

Growth Marketing Summit

Park City, UT

February 2024

Agenda

Part I. Trip Down Memory Lane

Part II. ‘Merica

Part III. Landing

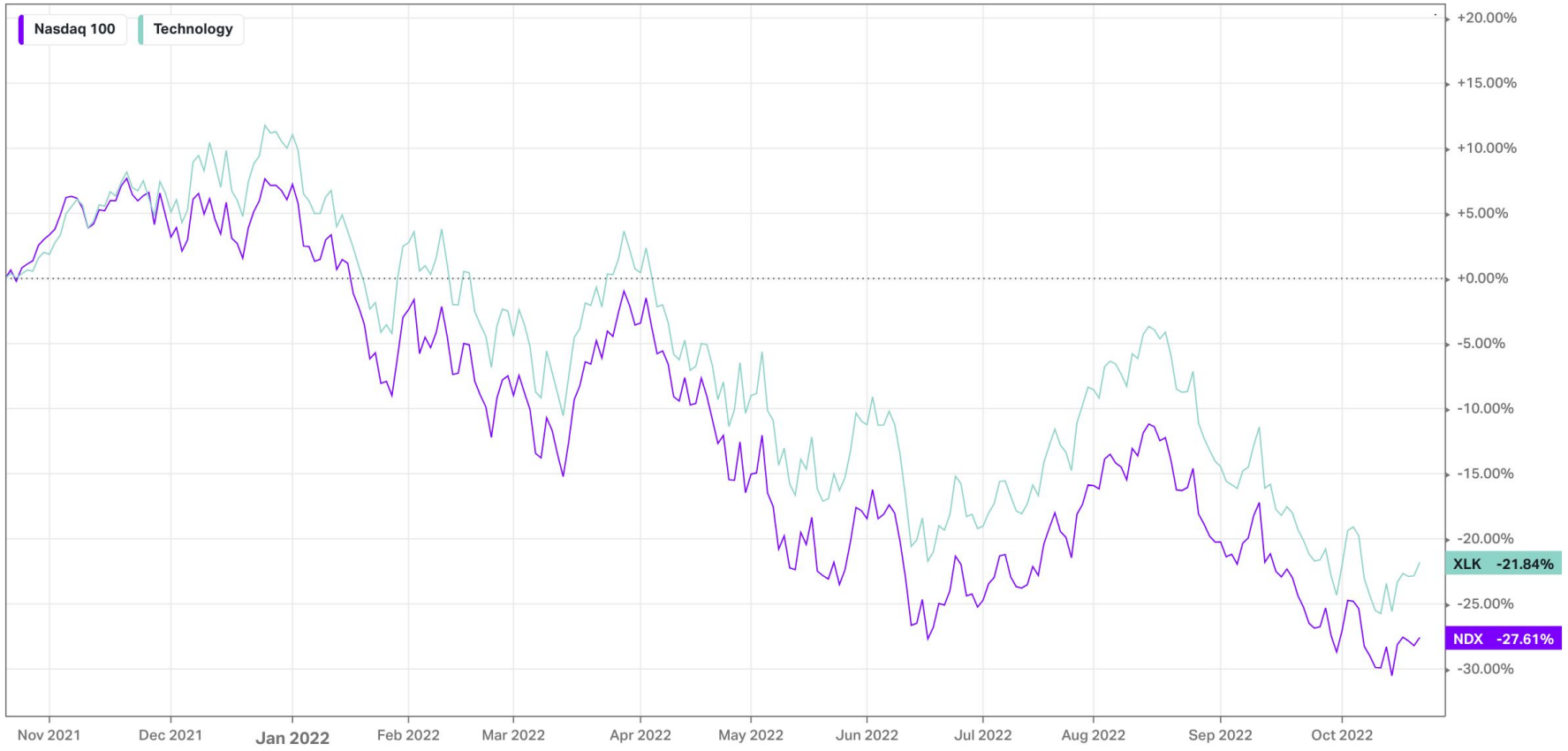




Part I. Revisit Slides from 2023….

“Told ya so”

NASDAQ: Performance 2022



Source: Koyfin

Recession?

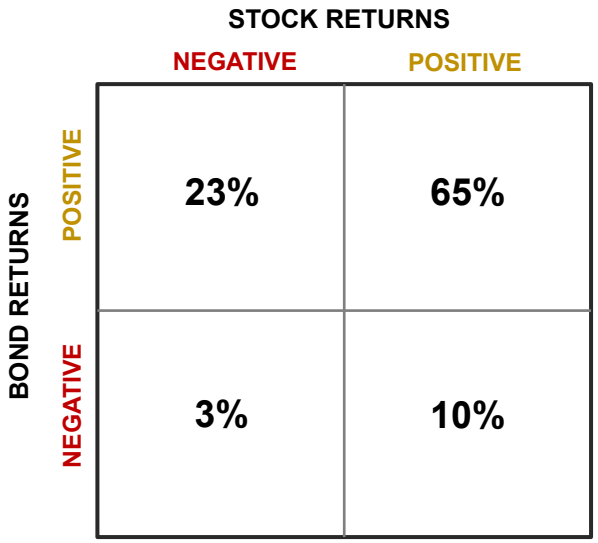
Forecast	Probability of recession within: 1 year	2 years
William C. Dudley	70%	90%
Jason Furman	55%	75%
Mark Zandi	50%	60%
Investment Strategy Group	45-55%	65-75%
GS Investment Research Jan Hatzius & David Mericle	35%	n.a.

- Jerome Powell, Chair of the Federal Reserve:
  - "I don't think anyone knows whether we're going to have a recession or not…It's just not knowable." – December 14, 2022

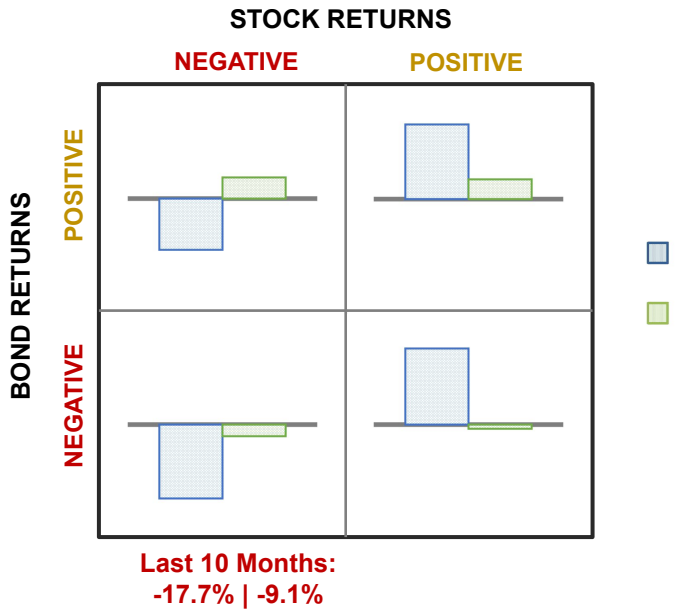
The YTD Bond and Equity Market Sell-Off Has Been Rare in History

