



2Q24 Macro and Market Outlook

Chief Investment Office

April 3, 2024

The 2024 Strange Landing

Strange Landing

Economy:

Growth remains robust even if slower than 2023, but avoids a recession helped by fiscal spending, easy financial conditions, and continued labor market resilience. Data continues to tell conflicting stories, with signs of weakness contrasting with signs of recovery. Potential for rapid changes in data.

Fed Reaction:

The Fed aims to tweak policy lower, but not signal outright easing for fear of stoking growth/inflation. Weak data necessary for confirmation of aggressive easing. Easing could be interrupted if USD weakens and commodities rally, or if wage growth rebounds.

Macro:

Yields volatile but upwardly biased on resilient economic data not confirming Fed rate cut expectations, while further yield downside dependent on weaker economic data. USD lower if Fed perceived as easy vs. peer central banks, but higher if Fed does not deliver easing.

Risk Asset Reaction:

Resilient growth keeps equity credit fundamentals healthy, but interest rates possibly start to bite in 2H24 as refinancing begins at higher rates. Valuations whipsawed by liquidity, positioning/sentiment, and 2025 recession/EPS risks.

How Did We Get Here? 1Q24 Recap

Resilient U.S. economic data, including robust jobs

Stickier inflation data than consensus forecasted

Fewer rate cuts expected from the Fed vs. the start of the year (6.5 → 3)

Stocks up robustly

Yields up across the curve

Credit spreads narrow

Higher commodities, with notably higher oil, gold, and copper

Liquidity sensitive assets soar (crypto, speculative/low quality)

Equities	Current Value	YTD Return %	1 Year %	PE (Current)
S&P 500	5,240	9.9%	30.1%	25.1x
DJ Industrial Average	39,530	4.9%	20.8%	22.7x
NASDAQ Composite	16,367	9.0%	37.2%	39.2x
Russell 2000	2,104	3.8%	18.8%	37.6x
MSCI Int'l Developed	2,349	5.1%	12.3%	15.2x
MSCI Emerging Mkts	1,043	1.9%	5.3%	15.1x
Russell Value	1,758	7.9%	18.9%	19.4x
Russell Growth	3,388	11.0%	41.0%	34.6x

Bonds	Current Value	YTD (value)	1 Year (value)
US 10 Year	4.33%	44.6 bps	85.8 bps
US 2 Year	4.71%	46.0 bps	68.4 bps
10 2 Spread	-39 bps	-1.4 bps	17.5 bps
BBB IG Spread	128 bps	-6.0 bps	-59.0 bps
HY OAS Spread	345 bps	-40.3 bps	-138.0 bps

Commodities, Currencies	Current Value	YTD Return %	1 Year %
US Dollar	105	4%	2%
Oil (WTI)	84	17%	11%
Copper	405	4%	-1%
Gold	2241	9%	13%
Bitcoin	69451	63%	144%

Source: Bloomberg, NewEdge Wealth, as of 4/1/24

Key Themes for 2Q24

Watching Growth Forecasts

Cyclical Recovery

Liquidity

Rotations

Complacency

2Q24 Outlook Summary

U.S. Macro and Policy

- **Growth:** we continue to not expect a recession in 1H24, with a higher probability of recession in 2025 vs. 2H24; we don't think GDP estimates can go *much* higher, but do not see immediate reason for estimate cuts
- **Labor Market/Consumer:** the labor market remains tight, supporting U.S. consumer, but watching signs of peripheral easing in data
- **Inflation:** we see potential for stickiness/reacceleration to continue
- **Fed Policy:** we now expect the Fed to be challenged to deliver 3 cuts if data remains resilient; more cuts likely requires weaker data
- **Treasury Policy:** large deficit spending continues, with funding of the deficit a key influence on liquidity; monitor post tax day

Equities

- **Ranges:** consensus price targets for 2024 have already been hit, causing a chase to raise targets; we think 2Q could usher in a period of higher volatility that without a hit to growth expectations could provide and entry point
- **Upside Drivers:** better EPS growth than expected (productivity, M&A, better eco growth), liquidity remains highly supportive to keep valuations elevated
- **Downside Drivers:** weaker EPS growth than currently expected for 2024/2025, liquidity becomes a headwind to already-elevated valuations and crowded positioning
- **Portfolio Positioning:** continued focus on quality; seeing improvement in cyclical value, while watching all-important tech closely for deterioration

Fixed Income

- **Treasury:** yields biased higher driven by better economic data/stickier inflation/a tighter Fed/Treasury issuance; downside to yields driven by weaker economic growth/soft inflation/an easier Fed; “line in the sand” resistance is 4.33% for the 10 year and 4.75% for the 2 year to set the stage for further yield upside
- **Credit:** all-in yields remain elevated, but already tight spreads and increasing issuance could keep spreads from compressing further
- **Munis:** finding opportunities in selective parts of the muni curve and credit ratings
- **Portfolio Positioning:** opportunistically adding to duration, highly selective about credit exposure, looking outside of the index

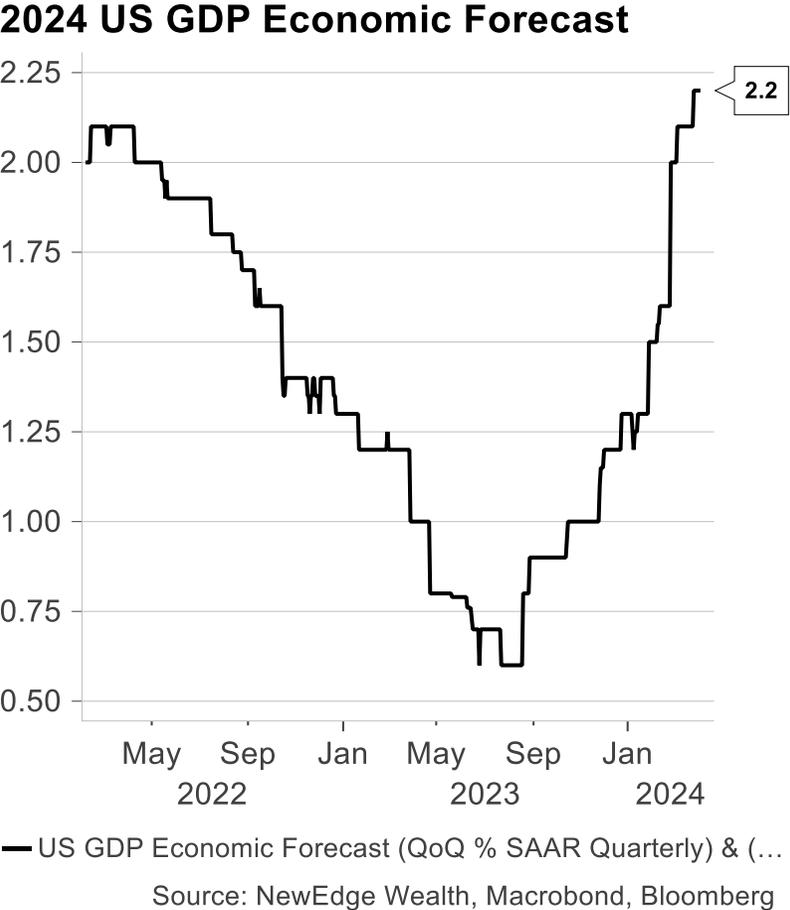
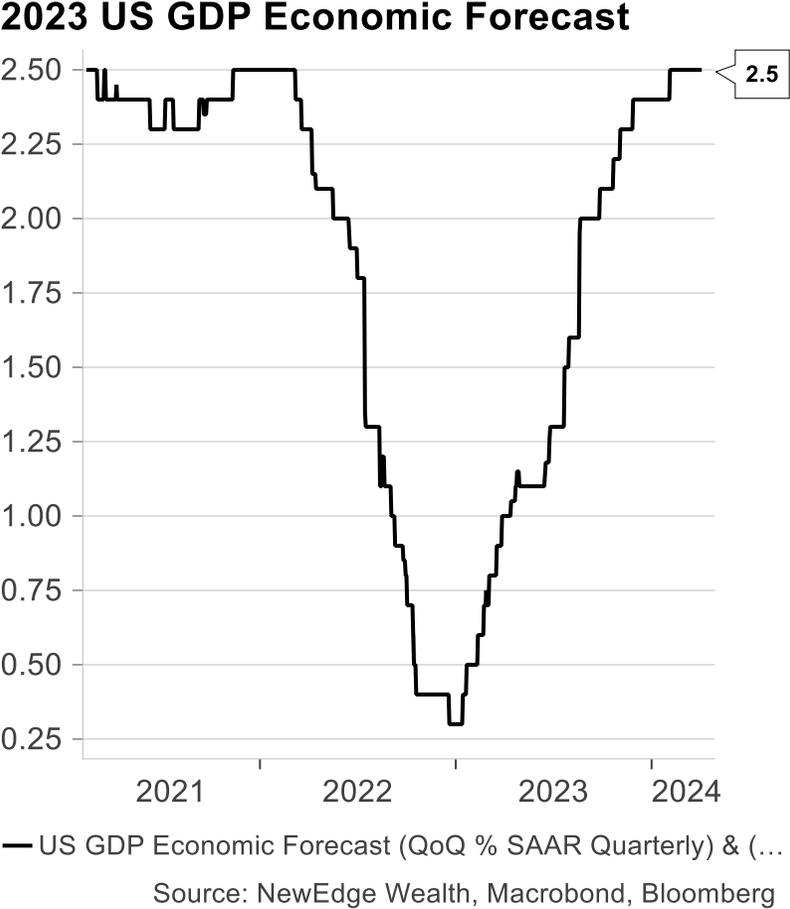
Alternatives

- **Themes:** cautious optimism, acknowledging that the higher cost of capital requires greater selectivity across private strategies, while also creating opportunities to benefit from disruption to fundraising
- **Private Equity:** focusing on managers with operational value-add, instead of financial engineering, primarily in lower middle market; secondaries are attractive, along with selective GP stakes
- **Private Credit:** “a golden age *for some*” a keen focus is necessary on underwriting given the proliferation of new entrants, while pricing has compressed, making strong credit underwriting even more important
- **Volatility Strategies:** the potential for higher volatility in 2Q24, while issuer credit remains healthy and an important watch item

