



SECOR ASSET MANAGEMENT

Q1 2024 Equity Market Outlook

January 2024

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Long Term Return & Risk Assumptions

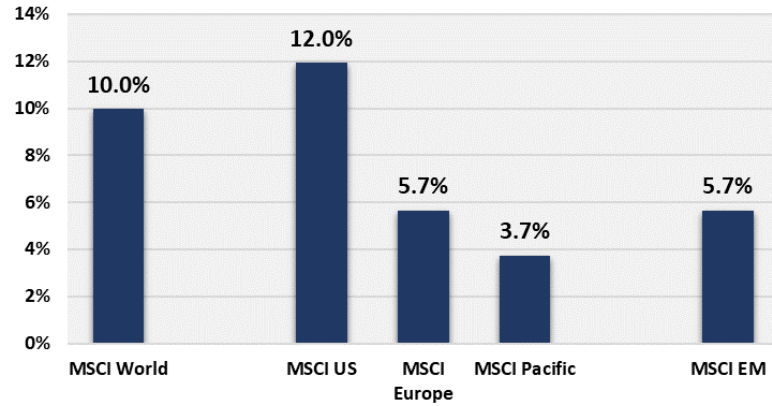
Asset Class	Market Return	Volatility	Note: Last <u>10 Yrs Return</u>	Note: Last <u>20 Yrs Return</u>
Developed Market Equity	7.0%	17%	10.1%	8.5%
Emerging Market Equity	7.5%	25%	5.6%	8.4%
Private Equity	8.5%	30%	17.0%	15.0%

Ranked Asset Class Return by Year. Green Means You're Beating Inflation

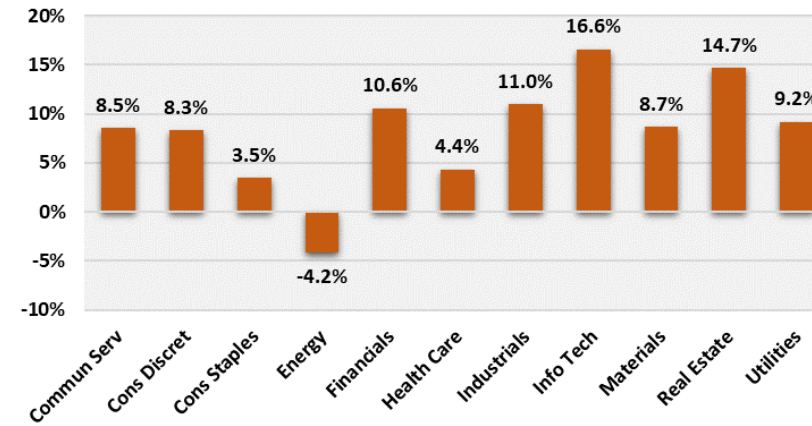
Ranking	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
1	US Small (37%)	REITS (27%)	MSCI JP (9%)	Commod. (21%)	MSCI CN (51%)	USD Cash (0%)	S&P 500 (29%)	MSCI CN (28%)	REITS (32%)	Commod. (0%)	S&P 500 (22%)
2	S&P 500 (30%)	S&P 500 (13%)	REITS (2%)	US Small (19%)	MSCI EM (35%)	US 2yr (0%)	REITS (26%)	US Small (18%)	S&P 500 (20%)	USD Cash (-4%)	MSCI JP (17%)
3	MSCI JP (25%)	US 10yr (8%)	US 10yr (1%)	US HY (15%)	MSCI EU (24%)	US 10yr (-1%)	US Small (23%)	MSCI EM (17%)	Commod. (18%)	US 2yr (-10%)	US Small (13%)
4	MSCI EU (24%)	MSCI CN (7%)	EM \$ Sov. (1%)	Global HY (12%)	MSCI JP (22%)	US Agg (-2%)	MSCI EU (22%)	S&P 500 (17%)	MSCI EU (9%)	EM Local (-14%)	MSCI EU (12%)
5	US HY (6%)	US IG (7%)	S&P 500 (1%)	S&P 500 (10%)	S&P 500 (19%)	TIPS (-3%)	MSCI CN (21%)	MSCI JP (13%)	US Small (7%)	US HY (-17%)	Global HY (10%)
6	Global HY (6%)	EM \$ Sov. (6%)	US 2yr (0%)	MSCI EM (9%)	US Small (12%)	US HY (-4%)	MSCI JP (17%)	Commod. (10%)	TIPS (-1%)	TIPS (-17%)	US HY (10%)
7	MSCI CN (2%)	US Agg (5%)	US Agg (0%)	EM \$ Sov. (7%)	EM Local (12%)	US IG (-4%)	MSCI EM (16%)	TIPS (10%)	US HY (-2%)	Global HY (-18%)	REITS (8%)
8	REITS (1%)	US Small (4%)	USD Cash (-1%)	REITS (7%)	Global HY (8%)	EM Local (-5%)	US IG (12%)	US 10yr (9%)	MSCI JP (-5%)	US Agg (-18%)	EM \$ Sov. (7%)
9	US 2yr (-1%)	TIPS (3%)	US IG (-1%)	US IG (4%)	EM \$ Sov. (7%)	Global HY (-6%)	US HY (12%)	US IG (8%)	Global HY (-6%)	MSCI EU (-20%)	MSCI EM (7%)
10	USD Cash (-1%)	US HY (2%)	TIPS (-2%)	EM Local (4%)	REITS (6%)	REITS (-6%)	EM \$ Sov. (11%)	US Agg (6%)	USD Cash (-7%)	US 10yr (-20%)	US IG (5%)
11	US IG (-3%)	US 2yr (0%)	MSCI EU (-3%)	TIPS (3%)	Commod. (5%)	EM \$ Sov. (-6%)	Global HY (10%)	US HY (6%)	US 2yr (-7%)	US IG (-21%)	EM Local (3%)
12	US Agg (-3%)	USD Cash (-1%)	Global HY (-3%)	MSCI JP (1%)	US HY (5%)	S&P 500 (-6%)	Commod. (8%)	Global HY (6%)	US IG (-8%)	MSCI JP (-21%)	US Agg (2%)
13	MSCI EM (-4%)	Global HY (-1%)	US Small (-5%)	US Agg (1%)	US IG (4%)	Commod. (-12%)	EM Local (7%)	MSCI EU (5%)	US Agg (-8%)	EM \$ Sov. (-22%)	US 2yr (1%)
14	EM Local (-6%)	MSCI EM (-3%)	US HY (-5%)	MSCI CN (-1%)	US Agg (1%)	US Small (-13%)	US Agg (6%)	EM Local (4%)	EM Local (-8%)	S&P 500 (-23%)	TIPS (0%)
15	US 10yr (-7%)	EM Local (-3%)	MSCI CN (-8%)	US 2yr (-1%)	TIPS (1%)	MSCI JP (-14%)	US 10yr (6%)	EM \$ Sov. (4%)	MSCI EM (-9%)	MSCI EM (-25%)	USD Cash (0%)
16	EM \$ Sov. (-7%)	MSCI JP (-4%)	EM Local (-11%)	US 10yr (-1%)	US 10yr (0%)	MSCI EM (-16%)	TIPS (6%)	US 2yr (2%)	EM \$ Sov. (-9%)	US Small (-25%)	US 10yr (0%)
17	TIPS (-10%)	MSCI EU (-6%)	MSCI EM (-15%)	USD Cash (-2%)	USD Cash (-1%)	MSCI EU (-16%)	US 2yr (1%)	USD Cash (-1%)	US 10yr (-9%)	MSCI CN (-27%)	MSCI CN (-14%)
18	Commod. (-10%)	Commod. (-18%)	Commod. (-19%)	MSCI EU (-2%)	US 2yr (-2%)	MSCI CN (-20%)	USD Cash (0%)	REITS (-6%)	MSCI CN (-27%)	REITS (-30%)	Commod. (-14%)

Equity Market Returns

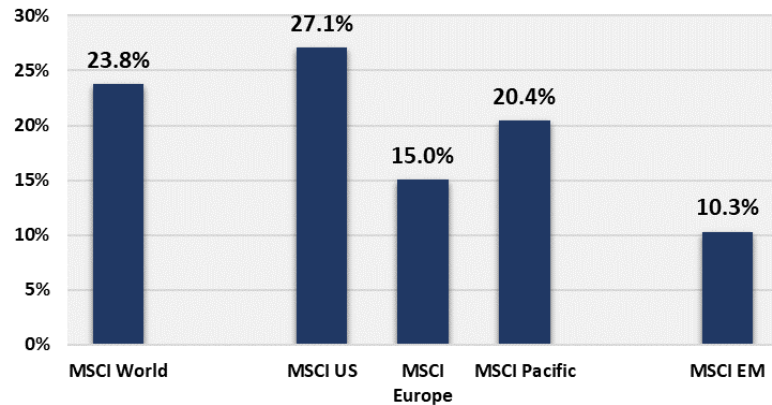
Last 3 Months Returns thru 31 Dec 2023 (Local)



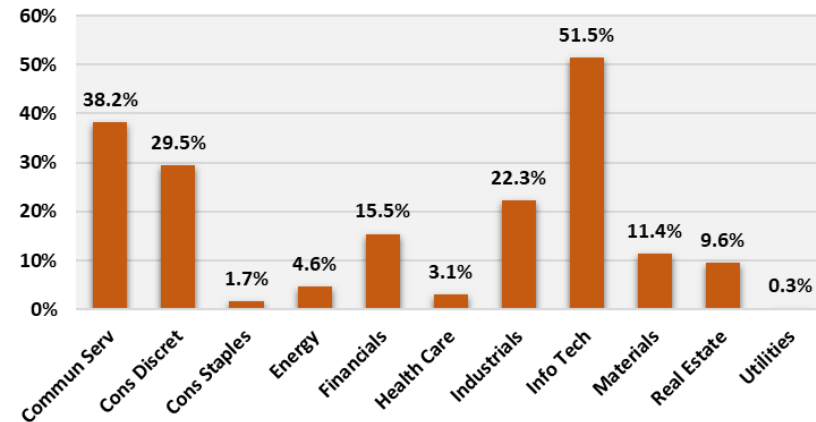
Last 3 Months Returns thru 31 Dec 2023 (ACWI, Local)



TTM Returns thru 31 Dec 2023 (Local)



TTM Returns thru 31 Dec 2023 (ACWI, Local)



What Has Changed Since the Last Meeting?

	30-Sep-23	29-Dec-23	Change
MSCI World	10289.64	11314.06	10%
S&P 500 Index	4288.05	4769.83	11%
MSCI World P/E	16.8x	19.0x	13%
S&P 500 2024 Est. EPS Growth	11.0%	10.2%	-0.8%
US 10 Yr Yield	4.58%	3.88%	-70 bps
High Yield Spread	431 bps	371 bps	-60 bps
US CPI YoY	3.7%	3.1%	-60 bps

Equity Premia Performance & Valuation Summary*

	Performance		Valuation (z-score)	
	Last 3 Mo.	TTM	Last 10 Yrs	Last 35 Yrs
Value	-0.4%	-5.2%	-0.1	-0.8
Size (Small)	1.1%	-7.2%	-0.9	-1.1
Momentum	2.9%	-7.3%	0.5	0.5
Quality	0.6%	6.5%	0.4	1.1
Low Volatility	-4.6%	-12.8%	-0.7	0.2

■ Highlights

- After a large positive return in 2022, Value stocks struggled once again in 2023.
- Small cap stocks outperformed in the fourth quarter but were laggards once again in 2023. Small caps also appear cheap relative to their history.
- High Momentum stocks had a negative return in 2023 reflecting a sharp shift in market leadership from 2022; Q4 returns, however, were positive.
- Low Volatility stocks resumed their struggle in both Q4 and for the year 2023.

Sources: Ken French website (http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html), MSCI, Bloomberg, Compustat, FactSet, IBES, Goldman Sachs Global Investment Research, SECOR. As of 31 December 2023.

* See Appendix 21, 22 for more detail.

Public Equity – Factors Driving Outlook – Summary

Factors	Comments	Historical Range
Valuation	<ul style="list-style-type: none"> Global equity valuation multiples expanded in 2023 as stocks rallied with flat YoY earnings growth. The US market is at extreme valuation levels relative to long-term history; less so over more near-term comparisons. European equities appear cheaper relative to the US but also saw valuation multiples expand in 2023. Emerging Markets relative valuations versus Developed are near or slightly below average but are rich versus their own history on most measures. The relative attractiveness of stocks versus bonds and credit improved slightly as bond yields fell faster than earnings yields. 	
Fundamentals	<ul style="list-style-type: none"> Despite flat YoY earnings growth in the US & Europe through the first three quarters of 2023, earnings growth has exceeded expectations. Earnings are expected to grow by 11% in the US in 2024 led by the megacap Tech companies who are expected to grow earnings at 18% vs 7% for the rest of the market. Earnings growth in Europe and Japan is expected to be 6% and 8%, respectively, in 2024; in-line with the non-tech portion of the US market. The highest expectations are for Emerging Markets with a consensus forecast of 18% earnings growth in 2024, hinging on a rebound in the disappointing China market. 	
Technicals	<ul style="list-style-type: none"> Sentiment turns positive across a range of measures with the rally in the fourth quarter. Outflows following 2022's bear market have begun to reverse. Retail sentiment measures, such as the AAI Bull-Bear Index, the Put-Call ratio and Shiller Crash Confidence index have swung to optimistic readings. Household stock ownership percentage near historical highs. 	
Macro Impact	<ul style="list-style-type: none"> Gloom from a year ago lifts as recession fears fade, inflation fight makes steady progress. Higher-for-Longer narrative is replaced by soft landing expectations, rate cuts and the return of earnings growth. Geo-political tensions persist. Elections in 2024 in the US, UK and India. Taiwan election results suggest continued heightened tensions with China. 	
<ul style="list-style-type: none"> ● Current Quarter X Last Quarter 	<p>9 – 12 Month View</p>	

Private Equity – Factors Driving Outlook – Summary

Factors	Comments	Historical Range
Valuation	<ul style="list-style-type: none"> The median Buyout EV/EBITDA acquisition multiple in the US and Europe moderated slightly, falling from 12.7x EV/EBITDA at YE2022 to 12.0x at the end of Q3. EV/EBITDA multiple is in-line with that of the public equity market. Deal leverage fell substantially in 2023. 	
Fundamentals	<ul style="list-style-type: none"> HY default rates remain very low in US and Europe. However, HY interest coverage fell in US and Europe in 2023 from near historically high levels to closer to average. EBITDA margins for HY issuers also fell slightly in 2023 but are still at relatively high levels historically. The incidence of HY distress rose in 2023 but is also near long-term average. 	
Technicals	<ul style="list-style-type: none"> PE deal activity cooled from the fast pace of 2021 and 2022, but 2023 deal activity still strong versus longer history. Exit activity fell sharply in 2023 creating an historical imbalance between investments to exits. Fundraising also moderated from the 2021-2022 pace but was relatively strong in comparison to levels of the late 2010s. 	
Macro Impact	<ul style="list-style-type: none"> Expected lower rate environment should provide a strong tailwind to Private Equity. LBO lending market normalizing after disruptions from rising rates, tightening credit standards. Emergence of private credit, particularly in the middle market, has contributed to improving financing environment. PE always a potential punching bag in an election year. 	
<div style="display: flex; align-items: center;"> <div style="margin-right: 10px;">●</div> Current Quarter </div> <div style="display: flex; align-items: center; margin-top: 5px;"> <div style="margin-right: 10px;">X</div> Last Quarter </div>	<p>9 – 12 Month View</p>	

Need to Change Inputs to Outlook Based on Drivers & Catalysts?

