



Market Outlook:

Candyland

Q1, 2022

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Markets are like little kids. They want candy, and the minute you try to take the candy away, they have a tantrum.

– Mohamed El-Erian, Chief Economic Advisor at Allianz, 2021

Source: <https://www.pbs.org/wgbh/frontline/film/the-power-of-the-fed/>

SUMMARY

Two notable post-Thanksgiving developments stemmed from policymakers' desire to shift the economic backdrop as we head into 2022. First, Democratic Senator Joe Manchin of West Virginia cited inflation concerns as the main reason for not supporting the roughly \$2 trillion Build Back Better legislation. Second, the Federal Reserve announced that it would accelerate its timeline to withdraw its accommodation. Both developments are related to the elevated levels and stickiness of inflation. The November reading of the Consumer Price Index jumped to 6.9% on a year-over-year basis, the highest since 1982. This commonly quoted measure of inflation has now stayed above 5% for the past six months. This stretch of CPI readings that have hovered around 5% is the longest since 1982—when inflation was on a downward trajectory from a record high of 15%, set in 1980.

While policymakers' decisions to withdraw support and raise interest rates should reduce inflationary pressures, supply chain disruptions related to COVID-19 could counteract these efforts. The prevalence of the Omicron variant and government actions to limit its spread will continue to disrupt supply chains at least until the current surge is behind us.

Both monetary and fiscal policymakers are poised to drastically reduce stimulus in 2022. Last year, the Federal Reserve expanded its balance sheet by \$1.2 trillion through its bond-buying program ("quantitative easing"). Given that the program is expected to cease in March, the Fed is set to purchase substantially fewer bonds in 2022—approximately \$360 billion. At the same time, fiscal policymakers are poised to deliver meaningfully less support. Including the December 2020 legislation that extended the CARES Act with an additional \$900 billion in stimulus, last year saw the passage of approximately \$4 trillion in support. With the Build Back Better legislation tabled for now, it is safe to assume that fiscal stimulus in 2022 will trail 2021 levels—and substantially so. Withholding candy may help reduce inflation, but it will also affect financial markets, which have gorged themselves on the sweetness of low interest rates, cheap asset purchases, and plentiful stimulus checks. The withdrawal symptoms from nearly two years of an unprecedented sugar high will likely translate to heightened volatility across the economic and capital markets.

This significant reduction in stimulus will not necessarily cause a recession this year and we would caution against comparing the anticipated reduction in monetary support in early 2022 to the fourth quarter of 2018—the last time quantitative easing was significantly reduced. You may recall that the S&P 500 declined by 19% from October to December 2018. However, that drop was primarily in response to what many believe was a tightening gaffe: the Fed had raised interest rates eight times to 2.5% and had been shrinking its balance sheet for about a year. However, although the two situations may be very different, markets have never experienced such an abrupt end to such dramatic levels of accommodation, so volatility should be expected.

The next year could usher in more volatility than investors have experienced in some time as the economy and markets adjust to lower levels of stimulus. In addition, monetary policy is not on a predefined course because it hinges on incoming data related to inflation, the labor market, and financial conditions, all three of which are now explicitly in the Fed's purview. Of these, we believe inflation will play the role of Lord Licorice—the main antagonist for markets this year. Further, incoming data will ebb and flow as the year progresses, so we believe monetary policy will be on a tug-and-pull course between incoming data and policymakers desire to support the economy. Given this backdrop, we think investors will be well-served to err on the side of humility, discipline, and patience in 2022.



The lifecycle of a theme: from “your fears are unjustified” to “why did almost no one see inflation coming?” in less than 12 months

Project Syndicate

Opinion: Here's why fears of surging inflation are off-base

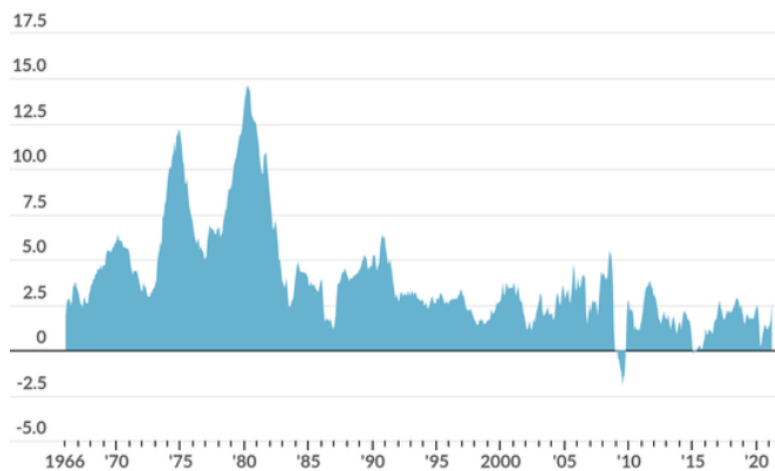
Last Updated: April 13, 2021 at 9:23 a.m. ET

First Published: April 7, 2021 at 8:18 a.m. ET

By James K. Galbraith

Maximum employment or fiscal spending don't create inflation in a globalized world

Consumer price index, change from previous year



The Phillips curve doesn't explain inflation in a globalized world.

Source: BLS via Haver Analytics

Source: MarketWatch

Q1, 2022 Market Outlook

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

Project Syndicate

Opinion: Why did almost no one see inflation coming?

Last Updated: Jan. 18, 2022 at 12:22 p.m. ET

First Published: Jan. 18, 2022 at 10:26 a.m. ET

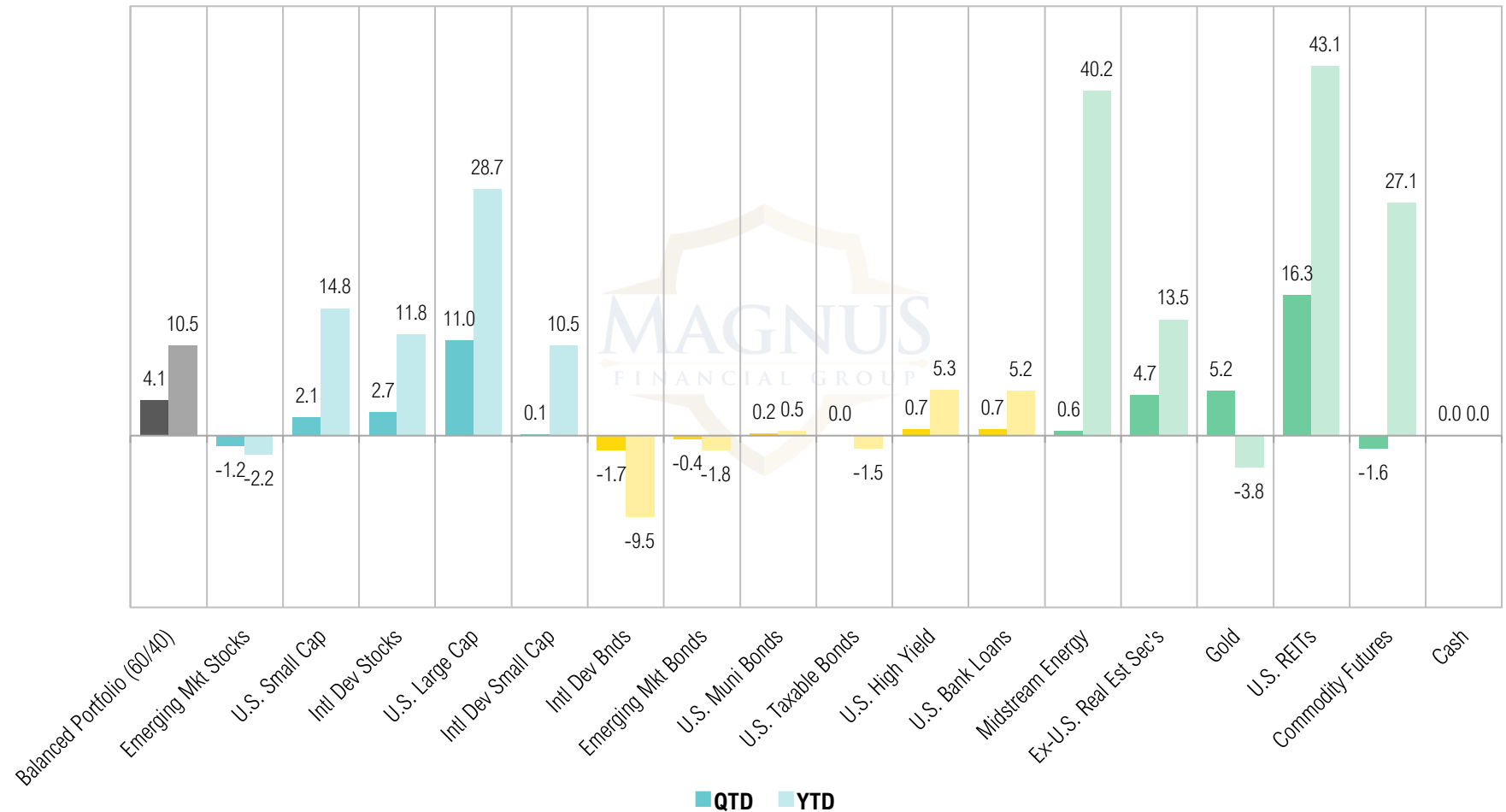
By Jason Furman

Forecasters ignored what their models were telling them about the likely consequences of rapidly rebounding demand in a supply-constrained world

20



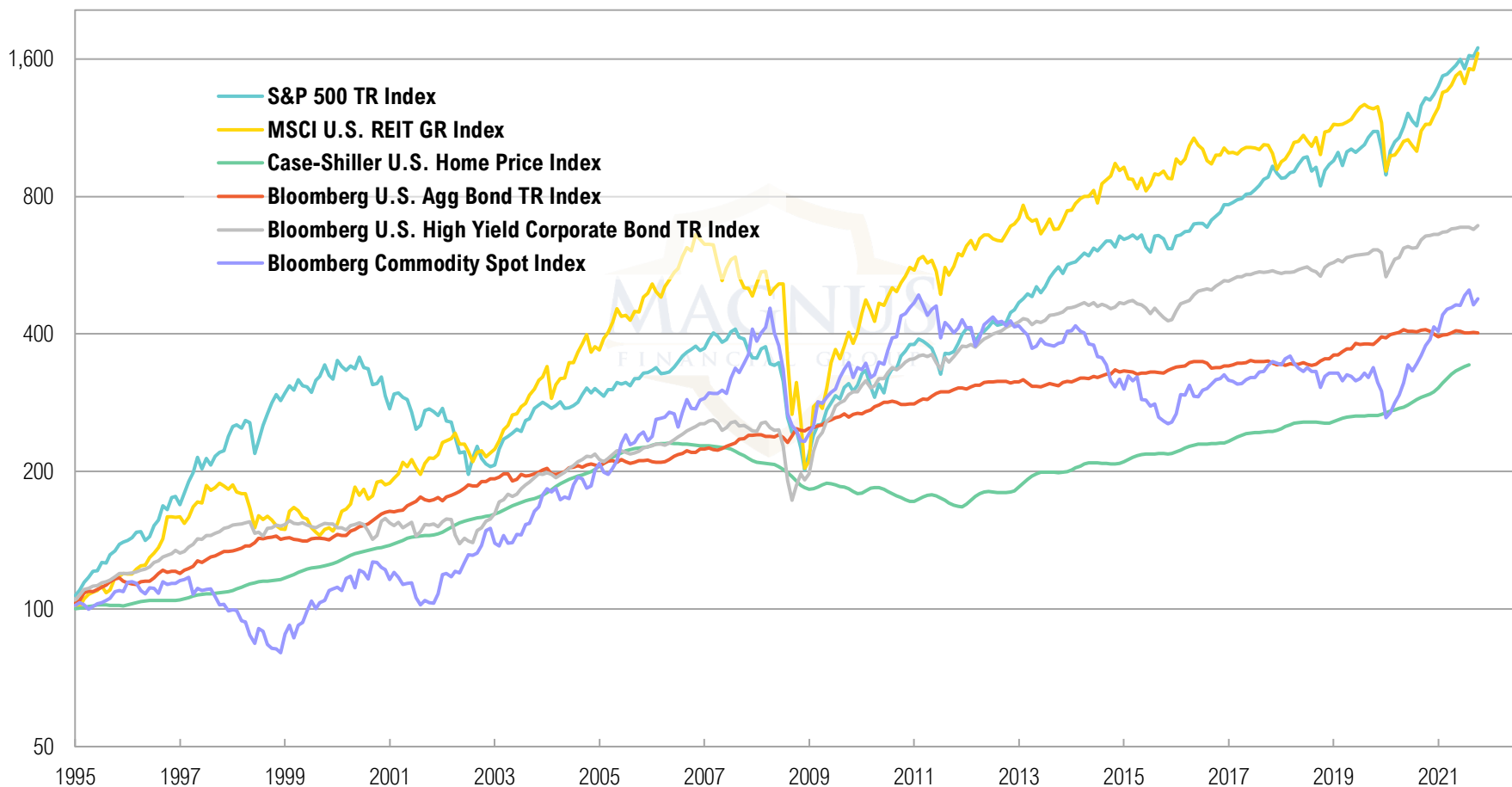
➤ A generally strong quarter for risk assets, especially U.S. REITs and large cap stocks; balanced U.S. portfolios returned 4.1%



Source: Bloomberg

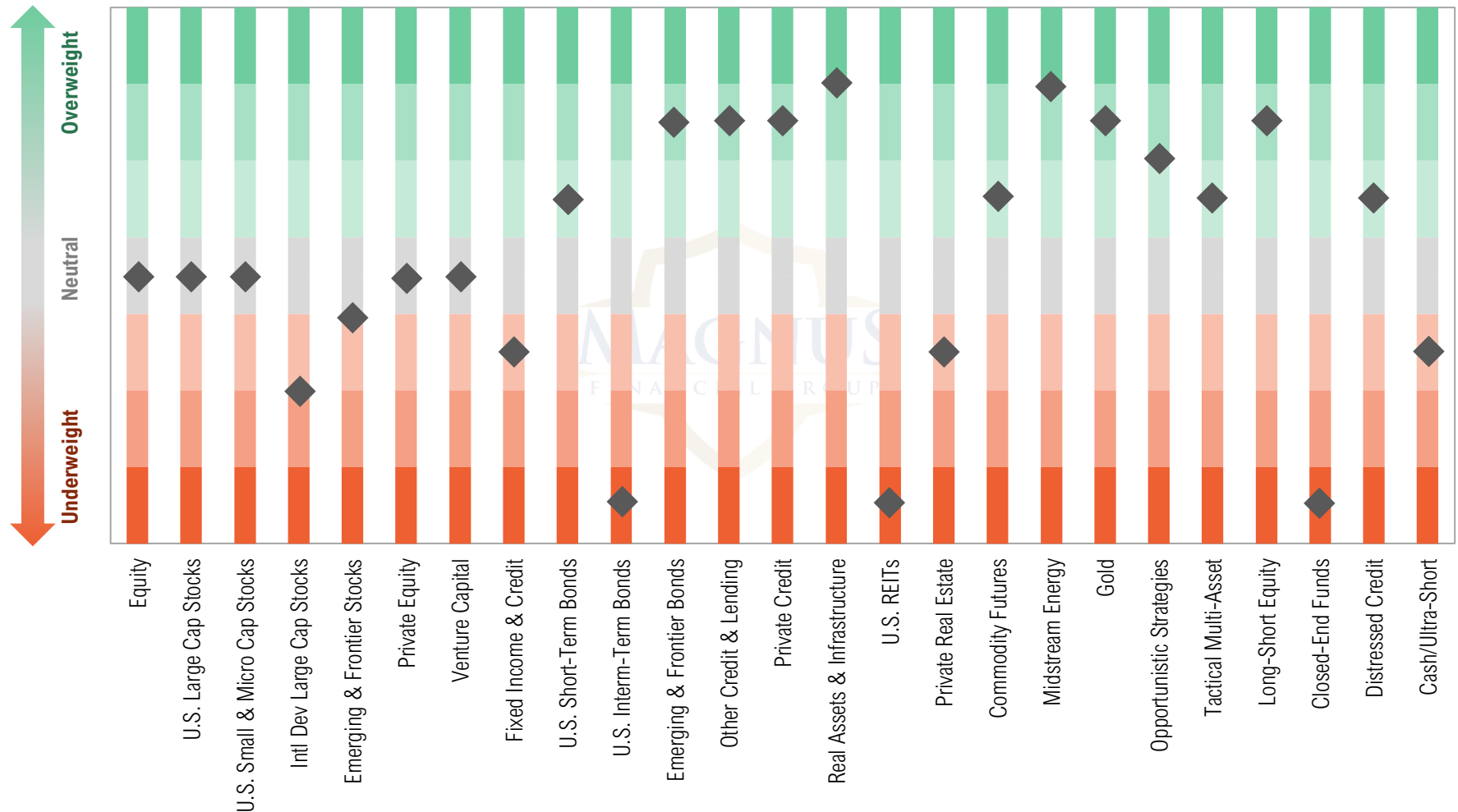
Key markets near all-time highs with inflation running well above “target” exposes the impossible challenge policymakers face

GROWTH OF 100 FOR SELECT INDICES, LOG SCALE



Source: Bloomberg
S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index data is as of 7/31/2021.

➤ **Remain diversified and tilted for upside inflation risks (value equities, lower duration bonds, overweight real assets and opportunistic)**



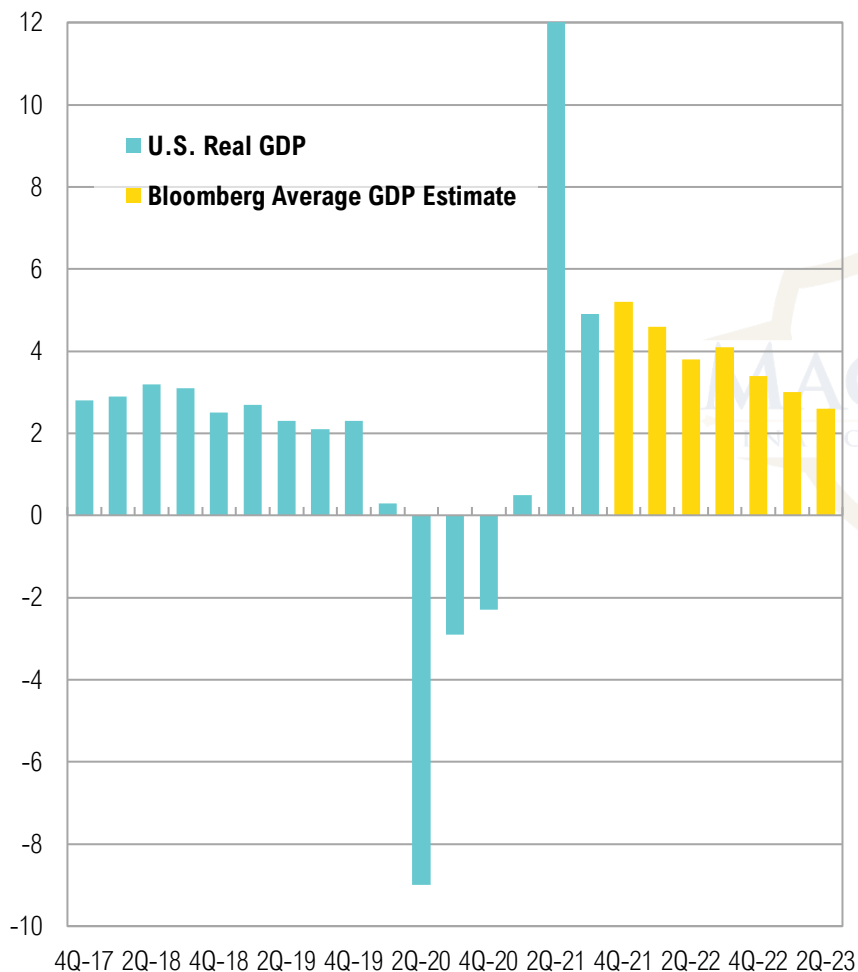


My Democratic colleagues in Washington are determined to dramatically reshape our society in a way that leaves our country even more vulnerable to the threats we face. I cannot take that risk with a staggering debt of more than \$29 trillion and inflation taxes that are real and harmful to every hard-working American at the gasoline pumps, grocery stores and utility bills with no end in sight.

– Joe Manchin, Unites States Senator and Democrat, West Virginia

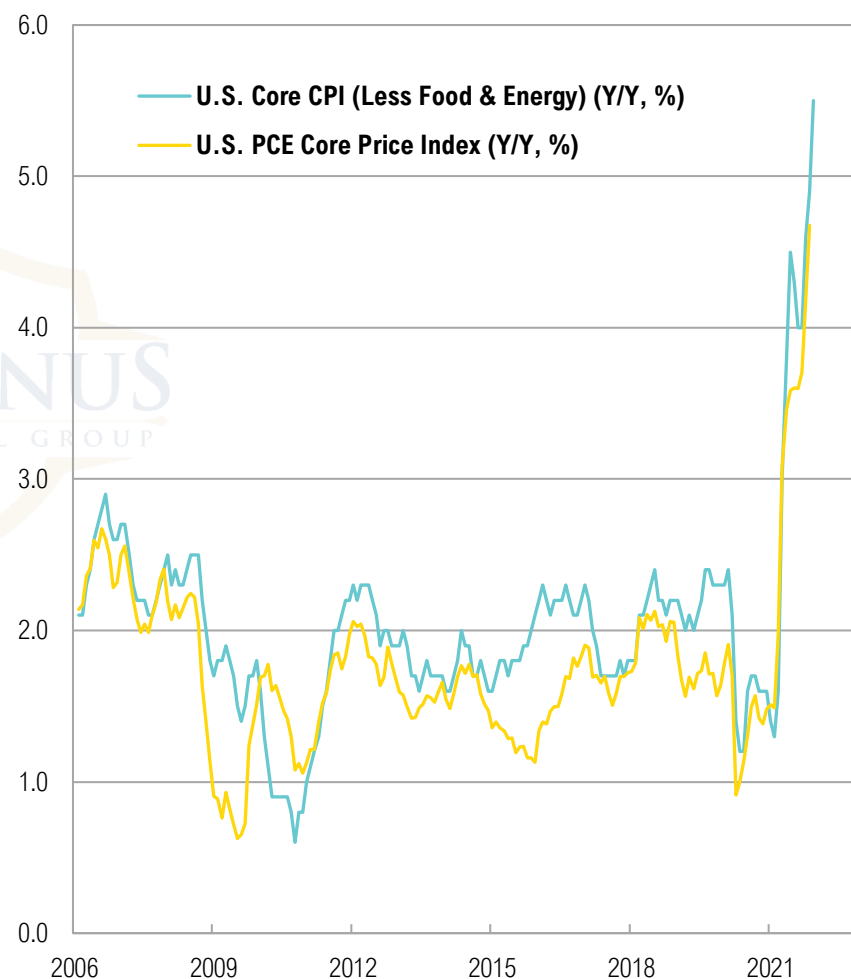
Growth and inflation both expected to slow, but to remain above average for next several quarters

U.S. REAL GROSS DOMESTIC PRODUCT (GDP) GROWTH, Y/Y %



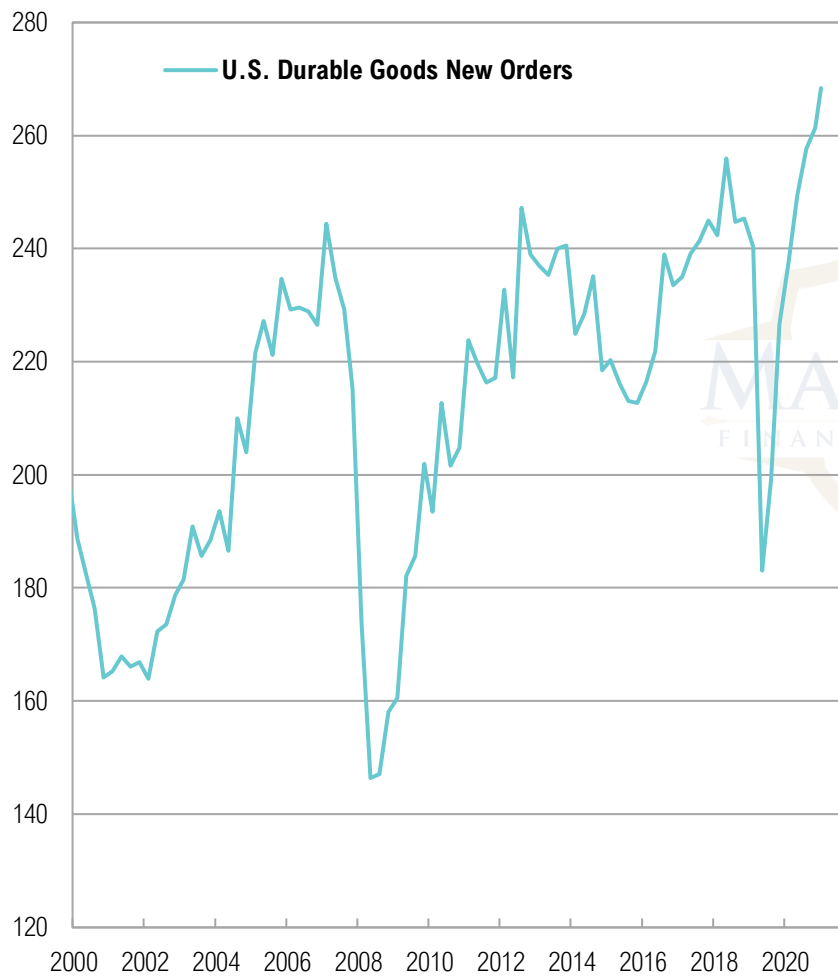
Source: Bloomberg

U.S. HEADLINE & CORE INFLATION (CPI), Y/Y %

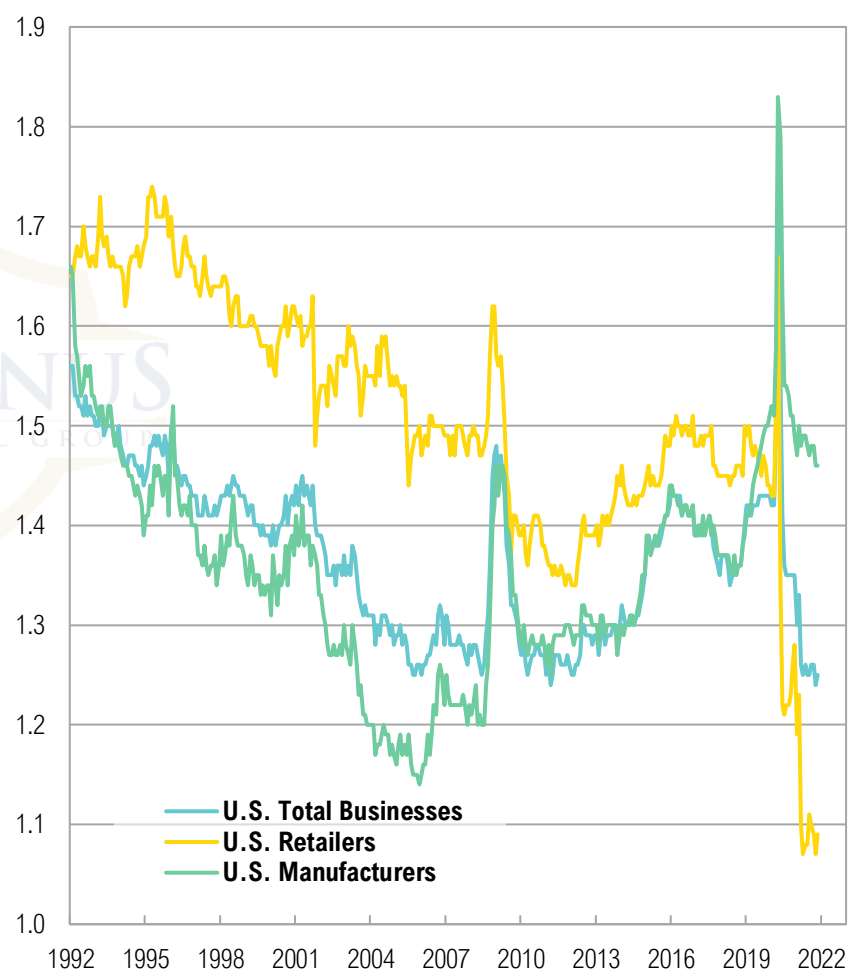


U.S. durable goods orders reached a record as demand remains strong; retailers have struggled to build inventories to match demand

U.S. DURABLE GOODS NEW ORDERS, \$BN



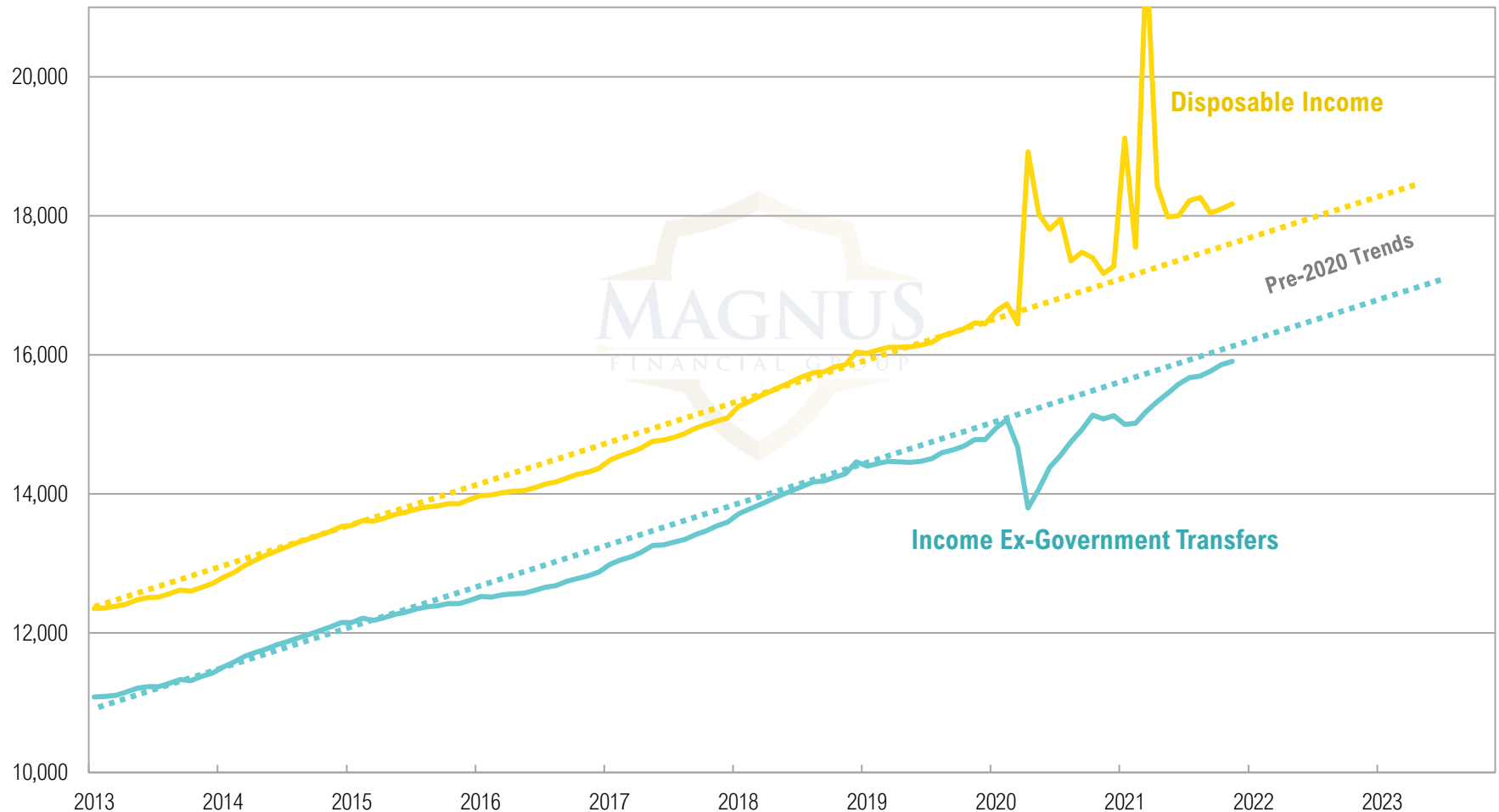
U.S. INVENTORY TO SALES RATIO, TOTAL BUSINESS



Source: Bloomberg, FRED

The reliance on government transfers over the last few years was astonishing; the hangover from this ending could be harsh

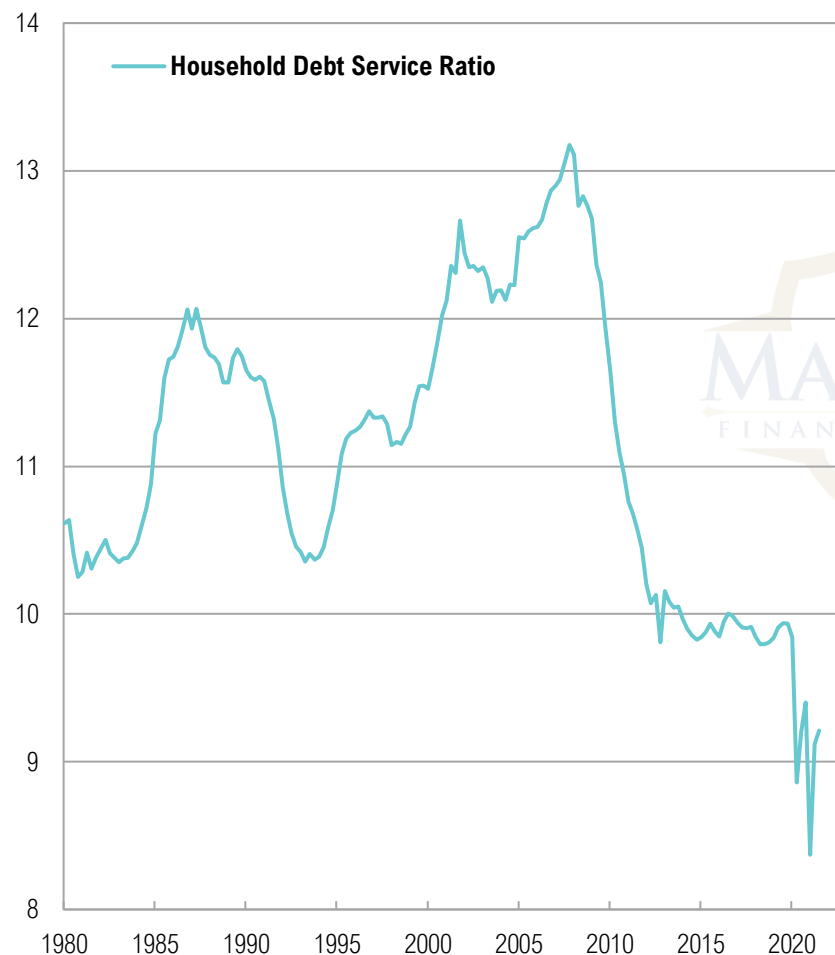
US HOUSEHOLD INCOME & GOVERNMENT TRANSFERS, \$BN



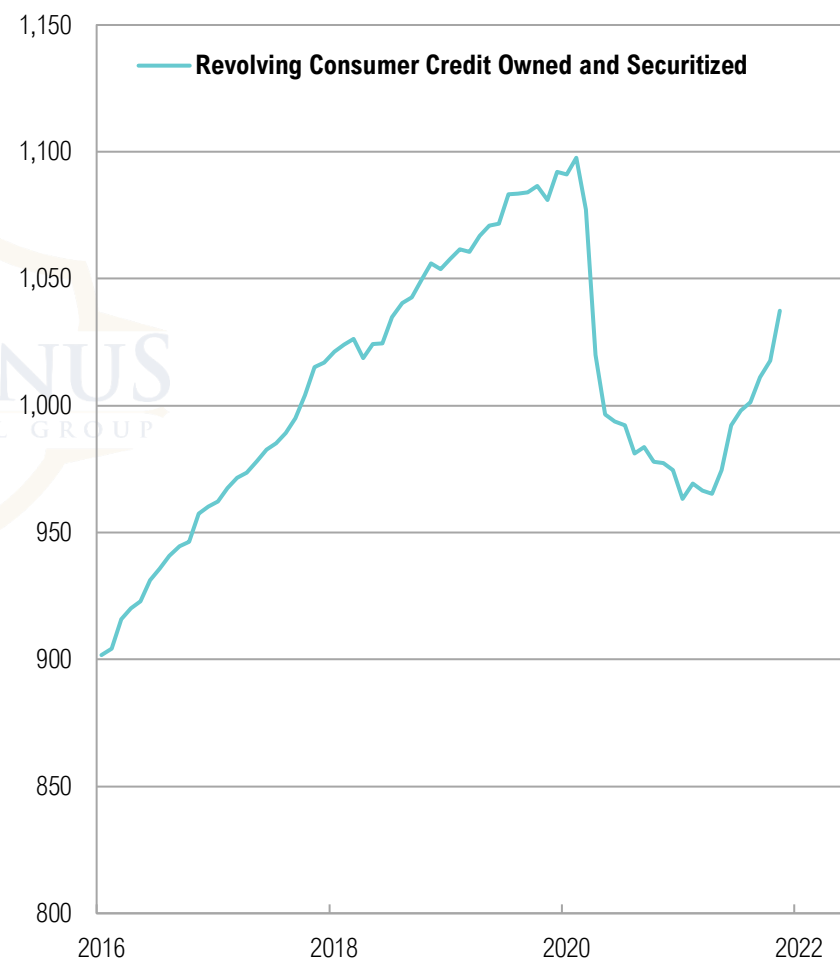
Source: Bloomberg

➤ As transfer payments have waned, the consumer has started to dial up leverage, but plenty of room to go...

