Global Investment Management Survey

December 2024

Exhibit 1: Expectations for 2025 Based on the Franklin Templeton Global Investment Management Survey

Focus on Quality Across All Asset Classes

Economy should remain robust

- Global growth will be in line with consensus expectations across major regions.
- We expect core PCE to approximate 2.75% and will likely remain above central-bank targets.
- Unemployment will remain relatively low in the United States and will end the year around 4.25%.
- The US dollar will appreciate mildly in 2025.

Equities likely to end the year at 6400–6800

- Earnings will grow at 7.5% versus consensus 14.7%.

FAVOR

- US small cap, value and growth. We expect the stock market to continue to broaden out. We are bullish on India and Japan.
- Sector focus on financials, technology, industrials and energy/energy services.
- Factors to focus on include free cash flow yield, return on invested capital and return on equity.

RISKS

- Geopolitics and earnings below expectations.

Shorter duration fixed income will broadly benefit from declining interest rates on the front end of the curve in 2025

FAVOR

- Although default rates for high-yield debt are likely to tick modestly higher in 2025, spreads should remain tight in a sector with relatively low interest rate risk and high all-in yields.
- Shorter duration fixed income will be in favor, as rates are still relatively high and will come down only modestly by the end of 2025.
- Municipals will continue to be a high-quality, diversifying investment option with attractive tax-free yields.

RISKS

- Geopolitics and the policies of the Fed and other major central banks.

2025 GDP Stable

2.5% vs. 2.0% Fed / 2.1% Bloomberg consensus

Inflation Stable, Rates Stable

2.75% vs. 2.2% Fed / 2.3% Bloomberg consensus

Inflation likely to remain above Fed's target

3.75% Fed Funds Rate Forecast	**4–4.5%** 10-Year US Treasury Yield Forecast	**2** Interest-Rate Cuts vs. 4 Fed / 2 Futures Market

Shorter Duration Fixed Income to Outperform

2.5% High-yield default rates are currently near 1.1%, but we expect them to end 2025 around 2.5%.

FAVOR: High Yield Debt | Municipal Bonds

Equities Likely to End the Year 6400–6800

S&P 500 Index target: **6400–6800**

Earnings growth: **7.5%** vs. 14.7% FactSet Consensus

FAVOR: Small Cap | Value | Growth

Source: Franklin Templeton Institute Global Investment Management Survey expectations are for 2025 and are as of November 2024. Survey methodology included at the end of the paper.

Survey results as of November 2024 / Market data as of November 29, 2024

Survey results related to the economy

- US real gross domestic product (GDP) forecast calls for economic growth of 2.5%, which is higher than the 2.2% expectation of the International Monetary Fund (IMF), 2.1% Bloomberg consensus and the Federal Reserve's (Fed's) 2.0% expectation.
- Europe real GDP forecast calls for economic growth of 0.5%, which is lower than the 1.2% expectations from the IMF and the Bloomberg consensus.
- China real GDP forecast calls for economic growth of 3.5%, which is lower than the 4.5% expectations from the IMF and Bloomberg consensus.
- Inflation, as measured by US core personal consumption expenditures (PCE), will stabilize and finish 2025 around 2.75%. This is in line with the current reading of 2.8% and higher than the estimates from the Fed of 2.2% and Bloomberg consensus of 2.3%.
- We believe the unemployment rate in the U.S. will end the year around 4.25%, in line with the current Bloomberg consensus expectation of 4.3%.
- We believe the US dollar may appreciate modestly from current levels.

Exhibit 2: Forecasts for 2025

Sources: BEA, Federal Reserve, IMF, Bloomberg Economic Forecasts, Macrobond. Analysis by Franklin Templeton Institute. The current reading for real GDP growth as of third quarter 2024. The current reading for core PCE as of October 2024. Franklin Templeton's forecasts are the median estimates for year 2025 based on survey results from our investment managers. Federal Reserve forecasts for 2025 as of September 18, 2024. IMF's GDP estimates for year 2025 as per World Economic Outlook – October 2024. Bloomberg Market Consensus forecasts for year 2025 derived from the latest monthly and quarterly surveys conducted by Bloomberg and from forecasts submitted by various banks (median values presented, as of November 29, 2024). **There is no assurance any forecast, projection or estimate will be realized.**

