SECOR | ASSET MANAGEMENT

Macroeconomic Outlook Update 2025

January 29, 2025

Overview of Our Discussion of 2025 Macroeconomic Outlook

SECOR | ASSET MANAGEMENT

- **Global Economy's Better-Than-Expected 2024 Performance Discussed in Initial Chart Series**
  - Entering 2025 with strong forward momentum, regional disparities, and high sovereign debts

- **Our 2025 Macroeconomic Outlook Starts With Review of Underlying Fundamentals :**
  - DM consumers in solid financial position / Supportive monetary & fiscal policies expected
  - Corporate profits elevated / Business indicators: PMIs & productivity mixed
  - *Then we turn to the Inflation outlook & Trump tariffs -- linchpins in the outlook:*

- **Inflation: Down From Recent Peaks But Stickier Than Expected In Some Major Countries…**

  Further progress in slowing / continuing inflation expected in 2025

- **Trump Tariffs: Series of Charts Devoted To This Potential Game Changer / Currently…**
  - Many uncertainties remain / initial assessment : Tariffs implemented less disruptive than feared

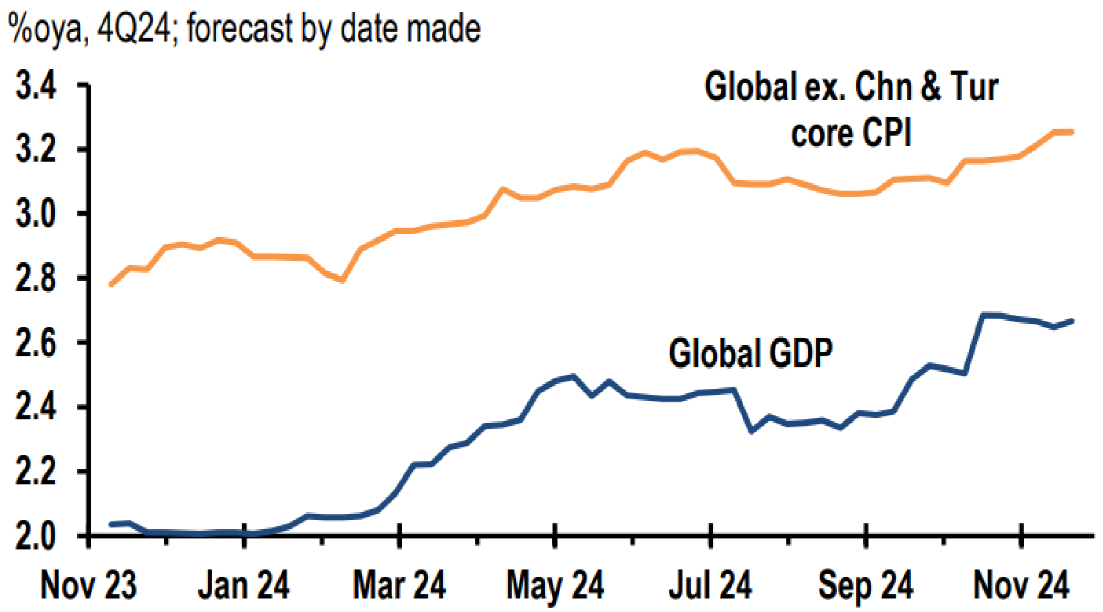
- **2025 Macro Forecasts for Major Countries and World Covered In Final Chart Series / Close With…**
  - Summary of macroeconomic tailwinds, headwinds & risks investors likely to face in 2025

2024 Outlook Retrospection: Global GDP & Inflation Higher Than Forecast

(as of Dec 31, 2024)

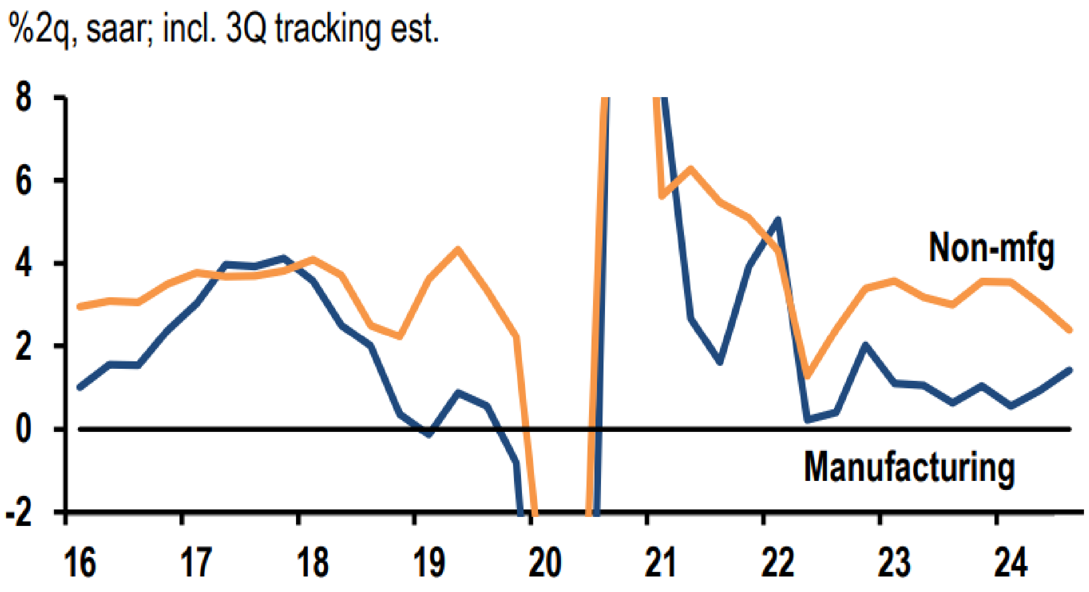
SECOR | ASSET MANAGEMENT

Evolution of Global GDP / Inflation Forecasts[1]



Source: JPM

Global GDP by Sector



Source: JPM

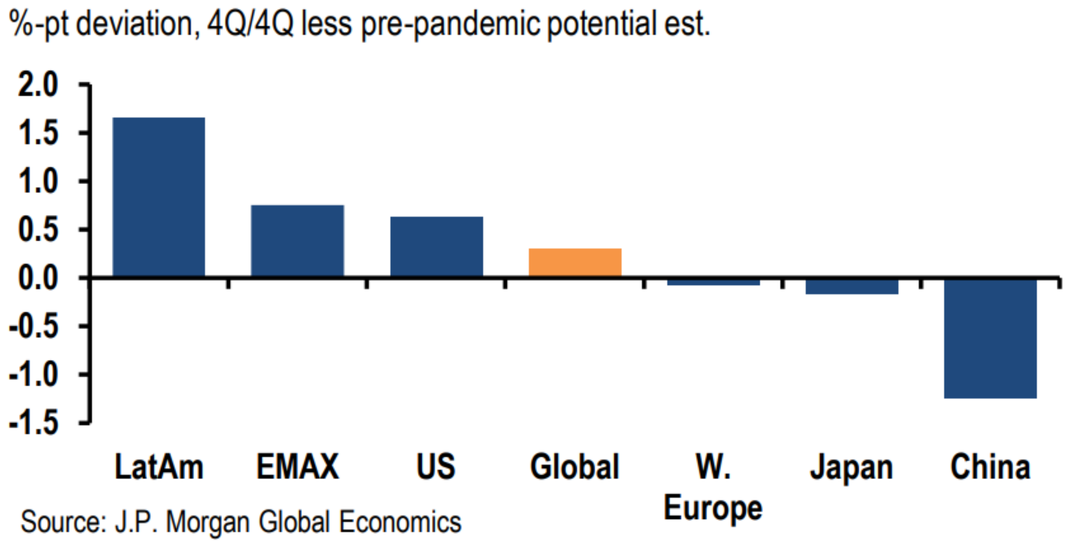
- Global growth exceeded expectations, and inflation was stickier than forecast a year ago
- Representative global GDP and inflation forecasts were raised ~0.5pp and 0.4pp, respectively, over the course of the year
- Service sector (non-manufacturing) was the primary demand engine for the global economy in 2024
- Outside the tech sector growth in manufacturing. fell below expectations last year.

1. Global GDP forecasts on above chart are market-weighted, Secor's global GDP forecasts are PPP weighted which are typically ~0..4pp higher.. Our year ago, forecast for 2024 global GDP was 2.8%, 3.1% current estimate.

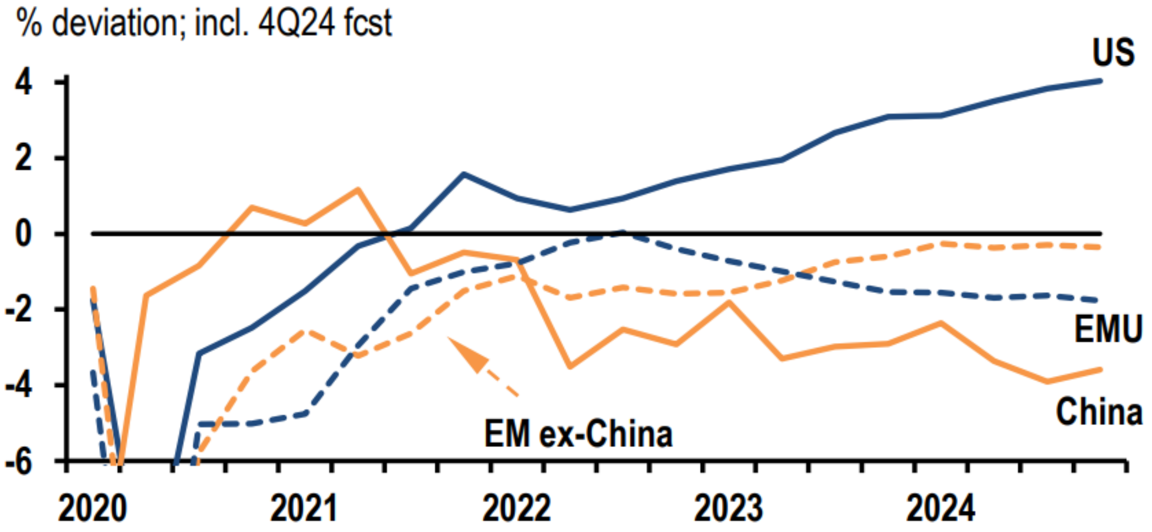
2024 Retrospection: Real GDP Vs. Pre-Pandemic Potential & Post-2019 Trend

SECOR | ASSET MANAGEMENT

Real GDP Growth



Real GDP Relative to 2019 Potential Path



Source: J.P. Morgan

- Latin America led by Brazil, EM Asia ex. China and US outperformed potential in 2024[1] while…
- China significantly underperformed and Western Europe and Japan performed nearly in line with their pre-pandemic potential

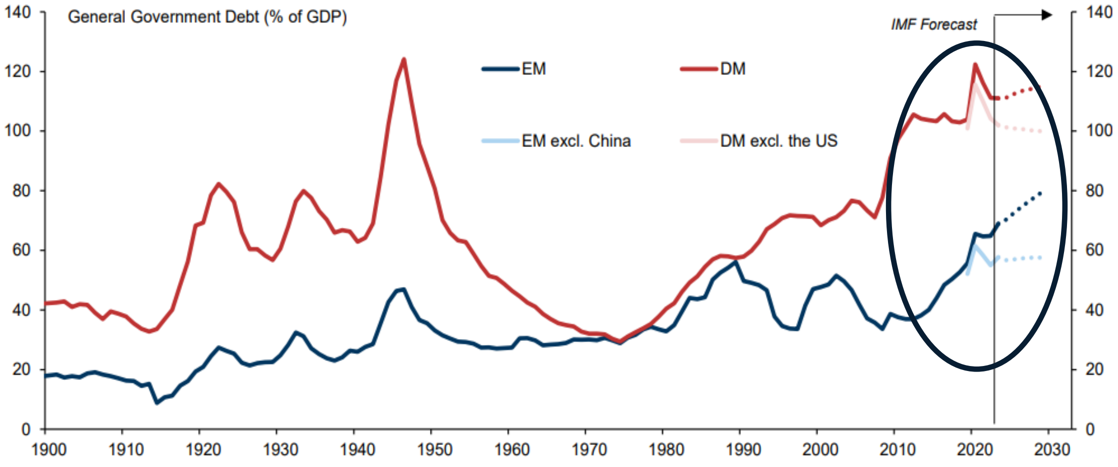
- US real GDP stands nearly 4pp above its pre-pandemic potential path…
- While the EU and China are yet to recover to their 2019 potential levels

As of Dec 31,2024.

1. Strong performance attributed largely to increased trade with China and fiscal stimulus (Brazil), strength in tech spending (EMAX), continued strength in consumer spending & fiscal stimulus(US).

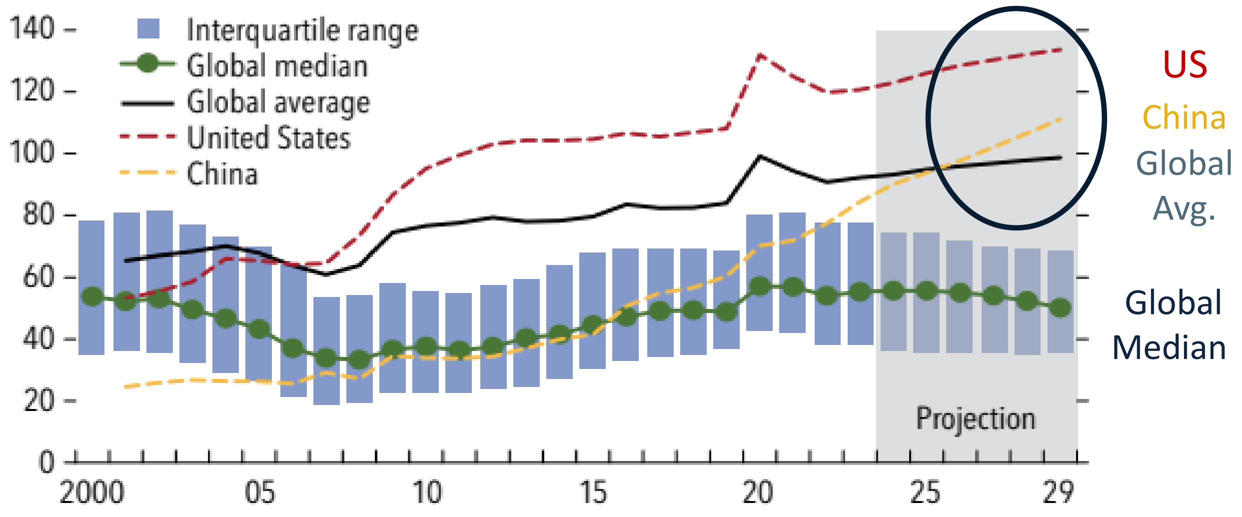
2024 Retrospection: High Global Sovereign Debt Levels Latent Concern

Sovereign Debt: Historical Perspective (% GDP)



Source: IMF

Sovereign Debt: 2000 Forward (% GDP)



Source: IMF

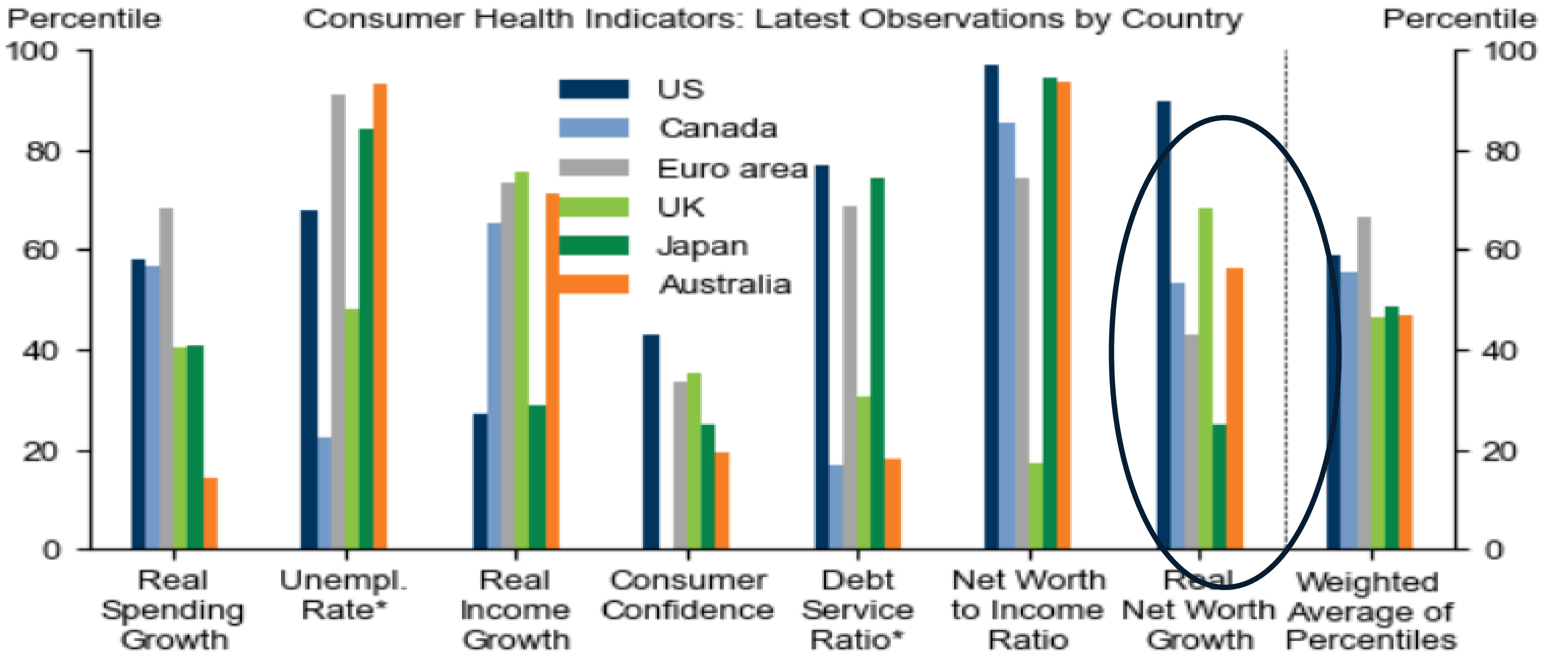
- Sovereign DM and EM debt levels jumped back to post-WW2 historical peaks in response to GFC & Covid stimulus ….
- Excluding US and China, sovereign debt levels appear to be stabilizing at current high levels

