



Q1 2021 Market Outlook
Redefining Normal

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DISCLOSURES

SUMMARY

“*Make no mistake – for the majority of investors today, this could very well be the most important event of your investing lives. Speaking as an old student and historian of markets, it is intellectually exciting and terrifying at the same time. It is a privilege to ride through a market like this one more time.*”

Jeremy Grantham, GMO Co-Founder, Jan-2021

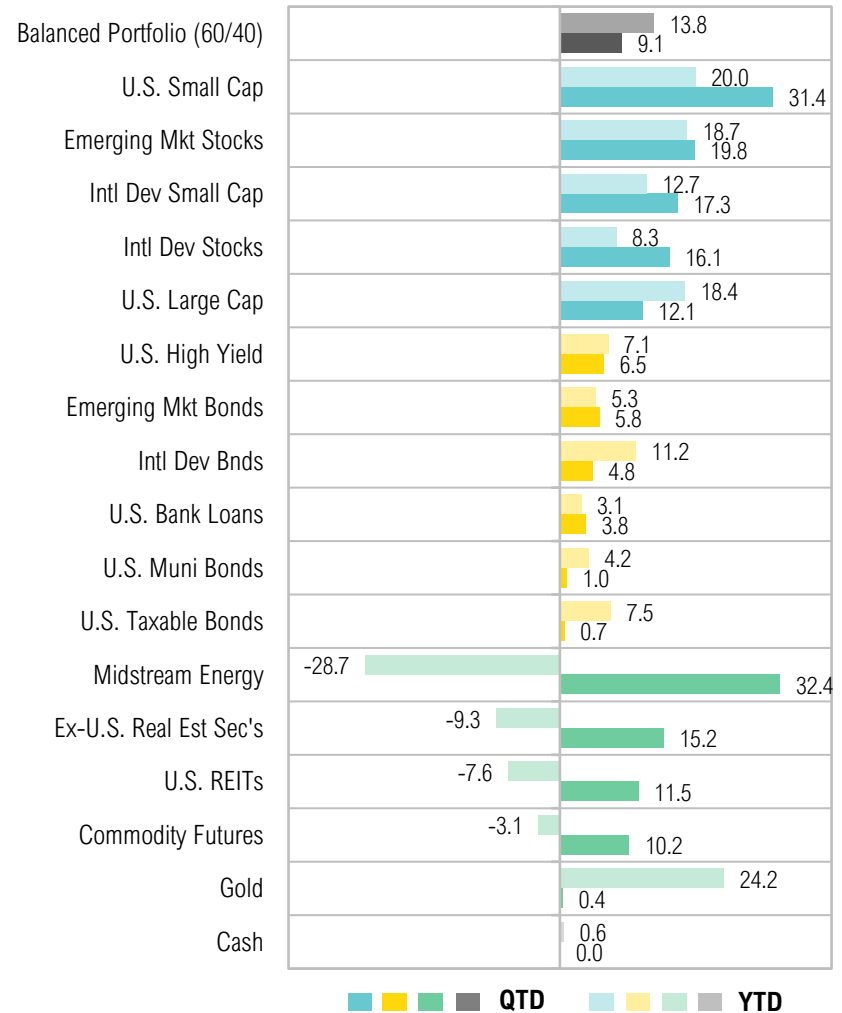


Q4 2020 Market Review

QTD & TRAILING 1-YEAR TOTAL RETURNS

- **Risky assets surged** with U.S. small cap stocks (+31.4%) and midstream energy assets (+32.4%) being notable top-performers.
- U.S. large cap stocks, as measured by the S&P 500 Index, added 12.1% for the quarter, bringing year-to-date returns to 18.4%.
- The 12-month forward P/E ratio for the S&P 500 Index is currently 22.4x, **near its highest level since 2000**.
- Despite a strong rally in Q4, the energy sector was the worst-performing U.S. equity sector, dropping 33.7% for the year. Energy remains out of favor due to an anemic demand backdrop that kept oil and gasoline inventories above their 5-year ranges for most of the year, but the market should stabilize as demand returns.
- All fixed income and credit sectors rallied for the quarter as rates rose modestly, but credit spreads narrowed on continued support by the Federal Reserve and an overall increase in risk appetite.
- While still positive, U.S. investment-grade bonds were the worst performing fixed income & credit sector, delivering 0.7% for the quarter.
- High yield bond spreads narrowed by 164 basis points from 5.50% to 3.86%, near their lowest levels ever.
- The real estate market remains at the epicenter of the Covid-19 crisis with significant uncertainty remaining around what the new "normal" will look like. U.S. REITs rose 11.5% for the quarter but remain lower by 7.6% for the year.
- Gold was up modestly for the quarter, holding its impressive year-to-date lead over other major asset classes.

KEY MARKET TOTAL RETURNS



Source: Bloomberg

“ *Neither the president-elect, nor I, propose this relief package without an appreciation for the country’s debt burden. But right now, with interest rates at historic lows, the smartest thing we can do is act big. In the long run, I believe the benefits will far outweigh the costs, especially if we care about helping people who have been struggling for a very long time.*”

Janet Yellen, Treasury Secretary, January 2021

Growth, Inflation & Policy Summary

COMMENTARY & MARKET DATA

GROWTH SNAPBACK

- U.S. real GDP growth is expected to have dropped 2.4% year-over-year in Q4 and 3.5% for the full year. It is expected to bounce back by 5.2% in 2021 (Bloomberg).
- The significant damage to the private sector and fact that fiscal multipliers are generally negative, especially in highly indebted countries, means that **real (inflation-adjusted) growth** is going to become increasingly harder to achieve.

INFLATION TRENDING HIGHER

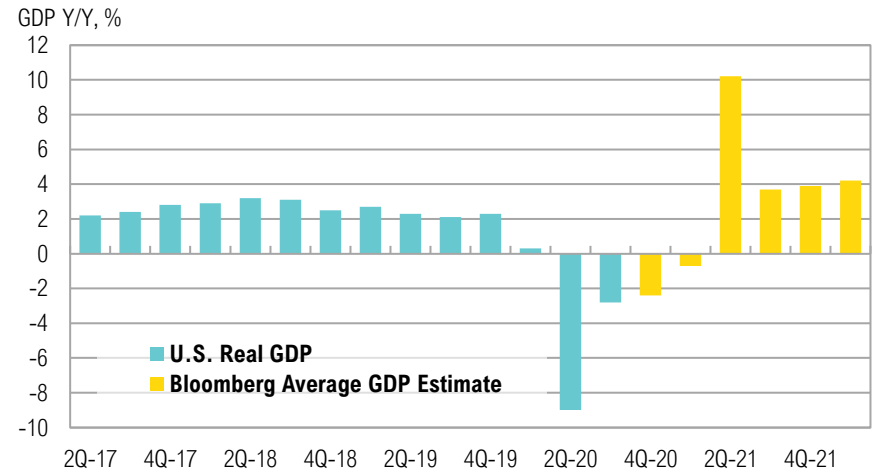
- While current inflation is relatively low, long-term inflation expectations have continued to trend higher. The 10-year TIPS-implied inflation rate is currently 2.1%, near a 7-year high.
- Economic slack, continued technology adoption and excessive debt levels will act as a damper on inflation until MMT-inspired “helicopter money” becomes ongoing policy.
- **On balance, we expect inflation to trend higher in fits and starts (higher lows and highs) in coming years.**

POLICY

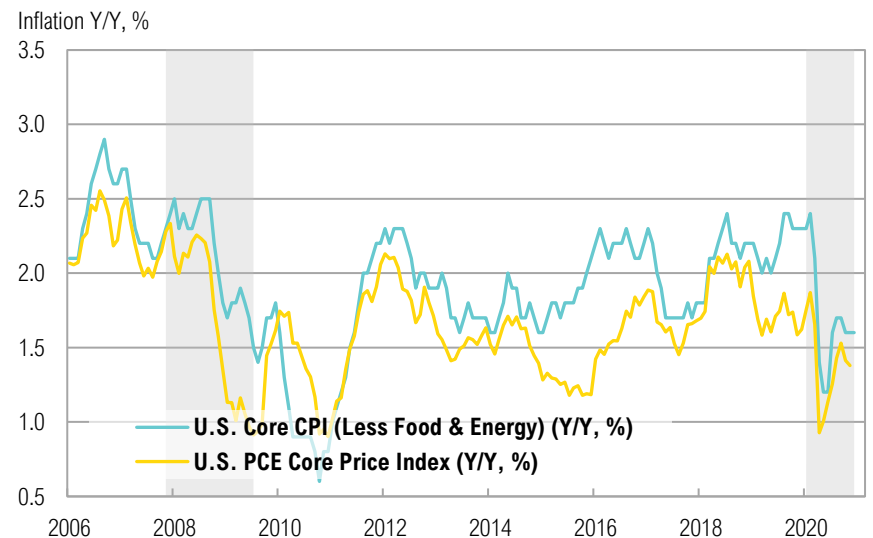
- To date, fiscal stimulus has been more reactive (replacing lost income) than proactive (stimulus).
- **We believe policy will start to become more proactive and supportive/ distortive for at least three reasons:**
 1. **Single party control of the U.S. government**
 2. **The de facto merging of the Fed and Treasury**
 3. **The Covid-19 crisis removing social and political pushback to government spending and bailouts**

Source: Bloomberg

U.S. REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH



U.S. HEADLINE & CORE INFLATION (CPI)

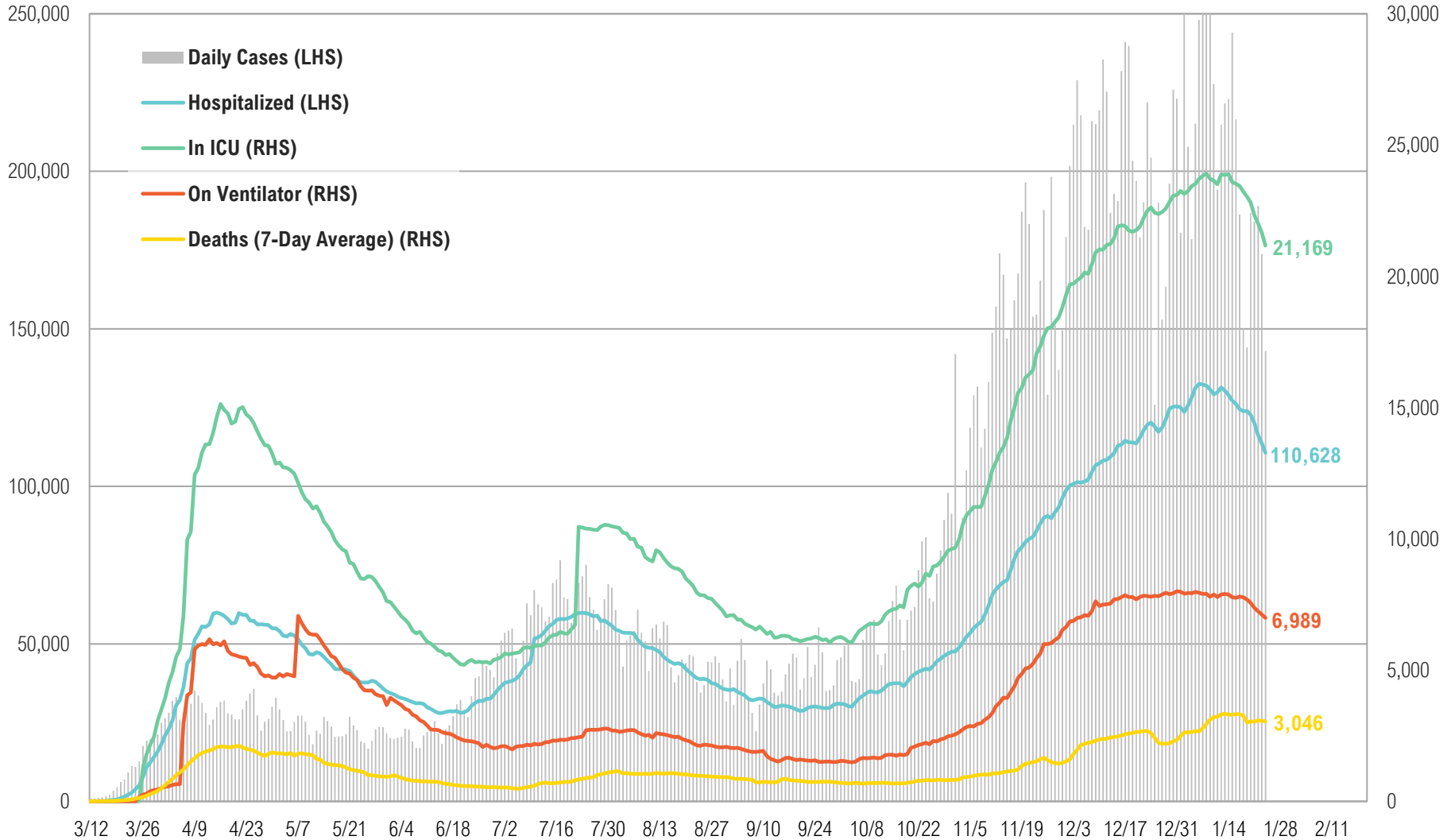


Surge in Cases & Hospitalizations But Not Deaths

U.S. COVID-19 PATIENTS CURRENTLY HOSPITALIZED, IN ICU, AND ON VENTILATOR, AS OF 1/24/2021

Daily Cases & Hospitalizations

In ICU, on Ventilator & Deaths



Source: CovidTracking.com

Recent Covid-19 Surge Tracking with Flu Seasonals, Likely to Continue to Improve Dramatically into the Summer Months

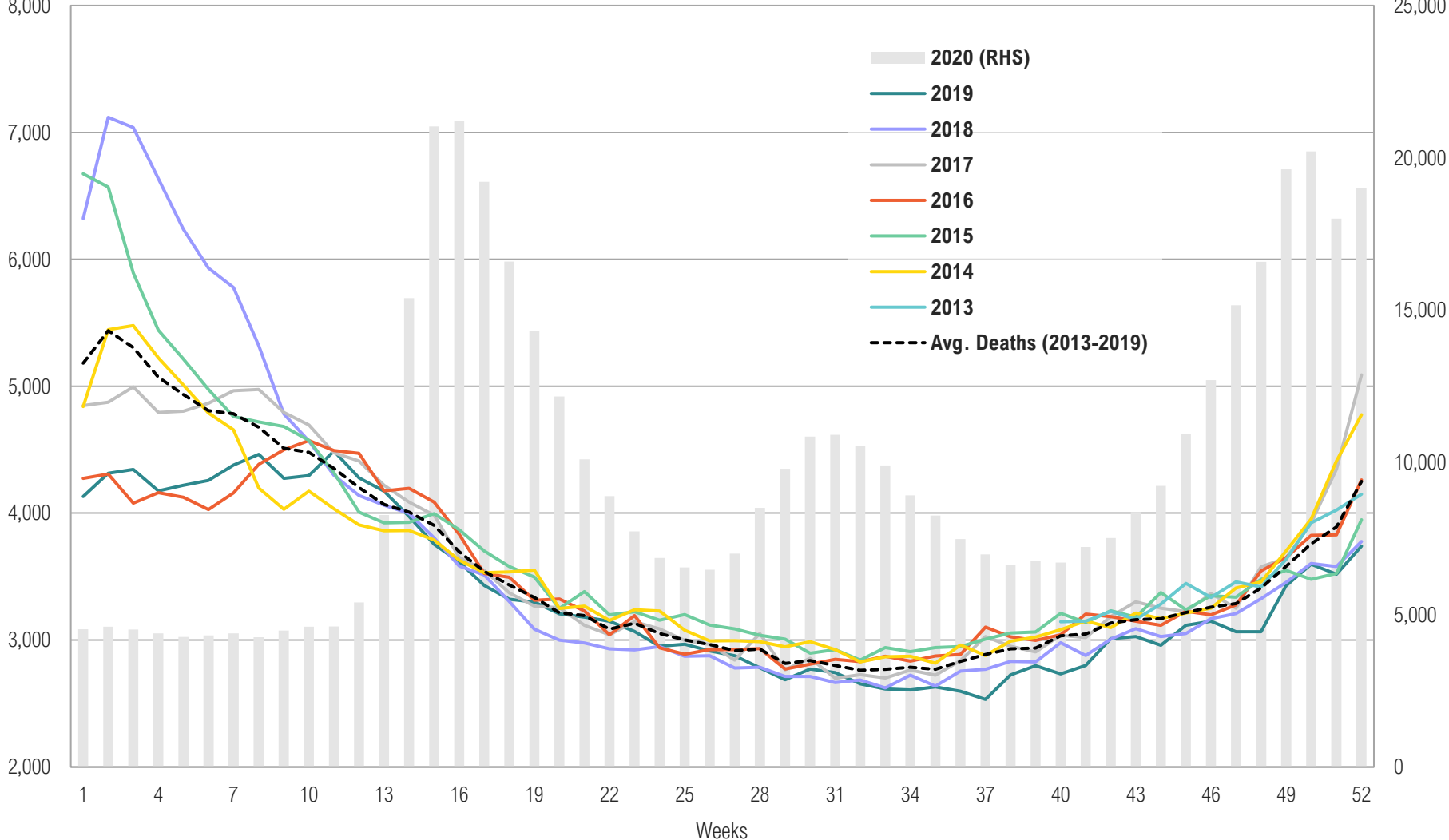
WEEKLY PNEUMONIA, INFLUENZA & CORONAVIRUS (PIC) DEATHS BY CALENDAR WEEK, 2013 - 2020

Deaths, 2013 - 2019

8,000

Deaths, 2020

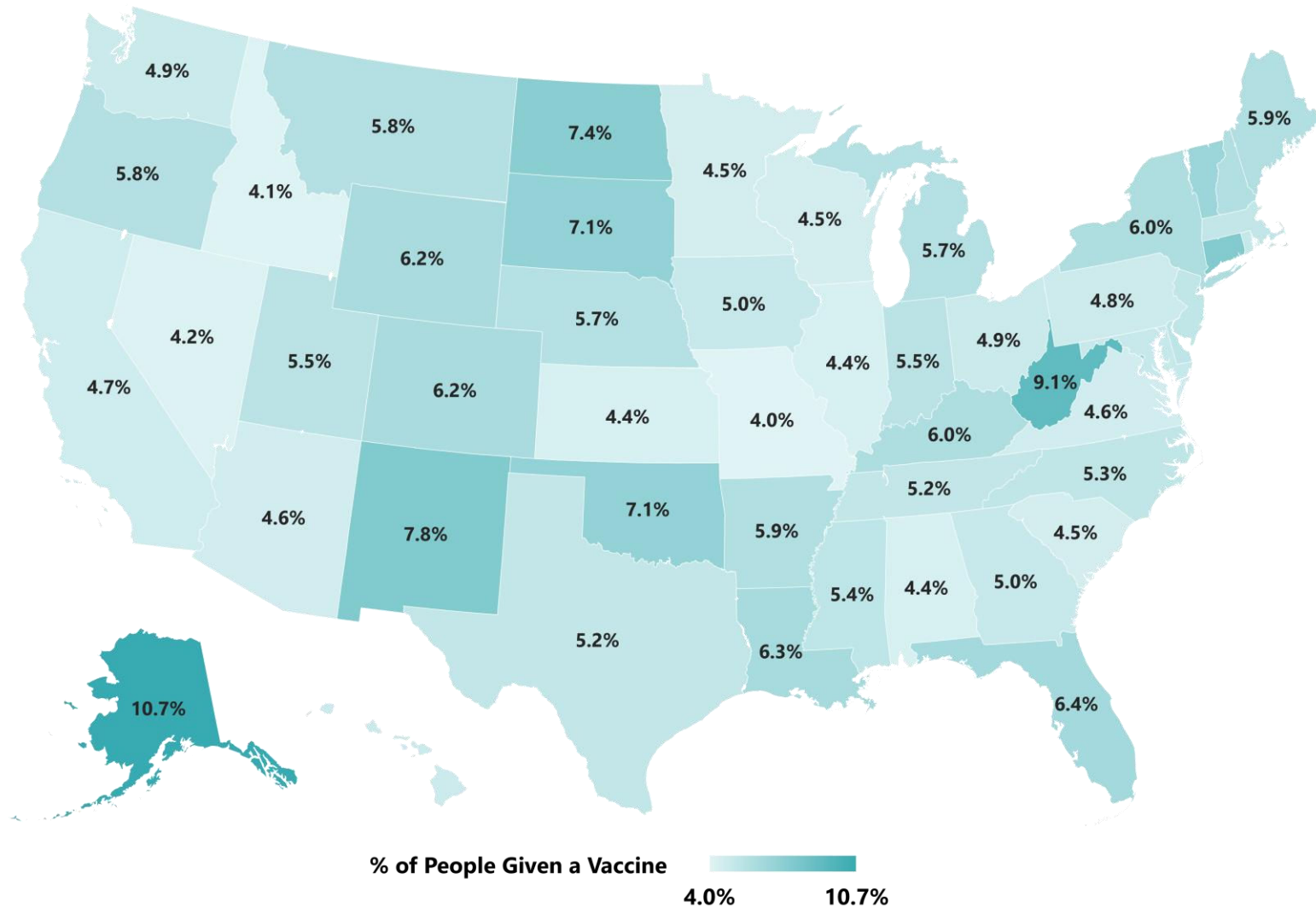
25,000



Source: CDC

Vaccine Distribution in the U.S.

SHARE OF STATE-LEVEL POPULATION THAT HAVE RECEIVED AT LEAST ONE VACCINE DOSE, AS OF 1/24/2021



Source: New York Times, CDC

Tracking the Recovery

VARIOUS MARKET & ECONOMIC INDICATORS, WEEKLY

	8/28	9/4	9/11	9/18	9/25	10/2	10/9	10/16	10/23	10/30	11/6	11/13	11/20	11/27	12/4	12/11	12/18	12/25	1/1	1/8	1/15	1/22
Virus																						
New Covid-19 Cases (U.S.)	294,030	279,807	243,779	279,712	314,969	306,686	341,555	391,730	481,546	569,818	762,445	1,068,922	1,192,328	1,153,416	1,374,233	1,496,075	1,591,699	1,287,758	1,498,097	1,773,941	1,528,067	1,192,397
New Covid-19 Fatalities (U.S.)	6,256	5,880	5,136	5,401	5,278	5,058	4,954	4,908	5,555	5,745	6,596	8,642	10,536	10,101	15,421	16,900	18,500	15,450	18,335	22,869	23,239	21,647
Lockdown Index (0-100)	67	67	67	67	63	63	63	63	66	63	63	65	75	75	71	72	72	72	72	72	72	72
Economy																						
Jobless Claims (000) ¹	826	837	866	796	827	799	731	830	767	739	744	725	749	836	719	957	942	873	845	920	1,112	961
Gasoline Inventories (Mn Barrels) ¹	239	235	232	232	227	228	227	225	227	226	228	225	228	230	234	238	239	238	237	241	245	245
New York Fed Economic Index	-5	-5	-6	-5	-5	-4	-4	-4	-4	-3	-3	-3	-3	-2	-2	-3	-2	-1	-2	-2	-2	-2
Public Transit Ridership (%)	-50	-49	-49	-51	-41	-37	-52	-46	-48	-49	-45	-50	-51	-50	-54	-54	-53	-54	-59	-59	-54	-53
Mortgage Applications (%) ²	9	9	12	12	15	13	11	10	7	8	6	4	7	11	21	15	17	12	12	11	20	23
Consumer Comfort ¹	45	48	48	50	49	48	48	47	46	48	48	50	50	49	49	48	47	45	44	43	44	44
Same Store Sales (YoY%) ¹	1	5	0	-1	2	2	2	1	3	1	3	1	2	3	9	2	3	7	9	6	2	2
Restaurant Booking (YoY%)	-41	-33	-42	-39	-35	-48	-34	-38	-33	-41	-38	-45	-50	-57	-58	-60	-55	-58	-61	-55	-47	-54
Active Oil Rigs (%) ²	-74	-73	-74	-74	-73	-72	-72	-70	-69	-68	-67	-65	-66	-65	-64	-62	-61	-61	-61	-60	-58	-58
Steel Production (%) ²	-25	-26	-24	-22	-23	-21	-21	-20	-18	-18	-17	-16	-16	-15	-17	-16	-16	-13	-14	-12	-9	-7
Financial Markets																						
S&P 500 (%) ²	9	6	3	3	2	4	8	8	7	1	9	11	10	13	15	13	15	15	16	18	17	19
Russell 2000 (%) ²	-6	-8	-10	-8	-12	-8	-2	-2	-2	-8	-2	4	7	11	13	14	18	20	18	25	27	30
Russell Microcap (%) ²	-4	-8	-9	-4	-11	-7	0	-1	-1	-7	-2	4	8	13	16	17	20	22	20	28	32	37
Financial Conditions	0	0	0	0	0	0	0	0	0	-1	0	0	0	1	1	0	1	1	1	1	1	1
Bbg U.S. Corp HY Spread (Bps)	475	488	496	490	537	510	469	471	468	509	442	435	422	410	377	384	376	376	360	348	350	348
NYSE % above 200-day MA	53	51	46	47	41	48	58	57	61	48	59	77	82	87	88	88	85	85	85	85	86	86
VIX	23	31	27	26	26	28	25	27	28	38	25	23	24	21	21	23	22	22	23	22	24	22

Source: Bloomberg, Oxford Government Response Tracker, Moovit and OpenTable. Moovit data as of 1/20/2021.

1 Data references release date, not measurement period, which is lagged by one week.

2 Data represents the percent change from the average of the first two weeks in January.

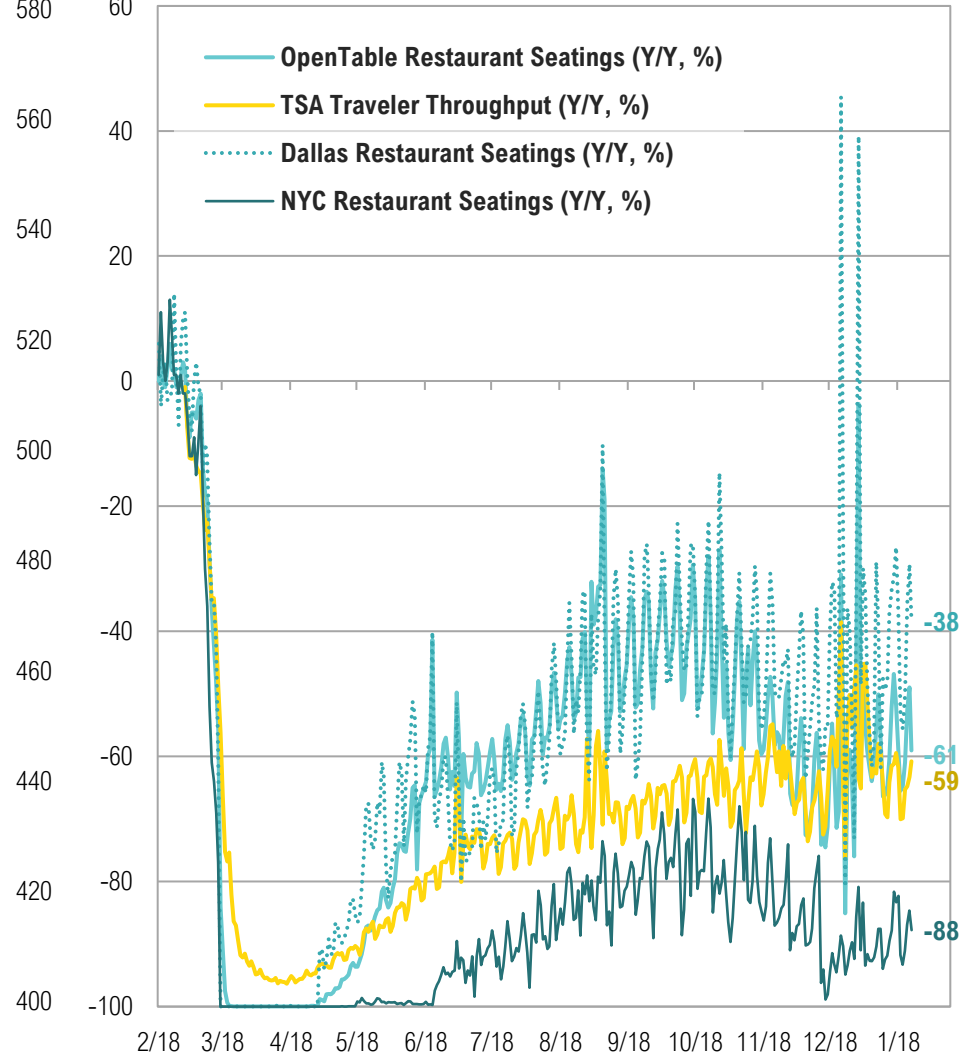
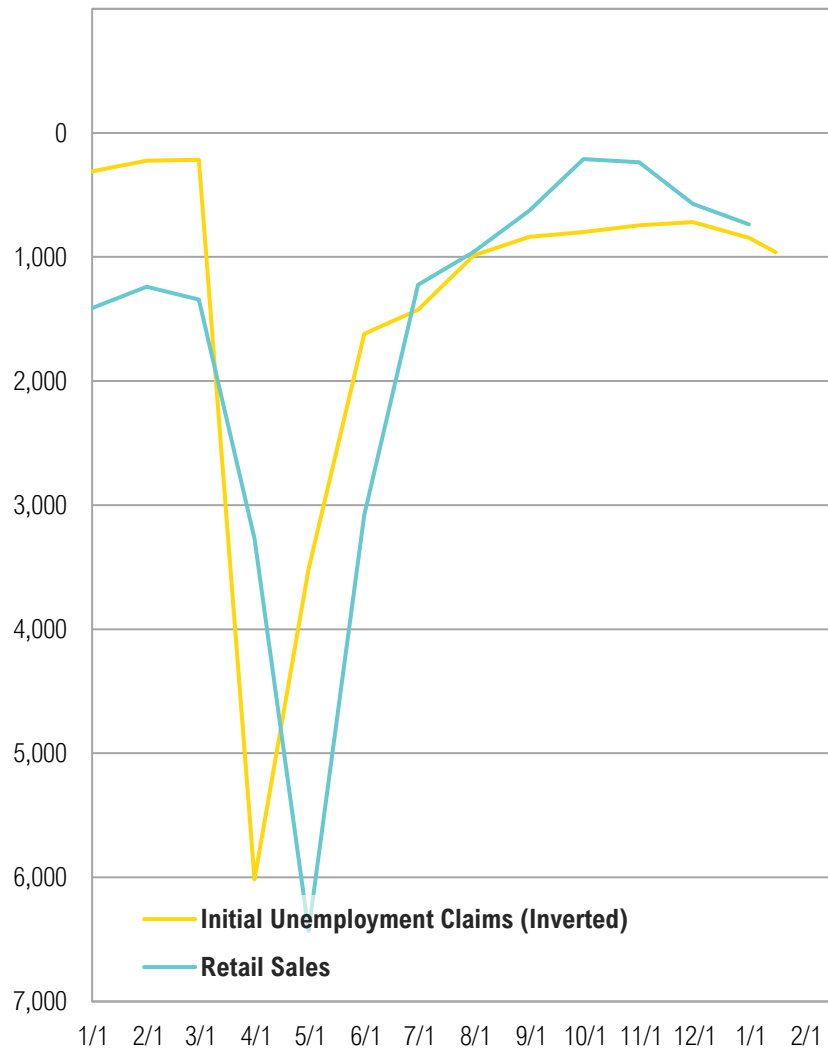
Retail Sales Have Declined as Unemployment Rises, Economic Activity Slows

