

Beyond the Headlines: Navigating Market Uncertainty

March 26, 2025

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Agenda

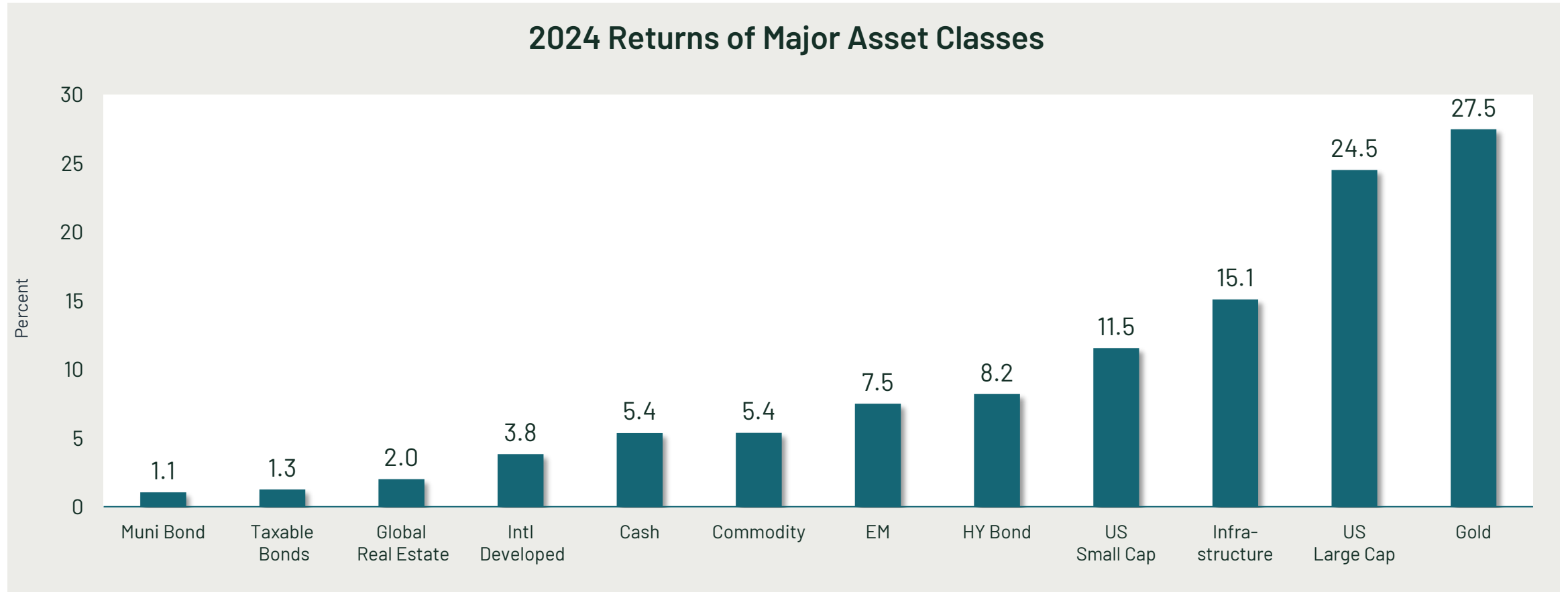
- Perspective on 2025 Market Changes
- Why Current Market Behavior is Rational
- Impact on Pitcairn Portfolios
- Risks and Opportunities
- Q&A



2024 Market Recap

2024 Market Recap

Every major asset class generated positive returns in 2024 – Diversified portfolios were rewarded



Source: Morningstar, Data as of 12/31/2024.

US Stock Market Valuation – Year End 2024

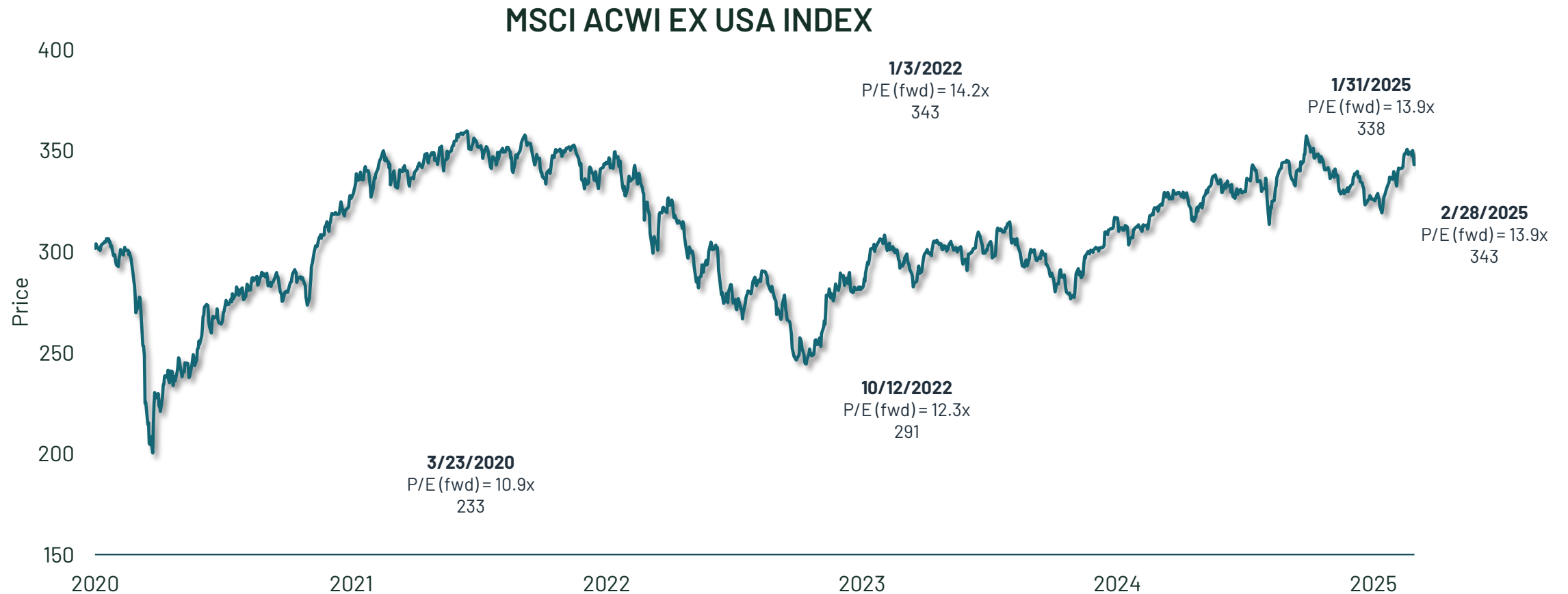
US stock market is richly priced – trading at 22x expected 2025 earnings



Source: Bloomberg, Data as of 2/28/2025.

