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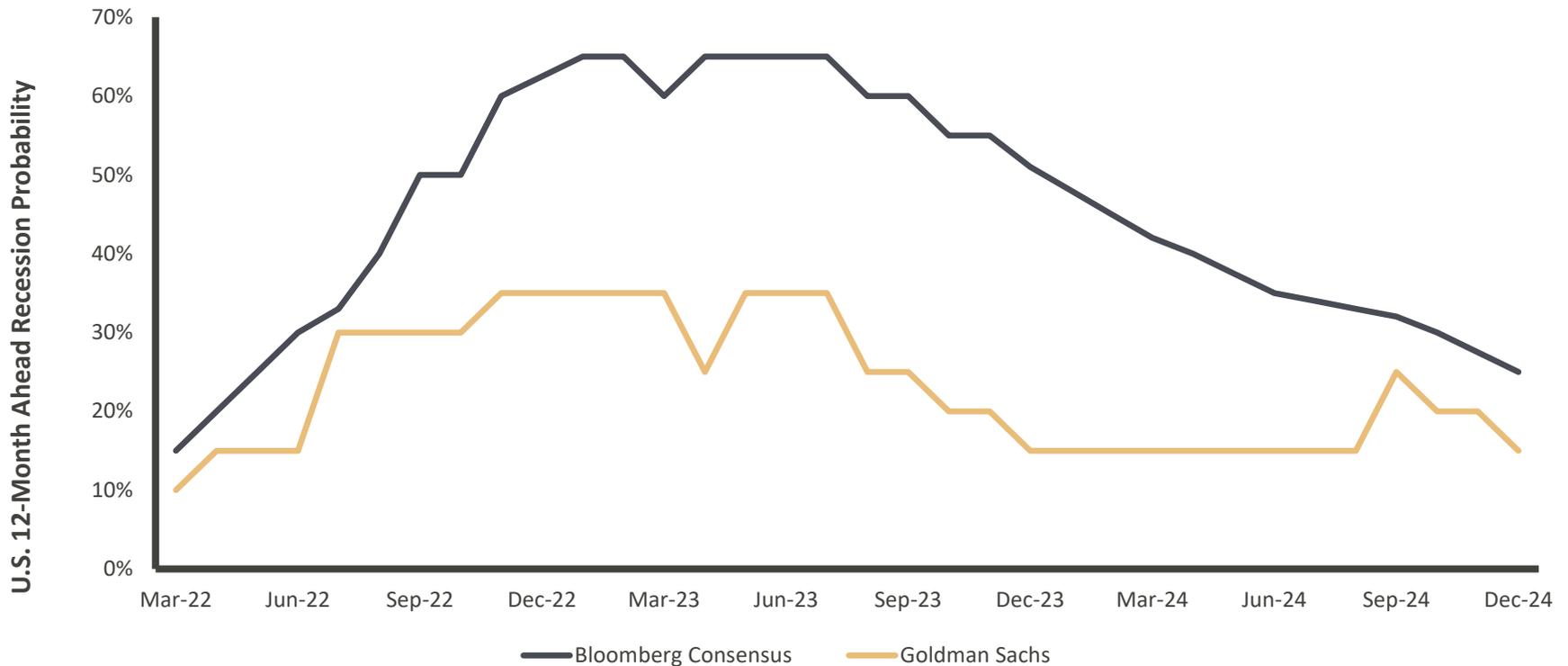
2025 Market Preview

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U.S. Economy Overview

How likely is a U.S. recession?

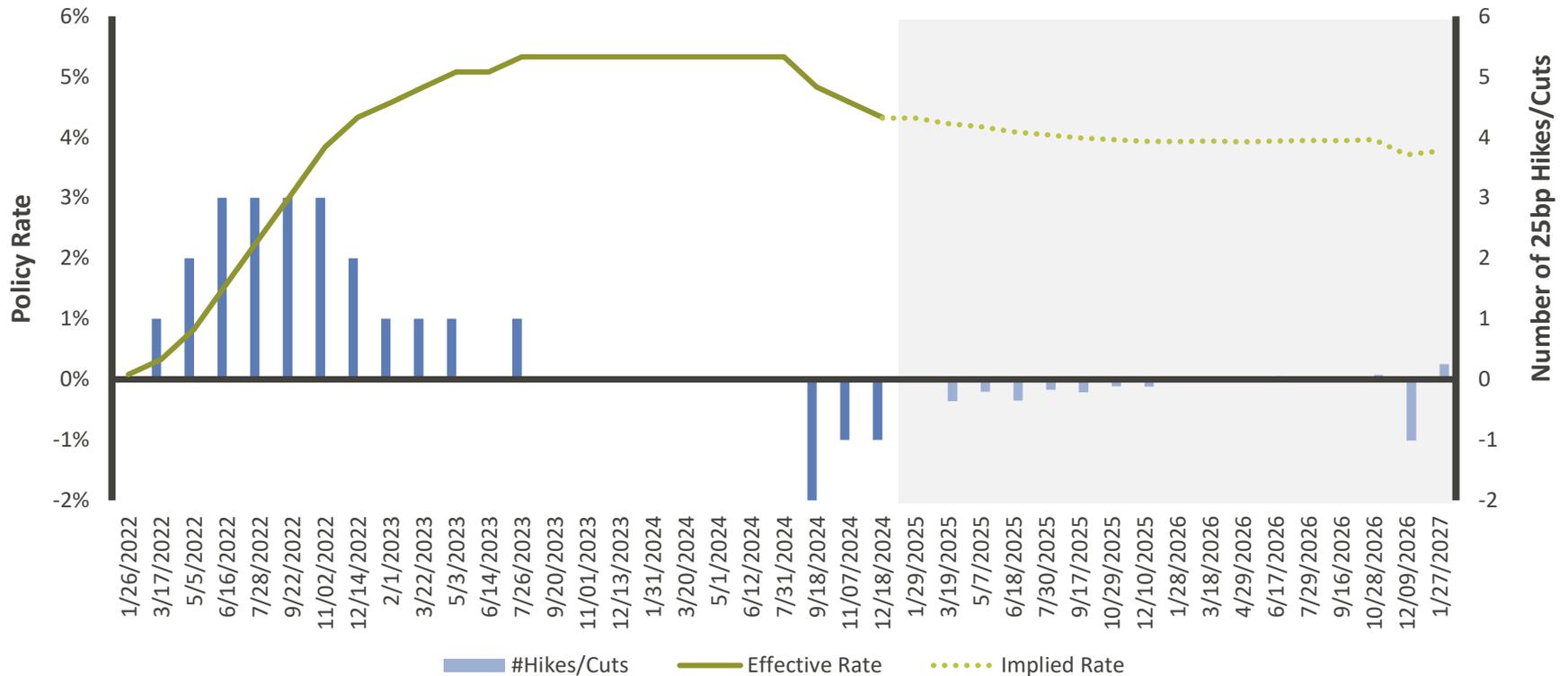
According to forecasters, the probability of a near-term recession in the U.S. has fallen over the last several quarters



Source: Bloomberg, Goldman Sachs as of December 31, 2024

Rate expectations

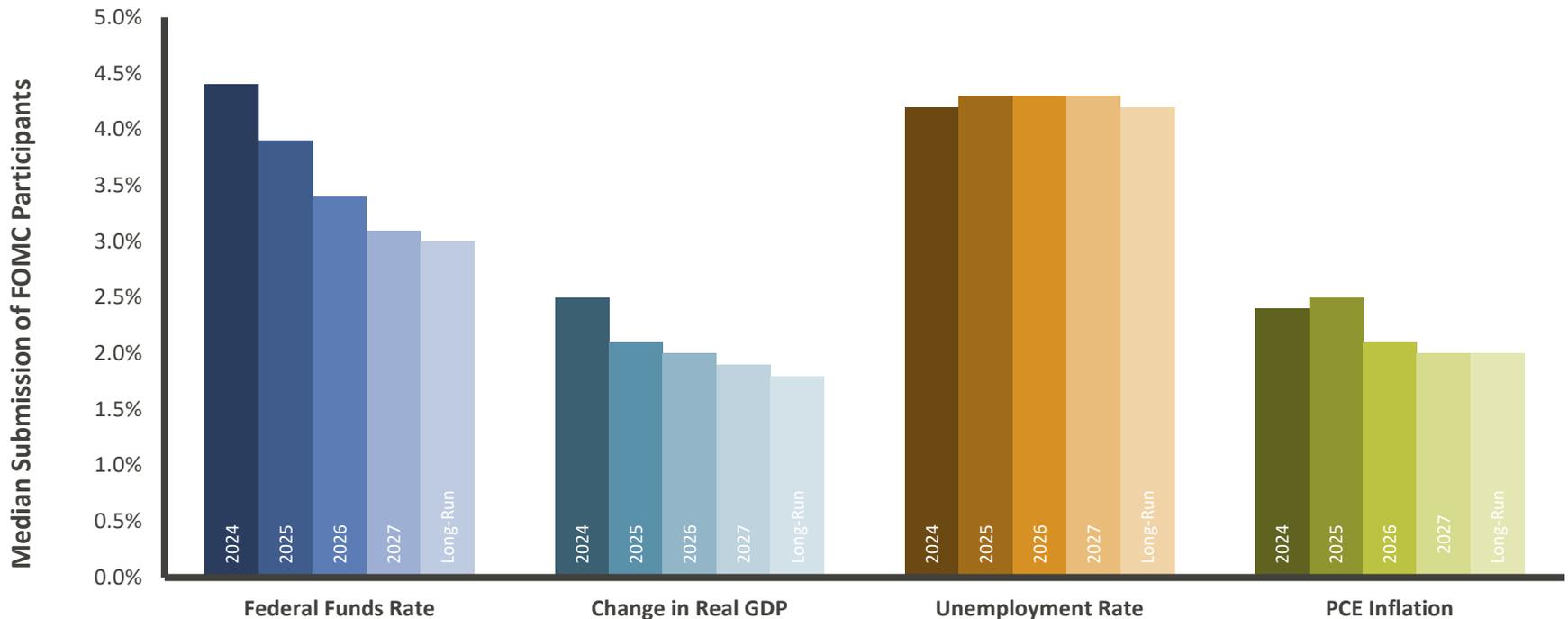
The number of forecasted Fed interest rate cuts in 2025 has fallen; investors now expect 1–2 cuts from the central bank this year



Source: Bloomberg as of January 8, 2025. Gray shading indicates forecasts.

Summary of economic projections

Federal Reserve officials expect moderation in GDP growth, inflation, and interest rate levels over the next few years



Source: Federal Reserve as of December 18, 2024. Long-run projections are defined as representing each participant's assessment of the value to which each variable would be expected to converge, over time, under appropriate monetary policy and in the absence of further shocks to the economy. "Appropriate monetary policy" is defined as the future path of policy that each participant deems most likely to foster outcomes for economic activity and inflation that best satisfy his or her individual interpretation of the statutory mandate to promote maximum employment and price stability.

Washington Update:
Policy to Portfolio

A new administration and a new plan

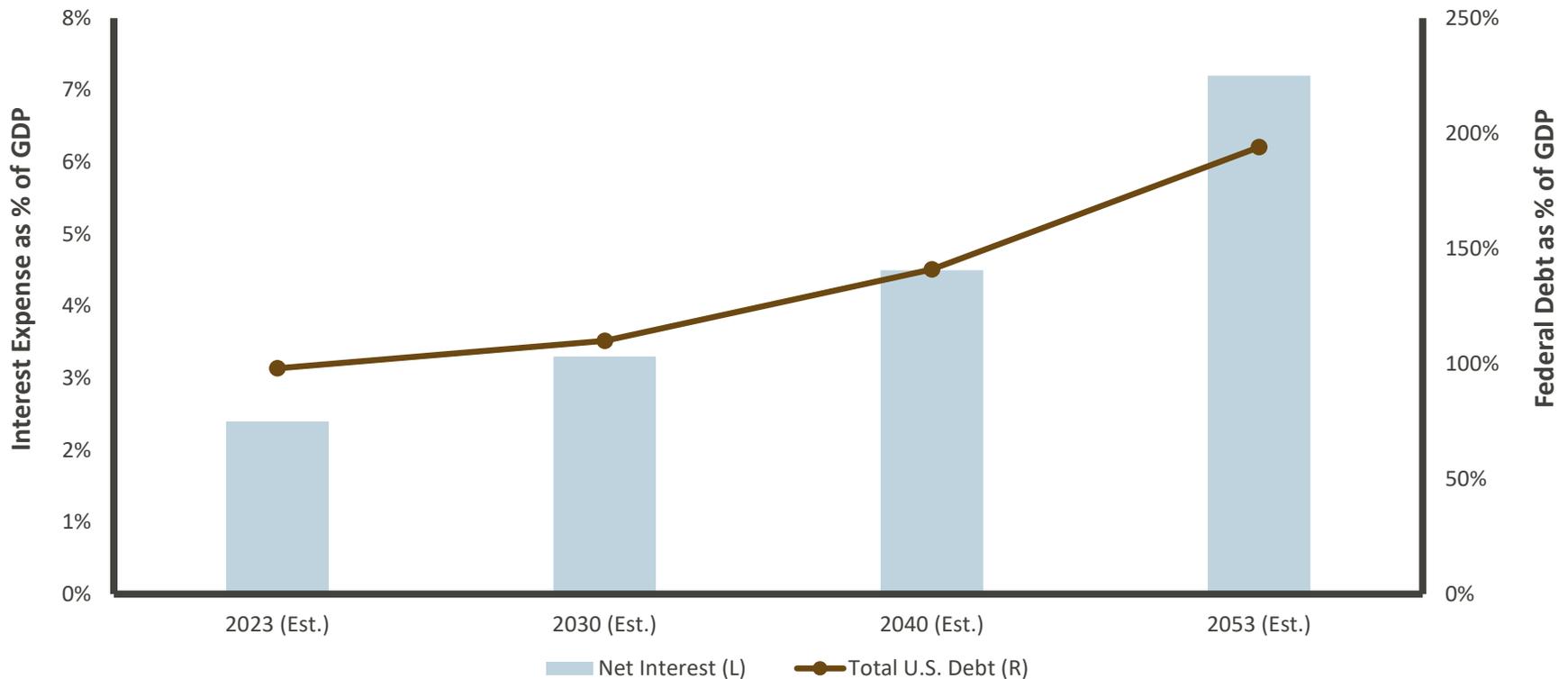
New government policies will likely have a mixed economic impact, which means details and sequencing matter

Policy	Detail	Impact on Growth	Impact on Inflation	Impact on Deficit
Expiring Trump Tax Cuts	<ul style="list-style-type: none"> Extend individual and reinstate expiring business provisions New tax cuts will be marginal 	Positive	Neutral	Increase
IRA Renewable Tax Credits	<ul style="list-style-type: none"> Targeted repeal of credits Eliminate DOE Grants 	Neutral	Neutral	Decrease
Tariffs	<ul style="list-style-type: none"> Tariffs will increase but less than rhetoric China a specific target 	Negative	Increase	Decrease
Immigration	<ul style="list-style-type: none"> Close border and restart wall End Temporary Protected Status Symbolic deportations 	Negative	Neutral to Increase	Neutral
Deregulation	<ul style="list-style-type: none"> Energy permitting More industry friendly regulatory agency Banking changes 	Positive	Lower	Neutral
Spending Cuts	<ul style="list-style-type: none"> DOGE could reduce spending marginally Real cuts require Congress 	Neutral to Negative	Neutral	Neutral to Decrease
Social Security/Medicare	<ul style="list-style-type: none"> No major changes 	Neutral	Neutral	Increase

Source: PIMCO, Goldman Sachs, Deutsche Bank, Congressional Budget Office as of December 31, 2024

New administration, same old problem

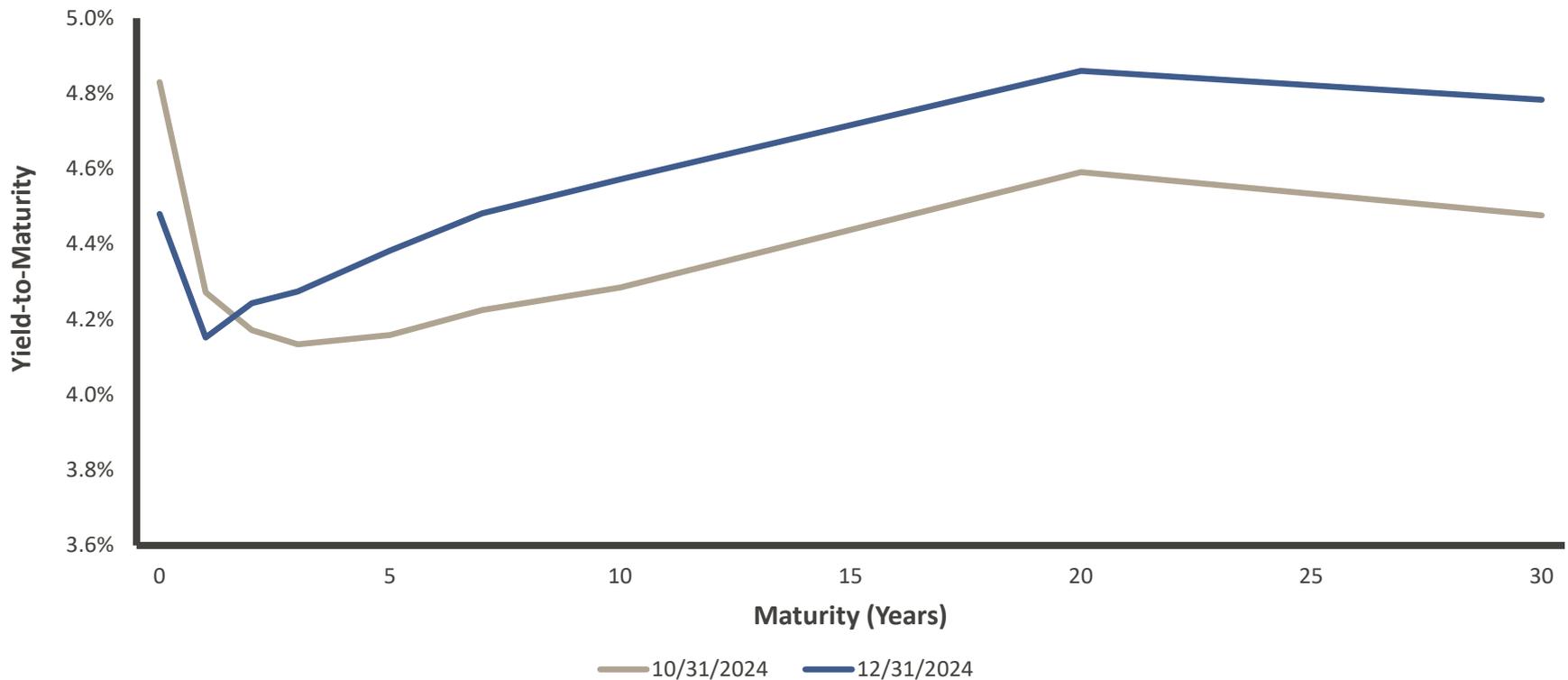
The U.S. debt situation continues to look gloomy, as both interest expense and total debt are expected to rise in the coming years



Sources: Congressional Budget Office as of March 31, 2024

The Treasury curve is under pressure

Even as the Federal Reserve has cut rates, Treasury yields have increased across the curve as inflation and deficit fears persist



Sources: Bloomberg as of December 31, 2024

Winners and losers

Economic policies will create opportunities within sectors, which should translate to tailwinds for active managers

WINNERS	MIXED	LOSERS
 Airlines	 Autos	 Healthcare
 Defense	 Consumer	 Renewables
 Financials	 Housing	 Technology
 Traditional Energy	 Retail	
 Utilities		

Sources: PIMCO as of December 31, 2024

Donald Trump = currency king?

Despite Trump's preference for a weaker dollar, investors have pushed the greenback higher; his election has also fueled digital currencies



Sources: Bloomberg as of December 31, 2024

Fixed Income

Fixed income performance

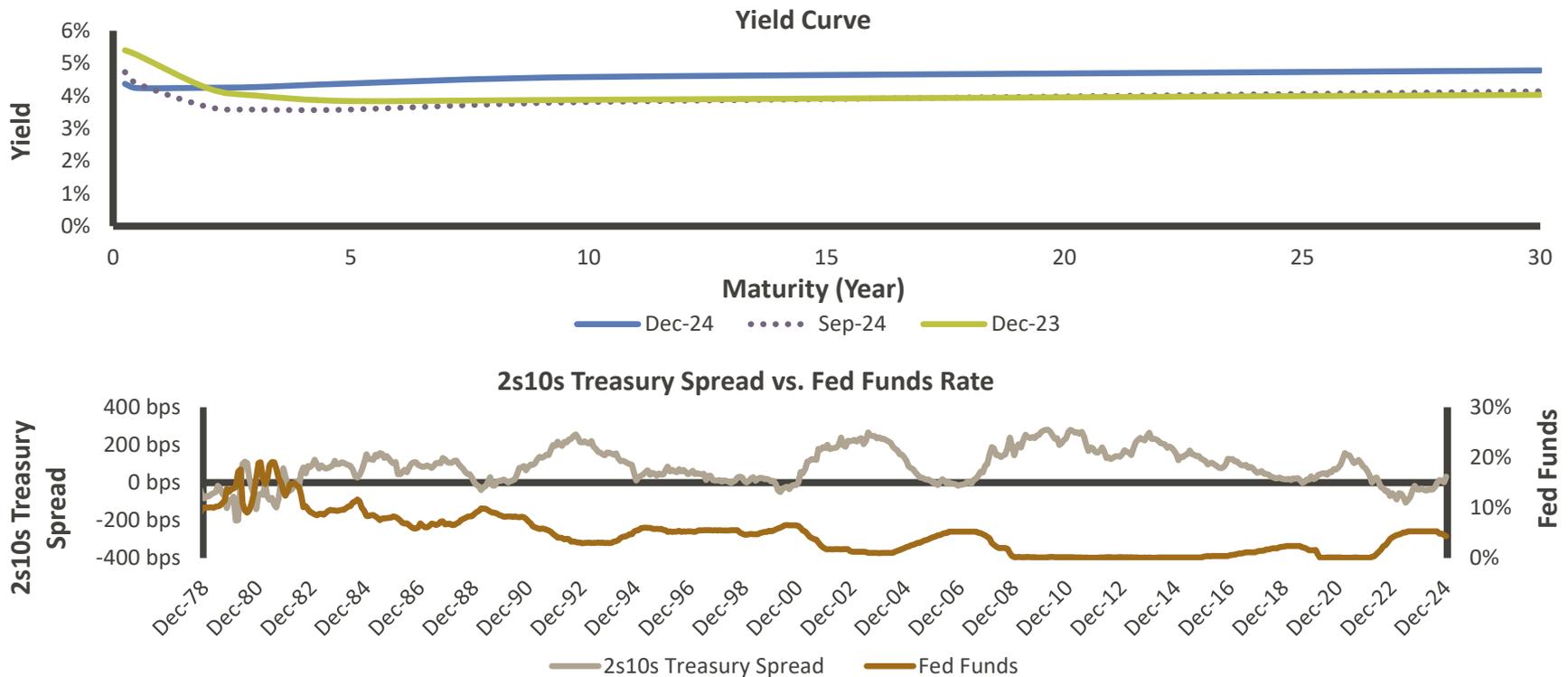
Despite rate volatility, fixed income indices were mostly positive in 2024; long-dated indices fared poorly as back-end rates increased

		MTD (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Broad Market Index	Blm Aggregate	-1.6	-3.1	1.3	1.3	-2.4	-0.3	1.3
Intermediate Index	Blm Int. Gov./Credit	-0.6	-1.6	3.0	3.0	-0.2	0.9	1.7
Government Only Indices	Blm Long Gov.	-5.3	-8.6	-6.4	-6.4	-11.9	-5.2	-0.6
	Blm Int. Gov.	-0.6	-1.7	2.4	2.4	-0.5	0.5	1.2
	Blm 1-3 Year Gov.	0.2	-0.1	4.0	4.0	1.4	1.4	1.4
	Blm U.S. TIPS	-1.6	-2.9	1.8	1.8	-2.3	1.9	2.2
Credit Indices	Blm U.S. Long Credit	-4.3	-6.3	-2.0	-2.0	-6.8	-1.9	2.1
	Blm High Yield	-0.4	0.2	8.2	8.2	2.9	4.2	5.2
	CS Leveraged Loan Index	0.6	2.3	9.1	9.1	6.8	5.7	5.1
Securitized Bond Indices	Blm MBS	-1.6	-3.2	1.2	1.2	-2.1	-0.7	0.9
	Blm ABS	-0.1	-0.1	5.0	5.0	2.0	2.0	2.1
	Blm CMBS	-0.5	-1.4	5.0	5.0	-0.5	1.0	2.2
Non-U.S. Indices	Blm Global Aggregate Hedged	-0.8	-0.9	3.4	3.4	-0.6	0.5	2.0
	JPM EMBI Global Diversified	-1.4	-1.9	6.5	6.5	-0.9	0.1	3.1
	JPM GBI-EM Global Diversified	-1.9	-7.0	-2.4	-2.4	-1.0	-1.9	0.4
Municipal Indices	Blm Municipal 5 Year	-0.7	-1.0	1.2	1.2	0.0	0.9	1.7
	Blm HY Municipal	-1.7	-1.1	6.3	6.3	0.3	2.7	4.3

Source: Bloomberg, Credit Suisse, JPMorgan as of December 31, 2024. The local currency GBI index is hedged and denominated in U.S. dollars.