INITIAL UNEMPLOYMENT CLAIMS VS. RETAIL & FOOD SALES (LHS), OPENTABLE SEATINGS & TSA THROUGHPUT (RHS)

Initial Unemployment Claims (NSA), '000s

Retail & Food Sales, \$Bn

Y/Y, %

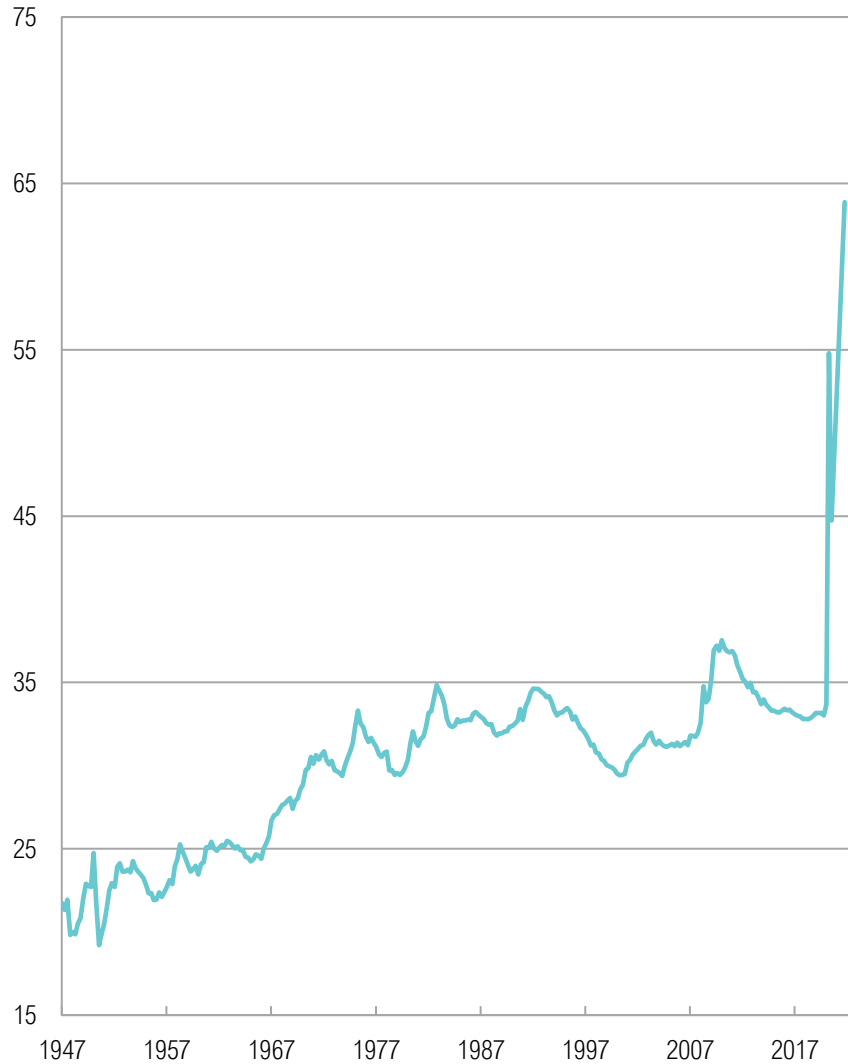


Source: Bloomberg, OpenTable, TSA

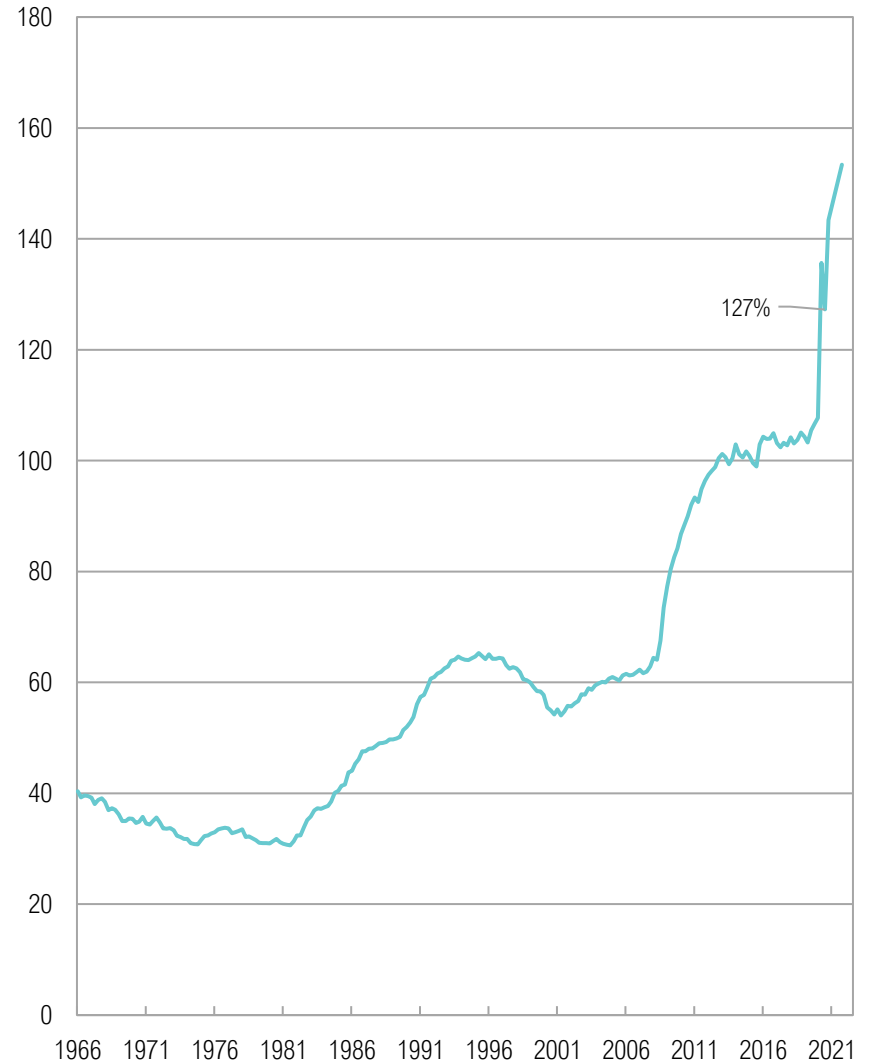
More Government Spending, More Debt

ESTIMATED GOVERNMENT EXPENDITURES/ GDP (LHS) & ESTIMATED U.S. DEBT/ GDP (RHS), AS OF 1/25/2021

Gov't Expenditures/GDP, %



Debt/GDP, %



Source: FRED, Bloomberg, SpringTide estimates

2Q21 Expected to See Fastest Acceleration in Y/Y Growth & Inflation of Recovery

GDP GROWTH & INFLATION LEVELS & RATE OF CHANGE, Y/Y %

GROWTH

- U.S. real GDP growth is expected to have dropped 2.4% year-over-year in Q4 but is expected to bounce back in 2021.
- As the global economy emerges from the Covid-19 crisis, nominal growth will gradually recover.
- The significant damage to the private sector and fact that fiscal multipliers are negative, especially in highly indebted countries, real growth will likely take many years to recovery.

INFLATION TO TREND HIGHER

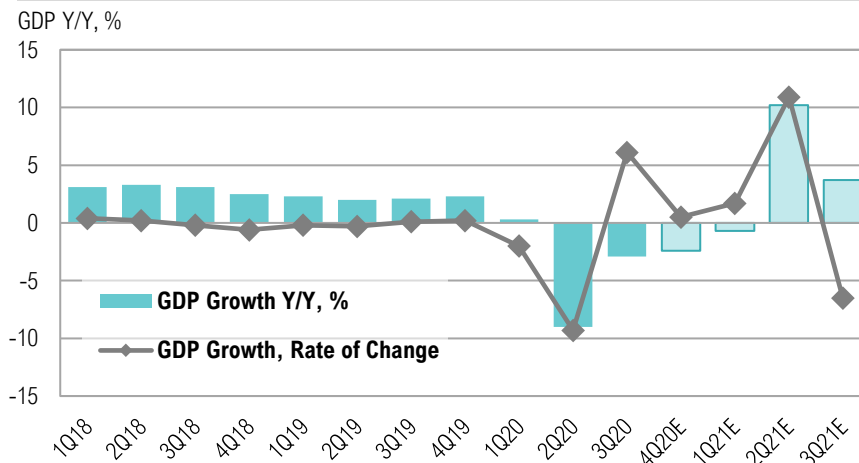
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POLICY

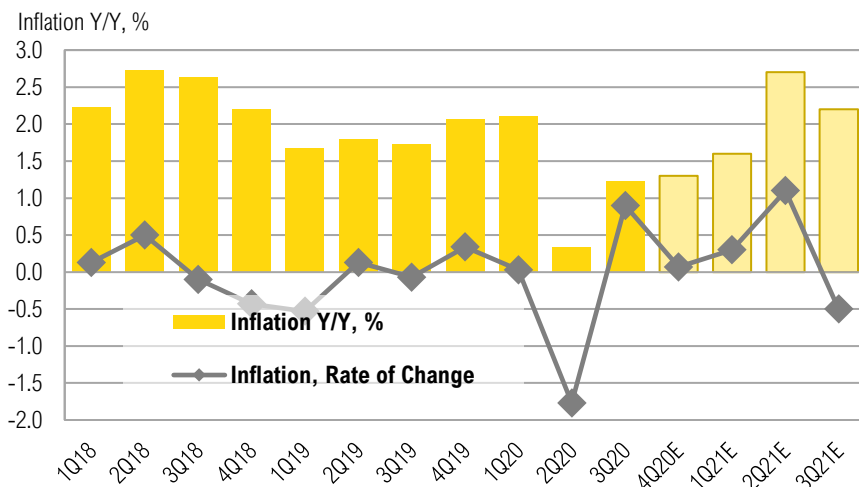
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 - The de facto merging of the Fed and Treasury
 - The Covid-19 crisis removing social and political pushback to government spending and bailouts

Source: SpringTide calculations, Bloomberg estimates

U.S. REAL GROSS DOMESTIC PRODUCT (GDP)

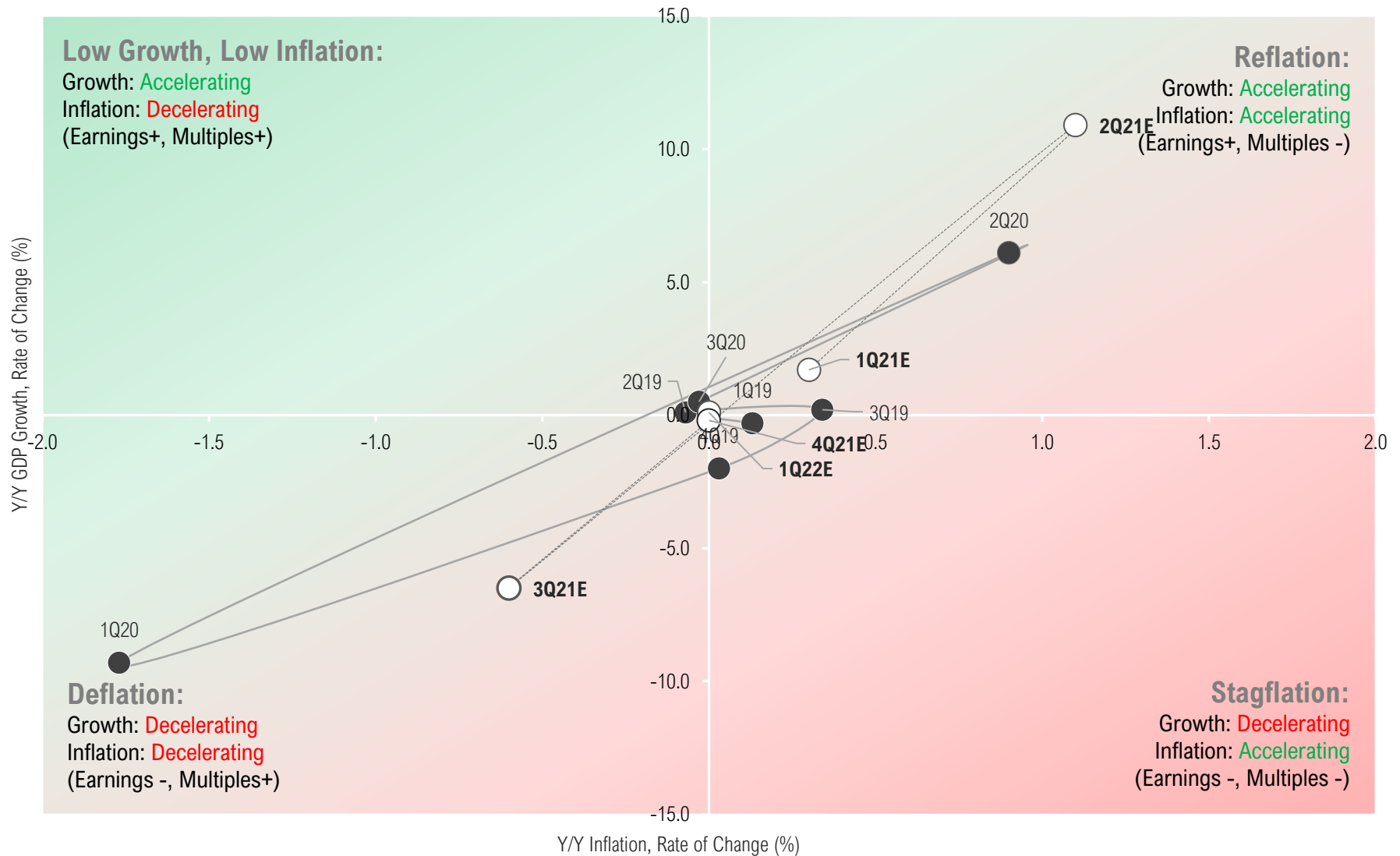


U.S. HEADLINE INFLATION (CPI)



Reflation Expected to Continue for 1H21, But Without Policy Governor of Higher Rates

RATE OF CHANGE Y/Y GDP GROWTH VS INFLATION, AS OF 12/31/2020



Source: Bloomberg

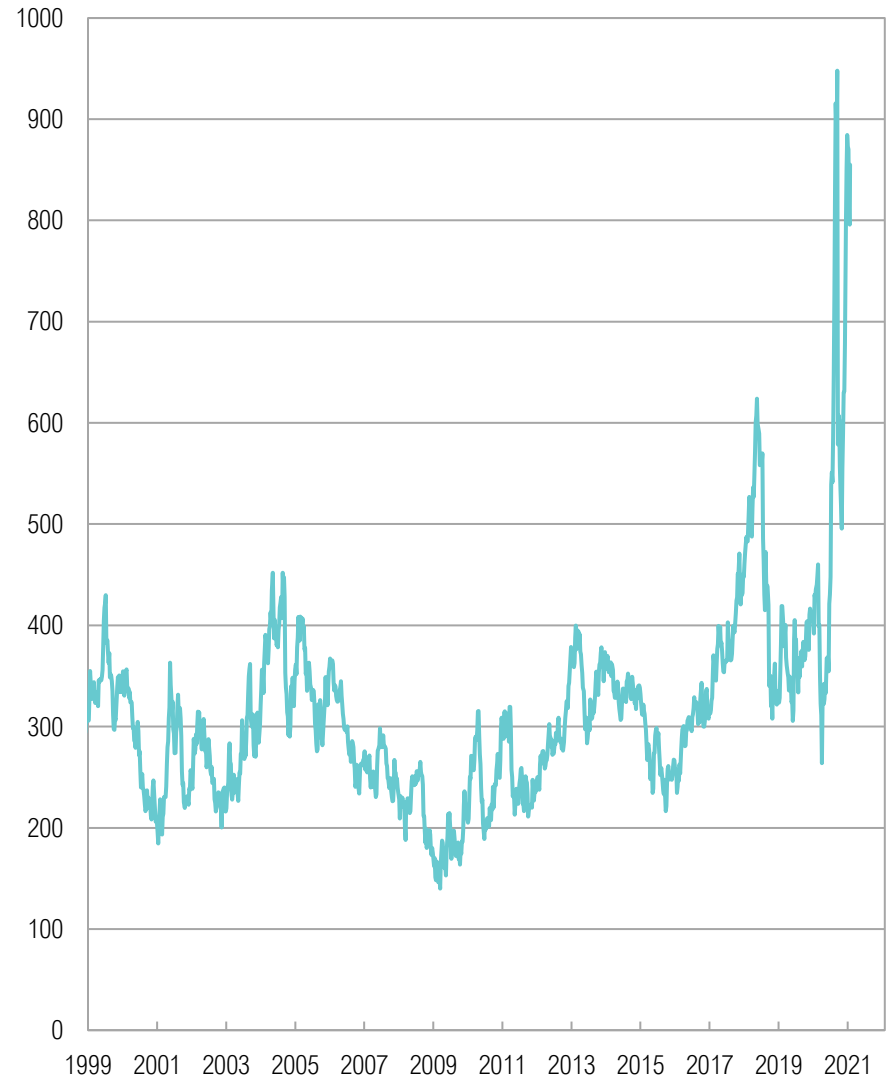
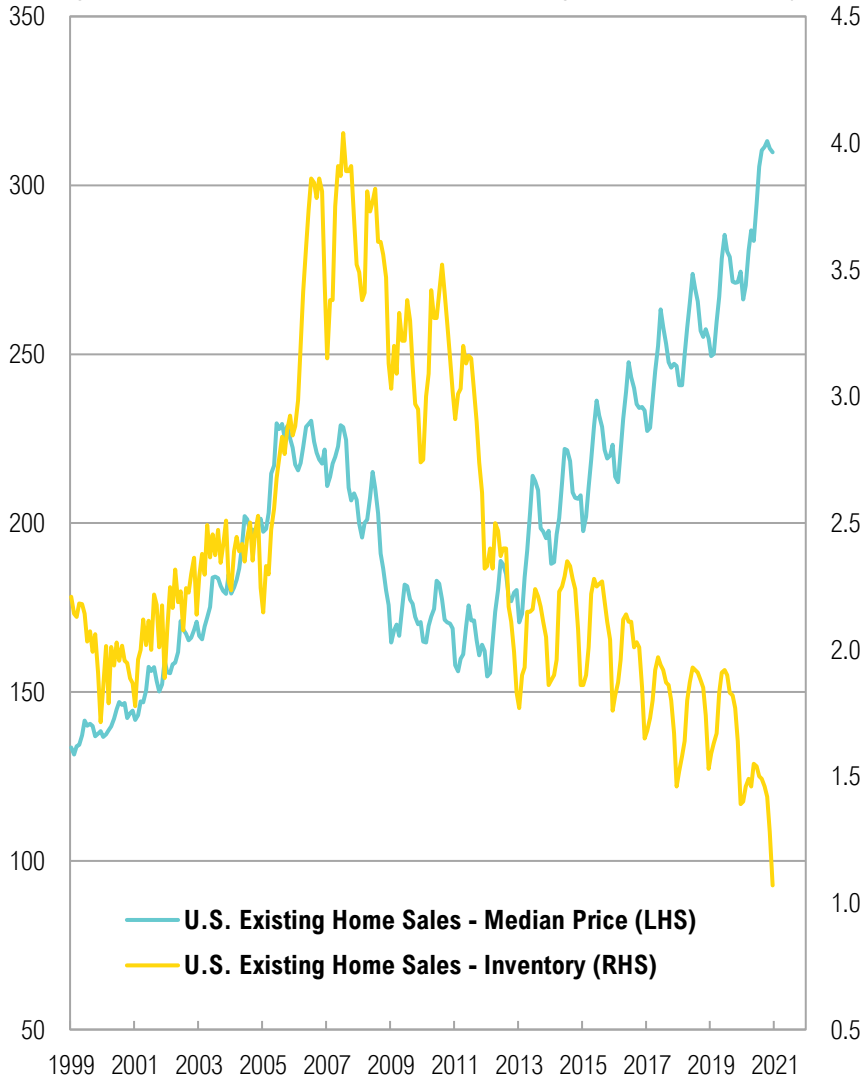
Inflation Case Study: Falling Housing Inventories, Rising Lumber Prices Push Housing Prices Higher

U.S. EXISTING HOME SALES: MEDIAN PRICE & INVENTORY (LHS), LUMBER FUTURES SPOT PRICE (RHS), AS OF 12/31/2020

Existing Home Sales: Median Price, '000s

Existing Home Sales: Inventory, MMs

Lumber Futures Spot Price



Source: Bloomberg

EQUITY

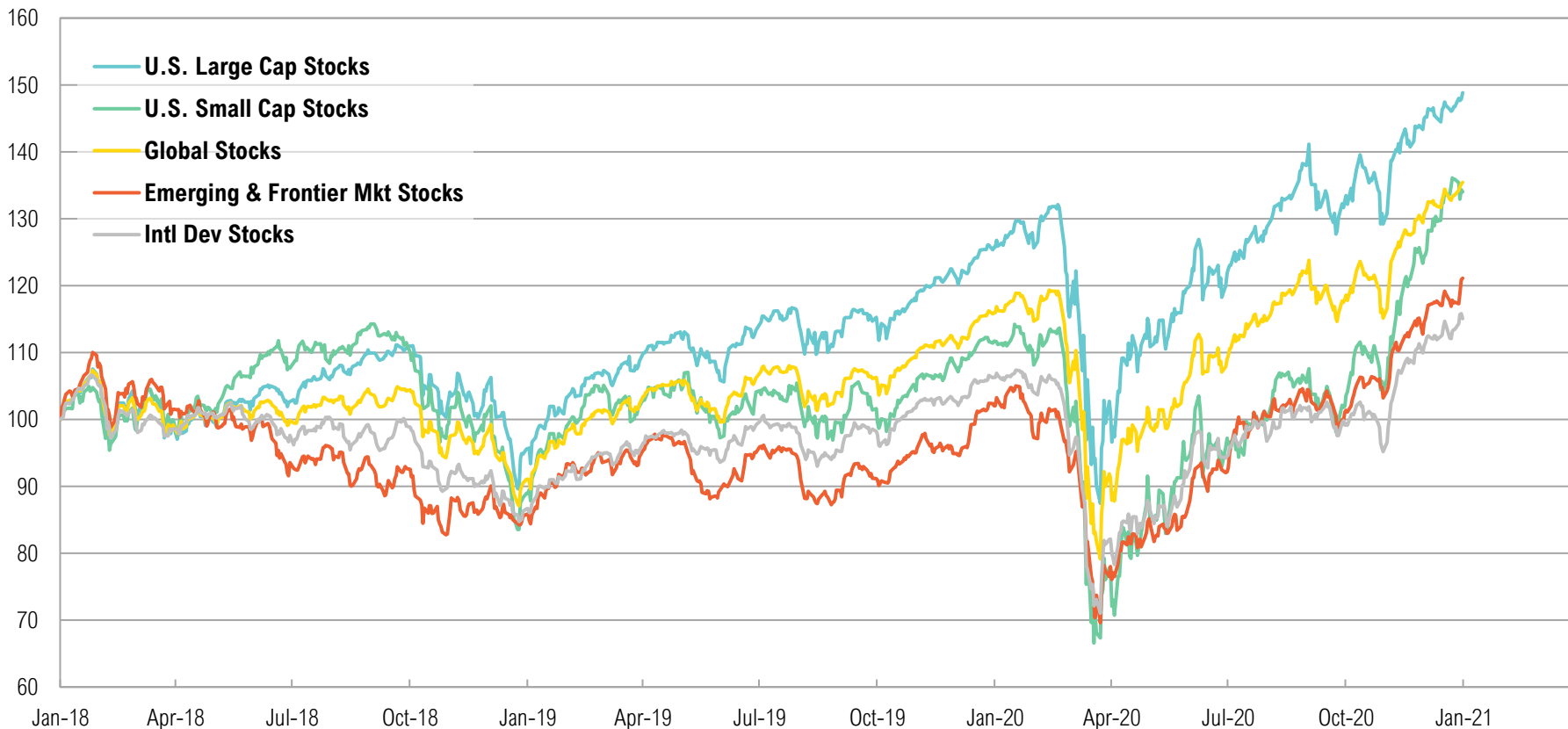
“*Central bankers always try to avoid their last big mistake. So every time there's the threat of a contraction in the economy, they'll over stimulate the economy, by printing too much money. The result will be a rising roller coaster of inflation, with each high and low being higher than the preceding one.*”

Milton Friedman, *Economist, Author of Capitalism and Freedom*

Equity Returns

CALENDAR YEAR & TRAILING TOTAL RETURNS, AS OF 12/31/2020

Growth Index, 3 Years



Asset Class	Benchmark	QTD	YTD	2019	2018	2017	2016	2015	1-Yr	3-Yr	5-Yr	10-Yr
U.S. Large Cap Stocks	S&P 500 TR	12.1	18.4	31.5	-4.4	21.8	12.0	1.4	18.4	14.2	15.2	13.9
U.S. Small Cap Stocks	Russel 2000 Index	31.4	19.9	25.4	-11.0	14.7	21.4	-4.3	19.9	10.2	13.2	11.2
Intl Dev Stocks	MSCI EAFE NR	16.0	7.8	22.0	-13.8	25.0	1.0	-0.8	7.8	4.3	7.4	5.5
Emerging & Frontier Mkt Stocks	MSCI EM NR	19.7	18.3	18.4	-14.6	37.3	11.2	-14.9	18.3	6.2	12.8	3.6
Global Stocks	MSCI ACWI NR	14.7	16.3	26.6	-9.4	24.0	7.9	-2.4	16.3	10.1	12.3	9.1

Source: Bloomberg

Returns for periods greater than one year are annualized.