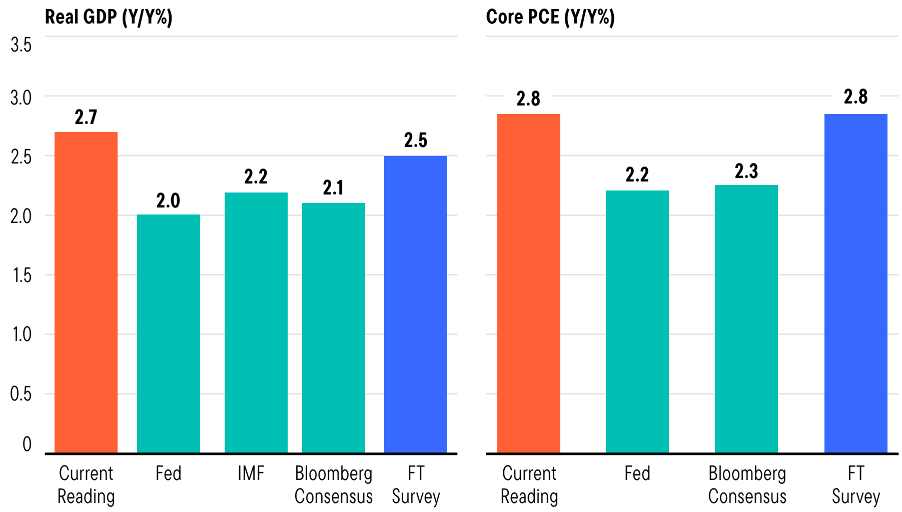
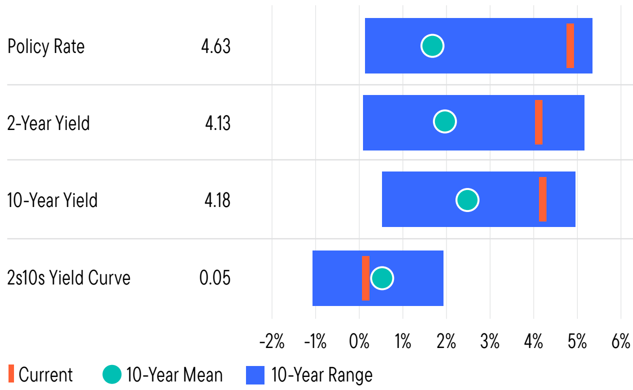


Exhibit 3: US Interest Rates: Where We Are and Where We Are Heading

As of November 29, 2024

Sources: Bloomberg, Macrobond. Analysis by Franklin Templeton Institute. All presented data is in percentages, except for the 2s10s yield curve, which is expressed in percentage points. 10-year range and mean values are derived from daily data. Market-implied rates are sourced from the US Treasury Actives Curve, except for policy rates, where expectations based on Fed funds futures are provided. The January 2026 Fed funds futures are used. **There is no assurance any forecast, projection or estimate will be realized.**

	11/29/2024	Current Yield vs. Last 10 Years	12/31/2025 Market Implied Year End Rate	12/31/2025 Franklin Templeton Median Forecast
Policy Rate	4.63		3.77	3.75
2-Year Yield	4.13		3.98	3.75
10-Year Yield	4.18		4.22	4.25
2s10s Yield Curve	0.05		24	50



Survey results related to equities

- The S&P 500 Index will end 2025 in the range of 6400 - 6800.
- Earnings are expected to grow 5–10% in the United States, driven in part by strong real US GDP growth of 2.5%.
- We expect earnings growth to broaden out. We favor small cap stocks and believe both value and growth will generate positive returns.
- We are bullish on India and Japan.
- At the factor level, we favor free cash flow yield, high return on invested capital, and high return on equity.
- Sectors that will outperform include financials, technology, industrials, and energy/energy services.
- Our primary concerns are centered around geopolitics, earnings coming in below expectations.

