SAGE MOUNTAIN

Sage Mountain 2024 Market Update & 2025 Outlook

ALWAYS LOOKING AHEAD

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2024 Recap & Themes for 2025

It is reasonable to expect lower returns from US equities over the next 5-10 years given high starting valuations…

…but valuations are a poor predictor of short-term returns

Stay disciplined and focus on your long-term goals

Rebalance to your target weight in equities, as appropriate, and continue to overweight US.

Allocate to alternatives to increase diversification and provide additional potential sources of return. We continue to seek strong risk adjusted return opportunities, that strike a balance between current income and growth potential.

Market snapshot

	4Q 2024	2024	2023	3 Year (Annualized)	5 Year (Annualized)	10 Year (Annualized)
Blended Portfolio						
60% S&P 500 / 40% US Aggregate	0.2%	15.5%	18.0%	4.6%	8.7%	8.5%
Fixed Income						
Bloomberg US Aggregate	-3.1%	1.3%	5.5%	-2.4%	-0.3%	1.3%
Bloomberg Municipal 1-10 Years Blend	-0.9%	0.9%	4.6%	0.1%	1.0%	1.8%
Bloomberg Municipal Bond High Yield	-1.1%	6.3%	9.2%	0.3%	2.7%	4.3%
S&P Leveraged Loan Index	2.3%	9.0%	13.3%	7.0%	5.8%	5.1%
Bloomberg US Corporate High Yield	0.2%	8.2%	13.4%	2.9%	4.2%	5.2%
Equities						
S&P 500	2.4%	25.0%	26.3%	8.9%	14.5%	13.1%
Russell 1000 Growth	7.1%	33.4%	42.7%	10.5%	18.9%	16.8%
Russell 1000 Value	-2.0%	14.4%	11.5%	5.6%	8.7%	8.5%
Russell 2000	0.3%	11.5%	16.9%	1.2%	7.4%	7.8%
NASDAQ 100	4.9%	25.9%	55.1%	9.7%	20.2%	18.5%
MSCI EAFE (USD)	-8.1%	3.8%	18.2%	1.6%	4.7%	5.2%
MSCI EAFE (Local Currency)	-0.6%	11.3%	16.2%	6.3%	7.5%	7.1%
MSCI Emerging Markets	-8.0%	7.5%	9.8%	-1.9%	1.7%	3.6%
MSCI All Country World	-1.0%	17.5%	22.2%	5.4%	10.1%	9.2%
Other Assets						
PitchBook Private Equity[1]	0.0%	3.8%	10.6%	4.1%	14.9%	14.6%
NCREIF NPI Returns - National[2]	0.0%	-0.3%	-7.9%	-1.1%	3.0%	5.6%
S&P GSCI Gold	-0.7%	27.5%	13.4%	13.0%	11.6%	8.3%
Crude Oil - WTI Spot	5.4%	0.8%	-10.4%	-1.2%	3.5%	3.1%
S&P Goldman Sachs Commodity Index	3.8%	9.2%	-4.3%	9.6%	7.1%	1.2%
US Dollar Index	7.6%	7.1%	-2.1%	4.2%	2.4%	1.9%
US CPI - Urban Consumers	0.1%	2.9%	3.4%	4.2%	4.2%	3.0%
US CPI - All Items Less Food & Energy	0.6%	3.0%	3.9%	4.2%	3.9%	3.0%
VIX Volatility Index	3.7%	39.4%	-42.5%	0.3%	4.7%	-1.0%

Source: Addepar; data as of 12/31/2024

[1] Returns as of 6/30/2024

[2] Returns as of 9/30/2024

In a reversal from Q3, Investment grade fixed income fell in Q4 as inflation concerns remain, while high yield continued to outpace credit as spreads remained tight.

US Equities continued their rise as investors remain optimistic, while international stocks fell. The S&P 500 rose 2.4%, while international stocks fell -8.1% on the back of a strong US Dollar.

Oil returns were boosted by the Trump victory in Q4, rising 5.4%. The US Dollar reversed from Q3, rising 7.6% in the fourth quarter and bringing its year-to-date return back positive to 7.1%.

Volatility rose in Q4 as inflation cautions remain, bringing 2024 volatility to a sharp high of 39.4%, a strong reversal from 2023.

A 60% equity / 40% bond portfolio was flat in Q4, posting a 0.2% return as stock and bond returns were mixed.

2024 RECOMMENDATIONS IN HINDSIGHT

FIXED INCOME

Recommendations included extending fixed income duration, tactically allocating to AAA CLOs, and eschewing high yield corporate bonds in favor of other opportunities due to their tight credit spreads.

Adding duration was a drag on returns as rates increased on longer maturity bonds. The Bloomberg Municipal 1-10 Year Blend index returned +0.9% while the Bloomberg Municipal Bond 1 Year index returned +2.7%.

The allocation to AAA CLOs was additive as the JP Morgan CLO AAA Index returned +7.1% vs. the Bloomberg US Aggregate +1.3%.

High yield corporate bonds rallied as spreads tightened even further, but our allocations to BDCs and direct lending also performed well. The Bloomberg US Corporate High Yield index was +8.2% for the full year and +8.0% through the third quarter. The Cliffwater BDC Index returned +14.4% for the year while the Cliffwater Direct Lending Index returned +8.53% through Q3, the most recent quarter for which data is available.

EQUITIES

Recommendations included staying invested, maintaining a 4:1 overweight of US vs. international equities, and a quality factor tilt.

Remaining invested paid off as global equities returned +18.0%. Overweighting US was also beneficial as the S&P 500 returned +25.0% vs. the MSCI EAFE +3.8% on an unhedged basis and +11.3% currency hedged.

The quality factor tilt was a minor detractor from returns as the JP Morgan US Quality Factor Index returned +21.2% and the MSCI World ex USA Sector Neutral Quality Index was +2.1%.

ALTERNATIVES

We recommended allocating to alternatives to increase diversification and provide additional potential sources of return. Areas we mentioned included private credit, real estate credit, and secondaries as well as remaining open to strategies that could benefit if interest rates fall.

As with 2023, alternatives generally lagged relative to equities. However, we believe that the added diversification will benefit portfolios long-term assuming equity returns moderate after two very strong years.

We continued to add to secondaries exposure in real estate and credit with two funds that held their final close in 2024. We also committed to a life sciences venture capital fund which we believe is well positioned to take advantage of valuations which have rationalized from the peaks of 2020 and 2021.

Within primary market real estate, we continued to lean towards credit, allocating to multiple funds with a mix of fixed and floating rate exposure. While floating rate has

ALTERNATIVES, cont.

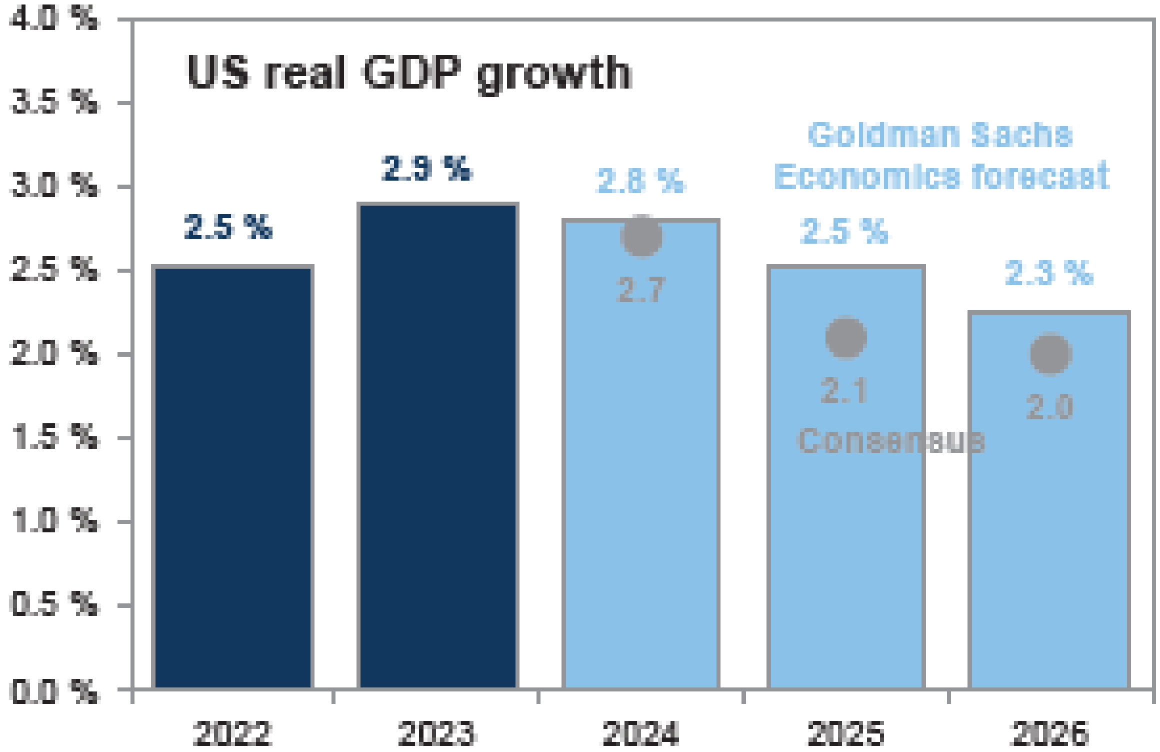
benefitted as the Fed raised rates in 2022 and 2023, we believed it made sense to lock in some fixed rate exposure as a complement and a hedge against future rate cuts.

A final notable investment was in an energy fund which focuses on proved developed producing wells and hedges most of the commodity price risk. We have largely avoided energy funds because we are not comfortable with their exposure to volatile commodity prices, so we are excited about this opportunity. We view this as a way to take advantage of a lack of capital in the space, as well as another investment which we believe can generate income that is not dependent on interest rates remaining near current levels.

Source: Addepar, Janus Henderson, FRED, Bloomberg

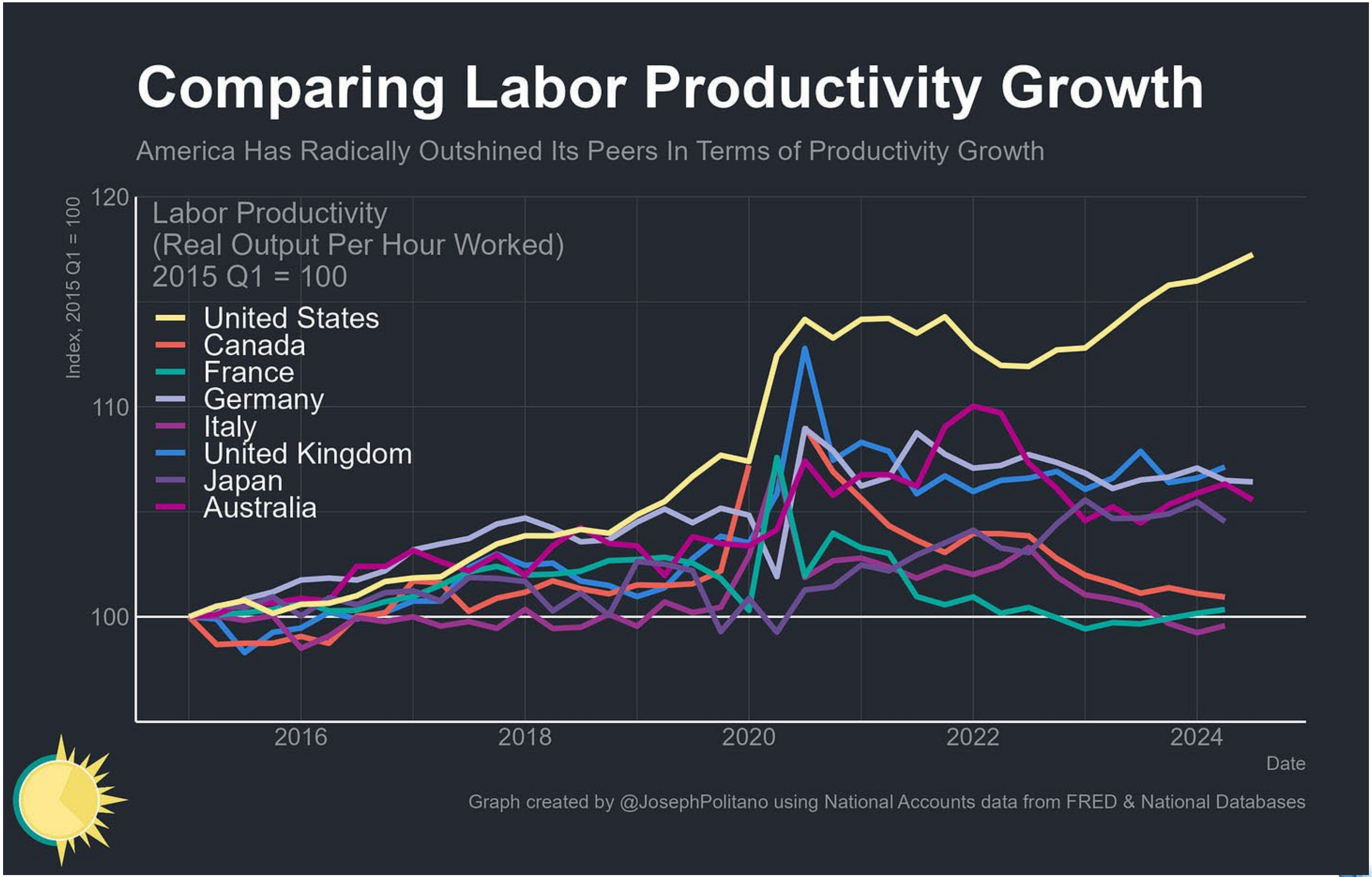
US GDP growth remained strong

Exhibit 18: Goldman Sachs and consensus forecasts for US real GDP growth



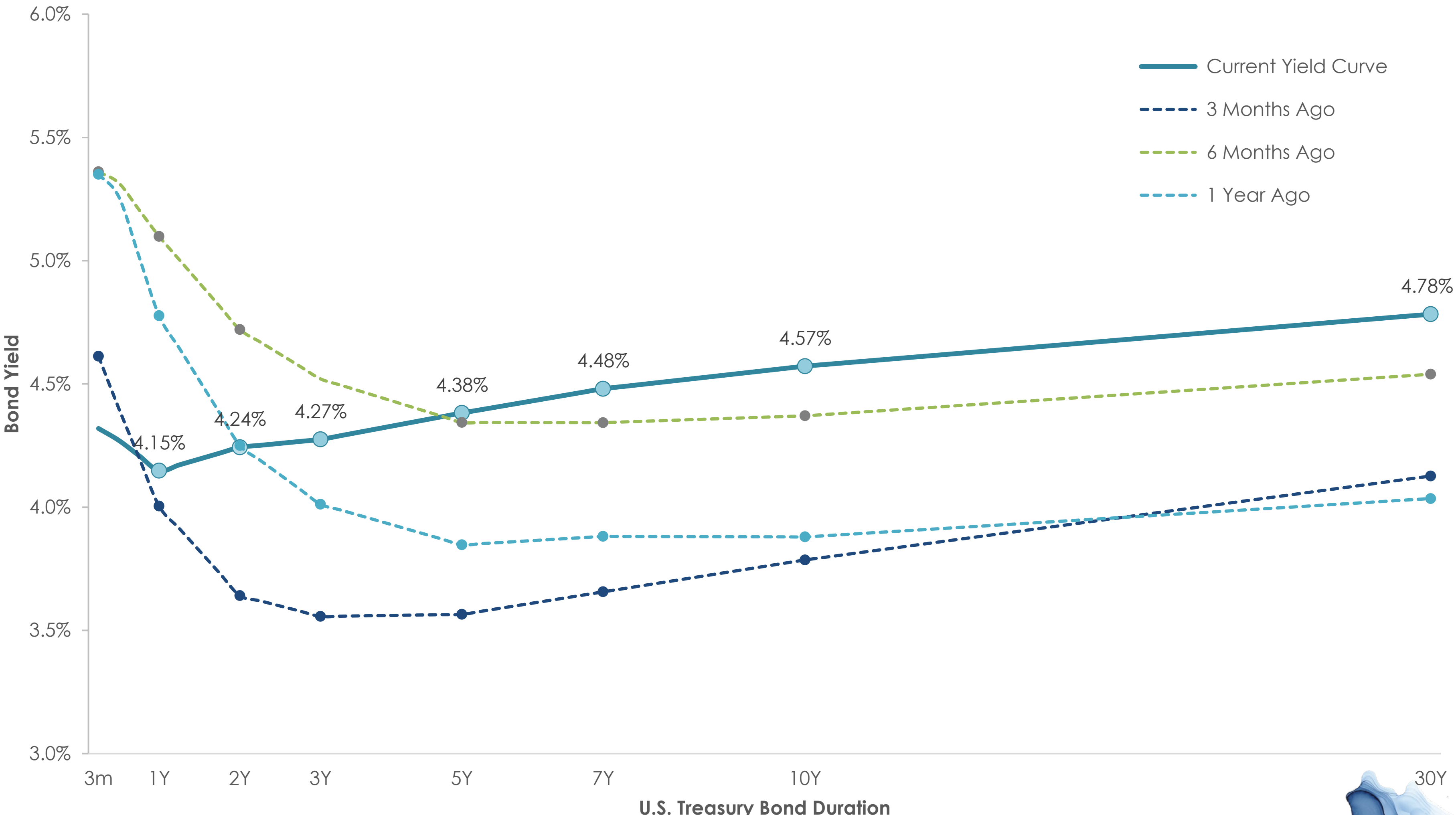
Source: Goldman Sachs

US productivity growth continued to lead the world



Source: Apricitas Economics

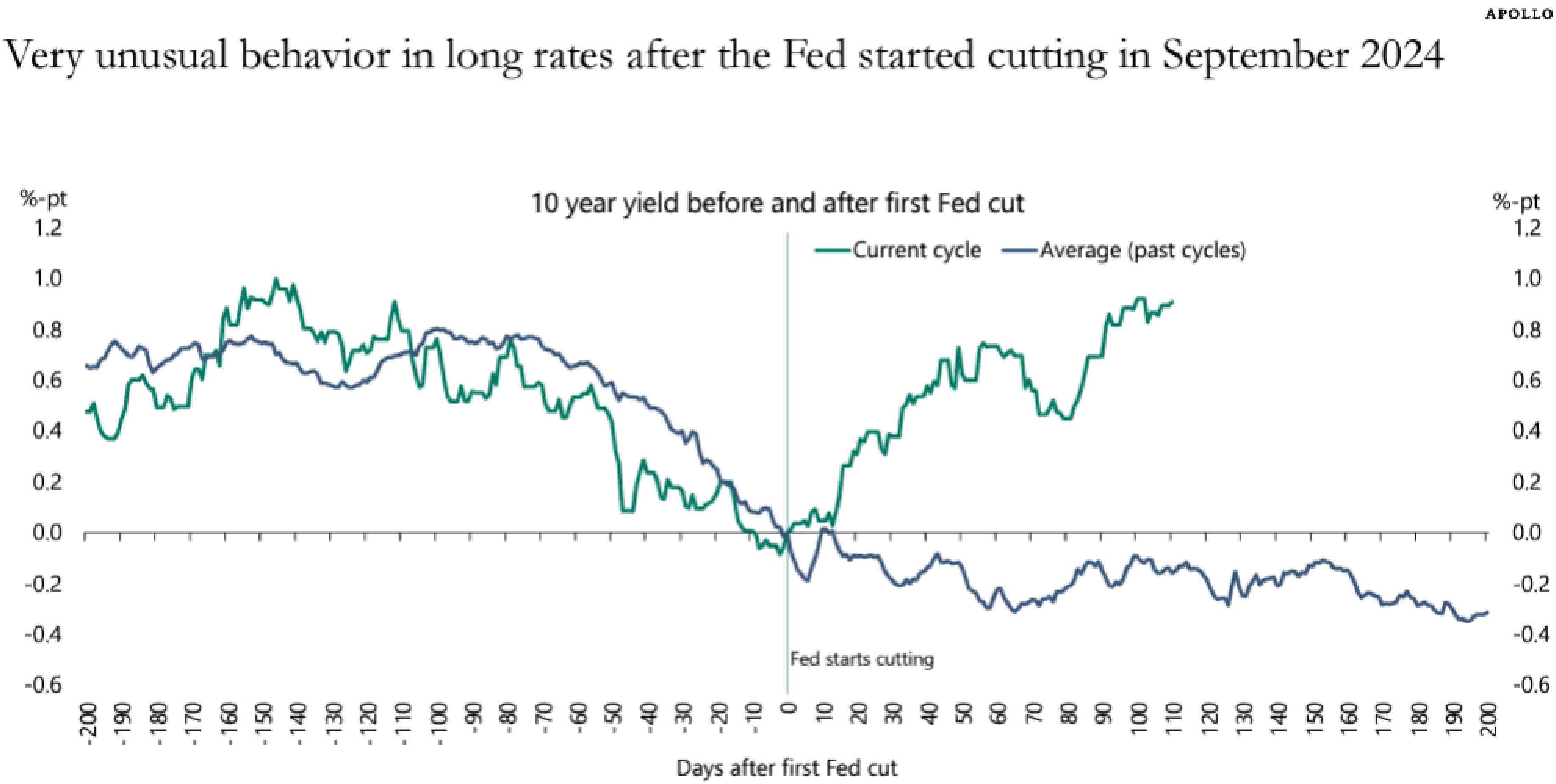
The shape of the yield curve shifted throughout the year



Source: Market Desk; data as of December 31, 2024

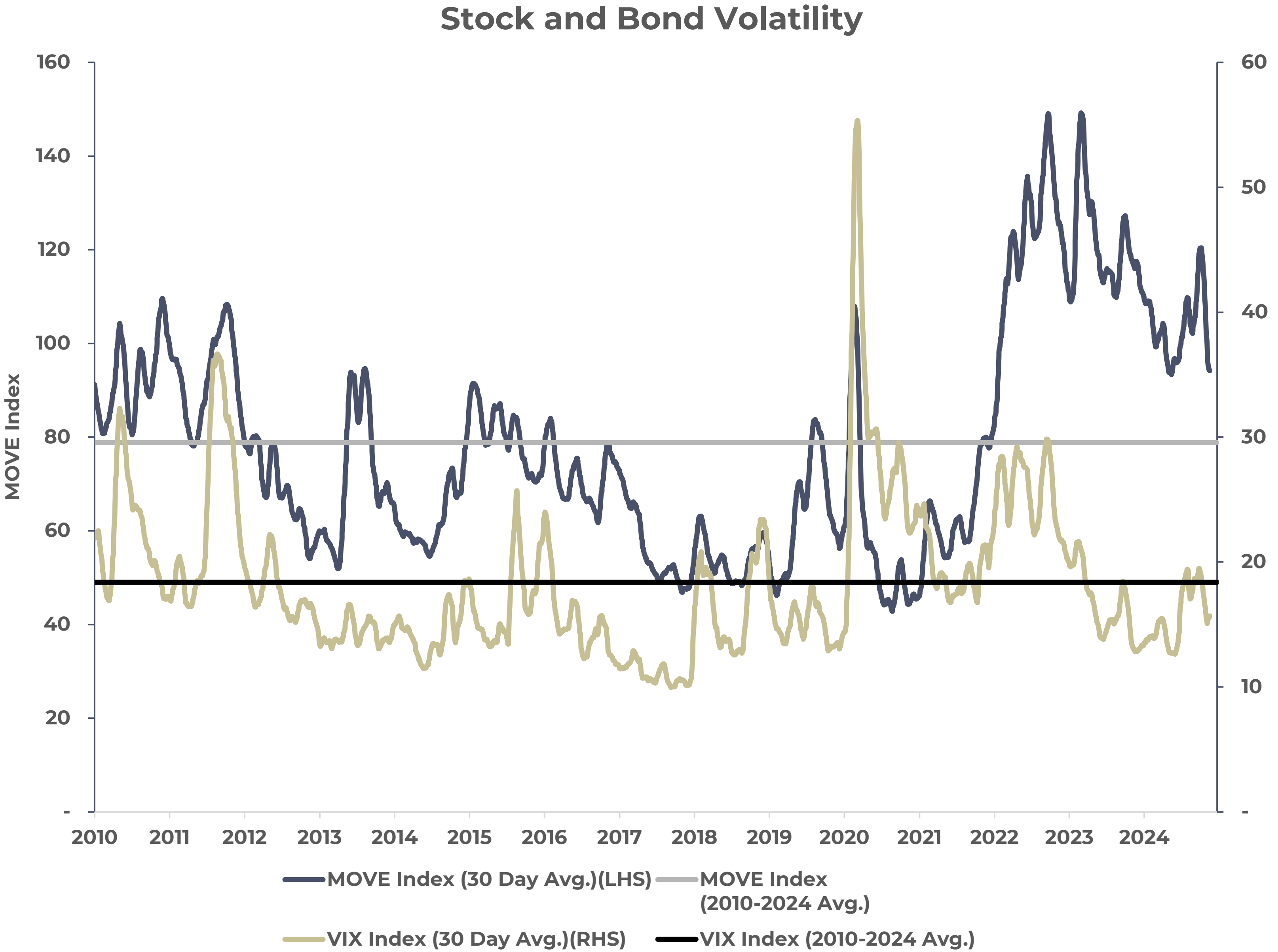
Past performance is not indicative of future results. Please see attached disclosures.