Q1 2021 Market Outlook

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

Equity Summary

COMMENTARY & MARKET DATA

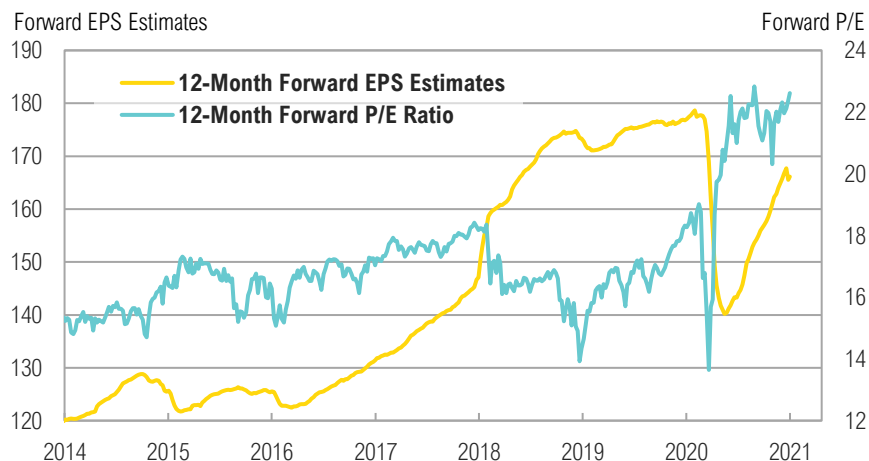
PUBLIC MARKETS

- *U.S. equity valuations are back in the top-quintile, implying muted forward long-term returns substantially below those of the last decade, but the tactical outlook looks less bleak.*
- *U.S. equity valuations are elevated relative to foreign developed and emerging equities, but growth rates are better, and the policy backdrop is more supportive in the U.S.*
- *Lower valuations in Europe reflect structural challenges faced by a continent that continues to get squeezed by competition from the U.S. and China. Hold some, but stay underweight.*
- *We continue to favor large cap indices over small cap indices, but active small cap managers over large cap indices, reflecting a better opportunity set for active managers in the small cap space.*
- *Long-term return expectations for emerging market equity remain relatively stable as higher growth rates should drive earnings growth in excess of developed peers.*

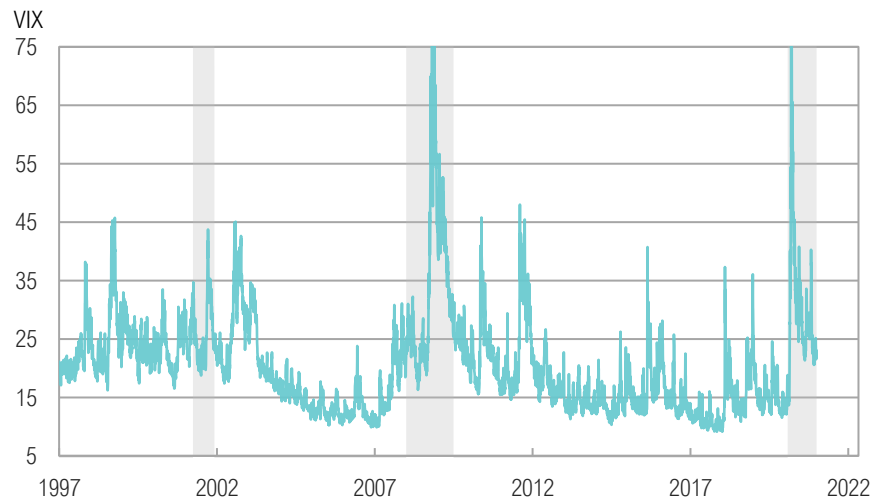
PRIVATE MARKETS

- *Even net of higher fees, select investments in high quality venture capital and private equity can add value for clients that have the capacity for reduced liquidity.*
- *Secondaries may be particularly attractive if investors who may have overallocated to private markets late in the cycle are forced to seek liquidity in the coming months/years.*

S&P 500 12-MONTH FORWARD EPS EST. VS. P/E RATIO



IMPLIED VOLATILITY INDEX (VIX)



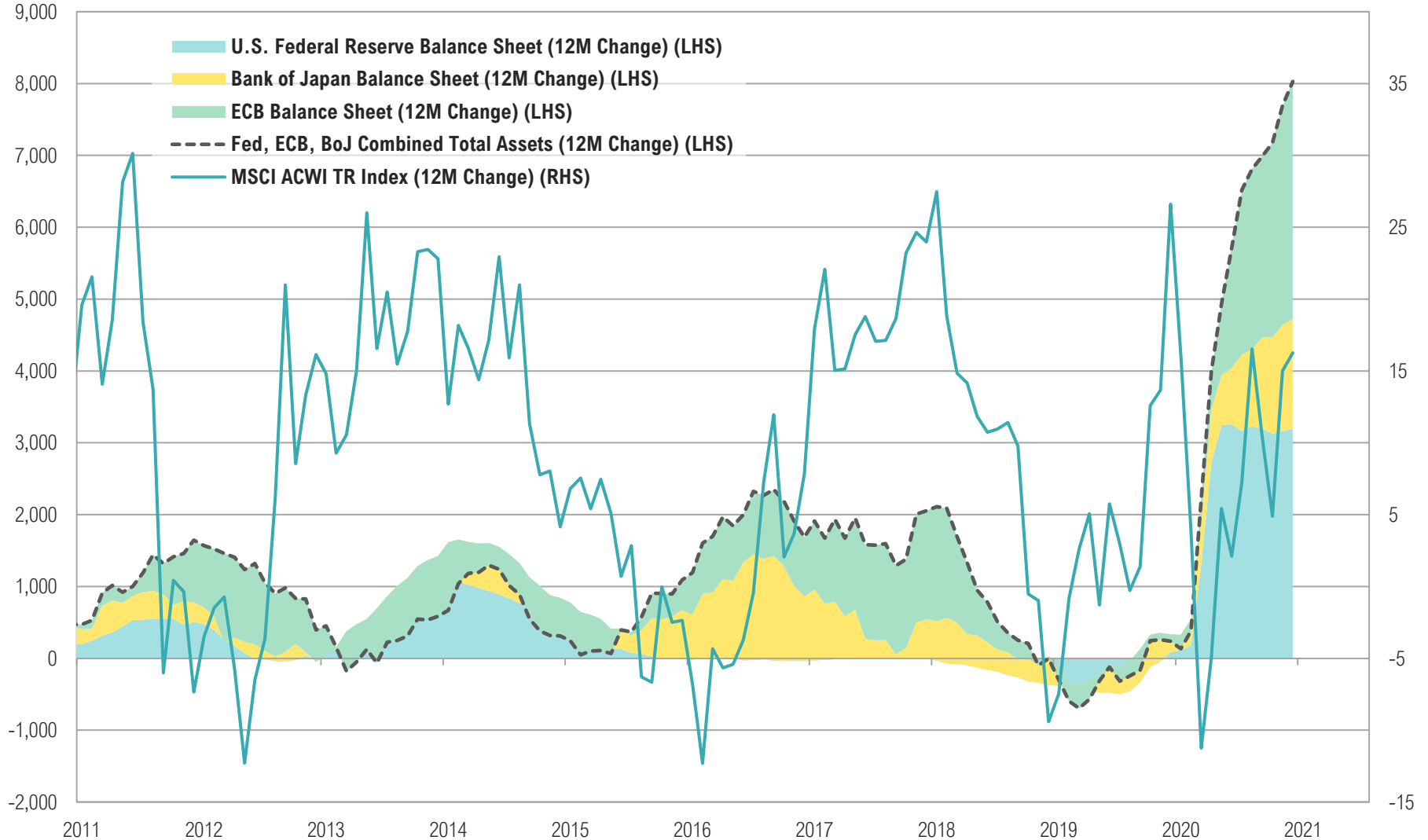
Source: Bloomberg

Central Bank “BS” and Global Stocks

CENTRAL BANK BALANCE SHEETS 12-MONTH CHANGE VS. MSCI ACWI Y/Y % CHANGE, 1/1/2011 – 12/31/2020

Balance Sheet 12-Month Change, \$Bn

MSCI ACWI Y/Y, %

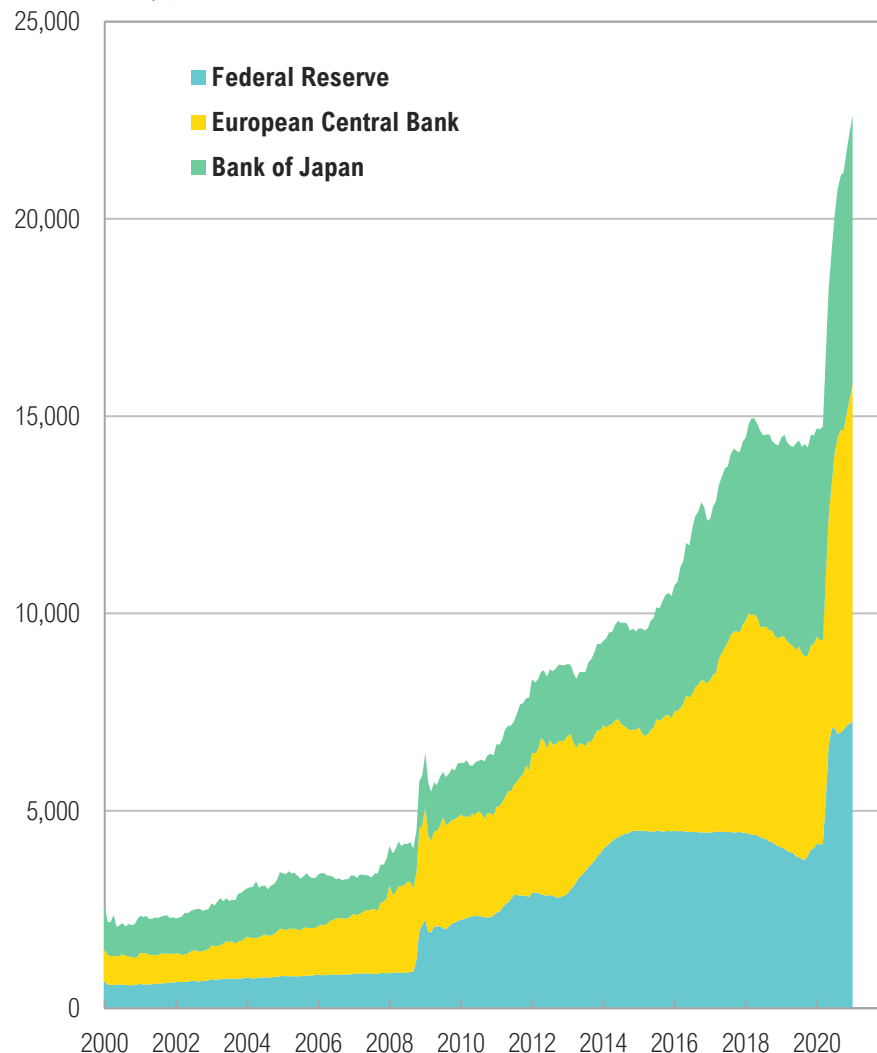


Source: Bloomberg, SpringTide calculations

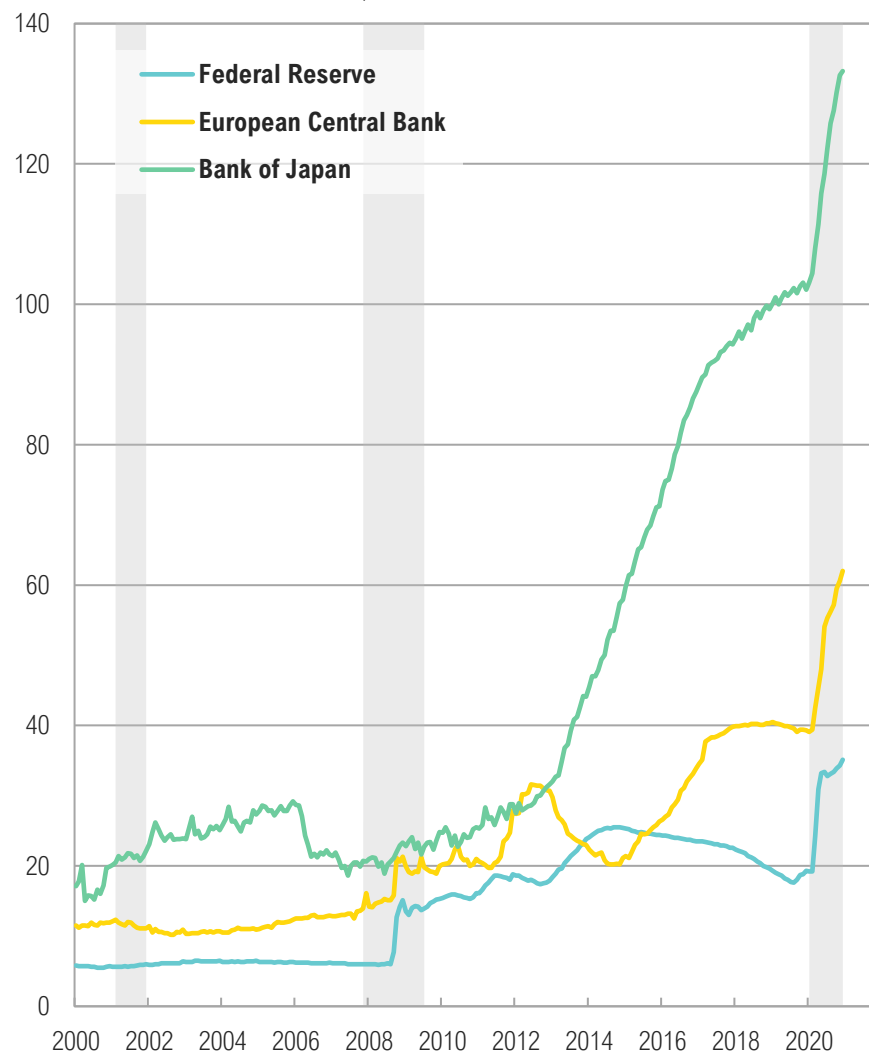
The Fed Can Provide More Stimulus Relative to Other Central Banks

CENTRAL BANK BALANCE SHEETS (LHS), CENTRAL BANK BALANCE SHEETS AS % OF GDP (RHS), 1/1/2000 – 12/31/2020

Balance Sheet, \$Bn



Central Bank Balance Sheet to GDP, %

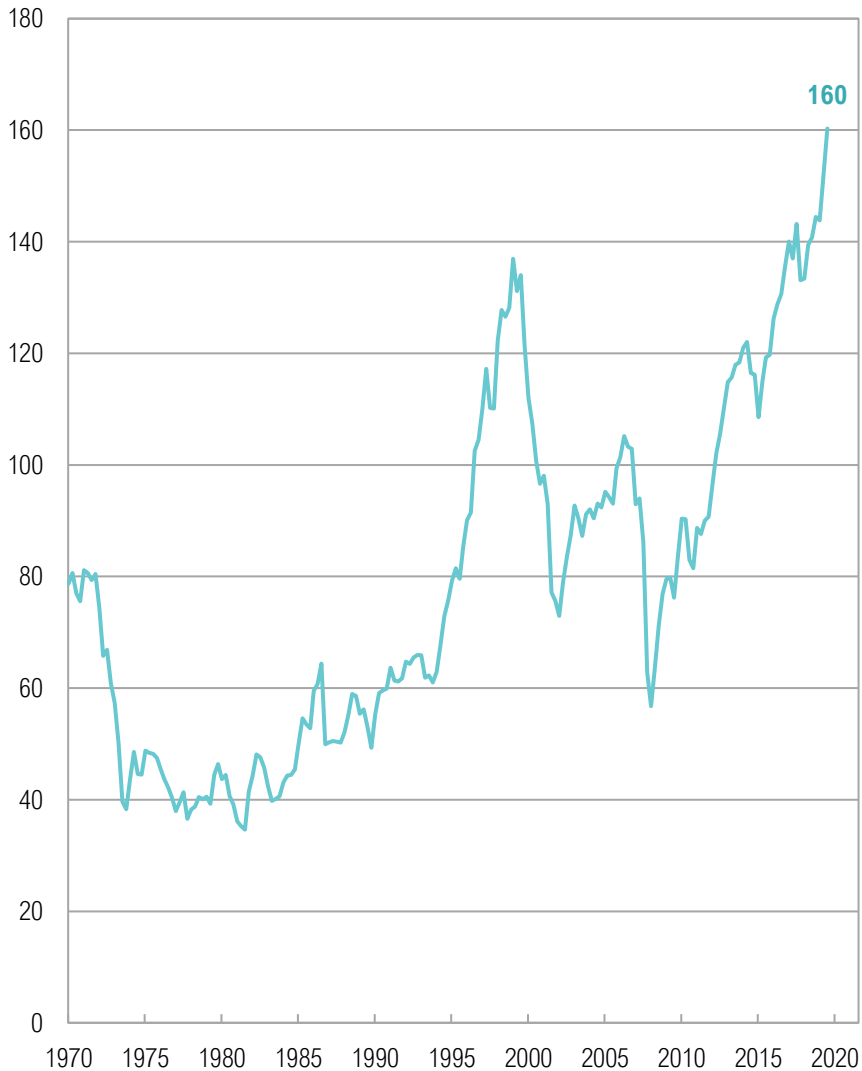


Source: Bloomberg

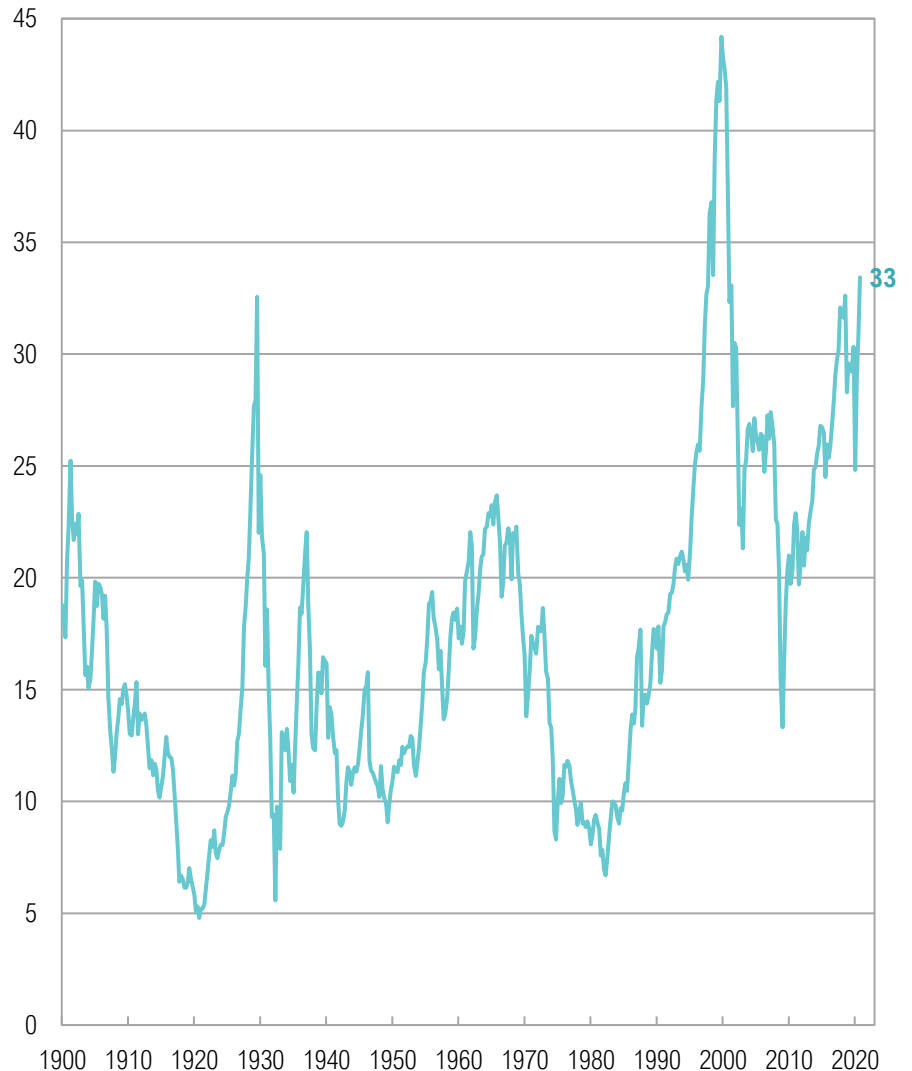
U.S. Stocks Are Expensive by Many Measures pt.1

U.S. MARKET CAP/ GDP (LHS) & CAPE RATIO (RHS), AS OF 12/31/2020

U.S. Market Cap/ GDP, %



Cyclically Adj. P/E (CAPE) Ratio

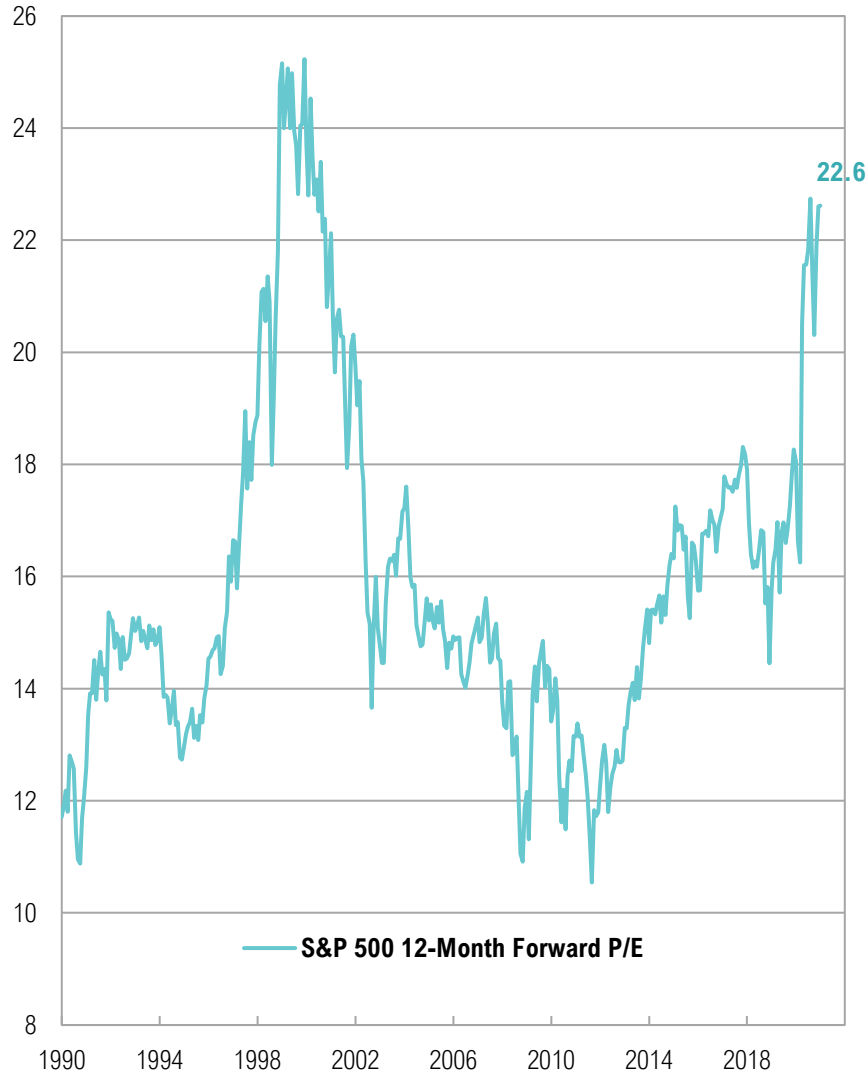


Source: Bloomberg, Shiller, FRED
U.S. Market Cap is represented by the Wilshire 5000 Full Cap Price Index.

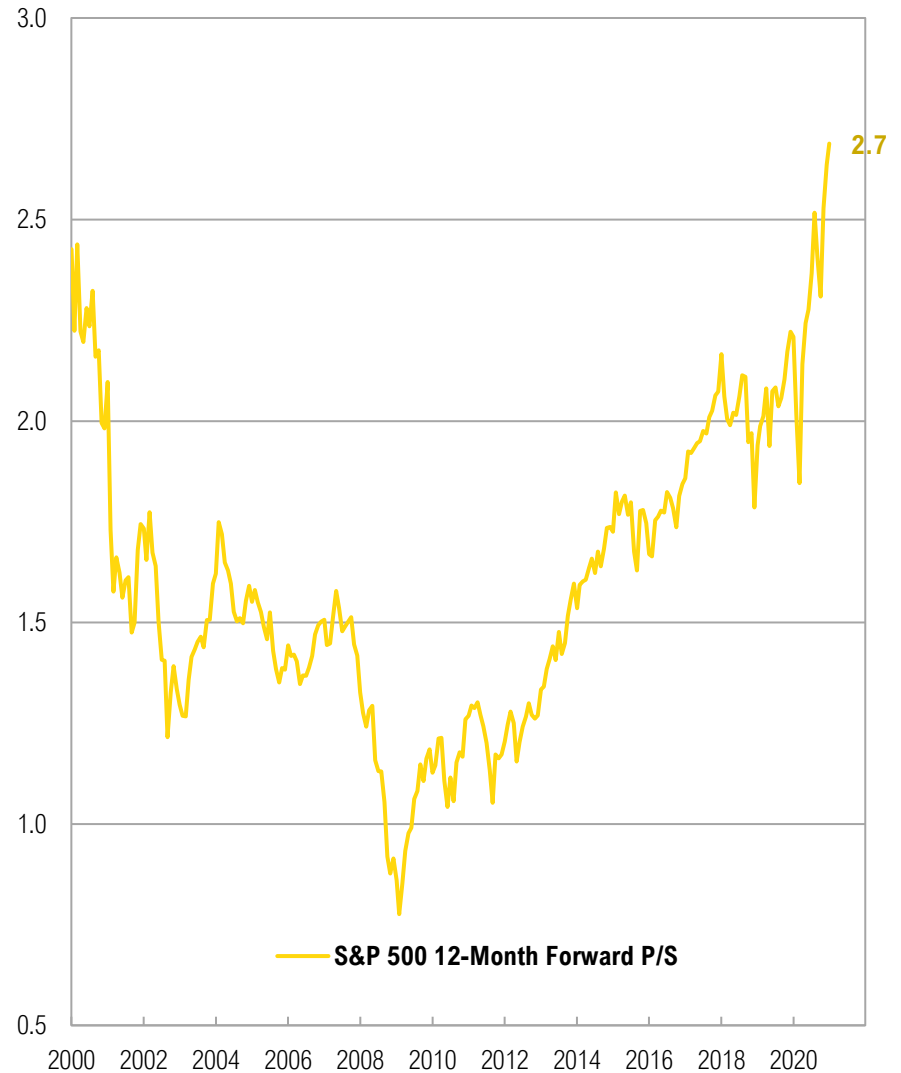
U.S. Stocks Are Expensive by Many Measures pt.2

S&P 500 12-MONTH FORWARD P/E RATIO (LHS) & S&P 500 12-MONTH FORWARD P/S RATIO (RHS), AS OF 1/26/2021

12-Month Forward P/E Ratio



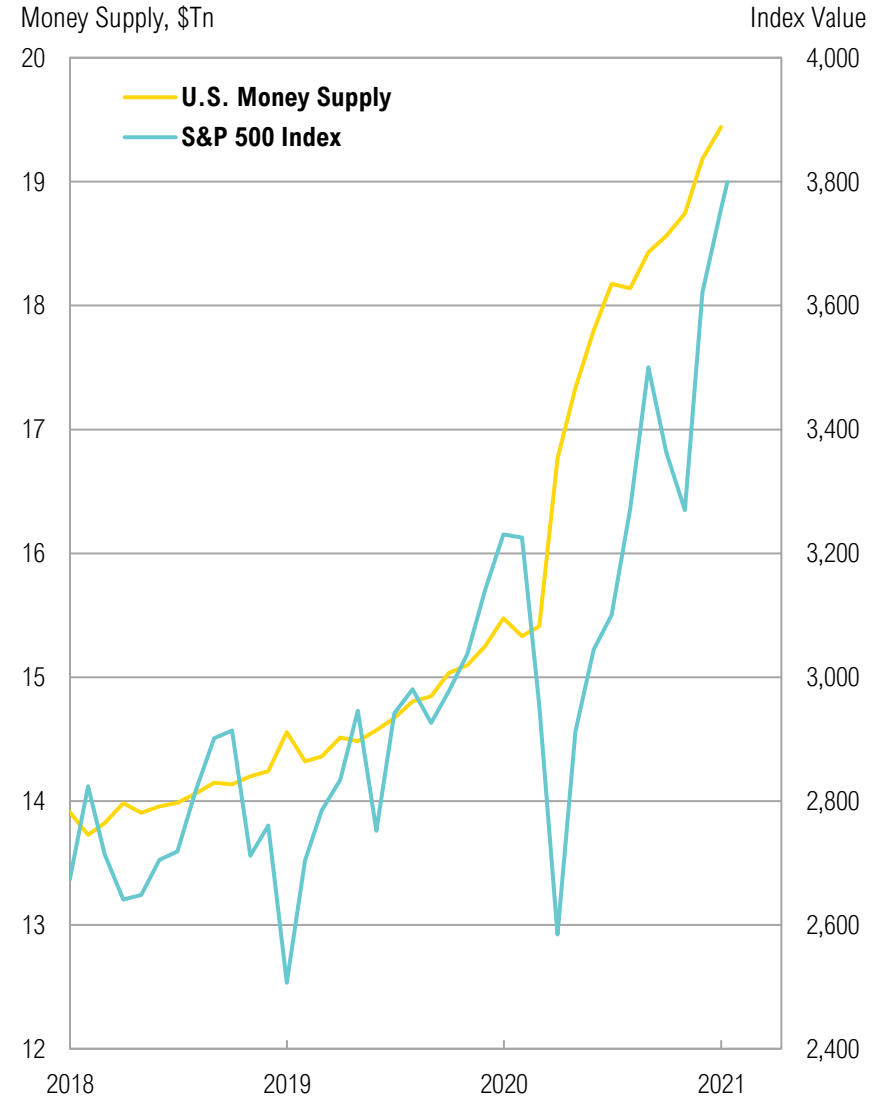
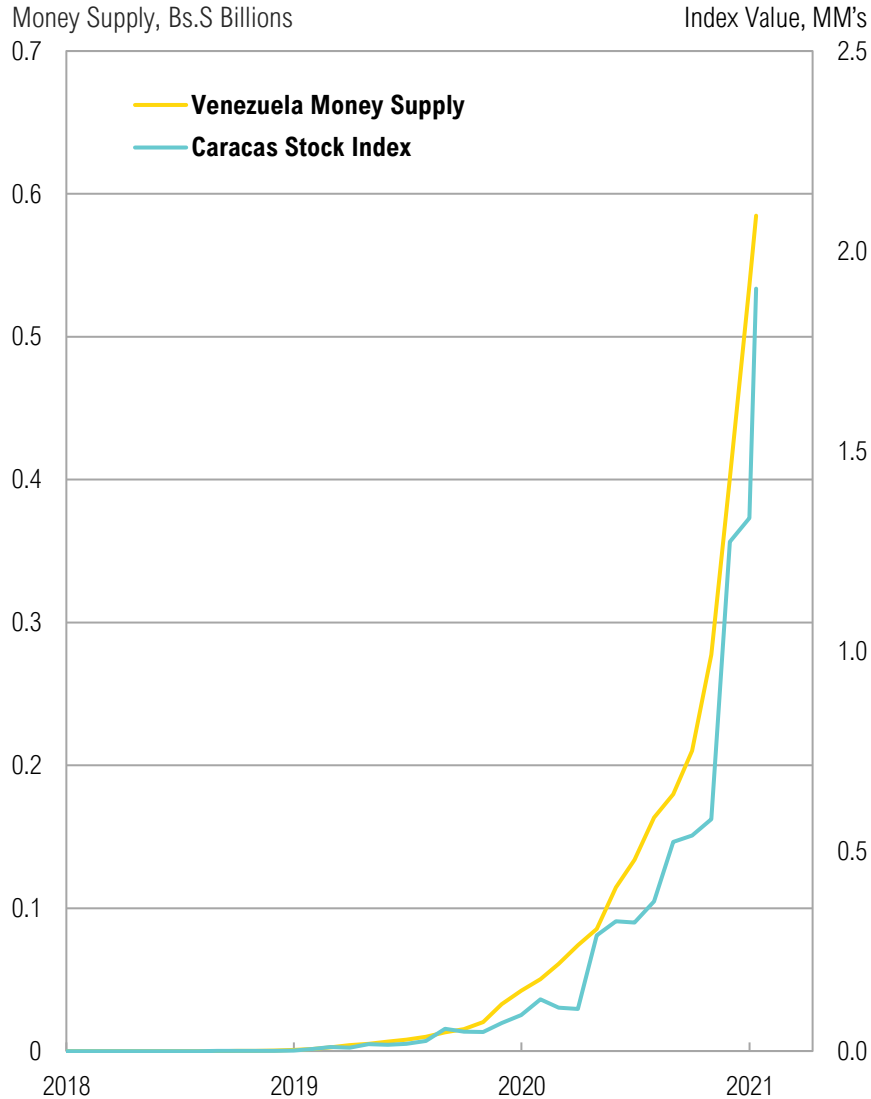
12-Month Forward P/S Ratio



