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GLOBAL INVESTMENTS

Robert C. Doll, CFA® CEO/CIO

2025 Investment Update

10 Predictions

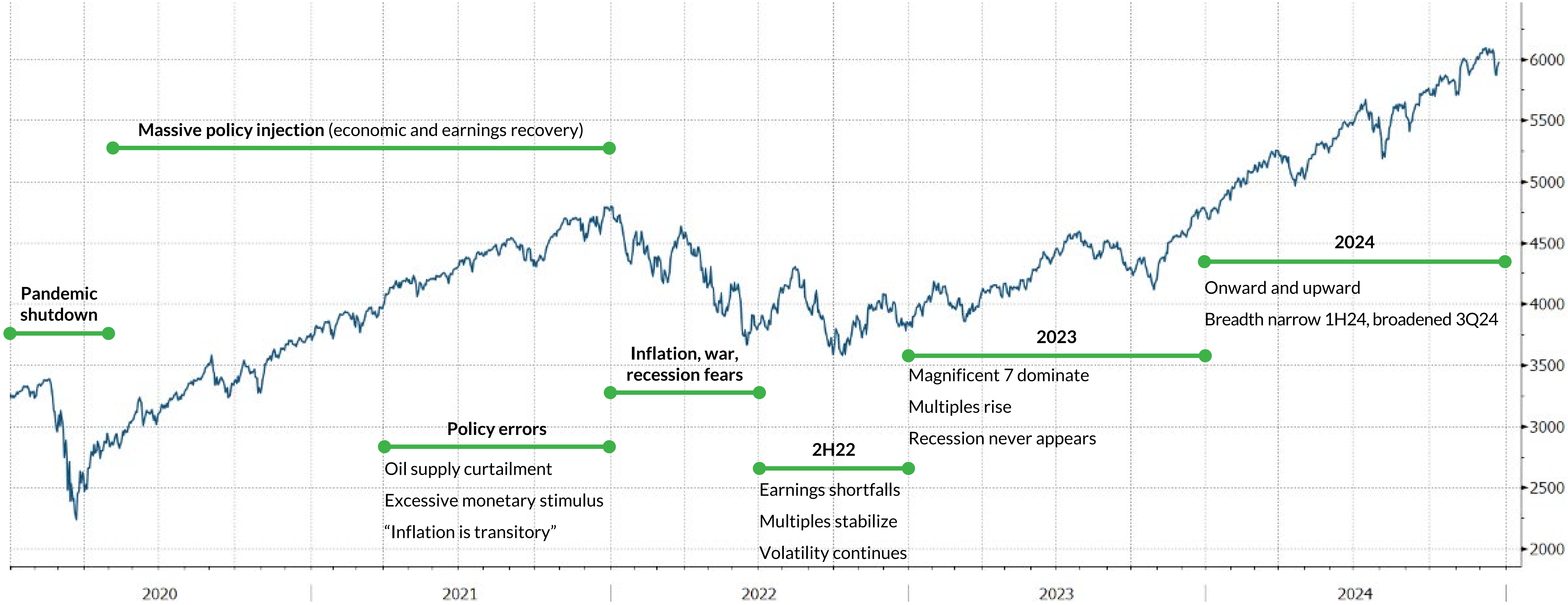
Bob is a financial services industry veteran with over 40 years of experience managing large cap equity strategies as well as long and long-short equity strategies. His weekly, quarterly, and annual investment commentaries focus on key themes and risks driving equity markets, monetary policy, and the global economy. Bob is a regular guest and contributor to multiple media outlets such as CNBC, Bloomberg TV, Moneywise, and Fox Business News.

2024 returns

Index	2024 (%)
90-Day Treasury Bills (Bloomberg U.S. Treasury Bill 1-3 Month TR)	5.3
10-Year U.S. Treasury (Bloomberg U.S. Treasury 10+ Yr TR)	-1.7
U.S. Bonds (Bloomberg U.S. Agg Bond TR)	1.3
High-Yield Corporate Bonds (Bloomberg U.S. Corp High Yield TR)	8.2
S&P 500 TR Index	25.0
S&P 500 Equally Weighted	13.0
MSCI World Ex. U.S. (MSCI World Ex USA NR)	4.7
MSCI Emerging Markets (MSCI EM NR)	7.5
Commodities (DJ Commodity TR)	5.4
Gold	27.2
Bitcoin	122.5

Source: Bloomberg as of Dec. 31, 2024

S&P 500 5-year history



Source: Bloomberg as of Dec. 23, 2024

Top 10 predictions for 2024

Theme: Goldilocks remains a fairytale

X	1	The U.S. economy experiences a mild recession as the unemployment rate rises above 4.5%.
✓	2	The 2-3% inflation ceiling of the 2010s becomes the 2-3% inflation floor of the 2020s.
✓	3	The Fed cuts rates fewer than the six times suggested by the Fed funds futures curve.
X	4	Credit spreads widen as interest rates decline.
✓	5	Earnings growth falls short of the double-digit percentage consensus expectation.
X	6	Stocks record a new all-time high early in the year, but then experience a fade.
✓	7	Energy, financials, and consumer staples outperform utilities, healthcare, and real estate.
✓	8	Faith-based share of industry AUM rises for eighth year in a row.
✓	9	Geopolitical crosscurrents multiply but have little impact on markets.
✓	10	The White House, Senate, and House all switch parties in November.

✓ 7 Correct
X 3 Incorrect

2025 premises

1. The U.S. to remain the global growth engine.
2. The business cycle, while advanced, continues to expand.
3. The Fed and other central banks are poised to lower rates further.
4. AI is driving a capex boom.
5. A more favorable regulatory backdrop should aid business growth.
6. More oil supply will likely lower energy prices.
7. Earnings growth should broaden.
8. Possible policy actions and executive orders create considerable uncertainties.
9. Equity valuation levels are very high.
10. Higher equity volatility and dispersion are likely.
11. A large renovation of federal government will be attempted.
12. Foreign policy will be "America first."

Sources: JPMorgan, Crossmark

The bar is high for a strong 2025 equity market

1. Growth expectations for 2025 are higher than they were going into 2023 and 2024.
2. Rate cuts from the Fed and the ECB are already priced in and we are getting closer to neutral policy rates.
3. Long-term inflation expectations are fixed around target.
4. The massive rally of the last two years means valuations are noticeably stretched.
5. Policy uncertainties are many and are high.

Source: Deutsche Bank

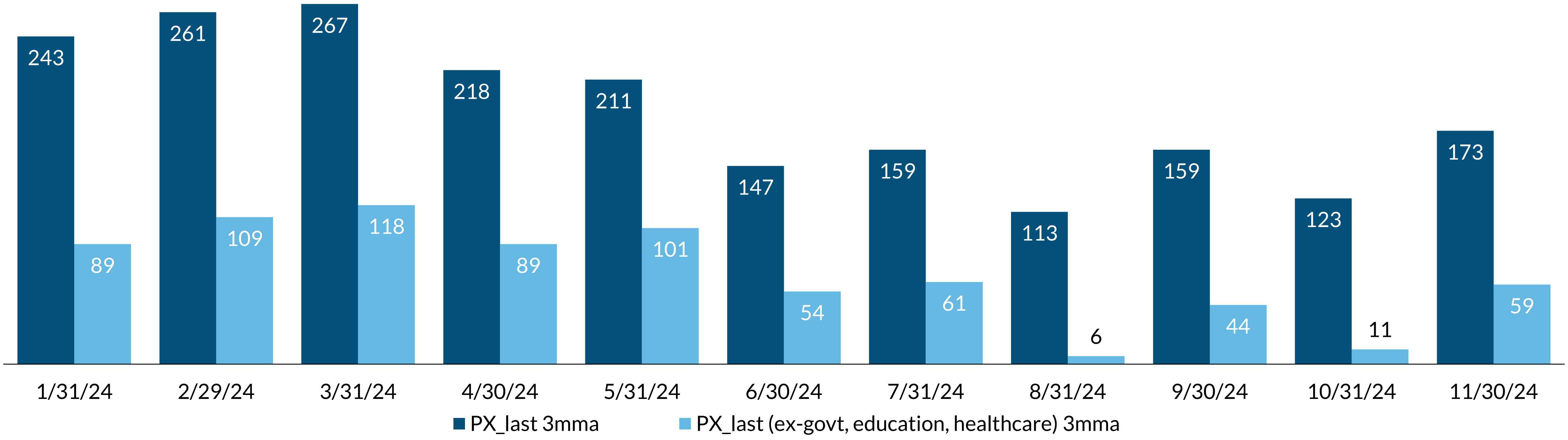
The essence of our cautious view

1. **Consumption is slowing.**
   - HD and LOW are waiting for big ticket DIY projects.
   - DG and DLTR observe cutting in discretionary spending.
   - TGT customers are "resourceful."
   - WMT witnessing more six-figure shoppers.
   - KR seeing Premium → Mainstream → Budget conscious.

Source: Crossmark

The essence of our cautious view

1. **Consumption is slowing.**
2. **Labor market is softening.**



Source: Bloomberg as of Nov. 30, 2024

The essence of our cautious view

1. **Consumption is slowing.**
2. **Labor market is softening.**
3. **Valuations and sentiment are flashing caution.**

	S&P 500 Index		Individual stock median	
Valuation metric	Current	Historical percentile (%)	Current	Historical percentile (%)
Forward P/E	22.3x	95	19.2x	94
EV/EBITDA	16.4x	96	15.7x	95
EV/sales	3.5x	99	4.6x	97
Free cash flow yield	3.2x	88	3.2x	83
Price/book	5.3x	100	5.0x	97
U.S. market cap/GDP	218%	99	—	—

Source: Strategas

Prediction 1: Economic growth slows as the unemployment rate rises past 4.5%

1. Economic growth good, but slowing
2. Labor markets slowly weakening
3. Consumer still spending but some worrying signs
4. Inventory levels acceptable
5. Productivity acceptable (AI helping)
6. Europe: weak, needs investment and productivity
7. China: weak, consumption needs stimulating