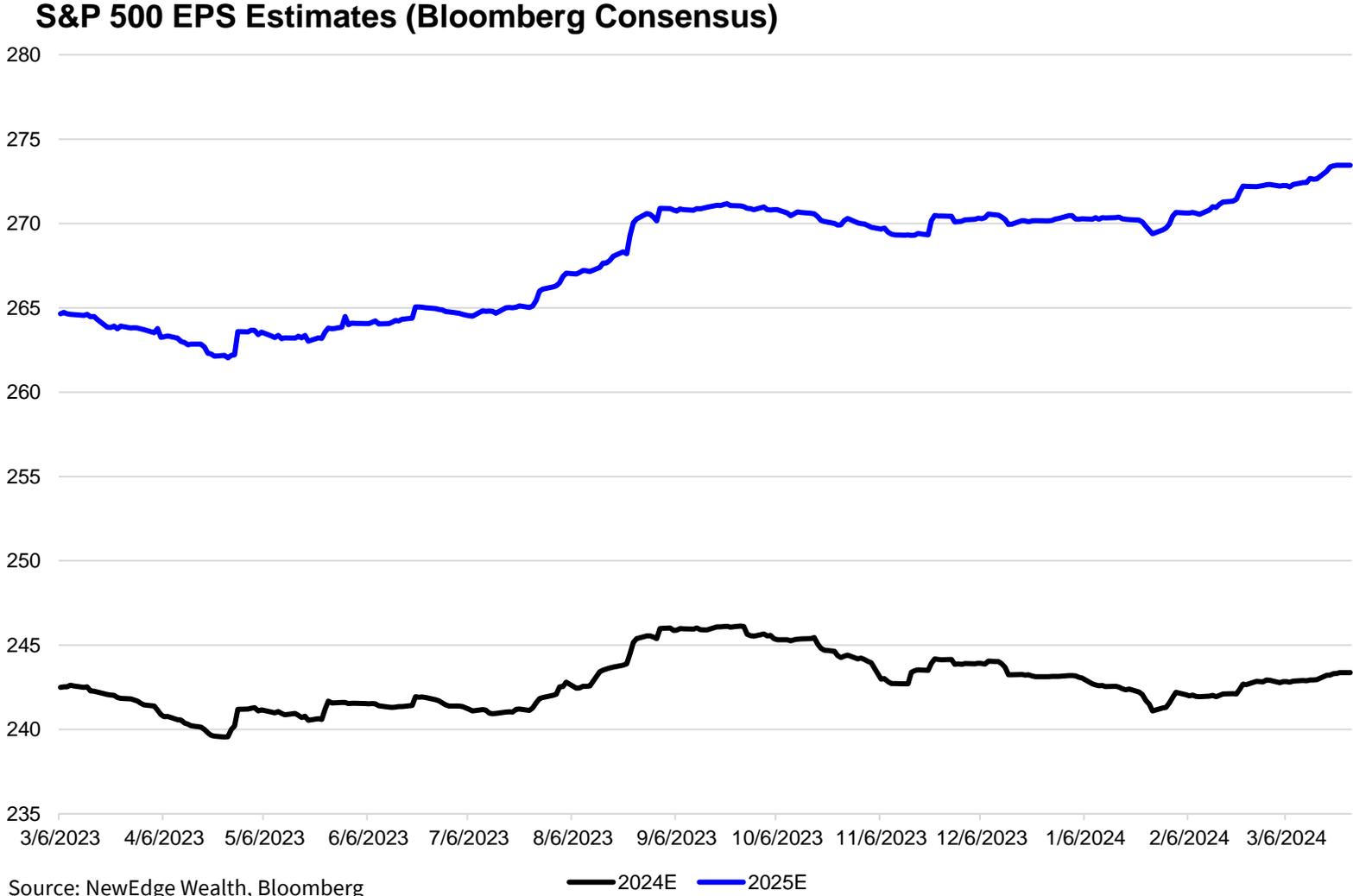
Top Charts to Watch



Growth Forecasts Rising Have Been Key for Risk Asset Strength

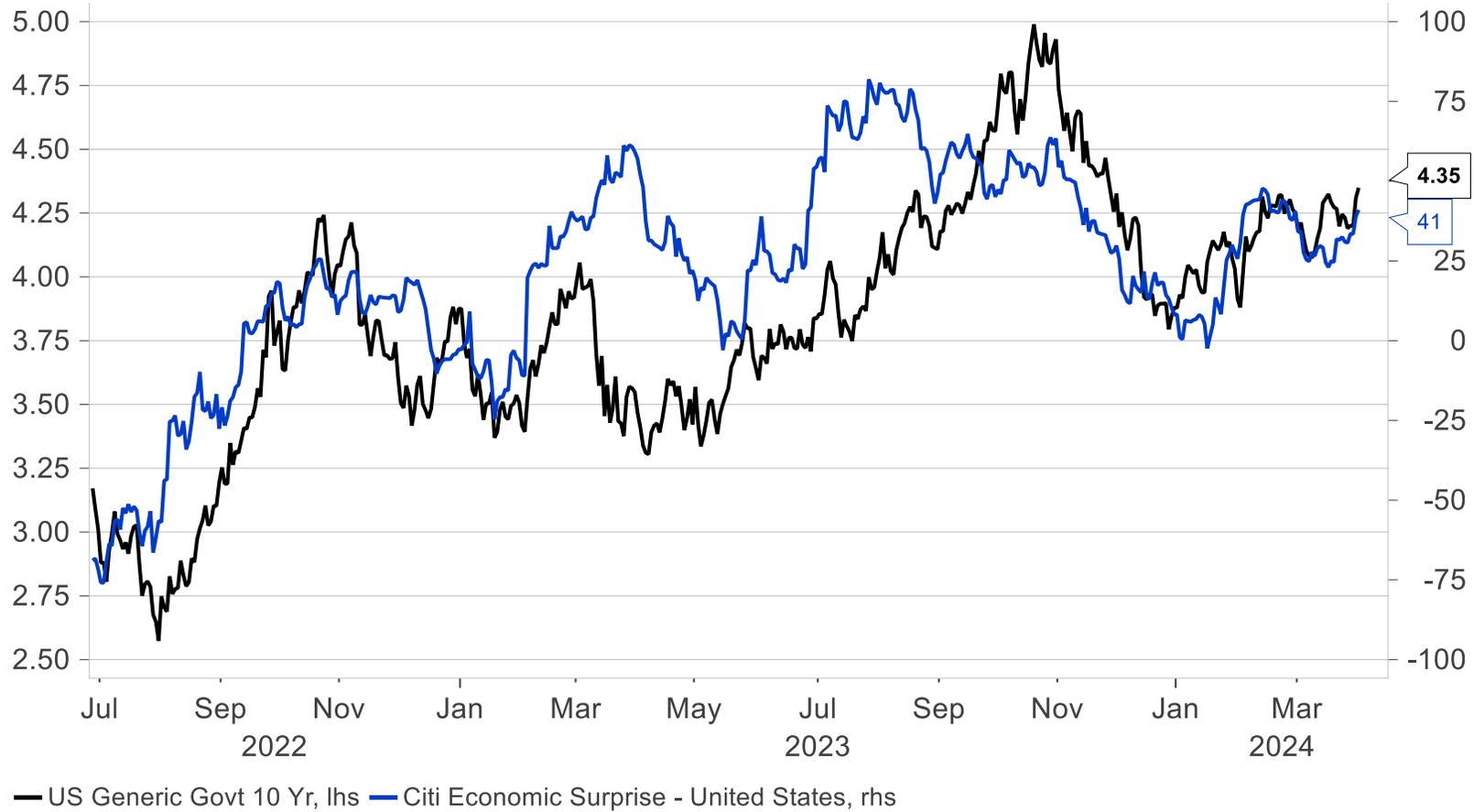


Watch EPS Estimate Progression



Watch the Relationship of Economic Surprises and Yields

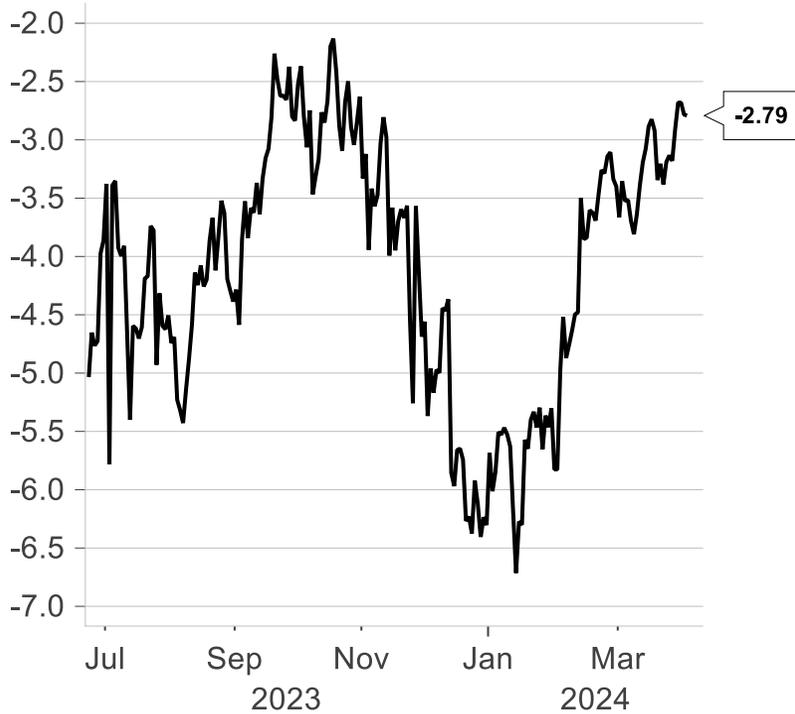
10 Year Treasury Yield and Citi Economic Surprise Index



Source: NewEdge Wealth, Macrobond, Bloomberg

The Path Forward for the Fed

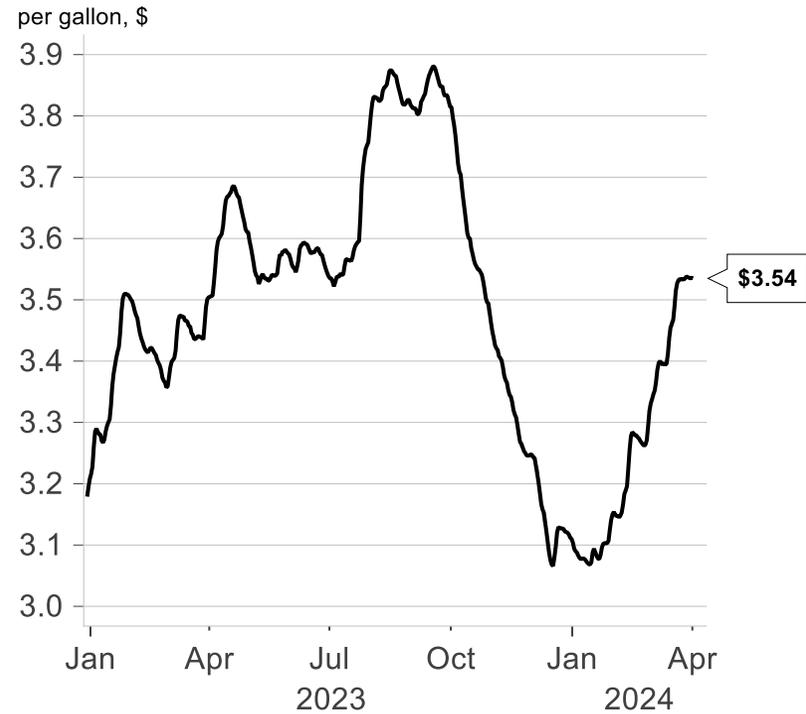
Number of 25 bps Cuts Expected by December 2024



— WIRP Est Number of Moves Priced in for the US - Futures...

Source: NewEdge Wealth, Macrobond, Bloomberg

Daily National Average Gasoline Prices Regular Unleaded



— Daily National Average Gasoline Prices Regular Unleaded

Source: NewEdge Wealth, Macrobond, Bloomberg

Is an Easier Fed a Green Light for Inflation to Rebound?

Gold Price



Source: NewEdge Wealth, Macrobond, Bloomberg

Inflation Breakevens



Source: NewEdge Wealth, Macrobond, Bloomberg

Credit Spreads Return to 2021 Range on Growth Optimism

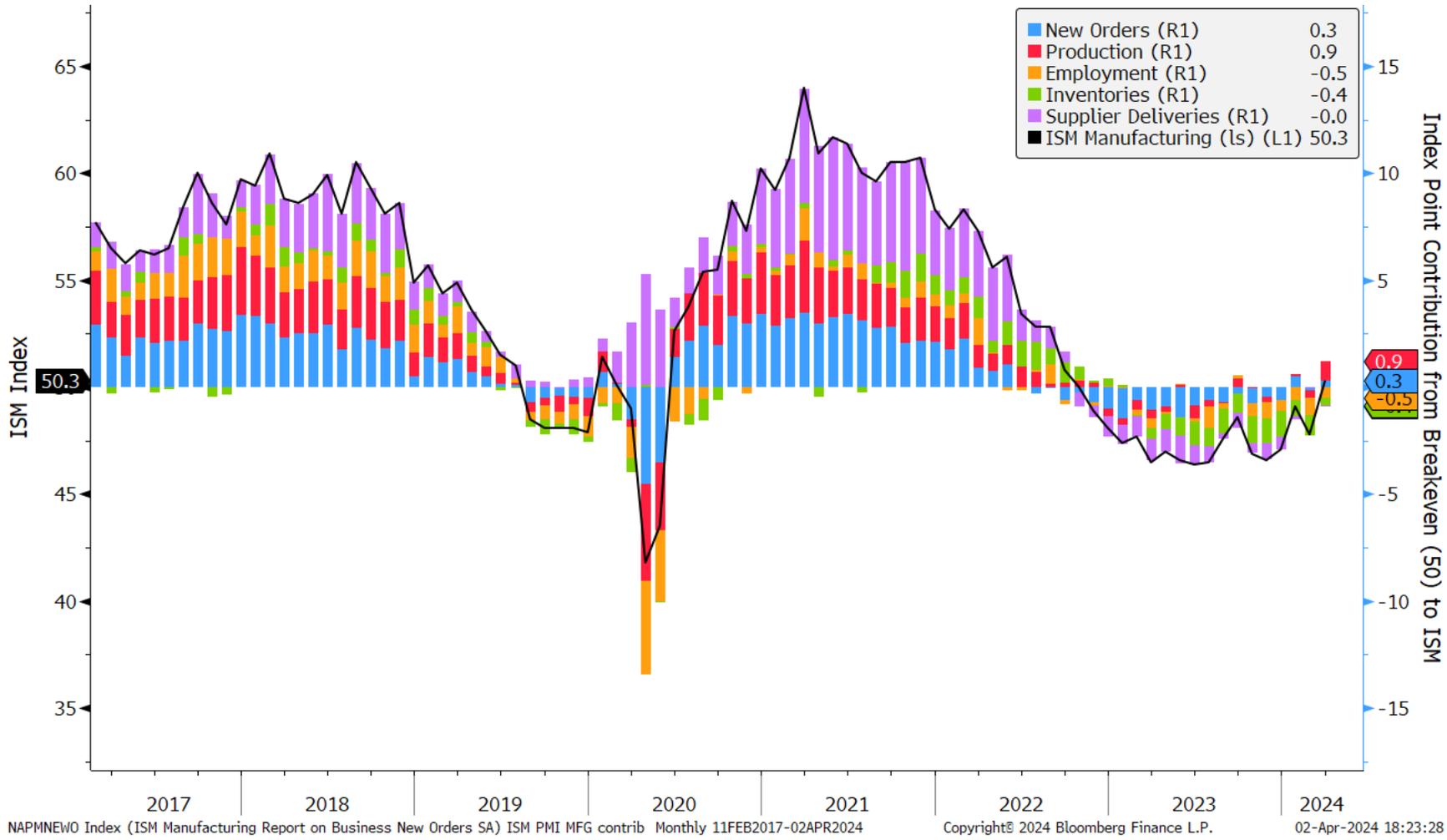
Credit Spreads Get Tight to Start 2024

High Yield and Investment Grade (Baa) Credit Spreads



Source: NewEdge Wealth, Macrobond, Bloomberg

Cyclical Recovery Underway



Labor: Softness in Quits and Temporary a Warning Sign?

Quits Rate Back to Pre-Pandemic Peak

US Quits Rate SA



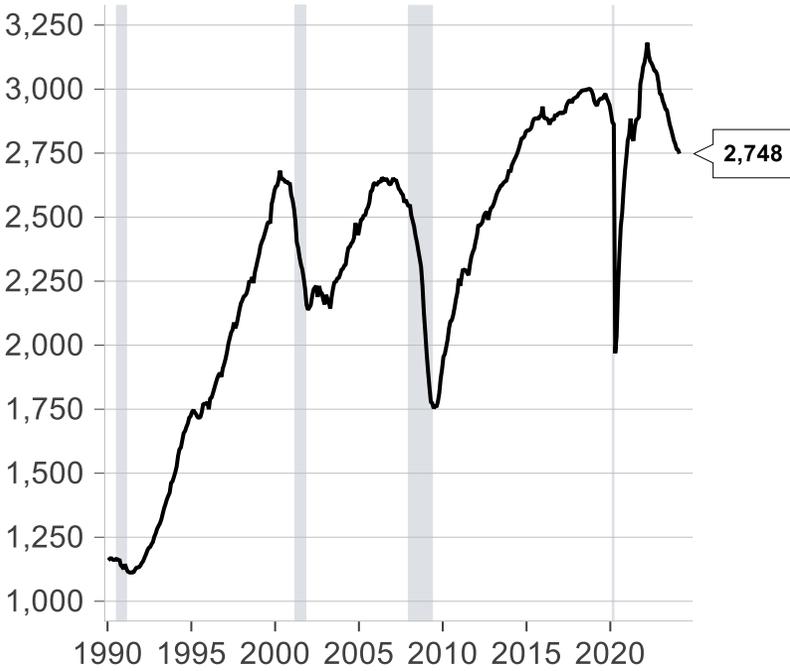
— US Quits Rate SA

Source: NewEdge Wealth, Macrobond, Bloomberg

Source: NewEdge Wealth, Bloomberg

Temporary Labor Rolling Over Similar to Prior Pre-Recssion Periods

US Employees on Nonfarm Payrolls Temporary Help Services SA

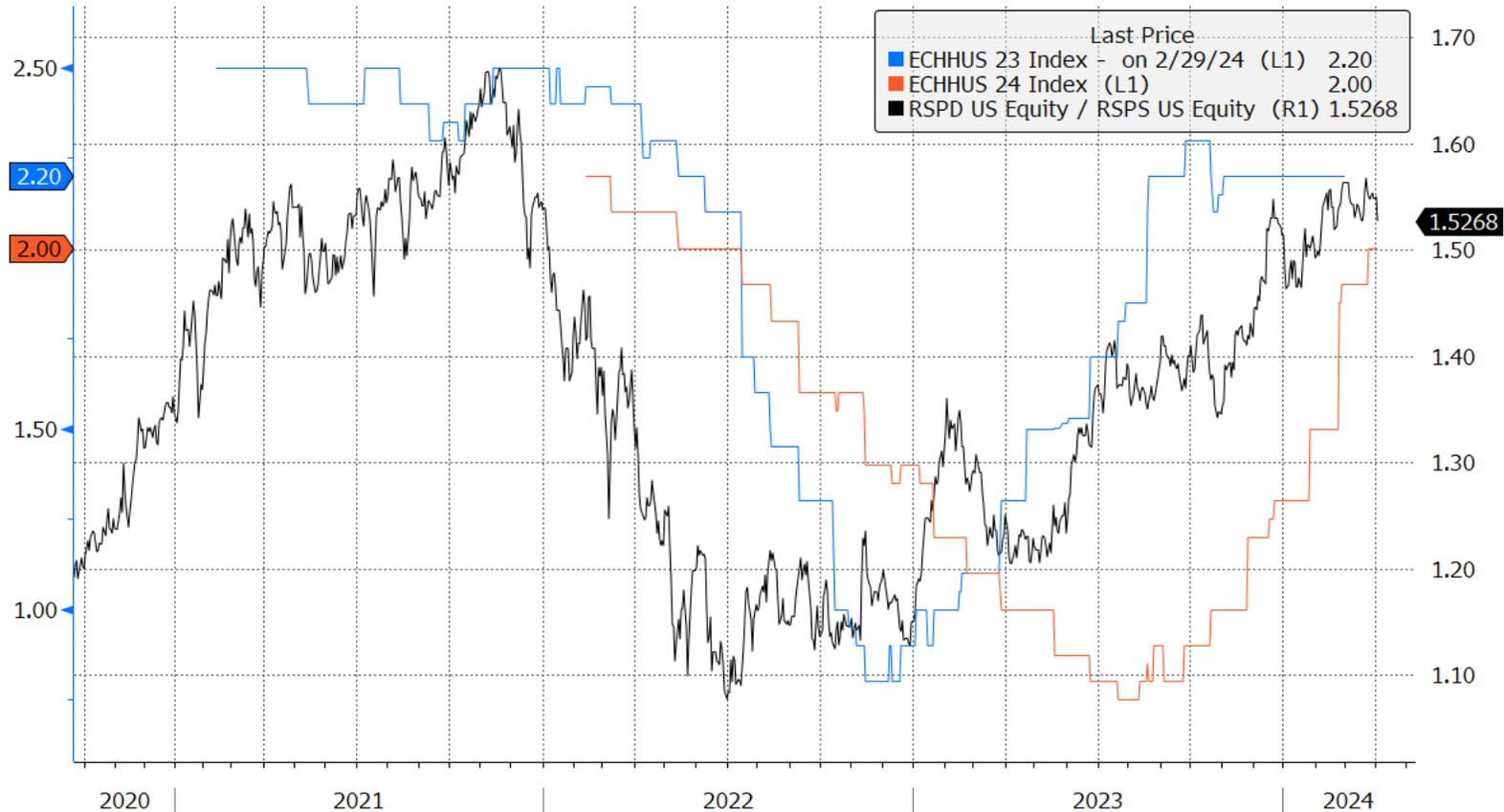


— US Employees on Nonfarm Payrolls Temporary Help Servi...

