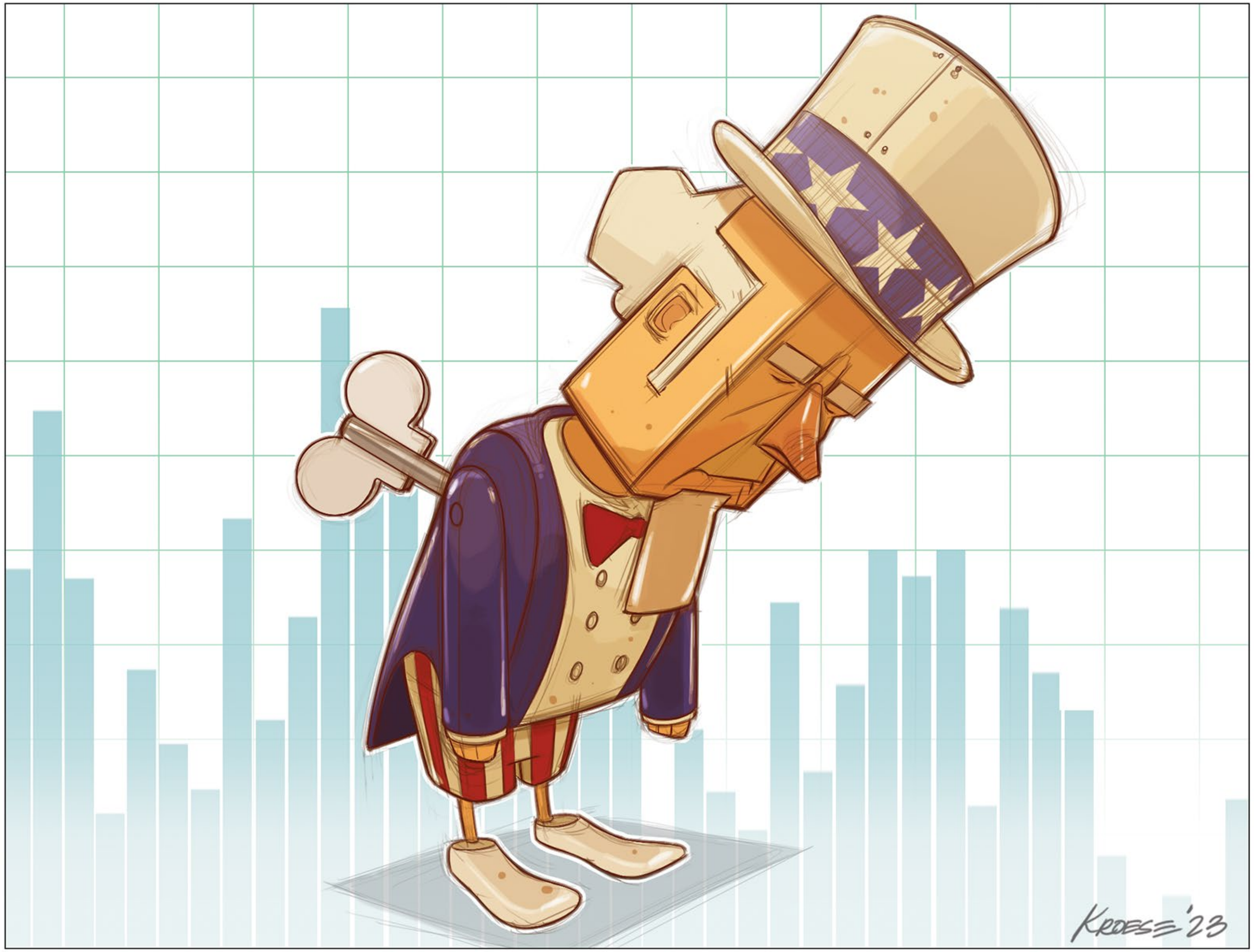
MARKET OUTLOOK

Drained

Fourth Quarter 2023

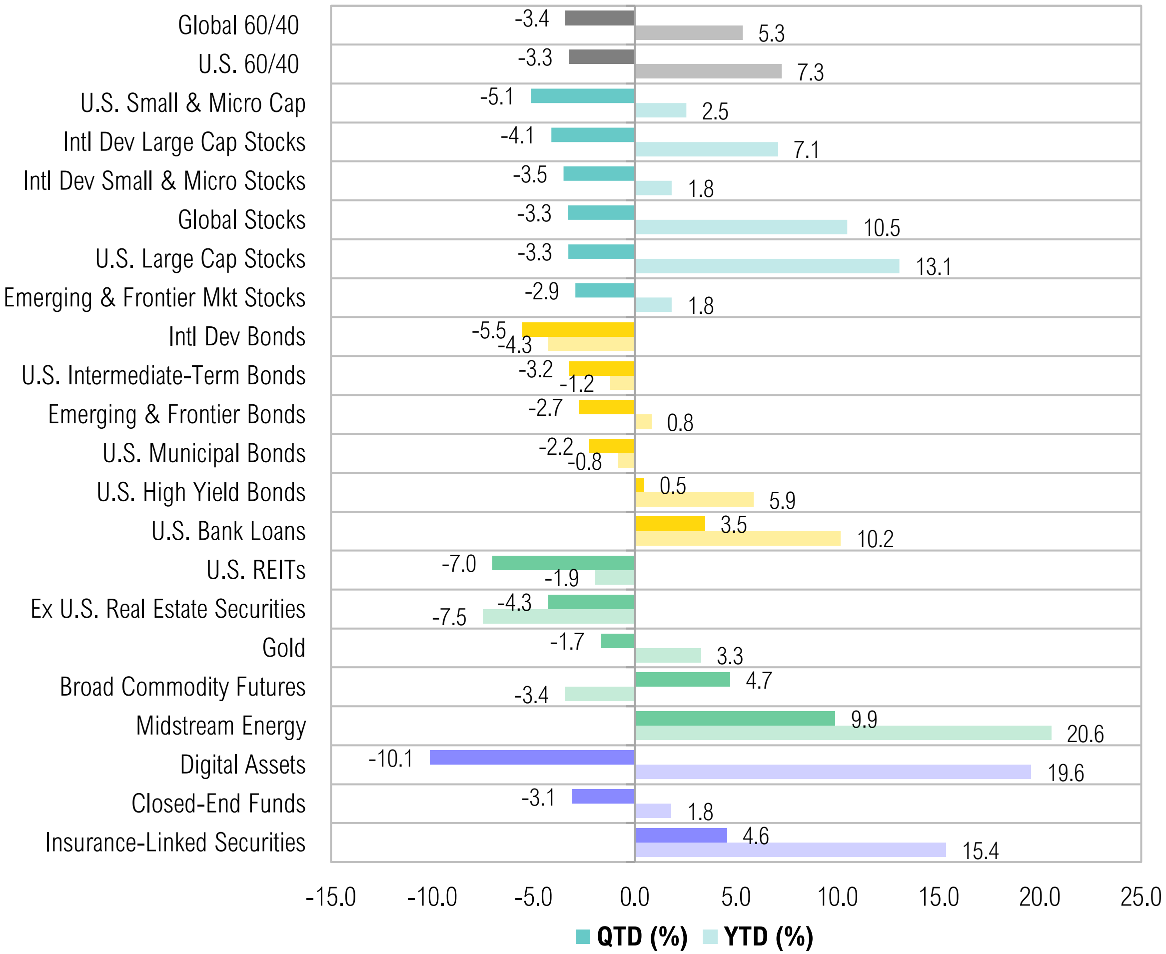
There are two things which are extraordinary today, which may have different outcomes, and think of them as storm clouds. One is, the fiscal money being spent is so big, the largest in peacetime ever, with already very high deficits… [but] the biggest storm cloud is geopolitical.

Jamie Dimon, *JPMorgan Chase CEO*

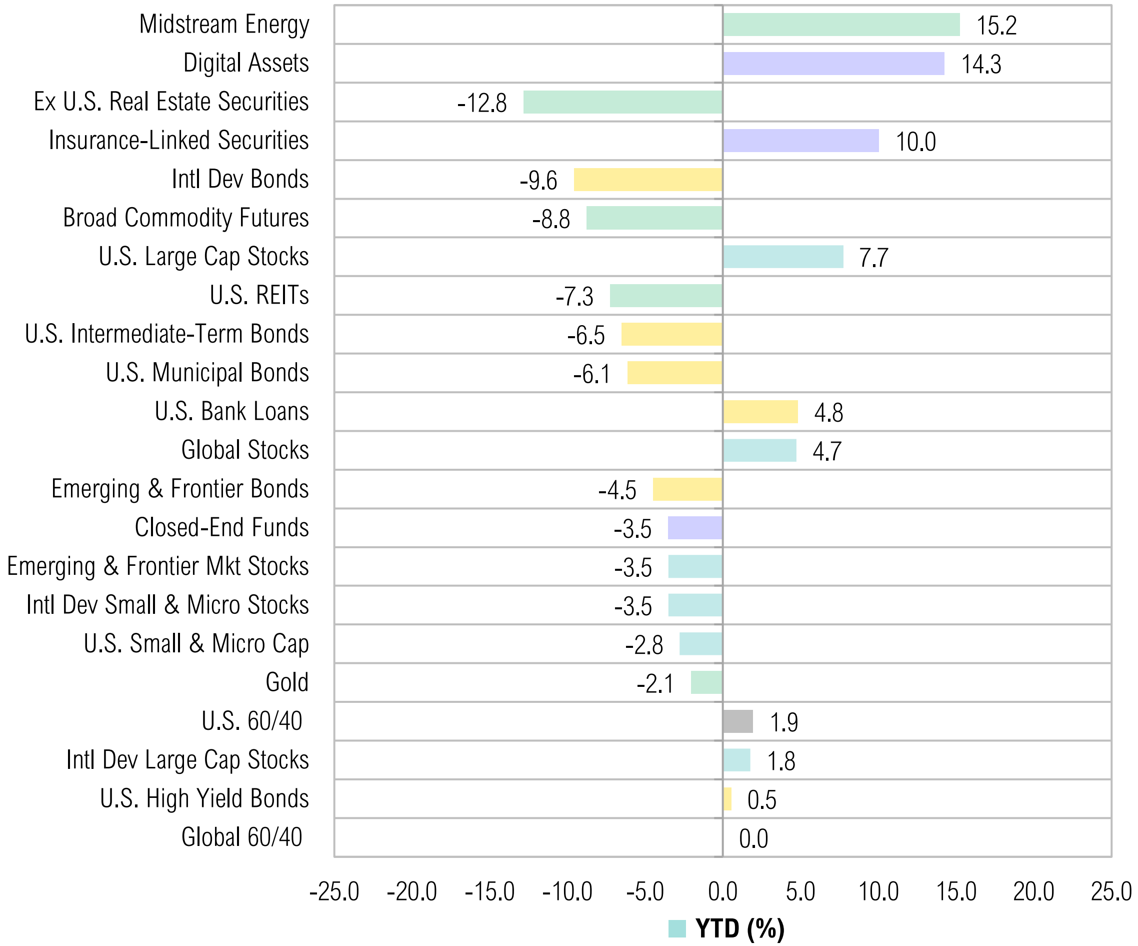

KROESE '23

Major winners over the quarter included midstream energy and commodities; U.S. large cap stocks and intermediate-term bonds ended the quarter down 3.3% and 3.2%, respectively

Total Returns, %

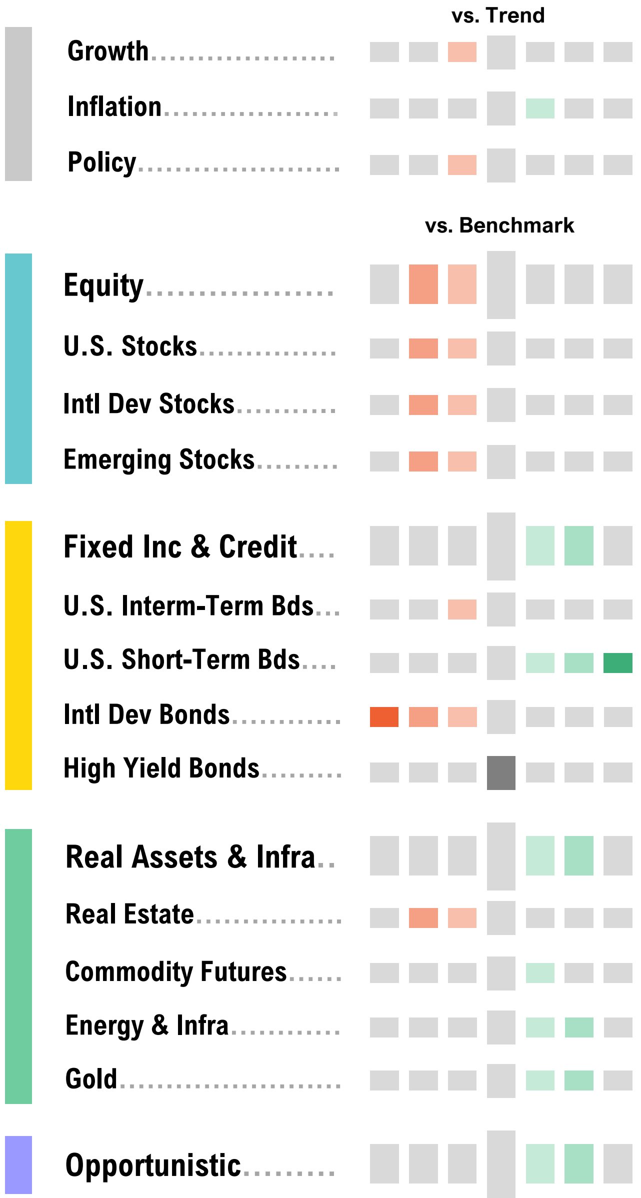


Relative Total Returns vs. Global 60/40, %



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

Positioning Summary



Asset Class Themes

- Structurally lower developed world real growth underpinned by high debt loads, high deficits, poor demographics, and inflation
- Tick tock for U.S. consumer as COVID-era savings nearly depleted
- Stop-start, contradictory fiscal and monetary policy, but tighter overall

- Stay patient & careful; don't underestimate risks from higher cost of capital
- Tilt to quality & cash flows, but maintain exposures to high quality growth mgrs
- Few fat pitches for tactical region or market cap allocations, with budding exception in profitable small caps
- Poor fundamentals & liquidity to overwhelm seasonals after Q4 FOMO rally exhausts

- Paid to wait reduces risk of wait-and-see; keep credit risk/ duration relatively low but start to incrementally add risk/ extend duration
- Opportunities for first tranche in loans, high-yield bonds, other credit, etc.
- Private credit poised to outperform, but imperative to avoid legacy portfolios
- Higher-for-longer increases the risks of a CRE-related credit event

- Policy (and war) hedges were arguably attractive *before* the war (even more so now)
- Crude/commodities and gold likely the tell for escalation in the Middle East
- Emerging opportunities in private real estate, but avoid legacy portfolios
- Gold/bitcoin will be vying for incremental safe-haven flows as rate-cutting cycle moves into focus

- Volatility = opportunity (we like tactical multi-asset, muni CEFs, long/short equity)

Portfolio Themes

1

Negative feedback loops from policy have led to higher rates, which has dramatically increased the cost of capital…

2

This will continue to hurt risky assets with negative free cash flows & reward those with positive cash flows

3

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

4

Opportunity set is shaping up to be one of the best in many years, but patience is key

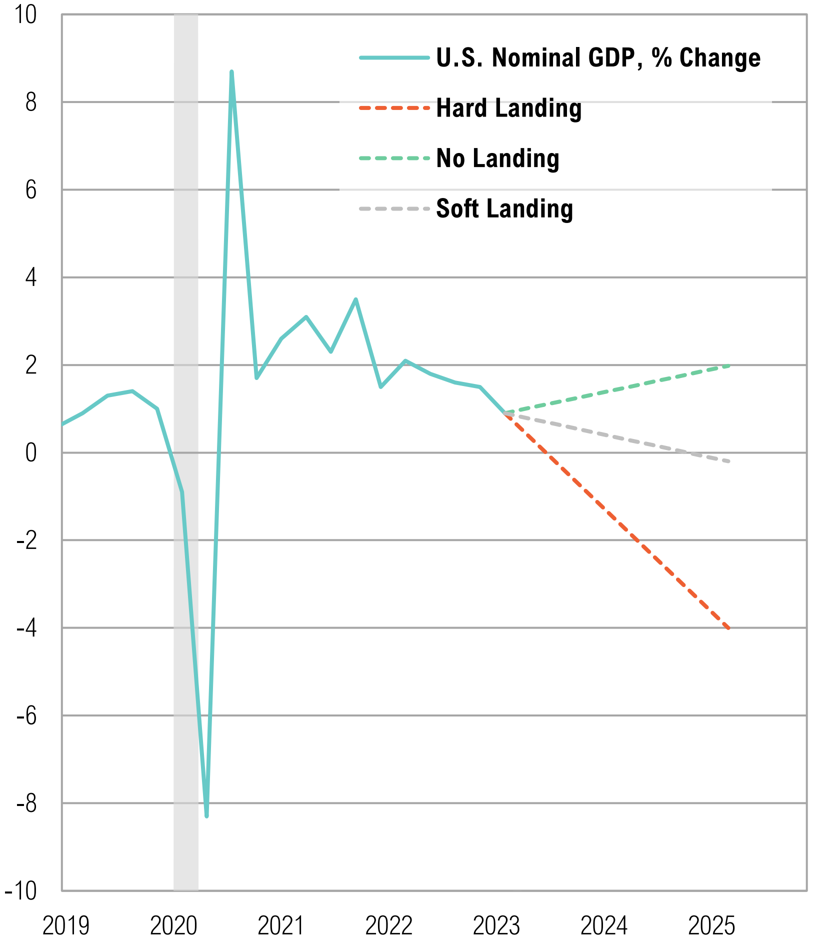
“

Our team predicts a soft landing, with a trough in the middle of next year. We see that in our customer data. Our 37 million checking customers’ spending is slowing down.

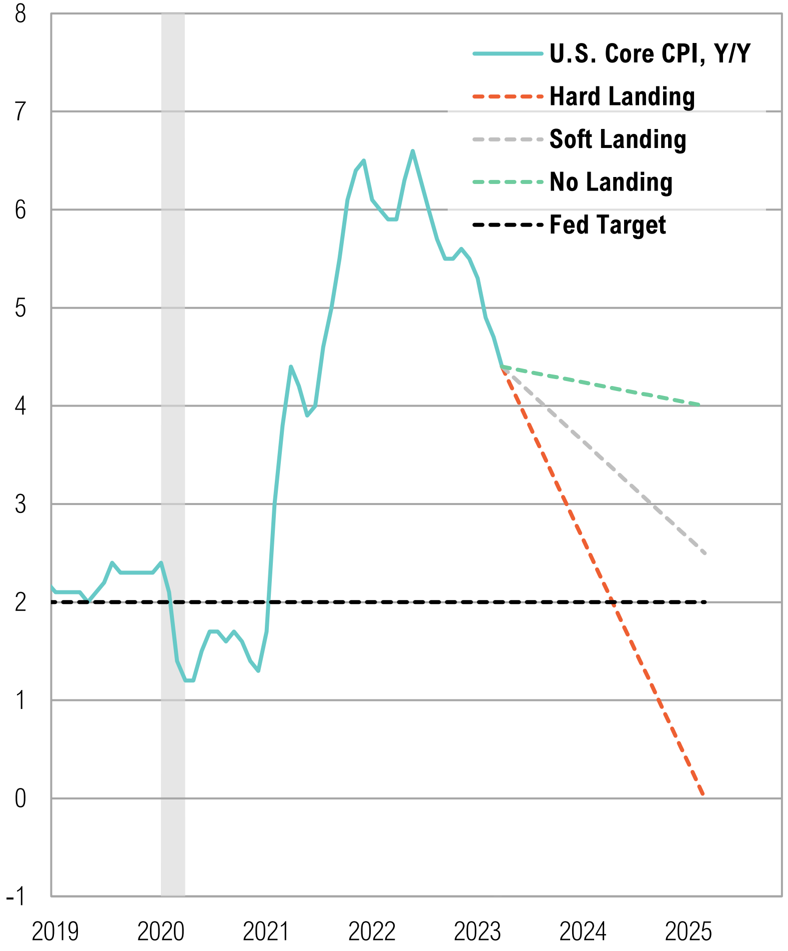
Brian Moynihan, *Bank of America CEO*

While a 'no-landing' scenario seems bullish on the surface, it means yields will remain higher for longer & non-earners forced to roll debt into a hostile yield environment

U.S. Nominal GDP, % Change



U.S. Core CPI, Y/Y %



Scenarios & Market Implications

1. **No Landing**
   (Growth Acceleration)
   - Inflation elevated due to strong nominal activity.
   - Positive for corporate revenues but negative for margins/ profits and for P/E multiples.
   - Yields higher for longer = bad for bonds, increasing eventual odds of a hard landing.

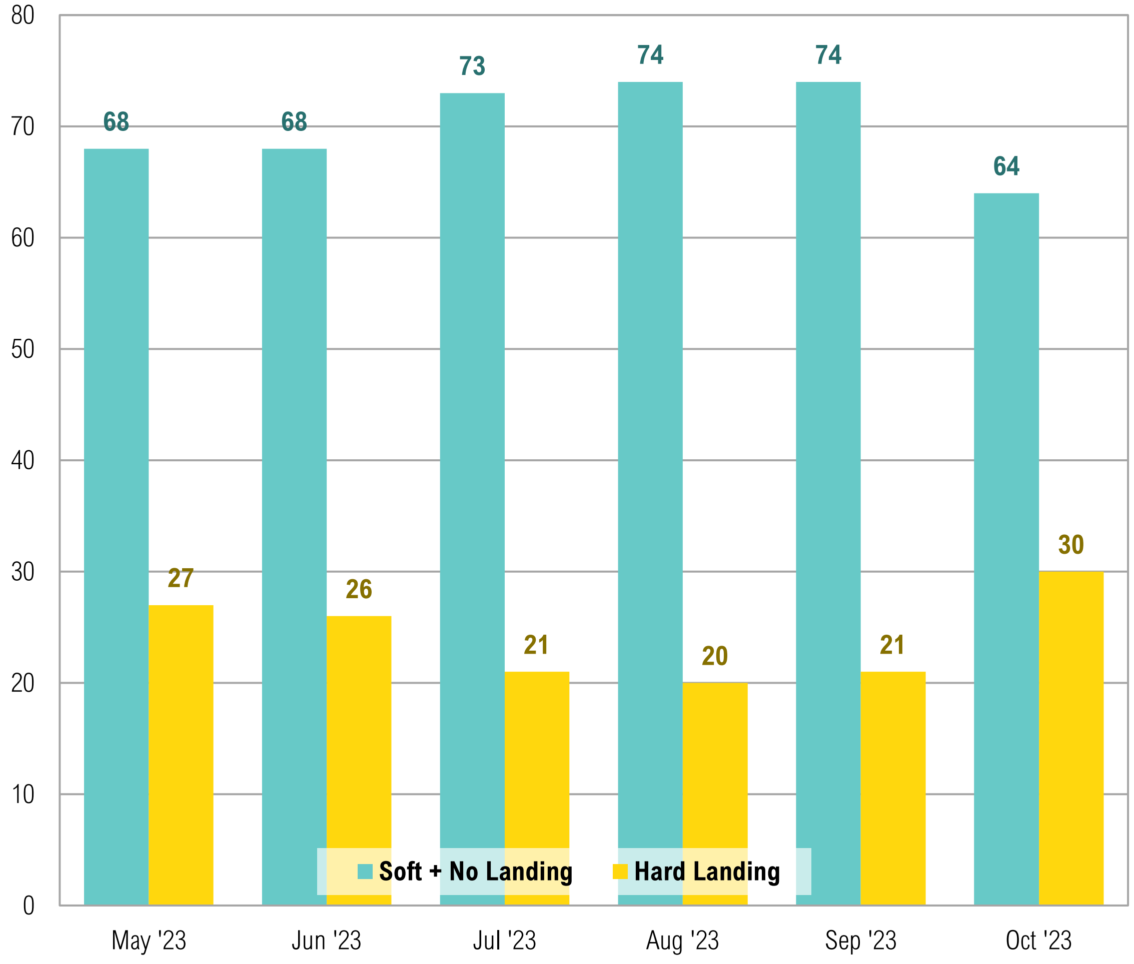
2. **Soft Landing**
   (Mild Recession)
   - Inflation declines back to target without the U.S. entering a recession (or a very mild recession).
   - Potentially best-case scenario for the economy, the consumer, and risky assets beyond very short term.

3. **Hard Landing**
   (Severe Recession)
   - The U.S. enters a recession with negative growth, unemployment rising and inflation cooling due to decreased economic activity (deflationary impulse from slowing economy).
   - Bad outcome for the economy, the consumer, and risky assets in the medium term; good for bonds.

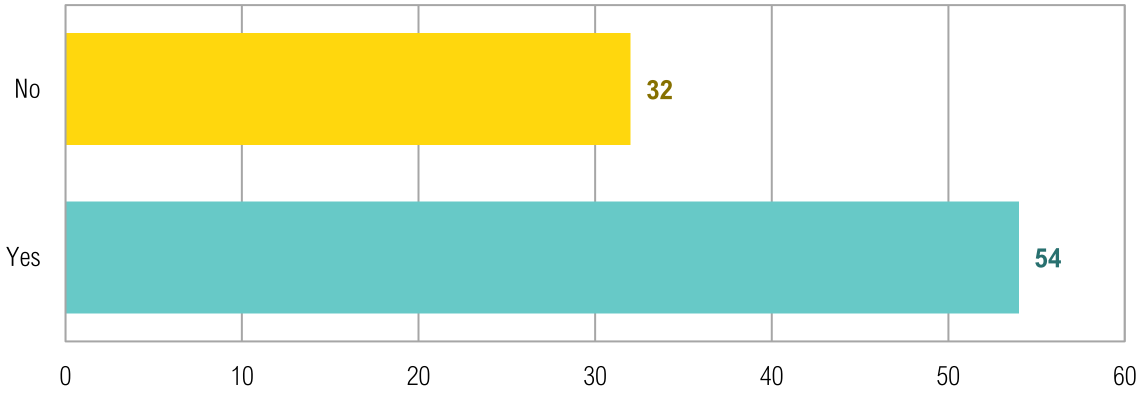
Source: Bloomberg, SpringTide. Hypothetical scenarios in charts for illustrative purposes only.

Consensus is for a soft/no landing, a Q4 seasonals rally and a CRE credit event, if one occurs at all, implying limited upside if soft landing occurs and plenty of room for markets to be disappointed

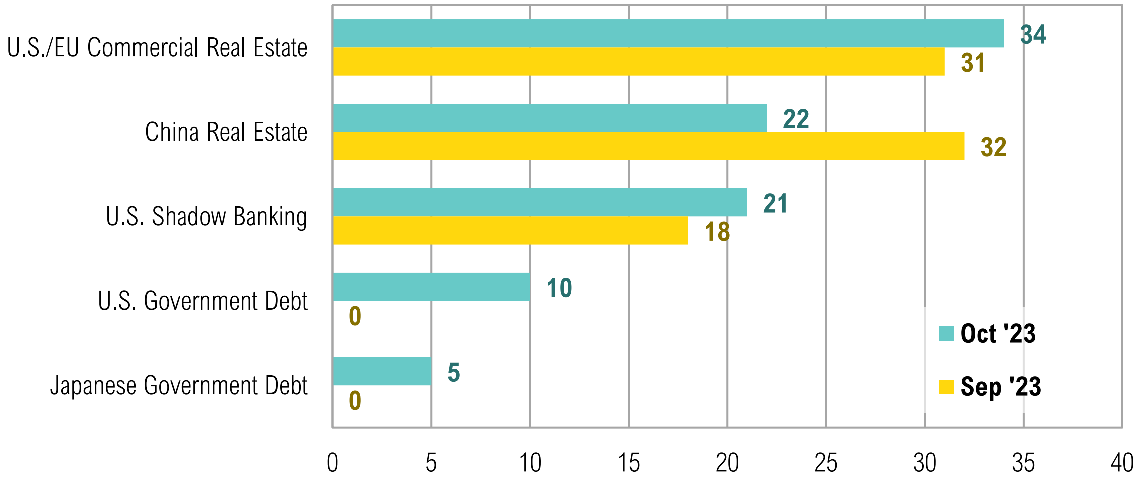
Fund Manager Reponses: **Where Will Economy Land in the Next 12 Months?**, %



Fund Manager Reponses: **Will There be a Seasonal Year-End Q4 Rally?**, %



Fund Manager Reponses: **What is the Most Likely Source for a Systemic Credit Event?**, %



Source: BofA MFS. As of 10/17/23.

Consensus views are shaped by what has just occurred, not what may be coming (which is always unknown)

Sep 2007 - May 2008

If the economy's so bad, why is the unemployment rate so low?

Commentary • By Rebecca M. Blank • March 7, 2008

Opinion pieces and speeches by EPI staff and associates.

[THIS TESTIMONY WAS GIVEN BEFORE U.S. CONGRESS' JOINT ECONOMIC COMMITTEE ON MARCH 7, 2008.]

BUSINESS NEWS MAY 13, 2008 / 11:46 PM / UPDATED 15 YEARS AGO

U.S. could face mild recession, Greenspan quoted

By Reuters Staff 2 MIN READ

E&E NEWS

Investment strong despite slumping economy

04/22/2008 12:24 PM EDT

ECONOMY

Bernanke Says US Could Be Facing A Mild Recession

PUBLISHED THU, APR 10 2008·10:12 AM EDT | UPDATED FRI, SEP 13 2013·4:33 PM EDT

CNBC.com With Wires

U.S. MARKET NEWS SEPTEMBER 26, 2007 / 1:36 PM / UPDATED 16 YEARS AGO

U.S. economy on track for soft landing -Dallas Fed

By Reuters Staff

Goldman, Lehman Earnings: Good Comes From the Bad

By Suzanne Craig and David Reilly

March 19, 2008 12:01 am ET

Share Resize

Wall Street got a confidence boost from investment banks Goldman Sachs Group Inc. GS 0.79% and Lehman Brothers Holdings Inc., which reported sharply lower profits that dazzled investors because they could have been a lot worse.

2023

MONEYWATCH ›

Federal Reserve sees "mild recession" later this year

MONEY WATCH APRIL 12, 2023 /

yahoo!finance

Fed in a position to deliver a 'soft enough landing': Strategist

Rachelle Akuffo and Stephanie Mikulich

October 3, 2023

A 'mild' recession is now likely this year, Federal Reserve says

The economy will take a hit as a result of recent banking turmoil, minutes from the central bank show.

BUSINESS

The strong labor market is a big reason for the resilient economy

August 4, 2023 · 7:25 AM ET

Heard on Morning Edition

Source – RBC Wealth Management, Refinitiv I/B/E/S; data as of 1/25/23

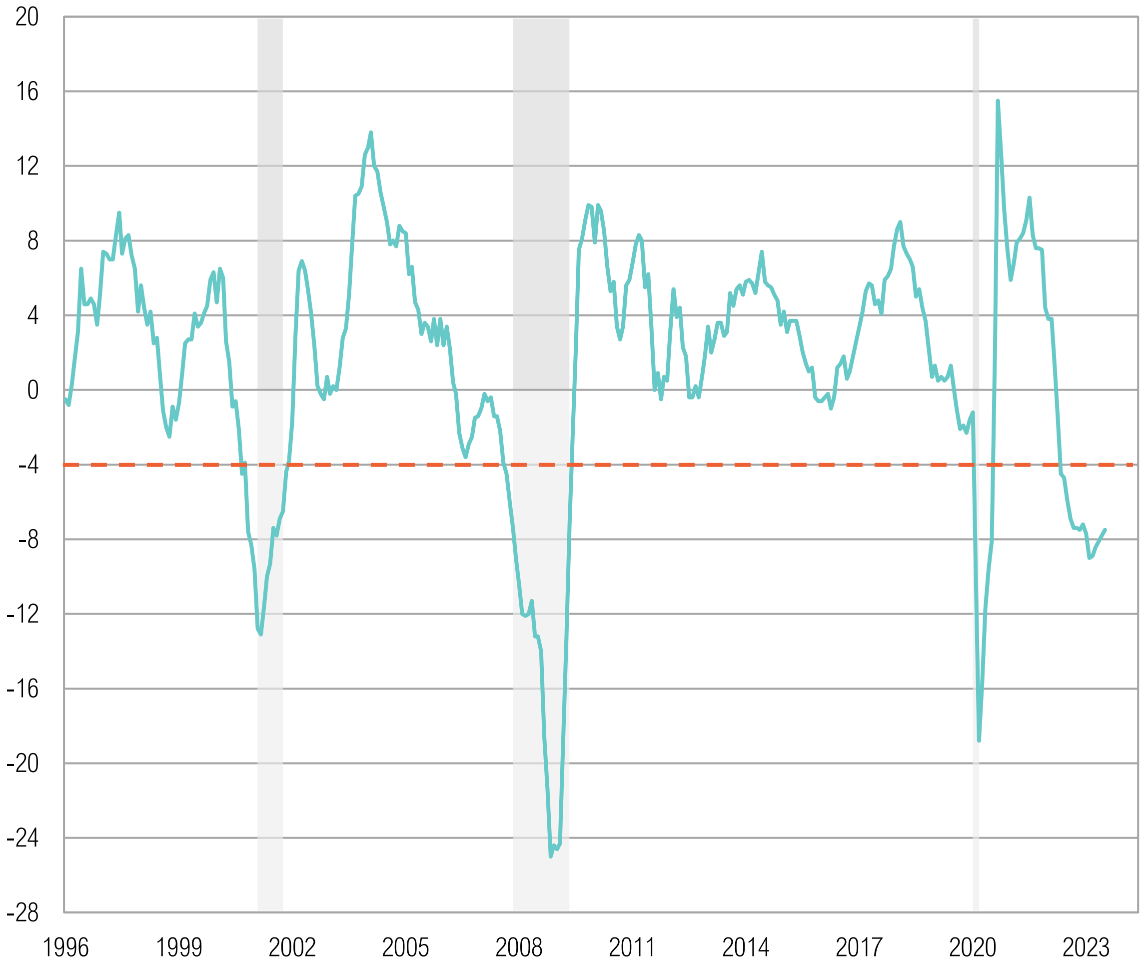
Underwhelming, but could be worse

The U.S. Q4 earnings season is off to a decent start given the challenging economic conditions.

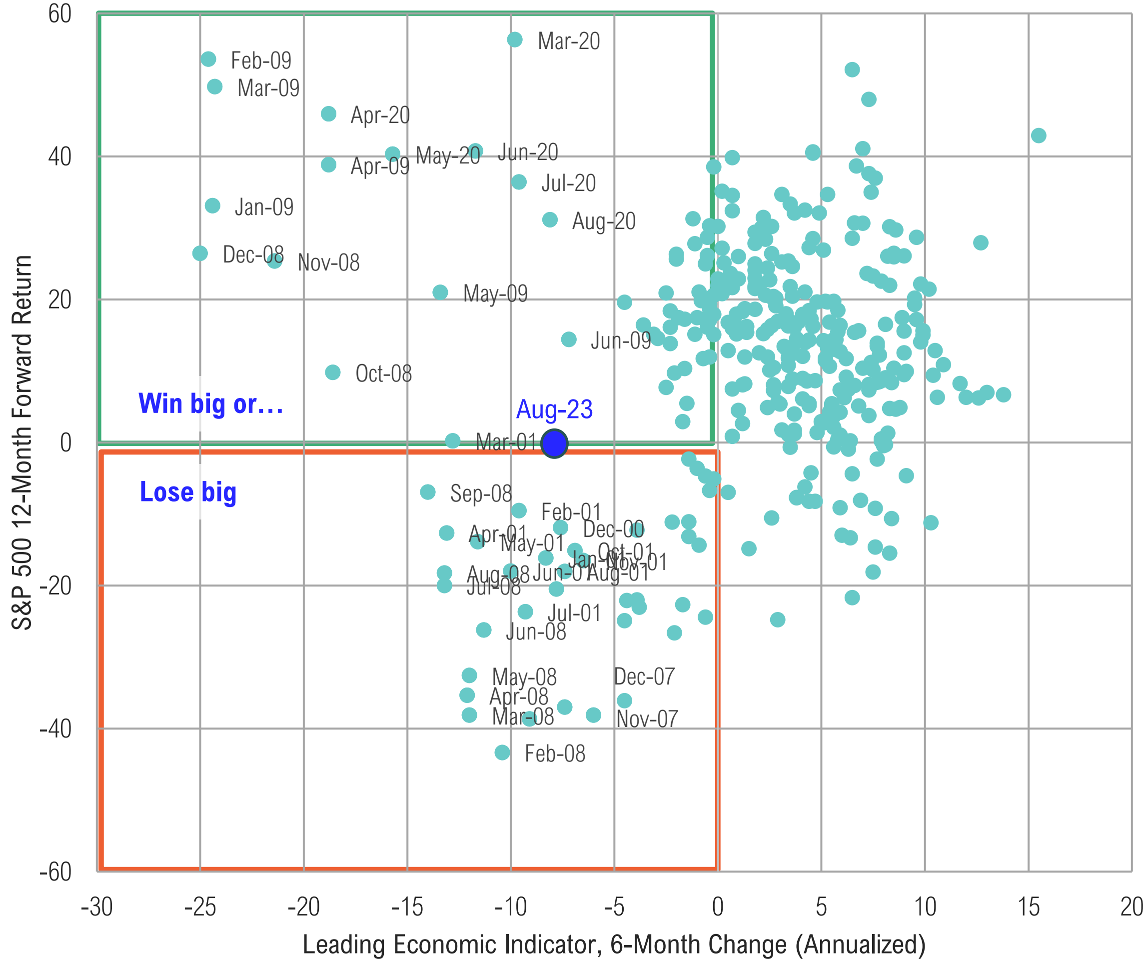
Source: Various

The Conference Board LEI still signals "brief but mild recession" and weak future economic activity; S&P 500 returns when the LEI is at these levels tend to exhibit volatile win big/lose big dynamics

Conference Board U.S. Leading Economic Index, 6-Month Growth Rate (Annualized), %



S&P 500 12-Month Forward Return vs. Conference Board U.S. Leading Economic Index

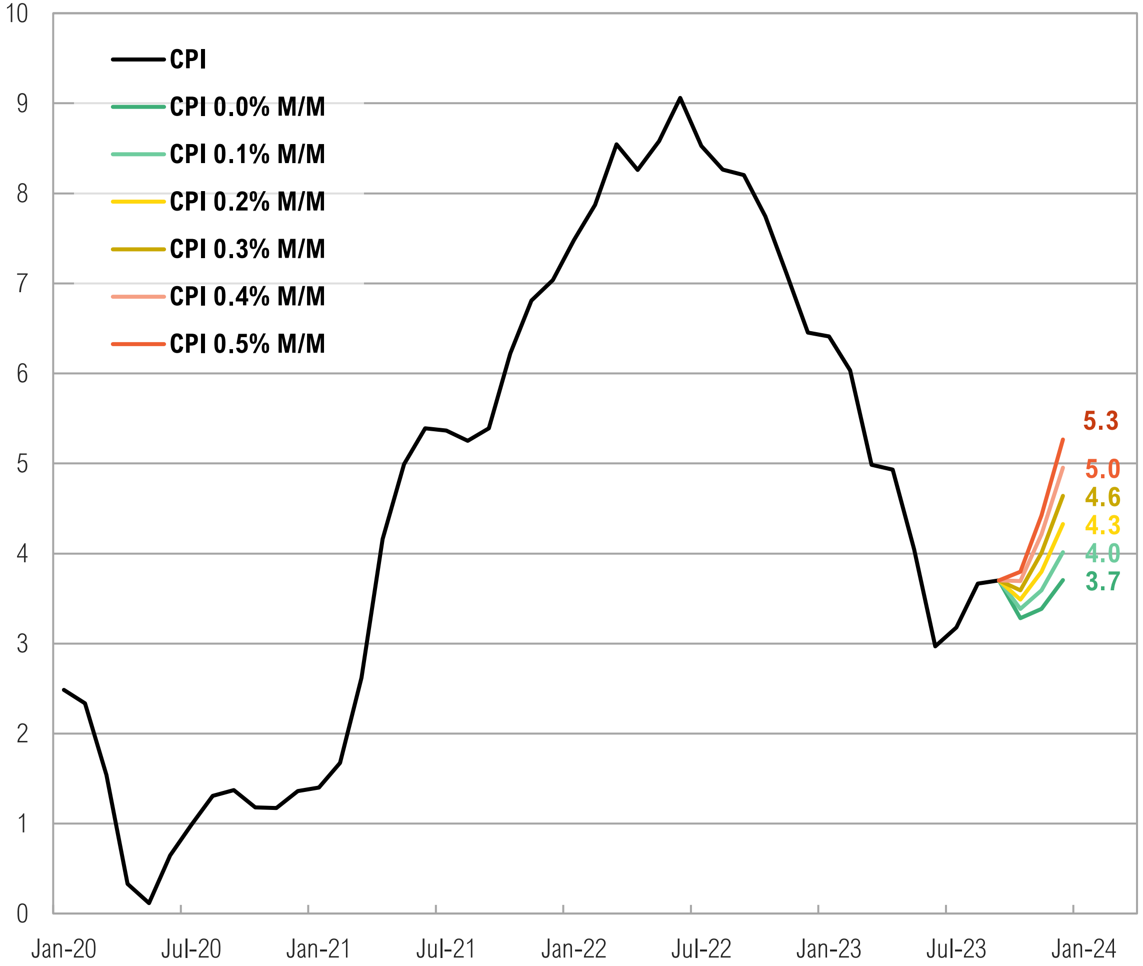


Source: Bloomberg, Conference Board. As of 8/31/2023.

