

Zacks Multi-Asset Income Index (ZAXYH) Commentary Q4 Commentary as of 12/31/2024

Summary

Zacks Multi-Asset Income Index (ZAXYH) is the first yield-oriented index to combine equities, preferred stocks, ADRs, REITs, master limited partnerships (MLPs), and closed-end funds, creating a diversified portfolio that minimizes risk. During the quarter ending December 31, 2024, ZAXYH declined -2.29%, while the benchmark Dow Jones US Select Dividend Index (DJDVY Index), declined -1.85%. However, the underperformance was due to the REIT and preferred stocks which are highly sensitive to the interest rate expectations. The common stocks performed inline with the benchmark.

Zacks Multi-Asset Income Index Performance² as of 12/31/2024

	Average Weight (%)	Total Rtn YTD(%)	Dividend Yield	Benchmark	Benchmark Rtn YTD(%)	Benchmark Div Yield
Total	100.00	-2.29%	5.14			
ADR	10.46	0.81%	5.73	SPADRTR Index	-5.30%	2.71
CEF	10.48	-1.10%	10.76	CEFX Index	-0.70%	9.40
COM	48.59	-1.78%	2.92	DJDVY Index	-1.85%	4.13
MLP	10.21	3.28%	8.60	AMZ Index	4.85%	7.00
PFD	10.44	-5.23%	6.13	SPPREFXT Index	-4.41%	6.25
REIT	9.83	-10.68%	4.86	FNERTR Index	-8.15%	3.96

Source: Bloomberg, S&P, VettaFi, and FTSE

The U.S. Stock Market

The U.S. markets had mixed performance during the fourth quarter ending on December 31st. The large-cap tech stock continued to perform strongly, leading the S&P to advance 2.39%. However, small and mid-cap stocks and value stocks performed weakly. Russell 2000 advanced 0.33% and Russell 1000 value declined -2%. The expected style rotation has not happened yet. The market outlook remains favorable, with strong earnings and revenue growth expectations and moderate inflation. The consensus is still for a "soft landing". However, there is continuing investor concern regarding inflation, the Fed policy path, uncertainty regarding the new administration's monetary policy, and rising geopolitical conflict.

Global Stock Market

MSCI EAFE Index (MXEA) tracking the developed markets advanced 4.43%, while the MSCI emerging market (MXEF) index advanced 7.98%. The outlook for global equities is mixed. Global inflation remains at an elevated level, and policy rates are likely to remain high. However, the consensus is for moderate global economic growth and robust corporate earnings growth. Furthermore, there is much uncertainty regarding the economic impact of the continued rise of artificial intelligence and the escalation of ongoing trade and geopolitical tension. ADR sleeve of ZAXYH advanced 0.81%, outperforming the benchmark S&P ADR Index (SPADRTR Index), which declined -5.3% for the quarter.

Crude Oil and MLP

U.S. Energy Information Administration expects downward oil price pressure over the next two year. Brent crude oil prices are predicted to average \$74 per barrel in 2025, down from \$81 in 2024. The global oil supply is expected to grow more the demand due the unwinding of OPEC+ production cuts and growth in production outside of OPEC+. U.S. oil production is forecast to be 13.5mb/d. The USEIA predicts the retail price of regular gasoline to average \$3.20 in 2025. Rising geopolitical tensions have the potential for oil supply disruptions. The Houthi attacks on shipping vessels have not had a significant impact on oil supply but there is potential for further escalation. Due to the fee-based business model of the midstreams, most MLPs should hold up better than the broad energy sector during economic headwinds and downward crude oil price pressure. However, there is continuing long-term concern regarding technology changes, increasing use of renewables, increasing use of electric vehicles, and policy changes that affect oil demand and midstream. The MLP sleeve of the ZAXYH index advanced 3.28%, underperforming the 4.85% advance of the benchmark Alerian MLP Index (AMZ).