Positive/Negative Returns in US Stocks and US Intermediate Treasury Bonds Over 10-Month Periods (1927-2022)[1]

Frequency of Observation



Average Total Return

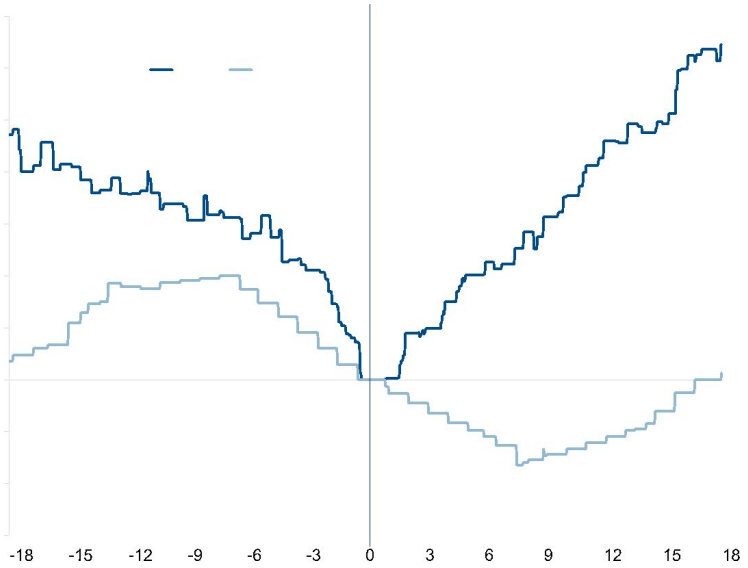


- Negative returns in both stocks and bonds over 10-month periods only occurred 3% of the time historically since 1927.
- The current episode was also characterized by a larger magnitudes of losses compared to the historical averages.

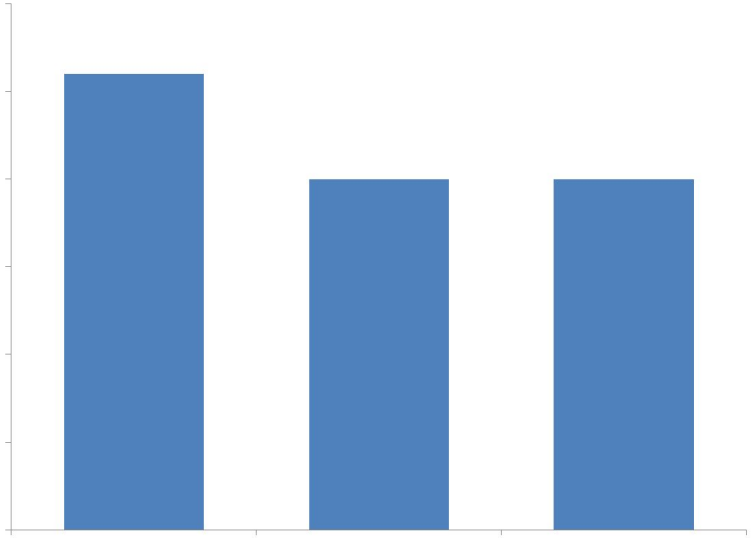
Values may not sum due to rounding.
Source: Investment Strategy Group, Datastream. As of October 31, 2022.
1. US Intermediate Bonds are modeled using Bloomberg Barclays US Intermediate Treasuries (with Ibbotson backfill). US Equity is modeled by S&P 500.

Equity Markets are Forward-Looking and Therefore Bottom Before Fundamentals

1. Indexed Price and EPS During US Bear Markets[1]



2. Average Equity Returns in the 3 Months After Market Bottoms

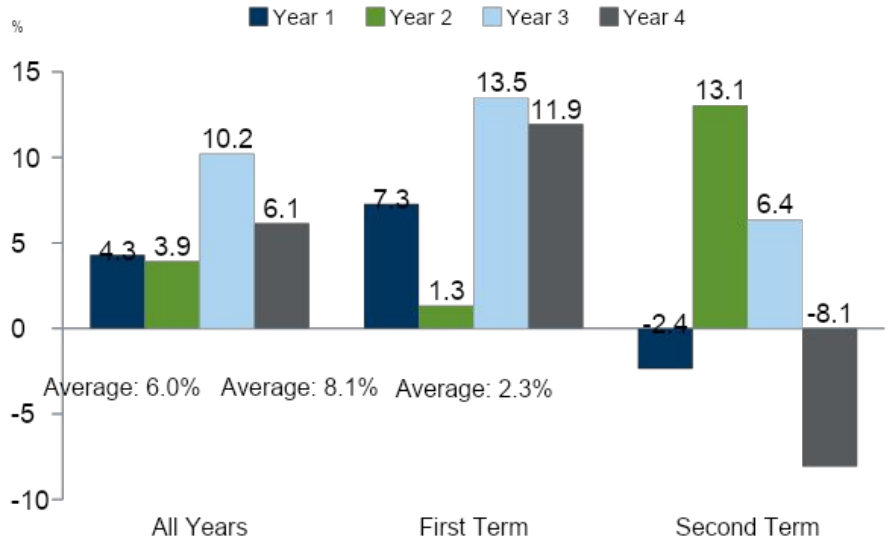


- Because equity markets discount future fundamentals, they typically bottom 6-9 months before earnings reach a trough.
- Equity markets also typically bottom about 3 months before the end of recessions.[2]
- Returns in that 3-month period after the market bottomed averaged 26% in the Eurozone and 20% in the US/UK historically.
- This helps explain why a mild recession that falls earlier in a year could still result in positive equity returns as stocks recover into year-end, particularly given that many equity markets have already experienced recessionary declines.

(1) Based on US bear markets since 1903. (2) US, Eurozone and UK all had a median time of ~3 months from when equities bottomed to when recession ended. UK and Eurozone recessions are based on two quarters of negative GPD, while US is based on NBER recession dates. Source: Investment Strategy Group, Goldman Sachs Global Investment Research, Bloomberg.

