APOLLON

2021 ESSENTIAL ECONOMIC UPDATE

ARE WE TRANSITIONING TO A NEW ECONOMIC REGIME?

- ✓ **FINANCIAL ASSETS PRODUCED REMARKABLE RETURNS IN 2020**
- ✓ **GLOBAL ECONOMY IS POISED TO ACHIEVE STRONG YEAR-OVER-YEAR GROWTH**
- ✓ **MAINTAINING BROAD DIVERSIFICATION REMAINS VITAL**

FINANCIAL MARKET CONDITIONS

A largely favorable backdrop

1. ECONOMIC GROWTH
2. MONETARY POLICY
3. FISCAL POLICY
4. INFLATION
5. CURRENCY

INVESTMENT THEMES FOR 2021

THE PANDEMIC'S WAKE

KEY OBSERVATION BEGINNING 2021 – EVIDENCE OF A BROADENING PATTERN OF ASSET CLASS RETURNS.

SMALL CAP, INTERNATIONAL, AND VALUE-ORIENTED EQUITIES PRODUCED SUBSTANTIAL RETURNS IN THE FOURTH QUARTER, IMPROVING MARKET BREADTH HEADING INTO 2021.

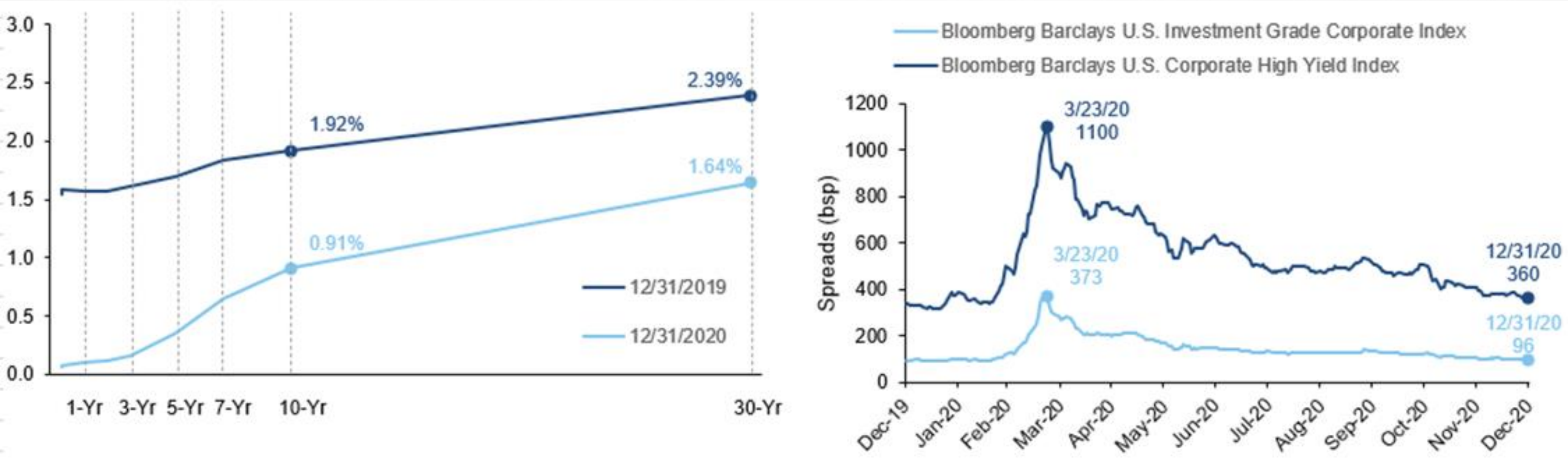
Portfolio impact – Our baseline forecast is that we are early in the next cycle and reaffirms the importance of maintaining broad diversification.

Source: Bloomberg. See disclosures for list of indices representing each asset class. Indices cannot be invested in directly. Performance is reported gross of fees and expenses and assumes the reinvest dividends and capital gains. Past performance does not indicate future performance and there is a possibility of a loss.

