

INSIDE THE
Buy • Side[®]

EARNINGS PRIMER[®]



corbin

Q4'23

ISSUE: 57

January 11, 2024

INSIDE THE Buy-Side

EARNINGS PRIMER®

Survey Scope:

86 participants globally, comprising 73% buy side and 27% sell side; equity assets under management total ~\$6.0 trillion

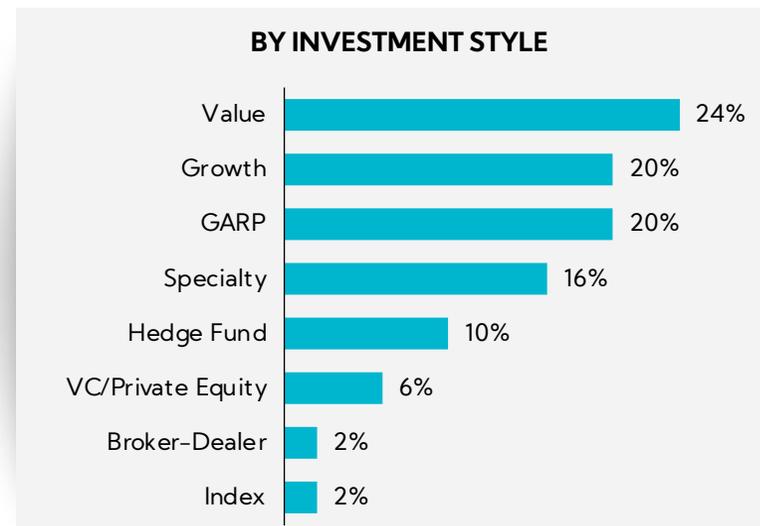
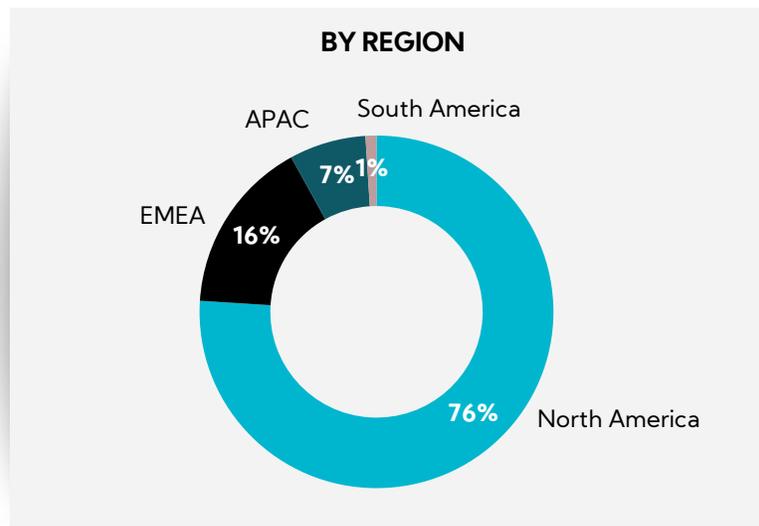
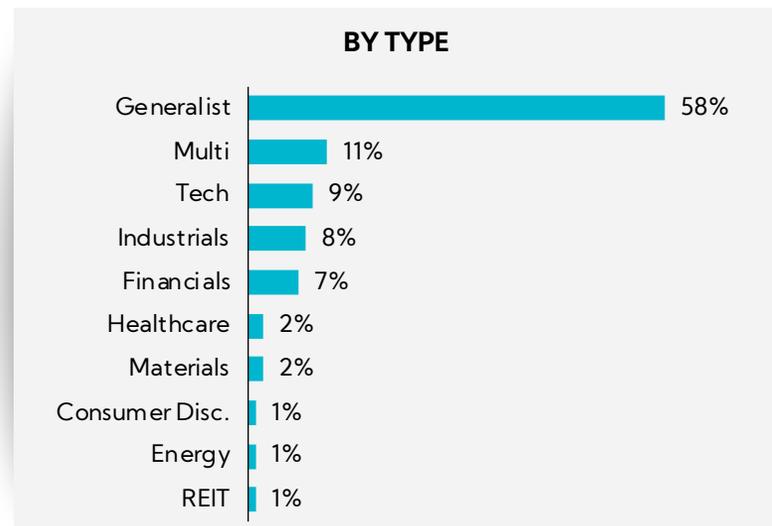
Survey Timeframe:

November 22, 2023 – January 2, 2024

Since 2007, we have surveyed global investors quarterly on the equity markets, world economies, and business climate. At the start of every earnings season, we publish our flagship *Inside The Buy-Side® Earnings Primer®*, which captures real-time *Voice of Investor®* sentiment and trends.

Leveraging our capital markets experience, deep understanding of investor relations, and best practice knowledge, our research and advice is at the nexus of global market trends, investor sentiment, and effective communication strategies.

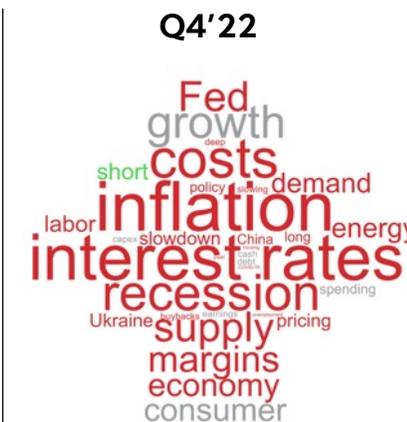
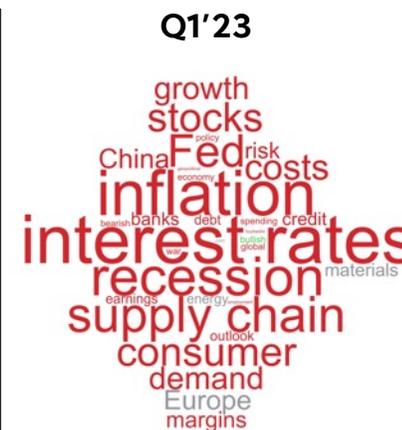
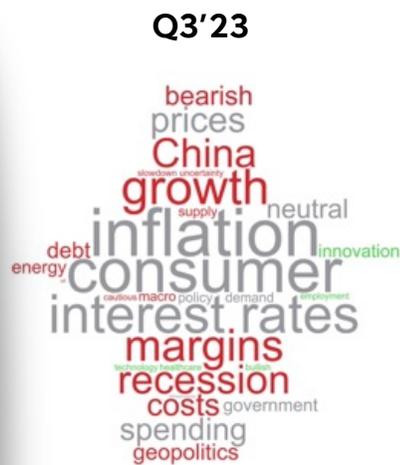
Market Performance	Q4'23	2023
U.S.		
DJIA	12.5%	13.7%
NASDAQ	13.9%	44.6%
S&P 500	11.2%	24.3%
Russell 2000	13.6%	15.1%
Europe		
FTSE 100	1.5%	3.6%
Stoxx 600	6.4%	11.7%
Asia		
Hang Seng	(5.9%)	(14.2%)
Shanghai	(8.6%)	(17.3%)



Sentiment Continues to Improve Relative to Prior Quarters

Still, green shoots are slow to emerge as investors exhibit ambivalence toward interest rate impacts and 2024 growth expectations

UNDERLYING SENTIMENT ■ Positive ■ Neutral ■ Negative



Quarterly Ranking (1-30)

Top Mentions	Q4'23	Q/Q	Q3'23	Q2'23	Q1'23	Q4'22
Interest Rates	1	↑ 2	3	2	1	2
Growth	2	↑ 2	1	3	2	1
Inflation	3	↓ 1	2	14	6	10
Recession	4	↑ 3	7	1	3	4
Economy	5	↑ 30+	30+	30+	22	9
Demand	6	↑ 13	19	4	9	11

Investor Sentiment More Optimistic Amid Expectations for Lower Rates and Views that the Macro Will Improve in 2024; Geopolitics and Slowing Growth Remain Top of Mind

Investor Sentiment and Executive Tone Notably More Optimistic QoQ, Registering the Most Bullish Sentiment in Two Years; FY 2024 Guides are Largely Anticipated to Come in Higher than 2023 Actuals

- **50%** report current sentiment as *Bullish* or *Neutral to Bullish*, up nearly 20% QoQ and the highest level registered since Q4'21, with fewer characterizing views as outright *Bearish*
- Similarly, executive tone is perceived as more optimistic than last quarter, increasing from **36% Neutral to Bullish or *Bullish* to **46%****
- **42%** and **62%** expect results to be *In Line* with prior quarter performances and consensus, respectively; both figures represent survey records
- Regarding Q4 KPIs, contributors generally expect *Improving* performances, save Operating Margins, which are expected to *Stay the Same*
 - Fewer than one-quarter anticipate *Worsening* sequential performances across all measures
- A majority anticipate Revenue, EPS, and FCF annual guides to be higher than 2023 actuals; Operating Margins are expected to be *in line*
- In addition to 2024 outlooks, top areas to address on upcoming earnings calls include capital allocation, demand / growth, and margins

With More Expecting Overall Macro Conditions to Improve in 2024, Recessionary Concerns Moderate and Mindsets Shift to Prioritizing Growth; Still, Geopolitical Risks Permeate Responses

- The number of respondents expecting a recession has waned significantly in just 12 months — from **88%** in the beginning of 2023 to **48%** presently
- **37%** expect consumer confidence to *Improve* over the next six months, an increase from only 8% observed last quarter
- All else equal, a majority, **55%**, are now prioritizing growth over margins, an increase from 29% last quarter
- Still, over **50%** cite Geopolitics as the leading risk, topping concerns for the second consecutive quarter amid U.S.–China tensions and the war in the Middle East
 - While bearish views on China's economy over the next six months softened from Q3's record high, **79%** assign a *High* or *Very High* level of risk to companies with exposure; additionally, more investors, **49%**, are in outright favor of U.S. companies de-risking exposure versus those who believe executives should follow through on "In China for China" strategies
- 'Global South' economies are expected to *Improve* over the next six months, led by India and Southeast Asia; notably, more anticipate the UK *Improving* than *Worsening* for the first time post Brexit

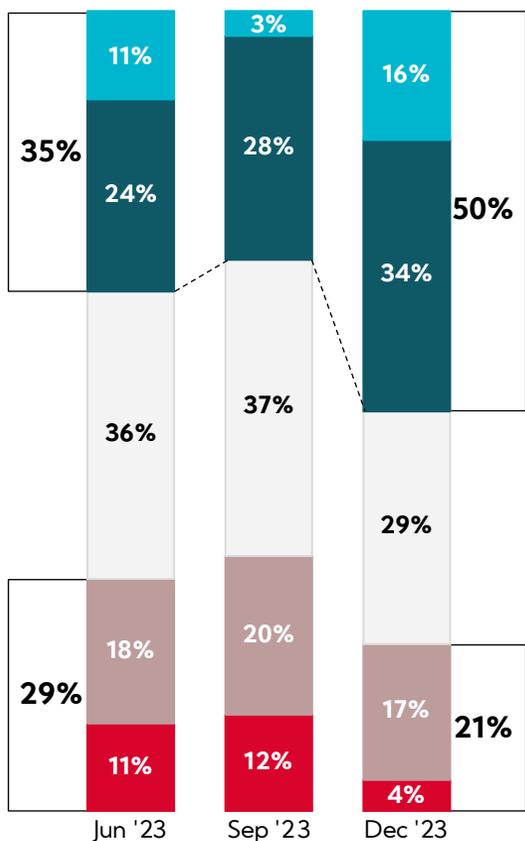
Debt Paydown Remains the Leading Preferred Use of Cash, Though Support for Reinvestment Jumps QoQ; Respondents Point to the Upcoming U.S. Presidential Election and Tech as Things to Be Bullish About

