Blue Line Capital

Gambit

2Q, 2025

“

Could we be seeing that this economy that we inherited starting to roll a bit? Sure. And look, there’s going to be a natural adjustment as we move away from public spending to private spending… The market and the economy have just become hooked. We’ve become addicted to this government spending, and there’s going to be a detox period.”

Scott Bessent, *U.S. Treasury Secretary*

“

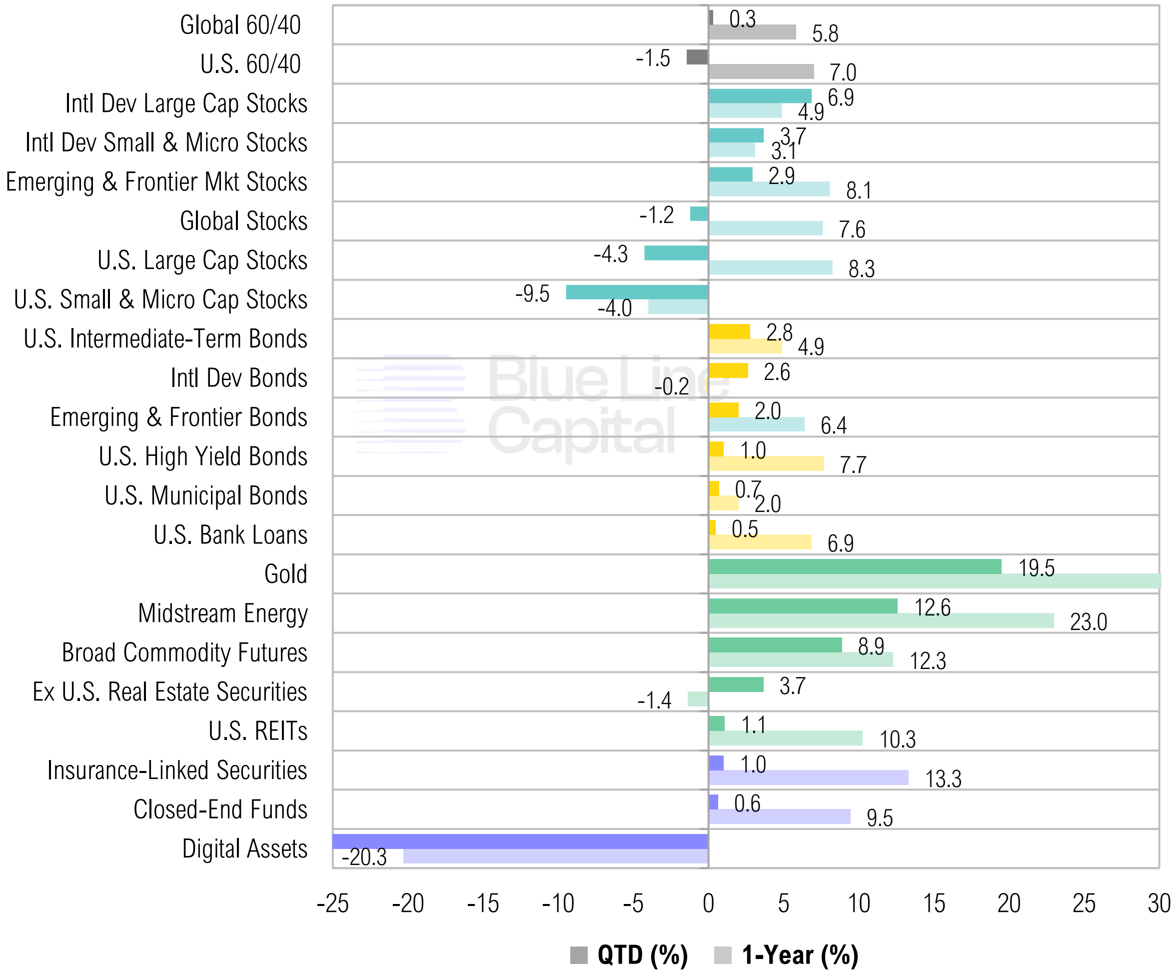
The state of the world is completely in flux and has been radically changed…This is the biggest change in the environment that I’ve seen, probably in my career.”