Source: NewEdge Wealth, Macrobond, Bloomberg

The Equity Market Says the Consumer is Fine, Watch Divergence w/ Retail Sales

Equal Weight Discretionary vs. Staples and GDP Household Consumption Forecasts for 2023 and 2024



RSPD US Equity (Invesco S&P 500 Equal Weight Consumer Discretionary ETF) EW Disc vs. Staples Daily 20SEP2020-02APR2024 Copyright© 2024 Bloomberg Finance L.P. 02-Apr-2024 18:23:38

Source: NewEdge Wealth, Bloomberg

Financial Conditions are Back to 2021 Easy Levels

Financial Conditions Back to Easy Street

Bloomberg US Financial Conditions Index

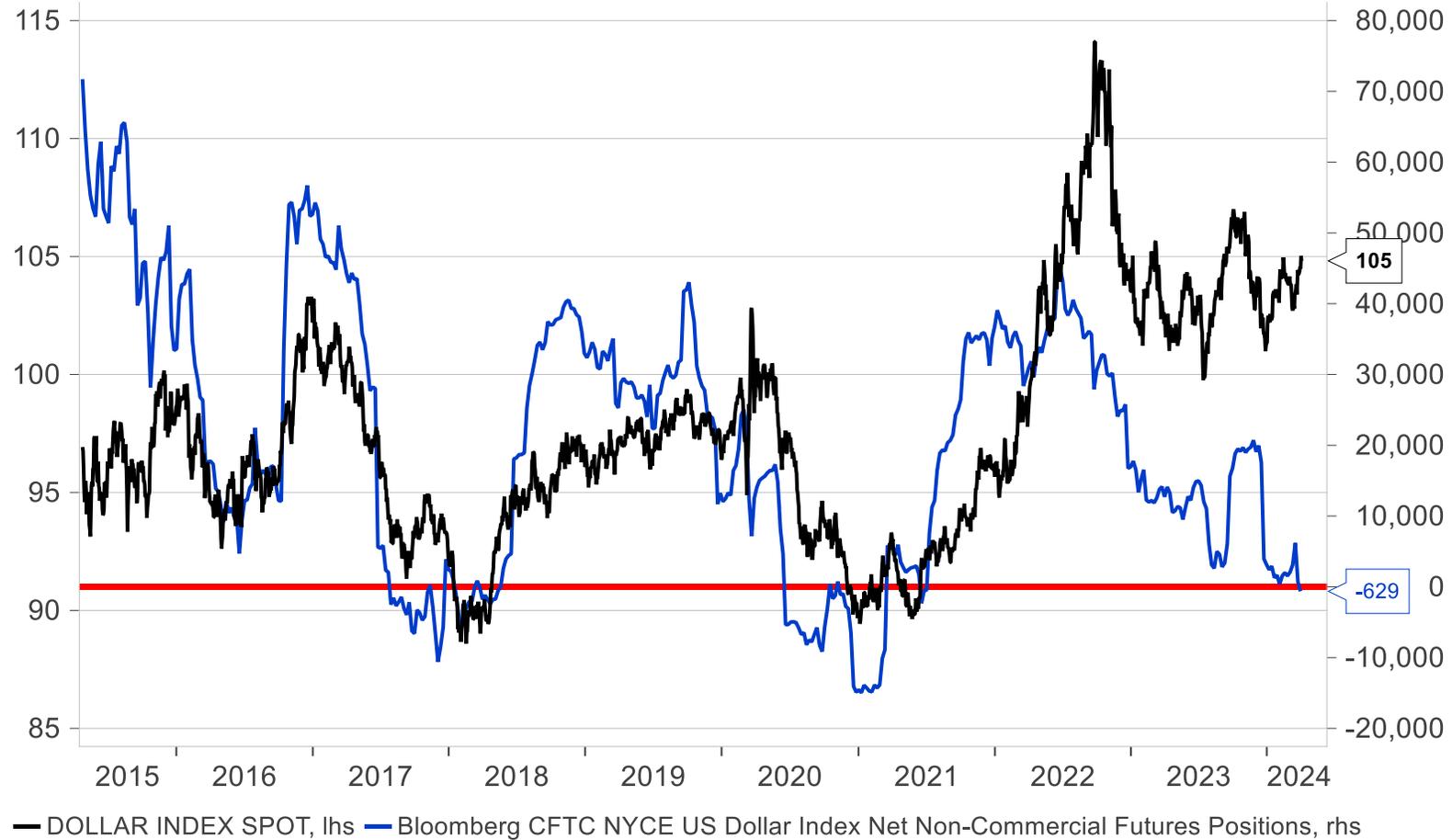


— Bloomberg United States Financial Conditions Index

Source: NewEdge Wealth, Macrobond, Bloomberg

Watching the USD

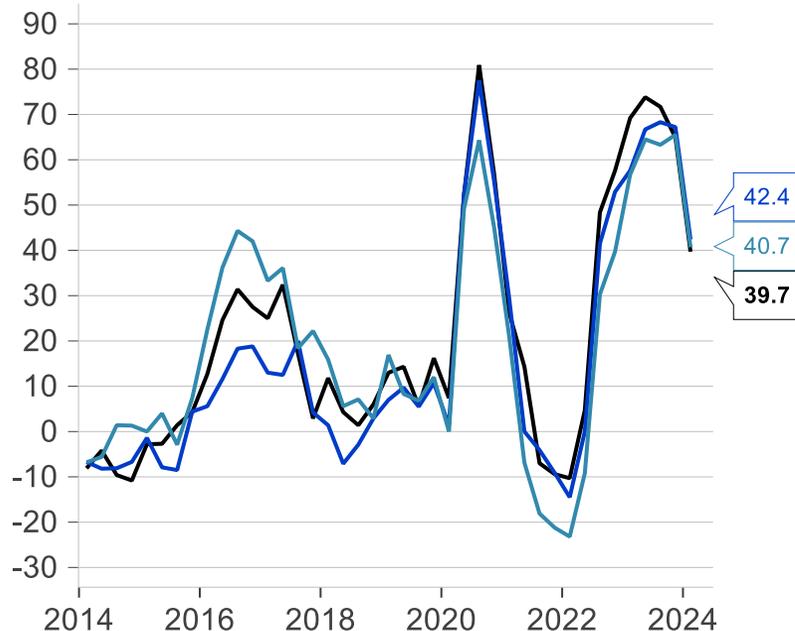
U.S. Dollar (DXY) and CFTC Dollar positioning



Source: NewEdge Wealth, Macrobond, Bloomberg

Real Estate: Easing Standards, Delinquency Subdued But Picking UP

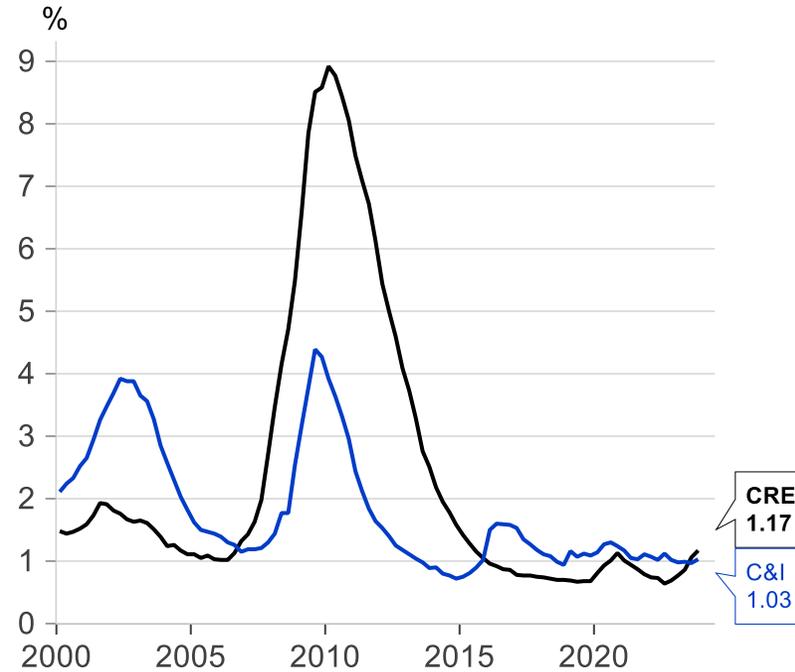
Loan Standards for Commercial Real Estate (%)



- Tightening Standards for Construction and Land Development...
- Tightening Standards for Loans Secured by Nonfarm Nonr...
- Tightening Standards for Loans Secured by Multifamily Re...

Source: NewEdge Wealth, Macrobond, Bloomberg

Delinquency Rates for Commercial Real Estate and Commercial & Industrial

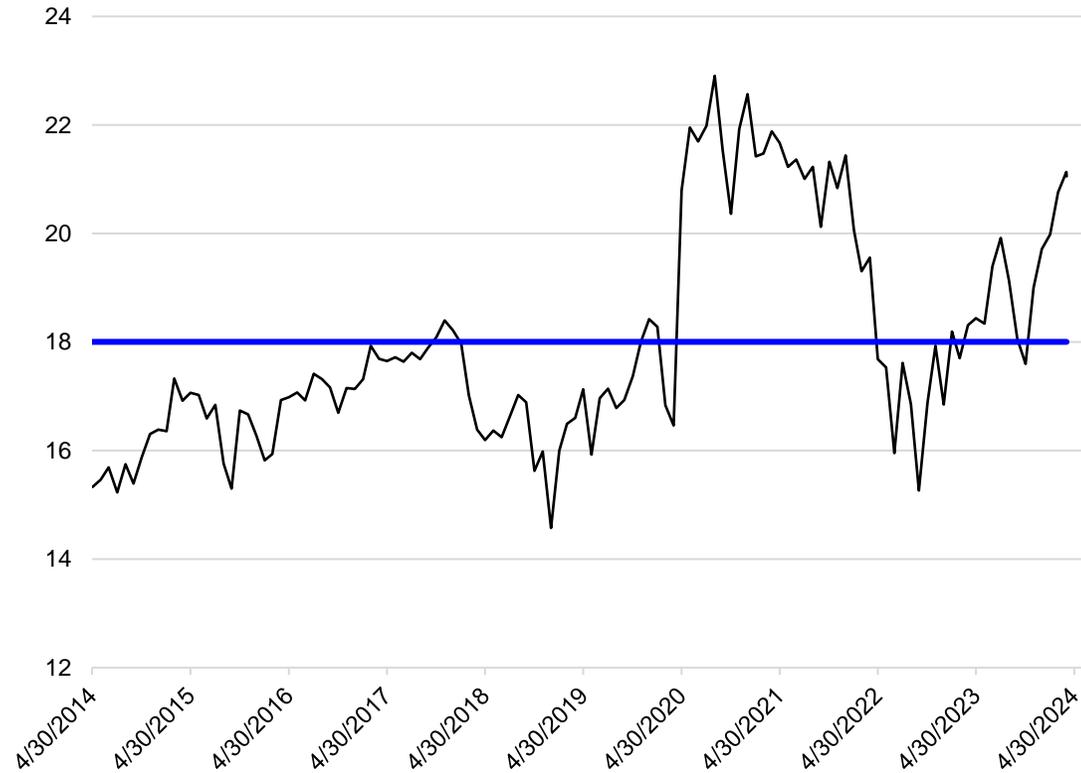


- Federal Reserve US Delinquency Rates For All Banks Co...
- Federal Reserve US Delinquency Rates For Banks Comm...

Source: NewEdge Wealth, Macrobond, Bloomberg

S&P 500 is Expensive No Matter How You Cut It

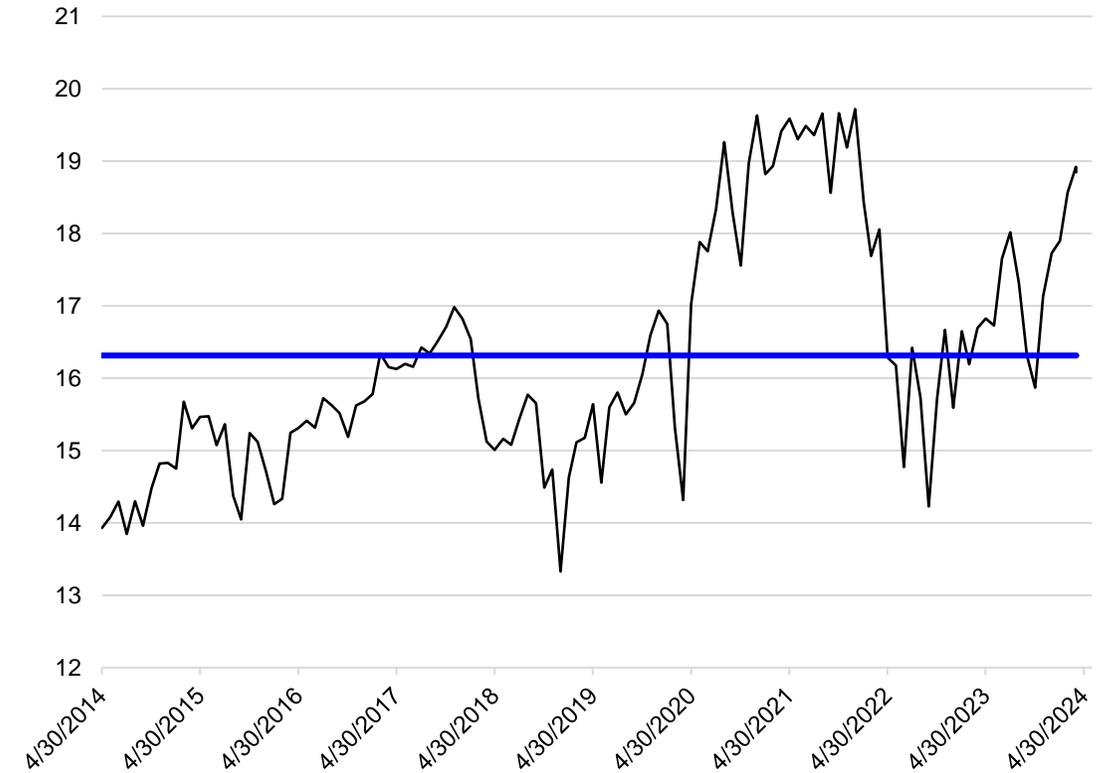
S&P 500 12 Month Forward PE (with 10 yr average)



Source: NewEdge Wealth, Bloomberg

The S&P 500 is trading at 21.2x 12 month forward PE, above the peak reached in July 2023, and back to COVID era levels when policy was far more supportive for markets.

S&P 500 24 Month Forward PE (with 10 yr average)

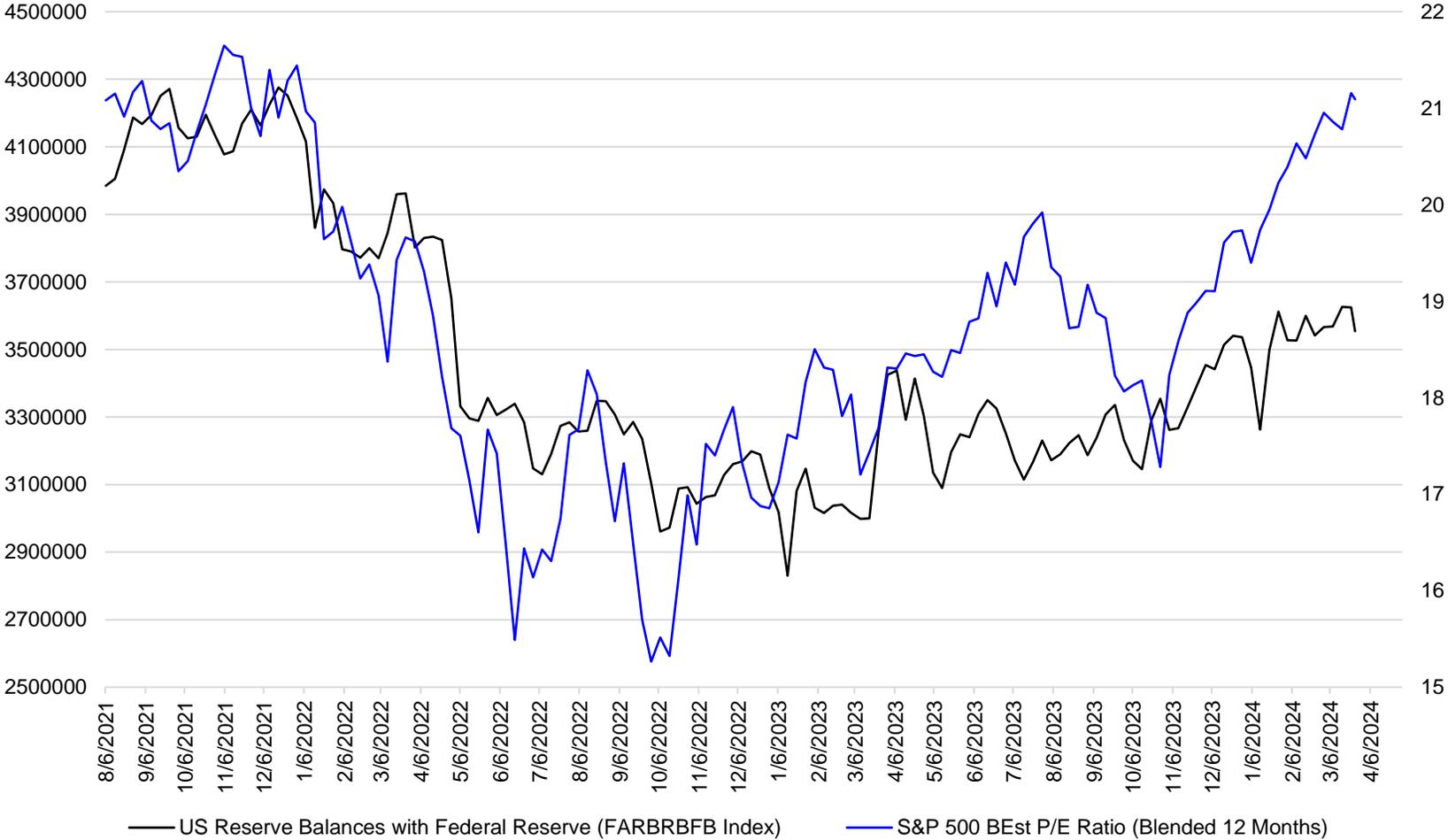


Source: NewEdge Wealth, Bloomberg

The S&P is trading at nearly 18.9x next 24 months EPS estimates of \$273, which is just 1x below the COVID-era peak valuation (which was supported by policy and depressed EPS estimates).