Prediction 1: Economic growth slows as the unemployment rate rises past 4.5%

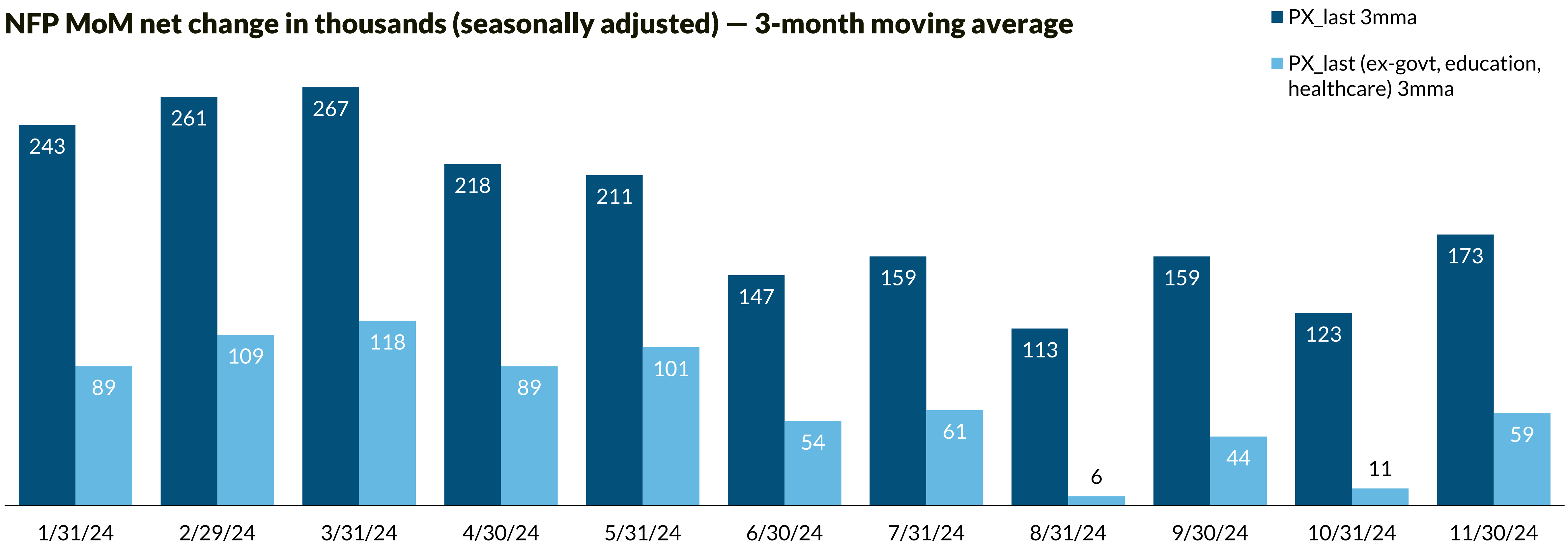
Consensus GDP estimates

Quarterly real GDP	%
1Q23	2.3
2Q23	2.8
3Q23	3.2
4Q23	3.2
1Q24	2.9
2Q24	3.0
3Q24	2.7
4Q24E	2.4
1Q25E	2.5
2Q25E	2.2
3Q25E	2.0
4Q25E	1.9

Full year GDP	%
2023	2.9
2024E	2.7
2025E	2.1

Source: Bloomberg as of Dec. 23, 2024

Prediction 1: Economic growth slows as the unemployment rate rises past 4.5%



Source: Bloomberg as of Nov. 30, 2024

Prediction 1: Economic growth slows as the unemployment rate rises past 4.5%

U.S. unemployment rate total in labor force (seasonally adjusted)

Source: Bloomberg as of Nov. 30, 2024

Prediction 2: Inflation remains sticky, fails to reach the Fed's 2% target, and causes Fed funds rate to fall less than expected again

Typical inflation data point	**CPI (%)**
November headline inflation	+0.3
Trailing 12-month headline inflation	+2.7
November core inflation	+0.3
Trailing 12-month core inflation	+3.3

In round numbers, inflation is 3% (not 2%)

Inflation risks

1. Tariffs
2. Deportation
3. Trump policies inflationary (tax cuts, deregulation)
4. Core services ex-housing stubborn (“super core”)
5. Wage settlements

Prediction 2: Inflation remains sticky, fails to reach the Fed's 2% target, and causes Fed funds rate to fall less than expected again

Inflation history/consensus forecast

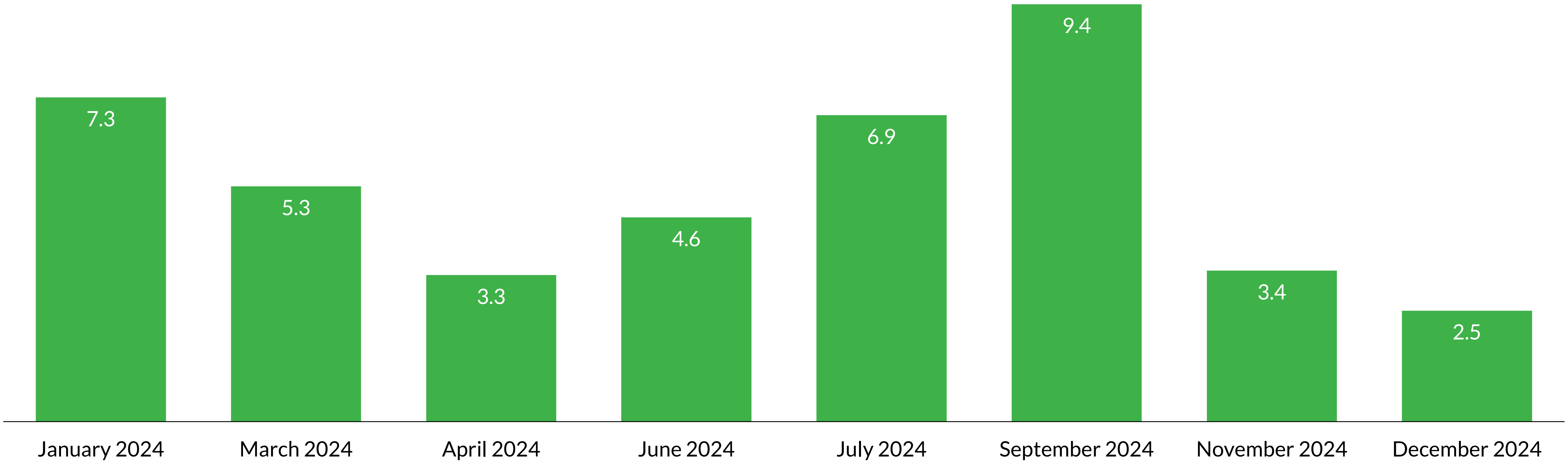
Year	CPI (%)
2017	2.1
2018	2.5
2019	1.8
2020	1.2
2021	4.7
2022	8.0
2023	4.1
2024E	2.9
2025E	2.5
2026E	2.5

Quarter	CPI (%)
4Q23	3.4
1Q24	3.5
2Q24	3.0
3Q24	2.4
4Q24E	2.6
1Q25E	2.4
2Q25E	2.4
3Q25E	2.6
4Q25E	2.5
1Q26E	2.5

Source: Bloomberg as of Dec. 23, 2024

Prediction 2: Inflation remains sticky, fails to reach the Fed's 2% target, and causes Fed funds rate to fall less than expected again

Implied cuts by YE2025

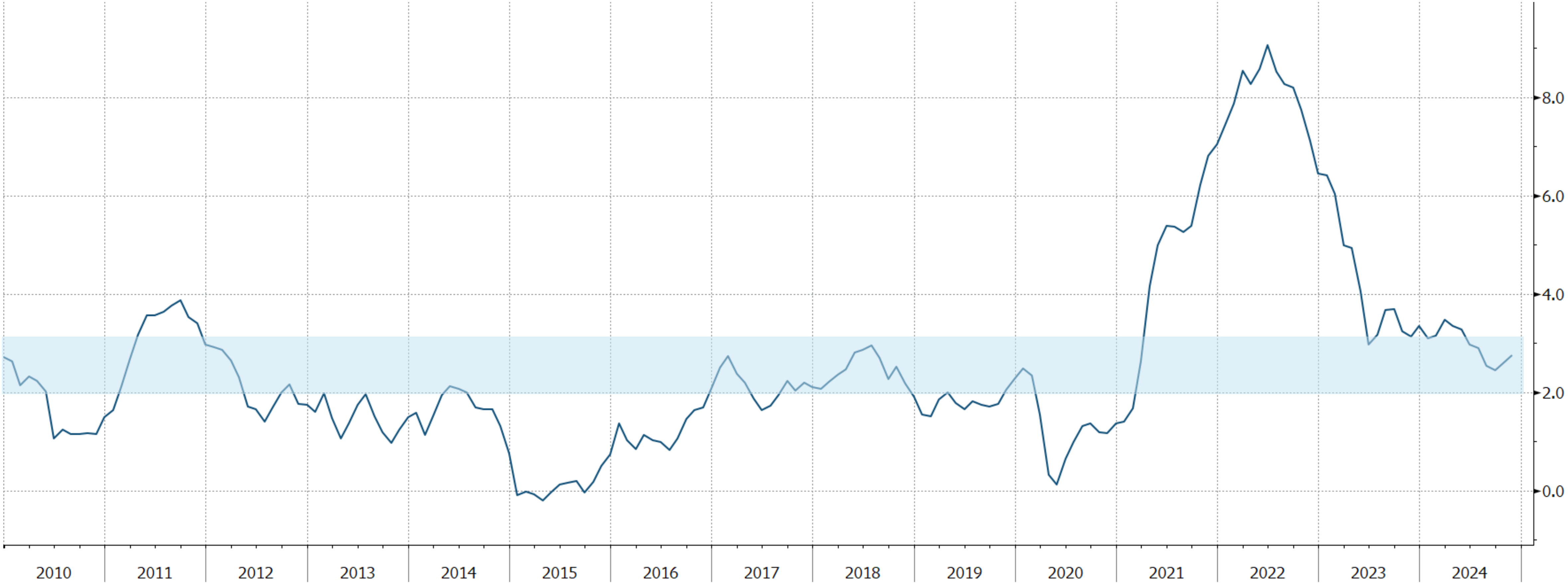


Source: Bloomberg as of Dec. 23, 2024

Prediction 2: Inflation remains sticky, fails to reach the Fed's 2% target, and causes Fed funds rate to fall less than expected again

The 2-3% inflation ceiling of the 2010s becomes the 2-3% inflation floor of the 2020s

