SECOR Asset Management

Q1 Equity Outlook

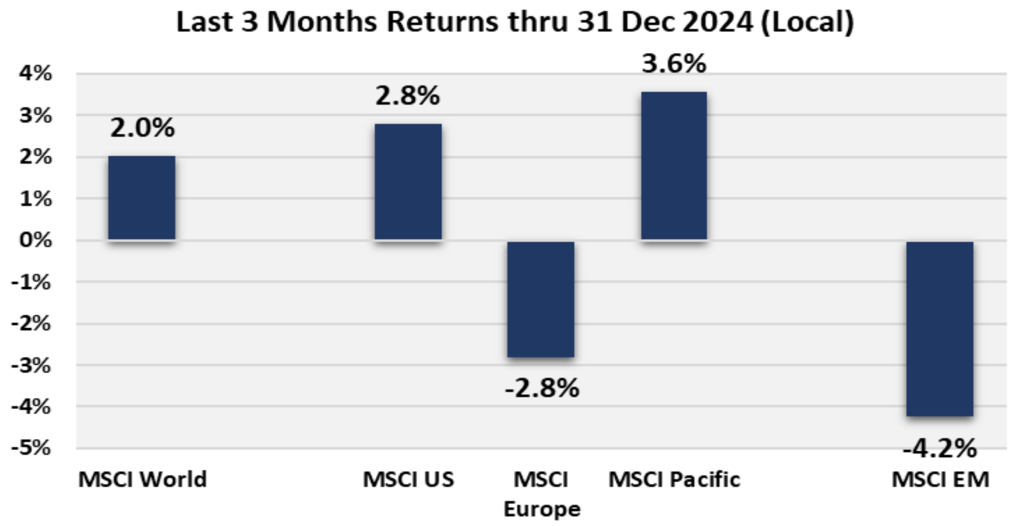
29 January 2025

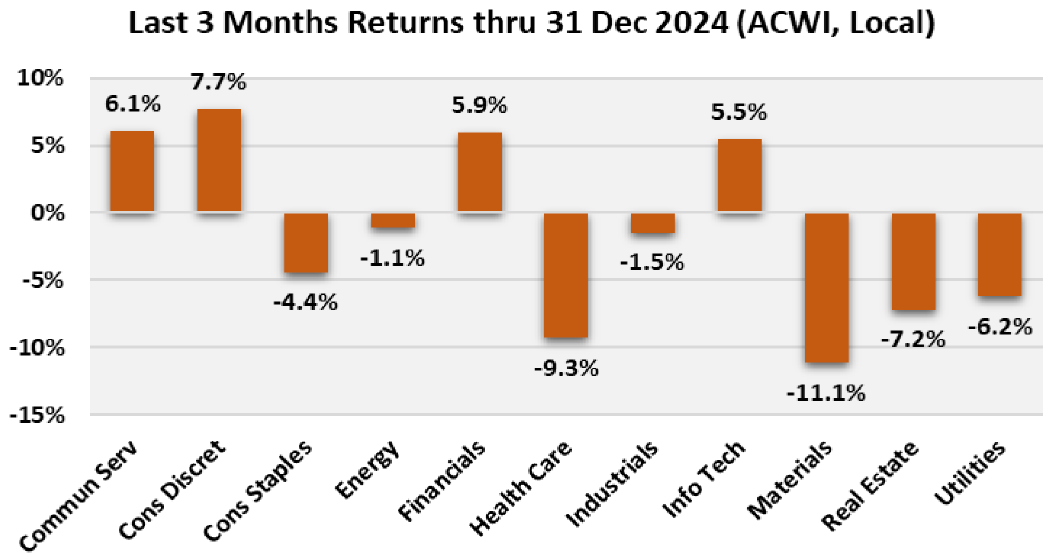
Long Term Return & Risk Assumptions

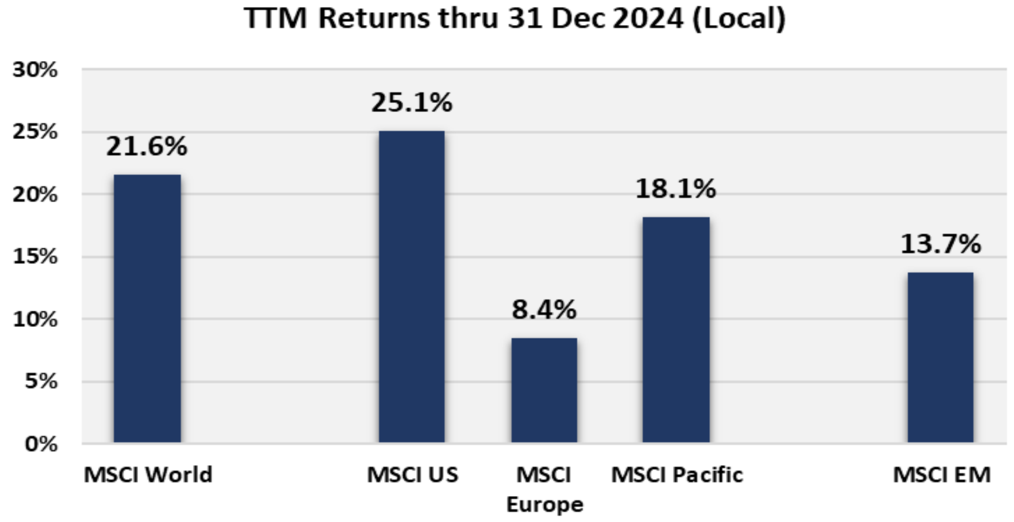
Asset Class	Market Return	Volatility	Note: Last 10 Yrs Return	Note: Last 20 Yrs Return
Developed Market Equity	**7.0%**	**17%**	11.2%	9.0%
Emerging Market Equity	**7.5%**	**25%**	6.4%	8.3%
Private Equity	**8.5%**	**30%**	15.4%	14.6%

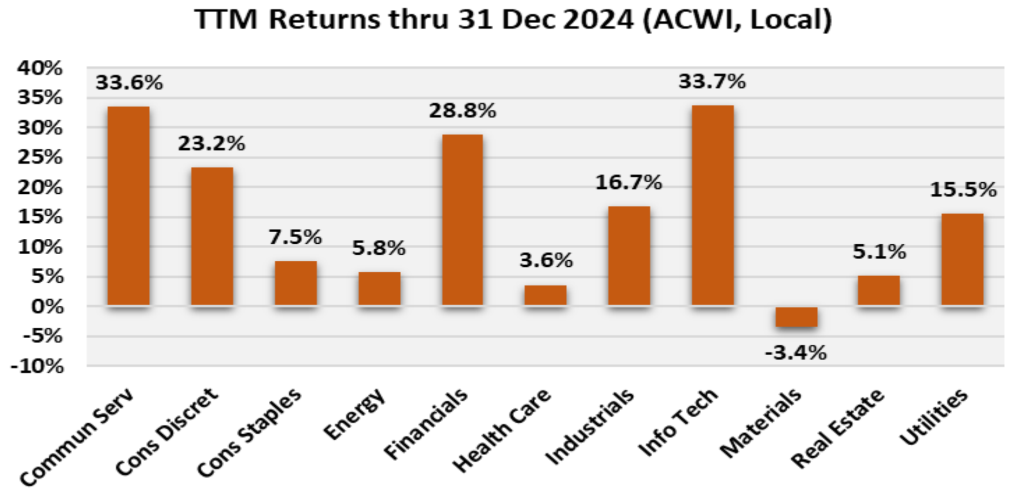
Source: MSCI, Cambridge Associates, SECOR.

Equity Market Returns – thru Q4 2024









Sources: MSCI, Bloomberg

What Has Changed Since the Last Meeting?

	30-Sep-24	31-Dec-24	Change
MSCI World	13482.24	13754.35	2%
S&P 500 Index	5762.48	5881.63	2%
MSCI World P/E	20.2x	20.6x	2%
S&P 500 2024 Est. EPS Growth	10.0%	10.4%	0.4%
US CPI YoY	2.4%	2.9%	+50 bps
US 10 Yr Yield	3.79%	4.58%	+79 bps
High Yield Spread	321 bps	292 bps	-29 bps

Sources: Standard & Poor's, UBS, Goldman Sachs, Bloomberg, SECOR.

Equity Premia Performance & Valuation Summary* - Data through Q4 2024

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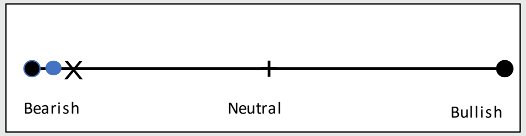
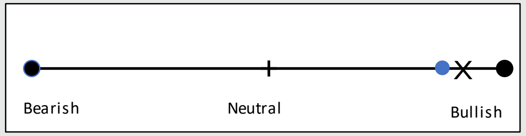
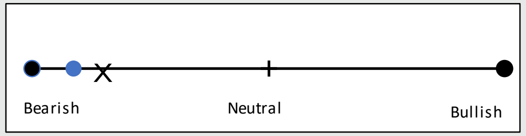
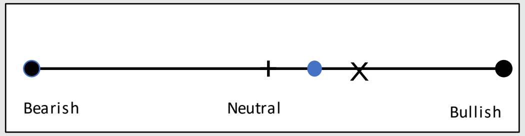
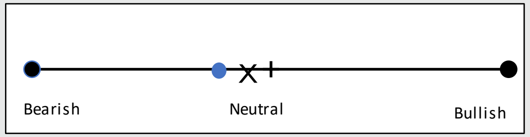
	Performance		Valuation Percentile	
	Last 3 Mo.	TTM	Last 10 Yrs	Last 30 Yrs
Value	-1.6%	-2.6%	48	25
Size (Small)	-3.6%	-11.5%	19	17
Momentum	5.2%	14.9%	70	78
Quality	3.0%	4.5%	82	91
Low Volatility	-2.5%	-7.4%	40	77

- Highlights
  - Value underperformed in 2024, but modestly despite the Tech-led market.
  - Small cap stocks struggled again in 2024 and appear cheap relative to their history.
  - High Momentum stocks had a strong Q4 and 2024; they are now slightly expensive versus their history.
  - Low Volatility stocks continued their struggle in both Q4 and for the year 2024.

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.
* See Appendix 21, 22 for more detail.

Public Equity – Factors Driving Outlook – Summary

Factors	Comments	Historical Range
Valuation	• Global equity valuation multiples expanded slightly in 2024 as markets continued to rally. • 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 have also seen valuation multiples expand above average. • EM relative valuations versus DM are near or slightly below average but rich vs their own history on most measures. • The relative attractiveness of equity yields versus those of bonds and credit worsened in 2024. Bond yields now exceed earnings yields; earnings yields have reverted to average versus yields on credit.	
Fundamentals	• 2024 was another strong year of earnings growth globally with ACWI EPS growing at 9%; US Mega-Cap tech led the way with EPS growth of 24% in 2024. • Earnings are expected to grow by 13% in the US in 2025, again led by Tech companies that are expected to grow earnings at 19% vs 9% for the rest of the market. ACWI earnings are expected to grow by 12% in 2025. • US earnings and cash flow margins have risen for decades and are at or near all-time highs, although they have plateaued in recent quarters. Real EPS have grown over the last two decades at nearly twice the rate of the previous century (+3.8%/yr. vs +2.0%/yr.) • 2025 consensus estimates for Europe, Japan and EM are 8%, 9%, and 14% respectively.	
Technicals	• Sentiment remained positive through year end as equity markets continue to rally. • Equity inflows turned strongly positive with the continued rally in 2024. • Retail sentiment measures (contrarian signals), such as the Conference Board Survey, AAII Bull-Bear Index, the Put-Call ratio and Shiller Crash Confidence index show optimistic readings at year-end 2024. • Household stock ownership percentage near historical highs.	
Macro Impact	• Negative impact on stocks recently with higher rates from stronger economic data, less dovish central banks. • Earnings yields less attractive relative to fixed income alternatives. • Stubborn last mile in inflation fight; potential inflationary pressures from new US administration. • Unrelenting geo-political tensions.	
● Current Quarter X Last Quarter	9 – 12 Month View	

* See Appendix 2 for more detail.

Sentiment – Conference Board Survey

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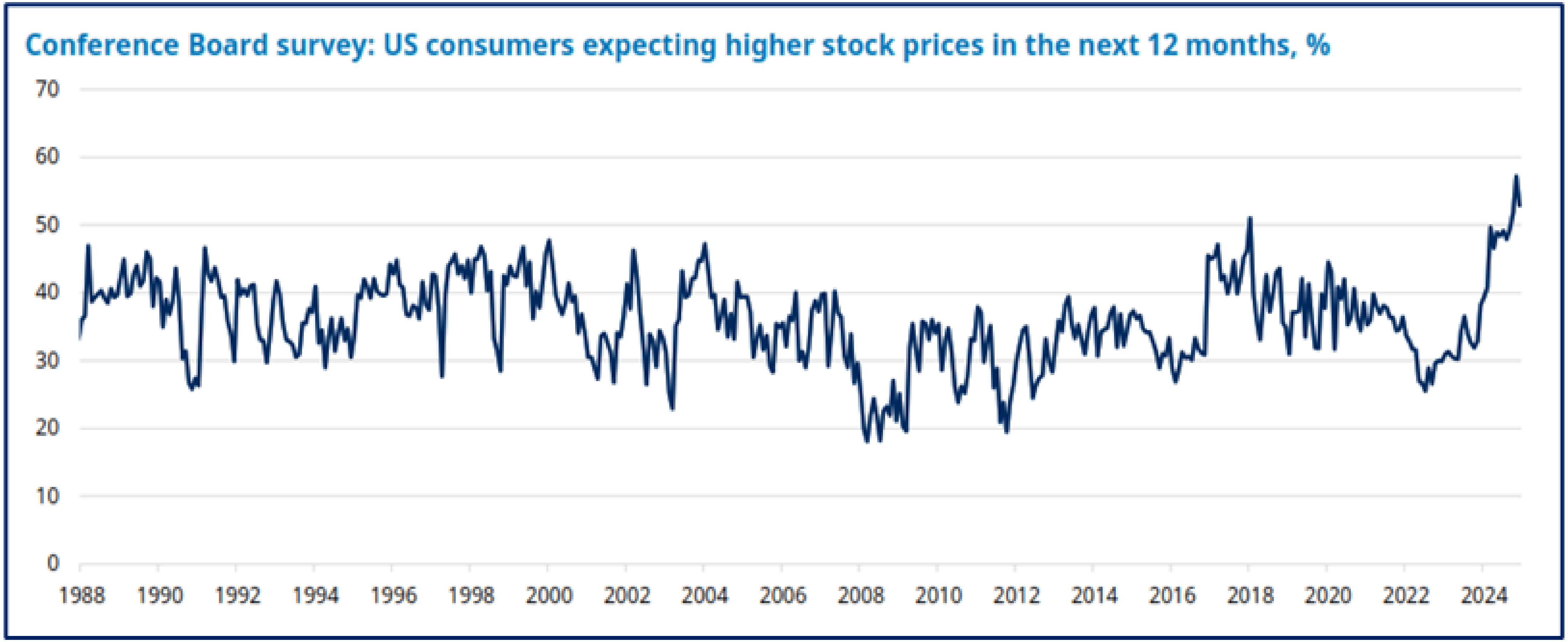
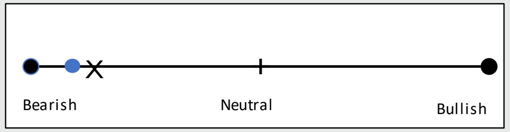
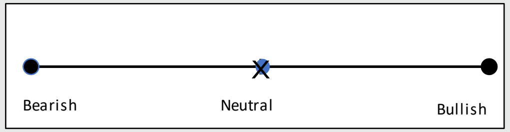
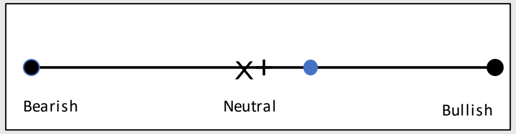
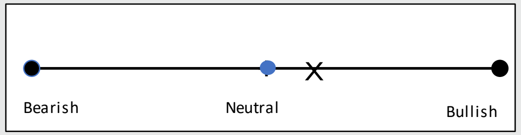
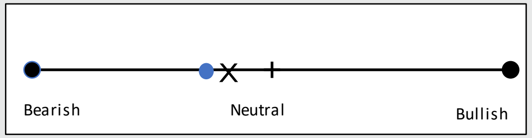
- A record number of US consumers expect higher stock prices a year from now.



Sources: Conference Board.

Private Equity – Factors Driving Outlook – Summary

Factors	Comments	Historical Range
Valuation	• The median Global Buyout EV/EBITDA acquisition rebounded recently to 12.7x but is still off 2021's high of 13.3x. • PE EV/EBITDA multiple of 12.7x compares to 14.5x for Developed public markets.	
Fundamentals	• HY interest coverage fell in the US and Europe in recent quarters but is near long-term average. • EBITDA margins for HY issuers also fell slightly recently in the US but are near historical highs in Europe. • EBITDA growth has slowed in recent quarters for US and European HY issuers but remains positive.	
Technicals	• The pace of PE deal and exit activities picked up slightly in 2024 but remain below average. • Large imbalance between investments to exits now in its third year. • PE fundraising well off the pace of the last 3 years in 2024; a rare drop in dry powder in 2024. • Deal leverage has fallen as the share of Debt to EV fell from 51% in 2022 to 46% in 2024. • HY default rates remain low in US and Europe. • HY distress ratios have remained flat for the last two years, relatively low versus long-term average.	
Macro Impact	• Higher rates negatively impacting borrow costs. • New US administration should have a much softer regulatory touch; potential for pent up M&A to experience a strong rebound. • Recent public market volatility not helping to open up already slow exit markets, however.	
● Current Quarter X Last Quarter	9 – 12 Month View	

* See Appendix 2 for more detail.

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

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

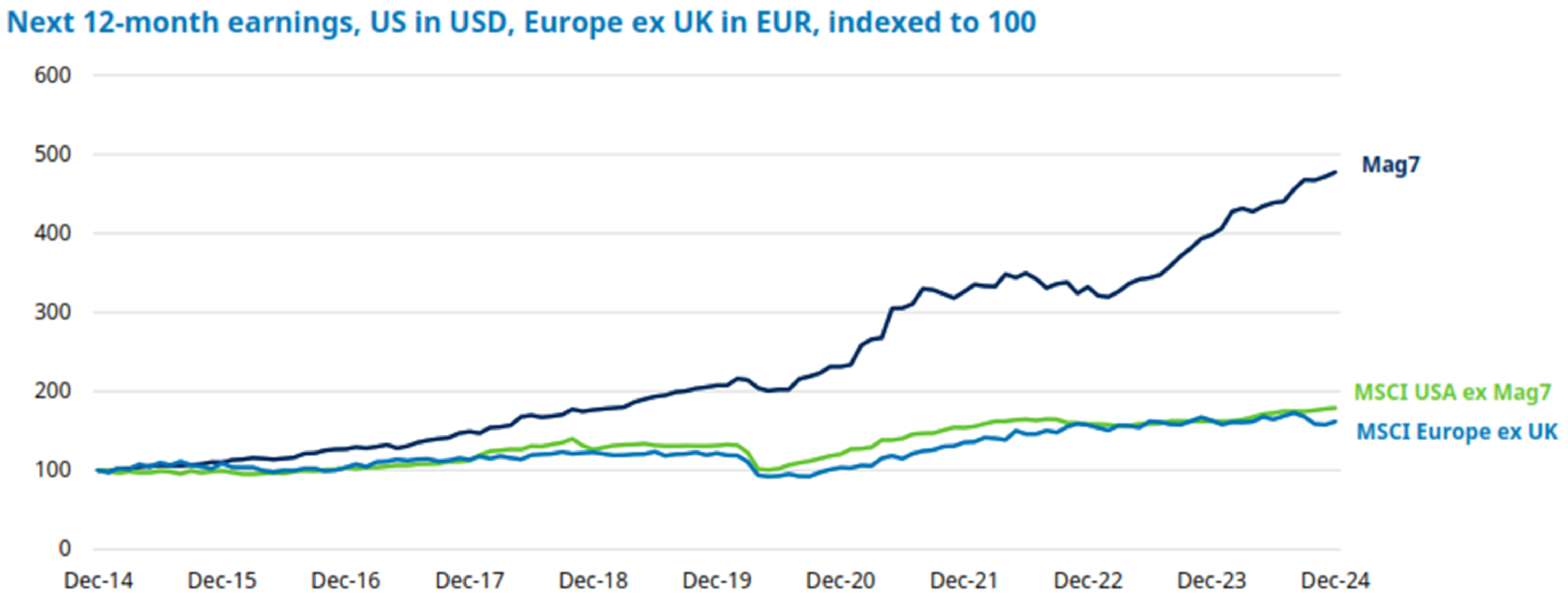
MSCI World	Long-Term Assumption	Last 5 Years	Next 5 Years Est.
Nominal EPS Growth	**4.2%**	**6.0%**	**4.3%**
Real Earnings Growth	***2.2%***	***2.3%***	***2.3%***
Inflation	***2.0%***	***3.7%***	***2.0%***
P/E Multiple Expansion/(Contraction)	**0.0%**	**4.5%**	**-2.8%**
Annual Price Gain	**4.2%**	**10.5%**	**1.5%**
Dividend Yield	**2.8%**	**2.0%**	**2.0%**
Total Return (Local)	**7.0%**	**12.5%**	**3.5%**

Data as of 31 December 2024

Sources: Robert Shiller's Website, www.econ.yale.edu/~shiller/,OECD, MSCI, Bloomberg, SECOR.

Earnings = Sales x Margins

- Tech stocks have been the source of above-average earnings growth in recent years, driven by a combination of better-than-average sales growth and expanding margins.

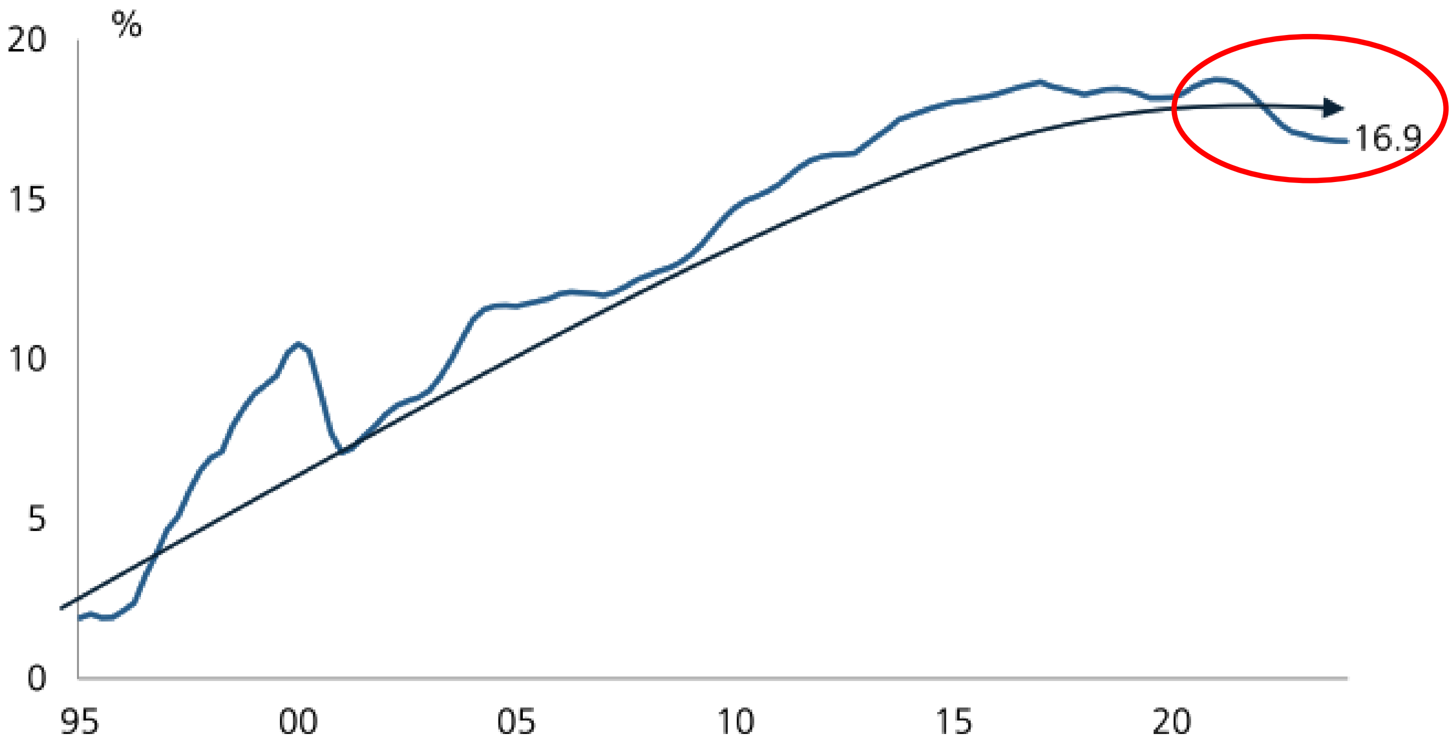


Sources: LSEG Datastream and Schroders.

Margins

- **Tech earnings and free cash flow growth have been driven by increasing margins from their scalable, capital-light business models.**
  – However, capital investment related to AI has halted the decades-long expansion in free cash flow margins and is likely continue to do so over the next several years.

Free Cash Flow as a % of Sales - TECH+



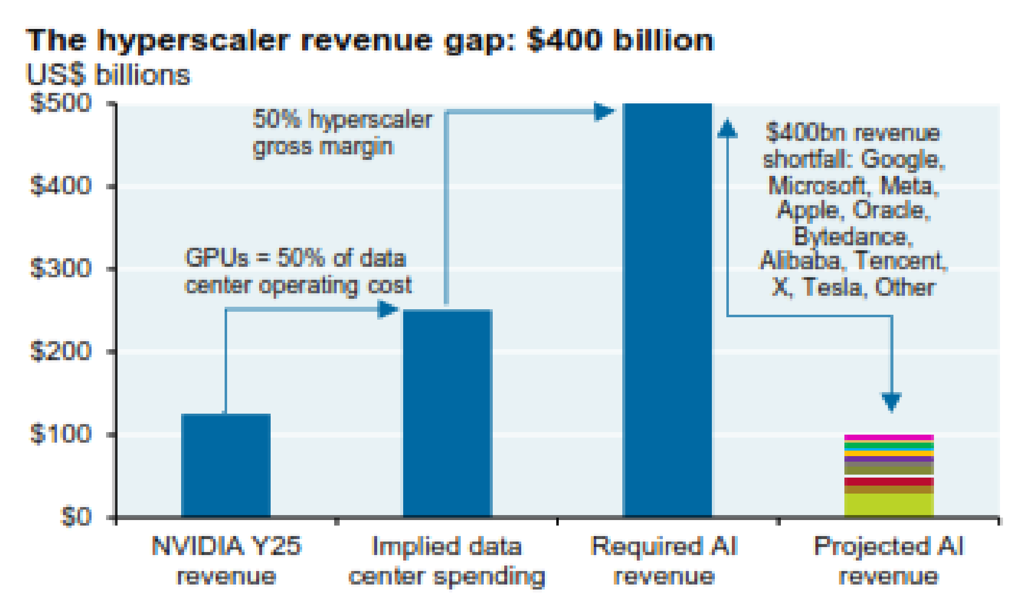
Source: Standard & Poor's, FactSet, UBS.