Long-term rates have increased despite Fed rate cuts



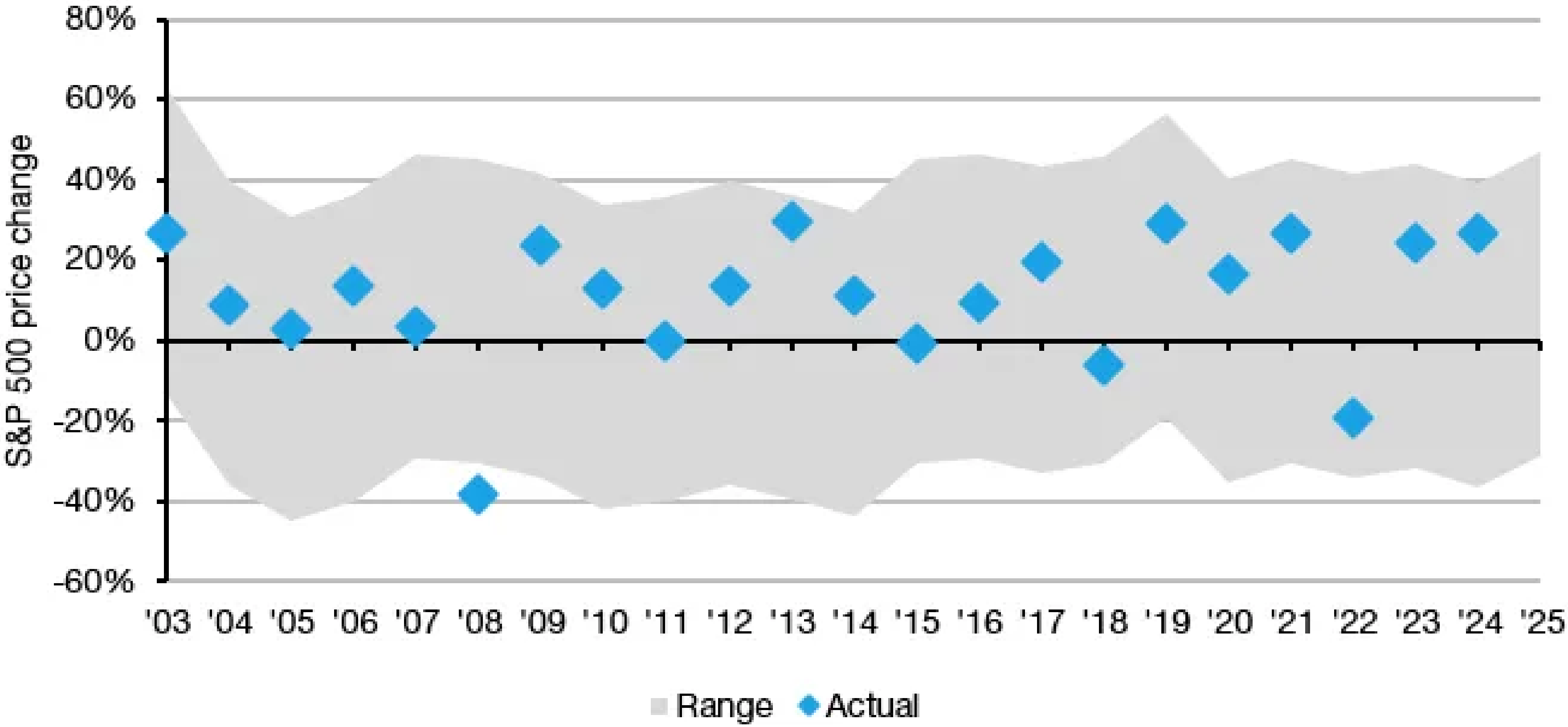
Source: Apollo

Bond volatility was high while equity volatility was low



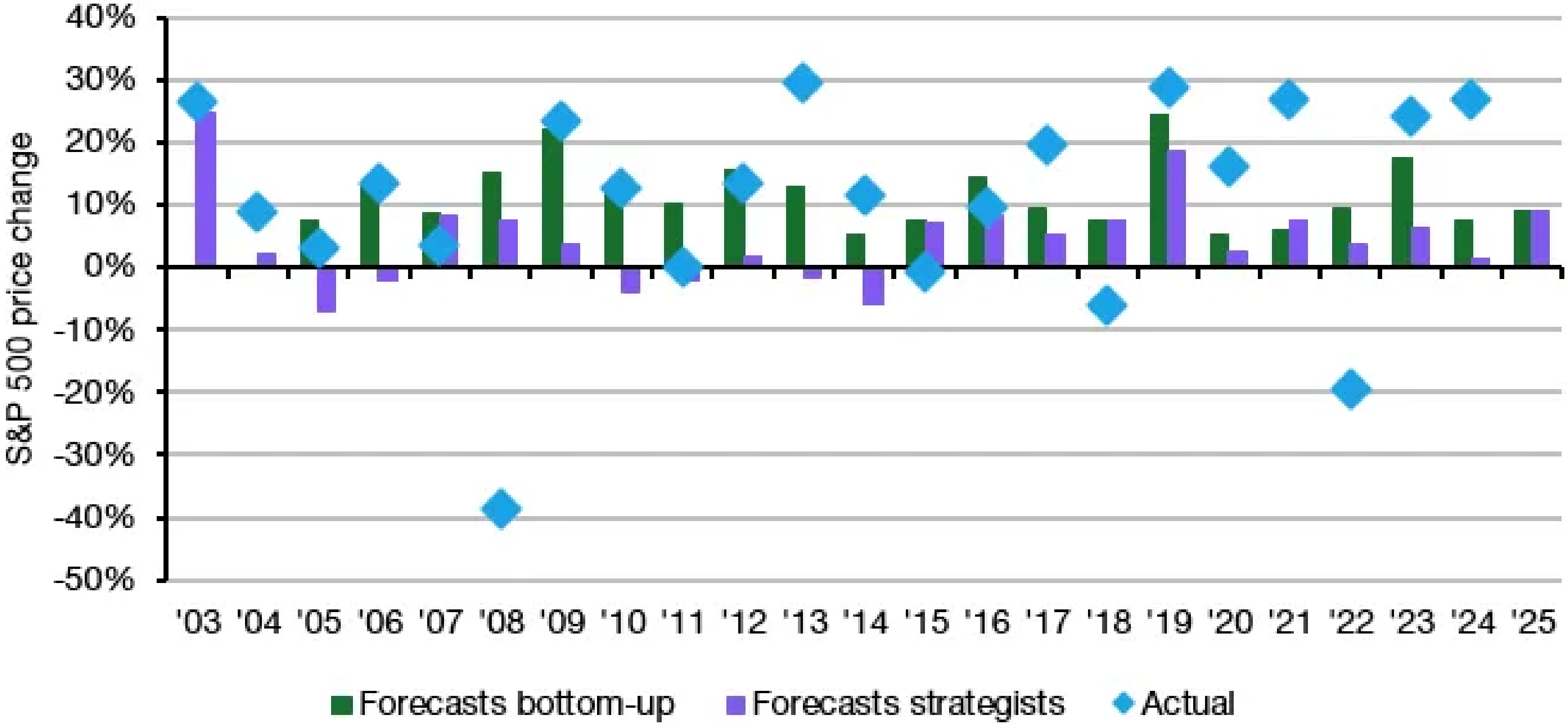
Source: Bloomberg; data as of December 31, 2024

Forecasting equity returns is very difficult…



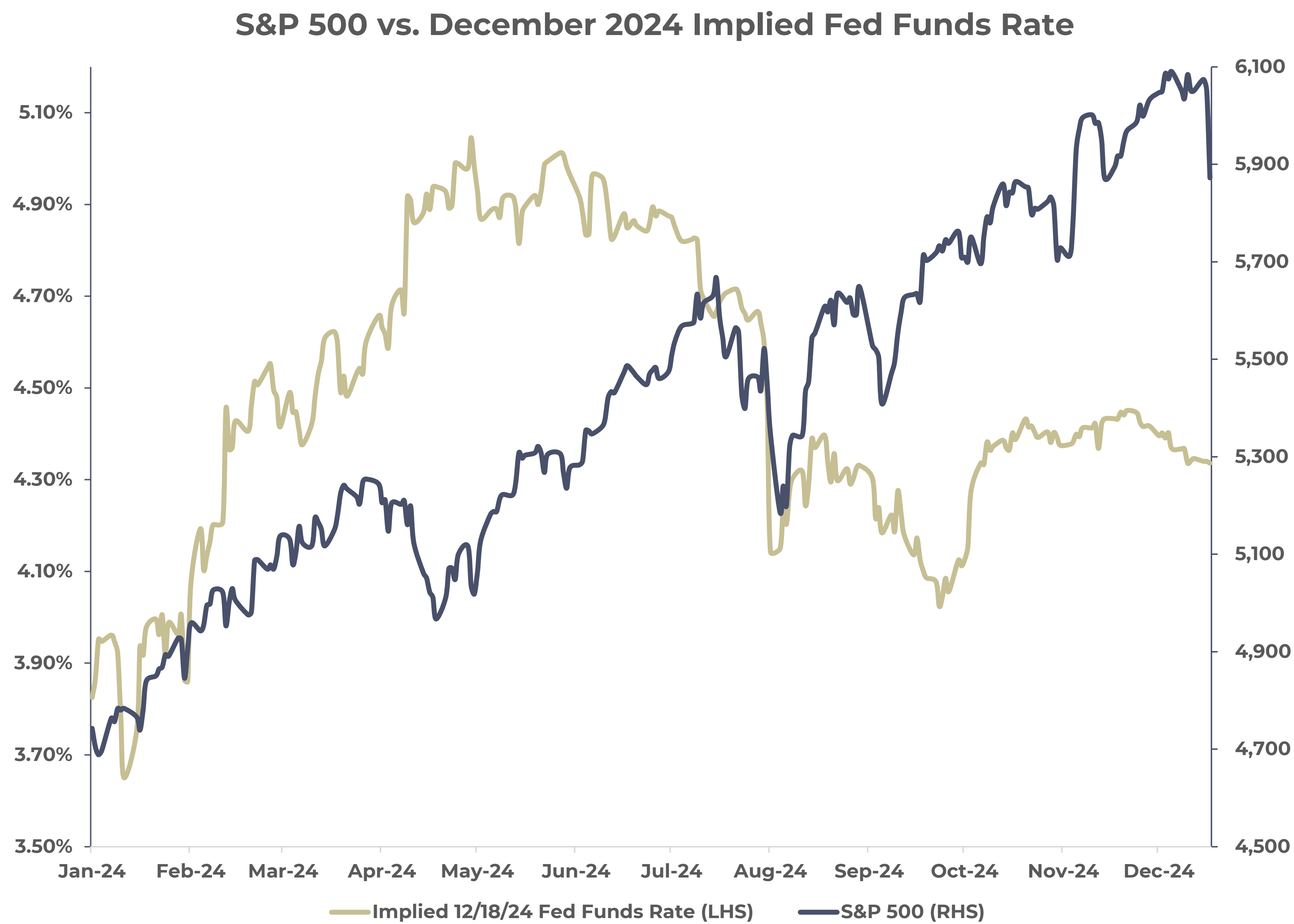
Source: Joachim Klement (data from Bloomberg)

…and US equities outperformed expectations again…



Source: Joachim Klement (data from Bloomberg)

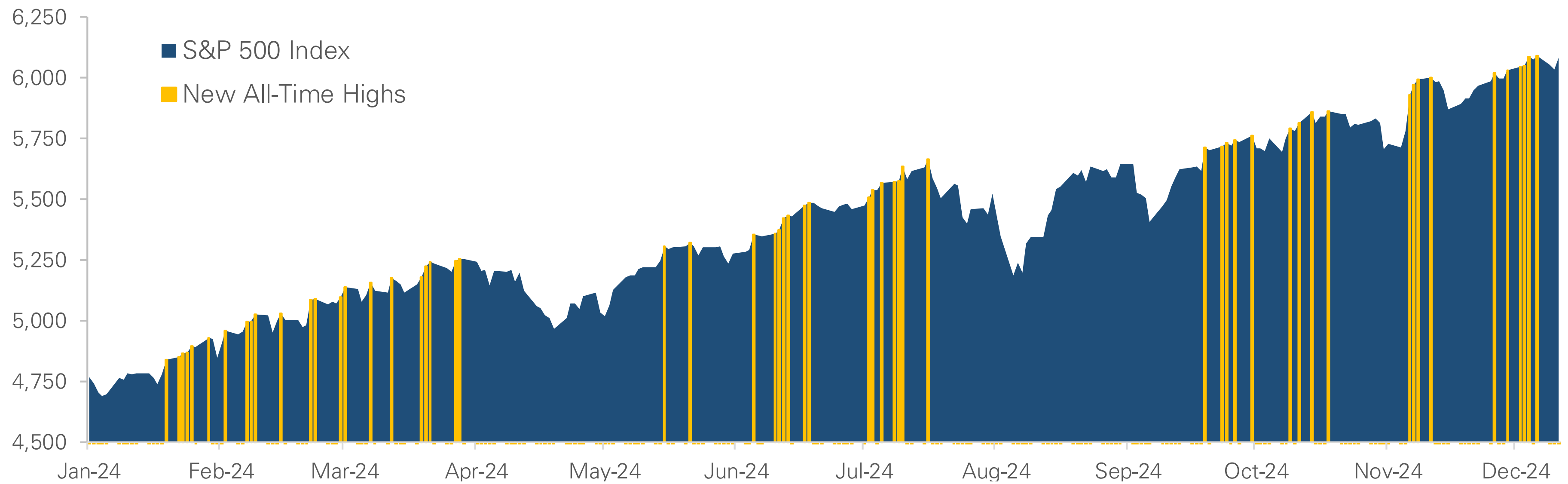
…despite fewer rate cuts than expected…



Source: Bloomberg; data as of December 18, 2024

…and the S&P 500 set more than 50 all time highs in 2024

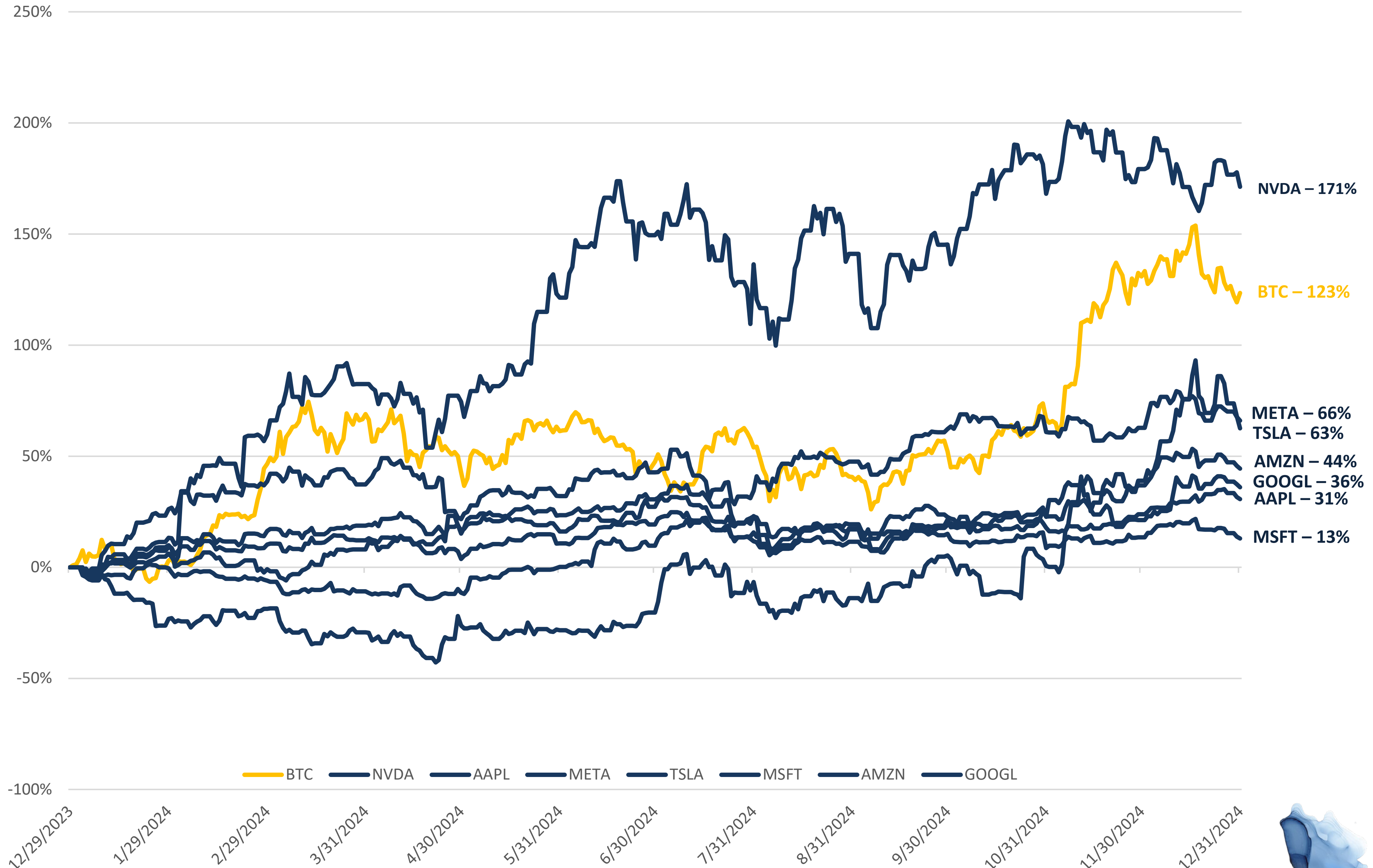
FIGURE 1 – S&P 500 Performance in 2024



Source: S&P Global. Data from January 1st 2024 to December 12th 2024.

Source: Market Desk; data as of December 12, 2024

Bitcoin and AI were big winners in 2024

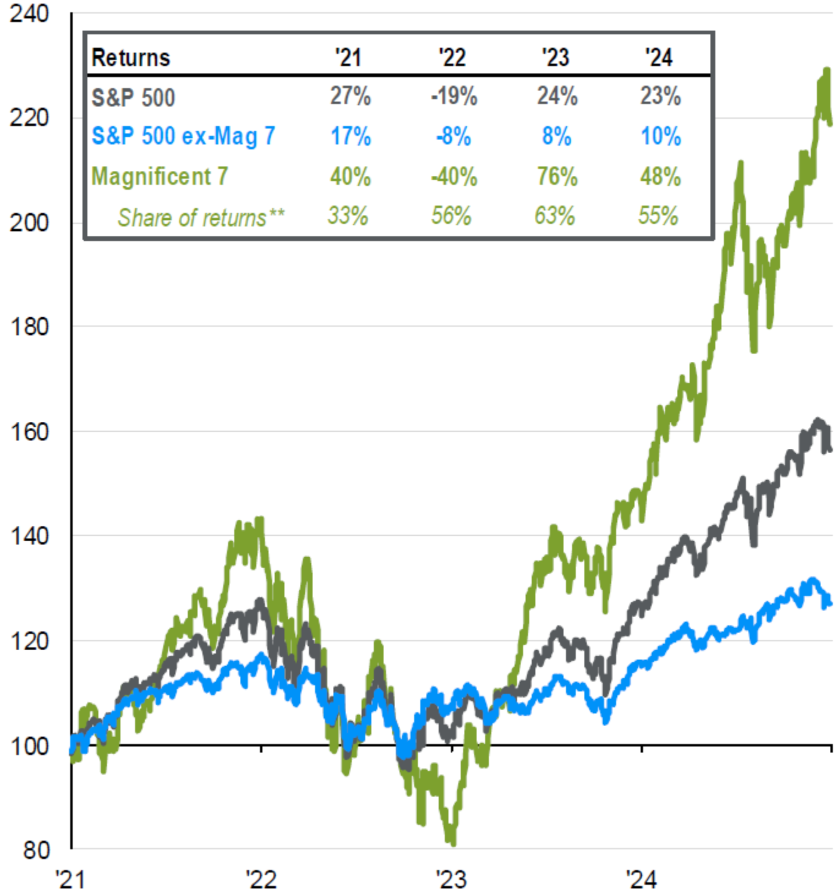


Source: Refinitiv

Mag 7 dominance continued in 2024…

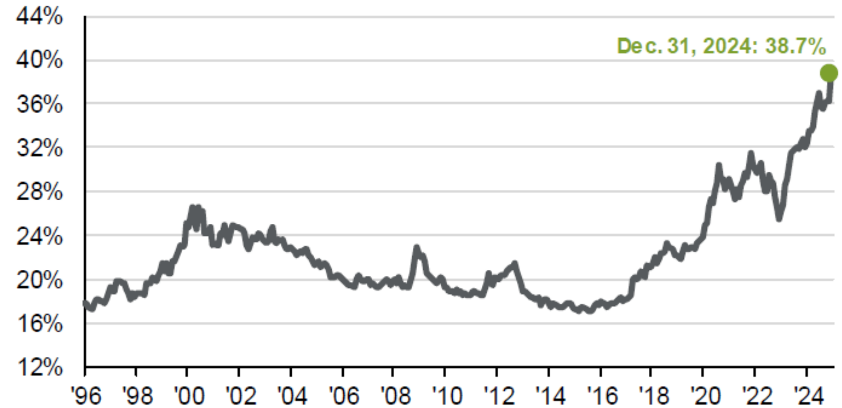
Performance of "Magnificent 7" stocks in S&P 500*

Indexed to 100 on 1/1/2021, price return



Weight of the top 10 stocks in the S&P 500

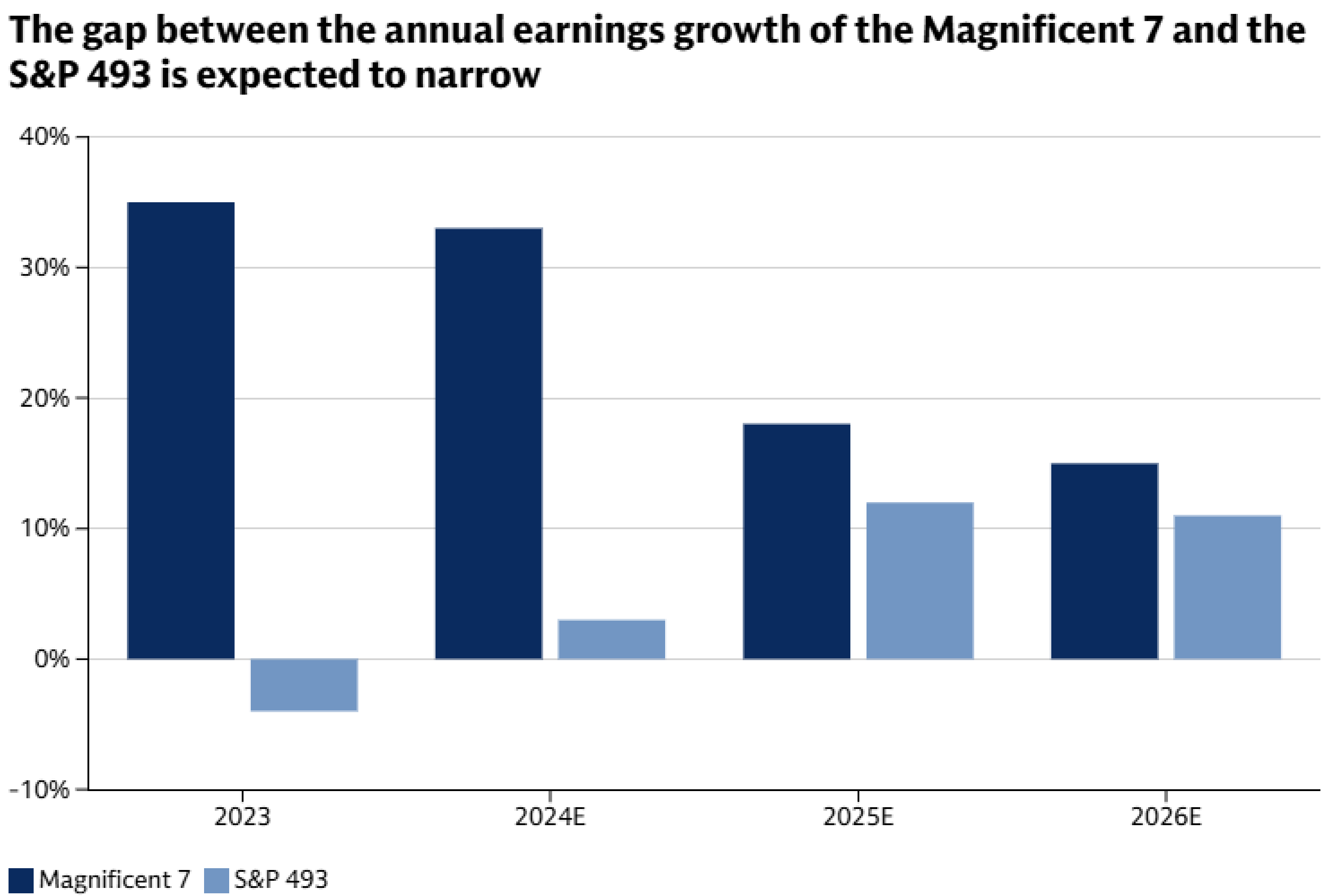
% of market capitalization of the S&P 500



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management
Magnificent 7 stocks are: AAPL, AMZN, GOOGL, META, MSFT, NVDA, and TSLA.

…but that may be poised to change

While earnings have continued to be in favor of the Magnificent 7, there are macro economic factors that could benefit the S&P 493 in earnings growth. U.S. economic growth and trade policy could narrow the gap as we look ahead to a second Trump administration.

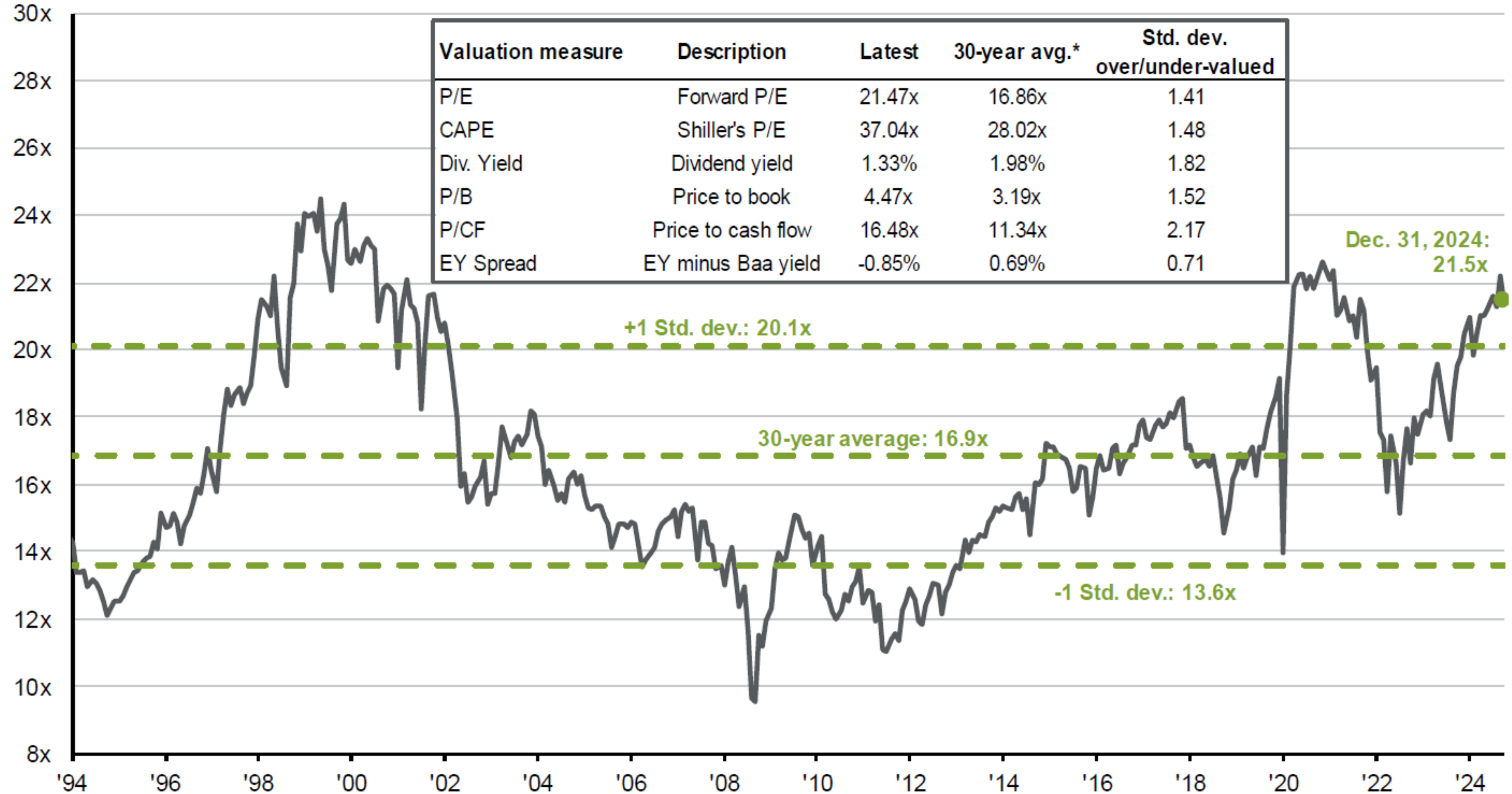


Source: FactSet, Goldman Sachs Research

Past performance is not indicative of future results. Please see attached disclosures.