- Despite increasing optimism, conservatism still abounds as debt paydown remains the top preferred use by **62%**, albeit down from 72% last quarter, followed by reinvestment, which sees more support at 53% versus 36%
 - **39%** support *Increasing* current levels of growth capex, up from 18%, and just 8% recommend *Moderating* or *Reducing* levels, down from 46%
- Notably, M&A sees a slight uptick in interest, as the deal environment begins to show signs of promise; meanwhile dividend preference falters to 10%, down from 31% last quarter, and support for buybacks holds relatively steady
- Outside of the prospect of lower interest rates, 35% of investors point to the election year as a reason for optimism, generally asserting it is a period of heightened stimulus actions
- Bulls continue to congregate in Tech, which reigns as the top bullish bet for the fourth consecutive quarter; meanwhile, REITs and Consumer Discretionary continue to be among the most downbeat sectors, though the latter registered the largest swing in bullish sentiment of all sectors

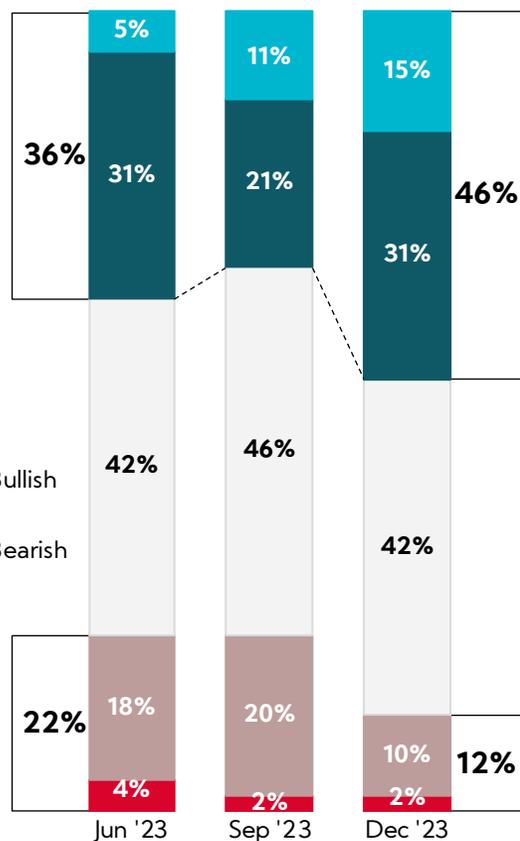
Investor Sentiment and Perceived Executive Tone More Optimistic as a New Year Unfurls; Levels Commensurate with December 2021

That said, historical trends indicate investors are more bullish ~80% of the time heading into a new year versus the prior quarter

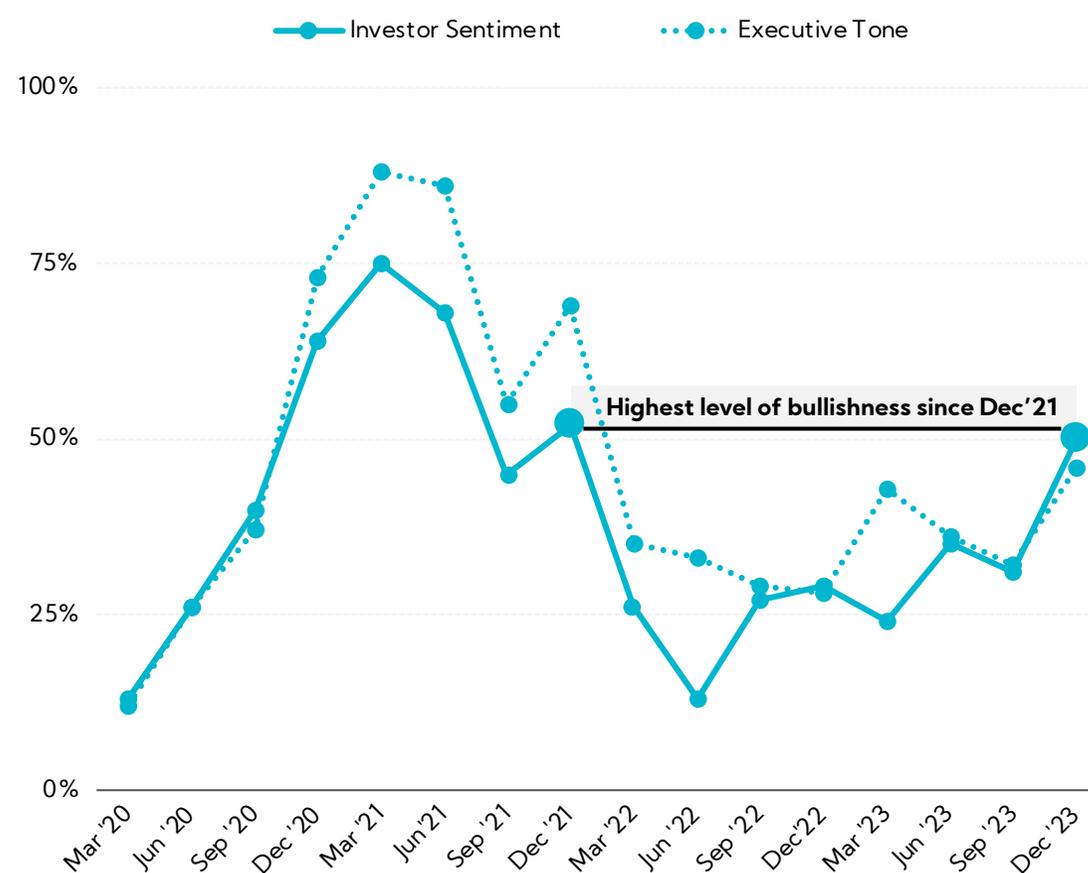
INVESTOR SENTIMENT



EXECUTIVE TONE



BULLISH INVESTOR SENTIMENT AND PERCEIVED EXECUTIVE TONE



More Positive Stance Supported by Declining Inflation and Bets on a Lower Interest Rate Environment in 2024

Bullish / Neutral to Bullish

"Our current market sentiment is bullish and constructive as we think interest rates are coming down." **Buy Side, N. America, Generalist**

"Adaptation by economic participants to interest rates is advanced. Inflation declining is positive for interest rates." **Buy Side, N. America, Generalist**

"Management appears to be setting a low bar yet optimism pervades most comments." **Buy Side, N. America, Generalist**

"Election cycle, Fed cycle, easy comparisons." **Buy Side, N. America, Generalist**

"Cost inflation for companies is fading fast, interest rates are hopefully going down next year, but on the downside, GDP growth could be somewhat subdued or even falling in some countries next year." **Buy Side, Europe, Generalist**

"I am more bullish than I have been in a while with the Fed indicating they are going to slow or take rates down a little and not try to overshoot, but we will see." **Sell Side, N. America, Generalist**

"Market looking past mediocre fundamentals." **Sell Side, N. America, Industrials**

"I think management teams are taking the opportunity to set lower bars. A lower bar reduces the risk of blow ups and increases likelihood of upside surprise." **Sell Side, N. America, Health Care**

"Most companies have taken steps to somewhat re-trench their market enthusiasm prior to current macro environment." **Sell Side, N. America, Information Technology**

Neutral

"My current market sentiment is neutral. The positive side is we may see rate cuts in the future. The negative side is the economic indicators have peaked out." **Buy Side, N. America, Generalist**

"The tone of executives is very mixed. It depends who you talk to." **Buy Side, N. America, Generalist**

"Short-term bearish, medium to longer term neutral to bullish." **Buy Side, N. America, Generalist**

"Fuller valuations despite rising uncertainty, inventory destocking." **Buy Side, N. America, Industrials**

"We're more bullish than we were prior to now, but it's hard to say what's going to happen next. We're expecting some choppiness in the first quarter and then after is TBD. Executive sentiment is being driven by inflation coming down and its impact for margin benefit." **Buy Side, N. America, Industrials**

"My sentiment toward the U.S. market is neutral. I'm not bullish because I'm still not sure of the impact of interest rates working their way through the economy and because of various geopolitical risks that could result in spiking oil or potential political risk in the U.S." **Buy Side, N. America, Financial**

"Given the current stance of the Fed, the rate cuts help to take away some of the shakiness in the market. However, we are at the eclipse of perhaps a broader economic slowdown and how that is going to play out across the geography is to be seen. How the market is reacting to small misses in earnings results is some caution." **Buy Side, Europe, Multi**

"Peak rates and inflation coming under control, some hopes of a soft landing." **Buy Side, Asia, Generalist**

Neutral to Bearish / Bearish

"Soft economy, bad policy from the administration, and congress is a mess, has no leader, and no discipline." **Buy Side, N. America, Multi**

"Bearish over the next six months. Some of the moves the last two months were overdone to the upside, so an unwind plus wherever we fall on a soft or hard landing coupled with the slowdown. I am worried over the next couple quarters, but more constructive medium term. I do not love the setup into the new year. The tone of executives is neutral to bearish. Everyone is bracing for some pain, so it is a matter of how hard or soft that is." **Buy Side, N. America, Generalist**

"Caution in the face of multiple macro and consumer headwinds." **Buy Side, N. America, Generalist**

"Executives setting a cautious tone." **Buy Side, N. America, Multi**

"My current market sentiment is negative. It is a combination of valuations, earnings revisions and macro. The tone of executives is neutral." **Buy Side, Europe, Financials**

"Inflationary pressure, higher interest expense, less pricing power, softening demand." **Sell Side, N. America, Generalist**

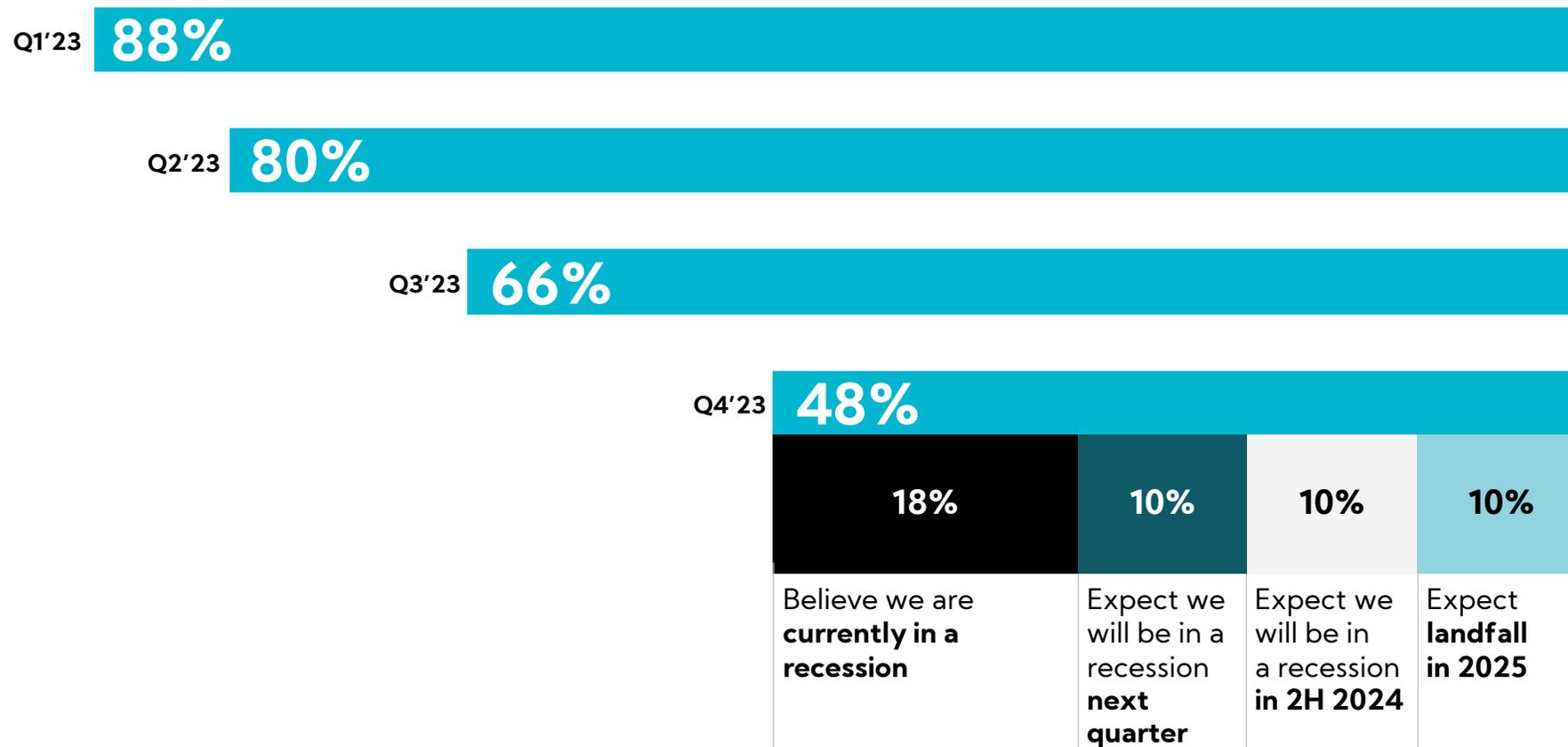
"Ongoing weak demand and the full adverse effect of higher interest rates on the economy is yet to come." **Sell Side, Europe, Materials**