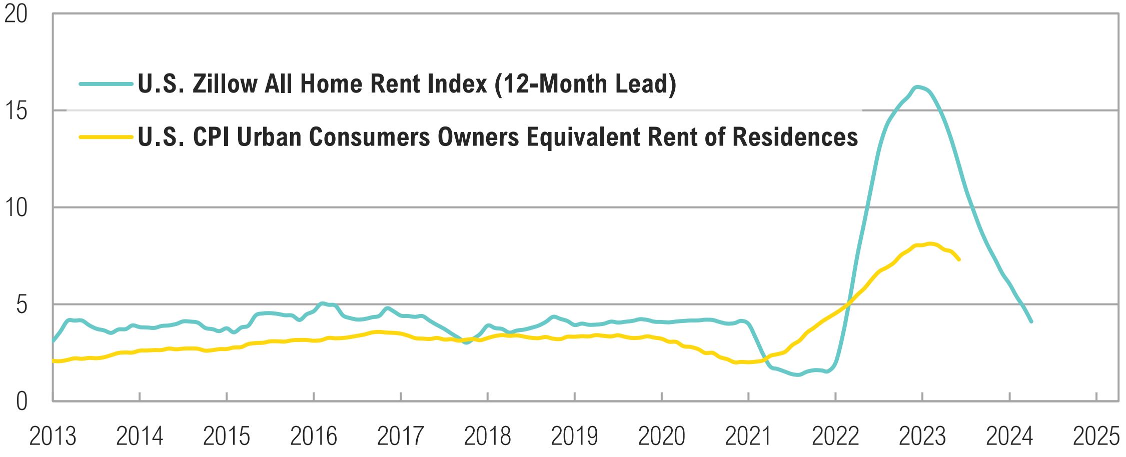
See important disclosures at the end of this presentation

Inflation encore: we may see further increases in headline CPI toward the end of 2023, likely even breaching 4.0% again; housing disinflation should start to flow through even as energy switches sides

Projected Headline CPI, Y/Y %

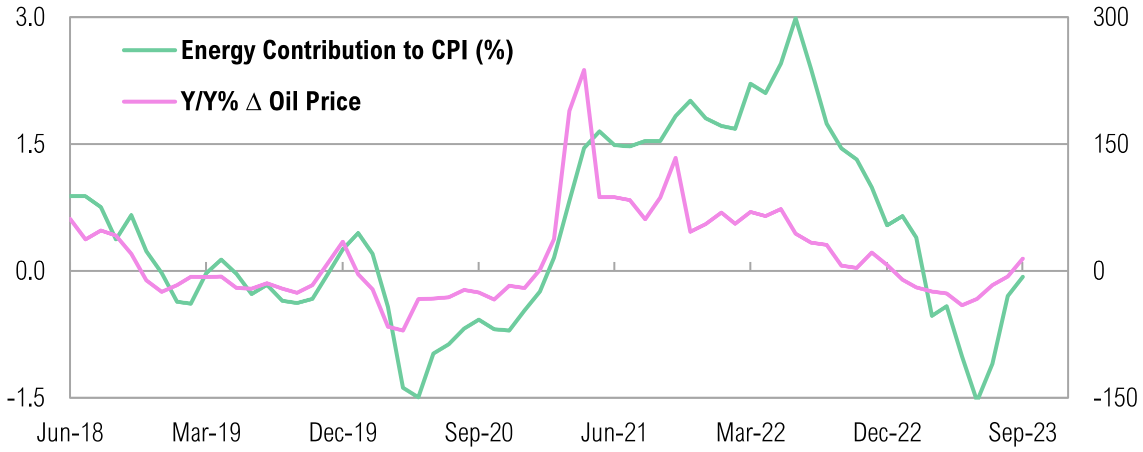


CPI Owners Equivalent of Rent Component vs Zillow Rent Index (12-Month Lead), Y/Y %



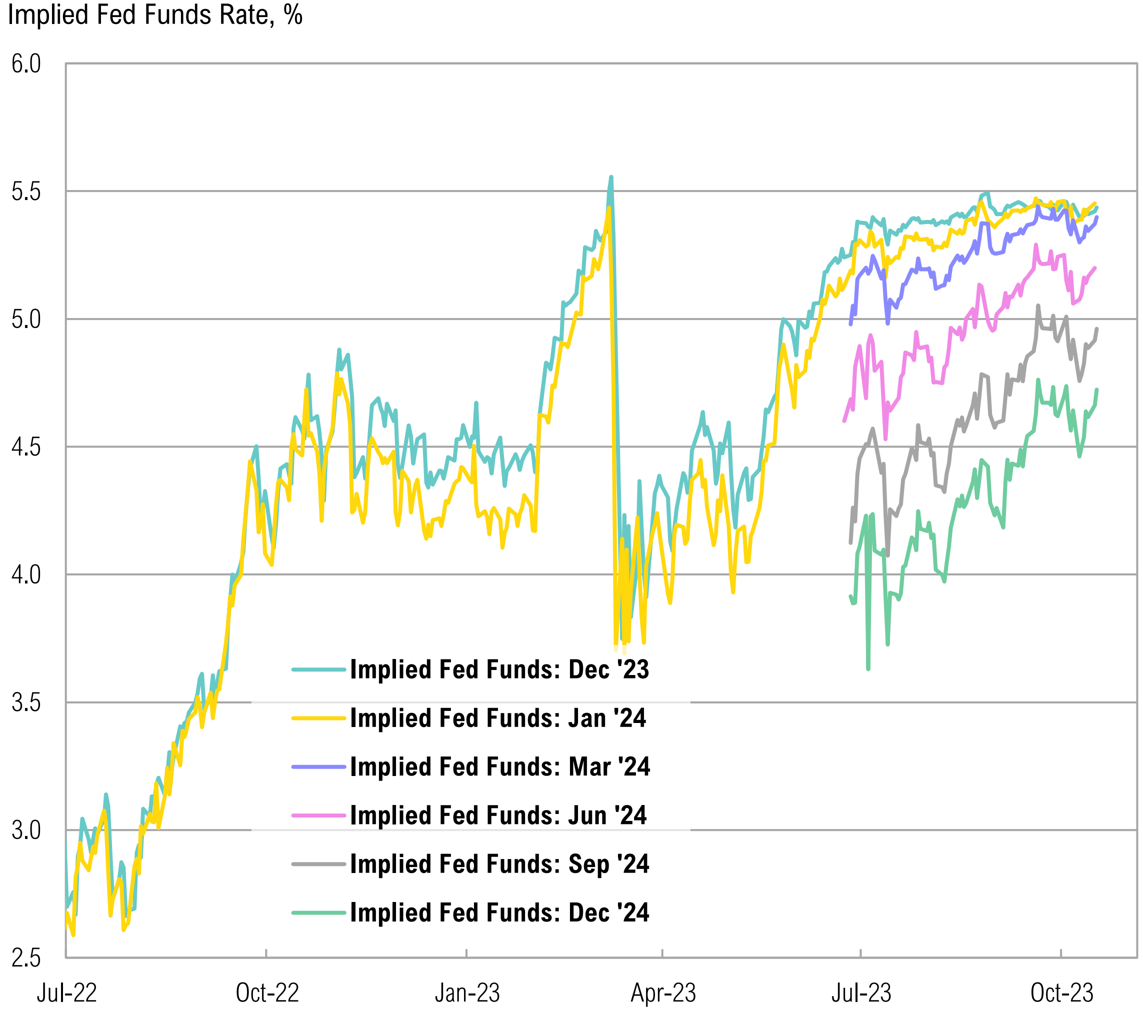
CPI: Energy Contribution, Y/Y %

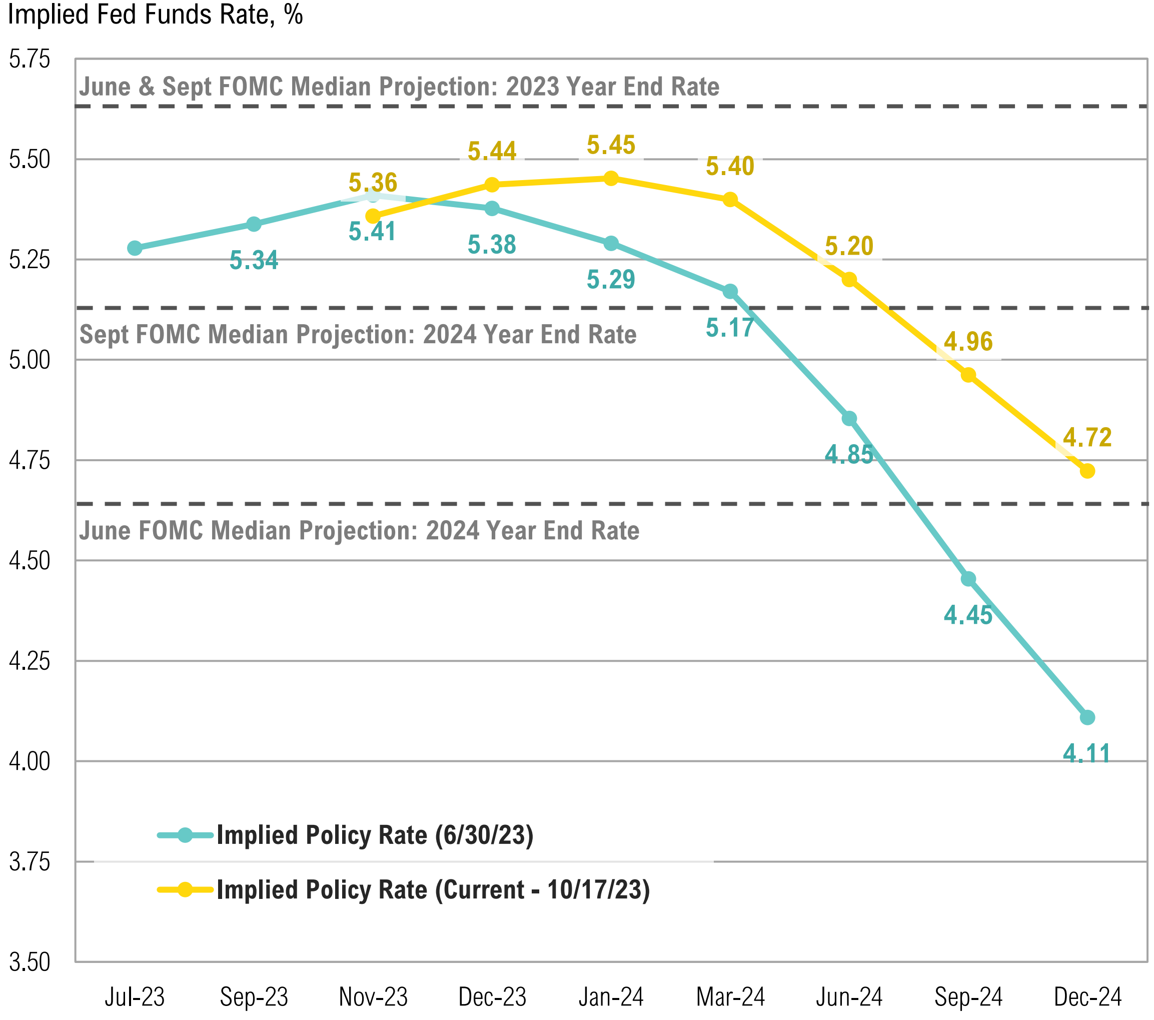
Change in WTI Crude Oil Price, Y/Y %



Source: Bloomberg

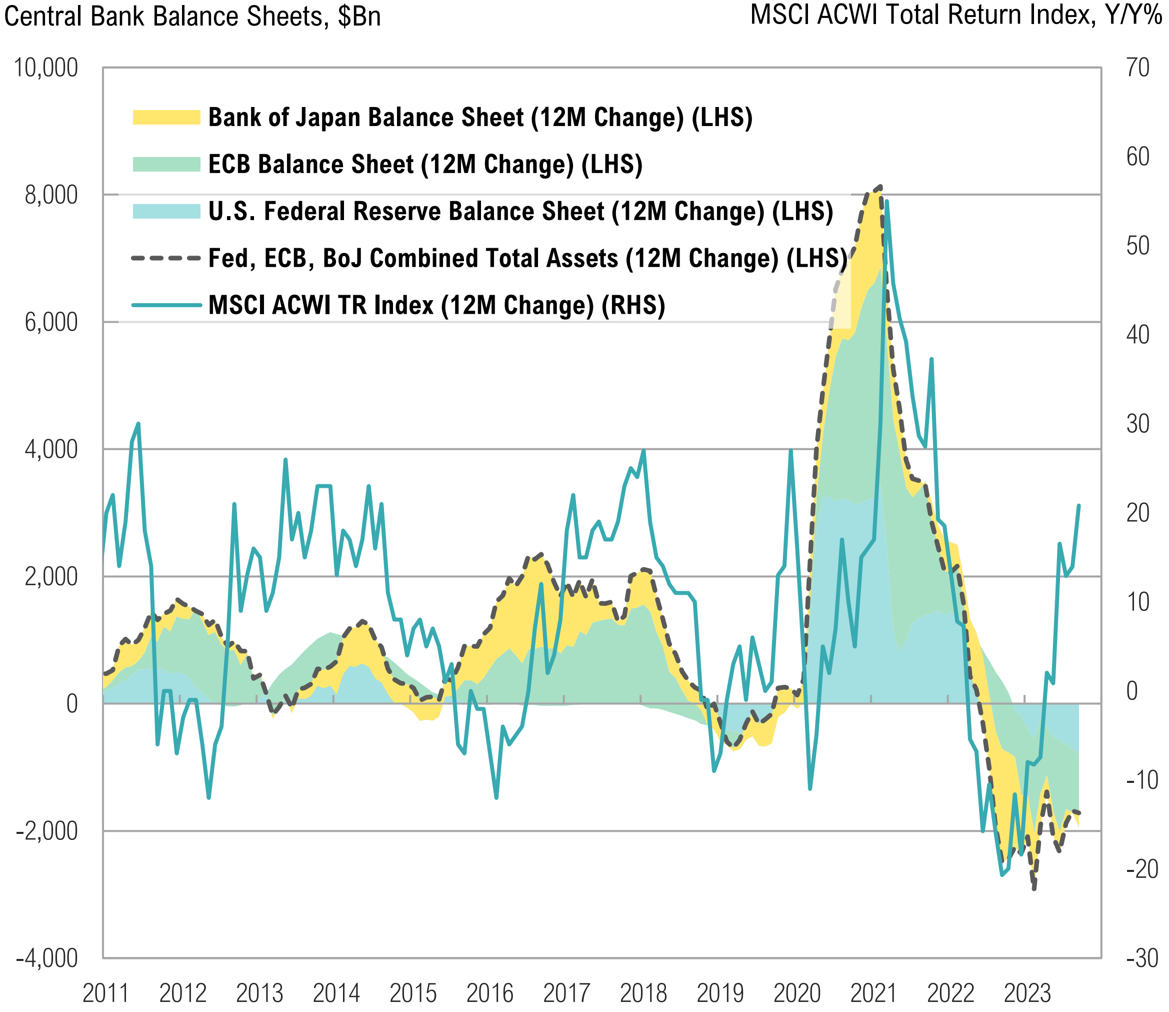
Implied Fed funds shifted higher following the September FOMC meeting as 'higher-for-longer' became entrenched; most Fed officials anticipate one more hike before year end

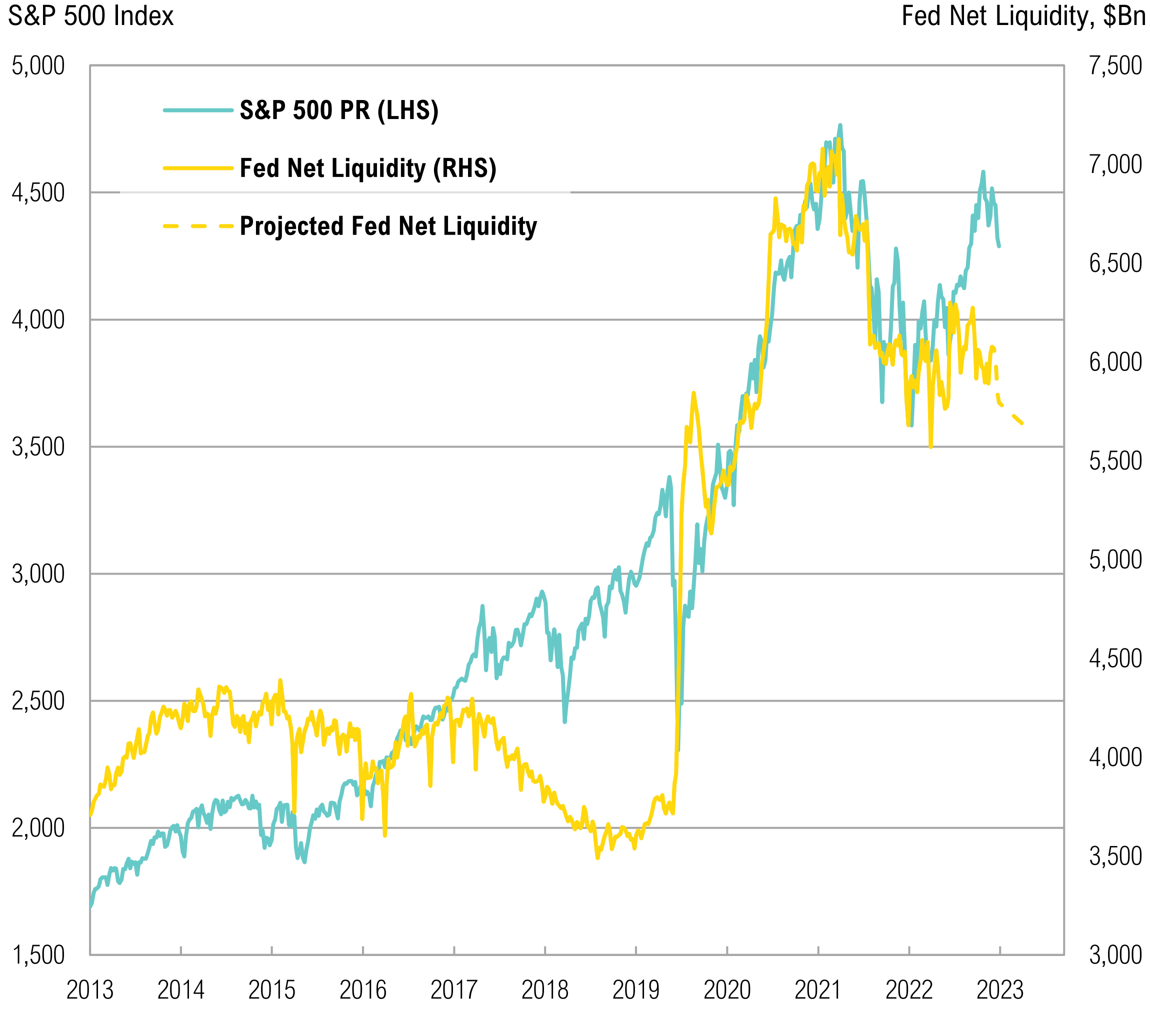




Source: Bloomberg

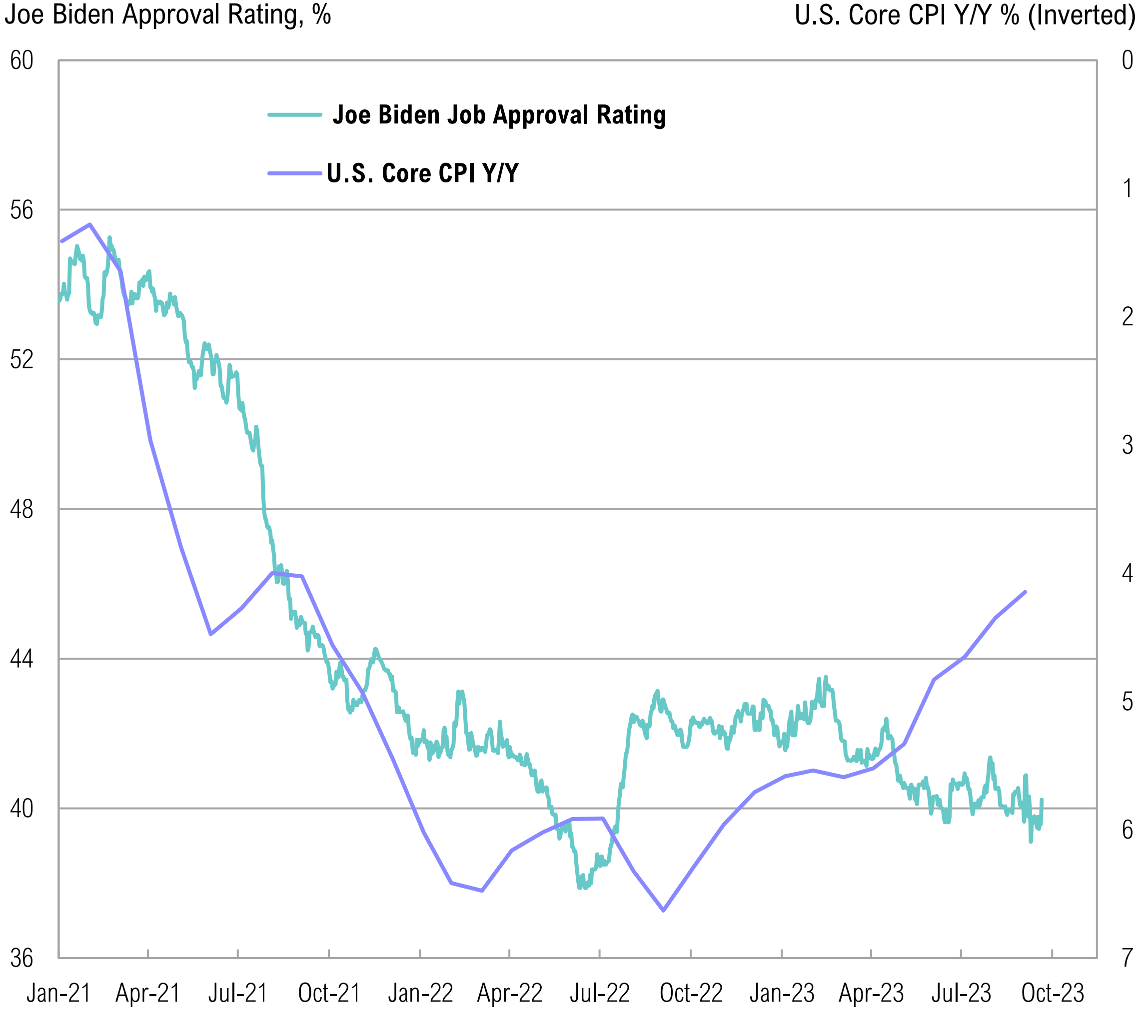
There is an unusual divergence between central bank balance sheets and global stock performance; if the Fed continues with QT, liquidity should dry up throughout the rest of the year

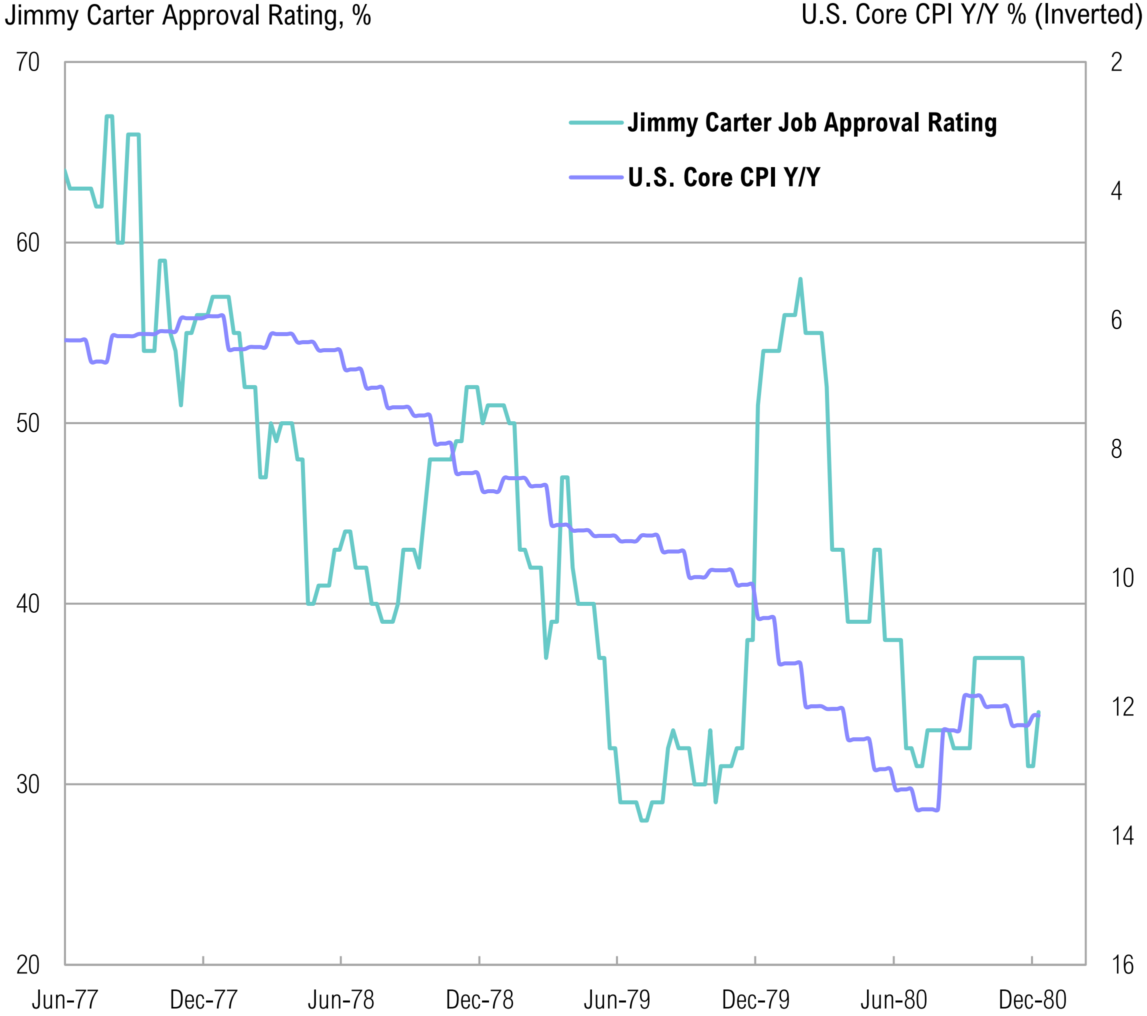




Source: Bloomberg. Fed net liquidity is calculated by taking the Fed balance sheet and deducting reverse repo and TGA deposits. Assumptions for projected Fed net liquidity are that the balance sheet will run off at the same pace as it has done YTD, reverse repo will decline by $50Bn per month through the end of 2023 and TGA deposits is replaced with $750bn in net issuance through 2023, with $650Bn in Q3 and $100Bn in Q4.

Biden's approval rating has been linked to consumer inflation and gas prices; the current macro and economic backdrop has parallels to the Carter era

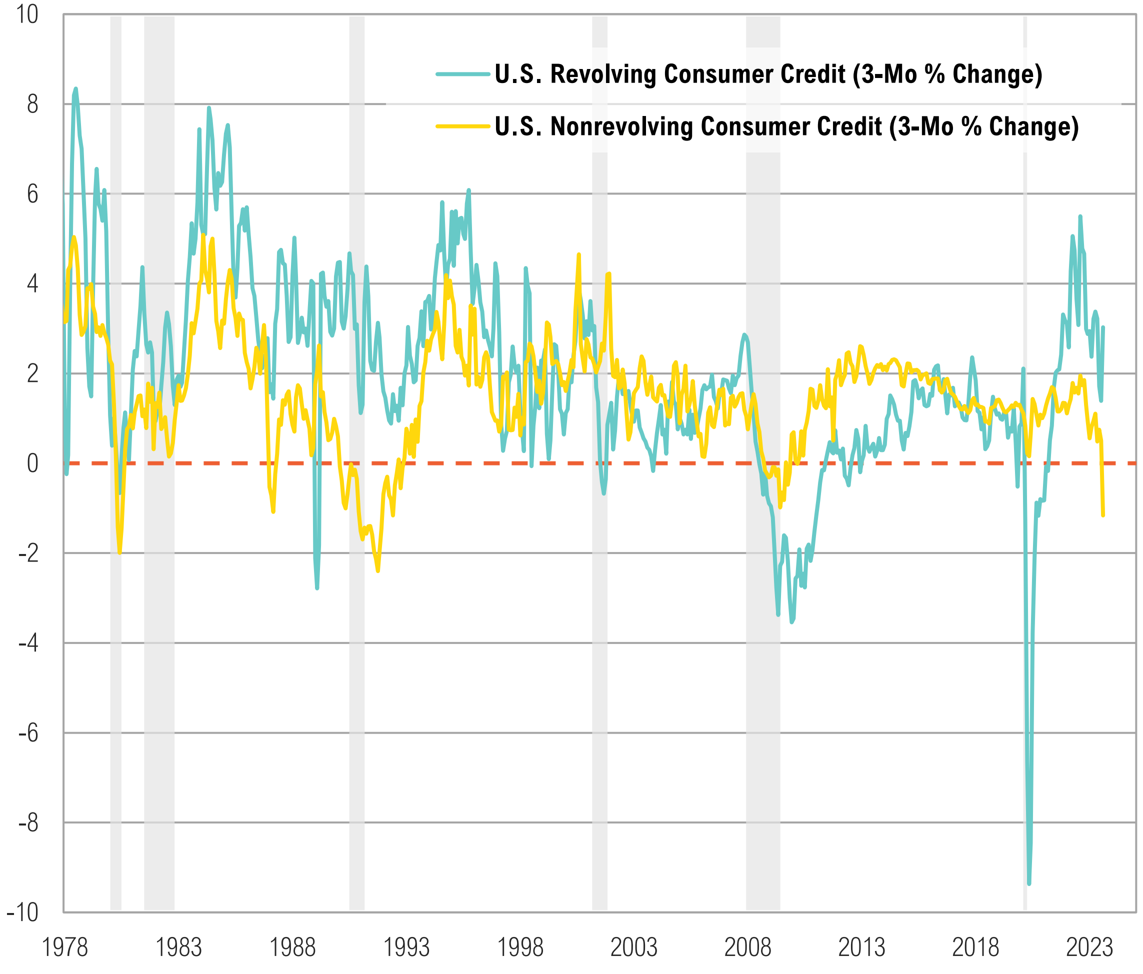




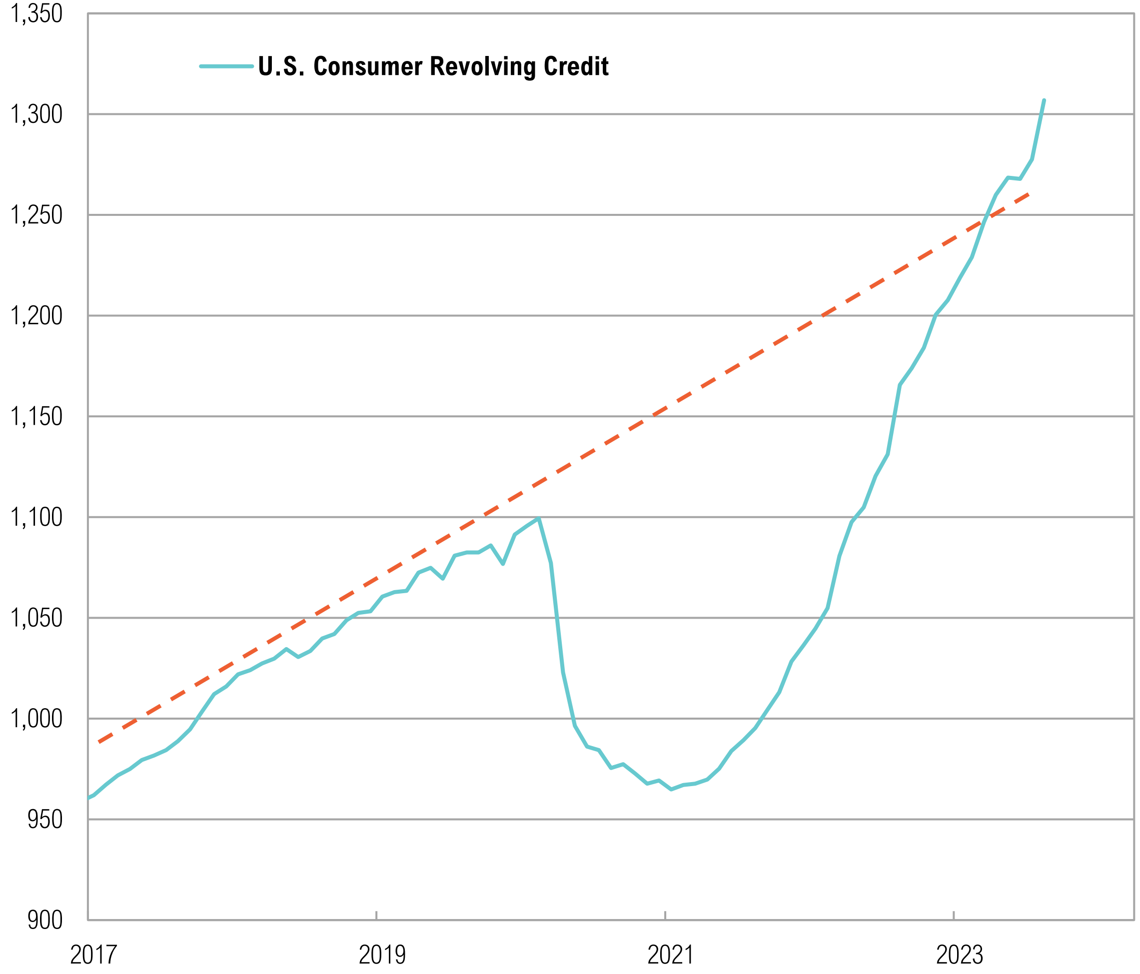
Source: FiveThirtyEight, Bloomberg. As of 10/17/2023.