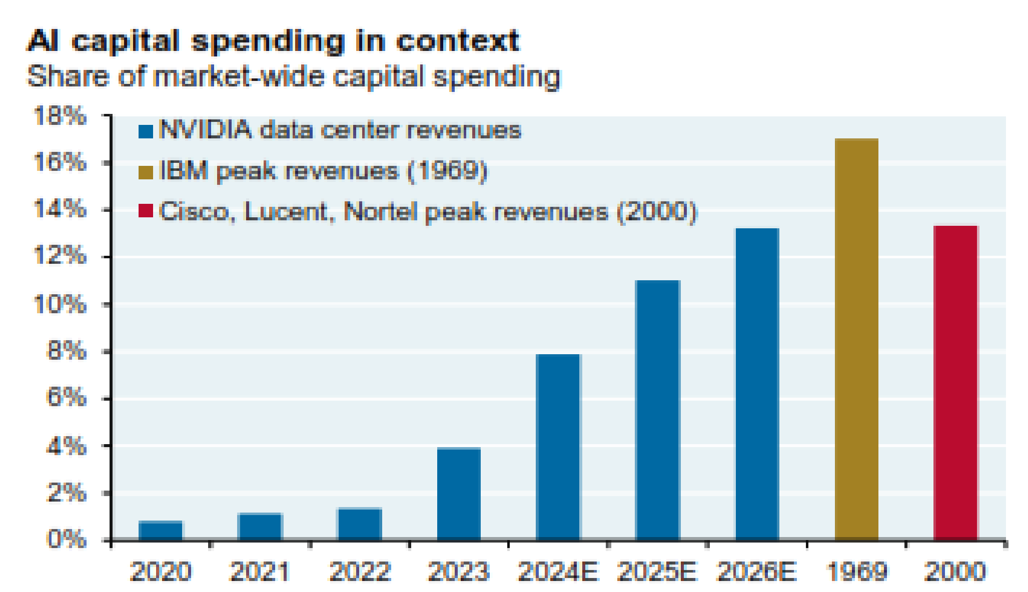
Margins & CapEx

- **In order to maintain their current level of profit margins, Big Tech must generate additional revenue of $400 billion from their AI-related chips and data center expenditures (on top of the ~$100B currently expected).**
  - Note: Mag 7 aggregate sales ~$2T; an additional $400B of revenue would be an approx. 20% growth in sales.

- **Capital expenditures have become concentrated in the US with Nvidia expected to account for 11% of all CapEx spending in 2025.**
  - The last couple such instances of concentration in CapEx spending ended badly.
    - IBM during the Nifty Fifty era, S&P return in the 1970s was 5.9%/yr nominal, -1.5%/yr real.
    - Cisco, Lucent & Nortel during the TMT bubble. S&P return in the 2000s was -0.9%/yr nominal, -3.4%/yr real.

Sources: Sequoia, Bloomberg, Empirical Research Partners, JPMorgan Asset Management, SECOR.





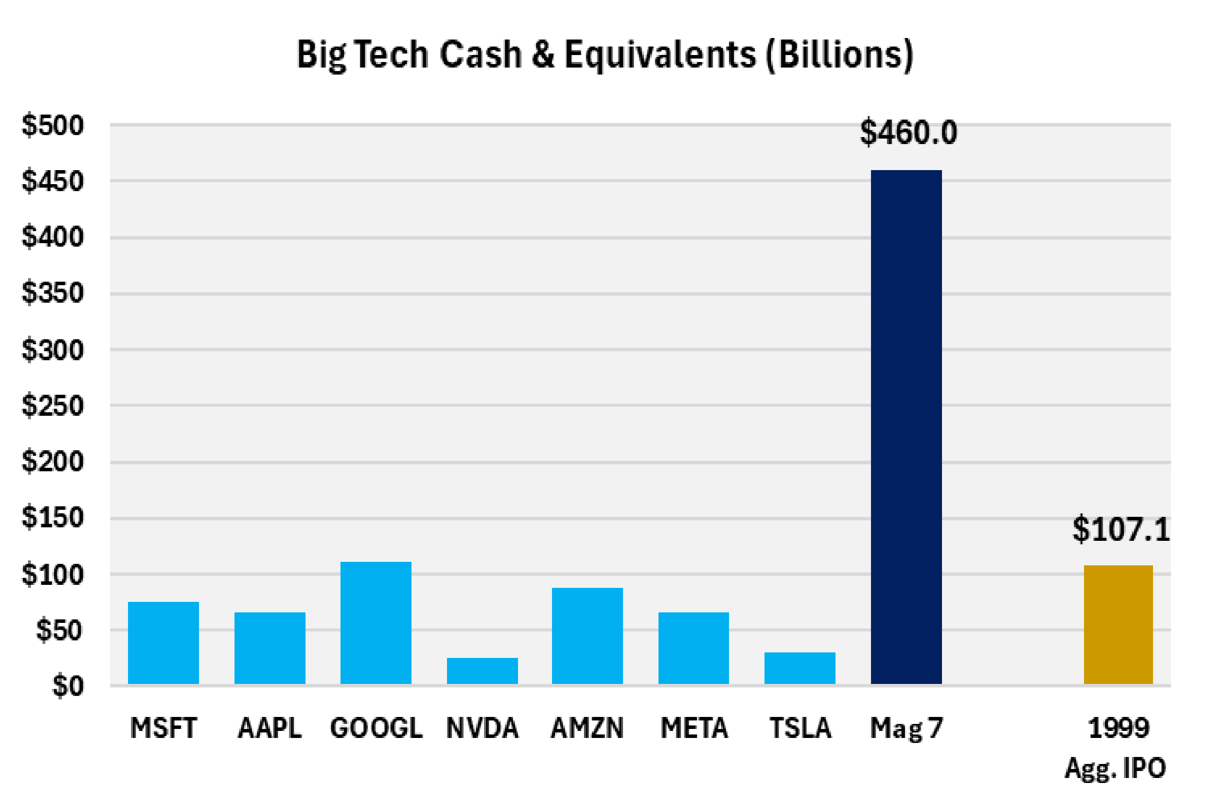
Margins – Tech Dry Powder

- **The Magnificent 7 Tech companies hold approx. $460 billion in cash and equivalents and are expected to throw off another ~$400 billion in Free Cash Flow in 2025.**

- **In comparison, total IPO proceeds raised during the peak of the TMT bubble in 1999 totalled $107 billion.**
  - Companies with overly optimistic or non-existent business plans were eventually cut off from the capital markets, providing a floor to the destruction of capital.

- **The combination of massive cash holdings by Big Tech precludes the need to access capital markets to sustain the AI CapEx binge. Coupled with equally massive CEO egos, the competition for AI dominance creates the potential for a huge misallocation of capital should the technology, or at least its economics, prove disappointing.**

- **"AI's Sputnik Moment" - Marc Andreessen on DeepSeek's potential to disrupt Big Tech's AI plans.**



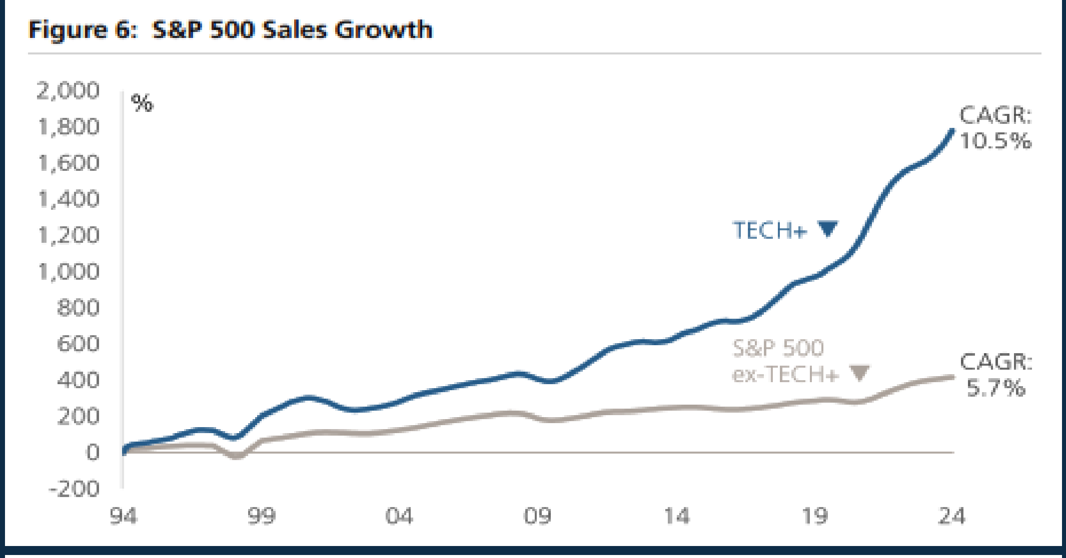
Sources: Bloomberg, Professor Jay Ritter Data Library, SECOR.

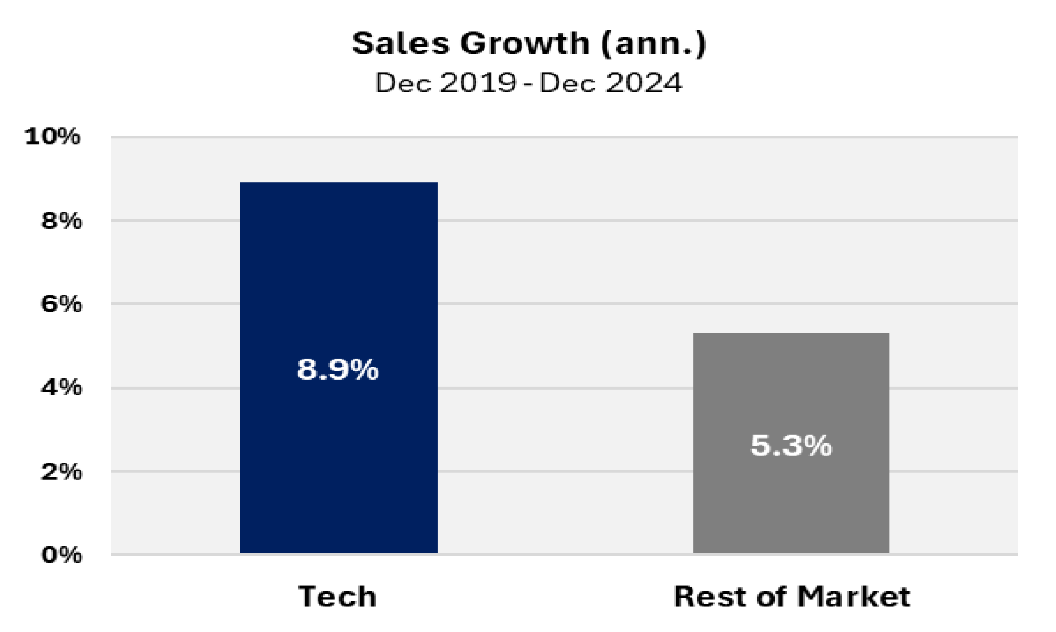
Sales

- **The Info Tech sector has grown revenues at nearly twice the rate of the rest of the market over the last 30 years, 10.5%/yr versus 5.7% year.**

- **The last 5 years have been very similar to the longer-term history with Tech sales growing at 8.9% versus 5.3% for the rest of the market.**
  - The bull case is that even if margins remain flat, continued superior sales growth can still result in above-average earnings growth.

Sources: Standard & Poor's, FactSet, Refinitiv, Bloomberg, SECOR.

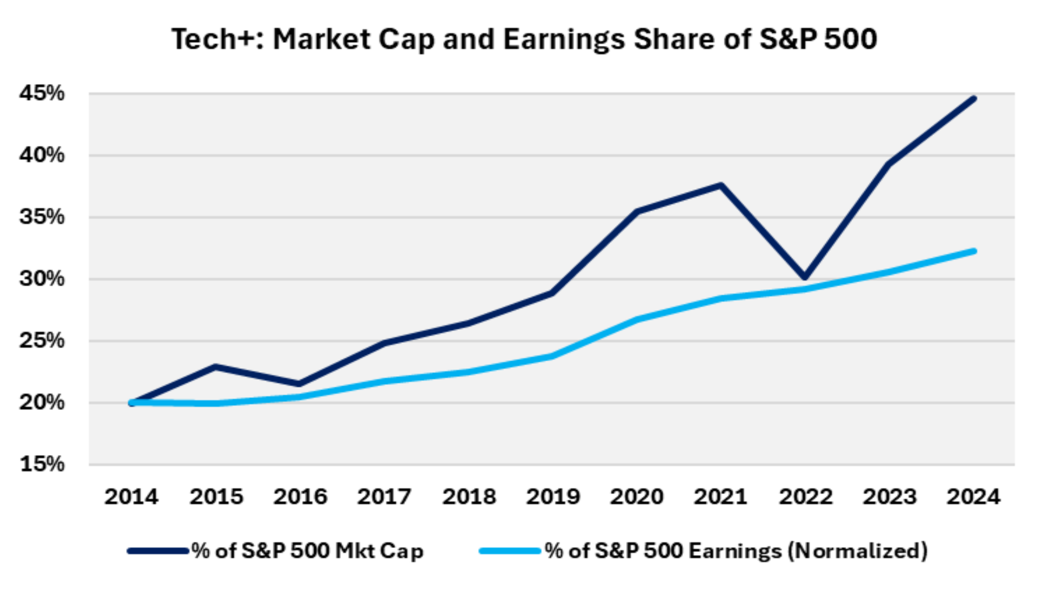


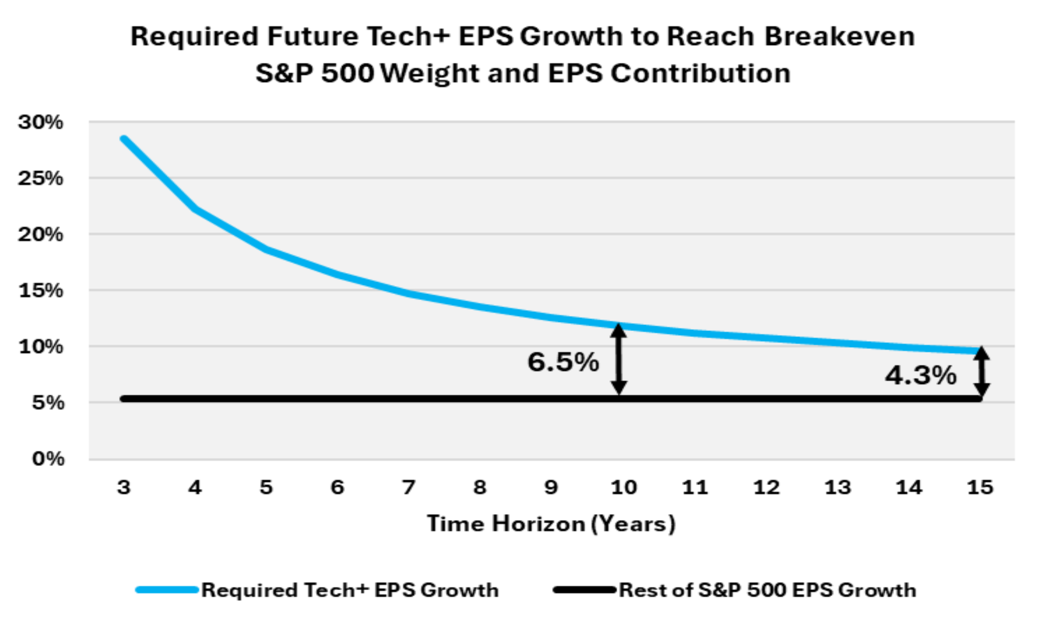


Tech+ Earnings Expectations

- **The extended Tech sector currently comprises 44.6% of the S&P 500 market cap while it sources 32.3% of its earnings.**

- **How much faster than the rest of the market do Tech+ earnings have to grow for its earnings share to match their share of market cap?**
  - Over the next 10 years, Tech+ earnings would need to grow at 11.9%/yr assuming the rest of the market returns its long-term average of 5.4%/yr., or 6.5%/yr faster.
  - Over the next 15 years, the required gap shrinks to 4.3%/yr.
  - Info Tech sector earnings have exceeded those of the rest of the market by approx. 8%/yr over the last decade, 9%/yr over the last 15 years and 4%/yr over the last 25 years.



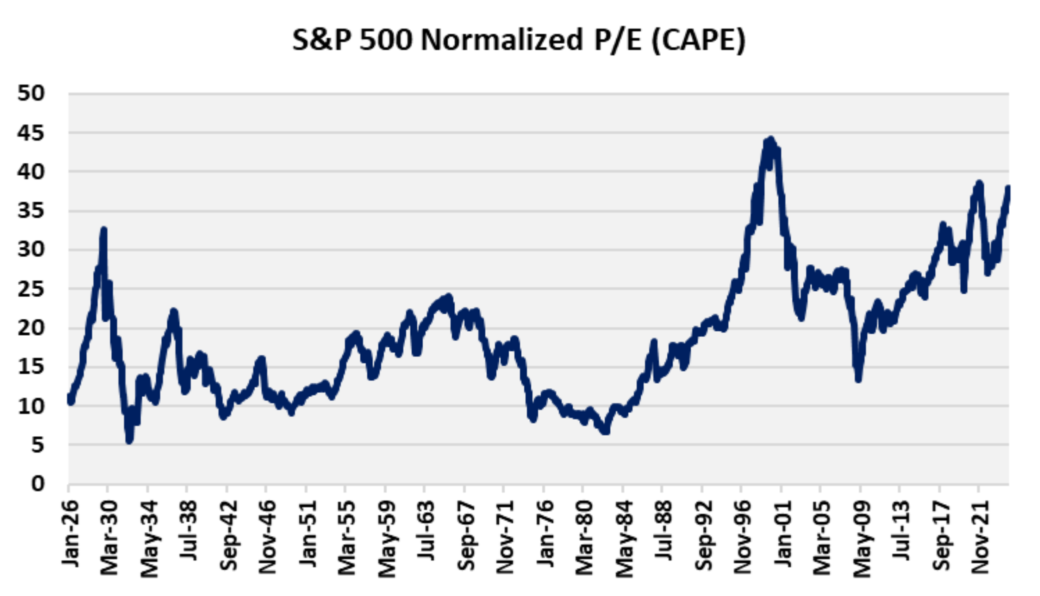


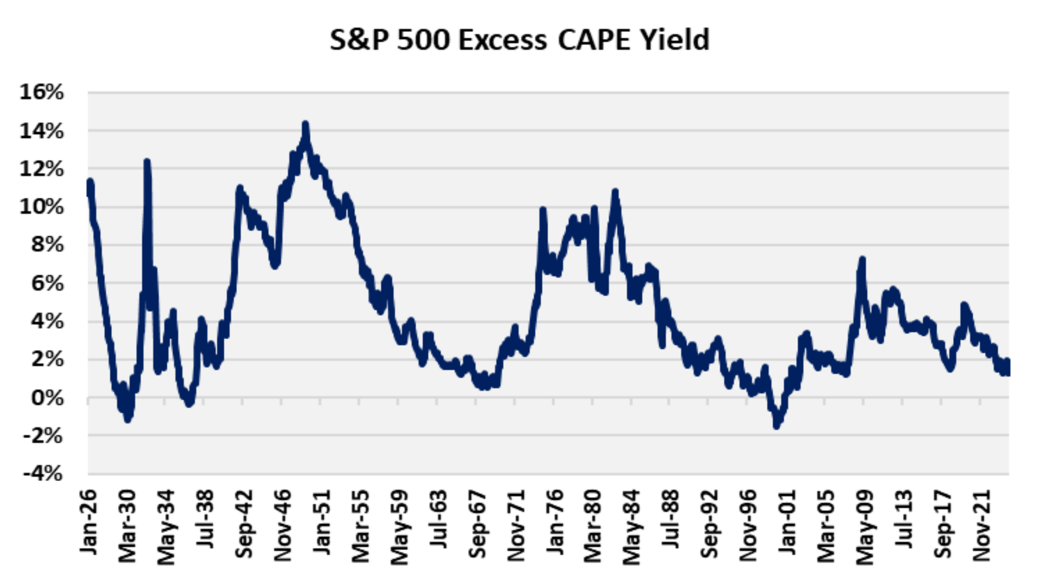
Sources: Standard & Poor's, FactSet, UBS, Bloomberg, SECOR.

Multiples

- **The S&P 500 Normalized P/E (Shiller CAPE) was 37.9x at year-end 2024, 98th percentile since 1926.**
  - This level has only been topped twice - preceding the bursting of the TMT bubble in 2000 and preceding 2022's bear market.

- **The Excess CAPE Yield, a measure of the difference between the normalized real earnings yield and the real bond yield was 1.24% at year-end 2024, 14th percentile since 1926.**





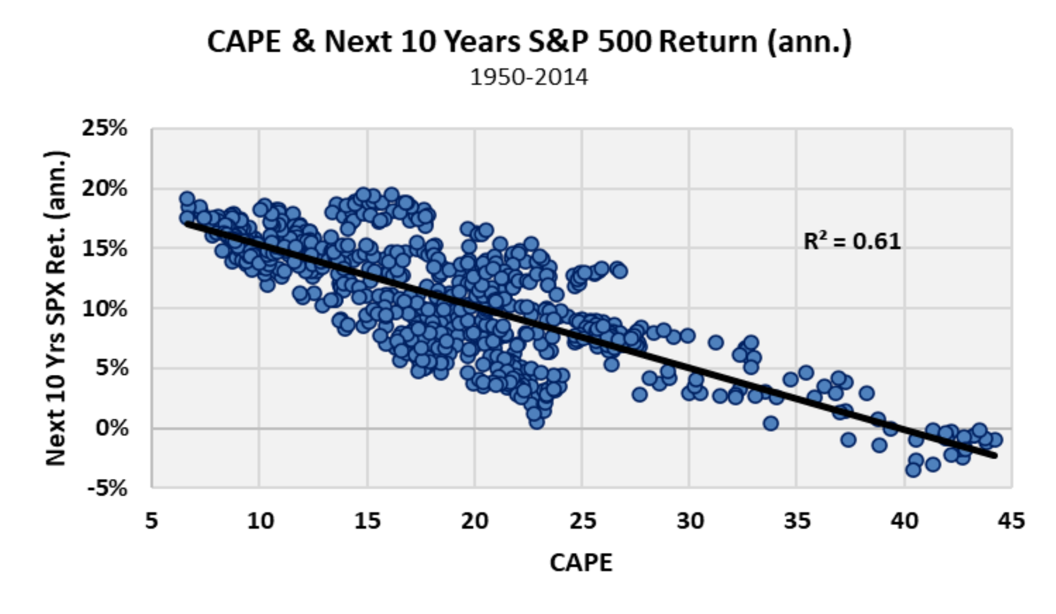
Source: Professor Robert Shiller Data Library, SECOR.

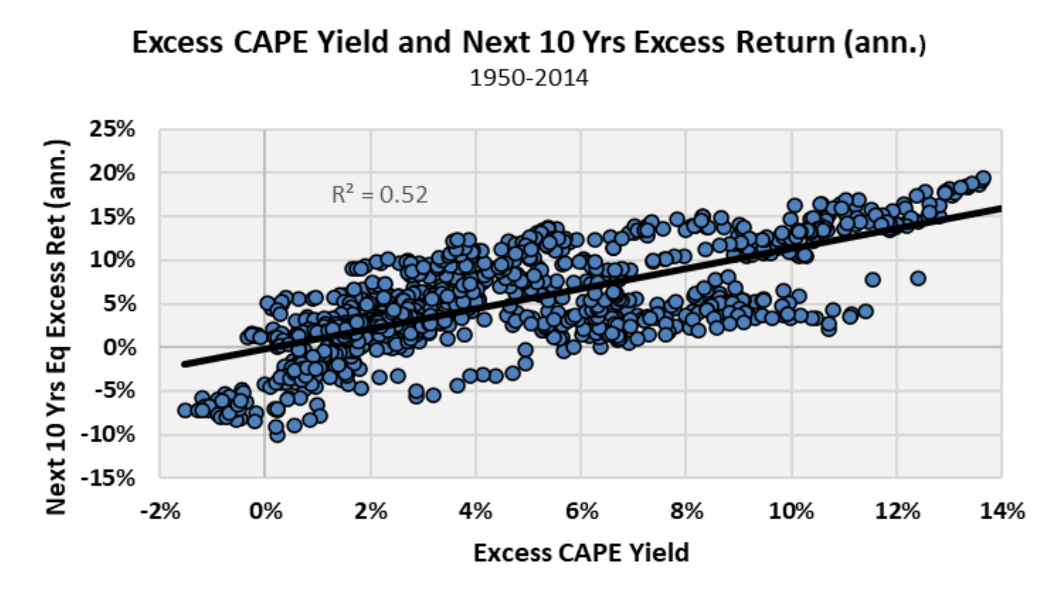
Multiples

- High CAPEs have been negatively correlated with future long-term equity returns; Excess CAPE Yields have been positively correlated with future long-term Equity-Bond return spreads.

- The year-end CAPE of 37.9x suggests a 1.0%/yr return over the next decade for US stocks.

- The Excess CAPE Yield at year-end of 1.24% suggests a 1.5% excess return for stocks over bonds.

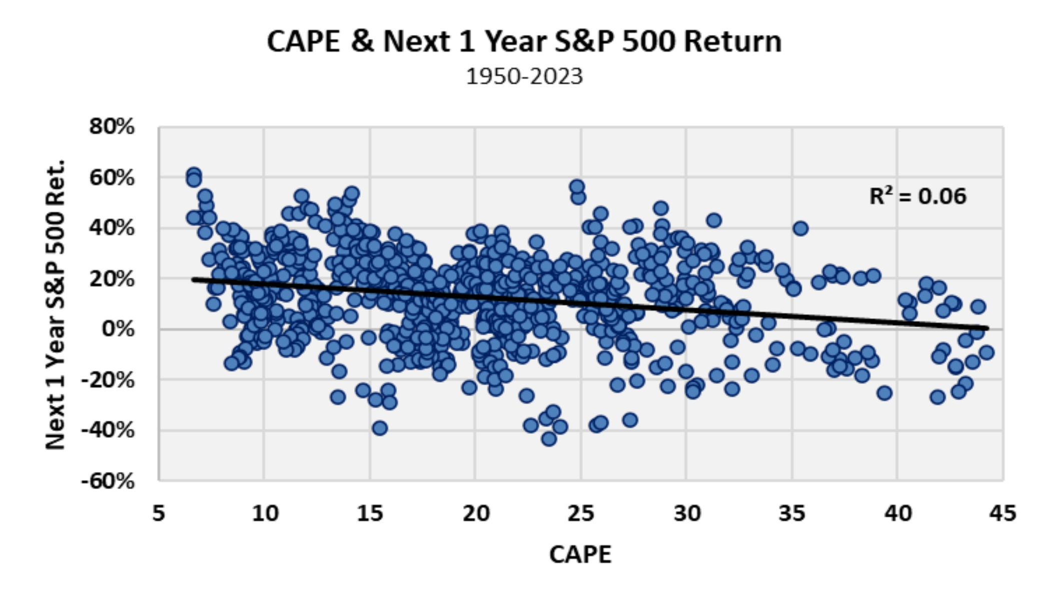


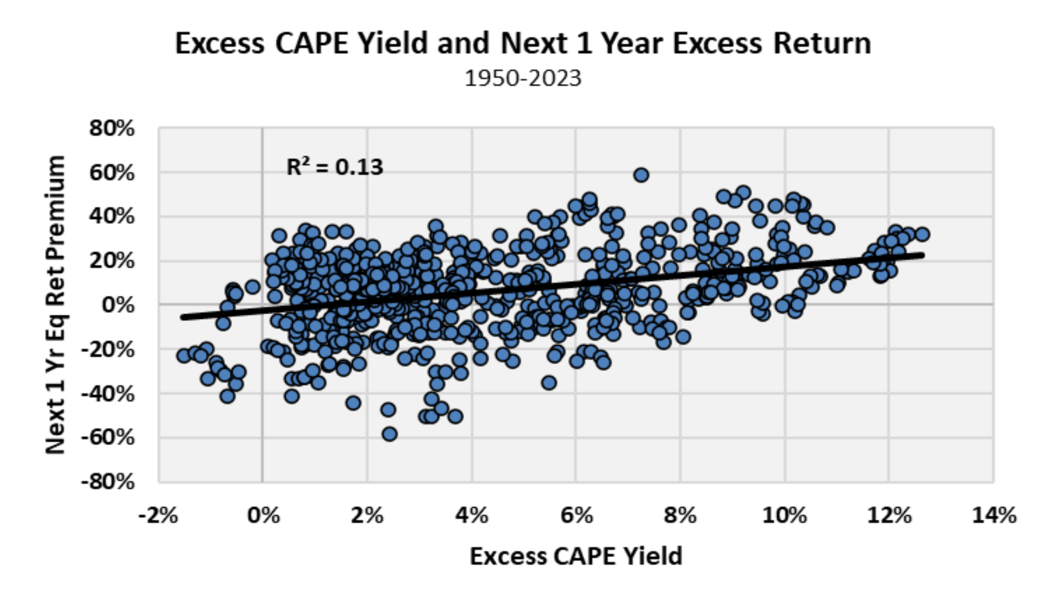


Source: Professor Robert Shiller Data Library, Standard & Poor's, SECOR.