"Seeing too many signs of slowing. Seems like risk isn't being factored by the market." **Sell Side, Australia, Materials**

Recession Expectations Have Moderated Meaningfully, but Slowing Growth is a Reality for Most

For those who do expect a U.S. recession, most anticipate landfall within the first half of 2024

QoQ RECESSION EXPECTATIONS



"It appears to have been a rolling recession within specific industries through the last 18 months post-pandemic." **Buy Side, N. America, Generalist**

"There are more of these rolling-type recessions when some sectors and industries are doing well and others are a little depressed and the net impact is we are not having this hard landing where unemployment falls down, so it is sector-specific." **Buy Side, N. America, Financials**

"We're not forecasting a recession, but a significant slowdown in growth." **Buy Side, N. America, Industrials**

"I am not expecting a recession. The odds are there, and it could happen, but based on the companies I speak to it seems like we are going to grind higher from here." **Sell Side, N. America, Generalist**

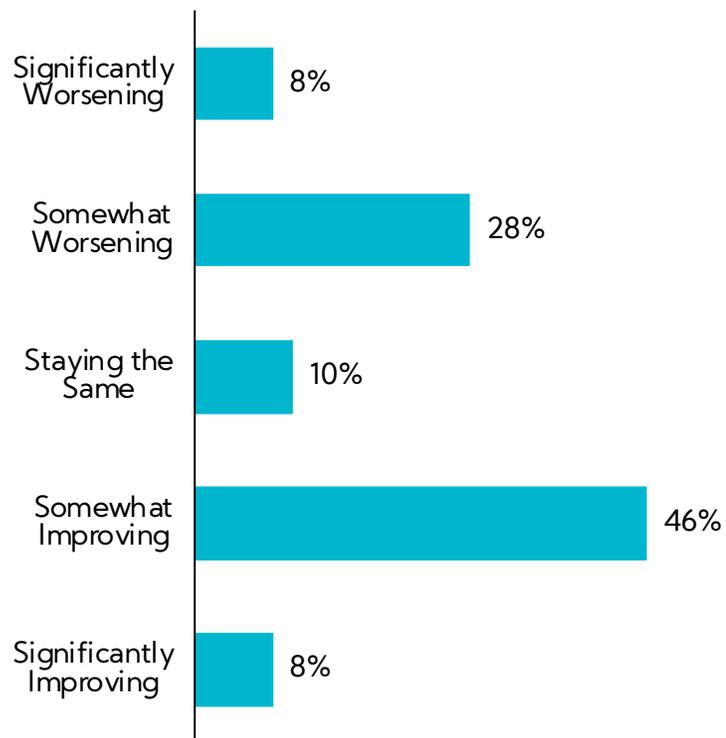
"Rolling recession by sector in 2022 and 2023 already occurred." **Buy Side, N. America, Tech**

"I do not expect a recession, but growth is likely to be subdued." **Sell Side, Europe, Materials**

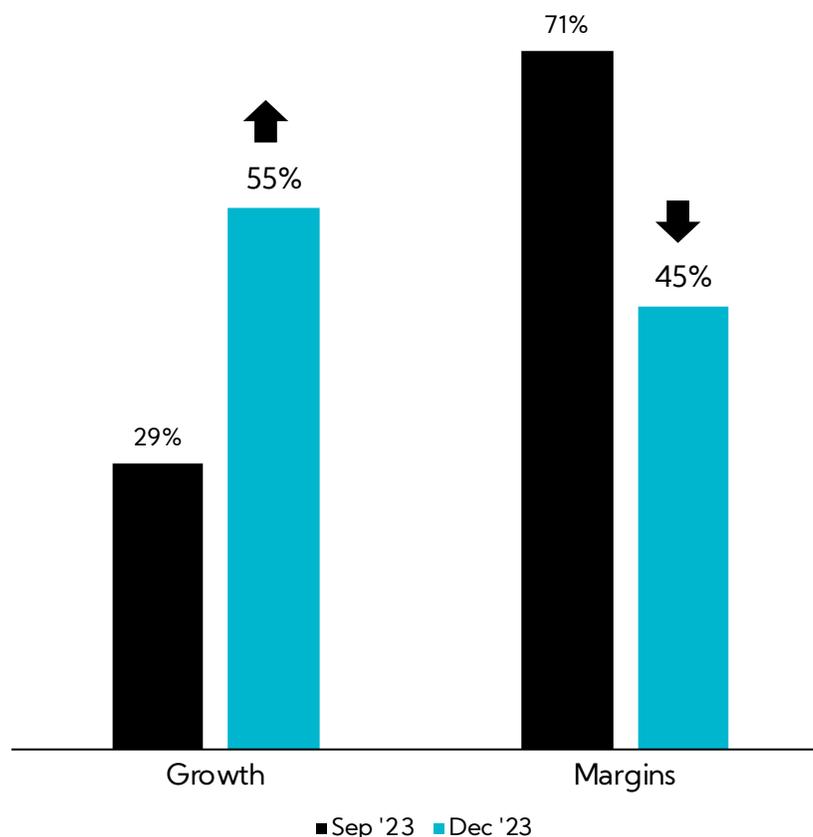
With More Expecting Overall Macro Conditions to Improve in 2024, Bottom-Line Emphasis Reverses Course in Favor of Growth

All else equal, more are prioritizing growth over margins at this time

OVERALL MACRO CONDITIONS IN 2024
RELATIVE TO 2023



KPI PRIORITIZATION AT THIS POINT IN THE CYCLE



Growth

"I still prioritize growth. Margins are incredibly important, but so long as there is enough progress on margins and a belief in the long-term margin profile of the business, I still gravitate toward growth, just not growth at any cost." **Buy Side, N. America, Generalist**

"Managing through a bad environment shows the strength of the business." **Buy Side, N. America, Generalist**

"Growth is the driver of the markets. Investors go to where growth is." **Buy Side, N. America, Generalist**

"Margins will follow growth." **Buy Side, N. America, Generalist**

"Margins will be influenced by inflation, growth is needed to move higher." **Buy Side, N. America, Energy**

"Growth wins in the long run." **Buy Side, Europe, Generalist**

"It is always a tradeoff, but growth is what I prioritize at this time." **Buy Side, Asia, Generalist**

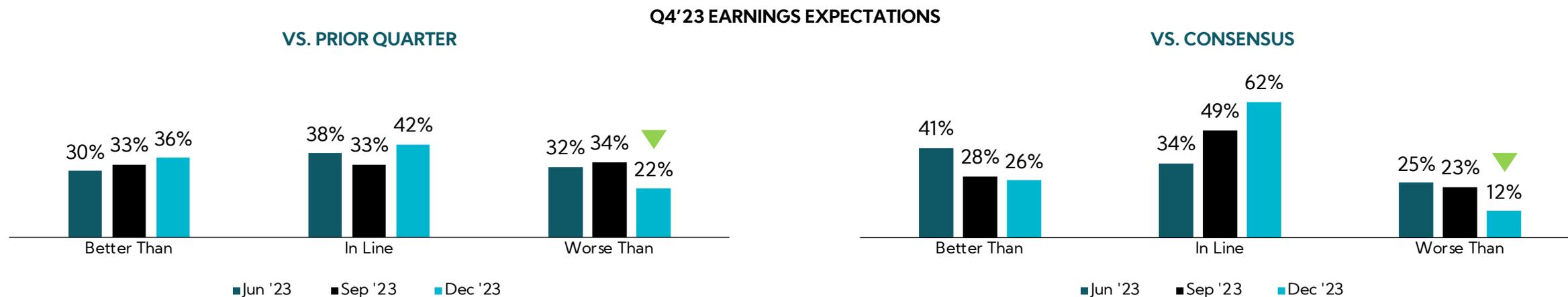
Margins

"The Fed shift in policy tone suggests that the economy is slowing faster than previously thought." **Sell Side, N. America, Generalist**

"I don't see revenue growing faster in 2024, so I want to see companies emphasize margins." **Sell Side, N. America, Multi**

"Can companies sustain margins?" **Sell Side, Australia, Materials**

Expectations Are for 2023 Earnings Results to Largely Be In Line with Last Quarter and Consensus...



Better Than

"Macro environment coupled with modest margin expansion should bode well for Q4'23 earnings." **Buy Side, N. America, Generalist**

"Lower interest rates and inflation will drive activity. Seasonality will also contribute." **Buy Side, N. America, Generalist**

"Growth exceeding expectations." **Buy Side, N. America, Tech**

"Market improving dramatically." **Sell Side, N. America, Generalist**

"Improving macro environment." **Sell Side, N. America, Tech**

"More deals." **Sell Side, South America, Generalist**

"Portfolio companies continue to report excellent results." **Buy Side, Australia, Industrials**

"For technology and communications sectors." **Buy Side, Asia, Multi**

In Line

"Understanding where consumers are is making forecasting this quarter difficult." **Buy Side, N. America, Generalist**

"Adaptation by economic participants to interest rates." **Buy Side, N. America, Generalist**

"Not seeing material inflections so far in Q4." **Sell Side, N. America, Health Care**

"Earnings estimates have been managed to be conservative, but I don't see any opportunity for budget flush." **Sell Side, N. America, Multi**

"Fed mostly." **Sell Side, N. America, Multi**

"Interest rate cuts." **Buy Side, Europe, Generalist**

"Things not getting better or worse." **Sell Side, Europe, Multi**

"Macro data, higher frequency." **Sell Side, Australia, Materials**

Worse Than

"Slowing economic growth and falling pricing." **Buy Side, N. America, Generalist**

"Weakening margins." **Buy Side, N. America, Multi**

"Inflationary pressures, higher interest expense, less pricing power, softening demand." **Sell Side, N. America, Generalist**