- The next 5 years return forecast is well below long-term expectations, driven by forecasted mean-reversion in both real earnings growth and the earnings multiple. (see Appendix 19-20 for more detail)

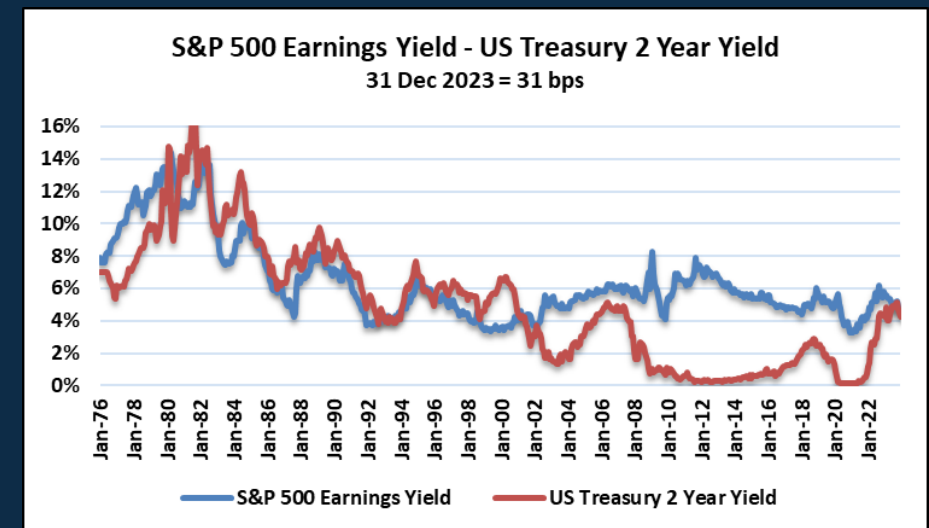
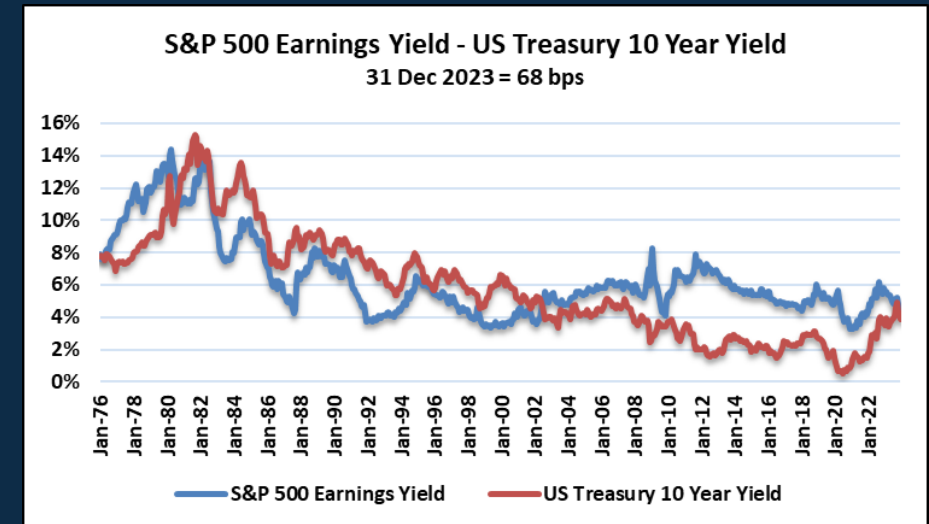
MSCI World	Long-Term Assumption	Last 5 Years	Next 5 Years Est.
Nominal EPS Growth	4.2%	7.1%	3.4%
<i>Real Earnings Growth</i>	<i>2.2%</i>	<i>3.7%</i>	<i>1.4%</i>
<i>Inflation</i>	<i>2.0%</i>	<i>3.4%</i>	<i>2.0%</i>
P/E Multiple Expansion/(Contraction)	<u>0.0%</u>	<u>4.5%</u>	<u>-1.5%</u>
Annual Price Gain	4.2%	11.6%	1.9%
Dividend Yield	<u>2.8%</u>	<u>2.1%</u>	<u>2.1%</u>
Total Return (Local)	7.0%	13.7%	4.0%

Data as of 31 December 2023

US Equity versus Bonds

- **The spread between the equity earnings yield and the US 10 Year yield expanded slightly during Q4 to 68 bps from 55 bps a quarter ago.**
 - The spread of 68 bps at YE2023 compares to a median of 77 bps from 1976.
 - The spread has contracted considerably from YE2022's 193 bps.

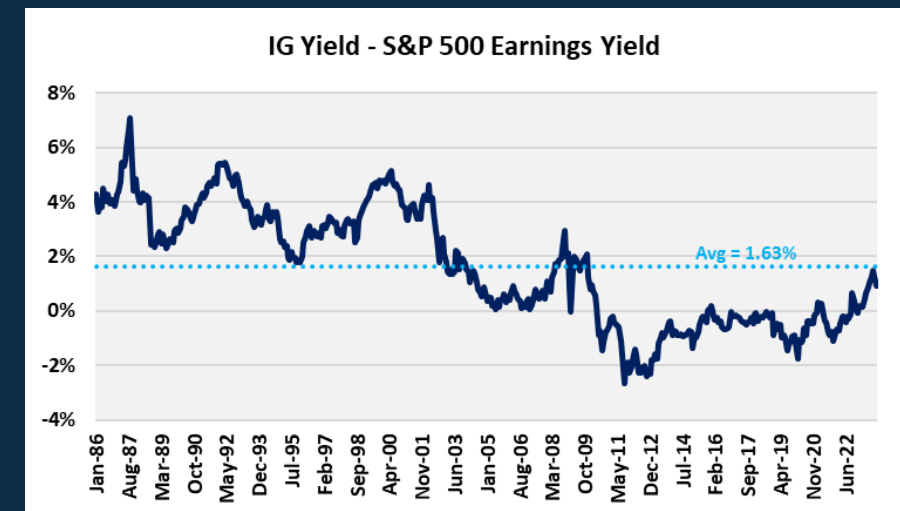
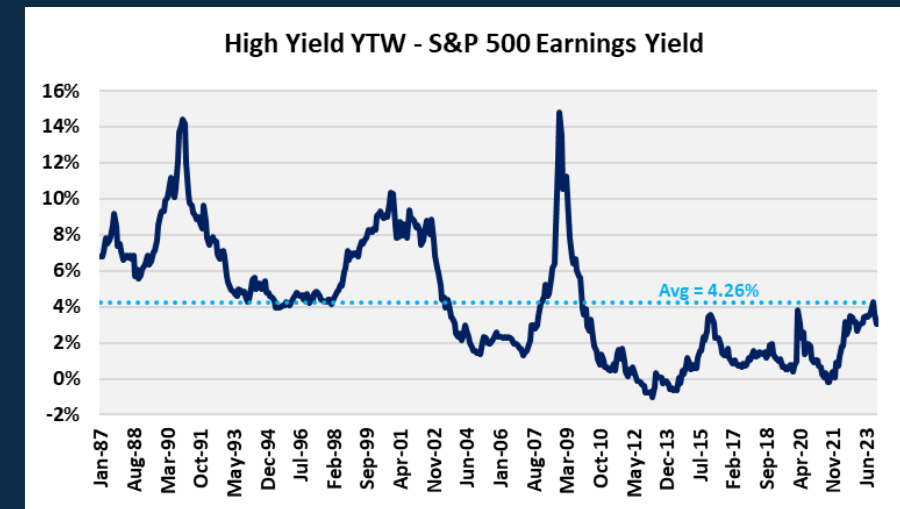
- **The spread between the equity yield and the yield on the US 2 Year Note widened slightly during Q4 to 31 bps from 25 bps at the end of Q3 but is below its long-term median of 126 bps.**
 - This spread averaged 415 bps since 2010 before converging to near zero over the last year.



US Equity versus Credit

- **The equity earnings yield and the yield on high yield bonds both fell in Q4 with HY bond yields falling more (-130 bps for HY vs -57 bps for equity).**
 - The spread between High Yield YTW (7.59%) and the S&P 500 Earnings Yield (4.56%) stood at 303 bps at YE2023, below the average of 426 bps since 1987 (43rd percentile).
 - The spread returned to a similar level as YE2022's 316 bps.

- **And the IG yield also fell more than the equity Earnings Yield in Q4 (-88bps vs -57bps) and is again below historical average.**
 - The spread between the IG Yield (5.49%) and the S&P 500 Earnings Yield (4.56%) stood at 93 bps at YE2023, below the average of 163 bps since 1986 (and 45th percentile).
 - This spread is, however, wider than a year ago where the equity earnings yield exceeded the IG yield by 6 bps.



What Has Changed Over the Last Two Years

- Developed market equities have taken a roundtrip back to where they ended 2021.
- However, over the past 2 years, MSCI World earnings grew by 9%.
- Over the same period, the developed markets P/E multiple contracted by 2.2 points, or 10%, to 19.0x (vs avg. 18.6x from 2000).
- The US Fed Funds rate increased from near zero to more than 5%, inflation has fallen and the US 10Yr yield has increased by 2.4%.
- After recent sluggish earnings growth by the Tech+ sector (due largely to tough comparisons when earnings spiked during the pandemic), the sector is expected to lead the way in 2024 with expected EPS growth of 18%, more than 2x the rest of the developed markets.
- The more optimistic outlook reawakened speculative urges. Bitcoin regained nearly all its lost ground in 2023.

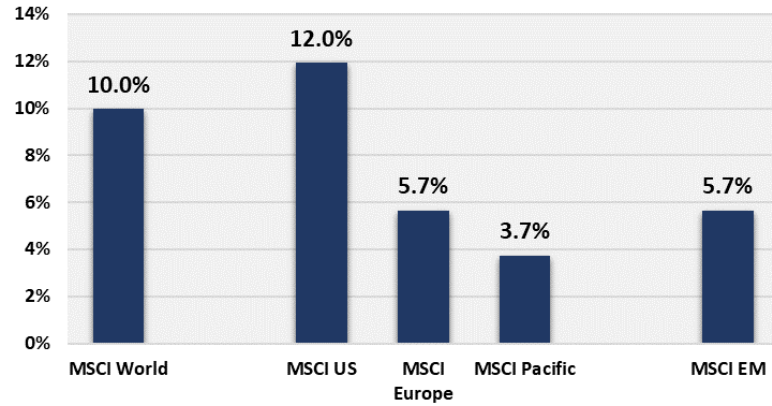
	YE2021	YE2022	YE2023	Last 2 Yrs
MSCI World Index	3231.73	2602.69 -19%	3169.18 22%	-2%
MSCI World EPS (USD)	\$152	\$163 7%	\$167 2%	9%
MSCI World P/E	21.2x	16.0x -25%	19.0x 19%	-10%
Fed. Funds Rate	0.1%	4.1%	5.3%	5.2%
Est. Inflation	5.5%	6.8%	3.1%	-2.4%
US 10Yr Yield	1.5%	3.9%	3.9%	2.4%
Bitcoin	\$46,310	\$16,576 -64%	\$42,505 156%	-8%

Appendix

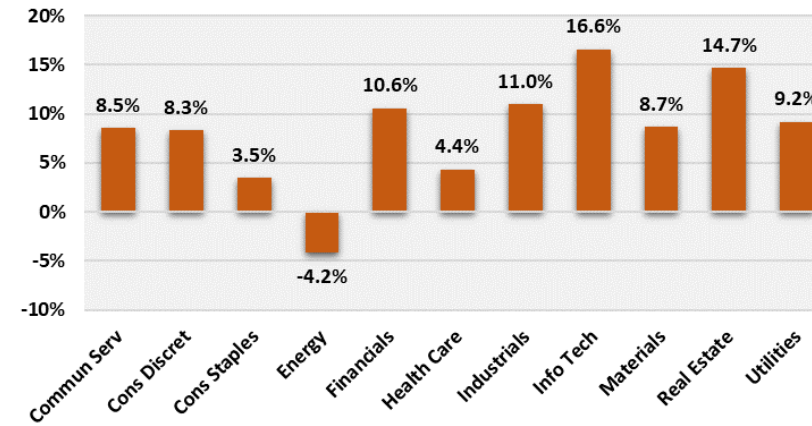


Appendix 1 – Equity Market Returns

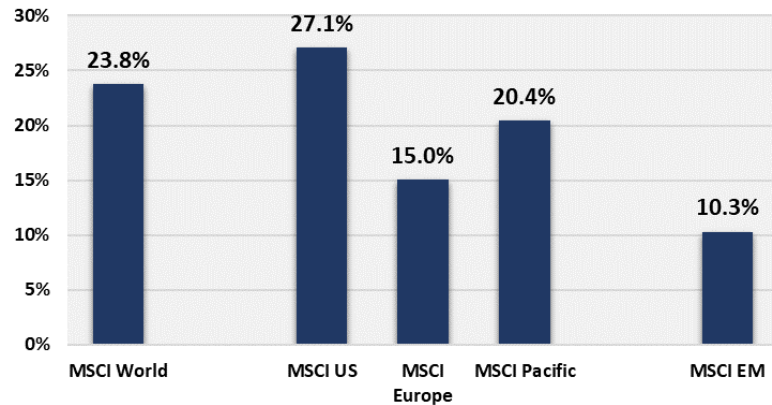
Last 3 Months Returns thru 31 Dec 2023 (Local)



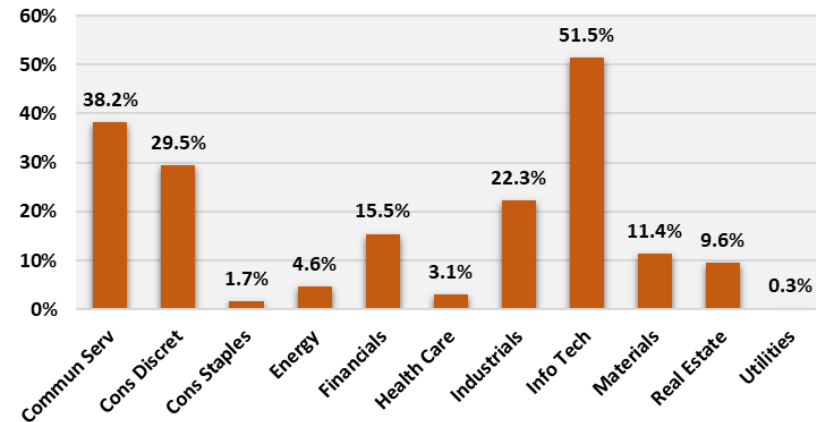
Last 3 Months Returns thru 31 Dec 2023 (ACWI, Local)



TTM Returns thru 31 Dec 2023 (Local)



TTM Returns thru 31 Dec 2023 (ACWI, Local)

