Citi Global Wealth Investments

January 24, 2024

Steven Wieting
Chief Investment Strategist and Chief Economist, Citi Global Wealth

STRATEGY TEAM

Global Coverage
Malcolm Spittler
Maya Issa
Chadd Cornilles

Fixed Income
Bruce Harris
Joseph Kaplan

Equities
Joseph Fiorica
Cecilia Chen

Foreign Exchange
Jaideep Tiwari
Melvin Lou

North America
Charles Reinhard
Lorraine Schmitt

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Asia Pacific
Ken Peng
Calvin Ha
Andrea Leung

Welcome to 2024. No Collapse in Sight

In October and November of 2023, we argued that investors need not fear *both* recession and inflation. After a strong repricing in financial markets in the fourth quarter 2023, many now worry about the *absence* of fear for either.

Financial markets continue to price a first Fed rate cut prematurely in our view. However, the 1.5 percentage points of rate cuts expected in the coming 12 months is not a dramatic easing cycle. A mild recession would likely generate cuts roughly twice as large.

Corporate profits fell for the majority of US firms in 2023 as the world braced for a recessionary collapse in demand that did not occur. With inventories moderating, cyclical industries appear poised to bottom within 2024. Our estimates for mid-single digit EPS gains in 2024 could prove too cautious, and will be reviewed after 4Q results are in.

The "Magnificent 7" US-tech megacaps are estimated to have grown EPS 44% in 2023. Calendar 4Q results are likely to push that figure higher. Apart from strong investment spending and increased competition for some of the 7, there is little reason to believe their profits momentum is weakening. Consequently, they continue to drive US market leadership. However, greater gains for beaten down industries may come in a fuller global recovery ahead.

We continue to see a moderation in US employment growth in 2024 with corporate profits rebounding. This merely reverses the unusual pattern of 2022-2023. Global trade, production and investment all weakened last year while employment and consumption grew. This leaves headcount poised for a slowing while industry output and profits recover.

Estimates for fourth quarter 2023 EPS are very weak relative to the likely actual results (EPS are estimated by analysts to fall 7.1% vs 3Q, non-annualized). Historic data suggest that managements attempt to embed costs and restructuring charges in 4Q periods in order to "clear the decks" for the coming year. This leaves the quarter with the weakest absolute gains vs consensus, followed by 1Q periods which show large positive surprises.

With analysts' 4Q EPS estimates so weak, we believe both the 4Q and 1Q periods should show positive surprises versus consensus. A strong 4Q would reduce the estimated 2024 growth rate to a more reasonable single-digit expected gain.

Equities are outperforming bonds and US equities are outperforming global shares, in line with our asset allocation (global stocks +2%, bonds and cash -2% with USD assets overweight). However, the still high correlation between bonds and equities remains a difficulty for diversification and asset allocation.

Last year, we highlighted that stock and industry selection globally favored thematic investing over regional investing. As our Wealth Outlook 2024 showed, we see opportunities in broadening healthcare investments to include equipment and biotech. We see cyber security and semiconductor equipment as particularly strong niches.

With real yields still attractive, rising from late 2023 lows, we held our global asset allocation unchanged for another month. However, we continue to look forward to expanding our thematic equity overweights and perhaps some regional weightings in time.

INVESTMENT PRODUCTS: NOT FDIC INSURED · NOT CDIC INSURED · NOT GOVERNMENT INSURED · NO BANK GUARANTEE · MAY LOSE VALUE

GIC | January 24

The Global Investment Committee (GIC) left its allocation to Equities at +2% with global Fixed Income and Cash -2%.

Communications from the Federal Reserve helped lift global equities and bonds about +11.0% and +7.0% respectively in the fourth quarter, cementing a strong recovery for portfolio returns in 2023. Central bankers and markets both concluded that driving a recession would be unneeded for the Fed to eventually reach its 2% inflation target.

While there are notable differences in market interest rates and the Fed's projections for its policy path over the short-term, the central bank largely confirmed market views that policy rates would begin to fall in 2024. In essence, the Fed – and other central banks – would move to protect a continued economic recovery rather than end it with policy tightening.

As markets priced in a more benign inflation and interest rate outlook late last year, long-term interest rates have stopped falling in early 2024. The decline below 4% in US Treasury yields from an October 2023 high near 5% was rapid, and yields have begun to climb slightly. With Fed policy a common factor driving both equities and bonds of late, this has held back portfolio returns in the new year.

We believe the bond market is slightly premature in pricing the timing of a first Fed easing step. We expect a first rate cut in May or June rather than March. However, the ultimate extent of rate cuts priced into markets is quite plausible and in line with historic norms, even without a recession. Over the next 12-months, the Fed Funds rate is expected to fall to about 4.0%. This is still double the Fed's projection for its "long-term normal" rate of 2.0%.

ASSET CLASSES | Global USD Level 3 Asset Allocation (%)

	SAA	TAA	Active Weight
FIXED INCOME	**37.0**	**36.0**	**-1.0**
Developed Sovereign	25.0	19.9	-5.1
US	15.0	19.2	4.2
Non-US	10.0	0.8	-9.2
Developed IG Corporates	6.9	10.5	3.6
High Yield	2.0	0.5	-1.5
Emerging Market Sovereigns	3.1	3.1	0.0
Thematic Fixed Income: Preferreds	0.0	2.0	2.0
EQUITIES	**60.9**	**62.9**	**2.0**
Developed Equities	52.2	53.1	0.9
Large Cap	46.4	47.3	0.9
US	33.1	34.1	1.0
S&P 500	33.1	31.6	-1.5
Equal-weight S&P 500	0.0	2.5	2.5
Canada	1.5	1.5	0.0
Europe	7.4	7.3	-0.1
Asia ex-Japan	1.4	1.4	0.0
Japan	3.0	3.0	0.0
Small and Mid Cap	5.9	5.8	-0.1
Core Global SMID	5.9	3.3	-2.6
Thematic: US SMID Growth	0.0	2.5	2.5
Emerging Market Equity	8.7	8.8	0.1
Thematic Equity: Cyber Security	0.0	1.0	1.0
CASH	**2.0**	**1.0**	**-1.0**
COMMODITIES	**0.0**	**0.0**	**0.0**
Level 3 Global USD Portfolio	100.0	100.0	

Thematic equities include Cyber Security, Equal-weighted S&P 500, and S&P 400 and 600 Growth Indices. Please refer to the Portfolio Allocations for a comprehensive breakdown of the portfolios at each risk level.

The economic backdrop driving interest rate movements is the paramount question for financial markets. The Fed has begun easing steps while US job gains persisted in 10 of the last 11 easing cycles since 1980. In some cases, this did not prevent recessions driven by shocks or even previous Fed tightening steps. We expect US employment gains to slow further this year. However, after the majority of US firms reported declines in profits last year amid bearish expectations for the US economy, we believe corporate profits are poised to accelerate and gains to broaden in 2024.

The fourth quarter 2023 EPS reporting season is underway. History shows significantly less positive EPS surprises during the fourth quarter than the calendar first quarter (the difference is 5.3% for the S&P 500 during the past 25 years). We believe this is a result of managements shifting costs into their final quarter to potentially benefit year-ahead profit gains. Markets are keenly attuned to EPS guidance and interest rate developments, with trading volumes only now recovering from the holiday lull.

With last year's gains in equities led by a very small number of large cap technology-related shares and a narrow breadth of performance in sectors such as healthcare, we see strong valuation opportunities remaining. Bond yields also fell rapidly but remain at the higher end of our fair-value estimates. This suggests maintaining some balance in equity vs fixed income exposures.

During the coming year, we expect the global economic expansion to regain strength and several regions to commence recovery. If market yields drop modestly further while cash returns are driven lower by the Fed, we would likely further shift up our global equity exposures at the expense of certain fixed income instruments.

Tempting Fate, But No Collapse in Sight

Steven Wieting
Chief Investment Strategist and Chief Economist

Cecilia Chen
Global Equity Investment Strategist

Chadd Cornilles
Global Investment Strategist

In October and November of 2023, we argued that investors need not fear recession and inflation simultaneously. After a strong repricing in financial markets in the fourth quarter of 2023, many now worry about the absence of fear for either.

For potential new investors, it's true that the asset prices of three months ago are gone. There are financial instruments with "look back" features, but most investors will not be able to buy bonds that yielded 6% in October at more than 5% today (see **FIGURE 1**), They won't be able to buy either "Magnificent 7" shares or the "small fry" Russell 2000 at their lows of 2023 (see **FIGURE 2**).

The Fed's acknowledgment that collapsing employment wasn't a necessary ingredient to lower inflation was a powerful force driving both equities and bonds late last year (see **FIGURE 3**). With the Fed the singular driver, the ongoing correlation of both low risk and high risk investments is a lingering problem for diversification and asset allocation. With this said, the gains of 2023 haven't eliminated return opportunities. The dispersion of valuation within equities remains near historic extremes in many cases (see **FIGURE 4**). This represents the unusual opportunity in global equity markets even as we expect large cap US equities to post single-digit gains this year.

> The strong gains of 2023 haven't eliminated return opportunities. The dispersion of valuation within equities remains near historic extremes in many cases.

As **FIGURE 1** shows, the "overshoot" in bond yields has been erased. However, at a 4.1% yield, we consider US Treasury 10-year notes at the higher end of a fair value range. For the time being, still solid US yields keep us relatively balanced between global fixed income and equities. (Low yields in markets such as Germany and Japan drive our global bond underweight of -1%. Cash also finances our 2% Global Equity overweight.)

FIGURE 1: S&P 500 vs long-term BBB-rated US corporate yield (%)

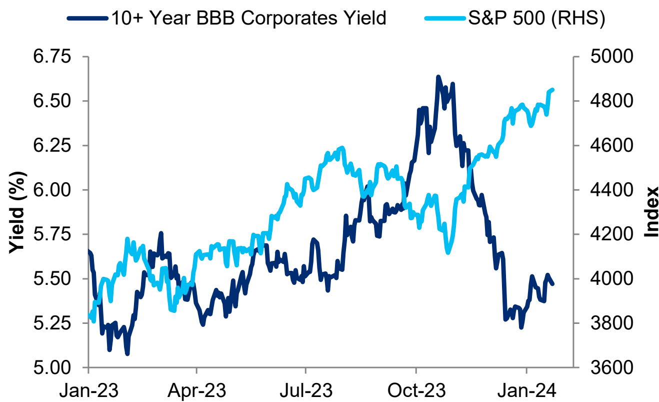
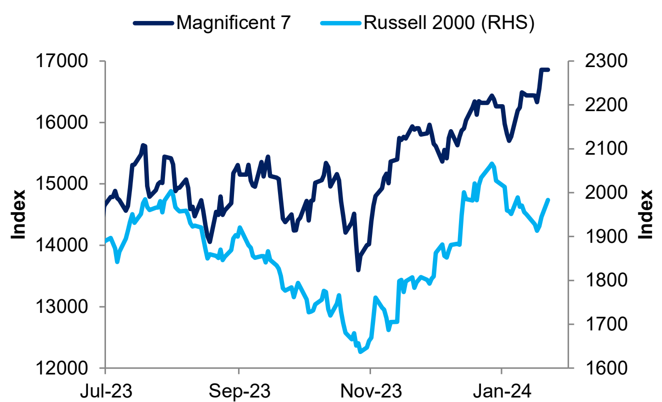


FIGURE 2: "Magnificent 7" vs Russell 2000



Source: Haver Analytics and Bloomberg as of January 22, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

FIGURE 3: US unemployment rate vs CPI Y/Y%

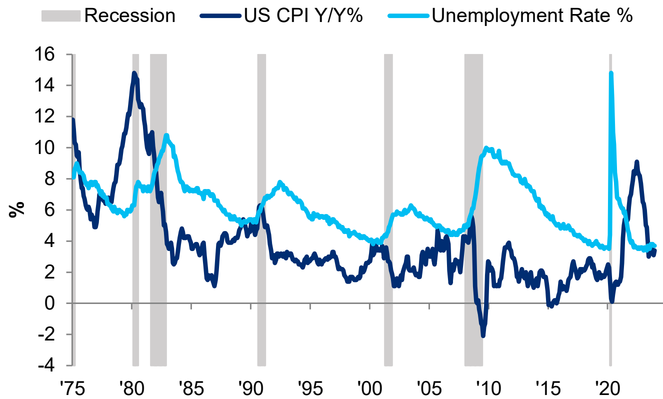
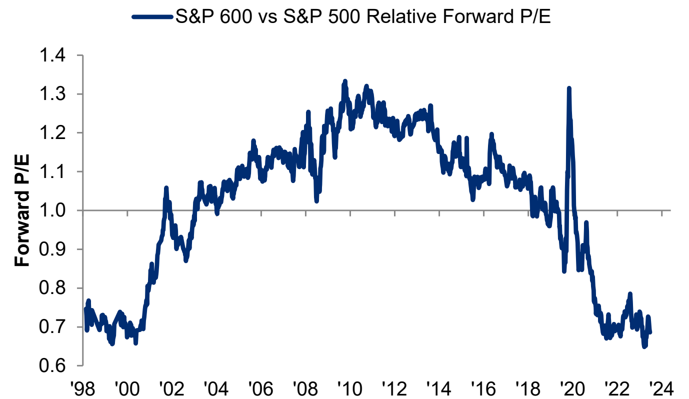


FIGURE 4: S&P 600 valuation relative to S&P 500



Source: Haver Analytics and Factset as of January 22, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

For Investors, the Year's Work Has Just Begun

There remains a significant short base in both equities and bonds despite a sudden leap in investor sentiment late last year.