- US and China's sovereign debt levels, however, are projected to continue rising over the foreseeable future
- US "exceptionalism" designation warrants an asterisk when sovereign debt is taken into account

2025 Outlook Underpinnings: DM Consumers Still in Solid Position

SECOR | ASSET MANAGEMENT

G10 Consumer Dashboard[1]



Source: Haver, GS, * percentile inverted

- Weighted average of percentiles: Europe top @ 65 /US and Canada @55 / UK, Japan and Australia @ ~45
- Divergence in individual categories largely due to idiosyncratic factors[2] /variable & fixed rate mortgages[3]
- DM labor market, and net worth ex UK relatively strong
- Consumer confidence low but improving as inflation moderates

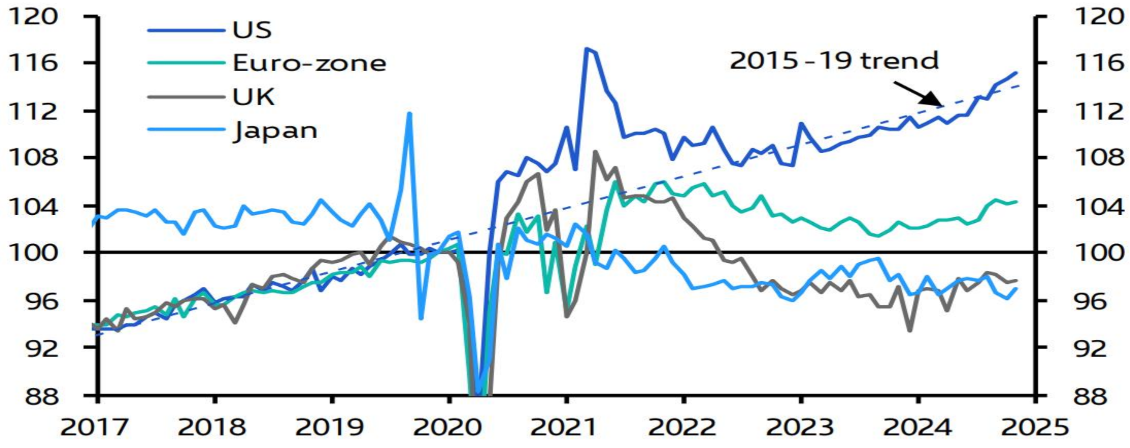
1. Dashboard updated 20 December 2024
2. Decline in value of UK pension assets lowered net worth
3. Debt service ratios low in US, EA & Japan but rising in Australia Canada and UK due to higher share of shorter fixed rate mortgages

2025 Outlook Underpinnings: DM Consumers Still in Solid Position-cont'd

(as of Dec 31, 2024)

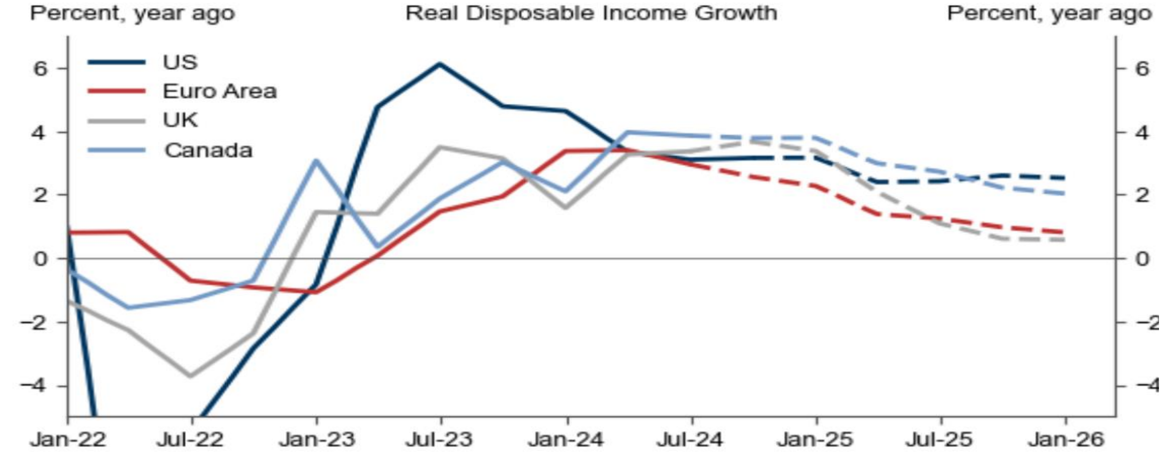
SECOR | ASSET MANAGEMENT

Real Retail Sales (Dec 2019=100)[1]



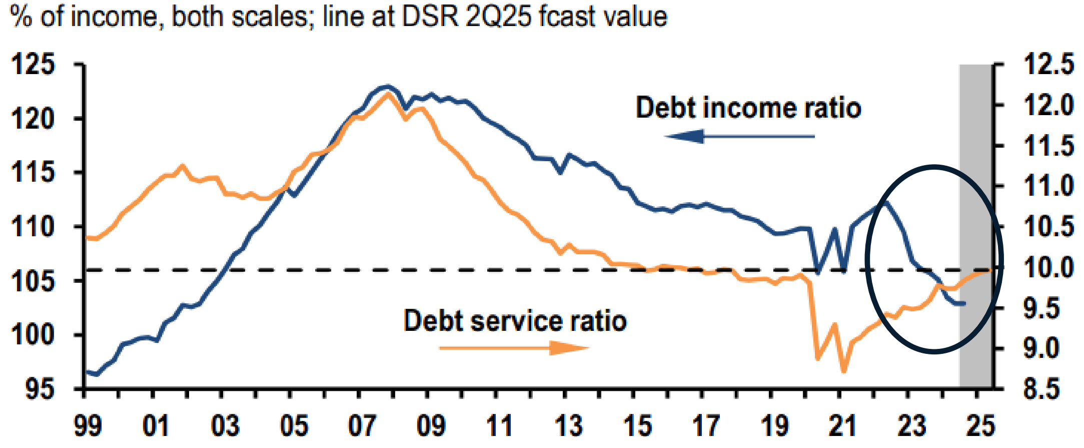
Source: LSEG, CE

Real Disposable Income[2]



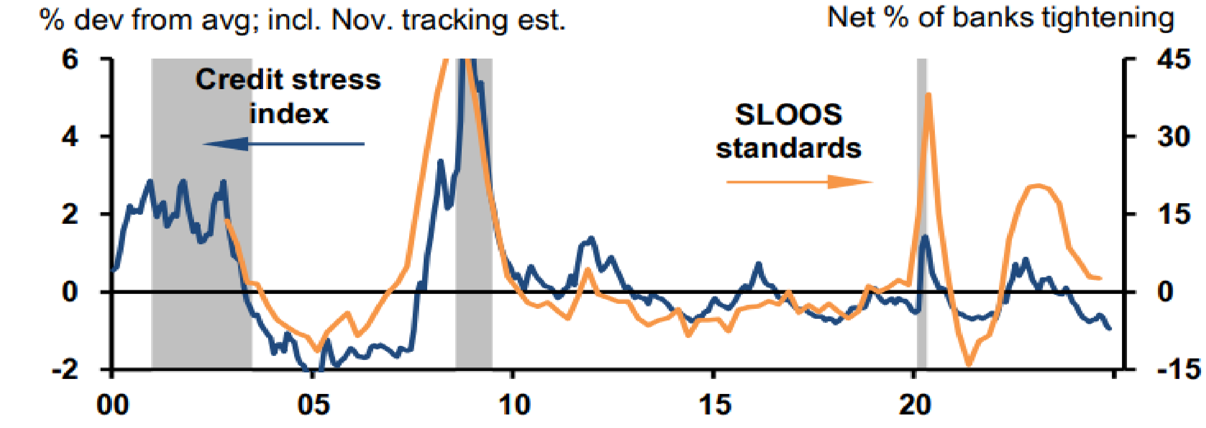
Source: Haver, GS

DM Household Debt & Debt Servicing[3]



Source: J.P. Morgan

G4 Credit Standard & Stress Index[4]



Source: BoE, BoJ, ECB, FRB, J.P. Morgan

1. Retail rose in all major DMs in November , US sales up further vs pre-pandemic trend
2. Real disposable income growth likely to remain supportive in 2025, although the pace of growth is expected to moderate in the UK and Europe
3. Debt servicing costs rising but still below early 2000s levels
4. High rate have not tightened credit conditions. Fed's Senior Loan Officer Opinion Survey not stressed

2025 Outlook: Further Monetary Stimulus / DM Fiscal Policy ~ Same

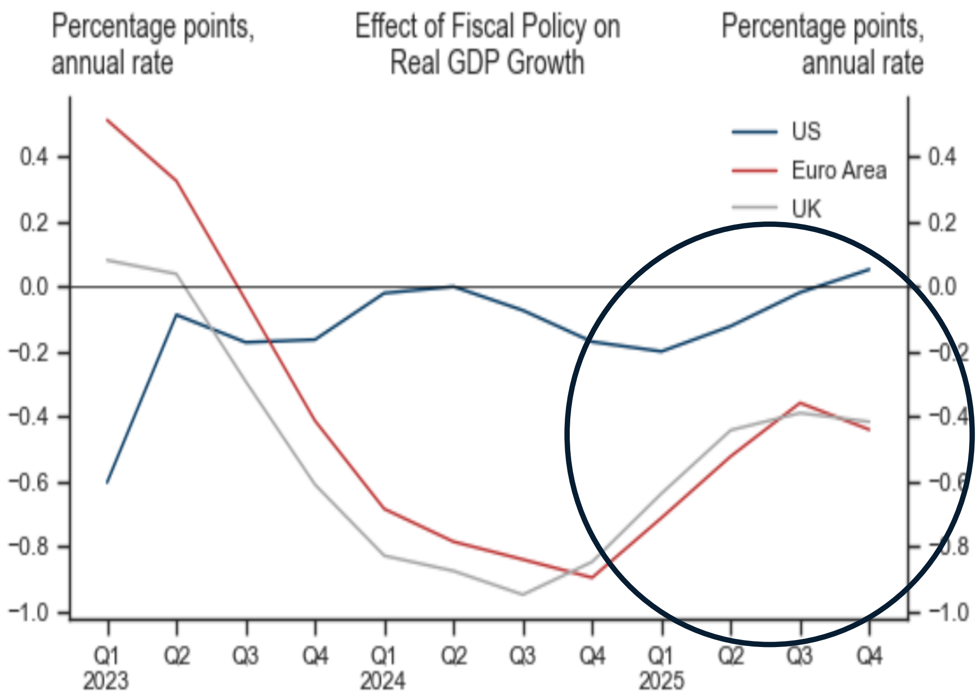
SECOR | ASSET MANAGEMENT

Policy Rate

	Latest (%)	End of Year (%)		
		GS	Consensus	Market
Global	5.7	4.2	4.5	5.1
US	**4.5**	3.9	**3.8**	**4.0**
Euro Area	**3.0**	1.8	**2.0**	**2.1**
UK	**4.8**	3.8	**3.7**	**4.3**
Japan	**0.5**	0.8	**0.8**	**0.8**

Source: Haver, GS

Effect of Fiscal Policy on Growth



Source: Haver, GS

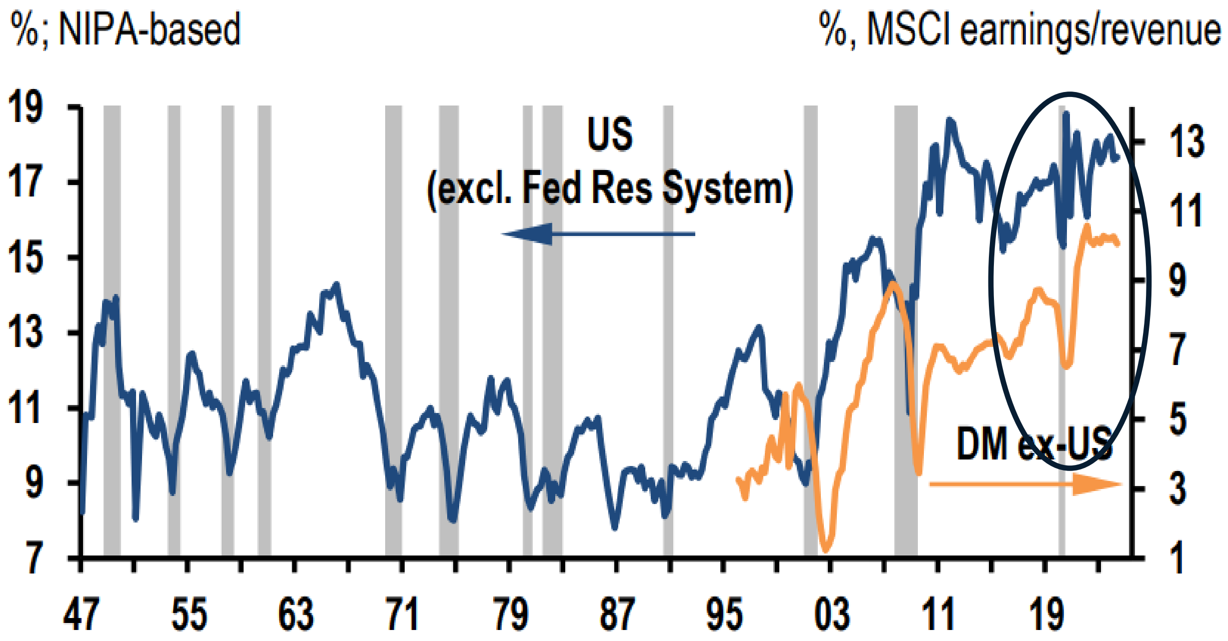
- Major central banks ex Japan are expected to cut rates further…
  - Forecast year-end avg policy rate > 50 bps below current rate

- US '25 fiscal policy slightly stimulative
- EA and UK fiscal policies expect to be less restrictive

2025 Outlook: Corporate Margins Elevated / Mixed Productivity Growth

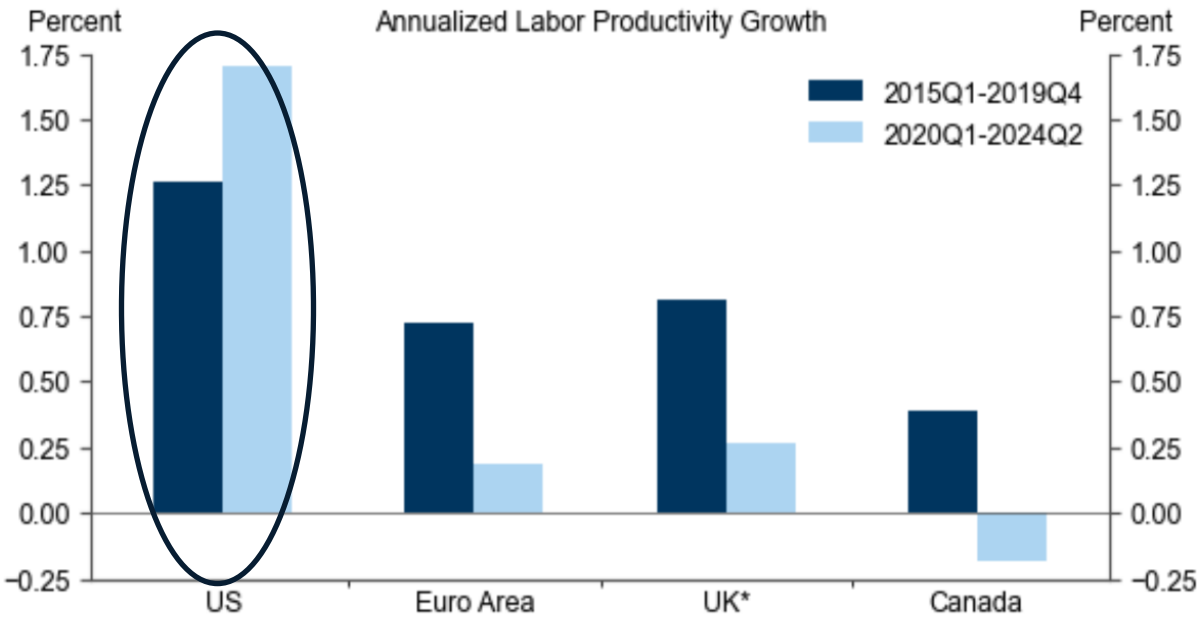
SECOR | ASSET MANAGEMENT

DM Corporate Profit Margins



Source: BEA, Bloomberg

DM Productivity Growth



Source: Haver, GS

- DM corporate profit margins, particularly in the US, remained at elevated levels in 2024
- Moderating wage inflation and continuing corporate pricing power have helped to sustain margins

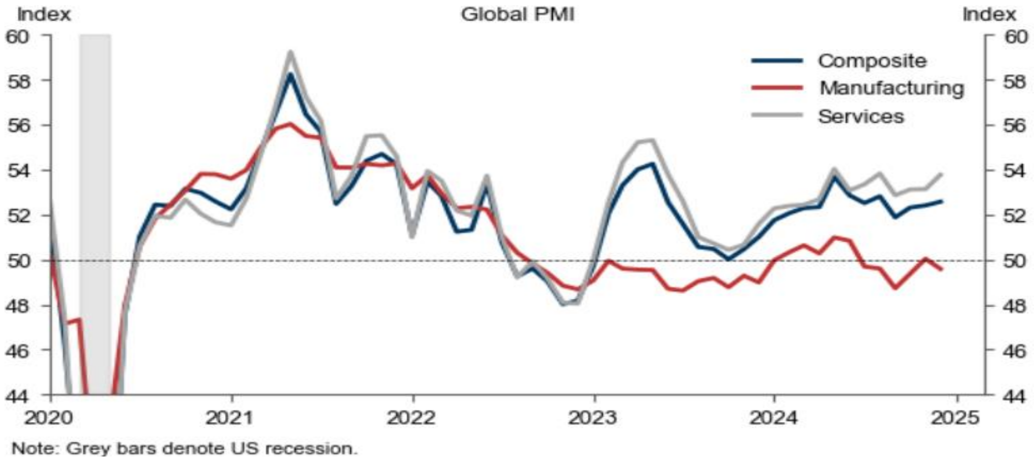
- US has continued to benefit from strong productivity growth, whereas…
- Productivity has been anemic in the Euro area and the UK since 2020