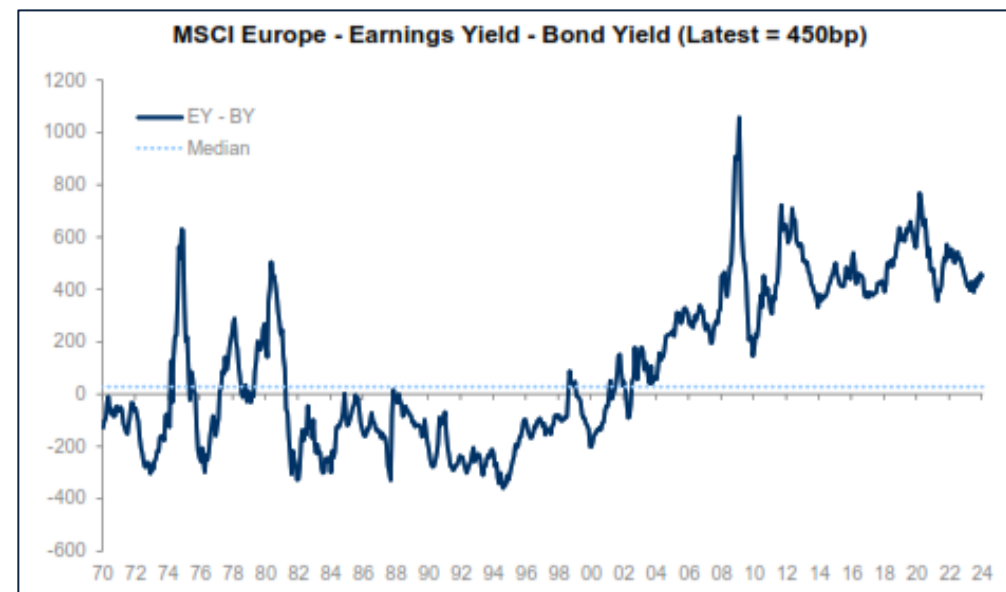
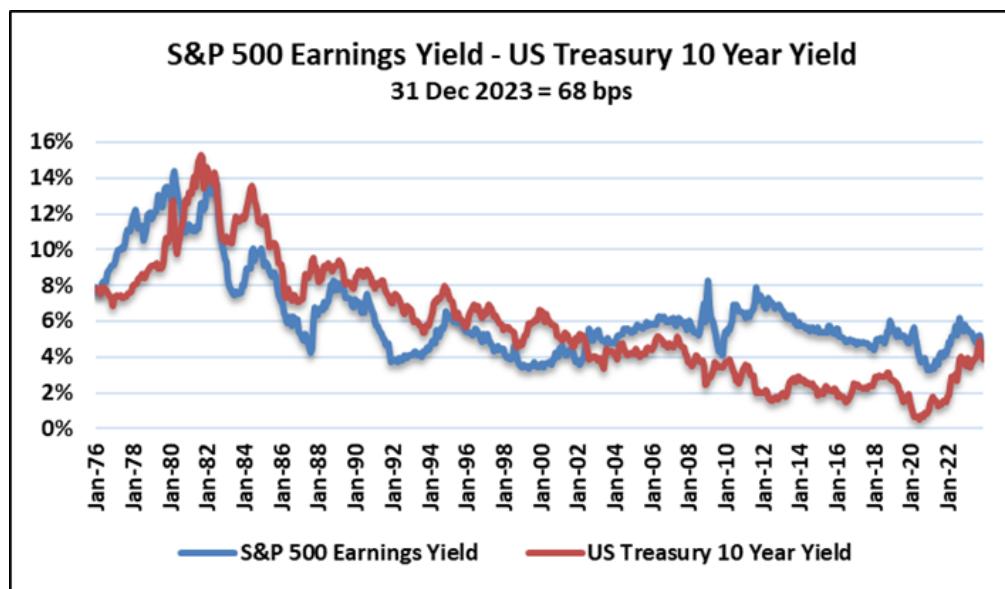


- **Valuation** – Global equity valuation multiples expanded in 2023 as stocks rallied with flat YoY earnings growth. (Appendix 3-8)
 - The US market is at extreme valuation levels relative to long-term history on most measures; less so vs more near-term periods.
 - The least stretched measure is Price /Free Cash Flow, which at 28x is in the 73rd most expensive percentile going back to 1990.
 - European equities appear cheaper relative to the US but also saw valuation multiples expand in 2023. Europe's normalized P/E stands at 18.2x at YE2023, or 64th percentile since 1980. Europe's Price/Sales of 1.4x at year-end is at its 86th percentile over the same period.
 - Emerging Markets relative valuations versus Developed are near or slightly below average but are rich versus their own history on most measures.
 - The median Buyout EV/EBITDA acquisition multiple in the US and Europe moderated slightly, falling from 12.7x EV/EBITDA at YE2022 to 12.0x at the end of Q3, in-line with that of the public equity market. Deal leverage fell significantly in 2023.

- **Fundamentals** – Despite flat YoY earnings growth in the US & Europe through the first three quarters of 2023, earnings growth has exceeded expectations. Strong earnings growth is expected to resume in 2024. (App. 9-12)
 - Earnings are expected to grow by 11% in the US in 2024 led by the megacap Tech companies who are expected to grow earnings at 18% vs 7% for the rest of the market.
 - Earnings growth in Europe is expected to be 6% in 2024, in-line with the non-tech portion of the US market.
 - After strong earnings growth in 2023 (aided by a weak Yen), expectations are for 8% earnings growth in Japan in FY2024.
 - The highest expectations are for Emerging Markets with a consensus forecast of 18% earnings growth in 2024, hinging on a rebound in the disappointing China market.
 - Private equity fundamentals deteriorated in 2023 as HY issuers in the US and Europe saw interest coverage fall while distress ratios increased. Despite deterioration, most measures near long-term averages. Default rates remained very low in 2023.

Appendix 2b – 5 Factors Driving the Outlook for Equities

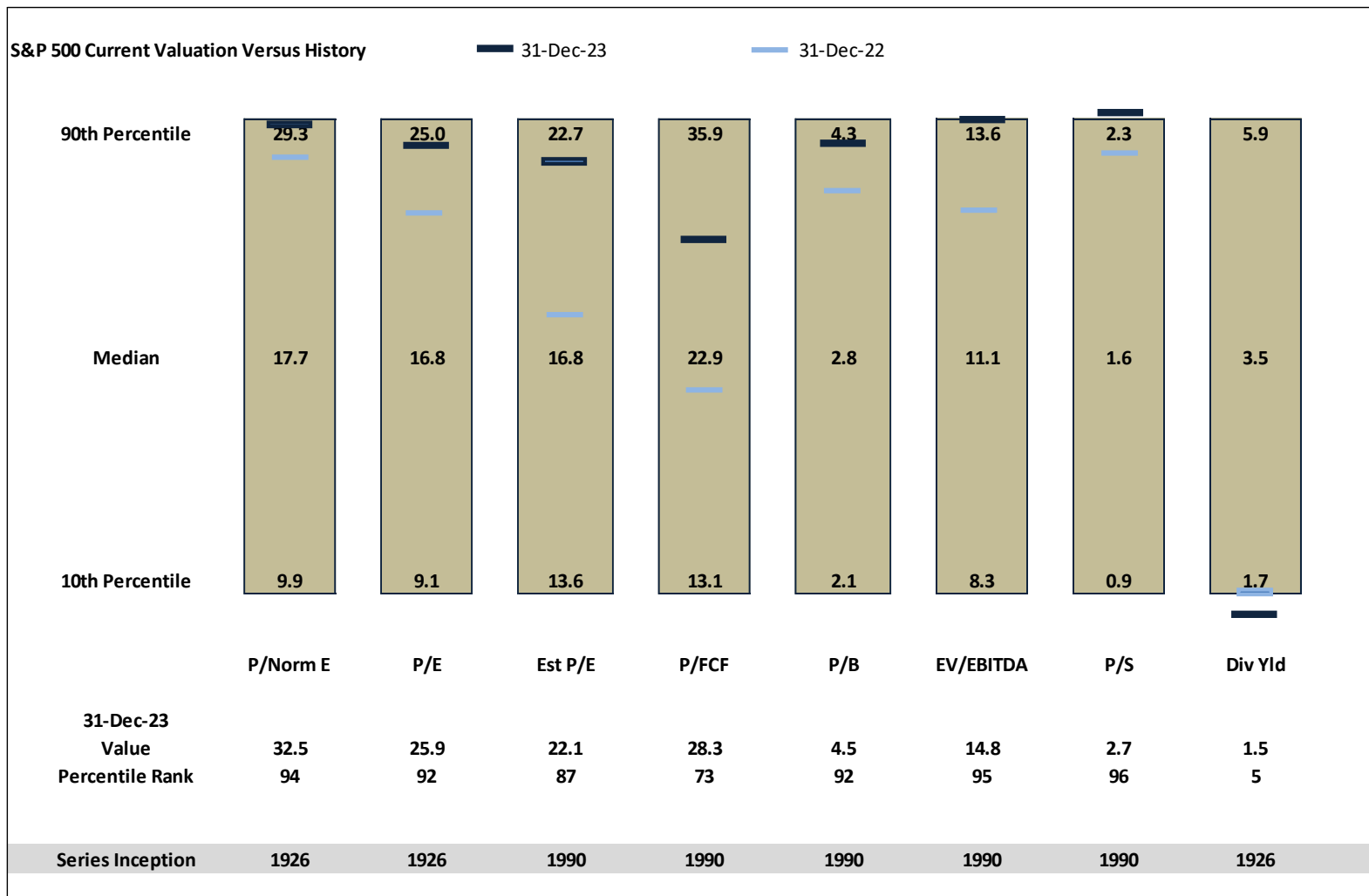
- **Macro Environment** – 2022 recession never materialized, higher-for-longer did not age well.
 - Gloom from a year ago has turned to optimism for soft landing and rate cuts – fuelled equity market surge in Q4.
 - The spread between earnings yields and bond yields in the US widened slightly in the fourth quarter but is narrow by historical standards (68 bps in the US versus median 77 bps), and down from 193 bps at YE2022.
 - Earnings yield spread in Europe remain wide by historical standards at 450 bps.



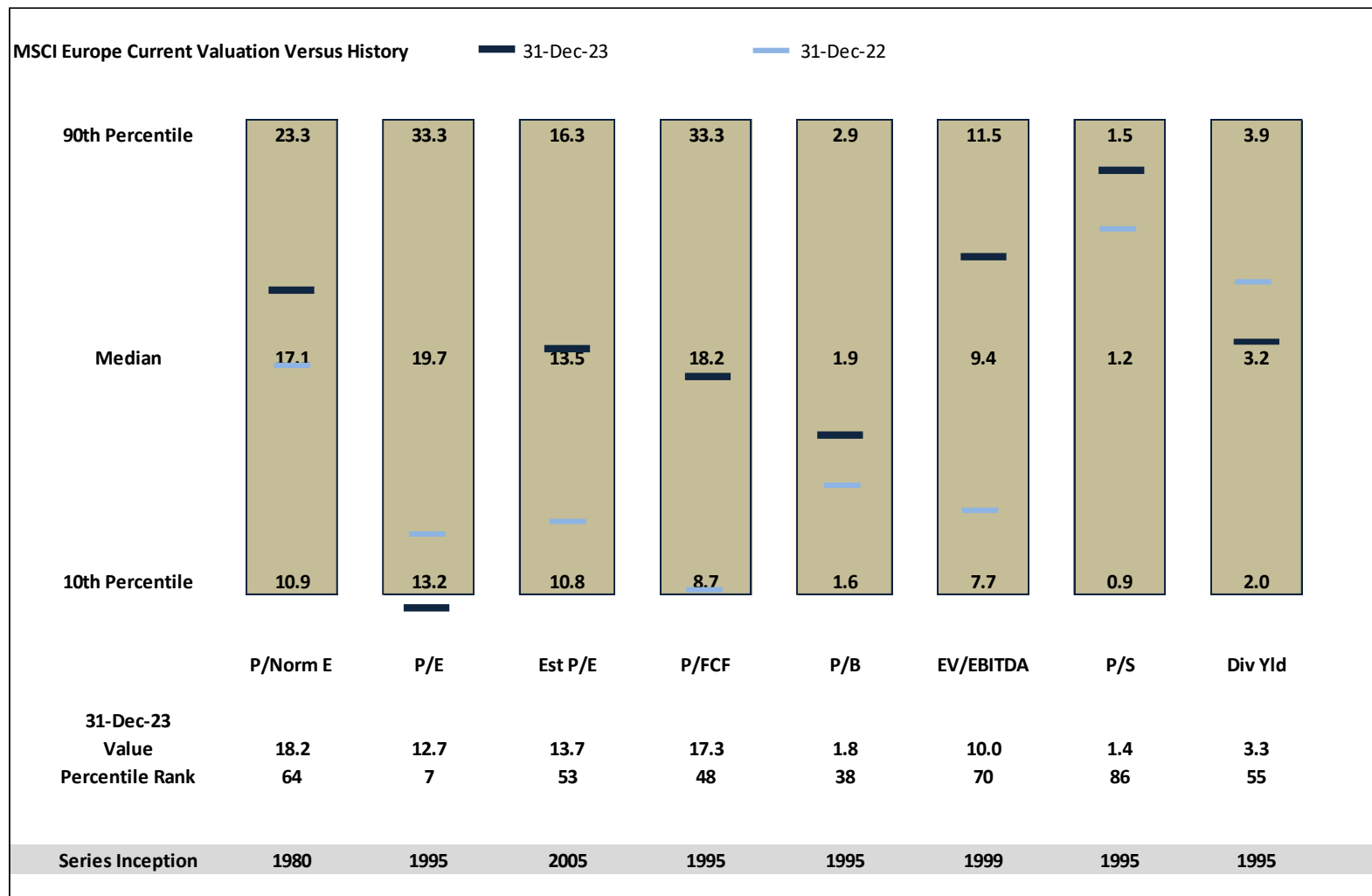
- **Technicals** – Sentiment does a U-turn, turns positive across a range of measures. (Appendix 13-18)
 - Equity fund flows showing signs of recovering after outflows driven by 2022's bear market. (Appendix 13)
 - Retail investor sentiment improved throughout 2023 with notable measures such as the Put/Call ratio, the AAI Bulls & Bears index and the Shiller Crash Confidence index swinging to optimistic levels. (Appendix 15, 16)
 - Household Equity Assets as a percentage of Total Financial Assets are near record high levels. (Appendix 17)
 - As was the case in 2023 following 2022's bear market, equity markets have typically bounced back from extreme negative years. Above-average returns have been the norm 3-5 years out from a bear market. (Appendix 14)
 - PE deal activity cooled from the fast pace of 2021 and 2022, but 2023 deal activity matched the rate of the several years prior to that. Exit activity fell sharply in 2023 creating an historical imbalance between investments to exits. Fundraising also moderated from the 2021-2022 pace but was relatively strong in comparison to levels of the late 2010s. (Appendix 19)

- **Politics** – Geopolitical risk mount with wars in Israel-Middle East, Russia-Ukraine.
 - Presidential election year in the US, as well as general elections in the UK and India.
 - China-US tensions persist.