As we discussed in our CIO Bulletin this month, early-year performance concerns seem almost superstitious. Quarterly declines in US equities occur once per year on average. Monthly losses occur 4 of 12 months per year on average. Calendar year gains for US equities, in contrast, have occurred in 74% of all years since the end of World War II. Simply put, longer-term periods are less volatile than the shorter-term swings.

Following nine weeks of gains as seen in late 2023, a monthly loss is common. But in January, concerns for the year ahead seem to take on a life of their own. Losses have occurred in 44% of all Januarys in the last seventy years. The most recent declines for January were 2020, 2021 and 2022.

As **FIGURES 5-7** show, there remains a significant short base in both equities and bonds despite a sudden leap in investor bullishness late last year. These issues do point to a "tug of war" set in motion by traders during the illiquid holiday period. Sitting on the sidelines at the start of the year, a broad swath of investors might see a market decline as a chance to wait for a cheaper entry point. In case of a further rally, it would drive "fear of missing out." True investors shouldn't be so easily swayed by such noise.

FIGURE 5: US Treasury 10-year yield (%) vs net futures short positions

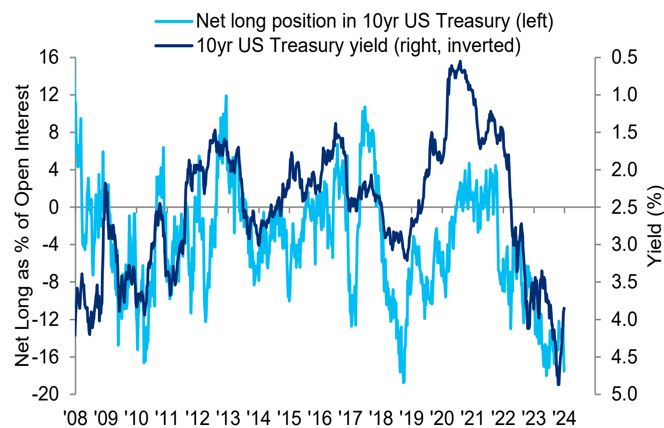
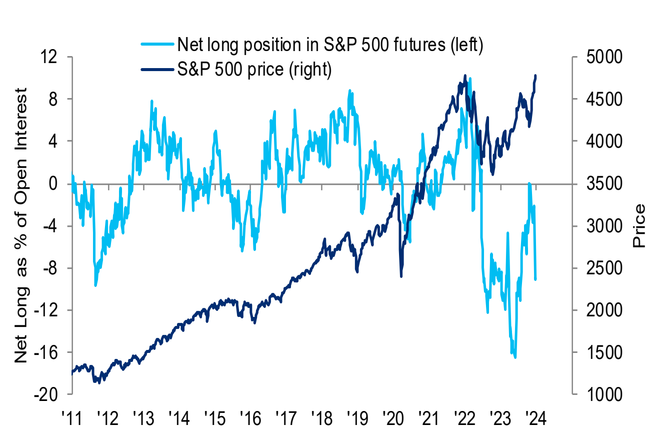


FIGURE 6: S&P 500 vs net futures short positions



Source: Bloomberg as of January 5, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

FIGURE 7: American Association of Individual Investors net bullish % vs S&P 500

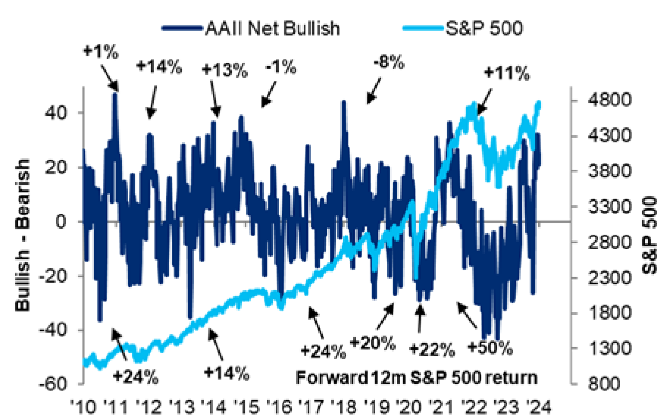
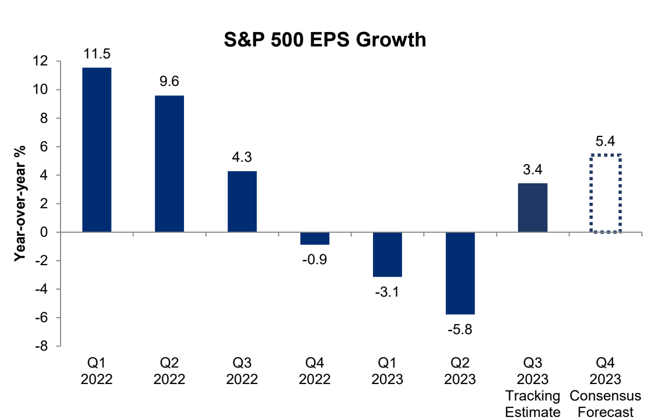


FIGURE 8: S&P 500 EPS Y/Y%



Source: Bloomberg and Factset as of January 16, 2024. All forecasts are expressions of opinion and are subject to change without notice and are not intended to be a guarantee of future events. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Profits: What Really Matters for Equities

After two years of powerful interest-rate driven valuation influence, we see corporate earnings as the decisive factor in driving equity returns in 2024 (see **FIGURE 8**). Views on the strength and sustainability of EPS gains in 2025 will ultimately prove the driver of full year 2024 returns. This is because of the leading property of equities markets (see **FIGURE 9**). However, before then, corporate guidance and earnings surprises will help determine the way.

FIGURE 9: Equal weight S&P 500 (6-month lead) vs EPS Y/Y%

Source: Bloomberg as of January 2, 2024. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

While 4Q "beats" tend to be the smallest of the year, both 4Q 2023 and 1Q 2024 EPS estimates look too low.

What You Do When Expecting Recession...And Then When It Doesn't Arrive

In 2022 and 2023, corporate managers were advised to expect recession, to expect falling demand. This threat never materialized (see **FIGURES 10-11**). So, what could this mean for near-term profit reports?

It is widely trumpeted that analysts predict double-digit EPS gains in 2024 even as several large areas of the economy linger in contraction (see **FIGURE 12**). Given this, won't managements guide down excessive growth expectations? In our view, there's a good chance that beating 2023's EPS estimates in the year's final quarter means the expected growth rate for 2024 is actually lower. A higher 2023 base means less of a leap is required to get to the same expected profit level in 2024.

A complex "dance" between managements, analysts and investors is taking place. Historical data shows that 4Q "beats" are the smallest of the calendar year. 1Q beats average the largest positives (see **FIGURE 13**). While severe swings in the economy have occasionally interrupted this trend, it appears that managements attempt to "clear the decks" for the coming year by embedding charges and losses in the final quarter of the year. With current 4Q EPS estimates far weaker than any deterioration reported for the US economy (-7.1% non-annualized vs 3Q!), we have little doubt that there will be substantial EPS beats. Even with lingering weakness in the US economy, this bodes well for at least sustaining strong profit estimates for 2024.

FIGURE 10: US CFO Survey: optimism in late 2022 lower than 2020 Covid recession

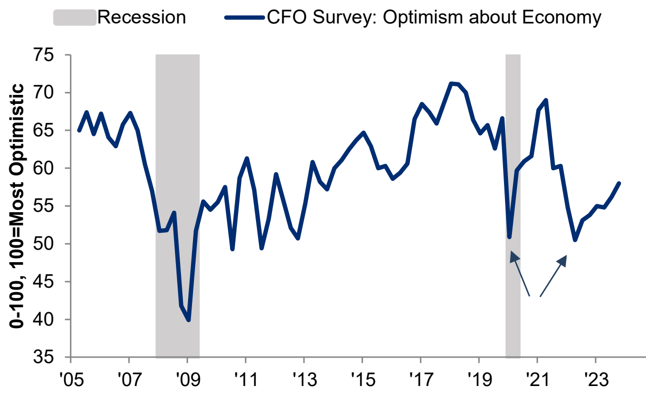
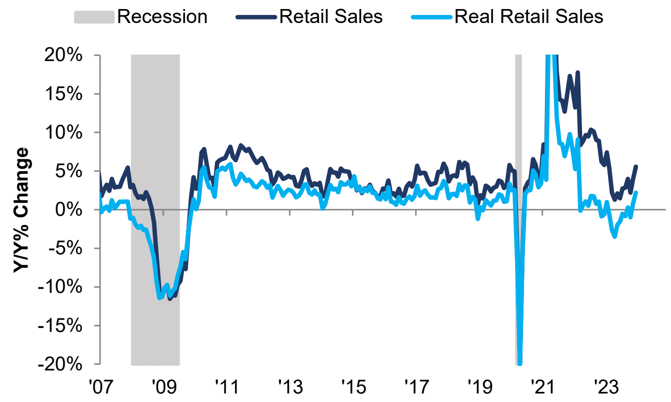
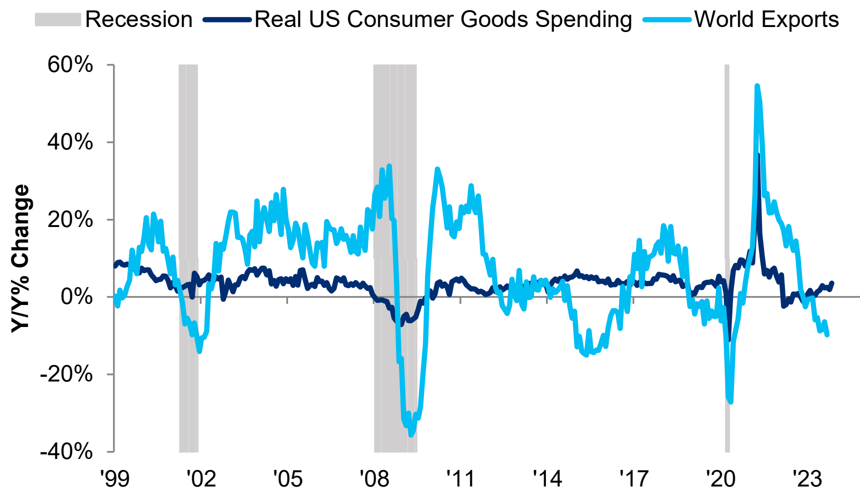


FIGURE 11: Nominal and real US retail sales Y/Y%



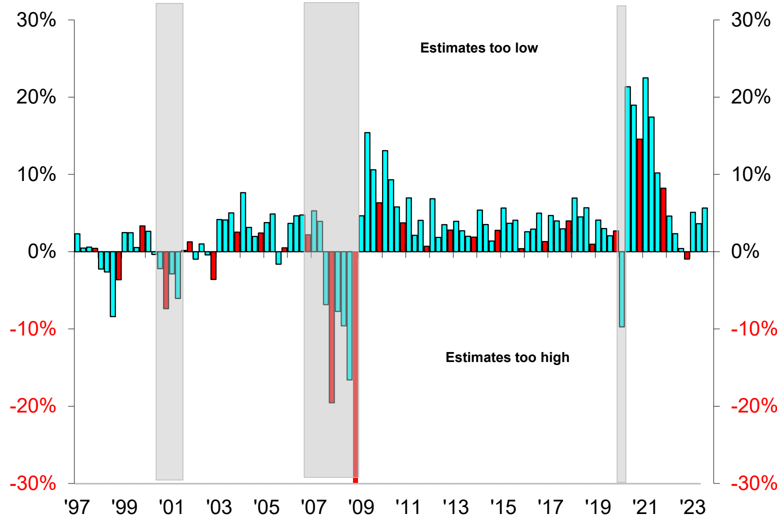
Source: Haver Analytics as of January 19, 2024.