Lots of Bad News, But We Always Need to Remain Balanced

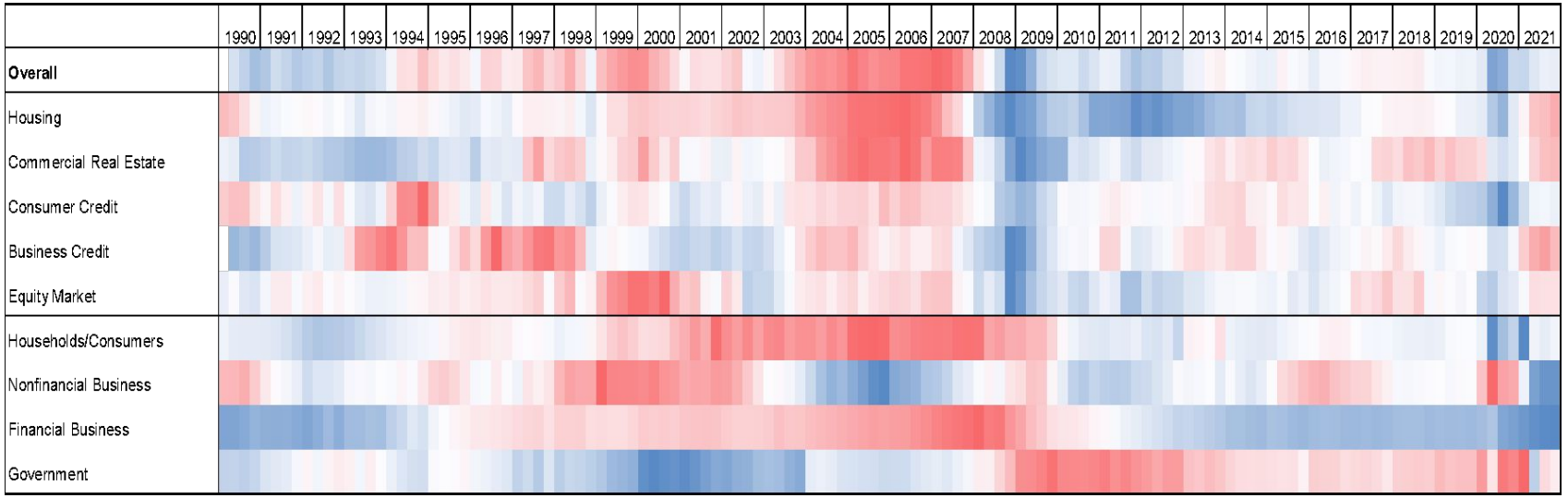
Average Annual S&P 500 Price Returns based on Presidential Cycle



- Since 1873, the third year of all presidential terms has been the strongest. The fourth year has historically been in line with the long-term average.
- However, the averages belie sizable differences between the first and second terms. The strong returns in the third and fourth years are all concentrated in the first term of a presidency.

- Source: Investment Strategy Group, Bloomberg, Robert Schiller, Gallup.

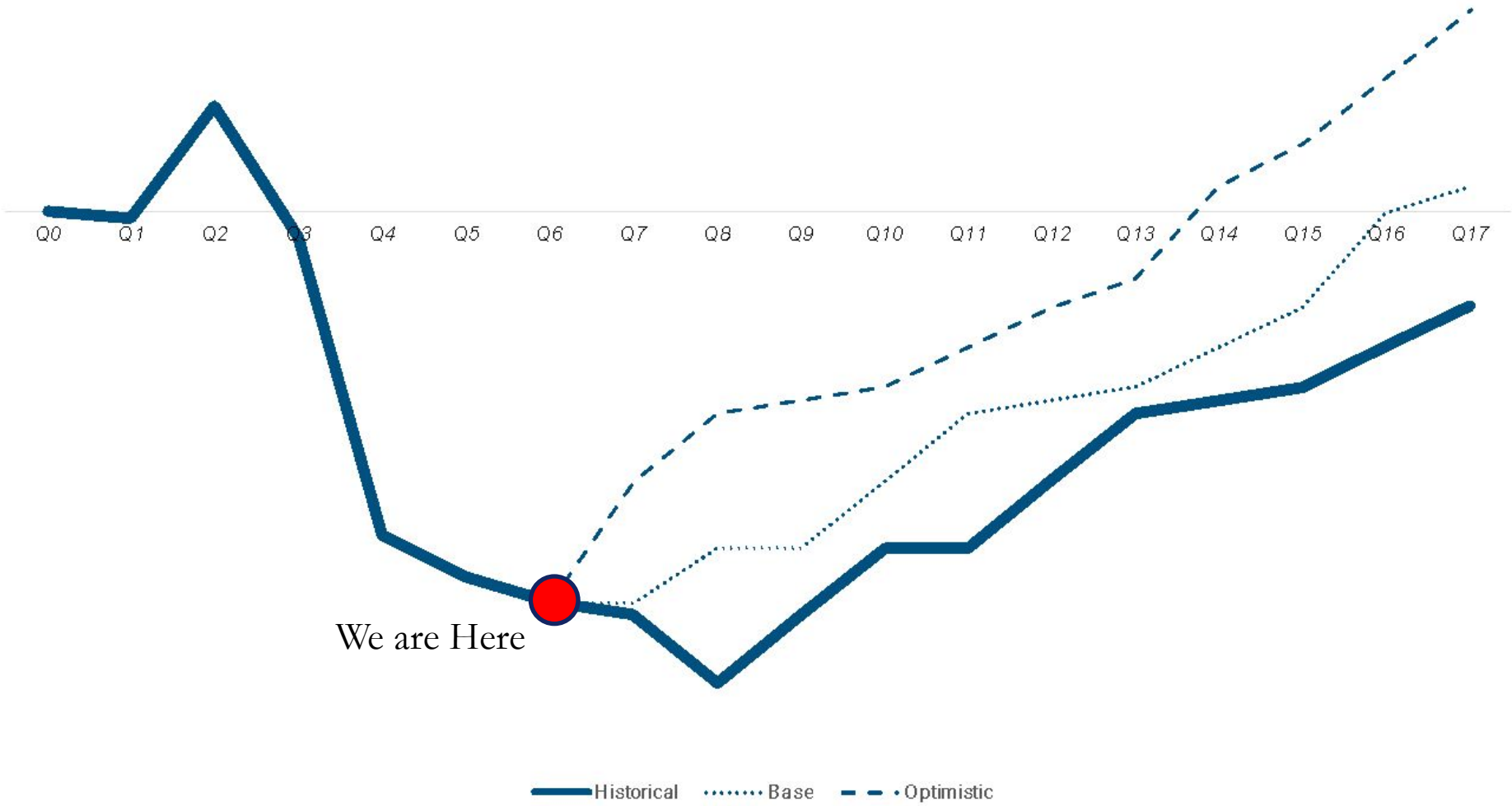
The US Economy Is Very Well Balanced



- Imbalances in the economy and financial markets create vulnerabilities that increase the likelihood of a recession.
- However, while valuations and debt levels are extended in a few sectors, the imbalances are modest compared to the dot-com bubble and Global Financial Crisis episodes.
- The overall measure shows the US economy is very well balanced.

Source: Investment Strategy Group; Goldman Sachs Investment Research.

Three to Five Year Perspective Provides Clarity



So What happened?