1. DM MSCI aggregate is a GDP weighted average

2025 Outlook: PMIs Point to Global Growth / Sector & Regional Disparities

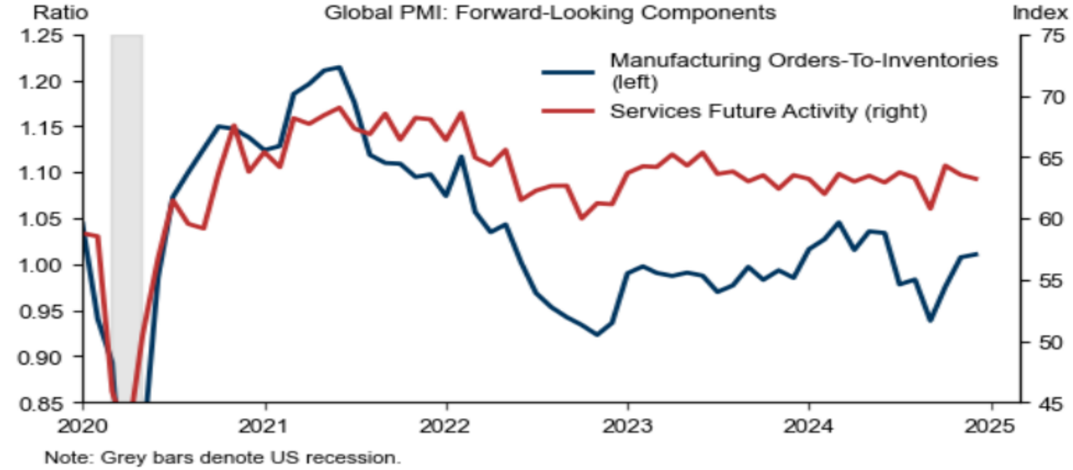
SECOR ASSET MANAGEMENT

Global PMIs[1]



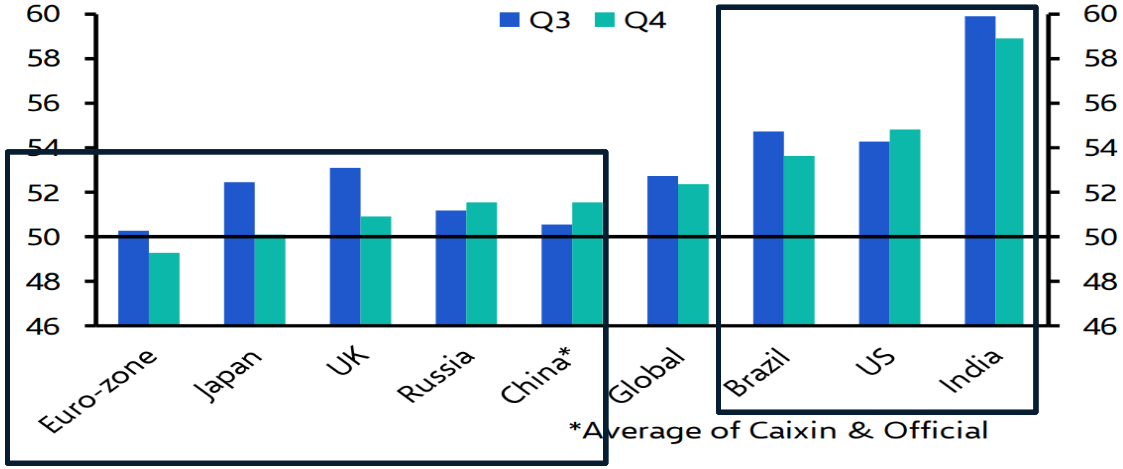
Source: S&P Global, Haver, GS

Global Forward Looking PMIs[2]



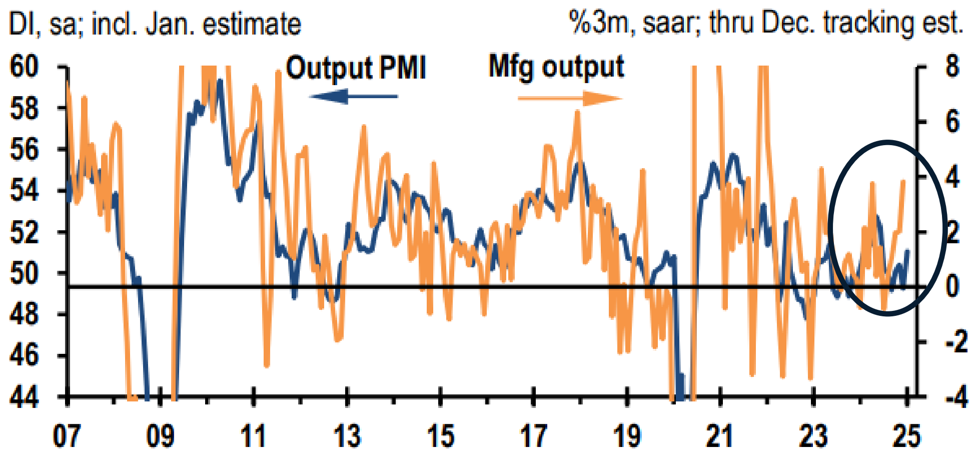
Source: S&P Global, Haver, GS

Composite Regional/ Country PMIs



Source: S&P Global, LSEG, CE (Dec 2024)

Global Flash Manufacturing PMI & Actual Output[3]



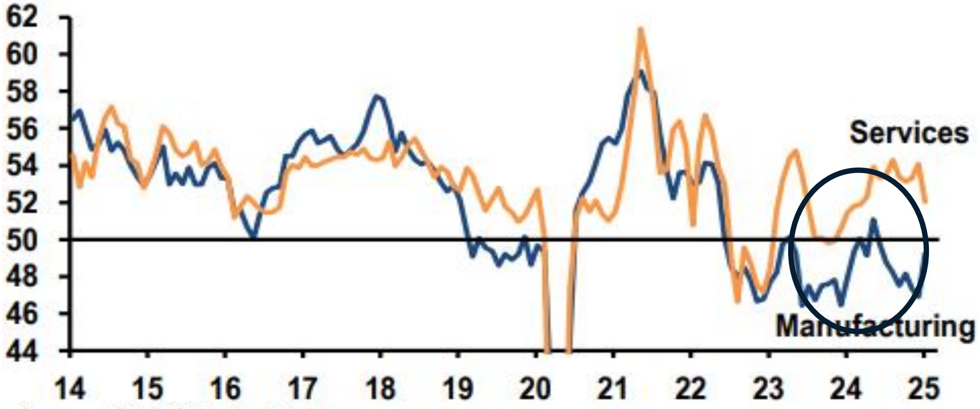
Source: S&P Global, JPM

1. Global composite 52.6, services 53.8, manufacturing 49.6 (December 2024)
2. Forward indicators: services 63.2, manufacturing orders-to-inventories ratio 1.01 (December 2024)
3. DM flash January PMI r0se 2.3 points with large gains recorded in both US and Western Europe. An even larger 4.9-pt future output rise was recorded.

January Flash PMIs: More Balanced / Aggregate Down Slightly[1]

DM activity PMI

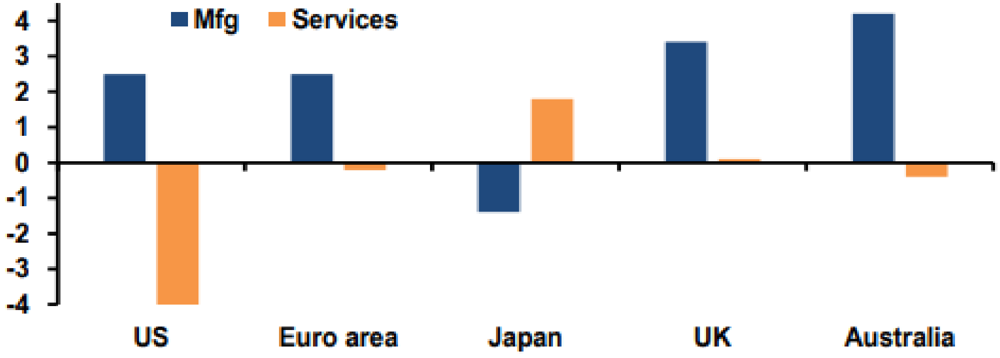
DI, sa; January is flash estimate



Source: S&P Global, J.P. Morgan

Change in January flash output PMIs by DM economy

points, change from prior month

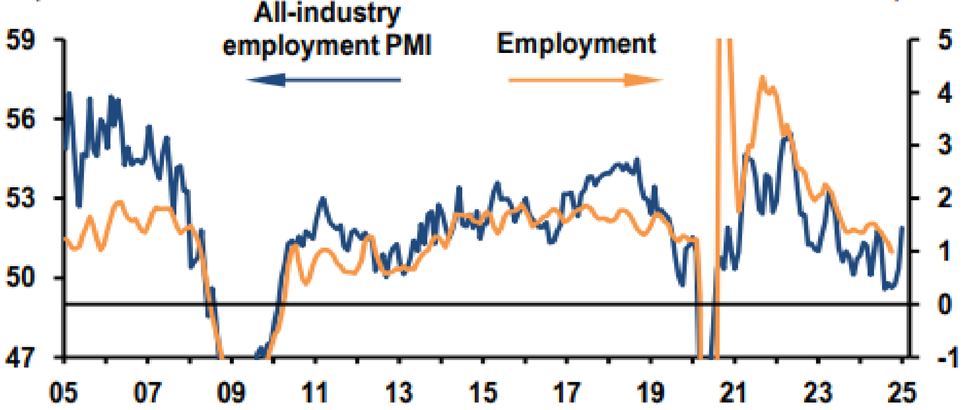


Source: S&P Global, J.P. Morgan

DM employment, PMI and actual

DI, sa

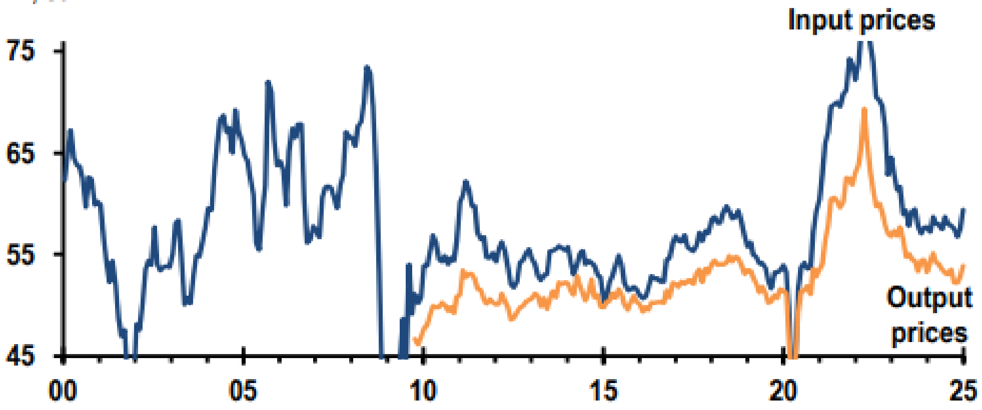
%3m/3m, saar



Source: National sources, S&P Global, J.P. Morgan. Details on request.

DM composite PMI

DI, sa

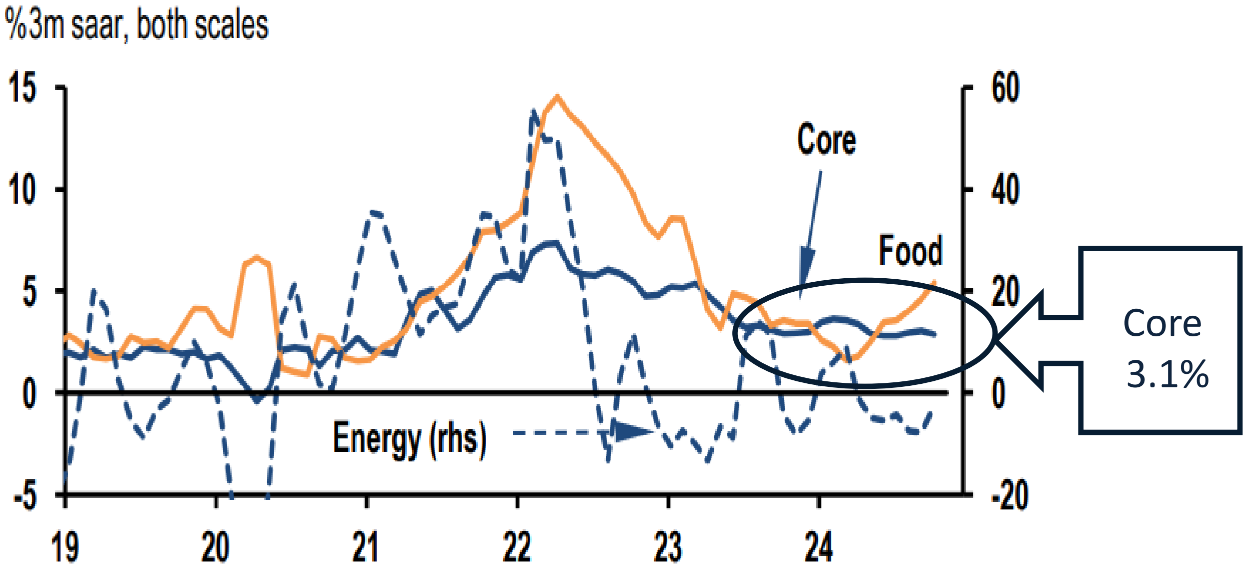


Source: S&P Global, J.P. Morgan

1. January flash all industry output PMI 51.6 vs. 52.7 in December 2024.

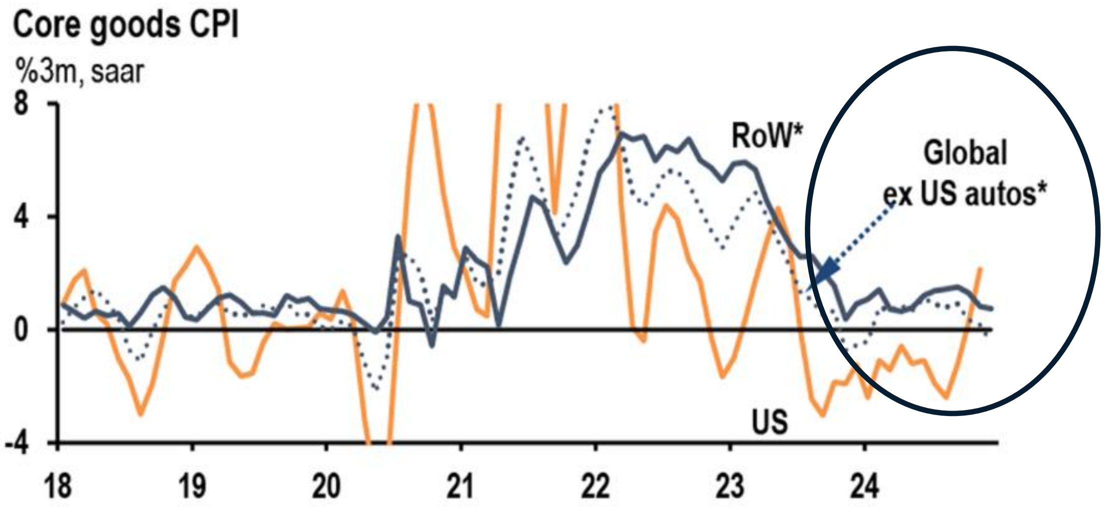
Inflation Backdrop: Recent Global Data[1]

Global CPI



Source: JPM

Global Core Goods CPI / US RoW



Source: JPM *Excludes China & Turkey

- Global inflation currently ~3%, down from 10%+ at 22 peak
- Most recent aggregate performance "sticky" — e.g., core CPI up 3.1% y/y over each of last 5 months
- Global headline inflation also up ~3% in each of past few months

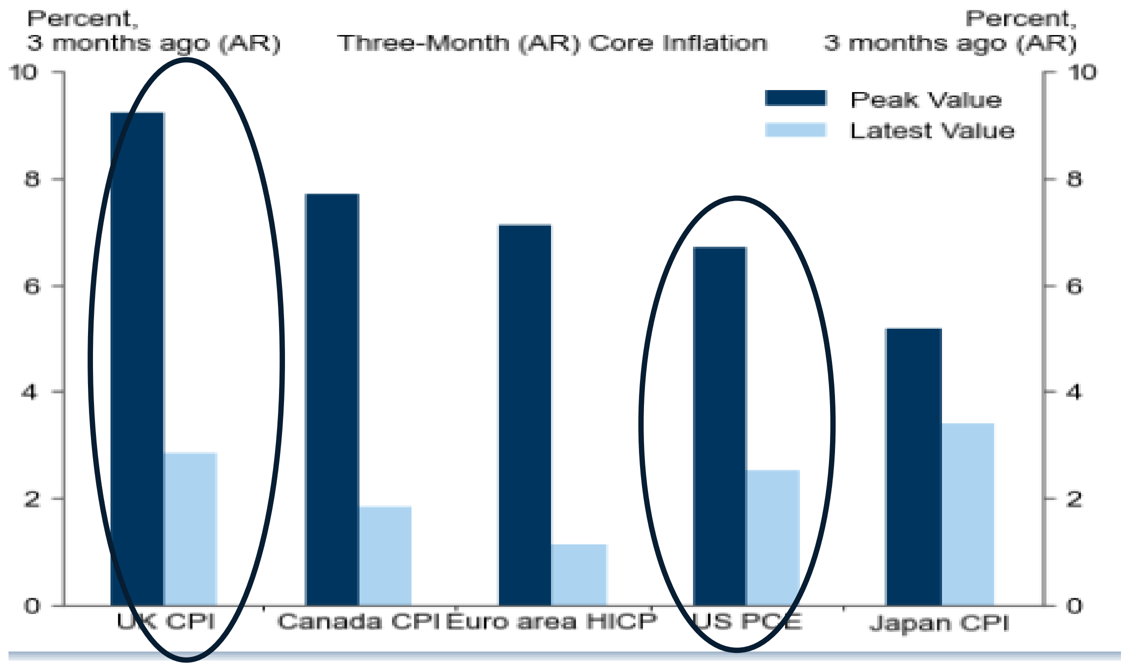
- Latest CPI readings aside, precipitous disinflation since '22 driven largely by sharp slowing in goods prices and moderate easing of services price inflation
- With supply chains normalizing, core goods disinflation has probably run its course, and the latest global core CPI reading appear to overstate the change[2]