Multiples

- **But in the short-term, valuation has been a much weaker return predictor.**

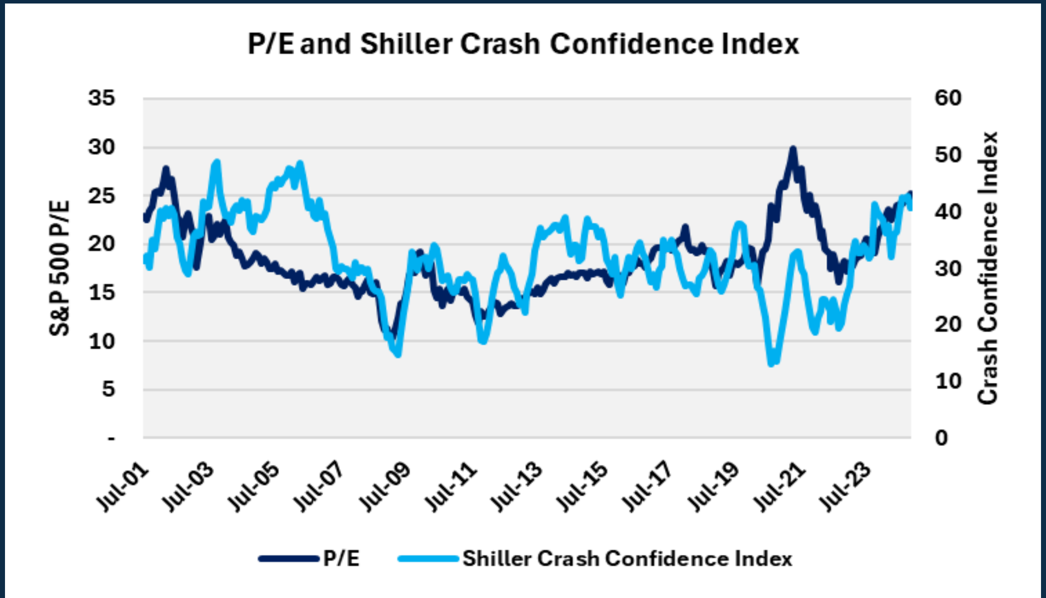


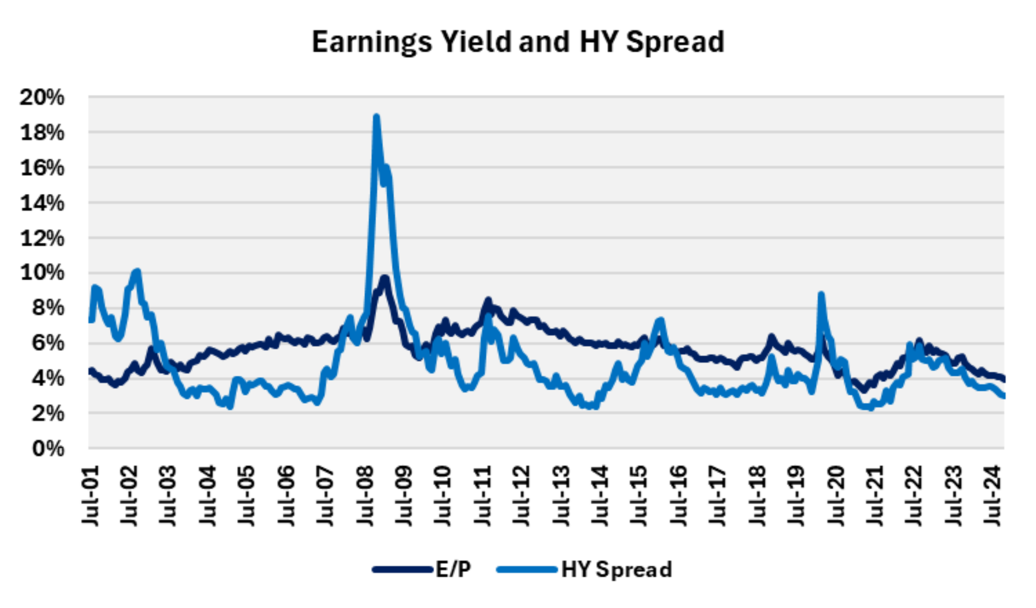


Sources: Standard & Poor's, Professor Robert Shiller Data Library, SECOR.

Multiples & Sentiment

- **P/E multiples have had a positive relationship with measures of investor sentiment and risk appetite.**
- **The correlation between the S&P 500 P/E and the Shiller Crash Confidence Index has been 0.21 since 2001.**
  - The most recent Shiller Crash Confidence index reading of 40.7 ranks in the 89th percentile over that period.
- **The S&P 500 earnings yield has exhibited an even tighter relationship with the High Yield spread with a correlation of 0.42.**
  - The High Yield spread stood at 292 bps at year end 2024, or 9th percentile since 2001.





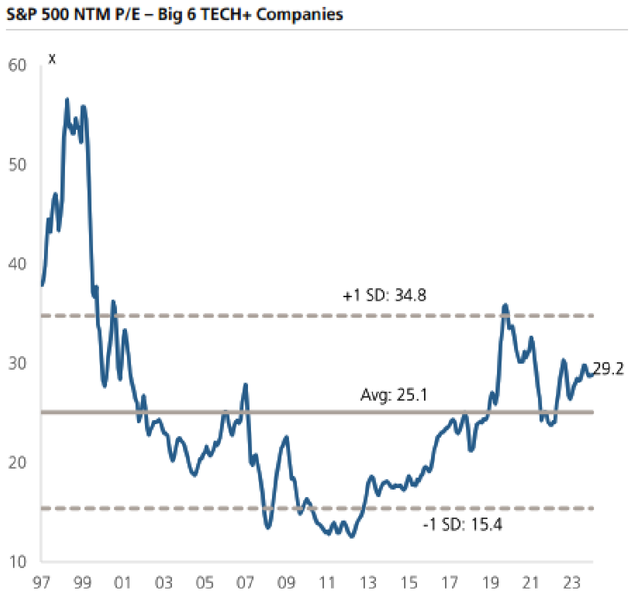
Sources: Standard & Poor's, Bloomberg, Professor Robert Shiller Data Library, CS BarCap.

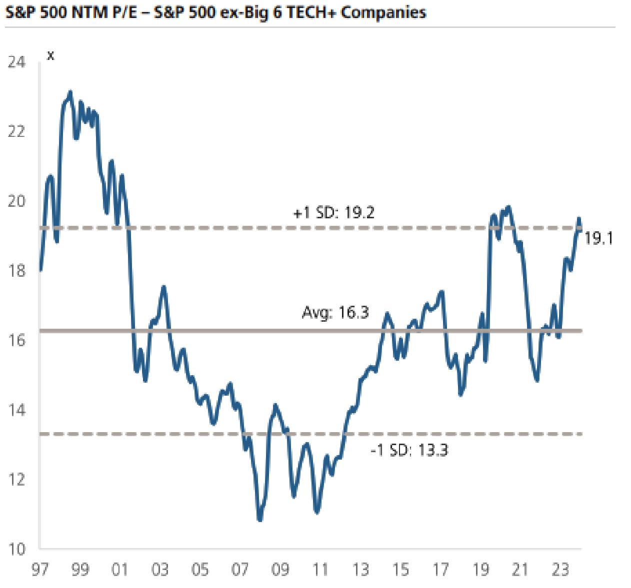
Multiples

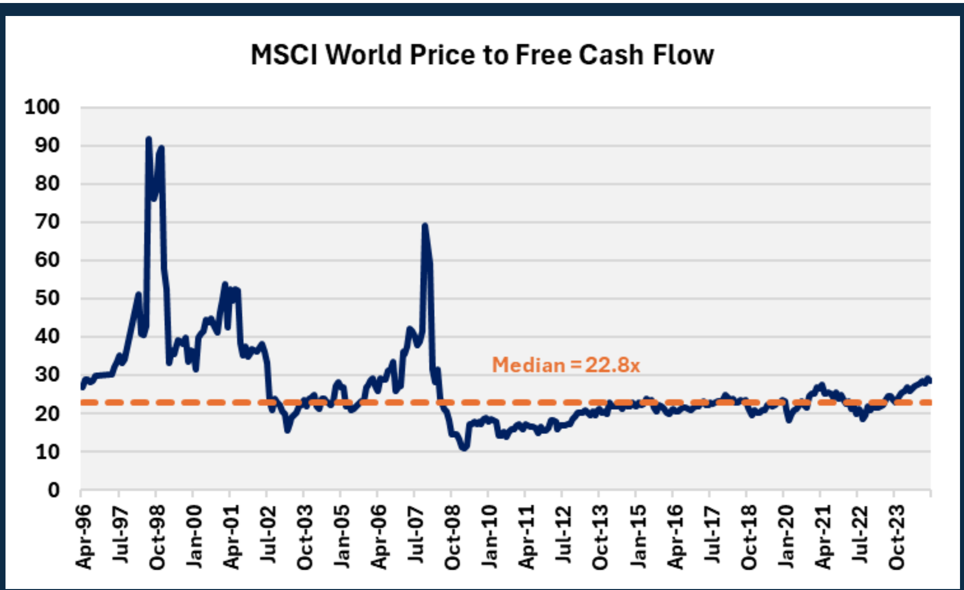
- **High valuations are not just a mega-cap tech phenomenon as the forward P/E of non-Mega Cap Tech is also stretched.**

- **The least stretched of the valuation measures is Price to Free Cash Flow, at 28.4x it ranks in the 76th percentile since 1996.**
  - P/FCF peaked at above 91x during the TMT bubble.

Sources: Standard & Poor's, Refinitiv, FactSet, UBS.



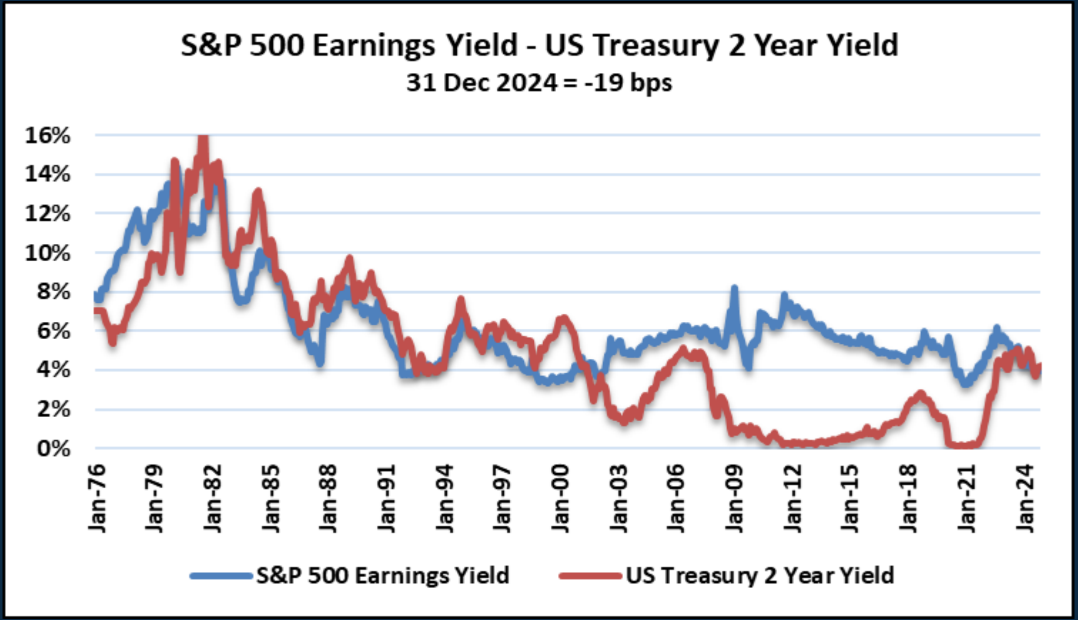




US Equity versus Bonds

- **The yield on the 10 Yr now exceeds the S&P 500 earnings yield by 52 bps at the end of the year, the first instance since 2001 where the 10 Yr yield exceeds the equity earnings yield.**
  - The spread of -52 bps at YE2024 compares to a median of 65 bps from 1976.
  - The spread contracted considerably from YE2023's +68 bps.

- **The spread between the equity yield and the yield on the US 2 Year Note is also negative as of year-end 2024 at -19 bps.**
  - The spread contracted from +31 bps at year-end 2023..

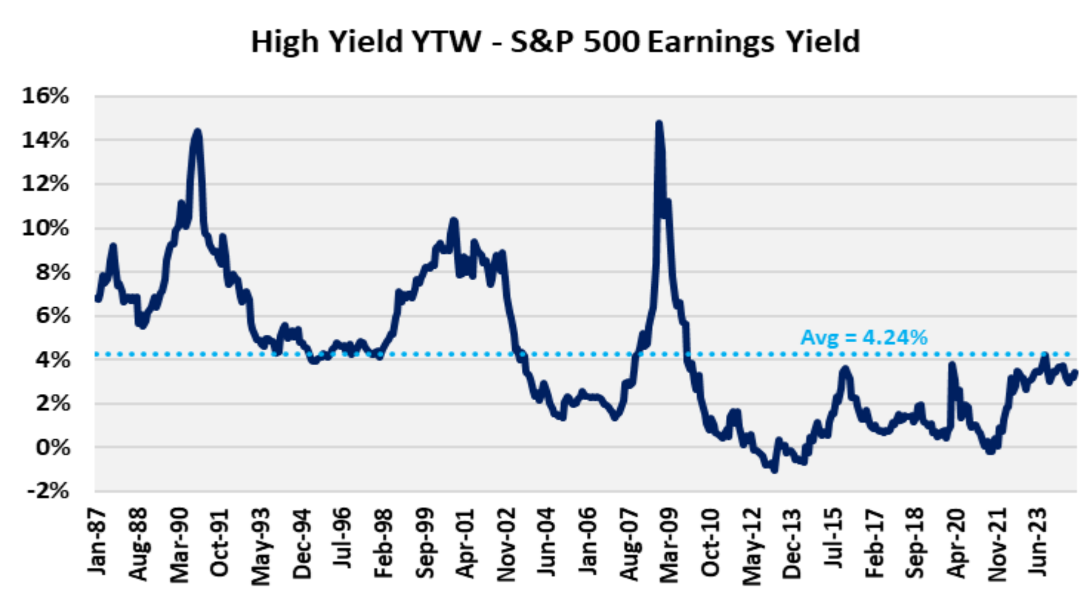


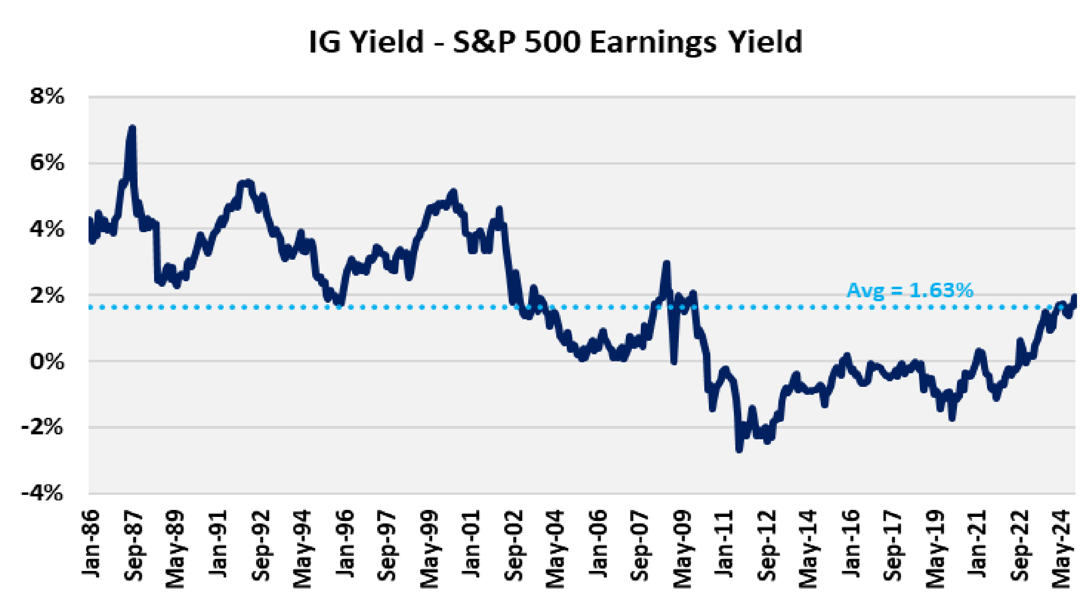
Sources: Standard & Poor's, Bloomberg.

US Equity versus Credit

- **The spread between the yield on high yield bonds and the equity earnings yield expanded slightly in Q4 despite a narrowing HY spread as earnings yields fell.**
  - The spread between High Yield YTW (7.50%) and the S&P 500 Earnings Yield (4.06%) stood at 344 bps at YE2024, below the average of 424 bps since 1987 (47th percentile).
  - The spread widened slightly from YE2023's 303 bps.

- **And the IG yield exceeds the equity earnings yield by 194 bps at year-end 2024, which is above the long-term average for the first time since 2009.**
  - The spread between the IG Yield (6.00%) and the S&P 500 Earnings Yield (4.06%) stood at 194 bps at YE2024, above the average of 163 bps since 1986 (56th percentile).
  - This spread widened from YE2023's 93 bps.





Sources: CS BarCap, Federal Reserve Economic Database, Moody's, Standard & Poor's, Bloomberg.

Recommendation & 3 Catalysts That Could Change Your View

- **Recommendation: Neutral Weight Equity**

- **3 Catalysts That Could Change Your View**

1. Fundamentals that have driven premium valuations deteriorate.

2. The DOJ/FTC are successful in reining in/breaking up the big Tech companies that have been the engine of profit growth in the US.

3. Geopolitical shock: Russia resorts to nuclear weapons, China attacks Taiwan; equities look very expensive under this scenario.

Sources: Standard & Poor's, Bloomberg, SECOR.

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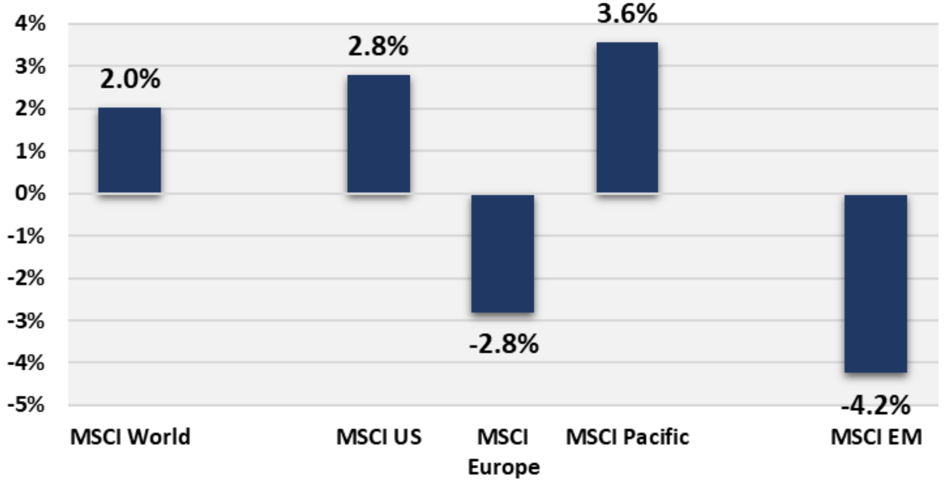
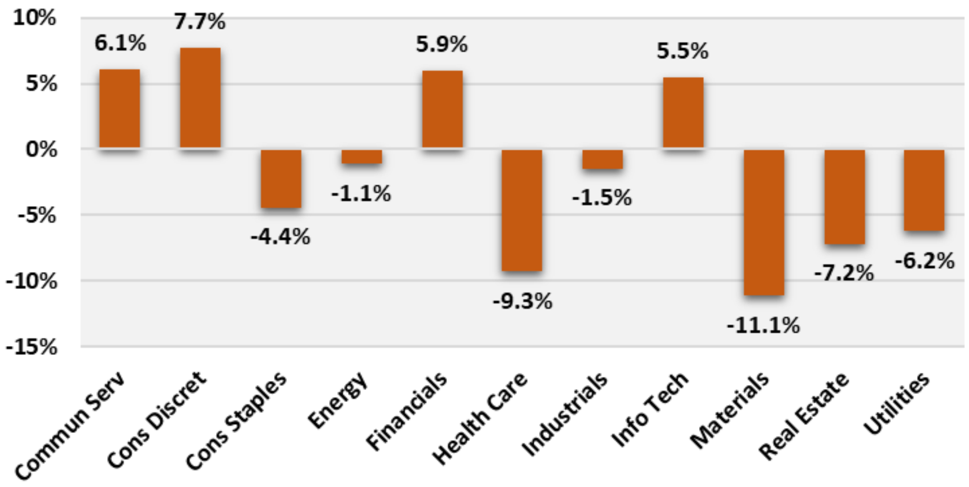
Appendix

Appendix 1 – Equity Market Returns

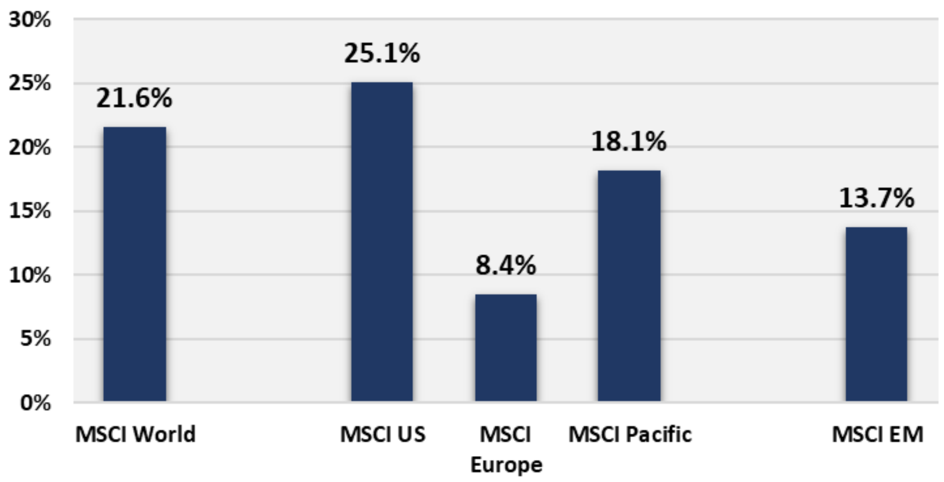
Last 3 Months Returns thru 31 Dec 2024 (Local)



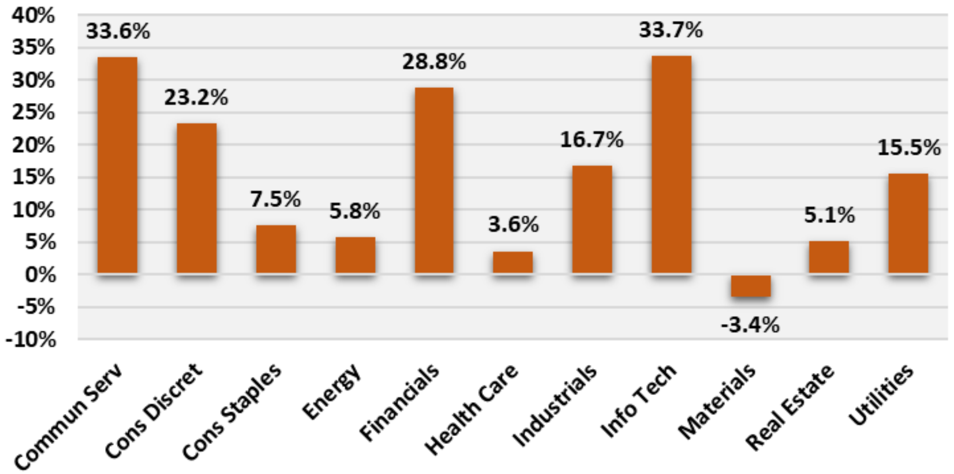
Last 3 Months Returns thru 31 Dec 2024 (ACWI, Local)



TTM Returns thru 31 Dec 2024 (Local)



TTM Returns thru 31 Dec 2024 (ACWI, Local)



Sources: MSCI, Bloomberg

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Appendix 2a – 5 Factors Driving the Outlook for Equities

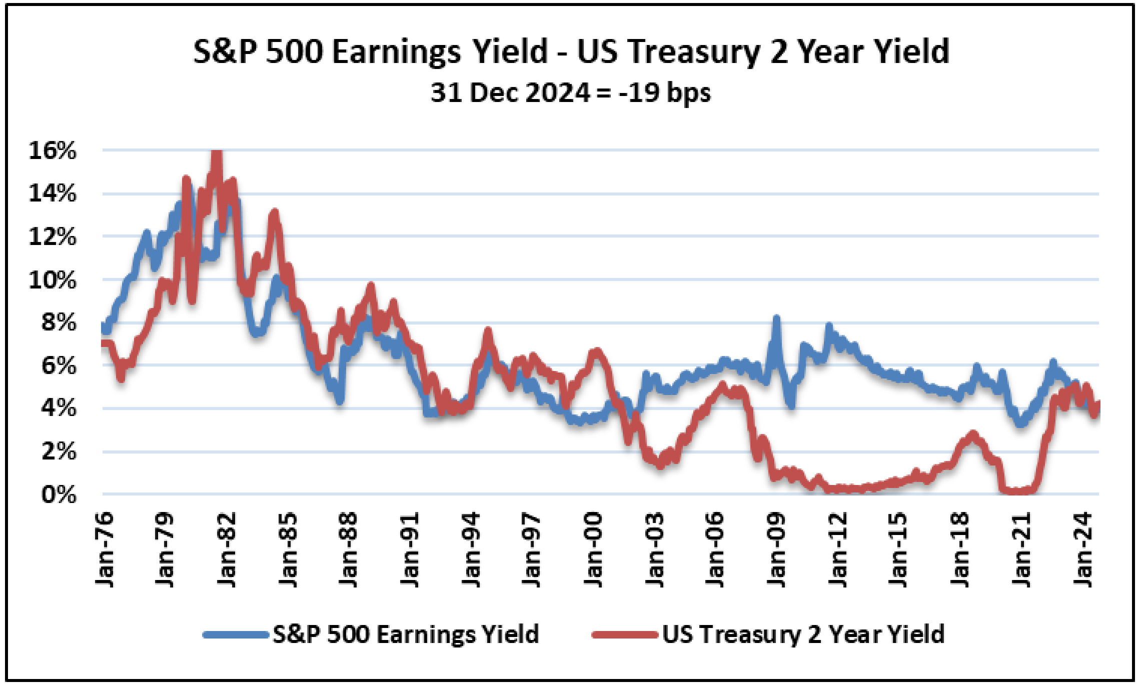
- **Valuation** – Global equity valuation multiples expanded in 2024. (Appendix 3-9)
  - The US market is at extreme valuation levels relative to long-term history on most measures; less so versus more near-term periods.
  - The least stretched measure is Price/Free Cash Flow, which at 27.6x is slightly above its average of 23.7x over the last 30 years.
  - European equities appear cheaper relative to the US but also saw valuation multiples expand in 2024. Europe's normalized P/E stands at 18.2x at the end of YE2024, or 62nd percentile since 1980. Europe's Price/Sales of 1.5x is at its 89th 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 at the end 2024.
  - The median Global Buyout EV/EBITDA acquisition has rebounded recently to 12.7x but is still below 2021's high of 13.3x. Deal leverage remains low relative to history as the share of Debt to EV fell from 51% in 2022 to 47% in 2024.