Valuations continued to trickle upward above historical averages…

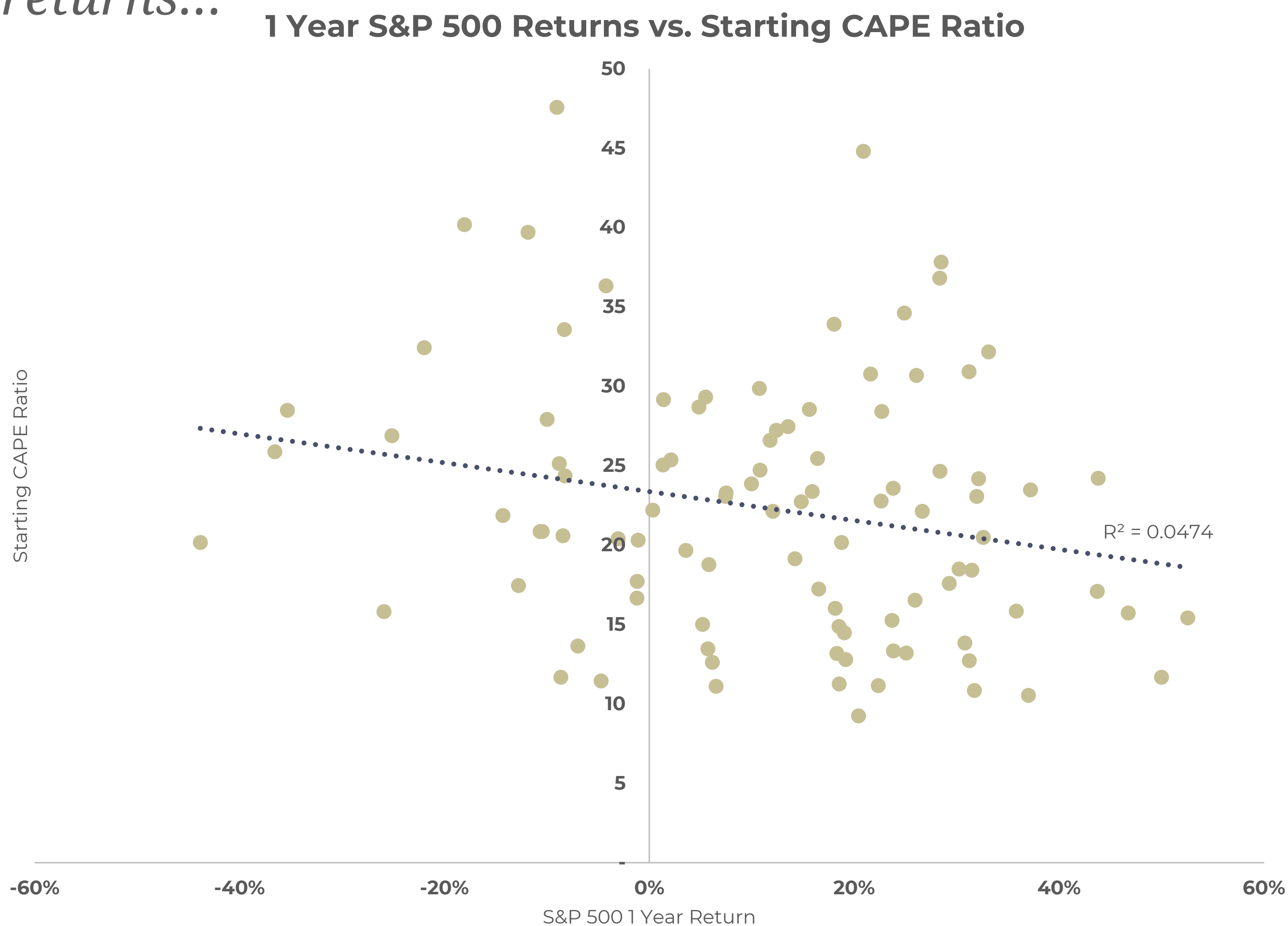
S&P 500 Index: Forward P/E ratio



Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	21.47x	16.86x	1.41
CAPE	Shiller's P/E	37.04x	28.02x	1.48
Div. Yield	Dividend yield	1.33%	1.98%	1.82
P/B	Price to book	4.47x	3.19x	1.52
P/CF	Price to cash flow	16.48x	11.34x	2.17
EY Spread	EY minus Baa yield	-0.85%	0.69%	0.71

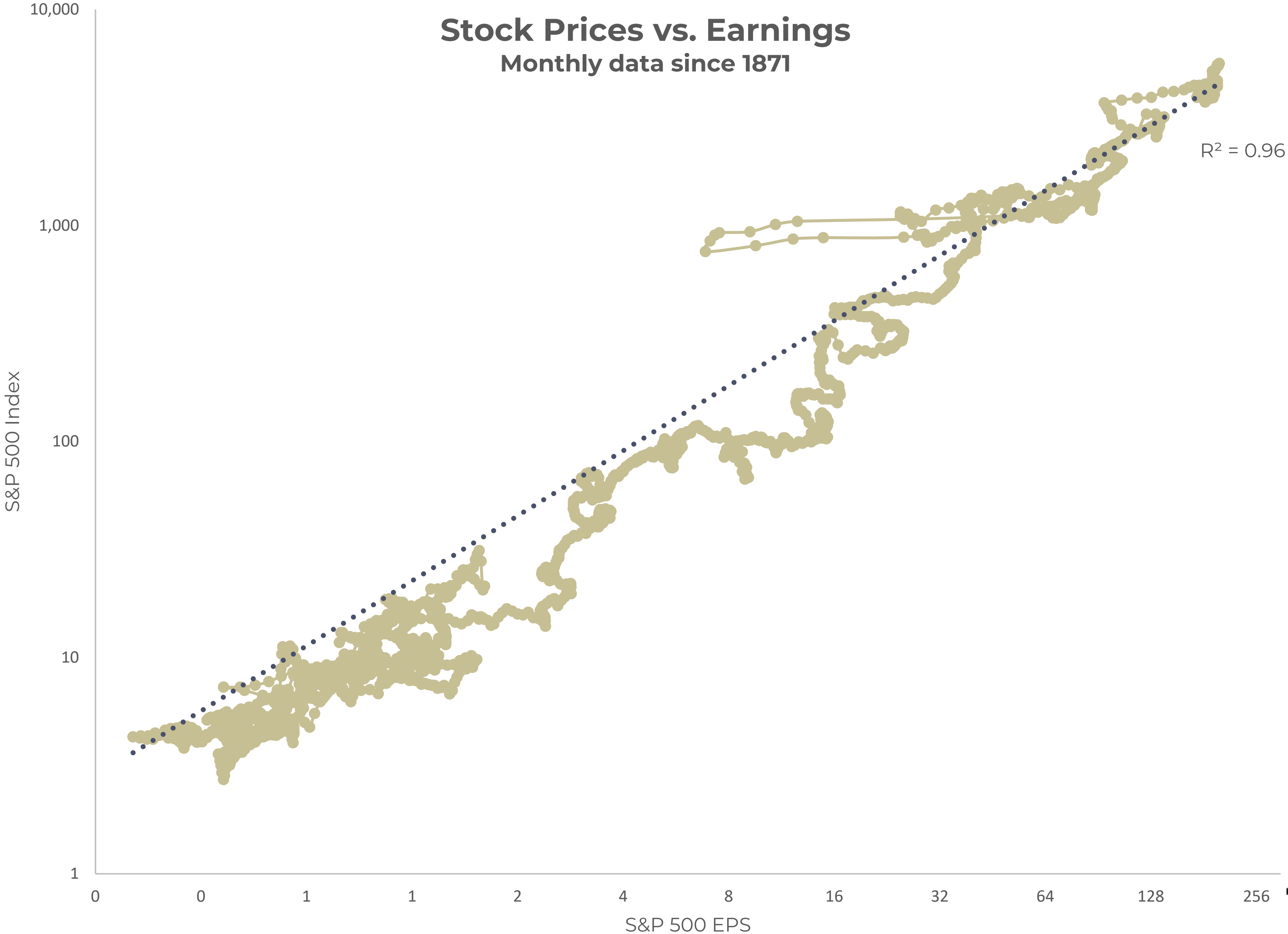
Source: FactSet, FRB, Refinitiv Datastream, Robert Schiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

…but valuations are a poor predictor of short term returns…



Source: Robert Shiller and Aswath Damodaran data

…and over the long run, stock prices track earnings



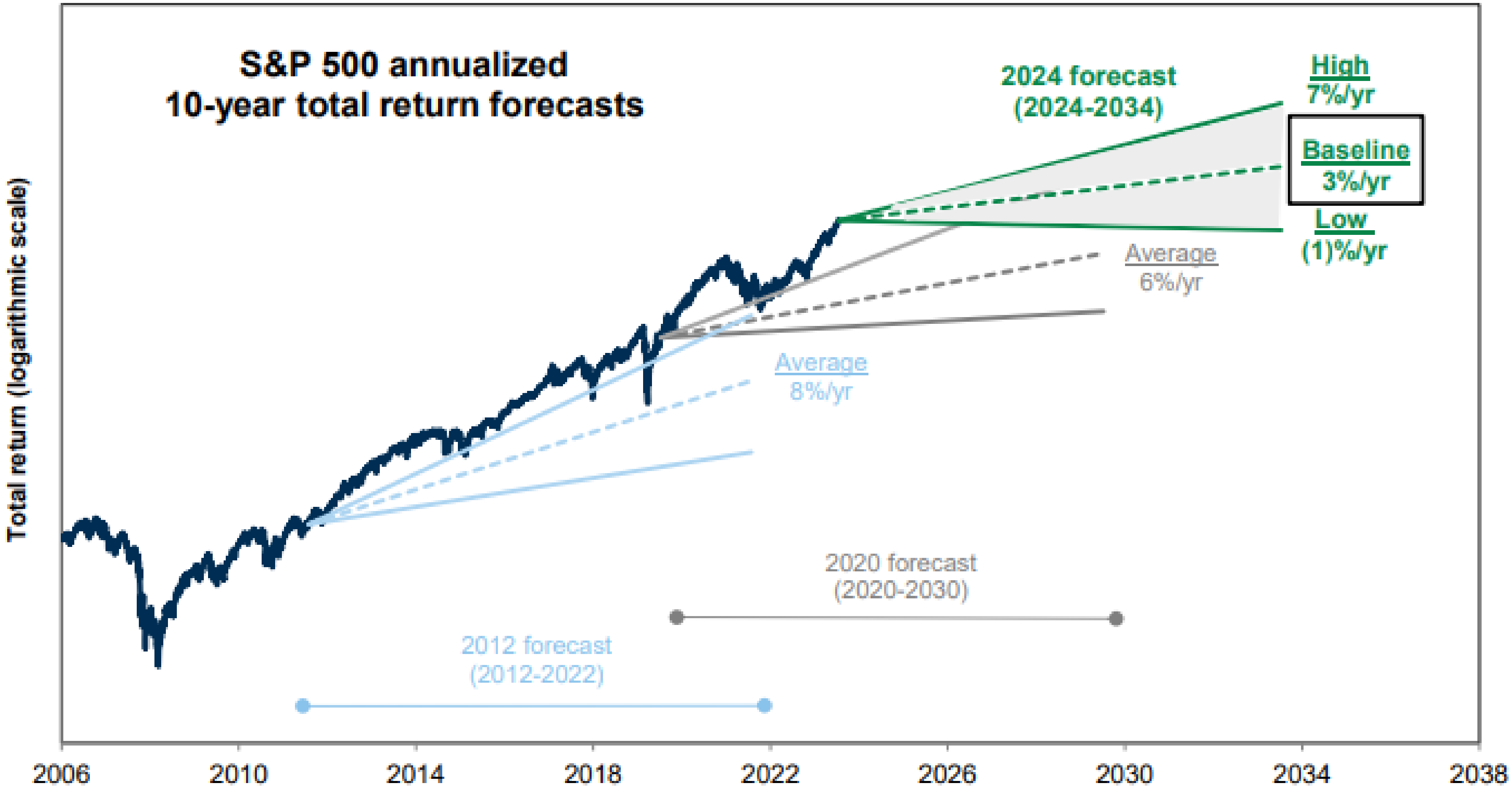
Source: Robert Shiller; data as of September 30, 2024

US equity returns have been remarkably consistent over different time periods

	S&P 500 Returns							
	1928-2024	**Since 1950**	**Since 1960**	**Since 1970**	**Since 1980**	**Since 1990**	**Since 2000**	**Since 2010**
Up Years	73%	79%	78%	80%	82%	80%	76%	87%
Down Years	27%	21%	22%	20%	18%	20%	24%	13%
Avg. Positive Return	21%	20%	19%	19%	19%	19%	18%	19%
Avg. Negative Return	-13%	-12%	-13%	-14%	-14%	-15%	-17%	-11%
Avg. Return	12%	13%	12%	12%	13%	12%	9%	15%
Median Return	15%	16%	15%	16%	16%	15%	14%	16%

Source: Aswath Damodaran data; Sage Mountain calculations

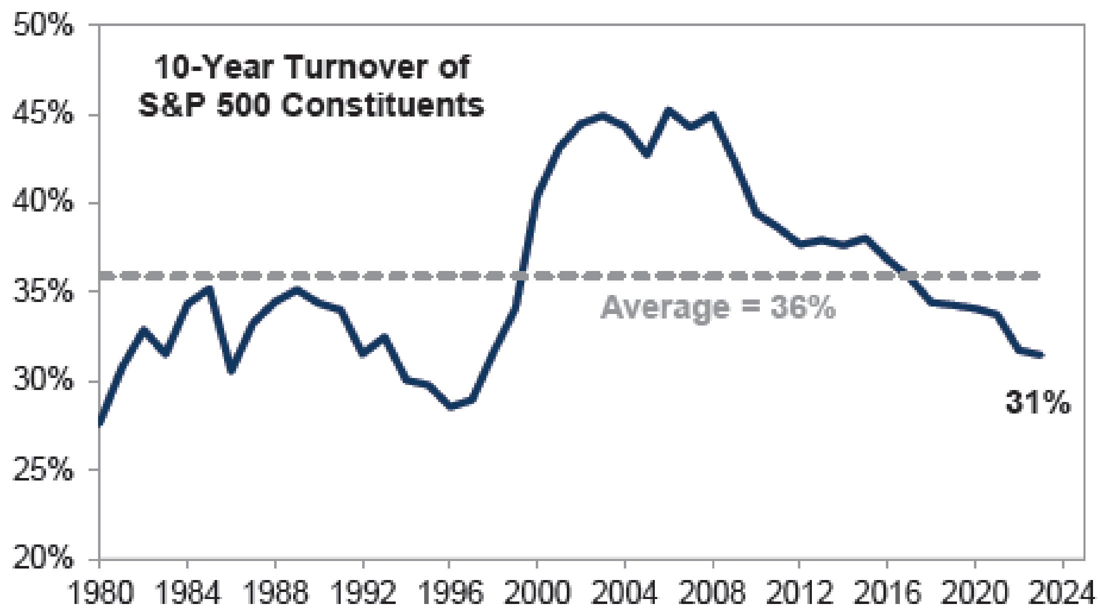
US equities have outperformed expectations for many years



Source: Goldman Sachs

Benchmark turnover makes forecasts more difficult

Exhibit 45: 36% of S&P 500 constituents turnover during the typical 10-year period



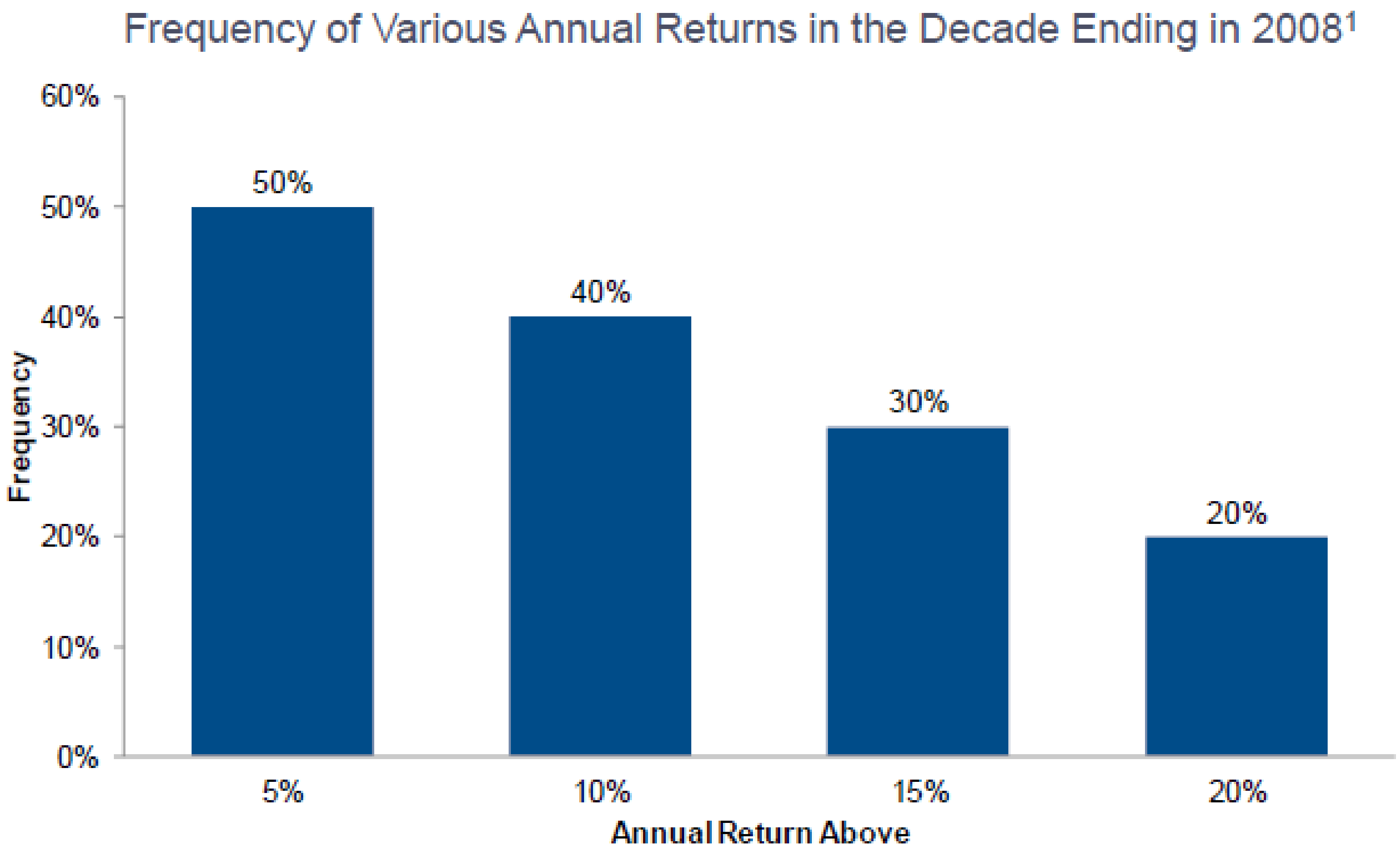
Source: Goldman Sachs

Two quotes from Goldman Sachs research:

"**It is challenging, and arguably impossible, to forecast with accuracy the long-term return of an index** when firms that may be added to the benchmark in the not-too-distant future may not yet have been founded."

"The index is continually reconstituted and less successful companies are replaced by new firms that may have better growth prospects. If faster growing and more profitable companies enter and remain in the index during the next decade, returns would be boosted as the index would benefit from an improvement in its overall growth and profitability profile."

Even in decades with poor returns, there have been several years with positive returns…

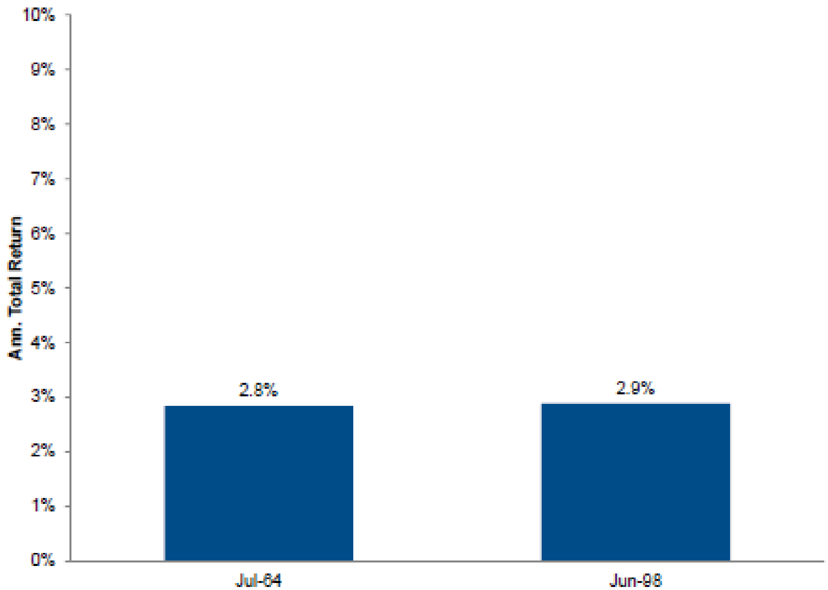


Source: Goldman Sachs

Past performance is not indicative of future results. Please see attached disclosures.

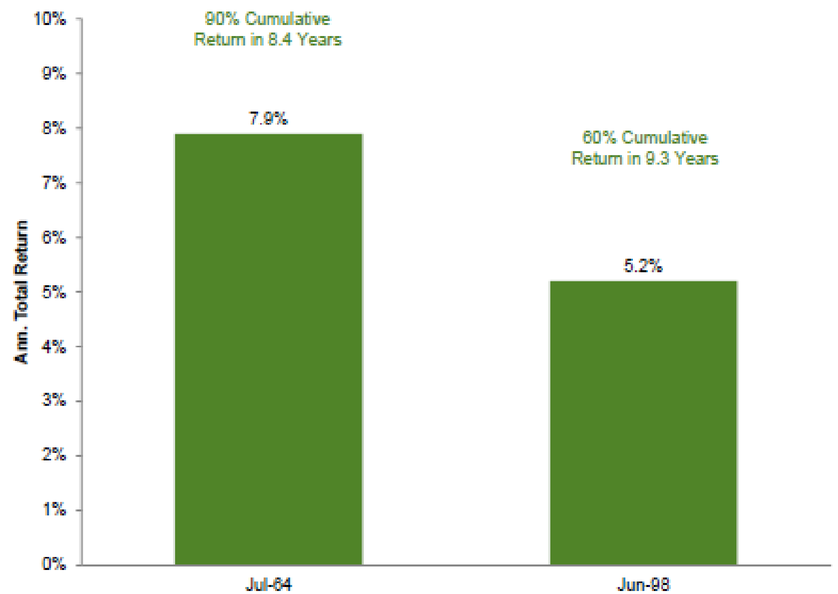
…and 10 year returns are very dependent on timing

1. S&P 500 Ann. Total Return in the Subsequent 10 Years When it First Dips Below 3%



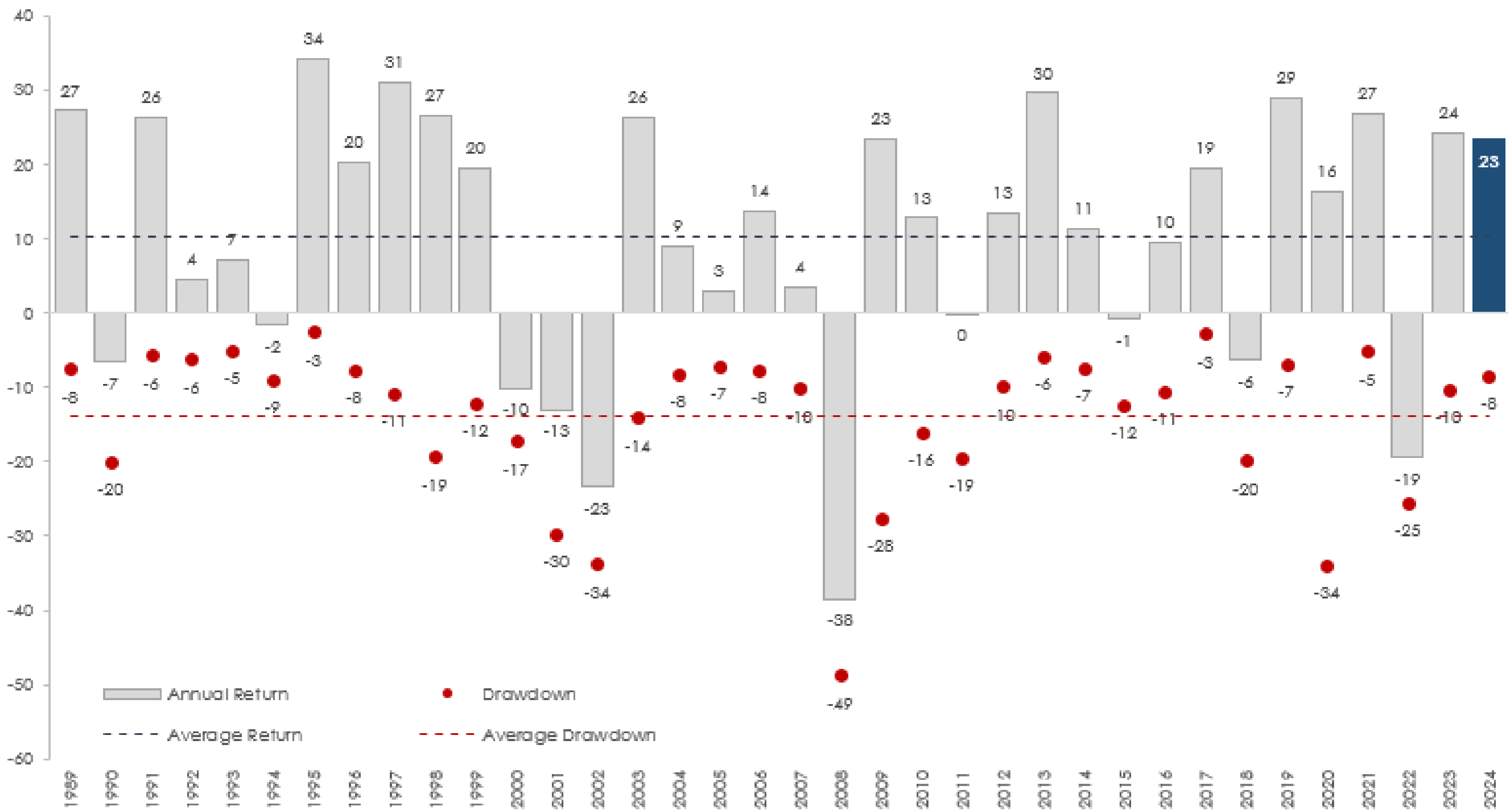
Source: Goldman Sachs

2. S&P 500 Maximum Subsequent Returns During the 10-Year Window



Past performance is not indicative of future results. Please see attached disclosures.

It’s normal for equities to experience drawdowns



Source: Market Desk

History doesn't repeat itself, but it often rhymes

By Steven Russolillo + Follow

January 2, 2017 12:58 PM ET

Wall Street strategists are abiding by a new motto these days: When in doubt, copy everyone else.

The turn of the calendar comes at a time when stocks are sitting near records. The combination of stretched valuations and the unknowns about Donald Trump's first year as president make 2017 a tough year to forecast.

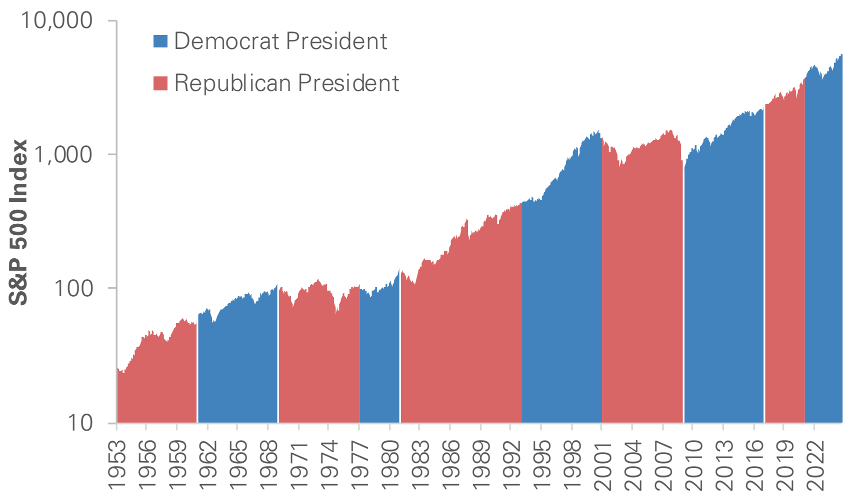
That has made the herd mentality on Wall Street more pronounced than ever.

A group of 15 Wall Street strategists expect the S&P 500, on average, to finish the year at 2356.

Source: Wall Street Journal

Investing based on politics is a bad idea

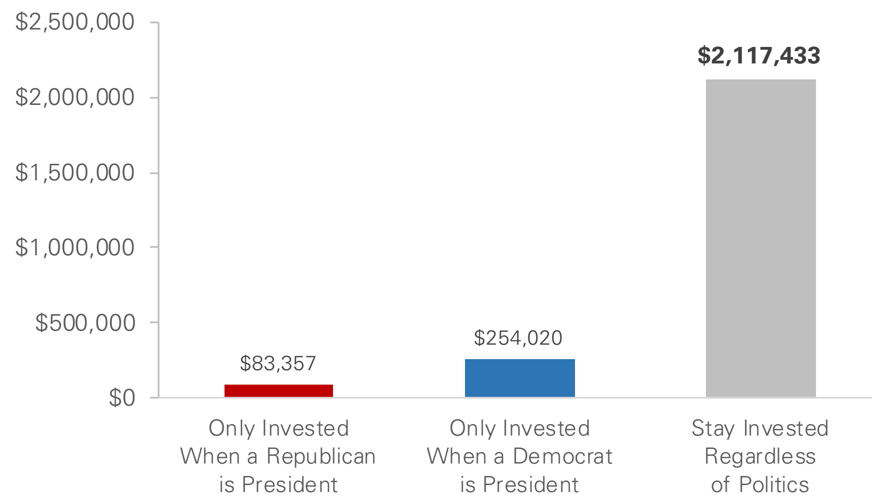
FIGURE 1 – Growth of the S&P 500 Shaded by Political Party



Source: Standard & Poor's, WhiteHouse.gov. This figure is presented in a logarithmic scale for ease of viewing 80 years of data. Past performance does not guarantee future results. Data from January 1st, 1953 to September 13th, 2024.