1. Recent global data material from JPM's "Global Inflation Monitor: November 2024, published 12/23/24. Global data exclude China and Türkiye
2. Excluding US auto prices core good prices still declining

Inflation Outlook Underpinnings: Major DMs

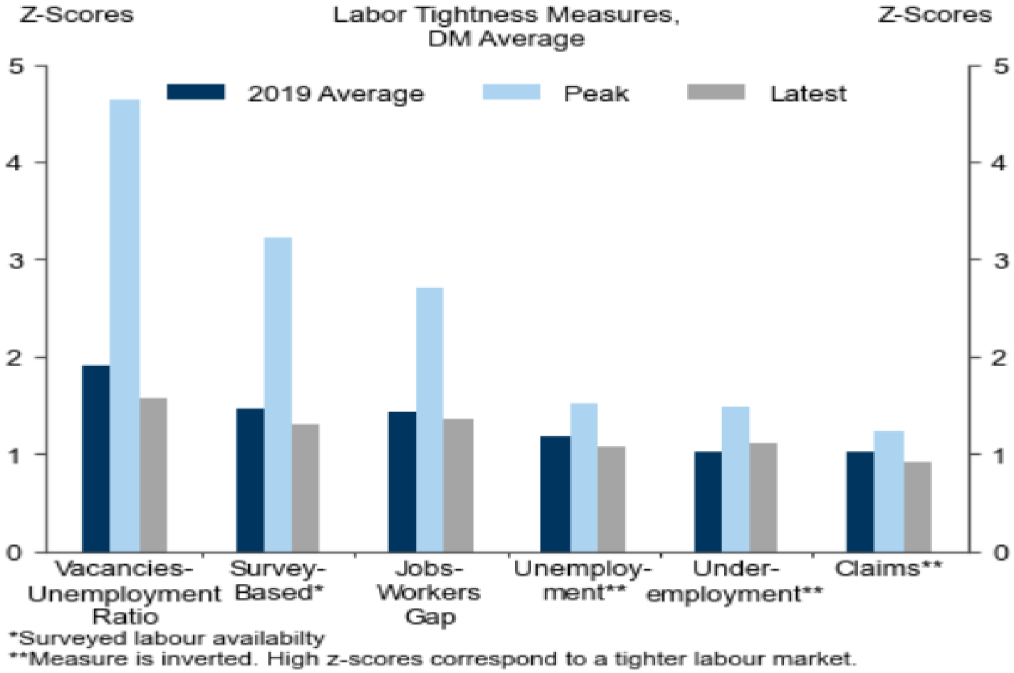
SECOR | ASSET MANAGEMENT

Core Inflation: Peak / Current Rate



Source: Haver, GS

Labor Markets Rebalancing



Source: Haver, GS

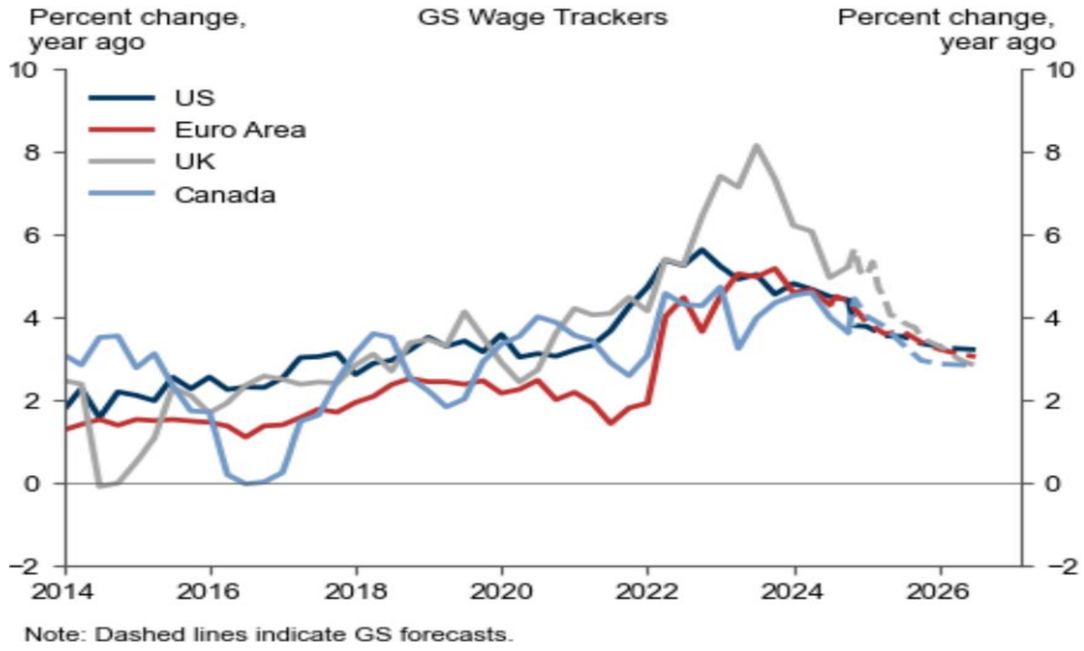
- Core inflation moderating across each of major DMs to varying degree
- Based on latest 3-months of available data, Euro area and Canada below 2%, while UK (2.9%) and US (2.5%) still have a bit to go. Japan outlier

- Factors seem to be in place for further wage easing
- Broad set of labor-market tightness indicators across advanced economies have return to pre-pandemic levels and "catch-ups" in negotiated wages appear to has run their course

As of Dec 31, 2025.

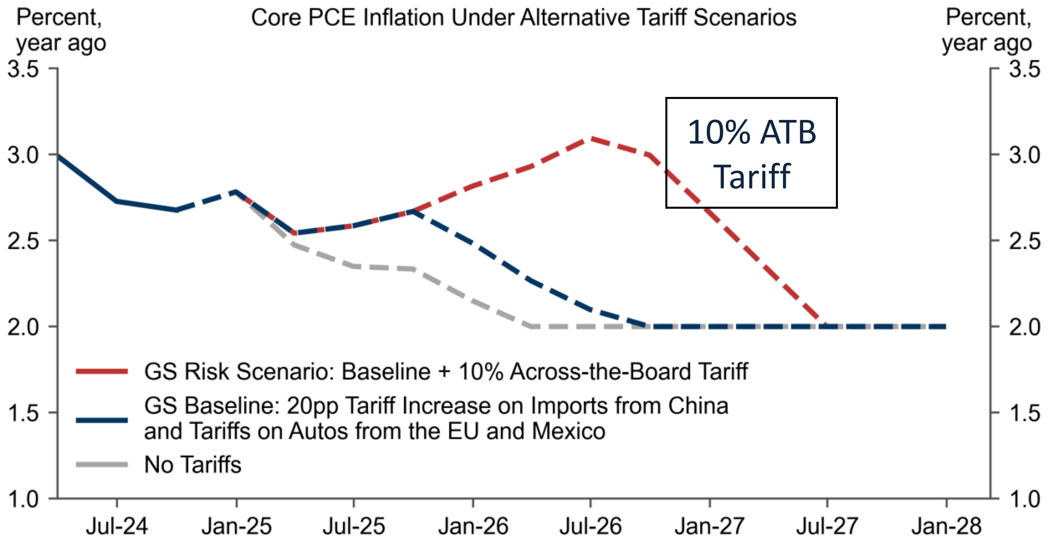
Inflation Outlook Underpinnings: Expected Wage Easing / Tariff Scenarios

DM Wage Outlook



Source: Haver, GS

Tariff Scenarios



Source: DoC, Haver, GS

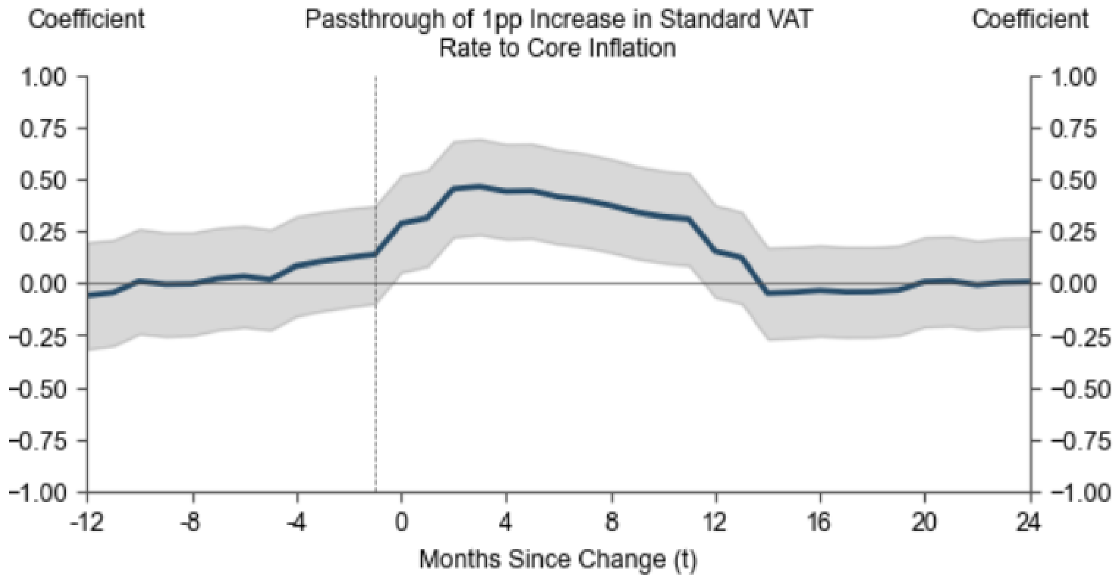
- Labor market rebalancing underpins expectations of GS economists for further wage easing in 2025 which will in turn foster inflation easing
- Services ex. energy and housing -- which makeup well over half of core indices -- are particularly sensitive to labor costs

- The above scenarios illustrate an important point about the relationship between tariffs and inflation
- Tariffs would result in price level increase which should drop out after a year, barring significant second-round effects via wages or inflation expectations.

As of Dec 31, 2025.

VAT/ Tariffs Conceptually Similar[1]: VAT Impacts on Inflation & Policy Rates

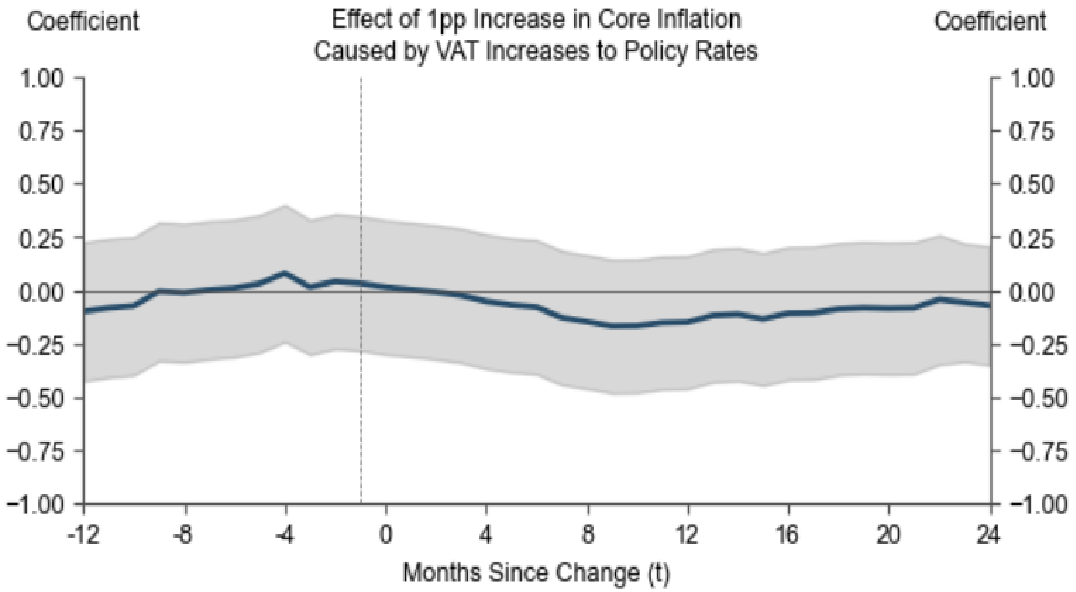
Price Response to VAT Increases



Note: Month of the change is assigned to t=0. Shaded region represents 95% CI.

Source: GS

No Impact on Policy Rate Baseline Assumption



Note: Month of the change is assigned to t=0. Shaded region represents 95% CI.

Source: GS

- Analysis performed by GS economists found that 1 pp increase in VAT rate raises year-over-year inflation over next 12 months by ~50bp
- Impact fades sharply, however, and is not statistically significant after 12 months

- Study results imply slightly negative (though statistically insignificant) effect on policy rate
- Central banks generally continued to adjust policy rates in 12 months following a VAT increase in similar manner as in 12 month prior to the increase.[2]

1. Data set includes over 70 VAT increases in DM economies. One caveat, sample largely covers post ~2000 period when inflation was relatively benign.
2. GS economics concede that FED might react if tariffs raise inflation expectations. Follow-up analysis found baseline tariff assumptions only had a negligible impact on expectations. But in a 10% across-the-board scenario in which tariffs are highly salient to consumers (gasoline prices) short-term inflation expectations would be 0.9pp higher and long-term expectations 0.25pp higher than in no tariff case

Trump's Tariffs Important Cyclical Issue: Initial Thoughts

SECOR | ASSET MANAGEMENT

- **Trump's Rhetoric / Campaign Pledges Virtually Assure Significant Tariff Increases**
  - Tariffs most beautiful word in dictionary (Trump quote)
    - Potential source of revenue / need to address trade imbalances[1]

- **Nominees for Key Economic Positions Supportive**
  - *Scott Bessent* (Treasury) aggressive trade policies warranted…
    - Toward China and US allies to balance global economy…
    - "Need to escalate to de-escalate"
  - *Jamieson Greer* (Trade Rep.) Lighthizer's Chief of Staff in "Trump 1"
    - Performed well in that role / *could help US capitalize on tech edge*[2]
  - *Steven Miran* (Chair Council of Economic Advisors) interesting contrarian who ..
    - Has espoused novel arguments arguably based on theory & evidence which conclude …
    - US would be better off with high tariffs – e.g., 20% or more vs. 2% today and a weak dollar
    - Miran's paper also acknowledges risks and caveats including retaliation & USD appreciation…
    - That might need to be addressed[3]

1. At current import volumes 10% cross-the-board and 60% tariffs on imports from China could generate revenue equivalent to 1.9% at GDP. Estimated cost of outstanding 2017 tax cuts 1.1.% of GDP. US has been running consistent trade deficits since 1970s; trade deficit in 2023 equivalent to 2.8% of GDP
2. Robert Zoelick in recent WSJ opinion piece credited Lighthizer / Greer with including state-of-the-art digital provisions in USMCA and other agreements in Trump 1. In contrast, Biden's team feared tech companies and the digital economy and reversed course.. Zoelick is hopeful that Greer and Howard Lutnick (Commerce nominee) with his experience in the financial sector and interest in crypto markets will pursue a nontariff agenda that understands the digital transformation and capitalize on America's tuck edge. US has consistently run a big surplus in services, including digital ones.
3. Miran's suggestions include withdrawing defense protection from countries that retaliate. Alternatively, in exchange for reducing tariffs some partners such as Europe and China might become receptive to a currency accord in exchange for a reduction in tariffs.

Trump's Tariffs Important Cyclical Issue: Initial Thoughts -- cont'd

- **Geopolitical Concerns Support High Tariffs on Imports from China**
  - At least on strategic goods and products such as EVs but there are…

- **Significant Questions Re Merits of Cross-the-Board Tariffs & Their Effects on Allies**
  - More efficient ways to raise revenue, tariffs regressive and they…
  - Reduce GDP and raise inflation[1] / targeted tariffs that address
    - Perceived inequities might be acceptable but
    - Material (10%) cross-the-board tariff could be highly disruptive[2]

- **Financial Markets Appear to be Taking Pledged Policy Changes in Stride**
  - Equity markets responded positively to election results
  - Investors seemingly taking Trump seriously but not literally
    - Considerable uncertainty about scope and timing tariffs that will be enacted[3]
  - Expected tax cuts and easing of regulations potential offsets to tariff / immigration headwinds

1. GS economist estimate hit to real income and consumer spending will outweigh decline in trade deficit, especially if there is retaliation — e.g., they estimate a 1 pp increase in effective tariff rate will have following effects: level of GDP – 0.15% / -0.7% with tax cuts and +0.10% on core consumer prices.
2. GS economists contend that the markets would not be receptive to tariffs that would raise inflation a bit over 3% at peak and reduce GDP by more than 1%. 2019 tariffs — one fifth the size of 10% across-the-board tariff — produced a significant market sell off..
3. Trump's 2016 tariff proposals substantially exceeded outcomes when he was in office. Tariffs he imposed on China and aluminum and steel have withstood legal challenges but authority to impose tariffs across the board is less clear and is likely to be challenged. Also, estimates need to take account of multi-factors: USD appreciation, trade elasticities, price-pass-through, retaliatory tariffs changes in growth, etc.