International Equity Market Valuation – Year End 2024

International markets are 40% cheaper than the US stock market





2025 Expectations

2025 Expectations and Uncertainties

Growing uncertainties are weighing on market sentiment for 2025

MARKET EXPECTATIONS

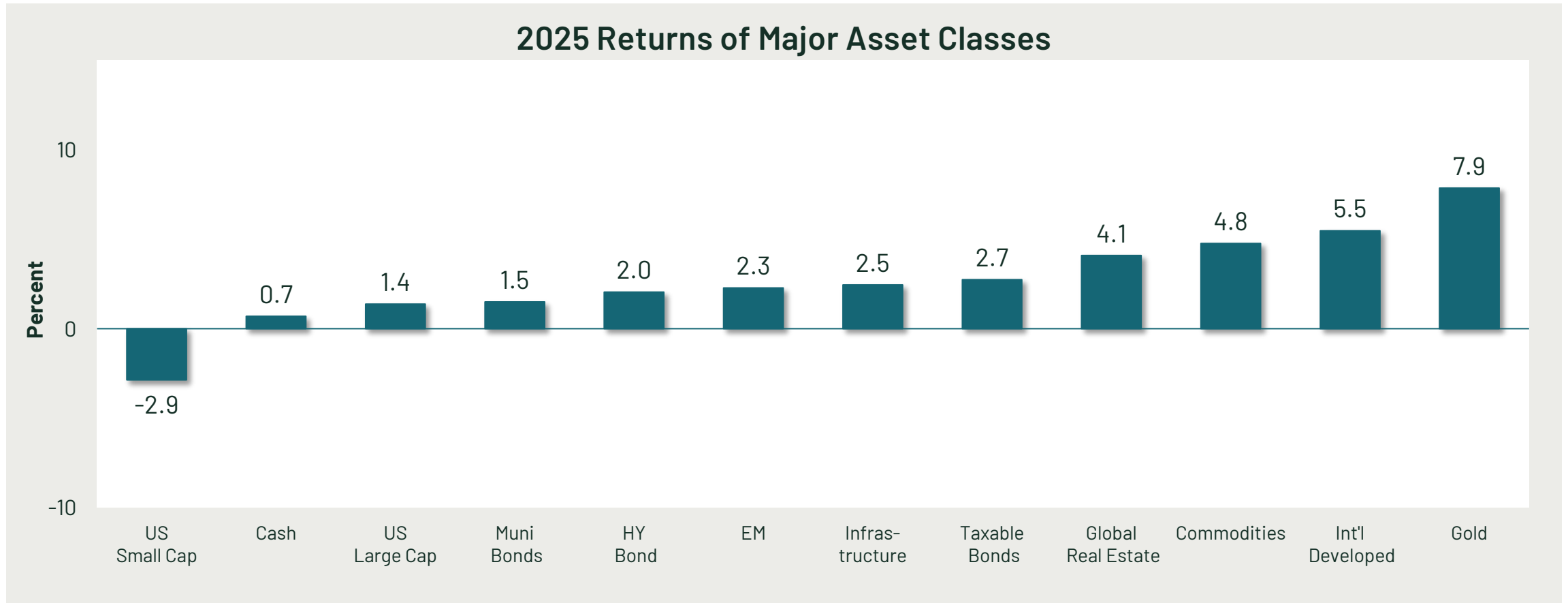
- Solid US economic growth
- Double-digit earnings growth
- Continued decline in inflation
- Federal Reserve rate cuts
- Renewed business confidence and strong capital expenditure cycle

MARKET UNCERTAINTIES

- US government policy decisions
- US consumer spending
- Direction and level of inflation
- Interest rates & deficits
- Geopolitics

Market Returns through February 2025

Strong start to the first two months – positive returns across most asset classes



Source: Morningstar Direct, Data as of 2/28/2025.



What Changed in 2025

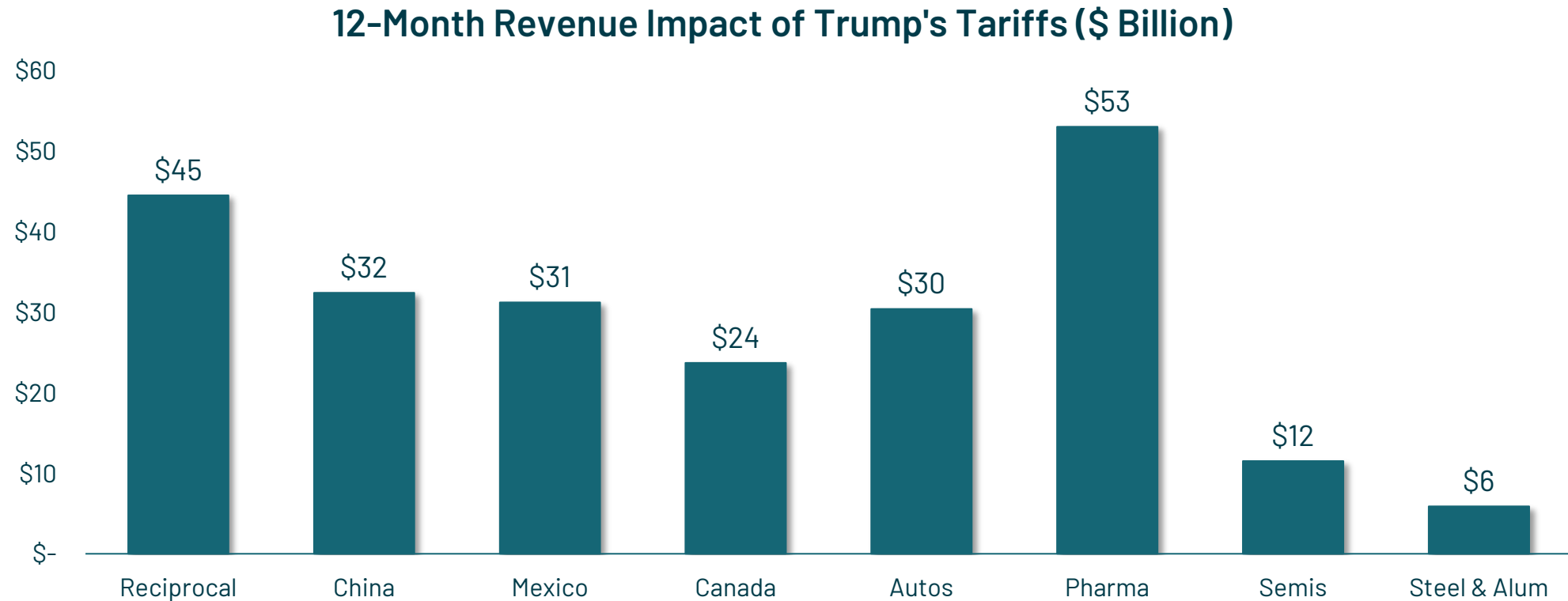
What Changed in March 2025

New administration policies introduced high degree of uncertainty into markets

- Tariffs
- Government layoffs / DOGE efforts
- Congressional legislation (government budget and tax policy)
- Decline in consumer and corporate confidence

Tariff Uncertainty

Tariff costs estimated at \$233 billion, an equivalent to a 0.75% drag on GDP (gross domestic product)