OPPORTUNITIES IN A LOW-INTEREST RATE ENVIRONMENT

KEY OBSERVATION BEGINNING 2021 – VERY MODEST FIXED INCOME RETURN EXPECTATIONS ON A GO-FORWARD BASIS.

LOW-INTEREST RATES AND TIGHT CREDIT SPREADS PORTEND LOWER FORWARD-LOOKING RETURNS IN TRADITIONAL FIXED INCOME



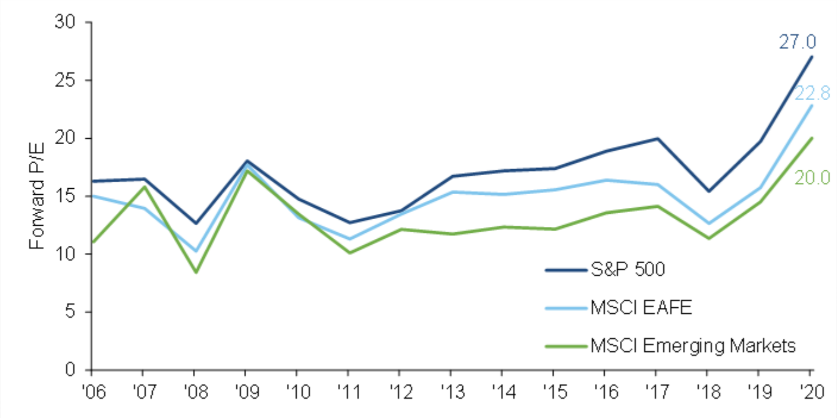
Portfolio impact – Expect nimbleness and selectivity to be key. "Dynamic" bond mandates can have a role to play.

Source: Bloomberg. Past performance does not indicate future performance and there is a possibility of a loss.

A CASE FOR GLOBAL EQUITY EXPOSURE

KEY OBSERVATION BEGINNING 2021 – ELEVATED PROSPECTS FOR INTERNATIONAL DEVELOPED AND EMERGING MARKET EQUITIES.

RELATIVELY MORE ATTRACTIVE INTERNATIONAL VALUATIONS AND THE PROSPECTS OF FURTHER U.S. DOLLAR WEAKNESS SUPPORT THE PROSPECTS OF INTERNATIONAL AND EMERGING MARKET EQUITIES.



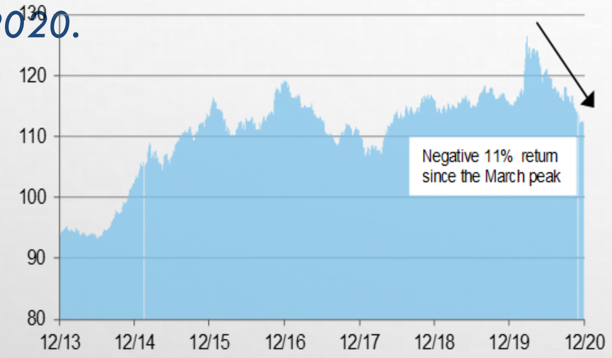
Portfolio impact – Relative valuation advantages persist across equity markets overseas and their compositions posture more favorably.

Source: Bloomberg. Past performance does not indicate future performance and there is a possibility of a loss.

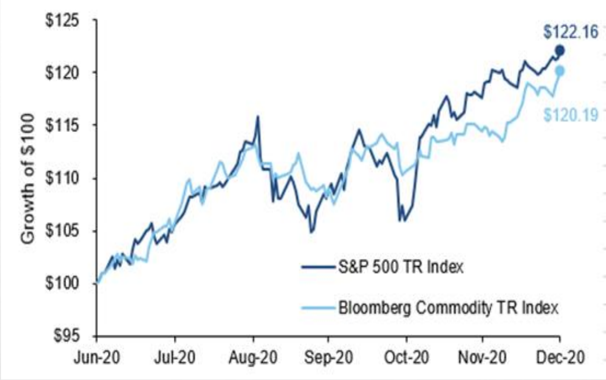
RETURNS FROM REAL ASSETS

KEY OBSERVATION BEGINNING 2021 – INFLATION MEASURES HAVE REMAINED STUBBORNLY LOW.