Nonrevolving consumer credit (including student loans, mortgages and other personal loans) is negative for the first time since the GFC; revolving credit continues to climb

3-Mo Change in Consumer Credit, %



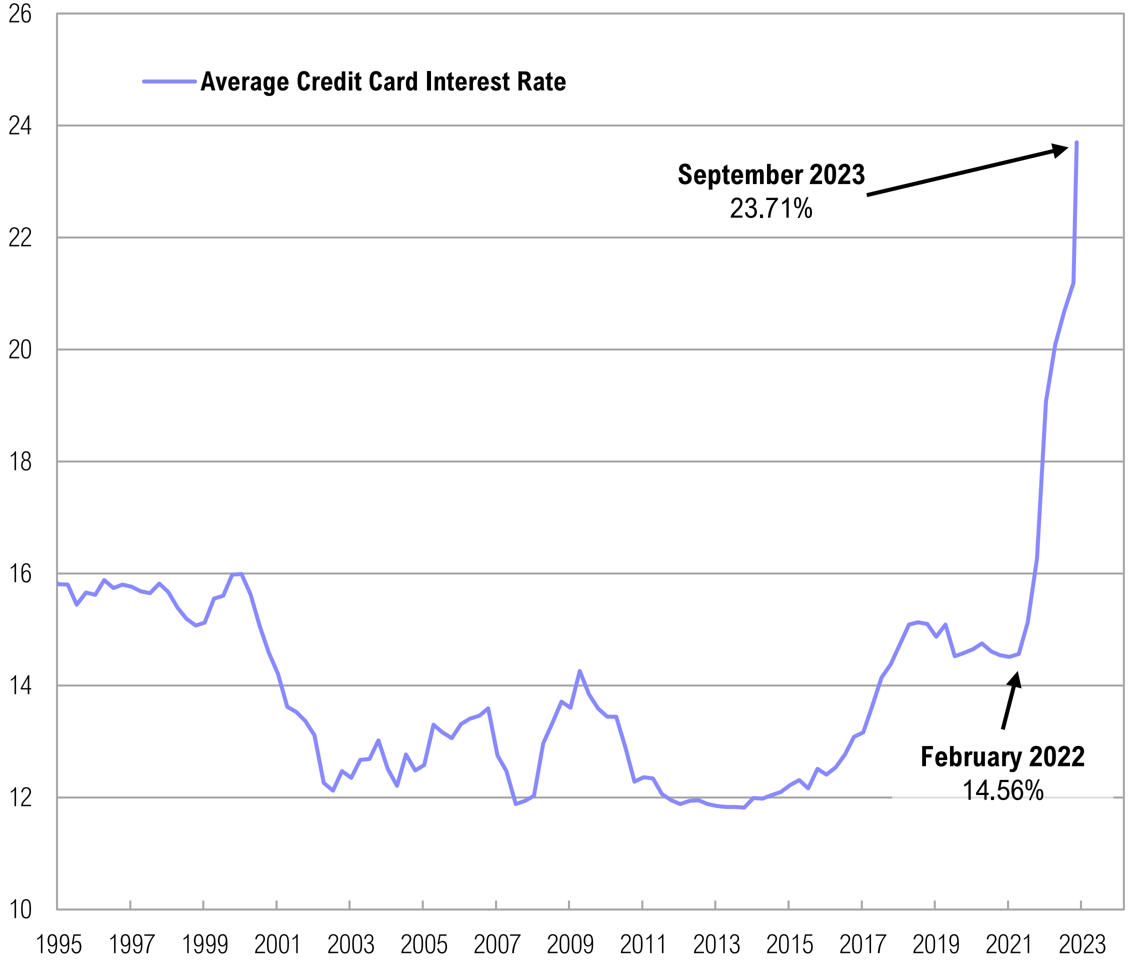
U.S. Consumer Revolving Credit, $Bn



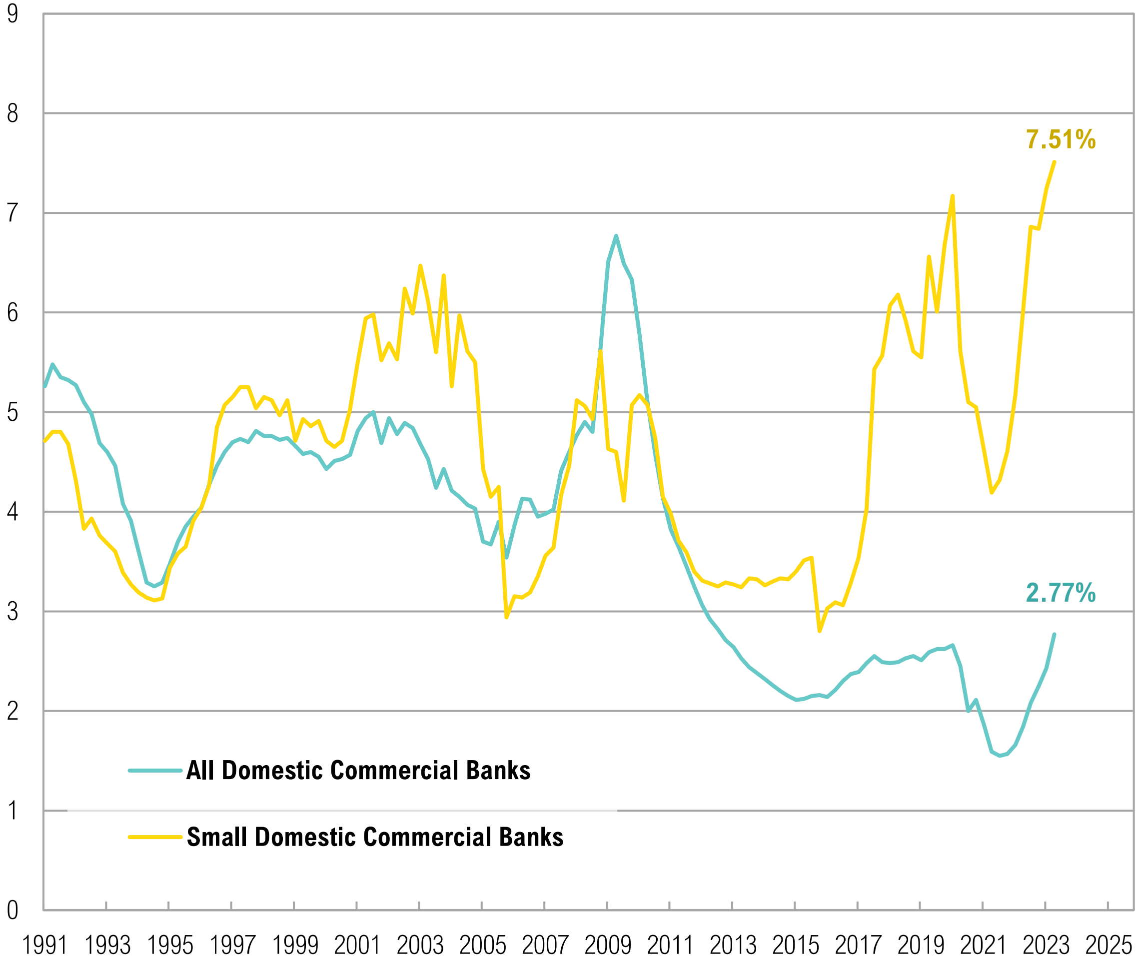
Source: Bloomberg

Average credit card interest rates are at an all-time high and while credit card loan delinquency rates are low overall, they are at record-high levels for small banks (red flag)

Average Credit Card Interest Rates*, %

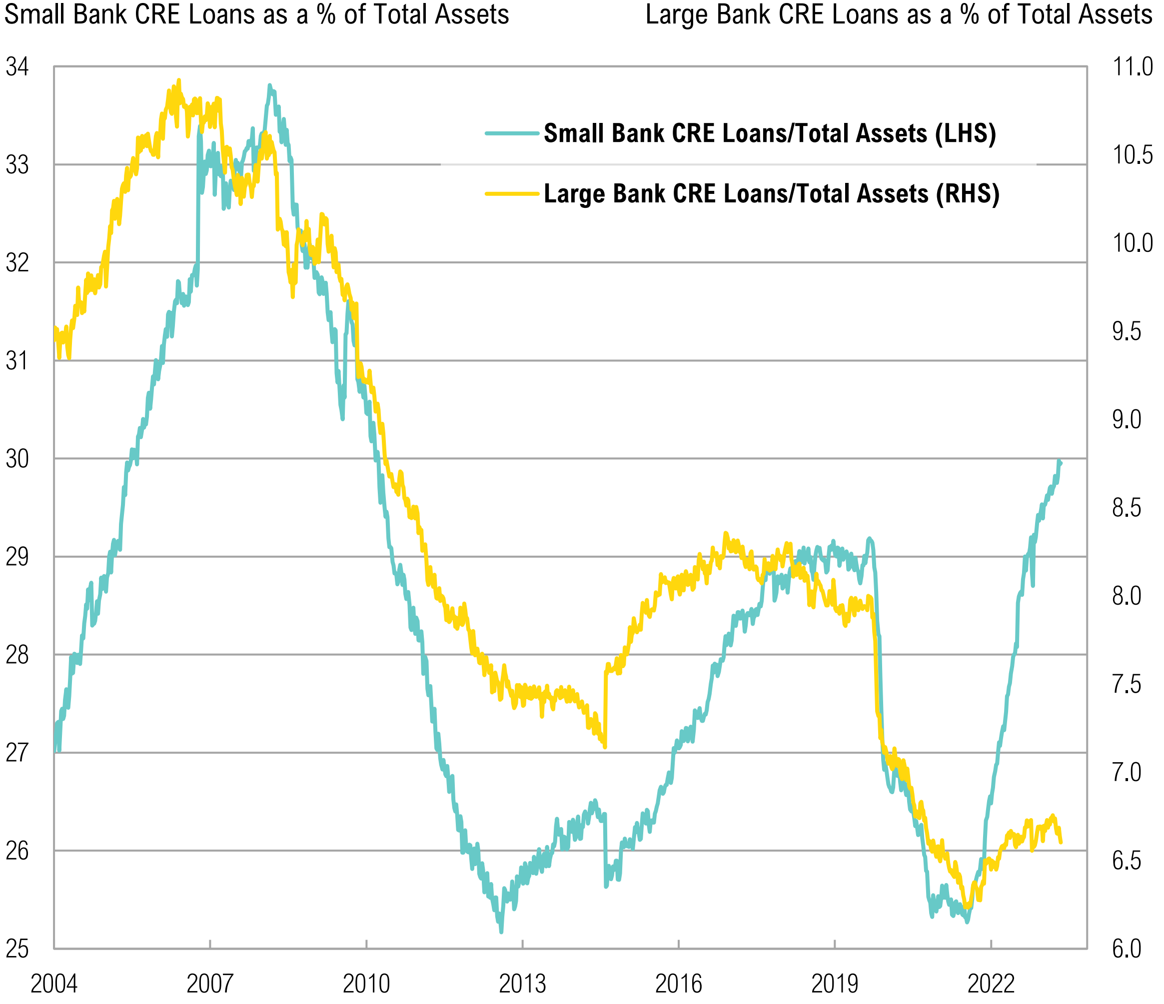


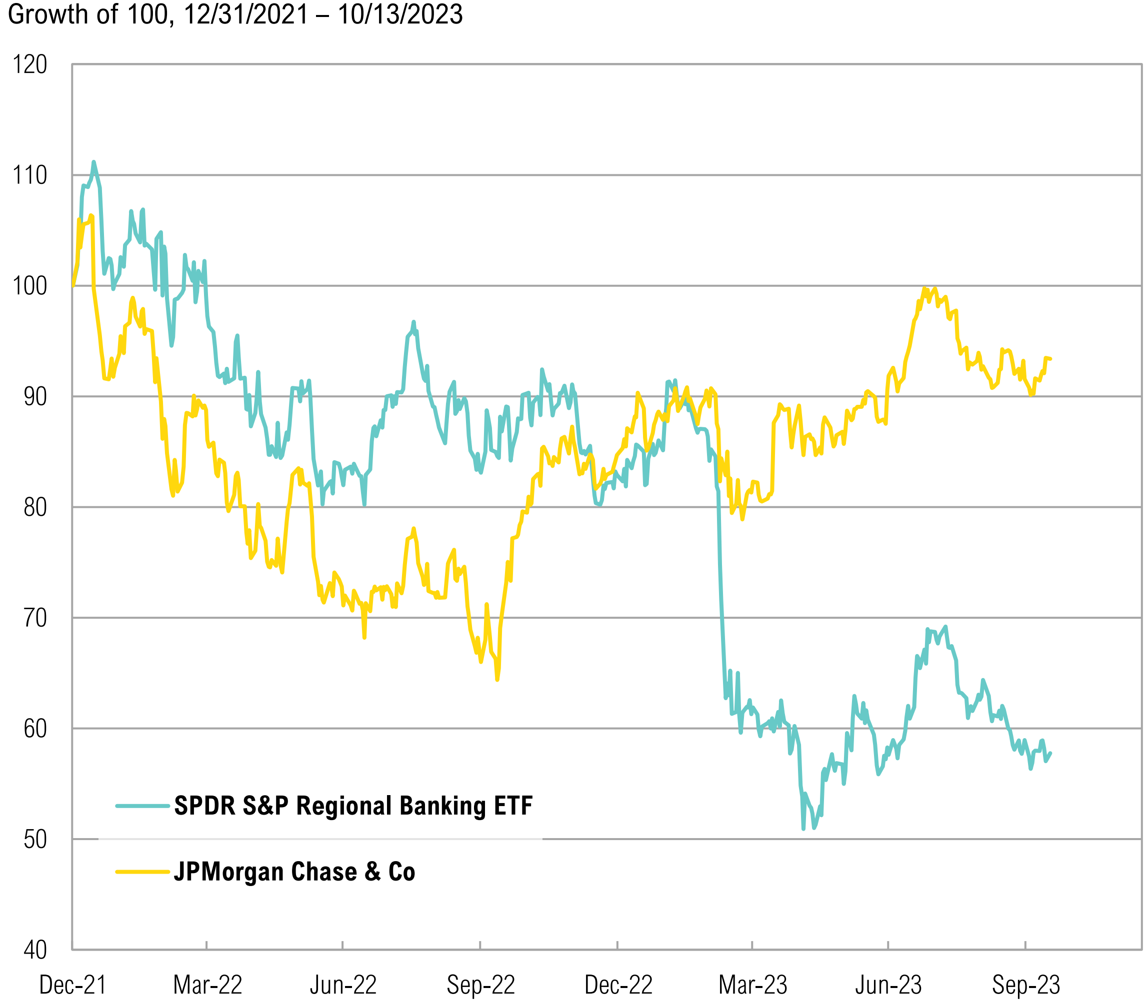
Credit Card Loan Delinquency Rate, %



Source: Bloomberg, Federal Reserve, FRED, LendingTree, Bankrate, Forbes, CreditCards.Com. *Average based on interest rates from several different databases. RHS as of 6/30/23.

Another red flag for small banks: CRE loans account for 30% of small bank assets and only 6% of large bank assets; big bank performance since Jan 2022 emphasizes their strength



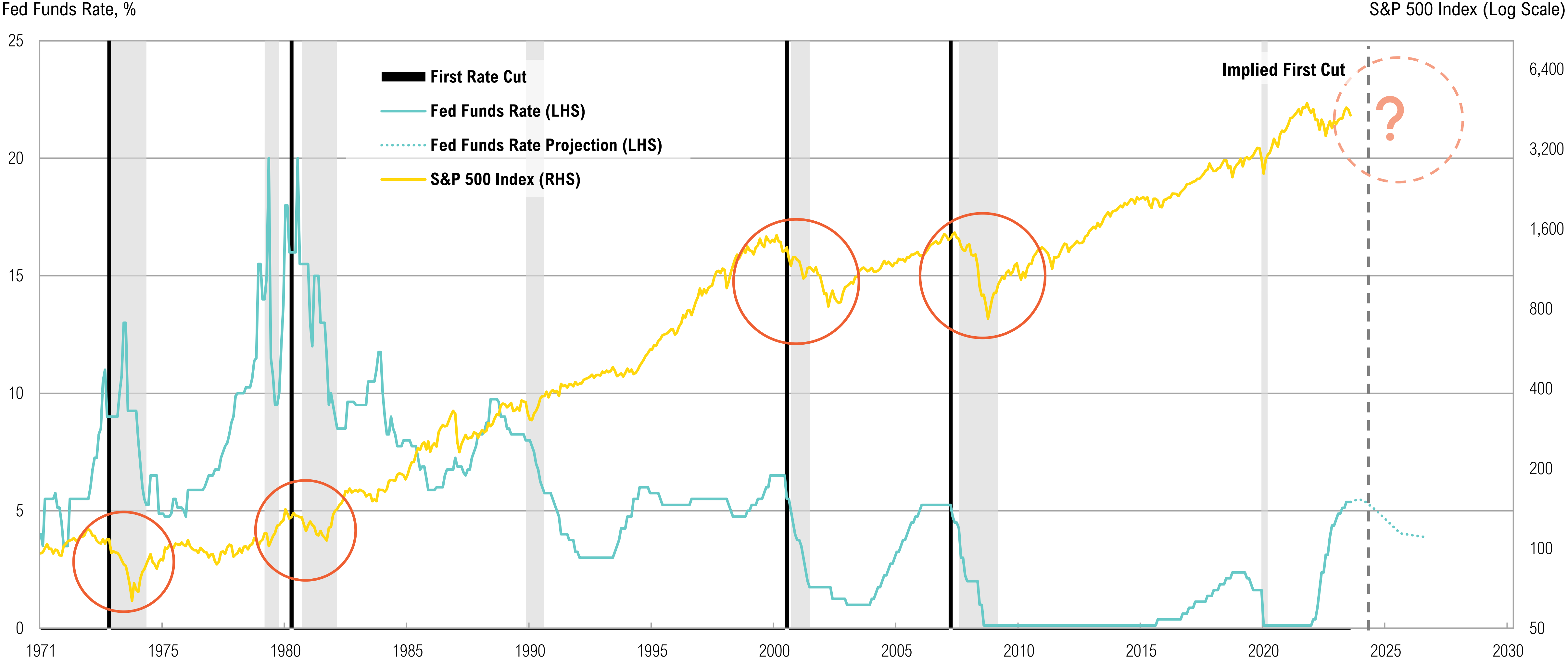


Source: Bloomberg, FRB

> The inside of the stock market is the best economist I know.

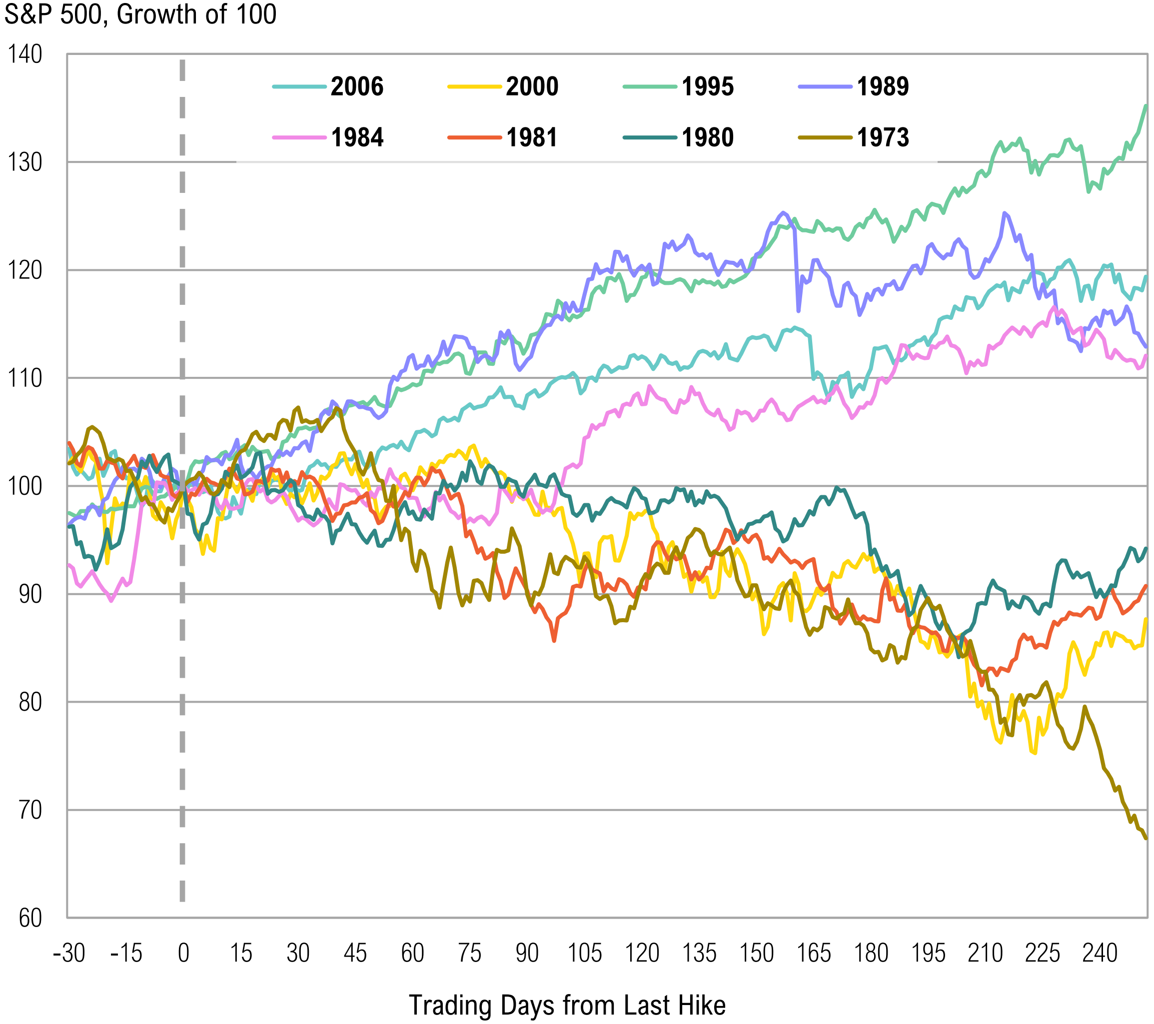
Stanley Druckenmiller, *American Investor*

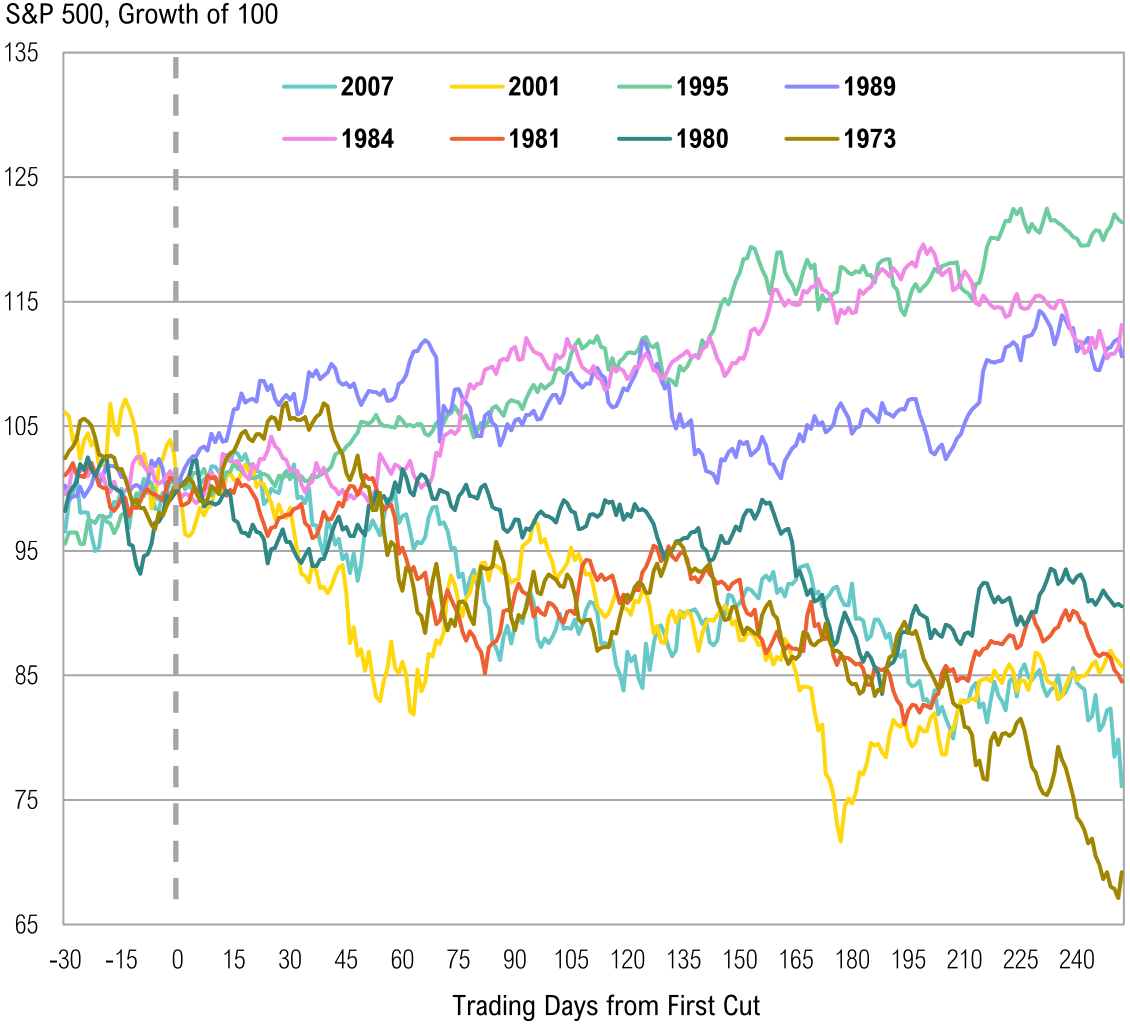
While a pause/rate cut could be on the horizon, history shows that the Fed cutting rates doesn't stop the pain from prior hikes and their 'long and variable' lags



Source: Bloomberg

Win big or lose big: markets have had very different outcomes following the first rate cut; the historical probability of a decline is slightly higher than that of a rally





Source: Bloomberg

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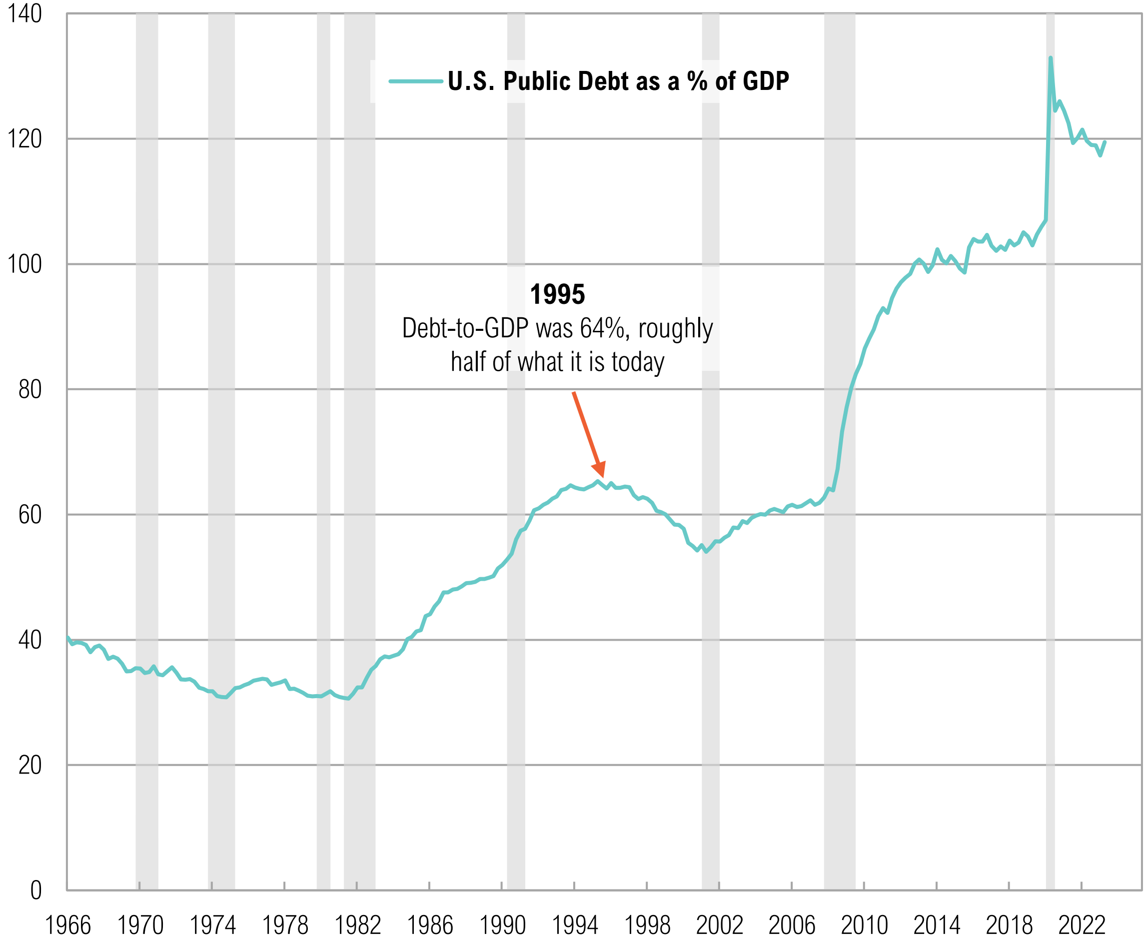
MOUNT YALE

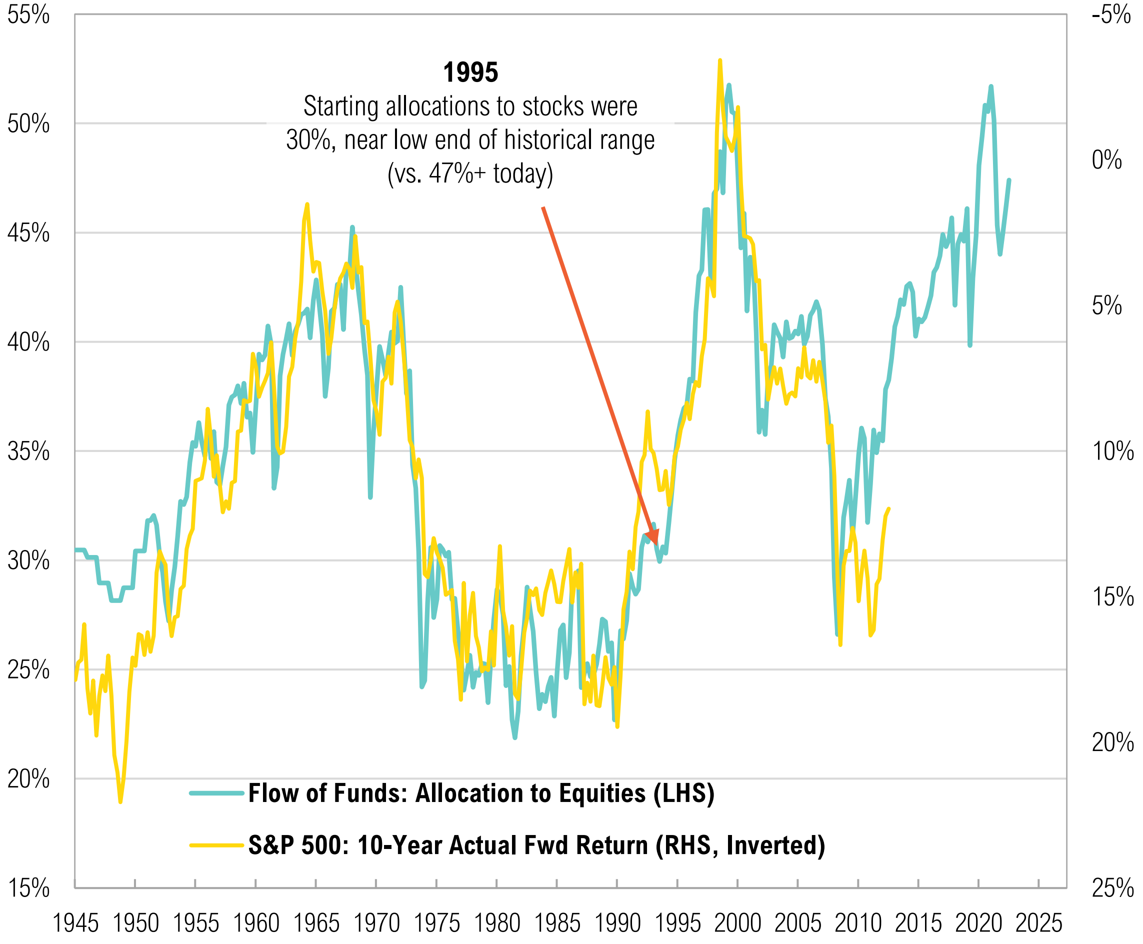
Are we underestimating a 1995-type outcome? We don't think so.

U.S. Debt to GDP, %



U.S. Flow of Funds: Allocation to Equities

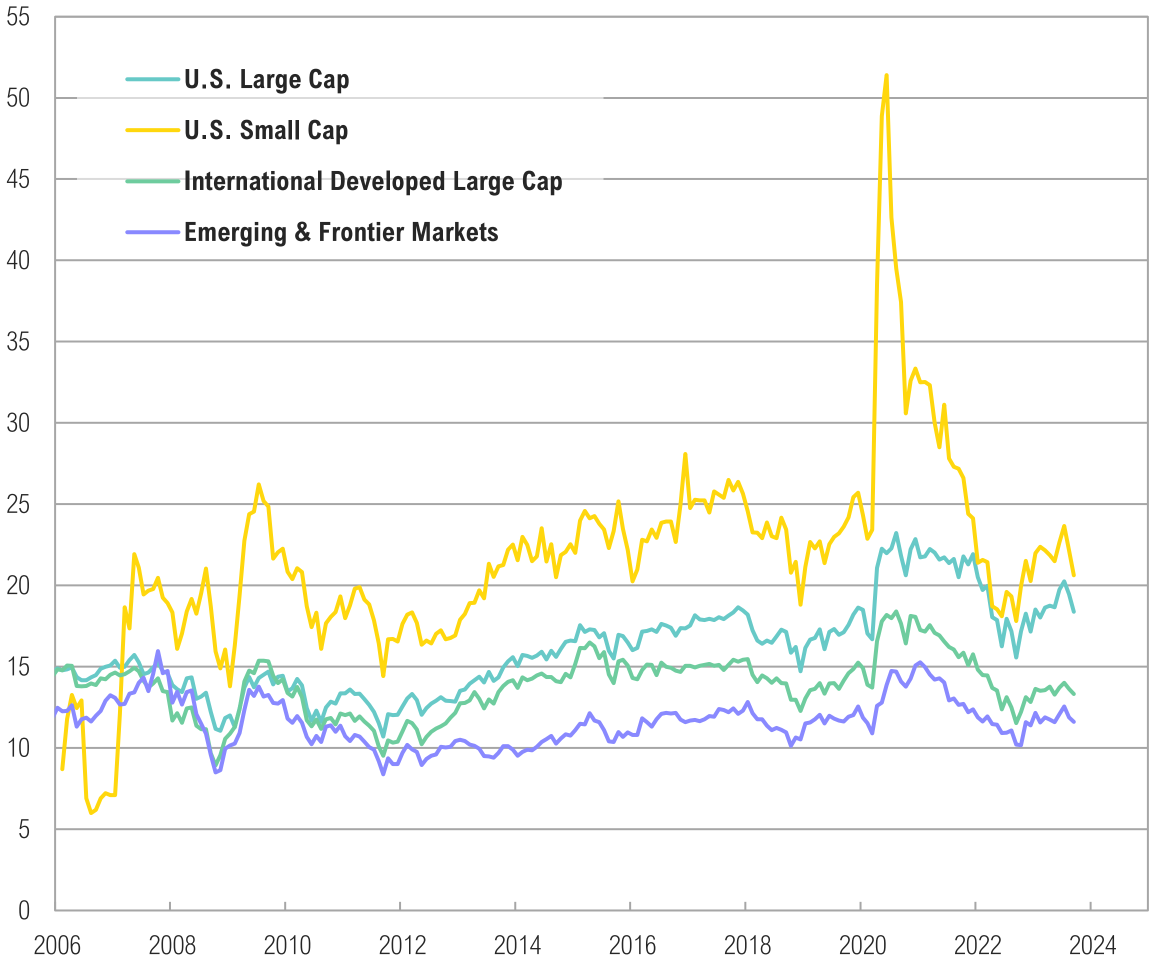
S&P 500: 10-Year Actual Fwd Return, Inverted



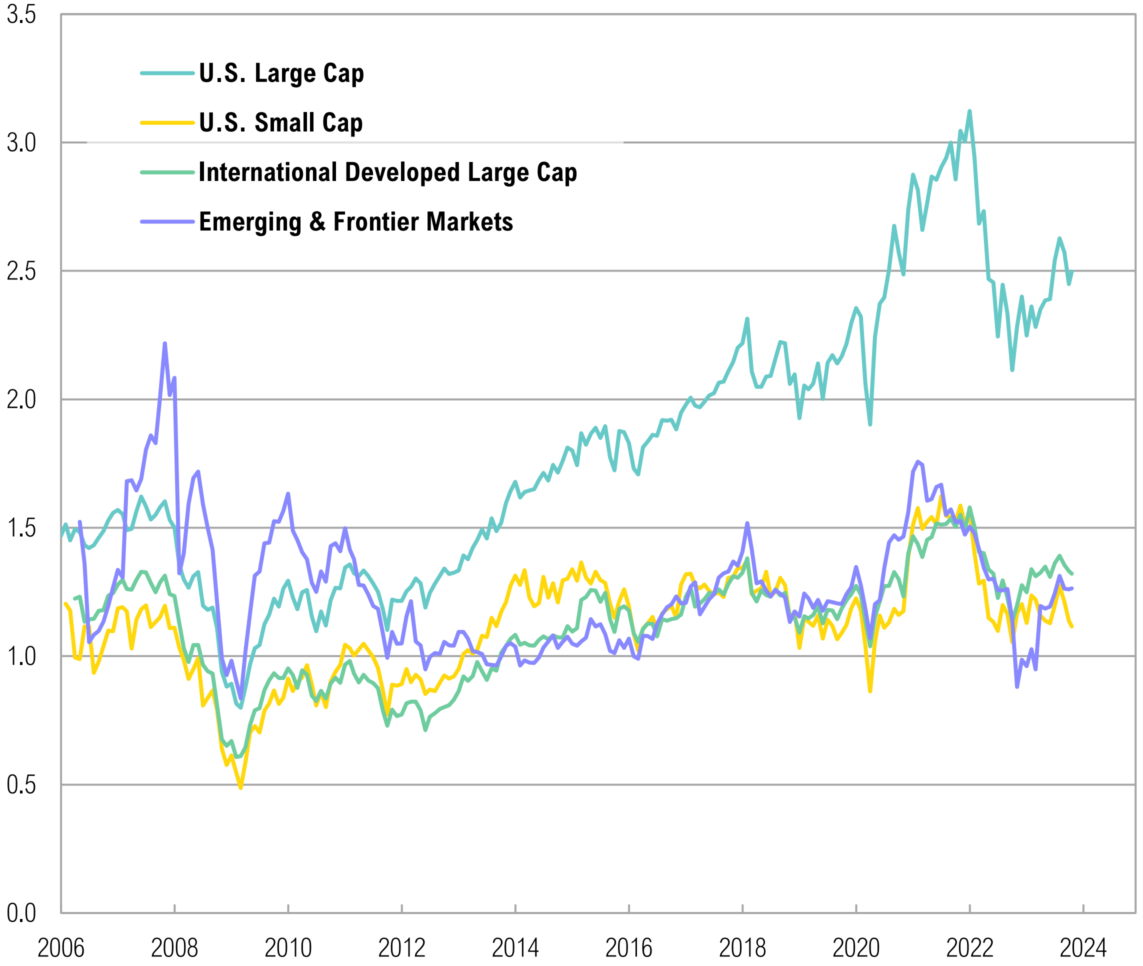
Source: Bloomberg, St Louis Fed, National Accounts (Release Z.1 Flow of Funds) as of 6/30/23

Valuations ticked lower over the quarter; EM stocks remain relatively cheap vs. developed markets, but 'value trap' risk remains if recent growth optimism doesn't materialize

Price-to-Earnings Ratio, Forward 12-Month



Price-to-Sales Ratio

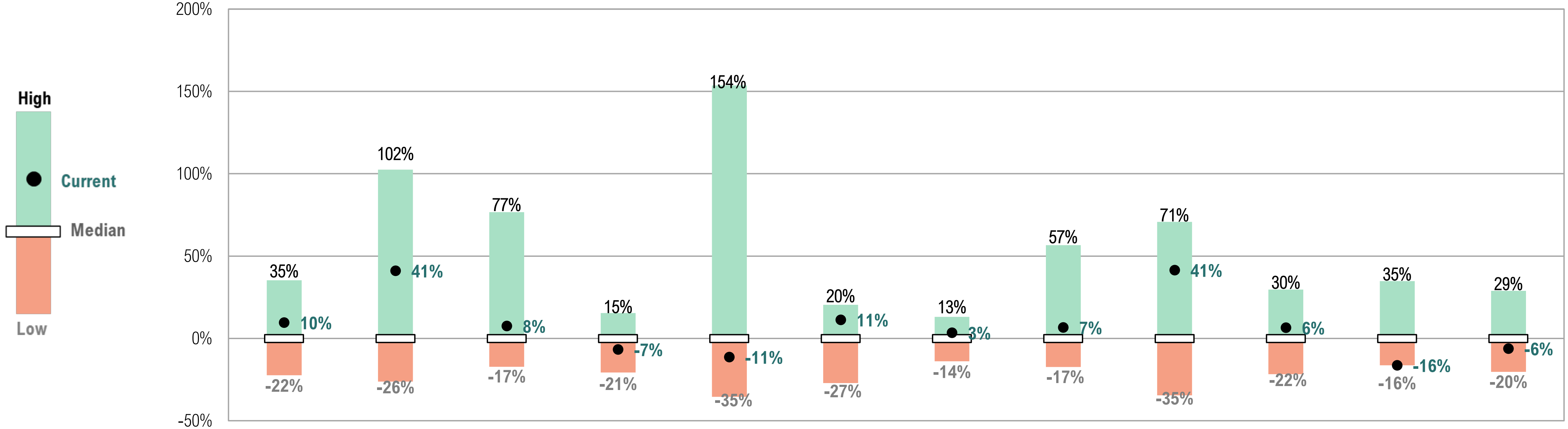


Source: Bloomberg

See important disclosures at the end of this presentation

Most S&P 500 sectors are trading at premiums to their median valuations with tech and comm. services looking stretched; energy and real estate offer value relative to their ranges

