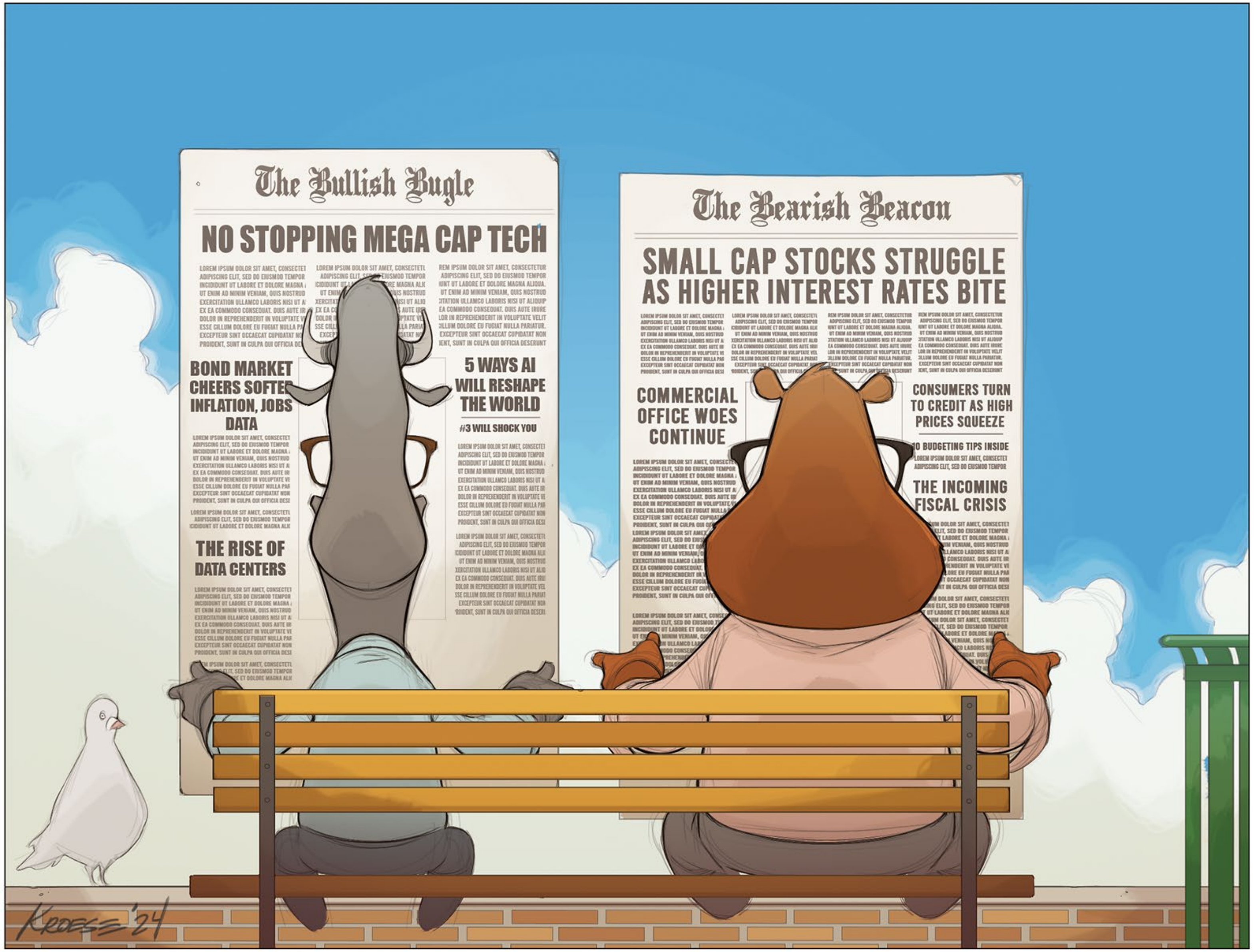
Market Outlook: Status Quo

Q3, 2024

While market valuations and credit spreads seem to reflect a rather benign economic outlook, we continue to be vigilant about potential tail risks. These tail risks are the same ones that we have mentioned before. The geopolitical situation remains complex and potentially the most dangerous since World War II — though its outcome and effect on the global economy remain unknown. Next, there has been some progress bringing inflation down, but there are still multiple inflationary forces in front of us: large fiscal deficits, infrastructure needs, restructuring of trade and remilitarization of the world. Therefore, inflation and interest rates may stay higher than the market expects. And finally, we still do not know the full effects of quantitative tightening on this scale."

Jamie Dimon, *JPMorgan CEO*



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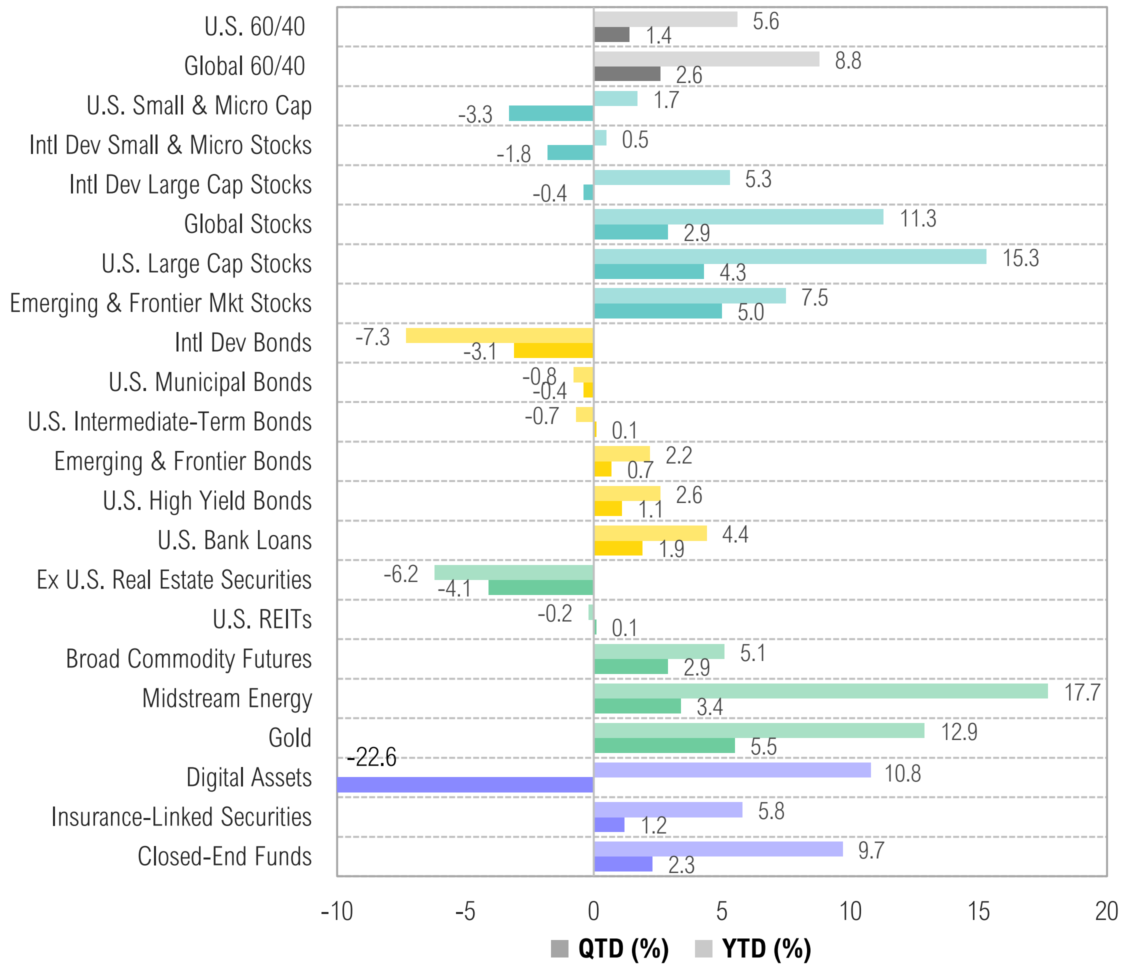
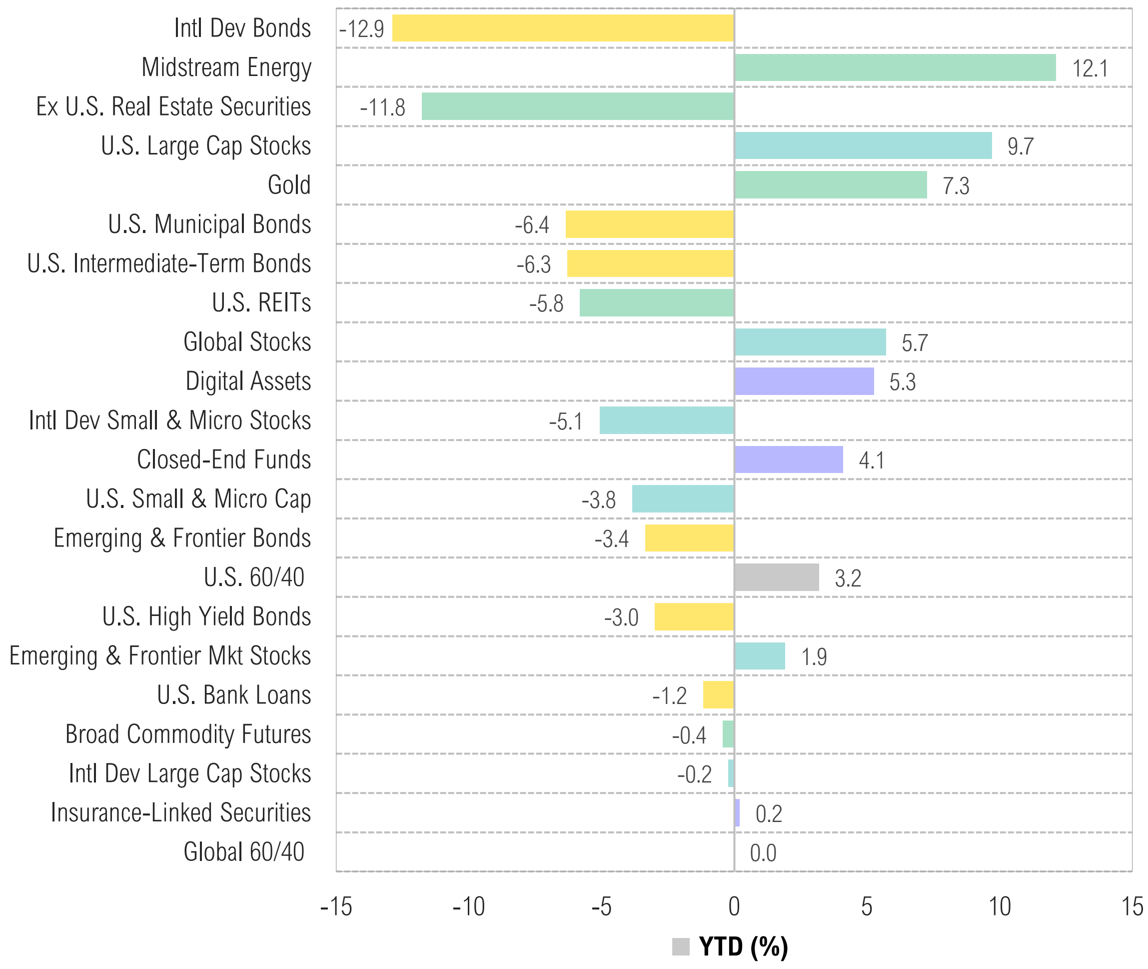
Most risky assets fared well over the second quarter, but equities' market breadth remains narrow; interest rate-sensitive areas of the market lagged

Total Returns, %



Relative Total Returns vs. Global 60/40, %



Source: Bloomberg. Returns for periods greater than 1 year are annualized.

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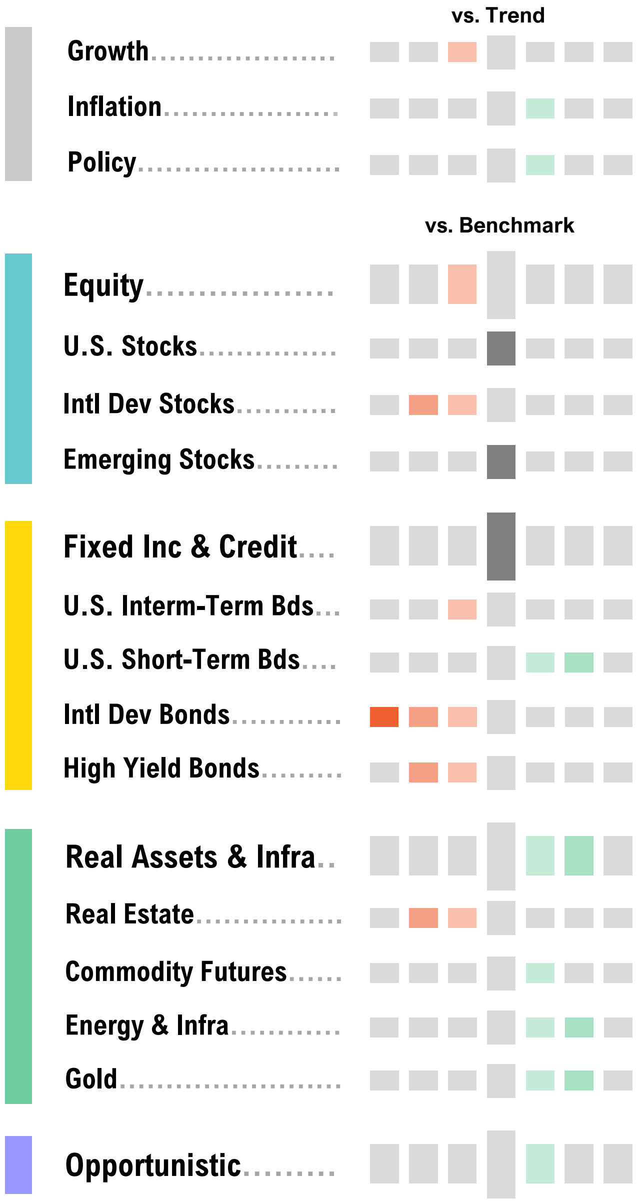
Positioning Summary



Asset Class Themes

- The U.S. remains a positive outlier amid slow growth growth in developed economies, underpinned by high debt loads, high deficits, and poor demographics.
- U.S. consumer spending is becoming more discerning amid high credit costs and depleted COVID-era savings, but pain limited to low-end consumers
- The Fed pivot last year likely marks a watershed moment for policy, impacting geopolitics, the economy, and markets.

- Stay patient; don't underestimate risks from high valuations and capital costs
- Tilt towards quality and CFs in large caps and profitable small caps; maintain exposures to high-quality growth managers. Active EM presents excellent opportunities; Europe remains a value trap.
- The recent rotation to profitable small caps is healthy with tailwinds that could last years, but it has included some forced position unwinds that should be faded.

- Higher short-term rates lower the risk of 'wait-and-see'; keep credit risk relatively low and duration well below benchmark (~half benchmark).
- Uncompensated risks in longer-duration bonds and most public credit sectors due to historically inverted curve and low spreads, respectively; select private credit is still poised to outperform, but avoid legacy portfolios.
- Higher-for-longer rates increase the risks of a CRE-related credit event.
- Watch 10-year yields (>5%) and credit spreads (>400bps) for signs of economic stress.

- With improved sentiment and valuations in real asset markets, look for opportunities to trim or rotate exposures, while recognizing fundamental tailwinds.
- Maintain policy (and war) hedges; watch crude oil and gold as indicators of potential Middle East escalation.
- Look for emerging opportunities in private real estate, but avoid legacy portfolios.
- Bonds, gold, and bitcoin will continue to compete for incremental safe-haven flows as the rate-cutting cycle begins. Given fiscal issues, we favor a diversified approach.

- Volatility creates opportunity: consider tactical multi-asset and long/short equity. Stick to first principles: stay diversified, avoid unnecessary risks, and fade extremes.

Portfolio Themes

1

Growth is slowing, amid divergences. Markets are attempting to look through any weakness to the incoming admin.

2

Higher rates and AI have created historic divergences, with significant room for repricing in profitable small cap.

3

Policy and geopolitical backdrop suggests right-tail hedges are as important as left-tail ones

4

Stick to first principles: Stay diversified, avoid unnecessary risks, and fade extremes.

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We are not seeing the same growth in consumer spending that we had in prior quarters. There was less traffic in the retail venues that we partner with…there are clear signs of a softening labor market and the tightening of the consumer budget.”

Mark Mason, *Citigroup Chairman*

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We're well aware that if we go too soon, we could undo the good work we've done in bringing down inflation. And if we go too late, we could unnecessarily undermine the recession, the recovery, and the expansion. We're aware that we have two-sided risks now, more so than we did a year ago."

Jerome Powell, *Federal Reserve Chairman*

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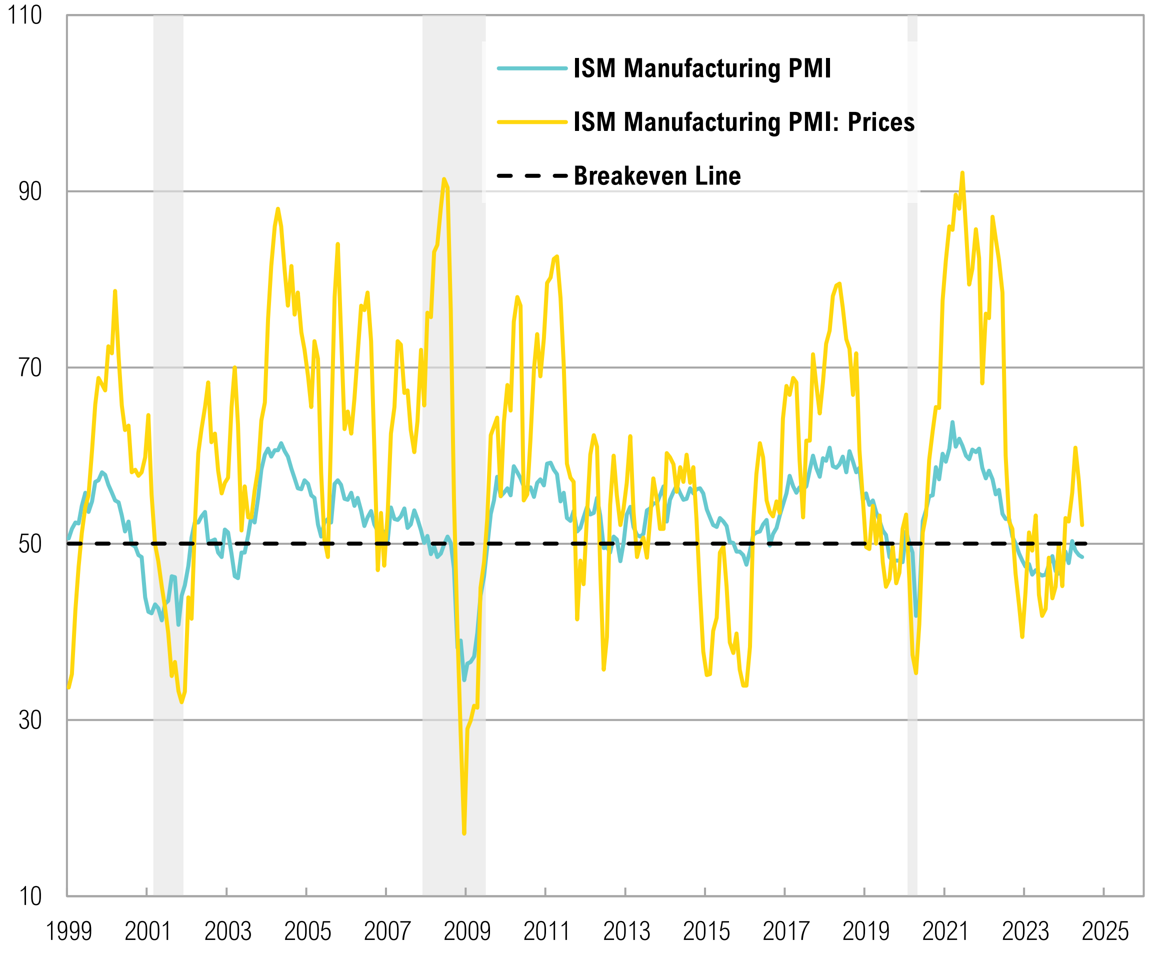
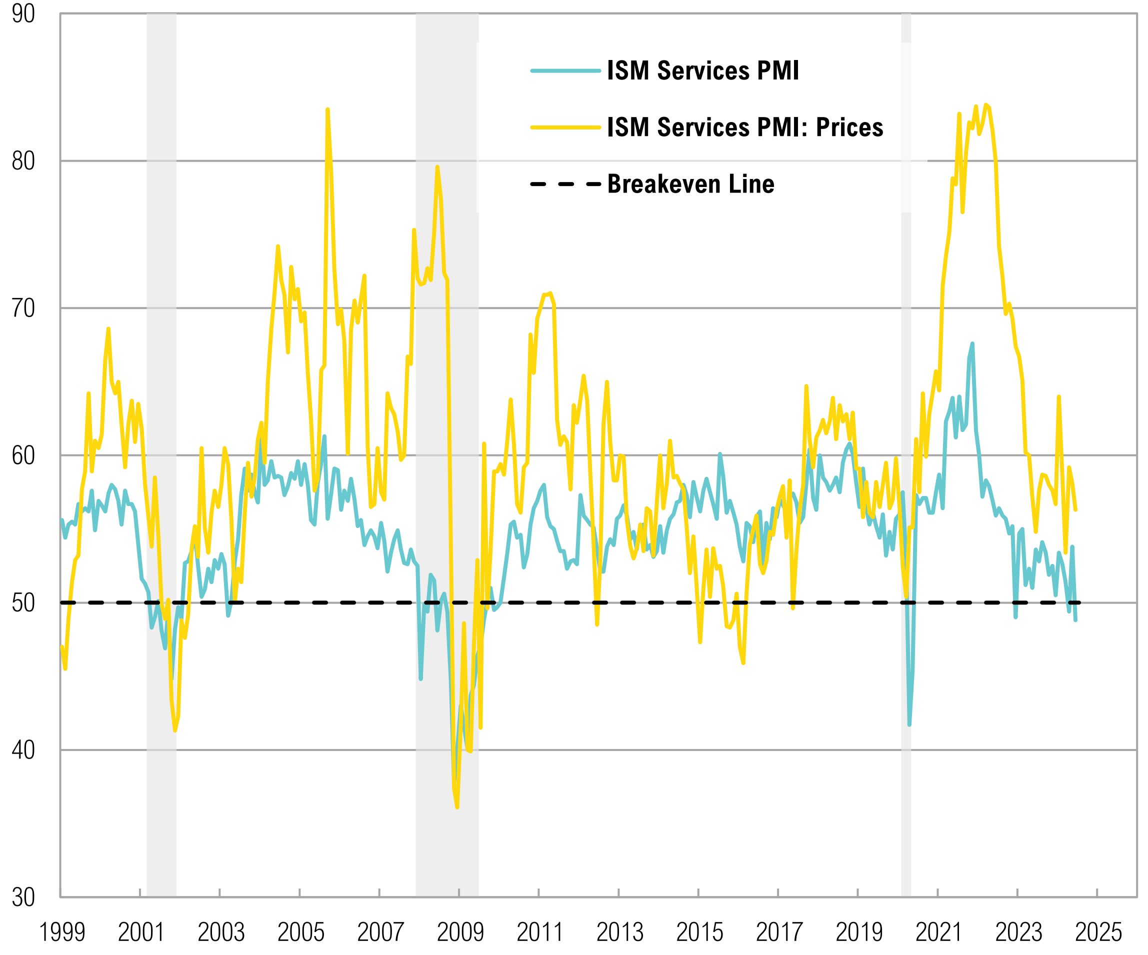
Both manufacturing and services sector activity are now in contractionary territory; ongoing high prices are weighing on both sectors' growth, particularly in services

ISM Manufacturing PMI



ISM Services PMI



Source: Bloomberg

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Overall, global manufacturing is expanding and inflation easing, but stark divergences between countries with the U.S. and select emerging markets faring much better than developed Europe

Manufacturing PMIs by Country* & Region

	2022							2023												2024					
	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J
Global	52.2	51.1	50.3	49.8	49.4	48.8	48.7	49.1	49.9	49.6	49.6	49.5	48.7	48.6	49.0	49.2	48.8	49.3	49.0	50.0	50.3	50.6	50.3	51.0	50.9
Developed	52.5	51.2	50.2	50.1	48.8	47.8	47.3	48.0	48.1	48.4	48.5	47.6	46.3	47.1	46.8	47.4	47.5	47.7	47.0	48.9	49.3	49.3	48.6	50.0	49.7
Emerging	51.7	50.8	50.2	49.4	49.8	49.7	49.8	49.9	51.6	50.7	50.5	51.4	51.1	50.2	51.3	50.9	50.1	50.9	50.9	51.1	51.5	52.0	52.0	52.0	52.1
Developed																									
U.S.	52.7	52.2	51.5	52.0	50.4	47.7	46.2	46.9	47.3	49.2	50.2	48.4	46.3	49.0	47.9	49.8	50.0	49.4	47.9	50.7	52.2	51.9	50.0	51.3	51.6
Canada	54.6	52.5	48.7	49.8	48.8	49.6	49.2	51.0	52.4	48.6	50.2	49.0	48.8	49.6	48.0	47.5	48.6	47.7	45.4	48.3	49.7	49.8	49.4	49.3	49.3
Japan	52.7	52.1	51.5	50.8	50.7	49.0	48.9	48.9	47.7	49.2	49.5	50.6	49.8	49.6	49.6	48.5	48.7	48.3	47.9	48.0	47.2	48.2	49.6	50.4	50.0
UK	52.8	52.1	47.3	48.4	46.2	46.5	45.3	47.0	49.3	47.9	47.8	47.1	46.5	45.3	43.0	44.3	44.8	47.2	46.2	47.0	47.5	50.3	49.1	51.2	50.9
Eurozone	52.1	49.8	49.6	48.4	46.4	47.1	47.8	48.8	48.5	47.3	45.8	44.8	43.4	42.7	43.5	43.4	43.1	44.2	44.4	46.6	46.5	46.1	45.7	47.3	45.8
Germany	52.0	49.3	49.1	47.8	45.1	46.2	47.1	47.3	46.3	44.7	44.5	43.2	40.6	38.8	39.1	39.6	40.8	42.6	43.3	45.5	42.5	41.9	42.5	45.4	43.5
France	51.4	49.5	50.6	47.7	47.2	48.3	49.2	50.5	47.4	47.3	45.6	45.7	46.0	45.1	46.0	44.2	42.8	42.9	42.1	43.1	47.1	46.2	45.3	46.4	45.4
Italy	50.9	48.5	48.0	48.3	46.5	48.4	48.5	50.4	52.0	51.1	46.8	45.9	43.8	44.5	45.4	46.8	44.9	44.4	45.3	48.5	48.7	50.4	47.3	45.6	45.7
Spain	52.6	48.7	49.9	49.0	44.7	45.7	46.4	48.4	50.7	51.3	49.0	48.4	48.0	47.8	46.5	47.7	45.1	46.3	46.2	49.2	51.5	51.4	52.2	54.0	52.3
Netherlands	55.9	54.5	52.6	49.0	47.9	46.0	48.6	49.6	48.7	46.4	44.9	44.2	43.8	45.3	45.9	43.6	43.8	44.9	44.8	48.9	49.3	49.7	51.3	52.5	50.7
Australia	56.2	55.7	53.8	53.5	52.7	51.3	50.2	50.0	50.5	49.1	48.0	48.4	48.2	49.6	49.6	48.7	48.2	47.7	47.6	50.1	47.8	47.3	49.6	49.7	47.2
Greece	51.1	49.1	48.8	49.7	48.1	48.4	47.2	49.2	51.7	52.8	52.4	51.5	51.8	53.5	52.9	50.3	50.8	50.9	51.3	54.7	55.7	56.9	55.2	54.9	54.0
Emerging																									
China	51.7	50.4	49.5	48.1	49.2	49.4	49.0	49.2	51.6	50.0	49.5	50.9	50.5	49.2	51.0	50.6	49.5	50.7	50.8	50.8	50.9	51.1	51.4	51.7	51.8
Indonesia	50.2	51.3	51.7	53.7	51.8	50.3	50.9	51.3	51.2	51.9	52.7	50.3	52.5	53.3	53.9	52.3	51.5	51.7	52.2	52.9	52.7	54.2	52.9	52.1	50.7
Korea	51.3	49.8	47.6	47.3	48.2	49.0	48.2	48.5	48.5	47.6	48.1	48.4	47.8	49.4	48.9	49.9	49.8	50.0	49.9	51.2	50.7	49.8	49.4	51.6	52.0
Taiwan	49.8	44.6	42.7	42.2	41.5	41.6	44.6	44.3	49.0	48.6	47.1	44.3	44.8	44.1	44.3	46.4	47.6	48.3	47.1	48.8	48.6	49.3	50.2	50.9	53.2
Brazil	54.1	54.0	51.9	51.1	50.8	44.3	44.2	47.5	49.2	47.0	44.3	47.1	46.6	47.8	50.1	49.0	48.6	49.4	48.4	52.8	54.1	53.6	55.9	52.1	52.5
Mexico	52.2	48.5	48.5	50.3	50.3	50.6	51.3	48.9	51.0	51.0	51.1	50.5	50.9	53.2	51.2	49.8	52.1	52.5	52.0	50.2	52.3	52.2	51.0	51.2	51.1
Russia	50.9	50.3	51.7	52.0	50.7	53.2	53.0	52.6	53.6	53.2	52.6	53.5	52.6	52.1	52.7	54.5	53.8	53.8	54.6	52.4	54.7	55.7	54.3	54.4	54.9
South Africa	52.5	52.7	51.7	49.2	49.5	50.6	50.2	48.7	50.5	49.7	49.6	47.9	48.7	48.2	51.0	49.9	48.9	50.0	49.0	49.2	50.8	48.4	50.3	50.4	
India	53.9	56.4	56.2	55.1	55.3	55.7	57.8	55.4	55.3	56.4	57.2	58.7	57.8	57.7	58.6	57.5	55.5	56.0	54.9	56.5	56.9	59.1	58.8	57.5	58.3

LOWER ← → HIGHER

Country & GDP-Weighted Regional Inflation

	2022				2023				2024	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Global	5.9	6.8	6.7	5.8	4.3	3.1	3.2	2.7	2.6	2.5
Developed	7.1	8.0	7.9	7.0	5.5	4.0	4.0	3.3	3.1	2.8
Emerging	4.1	4.9	4.8	3.7	2.4	1.5	1.8	1.8	1.9	2.0
Developed										
U.S.	8.5	9.1	8.2	6.5	5.0	3.0	3.7	3.4	3.5	3.3
Canada	6.7	8.1	6.9	6.3	4.3	2.8	3.8	3.4	2.9	2.9
Japan	1.2	2.4	3.0	4.0	3.2	3.3	3.0	2.6	2.7	2.8
UK	6.2	9.2	10.0	10.7	10.2	8.4	6.7	4.2	3.5	2.0
Eurozone	7.4	8.6	9.9	9.2	6.9	5.5	4.3	2.9	2.4	2.5
Germany	5.9	6.7	8.6	8.1	7.4	6.4	4.5	3.7	2.2	2.2
France	4.5	5.8	5.6	5.9	5.7	4.5	4.9	3.7	2.3	2.1
Italy	6.8	8.5	9.4	12.3	8.1	6.7	5.6	0.5	1.2	0.9
Spain	9.8	10.2	8.9	5.7	3.3	1.9	3.5	3.1	3.2	3.4
Netherlands	9.7	8.6	14.5	9.6	4.4	5.7	0.2	1.2	3.1	3.2
Australia	5.1	6.1	7.3	7.8	7.0	6.0	5.4	4.1	3.6	n/a
Greece	8.0	11.6	12.1	7.6	5.4	2.8	2.4	3.7	3.4	2.4
Emerging										
China	1.5	2.5	2.8	1.8	0.7	0.0	0.0	-0.3	0.1	0.3
Indonesia	2.6	4.4	6.0	5.5	5.0	3.5	2.3	2.8	3.1	2.5
Korea	4.2	6.0	5.5	5.0	4.2	2.7	3.7	3.2	3.1	2.4
Taiwan	3.3	3.6	2.8	2.7	2.4	1.8	2.9	2.7	2.2	2.2
Brazil	11.3	11.9	7.2	5.8	4.7	3.2	5.2	4.6	3.9	3.9
Mexico	7.5	8.0	8.7	7.8	6.9	5.1	4.5	4.7	4.4	4.7
Russia	16.7	15.9	13.7	11.9	3.5	3.3	6.0	7.4	7.7	8.3
South Africa	5.9	7.4	7.5	7.2	7.1	5.4	5.4	5.1	5.3	5.2
India	7.0	7.0	7.4	5.7	5.7	4.9	5.0	5.7	4.9	4.8

LOWER ← → HIGHER

Source: Bloomberg, Markit. *Some countries might have delayed reporting.

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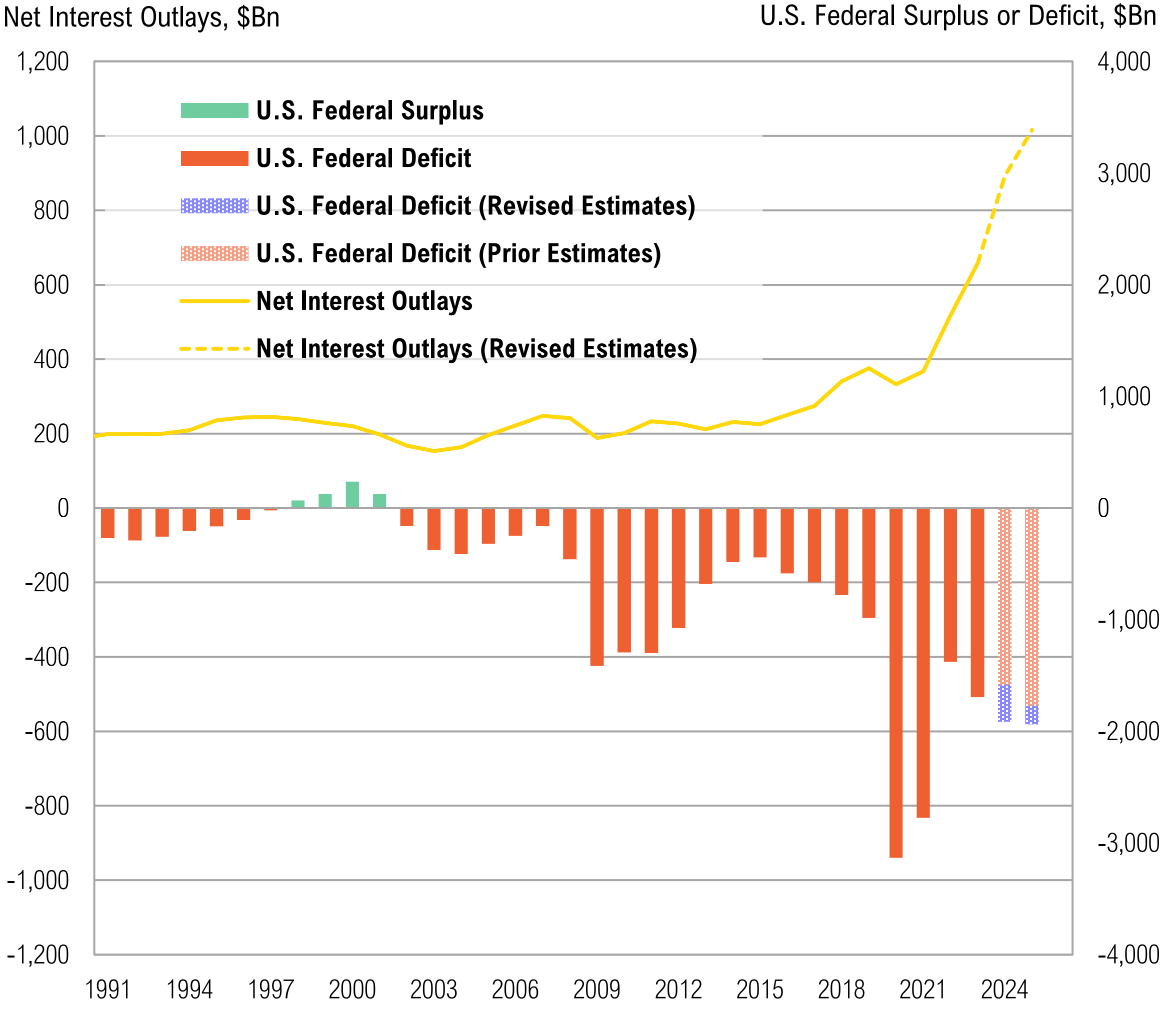
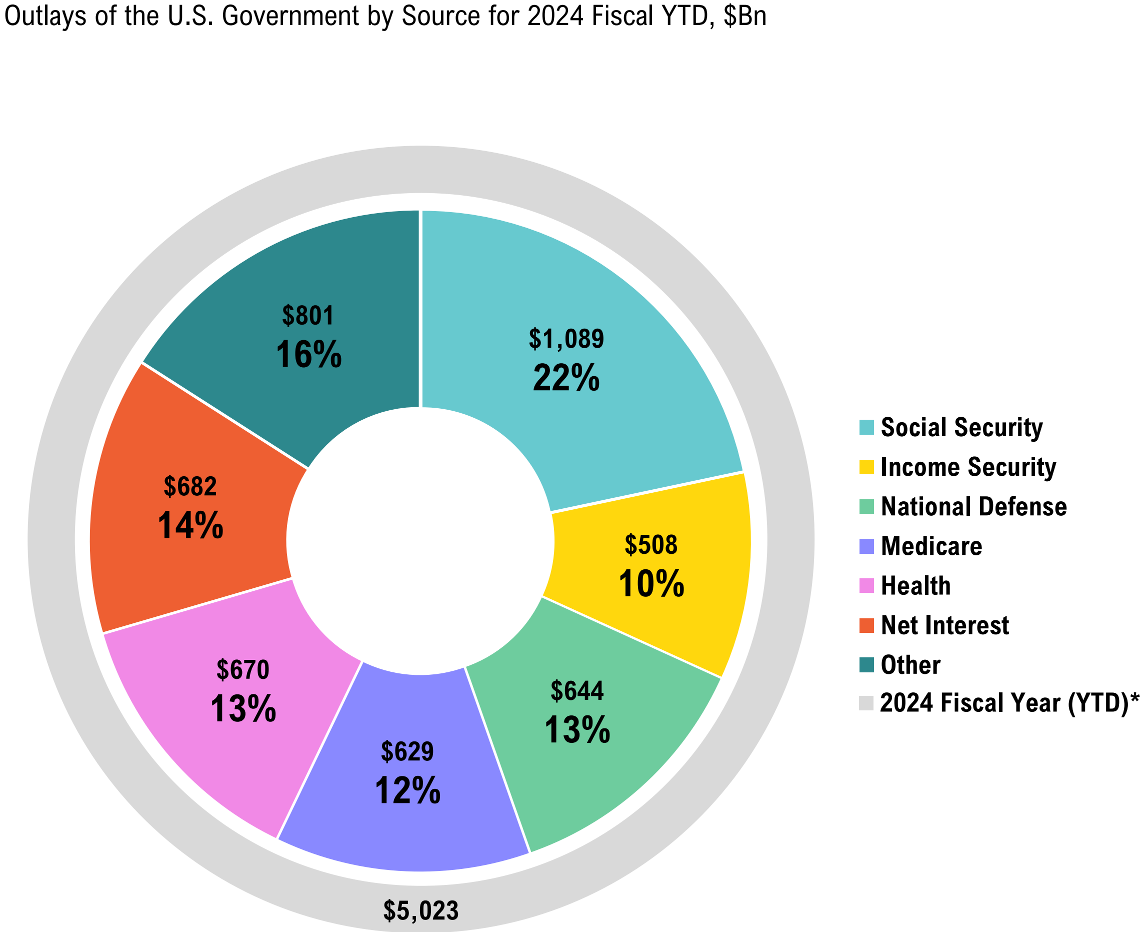
Government spending continues unchecked: the fiscal budget deficit for this year is already at $1.27Tn, and the CBO has revised deficit estimates upwards for 2024 and 2025





Source: Bloomberg, Congressional Budget Office, U.S. Department of Treasury. *Fiscal year 2024 started on 10/1/2023.

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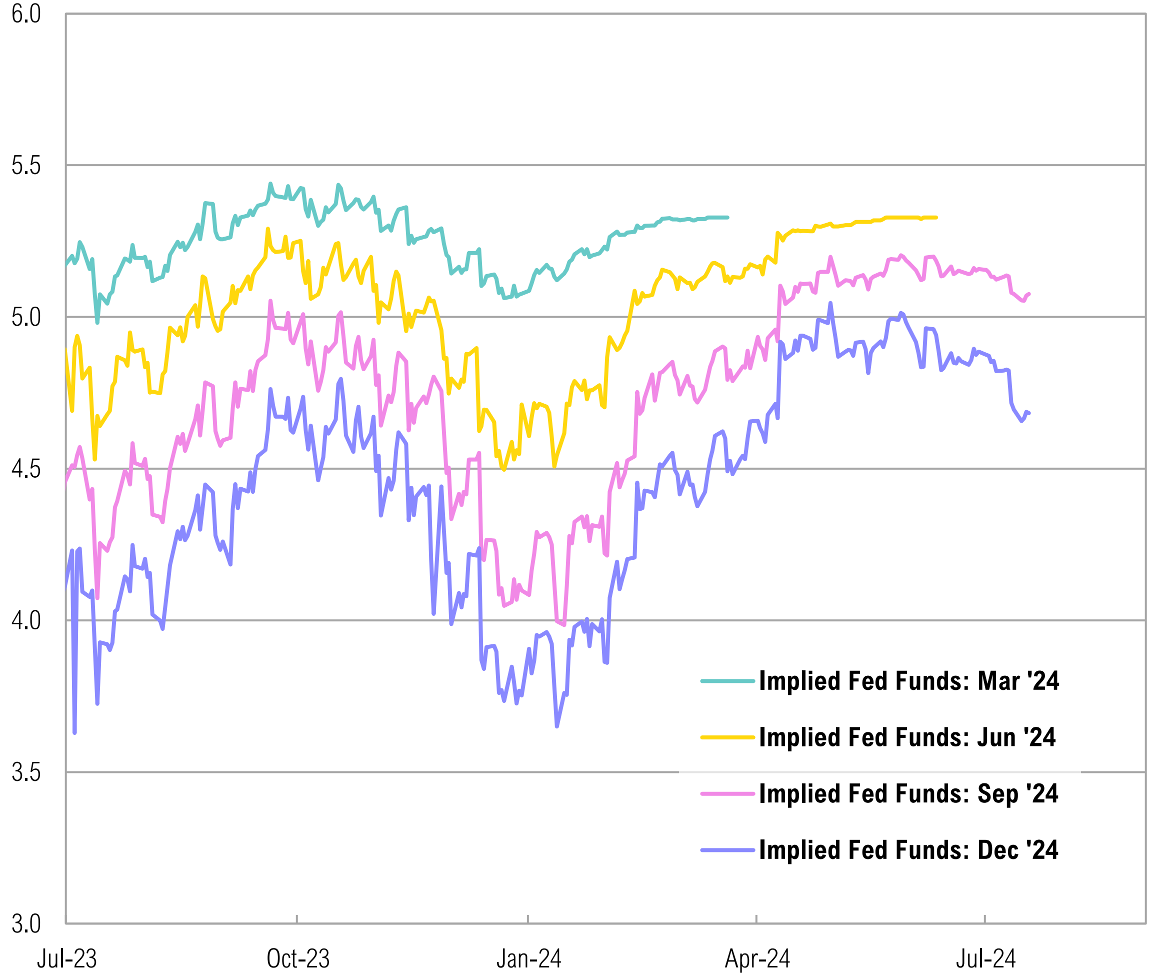
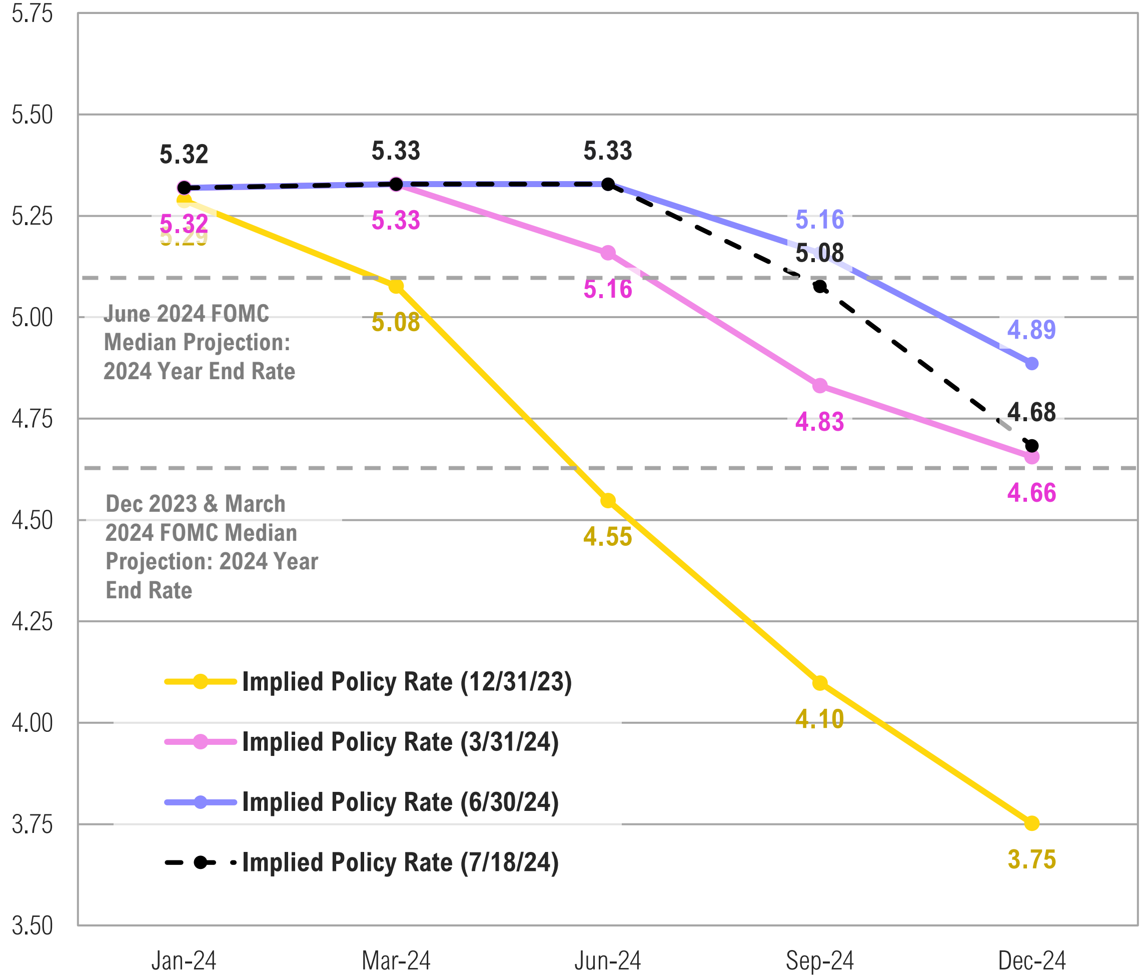
Following the June CPI report, rate cut expectations reverted to March levels; markets now expect the equivalent of three cuts for 2H 2024, with the first cut anticipated in September

Implied Fed Funds Rate, %



Implied Fed Funds Rate, %



Source: Bloomberg. As of 7/18/2024.

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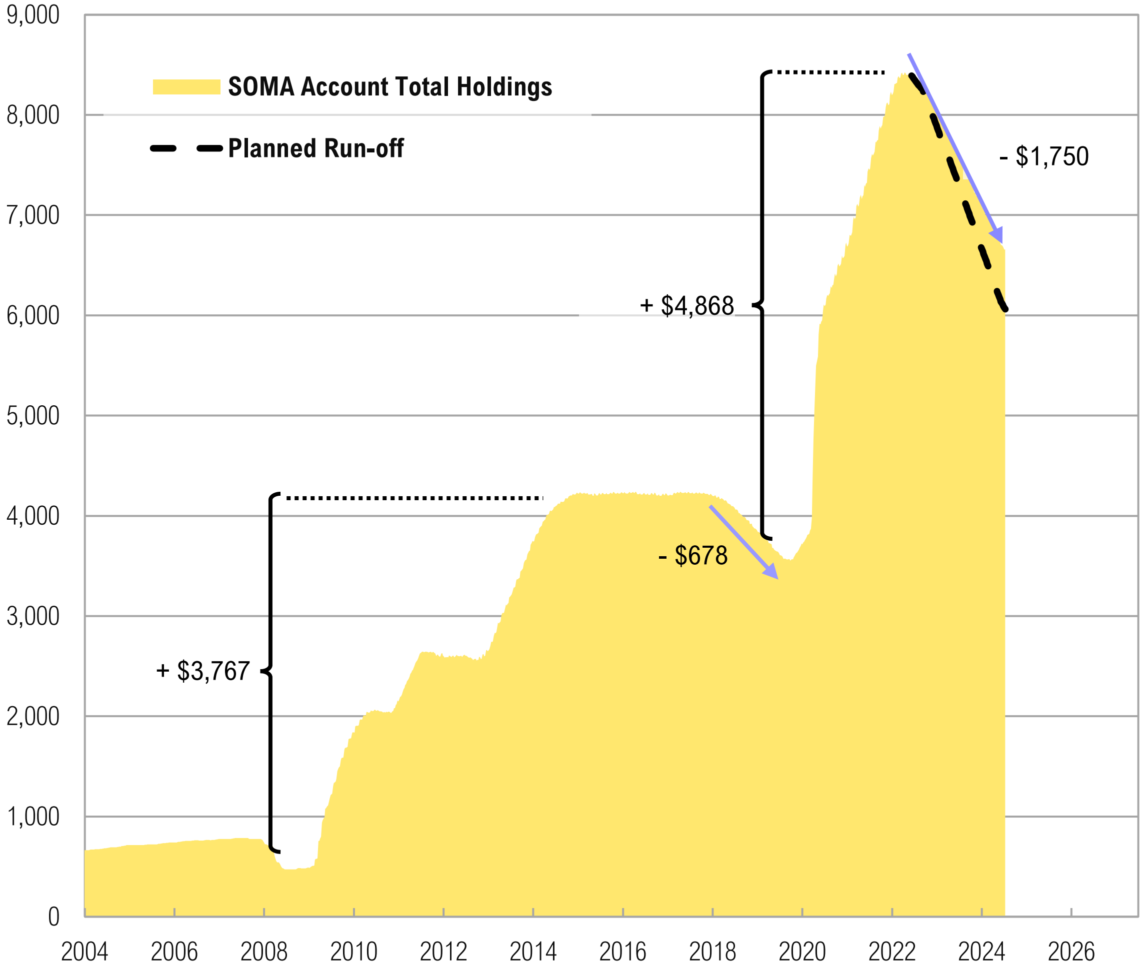
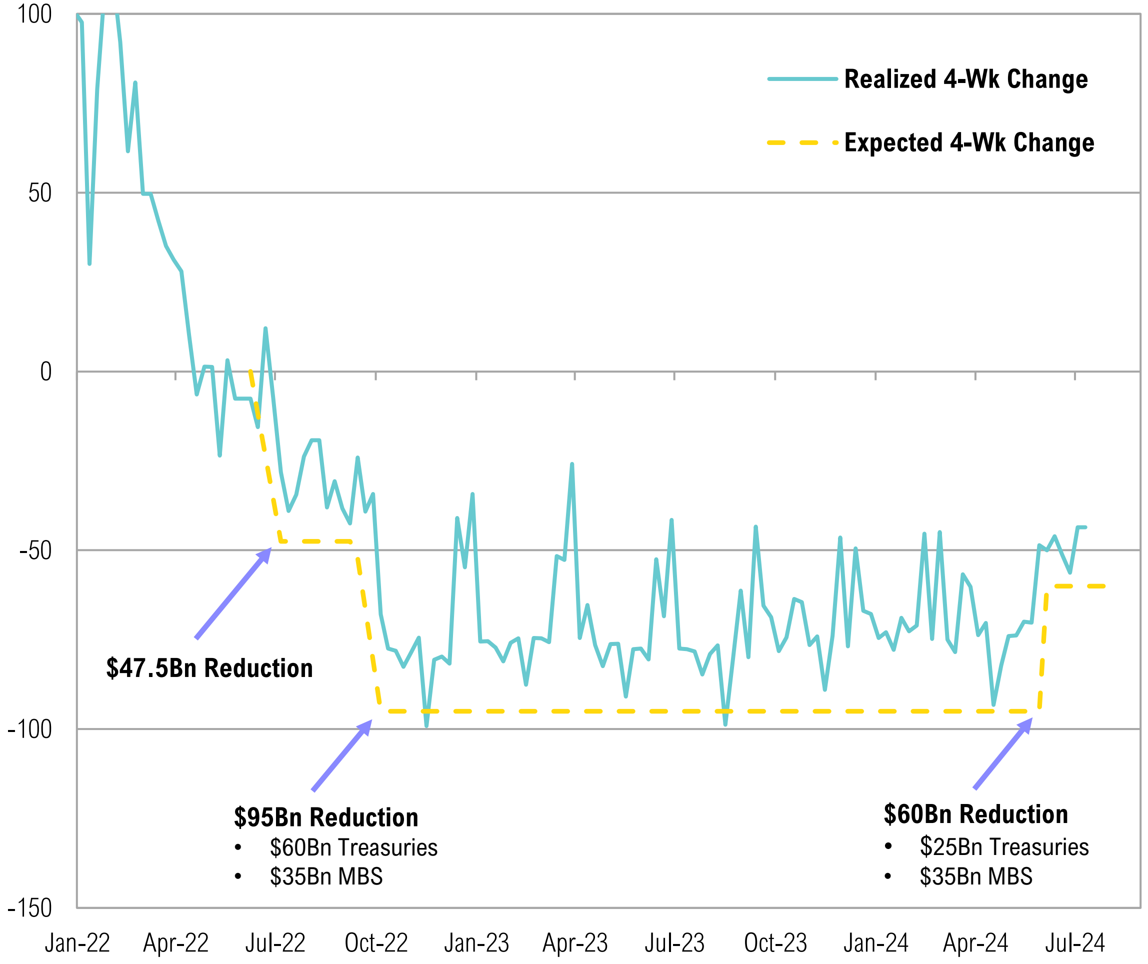
Despite inflation still above target, the Fed slowed the pace of QT on June 1; the balance sheet has been reduced by only 1/3 of what was added during COVID and lags its planned runoff by >$450bn

Total SOMA Holdings, $Bn



SOMA Account 4-Week Change, $Bn



Source: Bloomberg

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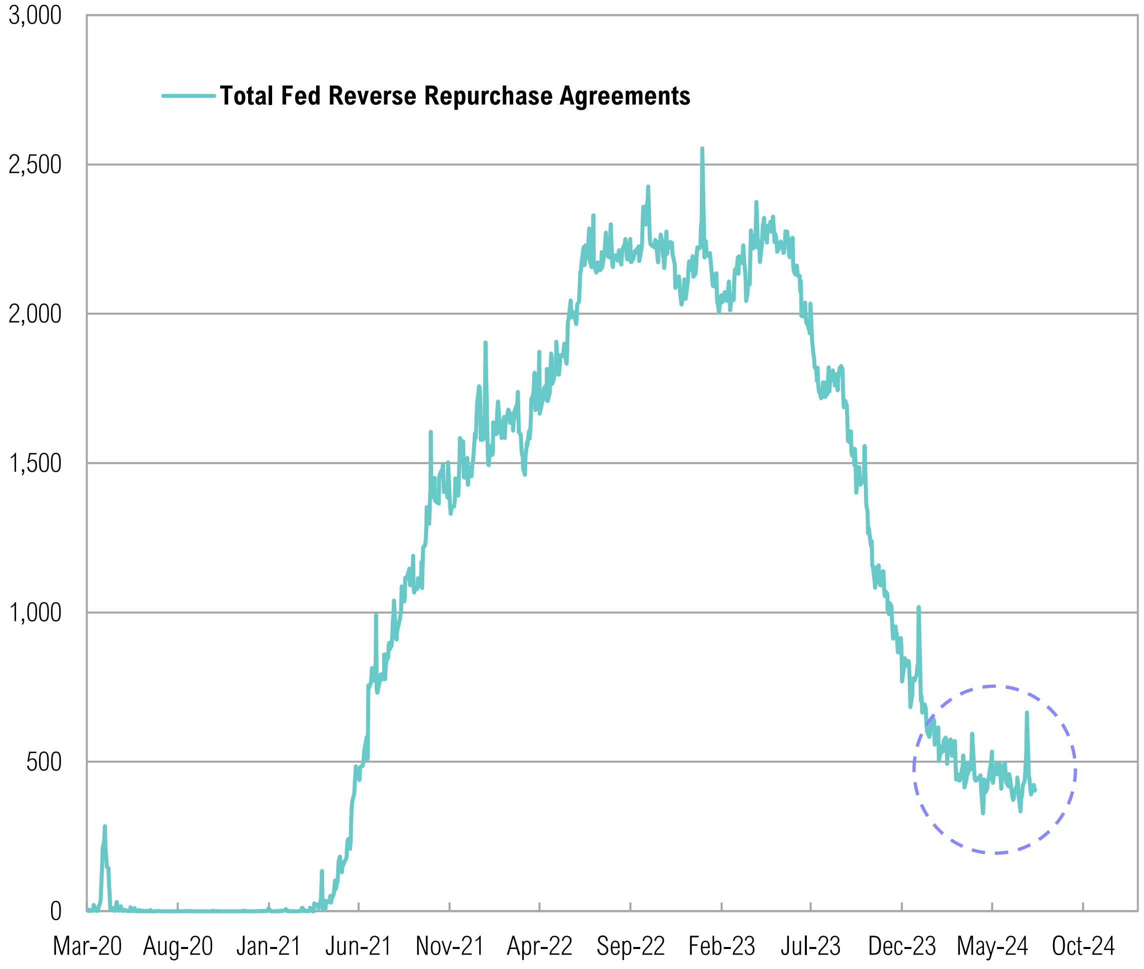
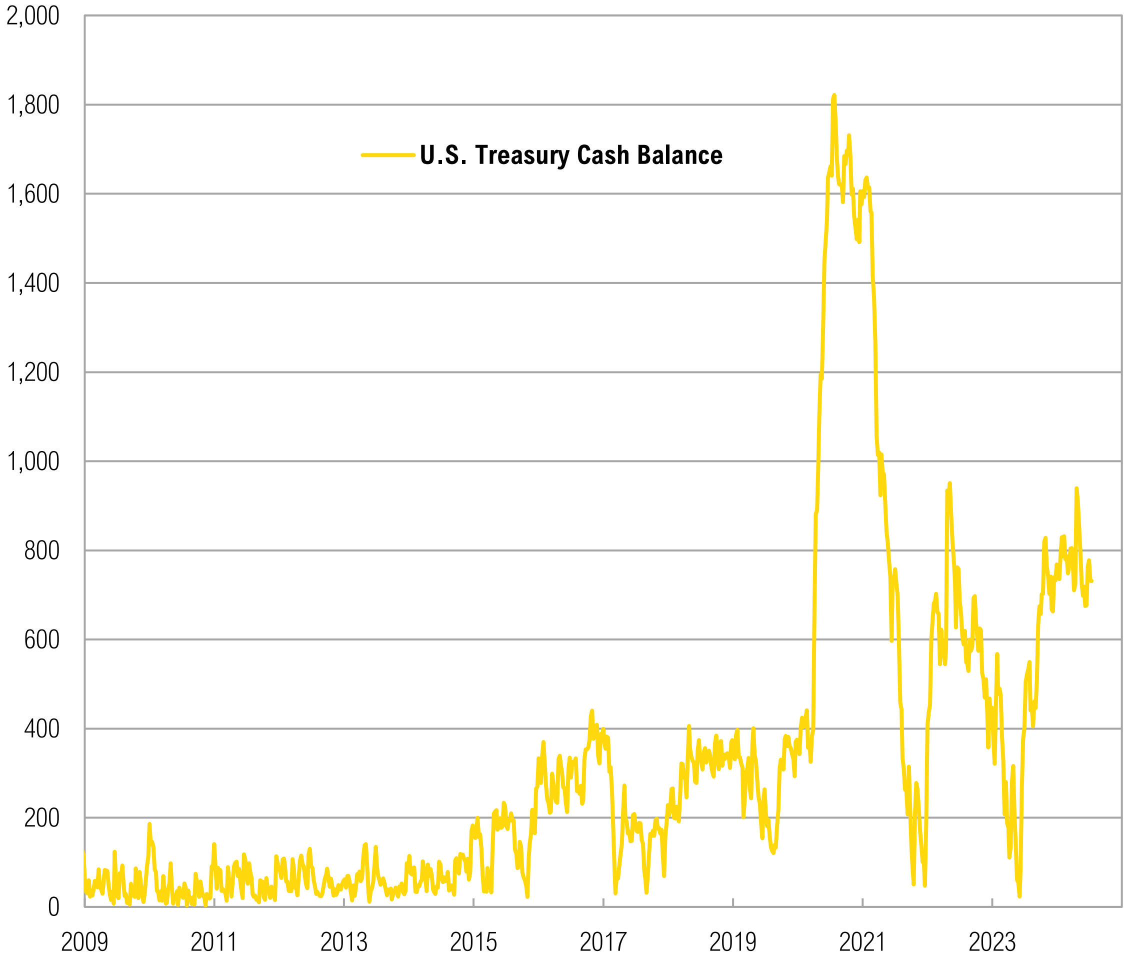
The Fed's reverse repo facility (which has dampened the effects of QT), has stabilized at ~$400bn; Treasury cash balance is currently at $730bn and is expected to build to $850bn by September

Overnight Reverse Repo Agreements, $Bn



U.S. Treasury Cash Balance, $Bn



Source: Bloomberg. As of 7/13/2024.