Personal Thoughts on US / Trump Trade Policy

- **Agree With Chris Miller (Chip War Author) and Other Experts…**
  - Maintaining lead in AI / technology focal economic / geopolitical Issue and …
  - Well-targeted tariffs and sanctions warranted

- **Do Not Agree With Trump That Addressing Trade Imbalances Critical Issue**
  - As long as US runs large budget deficits capital inflows needed for investment

- **US Arguably Well Positioned to "Weaponize" Tariffs**
  - Energy independent / world's reserve currency
  - Edge in "tit-for-tat" trade war[1] / China dominance in critical minerals[2] and US Treasury holdings not likely to prompt US to reverse course

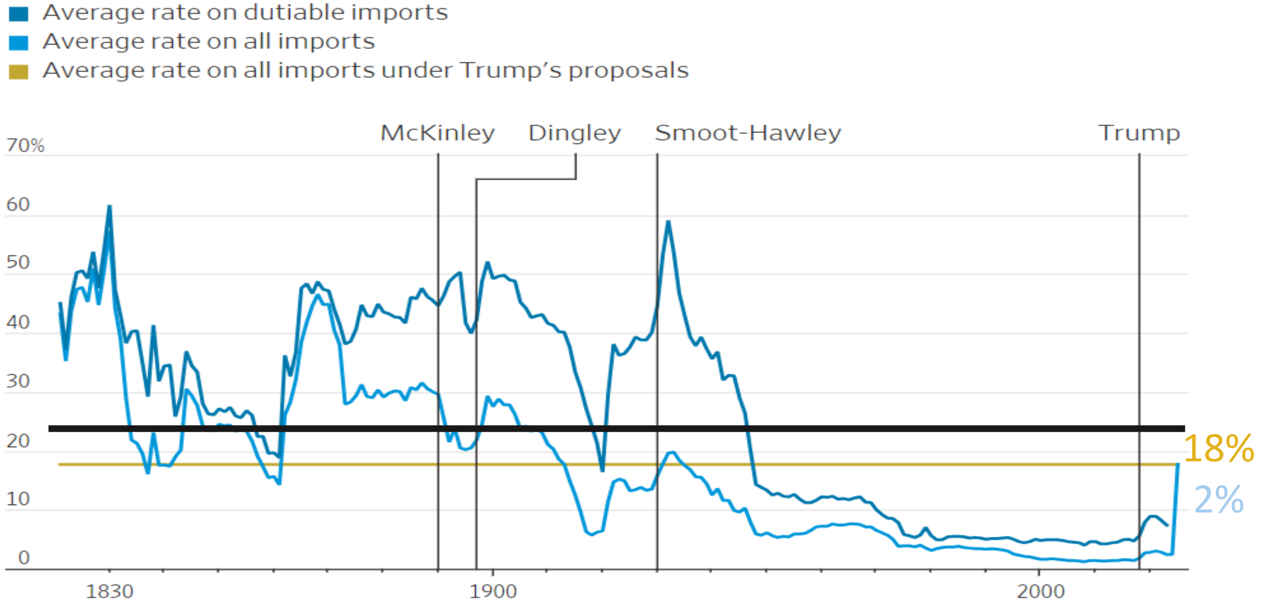
- **Significant Tariffs on Imports From US Allies, However, Likely to Be Pyrrhic Victory**
  - US investors / consumers unlikely to take solace in…
    - Knowing that tariffs may hurt our trading partners more than the US
  - Diplomats question merits of "bullying" and potentially alienating important allies

1. US large and attractive markets for exporters. . In '23, imports totaled $3.8 trillion while US exports totaled $3.1trillion. Trade deficits with major trading partner in 2023: China ($279 bn), Mexico ($152 bn), Vietnam ($104 bn), Germany ($83bn), Japan ($71 bn), Canada ($67 bn).
2. China's dominance of crucial minerals relies in large part relies on low prices. If export controls push up market prices, this is likely to bring other suppliers to market. Third countries also prepared to act as middlemen in global trade.

US Tariffs: Long-run History /Key Country Import Tariffs Post 2016

SECOR | ASSET MANAGEMENT

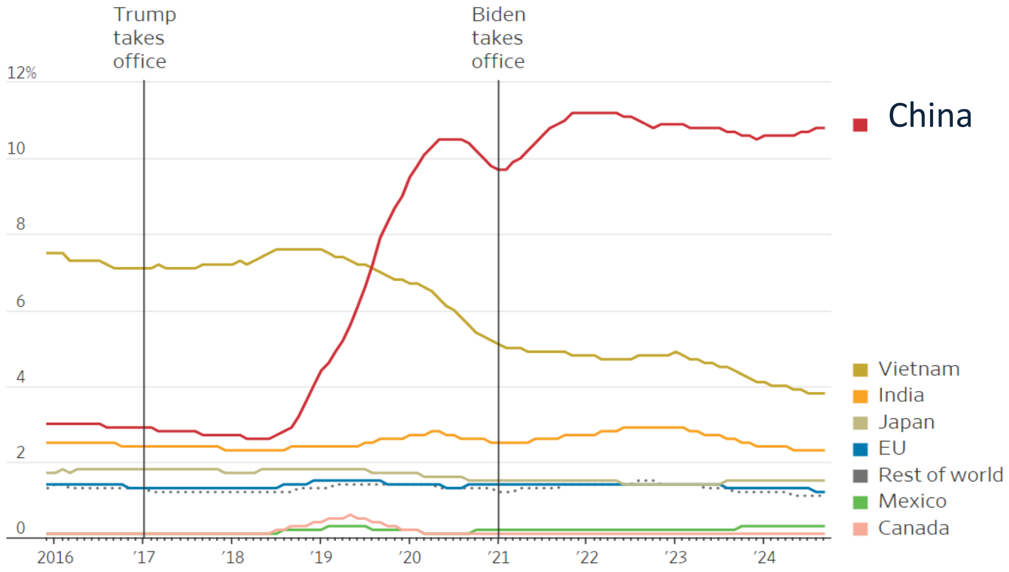
History / Trump's Proposals



Source: Tax Foundation[1]

- Tariff rates – i.e., duties divided by imports – have been declining since 1930s, falling from ~18% to ~2% average
- Trump's campaign proposals[1] would push rate back to 1930s peak (lower/ lighter blue line)
- Robert Lighthizer counters post-civil war boom accompanied by high tariffs[2]

Effective Average Tariff Rate Since 2016



Source: Trade Partnership Worldwide, Consensus Bureau

- Ex China, tariffs rates have remained low since 2016…
- But average tariff on imports from China has jumped from 3% to 11%[3]
- Decrease in average tariff on imports from Vietnam due to change in composition

As of Dec 2024.

1. Estimates assumes 10% - 20% tariffs on all imports, plus 60% on imports from China
2. During 1865 – 1900 boom when tariffs on dutiable goods were always > 40%, while US had large trade and fiscal surpluses
3. Average tariff on China imports rose from 3% to 10% during Trump 1 and then increased to 11% in 2024.
4. Vietnam's import composition has transitioned from higher-to-lower-tariff goods since 2016.

Trumps Trade Policies: Day 1 Surprises/ Key Decisions Forthcoming

SECOR | ASSET MANAGEMENT

- **"America First Trade Policy" Directs Certain Departments & Agencies to:**
  - Conduct specific reviews and issue reports by April 1
  - Timetable allows for Senate to confirm those in key roles
    - Howard Lutnick (Commerce) Jamison Greer (USTR), Scott Bessent (Treasury)
  - *Changes could be announced April 1 and take effect 30-60 days after*

- **President's Extemporaneous Response to Questions Providing Food for Thought**
  - Threatened 25% tariffs on Mexico and Canada by February 1
  - 100% tariff on China's exports if TikTok sales isn't approved by ByteDance
  - "I may (impose universal tariff) but we are not ready for that yet"

- **In my Opinion, Grains of Truth But and Hyperbole in Trump's Extemporaneous Responses / He Definitely…**
  - Wants Mexico and Canada to help with key objectives but slapping 25% tariffs on neighbors and…
    - Major trading partners on February 1 would highly disruptive, we assign low probability to this outcome
  - Official document calls for USTR to seek comments on USMC changes pre-July '26 renewal
    - Previously (2019) Trump has threatened 25% tariffs on Mexican imports and did not enact them
  - Executive order he signed gives ByteDance until April to divest
  - Universal tariffs possible but we believe reviews will suggest…
    - Targeted tariffs better than a broad, regressive, indiscriminate universal tariff

Trumps Trade Policies: Day 1 Surprises/ Key Decisions Forthcoming-cont'd

- **China Tariffs: Despite President's Latest Seemingly Benign Comments, Significant Increase Likely**
  - Trump noted: "I spoke to Present Xi…. I had a good phone call"
    - Trump has also indicated that he is willing to go to China
  - While the readiness on both sides to engage is encouraging we believe the …
  - Review called for in the President's memorandum covering China's trade practices… Compliance with 2020 Phase One Trade Deal, and Continuing large trade imbalances will call for a significant increase in tariffs on imports from China

- **Against This Background, GS Tariff Assumptions[2] Seem Reasonable for Our Current Baseline Outlook**
  - 20pp increase average tariff on imports from China and tariffs increases on European autos and Mexican EVs

1. GS tariffs assumption: Effective rate increase for all imports 3.4pp including +20 pp (China) + EU auto / EVs from Mexico EVs

US Outlook: Trump Game Changer/ Relatively Small Impact on '25 Macro-Outlook

SECOR | ASSET MANAGEMENT

- **Robust Fundamentals in Place for Continuing Expansion, Albeit Less than in '24**
  - 2.4% baseline growth forecast for 2025 vs. 2.8% for 2024
  - Economy entering year with strong forward momentum[1]
  - Consumers in solid financial position/ real income increasing & balance sheets strong
  - Profit margins still near record levels / forward business indicators middling
  - Inflation still above 2% target but moderating and easing wage growth encouraging

- **Neither Latest Headwinds -- Rising Bond Yields / LA Fires[2] -- Nor Possible AI Tailwinds…**
  - Expected to have major impact on 2025 macro-outlook[3]

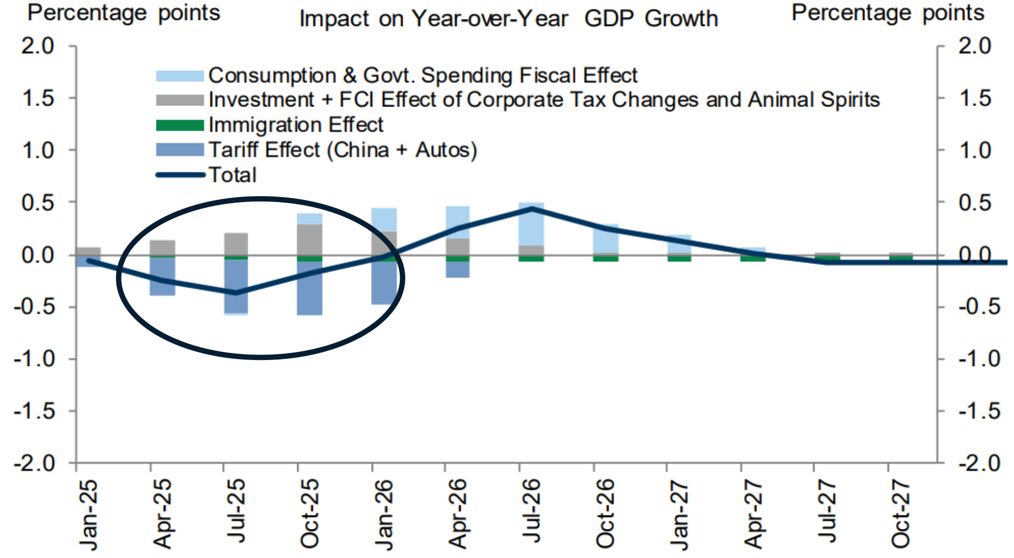
- **Trump's Policies Focal Issue: Tariffs Coming But Much Remains To Be Determined Re…**
  - Initial proposals, likely retaliation, counter proposals, timing of implementation
  - Regulatory changes greeted favorably by banking, energy, and tech leaders
  - Preliminary baseline forecast: Positive effects of tax and regulatory changes will largely…
    - Offset drag from tariffs and immigration

1. Latest labor, spending, and inflation data exceeded expectations. Changes in core CPI (0.2%) and core PPI (0.0%) below expectations and imply that core PCE growth in 2H24 was only modestly above 2% target.
2. 7% mortgage rates will slow residential construction, but buyer surveys suggest collapse not likely— e.g., residential investment forecast ~1.5% ('25) vs 4% ('24). Re effects of LA fires,. impact on national GDP expected to be relatively small. Most of damage is to residential properties, not businesses. GS forecasts 0.1pp hit to Q1 GDP growth. JPM "hopeful" that Trump will lift some of significant banking regulations imposed by Biden administration.
3. Chart in appendix (p. 37) shows hit to GDP with 10% across-the-board tariff. GDP hit in 2025 becomes significant: 1.5% at peak and 1% with tax cuts.

Trump Policies: Representative Estimates of Macro Effects[1]

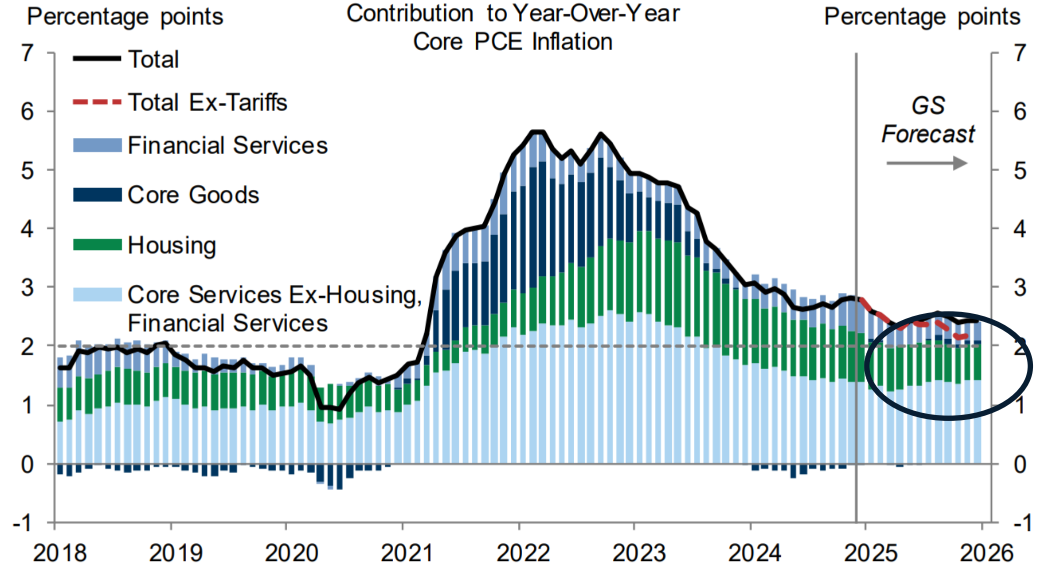
SECOR | ASSET MANAGEMENT

Estimated Impact on GDP



Source: GS

Estimated Impact on Core CPI



Source: GS

Estimated net effects of Trump's policies on GDP growth-- slightly negative in 2025

Estimated net effect of policies on inflation-- raise core CPI ~0.5pp in 2025

Assumptions

- Tariffs: Effective rate increase for all imports + 3.4pp including +20 pp (China) + EU auto / EVs from Mexico EVs
- Immigration: Net '25 incresae750K, down from pre-pandemic average of 1 million per year
- Fiscal Policy: 2017 tax cut extended + additional tax cuts near end of year[2]
- Regulations eased for: Antitrust enforcement, energy project approval, consumer finance companies

As of Dec 2024.

1. GS forecasts prepared a few days before Trump's January 20 announcements
2. Additional tax cuts include new personal cuts affecting SALT deduction, tip and overtime income.. New business cuts include lower corporate rate for domestic manufacturers

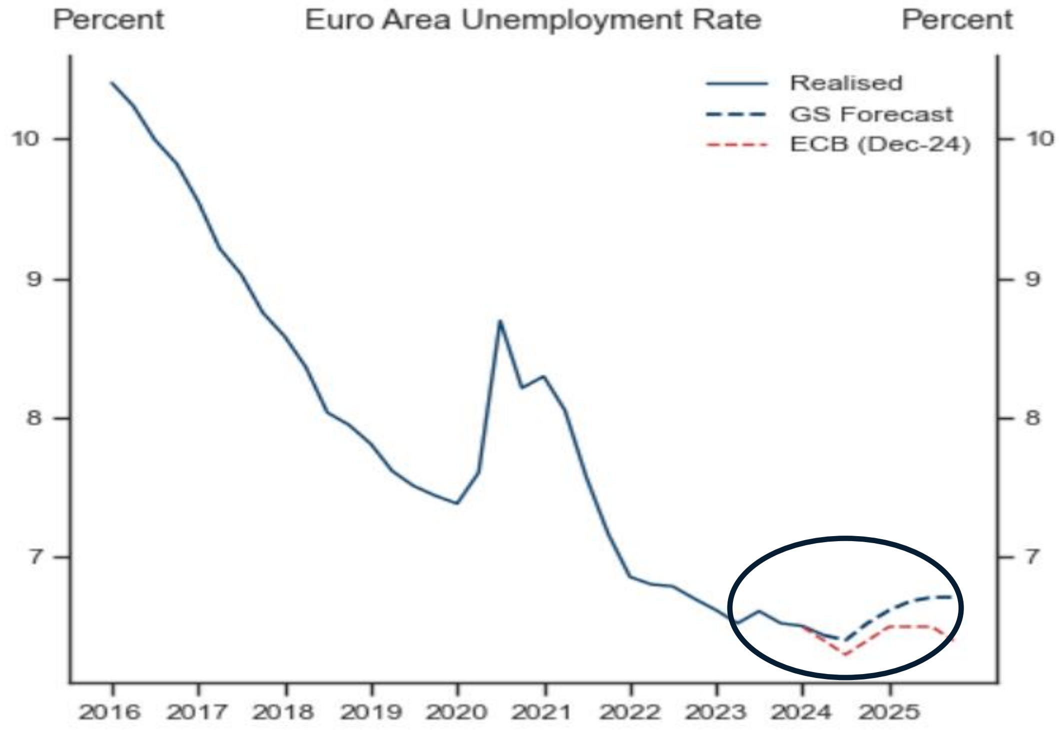
2025 Outlook Euro Area: Continuing Subdued Growth / Moderating Inflation

SECOR | ASSET MANAGEMENT

Baseline 2025 Outlook: Another Year of 0.8% GDP Growth / Inflation Expected to Reach 2% Target