FISCAL POLICY, IN COORDINATION WITH EXISTING MONETARY POLICY, PUT DOWNWARD PRESSURE ON THE U.S. DOLLAR WHICH BENEFITTED COMMODITY PRICES IN THE SECOND HALF OF 2020.



Source: Federal Reserve based on H.10 exchange rate data.



Source: Bloomberg.

Portfolio impact – Fiscal and monetary support may finally spur inflation in commodities and real assets. A diversified portfolio should include a thoughtful allocation to tangible assets.

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MORE CHALLENGING OUTLOOK

Asset Class	12/1/20 E(R)	4/1/20 E(R)	Since 4/1 Rebalance
Cash*	0.08%	0.05%	0.0%
TIPS	0.8%	0.9%	-0.1%
Muni Bond**	1.0%	2.7%	-1.7%
Muni High Yield**	6.7%	8.3%	-1.6%
US Bond	1.2%	1.6%	-0.4%
Dynamic Bonds***	1.7%		
Global Bonds	0.8%		
For. Dev. Bond	0.4%	0.4%	0.1%
HY Bond	3.4%	5.2%	-1.8%
EM Bond	1.7%	2.8%	-1.0%
Global Equity	6.8%	7.3%	-0.6%
US Equity (AC)	5.5%	5.8%	-0.3%
US Equity (LC)	5.4%	5.6%	-0.3%
US Equity (MC)	5.7%	6.0%	-0.3%
US Equity (SC)	5.8%	6.1%	-0.3%
Int'l Dev. Equity	7.0%	7.7%	-0.7%
EM Equity	8.5%	10.1%	-1.6%
Real Estate	5.3%	5.1%	0.2%
Broad Real Assets****	3.9%		
Midstream Energy	8.1%	13.5%	-5.4%
Commod. Fut.	2.3%	3.3%	-1.0%
HFoF Multi-Strat	5.4%	5.9%	-0.5%
Private Equity	8.5%	8.8%	-0.3%

