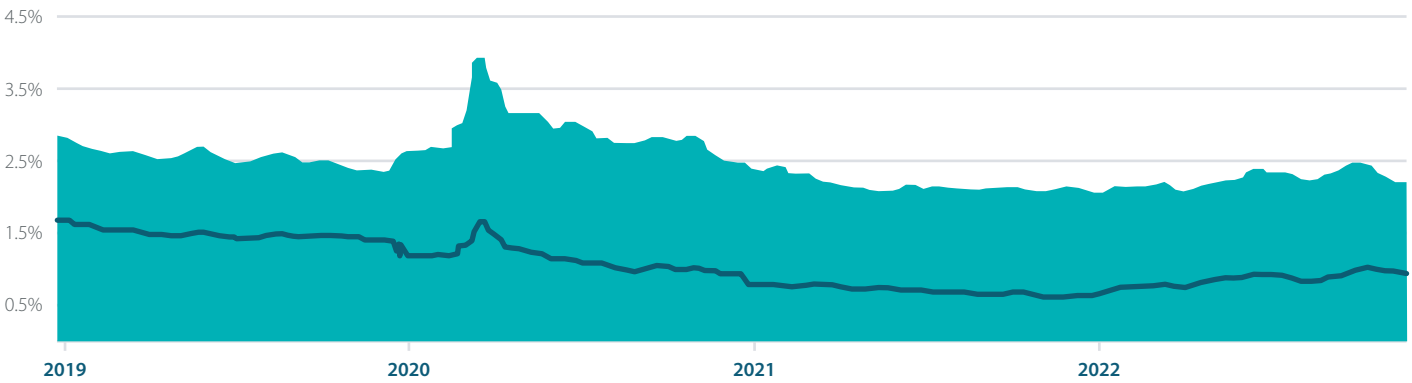
- Real Estate
- Utilities
- Consumer Staples
- Health Care

Not only have these sectors tended to be more resilient in downturns; cash flows from these sectors have been often positively correlated with inflation.

Free Cash Flow Yield S&P Value Index S&P Growth Index



Dividend Yield (Bloomberg Estimate) S&P Value Index S&P Growth Index



Source: New York Life Investments Multi-Asset Solutions, Bloomberg Finance LP, November 2022. Index definitions can be found at the end of this piece.

A moderate equity allocation to value equities within a diversified portfolio could help provide resiliency during times of above-trend inflation and below-trend growth.

2 Commodities

In today's geopolitical landscape, the following factors may support the commodity sector.



Drivers:

- **Energy independence**
- **China's reopening**
- **Minerals and metals to fuel green energy**

Consider how investors may integrate commodities into their portfolio:

	Traditional 60/40	Sample Commodities Satellite Portfolio
Equities	60%	55%
Bonds	40%	40%
Commodities	0%	5%

Source: New York Life Investments Multi-Asset Solutions, November 2022. Equities represented by the S&P 500 Index, bonds represented by the Bloomberg U.S. Aggregate Bond Total Return Index, commodities represented by the Bloomberg Commodity Total Return Index. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.

A **commodities satellite portfolio** represents a 5% exposure to commodities in the portfolio.

Looking back over a 25-year period, a hypothetical portfolio with a 5% allocation to commodities had a stronger risk-adjusted return than a traditional portfolio.

Risk Metrics (Jan 1998-Oct 2022)

	Traditional 60/40	Sample Commodities Satellite Portfolio
Sharpe Ratio	0.96	1.02
Average Drawdown	-4.2%	-3.7%

The **Sharpe Ratio** measures the risk-adjusted returns of a portfolio. A higher number is considered better.

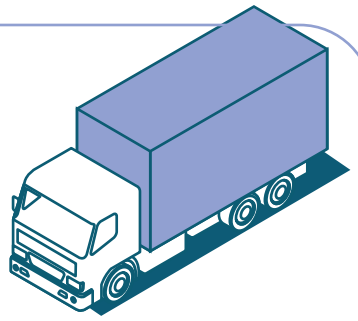
Average Drawdown refers to the average drop in price of the portfolio from its peak level.