Source: Bloomberg

Stocks Can Melt Up Indefinitely if Money Supply Growth Continues

VENEZUELA CARACAS STOCK INDEX & S&P 500 INDEX VS MONEY SUPPLY (M2), 1/1/2018 – 12/31/2020

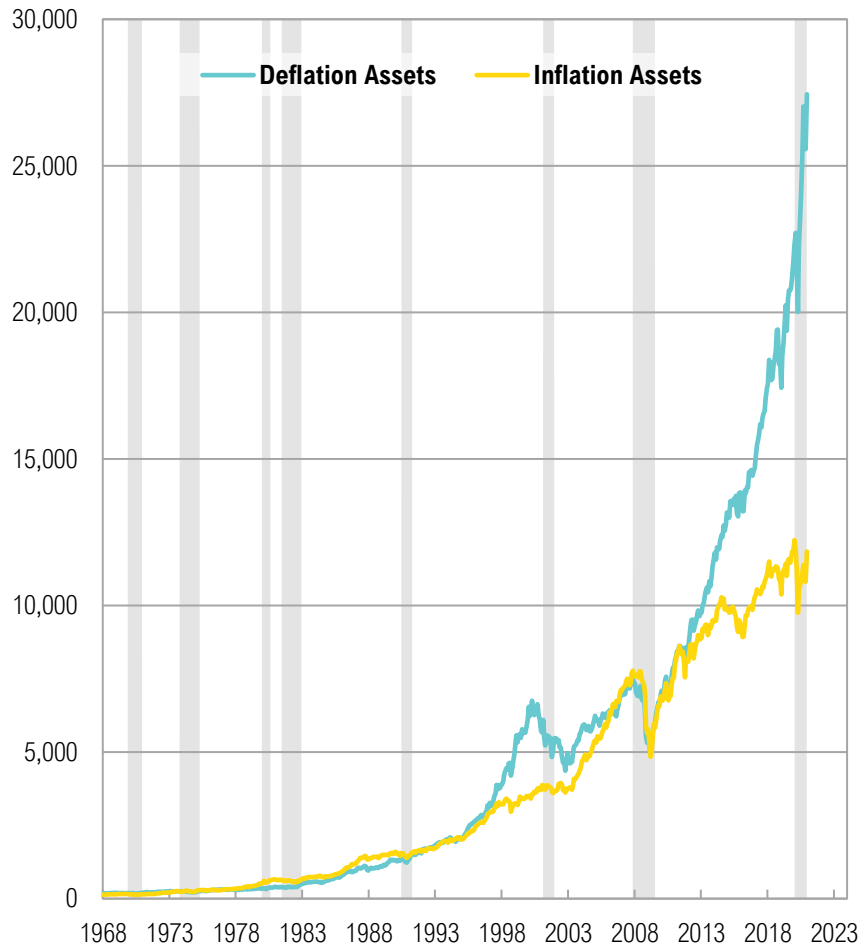


Source: Bloomberg

Time to Tilt from Deflation to Inflation Assets

INFLATION ASSETS VS. DEFLATION ASSETS GROWTH OF 100, 1/1/1968 – 12/31/2020

Growth Index, 1/1/1968 = 100



ASSET CLASS PERFORMANCE DURING INFLATION TRANCHES

Inflation Range (CPI, Y/Y %)	<1%	1 to 2%	2 to 3%	3 to 4%	4 to 5%	>5%
Deflation Assets	2.8	13.4	14.0	10.5	6.3	0.8
U.S. Consumer Discretionary	2.7	19.7	15.0	8.1	-2.8	-13.1
U.S. HY Bonds	-0.8	10.4	12.5	10.3	5.7	-2.0
U.S. Tech	4.2	18.3	23.2	10.5	1.0	-1.7
Growth	0.0	17.3	16.7	11.7	10.6	5.9
U.S. Large Cap Stocks	4.5	14.3	16.0	12.2	12.9	4.6
U.S. Corporate Bonds	4.4	8.5	8.7	11.6	8.4	5.1
U.S. Government Bonds	4.7	5.7	5.6	9.1	8.5	6.4
Inflation Assets	-9.0	6.8	11.9	13.0	8.5	5.2
Intl Dev Large Cap Stocks	-11.0	13.3	13.2	16.4	12.6	5.4
Value	-7.7	12.1	15.1	12.6	11.1	7.9
Cash	1.3	2.4	3.5	4.9	6.4	7.9
Gold	4.0	5.2	6.8	11.1	5.6	21.0
Commodities	-26.1	-4.6	9.1	15.4	17.8	19.9
U.S. REITs	-7.7	12.8	16.9	16.9	0.6	-5.7
U.S. TIPS	1.4	4.7	6.9	7.8	7.1	11.9
U.S. Banks	-13.6	13.2	21.8	11.2	-4.4	-30.6
U.S. Energy	-21.2	2.6	14.4	20.3	20.0	8.8

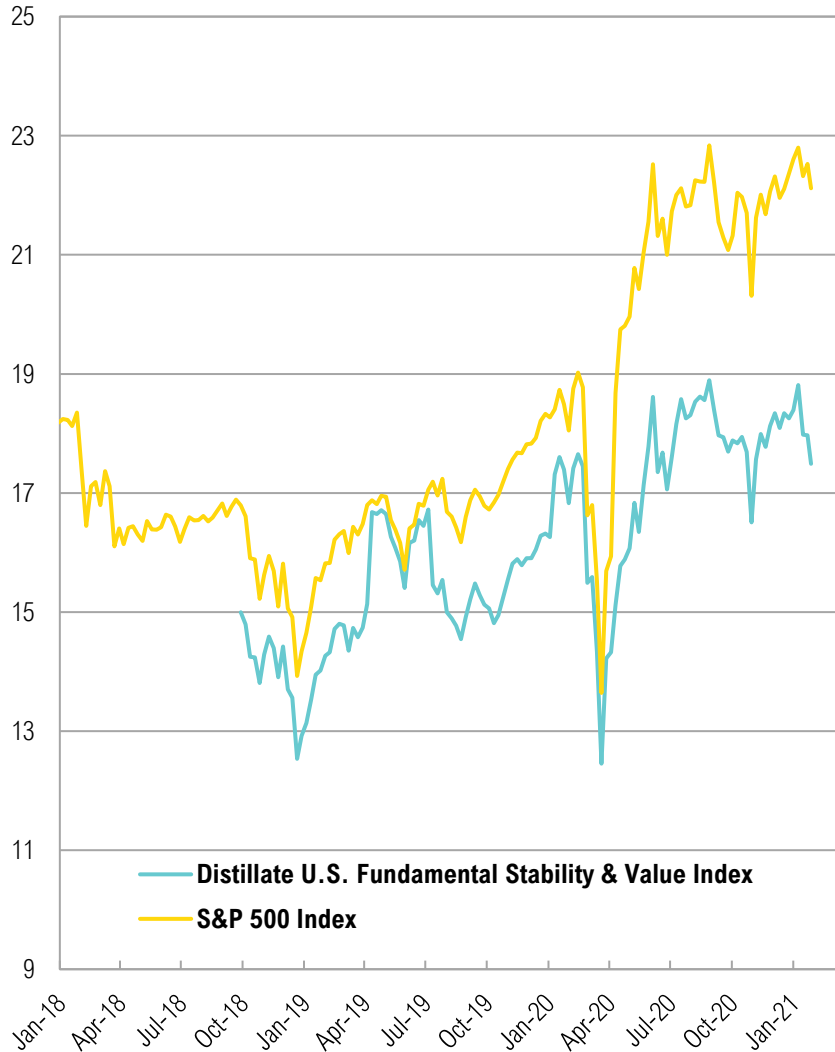
This table represents the average 12-month performance of each asset class at various levels of inflation (CPI, Y/Y %). Deflation Assets and Inflation Assets in this table are a simple average of the underlying asset classes. The data is from 12/31/1960 through 12/31/2020.

Source: Bloomberg. Total return data shown in table is cumulative. Data as of 11/30/2020. Performance for Deflation Assets represented by the following total return indices (equal weighted): U.S. IG Bonds = Bloomberg U.S. Corporate Bond TR Index; Government Bonds = IA SBBI U.S. IT Govt TR Index; U.S. Large Cap Stocks = IA SBBI U.S. Large Stock TR Index/S&P 500 TR Index; Growth Stocks = MSCI USA Growth NR Index; Consumer Discretionary Stocks = S&P 500 Consumer Discretionary TR Index; Tech Stocks = S&P 500 Information Technology TR Index. Performance for Inflation Assets represented by the following total return indices (equal weighted): TIPS = Bloomberg U.S. Treasury U.S. TIPS TR Index, Commodities = Bloomberg Commodity TR Index, Cash = IA SBBI U.S. 30 Day Tbill TR Index, Gold = LBMA Gold Price AM Index, International Stocks = MSCI EAFE TR Index, Real Estate = MSCI U.S. REIT NR GR Index, Value Stocks = MSCI USA Value NR Index, Banks = S&P 500 Banks TR Index, Energy = S&P 500 Energy TR Index.

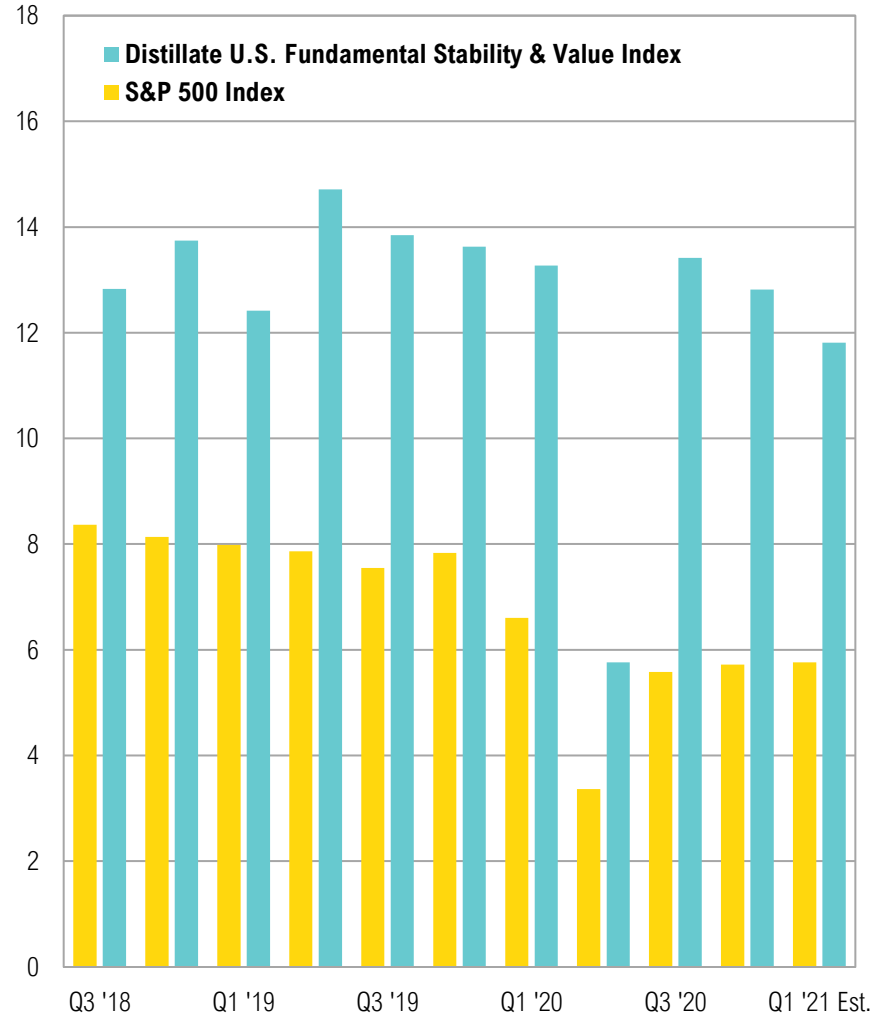
Reducing Risk in U.S. Large Cap Stocks

DISTILLATE U.S. FSV INDEX VS. S&P 500 INDEX: FORWARD P/E (LHS) & RETURNS ON CAPITAL (RHS), AS OF 1/27/2021

12-Month Forward P/E Ratio



Underlying Returns on Capital, %

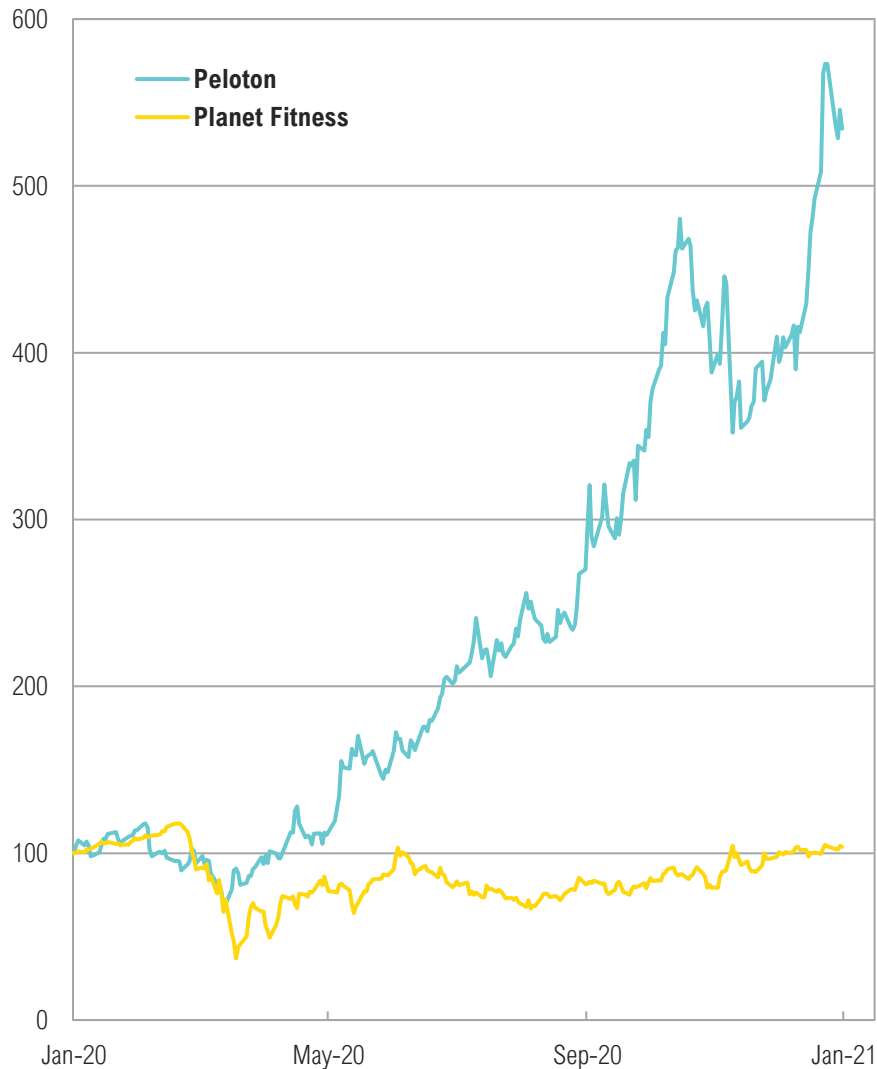


Source: Bloomberg

Winners vs. Losers or Redefining “Normal”?

GROWTH OF 100 COMPARISONS FOR SELECT COMPANIES, 1/1/2020 - 12/31/2020

Growth of 100

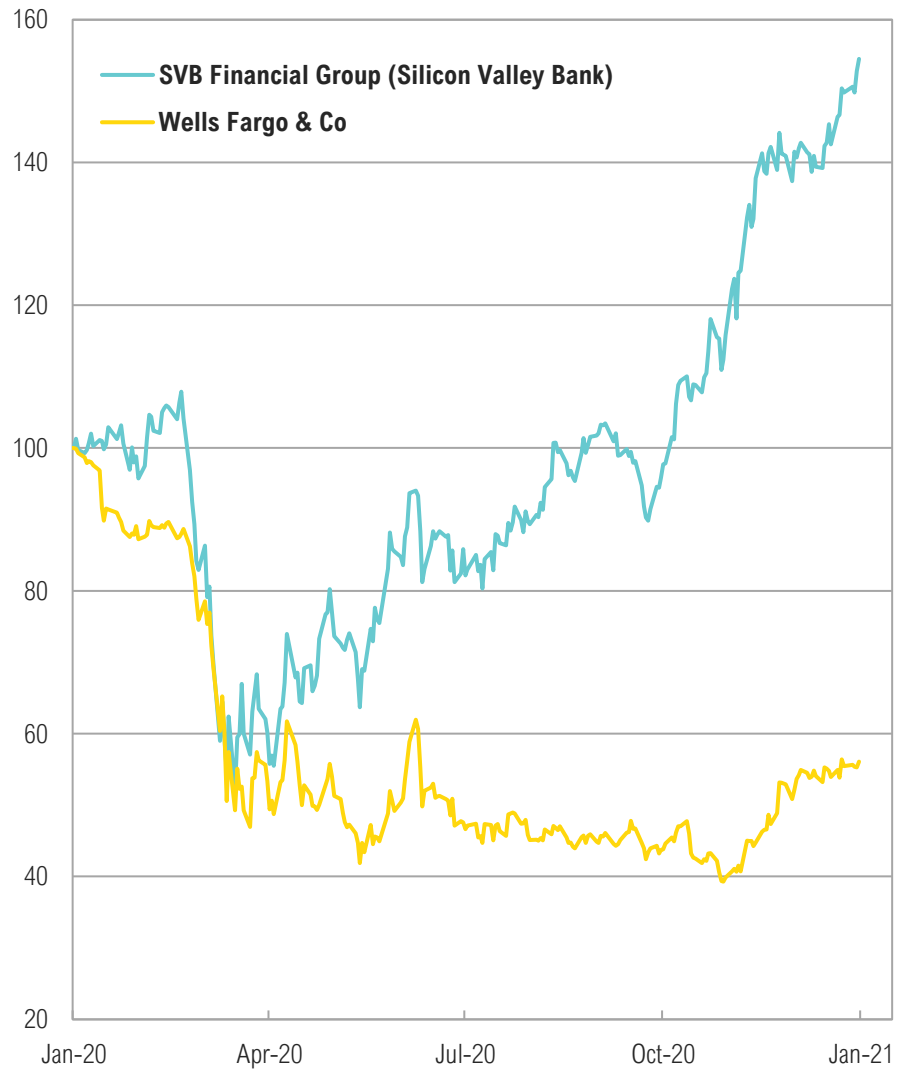


Source: Bloomberg

Q1 2021 Market Outlook

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Growth of 100

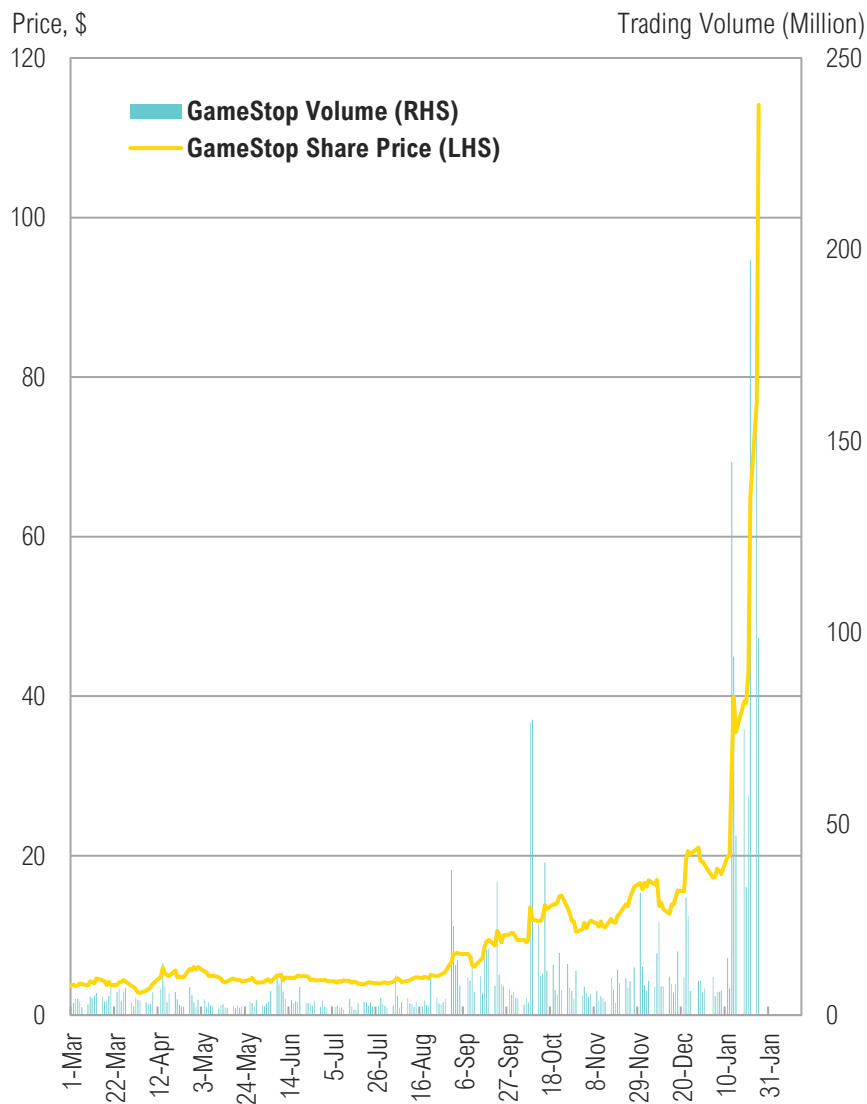


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Treacherous Market for Short Sellers: Crowd-Sourced Short Squeezes

GAMESTOP PRICE & TRADING VOLUME (LHS) & TOP 25 U.S. LISTED STOCKS RANKED BY SHORT INTEREST, AS OF 1/25/2021



Source: Bloomberg

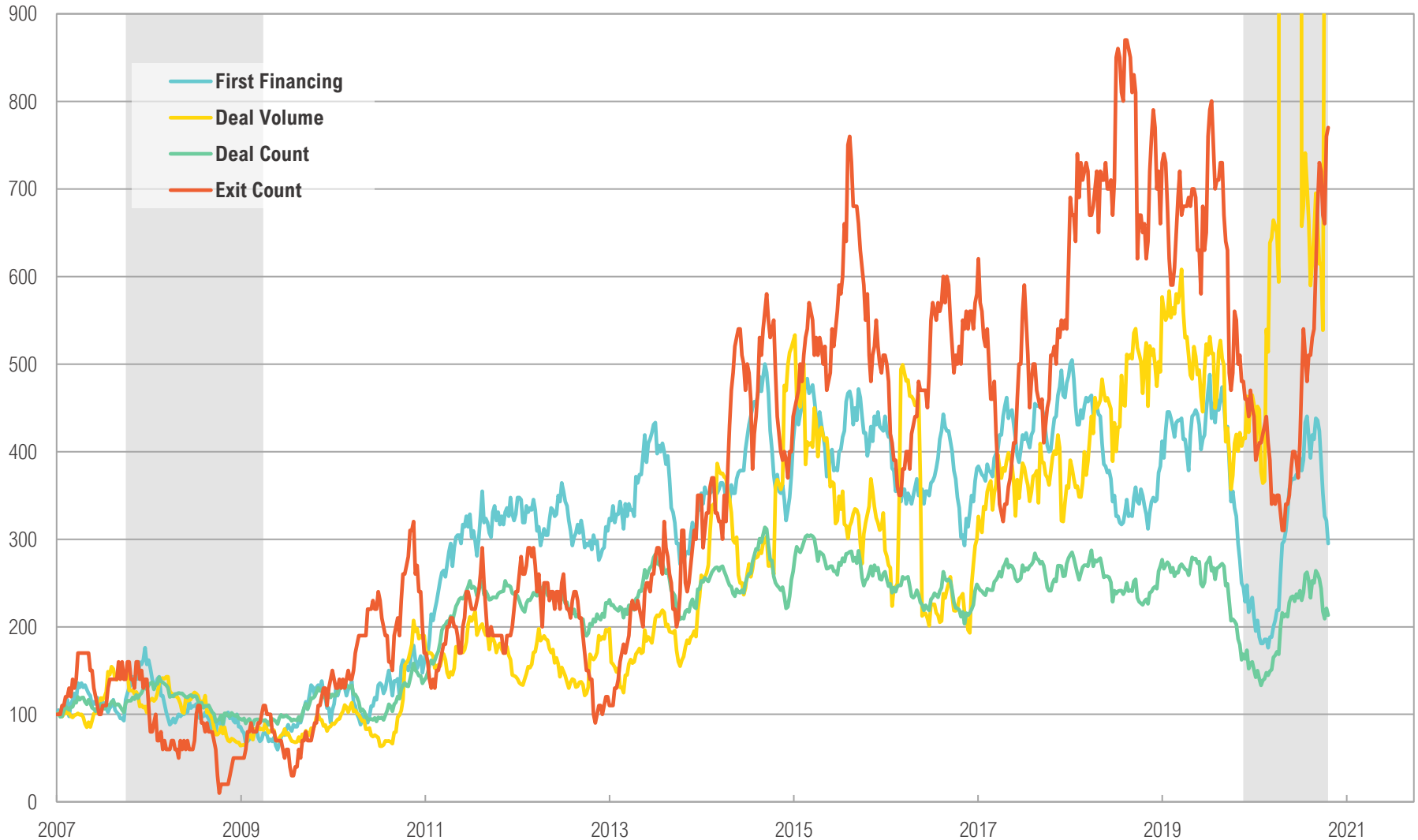
U.S. STOCKS RANKED BY SHORT INTEREST | Top 25

Ticker Name	Exch.	Short Int. (%)	Float (Shares, MM)	Outstd. (Shares, MM)	Industry
GME GameStop Corp	NYSE	141.7	50.2	65.2	Computer & Elect. Retail
BBBY Bed Bath & Beyond Inc	NAS	67.2	113.4	121.2	Homefurnishing Retail
LGND Ligand Pharmaceuticals Inc	NAS	64.6	15.3	16.1	Biotechnology
FIZZ National Beverage Corp	NAS	62.5	11.7	46.6	Soft Drinks
AMCX AMC Networks Inc	NAS	59.4	27.4	52.	Broadcasting
MAC Macerich Co/The	NYSE	58.6	137.6	149.6	Retail REITs
SKT Tanger Factory Outlet	NYSE	49.4	90.6	93.5	Retail REITs
TR Tootsie Roll Industries Inc	NYSE	45.3	16.3	66.3	Packaged Foods & Meats
PLCE Children's Place Inc/The	NAS	38.0	13.7	14.6	Apparel Retail
IRBT iRobot Corp	NAS	37.4	27.5	28.1	Household Appliances
BGS B&G Foods Inc	NYSE	36.3	62.9	64.3	Packaged Foods & Meats
DISCA Discovery Inc	NAS	35.1	155.6	496.	Broadcasting
M Macy's Inc	NYSE	35.0	310.1	310.2	Department Stores
PETS PetMed Express Inc	NAS	34.4	19.5	20.3	Internet & Retail
RGS Regis Corp	NYSE	33.1	22.8	35.7	Consumer Services
ZYXI Zynex Inc	NAS	31.4	19.4	34.7	Health Care Equipment
CNK Cinemark Holdings Inc	NYSE	30.8	102.6	118.2	Movies & Entertainment
MIK Michaels Cos Inc/The	NAS	29.6	83.3	147.5	Specialty Stores
JWN Nordstrom Inc	NYSE	28.9	109.6	157.7	Department Stores
AAL American Airlines Group Inc	NAS	28.6	598.9	508.6	Airlines
EBIX Ebix Inc	NAS	28.5	26.3	30.5	Application Software
DDD 3D Systems Corp	NYSE	28.2	118.5	124.2	Technology Hardware
FLGT Fulgent Genetics Inc	NAS	28.2	13.9	23.3	Health Care Services
SCVL Shoe Carnival Inc	NAS	26.9	8.6	14.1	Apparel Retail
TRHC Tabula Rasa HealthCare Inc	NAS	26.7	21.8	23.3	Health Care Technology

Activity in Venture Capital Continues to be Robust

BLOOMBERG U.S. STARTUP (VENTURE CAPITAL) INDICES, 4/9/2007 – 1/25/2021

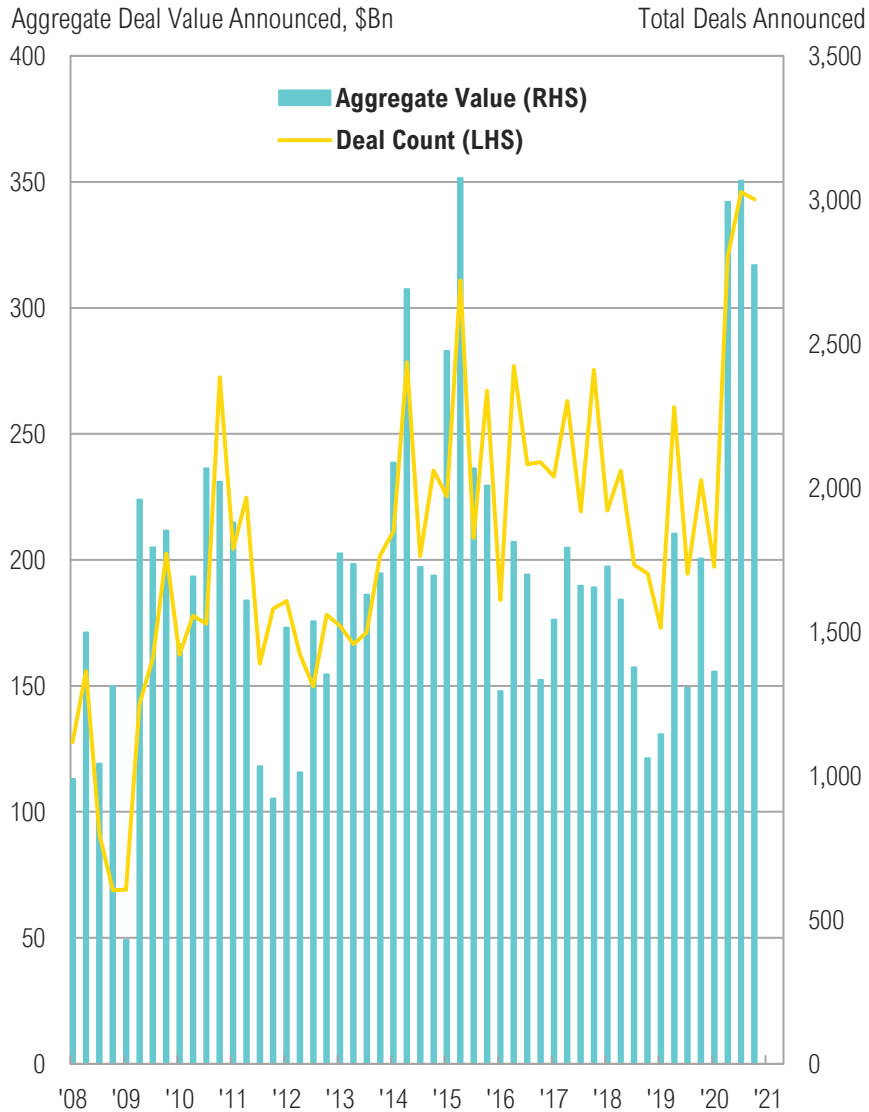
Bloomberg U.S. Startup Barometers, Growth of 100