**3-month forecast*

***Tax equivalent yield based on highest marginal tax rate (37%)*

****33% Cash, 33% Corp HY, and 34% Global Bonds*

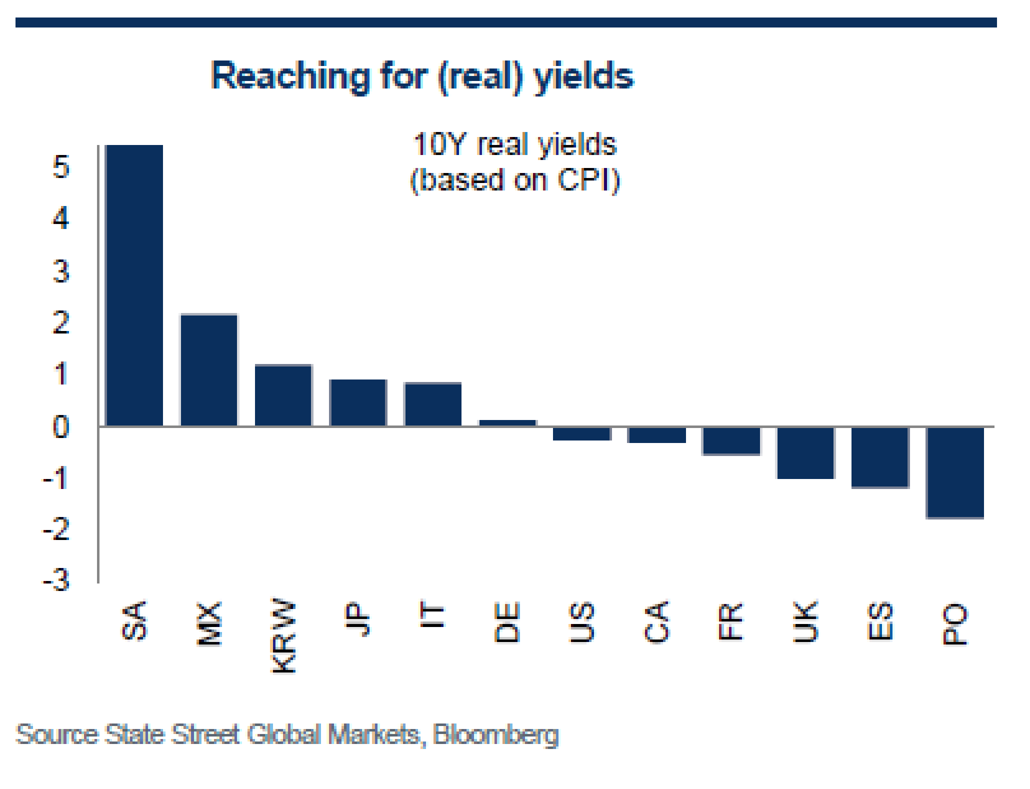
*****25% TIPS, 15% Bank Loans, 30% Infrastructure, 15% REITs and 15% Commodities*

Our Investment Themes for 2021-2030

- Cash remains an expensive opportunity cost for investors.
- Given the reductions in forward looking returns for bonds across the globe, generating positive real returns will be challenging moving forward.
- Global stock market valuations rose in 2020 with prices expanding faster than earnings capacity.
- Real Assets remain an important diversifier as the events of 2020 have likely planted some seeds for rising future inflation.
- Midstream return assumptions are down materially as the asset class has appreciated dramatically off the COVID-induced (March) lows. We expect the asset class to remain volatile in 2021.

GLOBAL FIXED INCOME – WHERE TO LOOK?

Few global markets are available to generate positive, let alone significant, real yields



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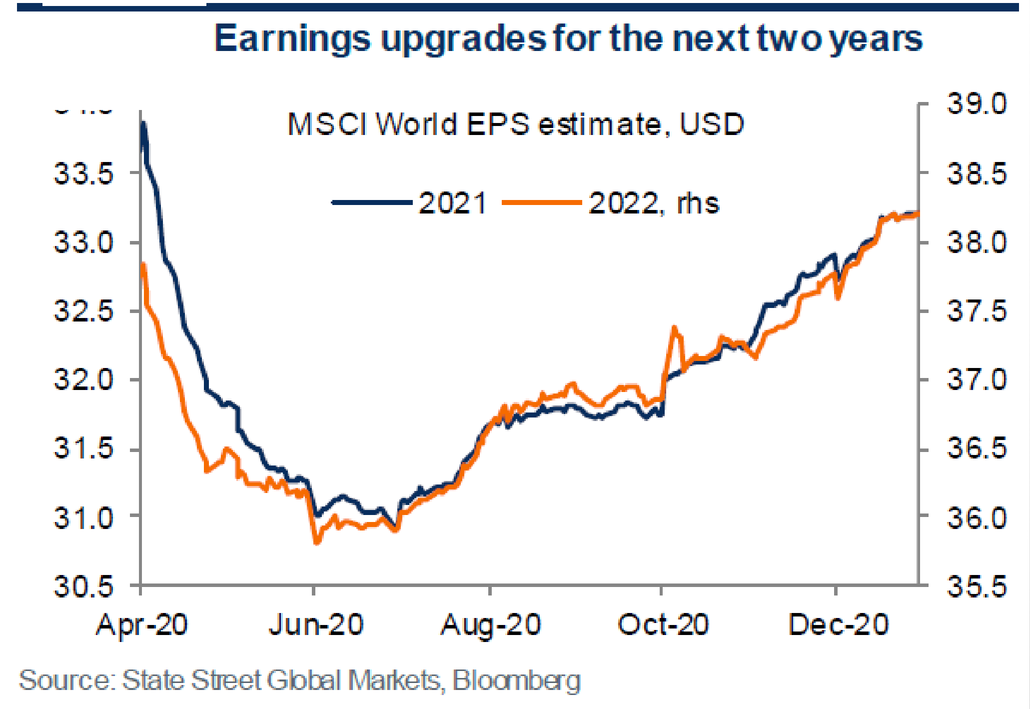
GLOBAL EQUITY EARNINGS TRENDS POSITIVE

