Welcome to Our Market/Economy Kick Off for 2024!

Courageous Leadership: 2024

January 24, 2024

Agenda

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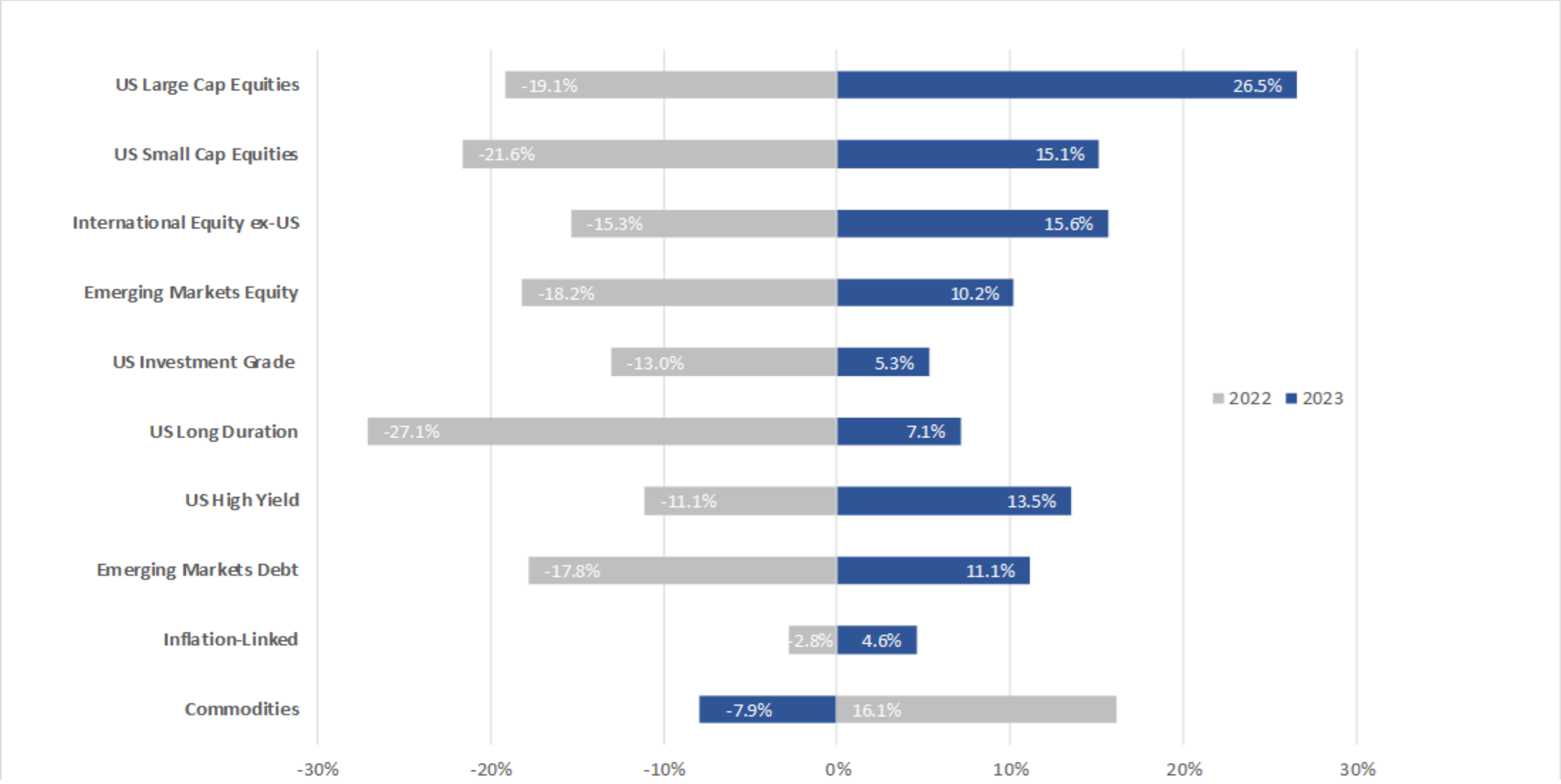
- ✓ **2023: A year that defined expectations**
- ✓ **2024 Where do we go from here?**
- ✓ **Positioning Implications**

