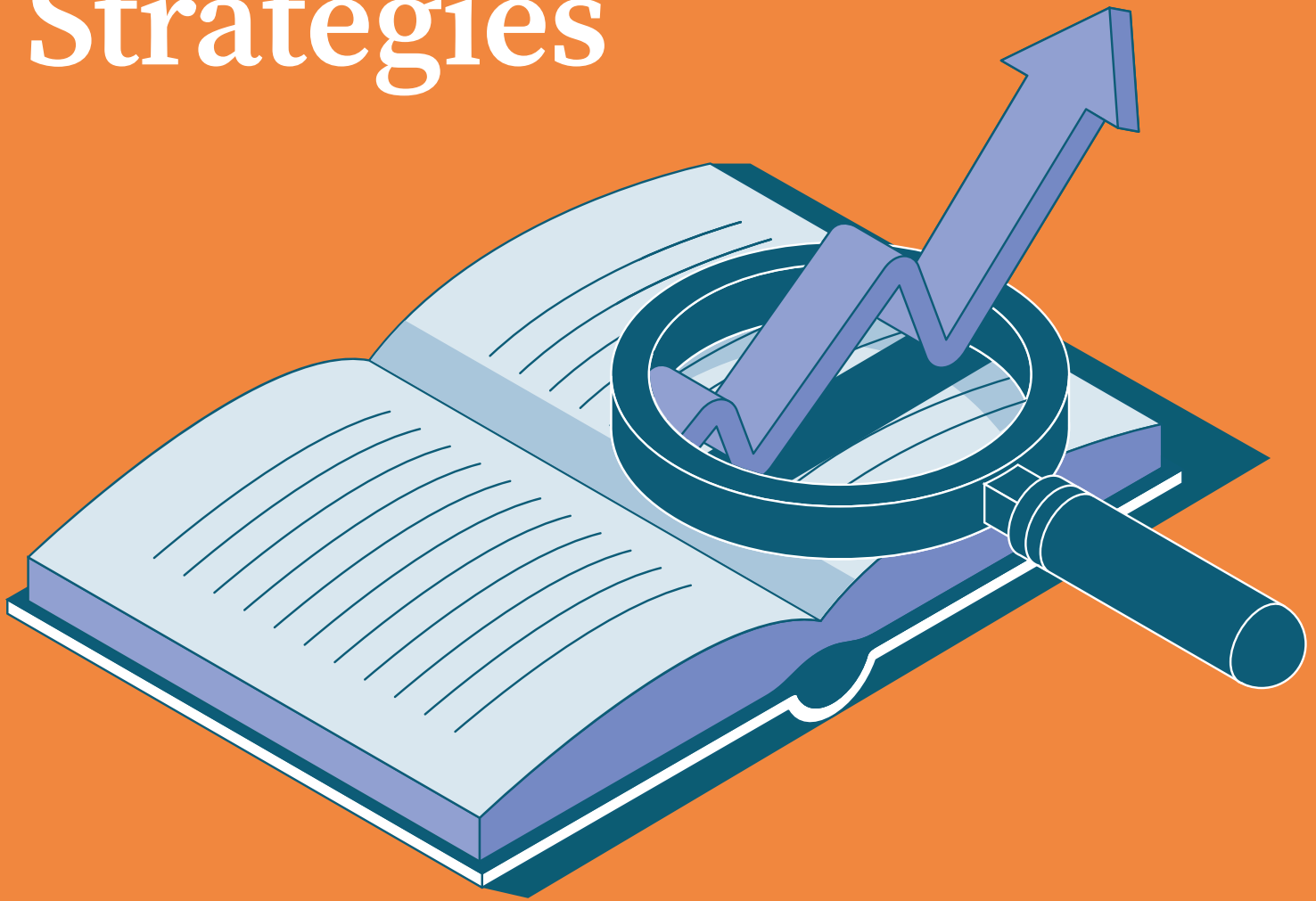


The Recession Playbook

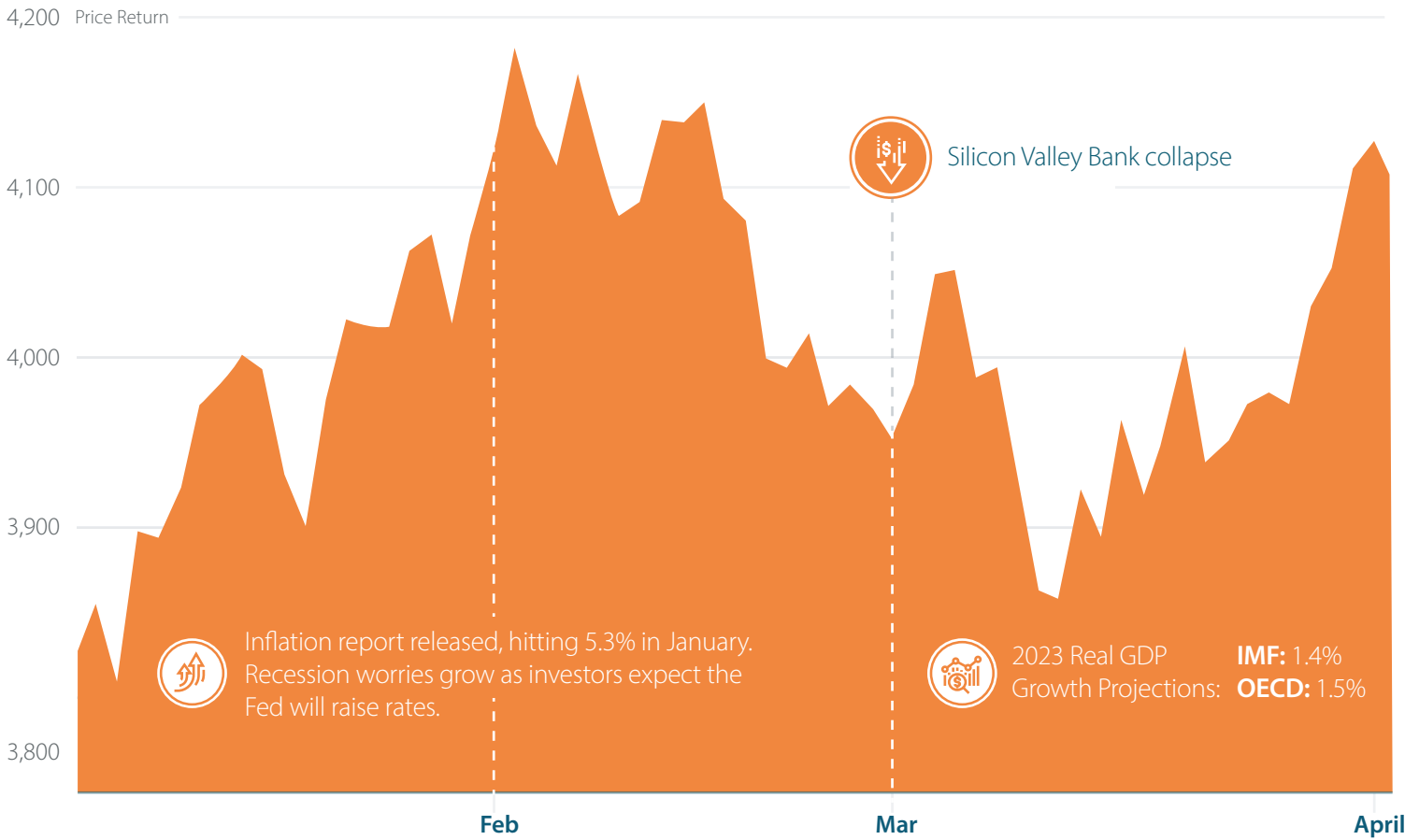
Three All-Weather Strategies



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