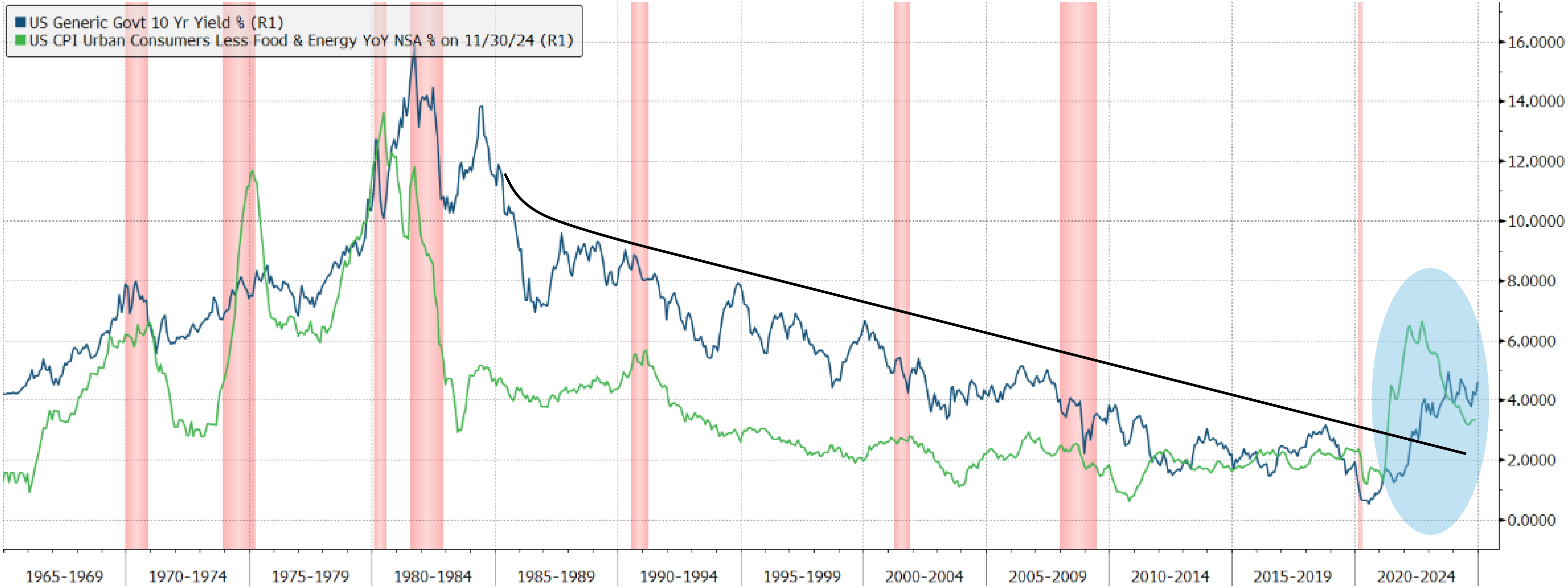
U.S. CPI inflation year over year (%)



Source: Bloomberg as of Dec. 23, 2024

Prediction 3: Treasury 10-year yields trade primarily between 4% and 5% as credit spreads widen

The secular decline in interest rates is over: U.S. core CPI YoY vs. 10-year US Treasury yield



Source: Bloomberg as of Dec. 23, 2024

Prediction 3: Treasury 10-year yields trade primarily between 4% and 5% as credit spreads widen

What could move rates higher?

1. Sticky inflation
2. Tariff inflation
3. Stronger economy (Citi Surprise Index moved higher)
4. Determining that r* is higher than expected
5. Stronger productivity

What could move rates lower?

1. 2% inflation is in sight

3. Tariff concerns moderate

3. Labor market weakens

4. Quantitative tightening ends

5. Deficit improvement

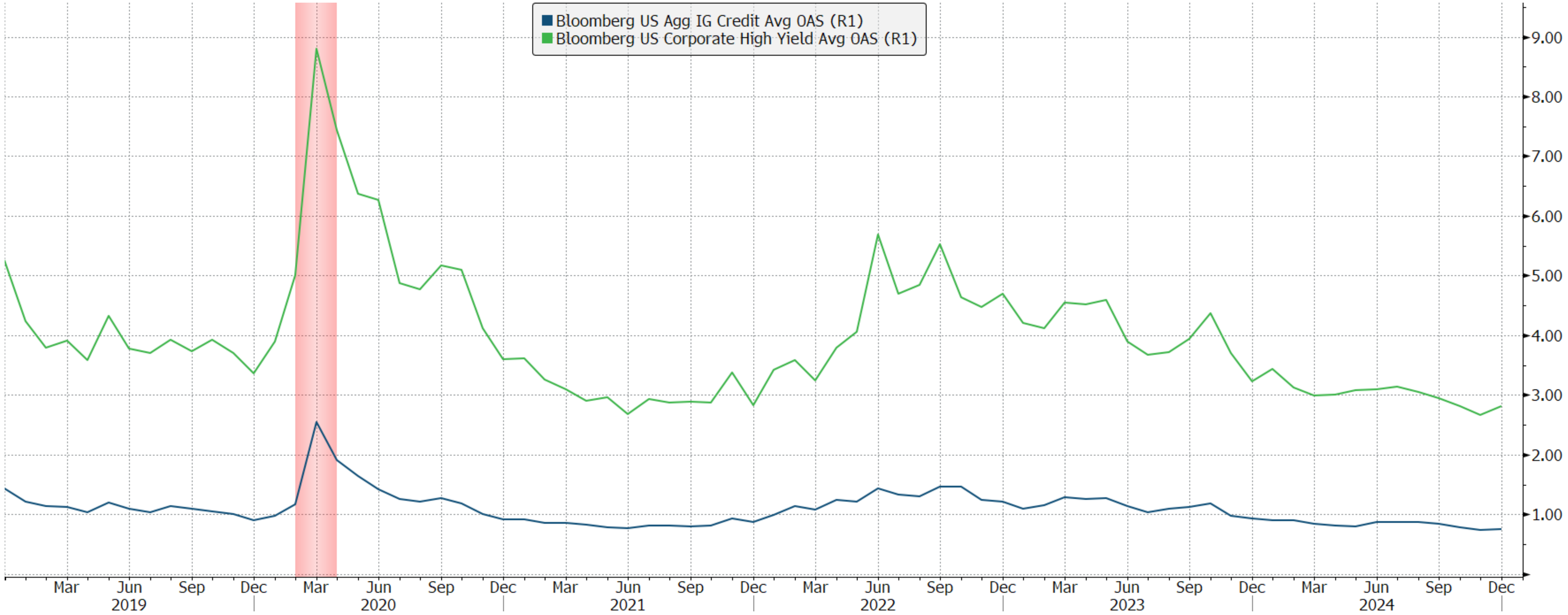
Prediction 3: Treasury 10-year yields trade primarily between 4% and 5% as credit spreads widen

Fixed income strategy

1. Roughly neutral in duration
2. Become more aggressive at 4.75–5%; become more cautious at 4–4.25%
3. Keep quality high
4. Lock in some income at these “high” rates (expect yields to fall at some point)
5. Munis relatively attractive where tax considerations merit

Prediction 3: Treasury 10-year yields trade primarily between 4% and 5% as credit spreads widen

Credit spreads to widen from record tight!



Source: Bloomberg as of Dec. 23, 2024

Prediction 4: Earnings fail to achieve consensus a) 14% growth and b) every sector has up earnings

S&P 500 earnings	Consensus		Our guess[1]	
2023	$217		$217	
2024	$240	+10.6%	$240	+10.6%
2025	$275	+14.6%	$265	+10.4%
2026	$310	+12.7%	$290	+9.4%
3-year compound growth rate		+12.6%		+10.2%

1 Assumption: Corporate tax rate gets cut from 21% to 15% for domestic manufacturing. (Impact ≈$5 per share.)

Prediction 4: Earnings fail to achieve consensus a) 14% growth and b) every sector has up earnings

Positives

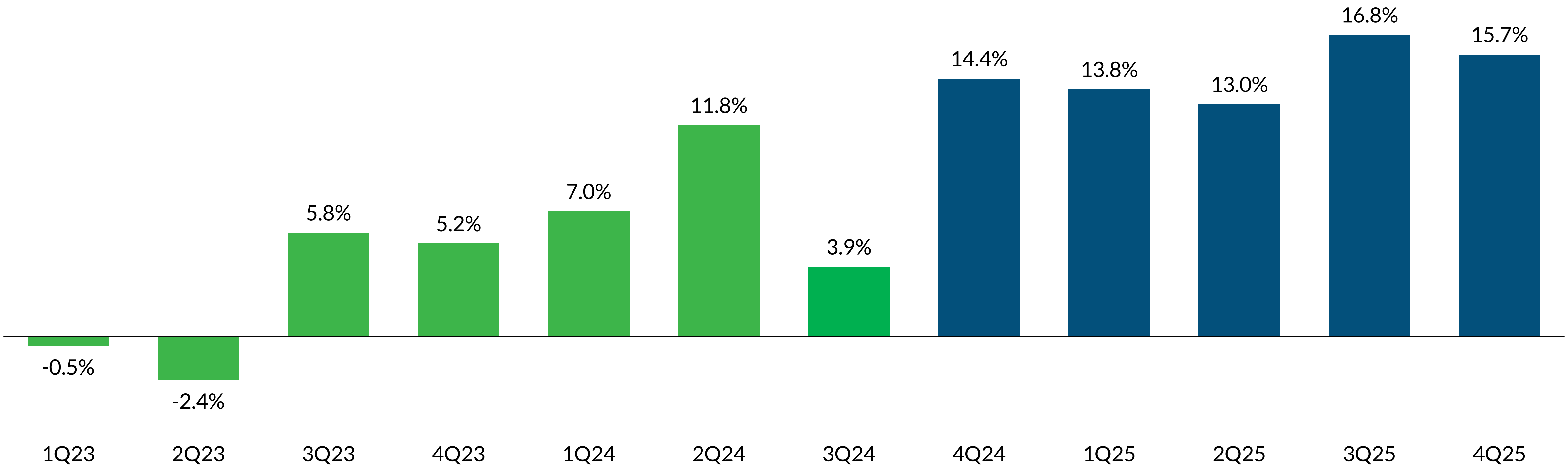
1. Good macro backdrop
2. Good labor market
3. Fed easing
4. AI
5. Corporate margin growth
6. Lower tax rates
7. Deregulation

Negatives

1. Slowing macro backdrop
2. Slowing labor market
3. Sticky inflation
4. Wage rate settlements
5. Margin reaching limits?
6. Tariffs
7. Deportation

Prediction 4: Earnings fail to achieve consensus a) 14% growth and b) every sector has up earnings