Appendix 3 – US Valuation

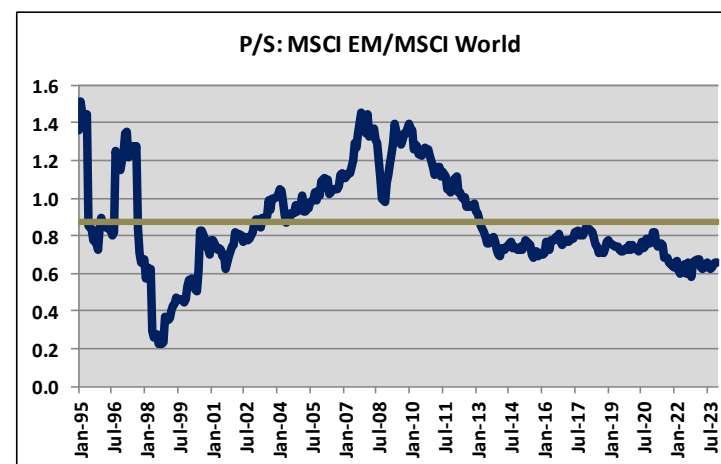
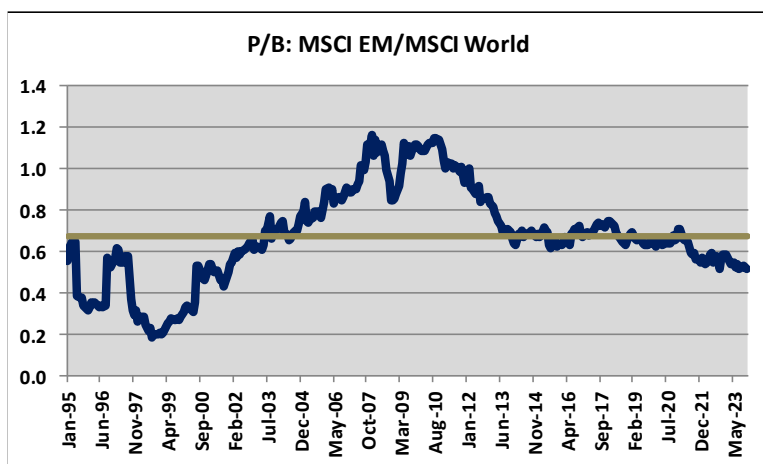
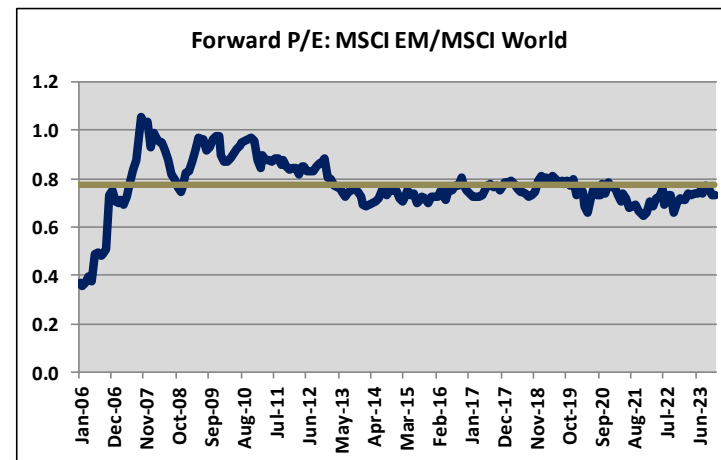
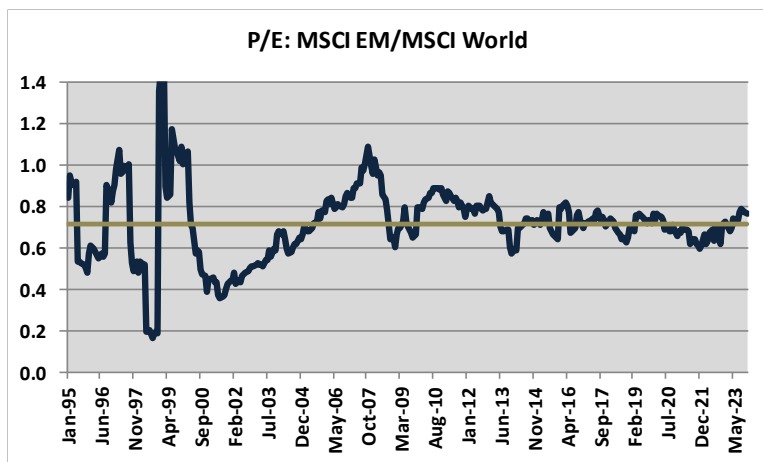


Appendix 4 – Europe Valuation



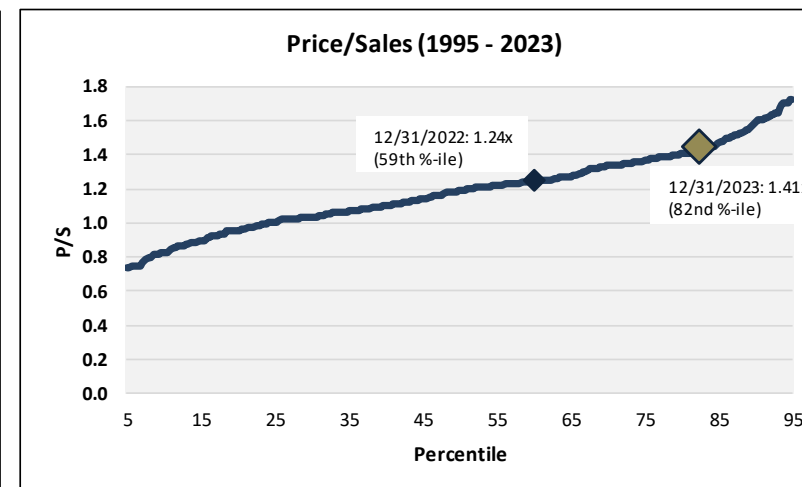
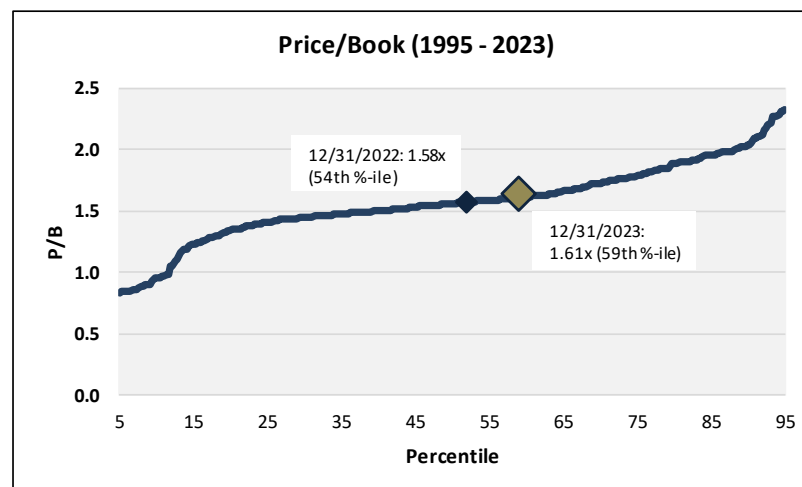
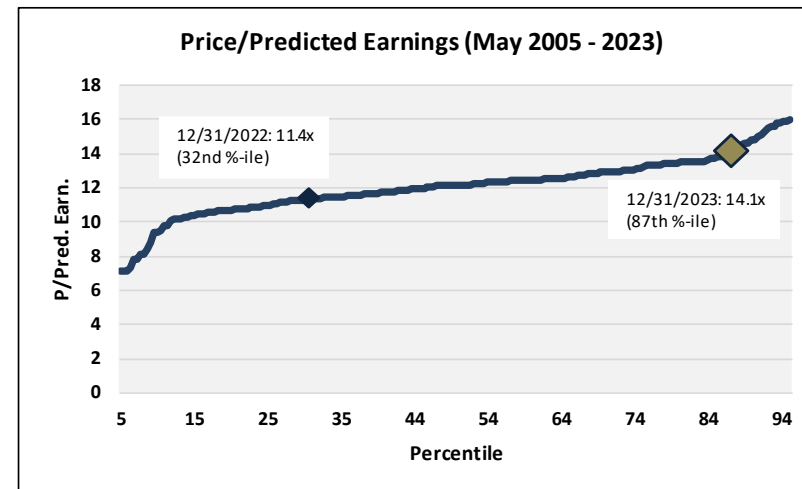
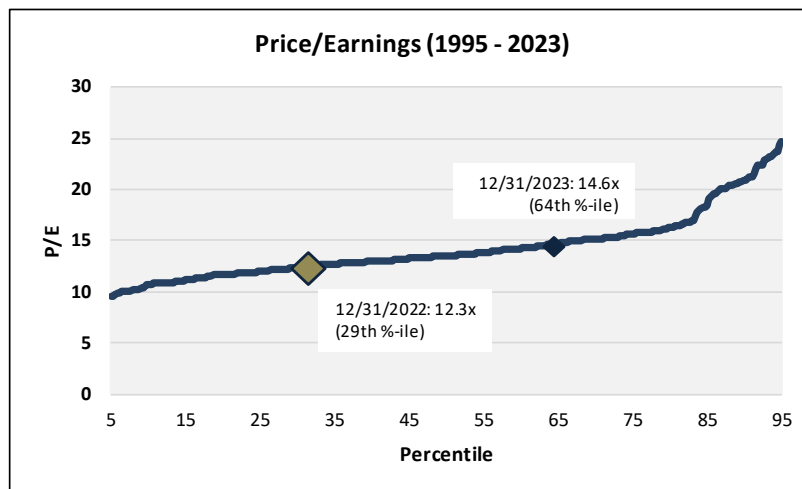
Appendix 5 – Emerging Versus Developed Valuations

- Emerging Market valuations are near, or just slightly below, long-term averages vs developed.



Appendix 6 – Emerging Market Valuations

- Emerging Market equity valuations are expensive versus their own history.

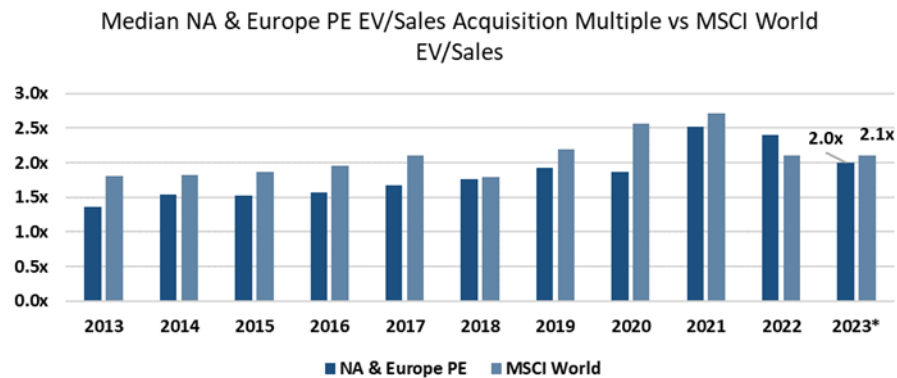
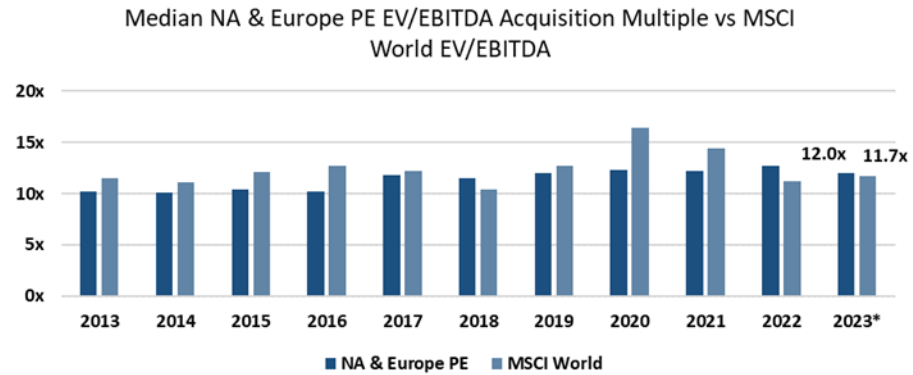


Appendix 7 – Global Equity Valuation

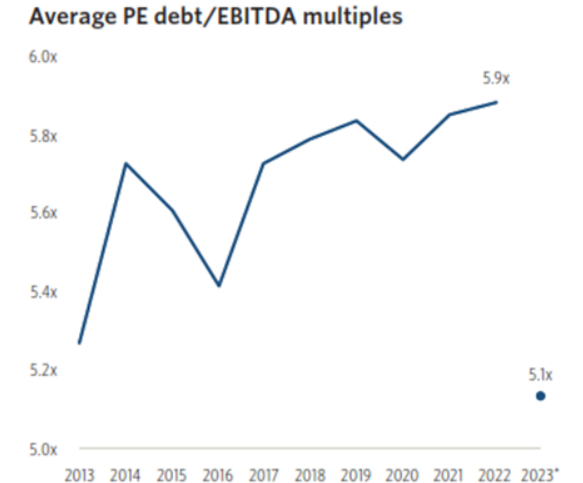
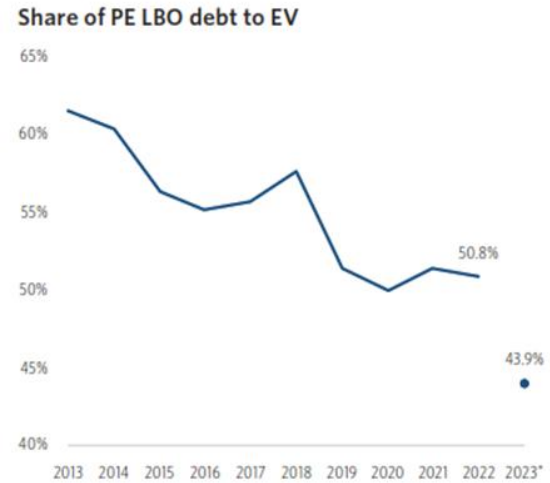
Index	Level	1yr Range	Forward		Trailing				Composite Value	
			Fwd P/E	20y Z-Score	P/B	20y Z-Score	Div Yield	20y Z-Score	vs. ACWI	20yr Range
MSCI ACWI	727		16.6		2.9		2.0		n/a	n/a
S&P 500	4,770		19.6		4.5		1.5		137%	
MSCI Europe	1,917		13.0		2.0		3.1		73%	
FTSE 100	7,733		10.8		1.7		3.9		63%	
TOPIX	2,366		13.6		1.3		2.3		64%	
Hang Seng	17,047		7.9		1.0		4.1		41%	
MSCI Australia	1,522		16.4		2.3		4.2		89%	
MSCI EM	1,024		11.9		1.6		2.9		64%	
Brazil	1,800		8.2		1.7		6.7		54%	
China	56		9.0		1.2		2.7		48%	
India	2,487		22.2		3.9		1.1		134%	
Korea	831		11.3		1.1		2.0		53%	

Appendix 8 – Buyout Deal Multiples

- Buyout multiples moderated slightly in 2023.

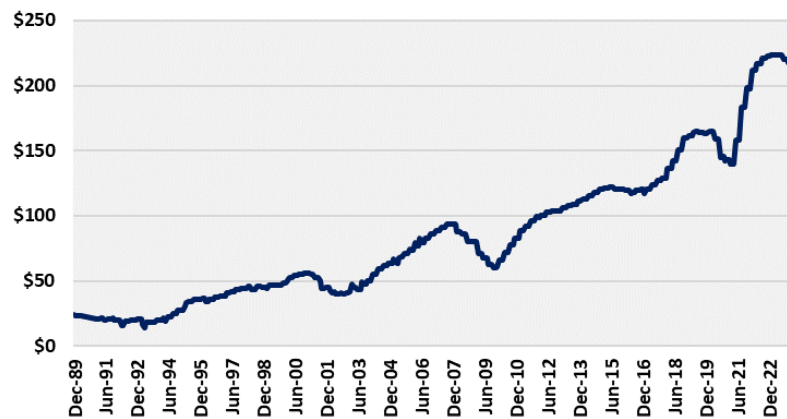


- And leverage levels moderated.