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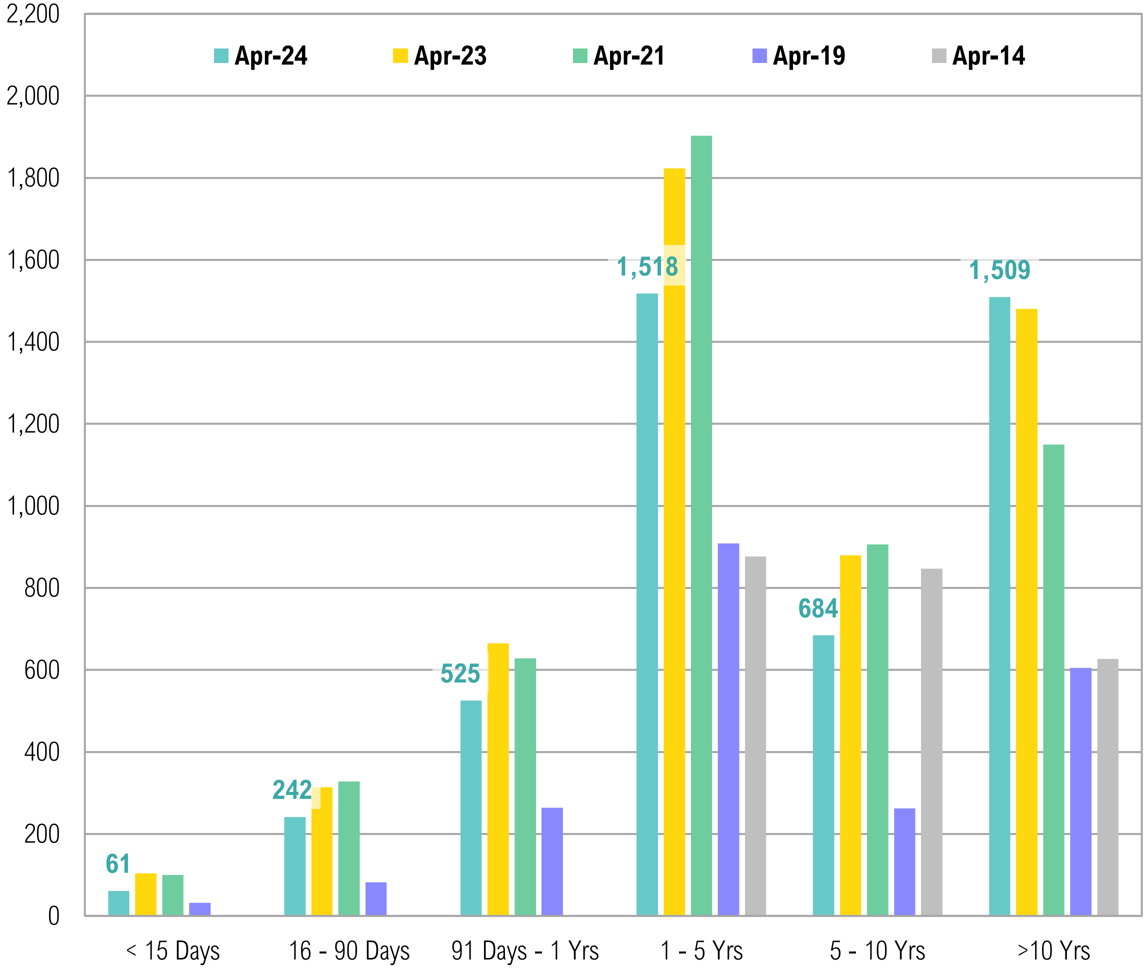
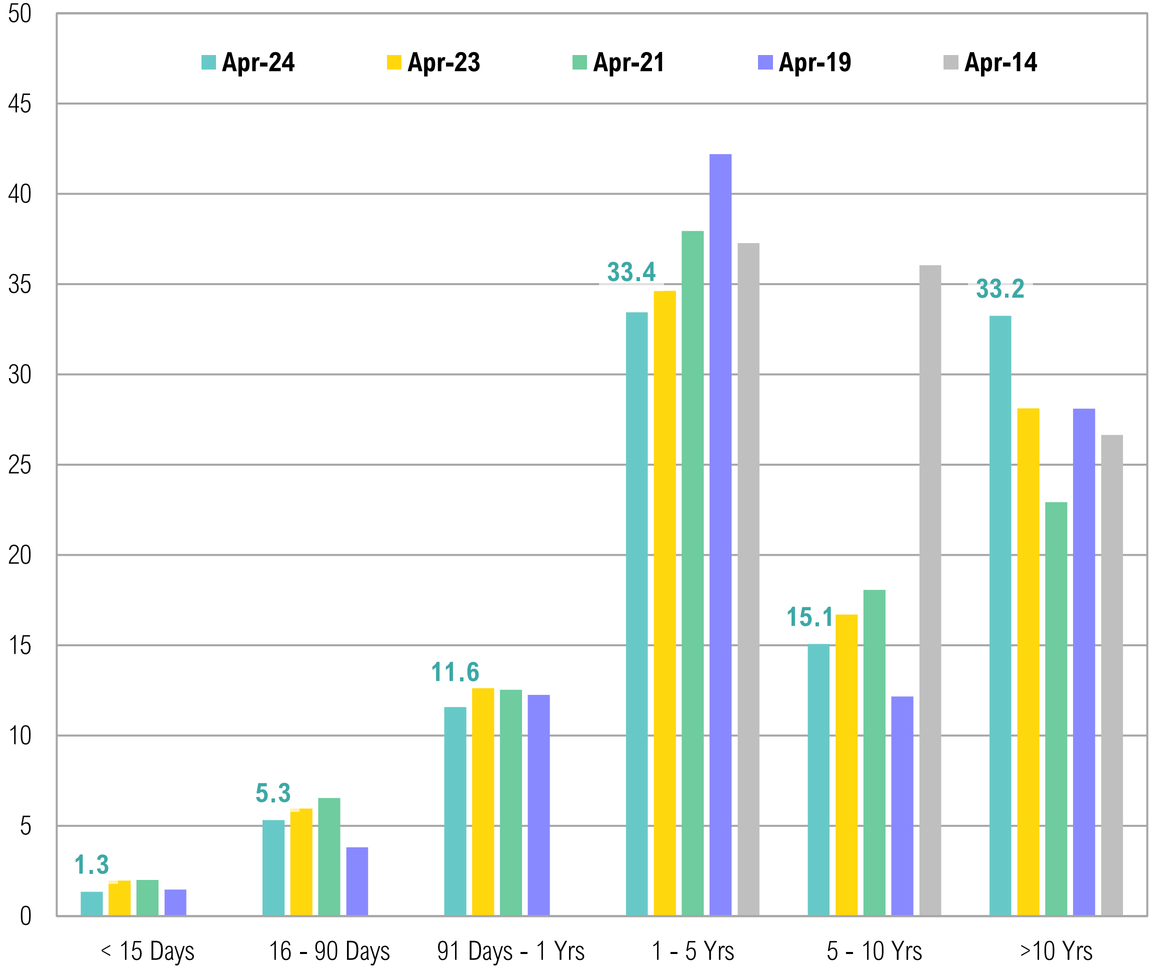
~18% ($800bn) of the Fed's balance sheet assets are maturing within the next year—enough to hit the $25bn monthly roll-off target; this implies the Fed will purchase ~$500bn in Treasuries

Value of Fed Treasury Assets vs Maturity, $Bn



% of Total Fed Treasury Assets vs Maturity



Source: Bloomberg

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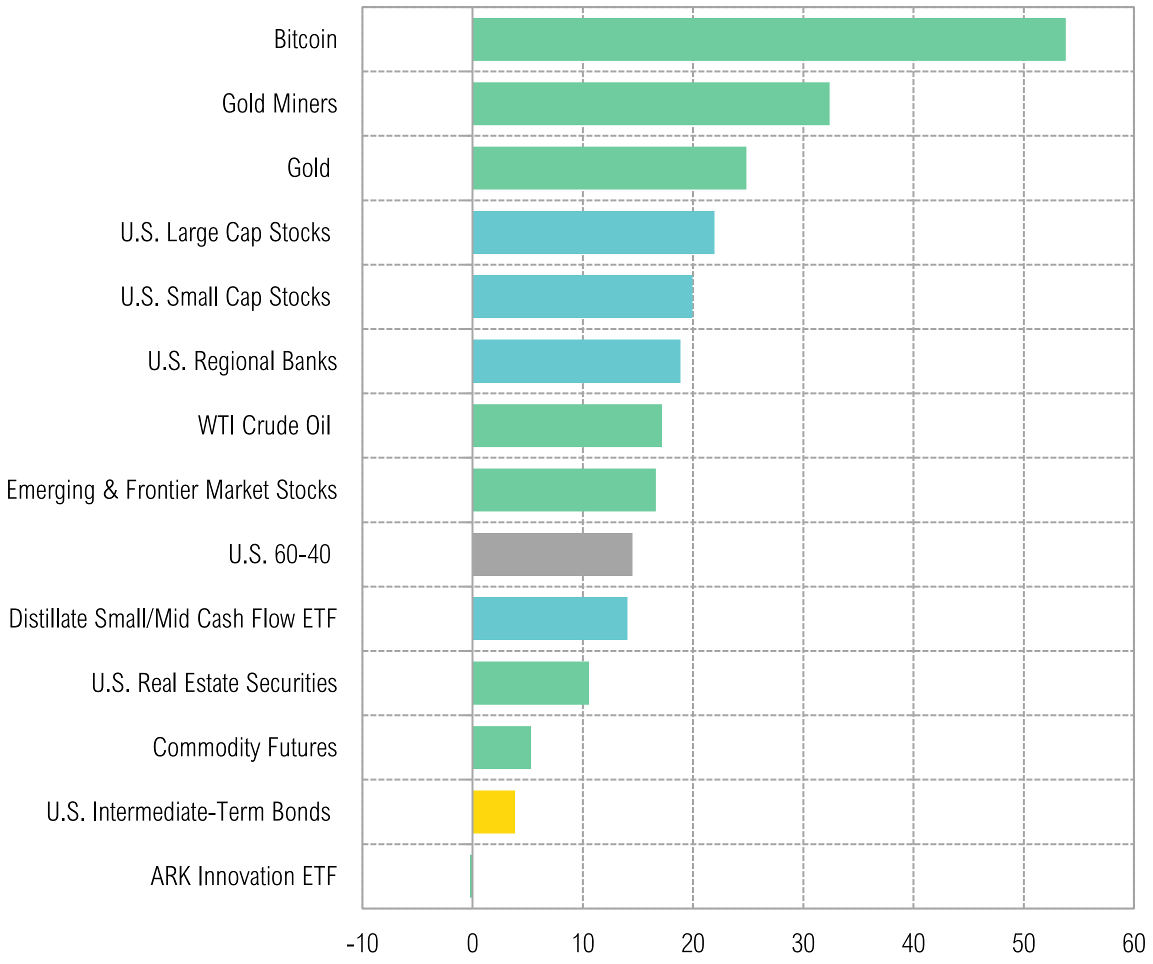
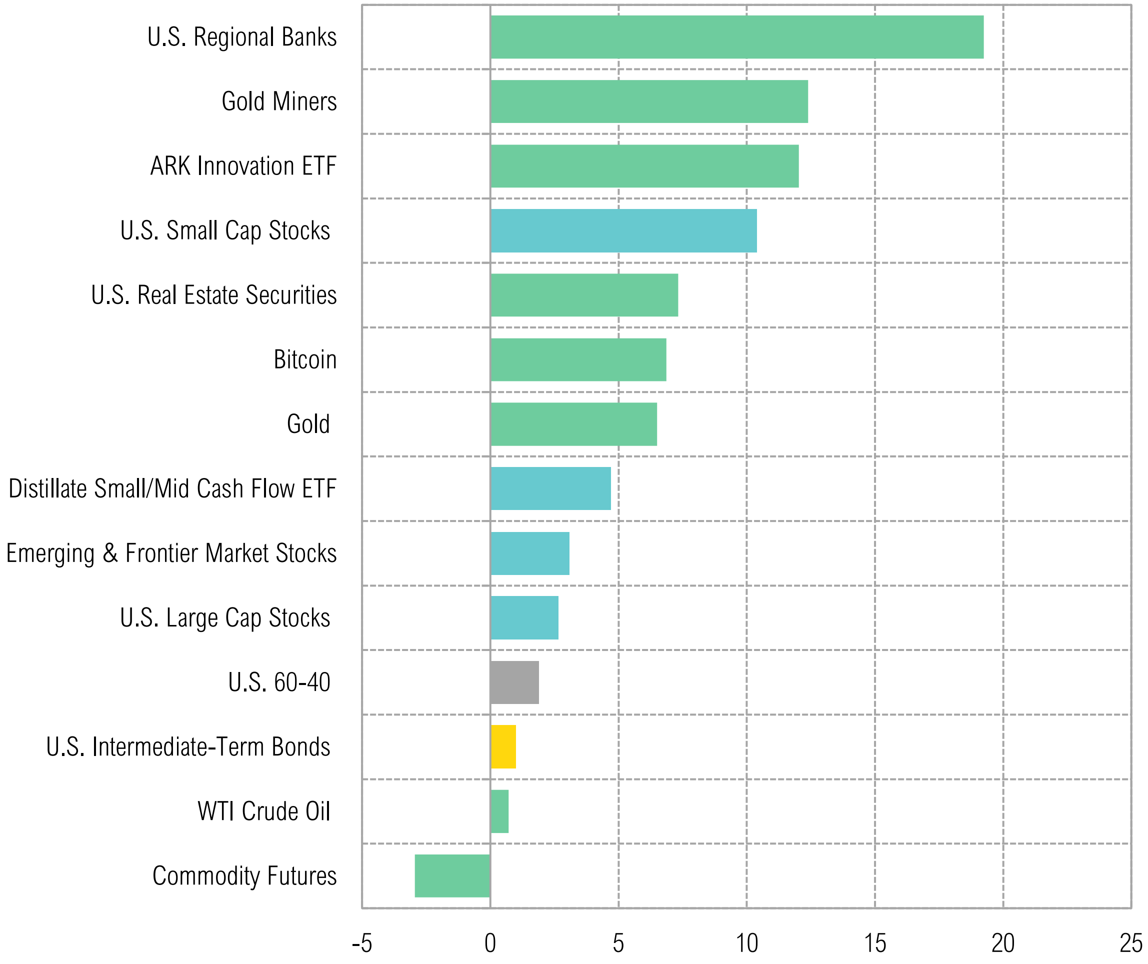
The market reaction since the December FOMC meeting is consistent with the Fed raising their inflation target; performance has recently started to broaden out

Returns, 12/12/2023 – 7/17/2024, %



Returns, 6/25/2024 – 7/17/2024, %



Source: Bloomberg. As of 7/17/2024.

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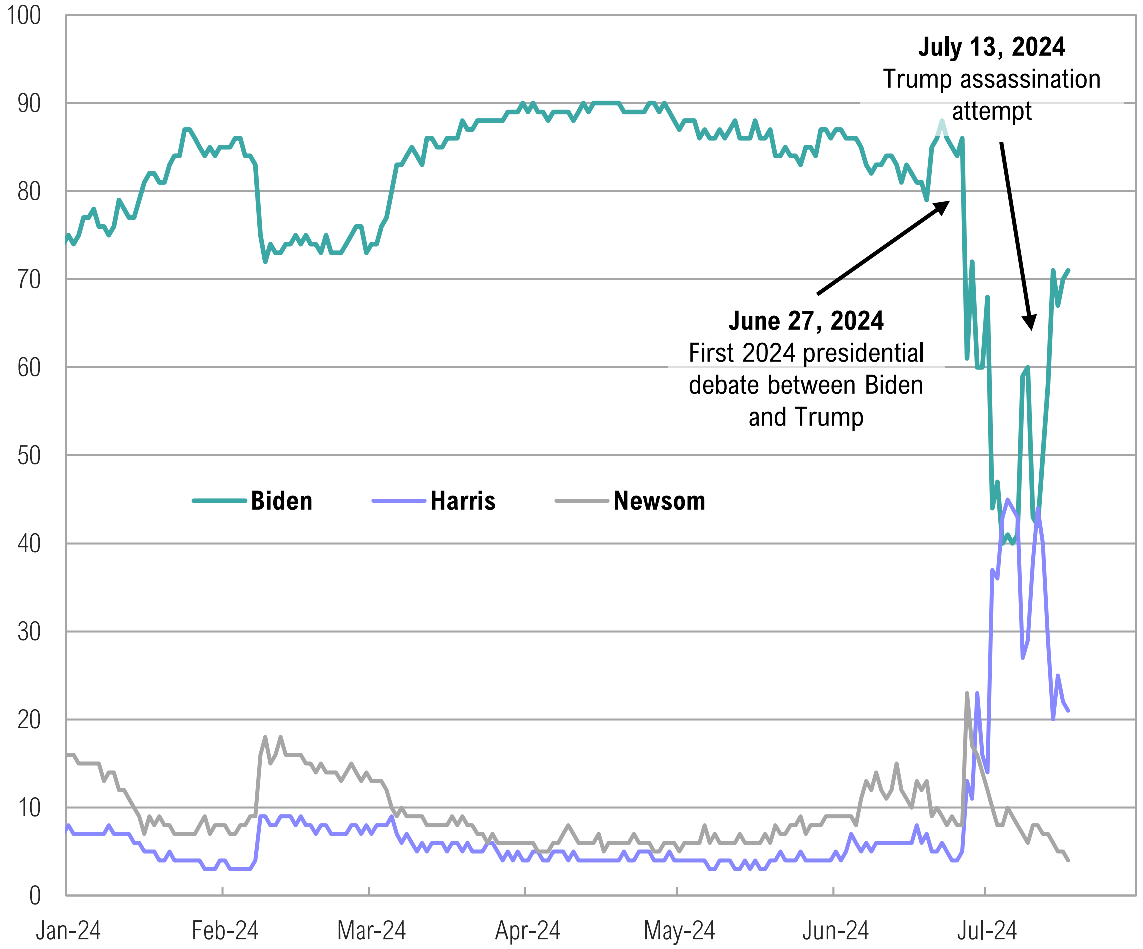
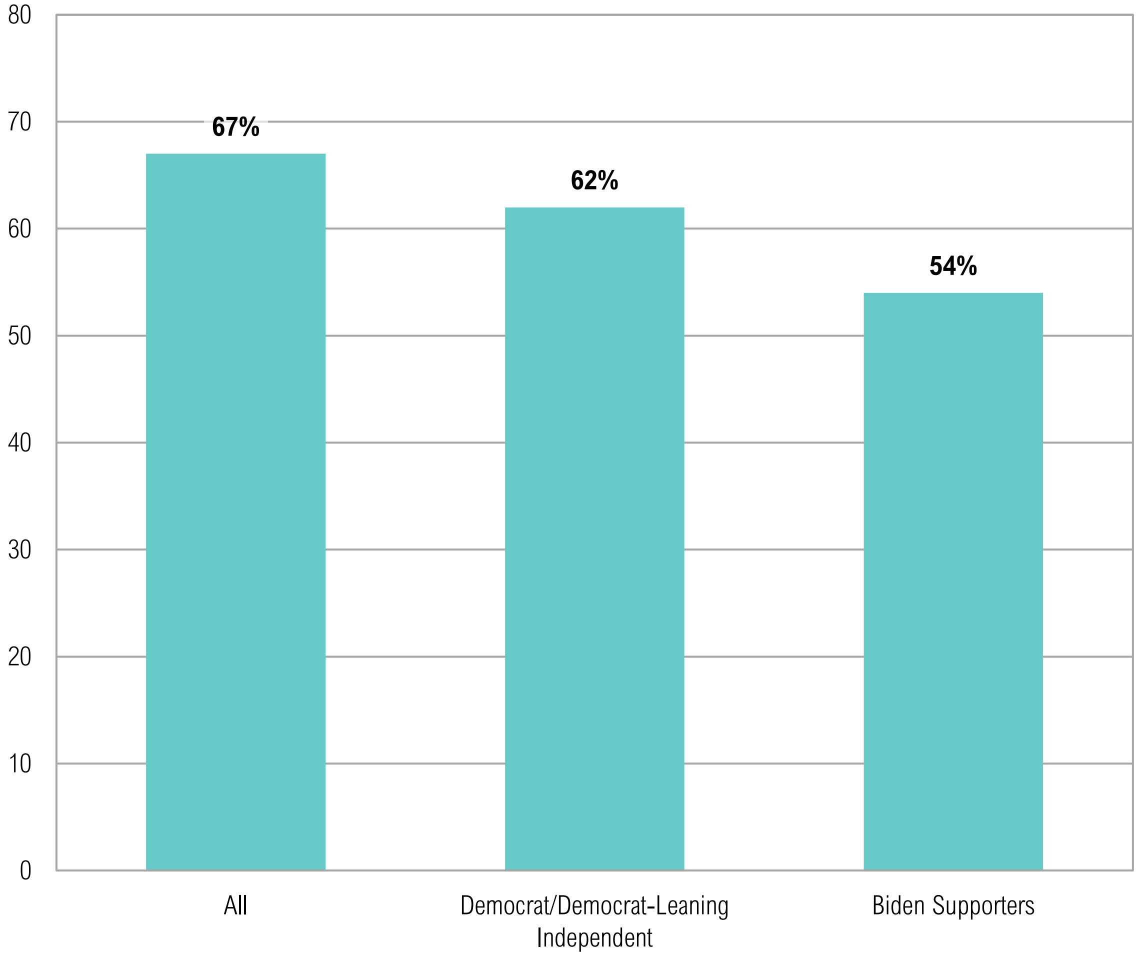
Biden's position as Democrat nominee has been thrown into question post-debate; 62% of Democrats/Democrat-leaning voters now believe he should step aside

Democratic Nominee: Implied Probabilities, % [1]



Poll: % Saying Biden Should Step Aside [2]



Source: [1] Bloomberg, PredictIt. As of 7/17/2024. [2]ABC News/Washington Post/Ipsos Poll conducted between 7/5/2024 – 7/9/2024 with 2,431 U.S. adults. 32% of respondents associated as Democrat voters, while 29% associated as Republicans and 27% as Independent voters.

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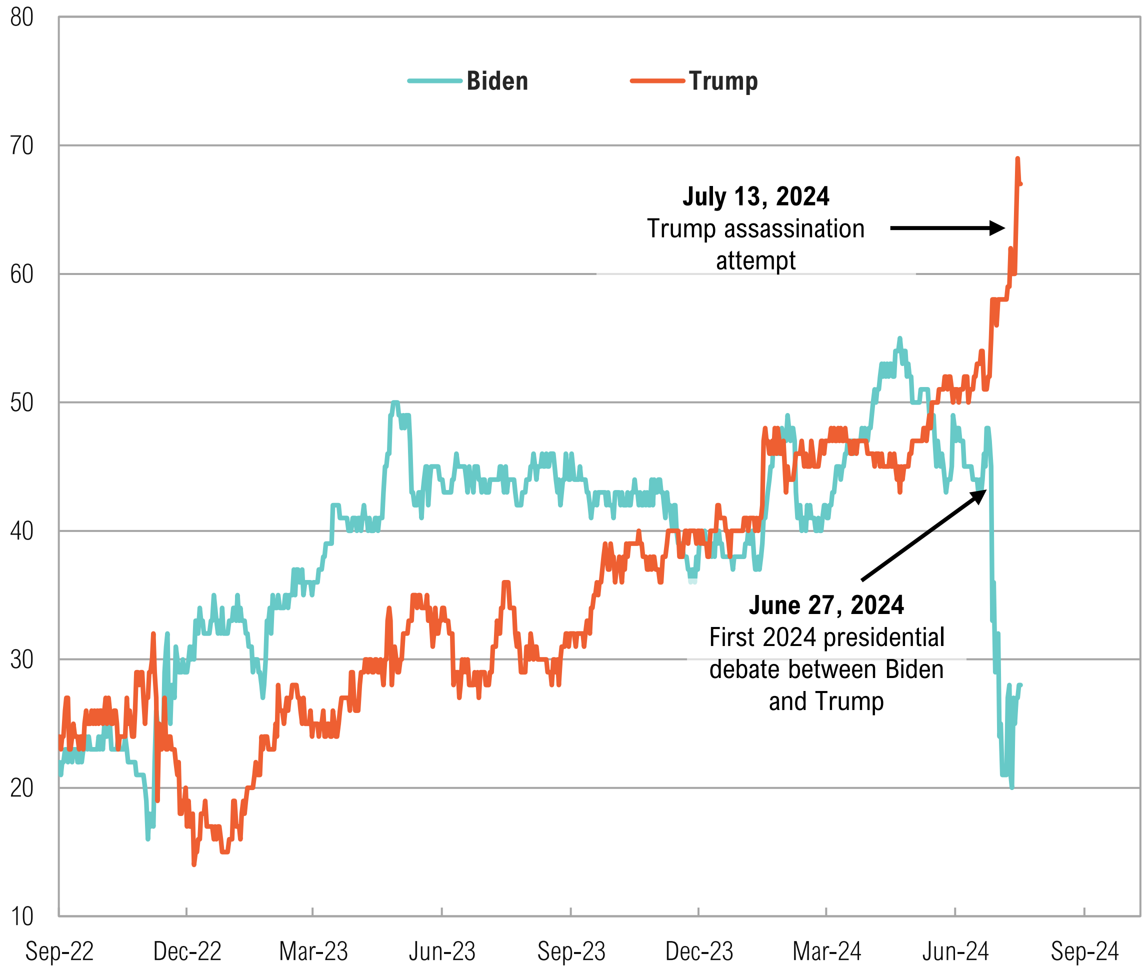
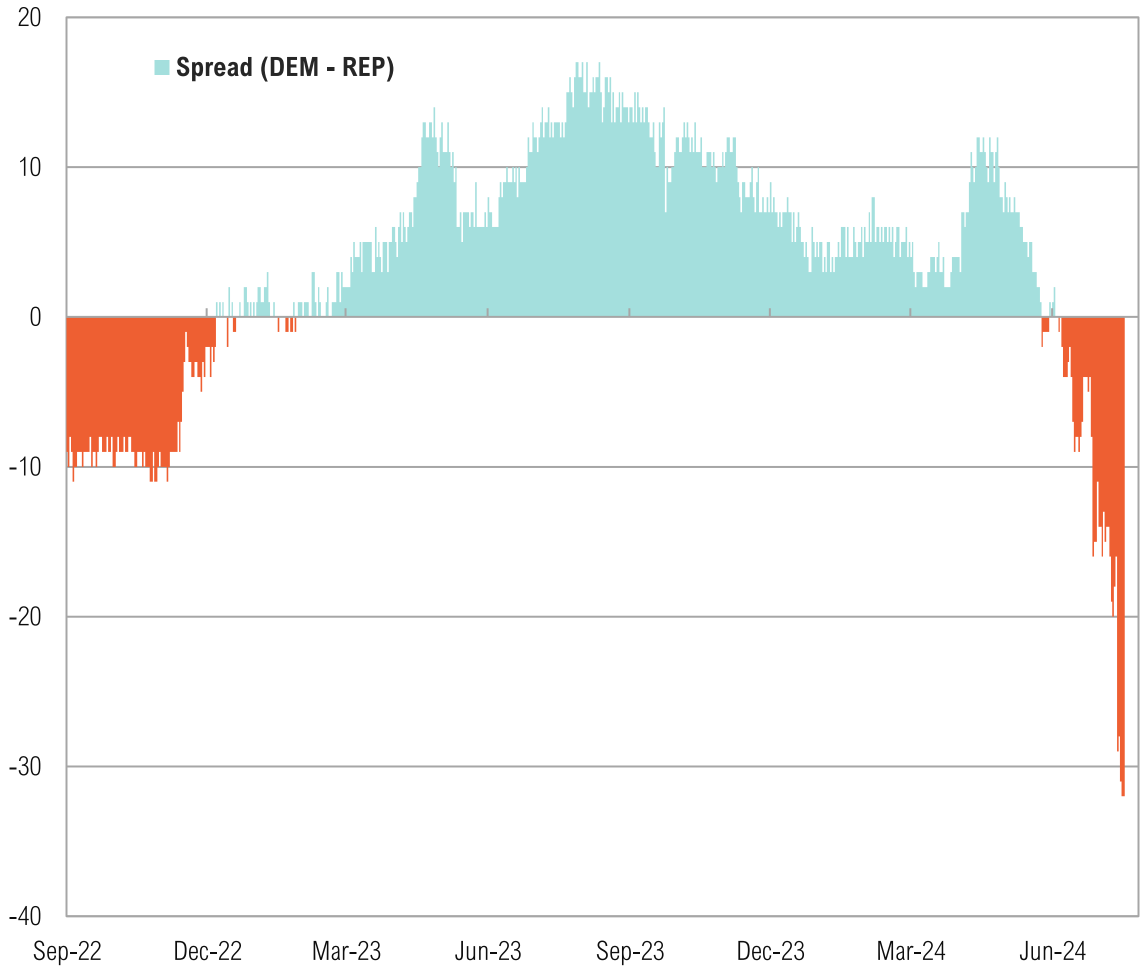
Trump's probability of winning jumped post-debate and even more post-assassination attempt, with betting markets now clearly favoring a Republican win in November

Implied Probability of Winning the Election, %



Spread: Odds of Democratic Party Winning Election less Republican Party Winning, %



Source: Bloomberg, PredictIt. As of 7/17/2024.

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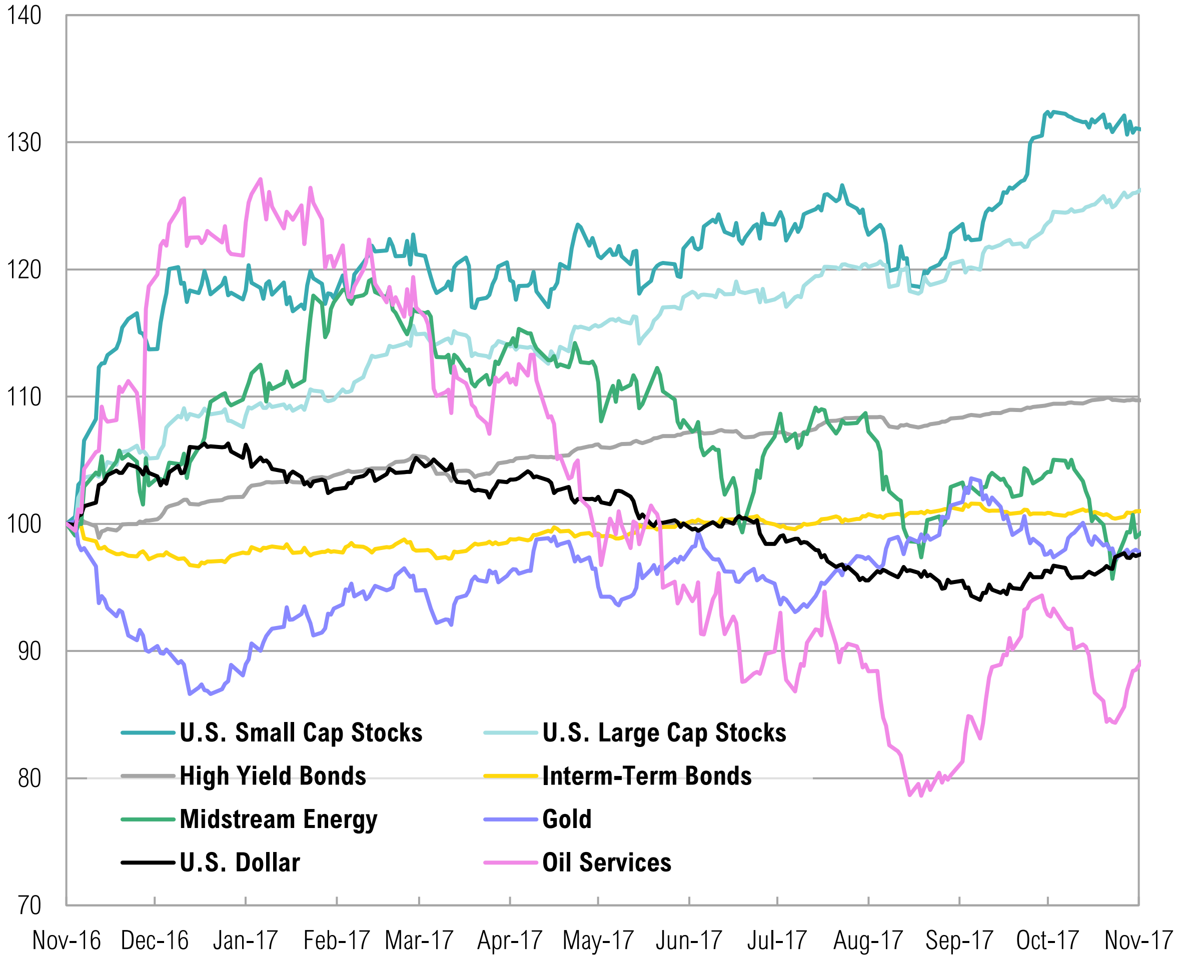
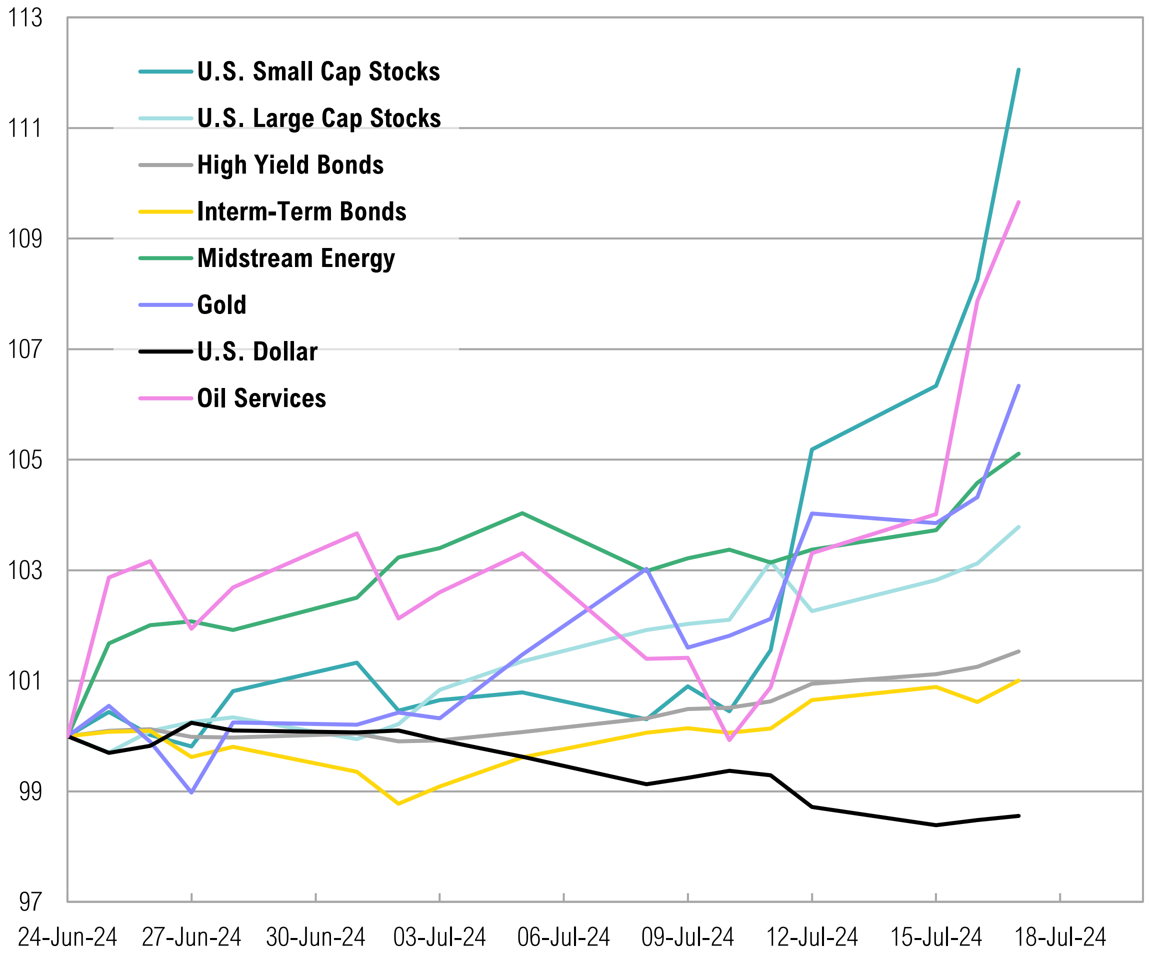
The initial impact of the Trump election in 2016 was a rally in energy and small cap stocks and a USD decline; as Trump leads the polls, 2024 seems to be playing out similarly

Growth of 100, 2016 Trump Election (11/8/2016 – 11/6/2017)



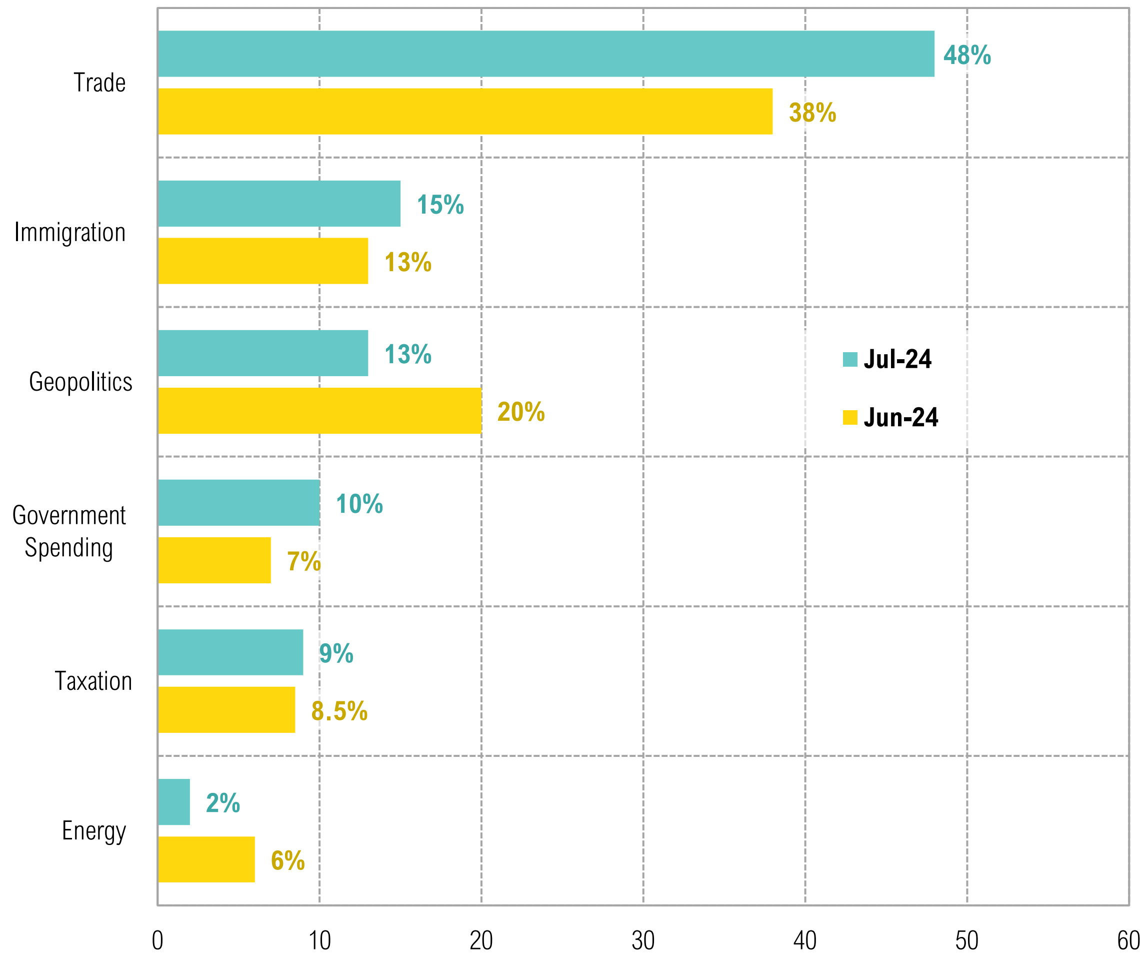
Growth of 100, Trump Leading Polls (6/25/2024 – 7/17/2024)



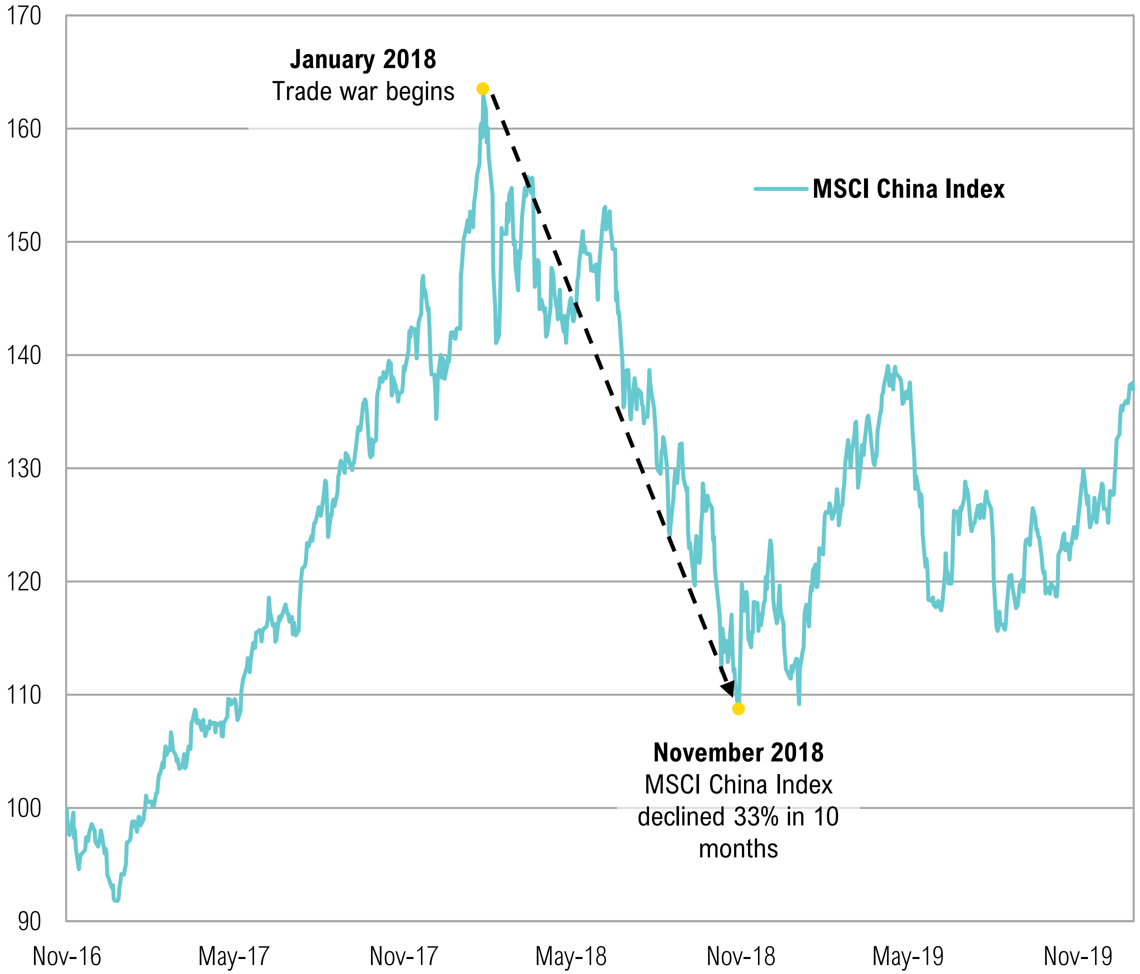
Source: Bloomberg, SpringTide. As of 7/17/2024. See appendix for asset class & index definitions.

Investors view trade policy as the most likely to be impacted by the U.S. elections

Poll: Which Of The Following Policy Areas Are Likely To Be Impacted The Most By The U.S. Election?



Growth of 100, 2016 Trump Election (11/8/2016 -12/30/2019)



Source: Bloomberg, Bank of America Global Fund Manager Survey.

Trump and Vance view big tech firms negatively, are pro-Crypto and pro-trade tariffs

ABC News - Breaking News, Latest News and Videos
https://abcnews.go.com › Politics › story
Trump claims Google 'rigged' searches against him but ...
Aug 28, 2018 — **President Donald Trump** attacked **Google** in Tuesday morning tweets that accused the company of prioritizing "fake news" in its search results.
Missing: ~~views~~ | Show results with: views

CNBC
https://www.cnbc.com › 2018/09/12 › leaked-video-fro...
Alphabet execs upset after Trump election, leaked video ...
Sep 12, 2018 — In a leaked video from **Google**-parent company **Alphabet's** first all-hands meeting after the 2016 presidential election, upset executives ...

The New York Times
https://www.nytimes.com › 2018/09/05 › technology
Trump Says Google Is Rigged, Despite Its Denials. What ...
Sep 5, 2018 — **President Trump** accused **Google** search of being biased **against** right-leaning media. Is that true? **Google** said political ideology was not a ...

Time Magazine
https://time.com › Tech › Google
Trump Claims Without Evidence Google Rigged Against Him
Aug 28, 2018 — **President Trump** accused **Google** of rigging its search results to display only negative stories about him, but did not provide evidence.

CNN
https://www.cnn.com › 2024/07/18 › business › silicon-...
A rash of tech billionaires are pivoting to Trump — but not ...
2 hours ago — Historically, **Trump hasn't shown a lot of love for tech bros**, whose social media companies he long accused of having anti-conservative bias, ...

Trump calls Facebook the enemy of the people. Meta's stock sinks
By Matt Egan, CNN
3 minute read · Updated 11:37 PM EDT, Mon March 11, 2024

The New York Times
https://www.nytimes.com › U.S. › Politics
Trump Eyes Bigger Trade War in Second Term
27 Jun 2024 — As president, Mr. **Trump** presided over the biggest increase in U.S. tariffs since the Great Depression, hitting China, Canada, the European Union ...

CNBC
Global chip stocks from Nvidia to ASML fall on geopolitics, Trump comments
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CNBC
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Bitcoin jumps as markets see increased odds of Trump ...
3 days ago — **Bitcoin's** value has risen since the assassination attempt on Donald **Trump** Investors see an increased chance of a **Trump** victory in the upcoming ...

Elon Musk Has Said He Is Committing Around $45 Million a Month to a New Pro-Trump Super PAC
Other backers of America PAC include Palantir Technologies co-founder Joe Lonsdale and the Winklevoss twins
By Dana Mattioli Follow, Emily Glazer Follow and Khadeeja Safdar Follow
Updated July 16, 2024 10:44 am ET

Rick Newman · Senior Columnist
Updated Mon, Nov 25, 2019

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Apple CEO Tim Cook pops up frequently alongside President Trump. He gave Trump a tour of an Apple factory in Texas on Nov. 20 and has visited the White House several times. Trump and Cook even had dinner together over the summer.

Trump is not Cook's type of guy. Cook supported Trump's opponent, Hillary Clinton, in the 2016 election, and he has spoken out against Trump's policies on immigration, trade and climate change.

The New York Times
J.D. Vance's A.I. Agenda: Reduce Regulation
Donald Trump's vice-presidential pick has indicated he favors a hands-off approach to A.I. but also wants to increase scrutiny of the biggest tech firms in the field.

The Independent
https://www.independent.co.uk › tech › trump-bitcoin-...
Trump's bitcoin-owning VP pick JD Vance creates first pro ...
2 days ago — Donald Trump's running mate **JD Vance** is the first **bitcoin** holder to run for Vice President, forming a pro-**crypto** ticket alongside the former ...

Source: Various

“

It truly is a moment of the cup half full or the cup half empty, depending on which bit of the world you want to look at...if you're in the lower end of the income spectrum in the U.S., you're under pressure from inflation. If you want to see the glass half full around the world, you've got places like Latin America, where the consumer is in great shape. Very strong growth. India, the same. So for every kind of slightly off-the-median story you want to look at, there's one of the other side as well.”

James Quincey, *Coca Cola CEO*

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What we have seen instead is a general perception that restaurants as a category have become expensive, introducing industry-wide pressures regardless of a given restaurant's relative value."

Hajime Uba, *Kura Sushi USA CEO*

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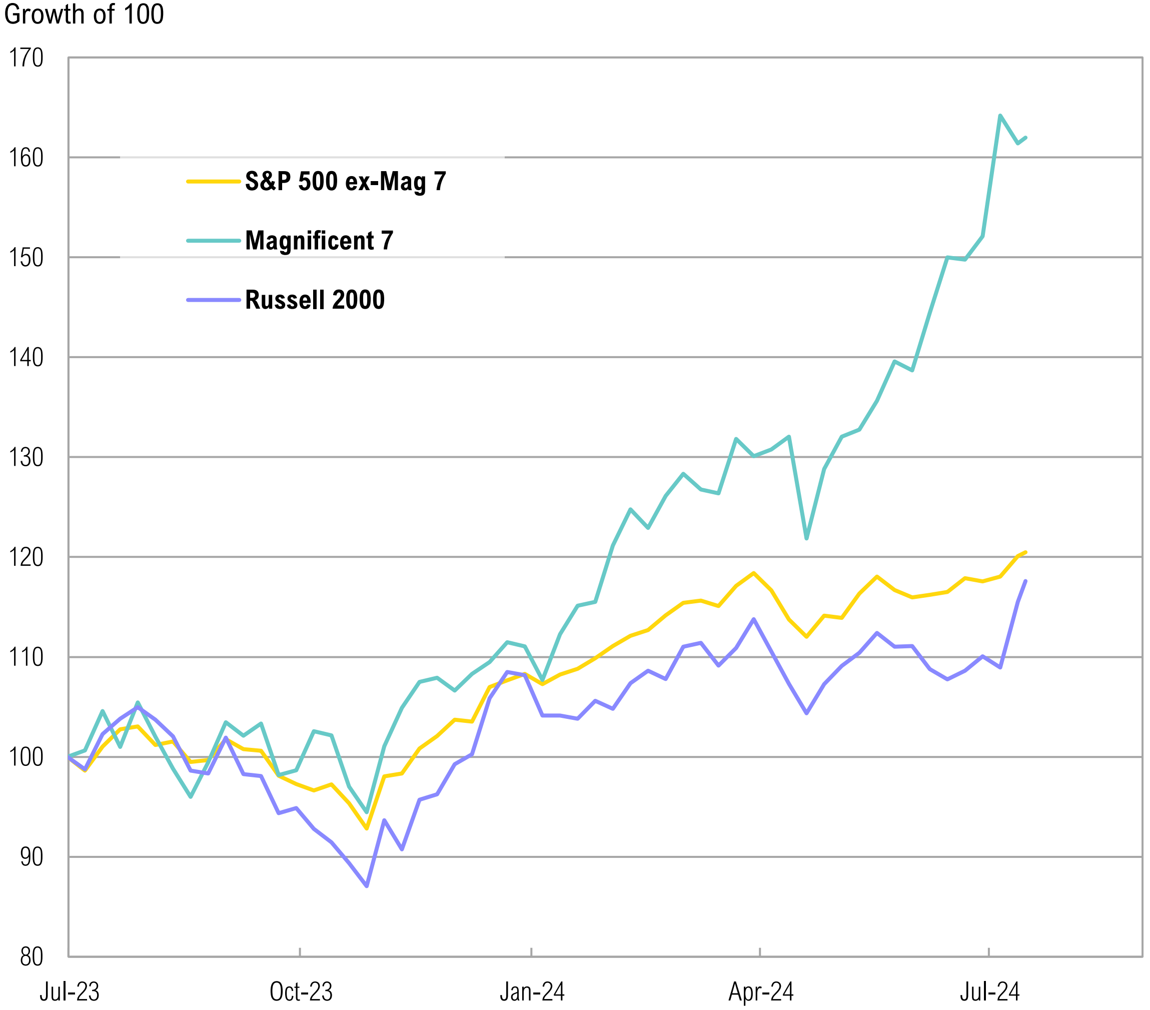
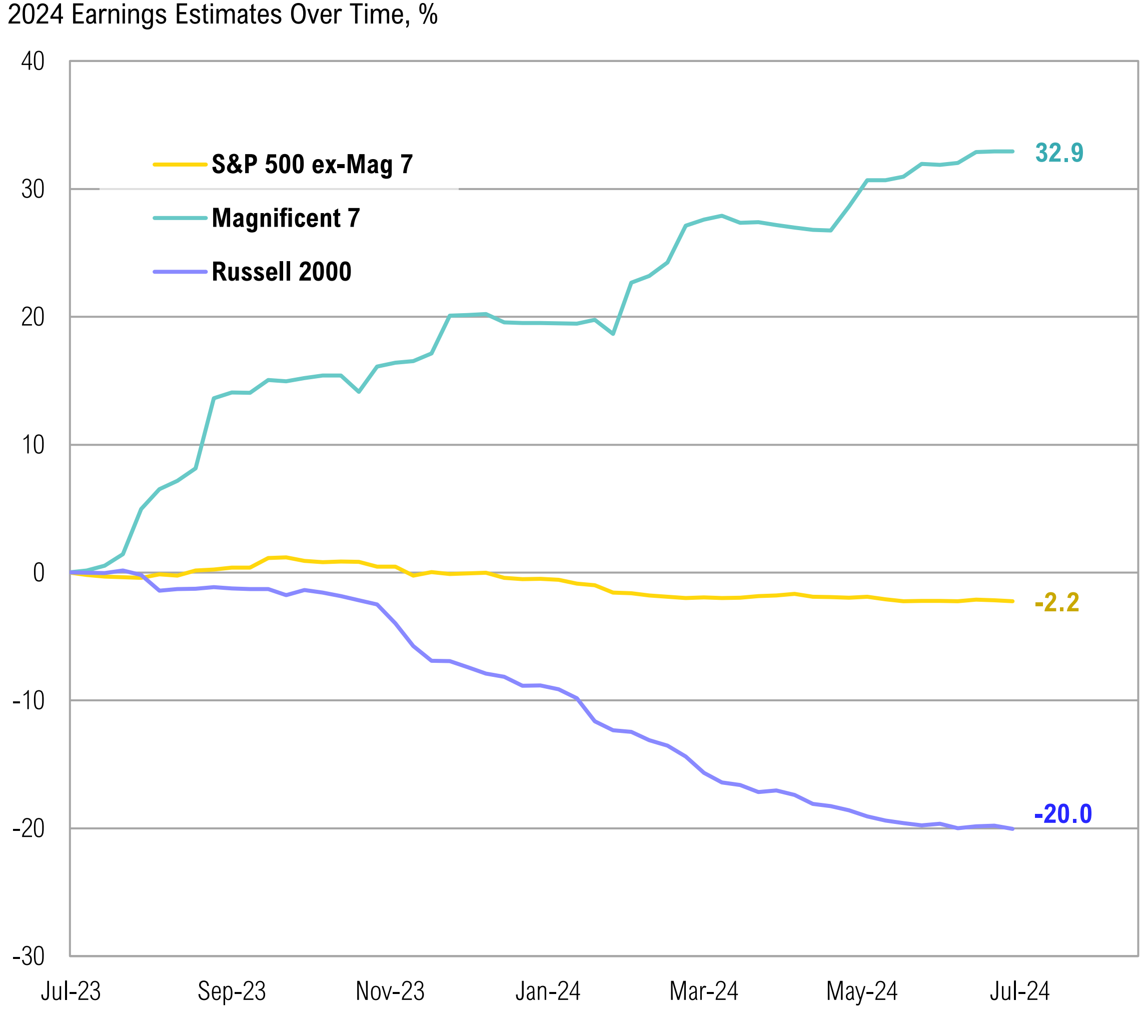
The outperformance of the Magnificent 7 over the S&P 500 and Russell 2000 in the past year has been somewhat justified by strong earnings revisions; will this continue?





Source: Bloomberg

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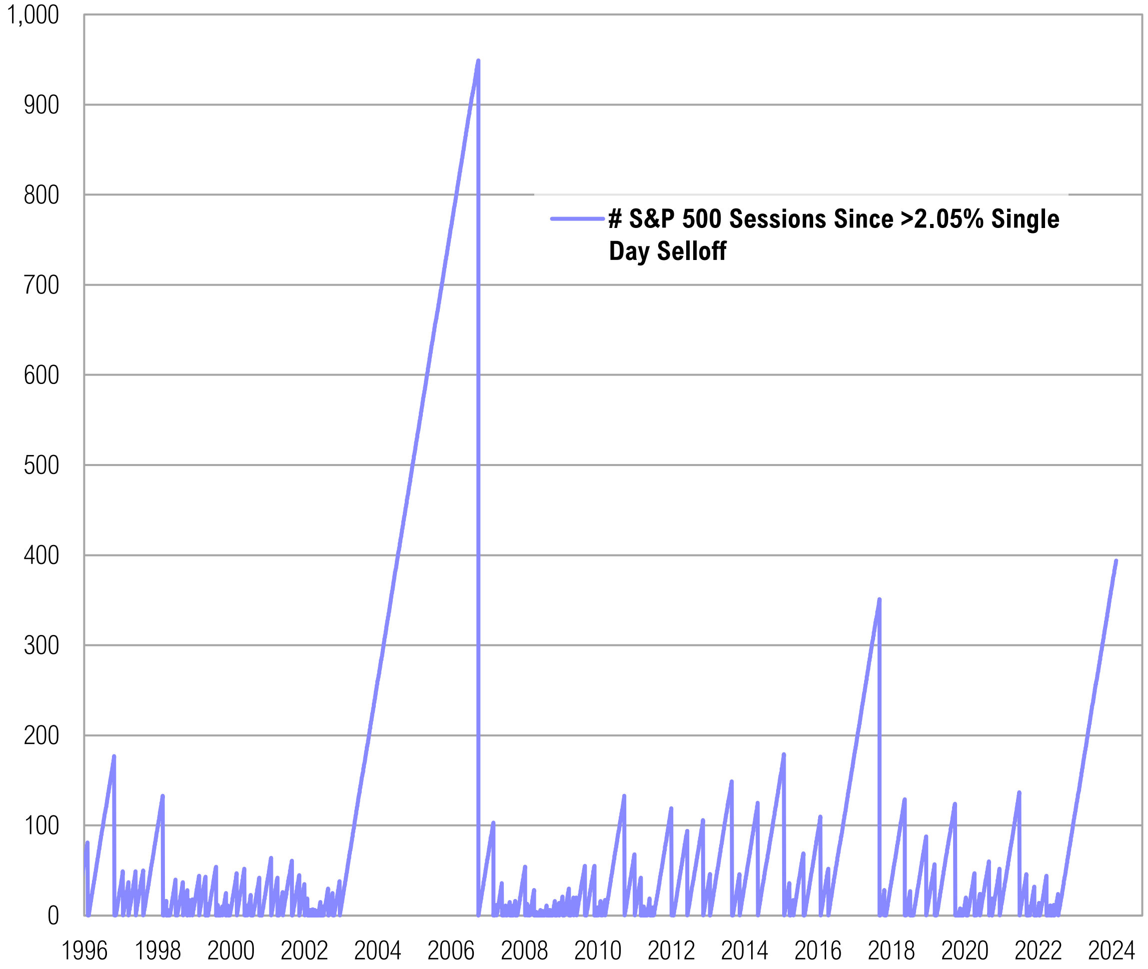
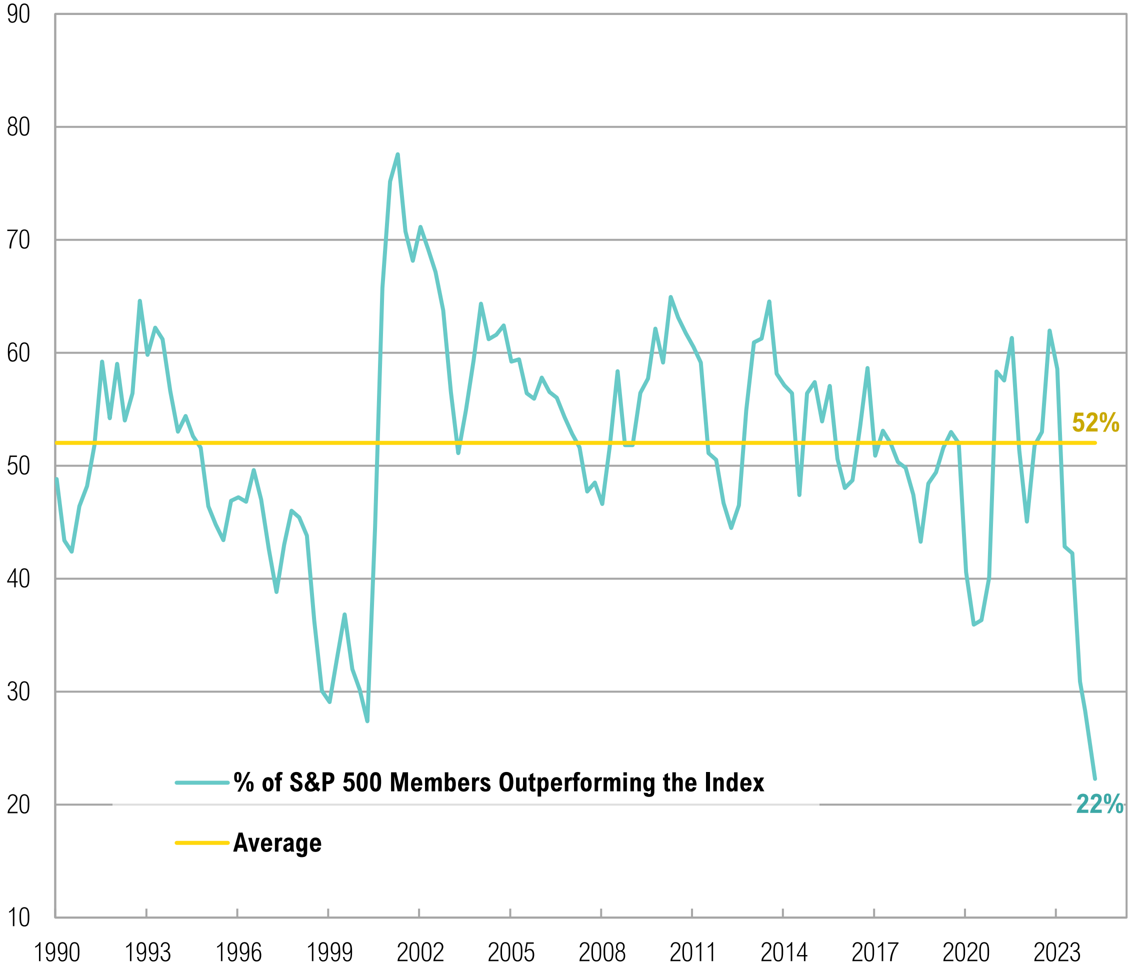
This is the longest period since pre-GFC without a daily decline of at least 2.05% in the S&P 500; only 22% of S&P 500 members are outperforming the broader index

Number of Consecutive S&P 500 Trading Sessions Since >2.05% Single Day Selloff



S&P 500 Members Outperforming the Index, Rolling 12 Month %



Source: Bloomberg. As of 7/15/2024.