Earnings growth falls short of the 14% consensus expectation

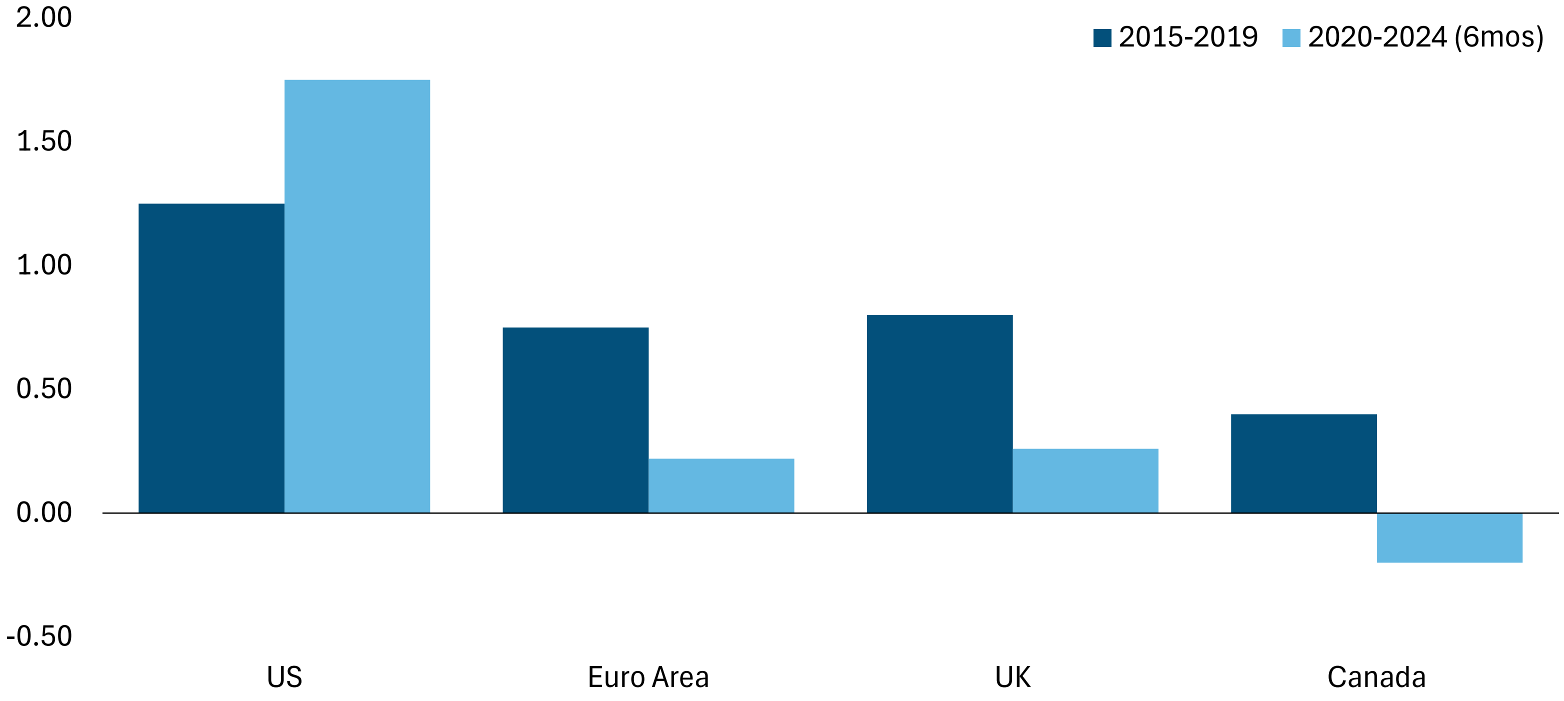


Source: FactSet as of Dec. 27, 2024

Prediction 4: Earnings fail to achieve consensus a) 14% growth and b) every sector has up earnings

Productivity gains can keep economy growth strong for longer

Productivity growth has outperformed in the U.S., underperformed elsewhere



Productivity forces

- Labor reallocation (esp. since pandemic)
- Work from home
- Capital spending on technology (esp. AI)

Sources: Haver Analytics, Goldman Sachs Global Investment Research as of Dec. 27, 2024

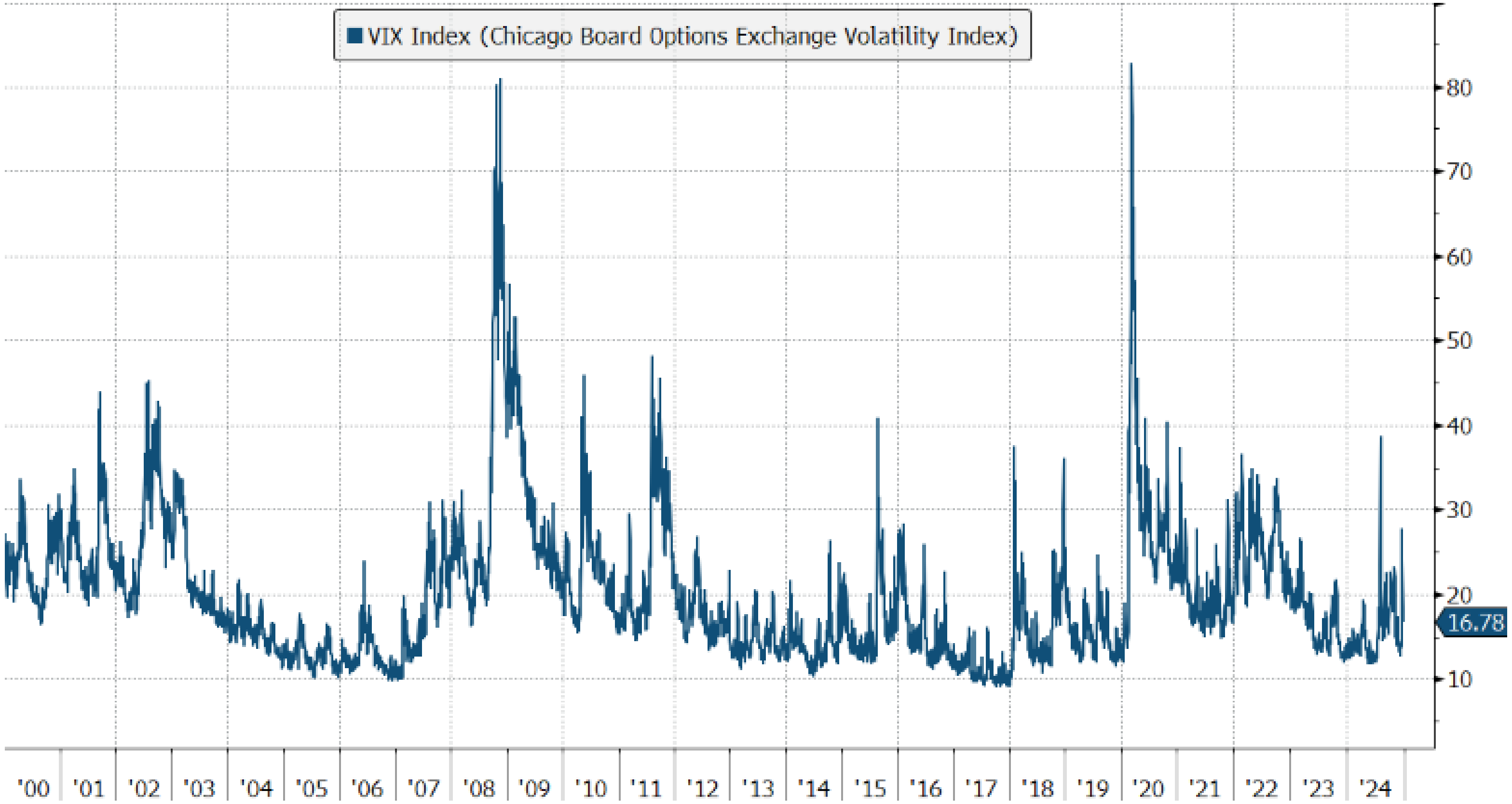
Prediction 4: Earnings fail to achieve consensus a) 14% growth and b) every sector has up earnings

Consensus sectoral estimates	**2024 (%)**	**2025 (%)**
Communication services	+22	+13%
Consumer discretionary	+14	+10
Consumer staples	+3	+4
Energy	-19	+2
Financials	+7	+6
Healthcare	+3	+18
Industrials	+1	+15
Information technology	+20	+21
Materials	-9	+22
Real estate	+6	+5
Utilities	+13	+10
Average	**+8%**	**+13%**

Source: Bank of America Merrill Lynch

Prediction 5: Equity volatility rises (VIX average approaches 20 for only the third year in 14)

VIX since 2000 (and average VIX each year since 2000)



Average VIX	
2020	29.3
2021	19.7
2022	25.6
2023	16.8
2024	15.5
2025E	>20.0

Source: Bloomberg as of Dec. 23, 2024

Prediction 5: Equity volatility rises (VIX average approaches 20 for only the third year in 14)

Why increased volatility?

1. Trade/tariff uncertainties
2. Is it tax cuts or tariffs?
3. Is it cutting expenses or mass deportation?
4. Fed uncertainty—slowing labor markets, sticky inflation
5. High valuation levels
6. Geopolitical hot spots
7. Multiplicity of new policies

Prediction 6: Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract)

Stock market balance sheet

Upside

1. Better than expected economic and earnings growth
2. Inflation goes to 2%
3. Euphoria takes P/Es higher
4. Cash on sidelines
5. AI

Downside

1. Economic slowdown/recession
2. Inflation stickiness
3. Valuation risk
4. Tariff shock
5. Geopolitical turmoil

Observations

1. Because of all the soft landing and Fed cut optimism, the S&P 500 is up >50% in the last two years—it has likely overshot.
2. The obstacles to a strongly positive view of equites are:
   - Valuations—top decile vs. history
   - Earnings expectations—double-digit earnings growth three years in a row.
3. The key driver of forward P/E is investor perception of how much and how long earnings can grow before the next recession depresses earnings and the valuation multiple.

S&P 500 returns

Post two +20+% years Year 3	Average	Median
All periods (10)	+8.2%	+5.9%
All except tech bubble (6)	+1.3%	+6.4%

Prediction 6: Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract)

S&P 500 market capitalization as % of nominal GDP

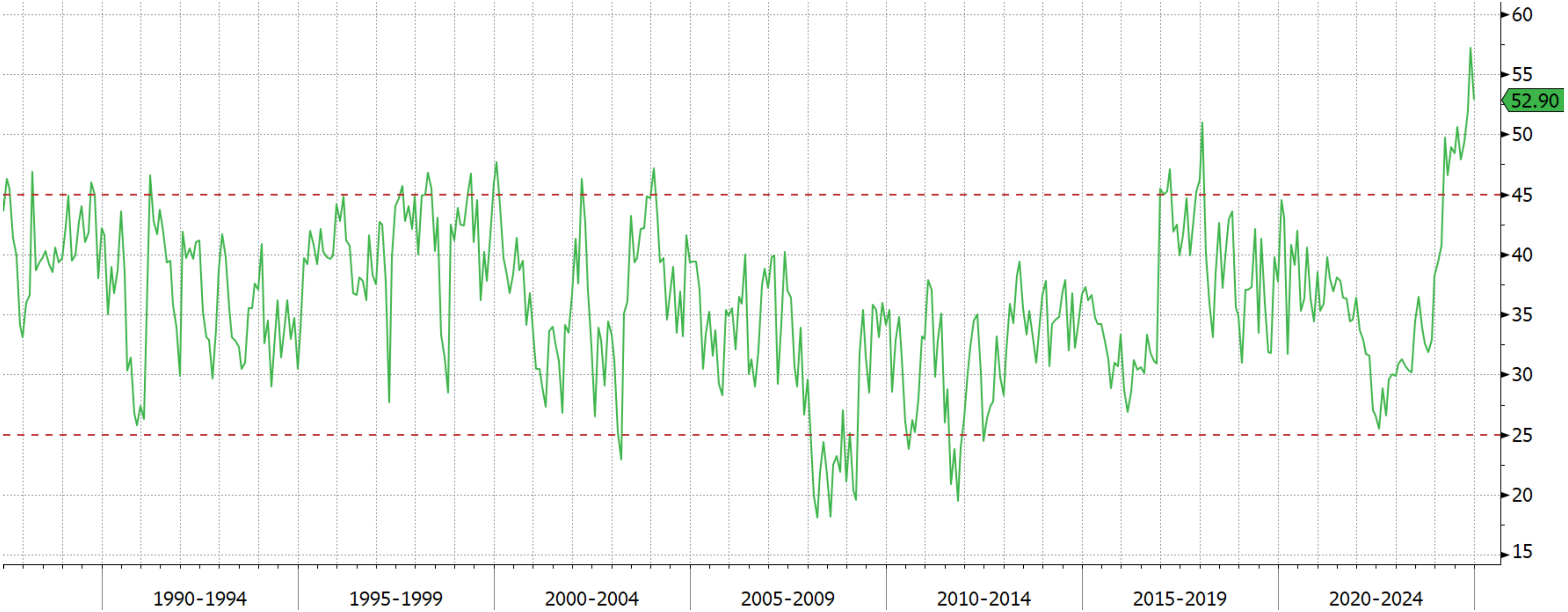
S&P 500 market capitalization as % of world GDP