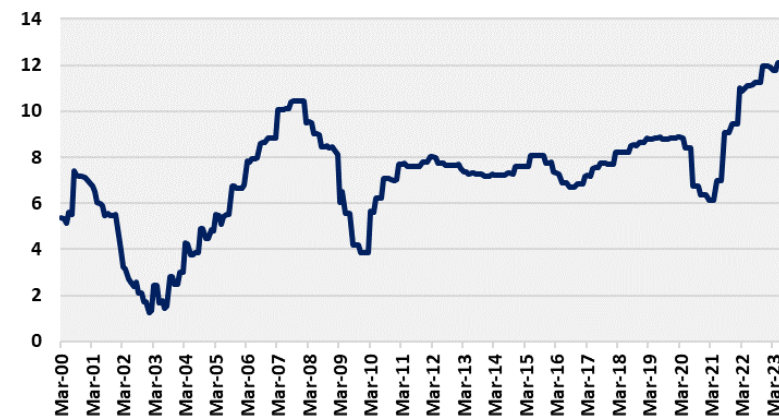


Appendix 9 – US & Europe Earnings

S&P 500 EPS

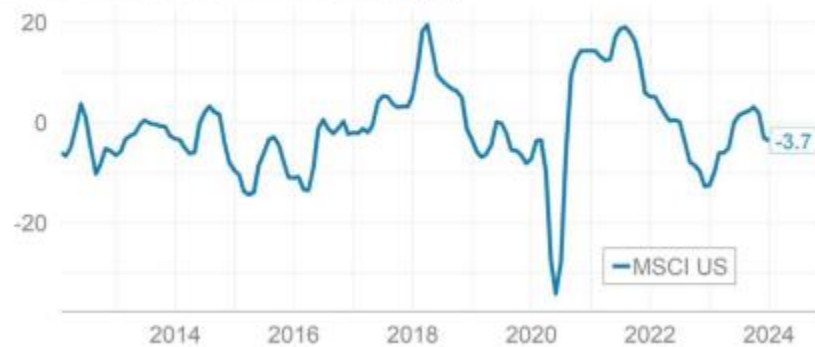


MSCI Europe EPS



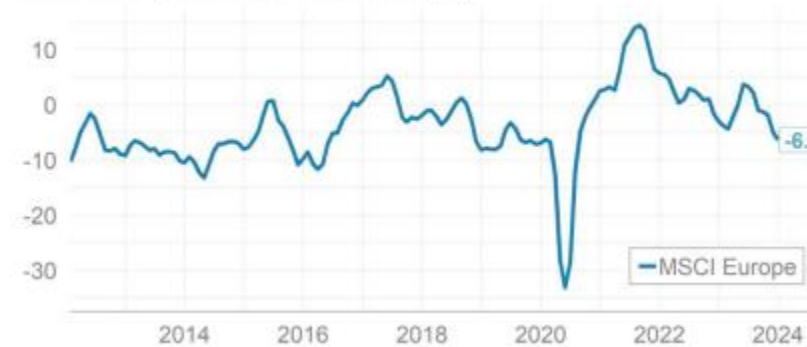
US

N12M Earnings Revision Ratio, 3mma (%)



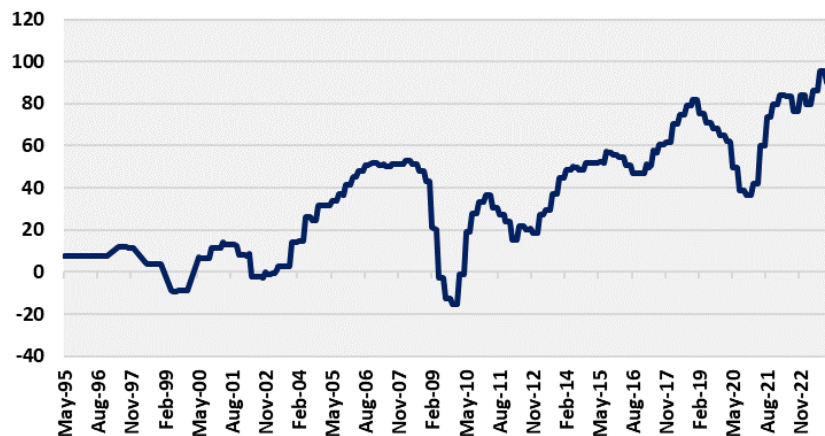
Europe

N12M Earnings Revision Ratio, 3mma (%)

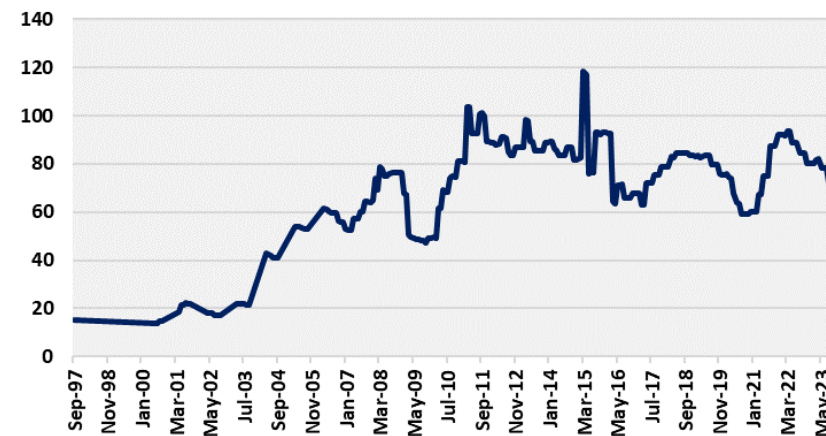


Appendix 10 – Japan & EM Earnings

MSCI Japan EPS

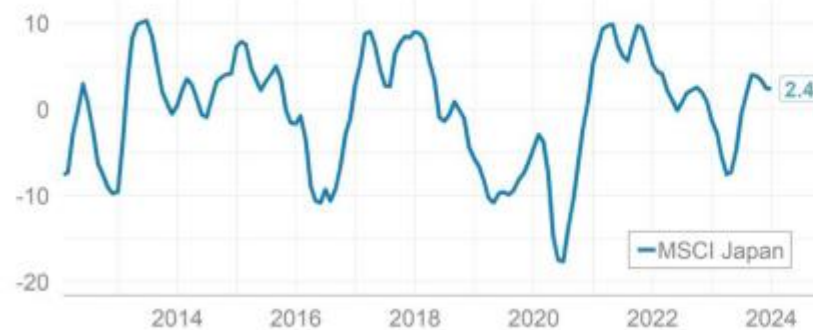


MSCI EM EPS



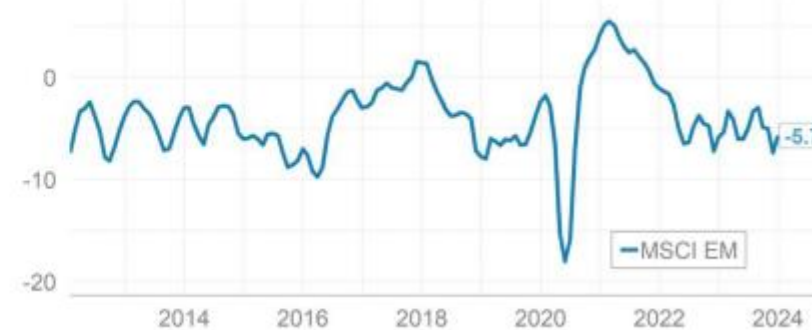
Japan

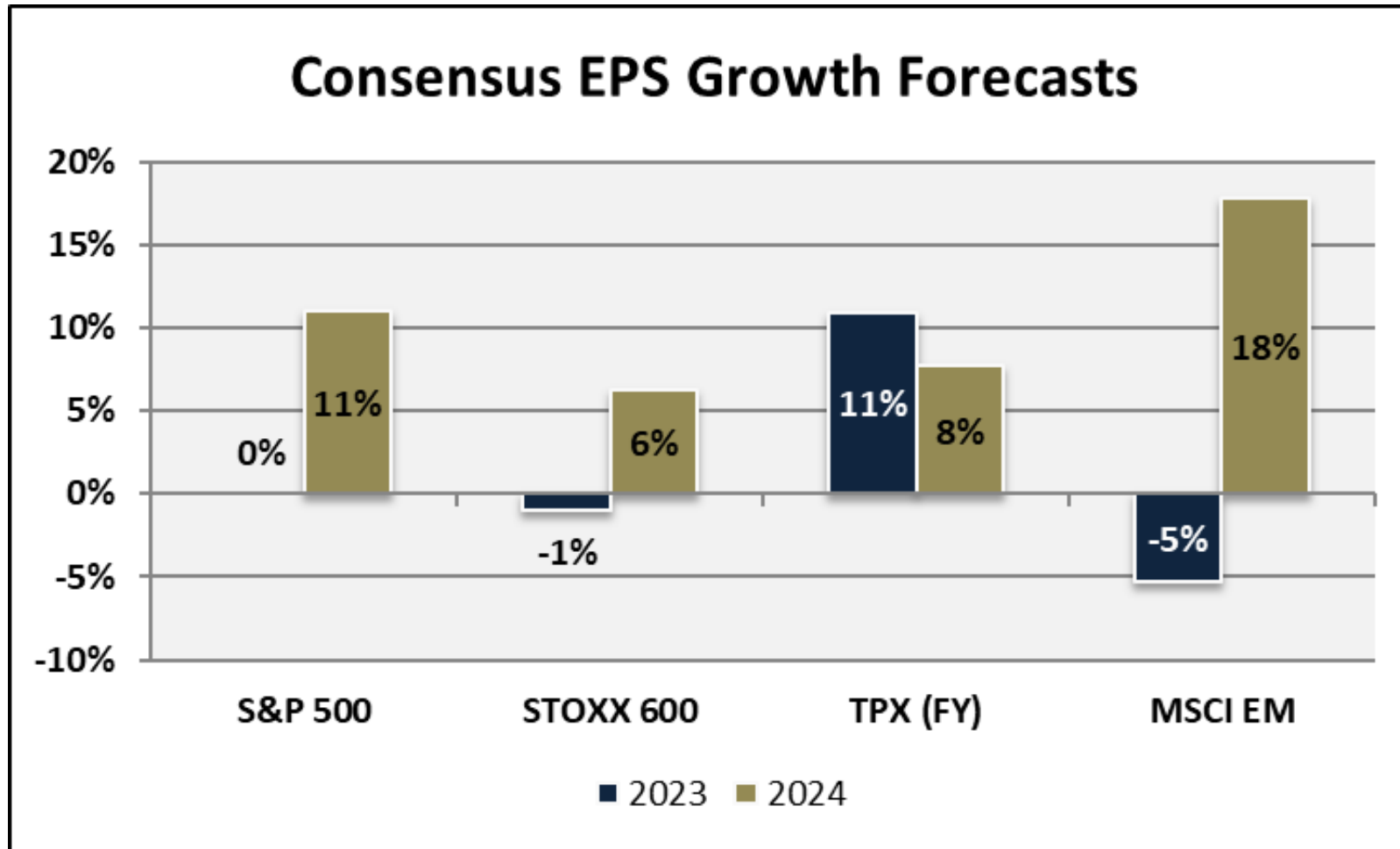
N12M Earnings Revision Ratio, 3mma (%)



EM

N12M Earnings Revision Ratio, 3mma (%)

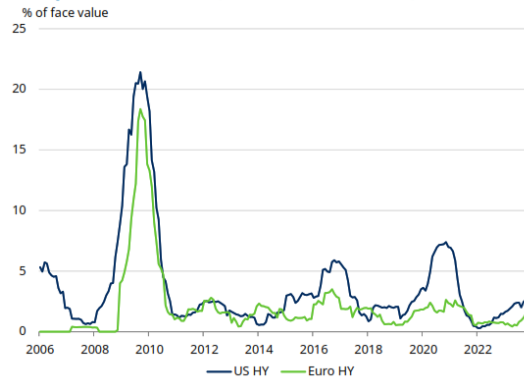




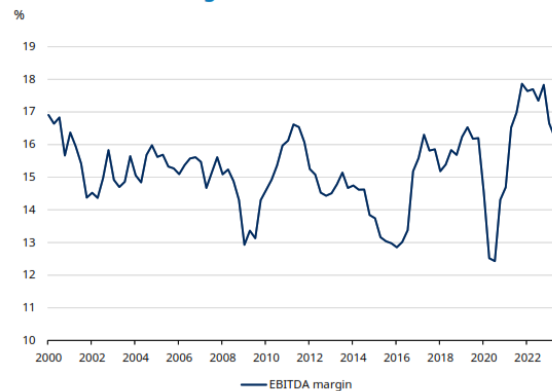
Appendix 12 – Private Equity Fundamentals

- The HY default rate remains very low in the US & Europe; EBITDA margins remain high.

HY par default rate (last twelve months)

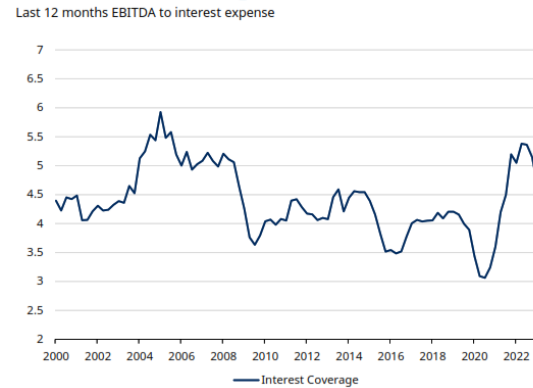


US HY EBITDA margin



- HY interest coverage has fallen over the last year but is near average levels.

US HY interest coverage ratio

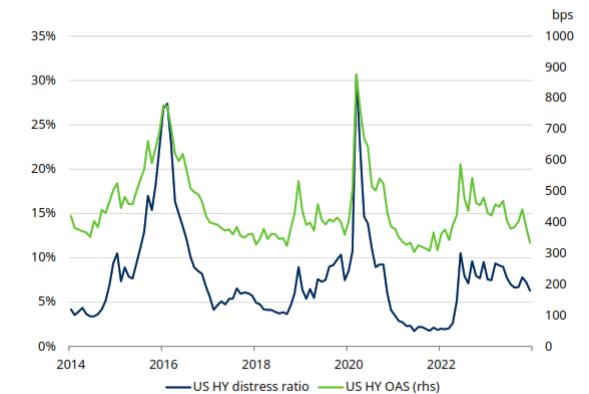


Euro IG interest coverage ratio

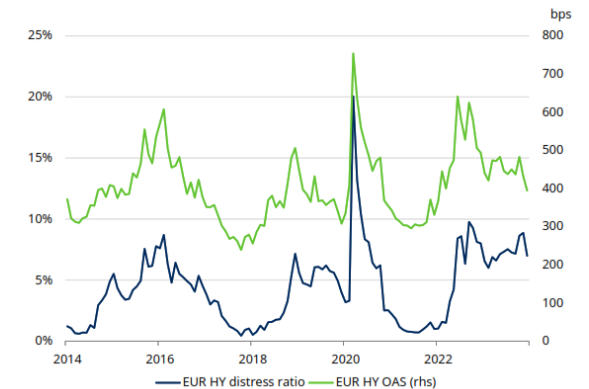


- HY distress ratios rose in 2023 but are below prior peaks.