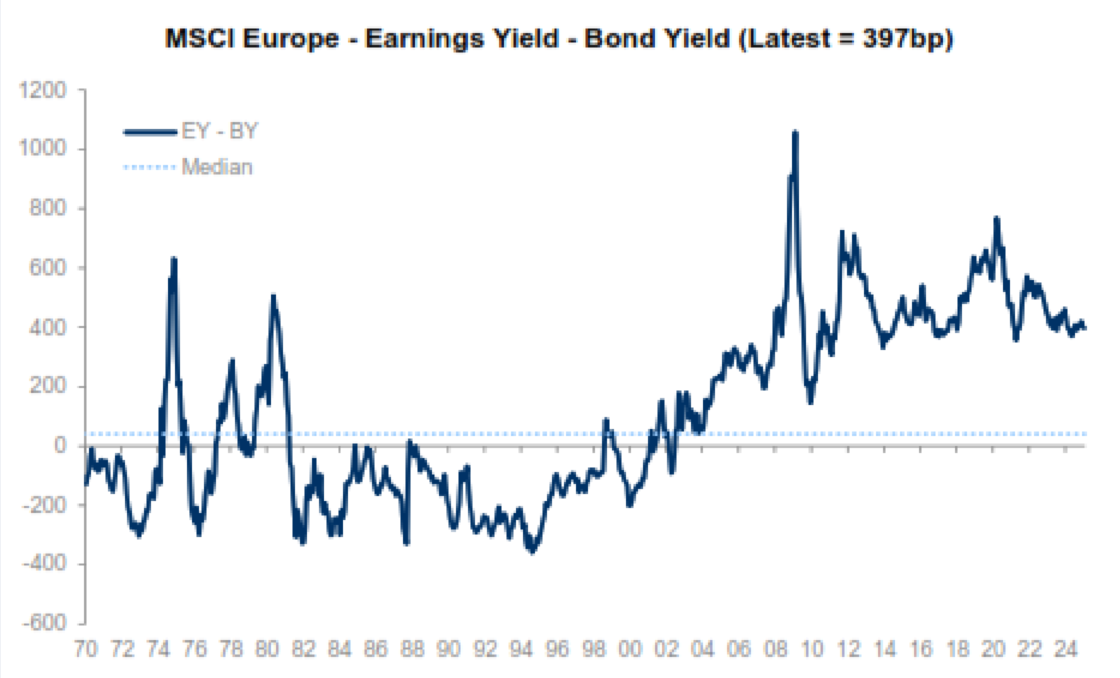
- **Fundamentals** – Strong earnings growth again in 2024, expected to continue in 2025. (App. 10-14)
  - 2024 was another strong year of earnings growth globally with ACWI EPS growing at 9%; US Mega-Cap tech led the way with EPS growth of 24% in 2024.
  - Earnings are expected to grow by 13% in the US in 2025, again led by Tech companies that are expected to grow earnings at 19% vs 9% for the rest of the market. ACWI earnings are expected to grow by 12% in 2025.
  - US earnings and cash flow margins have risen for decades and are at or near all-time highs, although they have plateaued in recent quarters. Real EPS have grown over the last two decades at nearly twice the rate of the previous century (+3.8%/yr. vs +2.0%/yr.)
  - 2025 consensus estimates for Europe, Japan and EM are 8%, 9%, and 14% respectively.
  - Regarding PE, HY interest coverage is near long-term average and EBITDA growth is positive, although slowing in recent quarters.

Sources: Robert Shiller's Website, www.econ.yale.edu/~shiller/,OECD, UBS, Goldman Sachs, Morgan Stanley, Pitchbook, Bloomberg, SECOR.

Appendix 2b – 5 Factors Driving the Outlook for Equities

- **Macro Environment**
  - Negative impact on stocks recently with higher rates from stronger economic data, less dovish central banks.
  - Earnings yields less attractive relative to fixed income alternatives.
  - Stubborn last mile in inflation fight; potential inflationary pressures from new US administration.
  - Unrelenting geo-political tensions.





Source: Bloomberg.

Sources: MSCI, iBoxx, Global Financial Data, Datastream, Morgan Stanley Research. Data as of 3 January 2025. Note: Government bond yield uses market cap weighted average of European country 10Y bond yields.

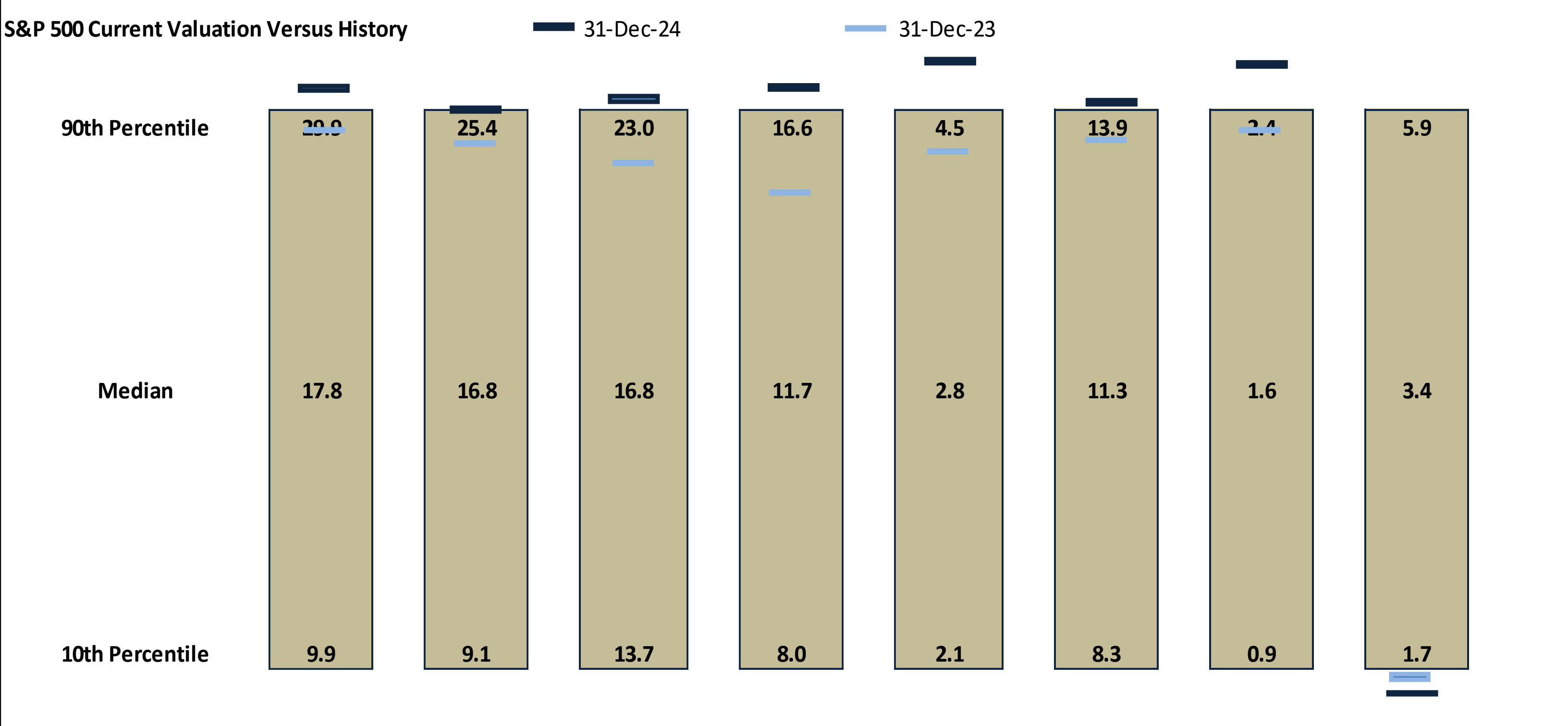
Appendix 2c – 5 Factors Driving the Outlook for Equities

- **Technicals** – Sentiment positive across a range of measures. (Appendix 15-20)
  - Sentiment remained positive through year end as equity markets continue to rally.
  - Equity inflows turned strongly positive with the continued rally in 2024.
  - Retail sentiment measures (contrarian signals), such as the Conference Board Survey, AAII Bull-Bear Index, the Put-Call ratio and Shiller Crash Confidence index show optimistic readings at year-end 2024.
  - Household stock ownership percentage near historical highs.
  - PE deal and exit activity muted again in 2024, large fall in fundraising leads to drop in PE dry powder in 2024.

- **Politics** – Geopolitical risk mount with continued tensions in Israel-Middle East, Russia-Ukraine.
  - Throw the bums out – incumbents being kicked to the curb around the globe.
  - Four years of a mercurial Trump administration – first target, Greenland.
    - New administration likely far more friendly to PE than the prior one. Lighter regulatory touch, more M&A expected.
  - China-US tensions persist.

Source: SECOR

Appendix 3 – US Valuation



	P/Norm E	P/E	Est P/E	P/CF	P/B	EV/EBITDA	P/S	Div Yld
31-Dec-24								
Value	37.9	30.0	24.9	21.9	5.1	16.5	3.2	1.3
Percentile Rank	98	95	96	99	100	96	100	2
Series Inception	1926	1926	1990	1991	1990	1990	1990	1926

Sources: Bloomberg, Robert Shiller's website: www.econ.yale.edu/~shiller.

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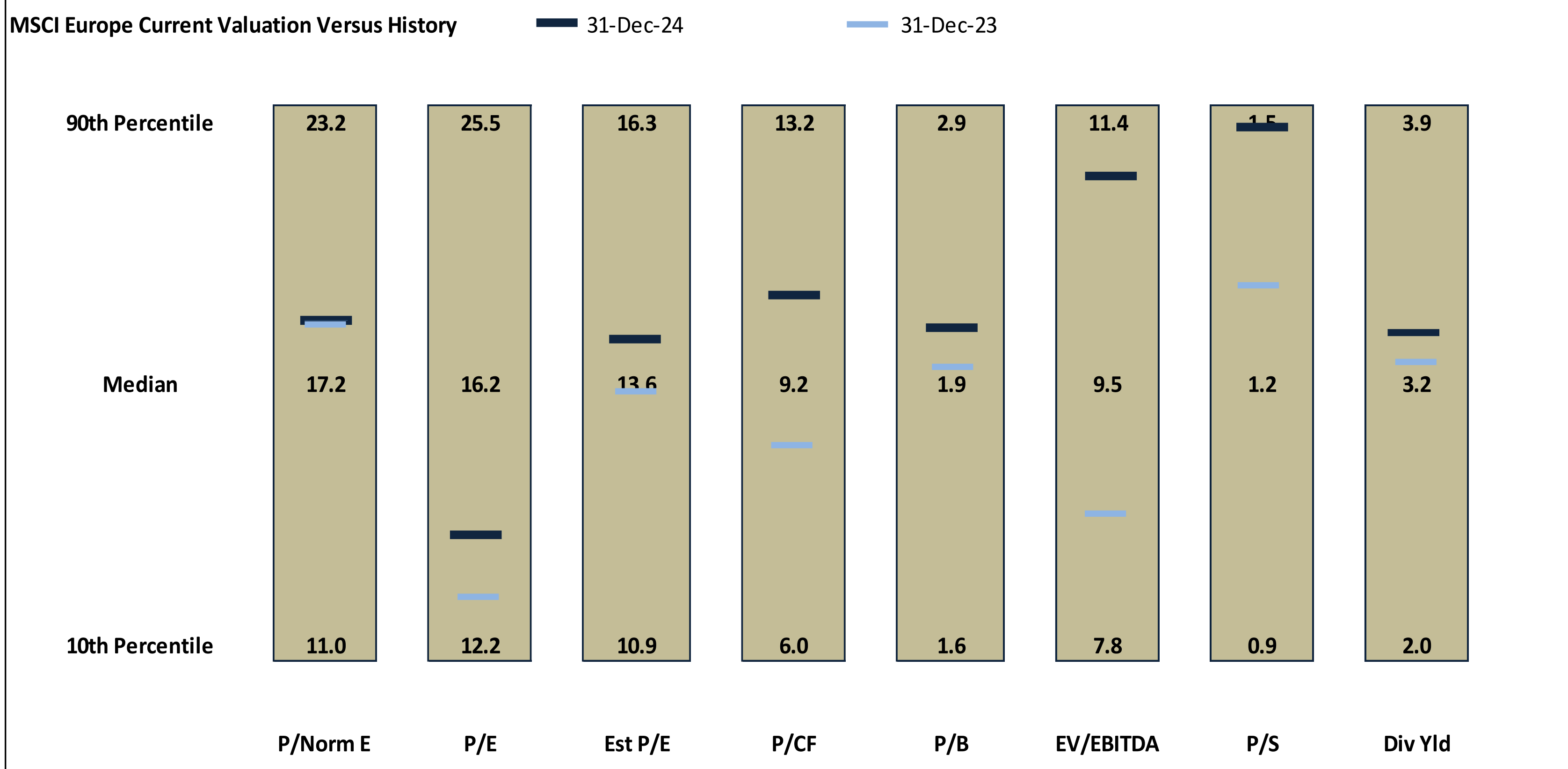
Appendix 4 – Europe Valuation

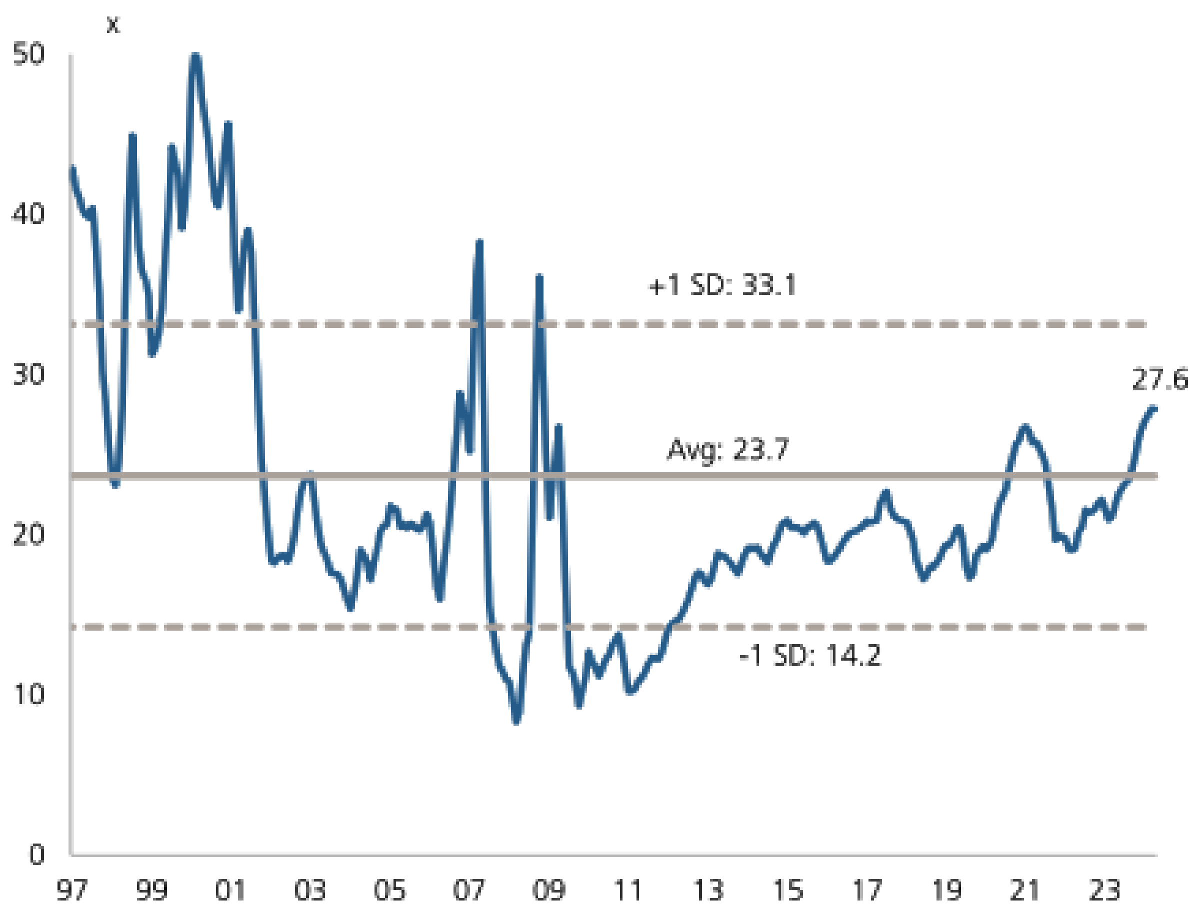


31-Dec-24	P/Norm E	P/E	Est P/E	P/CF	P/B	EV/EBITDA	P/S	Div Yld
Value	18.2	14.2	14.3	10.5	2.0	10.9	1.5	3.4
Percentile Rank	62	28	59	65	60	84	89	60
Series Inception	1980	1995	2005	1999	1995	1999	1995	1995

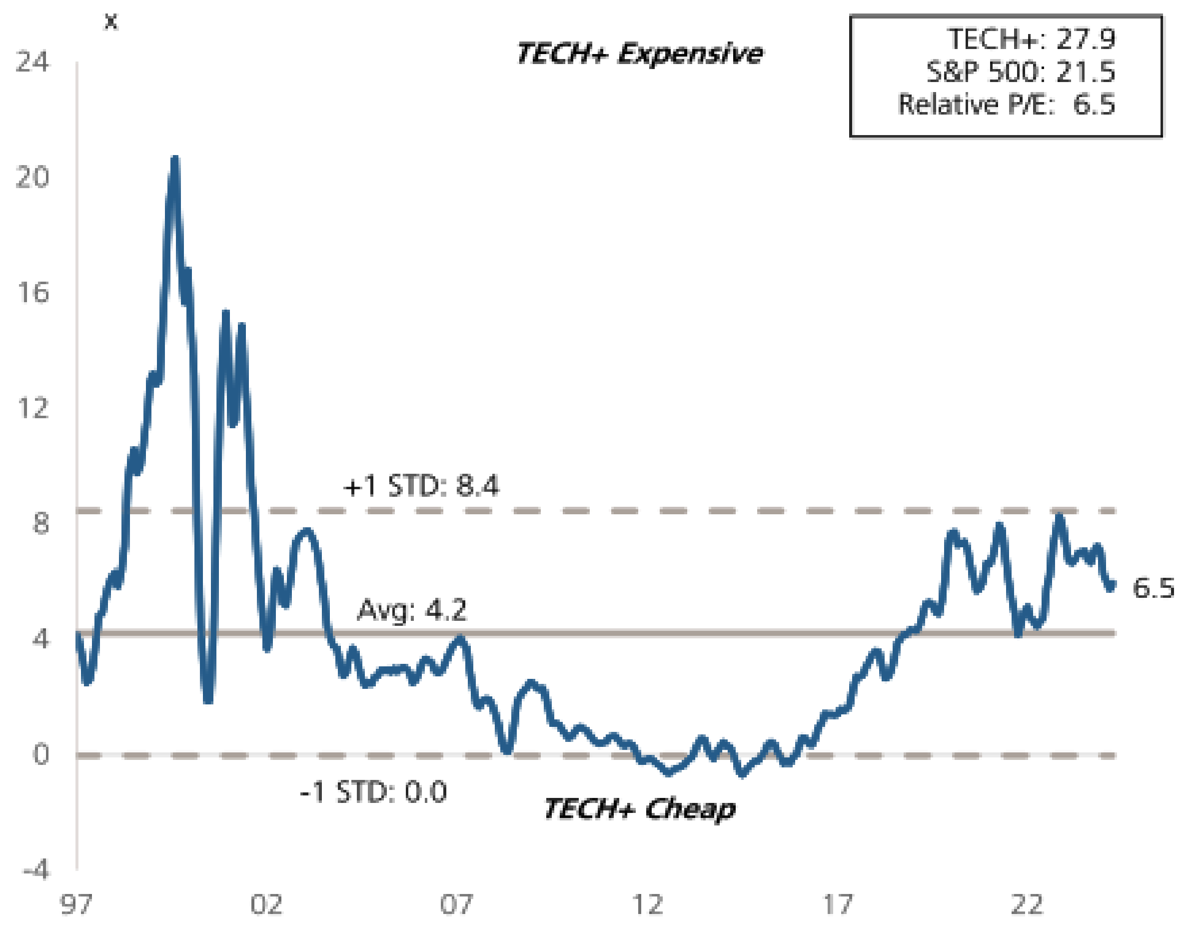
Sources: Bloomberg, Morgan Stanley Research.

Appendix 5 – US Equity Valuations

S&P 500 P/FCF



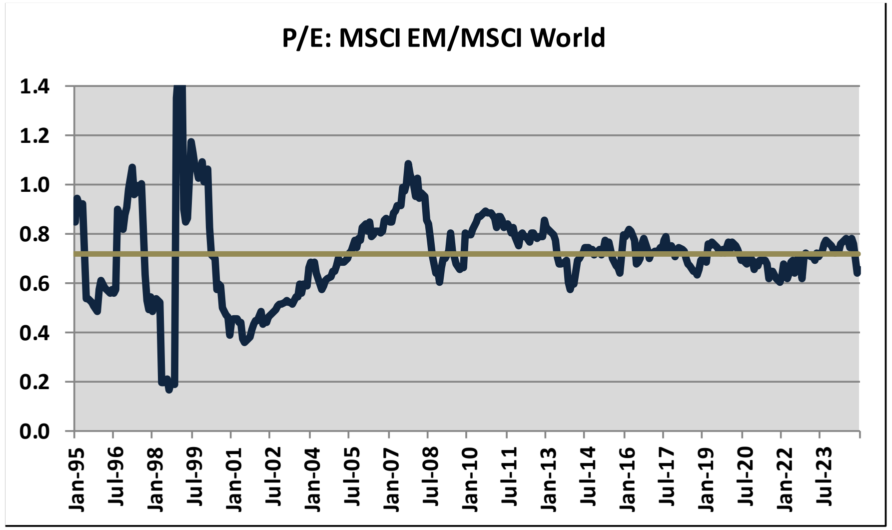
P/E: TECH+ Relative to S&P 500

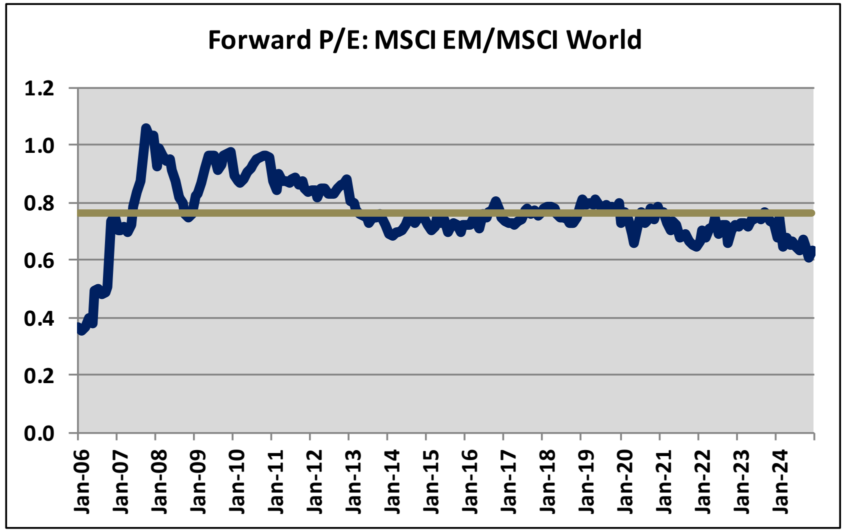


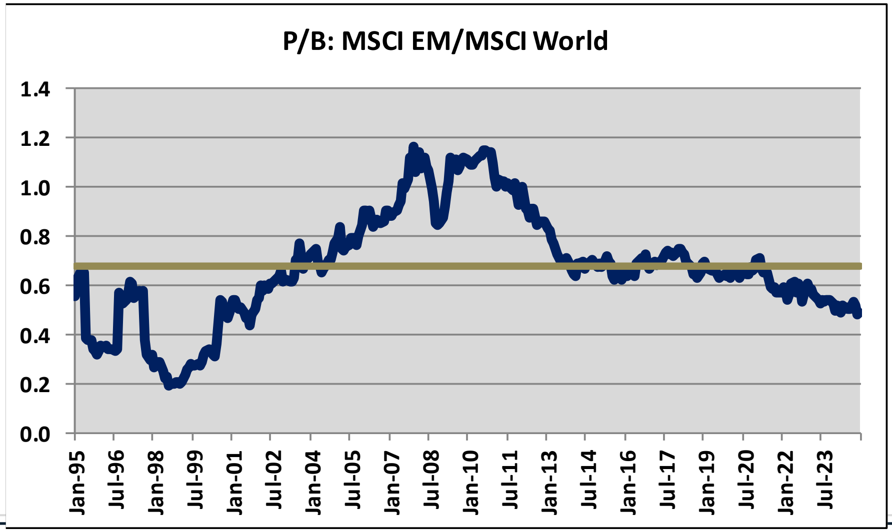
Sources: Standard & Poor's, Refinitiv, FactSet, UBS. Data as of 31 December 2024.

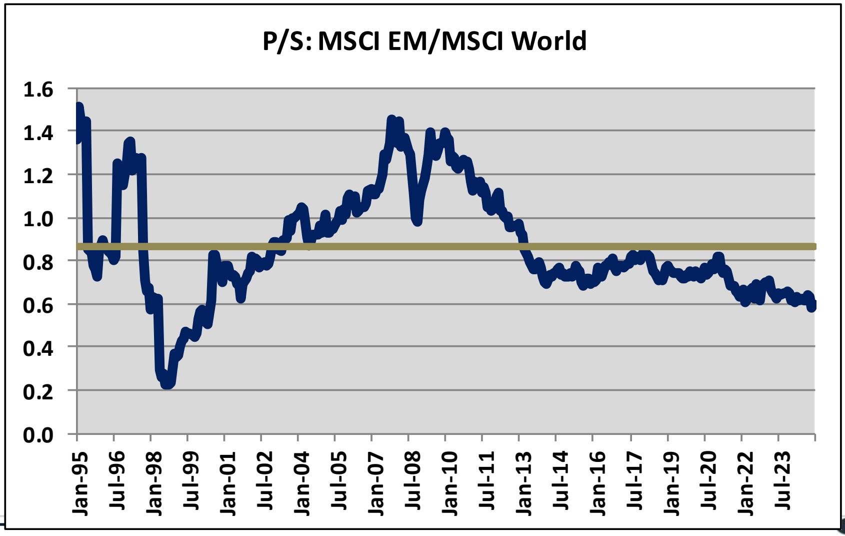
Appendix 6 – Emerging Versus Developed Valuations

- Emerging Market valuations are slightly below long-term averages vs developed.









Sources: MSCI, Bloomberg.