Howard Marks, *Oaktree Capital Co-Founder & Co-Chairman*

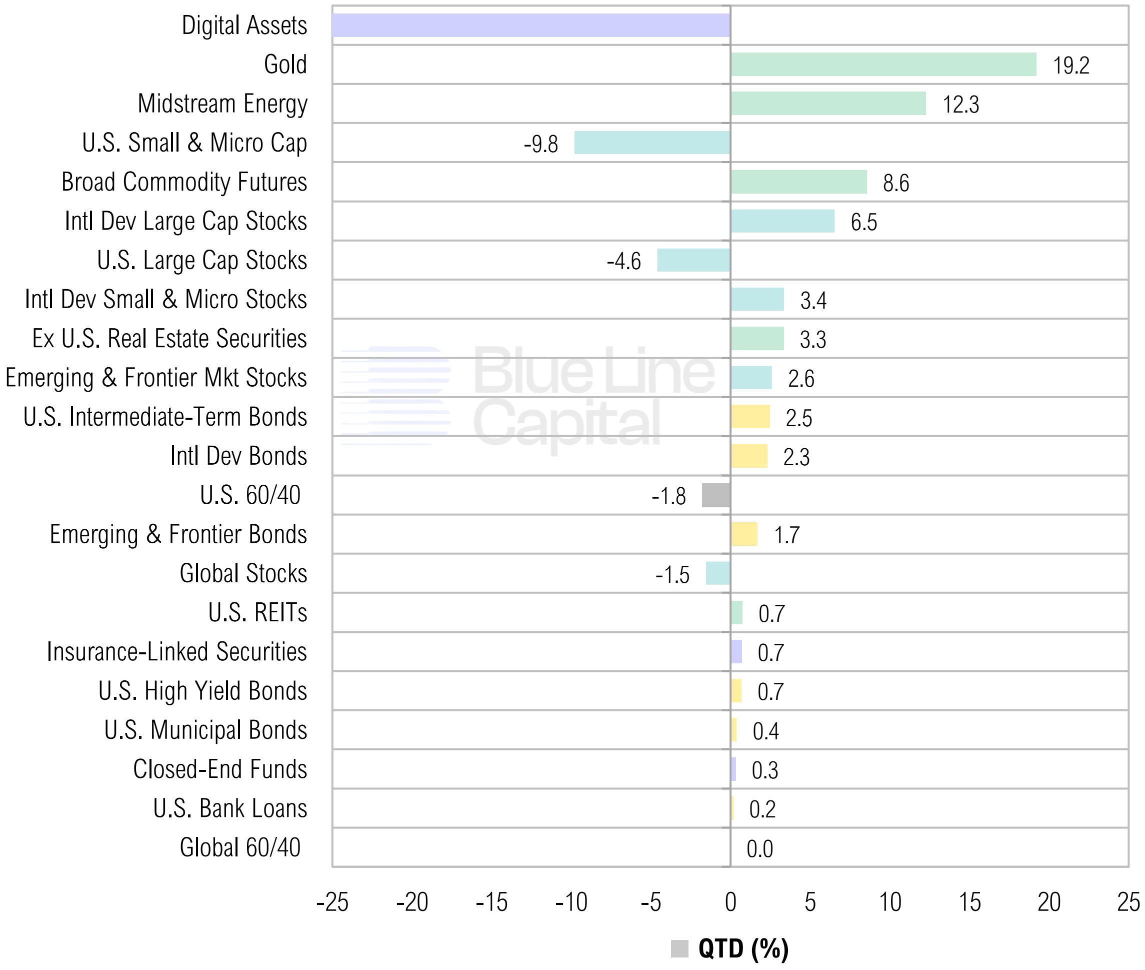

MADE
IN CHINA
ROESE '25

Major winners over Q1 included gold (+19.5%) and midstream energy (+12.6%) while digital assets (-30.1%) and U.S. small & micro-cap stocks (-9.5%) lagged

Total Returns, %



Relative Total Returns vs. Global 60/40, %



Source: Bloomberg. Returns for periods greater than 1 year are annualized.

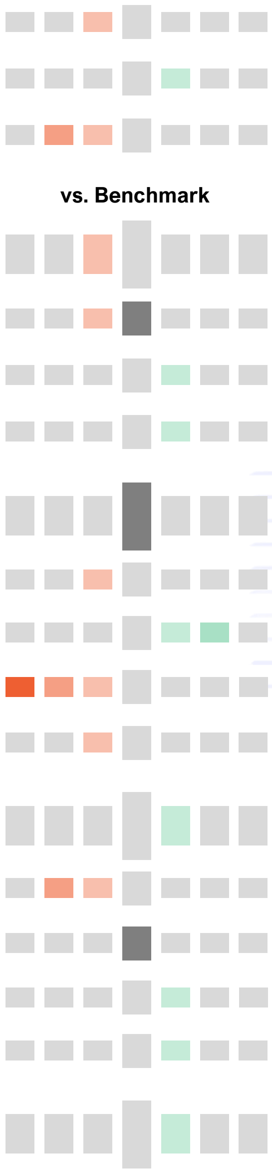
Positioning Summary

vs. Trend

- Growth
- Inflation
- Policy

vs. Benchmark

- **Equity**
  - U.S. Stocks
  - Intl Dev Stocks
  - Emerging Stocks
- **Fixed Inc & Credit**
  - U.S. Interm-Term Bds
  - U.S. Short-Term Bds
  - Intl Dev Bonds
  - High Yield Bonds
- **Real Assets & Infra**
  - Real Estate
  - Commodity Futures
  - Energy & Infra
  - Gold
- **Opportunistic**