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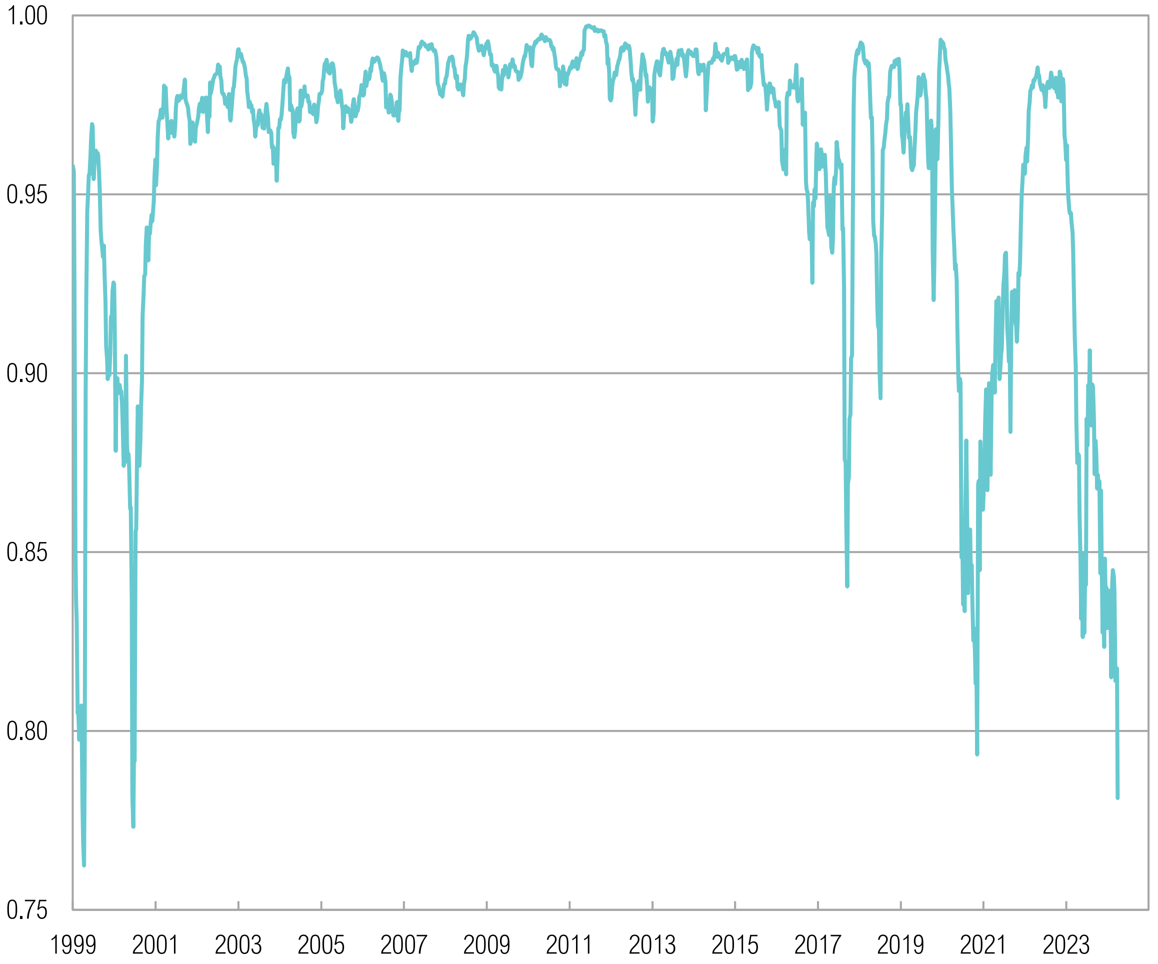
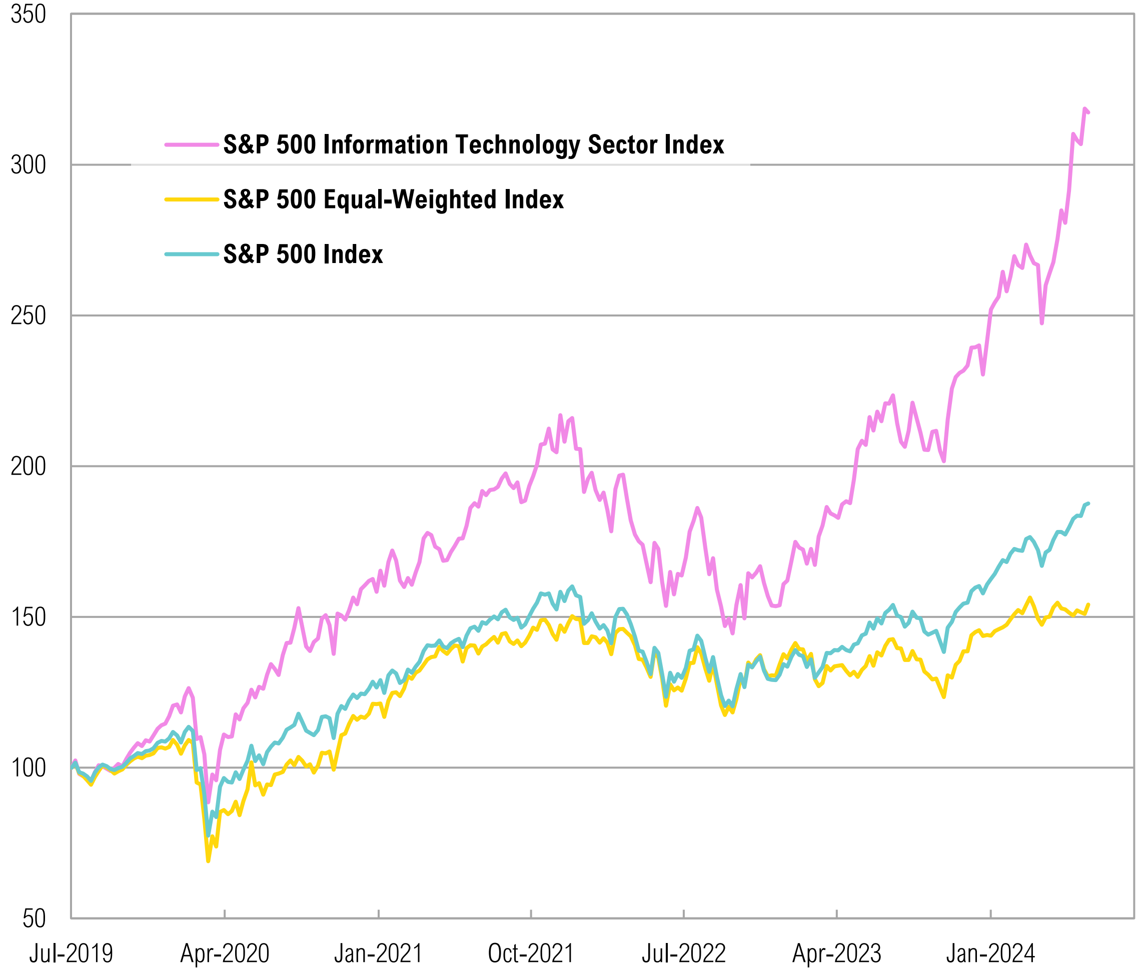
Correlation between the S&P 500 market cap and equal-weighted indices is among the lowest in 25 years; the tech sector has been notably outperforming the broader market

S&P 500 vs S&P 500 Equal-Weighted Index, Rolling 3-Month Correlation



Growth of 100



Source: Bloomberg

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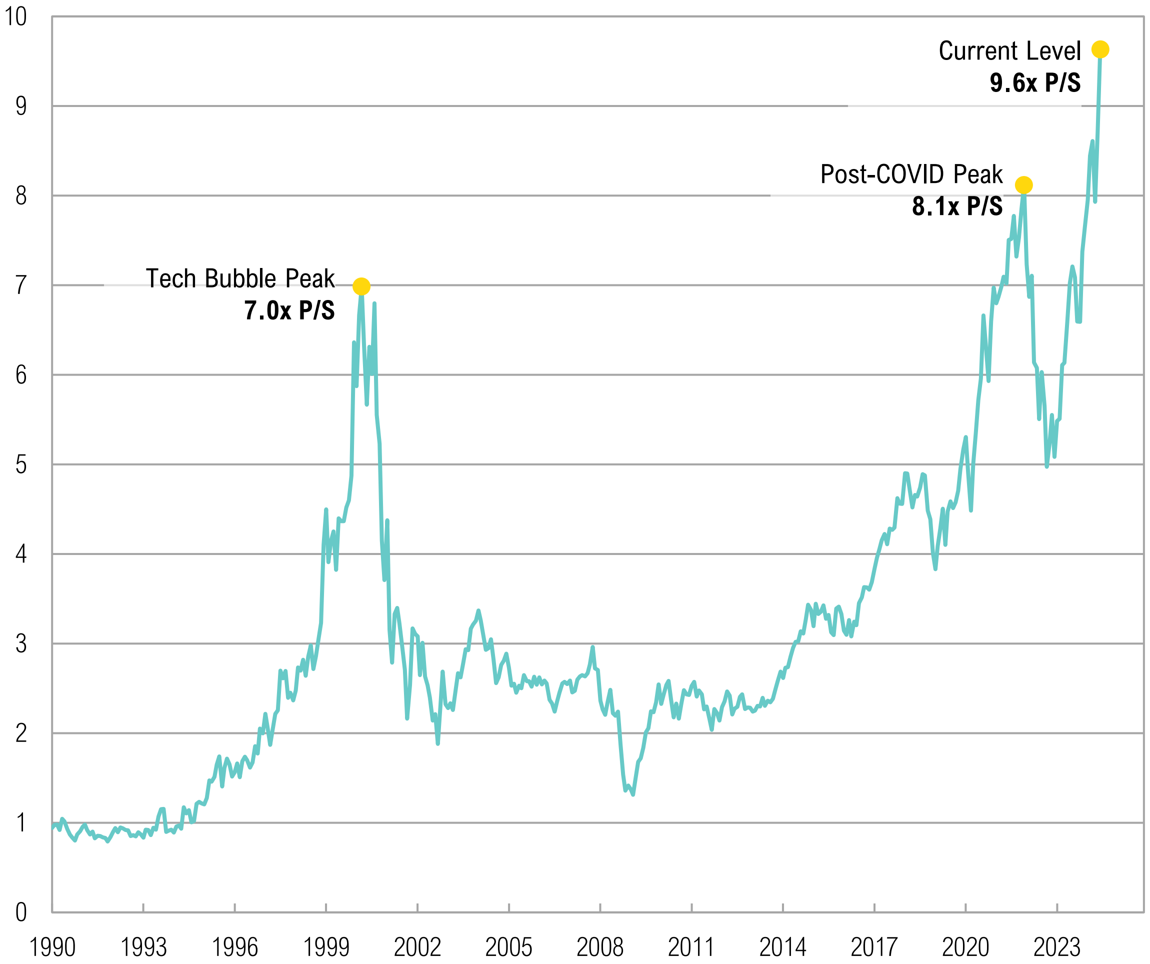
The tech sector P/S ratio is currently 40% higher than peak Tech Bubble levels: NVDA (41.9x P/S) and MSFT(14.0x P/S) together account for >40% of the sector; the median tech stock trades at a 6.6x P/S

S&P 500 Information Technology Sector, Price to Sales Ratio



S&P 500 Information Technology Sector: Top 20 Holdings

Name	Weight	P/S	P/E	Fwd P/S	Fwd P/E
Microsoft Corp	21.7%	14.0	38.6	11.9	33.7
NVIDIA Corp	21.7%	41.9	78.9	24.6	44.6
Apple Inc	19.4%	8.7	33.3	8.1	30.2
Broadcom Inc	5.5%	18.5	68.5	14.8	32.3
Advanced Micro Devices Inc	1.8%	11.0	207.3	8.7	34.8
QUALCOMM Inc	1.7%	7.0	30.1	6.2	20.8
Adobe Inc	1.6%	11.6	39.4	10.3	26.8
Oracle Corp	1.5%	7.5	37.2	6.8	23.0
Salesforce Inc	1.5%	6.3	39.4	5.7	22.5
Applied Materials Inc	1.4%	7.8	29.9	7.1	26.8
Cisco Systems Inc	1.3%	3.4	14.3	3.4	12.9
Accenture PLC Class A Ordinary Shares	1.2%	2.8	23.2	2.6	22.3
Texas Instruments Inc	1.2%	10.6	31.8	10.6	33.5
Intuit Inc	1.2%	10.8	56.0	9.5	32.3
Micron Technology Inc	1.1%	9.2		4.9	20.8
International Business Machines Corp	1.1%	2.5	18.6	2.4	16.7
ServiceNow Inc	1.0%	15.8	143.2	12.5	49.4
Lam Research Corp	1.0%	10.1	38.9	8.1	30.0
Intel Corp	0.9%	2.3	30.7	2.2	20.6
KLA Corp	0.8%	12.2	38.3	10.4	30.2
Other	11.5%	n/a	n/a	n/a	n/a
Total S&P 500 Tech Index	**100%**	**9.6**	**44.2**	**8.5**	**31.0**
Median S&P 500 Tech Constituent		**6.6**	**34.1**	**5.7**	**23.0**

Source: Bloomberg

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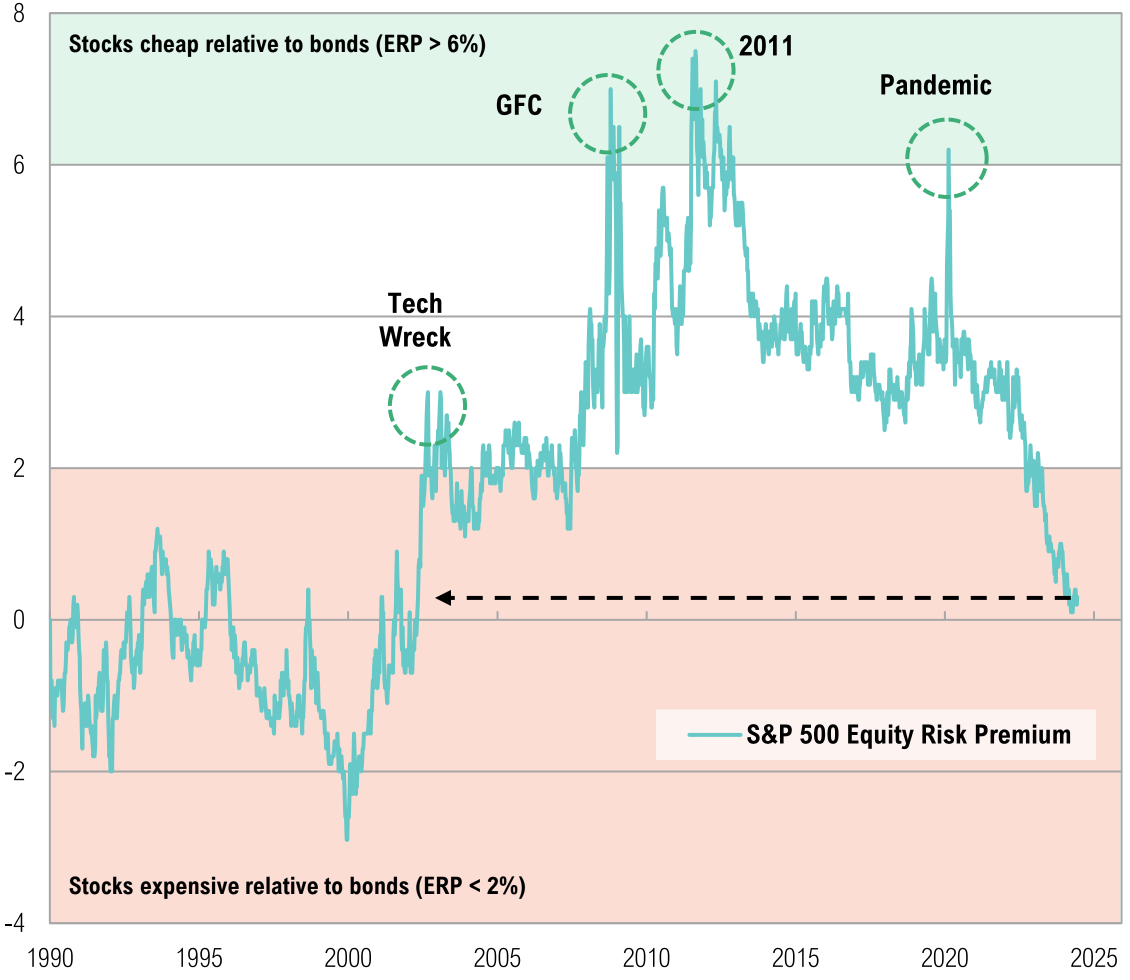
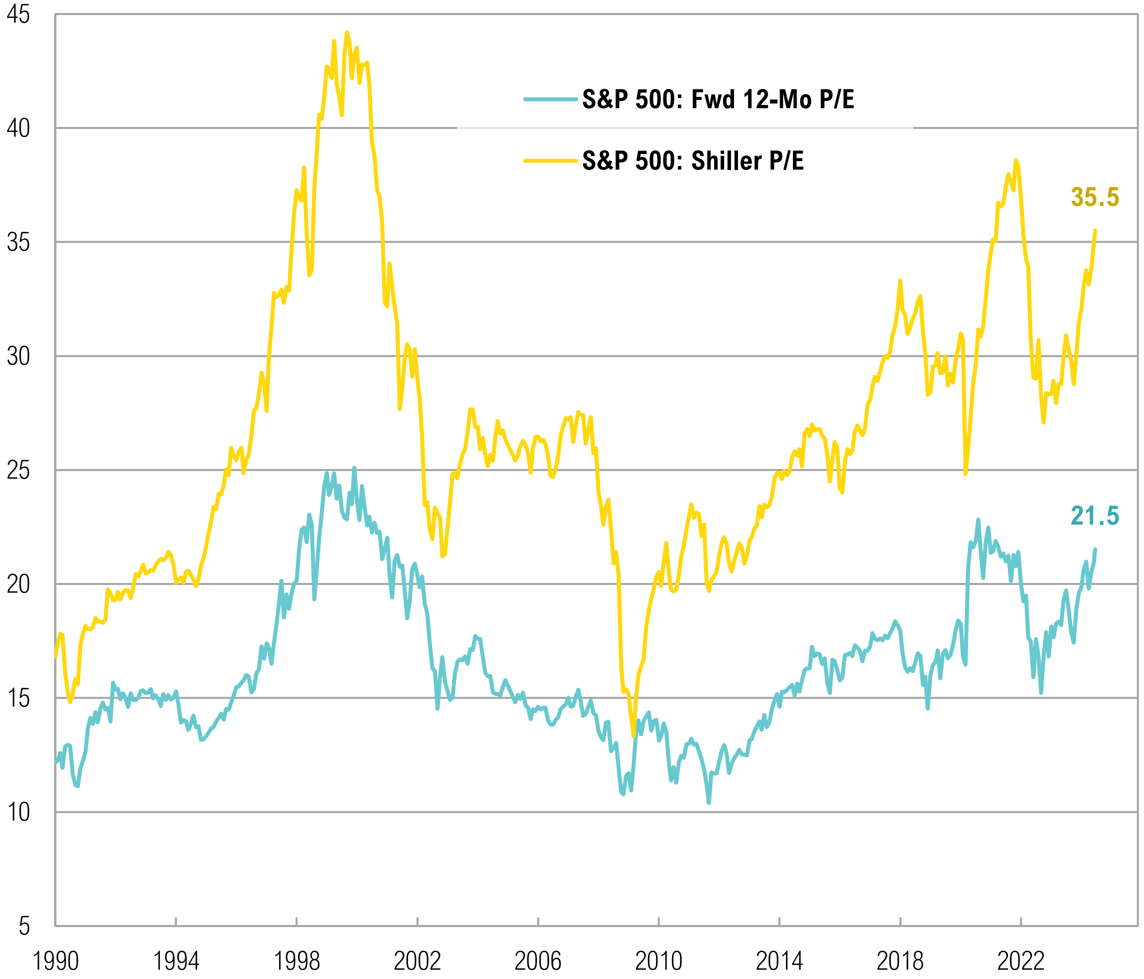
Using a yield-to-earnings yield comparison (ERP), U.S. stocks are less attractively priced vis-à-vis bonds than at any point since the 1990s; valuations appear rich from both a Shiller and forward P/E perspective

S&P 500 Forward Earnings Yield minus 10-Year US Treasury, %



S&P 500 Price to Earnings, 12-Mo Fwd vs. Shiller



Source: Bloomberg. Equity risk premium calculated as S&P 500 earnings yield minus 10-year Treasury yield.

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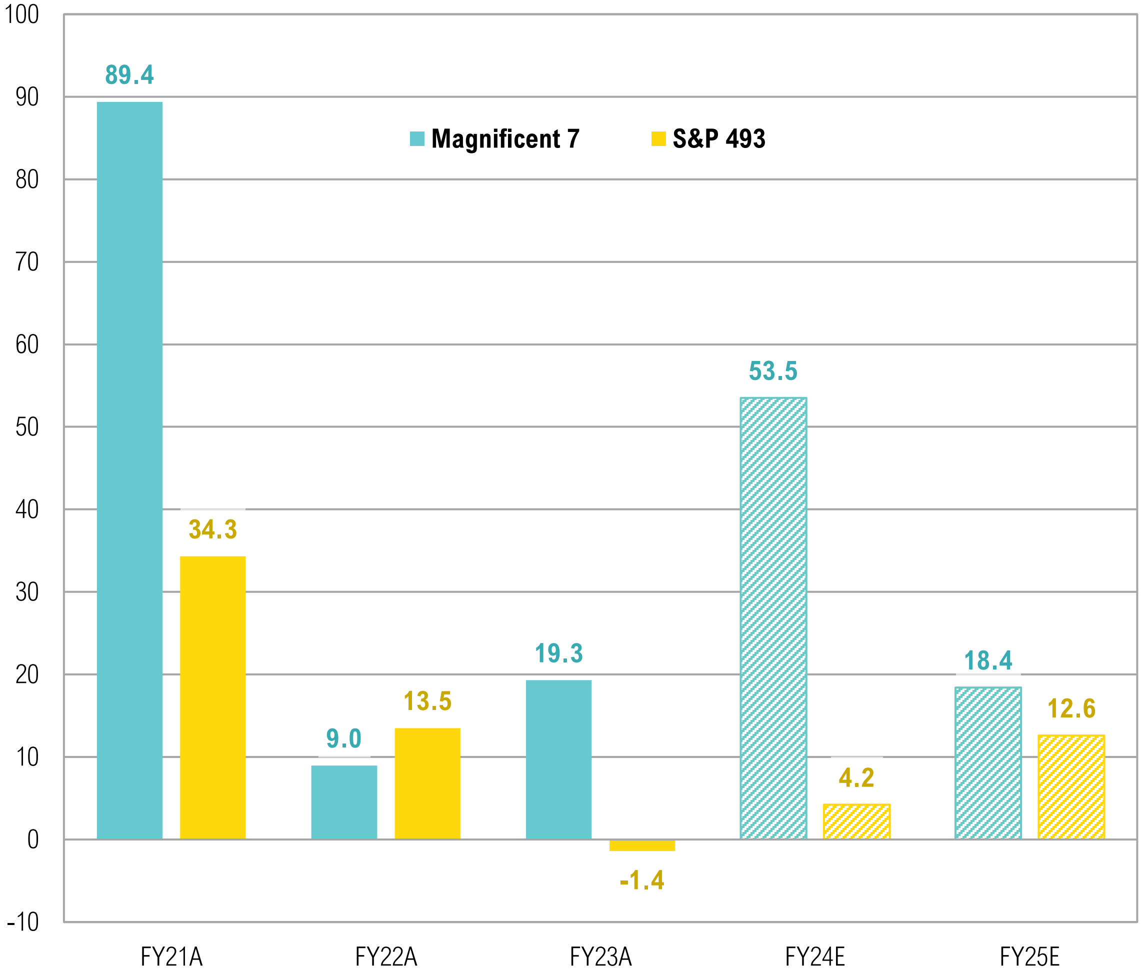
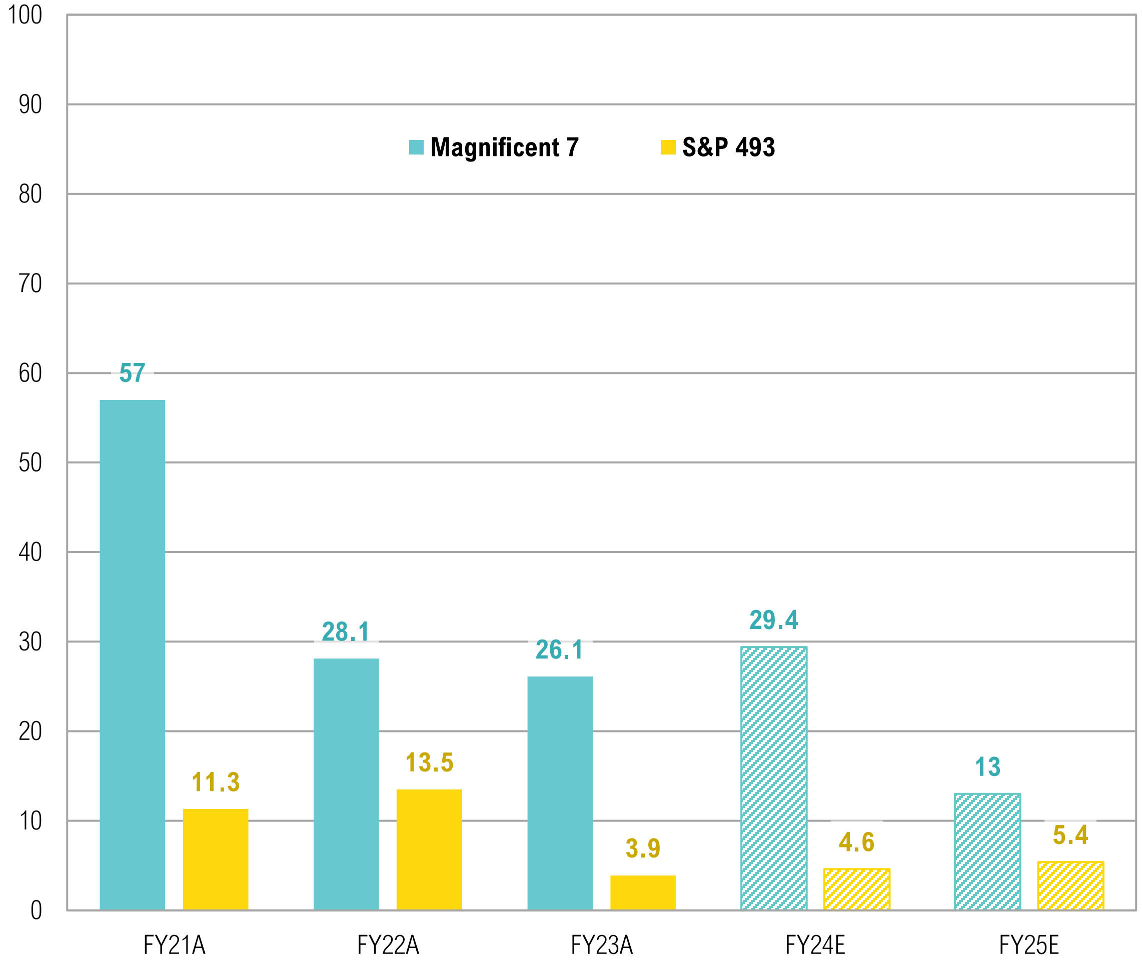
Is market narrowness at least partially justified by earnings growth trends? FY 2024 Mag 7 earnings are expected to grow by 53.5%, while S&P 493 earnings are expected to grow by 4.2%

Earnings per Share Growth, Y/Y %



Sales Growth, Y/Y %



Source: Bloomberg

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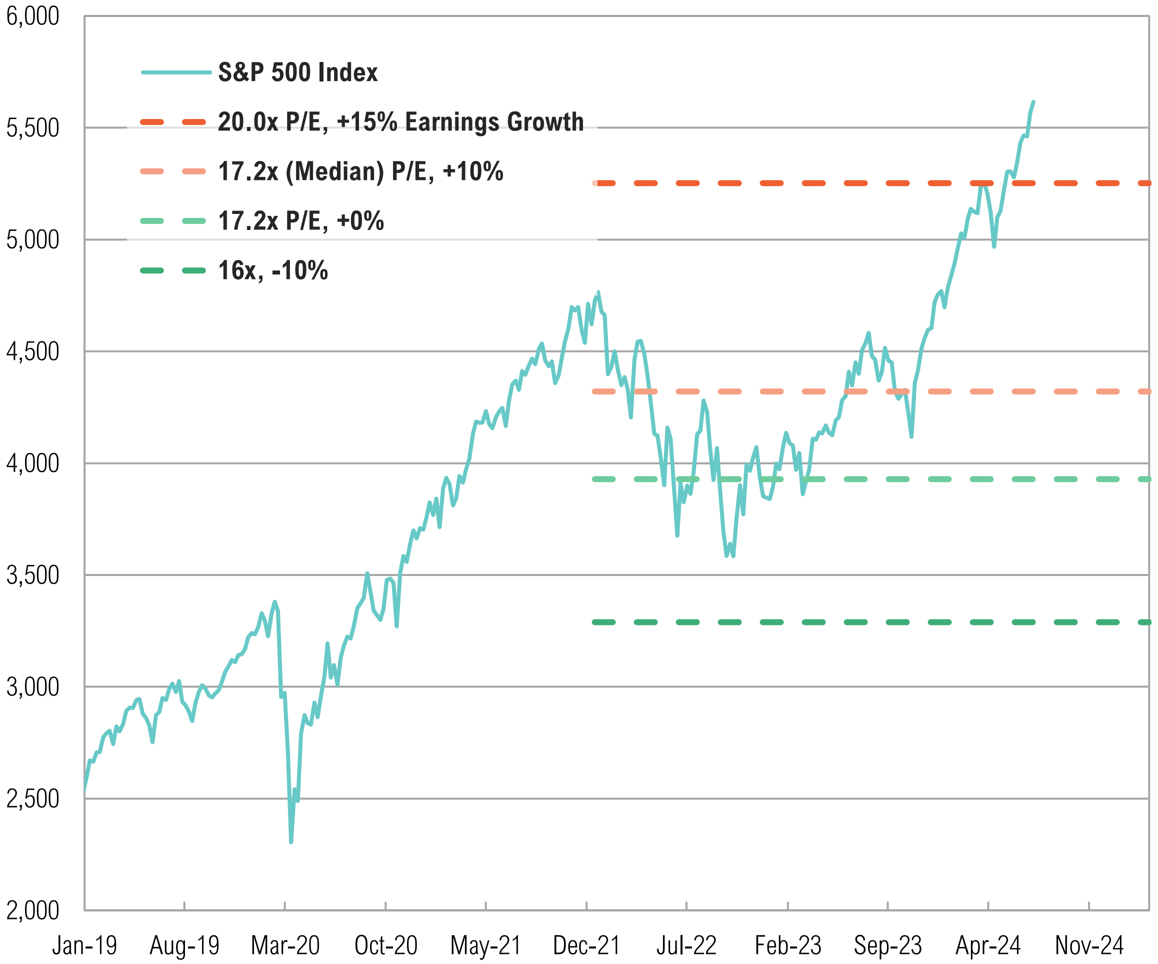
Markets are currently pricing in 14.4% EPS growth for the S&P 500 over the next 12 months, implying a 21.5x P/E vs to the long-term average of 17.2x

S&P 500 Index



Implied Return Matrix, 1 Year

12-Month Forward P/E Multiple	Earnings growth										
	-25%	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	25%
26.0	4453	4750	5047	5344	5641	5938	6234	6531	6828	7125	7422
25.0	4282	4567	4853	5138	5424	5709	5995	6280	6566	6851	7136
24.0	4111	4385	4659	4933	5207	5481	5755	6029	6303	6577	6851
23.0	3939	4202	4465	4727	4990	5252	5515	5778	6040	6303	6566
22.0	3768	4019	4270	4522	4773	5024	5275	5526	5778	6029	6280
21.0	3597	3837	4076	4316	4556	4796	5035	5275	5515	5755	5995
20.0	3425	3654	3882	4111	4339	4567	4796	5024	5252	5481	5709
19.0	3254	3471	3688	3905	4122	4339	4556	4773	4990	5207	5424
18.0	3083	3288	3494	3700	3905	4111	4316	4522	4727	4933	5138
17.0	2912	3106	3300	3494	3688	3882	4076	4270	4465	4659	4853
16.0	2740	2923	3106	3288	3471	3654	3837	4019	4202	4385	4567
15.0	2569	2740	2912	3083	3254	3425	3597	3768	3939	4111	4282
14.0	2398	2558	2718	2877	3037	3197	3357	3517	3677	3837	3996
13.0	2227	2375	2523	2672	2820	2969	3117	3266	3414	3563	3711
12.0	2055	2192	2329	2466	2603	2740	2877	3014	3151	3288	3425
11.0	1884	2010	2135	2261	2386	2512	2638	2763	2889	3014	3140
10.0	1713	1827	1941	2055	2169	2284	2398	2512	2626	2740	2855

Source: SpringTide, Bloomberg. P/E multiples and EPS growth reflect 12-Month forward consensus estimates. The implied return matrix includes dividends.

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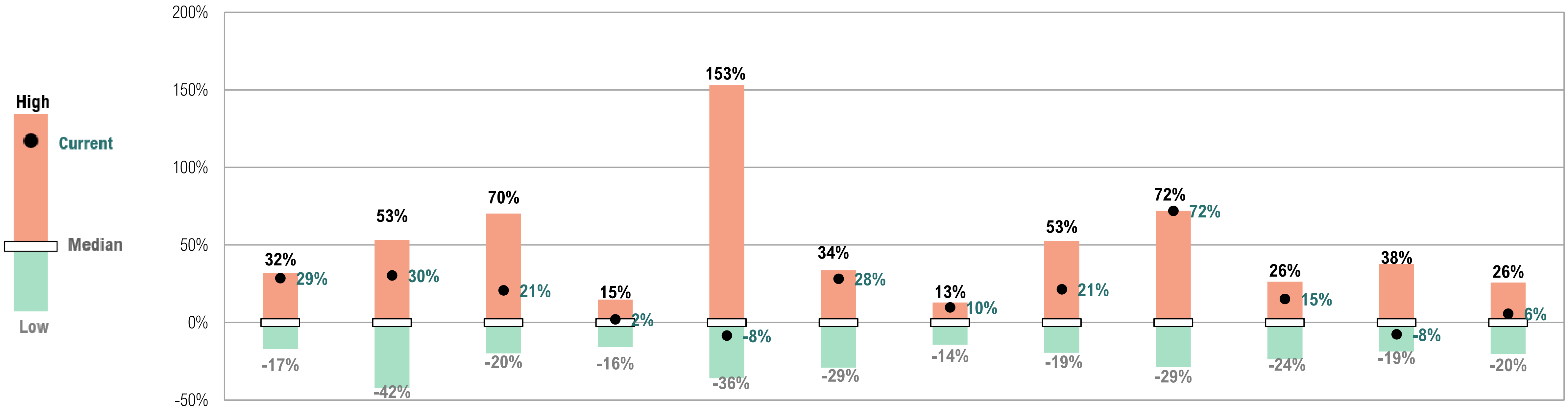
Most sectors within the S&P 500 are trading at premiums relative to their internal median valuations, with Tech, Financials, and Health Care at or near 10-year highs

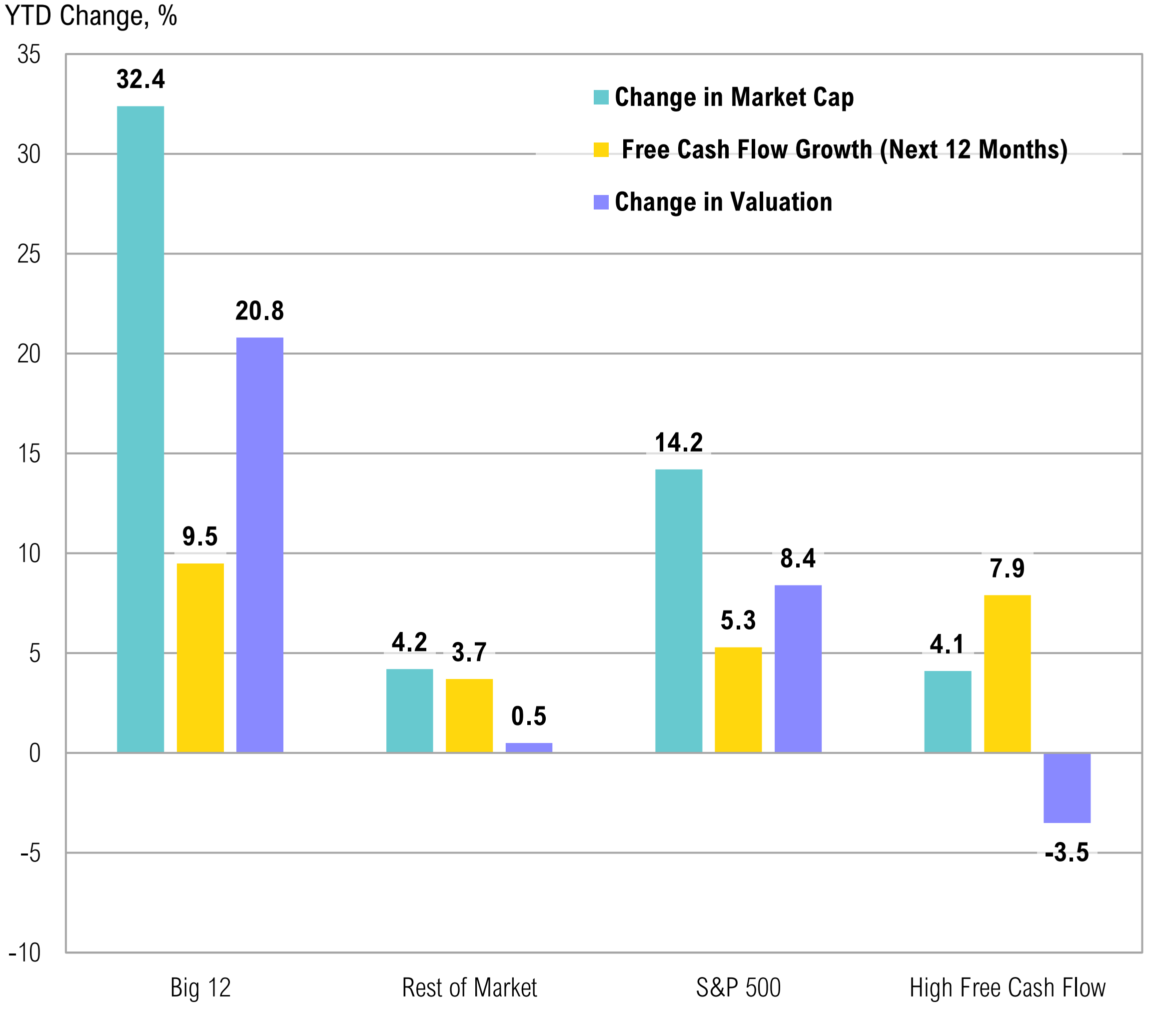
Current Composite Valuation Premium/Discount vs. 10-Year Median*

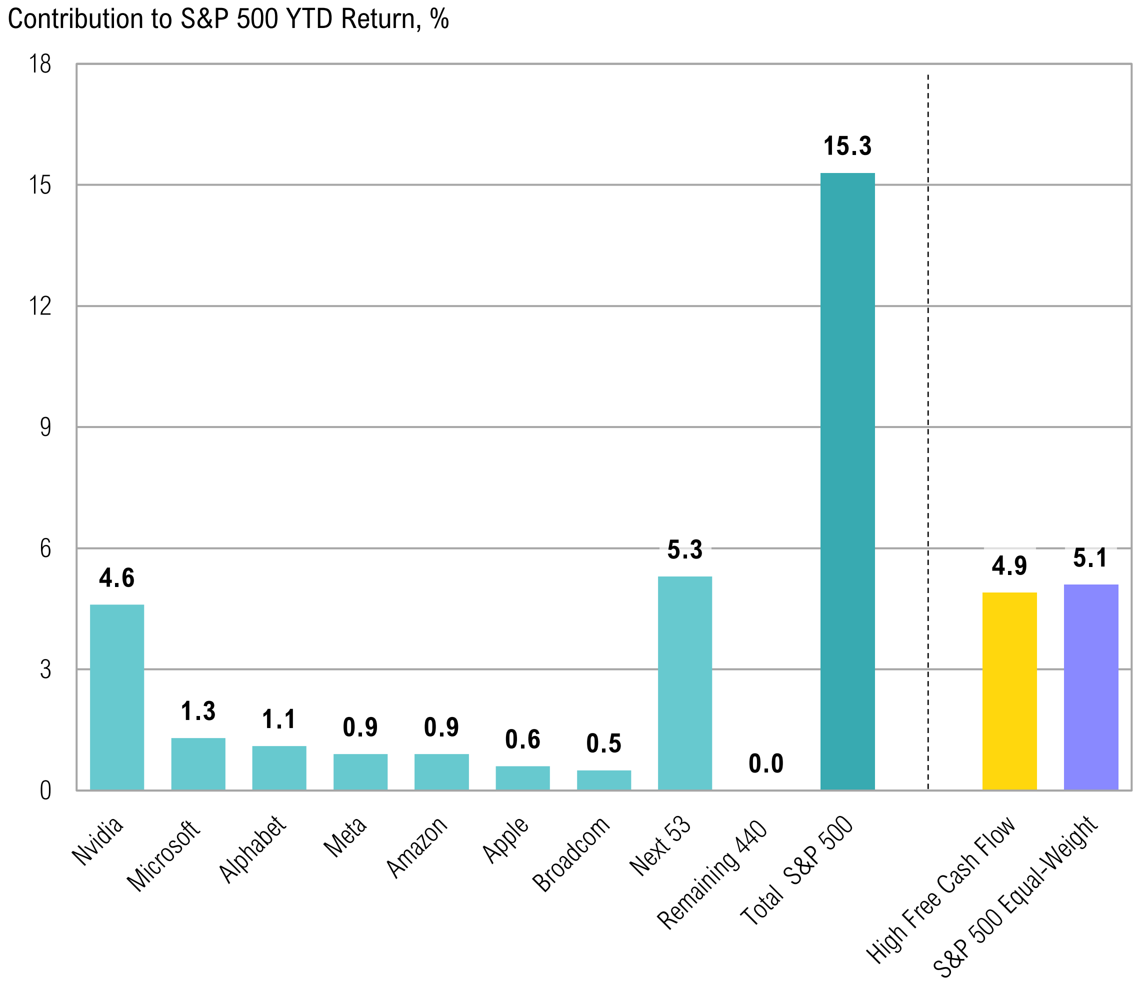


	S&P 500	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities
High Valuation Date	4/30/2021	8/31/2021	4/30/2021	4/29/2022	4/29/2016	1/31/2024	7/30/2021	4/30/2021	1/31/2024	4/30/2021	12/31/2021	8/31/2022
Low Valuation Date	1/31/2014	5/31/2018	9/30/2014	1/31/2014	9/30/2022	3/31/2020	3/31/2020	9/30/2015	1/31/2014	9/30/2015	10/31/2023	1/31/2014
Valuation Premium on 12/31/2023	19%	22%	19%	-4%	-16%	26%	6%	17%	59%	18%	-2%	-1%
Valuation Premium on 12/31/2022	0%	-4%	-7%	7%	-23%	1%	3%	6%	14%	-2%	-12%	16%
Valuation Premium on 12/31/2021	33%	54%	61%	15%	-23%	16%	8%	30%	66%	13%	35%	26%
Valuation Premium on 12/31/2020	32%	54%	64%	10%	44%	4%	3%	41%	56%	28%	15%	17%
Valuation Premium on 12/31/2019	8%	28%	8%	6%	0%	5%	5%	2%	19%	8%	10%	20%

Source: Bloomberg. *The composite valuation equal weights four valuation metrics (Fwd P/E, Fwd P/CF, TTM P/S and TTM EV/EBITDA) relative to each respective sectors' 10-year medium valuation.
The Financials composite replaces EV/EBITDA with TTM P/B.

The market has rewarded a small subset of stocks while ignoring the rest, resulting in asymmetrical risk/reward for mega cap tech vs. other parts of the market





Source: Distillate Capital. As of 6/30/2024. Big 12 = Microsoft, Meta, Apple, Amazon, Meta, Google, Tesla, Broadcom, Oracle, Eli Lilly, Costco, and Walmart.

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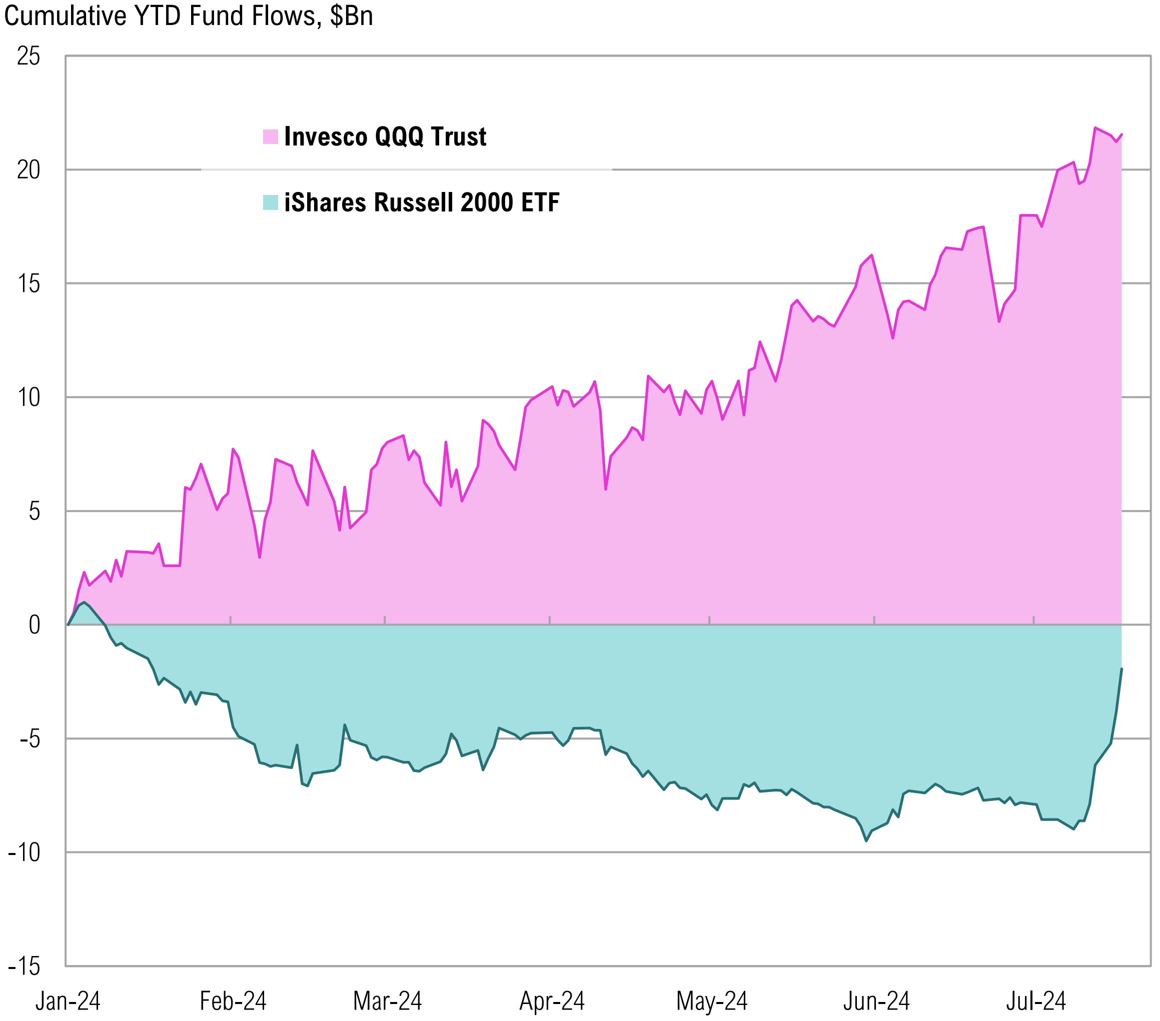
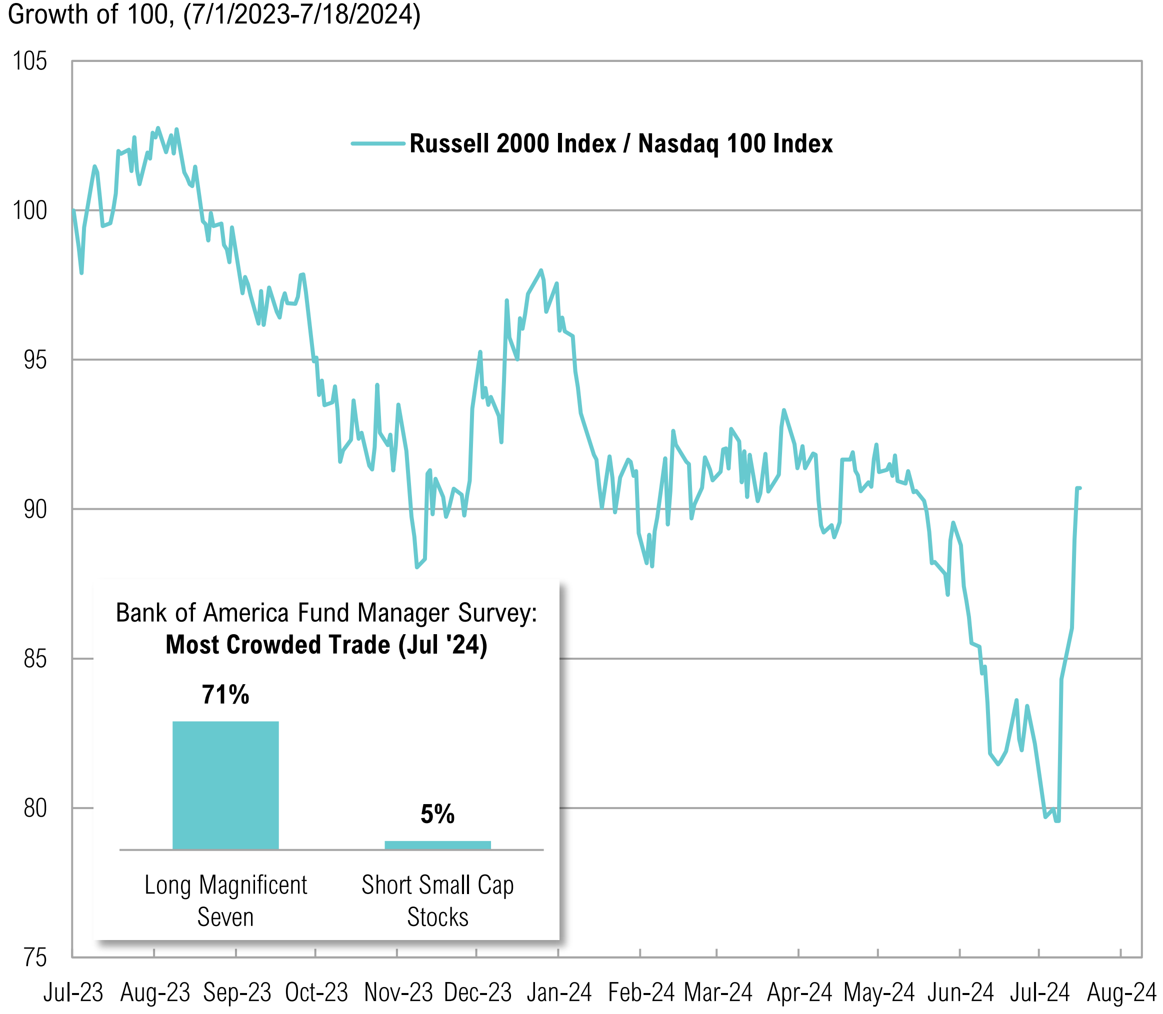
Is the recent move in all U.S. small cap stocks sustainable, or is it a forced unwind of extreme positioning that should be faded? We think a bit of both

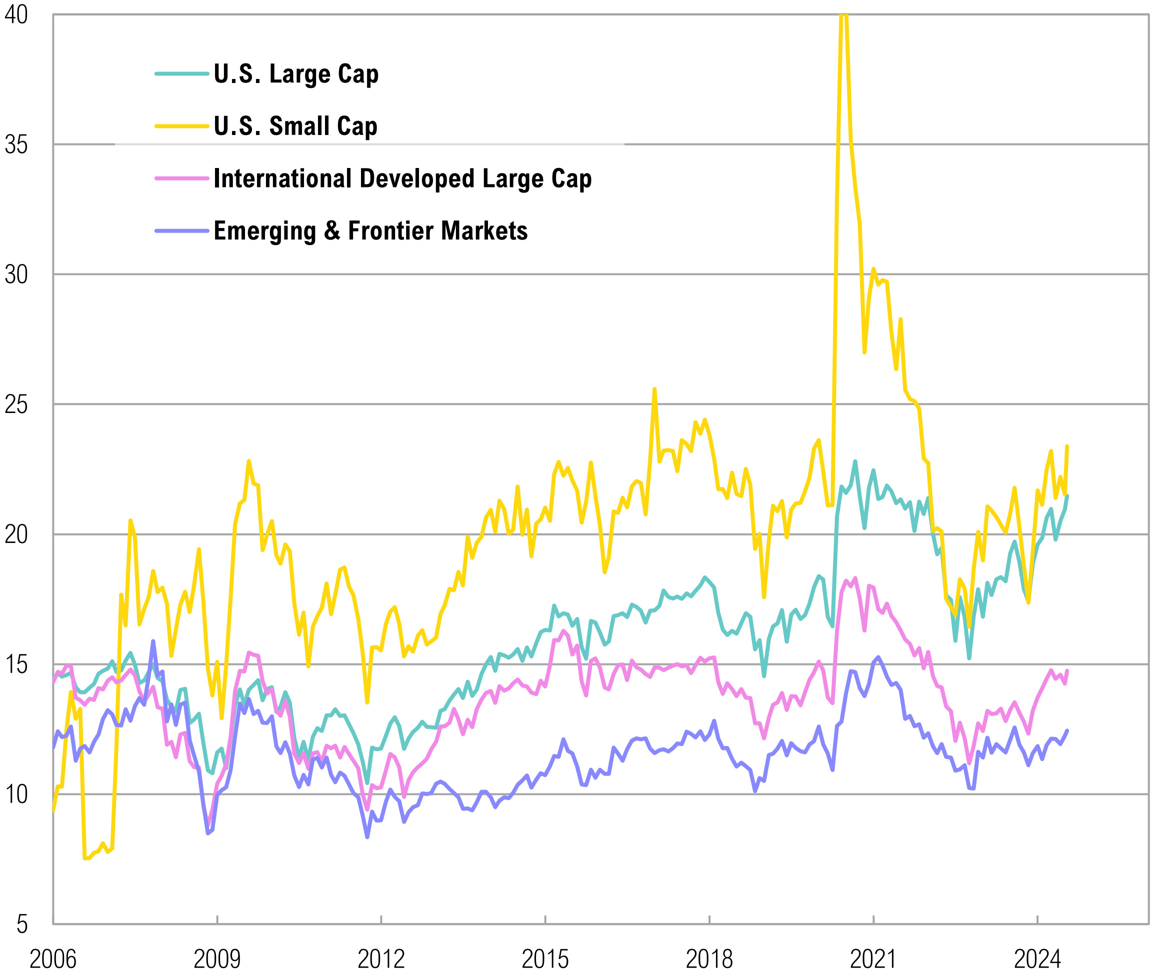




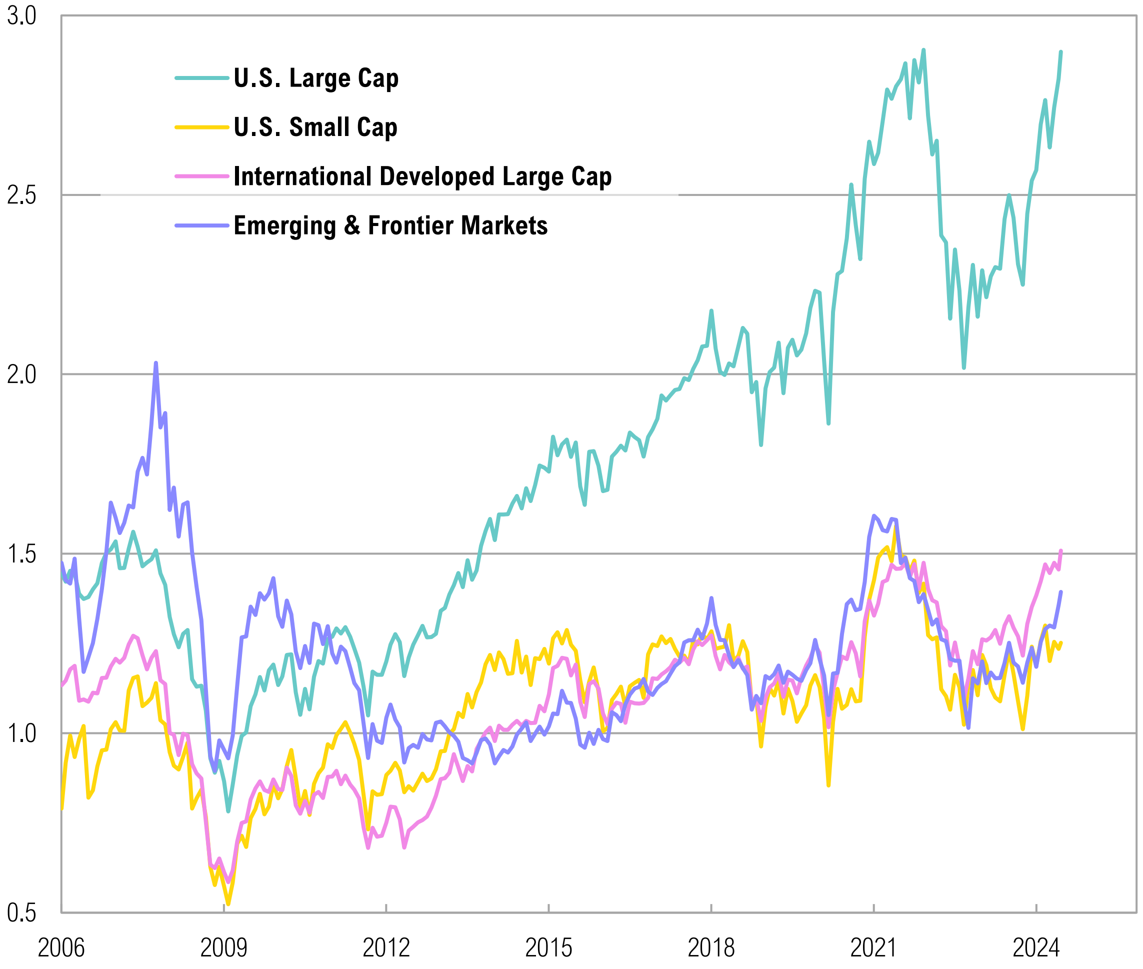
Source: Bloomberg, BofA. Flows as of 7/17/2024. Relative performance as of 7/18/2024.

Emerging market stocks remain relatively cheap vs. developed markets

Price-to-Earnings Ratio, Forward 12-Months



Price-to-Sales Ratio, Forward 12-Months



Source: Bloomberg. As of 7/15/2024.