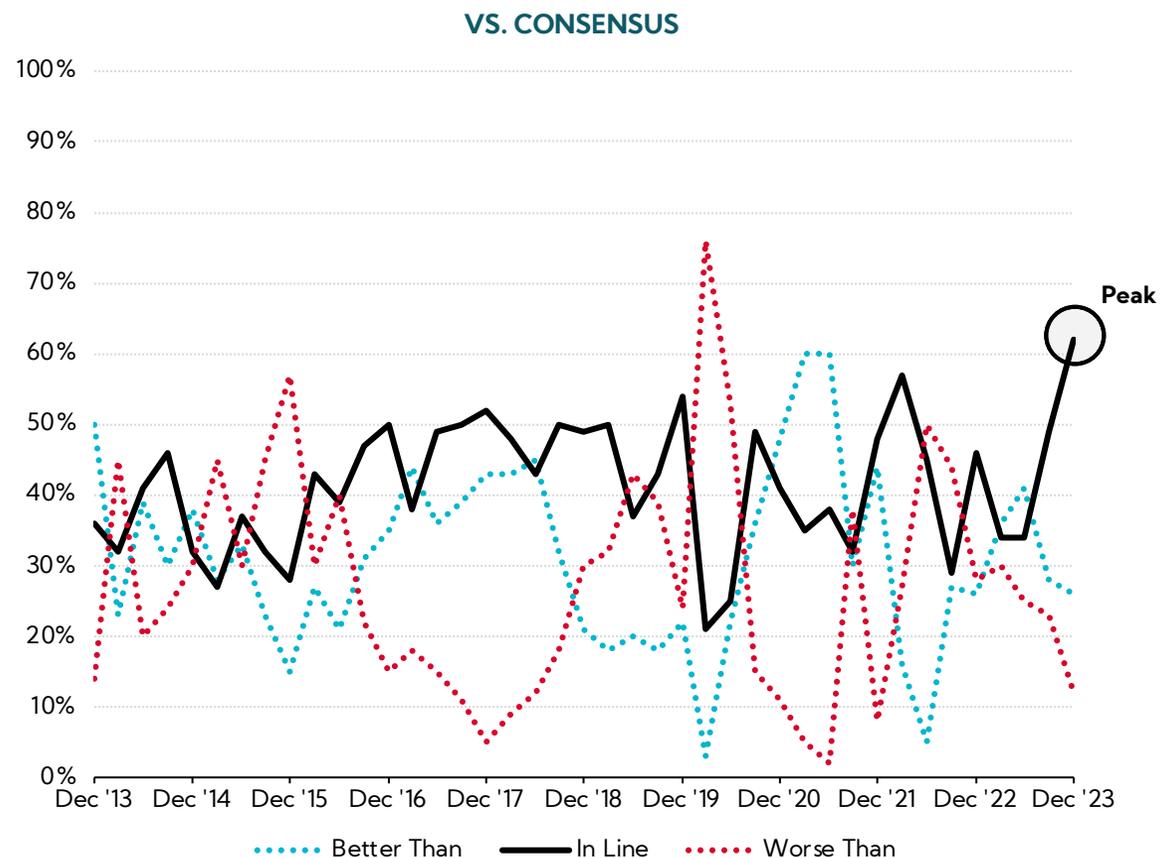
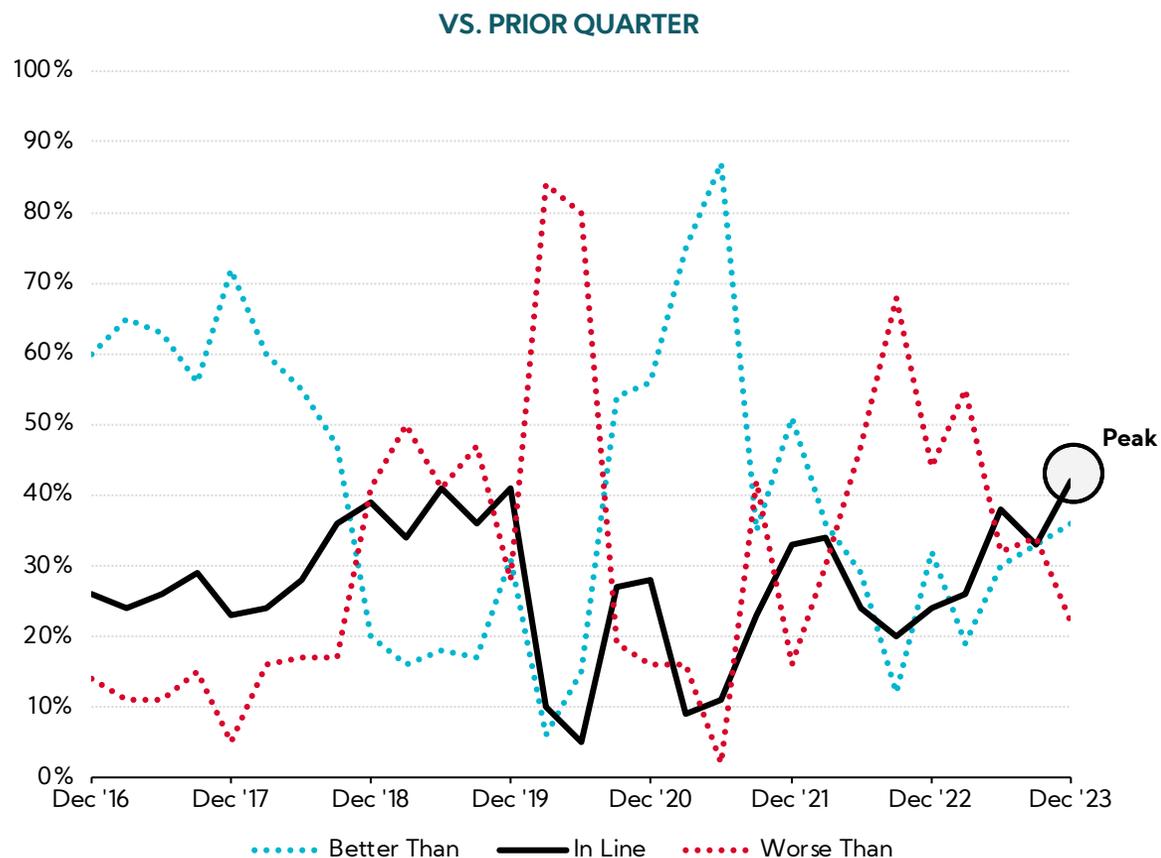
"Slowdown everywhere." **Buy Side, Europe, Generalist**

"Slowing growth." **Buy Side, Europe, Generalist**

...Though More are Relying on Prior Quarter Performances and Analyst Estimates to Drive Expectations than in Quarters Past

With the highest percentage of respondents in survey history expecting results in line with prior quarter performances and analyst estimates, investors are either more confident or complacent that top-down macro concerns are not going to impact bottom-up, fundamental company performances

SEQUENTIAL EARNINGS EXPECTATIONS

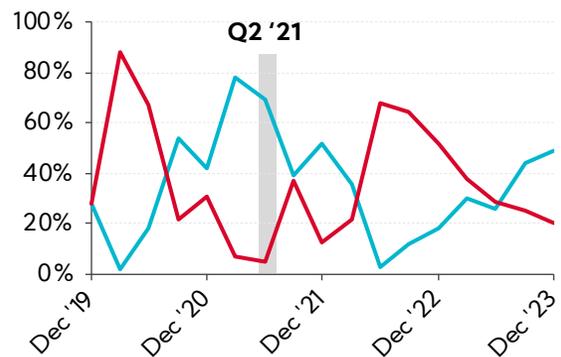
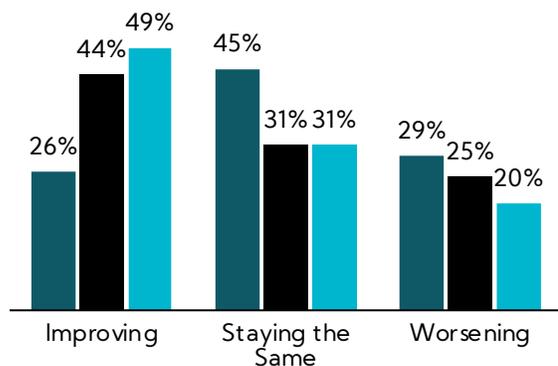


Improving KPIs Largely Expected Across the Board, with Fewer than One-Quarter Anticipating a Sequential Deceleration

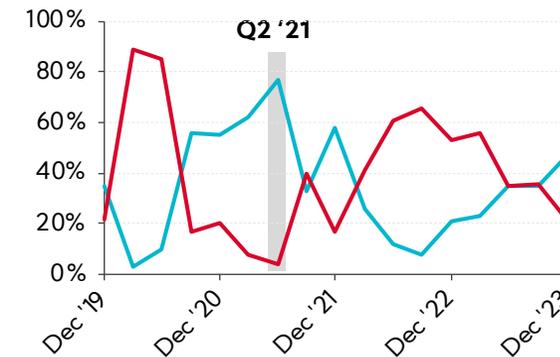
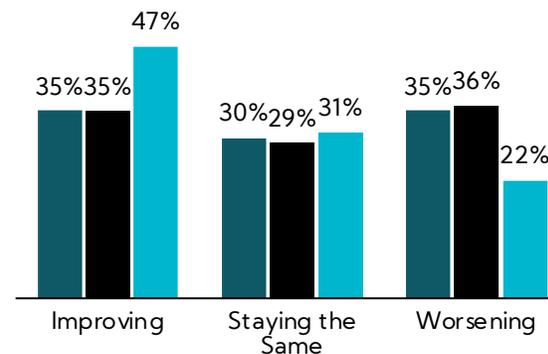
More expecting improving versus worsening KPIs across all measures for the first time since Q2 2021

Q4 '23 PERFORMANCE EXPECTATIONS

REVENUE

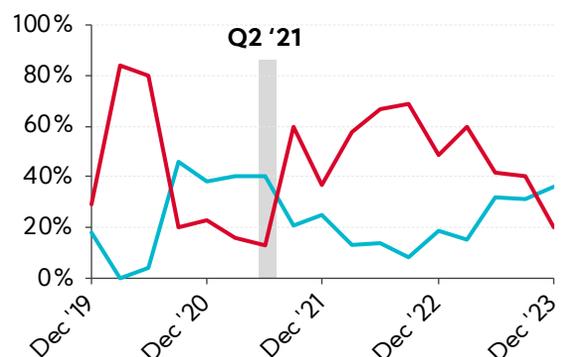
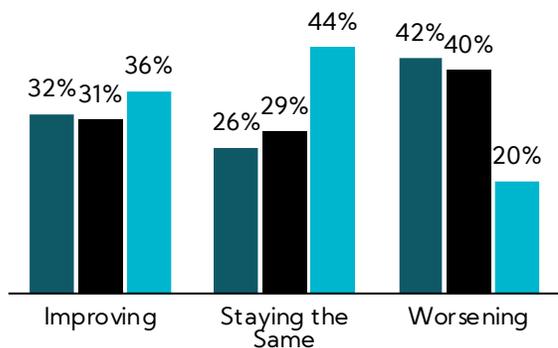


EPS

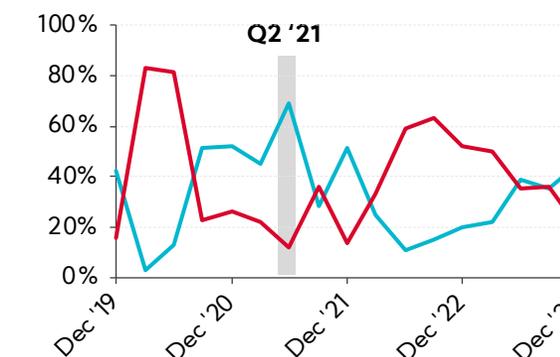
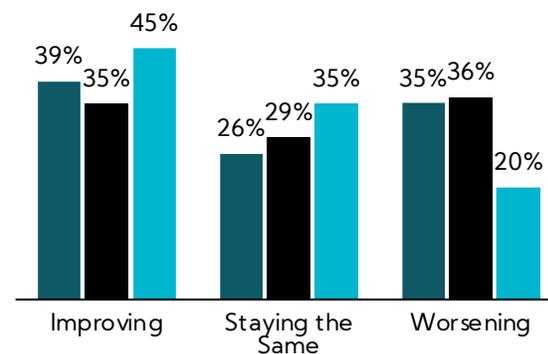