DEBT PAYMENTS AS % OF DISPOSABLE PERSONAL INCOME, SA



REVOLVING CONSUMER CREDIT OWNED AND SECURITIZED

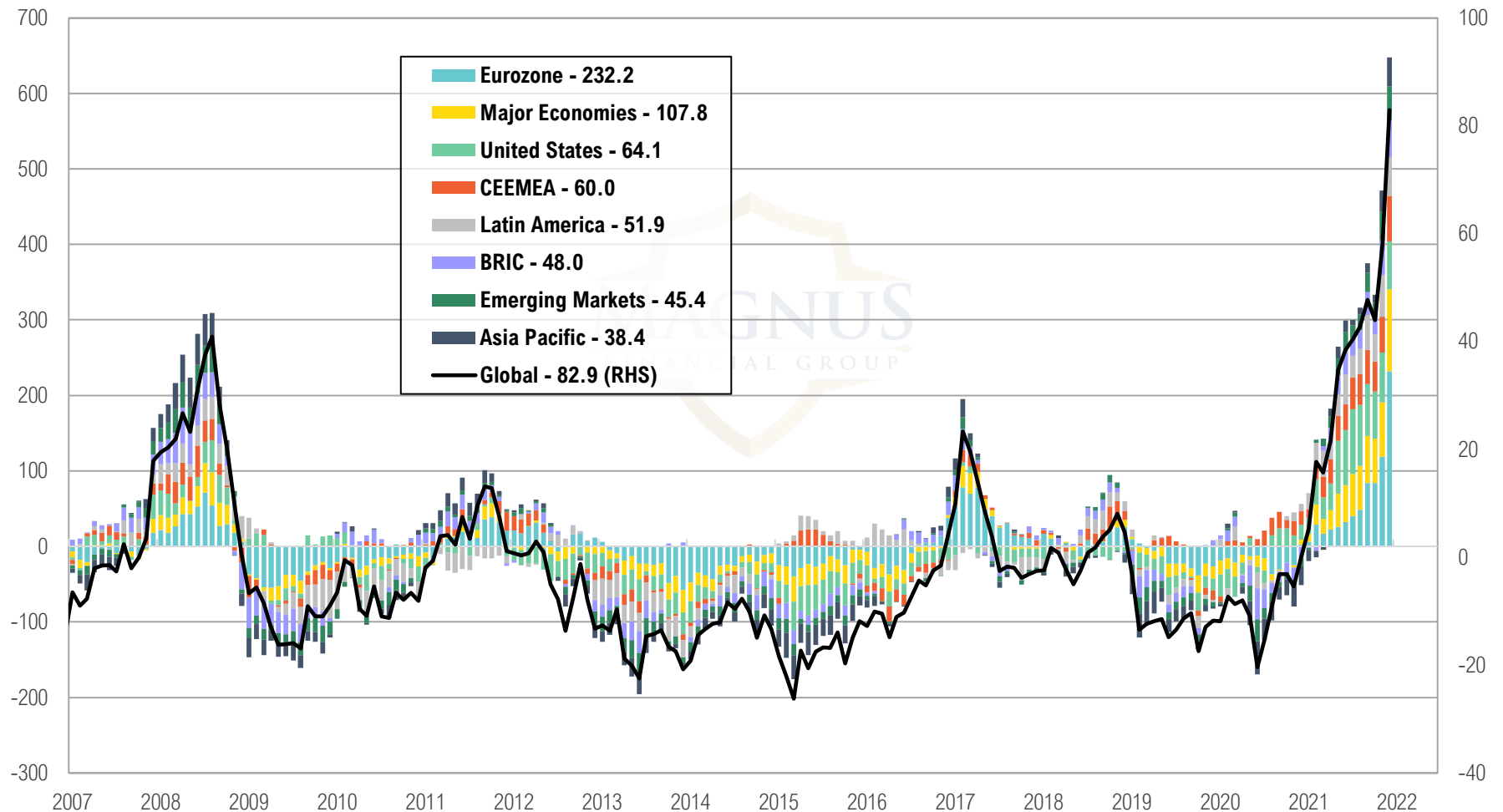


Source: Bloomberg

Inflation is surprising forecasts on a global scale, a first since 2009

CITI INFLATION SURPRISE INDEX, AGGREGATED VALUE

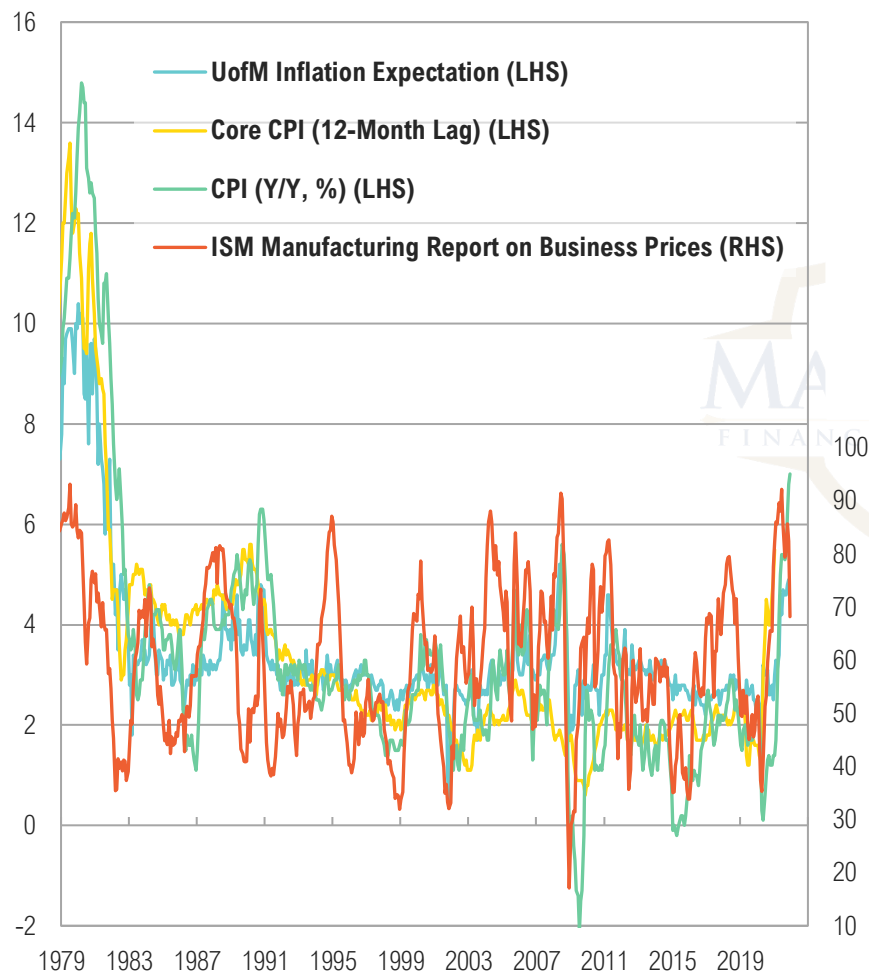
CITI INFLATION SURPRISE INDEX, GLOBAL VALUE



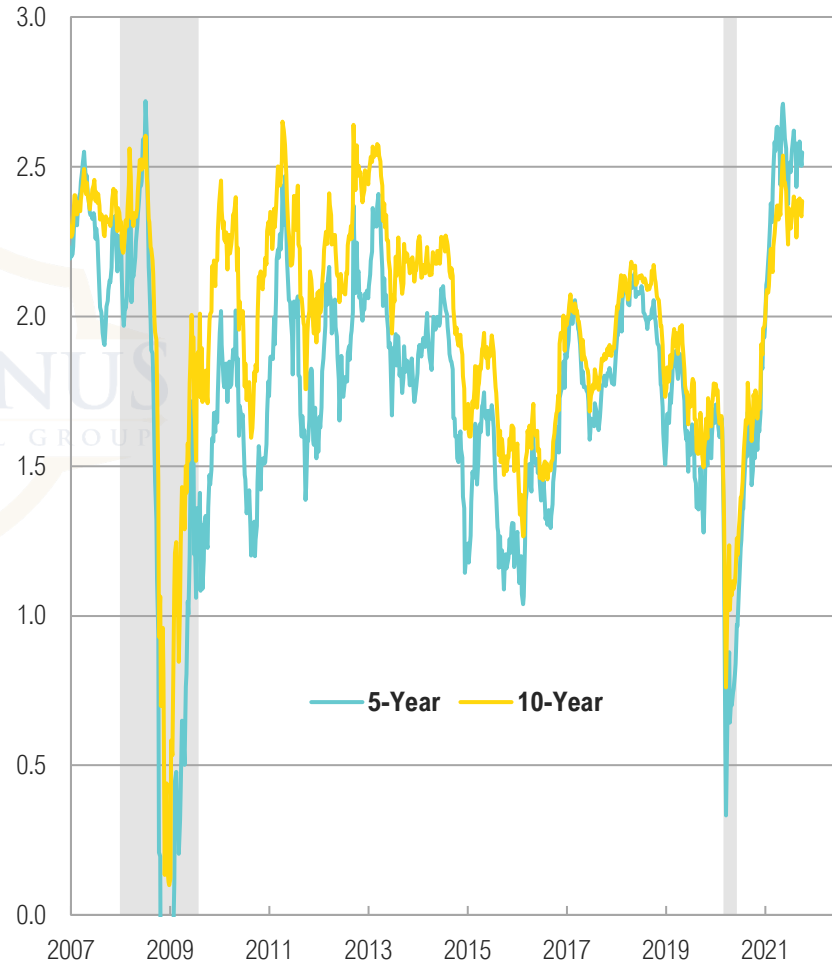
Source: Citi, Bloomberg

➤ Inflation and inflation expectations are still somewhat contained, but any increases would pose a significant risk to the economy and markets

UOFM INFLATION EXP. *, CPI Y/Y % ISM MANUFACTURING PRICES INDEX



5-YEAR & 10-YEAR TIPS-IMPLIED INFLATION

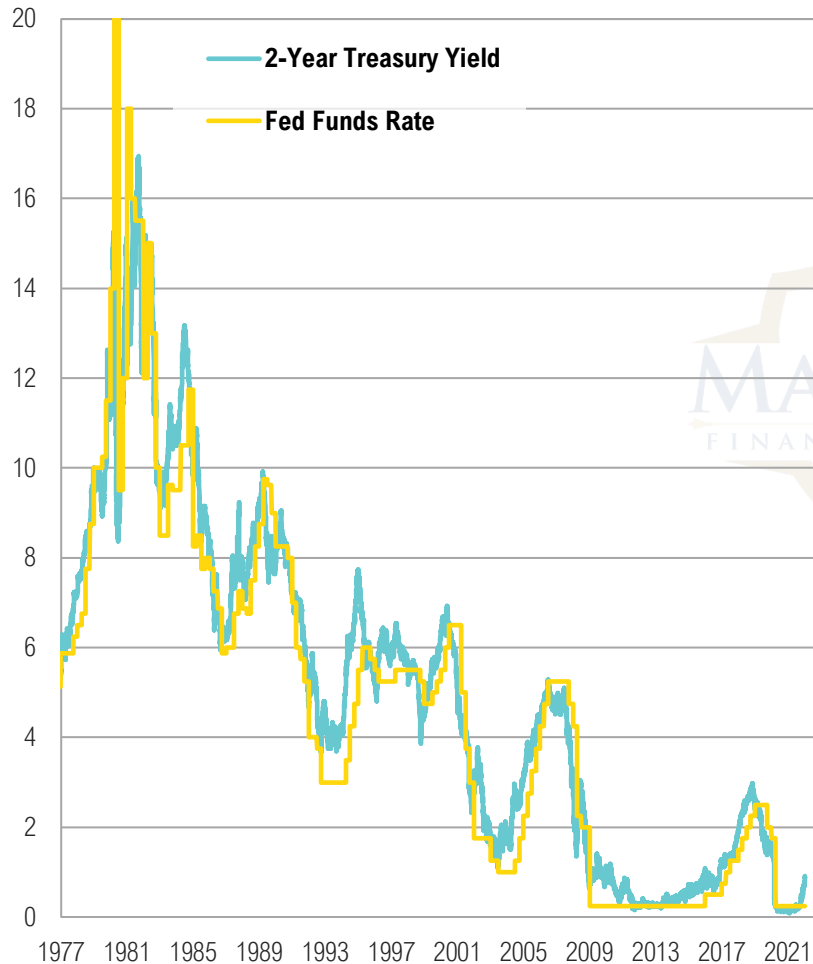


Source: FRED, University of Michigan

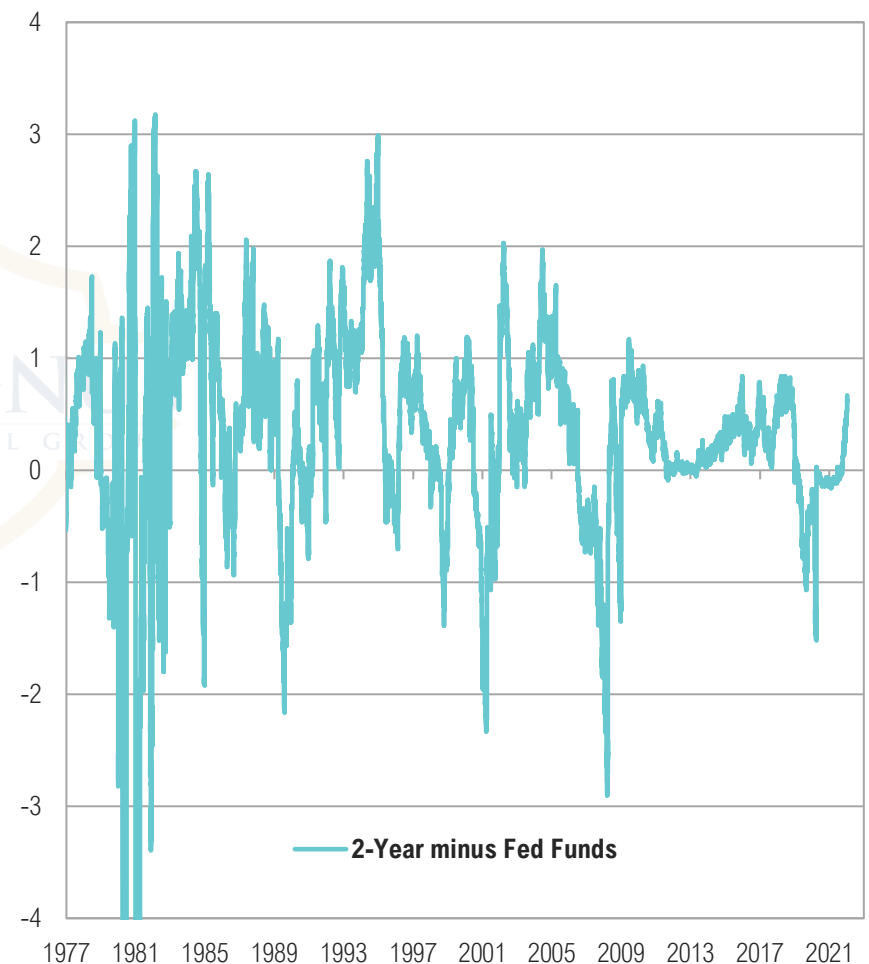
*UofM data as of 11/30/2021

➤ Watch the Treasury market for policy changes: the 2-year Treasury tells you everything you need to know about pending Fed decisions

U.S. TREASURY YIELD, %



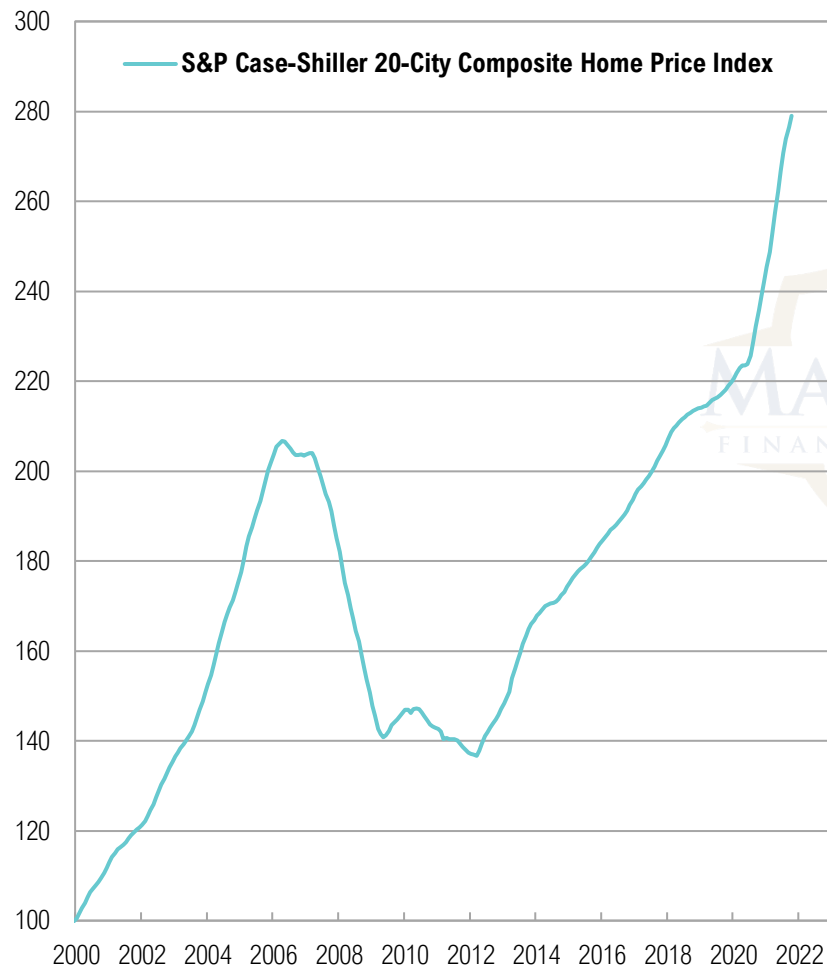
2-YEAR TO FED FUNDS TREASURY SPREAD, %



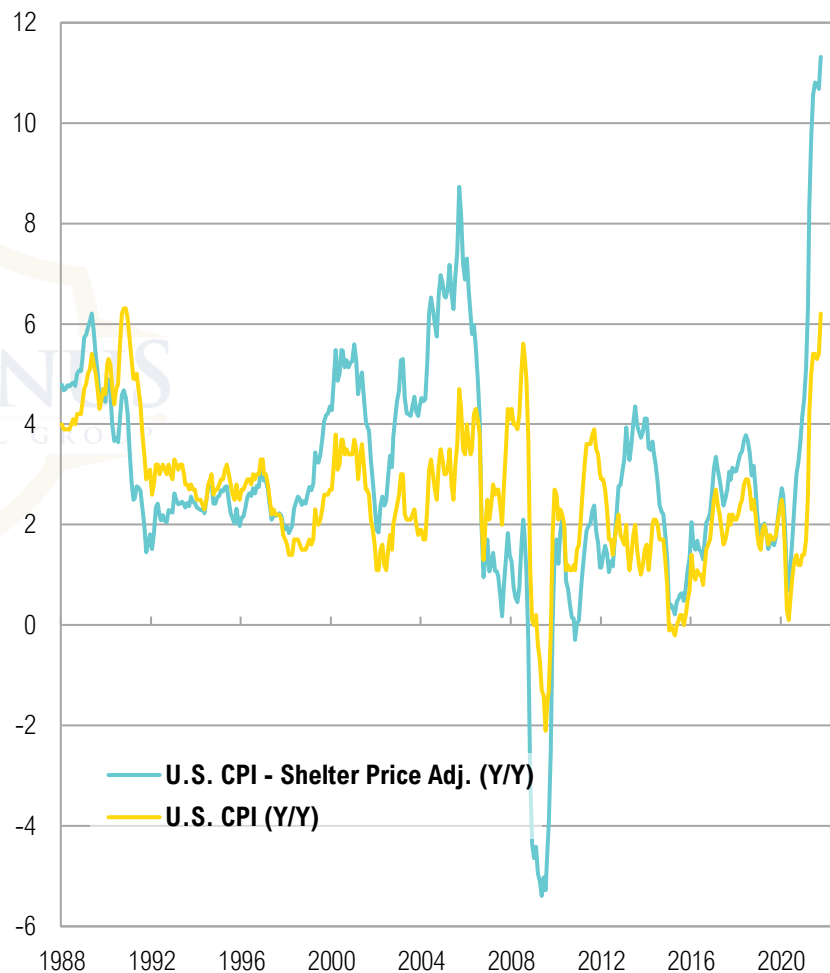
Source: FRED

Adjusted for U.S. housing price appreciation, inflation would be significantly higher due to the lag in reporting of shelter in CPI

CASE-SHILLER U.S. HOME PRICE INDEX



U.S. CPI VS. U.S. CPI ADJ. FOR HOUSING PRICES, Y/Y, %

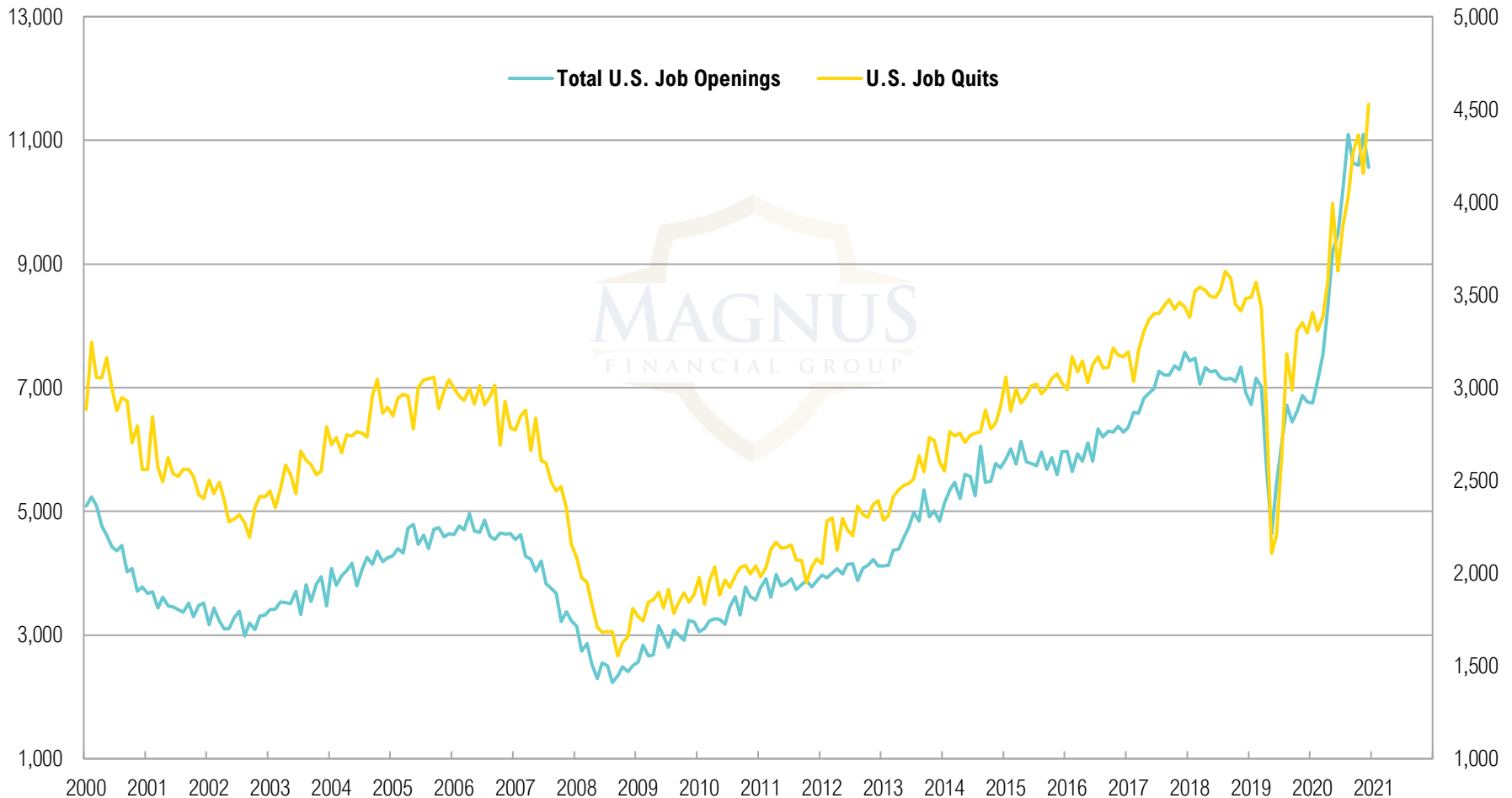


Source: Bloomberg, SpringTide calculations. Shelter price adjustment assumes U.S. housing price appreciation (Case-Shiller U.S. Housing Price Index) replaces Shelter (CPI sub-category) at an average weight of 32% (current).

Job quits rise, openings fall as restaurants struggle with COVID-19 policy response to rising cases

TOTAL U.S. JOB OPENINGS, '000s

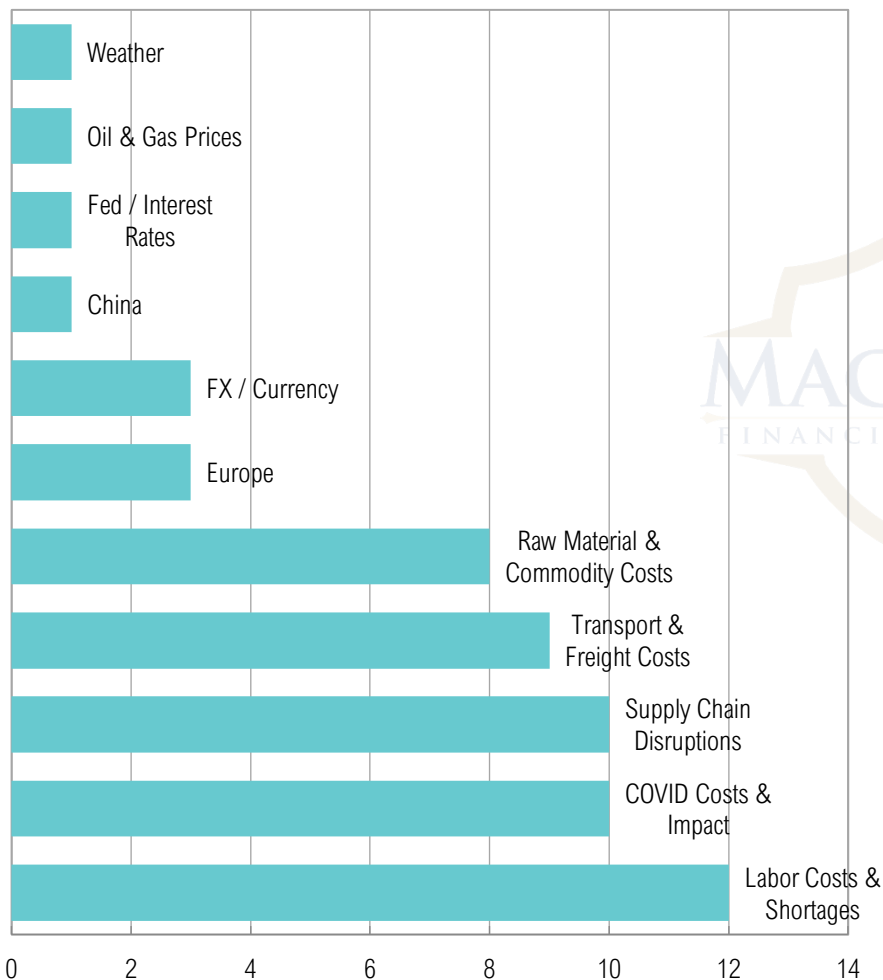
TOTAL U.S. JOOB QUILS, '000s



Source: Bloomberg

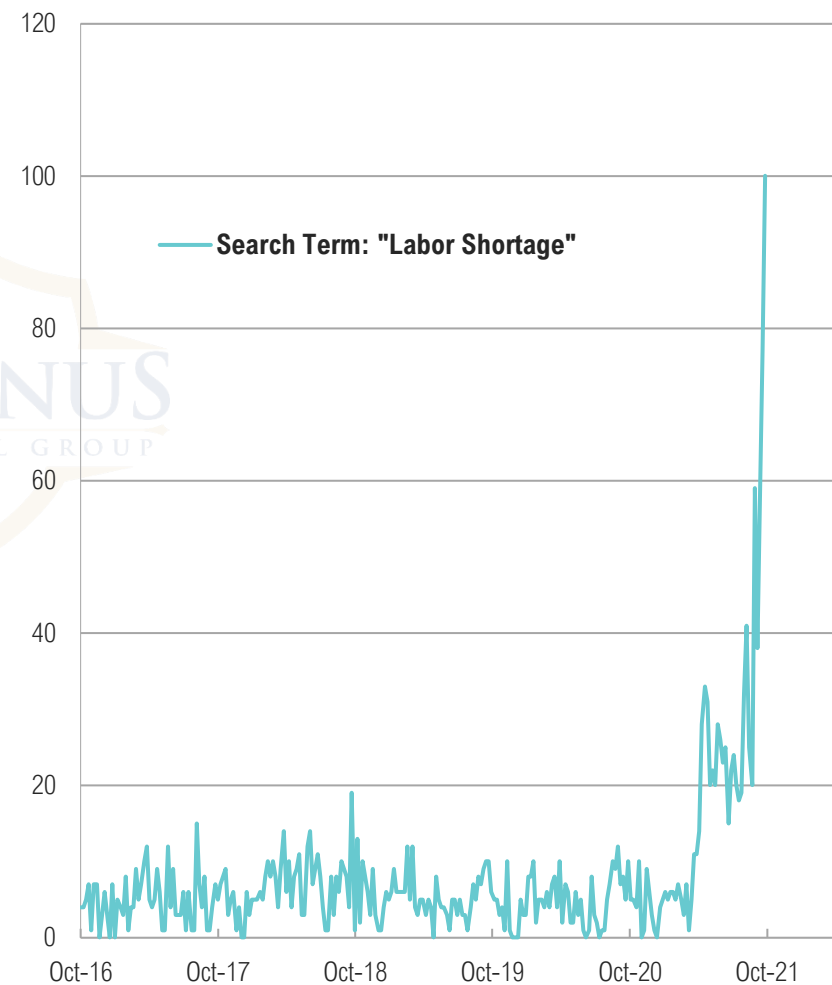
Companies getting creative in attempts to attract workers in a challenging labor market environment that is very different from the '09-'11 recovery

NUMBER OF MENTIONS ON EARNINGS CALLS (Q4 2021, AS OF 1/14)



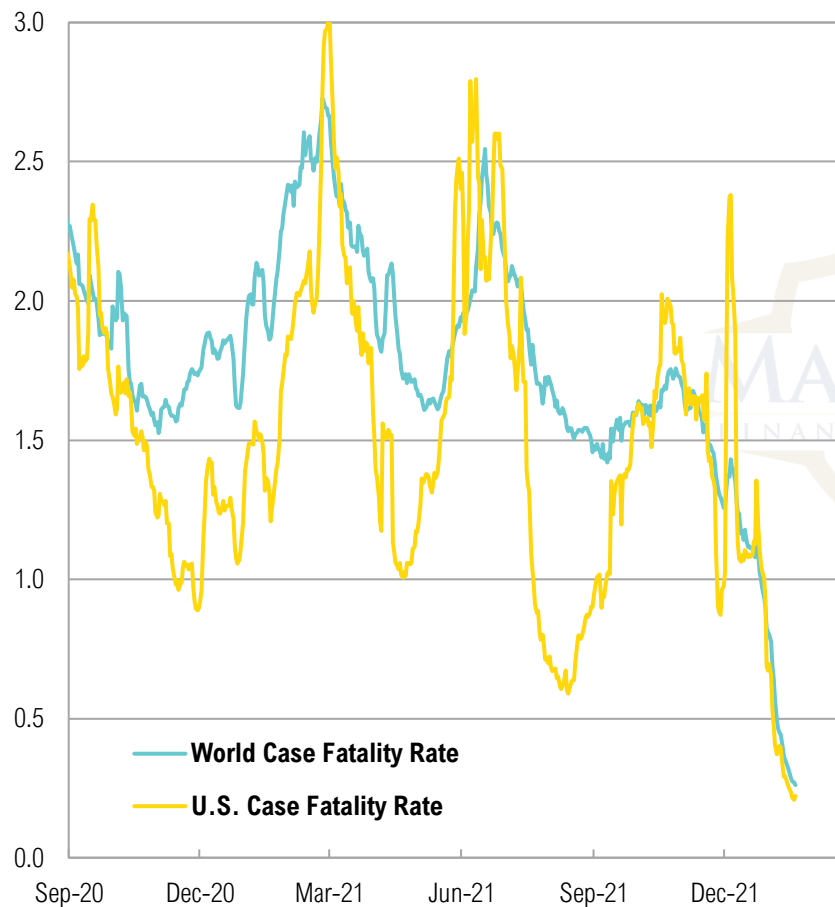
Source: Google, Bloomberg, Factset

GOOGLE TRENDS FOR "LABOR SHORTAGE"

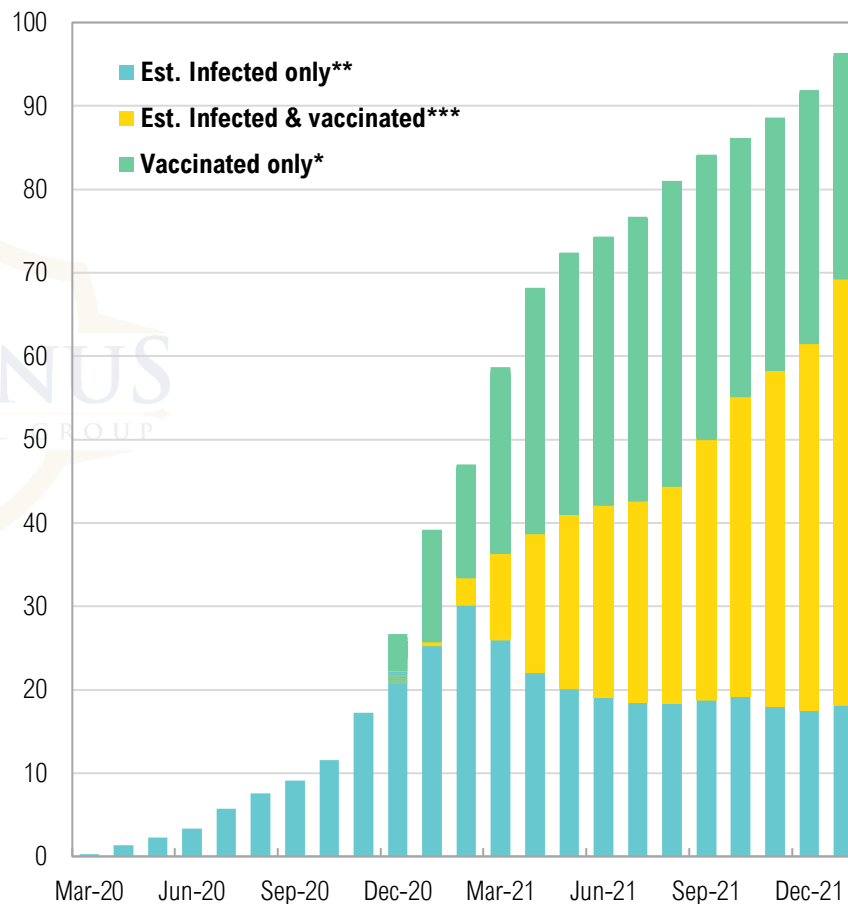


➤ Whether by vaccination, prior infection or both, more than 90% of the population could have a form of immunity

7-DAY MOVING AVERAGE COVID CASES/FATALITIES, %



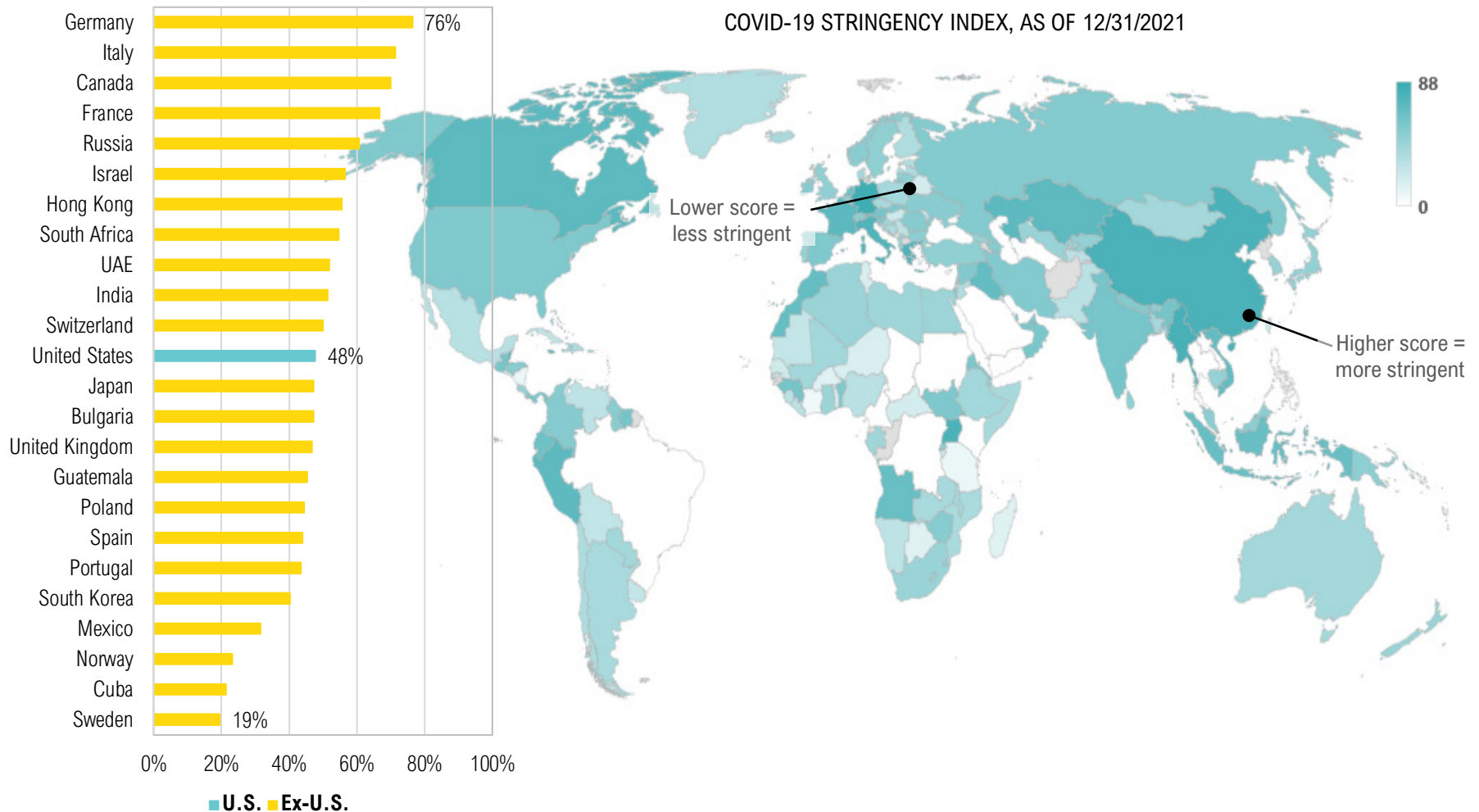
PERCENTAGE OF POPULATION, %



Source: Ourworldindata.org, Johns Hopkins CSSE, J.P. Morgan Asset Management

*Share of the total population that has received at least one vaccine dose. ** Est. Infected only represents the number of people who may have been infected by COVID-19 by using the CDC's estimate that 1 in 4.2 COVID-19 infections were reported. ***Est. Infected & vaccinated reflects those that have been both infected and vaccinated, assuming those infected equally likely to be vaccinated as those not infected.