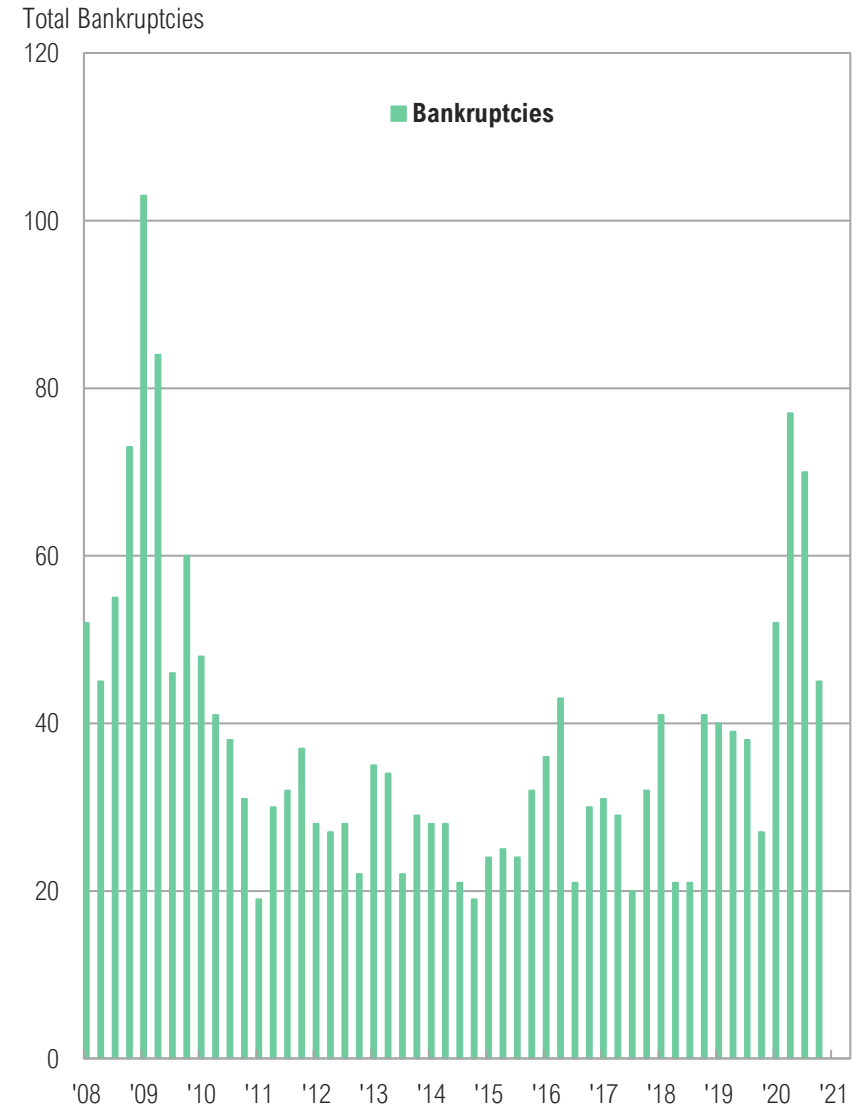
Source: Bloomberg

IPOs vs. Bankruptcies

IPOs & EQUITY OFFERINGS (LHS) VS. NUMBER OF BANKRUPTCY FILINGS (RHS), AS OF 12/31/2020



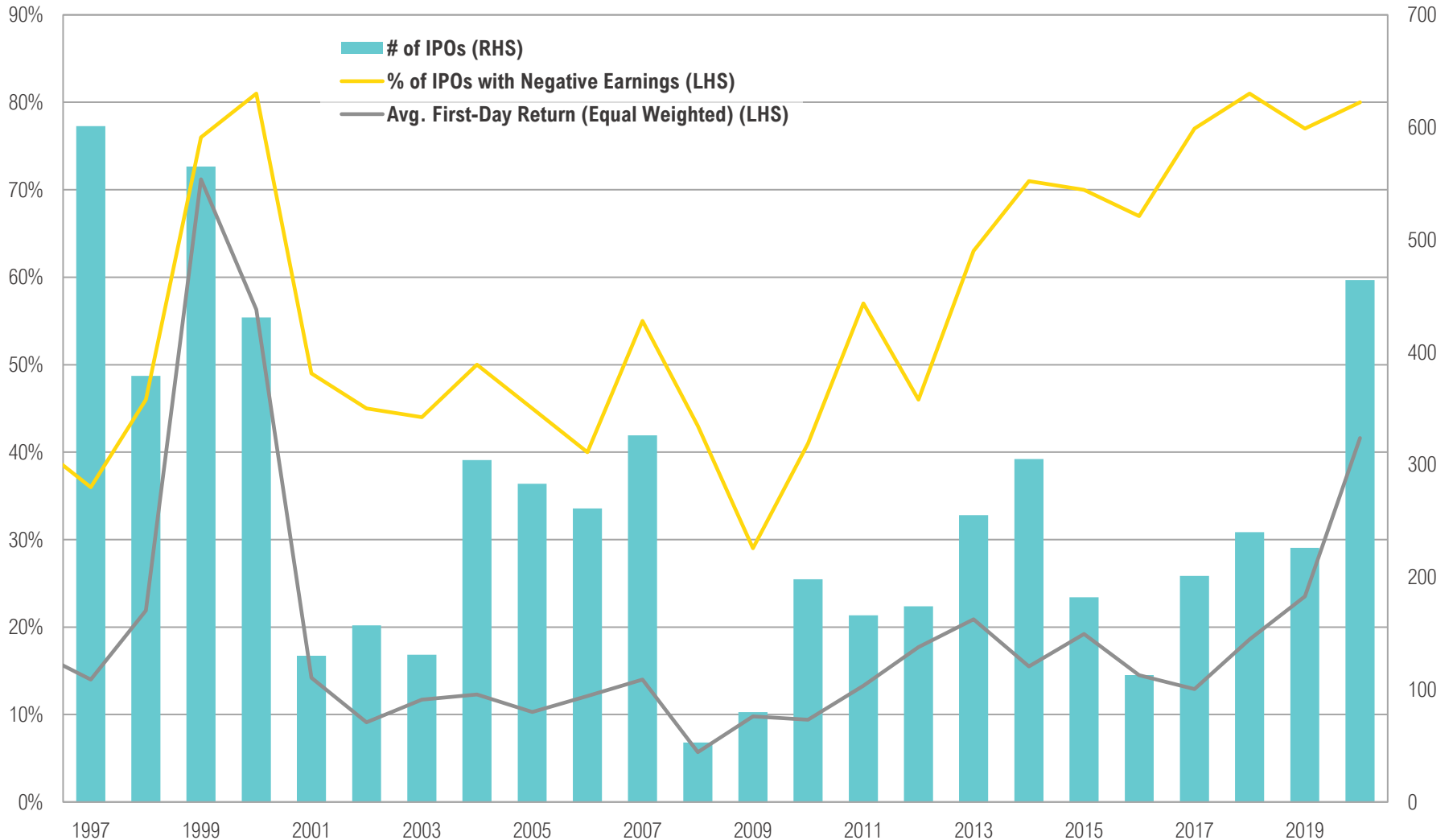
Source: Bloomberg



Lack of Profits was Not an Issue for Investors in 2020

PERCENTAGE OF IPOs WITH NEGATIVE EARNINGS & AVG. FIRST-DAY RETURN (LHS), NUMBER OF IPOs (RHS), 1997 - 2020

IPOs with Negative Earnings & Avg. First-Day Return (%)

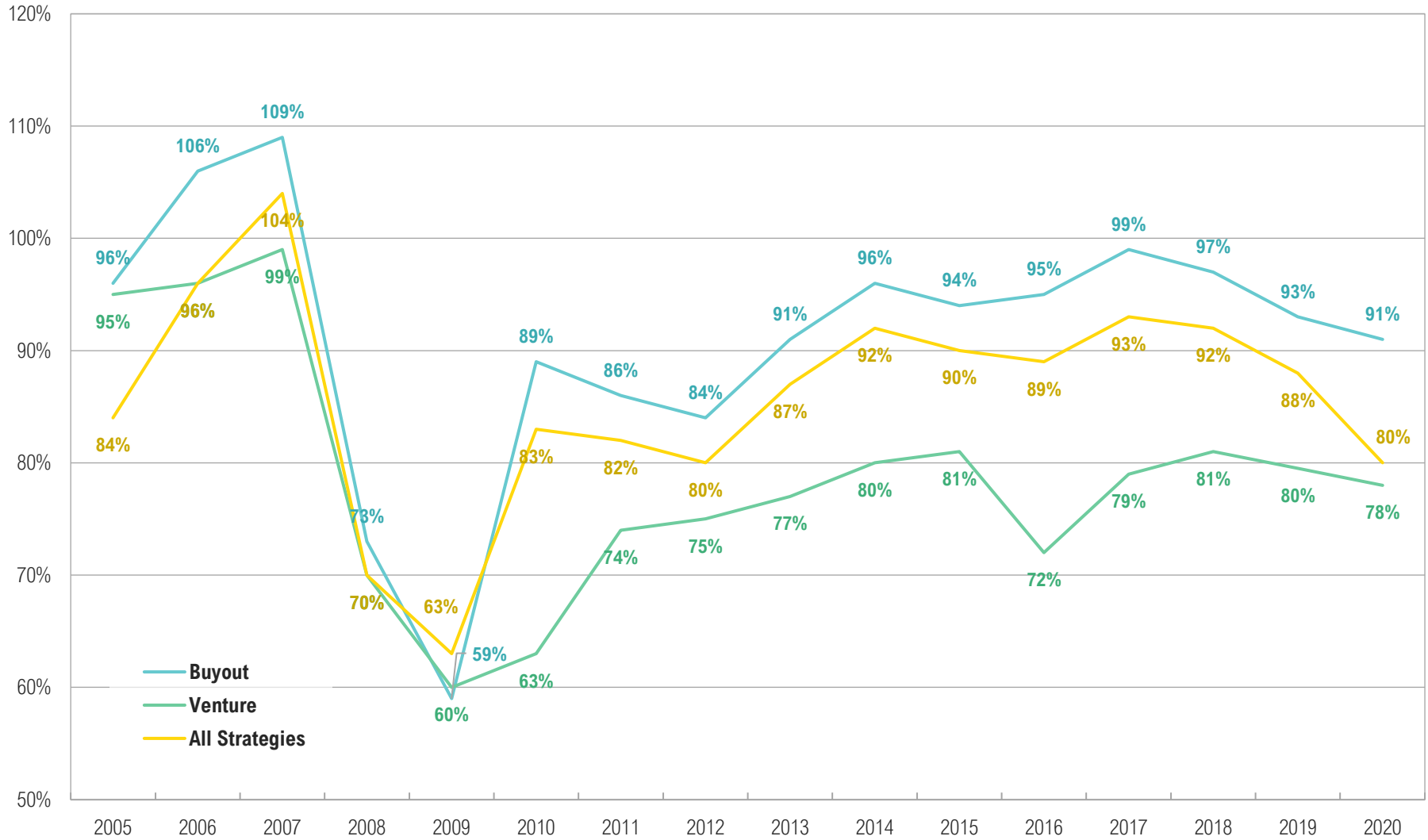


Source: University of Florida (Jay Ritter)

Buyout & Venture Secondaries Remain Attractive

BUYOUT, VENTURE CAPITAL & ALL PRIVATE EQUITY MEDIAN SECONDARY DISCOUNT TO NET ASSET VALUE, 2005 - 2020

Pricing, % of Net Asset Value (NAV)



Source: AltAssets, Setter Capital, Aberdeen, Palico
Buyout and Venture data as of August 2020. All strategies data as of June 2020. SpringTide estimate for 2019 Venture pricing.

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“ *Only a crisis - actual or perceived - produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable.*”

Milton Friedman, *Economist, Author of Capitalism and Freedom*

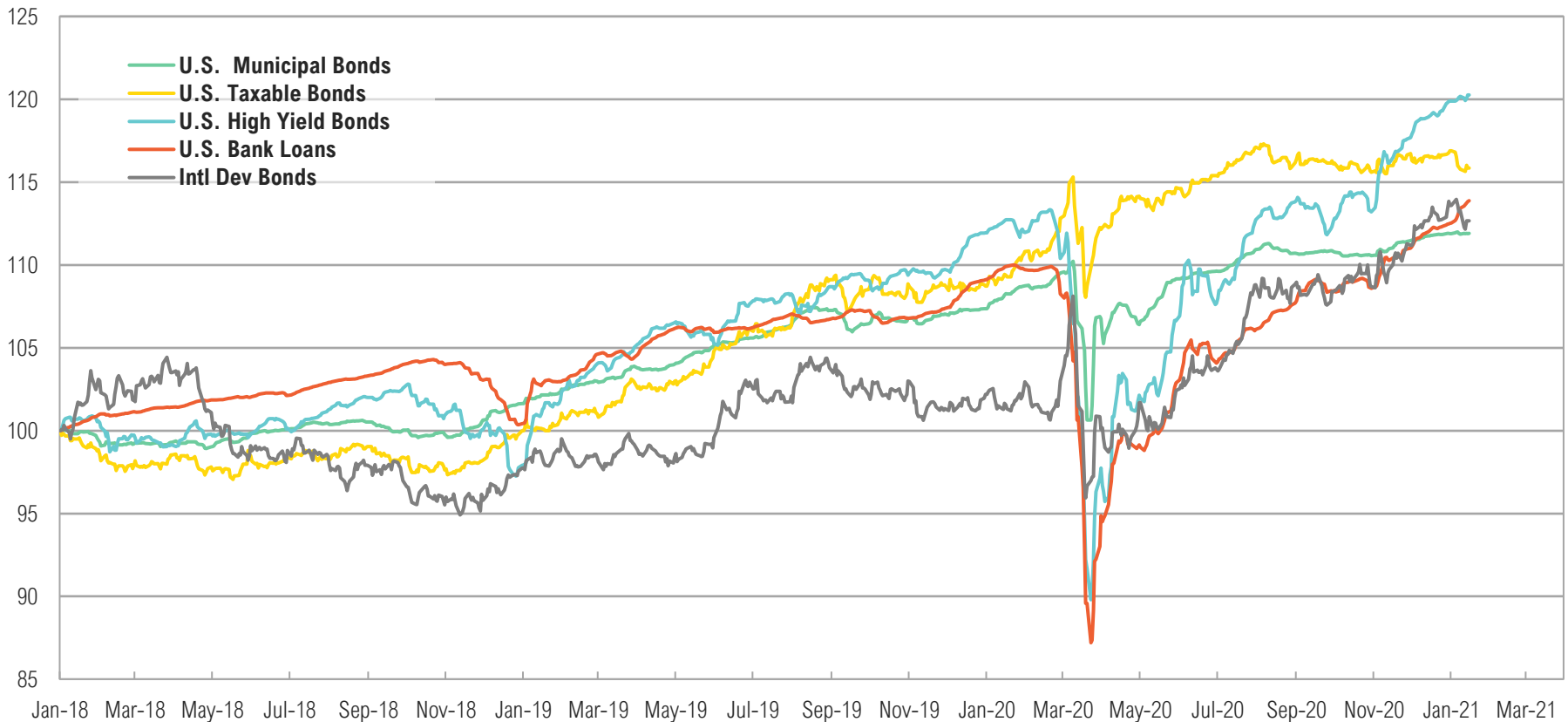
“ *MMT teaches us that if we have the real resources we need—that is, if we have the building materials to fix our infrastructure, if we have people who want to become doctors, nurses, and teachers, if we can grow all the food we need—then the money can always be made available to accomplish our goals. That is the beauty of a sovereign currency.*”

Stephanie Kelton, *The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy*

Fixed Income & Credit Returns

CALENDAR YEAR & TRAILING TOTAL RETURNS, AS OF 12/31/2020

Growth Index, 3 Years



Asset Class	Benchmark	QTD	YTD	2019	2018	2017	2016	2015	1-Yr	3-Yr	5-Yr	10-Yr
U.S. Municipal Bonds	BBgBarc Municipal 1-10Y Blend 1-12Y TR	1.0	4.2	5.6	1.6	3.5	-0.1	2.4	4.2	3.8	3.0	3.3
U.S. Taxable Bonds	BBgBarc US Agg Bond TR	0.7	7.5	8.7	0.0	3.5	2.6	0.5	7.5	5.3	4.4	3.8
U.S. High Yield Bonds	BBgBarc US Corporate High Yield TR	6.5	7.1	14.3	-2.1	7.5	17.1	-4.5	7.1	6.2	8.6	6.8
U.S. Bank Loans	S&P/LSTA Leveraged Loan TR	3.8	3.1	8.6	0.4	4.1	10.2	-0.7	3.1	4.0	5.2	4.3
Intl Dev Bonds	S&P International Sov Ex-US Bond TR	4.8	11.2	4.6	-2.3	11.3	1.6	-6.6	11.2	4.3	5.1	2.3

Source: Bloomberg

Returns for periods greater than one year are annualized.

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SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION



Fixed Income & Credit Summary

COMMENTARY & MARKET DATA

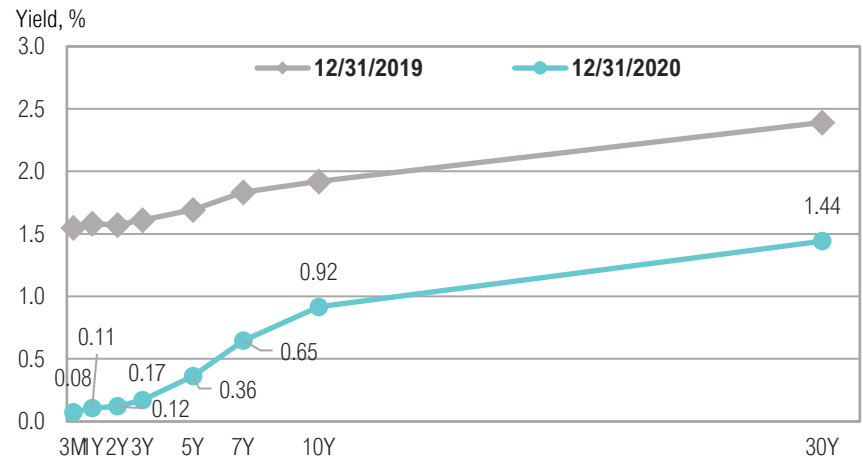
FIXED INCOME/ RATES

- *Short-term rates will remain low for the foreseeable future.*
- *The Fed's new, somewhat opaque approach to generating inflation adds insult to injury for fixed income investors with low-risk thresholds, substantially raising the risk of negative real yields.*
- *U.S. Treasury yields may rise as a result of massive government spending, but a structural ceiling on developed market rates from demographics and debt overhang will likely not get overcome until persistent MMT-inspired stimulus via some form of ongoing Universal Basic Income (UBI).*

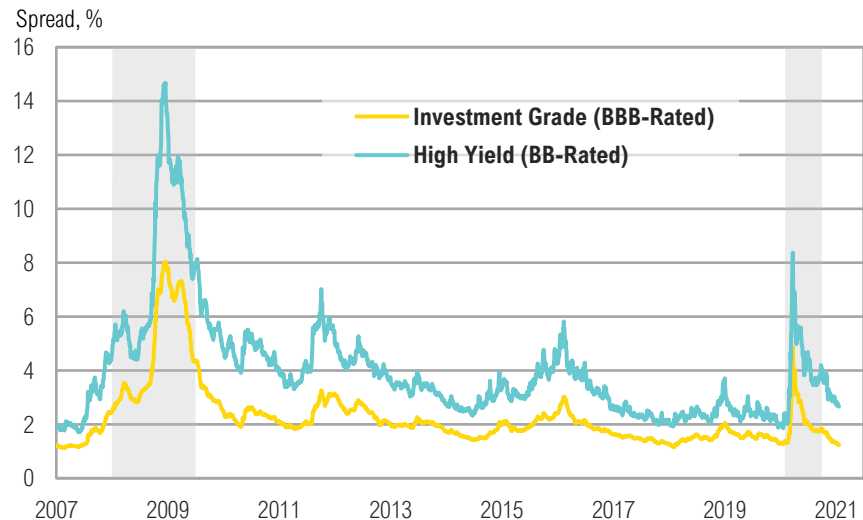
CREDIT

- *Over the quarter, high yield bond spreads narrowed by 164 basis points from 5.50% to 3.86%, near their lowest levels ever.*
- *Central Bank intervention has removed tail risks in investment-grade bonds and some high yield bonds.*
- *Private credit remains attractive given higher rates of return and heightened economic volatility creating opportunity.*

TREASURY YIELD CURVE



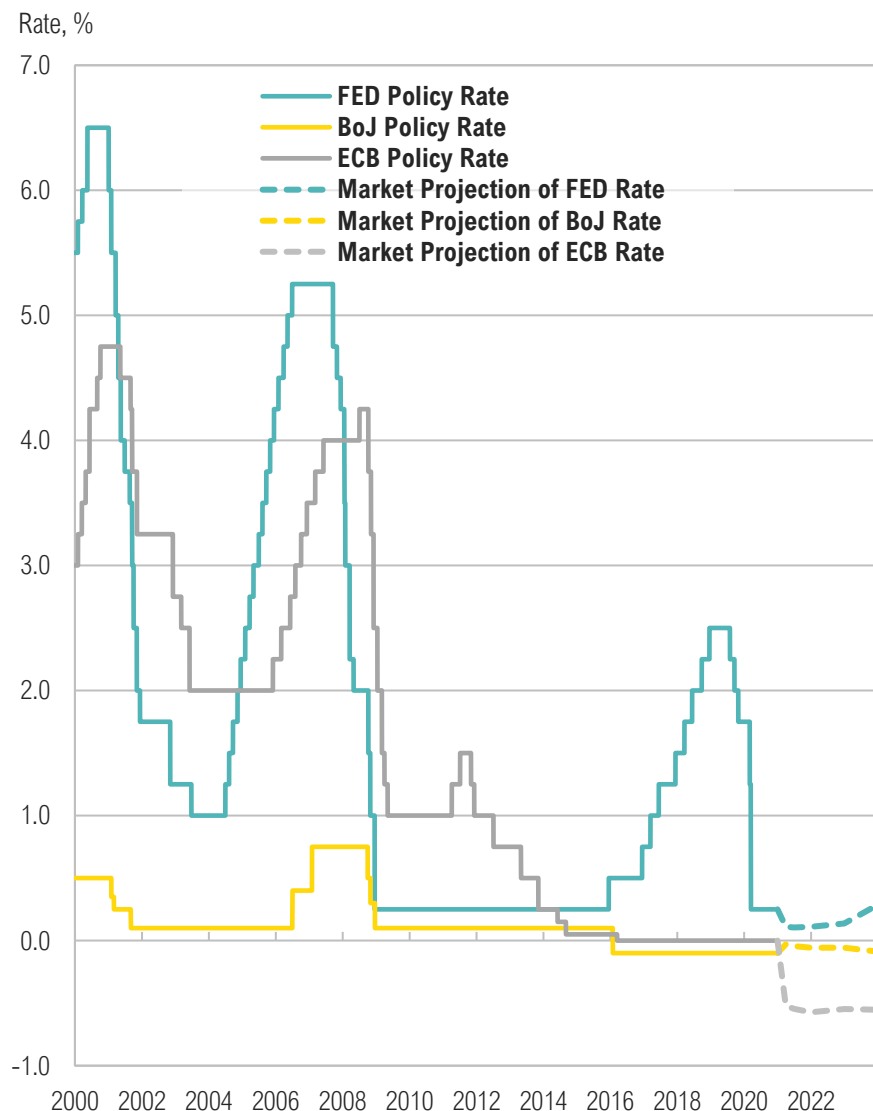
CREDIT SPREADS



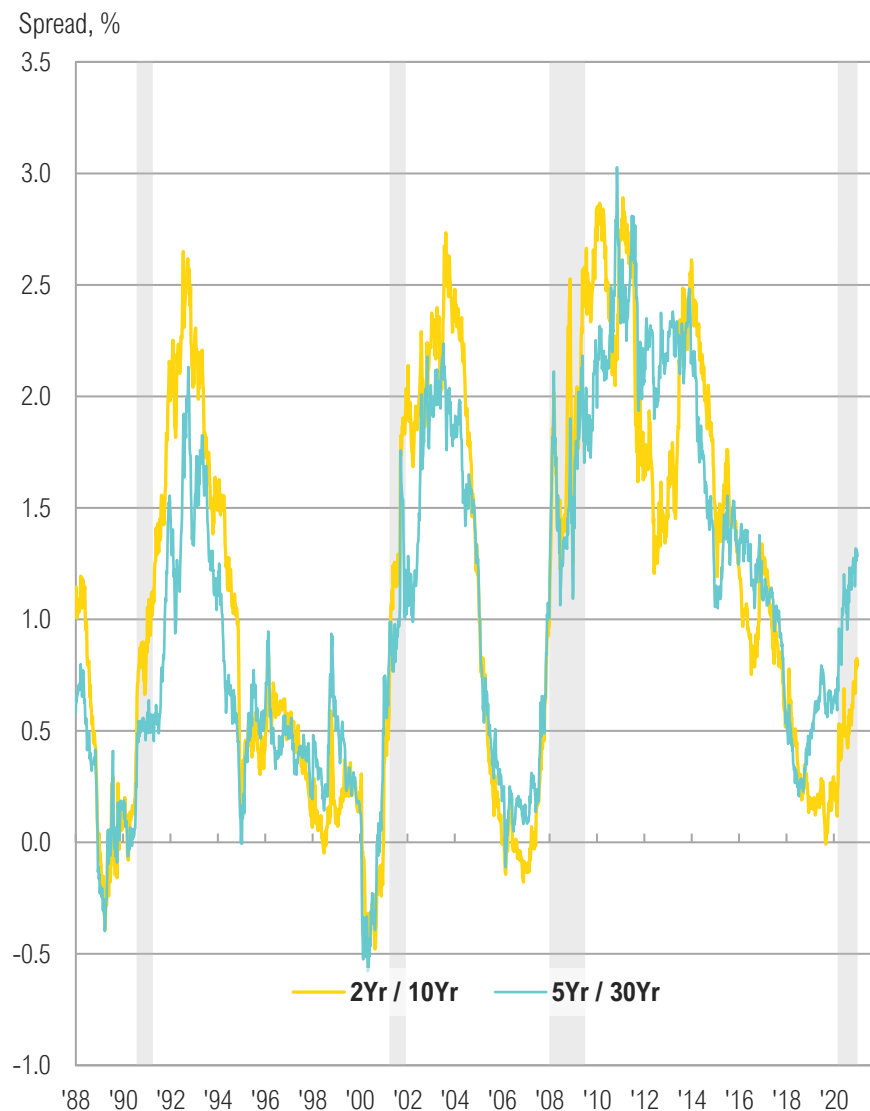
Source: Bloomberg

The Market is Pricing in Low Short-Term Rates for Several Years, but an Eventual Pickup in Growth/Inflation

CENTRAL BANK POLICY RATES & RATE EXPECTATIONS (LHS), U.S. TREASURY YIELD CURVES (RHS), AS OF 12/31/2020



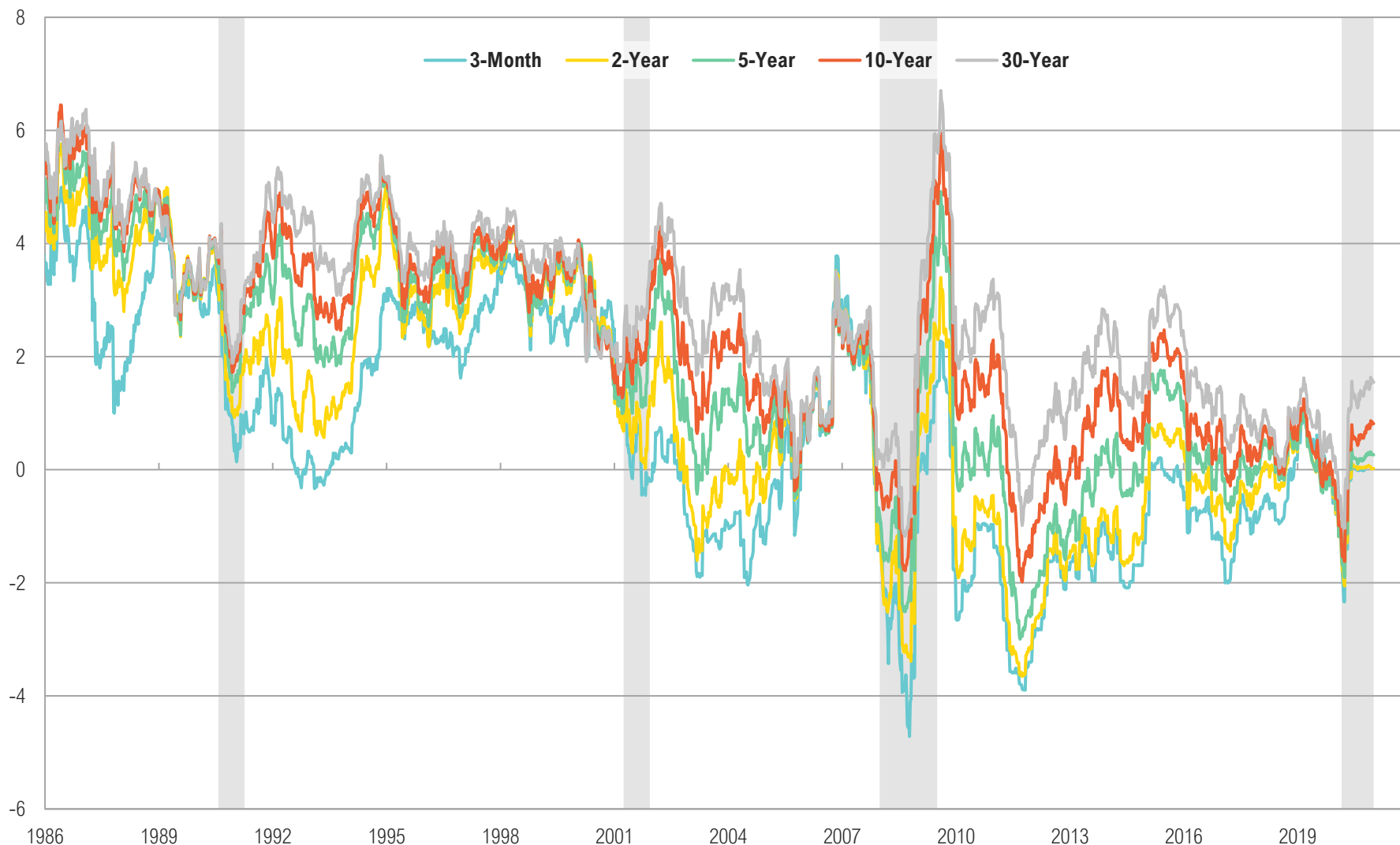
Source: Bloomberg, FRED



Treasury Yields May Not Protect Investors for the Loss of Purchasing Power From Even Modest Inflation