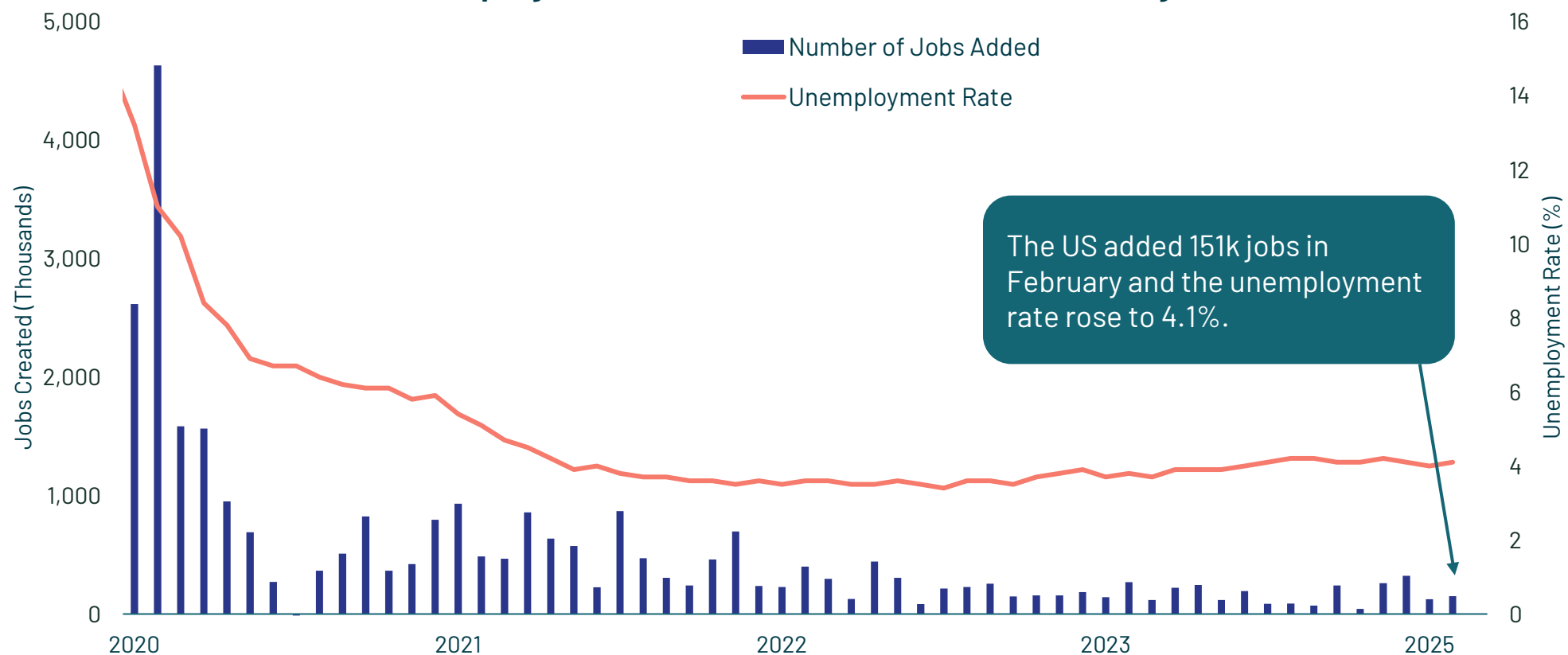


Source: **Strategas** estimates on the impact of tariffs, estimates as of 3/24/2025.

US Labor Markets

Labor markets are steady, demonstrating resiliency

Unemployment Rate and Jobs Created, Monthly

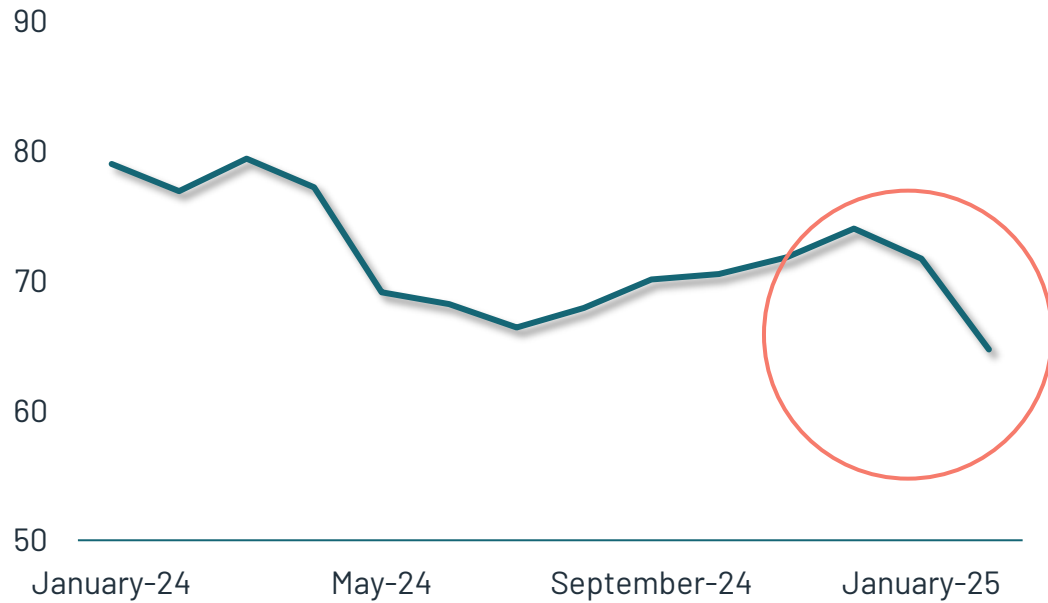


Source: Bloomberg, Data as of 3/10/2025.

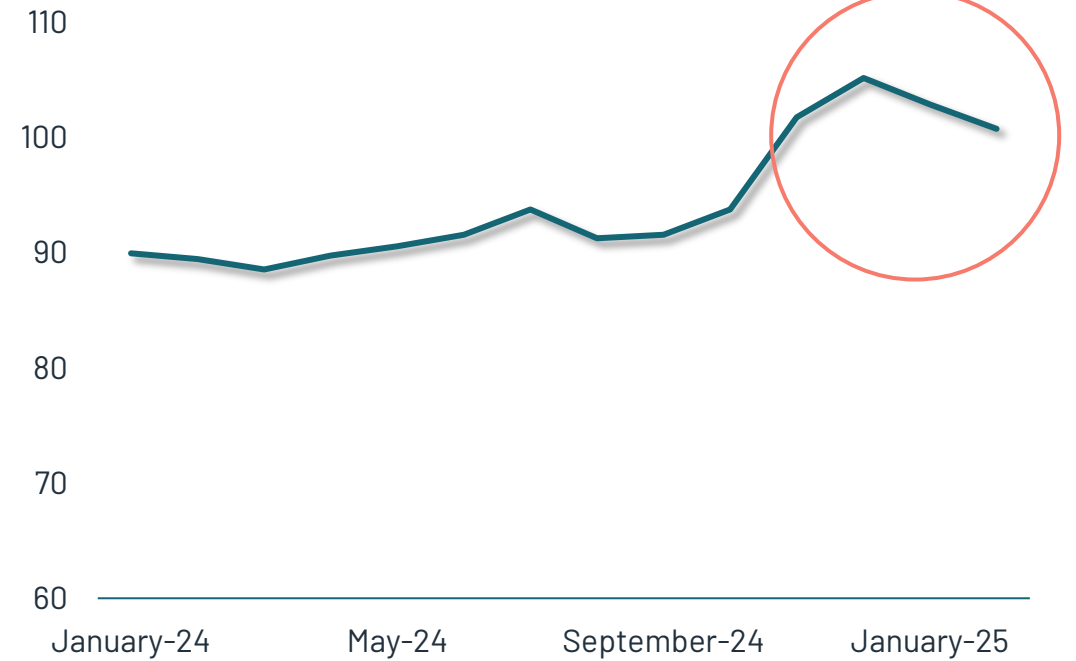
Confidence Surveys

Consumer and corporate sentiment has soured in the past two months

University of Michigan Consumer Sentiment



NFIB Business Optimism



Source: Bloomberg, Data as of 2/28/2025.