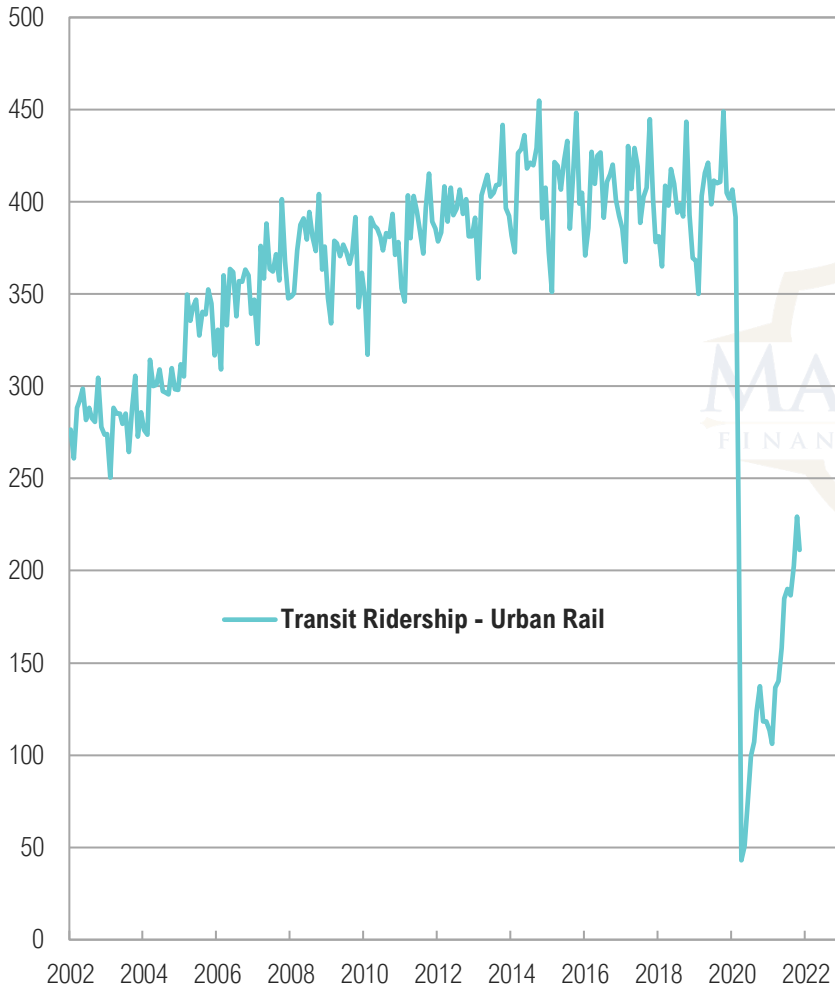
The reaction function and policy response to the pandemic has been significant and unpredictable; Omicron disruptions seem to be waning



Source: New York Times, Our World in Data

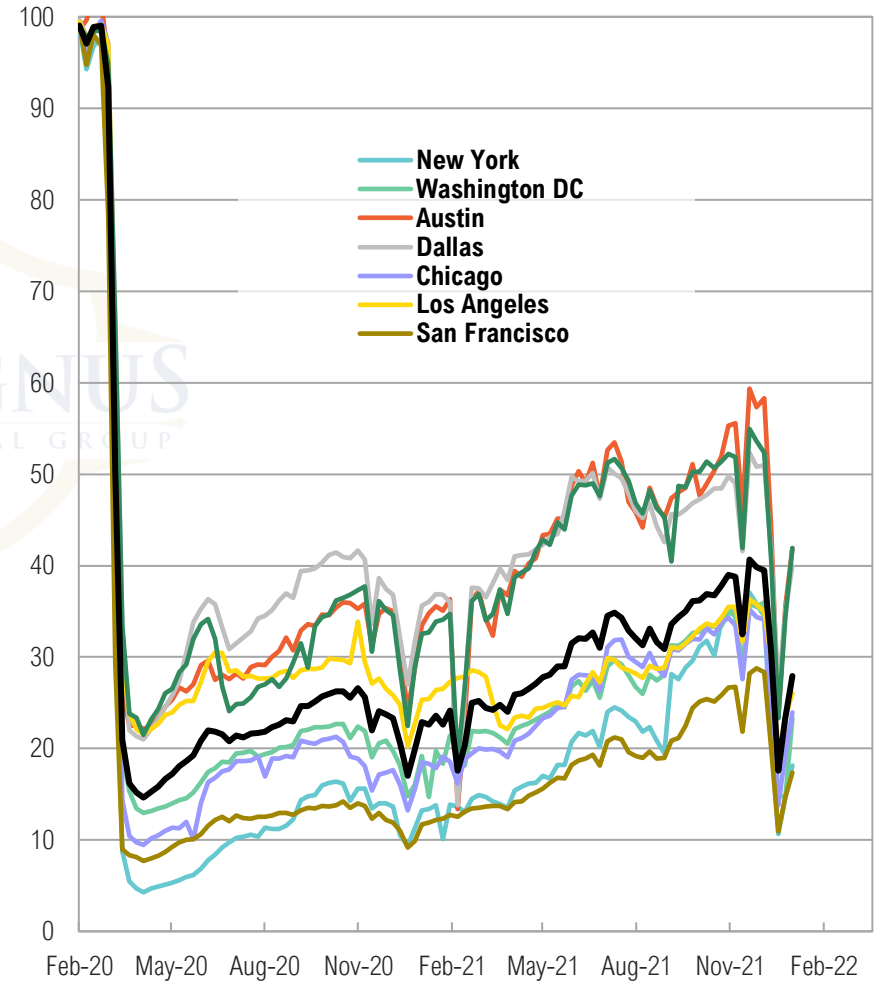
➤ “Back to work” hasn’t gone according to plan

TRANSIT RIDERSHIP – URBAN RAIL MONTHLY TRIPS (MILLIONS)



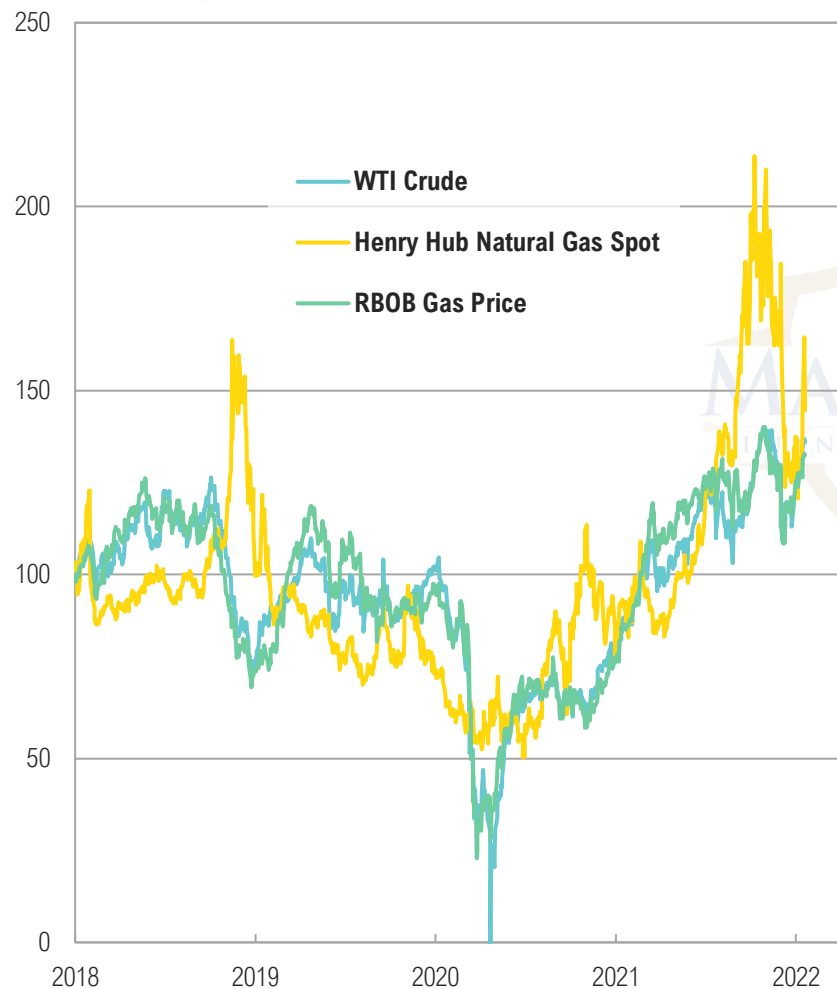
Source: U.S. Department of Transportation, Kastle

% OF CURRENT CITY OFFICE SPACE CURRENTLY IN USE



Rising energy prices will continue to be a hot topic for consumers and the current administration

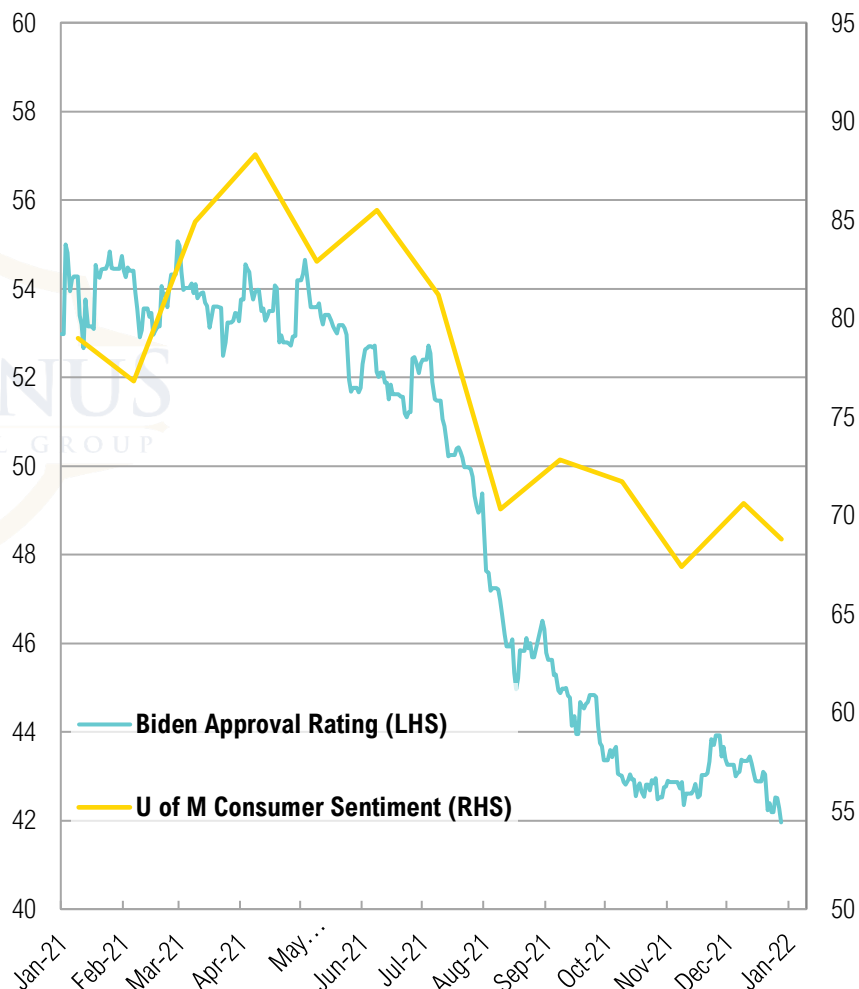
GROWTH OF 100, BASE PRICE = JAN 2018



Source: Bloomberg, FiveThirtyEight, University of Michigan

BIDEN APPROVAL RATING

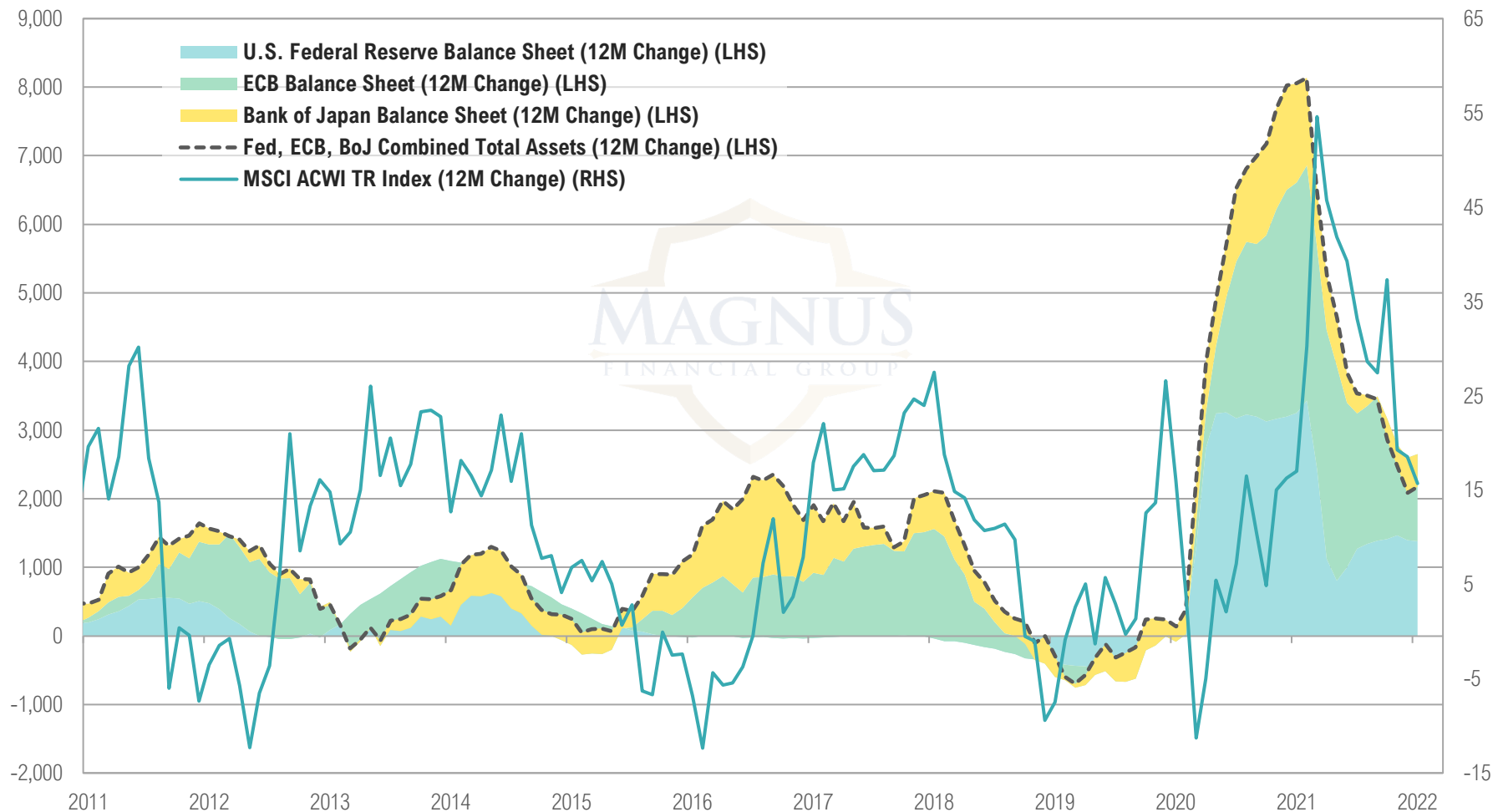
U of M CONSUMER SENTIMENT INDEX



Global quantitative easing efforts supported the recent gains in global stocks

CENTRAL BANK BALANCE SHEETS, \$BN

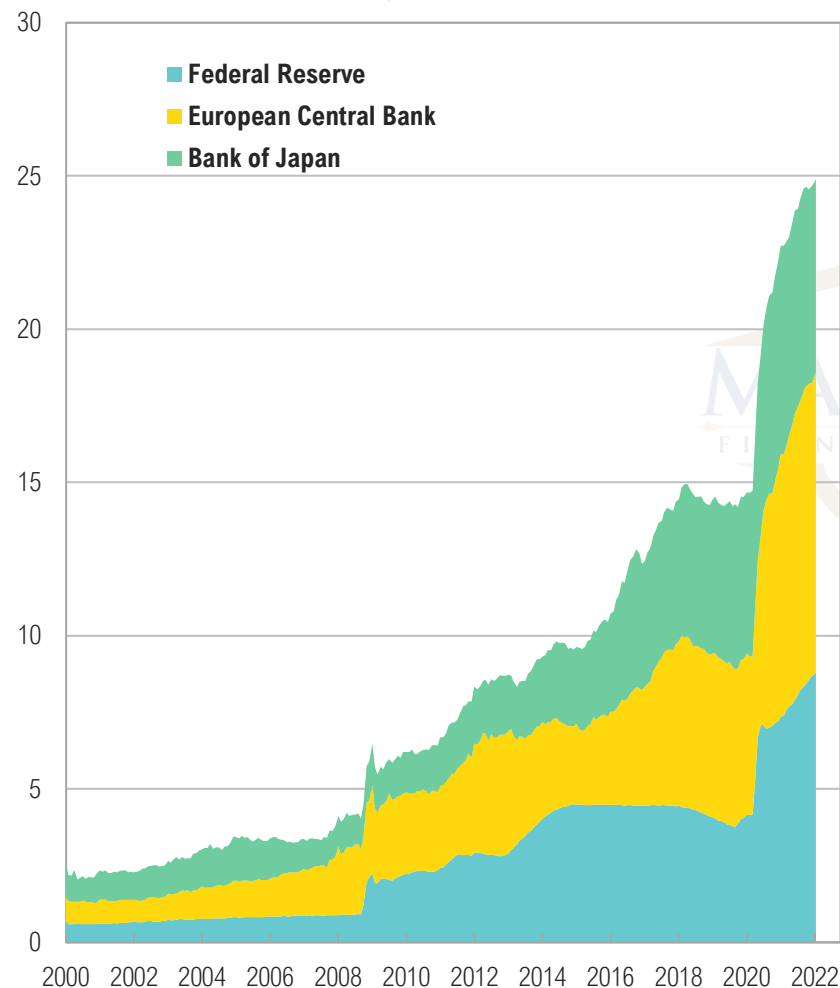
MSCI ACWI TR INDEX Y/Y, %



Source: Bloomberg

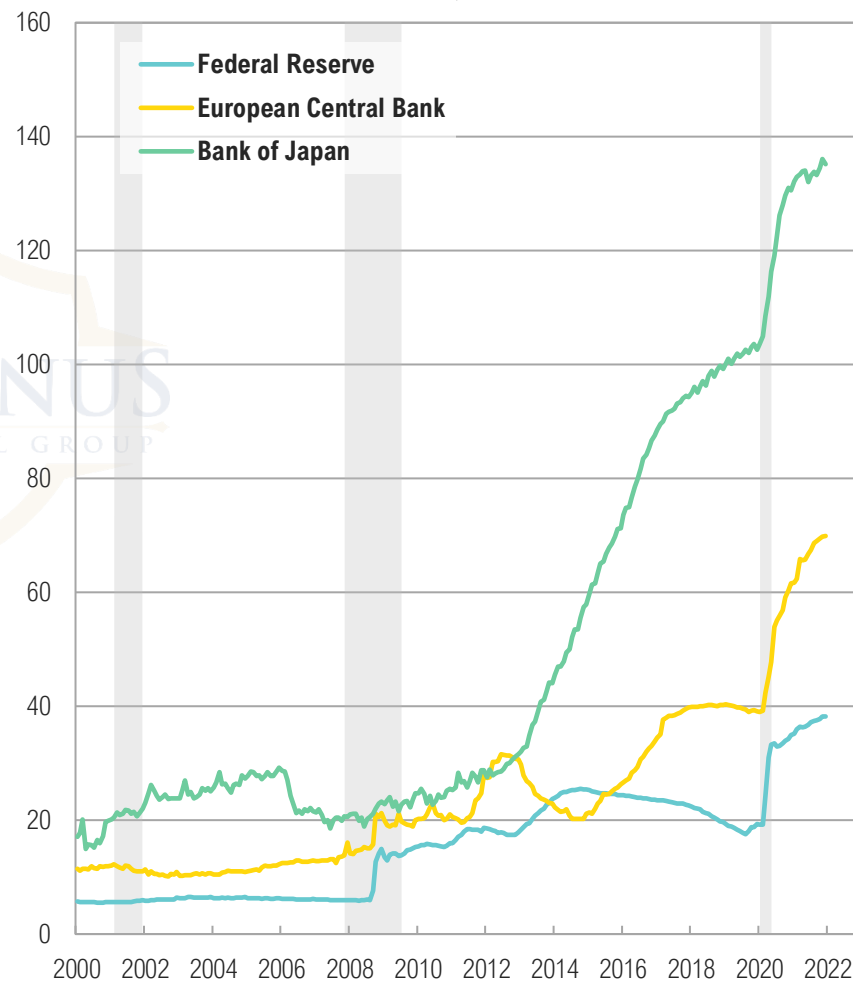
Thinking well ahead, if the Fed ever does need to reverse course, they have substantially more options than the ECB and BoJ

CENTRAL BANK BALANCE SHEET, \$ TRILLIONS



Source: Bloomberg

CENTRAL BANK BALANCE SHEET/ GDP, %



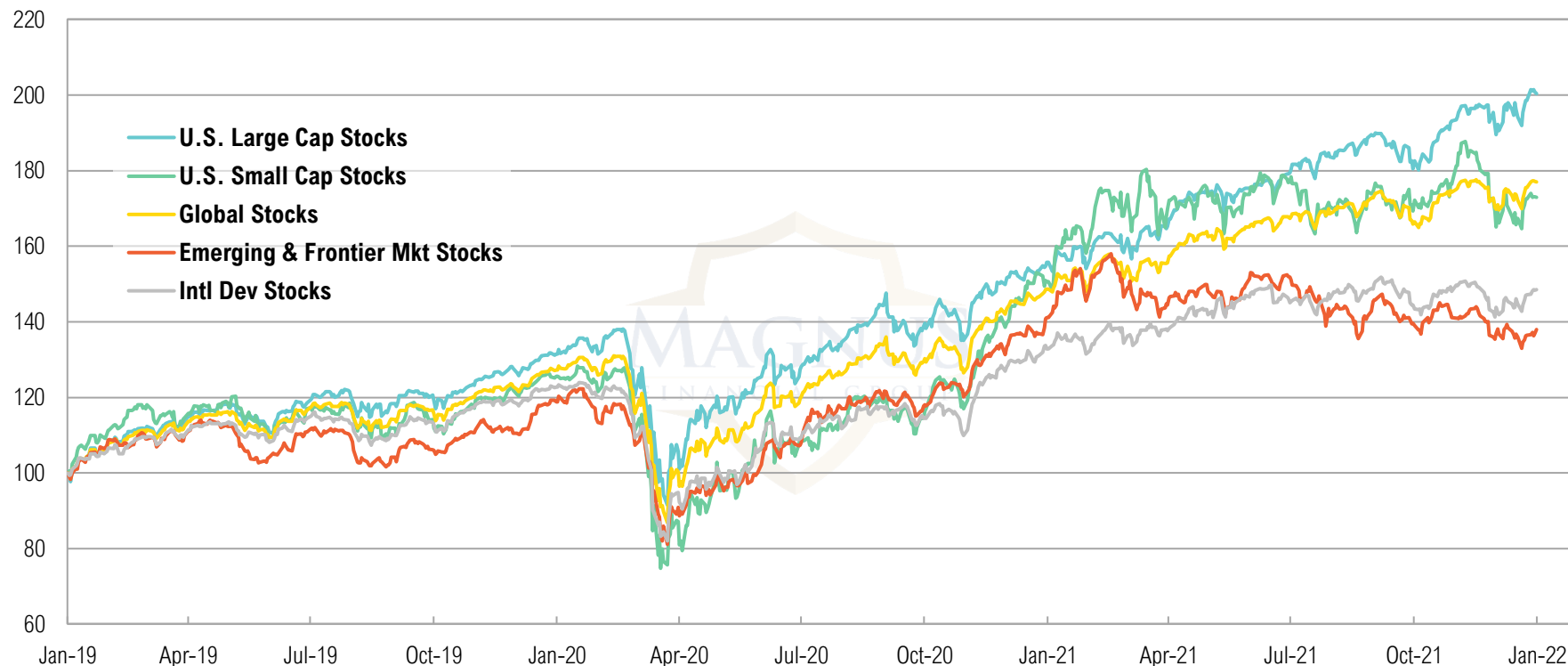


Right now, we're in a raging mania.

– Stan Druckenmiller, Investor, 2021

U.S. large cap stocks outperformed during the quarter; U.S. valuations remain higher than international and emerging markets

TRAILING & CALENDAR YEAR TOTAL RETURNS



Asset Class	Benchmark	MTD	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2021	2020	2019	2018	2017
U.S. Large Cap Stocks	S&P 500 TR	4.5	11.0	28.7	28.7	26.1	18.5	16.5	28.7	18.4	31.5	-4.4	21.8
U.S. Small Cap Stocks	Russell 2000 TR	2.3	2.0	14.5	14.5	19.9	11.9	13.2	14.5	20.0	25.4	-11.1	14.6
Intl Dev Stocks	MSCI EAFE GR	5.1	2.7	11.3	11.3	13.5	9.5	8.0	11.3	7.8	22.0	-13.8	25.0
Emerging & Frontier Mkt Stocks	MSCI EM GR	1.9	-1.3	-2.5	-2.5	10.9	9.9	5.5	-2.5	18.3	18.4	-14.6	37.3
Global Stocks	MSCI ACWI GR	4.0	6.7	18.5	18.6	20.4	14.4	11.8	18.5	16.3	26.6	-9.4	24.0

Source: Bloomberg

Returns for periods greater than one year are annualized.

Q1, 2022 Market Outlook

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

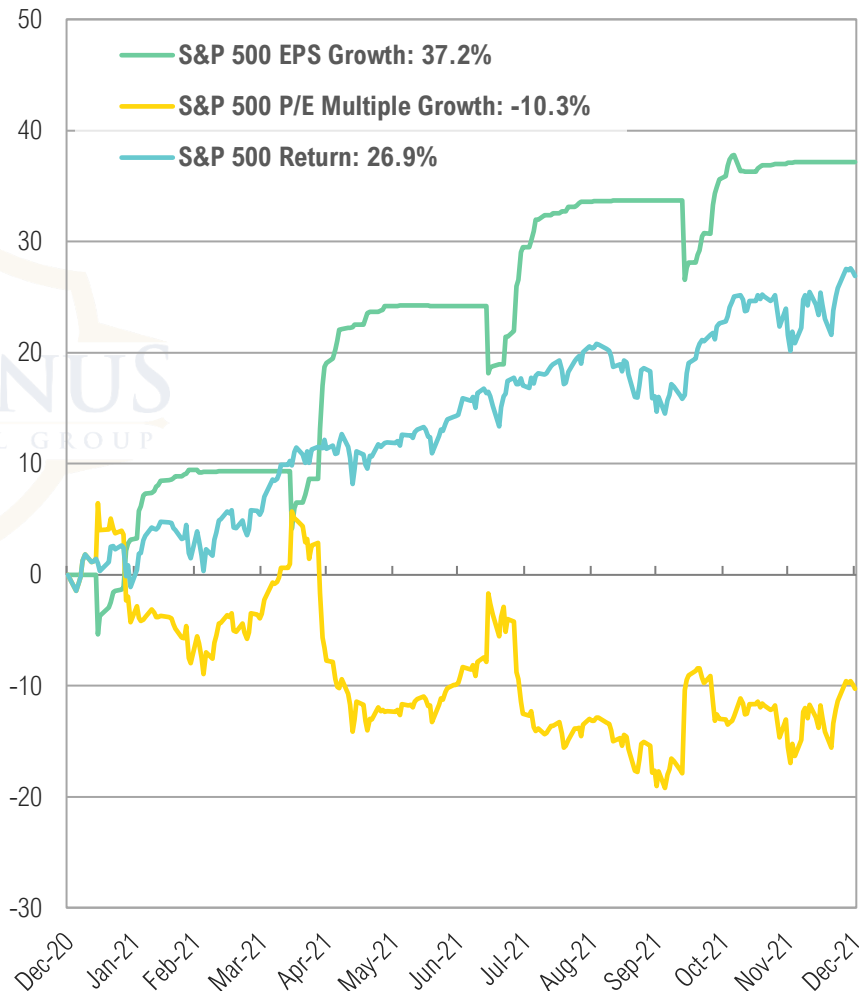
Earnings grew at a faster rate than returns in 2021, resulting in multiple compression in the S&P 500

S&P 500 EARNINGS PER SHARE



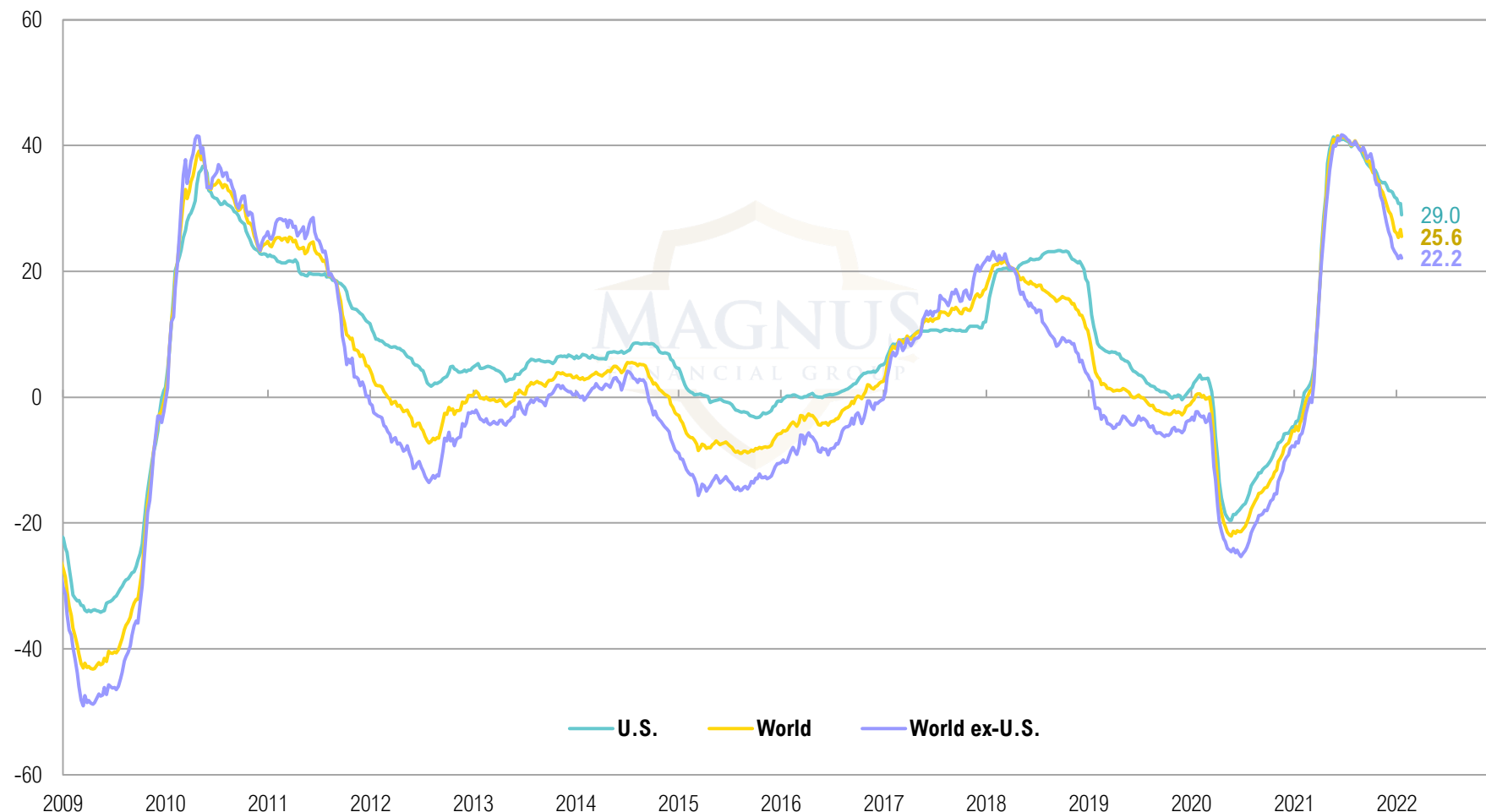
Source: Bloomberg

PERCENT CHANGE IN S&P 500, EARNINGS AND VALUATIONS



Global EPS growth expectations have slowed; U.S. growth is expected to be higher than the rest of the world in 2022

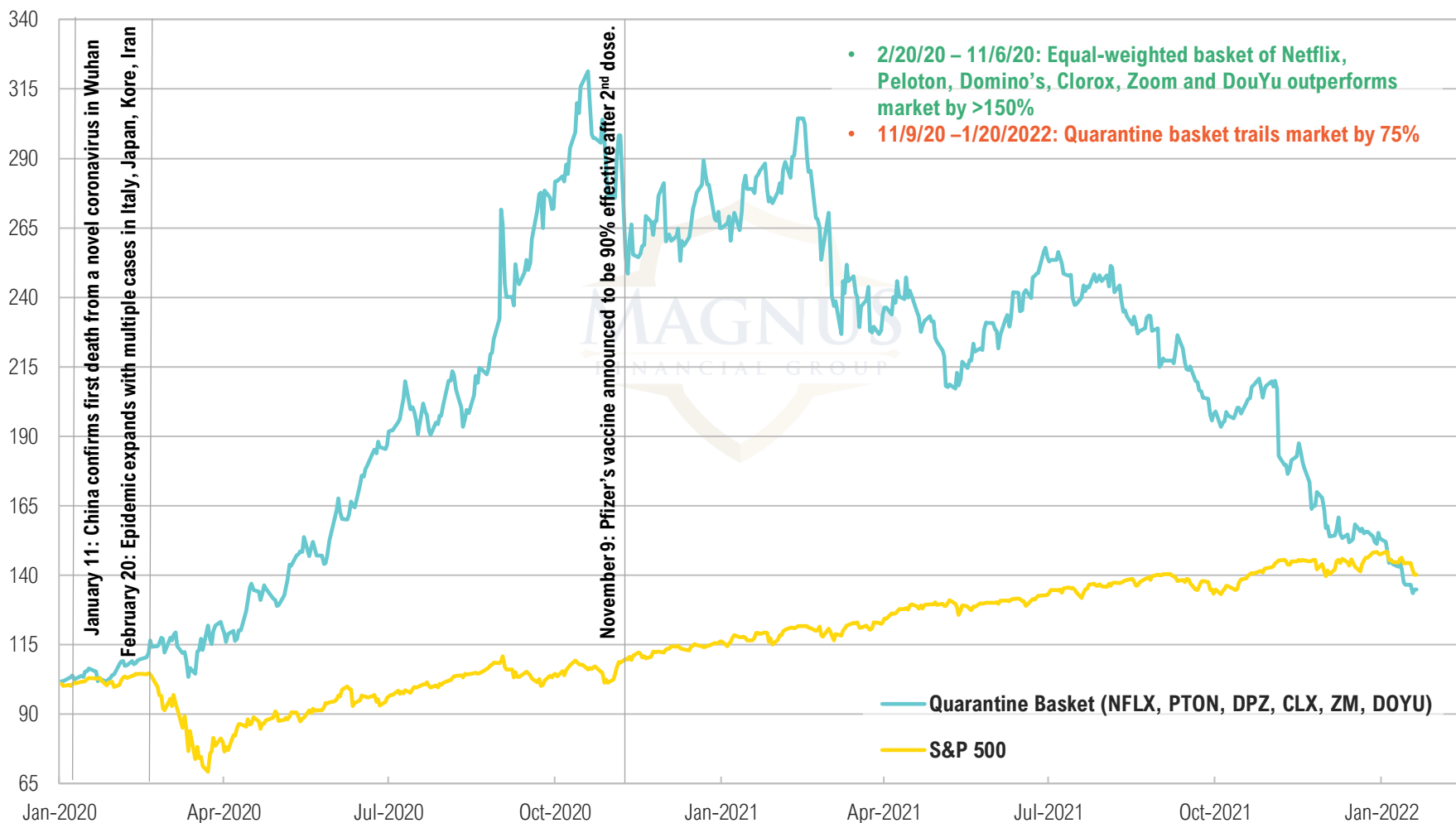
12-MONTH FORWARD EPS GROWTH ESTIMATES Y/Y, %



Source: Bloomberg. EPS estimates refer to the MSCI indices.