CPI INFLATION-ADJUSTED TREASURY YIELDS BY TENOR, 1/1/1980 – 12/31/2020

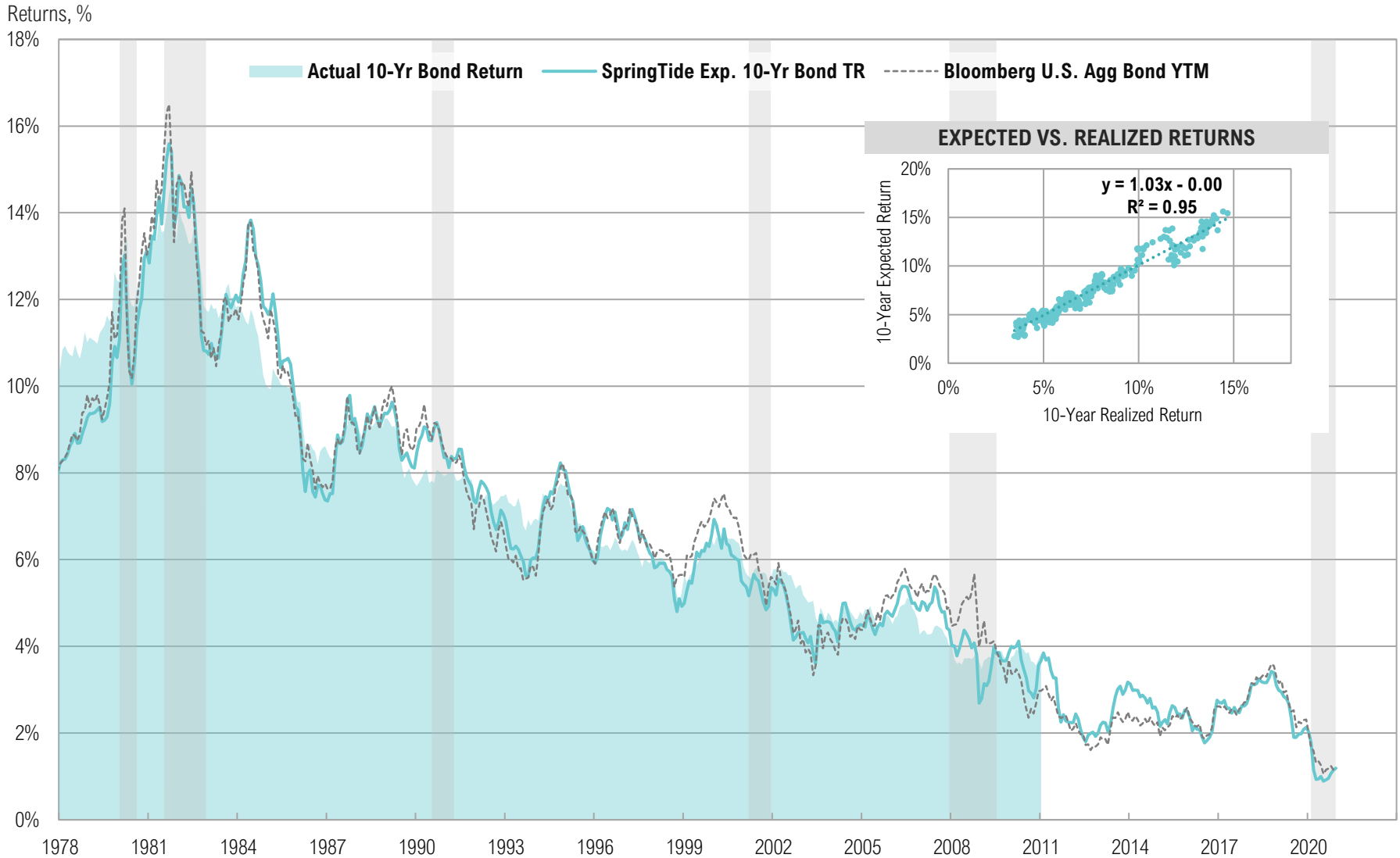
Real Yield, %



Source: Bloomberg

Core Bond Expected Returns ~1% for Next 10 Years

ACTUAL RETURNS VS. EXPECTED RETURNS FOR U.S. CORE BONDS, AS OF 12/31/2020

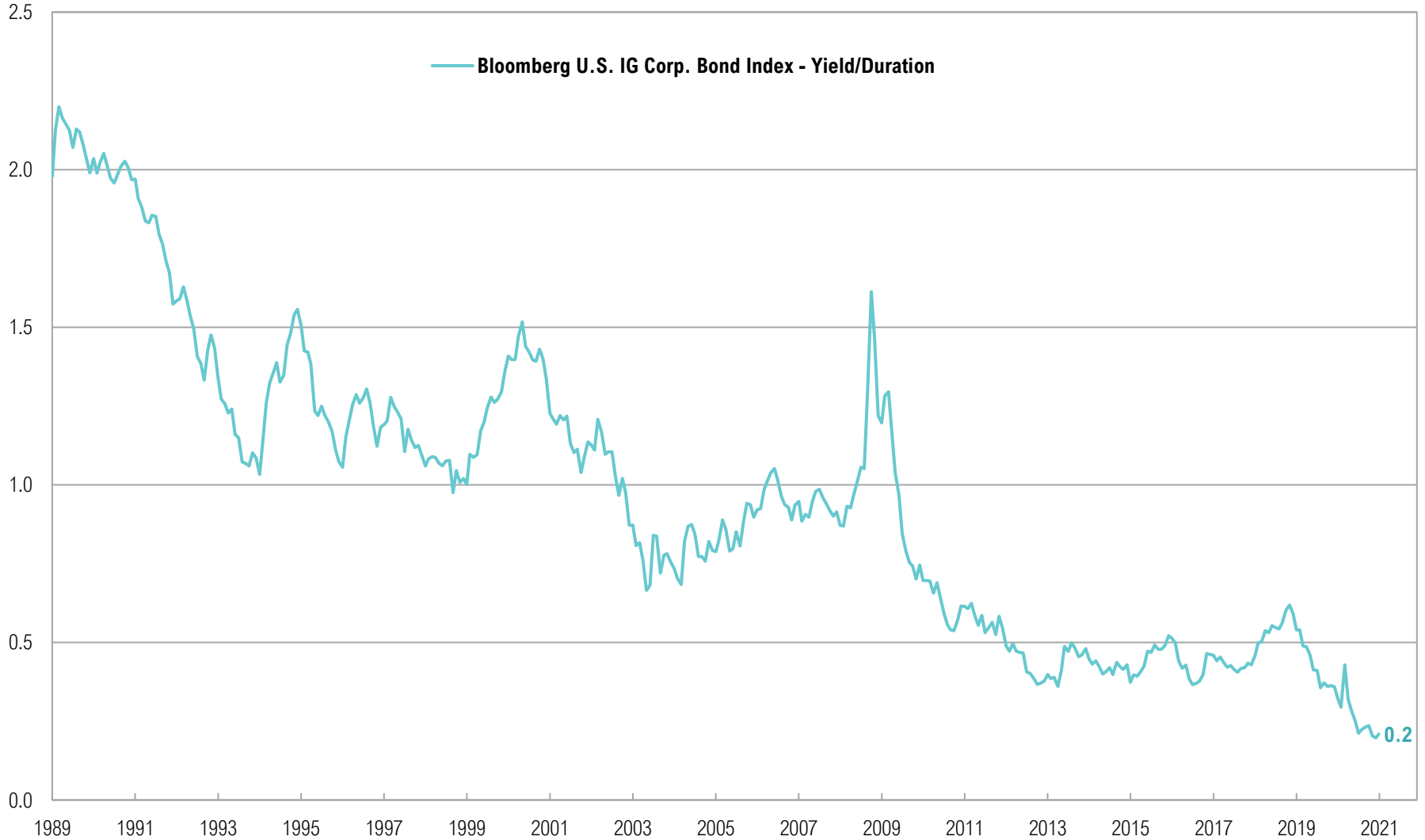


Source: Bloomberg, SpringTide

Sherman Ratio for U.S. Corporate Bond Market

BLOOMBERG U.S. INVESTMENT GRADE CORPORATE BOND INDEX YIELD/ DURATION, AS OF 1/25/2021

Yield/ Duration

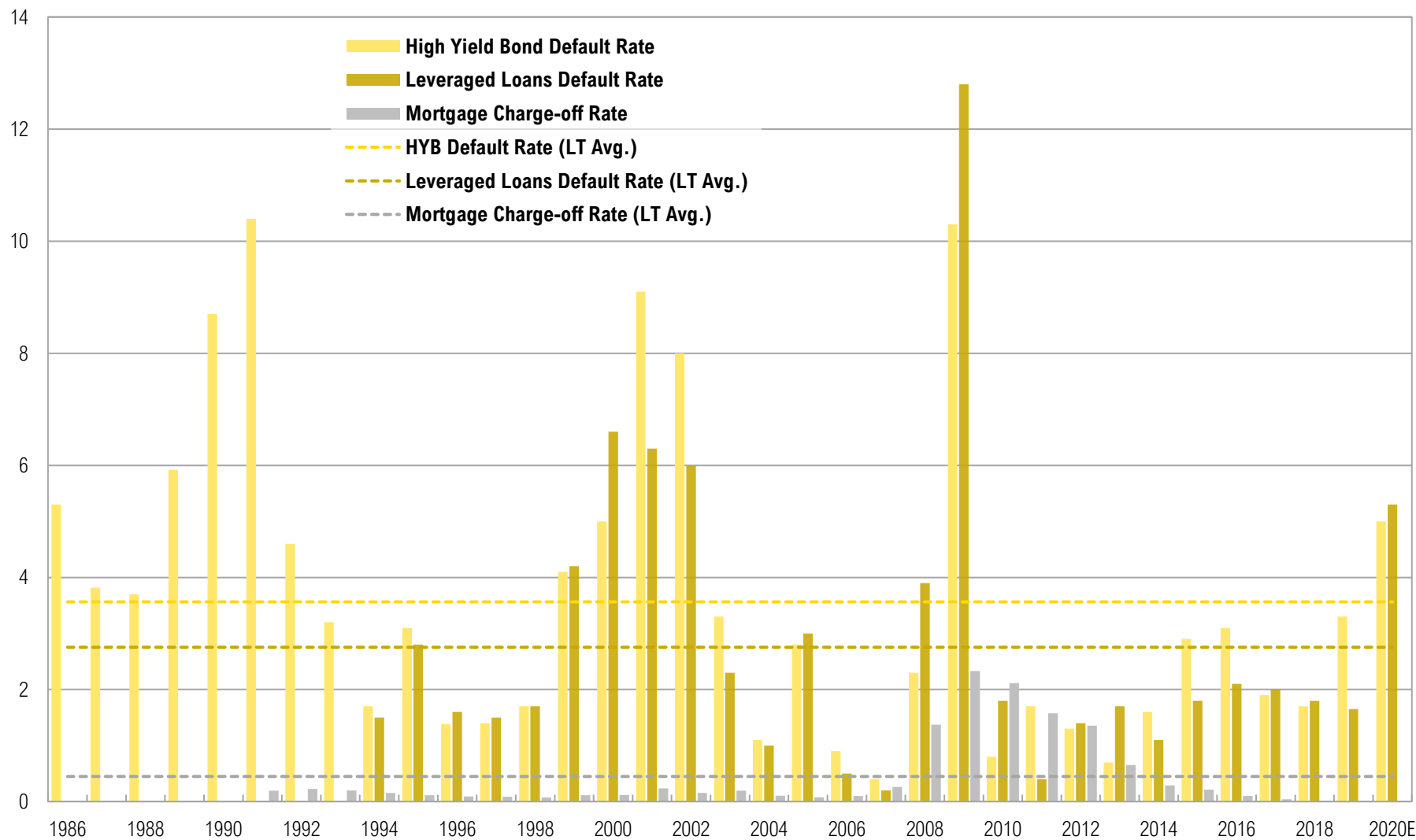


Source: Bloomberg

An Extra 1.5% in Credit Premium if the Fed Supports High Yield Bonds

HIGH YIELD BONDS, LEVERAGED LOANS AND MORTGAGE CHARGE-OFFS, AS OF 12/31/2020

Default Rate, %

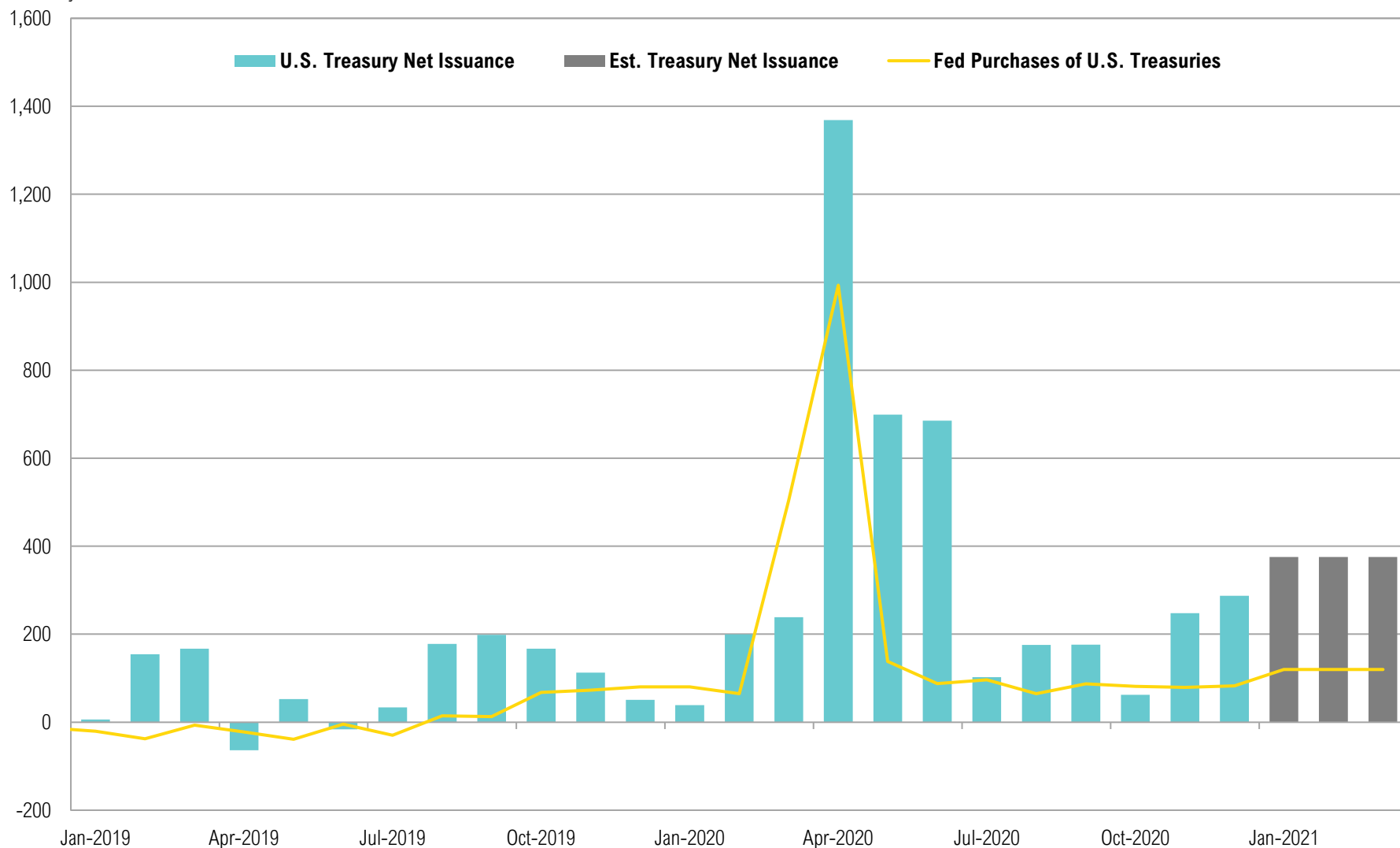


Source: Bloomberg, Moody's, S&P, JP Morgan, FRED

The Fed Will Likely Have to Increase Purchases To Keep Up with Issuance

U.S. TREASURY NET ISSUANCE VS. FED PURCHASES OF U.S. TREASURIES, AS OF 12/31/2020

Treasury Securities, \$Bn



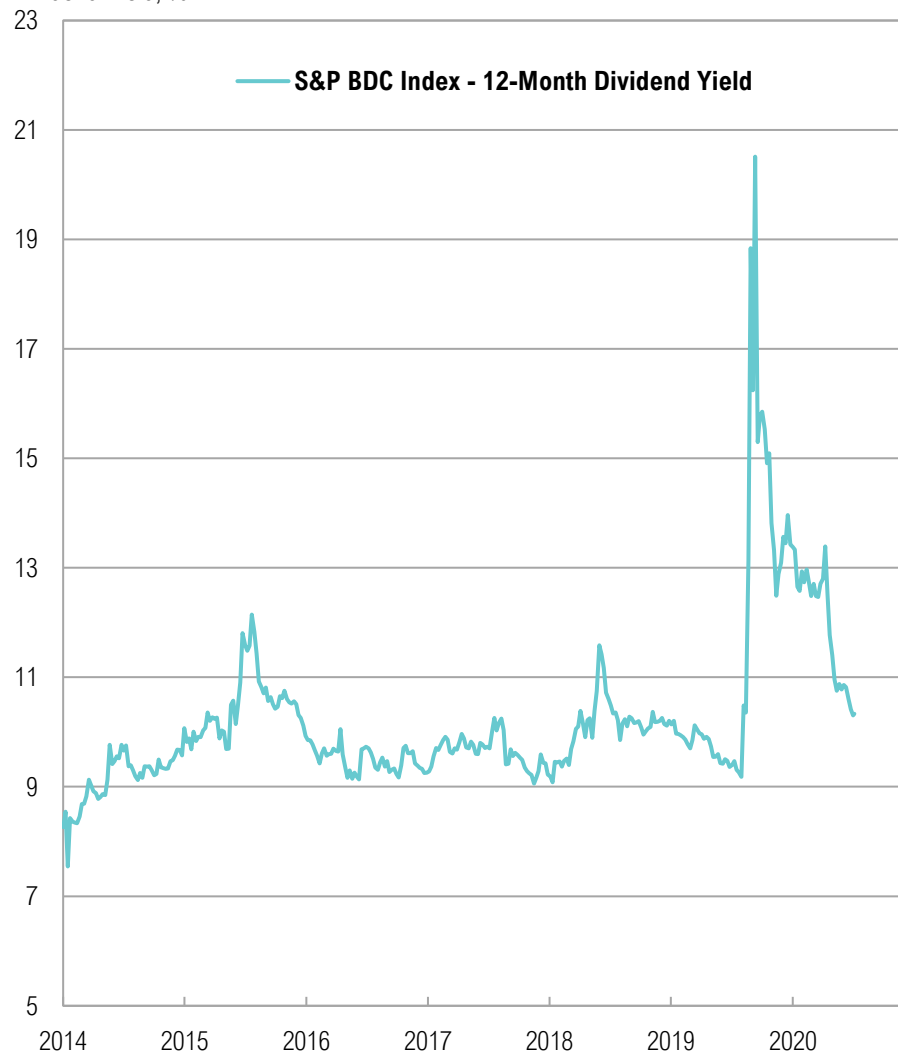
Source: Bloomberg

Estimated Treasury Net Issuance is based on U.S. Department of the Treasury's August Press Release: <https://home.treasury.gov/news/press-releases/sm1077>

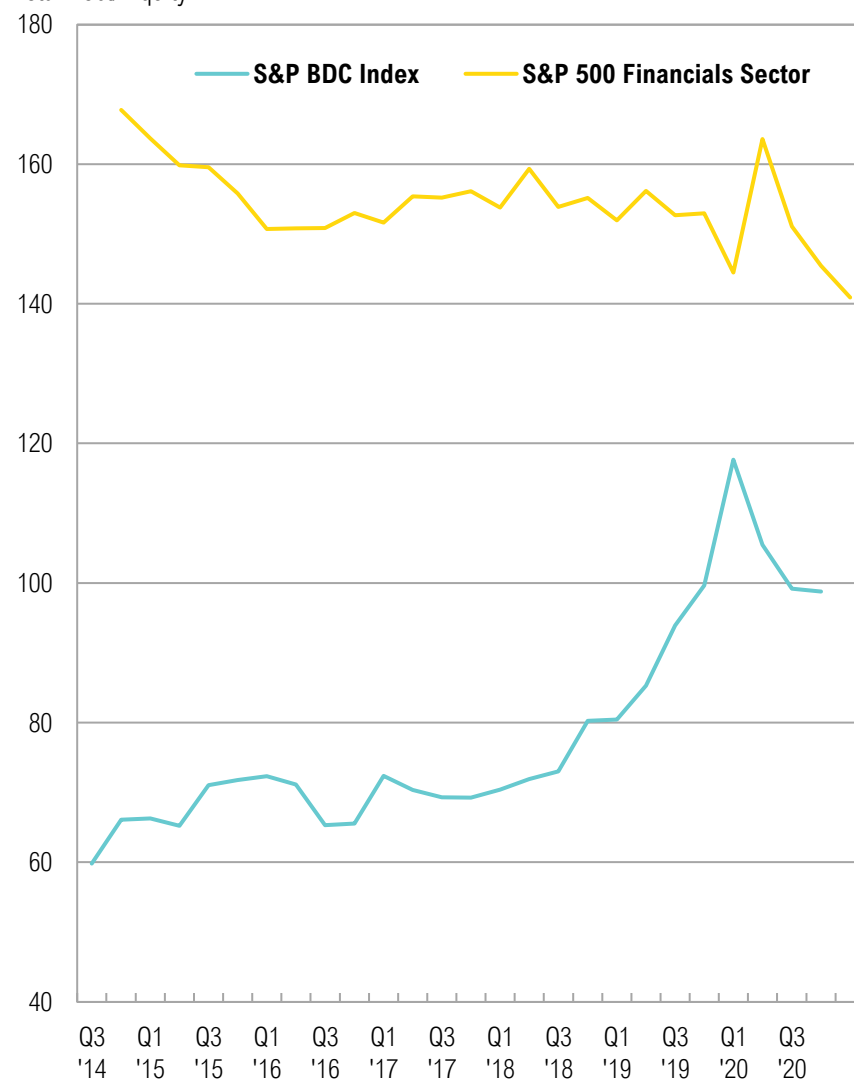
At 10%, BDC Yields Look Attractive in Higher Quality Names

S&P BDC INDEX 12-MONTH DIVIDEND YIELD (LHS), S&P BDC INDEX VS. FINANCIALS SECTOR DEBT/ EQUITY, AS OF 1/26/2021

Dividend Yield, %



Total Debt/ Equity



Source: Bloomberg

REAL ASSETS

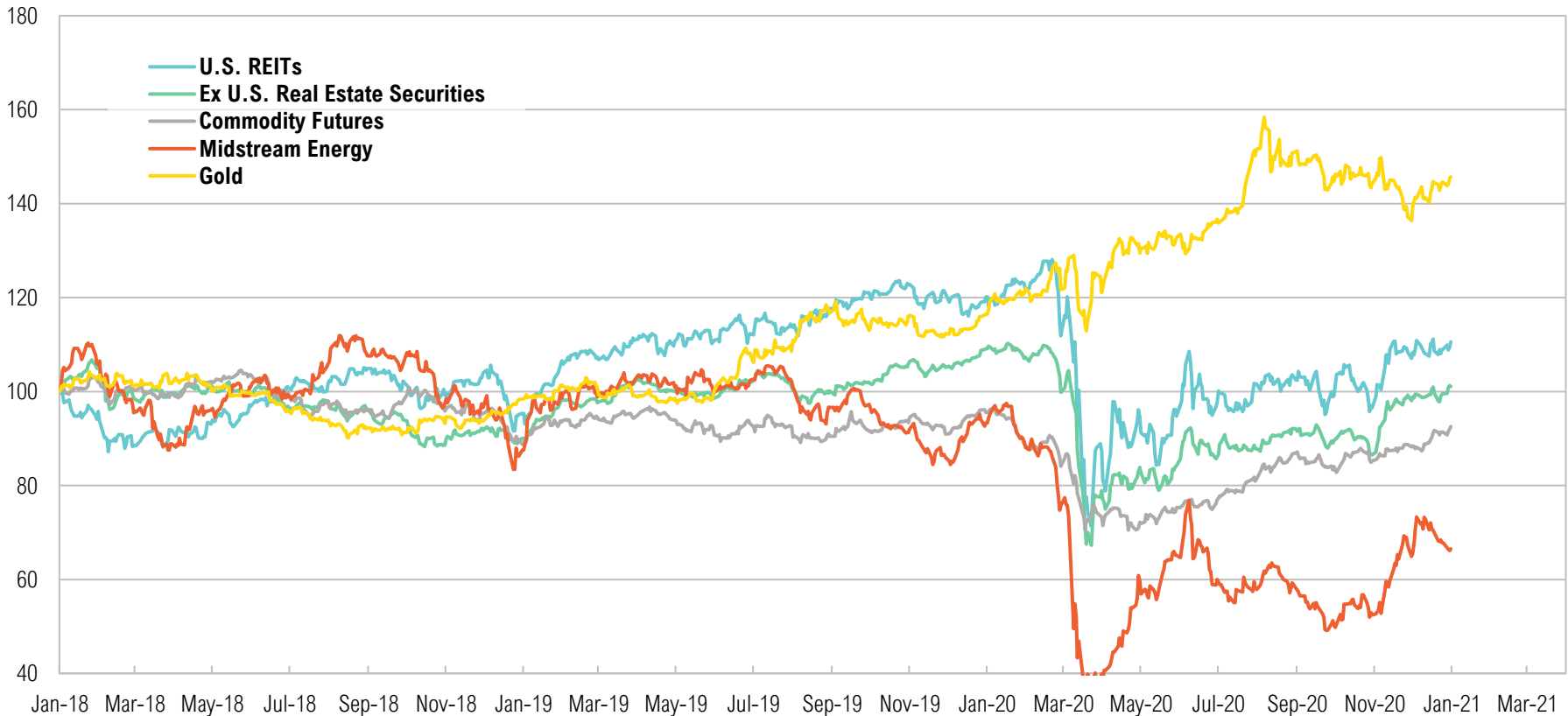
“ *When legislators, after having ruined men by [spending] and taxes, persevere in their idea, they say to themselves, ‘If the people suffer it is because there is not money enough. We must make some.’ And as it is not easy to multiply the precious metals, especially when the pretended resources of prohibition have been exhausted, they add, ‘We will make fictitious money, nothing is more easy, and then every citizen will have his pocket-full of it, and they will all be rich.’*”

Frederic Bastiat, French Businessman & Economist (1801 - 1850)

Real Asset Returns

TRAILING & CALENDAR YEAR TOTAL RETURNS, AS OF 12/31/2020

Growth Index, 3 Years



Asset Class	Benchmark	QTD	YTD	2019	2018	2017	2016	2015	1-Yr	3-Yr	5-Yr	10-Yr
U.S. REITs	MSCI US REIT NR	11.2	-8.7	24.3	-5.8	3.7	7.1	1.3	-8.7	2.2	3.5	7.0
Ex U.S. Real Estate Securities	S&P Global Ex US REIT TR	15.2	-9.3	24.7	-6.5	16.7	4.0	-2.8	-9.3	1.9	5.1	5.9
Broad Commodity Futures	Bloomberg Commodity TR	10.2	-3.1	7.7	-11.2	1.7	11.8	-24.7	-3.1	-2.5	1.0	-6.5
Energy Partnerships	Alerian MLP TR	32.4	-28.7	6.6	-12.4	-6.5	18.3	-32.6	-28.7	-12.7	-5.9	-2.3
Gold	LBMA Gold Price AM	0.4	24.2	18.8	-1.1	11.9	9.1	-11.4	24.2	13.4	12.2	3.0
Global Infrastructure	S&P Global Infrastructure TR USD	15.0	-5.8	27.0	-9.5	20.1	12.4	-11.5	-5.8	2.7	7.9	6.5

Source: Bloomberg
Returns for periods greater than one year are annualized.

