STIFEL

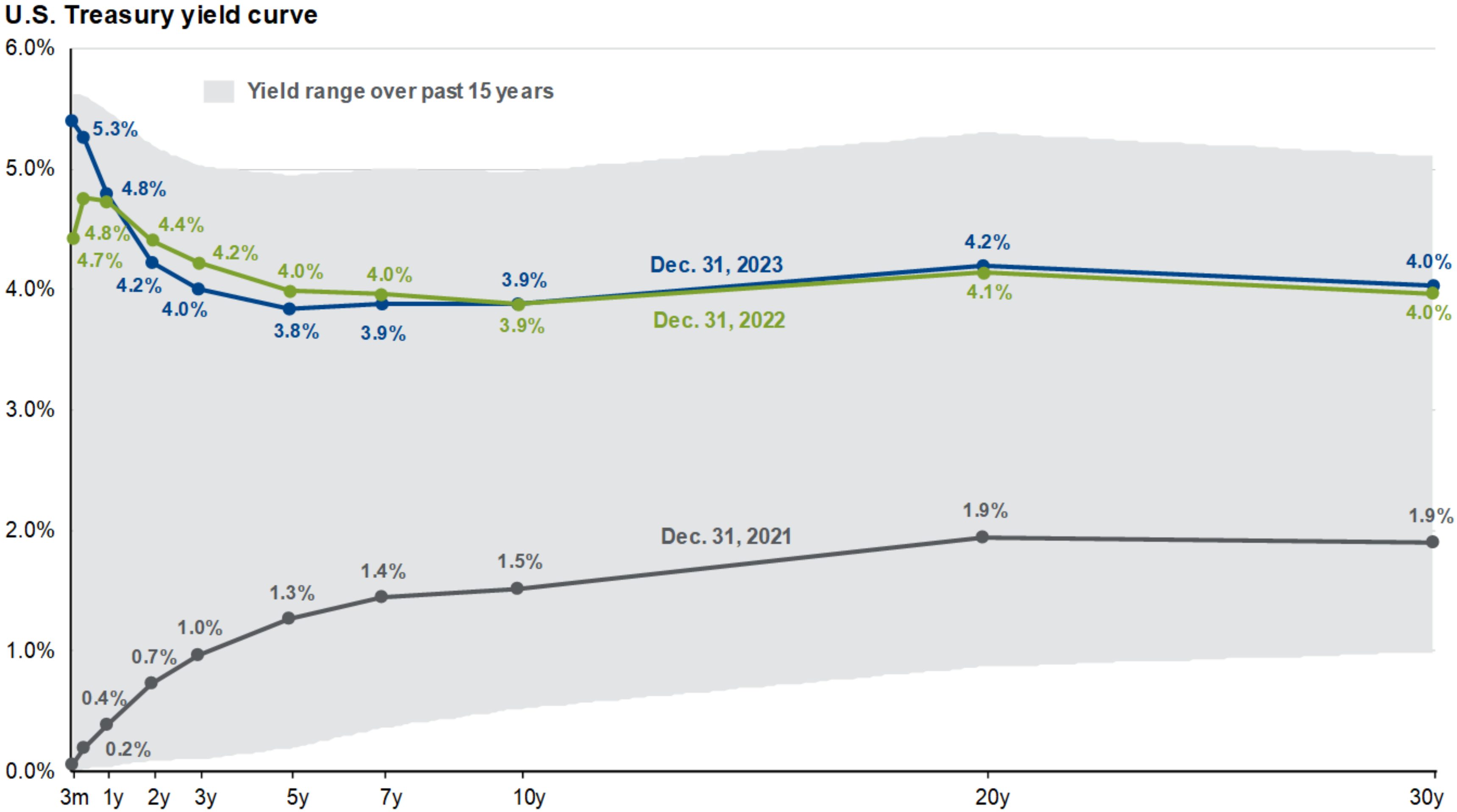
FAVORITE 15

January 2024

Insights From Stifel's CIO Office

TABLE OF CONTENTS

FAVORITE 15



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of December 31, 2023.