U.S. Treasury yield curve and steepness

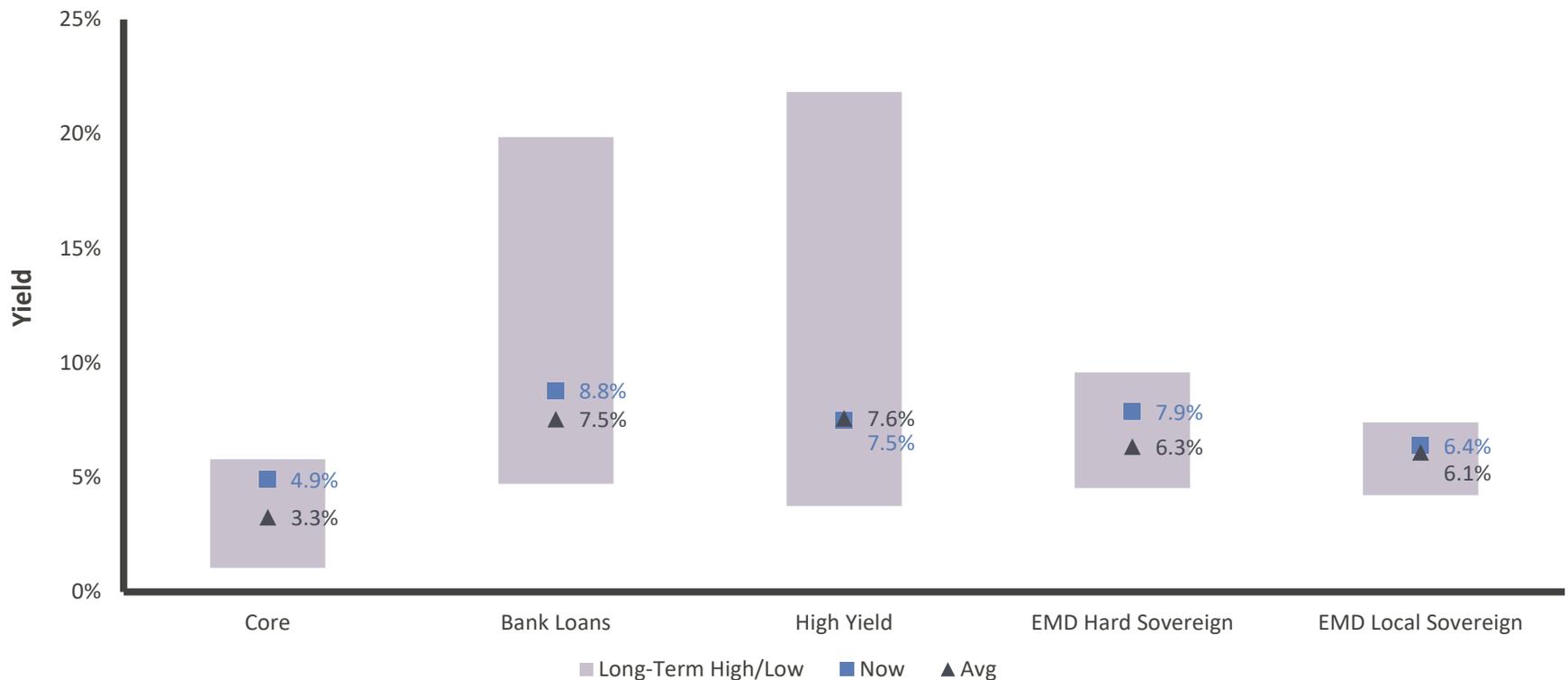
The yield curve finally normalized in 4Q (after the longest inversion on record) as the Fed initiated rate cuts and long-end rates moved higher



Source: Federal Reserve, Bloomberg as of December 31, 2024

Fixed income yields

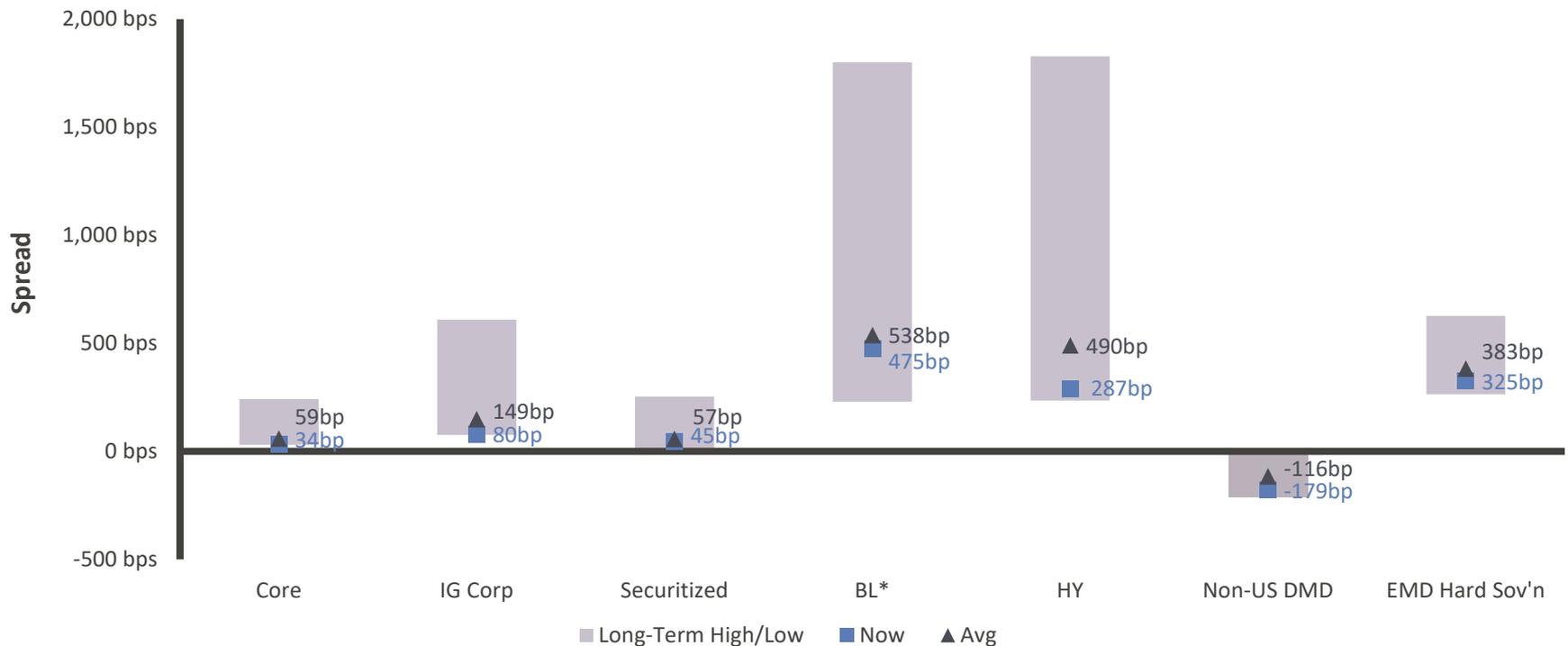
On a year-over-year basis, yields are only marginally different across sectors and still offer attractive carry for fixed income investors



Source: Bloomberg, Credit Suisse, JPMorgan as of December 31, 2024. Long-term high, low, and average based on longest available data for each index.

Fixed income spreads

Spreads started 2024 tight and moved tighter; they should remain tight barring a market shock, meaning investors should diversify across sectors



*BL spread over LIBOR, not over Treasuries.

Source: Bloomberg, Credit Suisse, JPMorgan as of December 31, 2024. Long-term high, low, and average based on longest available data for each index.

Fixed income forward returns

Yield levels still present mostly positive outcomes; the possibility of higher rates and spread widening pose near-term downside risks

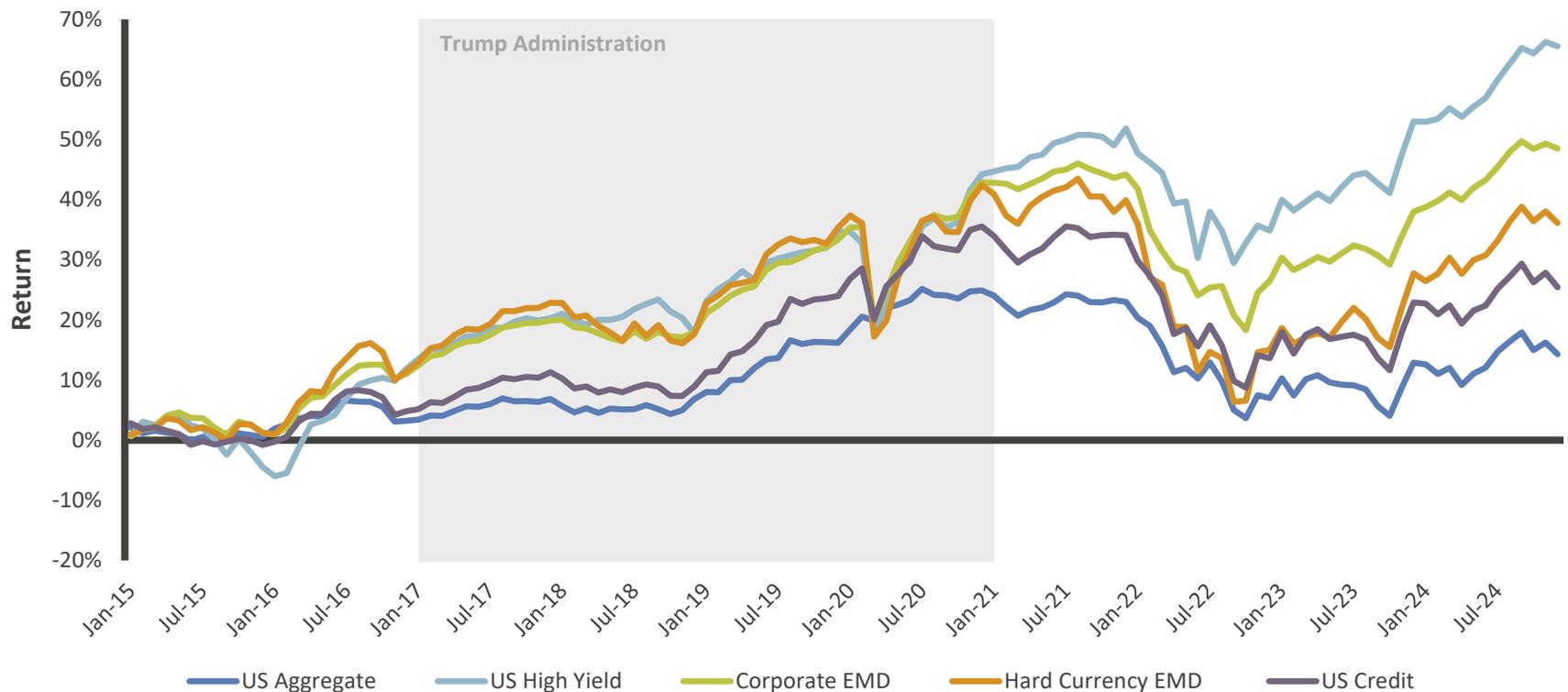
TOTAL RETURN 12 MONTHS FORWARD

		Spread Movement (bps)								
		-100	-75	-50	-25	0	25	50	75	100
Treasury Yield Movement (bps)	-100	17.0%	15.5%	14.0%	12.5%	11.0%	9.5%	8.0%	6.5%	5.0%
	-75	15.4%	14.0%	12.5%	11.0%	9.5%	8.0%	6.5%	5.0%	3.5%
	-50	13.9%	12.4%	10.9%	9.4%	8.0%	6.5%	5.0%	3.5%	2.0%
	-25	12.4%	10.9%	9.4%	7.9%	6.4%	4.9%	3.4%	1.9%	0.5%
	0	10.9%	9.4%	7.9%	6.4%	4.9%	3.4%	1.9%	0.4%	-1.1%
	25	9.4%	7.9%	6.4%	4.9%	3.4%	1.9%	0.4%	-1.1%	-2.6%
	50	7.8%	6.4%	4.9%	3.4%	1.9%	0.4%	-1.1%	-2.6%	-4.1%
	75	6.3%	4.8%	3.3%	1.8%	0.4%	-1.1%	-2.6%	-4.1%	-5.6%
	100	4.8%	3.3%	1.8%	0.3%	-1.2%	-2.7%	-4.2%	-5.7%	-7.1%

Source: Bloomberg as of December 31, 2024

EMD and the Trump administration

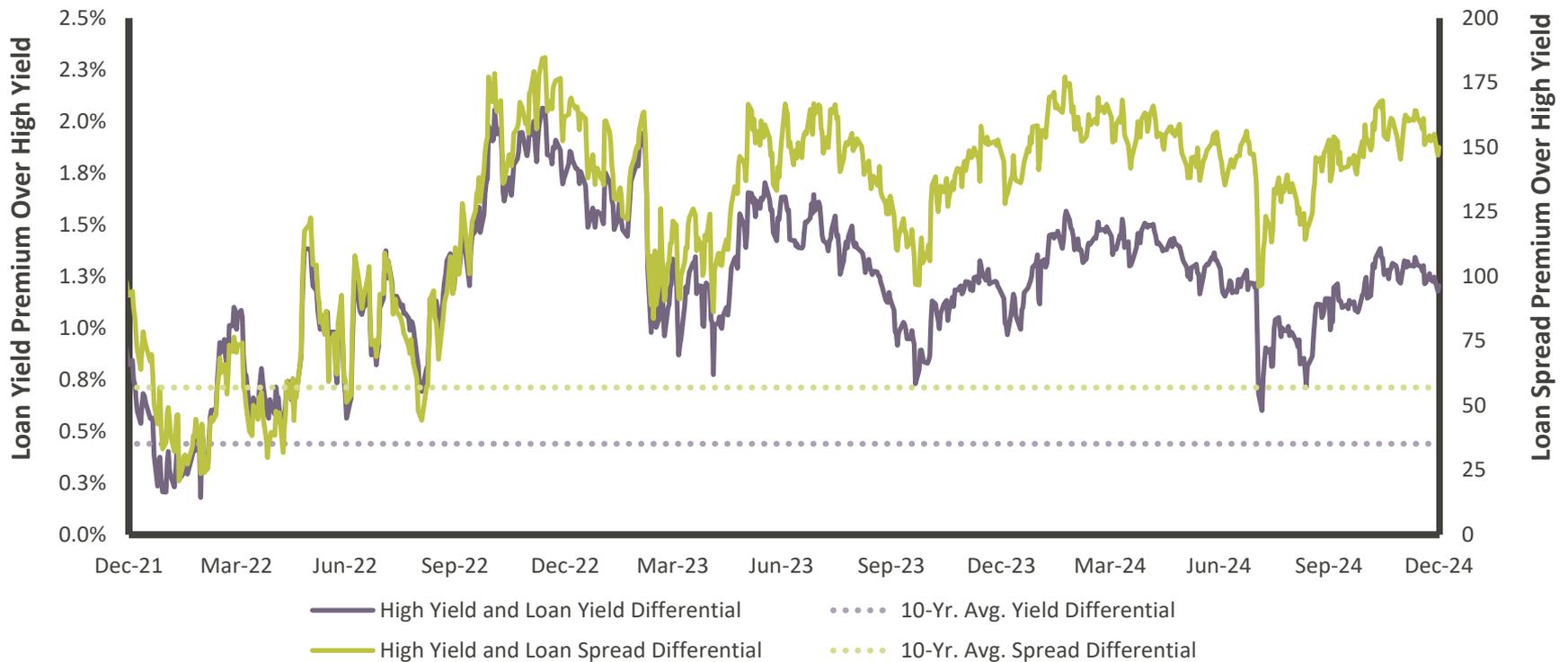
EMD was in line with or better than U.S. credit markets during the last Trump term despite fears of policy impacts on emerging markets



Source: Bloomberg, J.P. Morgan as of December 31, 2024

Loan spreads and yields

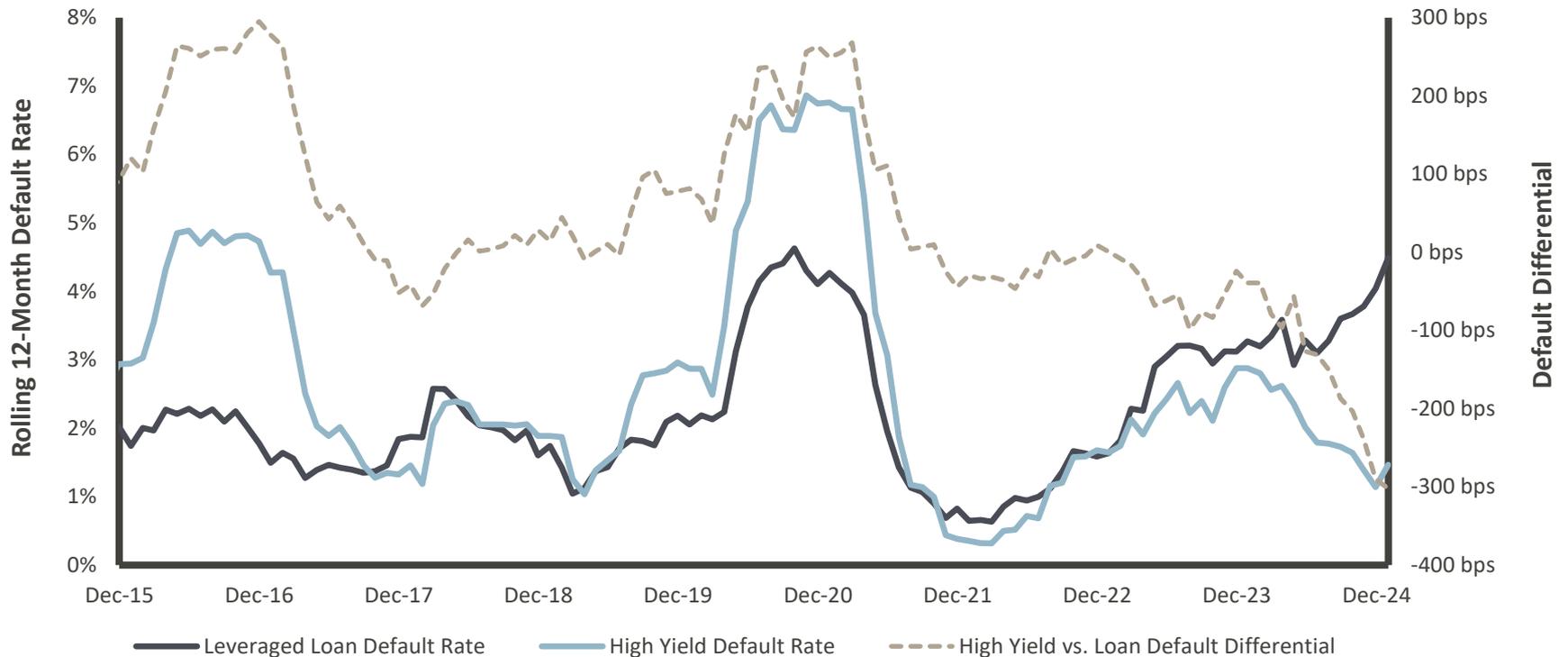
Loan spread and yield premiums increased in 4Q and are attractive versus high yield, despite pricing in higher risks



Source: Credit Suisse, J.P. Morgan as of December 31, 2024. Yield differential is the yield on the loan index minus the yield on the high yield index. Spread differential is the three-year discount margin of the loan index minus the spread of the high yield index.

Defaults

The gap in high yield and loan default rates is the largest on record as high yield continues to decrease and LMEs push loan rates higher



Source: J.P. Morgan as of December 31, 2024. Default rates includes distressed exchanges; long-term average default rate is the 25-year average of defaults in high yield and leveraged loans.