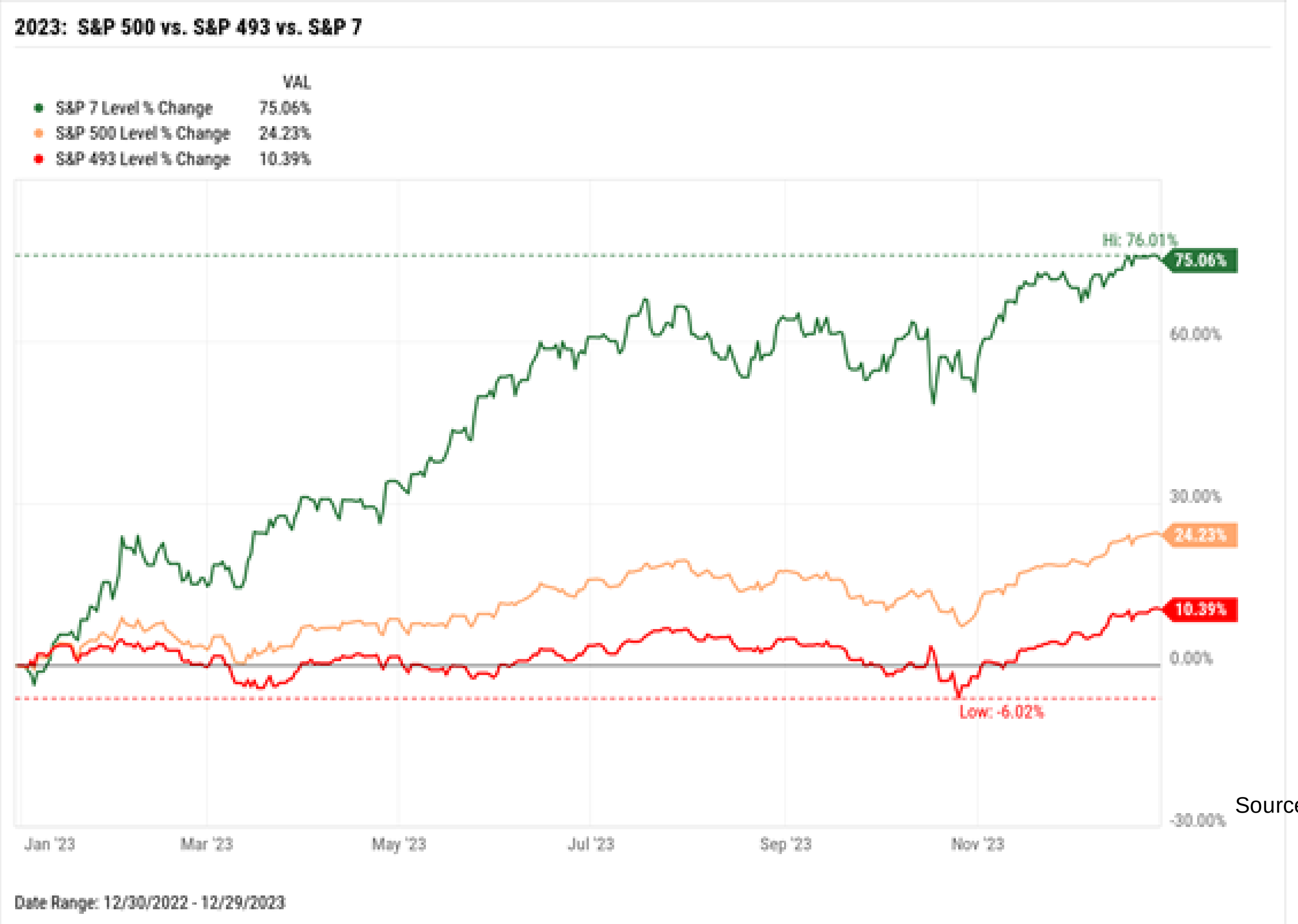
2023 PERFORMANCE: THE LAST WERE FIRST, AND THE FIRST WERE LAST IN 2023

BENCHMARK RETURNS



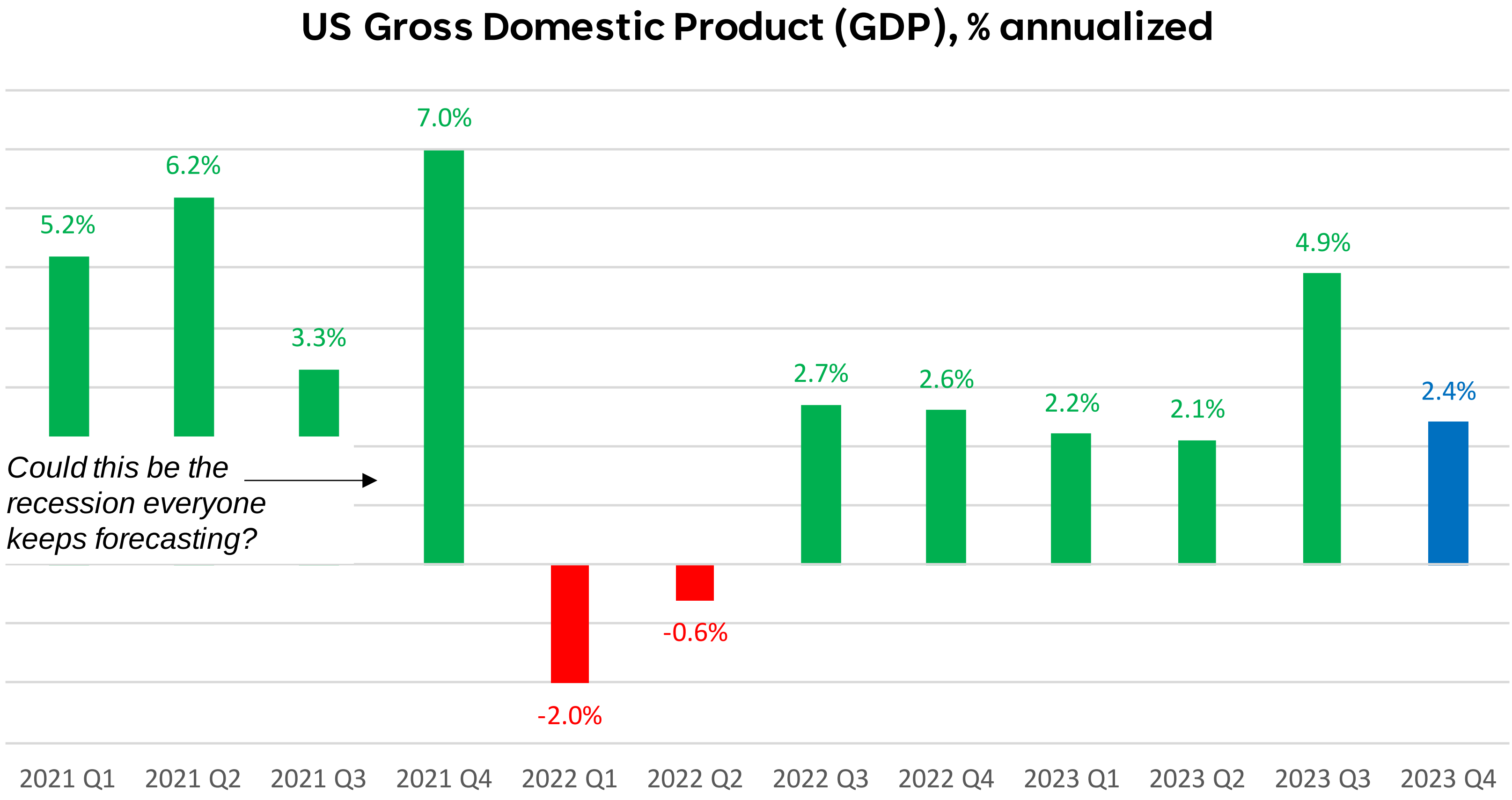
Source: Bloomberg, Morningstar. Indexes included:

The “magnificent 7,” and the rest in 2023



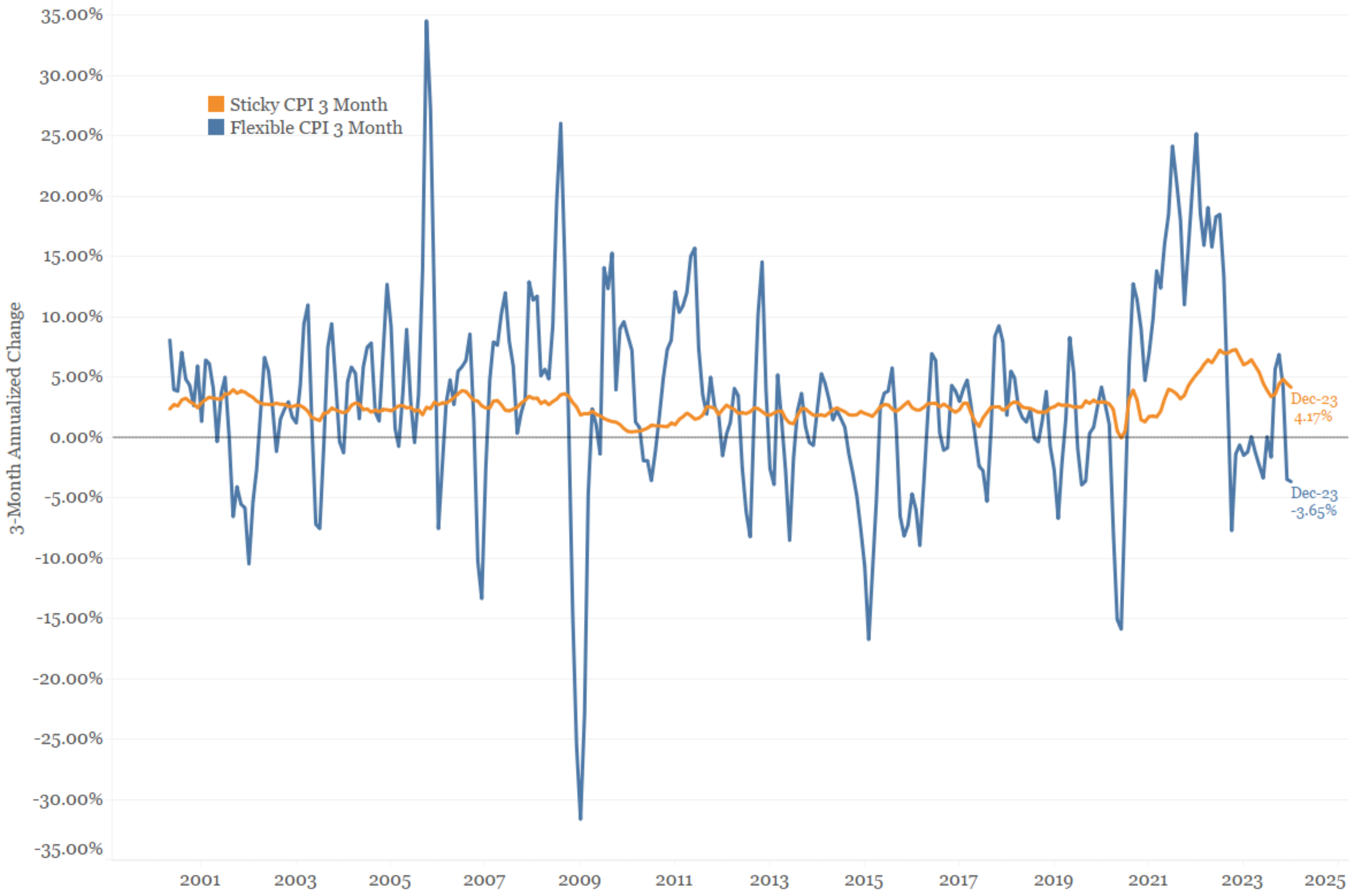
Source: YCharts

US growth outlook: *no* landing?



Source: Bloomberg

Inflation: Core vs. Sticky CPI, 3M Annualized Change



Source: Atlanta Federal Reserve, Bianco Research

Core vs. Sticky CPI

The continued case for higher for longer

Table 1. Flexible and Sticky Prices in the CPI Market Basket

Flexible-price items	Frequency of adjustment[a]	Relative importance
Motor fuel	0.7	3.2
Car and truck rental	1.2	0.1
Fresh fruits and vegetables	1.3	0.9
Fuel oil and other fuels	1.5	0.3
Gas (piped) and electricity	1.6	4.2
Meats, poultry, fish, and eggs	1.9	1.9
Used cars and trucks[b]	2.0	1.6
Leased cars and trucks[b]	2.0	0.6
New vehicles	2.0	4.5
Women's and girls' apparel	2.3	1.5
Dairy and related products	2.6	0.9
Nonalcoholic beverages and beverage materials	2.7	1.0
Lodging away from home	3.1	2.5
Processed fruits and vegetables	3.2	0.3
Men's and boys' apparel	3.2	0.9
Cereals and bakery products	3.3	1.2
Footwear	3.4	0.7
Other food at home	3.6	2.0
Jewelry and watches	3.9	0.4
Motor vehicle parts and equipment	4.1	0.4
Tobacco and smoking products	4.2	0.8
Total, flexible-price items		**29.8**
Total, core flexible-price items		**14.0**