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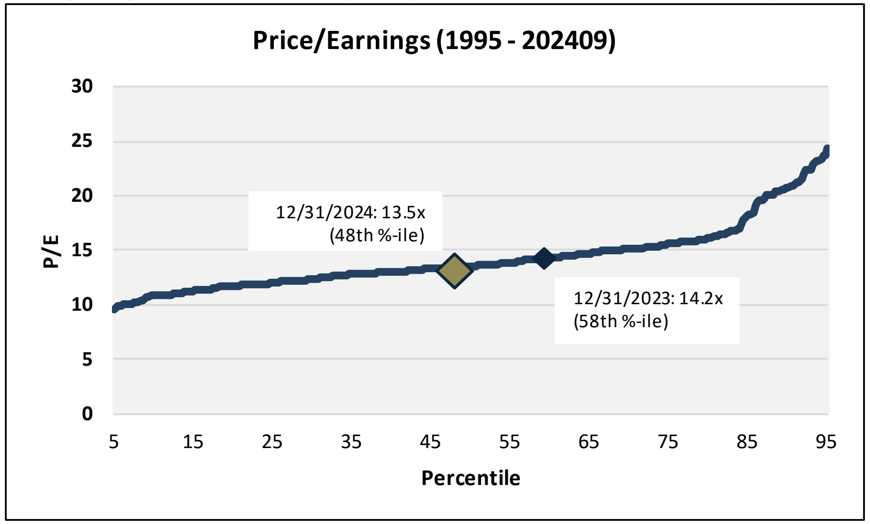
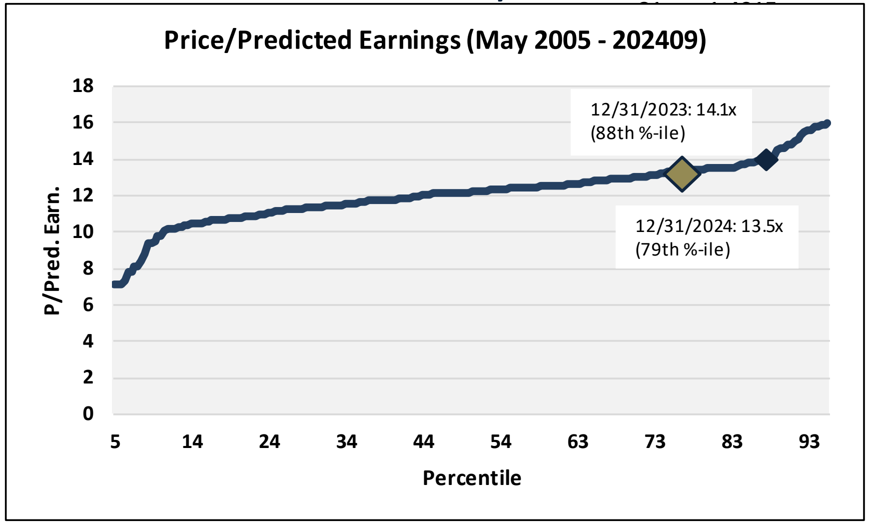
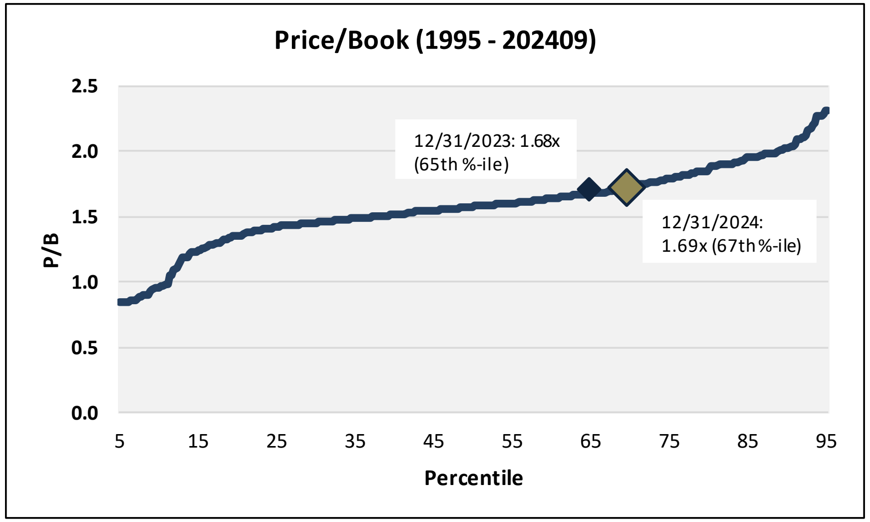
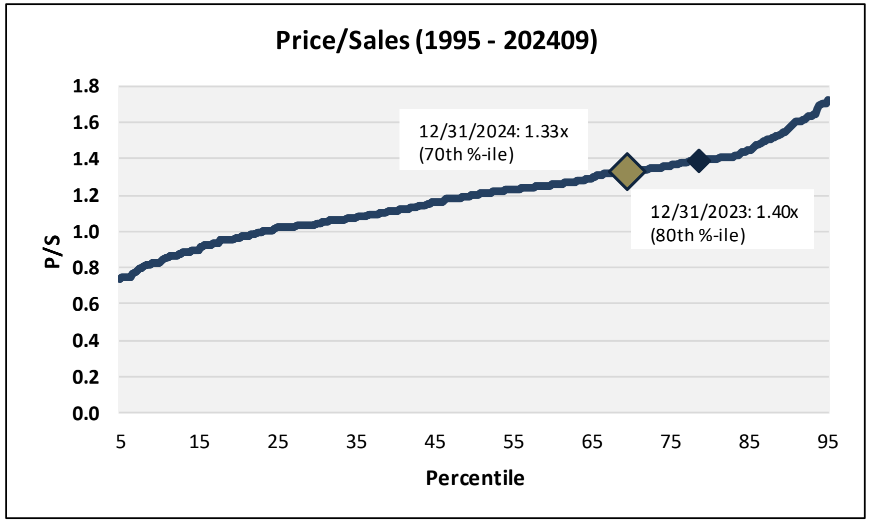
Appendix 7 – Emerging Market Valuations

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









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Sources: MSCI, Bloomberg.

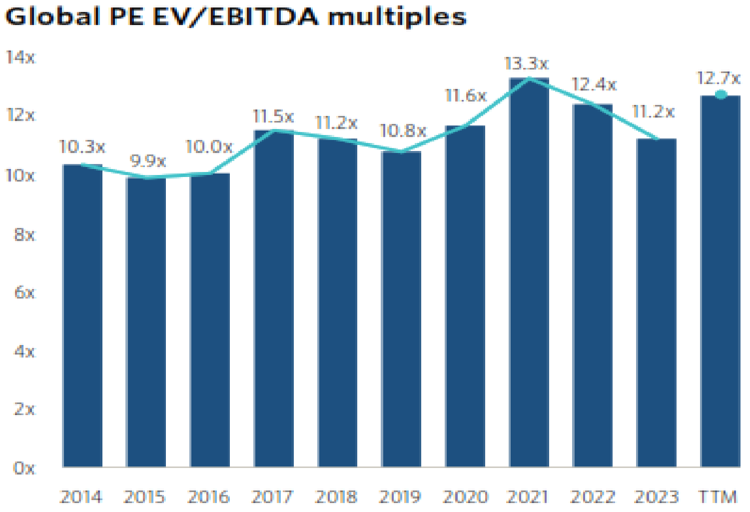
Appendix 8 – Global Equity Valuation

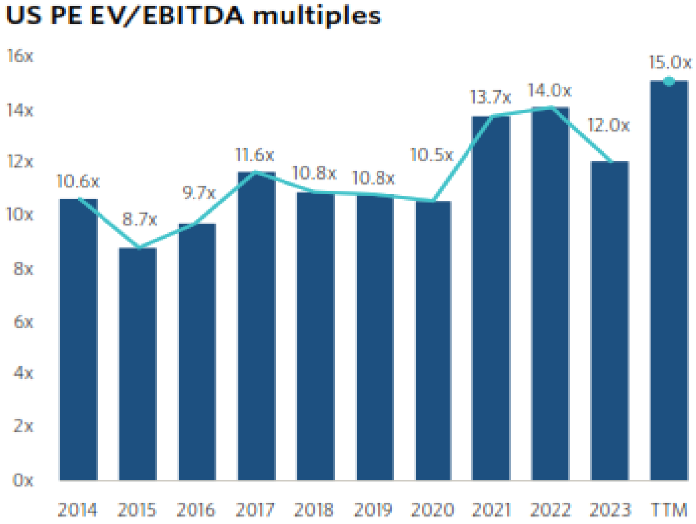
Index	Level	1yr Range	Forward: Fwd P/E	Forward: 20y Z-Score	Trailing: P/B	Trailing: 20y Z-Score	Trailing: Div Yield	Trailing: 20y Z-Score	Composite Value: vs. ACWI	Composite Value: 20yr Range
MSCI ACWI	841		18.1		3.2		1.8		n/a	n/a
S&P 500	5,882		21.7		5.1		1.3		139%	
MSCI Europe	2,012		13.6		2.0		3.2		69%	
FTSE 100	8,173		11.4		1.9		3.8		61%	
TOPIX	2,785		14.2		1.4		2.3		62%	
Hang Seng	20,060		9.3		1.1		3.8		43%	
MSCI Australia	1,635		18.1		2.5		3.7		89%	
MSCI EM	1,075		12.0		1.8		2.6		61%	
Brazil	1,177		7.2		1.4		7.4		42%	
China	65		10.0		1.4		2.4		49%	
India	2,844		22.8		3.9		1.1		123%	
Korea	717		7.9		0.9		2.3		36%	

Source: Morgan Stanley Research. Data as of 31 December 2024.

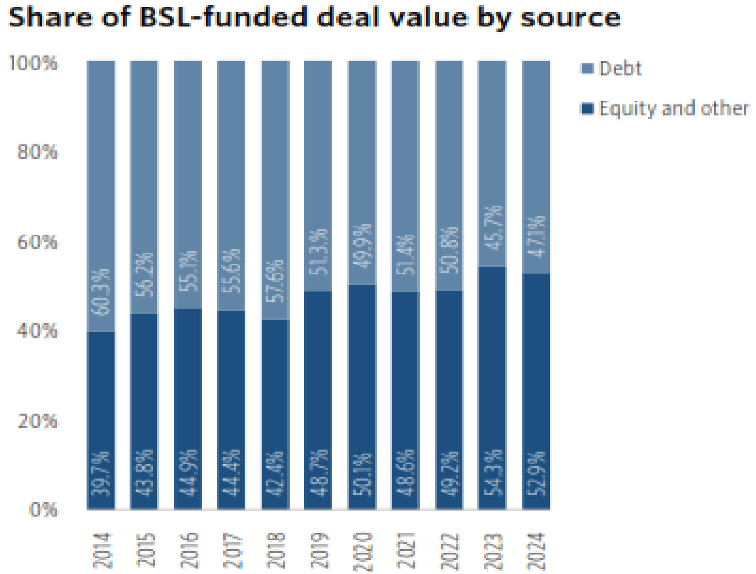
Appendix 9 – Buyout Deal Multiples

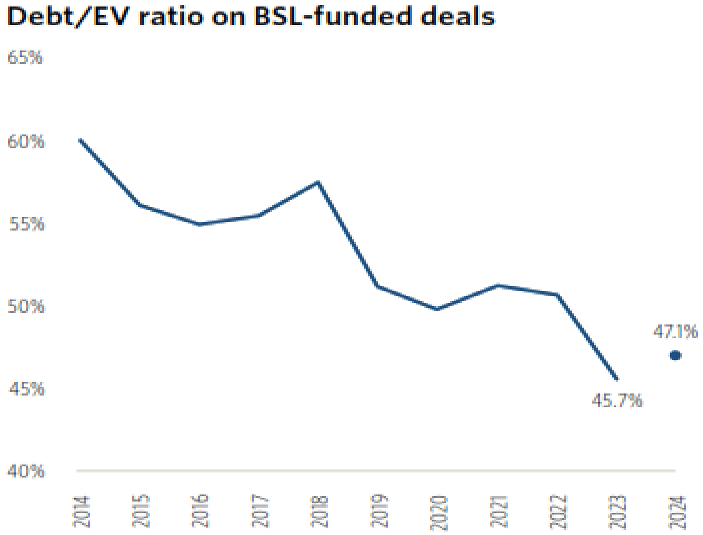
- Buyout acquisition multiples increased during 2024, reaching a decade high 15x in the US.





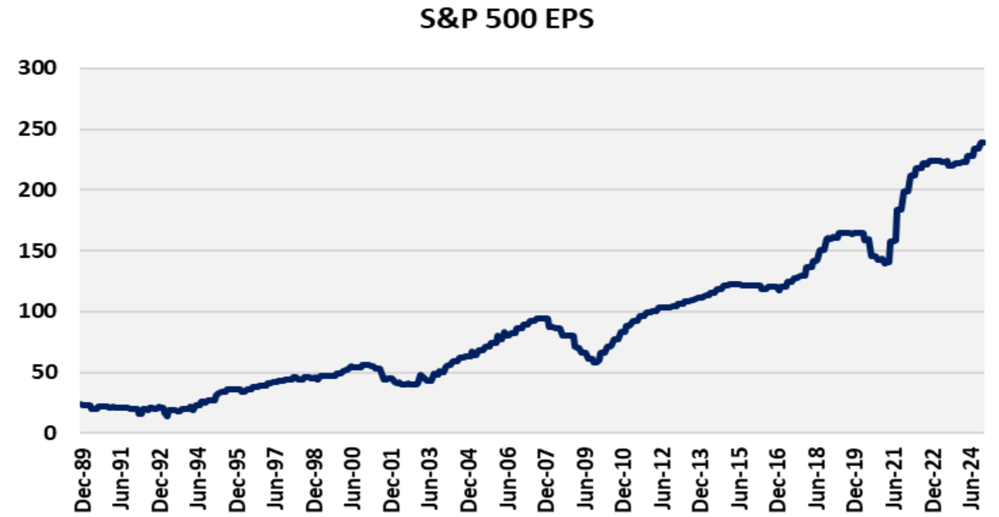
- And leverage levels remain at low levels but have recently increased slightly.

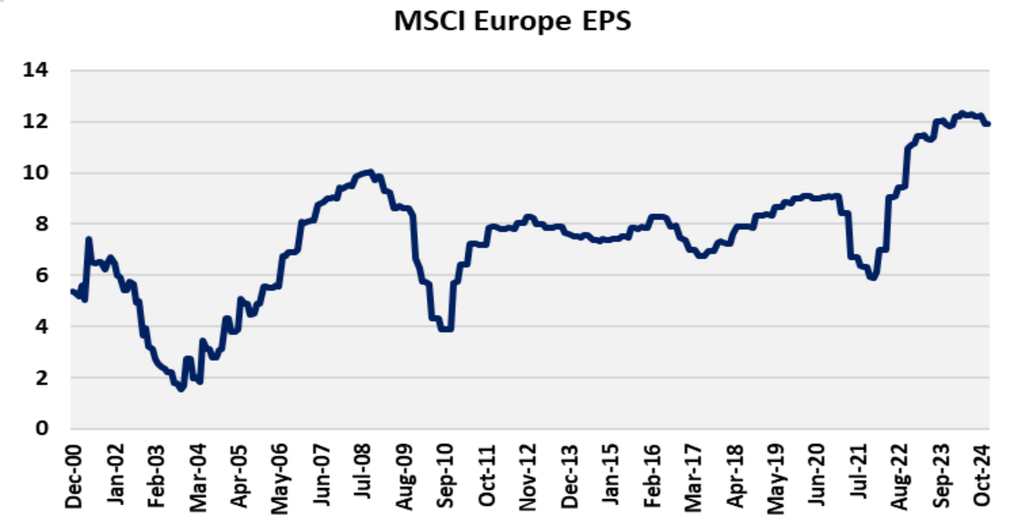


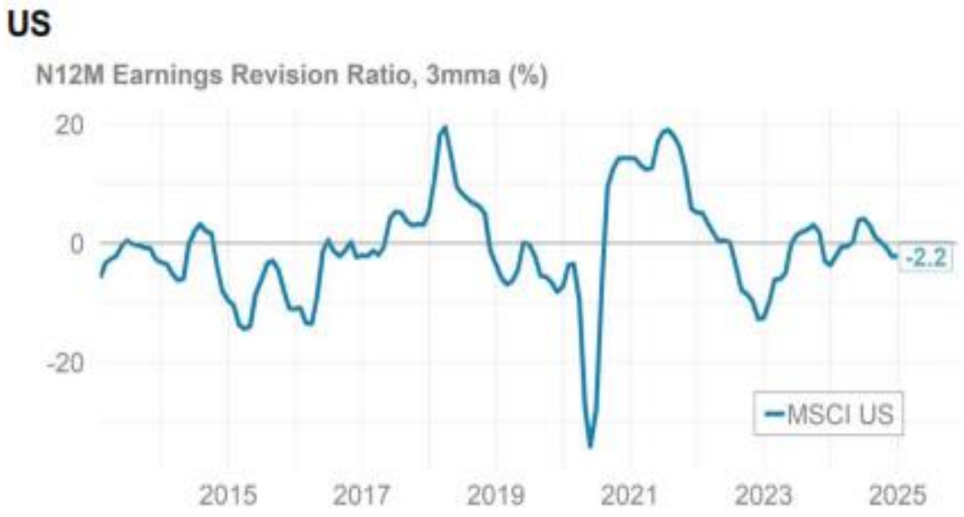


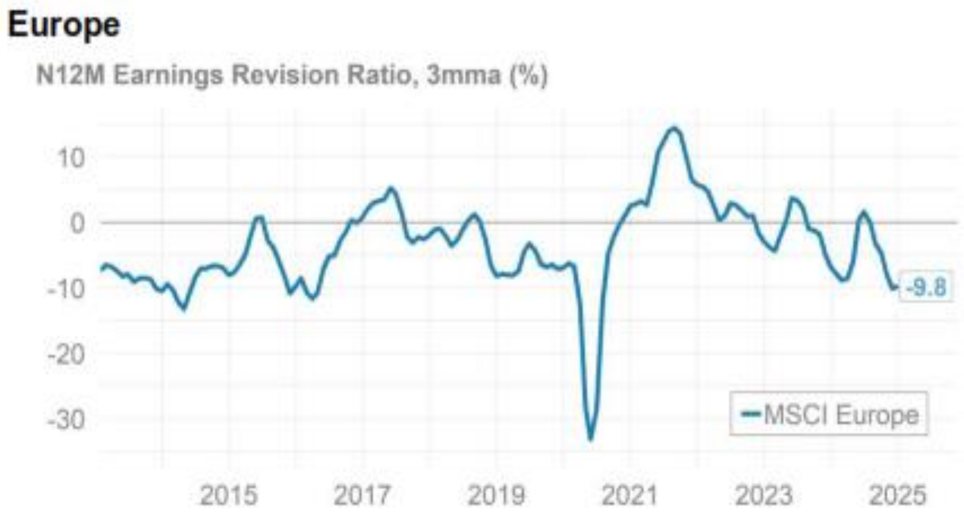
Source: Pitchbook. Data as of 30 September 2024.

Appendix 10 – US & Europe Earnings



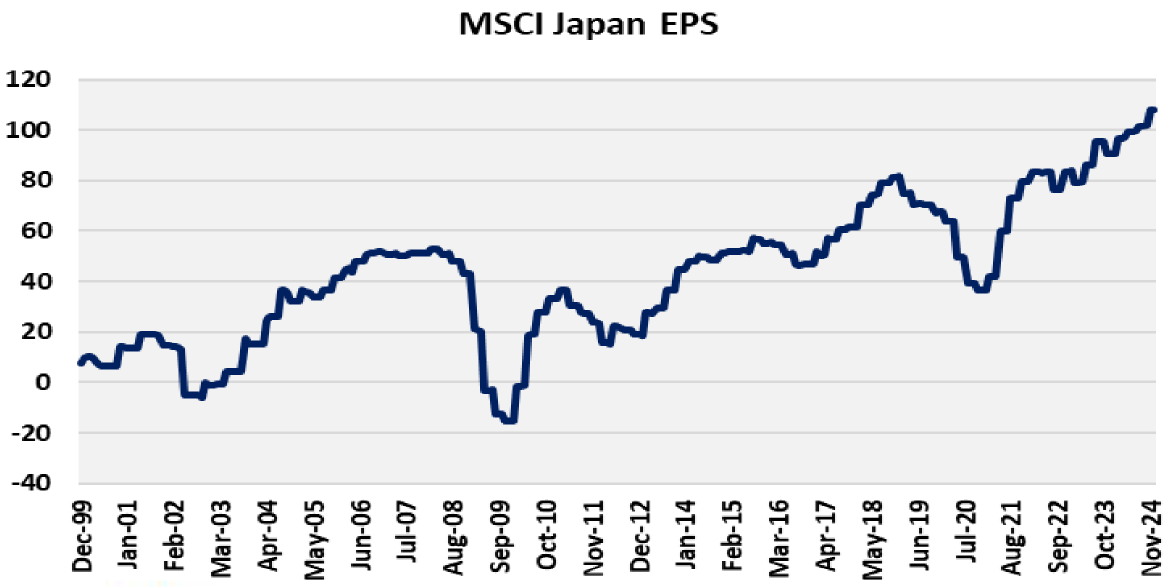


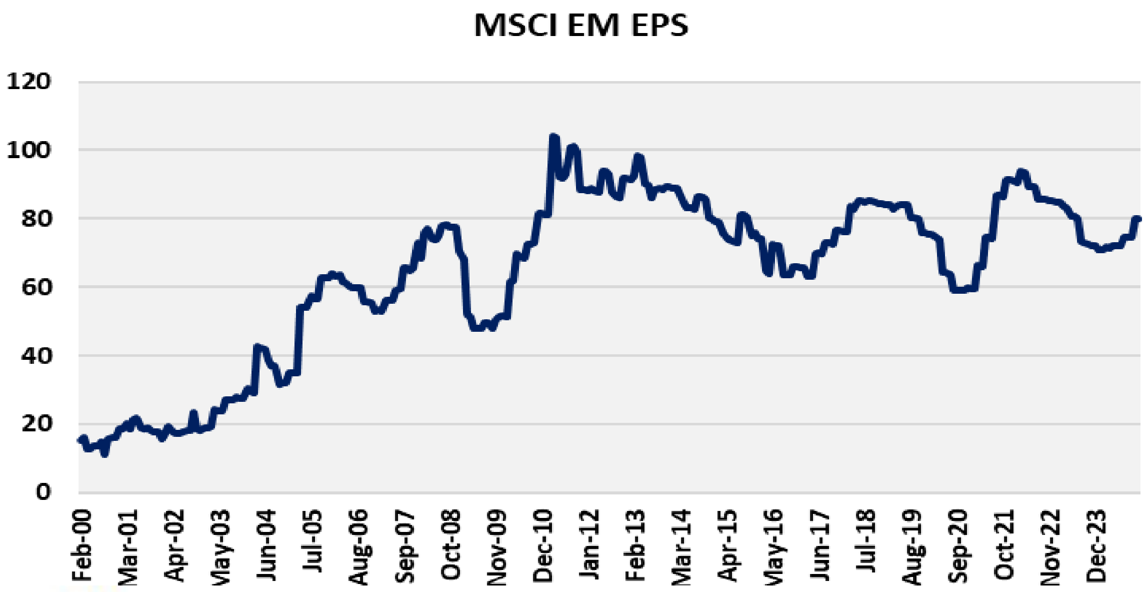




Sources: MSCI, Datastream, Morgan Stanley Research, IBES, Bloomberg. Data as of 31 December 2024.

Appendix 11 – Japan & EM Earnings





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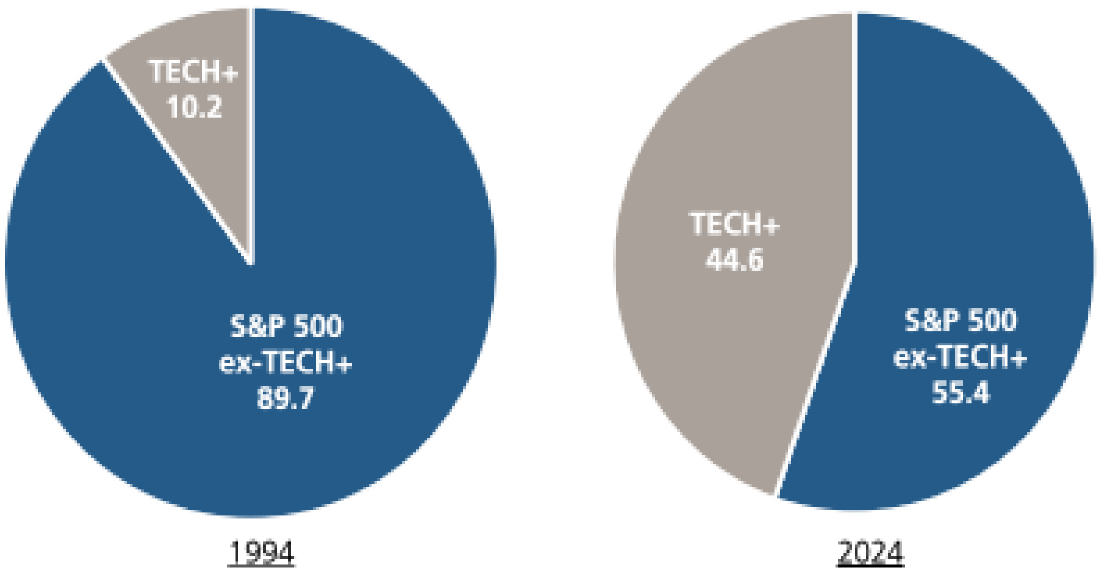
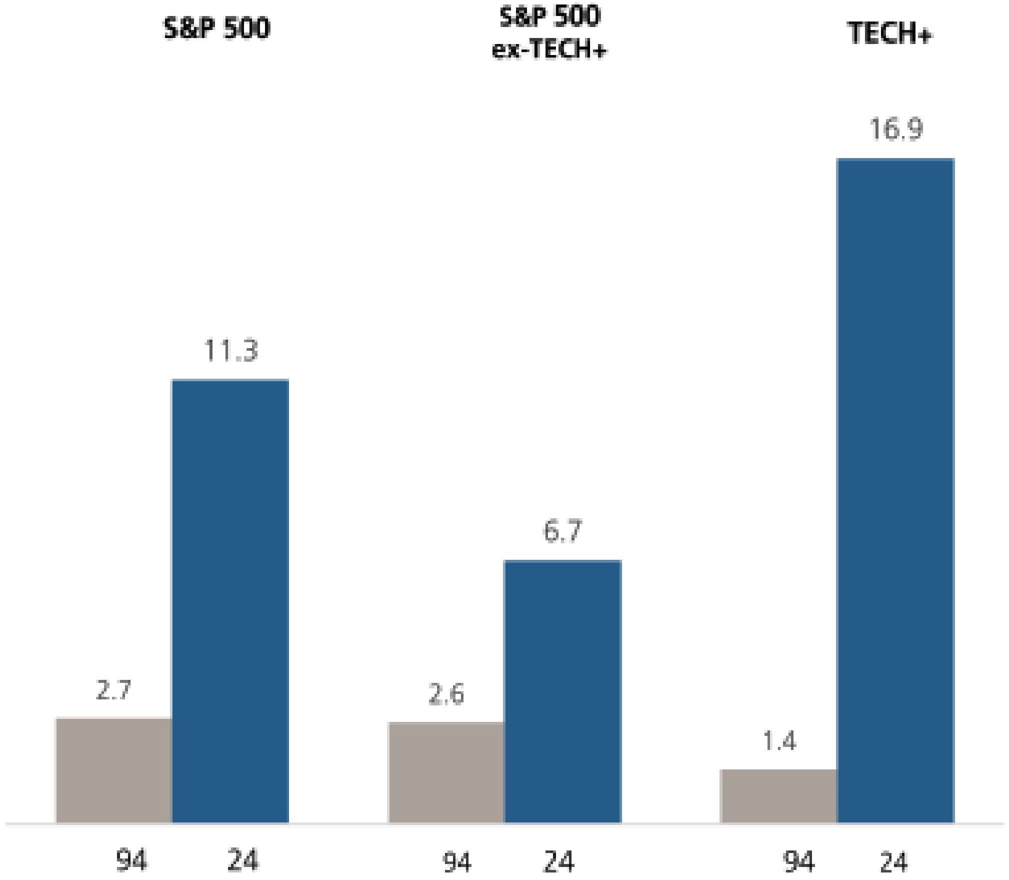
Sources: MSCI, Datastream, IBES, Morgan Stanley Research, Bloomberg. Data as of 31 December 2024.