Quarantine stock basket now trails the broader U.S. stock market over 24 months

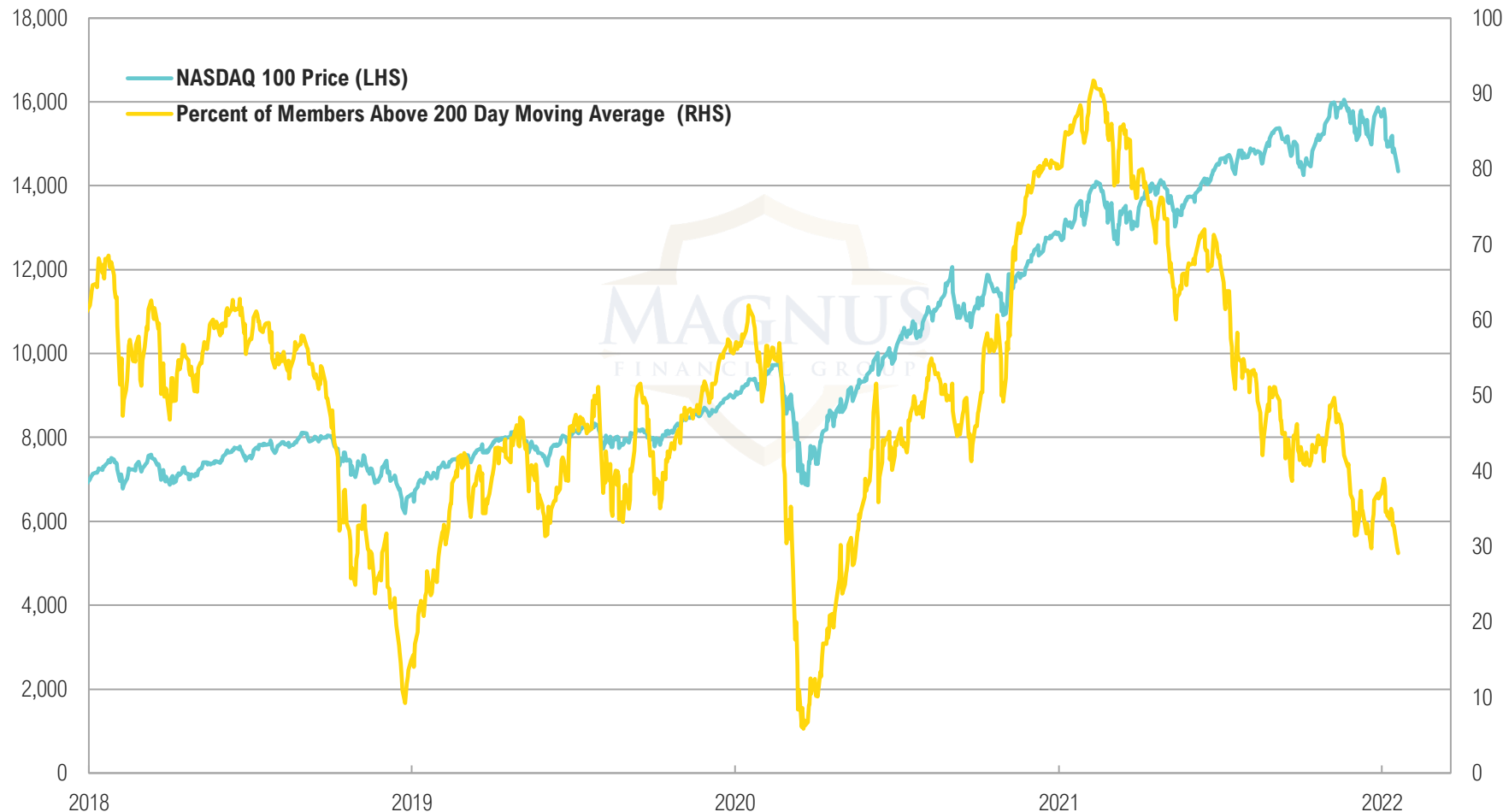
GROWTH INDEX



Just 30% of the NASDAQ 100 trades above their 200-day moving averages

NASDAQ 100 INDEX VALUE

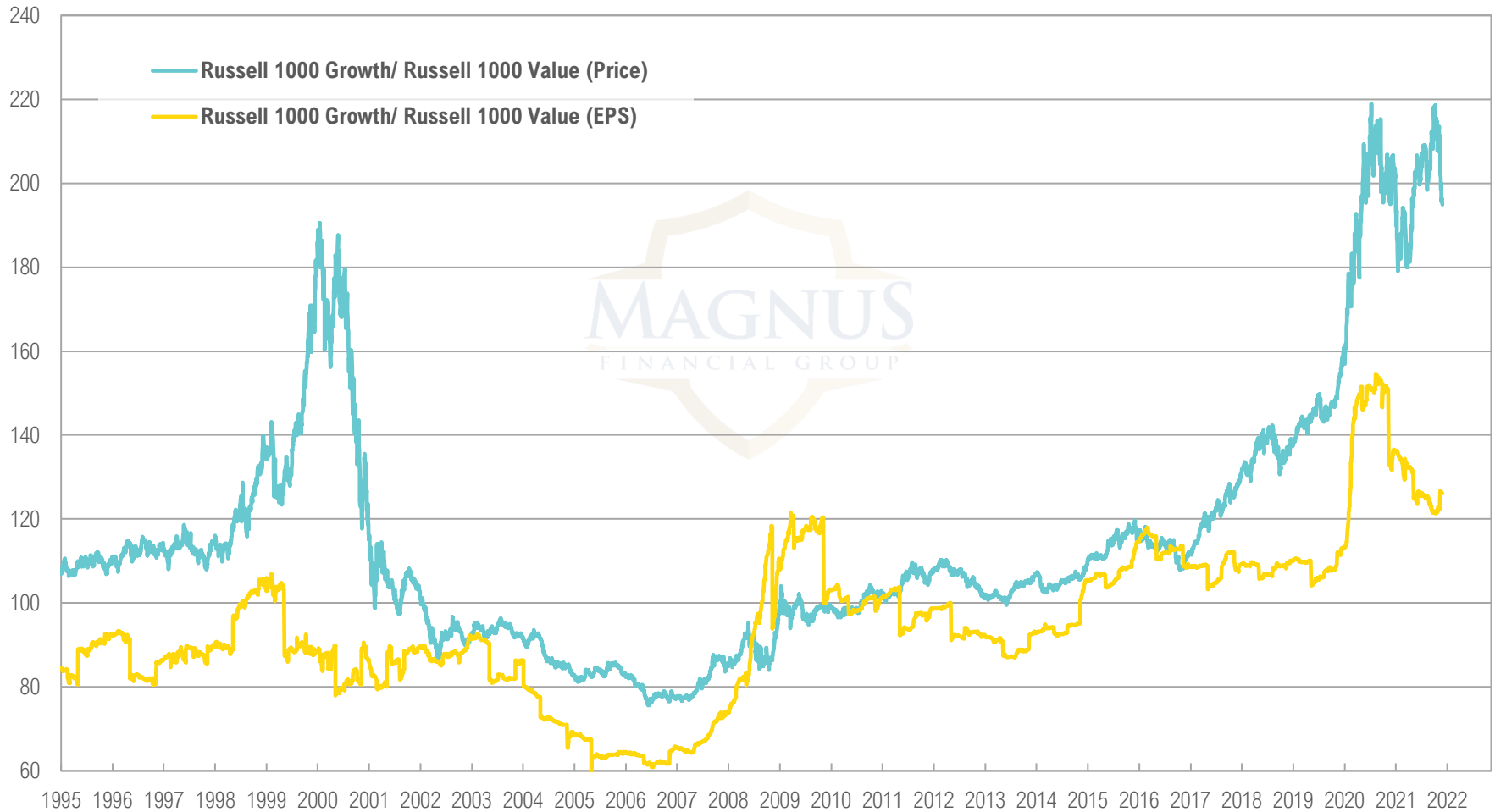
NASDAQ 100 CONSTITUENTS ABOVE 200-DAY MOVING AVERAGE, %



Source: Bloomberg

➤ Growth price optimism not supported by earnings

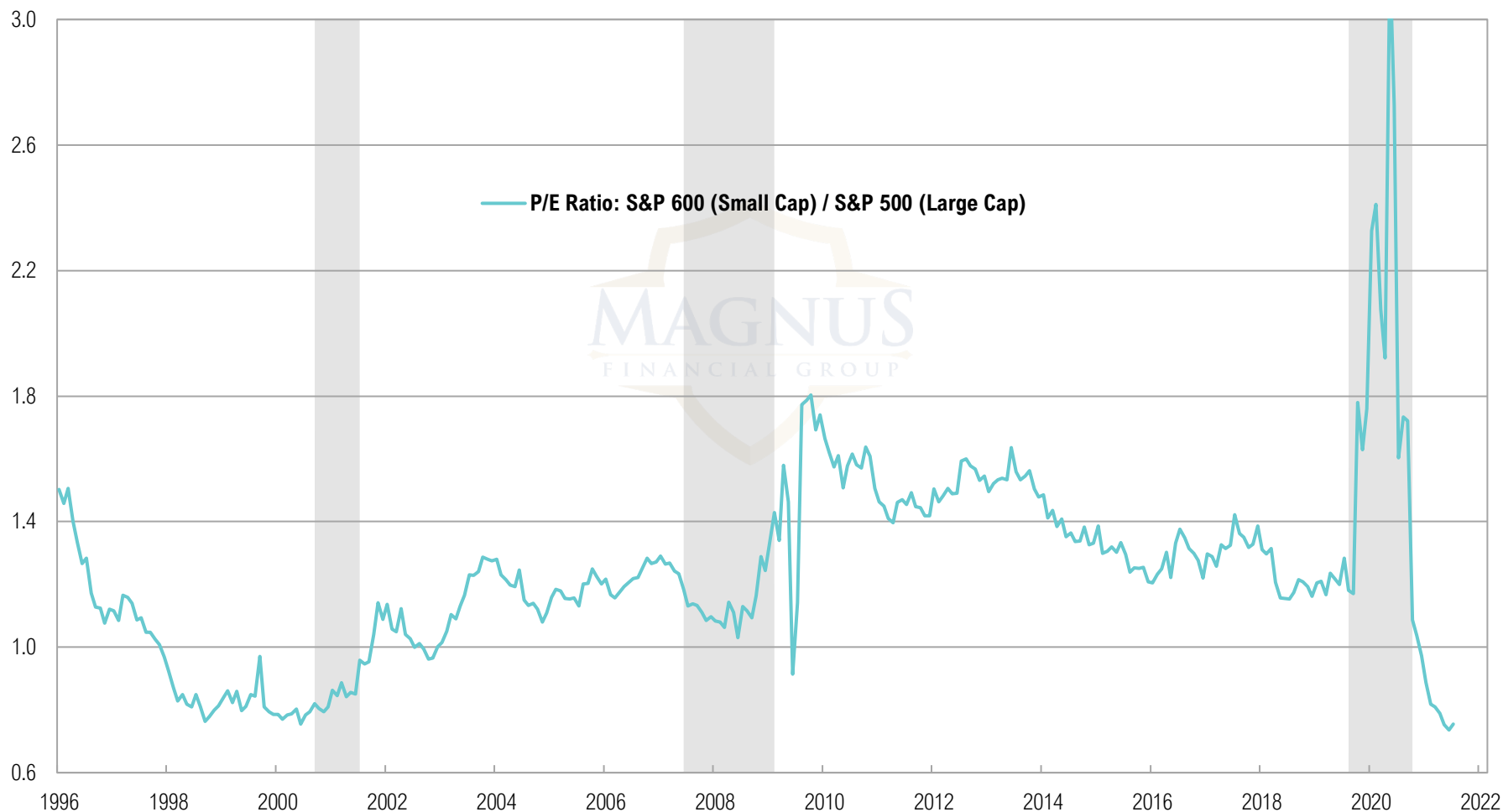
RATIO VALUE, BASE YEAR (2010) = 100



Source: Bloomberg

Historically small cap has been more expensive than large cap, but small cap relative valuations are currently near the lowest levels in recent history

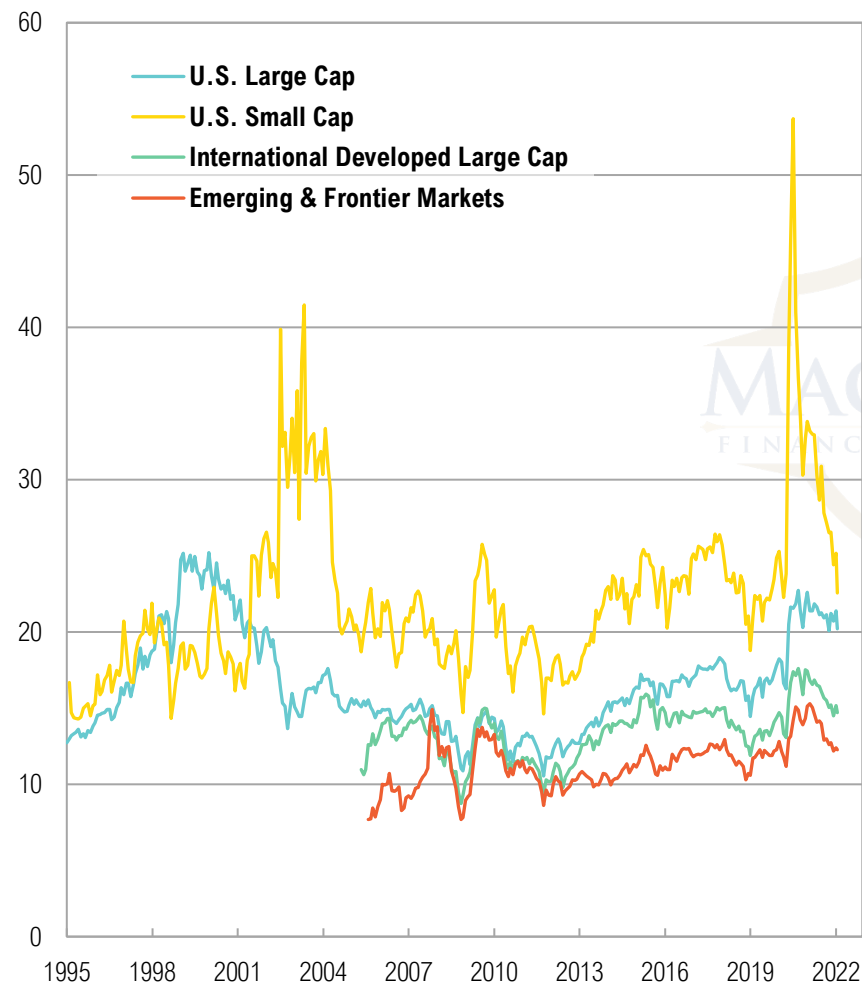
RATIO, TRAILING 12-MONTH P/E



Source: Bloomberg

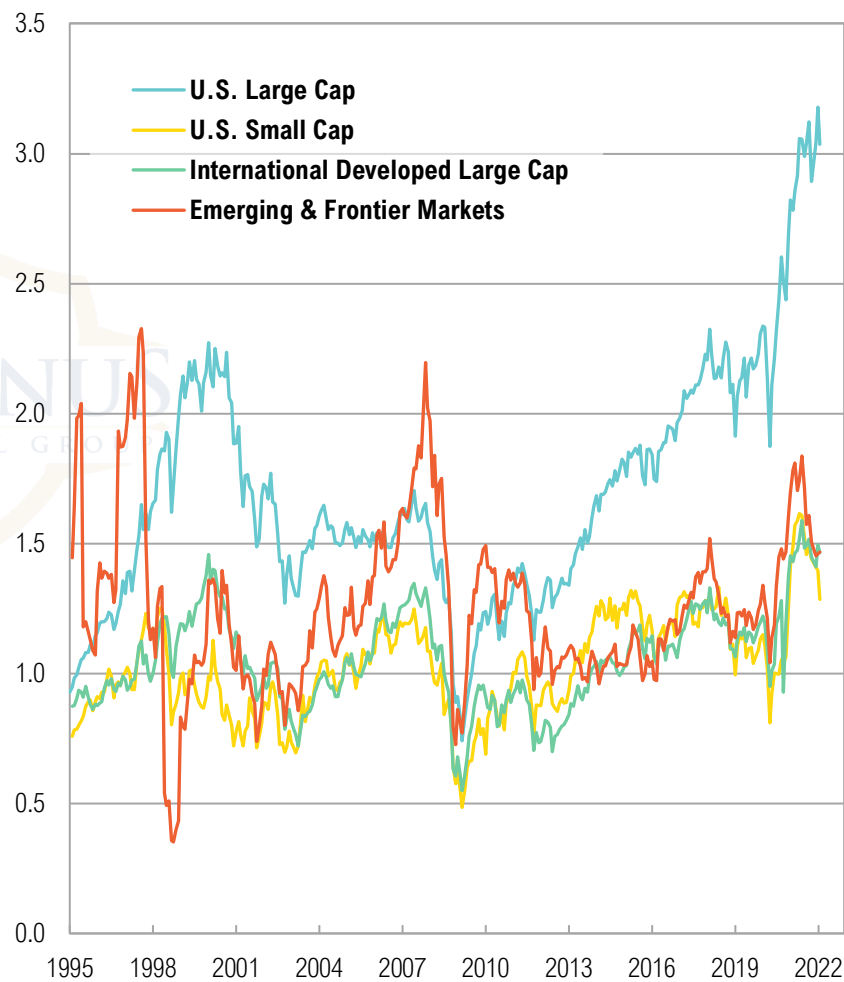
➤ Relative to earnings estimates, emerging & frontier market stocks are cheapest; relative to sales, U.S. Large Cap stocks appear very expensive

BLENDED FORWARD 12-MONTH P/E RATIOS



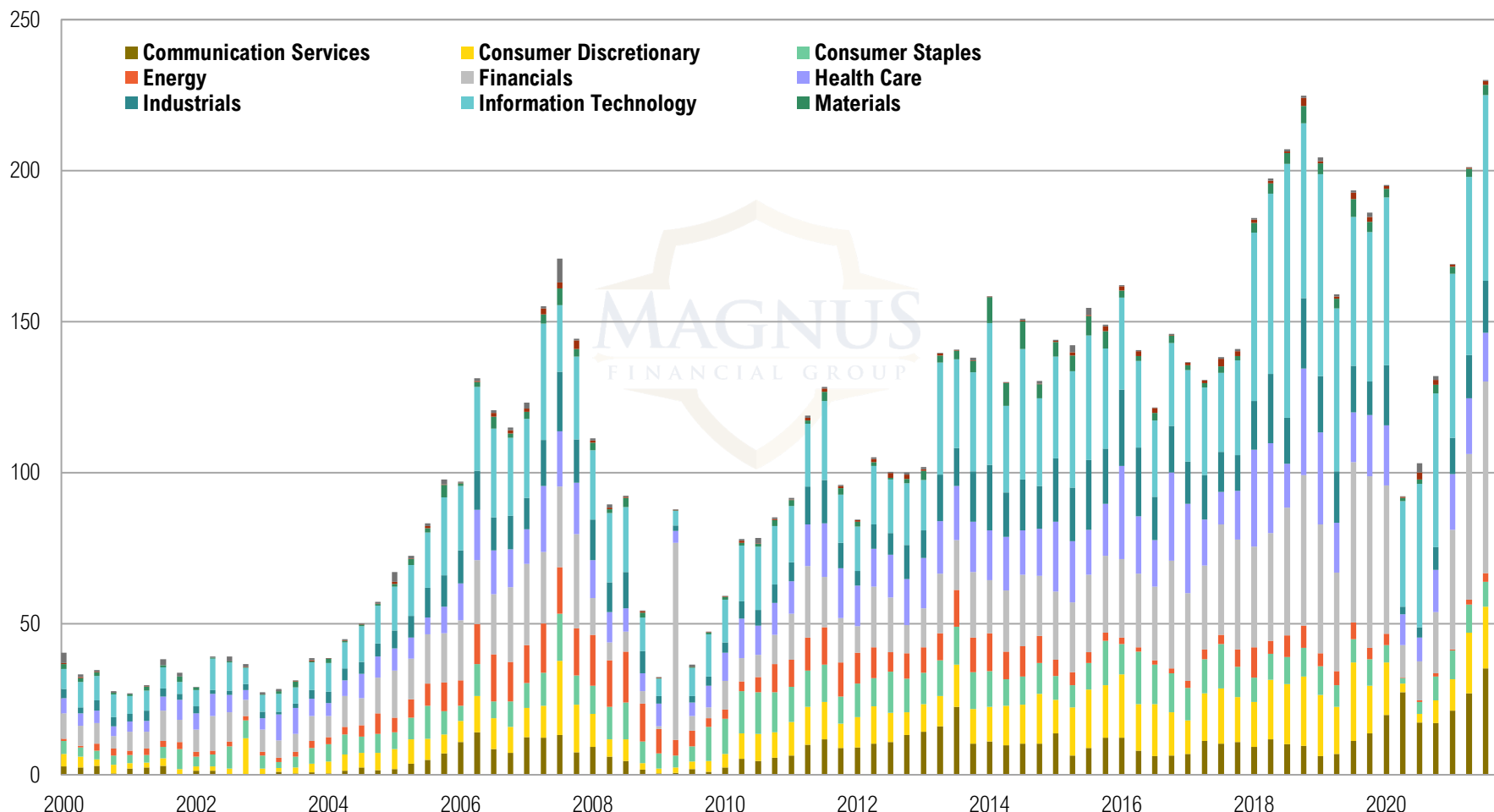
Source: Bloomberg

P/S RATIO



➤ A record \$230 billion of buybacks in Q3; financials and tech were the two leading sectors, repurchasing a combined \$125 billion

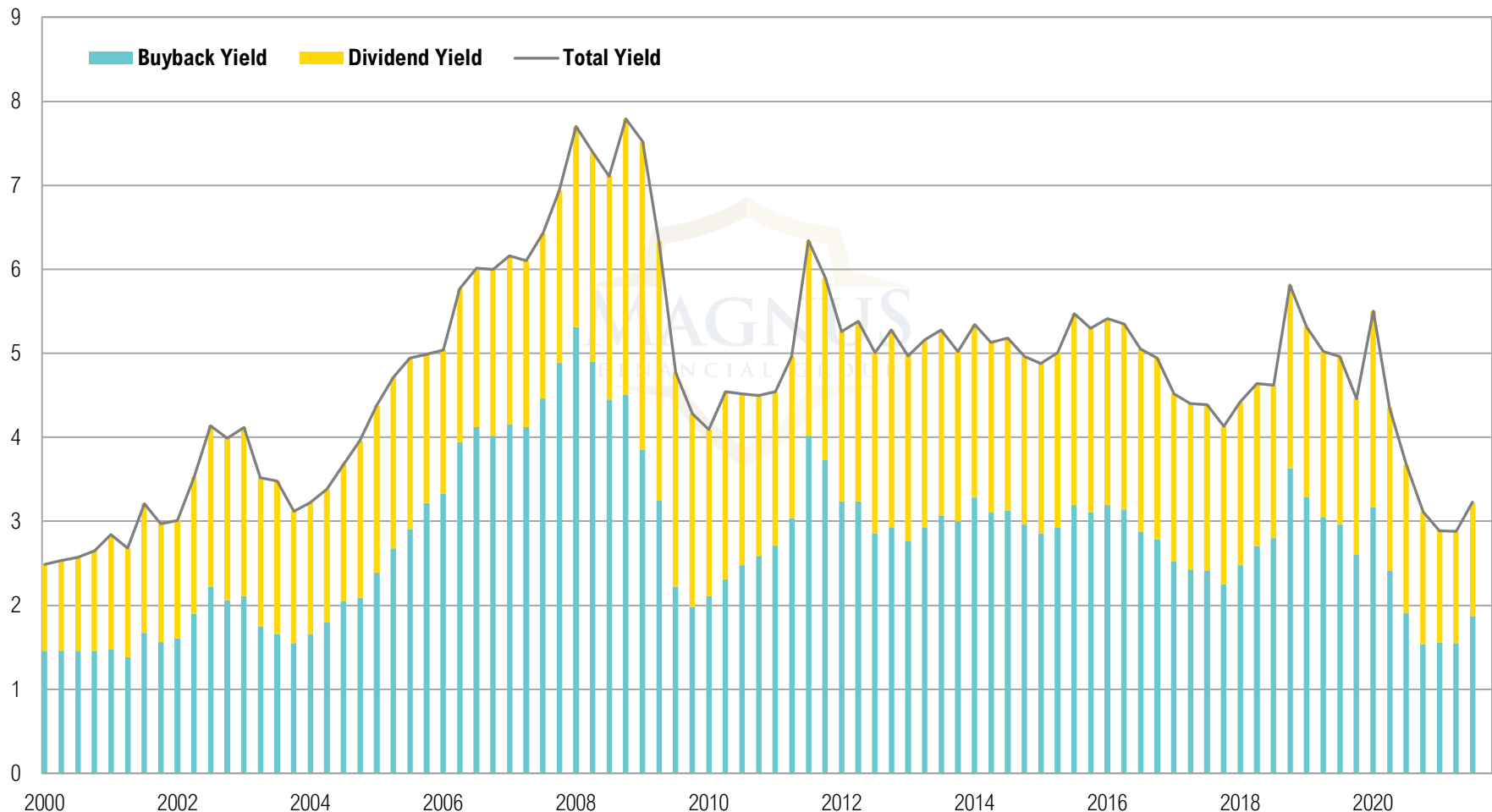
SHARE BUYBACKS BY SECTOR, \$BN



Source: Bloomberg

Buyback and dividend yields for U.S. large cap stocks rose in the third quarter as buybacks reached a record high

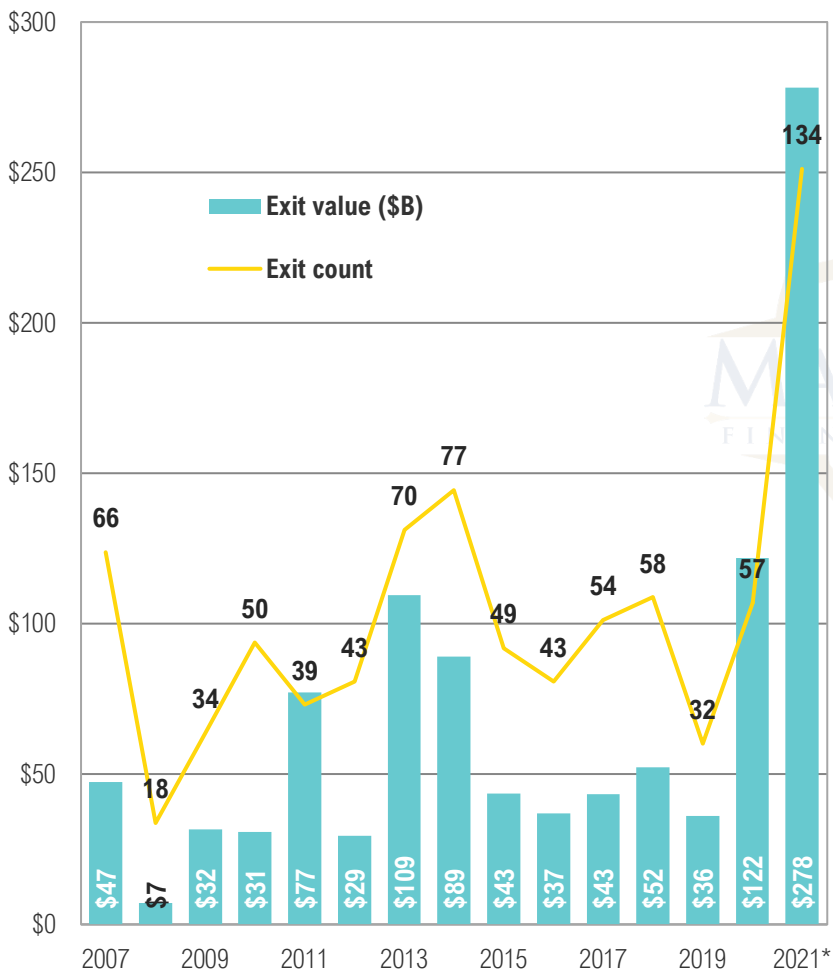
S&P 500 BUYBACK & DIVIDEND YIELD, %



Source: Bloomberg. Buyback and dividend yields are calculated using trailing four quarter data and the aggregate equity market cap as of each quarter end.

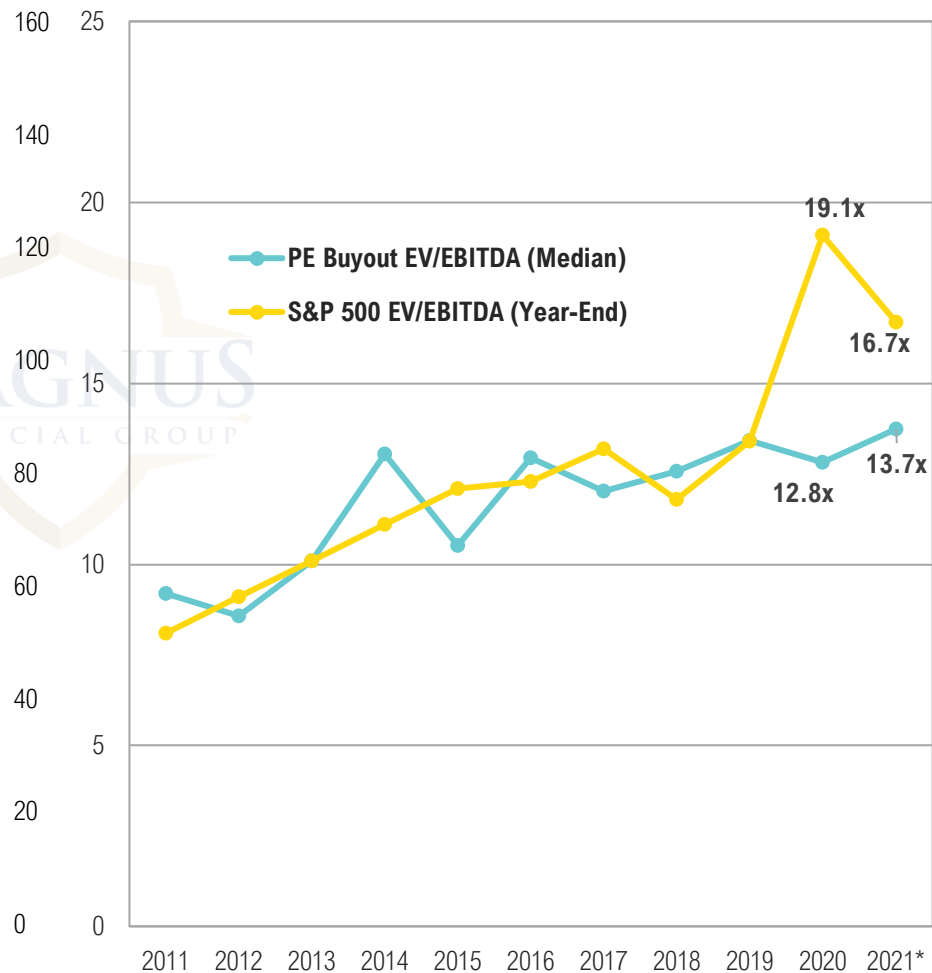
Frothy public markets lead to largest IPO year on record

PE PUBLIC LISTING EXIT ACTIVITY, \$BILLIONS



NUMBER OF DEALS

MEDIAN PE BUYOUT VS S&P 500 MULTIPLES



Source: Pitchbook, Bloomberg

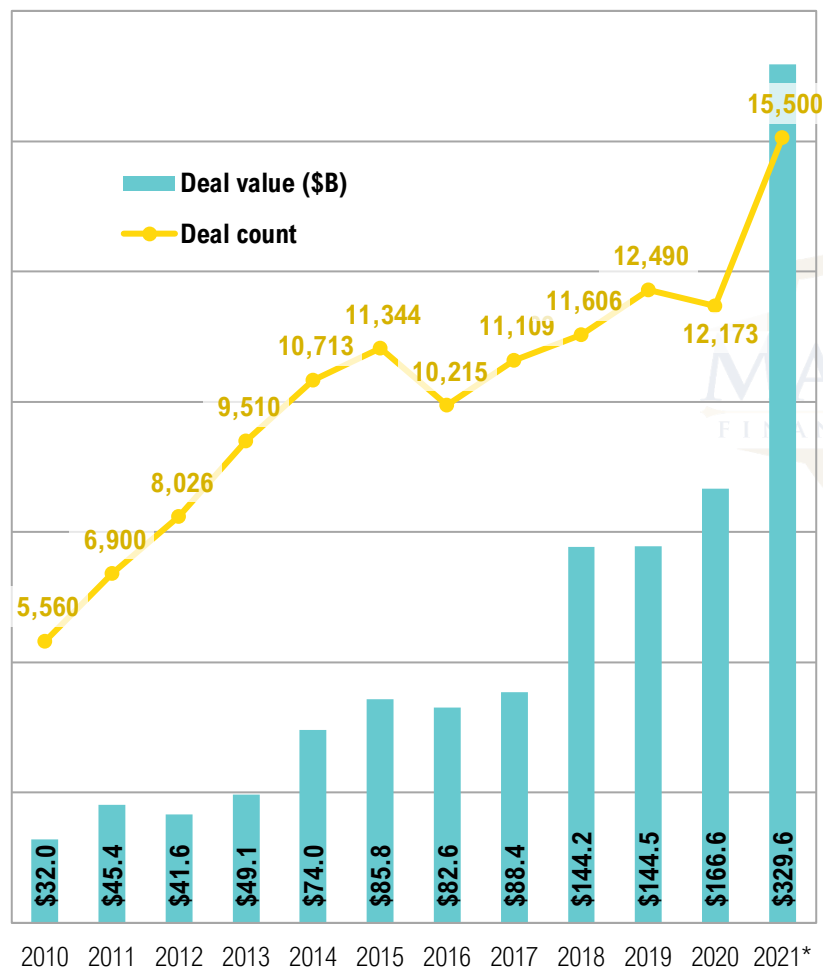
*Data as of December 31, 2021

Q1, 2022 Market Outlook

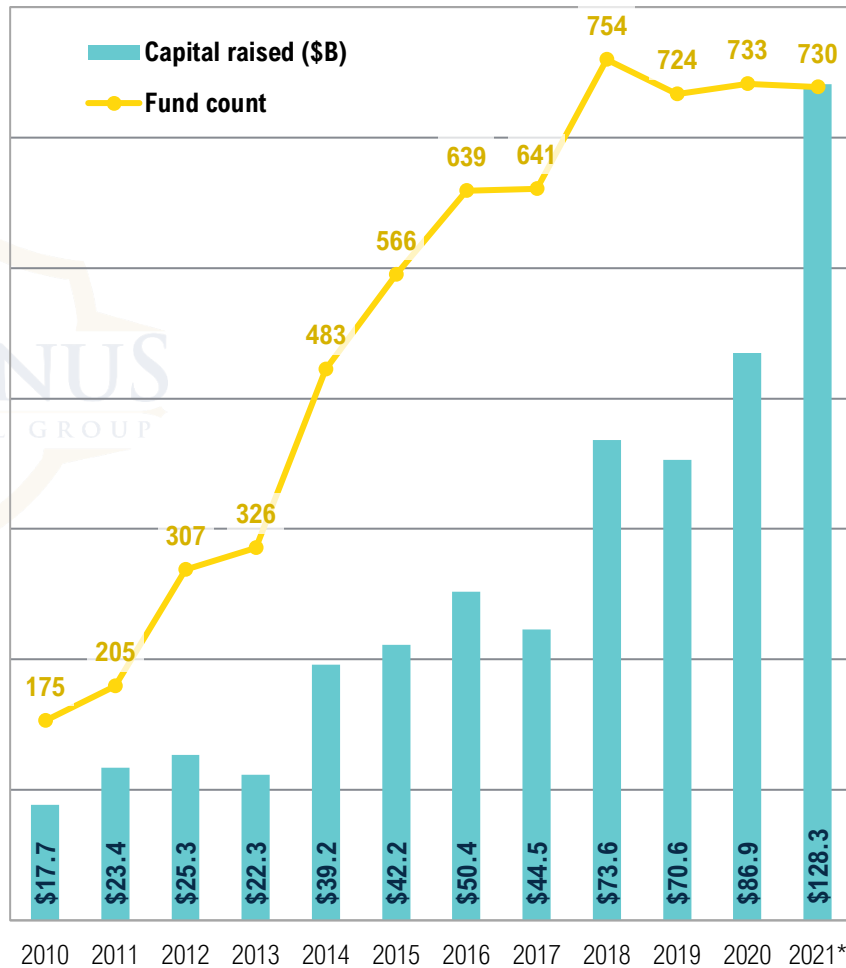
SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

Pent-up pandemic demand has pushed 2021 venture activity to shatter previous records

US VC DEAL ACTIVITY



US VC FUNDRAISING ACTIVITY



Source: Pitchbook

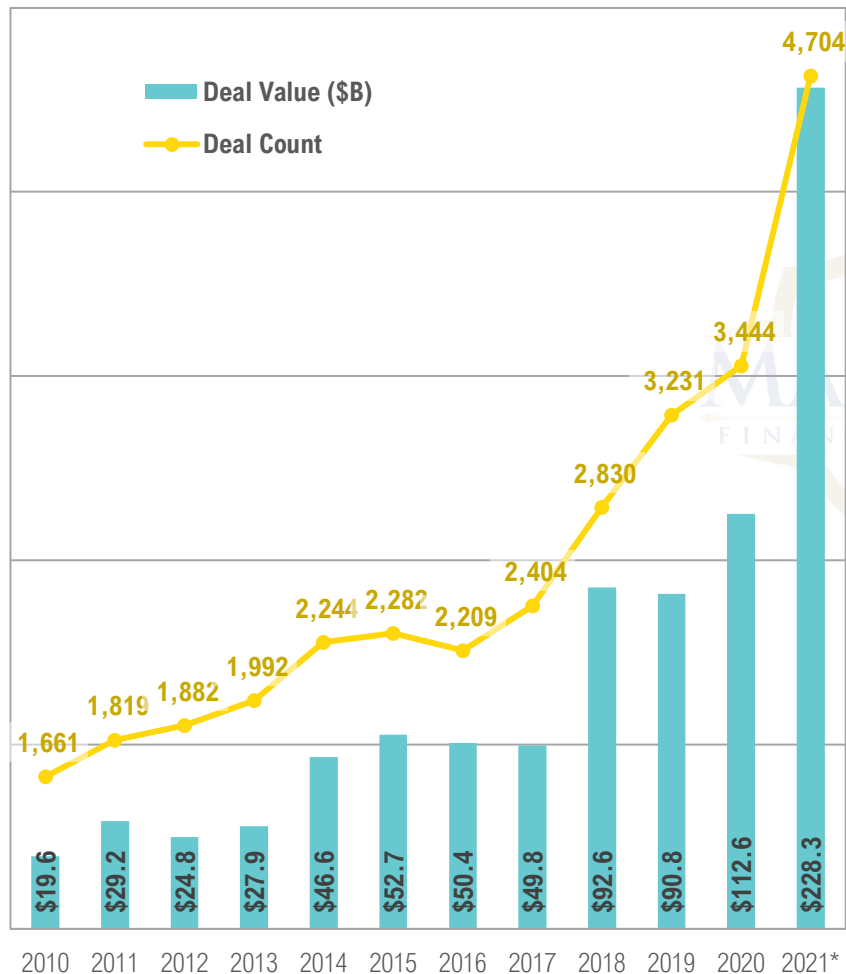
*Data as of Dec 31, 2021

Q1, 2022 Market Outlook

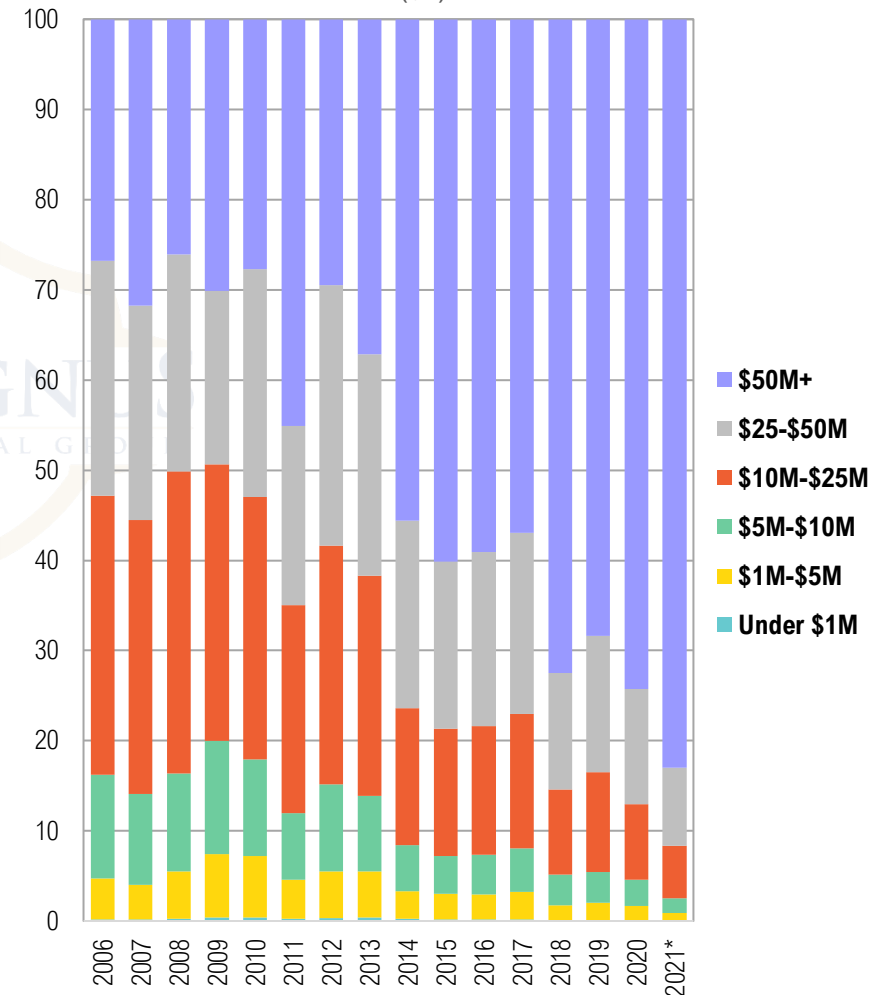
SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