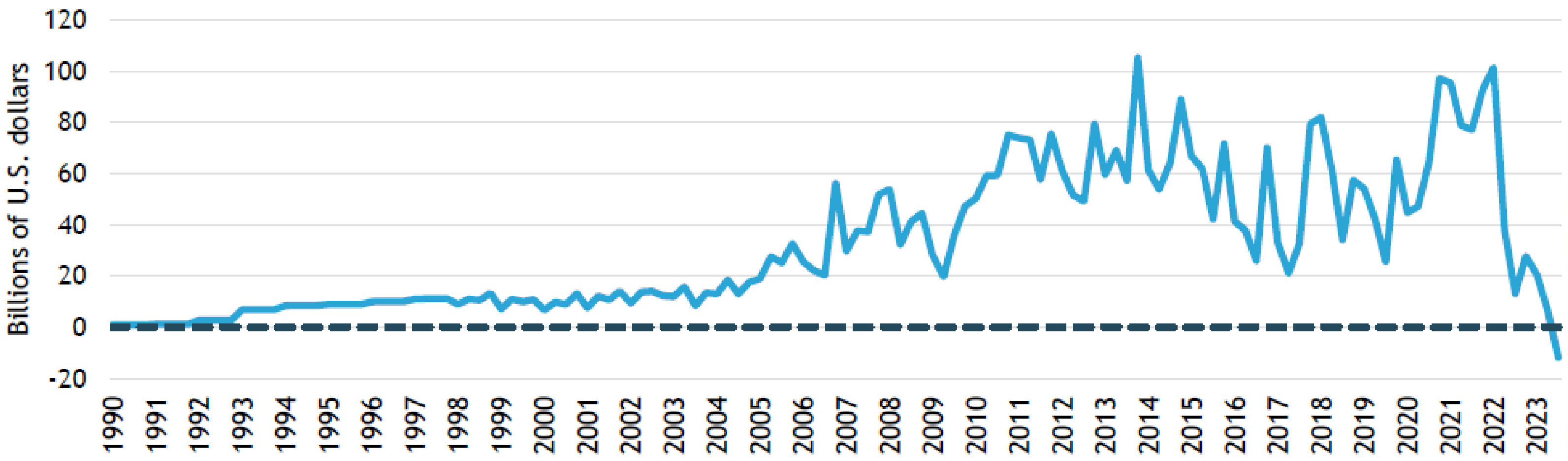
Sticky-price items	Frequency of adjustment[a]	Relative importance
Infants' and toddlers' apparel	5.3	0.2
Household furnishings and operations	5.3	4.8
Motor vehicle maintenance and repair	5.8	1.2
Motor vehicle insurance	5.9	2.0
Medical care commodities	6.2	1.6
Personal care products	6.7	0.7
Alcoholic beverages	7.3	1.1
Recreation	7.9	5.7
Miscellaneous personal goods	8.1	0.2
Communication	8.4	3.2
Public transportation	9.4	1.1
Tenants' and household insurance	10.1	0.3
Food away from home	10.7	6.5
Rent of primary residence[b]	11.0	6.0
OER, Northeast[b]	11.0	5.3
OER, Midwest[b]	11.0	4.5
OER, South[b]	11.0	7.7
OER, West[b]	11.0	6.9
Education	11.1	3.1
Medical care services	14.0	4.8
Water, sewer, and trash collection services	14.3	1.0
Motor vehicle fees	16.4	0.5
Personal care services	23.7	0.6
Miscellaneous personal services	25.9	1.1
Total, sticky-price items		**70.1**
Total, core sticky-price items		**63.6**
Total, non-OER sticky-price items		**45.7**

a. In months.
b. These items were not investigated in Bils and Klenow (2004). The only housing component in the Bils and Klenow dataset is "housing at school excluding board," and we report that estimate for the housing categories in this work. While there may be only a weak correspondence between housing at school, rental housing, and owners' equivalent rent, rents used by the Bureau of Labor Statistics to construct the CPI are computed over six-month horizons, making these data, by construction, sticky-price goods.
Sources: Bureau of Labor Statistics; Bils and Klenow (2004); authors' calculations.

Source: Cleveland Federal Reserve

Deglobalization? Disenchantment with china?