Appendix 12 – S&P 500 Free Cash Flow Margins and Weights – Tech vs Rest of Market

Percent S&P 500 Market Cap - Current vs. 1994

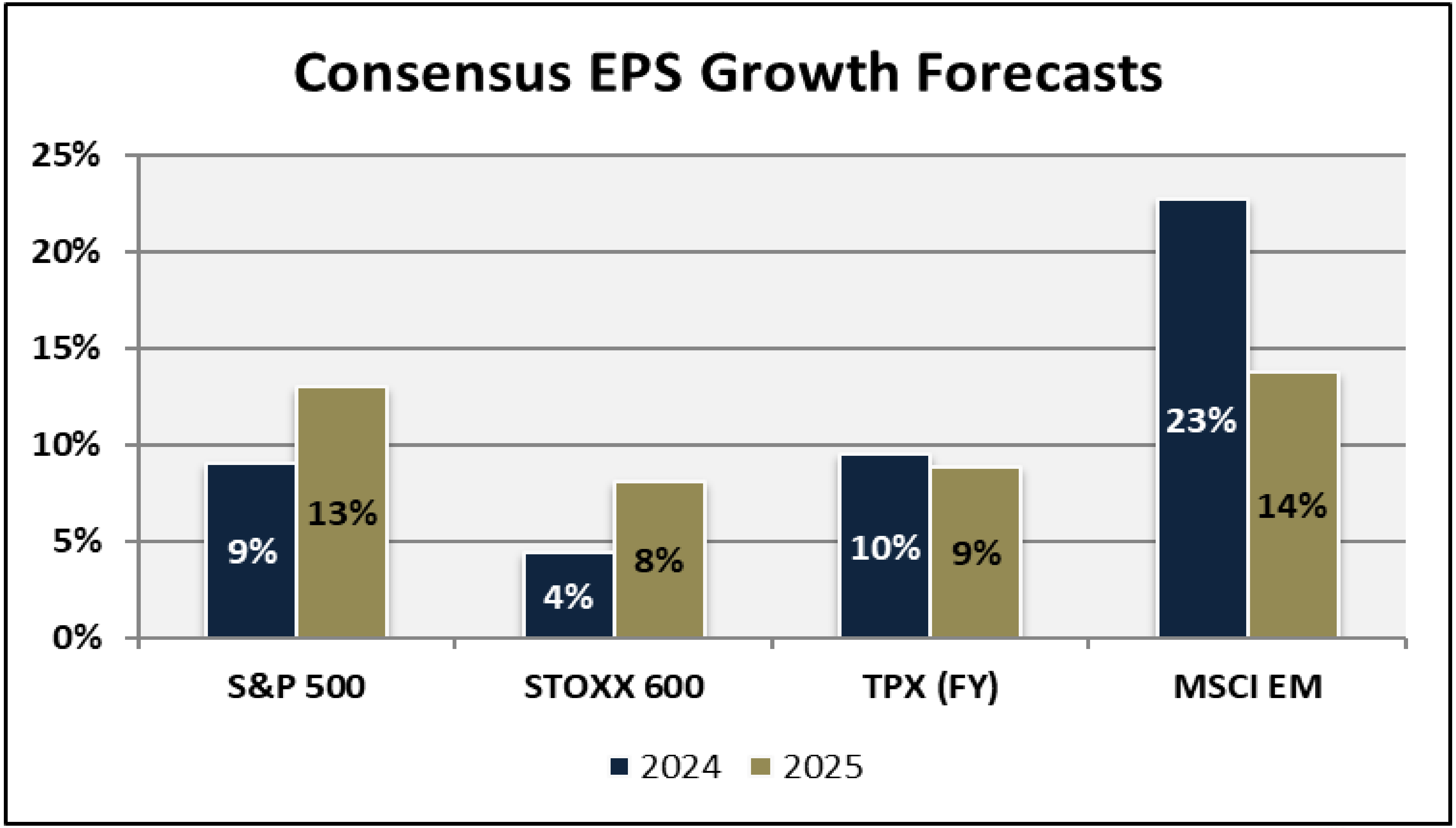


FCF as a % of Sales - Current vs. 1994



Sources: Standard & Poor's, FactSet, UBS. Data as of 31 December 2024.

Appendix 13 – Earnings Forecasts

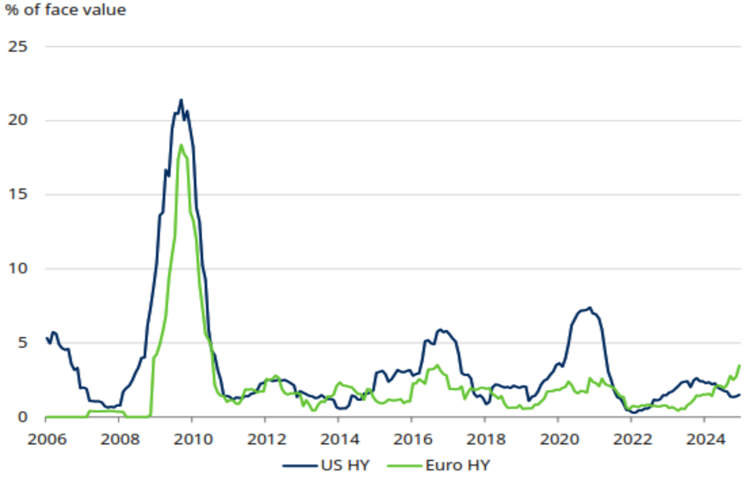


Sources: UBS, Bloomberg, Standard & Poor's, IBES, Tokyo Keizai, MSCI, Goldman Sachs Global Investment Research. Data as of 3 January 2025.

Appendix 14 – Private Equity Fundamentals & Technicals

- The HY bond default rate remains low in the US & Europe; EBITDA margins are near average.

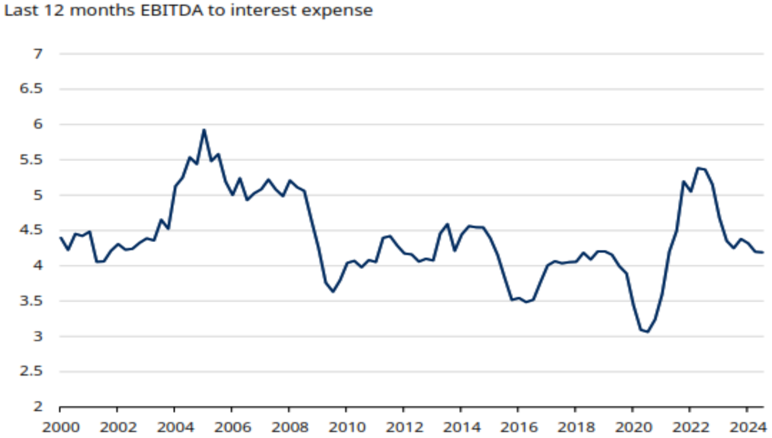
HY bonds par default rate (last twelve months)



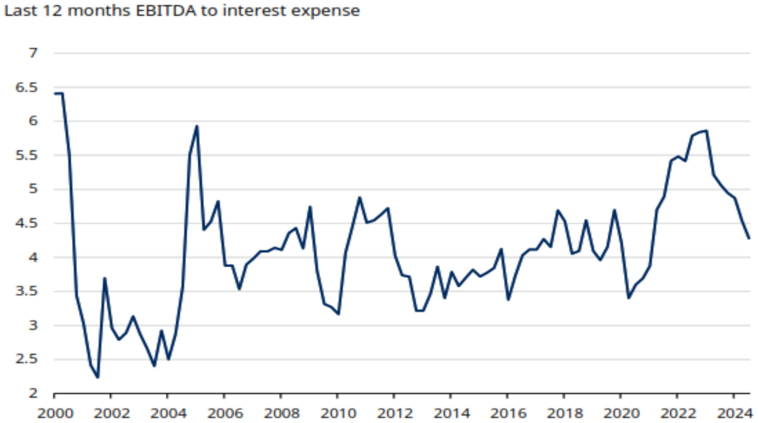
US HY EBITDA margin

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

US HY interest coverage ratio

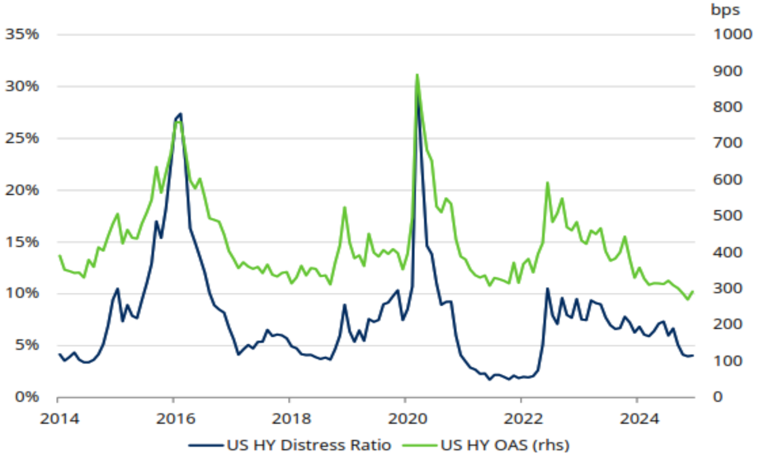


Euro HY interest coverage ratio

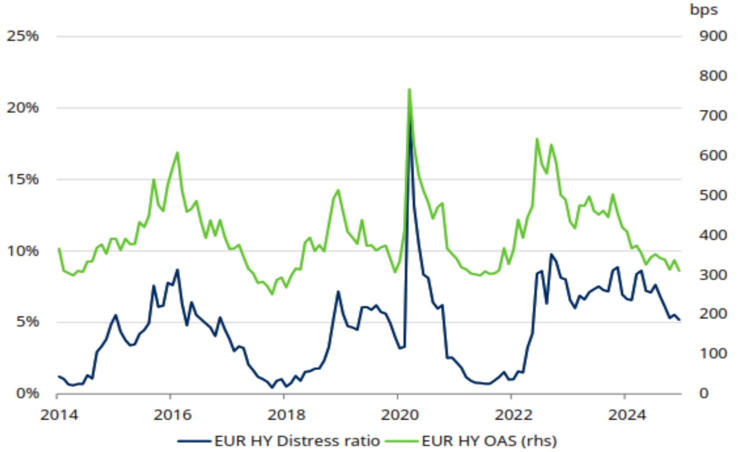


- HY distress ratios are low and fell in 2024.

US HY distress ratio[1]



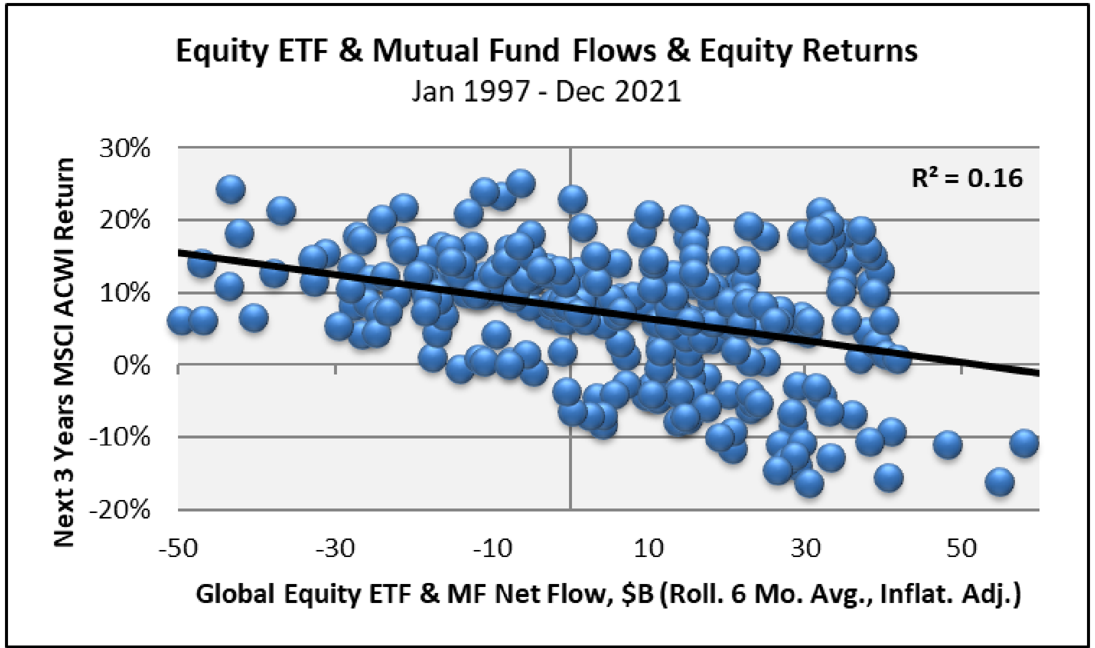
Euro HY distress ratio[1]

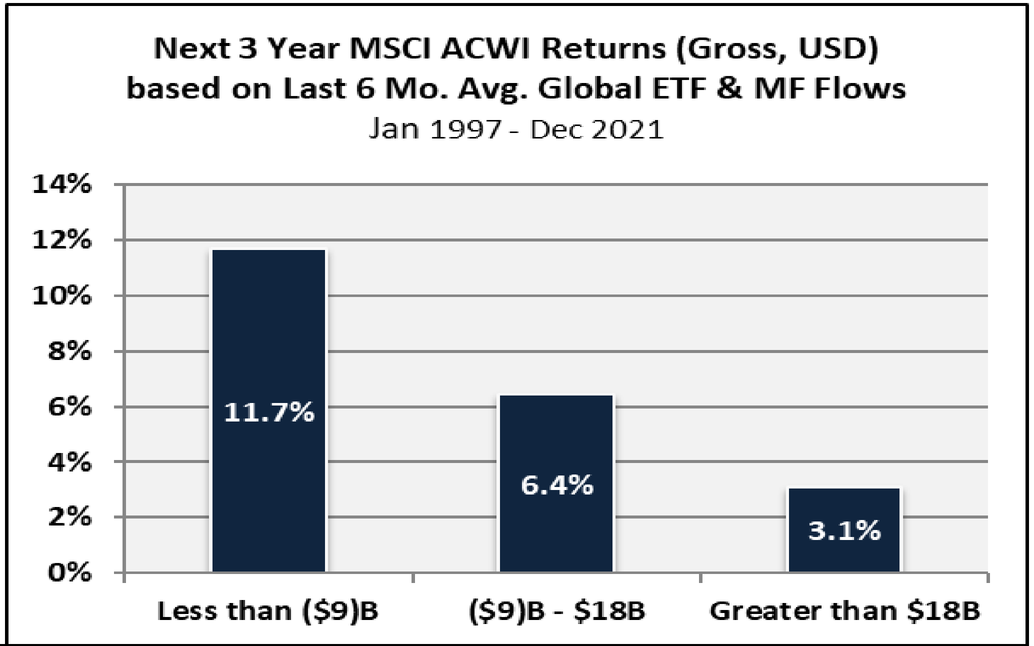


Sources: Schroders, BofA Global Research, Moody's, Bloomberg. Data as of 30 November 2024.

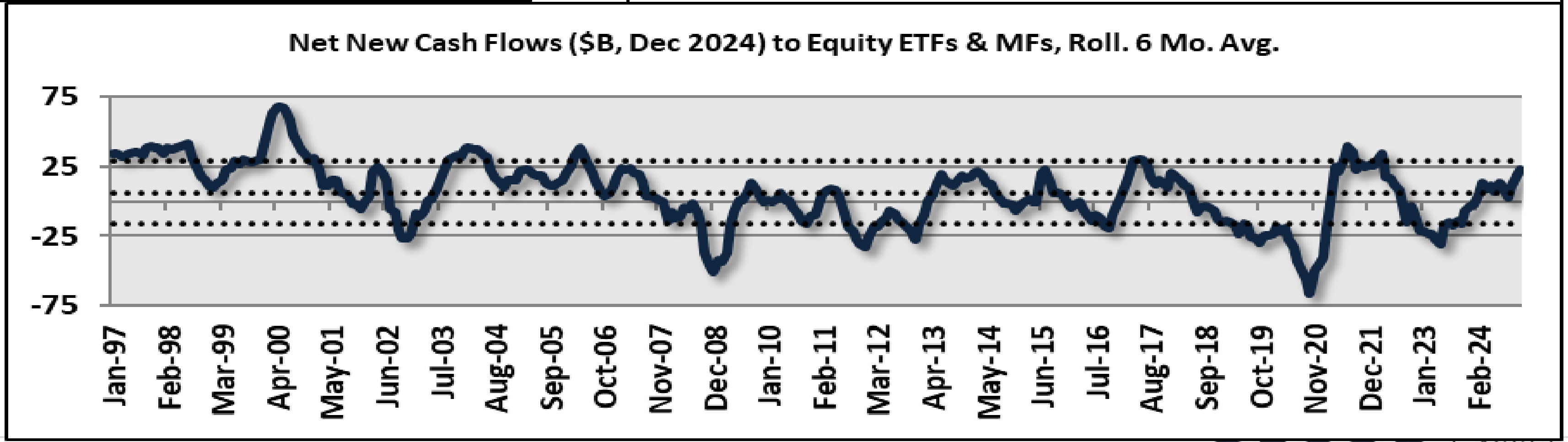
1. HY distress is defined as % of issuers with spreads > 1,000bps.

Appendix 15 – Technicals: Flows





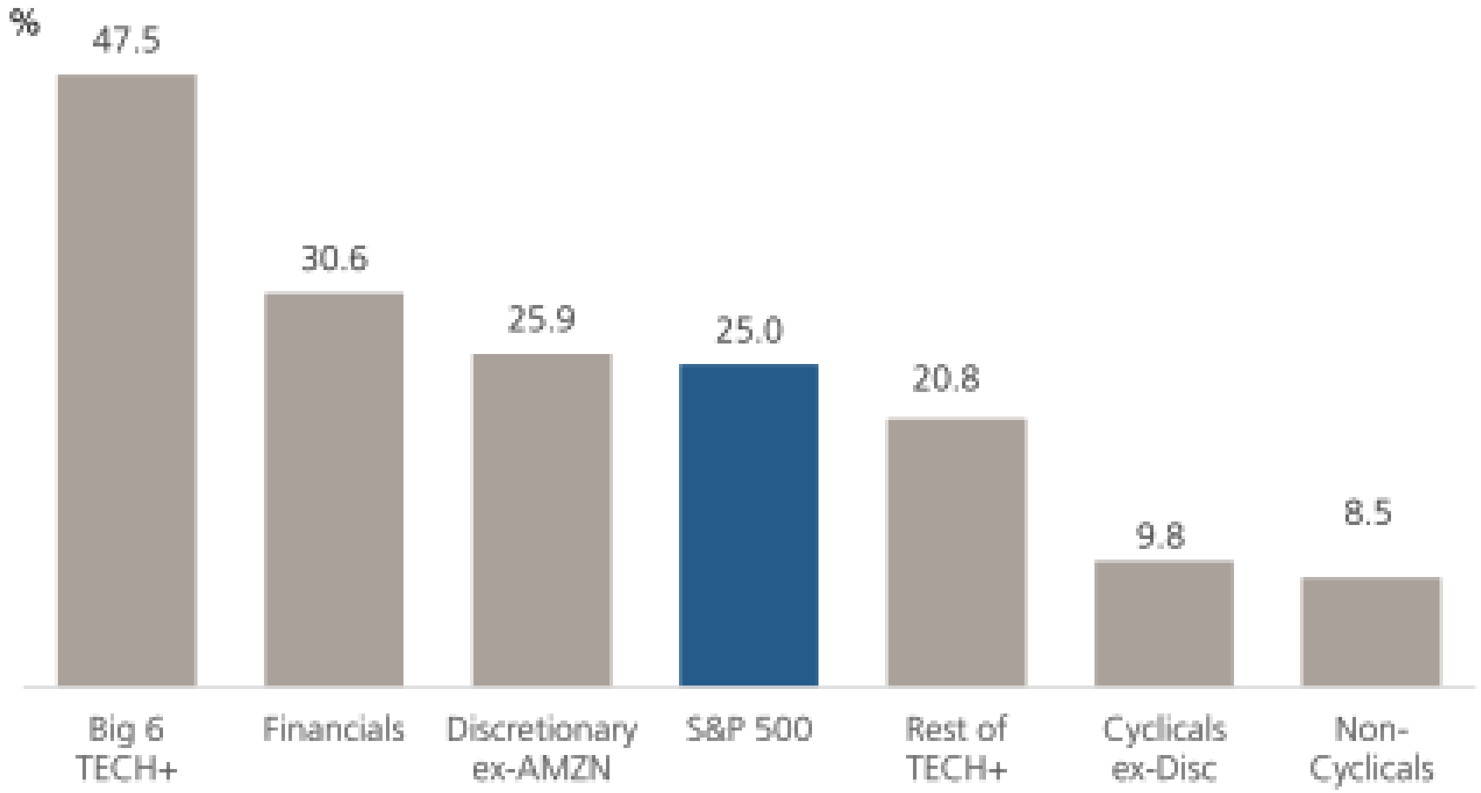
Est. Dec 2024 Avg. Flow = $22.9B



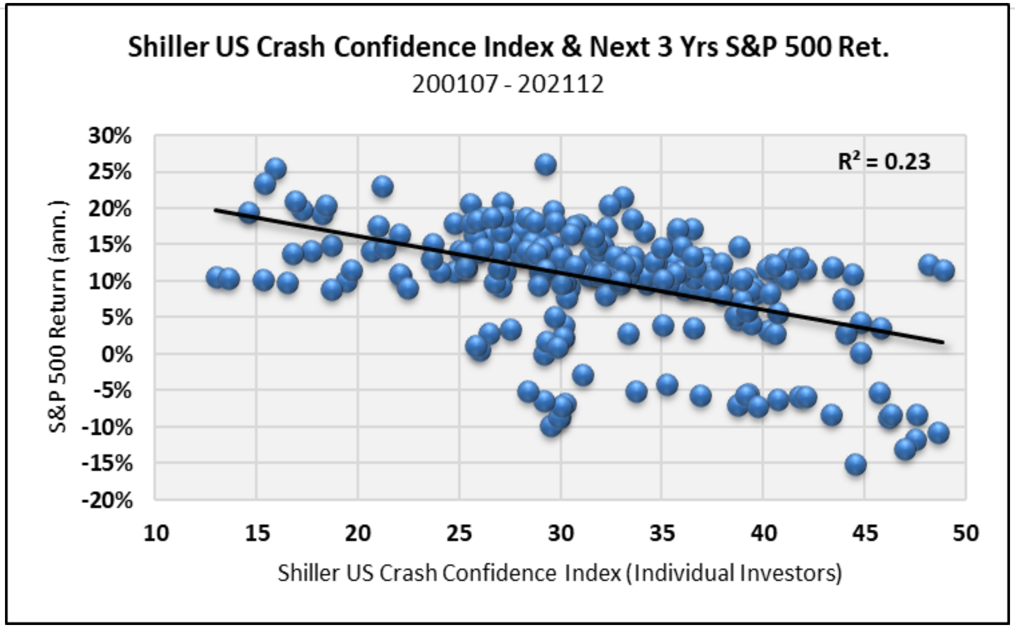
Sources: Investment Company Institute, MSCI, SECOR.

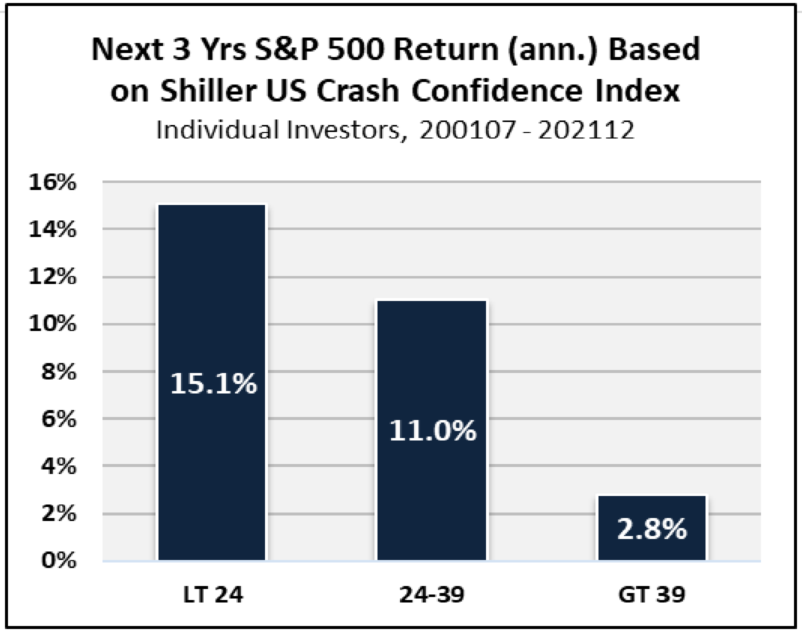
Appendix 16 – Technicals: Mega-Cap Tech's Disproportionate Contribution to Return in 2024