REITs Market Outlook

REITs have continued to underperform over the past two years. Since they have a higher duration and sensitivity to the yield curve at the long end, there was a sell-off as the yields rose and a rally as the consensus for the Fed rate cut rose. Historically, real estate rent and value have tended to increase with the broader price levels, and REITS have been resilient to moderate inflation. Despite economic headwinds, REITs have remained operationally resilient due to low leverage and may be well positioned for a declining yield cycle. Data centers and residential sectors are expected to perform best while office and retail are expected to face challenges. The REIT sleeve of the ZAXYH Index declined -10.68% for the quarter, underperforming the FTSE NAREIT Equity REITS Index (FNERTR Index), which declined -8.15%.

Zacks Multi-Asset Income Index Sector Attribution

from 9/30/2024 to 6/30/2024

	% AVERAGE WEIGHT			TOTAL RETURN (%)			ATTRIBUTION (%)		
	ZAXYH DJDVY		+/-	ZAXYH DJDVY		+/-	Allocation	Selection	Total
	(CVY)	(CVY)		(CVY)	(CVY)				
Total	100.00	100.00	0.00	-2.17	-1.85	-0.32	1.47	-1.66	-0.19
Communication Services	1.63	5.69	-4.06	4.25	-5.61	9.86	0.17	0.15	0.31
Consumer Discretionary	4.21	6.79	-2.58	-7.27	-5.44	-1.83	0.11	-0.08	0.03
Consumer Staples	3.28	9.88	-6.59	-8.76	-3.68	-5.07	0.15	-0.17	-0.02
Energy	27.98	4.65	23.32	-3.55	0.96	-4.51	0.63	-1.10	-0.47
Financials	32.22	27.65	4.58	4.23	4.55	-0.32	0.44	-0.30	0.14
Health Care	2.94	3.30	-0.36	-6.03	-1.09	-4.95	-0.06	-0.12	-0.18
Industrials	2.78	2.14	0.64	-3.91	-10.87	6.96	-0.05	0.20	0.15
Information Technology	1.40	3.11	-1.71	-14.64	-9.18	-5.47	0.13	-0.12	0.02
Materials	2.19	7.89	-5.70	-2.49	-9.43	6.93	0.46	0.15	0.61
Real Estate	9.10	0.00	9.10	-10.50	0.00	-10.50	-0.80	0.00	-0.80
Utilities	2.56	28.90	-26.34	-9.89	-2.23	-7.66	0.11	-0.17	-0.05
Not Classified	9.71	0.01	9.70	-1.10	0.00	-1.10	0.17	-0.11	0.06

Highlights of ZAXYH for Q4 2024

- Higher yield of 5.14% compared with 4.13% for benchmark DJDVY Index.
- Lower valuation ratios measured by P/E, P/CF, and P/B. The index continues to tilt towards value securities.
- The earnings quality factors are inline with the benchmark.
- The index has higher leverage and higher current ratio.
- Downside risk indicated by annual VaR 95% (-0.95 vs. -1.06) and annual downside standard deviation (8.49 vs 9.07) are slightly lower than the benchmark DJDVY.
- Volatility measured by the annualized standard deviation (12.41 vs 13.07) is similar to the benchmark DJDVY Index.

Zacks Multi-Asset Income Index Characteristics³ as of 12/31/2024

Characteristic	ZAXYH						Total	DJDVY Index
	ADR	CEF	COM	MLP	PFD	REIT		
Dividend Yield ⁴	5.73	10.76	2.92	8.60	6.13	4.86	5.14	4.13
Price to Earnings Ratio (P/E)	7.69	16.01	8.37	12.85		55.42	10.36	14.57
Price to Cash Flow Ratio (P/CF)	4.88	6.74	5.19	6.36		16.00	6.60	8.31
Price to Book Ratio (P/B)	1.11	0.71	1.28	2.52		2.31	1.32	1.92
Total Debt to Common Equity	115.38	38.07	109.16	160.92		127.60	151.86	131.21
Current Ratio	1.30	0.35	1.47	1.12		0.75	1.32	1.00
Beta	0.76	1.27	0.89	0.70		1.01	0.91	0.80
ROA	2.50	2.90	1.66	6.04		1.62	1.55	1.48
ROC	7.56	10.89	7.73	12.97		2.11	5.61	6.56
ROE	15.59	4.33	11.90	21.90		4.17	11.67	8.39