Source: New York Life Investments Multi-Asset Solutions, November 2022. Sharpe ratio is provided on an annualized basis. Portfolio metrics assume annual rebalancing.

Given these factors, commodities may be positioned for strength.

3 Infrastructure

Infrastructure equities present key benefits as **$1.3T** is projected in government spending over the next decade across energy, transportation, and broadband sectors.



Drivers:

- **High government spending**
- **Cash flows may be correlated with inflation**
- **Potentially more stable returns vs. alternative assets**

Below, we show how investors can integrate infrastructure into their portfolios.

	Traditional 60/40	Sample Infrastructure Satellite Portfolio
Equities	60%	50%
Bonds	40%	40%
Infrastructure	0%	10%

Source: New York Life Investments Multi-Asset Solutions, November 2022.

Compared to a traditional portfolio, a portfolio with an infrastructure component had improved risk metrics over the following sample period.

Risk Metrics (Jan 1998-Oct 2022)	**Traditional 60/40**	**Sample Infrastructure Satellite Portfolio**
Sharpe Ratio	**0.74**	**0.76**
Average Drawdown	**-4.5%**	**-4.3%**

Source: New York Life Investments Multi-Asset Solutions, November 2022. Sharpe ratio is provided on an annualized basis. Portfolio metrics assume annual rebalancing.