FAVORITE 15

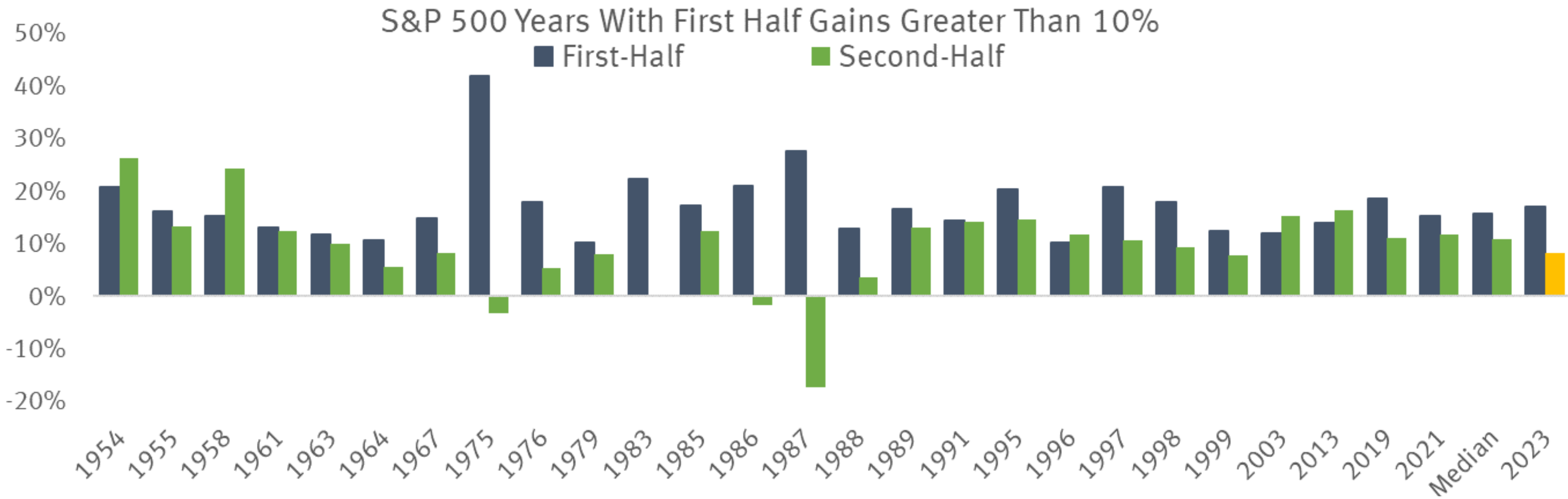
STIFEL

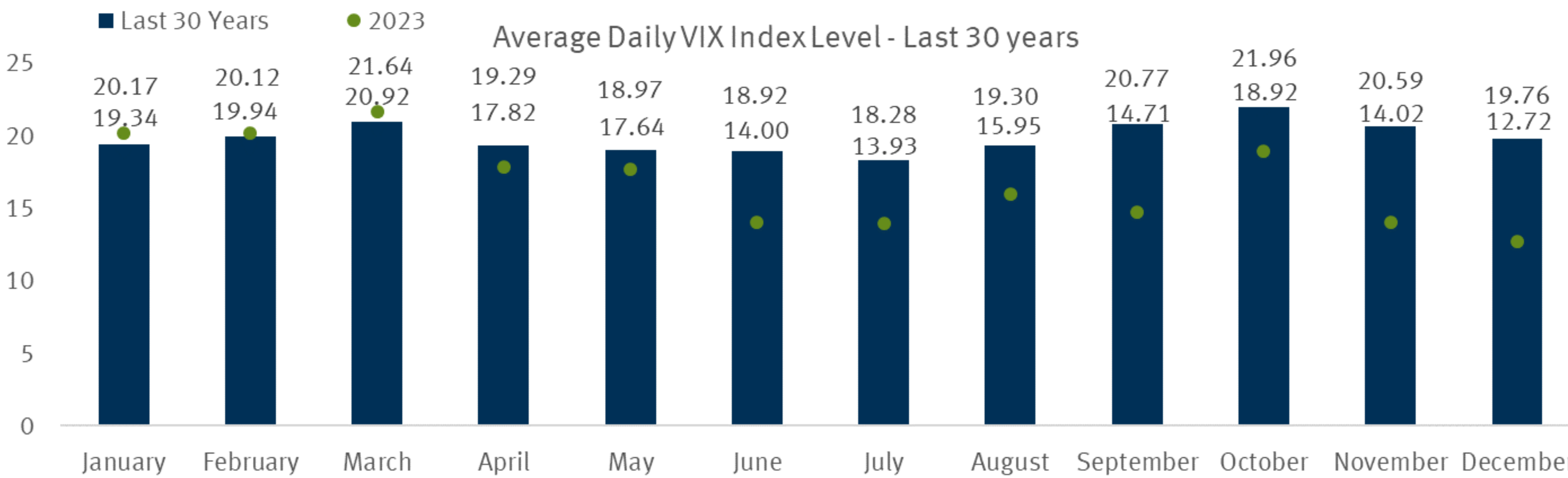
2023 YEAR IN REVIEW

Index	2021	2022	2023
S&P 500 Index	28.7%	-18.1%	26.3%
S&P 500 Eq. Weight.	29.6%	-11.5%	13.8%
S&P 500 Financials	34.9%	-10.6%	12.1%
KBW Reg. Banking	36.7%	-6.9%	-0.4%
Russell 1000 Value	25.1%	-7.6%	11.4%
Russell 1000 Growth	27.6%	-29.1%	42.7%
NYSE FANG+ Index	17.7%	-40.0%	96.4%
Russell 2000 Index	14.8%	-20.5%	16.9%
MSCI EAFE Index	11.3%	-14.5%	18.2%
MSCI EM Index	-2.5%	-20.1%	9.8%
Bloomberg U.S. Agg	-1.5%	-13.0%	5.5%

FAVORITE 15

Source: Stifel CIO Office via Bloomberg, as of December 31, 2023





FAVORITE 15

Source: Stifel CIO Office via Bloomberg, as of December 31, 2023

INFLATION	FEDERAL RESERVE POLICY	MARKETS	
Consumer Price Index Inflation*	Cumulative Fed Funds Rate Hike	GDP Growth*	S&P 500 Return
3.2%	1.00%	2.4%	26.3%

FAVORITE 15

*Numbers are estimates and do not yet reflect the final result.

WHAT ARE SOME OF THE CHANGES IN THE WORLD CREATING OPPORTUNITY FOR INVESTORS TO EMBRACE THIS TRANSFORMATION?

1 AI is rapidly changing how businesses improve processes and productivity.

In focus: Semiconductors, cloud computing, data storage, and cybersecurity companies driving AI advancements. Explore opportunities in AI applications within healthcare, industrials, finance, and retail.

2 The structural effects of the pandemic highlight the need for new supply chain and infrastructure investments.

In focus: Companies in strategic industries prioritized amid rising geopolitical tensions and supply chain restructuring. Consider investments in logistics services and infrastructure development.

3 Higher debt and higher rates and the ensuing *Fiscal Transition* call for greater focus, and opportunities, in debt and equity investing.