Exhibit 4: S&P 500 Index: Year-End Price Target

As of November 29, 2024

Sources: Analysis by Franklin Templeton Institute, S&P Global, Macrobond. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Important data provider notices and terms available at www.franklintempletondatasources.com.
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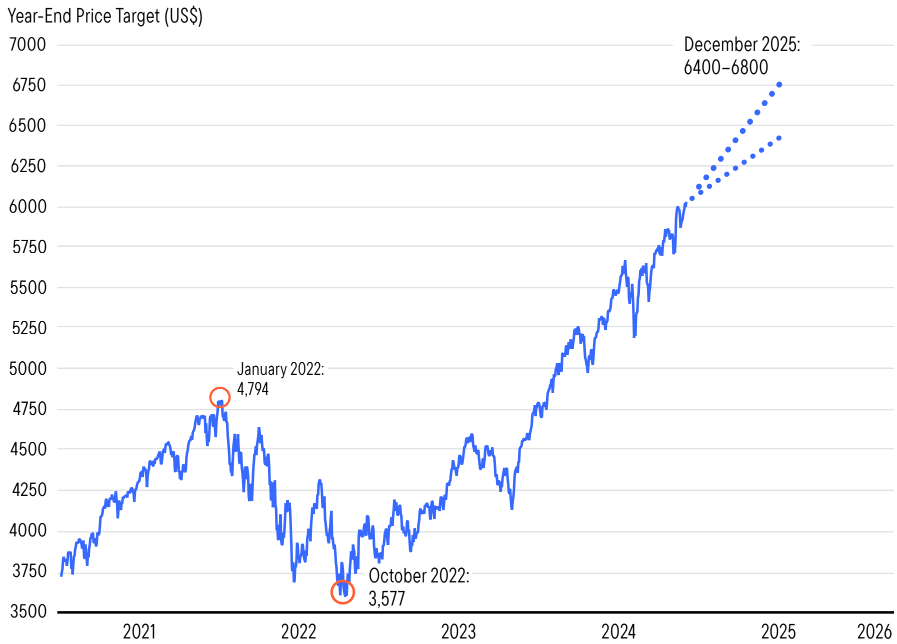

Exhibit 5: S&P 500 Index: Year-End Earnings Target

As of November 29, 2024

Sources: Franklin Templeton Institute, FactSet, Federal Reserve. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Important data provider notices and terms available at www. franklintempletondatasources.com.
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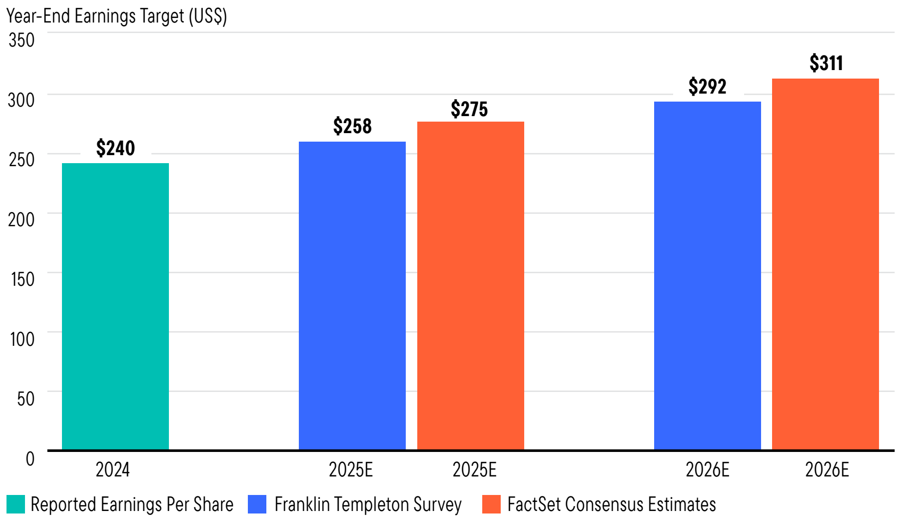


Survey results related to fixed income

- We expect the Fed to continue its easing cycle at a modest pace throughout 2025, assuming data related to inflation and employment continues to indicate that it makes sense to do so.
- Municipal bonds remain a high-quality, diversifying investment option, with total returns expected to be roughly 3.75% in 2025.
- US investment-grade spreads are expected to end 2025 at 95 basis points (bps) from a current level of 78 bps. The 10-year average spread is roughly 122 bps, which reflects very little stress in the system as credit quality remains high.
- US high-yield spreads are expected to end 2025 at 300 bps from a current level of 266 bps, versus the 10-year average spread of roughly 419 bps. Default rates are currently near 1.1% and will tick higher to around 2.5%. Their historical average is 3.4%.
- 30-year conforming fixed rate mortgages will fall from 6.8% to roughly 5.75% by the end of 2025.
- Emerging market debt spreads are expected to end 2025 at 275 bps from a current level of 222 bps. The 10-year average spread is roughly 322 bps. A range-bound US dollar suggests it should not have a meaningful impact on local currency debt returns.
- Our primary concerns are centered around geopolitics and the policies of the Fed and other major central banks.