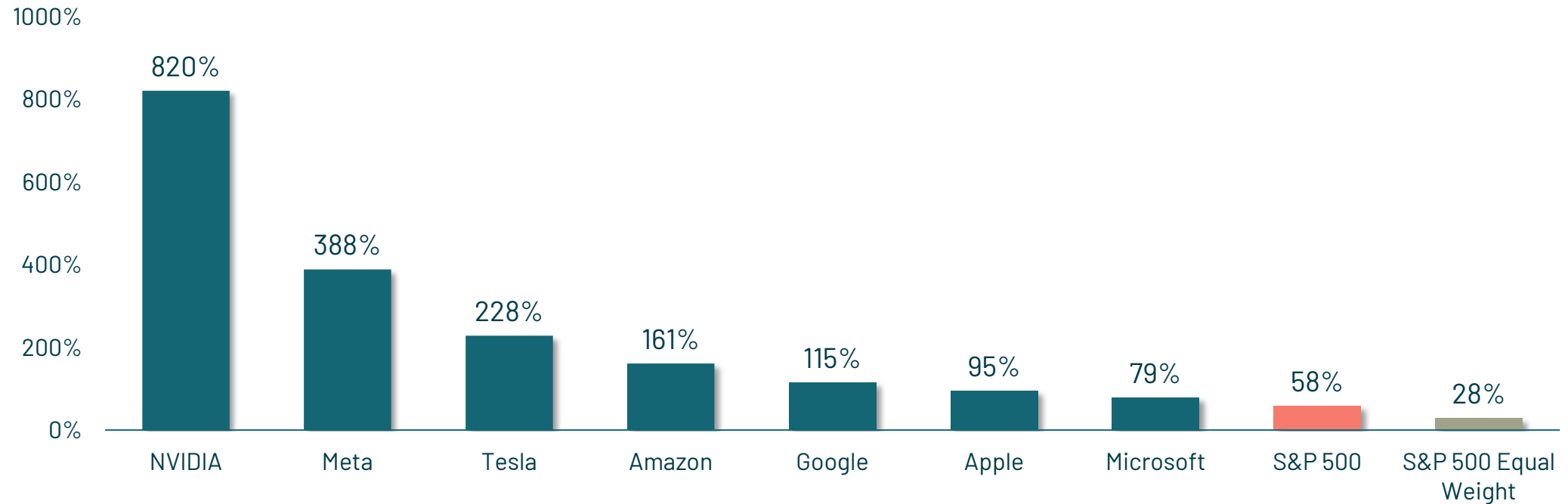


Impact on Markets

Magnificent 7 Returns

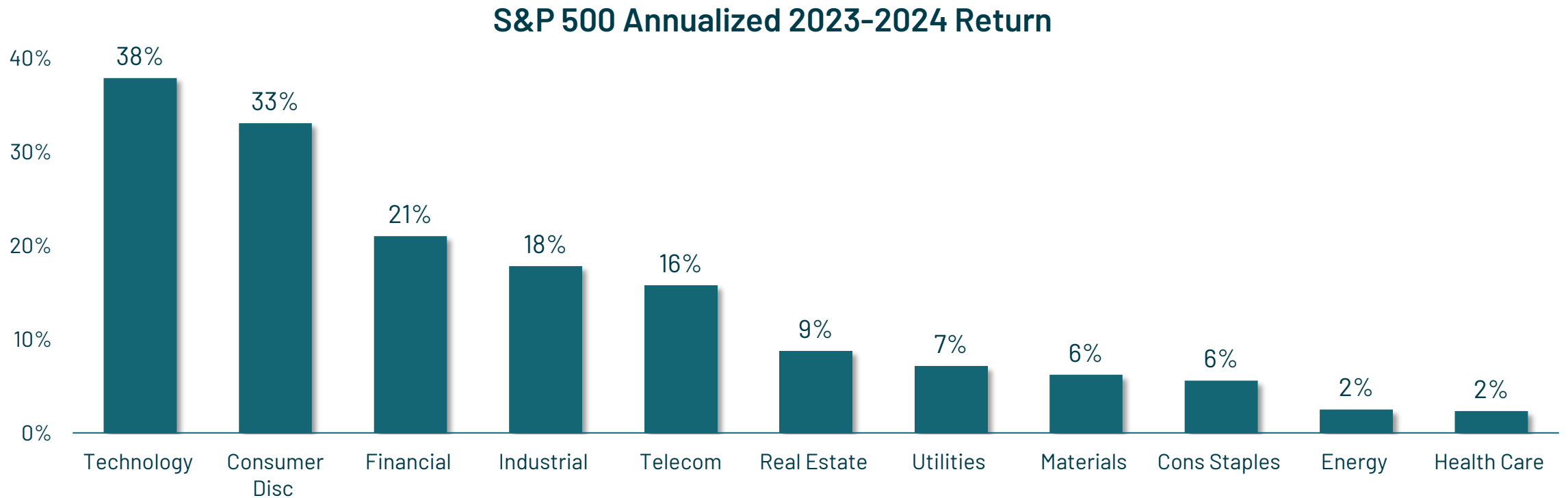
Strong US market returns in 2023 and 2024 dominated by Magnificent 7 gains

Magnificent 7 Annualized 2023-2024 Return



US Sector Returns – 2023 and 2024

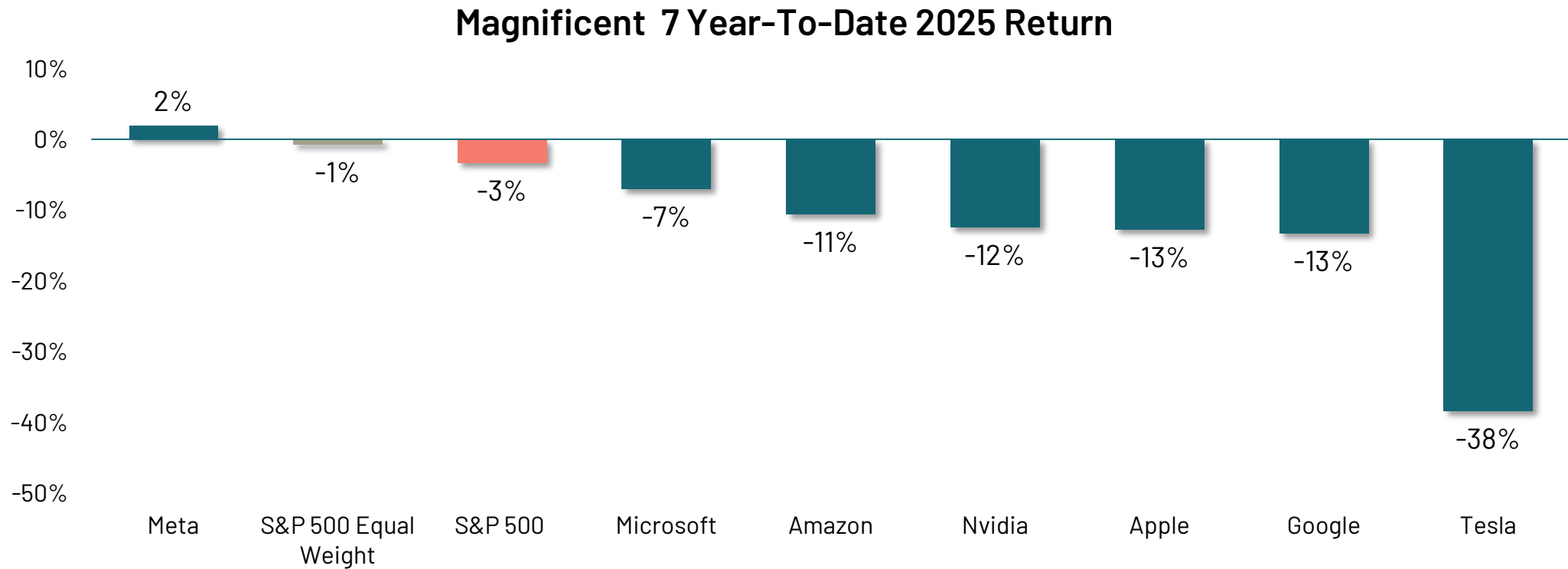
Back-to-back +20% S&P 500 returns dominated by technology and consumer discretionary sectors



Source: Morningstar, Data as of 3/21/2024.