FIGURE 12: Global exports vs real US consumer goods spending Y/Y% – contraction in trade and manufacturing, not demand



Source: Haver Analytics as of January 22, 2024.

FIGURE 13: S&P 500 EPS "beats and misses" as % of total EPS by quarter



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What Will Drive Change

As **FIGURE 12** showed, the world economy is enduring drags in cyclical industries including trade, manufacturing and property. As we discussed last year in our CIO Bulletin, the drag this is producing on China's economy may be 2-3X larger than for the US. This is given higher contributions for housing and manufacturing across various channels. Europe and Latin America also have much larger trade shares than the US. For economies such as Germany, this is sufficient to mark recession.

These drags on economic activity won't endure indefinitely. Their impact is helping drive the reversal in monetary policy tightening likely to unfold in the year ahead. Perhaps more importantly, the contrast between slowing inventories and sustained demand growth will drive a global trade recovery that is likely to begin before the end of 2024. Therefore, a bigger drag on many non-US economies will eventually lift. The US will see less of a gain given a smaller initial impact.

A global manufacturing recovery won't drive valuations for non-US industrial companies into the US-tech-stock stratosphere. It will, however, push up corporate profits and capital investment, setting the stage for a stronger world economy in 2025. While we await fourth quarter 2023 EPS results, and 1Q 2024 might be particularly helpful for assessing the year, we already suspect that our own conservative EPS estimates are too cautious.

A bottoming in 2024 for many industries is a story for the year ahead. In the meantime, investors remain awed by the performance of the US's leading tech-related franchises. As we discussed in our December 17th CIO Bulletin last year, the so-called Magnificent 7 grew their EPS an estimated 44% in 2023 after a 22% plunge in 2022. Actual fourth quarter EPS will likely beat estimates, meaning an even larger leap in profits was made last year. Apart from some of their strong investment spending on new AI services and greater competition in this area, there is little to slow their immediate profit momentum. As such, their gains continue to be impressive in 2024 (see **FIGURE 14**).

While we have not moved immediately to broaden our global equity overweight, we will look carefully to assess this opportunity knowing that share prices lead the economy. Further declines in market interest rates would be an added spur for action.

In terms of risks, global supply shocks remain our largest concern. Recent news that the Red Sea has become practically impassable fits that narrative. As we discussed in Outlook 2024: Findings & Opportunities, this keeps us disposed to allocate slightly less aggressively toward equities and, within equities, toward sectors such as energy.

As already discussed, the main opportunity we see in global equities markets is through a likely broadening of performance - closing the extreme valuation gaps after the top 7 US tech-related shares drove about 30% of the global returns in 2023 and slightly more than 50% of the S&P 500 return.

The immediate earnings outlook is solid for the "Magnificent 7." Reflecting this, their share prices leapt 107% in 2023. Since the pandemic, the seven largest tech companies have been trading at the same momentum as a group, albeit with gains at different scales. It is only since 2024 that they have started to show increasing dispersion within, as the largest EV maker saw correlation fall to the overall group (**FIGURES 16-17**). We simply see the performance of firms operating in industries as different as social media and electric vehicles as likely to be individually idiosyncratic going forward as macro headwinds and tailwinds diminish. For most firms in the S&P 500, by contrast, 2023 was a mild recession year and recovery will help performance, driving the broadening we expect (see **FIGURE 15**).

In this next section, we discuss a prime example of the narrow performance of equity markets and the path toward broadening for the healthcare sector.

FIGURE 14: "Magnificent 7" vs other EPS

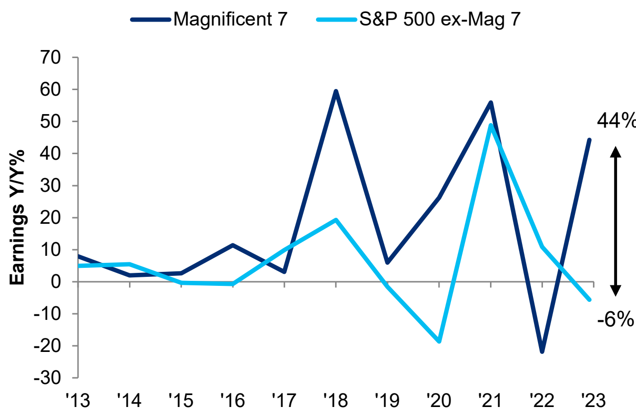


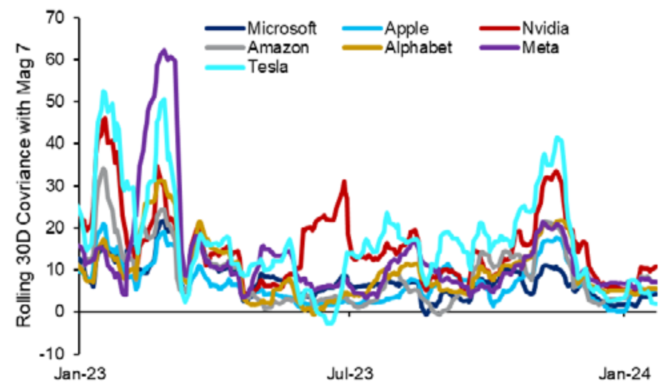
FIGURE 15: Sector share with positive EPS

Source: Bloomberg and Factset as of December 11, 2023. The Magnificent 7 stocks: Amazon.com, Apple, Google parent Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

FIGURE 16: Magnificent 7 mostly trading as a group (correlation of individual shares to Magnificent 7 Index)

	Microsoft	Apple	Nvidia	Amazon	Alphabet	Meta	Tesla
Since 2020	0.84	0.79	0.83	0.77	0.79	0.71	0.77
Since 2023	0.74	0.74	0.79	0.66	0.69	0.78	0.73
Since 2024	0.90	0.89	0.97	0.91	0.93	0.96	0.16

FIGURE 17: Low performance dispersion between Magnificent 7 shares



Source: Bloomberg and Factset as of January 19, 2024. The Magnificent 7 stocks: Amazon.com, Apple, Google parent Alphabet, Meta Platforms, Microsoft, Nvidia, and Tesla. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. For illustrative purposes only. Past performance is no guarantee of future results. Real results may vary.

Having Missed the '23 Rally, Healthcare Remains "On Sale"

David Bailin
Chief Investment Officer, Citi Global Wealth

Steven Wieting
Chief Investment Strategist and Chief Economist

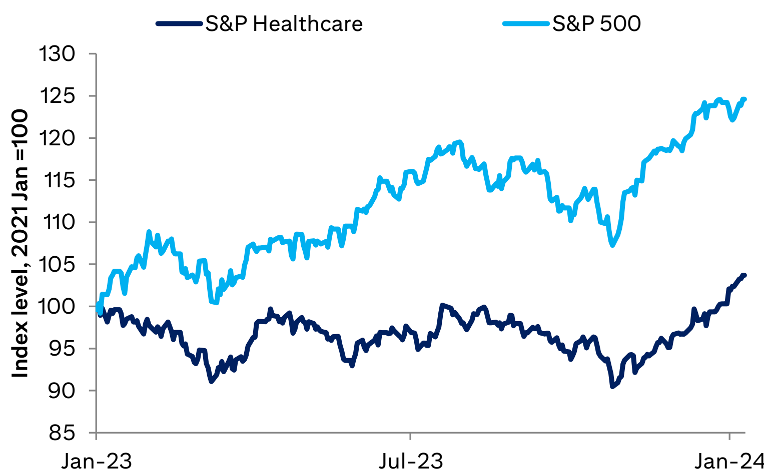
Joseph Fiorica
Head, Global Equity Investment Strategy

Cecilia Chen
Global Equity Investment Strategist

Malcolm Spittler
Global Strategy and Senior US Economist

In our Wealth Outlook 2024, we illustrated a "perfect storm" in healthcare that drove underperformance in related shares over the last two years. In our view, astute investors may find themselves with a trove of rebound opportunities. This Bulletin breaks down the current landscape – both the headwinds that have hampered healthcare and the opportunities that have arisen (**FIGURE 18**).

FIGURE 18: Healthcare sector significantly lagged in 2023



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A Good Start to 2024

Just two weeks into 2024, the healthcare sector has shrugged off "laggard" title from 2023. In contrast to the anemic 0.3% '23 return vs. 24.2% for the S&P 500, healthcare now leads the performance chart among all sectors year-to-date, boasting a 3.0% return vs -0.3% for the S&P 500.

Emerging from a poor capital raising environment in '22-23, where early-stage biotech companies grappled to fund their Research and Development efforts amid rising interest rates, the battered sector finally is seeing a revival in Mergers and Acquisition deals as the new year begins. The drumbeat of deals saw about $9.6b[1] worth of transactions in January alone.

Early indicators of market activity are setting the stage for a broader sector recovery this year, especially in areas that were most beaten down in 2023. As we noted in our Wealth Outlook 2024, tighter financial conditions, regulatory uncertainties, the glut of inventories post-COVID and investor fear that GLP drugs (medications utilized in the treatment of type 2 diabetes and obesity) will permanently impair the need for other healthcare have been the key culprits behind a rare earnings recession in healthcare over the past decades (**FIGURE 18**).

[1] Bloomberg as of January 11, 2024

At this point, we believe investors should reflect on the inherent resilience of healthcare over the long term: the sector recorded positive earnings growth during all three recent global earnings recessions (**FIGURE 19**). As macro tides shift, we see healthcare as an unstoppable trend beneficiary, with growth prospects well beyond the anti-obesity drugmakers. In fact, given demographic shifts and the benefits of AI, healthcare appears ready to return to leadership due to its consistent and secular earnings growth (**FIGURE 20**). We expect the healthcare earnings recovery in 2024 to be one of the main drivers of potential outperformance in the sector.

FIGURE 19: Global equity vs healthcare earnings cycles

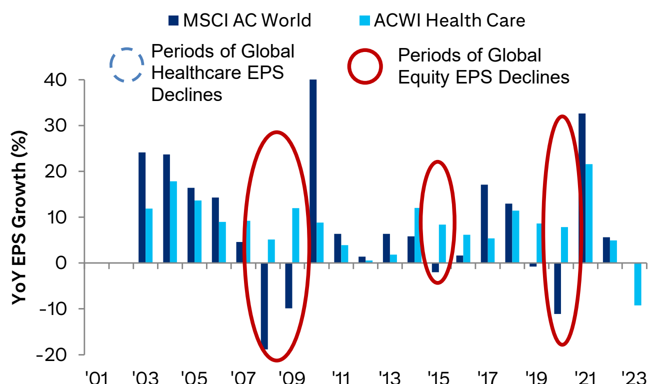
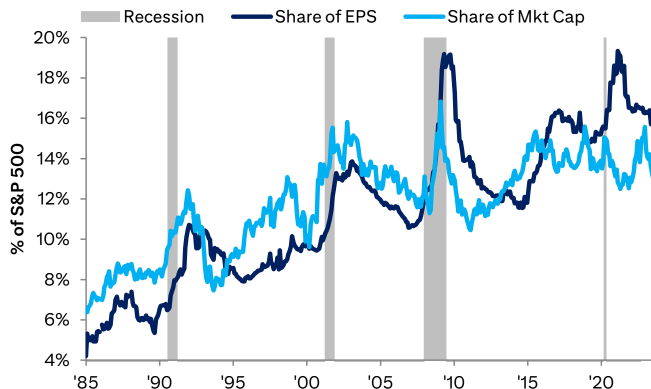


FIGURE 20: US healthcare market cap and earnings as % of S&P 500

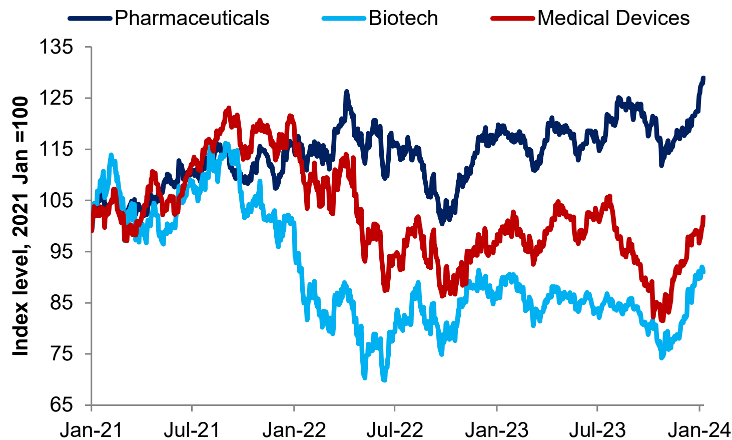


Source: Bloomberg and Factset as of January 11, 2024. US Healthcare is represented by the S&P 500 Healthcare sector index. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Healthcare Still "On Sale"

We believe Healthcare innovation remains "on sale." We are particularly drawn to discounted valuations in the medical technology and tools segments, while biotech seems like a high-risk, high-reward bet as financial conditions ease (**FIGURE 21**). Some medical device makers are necessary "picks and shovels" for drug development. They work in conjunction with biopharma partners in the early stages of cell line production and later in the purification, formulation and packaging of an approved drug. Others are the producers of the new generation of devices either worn on or implanted in the body to address chillronic conditions like heart disease and diabetes. Another potential investment opportunity is the makers of the equipment used in robotics-assisted surgery. Atypically, both large and small company valuations have suffered equally these past two years. In our view, cash-rich, cheaply-valued companies that facilitate drug research and development, save costs and improve patient outcomes look like a potentially safer way to play the Healthcare sector's convalescence.