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SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

Real Assets Summary

COMMENTARY & MARKET DATA

COMMODITIES

- **Commodities are in a bottoming process as declining demand is being met with reduced supply.** Coupled with a potential structural shift higher in inflation in the coming years, we are near (or at) an attractive entry point.
- **Gold will continue to benefit if the pool of negative-yielding sovereign debt (>\$16 trillion now) grows or fiscal spending/quantitative easing programs persist.**

REAL ESTATE

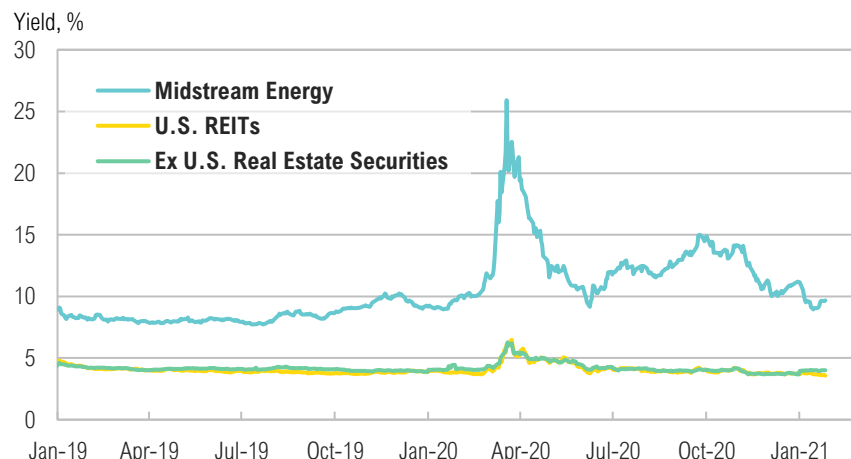
- **Commercial real estate is at the epicenter of redefining normal as we exit the Covid-19 crisis. Shifts in corporate headquarters, flight from urban areas and flexible work environments foster continued uncertainty.** REITs were down 7.6% in 2020.
- **Opportunities are emerging in public and private markets as some sectors (industrial, warehouse/ fulfillment) are booming and others are in deep distress (retail, entertainment, hospitality and office).**

ENERGY & INFRASTRUCTURE

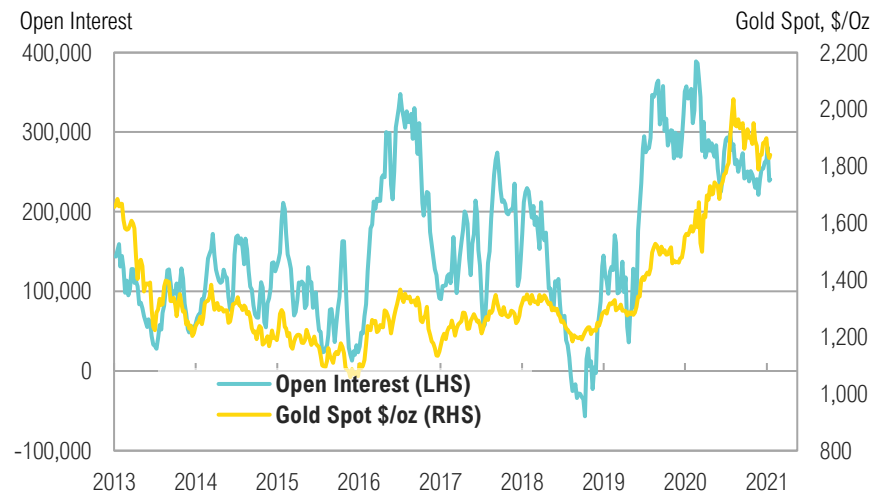
- **The energy space remains oversupplied in the short-term, but reduced supply should force the market into balance in 2021.**
- **According to the Energy Information Administration, U.S. production is currently down 17% from pre-Covid levels.**
- **The midstream space has dramatically cut capex which should allow free cash flow to continue to grow, as it did in 2020.**

Source: Bloomberg

REAL ASSETS & INFRASTRUCTURE YIELDS



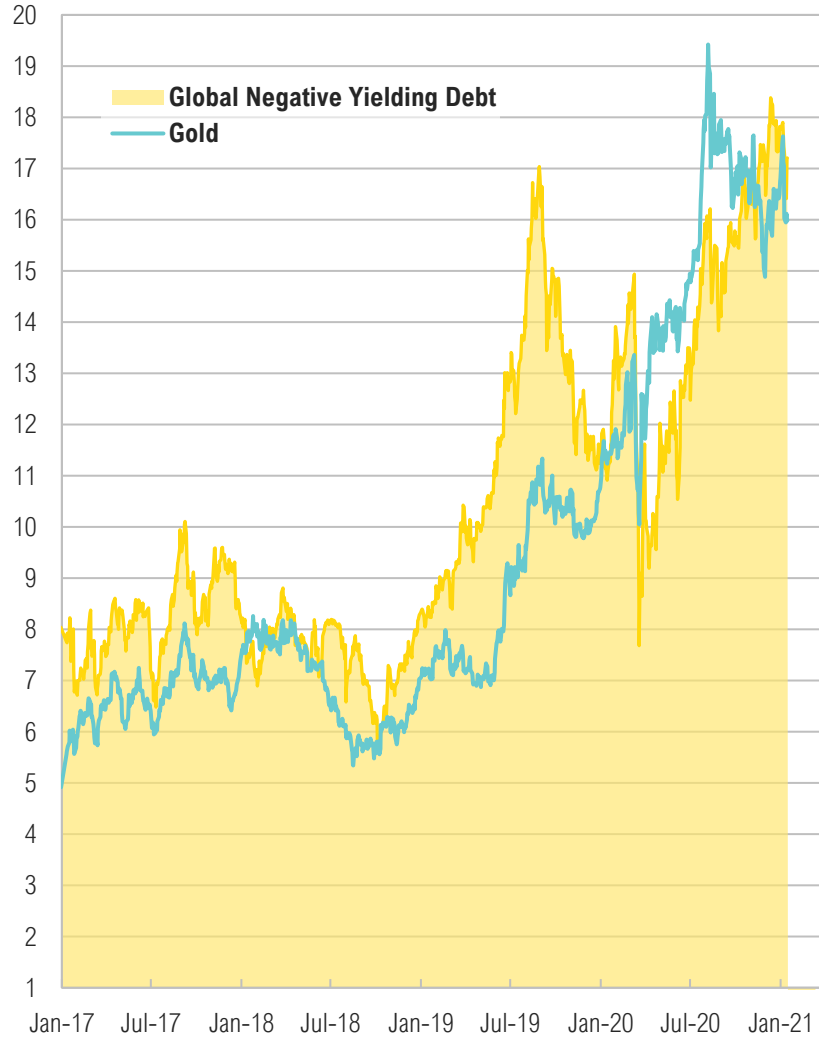
GOLD FUTURES OPEN INTEREST VS. SPOT PRICE



Why Gold? Gold Viewed as an Alternative Safe Haven

GOLD & NEGATIVE YIELDING DEBT MARKET CAP, GOLD VS. U.S. 10-YEAR REAL YIELD, AS OF 1/14/2021

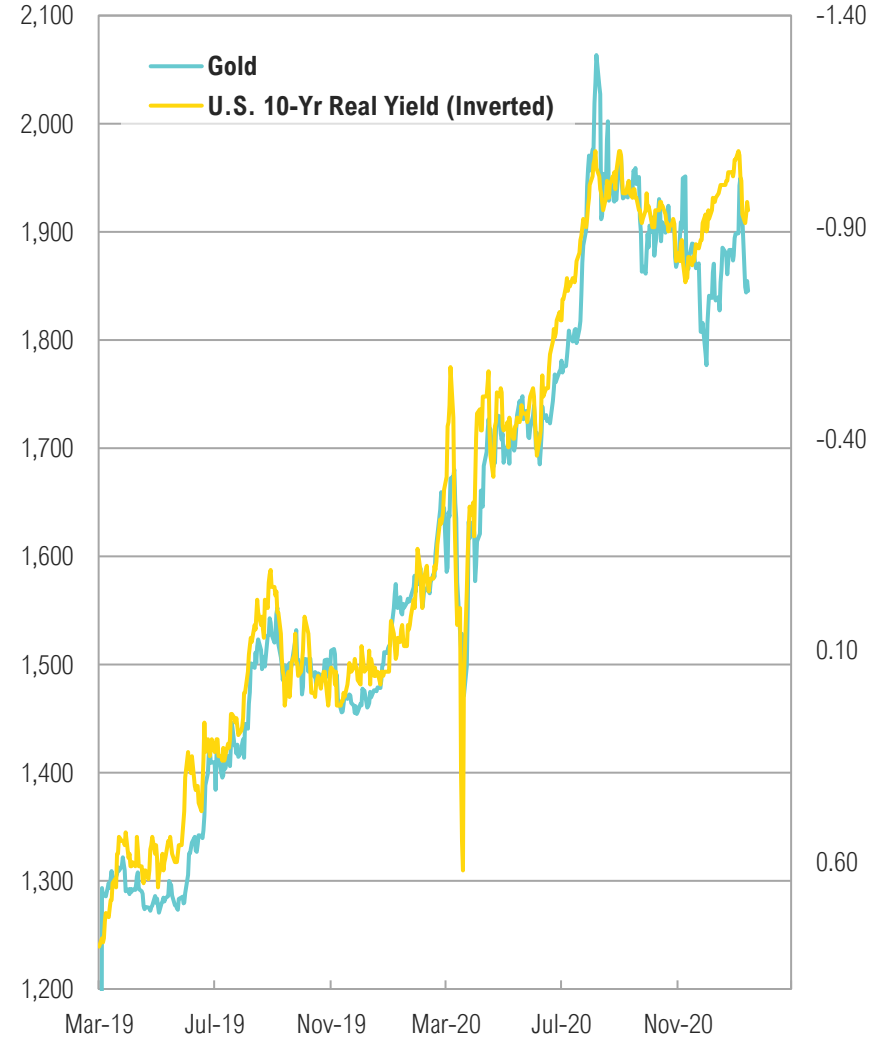
Global Aggregate Negative Yielding Debt Mkt Cap, \$Tn



Gold, \$/Oz

Gold, \$/Oz

U.S. 10-Yr Real Yield (Inverted), %

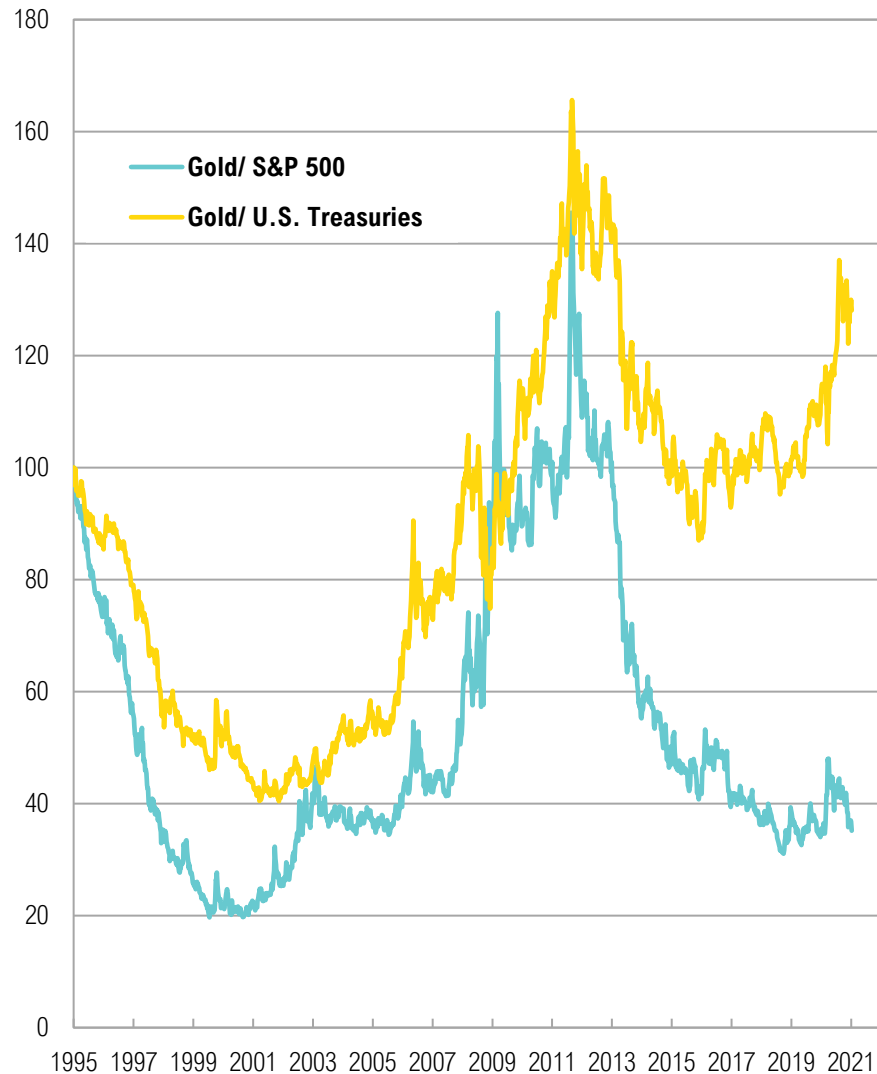


Source: Bloomberg

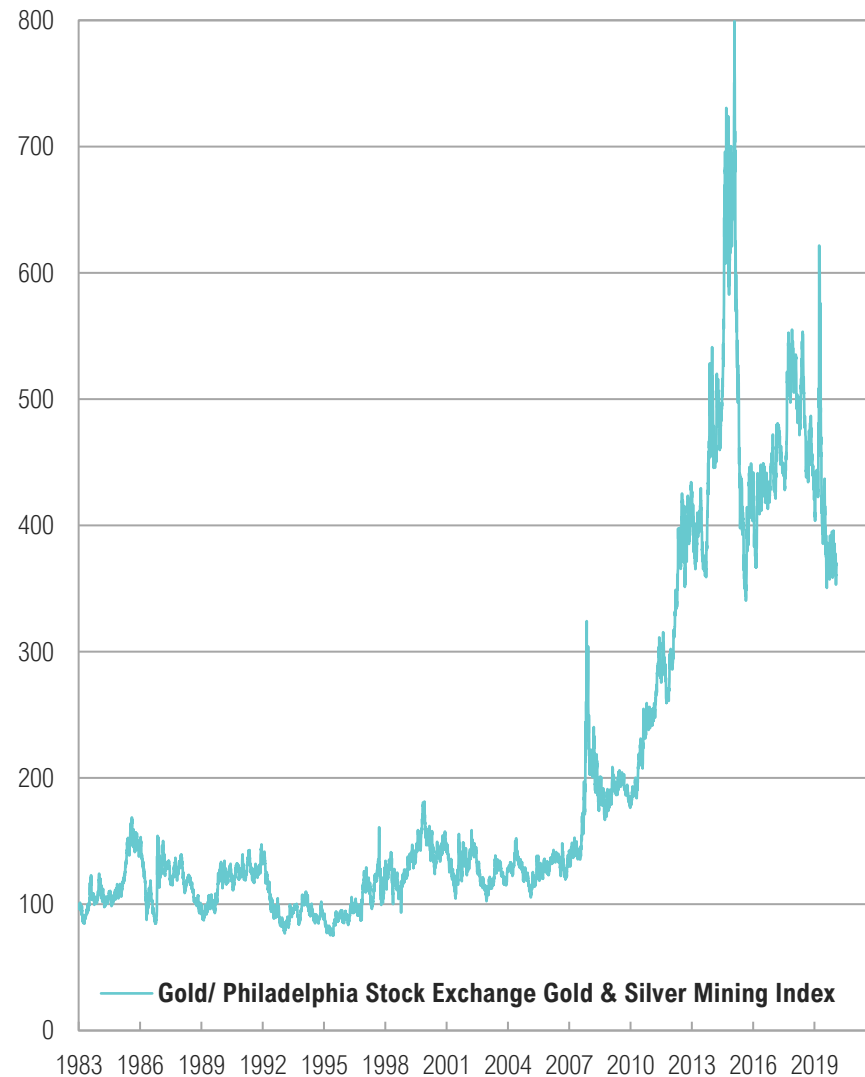
Gold has Room to Run vs. Core Stocks & Bonds... & Miners Have Room to Run vs. Physical

GOLD RELATIVE PERFORMANCE VS. S&P 500 & U.S. TREASURIES (LHS), GOLD VS. GOLD MINERS (RHS), AS OF 1/6/2021

Growth of 100, 1/1/1995 = 100



Ratio: Growth of 100, 12/19/1983 = 100



Source: Bloomberg

MLPs Expected to Continue Capex Cuts, Grow FCF

S&P MLP INDEX CONSTITUENTS AGGREGATE FREE CASH FLOW (FCF) & CAPITAL EXPENDITURES (CAPEX)

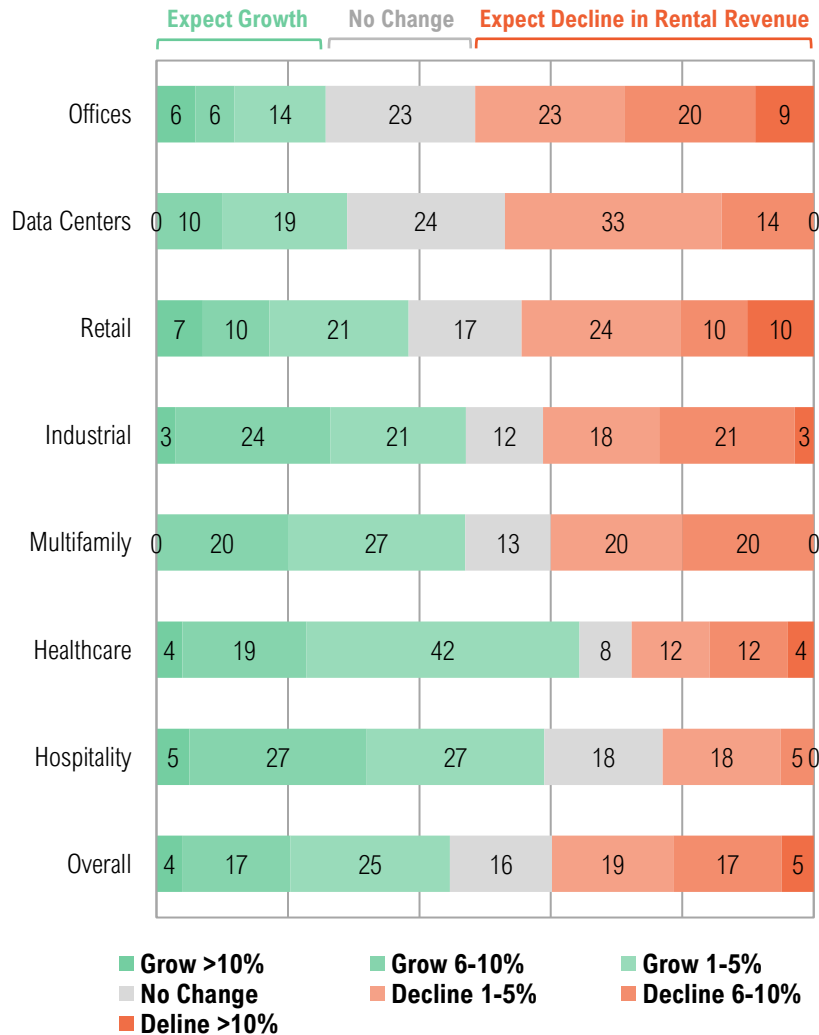


Source: Bloomberg, SpringTide calculations

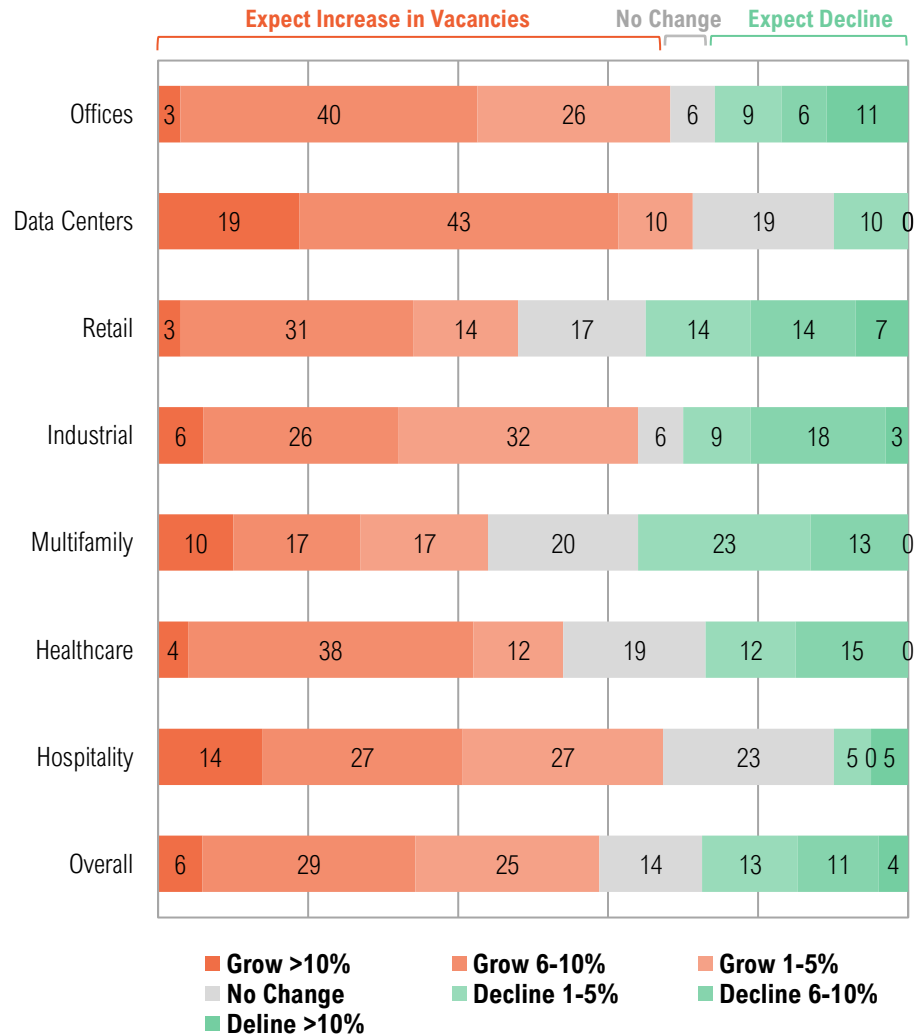
Global Commercial Real Estate Expectations

DELOITTE SURVEY OF COMMERCIAL REAL ESTATE COMPANIES: NEXT 12-MONTH EXPECTATIONS, AS OF 12/3/2020

Expected Change in Rental Revenue, % of Respondents



Expected Change in Vacancy Levels, % of Respondents

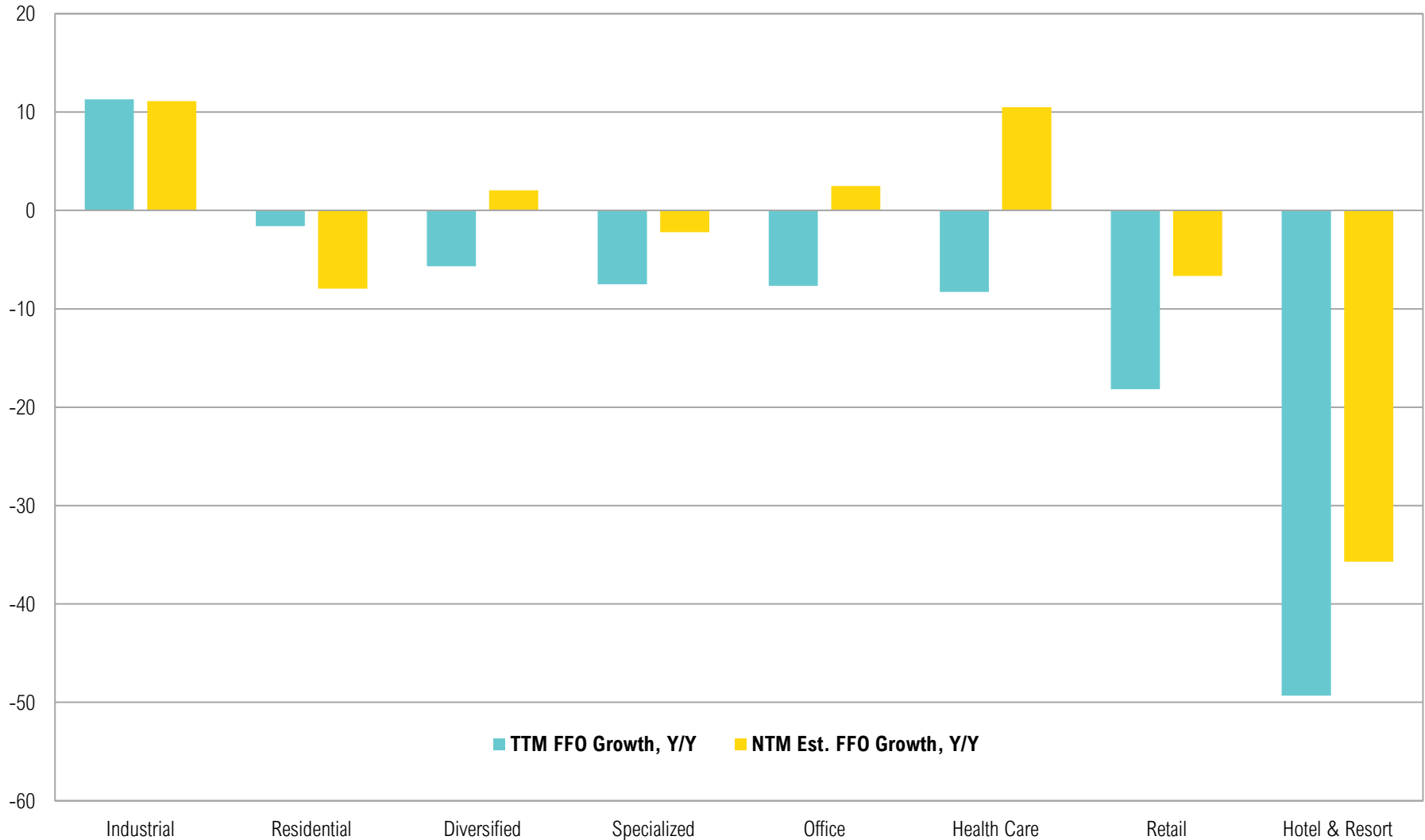


Source: Deloitte, <https://www2.deloitte.com/us/en/insights/industry/financial-services/commercial-real-estate-outlook.html>

Market Expectations for U.S. REITs vs. Trailing 12-Months

U.S. REIT TTM FUNDS FROM OPERATIONS (FFO) PER SHARE GROWTH Y/Y VS. NTM FFO/SHARE GROWTH Y/Y, AS OF 12/31/2020

Average FFO per Share Growth, %

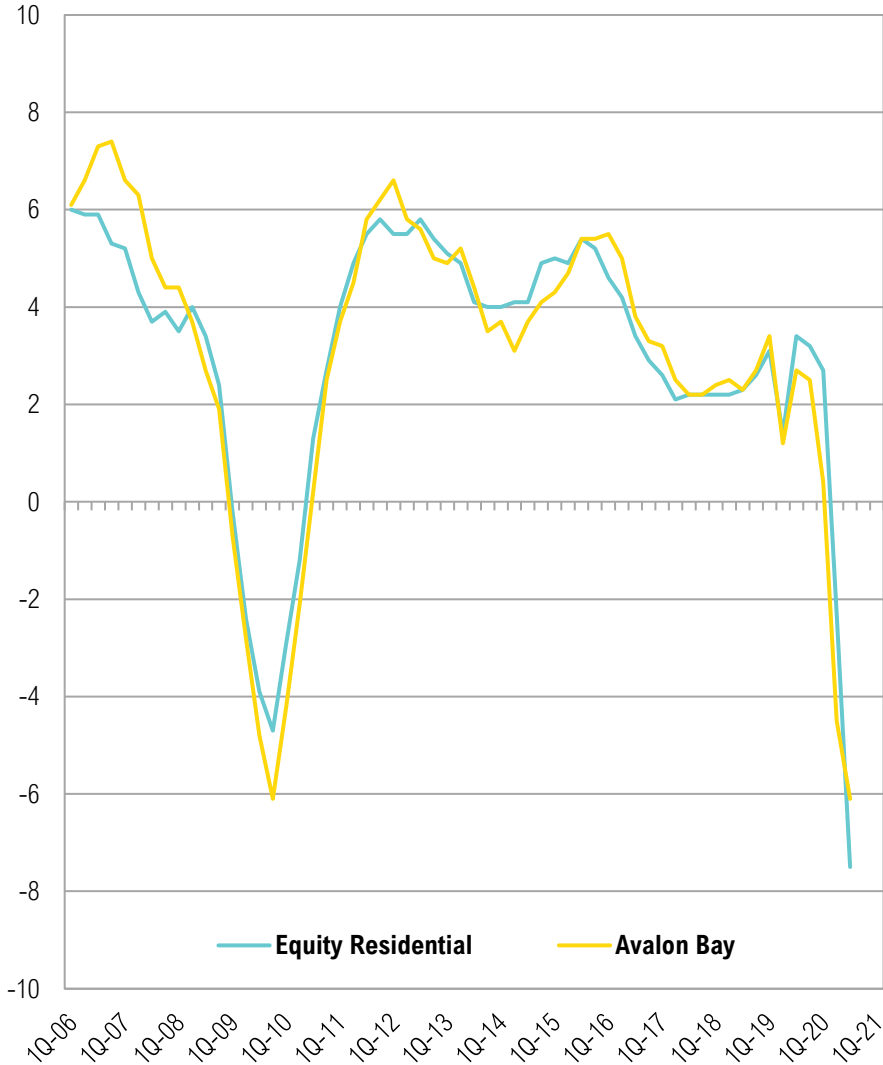


Source: Bloomberg
Bloomberg REIT Index constituents were used in the calculations; the index consists of 176 listed REITs.