Asset Class Themes

- The Trump administration's tariff strategy is escalating trade tensions, likely leading to a short-term pickup in inflation, and an economic slowdown.
- The Federal Reserve is likely boxed in until the slowdown becomes more apparent.
- The economic gambit of current policies has increased recession odds to nearly a coin-toss, highlighting significant uncertainty

- U.S. large equity valuations have come in, but remain well above long-term averages.
- U.S.small caps and select emerging and developed foreign markets are more attractively priced, but will not be immune if the trade war results in a global slowdown.
- We continue to recommend staying underweight, while tilting portfolios towards high quality active managers.

- The Trump administration's strategy of managing long-term Treasury yields to reduce national debt interest costs has seen mixed results, raising the stakes and suggesting higher execution risks than they may have expected.
- U.S. municipal bonds offer attractive yields on a tax-adjusted basis, with yield spreads versus Treasuries at their widest since the 2000, suggesting value.
- High-yield spreads have widened, reflecting market concerns, but remain below recessionary levels, either indicating complacency or cautious investor confidence regarding credit risk.

- While the longer-term outlook for gold, energy, and other real assets seems favorable, risks to cyclical assets are heightened in the event of a recession, emphasizing the need for careful position sizing.
- Crude oil prices are nearing breakeven for many U.S. producers, potentially leading to reduced production and future supply constraints.
- Rising gold prices and decreasing energy costs suggest a favorable outlook for gold miners.

- Volatility creates opportunity: consider tactical multi-asset and long/short equity. Stick to first principles: stay diversified, avoid unnecessary risks, and fade extremes.

Portfolio Themes

1

Trade tensions heighten inflation and slowdown risks, with recession odds close to a coin-toss, while the Fed remains constrained.

2

Equity markets face valuation challenges and global slowdown risks, suggesting a cautious approach with a focus on high-quality active management.

3

While cyclical real assets have struggled, gold has served as an effective crisis hedge.

4

Stick to first principles: Stay diversified, avoid unnecessary risks, and fade extremes.

Growth, Inflation & Policy

1. What is the Trump administration actually trying to achieve? Is it willing to risk recession to achieve its goals?
2. Are we looking at true fiscal restraint or just political posturing? What are the implications for fiscal spending, tax policy, and growth?
3. Is this a full-blown trade war that will result in recession—or is there still a path to de-escalation? What are markets currently pricing in?
4. How well positioned is the U.S. to absorb tariff-related disruptions versus China and Europe?
5. Will tariffs ignite inflation? How would the Fed likely respond—and what are the consequences for growth and risk assets?

Equity

6. How have equity markets responded to policy uncertainty—and how has positioning shifted?
7. Where do we expect leadership in the next cycle—by sector, style, or region?
8. Where are the opportunities and risks from a valuation, positioning, or other perspective?
9. Can U.S. equities continue to outperform their international counterparts given the policy backdrop? Have we seen the end of U.S. exceptionalism?
10. Where—if anywhere—are there compelling opportunities in venture capital, private equity, or other private market segments today?

Fixed Income & Credit

11. Can the administration both stimulate growth and shrink the deficit—without upsetting bond markets?
12. Are the ‘bond vigilantes’ back—and what are rising bond yields and tight credit spreads telling us about growth, inflation, and investor confidence?
13. Where is the relative value today—in curve positioning/duration, sectors, and credit quality? What about private credit?

Real Assets

14. What’s the latest on the ‘Power Play’ thesis—and is the energy transition still investable?
15. Will gas prices decline—what are the downsides to lower crude prices, if any?
16. Should investors allocate to real assets, including commodities?
17. Given the potential for further fiscal consolidation, do precious metals still make sense?
18. Do real estate or infrastructure offer value or face headwinds from higher rates?