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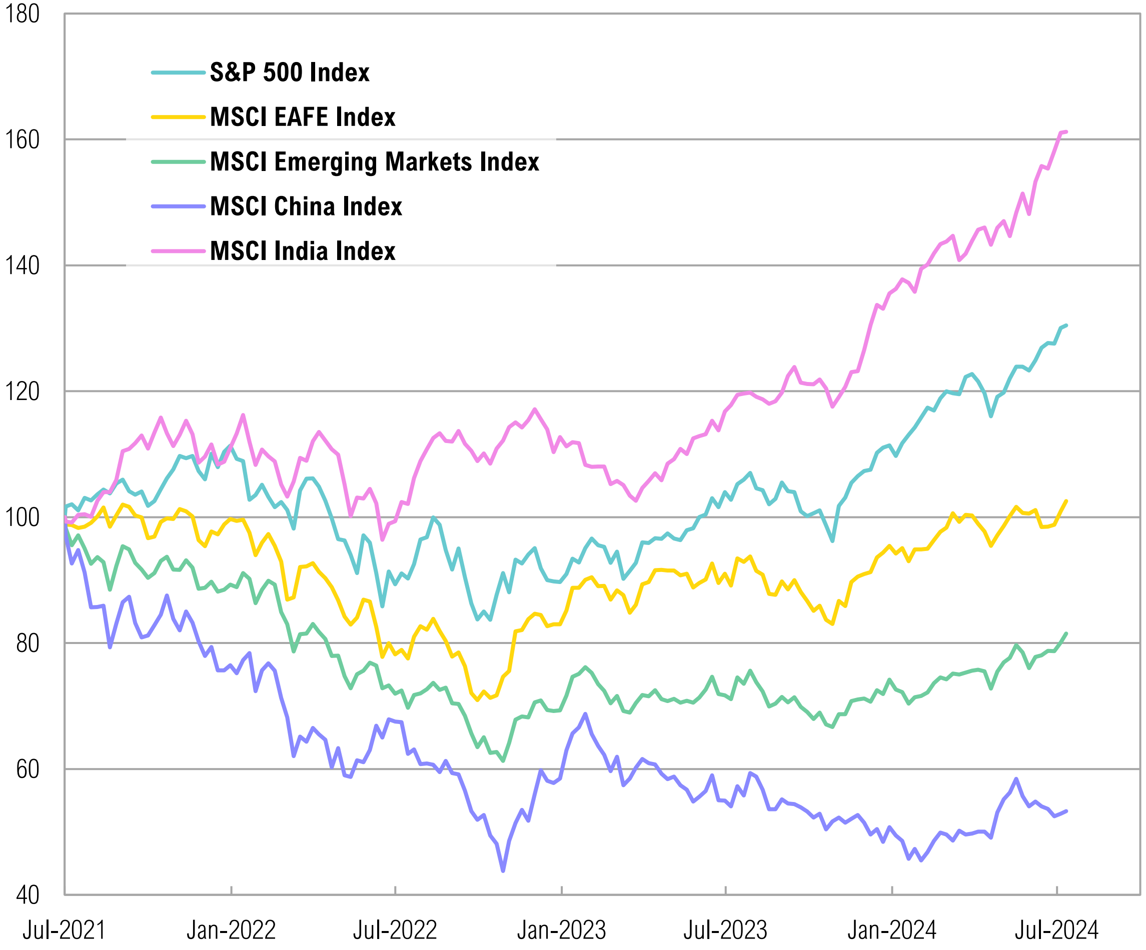
Bolstered by earnings growth, the U.S. and India have outperformed; looking ahead, earnings growth for broader emerging markets and China look promising

Growth of 100



Trailing vs Forward 3-Year Earnings Per Share Growth, %

Source: Bloomberg

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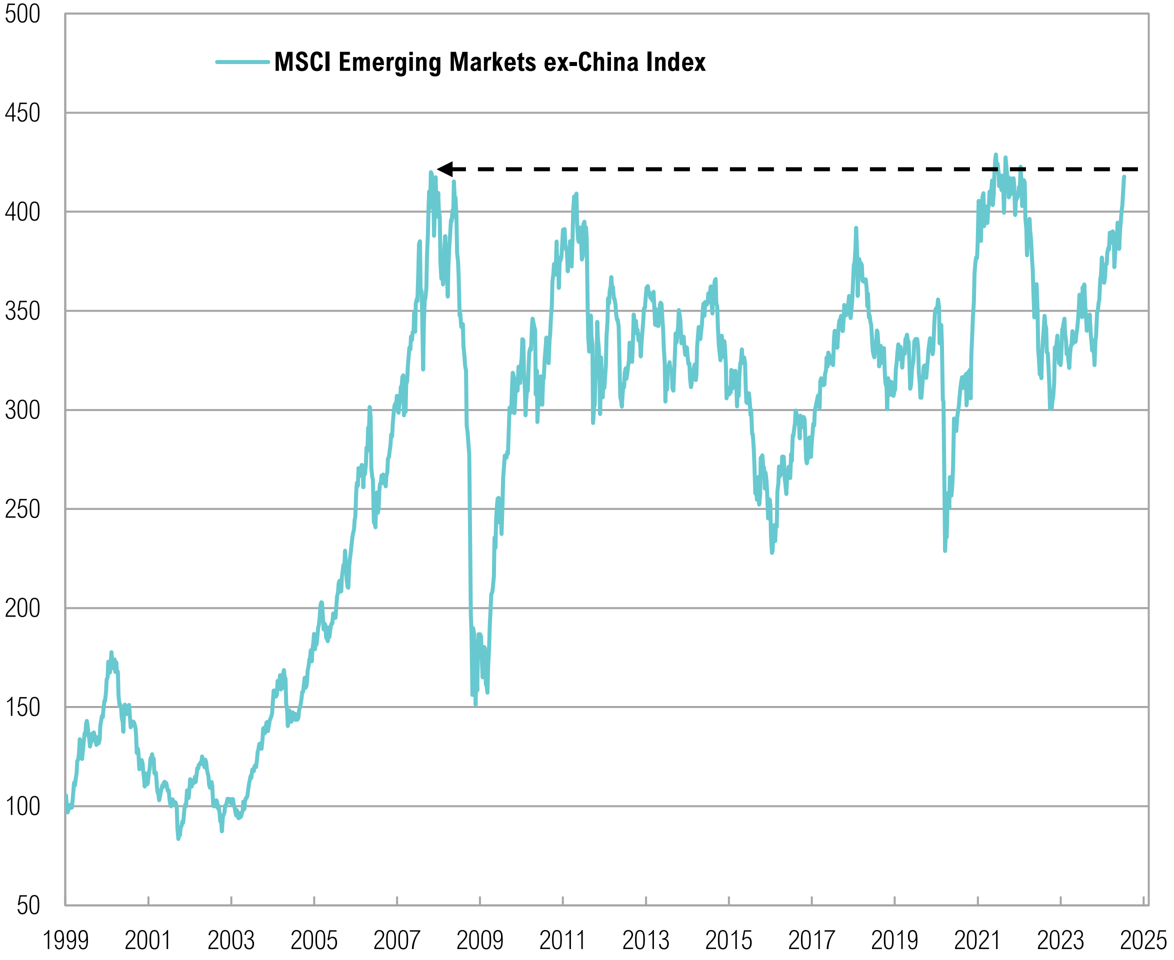
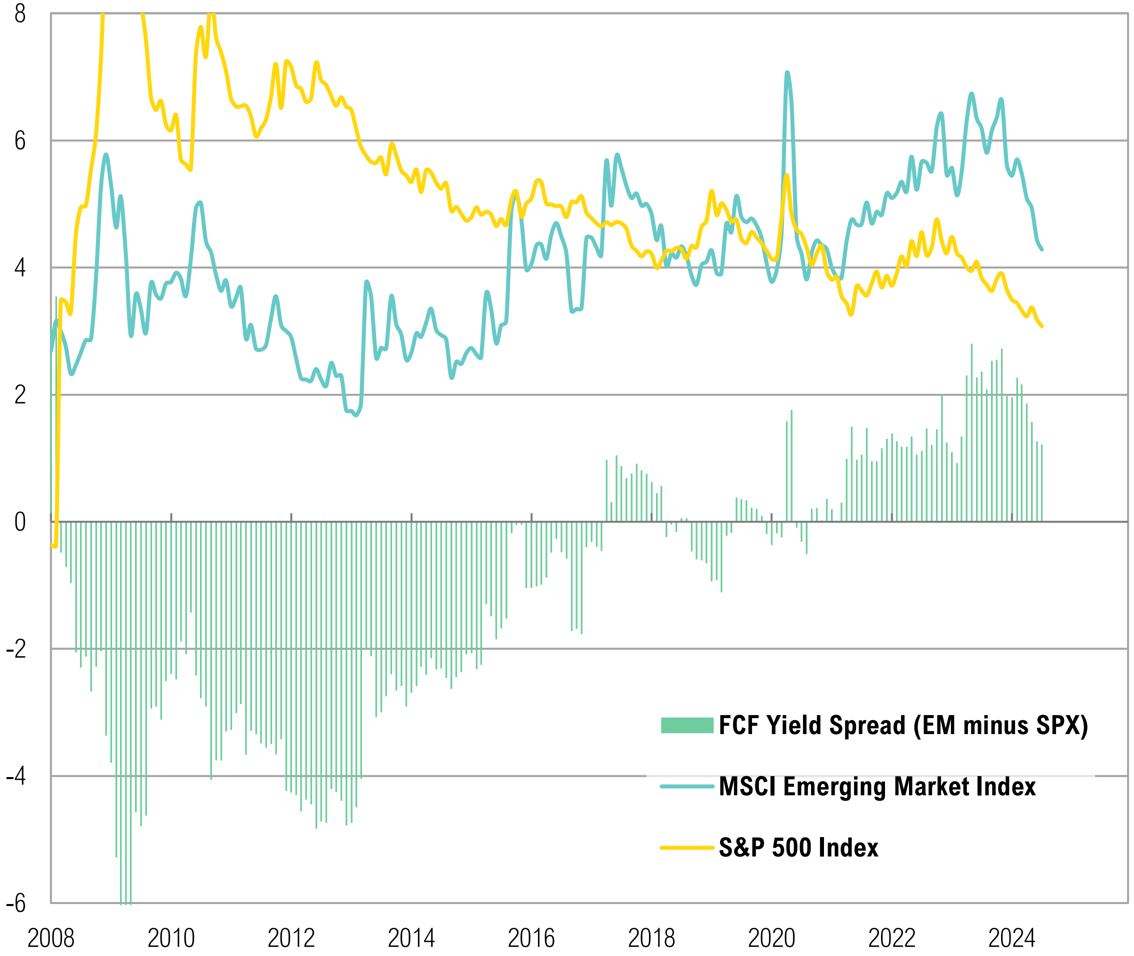
EM ex-China stocks are nearing a 16-year breakout; EM stocks look cheap compared to U.S. large-cap stocks, with free cash flow yields 1.2% higher than those of the S&P 500

MSCI Emerging Markets ex-China Price Return Index, Growth of 100



Free Cash Flow Yield, %



Source: Bloomberg. MSCI Emerging Markets ex-China Price Return Index in U.S. dollar. As of 7/12/2024.

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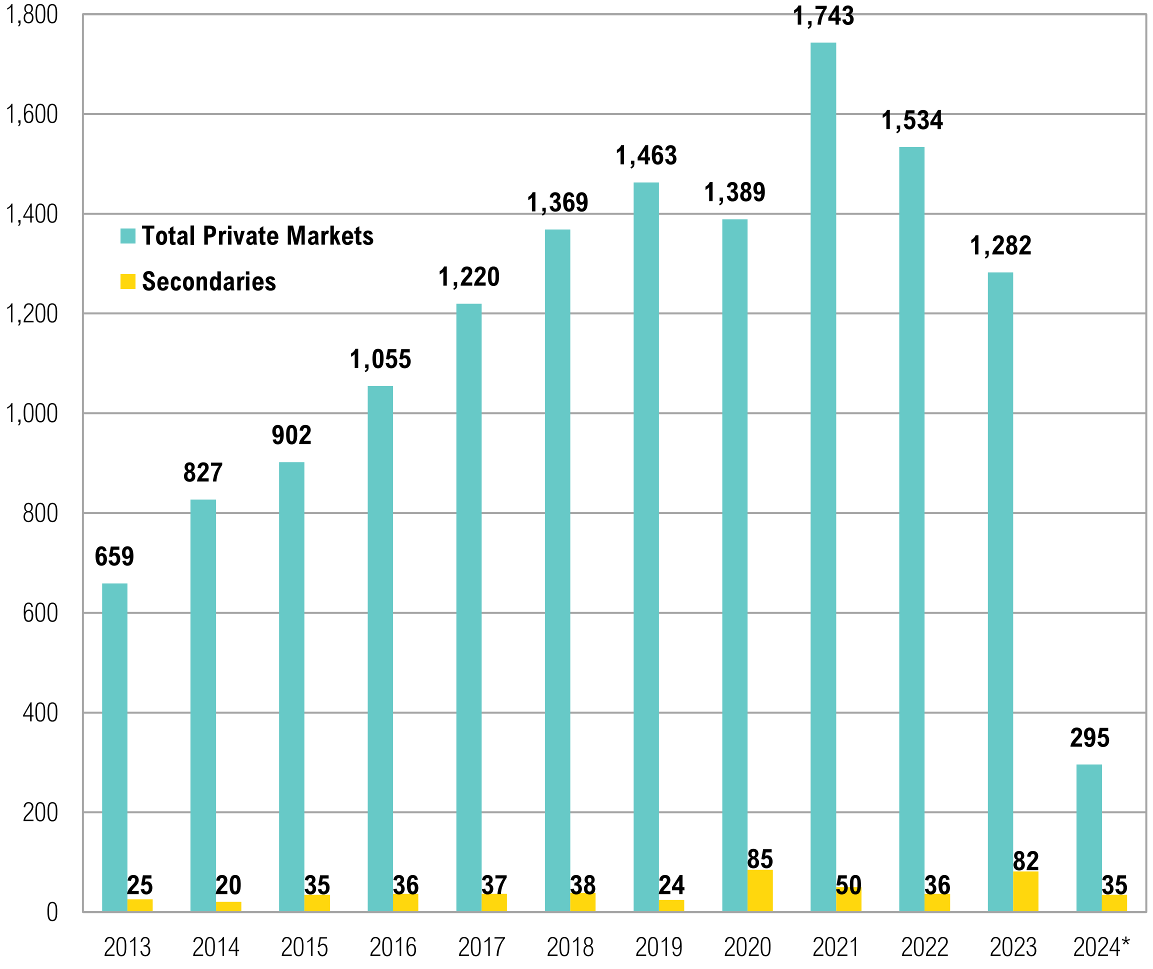
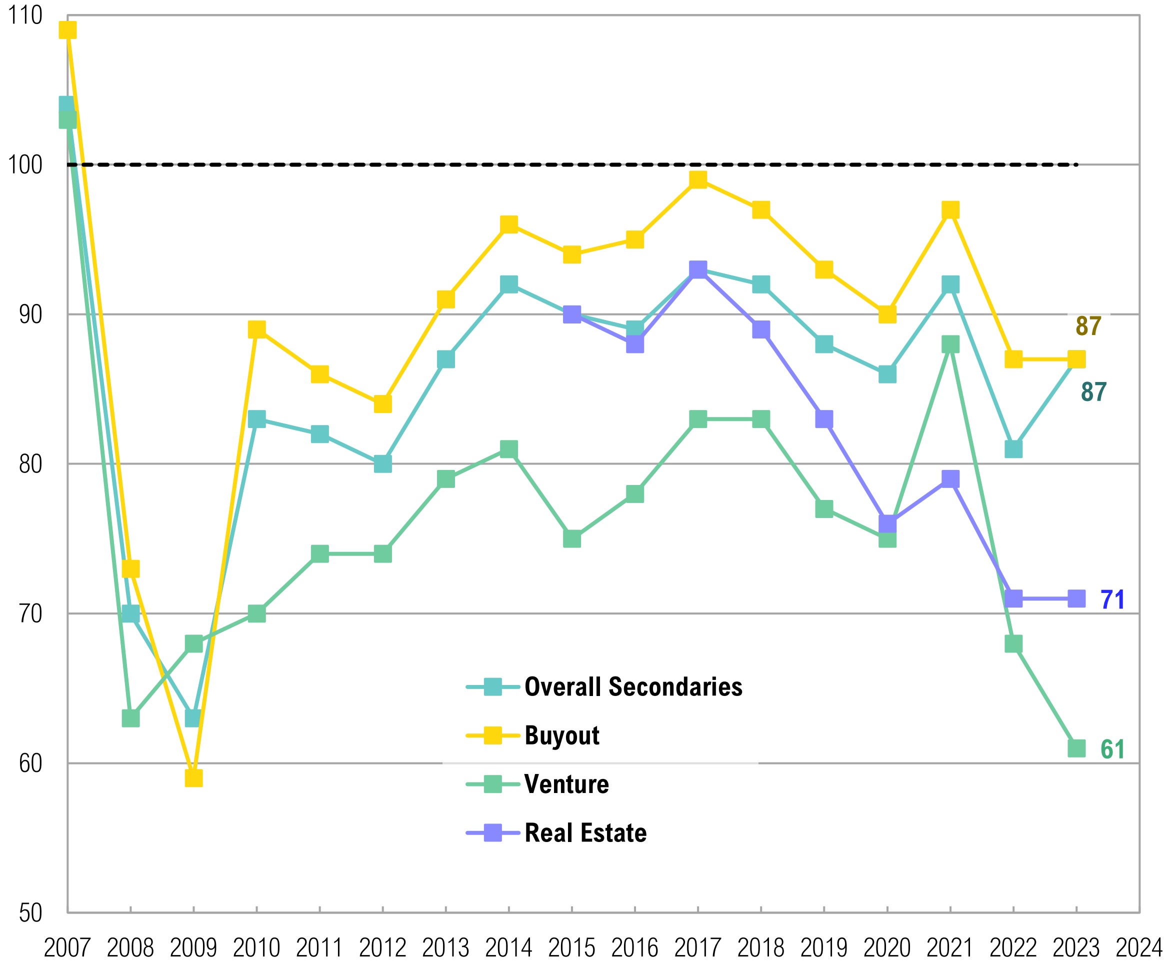
Secondaries fundraising is on pace for its largest year ever, but is only 11% of all private market fundraising in Q1

Fundraising Activity, $Bn



Secondary Pricing as a % of NAV



Source: Pitchbook, StepStone, Tap. Fundraising data as of 3/31/2024; Secondary pricing data as of 12/31/2023.

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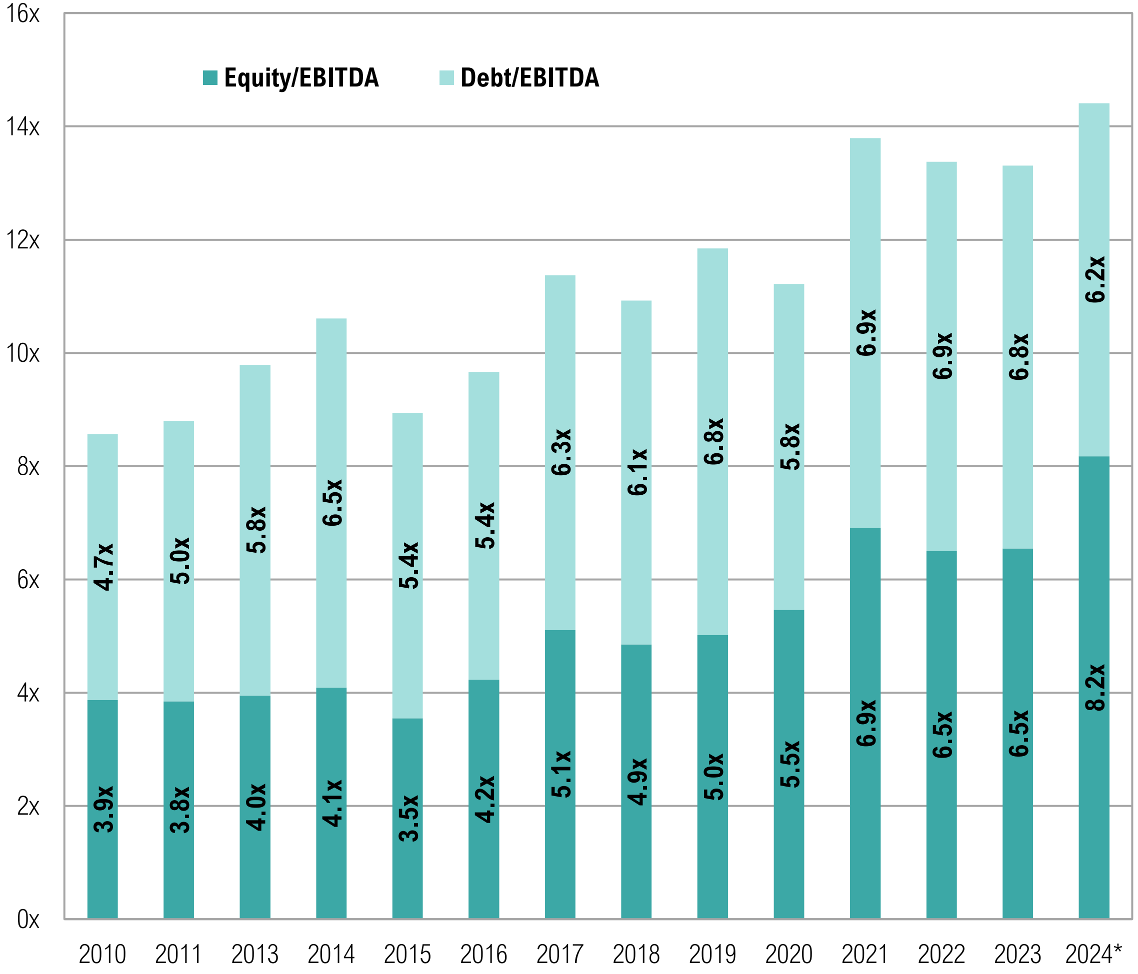
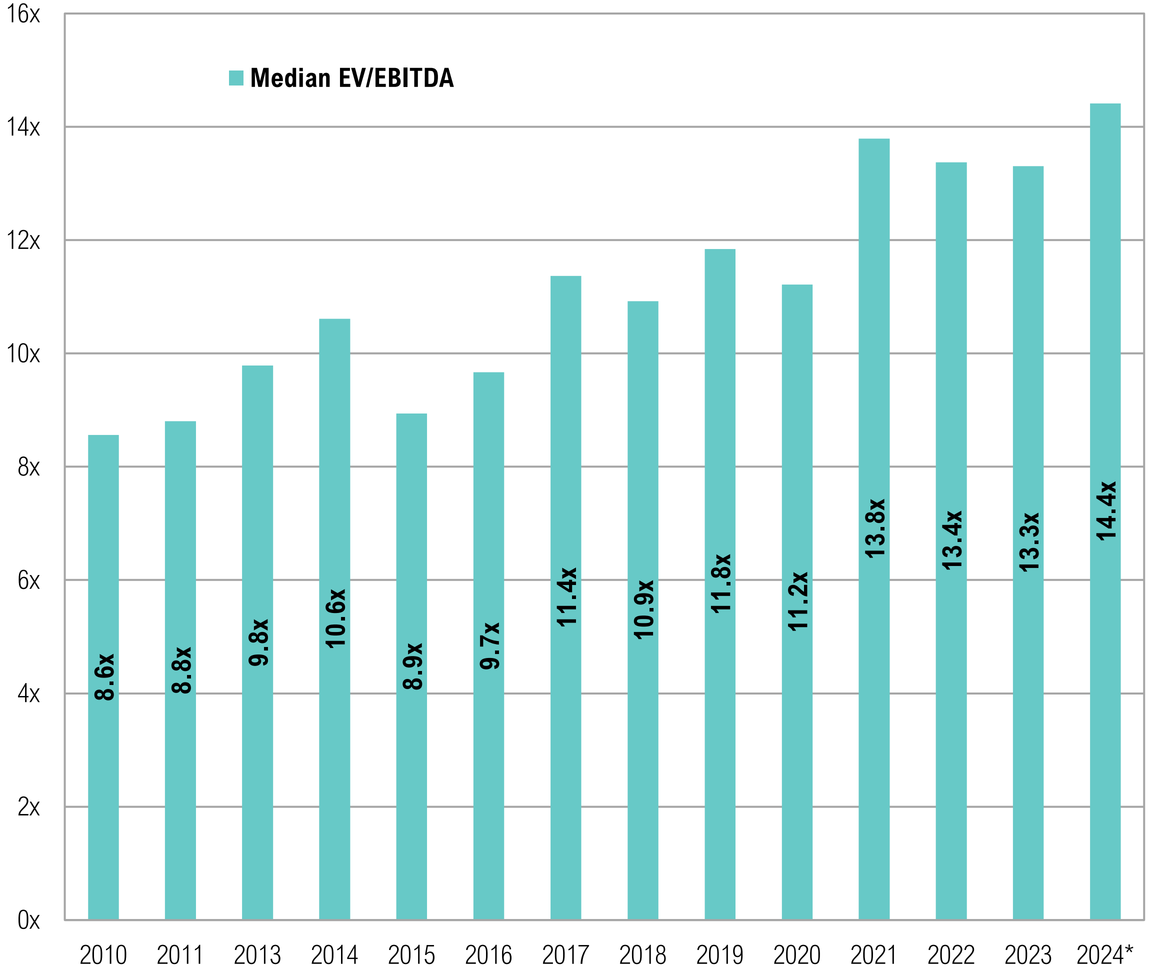
PE Buyout multiples continue to creep higher; elevated interest rates and looser covenants are deterring debt investors, causing equity share in new deals to climb above 50% for the first time ever

Median PE Buyout Multiples



Median PE Buyout Multiple



Source: Pitchbook. Multiples are for North America. Equity/EBITDA and Debt/EBITDA as of 3/31/2024. EV/EBITDA as of 3/31/2024.

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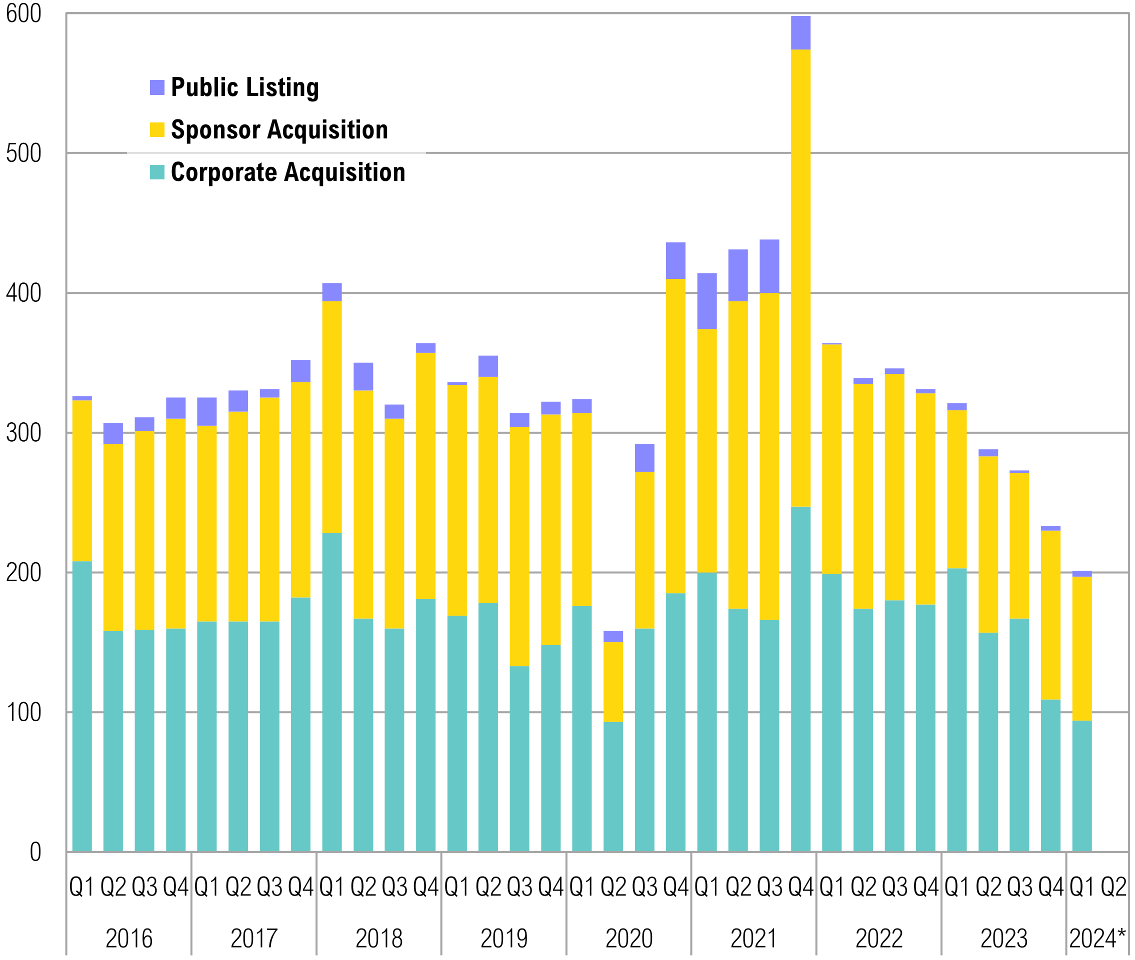
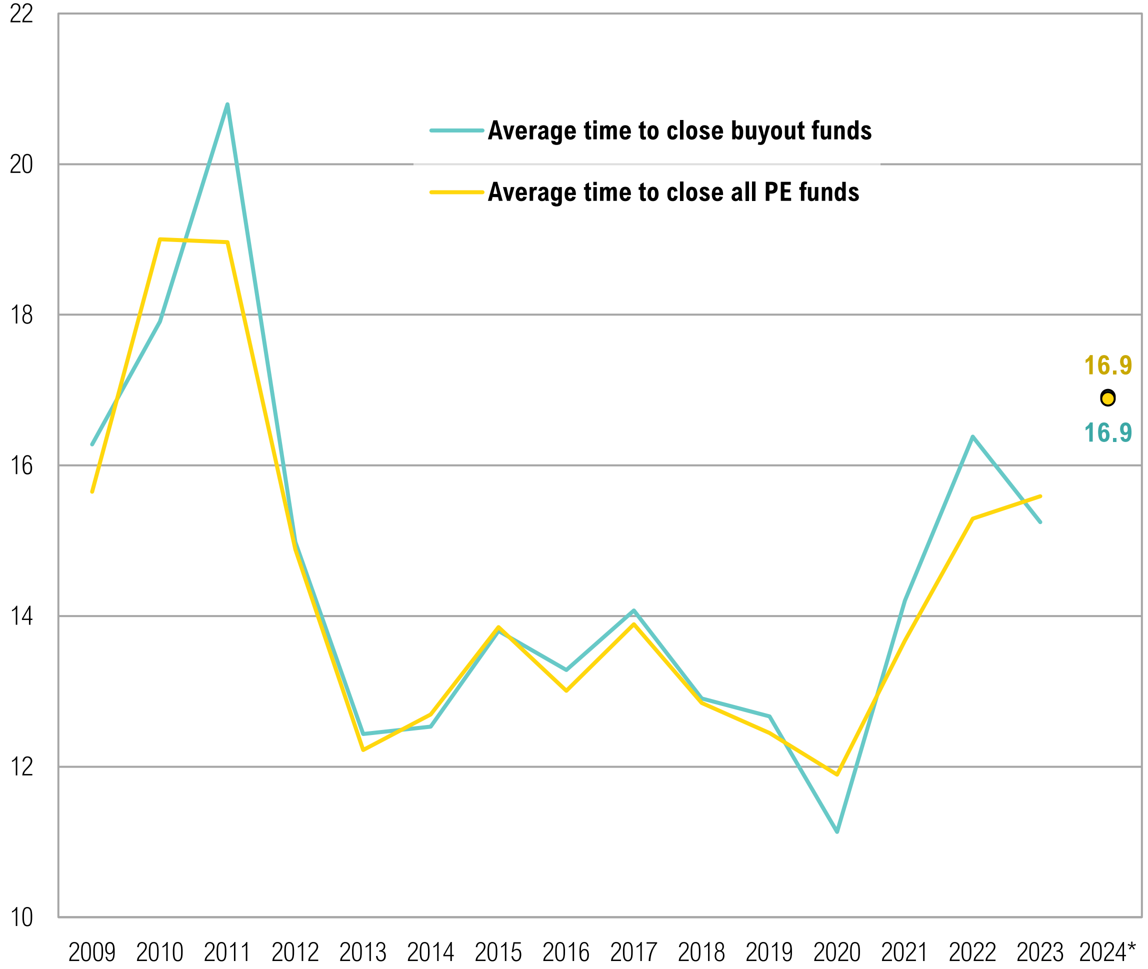
Exit activity continued to trend lower in the first quarter of 2024, implying PE firms are still struggling to find buyers at current valuations

Quarterly PE Exits by Type, # of Funds



Average Time to Close U.S. PE Funds, Months



Source: Pitchbook. As of 3/31/2024.

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> **Washington does not have a revenue problem, it has a spending problem.**

Unknown

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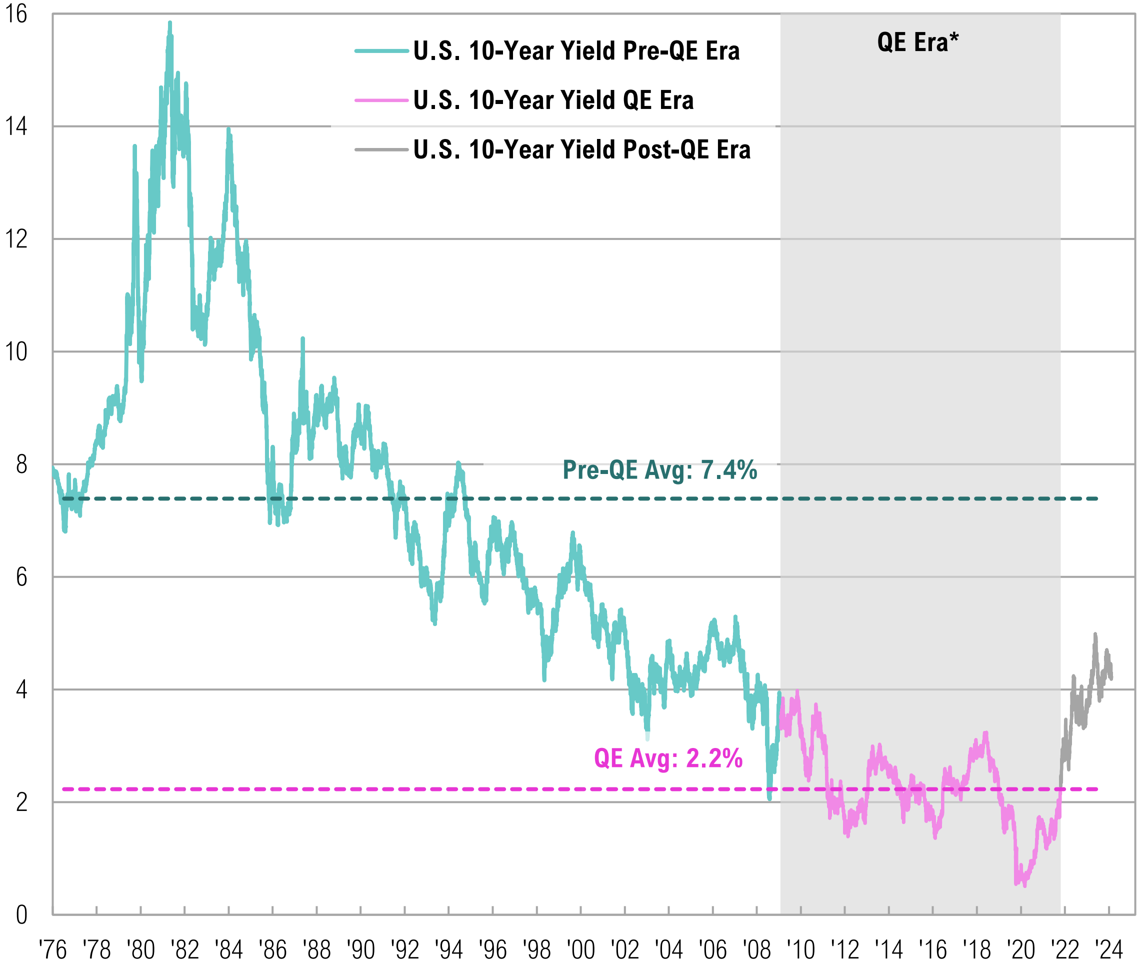
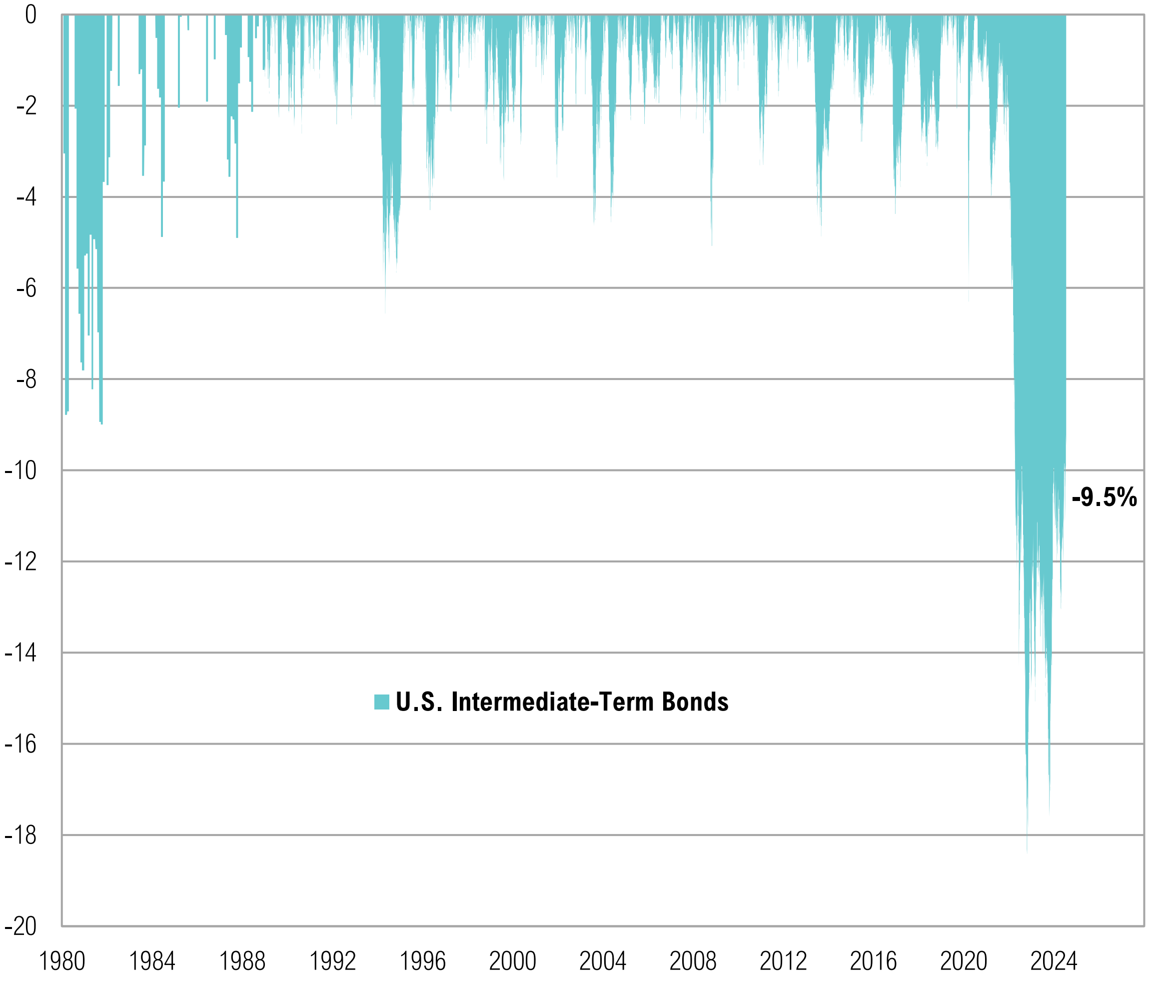
We are in the biggest bond bear market of all time; bonds peaked in August 2020 and aren't close to recovering yet

10-Year Treasury Yield, %



Drawdown, Total Return %



Source: Bloomberg. *QE Era defined as per Bianco Research from 6/30/2009 – 3/16/2022.

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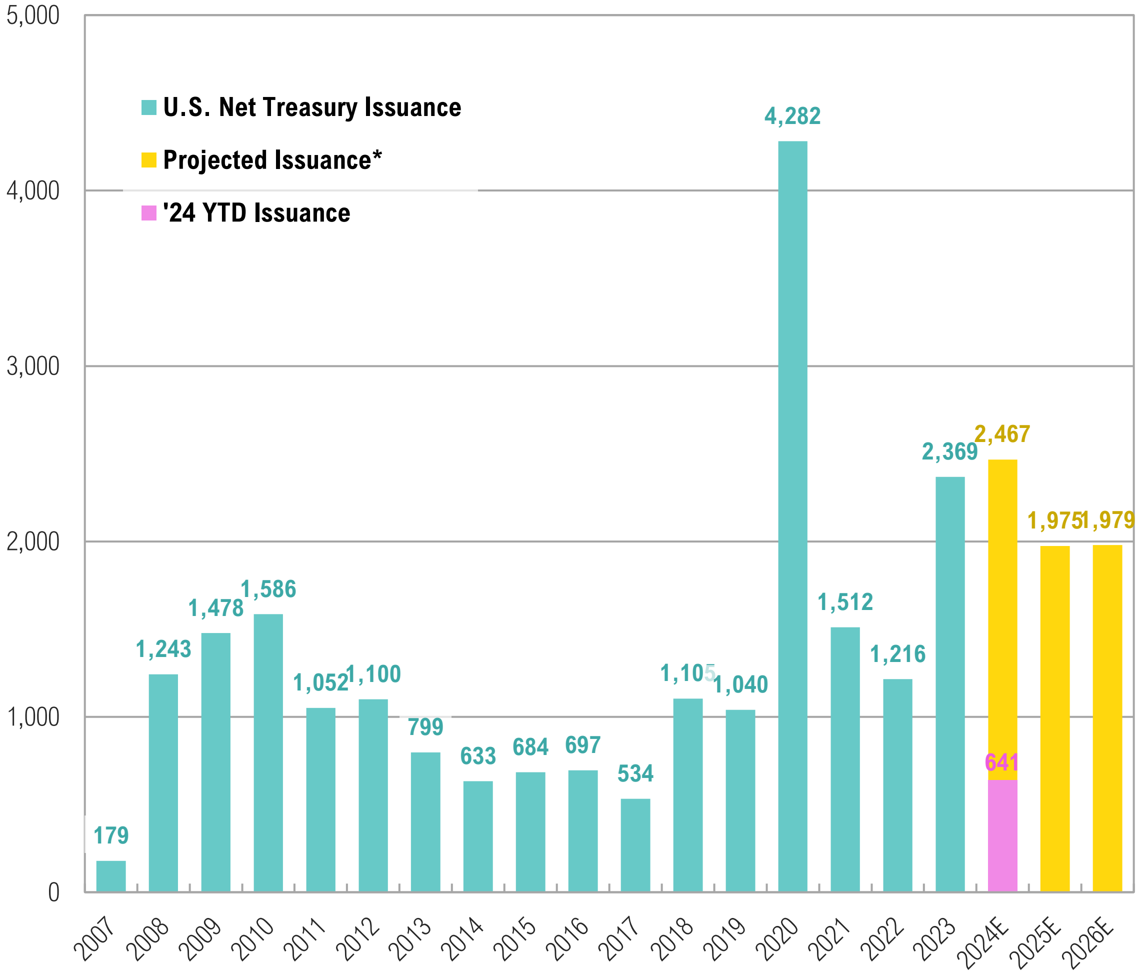
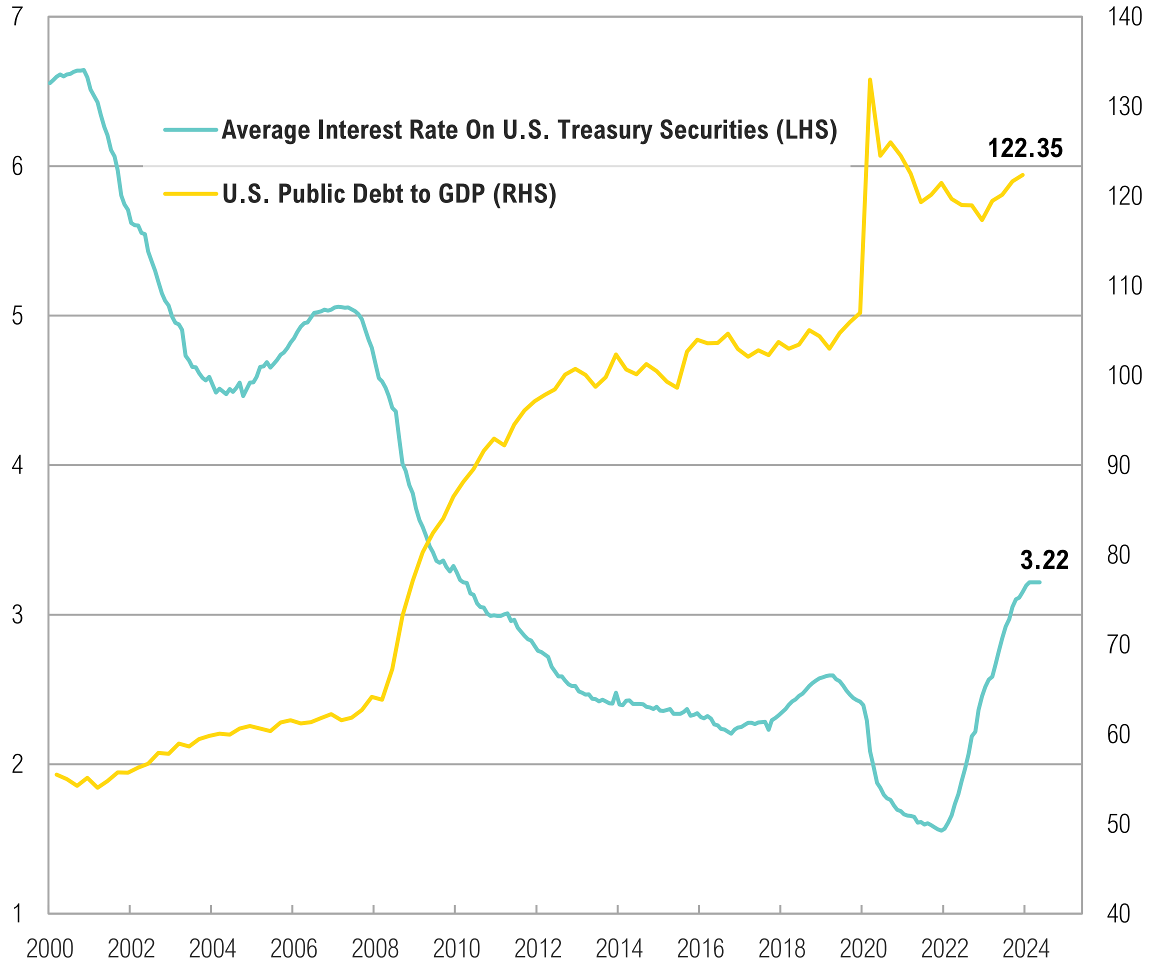
2024 Treasury issuance is on track to surpass 2023 to become the highest after 2020, and the highest in a non-crisis year; the average cost of U.S. government debt continues to rise, now >3.2%

Quarterly U.S. Net Issuance, $Bn



Average U.S. Treasury Interest Rate, % U.S. Public Debt to GDP, %



Source: Bloomberg, U.S. Treasury. U.S. Public Debt to GDP as of 3/31/2024.

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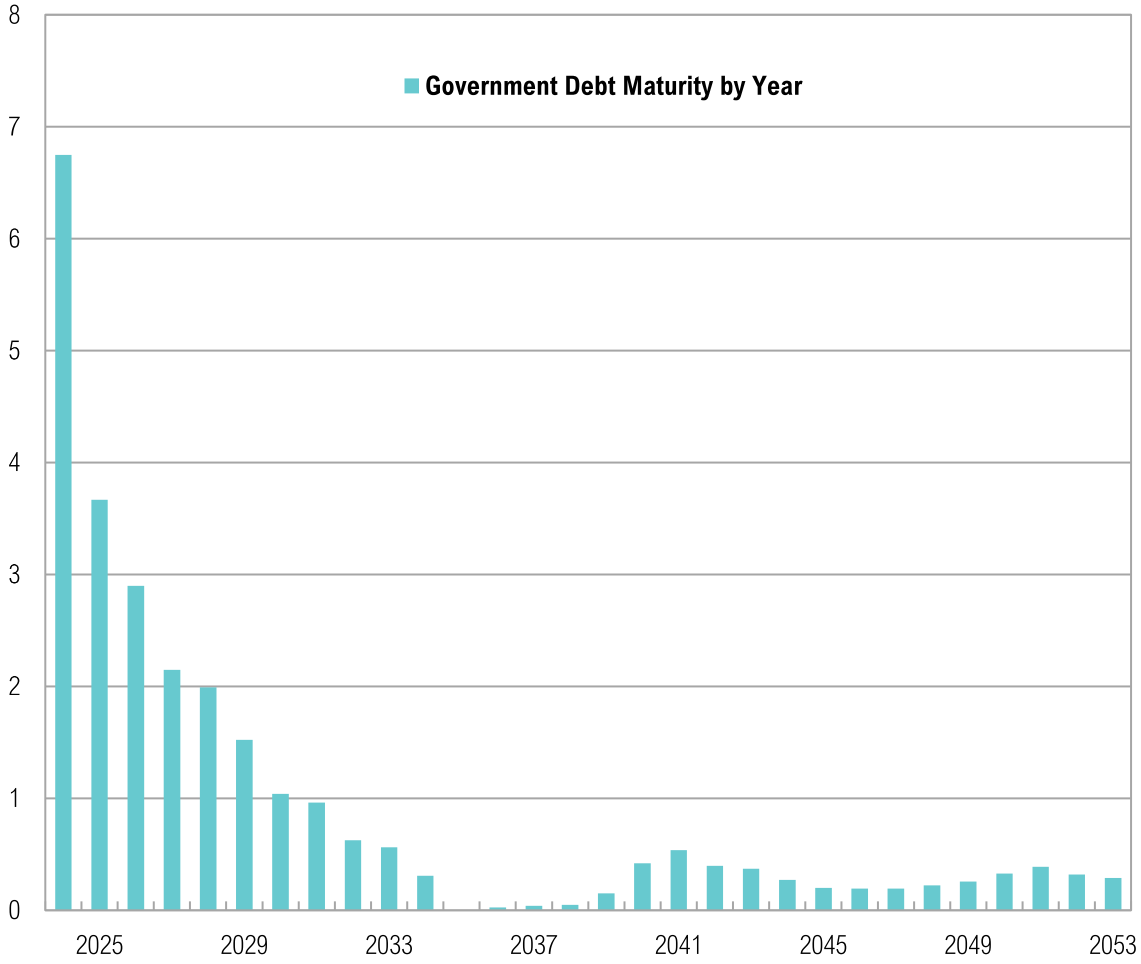
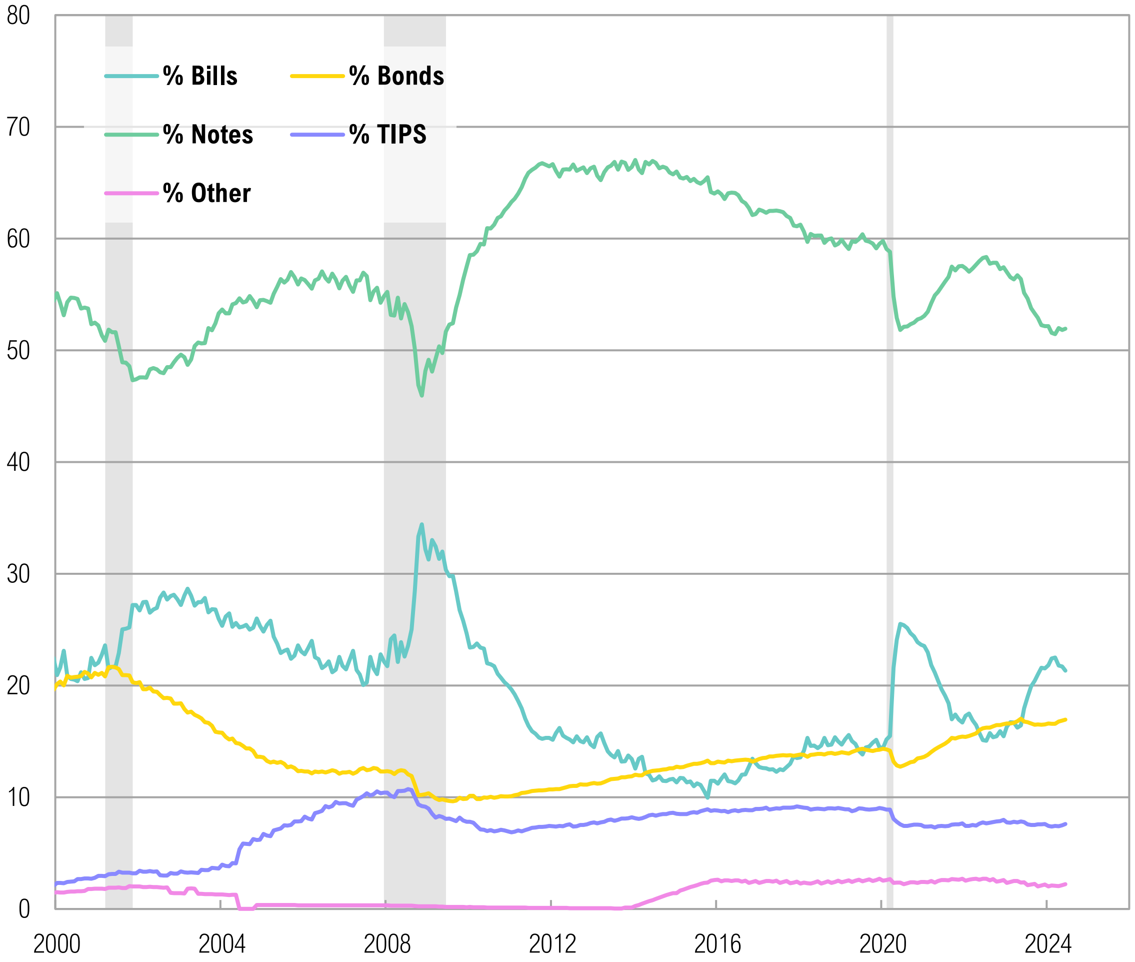
Over $8Tn in government debt is set to mature this year, and will be rolled at much higher rates; bill issuance has marginally declined, from 22.5% to 21.3% of total debt over the past quarter

Government Debt Maturity by Year, $Tn



Debt Distribution, % of Total U.S. Marketable Debt Outstanding



Source: Bloomberg

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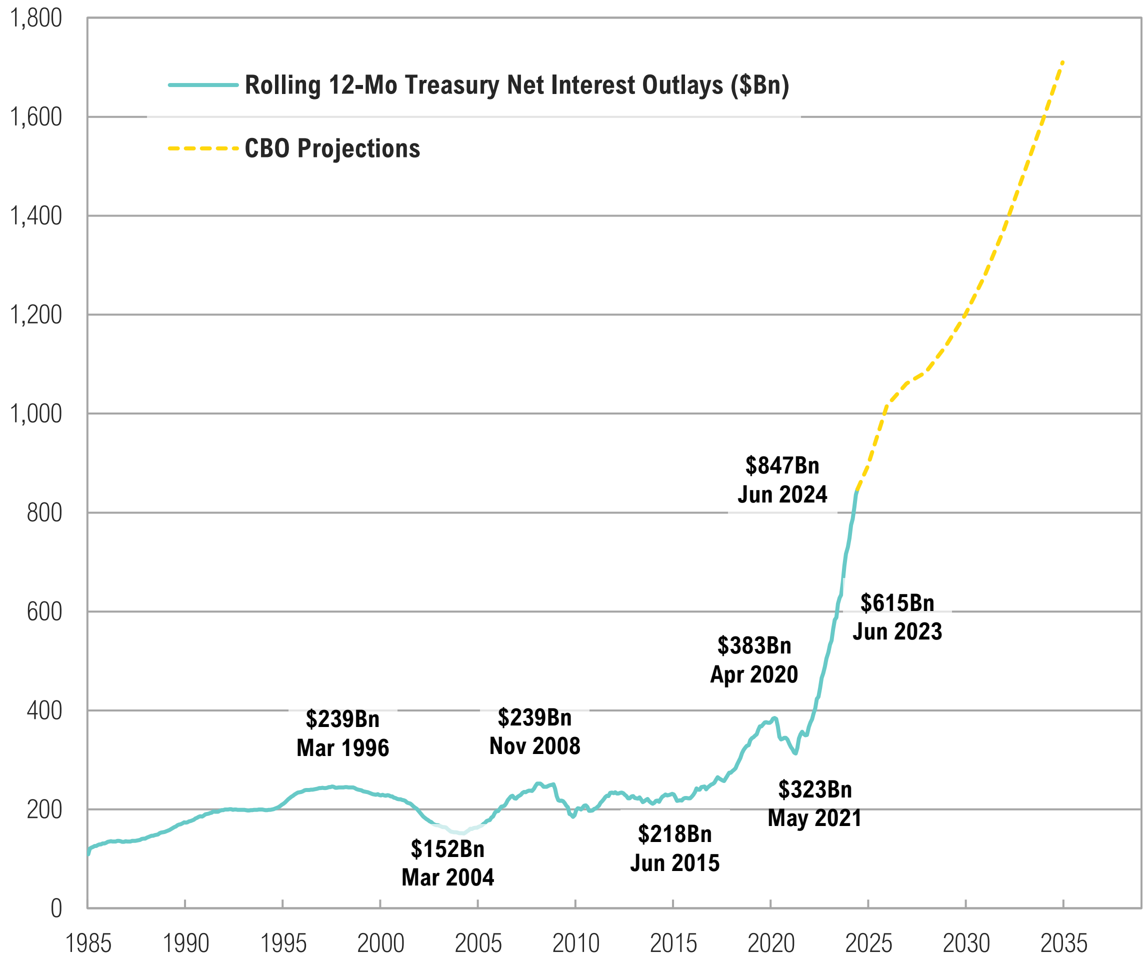
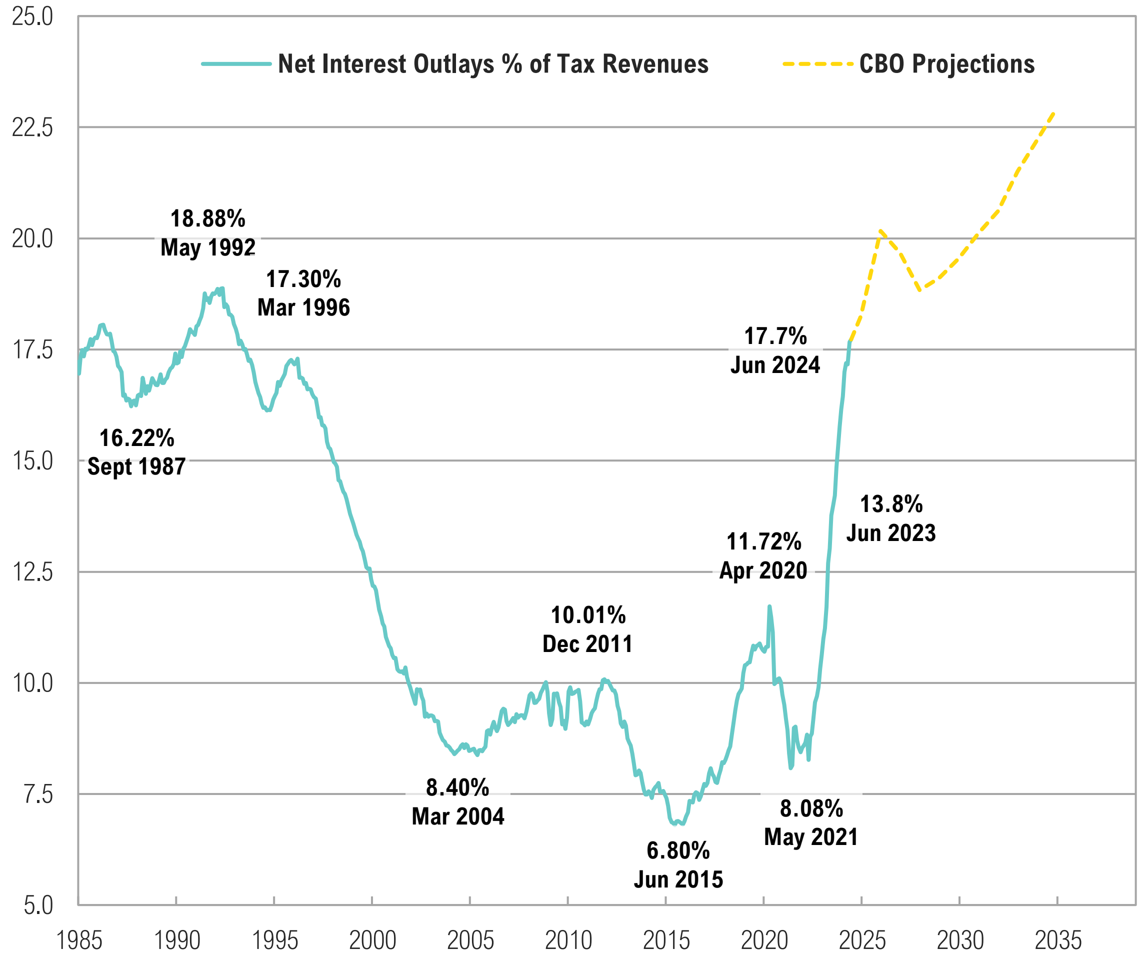
12-month Treasury net interest outlays rose over 37% to $847bn over the past year; tax receipts aren't keeping pace, with nearly 18% of taxes going only to net interest payments

12-Mo Rolling Treasury Net Interest Outlays, $Bn



Net Interest Outlays as a % of Total Tax Receipts



Source: U.S. Treasury, CBO. As of 6/30/2024.