Exhibit 6: Federal Funds Rate: Where We Are and Where We Are Heading

As of November 29, 2024

Sources: Bloomberg, Federal Reserve, Macrobond. Analysis by Franklin Templeton Institute. The chart shows the federal funds rate over the last 10 Years and FOMC/Market/FT Median Expectations. The median of FOMC members' expectations is presented. The market-implied policy rate is derived from Fed funds futures. **There is no assurance any forecast, projection or estimate will be realized.**

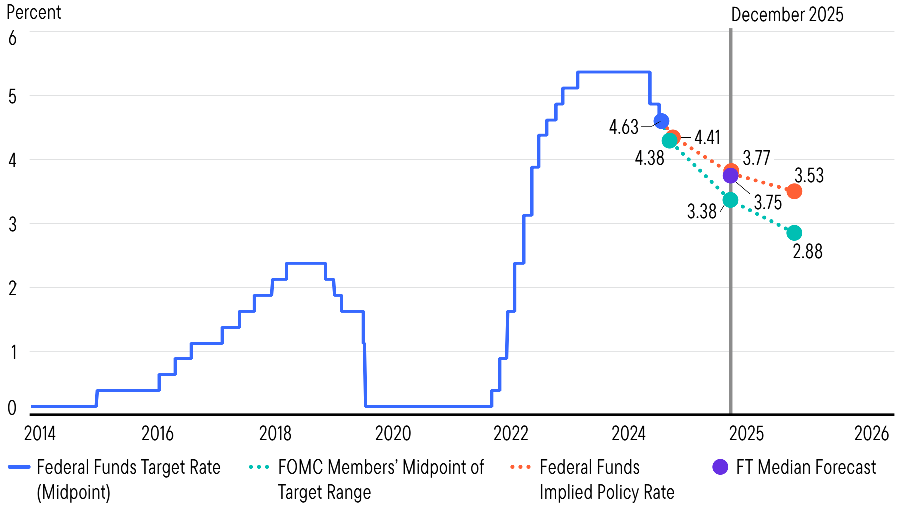
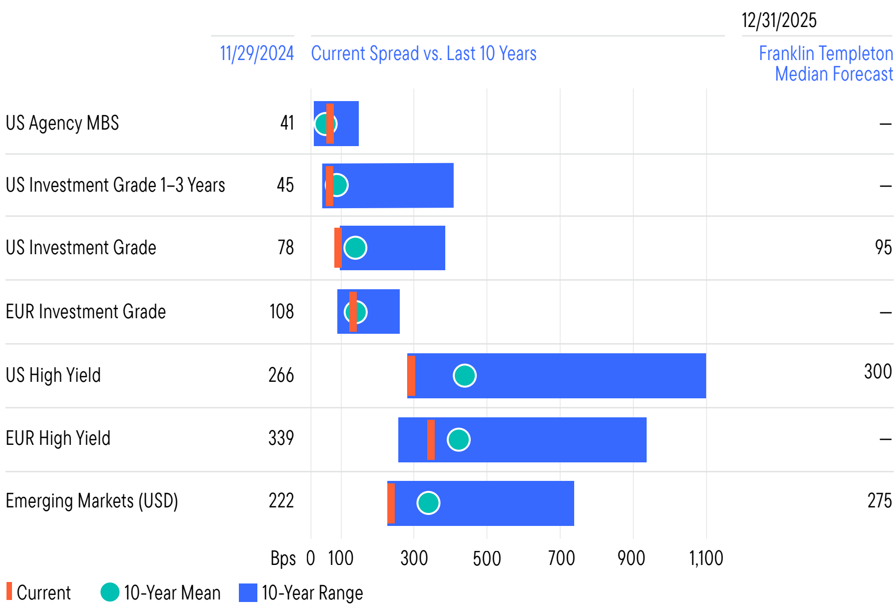


Exhibit 7: Credit Spreads: Where We Are and Where We Are Heading

As of November 29, 2024

Sources: Bloomberg, Macrobond. Analysis by Franklin Templeton Institute. All presented data is in basis points. 10-year range and mean values are derived from daily data. Based on Option-Adjusted Spreads. The option-adjusted spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. Treasury yields are used for the risk-free rate. US Agency MBS = Bloomberg US MBS Index, US IG = Bloomberg US Corporate Index, US IG 1–3 Yr = Bloomberg US Corporate 1–3 Year Index, EUR IG = Bloomberg EuroAgg Corporate Index, US HY = Bloomberg US Corporate High Yield Index, Euro HY = Bloomberg Pan-European High Yield Index, EMD USD = Bloomberg EM USD Aggregate Index. Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. Important data provider notices and terms available at www. franklintempletondatasources.com. **There is no assurance any forecast, projection or estimate will be realized.**