Coastal Property Rental Revenues Have Declined 6%

AVALON BAY & EQUITY RESIDENTIAL ESTABLISHED COMMUNITY (SAME-STORE) REVENUE GROWTH, AS OF 9/30/2020

Y/Y Rental Revenue Growth, Quarterly, %



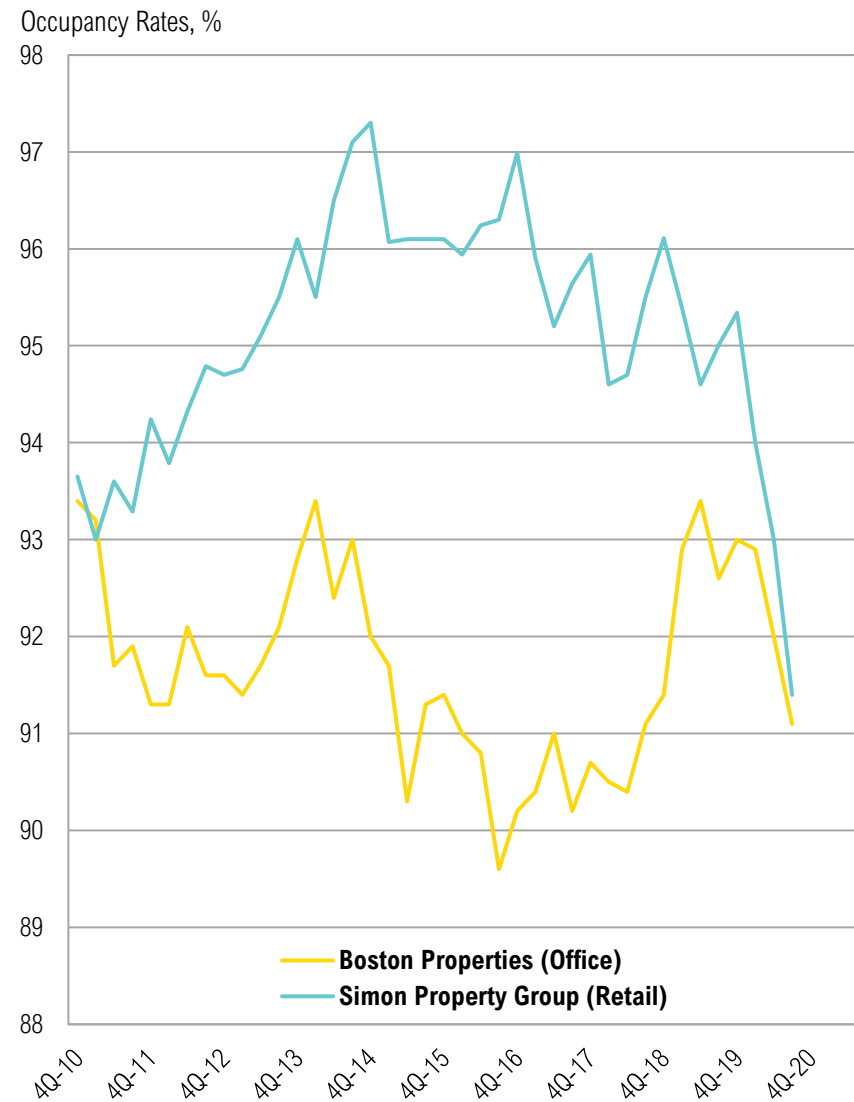
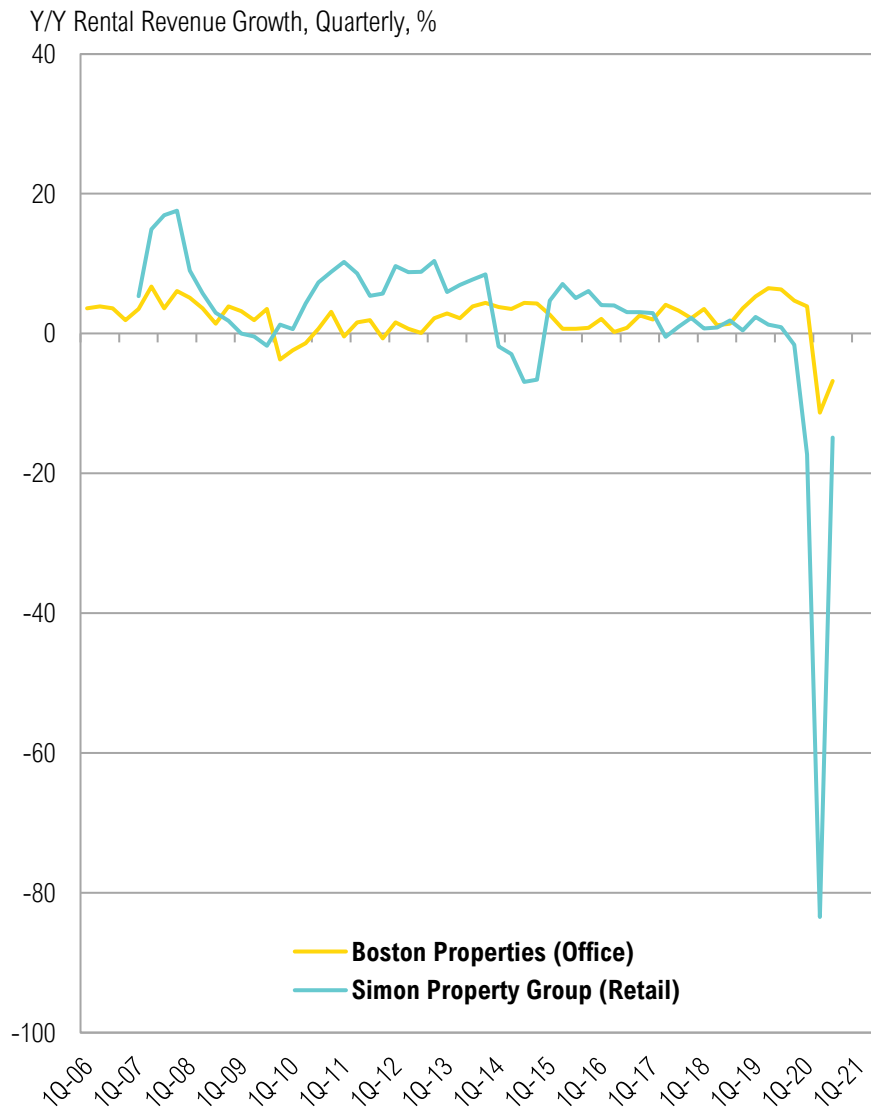
Source: Bloomberg

AVALON BAY - AVERAGE RENTAL RATE BY GEOGRAPHY, \$

Date	Avg.	Northern Cal	Southern Cal	Pacific NW	Metro NY/NJ	New England	Mid-Atlantic
3Q-20	2,624	3,052	2,264	2,329	3,059	2,782	2,257
2Q-20	2,634	3,115	2,295	2,338	3,018	2,801	2,237
1Q-20	2,706	3,152	2,420	2,384	3,152	2,840	2,290
4Q-19	2,671	3,126	2,417	2,379	3,117	2,707	2,279
3Q-19	2,673	3,138	2,414	2,406	3,131	2,669	2,278
2Q-19	2,672	3,120	2,393	2,361	3,136	2,772	2,248
1Q-19	2,597	3,014	2,376	2,327	3,064	2,580	2,218
4Q-18	2,574	2,979	2,329	2,335	3,021	2,545	2,235
3Q-18	2,590	2,968	2,316	2,341	3,142	2,537	2,233
2Q-18	2,550	2,915	2,281	2,274	3,121	2,500	2,208
1Q-18	2,522	2,876	2,264	2,252	3,088	2,482	2,171
4Q-17	2,505	2,857	2,248	2,275	3,046	2,447	2,154
3Q-17	2,512	2,862	2,237	2,283	3,069	2,451	2,168
2Q-17	2,471	2,831	2,200	2,205	3,039	2,390	2,159
1Q-17	2,459	2,817	2,171	2,171	3,037	2,407	2,151

Broad Declines Across Commercial RE Rental Revenues and Occupancy Rates

SELECT REIT RENTAL REVENUE GROWTH & OCCUPANCY RATES, AS OF 9/30/2020



Source: Bloomberg

OPPORTUNISTIC

“

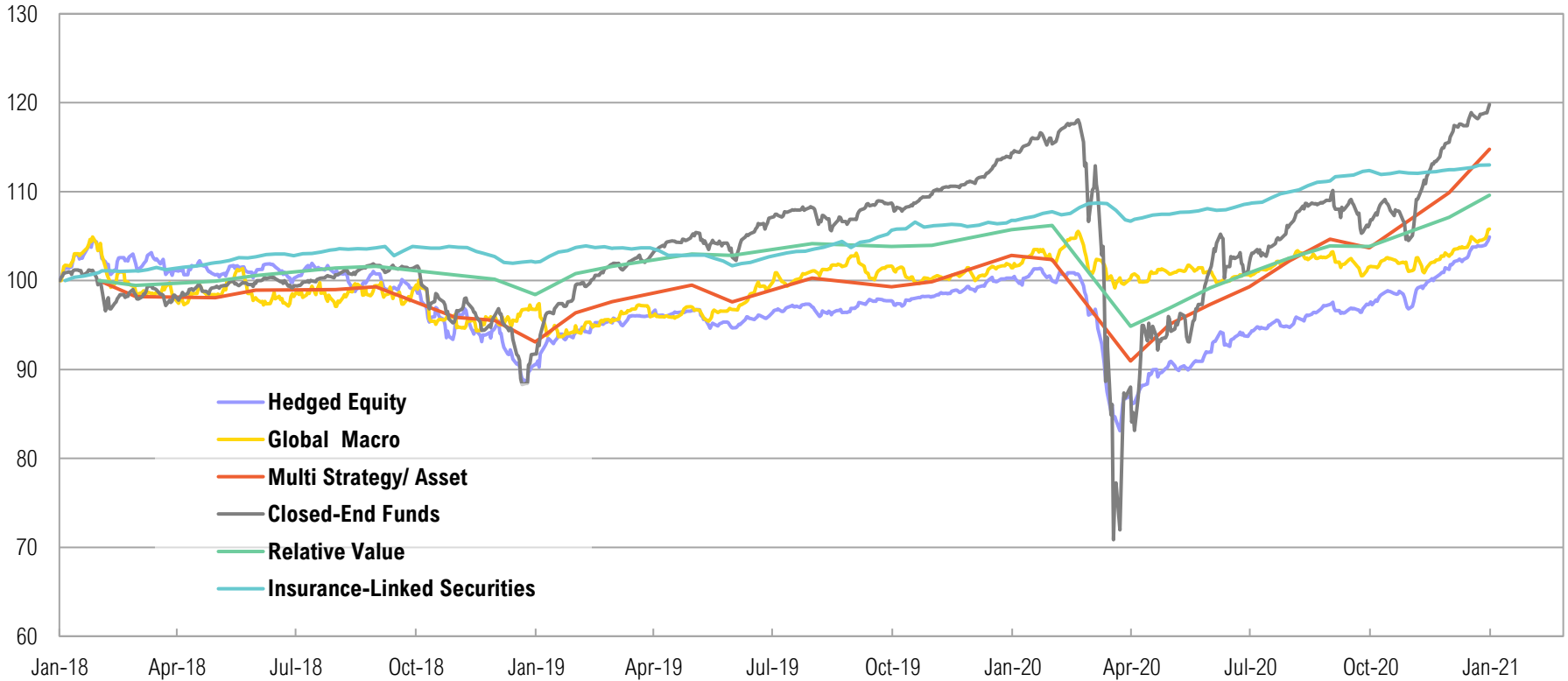
If the financial system has a defect, it is that it reflects and magnifies what we human beings are like. Money amplifies our tendency to overreact, to swing from exuberance when things are going well to deep depression when they go wrong. Booms and busts are products, at root, of our emotional volatility.”

Niall Ferguson, Historian & Fellow at Hoover Institution

Opportunistic Strategy Returns

CALENDAR YEAR & TRAILING TOTAL RETURNS, AS OF 12/31/2020

Growth Index, 3 Years



Asset Class	Benchmark	QTD	YTD	2019	2018	2017	2016	2015	1-Yr	3-Yr	5-Yr	10-Yr
Hedged Equity	HFRX Equity Hedge Index	7.8	4.6	10.7	-9.4	10.0	0.1	-2.3	4.6	1.6	2.9	0.8
Global Macro	HFRX Macro-CTA Index	3.7	3.8	4.8	-3.2	2.5	-2.9	-2.0	3.8	1.7	0.9	0.0
Multi Strategy/ Asset	HFRI Fund Weighted Composite Index	11.0	11.7	10.4	-3.9	8.6	5.5	-1.1	11.7	5.8	6.3	4.3
Relative Value	HFRI Relative Value Index	5.3	3.3	7.7	0.6	5.1	7.6	-0.3	3.3	3.8	4.8	4.5
Insurance-Linked Securities	SwissRe Global Cat Bond Index	0.6	5.8	4.4	2.8	0.5	6.6	4.3	5.8	4.3	4.0	5.5
Closed-End Funds	S-Network Composite Closed-End Index	12.7	4.8	24.6	-8.5	14.4	14.9	-1.1	4.8	6.1	9.4	7.3

Source: Bloomberg
Returns for periods greater than one year are annualized.

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Opportunistic Strategies Summary

COMMENTARY & MARKET DATA

OPPORTUNITY SET IN CORE ASSET CLASSES

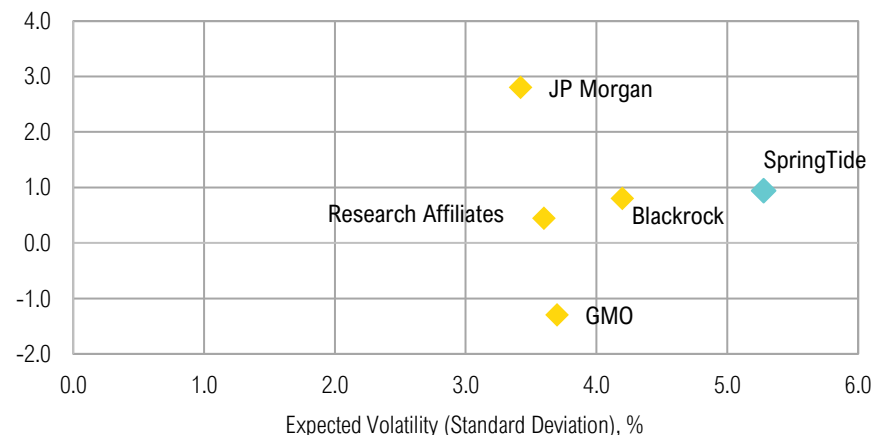
- *The yield on a diversified portfolio of global stocks and U.S. bonds declined to ~1.5%, an all-time low.*
- *Near record low hurdle rate/opportunity cost of U.S. core 60/40 portfolios (expected 10-year nominal returns of ~2.5%) and higher expected volatility*

OPPORTUNISTIC STRATEGIES

- *Despite low opportunity cost, high fees and declining manager alphas remain a large deterrent for most hedge fund allocations; however, the “riches are in the niches” – high quality boutique managers have the potential to add value given increased volatility.*
- *Closed-end funds rallied (+12.7%) with broad based gains across most asset classes.*
- *The closed-end funds space is less attractive as discounts have narrowed to roughly 7%, not much wider than the long-term average of about 5%.*

U.S. CORE BOND RISK/RETURN CMAs

Exp. Total Return, 10-Yr %



BALANCED PORTFOLIO (60/40) YIELD

Yield, %

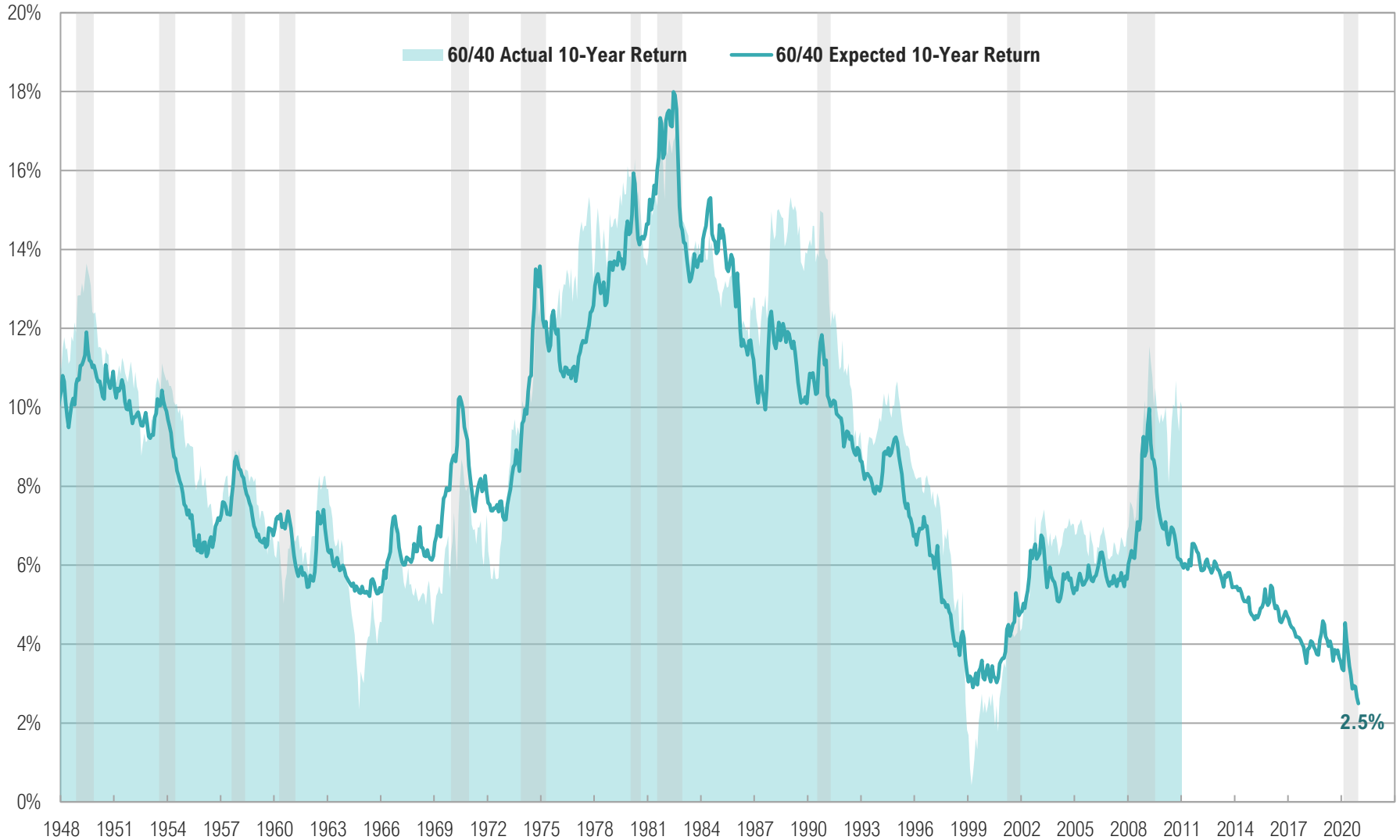


Source: Various, external CMAs are as of March to October 2020 and are nominal. GMO assumptions are 7-year, everyone else is 10-year. GMO vol is estimated.

Expected Returns for Passive “60/40” Portfolio Near All-Time Low

60/40 BALANCED PORTFOLIO 10-YEAR EXPECTED RETURNS VS. ACTUAL 10-YEAR RETURNS, 1/1/1948 - 12/31/2020

Returns

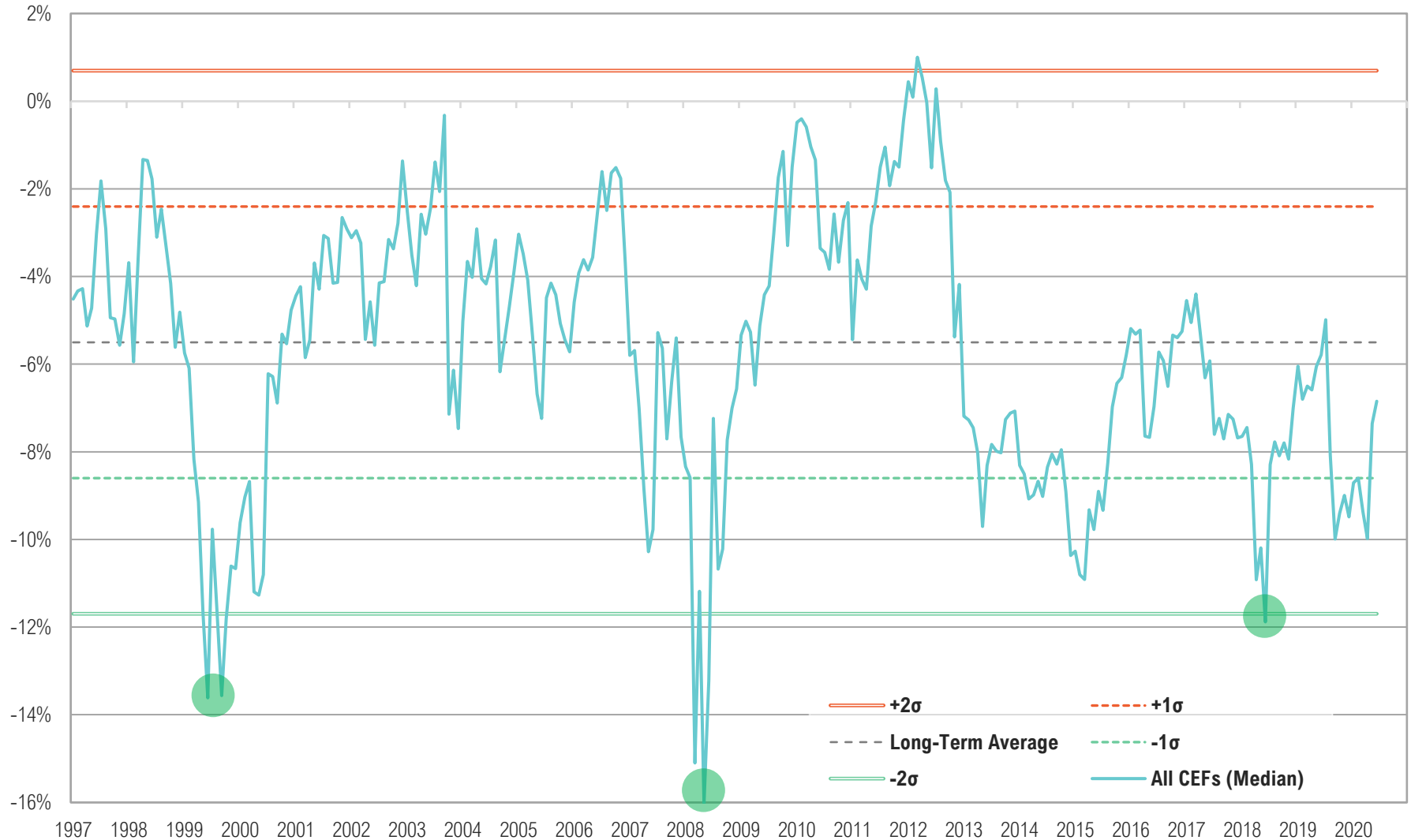


Source: Bloomberg

Average Closed-End Fund Discounts Narrowed in December

MEDIAN PREMIUM/ DISCOUNT TO NET ASSET VALUE, AS OF 12/31/2020

Premium/Discount to NAV, %



Source: Bloomberg

ASSET ALLOCATION

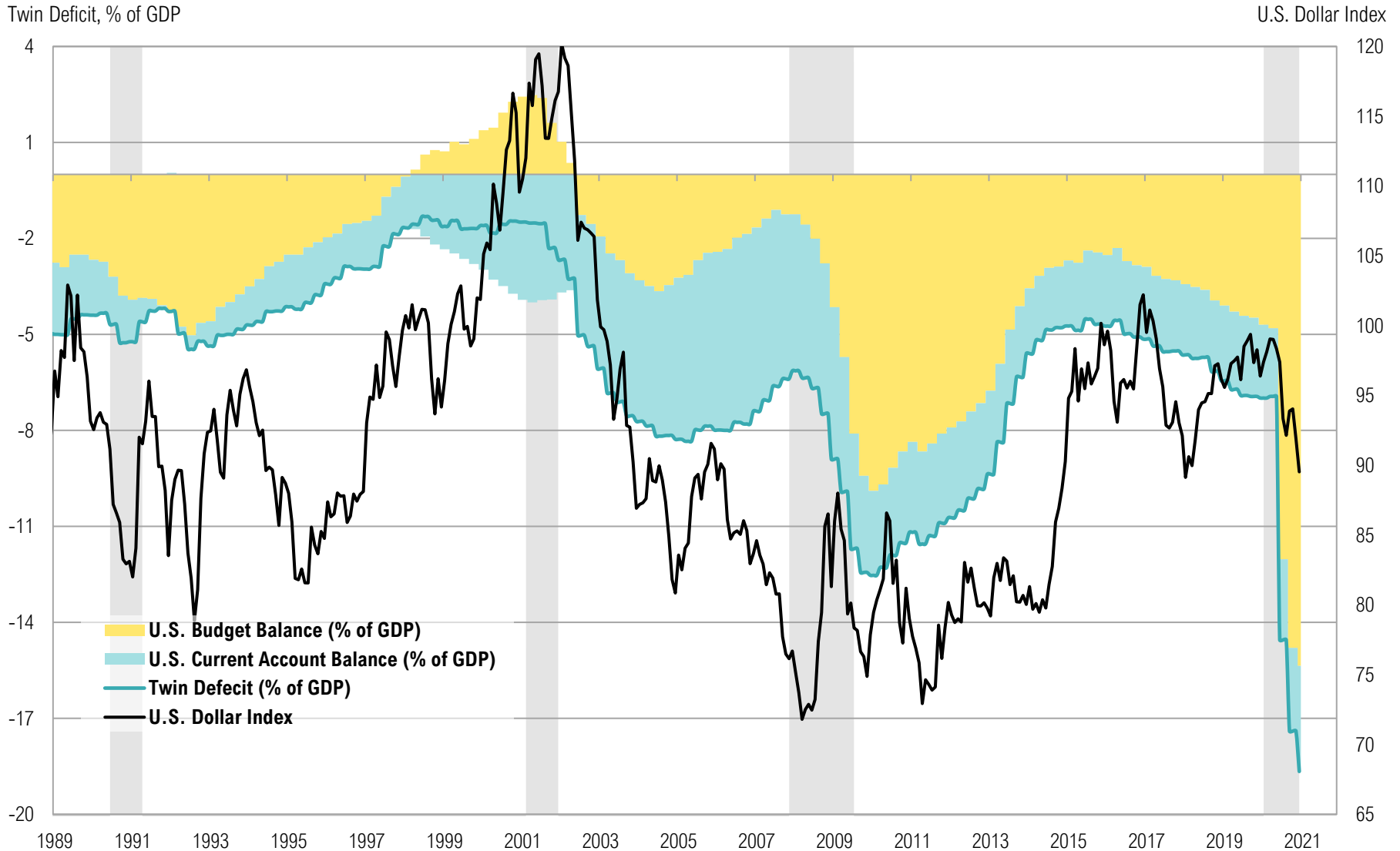
“ *The one reality that you can never change is that a higher-priced asset will produce a lower return than a lower-priced asset. You can't have your cake and eat it. You can enjoy it now, or you can enjoy it steadily in the distant future, but not both – and the price we pay for having this market go higher and higher is a lower 10-year return from the peak.*”

Jeremy Grantham, GMO, January 2021

Source: ECB working Paper No. 1027, March 2009: <https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp1027.pdf>

Growing Twin Deficit = Major Headwind for USD

U.S. BUDGET & CURRENT ACCOUNT BALANCE AS A % OF GDP VS. U.S. DOLLAR INDEX, 1/1/1989 – 12/31/2020



Source: Bloomberg

Assumes the Current Account deficit remains unchanged from Q2, 2020 at -2.6% of GDP.

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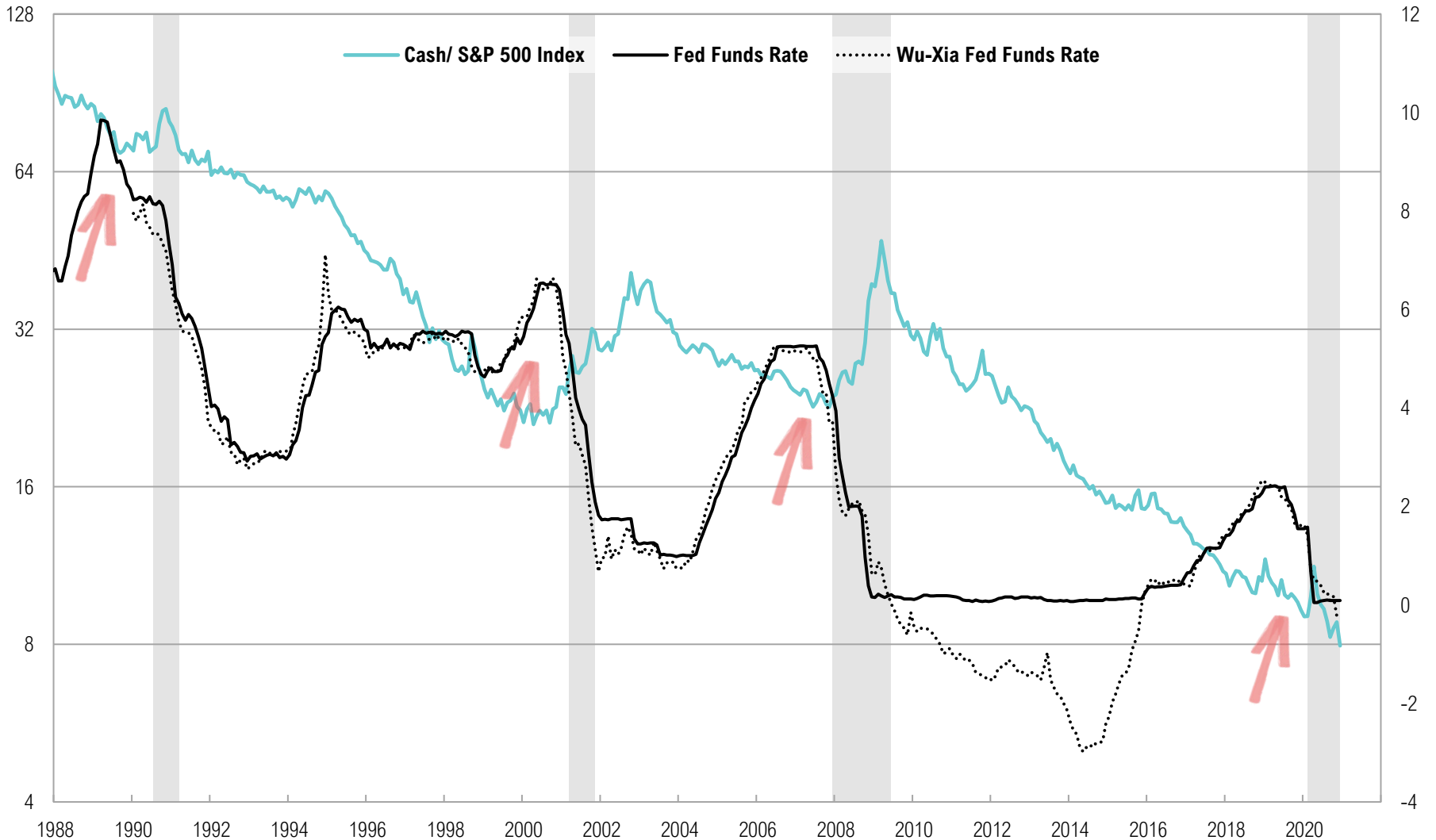
SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION



Cash Priced in Stocks vs. Short-Term Interest Rates

CASH VS. GLOBAL 60/40 PORTFOLIO (RATIO) & FED FUNDS RATE, 1/1/1988 – 12/31/2020

Cash/ U.S. 60/40, Ratio



Source: Bloomberg

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90 Park Avenue, Suite 1800
New York, NY 10016

(800) 339-1367

service@magnusfinancial.com