FIGURE 21: Medical tech and devices, biotech are still "on sale"



Source: Bloomberg as of January 11, 2024. Pharmaceuticals is VANECK PHARMACEUTICAL ETF, Biotech is ISHARES BIOTECHNOLOGY ETF and Medical Devices is ISHARES U.S. MEDICAL DEVICES. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

GLP-1 Weigh Loss Drugs Won't Kill Healthcare Demand

Even a revolution in weight loss won't threaten the unstoppable trends associated with longevity and healthcare.

Since 2018, we've been highlighting the favorable demographic tailwinds underpinning the global healthcare sector. Despite an ever-changing market, we all share the inevitable journey of aging. The world is aging, and in the developed market populations are aging even faster. An inevitable corollary of an aging population is the growing share of total consumption going to healthcare.

Historically this growth combined with the defensive properties of healthcare made it a secular growth component of portfolios. It is the second most compelling industry investment sector along next to Information Technology. In 2023, the healthcare sector experienced a mirror of the broader market, with most of the gains concentrated in a few mega-winners and the rest struggled amidst an unusual profit recession.

We are firm believers in the transformative value of innovation (for lives and portfolios). Recent breakthroughs in treating obesity are being received by the market as being truly revolutionary.

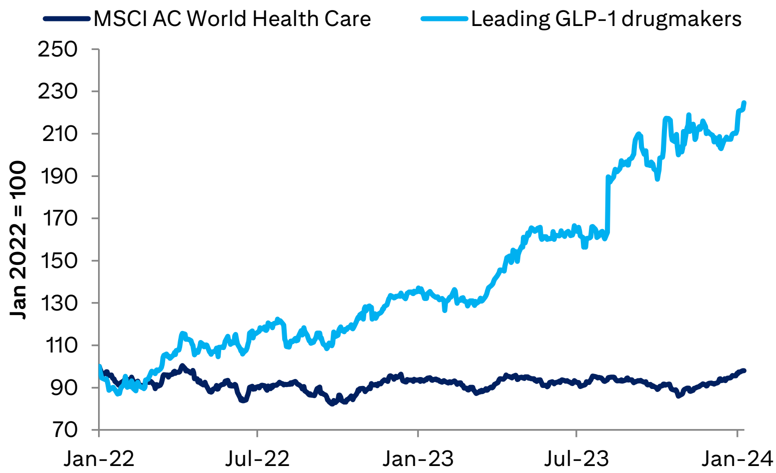
Treating obesity is an example of how healthcare can change rapidly. With a new generation of weight-loss medications (GLP-1 drugs), we are already seeing reports of lower rates of diabetes, heart disease and associated co-morbidities among their growing user bases. Taken to an extreme, this could mean less healthcare spending on treating co-morbidities.

But these medicines do not make people younger. In fact, a decrease in the rate of obesity-related deaths will be exactly offset by increases in other causes of death, while allowing many people to live longer and increase overall healthcare consumption as they do so. This was on clear display through the middle of the 20th century when breakthroughs in vaccinations and anti-biotics prevented countless premature deaths but drove up the rate at which people died from age-related maladies. This illustrates the aging dynamic that has powered higher aggregate spending on healthcare for generations.

While GLP-1 makers have seen market caps explode amidst the broader healthcare profits recession, the magnitude of excitement in that segment should not be confused with a vote against the broader industry.

Ultimately, the new generation of GLP-1 drugs are not substitutes for other medical care but will complement other treatments to facilitate better health outcomes and associated stock market performance (**FIGURE 22**).

FIGURE 22: Share price returns for the pair of manufacturers responsible for the two leading GLP-1 weight loss drugs vs the rest of the developed market Healthcare sector



Source: Bloomberg as of January 17, 2023. Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance. Past performance is no guarantee of future results. Real results may vary.

Portfolio Allocations

This section shows the strategic and tactical asset allocations. The Global Asset Allocation (GAA) team creates strategic asset allocations (SAAs) using the CPB Adaptive Valuations Strategy (AVS) methodology on an annual basis. Global Investment Committee (GIC) provides underweight and overweight decisions to AVS's Global USD without Hedge Funds Risk Level 1 through Level 5 portfolios. GAA team then creates tactical allocations for all other profiles or subprofiles such as Global USD with Hedge Funds and Illiquids PE & RE Level 2 through Level 5 portfolios. These sample portfolios included below reflect 2024 SAAs and the tactical over/under weights expressed at the January 24, 2024 GIC meeting.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 2

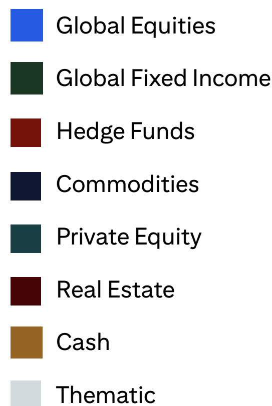
Risk Level 2 is designed for investors who emphasize capital preservation over return on investment, but who are willing to subject some portion of their principal to increased risk in order to generate a potentially greater rate of return on investment.

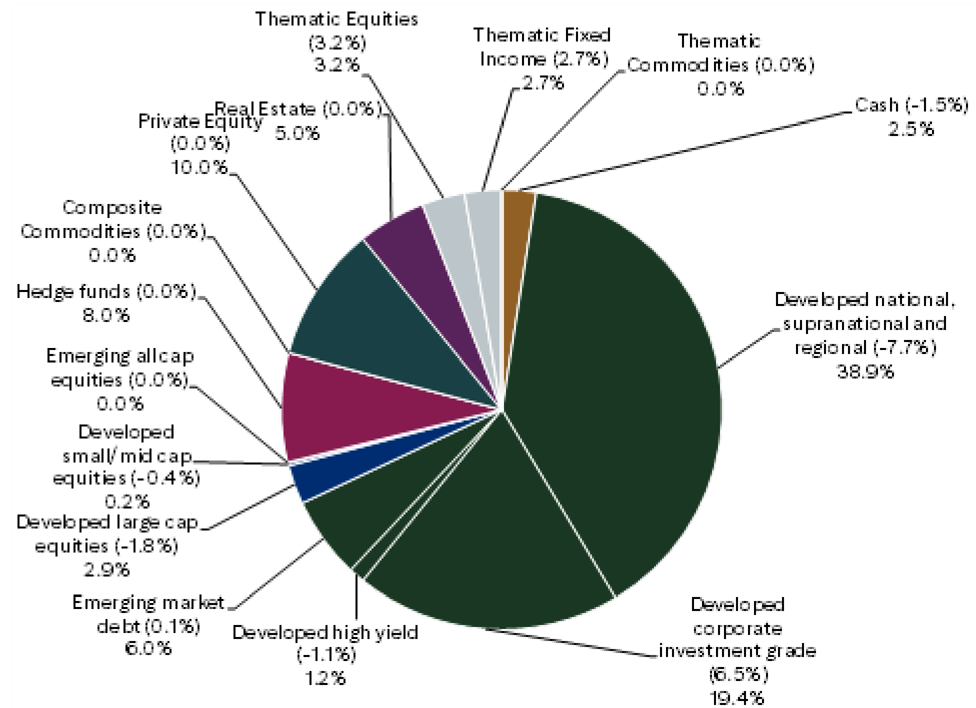
Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	4.0	2.5	-1.5
FIXED INCOME	67.7	68.2	0.5
Developed Investment Grade	**59.6**	**58.3**	**-1.2**
US	36.7	47.0	10.3
Government	16.5	18.5	2.0
Inflation-Linked	2.2	2.4	0.2
Short	4.9	4.9	0.0
Intermediate	6.9	7.1	0.2
Long	2.6	4.1	1.6
Securitized	11.4	12.6	1.2
Credit	8.7	15.9	7.2
Short	1.6	2.9	1.3
Intermediate	4.9	10.8	5.9
Long	2.3	2.3	0.0
Europe	18.2	10.2	-8.0
Government	14.0	6.7	-7.3
Credit	4.2	3.5	-0.7
Australia	0.4	0.4	0.0
Government	0.4	0.4	0.0
Japan	4.3	0.7	-3.5
Government	4.3	0.7	-3.5
Developed High Yield	**2.2**	**1.2**	**-1.1**
US	1.7	1.2	-0.5
Europe	0.6	0.0	-0.6
Emerging Market Debt	**5.9**	**6.0**	**0.1**
Asia	0.9	1.4	0.4
Local currency	0.5	0.5	0.0
Foreign currency	0.5	0.9	0.4
EMEA	3.0	2.2	-0.8
Local currency	1.5	0.7	-0.8
Foreign currency	1.5	1.5	0.0
LatAm	1.9	2.4	0.5
Local currency	1.0	1.0	0.0
Foreign currency	1.0	1.5	0.5
Thematic Fixed Income	**0.0**	**2.7**	**2.7**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	2.7	2.7
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	5.3	6.3	1.0
Developed Equities	**5.3**	**3.1**	**-2.2**
Developed Large Cap Equities	**4.7**	**2.9**	**-1.8**
US	3.4	2.0	-1.3
Canada	0.2	0.1	-0.1
UK	0.2	0.1	-0.1
Switzerland	0.1	0.1	-0.0
Europe ex UK ex Switzerland	0.4	0.3	-0.2
Asia ex Japan	0.1	0.1	-0.1
Japan	0.3	0.2	-0.1
Developed Small/ Mid Cap Equities	**0.6**	**0.2**	**-0.4**
US	0.3	0.2	-0.1
Non-US	0.3	0.0	-0.3
Emerging All Cap Equities	**0.0**	**0.0**	**0.0**
Asia	0.0	0.0	0.0
China	0.0	0.0	0.0
Asia (ex China)	0.0	0.0	0.0
EMEA	0.0	0.0	0.0
LatAm	0.0	0.0	0.0
Brazil	0.0	0.0	0.0
LatAm ex Brazil	0.0	0.0	0.0
Thematic Equities	**0.0**	**3.2**	**3.2**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	0.0	0.0
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	1.9	1.9
US Mid-Cap Growth	0.0	0.7	0.7
US Small-Cap Growth	0.0	0.5	0.5
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
HEDGE FUNDS	8.0	8.0	0.0
PRIVATE EQUITY	10.0	10.0	0.0
REAL ESTATE	5.0	5.0	0.0
Total	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 2 - Tactical Allocations





Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweights of +1.0%, global fixed income has an overweight of +0.5%, cash has an underweight of -1.5%.

Within equities, developed large cap equities have an underweight of -1.8% and developed small/mid cap equities have an underweight of -0.4%. Emerging market equities have neutral positions and Thematic equities have an overweight of +3.2%.

Within fixed income, developed investment grade has an underweight position of -1.2%; developed high yield has an underweight position of -1.1% and emerging market debt has an overweight position of +0.1%. Thematic fixed income has an overweight of +2.7%.