US equities up 23% in 2023

Part II. ‘merica



14 year performance since trough of GFC

- $100M invested in US Equities would have yielded $943M

- $100M in non-US developed market equities would have yielded $398M

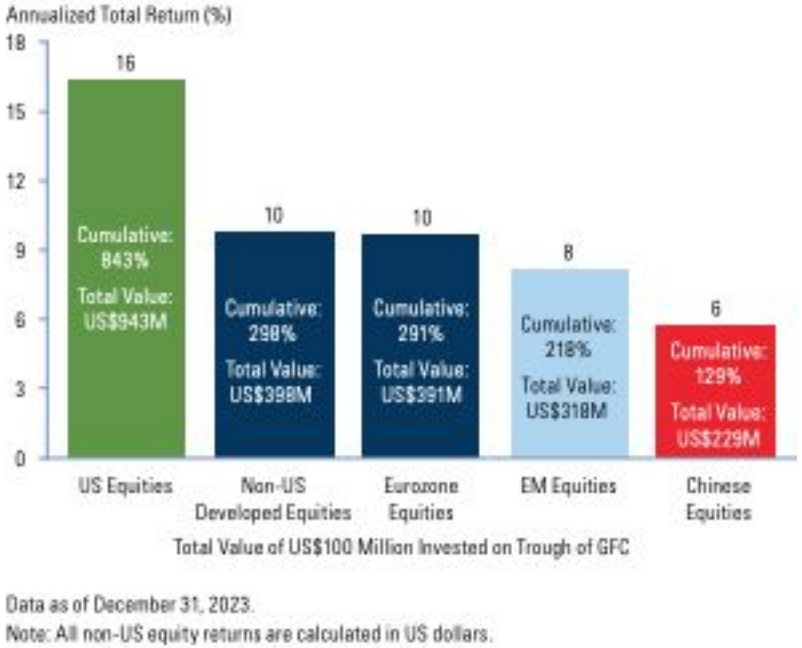
-$100M in emerging markets would have yielded $318M

$100M in China would have yielded $229M

In spite of GFC recovery, EU Sovereign debt crisis, downgrading of US sovereign debt by S&P, China RMB devaluation in 2015, Covid pandemic, Fed 525 basis rate hike in 2022-2023

Exhibit 1: Annualized and Cumulative Equity Returns Since the Trough of the GFC

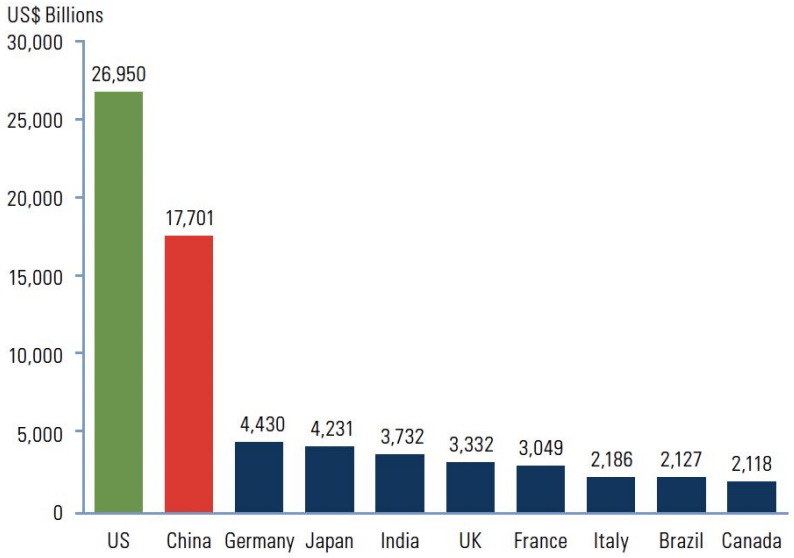
US equities have outperformed non-US equities over the past 14 years.



Data as of December 31, 2023.
Note: All non-US equity returns are calculated in US dollars.

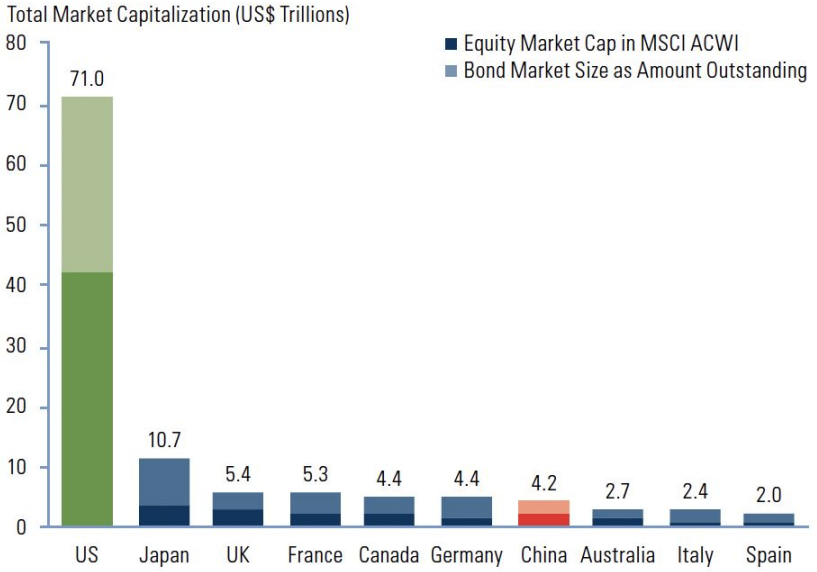
But what about China? India? Middle East?

The US has the highest GDP in the world.



Data as of 2023.
Note: IMF full year estimate as of October 2023.
Source: Investment Strategy Group, IMF World Economic Outlook.

The US has the largest and deepest financial markets.



Data as of December 31, 2023.
Note: Bond market cap represented by Bloomberg Aggregate and JP Morgan bond indices.
Source: Investment Strategy Group, Datastream, Bloomberg, JP Morgan.

- Gap between US and China GDP per capital has grown. While China has grown relative to ROW; gap widened relative to US

- Market cap of US debt and equity market is 7x next largest

US has increased % of global oil production from 8% to 19% in 15 years and now a net exporter

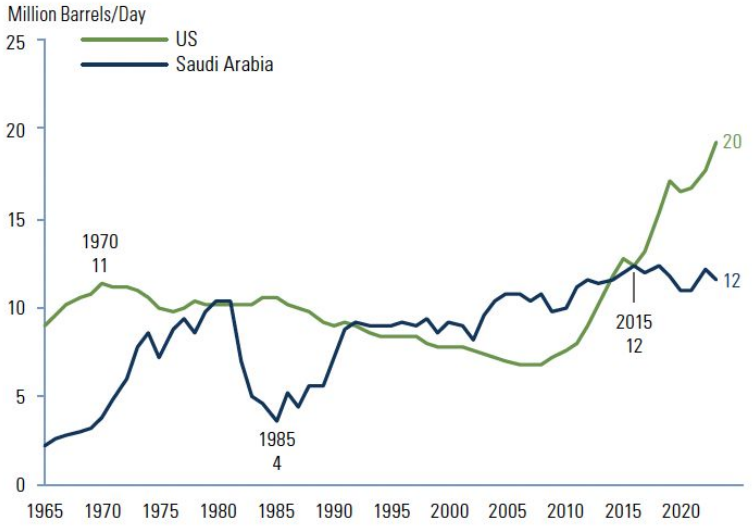
US produced 22% of world LNG

US has more arable land than any other (158m hectare, India: 155m; Russia 122m; China 119m)