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

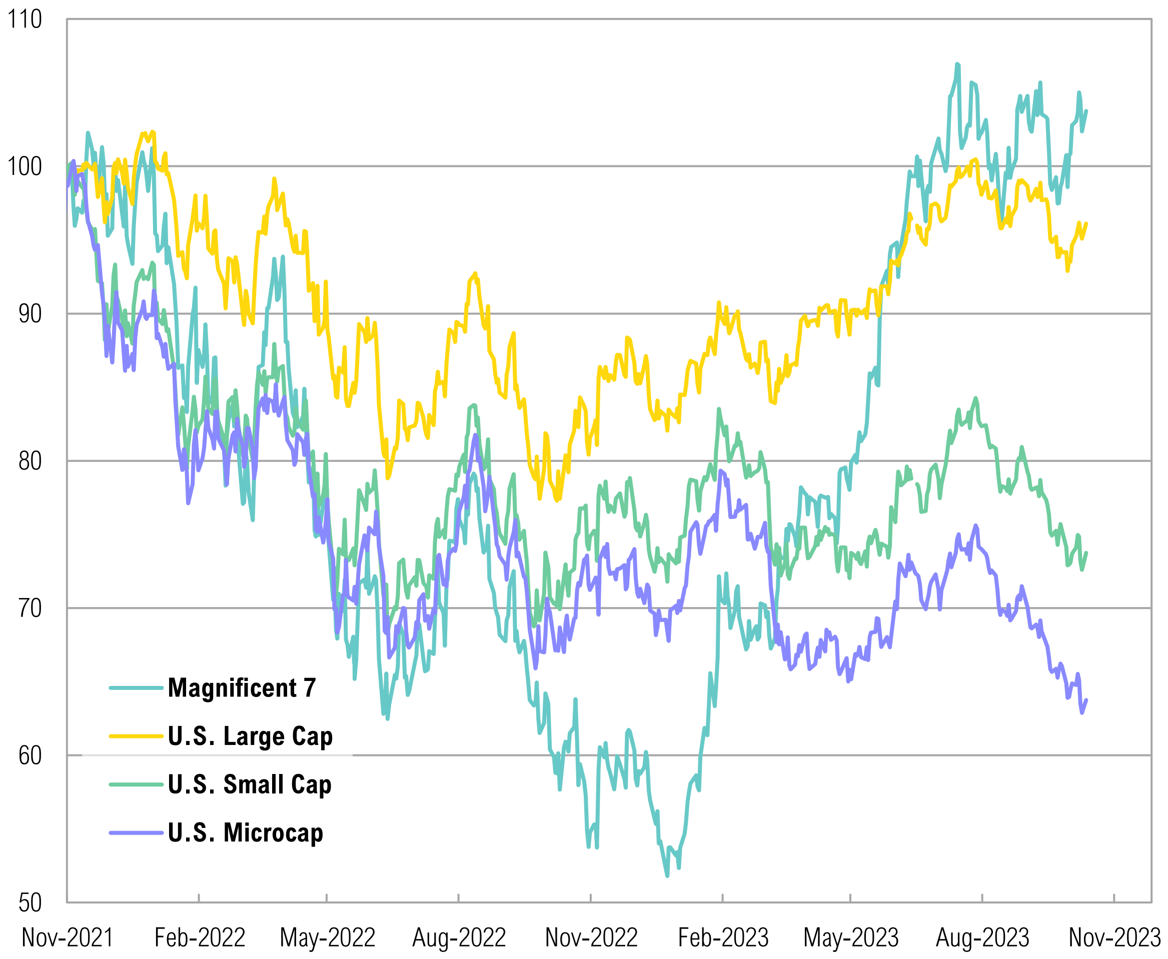


	S&P 500	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities
High Valuation Date	4/30/2021	8/31/2021	4/30/2021	4/29/2022	4/29/2016	10/29/2021	7/30/2021	4/30/2021	12/31/2021	4/30/2021	12/31/2021	3/31/2022
Low Valuation Date	8/30/2013	5/31/2018	8/30/2013	8/30/2013	9/30/2022	3/31/2020	3/31/2020	9/30/2015	9/30/2013	9/30/2015	9/30/2022	8/30/2013
Valuation Premium on 12/31/2022	1%	23%	-5%	8%	-23%	1%	4%	7%	18%	0%	-13%	17%
Valuation Premium on 12/31/2021	35%	98%	64%	15%	-23%	17%	8%	31%	73%	15%	34%	27%
Valuation Premium on 12/31/2020	34%	98%	67%	10%	44%	5%	4%	43%	62%	30%	14%	18%
Valuation Premium on 12/31/2019	9%	64%	10%	6%	0%	6%	5%	3%	24%	10%	9%	21%
Valuation Premium on 12/31/2018	-12%	38%	-10%	-10%	-15%	-14%	-8%	-16%	-13%	-13%	-10%	-2%

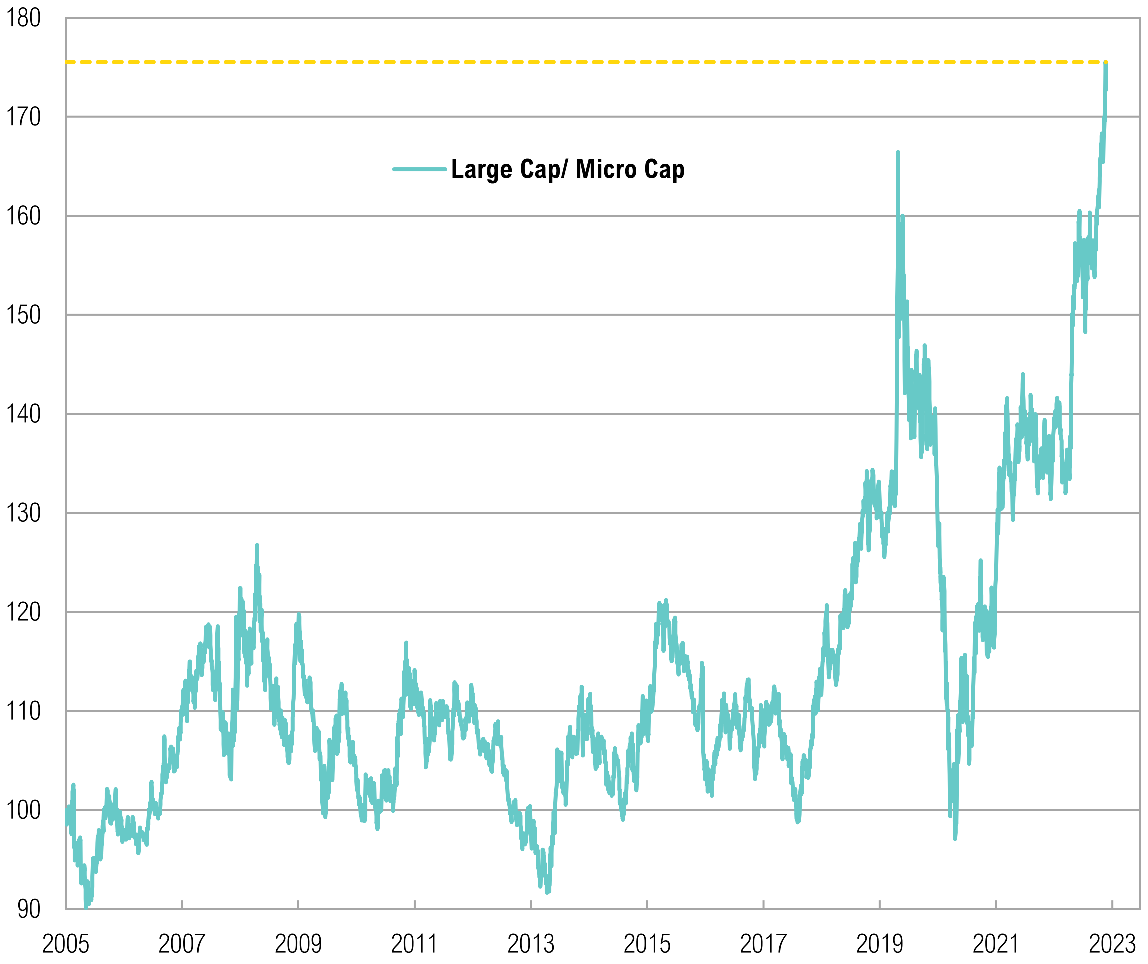
Source: Bloomberg. *The composite valuation equal weights four valuation metrics (Fwd P/E, Fwd P/CF, TTM P/S and TTM EV/EBITDA) relative to each respective sectors' 10-year medium valuation. The Financials composite replaces EV/EBITDA with TTM P/B.

There is a historic performance divergence between U.S. large cap and small cap stocks since Nov 5, 2021 (small cap peak); U.S. large caps have a lot going for them

Growth of 100, 11/5/2021 - Present



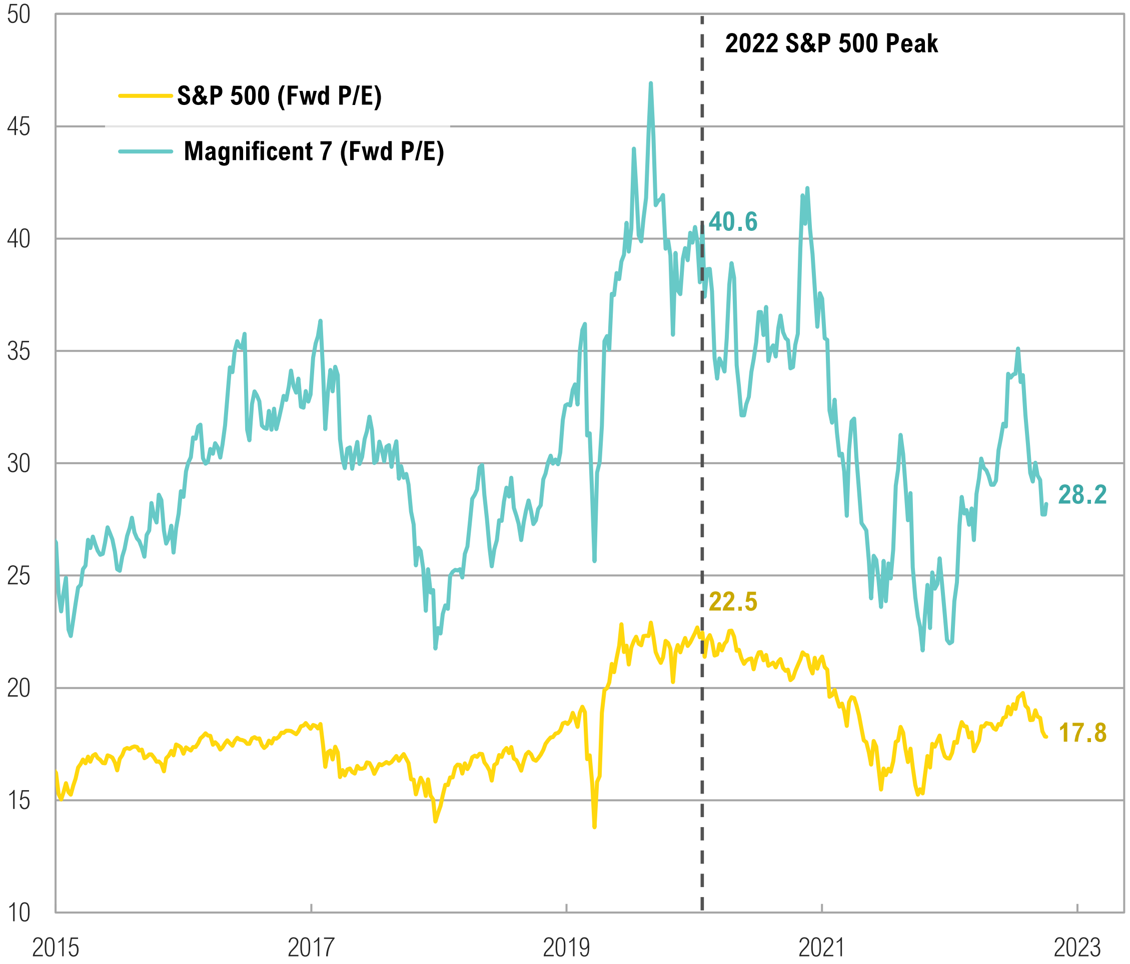
S&P 500 Index/ Russell Microcap Index, Growth of 100



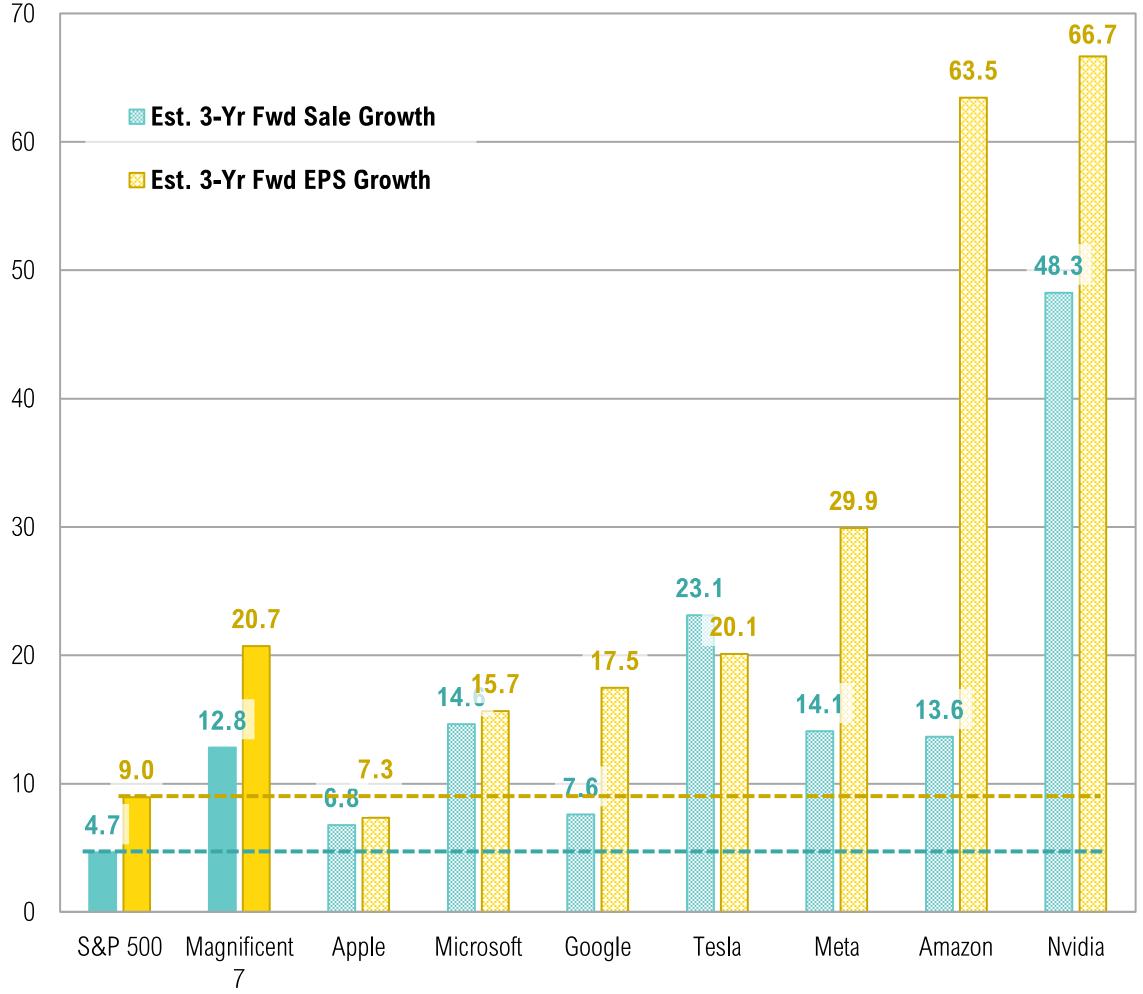
Source: Bloomberg. Small Cap proxied by the Russell 2000, Large Cap proxied by the S&P 500, Microcap proxied by the Russell Microcap Index. The Magnificent 7 is an equal-dollar weighted equity benchmark consisting of a fixed basket of Apple, Nvidia, Microsoft, Meta, Amazon, Tesla and Alphabet.

Despite market gains, Mag 7 forward valuations have dropped 30% since 2021 as EPS estimates have risen; Apple is currently trading at 30x earnings, despite single-digit growth expectations

12-Month Forward Price-to-Earnings Ratio*



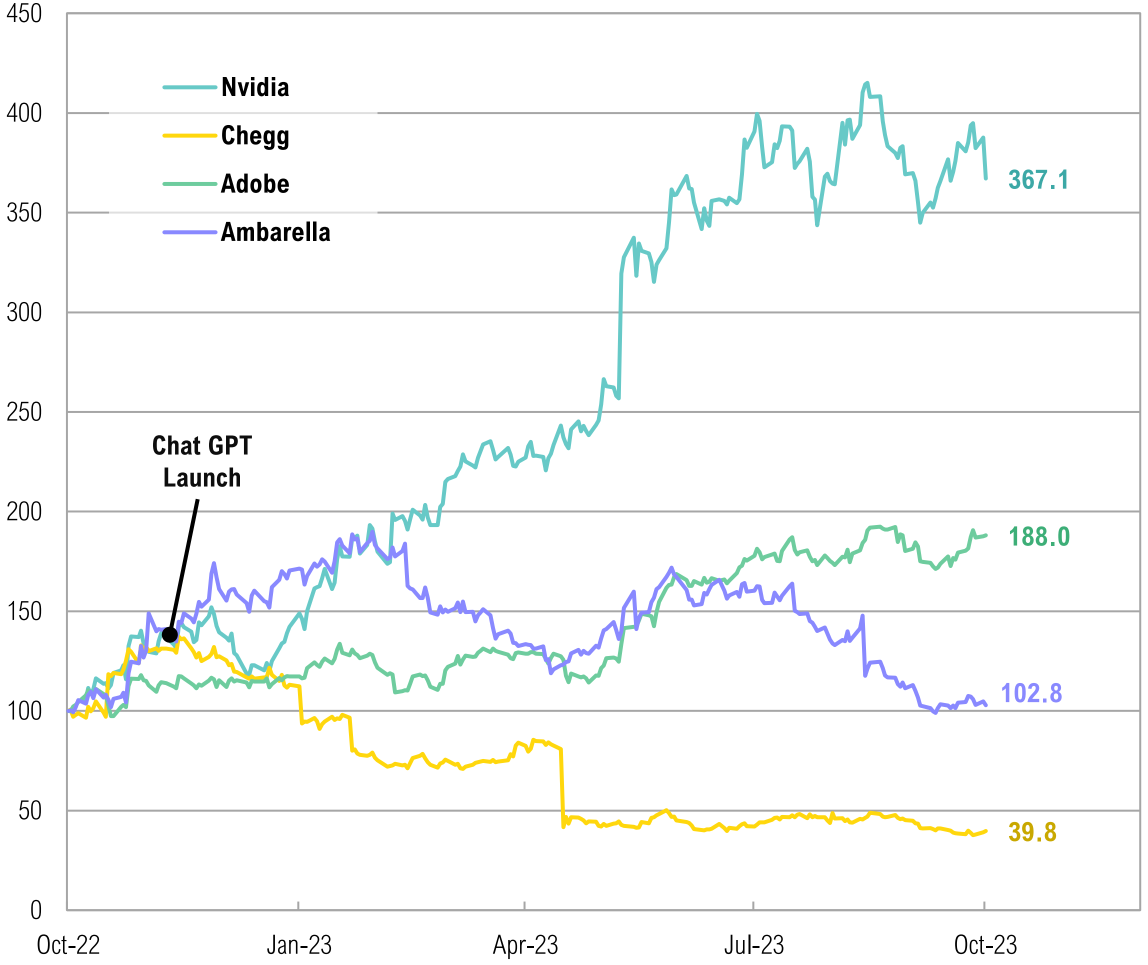
Consensus Annualized 3-Year Forward Growth Expectations, %



Source: Bloomberg. *The price to earnings ratio for the Magnificent 7 assumes an equal weighting of Apple, Nvidia, Microsoft, Meta, Amazon, Tesla and Alphabet.

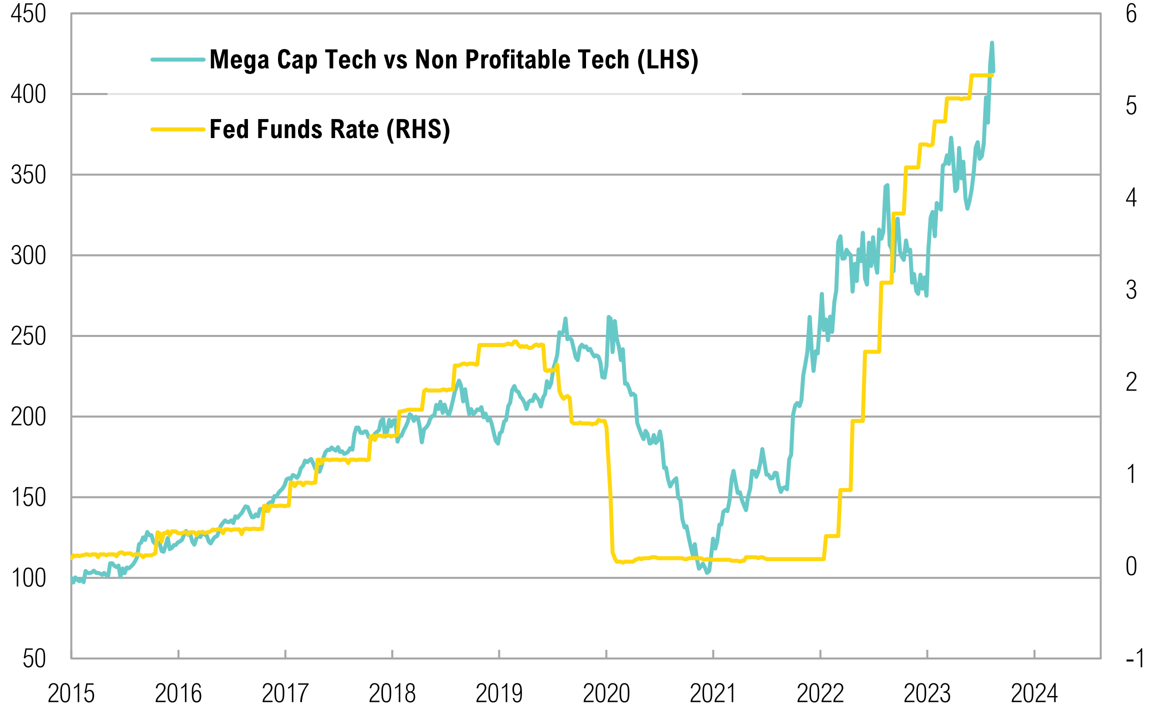
AI 'winners' and 'losers' are not always obvious; while we believe Mega Cap Tech is overvalued relative to rates, this is not a repeat of the Tech bubble

Share Price, Growth of 100



GS Mega Cap Tech vs Non-Profitable Tech Index

Effective Fed Funds Rate, %



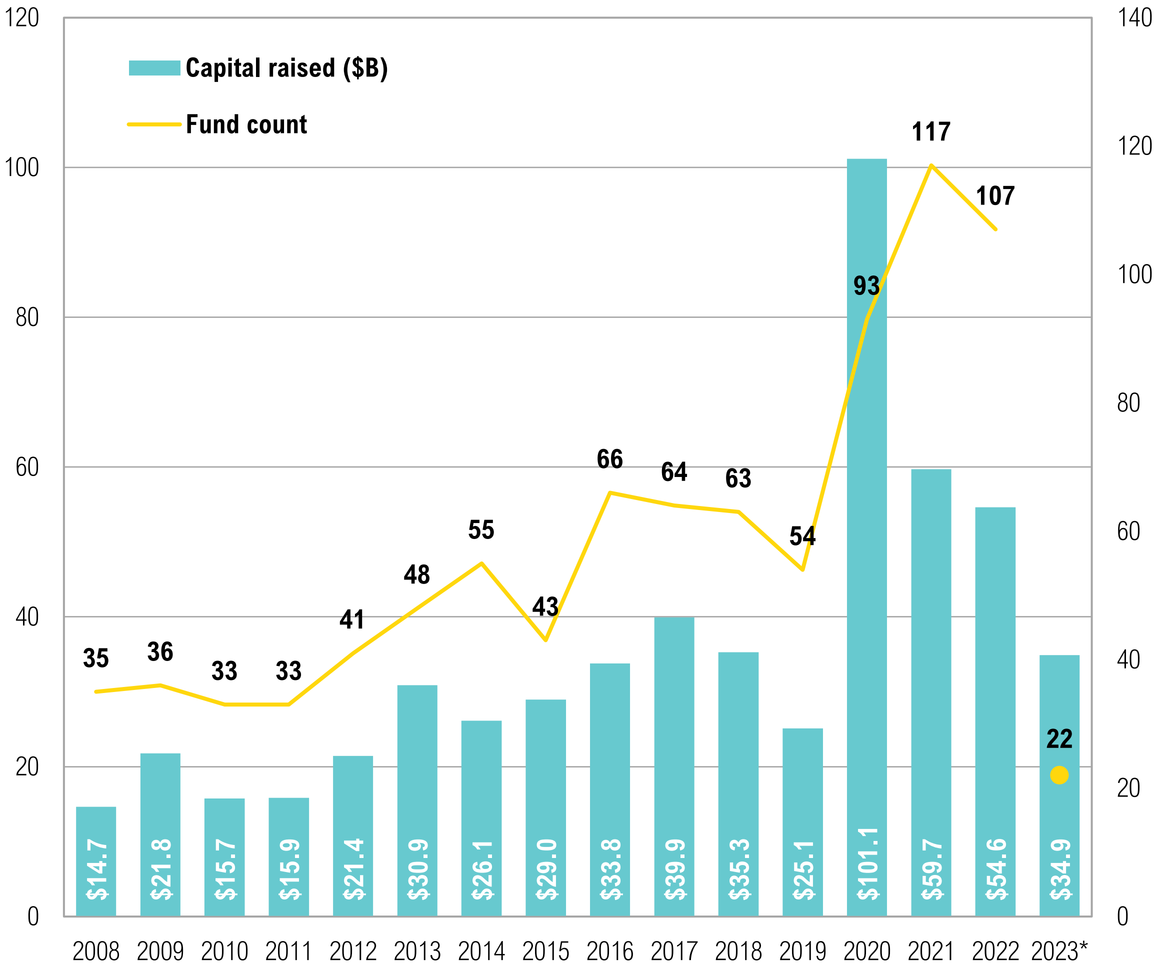
	Market Wt. (%)	Cash as % of Market Cap	Net Debt to Equity	RoE (%)	Net Margin (%)
Magnificent 7	29.3%	4.3%	-0.3	44.0%	25.0%
Tech Bubble	19.0%	2.4%	0.0	28.0%	16.0%

Source: Bloomberg. Magnificent 7 aggregate companies comprise of Apple. Microsoft, Alphabet, Amazon, Nvidia, Telsa, Meta and Tech Bubble aggregate companies comprise Microsoft, Cisco, Intel, Oracle, IBM, Lucent, Nortel Networks.

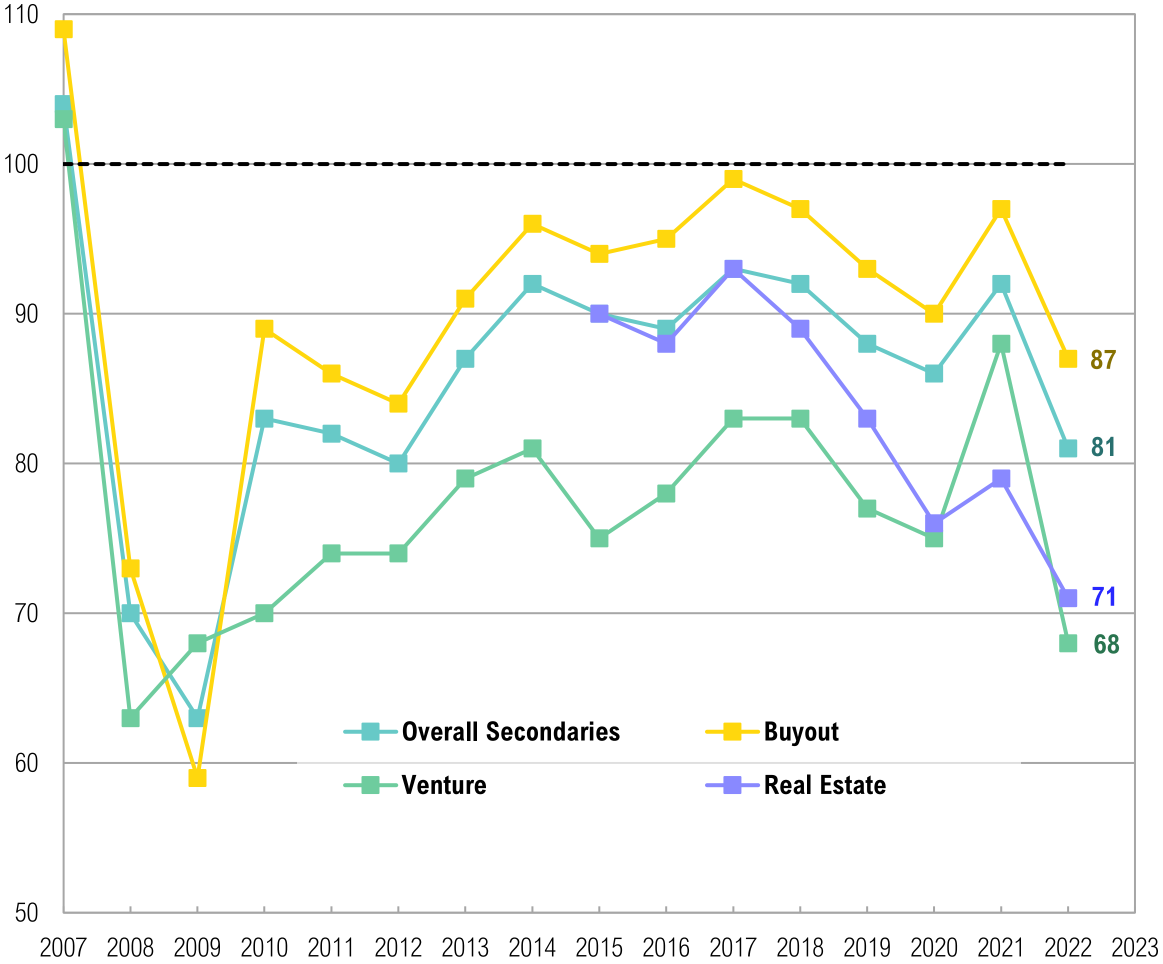
After a record year in 2020, secondaries fundraising has fallen back to more typical levels

Secondaries Fundraising Activity, $Bn

Number of Funds Launched



Secondary Pricing as a % of NAV



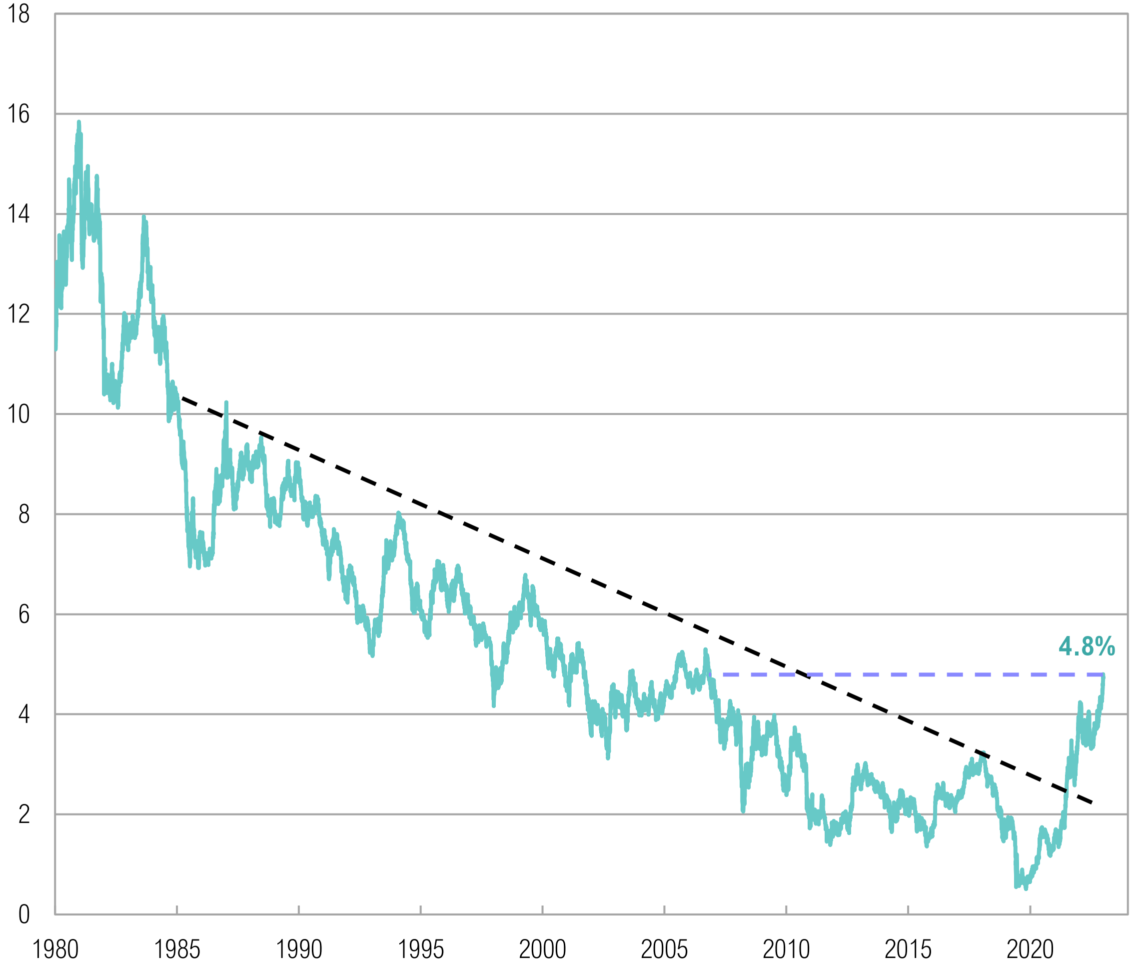
Source: Pitchbook, StepStone. Fundraising data as of 6/30/2023; Secondary pricing data as of 12/31/2022.

Largely thanks to highly accommodative monetary policy, we went through unusually easy times in a number of important regards over a prolonged period, but that time is over. I don't think short-term interest rates will be as low in the coming years as in the recent past. For this and other reasons, I believe the years ahead won't be as easy.

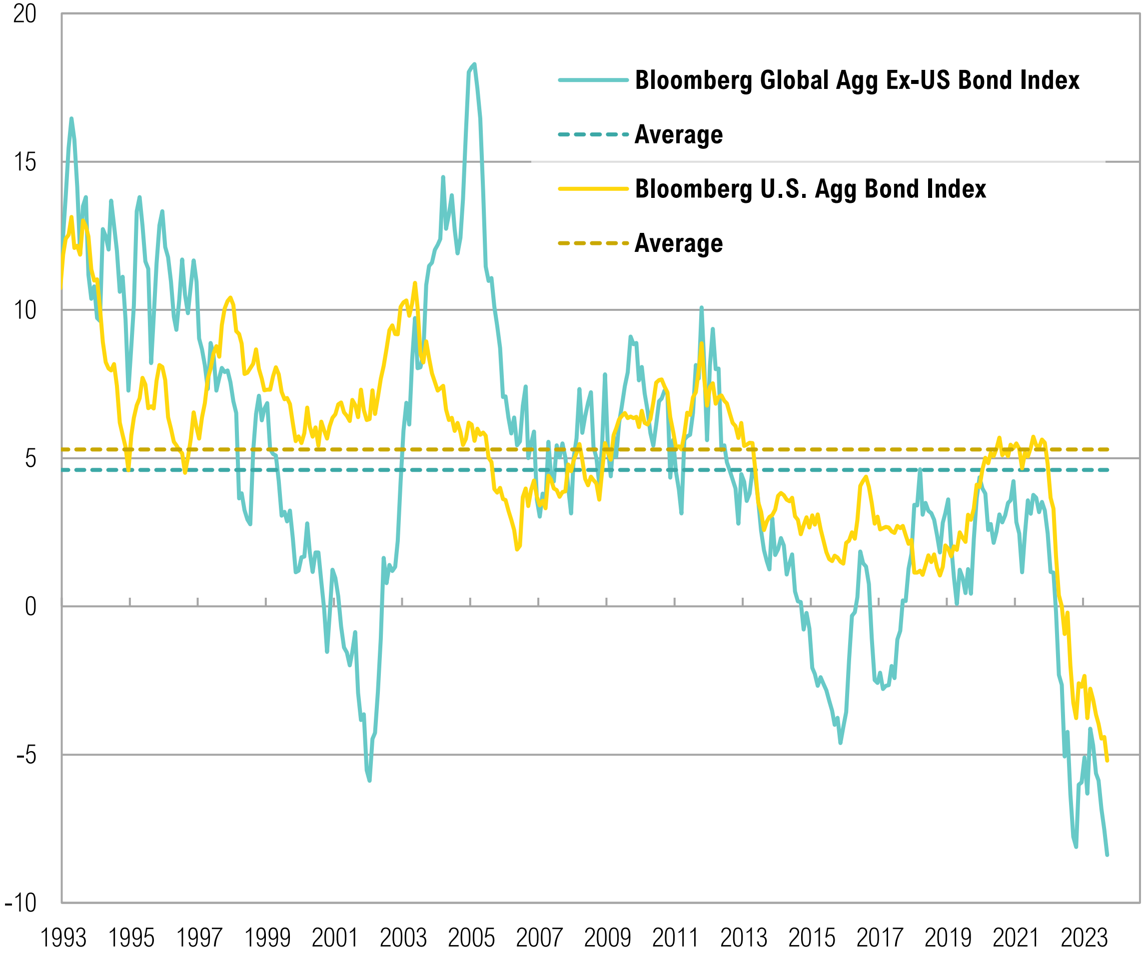
Howard Marks, *Co-Founder of Oaktree Capital Management*

‘Higher-for-longer’ pushed Treasury yields to levels last seen in 2007; we are in the midst of the worst Treasury bear market of all time, with bonds delivering the worst three-year returns in history

10-Year Treasury Yield, %



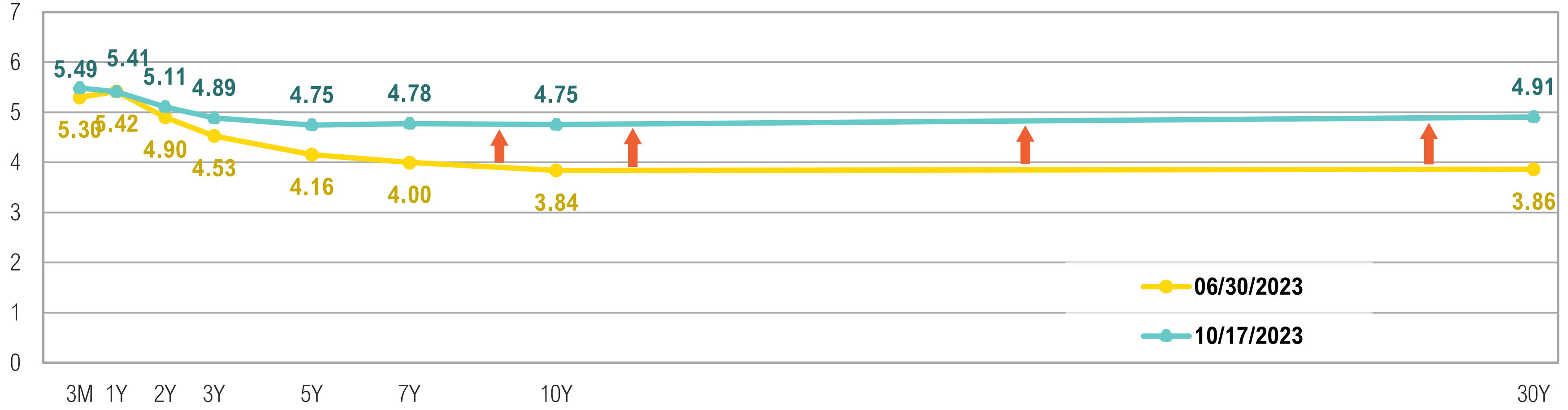
Total Returns (Rolling 3-Year), %



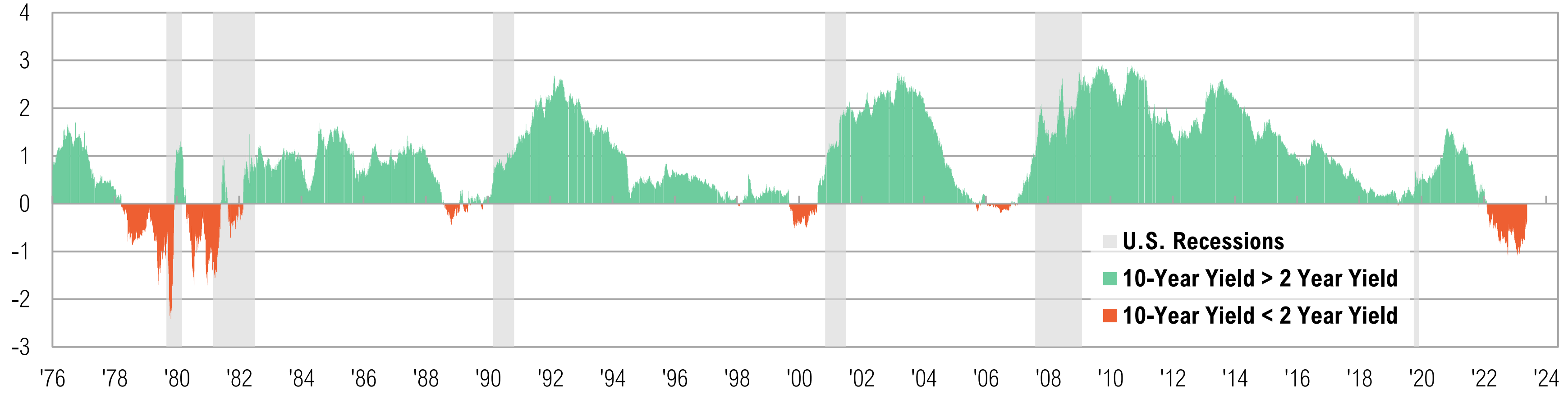
Source: Bloomberg

If it takes a 'bear steepener' to dis-invert the yield curve, the odds that "this time is different" diminishes substantially