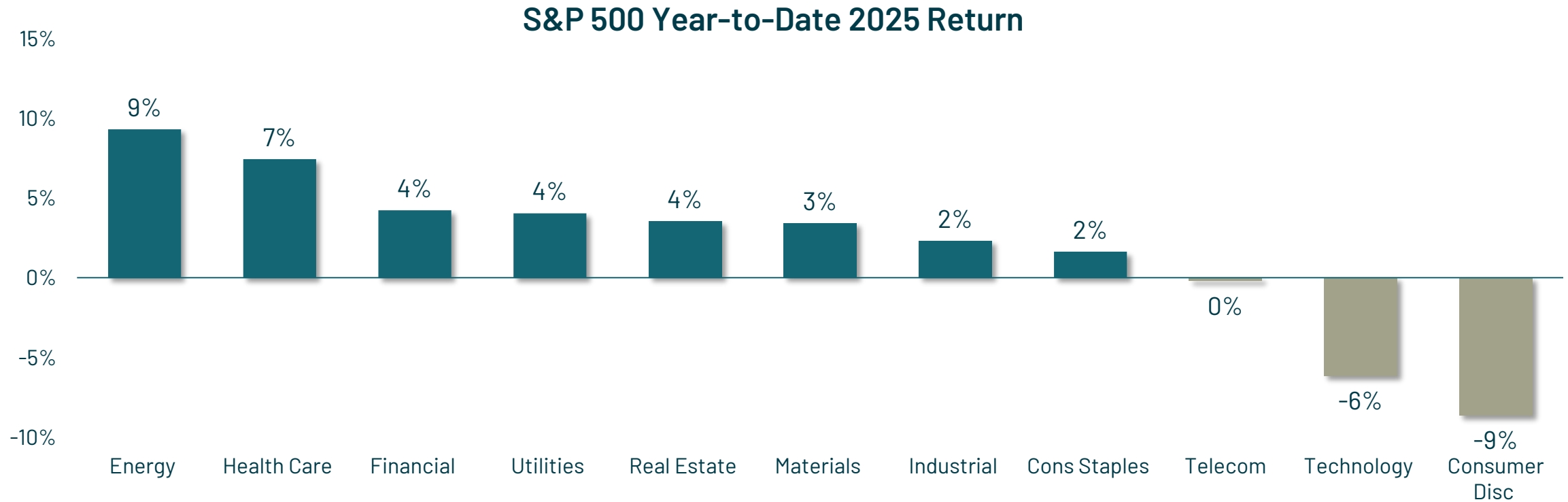
The Magnificent 7 Returns Now Maleficent?

Magnificent 7 stocks drag down S&P 500 returns - The market giveth and then taketh away



Sector Returns – 2025 Year to Date

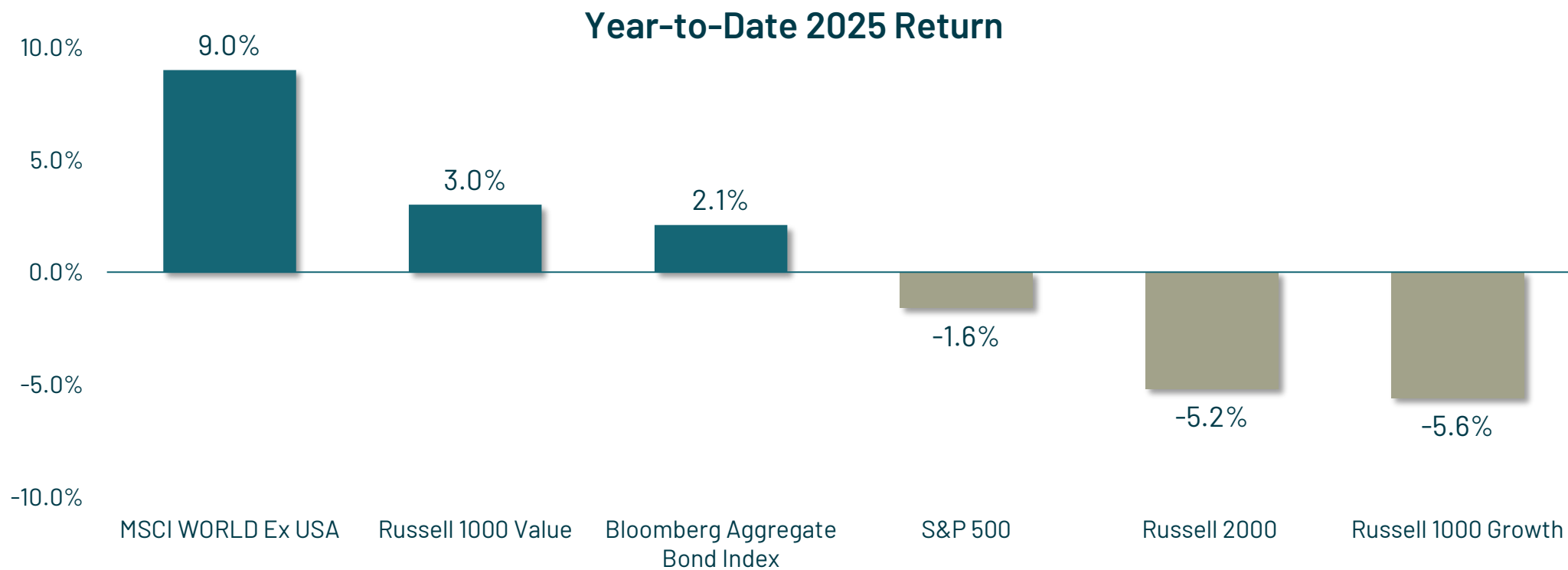
8 of 11 S&P 500 sectors are positive year to date



Source: Morningstar, Data as of 3/21/2025.

Global Portfolio Returns

International equities and value stocks are strong – growth and small company stocks are weak



Source: Morningstar, Data as of 3/21/2025.



