

# The Outlook for Fixed Income in 2024

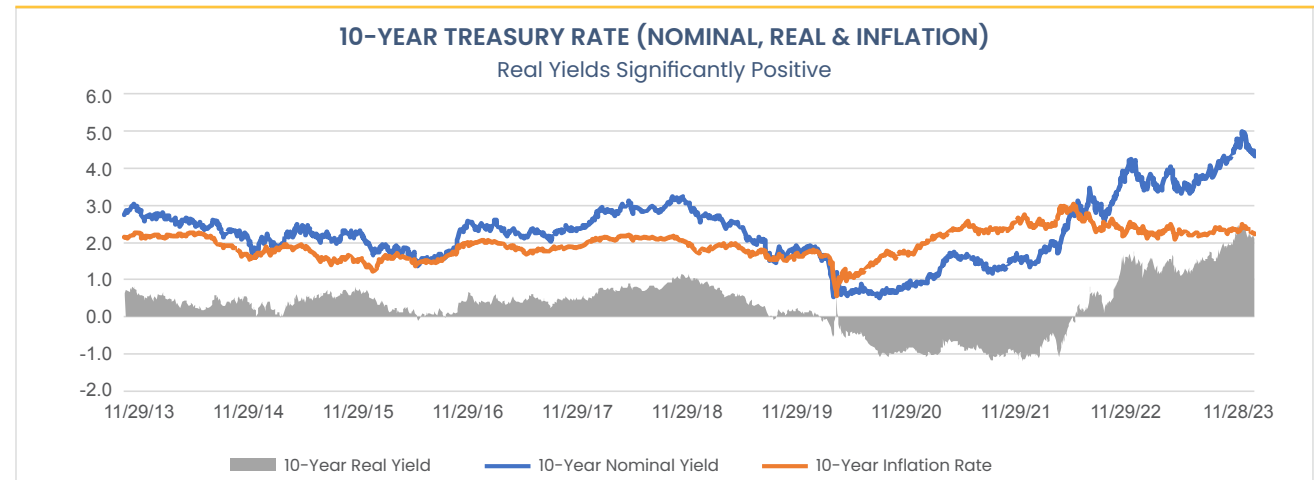
“With nominal and real interest rates at their highest levels in 15 years and inflation trending lower, we think this is a very opportune time for individual and institutional investors to increase portfolio allocations to fixed income.”

With the Federal Reserve on hold once again in November, we believe we have likely seen the last interest rate hike in this economic cycle. With nominal and real interest rates at their highest levels in 15 years and inflation trending lower, we think this is a very opportune time for individual and institutional investors to increase portfolio allocations to fixed income.

Late to the party, the Fed began boosting the Federal Funds rate in earnest in March 2022, ultimately increasing the benchmark by a total of 5.25% over a 16-month period. Consumer inflation peaked at 9.1% last June, falling to a year-over-year reading of 3.2% in October of this year. Progress in fighting inflation has downshifted as slower-moving factors like shelter costs remain sticky, but the trend is expected to continue lower.

With real yields well over 2% (please see the chart below) and the outlook for the economy and risk asset pricing in question, we believe bond performance is likely to shine in 2024, outpacing money market returns. Taking a slightly more cautious view of monetary policy next year than is currently discounted by the market, we nonetheless anticipate two rate cuts by the Fed as a highly plausible outcome. Assuming only fractionally lower market interest rates over the course of the year produces total returns of more than 7%, well above the rate of inflation.

If a mild recession were to occur, three or four Fed Funds rate cuts are quite possible, likely pushing bond performance even higher than stock market returns.



Data: November 29, 2013 - November 28, 2023 Source: Bloomberg

## FOR YOUR CONSIDERATION

### The North Square McKee Bond Fund (NMKBX)

Unlike other Core fixed income managers, we don't rely on oversized allocations to credit risk to enhance returns. Our high-quality and high liquidity approach focuses on generating consistent performance through active management at the security level. The result is benchmark outperformance with lower volatility, exactly the type of results a Core manager should provide. Please click [here](#) to view the Fund's fact sheet with standardized performance information.