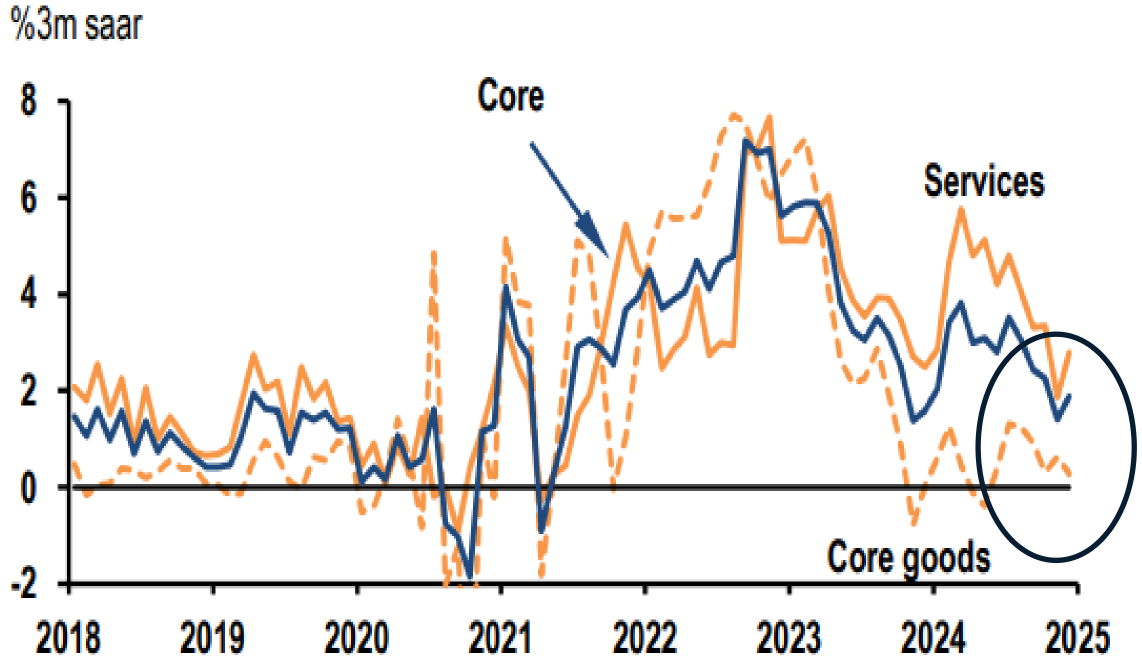
- Principal positives: Strong consumer sector: high saving rate / rising real incomes / robust labor market
  - Resilient South ---Spain, Portugal, and Greece -- resilience driven by services / immigration / investment
- Headwinds: Trade concerns / structural weakness / political uncertainty

Unemployment Rate



Source: ECB, Haver, GS

Core Inflation[1]



Source: Eurostat, ECB, JPM

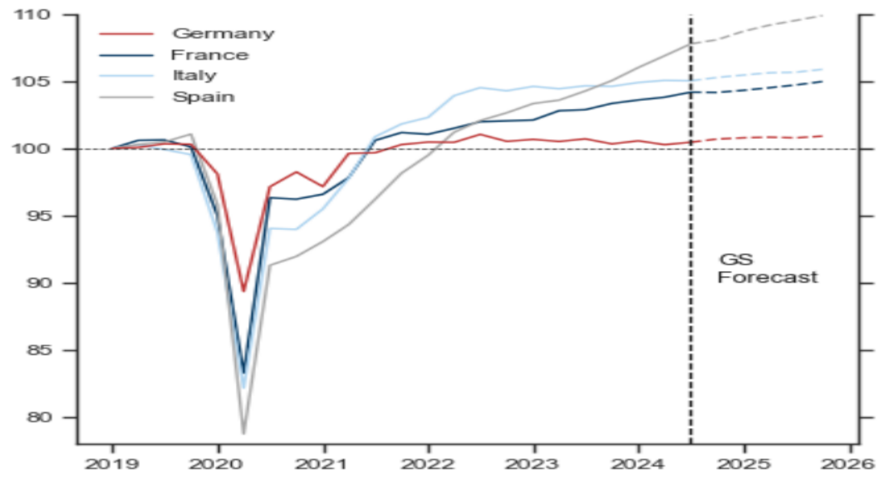
As of Dec 2024.

1. Over last four months core prices ran at 1.7%, while good prices at 0.5% and services at a 2.5%.

2025 Outlook Euro Area --- cont'd

Potential Sources of Support

Resilience in Southern Europe

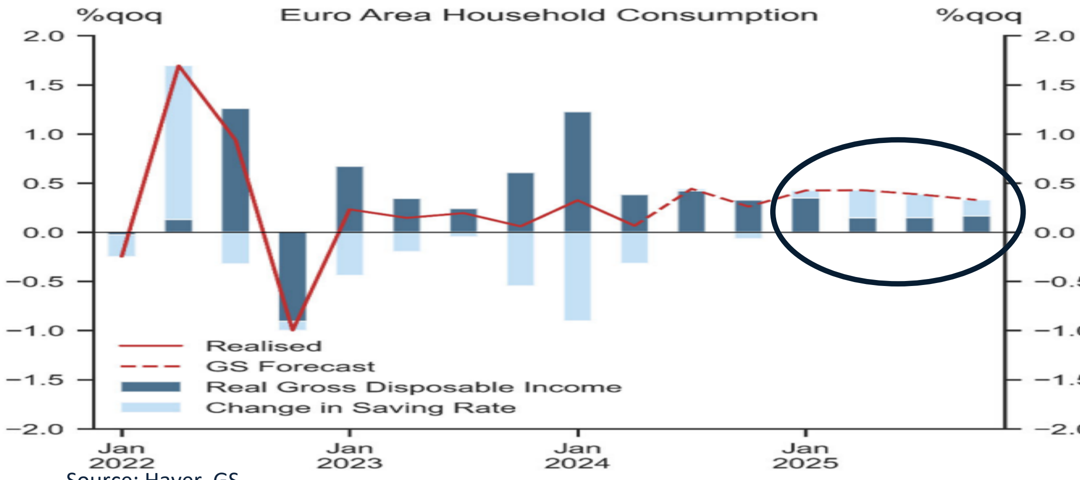


Spain

Germany

Source: European Commission, Haver, GS

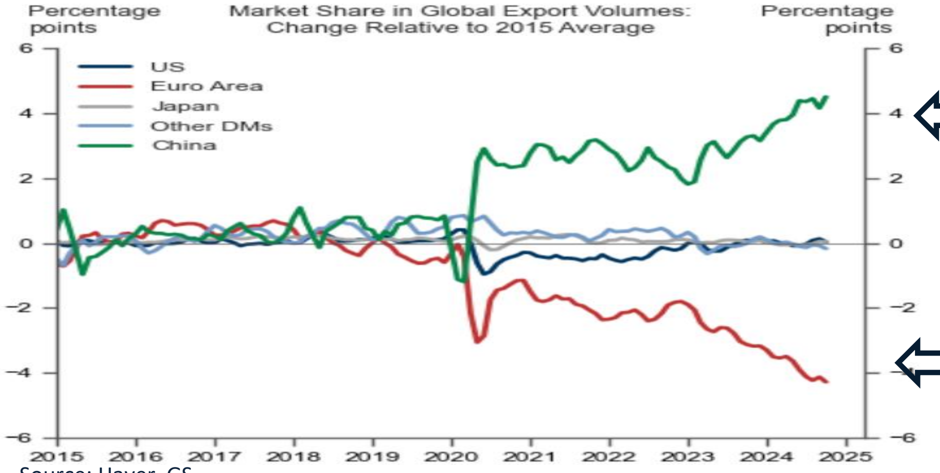
Consumer Spending



Source: Haver, GS

Potential Headwinds

China's Growing Export Share

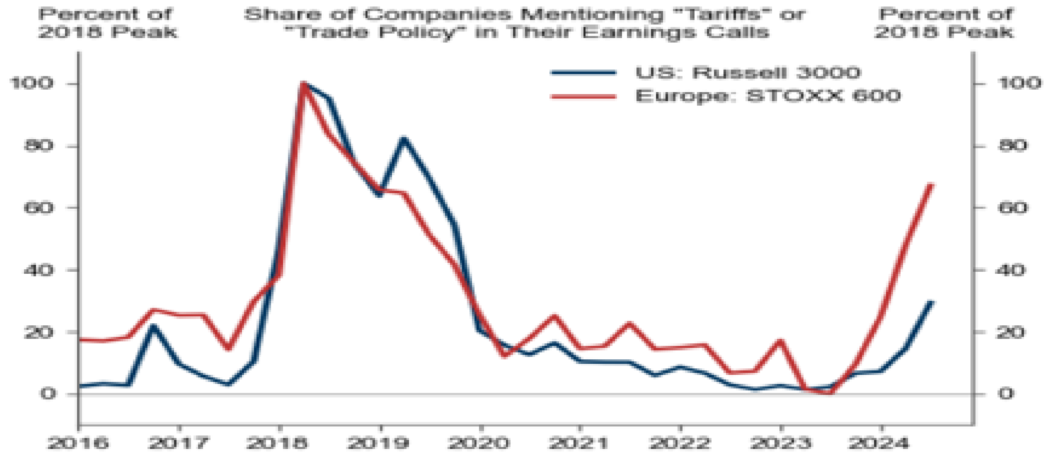


China

Euro area

Source: Haver, GS

Rising Trade Concerns



Source: Haver, GS

As of Dec 2024.

2025 UK Outlook : Recent Data/News Giving Investors Much to Consider

- **Baseline 2025 GDP Forecast 0.9% / Inflation Forecast Raised Up To 2.5%**[1]
  - Economy concluded 2024 on weaker than expected note
    - Retail sales contracted in Q4, while industrial production softened
  - Questions are being raised about commitment to fiscal austerity
    - Chancellor Reeves assured parliament spending cuts would be made, if needed

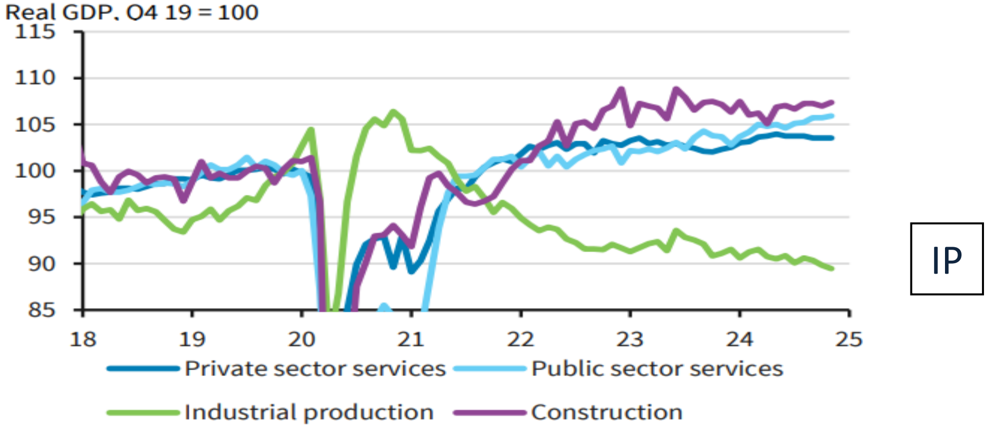
- **Growth in Line with 2024 Pace Still Expected / Further Cuts in Policy Rate Linchpin in Outlook**
  - Deputy Governor of MPC signaled that there is a case for further easing [2] and …
    - Brightmine's January survey points to further wage moderation/ inflationary pressure
  - Strength of OBR's recent government spending suggests latest GDP data may be understated
  - Notwithstanding recent softness, CE economists continue to forecast above consensus GDP in 2025
    - Less exposure to Trump tariffs than other countries[3]
    - Expect inflation to slow to 1.8% by Q1 '26 & for household real income to grow 1.9% over next two years

1. Secor's October 2025 GDP forecast 1.0%. Current Secor forecast is below consensus (1.3%), OBR (2.0%), Capital Economics (1.4%). Our forecast, however, is above JPM's (0.7%0) and in line with GS's GDP forecast. Our 2.5% 2025 CPI forecasts is in line with the external forecasts that .
2. Sarah Beeden, Deputy Governor of MPC
3. Given likely exemptions for services exports and a partial offset from a fall in pound, Trump effect on UK GDP is expected to be no more than 0.1%.

2025 UK Outlook cont’d

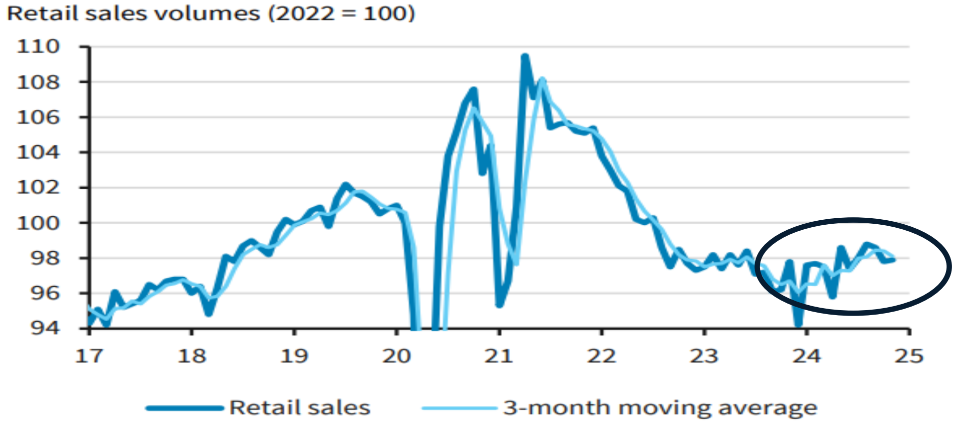
SECOR | ASSET MANAGEMENT

GDP Sectors / IP Very Weak[1]



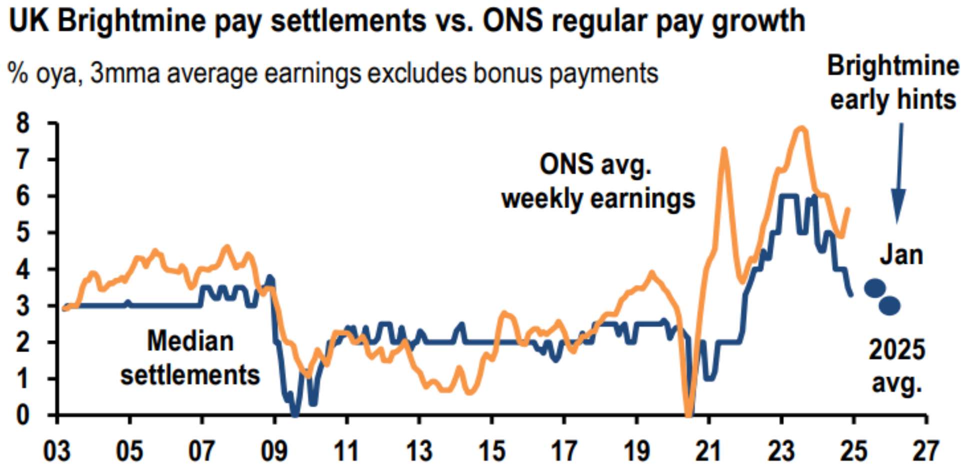
Source: ONS, Haver, Barclays

Retail Sales Contracted in Q4



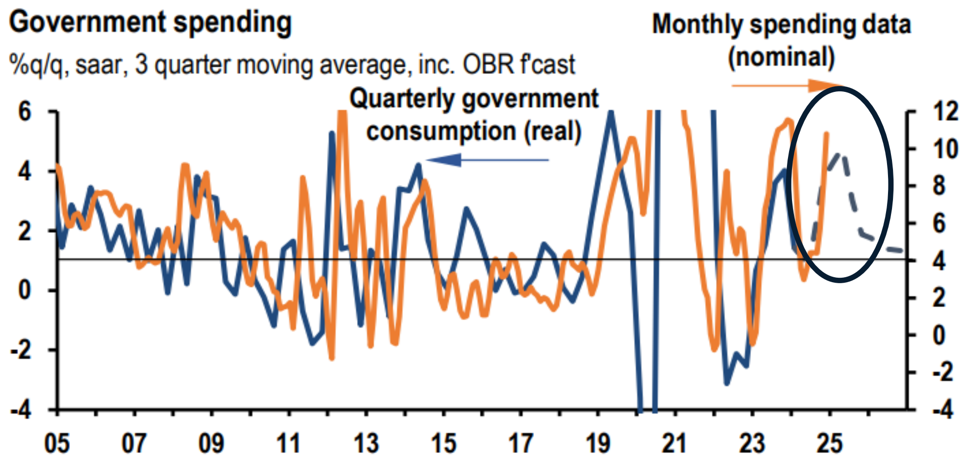
Source: OHS, Haver, Barclays

Brightmine Pay Settlement / ONS Pay Growth



Source: Brightmine, ONS

UK Government Spending



Source: OBR

As of Dec 2024.

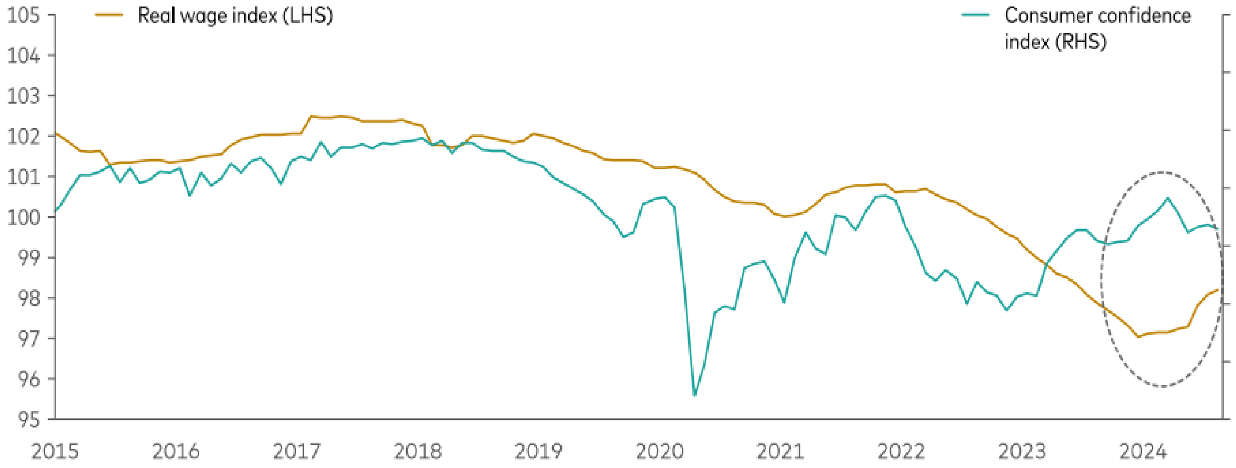
1. UK 16 DP grew only 0.1% m/m/ in November.