Opportunities and risks in fixed income

Opportunities	
	Bonds are STILL back
	Investment grade corporate bonds
	Securitized credit

Risks	
	Inflation and deficit
	Tight spreads
	Wildcards: <ul style="list-style-type: none">▪ Trump Policies▪ Geopolitical Risks

U.S. Equities

U.S. equity performance

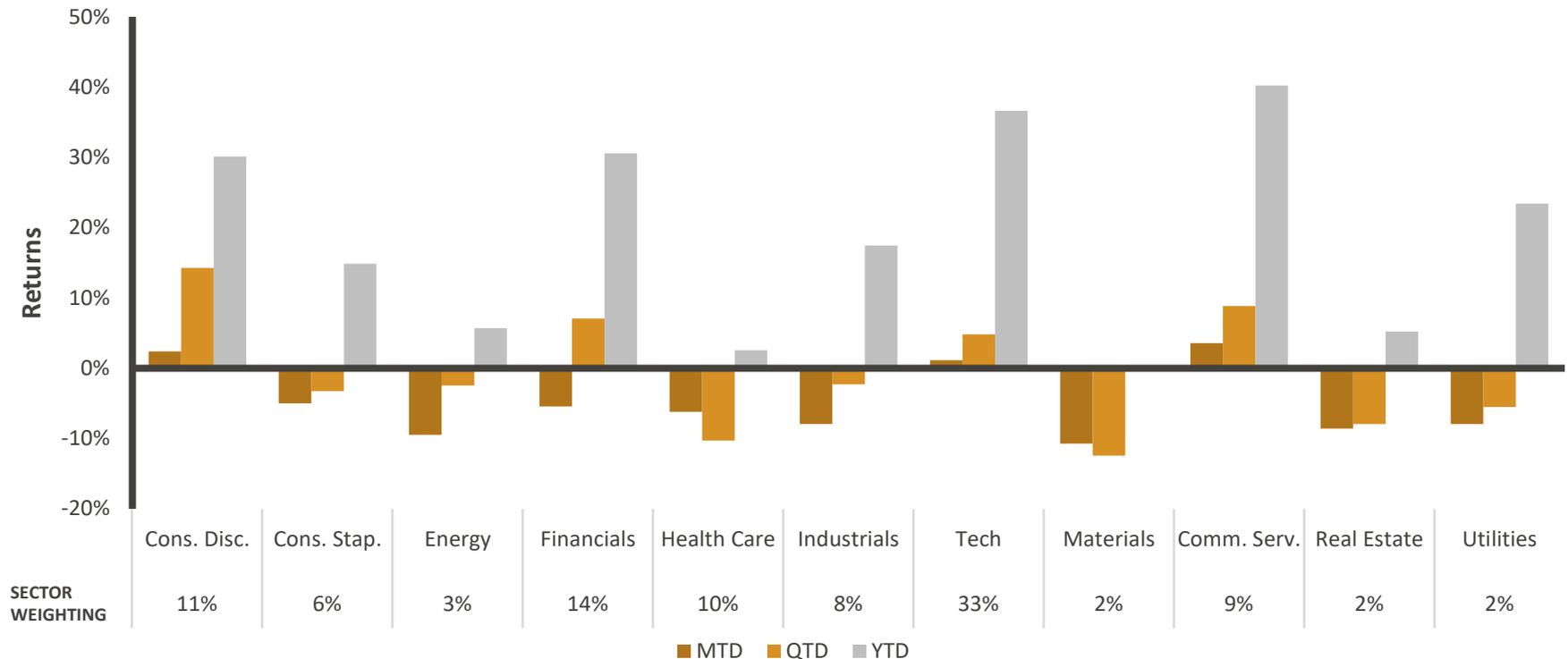
Most major U.S. equity indices generated double-digit returns in 2024; small-cap equities posted their worst relative December historically

		MTD (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Broad Market Indices	Dow Jones	-5.1	0.9	15.0	15.0	7.6	10.6	11.6
	Wilshire 5000	-3.0	2.9	24.2	24.2	7.8	13.7	12.4
	Russell 3000	-3.1	2.6	23.8	23.8	8.0	13.9	12.5
Large-Cap Market Indices	S&P 500	-2.4	2.4	25.0	25.0	8.9	14.5	13.1
	Russell 1000	-2.8	2.7	24.5	24.5	8.4	14.3	12.9
	Russell 1000 Value	-6.8	-2.0	14.4	14.4	5.6	8.7	8.5
	Russell 1000 Growth	0.9	7.1	33.4	33.4	10.5	19.0	16.8
Mid-Cap Market Indices	Russell Mid-Cap	-7.0	0.6	15.3	15.3	3.8	9.9	9.6
	Russell Mid-Cap Value	-7.3	-1.7	13.1	13.1	3.9	8.6	8.1
	Russell Mid-Cap Growth	-6.2	8.1	22.1	22.1	4.0	11.5	11.5
Small-Cap Market Indices	Russell 2000	-8.3	0.3	11.5	11.5	1.2	7.4	7.8
	Russell 2000 Value	-8.3	-1.1	8.1	8.1	1.9	7.3	7.1
	Russell 2000 Growth	-8.2	1.7	15.2	15.2	0.2	6.9	8.1

Source: Bloomberg as of December 31, 2024

S&P 500 sector performance

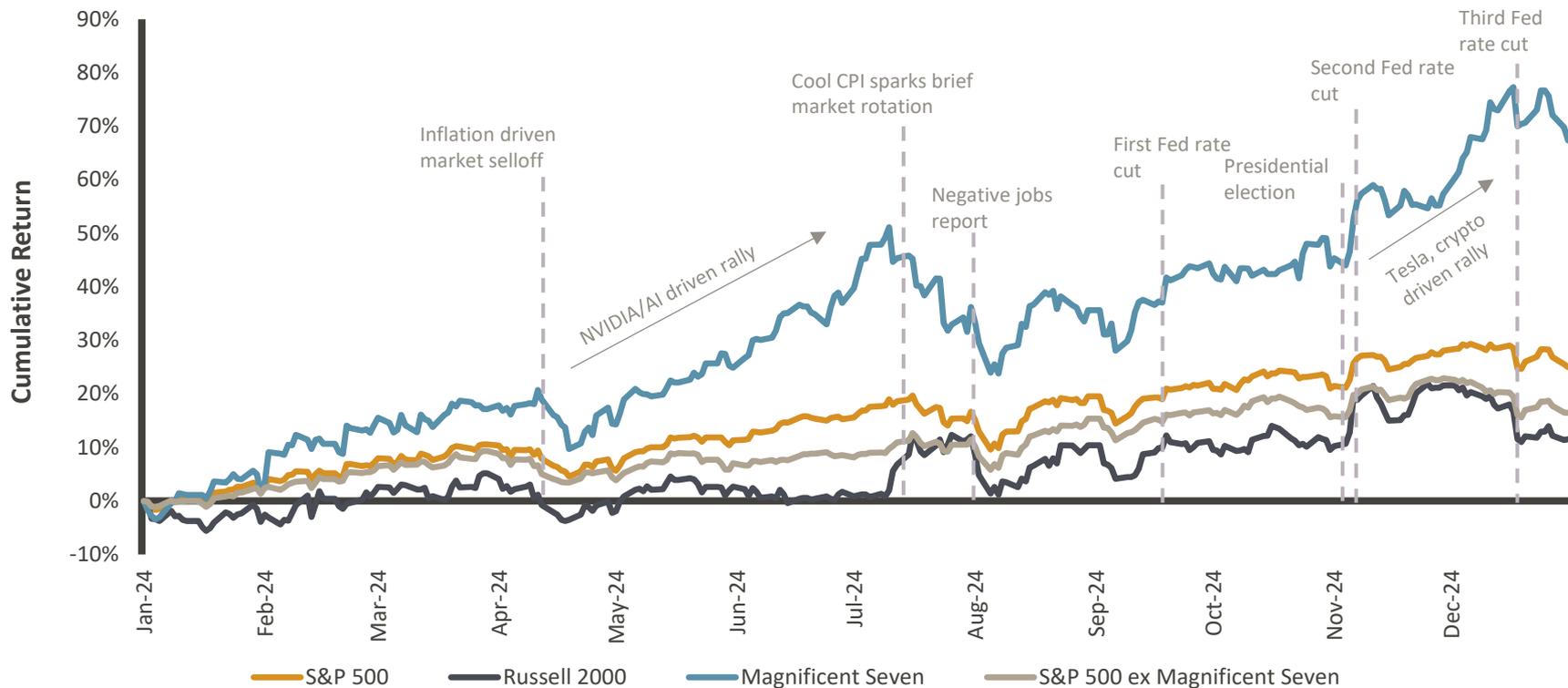
Nearly all sectors of the S&P 500 Index gained in 2024, as dispersion between the best and worst performing sectors reached 40%



Source: Bloomberg as of December 31, 2024

Looking back at 2024

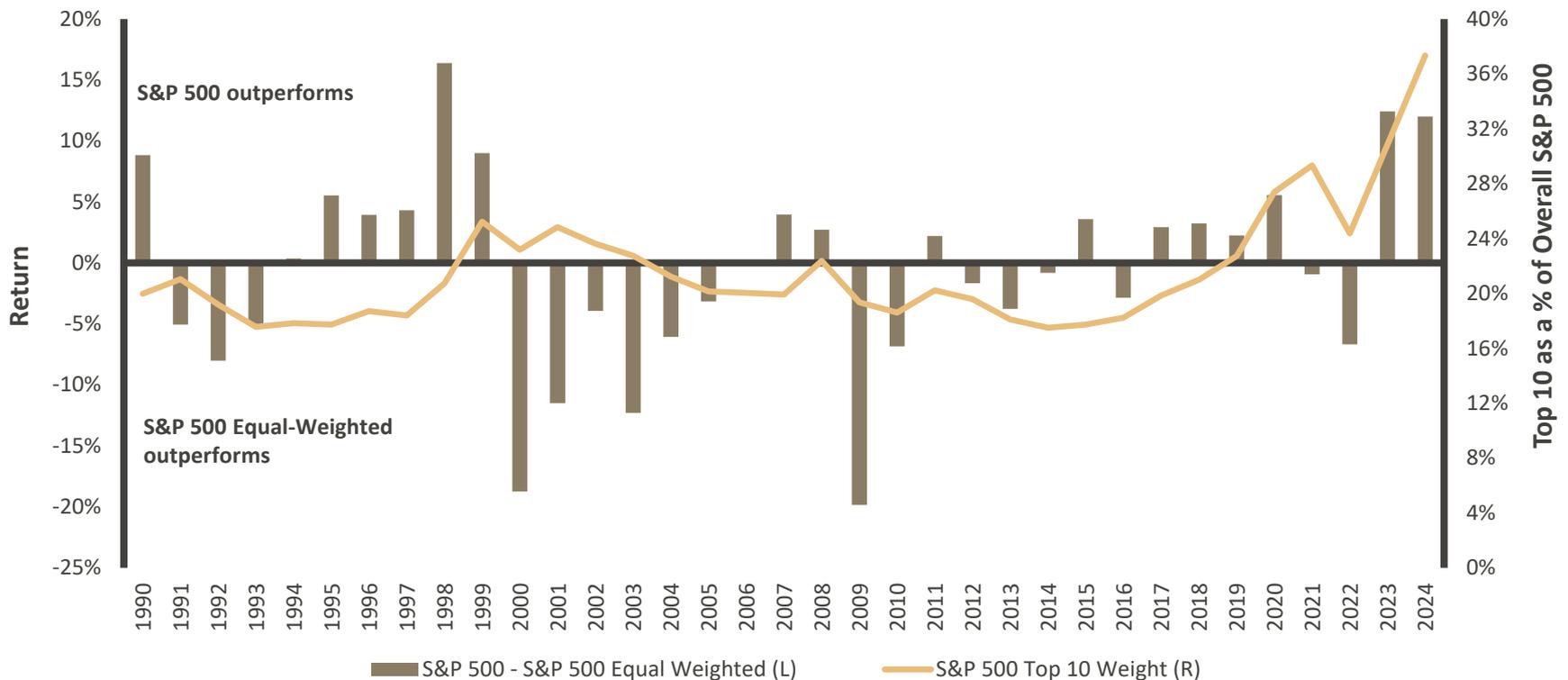
As small caps struggled amid weak earnings, the S&P 500 achieved 57 all-time highs in 2024 to extend its long-running leadership



Source: Bloomberg as of December 31, 2024

Market concentration still a dominant theme

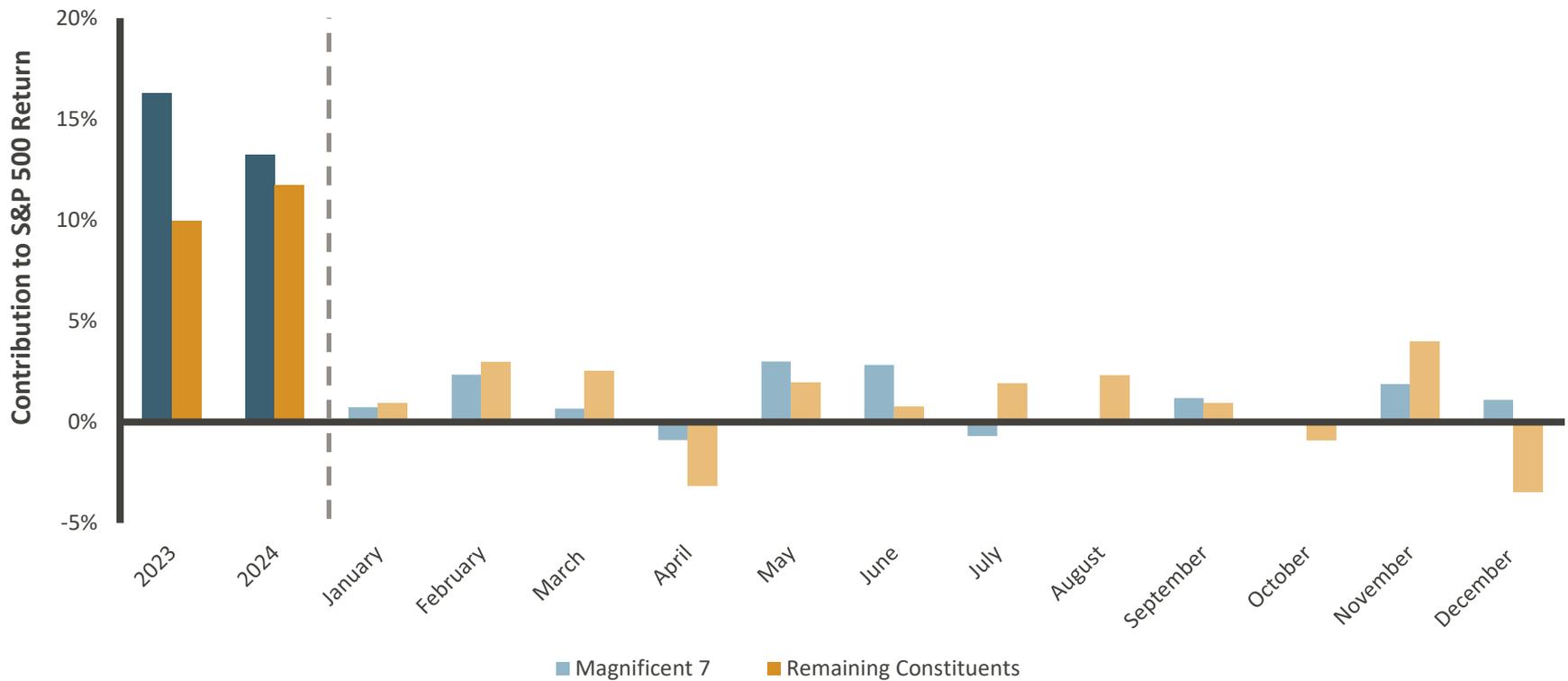
The top 10 S&P 500 positions fueled 60% of the 2024 return for the benchmark; less than 30% of stocks bested the index return last year



Source: Bloomberg as of December 31, 2024

The Magnificent Seven dominant again

Signs of market breadth quickly reverted in December, as the Fed signaled potentially fewer cuts in 2025 amid policy uncertainty



Source: FactSet as of December 31, 2024

Room to run?

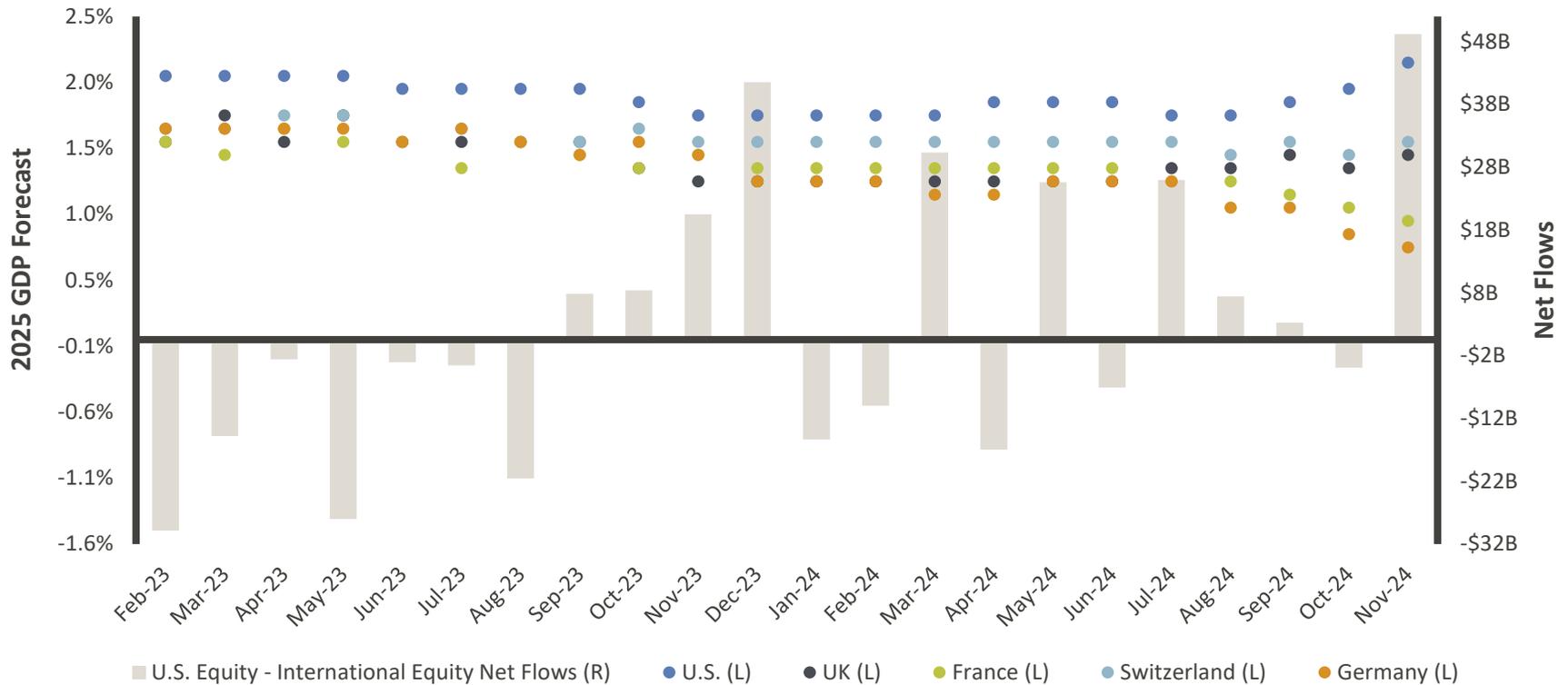
U.S. equities have posted two consecutive years of over 20% gains; historical bull markets have varied in length

Bull Market Start	Bull Market End	Duration (Months)	Annualized Return	Cumulative Return	# of Pullbacks (-2% to -10%)
May-70	Jan-73	32	23%	74%	9
Oct-74	Nov-80	74	14%	126%	16
Aug-82	Aug-87	60	26%	225%	28
Dec-87	July-90	31	21%	63%	17
Oct-90	Mar-00	113	19%	408%	39
Oct-02	Oct-07	60	14%	95%	20
Mar-09	Feb-20	131	16%	397%	36
Mar-20	Jan-22	21	51%	109%	15
Oct-22	???	27	26%	68%	7
Average Bull Market		57	23%	169%	19

Source: Bloomberg as of December 31, 2024. S&P 500 Index used for calculations. Average bull market calculations are from June 1932 to December 2024.

Investors drawn to U.S. economic strength

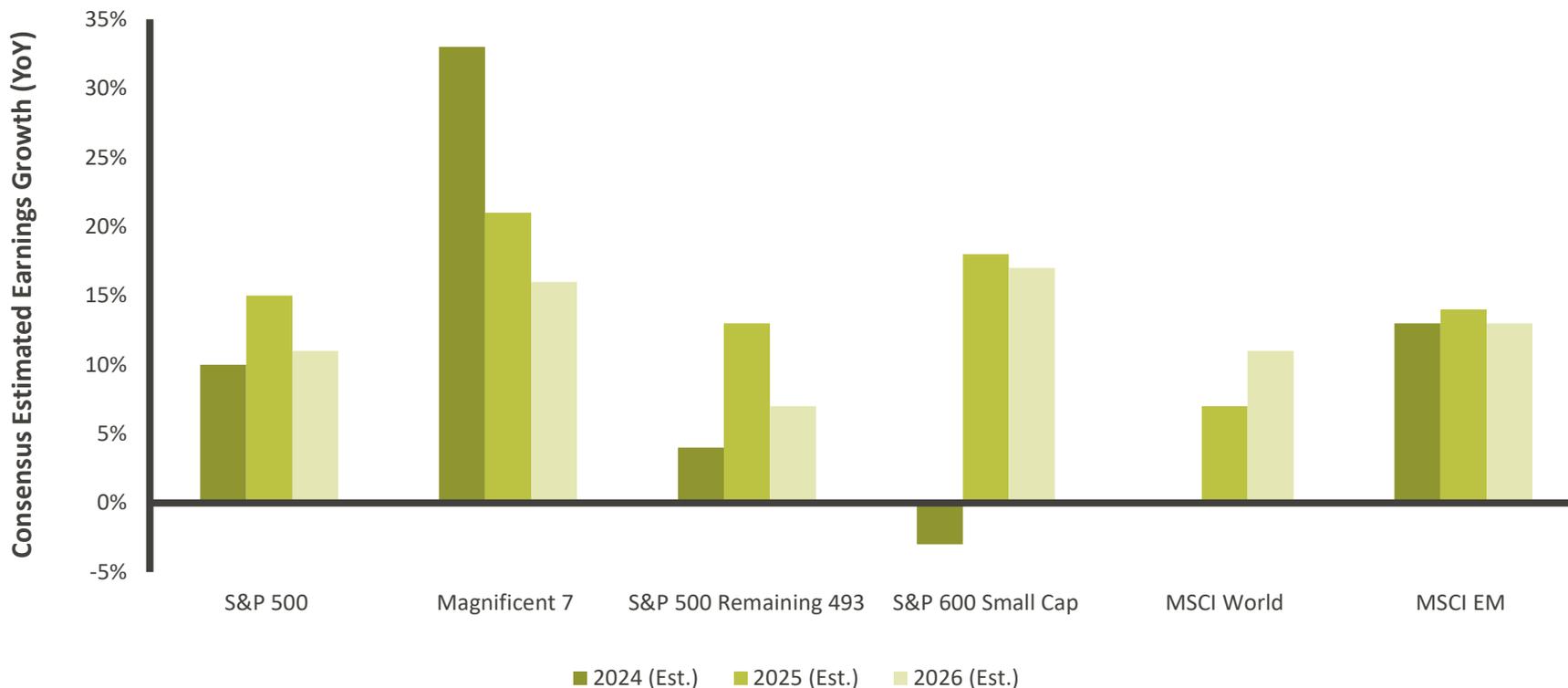
Amid strength in the U.S economy, markets experienced historic inflows into U.S. equities



Source: Bloomberg, Morningstar as of November 30, 2024

Earnings growth estimates

Market breadth was lackluster in 2024 as earnings growth remains concentrated in the Magnificent 7, but the gap may narrow this year



Source: SIT Investments, Bloomberg, and FactSet as of December 31, 2024. MSCI World excludes the U.S. and is expected to notch 0% earnings growth in 2024.

U.S. equity valuations

Despite underwhelming performance in December, large-cap equities remain expensive following a strong year

Valuation Metrics	S&P 500		Russell 1000		Russell Mid Cap		Russell 2000	
	Current	Historical Percentile (%)	Current	Historical Percentile (%)	Current	Historical Percentile (%)	Current	Historical Percentile (%)
P/E	27.1	94	26.9	94	22.0	88	19.6	74
Forward P/E	21.6	94	21.4	91	17.2	77	17.4	73
P/B	5.1	99	4.9	99	3.0	89	2.1	38
P/S	3.0	97	2.9	97	1.7	83	1.3	87
P/CF	21.9	99	21.1	99	13.5	89	13.1	48
EV/EBITDA	16.1	97	16.1	97	14.3	86	17.2	89
Average		97		96		85		68

Source: Bloomberg as of December 31, 2024. TTM P/E is adjusted for negative earnings. Small-cap forward P/E is adjusted for negative earnings. Percentiles are based on data Jan. 1995 – Dec. 2024.