Total Return: 2024

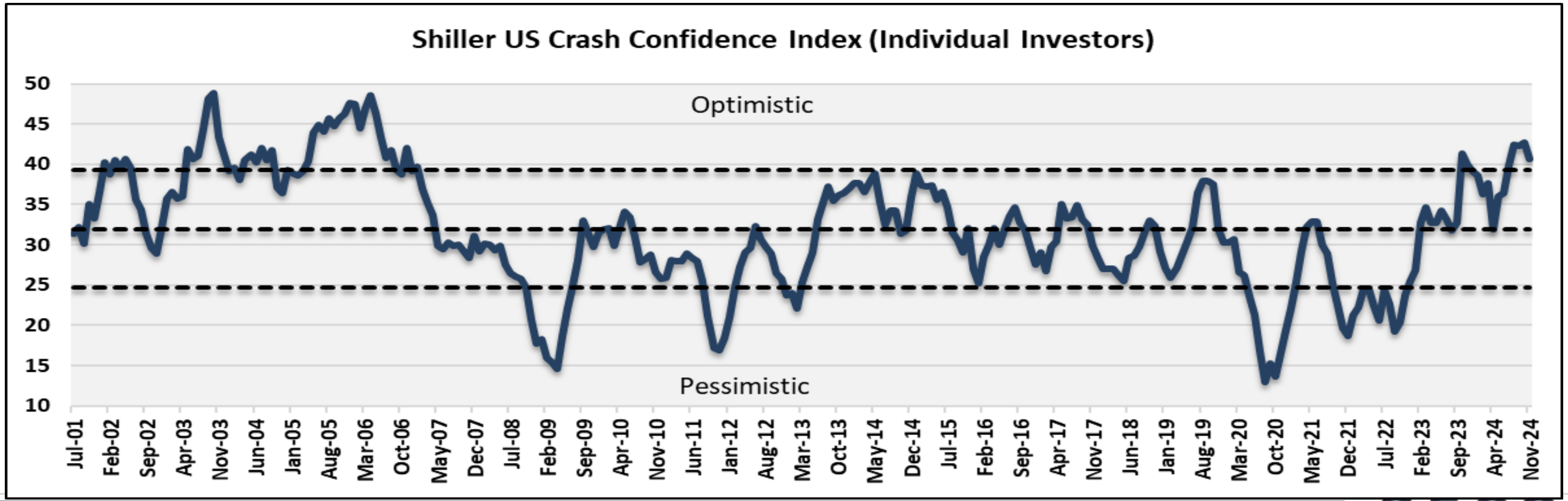


Appendix 17 – Technicals: Sentiment



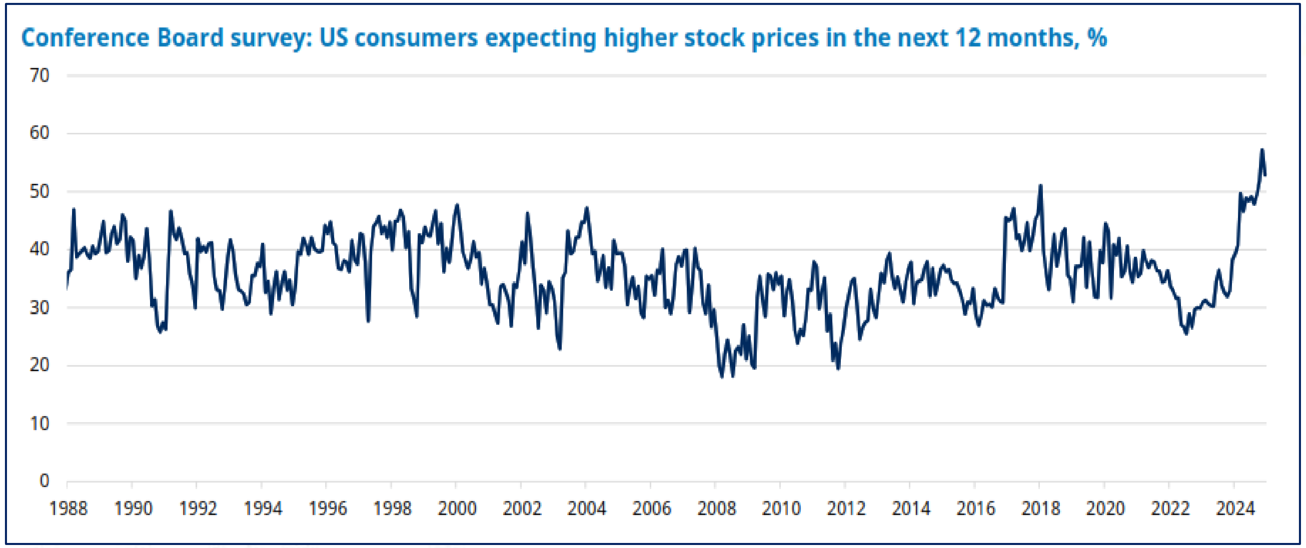


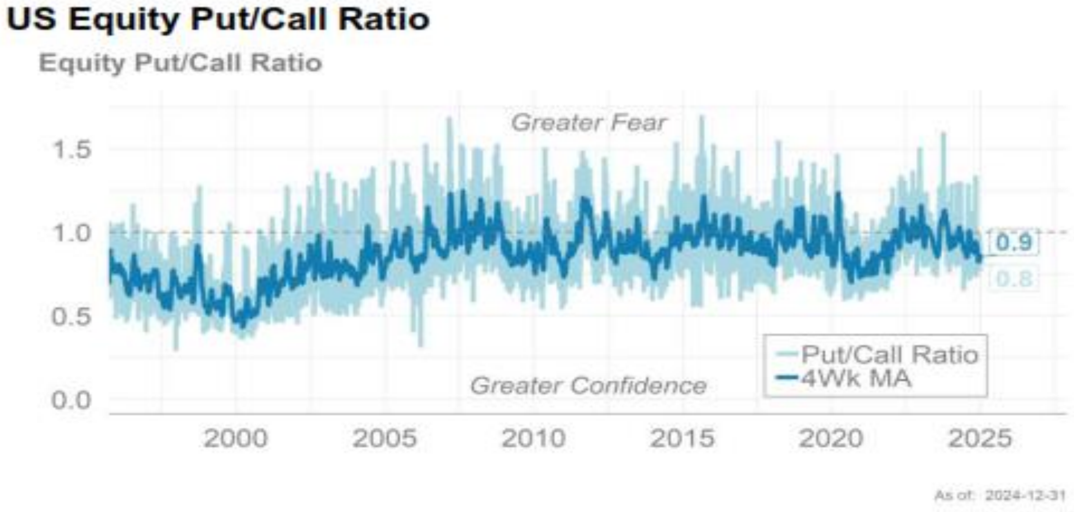
Nov 2024 = 40.7



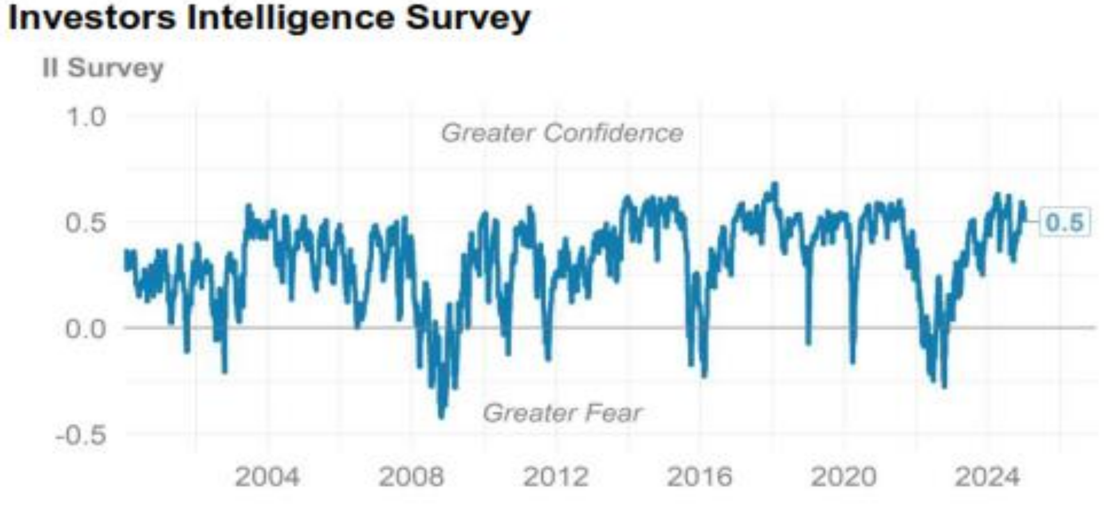
Sources: https://som.yale.edu/faculty-research/our-centers-initiatives/international-center-finance/data/stock-market-confidence, SECOR.

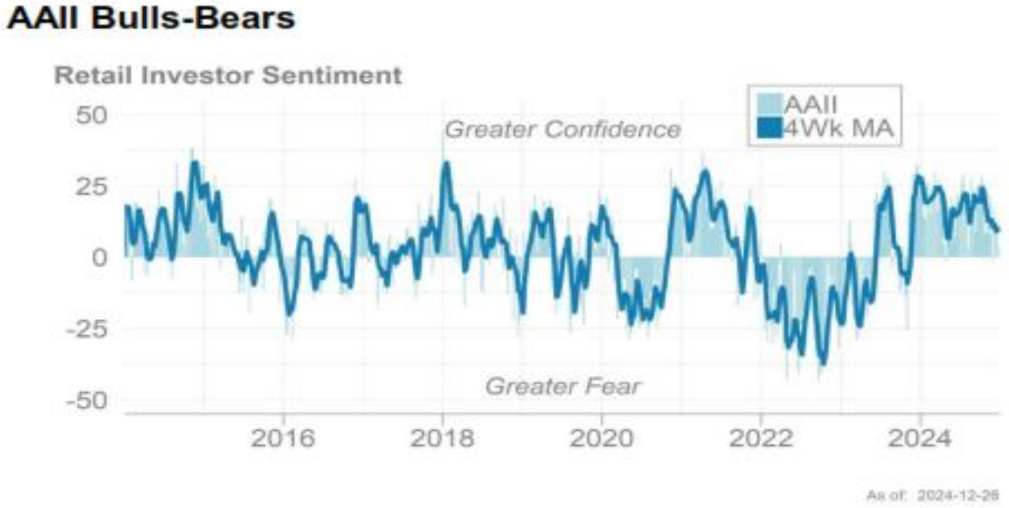
Appendix 18 – Technicals: Sentiment



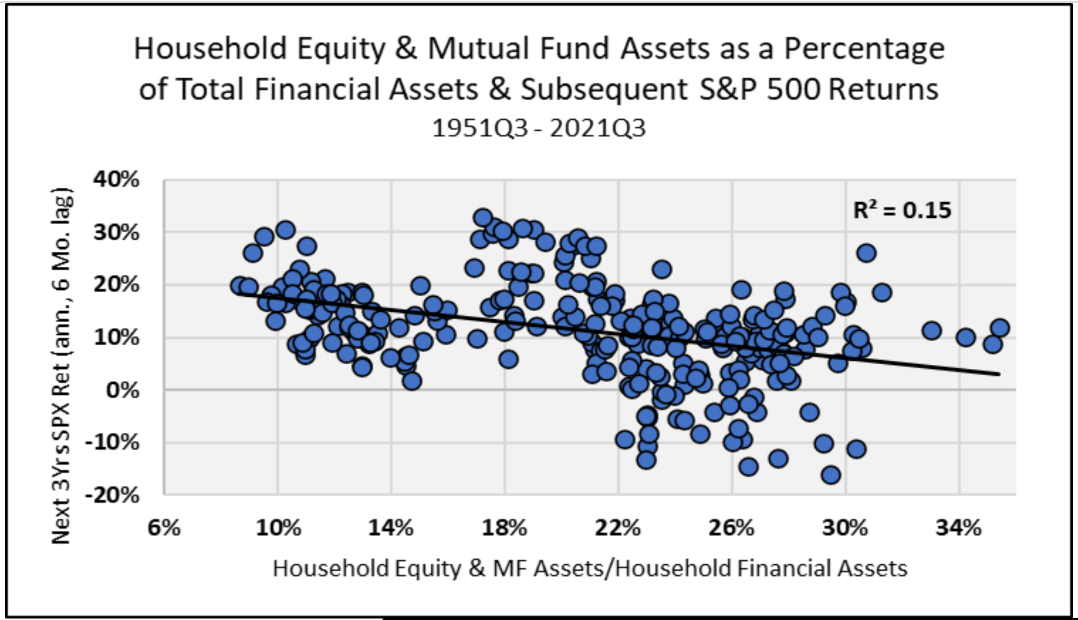


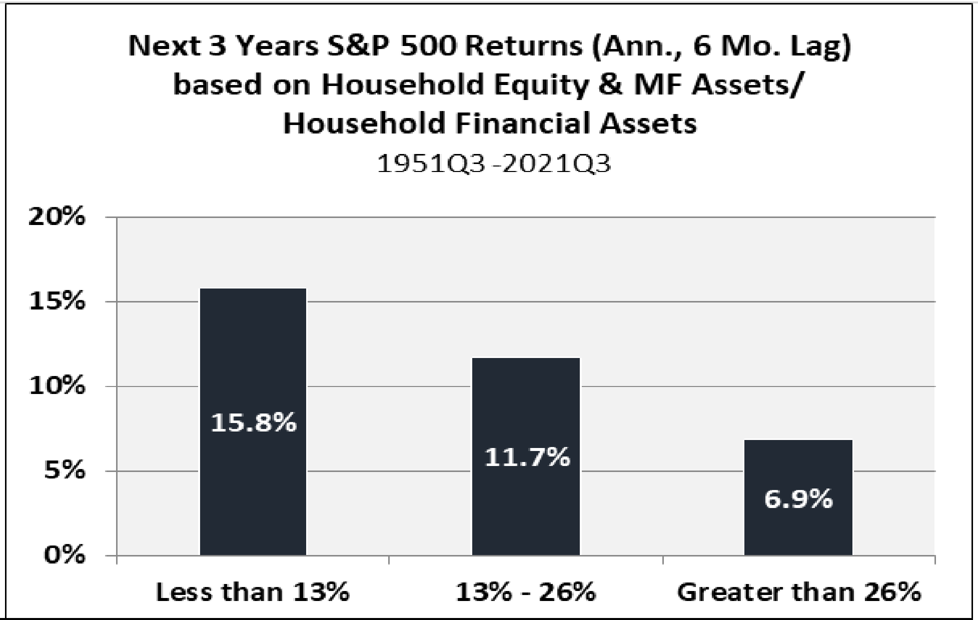
Source: CBOE, Bloomberg, Morgan Stanley Research



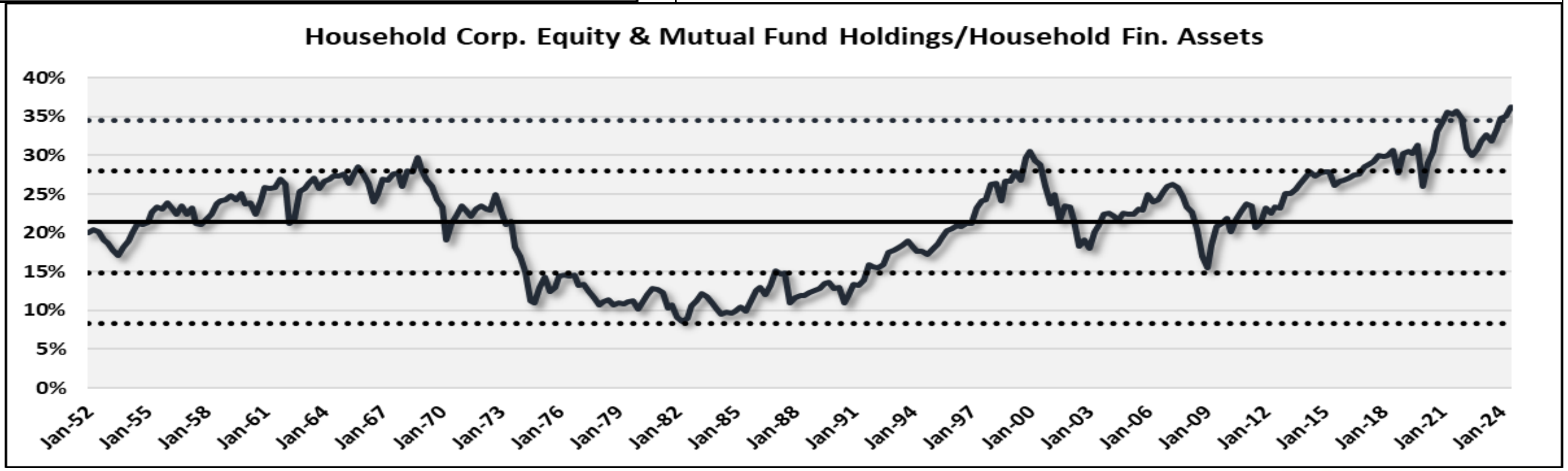


Appendix 19 – Technicals: Sentiment



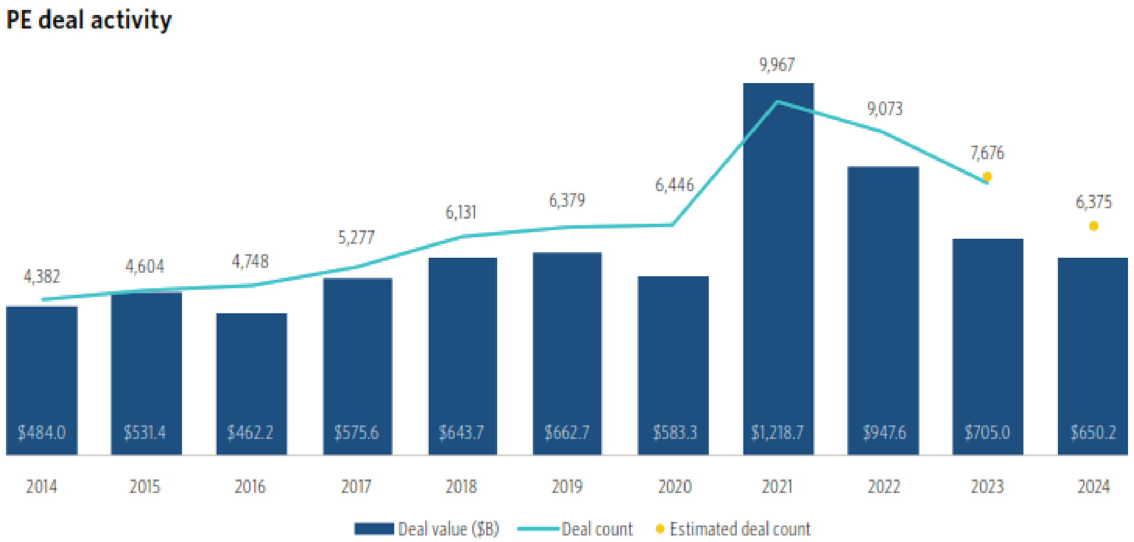


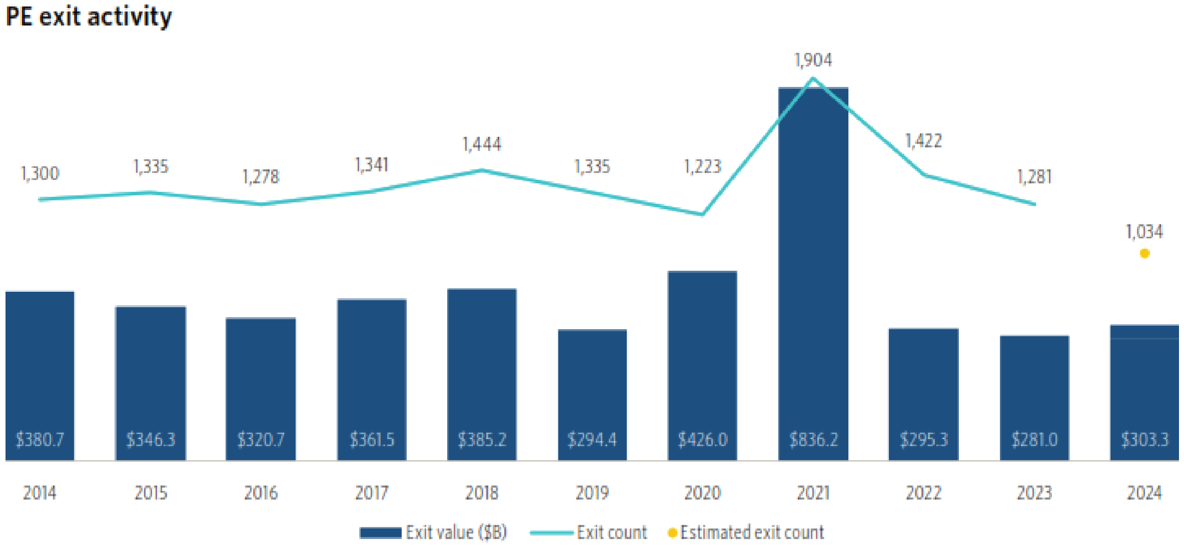
Q3 2024 = 36.3%

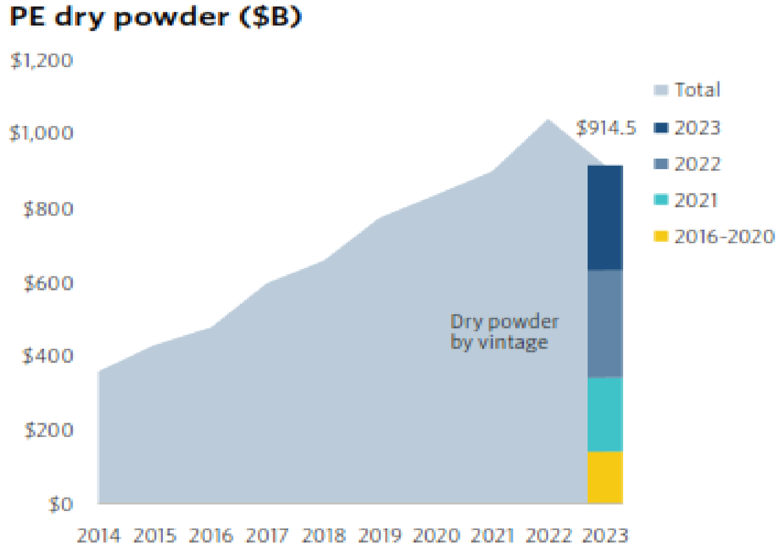


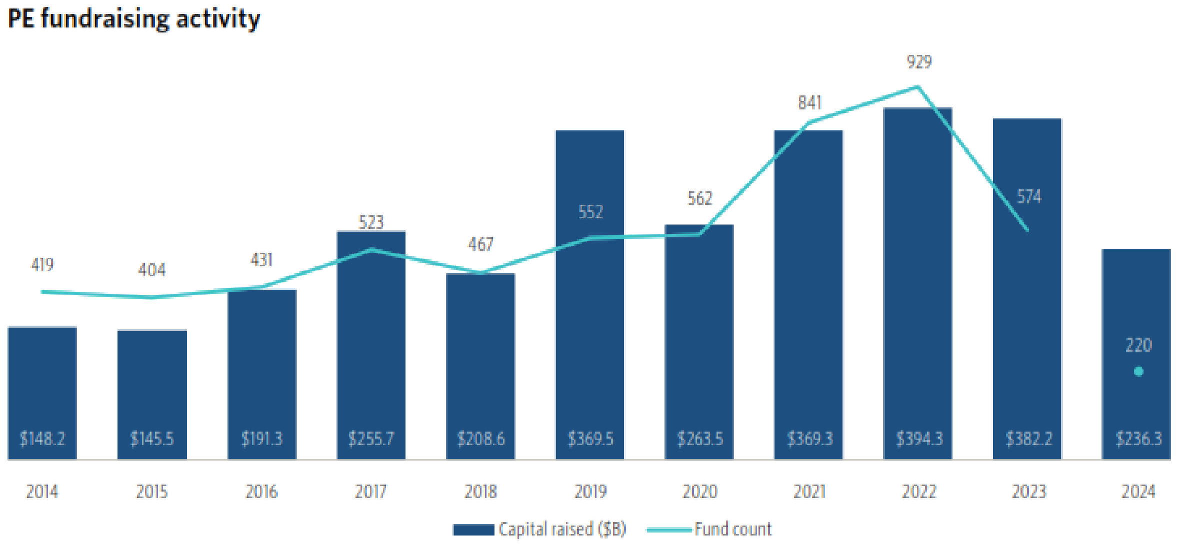
Sources:Federal Reserve Economic Data, SECOR.

Appendix 20 – PE Technicals: Deals, Exits, Fundraising, Dry Powder









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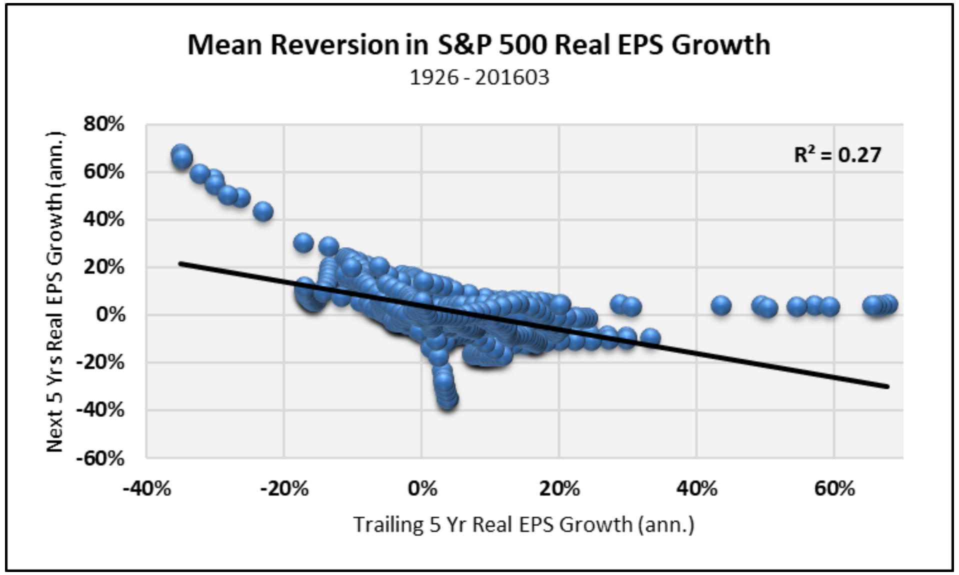
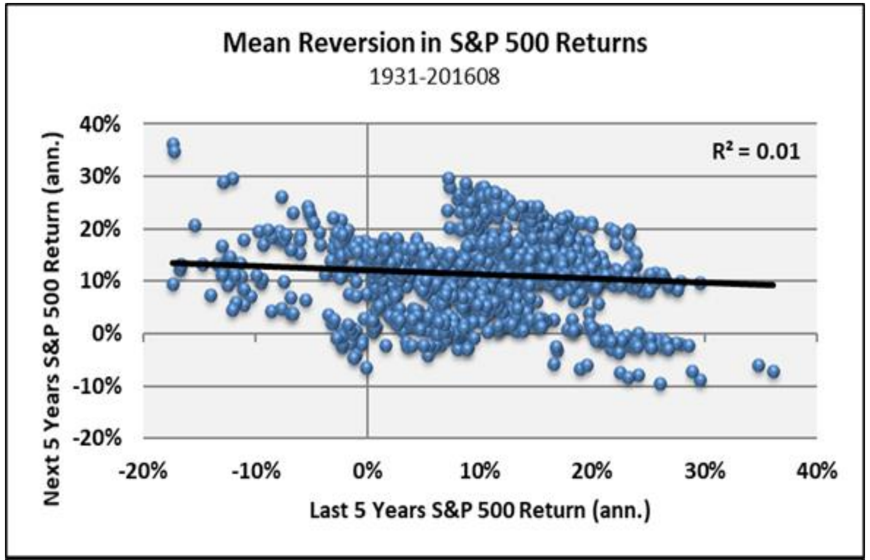
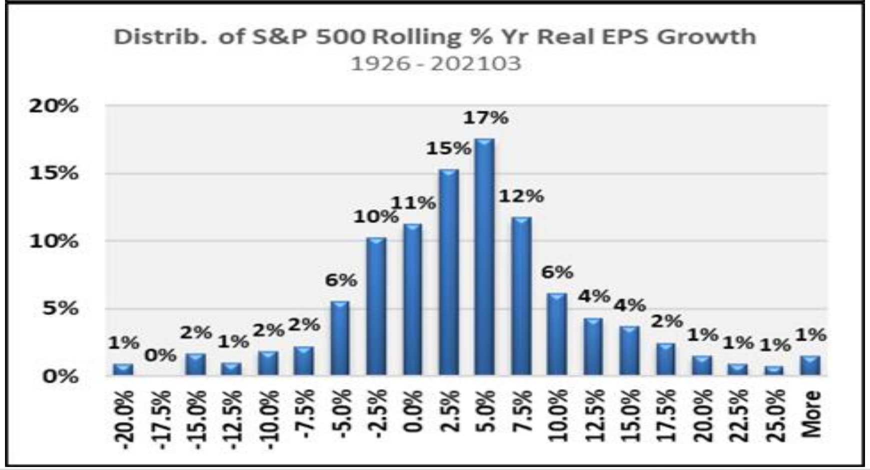
Source: Pitchbook. US PE Data as of 30 September 2024.