Hedge Fund allocation in the tactial portfolio is 8%. Private Equity and Real Estate allocations are 10% and 5%, respectively. All these three asset classes positionings are neutral.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 3

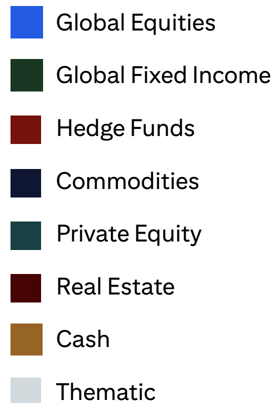
Risk Level 3 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. Risk Level 3 may be appropriate for investors willing to subject their portfolio to additional risk for potential growth in addition to a level of income reflective of his/her stated risk tolerance

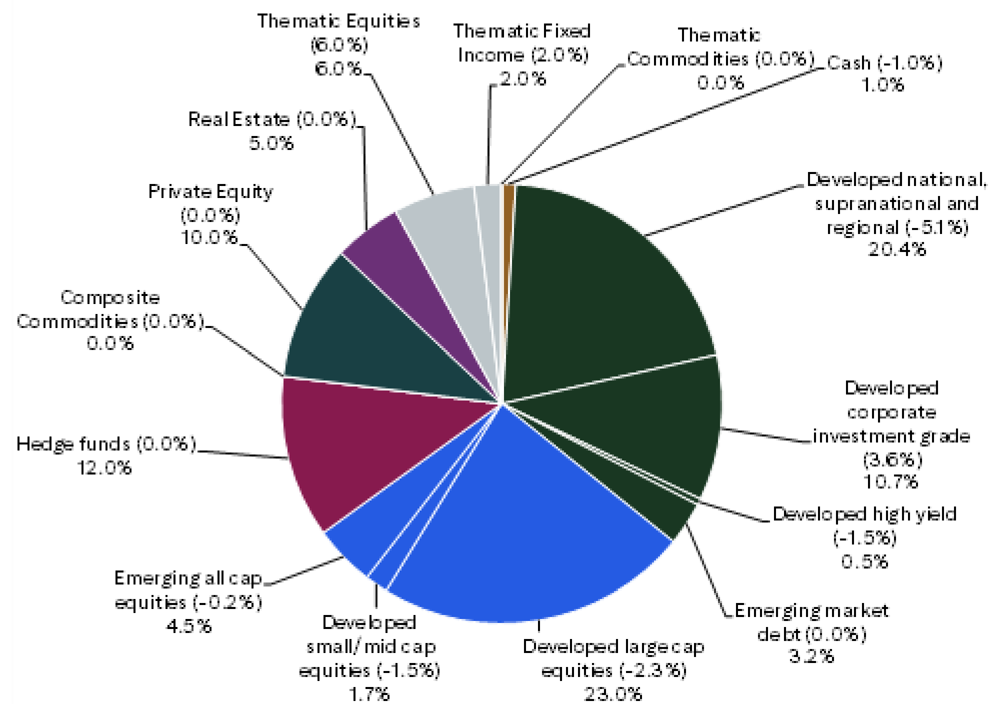
Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	2.0	1.0	-1.0
FIXED INCOME	37.8	36.8	-1.0
Developed Investment Grade	**32.6**	**31.1**	**-1.5**
US	20.1	29.1	9.0
Government	9.0	13.7	4.7
Inflation-Linked	1.2	2.2	1.0
Short	2.7	2.7	0.0
Intermediate	3.8	5.8	2.1
Long	1.4	2.9	1.5
Securitized	6.3	6.0	-0.3
Credit	4.8	9.4	4.6
Short	0.9	1.9	1.0
Intermediate	2.7	6.3	3.6
Long	1.2	1.2	0.0
Europe	10.0	2.1	-7.9
Government	7.7	0.8	-6.9
Credit	2.3	1.3	-1.0
Australia	0.2	0.0	-0.2
Government	0.2	0.0	-0.2
Japan	2.3	0.0	-2.3
Government	2.3	0.0	-2.3
Developed High Yield	**2.0**	**0.5**	**-1.5**
US	1.5	0.5	-1.0
Europe	0.5	0.0	-0.5
Emerging Market Debt	**3.2**	**3.2**	**-0.0**
Asia	0.5	0.6	0.1
Local currency	0.3	0.0	-0.3
Foreign currency	0.3	0.6	0.3
EMEA	1.6	1.2	-0.5
Local currency	0.8	0.0	-0.8
Foreign currency	0.8	1.1	0.3
LatAm	1.1	1.5	0.4
Local currency	0.5	0.5	0.0
Foreign currency	0.5	0.9	0.4
Thematic Fixed Income	**0.0**	**2.0**	**2.0**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	2.0	2.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	33.2	35.2	2.0
Developed Equities	**28.4**	**24.6**	**-3.8**
Developed Large Cap Equities	**25.2**	**23.0**	**-2.3**
US	18.0	16.2	-1.8
Canada	0.8	0.8	-0.0
UK	1.1	1.0	-0.1
Switzerland	0.7	0.6	-0.0
Europe ex UK ex Switzerland	2.3	2.1	-0.1
Asia ex Japan	0.8	0.7	-0.0
Japan	1.6	1.5	-0.1
Developed Small/ Mid Cap Equities	**3.2**	**1.7**	**-1.5**
US	1.8	1.7	-0.1
Non-US	1.4	0.0	-1.4
Emerging All Cap Equities	**4.7**	**4.5**	**-0.2**
Asia	4.0	4.0	0.0
China	1.4	1.3	-0.1
Asia (ex China)	2.7	2.8	0.1
EMEA	0.3	0.1	-0.2
LatAm	0.4	0.4	-0.0
Brazil	0.3	0.3	-0.0
LatAm ex Brazil	0.2	0.2	-0.0
Thematic Equities	**0.0**	**6.0**	**6.0**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	1.0	1.0
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	2.5	2.5
US Mid-Cap Growth	0.0	1.5	1.5
US Small-Cap Growth	0.0	1.0	1.0
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
HEDGE FUNDS	12.0	12.0	0.0
PRIVATE EQUITY	10.0	10.0	0.0
REAL ESTATE	5.0	5.0	0.0
TOTAL	**100.0**	**100.0**	**-0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 3 - Tactical Allocations





Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +2.0%, global fixed income has an underweight of -1.0%, cash has an underweight of -1.0%.

Within equities, developed large cap equities have an underweight of -2.3% and developed small/mid cap equities have an underweight of -1.5%. Emerging market equities have an underweight of -0.2%. Thematic equities have an overweight position +6.0%.

Within fixed income, developed investment grade has an underweight position of -1.5%; developed high yield has an underweight position of -1.5% and emerging market debt has neutral position. Thematic fixed income has an overweight of +2.0%.

Hedge Fund allocation in the tactial portfolio is 12%. Private Equity and Real Estate allocations are 10% and 5%, respectively. All these three asset classes positionings are neutral.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 4

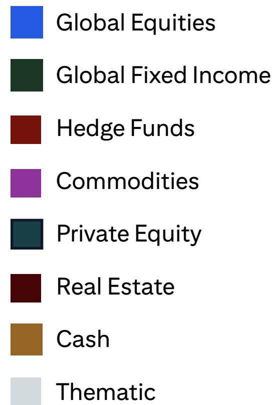
Risk Level 4 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. They are willing to subject a large portion of their portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investment. Investors may have a preference for investments or trading strategies that may assume higher-than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains.

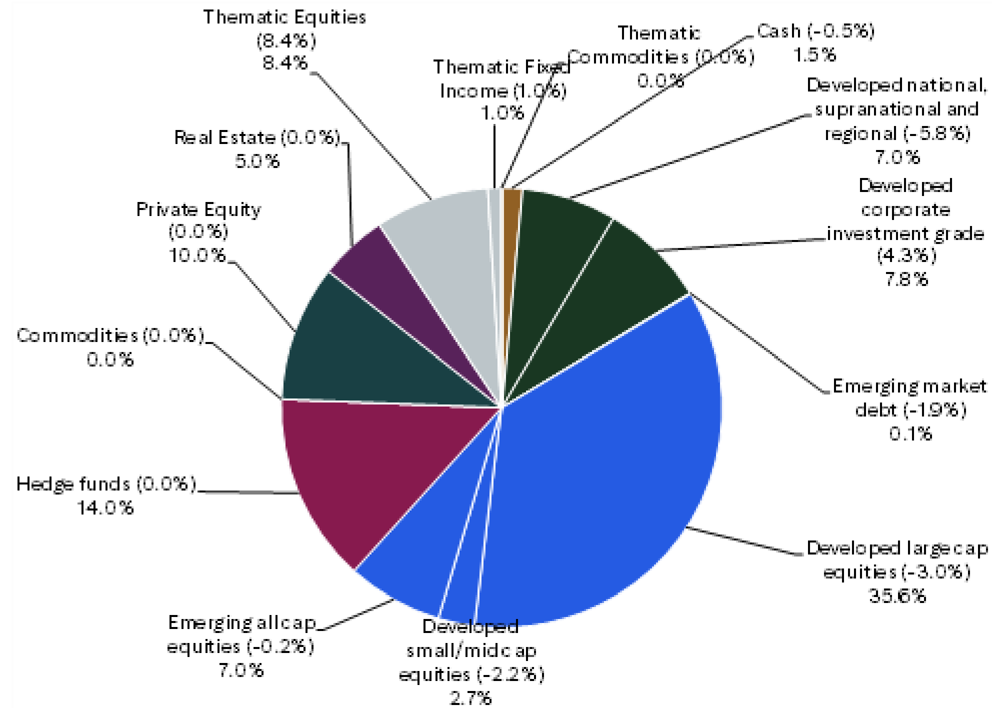
Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	2.0	1.5	-0.5
FIXED INCOME	18.4	15.9	-2.5
Developed Investment Grade	**16.4**	**14.8**	**-1.6**
US	10.1	14.3	4.3
Government	4.5	6.5	1.9
Inflation-Linked	0.6	0.6	-0.0
Short	1.3	0.8	-0.5
Intermediate	1.9	2.8	0.9
Long	0.7	2.2	1.5
Securitized	3.1	0.2	-2.9
Credit	2.4	7.7	5.3
Short	0.4	2.0	1.5
Intermediate	1.3	5.6	4.2
Long	0.6	0.1	-0.5
Europe	5.0	0.4	-4.6
Government	3.8	0.3	-3.6
Credit	1.2	0.2	-1.0
Australia	0.1	0.0	-0.1
Government	0.1	0.0	-0.1
Japan	1.2	0.0	-1.2
Government	1.2	0.0	-1.2
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**2.0**	**0.1**	**-1.9**
Asia	0.3	0.0	-0.3
Local currency	0.2	0.0	-0.2
Foreign currency	0.2	0.0	-0.2
EMEA	1.0	0.0	-1.0
Local currency	0.5	0.0	-0.5
Foreign currency	0.5	0.0	-0.5
LatAm	0.7	0.1	-0.6
Local currency	0.3	0.1	-0.3
Foreign currency	0.3	0.0	-0.3
Thematic Fixed Income	**0.0**	**1.0**	**1.0**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	1.0	1.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	50.7	53.7	3.0
Developed Equities	**43.4**	**38.3**	**-5.2**
Developed Large Cap Equities	**38.6**	**35.6**	**-3.0**
US	27.5	25.0	-2.5
Canada	1.3	1.2	-0.1
UK	1.6	1.5	-0.1
Switzerland	1.0	1.0	-0.0
Europe ex UK ex Switzerland	3.5	3.3	-0.1
Asia ex Japan	1.2	1.2	-0.0
Japan	2.5	2.4	-0.1
Developed Small/ Mid Cap Equities	**4.9**	**2.7**	**-2.2**
US	2.7	2.6	-0.1
Non-US	2.1	0.0	-2.1
Emerging All Cap Equities	**7.2**	**7.0**	**-0.2**
Asia	6.1	6.3	0.2
China	2.1	2.0	-0.1
Asia (ex China)	4.0	4.3	0.3
EMEA	0.4	0.1	-0.4
LatAm	0.7	0.6	-0.0
Brazil	0.4	0.4	-0.0
LatAm ex Brazil	0.3	0.2	-0.0
Thematic Equities	**0.0**	**8.4**	**8.4**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	1.4	1.4
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	3.5	3.5
US Mid-Cap Growth	0.0	2.0	2.0
US Small-Cap Growth	0.0	1.5	1.5
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
HEDGE FUNDS	14.0	14.0	0.0
PRIVATE EQUITY	10.0	10.0	0.0
REAL ESTATE	5.0	5.0	0.0
TOTAL	**100.0**	**100.0**	**-0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 4 - Tactical Allocations





Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight position of +3.0%, global fixed income has an underweight of -2.5%, cash has an underweight of -0.5%.

Within equities, developed large cap equities have an underweight of -3.0% and developed small/mid cap equities have an underweight of -2.2%. Emerging market equities have an underweight of -0.2%. Thematic equities have an overweight position +8.4%.

Within fixed income, developed investment grade has an underweight position of -1.6%; developed high yield has a neutral position and emerging market debt has an underweight position of -1.9%. Thematic fixed income has an overweight of +1.0%.

Hedge Fund allocation in the tactial portfolio is 14%. Private Equity and Real Estate allocations are 10% and 5%, respectively. All these three asset classes positionings are neutral.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 5

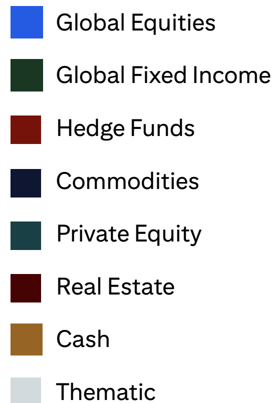
Risk Level 5 is designed for investors who emphasize return on investment. They are willing to subject their entire portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investments. Investors may have a preference for investments or trading strategies that may assume higher than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains. Clients may engage in tactical or opportunistic trading, which may involve higher volatility and variability of returns.