:

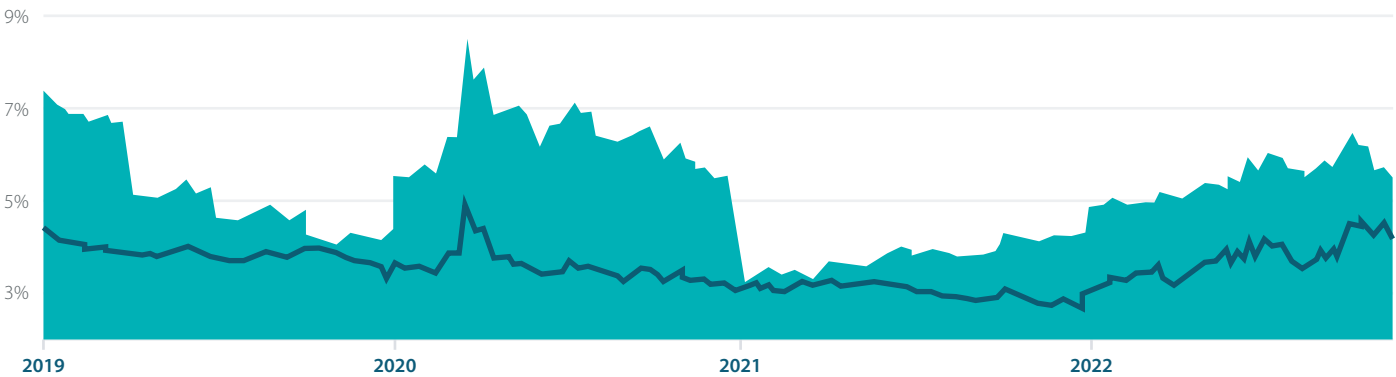
- Income generation**
- Quality**
- Higher cash balances**
- Low correlation to the economic cycle**