Appendix 21a – 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 2.3%/yr, 3.4%/yr and 4.1%/yr through Q3 2024; implies 2.9%/yr, 0.9%/yr and -1.5%/yr over next 5 years (average = 0.8%/yr)





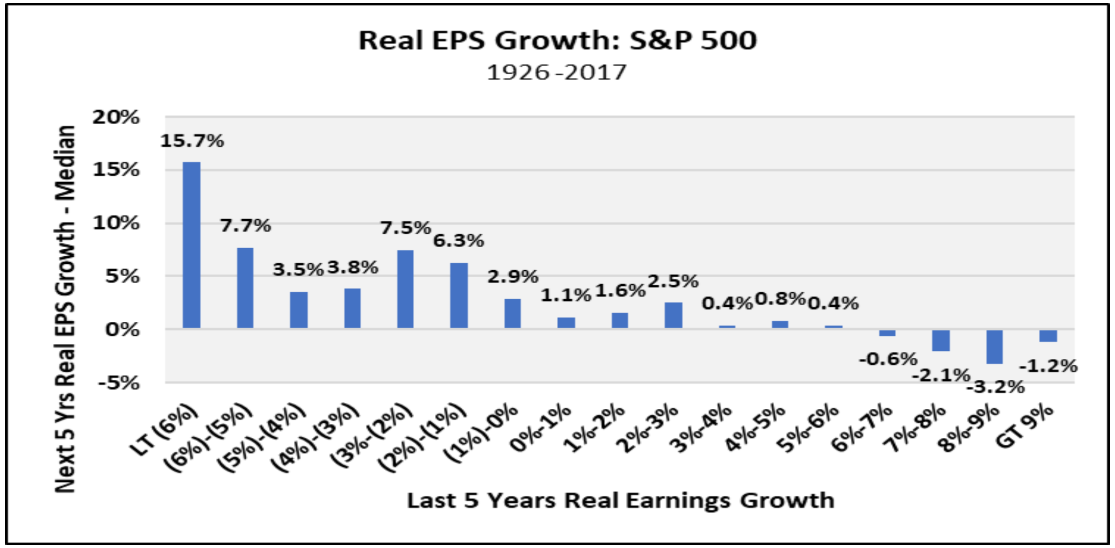


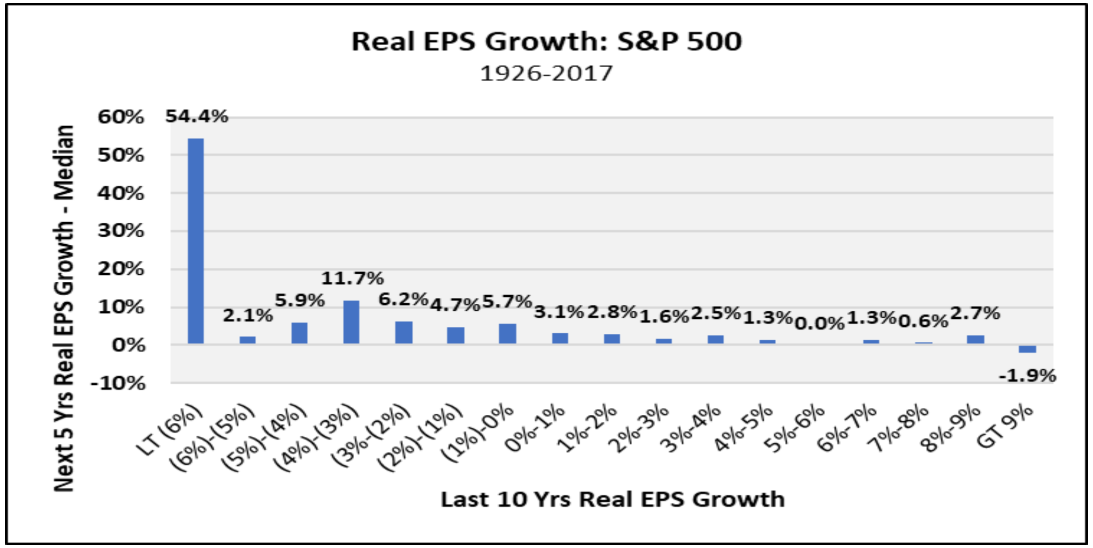
- US Real Earnings have grown at 0.8% or better over 5 years in 61% of observed periods from 1926–2016.
  - Median = 2.5%
  - Mean = 2.9%

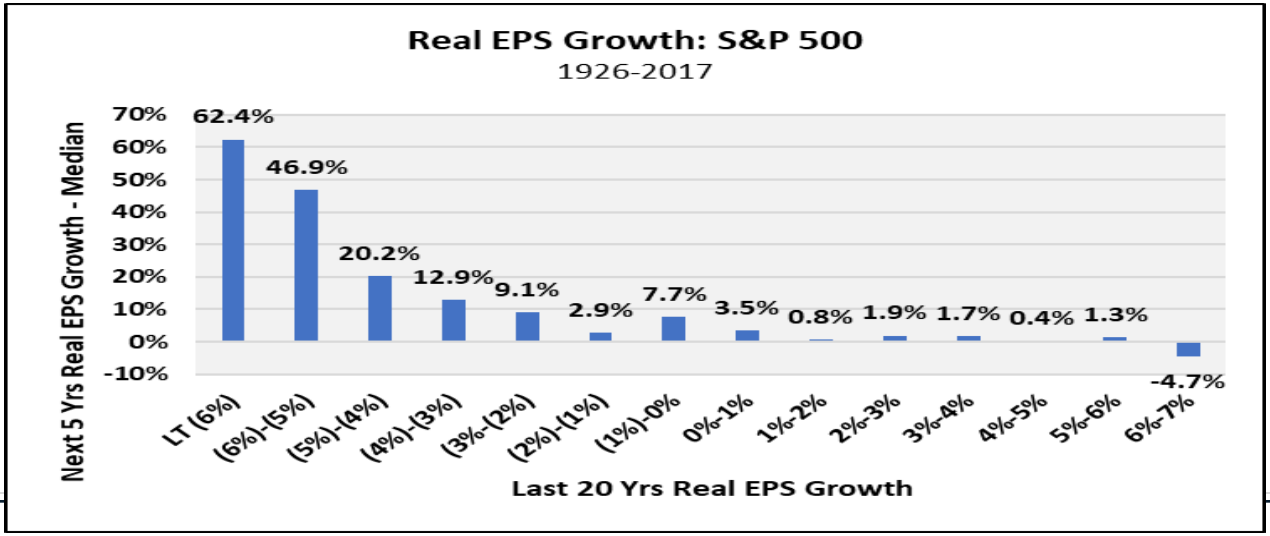
Sources: Robert Shiller's Website, www.econ.yale.edu/~shiller/, Bloomberg, SECOR.

Appendix 21b – 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 2.3%/yr, 3.4%/yr and 4.1%/yr through Q3 2024; implies 2.5%/yr, 2.5%/yr and 0.4% over next 5 years. (average = 1.8%/yr)



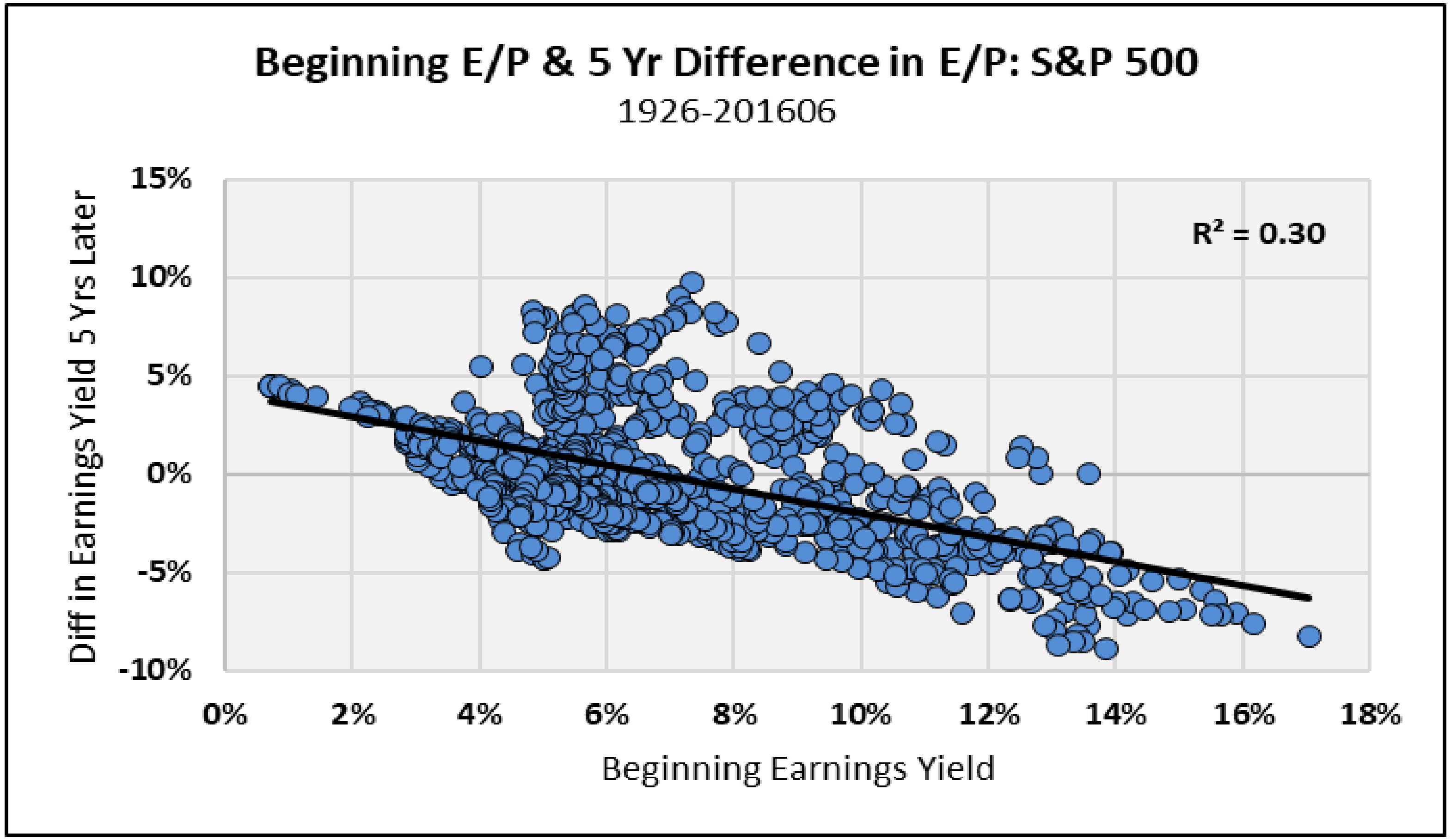




Sources: Robert Shiller's Website, www.econ.yale.edu/~shiller/, Bloomberg, SECOR.

Appendix 22a – 5 Year Changes in Earnings Yield – Since 1926

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

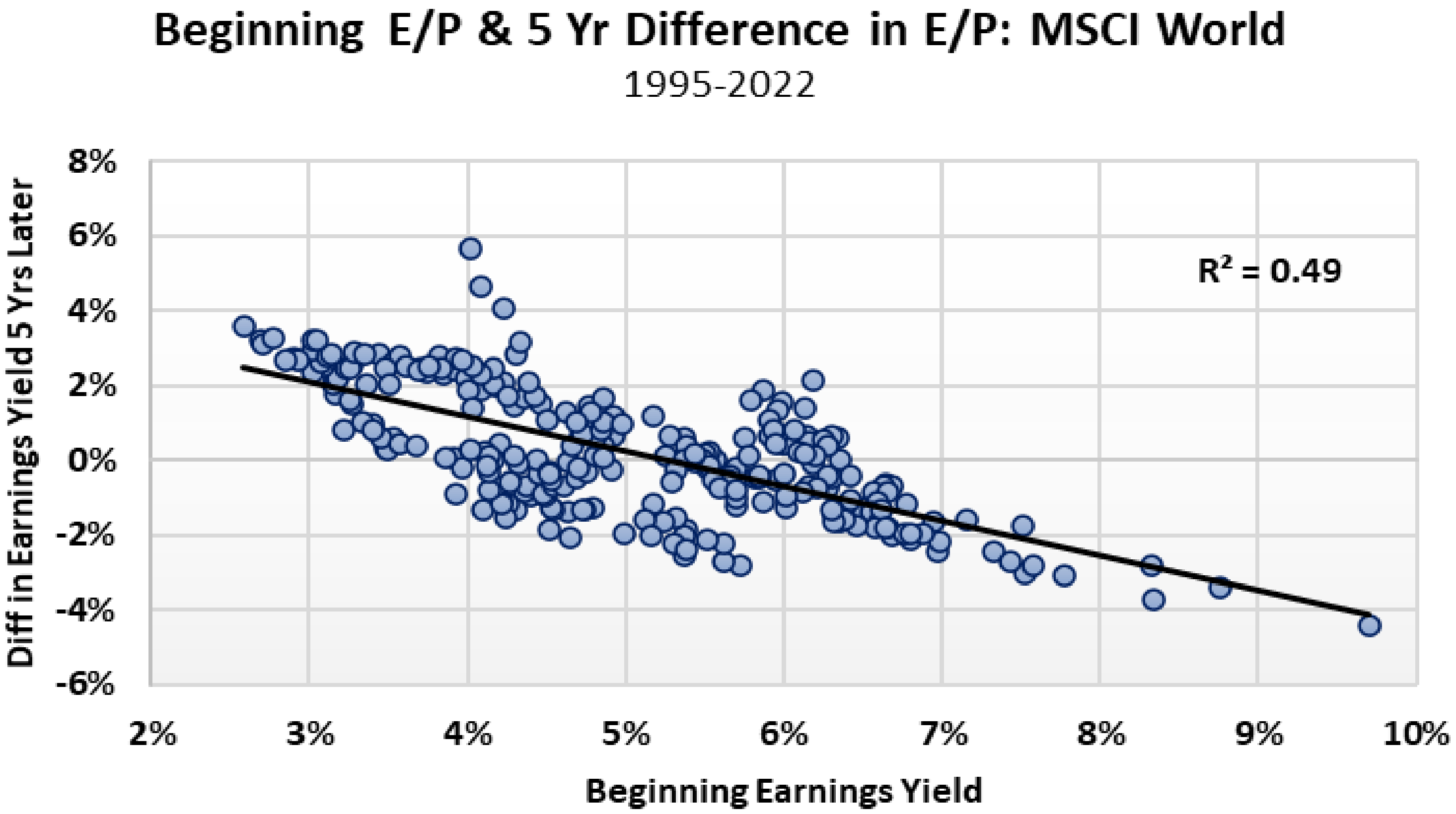


  - 31 December 2024 MSCI World E/P of 4.9% (P/E of 20.6x) implies a 22.4% increase over the next 5 years to 6.0% (P/E of 16.7x).
  - P/E Ratio would change by -4.2%/yr.

Sources: Robert Shiller's Website, www.econ.yale.edu/~shiller/, SECOR.

Appendix 22b – 5 Year Changes in Earnings Yield – Since 1995

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



- 30 December 2024 MSCI World E/P of 4.9% (P/E of 20.6x) implies a 6.1% change over the next 5 years to 5.2% (P/E of 19.1x).
- P/E Ratio would change by -1.5%/yr.

Sources: Robert Shiller's Website, www.econ.yale.edu/~shiller/, SECOR.

Appendix 23 – Outlook for Respective Premia

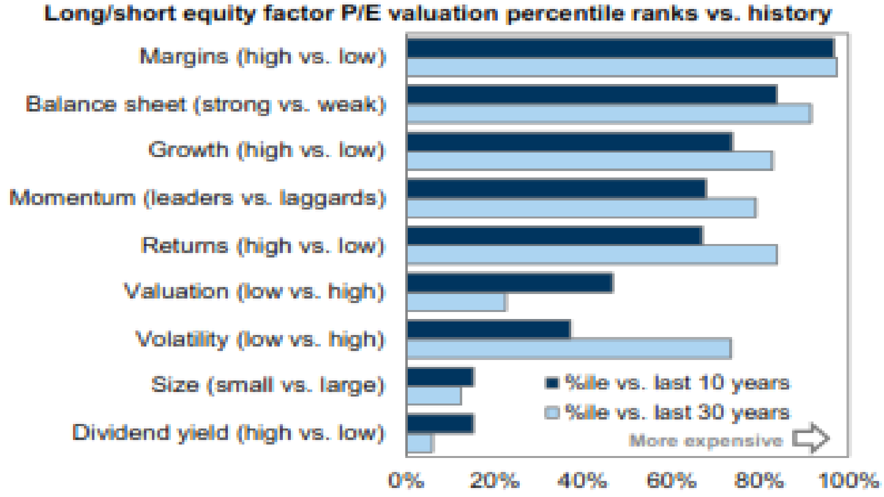
- **Value**
  - The Value factor returned negative performance in Q4 and was slightly negative over the last year. (App. 22)
  - The factor appears cheap relative to its long-term history but fairly valued versus more near-term history.
- **Size**
  - The Small Size factor return was negative in Q4 and strongly negative over the last year. (App. 22)
  - Small caps appear cheap relative to their history.
- **Momentum**
  - The momentum factor had a strong positive return in Q4 and for the year. (App. 22)
  - High momentum stocks appear slightly expensive relative to their history.
- **Quality**
  - The High-Quality factor had a positive return for Q4 and for the last year. (App. 22)
  - Companies with strong balance sheets are richly valued relative to weak balance sheet firms.
- **Volatility**
  - Low volatility stock performance was negative in Q4 and strongly negative for the last twelve months. (App. 22)
  - Low volatility stocks valuations are mixed; fairly valued versus near-term history but expensive versus longer term.

Data as of 31 December 2024		Z-Score History		
Global Factor Performance	**TTM Return**	**10 Year**	**Since Inception***	Note: Last 3 Mo. Return
Value (FF)	**-2.6%**	**-0.1**	**-0.4**	-1.6%
Size (FF)	**-11.5%**	**-1.3**	**-1.6**	-3.6%
Momentum (FF)	**14.9%**	**1.3**	**0.6**	5.2%
Quality (Balance Sheet Strength, FF)	**4.5%**	**0.1**	**0.0**	3.0%
Low Vol (MSCI ACWI Min Vol - ACWI)	**-7.4%**	**-0.7**	**-1.0**	-2.5%

* July 1990 for Value, Size & Quality, Nov 1990 for Momentum, Dec 1998 for Volatility). Nov & Dec 2024 data estimated.

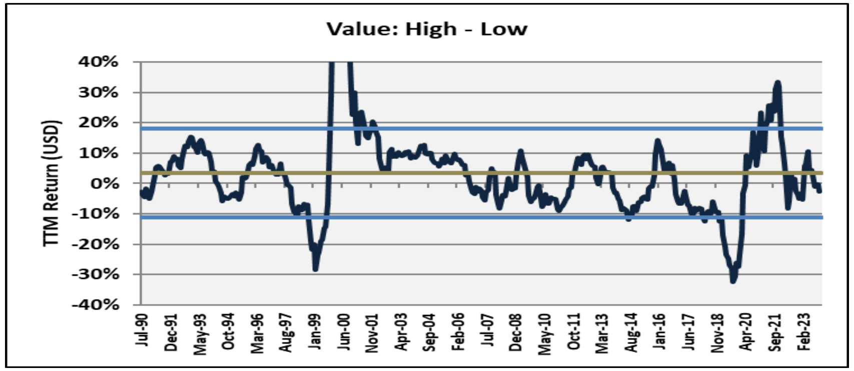
Sources: Ken French website (http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html), MSCI, Bloomberg, SECOR.

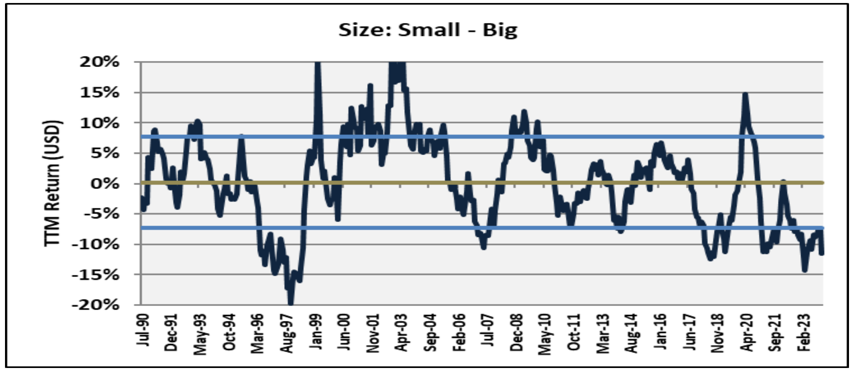
GS US Factor Pairs Valuation as of 10 Jan 2025

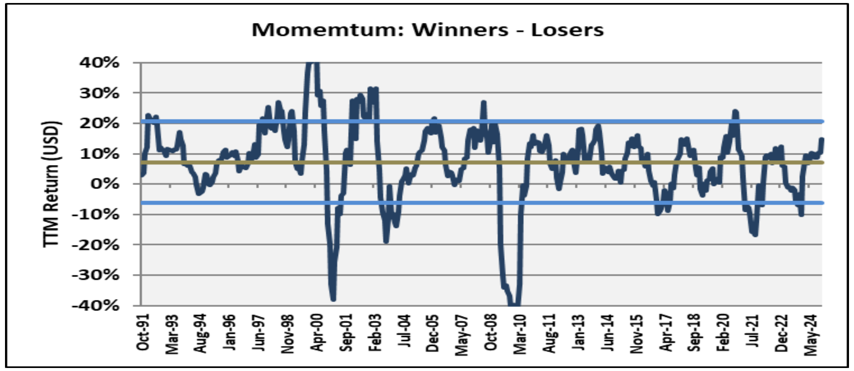


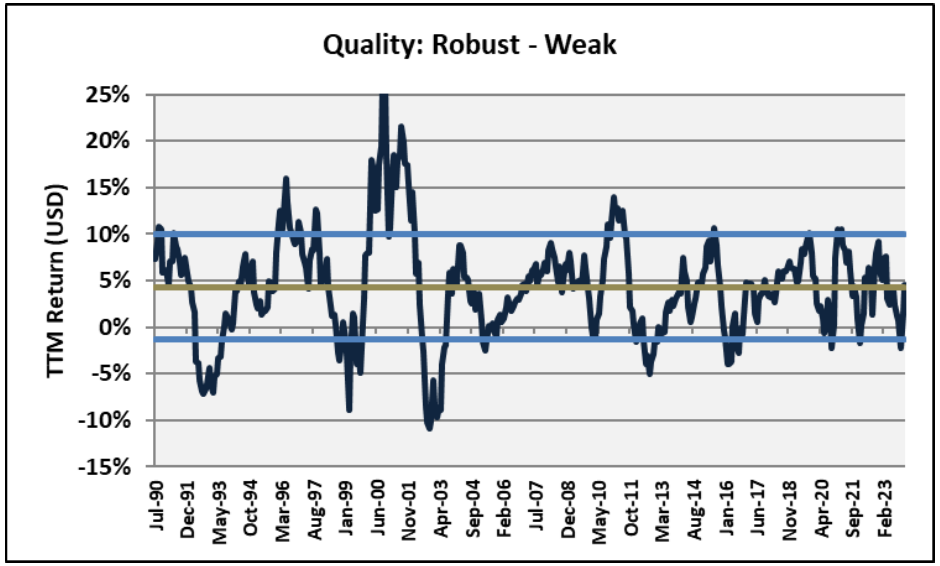
Sources: Compustat, FactSet, I/B/E/S, Goldman Sachs Global Research, SECOR.

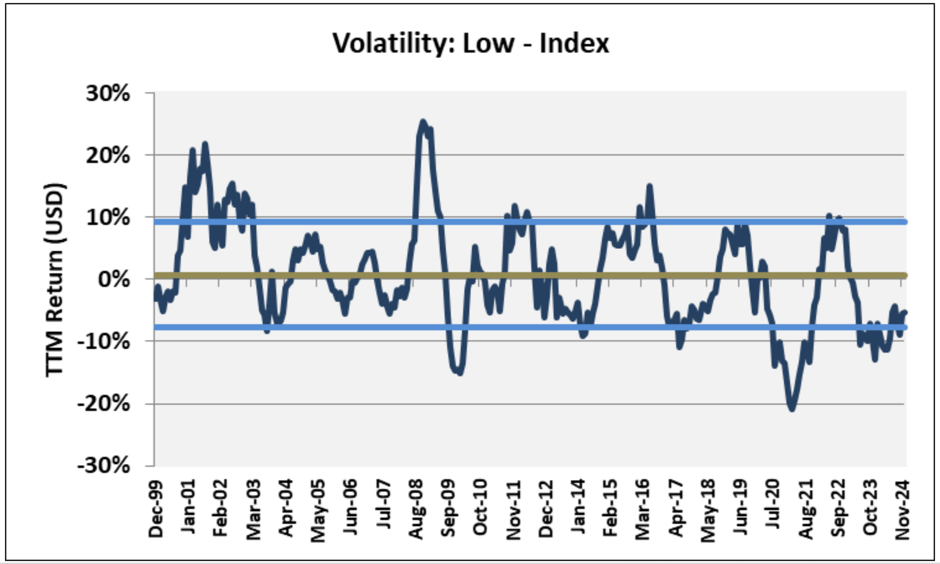
Appendix 24 – Global Equity Factor Performance









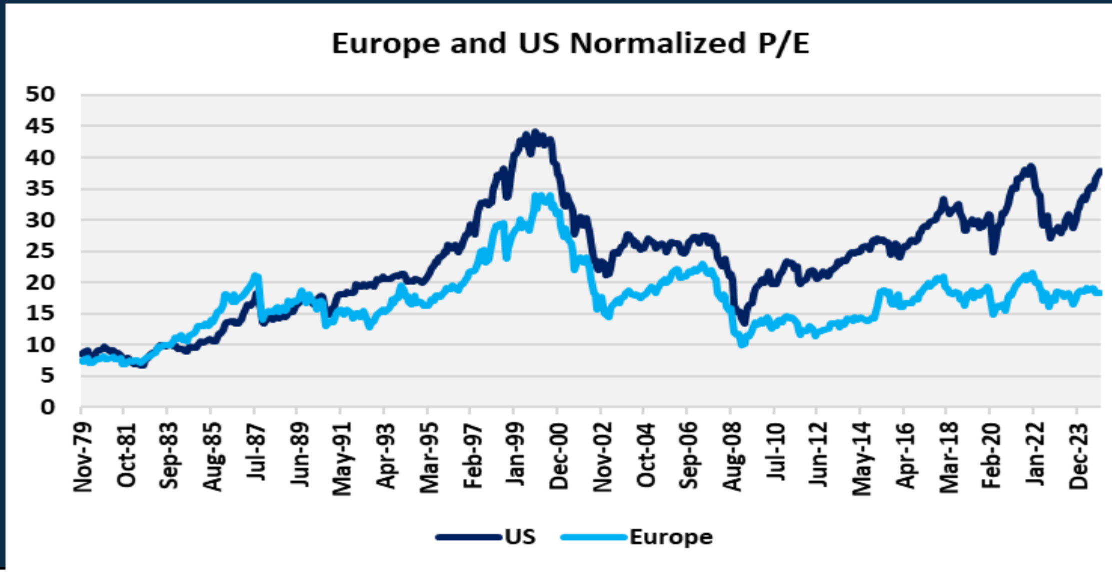


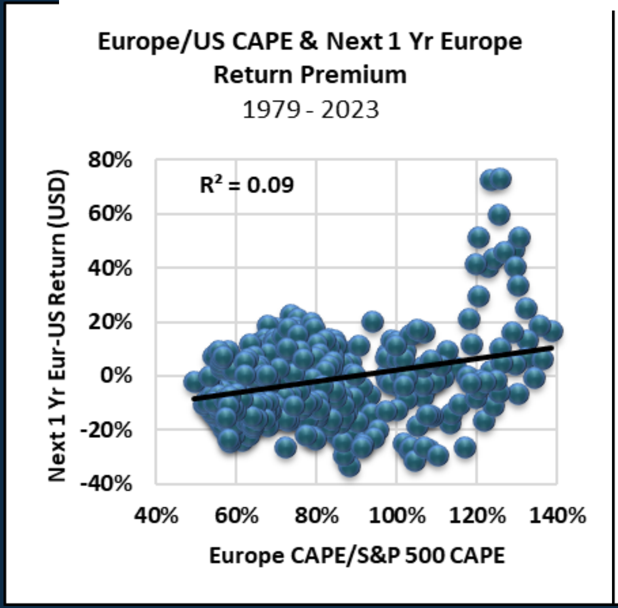
Sources: Ken French website (http://mba.tuck.dartmouth.edu/pages/faculty/ken.french/data_library.html), MSCI, Bloomberg, SECOR.

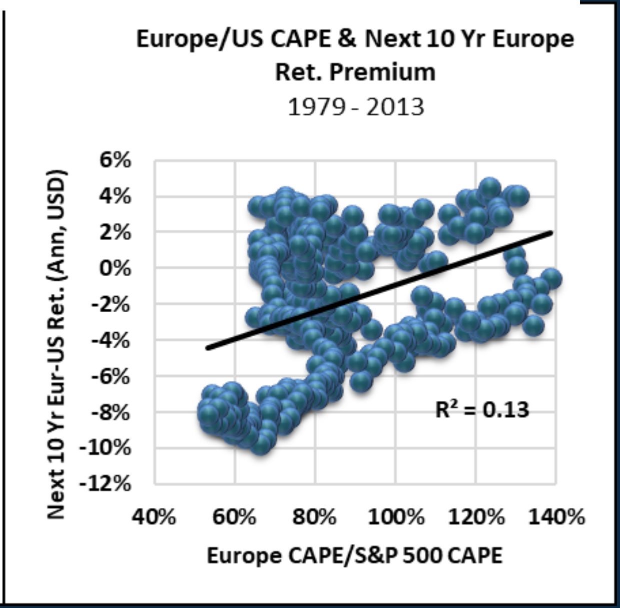
Appendix 25c: US vs Europe

- **European stocks are cheap relative to those of the US.**
  – Europe's CAPE of 18.2x at year end compares to 37.9x in the US. The 52% discount versus the US is the widest since 1979.

- **But relative cheapness has been a perverse predictor of relative performance, both in the short and long-term.**







Sources: Morgan Stanley, Professor Robert Shiller Data Library, Bloomberg, SECOR.

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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.

Further details are available on request.