Source: Bloomberg

Performance Attribution

The index underperformed the Dow Jones Select Dividend Index (DJDVY) for the fourth quarter. The underperformance was almost entirely due to the REIT and Preferred sleeves, which performed poorly due to sensitivity to interest rates. The common sleeve performed similar to the benchmark DJDVY index. The biggest individual contributors to the relative return were Synchrony Financial and Wells Fargo while the biggest detractors were Bunge Global Sa and Scorpio Tanker.



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¹ Indicated annual dividend yield as of 12/31/2024

² The performance for the index given in the table is calculated using Bloomberg. There is a slight discrepancy between the actual index performance and the performance reported in the table due to differences in the calculation methodology.

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⁴ Indicated annual dividend yield as of 12/31/2024

DISCLOSURE

Past performance is no guarantee of future results. Inherent in any investment is the potential for loss.

This material is being provided for informational purposes only and nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security. No recommendation or advice is being given as to whether any investment or strategy is suitable for a particular investor. It should not be assumed that any investments in securities, companies, sectors or markets identified and described were or will be profitable. All information is current as of the date of herein and is subject to change without notice. Any views or opinions expressed may not reflect those of the firm as a whole.

Dow Jones U.S. Select Dividend Index: The selection of stocks to the Dow Jones U.S. Select Dividend Index is based almost entirely on dividend yield and dividend history. Stocks are also required to have an annual average daily dollar trading volume of more than \$1.5 million. These criteria help to ensure that the index represents the most widely traded of the market's highest-yielding stocks. This is a total return index. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor. The Index does not reflect advisory fees. An investor cannot invest directly in an index.

S&P 500 Index: Standard and Poor's 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure the performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941-43 base period. The volatility of the benchmark may be materially different from the individual performance obtained by a specific investor. The Index does not reflect advisory fees. An investor cannot invest directly in an index.

Dow Industrial Average Index: The Dow Jones Industrial Average is a price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

MSCI EAFE Total Return Index: Morgan Stanley Capital International Equity Indices in US Dollars. Indices with net dividends reinvested use the same dividend minus-tax-credit calculations, but subtract withholding taxes retained at the source for foreigners who do not benefit from a double taxation treaty.

MSCI Emerging Net Total Return Index: MSCI Net Total Return Index Series.

FTSE 100 Index: The FTSE 100 Index is a capitalization-weighted index of the 100 most highly capitalized companies traded on the London Stock Exchange. The equities use an investability weighting in the index calculation. The index was developed with a base level of 1000 as of December 30, 1983.

The Zacks logo features the word "Zacks" in a white, serif font, set against a dark green rectangular background.

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DISCLOSURE (continued)

FTSE NAREIT Equity REITs Total Return Index: FTSE NAREIT Equity REITs Total Return Index USD. This investment sector includes all Equity REITs not designated as Timber REITs or Infrastructure REITs.

S&P ADR Index: The index is comprised of 6 regional and country headline indices, representing non-U.S. market coverage across 30 markets. The S&P ADR Index is ideal for U.S. institutional investors who are restricted from purchasing foreign stocks. The index is market cap-weighted with all pricing and valuation taken from the U.S. exchange with the primary listing.

CEFX Index: S-Network Composite Closed-End Fund Index is a net assets-weighted fund index designed to serve as a benchmark for closed-end funds listed in the US that principally engage in asset management processes designed to produce taxable annual yield.

AMZ Index: Alerian MLP Index is the leading gauge of energy MLPs. The market cap weighted index constituents represent approximately 85% of total market cap.