US HY distress ratio¹



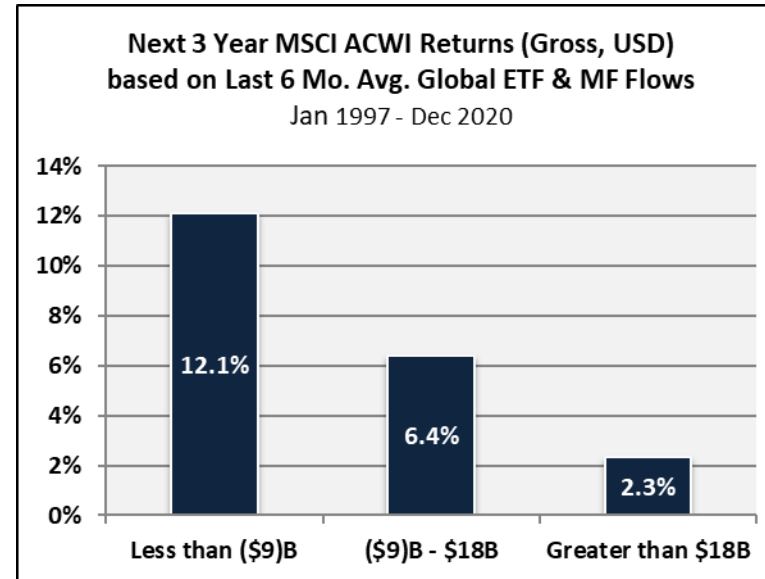
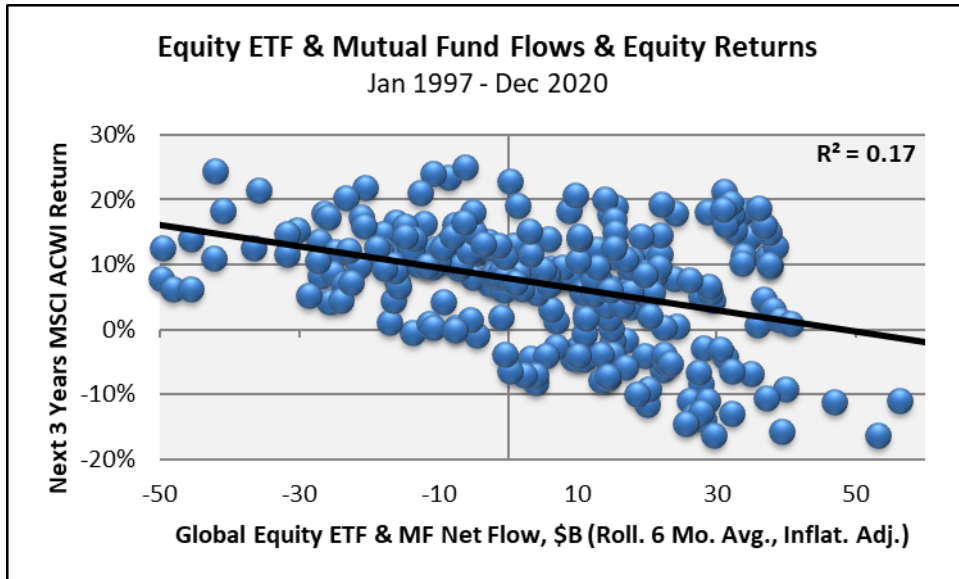
Euro HY distress ratio¹



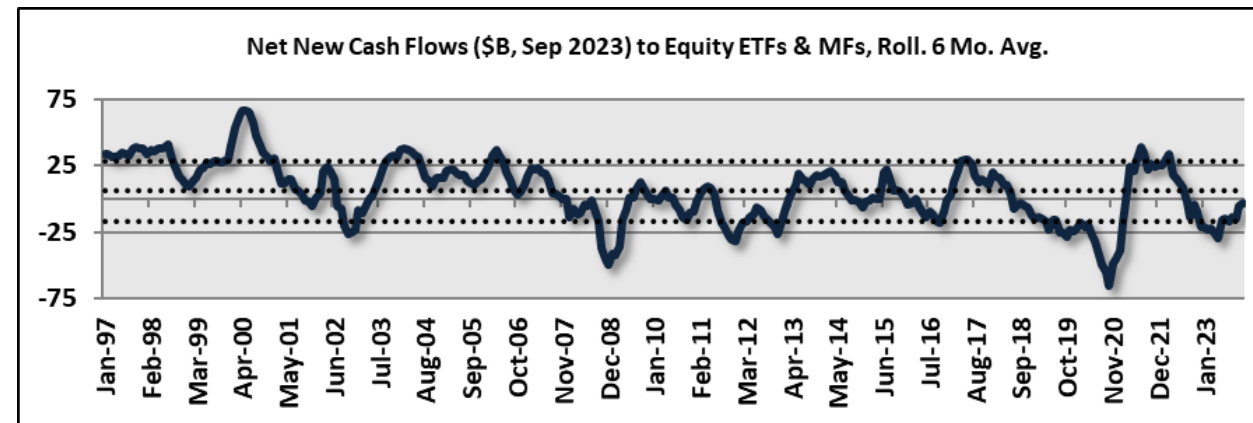
Sources: Schroders, BofA Global Research, Moody's, Bloomberg. Data as of 31 December 2023.

1. HY distress is defined as % of issuers with spreads > 1,000bps.

Appendix 13 – Technicals: Flows



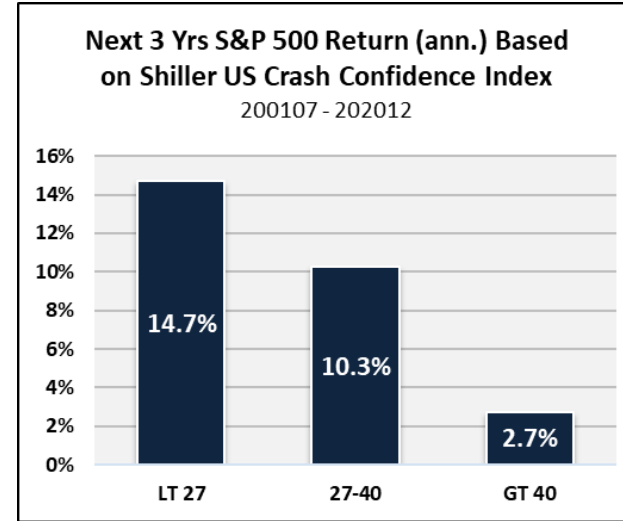
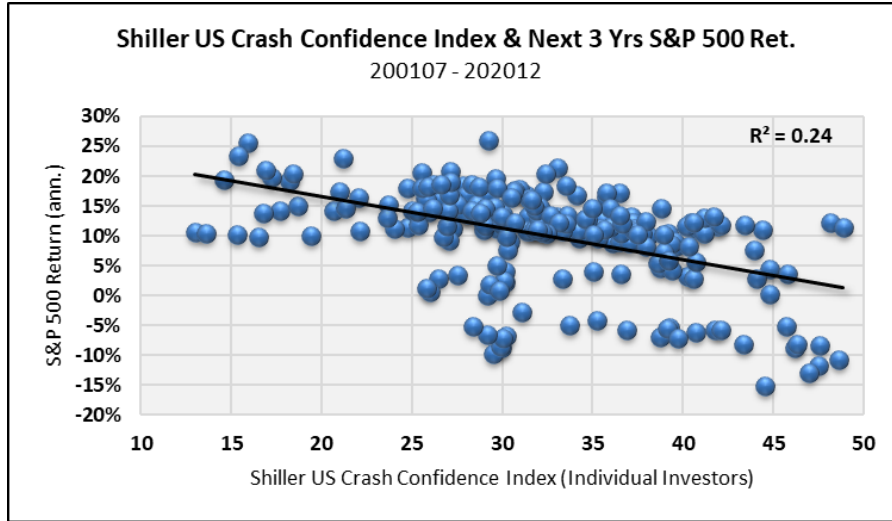
Est. Dec 2023 Avg. Flow = **-\$2.9B**



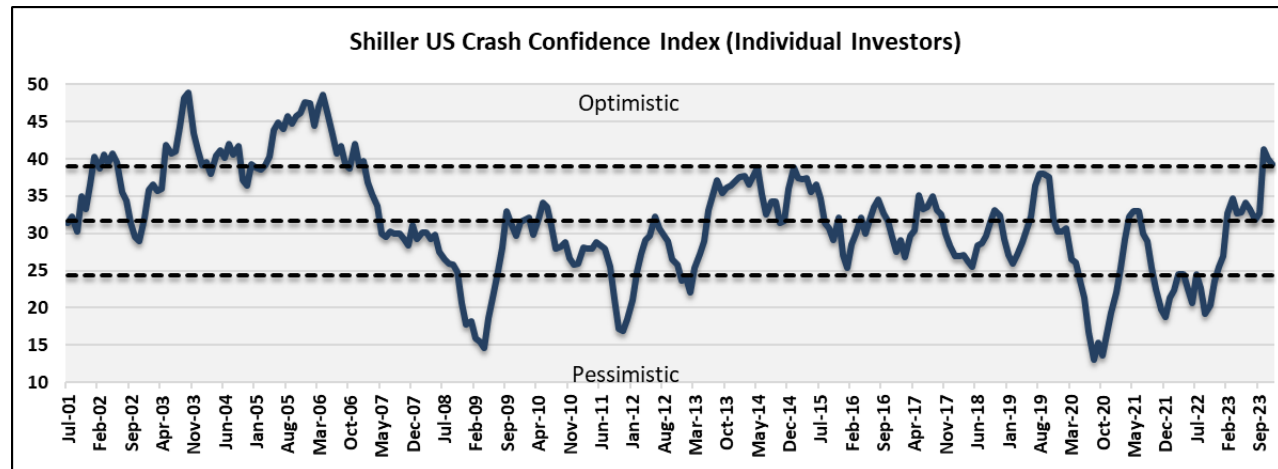
Appendix 14 – Technicals: Post-Bear Market Performance

Peak	Trough	S&P 500		Price Return (ann.)		
		% Decline	+1 Year	+3 Years	+5 Years	+10 Years
12-Dec-61	26-Jun-62	-28.0%	32.7%	16.7%	12.0%	7.5%
29-Nov-68	26-May-70	-36.1%	43.8%	15.9%	5.5%	4.8%
11-Jan-73	03-Oct-74	-48.2%	38.0%	15.8%	12.0%	10.1%
28-Nov-80	12-Aug-82	-27.1%	58.3%	22.3%	26.5%	15.1%
25-Aug-87	04-Dec-87	-33.5%	21.5%	12.9%	14.0%	15.8%
24-Mar-00	09-Oct-02	-49.1%	33.7%	15.5%	15.0%	6.4%
09-Oct-07	09-Mar-09	-56.8%	68.6%	26.5%	22.7%	15.0%
19-Feb-20	23-Mar-20	-33.9%	74.8%	20.8%	???	???
03-Jan-22	12-Oct-22	-25.4%	21.6%	???	???	???

Appendix 15 – Technicals: Sentiment



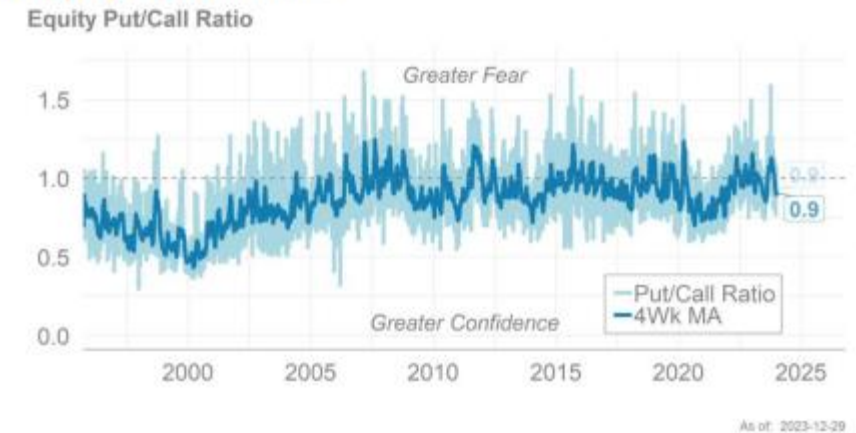
Dec 2023 = 39.3



- Both the Put/Call ratio and the AAll Bulls-Bears Retail Sentiment Index reflected a high level of investor optimism at year-end.

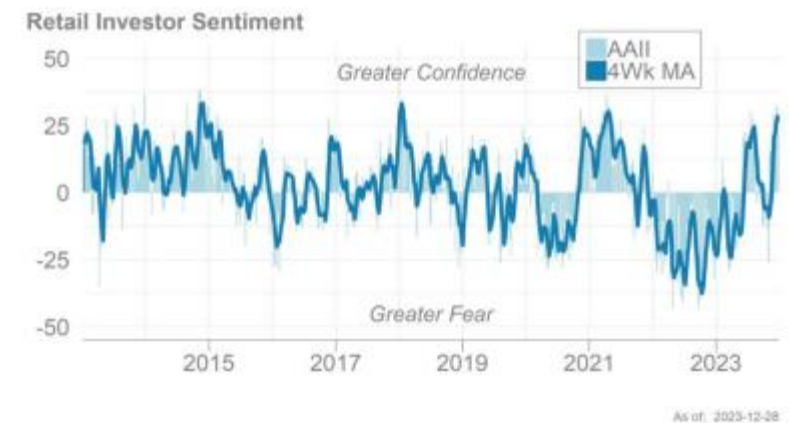
Appendix 16 – Technical: Sentiment

US Equity Put/Call Ratio

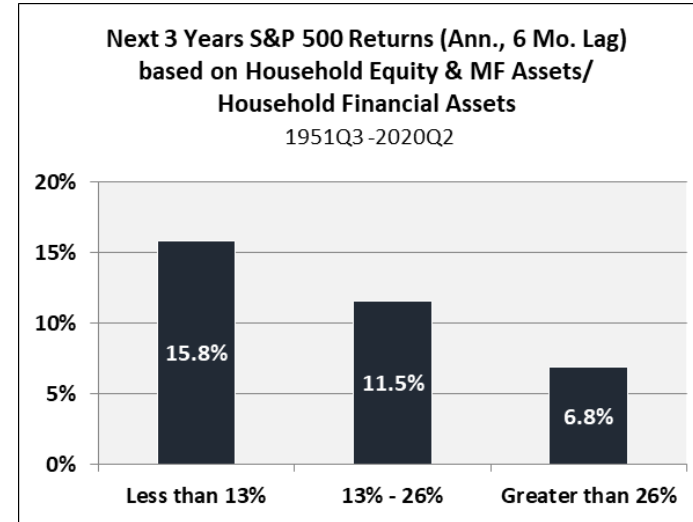
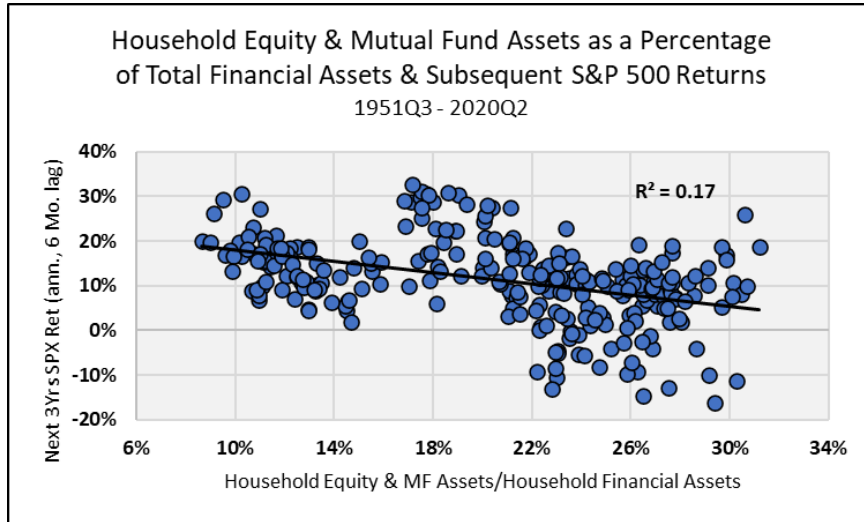