Liquidity is the Darkhorse for 2024

Bank Reserves and S&P 500 Forward PE



Source: NewEdge Wealth, Bloomberg, as of 3/25/24

Animal Spirits Revived, Helped by Liquidity

IPO ETF Absolute (Top) and Relative to the S&P 500 (Bottom)



IPO US Equity (Renaissance IPO ETF) IPO relative Daily 02APR2021-02APR2024

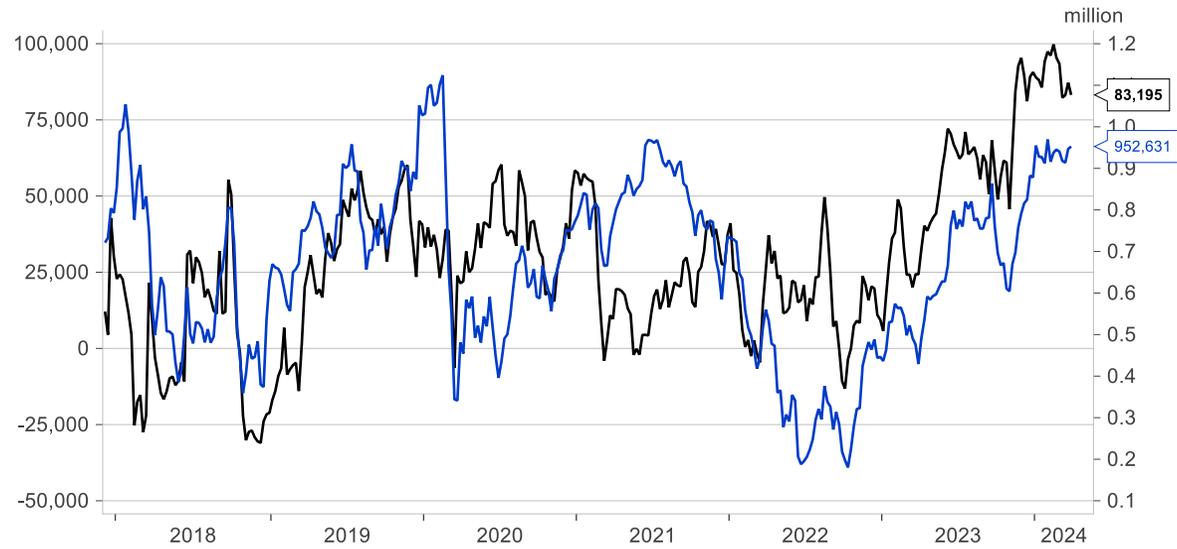
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Source: NewEdge Wealth, Bloomberg

Sentiment: Institutional Positioning Overweight but Quite Not Extreme

Institutional Investor Futures Positioning



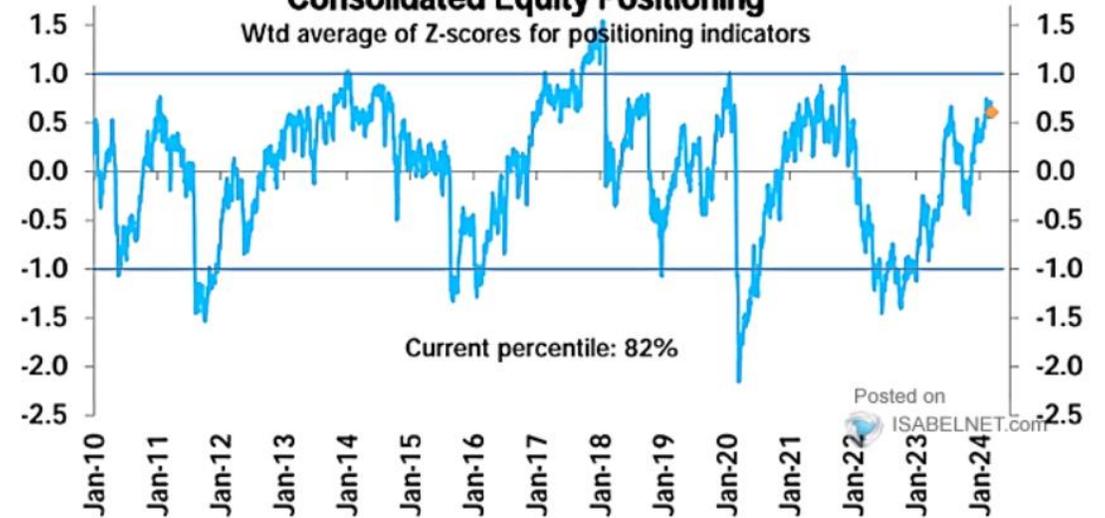
— CFTC CME NASDAQ 100 Mini Asst Mgr Institutional Net Total/Futures, lhs
 — CFTC CME E Mini S&P 500 Asst Mgr Institutional Net Total/Futures, rhs

As of 4/2/24

Source: NewEdge Wealth, Macrobond, Bloomberg

Consolidated Equity Positioning

Wtd average of Z-scores for positioning indicators

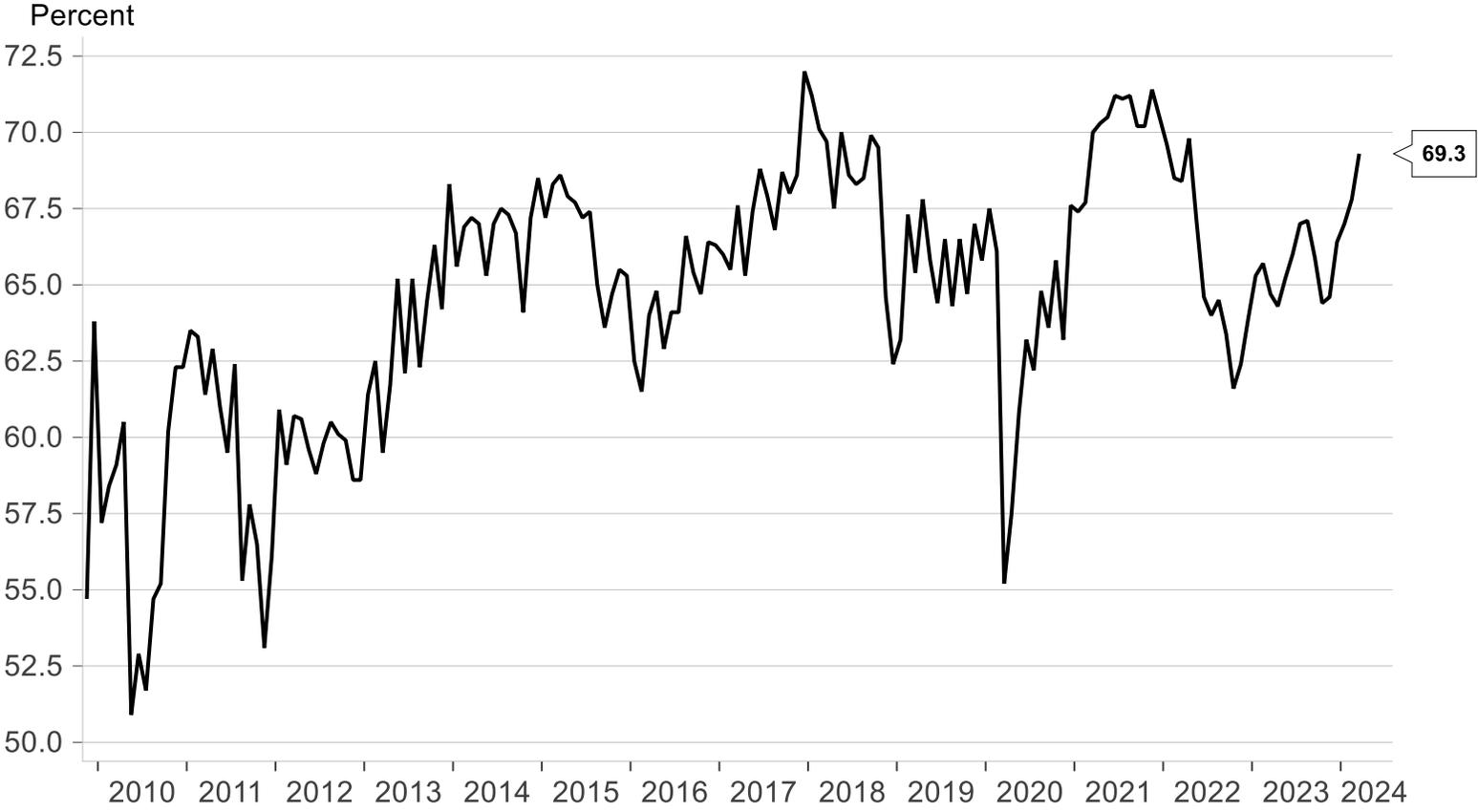


*Weights based on explanatory power in regression of equity performance on indicators

Source : Deutsche Bank Asset Allocation As of 3/14/24

Sentiment: Household Equity Allocations Not Back to Prior Highs, but Close

AAll Individual Investor Asset Allocation Survey: Stocks



— United States, Investor Surveys, AAll, Individual Investor Asset Allocation Survey, Stocks, Total

Source: NewEdge Wealth, Macrobond, Bloomberg American Association of Individual Investors (AAll)

The Signal from Yields

U.S. 10 Year Treasury Yield



USGG10YR Index (US Generic Govt 10 Yr) US 10 Year Treasury 6m Daily 08MAR2023-02APR2024 Copyright© 2024 Bloomberg Finance L.P. 02-Apr-2024 18:23:38

Source: NewEdge Wealth, Bloomberg



Deep Dives

 NewEdge.
WEALTH

Equities



Key Equity Themes for 2Q24

Potential for a Healthy Consolidation & Choppier Markets

Rotations, Plus Broadening Performance and Fundamentals

Buyers on Weakness & Continue to Prefer Quality

Watching: liquidity dynamics, earnings estimate trends, complacency signs (valuations, positioning, sentiment)

Equity Returns by Style

Performance by Style (U.S.)

Style	S&P 500	NDAQ 100	Large Cap Core	Large Cap Growth	Large Cap Value	Mid Cap Core	Mid Cap Growth	Mid Cap Value	Small Cap Core	Small Cap Growth	Small Cap Value	Min Vol
2024 YTD	9.2%	7.7%	8.82%	10.1%	7.183%	6.38%	7.25%	6.01%	1.88%	2.38%	-0.592%	6.18%
2023	24%	54%	24.58%	41.5%	8.968%	15.24%	24.95%	10.39%	15.11%	5.44%	12.014%	8.22%
2022	-20%	-33%	-20.39%	-29.9%	-9.695%	-18.74%	-27.44%	-13.92%	-21.62%	-21.19%	-16.489%	-10.88%
2021	27%	27%	24.83%	26.7%	15.9%	21.09%	12.25%	26.22%	13.46%	-1.30%	26.034%	19.18%
2020	16%	48%	18.73%	37.1%	0.183%	14.98%	34.55%	2.31%	18.34%	12.68%	2.465%	3.48%

Returns based on iShares/Vanguard/Invesco ETFs.
Source: Bloomberg, NewEdge Wealth

Equity Scenarios

S&P 500 2024 Scenario Analysis

		PE on 2024 EPS									
		14x	15x	16x	17x	18x	19x	20x	21x		
Change vs. 2023E EPS	-10%	\$200	2,800	3,000	3,200	3,400	3,600	3,800	4,000	4,200	
	-5%	\$210	2,940	3,150	3,360	3,570	3,780	3,990	4,200	4,410	
	0%	\$220	3,080	3,300	3,520	3,740	3,960	4,180	4,400	4,620	
	4%	\$230	3,220	3,450	3,680	3,910	4,140	4,370	4,600	4,830	
	9%	\$240	3,360	3,600	3,840	4,080	4,320	4,560	4,800	5,040	
	13%	\$250	3,500	3,750	4,000	4,250	4,500	4,750	5,000	5,250	
	18%	\$260	3,640	3,900	4,160	4,420	4,680	4,940	5,200	5,460	
	22%	\$270	3,780	4,050	4,320	4,590	4,860	5,130	5,400	5,670	
	27%	\$280	3,920	4,200	4,480	4,760	5,040	5,320	5,600	5,880	

Source: NewEdge Wealth, Bloomberg, as of 4/2/24

What the Bears Say

- **Target:** 4,200
- **Implies:** Slight downside to 2024 and 2025 EPS vs. consensus, possibly due to a “slight” recession, along with trading back towards an average PE valuation on de-risking.
- **Drivers:** A tighter Fed than expected could push valuations back towards average while slowing economic growth (after 2023’s upside surprise) could weigh on EPS.

What the Bulls Say

- **Target:** 5,400
- **Implies:** Upside to 2024 and 2025 consensus EPS numbers and trading above PE of 20x; implies no recession in 2024 or 2025.
- **Drivers:** EPS upside from technology/productivity that allows for greater margin expansion; PE upside from an easing Fed and liquidity tailwind.

S&P 500 Powerful Rally off October Lows

S&P 500 and Daily RSI



SPX Index (S&P 500 INDEX) SPX RSI 1Y daily Daily 23MAR2021-02APR2024

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Source: NewEdge Wealth, Bloomberg

The Average Stock Perks Up?

Equal Weight S&P 500 Absolute (Top) and Relative to the S&P 500 (Bottom)



SPW Index (S&P 500 Equal Weighted Index) EQ Relative Daily 02APR2023-02APR2024

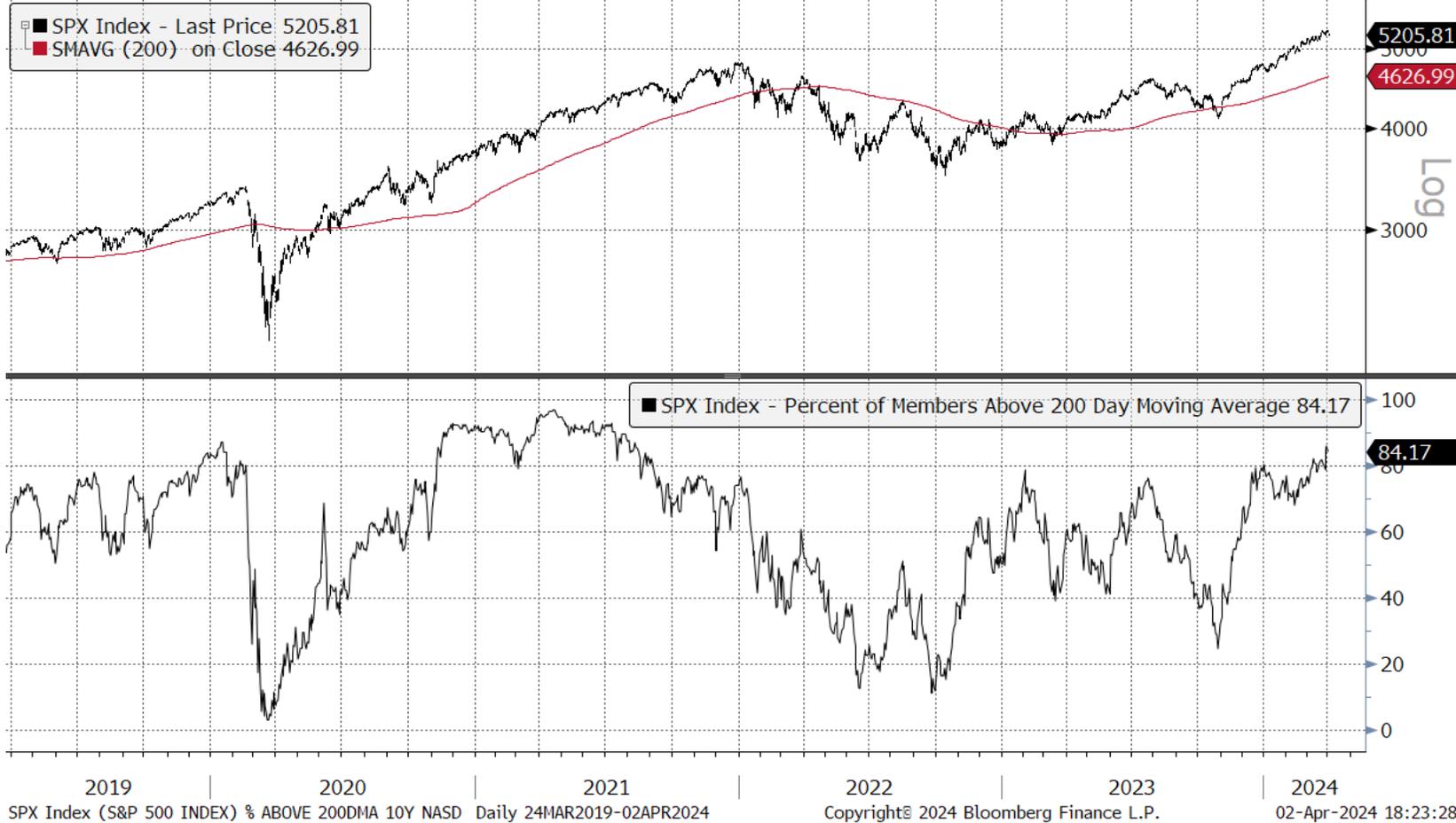
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Source: NewEdge Wealth, Bloomberg