Alternative investment outlook

- Private Equity – A Continued Focus on Secondaries: Secondary private equity looks attractive from a valuation perspective as they provide several built-in structural advantages for individuals and institutions alike. Institutional investors will continue to use the secondary market to diversify their private equity holdings and create liquidity to fund future deal flows. Individual investors should benefit from the shortened J-curve, shorter period before receiving distributions, and diversification of general partners, vintage, geography and industry.
- Private Credit – The Emergence of a New Lender: A looming "wall of debt" will be maturing over the next couple of years, creating an attractive opportunity for private credit managers. We believe this represents a favorable opportunity for seasoned managers, with capital to deploy, and should persist for the foreseeable future. There are interesting opportunities in direct lending, distressed and special situations, and asset-based lending. We believe that most attractive opportunity is within real estate debt as banks will be reticent to lend and managers will be able to negotiate favorable terms.
- Real Estate – Follow the Macro Themes: Valuations have come down to more realistic levels, the macro environment looks more constructive and there are opportunities across select sectors, namely multi-family housing, industrial warehouse, life sciences, medical offices and neighborhood retail. There will be a large dispersion of return between the top quartile and bottom quartile managers; and managers with dry powder can be selective in putting capital to work.

Exhibit 8: Short-term and Long-term Returns

As of June 30, 2024

Source: MSCI Indices, MSCI Private Capital Solutions, Cliffwater, NCREIF, Bloomberg, Macrobond, PitchBook. Analysis by Franklin Templeton Institute.

For each period, the top three returns are marked in green, while the bottom three returns are marked in orange. Returns exceeding a year are annualized. The indexes are total returns in US dollar terms. All returns are net of fees, valued on a quarterly basis. The indexes used and methodology for calculating the net of fee returns are in the Appendix. Indexes are unmanaged and one cannot directly invest in them. **Past performance is not an indicator or a guarantee of future results.** Important data provider notices and terms available at www.franklintempletondatasources.com.

Strategy	1-year	3-year	5-year	10-year	15-year
Private Equity	4.90%	4.84%	16.42%	15.15%	15.90%
Private Credit	8.71%	6.73%	6.23%	5.96%	7.15%
Real Estate Equity	-9.99%	1.02%	2.27%	5.46%	6.62%
Real Estate Debt	8.21%	8.46%	8.37%	8.82%	6.77%
Global Secondaries-All Strategies	3.89%	8.01%	13.97%	12.44%	13.35%
Equity	18.26%	4.41%	9.70%	7.43%	9.34%
Fixed Income	0.49%	-5.91%	-2.45%	-0.85%	0.79%

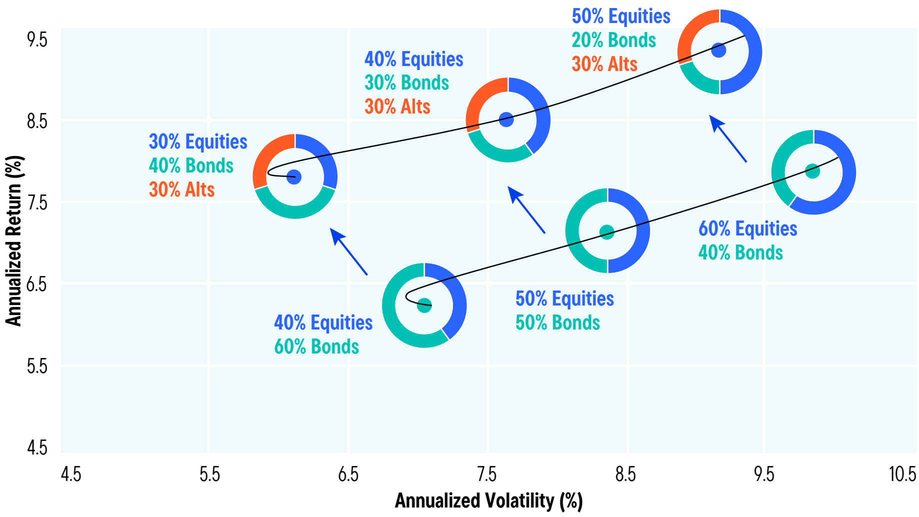
Exhibit 9: Efficient frontier analysis

As of June 30, 2024

Source: MSCI Private Capital Solutions, SPDJI, NCREIF, Bloomberg, Cliffwater, Macrobond. Analysis by Franklin Templeton Institute.