Momentum persists at late stage of venture activity

US LATE-STAGE VC DEAL ACTIVITY



US LATE-STAGE VC DEAL VALUE (\$B) BY SIZE

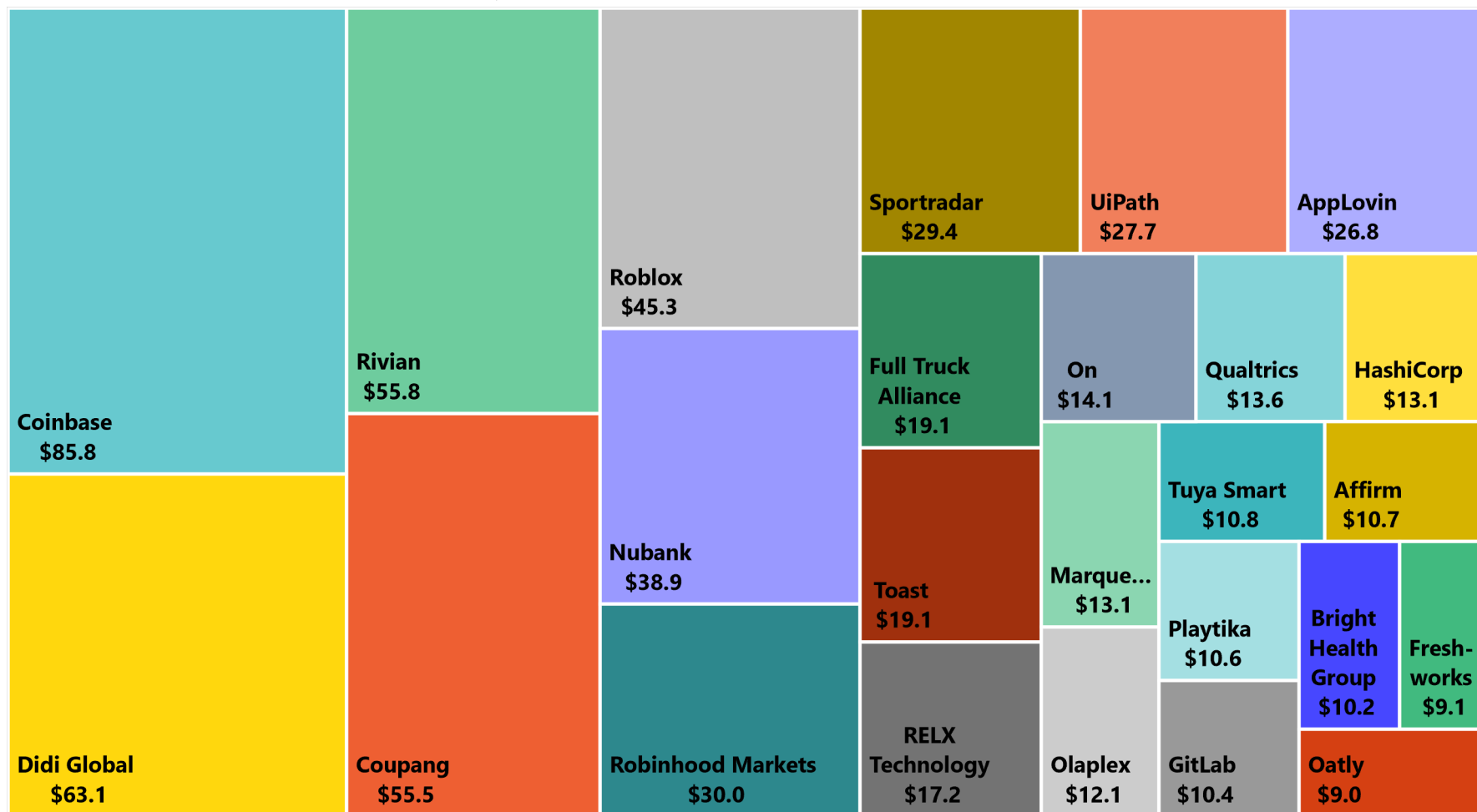


Source: Pitchbook

*Data as of December 31, 2021

➤ VC-backed tech unicorns were the belle of the IPO-ball in 2021...

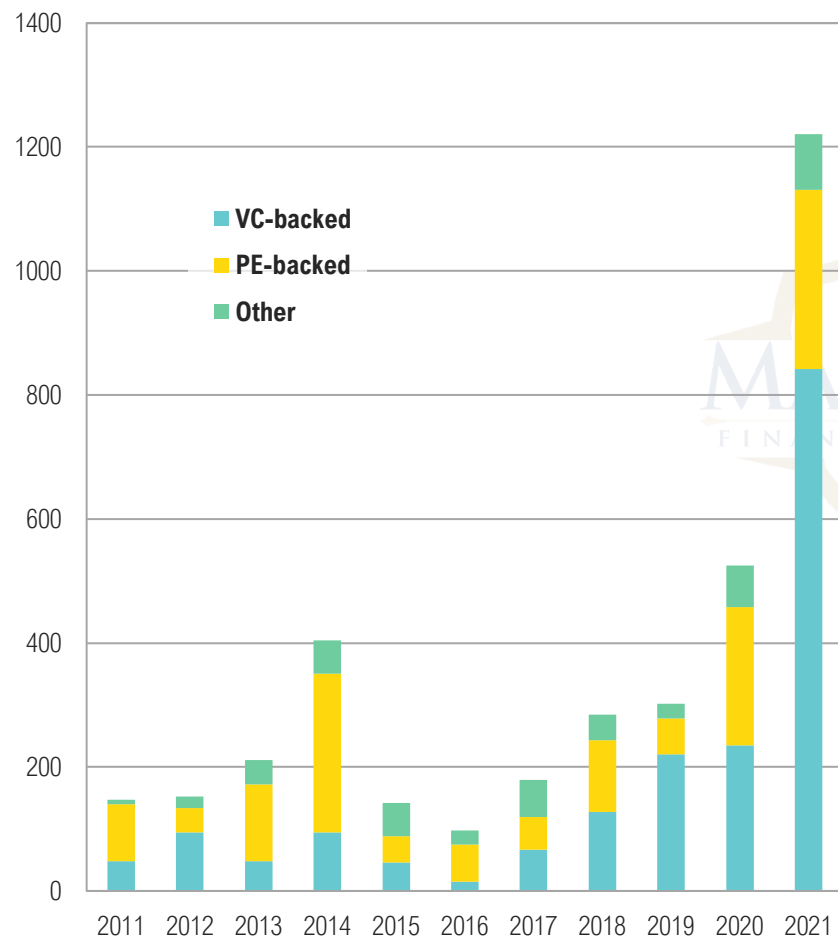
TOP 25 US PUBLIC LISTINGS BY EXIT SIZE IN 2021, \$ BILLIONS



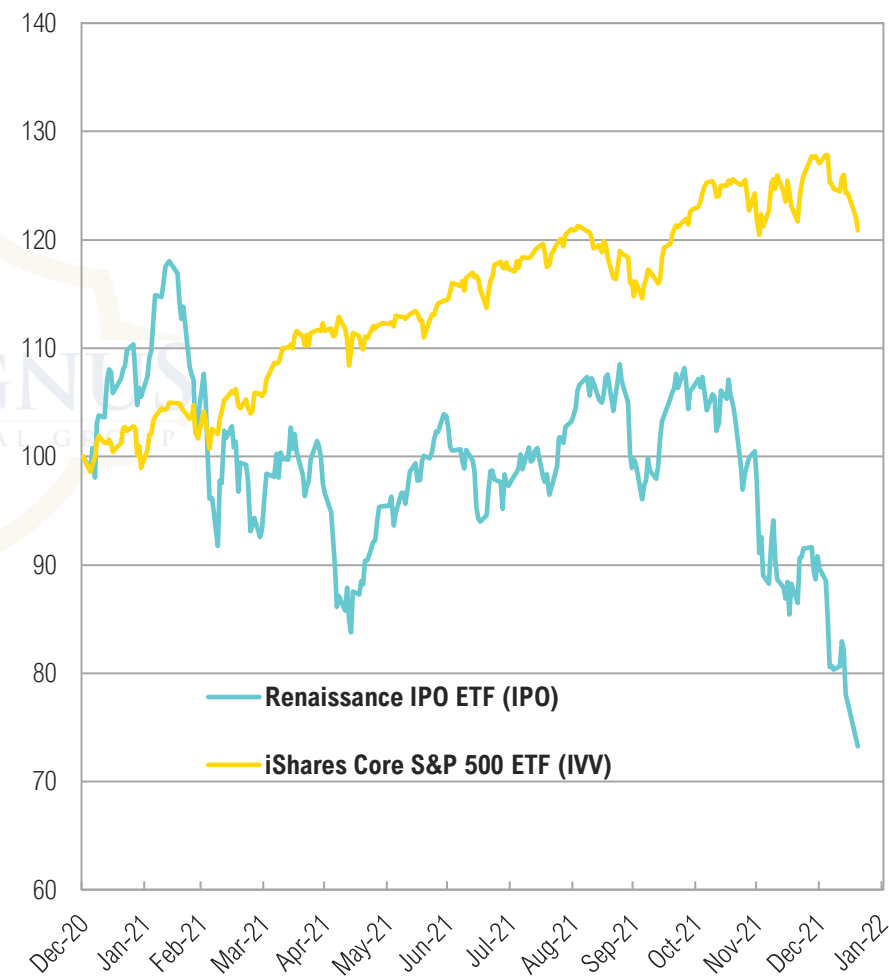
Source: Pitchbook

➤ ...until they flopped in the public markets

EXIT VALUE OF US PUBLIC LISTINGS



US LATE-STAGE VC DEAL VALUE (\$B) BY SIZE



Source: Pitchbook, Bloomberg

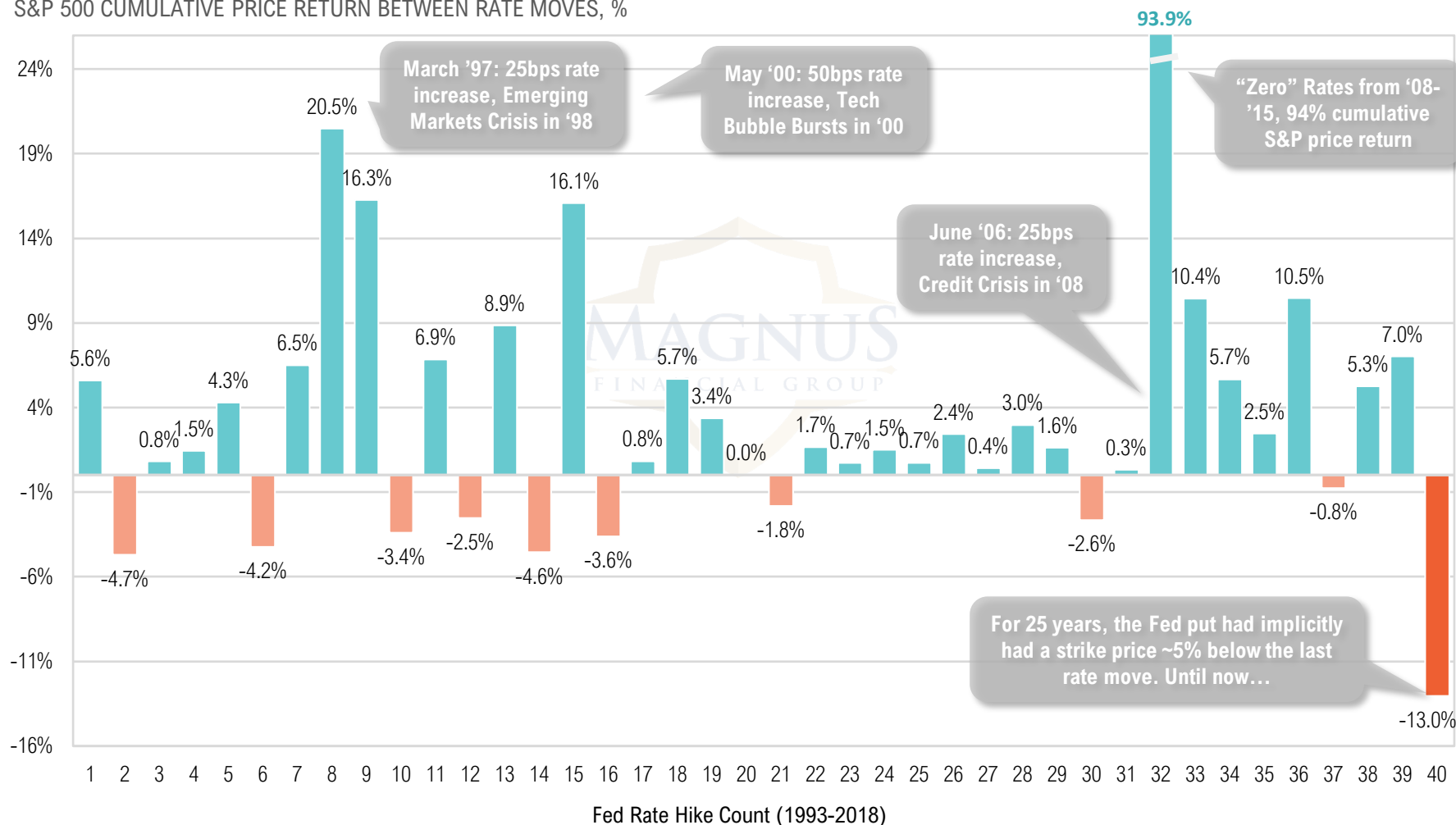
*Exit value data as of December 13, 2021

Q1, 2022 Market Outlook

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

By leaving hikes so late in the cycle, the Fed's predicament puts them at odds with a 30 year history of being accommodative

S&P 500 CUMULATIVE PRICE RETURN BETWEEN RATE MOVES, %



Source: Bloomberg, SpringTide calculations



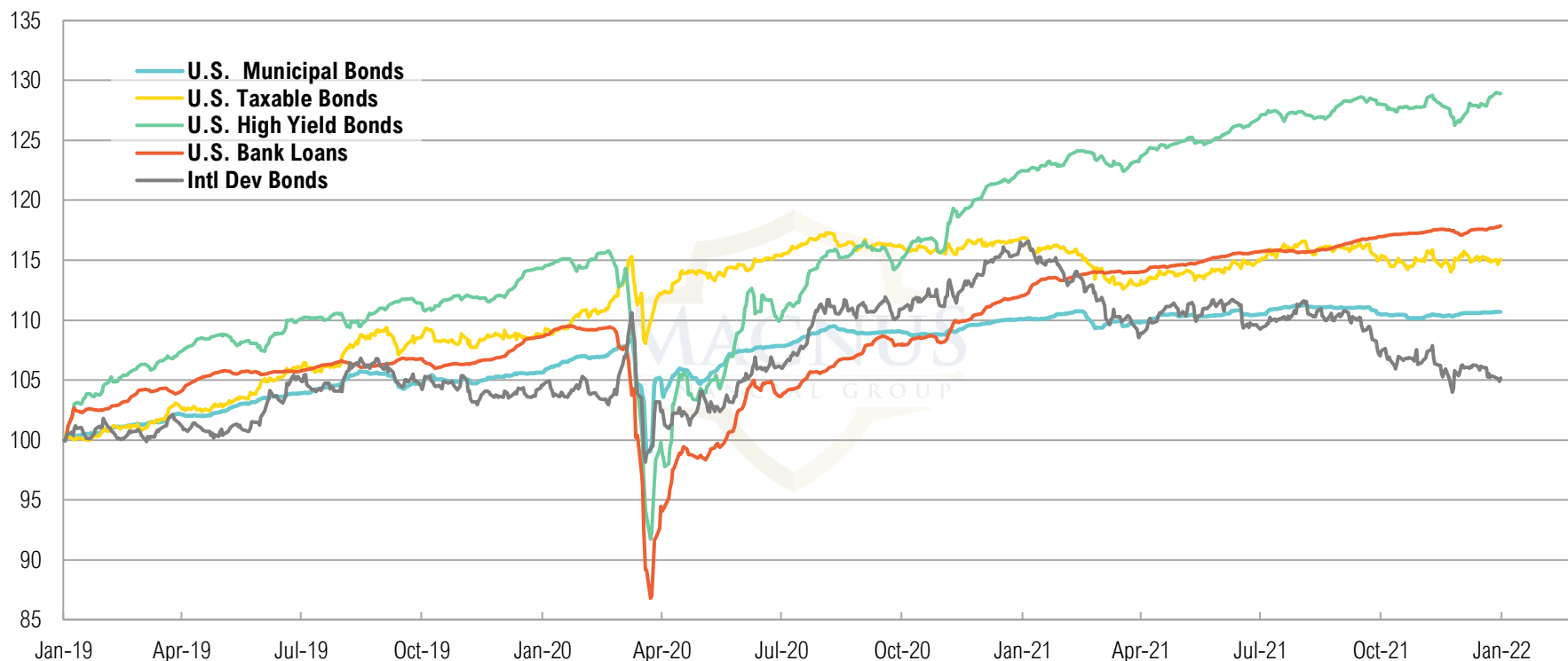
What Fisher and other former Fed insiders told me is that the stock market rally was no accident. By design, the Fed's QE program effectively lowered long-term interest rates, making safer investments like bonds less attractive and riskier assets like stocks more attractive. It was hard to argue with the results: Stock prices kept going up.

– James Jacoby, Financial Commentator, Director, July 2021

Source: <https://www.pbs.org/wgbh/frontline/film/the-power-of-the-fed/>

HYBs and bank loans were top performers; International Dev bonds were a major underperformer as “return-free risk” comes home to roost

TRAILING & CALENDAR YEAR TOTAL RETURNS



Asset Class	Benchmark	MTD	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2021	2020	2019	2018	2017
U.S. Municipal Bonds	BBgBarc Municipal 1-10Y Blend 1-12Y TR	0.1	0.2	0.5	0.5	3.4	3.1	2.6	0.5	4.2	5.6	1.6	3.5
U.S. Taxable Bonds	BBgBarc US Agg Bond TR	-0.3	0.0	-1.5	-1.5	4.8	3.6	2.9	-1.5	7.5	8.7	0.0	3.5
U.S. High Yield Bonds	BBgBarc US Corporate High Yield TR	1.9	0.7	5.3	5.3	8.8	6.3	6.8	5.3	7.1	14.3	-2.1	7.5
U.S. Bank Loans	S&P/LSTA Leveraged Loan TR	0.6	0.7	5.2	5.2	5.6	4.3	4.7	5.2	3.1	8.6	0.4	4.1
Intl Dev Bonds	S&P International Sov Ex-US Bond TR	-0.5	-1.7	-9.5	-9.5	1.7	2.7	1.3	-9.5	11.2	4.6	-2.3	11.3

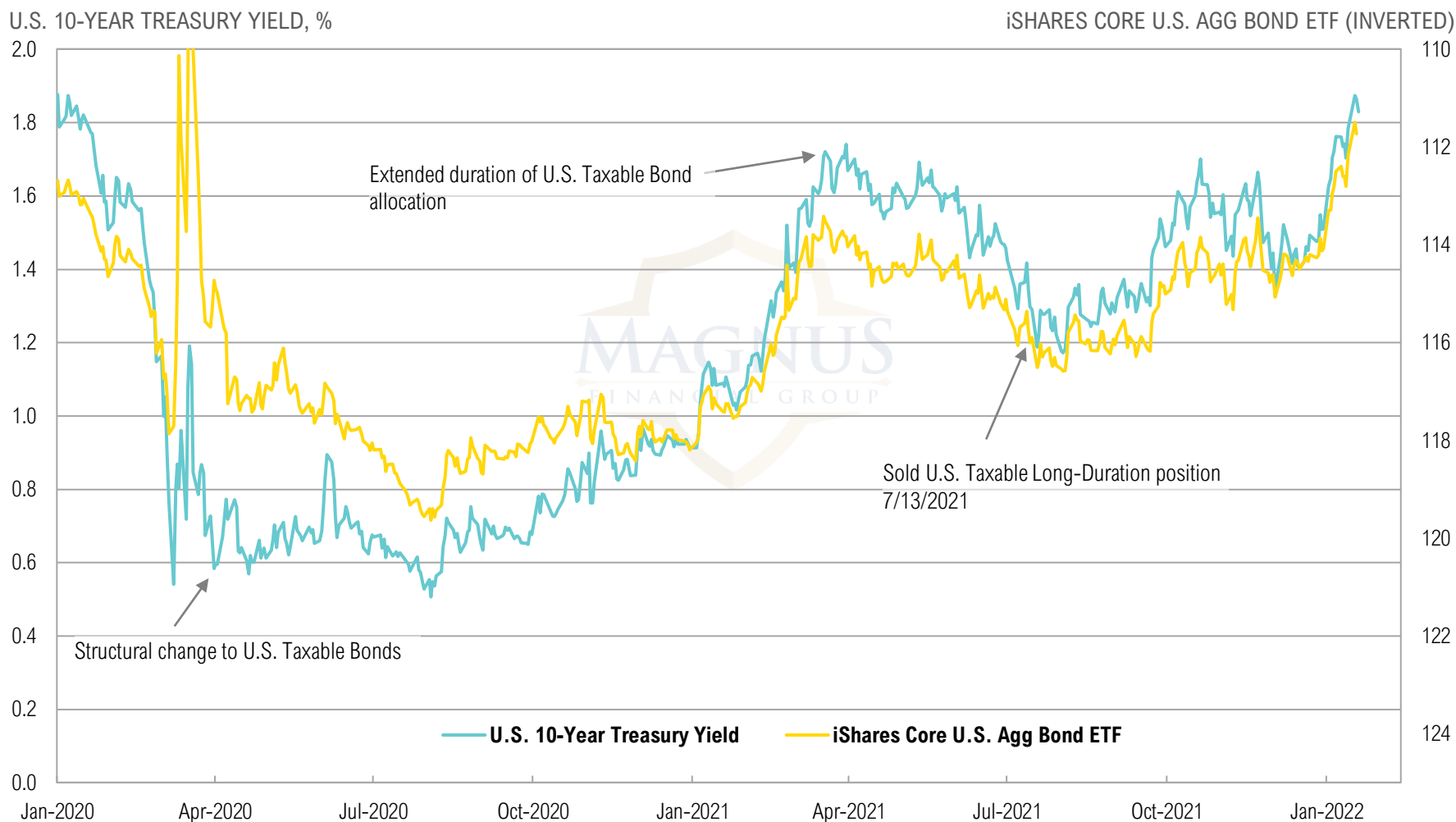
Source: Bloomberg

Returns for periods greater than one year are annualized.

Q1, 2022 Market Outlook

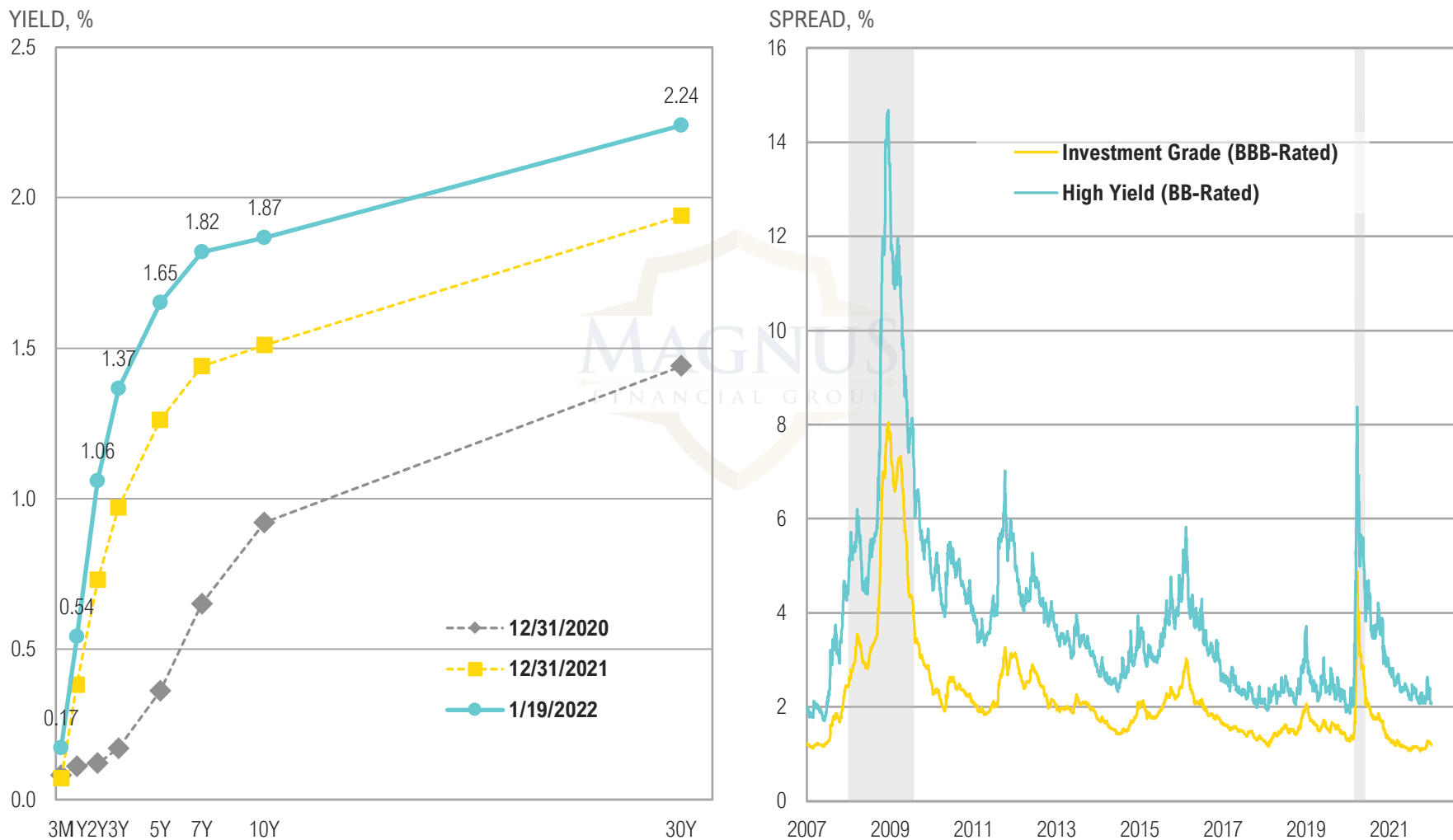
SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

➤ In fixed income, we have been (reluctantly) more tactical over the last two years as a result of the pandemic



Source: Bloomberg

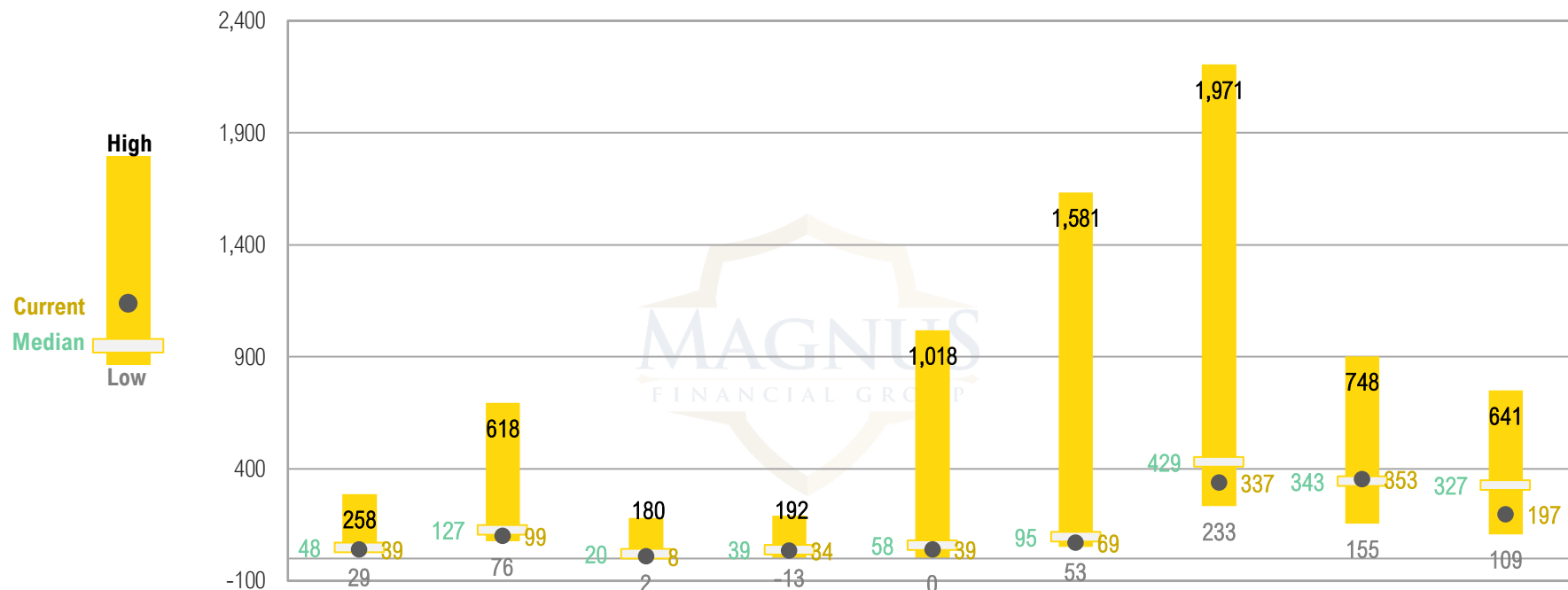
U.S. Treasury yield curve steepened significantly last year while credit spreads remain at or near historically tight levels



Source: Bloomberg

Credit spreads near median across most sectors with limited pockets of opportunity starting to emerge

CURRENT CREDIT SPREAD VS. LONG-TERM HIGH/LOW RANGE

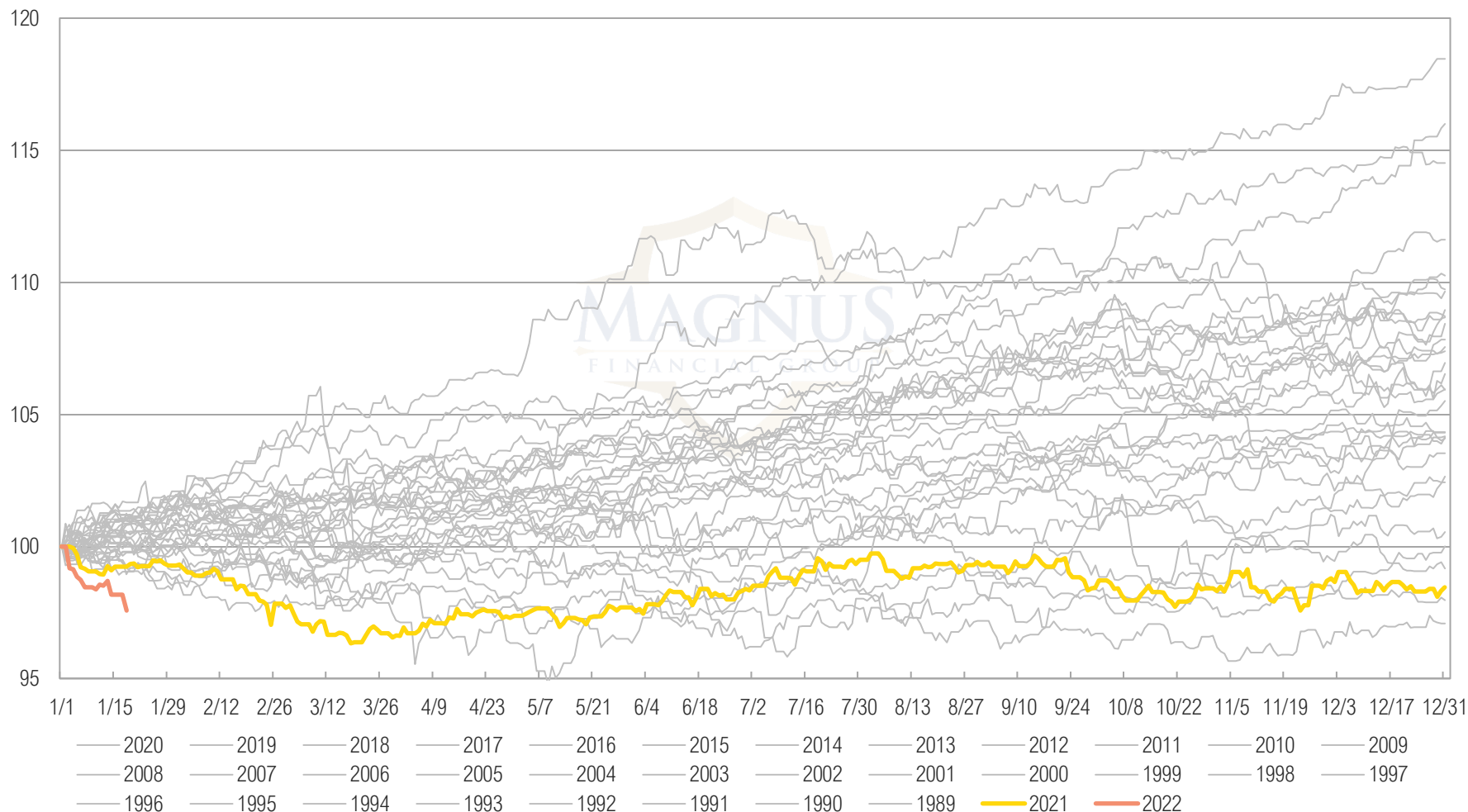


	Aggregate	Corporate	Agency	MBS	ABS	CMBS	High Yield	Emerging Markets	High Yield Muni Spread*
Max Spread Date	12/3/2008	12/3/2008	11/20/2008	12/3/2008	1/6/2009	11/21/2008	12/16/2008	11/28/2008	1/12/2009
Min Spread Date	4/14/2021	3/8/2005	4/19/2021	7/27/2010	10/1/2009	12/8/2004	5/22/2007	5/31/2007	6/11/2007
Spread on 12/31/20	42	96	10	39	33	81	360	323	275
Spread on 12/31/19	39	93	10	39	44	72	336	277	223
Spread on 12/31/18	54	153	16	35	53	86	526	435	234
Spread on 12/31/17	36	93	14	25	36	62	343	311	278

Source: Bloomberg. High Yield Muni Spread data is relative to Bloomberg Municipal Bond Index. Yield spread data is from 2004 – current.