Equity Breadth Improves

S&P 500 with the % of Members Above Their 200 Day Moving Average



Source: NewEdge Wealth, Bloomberg

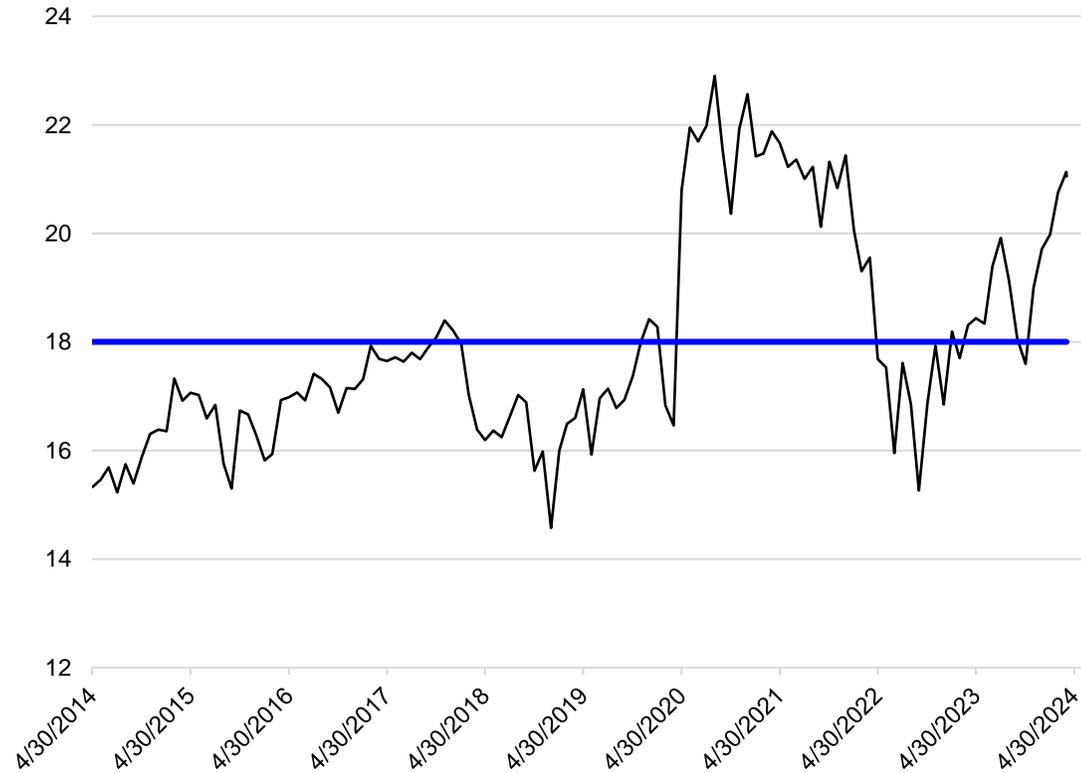
S&P 500 Earnings Power: Healthy Growth Forecasted, No Recession Contemplated

S&P 500 Consensus	2022A	2023E	2024E	2025E
EPS	\$223	\$223	\$243	\$273
YoY Change	13%	0%	9%	13%
Revenue Growth	11.10%	3.00%	5.30%	6.00%
Operating Margin	15.70%	14.30%	15.60%	17.00%

Source: Bloomberg Consensus, as of 4/1/24

S&P 500 is Expensive No Matter How You Cut It

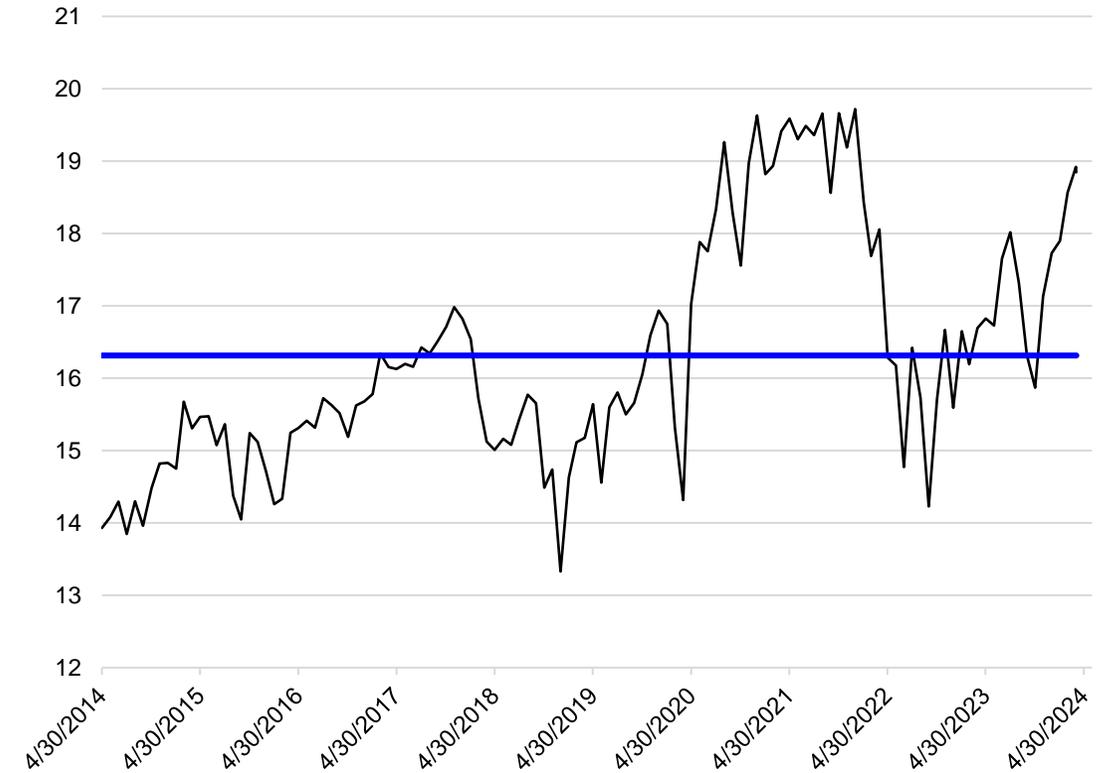
S&P 500 12 Month Forward PE (with 10 yr average)



Source: NewEdge Wealth, Bloomberg

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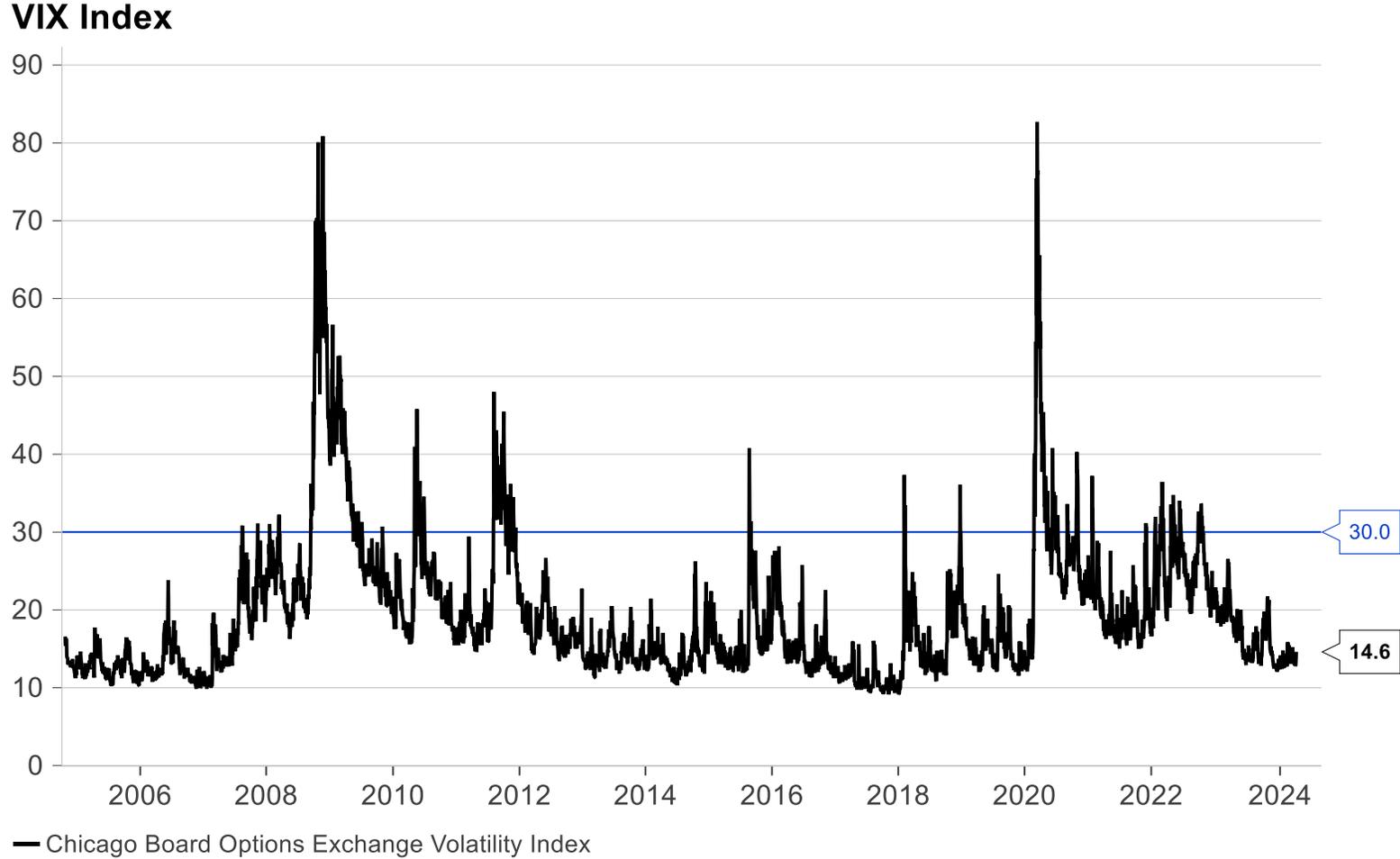
S&P 500 24 Month Forward PE (with 10 yr average)



Source: NewEdge Wealth, Bloomberg

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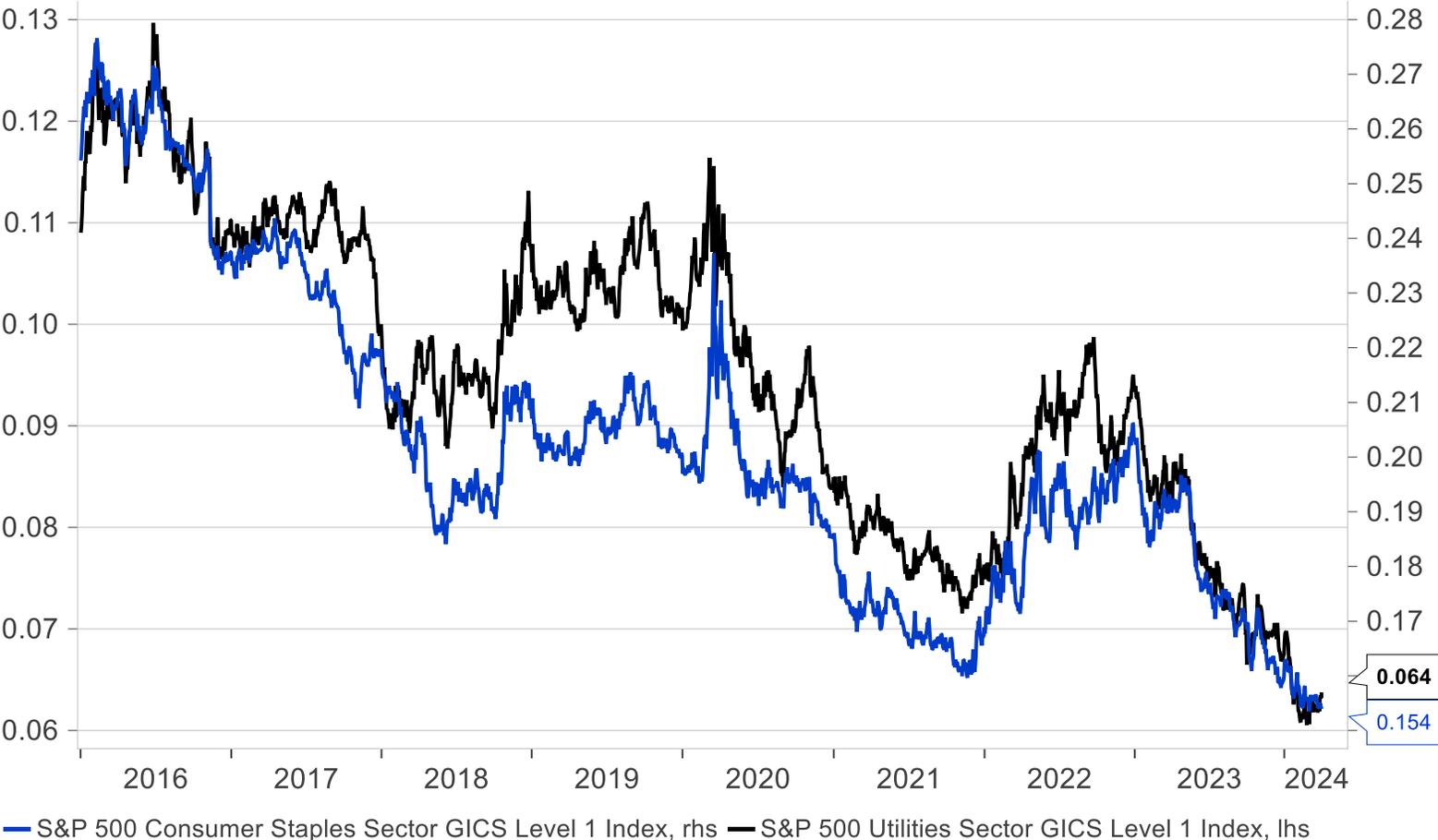
Sentiment: Watch for VIX Complacency