Opportunities and risks in U.S. equities

Opportunities		Risks	
	Pro-business, pro-growth agenda		Underappreciated market risks
	Small caps poised for a rebound		Policy uncertainty
	Earnings growth supports U.S. large-cap equities		Concentration risk and market extremes

Non-U.S. Equities

Global equity performance

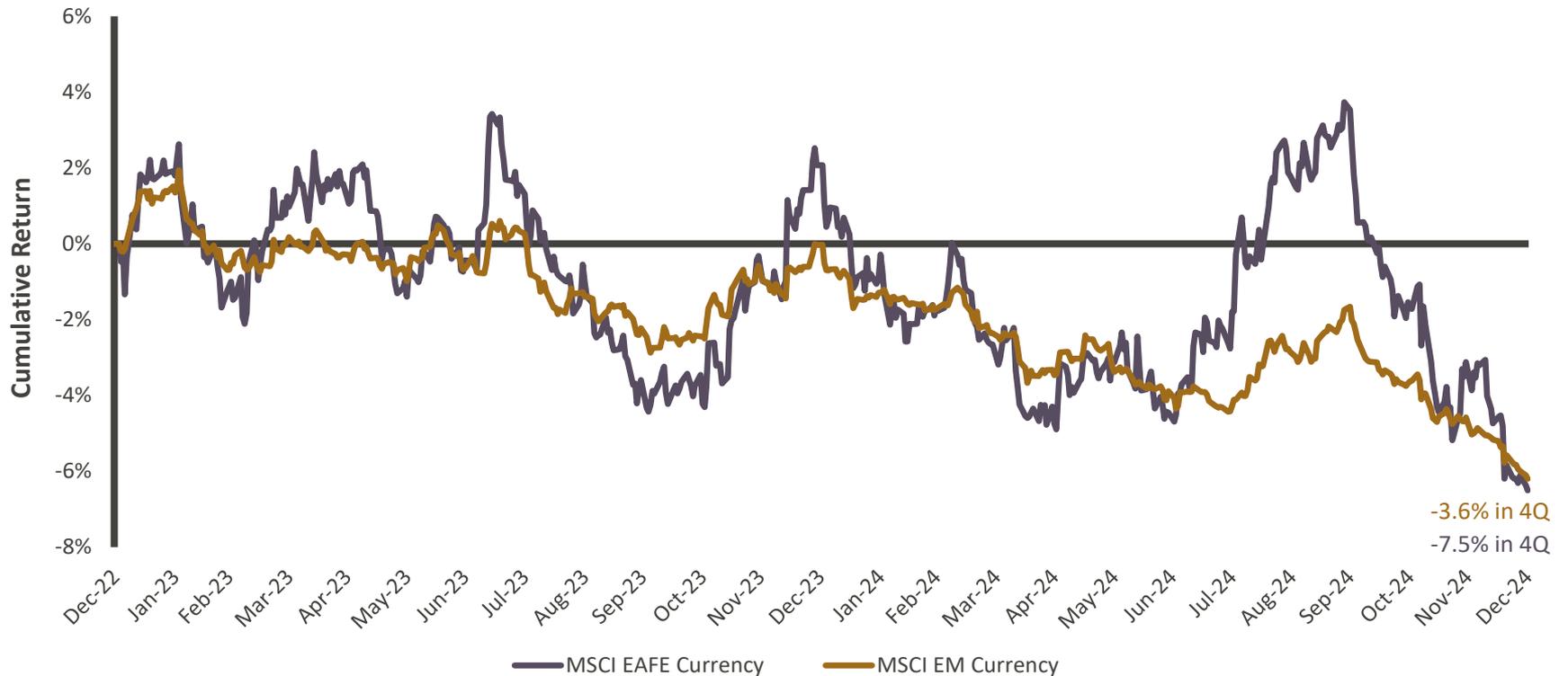
Despite major global equity indices ending the fourth quarter in the red, each was positive in 2024, with the MSCI ACWI leading the way

		MTD (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Global Equity Market Indices	MSCI ACWI	-2.4	-1.0	17.5	17.5	5.4	10.1	9.2
	MSCI ACWI ex. U.S.	-1.9	-7.6	5.5	5.5	0.8	4.1	4.8
Developed Markets Indices	MSCI EAFE	-2.3	-8.1	3.8	3.8	1.6	4.7	5.2
	MSCI EAFE Local	0.4	-0.6	11.3	11.3	6.3	7.6	7.1
Emerging Markets Indices	MSCI Emerging Markets	-0.1	-8.0	7.5	7.5	-1.9	1.7	3.6
	MSCI EM Local	1.2	-4.4	13.1	13.1	1.6	4.5	6.0
Small-Cap Market Indices	MSCI EAFE Small-Cap	-2.3	-8.4	1.8	1.8	-3.2	2.3	5.5
	MSCI EM Small-Cap	-1.0	-7.2	4.8	4.8	2.1	8.6	5.7
Frontier Markets Index	MSCI Frontier	0.2	-1.2	9.4	9.4	-3.5	1.8	2.2

Source: Bloomberg as of December 31, 2024

Non-U.S. currency performance

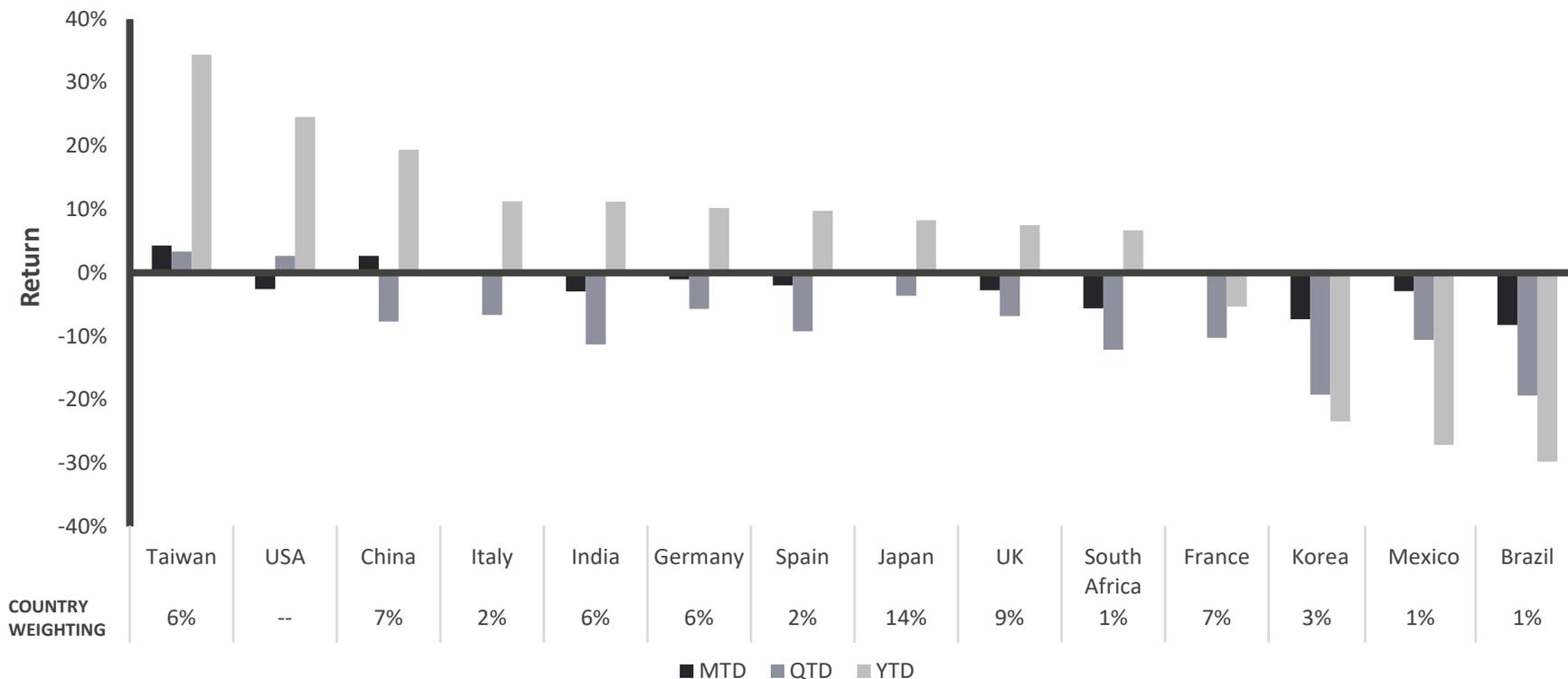
Given the strengthening of the U.S. dollar, both developed and emerging market currencies posted negative returns in 4Q



Source: Bloomberg as of December 31, 2024. Currency return calculated by subtracting index return in USD by index return in local terms.

Non-U.S. country performance

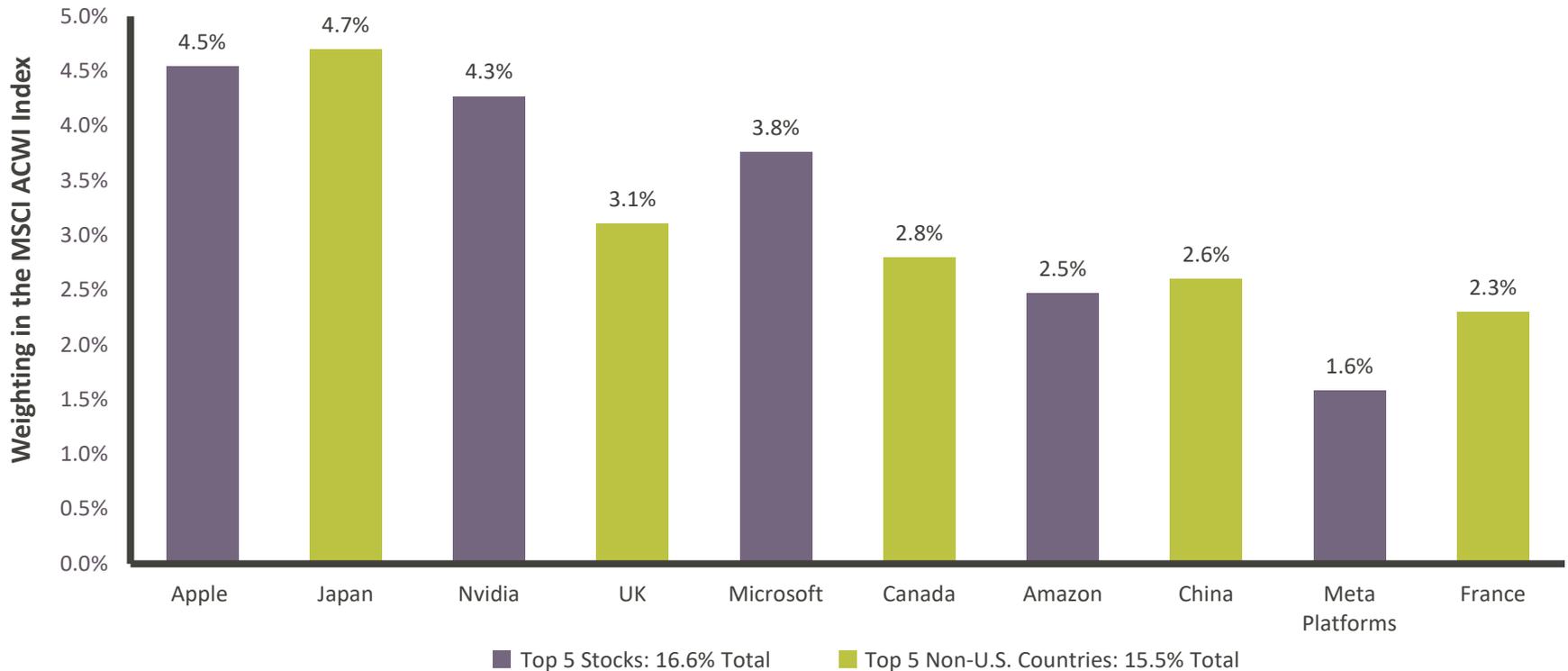
Taiwan and China notched positive returns in December and remained the top performing non-U.S. countries in 2024



Source: Bloomberg as of December 31, 2024. Returns based on individual MSCI country indices; country weights based on the MSCI ACWI ex-U.S. Index.

U.S. companies dominate global equity market

The top five U.S. companies make up a larger percentage of global equity markets than the top five non-U.S. countries



Source: MSCI, FactSet as of December 31, 2024

Global equity valuations

While valuations of U.S. large-cap stocks continue to appear expensive, non-U.S. equity indices have more attractive multiples

Valuation Metrics	S&P 500		MSCI EAFE		MSCI EM		MSCI EAFE SC	
	Current	Historical Percentile (%)	Current	Historical Percentile (%)	Current	Historical Percentile (%)	Current	Historical Percentile (%)
P/E	27.1	95.2	14.7	38.3	12.7	59.1	14.4	37.1
Forward P/E	21.6	98.6	14.0	69.3	11.8	69.7	12.5	30.6
P/B	5.1	99.3	1.8	54.5	1.7	47.1	1.4	40.0
P/S	3.0	96.9	1.3	89.2	1.3	60.9	0.9	67.4
P/CF	21.9	98.6	10.1	59.5	6.9	17.6	7.8	24.1
EV/EBITDA	16.1	96.9	10.0	18.5	10.0	93.2	9.6	31.2
Average		98		55		58		38

Source: Bloomberg as of December 31, 2024, data compiled on January 8, 2024. P/E is adjusted for negative earnings; percentiles are based on data dating back to 1999 (except for FP/E, which goes back to 2005).

Four key themes within non-U.S. equity markets for 2025



Trump Policy Uncertainty



Economic Weakness



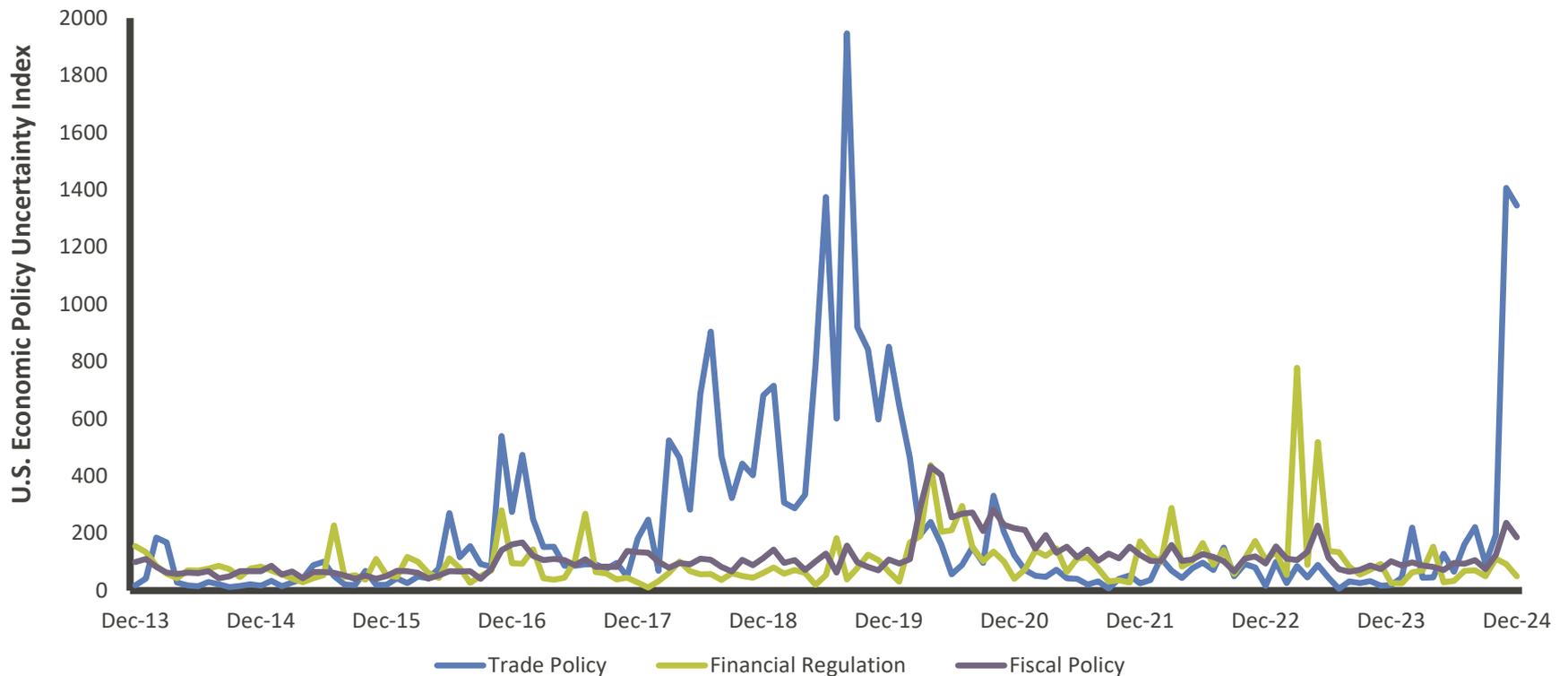
Asia ex-China



Earnings Growth

U.S. trade policy uncertainty spikes in 4Q

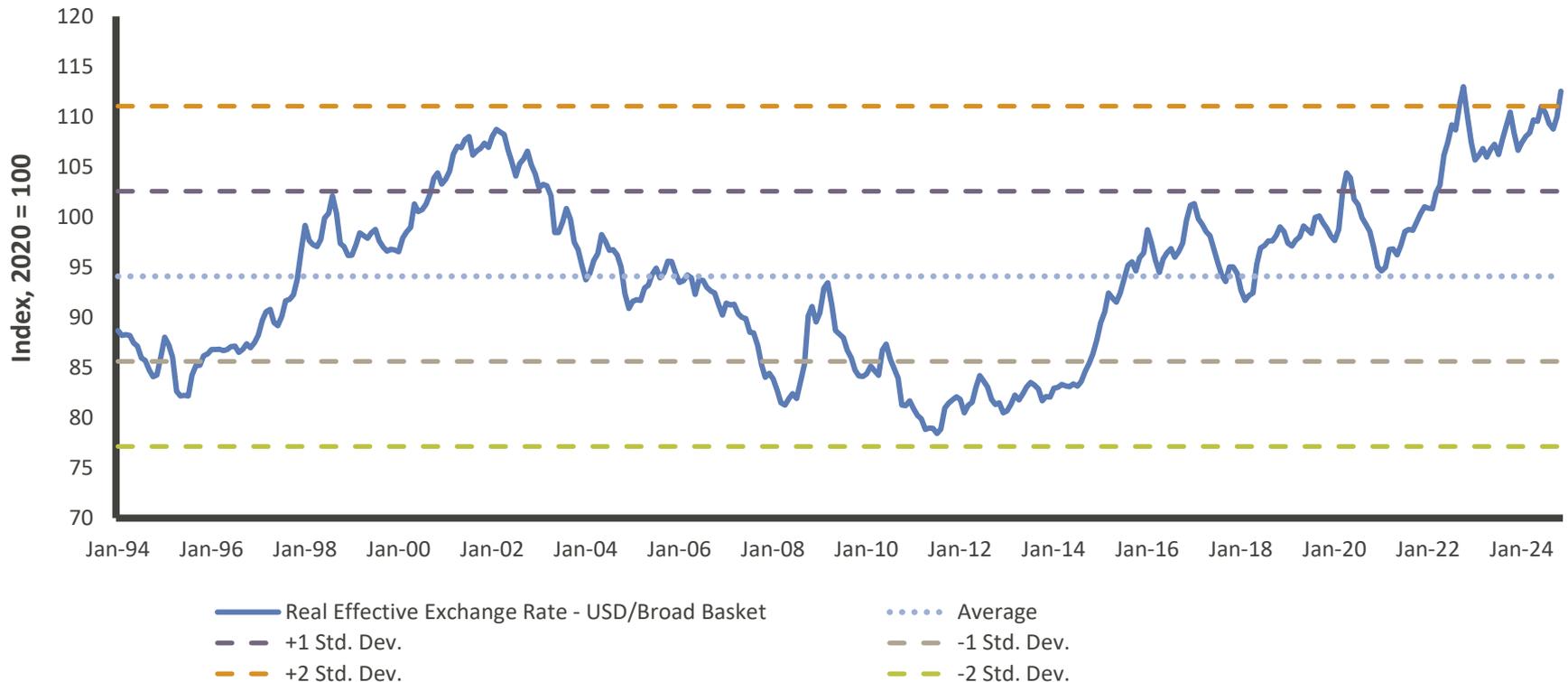
President Trump's tariff threats will likely impact global equity markets in 2025



Source: Bloomberg as of December 31, 2024

Can the dollar strengthen from here?

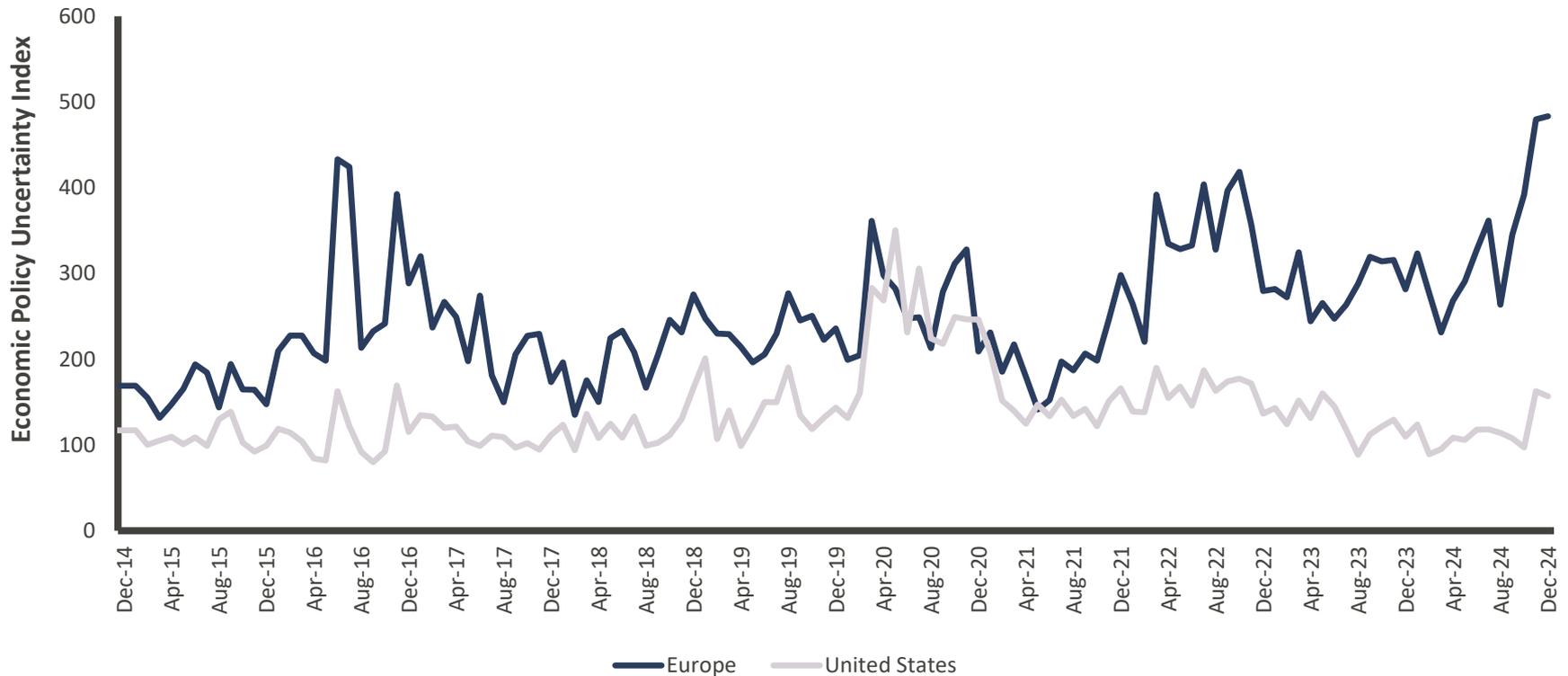
The greenback currently trades two standard deviations above its long-term average



Source: Bank of International Settlements as of January 7, 2025. Real effective exchange rate adjusted for inflation.