■ Jun '23 ■ Sep '23 ■ Dec '23 — Improving — Worsening

OPERATING MARGINS



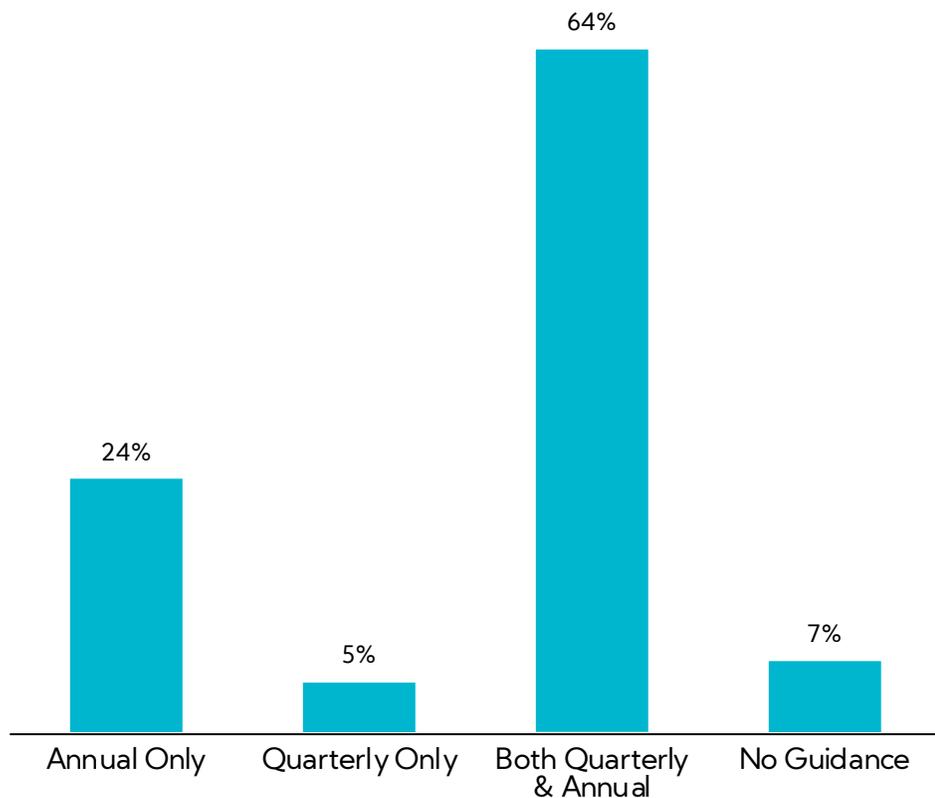
FCF



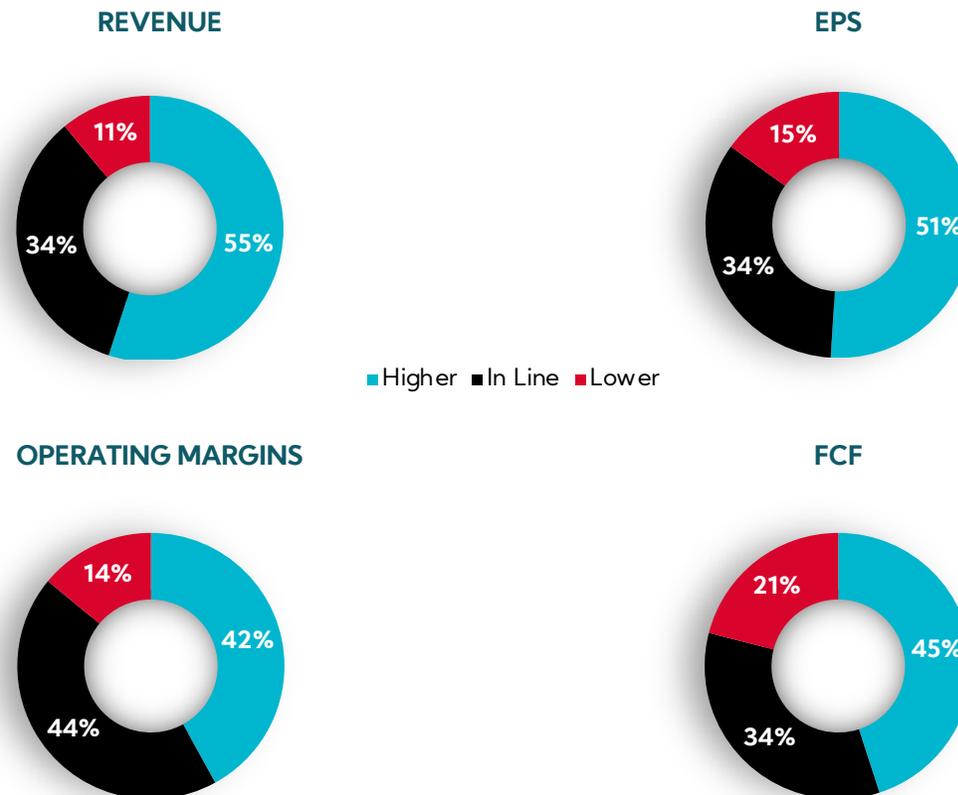
2024 Guidance Expected to be Higher than 2023 Actuals

Surveyed investors clearly favor providing both annual and quarterly guidance

COMPANY-ISSUED GUIDANCE PREFERENCE



FULL YEAR 2024 GUIDANCE EXPECTATIONS RELATIVE TO 2023 ACTUALS



31%

2024 Outlook
(↓ 8pts)

28%

Margins, Expense Management
(↓ 35pts)

26%

Capital Allocation
(↑ 10pts)

26%

Demand
(↑ 6pts)

23%

Growth
(↓ 1pt)

21%

Labor
(↑ 4pts)

Topics of Interest for Upcoming Earnings Calls

Margins and expense management, while still a topic of interest, drop precipitously after being the #1 focus area for four consecutive quarters; with more resolve around the prospects of 2024 and the capital markets opening, capital allocation is in focus

Views from N. America

"Structural demand (non-inventory related), China, wages." Buy Side, Generalist

"How does AI affect the business, is tech allowing efficiencies, new competition" Buy Side, Generalist

"Growth prospects, supply chain impediments, G&A cost control." Buy Side, Generalist

"Catalyst for growth, plan for sustaining/enhancing margins, plans regarding both capex & human capital." Buy Side, Generalist

"Growth strategy, key business issues and how they're being addressed, hear good and bad from exec team." Buy Side, Generalist

"Outlook for the next 6 months, how hard is it to find the employees you need, have your customers' preferences changed?" Buy Side, Generalist

"Impact on business if Trump wins the election." Buy Side, Generalist

"Revenue, margins, free cash." Buy Side, Generalist

"Business plan, competitive pressures, end-market evolution." Buy Side, Generalist

"EPS, margins, competition, AI strategy." Buy Side, Multi

"Impact of inflation and higher rates, impact of political uncertainty, how to avoid landmines of sensitive political/social topics." Buy Side, Multi

"Margins, revenue, 12-36 month [business] outlooks in the current environment." Buy Side, Multi

"Bookings, debt maturities, cash flow." Buy Side, Multi

"Material and labor costs vs. pricing, FCF prospects, electronics markets recovery." Buy Side, Industrials

"Orders and backlog, pricing, timing on stimulus impact." Buy Side, Industrials

"Cash flow, buybacks, margins as relates to pricing power & supply chain." Buy Side, IT

"Capital allocation priorities." Buy Side, IT

"Exports, pricing power, labor." Buy Side, Energy

"Greater clarity on the outlook and if there is better line of sight." Sell Side, Generalist

"Lean thinking, safety, employee engagement." Sell Side, Generalist

"Pricing power, demand, balance sheet - capital mgmt., potential offsets / silver linings." Sell Side, Generalist

"End market demand, operational execution, labor costs." Sell Side, Health Care

"Pricing, competitive environment - share gain/loss, res and non-res construction trends." Sell Side, Industrials

"Business environment expected in 2024, opportunities for growth from AI, ability to generate higher margins." Sell Side, Multi

"Revenue growth, margins, cash flow." Sell Side, REIT

Views from Europe / APAC

"End customer demand, destocking, M&A." Buy Side, Generalist

"Capital allocation and rates impact." Buy Side, Financials

"Deflation, recession, cost cutting." Sell Side, Generalist

"Guidance, demand, M&A." Sell Side, Generalist

"Cost inflation, downtrading, consumer mood." Sell Side, Multi

"Volume development, capacity utilization & pricing, outlook." Sell Side, Materials

"Growth, expansion." Sell Side, Generalist

"Are you cutting staff? How are you cost cutting if inflation is still impacting COGS, what is your gearing ratio?" Sell Side, Materials

"Growth outlook, AI adoption, competitive landscape." Buy Side, Multi

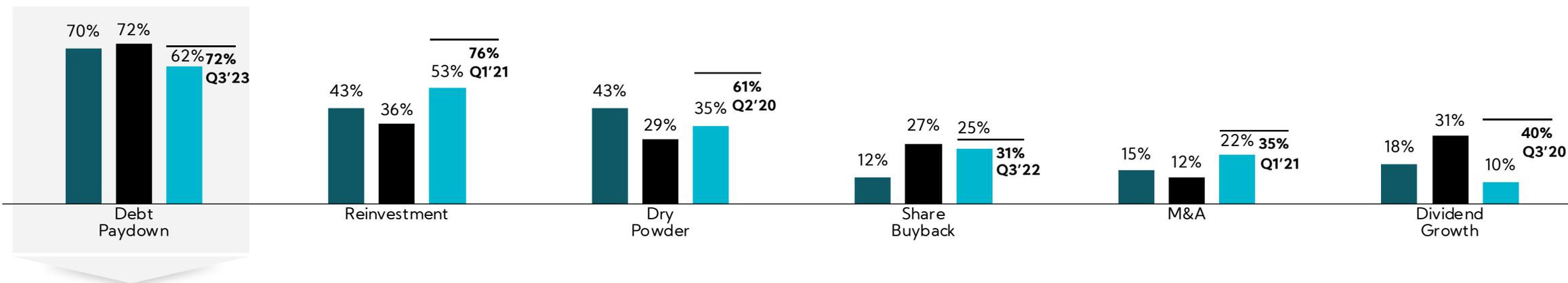
Preference for Debt Paydown, While Still the Leading Preferred Use of Cash, Recedes from Survey Record; Investors Exhibit Renewed Interest in Reinvestment and, for Some, M&A

Those asserting companies should increase growth capex more than double QoQ; however, reflecting continued conservativeness, ideal net debt-to-EBITDA thresholds hold steady for three consecutive quarters, with around three-quarters of investors favoring 2.0x or less

PREFERRED USES OF CASH

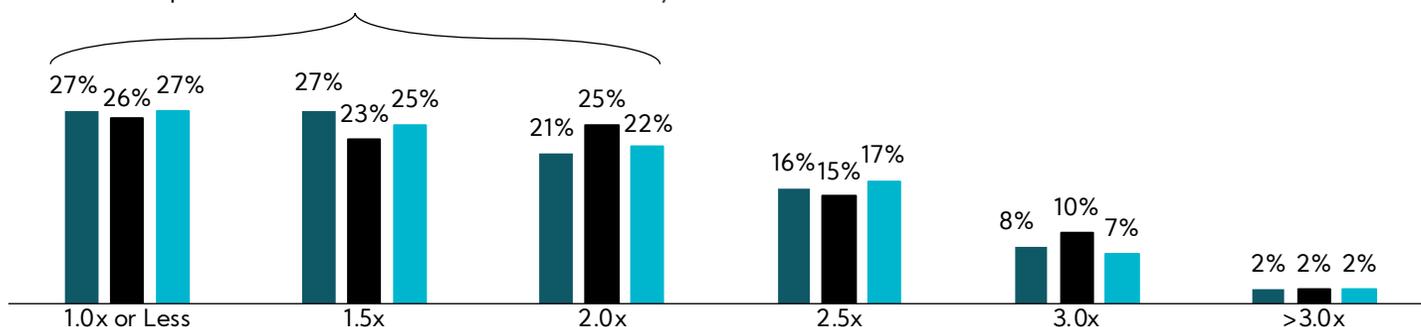
In Descending Order of Top Two Preferences

■ Jun '23 ■ Sep '23 ■ Dec '23 — 5-Year High



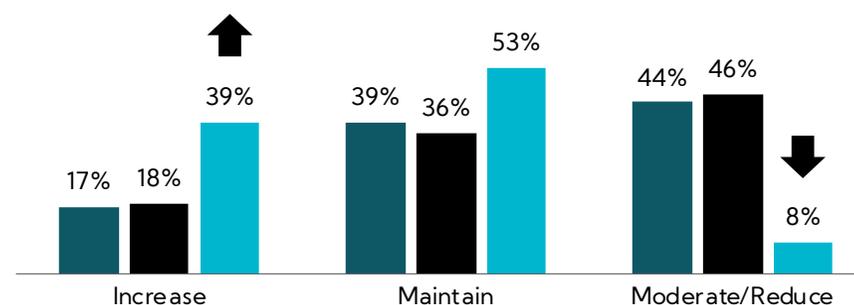
THRESHOLDS FOR IDEAL NET DEBT-TO-EBITDA

74% prefer 2.0x or less, in line with last survey



GROWTH CAPEX PREFERENCES

■ Jun '23 ■ Sep '23 ■ Dec '23



Top Concerns from Around the Globe

Geopolitical risks continue to be cited by more than half of all participants as the leading concern for the second consecutive quarter; meanwhile, interest rate concerns remain top of mind as investors digest the effects of recent Fed commentary and exhibit mixed perspectives over the strength of the economy

QoQ Change	Rank	Percentage	Change	Concern	Sub-concern
	1	51%	(↓ 20pts)	Geopolitical Risks	War (18%)
	2	45%	(↑ 1pt)	Monetary Policy	
	3	35%	(↑ 6pts)	U.S. Politics	
	4	22%	(↑ 12pts)	Slowing Growth	
	5	22%	(↓ 2pts)	Global Macro Uncertainty	
	6	16%	(↑ 1pt)	Consumer Health	

Views from N. America

"Factory automation capex, labor pressures, inventory digestion."