➤ 2021 was 3rd worst year for U.S. bonds since 1989 and 2022 is off to an even worse start

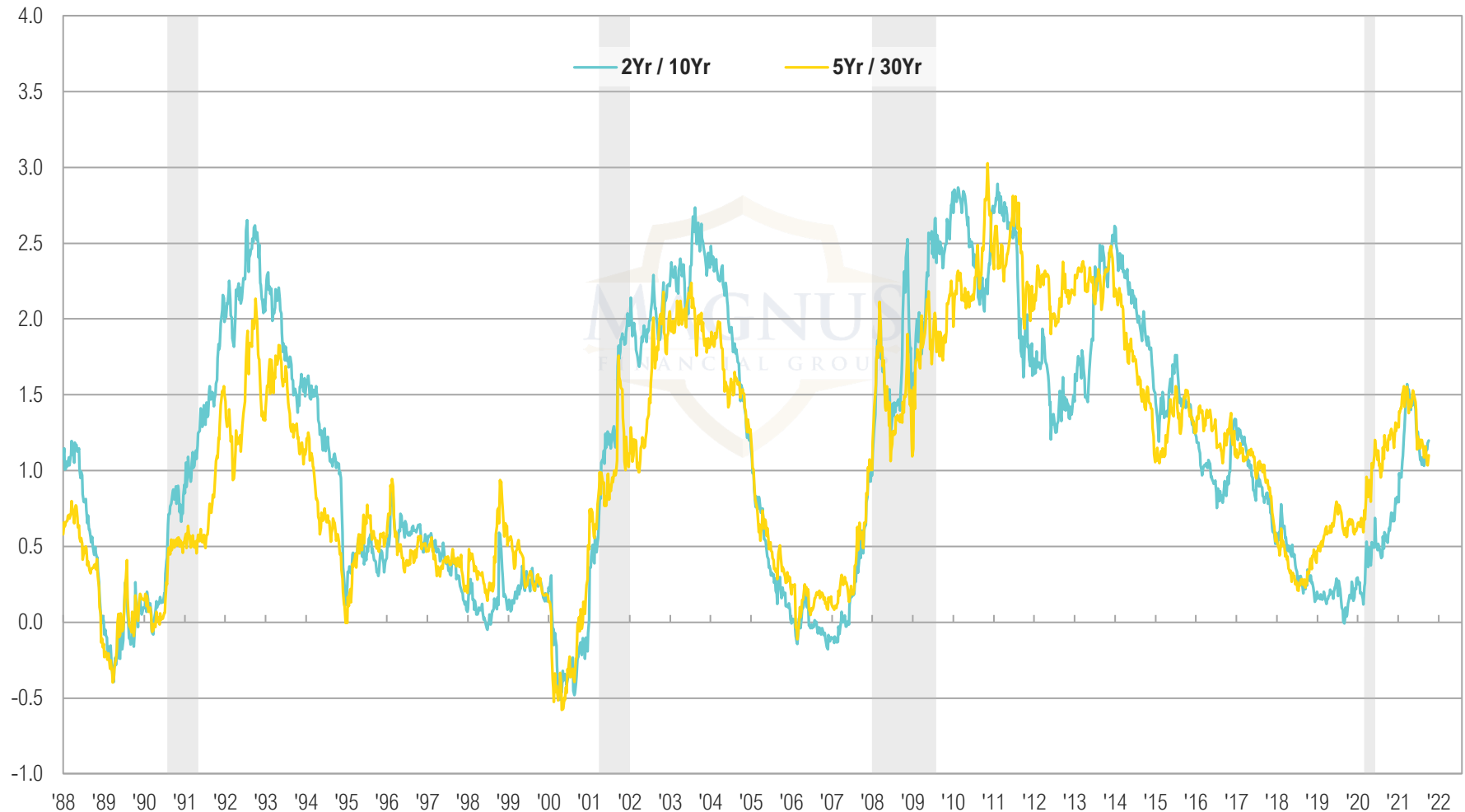
GROWTH OF 100, BLOOMBERG U.S. AGGREGATE BOND INDEX, 1989-2022



Source: Bloomberg, Data as of 1/18/22

➤ Recent bear flattening, if it continues, could spell the end of this cycle via suggests potential trouble ahead for the Fed and the economy

U.S. TREASURY SPREADS

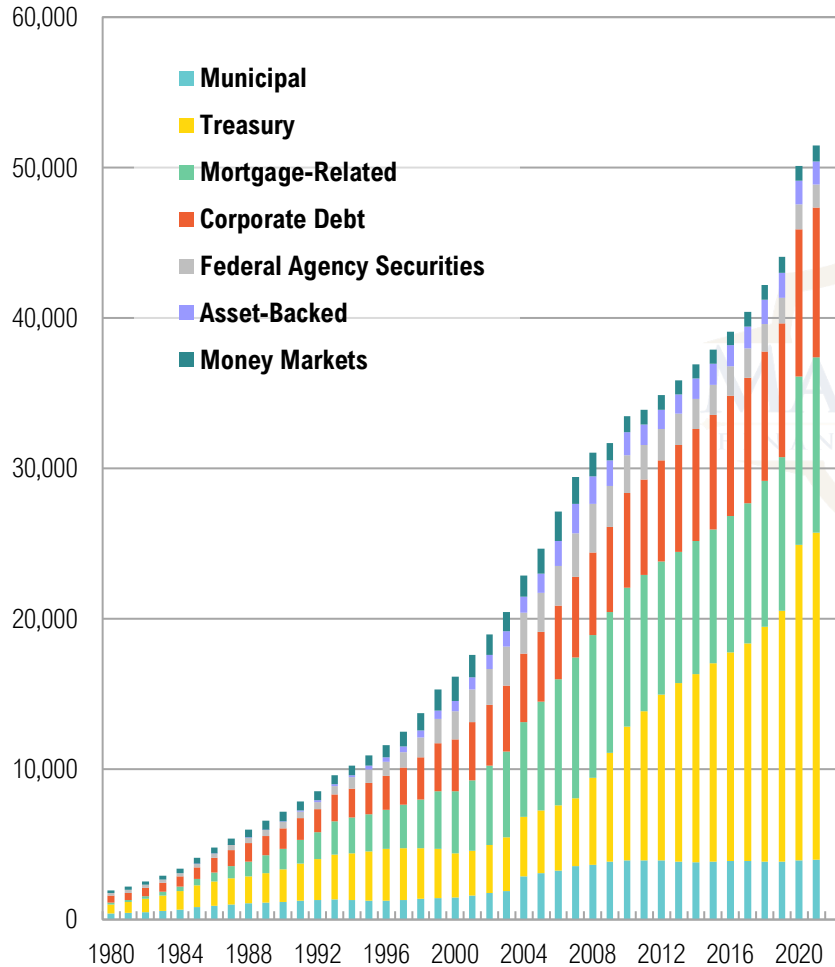


Source: Bloomberg

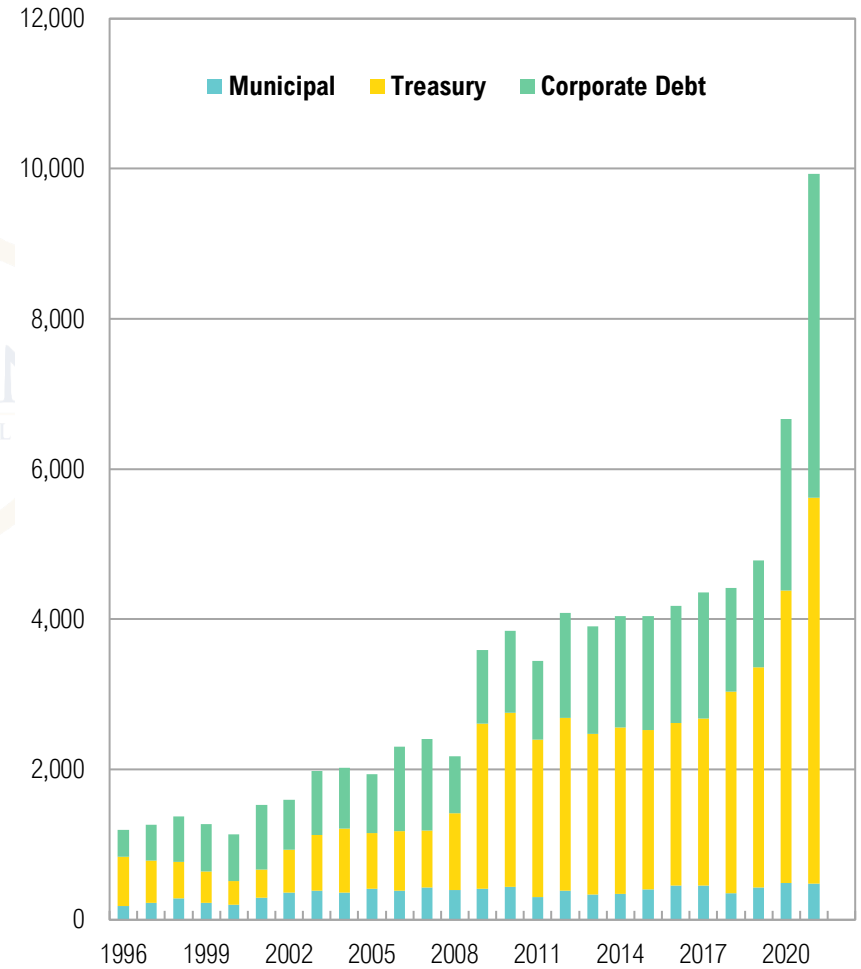
S&P CoreLogic Case-Shiller U.S. National Home Price NSA Index data is as of 7/31/2021.

Treasuries increasingly becoming the largest segment of the now \$52 trillion fixed income and credit securities market

SECURITIES OUTSTANDING BY TYPE, \$ TRILLIONS



ISSUANCE BY SECURITY TYPE, \$BN



Source: SIFMA
2021 securities outstanding data is year-to-date through Q3.

Q1, 2022 Market Outlook

SEE IMPORTANT DISCLOSURES AT THE END OF THIS PRESENTATION

The U.S. bond market remains relatively higher yield, which could help keep U.S. rates somewhat contained

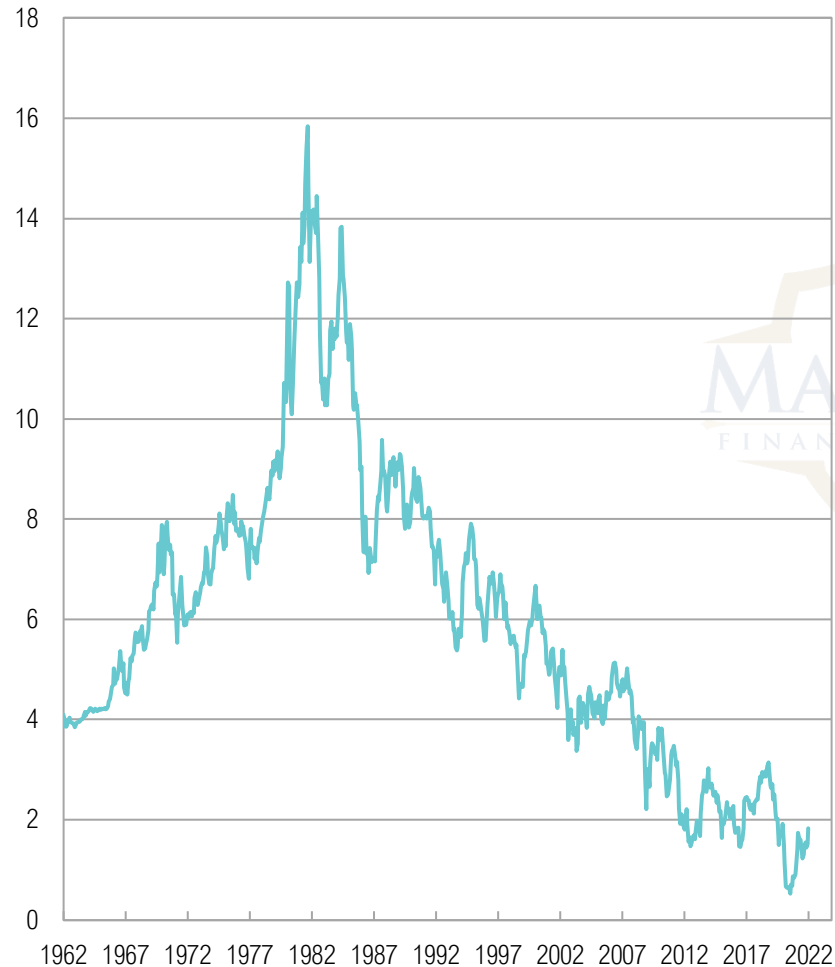
CENTRAL BANK POLICY RATE & GOVERNMENT BOND YIELDS

	Central Bank Rate (%)	3 Month (%)	1 Year (%)	2 Year (%)	3 Year (%)	4 Year (%)	5 Year (%)	6 Year (%)	7 Year (%)	10 Year (%)	20 Year (%)	30 Year (%)
Czech Republic	1.50	-	3.80	3.86	3.71	3.55	3.51	3.42	3.31	3.27	3.32	-
South Korea	1.25	-	1.43	1.89	2.07	2.20	2.30	-	-	2.54	2.50	2.43
Hong Kong	0.86	0.10	0.30	0.73	0.64	-	1.29	-	1.43	1.72	-	-
Thailand	0.50	-	0.47	0.65	0.73	-	1.53	-	1.87	2.18	2.88	-
New Zealand	0.50	1.11	-	2.17	-	-	2.48	-	2.55	2.61	2.99	-
Singapore	0.31	0.42	0.47	0.97	-	-	1.65	-	-	1.87	2.14	2.17
Canada	0.25	0.47	1.05	1.29	1.38	1.61	1.71	-	1.75	1.89	2.11	2.10
United Kingdom	0.25	0.21	0.77	0.90	0.98	0.98	1.06	1.05	1.09	1.27	1.46	1.37
Australia	0.10	-	0.63	0.89	1.17	1.50	1.66	1.78	1.86	2.00	2.52	2.63
United States	0.10	0.18	0.55	1.06	1.36	-	1.65	-	1.81	1.86	2.23	2.17
Israel	0.10	0.04	0.06	0.19	0.52	-	0.77	-	-	1.28	-	2.47
Japan	(0.10)	(0.09)	(0.09)	(0.08)	(0.08)	(0.06)	(0.04)	(0.01)	0.01	0.14	0.53	0.71
Italy	(0.50)	(0.56)	(0.46)	(0.10)	0.17	0.31	0.51	0.80	0.97	1.40	1.90	2.13
Spain	(0.50)	(0.54)	(0.52)	(0.54)	(0.34)	(0.25)	0.11	0.16	0.23	0.69	1.22	1.46
Portugal	(0.50)	(0.62)	(0.54)	(0.53)	(0.42)	(0.24)	(0.14)	0.05	0.18	0.60	0.92	1.47
France	(0.50)	(0.65)	(0.64)	(0.52)	(0.37)	(0.25)	(0.13)	(0.05)	(0.00)	0.38	0.69	1.01
Belgium	(0.50)	(0.64)	(0.63)	(0.65)	(0.55)	(0.39)	(0.26)	(0.18)	(0.09)	0.31	0.74	-
Germany	(0.50)	(0.67)	(0.67)	(0.58)	(0.60)	(0.45)	(0.34)	(0.31)	(0.22)	(0.01)	0.04	0.29
Austria	(0.50)	-	(0.67)	(0.64)	(0.53)	(0.39)	(0.23)	(0.17)	(0.07)	0.22	0.61	0.74
Netherlands	(0.50)	(0.64)	-	(0.66)	(0.53)	(0.39)	(0.31)	(0.24)	(0.16)	0.10	0.29	0.41
Ireland	(0.50)	(0.58)	(0.60)	-	(0.39)	(0.23)	(0.12)	(0.03)	0.09	0.37	0.76	0.95
Switzerland	(0.75)	(0.80)	(0.73)	(0.71)	(0.50)	(0.35)	(0.29)	(0.31)	(0.18)	(0.01)	0.12	0.10

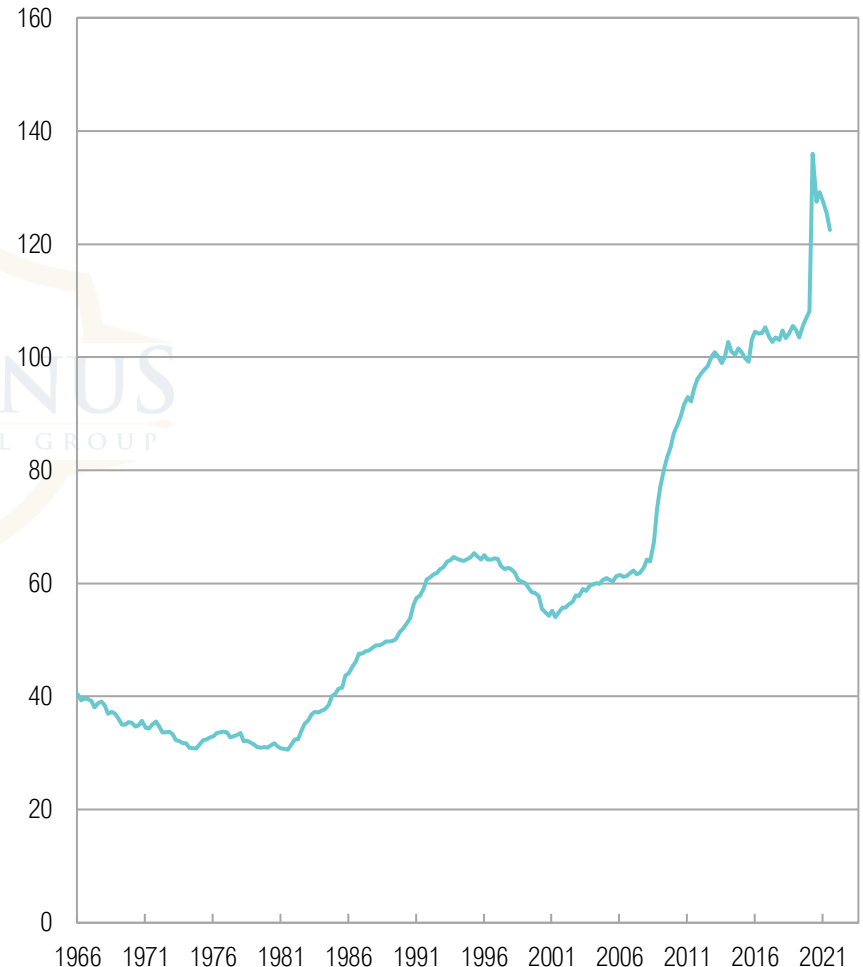
Source: Bloomberg

➤ The treasury market has been an enabler of increasing deficit spending and debt levels... when will it become a “vigilante”?

10-YEAR TREASURY YIELD, %



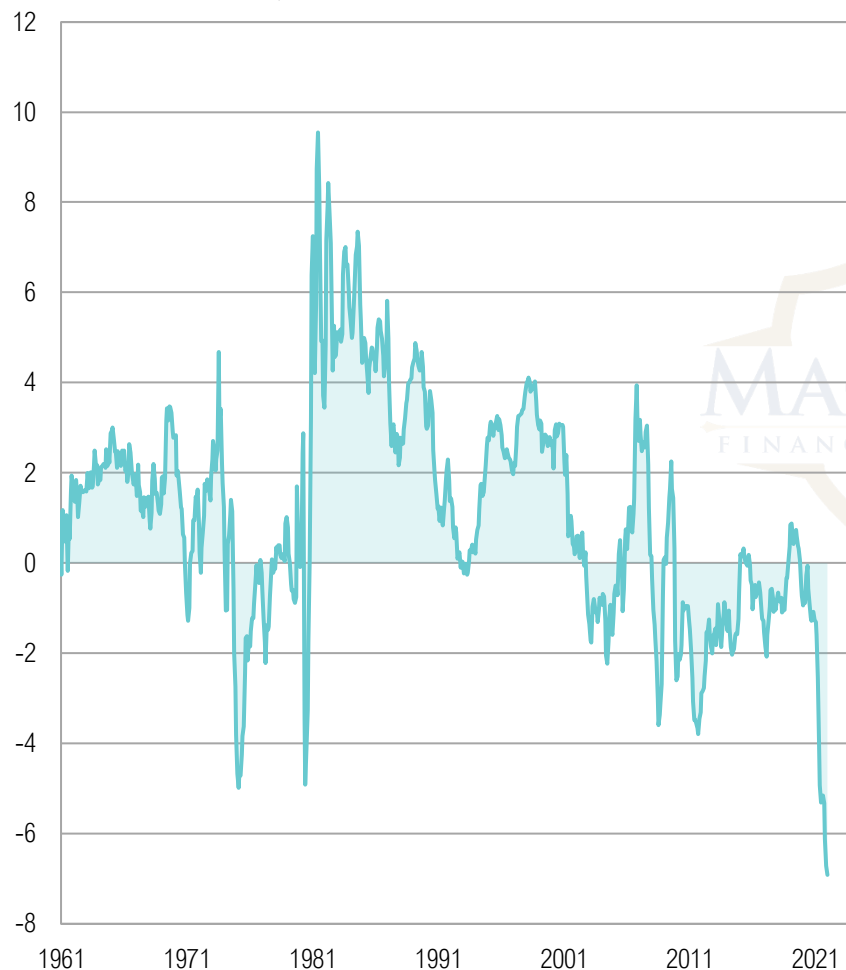
U.S. DEBT-TO-GDP RATIO, %



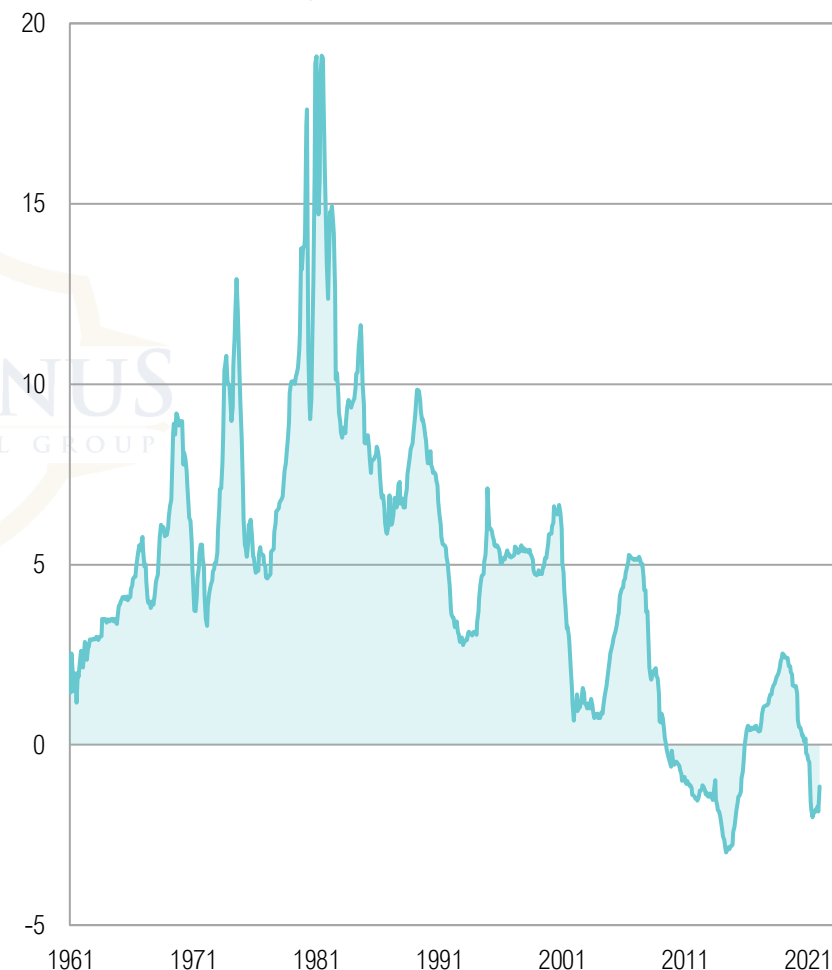
Source: Bloomberg, whitehouse.gov

➤ Powell is right: this time isn't like the 1970s...from a capital allocation standpoint, it's worse

REAL FED FUNDS RATE, %



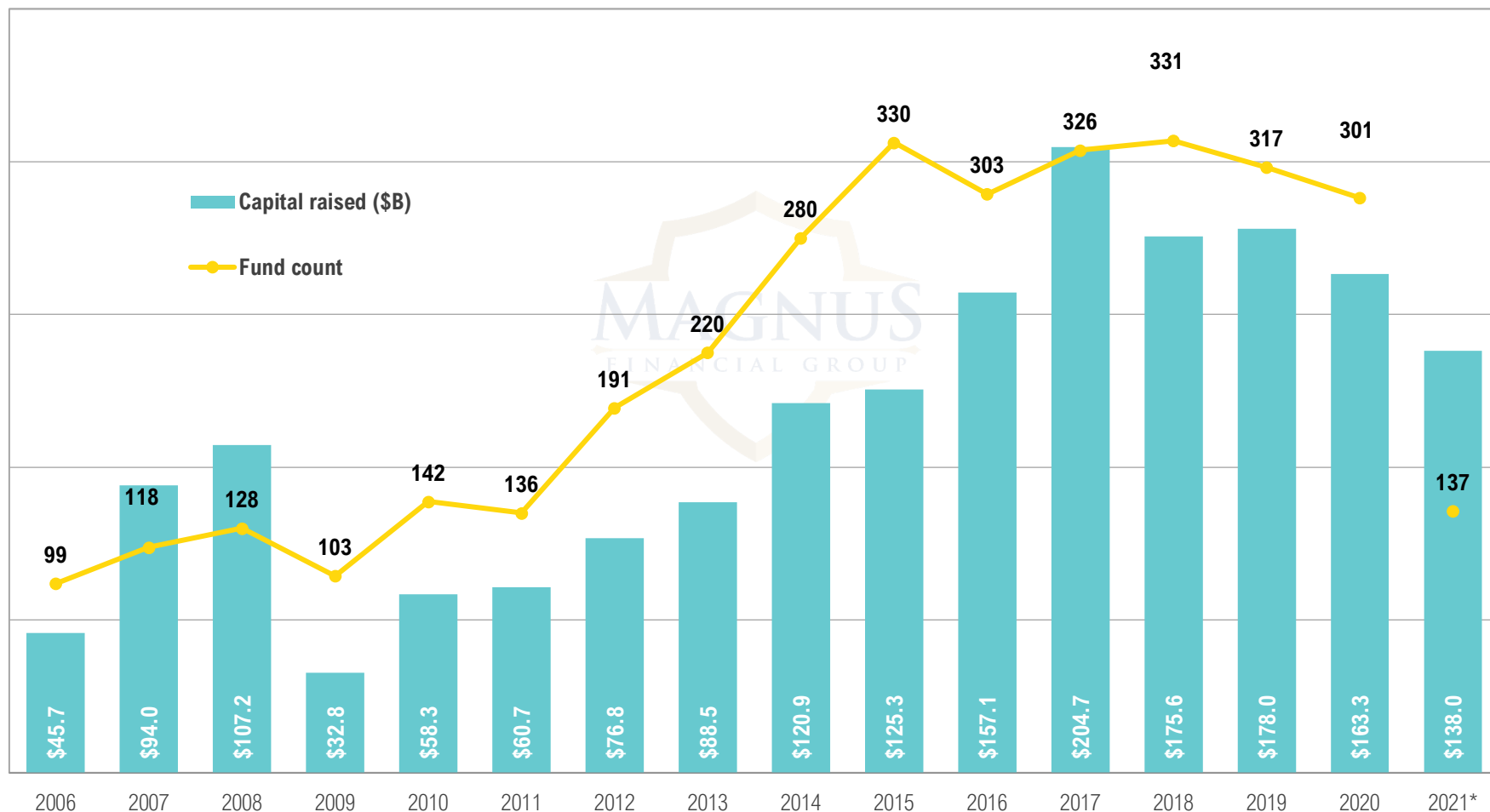
WU XIA FED FUNDS RATE, %



Source: Bloomberg

Private debt fundraising bounces back in Q3, but number of funds is on pace for lowest count since 2011

PRIVATE DEBT FUNDRAISING ACTIVITY

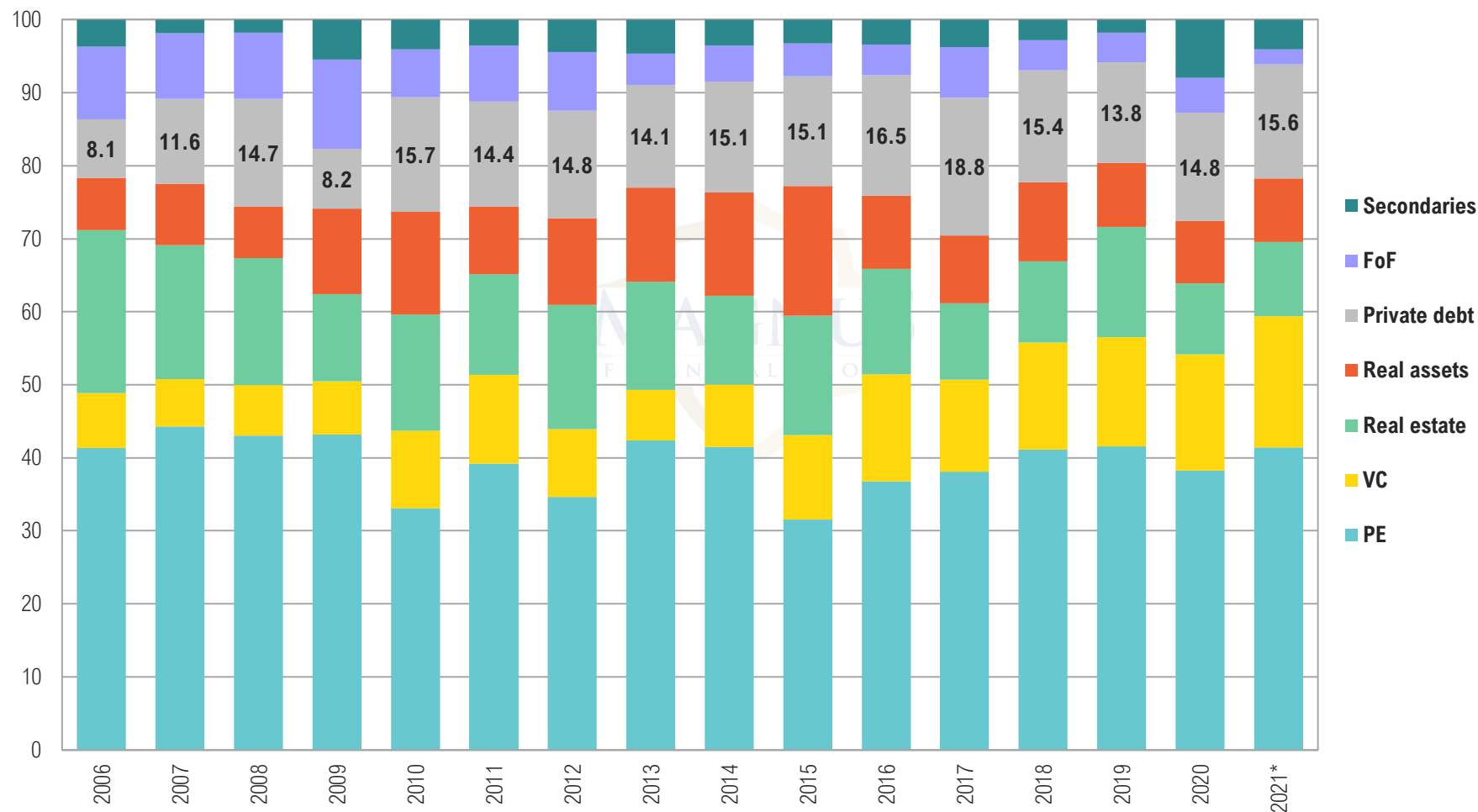


Source: Pitchbook

* Data as September 30, 2021

Private debt funds bounced back in Q3, now at more normal allocation levels

PERCENTAGE OF PRIVATE CAPITAL FUNDS (\$) BY TYPE



Source: Pitchbook

* Data as September 30, 2021

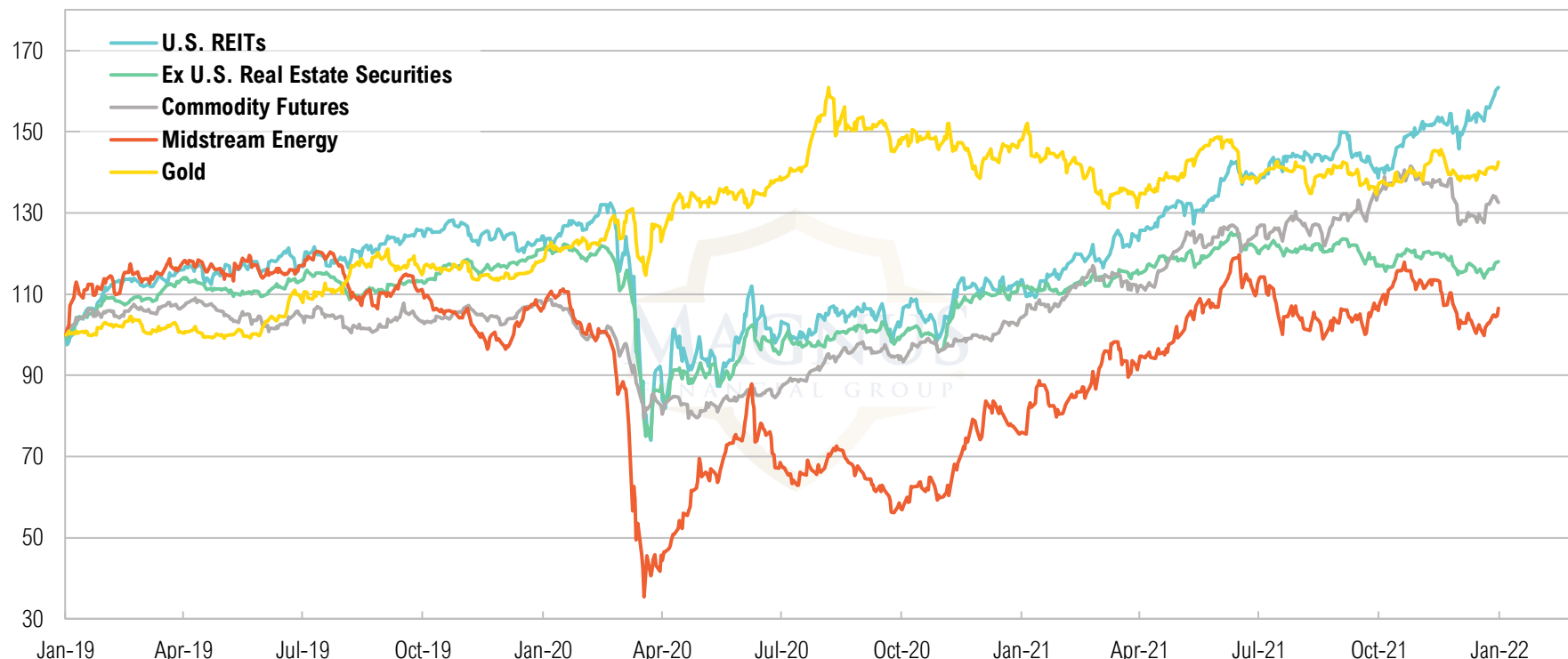


We think the energy space is really cheap. What helps is we were not in the energy space before. The amount of capital available in the oil patch is disappearing... [It's like the] real-estate industry in the early 1990s, where you had empty buildings all over the place, nobody had cash.

– Sam Zell, Equity Group Investments Founder, *March 7, 2000*

Real assets sold off in November initially on uncertainty around Covid restrictions and policy, but rallied into the end of the year

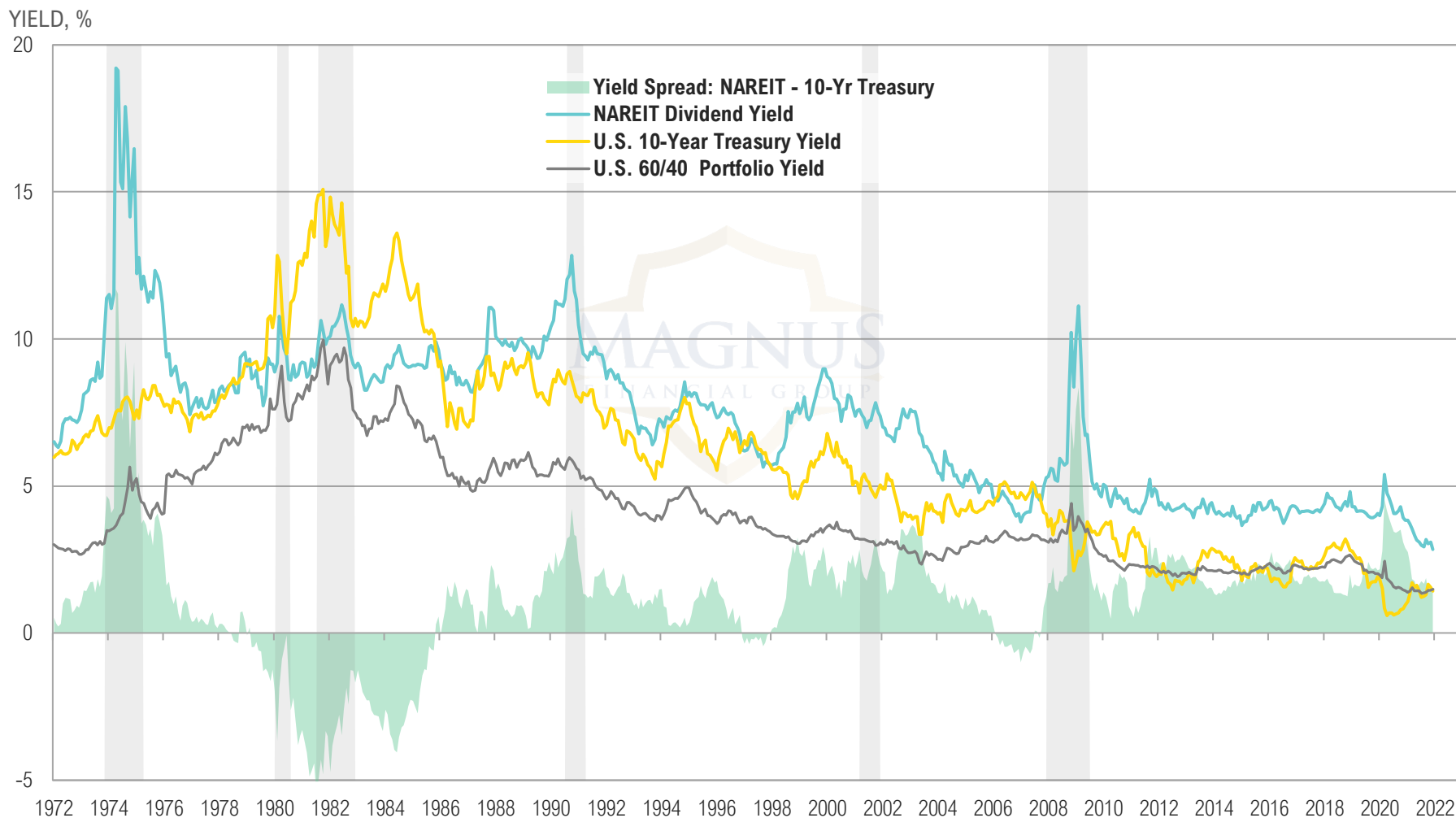
TRAILING & CALENDAR YEAR TOTAL RETURNS



Asset Class	Benchmark	MTD	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2021	2020	2019	2018	2017
U.S. REITs	MSCI US REIT NR	8.6	16.0	41.7	41.7	17.2	9.5	10.0	41.7	-8.7	24.3	-5.8	3.7
Ex U.S. Real Estate Securities	S&P Global Ex US REIT TR	2.8	0.8	5.7	5.7	6.3	6.6	7.7	5.7	-6.8	21.9	-9.4	26.6
Broad Commodity Futures	Bloomberg Commodity TR	3.5	-1.6	27.1	27.1	9.9	3.7	-2.8	27.1	-3.1	7.7	-11.2	1.7
Energy Partnerships	Alerian MLP TR	3.6	0.6	40.2	40.2	2.1	-2.7	-0.3	40.2	-28.7	6.6	-12.4	-6.5
Gold	LBMA Gold Price AM	1.3	5.2	-3.8	-3.8	12.4	9.4	1.5	-3.8	24.2	18.8	-1.1	11.9

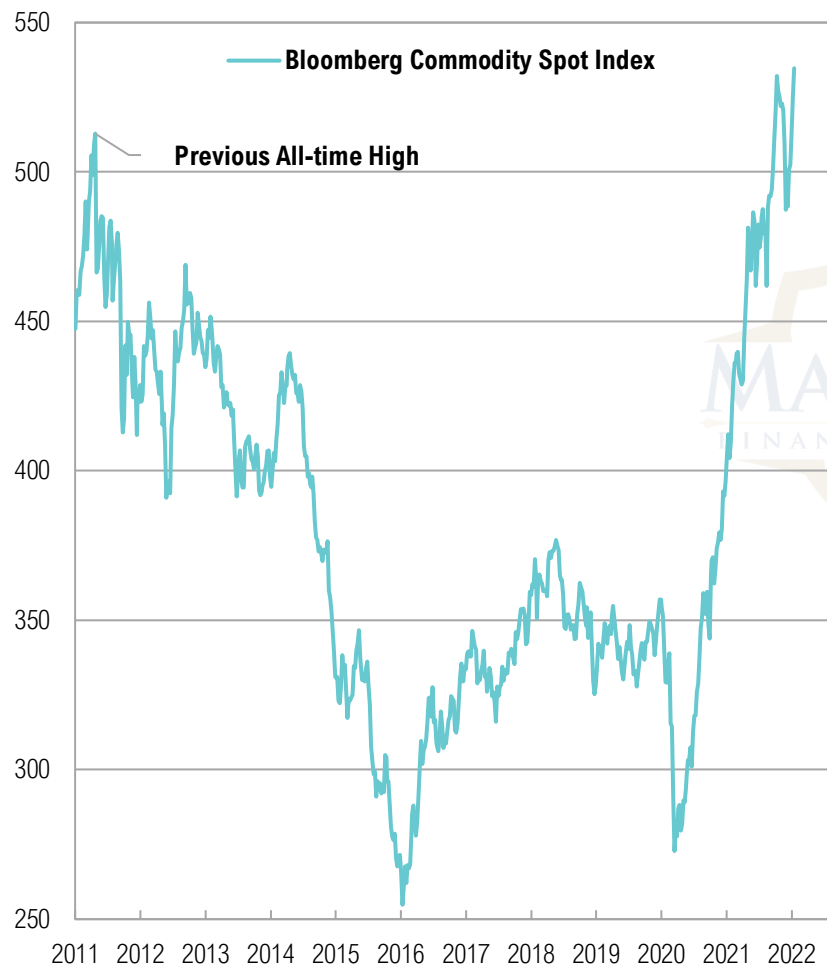
Source: Bloomberg
Returns for periods greater than one year are annualized.