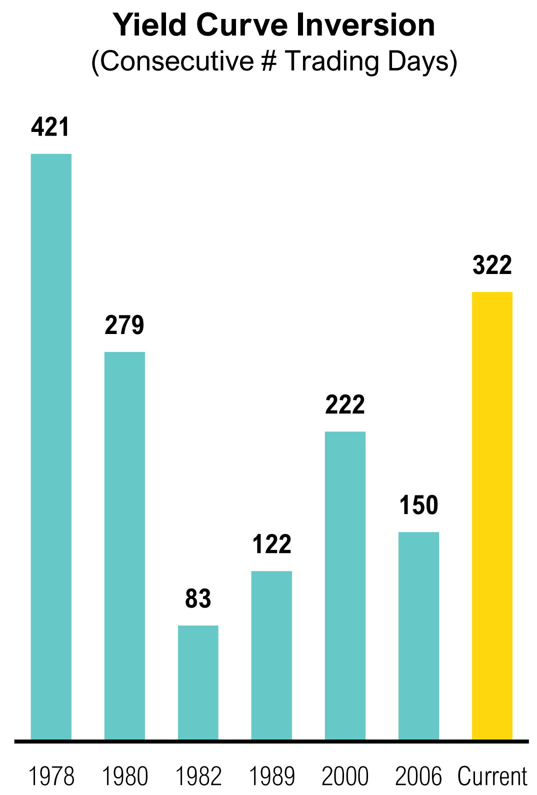
U.S. Treasury Yield Curve, %



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



Source: Bloomberg



There's always opportunity: the 3–4-year part of yield curve has an attractive risk-reward profile—yields could move up 1.5% in the next year and total returns would still be positive

Estimated 1-Year Total Return for Given Change in Yields

Change in Yields (%) \ Tenor	3-Mnth	6-Mnth	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr	7-Yr	10-Yr	15-Yr	20-Yr	30-Yr
3.0%	4.7%	4.1%	2.8%	-0.5%	-3.2%	-6.0%	-8.5%	-12.9%	-19.2%	-26.1%	-33.1%	-43.4%
2.5%	4.9%	4.4%	3.3%	0.4%	-1.9%	-4.2%	-6.3%	-10.0%	-15.2%	-20.9%	-26.8%	-35.4%
2.0%	5.0%	4.6%	3.7%	1.4%	-0.5%	-2.4%	-4.1%	-7.0%	-11.2%	-15.8%	-20.4%	-27.3%
1.5%	5.1%	4.9%	4.2%	2.3%	0.8%	-0.6%	-1.9%	-4.1%	-7.2%	-10.6%	-14.0%	-19.3%
1.0%	5.2%	5.1%	4.6%	3.3%	2.2%	1.2%	0.3%	-1.1%	-3.3%	-5.5%	-7.7%	-11.3%
0.5%	5.4%	5.3%	5.1%	4.2%	3.5%	3.0%	2.5%	1.8%	0.7%	-0.3%	-1.3%	-3.2%
0.0%	5.5%	5.6%	5.5%	5.1%	4.9%	4.8%	4.7%	4.8%	4.7%	4.9%	5.0%	4.8%
-0.5%	5.6%	5.8%	5.9%	6.1%	6.3%	6.6%	7.0%	7.7%	8.7%	10.0%	11.4%	12.9%
-1.0%	5.7%	6.1%	6.4%	7.0%	7.6%	8.5%	9.2%	10.7%	12.7%	15.2%	17.8%	21.0%
-1.5%	5.9%	6.3%	6.8%	7.9%	9.0%	10.3%	11.4%	13.6%	16.7%	20.4%	24.2%	29.1%
-2.0%	6.0%	6.5%	7.3%	8.9%	10.3%	12.1%	13.6%	16.6%	20.7%	25.6%	30.6%	37.2%
-2.5%	6.1%	6.8%	7.7%	9.8%	11.7%	13.9%	15.8%	19.5%	24.7%	30.8%	37.0%	45.3%
-3.0%	6.2%	7.0%	8.2%	10.7%	13.1%	15.7%	18.0%	22.5%	28.7%	35.9%	43.4%	53.4%
Duration (Yrs)	0.2	0.5	0.9	1.9	2.7	3.6	4.4	5.9	8.0	10.3	12.7	16.1
Yield YTM	5.5	5.6	5.5	5.1	4.9	4.8	4.7	4.8	4.7	4.9	5.0	4.8
Convexity	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.2*	*0.2*	*0.4*	*0.8*	*1.4*	*2.2*	*3.8*

Yield Increase Insulation by Tenor:

- **1-Year: +4% (rise in yields)**
- **2-Year: +2.5%**
- **3-Year: +1.5%**
- **4-Year: +1.0%**
- **5-Year: +1.0%**

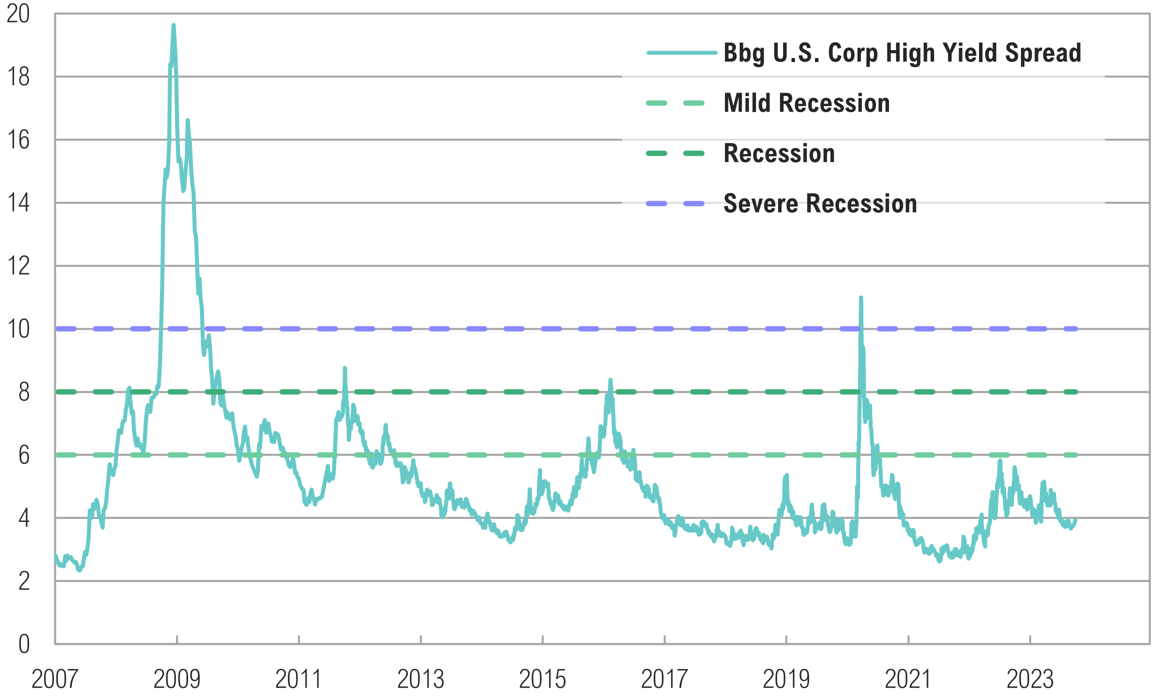
Total Returns by Tenor (for a 1% Decline in Yields):

- **15-Year: +15.2%**
- **20-Year: +17.8%**
- **30-Year: +21.0%**

Source: Bloomberg. As of 9/30/2023.

Tranching in high-yield bonds: some spread levels to consider are 6%, 8%, and 10%, with the goal to have each tranche be incrementally larger; current spread is 4.0% (HY spreads above 6% = above-average forward returns)

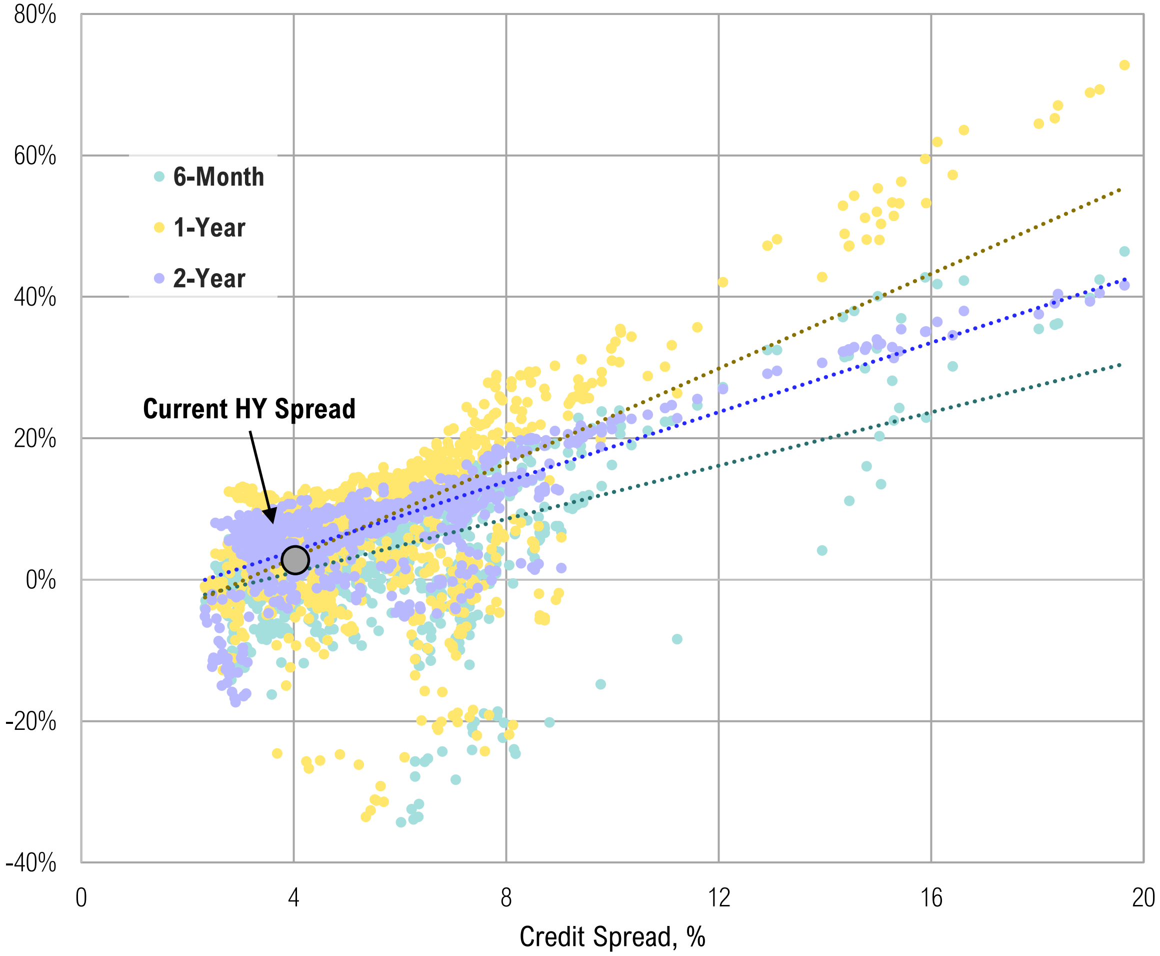
Credit Spreads, %



Average Forward Return

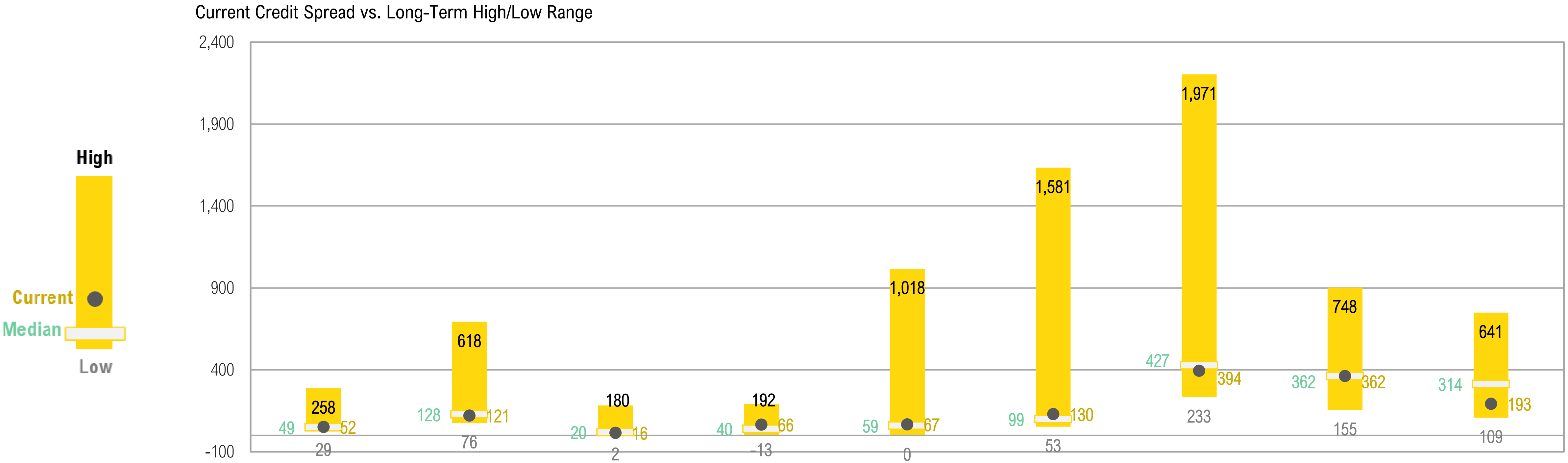
Spread Buckets	3M	6M	1Y	2Y	3Y
≤4	0.2%	1.3%	4.0%	3.1%	3.9%
4 < Spread ≤ 6	1.5%	3.1%	5.6%	6.5%	6.3%
6 < Spread ≤ 8	1.4%	2.2%	7.7%	9.8%	10.2%
>8	7.4%	16.4%	30.2%	22.1%	17.1%
All Spreads	**1.7%**	**3.5%**	**7.8%**	**7.7%**	**7.9%**

Annualized Forward Return, %



Source: SpringTide, Bloomberg. Forward return analysis from 2/4/1994 through 8/26/2022.

Credit spreads are at or below median across most sectors; while a recession still seems probable based on LEIs & manufacturing data, HYB spreads at current levels don't corroborate that view

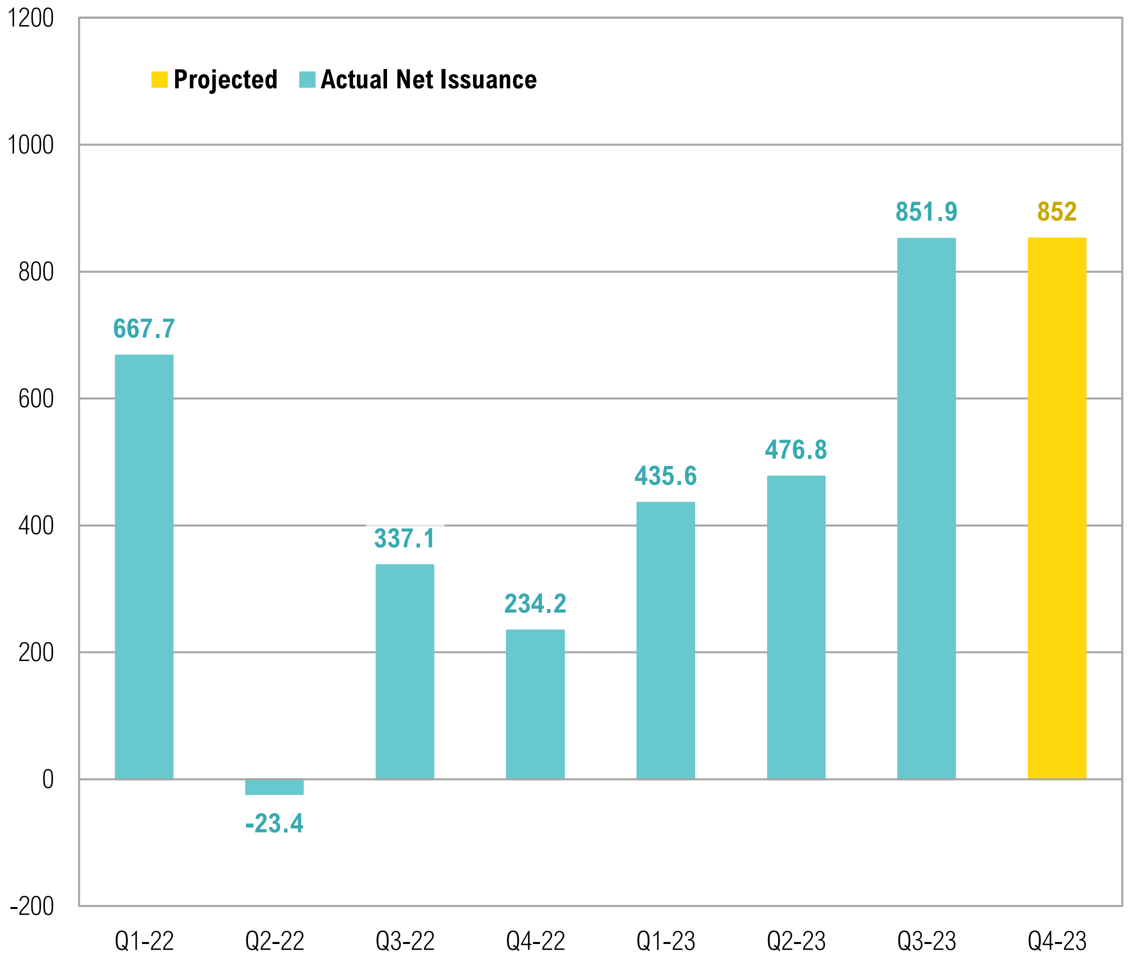


	Aggregate	Corporate	Agency	MBS	ABS	CMBS	High Yield	Emerging Markets	High Yield Muni Spread*
Max Spread Date	12/3/2008	12/3/2008	11/20/2008	12/3/2008	1/6/2009	11/21/2008	12/16/2008	11/28/2008	1/12/2009
Min Spread Date	4/14/2021	3/8/2005	4/19/2021	7/27/2010	10/1/2009	12/8/2004	5/22/2007	5/31/2007	6/11/2007
Spread on 12/31/22	51	130	26	51	76	120	469	374	228
Spread on 12/31/21	36	92	8	31	38	68	283	330	200
Spread on 12/31/20	42	96	10	39	33	81	360	323	275
Spread on 12/31/19	39	93	10	39	44	72	336	277	223

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

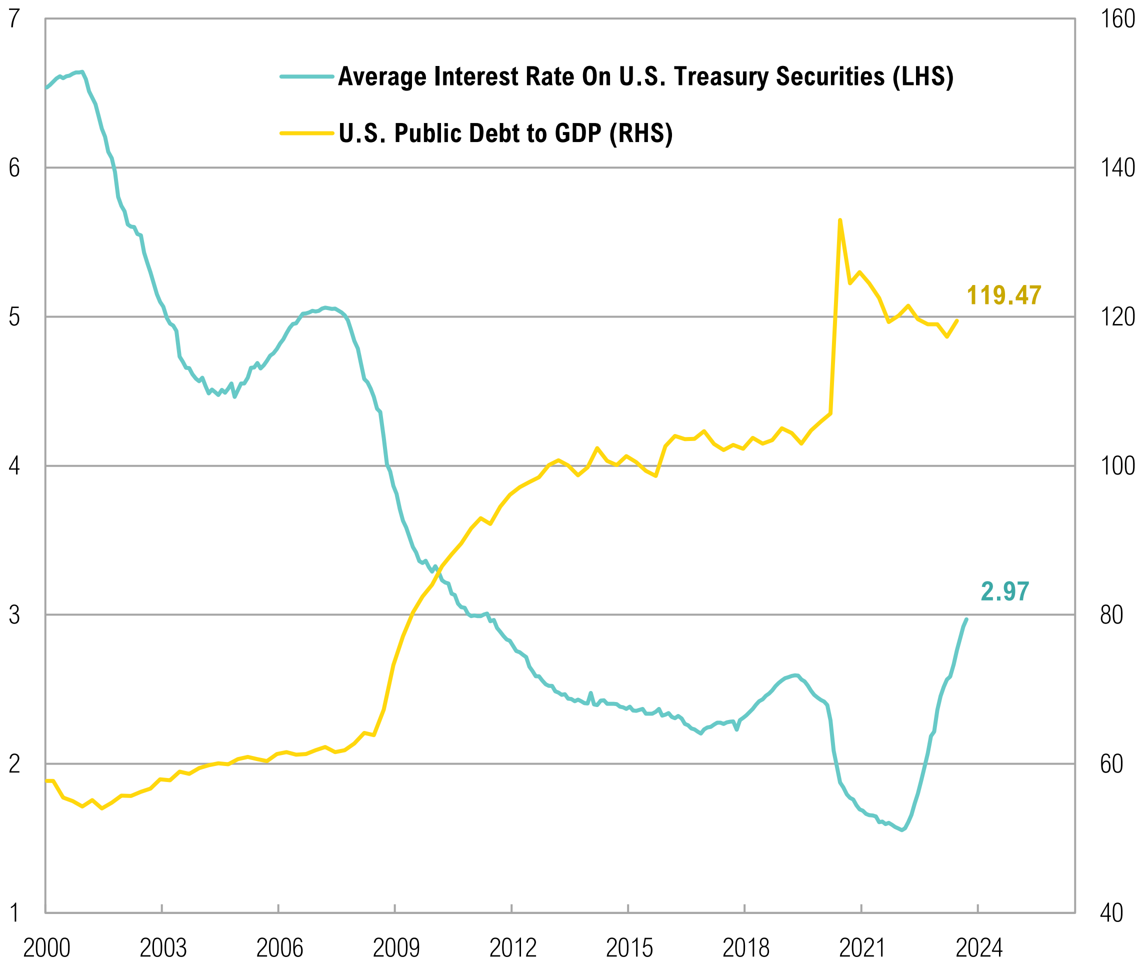
Q3 issuance was less than the anticipated $1tn, with Q4 issuance expected to be $852bn (and largest on record ex-2020) while the cost of outstanding debt continues to climb, now near 3%

Quarterly U.S. Net Issuance, $Bn



Average U.S. Treasury Interest Rate, %

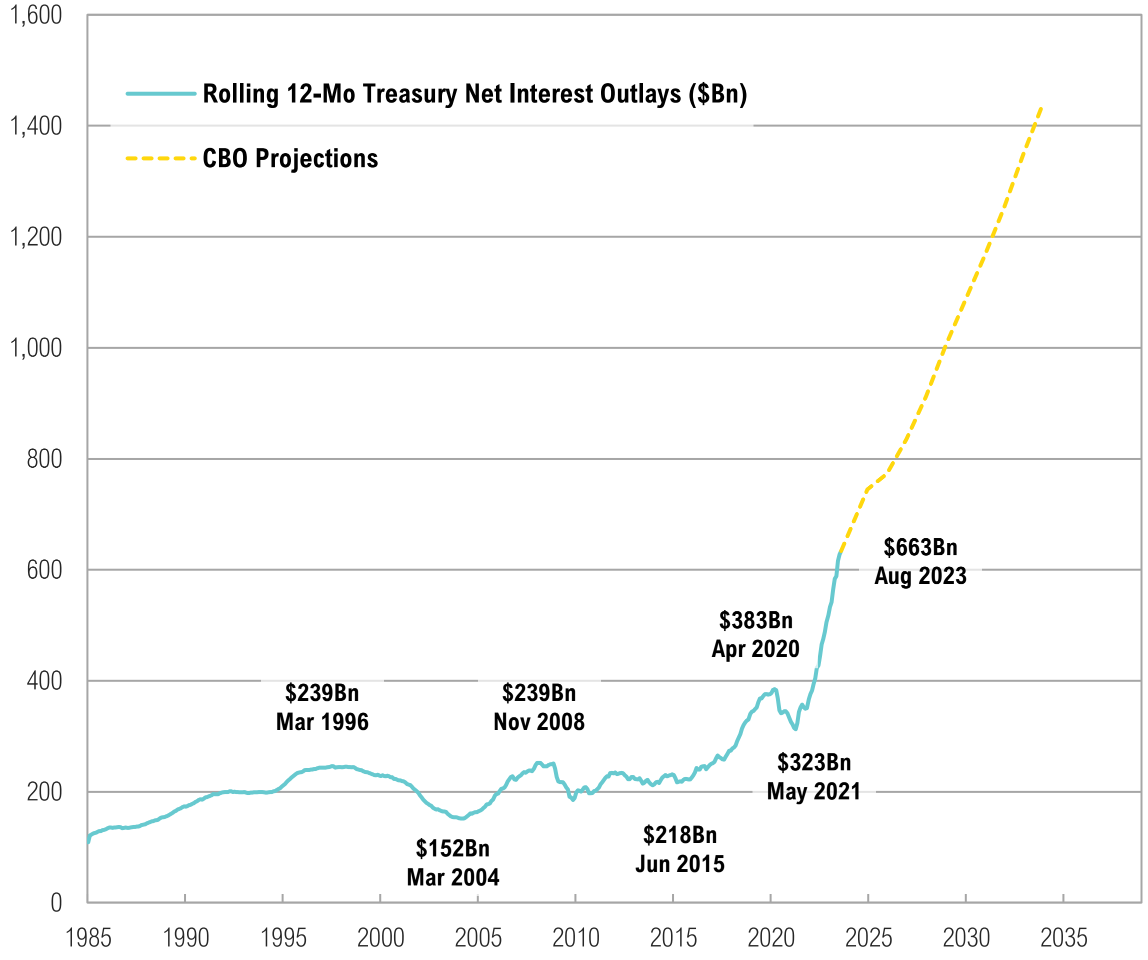
U.S. Public Debt to GDP, %



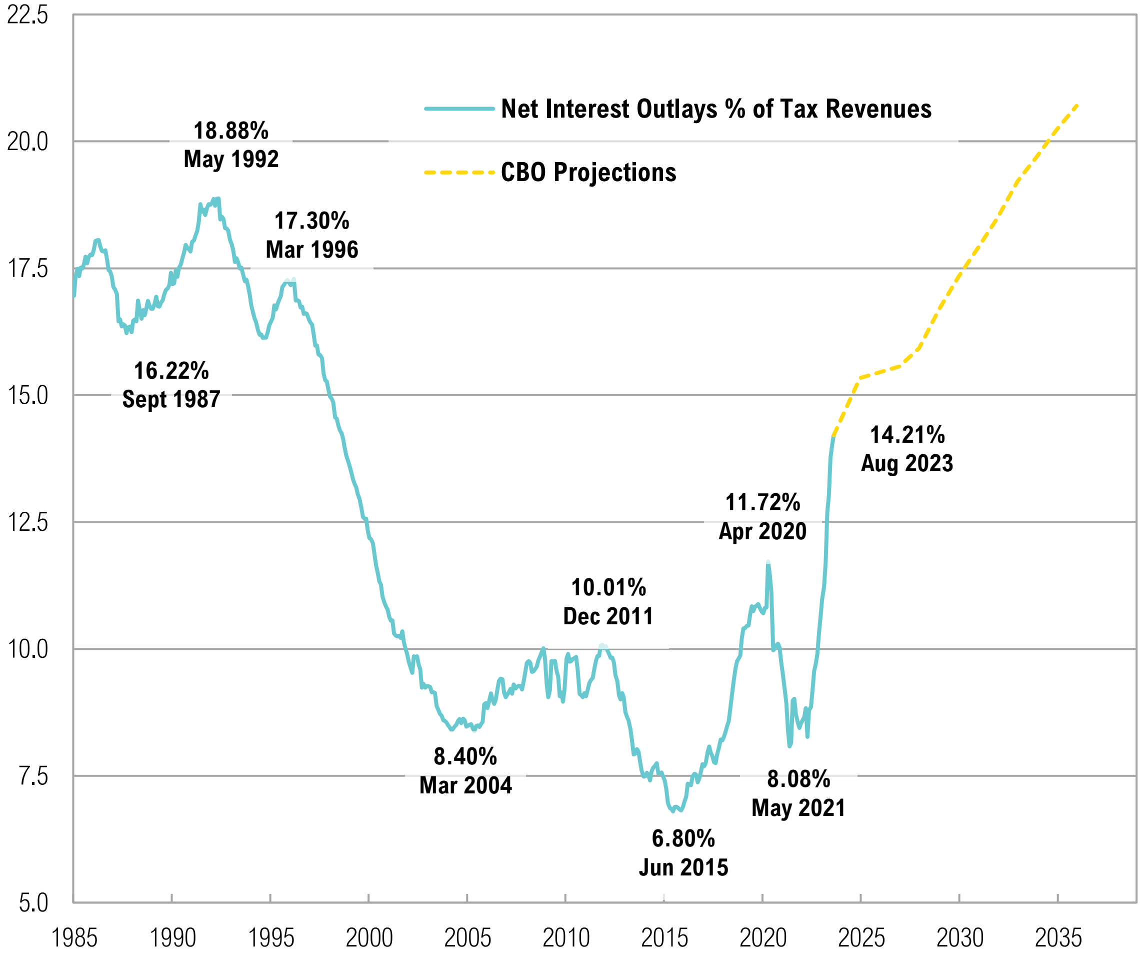
Source: Bloomberg, U.S. Treasury.

Treasury net interest outlays have climbed to $633bn, with debt outstanding increasing by $500bn over the past month; net interest outlays are expected to accelerate over the next decade

12-Mo Rolling Treasury Net Interest Outlays, $Bn

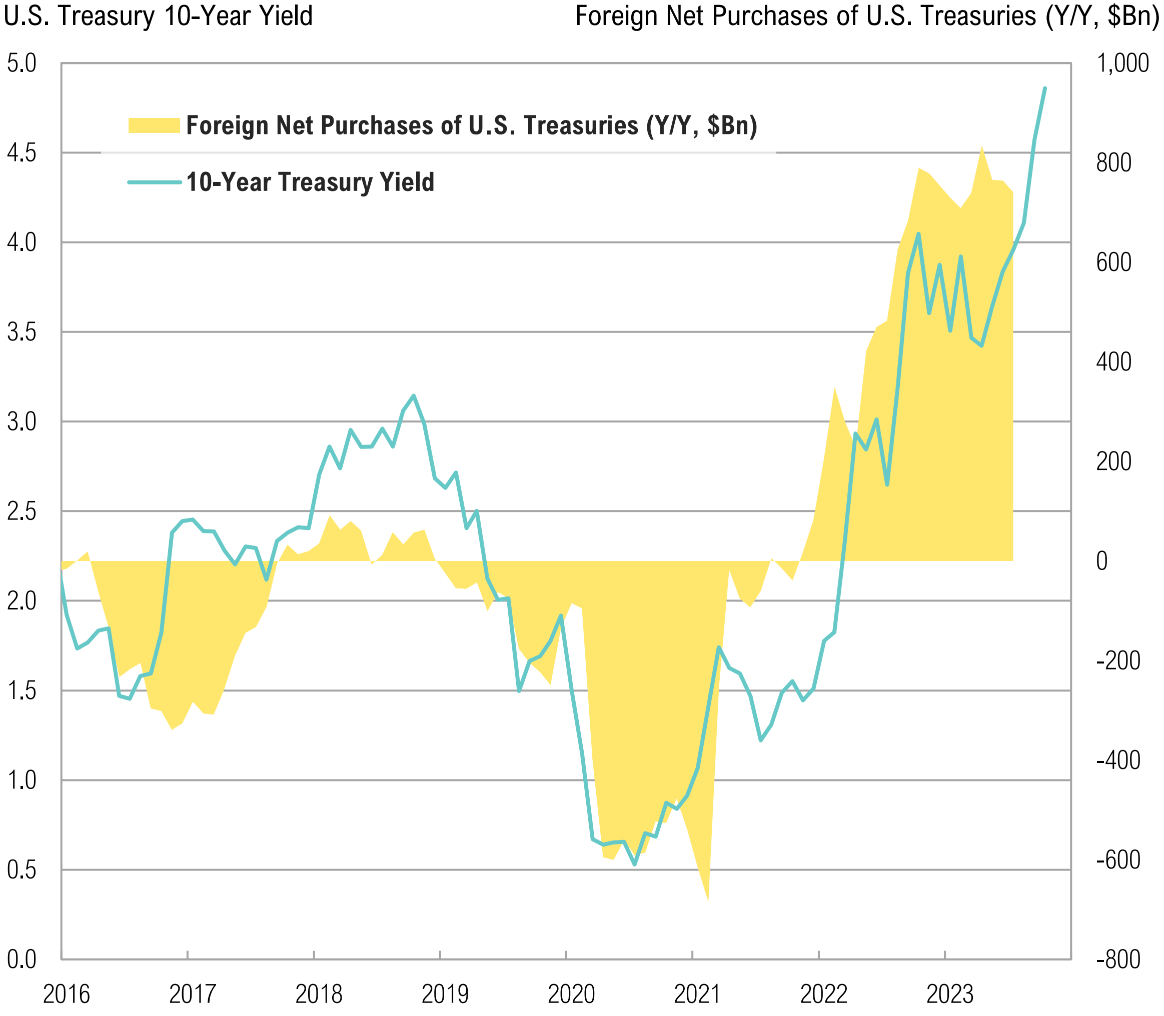


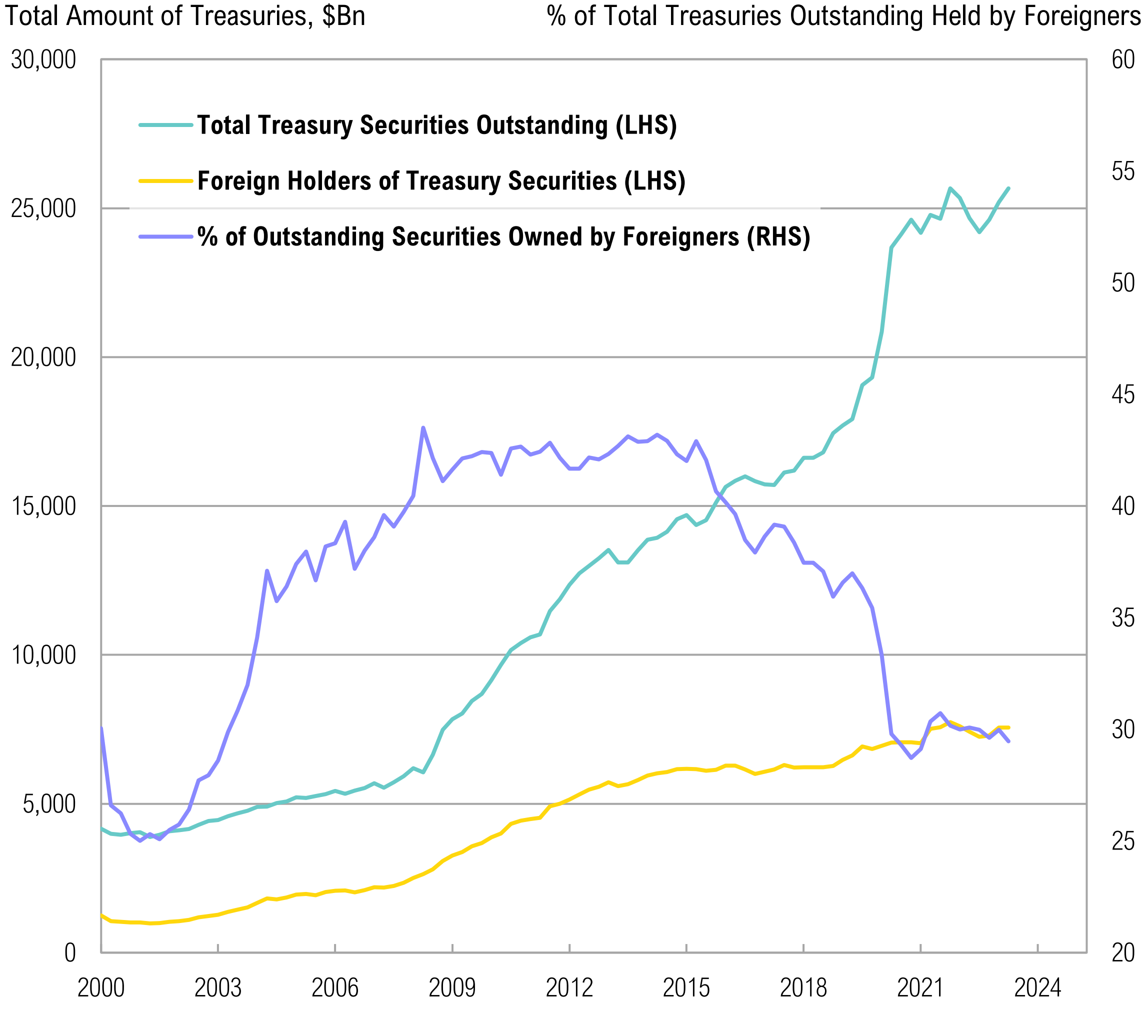
Net Interest Outlays as a % of Total Tax Receipts



Source: U.S. Treasury

Foreign ownership of Treasuries has waned significantly since 2015 (while foreigners are still buying, they're buying much less proportionally)





Source: Bloomberg, U.S. Treasury. As of 7/31/2023

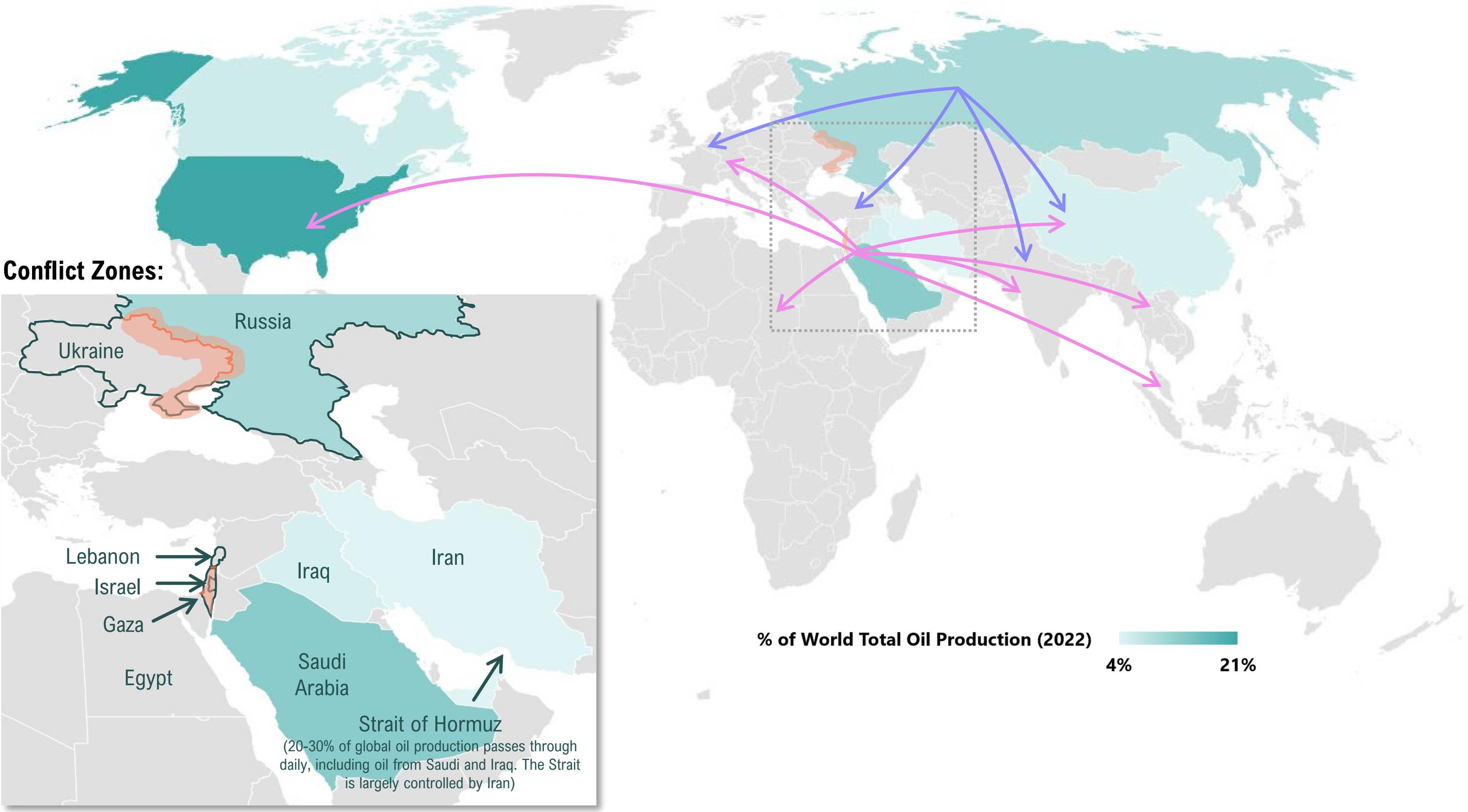
"

Nuclear adoption and acceptance are growing quickly in communities all over the world… And we're already seeing movement from this, from conversations to commitments.