Natural Resources, R&D, Functioning Financial Markets = Wealth Creation

Exhibit 9: US and Saudi Arabia Oil Production, Including Natural Gas Liquids

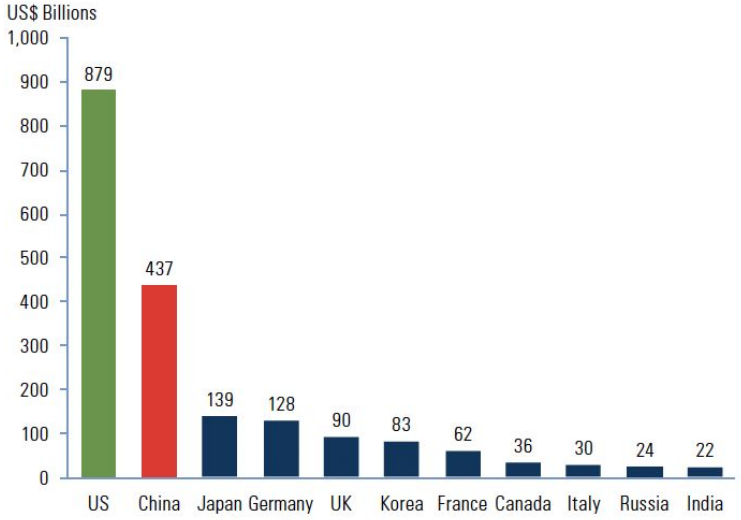
The US now produces 20 million barrels/day of oil and natural gas liquids.



Data through 2023.

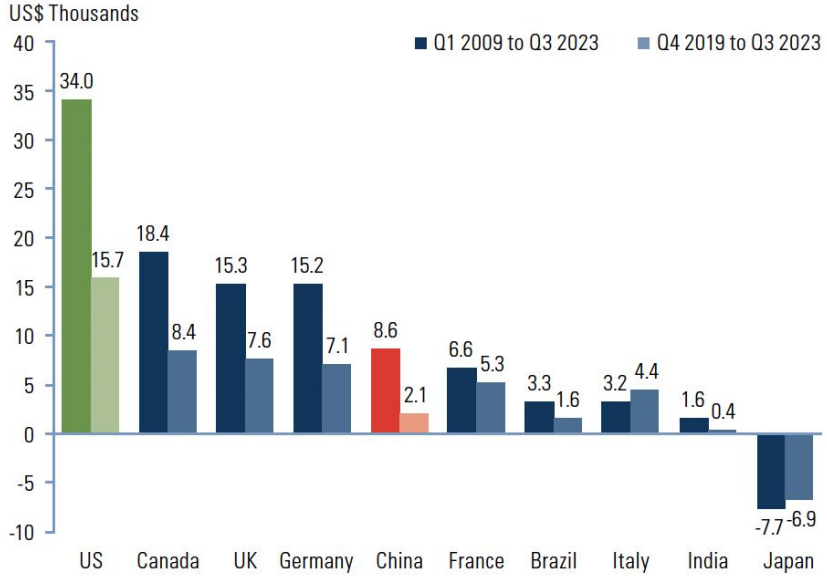
Exhibit 14: Top Countries Ranked by R&D Spending

The US spent $879 billion in 2022 on research, which is more than the next five countries combined.



Data as of 2022.

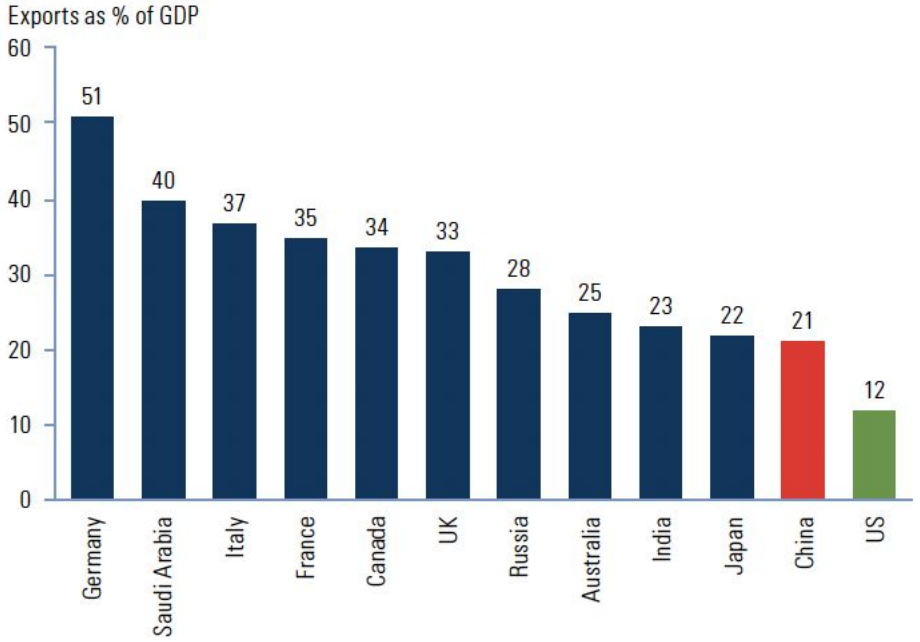
The US has become richer on a GDP per capita basis since the GFC relative to other countries.



Data through Q3 2023.

The strongest domestic consumer market yields less export reliance

The US is much less dependent on exports relative to other major economies.



Data as of 2022.
Source: Investment Strategy Group, World Bank, IMF.

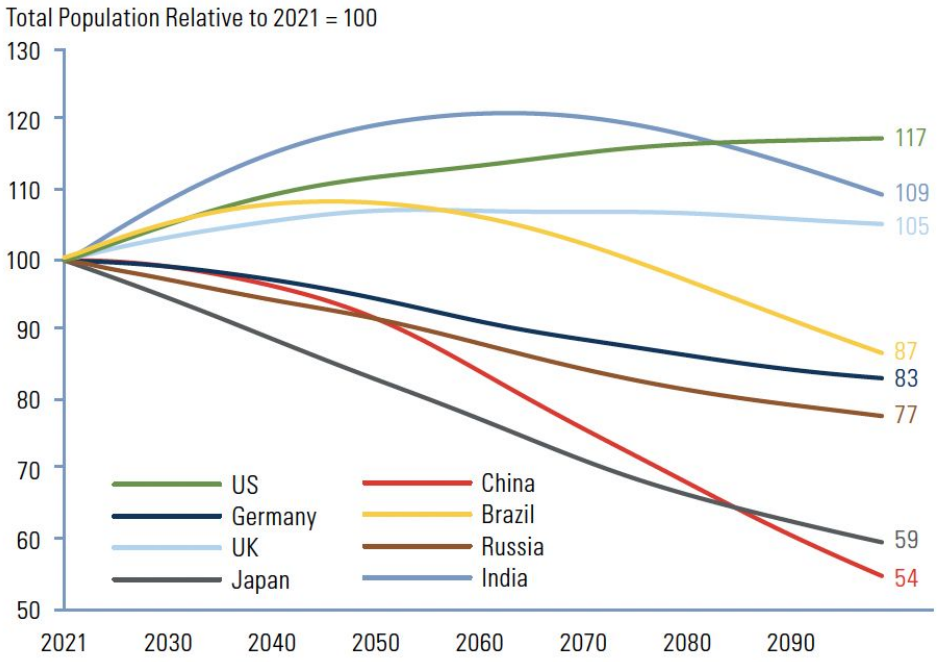
The US is a net exporter of most commodities relative to its domestic consumption, in contrast to China.