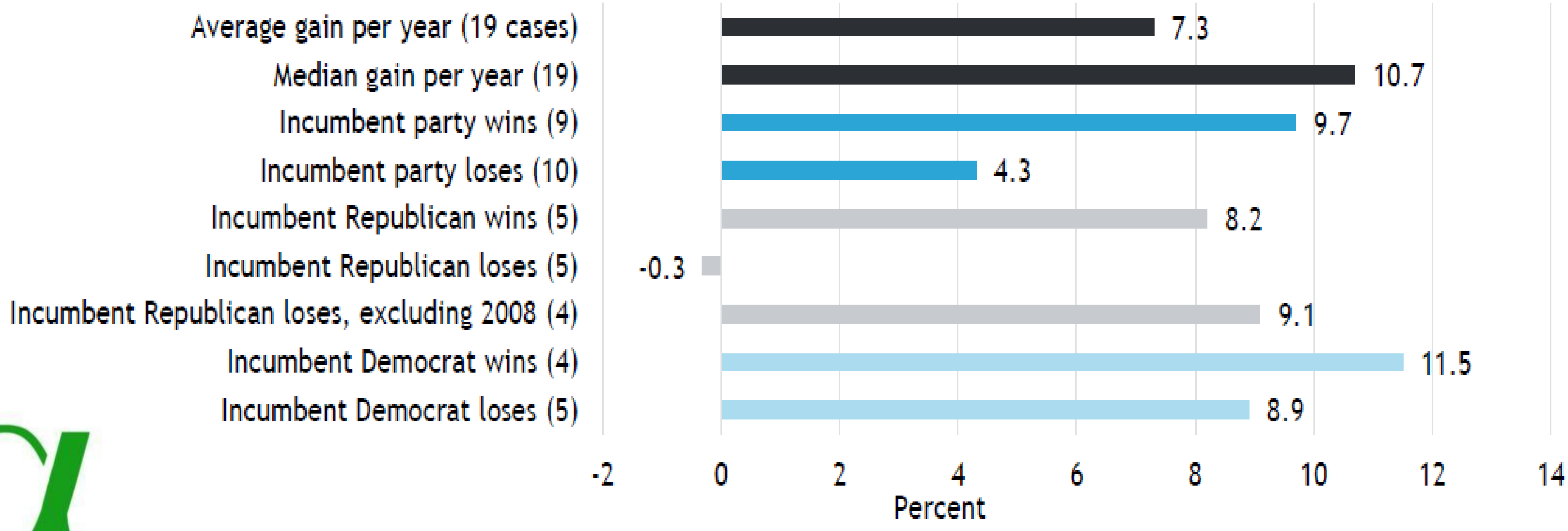
FOREIGN DIRECT INVESTMENT IN CHINA



Source: Oxford Economics

Equity markets and presidential elections

S&P 500 INDEX (PRICE ONLY)
% CHANGE IN US PRESIDENTIAL ELECTION YEARS SINCE 1948



Source: Ned Davis Research

Opportunities and risks: Alphavest positioning

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Themes	Opportunity / Risk	Positioning Highlights	Alphavest Strategies
US growth chugs along: no landing - GDP at or above trend (c. 2.5%) ✓ Global growth: tech, AI-driven, demographic momentum in emerging economies	✓ US continues to lead asynchronous global growth ✓ Consumers and corporations absorb higher rates	✓ US Equities: Large Cap, Value strategies that embrace "new economy" ✓ Initiate Emerging Markets exposure: ex-China, favor Taiwan, India, South Korea, Mexico	✓ Diversify 6 year bucket US equities holdings ✓ Add international value and emerging markets equities to 10 year bucket
Inflation higher for longer (3-3.5%) ✓ Driven by "sticky" services, wages, and shelter prices	✓ Red Sea shipping supply chain inflationary risks are underestimated ✓ Market-implied inflation overly optimistic (lower than we expect)	✓ Maintain diversifying allocations to real assets, infrastructure, TIPS ✓ Explore commodities and inflation sensitive equities	✓ Increase TIPS exposure in Fixed Conservative and Aggressive, add Corporate TIPS
The "income" is back in Fixed Income ✓ Constructive credit environment ✓ Multi-year bear market for bonds still allows fixed income to do its job	✓ Bonds providing elevated yields, risk mitigation and carry ✓ Monitor defaults ✓ Expect some inflation-driven interest rate volatility in longer yields even as Fed eases	✓ Reduce duration risk in favor of credit risk ✓ Add to higher "growth" fixed income: high yield, emerging debt ✓ Favor active management in higher Beta fixed income sectors	✓ Add US high yield to Fixed Conservative and Fixed Aggressive ✓ Add EM Debt to Fixed Aggressive and 10 Year
Macro disruptors / black swan events: ✓ Geopolitical risk, credit defaults, liquidity, "unknown unknowns"?	✓ Maintain diversification ✓ Some duration is beneficial ✓ Thematic exposures can add value	✓ Add to diversified value equity positioning in domestic and international markets ✓ Explore ESG-related exposures (ex: exclusion of autocracies)	✓ Highly diversified, growth-oriented strategic ranges for 6 and 10 year buckets

Putting global asset class returns in historical context

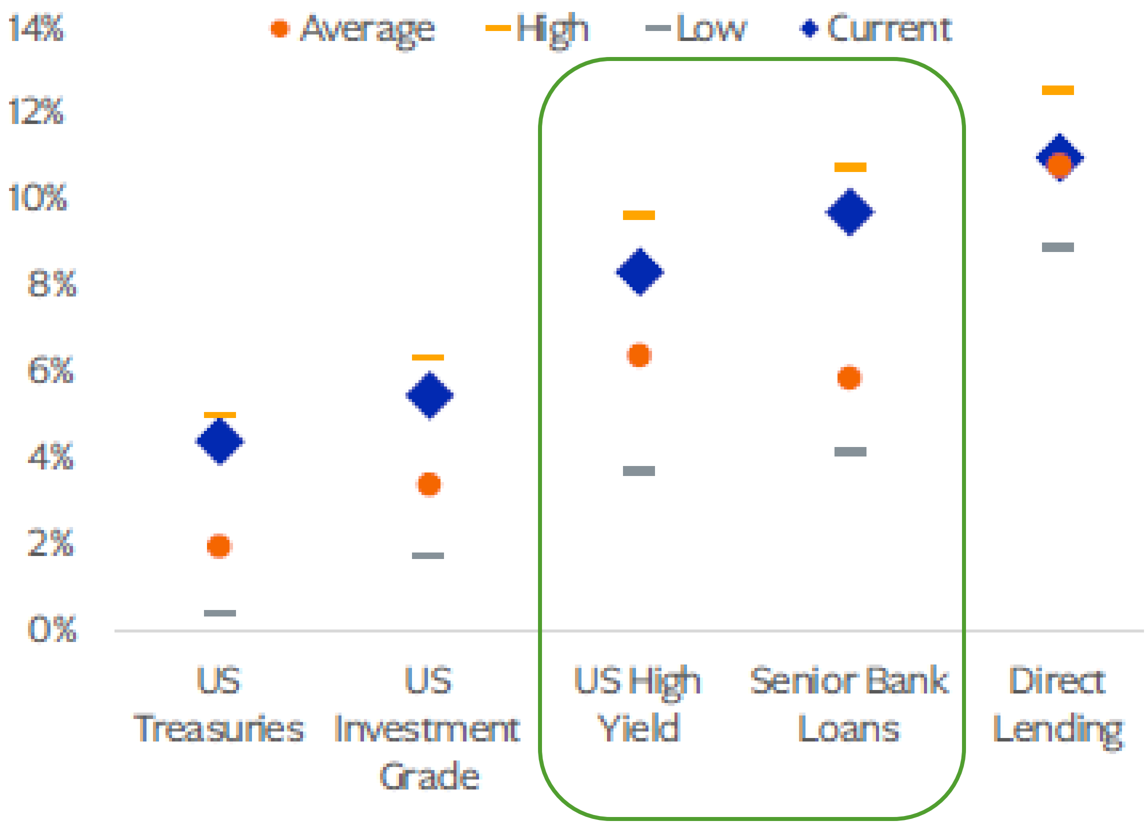
2023 Q4	2023 Q3	2023 Q2	2023 Q1	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
18.0%	16.0%	12.8%	14.4%	42.7%	26.0%	40.4%	38.5%	36.4%	1.3%	37.8%	21.3%	5.7%	27.2%	38.8%
14.2%	-2.8%	8.7%	8.2%	26.3%	-7.5%	39.0%	20.0%	31.5%	0.9%	30.2%	17.3%	3.3%	13.7%	33.5%
14.0%	-3.1%	5.2%	7.5%	18.6%	-8.5%	28.7%	18.7%	28.9%	0.0%	24.8%	12.0%	2.1%	13.5%	32.5%
11.7%	-3.1%	4.9%	5.7%	17.7%	-12.5%	27.6%	18.4%	26.5%	-1.5%	21.8%	11.6%	1.4%	13.0%	32.4%
10.6%	-3.2%	4.1%	4.0%	16.9%	-13.0%	25.2%	15.4%	25.5%	-2.3%	14.6%	11.4%	1.2%	10.6%	21.6%
9.7%	-3.2%	3.3%	3.0%	12.2%	-13.8%	16.0%	8.1%	23.2%	-4.0%	14.3%	8.2%	0.8%	9.1%	17.7%
9.5%	-3.3%	2.4%	3.0%	11.5%	-15.9%	14.8%	8.0%	22.1%	-4.4%	13.7%	7.6%	0.6%	6.0%	1.8%
7.9%	-3.3%	1.0%	2.8%	10.3%	-18.1%	13.2%	7.5%	18.9%	-8.3%	9.8%	7.1%	-2.6%	5.1%	-1.2%
7.9%	-3.9%	-0.1%	2.7%	6.4%	-19.7%	1.5%	5.2%	17.6%	-11.0%	5.8%	3.3%	-3.8%	4.9%	-2.0%
6.8%	-4.0%	-0.8%	1.6%	5.5%	-20.4%	-1.5%	2.8%	8.7%	-13.6%	5.4%	2.6%	-4.4%	-1.8%	-2.3%
5.7%	-5.1%	-1.4%	1.0%	4.1%	-25.2%	-2.2%	-5.3%	7.5%	-13.8%	3.5%	1.0%	-14.6%	-3.9%	-2.6%
-10.7%	-8.6%	-2.7%	-4.9%	-4.3%	-29.1%	-2.3%	-23.7%	6.9%	-14.2%	2.3%	0.2%	-32.9%	-33.1%	-2.7%