In focus: Companies with prudent capital allocation and manageable debt burdens that are poised to successfully navigate higher debt and rising rates while potentially capturing market share from competitors.

4 The 2024 global election supercycle, with 40 major elections, may well transform the geopolitical landscape.

In focus: Remain diversified and stick to your long-term objectives. Be prepared for risks and opportunities that may arise based on potential policy changes stemming from the election supercycle.

5 Increasing geopolitical tensions are amplifying further deglobalization.

In focus: In addition to being diversified, consider companies benefiting from increasing militarization and defense spending. Identify companies that are able to execute well globally and penetrate local markets.

POST-GREAT RECESSION ENVIRONMENT

Household, corporate, and government debt increased significantly post-Great Financial Crisis (GFC) In a higher rate regime, the cost of debt will increase going forward

$5.2 trillion

Increase in
U.S. household debt
2023 vs. 2007

$24.8 trillion

Increase in
U.S. federal debt
2023 vs. 2007

~$37 trillion increase in debt

$7.0 trillion

Increase in
U.S. non-financial corporate debt
2023 vs. 2007

$1.3 trillion

Increase in
U.S. private debt
2023 vs. 2007

Sight|Lines: Troubling Forces Converge: We're Headed to a Fiscal Transition

10-YEAR TREASURY YIELD

Decade ***prior*** to the GFC **5%**

Decade ***after*** the GFC **2%**

During Pandemic **1.2%**

2020 — 2021

Now **3.9%**

10 Years Forward **4.6%**

20 Years Forward **3.3%**

2023 — 2033 — 2043

Sight|Lines: A New Market Rate Regime? Data and Sentiment Say Yes.