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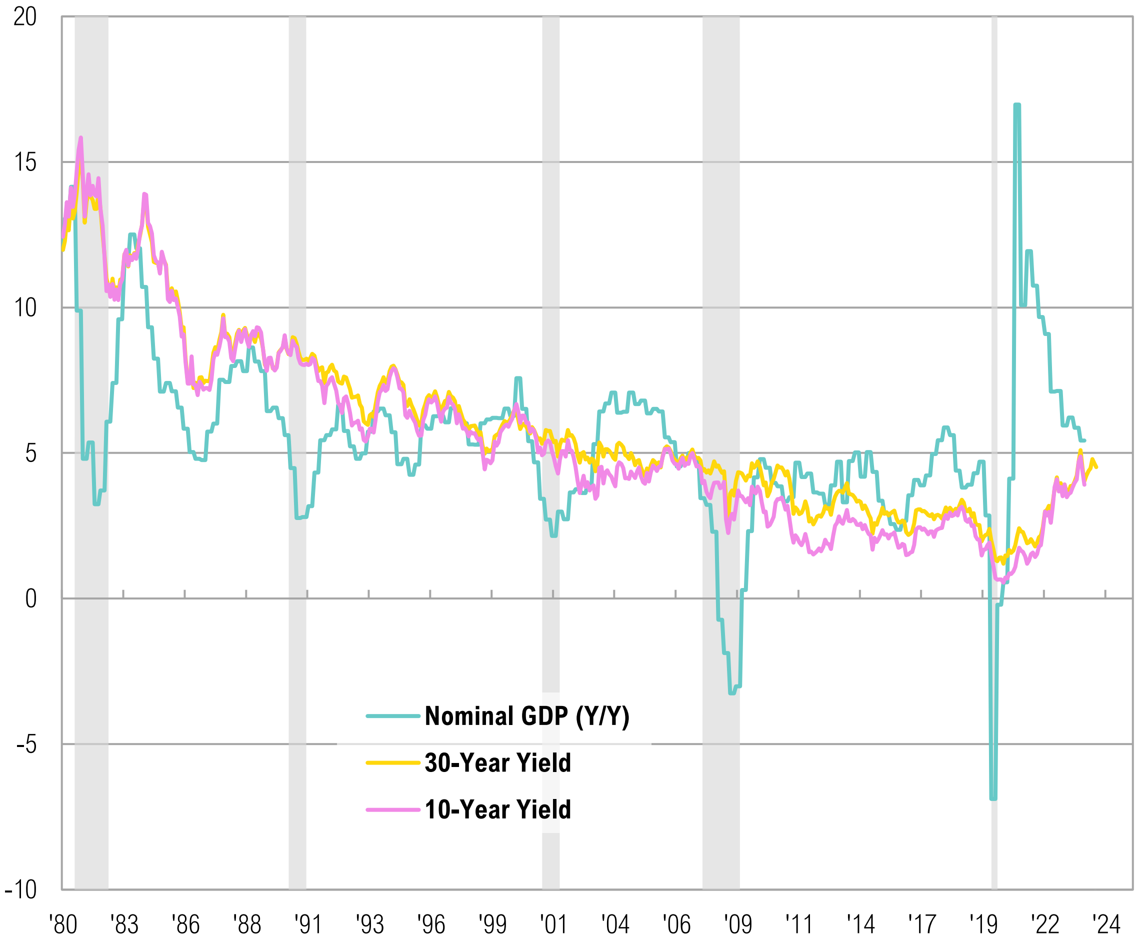
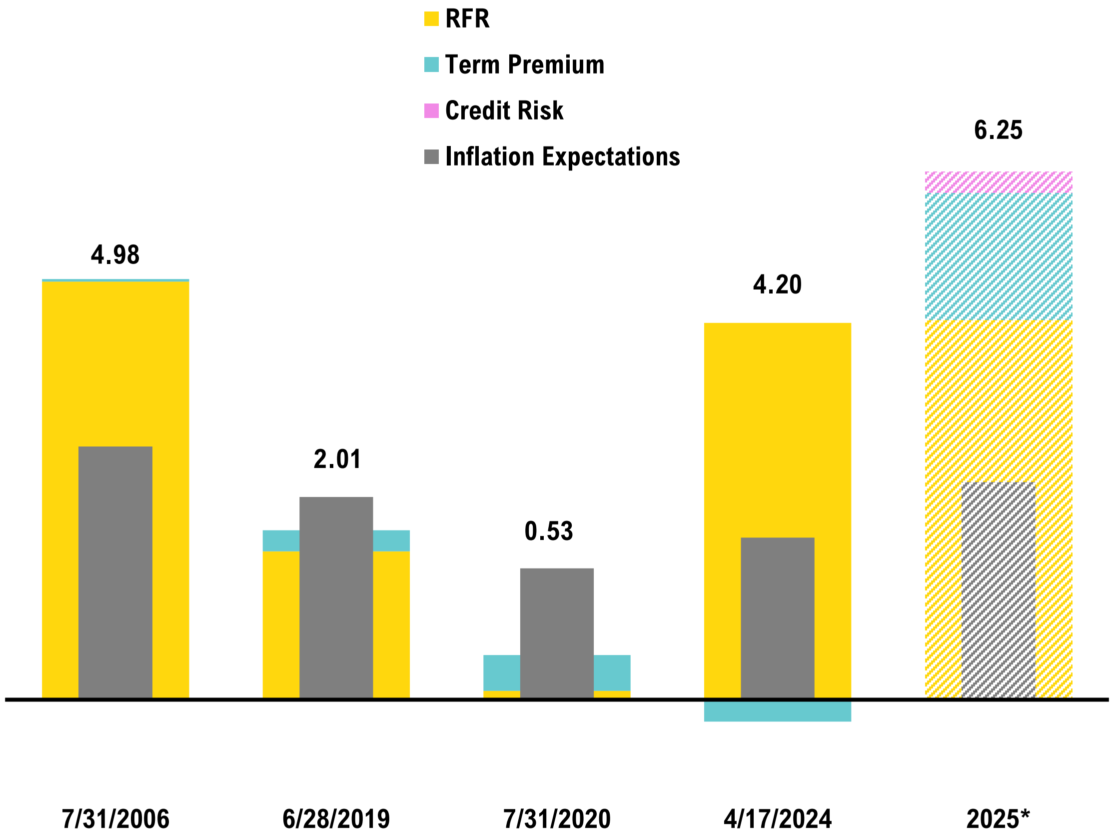
The fiscal balancing act: Historically, long-term yields tend to follow GDP, but what will happen in 2024 depends largely on policy

Nominal GDP (Y/Y) & Yields, %



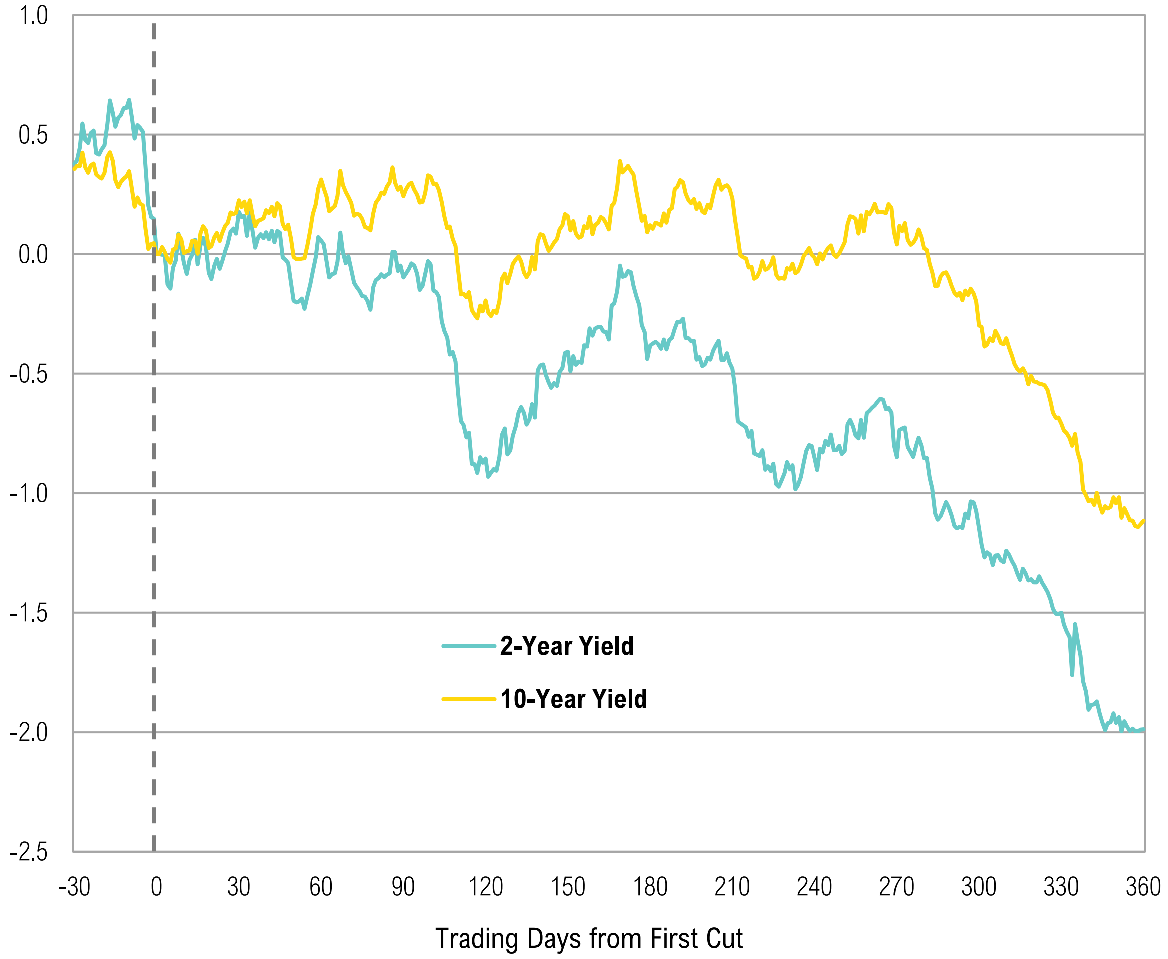
10-Year Yield Building Blocks, %



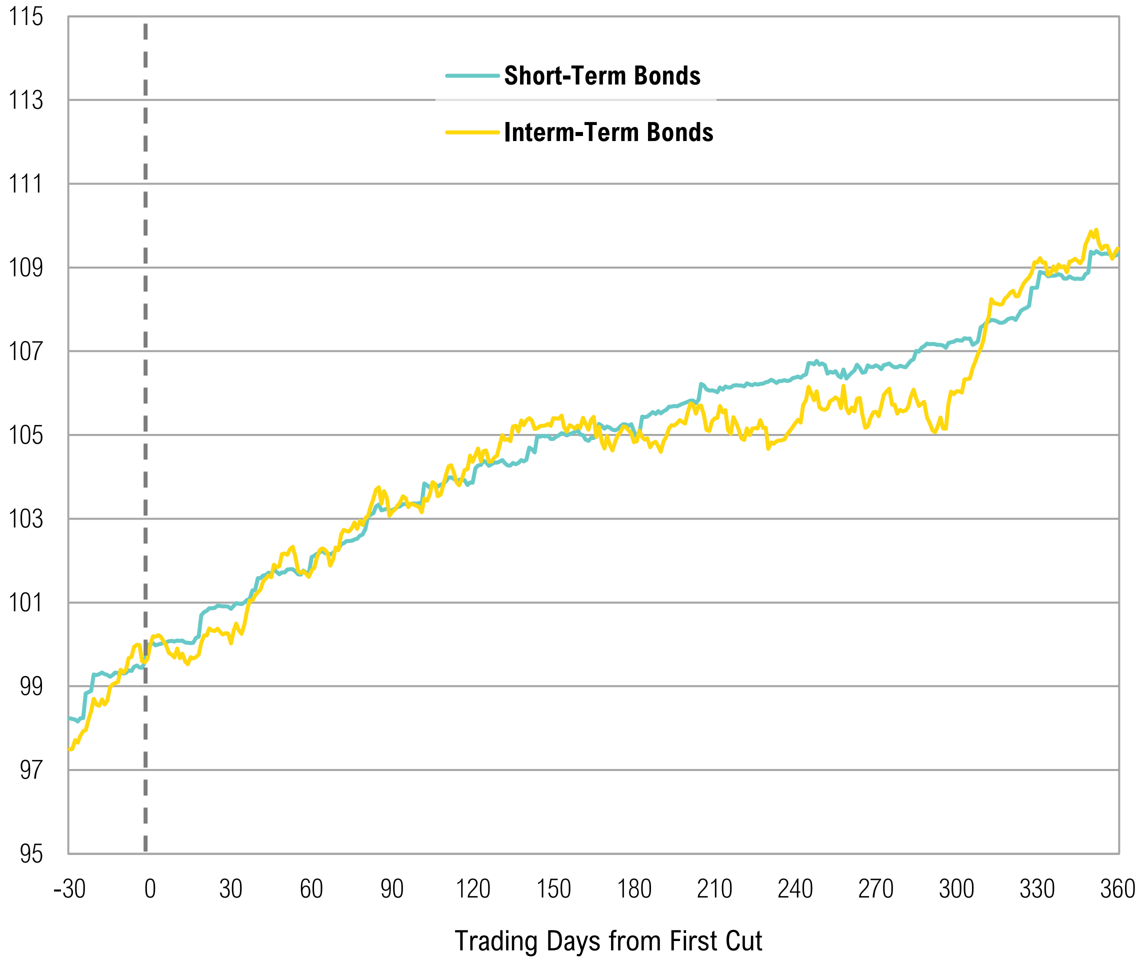
Source: Bloomberg, SpringTide calculations. RFR = risk free rate, proxied by 2-year Treasury yield; Term Premium = 2s10s Treasury spread; Credit Risk = hypothetical; Inflation Expectations = 10-year TIPS breakeven.
*2025 10-year yield breakdown is hypothetical. Assumptions are: RFR = 4.5%; Term Premium = 1.5% and Credit Risk = 0.25%.

During cutting cycles, the shorter end of the yield curve responds more aggressively than the longer end; underweight duration is a good place to be

Absolute Change in Yield, %, Avg. Previous 6 Major Cutting Cycles



Growth of 100, Average of Previous 3 Major Cutting Cycles



Source: Bloomberg, SpringTide. Major cutting cycles include 2007, 2001, 1995, 1989, 1984, 1981 and 1980. See appendix for asset class & index definitions.

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The 2–3-year part of yield curve has an attractive risk-reward profile—yields could rise 1.5% in the next year and total returns would still be positive

Estimated 1-Year Total Return for Given Change in Yields

Change in Yields (%)	3-Mnth	6-Mnth	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr	7-Yr	10-Yr	15-Yr	20-Yr	30-Yr
3.0%	4.6%	3.7%	2.0%	-1.1%	-4.1%	-6.7%	-9.2%	-13.7%	-19.4%	-28.1%	-34.0%	-44.1%
2.5%	4.7%	4.0%	2.5%	-0.2%	-2.7%	-4.9%	-7.0%	-10.8%	-15.5%	-22.7%	-27.6%	-36.1%
2.0%	4.9%	4.2%	2.9%	0.8%	-1.3%	-3.1%	-4.7%	-7.8%	-11.6%	-17.3%	-21.2%	-28.0%
1.5%	5.0%	4.5%	3.4%	1.7%	0.0%	-1.3%	-2.5%	-4.8%	-7.6%	-11.9%	-14.8%	-19.9%
1.0%	5.1%	4.7%	3.9%	2.6%	1.4%	0.5%	-0.3%	-1.8%	-3.7%	-6.5%	-8.4%	-11.8%
0.5%	5.2%	5.0%	4.4%	3.5%	2.8%	2.3%	1.9%	1.1%	0.2%	-1.1%	-1.9%	-3.7%
0.0%	5.3%	5.2%	4.8%	4.4%	4.2%	4.1%	4.1%	4.1%	4.2%	4.3%	4.5%	4.4%
-0.5%	5.5%	5.4%	5.3%	5.4%	5.6%	5.9%	6.3%	7.1%	8.1%	9.7%	10.9%	12.5%
-1.0%	5.6%	5.7%	5.8%	6.3%	7.0%	7.7%	8.5%	10.1%	12.1%	15.1%	17.4%	20.6%
-1.5%	5.7%	5.9%	6.3%	7.2%	8.4%	9.5%	10.7%	13.0%	16.0%	20.5%	23.8%	28.8%
-2.0%	5.8%	6.2%	6.8%	8.1%	9.8%	11.4%	12.9%	16.0%	19.9%	26.0%	30.2%	36.9%
-2.5%	5.9%	6.4%	7.2%	9.0%	11.1%	13.2%	15.1%	19.0%	23.9%	31.4%	36.7%	45.1%
-3.0%	6.1%	6.6%	7.7%	10.0%	12.5%	15.0%	17.3%	22.0%	27.8%	36.8%	43.2%	53.3%
Duration (Yrs)	0.2	0.5	1.0	1.8	2.8	3.6	4.4	6.0	7.9	10.8	12.9	16.2
Yield YTM	5.3	5.2	4.8	4.4	4.2	4.1	4.1	4.1	4.2	4.3	4.5	4.4
Convexity	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.2*	*0.2*	*0.4*	*0.7*	*1.5*	*2.2*	*3.8*

Yield Increase Insulation by Tenor:

- **2-Year: +2.0% (rise in yields)**
- **3-Year: +1.5%**
- **4-Year: +1.0%**
- **5-Year: +0.5%**

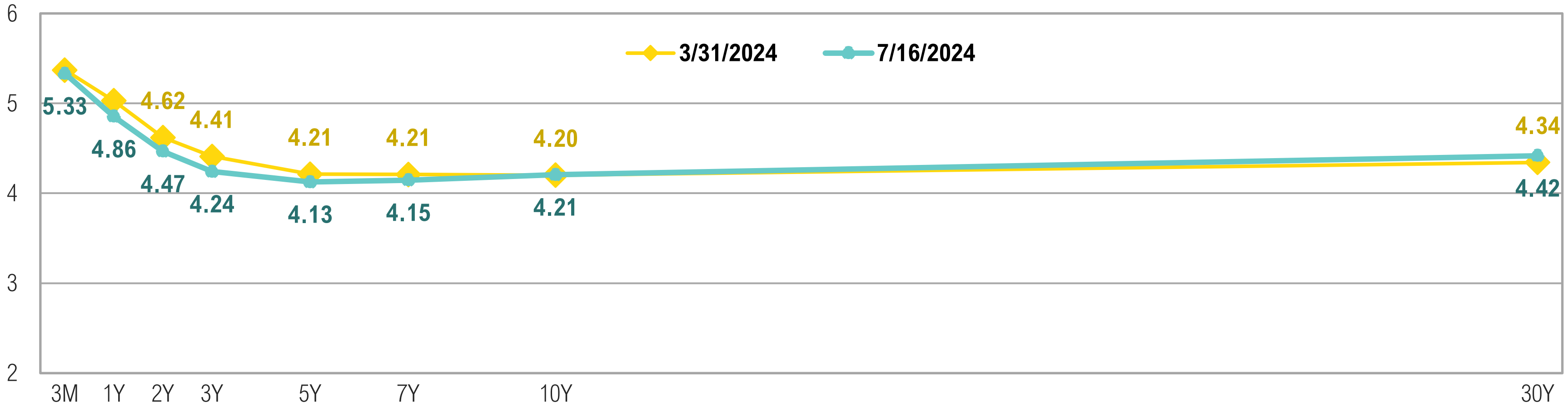
Total Returns by Tenor (for a 1% decline in yields):

- **15-Year: +15.1%**
- **20-Year: +17.4%**
- **30-Year: +20.6%**

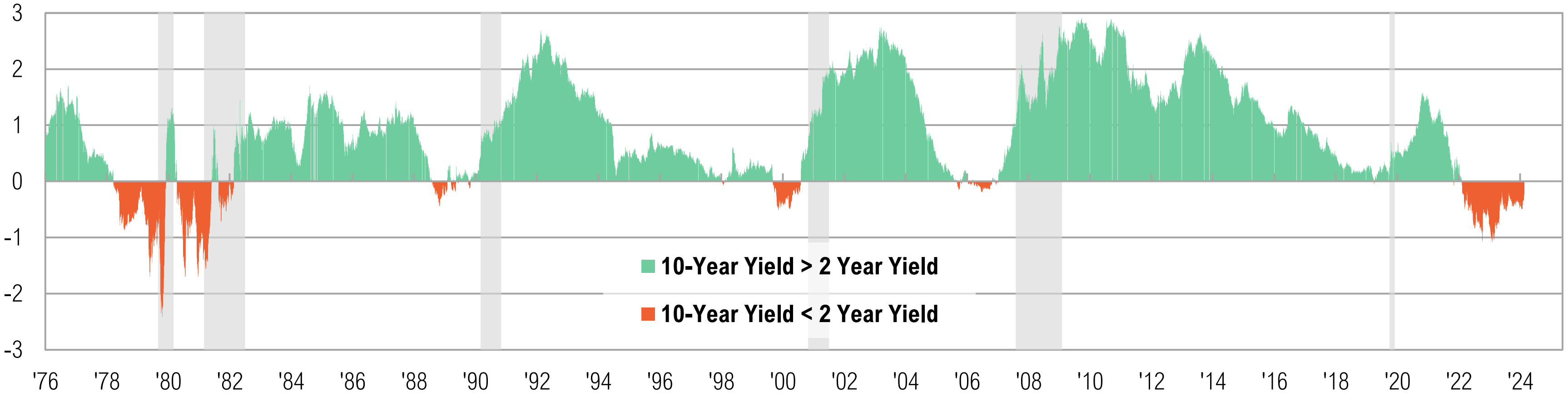
Source: Bloomberg. As of 7/17/2024.

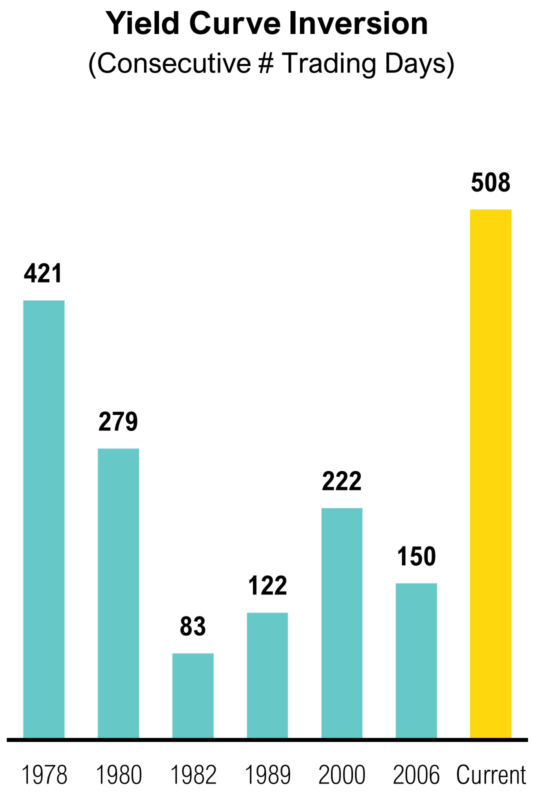
The yield curve remained relatively unchanged over the quarter; it has now been more than 2 years since the yield curve inverted and remains inverted at -26bps

U.S. Treasury Yield Curve, %



U.S. 10-Year Treasury Yield – U.S. 2-Year Treasury Yield, %





Source: Bloomberg. As of 7/16/2024.

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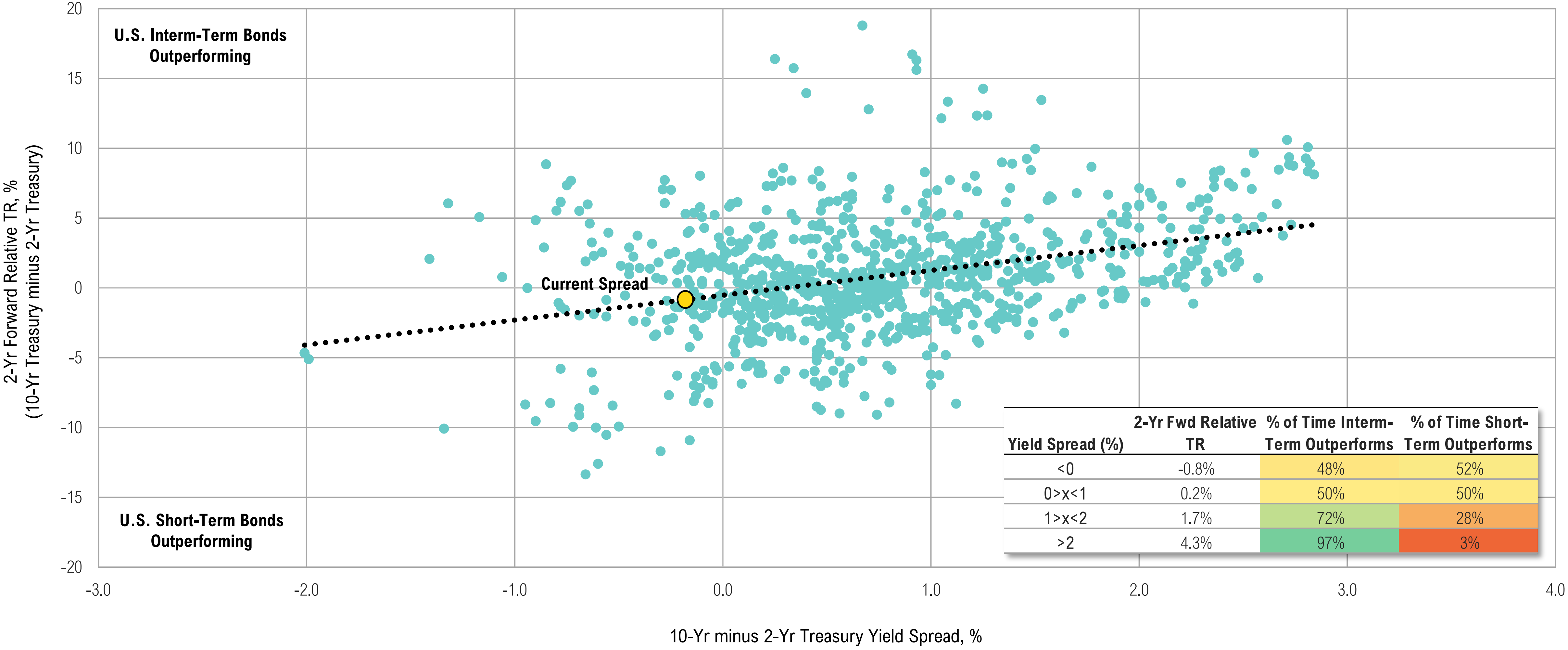
When the 2s10s spread is above 2%, investors should generally hold longer duration bonds; when it is between 1% and 2%, it is not a home run; and below 1% is a coin toss



Yield Spread (%)	2-Yr Fwd Relative TR	% of Time Interm-Term Outperforms	% of Time Short-Term Outperforms
<0	-0.8%	48%	52%
0>x<1	0.2%	50%	50%
1>x<2	1.7%	72%	28%
>2	4.3%	97%	3%

Source: Bloomberg, GFD, SpringTide calculations. Period of analysis from 12/31/1940 through 1/31/2023.

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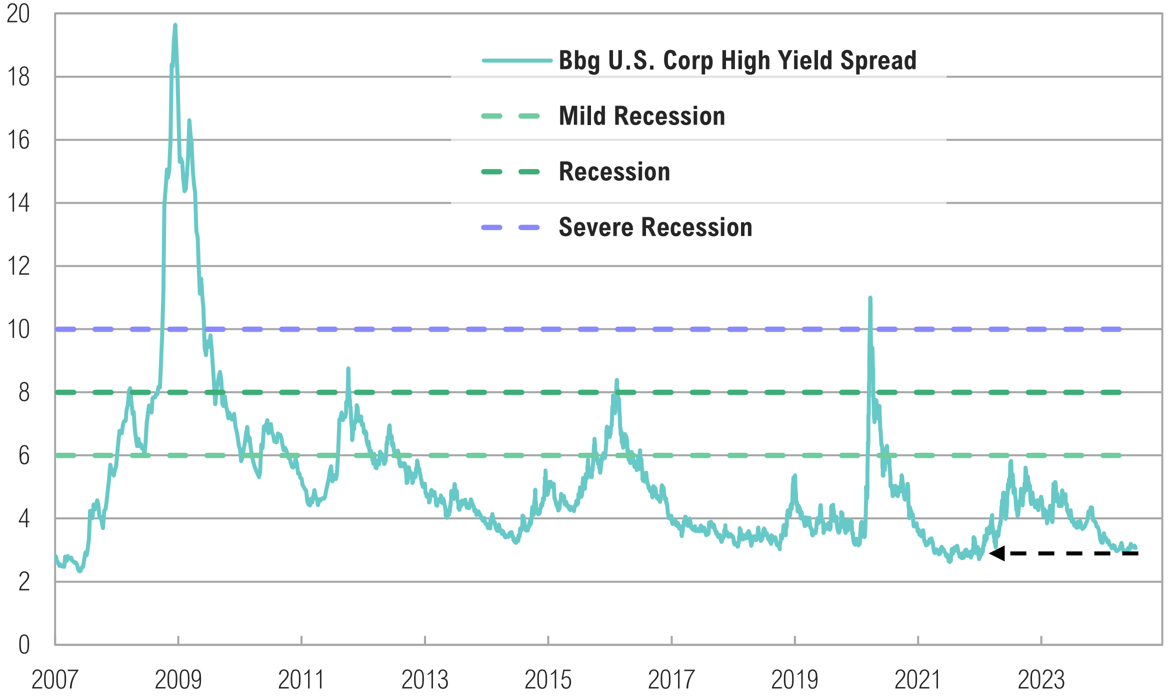
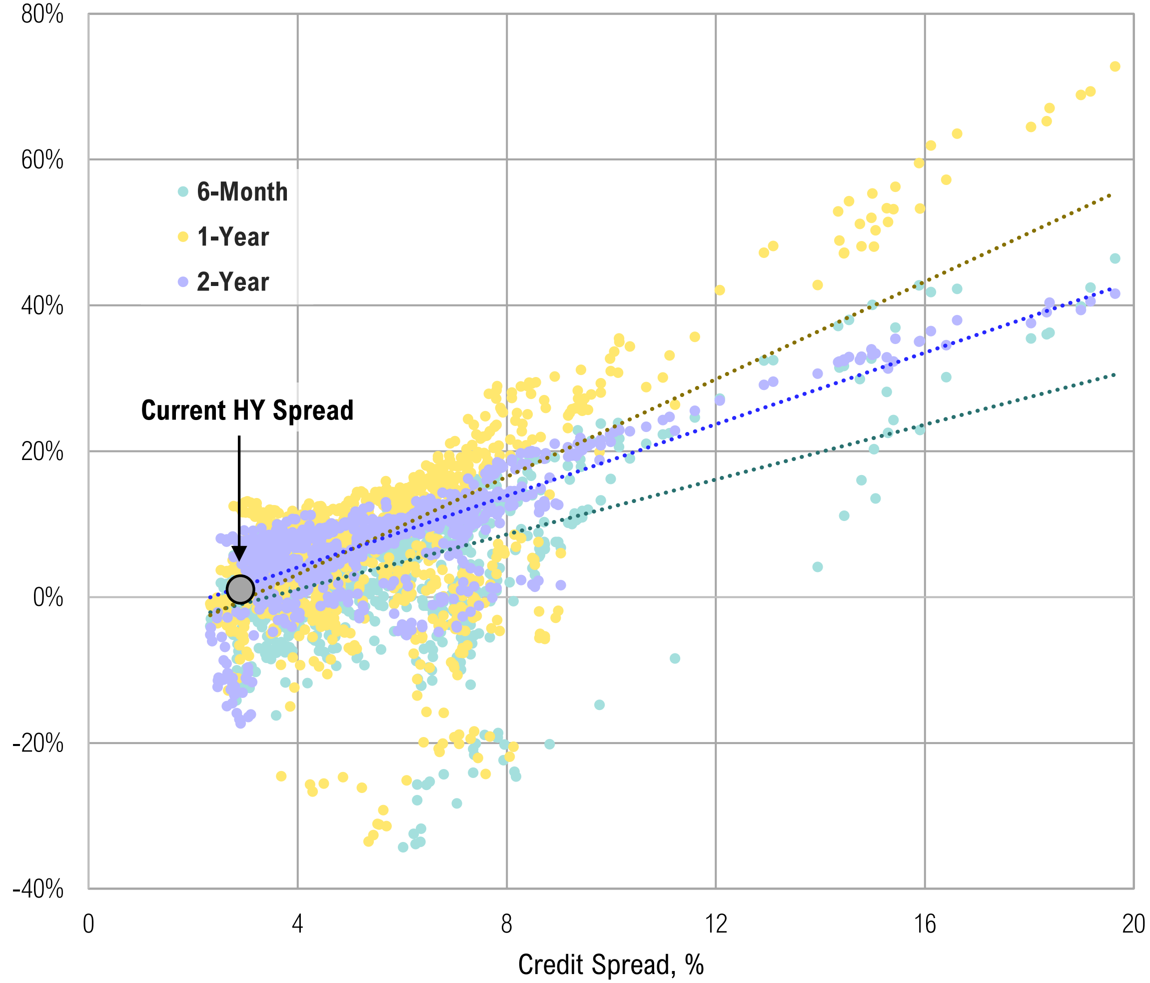
Not attractive: at ~307bps, credit spreads are in line with pre-COVID lows and even nearing 2021 levels; low credit spreads continue to suggest runway for the economy (i.e., a 'soft landing')



Average Forward Return

Spread Buckets	3M	6M	1Y	2Y	3Y
≤4	0.7%	1.9%	4.8%	3.0%	3.9%
4 < Spread ≤ 6	1.6%	3.2%	5.6%	6.5%	6.3%
6 < Spread ≤ 8	1.4%	2.2%	7.7%	9.8%	10.2%
>8	7.4%	16.4%	30.2%	22.1%	17.1%
All Spreads	1.7%	3.7%	8.1%	7.7%	7.9%



Source: SpringTide, Bloomberg. Forward return analysis from 2/4/1994 through 12/31/2023.

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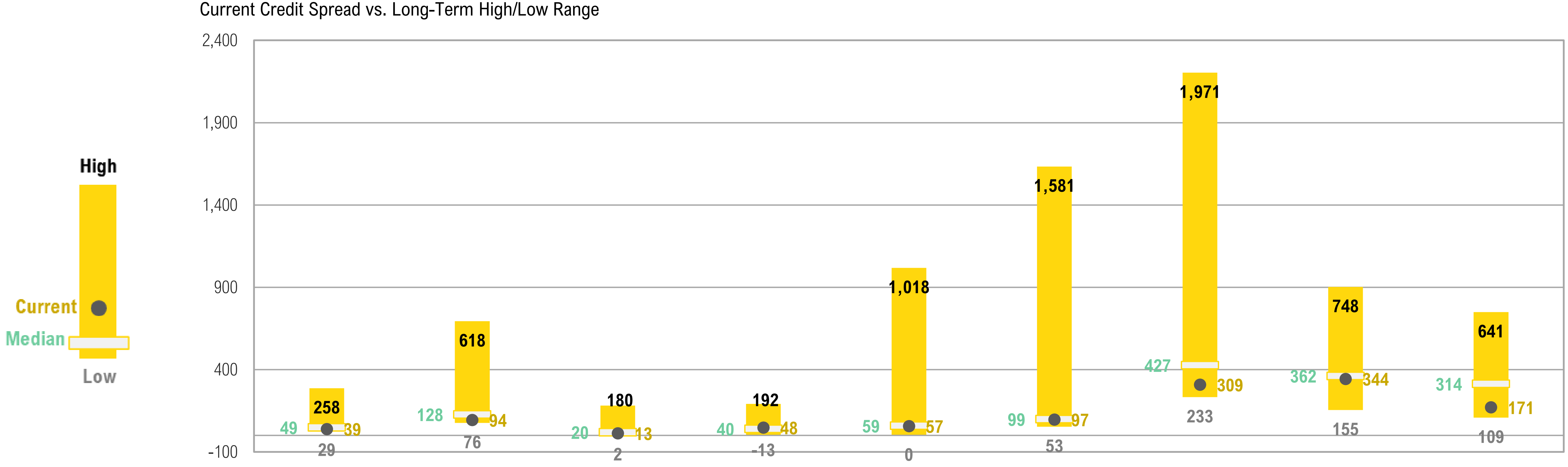
Credit spreads are near or below median across most sectors; high-yield bond spreads at current levels suggest that the economy may achieve a ‘soft landing’



	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 12/31/23	42	99	17	47	68	126	323	319	235
Spread on 12/31/22	51	130	26	51	76	120	469	374	228
Spread on 12/31/21	36	92	8	31	38	68	283	330	200
Spread on 12/31/20	42	96	10	39	33	81	360	323	275

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

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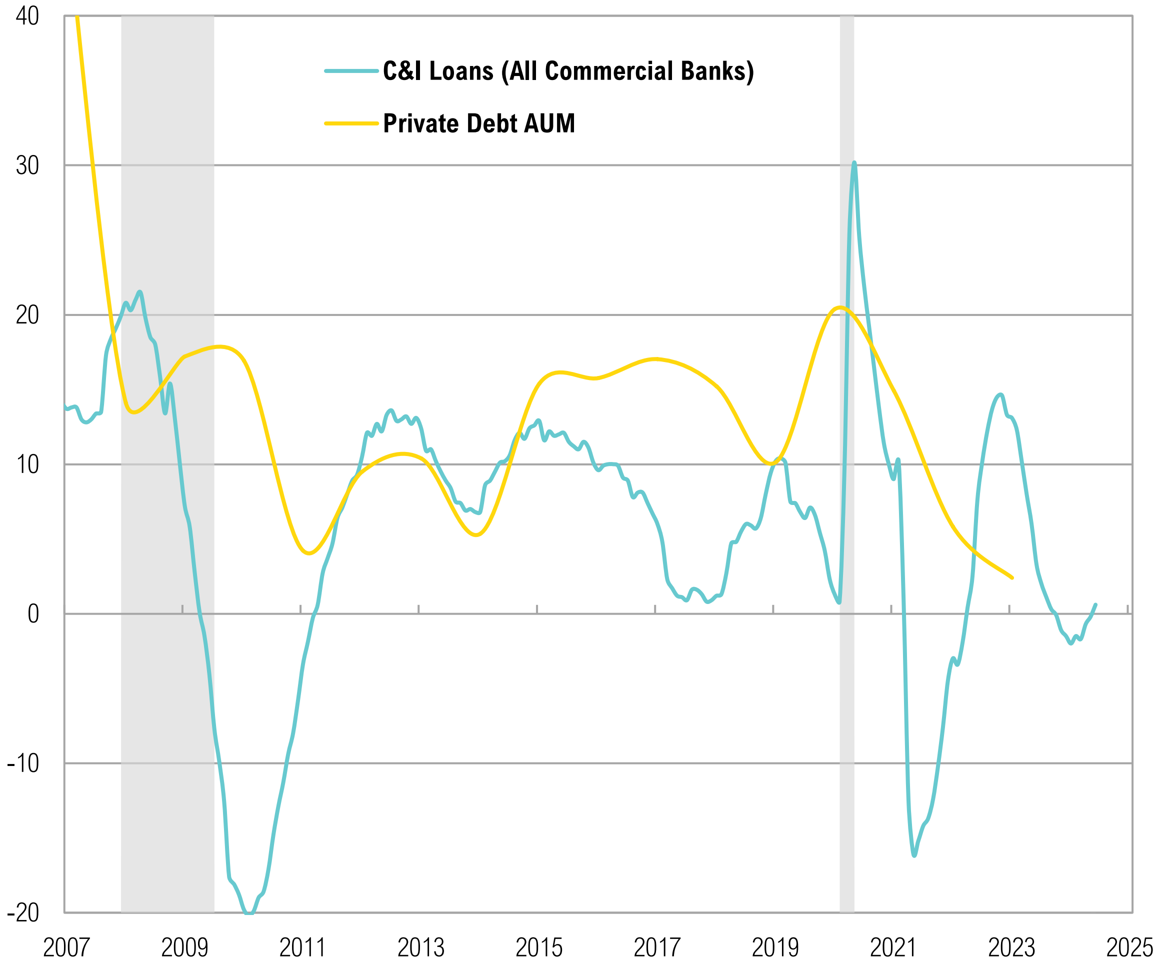
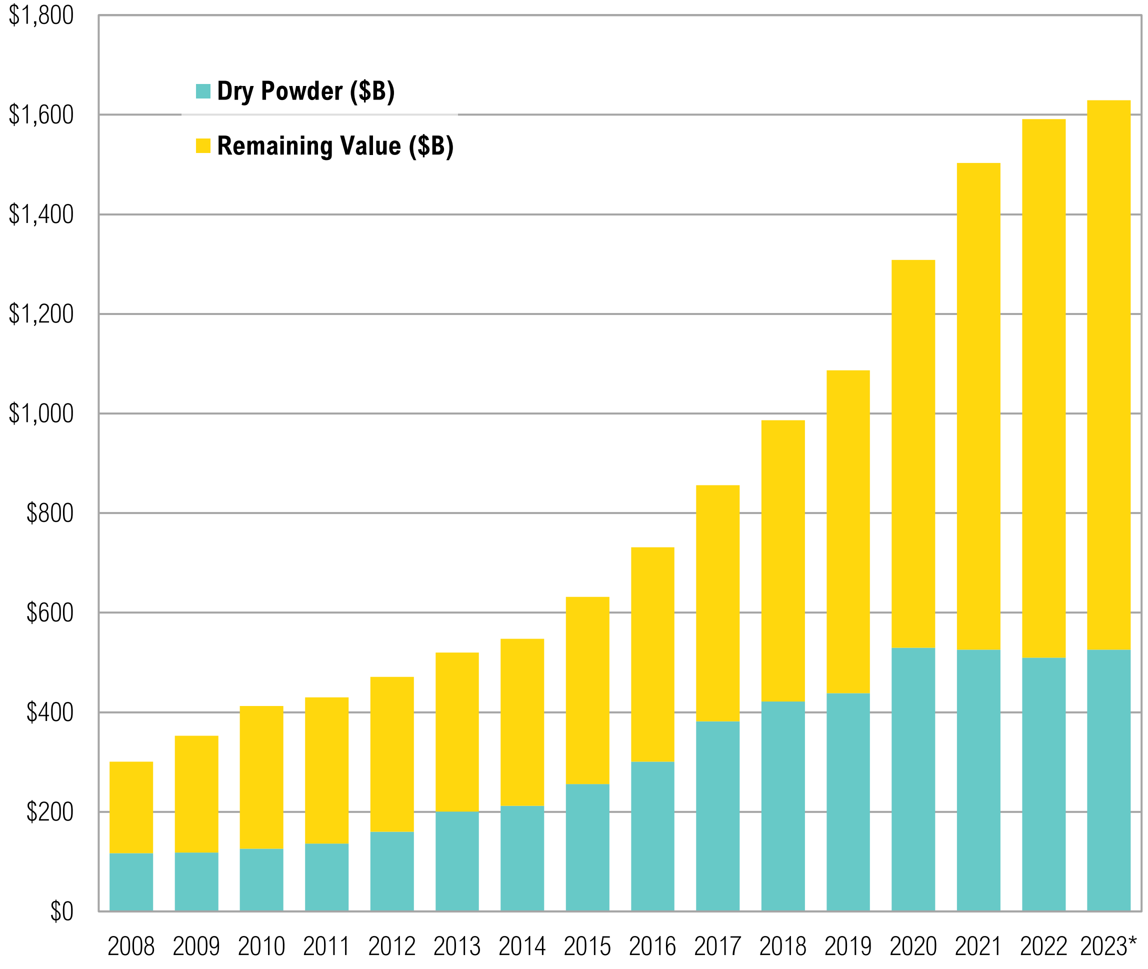
Private credit continues to grow, and is helping to fill the void left by declining commercial bank lending

Commercial & Industrial Loans, All Commercial Banks, Y/Y % Change



Private Debt AUM, $Bn



Source: Bloomberg, Pitchbook. Private Debt AUM as of 9/30/2023.

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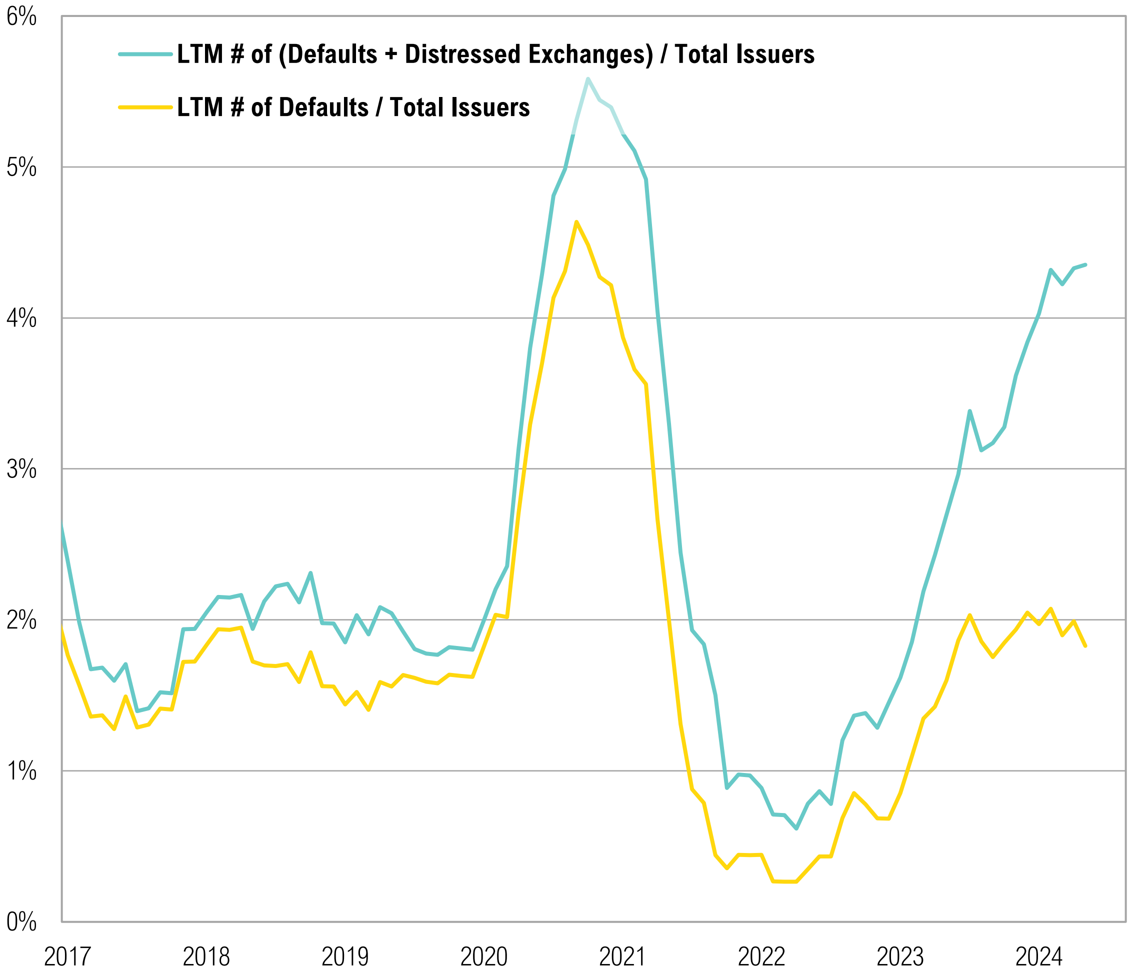
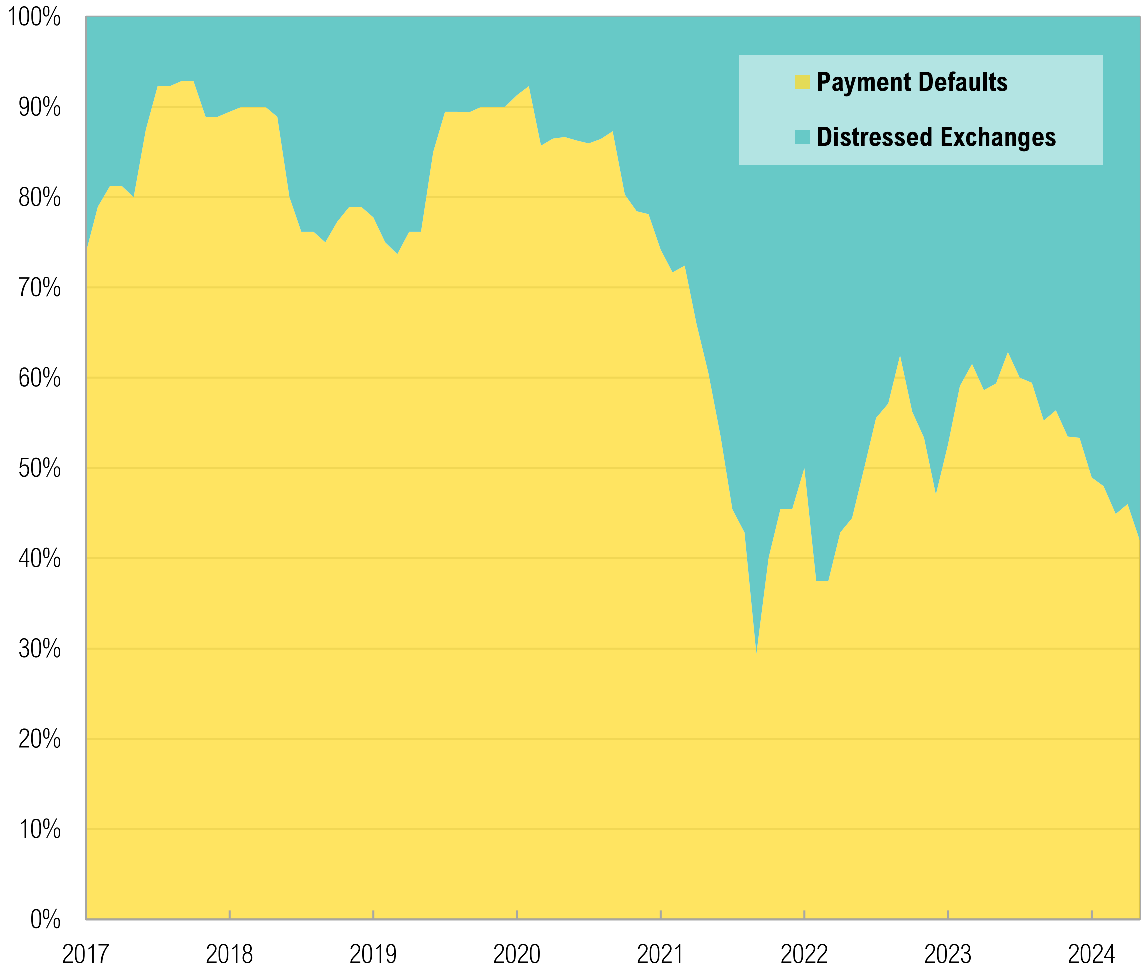
Distressed exchanges are replacing traditional defaults, masking issues

Leveraged Loan Default Rate, %



Proportion of Defaults, %



Source: Pitchbook. As of 5/31/2024.

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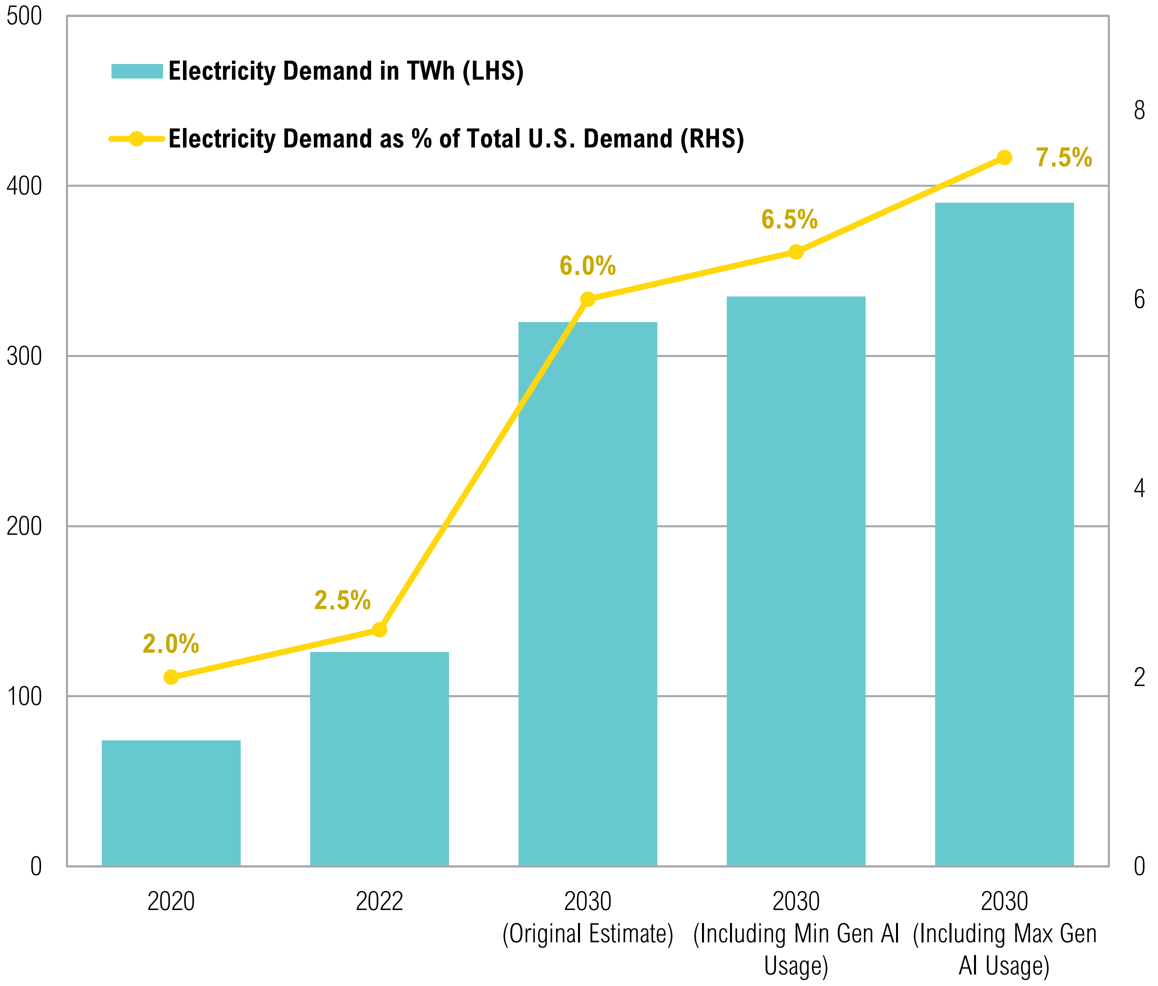
It is widely estimated that global electricity consumption from data centers will increase to approximately 10% of total electricity demand by 2030, up from approximately 2% today. To put this in context, this means that to satisfy the needs of data centers alone, which doesn't factor in the penetration of EVs or broader economic electrification, the additional generation capacity required by data centers is equivalent to the size of the current U.S. power grid.

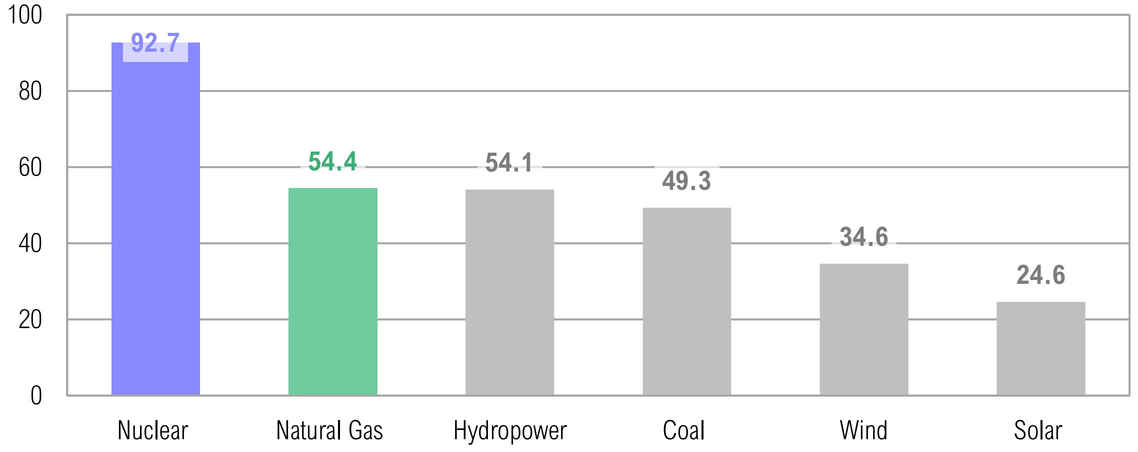
Connor Teskey, *Managing Partner at Brookfield Renewable*

AI and data centers are expected to be key drivers of future U.S. power demand; given consistent output requirements for data centers, natural gas and nuclear are the best energy sources to meet demand

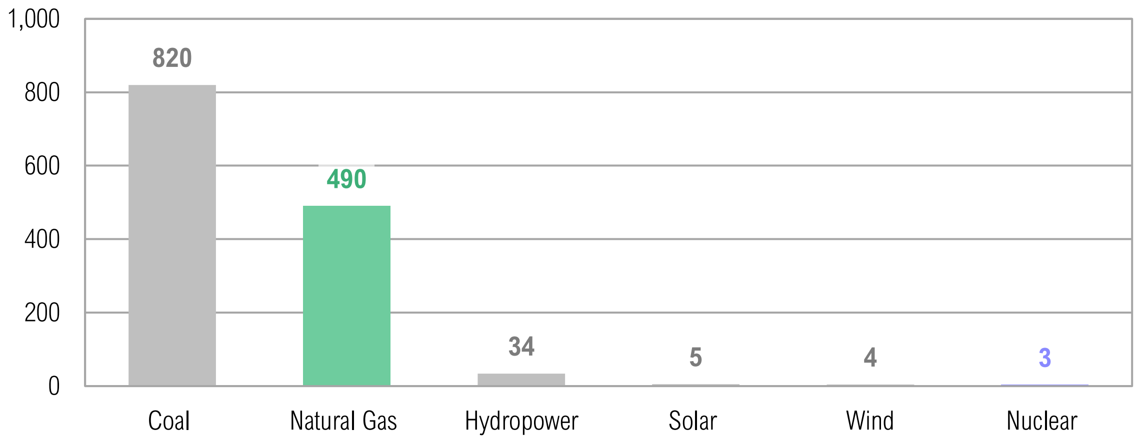
U.S. Data Center Elec. Demand, TWh   Data Center Elec. Demand, % of Total Elec. Demand



Actual Output as a % of Maximum Possible Output (Capacity Factor)



C02 Emissions, CO_2/GWh



Source: Bloomberg, BCG, EIA.