YCHARTS

Annualized 10Y Data as of Q4 2023 Returns / Standard Deviation	Index
US Growth 14.9% / 17.5%	Russell 1000 Growth Total Return
S&P 500 12.0% / 15.6%	S&P 500 Total Return
US Value 8.4% / 16.1%	Russell 1000 Value Total Return
60/40 Portfolio 8.1% / 10.0%	60% S&P 500 Total Return 40% Aggregate Bond TR
Real Estate 7.7% / 19.0%	Dow Jones US Real Estate Index Total Return
US Small Cap 7.2% / 21.4%	Russell 2000 Total Return
World ExUSA 4.8% / 16.3%	MSCI World Ex USA Total Return
Emerging Markets 3.0% / 18.1%	MSCI Emerging Markets Total Return
Muni Bonds 3.0% / 5.0%	Barclays Municipal Bond Total Return
Aggregate Bonds 1.8% / 4.8%	Barclays US Aggregate Total Return
US Treasuries 1.3% / 4.8%	Bloomberg US Treasury
Commodities -3.6% / 23.9%	S&P GSCI Total Return

Multiple points in credit markets attractive

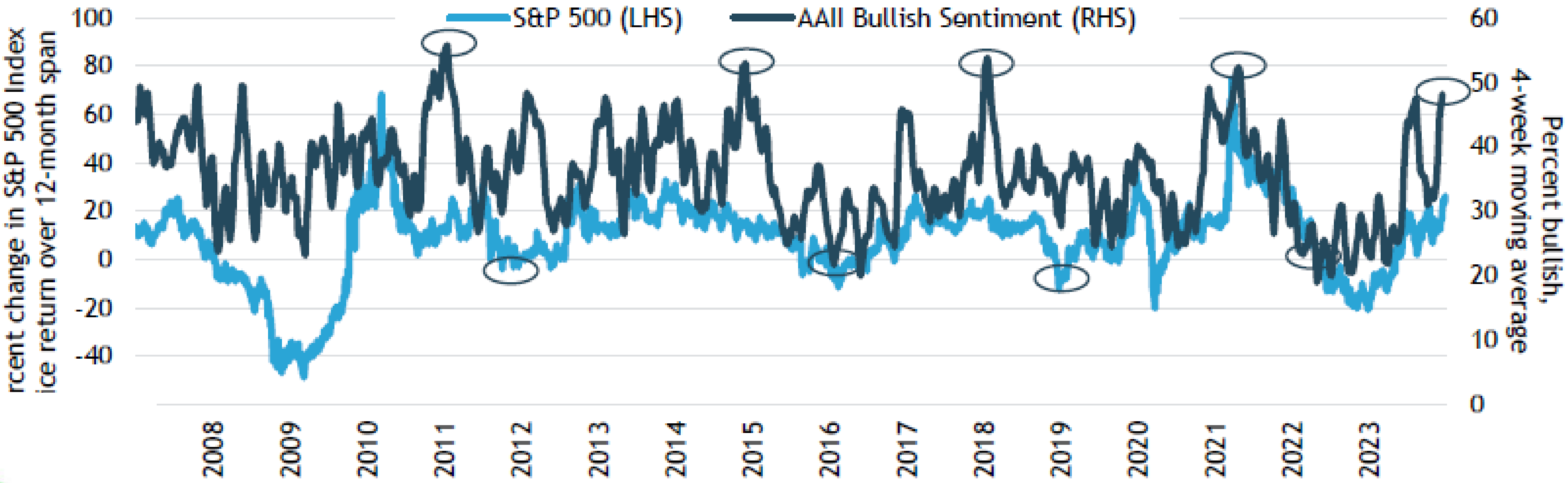
YIELD TO MATURITY, LAST 10 YEARS (12.31.23)



- Long term rates could surprise to upside
- Lower interest rate risk in favor of credit risk
  - High Yield
  - Emerging Markets Debt