Source: NewEdge Wealth, Macrobond, Bloomberg

Sentiment: Defensives Show No Concern for Growth

Utilities & Staples vs. S&P 500 Showing Few Growth Concerns



Source: NewEdge Wealth, Macrobond, Bloomberg

Growth vs. Value

Growth vs. Value

Russell 1000 Growth vs. Value

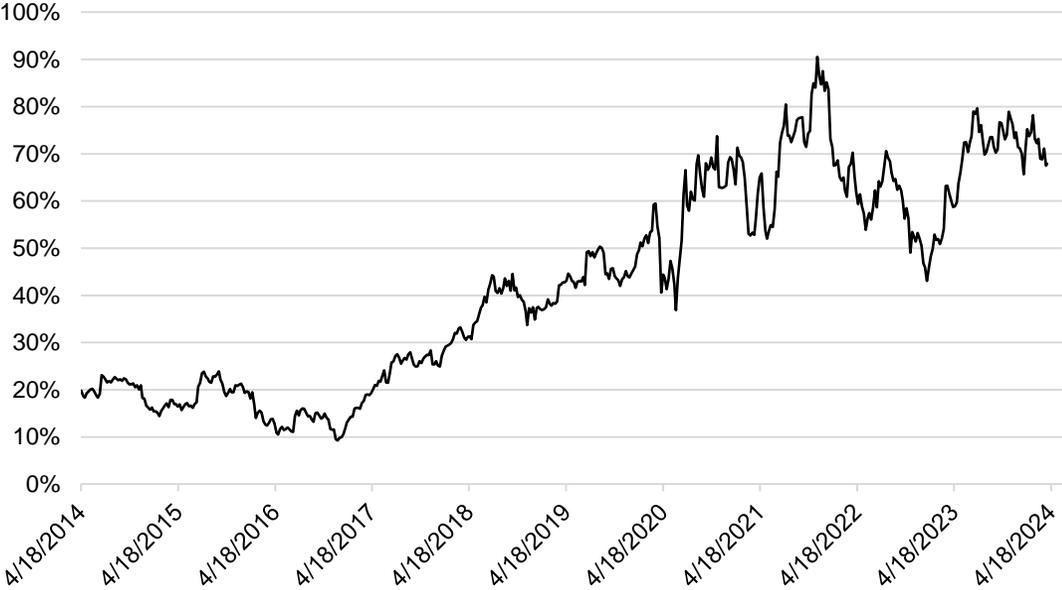


Source: NewEdge Wealth, Macrobond, Bloomberg

Growth vs. Value

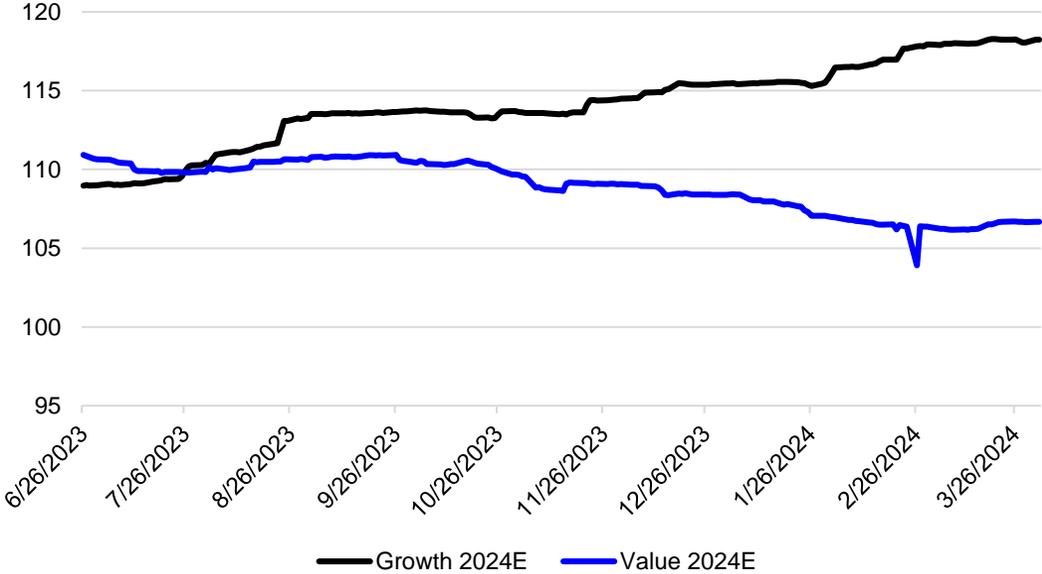
Growth Premium Over Value

Russell 1000 Growth vs. Value Forward PE



Source: NewEdge Wealth, Bloomberg

Growth and Value 2024 EPS Estimate Progression



Source: NewEdge Wealth, Bloomberg

International

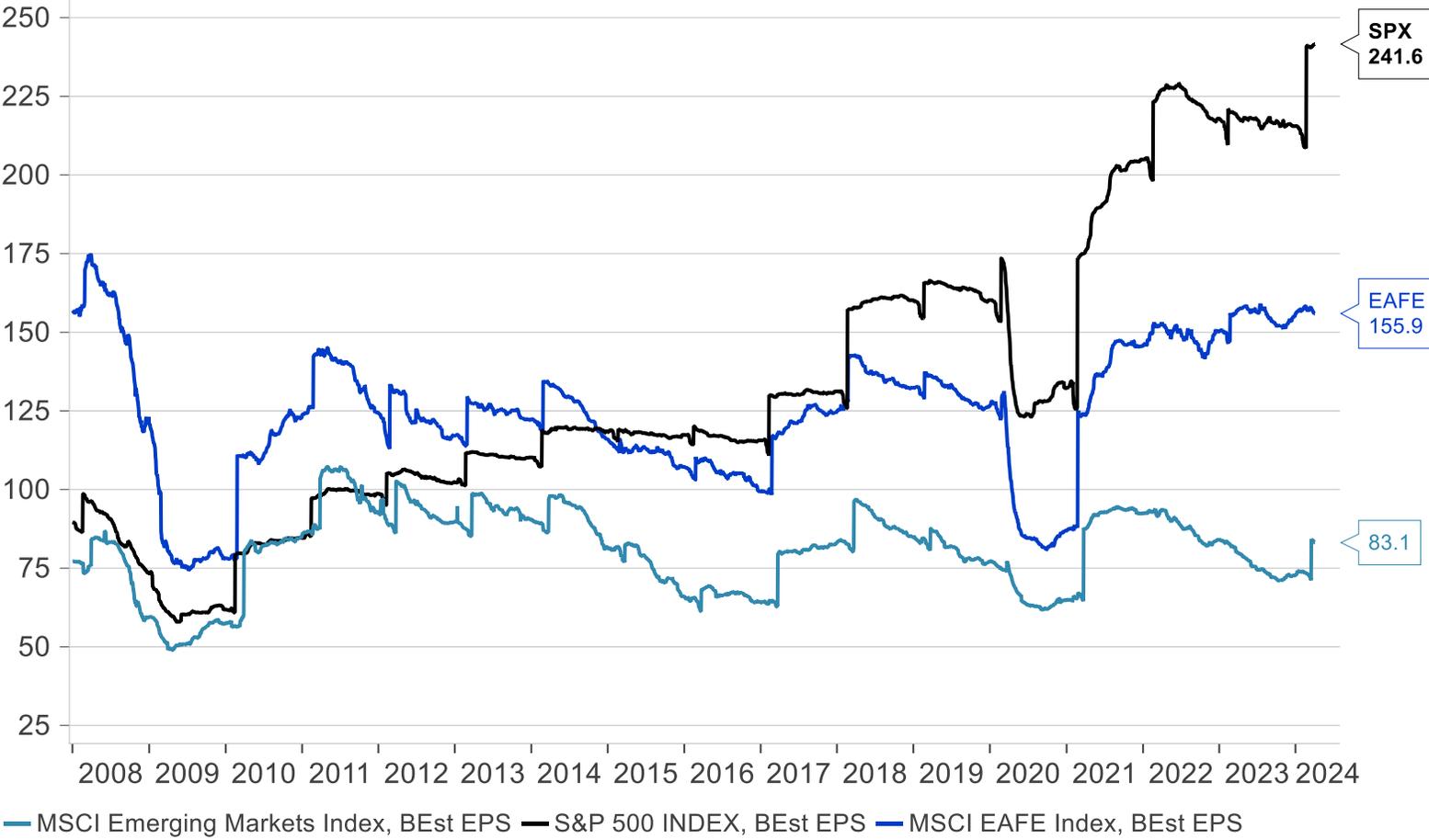
MSCI World Excluding United States Index vs. S&P 500



Source: NewEdge Wealth, Macrobond, Bloomberg

International

Earnings Per Share S&P 500 and EAFE International Developed



Source: NewEdge Wealth, Macrobond, Bloomberg

Small Caps

S&P 600 Small Cap (SML Index) Absolute (top) and Relative to S&P 500 (bottom)



SML Index (S&P Small Cap 600 Index) SML relative Daily 03APR2023-02APR2024

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Source: NewEdge Wealth, Bloomberg

Small Caps

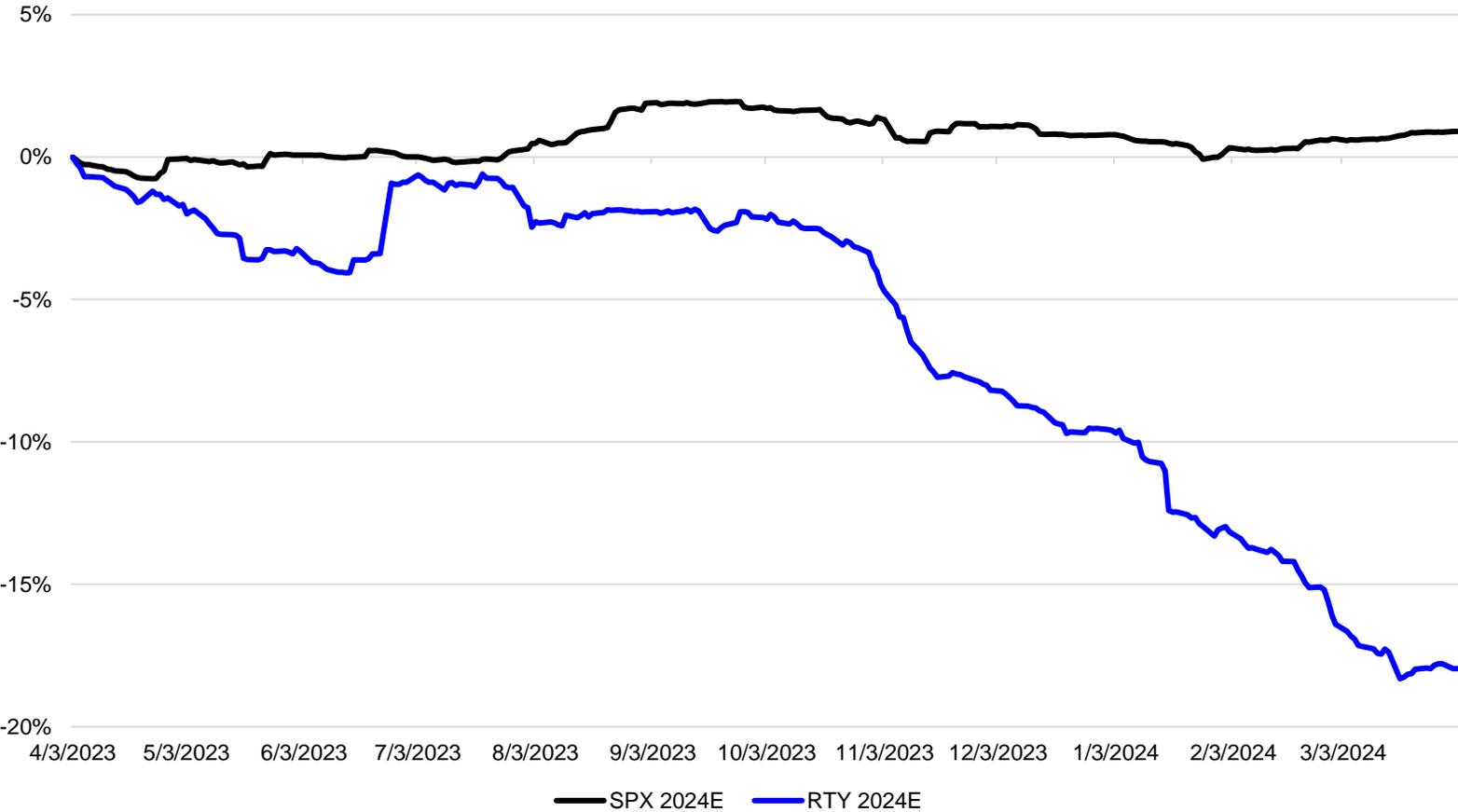
S&P 600 Premium/Discount to S&P 500



Source: NewEdge Wealth, Bloomberg

Small Caps

S&P 500 and Russell 2000 2024 EPS Forecast Revisions since 2Q23



Source: NewEdge Wealth, Bloomberg

Fixed Income



2Q24 Fixed Income Outlook Themes

**Potential for Retracement to the 2023 Highs in Yields, Creates
“Buy the Dip” Opportunities**

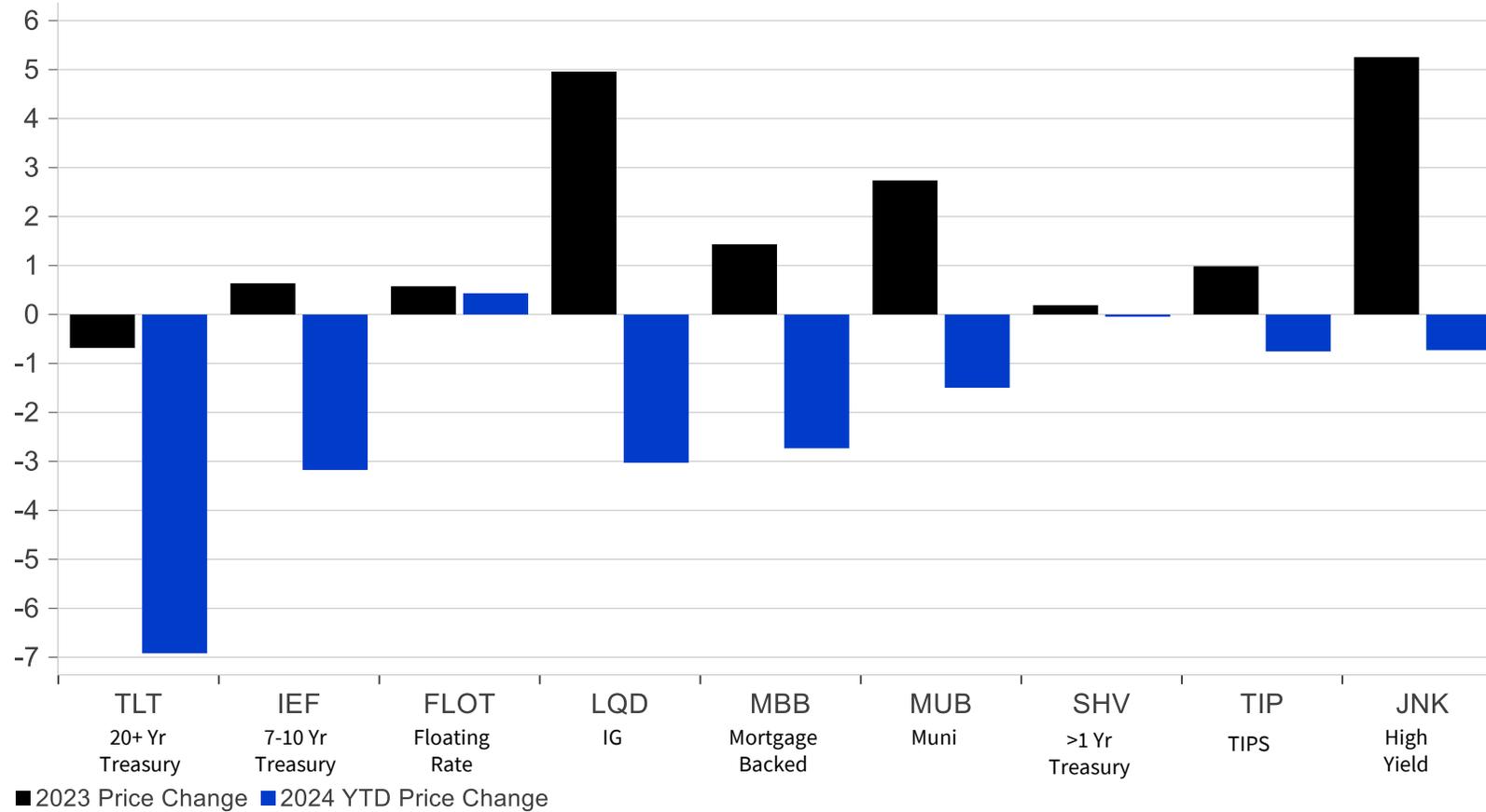
Credit Fundamentals are Solid but Beware of Overvaluation

Fixed Income Performance Dispersion

Diversification Opportunities

2024 A Challenged Start

Fixed Income ETF Price Change (2023 and 2024 YTD)



Source: NewEdge Wealth, Macrobond, Bloomberg

10 Year Treasury Range: 3.75% to 5%

10 Year Treasury Yield

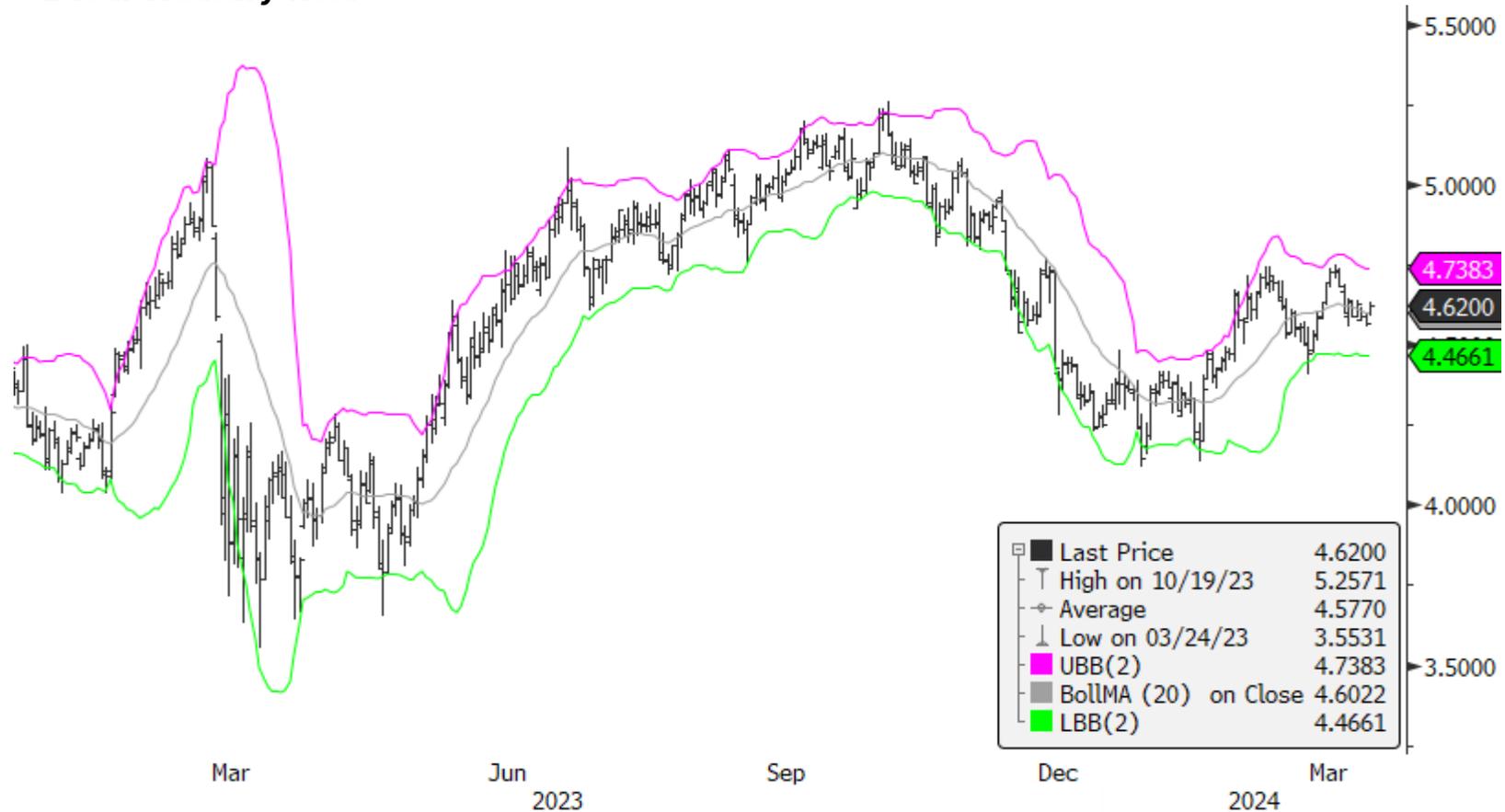


Source: Bloomberg, NewEdge Wealth

As of 3/30/24

2 Year Treasury Range: 4% to 5%

2 Year Treasury Yield



USGG2YR Index (US Generic Govt 2 Yr) Daily 01JAN2023-28MAR2024 Copyright© 2024 Bloomberg Finance L.P. 30-Mar-2024 09:27:01