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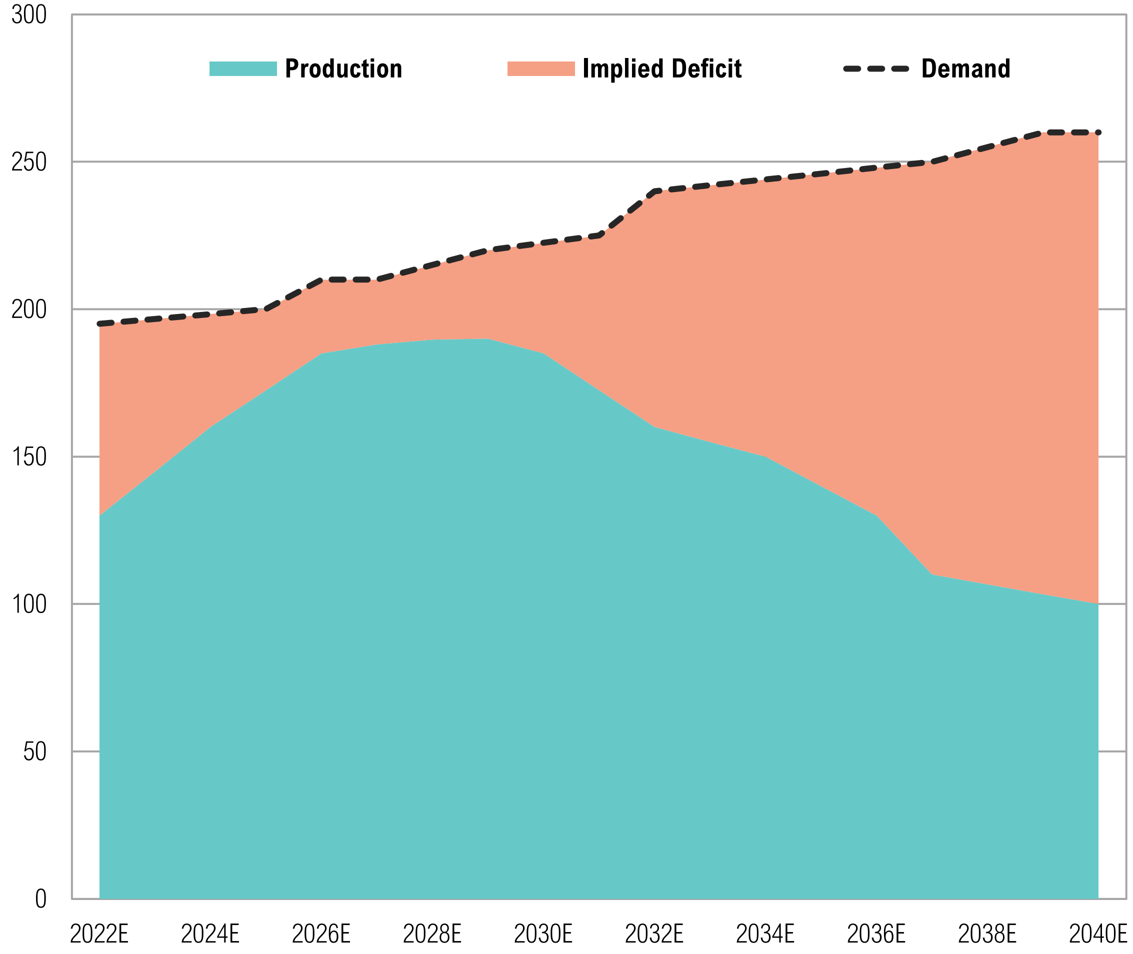
Uranium production remains in a structural supply deficit; despite seeing a supply response from restarted idled mines, there needs to be meaningful investments in new projects to clear deficit (but this has yet to materialize)

Estimated Uranium Supply & Demand, Million Pounds of U_3O_8*



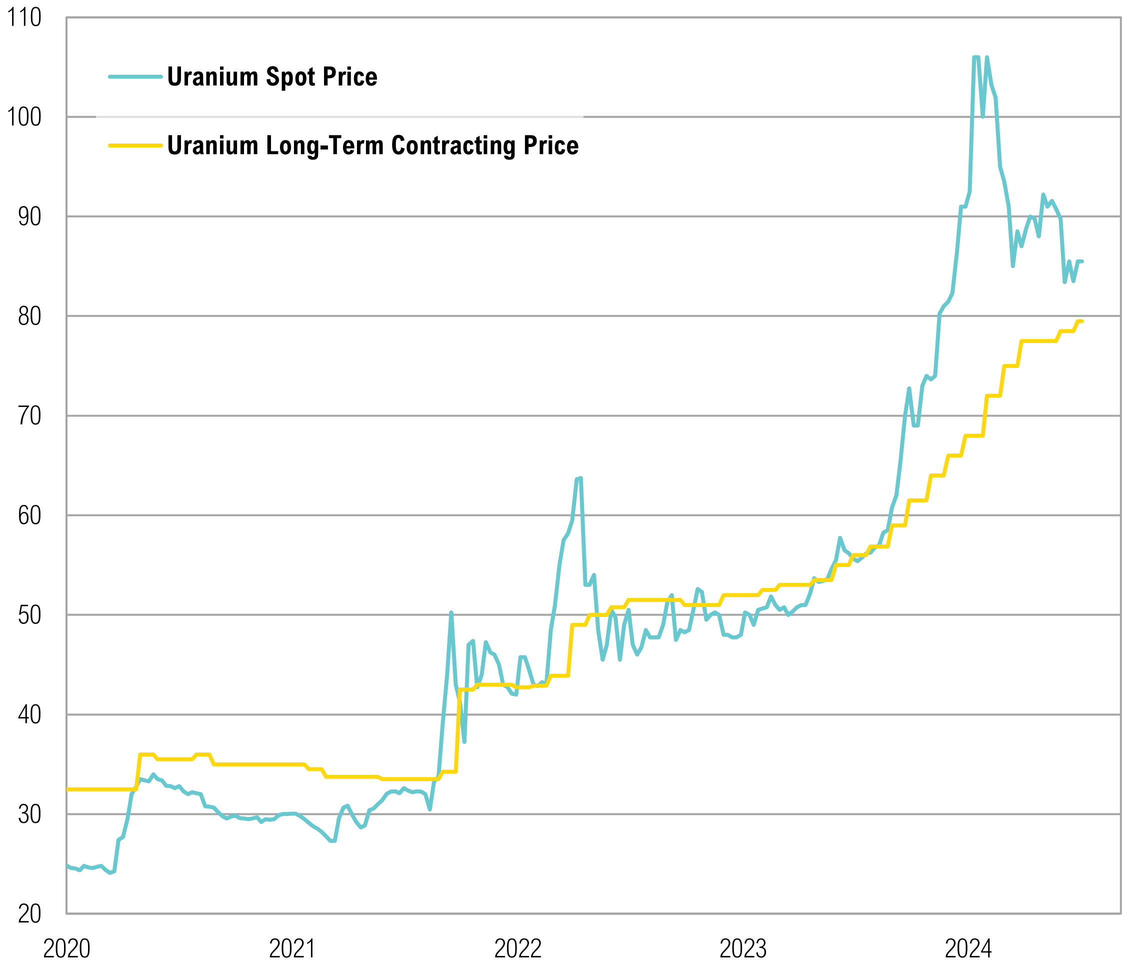
Uranium Mining Projects, Production Capacity in Million Pounds of U_3O_8*

Project	Owner	2022	2023	2024	2025	2026	2027
Restarted Idled Capacity		**1.1**	**13.6**	**24.4**	**42.2**	**49.4**	**57.2**
McArthur River	Cameco	1.1	13.5	18	18.2	18.4	18.2
Rabbit Lake	Cameco						3.6
Cameco U.S.	Cameco					1	1.4
Multiple	Kazatomprom			1.7	12.9	15.6	18.6
Langer Heinrich	Paladin Energy			2.5	3.5	4.5	5.5
Lost Creek	Ur-Energy		0.1	0.7	1	1	1
Shirley Basin	Ur-Energy					1	1
Honeymoon	Boss Energy			0.8	1.6	2.5	2.5
Christensen Ranch	Uranium Energy			0.3	1	1	1
Rosita	Encore Energy			0.3	0.8	0.8	0.8
Alta Mesa	Encore Energy			0.1	1	1	1
McClean Lake	Denison Mines				0.8	0.6	0.6
Nichols Ranch	Energy Fuels				0.3	0.6	0.6
Whirlwind	Energy Fuels					0.3	0.3
Pinyon Plain	Energy Fuels				0.5	0.5	0.5
La Sal & Pandora	Energy Fuels				0.6	0.6	0.6
New Mines Under Development					**0.3**	**2.5**	**4.9**
Dasa	Global Atomic				0.3	2.5	4.9

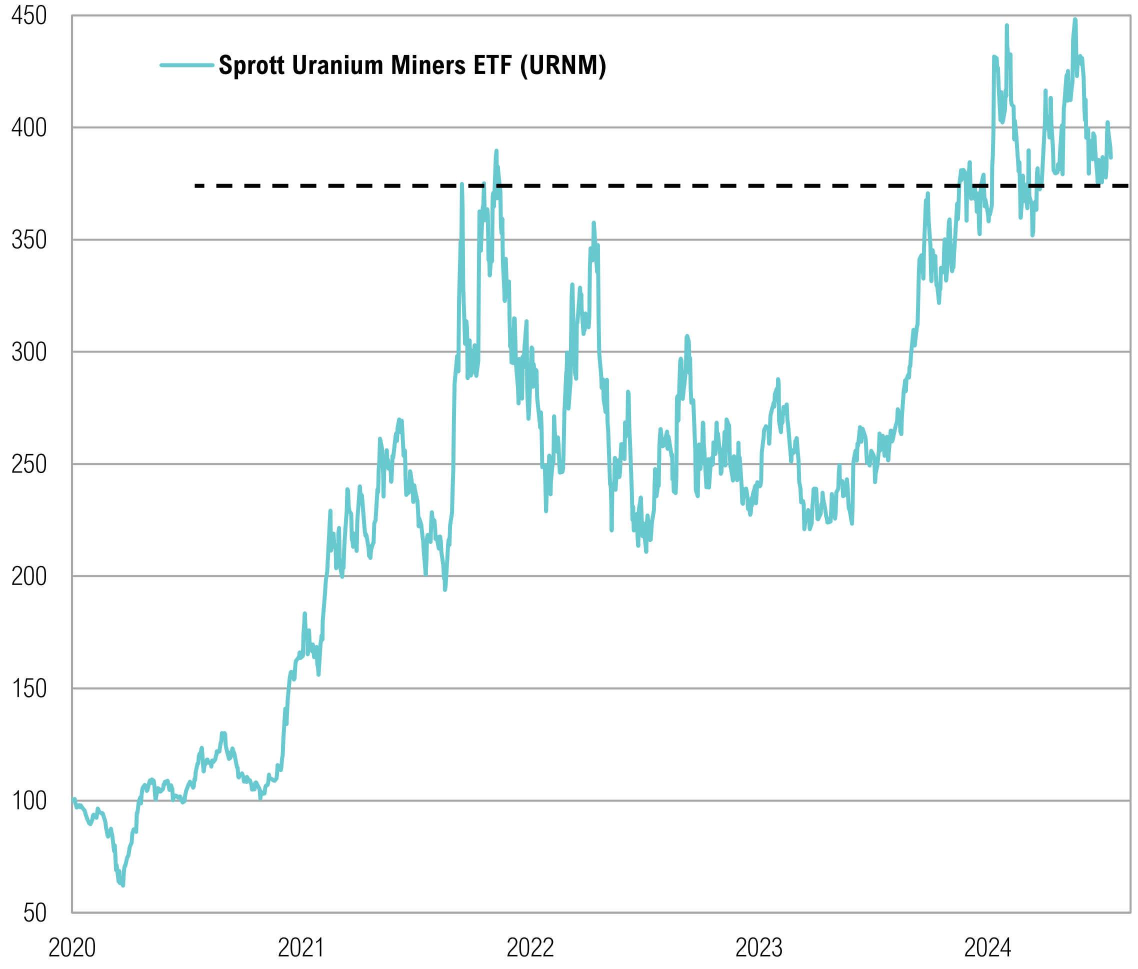
Source: Bloomberg, U.S. Department of Energy, Sprott. *World Nuclear Association estimate, as Q2 2023.

Spot uranium prices have pulled back since peaking in February, but long-term contracting prices (the prices negotiated between utilities and miners) continue to move higher; uranium miners are trading at/near key technical support levels

Uranium Spot Price, $/lbs



Growth of 100



Source: Bloomberg

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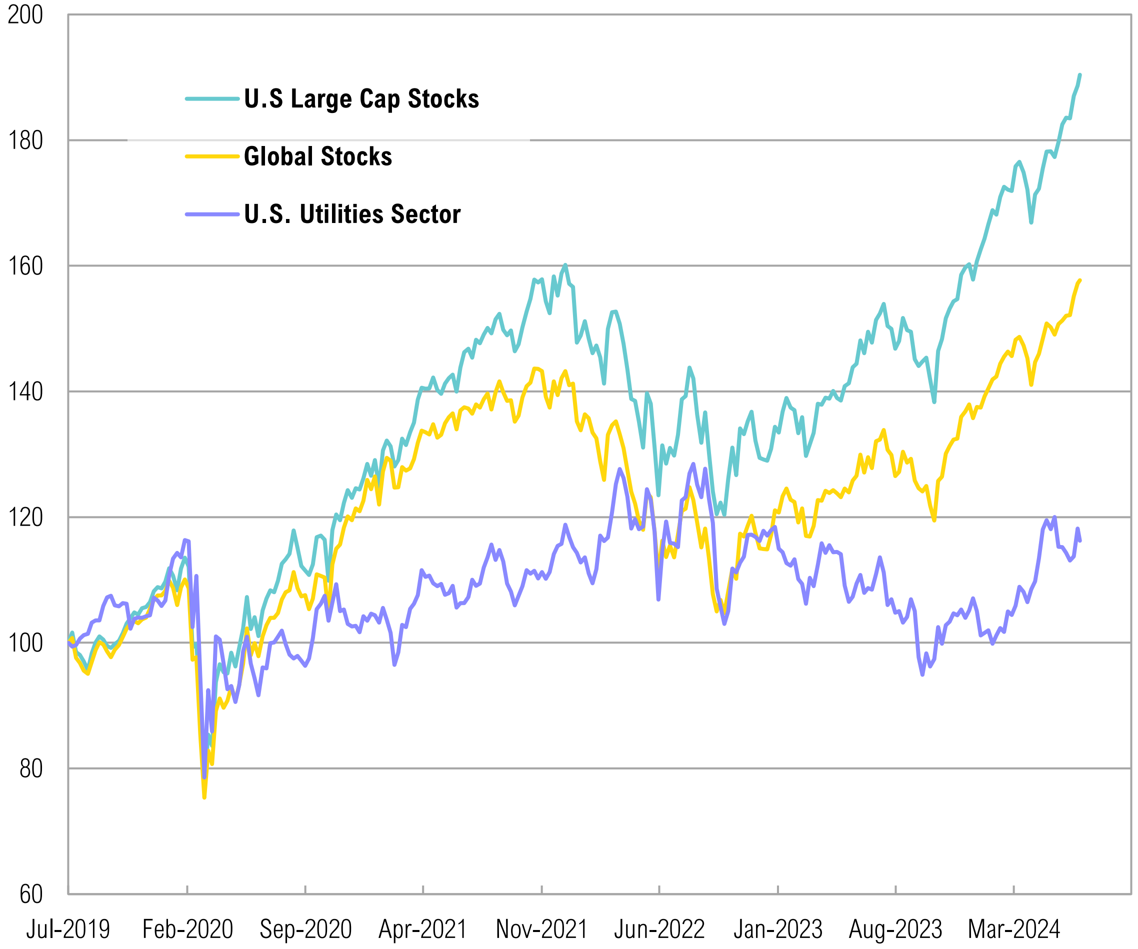
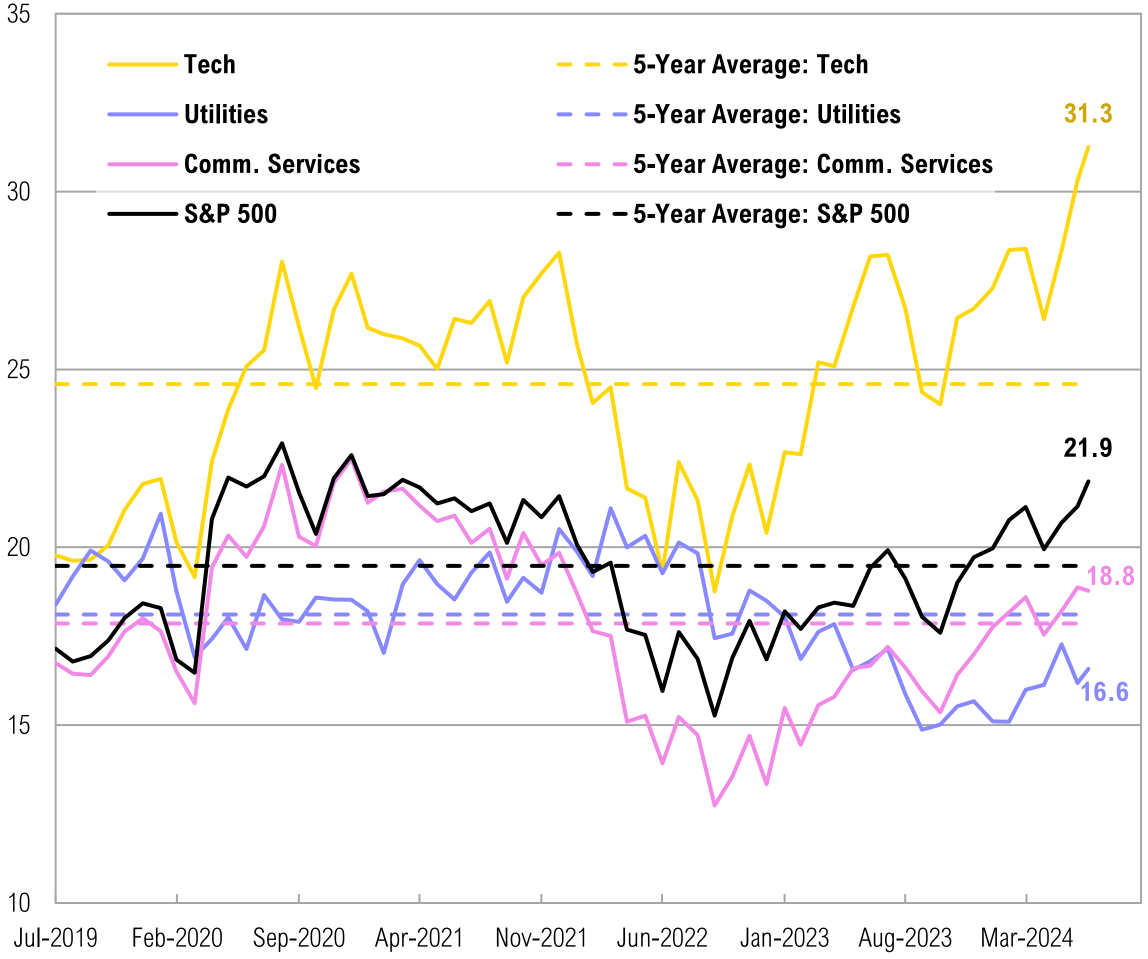
Despite the recent rally, U.S. utilities have significantly trailed U.S. large-cap stocks and global stocks over the past five years; unlike most sectors, utility valuations remain below their 5-year averages

Growth of 100



Price-to-Earnings Ratio, 12-Month Forward



Source: Bloomberg. As of 7/16/2024.

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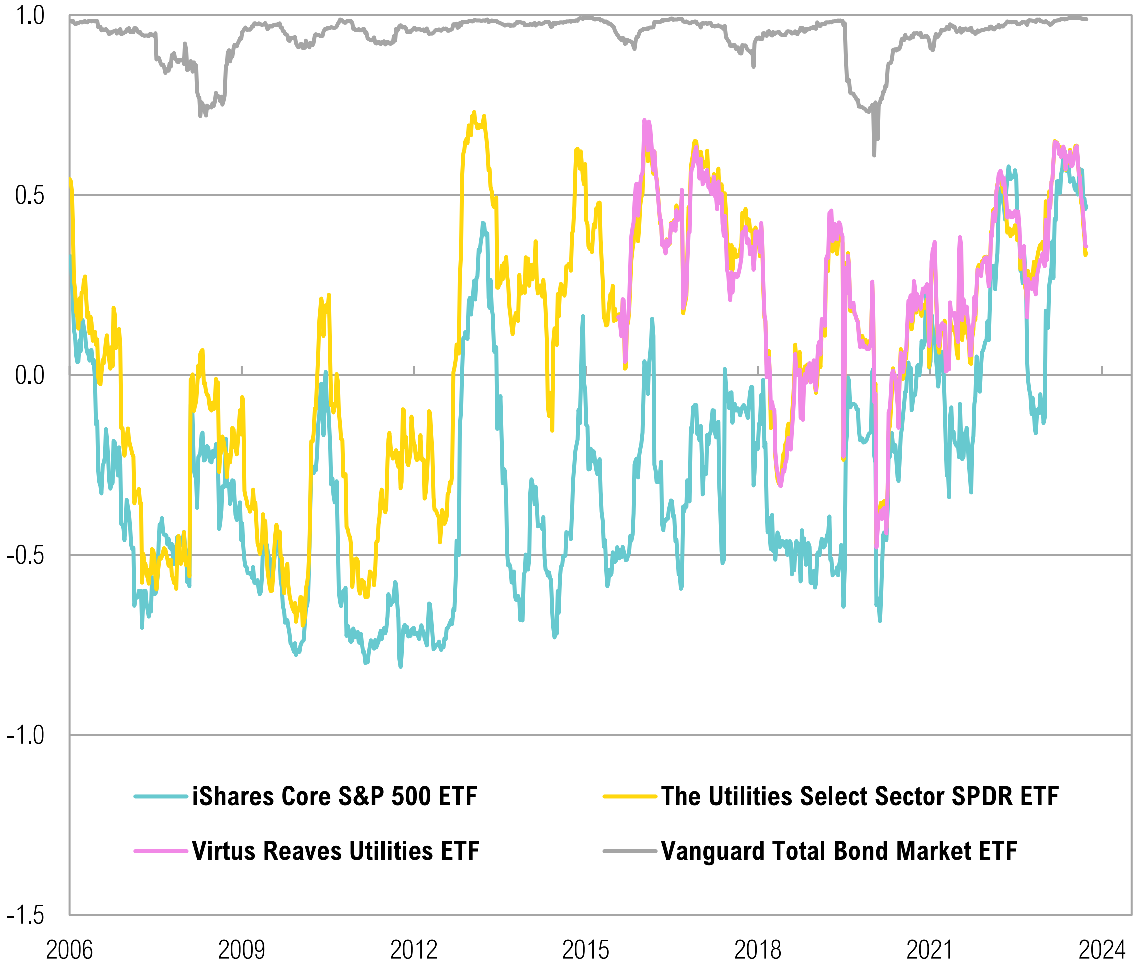
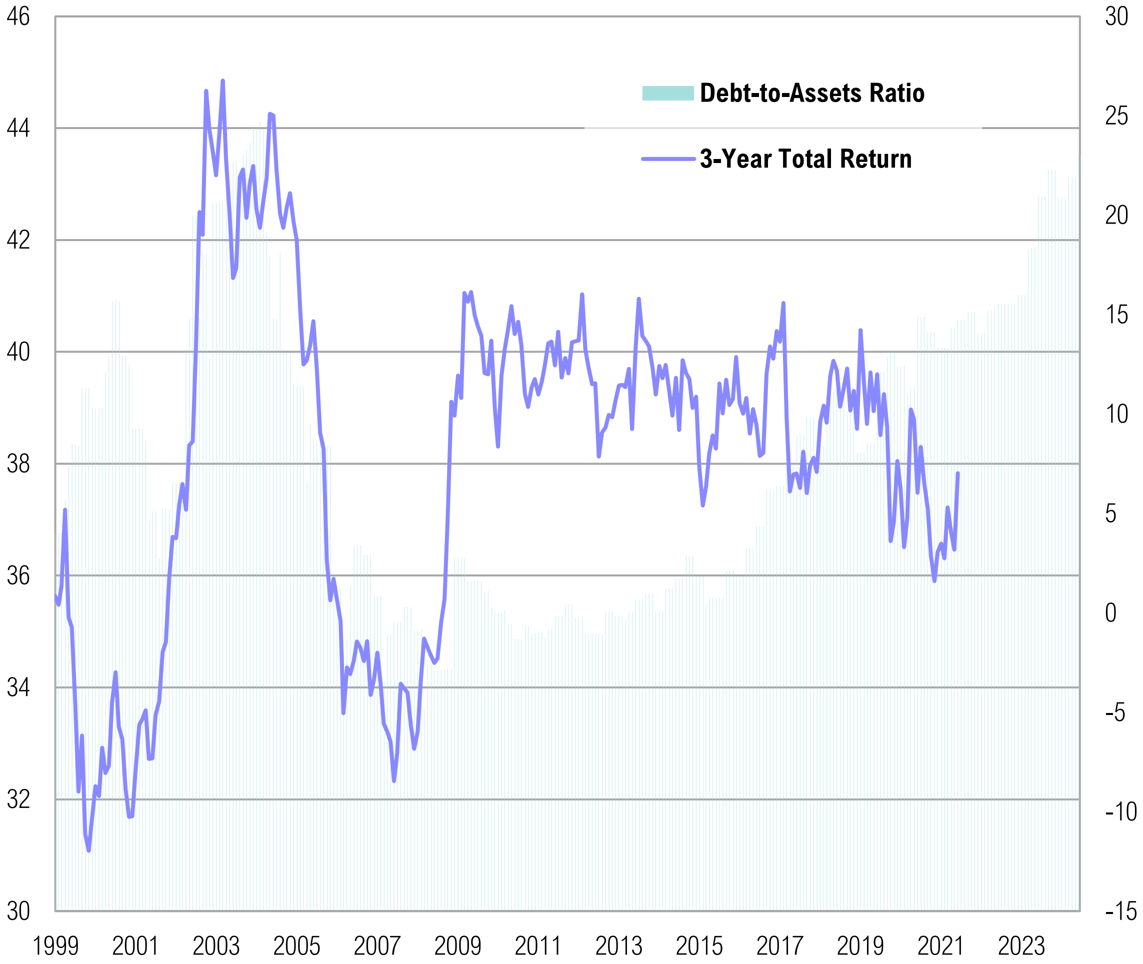
Utilities are now less correlated to bonds than the S&P 500, likely as markets realize their role in meeting future power demand; recent rising leverage is manageable as interest costs can be passed to customers

Rolling 26-Week Correlations vs. iShares 7-10 Year Treasury ETF



S&P Utilities Sector Debt-to-Asset Ratio, % | S&P Utilities Sector 3-Year Total Return, %



Source: Bloomberg

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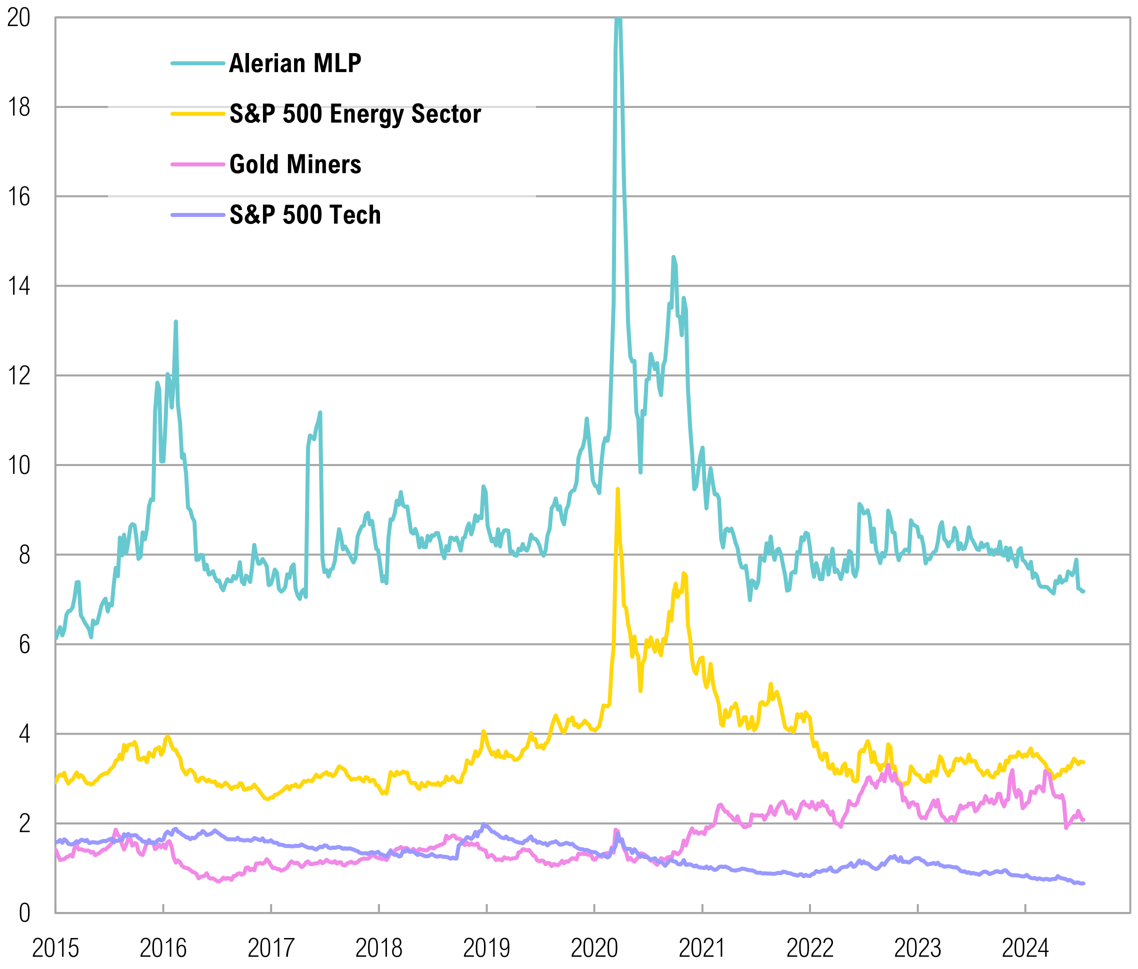
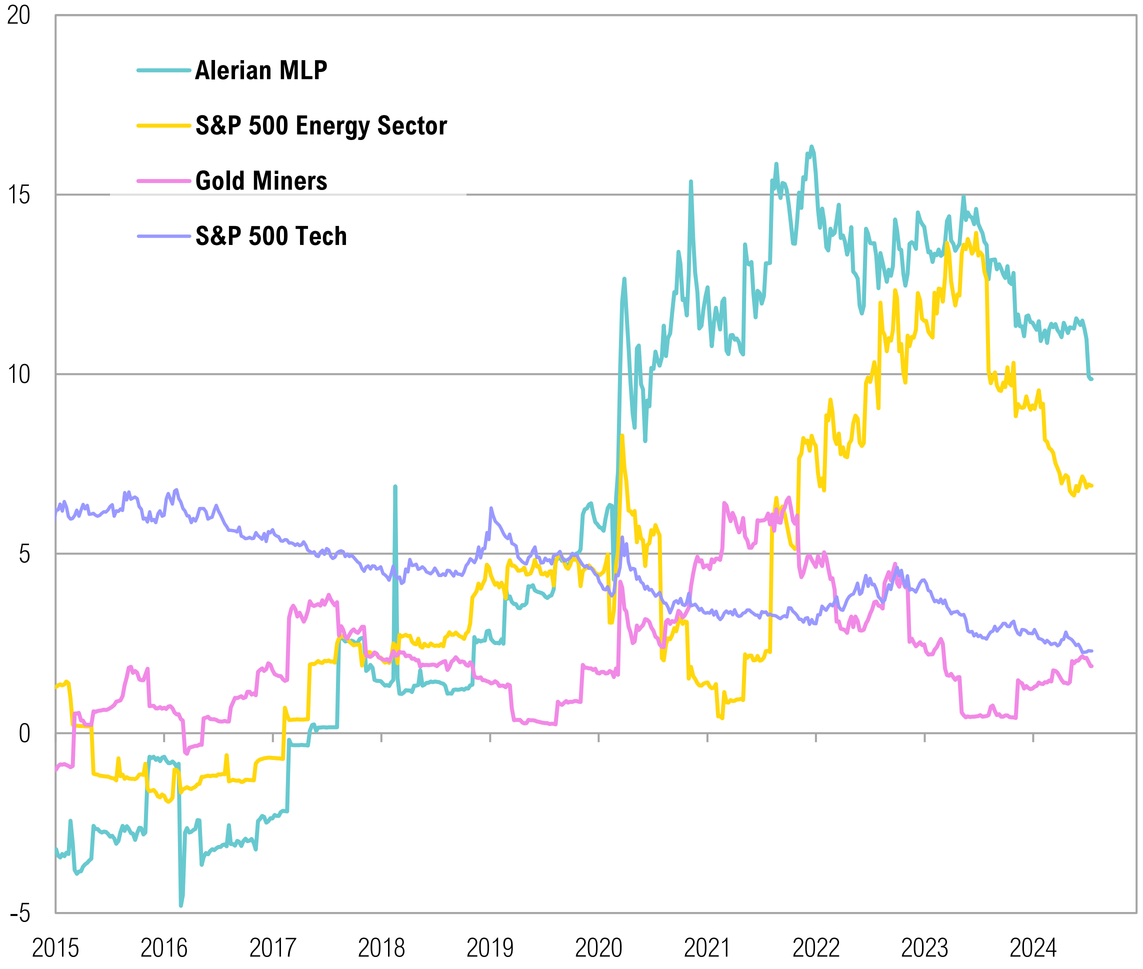
Midstream energy's yield premium has narrowed but remains attractive, supported by ongoing distribution increases; trailing free cash flow yields of the energy sector have declined

12-Month Forward Dividend Yield, %



Trailing 12-Month FCF Yield, %



Source: Bloomberg

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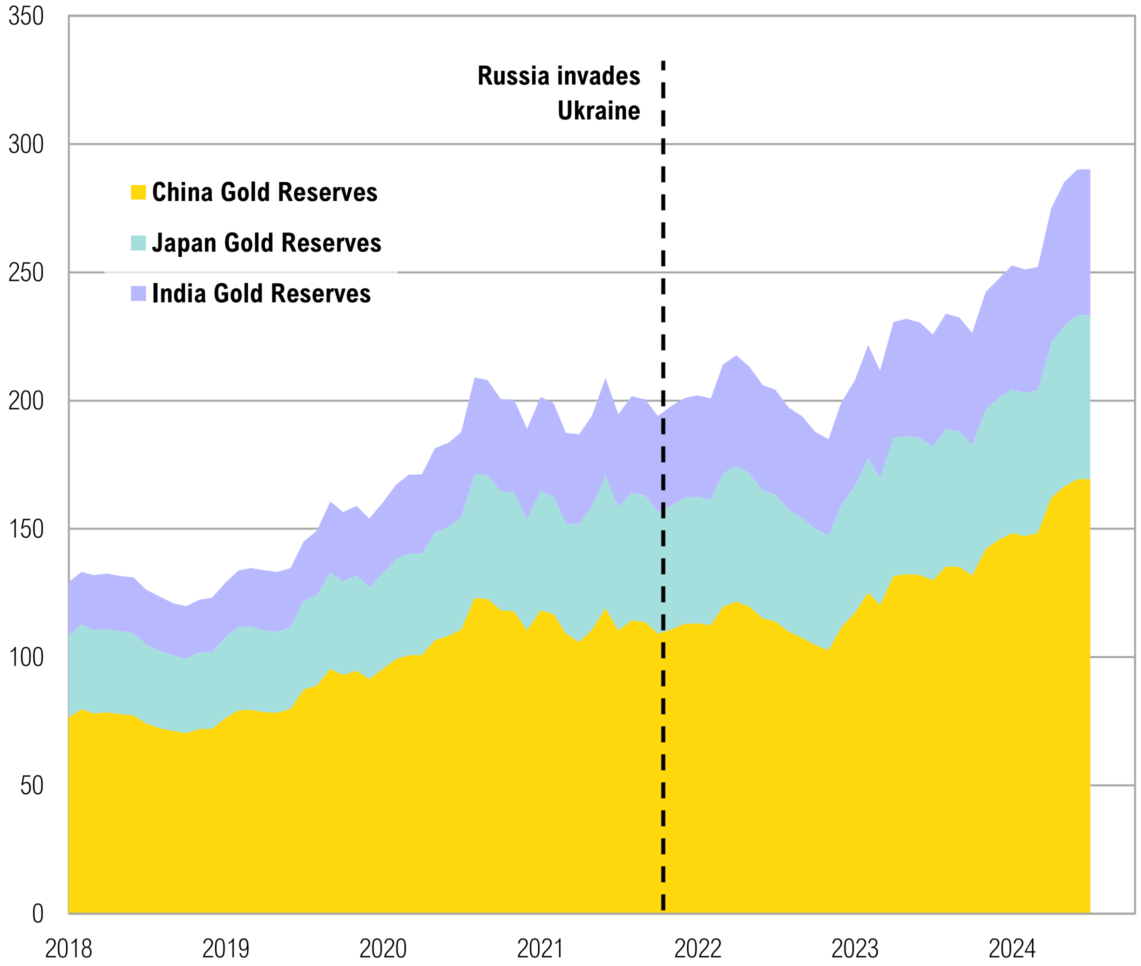
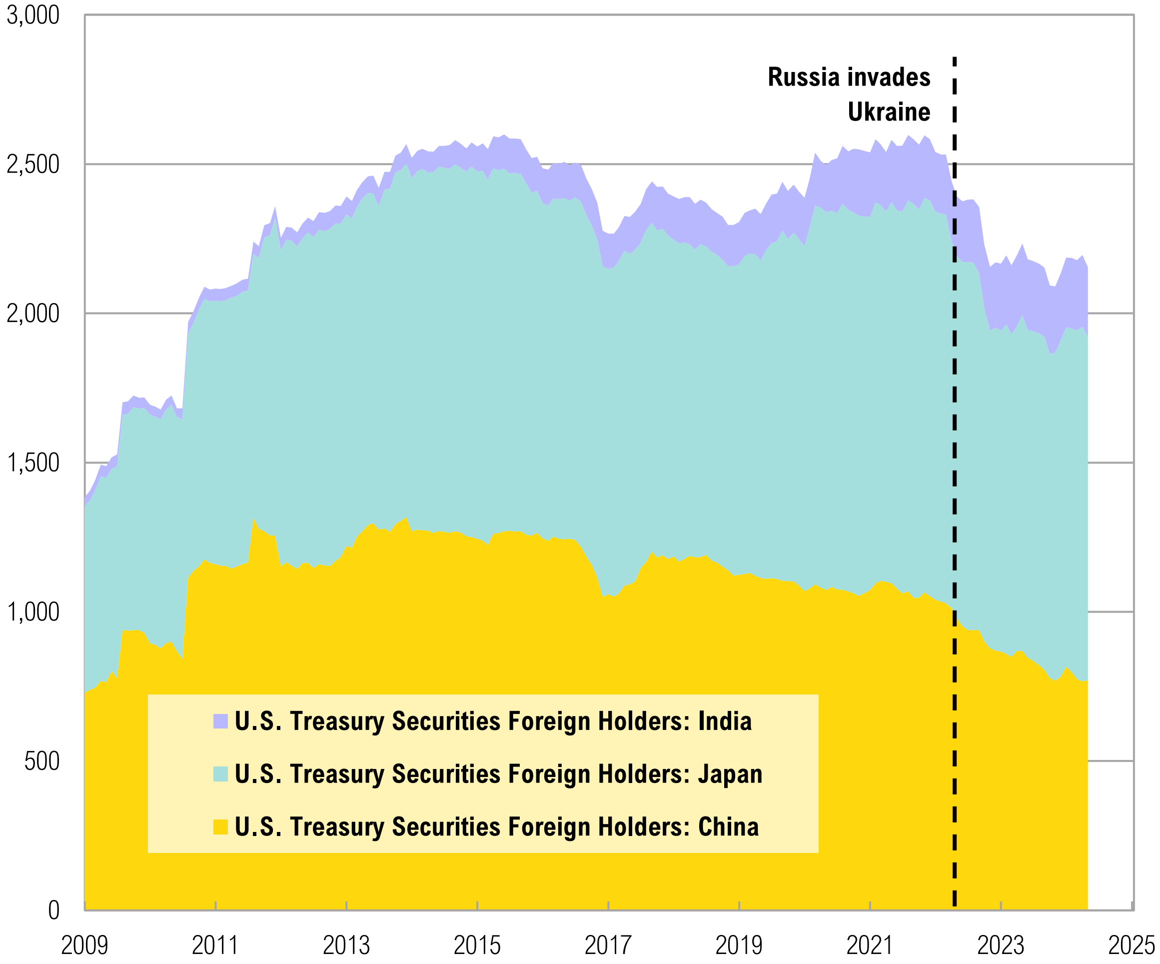
Accompanied by 'flight to safety' (geopolitics, U.S. fiscal situation), gold's resilience despite rising real rates is likely due to sovereigns favoring gold, even with China pausing buying in May; whatever the reason, higher real rates remain a risk

Central Bank Gold Reserves, $Bn

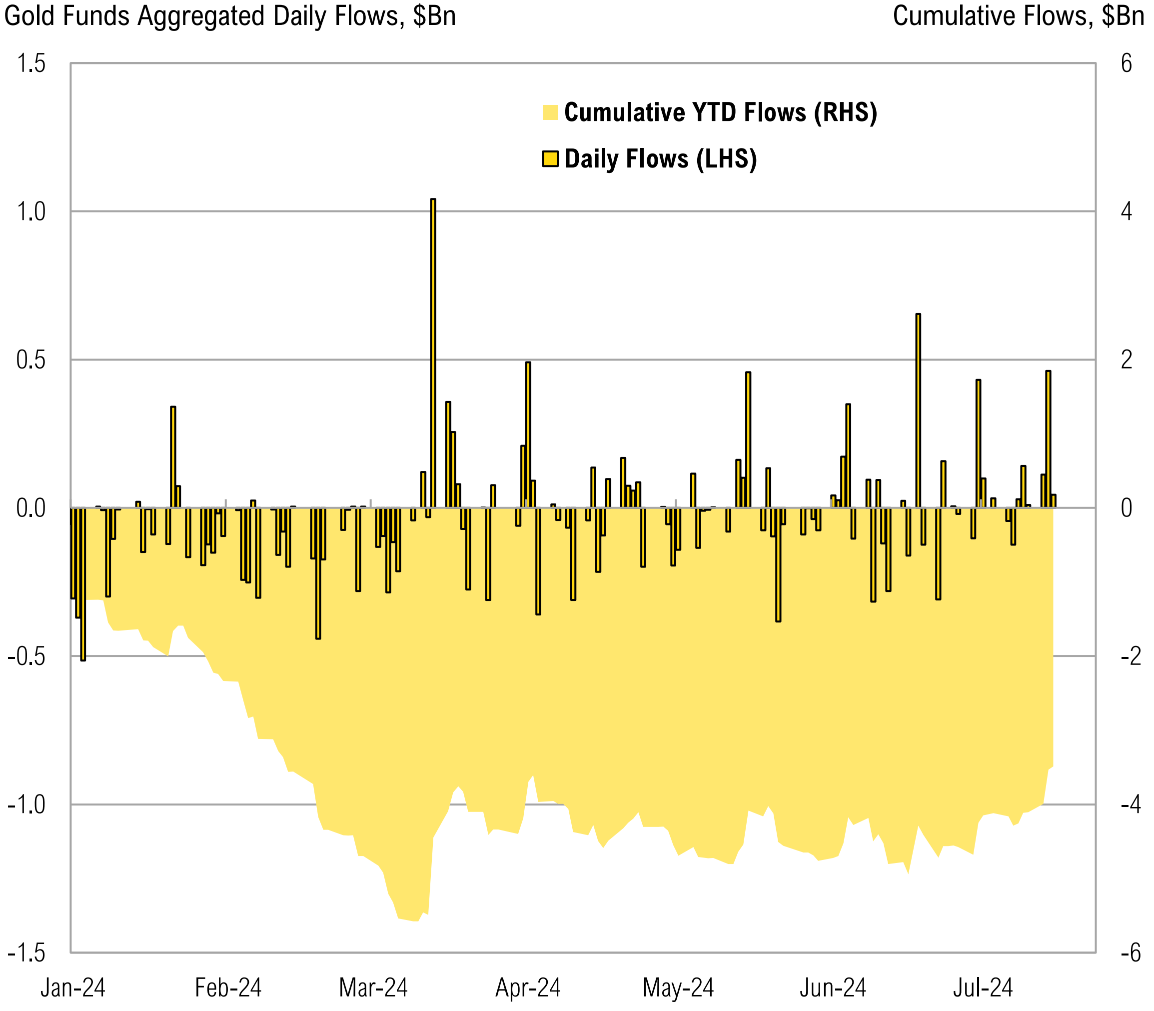


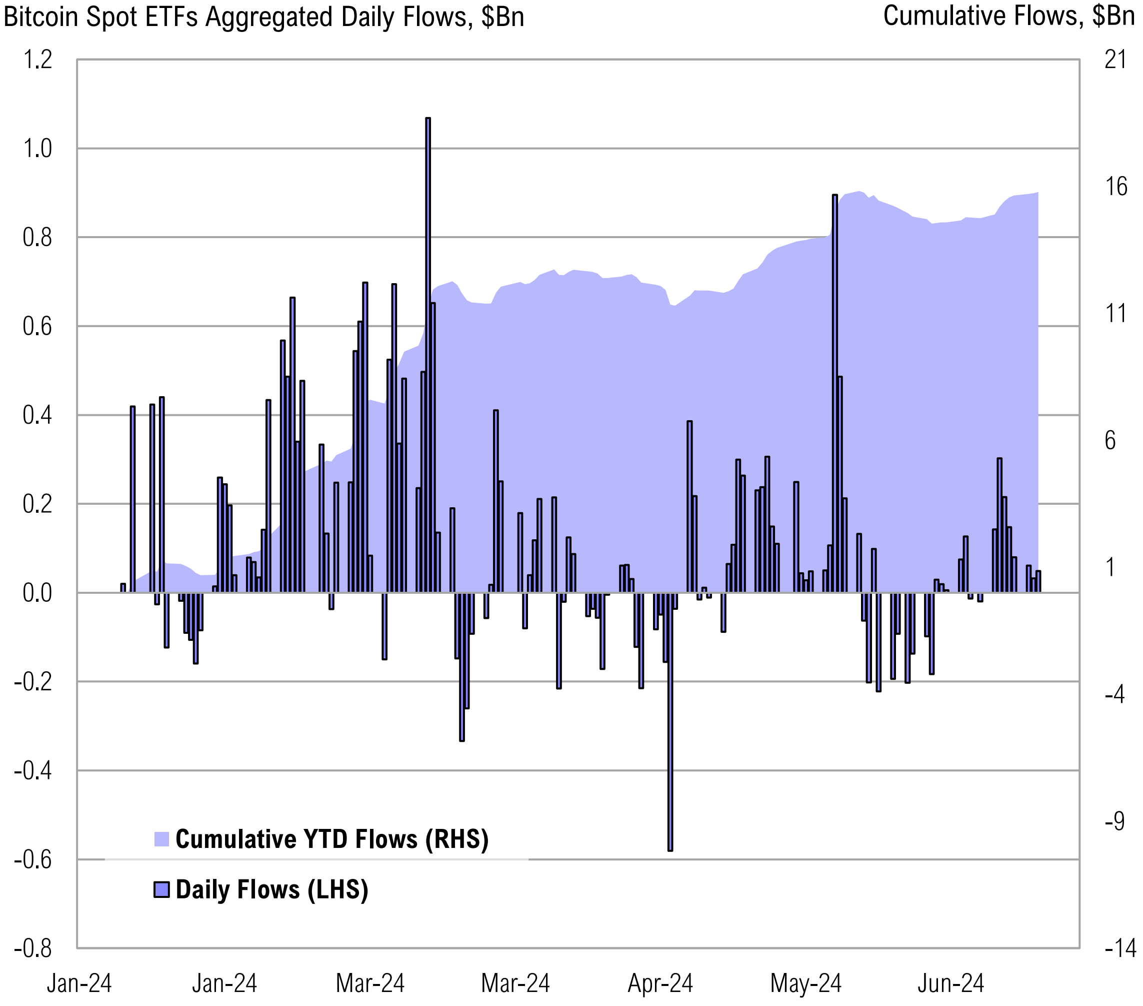
Foreign Holders of U.S. Treasury Securities, $Bn



Source: Bloomberg. Gold reserve data as of 5/31/2024. Foreign Treasury holdings as of 4/30/2024.

U.S. fund flows make a compelling case that bitcoin has been cannibalizing demand for precious metals, but we still think gold has a role





Source: Bloomberg. Gold and Bitcoin funds are the 10 largest funds as of 7/17/2024.

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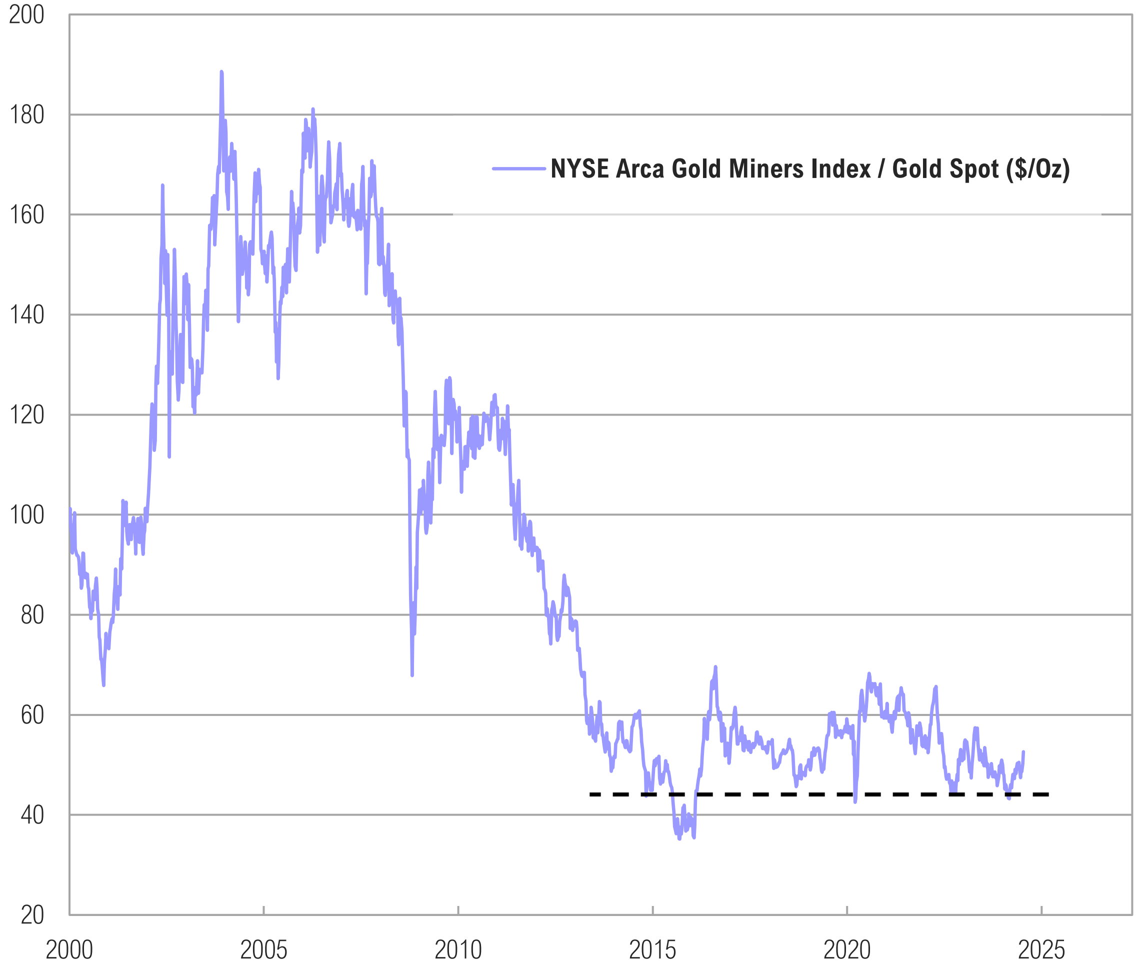
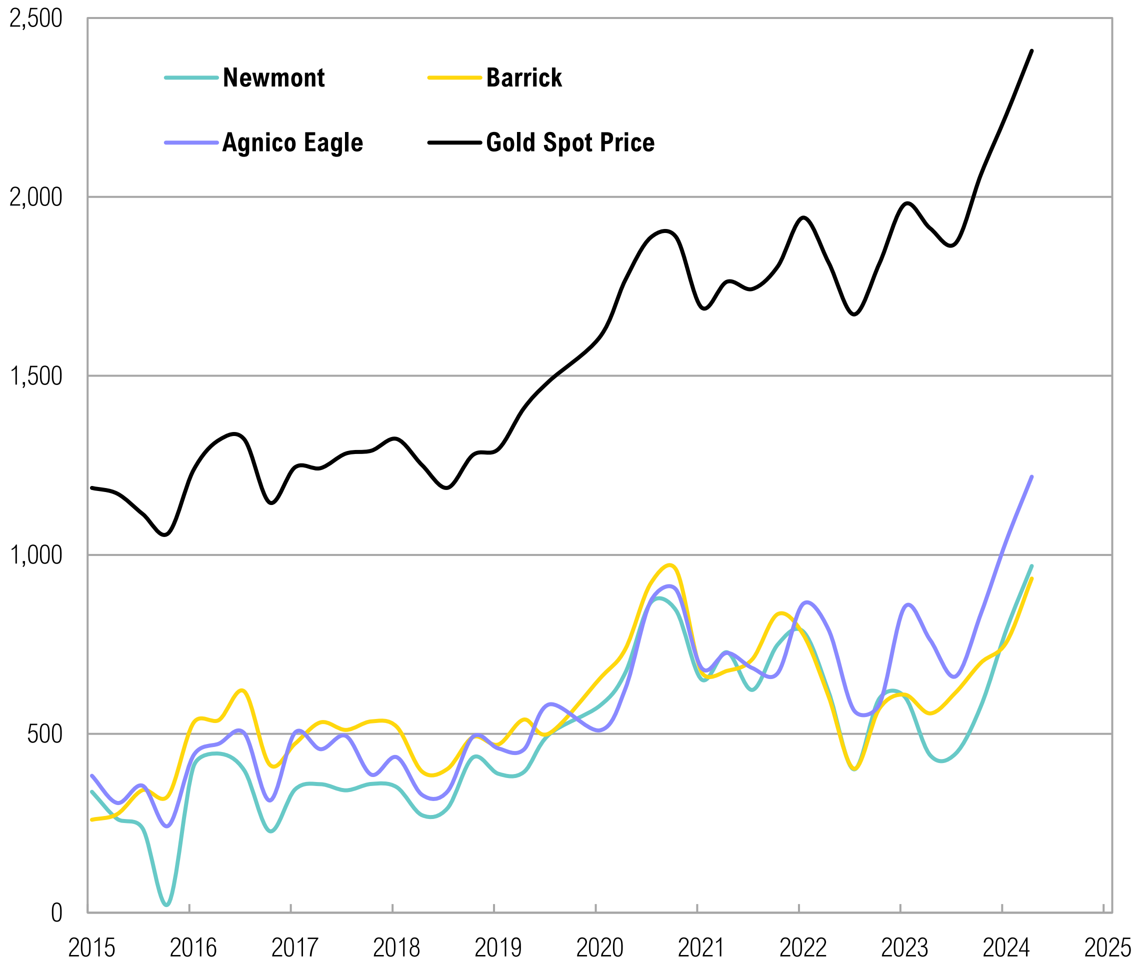
On the surface, gold miners look attractive vs. physical, but miners have been plagued by rising costs, country-specific issues, and labor challenges, among other things

Gold Miners Index/ Gold Spot Price, Growth of 100



Profit Margin: Gold Spot Price minus All In Sustaining Costs, $/Oz



Source: Bloomberg, RHS assumes stable 24Q2 costs vs gold spot price as of 7/12/2024.

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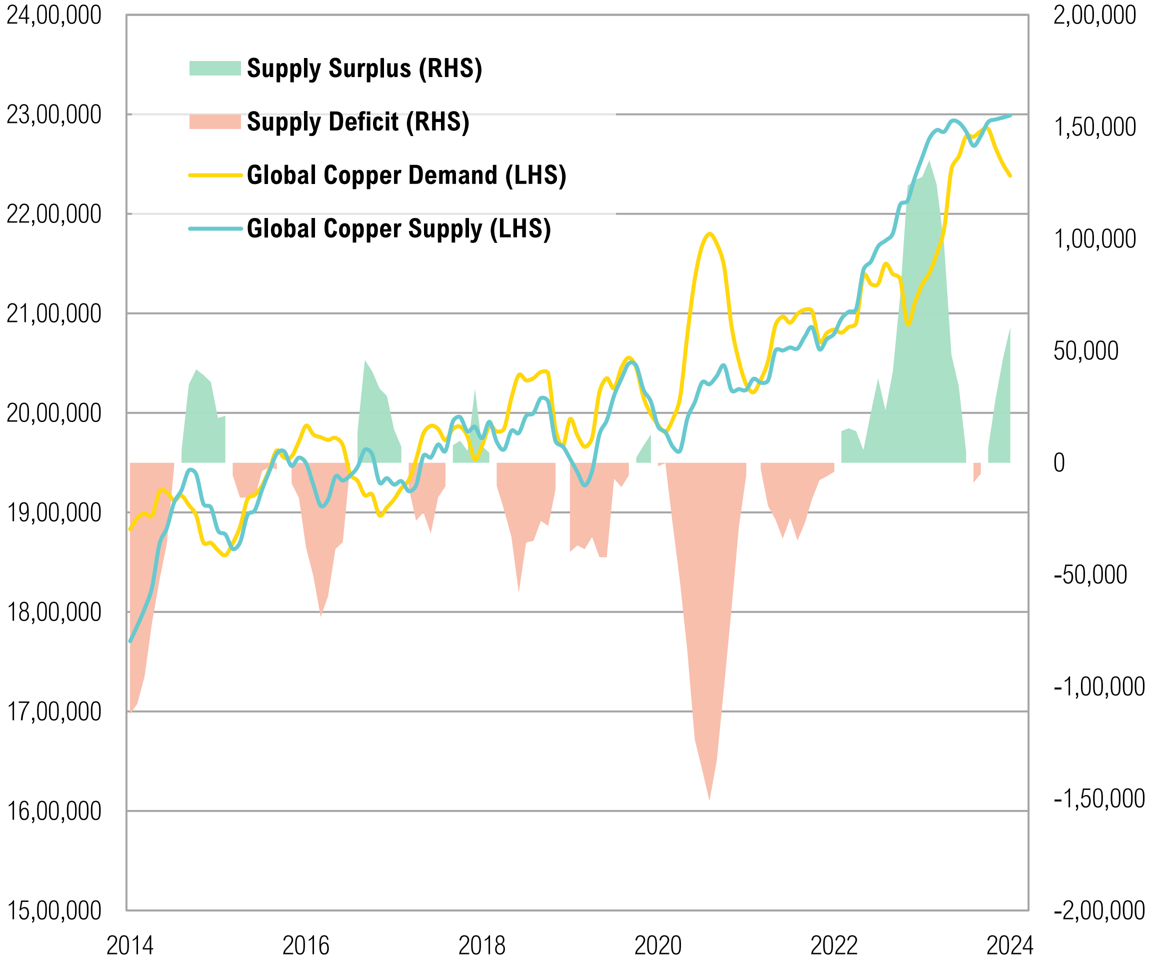
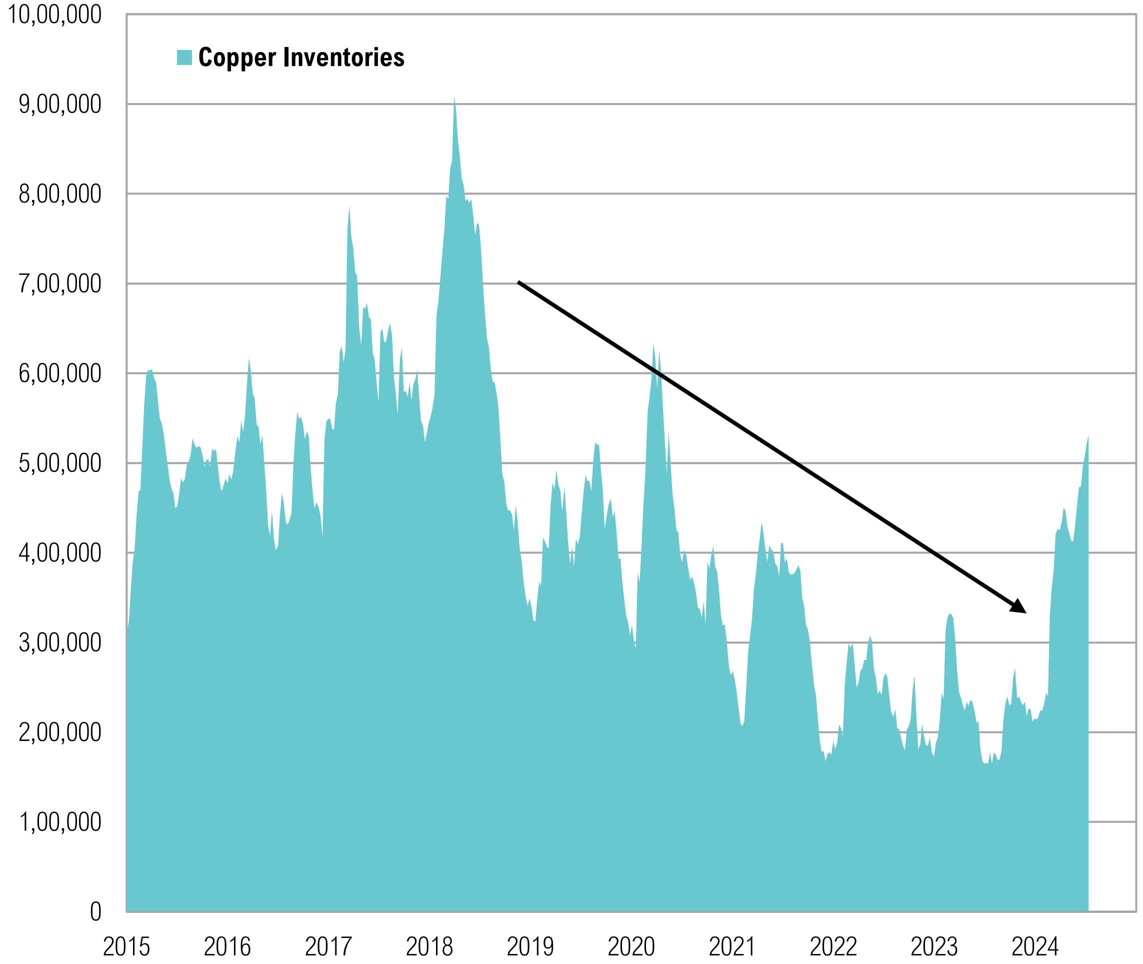
Surplus in global copper markets have increased while global copper inventories have soared, primarily driven by seasonal effects, supplier destocking, and soft global demand

Monthly Global Refined Copper Demand/Supply, Mt

Monthly Supply Surplus/Deficit, Mt



Total Copper Exchange Inventories, Mt



Source: Bloomberg. Copper exchange inventories includes inventories on the LME, SHFE, and COMEX.