Quarterly data analysis from Q4 2004 to Q2 2024; 30% allocations to Alternatives split evenly among Private Real Estate, Private Equity and Private Credit.

Indexes used: Private Credit: Cliffwater Direct Lending Index; Private Real Estate: NCREIF Fund Index Open End Diversified Core Equity (ODCE) Index, US Stocks: S&P 500 Total Return Index, US Bonds: Bloomberg US Aggregate Index (Total Return); Private Equity: MSCI Private Capital Solutions' fund search results for US Private Equity funds (all categories). Indexes are unmanaged and one cannot directly invest in them. They do not include fees, expenses or sales charges. **Past performance is not an indicator or a guarantee of future results.** Important data provider notices and terms available at www.franklintempletondatasources.com.



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Survey methodology

Bi-annual survey: This bi-annual outlook survey is designed to give a view across our investment teams. The Franklin Templeton Institute identifies the median across answers and develops commentary on the year ahead.

Investment professionals across all asset classes: The Franklin Templeton Global Investment Management Survey received responses from more than 200 portfolio managers, directors of research and chief investment officers. This represents a participation across equity, private equity, fixed income, private debt, real estate, digital assets, hedge funds and secondary private markets.

Aggregate views: This survey gives an aggregate view by taking the median of the answers. Questions included macroeconomic, equity and fixed income views.

Independent views: Each of our investment teams are independent and have their own views. This survey serves as a starting point to their best ideas.

Methodology for exhibit 8

Asset class	Index	Methodology for net returns
Equity	MSCI ACWI Total Return Index	A fee of 1.46% p.a. is subtracted from the quarterly returns
Fixed income	Bloomberg Global Aggregate Total Return Index Value Unhedged USD	A fee of 0.43% p.a. is subtracted from the quarterly returns
Alternative investments		
Private equity	MSCI Private Capital Solutions - US Private Equity (all categories)	The returns are based on private equity fund returns that are net of fees
Private credit	Cliffwater Direct Lending Index[1]	A fee of 1.342% p.a. is subtracted from the quarterly returns. Additionally, a carried interest percentage of 16.844% is charged on positive returns. This fee and carried interest is average for private credit funds during 2014 to 2022 (data from PitchBook). In case of a negative quarterly return, carried interest is not charged until losses are reversed. The hurdle rate to charge the carried interest is 6% p.a., based on data provided in iCapital's article titled "Understanding Private Market Fund Distribution Waterfalls," dated January 20, 2023
Real estate	NCREIF Fund Index Open End Diversified Core (ODCE) Total Index	Net returns as reported by the index provider
Real Estate Debt	PitchBook search results for US Real Estate Debt funds	Returns are net of fees
Secondaries	MSCI Private Capital Solutions search results for global secondaries across all the strategies within the secondary market	Based on fund returns, which are net of fees

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WHAT ARE THE RISKS?

All investments involve risks, including possible loss of principal.

Fixed income securities involve interest rate, credit, inflation and reinvestment risks, and possible loss of principal. As interest rates rise, the value of fixed income securities falls.

Equity securities are subject to price fluctuation and possible loss of principal.

Investments in lower-rated bonds include higher risk of default and loss of principal. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer or guarantor, may affect the bond's value.

International investments are subject to special risks, including currency fluctuations and social, economic, and political uncertainties, which could increase volatility. These risks are magnified in emerging markets.

Alternative strategies may be exposed to potentially significant fluctuations in value.

Privately held companies present certain challenges and involve incremental risks as opposed to investments in public companies, such as dealing with the lack of available information about these companies as well as their general lack of liquidity.

Real estate securities involve special risks, such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments affecting the sector.

Because **municipal bonds** are sensitive to interest-rate movements, a municipal bond portfolio's yield and value will fluctuate with market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in an investment portfolio adjust to a rise in interest rates, the portfolio's value may decline. Changes in the credit rating of a bond, or in the credit rating or financial strength of a bond's issuer, insurer, or guarantor, may affect the bond's value.

Dividends may fluctuate and are not guaranteed, and a company may reduce or eliminate its dividend at any time.

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