Source: Market Desk; data as of September 13, 2024

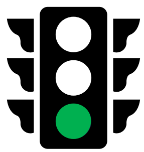
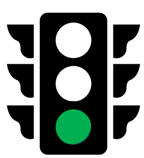
FIGURE 2 – Growth of $10,000 Invested in the S&P 500 Since 1953



Source: Standard & Poor's, WhiteHouse.gov. Based on S&P 500 price returns. Assumes an investor only invests in the S&P 500 when a Republican or Democrat President is in the White House. Past performance does not guarantee future results. Data from January 1st, 1953 to September 13th, 2024.

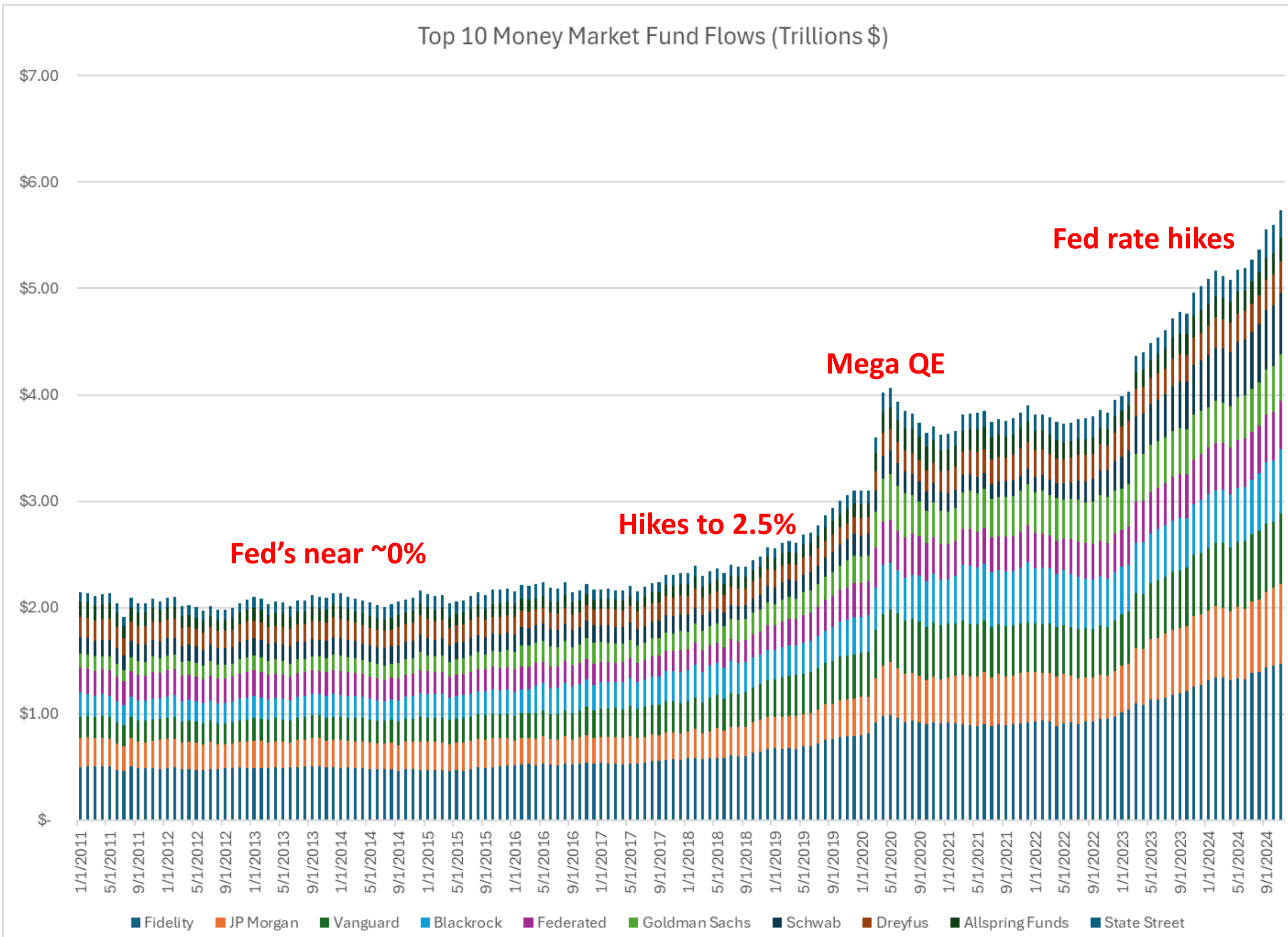
Asset Class Recap & Recommendations

Outlook remains mostly positive

Asset Class	Outlook	Rationale
Cash		After two years of massive inflows into cash/money market funds following a historic Fed hiking cycle, yields on MMFs are in the 3.5-4.5% range, just slightly below decades high we saw last year. We continue to view cash as a strategic position for liquidity management but expect yields to continue to come down but with a slower rate cut pace.
Fixed Income		The Fed is likely to make limited interest rate cuts this coming year, leaving yields at moderately attractive levels. We believe there remains numerous avenues for investors to achieve income goals through a combination of traditional and non-traditional fixed income. Currently recession odds are low, and the environment for credit risk is sanguine.
Equities		Continuing trends from 2023, 2024 brought another 20%+ return for the S&P 500, its fourth in the last six years. As valuations have increased, we remain watchful for signs of stress but are not recommending a strategic reduction in exposure. We continue to favor U.S. equities over international and retain our overweight to the quality factor.
Alternatives		We continue to see numerous opportunities in the alternatives space to diversify portfolios and drive meaningful return for investors. Looking ahead, we remain optimistic around results from the secondaries markets and are leaning into diversified avenues for income. We are seeing increasing positive outlooks and opportunities in the real estate equity side and remain cautious on hedge funds.

Money market funds have seen record flows & assets

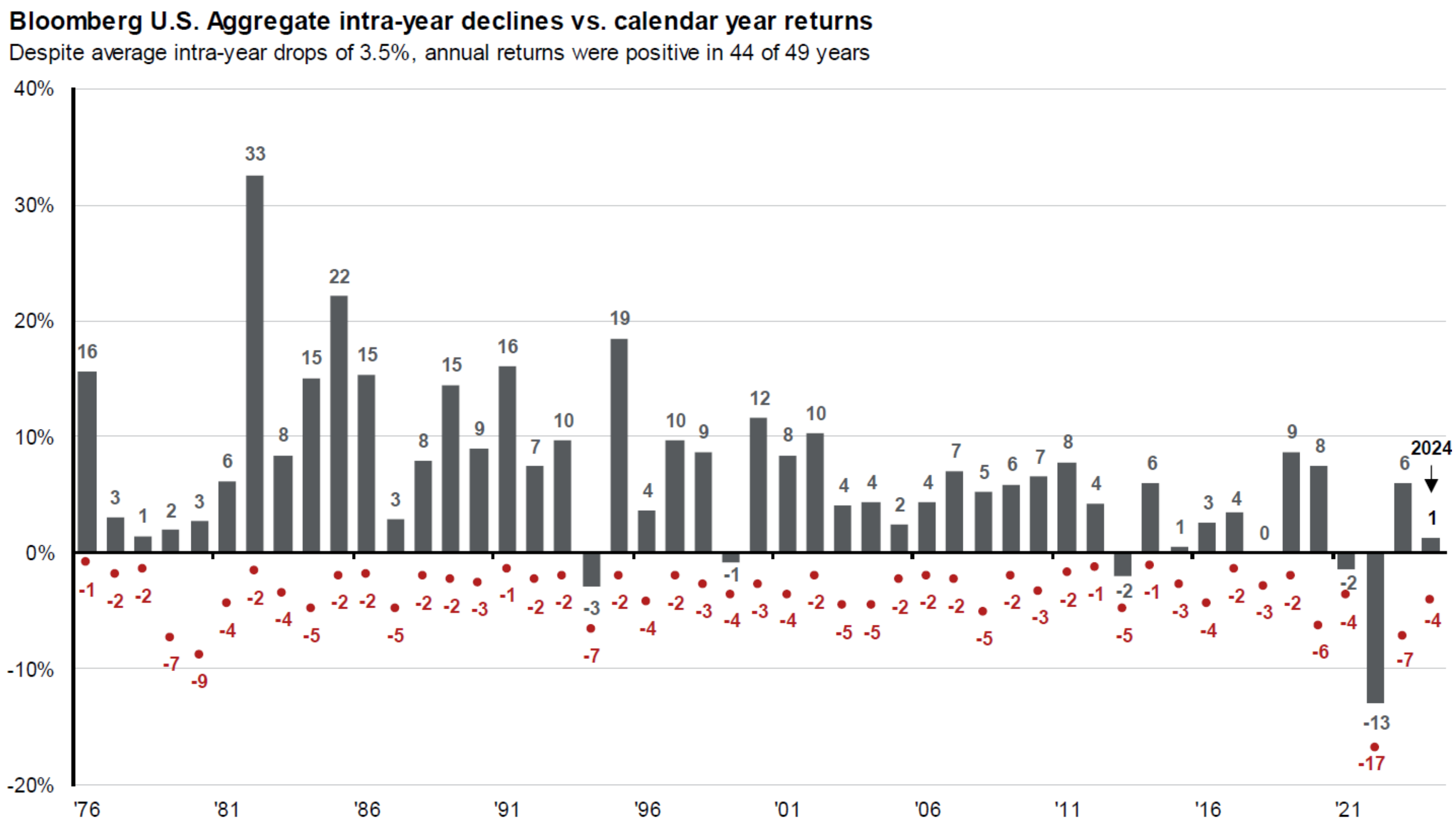
Following the fastest Federal rate hikes in decades, money market funds saw record inflows since 2022. While yields on money market funds remain high, investors continue to hold for yield and safety purposes with their portfolios. Contrarily, the record flows also offer potential for cash to “come off the sidelines” in a variety of asset classes if opportunities seem ripe.



Source: Office of Financial Research, financialresearch.gov

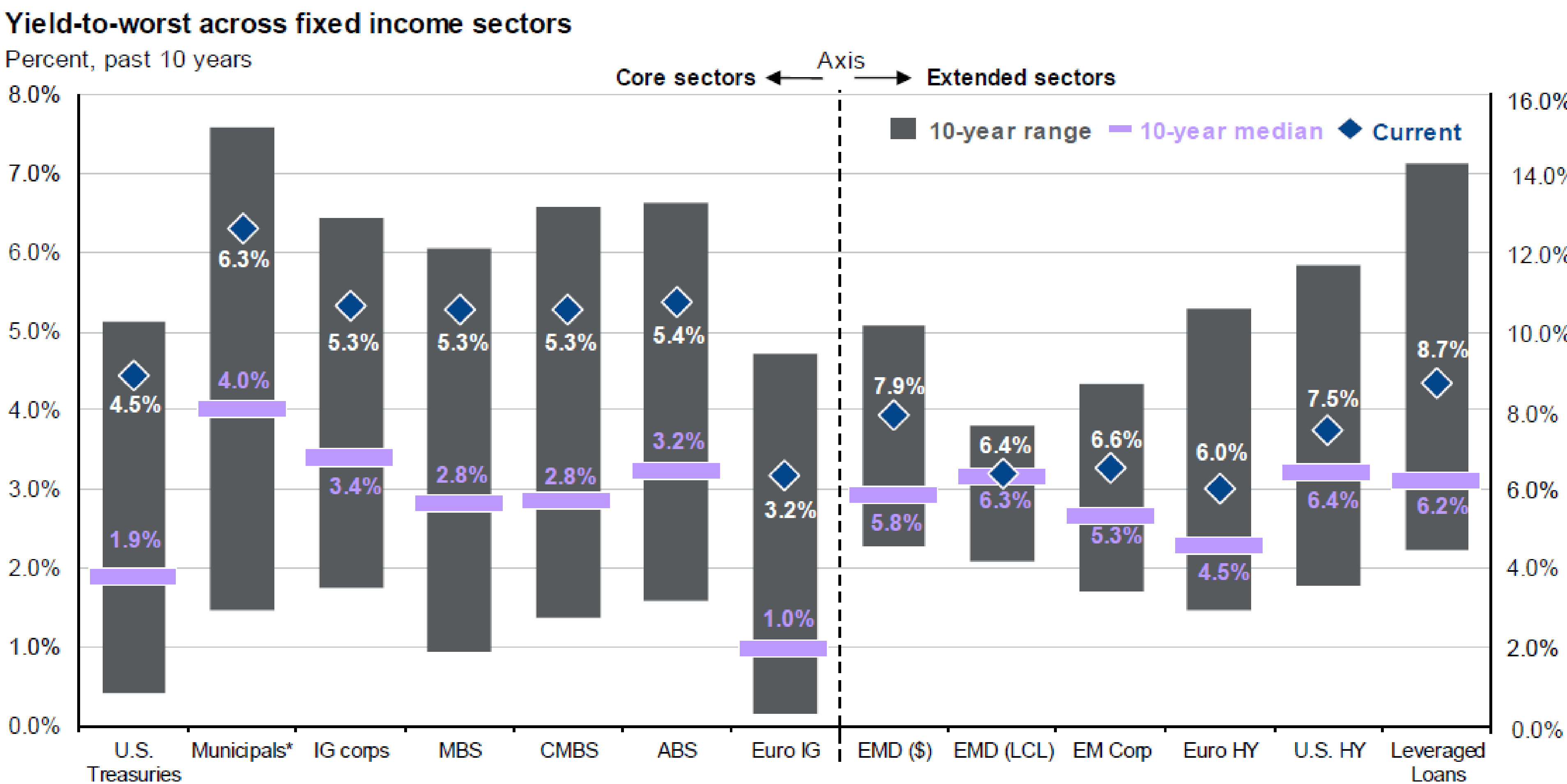
Bonds return flat but yield remains strong

After the worst year for fixed income in over 40 years, bonds bounced back in 2023 with broad positive returns. Following 2023, 2024 saw mixed results despite the Fed easing and rates being cut three times. With inflation stuck just below 3%, bond prices did not see the price appreciation many expected from a full percentage point in rate cuts. Despite muted performance, bonds across the board are offering attractive yields for investors, which does work as an advantage to bondholders to provide a cushion.



Source: Addepar, FactSet, Bloomberg, J.P. Morgan Asset Management

Yields remain high above 10-year norms



Source: FactSet, Bloomberg, J.P. Morgan Asset Management, J.P. Morgan Credit Research
**All sectors shown are yield-to-worst except for Municipals, which is based on tax-equivalent yield-to-worst assuming a top-income tax bracket of 40.8%*

Short to intermediate duration still offers reward

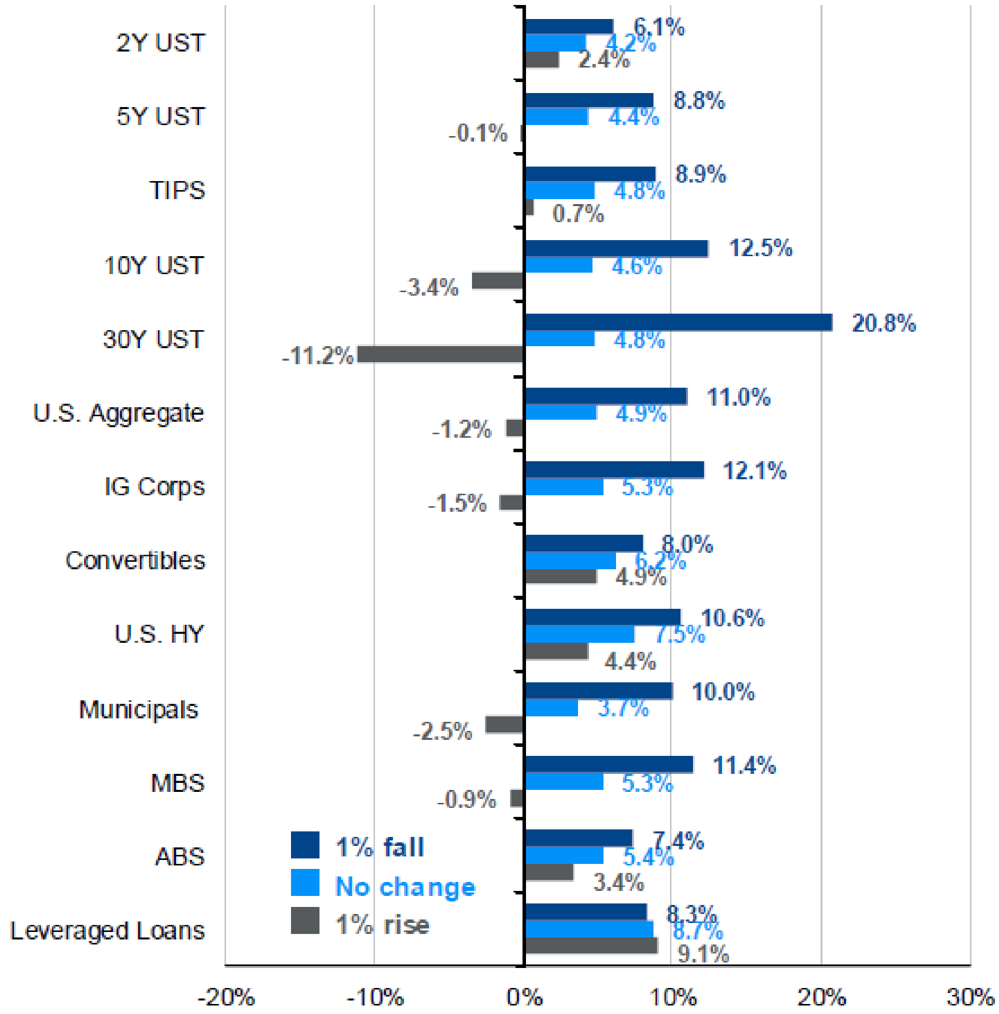
After a historic rise in interest rates, following the rapid inflation in 2022, **we recommended extending duration from short to intermediate in the 4th quarter of 2023**. Interest rates saw a shift from tightening to easing as the Fed lowered rates by one full percentage point.

As interest rates fell, bond prices responded in kind; however, continued strong economic data gave rise to caution from the Fed and investors that drove some rates back up.

The table to the right shows the risk/reward trade-off continues to favor the short to intermediate part of the curve.

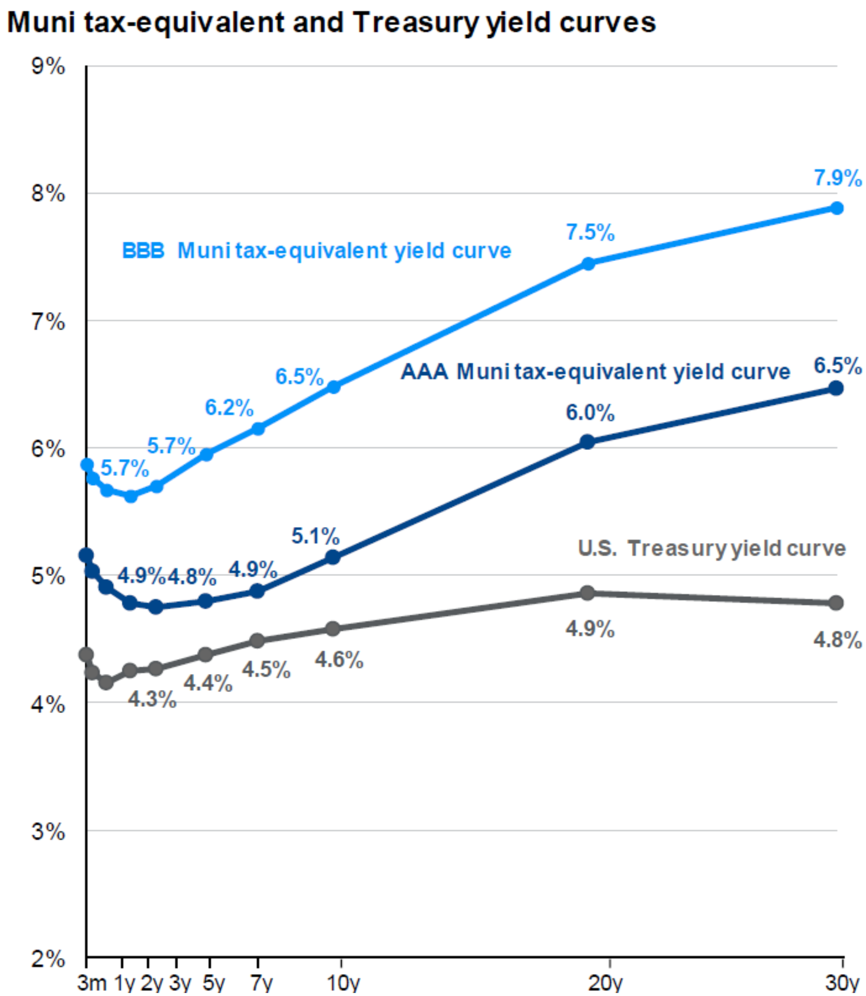
Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management

Municipal bonds offer attractive yields

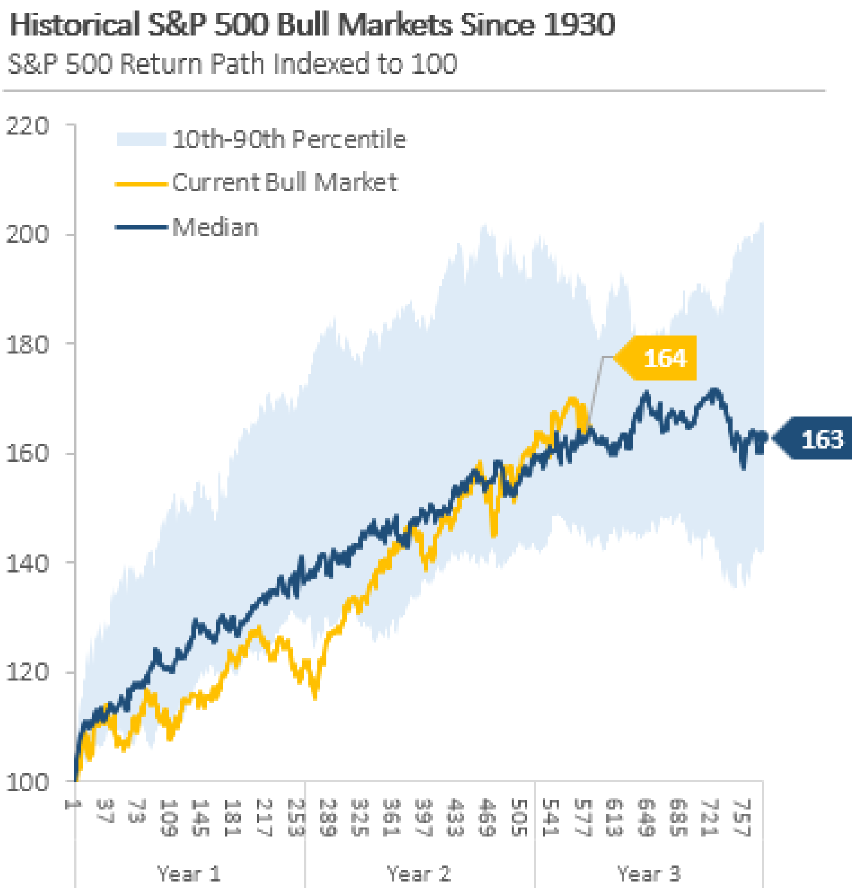


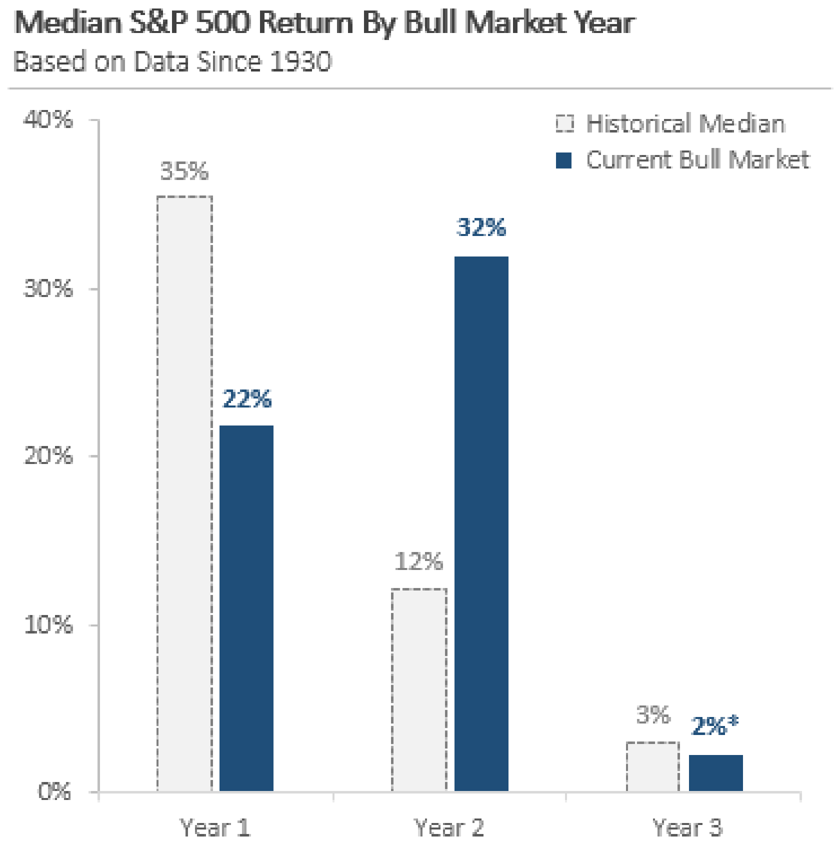
Municipal bonds continue to be a compelling opportunity for high income earners, especially given the significant rise in rates over the last couple years. Oversized high grade municipal supply did lead to some underperformance in 2024 relative to U.S. Treasuries and corporate bonds but still offer attractive entry points and spreads when compared.

We continue to recommend clients utilize municipals to capture tax advantaged yields, through separately managed accounts and funds that balance a mix of investment grade and high yield bonds to provide strong income.

Source: J.P. Morgan Asset Management. Municipal tax-equivalent yields are calculated based on municipal bond curves for each credit rating according to S&P Global and assume a top-income tax bracket of 40.8%.