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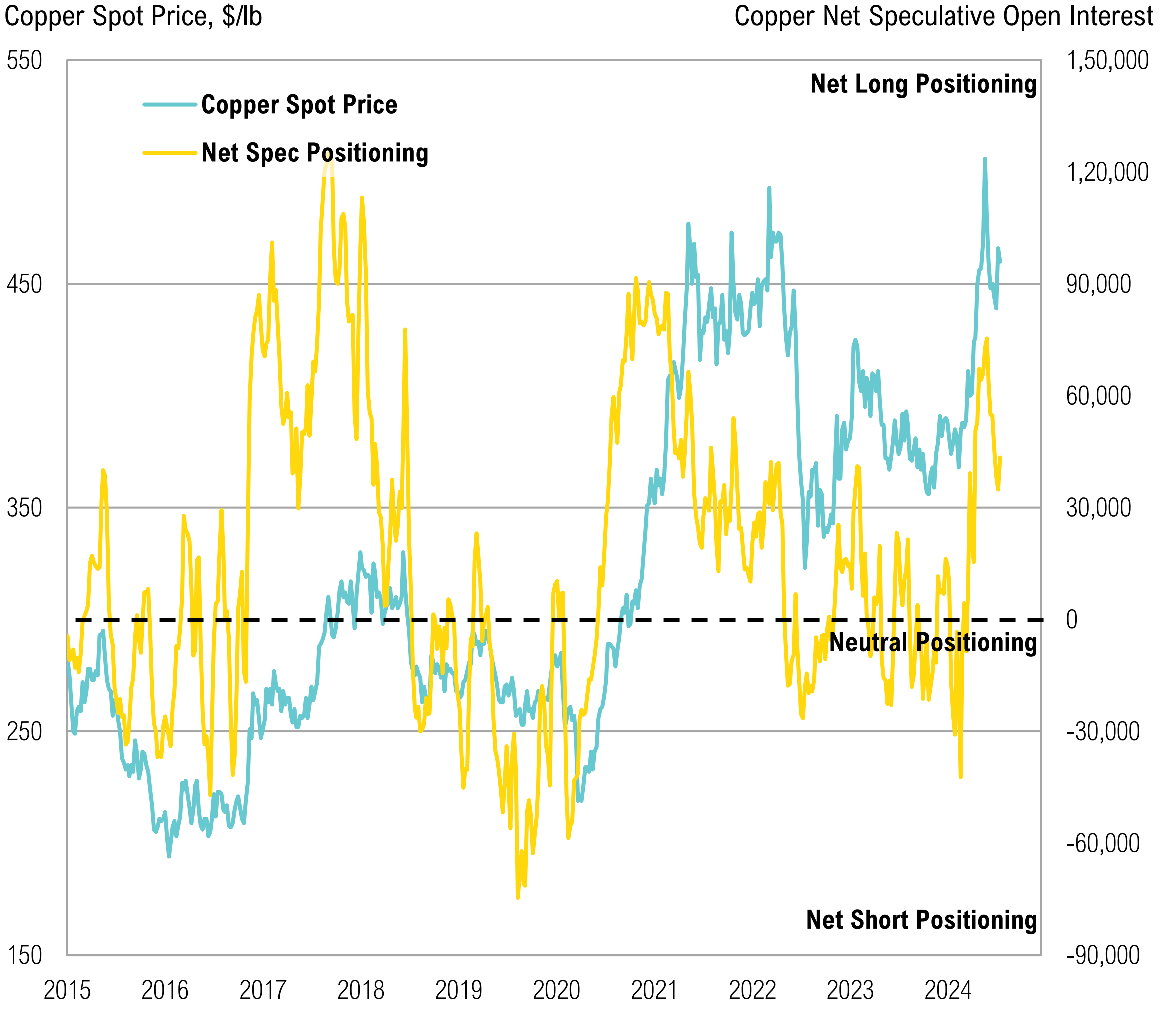
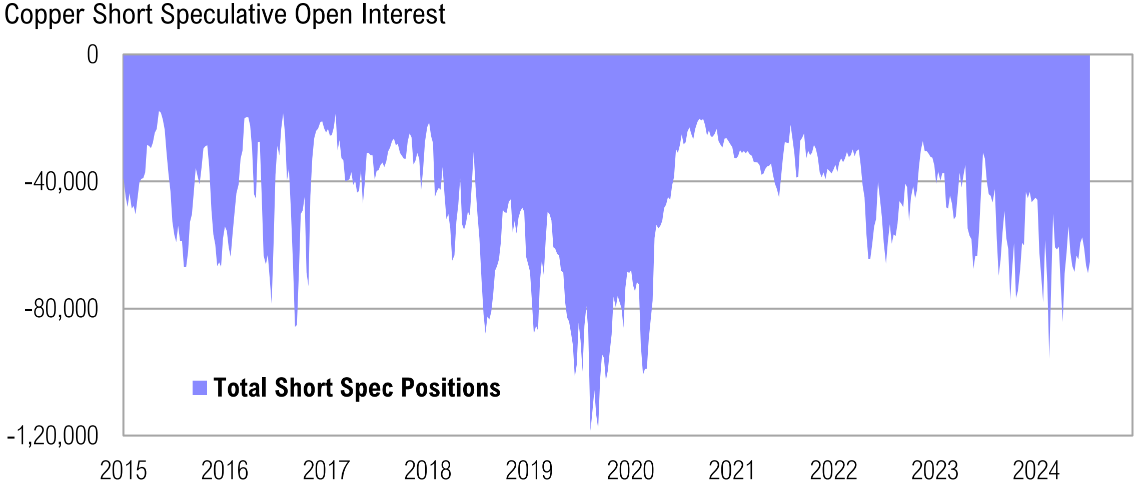
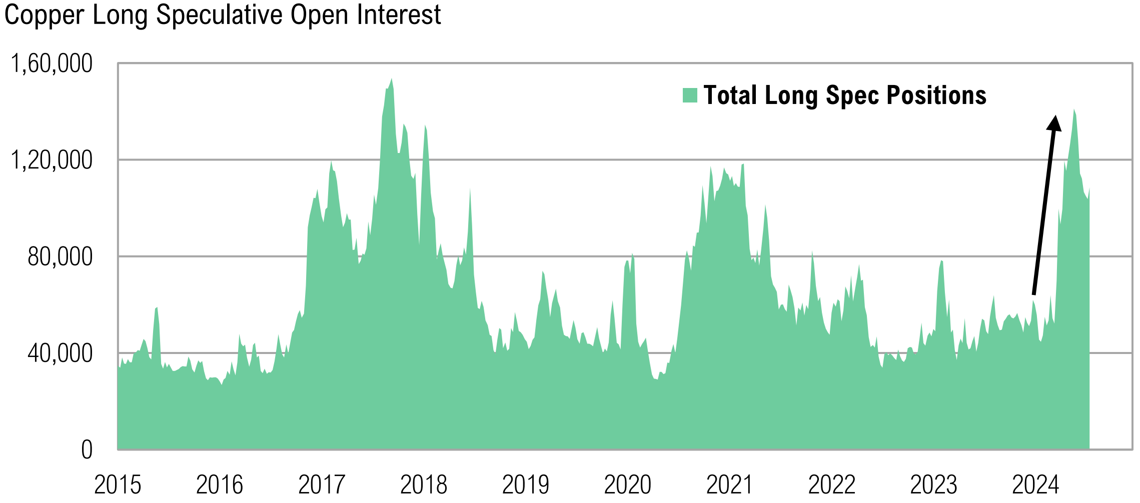
Copper markets have recently been driven by speculative demand rather than market fundamentals; spot prices rallied 38% from February to May but have since consolidated as fast money exits the market







Source: Bloomberg

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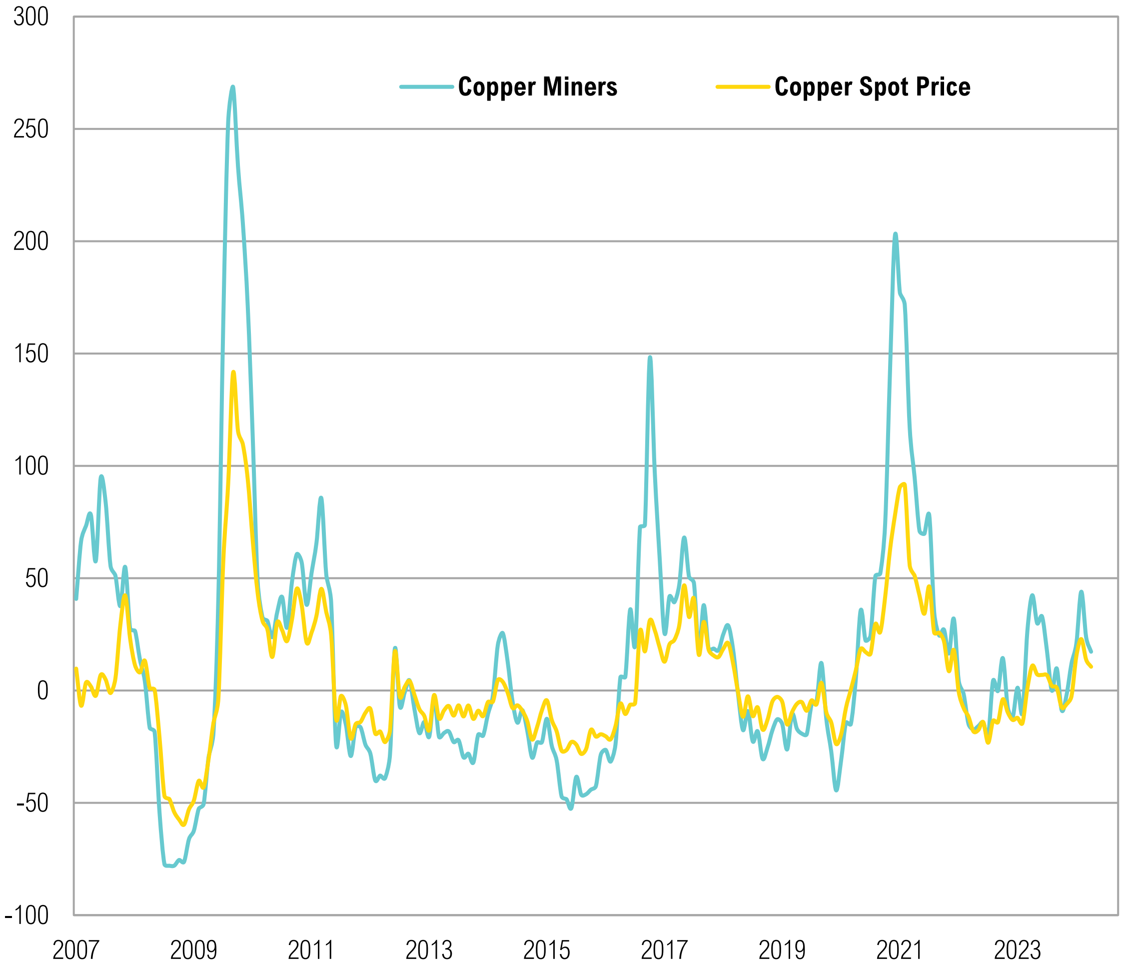
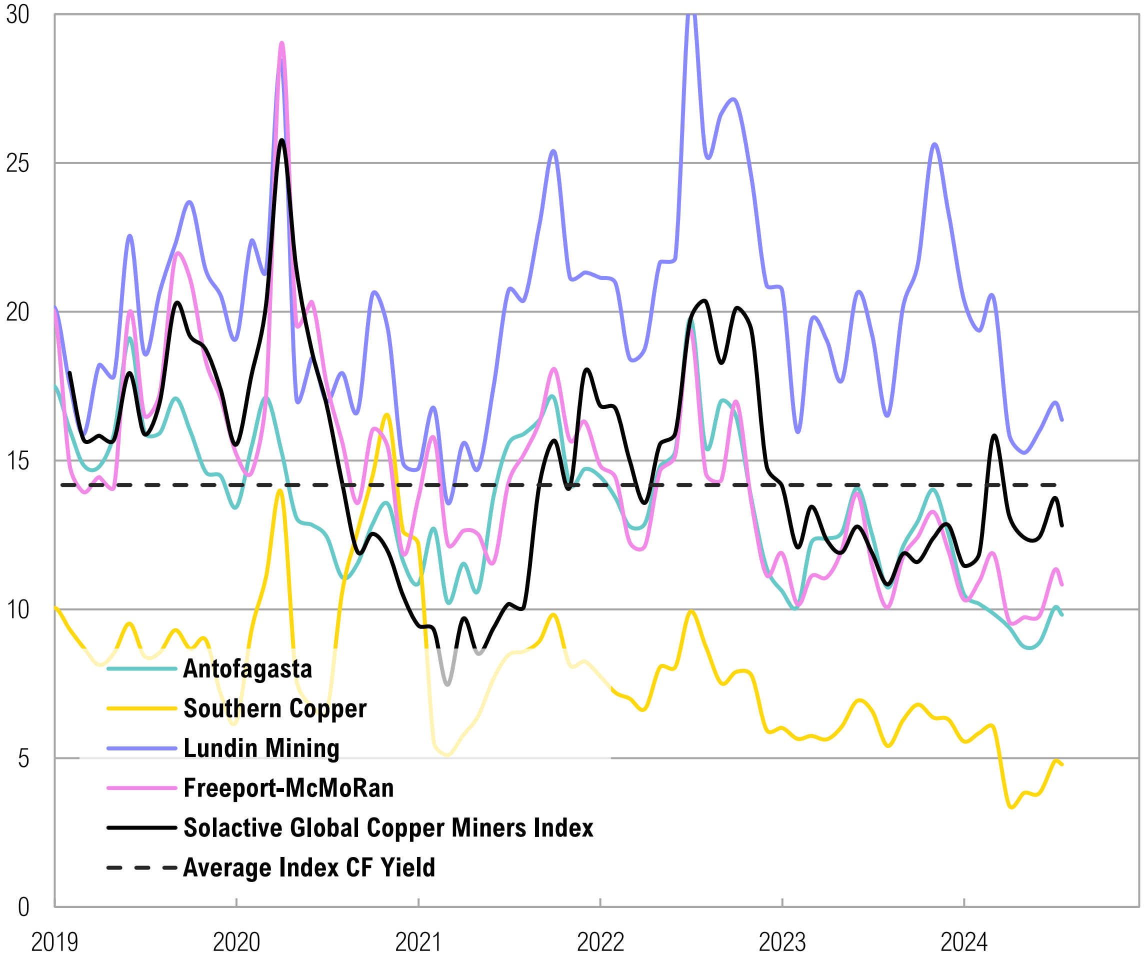
Copper miners are highly sensitive to spot prices, making them appealing during copper bull markets; most miners are trading at a premium relative to their historical cash flow yields with valuations reflecting optimism

Rolling 1-Year Return, %



Forward 12-Month Operating Cash Flow Yield, %



Source: Bloomberg

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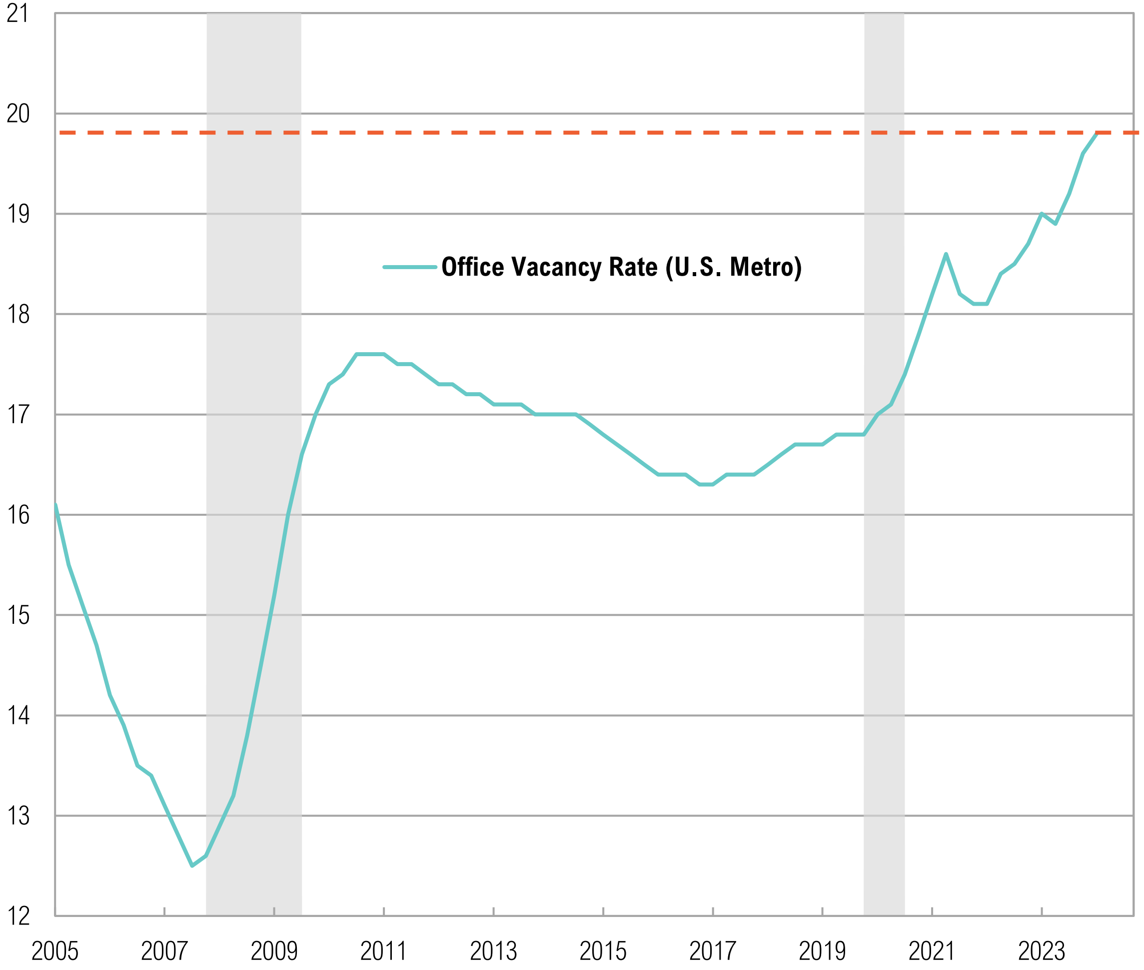
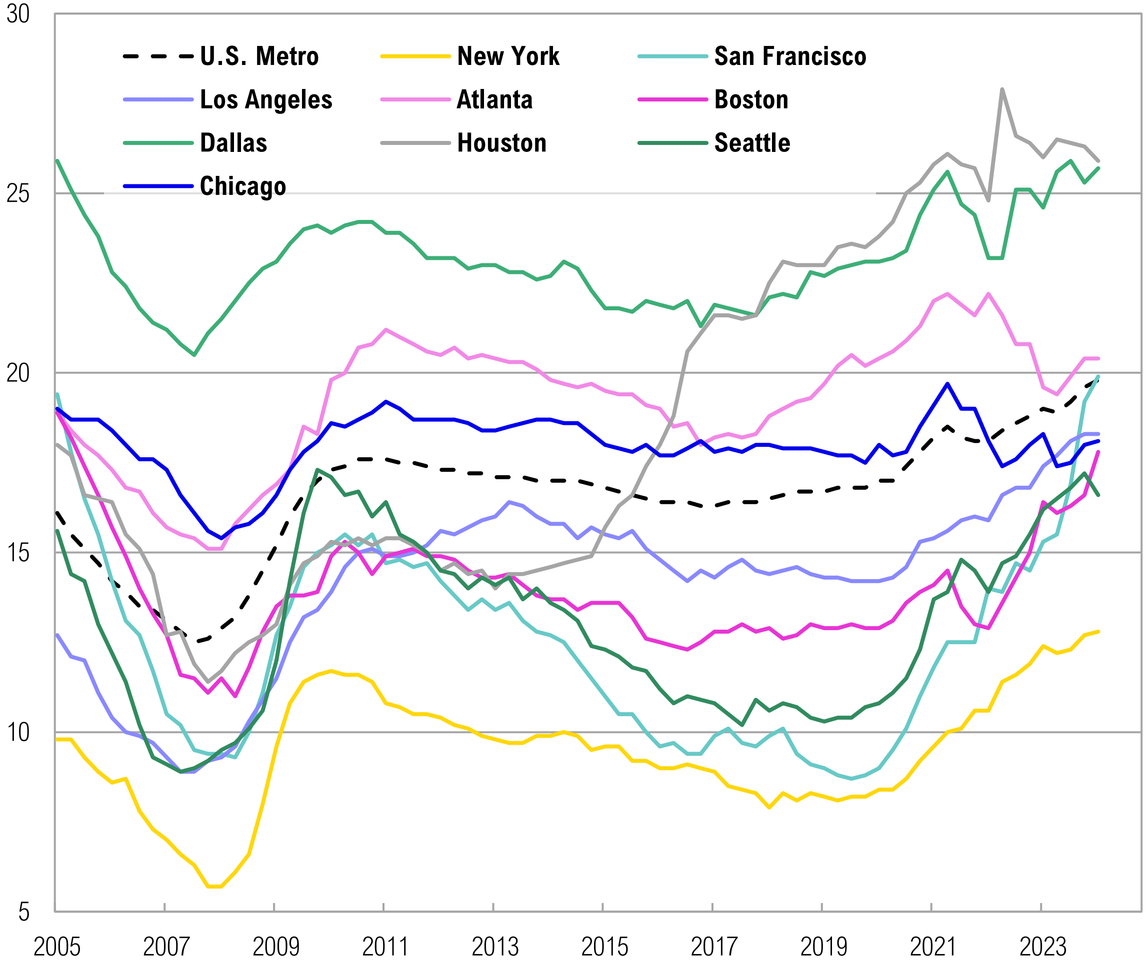
U.S. metro office vacancy rates are nearing 20%, far surpassing the GFC peak of 17.6%; vacancies in Boston, San Francisco, New York and Dallas continue to climb

U.S. Metro Office Real Estate Vacancy Rate, %



U.S. Office Real Estate Vacancy Rates by City, %



Source: Bloomberg. As of 3/31/2024.

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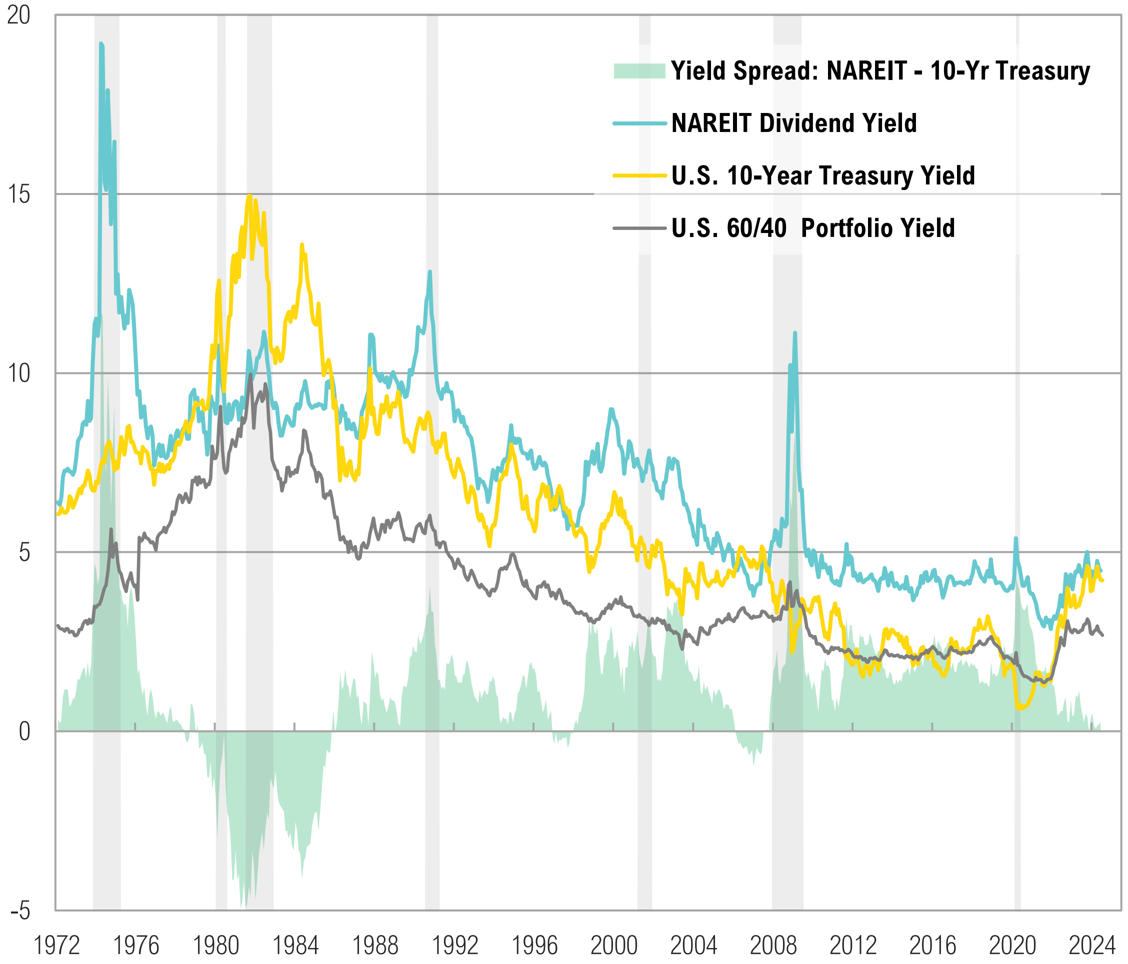
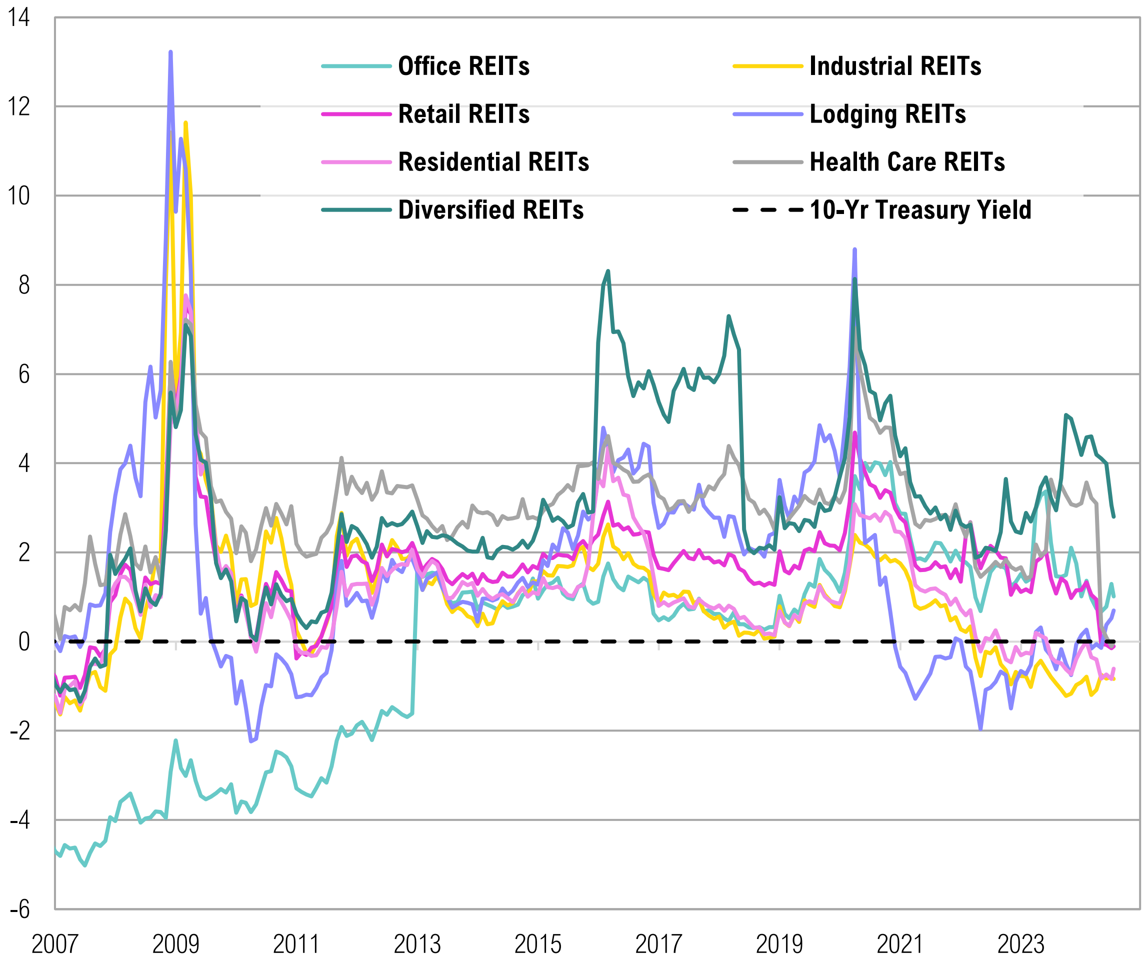
U.S. REITs rebounded 13% from their April lows as lower yields provided a reprieve for the asset class; despite the rebound, REITs still look wholly unattractive on a relative yield basis

Yield, %



Spreads: 12-Month Forward Dividend Yields vs. 10-Year Treasury, %



Source: Bloomberg, NAREIT.

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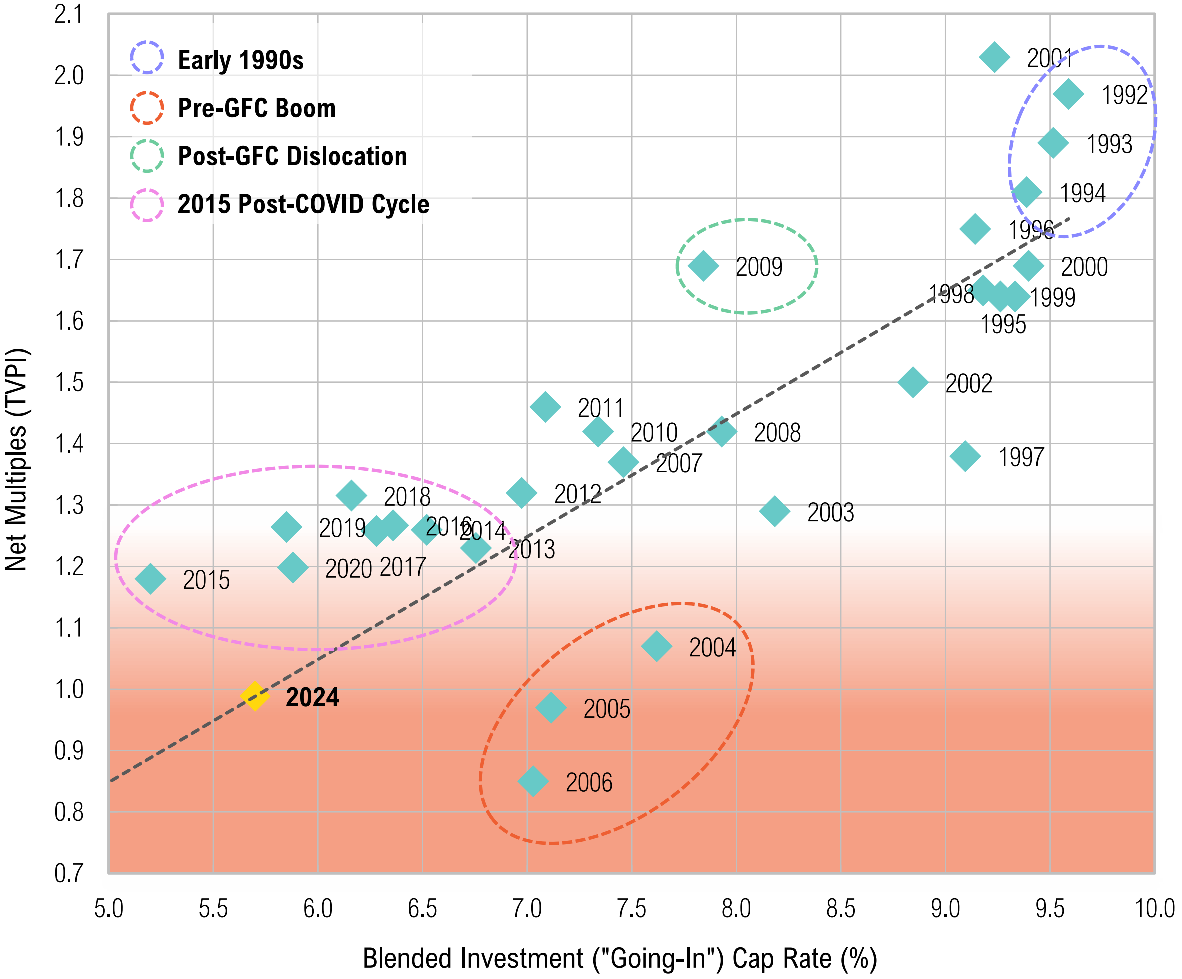
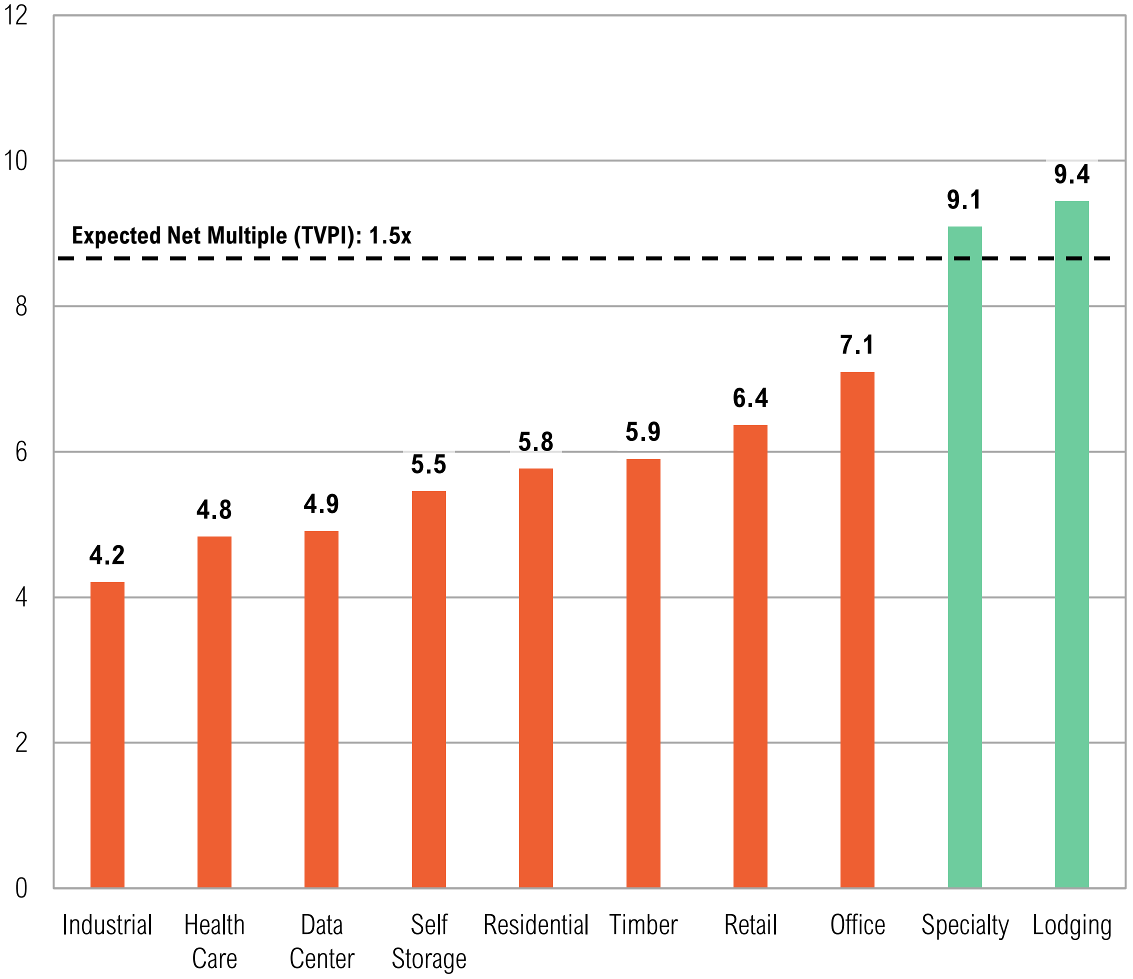
Implied cap rates are not attractive after the Q4 REIT rally, but the opportunity set is improving from a valuation perspective

Going-In Cap Rates vs. Net Multiples



Implied Cap Rate, %



Source: Bloomberg, CBRE, Pitchbook. Returns as of most recent daily close. Returns for periods longer than 1 year are annualized. Cap rate estimate as of 12/31/2023.

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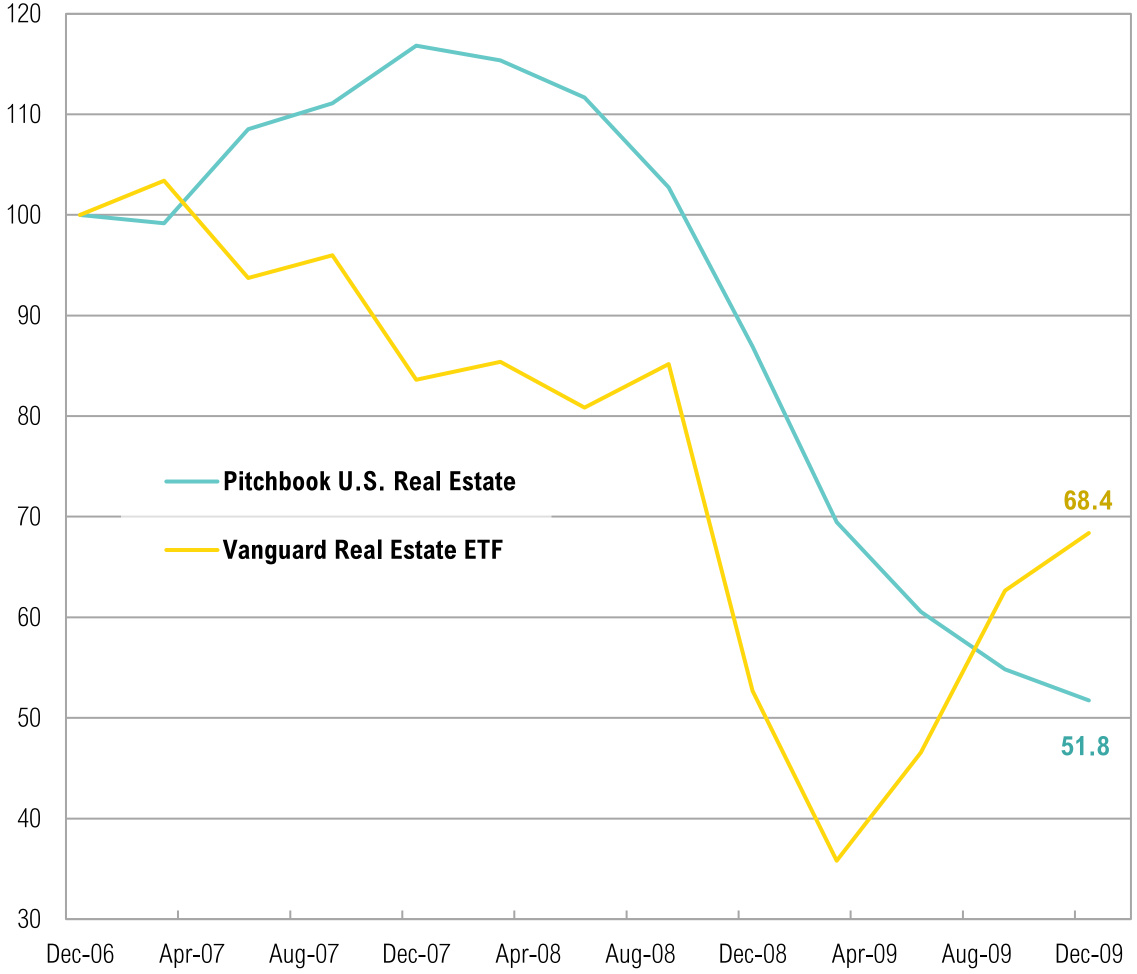
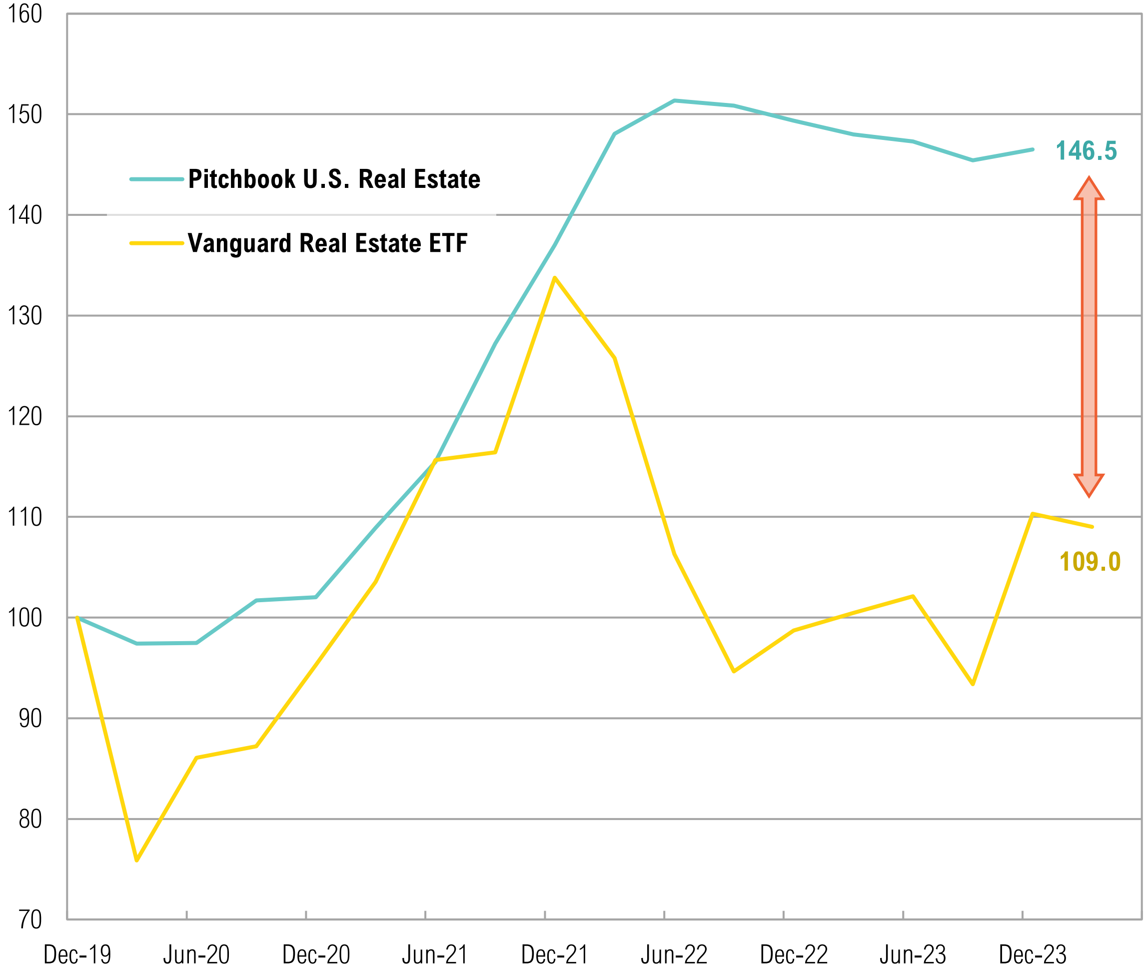
Private real estate funds have not yet marked down properties, despite public markets struggling for more than 2 years

Growth of 100, GFC



Growth of 100, Current



Source: Pitchbook, Bloomberg. U.S. Real Estate returns as of 12/31/2023. Vanguard Real Estate ETF returns as of 3/31/2024.

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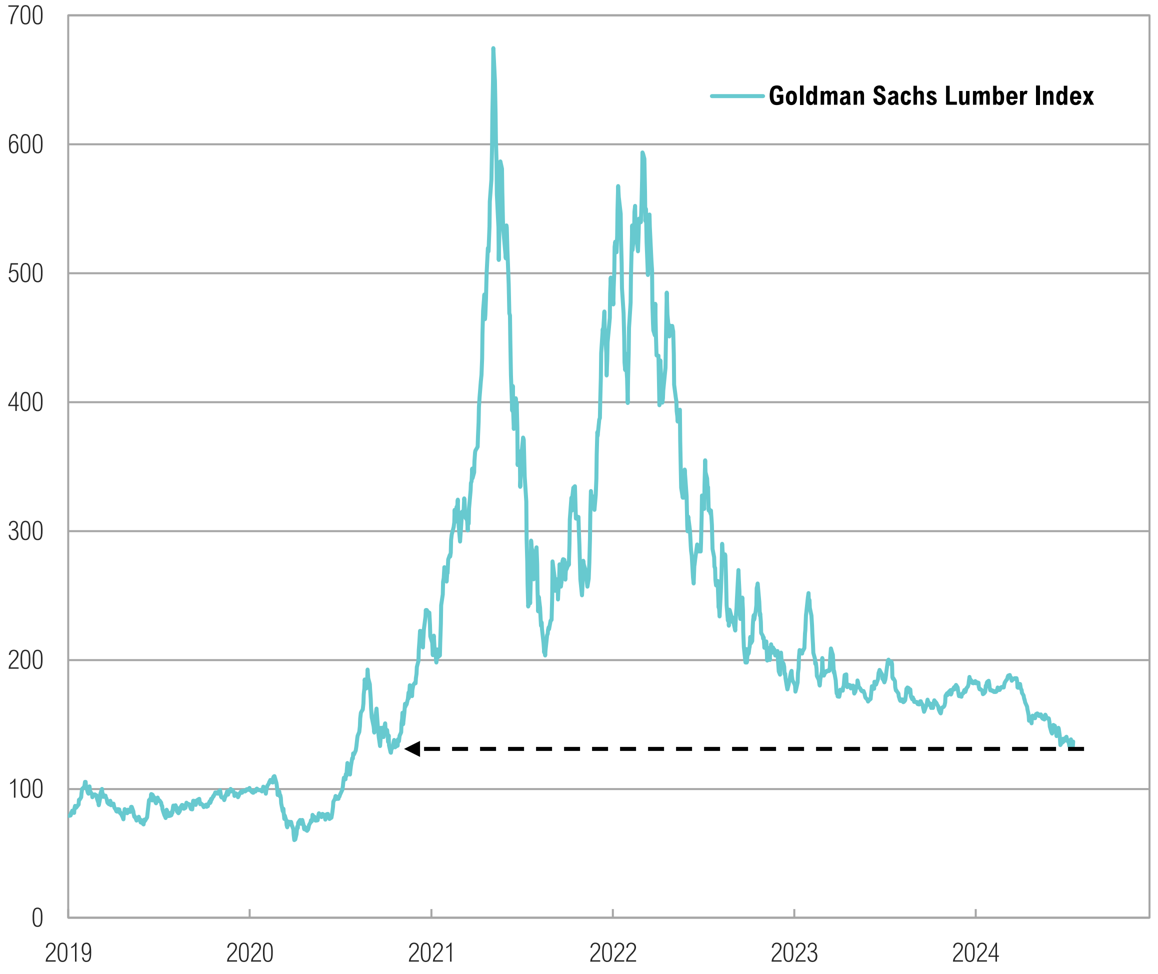
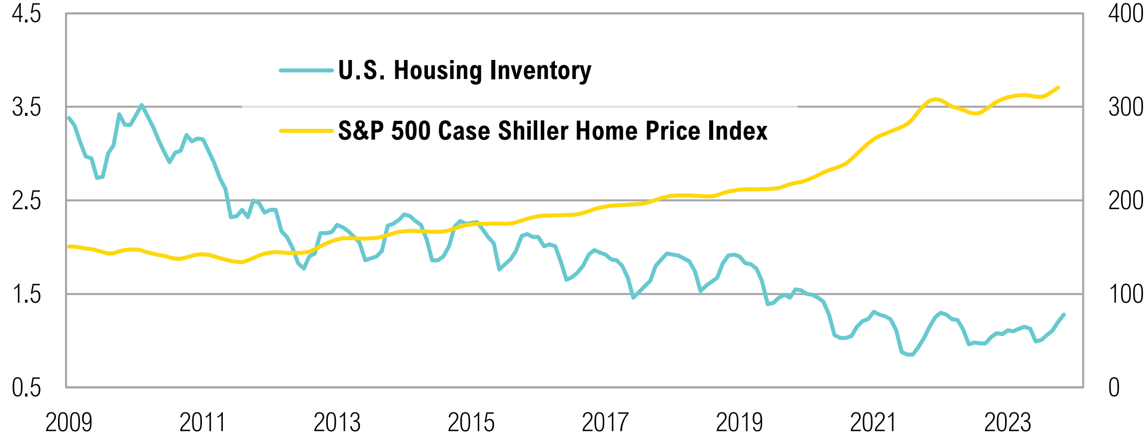
Lumber prices are back at October 2020 lows while residential home prices continue to climb and inventories remain subdued; home sales are declining, while mortgage rates remain above 7%

Goldman Sachs Lumber Index, Price



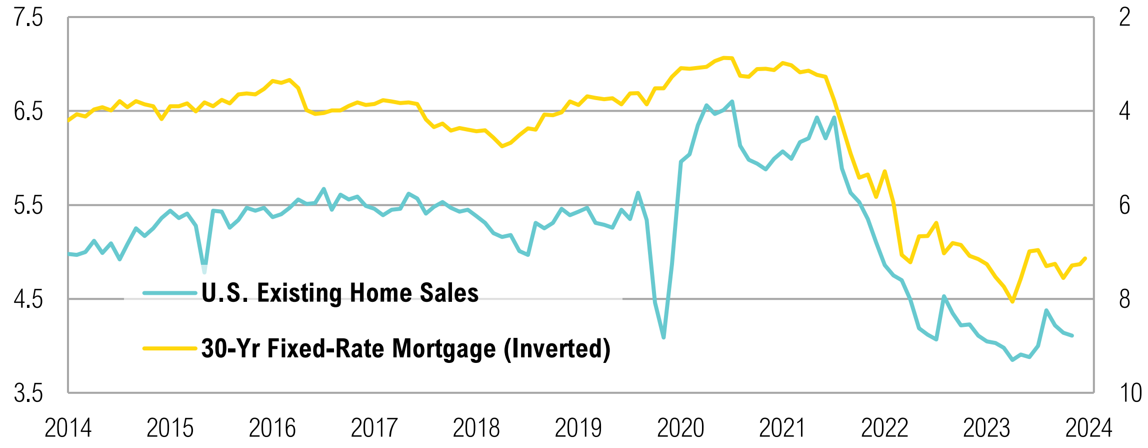
U.S. Homes for Sale, Mn

S&P 500 Case Shiller Home Price Index



U.S. Existing Home Sales, Mn

30-Yr Fixed-Rate Mortgage (Inverted), %



Source: Bloomberg, NAREIT.

What we’ve really seen is a new Japan as a destination market. I think when the yen was ¥83 it was very difficult to be able to afford to see Japan and all the great things Japan has to offer. With the yen at ¥160, it’s a very different world for U.S. travellers, and they seem to be taking great advantage of it.

Glen Hauenstein, *Delta Airlines President*

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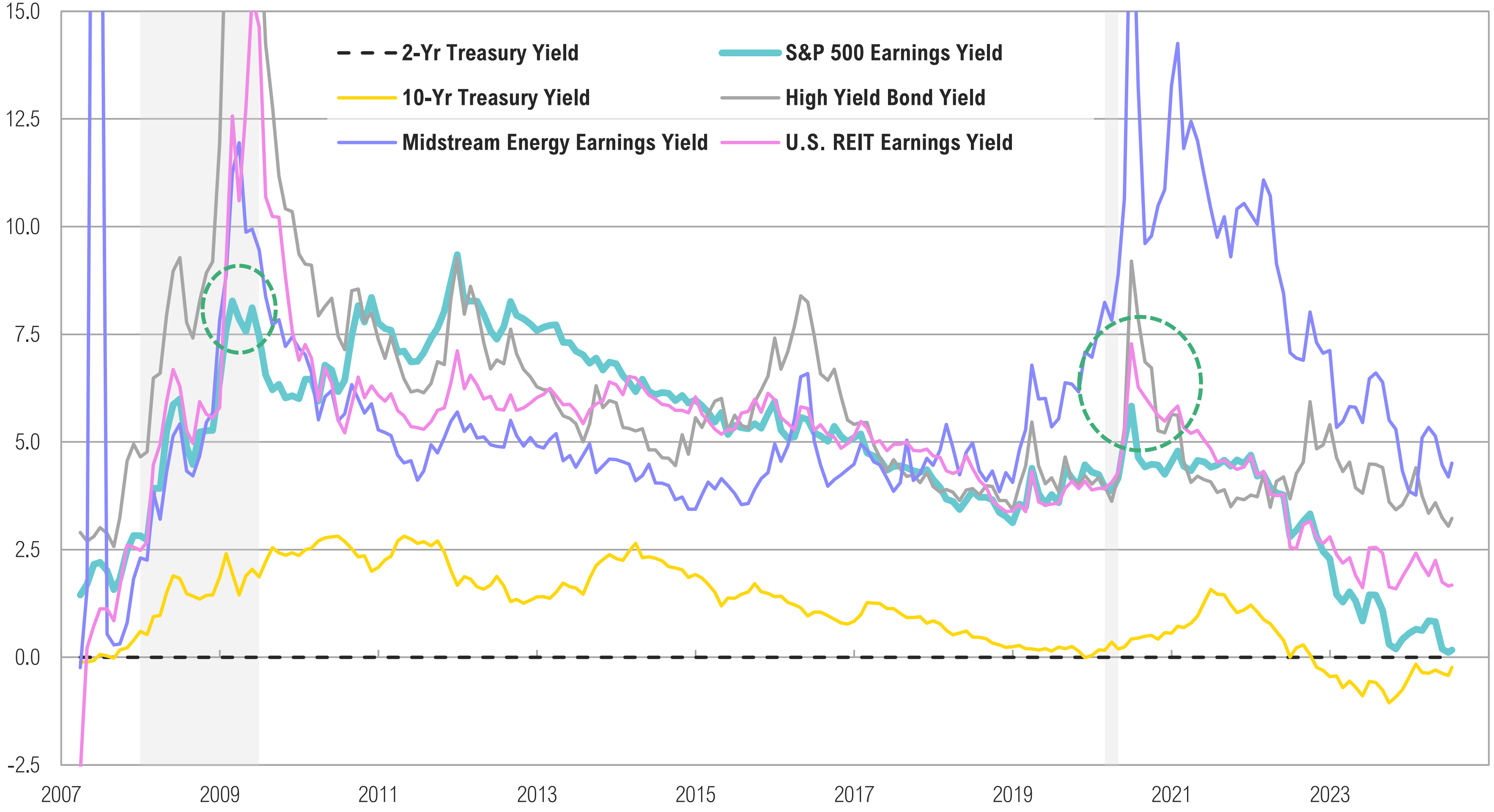
Most asset classes look unattractive relative to the 2-year Treasury yield

Current Yield vs. 2-Year Treasury, %



Current Yield:

- 2-Year Treasury: 4.45%
- 10-Year Treasury: 4.22%
- U.S. High Yield Bonds: 7.67%
- S&P 500: 4.61%
- Midstream Energy: 8.95%
- U.S. REITs: 6.12% earnings yield (4.48% dividend yield)

Source: Bloomberg. S&P 500, Midstream Energy and U.S. REIT yields proxied by forward 12-month estimated earnings yields. As of 7/15/2024.

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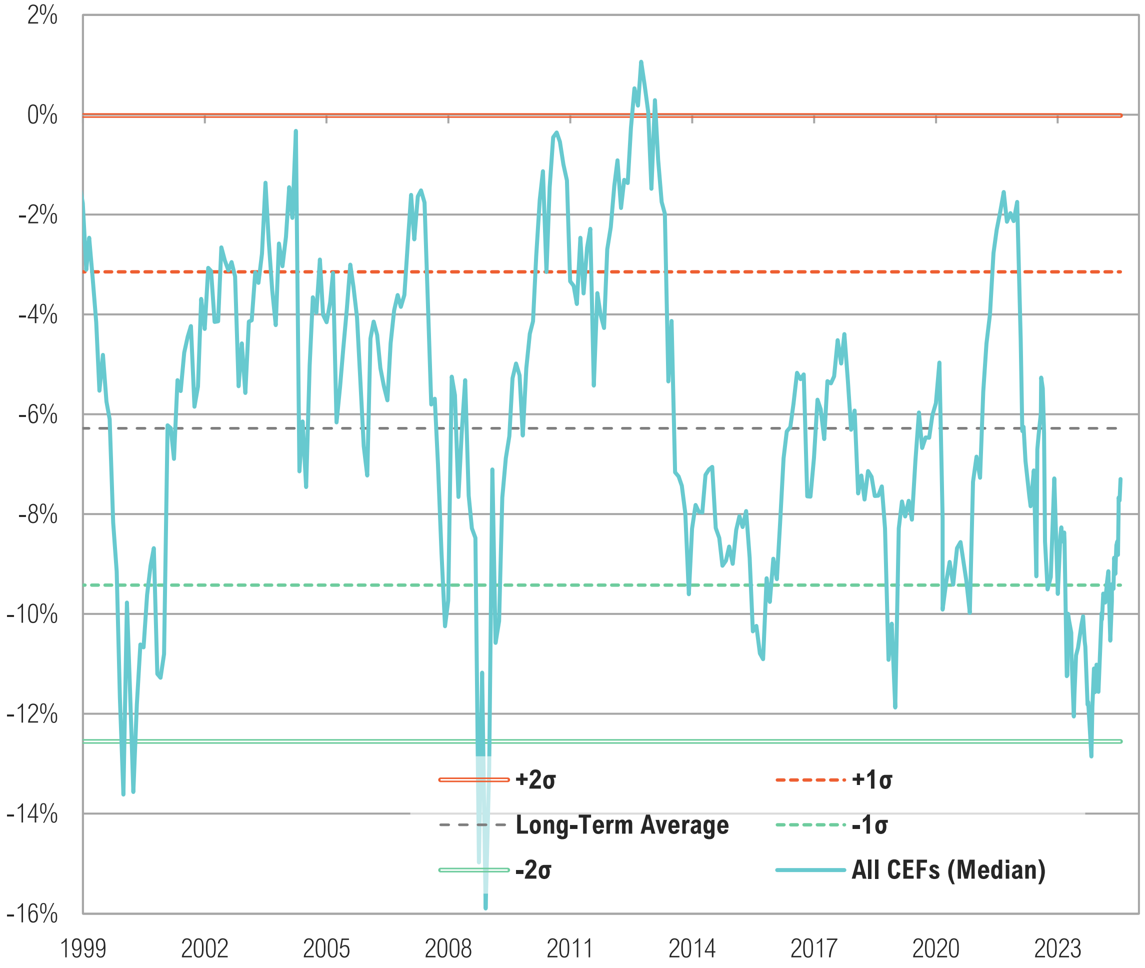
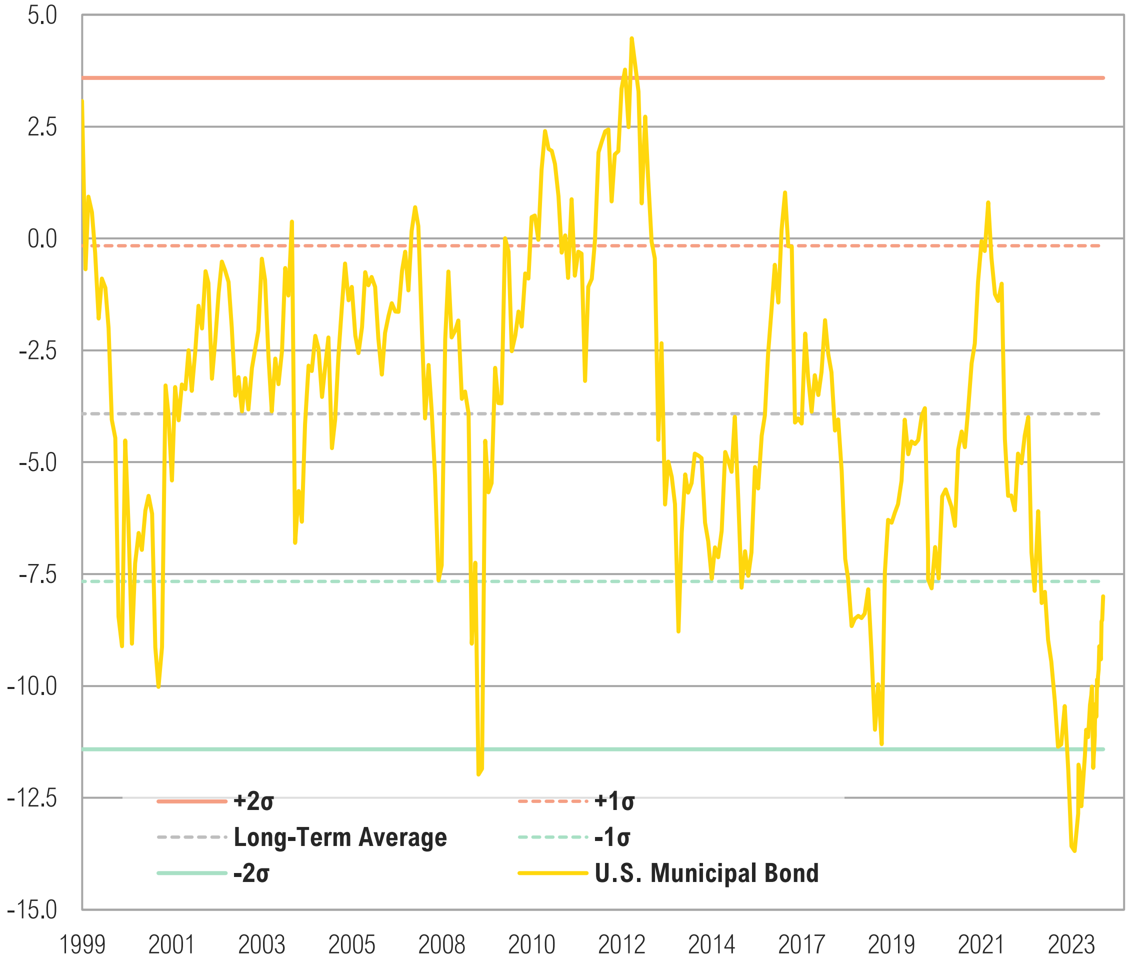
Median CEF discounts have been narrowing since October and are at the tightest discount since 2022; U.S. Muni CEF discounts are also less enticing, having narrowed from -13.7% to -8.0%

Median Premium/Discount to Net Asset Value, %



Average Premium/Discount to Net Asset Value



Source: Bloomberg. As of 7/16/2024.