Source: CBOE, Bloomberg, Morgan Stanley Research

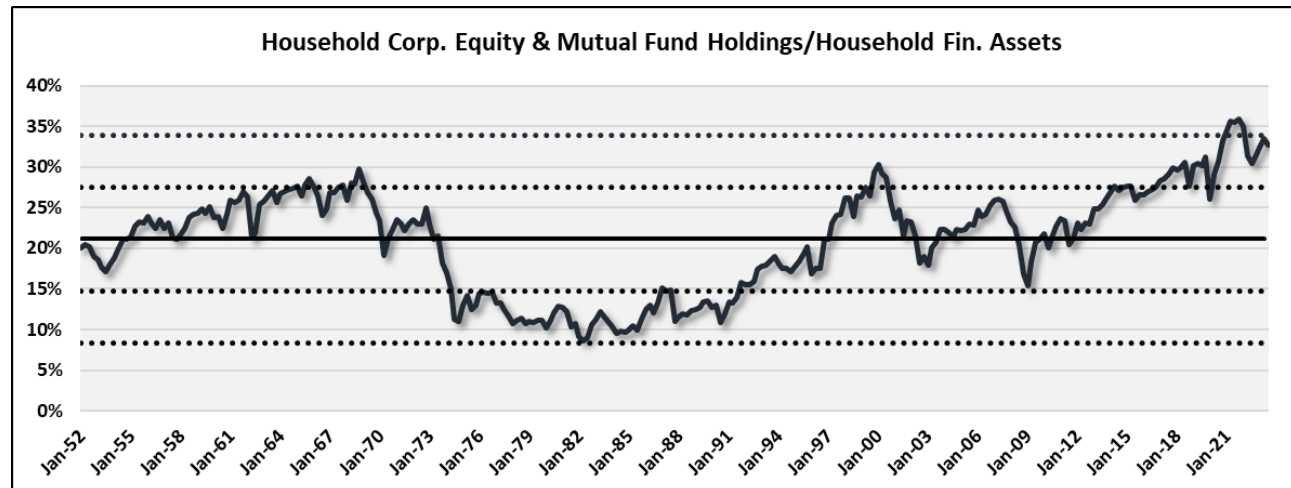
AAll Bulls-Bears



Appendix 17 – Technicals: Sentiment

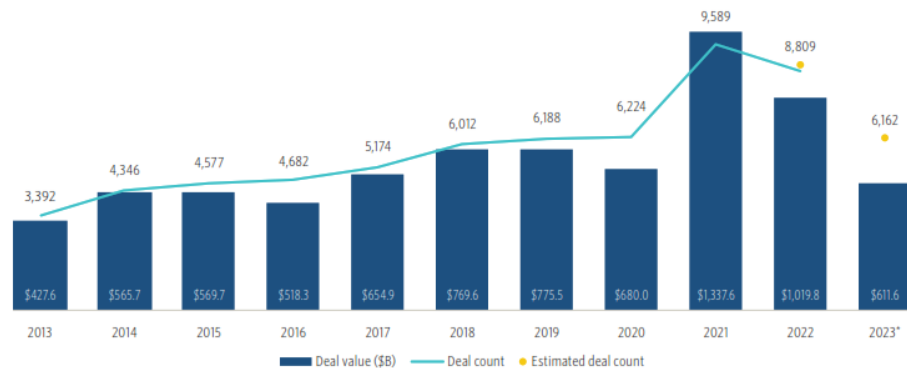


Q3 2023 = 32.6%

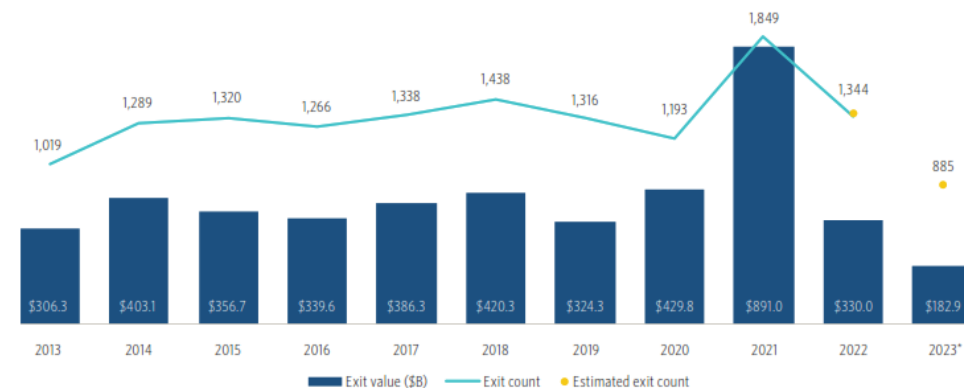


Appendix 18 – PE Technicals: Deals, Exits, Fundraising

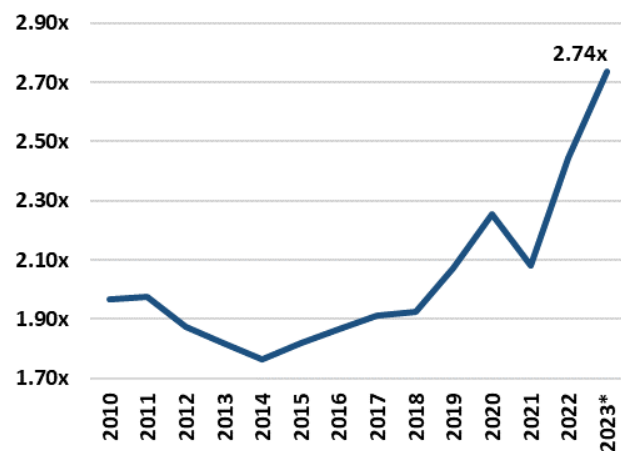
PE deal activity



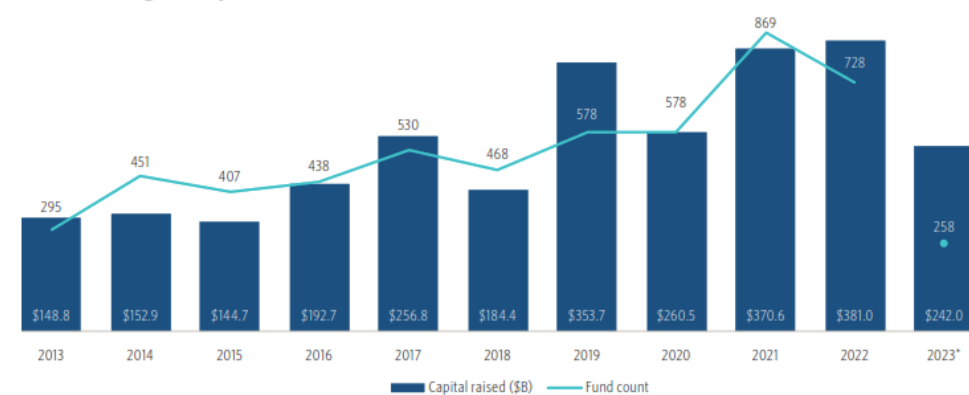
US PE exit activity



US PE Investments/Exits

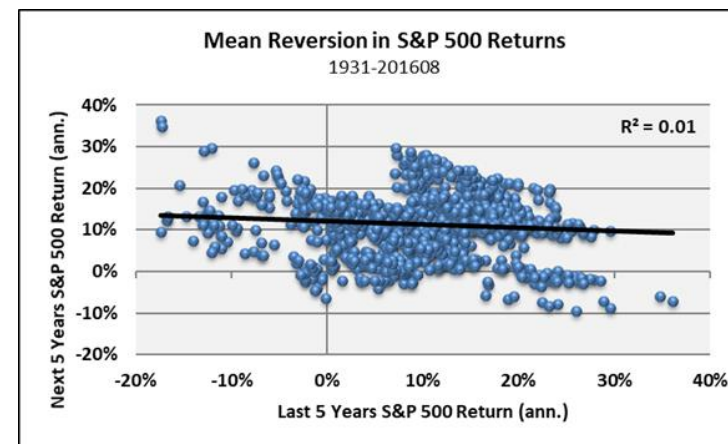
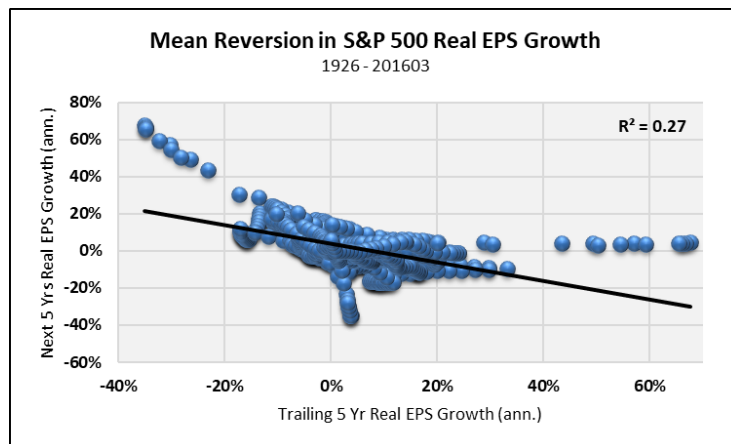


PE fundraising activity

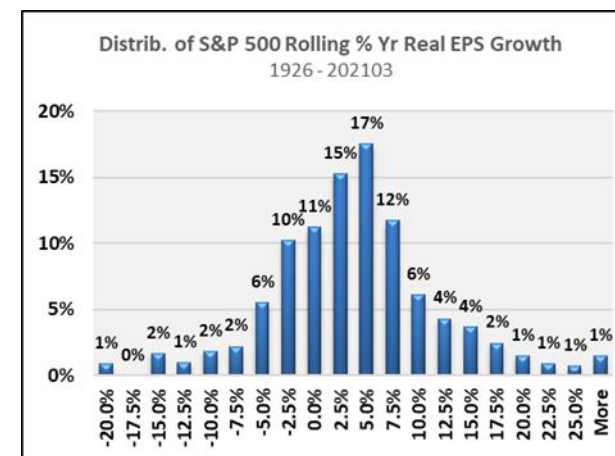


Appendix 19a – US Equity Real Earnings Growth & Total Returns

- Real EPS Growth has shown a tendency to mean revert over 5-year periods, unlike returns
 - Trailing 5, 10 and 20 Year MSCI World Real EPS Growth of 3.7%/yr, 3.9%/yr and 5.8%/yr through Q3 2023; implies 2.2%/yr, 0.4%/yr and -4.3%/yr over next 5 years (average = -0.6%/yr)

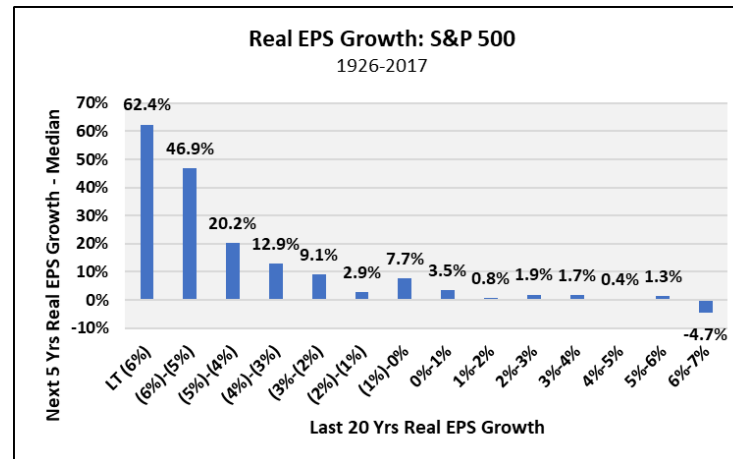
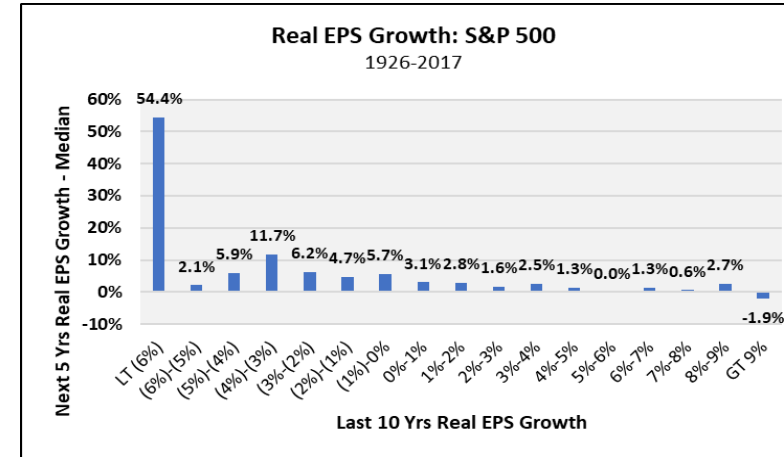
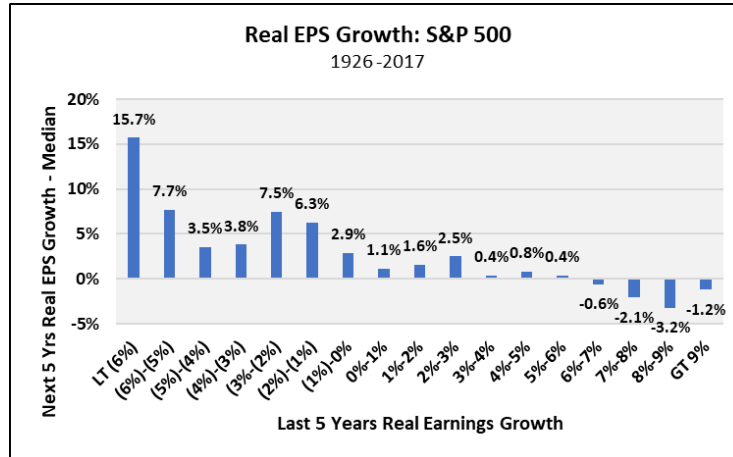


- US Real Earnings have grown at -0.6% or better over 5 years in 68% of observed periods from 1926–2016.
 - Median = 2.5%
 - Mean = 2.9%



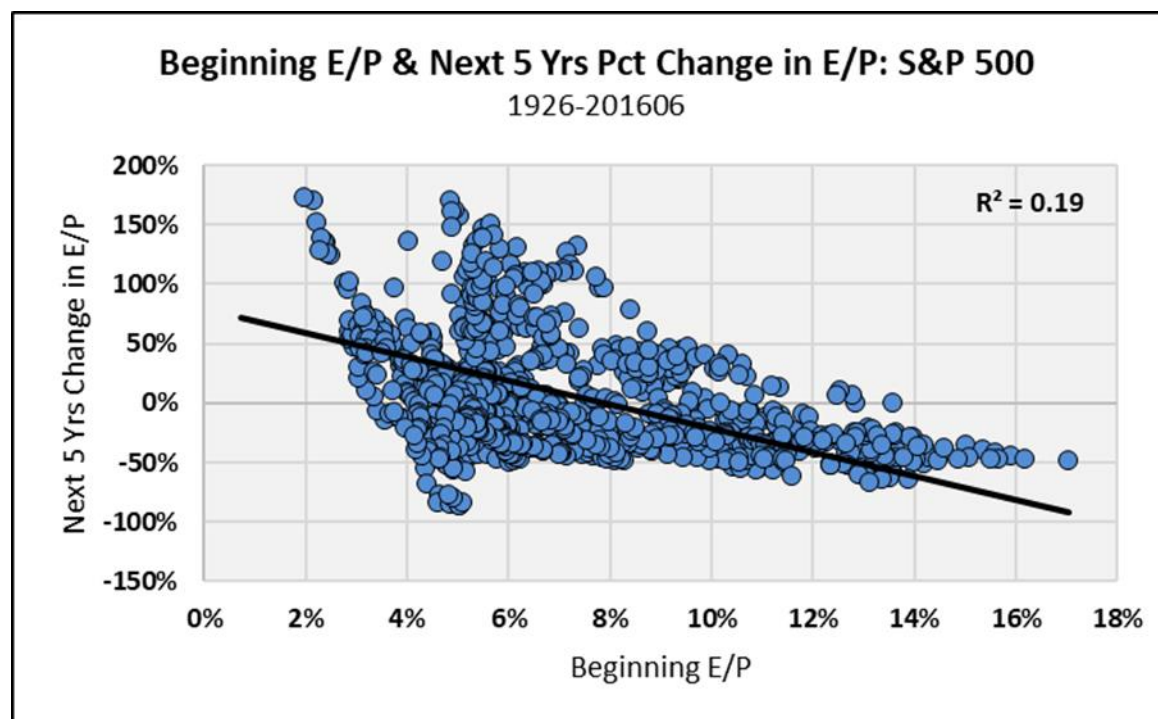
Appendix 19b – US Equity Real Earnings Growth & Total Returns