What to expect in the third year of the bull market



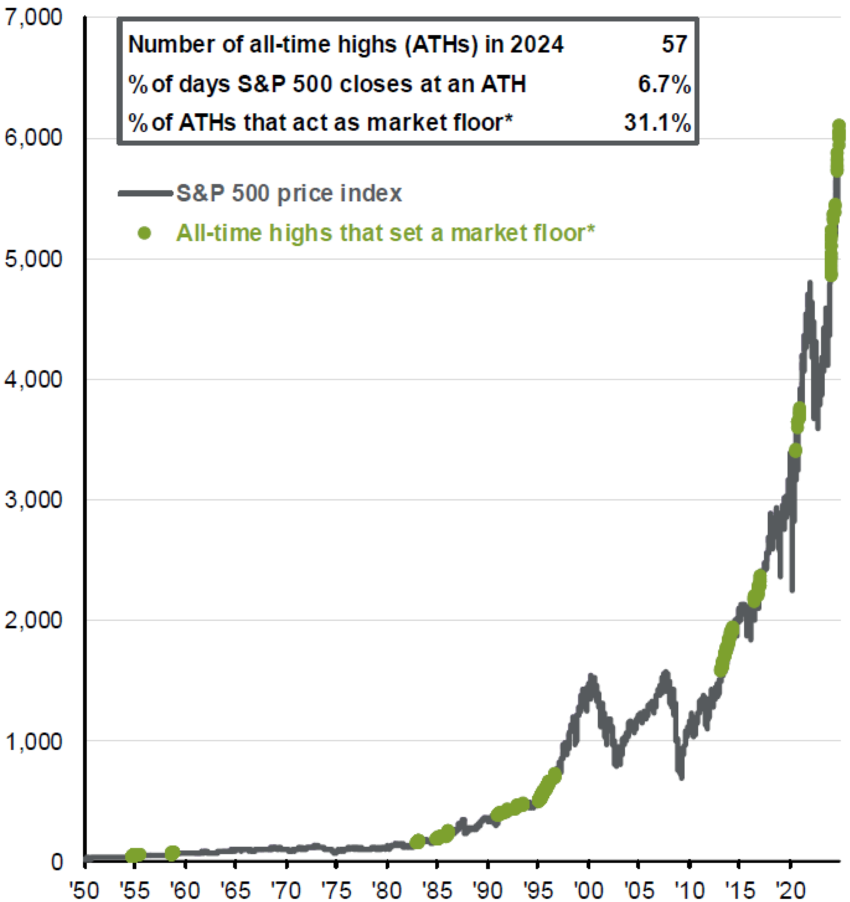


*Source: Market Desk; A bull market is defined as a +20% gain in the stock market off a recent market low. The "Current Bull Market" started in October 2022, and the "Median" includes all bull markets since the start of 1930. * Represents the partial Year 3 S&P 500 price return from 10/12/2024 to 12/31/2024. Analysis is based on price and does not reflect any management fees, transaction costs, or expenses. Past performance does not guarantee future results. Latest available data as of 12/31/2024.*

The cost of timing the market can be steep

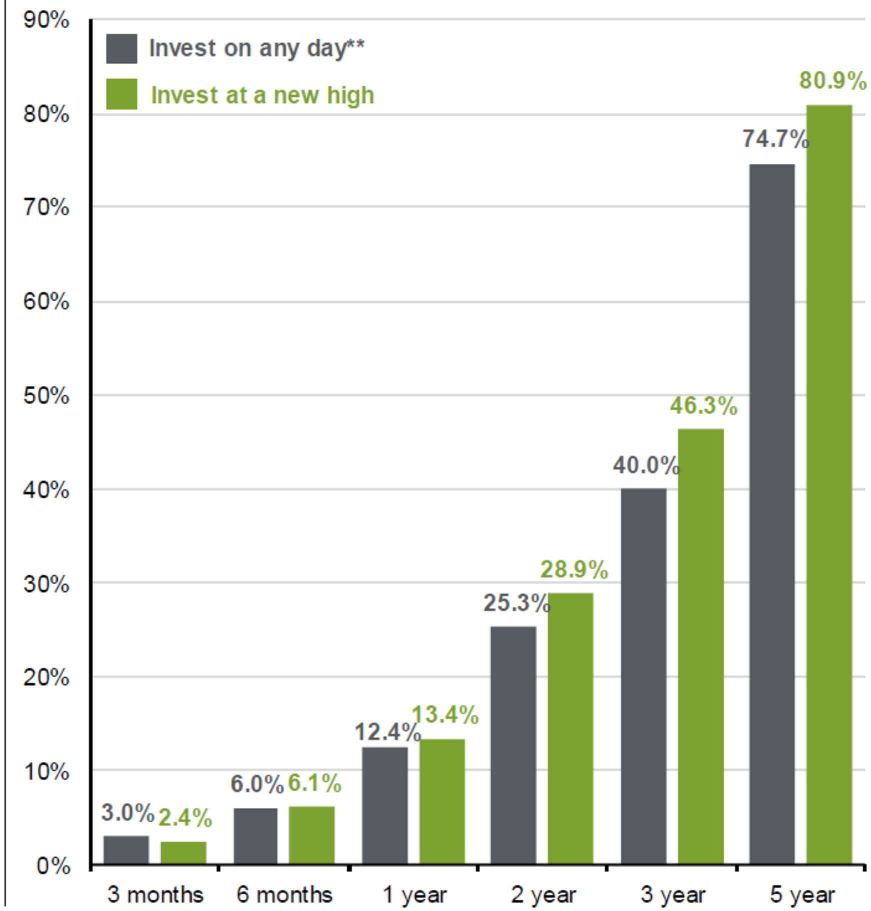
All-time highs and market floors

S&P 500 price index, daily, 1950–today



Average cumulative S&P 500 total returns

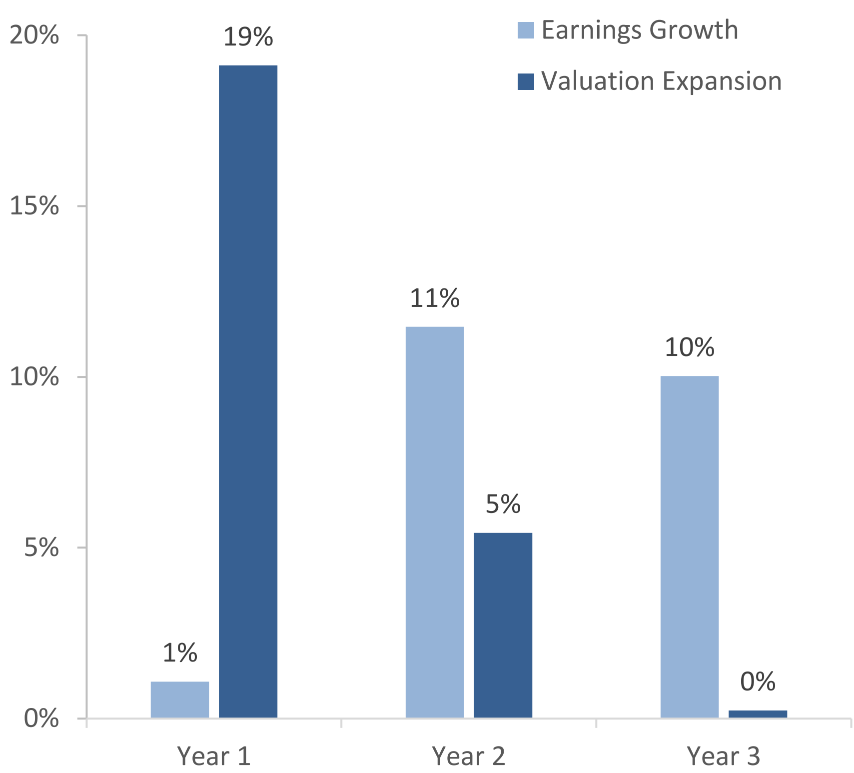
Jan. 1, 1988–Dec. 31, 2024



Source: FactSet, Standard Poor's, J.P. Morgan Asset Management
**Market floor is defined as an all-time high from which the market never fell more than 5%. **Invest on any day represents average of forward returns for the entire time period whereas "invest at a new high" represents average of rolling forward returns calculated from each new S&P 500 high for the subsequent 3-months, 6-months, 1-year, 2-year and 3-year intervals, with data starting 1/1/1988 through 12/31/2024.*

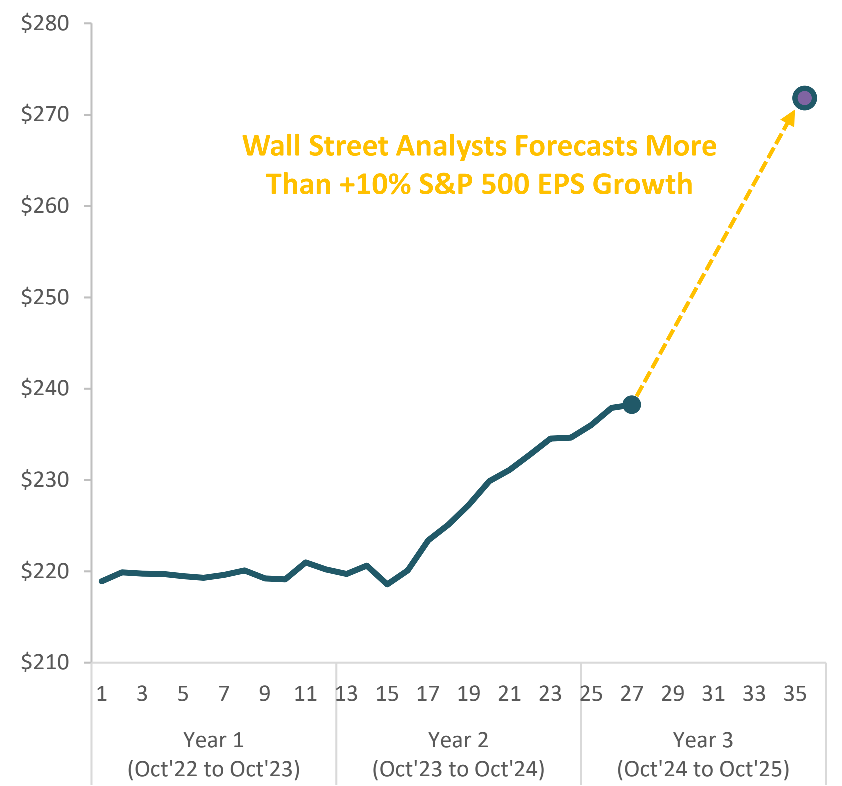
2025 earnings expectations show positive trends

Performance Drivers of S&P 500 Return By Bull Market Year



Corporate Earnings During the Current Bull Market

S&P 500 LTM Actuals and NTM Consensus Estimate

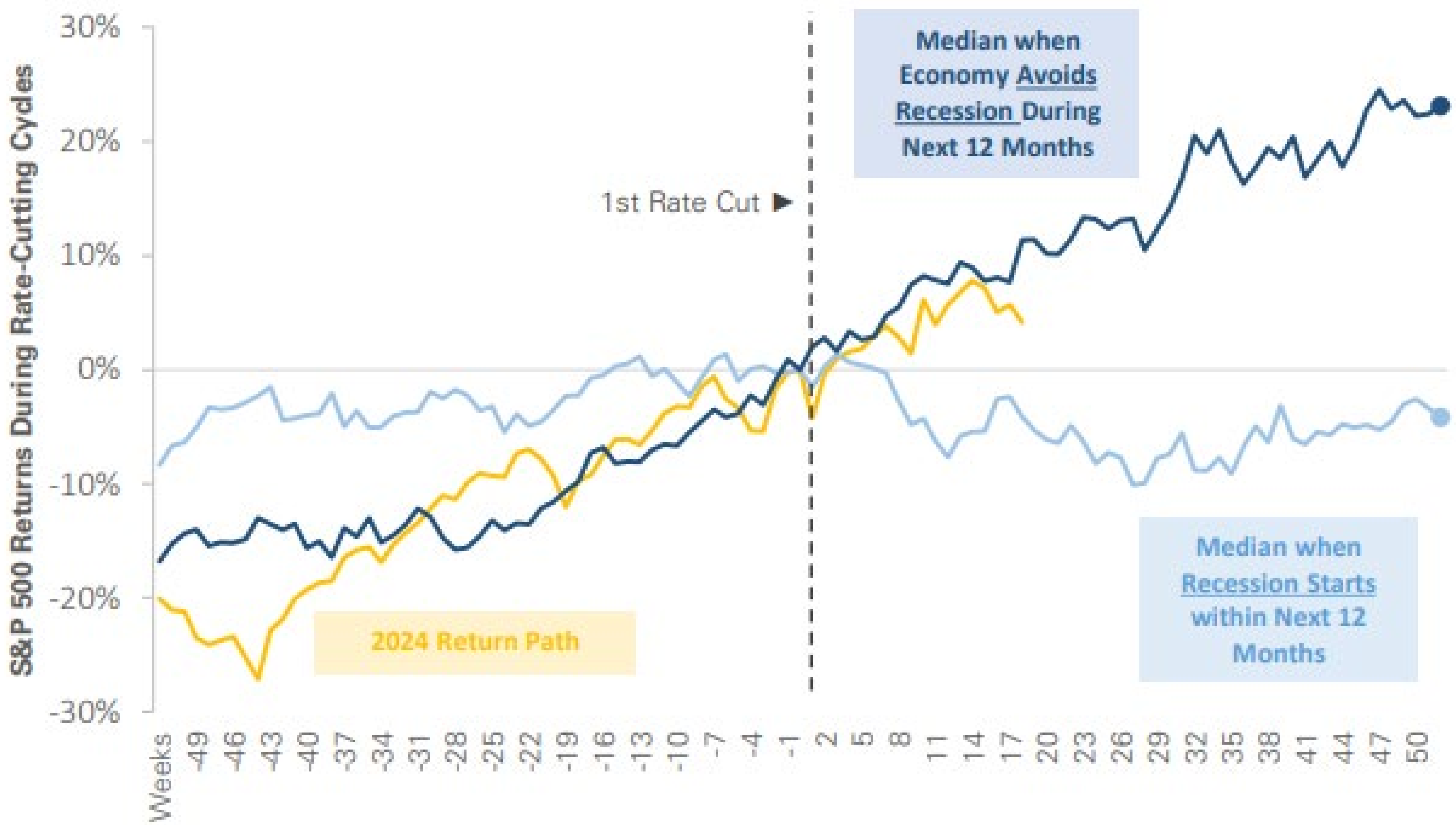


Source: Standard & Poor's, Robert Shiller, Yale University. LTM = Last Twelve Months. NTM = Next Twelve Months. Time period from 1/1/1930 to 12/31/2024 (left chart). Time period from 10/31/2022 to 12/31/2024 (right chart). Latest available data as of 12/31/2024.

Equity returns following rate cuts depend on the economic environment

FIGURE 4 – Historical S&P 500 Performance Following the 1st Rate Cut

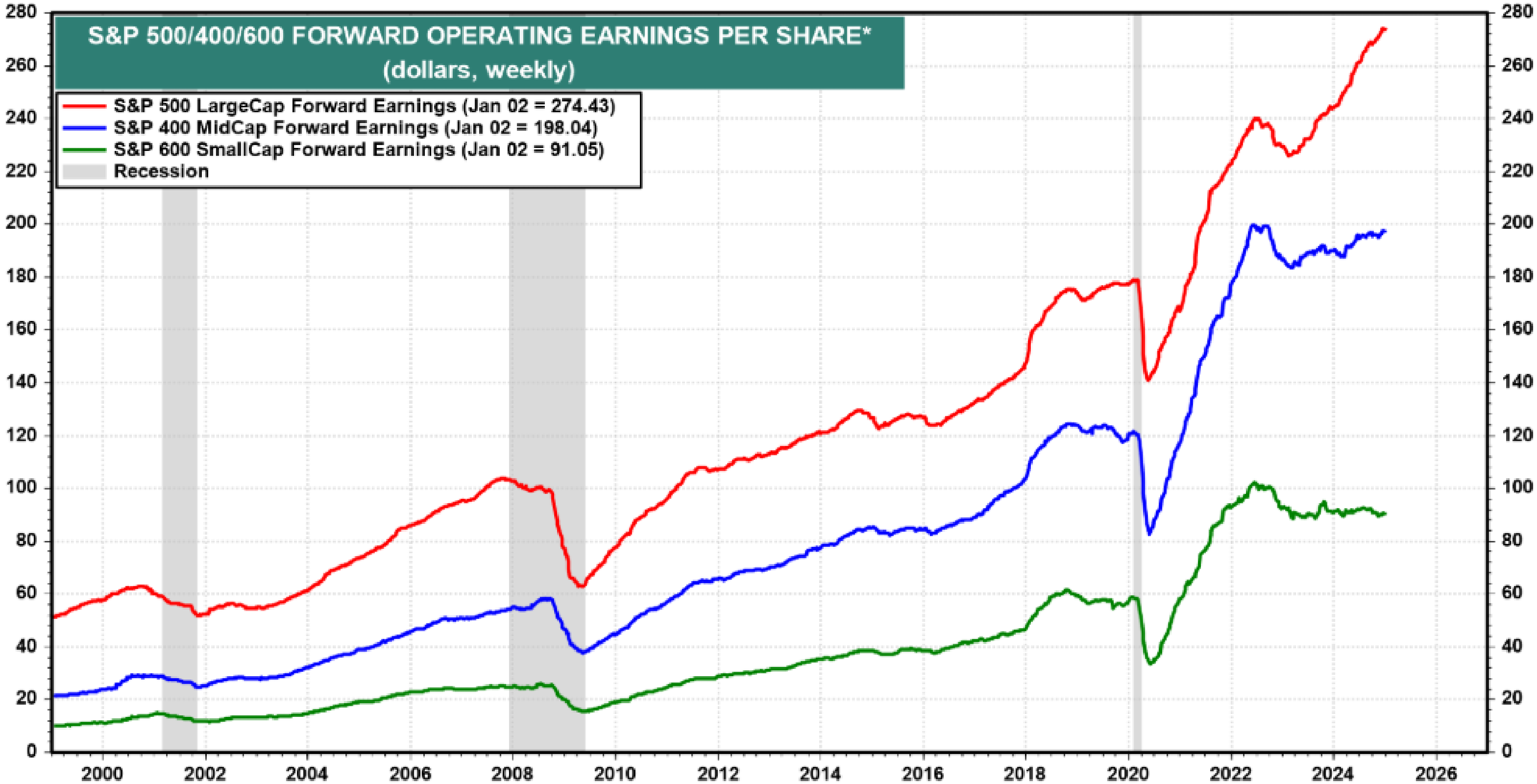
S&P 500 Returns 12 Months Before and After First Interest Rate Cut



Source: MarketDesk. Previous cycles include June 1989, July 1990, July 1995, September 1998, January 2001, September 2007, and July 2019.

Source: MarketDesk

Large cap earnings continue to outpace mid and small…



Source: LSEG Datastream and © Yardeni Research.

* Time-weighted average of consensus estimates for current year and next year.

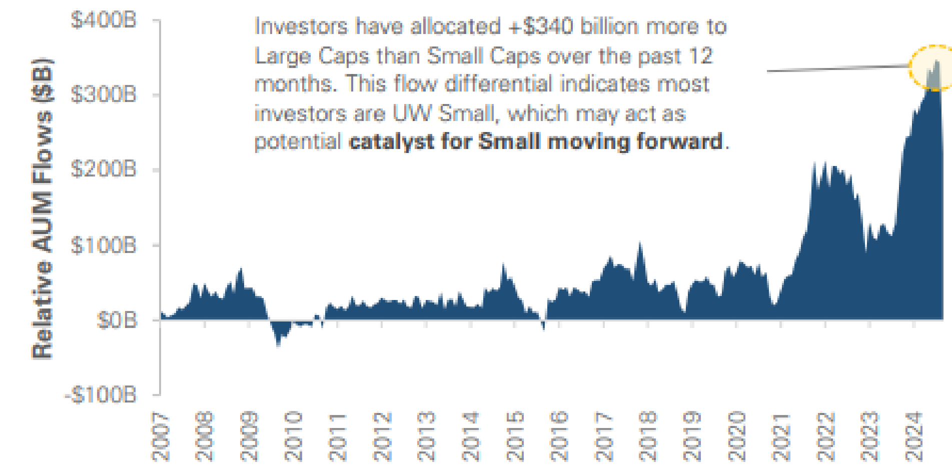
...while we recommend staying diversified across market cap and balanced between growth and value

Figure 7: Yield Curve Un-Inversions Favors Small & Mid Caps

Forward 1 Year Return Following Disinversion			
Period	**S&P 500**	**Mid Caps**	**Small Caps**
Apr-67	7%	25%	54%
Jun-70	41%	59%	56%
Jan-75	37%	43%	49%
Jun-80	20%	40%	49%
Dec-81	22%	28%	27%
Jan-90	8%	1%	-11%
Jan-99	10%	22%	34%
Apr-01	-13%	5%	18%
Feb-08	-43%	-42%	-46%
Mar-20	56%	98%	129%
Average	**15%**	**28%**	**36%**

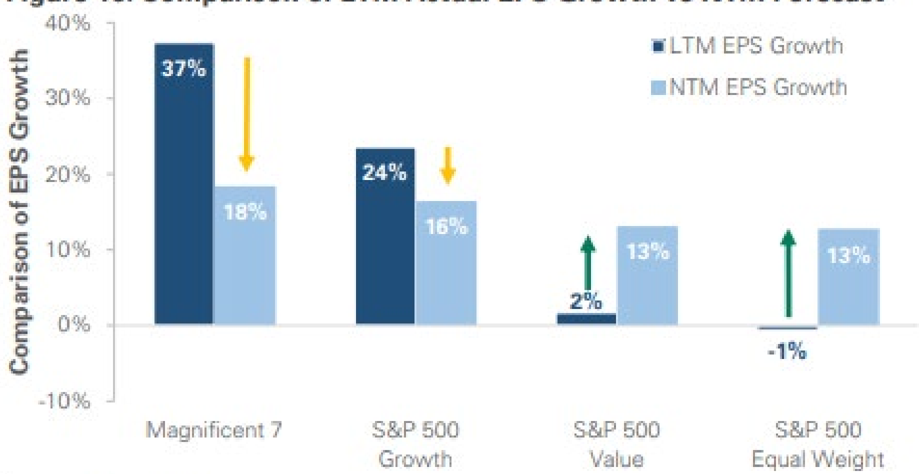
Source: MarketDesk, Federal Reserve. Past disinversion based on 10-Year Treasury Yield vs Fed Funds Rate.

Figure 13: Rolling 12-Month Flows Gap (Large vs Small)



Source: MarketDesk, Investment Company Institute (ICI). Data delayed by 2 months.

Figure 16: Comparison of LTM Actual EPS Growth vs NTM Forecast

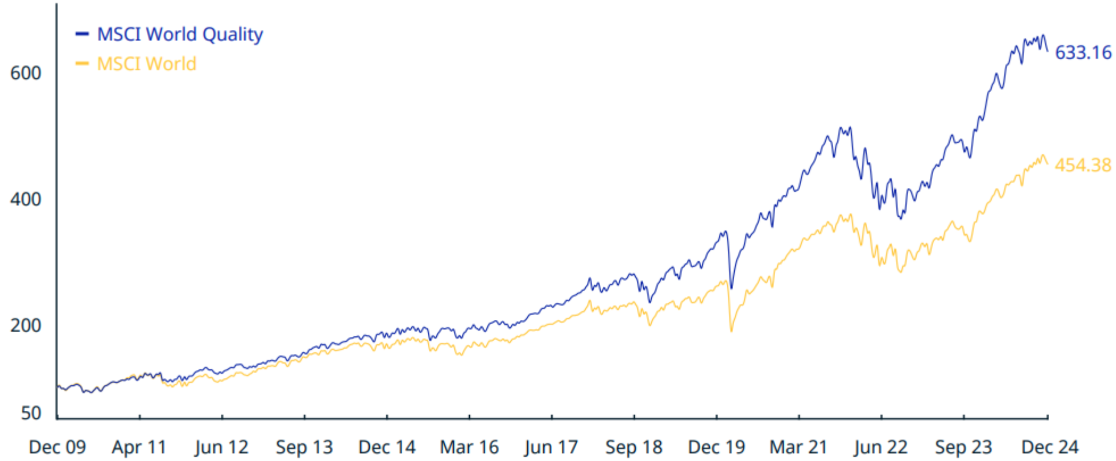


Source: MarketDesk

Quality keeps pace and offers attractive outlook

The **quality factor** in investing refers to the tendency of high-quality stocks with typically more stable earnings, stronger balance sheets and higher margins to outperform low-quality stocks, over a long-time horizon. Research has shown that quality companies, those with **higher ROE, lower leverage**, and **more sustainable cashflows and earnings**, outperform lower quality companies over time. Quality stocks are poised to keep pace with broad market stocks, as seen in 2024, while offering insulation from potential economic downturns given strong company fundamentals.

CUMULATIVE INDEX PERFORMANCE — GROSS RETURNS (USD) (DEC 2009 – DEC 2024)



ANNUAL PERFORMANCE (%)

Year	MSCI World Quality	MSCI World
2024	18.85	19.19
2023	32.97	24.42
2022	-21.90	-17.73
2021	26.10	22.35
2020	22.73	16.50
2019	36.70	28.40
2018	-5.06	-8.20
2017	26.64	23.07
2016	5.12	8.15
2015	4.25	-0.32
2014	9.01	5.50
2013	27.74	27.37
2012	13.66	16.54
2011	4.43	-5.02

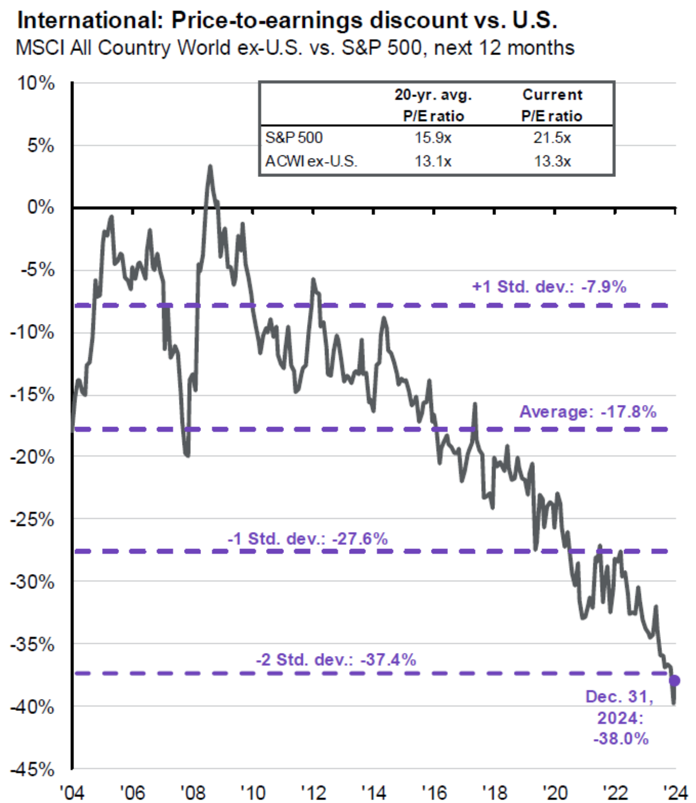
INDEX PERFORMANCE — GROSS RETURNS (%) (DEC 31, 2024)

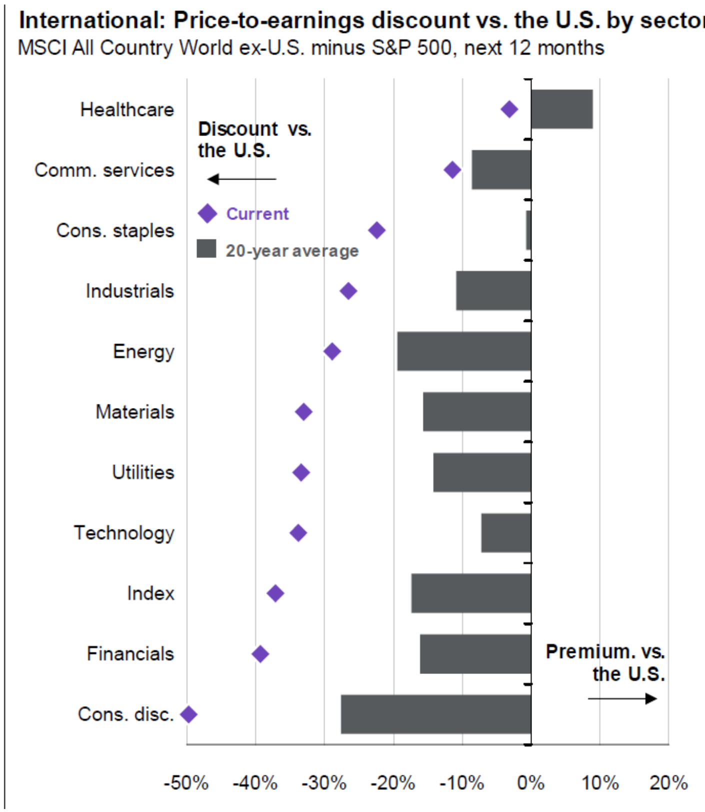
					ANNUALIZED			
	1 Mo	3 Mo	1 Yr	YTD	3 Yr	5 Yr	10 Yr	Since Jun 30, 1994
MSCI World Quality	-3.02	-3.15	18.85	18.85	7.27	13.82	13.15	11.79
MSCI World	-2.57	-0.07	19.19	19.19	6.85	11.70	10.52	8.45

Source: MSCI as of December 31, 2024

U.S. vs International – cheap doesn't always mean good

While International stocks are at **historic lows** in terms of P/E discounts when compared to U.S. stocks, that does not always mean they represent a better return outlook.