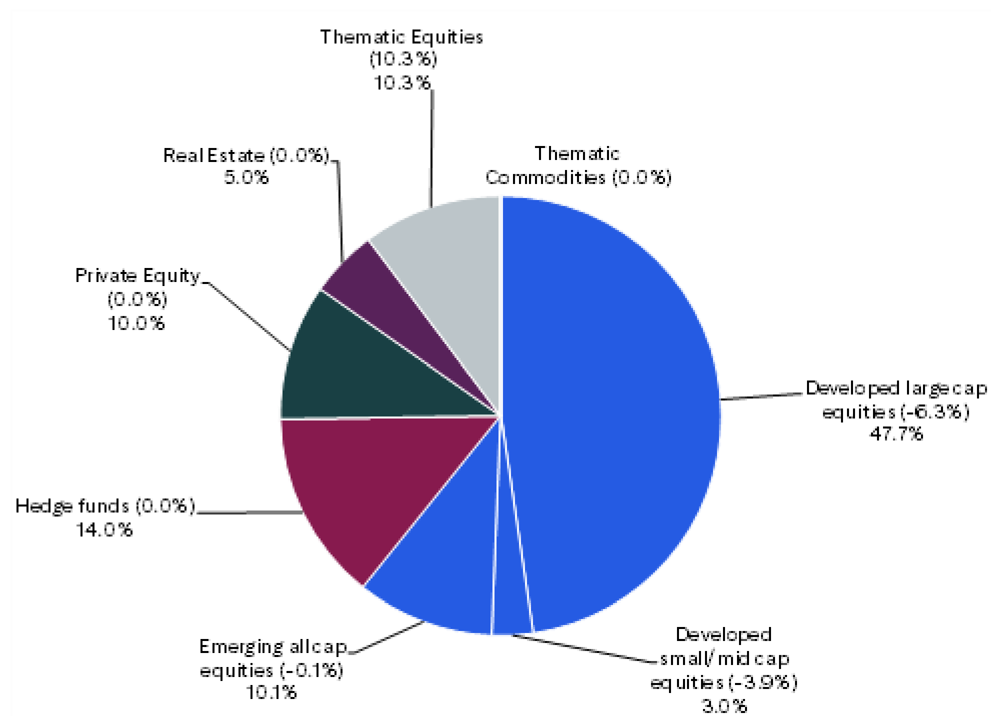
Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	0.0	0.0	0.0
FIXED INCOME	0.0	0.0	0.0
Developed Investment Grade	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Government	0.0	0.0	0.0
Inflation-Linked	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Securitized	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Government	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Australia	0.0	0.0	0.0
Government	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Government	0.0	0.0	0.0
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**0.0**	**0.0**	**0.0**
Asia	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
EMEA	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
LatAm	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	71.0	71.0	-0.0
Developed Equities	**60.8**	**50.6**	**-10.2**
Developed Large Cap Equities	**54.0**	**47.7**	**-6.3**
US	38.5	33.0	-5.5
Canada	1.8	1.7	-0.1
UK	2.3	2.1	-0.1
Switzerland	1.4	1.4	-0.1
Europe ex UK ex Switzerland	4.9	4.6	-0.2
Asia ex Japan	1.7	1.6	-0.1
Japan	3.5	3.3	-0.2
Developed Small/ Mid Cap Equities	**6.8**	**3.0**	**-3.9**
US	3.8	3.0	-0.9
Non-US	3.0	0.0	-3.0
Emerging All Cap Equities	**10.2**	**10.1**	**-0.1**
Asia	8.6	9.2	0.6
China	2.9	2.8	-0.2
Asia (ex China)	5.7	6.4	0.7
EMEA	0.6	0.1	-0.5
LatAm	0.9	0.9	-0.1
Brazil	0.6	0.5	-0.0
LatAm ex Brazil	0.4	0.3	-0.0
Thematic Equities	**0.0**	**10.3**	**10.3**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	1.5	1.5
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	5.3	5.3
US Mid-Cap Growth	0.0	2.0	2.0
US Small-Cap Growth	0.0	1.5	1.5
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
HEDGE FUNDS	14.0	14.0	0.0
PRIVATE EQUITY	10.0	10.0	0.0
REAL ESTATE	5.0	5.0	0.0
TOTAL	**100.0**	**100.0**	**-0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD with Hedge Funds and 15% Illiquids (PE & RE): Risk Level 5 - Tactical Allocations





Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities, global fixed income as well as cash are all at an overall neutral position.

Within equities, developed large cap equities have an underweight of -6.3% and developed small/mid cap equities have an underweight of -3.9%. Emerging market equities have neutral positions. Thematic equities have an overweight position +10.3%.

Within fixed income, developed government debt, developed corporate investment grade, developed high yield and emerging market debt are all at neutral position.

Hedge Fund allocation in the tactial portfolio is 14%. Private Equity and Real Estate allocations are 10% and 5%, respectively. All these three asset classes positionings are neutral.

Global USD without Hedge Funds: Risk Level 1

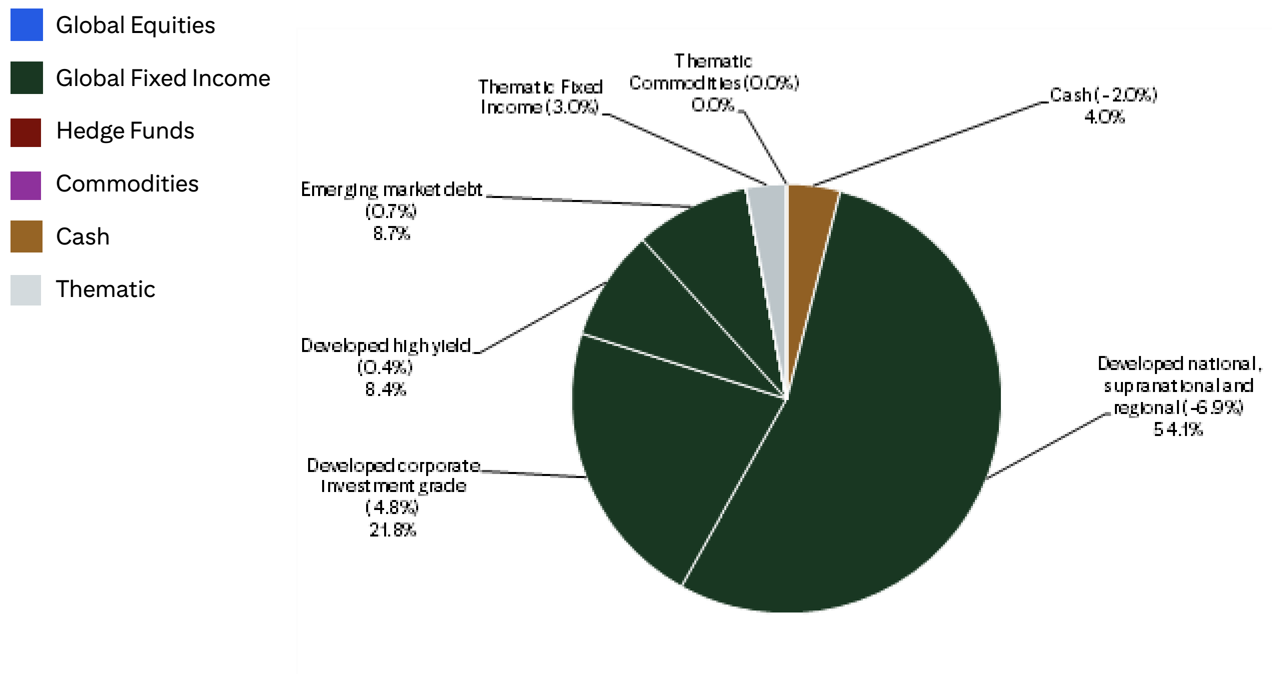
Risk Level 1 is designed for investors who have a preference for capital preservation and relative safety over the potential for a return on investment. These investors prefer to hold cash, time deposits and/or lower risk fixed income instruments.

Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	6.0	4.0	-2.0
FIXED INCOME	94.0	96.0	2.0
Developed Investment Grade	**78.0**	**75.9**	**-2.1**
US	48.0	57.1	9.1
Government	21.6	24.2	2.6
Inflation-Linked	2.8	2.6	-0.2
Short	6.4	8.2	1.8
Intermediate	9.0	8.0	-1.0
Long	3.4	5.4	2.0
Securitized	15.0	16.5	1.5
Credit	11.4	16.4	5.0
Short	2.1	3.1	1.0
Intermediate	6.4	10.4	4.0
Long	3.0	3.0	0.0
Europe	23.9	16.2	-7.7
Government	18.3	10.8	-7.5
Credit	5.6	5.4	-0.2
Australia	0.5	0.5	0.0
Government	0.5	0.5	0.0
Japan	5.6	2.1	-3.5
Government	5.6	2.1	-3.5
Developed High Yield	**8.0**	**8.4**	**0.4**
US	6.0	5.3	-0.7
Europe	2.0	3.1	1.1
Emerging Market Debt	**8.0**	**8.7**	**0.7**
Asia	1.3	2.0	0.8
Local currency	0.6	0.6	-0.1
Foreign currency	0.6	1.4	0.8
EMEA	4.1	3.3	-0.8
Local currency	2.0	1.3	-0.8
Foreign currency	2.0	2.0	0.0
LatAm	2.6	3.3	0.7
Local currency	1.3	1.3	0.0
Foreign currency	1.3	2.0	0.7
Thematic Fixed Income	**0.0**	**3.0**	**3.0**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	3.0	3.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	0.0	0.0	0.0
Developed Equities	**0.0**	**0.0**	**0.0**
Developed Large Cap Equities	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Canada	0.0	0.0	0.0
UK	0.0	0.0	0.0
Switzerland	0.0	0.0	0.0
Europe ex UK ex Switzerland	0.0	0.0	0.0
Asia ex Japan	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Developed Small/ Mid Cap Equities	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Non-US	0.0	0.0	0.0
Emerging All Cap Equities	**0.0**	**0.0**	**0.0**
Asia	0.0	0.0	0.0
China	0.0	0.0	0.0
Asia (ex China)	0.0	0.0	0.0
EMEA	0.0	0.0	0.0
LatAm	0.0	0.0	0.0
Brazil	0.0	0.0	0.0
LatAm ex Brazil	0.0	0.0	0.0
Thematic Equities	**0.0**	**0.0**	**0.0**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	0.0	0.0
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	0.0	0.0
US Mid-Cap Growth	0.0	0.0	0.0
US Small-Cap Growth	0.0	0.0	0.0
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
TOTAL	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 1 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overall neutral position, global fixed income has an overweight of +2.0% and cash has an underweight of -2.0%.

Within equities, developed large cap equities, developed small/mid cap equities and emerging market equities are all at neutral positions.

Within fixed income, developed investment grade debt has an underweight position of -2.1%; developed high yield has a slight overweight position of +0.4% and emerging market debt has an overweight position of +0.7%. Thematic fixed income has an overweight position of +3.0%

Global USD without Hedge Funds: Risk Level 2

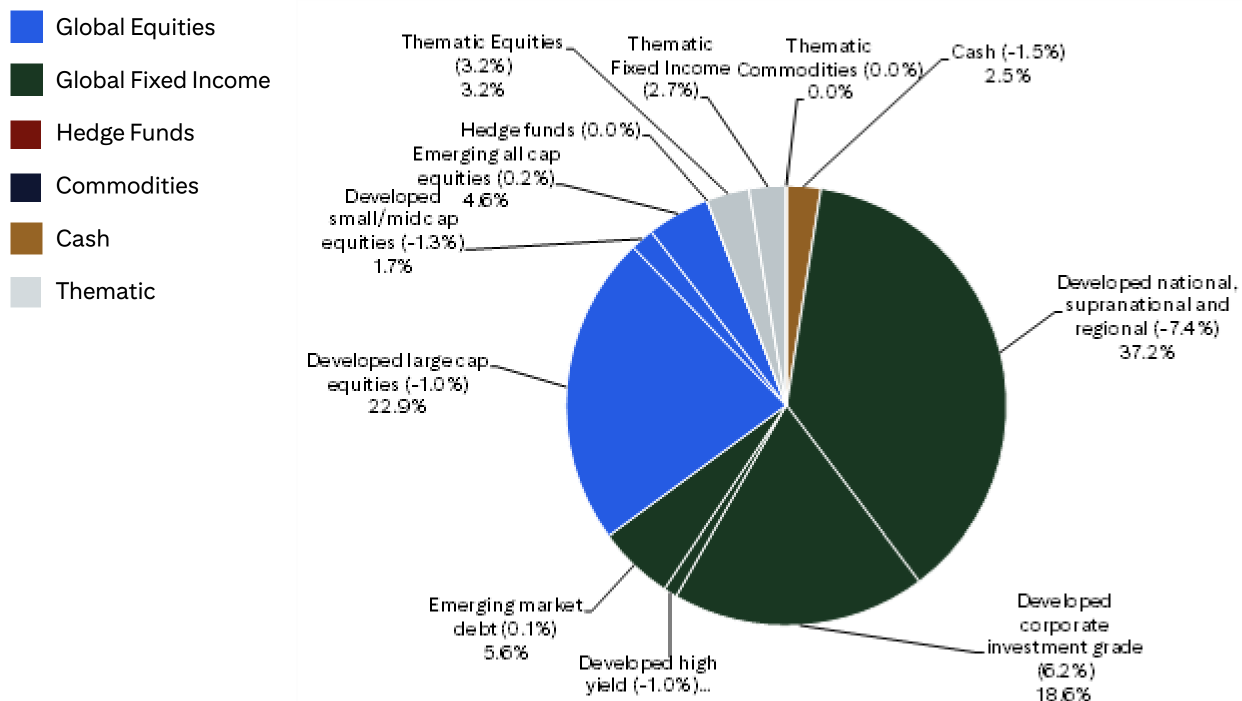
Risk Level 2 is designed for investors who emphasize capital preservation over return on investment, but who are willing to subject some portion of their principal to increased risk in order to generate a potentially greater rate of return on investment.

Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	4.0	2.5	-1.5
FIXED INCOME	64.6	65.1	0.5
Developed Investment Grade	**57.1**	**55.8**	**-1.3**
US	35.2	45.0	9.8
Government	15.8	17.7	1.9
Inflation-Linked	2.1	2.3	0.2
Short	4.7	4.7	0.0
Intermediate	6.6	6.8	0.2
Long	2.5	4.0	1.5
Securitized	10.9	12.0	1.1
Credit	8.4	15.2	6.9
Short	1.5	2.7	1.2
Intermediate	4.7	10.3	5.7
Long	2.2	2.2	0.0
Europe	17.5	9.8	-7.7
Government	13.4	6.4	-7.0
Credit	4.1	3.4	-0.7
Australia	0.4	0.4	0.0
Government	0.4	0.4	0.0
Japan	4.1	0.7	-3.4
Government	4.1	0.7	-3.4
Developed High Yield	**2.0**	**1.0**	**-1.0**
US	1.5	1.0	-0.5
Europe	0.5	0.0	-0.5
Emerging Market Debt	**5.5**	**5.6**	**0.1**
Asia	0.9	1.3	0.4
Local currency	0.4	0.4	-0.0
Foreign currency	0.4	0.8	0.4
EMEA	2.8	2.0	-0.8
Local currency	1.4	0.6	-0.8
Foreign currency	1.4	1.4	-0.0
LatAm	1.8	2.3	0.4
Local currency	0.9	0.9	-0.0
Foreign currency	0.9	1.4	0.4
Thematic Fixed Income	**0.0**	**2.7**	**2.7**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	2.7	2.7
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	31.4	32.4	1.0
Developed Equities	**26.9**	**24.6**	**-2.3**
Developed Large Cap Equities	**23.9**	**22.9**	**-1.0**
US	17.0	16.0	-1.0
Canada	0.8	0.8	0.0
UK	1.0	1.0	0.0
Switzerland	0.6	0.6	0.0
Europe ex UK ex Switzerland	2.2	2.1	-0.0
Asia ex Japan	0.7	0.7	0.0
Japan	1.5	1.6	0.0
Developed Small/ Mid Cap Equities	**3.0**	**1.7**	**-1.3**
US	1.7	1.7	0.0
Non-US	1.3	0.0	-1.3
Emerging All Cap Equities	**4.5**	**4.6**	**0.2**
Asia	3.8	4.2	0.4
China	1.3	1.3	-0.0
Asia (ex China)	2.5	2.9	0.4
EMEA	0.3	0.0	-0.2
LatAm	0.4	0.4	0.0
Brazil	0.3	0.3	0.0
LatAm ex Brazil	0.2	0.2	0.0
Thematic Equities	**0.0**	**3.2**	**3.2**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	0.0	0.0
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	1.9	1.9
US Mid-Cap Growth	0.0	0.7	0.7
US Small-Cap Growth	0.0	0.5	0.5
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
TOTAL	**100.0**	**100.0**	**0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 1 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight of +1.0%, global fixed income has an overweight of +0.5% and cash has an underweight of -1.5%.

Within equities, developed large cap equities have an underweight position of -1.0% and developed small/mid cap equities have an underweight of -1.3%. Emerging market equities have an overweight of +0.2%. Thematic equities have an overweight of +3.2%.

Within fixed income, developed investment grade has an underweight position of -1.3%; developed high yield has an underweight position of -1.0% and emerging market debt has a overweight position of +0.1%. Thematic fixed income has an overweight position of +2.7%.

Global USD without Hedge Funds: Risk Level 3

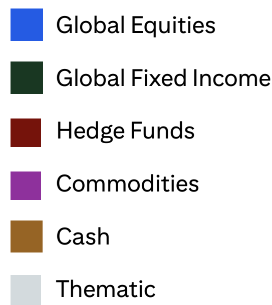
Risk Level 3 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. Risk Level 3 may be appropriate for investors willing to subject their portfolio to additional risk for potential growth in addition to a level of income reflective of his/her stated risk tolerance

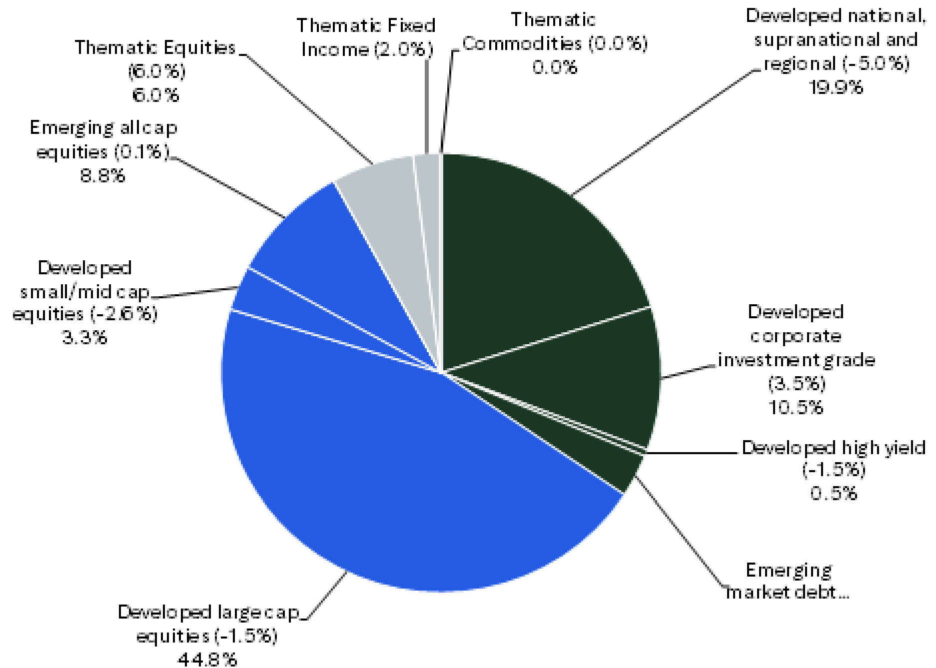
Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	2.0	1.0	-1.0
FIXED INCOME	37.0	36.0	-1.0
Developed Investment Grade	**31.9**	**30.4**	**-1.5**
US	19.6	28.4	8.7
Government	8.8	13.4	4.5
Inflation-Linked	1.2	2.2	1.0
Short	2.6	2.7	0.0
Intermediate	3.7	5.7	2.0
Long	1.4	2.9	1.5
Securitized	6.1	5.8	-0.3
Credit	4.7	9.2	4.5
Short	0.9	1.9	1.0
Intermediate	2.6	6.1	3.5
Long	1.2	1.2	0.0
Europe	9.8	2.0	-7.7
Government	7.5	0.7	-6.7
Credit	2.3	1.3	-1.0
Australia	0.2	0.0	-0.2
Government	0.2	0.0	-0.2
Japan	2.3	0.0	-2.3
Government	2.3	0.0	-2.3
Developed High Yield	**2.0**	**0.5**	**-1.5**
US	1.5	0.5	-1.0
Europe	0.5	0.0	-0.5
Emerging Market Debt	**3.1**	**3.1**	**-0.0**
Asia	0.5	0.6	0.0
Local currency	0.3	0.0	-0.3
Foreign currency	0.3	0.6	0.3
EMEA	1.6	1.1	-0.5
Local currency	0.8	0.0	-0.8
Foreign currency	0.8	1.1	0.3
LatAm	1.0	1.4	0.4
Local currency	0.5	0.5	-0.0
Foreign currency	0.5	0.9	0.4
Thematic Fixed Income	**0.0**	**2.0**	**2.0**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	2.0	2.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	61.0	63.0	2.0
Developed Equities	**52.2**	**48.1**	**-4.1**
Developed Large Cap Equities	**46.4**	**44.8**	**-1.5**
US	33.1	31.6	-1.5
Canada	1.5	1.5	0.0
UK	1.9	1.9	-0.0
Switzerland	1.2	1.2	0.0
Europe ex UK ex Switzerland	4.2	4.2	-0.0
Asia ex Japan	1.4	1.4	0.0
Japan	3.0	3.0	-0.0
Developed Small/ Mid Cap Equities	**5.9**	**3.3**	**-2.6**
US	3.3	3.3	0.0
Non-US	2.6	0.0	-2.6
Emerging All Cap Equities	**8.7**	**8.8**	**0.1**
Asia	7.4	7.9	0.5
China	2.5	2.5	-0.0
Asia (ex China)	4.9	5.4	0.5
EMEA	0.5	0.1	-0.4
LatAm	0.8	0.8	-0.0
Brazil	0.5	0.5	-0.0
LatAm ex Brazil	0.3	0.3	-0.0
Thematic Equities	**0.0**	**6.0**	**6.0**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	1.0	1.0
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	2.5	2.5
US Mid-Cap Growth	0.0	1.5	1.5
US Small-Cap Growth	0.0	1.0	1.0
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
TOTAL	**100.0**	**100.0**	**-0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 3 - Tactical Allocations





Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight of +2.0%, global fixed income has an underweight position of -1.0% and cash has an underweight position of -1.0%.

Within equities, developed large cap equities have an underweight position of -1.5% while developed small/mid cap equities have an underweight position of -2.6%. Emerging market equities have an overweight of +0.1%. Thematic equities have an overweight of +6.0%.

Within fixed income, developed investment grade debt has an underweight position of -1.5%; developed high yield has an underweight position of -1.5%; emerging market debt has neutral position. Thematic fixed income has an overweight of +2.0%.

Global USD without Hedge Funds: Risk Level 4

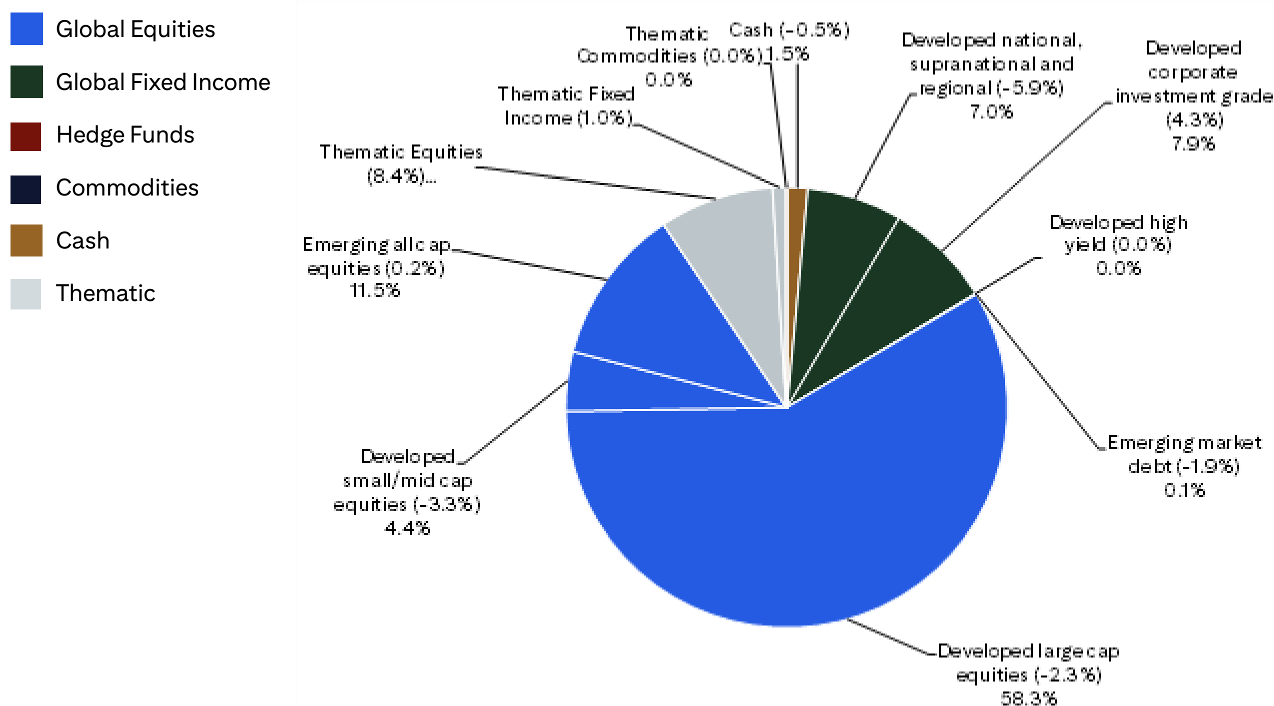
Risk Level 4 is designed for investors with a blended objective who require a mix of assets and seek a balance between investments that offer income and those positioned for a potentially higher return on investment. They are willing to subject a large portion of their portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investment. Investors may have a preference for investments or trading strategies that may assume higher-than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains.

Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	2.0	1.5	-0.5
FIXED INCOME	18.4	15.9	-2.5
Developed Investment Grade	**16.4**	**14.8**	**-1.6**
US	10.1	14.4	4.3
Government	4.6	6.5	1.9
Inflation-Linked	0.6	0.6	-0.0
Short	1.3	0.8	-0.5
Intermediate	1.9	2.9	1.0
Long	0.7	2.2	1.5
Securitized	3.1	0.2	-2.9
Credit	2.4	7.7	5.3
Short	0.4	2.0	1.5
Intermediate	1.3	5.6	4.2
Long	0.6	0.1	-0.5
Europe	5.0	0.4	-4.6
Government	3.9	0.3	-3.6
Credit	1.2	0.2	-1.0
Australia	0.1	0.0	-0.1
Government	0.1	0.0	-0.1
Japan	1.2	0.0	-1.2
Government	1.2	0.0	-1.2
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**2.0**	**0.1**	**-1.9**
Asia	0.3	0.0	-0.3
Local currency	0.2	0.0	-0.2
Foreign currency	0.2	0.0	-0.2
EMEA	1.0	0.0	-1.0
Local currency	0.5	0.0	-0.5
Foreign currency	0.5	0.0	-0.5
LatAm	0.7	0.1	-0.6
Local currency	0.3	0.1	-0.3
Foreign currency	0.3	0.0	-0.3
Thematic Fixed Income	**0.0**	**1.0**	**1.0**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	1.0	1.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	79.6	82.6	3.0
Developed Equities	**68.2**	**62.7**	**-5.6**
Developed Large Cap Equities	**60.6**	**58.3**	**-2.3**
US	43.2	40.9	-2.3
Canada	2.0	2.0	-0.0
UK	2.5	2.5	-0.0
Switzerland	1.6	1.6	-0.0
Europe ex UK ex Switzerland	5.5	5.5	-0.0
Asia ex Japan	1.9	1.9	-0.0
Japan	3.9	3.9	-0.0
Developed Small/ Mid Cap Equities	**7.7**	**4.4**	**-3.3**
US	4.3	4.3	-0.0
Non-US	3.4	0.1	-3.3
Emerging All Cap Equities	**11.4**	**11.5**	**0.2**
Asia	9.6	10.4	0.7
China	3.3	3.3	0.0
Asia (ex China)	6.3	7.0	0.7
EMEA	0.7	0.1	-0.5
LatAm	1.1	1.1	0.0
Brazil	0.7	0.7	0.0
LatAm ex Brazil	0.4	0.4	0.0
Thematic Equities	**0.0**	**8.4**	**8.4**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	1.4	1.4
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	3.5	3.5
US Mid-Cap Growth	0.0	2.0	2.0
US Small-Cap Growth	0.0	1.5	1.5
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
TOTAL	**100.0**	**100.0**	**-0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 4 - Tactical Allocations



Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities have an overweight of +3.0%, global fixed income has an underweight position of -2.5% and cash has an underweight position of -0.5%.

Within equities, developed large cap equities have an underweight position of -2.3% and developed small/mid cap equities have an underweight position of -3.3%. Emerging market equities have an overweight of +0.2%. Thematic equities have an overweight position of +8.4%.

Within fixed income, developed investment grade debt has an underweight position of -1.6%; developed high yield has a neutral position and emerging market debt has an underweight position of -1.9%. Thematic fixed income has an overweight position of +1.0%.

Global USD without Hedge Funds: Risk Level 5

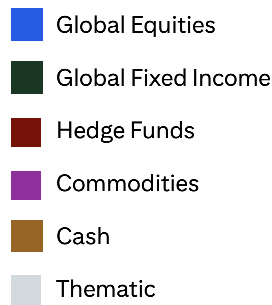
isk Level 5 is designed for investors who emphasize return on investment. They are willing to subject their entire portfolio to greater risk and market value fluctuations in anticipation of a potentially greater return on investments. Investors may have a preference for investments or trading strategies that may assume higher than-normal market risks and/or potentially less liquidity with the goal (but not guarantee) of commensurate gains. Clients may engage in tactical or opportunistic trading, which may involve higher volatility and variability of returns.

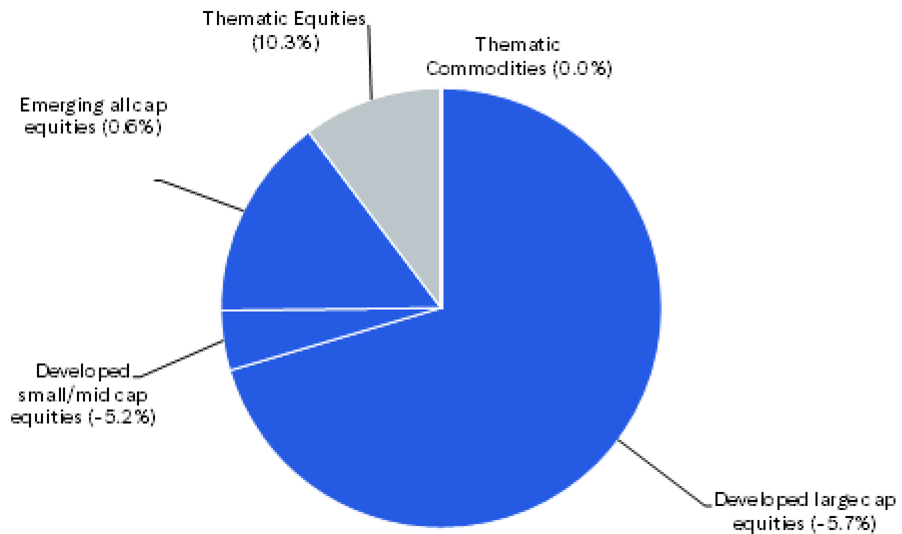
Classification	Strategic (%)	Tactical* (%)	Active (%)
CASH	0.0	0.0	0.0
FIXED INCOME	0.0	0.0	0.0
Developed Investment Grade	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Government	0.0	0.0	0.0
Inflation-Linked	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Securitized	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Short	0.0	0.0	0.0
Intermediate	0.0	0.0	0.0
Long	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Government	0.0	0.0	0.0
Credit	0.0	0.0	0.0
Australia	0.0	0.0	0.0
Government	0.0	0.0	0.0
Japan	0.0	0.0	0.0
Government	0.0	0.0	0.0
Developed High Yield	**0.0**	**0.0**	**0.0**
US	0.0	0.0	0.0
Europe	0.0	0.0	0.0
Emerging Market Debt	**0.0**	**0.0**	**0.0**
Asia	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
EMEA	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
LatAm	0.0	0.0	0.0
Local currency	0.0	0.0	0.0
Foreign currency	0.0	0.0	0.0
Thematic Fixed Income	**0.0**	**0.0**	**0.0**
US Bank Loans	0.0	0.0	0.0
Preferreds	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0

Classification	Strategic (%)	Tactical* (%)	Active (%)
EQUITIES	100.0	100.0	-0.0
Developed Equities	**85.7**	**74.8**	**-10.9**
Developed Large Cap Equities	**76.1**	**70.4**	**-5.7**
US	54.2	48.7	-5.5
Canada	2.5	2.5	-0.0
UK	3.2	3.2	-0.0
Switzerland	2.0	2.0	-0.0
Europe ex UK ex Switzerland	6.9	6.8	-0.0
Asia ex Japan	2.4	2.3	-0.0
Japan	4.9	4.8	-0.0
Developed Small/ Mid Cap Equities	**9.6**	**4.4**	**-5.2**
US	5.4	4.4	-1.0
Non-US	4.2	0.0	-4.2
Emerging All Cap Equities	**14.3**	**14.9**	**0.6**
Asia	12.1	13.6	1.4
China	4.1	4.1	-0.0
Asia (ex China)	8.0	9.5	1.5
EMEA	0.9	0.1	-0.8
LatAm	1.3	1.3	-0.1
Brazil	0.8	0.8	-0.0
LatAm ex Brazil	0.5	0.5	-0.0
Thematic Equities	**0.0**	**10.3**	**10.3**
Global Equity REITs	0.0	0.0	0.0
US Mortgage REITs	0.0	0.0	0.0
Global Healthcare	0.0	0.0	0.0
Global Pharma	0.0	0.0	0.0
Cyber Security	0.0	1.5	1.5
Fintech	0.0	0.0	0.0
Natural Resources	0.0	0.0	0.0
Oil Services	0.0	0.0	0.0
Equal-Weighted S&P 500	0.0	5.3	5.3
US Mid-Cap Growth	0.0	2.0	2.0
US Small-Cap Growth	0.0	1.5	1.5
COMMODITIES	0.0	0.0	0.0
Composite Commodities	**0.0**	**0.0**	**0.0**
Thematic Commodities	**0.0**	**0.0**	**0.0**
Gold	0.0	0.0	0.0
Thematic 2	0.0	0.0	0.0
Thematic 3	0.0	0.0	0.0
Thematic 4	0.0	0.0	0.0
Thematic 5	0.0	0.0	0.0
TOTAL	**100.0**	**100.0**	**-0.0**

Active = the difference between tactical and strategic allocations. Minor differences may result due to rounding.

Global USD without Hedge Funds: Risk Level 5 - Tactical Allocations





Figures in brackets are active allocations. All allocations are subject to change at discretion of the GIC of the Citi Private Bank.

Core Positions

Global equities, global fixed income as well as cash are all at an overall neutral position.

Within equities, developed large cap equities have an underweight position of -5.7% and developed small/mid cap equities have an underweight position of -5.2%. Emerging market equities have an overweight of +0.6%. Thematic equities have an overweight position of +10.3%.

Within fixed income, developed government debt, developed corporate investment grade, developed high yield and emerging market debt are all at neutral position.

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Bond rating equivalence

Alpha and/or numeric symbols used to give indications of relative credit quality. In the municipal market, these designations are published by the rating services. Internal ratings are also used by other market participants to indicate credit quality.

Bond credit quality ratings	Rating agencies		
Credit risk	**Moody's[1]**	**Standard and Poor's[2]**	**Fitch Ratings[2]**
Investment Grade			
Highest quality	Aaa	AAA	AAA
High quality (very strong)	Aa	AA	AA
Upper medium grade (Strong)	A	A	A
Medium grade	Baa	BBB	BBB
Not Investment Grade			
Lower medium grade (somewhat speculative)	Ba	BB	BB
Low grade (speculative)	B	B	B
Poor quality (may default)	Caa	CCC	CCC
Most speculative	Ca	CC	CC
No interest being paid or bankruptcy petition filed	C	D	C
In default	C	D	D

1 The ratings from Aa to Ca by Moody's may be modified by the addition of a 1, 2, or 3 to show relative standing within the category.
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MBS are also sensitive to interest rate changes which can negatively impact the market value of the security. During times of heightened volatility, MBS can experience greater levels of illiquidity and larger price movements. Price volatility may also occur from other factors including, but not limited to, prepayments, future prepayment expectations, credit concerns, underlying collateral performance and technical changes in the market.

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Asset allocation does not assure a profit or protect against a loss in declining financial markets.

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Past performance is no guarantee of future results.

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Investing in smaller companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity.

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