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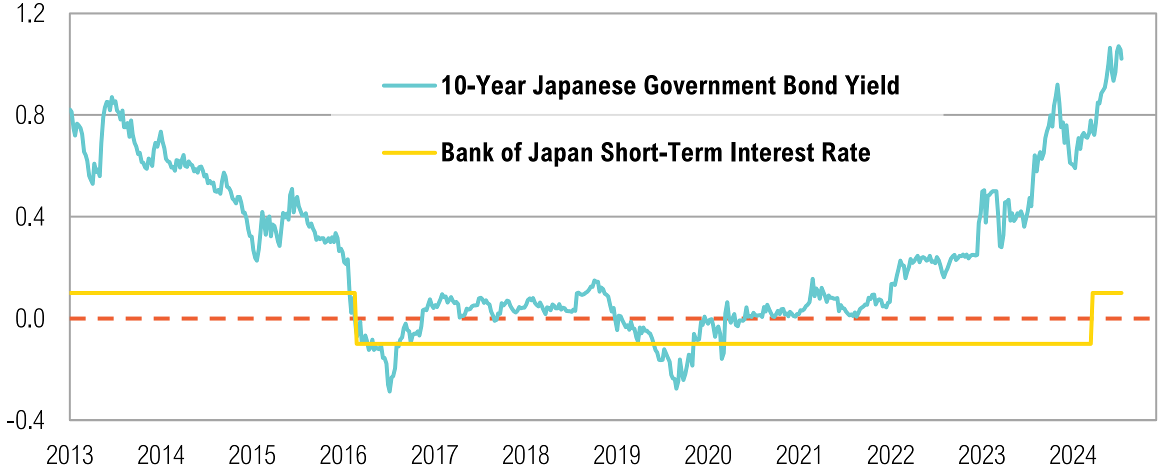
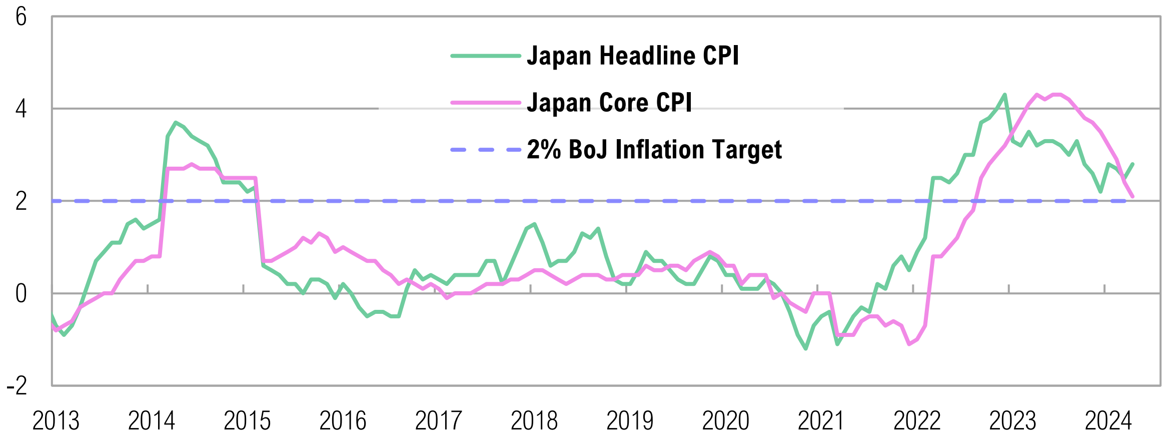
Japanese government bonds have climbed higher since the Bank of Japan hiked rates in March (the first hike in 17 years); the yen recently weakened to 4-decade lows

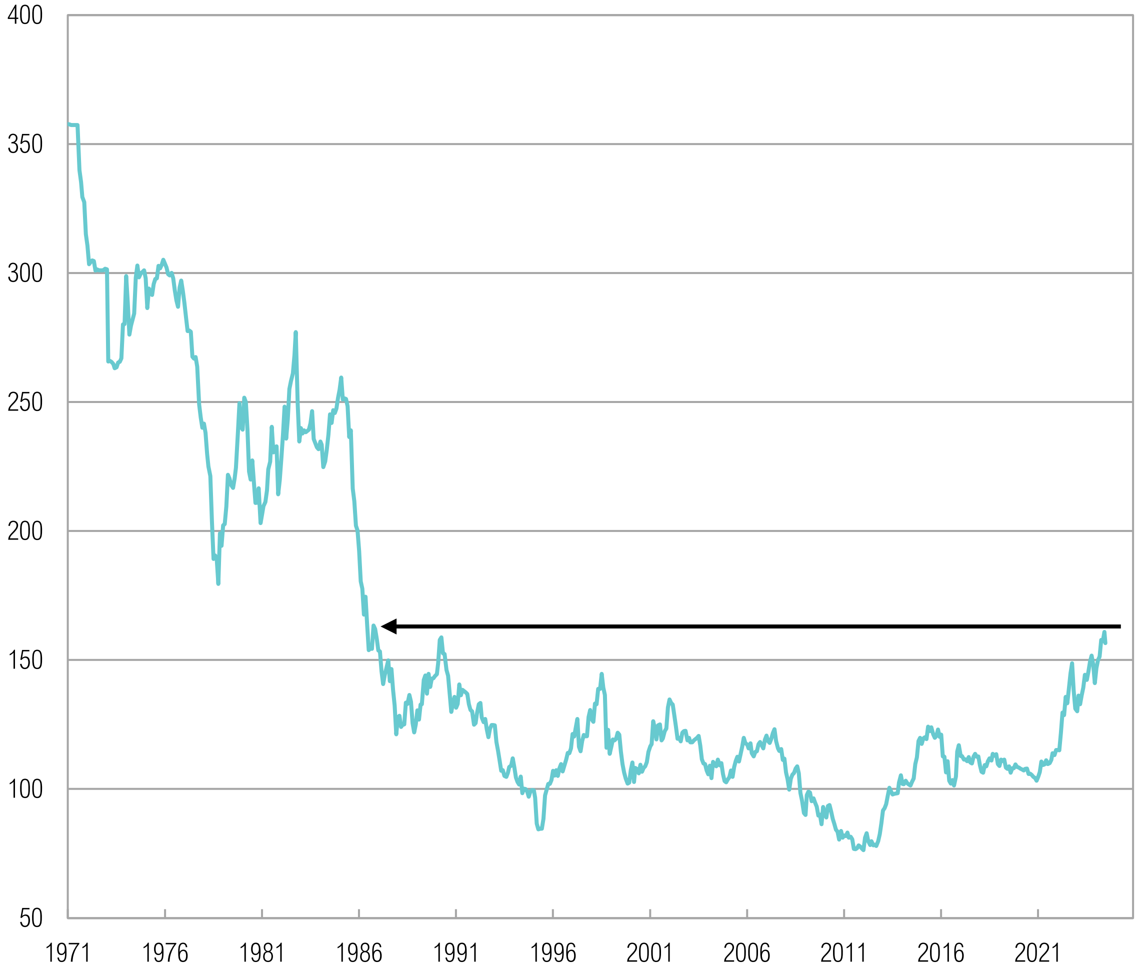
10-Year JGB Yield vs BoJ Short-Term Interest Rate, %



Japan CPI, Y/Y %



U.S. Dollar-Yen Cross Rate



Source: Bloomberg

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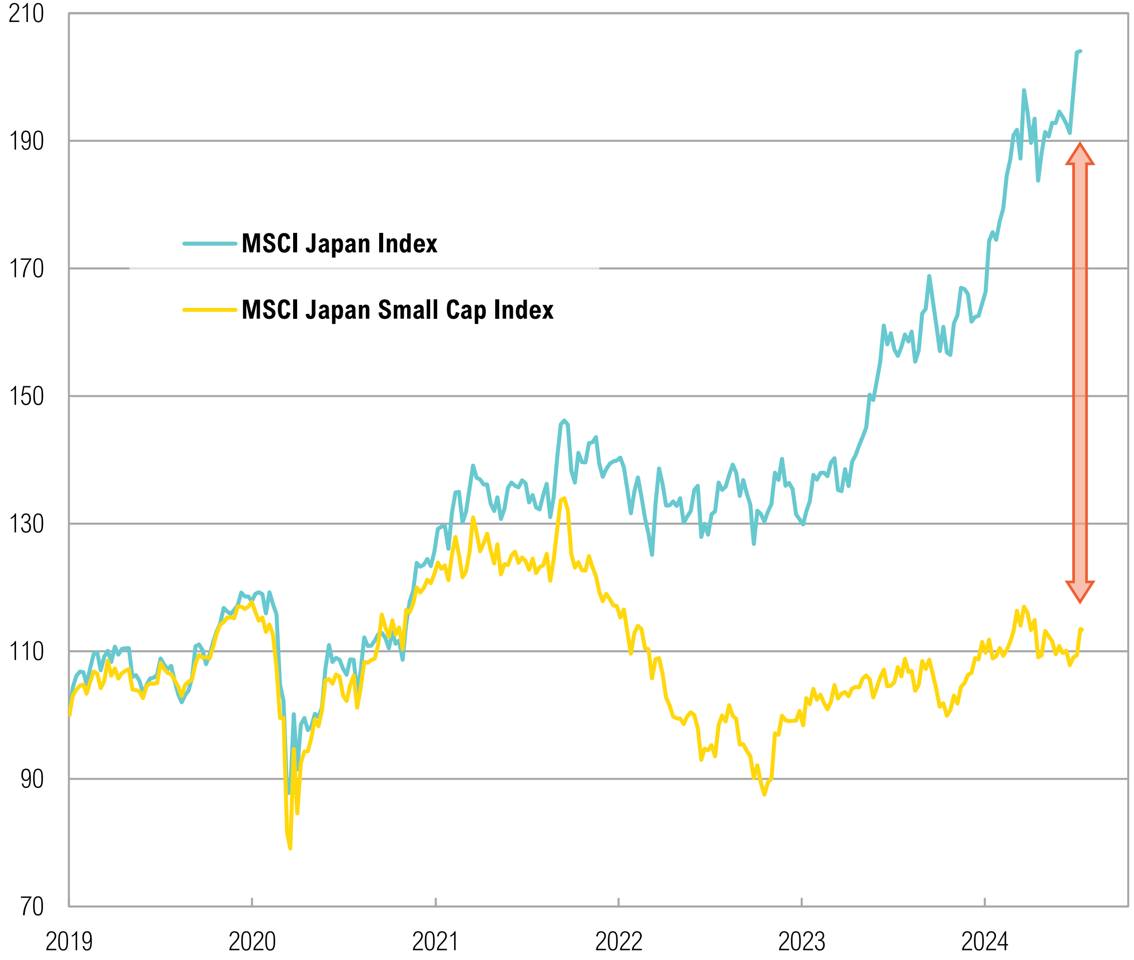
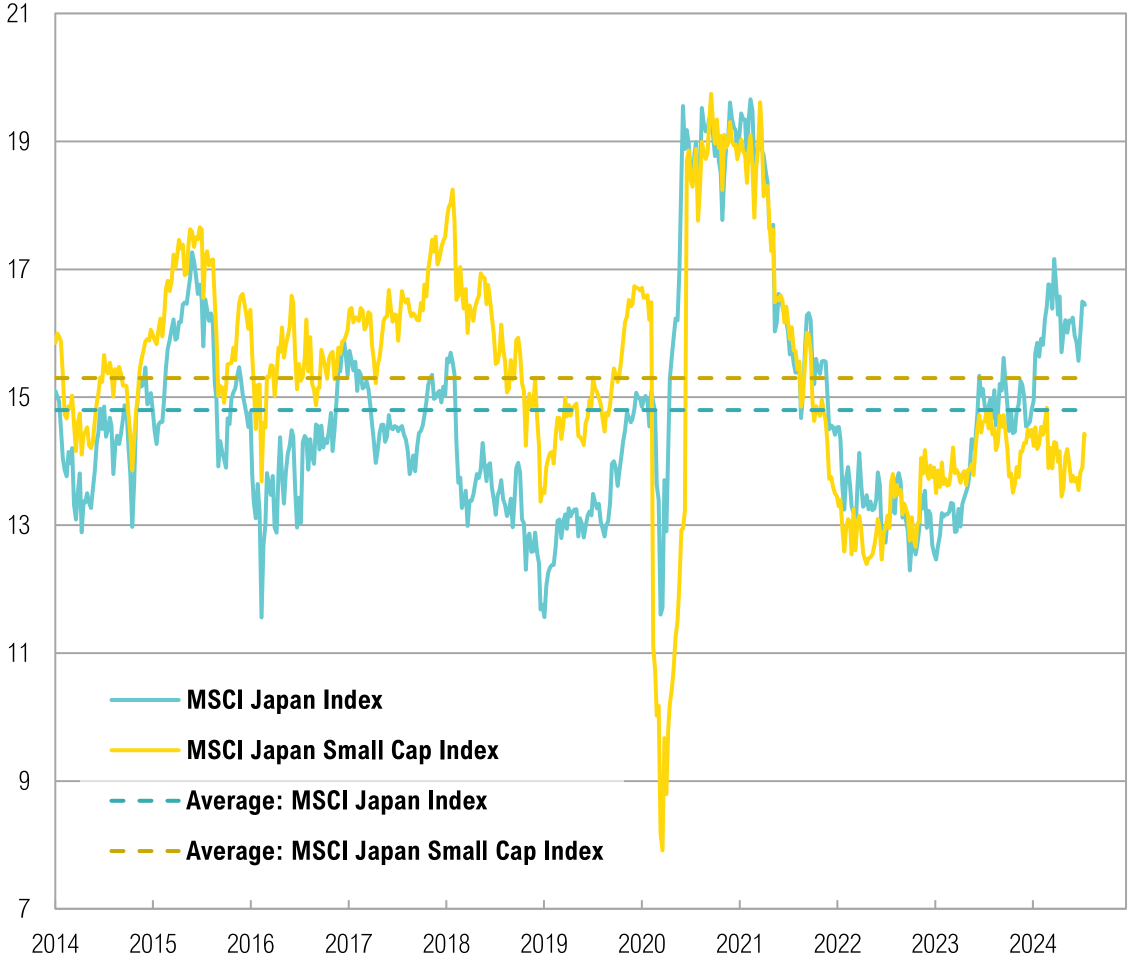
Japanese small cap stocks have lagged the broader index over the past 5 years; while still well below 10-year averages, small cap P/Es are starting to tick higher, likely due to incentives from TSE

Growth of 100



12-Month Forward Price-to-Earnings Ratio



Source: Bloomberg. As of 7/15/2024.

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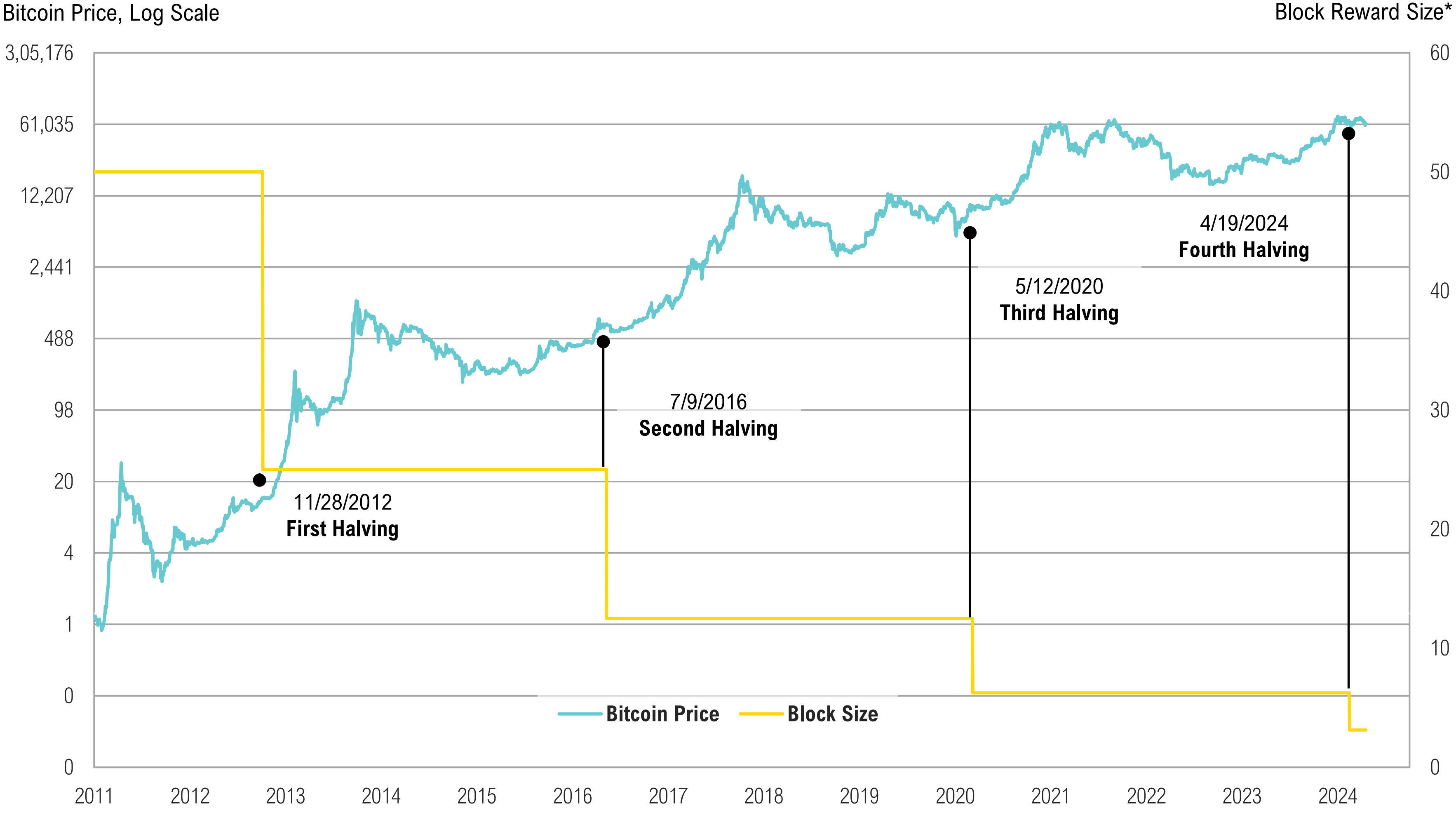
The price of bitcoin tends to increase after each halving event, but has been flat since the fourth halving in mid-April, despite having a volatile few weeks



Bitcoin halving is an event programmed into bitcoin's code and happens every 210,000 blocks mined (or roughly every four years) as a way to control inflation by reducing the rate at which new bitcoins are created.

Over time, it becomes slower to produce new bitcoins, and there is less new supply entering the system.

If there are fewer new bitcoins available, and demand stays the same or increases, then the value of bitcoin is likely to rise.

Source: Bloomberg, Bitcoin Visuals. *Reward started at 50BTC and halves every 210,000 blocks. The block reward is how new bitcoin is 'minted' or brought into the economy. Halving is programmed into bitcoin's code and occurs every four years to control inflation by reducing the rate at which new bitcoins are created. If there are fewer bitcoins available, and demand stays the same or increase, the value of bitcoin is likely to increase. As of 5/21/2024.

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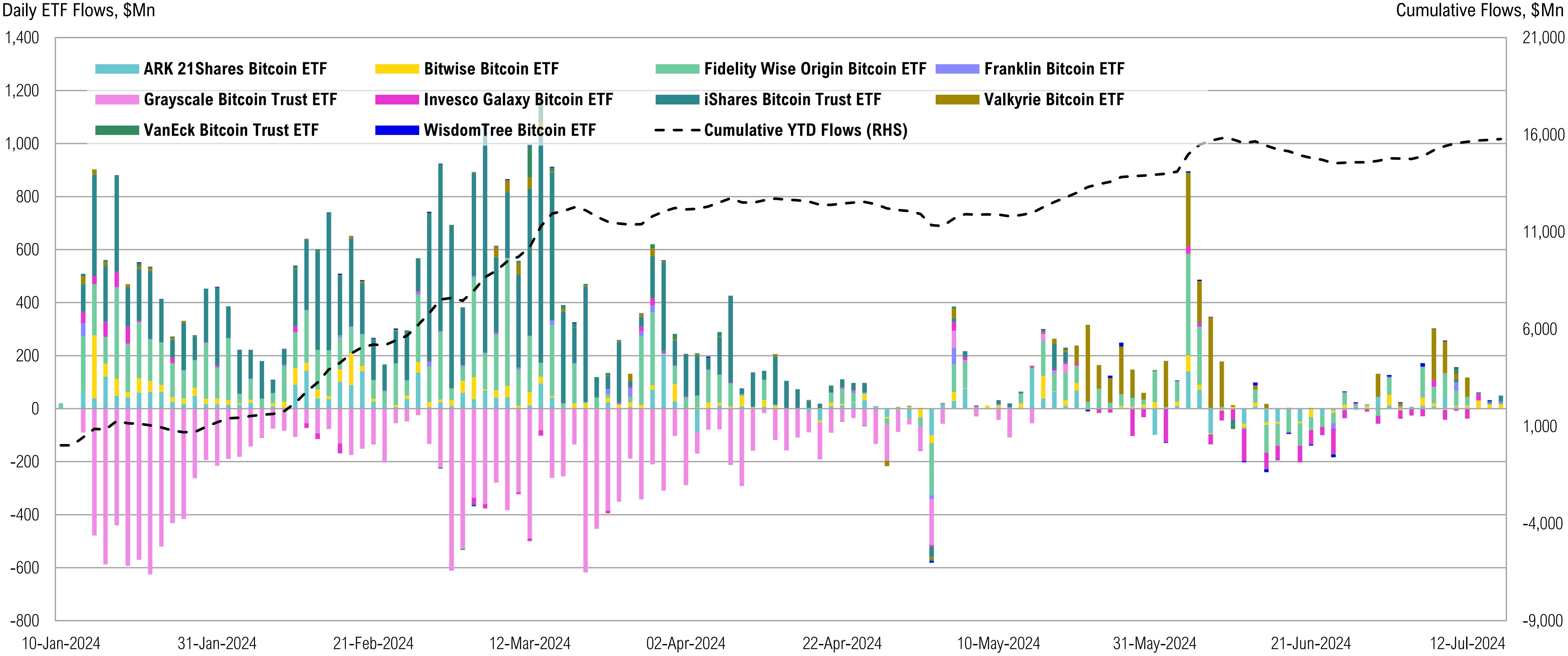
After accumulating nearly $16bn, flows into (and out of) bitcoin spot ETFs have stabilized somewhat; GBTC is no longer seeing meaningful outflows



Source: Morningstar. As of 7/17/2024.

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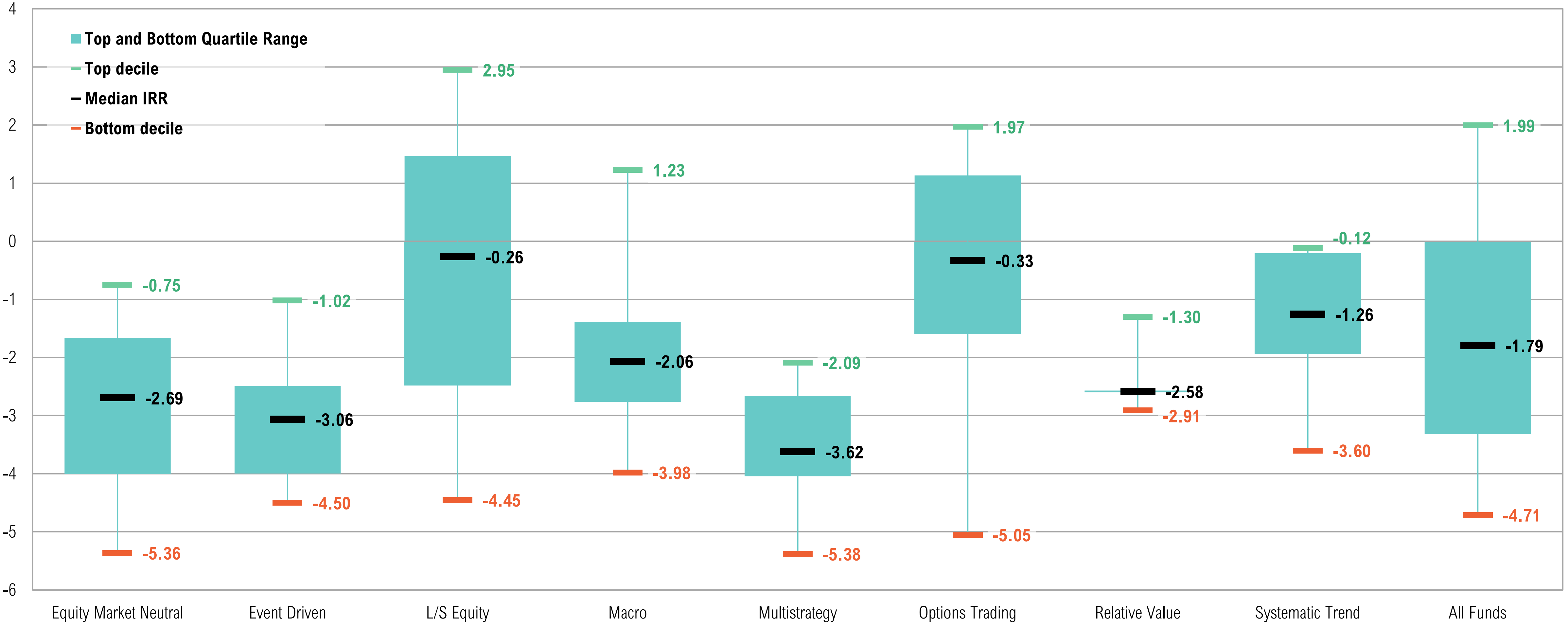
Keep it simple: expensive liquid alternatives have underperformed other than a select few categories, underpinning critical role of manager selection

7-Year Excess Returns vs. Global 60/40, %



Source: Morningstar. As of 6/30/2024. Global 60/40 represents 60% IVV and 40% BNDW.

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By not moving, we are tightening. And it’s starting from a level of restrictiveness that is as high as it’s been in decades. The reason to be as restrictive as that and the reason to tighten in real terms would be if you thought the economy was overheating. This is not my view of what an overheating economy looks like.

Austan Goolsbee, *Chicago Federal Reserve Bank President*

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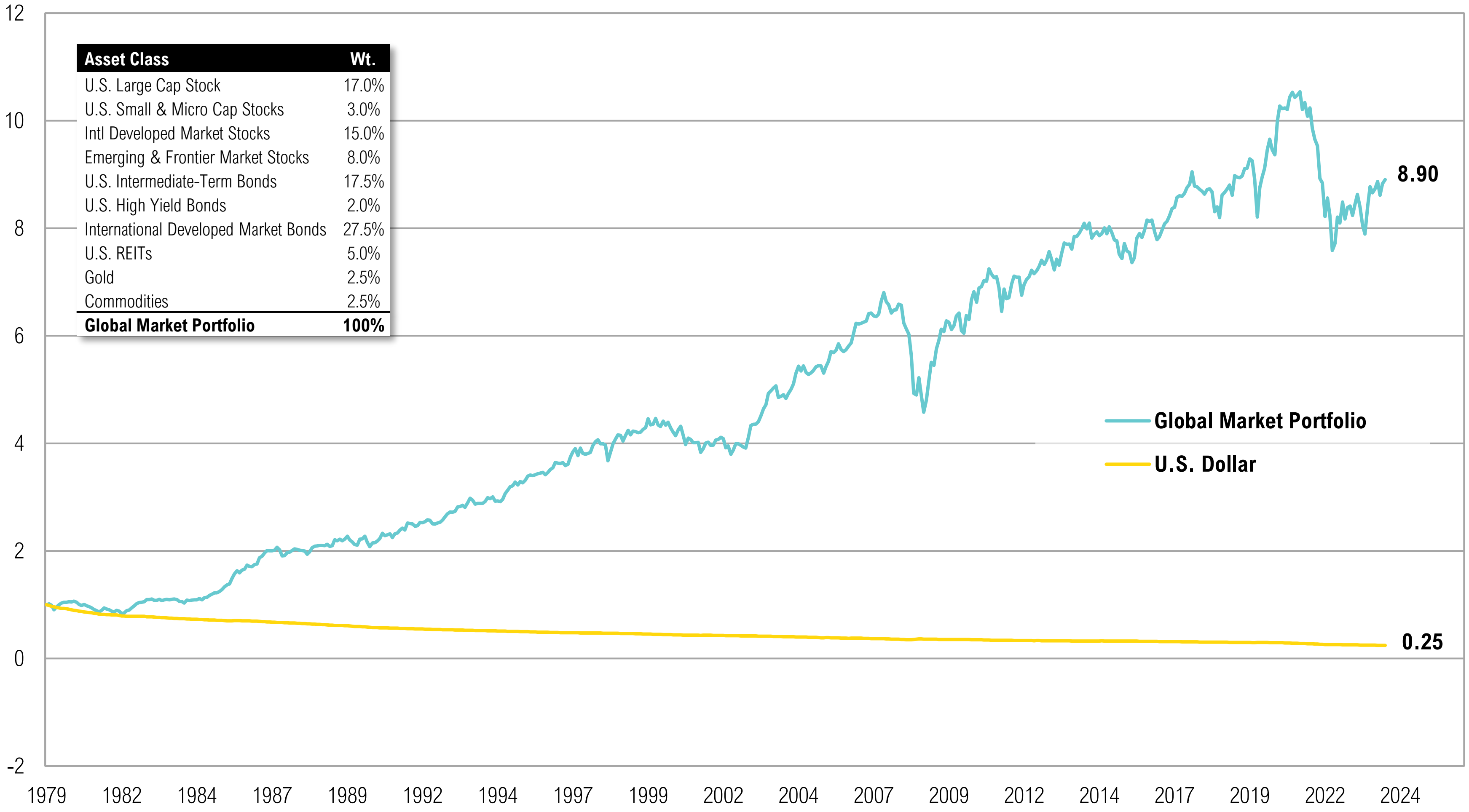
MAGNUS FINANCIAL GROUP

The U.S. dollar is likely to remain the 'cleanest shirt in the laundry' for the foreseeable future, but it will gradually lose its value vs. real and productive financial assets over time

Growth of $1, Inflation-Adjusted



Asset Class	Wt.
U.S. Large Cap Stock	17.0%
U.S. Small & Micro Cap Stocks	3.0%
Intl Developed Market Stocks	15.0%
Emerging & Frontier Market Stocks	8.0%
U.S. Intermediate-Term Bonds	17.5%
U.S. High Yield Bonds	2.0%
International Developed Market Bonds	27.5%
U.S. REITs	5.0%
Gold	2.5%
Commodities	2.5%
Global Market Portfolio	**100%**

Despite fiscal concerns in the U.S., the country remains a global leader, as demonstrated by its stock market performance, and other countries (e.g. China, Russia) are facing their own challenges.

The fiscal situation in the U.S. could lead to significant currency devaluation over time, which will benefit dollar-denominated real assets.

While real assets are viewed favorably, they should be sized cautiously due to high-risk profiles.

Source: Bloomberg, SpringTide. As of 6/30/2024. Inflation adjustment based on U.S. CPI.

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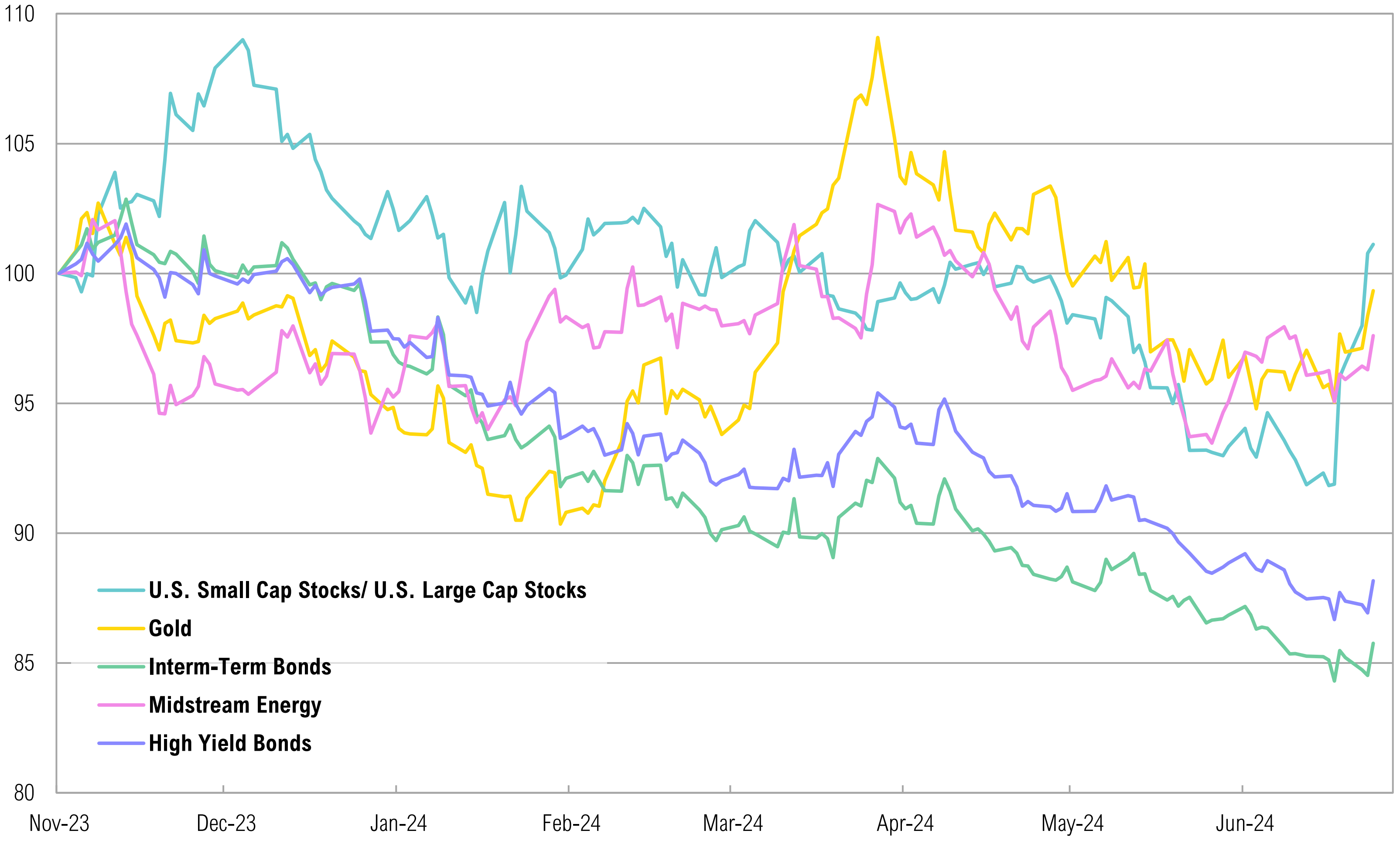
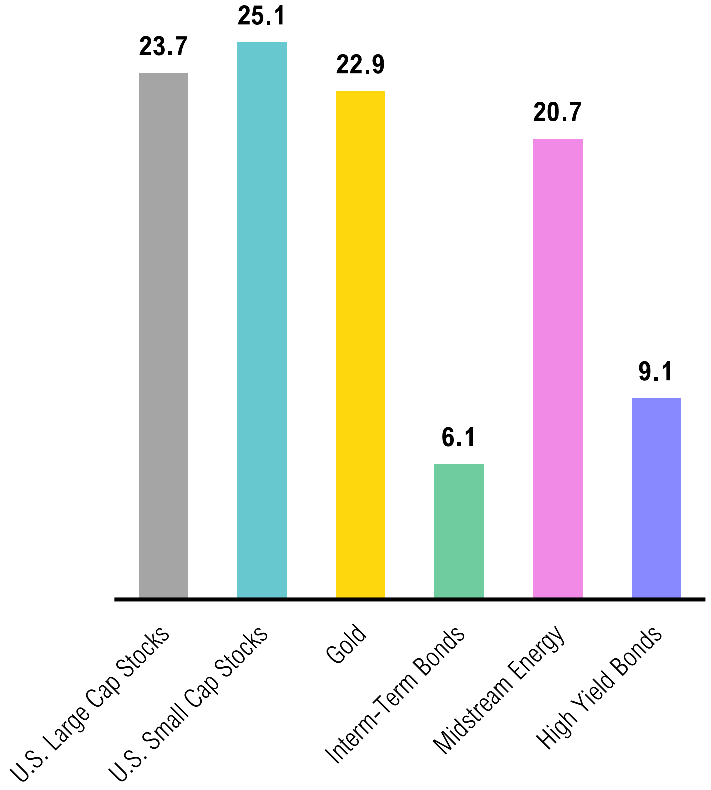
While some asset classes have been able to keep up with U.S. large cap stocks, most have lagged, suggesting there might be overlooked opportunities elsewhere

Growth of 100, Asset Classes Relative to S&P 500



Total Return, 10/27/2023 – 7/17/2024, %



Source: Bloomberg, SpringTide. As of 7/17/2024. See appendix for asset class & index definitions. Since October 2023 stock market bottom.

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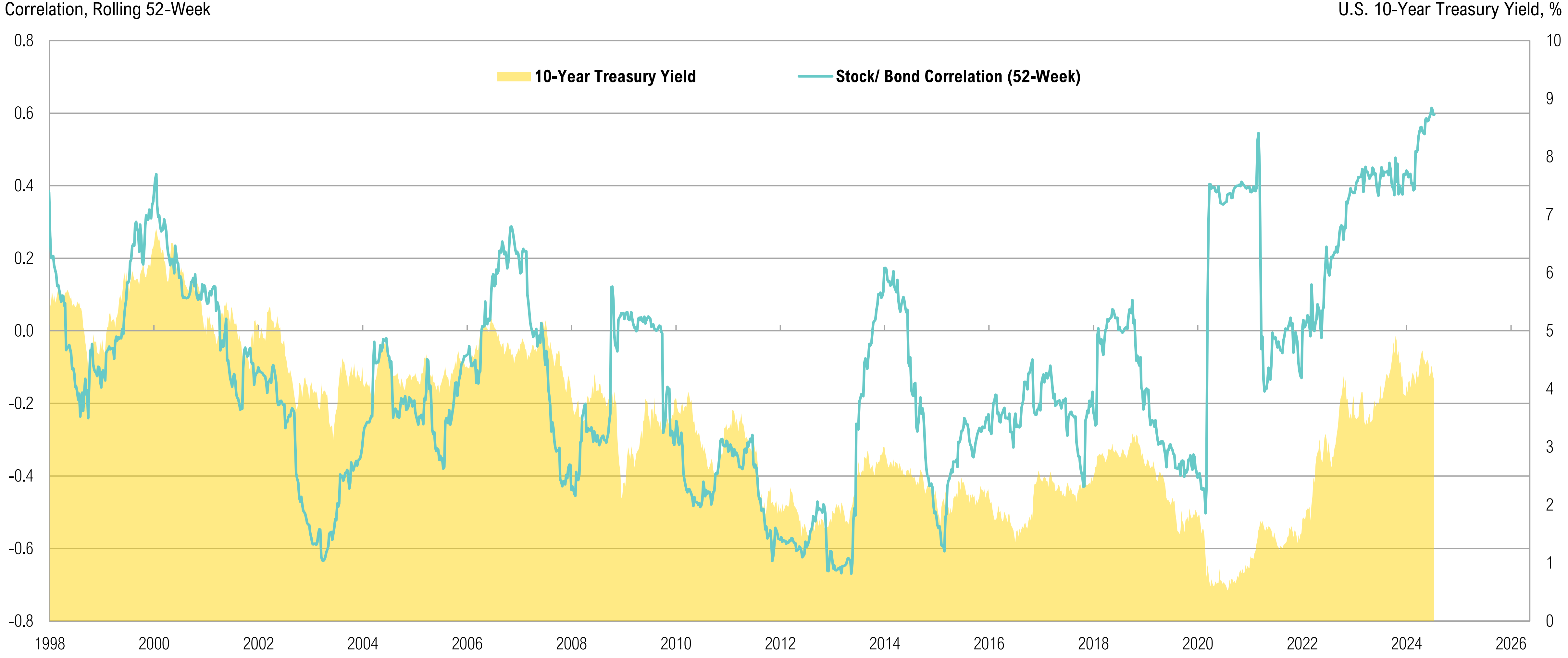
Even if not base case, returns during periods of stress (stagflation, bubble unwinds, banking crisis) *contrast so starkly* with the last 15 years that they should be considered

1970s Stagflation				Tech Bubble					GFC				**	Fed Pivot
1972	1973	1974	1975	1999	2000	2001	2002	2003	2007	2008	2009	2010	Average	12/12/23
Gold 48.3%	Gold 73.5%	Gold 67.0%	U.S. Small Cap 52.8%	EM Stocks 57.6%	Midstrm Energy 45.7%	Midstrm Energy 43.7%	Commodities 25.9%	EM Stocks 55.8%	EM Stocks 39.4%	U.S. Interm Bds 5.2%	EM Stocks 78.5%	Midstrm Energy 35.9%	Gold 19.7%	Midstrm Energy 23.9%
Commodities 37.0%	Commodities 58.4%	Commodities 9.8%	U.S. Large Cap 37.2%	Intl Dev Stocks 27.0%	Commodities 31.8%	U.S. REITs 12.8%	Gold 24.0%	U.S. Small Cap 47.3%	Gold 31.6%	Intl Dev Bonds 4.4%	Midstrm Energy 76.4%	U.S. REITs 28.5%	Midstrm Energy 14.6%	U.S. Large Cap 23.6%
Intl Dev Stocks 30.1%	U.S. REITs 20.2%	Cash 8.0%	Intl Dev Stocks 32.3%	Commodities 24.3%	U.S. REITs 26.8%	U.S. Interm Bds 8.4%	Intl Dev Bonds 22.4%	Midstrm Energy 44.5%	Commodities 16.2%	U.S. Muni Bds 4.2%	U.S. HY Bonds 58.2%	Gold 27.7%	Commodities 13.3%	Gold 23.0%
Midstrm Energy 20.3%	Cash 7.3%	EM Stocks 6.0%	Midstrm Energy 27.1%	U.S. Small Cap 21.3%	U.S. Interm Bds 11.6%	U.S. Muni Bds 5.5%	U.S. Interm Bds 10.3%	Intl Dev Stocks 38.6%	Midstrm Energy 12.7%	Gold 3.4%	Intl Dev Stocks 31.8%	U.S. Small Cap 26.9%	U.S. REITs 8.2%	U.S. Small Cap 21.2%
U.S. Large Cap 19.0%	Intl Dev Bonds 6.9%	U.S. REITs 4.8%	U.S. 60/40 24.7%	U.S. Large Cap 21.0%	U.S. Muni Bds 8.2%	U.S. HY Bonds 5.3%	U.S. Muni Bds 8.7%	U.S. REITs 36.7%	Intl Dev Stocks 11.2%	Cash 1.8%	U.S. REITs 28.6%	EM Stocks 18.9%	EM Stocks 5.9%	EM Stocks 17.2%
U.S. REITs 17.4%	U.S. HY Bonds 6.8%	U.S. Interm Bds 4.1%	U.S. HY Bonds 16.4%	U.S. 60/40 12.2%	Cash 6.1%	Cash 4.1%	U.S. REITs 3.6%	U.S. HY Bonds 29.0%	Intl Dev Bonds 11.0%	U.S. 60/40 -21.6%	Gold 27.6%	Commodities 16.8%	Intl Dev Bonds 5.9%	U.S. 60/40 15.5%
U.S. 60/40 12.2%	Midstrm Energy 5.8%	Intl Dev Bonds 2.9%	U.S. REITs 14.1%	Cash 4.8%	U.S. 60/40 -1.1%	U.S. Small Cap 2.5%	Cash 1.7%	U.S. Large Cap 28.7%	U.S. Interm Bds 7.0%	U.S. HY Bonds -26.2%	U.S. Small Cap 27.2%	U.S. HY Bonds 15.1%	U.S. Interm Bds 5.6%	Intl Dev Stocks 14.2%
Intl Dev Bonds 9.4%	U.S. Muni Bds 4.8%	U.S. Muni Bds -5.6%	Intl Dev Bonds 8.7%	U.S. HY Bonds 2.4%	EM Stocks -1.6%	Gold 1.4%	U.S. HY Bonds -1.4%	Commodities 24.0%	U.S. 60/40 6.2%	U.S. Small Cap -33.8%	U.S. Large Cap 26.5%	U.S. Large Cap 15.1%	U.S. HY Bonds 5.0%	U.S. REITs 12.3%
U.S. Small Cap 4.4%	U.S. Interm Bds 3.3%	U.S. 60/40 -14.6%	Cash 5.9%	Gold 1.2%	U.S. Small Cap -3.0%	EM Stocks -2.6%	Midstrm Energy -3.4%	Gold 21.7%	U.S. Large Cap 5.5%	Commodities -35.6%	Commodities 18.9%	U.S. 60/40 12.2%	U.S. Muni Bds 4.1%	U.S. HY Bonds 7.3%
Cash 4.2%	EM Stocks 3.3%	U.S. HY Bonds -17.2%	U.S. Interm Bds 5.6%	U.S. Muni Bds 0.6%	Intl Dev Bonds -3.9%	U.S. 60/40 -3.3%	EM Stocks -6.2%	Intl Dev Bonds 19.4%	U.S. Muni Bds 4.8%	Midstrm Energy -36.9%	U.S. 60/40 18.5%	Intl Dev Stocks 7.8%	Cash 3.8%	Commodities 5.7%
U.S. HY Bonds 3.5%	U.S. 60/40 -7.7%	U.S. Small Cap -19.9%	U.S. Muni Bds 4.6%	U.S. Interm Bds -0.8%	U.S. HY Bonds -5.9%	Intl Dev Bonds -3.7%	U.S. 60/40 -9.5%	U.S. 60/40 18.6%	Cash 4.8%	U.S. Large Cap -37.0%	Intl Dev Bonds 7.5%	U.S. Interm Bds 6.6%	U.S. 60/40 2.7%	U.S. Interm Bds 3.7%
U.S. Muni Bds 3.2%	Intl Dev Stocks -10.7%	Midstrm Energy -20.8%	Commodities -0.8%	U.S. REITs -4.6%	Gold -6.3%	U.S. Large Cap -11.9%	Intl Dev Stocks -15.9%	U.S. Muni Bds 4.4%	U.S. HY Bonds 1.9%	U.S. REITs -38.0%	U.S. Muni Bds 7.2%	Intl Dev Bonds 4.9%	U.S. Small Cap 2.1%	Cash 3.2%
U.S. Interm Bds 2.4%	U.S. Large Cap -14.7%	Intl Dev Stocks -25.4%	EM Stocks -12.9%	Midstrm Energy -7.8%	U.S. Large Cap -9.1%	Commodities -19.5%	U.S. Small Cap -20.5%	U.S. Interm Bds 4.1%	U.S. Small Cap -1.6%	Intl Dev Stocks -43.4%	U.S. Interm Bds 5.9%	U.S. Muni Bds 3.1%	Intl Dev Stocks 0.2%	U.S. Muni Bds 1.1%
EM Stocks -27.2%	U.S. Small Cap -30.9%	U.S. Large Cap -26.5%	Gold -25.2%	Intl Dev Bonds -8.8%	Intl Dev Stocks -14.2%	Intl Dev Stocks -21.4%	U.S. Large Cap -22.1%	Cash 1.0%	U.S. REITs -16.8%	EM Stocks -53.3%	Cash 0.1%	Cash 0.1%	U.S. Large Cap -0.3%	Intl Dev Bonds 1.0%

- U.S. 60/40
- U.S. Large Cap
- U.S. Small Cap
- Intl Dev Stocks
- Emerging Stocks
- U.S. Municipal Bonds
- U.S Int-Term Bonds
- U.S. High Yield Bds
- Intl Dev Bonds
- U.S. REITs
- Commodities
- Gold
- Midstream Energy
- Cash

Source: Bloomberg, SpringTide. See disclosures for asset class, index and portfolio definitions. Returns are gross of fees. It is not possible to invest directly in an index. **Geometric average calculated on the years included to the left. Returns for periods longer than 1 year are annualized. Fed Pivot returns as of 7/16/2024.

Stocks and bonds remain highly correlated in this higher-rate environment



Source: Bloomberg, SpringTide. Stocks = S&P 500 TR Index, Bonds = Bloomberg U.S. Aggregate TR Index.

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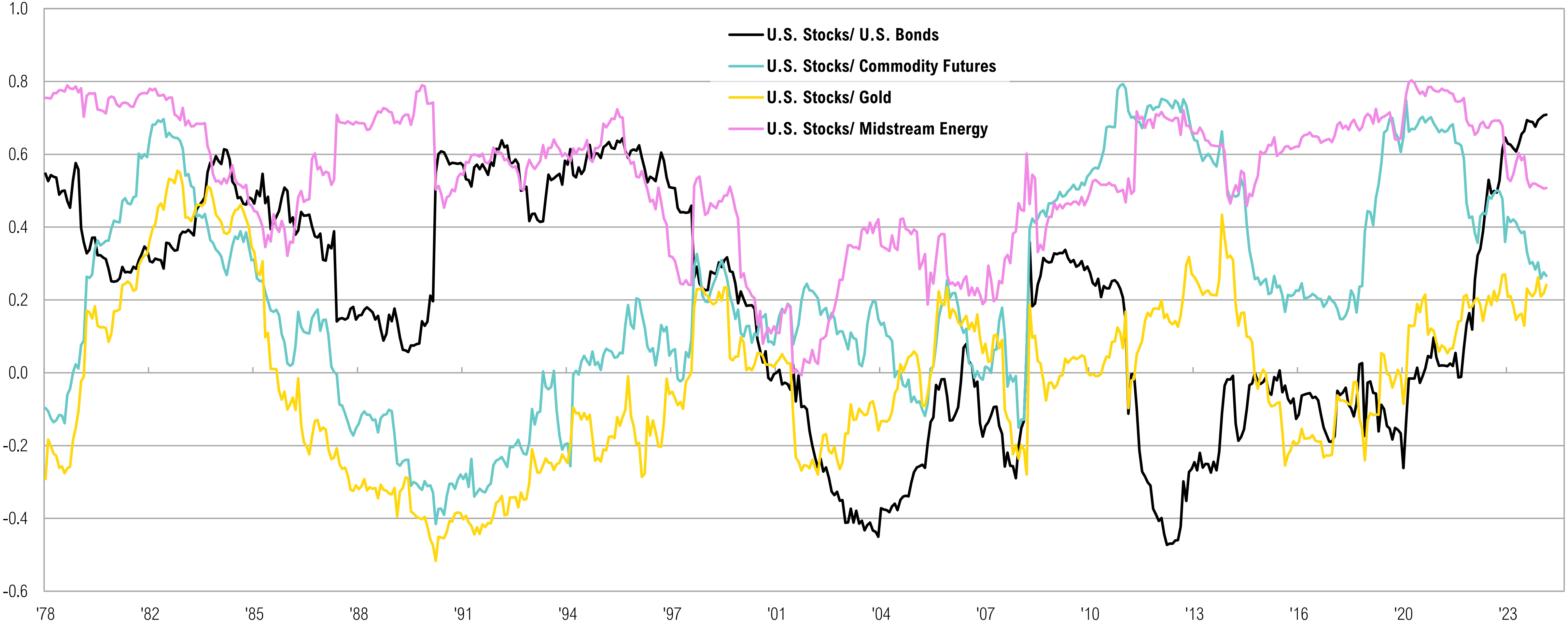
Bonds have recently provided less diversification benefits to stocks than other asset classes

Correlation, Rolling 3-Year



Source: Bloomberg. See appendix for asset class & index definitions.

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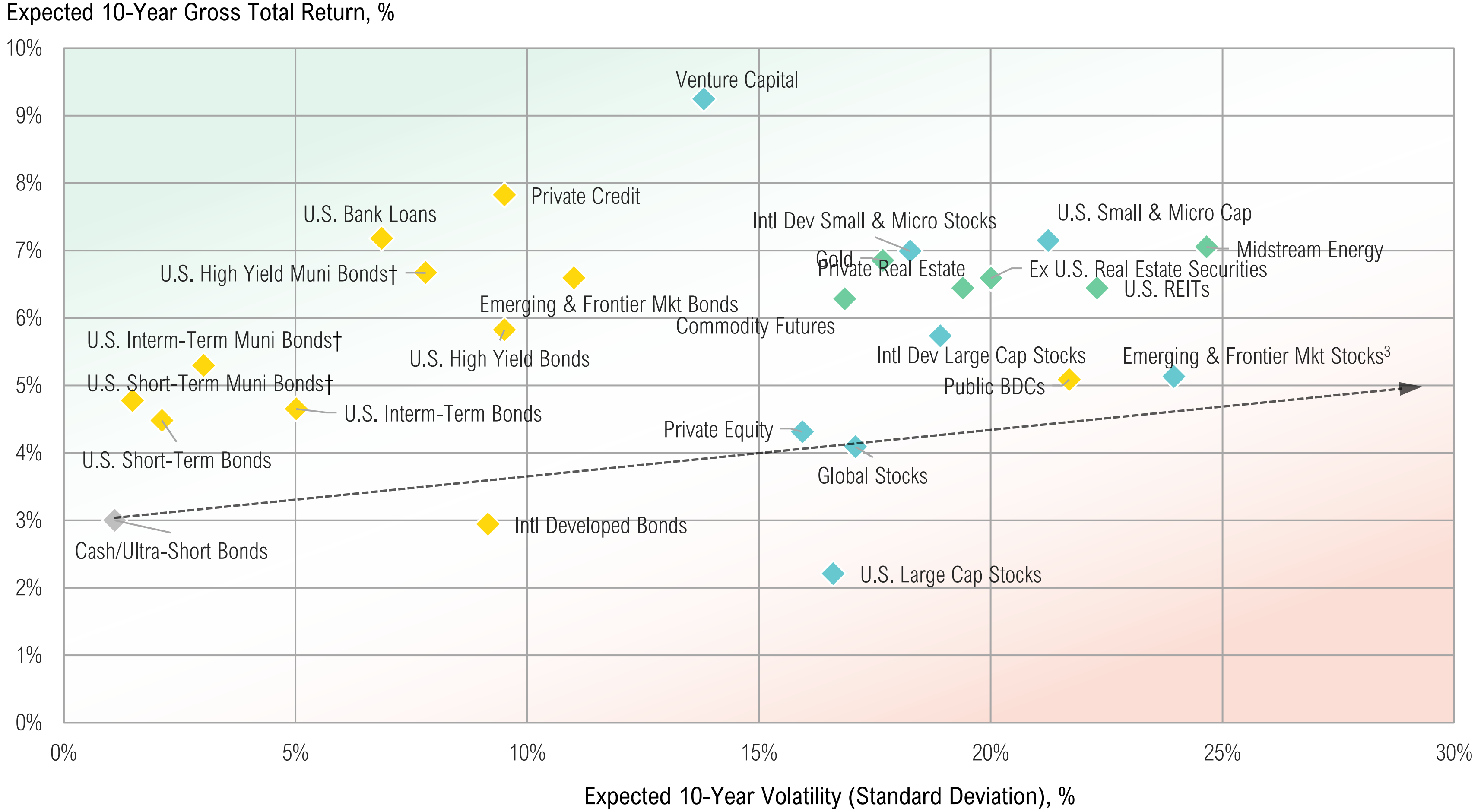
Expected returns for large cap stocks continue to decline, while small cap stocks look more attractive due to better fundamentals



Asset Class	Expected Returns (%)	Expected Volatility (%)
Venture Capital	9.2	13.8
Closed-End Funds	7.9	13.1
Private Credit	7.8	9.5
U.S. Bank Loans	7.2	6.9
U.S. Small & Micro Cap	7.1	21.2
Midstream Energy	7.1	24.7
Intl Dev Small & Micro Stocks	7.0	18.3
Relative Value	7.0	4.7
Insurance-Linked Securities	6.9	4.3
Gold	6.9	17.7
U.S. High Yield Muni Bonds	6.7	7.8
Emerging & Frontier Mkt Bonds	6.6	11.0
Ex U.S. Real Estate Securities	6.6	20.0
Digital Assets	6.4	20.8
Private Real Estate	6.4	19.4
U.S. REITs	6.4	22.3
Commodity Futures	6.3	16.9
Global Macro	6.0	6.3
U.S. High Yield Bonds	5.8	9.5
Intl Dev Large Cap Stocks	5.7	18.9
Long-Short Equity	5.3	7.9
U.S. Interm-Term Muni Bonds	5.3	3.0
Emerging & Frontier Mkt Stocks	5.1	24.0
Public BDCs	5.1	21.7
U.S. Short-Term Muni Bonds	4.8	1.5
U.S. Interm-Term Bonds	4.7	5.0
U.S. Short-Term Bonds	4.5	2.1
Private Equity	4.3	15.9
Global Stocks	4.1	17.1
Cash/Ultra-Short Bonds	3.0	1.1
Intl Developed Bonds	2.9	9.1
U.S. Large Cap Stocks	2.2	16.6

[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. Returns are gross of fees unless stated otherwise.

Asset Class	Benchmark	Index	Start Date	End Date	Data Source
U.S. Large Cap Stocks	S&P 500 Index	S&P 500 TR Index	01/31/1970	n/a	Bloomberg, Ibbotson Associates, NYU/Stern
		IA SBBI US Large Stock TR Index	01/31/1926	12/31/1969	
		NYU/Stern S&P 500 TR	01/31/1920	12/31/1925	
U.S. Small & Micro Cap	Russell 2000 TR Index	Russell 2000 TR Index	01/31/1979	n/a	Bloomberg, Ibbotson Associates, SpringTide
		IA SBBI US Small Stock TR Index	01/31/1926	12/31/1978	
		SpringTide U.S. Small & Micro Cap Premium-Based Extension	01/31/1920	12/31/1925	
Intl Dev Stocks	MSCI EAFE NR Index	MSCI EAFE NR Index	01/31/1970	n/a	MSCI, NYU/Stern
		NYU/Stern Developed World Indices	01/31/1920	12/31/1969	
EM & Frontier Stocks	MSCI Emerging Markets NR Index	MSCI Emerging Markets NR Index	01/31/2001	n/a	MSCI, NYU/Stern
		NYU/Stern Emerging World Index (Price)	01/31/1920	12/31/2000	
Global Stocks	MSCI ACWI NR Index	MSCI ACWI NR Index	01/31/2001	n/a	MSCI, NYU/Stern
		NYU/Stern All World Index (Price)	01/31/1920	12/31/2000	
Venture Capital	Cambridge Venture Capital	Cambridge Venture Capital	01/01/1981	n/a	Cambridge, SpringTide
		SpringTide Venture Capital Premium-Based Extension	01/31/1920	12/31/1980	
U.S. Muni Bonds	Bloomberg Municipal 1-10Y Blend 1-12Y TR Index	Bloomberg Municipal 1-10Y Blend 1-12Y TR Index	07/31/1993	n/a	Bloomberg
		USA Municipal AAA Bonds Total Return Index (TRUSAMUM)	01/31/1920	06/30/1993	
U.S. Long-Term Bonds	Bloomberg US Long Gov/Corp TR Index	Bloomberg US Long Gov/Corp TR Index	02/28/1999	n/a	Bloomberg, NYU/Stern
		NYU/Stern US 30Yr Government Bond TR Index	01/31/1920	01/31/1999	
U.S. Interm-Term Bonds	Bloomberg US Aggregate Bond TR Index	Bloomberg US Aggregate Bond TR Index	01/31/1976	n/a	Bloomberg, NYU/Stern
		NYU/Stern US Total Return AAA Corporate Bond Index	01/31/1920	12/31/1975	
U.S. High Yield Bonds	Bloomberg US Corporate High Yield TR Index	Bloomberg US Corporate High Yield TR Index	07/31/1983	n/a	Bloomberg, Ibbotson Associates, SpringTide
		IA Bloomberg US HY Corporate Bonds	02/28/1926	06/30/1983	
		SpringTide U.S. High Yield Bonds Premium-Based Extension	01/31/1920	01/31/1926	
Intl Dev Bonds	Bloomberg Global Aggregate ex-USD TR Index	Bloomberg Global Aggregate ex-USD TR Index	01/31/1990	n/a	Bloomberg, NYU/Stern
		NYU/Stern All World ex-USA Government Bond Index	01/31/1920	12/31/1989	
U.S. REITs	MSCI US REIT GR Index	MSCI US REIT GR Index	01/01/1995	n/a	Bloomberg, Winans
		Winans US Real Estate Index (WIREI)	01/01/1920	12/31/1994	
Commodity Futures	Bloomberg Commodity TR Index	Bloomberg Commodity TR Index	01/31/1991	n/a	Bloomberg
		Thompson Jefferies CRB Core Commodity Total Return Index	01/31/1920	12/31/1990	
Midstream Energy	Alerian MLP TR Index	Alerian MLP TR Index	01/31/1996	n/a	Alerian, Bloomberg
		S&P 500 Energy Index	01/31/1946	12/31/1995	
		ExxonMobil Corp (XOM)	01/31/1920	12/31/1945	
Gold	LBMA Gold Price	LBMA Gold Price	02/29/1968	n/a	LBMA, Bloomberg
		New York Spot Bullion	01/31/1920	01/31/1968	
Cash/Ultra-Short Bonds	Bloomberg US T-Bill 1-3 Month TR Index	Bloomberg US T-Bill 1-3 Month TR Index	12/31/1991	n/a	Bloomberg, NYU/Stern
		NYU/Stern USA Total Return T-Bill Index	01/31/1920	11/30/1991	

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Asset Class Benchmarks

Asset class performance was measured using the following benchmarks:

U.S. Large Cap Stocks: S&P 500 TR Index

U.S. Small & Micro Cap Stocks: Russell 2000 TR Index

Intl Dev Large Cap Stocks: MSCI EAFE GR Index

Intl Dev Small & Micro Stocks: MSCI EAFE GR Index

Emerging & Frontier Market Stocks: MSCI Emerging Markets GR Index

Global Stocks: MSCI ACWI GR Index

Private Equity: Cambridge Associates U.S. Private Equity

Venture Capital: Cambridge Associates U.S. Venture Capital

U.S. Interm-Term Muni Bonds: Bloomberg Barclays 1-10 (1-12 Yr) Muni Bond TR Index

U.S. High Yield Muni Bonds: Bloomberg Barclays High Yield Muni TR Index

U.S. Interm-Term Bonds: Bloomberg Barclays U.S. Aggregate Bond TR Index

U.S. High Yield Bonds: Bloomberg Barclays U.S. Corporate High Yield TR Index

U.S. Bank Loans: S&P/LSTA U.S. Leveraged Loan Index

Intl Developed Bonds: Bloomberg Barclays Global Aggregate ex-U.S. Index

Emerging & Frontier Market Bonds: JPMorgan EMBI Global Diversified TR Index

Public BDCs: S&P BDC Index

U.S. REITs: MSCI U.S. REIT GR Index

Ex U.S. Real Estate Securities: S&P Global Ex-U.S. Property TR Index

Private Real Estate: Cambridge Associates Real Estate

Commodity Futures: Bloomberg Commodity TR Index

Midstream Energy: Alerian MLP TR Index

Gold: LBMA Gold Price

Long-Short Equity: HFRI Equity Hedge Index

Global Macro: HFRI Macro-CTA Index

Relative Value: HFRI Relative Value Index

Closed-End Funds: S-Network Composite Closed-End TR Index

Insurance-Linked Securities: SwissRe Global Cat Bond TR Index

Digital Assets: MVIS CryptoCompare Digital Assets 25 Index

Cash & Cash Equivalents: Bloomberg Barclays U.S. T-Bill 1-3 Month TR Index

U.S. Short-Term Muni Bonds: Bloomberg Barclays Municipal 1-3 Yr TR Index

U.S. Short-Term Bonds: Bloomberg Barclays U.S. Agg 1-3 Yr TR Index

U.S. 60/40: 60% S&P 500 TR Index 40% Bloomberg Barclays U.S. Aggregate Bond TR Index

Global 60/40: 60% MSCI ACWI GR Index 40% Bloomberg Barclays Global Aggregate Bond TR Index

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