S&P 500 looks expensive when compared to domestic GDP, more appropriately, global GDP

Source: Strategas

Prediction 6: Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract)

Conference Board—Consumer expectations of stock price increases



Source: Bloomberg as of Dec. 23, 2024

Prediction 6: Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract)

2025 risk: The bar of expectations is being raised

Year-end 2025 Wall Street strategist targets

Firm	Px target
Wells Fargo	7,007
Yardeni Research	7,000
Deutsche	7,000
BMO Capital Markets	6,700
Nataxis	6,700
HSBC	6,700
BofA Securities	6,666
Barclays	6,600
RBC	6,600
CFRA	6,585
Goldman Sachs	6,500
Morgan Stanley	6,500
BNP	6,300
Average	**6,681**
S&P on 12/27/24	**5,970**
% difference	**11.9%**

Year-end 2024 Wall Street strategist targets

Firm	Px target
Fundstrat	5,200
Oppenheimer	5,200
RBC Capital Markets	5,150
UBS	5,150
BMO	5,100
Citigroup	5,100
Deutsche Bank	5,100
Goldman Sachs	5,100
22V Research	5,060
Bank of America	5,000
Ned Davis Research	4,900
Barclays	4,800
Evercore IST	4,750
Soc Gen	4,750
Stifel	4,650
Wells Fargo	4,625
Scotiabank	4,600
Morgan Stanley	4,500
Cantor Fitzgerald	4,400
JP Morgan	4,200
Average	**4,867**
S&P on 12/31/23	**4,770**
% difference	**2.0%**

Source: Strategas

Prediction 6: Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract)

	S&P 500 Index		Individual stock median	
Valuation metric	Current	Historical percentile (%)	Current	Historical percentile (%)
Forward P/E	22.3x	95	19.2x	94
EV/EBITDA	16.4x	96	15.7x	95
EV/sales	3.5x	99	4.6x	97
Free cash flow yield	3.2x	88	3.2x	83
Price/book	5.3x	100	5.0x	97
U.S. market cap/GDP	218%	99	—	—

Source: Wolfe Research

Prediction 6: Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract)

S&P 500 year-end 2025 targets

S&P 500 (12/27/24)			5,970	
	Consensus EPS	**Current P/E**		
	2024E ($243)	24.8		
	2025E ($275)	21.9		
	2026E ($310)	19.5		
				Probabilities
Best case	24.8	X $265 =	6,570	20%
Base case	21.9	X $290 =	6,350	50%
Bear case	19.5	X $265 =	5,170	30%
Base case	Weighted average		6,040	
Bull case	If consensus earnings are used		6,450	
Bear case	If P/E falls 2.5 points)		5,600	

Sources: FactSet, Crossmark

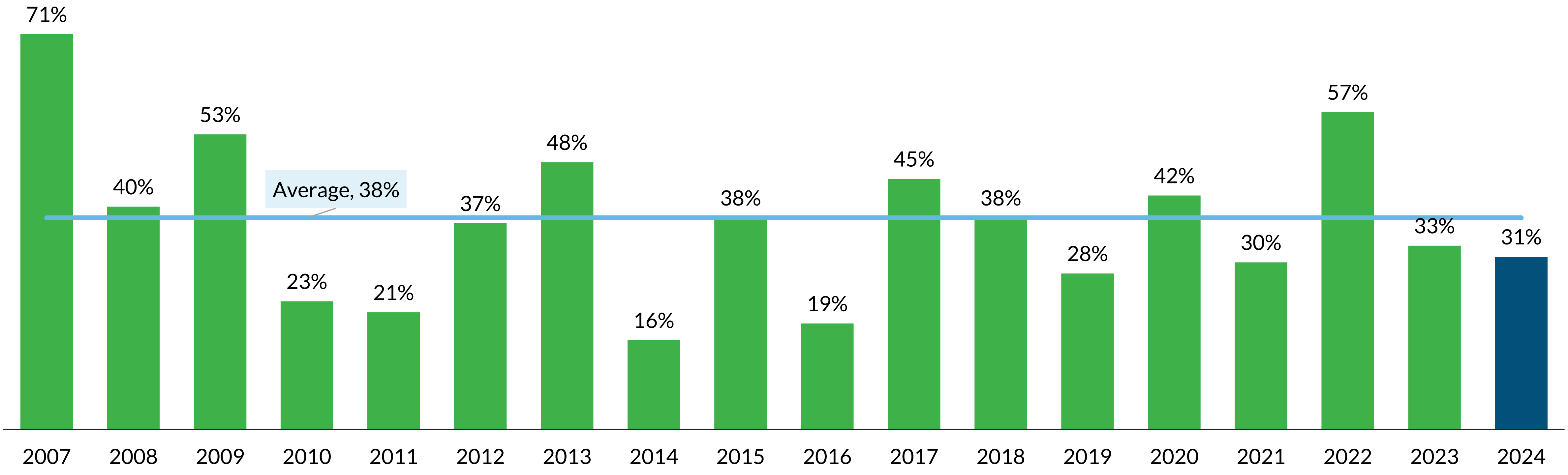
Prediction 6: Stocks experience a 10% correction as stocks fail to keep up with earnings (i.e., P/Es contract)

	S&P 500 average forward returns (%)			
Starting P/E	1-year	3-year	5-year	10-year
<10x	13.4	11.2	12.3	11.5
10-12	14.9	13.0	10.4	10.5
12-14	10.5	9.1	8.5	9.6
14-16	12.4	10.9	9.8	9.3
16-18	6.4	6.3	5.4	5.7
18-20	7.7	6.0	5.9	4.4
>20	5.2	4.8	5.5	3.0

Source: Strategas

Prediction 7: Equal-weighted portfolios beat cap-weighted portfolios (average manager beats index), and value beats growth

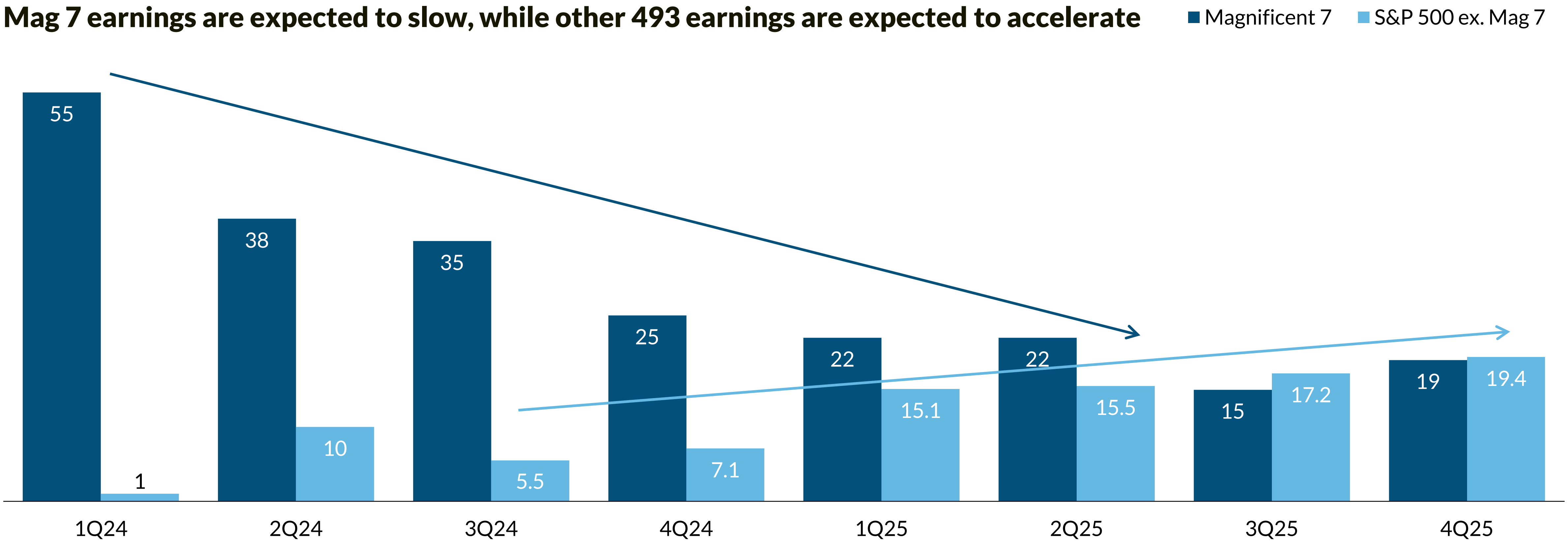
Percent of large cap mutual funds outperforming their benchmarks % (annual)



Sources: Goldman Sachs Global Investment Research, Large cap U.S. manager as of Aug. 31, 2024

Prediction 7: Equal-weighted portfolios beat cap-weighted portfolios (average manager beats index), and value beats growth

Mag 7 earnings are expected to slow, while other 493 earnings are expected to accelerate



Sources: BofA US Equity & Quant Strategy, FactSet

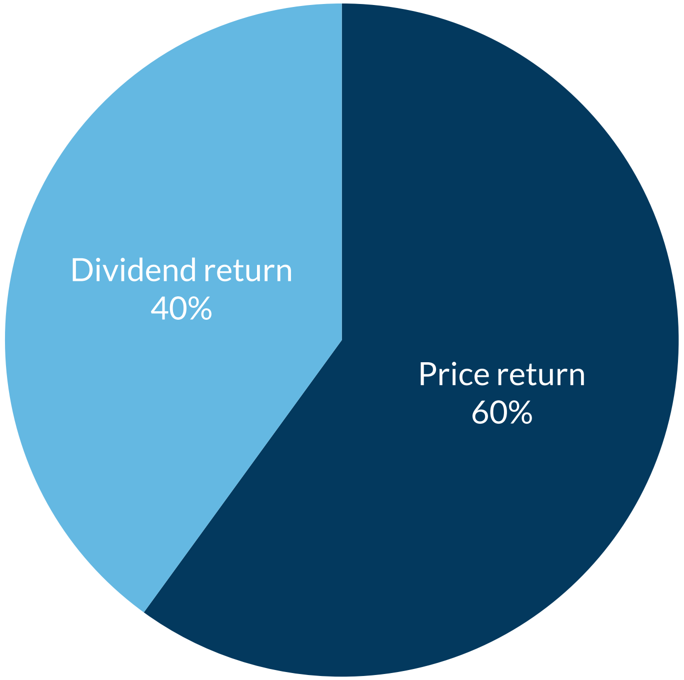
Prediction 7: Equal-weighted portfolios beat cap-weighted portfolios (average manager beats index), and value beats growth