➤ REIT yields may be currently attractive on a relative basis, but in keeping perspective they are at the lowest absolute levels in history



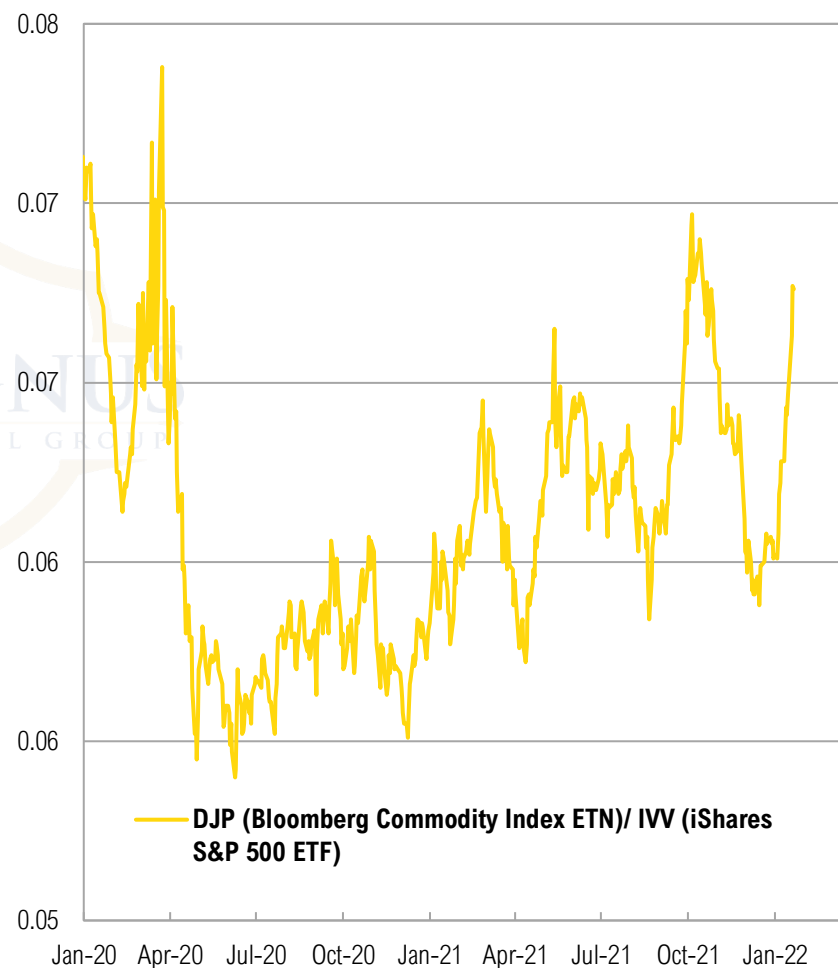
Commodities have outperformed stocks through the COVID-19 crisis

COMMODITY SPOT PRICE



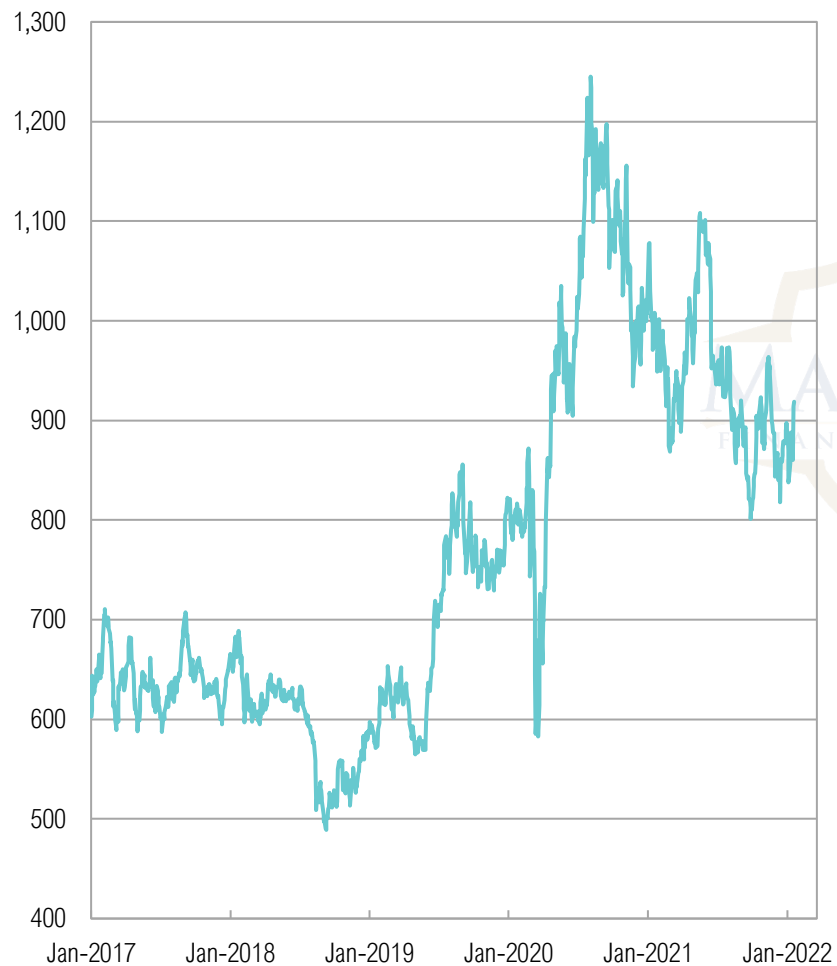
Source: Bloomberg

RATIO: DJP/ IVV



➤ We remain constructive on gold miners

NYSE GOLD MINERS INDEX



RATIO: GOLD MINERS VS. S&P 500

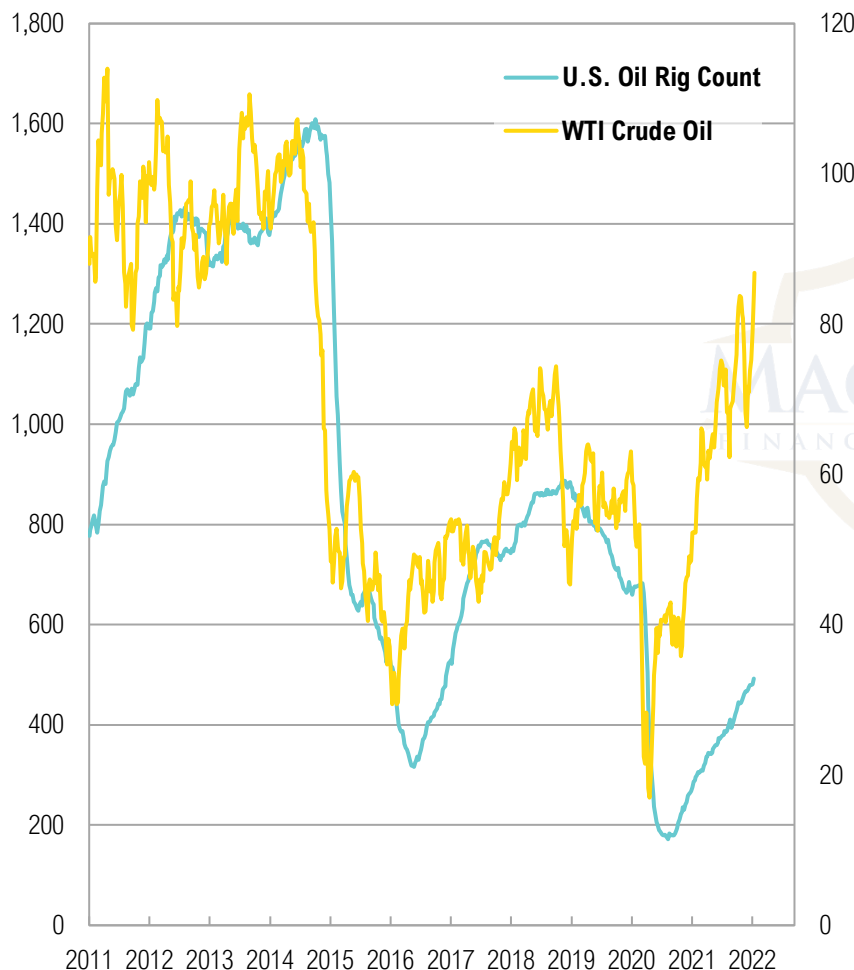


Source: Bloomberg

Oil and natural gas producers have been cautious to bring rigs back online despite rising prices

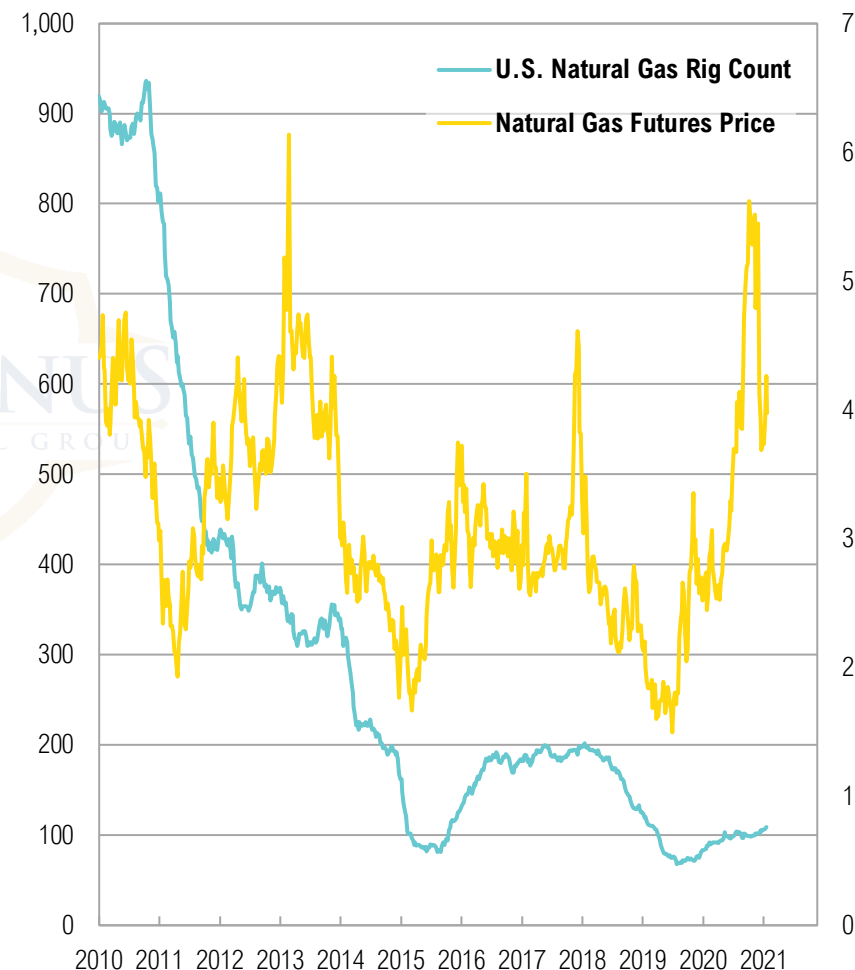
BAKER HUGHES U.S. OIL RIG COUNT

WTI CRUDE OIL, \$/BBL



BAKER HUGHES U.S. NAT GAS RIG COUNT

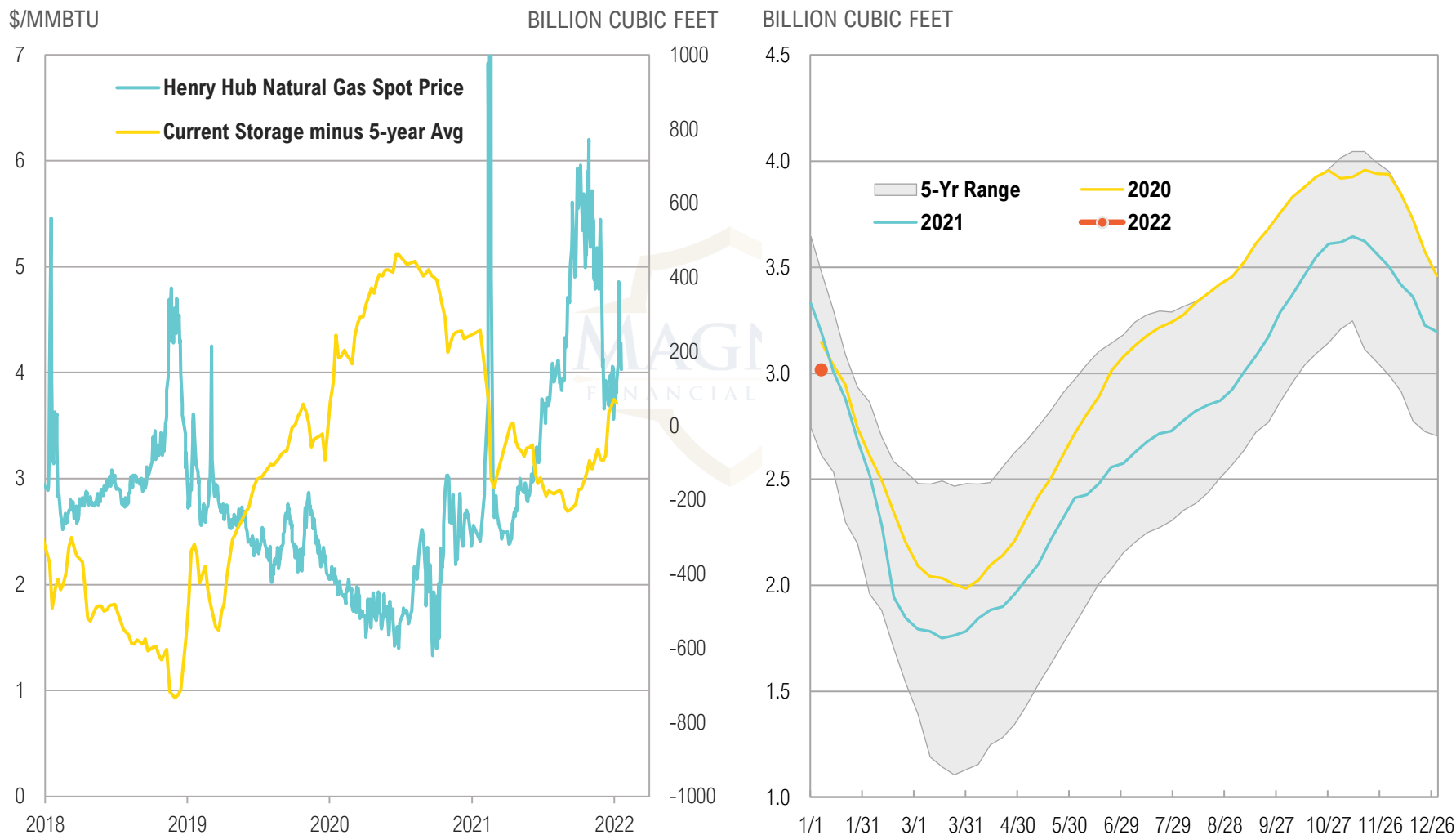
NAT GAS, \$/MM BTU



Source: Bloomberg

Returns for periods greater than one year are annualized.

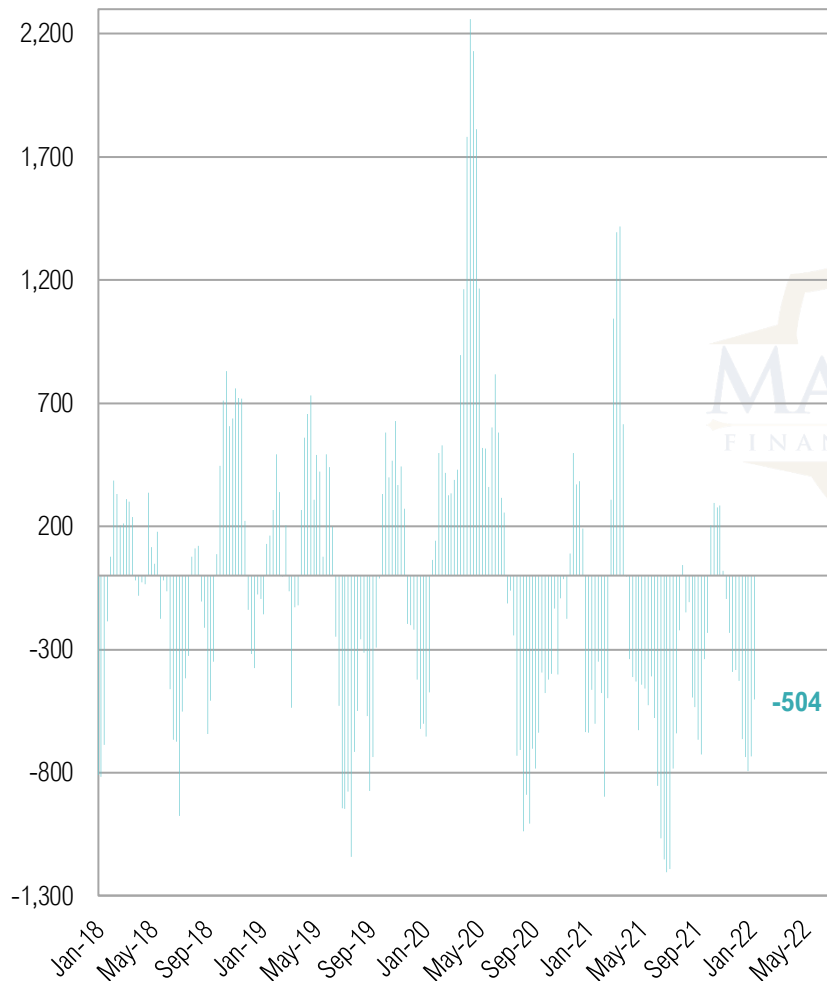
➤ As natural gas inventories started to replenish, prices normalized, but remain elevated



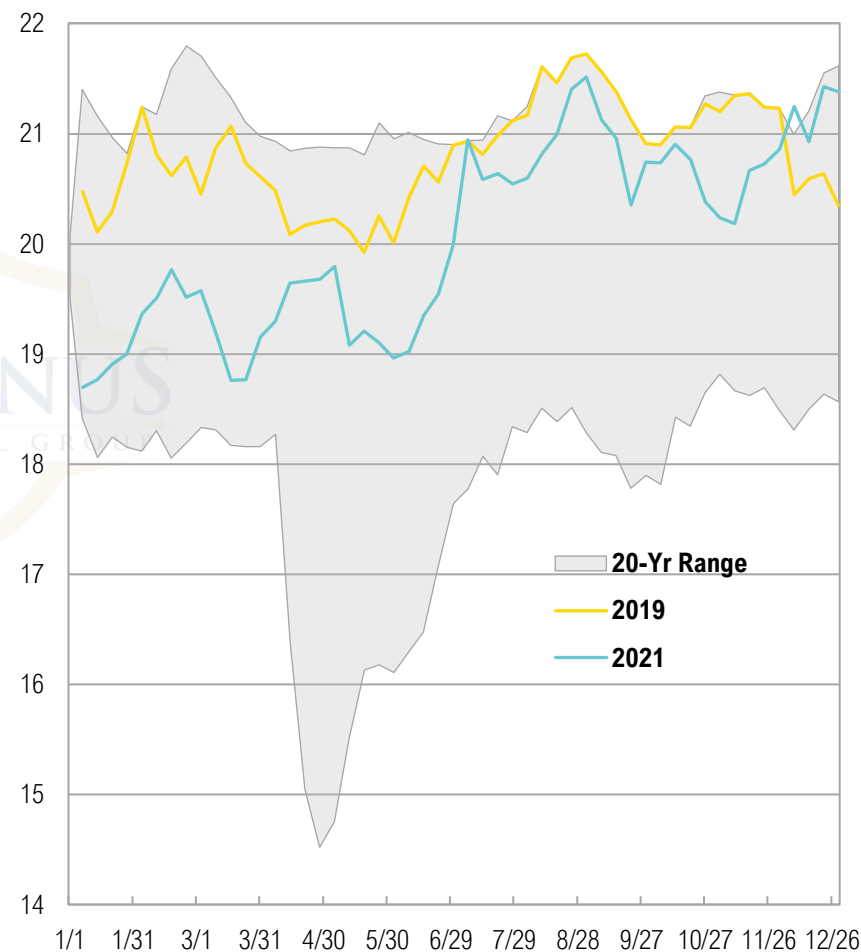
Source: Bloomberg

Crude oil inventories have been drawn down each week since November, demand for refined oil remains near multi-decade highs

4-WK AVG. DAILY U.S. CRUDE OIL INVENTORY CHANGE, '000s BBL/DAY



TOTAL U.S. OIL REFINED PRODUCT SUPPLIED, MMs BBL/DAY



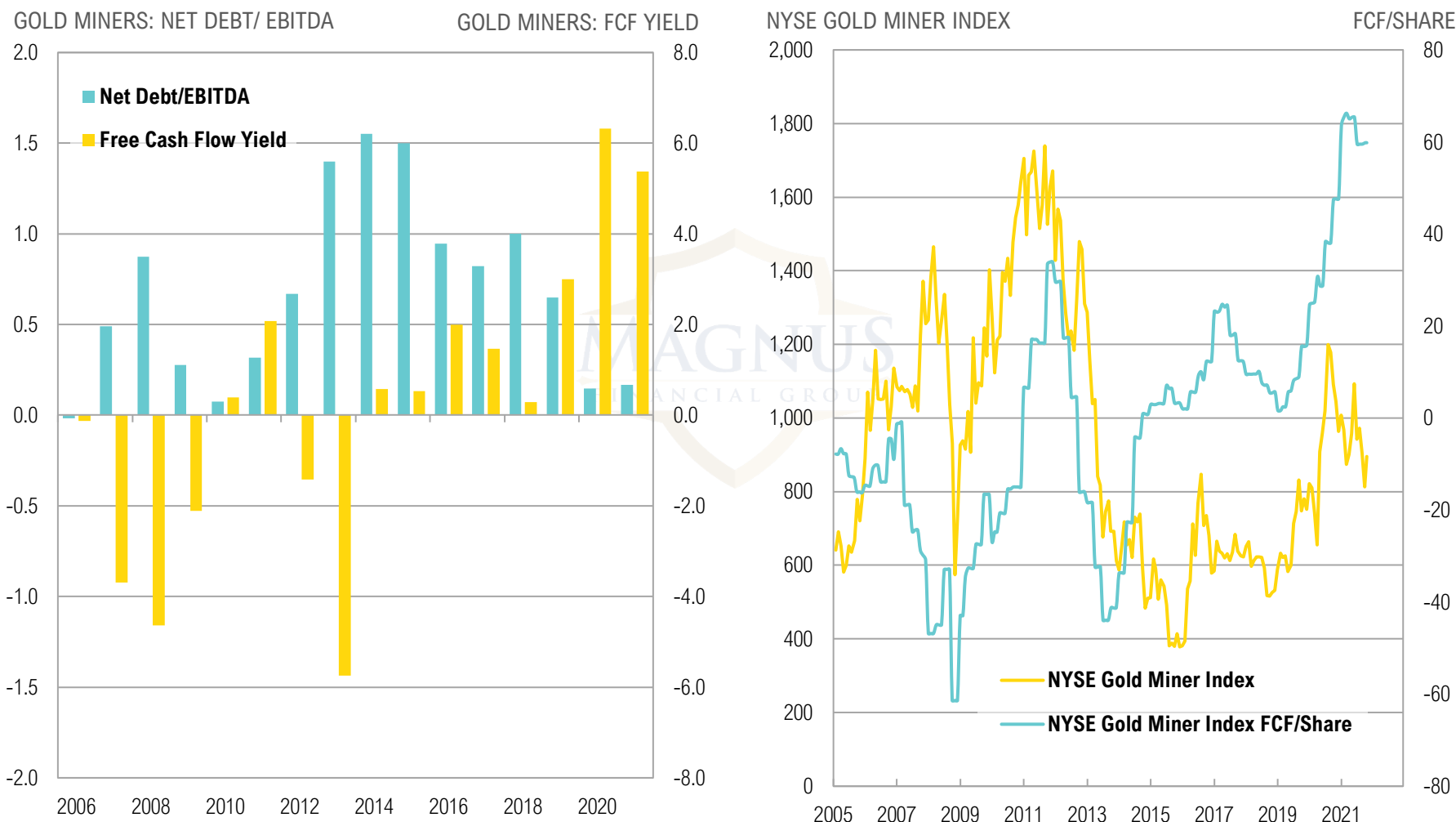
Source: US Energy Information Administration

Midstream yields remain substantially above REITs, free cash flow yields of real assets and infrastructure category remain attractive



Source: Bloomberg

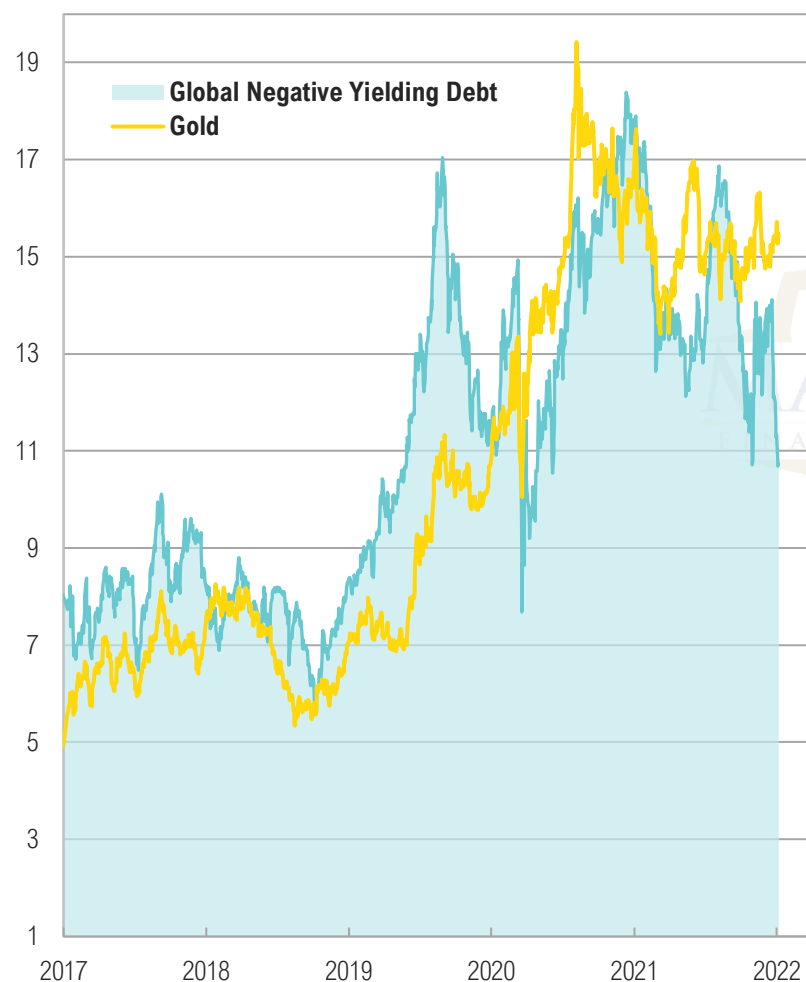
Gold miner performance has diverged from fundamentals, the industry has seen broad deleveraging and improving cash generation



Source: Bloomberg, VanEck, SpringTide estimates.

Real yields rose modestly, and aggregate amount of global negative yielding debt continues to fall

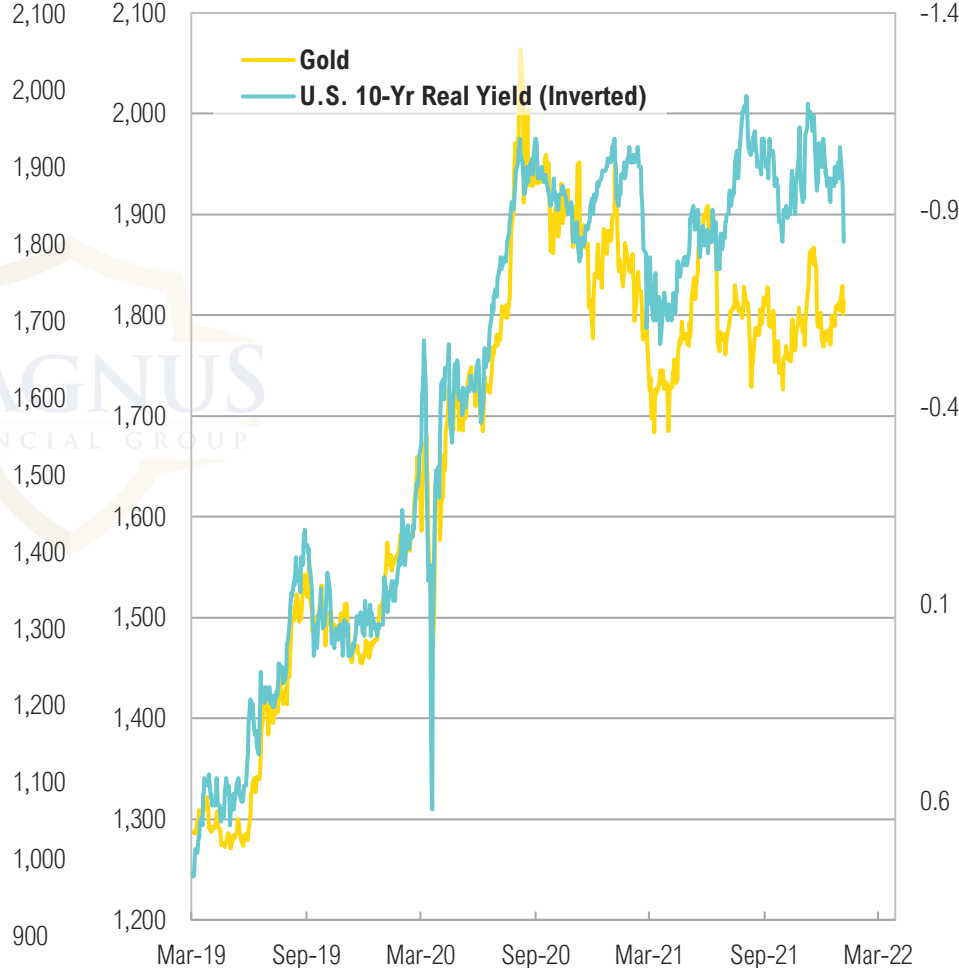
GLOBAL AGGREGATE NEGATIVE YIELDING DEBT MKT CAP, \$Tn



GOLD, \$/OZ

GOLD, \$/OZ

U.S. 10-YR REAL YIELD (INVERTED), %



Source: Bloomberg

U.S. 10-year Real Yield is represented by the U.S. Treasury Real Constant Maturity Treasury (R-CMTs) rate.

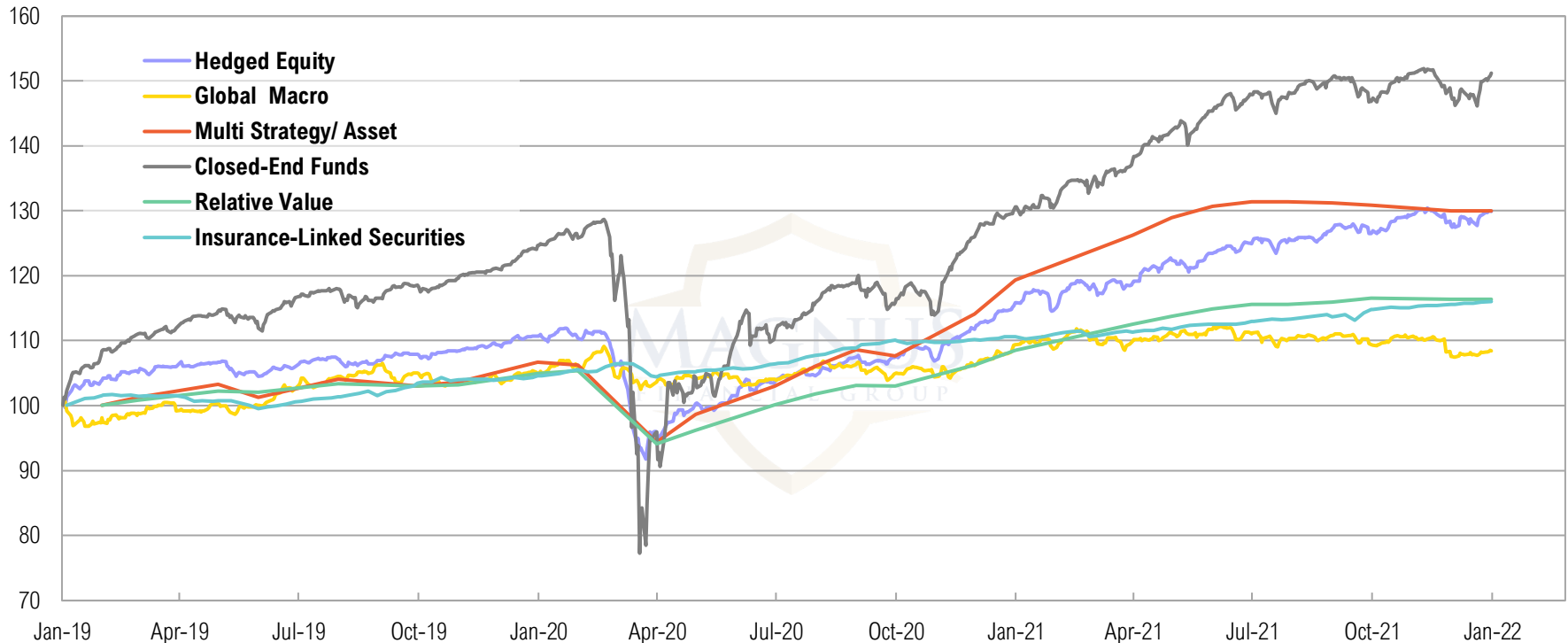


Excesses in one direction will lead to an opposite excess in the other direction.