John L. Hopkins, *NuScale Power Corporation CEO*

Heightened geopolitical risk from key global oil producers could increase volatility in the oil market; possible risk for global oil flows re Strait of Hormuz

Top Global Oil Producers by % of Oil Produced



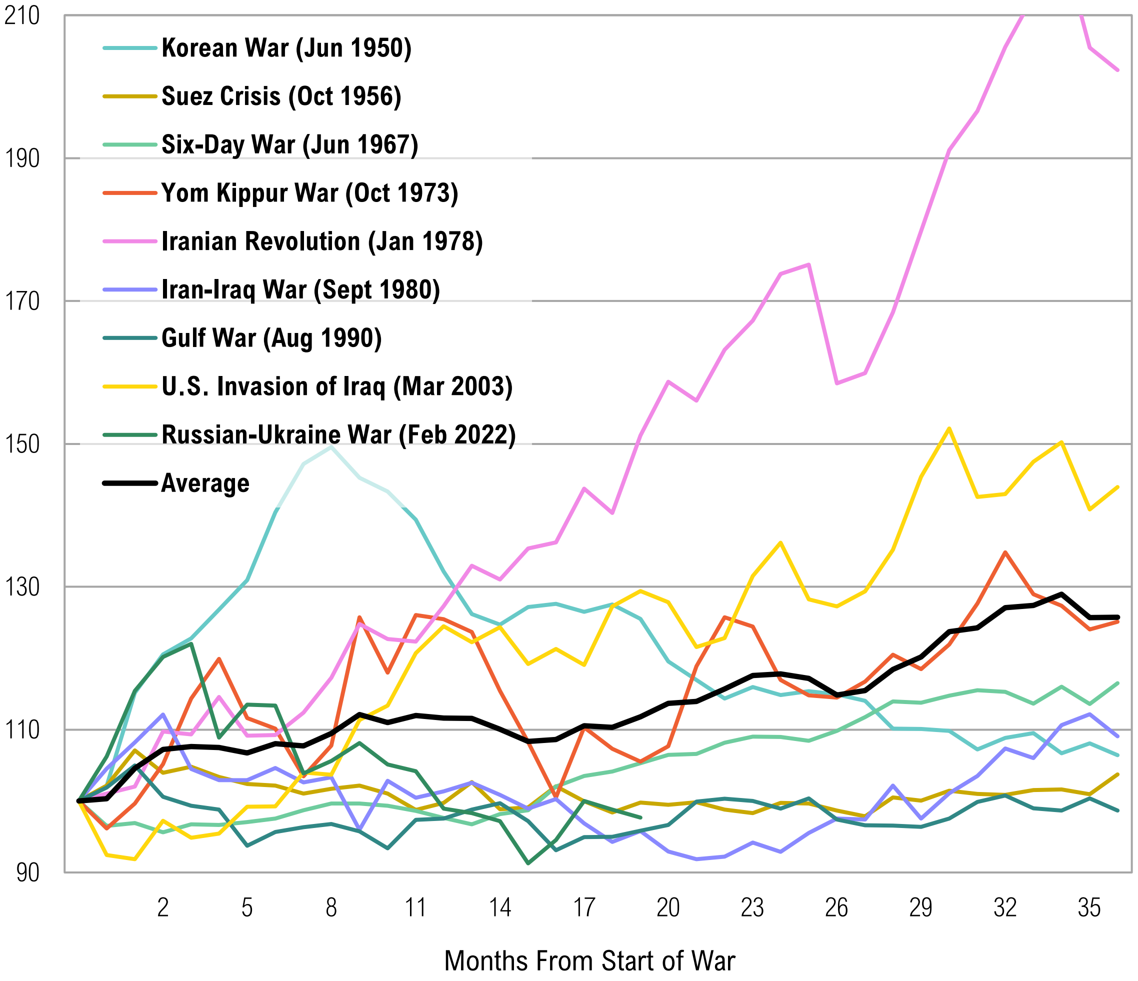
Country	% of Global Oil Produced in 2022
USA	21%
Saudi Arabia	13%
Russia	10%
Canada	6%
Iraq	5%
China	5%
UAE	4%
Iran	4%

Country	% of Global Oil Exports in 2022
Saudi Arabia	15%
Russia	12%
Canada	9%
Iraq	8%
USA	7%
Nigeria	4%
Norway	4%
Kuwait	4%

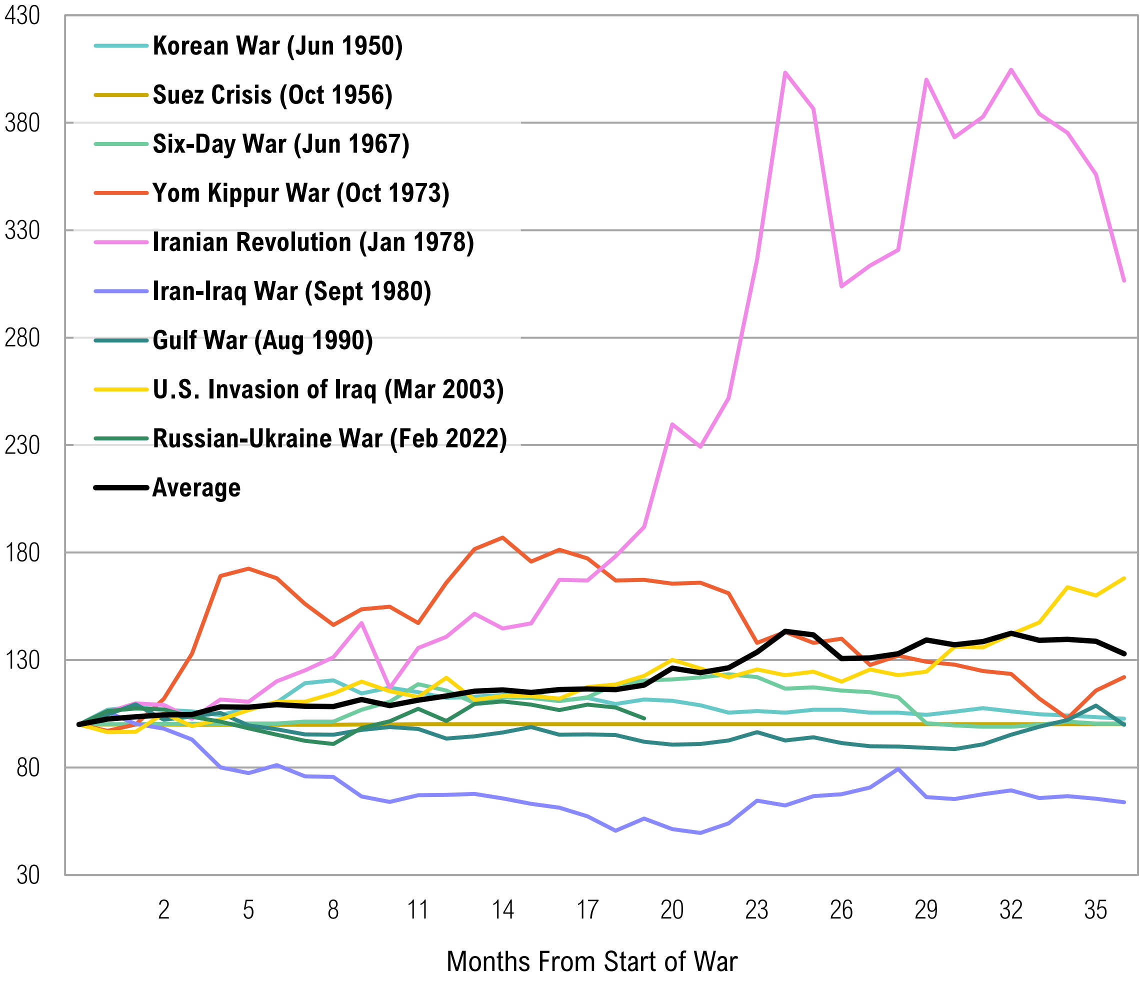
Source: EIA. Oil production includes crude oil, all other petroleum liquids and biofuels.

Commodities and gold tend to perform relatively well during wars and periods of general geopolitical stress

Bloomberg Commodity Index, Growth of 100

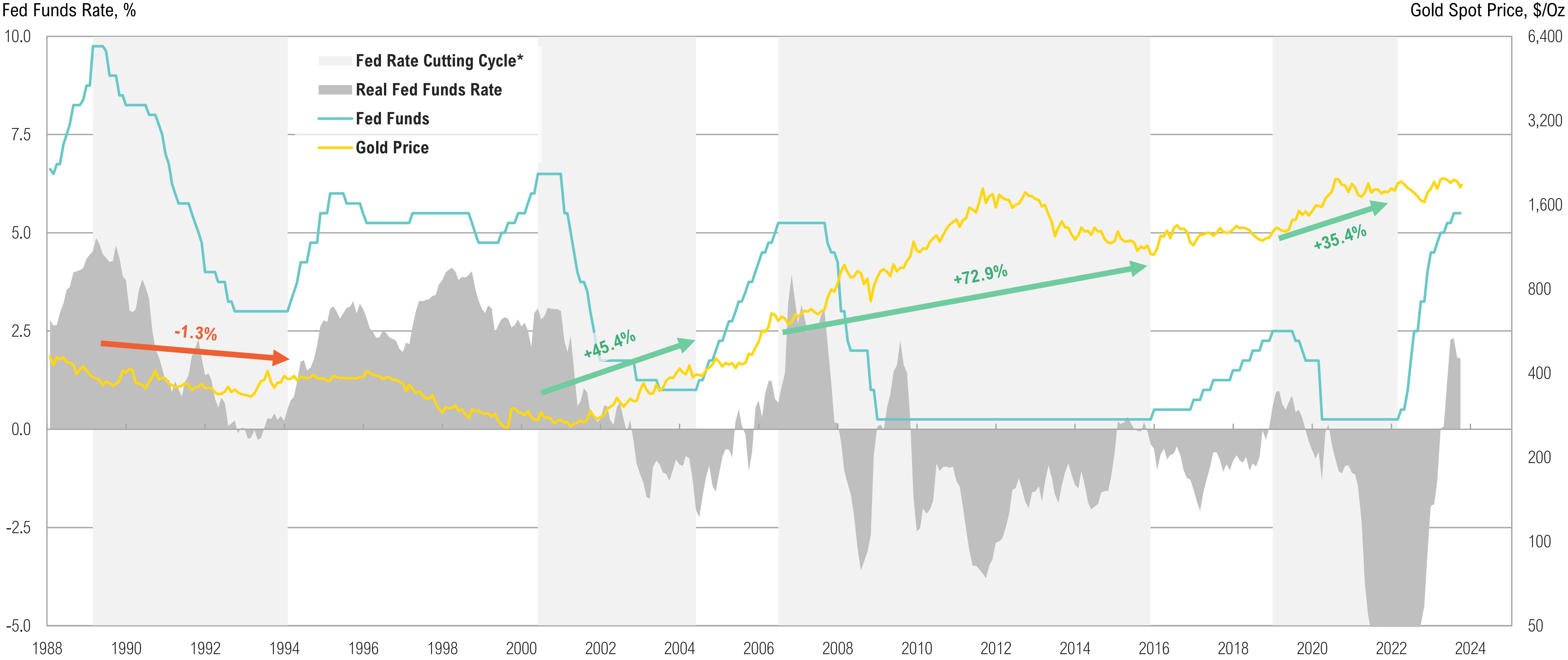


Gold Spot, Growth of 100



Source: Bloomberg, SpringTide

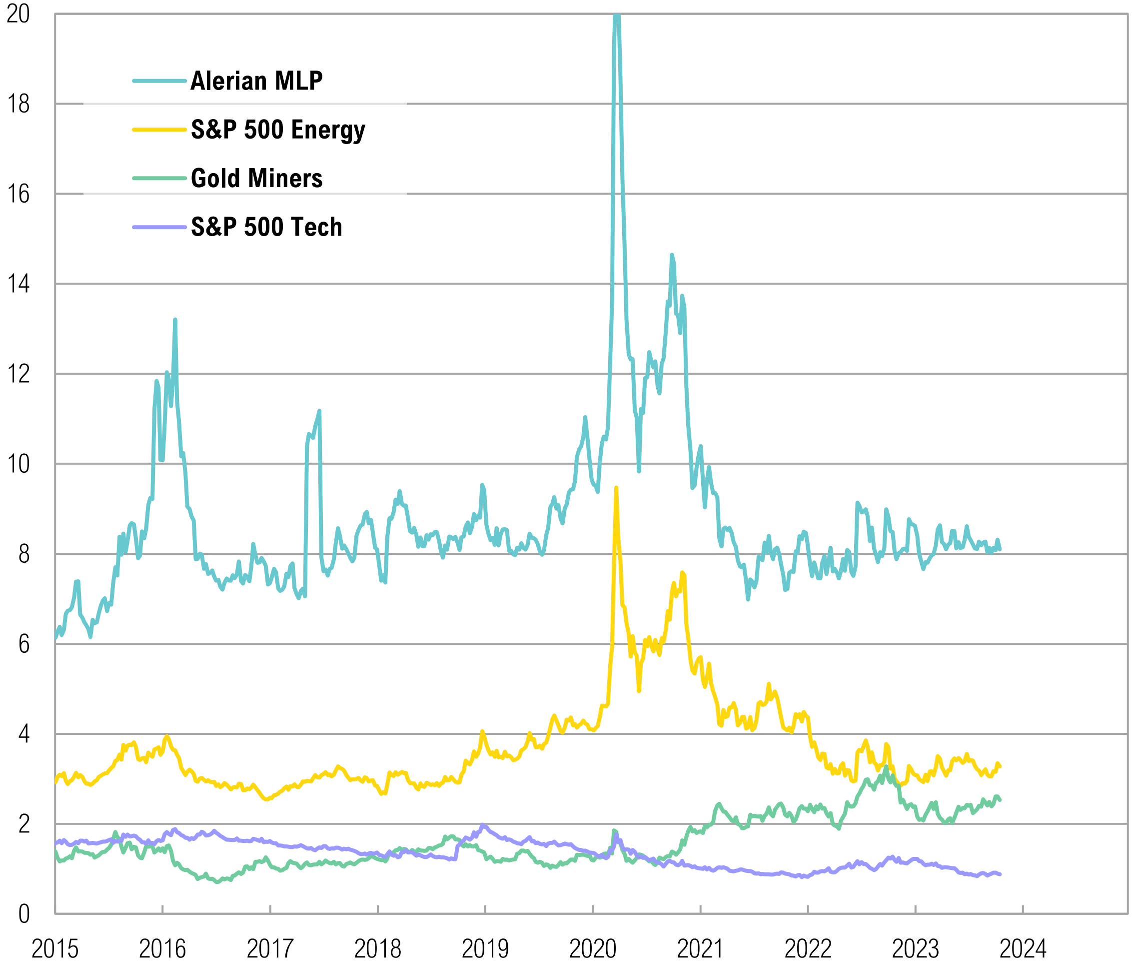
The end of hiking cycles has tended to be positive for gold as the prospects of rate cuts reduce opportunity cost and the Fed tends to cut into a deteriorating deficit



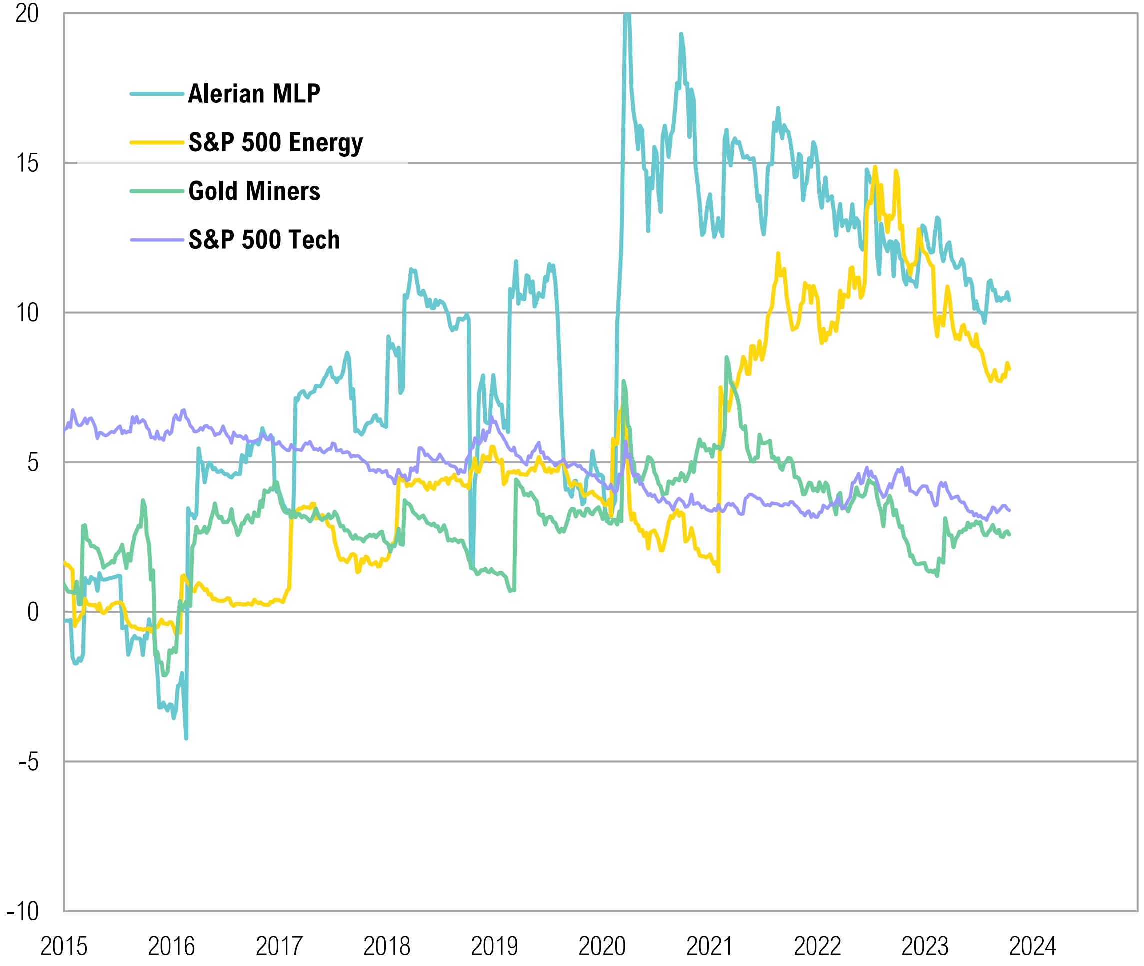
Source: Bloomberg. *Fed rate cutting cycle defined as period from last rate hike of a cycle to the first-rate hike of the next cycle. 1994 hiking cycle has been excluded.

Midstream distribution yields trended lower as the sector broke out to upside but remains stabilized around an attractive 8%; free cash flow yields of the energy sector have declined

12-Month Forward Dividend Yield, %

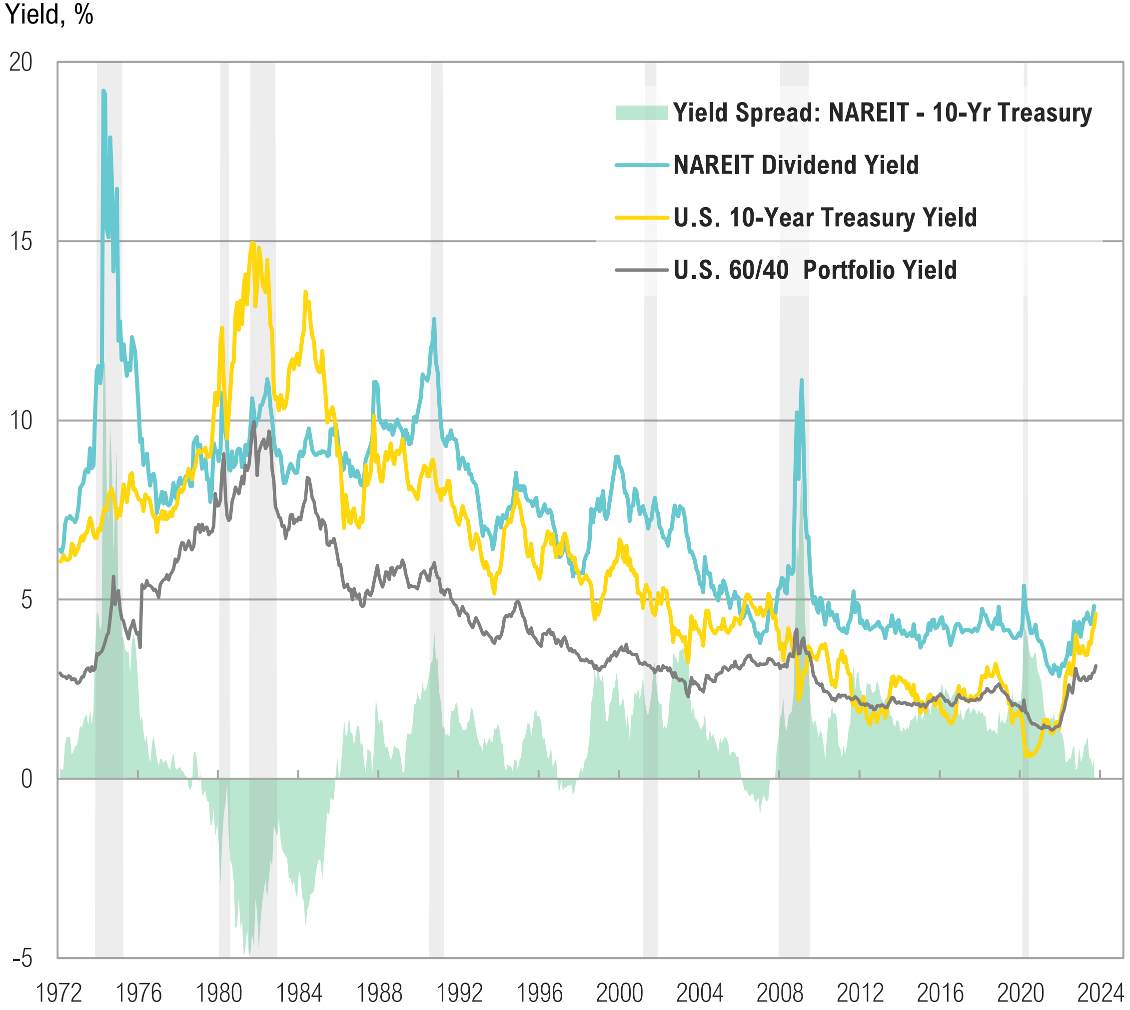


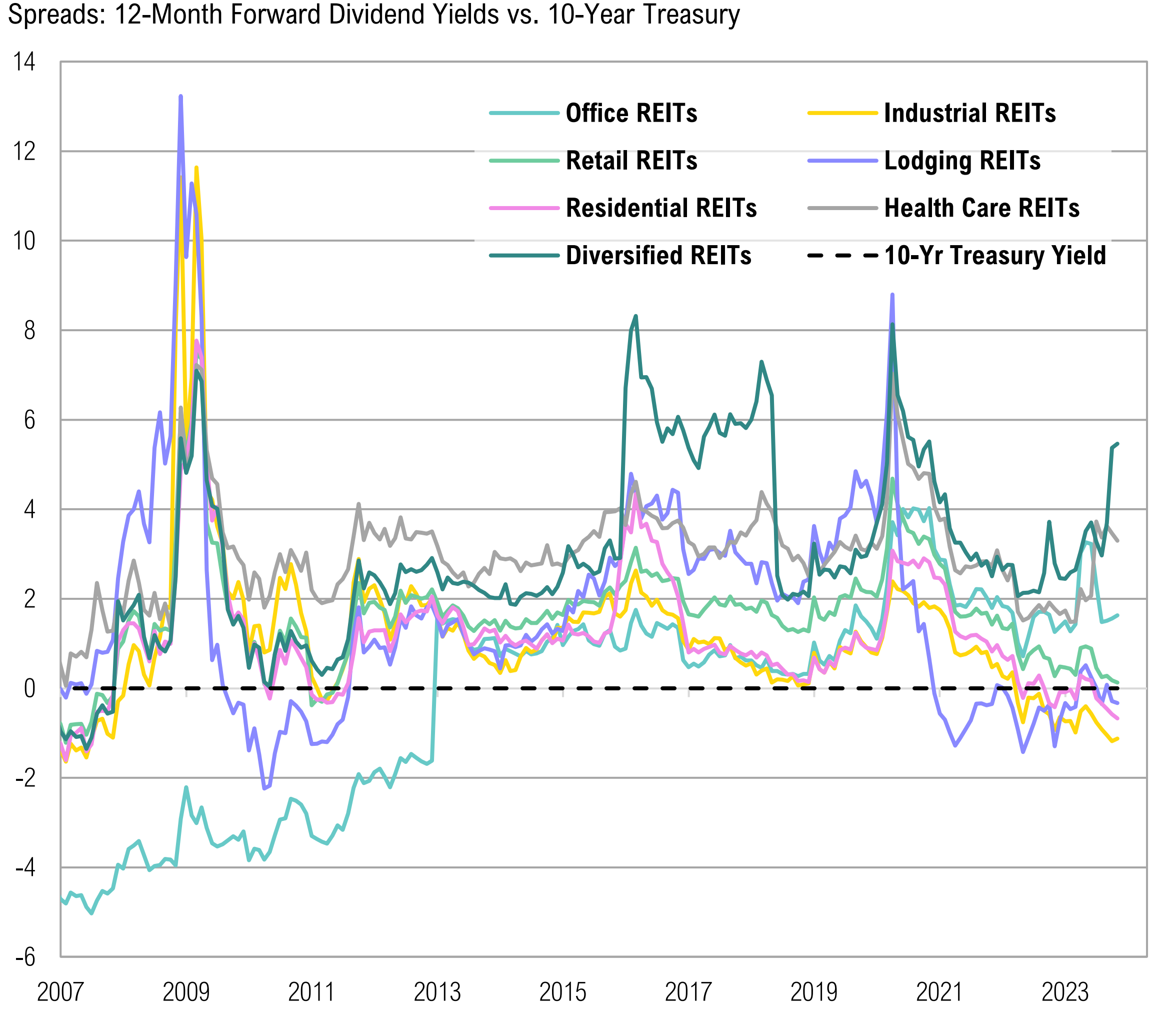
12-Month Forward FCF Yield, %



Source: Bloomberg

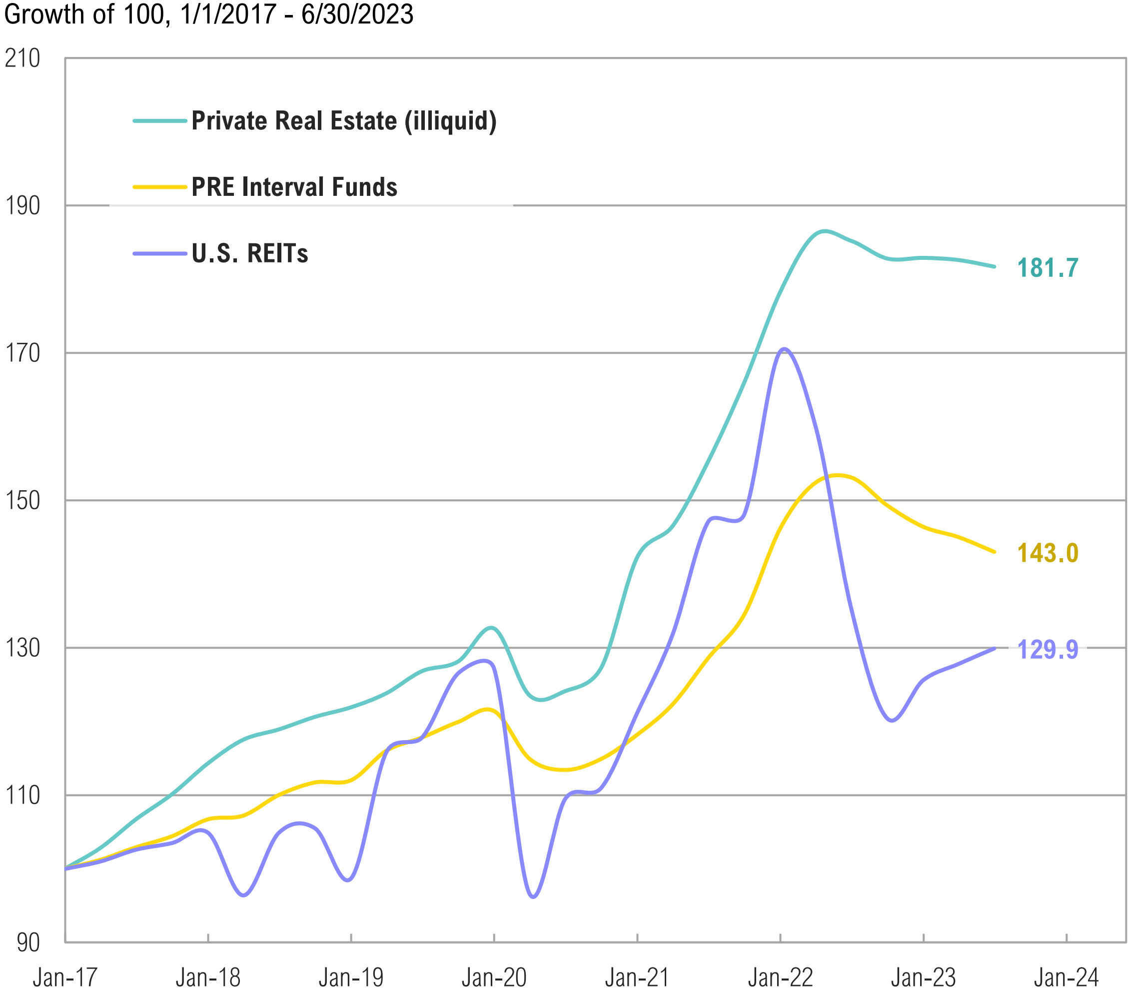
U.S. REITs have rallied 7.2% off 2022 lows, but still look wholly unattractive on a relative yield basis, despite looking more attractive on an absolute basis

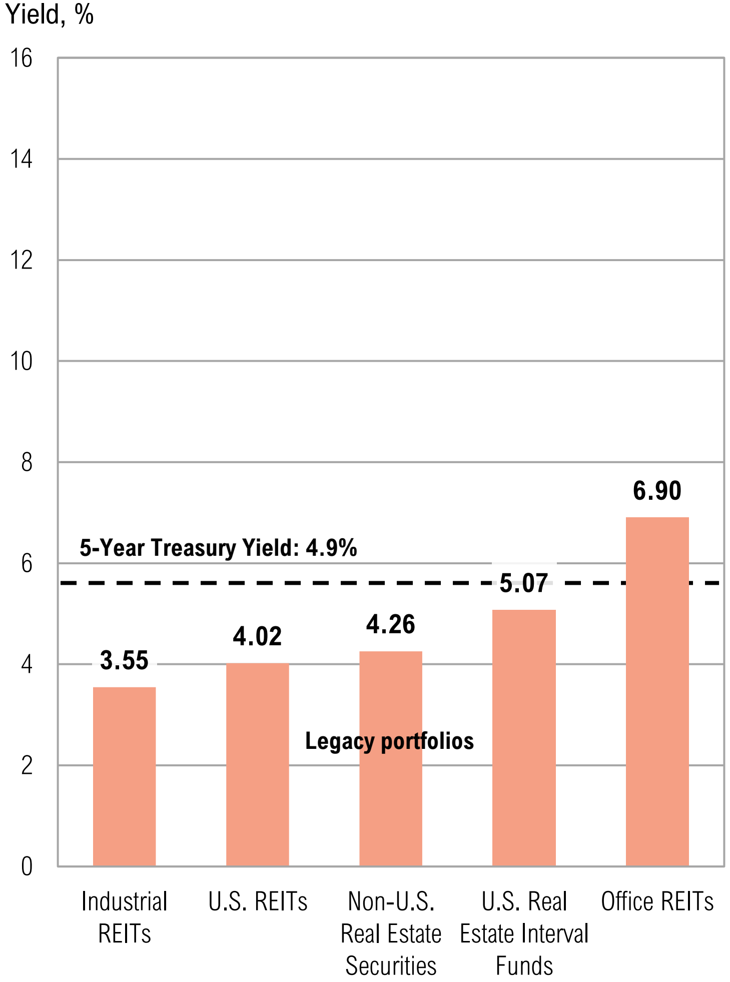


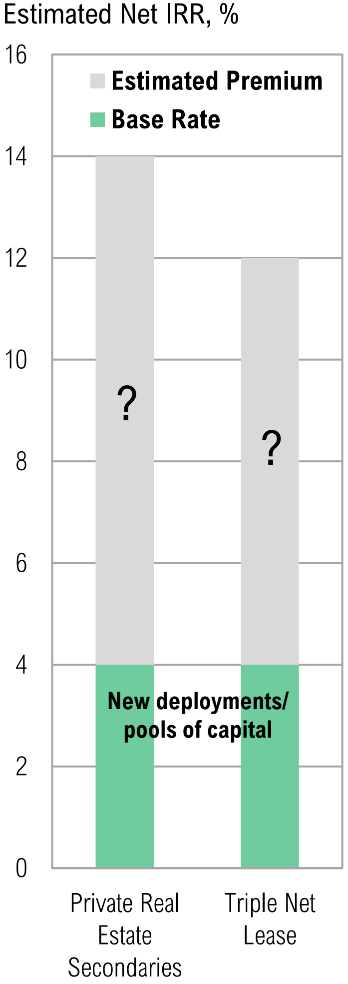


Source: Bloomberg, NAREIT.

~~Location, location, location~~! Location, sector, liquidity

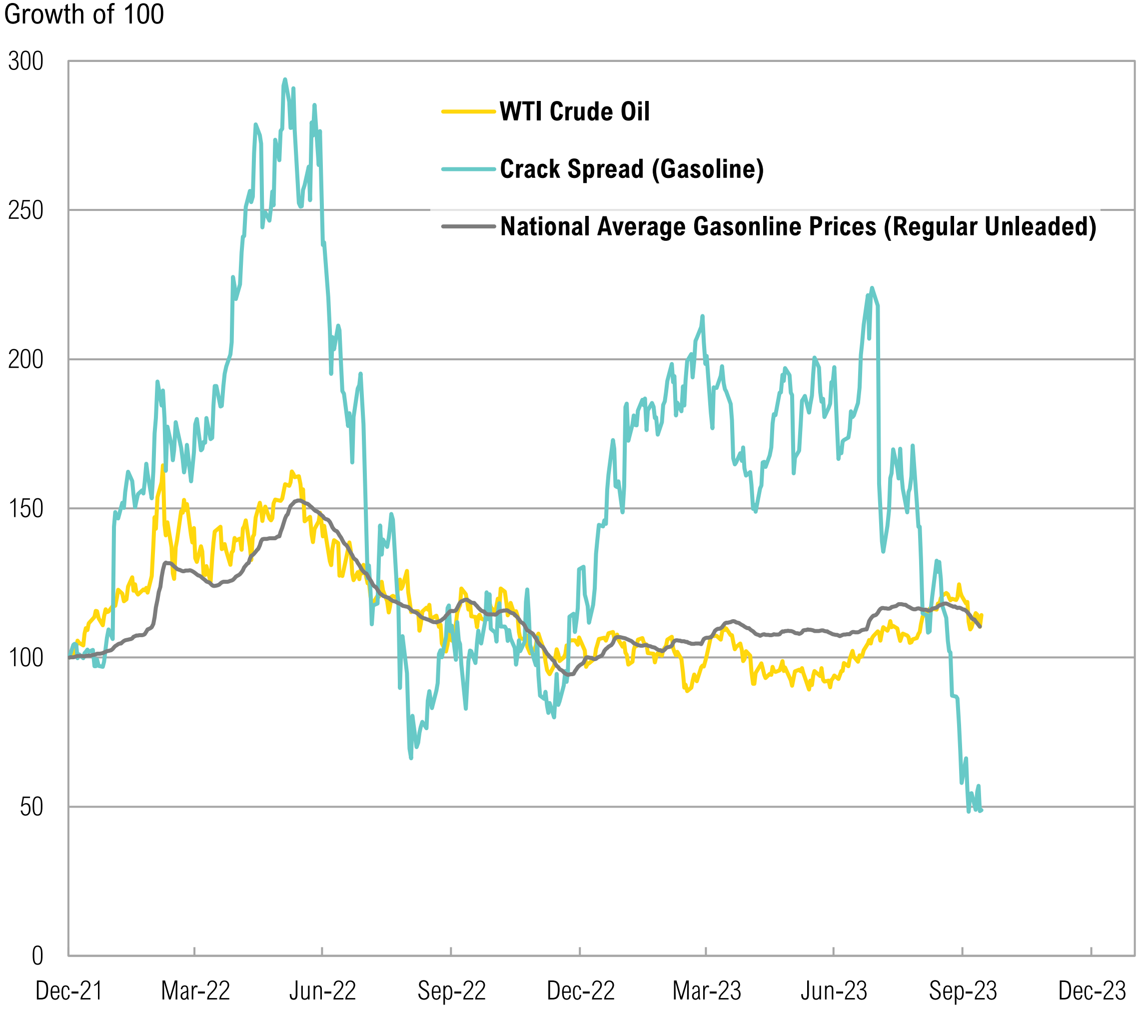


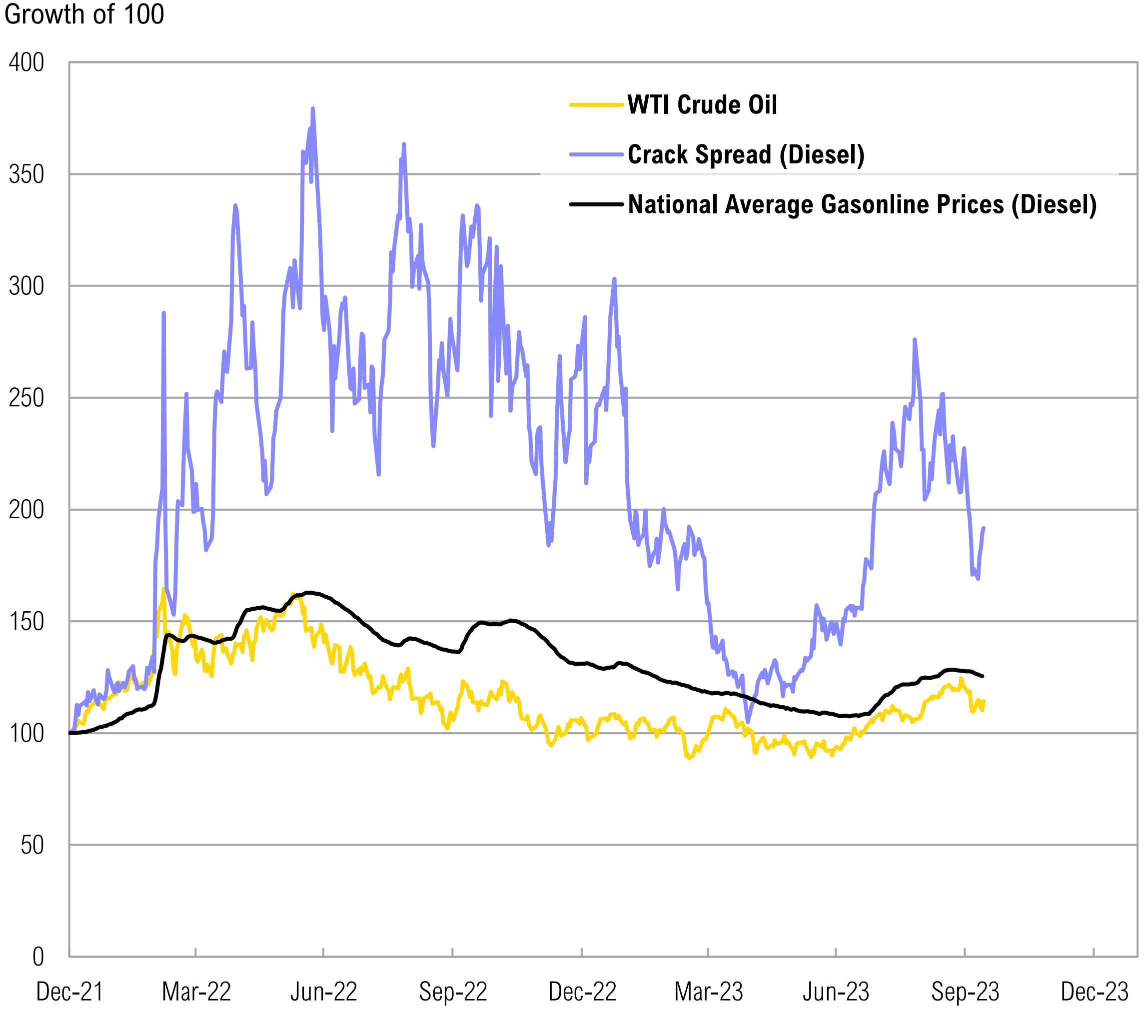




Source: Bloomberg. SpringTide estimates for Industrial REITs, Office REITs, and U.S. Real Estate Interval Funds based on a basket of 5 securities chosen by SpringTide. PRE Triple Net Lease yield is a SpringTide estimate based on recent transactions from approved funds.