Buy Side, Generalist

"Interest rates, global supply chains, geopolitics."

Buy Side, Generalist

"War in Ukraine and the Middle East, growing U.S. deficit, higher rates for longer."

Buy Side, Generalist

"The impact of higher rates filtering through the economy and slowing the economy and retail numbers, the health of the overall consumer in a higher rate environment."

Buy Side, Generalist

"Fiscal policy, monetary policy, geopolitical events."

Buy Side, Generalist

"Government spending reaccelerating, interest rates, geopolitics."

Buy Side, Generalist

"Economic freedom encroachment, climate crisis, suddenness of equity markets sentiment swings."

Buy Side, Generalist

"Macro, potential geopolitical war."

Buy Side, Generalist

"AI, margins, EPS growth."

Buy Side, Multi

"Foreign economies, U.S. economic growth, inflation rate."

Buy Side, Industrials

"Geopolitical risk, short cycle demand, timing of rate cuts."

Buy Side, Industrials

Industrials

"Political uncertainty and rhetoric, spread of regional conflicts to involve a major power, lack of vision to accelerate energy transition and impact behind the scenes of gulf states and oil companies."

Buy Side, Multi

"Growth, pricing power, commodity pricing."

Buy Side, Tech

"The economy, potential for recession, interest rates, geopolitical tensions."

Buy Side, IT

"Geopolitical risks that could result in spiking oil or potential political risk in the U.S., interest rate impact on the economy, ."

Buy Side, Financials

"Economic growth, valuation, monetary and fiscal policy."

Sell Side, Consumer Discretionary

"Global macro, interest rate volatility, federal debt."

Sell Side, Health Care

"Interest rates, labor, election."

Sell Side, Industrials

"Geopolitical (Russia, China), U.S. election, impacts to delayed protections from climate change."

Sell Side, IT

"Lack of growth, unknowns associated with volatile world events, effect of stimulus wains."

Sell Side, Multi

"Middle East, immigration, U.S. presidency."

Sell Side, Multi

"Government debt, politics, revenue growth."

Sell Side, REIT

REIT

REIT

REIT

Views from Europe

"Macro, pricing, costs."

Buy Side, Generalist

"2024 earnings forecast revisions, messy energy transition for the whole economy, dangerous politicians trying to ignite wars."

Buy Side, Generalist

"Wars in the world, U.S. public debt, China public and residential sector debt."

Buy Side, Generalist

"Inflation, higher interest rates, unemployment."

Buy Side, Generalist

"Economic deceleration, geopolitical tensions, Chinese economy."

Sell Side, Generalist

"Rate hike cycle and end, global political tensions, macro."

Sell Side, Multi

"Inflation, interest rates, housing."

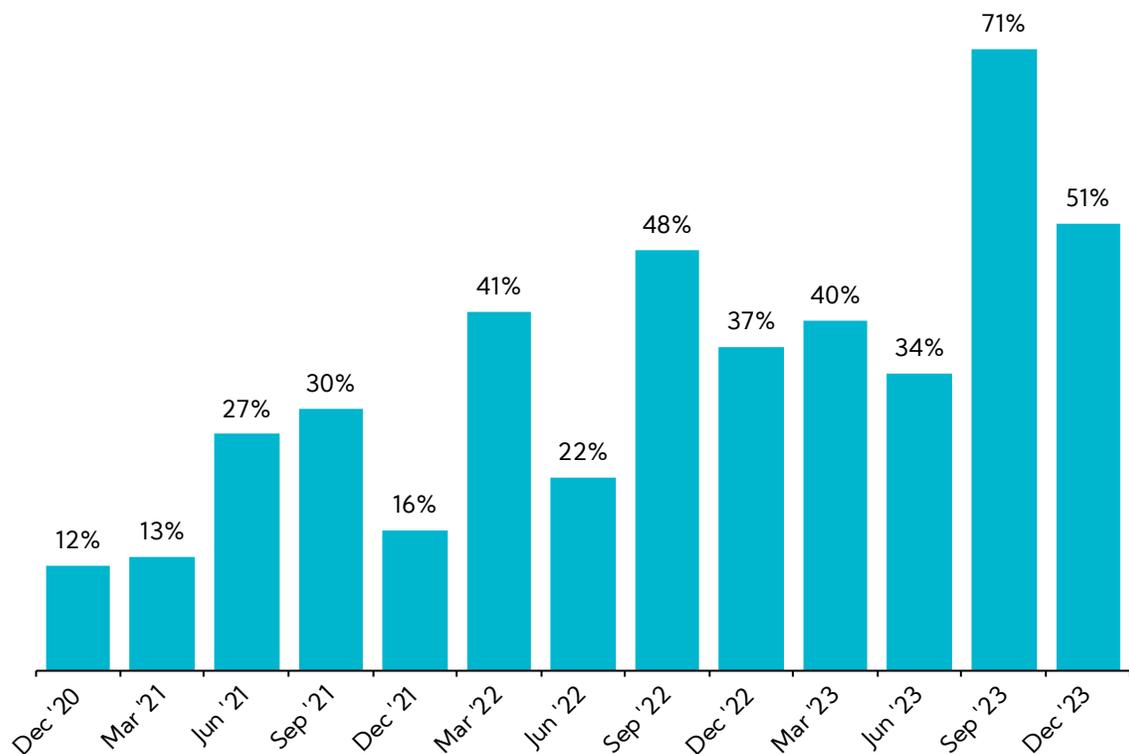
Sell Side, Generalist

Generalist

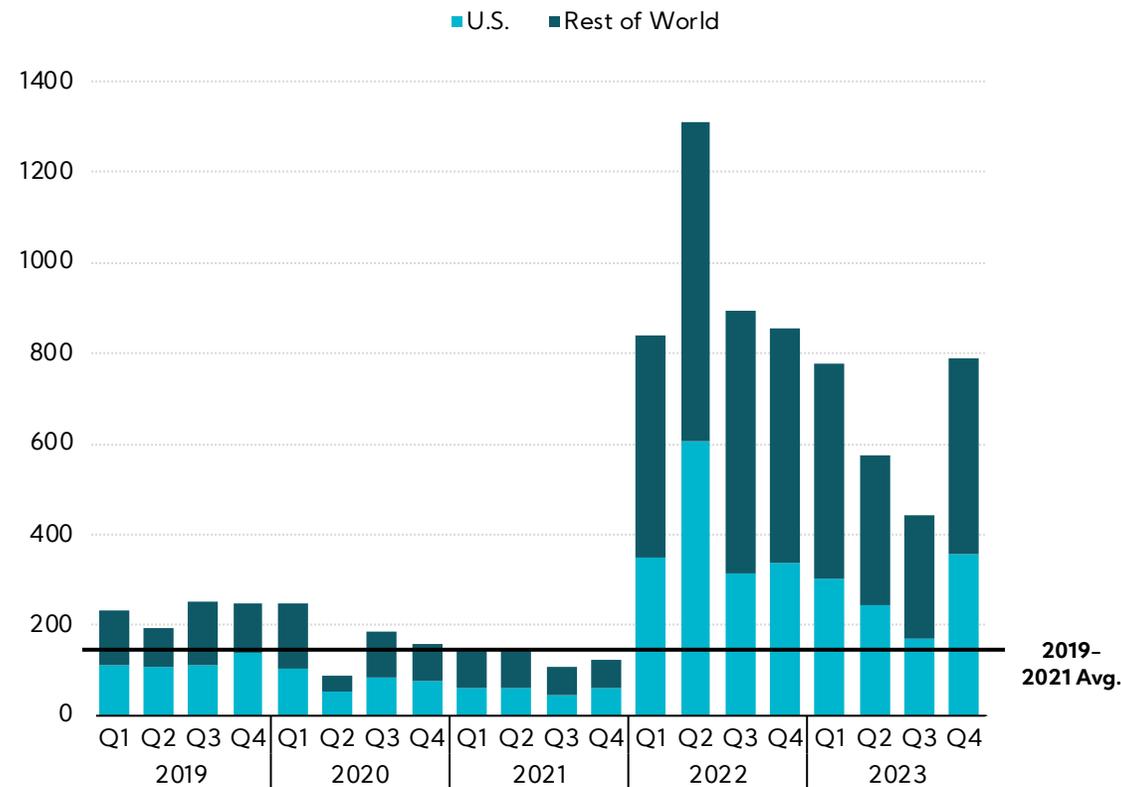
Geopolitical Issues are Increasingly Influencing the Calculus of the Capital Markets and How Companies Communicate

Responses across our surveys have reflected growing geopolitical concern over the past several years, with levels reaching their highest during the last two quarters; reflecting this concern, geopolitics has seen significant executive airtime during recent earnings calls, webcasts, and conferences

GEOPOLITICAL RISKS AS AN INVESTOR CONCERN
(Unaided)

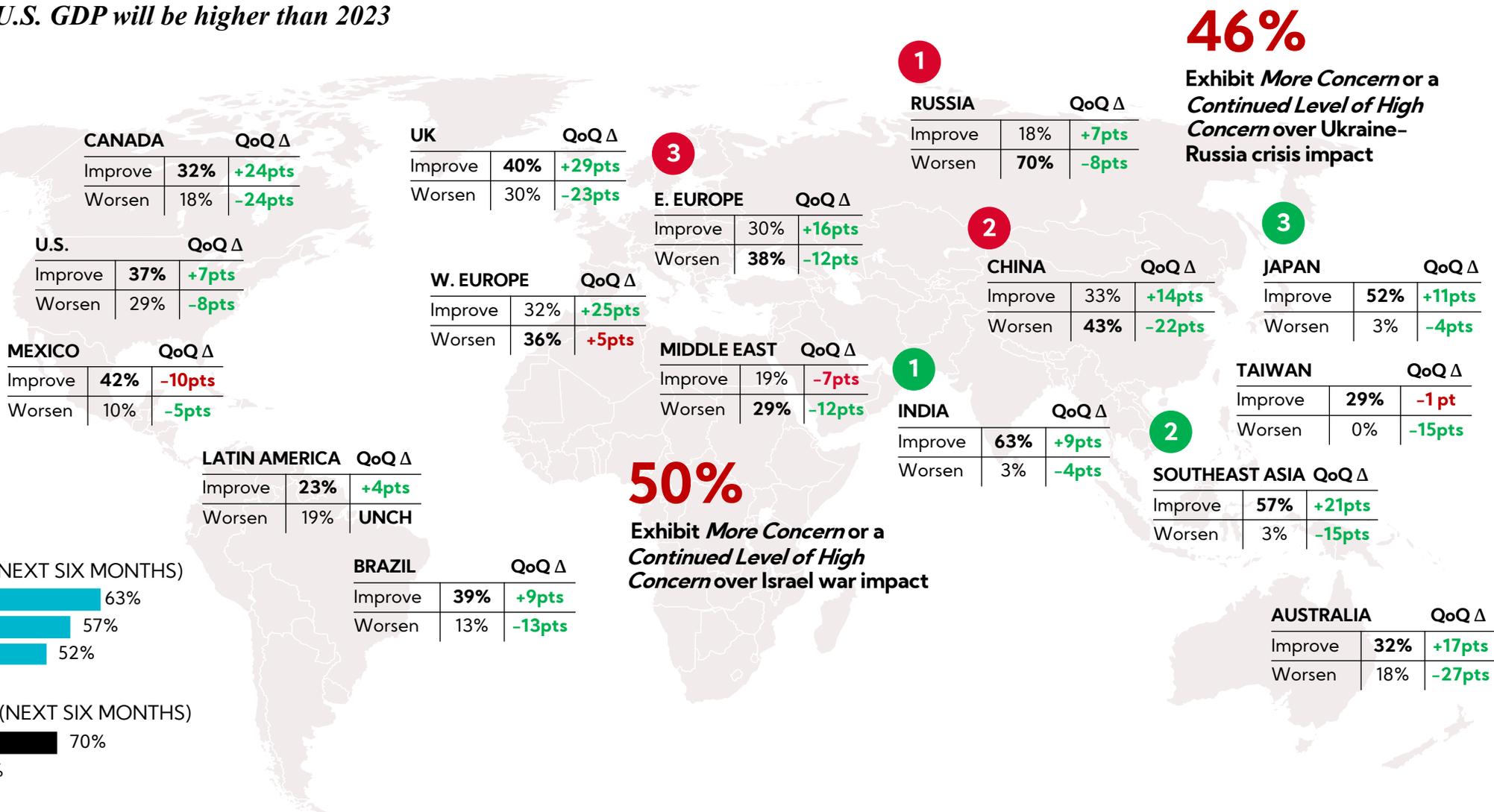


"GEOPOLITICS" MENTIONS WITHIN EXECUTIVE COMMENTARY
(All Companies >\$1B Market Cap, n=2,718)