Annual Returns



Infrastructure

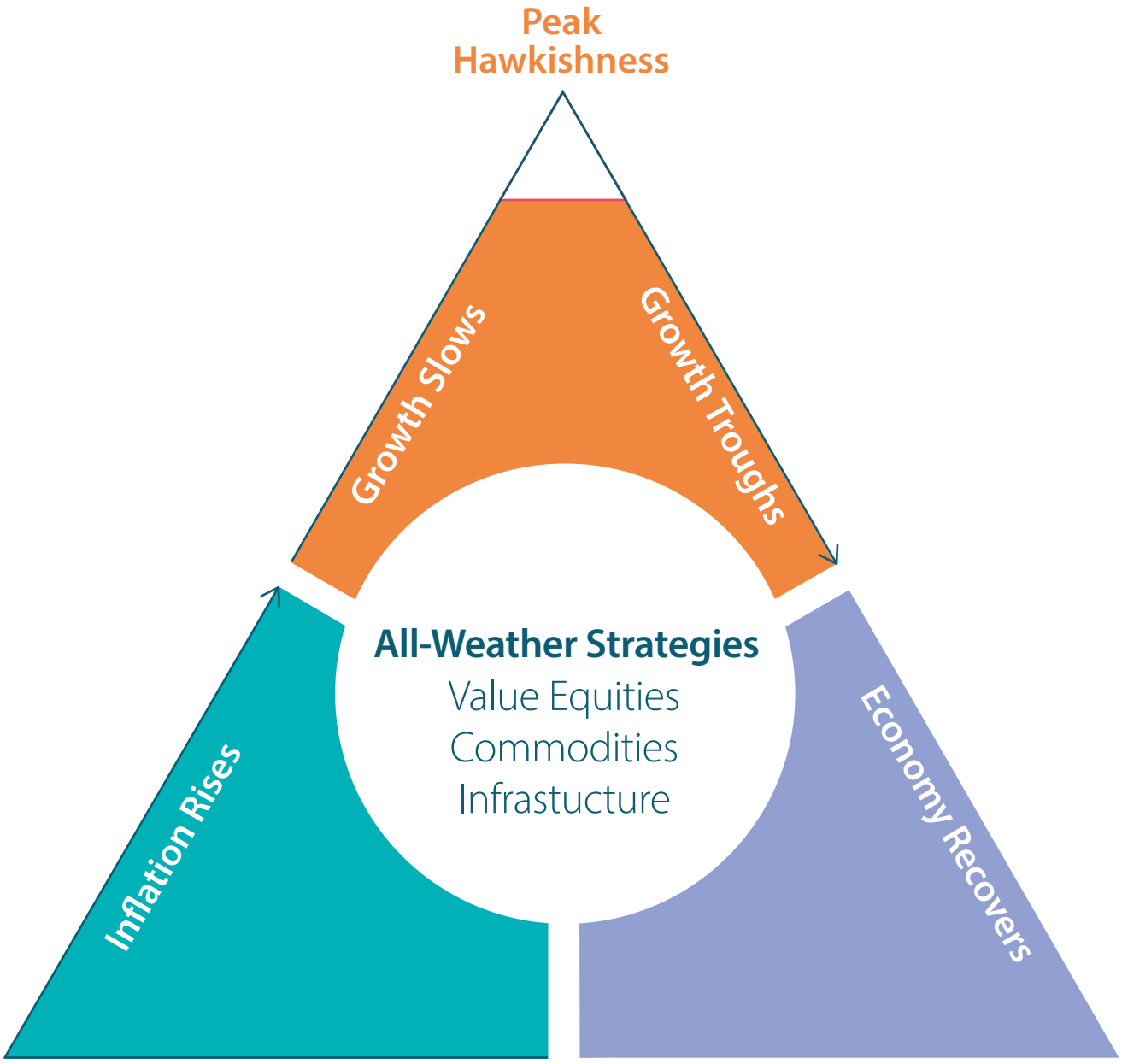
S&P 500 Index

Source: S&P Global, 4/4/2023. Infrastructure represented by the Dow Jones Brookfield Global Infrastructure Index. Past performance is no guarantee of future results. An investment cannot be made directly into an index. Index definitions can be found at the end of this piece.

Infrastructure equities may present opportunities for investors looking to diversify their portfolios, especially during down markets.

Remaining Resilient

Together, these three strategies may provide investors with more resilience regardless of the stage of the economic cycle.



Source: New York Life Investments Multi-Asset Solutions 12/2/2022. For illustrative purposes only. Index definitions can be found at the end of this piece.

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The S&P 500 Index is widely regarded as the standard for measuring U.S. large-cap stock market performance.

Inflation is represented by the **Personal Consumption Expenditures Index**, which measures consumer spending in the U.S. and is the primary index the Federal Reserve uses for monetary policy decision-making.

U.S. Interest Rates are represented by the **Federal Funds Rate**, a target interest rate determined by the Federal Reserve. It is the interest rate at which banks and credit unions lend reserve balances to each other, most often overnight. **Economic Growth** is measured by **U.S. GDP Growth**, which measures all of the goods and services produced in an economy.

The **S&P 500 Value Index** measures the performance of companies from the S&P 500 that fit Value style characteristics of valuation and earnings. The **S&P 500 Growth Index** measures the performance of companies from the S&P 500 that fit Growth style characteristics of valuation and earnings.

The **Bloomberg U.S. Aggregate Bond Total Return Index** broadly tracks the U.S. investment-grade bond market including U.S. Treasuries, corporate bonds, municipal bonds, mortgage-backed securities, and asset-backed securities.

The **Russell 1000 Value Index** serves as a barometer for U.S. large-cap value stocks. It measures the performance of companies with relatively lower price-to-book ratios, lower estimated forecasted medium-term growth, and lower sales per share growth. The Russell 1000 Growth Index serves as a barometer for U.S. large-cap growth stocks. It measures the performance of companies with higher price-to-book ratios, higher estimated forecasted medium-term growth, and higher sales per share growth.

The **Bloomberg Commodity Total Return Index** tracks futures contract prices of physical commodities and serves as a benchmark for commodity investments. **The Dow Jones Brookfield Global Infrastructure Total Return Index** tracks the performance of global infrastructure companies.

The **S&P GSCI Index** serves as a benchmark for commodity market performance, comprising 24 exchange-traded futures contracts across five commodities sectors.

It is not possible to invest directly in an index. Past performance is not indicative of future results. Different time periods may have different results. This material represents an assessment of the market environment as of a specific date; is subject to change; and is not intended to be a forecast of future events or a guarantee of future results. This information should not be relied upon by the reader as research or investment advice regarding the funds or any particular issuer/security.

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