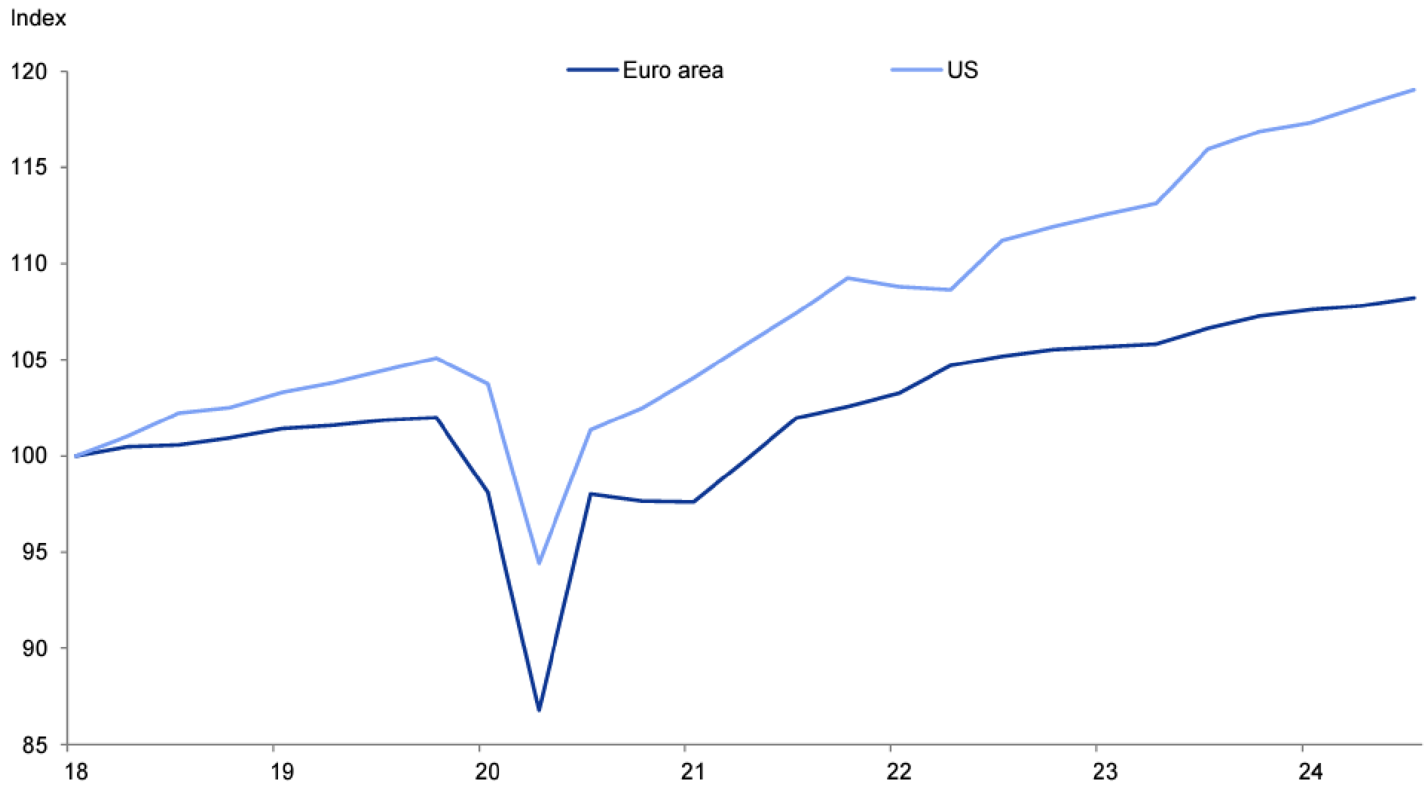




Source: FactSet, MSCI, Standard Poor's, J.P. Morgan Asset Management

The US is expected to continue growing faster than the Eurozone…

Exhibit 7: The growth gap between the US and Euro area is poised to further widen
Cumulative GDP growth in US dollar



Source: OECD, Goldman Sachs Global Investment Research

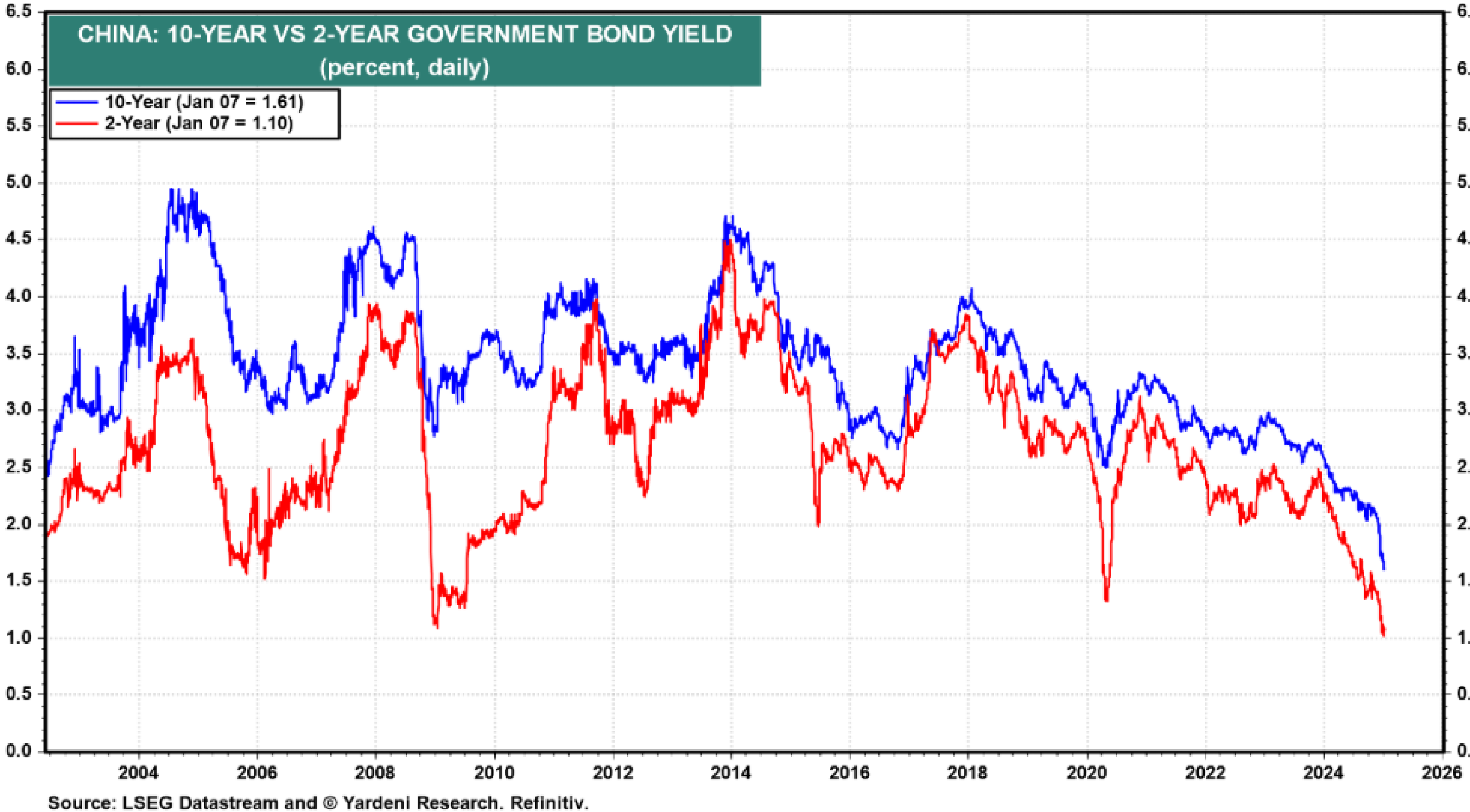
…but the gap in earnings growth is expected to narrow

MSCI US and Eurozone consensus EPS growth projections

	US		Eurozone	
	2024e	2025e	2024e	2025e
Market	**9.8%**	**14.5%**	**-0.5%**	**7.7%**
Energy	-22.7%	2.9%	-23.7%	-0.7%
Materials	-6.5%	16.6%	6.0%	16.1%
Industrials	1.2%	16.7%	11.1%	17.4%
Discretionary	17.4%	13.1%	-18.6%	12.1%
Staples	3.4%	5.0%	1.7%	8.3%
Healthcare	5.5%	20.3%	3.2%	11.3%
Financials	14.3%	8.3%	12.3%	2.5%
IT	20.2%	22.4%	-14.5%	16.3%
Telecoms	24.4%	15.6%	12.1%	13.1%
Utilities	13.4%	8.7%	1.9%	-4.9%
Real Estate	2.3%	6.7%	5.7%	3.6%

Source: JP Morgan

Growing crisis of confidence in Chinese growth

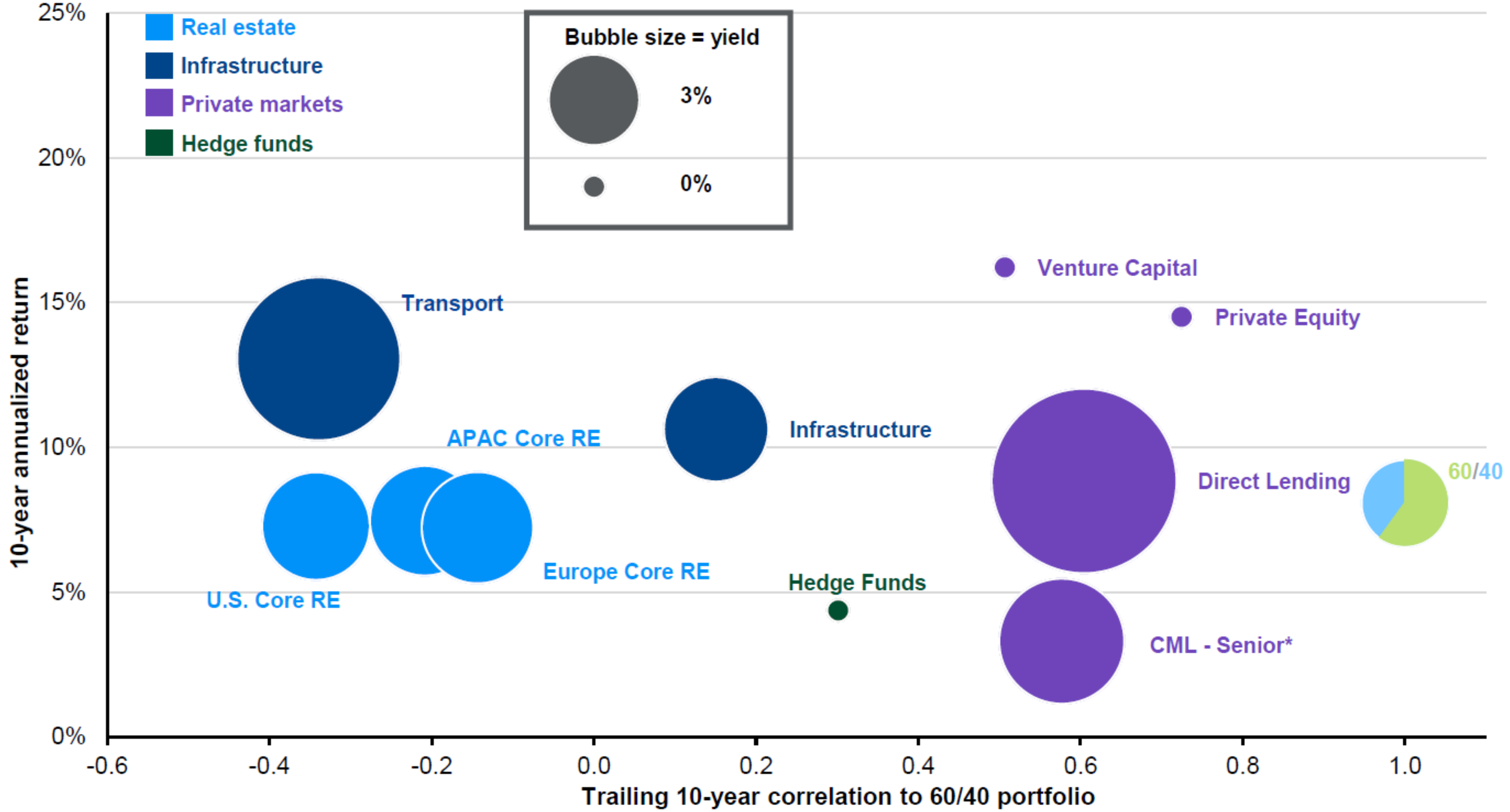


Without more significant reform steps, expect to hear more about the "Japanification" of China .

Alternatives boast strong diversifiers to public markets

Correlations, returns and yields

10-year correlations and 10-year annualized total returns, 3Q14 – 2Q24



Source: Burgiss, Cliffwater, Gilberto-Levy, HFRI, MSCI, NCREIF, FactSet, J.P. Morgan Asset Management. Correlations based on quarterly returns. 60/40 portfolio is comprised of 60% S&P 500 Total Return Index and 40% Bloomberg U.S. Aggregate Total Return Index.

Past performance is not indicative of future results. Please see attached disclosures.

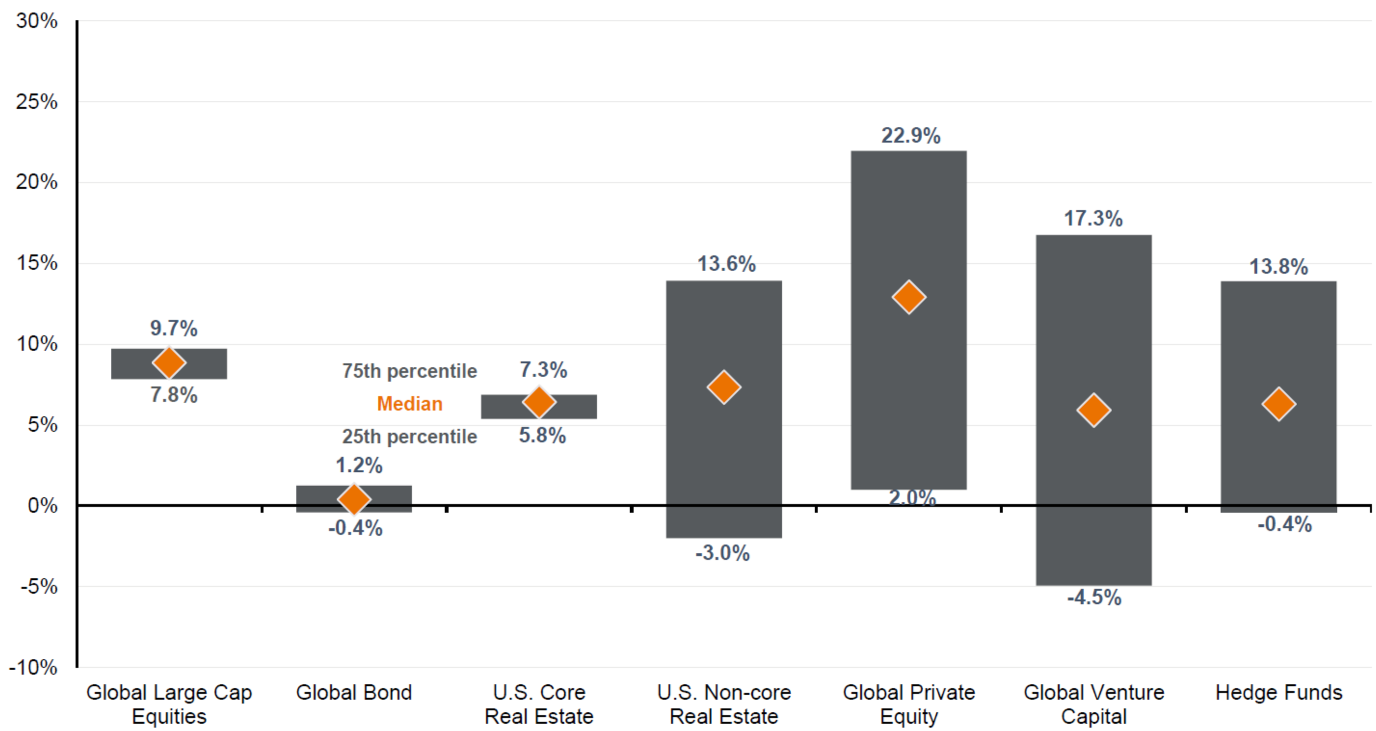
Manager selection remains key in private markets while margin shrinks in public areas.

2023 and 2024 continued to show the trend that active management in public markets is quite difficult to outperform indexes, while private markets exhibit the importance of finding best in class managers.

The return dispersion, as illustrated below, between the top and bottom quartile private fund managers over the last 10-years is vastly larger versus public markets. Given the illiquid nature, lack of public information, and longer time horizon, **private markets require strict and comprehensive due diligence** to select best in class managers for investments.

Public and private manager dispersion

Based on returns from 4Q14 – 3Q24*



Source: Burgiss, Morningstar, NCREIF, PivotalPath, J.P. Morgan Asset Management
**Manager dispersion is based on annual returns over a 10-year period ending 3Q 2024 for Hedge Funds, US Core Real Estate, Global Large Cap Equities and Global Bond. US Non-core Real Estate, Global Private Equity and Global Venture Capital are represented by the 10-year internal rate of return (IRR) ending 2Q 2024*

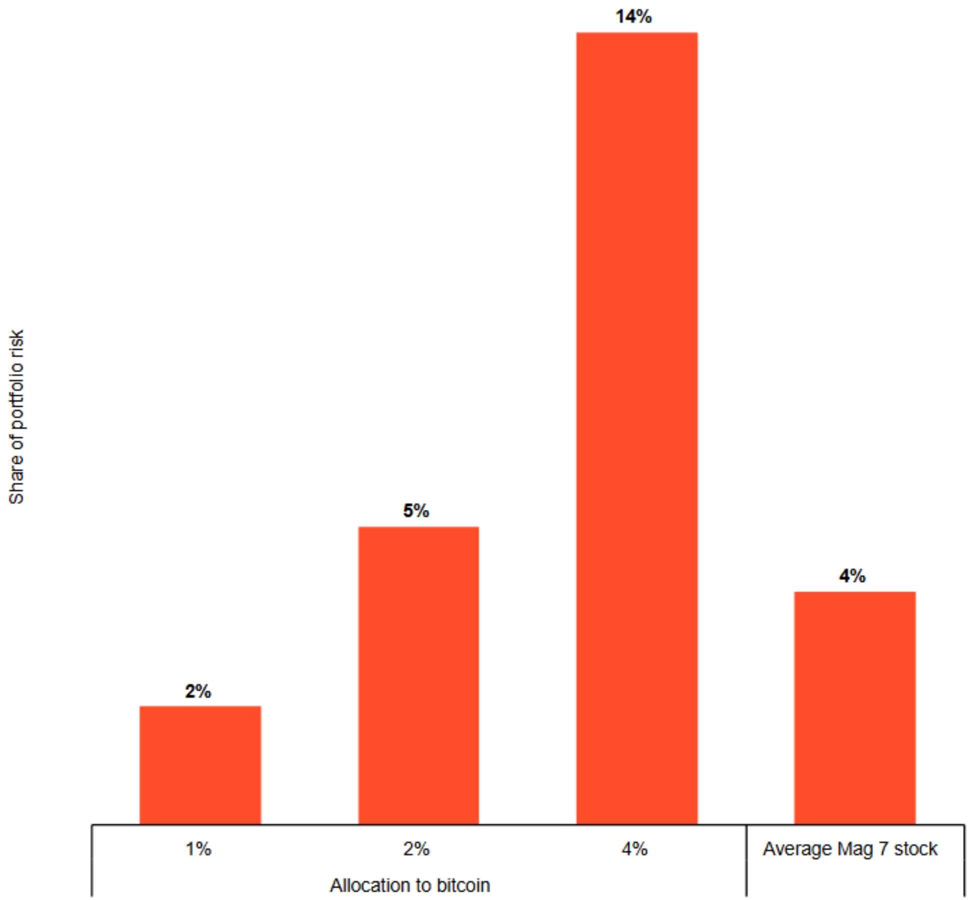
Looking ahead in alternatives

Sub Asset Class	Sage Mountain Alternatives Pipeline							
	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26	3Q26	4Q26
Private Equity / Venture Capital	*Core PE Secondaries Fund VI*							
	Venture Capital Debt Fund V							
						US Growth Equity Fund VI		
							VC Secondaries Fund VII	
							Life Sciences Fund IV	
Real Assets - Growth & Income	*US Large Construction RE Debt Fund III*							
			US Small Construction RE Debt Fund VII (Evergreen)					
	US Energy Income Fund III							
	US Multifamily RE Debt Fund II							
		Potential Real Estate Equity Fund						
	Diversified Transportation Fund (Evergreen)							
Private Credit					*Middle Market Credit Secondaries Fund VII*			
	Middle Market Lending BDC / Interval Fund							
Broadly Diversified	*Global Diversified Alternatives Fund (Evergreen) - Private Equity, Private Credit, and Real Assets*							

Disclaimer: Note that all dates are estimated and subject to change.

With BTC… a little can go a long way

Estimated contribution to risk in a 60/40 portfolio

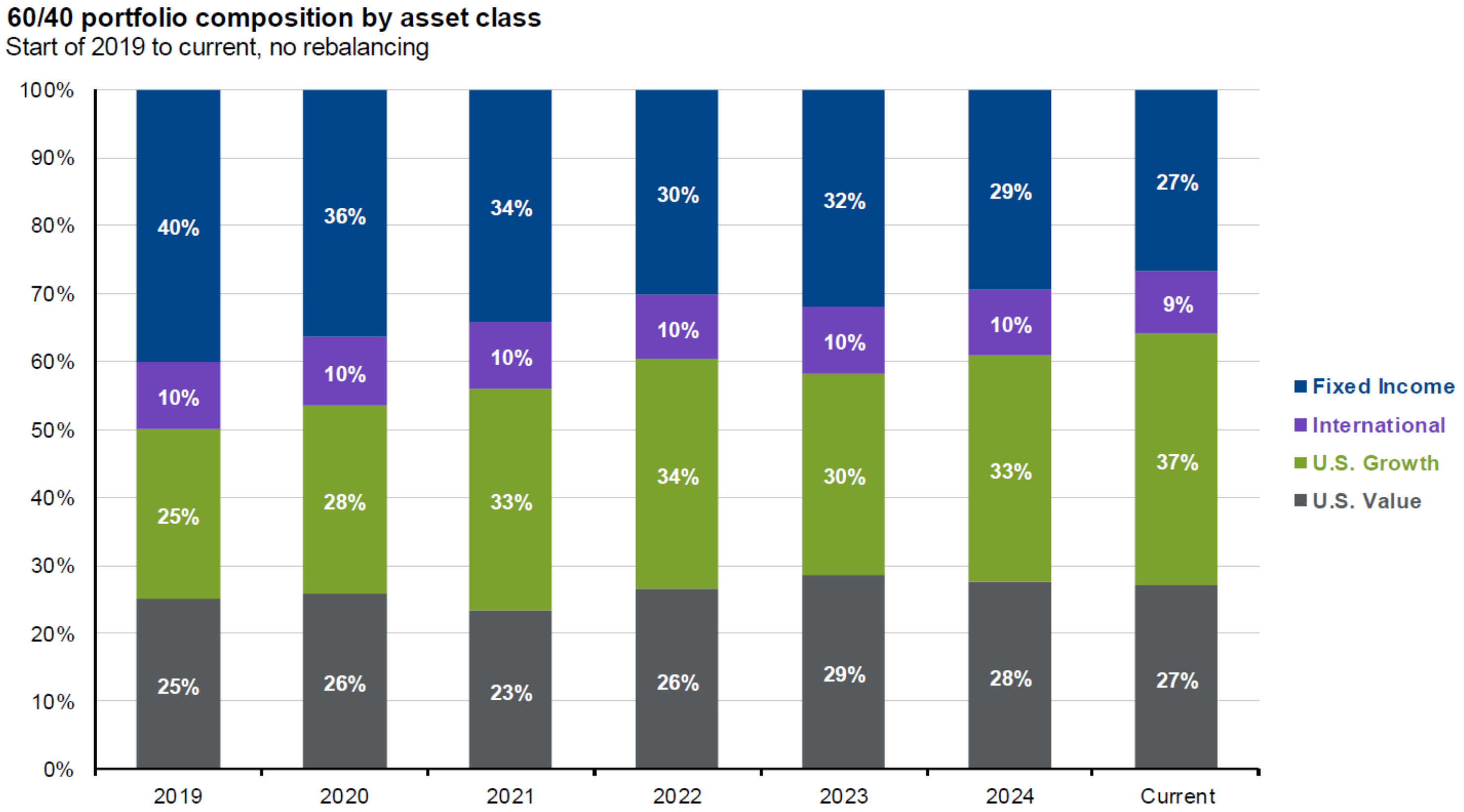


2024 saw historical returns for Bitcoin as the price finally reached the $100,000 milestone and boasted an annual total return of 123%+. Many have speculated as to how to size a potential Bitcoin allocation, but historical risks show even a small allocation can have an outsized portfolio impact.

Source: BlackRock Investment Institute with data from Bloomberg, December 2024. Notes: The chart shows bitcoin's share of portfolio risk in a hypothetical 60-40 stock-bond portfolio at different allocations based on risk contribution. It also shows what share "magnificent 7" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla) add to overall risk on average based on their current index weights. Indexes used: Bloomberg Developed Markets Large and Mid Cap for equities and the Bloomberg Global Aggregate for bonds. Risk contribution is estimated using weekly returns between May 2012 and July 2024.

After strong years, investors should evaluate rebalancing to targets

Excluding 2022, markets have been on an up and to the right trajectory with little standing in their way. Led by US equities, and more specifically Technology stocks, **the typical investor 60/40 allocation has become out of balance**. As investors weigh decisions around realizing gains, it is prudent to point out the new allocation weights versus their targets and determine if rebalancing is necessary.



Source: Bloomberg, FactSet, MSCI, Russell, Standard & Poor's, J.P. Morgan Asset Management

Macro Overview

The macroeconomic setup for 2025

At the start of 2024, the pace and scope of the Fed's interest rate cutting cycle was the financial market's main concern. Despite fears that the Fed's aggressive hiking cycle would prove to be a policy mistake, U.S. growth continually surprised to the upside. Inflation trends largely cooperated as well, as did corporate earnings – especially the Magnificent 7. Widespread excitement over the visible advances in AI also renewed investor enthusiasm and kicked off a huge technology capex expansion.

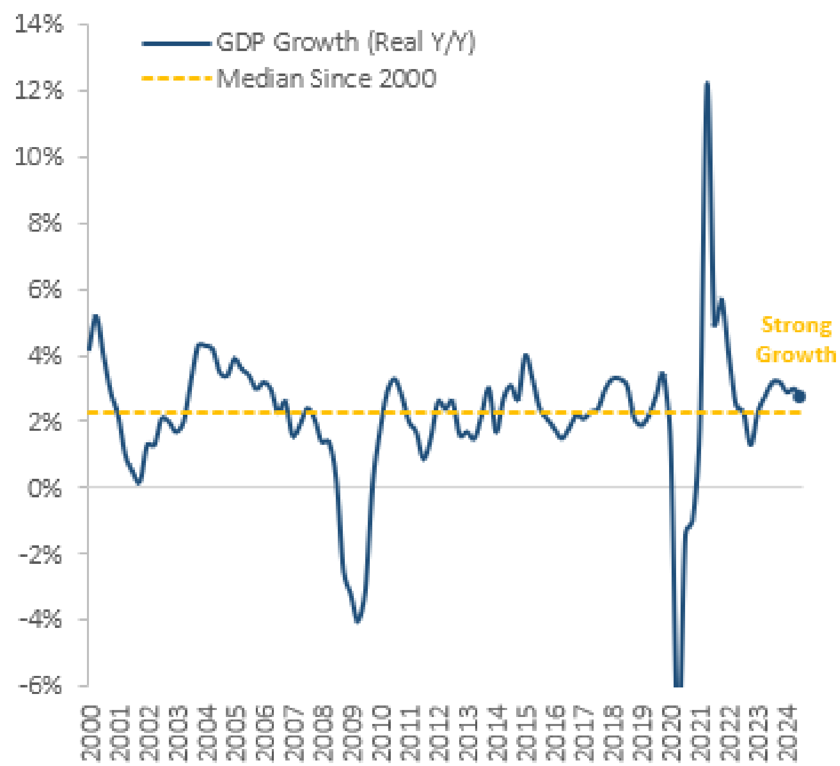
2025 brings with it more of the same in terms of the economic outlook: US growth stronger than overseas, profits set to grow, and growing federal budget deficits. The seeming permanence of the high deficit, combined with President-elect Trump's renewed tariff threats and recent Fed guidance, have led many to believe the rate cutting cycle will be shallow.

While still in a clear downtrend, recent inflation data has disappointed, in part due to unionized workers' gains belatedly catching up. Another factor has been the lagged impact of rental price increases abating. We are watching the bond market for further signs of indigestion, especially as tariff and tax policy negotiations come to the fore.