Gasoline crack spreads are down to $9/barrel while diesel is still at ~$40/barrel; despite falling crack spreads in gasoline, inventories continue to build (= lower prices at the pump)

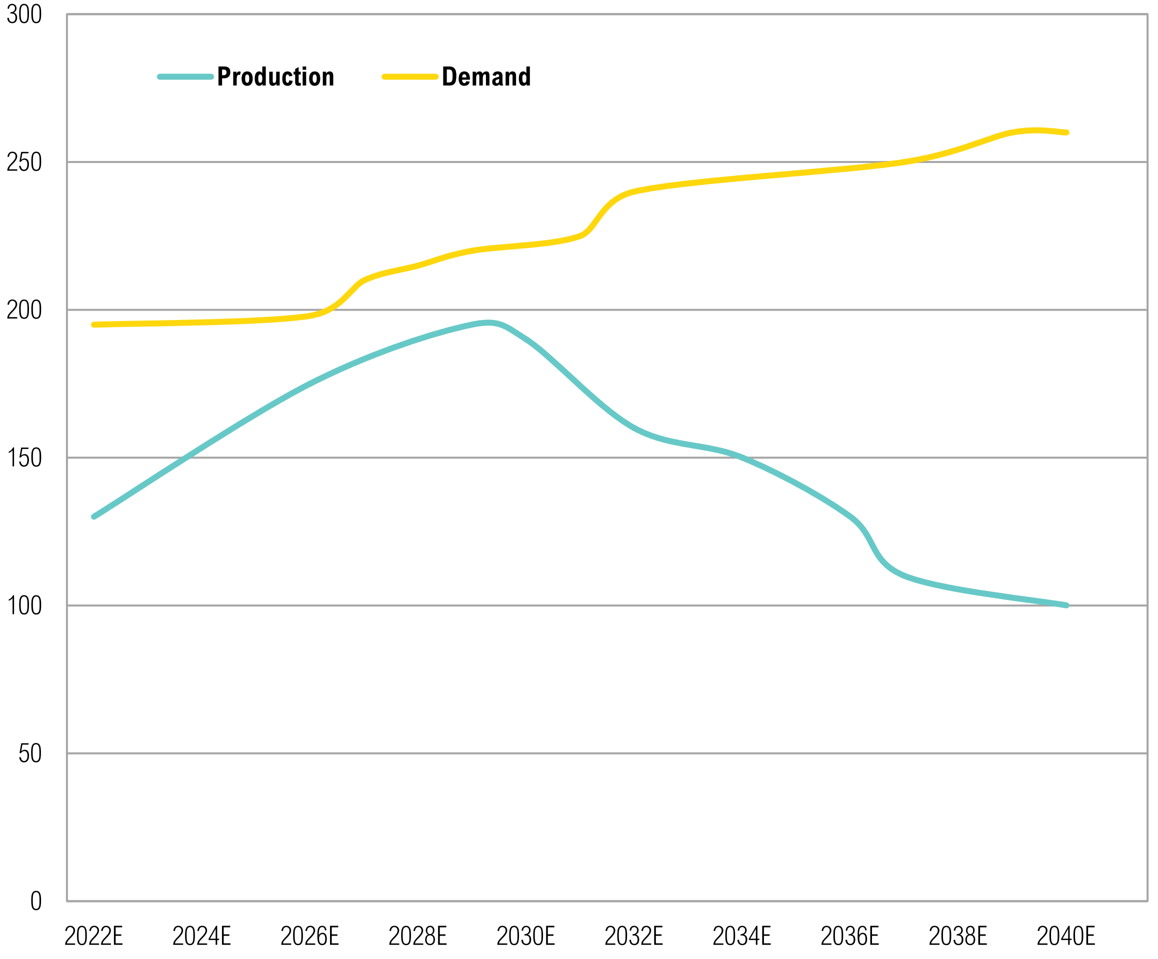




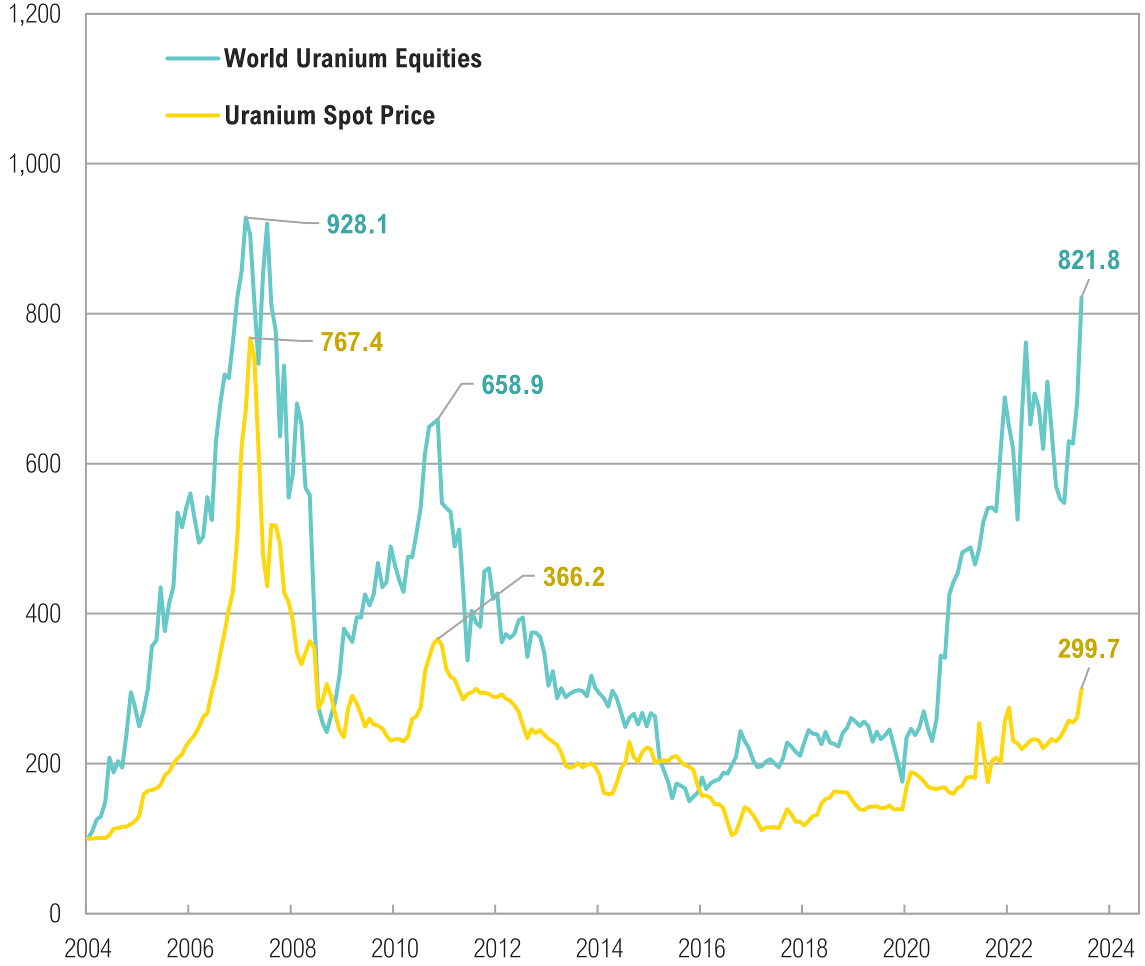
Source: Bloomberg

Long term forecast point to uranium demand outpacing supply over the next two decades; uranium equities have outperformed during uranium bull markets

Estimated Uranium Supply & Demand, Million Pounds of U_3O_8*



Growth of 100



Source: Bloomberg, *World Nuclear Association estimate, as Q2 2023.

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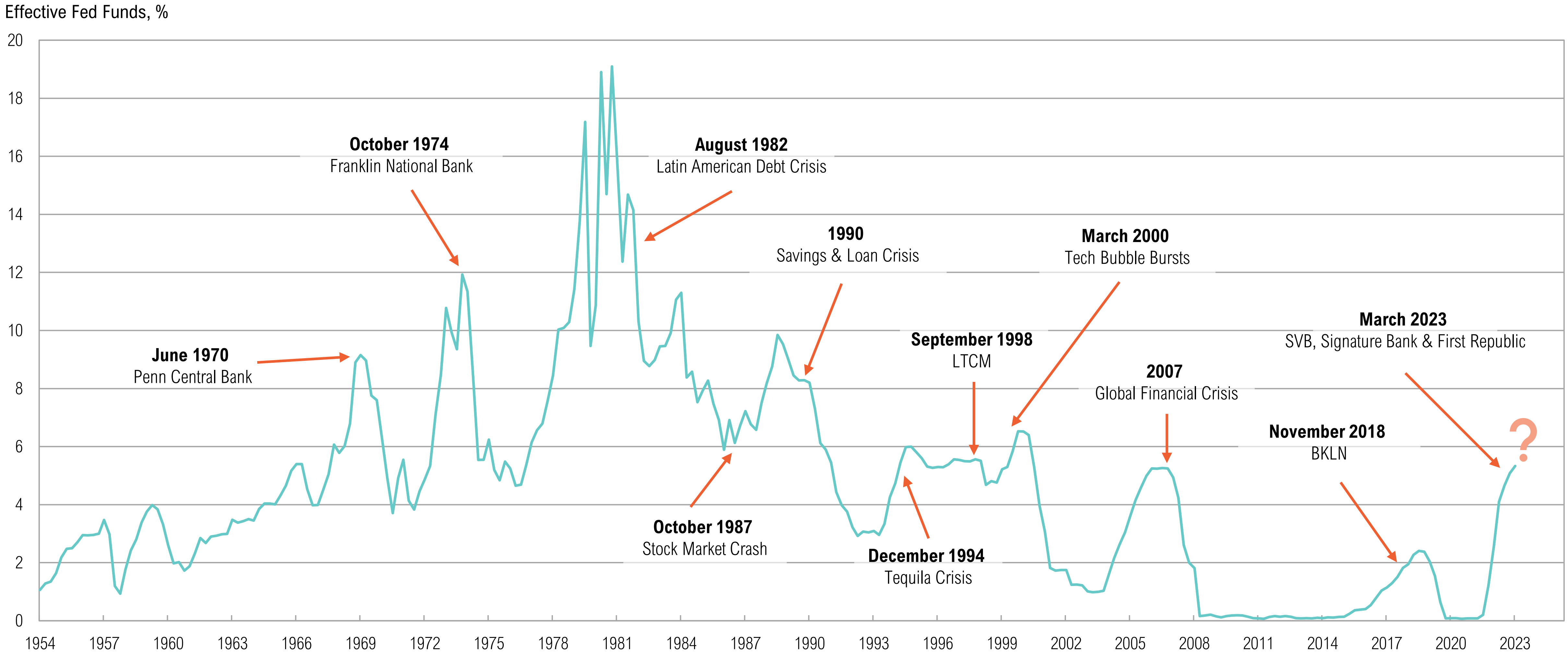
There are bulls and bears for every share at every price.

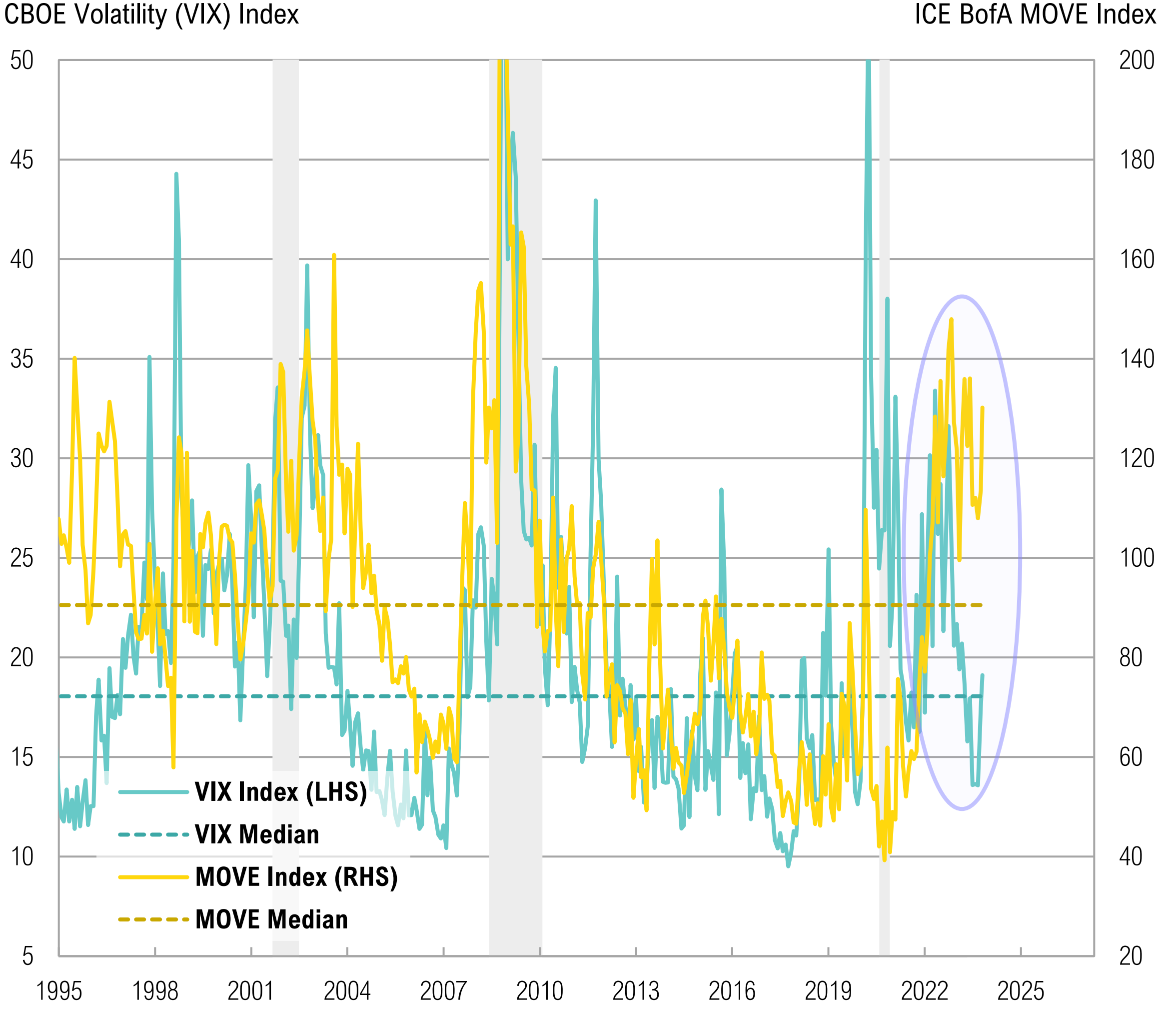
Nick Train, *British Investor & Co-Founder of Lindsell Train*

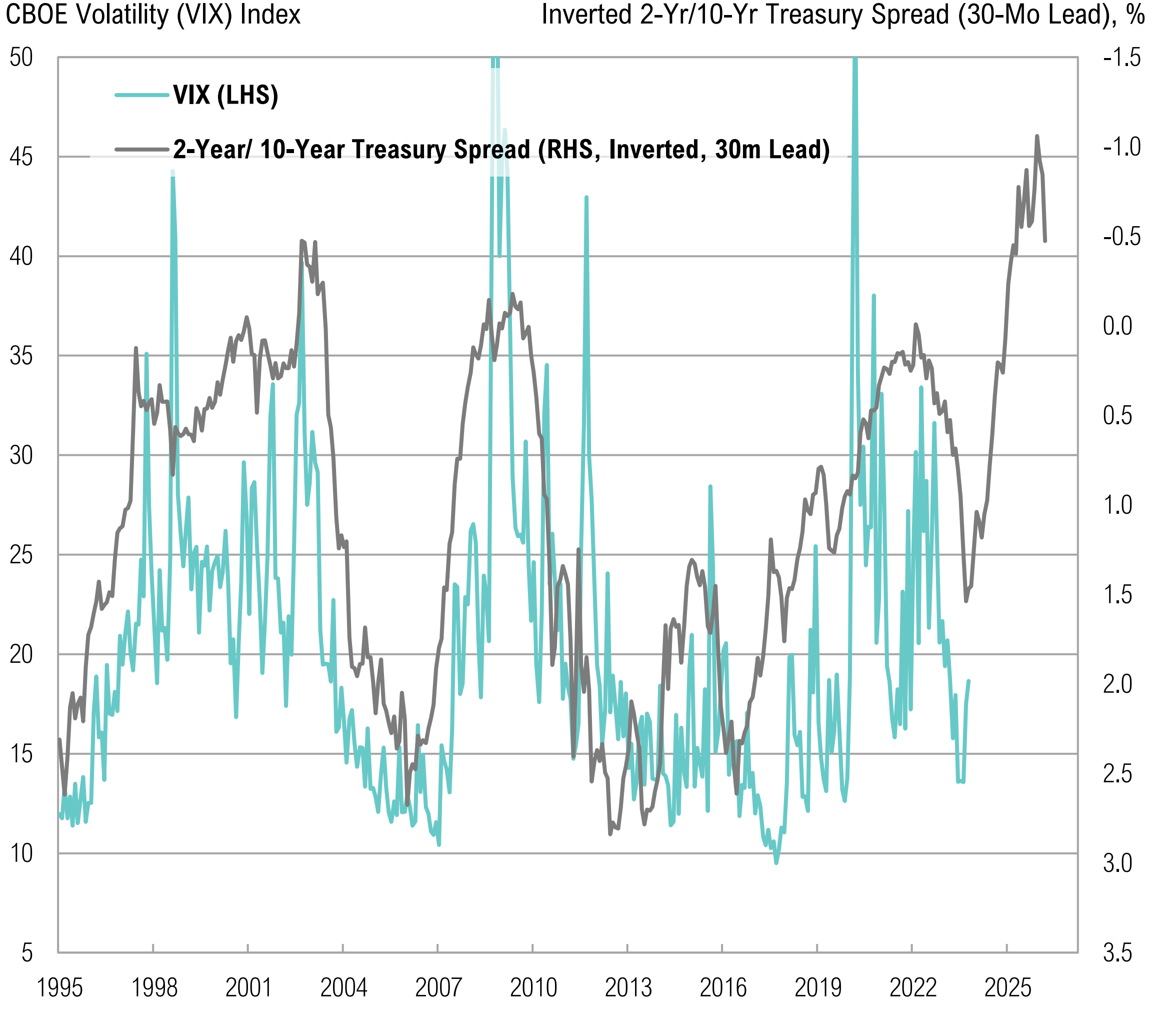
"Hike until something breaks" is typically how cycles play out



Source: Bloomberg

The implied bond market volatility (MOVE) isn't showing the same level of composure as equities (VIX) and it's unlikely that both markets are correct; 2s10s spread has historically lead equity volatility by 30 months

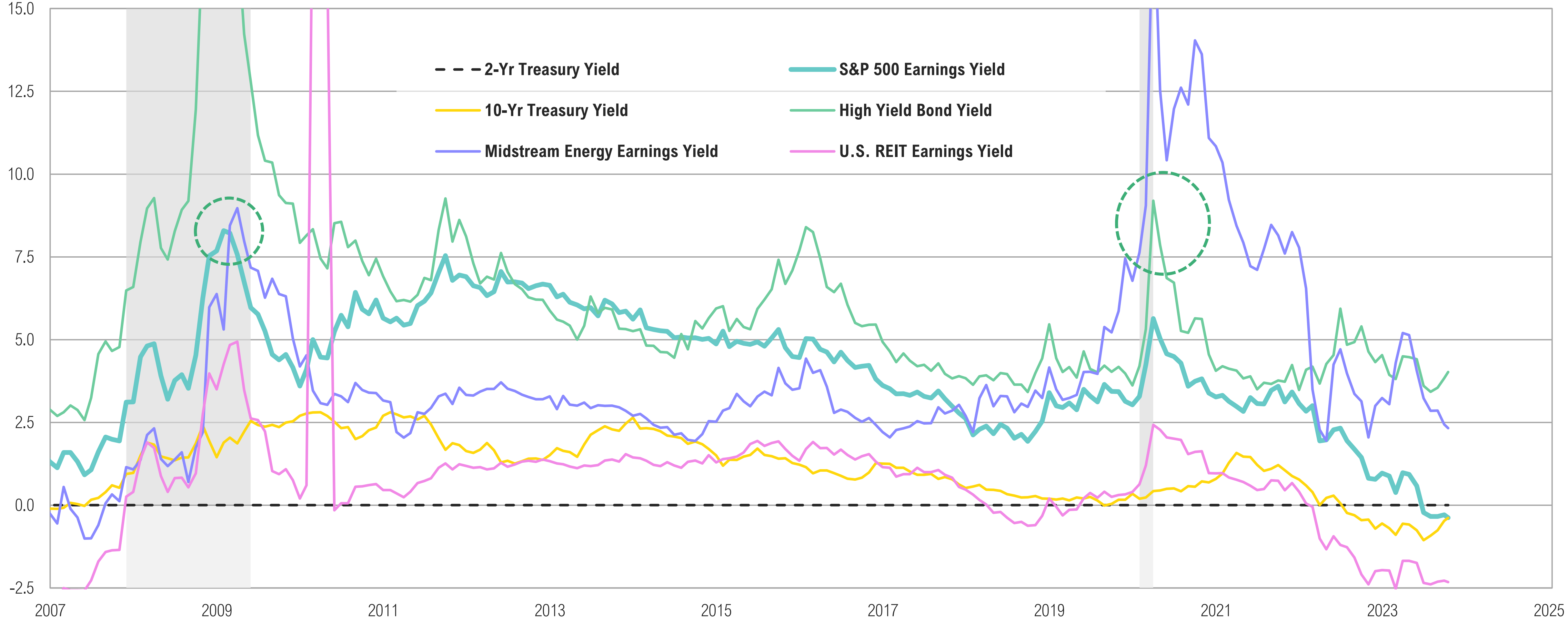




Source: Bloomberg

Most asset classes don't look attractive relative to the 2-year Treasury yield; spreads have some way to go if past recessions are at all indicative

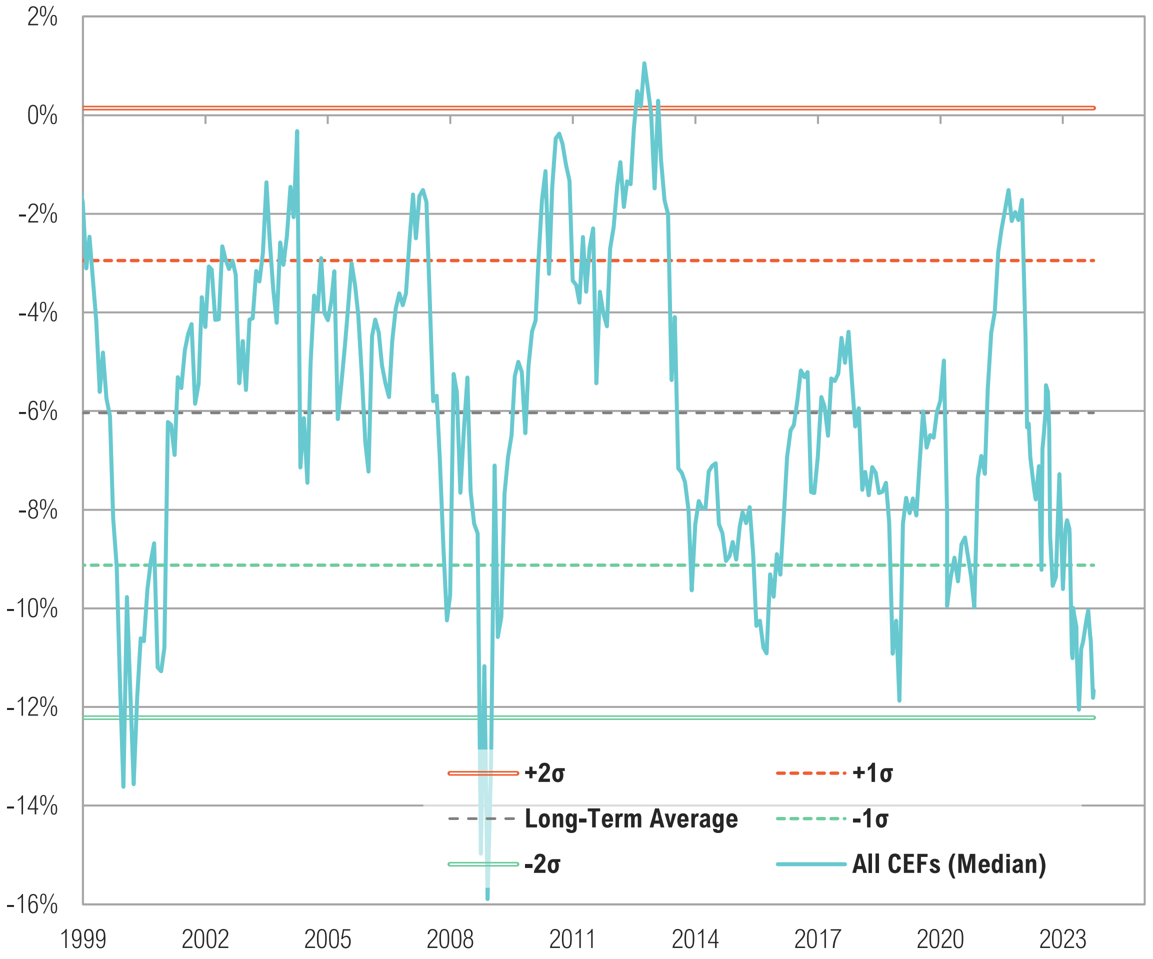
Yield Spreads vs. 2-Year Treasury, %



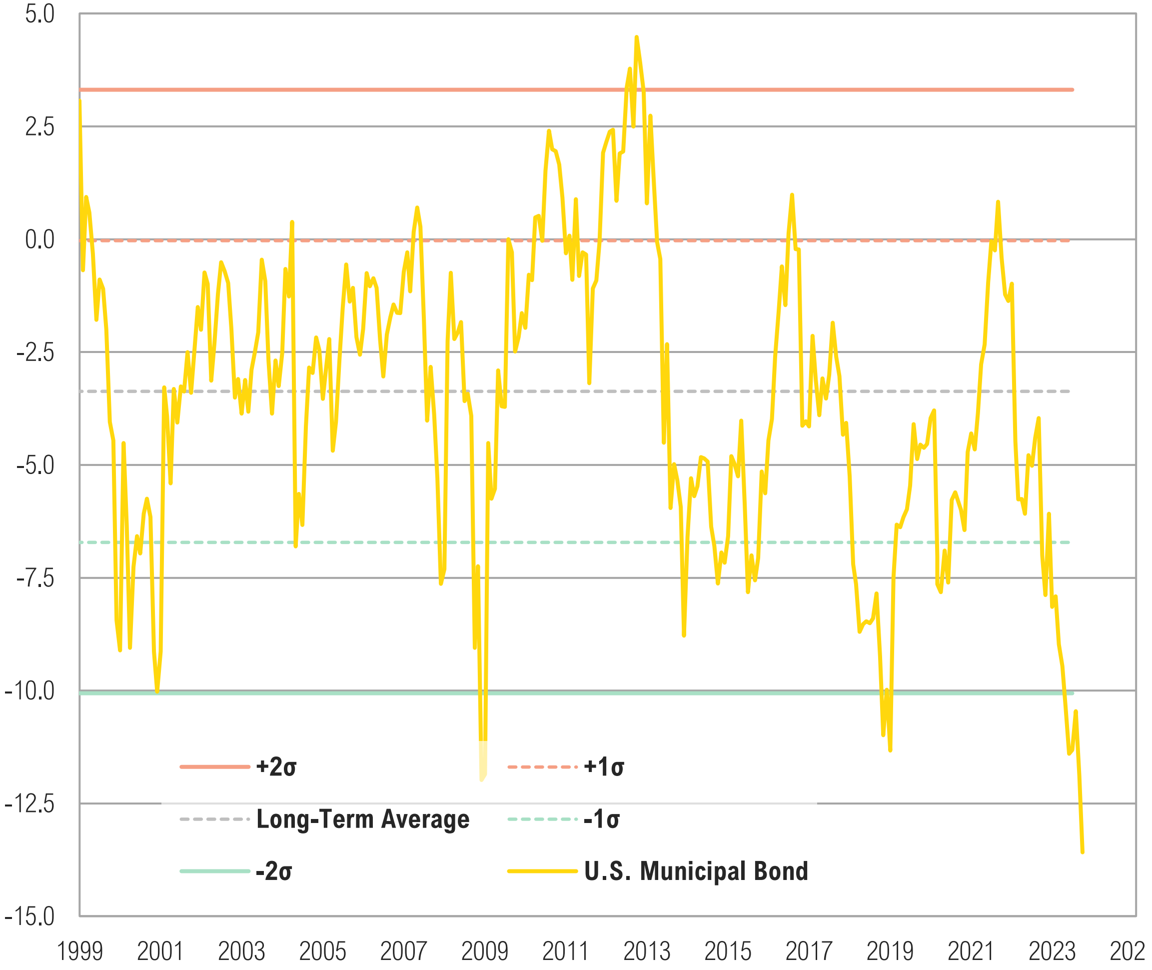
Source: Bloomberg

Median CEF discounts remain wide at -11.8%; U.S. Muni CEFs are trading at a 13% discount to NAV, the largest month-end discount since at least 1999…

Median Premium/Discount to Net Asset Value, %



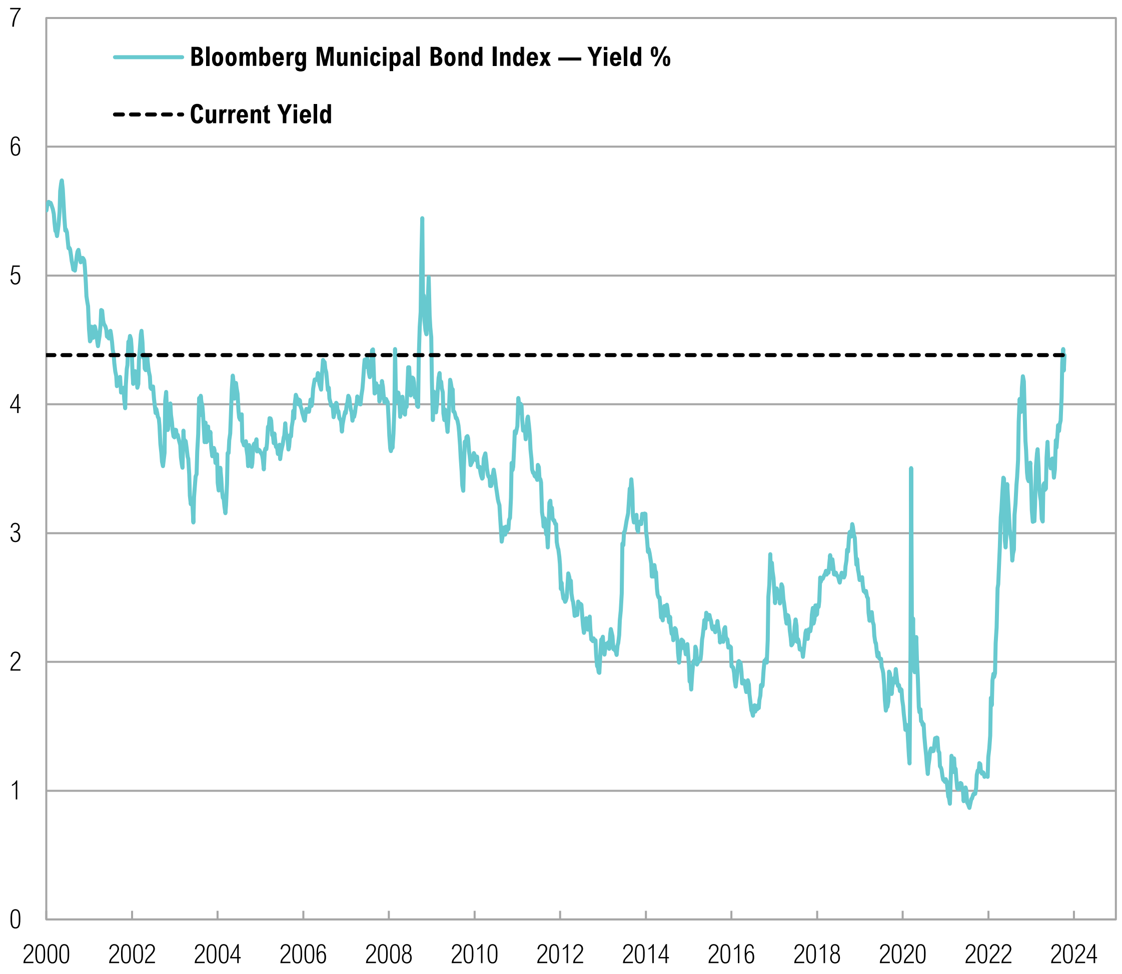
Average Premium/Discount to Net Asset Value



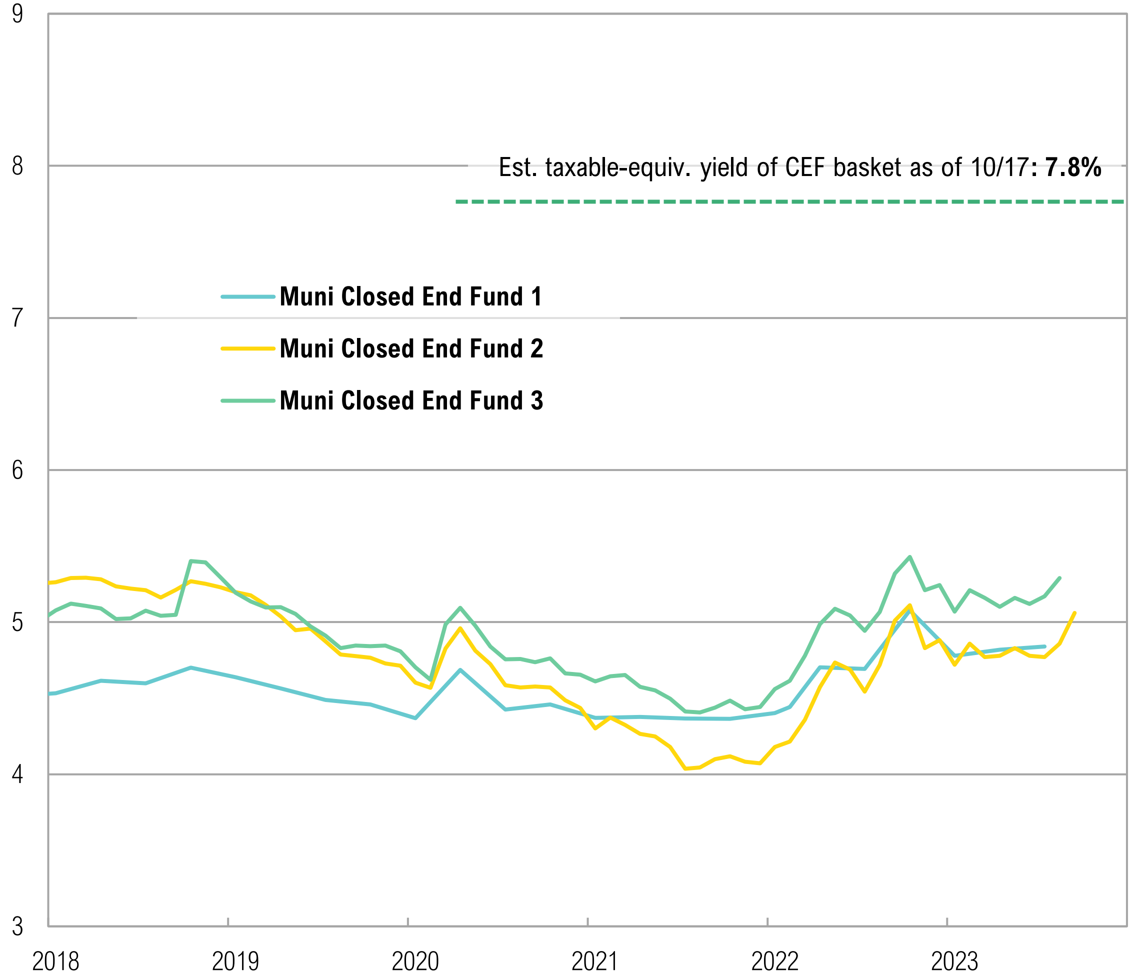
Source: Bloomberg

…However, while discounts are compelling, fund cash flows (and distribution yields) have been hurt by increased leverage costs and are not yet attractive

Yield to Worst, %



Current Yield, %



Source: Bloomberg. Tax rate used to determine taxable-equivalent yield is assumed to be 35%.

“

Inflation is a very serious subject. You can argue it’s the way democracies die. So, it’s a huge danger once you have a populace that learns it can vote itself money. It’s the biggest long-run danger we have, apart from nuclear war. Over the next hundred years, the currency is going to zero. That’s my working hypothesis.