	Net Imports as a Percentage of Domestic Consumption (%)	
	China	US
Beef	33	-1
Corn	8	-20
Crude Oil and Refined Products	76	-2
Iron Ore	81	-16
Natural Gas	40	-12
Primary Aluminum	4	55
Refined Copper	23	43
Soybeans	84	-92
Wheat	6	-64

Data as of 2022.
Note: A negative value implies that the country is a net exporter of that commodity.
Source: Investment Strategy Group, Energy Institute Statistical Review of World Energy, USGS, World Bureau of Metal Statistics, USDA.

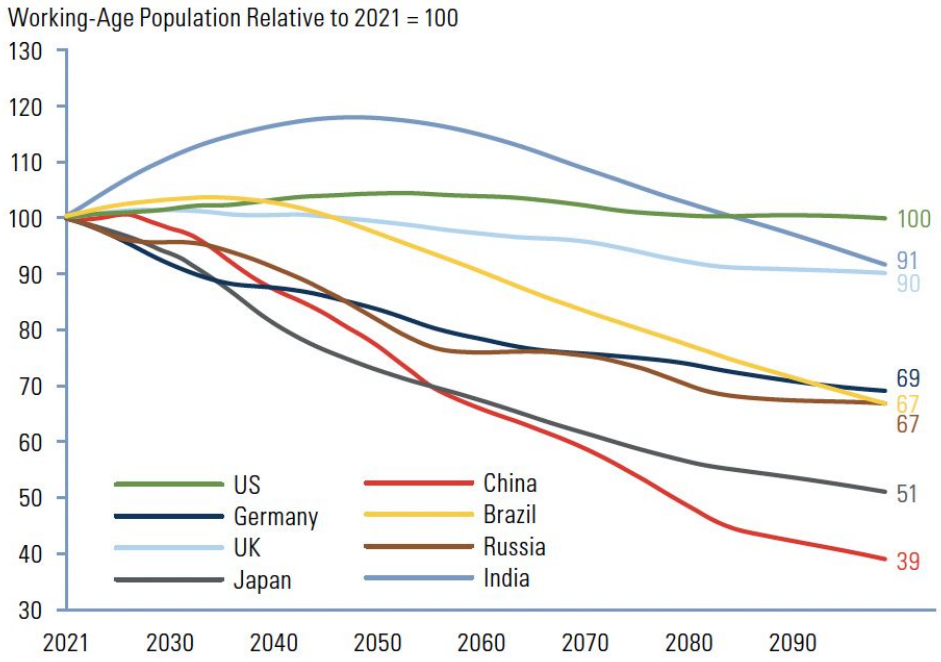
Where do you want your Grandchildren to be?

The US has favorable demographics in terms of growth of total population.



Data through 2099 (forecast).
Source: Investment Strategy Group, United Nations.

The US has favorable demographics in terms of growth of its labor force.



Data through 2099 (forecast).
Source: Investment Strategy Group, United Nations.

By The Way….

- $877B in military spend in 2022; greater than next 10 countries combined

- Continue to be the Global reserve currency (59% of foreign exchange reserves)

- Globalizing has stabilized

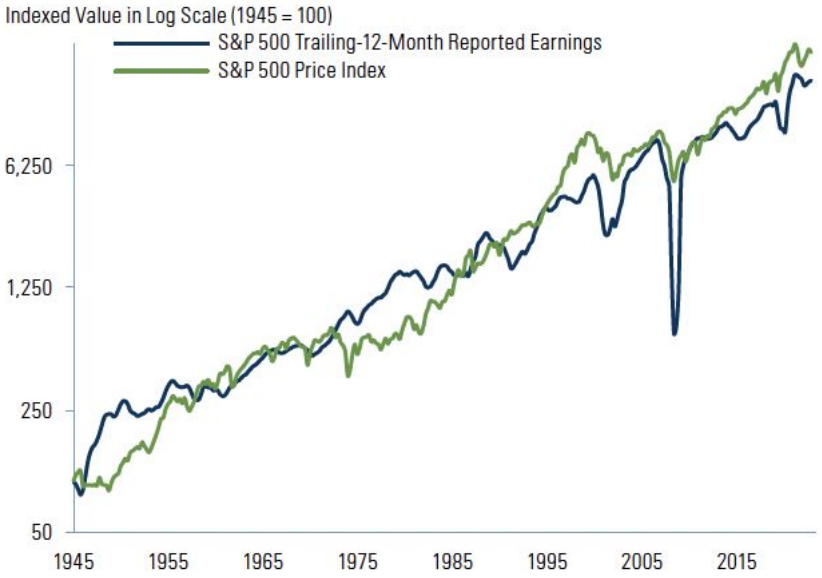
Globalization has stabilized after a level of "hyper-globalization" from 1986–2008.



Data through 2023.
Note: 2023 data is an IMF projection.

Expectations for strong earnings in 2024 (worst quarters behind us(?)

The hurdle to underweight US equities is high given the upward trend in earnings and prices.



Data through Q3 2023.
Source: Investment Strategy Group, Bloomberg, S&P Global.

- S&P500 P/E (forward 12 months) is at the 90th percentile historically; reflects optimism for earnings in 2024 and an expectation of 11% earnings growth (21% above long term median)

- Equity risk premium of S&P500 relative to 10 yr treasury at 80th percentile

Valuations are high; but very little to stand in the way of corporate earnings growth particularly as rates recede