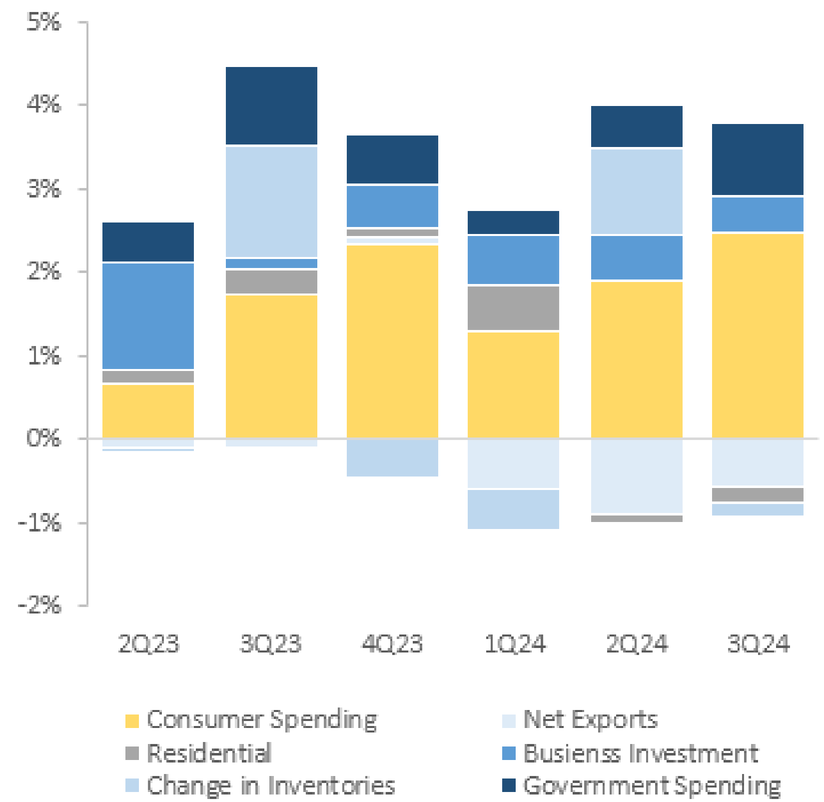
Overseas growth generally remains weak, especially in the former driver of demand, China. So far the government's efforts to navigate their housing bust have been an example of "muddle through." as with last year, relative economic bright spots include India and Japan.

What's driving US economic growth?

U.S. Real GDP Growth
Year-Over-Year Change Since 2000



Contribution to Real GDP Growth
Quarter-Over-Quarter Annualized Change

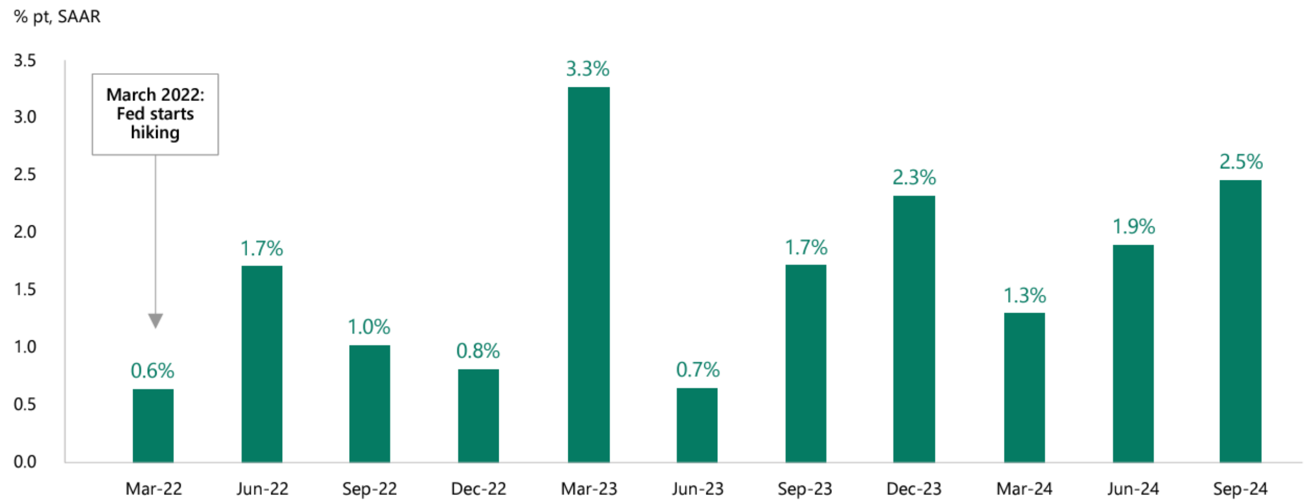


Source: Market Desk; U.S. Bureau of Economic Analysis. Gross Domestic Product (GDP) is seasonally adjusted. Time period from Q1 2000 to Q3 2024 (left chart). Time period from Q1 2023 to Q3 2024 (right chart). Latest available data as of 12/31/2024.

Never underestimate the US consumer

Exhibit 9: The Fed's hikes have not slowed down the US consumer

CONTRIBUTION OF PERSONAL CONSUMPTION EXPENDITURES TO GDP

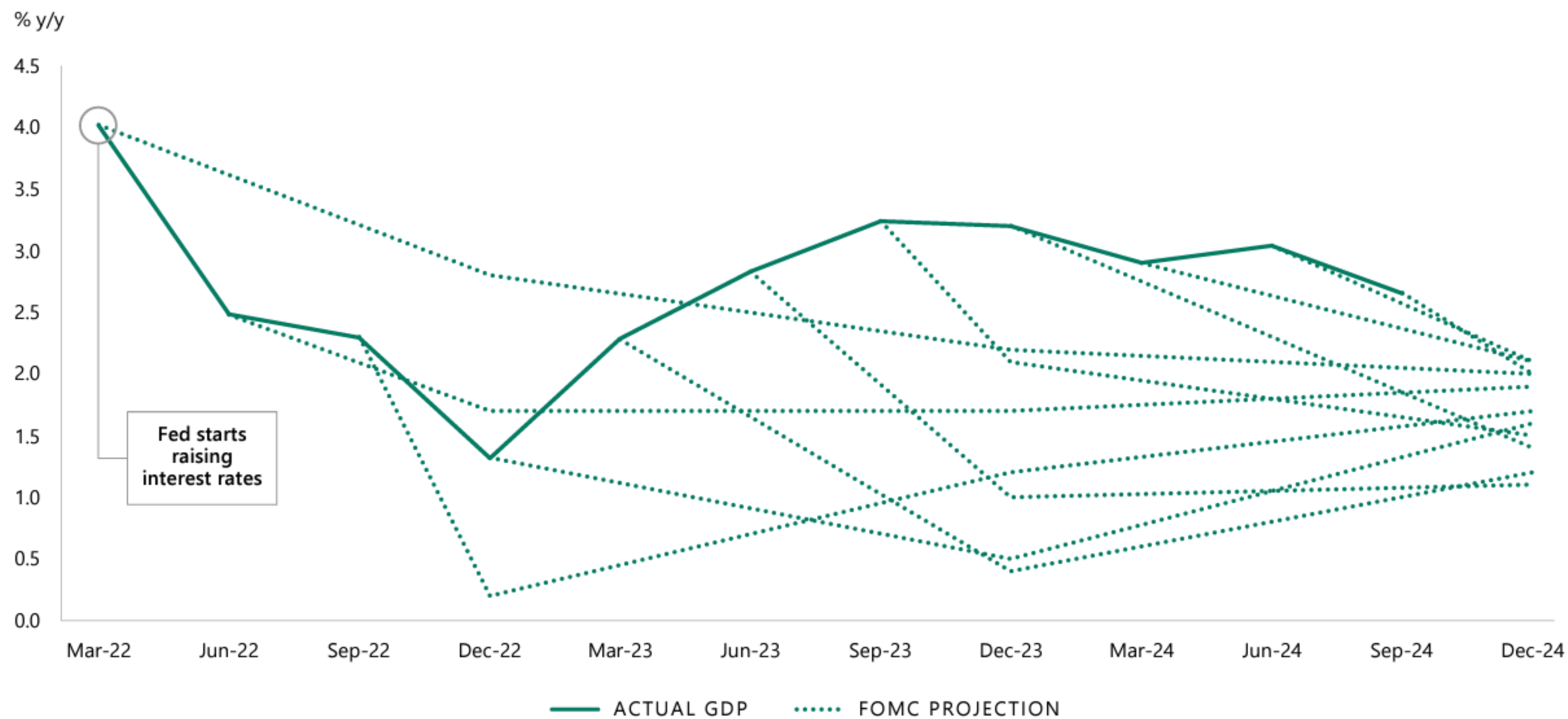


Data as of September 2024.
Sources: BEA, Haver Analytics, Apollo Chief Economist

Led by the consumer and technology capex, the economy has been less sensitive to the Fed raising rates in this cycle. Fiscal policy continues to be stimulative, so we expect the largely-domestic US economy to continue on a growth path.

The Fed's predictions have been dead wrong…

Exhibit 27: How many times can the same models be wrong?

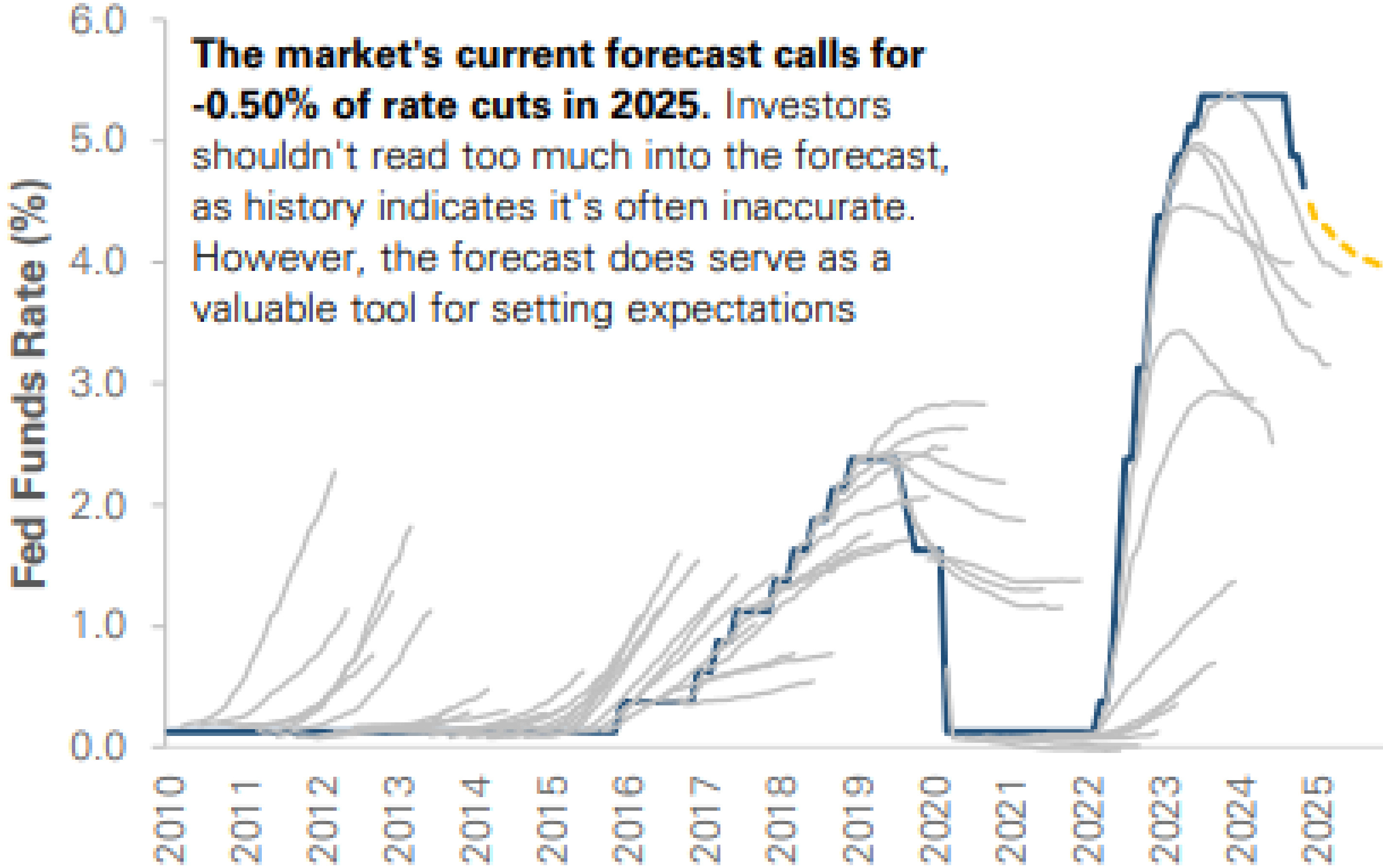


Sources: Federal Reserve Board, Bureau of Economic Analysis, Haver Analytics, Apollo Chief Economist

Throughout the last two years the Fed expected growth levels much lower than were actually realized.

…and the market's forecasts for rate cuts haven't been any better

Figure 3: Market Fed Funds Rate Forecast vs Actual



Source: MarketDesk

Comparing the economy in 2016 vs. the end of 2024

Metric	2016	2024	Commentary
S&P 500 NTM P/E	17.0x	21.7x	More expensive valuations
S&P 500 LTM Return	+10%	+23%	Higher last 12-month return
Fed Funds Rate	0.75%	4.50%	Higher interest rate environment
High-Yield Credit Spread	4.2%	2.9%	Historically tight credit spreads
GDP Growth (Q/Q%)	2.2%	3.1%	Stronger GDP growth
Unemployment Rate	4.7%	4.2%	Lower unemployment
Headline CPI (Y/Y%)	2.1%	2.7%	Higher inflation
Prior Fiscal Year Deficit	-$497 Bil	-$2,076 Bil	Significantly larger fiscal deficit
Fed Interest Rate Policy	Raising	Cutting	Lowering rates instead of raising

Source: Market Desk; Standard & Poor's, Federal Reserve, U.S. Bureau of Economic Analysis, Department of Labor, U.S. Treasury. LTM = Last 12 Month Performance. NTM = Next 12 Month Price to Earnings Multiple. 2016 data is based on 12/31/2016. 2024 data is based on latest available data as of 12/31/2024.

US economic heatmap

2023

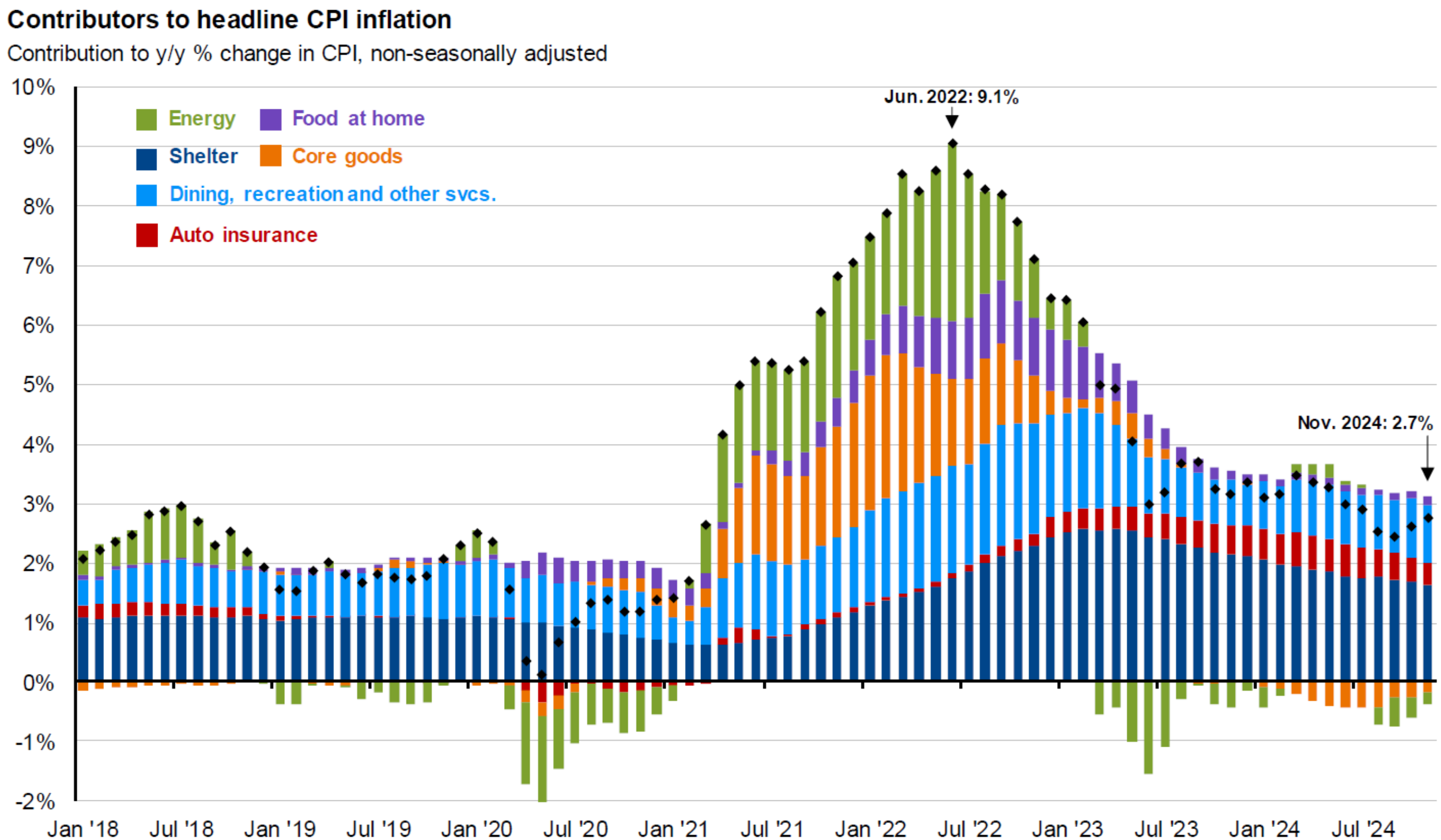
Category	Economic Datapoint	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor	Nonfarm Payrolls (000s)	482	287	146	278	303	240	184	210	246	165	182	290
	Unemployment Rate (%)	3.4	3.6	3.5	3.4	3.7	3.6	3.5	3.8	3.8	3.8	3.7	3.7
	Average Workweek (Hours)	38.6	38.7	38.5	38.6	38.6	38.5	38.5	38.5	38.5	38.4	38.4	38.4
	Average Hourly Earnings (y/y%)	5%	5%	5%	5%	5%	5%	5%	5%	5%	4%	4%	4%
	Jobless Claims – Initial (000s)	203	214	225	217	227	252	234	245	219	211	218	208
	Jobless Claims – Continuing (Millions)	1.61	1.65	1.69	1.72	1.72	1.76	1.78	1.81	1.80	1.81	1.81	1.80
	Job Openings (Millions)	10.4	9.8	9.6	9.9	9.3	9.1	8.8	9.4	9.3	8.7	8.9	8.9
Consumer	Personal Income (y/y%)	7%	7%	7%	7%	7%	6%	6%	6%	5%	5%	5%	5%
	Retail Sales (y/y%)	5%	5%	3%	1%	1%	1%	0%	2%	4%	5%	4%	4%
	Domestic Auto Sales (y/y%)	3%	3%	8%	16%	22%	13%	20%	12%	13%	0%	1%	15%
	Consumer Confidence Index	106	103	104	104	103	110	114	109	104	99	101	108
	Michigan Confidence Index	65	67	62	64	59	64	72	69	68	64	61	70
Housing	New Home Sales (y/y%)	-20%	-20%	-10%	8%	14%	23%	35%	1%	25%	17%	3%	3%
	Housing Starts (y/y%)	-21%	-19%	-20%	-25%	3%	-8%	6%	-14%	-7%	-5%	6%	17%
	Building Permits (y/y%)	-25%	-13%	-21%	-20%	-11%	-14%	-13%	2%	-6%	-2%	8%	9%
	Homebuilder Sentiment Index	35	42	44	45	50	55	56	50	44	40	34	37
	Monthly Supply (# of months)	2.9	2.5	2.6	2.9	3.0	3.1	3.2	3.2	3.3	3.5	3.4	3.0
	National Home Price Index ($000s)	293	293	297	301	305	309	310	312	313	313	312	311
Business	Leading Economic Index (y/y%)	-6%	-7%	-8%	-8%	-8%	-8%	-8%	-8%	-8%	-8%	-8%	-7%
	NFIB Small Business Index	90	91	90	89	89	91	92	91	91	91	91	92
	Manufacturing PMI	47	48	47	47	47	46	47	48	49	47	47	47
	Services PMI	55	55	51	52	51	54	53	54	53	52	53	51
	Industrial Production (y/y%)	2%	1%	0%	0%	0%	0%	0%	0%	0%	-1%	0%	1%
	Capacity Utilization (%)	80	80	79	80	79	79	79	79	79	78	78	78
Inflation	Headline CPI (y/y%)	6.4	6.0	5.0	4.9	4.0	3.0	3.2	3.7	3.7	3.2	3.1	3.4
	Core CPI (y/y%)	5.6	5.5	5.6	5.5	5.3	4.8	4.7	4.3	4.1	4.0	4.0	3.9
	Headline PCE (y/y%)	5.5	5.2	4.4	4.5	4.0	3.3	3.4	3.4	3.4	3.0	2.7	2.7
	Core PCE (y/y%)	4.9	4.9	4.8	4.8	4.7	4.4	4.3	3.8	3.7	3.4	3.2	3.0
	Producer Price Inflation (y/y%)	5.7	4.7	2.7	2.3	1.1	0.3	1.1	1.9	1.8	1.1	0.8	1.1

2024

Category	Economic Datapoint	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Labor	Nonfarm Payrolls (000s)	256	236	310	108	216	118	144	78	255	36	227	
	Unemployment Rate (%)	3.7	3.9	3.8	3.9	4.0	4.1	4.3	4.2	4.1	4.1	4.2	
	Average Workweek (Hours)	38.2	38.4	38.2	38.3	38.2	38.3	38.2	38.3	38.3	38.2	38.4	
	Average Hourly Earnings (y/y%)	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	
	Jobless Claims – Initial (000s)	210	209	214	210	224	239	238	231	224	237	219	215
	Jobless Claims – Continuing (Millions)	1.78	1.80	1.80	1.78	1.79	1.84	1.86	1.85	1.83	1.87	1.88	1.89
	Job Openings (Millions)	8.7	8.8	8.4	7.9	8.2	7.9	7.7	7.9	7.4	7.7	7.5	
Consumer	Personal Income (y/y%)	6%	6%	6%	6%	6%	5%	5%	5%	5%	5%	5%	
	Retail Sales (y/y%)	5%	3%	4%	5%	6%	6%	5%	5%	5%	5%	6%	
	Domestic Auto Sales (y/y%)	-6%	-2%	-9%	-12%	-7%	-16%	-12%	-12%	-10%	-8%	-14%	
	Consumer Confidence Index	111	105	103	98	101	98	102	106	99	110	113	105
	Michigan Confidence Index	79	77	79	77	69	68	66	68	70	71	72	74
Housing	New Home Sales (y/y%)	4%	3%	6%	7%	-9%	1%	1%	6%	6%	-7%	9%	
	Housing Starts (y/y%)	1%	10%	-3%	1%	-17%	-6%	-14%	6%	-1%	-4%	-15%	
	Building Permits (y/y%)	5%	-4%	-1%	-2%	-9%	-3%	-6%	-7%	-6%	-7%	-1%	
	Homebuilder Sentiment Index	44	48	51	51	45	43	41	39	41	43	46	46
	Monthly Supply (# of months)	3.0	2.8	3.0	3.3	3.6	4.0	4.0	4.1	4.1	4.0	3.7	
	National Home Price Index ($000s)	311	313	317	321	324	325	326	325	325	324		
Business	Leading Economic Index (y/y%)	-7%	-6%	-6%	-5%	-5%	-5%	-5%	-5%	-5%	-4%	-3%	
	NFIB Small Business Index	90	89	89	90	91	92	94	91	92	94	102	
	Manufacturing PMI	49	48	50	49	49	49	47	47	47	47	48	
	Services PMI	53	53	51	49	54	49	51	52	55	56	52	
	Industrial Production (y/y%)	-1%	0%	0%	-1%	0%	1%	-1%	0%	-1%	0%	-1%	
	Capacity Utilization (%)	77	78	78	78	78	78	78	78	77	77	77	
Inflation	Headline CPI (y/y%)	3.1	3.2	3.5	3.4	3.3	3.0	2.9	2.5	2.4	2.6	2.7	
	Core CPI (y/y%)	3.9	3.8	3.8	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	
	Headline PCE (y/y%)	2.6	2.6	2.8	2.7	2.6	2.4	2.5	2.3	2.1	2.3	2.4	
	Core PCE (y/y%)	3.1	2.9	3.0	2.9	2.7	2.6	2.7	2.7	2.7	2.8	2.8	
	Producer Price Inflation (y/y%)	1.0	1.6	2.0	2.3	2.5	2.9	2.4	2.1	2.0	2.6	3.0	

Disclosures: Data sourced from Federal Reserve, NBER, Redbook, Institute for Supply Management, University of Michigan, DOL, U.S. Census Bureau, NAHB. Red = Worst (5th percentile). Green = Best (95th percentile)

Is Inflation in a new norm?

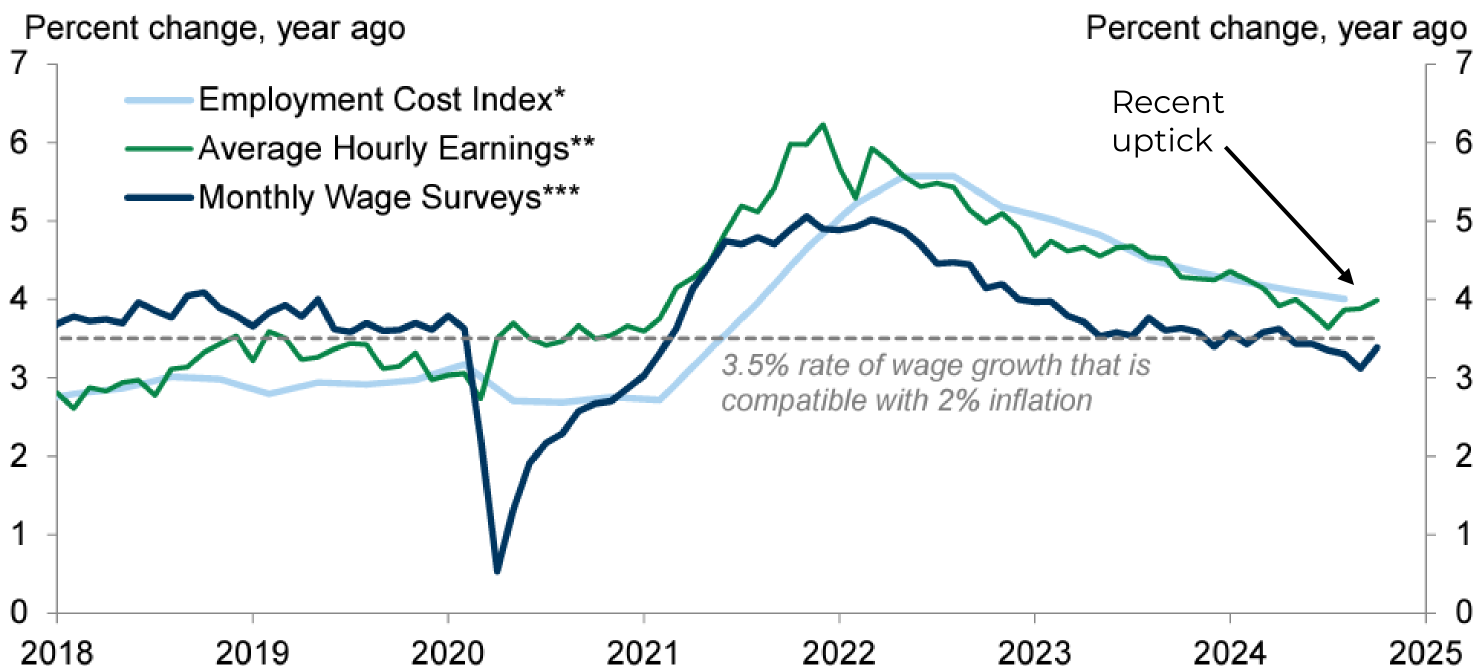


Looking deeper under the hood, **core inflation has continued to decline** after peaking in Q3 2022. The headline disinflation has been driven by reversals in energy costs since 2022 and significant slowing in vehicle prices and shelter costs. While housing transactions slowed during 2023 and into 2024 due to high mortgage rates, rents have been rising 2-3%, versus double digits during the Pandemic.