2025 Outlook Japan: Economy on Path to Normalizing

SECOR | ASSET MANAGEMENT

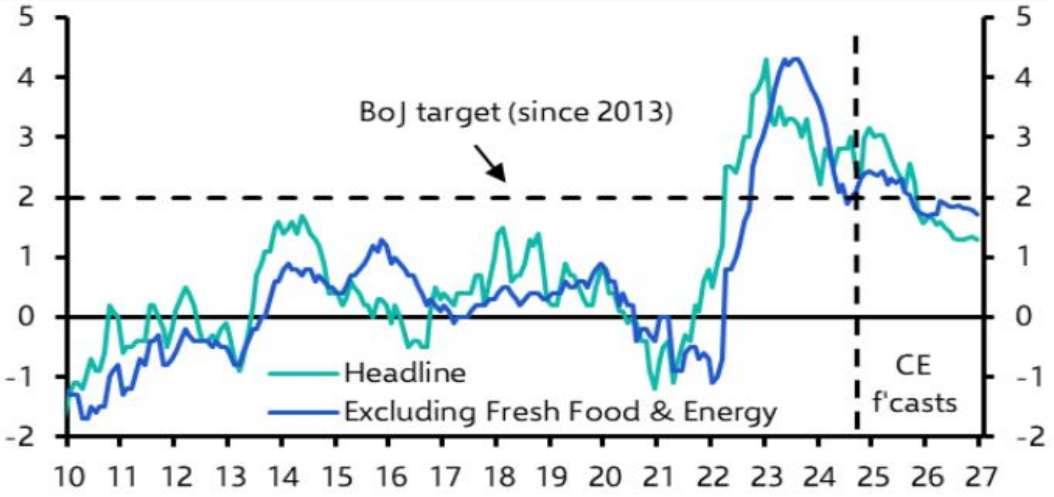
- **Sanguine Consumer Confidence, Rebound in Consumption, Rising Wages…**
  - Giving credence to BoJ's "virtuous cycle" — rising wages & moderate inflation
  - Latest PMIs stronger than expected / driven by services
- **BoJ Raised Policy Rate to 0.5% Last Week**
  - Governor Ueda indicated rate still below neutral
  - Official forecast calls for inflation to be in mid-2% range in FY25

Wage Growth and Consumer Confidence



Source: Japan's Government Agencies, Vanguard

Consumer Prices



Source: LSEG, BoJ, CE

As of Dec 2024.

2025 China Outlook: Growth Slightly Below 5% Target / Inflation Subdued

- **2024 Growth Reached 5% Target, Based on Official Data[1] But It Was Unbalanced**
  - Leadership focused on technology and high-quality growth and exports, while…
  - Consumer spending and confidence are low and youth unemployment high[2]
  - Growth surge 6.6% (annualized) in Q4 sparked by stimulus i.e., “cash for clunkers” and…
    - Front loading in anticipation of tariffs

- **Officials Expected to Reaffirm 5% Growth Target for 2025**
  - Stimulus expected to be edged up and to help support the economy…
    - Cash for clunkers extended but high debt level precludes “bazooka-like” stimulus[3]
  - Orderly step-down to ~4.5% growth expected to be achieved…
    - Assuming tariffs in line with baseline assumption (20pp increase in effective rate)[4]

- **Inflation Expected to Edge Up Slightly in 2025: CPI 0.8%**
    - Excess capacity & low confidence point to continuing downward pressure on CPI

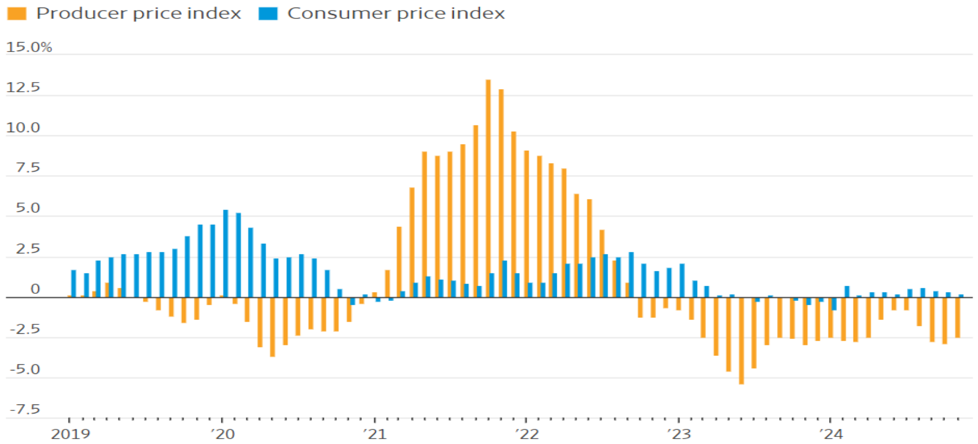
1. Reported 6.6% growth rate may overstate actual increase. Nonetheless, stimulus produced a growth spurt.
2. China’s consumption share of GDP is 39.2% in 2023, compared to global average of 55%. Household savings rate 31% in 2024. Youth unemployment reached a high of 18.8% in August
3. China current government debt level estimated at >100% of GDP (25% central government debt, 35% local government and 50% hidden local debt)
4. Baseline tariff assumption GS economists estimate 20pp increase in the effective tariff rate would reduce level of China’s real GDP by 0.7pp in one year.

2025 Outlook China cont'd

Late '24 Rebound

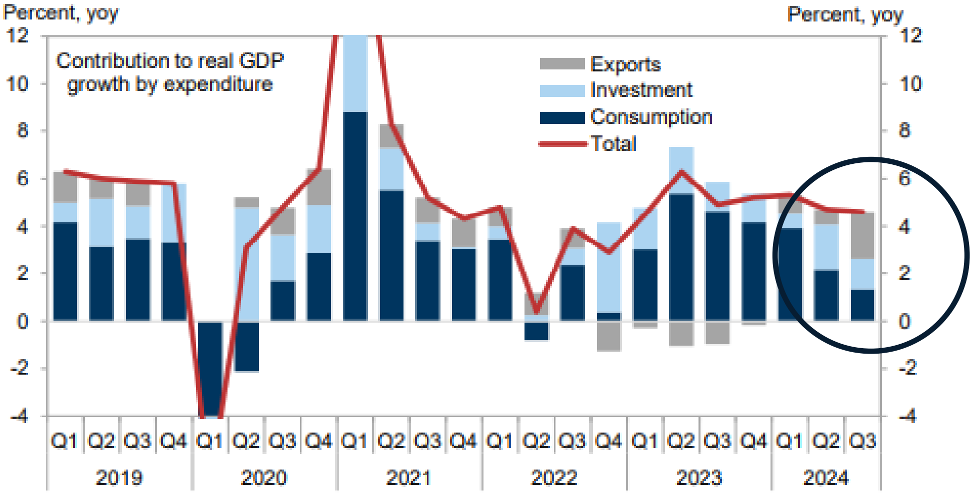
Source: CEIC, Haver, GS

Consumer and Producer Prices (% y/y)



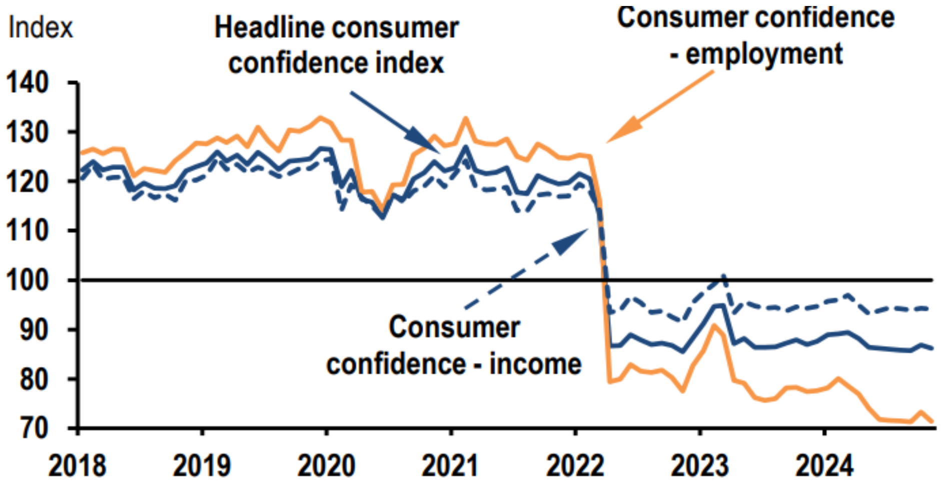
Source: China Bureau of Statistics, Haver

Contributions to Growth



Source: NBS

Consumer Confidence



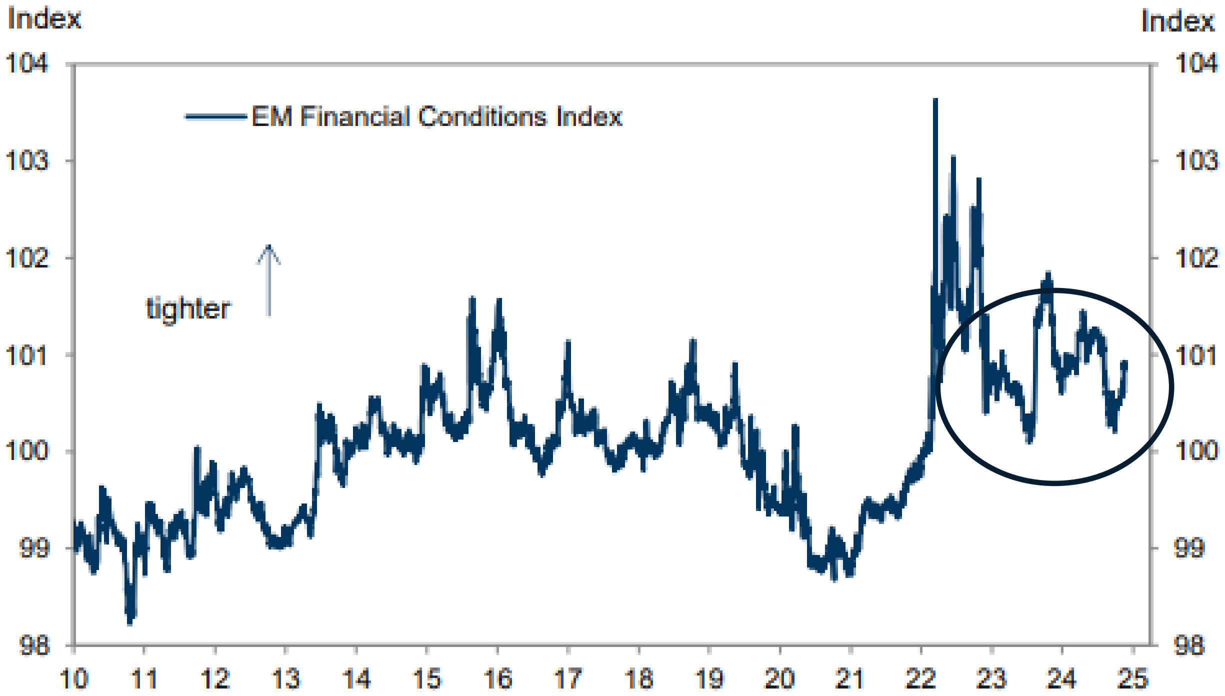
Source: NBS, JPM

EM 2025 Outlook: Stress Not Evident/ Tariff & USD Potential Headwinds

EM Entering 2025 Poised for Further Trend-like Growth

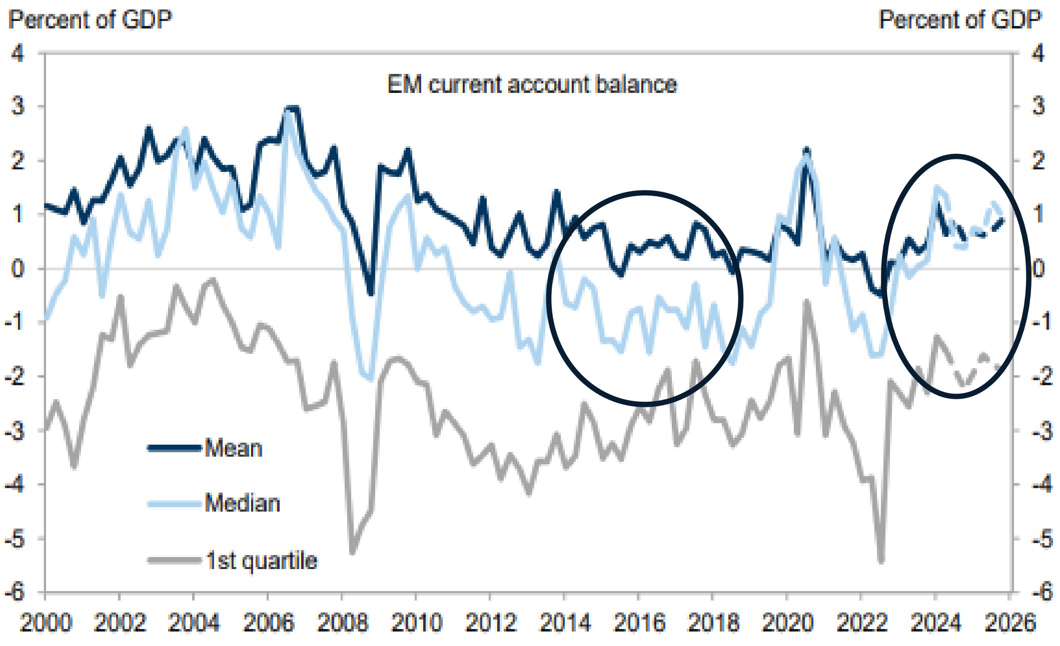
- Fed has started to lower rates/ Energy prices have declined[1]
- Some reshuffling of growth within EM expected/ tariffs potential divider[2]
- Serious imbalances not evident currently[3]

EM Financial Conditions



Source: GS

EM Current Account Balance



Source: Haver, GS

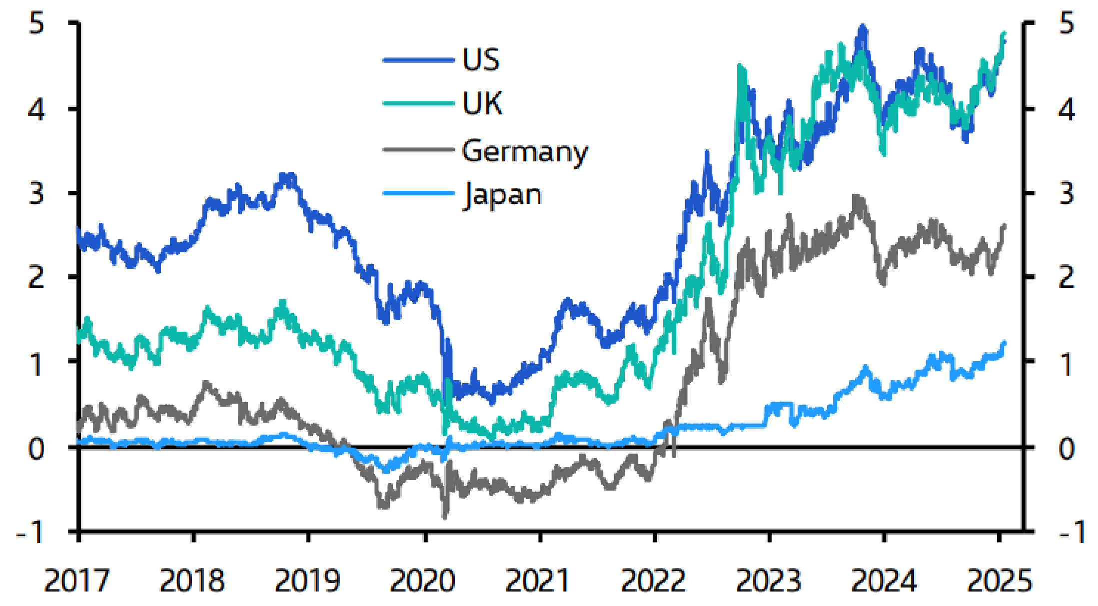
As of Dec 2024.

1. Lower energy prices not a universal blessing for EMs but important for some larger economies - - China, India
2. Some BRICs likely to slow in 2025, while number of smaller EMs - - Argentina, Egypt, Israel, CEE economies expected to rebound
3. Financial conditions more stable than in ‘22 and ‘23, Current accounts Balances generally in good shape, median EM had ~1% of GDP surplus in 2024 vs. ~2% deficit in 2013 “taper tantrum”

2025 Outlook Underpinnings: Rising Bond Yields Bear Watching

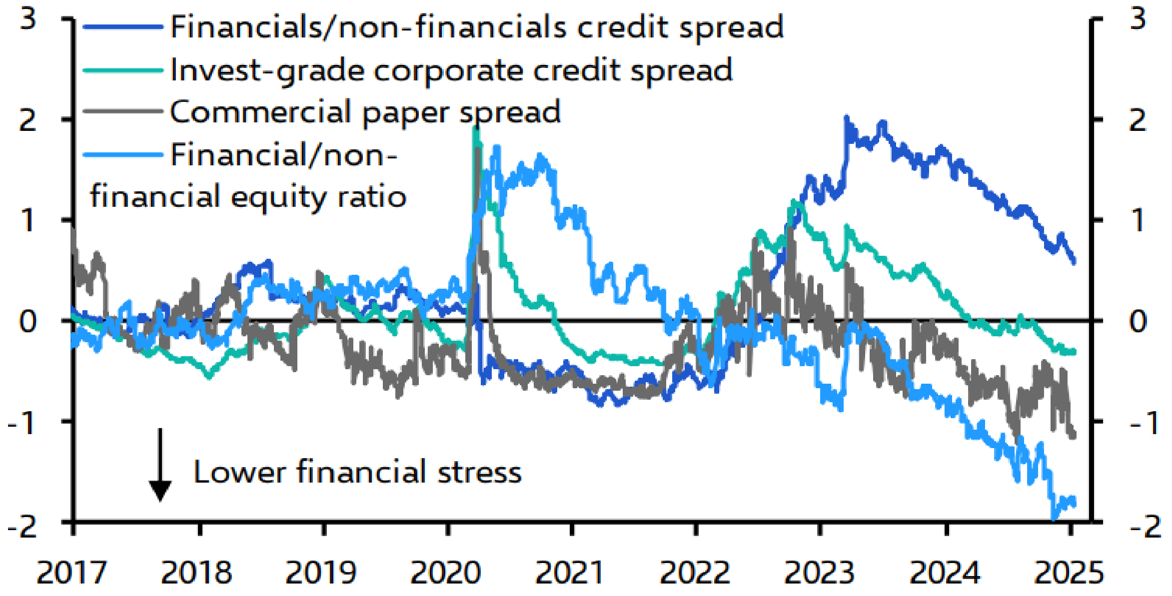
SECOR | ASSET MANAGEMENT

10-Year Government Bond Yields



Source: LSEG, CE

DM Financial Stress Indicators (Z-Scores)



Source: LSEG, CE

- Recent rise in bond yields presumably reflects economic strength and growing concerns re fiscal deficits and tariffs
- This rise bears watching

- The good news is that the rise in bond yields has thus far not sparked wider financial dislocations
- In fact, traditional stress indicators such as credit spreads are trending down currently

As of Dec 2024.