European economic policy uncertainty

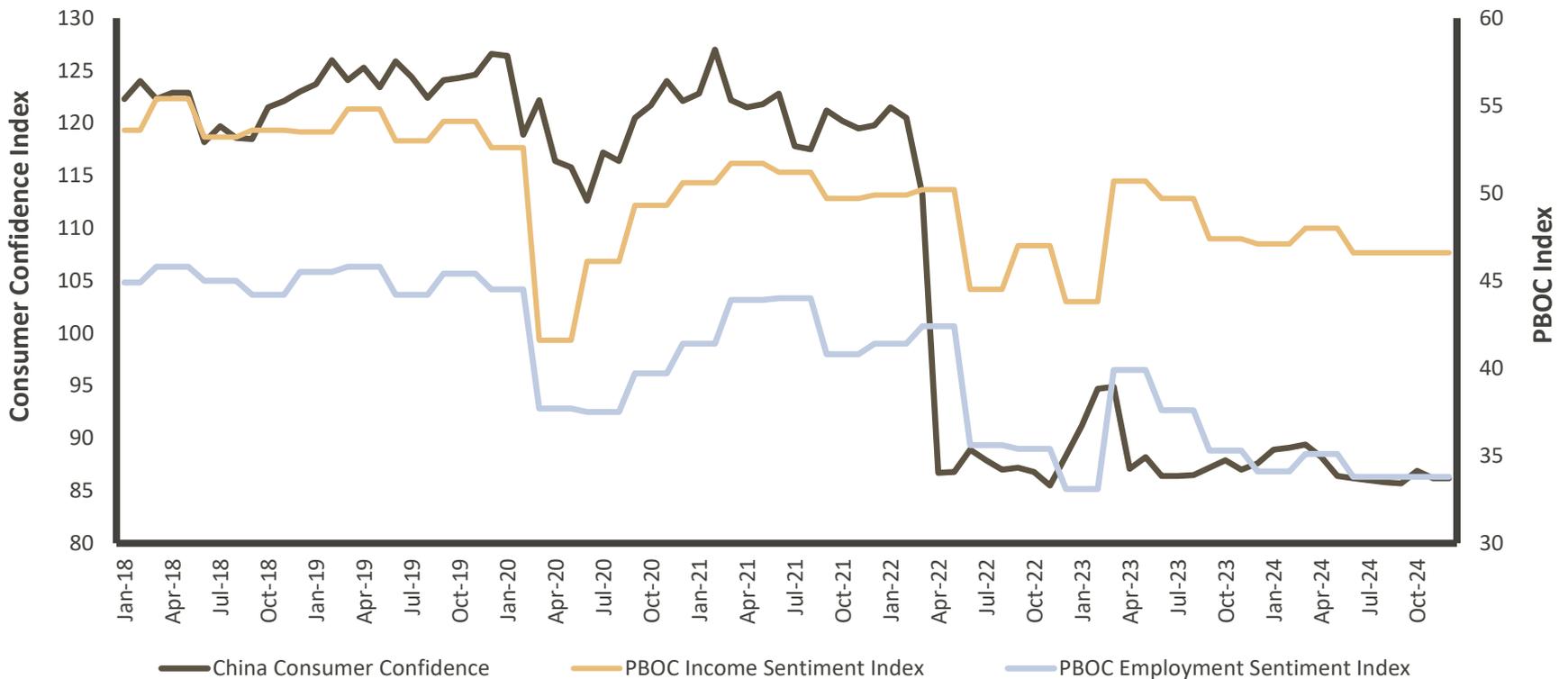
Economic policy uncertainty is at a multi-year high in Europe given a lackluster economy and President Trump's tariff threats



Source: Bloomberg as of December 31, 2024

China's economic outlook remains clouded

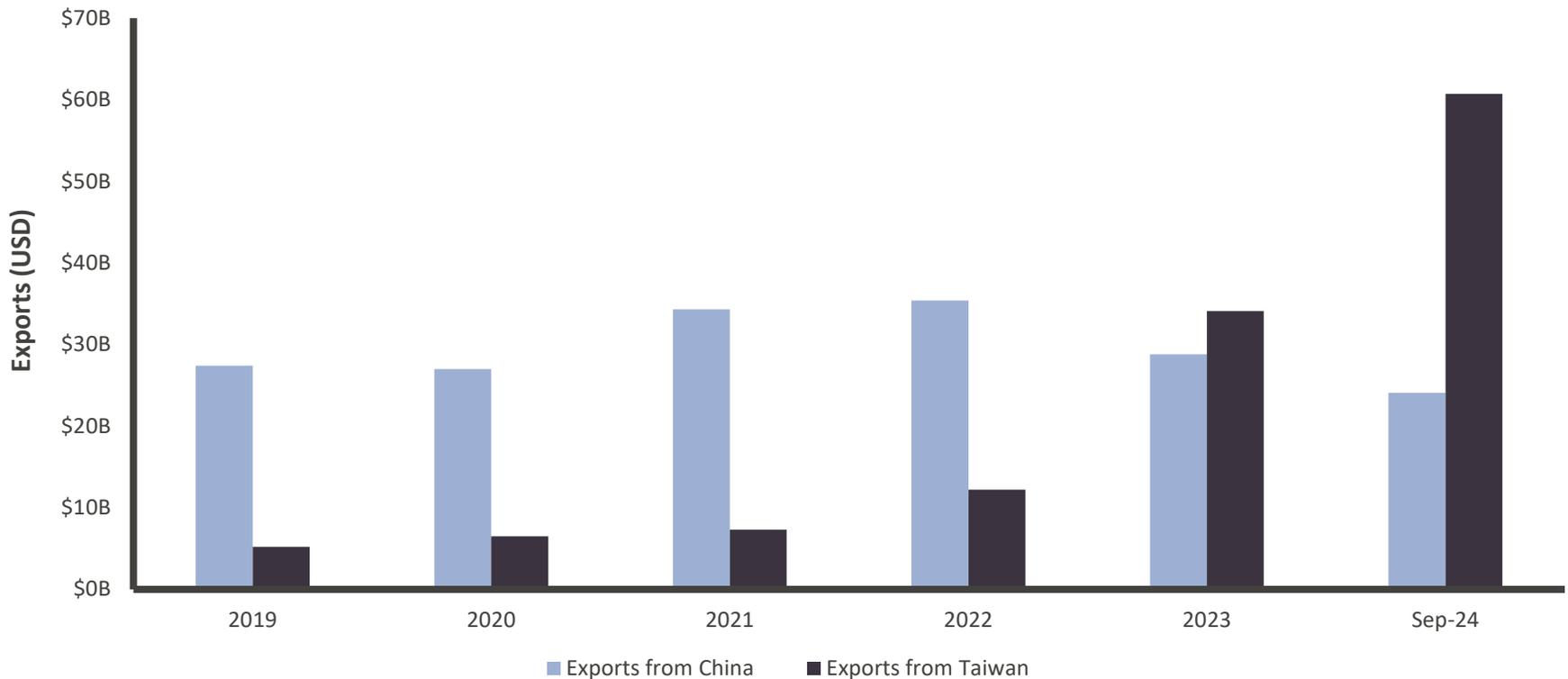
Chinese government stimulus measures have yet to boost consumer confidence and employment sentiment



Source: Bloomberg as of December 31, 2024

Taiwan grows its server and graphics card exports

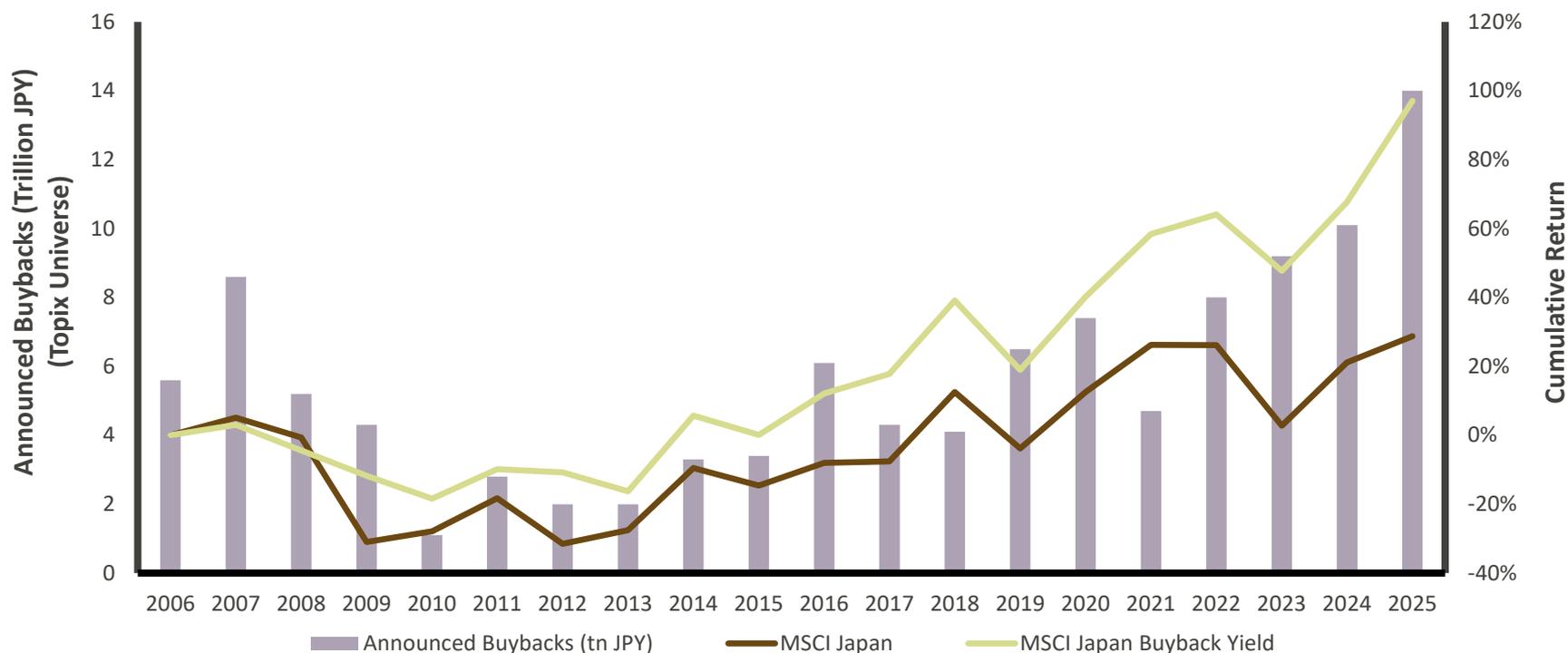
The shift in leadership from China to Taiwan in less-obvious AI-related exports highlights Taiwan's increasing leadership in the space



Source: Bloomberg as of September 30, 2024; data reflects only server and graphics card exports

Better governance = better performance?

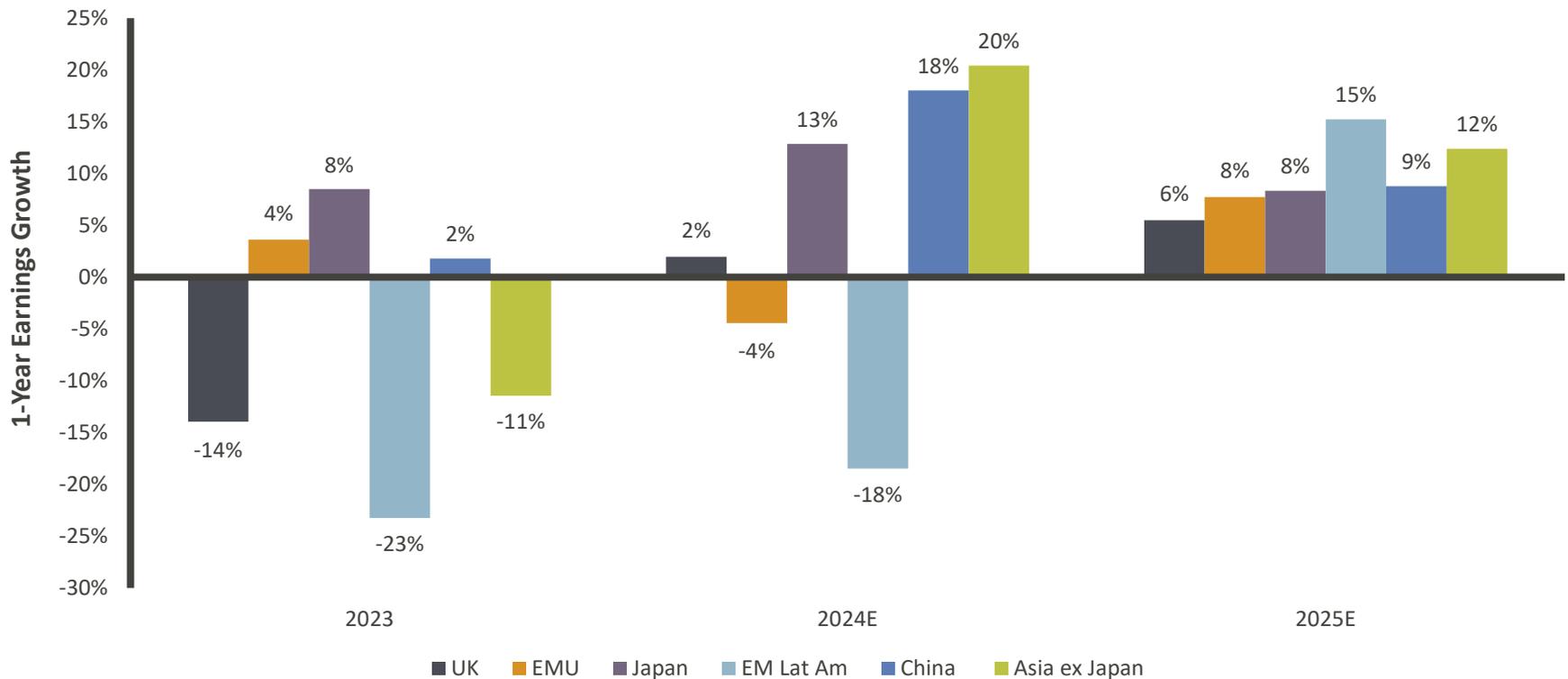
Buybacks in Japan have increased over the years, and stocks with a higher buyback yield have outperformed



Source: JPMorgan, Bloomberg, MSCI as of December 31, 2024; refers to FY, 2025 includes April to November 2024. The MSCI Japan Buyback Yield Index is based on the MSCI Japan Index, its parent index, and includes large and mid-cap stocks across the Japanese market. The index is designed to reflect the performance of companies that return capital to shareholders through share buybacks.

Global earnings growth expected to be positive

Unlike the previous two years, all major non-U.S. equity markets are expected to generate positive earning growth in 2025



Source: FactSet as of January 7, 2025

Opportunities and risks in non-U.S. equities

Opportunities	
	Asia ex-China
	Positive earnings outlook

Risks	
	Economic downturn in Europe
	President Trump's policy uncertainty
	China's struggling economy

Hedge Funds

Hedge fund performance

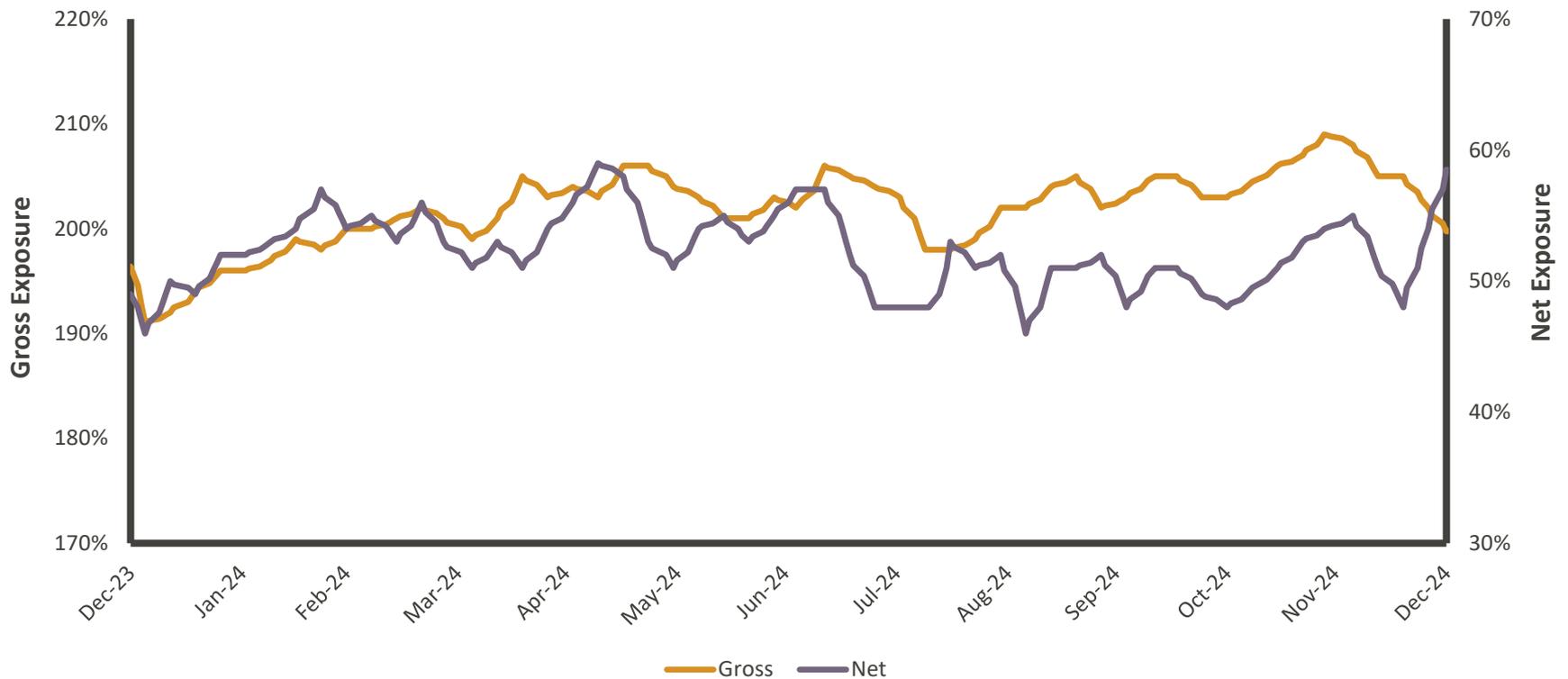
Despite giving back some gains in December, hedge funds were broadly positive in the fourth quarter to round out a strong 2024

	MTD (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
HFRX Global	0.0	0.2	5.3	5.3	1.2	2.8	2.0
HFRX Hedged Equity	-0.4	0.3	7.8	7.8	3.7	5.5	3.5
HFRI Composite	-0.2	1.7	10.0	10.0	4.5	7.0	5.3
HFRI Fund of Funds	0.5	2.6	9.7	9.7	3.3	5.3	3.8
HFRI Convertible Arbitrage	0.0	1.6	11.1	11.1	4.9	7.0	5.8
HFRI Equity Hedge	-0.7	1.7	12.3	12.3	4.0	8.2	6.3
HFRI Event-Driven	-1.3	1.1	8.7	8.7	4.5	7.0	5.4
HFRI Macro	1.1	1.1	6.0	6.0	4.8	5.5	3.1
HFRI Merger Arbitrage	0.4	2.0	5.9	5.9	4.6	5.9	5.1
HFRI Relative Value	0.2	1.8	8.6	8.6	4.9	5.1	4.5
CBOE S&P 500 PutWrite	-0.1	3.9	17.8	17.8	7.5	9.1	7.7

Source: Bloomberg, Hedge Fund Research, CBOE as of December 31, 2024

Hedge fund leverage

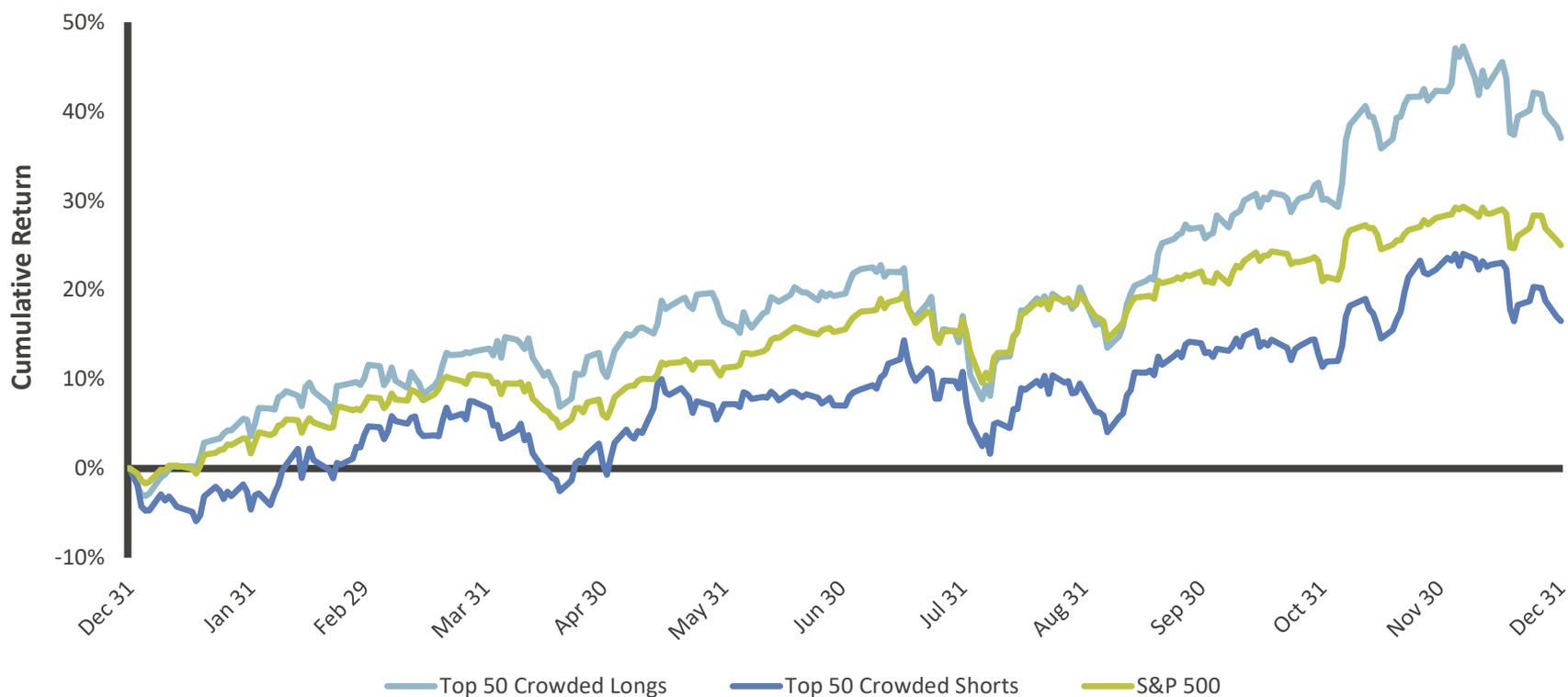
Gross exposure retreated during 4Q while net exposure increased sharply to close the year as managers pared back short exposure



Source: Bloomberg, Morgan Stanley Prime Brokerage as of December 31, 2024

Long/short spread

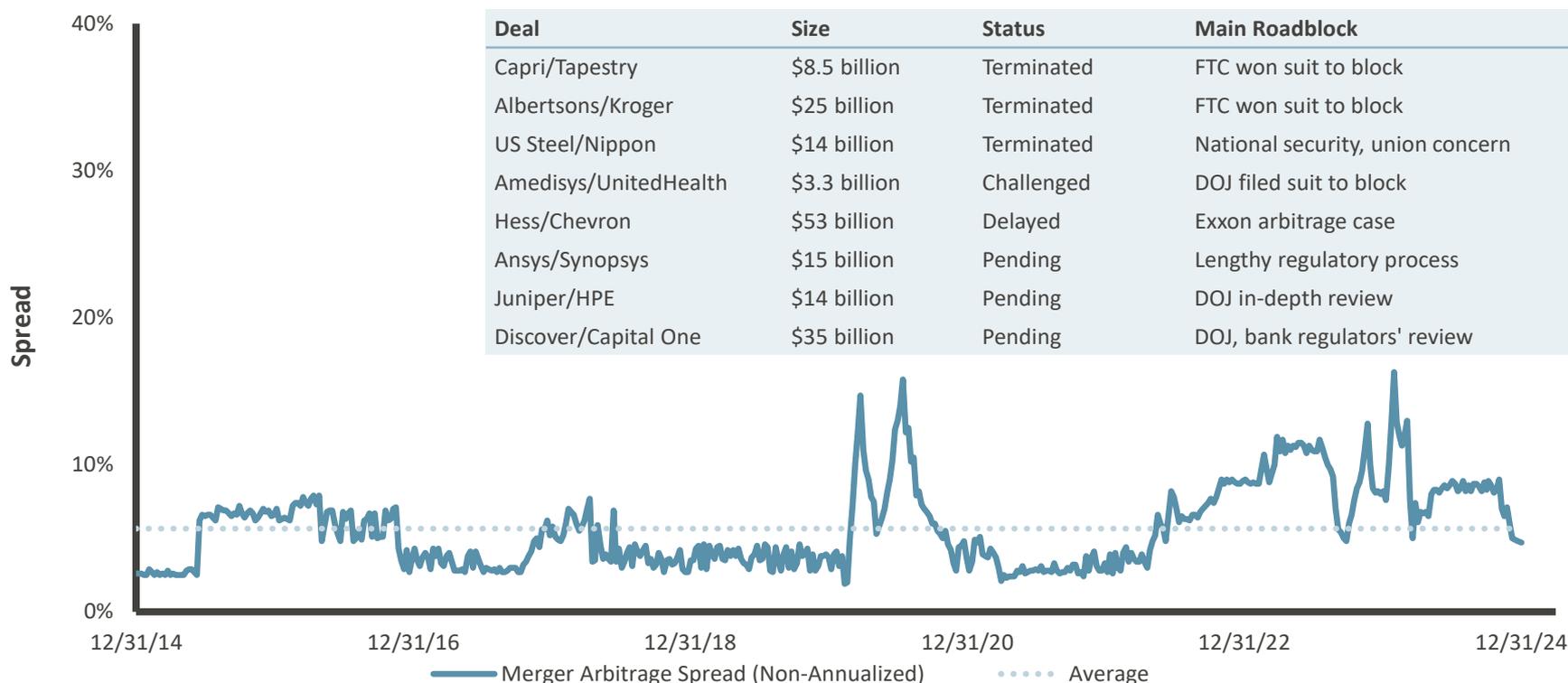
The long/short spread peaked in the fourth quarter as long positions outperformed and short positions underperformed the S&P 500 Index



Source: Bloomberg, Morgan Stanley Prime Brokerage as of December 31, 2024. Crowded longs and shorts are based on North America hedge funds.