– **Bob Farrell**, Former Head of Research, Merrill Lynch

Closed-end funds and hedged equity outperformed for the quarter; global macro had a disappointing end to a lackluster year

TRAILING & CALENDAR YEAR TOTAL RETURNS

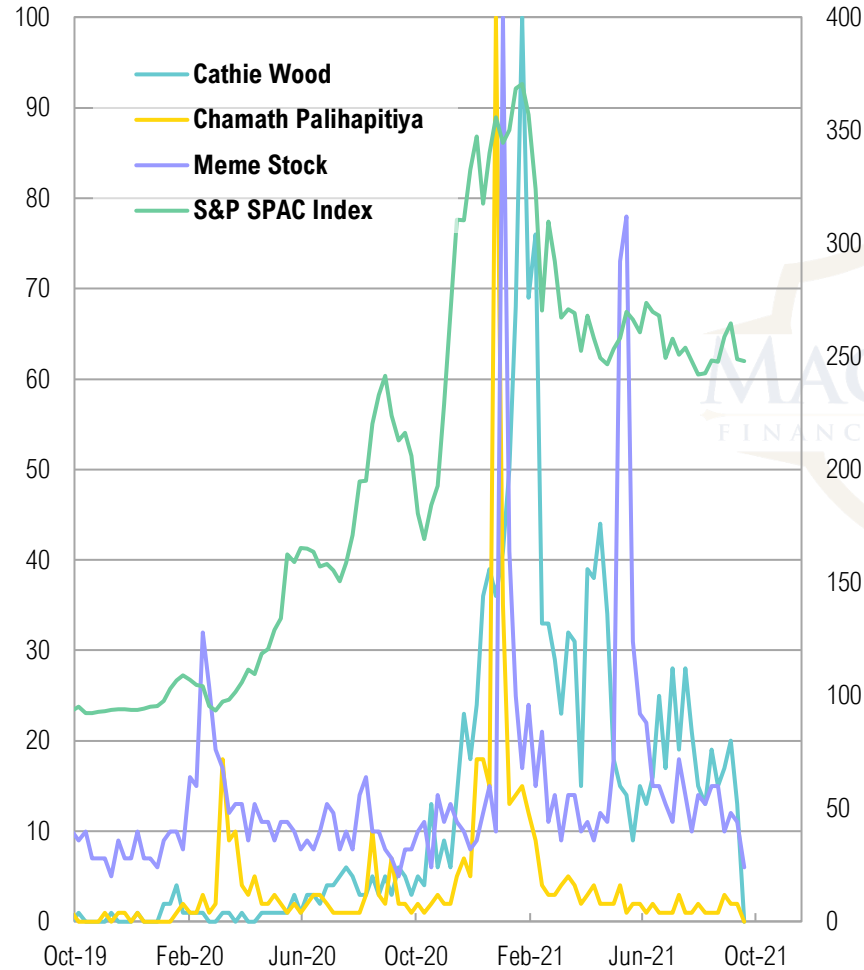


Asset Class	Benchmark	MTD	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	2021	2020	2019	2018	2017
Hedged Equity	HFRX Equity Hedge Index	1.7	2.3	12.1	12.1	9.1	5.3	4.1	12.1	4.6	10.7	-9.4	10.0
Global Macro	HFRX Macro-CTA Index	0.8	-0.8	-0.8	-0.8	2.7	1.5	0.5	-0.8	4.3	4.8	-3.2	2.5
Multi Strategy/ Asset	HFRF Fund Weighted Composite Index	0.0	-0.7	8.9	8.9	10.4	6.8	5.7	8.9	11.8	10.4	-4.7	8.6
Relative Value	HFRF Relative Value Index	0.0	-0.1	7.3	7.3	6.0	4.5	5.1	7.3	3.4	7.4	-0.4	5.1
Closed-End Funds	S-Network Composite Closed-End Index	2.3	2.6	15.8	15.8	14.8	9.7	9.0	7.4	-3.7	15.1	-15.3	6.3
Insurance-Linked Securities	SwissRe Global Cat Bond Index	0.4	1.1	4.9	4.9	5.1	3.6	5.7	4.9	5.8	4.6	2.5	0.5

Source: Bloomberg. See appendix for asset class and index definitions.
Returns for periods greater than 1 year are annualized.

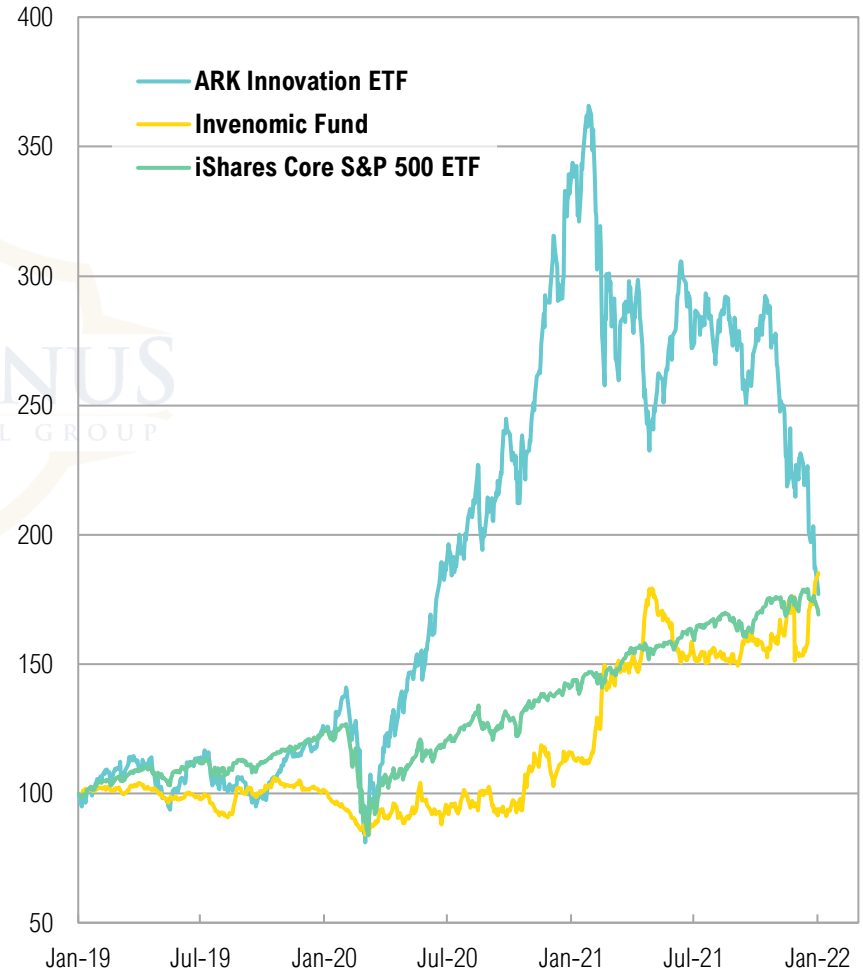
➤ Retail mania has mostly faded for now

GOOGLE TRENDS, SEARCH ACTIVITY



S&P SPAC Index

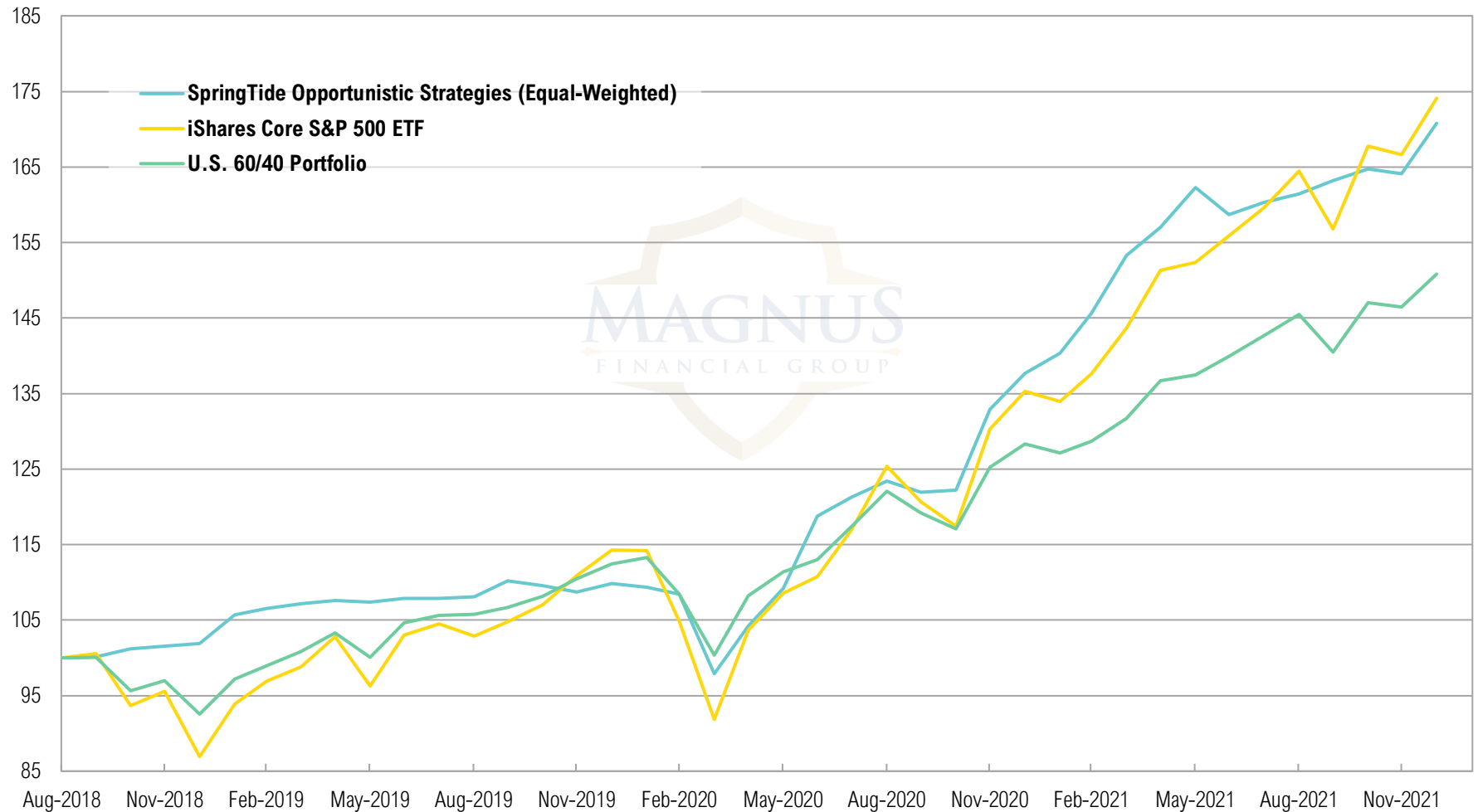
GROWTH OF 100



Source: Google, Bloomberg

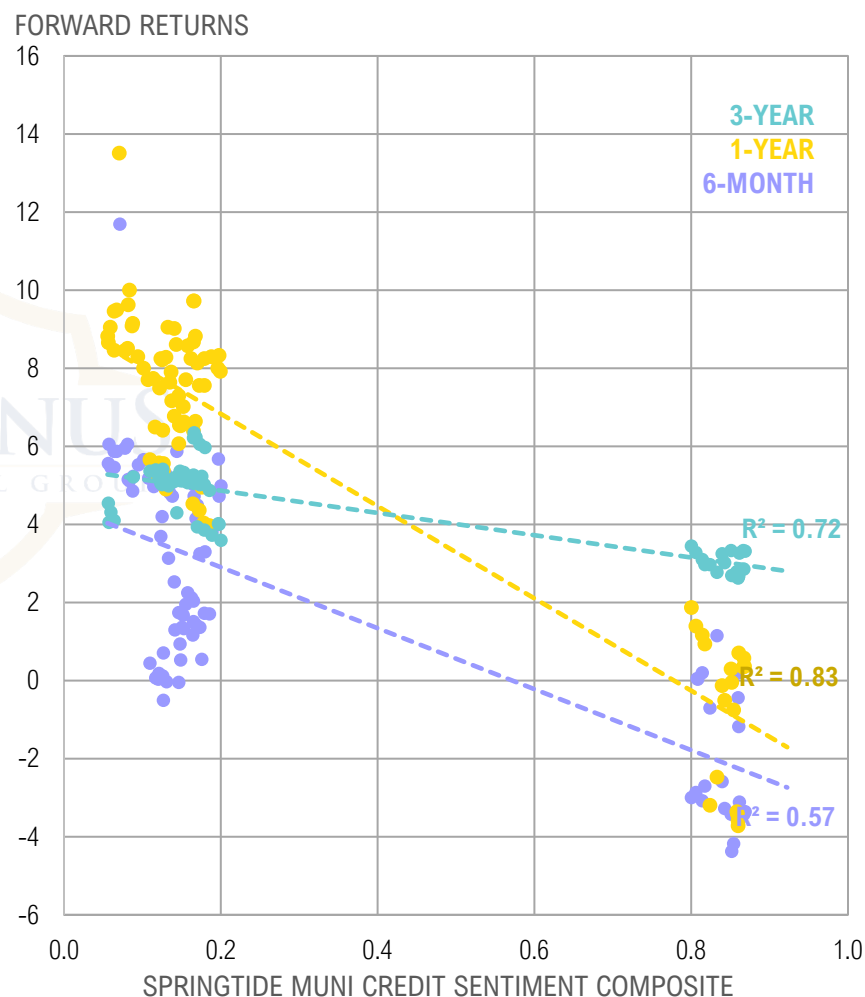
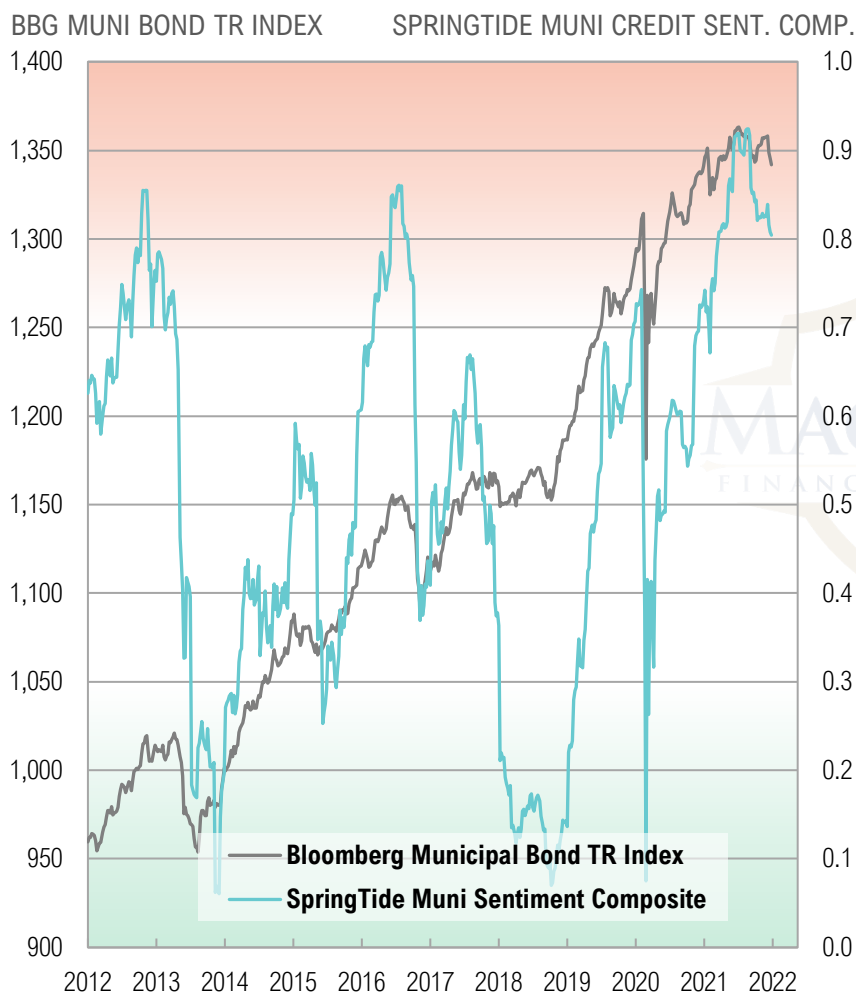
Tactical opportunities have been working to mitigate volatility while keeping pace with the broader equity market

GROWTH OF 100



Source: Bloomberg

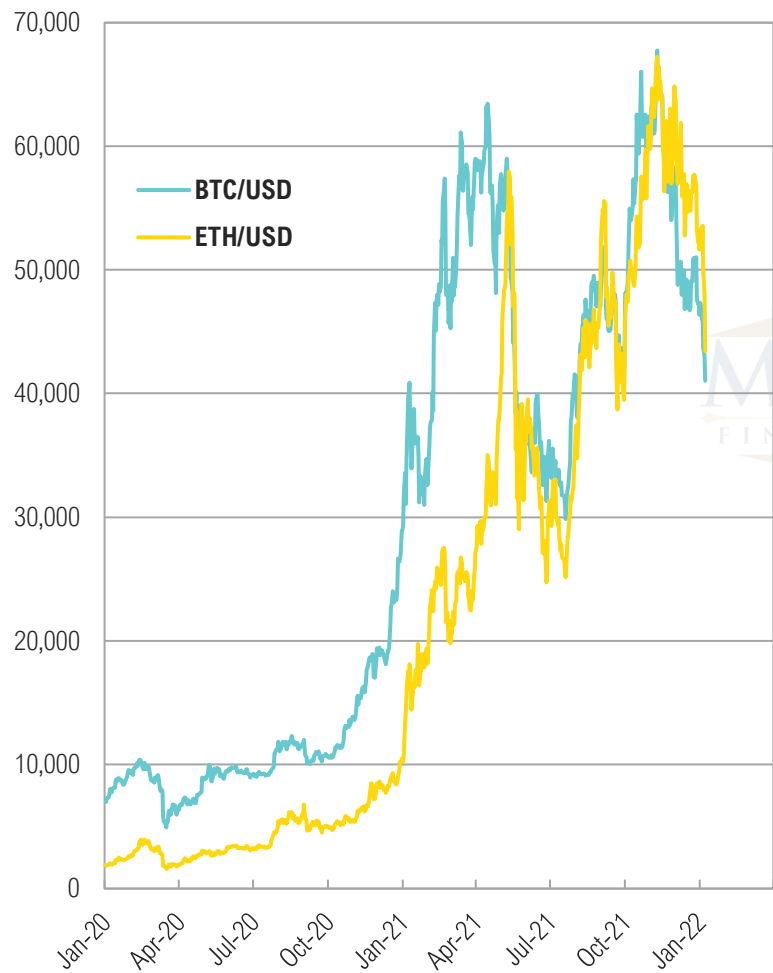
Muni credit sentiment remains elevated, historically associated with lower-than-average forward returns



Source: Bloomberg, Bond Buyer, SpringTide calculations
Returns for periods longer than 1-year are annualized.

While higher profile digital asset prices have cooled off, interest remains high in underlying themes

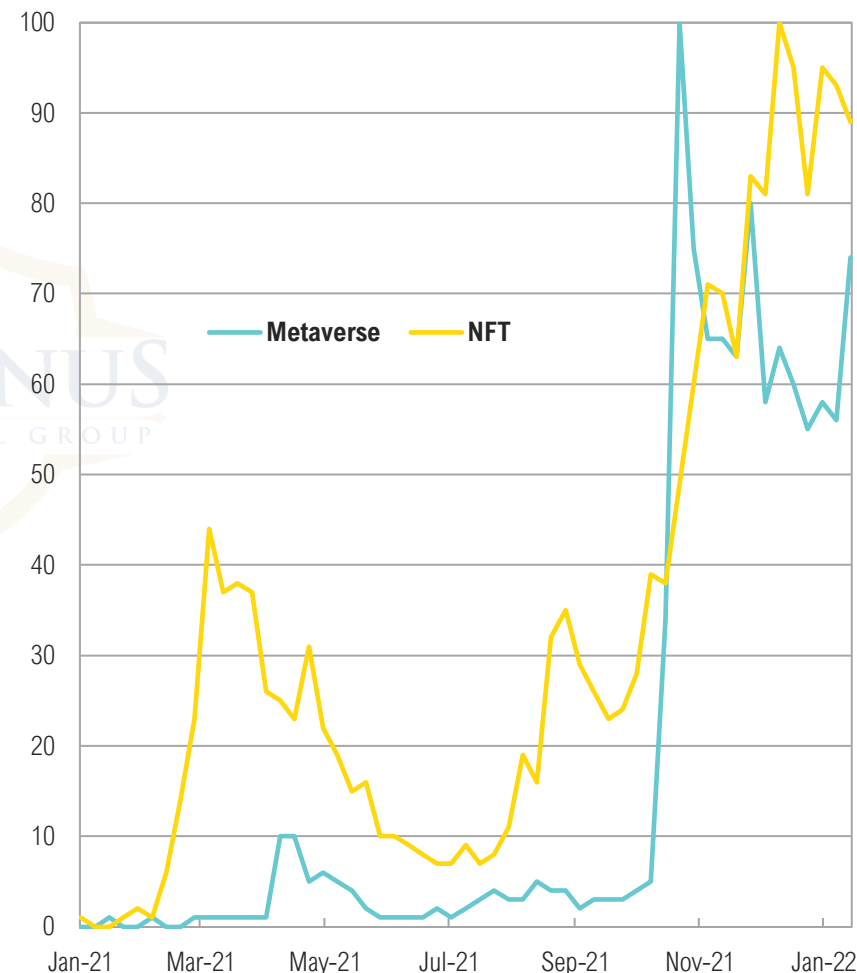
PRICE OF BTC, \$



PRICE OF ETH, \$



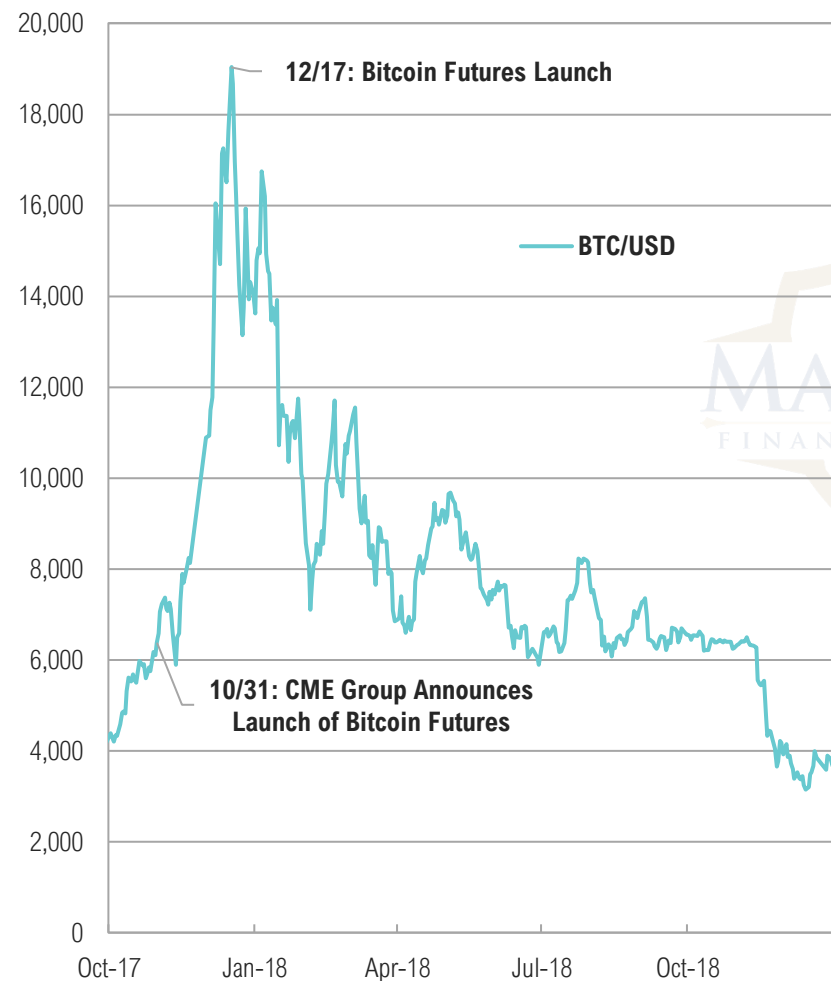
GOOGLE TRENDS, SEARCH ACTIVITY



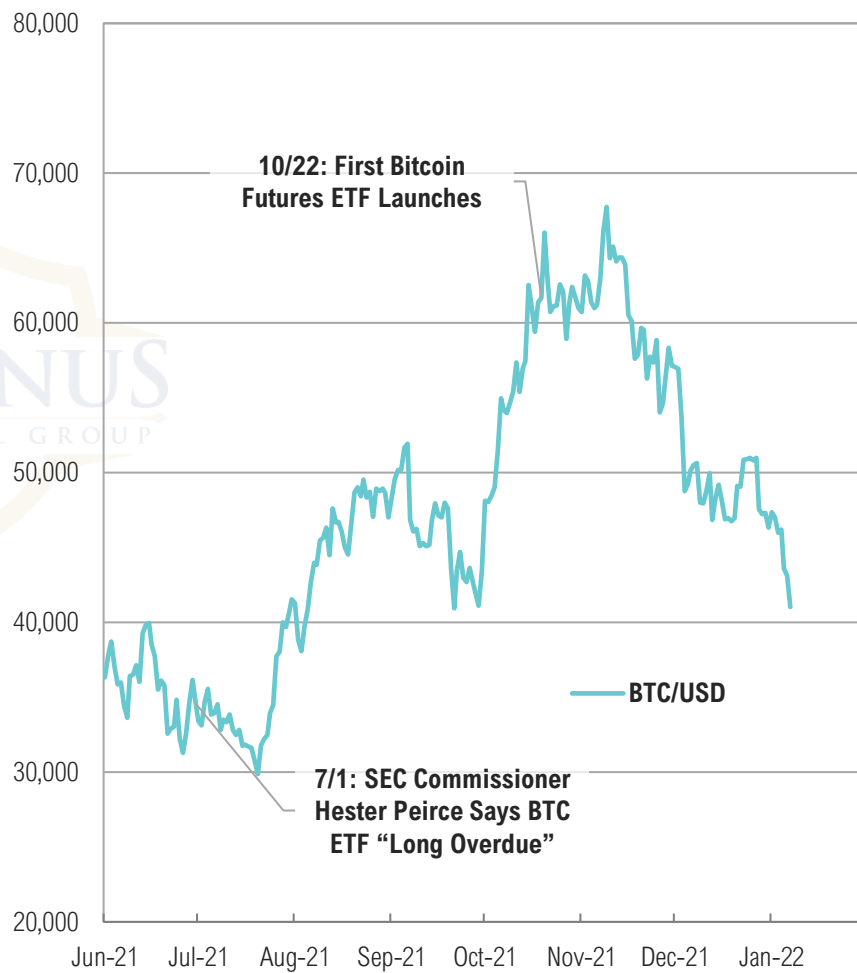
Source: Bloomberg, Google

➤ Bitcoin ETF launch was another “buy the rumor, sell the news” event

PRICE OF BITCOIN



PRICE OF BITCOIN



Source: Bloomberg



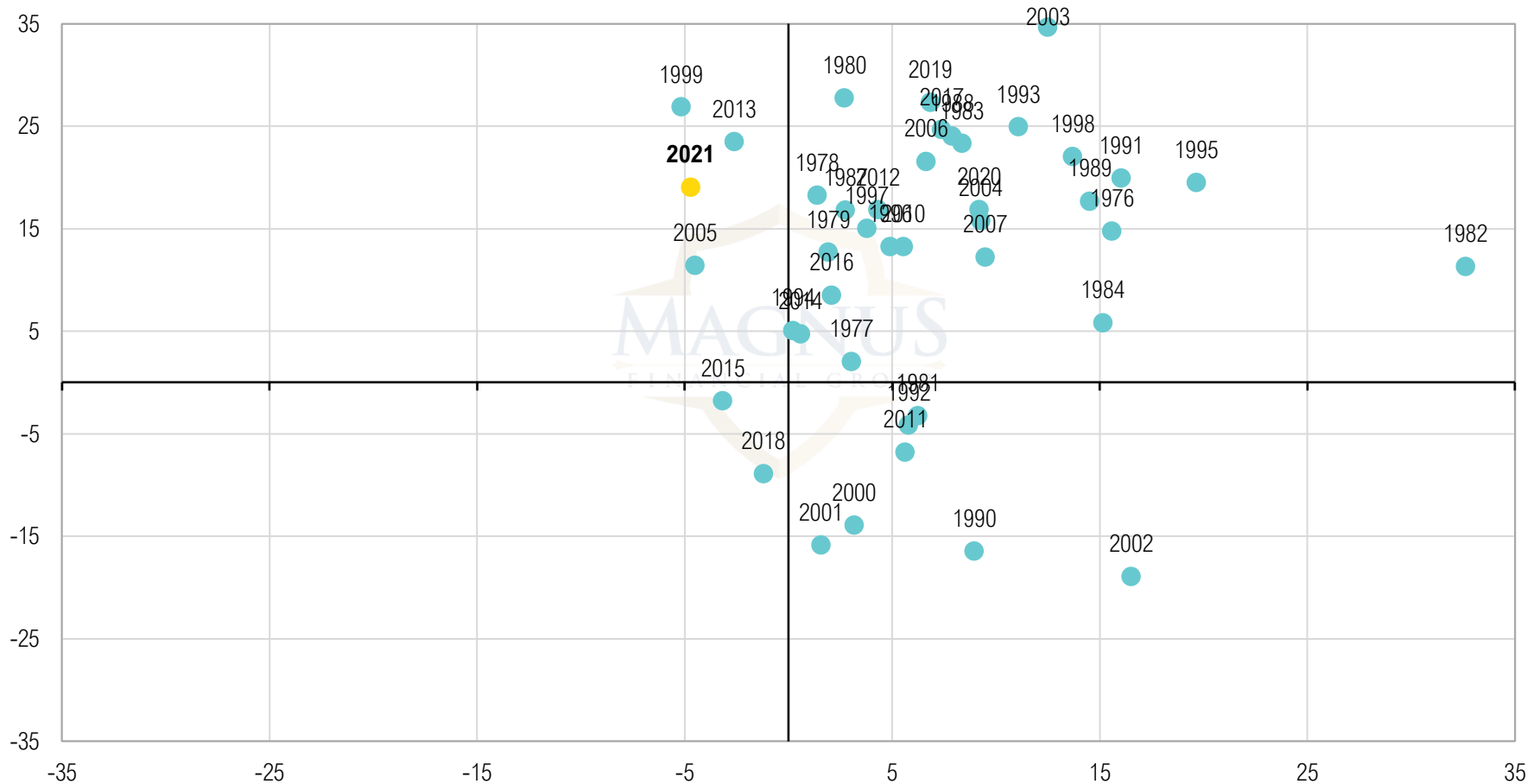
Nobody knows how this is going to turn out. This is an experiment.



– **Howard Marks**, Co-chairman, Founder Oaktree Capital Management, 2021

➤ 2021 was an unusual year for global stocks and bonds (and again highlighting the unusual predicament the Fed is in)

GLOBAL STOCKS: ANNUAL RETURN, %

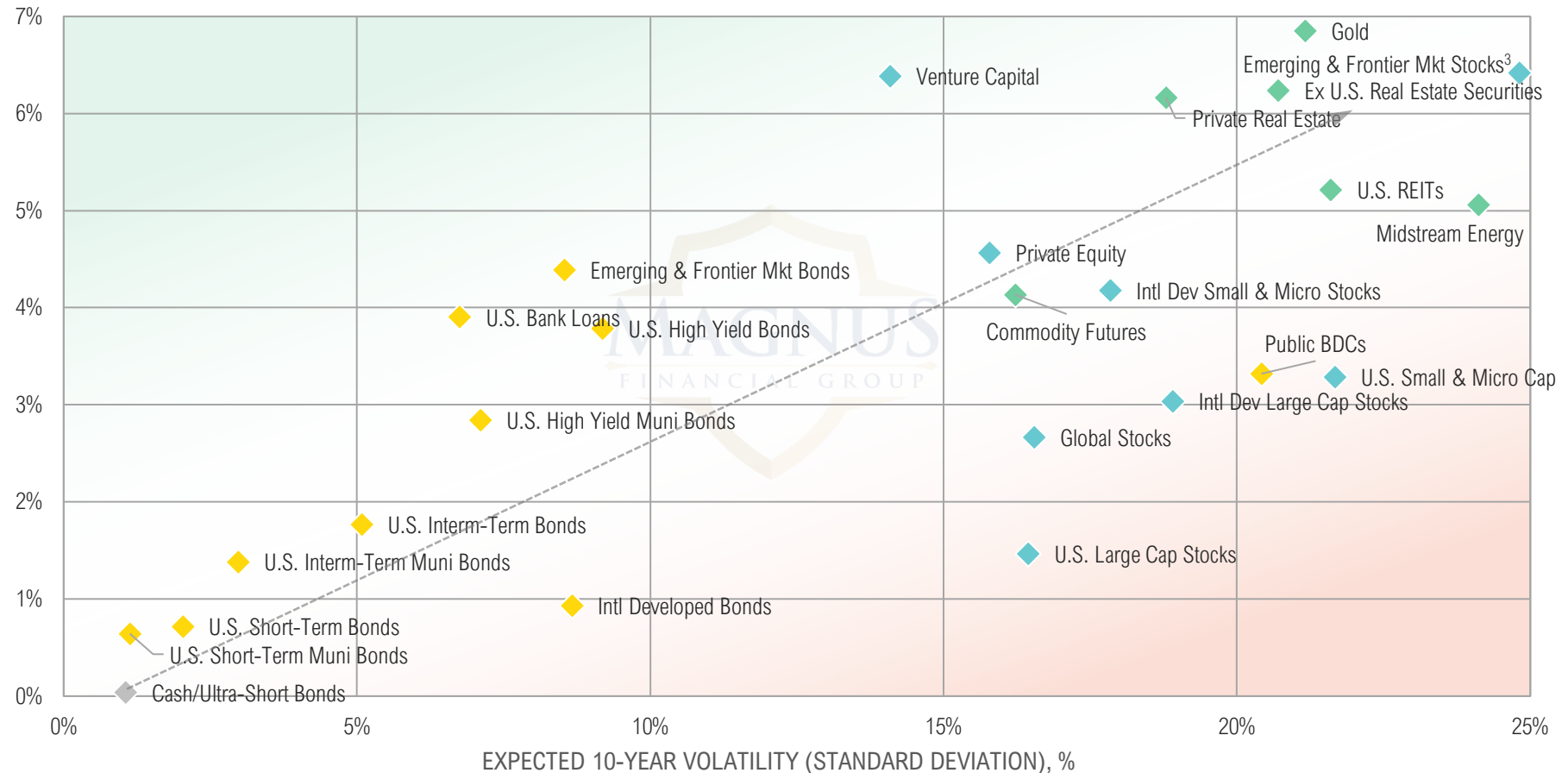


GLOBAL BONDS: ANNUAL RETURN, %

Source: Bloomberg. Global Stocks are represented by MSCI ACWI Index (1988-2021) and the MSCI World Index (1976-1987). Global Bonds are represented by Bloomberg Global Aggregate Bond Index (1991-2021) and Bloomberg US Agg Bond Index (1976-1990).

Expected 10-year returns for domestic equities fell modestly as valuations rose while expected returns for bonds rose with yields

EXPECTED 10-YEAR GROSS TOTAL RETURN, %

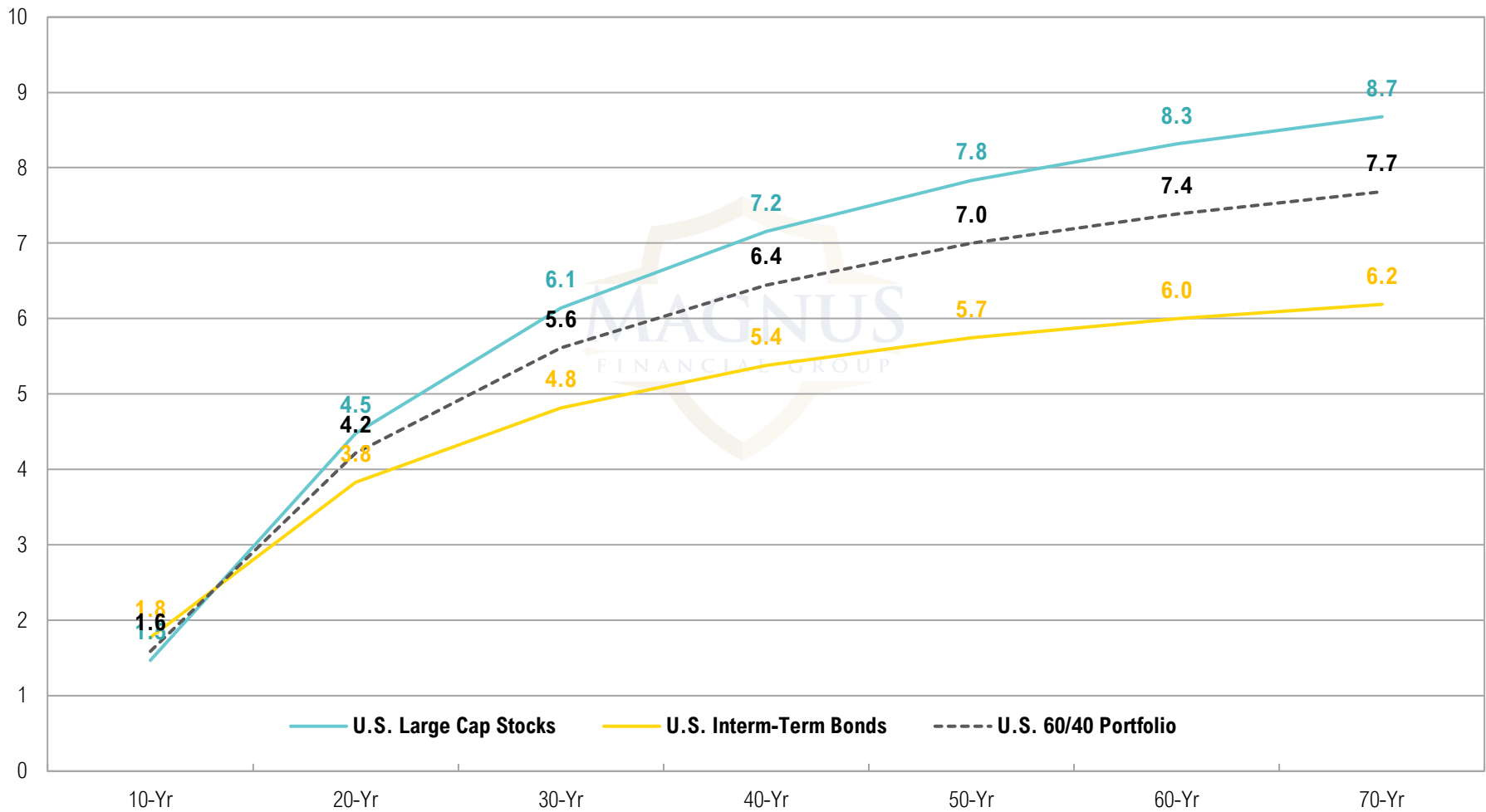


³ Estimated returns include impact of currency adjustment † Reported on a taxable-equivalent basis assuming 35% marginal tax rate.

Source: Bloomberg, CA, Pitchbook, Morningstar, NAREIT, SpringTide calculations

Some good news: longer-term return expectations hold relatively stable as the mean reversion of higher valuations is distributed over a longer time frame

EXPECTED ANNUALIZED TOTAL RETURN, %



Source: Bloomberg, CA, Pitchbook, Morningstar, NAREIT, SpringTide calculations

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