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

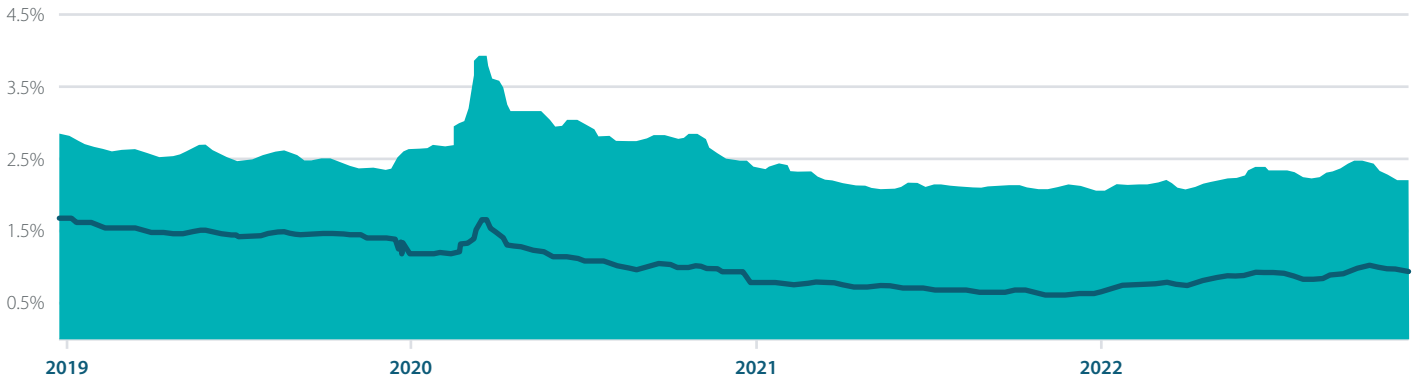
- Real Estate**
- Utilities**
- Consumer Staples**
- Health Care**

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



Dividend Yield (Bloomberg Estimate)