Unrealized deals hampered Merger Arb in 2024

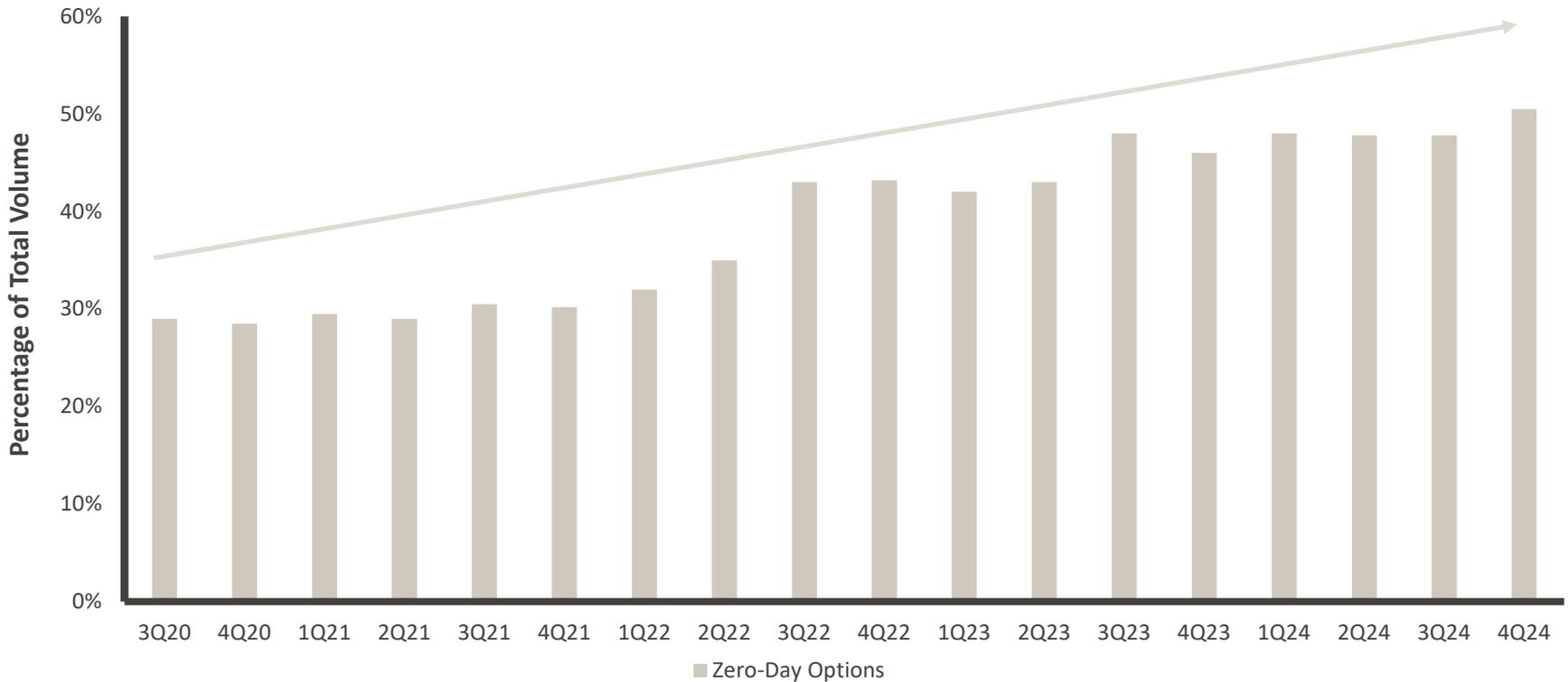
Merger arbitrage investors are hopeful that a second Trump term will revive the battered space after recent deal delays and busts



Source: Bloomberg, UBS Special Situations as of December 31, 2024. Definitive deals only. All spreads are interest-rate-adjusted.

Zero-day options are most popular as dominance grows

Zero-day options on the S&P 500 Index surpassed all other expirations combined in the fourth quarter for the first time ever



Source: Bloomberg, CBOE as of December 31, 2024

Opportunities and risks in hedge funds

Opportunities	
	Capital preservation and diversification
	Clarity regarding the future of policy in the U.S.
	The return of dealmaking!
	A continuation of long/short equity manager strength

Risks	
	Macroeconomic and geopolitical landmines
	The rise of zero-day options
	Crowded trades across equity and multi-strategy funds
	Leverage still sits at extreme levels relative to history

Real Assets

Real estate performance

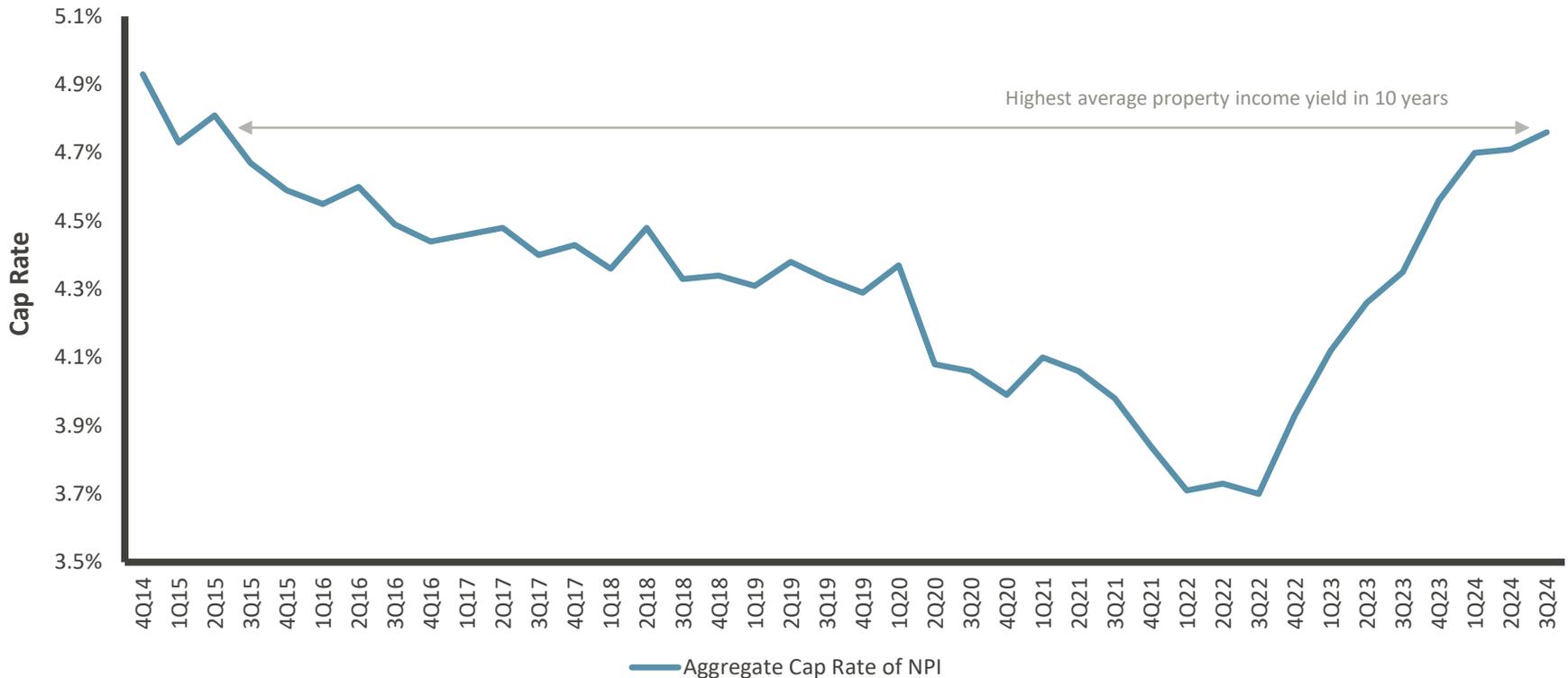
Despite some easing, write-downs in major sectors continued in 3Q; income gains remained steady

	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
NPI	0.8	-0.5	-3.5	0.9	3.3	5.9
Income	1.2	3.6	4.7	4.4	4.3	4.5
Appreciation	-0.4	-4.0	-7.9	-3.3	-1.0	1.3
NFI-ODCE	0.3	-2.6	-7.3	-0.2	2.9	6.1
Income	1.0	3.1	4.0	3.7	3.8	4.1
Appreciation	-0.8	-5.5	-11.0	-3.8	-0.9	1.9
FTSE NAREIT All Eq. REITs	16.8	14.2	34.8	3.5	5.1	8.0
Property Type						
NPI Multifamily	1.1	0.3	-2.7	2.1	4.3	5.9
NPI Industrial	1.1	1.5	-0.9	8.1	13.0	13.4
NPI Office	-1.1	-7.1	-12.1	-9.1	-4.1	1.7
NPI Retail	1.9	3.4	2.3	2.5	0.3	3.7
NPI Hotel	2.7	5.6	7.5	10.3	0.2	3.8
Geographic Sectors						
NPI East	1.0	-0.7	-3.8	-1.2	1.4	4.0
NPI Midwest	1.5	1.3	-1.1	0.4	1.6	4.2
NPI South	1.3	2.3	0.4	4.5	5.6	7.1
NPI West	0.2	-2.2	-5.8	0.5	3.7	7.0

Source: NCREIF as of September 30, 2024

The most attractive entry point in years

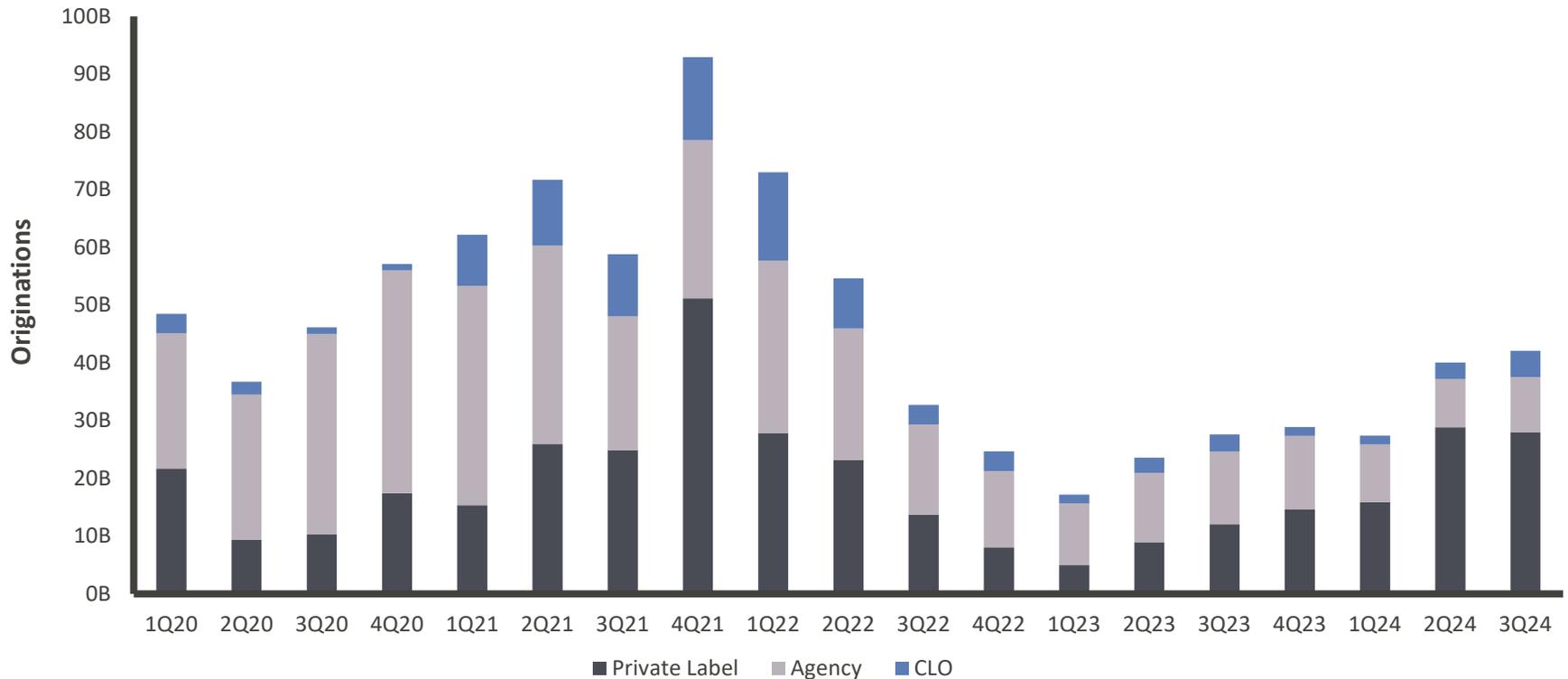
Cap rates have moved higher, signaling improved income-generating potential for real estate investments



Source: NCREIF, AEW Research as of September 30, 2024

Debt markets are re-opening

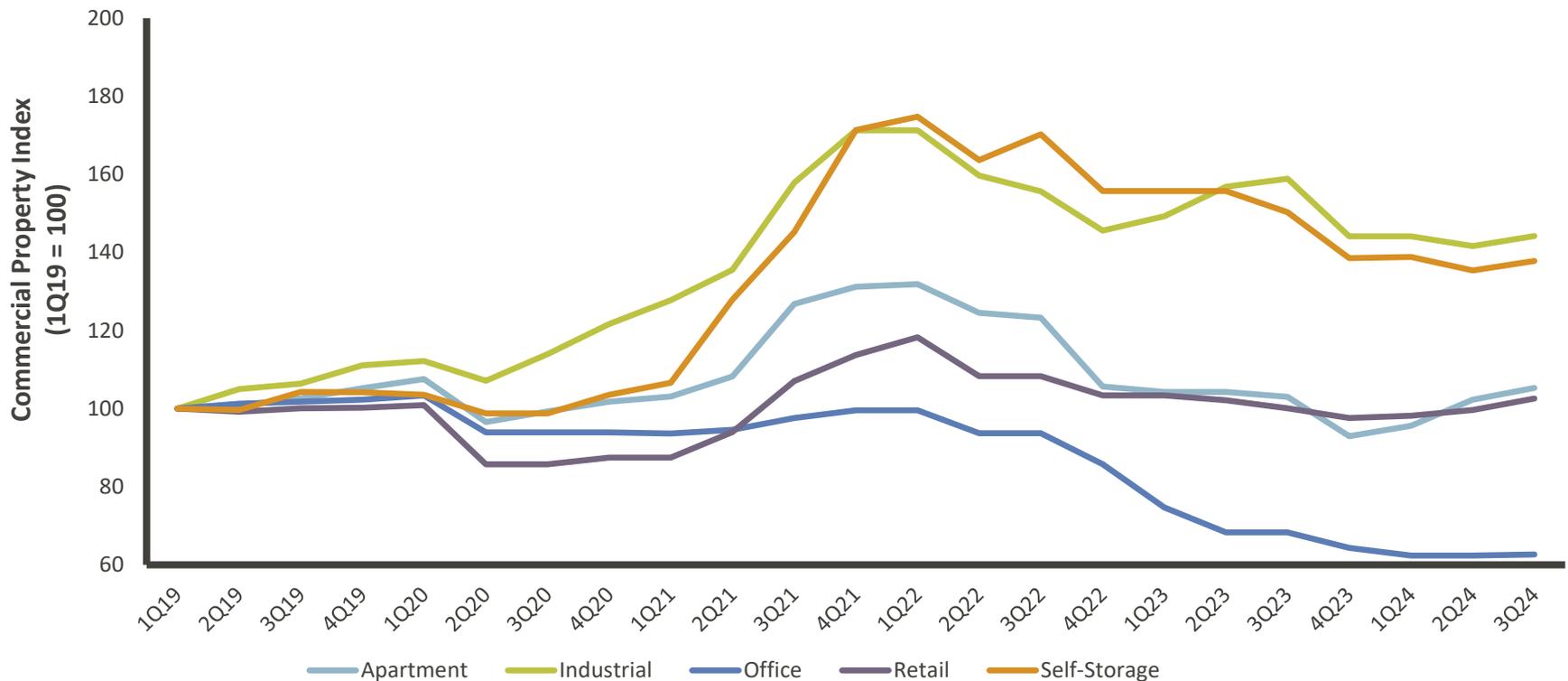
Increased transaction volumes within the debt markets are driving further optimism in real estate



Source: Trepp, ARES Research as of September 30, 2024; chart is based on securitized commercial real estate debt market

Prices improving across property sectors

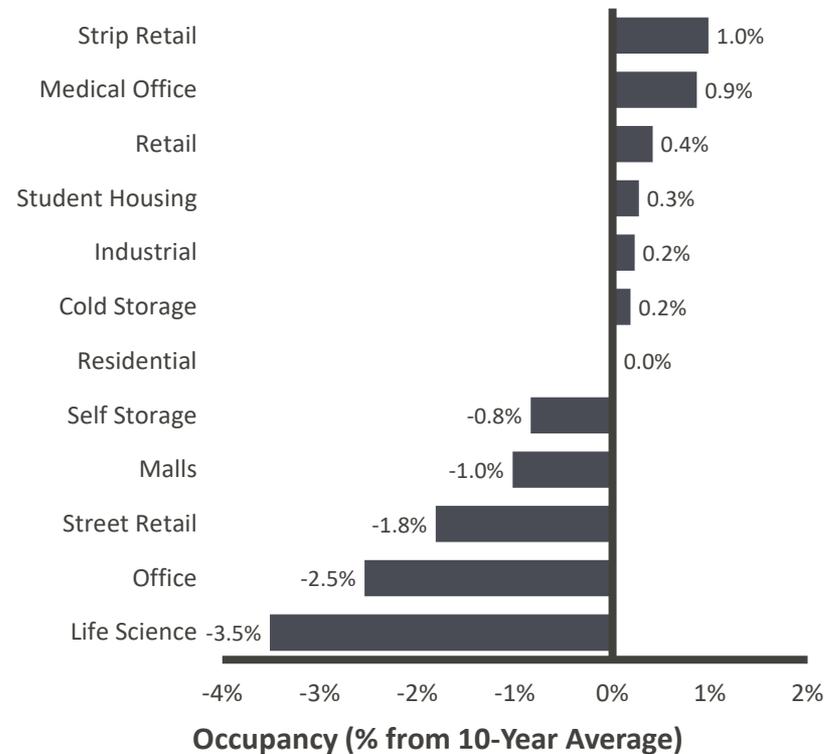
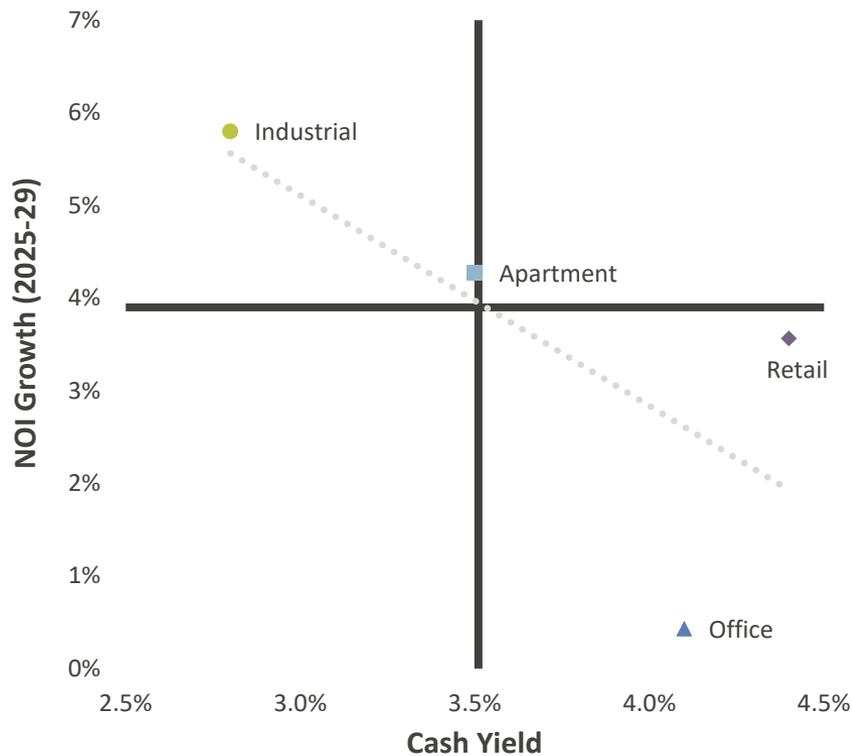
Commercial real estate values are improving across most major sectors (except for Office)



Source: Green Street, ARES Research as of September 30, 2024

A differentiated sector outlook

Despite expectations for Office to continue underperforming, opportunities in Retail, Apartment, and Industrial appear compelling



Source: DWS as of September 30, 2024. Comparison of occupancy rates from the first three quarters of 2024 against the 10-year average for the same period.