Part III. Landing



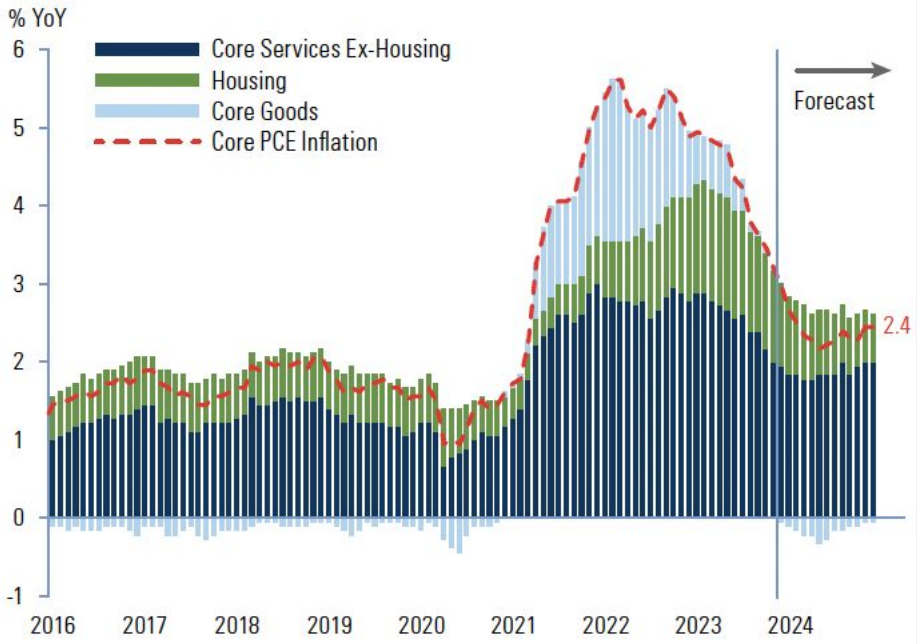
Goldman Sachs Outlook for Developed Economies

	Real GDP Growth Annual Average (%)				Headline Inflation* Annual Average (%)		Core Inflation* Annual Average (%)		Policy Rate** End of Year (%)		10-Year Bond Yield*** End of Year (%)	
	2023	2024 Base Case	2024 Good Case	2024 Bad Case	2023	2024	2023	2024	2023	2024	2023	2024
United States	2.4	1.7–2.1	2.5	0.8	4.1	2.6–3.0	4.8	2.9–3.3	5.375	4.375	3.88	3.50–3.90
Eurozone	0.5	0.3–0.7	0.8	0.0	5.4	2.1–2.5	4.9	2.3–2.7	4.00	2.75	2.02	1.90–2.30
United Kingdom	0.6	0.3–0.7	0.8	0.0	7.3	2.5–2.9	6.1	3.1–3.5	5.25	4.50	3.54	3.10–3.50
Japan	2.0	0.7–1.1	1.3	0.3	3.2	2.5–2.9	3.1	2.5–2.9	-0.10	0.20	0.61	0.50–1.00

Data as of December 31, 2023.
Source: Investment Strategy Group, Haver Analytics, Bloomberg.
* Inflation refers to CPI inflation. Japan core inflation excludes fresh food, but includes energy.
** The US policy rate refers to the midpoint of the Federal Reserve's target range. The Eurozone policy rate refers to the ECB deposit facility. The Japan policy rate refers to the BOJ deposit rate.
*** For Eurozone bond yield, we show the 10-year German bund yield.

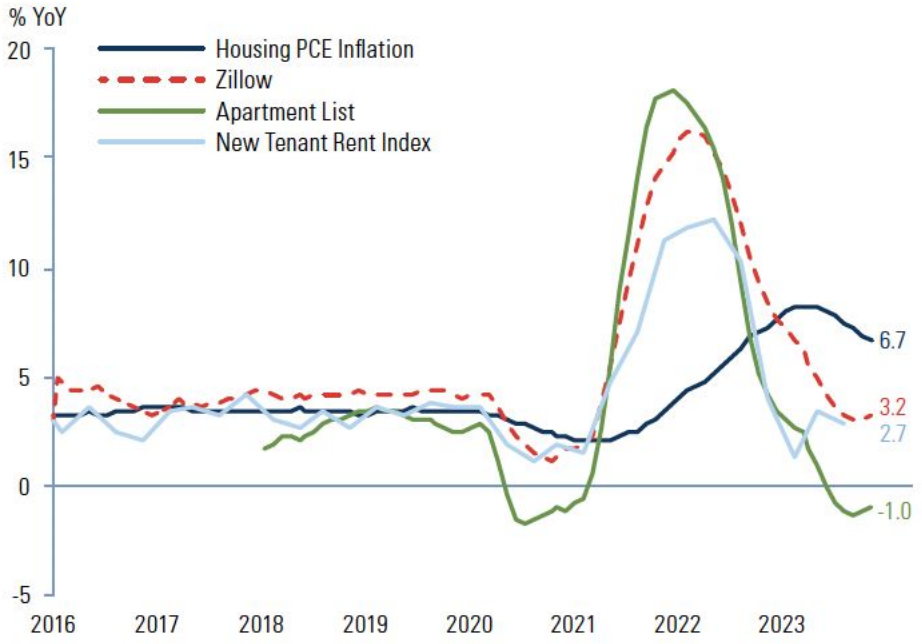
Inflation Easing; Housing Trickling down (Source: GS)

We expect inflation to cool further this year, with housing being the key contributor.



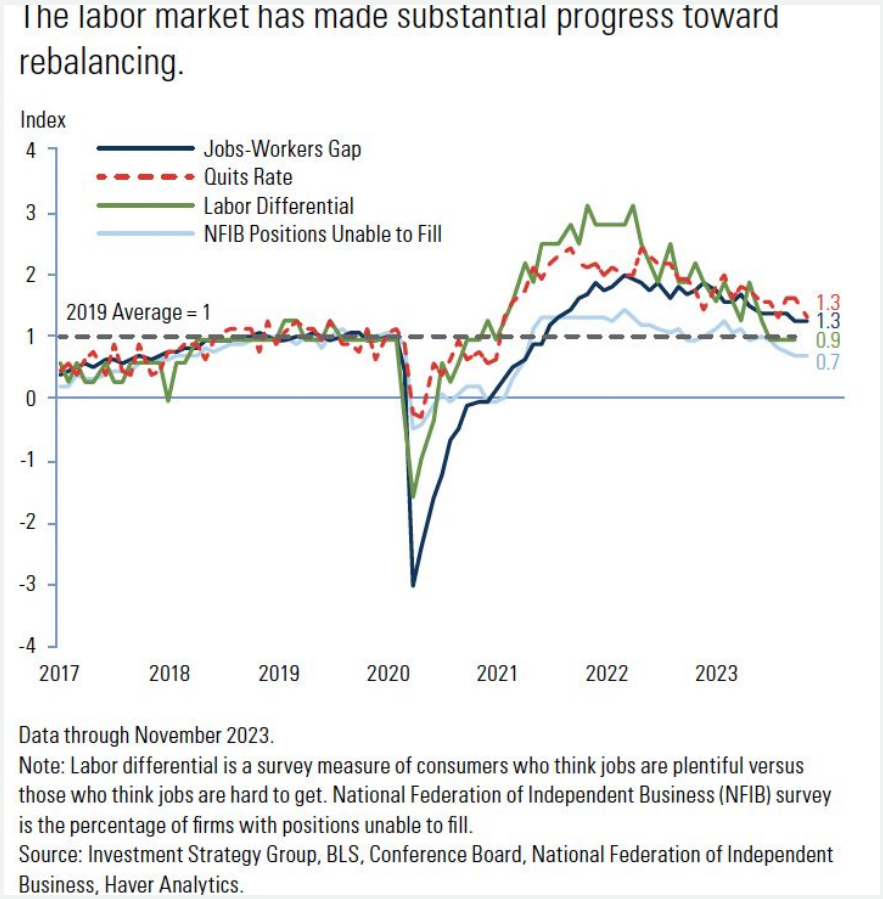
Data through November 2023. Forecast through 2024.
Source: Investment Strategy Group, Haver Analytics.