Equity preferences

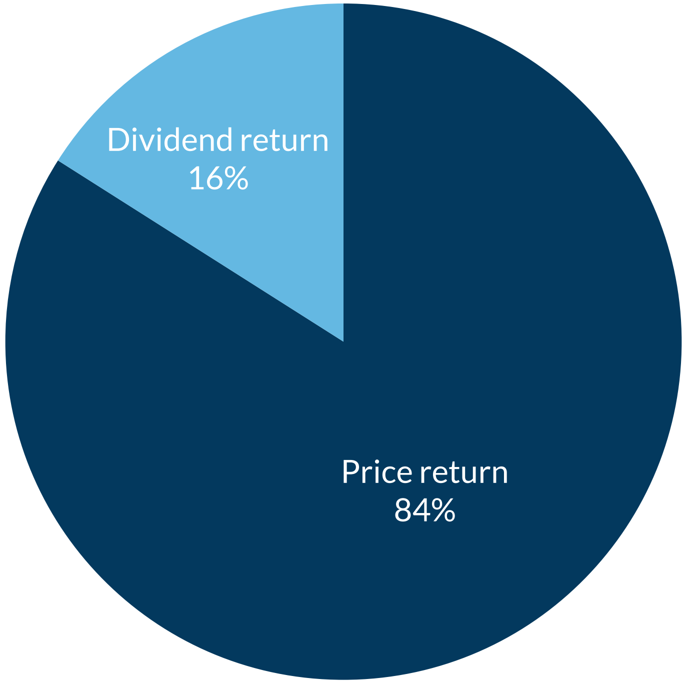
1. Earnings predictability, earnings persistence, free cash flow
2. Equal-weighted > cap-weighted
3. Neutral on big vs. small
4. Quality cyclicals
5. Financials (biggest deregulation beneficiaries)
6. Reshoring industrials (e.g., TT, CARR, MMM)
7. M&A

Prediction 7: Equal-weighted portfolios beat cap-weighted portfolios (average manager beats index), and value beats growth

1936–2012



2013–2023



Dividends should contribute more to total returns than 2013–2023.
Dividend payout ratio currently 30% vs. 50% long term

Sources: Bloomberg, BofA U.S. Equity & Quant Strategy

Prediction 8: Financials, energy, and consumer staples outperform healthcare, technology, and industrials

Overweights	Underweights
Financials • Winner of deregulation • Upward topline and bottom revisions • Relatively good balance sheets **Risk: Overbought**	**Healthcare** • Policy risk • Patient expirations/pipeline weak • Overvalued (despite underperformance) **Risk: Lagged miserably; are they due?**
Energy • Decent yields and cash flow • Non-OPEC production slowing • Contrarian bet; underowned **Risk: Low oil prices**	**Technology** • Expensive • Peak globalization (sector very multinational) • Regulatory overhang **Risk: Good sector growth story**
Consumer staples • Stable/defensive • Cheap, generally good cash flow • Neglected, underowned **Risk: Little pricing power, consumers trade down**	**Industrials** • PMIs weak • Trade/tariff risks • Highly owned/mixed valuation **Risk: Manufacturing recovering**

Prediction 8: Financials, energy, and consumer staples outperform healthcare, technology, and industrials

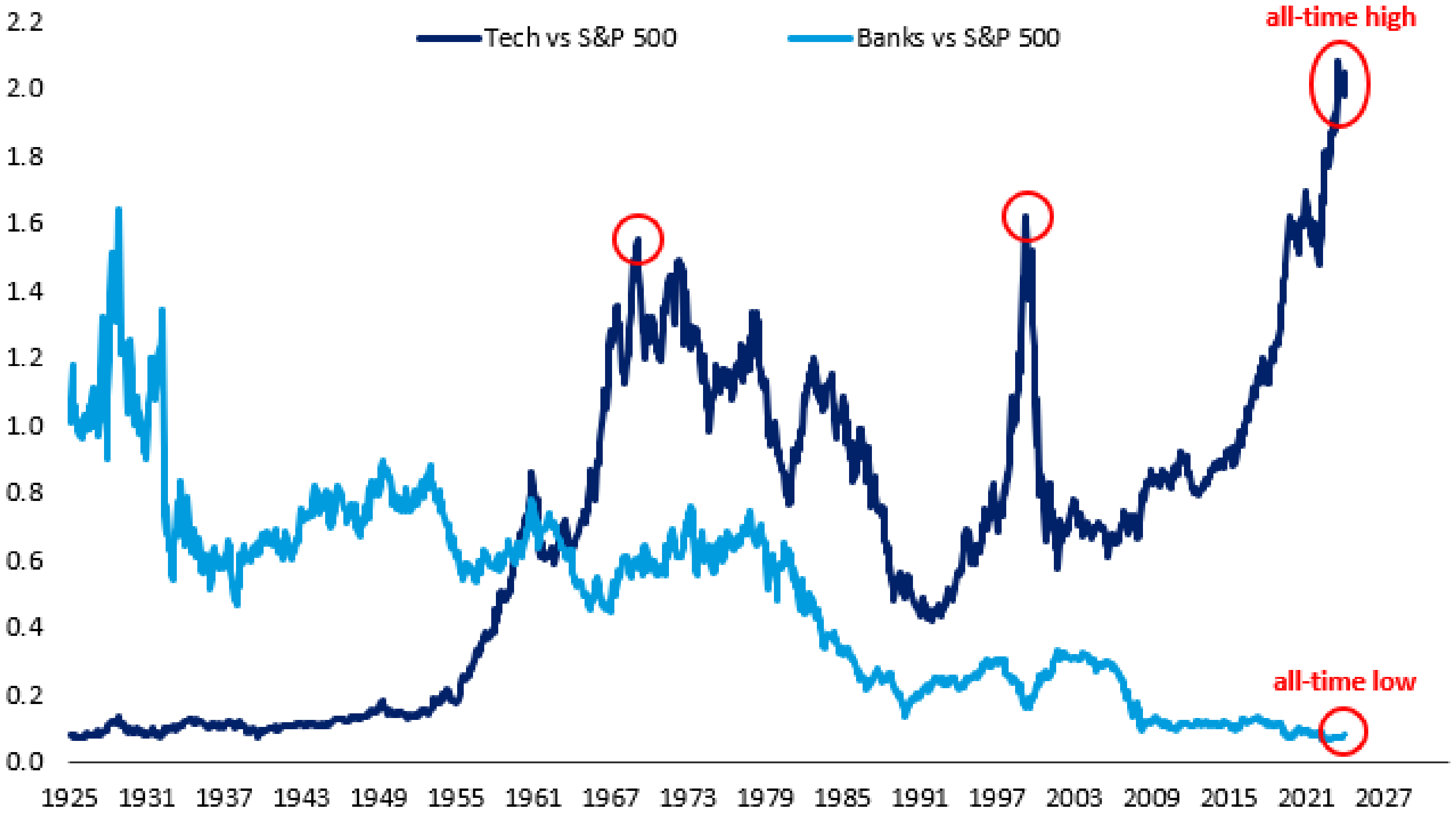
Sector earnings vs. capitalization comparison

	Earnings weight	Sector weight	Difference
Financials	20%	13%	+7%
Energy	6%	3%	+3%
Consumer staples	7%	6%	+1%
	33%	**22%**	**+11%**
Healthcare	10%	10%	0%
Technology	7%	12%	-5%
Industrials	9%	8%	+1%
	26%	**30%**	**-4%**

Source: Strategas as of Dec. 10, 2024

Prediction 8: Financials, energy, and consumer staples outperform healthcare, technology, and industrials

Technology and banks: Will they reverse?



Sources: BofA Global Investment Strategy, Global Financial Data Finaeon, Bloomberg

Prediction 9: Congress passes Trump tax cut extension, reduces regulation, but tariffs and deportation are less than expected

2024 election: Narrow win, not landslide

	Popular vote	Vote %	Electoral college total
Trump	77,193,105	**49.9%**	312
Harris	74,898,009	**48.4%**	226

Senate	Old	New
Republican	49	**53**
Democrat	51	**47**

House	Old	New
Republican	221	**220**
Democrat	214	**215**

Election year[1]	President	Popular vote margin (%)	Electoral college votes	Senate seats	House seats	Major 2nd term successes	Political liabilities
1996	Clinton	8.5	379	47	204	None	Lewinski scandal
2004	Bush	2.4	286	55	232	None	Iraq Hurricane Katrina
2012	Obama	3.9	332	53	193	None	None
2024	Trump	1.6	312	53	220		

Sources: Piper Sandler, AP

Prediction 9: Congress passes Trump tax cut extension, reduces regulation, but tariffs and deportation are less than expected

Trump policy timeline

Components

- Tax cuts
- Deregulation
- Tariffs
- Immigration

Positives

- Rising business confidence
- Rising consumer confidence
- Productivity improvement
- Small business improvement

Risks

- Protectionism
- Deficits
- Higher interest rates
- Weakening employment

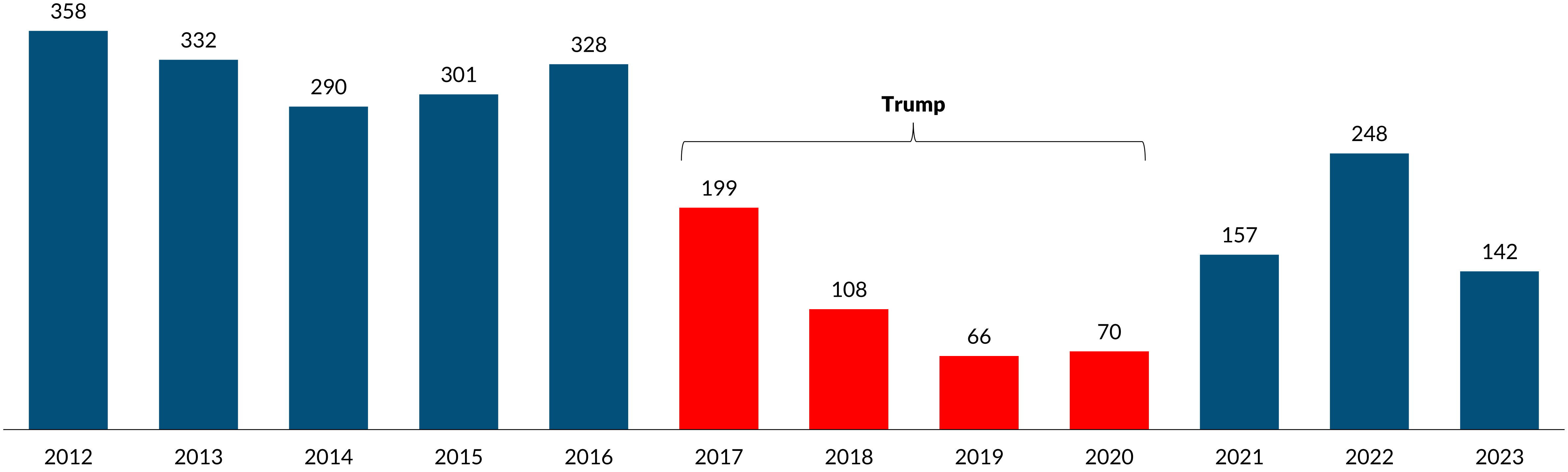
Election aftermath:	Euphoria
Implementation (1H25):	Reality/uncertainty
Results (2H25):	Outcome/adjustments

Source: Wolfe Research

Prediction 9: Congress passes Trump tax cut extension, reduces regulation, but tariffs and deportation are less than expected

Trump agenda: Deregulation

Federal regulation: ‘Significant rules’ published



Source: Wolfe Research

Prediction 9: Congress passes Trump tax cut extension, reduces regulation, but tariffs and deportation are less than expected

Trump upside risks

- Extend tax cuts + additional
- Deregulation
- Rising productivity
- Small-business upside

vs.