Equity considerations: US

INVESTOR SENTIMENT VS. S&P 500 INDEX PERFORMANCE



Source: Bloomberg, American Association of Individual Investors

Switching model stress tests continued

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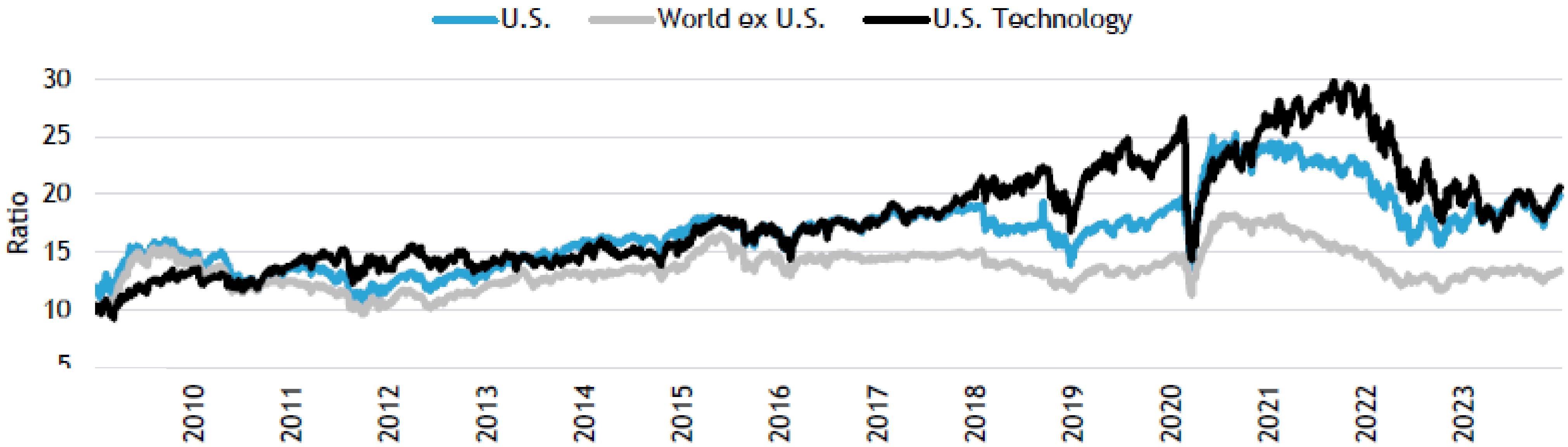
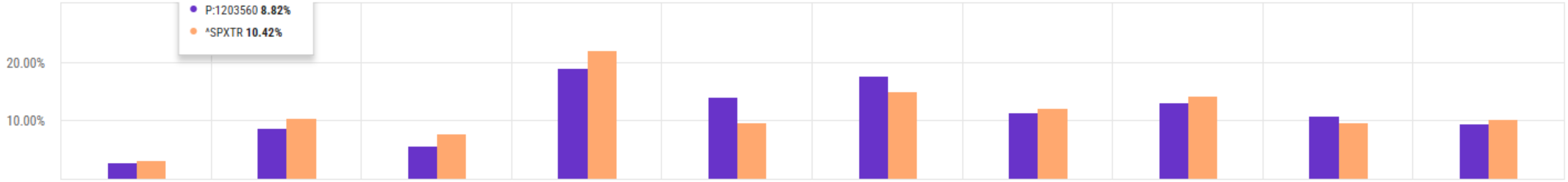
PRICE TO EARNINGS RATIOS ON FORWARD 12 MONTH EARNINGS ESTIMATES



Source: Bloomberg, MSCI

Switching model stress tests continued

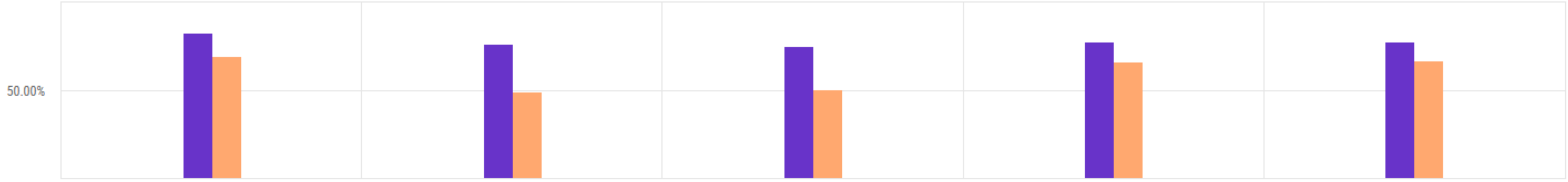
Periodic Total Returns Versus Peers



Name	1M	3M	6M	1Y	3Y	5Y	10Y	15Y	20Y	AT
Alphavest Switching Model CASH	2.81%	8.82%	5.77%	19.00%	13.98%	17.60%	11.45%	13.08%	10.74%	9.59%
S&P 500 Total Return	3.15%	10.42%	7.83%	22.08%	9.67%	14.94%	12.10%	14.27%	9.64%	10.19%

As of January 12, 2024. Returns for periods of 1 year and above are annualized.

Upside/Downside Capture Ratio



Name	1Y	3Y	5Y	10Y	15Y
Upside	82.62%	76.47%	75.03%	77.84%	77.85%
Downside	69.89%	49.06%	50.47%	66.34%	66.85%
Capture Ratio	1.182	1.559	1.487	1.173	1.165

As of December 31, 2023

Source: YCharts

Switching model stress tests continued

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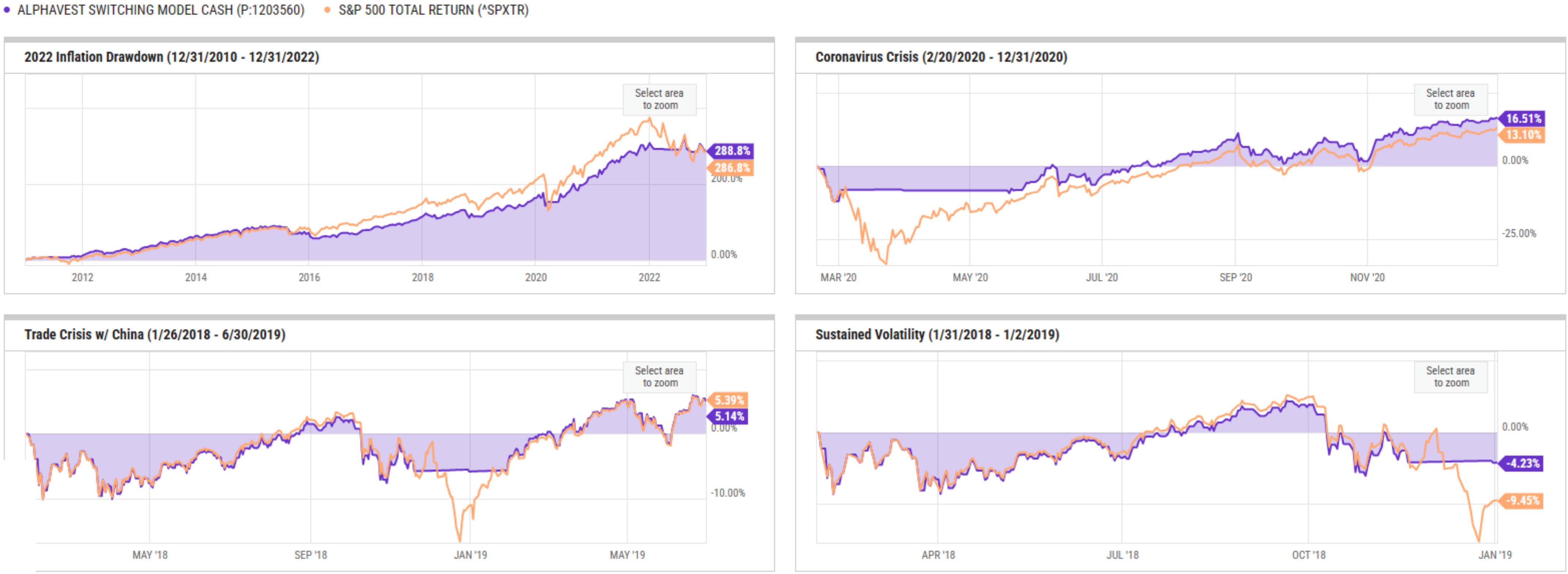