Risks

Risks in 2025

The primary risks are economic in nature

- Recession
- Inflation
- Declining Earnings
- Rising Interest Rates

Recession Checklist

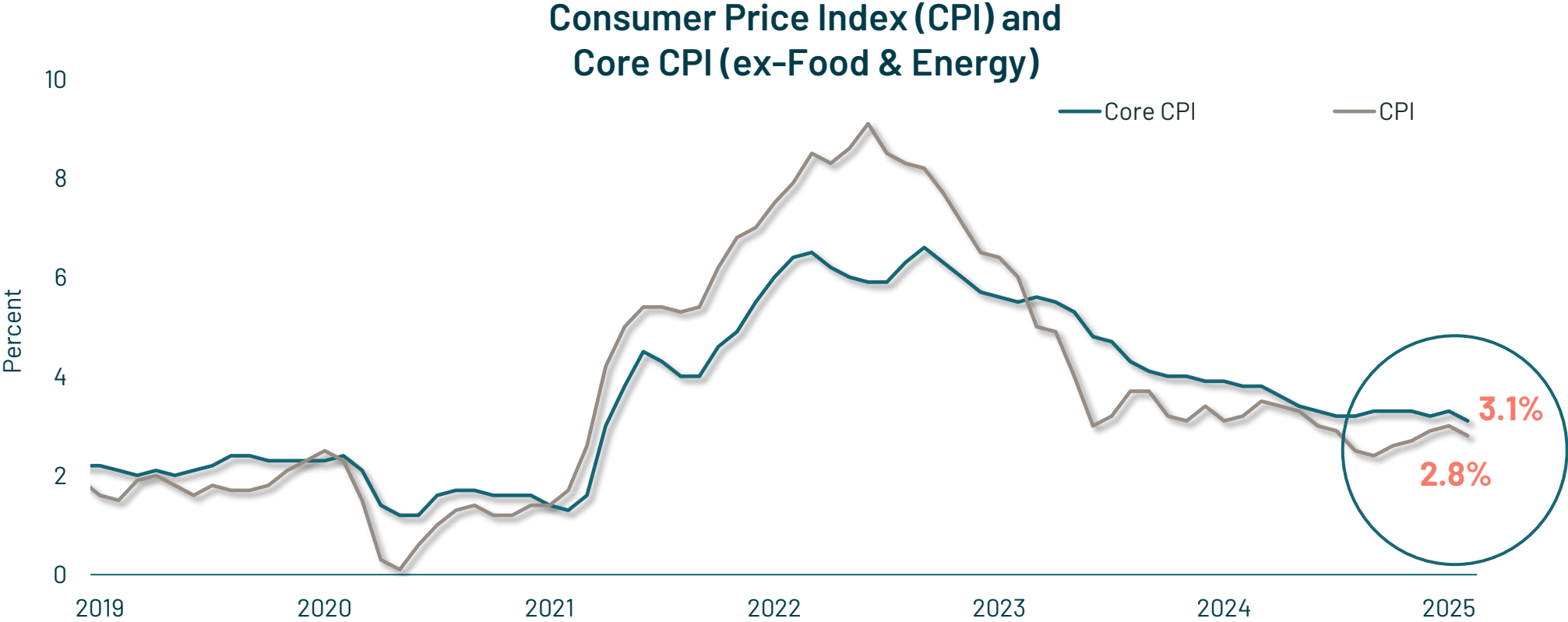
Only 2 of 7 recession checklist items flashing red

Economic Variable	Check	Explanation
Sample Unit Housing Permits		Decline in single unit permits.
Non-Defense Capital Goods ex-Aircraft Orders		Decline in spending, but trending slightly higher over past year.
University of Michigan Consumer Expectations	✓	Consumer sentiment down significantly, although there is a split by political affiliation.
Weekly Initial Jobless Claims		Rising trend. Federal layoffs threaten an uptick.
ISM New Orders	✓	Weak February data, new orders contractionary at below 50.
2-10 Yield Curve		Signal has not worked well in the post-COVID environment.
BAA Spreads		So far, only a modest move in credit spreads.

Source: Strategas, March 24, 2025.

Inflation

Inflation is stable for now



Source: Bloomberg, Data as of 3/10/2025.

Earnings

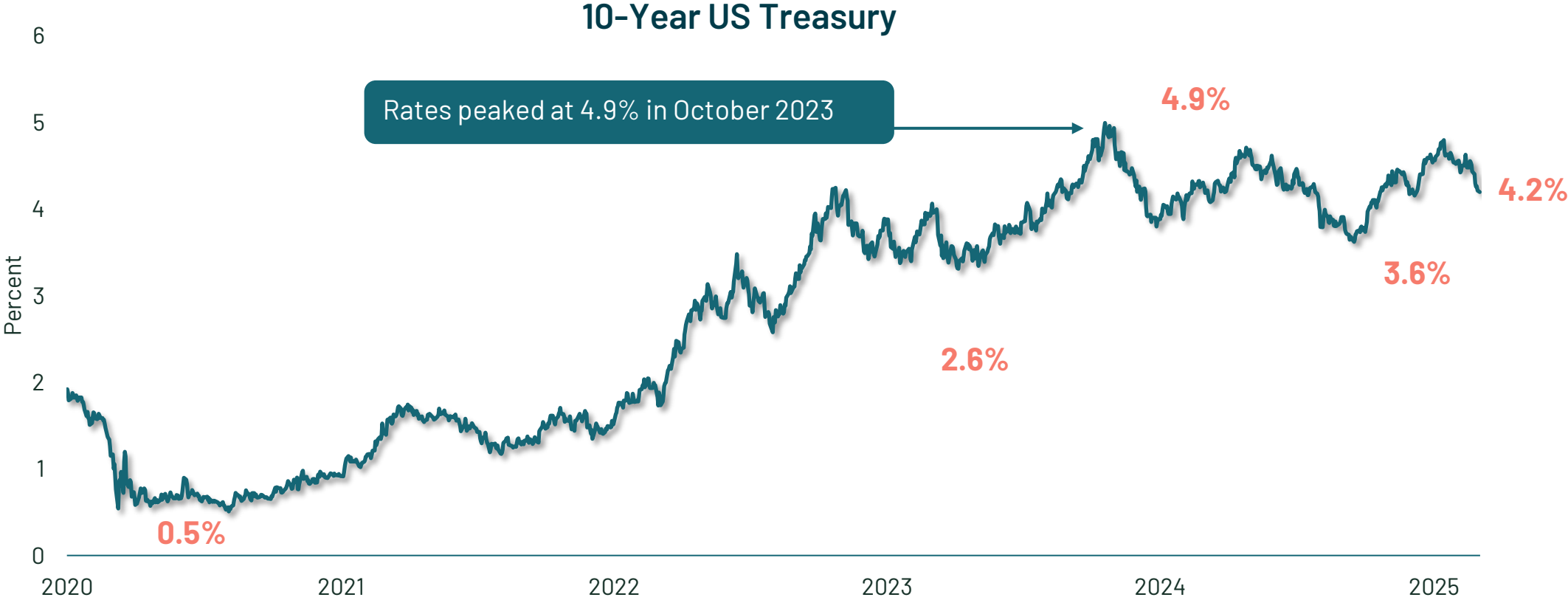
S&P 500 earnings are expected to grow 13% year-over-year. Few earnings revisions to date.



Source: Bloomberg, Data as of 3/25/2025.

10-Year US Treasury Yields

A sustained rise above 4.7% will likely pressure the equity markets.



Source: Bloomberg, Data as of 2/28/2025.



Opportunities

Opportunities in 2025

Market uncertainty creates opportunities

■ Rebalance Global Equity Portfolio

- Most portfolios are likely over-exposed to US large company stocks
- Getting back to a 65% US / 35% International balance would be prudent

■ Income/Yield

- High-quality investment-grade bonds offer solid 'real' rates of return

■ Inflation Protection

- Diversify portfolio into real assets (infrastructure, real estate debt and equity, commodities, gold)

■ Diversifying Strategies

- Trading-oriented strategies that can be both long and short (bi-directional) in equity, bond, and currency markets