Trump downside risks

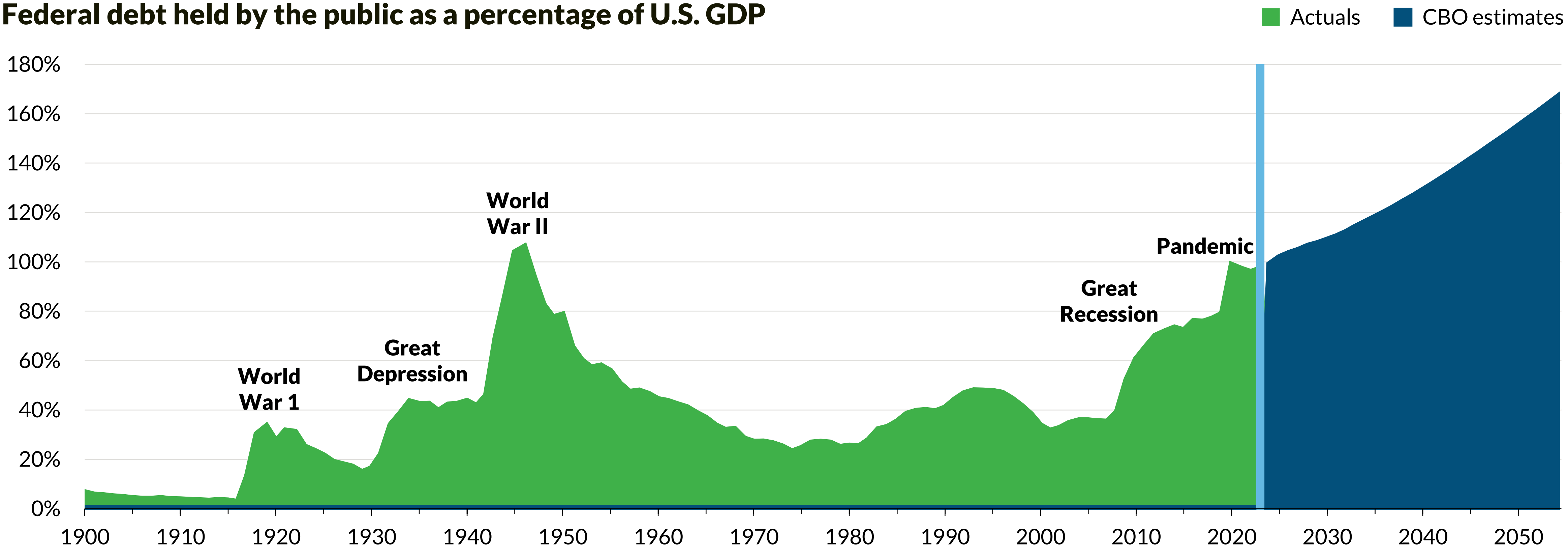
- Protectionist trade policies
- Anti-immigration policies
- Higher deficits
- A spike in interest rates

Trump agenda: Positives outweigh the negatives

Source: Wolfe Research

Prediction 10: DOGE efforts make progress but fall woefully short of $2T per year of savings

Federal debt held by the public as a percentage of U.S. GDP



Source: Congressional Budget Office (CBO)

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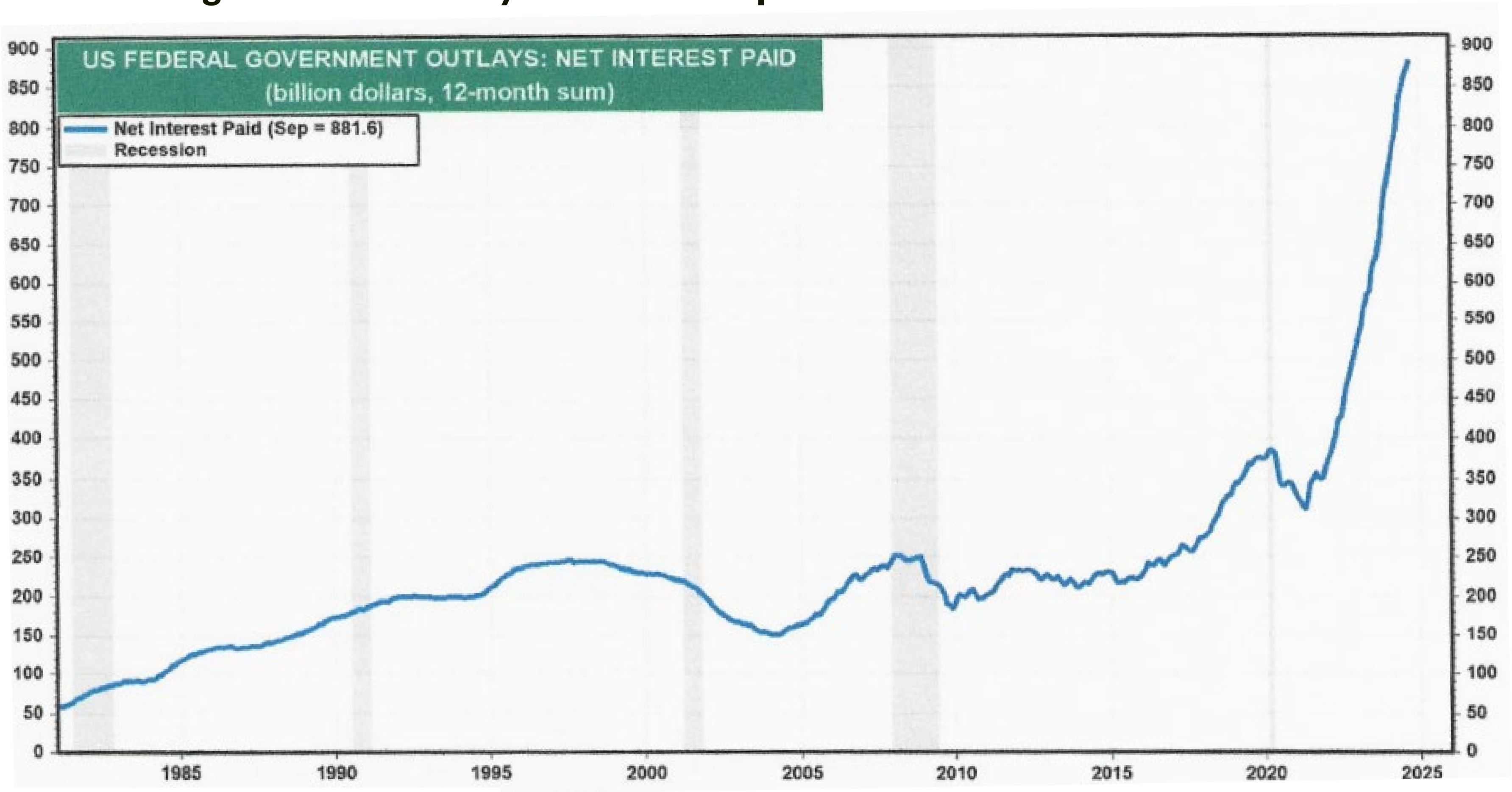
U.S. federal government outlays: Net interest paid



Sources: LSEG Datastream, Yardeni Research, US Treasury

Prediction 10: DOGE efforts make progress but fall woefully short of $2T per year of savings

Trump agenda (somewhat similar to first term)

- Deregulation
- Lowering corporate taxes
- Pursuing trade reciprocity

NEW:	DOGE (Department of Government Efficiency)
Leaders:	Elon Musk and Vivek Ramaswamy
Goal:	Reduce federal spending by $2T per year
Method:	Regulatory recissions, administrative reductions, cost savings
Deadline:	July 1, 2026

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Attempt at reorganizing the federal government and making it more efficient

1. Like a corporate raider engaged in a hostile takeover of an inefficient company
2. Huge reforms by changing people, cutting costs, and using new technologies
3. Improve productivity and efficiency
4. Likely neglected will be the environment, climate change, remediating poverty, encouraging diversity, education, debt management
5. Recognition that the U.S. is in an economic war, a geopolitical war, and possibly a military war

Much will be attempted in the first 100 days and the first two years, after which Trump becomes a lame duck and Congress could switch parties.

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Conclusion: If Social Security, Medicare, Veterans Affairs, Defense, and net interest are off the table, "ONLY" $800B remains.

- Shuttering significant numbers of government bureaucracies is unlikely.
- Mass firings of federal employees won't happen.
- The **ONLY** way to fix the problem is to tackle entitlement programs.

Notable quotables

"Any great power that spends more on debt service than on defense will not stay great for very long … this law is about to be put to the test by the U.S."

– Niall Ferguson, Barron's, Sept. 16, 2024

"We must not let our rulers load us with perpetual debt."

– Thomas Jefferson

"A billion here, a billion there, pretty soon you're talking about real money." (Maybe he meant a trillion.)