FAVORITE 15

Dovish Signals

Federal Reserve (Fed) Statement

- Fed funds rate **unchanged** at 5.25-5.50%
- Will continue to shrink its securities holdings
- Economy is slowing
- Inflation has eased
- Softened potential for policy firming

Press Conference

- *“Added the word ‘any’ as an acknowledgement that we believe that we are **likely at or near the peak rate for this cycle**.”*
- “*…when…to **begin dialing back**…policy restraint…*”
- “No one is declaring victory.”
- Remains data-dependent and will balance risks.
- Labor market in better balance.

SEP: Year-End 2024

	PCE Inflation	Fed Funds Rate	Real GDP 2023	Real GDP 2024
September	2.5%	5.1%	2.1%	1.5%
December	2.4%	4.6%	2.6%	1.4%
Change	**-0.1%**	**-0.5%**	**0.5%**	**-0.1%**

All 19 members see the current rate as peak

Market Implications

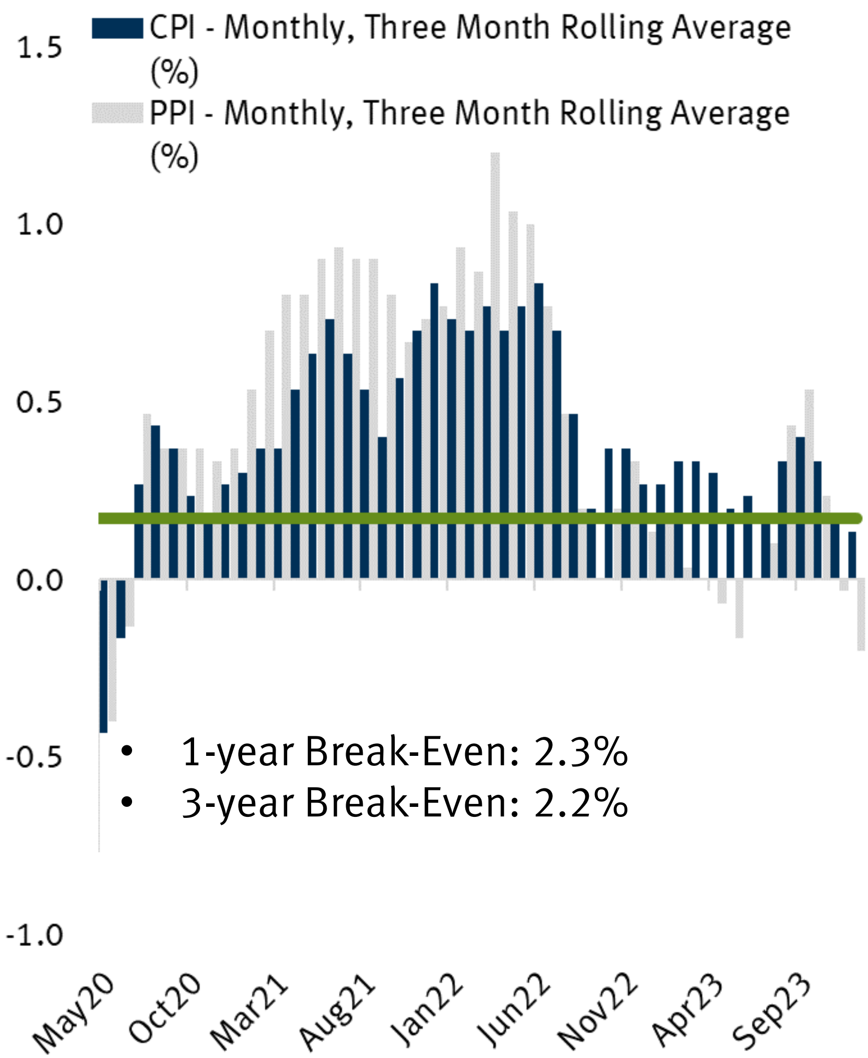
- Markets responded positively:
  - 2024 futures: six rate cuts, up from four
  - 10-year yield now under 4%
  - Equity market close to peak