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

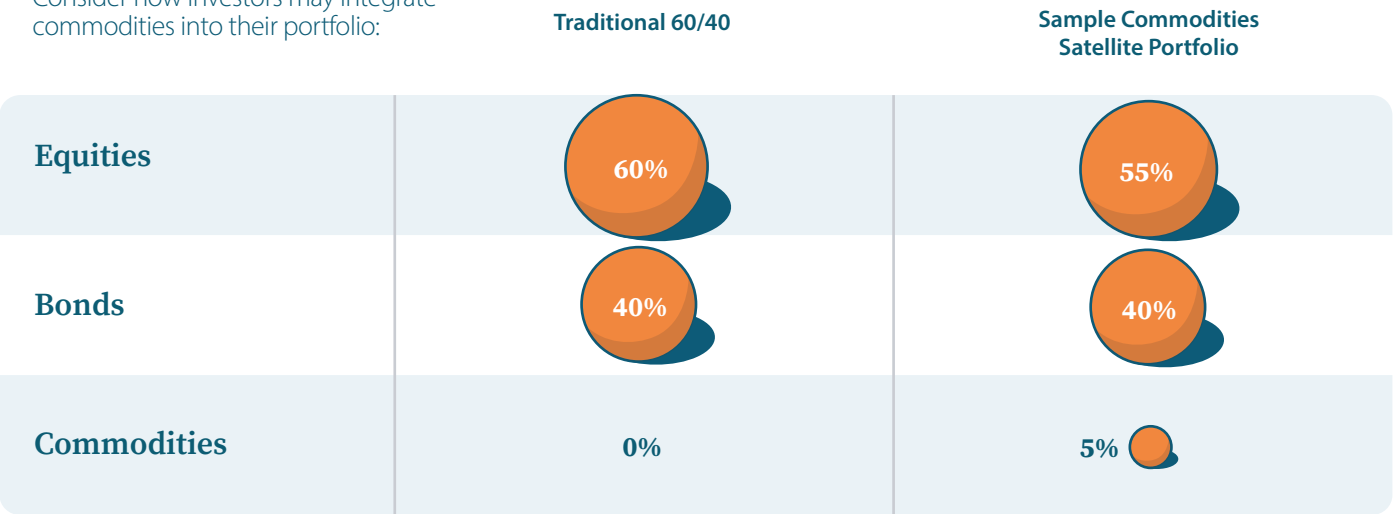


China's reopening



Minerals and metals to fuel green energy

Consider how investors may integrate commodities into their portfolio:



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)

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.

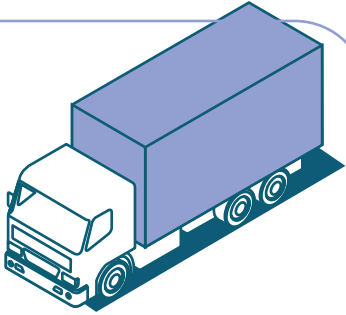
	Traditional 60/40	Sample Commodities Satellite Portfolio
Sharpe Ratio	0.96	1.02
Average Drawdown	-4.2%	-3.7%