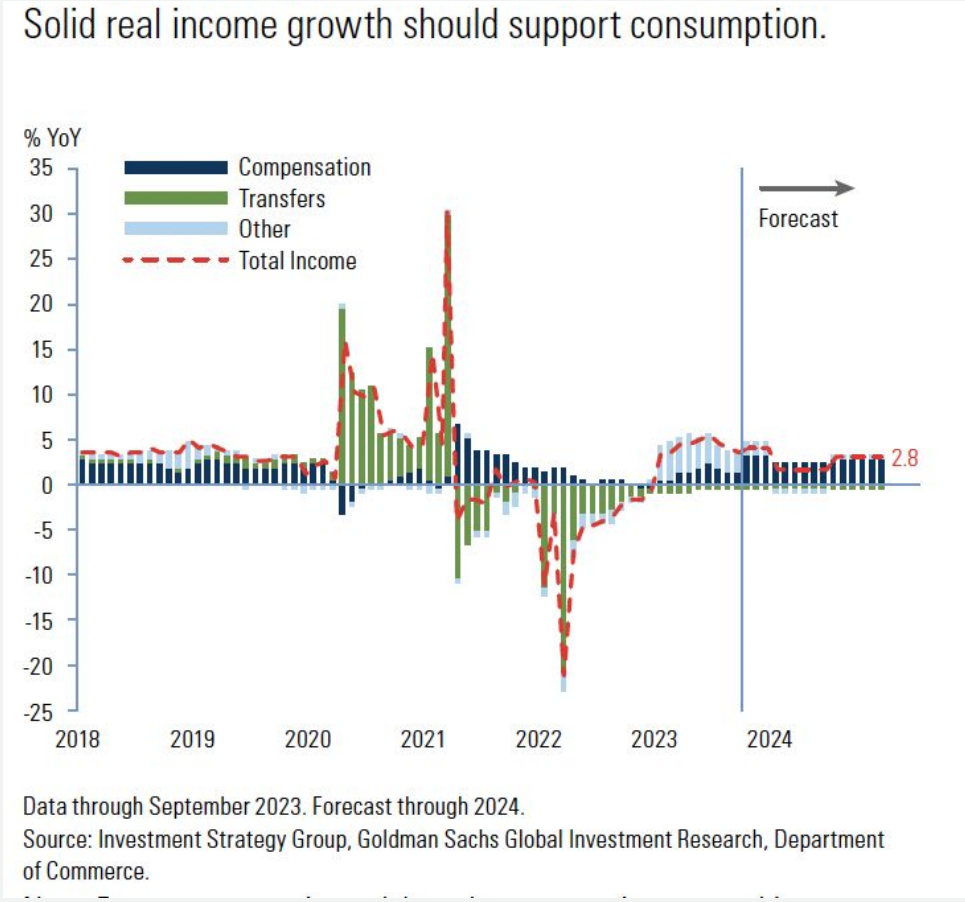
The recent easing in rental rates will mechanically feed through to official housing inflation in coming months.



Data through November 2023.
Note: Zillow and Apartment List indices measure rents for a new lease by a new tenant. The New Tenant Rent Index measures prices renters would face if they changed housing unit every period.
Source: Investment Strategy Group, Apartment List, Zillow, Haver Analytics.

Labor Market Looks Healthy from both Employment and Wages

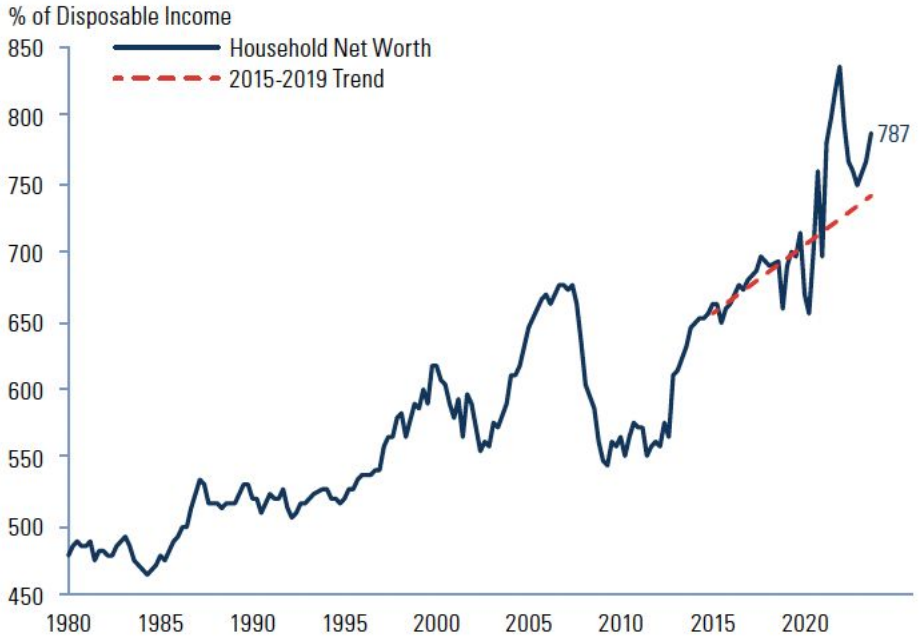




- Modest expected increase in unemployment from 3.7% to 4.1%

Household Consumption accounts for 70% of US GDP

Household net worth remains at very healthy levels above its pre-pandemic trend.



Data through Q3 2023.
Source: Investment Strategy Group, Haver Analytics.

Consumers' large stock of fixed-rate debt has kept their debt service ratio low despite higher interest rates.



Data through Q3 2023.
Note: Ratio of debt service payments to disposable personal income.
Source: Investment Strategy Group, Haver Analytics.

US Recession Risk Updated 2024

	Probability of US Recesssion Within 1 Year:	
	In January 2023	**Current**
William C. Dudley	70%	35%
Jason Furman	50%	25%
Mark Zandi	55%	20%
Investment Strategy Group	45–55%	30%
GS Global Investment Research Jan Hatzius and David Mericle	35%	15%
Bloomberg Consensus	68%	50%
Unconditional (Since WWII)	18%	18%
Unconditional (Since 1980)	13%	13%

Data as of December 31, 2023.
Source: Investment Strategy Group, Goldman Sachs Global Investment Research, William C. Dudley, Mark Zandi, Jason Furman.

Note: These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change.

What Could Go Wrong?

- Israel / Hamas War expands

- US / China relations worsen and take a misstep

- North Korea aggression (more than normal)

- Ukraine War worsening

- Government shutdowns with a divided government

- Disputed Elections

- New Terrorism