Source: YCharts

Switching model stress tests continued

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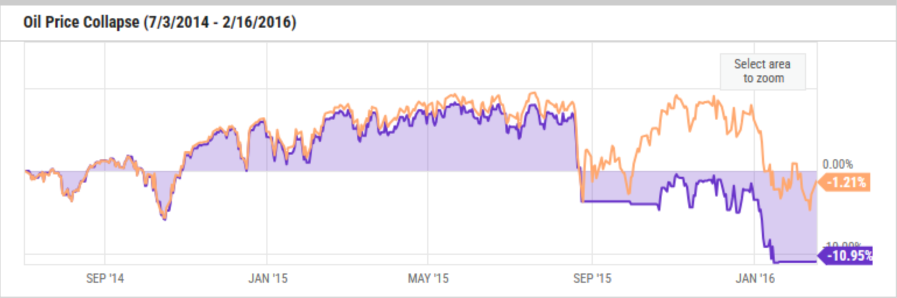

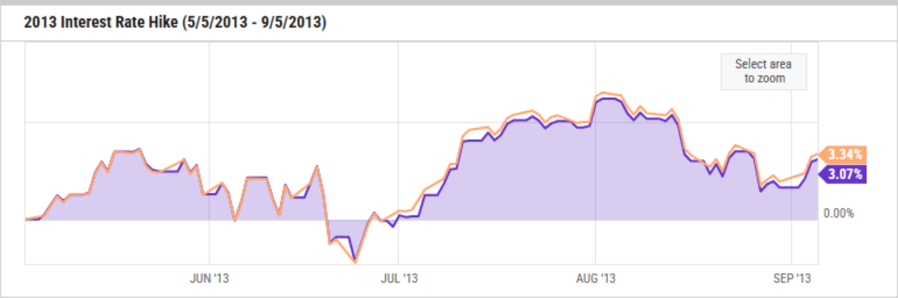

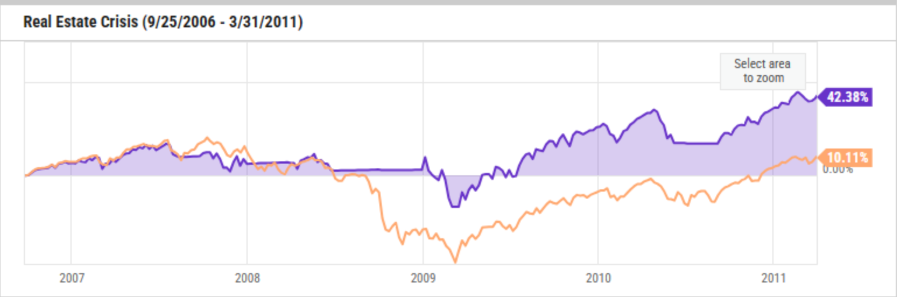

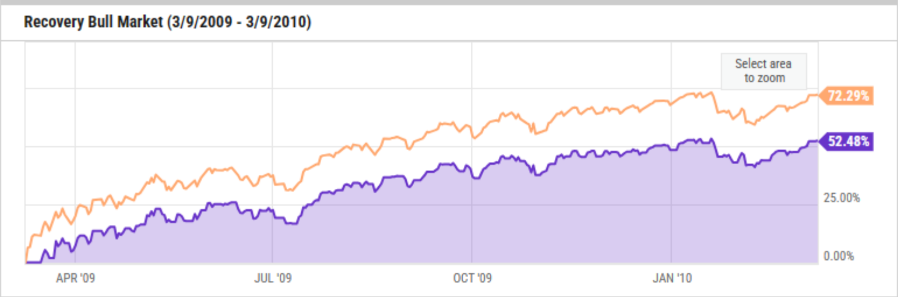

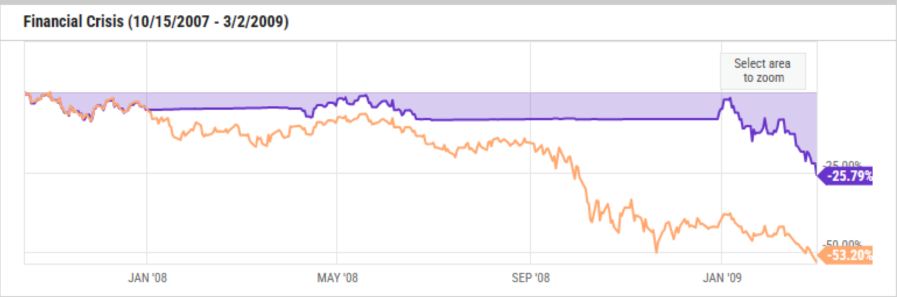

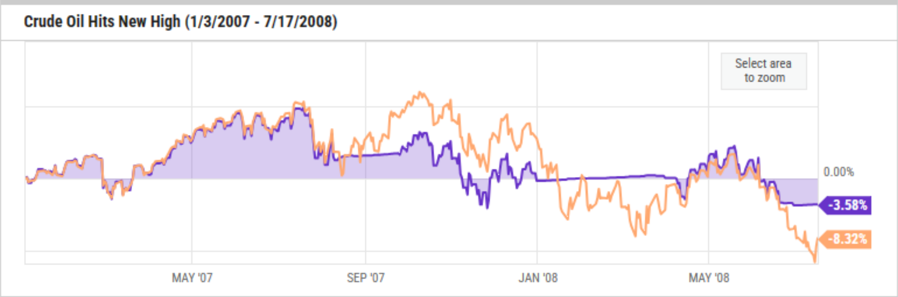

Source: YCharts