Opportunities and risks in real estate

Opportunities	
	Value added opportunities in opportunistic environment
	Foreseeable improvement in deal flow
	Alternative sector allocations

Risks	
	Ongoing office sector struggles
	Constraints on manager flexibility
	Rising 10-Year Treasury Rate



Infrastructure

Infrastructure performance

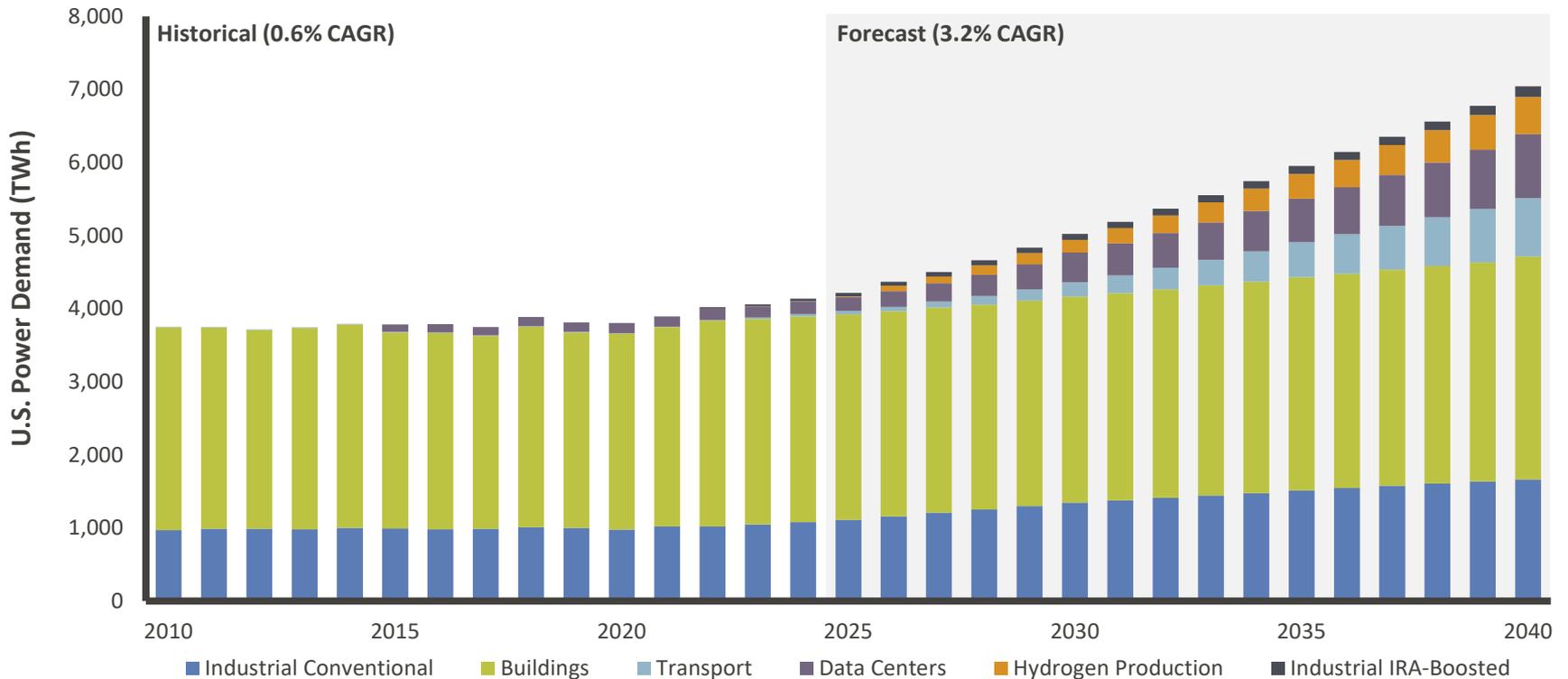
Returns of private infrastructure were modestly positive in the third quarter of 2024

	3Q24 (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Burgiss Infrastructure Index (Private)	3.4%	10.9%	10.2%	9.6%	9.5%
DJB Global Infrastructure Index	14.4%	27.2%	6.0%	5.1%	5.2%
Bloomberg Aggregate	5.2%	11.6%	-1.4%	0.3%	1.8%
CPI + 5%	1.5%	8.0%	10.0%	9.2%	7.8%
S&P 500	5.9%	36.4%	11.9%	16.0%	13.4%
DJ Industrial Average	8.7%	28.8%	10.0%	11.8%	12.0%

Source: Bloomberg, Burgiss as of September 30, 2024

Growing power demand

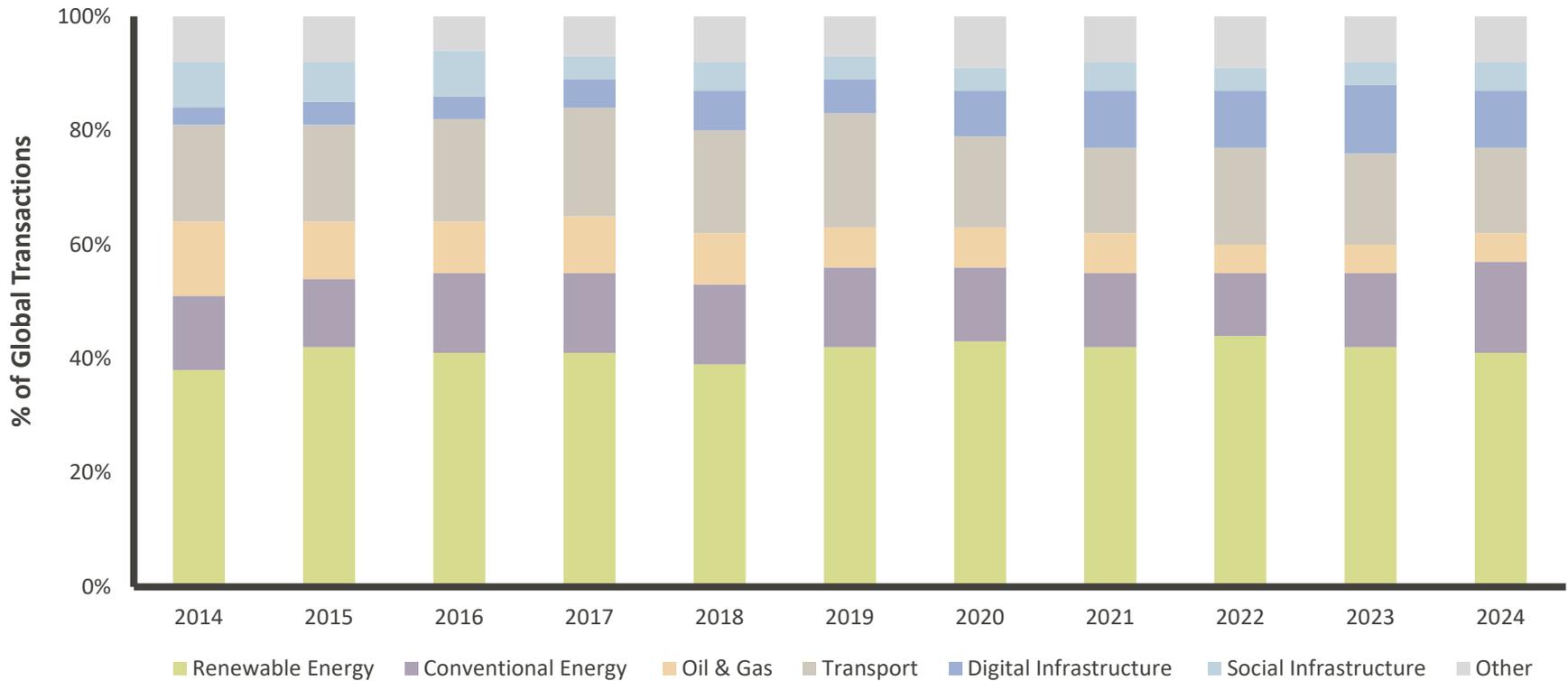
U.S. power demand, essentially flat for the last 15 years, is expected to expand by more than 70% by 2040, driving infrastructure needs



Source: Energy Capital Partners as of March 31, 2024

Global transaction breakdown

Investor interest in infrastructure has evolved over the past decade, with digital assets leading the growth



Source: RealfinX Platform as of September 30, 2024

Opportunities and risks in infrastructure

Opportunities	
	Infrastructure as an inflation hedge
	A golden era for digital infrastructure
	Energy infrastructure: A balanced policy legacy

Risks	
	Macroeconomic and regulatory uncertainty
	Asset quality and operational challenges

Private Equity

Private equity performance

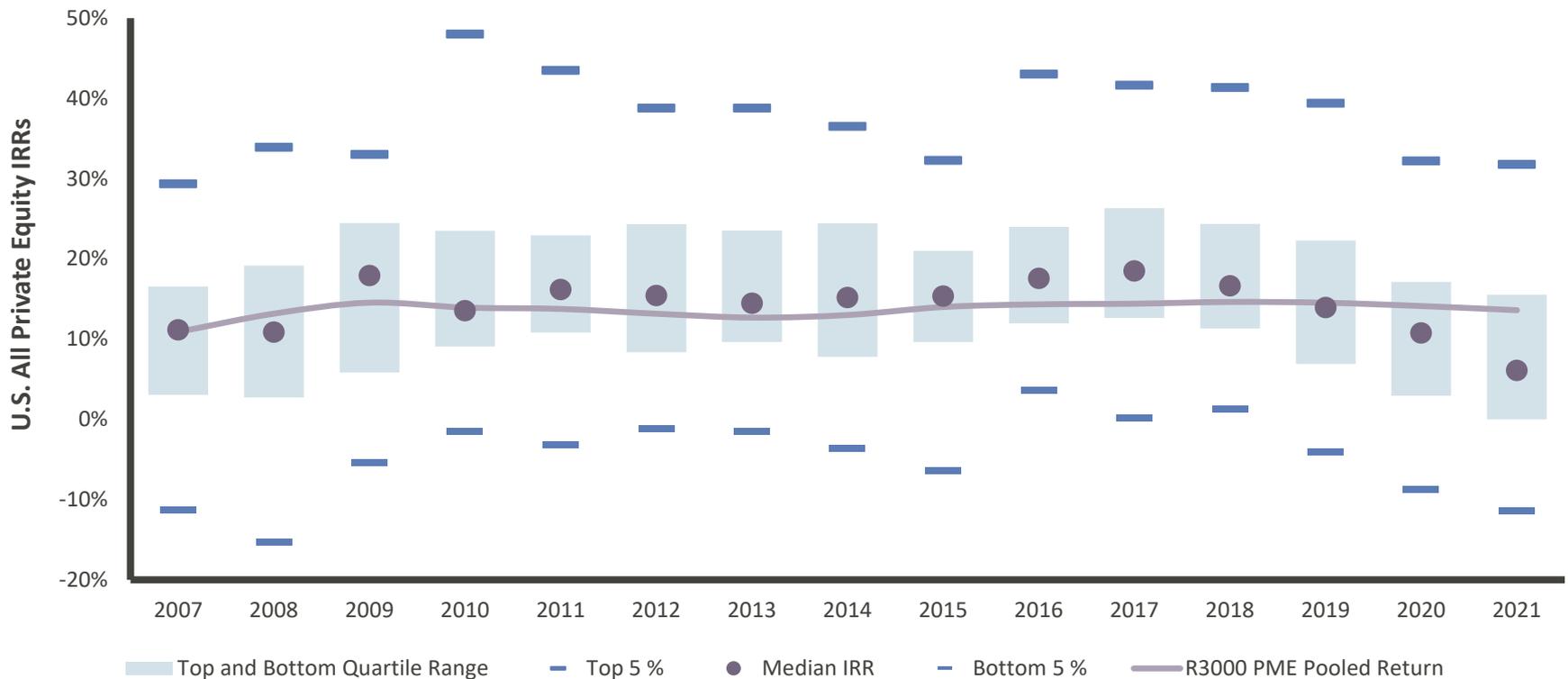
Buyout and venture capital continue to outperform public markets over long time horizons

	3Q24 (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Global Private Equity	2.9	7.3	2.5	14.7	13.9
Global Buyout	3.3	9.0	6.6	15.4	14.1
Global Expansion	4.0	6.7	-0.4	7.6	7.2
Global Venture Capital	2.0	3.2	-5.0	14.4	14.8
U.S. Private Equity	2.2	6.7	2.7	16.6	15.1
U.S. Buyout	1.8	7.8	7.4	16.4	14.9
U.S. Expansion	5.7	11.3	1.0	11.7	11.8
U.S. Venture Capital	2.3	3.0	-6.3	16.9	15.4
MSCI All Country World Index	6.6	31.8	8.1	12.2	9.4
S&P 500	5.9	36.4	11.9	16.0	13.4
Russell 3000	6.2	35.2	10.3	15.3	12.8
Russell 2000 Growth	8.4	27.7	-0.4	8.8	8.9

Source: Burgiss Pooled Returns, Bloomberg as of September 30, 2024

U.S. private equity vintage performance

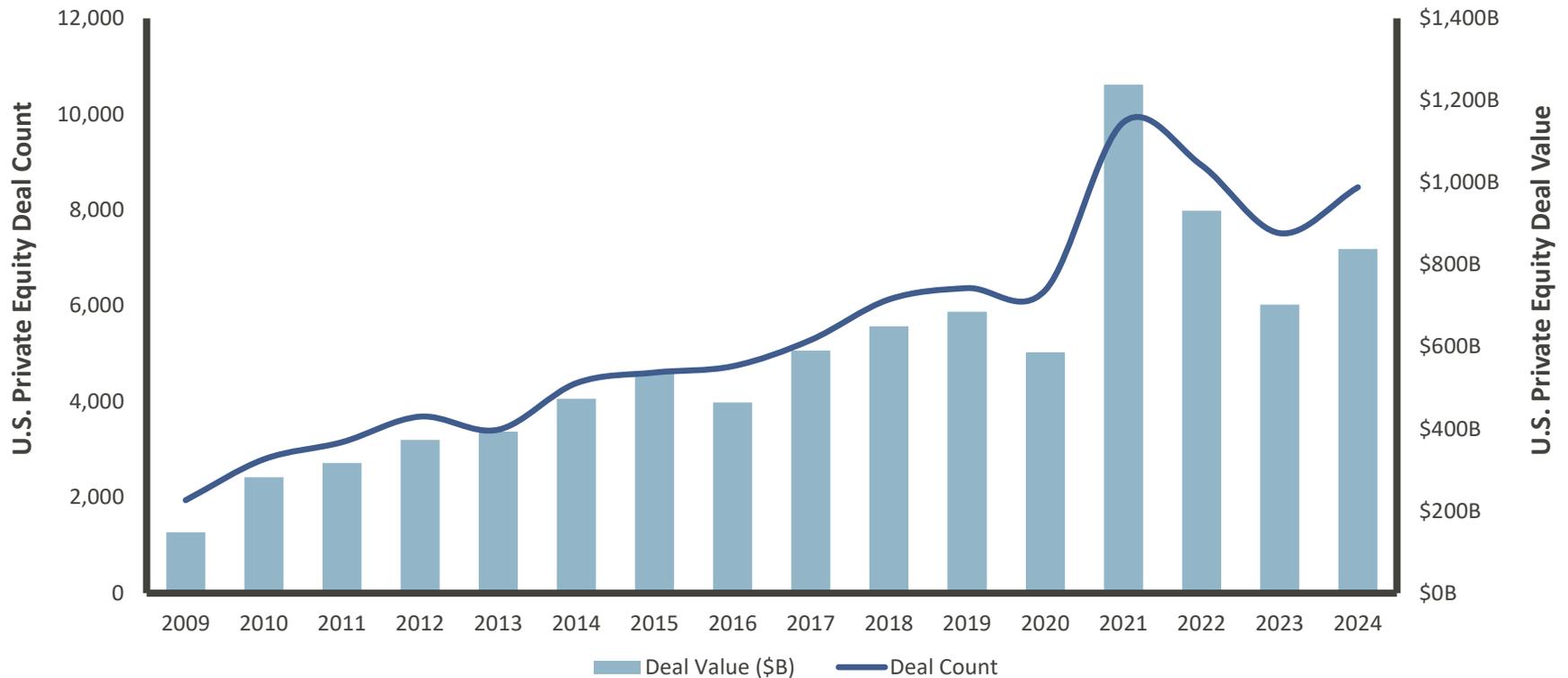
Median private equity performance has exceeded the public market equivalent for the majority of vintage years



Source: Burgiss U.S. All Private Equity Public Market Equivalent, Pooled Returns as of September 30, 2024

Private equity deployment

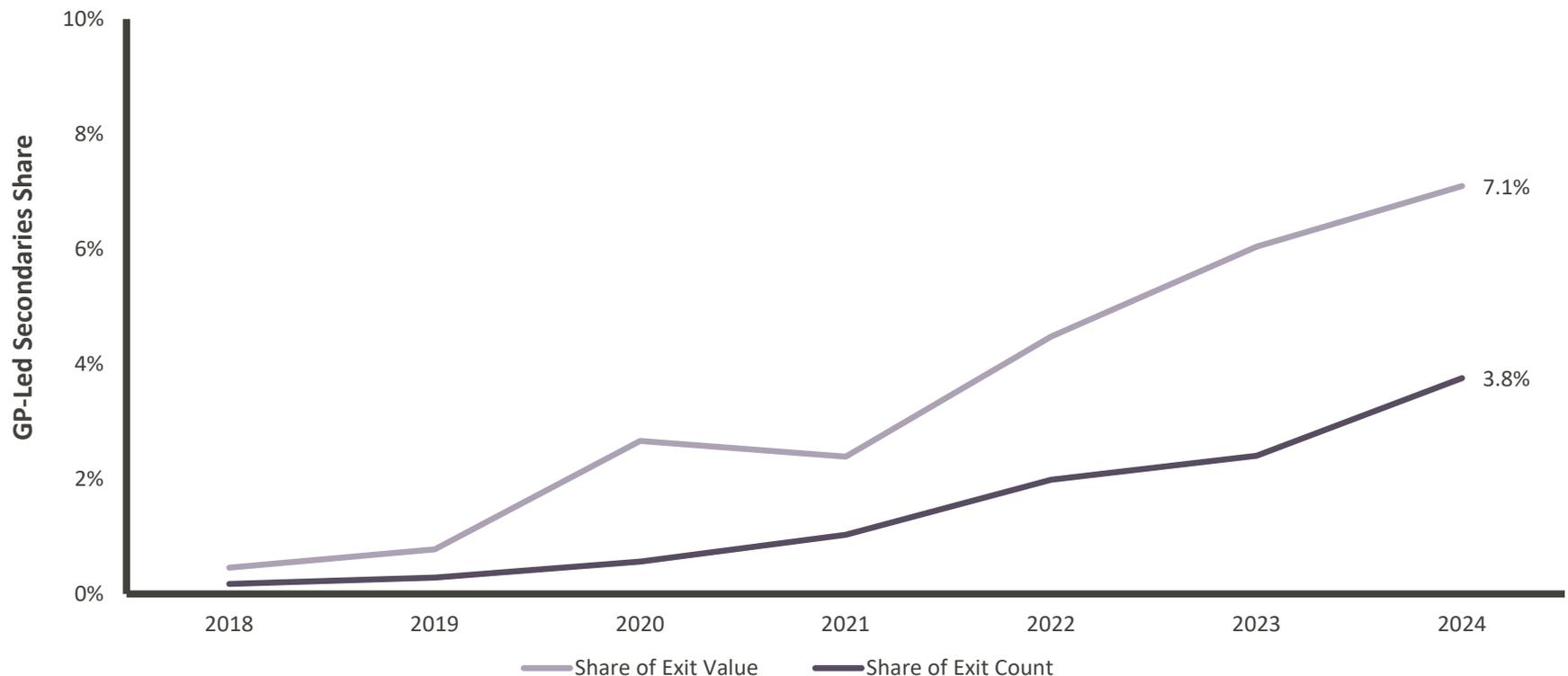
Private equity deal activity is currently tracking above both 2023 and pre-pandemic levels



Source: PitchBook as of December 31, 2024

GP-led secondaries

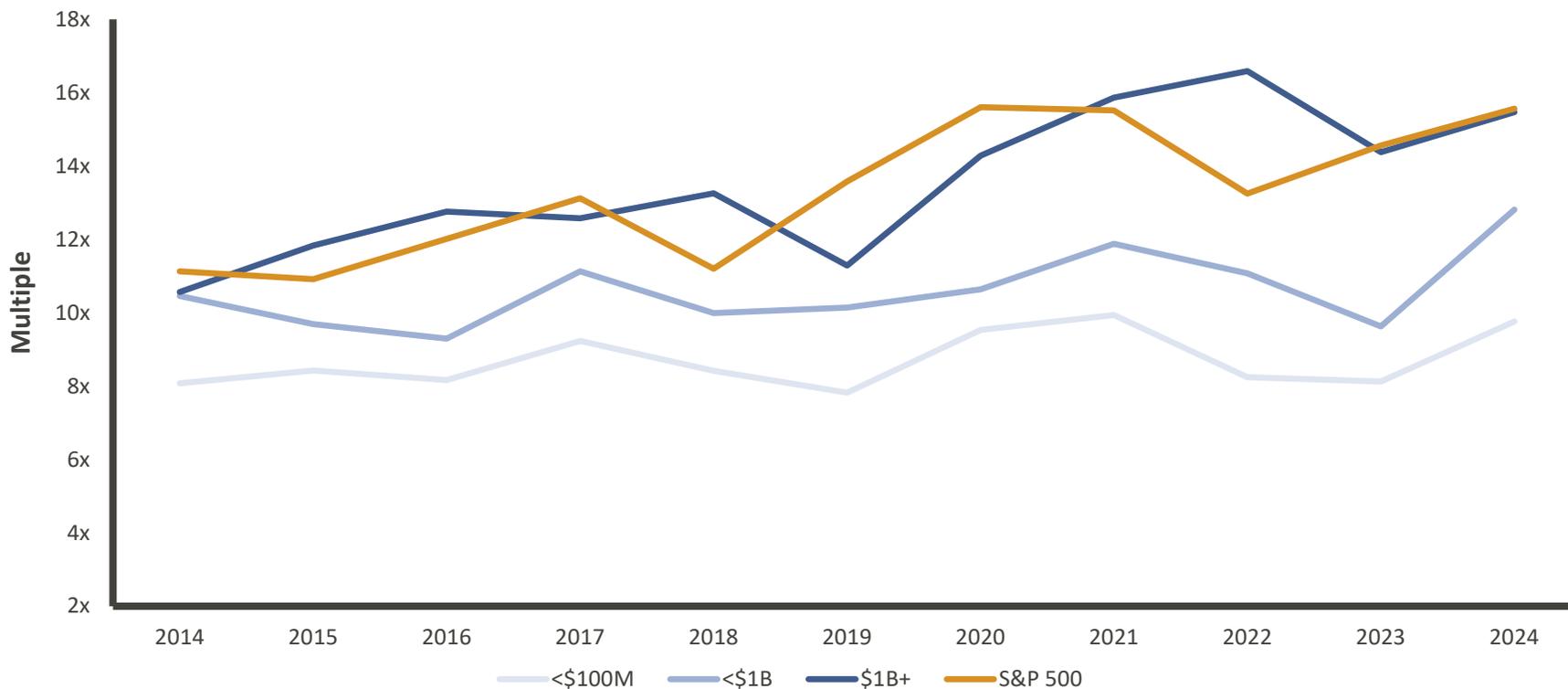
As IPOs have slowed, GPs have in part turned to secondary transactions to generate liquidity