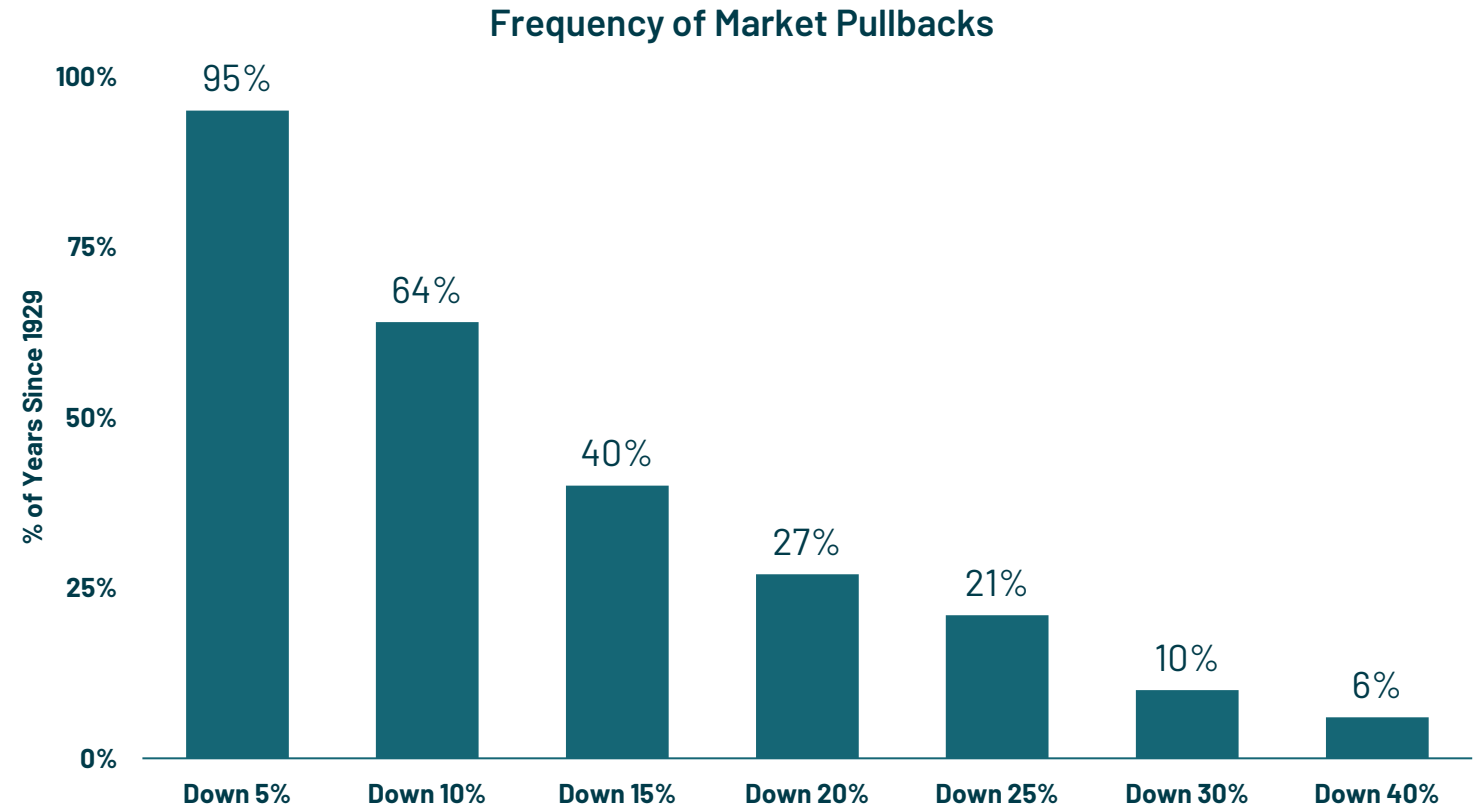
Key Takeaways

Key Takeaways

- **Markets hate uncertainty**
- **Markets are behaving rationally**
- **Fundamentals will prevail**
- **Pitcairn portfolios are performing as expected**

Market Pullbacks are Normal

- 10% pullback every 1.6 years
- 15% pullback every 2.5 years
- 20% pullback every 4 years
- 30% pullback every 10 years



Source: Creative Planning, 2025.



Supplemental Information

Bull Market Top Checklist

Only 2 of 9 warning flags are checked off

	2000	2007	2025	Comments
1. Blow Off Top	✓	✓		S&P 500 and the Nasdaq 100 made new all-time highs on February 19th.
2. Heavy Inflows	✓	✓	✓	Post election inflows into US equities were record setting
3. Big Pick Up in M&A Activity	✓	✓		There have only been modest M&A announcements year to date.
4. IPO Activity	✓	✓		The initial public offering market has gotten off to a slow start.
5. Rising Real Interest Rates	✓	✓		Real interest rates have not changed much.
6. Weakening Upward Earnings Revisions	✓	✓		Earnings expectations for full year 2025 remain relatively stable.
7. Erosion in Stocks Making New Highs	✓	✓	✓	Fewer stocks made new highs during the February 2025 all time high.
8. Shift Toward Defensive Stocks	✓	✓		Technology and Discretionary stocks are down ytd - all other sectors are positive.
9. Widening Credit Spreads	✓	✓		Spreads are widening but only modestly.

Stagflation

Stagflation is a rare economic occurrence with rising unemployment and rising inflation

- 1970's Stagflation caused by:
 - Policy mistakes
 - Energy supply shock
 - Negative GDP growth and rising unemployment

- Stagflation is possible today but unlikely due to:
 - More adaptable labor markets
 - Greater access to abundant energy
 - Central bank awareness and broader toolkit

S&P 500 Sell-Offs Around Geopolitical Events

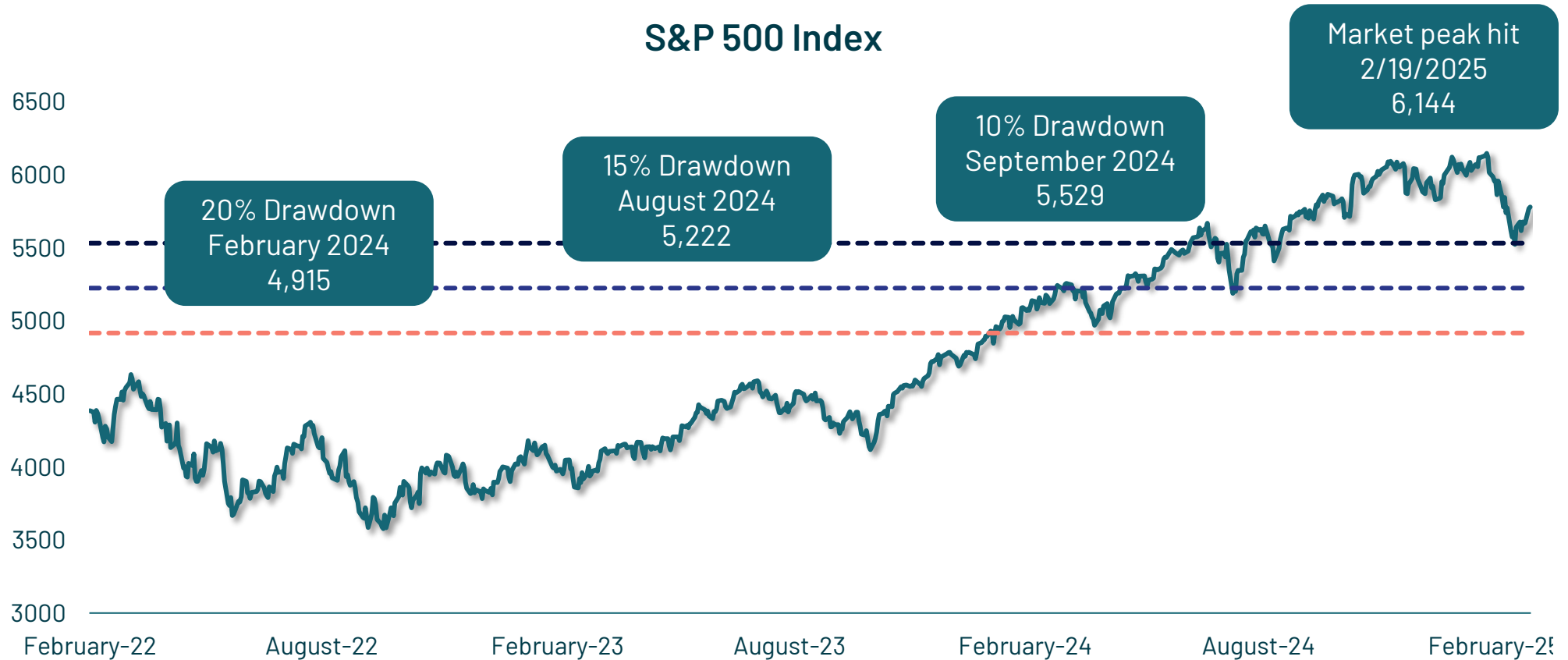
- S&P 500 has a proven record of resiliency when navigating geopolitical events.
- Historically, S&P 500 has sold off an average of 5.6% and taken 13 trading days to recover.