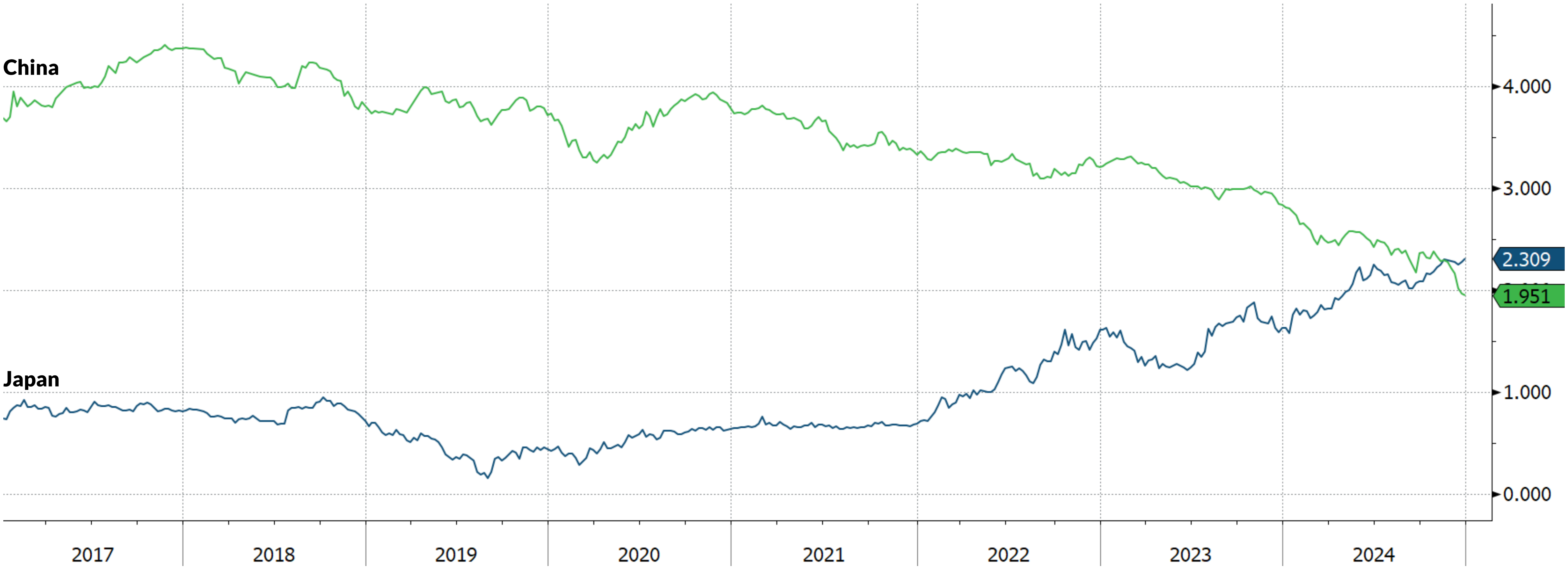
– Sen. Everett McKinley Dirksen, 1960s

"Politicians long ago recognized that raising taxes is not a good way to get re-elected, while spending more on their constituents is a winning strategy … They discovered the magic of the deficit financing their ever-increasing spending to win the next election."

– Ed Yardeni, November 2024

Will China/Japan switch places?

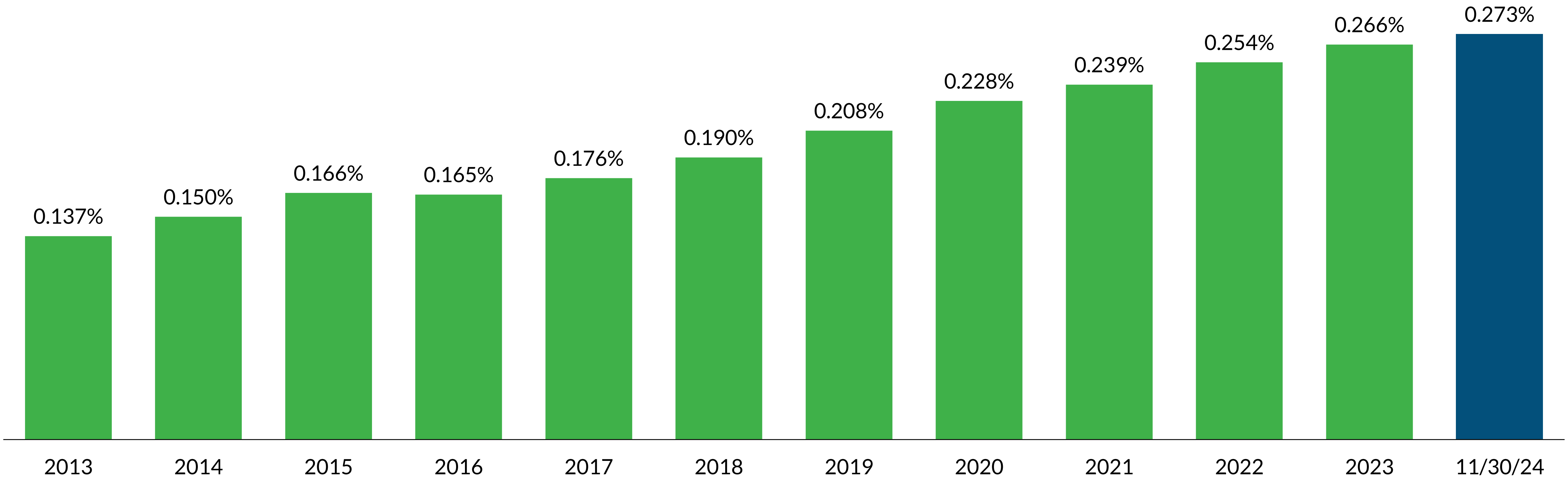
Japan and China government 30-year simple yield (%)



Source: Bloomberg as of Dec. 23, 2024

Faith-based share of industry AUM rises for eighth year in a row

Faith-based market share (percentage of total industry AUM)



Sources: Morningstar, Crossmark as of Nov. 30, 2024

Strategy summary

The Fed	0–2 cuts in 2025
Inflation	Remains sticky; stays closer to 3% than 2%
Economic growth	2–2.5%
Employment	Labor market weakens slowly
Earnings	Good, but not great
Valuation	Expensive
Style	Value > Growth, broader participation
Best sectors	Financials, energy, consumer staples
Policy	Extension of expiring tax cuts and some small further cuts Selected tariffs

Conclusions

1. The equity bull market is likely not over (but is getting “long in the tooth”).
2. Inflation is unlikely to fall to 2% absent a recession.
3. The Fed lowers rates, but once again, less than expected.
4. Earnings fall short of expectations for the third year in a row.
5. Stocks are expensive (or very expensive) on most measures.
6. Own stocks with good earnings predictability, good earnings persistence, and strong cash flow.
7. Do some dollar-cost averaging into international.
8. Expect high volatility given policy uncertainties.
9. Expect some letdown once new administration starts. (Will market “sell the news” having “bought the rumor”?)
10. Lean into weakness and away from strength.

What to do?

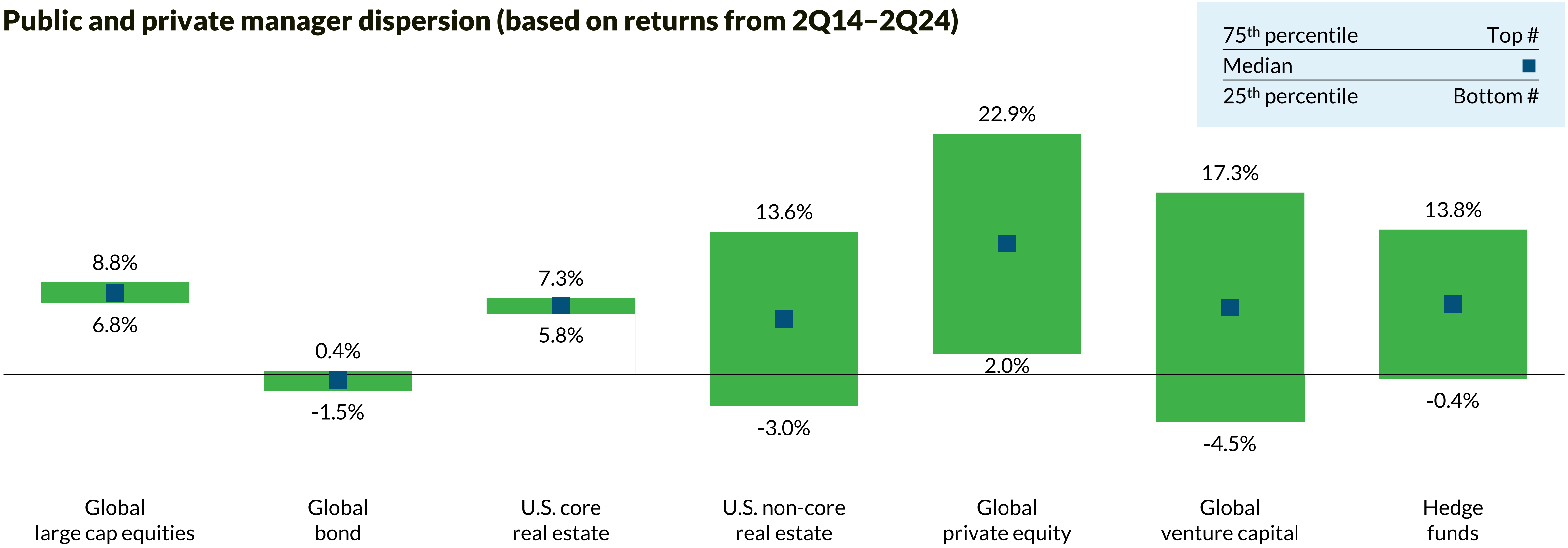
1. Expect choppy (choppier) markets (buy dips/trim rallies).
2. Expect lower returns.
3. Focus on earnings growth and free cash flow (not P/E expansion).
4. Diversify across asset classes, styles, and geographies.
5. Own high-quality value and less expensive growth.
6. Consider an absolute return strategy (and alternatives in general) to complement market exposure.
7. Step up to significant weakness.

What to expect over the next 10 years

1	More modest investment market returns	
2	Another recession	
3	Population: older, with more grandparents than grandchildren	• World population growth nearly 100% in 65 and older citizens • Obese children now outnumber underweight children for the first time ever
4	Technological innovation: energy, healthcare, information, and manufacturing	
5	Robots and automation threaten jobs	
6	Smart phone turns into smart everything	
7	Space tourism	
8	Globalization replaced by more isolationism/protectionism/populism	
9	U.S./China cold war	
10	Cyber warfare, possible biological warfare	

Alternatives and manager selection

Public and private manager dispersion (based on returns from 2Q14–2Q24)



Source: JPMorgan

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All investments are subject to risks, including the possible loss of principal. Past performance does not guarantee future results.

Equity investments generally involve two principal risks—market risk and selection risk. The value of equity securities will rise and fall in response to general market and/or economic conditions (equity market risk). The value of any individual equity security will rise and fall in response to the market's perception of the issuer's revenues, earnings, balance sheet, credit worthiness, business plan, and overall perception of the viability of the issuer's business (selection risk).

Fixed income investments generally involve three principal risks—interest rate risk, credit risk, and liquidity risk. Prices of fixed-income securities rise and fall in response to interest rate changes (interest rate risk). Generally, when interest rates rise, prices of fixed-income securities fall. The longer the duration of the security, the more sensitive the security is to this risk. There is also a risk that the issuer of a note or bond will be unable to pay agreed interest payments and may be unable to repay the principal upon maturity (credit risk). Lower-rated bonds, and bonds with longer final maturities, generally have higher credit risks. As interest rates rise and/or the credit risk associated with a particular issuer changes, bonds held within a portfolio may become difficult to liquidate without realizing a loss (liquidity risk).

Many municipal bonds also include call features that allow the issuer to call the bonds—repaying the principal before maturity—usually done in the context of a refinancing transaction if/when interest rates fall. When a bond is called, the holder does not incur a loss, but cash received from the call must be re-deployed, generally in a less favorable interest rate environment (call risk).

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Q&A

Thank you

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