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

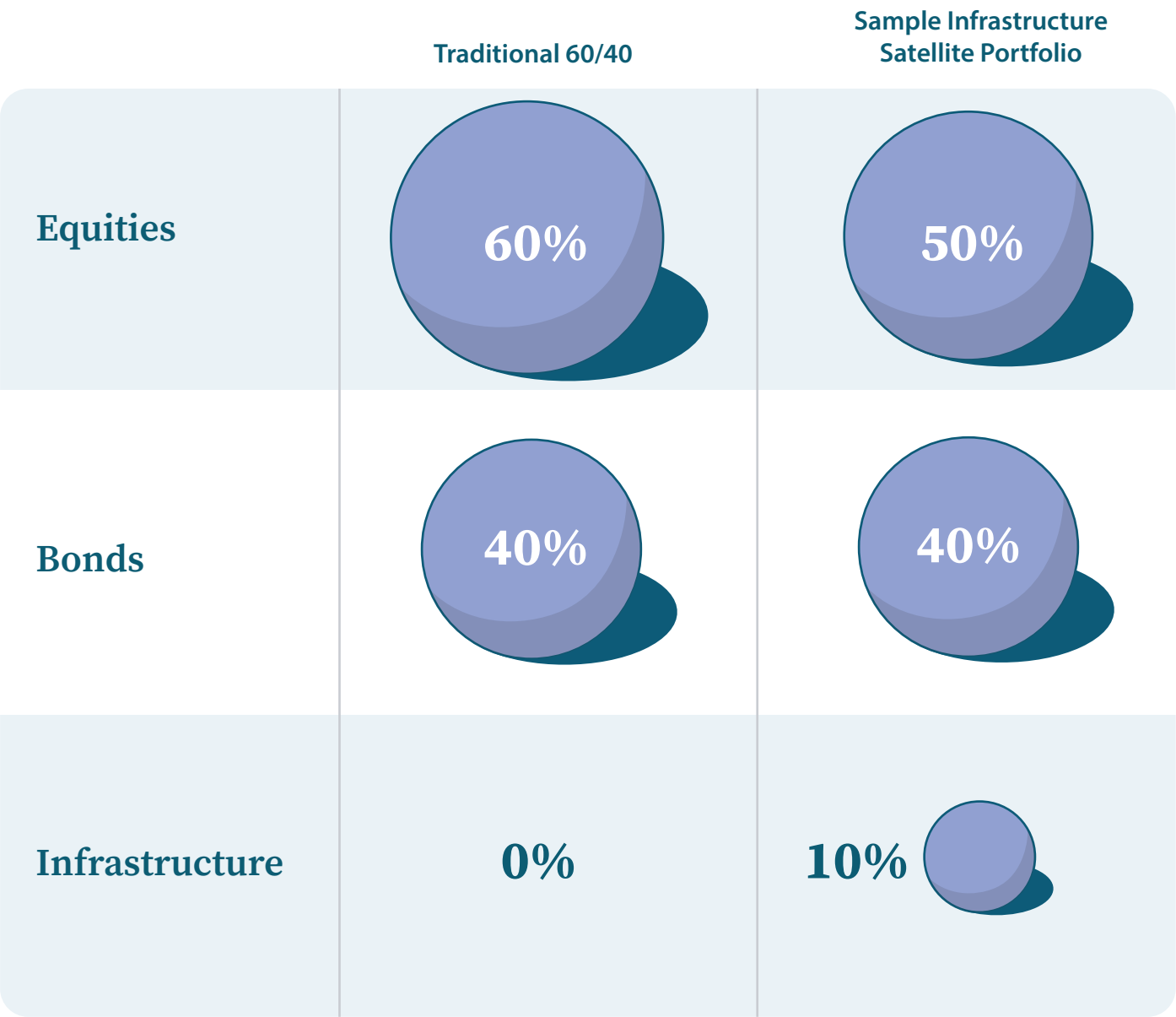


Cash flows may be correlated with inflation



Potentially more stable returns vs. alternative assets

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



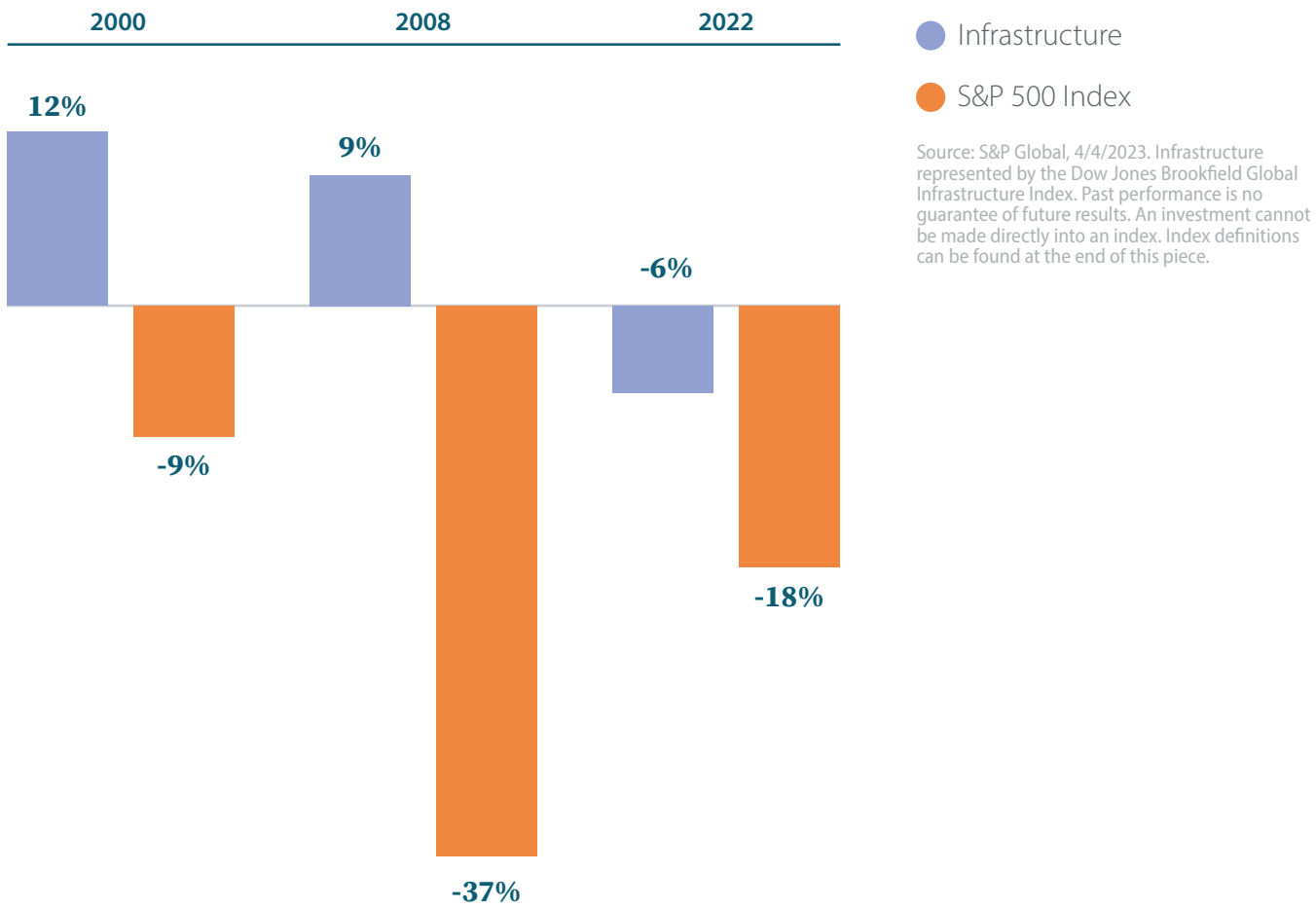
Source: New York Life Investments Multi-Asset Solutions, November 2022.