Country / Regional Outlooks

Major DMS		Estimated GDP Growth			Estimated CPI Increase*	
		2024	2025		2024	2025
US*		2.8% ~~1.8%~~	2.4%		2.4%	2.5%
Euro Area		0.8% ~~0.5%~~	0.8%		2.4%	2.0%
UK		0.9% ~~0.3%~~	0.9%		2.6% ~~2.5%~~	2.5%
Japan		-0.2% ~~1.0%~~	1.2%		2.7% ~~2.8%~~	2.0%
BRICs						
China		5.0% ~~4.7%~~	4.5%		0.3% ~~1.0%~~	0.8%
India		6.5% ~~6.3%~~	6.5%		4.8%	4.0%
Brazil		3.5% ~~1.7%~~	2.0%		4.3%	4.5%
Russia		3.5% ~~1.8%~~	1.5%		8.2% ~~6.3%~~	7.5%

1. US 2025 Inflation estimate core PCE Fed's preferred measure. CPI 2025 estimate 2.0%.
2. Crossed out numbers in 2024 columns are the forecasts we made last January

Pulling It All Together: Fundamentals Support Global Growth Tad Below 2024

- **Principal Positives Include: Solid Consumer Financial Positions / Strong Labor Markets…**
  - Supportive policy backdrop / High corporate profit margins / Inflation moderating
  - Structural problems restraining growth in some countries likely to persist but not increase

- **Tariff and Higher Bond Yields Concerns But Appear Manageable**
  - Initial assumption re Trump’s Policies: small impact on 2025 growth & inflation expectations

- **Tail Risks Include Negatives & Positives but Weighted to Downside / Principal Identifiable Risks…**
  - Downside: Weaponizing tariffs, Sovereign debt excesses, Geopolitics
  - Upside: Faster than expected AI adoption, Reducing / ending current armed conflicts

Expected Real GDP Growth			
	Global	DMs	EMs
2024	3.2% ~~2.8%~~	1.6% ~~1.3%~~	4.1% ~~3.8%~~
2025	3.0%	1.5%	3.9%

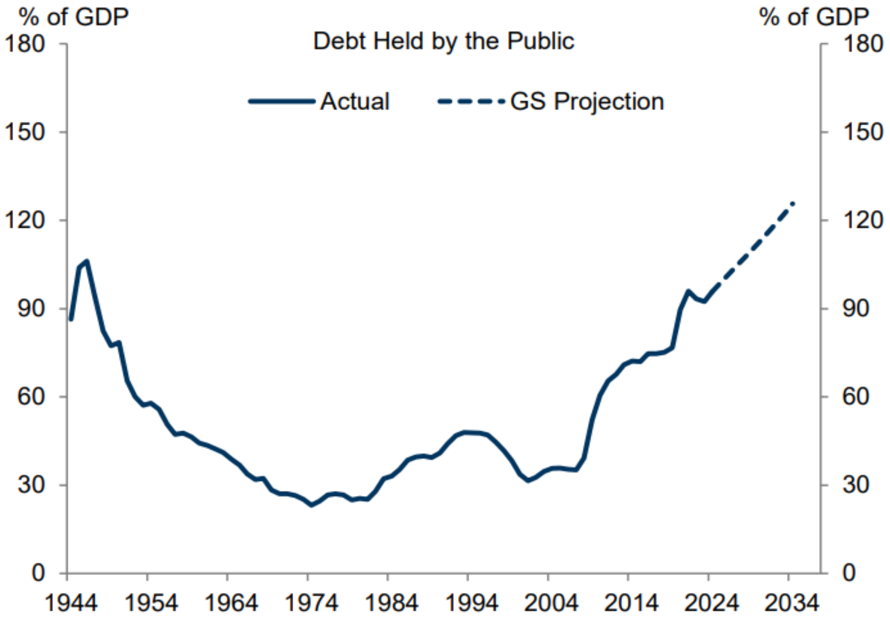
SECOR | ASSET MANAGEMENT

Appendix

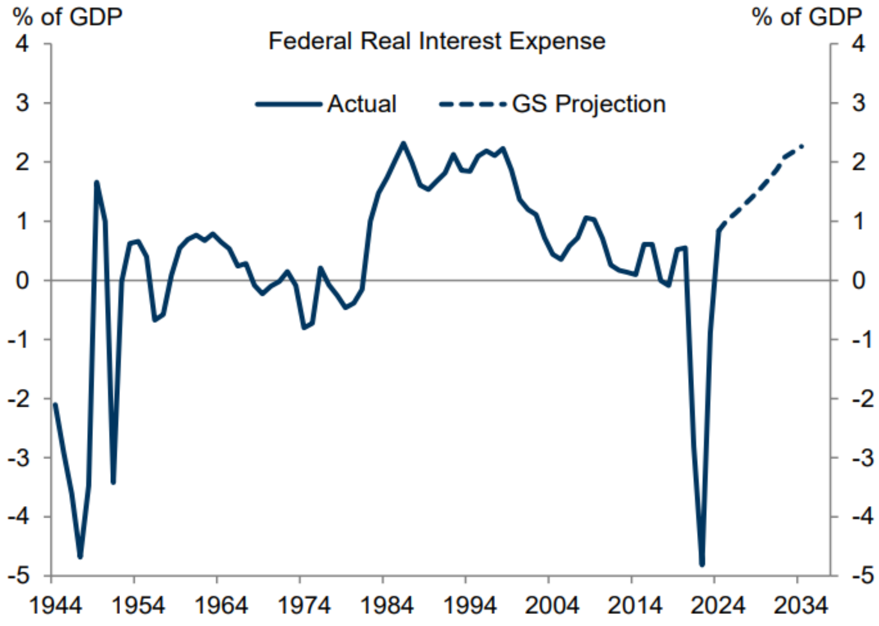
US Sovereign Debt and Interest Rate Expense Trajectories

SECOR | ASSET MANAGEMENT

Sovereign Debt Trajectory



Federal Interest Expense Trajectory



Note: We assume a baseline nominal interest rate of 3.5% and nominal growth rate of 4%. We assume that recessions occur once per decade on average and result in a 5pp cumulative increase in the primary deficit. We assume that interest rates increase by 1bp for every 1pp increase in the debt-to-GDP ratio.

Source: Department of the Treasury, GS

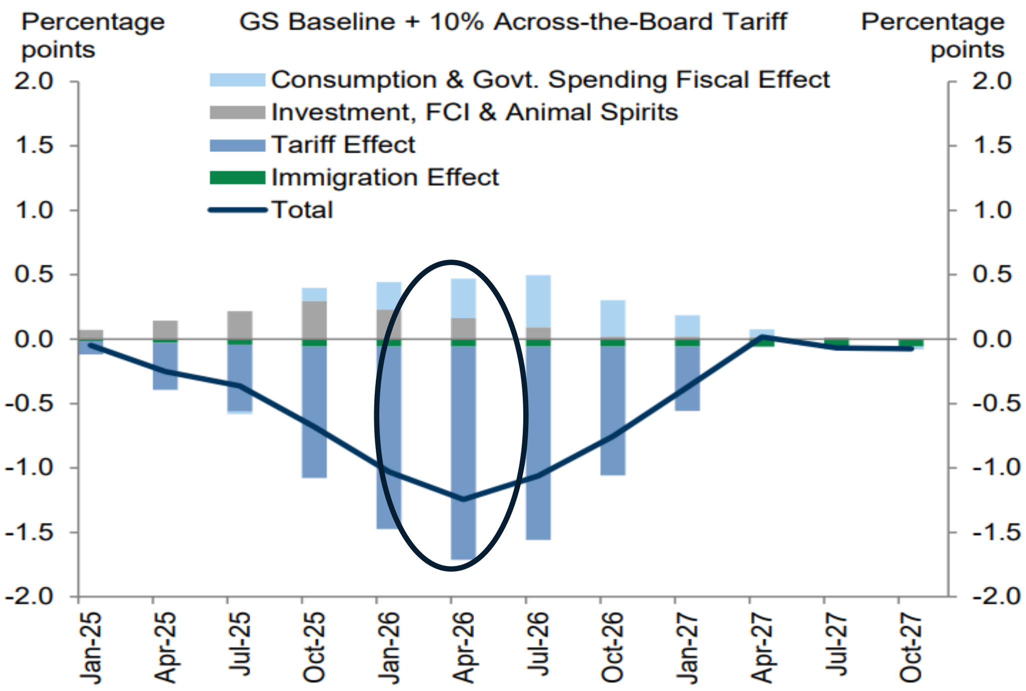
- Projected inexorable rise in US government's debt / GDP ratio is likely to push interest expense ratio to 1980s highs (or beyond).

As of Dec 2024.

GS Alternate Tariff Assumptions: Baseline & 10% Across-the-Board Tariff

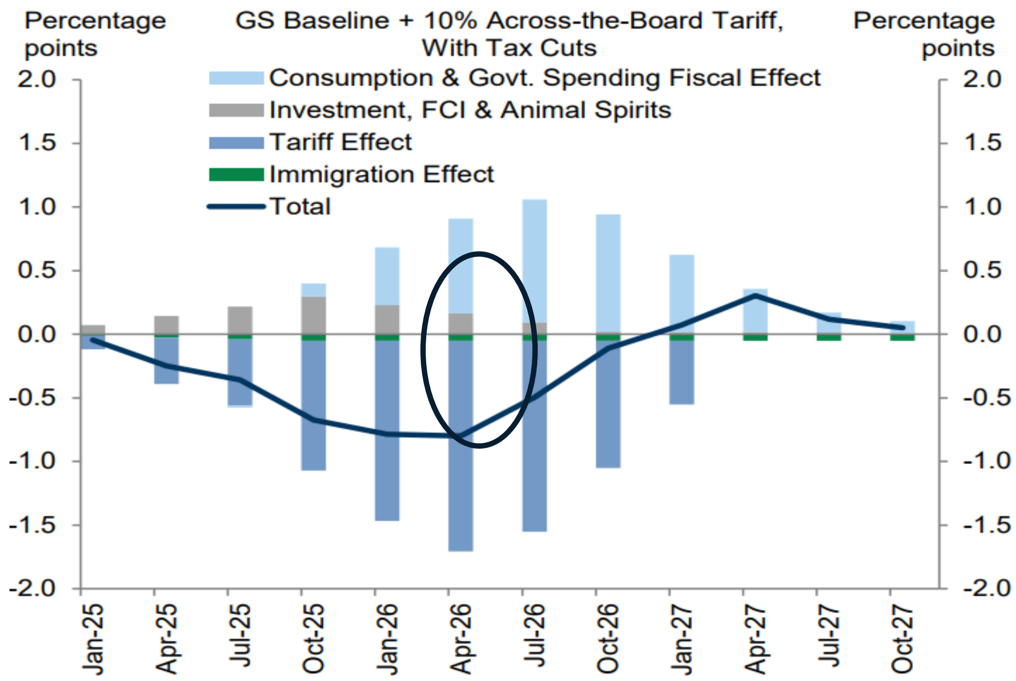
SECOR | ASSET MANAGEMENT

Baseline & Across-the-Board Tariff



Source: GS

Baseline & Across-the-Board Tariff & Tax Cuts



Source: GS

- Peak drag to GDP growth in mid-2025 is ~0.4% pt of GDP in GS's Baseline forecast. Drag jumps to~1.5%pt of GDP if a 10% across-the-board tariff is included. The drag is forecast to recede to ~1%pt of GDP if the 10% across-the-board tariff is accompanied by tax cuts.
- GS Baseline tariff scenario assumes 20 pp hike in the average tariff rate on imports from China as well as tariffs on European autos and Mexican EVs.

Possible Path for Growing Out of Our Country's Debt Woes

- **US Economy Currently Envy of World**
  - Growing faster than DM peers/home for world's tech leaders
- **But Growing Federal Debt Levels Achilles' Heel**
  - Since 1989 federal debt soared from $2.9tr to $33tr /rising three times faster than GDP
  - By 2030 America's debt servicing bill will reach the tipping point under current law …
    - Mandatory spending plus net interest will exceed tax revenues
- **Larry Fink Contends Raising Growth Rate Is Only Realistic Path Out of Debt Debacle**
  - If real GDP expands at 3% rate, US debt-to-GDP ratio would stabilize[3]
  - US in unique position of being able to fund investments required to meet this target…
    - World's deepest capital markets/ $23 tr of deposits & money markets funds available
    - $1 trillion infrastructure sector, rapidly growing private market
- **AI Infrastructure Investment Costly But Necessary to Meet Growth Target**
    - Major increase in power generation & distribution needed for people & data centers
      - Newest data centers daily electricity consumption equivalent to midsize city
    - New power centers buildings and power supply can cost $11bn to $13bn
    - Chips and semiconductors fabs to make them cost even more

Disclaimer

This document does not constitute investment advice or an offer or solicitation to any person in any jurisdiction. Any such offering will only be made in accordance with the terms and conditions set forth in a private placement memorandum or other offering document. It is provided for background purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make its own evaluation of the information described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations.

The information contained in this document is based on matters as they exist as of the date of preparation of such material and not as of the date of distribution or any future date. SECOR does not undertake any obligation to update the information contained herein as of any future date.

Recipients should not rely on this material in making any investment decision. We do not represent that the information contained herein is accurate or complete. Any views or opinions expressed herein are subject to change and may not reflect those of the firm. Certain information contained herein (including any forward-looking statements and economic and market information) has been obtained from published sources and/or prepared by third parties and in certain cases has not been updated through the date hereof. While such sources are believed to be reliable, SECOR does not assume any responsibility for the accuracy or completeness of such information.

This document may include projections or other forward-looking statements regarding future events, targets, or expectations. Due to various risks and uncertainties, actual events or results may differ materially from those reflected or contemplated in such forward-looking statements. Past performance is no guarantee of future results. Investments are subject to risk, including the possible loss of principal. There is no guarantee that projected returns or risk assumptions will be realised or that an investment strategy will be successful. No representation, warranty or undertaking is made as to the reasonableness of the assumptions made herein or that all such assumptions have been stated. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product referred to in this presentation will be profitable, meet any indicated performance level, or be suitable.

Illustrative models or investments presented in this document are based on a number of assumptions and are presented only for the limited purpose of providing a sample illustration. Any sample illustration is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond SECOR's control. Any sample illustration may not be reflective of any actual investment purchased, sold, or recommended for investment by SECOR and is not intended to represent the performance of any past or future investment by any portfolio managed or advised by SECOR. Actual returns may have no correlation with the sample illustration presented herein, and the sample illustration is not necessarily indicative of an investment that SECOR will make. Recipients should not assume that a future recommendation will accomplish its goals or be the same as the illustration provided herein.

Investment advisory services are provided by SECOR Investment Advisors, LP ("SIA") and SECOR Investment Advisors (UK), LLP, ("SIA-UK"), subsidiaries of SECOR Asset Management, LP ("SECOR"). Portfolio solutions are provided by SECOR Investment Management, LP ("SIM"), a subsidiary of SECOR. SIA UK is authorised and regulated by the Financial Conduct Authority. Each of SIA and SIM is registered as an investment adviser with the Securities and Exchange Commission ("SEC"). Registration as an investment adviser with the SEC does not imply any level of skill or training.

Indices are unmanaged, do not reflect deduction of fees and expenses, and are not available for direct investment.

Any hypothetical performance based on retroactive application or forward-looking projection of a model does not represent the results of actual trading. Any such hypothetical performance was compiled after the end of the period depicted and does not represent the actual investment decisions of SECOR. Hypothetical performance has many inherent limitations. We do not represent that any account will or is likely to achieve profits or losses similar to those shown. There may be sharp differences between hypothetical performance and the actual results subsequently achieved by any particular trading program. Hypothetical performance does not reflect the effect of material economic and market factors on decision-making. Hypothetical performance is not necessarily indicative of future performance, which could differ substantially.

HYPOTHETICAL PERFORMANCE RESULTS HAVE MANY INHERENT LIMITATIONS, SOME OF WHICH ARE DESCRIBED BELOW. NO REPRESENTATION IS BEING MADE THAT ANY ACCOUNT WILL OR IS LIKELY TO ACHIEVE PROFITS OR LOSSES SIMILAR TO THOSE SHOWN. IN FACT, THERE ARE FREQUENTLY SHARP DIFFERENCES BETWEEN HYPOTHETICAL PERFORMANCE RESULTS AND THE ACTUAL RESULTS SUBSEQUENTLY ACHIEVED BY ANY PARTICULAR TRADING PROGRAM.

ONE OF THE LIMITATIONS OF HYPOTHETICAL PERFORMANCE RESULTS IS THAT THEY ARE GENERALLY PREPARED WITH THE BENEFIT OF HINDSIGHT. IN ADDITION, HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK, AND NO HYPOTHETICAL TRADING RECORD CAN COMPLETELY ACCOUNT FOR THE IMPACT OF FINANCIAL RISK IN ACTUAL TRADING. FOR EXAMPLE, THE ABILITY TO WITHSTAND LOSSES OR TO ADHERE TO A PARTICULAR TRADING PROGRAM IN SPITE OF TRADING LOSSES ARE MATERIAL POINTS WHICH CAN ALSO ADVERSELY AFFECT ACTUAL TRADING RESULTS. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL OR TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING PROGRAM WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS.

Disclaimer

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.