- Real EPS Growth has shown a tendency to mean revert over 5-year periods, unlike returns.
 - Trailing 5, 10 and 20 Year MSCI World Real EPS Growth of 3.7%/yr, 3.9%/yr and 5.8%/yr through Q3 2023; implies 0.4%/yr, 2.5%/yr and 1.3% over next 5 years. (average = 1.4%/yr)



Appendix 20a – 5 Year Changes in Earnings Yield – Since 1926

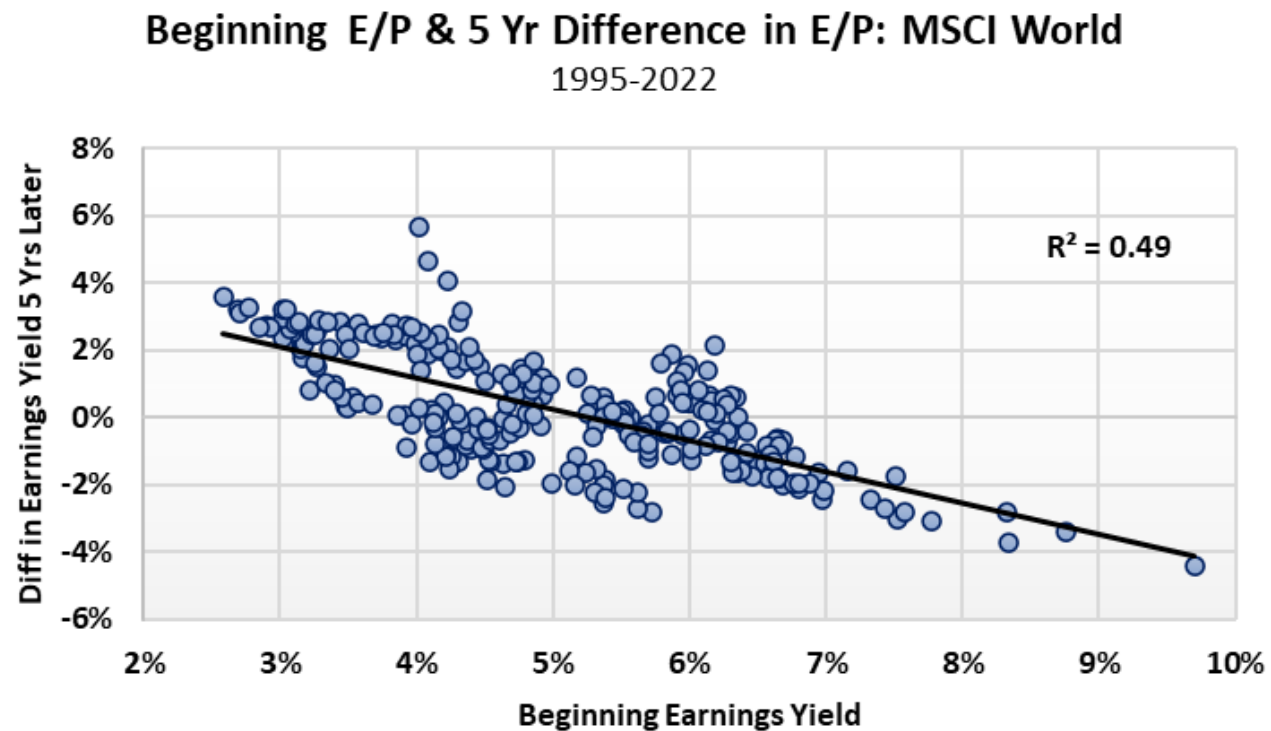
- Trailing twelve months earnings yields have tended to mean revert.



- 31 December 2023 MSCI World E/P of 5.3% (P/E of 19.0x) implies a 17.0% increase over the next 5 years to 6.2% (P/E of 16.2x).
- P/E Ratio would contract by 3.1%/yr.

Appendix 20b – 5 Year Changes in Earnings Yield – Since 1995

- Trailing twelve months earnings yields have tended to mean revert.



- 31 Dec 2023 MSCI World E/P of 5.3% (P/E of 19.0x) implies a 0.0% change over the next 5 years to 5.3% (P/E of 19.0x).
- P/E Ratio would change by 0.0%/yr.

Appendix 21 – Outlook for Respective Premia

Value

- Value stocks struggled in Q4 and 2023 after a strong 2022. (App. 22)
- The factor appears cheap relative to its long-term history.

Size

- Small caps outperformed in Q4 but once again underperformed large caps for the year. (App. 22)
- Small caps appear cheap relative to their history.

Momentum

- The momentum factor had a negative return for 2023 as market leadership shifted dramatically from 2022. (App. 22)
- High momentum stocks appear slightly expensive relative to their history.

Quality

- High quality stocks outperformed modestly over the last quarter and were strong performers over the last 12 months. (App. 22)
- Companies with strong balance sheets are valued slightly rich relative to weak balance sheet firms, particularly over their 35-year history.

Volatility

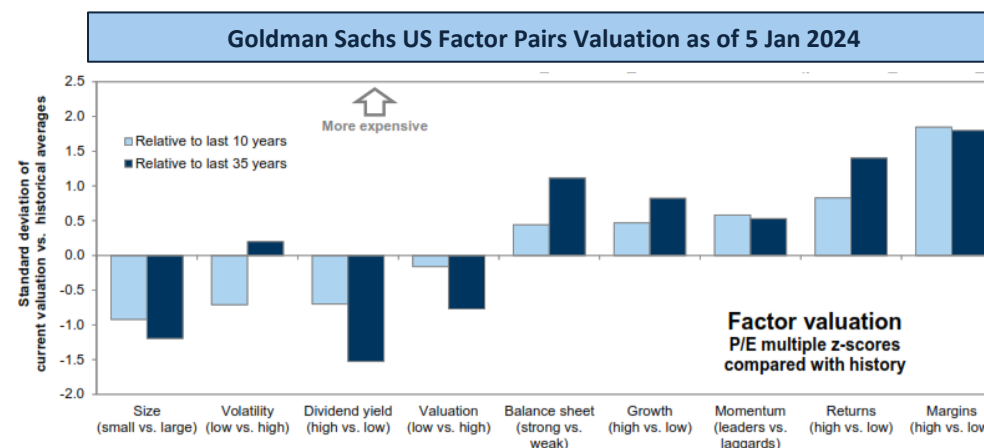
- Low volatility stock performance was once again strongly negative over the last three and twelve months. (App. 22)
- Low volatility stocks valuations are mixed; slightly cheap versus near-term history but slightly expensive versus longer term.

Global Factor Performance	TTM Return	Z-Score History		Note: Last 3 Mo. Return
		10 Year	Since Inception*	
Value (FF)	-5.2%	-0.3	-0.6	-0.4%
Size (FF)	-7.2%	-0.9	-1.0	1.1%
Momentum (FF)	-7.3%	-1.4	-1.1	2.9%
Quality (Balance Sheet Strength, FF)	6.5%	0.7	0.4	0.6%
Volatility (MSCI ACWI Min Vol - ACWI)	-12.8%	-1.4	-1.6	-4.6%

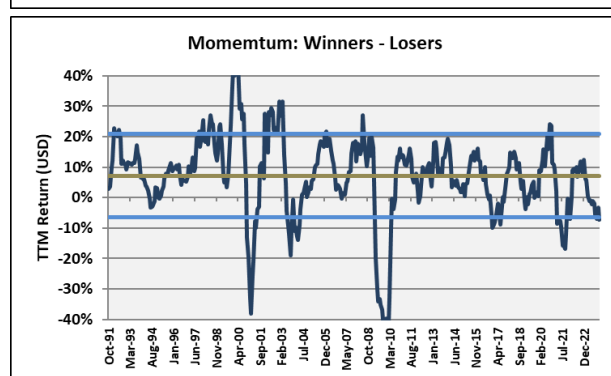
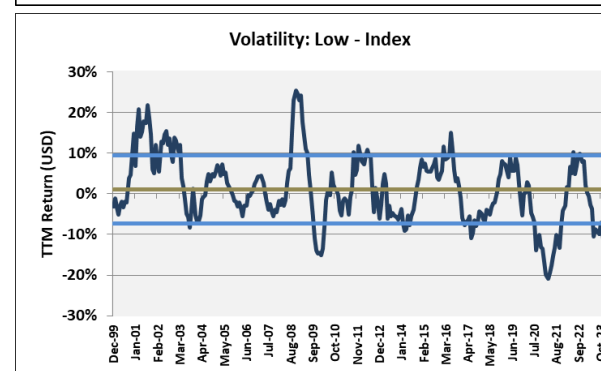
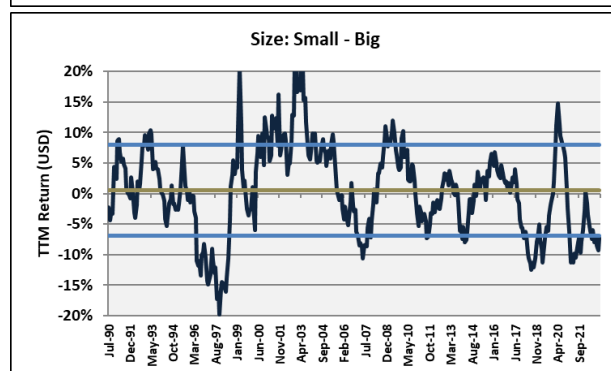
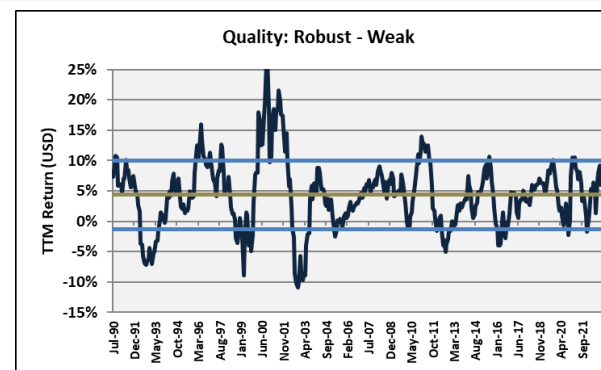
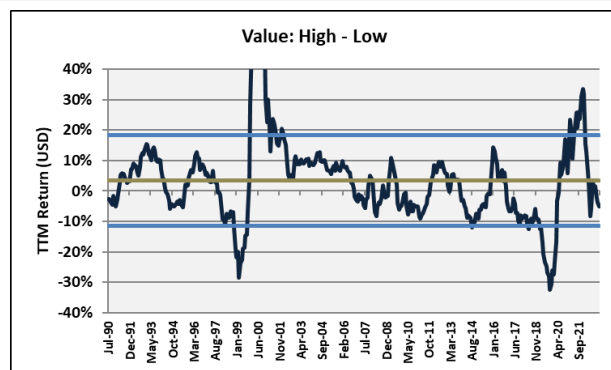
* July 1990 for Value, Size & Quality, Nov 1990 for Momentum, Dec 1998 for Volatility). Dec 2023 estimated.

Sources: Ken French website (http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html), MSCI,

Bloomberg, SECOR.



Appendix 22 – Global Equity Factor Performance



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Disclaimer (4 January 2024)

Considerations and risks related to asset classes:

Equity investments involve a high degree of risk. Equity securities may decline in value due to factors affecting securities markets generally, and equity securities generally have greater price volatility than debt securities/investments. Equity securities of certain jurisdictions may experience more rapid and extreme changes in value and may be affected by uncertainties such as international political developments, currency fluctuations and other developments in the laws and regulations of countries in which an investment may be made. There can be no assurance that return objectives will be realised and investors could lose up to the full amount of their invested capital. Fees and expenses may offset the trading profits.

Debt investments (such as, but not limited to, investment grade, high yield, emerging market debt, asset backed securities and insurance linked securities) involves special considerations and certain risks, including risk of default and price volatility, and such securities are regarded as being predominantly speculative as to the issuer's ability to make payments of principal and interest.

LDI and equity overlay strategies may invest and trade in many different market strategies and instruments (including securities, non-securities and derivatives) and may employ different investment, hedging, leverage and arbitrage methodologies, so the risks of those would be material to understanding the risks and benefits of the portfolio. Counterparty and ISDA arrangements may pose potential risk. Furthermore, derivative strategies may be exposed to the risk of market disruptions, volatility, and governmental interventions.

Illiquid investments (such as, but not limited to, private credit, private equity and infrastructure):

General/Loss of capital. Investment involves a high degree of risk. There can be no assurance that return objectives will be realised and investors could lose up to the full amount of their invested capital. Fees and expenses may offset the trading profits.

Limited liquidity. Investments in private markets may result in restricted liquidity since withdrawal rights are limited and interests are not freely transferable or redeemable. There is unlikely to be a secondary market for private market investments interests.

Volatility. Investment techniques used may include the use of leverage and derivative instruments such as futures, options and short sales, which could amplify the possibilities for both profits and losses and may increase volatility.

Hedge Fund investing is speculative and involves significant risk including the risk of losing some or all of the invested capital. Hedge fund strategies may participate in the buying and selling of equity and debt securities, private investments funds, non-readily realisable investments, illiquid investments suspension of trading, concentrated investments, developed and emerging market investments. Hedge fund strategies may be exposed to risks stemming from usage of leverage, derivatives, futures, options, over-the-counter derivative transactions. Counterparty and ISDA arrangements may pose potential risk. Furthermore, hedge fund strategies may be exposed to the risk of market disruptions, volatility and governmental interventions.

Modelling Assumptions:

Forward looking return, volatility, and correlation assumptions have been derived by SECOR, and are based on a combination of: a) the historic performance of each asset class based on what we consider to be appropriate indices or suitable proxies, and over a period that we consider to be appropriate in light of prevailing market conditions (typically 10 years); and b) our judgement in relation to how historic performance, and its various components, may differ in the future. This may include, for example, ad-hoc adjustments to reflect our view that markets are over or under valued.

The resulting assumptions are assumed to be appropriate for asset and liability projections over the medium to long term i.e. 10 to 20 years or longer, and are net of all ongoing management costs and fees.

Expected returns for an asset class are generally built up from and include an allowance for our projected return on cash, inflation, spreads, risk premiums, liquidity premiums, potential losses, valuation adjustments, alpha for active management, management fees, other ongoing costs, and any other factors that we may consider are appropriate for the asset class and/or prevailing market conditions. Expected returns generally do not allow for SECOR advisor or fiduciary management fees, or any transition or rebalancing costs between asset classes or an existing portfolio.

A material risk factor is that the projected returns modelled are underpinned by historic market returns combined with SECOR's assumptions on future market returns, meaning that the projected net returns used for modelling portfolios may not be realised within expected timeframes.

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