SEP = Summary of Economic Projections
PCE = Personal Consumption Expenditures

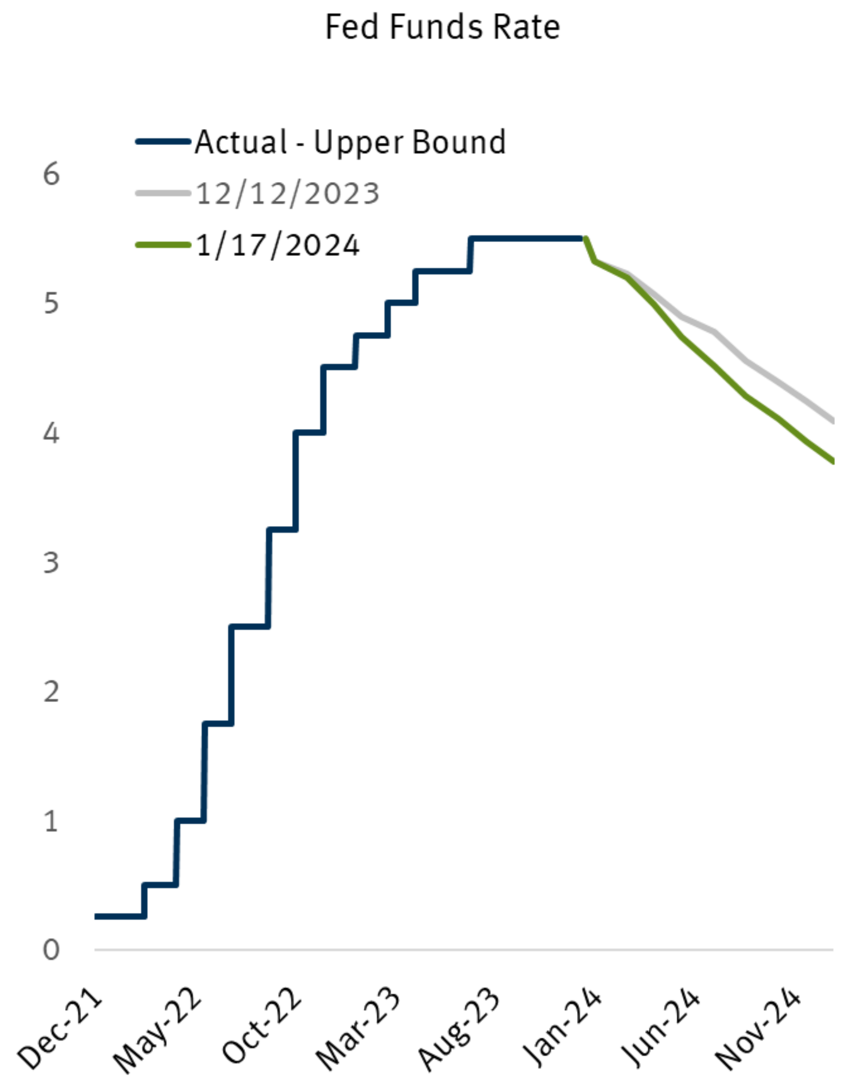
FAVORITE 15

Source: Stifel CIO Office

INFLATION AND FED POLICY



- 1-year Break-Even: 2.3%
- 3-year Break-Even: 2.2%



Source: Stifel CIO Office via Bloomberg, as of January 17, 2024

PPI = Producer Price Index
CPI = Consumer Price Index

2024 Forecasts

	2024 FORECAST
U.S. Real GDP	0% – 1.0%
Core PCE Inflation (4Q/4Q)	2.00% – 2.25%
Federal Funds Rate (Upper Bound)	4.75% – 5.00%

	2024 FORECAST
S&P 500	5,000 | 6.3% (Total Return)
10-Year Treasury (%)	3.75% – 4.25%
Market Pulse Publications*	25
Investment-Grade Spreads (bps)**	125 – 175 bps
High-Yield Spreads (bps)	400 – 450 bps

* *The Stifel CIO Office issues a Market Pulse publication when the S&P 500 closes up or down by at least 2% on a given day.*

** *bps is basis points.*

FAVORITE 15

Bear and Bull Scenarios

THE CONSUMER	EARNINGS	ANIMAL SPIRITS
Consumption makes up about two-thirds of U.S. GDP, so how the consumer behaves during the year will greatly influence outcomes.	Actual earnings and views about future earnings will continue to drive market performance.	Investors, the consumer, and business leaders are all affected by animal spirits, or how emotions drive behavior, including consumer confidence.
Deep Recession Consumer to slow spending much more than expected – higher rates, layoffs	**Deep Recession** Unexpected earnings recession – fiscal challenges for companies combined with less engaged consumer	**Deep Recession** Eroding animal spirits - slowdown in economic growth coupled with a geopolitical shock
Irrational Exuberance 2.0 Consumers continue “spending beyond their means” - companies are reluctant to lay off workers	**Irrational Exuberance 2.0** Double-digit earnings growth - businesses and consumers manage well through the start of the Fiscal Transition	**Irrational Exuberance 2.0** Higher animal spirits - businesses and consumers more confident than they probably should be