India and 'Far East' Asian Countries (Ex-China) Expected to Improve Over the Next Six Months; UK Now Sees More Anticipating Improvement for the First Time Post-Brexit

56% believe 2024 U.S. GDP will be higher than 2023



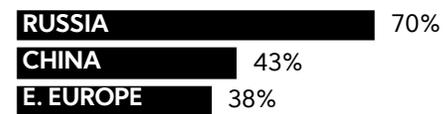
46%
Exhibit *More Concern* or a *Continued Level of High Concern* over Ukraine-Russia crisis impact

50%
Exhibit *More Concern* or a *Continued Level of High Concern* over Israel war impact

TOP 3 – IMPROVING (NEXT SIX MONTHS)



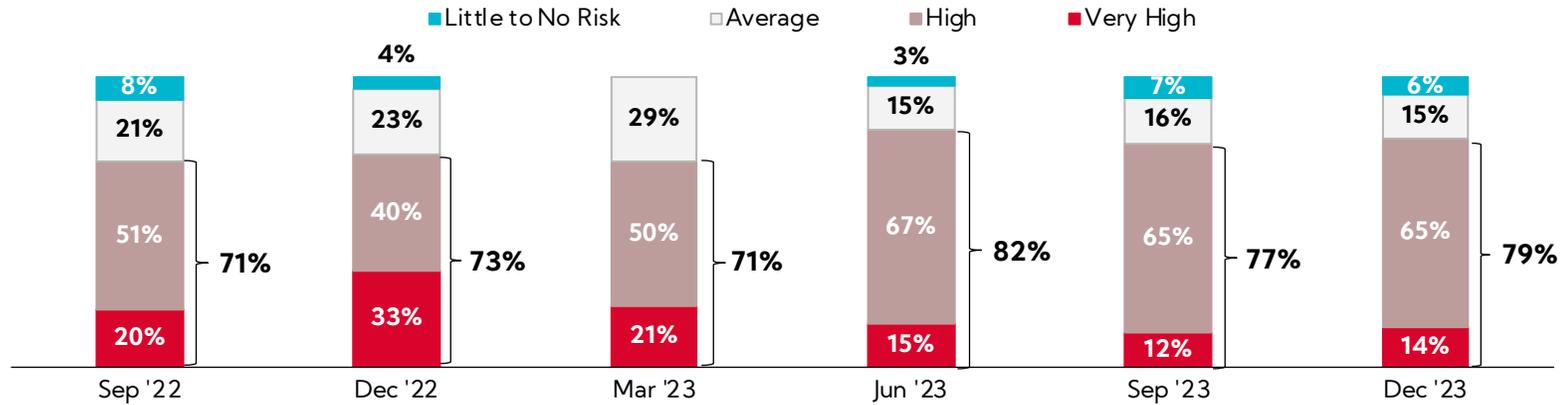
TOP 3 – WORSENING (NEXT SIX MONTHS)



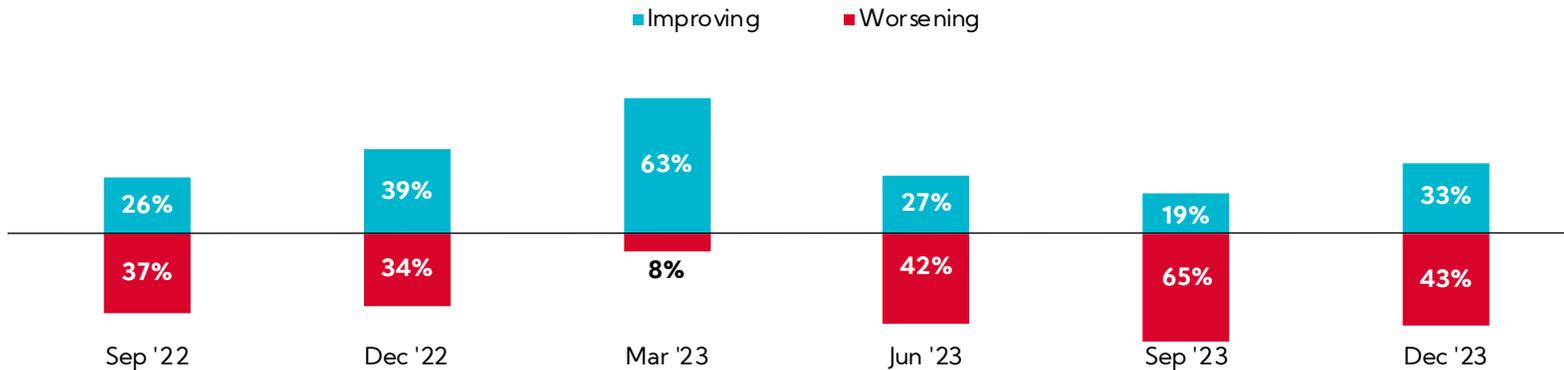
Investors Continue to Assign a High Level of Risk to Companies with Exposure to China, with Most In Favor of De-risking Exposure

62% exhibit more or a continued level of high concern (aided) over U.S.-China relations; additionally, 14% point to the “slowing” Chinese economy as a leading area of concern (unaided)

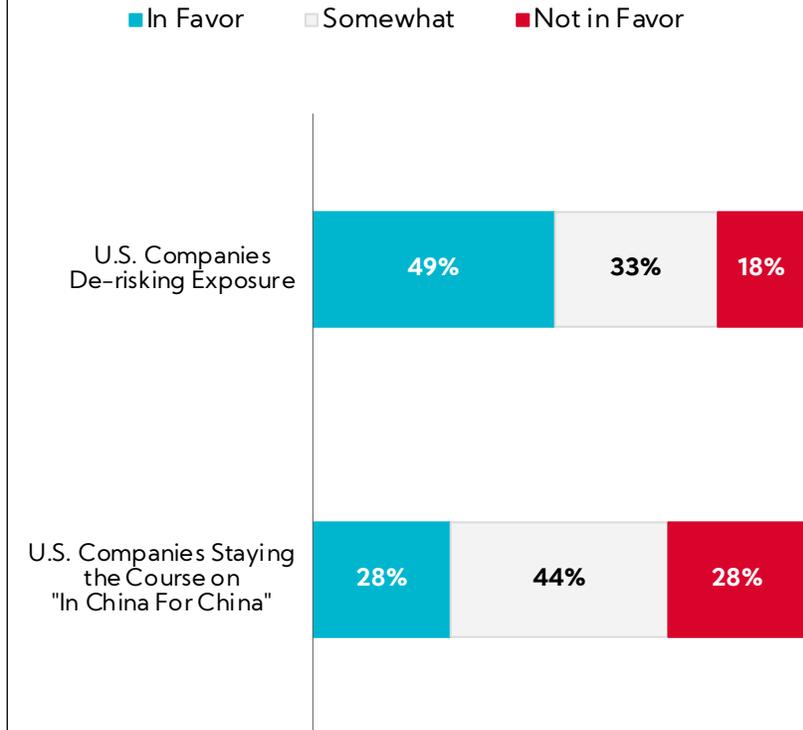
LEVEL OF RISK ASSIGNED TO COMPANIES WITH BUSINESS / OPERATIONAL EXPOSURE TO CHINA



INVESTOR VIEWS ON THE CHINESE ECONOMY OVER THE NEXT 6 MONTHS

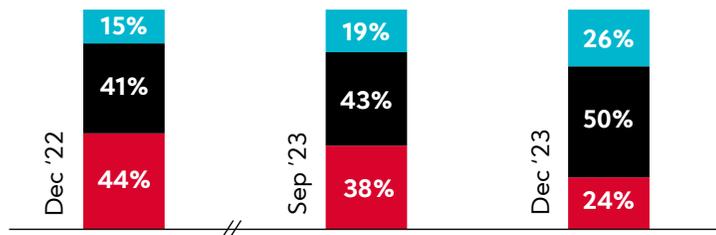


PREFERENCES TOWARD COMPANY STRATEGIES FOR CHINA



Views on Key Economic Indicators Over the Next Six Months: Sentiment Improves Across all Benchmarks, Both Sequentially and YoY

GLOBAL CAPEX

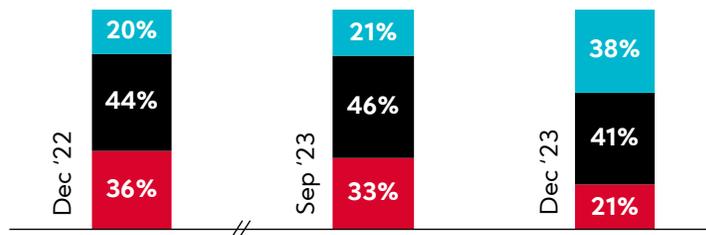


Improving: "Capex spending is accelerating." **Buy Side, N. America, Generalist**

Staying the Same: "Healthy companies will still continue to invest relative to cautious 2023 levels." **Sell Side, N. America, Health Care**

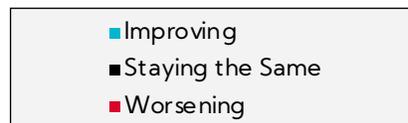
Worsening: "Should grow, but rates will reign it in." **Buy Side, N. America, Multi**

GLOBAL PMI



Improving: "Might get worse for the first half, but improve the second half as lower interest rates kick in." **Buy Side, Europe, Generalist**

Staying the Same: "There is appropriate caution in the system today." **Sell Side, N. America, Health Care**



CONSUMER CONFIDENCE

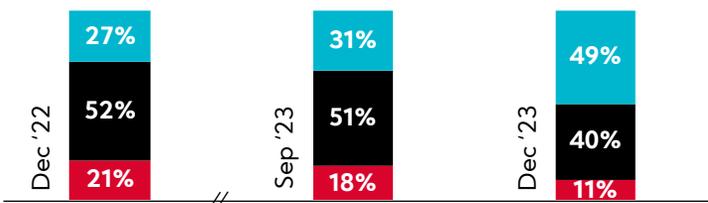


Improving: "Lower rates." **Buy Side, N. America, Generalist**

Staying the Same: "Inflation is coming down, but crisis regarding costs of living is not over yet." **Sell Side, Europe, Materials**

Worsening: "Rates, inflation, poor policy, taxation without representatives — no one cares about the taxpayer, they all want to exploit them." **Buy Side, N. America, Multi**

OIL & GAS MARKETS

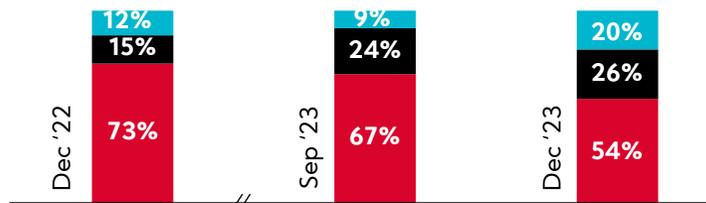


Improving: "Consolidation seems to be ongoing, demand should pick up." **Sell Side, Europe, Materials**

Staying the same: "Everybody's happy with \$80 per barrel Brent." **Buy Side, Europe, Generalist**

Worsening: "Lower overall demand, especially from China and discord in the OPEC+ cooperation as their members lose market share for good." **Buy Side, Europe, Generalist**