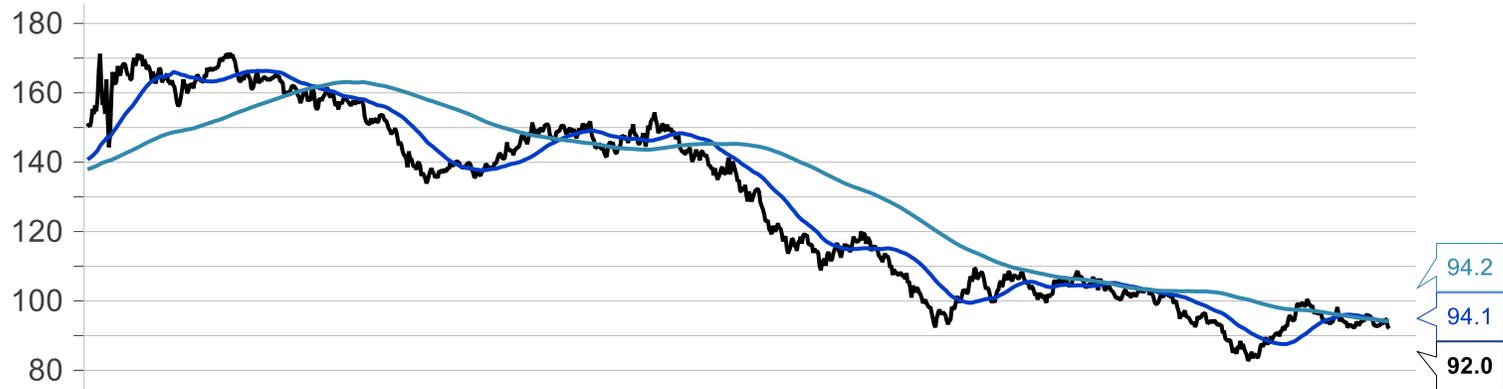
Source: Bloomberg, NewEdge Wealth

As of 3/30/24

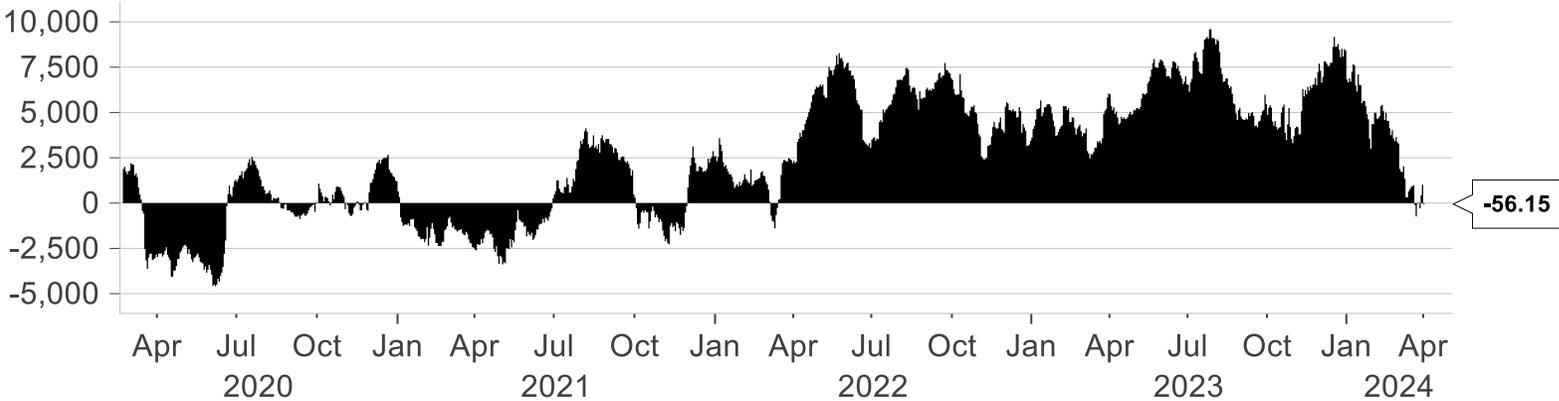
Investor Bet on Lower Yields Ahead

TLT ETF and 3 Month Rolling Fund Flow

TLT ETF (50 and 200 DMA)



ETF Fund Flows (3 month rolling)



Source: NewEdge Wealth, Macrobond, Bloomberg

Credit Spreads Have Scope to Widen

Credit Spreads Compress to Start 2024

High Yield and Investment Grade (Baa) Credit Spreads



Source: NewEdge Wealth, Macrobond, Bloomberg

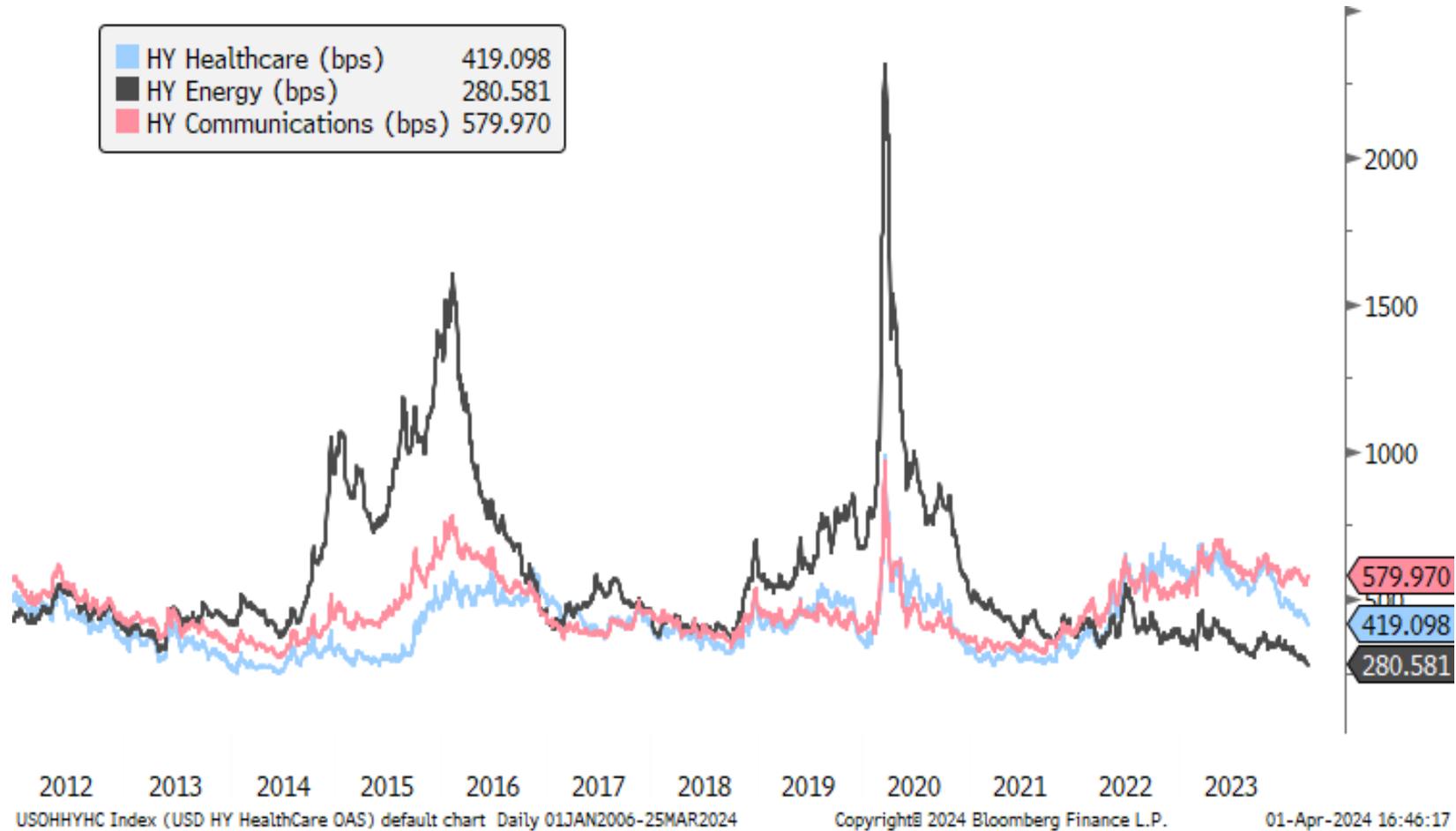
IG Credit Spreads by Sector



Source: Bloomberg, NewEdge Wealth

As of 3/30/24

HY Credit Spreads by Sector



Source: Bloomberg, NewEdge Wealth

As of 3/30/24

Emerging Market Debt and Preferred's

Emerging Market Bond Yield and Preferred Bond Yield



Source: NewEdge Wealth, Macrobond, Bloomberg

2024 Fixed Income Outlook: Munis

Key Points

The muni yield curve presents attractive opportunities

Be alert to future rate volatility, with a “buy the dip” mentality

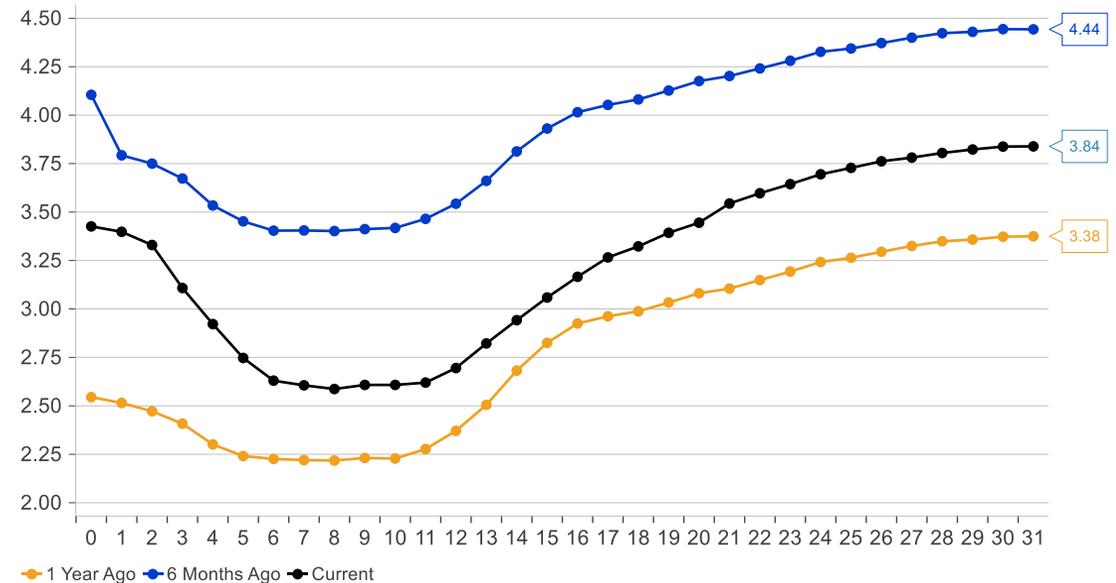
Spreads have tightened but remain attractive

Elevated supply/healthy demand for muni bonds

Slowing momentum for upgrades vs. downgrades, broad fundamental remain healthy but showing signs of weakness

US AAA Muni Yield Curve Over Time

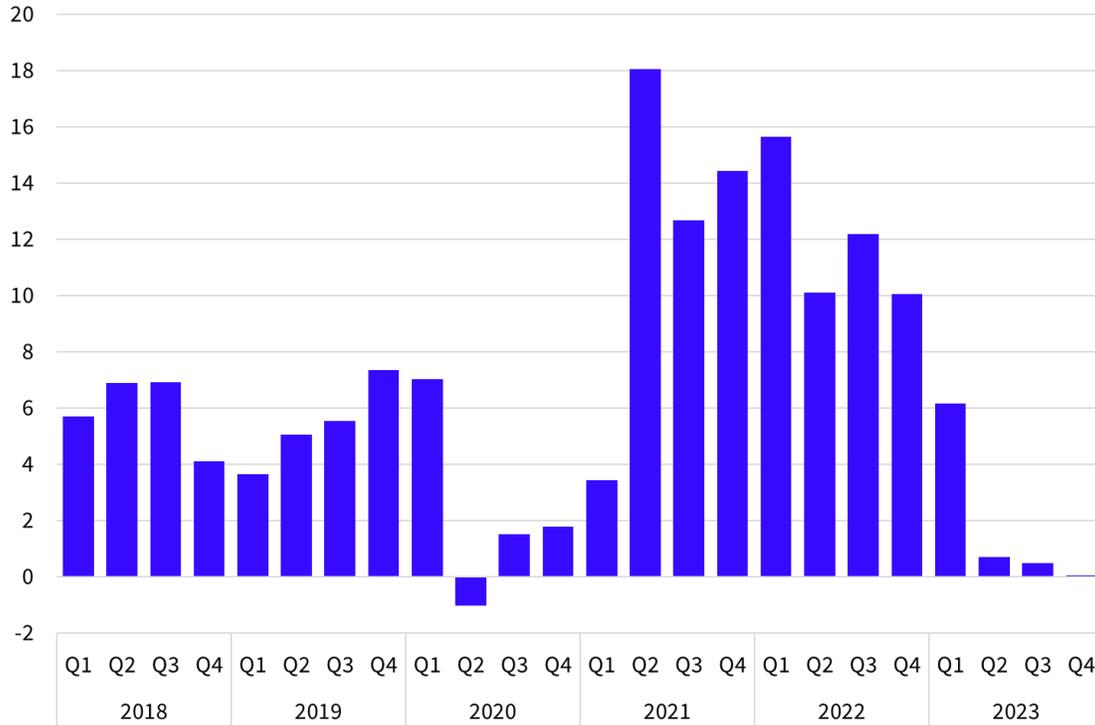
BVAL Muni AAA Yield Curve 3M-30Y



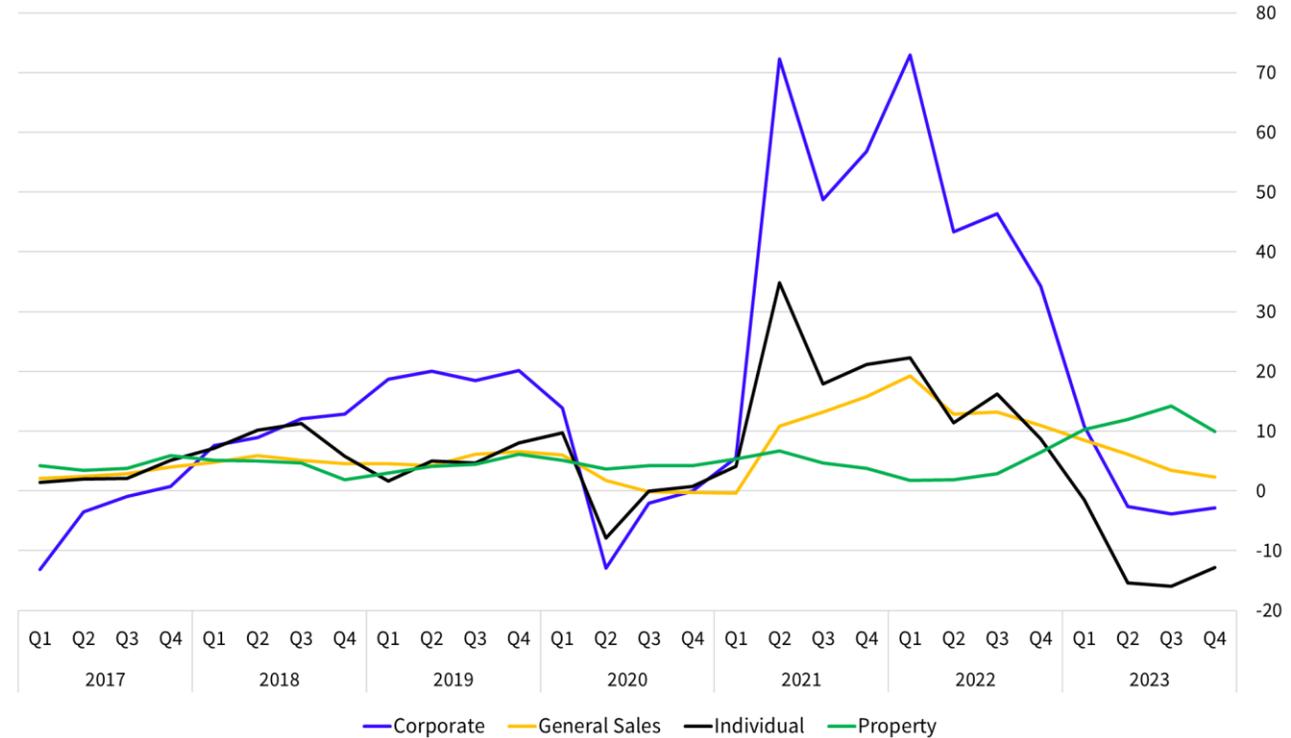
Source: NewEdge Wealth, Macrobond, Bloomberg

Munis: Watching Tax Revenues and Credit Fundamentals

State & Local Tax Revenue Growth Near Flat



Weakening Tax Collections Driven by Income Tax



- S&P upgraded 86 ratings vs just 39 downgrades during the first 2 months of the year as credit fundamentals proved resilient during 1Q24.
- Expectations are for ratings to stay positive throughout 2024, but the upgrade to downgrade ratios should moderate as growth slows.
- State and local governments are slowly but surely edging towards a future where they can no longer rely on federal pandemic cash.