Getting Ready: The 2024-U.S. Presidential Election

Our approach on preparing for the election:

- Understanding the 4 phases of the election
  1. Early primary
  2. Late primary
  3. General election
  4. Post-election

- Anticipating each candidate's impact on businesses and markets

- Understanding each candidate's chances of winning

- Assessing any possible changes in congressional control

CONGRESS

HOUSE OF REPRESENTATIVES

213 Seats

220 Seats

2 Vacancy

All 435 seats up for re-election

SENATE

48 Seats

49 Seats

23 Up for Re-election

10 Up for Re-election

3 Independent

GEOPOLITICAL RISK DASHBOARD

Deglobalization
Increased localization and protectionism

Multipolarity
A more divided world

EVENT	LIKELIHOOD	MARKET IMPACT
U.S.-China Competition	10	7
The New Cold War	8	8
Emerging Market (EM) Political Uncertainty	8	5
Cyberattacks	8	5
Washington D.C. Gridlock	7	7
Financial Instability	7	7
Major Terror Attacks	7	4
Climate Policy Error	6	7
South China Sea Military Conflict	6	7
European Fragmentation	6	6
Structurally Higher Inflation	5	8
Middle East Conflict	5	7
North Korea Conflict	5	4
Russia-West Conflict	4	8

*Likelihood and Market Impact on scale of 1 to 10 with 1 being least likely/low market impact and 10 being most likely/high market impact.

FAVORITE 15

THE FIVE THEMES

3

FOURTH INDUSTRIAL REVOLUTION

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

Data as a Commodity | *Enhanced Computing* | *Workforce Optimization* | *Future of Transportation*

SECURING STRATEGIC RESOURCES

Companies and governments are prioritizing the development and protection of critical industries, resources, and services.

Food and Water Security | *Net Zero Movement* | *Renewable Energy* | *Circular Economy*

SHIFTING DEMOGRAPHICS

Changes in global population dynamics will bring about challenges and opportunities.

Millennials | *Emerging Global Middle Class* | *Aging Population* | *Future of Health*

THE NEW CONSUMER

Consumer preferences, expectations, and behavior are altering business models and corporate strategies.

Reimagined Convenience | *Digitalization of Human Connectivity* | *Future of Finance* | *Future of Leisure*

PRODUCTIVE COMPETITION

Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

The New Cold War | *Geopolitical Tensions* | *Localization* | *Transforming Business Models*

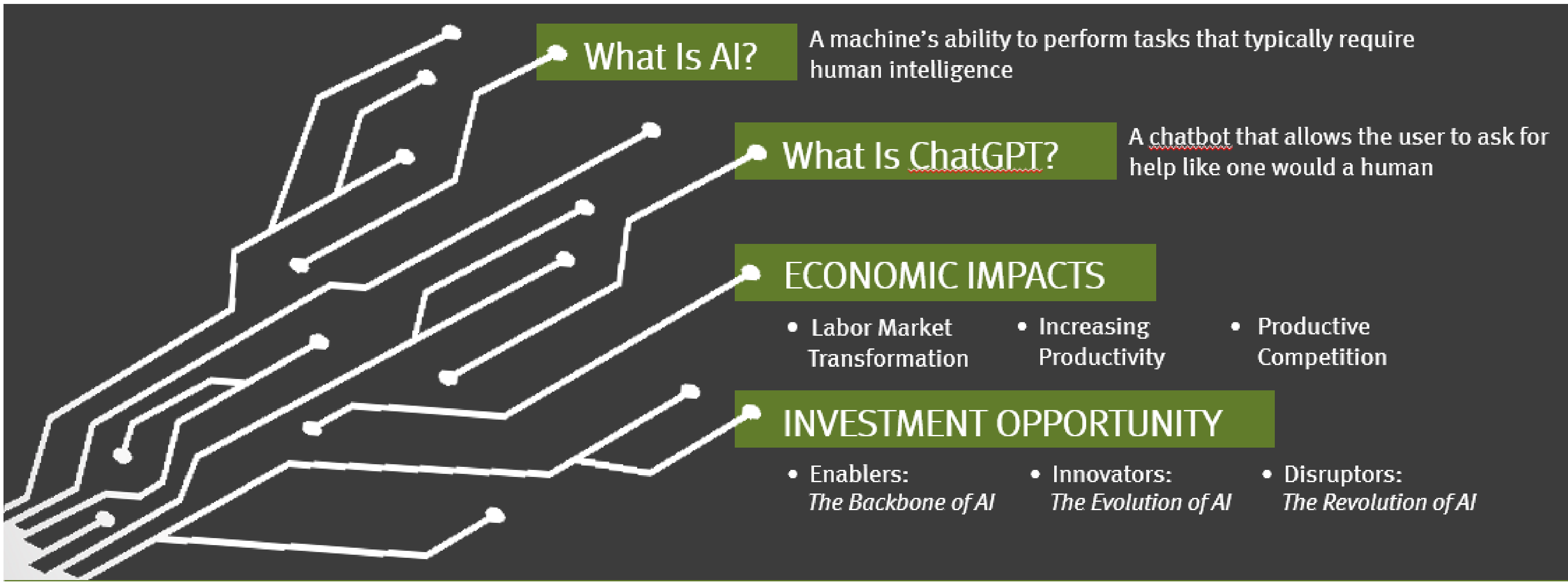
Get to Know Our Long-Term Investment Themes