Charlie Munger, *American Investor & Vice Chairman of Berkshire Hathaway*

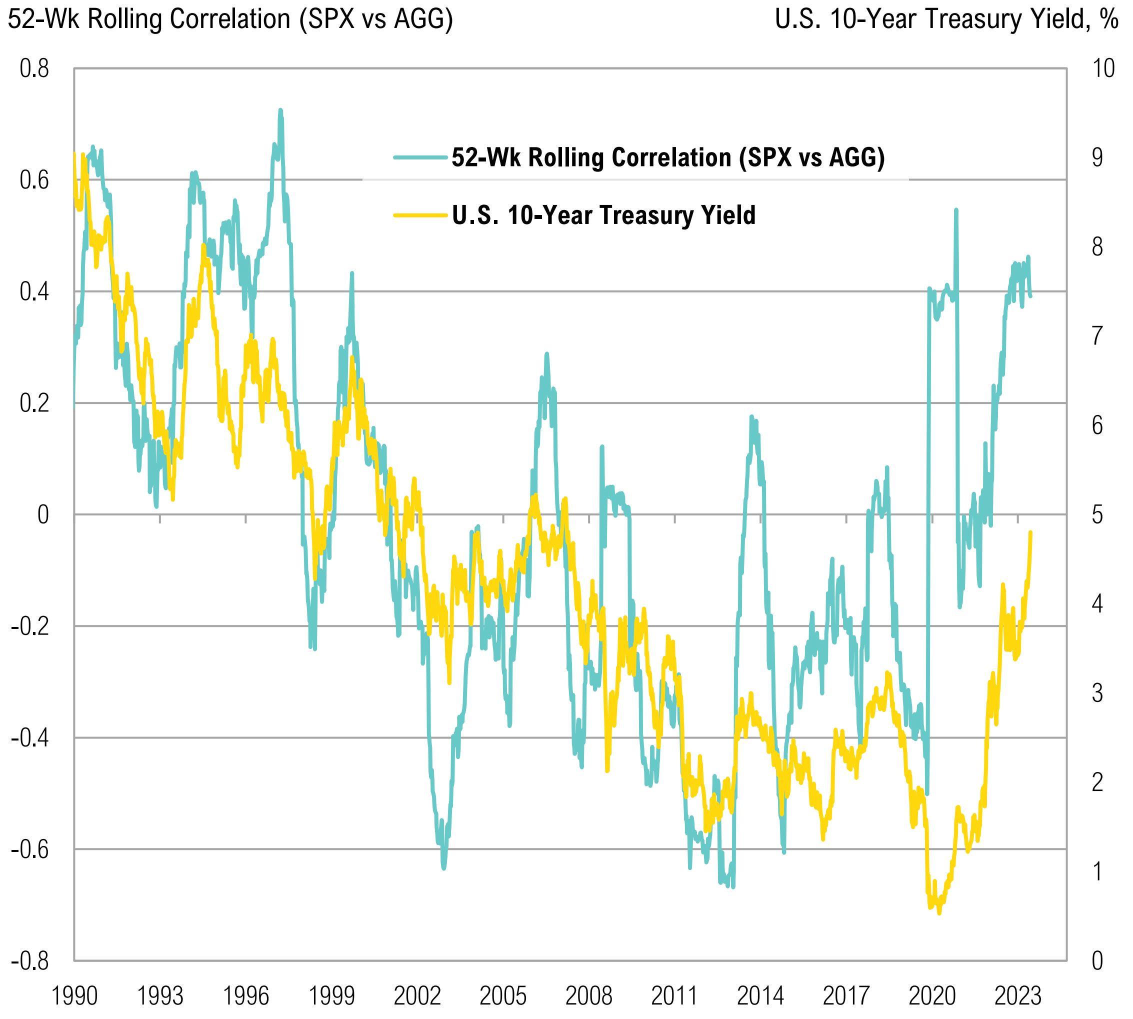
Even if not base case, returns during periods of stress (stagflation, bubble unwinds, banking crisis) *contrast so starkly* with the last 10-14 years that they should be considered

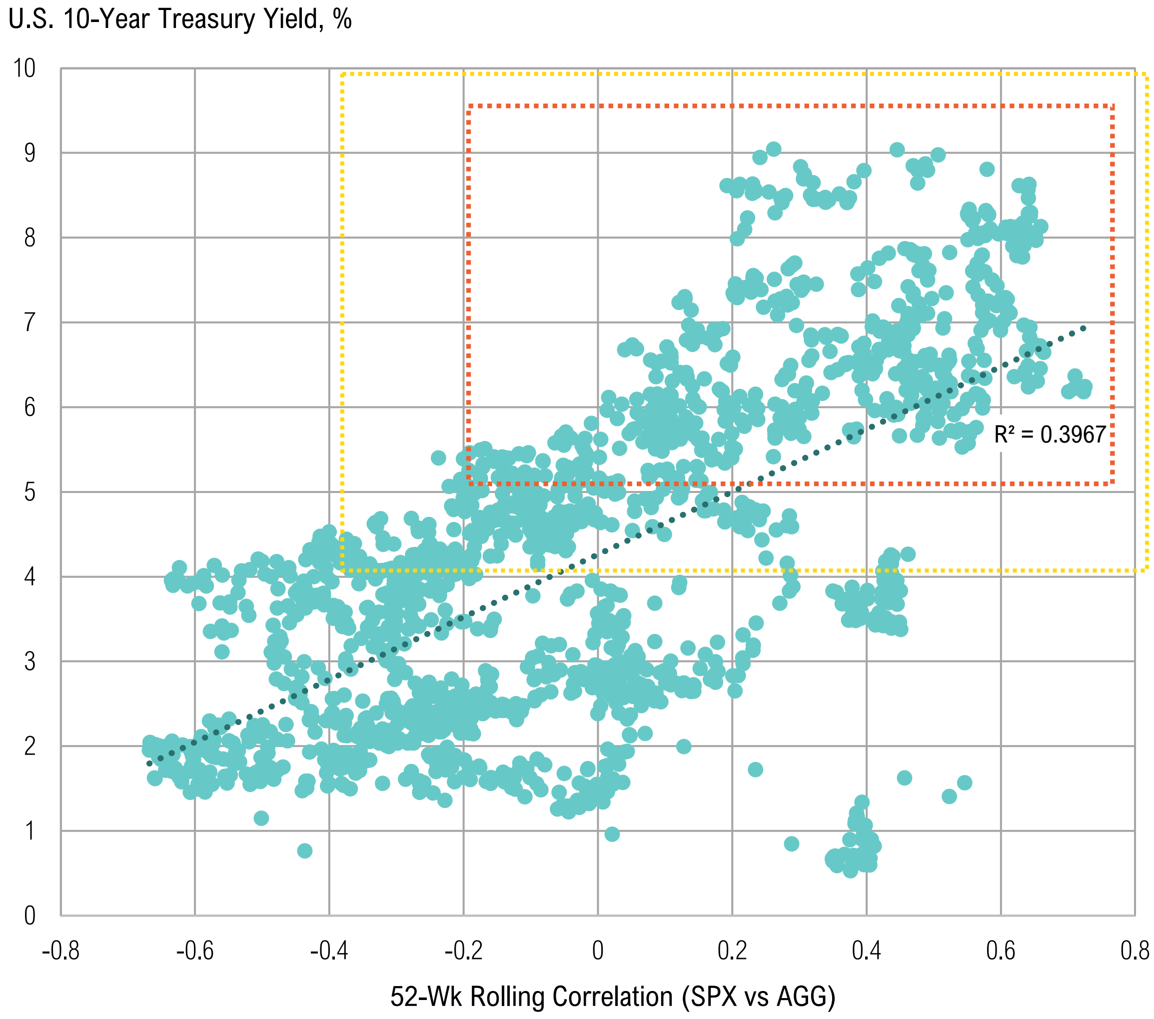
1970s Stagflation				Tech Bubble					GFC				**	23Q3
1972	1973	1974	1975	1999	2000	2001	2002	2003	2007	2008	2009	2010	Geo. Avg.	10 Yrs
Gold 48.3%	Gold 73.5%	Gold 67.0%	U.S. Small Cap 52.8%	EM Stocks 57.6%	Midstrm Energy 45.7%	Midstrm Energy 43.7%	Commodities 25.9%	EM Stocks 55.8%	EM Stocks 39.4%	U.S. Interm Bds 5.2%	EM Stocks 78.5%	Midstrm Energy 35.9%	Gold 19.7%	U.S. Large Cap 11.6%
Commodities 37.0%	Commodities 58.4%	Commodities 9.8%	U.S. Large Cap 37.2%	Intl Dev Stocks 27.0%	Commodities 31.8%	U.S. REITs 12.8%	Gold 24.0%	U.S. Small Cap 47.3%	Gold 31.6%	Intl Dev Bonds 4.4%	Midstrm Energy 76.4%	U.S. REITs 28.5%	Midstrm Energy 14.6%	U.S. Small Cap 6.6%
Intl Dev Stocks 30.1%	U.S. REITs 20.2%	Cash 8.0%	Intl Dev Stocks 32.3%	Commodities 24.3%	U.S. REITs 26.8%	U.S. Interm Bds 8.4%	Intl Dev Bonds 22.4%	Midstrm Energy 44.5%	Commodities 16.2%	U.S. Muni Bds 4.2%	U.S. HY Bonds 58.2%	Gold 27.7%	Commodities 13.3%	U.S. REITs 5.9%
Midstrm Energy 20.3%	Cash 7.3%	EM Stocks 6.0%	Midstrm Energy 27.1%	U.S. Small Cap 21.3%	U.S. Interm Bds 11.6%	U.S. Muni Bds 5.5%	U.S. Interm Bds 10.3%	Intl Dev Stocks 38.6%	Midstrm Energy 12.7%	Gold 3.4%	Intl Dev Stocks 31.8%	U.S. Small Cap 26.9%	U.S. REITs 8.2%	U.S. 60/40 5.0%
U.S. Large Cap 19.0%	Intl Dev Bonds 6.9%	U.S. REITs 4.8%	U.S. 60/40 24.7%	U.S. Large Cap 21.0%	U.S. Muni Bds 8.2%	U.S. HY Bonds 5.3%	U.S. Muni Bds 8.7%	U.S. REITs 36.7%	Intl Dev Stocks 11.2%	Cash 1.8%	U.S. REITs 28.6%	EM Stocks 18.9%	EM Stocks 5.9%	U.S. HY Bonds 4.2%
U.S. REITs 17.4%	U.S. HY Bonds 6.8%	U.S. Interm Bds 4.1%	U.S. HY Bonds 16.4%	U.S. 60/40 12.2%	Cash 6.1%	Cash 4.1%	U.S. REITs 3.6%	U.S. HY Bonds 29.0%	Intl Dev Bonds 11.0%	U.S. 60/40 -21.6%	Gold 27.6%	Commodities 16.8%	Intl Dev Bonds 5.9%	Intl Dev Stocks 3.8%
U.S. 60/40 12.2%	Midstrm Energy 5.8%	Intl Dev Bonds 2.9%	U.S. REITs 14.1%	Cash 4.8%	U.S. 60/40 -1.1%	U.S. Small Cap 2.5%	Cash 1.7%	U.S. Large Cap 28.7%	U.S. Interm Bds 7.0%	U.S. HY Bonds -26.2%	U.S. Small Cap 27.2%	U.S. HY Bonds 15.1%	U.S. Interm Bds 5.6%	Gold 3.4%
Intl Dev Bonds 9.4%	U.S. Muni Bds 4.8%	U.S. Muni Bds -5.6%	Intl Dev Bonds 8.7%	U.S. HY Bonds 2.4%	EM Stocks -1.6%	Gold 1.4%	U.S. HY Bonds -1.4%	Commodities 24.0%	U.S. 60/40 6.2%	U.S. Small Cap -33.8%	U.S. Large Cap 26.5%	U.S. Large Cap 15.1%	U.S. HY Bonds 5.0%	Midstrm Energy 1.9%
U.S. Small Cap 4.4%	U.S. Interm Bds 3.3%	U.S. 60/40 -14.6%	Cash 5.9%	Gold 1.2%	U.S. Small Cap -3.0%	EM Stocks -2.6%	Midstrm Energy -3.4%	Gold 21.7%	U.S. Large Cap 5.5%	Commodities -35.6%	Commodities 18.9%	U.S. 60/40 12.2%	U.S. Muni Bds 4.1%	EM Stocks 1.8%
Cash 4.2%	EM Stocks 3.3%	U.S. HY Bonds -17.2%	U.S. Interm Bds 5.6%	U.S. Muni Bds 0.6%	Intl Dev Bonds -3.9%	U.S. 60/40 -3.3%	EM Stocks -6.2%	Intl Dev Bonds 19.4%	U.S. Muni Bds 4.8%	Midstrm Energy -36.9%	U.S. 60/40 18.5%	Intl Dev Stocks 7.8%	Cash 3.8%	U.S. Muni Bds 1.7%
U.S. HY Bonds 3.5%	U.S. 60/40 -7.7%	U.S. Small Cap -19.9%	U.S. Muni Bds 4.6%	U.S. Interm Bds -0.8%	U.S. HY Bonds -5.9%	Intl Dev Bonds -3.7%	U.S. 60/40 -9.5%	U.S. 60/40 18.6%	Cash 4.8%	U.S. Large Cap -37.0%	Intl Dev Bonds 7.5%	U.S. Interm Bds 6.6%	U.S. 60/40 2.7%	U.S. Interm Bds 1.1%
U.S. Muni Bds 3.2%	Intl Dev Stocks -10.7%	Midstrm Energy -20.8%	Commodities -0.8%	U.S. REITs -4.6%	Gold -6.3%	U.S. Large Cap -11.9%	Intl Dev Stocks -15.9%	U.S. Muni Bds 4.4%	U.S. HY Bonds 1.9%	U.S. REITs -38.0%	U.S. Muni Bds 7.2%	Intl Dev Bonds 4.9%	U.S. Small Cap 2.1%	Cash 1.1%
U.S. Interm Bds 2.4%	U.S. Large Cap -14.7%	Intl Dev Stocks -25.4%	EM Stocks -12.9%	Midstrm Energy -7.8%	U.S. Large Cap -9.1%	Commodities -19.5%	U.S. Small Cap -20.5%	U.S. Interm Bds 4.1%	U.S. Small Cap -1.6%	Intl Dev Stocks -43.4%	U.S. Interm Bds 5.9%	U.S. Muni Bds 3.1%	Intl Dev Stocks 0.2%	Commodities -0.7%
EM Stocks -27.2%	U.S. Small Cap -30.9%	U.S. Large Cap -26.5%	Gold -25.2%	Intl Dev Bonds -8.8%	Intl Dev Stocks -14.2%	Intl Dev Stocks -21.4%	U.S. Large Cap -22.1%	Cash 1.0%	U.S. REITs -16.8%	EM Stocks -53.3%	Cash 0.1%	Cash 0.1%	U.S. Large Cap -0.3%	Intl Dev Bonds -2.2%

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

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

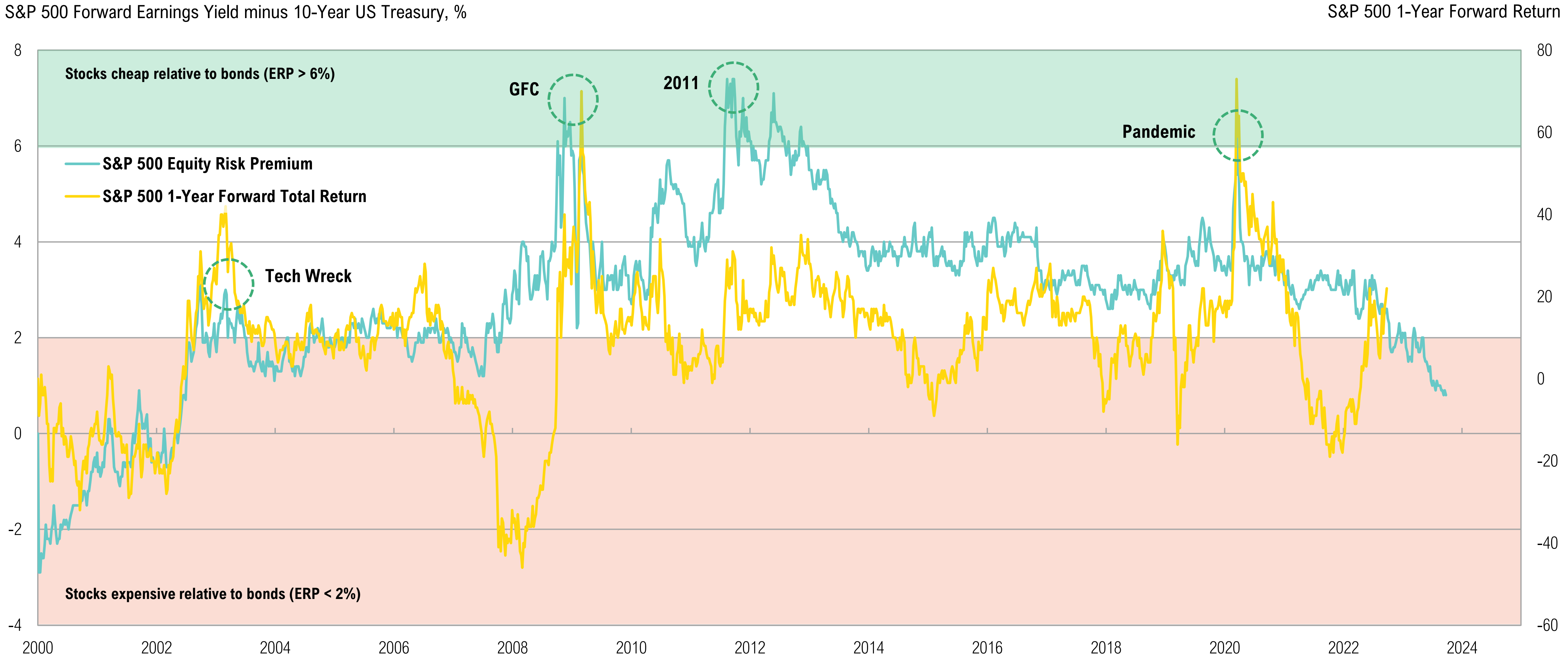
With yields near the crucial 5% threshold, markets are at a key inflection point in terms of stock-bond correlations





Source: Bloomberg, SpringTide

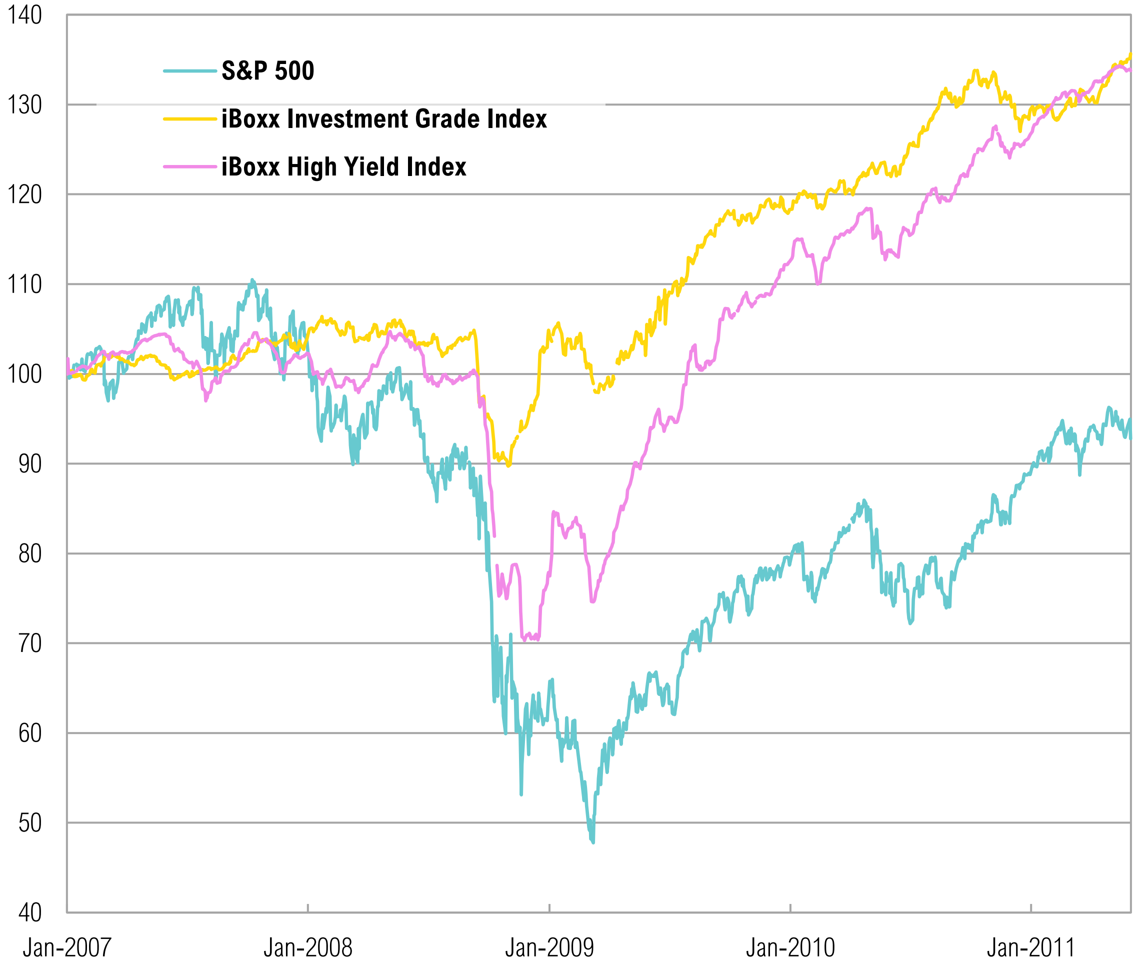
Using a simple yield-to-earnings-yield comparison (ERP), U.S. stocks are less attractively priced vis-à-vis bonds than at any point since the Tech Bubble and its subsequent unwind



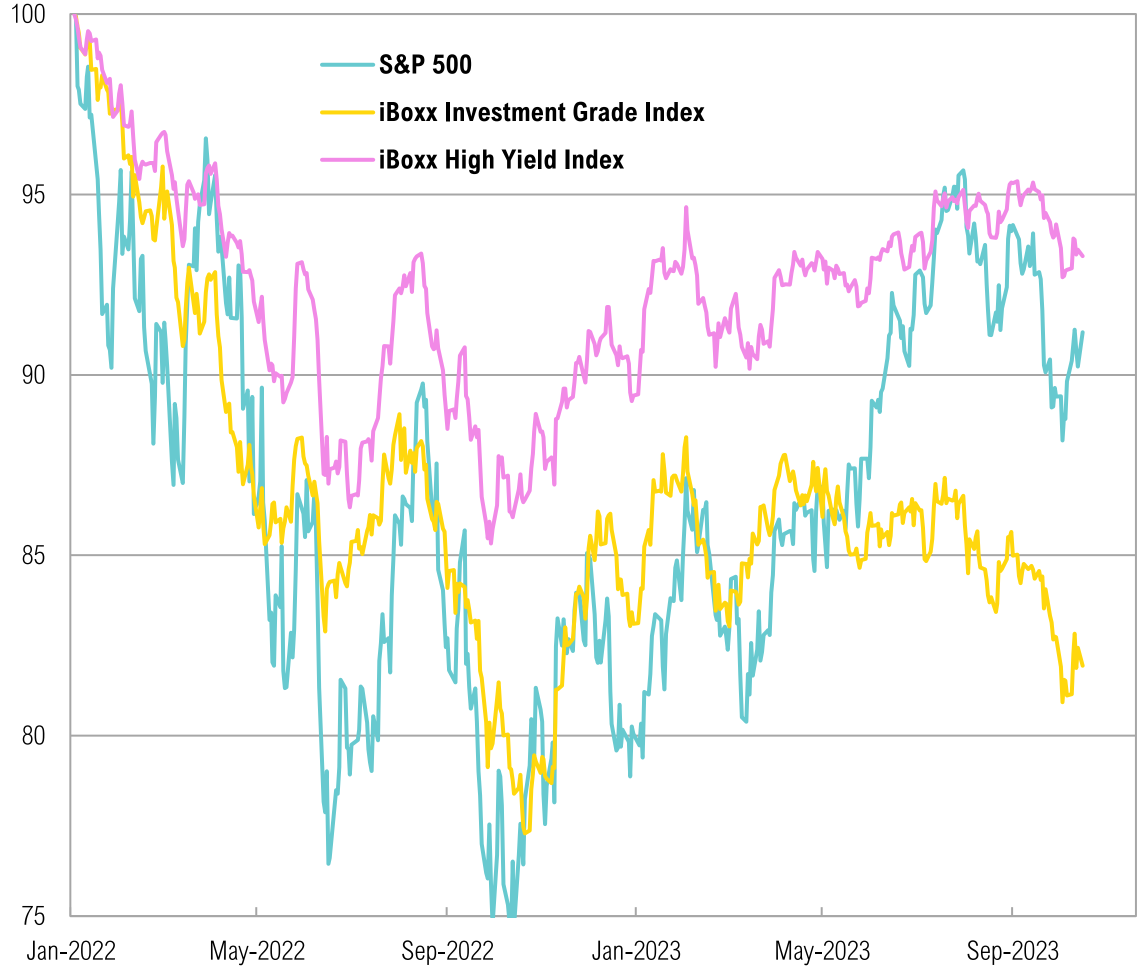
Source: Bloomberg. Equity risk premium calculated as S&P 500 earnings yield minus 10-year Treasury yield.

Can equities "wag the dog"? Credit tends to lead equities on the way out of bear markets; while there's been a very constructive narrowing of IG and HY spreads recently, equities have decoupled

Growth of 100, 1/1/2007 – 5/31/2011

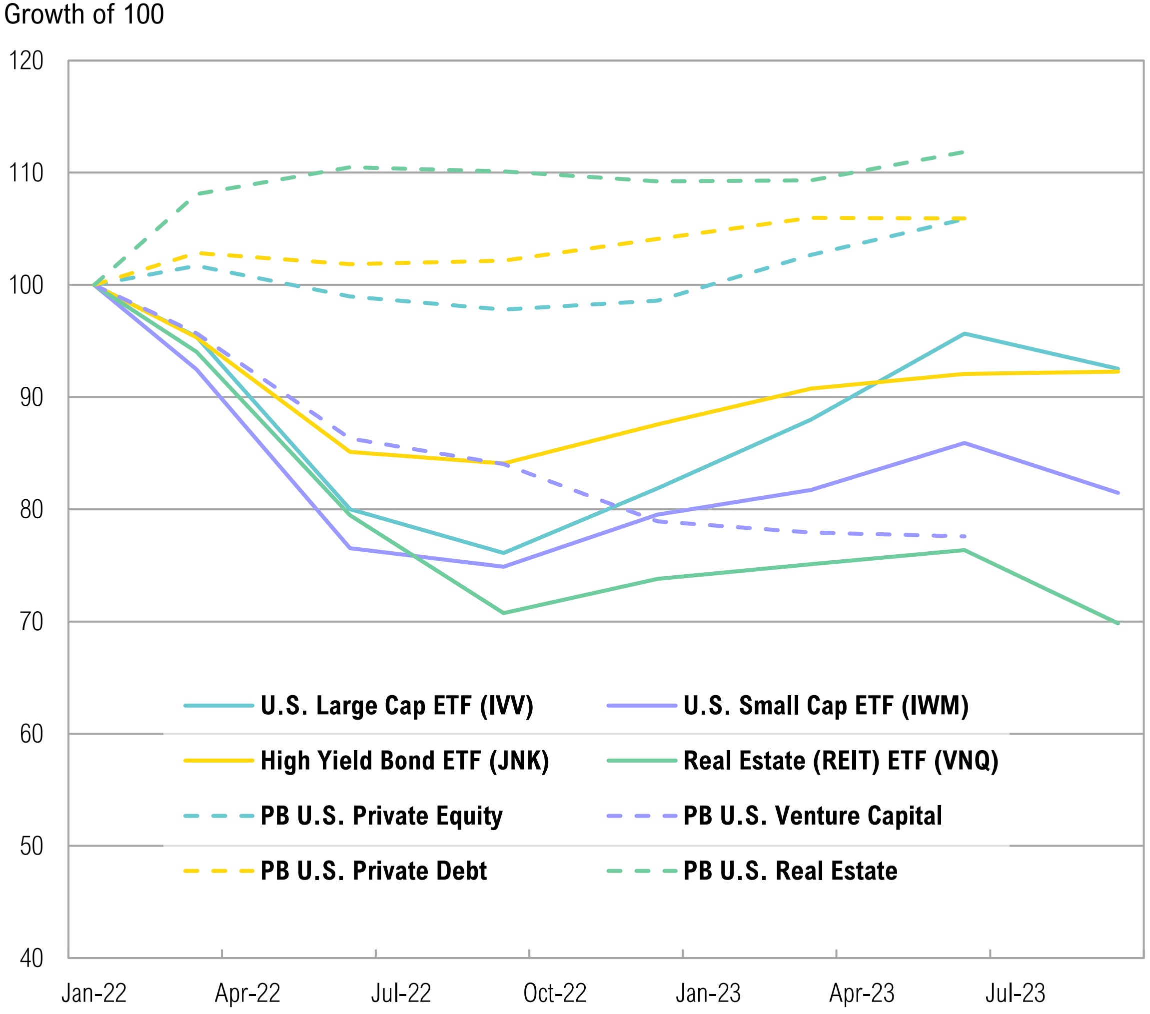


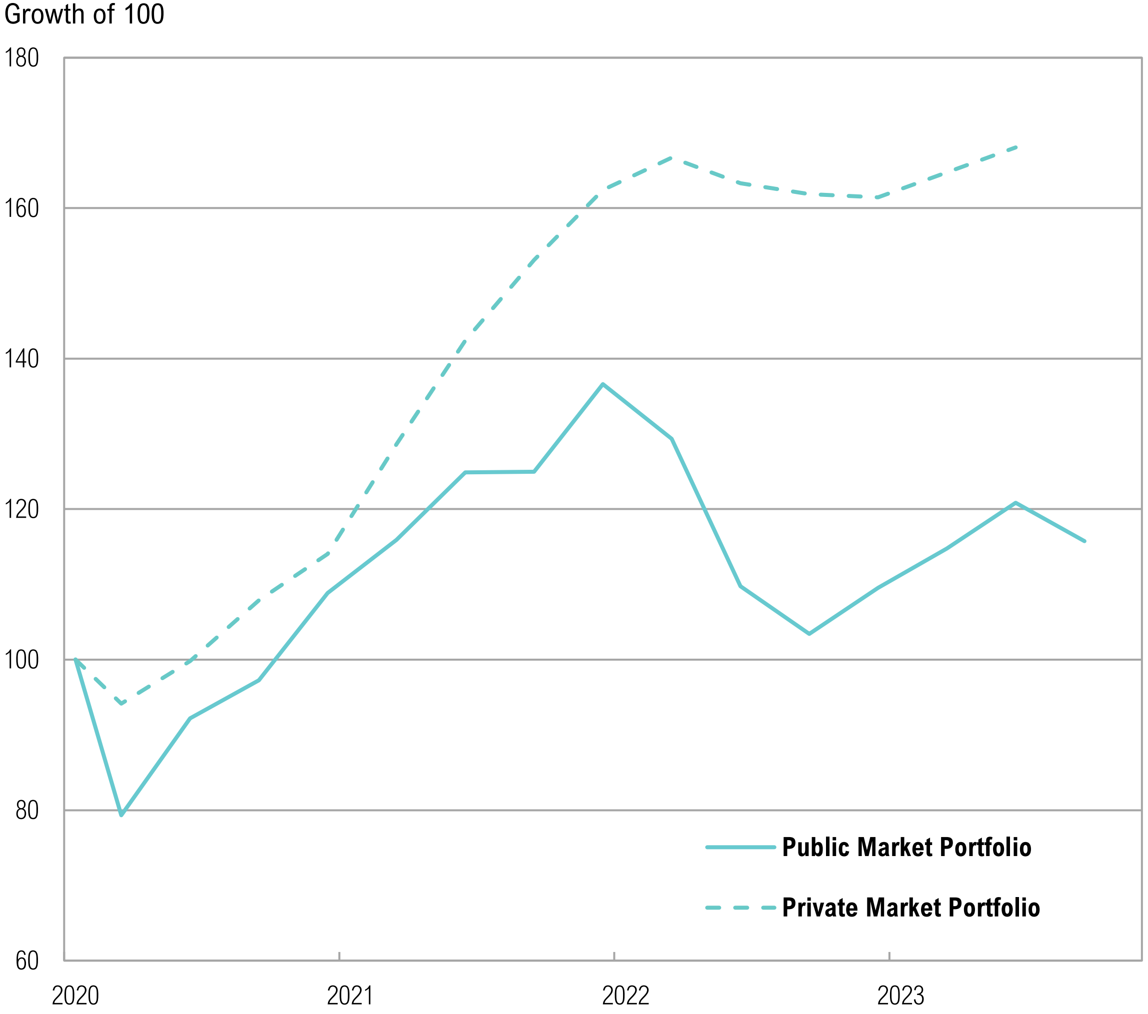
Growth of 100, 1/1/2022 – 10/16//2023



Source: Bloomberg

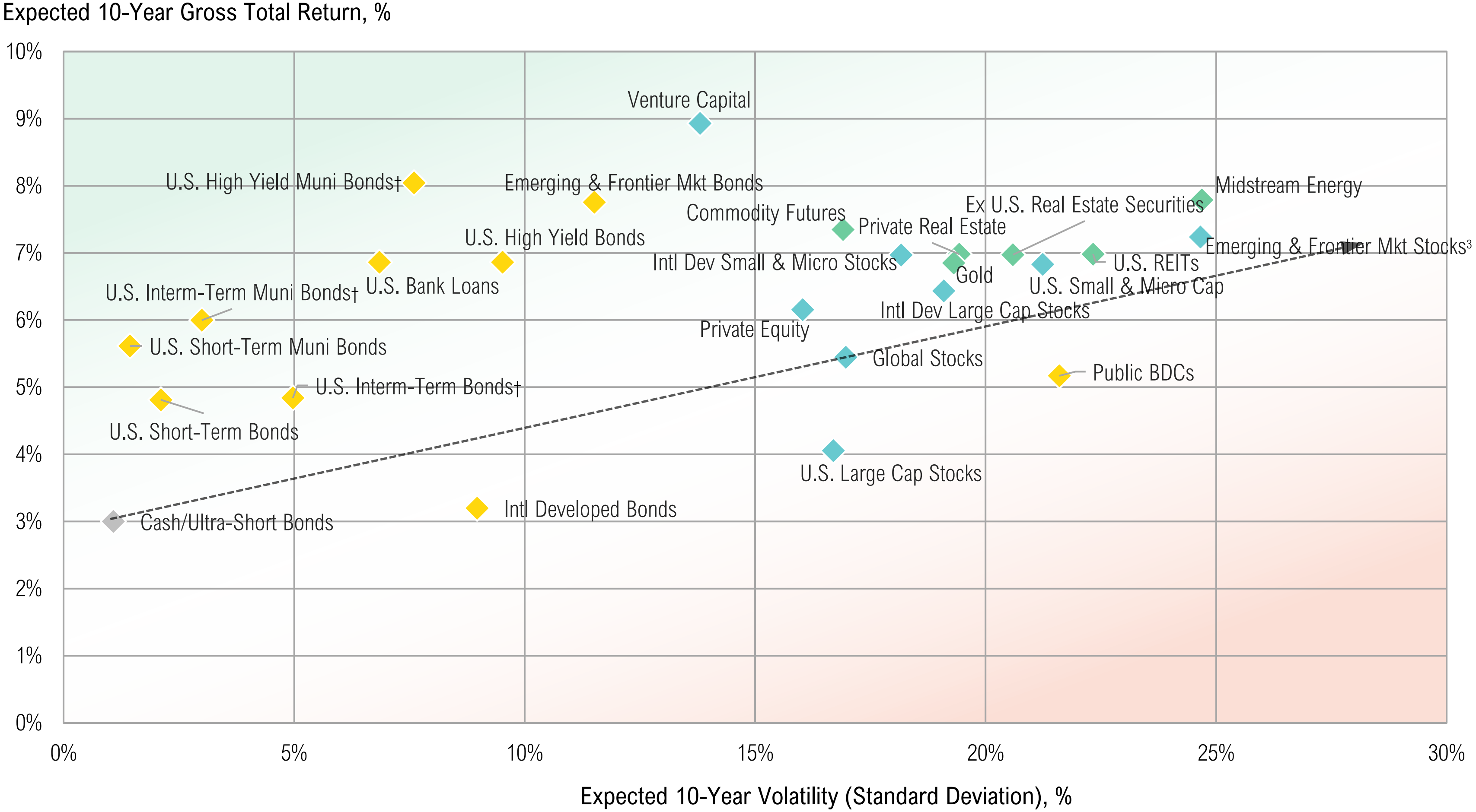
Private market funds have not marked down portfolios to account for higher rates





Source: Pitchbook, Bloomberg; Private market data as of 6/30/2023. Large Cap ETF = IVV; Small Cap ETF = IWM; High Yield ETF = JNK; REIT ETF = VNQ. Portfolio weights for portfolio include 40% PE/Large Cap, 10% VC/Small Cap, 20% PRE/REITs, 30% Private Debt/High Yield

Expected 10-year returns for bonds rose with yields; municipal bonds stand out on an after-tax risk-adjusted basis



	Δ vs. Last Qtr Exp Rets (10 Yr)	9/30/2023 Exp Rets (10 Yr)
Equity		
U.S. Large Cap Stocks	0.5%	4.1%
U.S. Small & Micro Cap	0.3%	6.8%
Intl Dev Large Cap Stocks	0.3%	6.4%
Intl Dev Small & Micro Stocks	0.3%	7.0%
Emerging & Frontier Mkt Stocks	0.1%	7.2%
Global Stocks	0.4%	5.4%
Private Equity	-0.5%	6.2%
Venture Capital	-0.7%	8.9%
Fixed Income & Credit		
U.S. Interm-Term Muni Bonds†	1.3%	6.0%
U.S. Short-Term Muni Bonds†	1.1%	5.6%
U.S. High Yield Muni Bonds†	0.9%	8.0%
U.S. Interm-Term Bonds	0.7%	4.8%
U.S. Short-Term Bonds	0.2%	4.8%
U.S. High Yield Bonds	0.4%	6.9%
U.S. Bank Loans	1.5%	6.9%
Intl Developed Bonds	0.2%	3.20%
Emerging & Frontier Mkt Bonds	0.7%	7.8%
Public BDCs	-0.3%	5.2%
Private Credit	-0.6%	8.9%
Real Assets & Infrastructure		
U.S. REITs	0.5%	7.0%
Ex U.S. Real Estate Securities	-0.1%	7.0%
Private Real Estate	-0.4%	7.0%
Commodity Futures	0.1%	7.4%
Midstream Energy	-0.4%	7.8%
Gold	0.0%	6.9%
Private Energy & Infrastructure	-0.4%	9.6%
Opportunistic		
Long-Short Equity	0.3%	6.0%
Relative Value	0.3%	7.4%
Closed-End Funds	-1.2%	8.7%
Global Macro	0.3%	6.0%
Insurance-Linked Securities	0.0%	6.9%
Digital Assets	0.1%	6.8%
Cash & Cash Equivalents		
Cash & Cash Equivalents	0.0%	3.0%

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

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

Disclosures

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

Asset Class Benchmarks

Asset class performance was measured using the following benchmarks:

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

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

Intl Dev Large Cap Stocks: MSCI EAFE GR Index

Intl Dev Small & Micro Stocks: MSCI EAFE GR Index

Emerging & Frontier Market Stocks: MSCI Emerging Markets GR Index

Global Stocks: MSCI ACWI GR Index

Private Equity: Cambridge Associates U.S. Private Equity

Venture Capital: Cambridge Associates U.S. Venture Capital

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

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

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

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

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

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

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

Public BDCs: S&P BDC Index

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

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

Private Real Estate: Cambridge Associates Real Estate

Commodity Futures: Bloomberg Commodity TR Index

Midstream Energy: Alerian MLP TR Index

Gold: LBMA Gold Price

Long-Short Equity: HFRI Equity Hedge Index

Global Macro: HFRI Macro-CTA Index

Relative Value: HFRI Relative Value Index

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

Insurance-Linked Securities: SwissRe Global Cat Bond TR Index

Digital Assets: MVIS CryptoCompare Digital Assets 25 Index

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

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

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

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

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

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