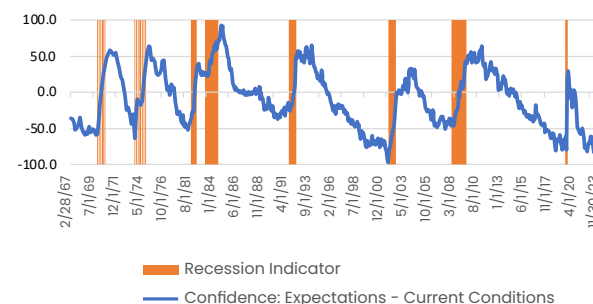
## THE ECONOMY

While continued, but slowing, job growth suggests no recession is imminent, other signs warn of headwinds to consumer spending in the year ahead. In the charts on this page, recessions are highlighted in orange. Mounting interest expenses on mortgages and non-mortgage debts, less confidence in the future (current versus expectations), and depleted excess savings point to lower marginal demand going forward.

## WE'RE BULLISH ABOUT FIXED INCOME INVESTMENTS NEXT YEAR

In conclusion, a cooling economy, more tempered Federal Reserve monetary policy combined with the actual prospects for several rate cuts in our view bodes well for fixed income investments in 2024.

### CONFERENCE BOARD CONSUMER CONFIDENCE: EXPECTATIONS - CURRENT CONDITIONS

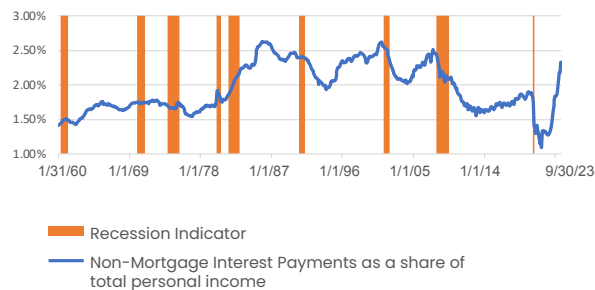


Data: February 28, 1967 - November 30, 2023

Source: Bloomberg

### U.S.: RISING INTEREST RATES TAKING BITE OUT OF INCOME

Non-mortgage interest payments as a share of wage/salary income

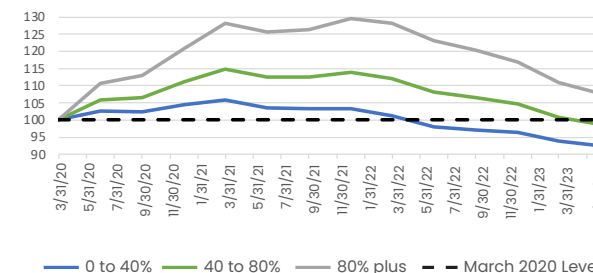


Data: January 31, 1960 - September 30, 2023

Source: Bloomberg

### EXTRA SAVINGS RUN OUT FOR MOST US HOUSEHOLDS

Inflation-adjusted liquid assets by income group



Data: March 31, 2020 - June 30, 2023

Source: Federal Reserve, Bloomberg calculations

**Principal Risks of Investing:** Risk is inherent in all investing including an investment in the Fund. An investment in the Fund involves certain principal risks, including, among others: Fixed Income Securities Risk, Interest Rate Risk, Benchmark Rate Risk, Market Risk, Credit Risk, Liquidity Risk, Duration Risk, Mortgage- Backed and Asset-Backed Securities Risk, Negative Convexity Risk, Government Obligations Risk, Management and Strategy Risk, and Sector Focus Risk. A summary description of these and other principal risks of investing in the Fund is set forth in the Fund's prospectus. Before you decide whether to invest in the Fund, carefully consider these risks associated with investing in the Fund, which may cause investors to lose money. There can be no assurance that the Fund will achieve its investment objective. An investment in the Fund is not a deposit of the bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

**Before investing you should carefully consider the Fund's investment objectives, risks, charges and expenses. This and other information are in the prospectus, a copy of which may be obtained by calling 855-551-5521 or visiting [northsquareinvest.com](http://northsquareinvest.com). Please read the prospectus carefully before you invest.**

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