Municipal Bond Yields Remain Near Multi-Year Highs

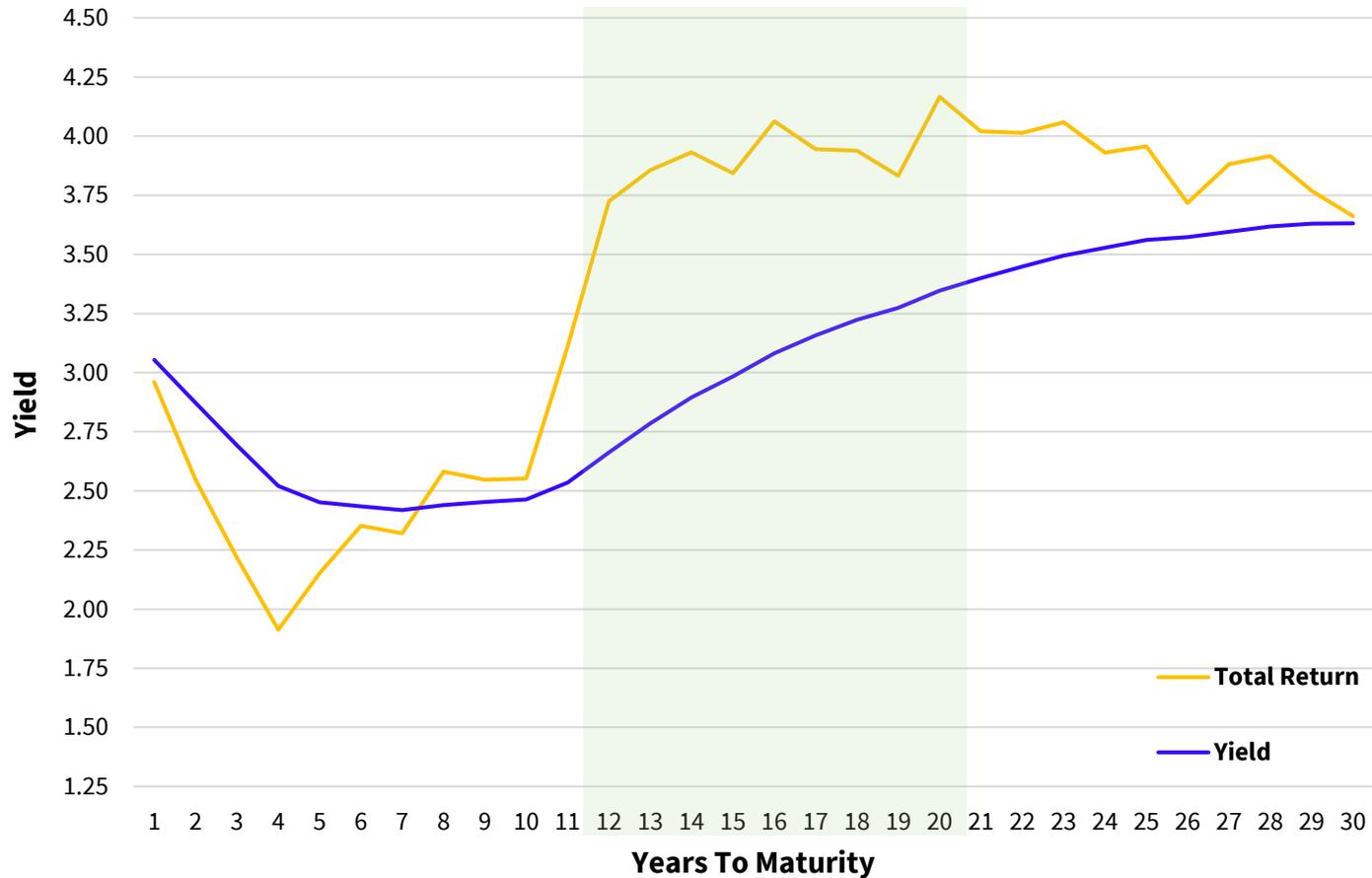
Bloomberg Municipal Bond Index Yield to Worst



— Bloomberg Municipal Bond Index Total Return Index Value Unhedged USD, Yield to Worst

Source: NewEdge Wealth, Macrobond, Bloomberg

Munis: Total Return Opportunities



An investor can achieve additional total return on 12-20 year bonds vs. 30 year bonds without the associated volatility.

Total Return – Yield plus return from roll down over a 1 year period with rates unchanged.

	4	10	12	16	20	26	30
Yield	2.52	2.46	2.66	3.08	3.35	3.57	3.63
Roll	-0.61	0.09	1.06	0.98	0.82	0.14	0.03
Total Return	1.91	2.55	3.72	4.06	4.17	3.72	3.66

Source: NewEdge Wealth/ BVAL Yields 3/21/24
 Total Return for a bond with a specific maturity is the 1 year return a bond would have if there were no changes in interest rates over one year. Roll is a calculation of performance contribution as each maturity “rolls” down one year with interest rates unchanged.

Alternative Investments



Alternative Themes for 2024

Our overall sentiment is cautious optimism

The cost of capital matters

Benefitting from fundraising disruption

Nimbleness is rewarded

AI/technology create opportunities

Thesis driven infrastructure

Big trends create big opportunities

Selectivity in democratization

Watching regulations

The State of Alternatives: 2Q24 Update

Venture Equity

High quality businesses are still getting funded
Early-stage businesses are being pressed to focus on profitability
Early-stage valuations have been resilient, but a reset is underway
Starting to see a reheating of funding and the fundraising market

The Opportunity: Green shoots are beginning to emerge in venture, and we see opportunities to gain access to higher quality businesses at more attractive entry points with normalized valuations.

Private Equity

The cost of leverage remains elevated, pressuring high leverage/financial engineering strategies
Increasing focus on how return is generated at the company level
As the exit environment has remained tight and return of capital has slowed, so has the pace of new commitments

The Opportunity: We see more opportunities for quality growth across the lower middle market and middle market vs. the upper market where financial engineering tends to be more prevalent.

Manager selection and quality of return generation matter more than ever as the dispersion between winners and losers widens. Managers focused on driving value creation through margin expansion, operational efficiency and building a higher quality cap table to drive returns will prevail over those that lean on financial engineering.

Private Credit

A “golden age” for some (low defaults but starting to see cracks, high base rates) - risk management remains critical
Competition pushing both structures and yields. Some larger players giving up yield to maintain structure
Focus on: underwriting track record, downside protection, stress testing

Over 1,200 funds in the market today - oversaturation risk and manager selection increasingly critical

The Opportunity: As the elevated interest rate environment persists and the syndicated loan markets begin to reopen, we see greater long-term opportunity across private credit with a critical eye towards underwriting and downside protection particularly as new entrants flood the marketplace.

The State of Alternatives: 2Q24 Update

Secondaries

Pickup in secondary activity on both the LP Led and GP Led side

Declining private equity valuations and LP desire to normalize the denominator effect will lead to greater discounts

GPs need to begin to return capital to investors will increasing supply of GP led deals

Alternative liquidity solutions continue being tested – NAV lending, carve-outs, hybrid facilities

The Opportunity: We expect to continue to see a pickup in secondary deals coming to market as LPs and GPs seek to generate liquidity for investors. Secondary funds will be able to take advantage of attractive pricing as valuations reset.

Growth Equity

Valuations are coming under pressure as the IPO window remains largely closed

Green shoots of investments as valuations normalize and as exit opportunities ramp up (increased M&A activity and IPO window reopening)

Continued focused interest on profitable business models and countercyclical sectors

The Opportunity: Opportunities will present if the IPO window continues to reopen and as M&A activity reaccelerates.

Private Real Estate

Commercial / Office real estate market has already begun to show early signs of recession – but it is a slow burn, not a blow up

Multifamily rent levels are dropping across the country (ex New York), painting a tougher picture going forward for the REITs which have focused on that segment of the market

Stress in the space overall has reduced new capital supply

The Opportunity: We continue to see opportunities to invest in high quality assets with stressed capital stacks in both debt and equity. Market dislocations may create attractive pockets of buying opportunity in the next 12-18 months. We will likely see openings particularly in distressed spaces in 2024 such as office and commercial which could cause contagion across the industry.

The opportunity in triple net lease is growing as we are seeing large corporations evaluate how they want to capitalize their balance sheets.

The State of Alternatives: 2Q24 Update

Hedge Funds

Still see value in consistency of returns, in the last cycle we saw inconsistencies which caused rethinking of allocation bases in the space.

Heightened focus on post tax returns for individuals investing.

Continue to believe significant opportunity lies within the multi strategy and less correlated strategies.

The Opportunity: Working on forming better quality access points to the space.

Disclosures

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Investing involves risk, including possible loss of principal. Past performance is no guarantee of future results.

All data is subject to change without notice.

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Abbreviations/Definitions: AI: artificial intelligence; CB: central banks; CPI: Consumer Price Index; Dot Plot: The Fed dot plot is published quarterly as a chart showing where each of the 12 members of the FOMC expect the federal funds rate to be for each of the next three years and the long term; EBITDA: Earnings before interest, taxes, depreciation and amortization; EM: emerging markets; EPS: earnings per share; GDP: gross domestic product; GFC: great financial crisis; HY: high yield; IG: investment grade; Initial Jobless Claims: measures the number of individuals who filed for unemployment insurance for the first time during the past week; IPO: initial public offering; Mortgage-Backed Security (MBS): an investment similar to a bond that is made up of a bundle of home loans bought from the banks that issued them. Investors in MBS receive periodic payments similar to bond coupon payments; Quantitative easing (QE): refers to the Fed buying assets to lower longer-term interest rates; Quantitative tightening (QT): means the Fed is selling assets to put upward pressure on longer-term rates; PE: price to earnings ratio, the ratio of share price of a stock to its EPS; PMI: Purchasing Managers' Index; Treasury General Account (TGA): Treasury's cash balance held at the Fed; Trimmed mean inflation: a measure that strips out the fastest and slowest growing prices each month, leaving behind a less noisy measure of core inflation; VIX is the ticker symbol for the Chicago Board Options Exchange's CBOE Volatility Index, a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

Disclosures

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. You cannot invest directly in an index. Index returns shown are total returns which includes interest, capital gains, dividends, and distributions realized over a given period of time. An individual who purchases an investment product which attempts to mimic the performance of a benchmark or index will incur expenses such as management fees and transaction costs which reduce returns.

TIPS: Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Barclays Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg Barclays US Agg Total Return Value Unhedged USD
U.S. MBS: Bloomberg Barclays US MBS Index
High Yield Municipals: Bloomberg Barclays Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD
Foreign Bond: Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged USD
U.S. Large Cap: S&P 500 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
World: MSCI ACWI Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Midstream Energy: Alerian MLP Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
U.S.: MSCI USA Net Total Return USD Index

Europe: Euro Stoxx 50
United Kingdom: UK FTSE 100
Japan: Tokyo TOPIX Stock Exchange Index
China: Hang Seng Index
Brazil: Ibovespa Brasil Sao Paulo Stock Exchange Index
India: NSE Nifty Index
South Korea: Korea Stock Exchange KOSPI Index
Taiwan: Taiwan Stock Exchange Index

REITs Diversified: FTSE Nareit Eqty Diversified Total Return Index
REITs Healthcare: FTSE Nareit Eqty Health Care Total Return Index
REITs Industrial: FTSE Nareit Eqty Industrial Total Return Index
REITs Lodging/Resorts: FTSE Nareit Eqty Lodging/Resorts Total Return Index
REITs Office: FTSE Nareit Eqty Office Total Return Index
REITs Residential: FTSE Nareit Eqty Residential Total Return Index
REITs Retail: FTSE Nareit Eqty Retail Total Return Index
REITs Self Storage: FTSE Nareit Eqty Self Storage Total Return Index
REITs Data Centers: FTSE Nareit Equity Data Centers Total Return Index
REITs Specialty: FTSE Nareit Equity Specialty Total Return Index
Real Assets Agriculture: Bloomberg Sub Agriculture Total Return Index
Real Assets Industrial Metals: Bloomberg Sub Industrial Metals Total Return Index
Real Assets Precious Metals: Bloomberg Sub Precious Metals Total Return Index
Real Assets Energy: Bloomberg Sub Energy Total Return Index

Any questions?

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What Are We Watching in 2Q24?

Continued economic resilience? Watching jobs data closely

Potential for sticky inflation readings given commodity price moves

Cyclical manufacturing recovery

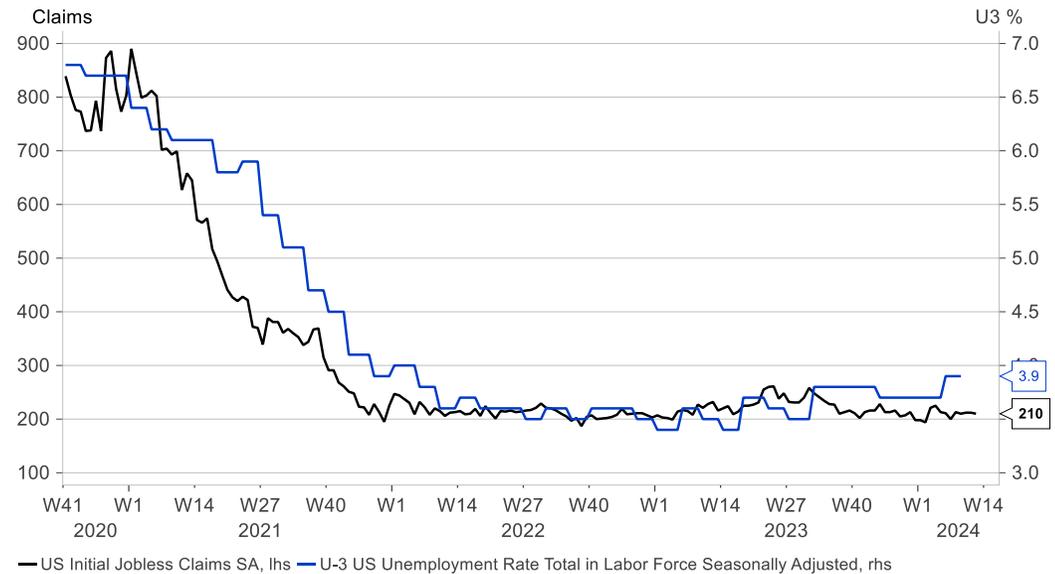
Does resilient data lead to a tighter Fed and higher yields? Will this impact equity valuations?

Watching liquidity dynamics closely

Potential for equity volatility to return against the backdrop of high valuations, crowded positioning, and elevated sentiment?

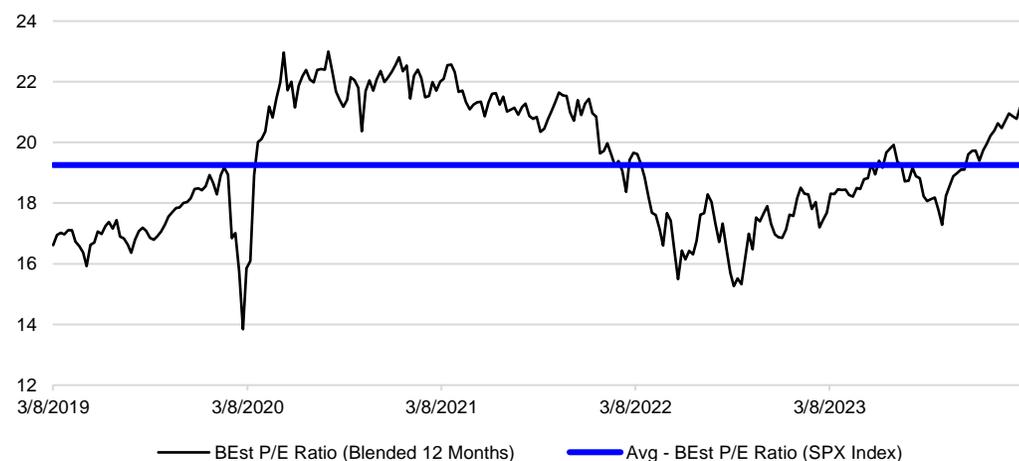
Leadership rotations?

US Initial Jobless Claims and Unemployment Rate



Source: NewEdge Wealth, Macrobond, Bloomberg

S&P 500 12 Months Forward PE



Source: Bloomberg, NewEdge Wealth