NON-RESI CONSTRUCTION

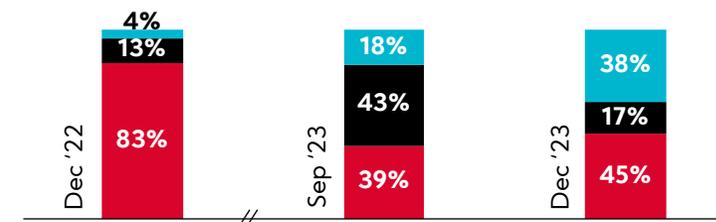


Improving: "Repurposing of facilities." **Buy Side, N. America, Multi**

Staying the Same: "Office space still in the doldrums, governments not notching up infrastructure spending." **Sell Side, Europe, Materials**

Worsening: "Higher interest rates are hurting this industry." **Buy Side, N. America, Generalist**

U.S. RESI CONSTRUCTION



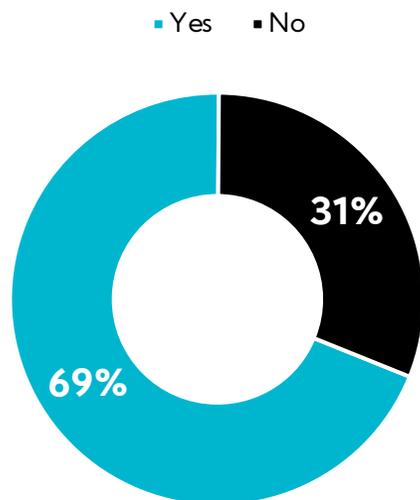
Improving: "Demand for new housing still exists, and we think the interest rate environment will cool, allowing for more homes to be purchased." **Buy Side, N. America, Generalist**

Worsening: "Rates and softening economy." **Buy Side, N. America, Multi**

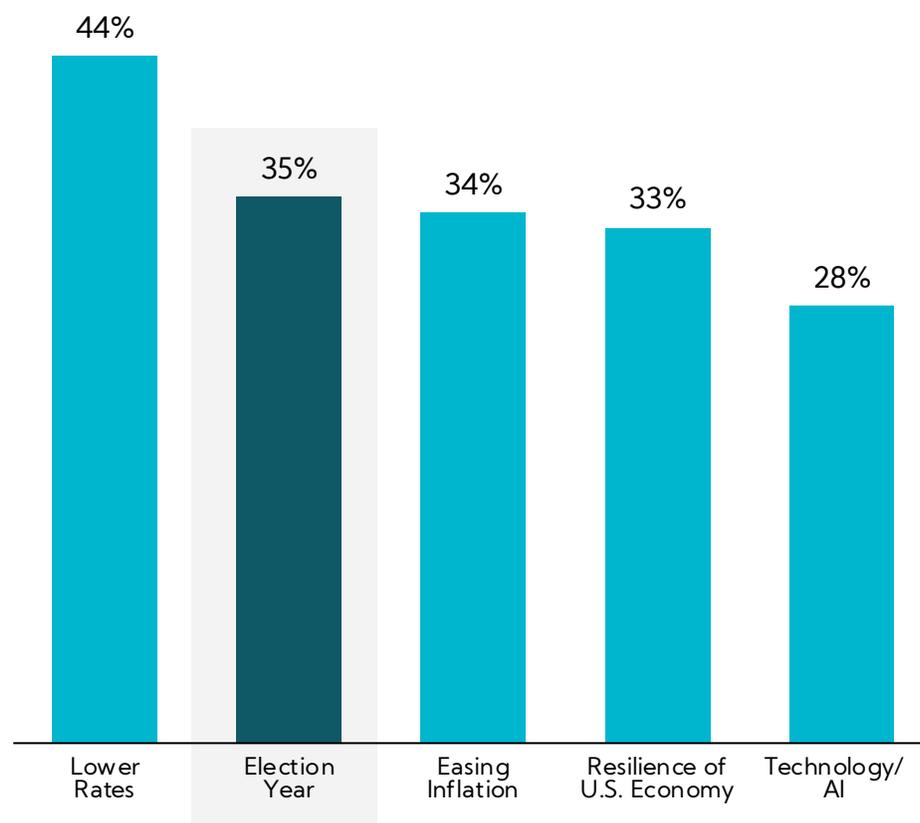
More Than Two-Thirds are Factoring the Upcoming U.S. Presidential Election into Investment Strategies

Participants generally agree an election year results in heightened stimulus actions and favorable equity performances; indeed, the S&P 500 has recorded positive returns for 20 of the 24 election years since 1928

U.S. ELECTION A FACTOR IN INVESTMENT STRATEGY



LEADING REASONS FOR OPTIMISM



Macro Trends Observed During U.S. Presidential Election Year

"It's typically a pretty good year, economically speaking." **Buy Side, N. America, Generalist**

"Larger fiscal stimulus." **Buy Side, N. America, Generalist**

"Bull market." **Buy Side, N. America, Multi**

"Increased stimulus; hard to fulfill promises." **Buy Side, N. America, Multi**

"Incumbents push capital and pump the economy, so its generally a good year, but it's more of a risk-rising episode." **Buy Side, N. America, Multi**

"Equities rise under a divided government." **Buy Side, N. America, Energy**

"Liquidity will be used as an election tool, multiples will react accordingly." **Sell Side, N. America, Health Care**

"I doubt that we will be able to compare the upcoming presidential election to past elections." **Sell Side, N. America, Generalist**

"Magically, rates decline, markets rally, economy booms." **Sell Side, N. America, Industrials**

"Stock market tends to be more uncertain in a presidential election year due to the uncertainty." **Sell Side, N. America, Multi**

"Incumbent invokes policy to strengthen the economy." **Sell Side, N. America, REIT**

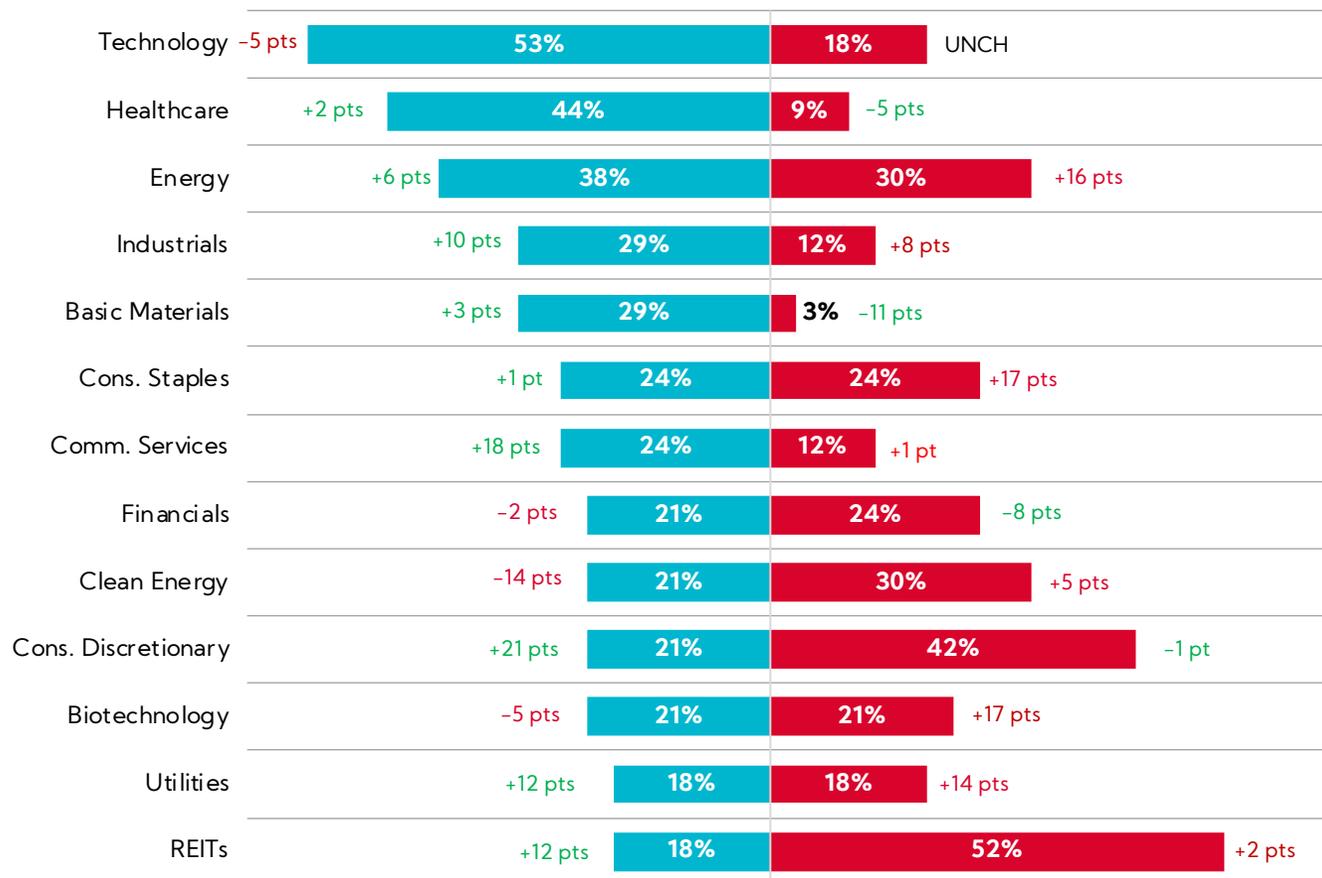
"Alternative energy/IRA looks like it's here to stay, U.S. government debt looks more and more messy, a male or female younger president is a possibility." **Buy Side, Europe, Generalist**

Tech Continues to Reign Supreme as the Top Bullish Bet for the Fourth Consecutive Quarter, While REITs Garner the Same Distinction from Bears; Investors Divided Over Energy

Interestingly, Consumer Discretionary, while registering as the second-largest downbeat sector, saw the biggest swing in bullish sentiment

BULLS VS BEARS

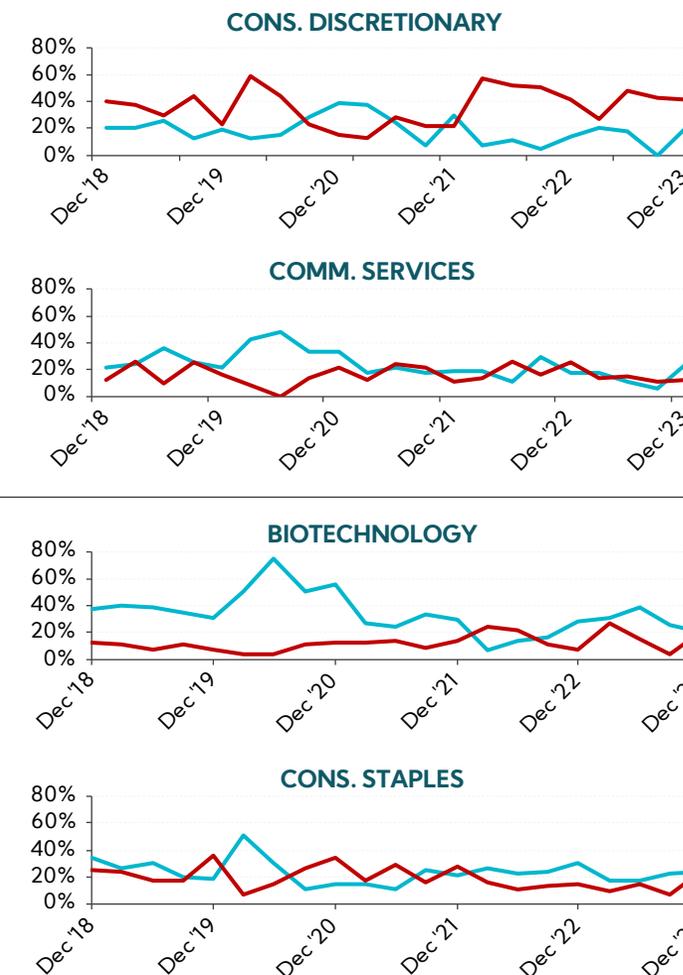
■ Bulls ■ Bears



2023 S&P 500 PERFORMANCE



LARGEST BULL AND BEAR SENTIMENT GAINERS



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