Since the bottom, earnings estimates have continued to recover nicely



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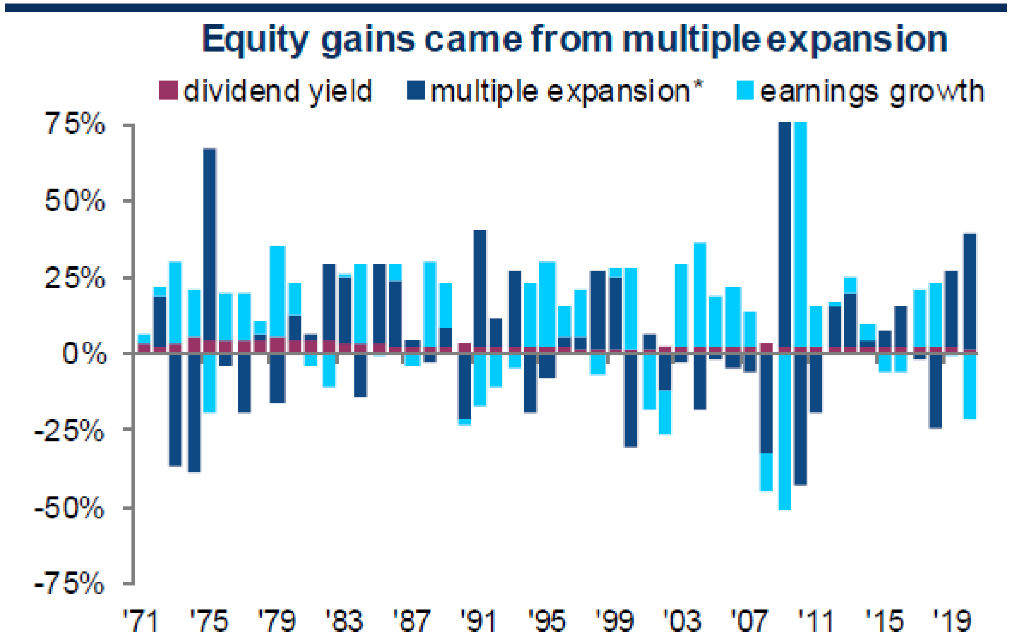
MULTIPLE EXPANSION > EARNINGS DECLINE IN 2020

2020 represented both an earnings decline and multiple expansion, like 2008, 1979 and 1975



Source: State Street Global Markets, Thomson Datastream *ytd chg. in 12m trailing PE

Underlying index is the MSCI ACWI

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A CAUTIOUS, BUT CONSTRUCTIVE, VIEW

- **THE PATH TOWARD SOCIAL AND ECONOMIC NORMALIZATION LIKELY UNEVEN**
- **GLOBAL ECONOMY POISED TO ACHIEVE STRONG YEAR-OVER-YEAR GROWTH**
- **OUR FORECAST ANTICIPATES CONTINUED MENDING OF THE GLOBAL ECONOMY**
- **A BROADER ECONOMIC REOPENING FORESHADOWED THE BENEFITS OF PORTFOLIO DIVERSIFICATION**

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