Source: PitchBook as of October 31, 2024

Median EV/EBITDA multiples for North America and Europe

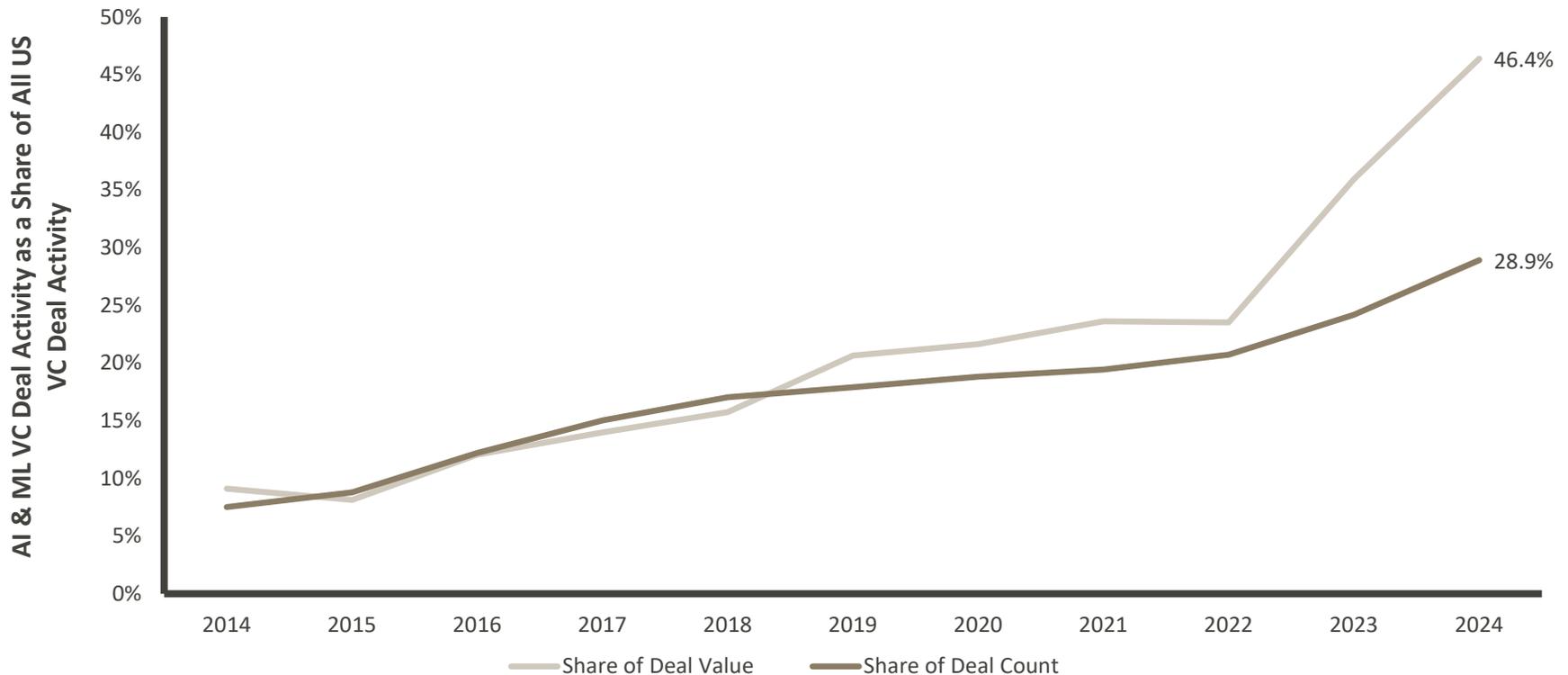
Smaller deals continue trade below public market multiples



Source: PitchBook as of September 30, 2024

AI and ML have dominated the deal landscape

Artificial intelligence and machine learning have dominated venture deals over the last two years



Source: PitchBook as of December 31, 2024

Opportunities and risks in private equity

Opportunities	
	An uptick in deal making
	Valuations in the lower middle market

Risks	
	Growing prevalence of mature funds
	Macroeconomic uncertainty

Private Credit

Private credit performance

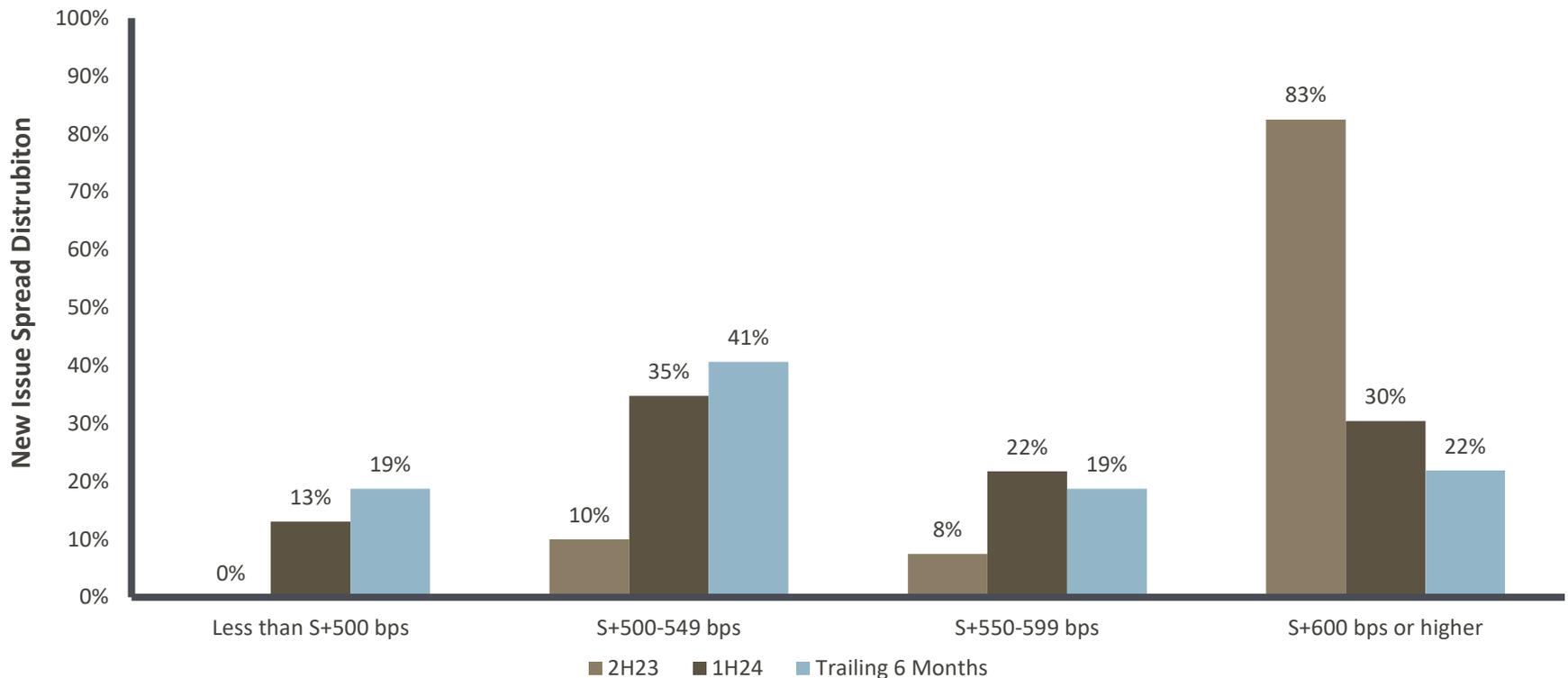
Private credit continues to deliver consistent absolute and relative returns, benefiting from attractive yields and a spread premium

	QTD (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)
Private Credit	2.5	6.5	9.7	7.8	8.8	7.6
Middle Market Direct Lending	2.7	8.5	11.7	9.8	9.4	8.9
Credit Suisse Leveraged Loan	2.1	6.6	9.7	6.3	5.6	4.9
Bloomberg High Yield	5.3	8.0	15.7	3.1	4.7	5.0
Bloomberg Aggregate	5.2	4.4	11.6	-1.4	0.3	1.8
DJ Industrial Average	8.7	13.9	28.8	10.0	11.8	12.0
S&P 500	5.9	22.1	36.4	11.9	16.0	13.4
Russell 3000	6.2	20.6	35.2	10.3	15.3	12.8

Source: Burgiss All Debt universe, Cliffwater, eVestment as of September 30, 2024. All data calculated based on quarterly time-weighted returns.

New issue sponsored direct lending spreads

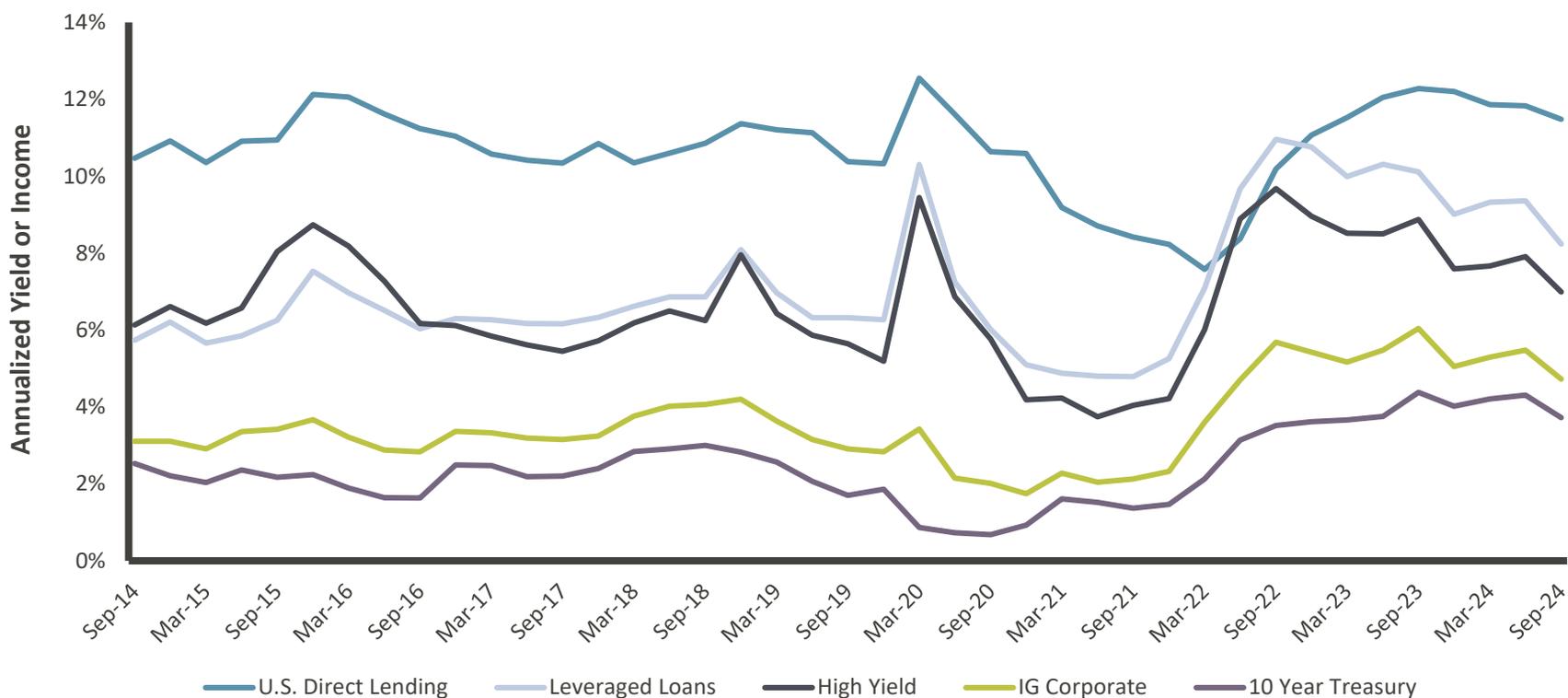
Competition from syndicated markets has continued to tighten spreads, with 59% of recent deals done at SOFR+5.5% or tighter



Source: PitchBook LCD as of September 30, 2024. Senior secured loans and unitranche data based on Pitchbook LCD News reporting.

Historical yields

Despite recent new issue spread tightening, private credit offers a material yield premium over traditional fixed income markets

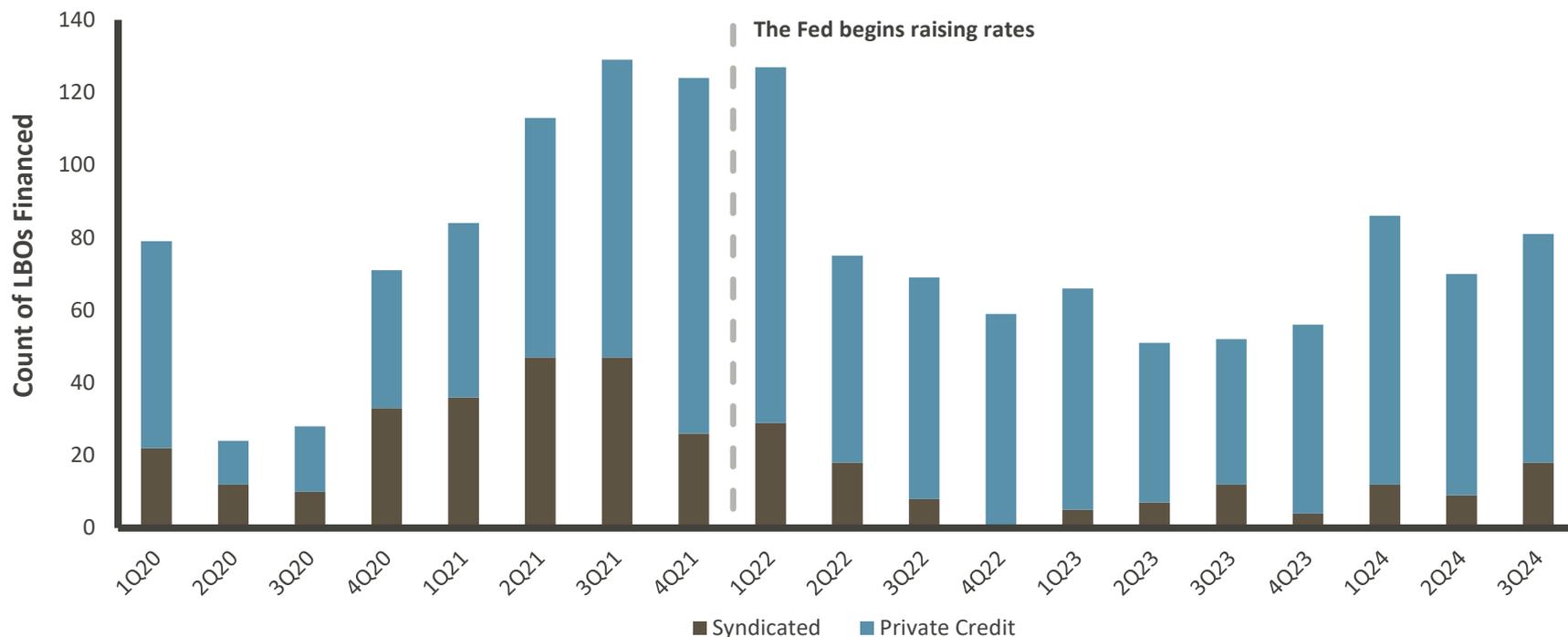


Source: Bloomberg, Credit Suisse, Cliffwater, St. Louis FRED as of September 30, 2024. Yield to 3-yr takeout is utilized for Direct Lending and Leveraged loans.

LBO financing activity favors private credit

Cheaper debt financing, a resilient economy, and existing dry powder is expected to drive increased leverage buyout activity in 2025

▣ Year-to-date leveraged buyout transactions have exceeded total calendar year 2023 activity



Source: PitchBook LCD as of September 30, 2024. Data is based on transactions covered by Pitchbook LCD News reporting.

Leveraged loan maturity wall

Loan maturities in 2027-2028 offer fresh refinancing opportunities and support private credit loan origination

- ▣ In normal markets, loans are typically refinanced up to 24 months in advance of the loan maturity date to mitigate uncertainty and potential stress

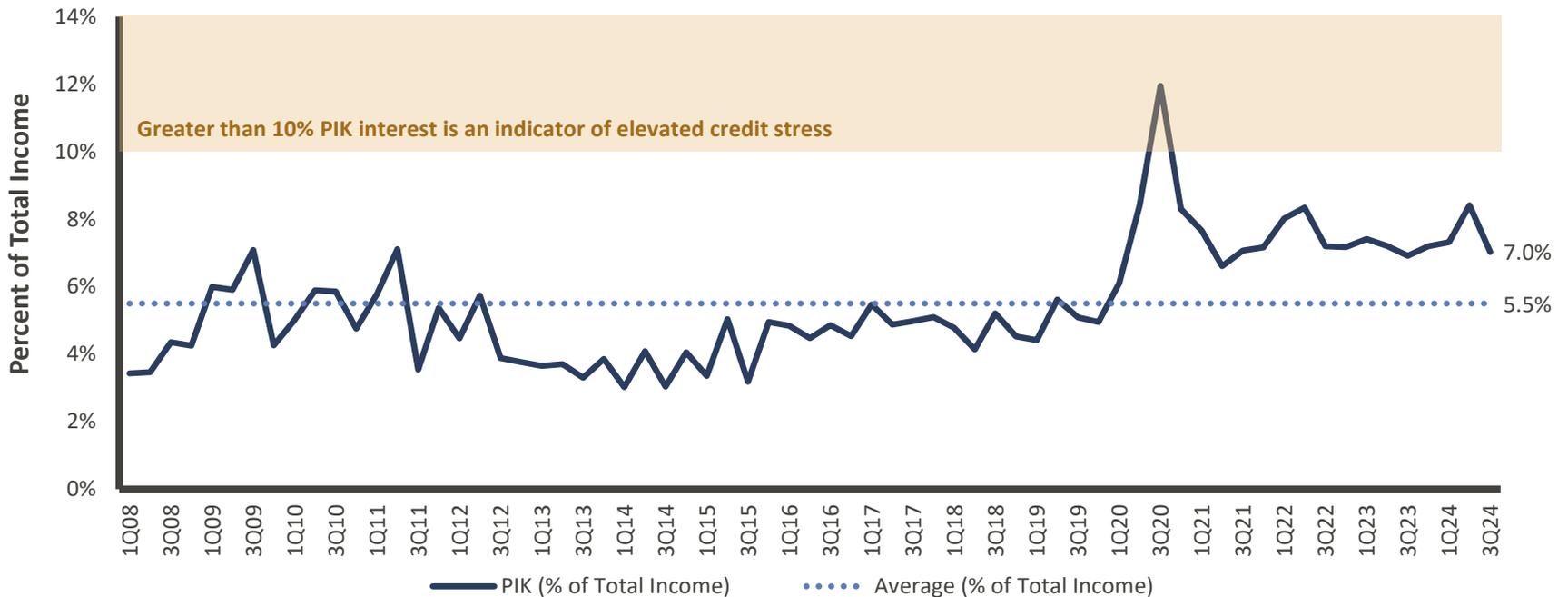


Source: PitchBook LCD as of December 31, 2024. Reflects Morningstar LSTA US Leveraged Loan index maturities excluding defaulted facilities.

PIK interest

Payment-in-kind (PIK) interest levels have been elevated in direct lending, but are well below levels that would indicate market stress

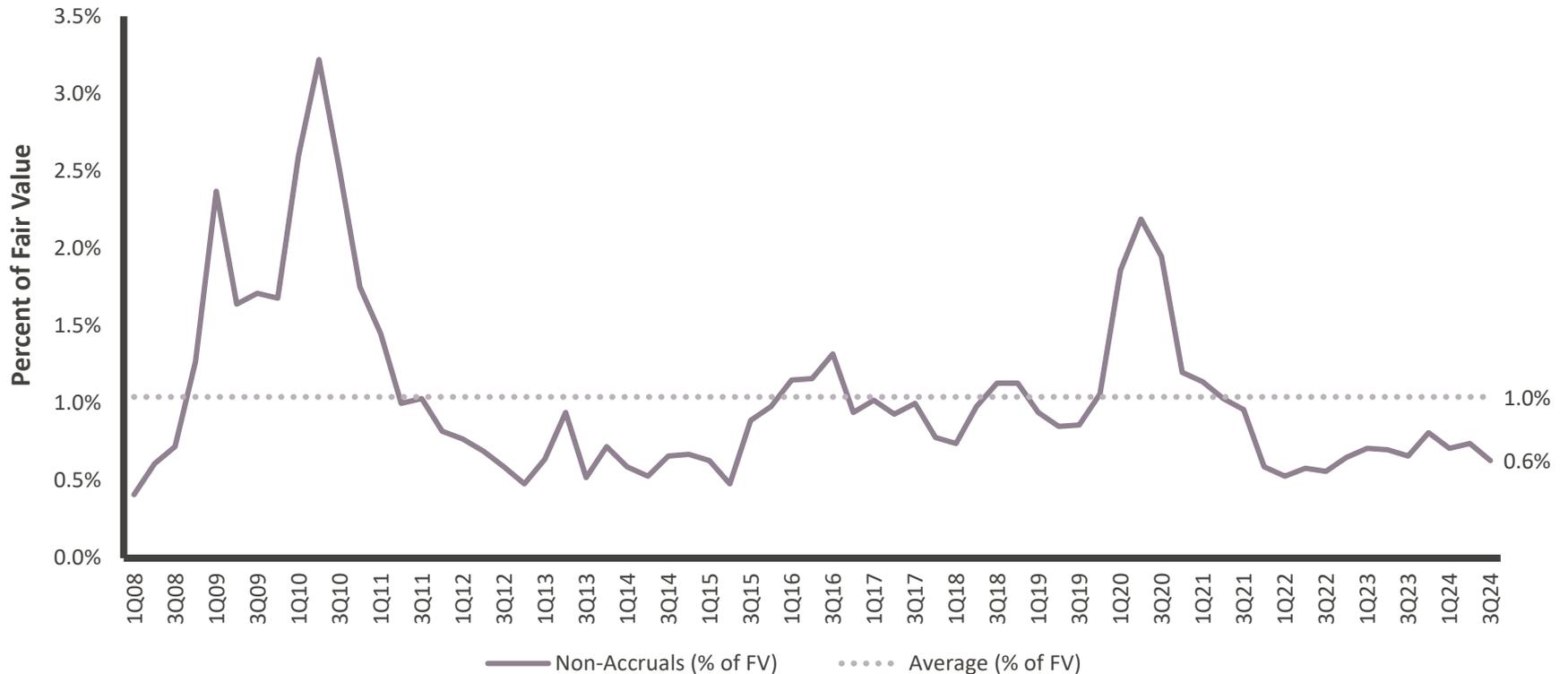
- Historically, PIK was utilized to provide flexibility for stressed borrowers; with PIK more prevalent at origination for healthy borrowers, it is a less reliable indicator of credit stress



Source: Cliffwater Direct Lending Index data as of September 30, 2024

Non-accruals

Loans that are not generating interest due to financial distress remain at benign levels and below long-term averages within direct lending



Source: Cliffwater Direct Lending Index data as of September 30, 2024

Blurred lines in private credit

Regulatory pressures have prompted banks, insurers, and private credit firms to partner, merging origination capabilities with capital

- ▣ In 2024, 14 major banks formed partnerships to distribute loans to private credit, up from two announced partnerships in 2023

NOTABLE BANK PARTNERSHIPS

 	 	 	  	 	 	 
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INSURANCE/ASSET MANAGEMENT

 	 	  	 
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Source: OliverWyman, Bloomberg, Pitchbook. This is a representative but not an exhaustive list of bank partnerships and insurance/asset management transactions in 2024.

Opportunities and risks in private credit

Opportunities	
	Attractive yield premiums remain
	Increasing origination volumes
	Underwriting standards and fundamentals
	Partnerships between banks and private credit

Risks	
	Competitive landscape
	PIK interest and non-accruals
	Falling rates could take time to lower borrowing costs
	Illiquidity risk

Thank you!



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