Geopolitical Event	Start of Sell-Off	Duration of Sell-Off (Trading Days)	Size of Sell-Off (%)	Days to Recover (Prior Level)
Israel Arab War / Oil Embargo	10/29/1973	27	-17.3%	1546
Shah of Iran exiled	1/29/1979	8	-4.6%	33
Iranian hostage crisis	1/08/1979	23	-10.2%	49
Soviet invasion of Afghanistan	12/18/1979	11	-3.8%	5
Libya Bombing	4/22/1986	19	-4.9%	6
First Gulf War	8/2/1990	50	-16.9%	81
Kosovo bombing	3/19/1999	3	-4.1%	8
9/11 attacks	9/10/2001	5	-11.6%	14
Iraq war	3/24/2003	6	-5.3%	15
Arab spring (Egypt)	1/28/2011	1	-1.8%	2
Ukraine conflict	3/10/2014	5	-2.0%	12
Intervention in Syria	9/19/2014	19	-7.4%	12
Russia/Ukraine War	2/10/2022	18	-9.1%	15
Israel/Hamas War	10/12/2023	12	-5.9%	7
Median	1973-2023	12	-5.6%	13

Source: JPM Market Insights, 2024.

Impact of Drawdowns on the S&P 500

Even a 20% decline would only take markets back to February 2024



Source: Bloomberg, Data as of 3/25/2025.

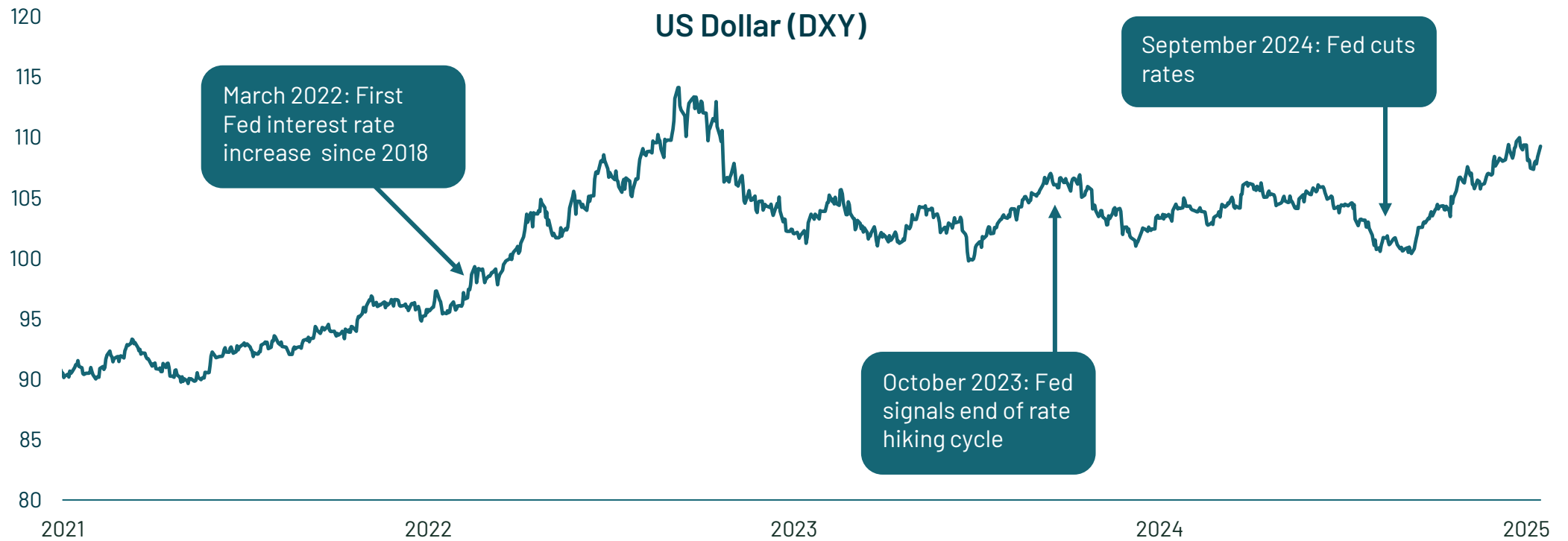
Diversification Works

Returns Of Various Asset Classes By Year

HY Bond 17.1	Intl Equity 27.2	Cash 1.8	US Equity 31.0	Gold 24.4	Global Real Estate 27.2	Commodities 16.1	US Equity 26.0	Gold 27.5	Global Real Estate 2.3
US Equity 12.7	US Equity 21.1	Muni Bonds 1.3	Infrastructure 27.0	US Equity 20.9	Commodities 27.1	Cash 1.5	Intl Equity 15.6	US Equity 23.8	Taxable Bonds 2.2
Infrastructure 12.4	Infrastructure 20.1	Taxable Bonds 0.0	Global Real Estate 23.1	Intl Equity 10.7	US Equity 25.7	Gold -0.1	Gold 13.4	Infrastructure 15.1	Intl Equity 1.4
Commodities 11.8	Gold 13.7	HY Bond -2.1	Intl Equity 21.5	Taxable Bonds 7.5	Infrastructure 11.9	Infrastructure -0.2	HY Bond 13.4	HY Bond 8.2	Muni Bonds 1.0
Gold 8.6	Global Real Estate 11.4	Gold -2.1	Gold 18.9	HY Bond 7.1	Intl Equity 7.8	Multi-Strategy -5.6	Global Real Estate 10.9	Intl Equity 5.5	Commodities 0.8
Global Real Estate 5.0	HY Bond 7.5	Multi-Strategy -4.2	HY Bond 14.3	Muni Bonds 5.2	HY Bond 5.3	Muni Bonds -8.5	Infrastructure 6.8	Commodities 5.4	HY Bond 0.7
Intl Equity 4.5	Muni Bonds 5.4	Global Real Estate -4.7	Taxable Bonds 8.7	Multi-Strategy 3.2	Multi-Strategy 4.7	HY Bond -11.2	Muni Bonds 6.4	Cash 5.2	Gold 0.5
Taxable Bonds 2.6	Multi-Strategy 5.1	US Equity -5.2	Commodities 7.7	Cash 0.4	Muni Bonds 1.5	Taxable Bonds -13.0	Multi-Strategy 6.2	Multi-Strategy 4.4	Cash 0.3
Multi-Strategy 2.3	Taxable Bonds 3.5	Infrastructure -9.5	Muni Bonds 7.5	Commodities -3.1	Cash 0.0	Intl Equity -16.0	Taxable Bonds 5.5	Global Real Estate 2.0	Multi-Strategy 0.3
Muni Bonds 0.2	Commodities 1.7	Commodities -11.2	Multi-Strategy 6.7	Infrastructure -5.8	Taxable Bonds -1.5	US Equity -19.2	Cash 5.0	Taxable Bonds 1.3	Infrastructure 0.1
Cash 0.2	Cash 0.8	Intl Equity -14.2	Cash 2.1	Global Real Estate -8.2	Gold -3.5	Global Real Estate -24.4	Commodities -7.9	Muni Bonds 1.1	US Equity -1.9
2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD 2025

US Dollar

The US Dollar has been strong post Covid. It has recently declined by 5% in 2025.



Source: Bloomberg, Data as of 2/28/2025.

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