

## PORTFOLIO POSITIONING

- Within the **Core Equity** allocation, we are balanced between the value and growth investment styles. We also have a preference for more established growth companies with strong balance sheets and resilient earnings alongside companies with a history of consistently paying and growing dividends.
- Within **Core Fixed Income**, we allocate to funds that provide broadly diversified exposure to investment grade bond markets and generally maintain a credit quality and duration profile similar to the Bloomberg U.S. Aggregate Bond Index.
- In the **Satellite** allocation, we combine a diverse mix of investment strategies and asset classes designed to generate an attractive combination of long-term growth potential and current income. Current allocations include multi-asset income, infrastructure, real estate, equity option writing (covered calls), preferred stocks, high-yield bonds, and convertible bonds.

## RATIONALE

We believe that U.S. economic growth still has the potential to slow in the coming quarters. We remain unconvinced that the effects of the Federal Reserve's rate-hiking campaign over the last two years have fully manifested in the economy. While recent domestic economic data has been extremely promising, demonstrating remarkable strength and resiliency, we anticipate some degree of slowdown in growth as higher interest rates continue to influence economic activity. As such, we are placing emphasis on quality companies with robust balance sheets and resilient earnings, believing they are better positioned to navigate an uncertain economic backdrop. Additionally, we expect that companies with a history of growing dividends will perform relatively well in this environment.

In the **Core Equity** allocation, we maintain broadly diversified exposure within U.S. equities across the growth and value styles and large-, mid-, and small-capitalization companies with a preference for dividend-paying equities in large-cap value. We believe companies with a history of growing dividends should perform relatively well in this environment.

Within **Core Fixed Income**, we allocate to funds that provide broadly diversified exposure to investment grade bond markets and generally maintain a credit quality and duration profile similar to the Bloomberg U.S. Aggregate Bond Index. The current holdings are J.P. Morgan Core Bond and Baird Core Plus Bond.

In the **Satellite** allocation, we hold a diversified portfolio of actively managed funds providing exposure to a broad range of growth-oriented and income-producing asset classes, including REITs, multi-asset income funds, preferred securities, equity option strategies, high-yield bonds, and convertible bonds.

## ALLOCATION BREAKDOWN

Below is a breakdown of our allocations as of quarter-end:

### Moderate Growth & Income

CURRENT ALLOCATIONS		RECENT CHANGES
Core Equity	40	
Core Fixed Income	20	
REITs	5	
Multi-Asset Income Funds	8	
Infrastructure	6	
Equity Options	6	
Preferred Equities	5	
High Yield	5	
Convertible Bonds	5	



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Balanced Growth & Income

CURRENT ALLOCATIONS		RECENT CHANGES
Core Equity	30	
Core Fixed Income	30	
REITs	5	
Multi-Asset Income Funds	8	
Equity/Options	6	
Infrastructure	6	
High Yield	5	
Preferred Equities	5	
Convertible Bonds	5	

PERFORMANCE REVIEW

The Liberty Growth & Income portfolios experienced a positive return in Q4 due to a significant broad-based rally across equity and fixed income markets. The fourth quarter commenced slowly in October, with equity markets falling as investor confidence waned amidst concerns about a prolonged high-interest rate environment. However, improved third-quarter economic data and job reports, coupled with easing inflation, revived investor confidence in November. Additionally, the Federal Reserve pivoted to a more dovish stance on monetary policy, signaling the end of their rate-hiking campaign and opening the door to the possibility of rate cuts in 2024. This shift in the Fed's rhetoric along with the positive economic news led to a decline in interest rates, powering the market to rally to yearly highs through year-end.

Fixed income benefited significantly from the decline in interest rates. In fact, November was the best month for the benchmark Bloomberg U.S. Aggregate Bond Index in nearly 40 years. The 10-year Treasury yield fell from 4.59% at the beginning of the quarter to 3.88% at quarter end, which essentially matched the 10-year yield at the beginning of 2023.

The following were key contributors to and detractors from performance, on a relative basis, during the quarter.

CONTRIBUTORS	<ul style="list-style-type: none"> <li>Within the <b>Core Equity</b> allocation, Fidelity Mid Cap Index and iShares Core S&amp;P Small-Cap ETF, were top performers during 4Q23. Smaller and mid-sized companies often maintain higher leverage and therefore benefit from lower interest rates to a greater extent than larger corporations.</li> <li>Within the <b>Core Equity</b> allocation, Vanguard Growth Index outperformed this quarter as technology was the leading sector within the S&amp;P 500 again this quarter. The magnitude of Growth outperformance compared to Value was less this quarter compared to earlier in 2023 as market performance broadened out on increased investor optimism the U.S. economy successfully achieving a soft-landing.</li> <li>Also, within the <b>Core Equity</b> allocation, Vanguard Developed Markets Index helped to drive outperformance. International stocks enjoyed a solid quarter in Q4 after significantly lagging U.S. Equities for much of 2023. This came on the heels of several central banks indicating that their rate hiking campaigns had come to an end, including the European Central Bank and the Bank of England.</li> <li>Within the <b>Satellite</b> allocation, Cohen &amp; Steers Real Estate Securities and Lazard Global Listed Infrastructure were key outperformers. Real Estate stocks had their best quarter of returns in nearly two years amid falling interest rates. Government spending has been a coup for infrastructure stocks, as hundreds of billions of dollars have been set aside for projects including upgrading roads/bridges and the electrical grid.</li> </ul>	DETRACTORS <ul style="list-style-type: none"> <li>In the <b>Core Equity</b> allocation, emerging markets were a relative underperformer for the portfolio, as the ongoing economic situation in China and geopolitical concerns have continued to hurt the space.</li> <li>Bond markets gained during the quarter but less so than their equity counterparts. The performance of the <b>Core Fixed Income</b> allocation was in line with the benchmark Bloomberg U.S. Aggregate Bond Index.</li> <li>Within the <b>Satellite</b> allocation, our fixed-income funds lagged their equity counterparts and collectively were a bit below the return of the broader bond market. However, the fixed-income position achieved its best quarter of the year, as the positive returns were largely fueled by declining interest rates. Osterweis Strategic Income was a key underperformer; the fund invests in high yield bonds and is defensively positioned, holding shorter-term bonds and an elevated cash position. While this positioning proved a headwind in Q4, it benefitted the fund over the entirety of 2023 with Osterweis a top performer in the <b>Satellite</b> allocation for the full year.</li> </ul>
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## ABOUT THE GROWTH & INCOME SERIES

Liberty Portfolios™ are comprehensive investment strategies designed to meet the important needs of investors across the key phases of financial planning. These portfolios are constructed through a **core** and **satellite** approach that provides enhanced diversification through the integration of multiple investment methodologies. The Growth & Income Series is designed for investors seeking a combination of long-term capital appreciation potential and current income through a diversified portfolio of equities and fixed income.



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