Source: BLS, FactSet, J.P. Morgan Asset Management

Inflation Progress

Exhibit 3: With the Labor Market Back in Balance, Wage Growth Falling, and Inflation Expectations Back to Normal, the Fundamental Drivers Are in Place for Inflation to Continue Trending Back to the 2% Target

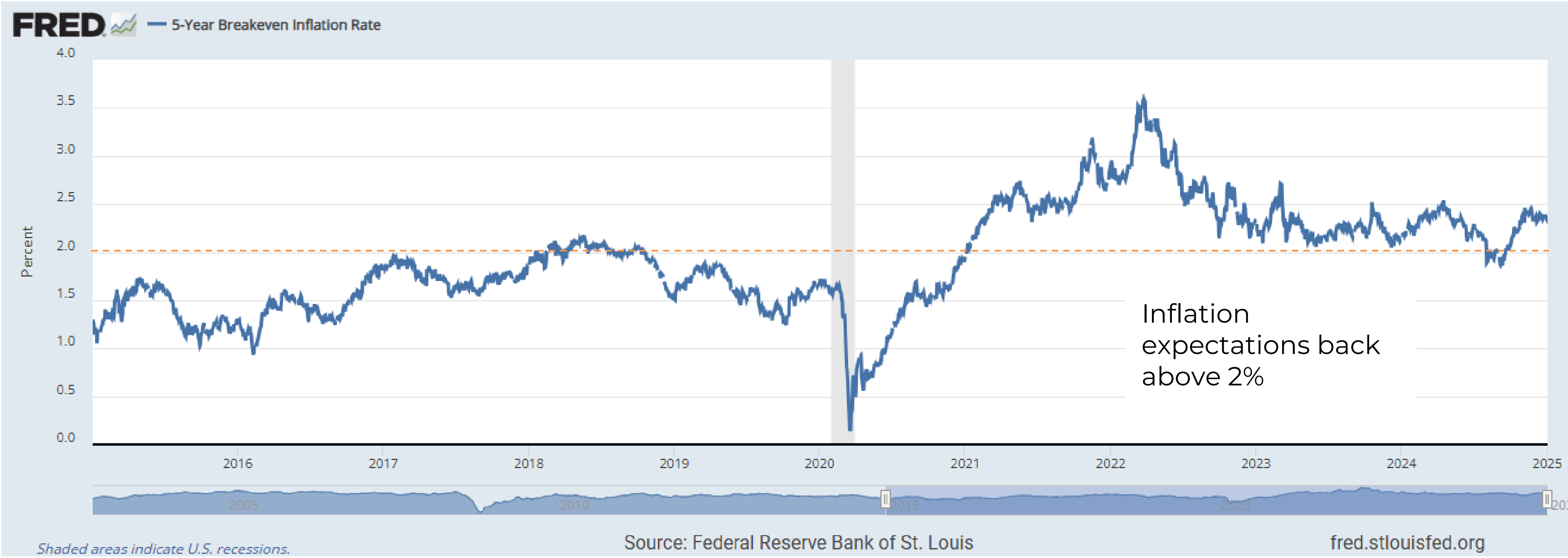


* Wages and salaries for private industry workers ex-incentive paid occupations.
** All private industry workers, GS composition-adjusted from 2020-2021.
*** Average of NFIB, Dallas Fed manufacturing, Dallas Fed services, Richmond Fed Manufacturing, Richmond Fed services, NY Fed services, and Kansas City Fed services measures, rescaled to average hourly earnings.

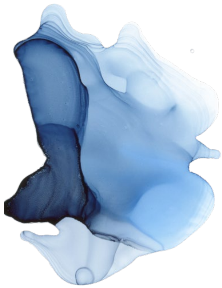
Source: Department of Labor, Goldman Sachs Global Investment Research

Debate over recent “kink”: **temporary or not**?

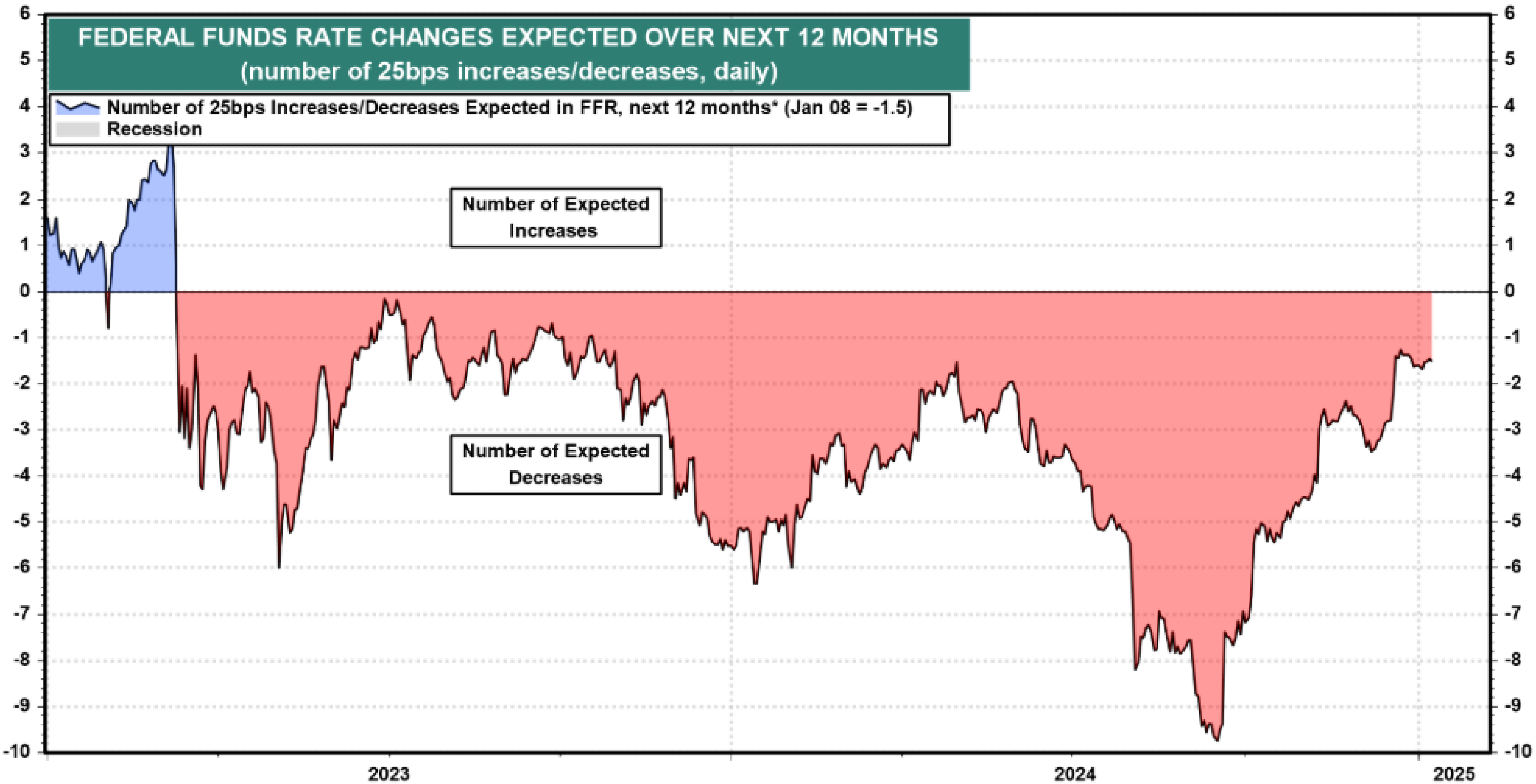
Market-derived inflation expectations



In addition to the actual inflation data, markets expectations are a critical input for Fed policy. Using the 5-year inflation breakeven rate, we can see that **expectations for future inflation have ticked upwards** in the second half of 2024, giving some caution to the Fed policy.



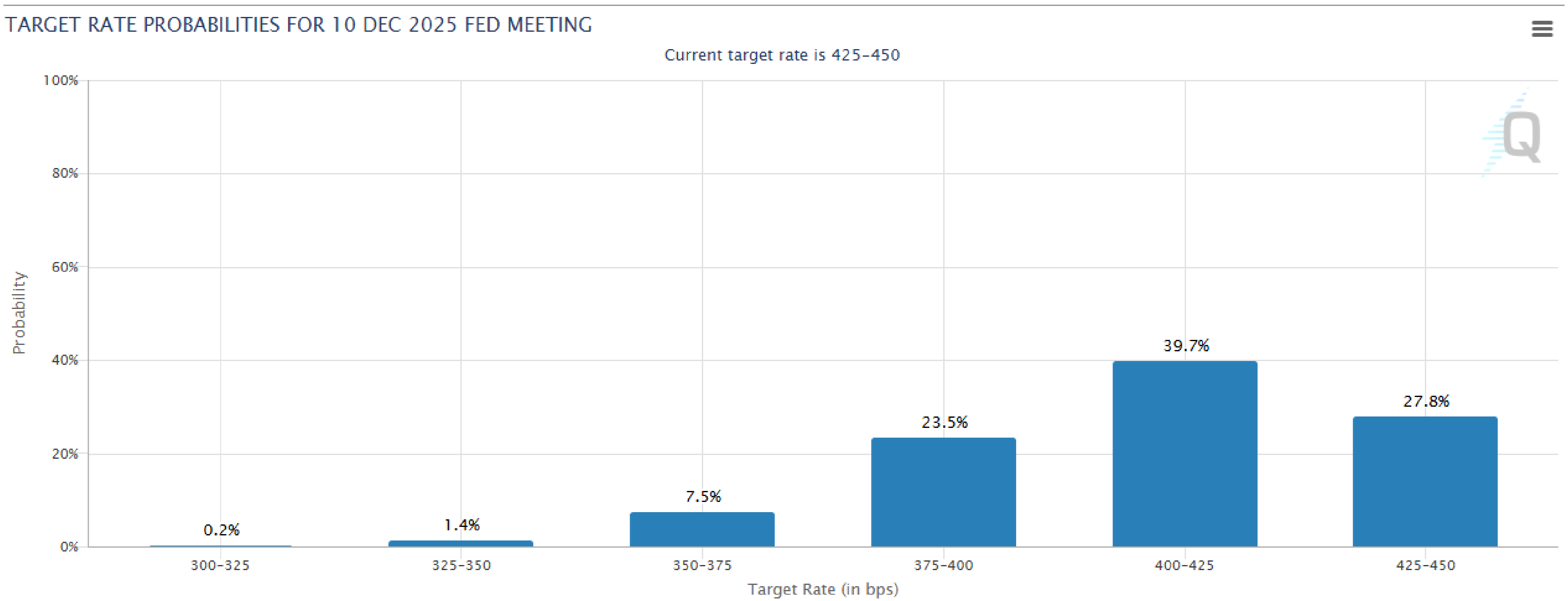
The US: fading hopes for numerous interest rate cuts



Source: LSEG Datastream and © Yardeni Research, and Federal Reserve and Chicago Board of Trade.
*12-month futures FFR minus FFR all divided by 25.

Stubborn consumer inflation at the end of 2024 prompted observers to reduce their expectations for interest rate cuts.

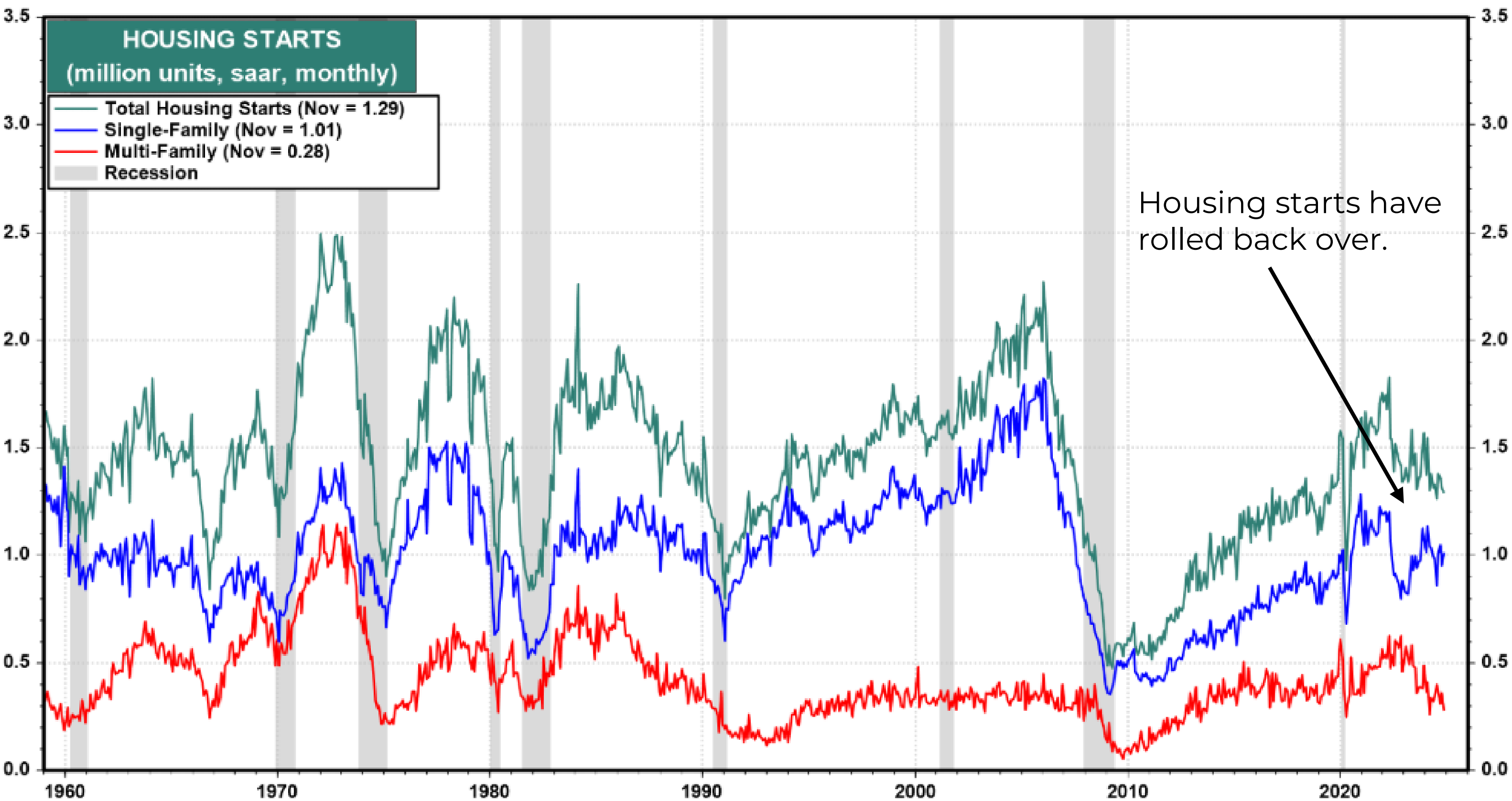
Current market expectations for rates at year end



At present, the market expects the Fed will be largely done cutting rates at about the 3.5-3.75% level.

Source: CME FedWatch; data as of January 14, 2025

Higher interest rates and input costs holding back housing starts



Source: LSEG Datastream and © Yardeni Research, and US Census Bureau.

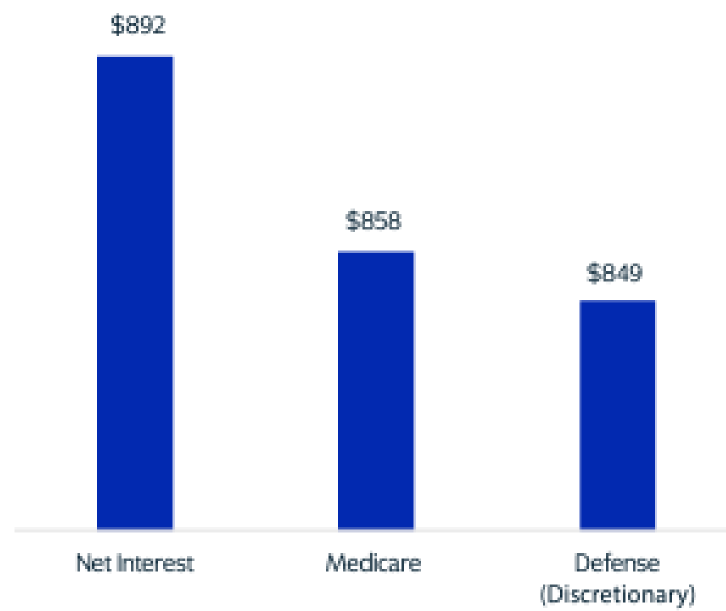
Leverage: business and consumers in good shape, government debt levels high

Exhibit 4: Unlike in the Past, Consumers and Corporations Are Not Overleveraged This Cycle. Rather, It Is the Government That Has Excess Leverage

Debt-to-Income Ratio

Income is defined as: For consumers total personal income (before tax or interest expense); for corporates it is EBITDA; for government it is total revenue. Data as at September 30, 2024. Source: BofA, KKR Global Macro & Asset Allocation analysis.

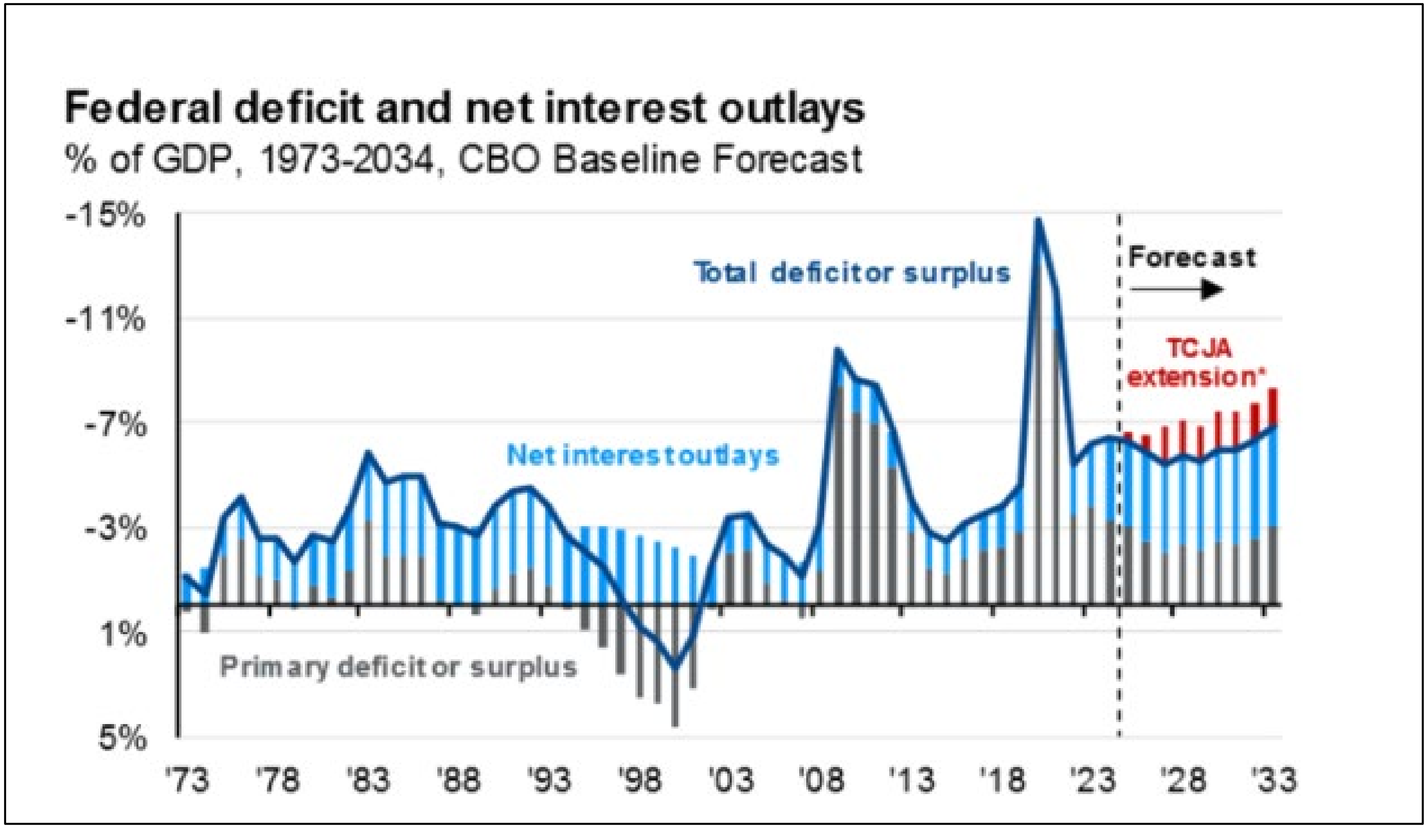
CBO 2024 FY Budget Projections, US$ Billions



Data as at June 30, 2024. Source: Congressional Budget Office.

Source: KRR

The federal budget deficit is high…



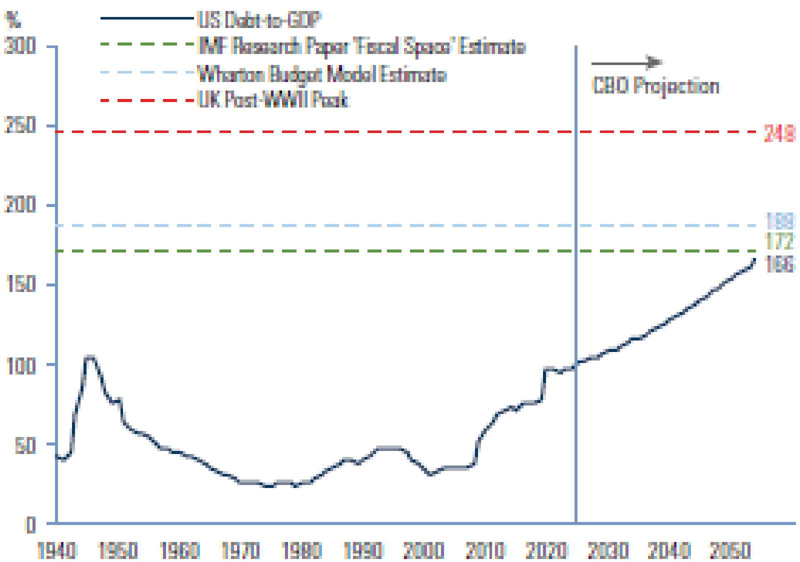
At present, the U.S. faces a primary deficit, higher interest rate payments on the debt than usual, and a likely shortfall from renewing the Trump TCJA tax cuts.

Source: J.P. Morgan

…but we do not believe it will become unsustainable in the near term

Exhibit 69: US Debt-to-GDP Ratio vs. Potentially Unsustainable Levels

The US debt load should not become a major burden for the next 10 years.

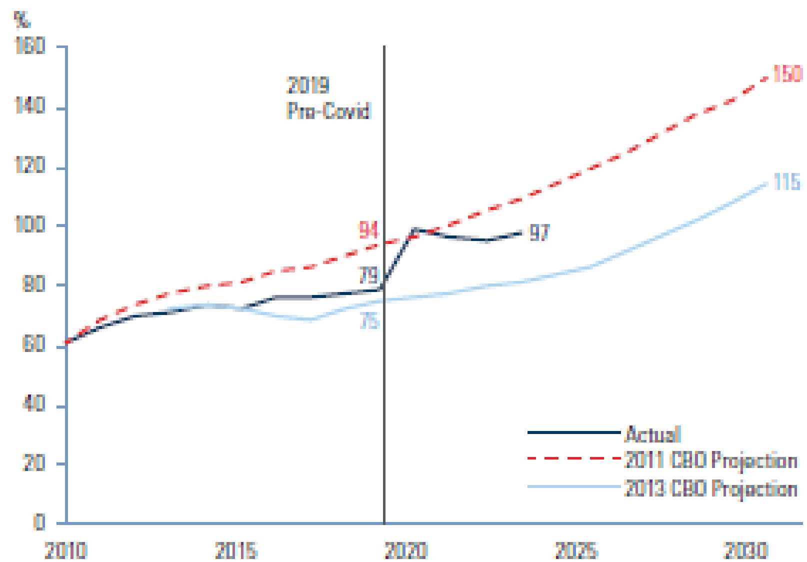


Data through 2023. Projection through 2054.
Source: Investment Strategy Group, Haver Analytics, Congressional Budget Office (CBO), Penn Wharton Budget Model, Bank of England, IMF Staff Position Note: D'Ostry et. Al. (2010).
Forecasts are estimated, based on assumptions, are subject to revision and may change as economic and market conditions change. There can be no assurance forecasts will be achieved.

Source: Goldman Sachs

Exhibit 70: US Debt-to-GDP Ratio vs. Previous CBO Projections

Fiscal reforms can have a meaningful impact on the debt trajectory.



Data through 2023. Projection through 2030.
Source: Investment Strategy Group, Congressional Budget Office (CBO), Haver Analytics.
Forecasts are estimated, based on assumptions, are subject to revision and may change as economic and market conditions change. There can be no assurance forecasts will be achieved.

Financial Planning

Retirement, Estate and Gift Tax Planning for 2025

The current Tax Cuts and Jobs Act (Trump tax cuts) is still in effect for 2025, along with the provisions from Secure Act 1.0, Secure Act 2.0, and the Inflation Reduction Act (IRA) that were passed during the Biden administration. There will certainly be changes in 2026, but some of the notable and actionable items for 2025 include:

- The Lifetime Exemption for Estate, Gift and GST taxes has moved up to $13,990,000 per person. The Annual Exclusion has also crept up to $19,000. The rate remains 40%. Consider “topping off” Trusts early in 2025.

- While the IRA maximum contribution remains at $7k per person ($8k if 50+), 401(k) type plans have moved up to $23,500 plus another $7,500 Catch-up for those 50 and over. A brand-new feature for 2025 is an $11,250 Catch-up amount for those aged 60-63. This is in place of the regular $7,500 Catch-up amount during those years, not an additional Catch-up. At age 64 it reverts to the regular amount.

- All individuals and businesses affected by Hurricane Helene, including the entire states of AL, GA, NC and SC, along with parts (check FEMA website) of FL, TN and VA are entitled to filing and payment postponement until May 1, 2025. This includes any 2024 individual or business tax return normally due during March or April of 2025; IRA and HSA contributions normally due 4/15/25; 4th Qtr Estimated Tax Payments for 2024 normally due on 1/15/25 and 1st Qtr Estimated Tax Payments for 2025 normally due on 4/15/25; and 663(b) elections and distributions from a Trust normally due on 3/6/25.

- The maximum Qualified Charitable Distribution (QCD) amount for 2025 increases to $108k per spouse. QCD’s should be utilized first before taking out any RMD’s for personal use since an RMD cannot be recharacterized to a QCD later.

- RMD beginning ages based on birthdate:

Before 7/1/49	70.5
7/1/49 – 12/31/50	72
1/1/51 – 12/31/59	73
1/1/60 and After	75

Income, Estate and Gift Tax Planning Beyond 2025

As a result of the recent election, Republicans have secured control of Congress and the White House. They will likely use the current Tax Cuts and Jobs Act (TCJA), which sunsets on 1/1/26, as a baseline/starting point for any new tax legislation going forward. They will potentially have two bites at the Budget Reconciliation apple to accomplish this. The Senate would prefer to focus on border security, energy, and defense right away with the first BR, and tackle tax policy later in the year with a second BR. The House wants to combine both issues into one BR, which they would begin working on immediately. So far, Trump has not officially weighed in on the matter. Since most of the major tax laws should remain largely intact, there is less incentive for Sage Mountain clients to finalize any big planning moves during 2025. A wait-and-see approach may work best until we learn more. Some potential changes or tweaks to the tax law could include the following:

- Increasing the $10k per household SALT limitation to at least $20k for joint filers or possibly more. It's doubtful it will be completely eliminated, as the cap brings in a large amount of tax revenue. A substantial increase could be paired with a decrease in the AMT exemption, which is currently very high. The result would be a taxpayer being able to write off more SALT but have greater AMT exposure.

- There is bipartisan consensus for increasing the current child tax credit above the current $2k per child limit. The current $400k AGI phase-out could be lowered to compensate for the lost tax revenue.

- Trump wants to further lower the Corporate tax rate below the current 21%. If that happens, there would be a corresponding increase in the QBI deduction to maintain parity for pass-through entities.

- Reduce or eliminate credits for EV's and other green energy credits previously passed as part of the IRA.

- The Estate Tax Lifetime Exemption is likely to remain at or around the current ~$14mm per person instead of being cut in half to ~$7mm. This reduces the need for couples in the $14mm - $28mm range to gift assets out of their estate before 1/1/26. It may potentially be better for them to keep those assets inside their estate and let their heirs receive a step-up in basis at death.

- Finally, the duration of the new round of tax cuts will be crucial. The original TCJA lasted for eight years (2018-2025). Reducing this round to four years might make it more palatable to fiscally conservative deficit hawks who might otherwise balk at the price-tag.

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