Source: Stifel CIO Office via *From Vision to Value: Our Long-Term Investment Themes*

FAVORITE 15

VIEW REPORT

AI REVOLUTION: TRANSFORMING INDUSTRIES AND INVESTMENTS



INDEX DESCRIPTIONS

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

S&P 500 Equal Weight Index is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

S&P Financial Select Index includes all companies in the S&P 500 Index classified under the GICS® Financial sector.

U.S. LC (Large Cap) equities is represented by Russell 1000 Index, comprised of 1,000 of the largest U.S. securities based on a combination of their market cap and current index membership.

U.S. SC (Small Cap) equities is represented by the Russell 2000 Index, comprised of 2,000 of the smallest U.S. securities based on a combination of their market cap and current index membership.

Dev International Equities is represented by the MSCI EAFE Index, comprised of equity securities that belong to markets outside of the U.S. and Canada.

EM Equities is represented by the MSCI EM Index, comprised of equity securities that belong to emerging markets.

Moderate Bench stands for moderate benchmark portfolio return, which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg U.S. Aggregate Government/Credit Bond Index).

MSCI AC World Index is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

Bloomberg U.S. Government/Credit Bond Index is comprised of investment-grade, dollar-denominated, fixed-rate Treasuries, government-related, and corporate securities.

Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), and ABS and CMBS (agency and nonagency).

Russell 1000 Value Index measures the performance of those Russell 1000 index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Index measures the performance of those Russell 2000 index companies with lower price-to-book ratios and lower forecasted growth values.

NYSE FANG+ Index is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

KBW Nasdaq Regional Banking Index seeks to reflect the performance of U.S. companies that do business as regional banks or thrifts.

ViX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

DISCLOSURES

Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Alternative Investments or Non-Traditional Assets – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

Real Estate – When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Commodities and Futures – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Hedge Funds – Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.

Venture Capital – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies' business concepts generally are unproven and the companies have little or no track record.

Limited Partnerships – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Bonds – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

Duration – Duration is a measure of the sensitivity of the price – the value of principal – of a fixed income investment to a change in interest rates. Duration is expressed as a number of years.

Standard Deviation – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

International and Emerging Markets – There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

Private Equity – Private equity funds are not appropriate for all investors. Investors should be aware that private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Private equity funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.

STIFEL

DISCLOSURES CONTINUED

Short Positions – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral and the manager might have to close out that short position at an inopportune time to limit any further losses.

Small Company Securities – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

FAVORITE 15

Michael O'Keeffe, CFA
Chief Investment Officer

Evan Buenger
Investment Strategy Analyst

Nik Eftimov, CFA
Director, Investment Management & Guidance

Carlos Mieles, CFA
Investment Strategist

Brian Moody
Investment Strategist

David Motsonelidze, CFA
Director of Macro Strategy

Reagan Raley
Investment Strategy Analyst

Arnez Rodriguez
Investment Strategist

Dori Schwartz
Economic Analyst