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.

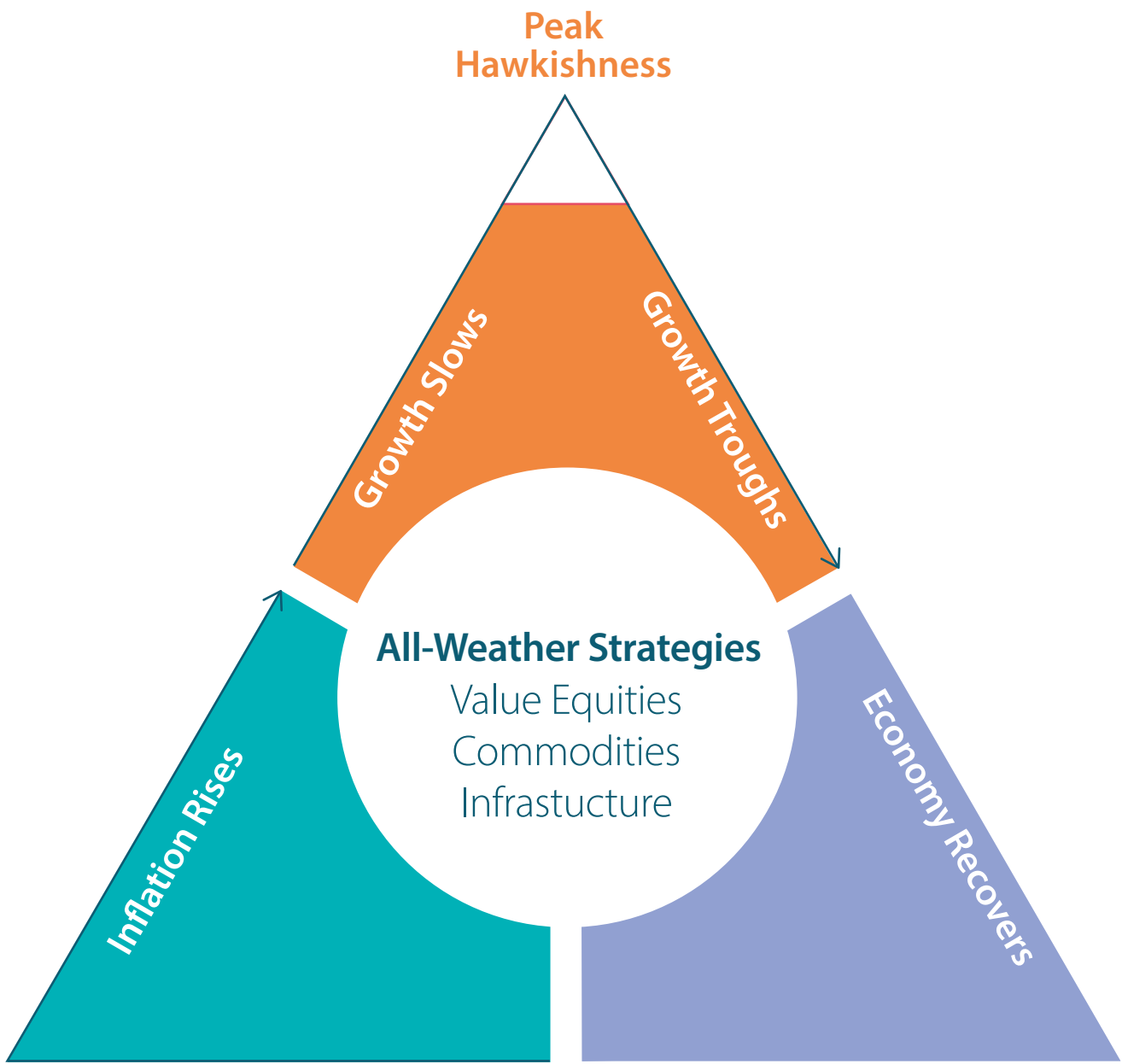
Annual Returns



Infrastructure 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.

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