Opportunistic

19. What are some non-core opportunities to consider in today’s environment?
20. How has bitcoin fared—and what are its prospects—amid the new pro-crypto government and recent volatility?
21. Could stablecoins play a new role in the evolving global demand for Treasuries?
22. Are closed-end funds presenting attractive dislocation plays?
23. Where do long/short equity, tactical multi-asset, and other alternative strategies fit in today’s portfolio construction?

Asset Allocation

24. How is SpringTide positioning portfolios tactically today, given short-term dislocations, sentiment extremes, and mean-reversion opportunities?
25. What are SpringTide’s updated long-term capital market expectations for major asset classes?

Growth, Inflation & Policy:

“Unusual Uncertainty”

1. What is the Trump administration actually trying to achieve? Is it willing to risk recession to achieve its goals?

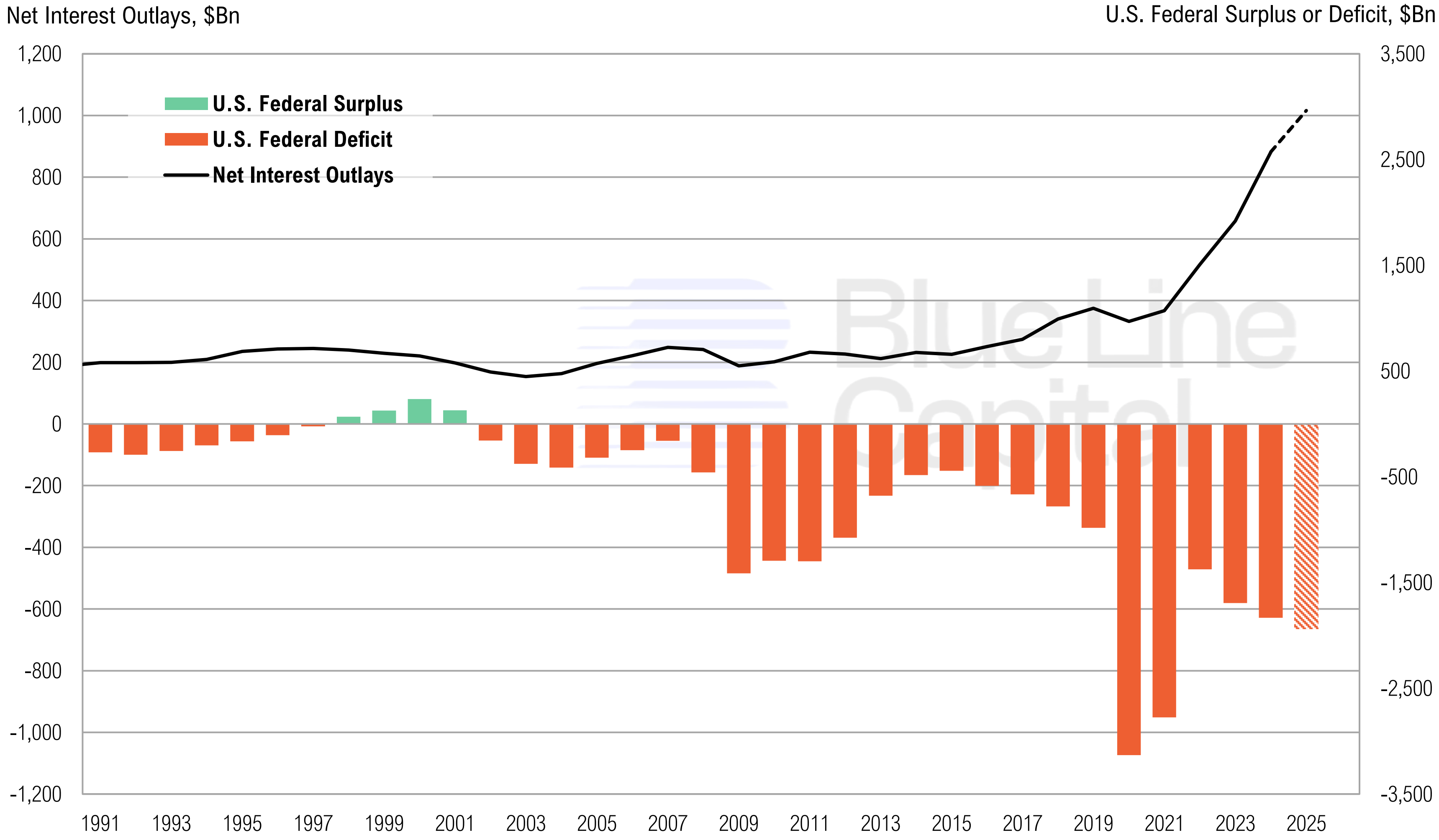
2. Are we looking at true fiscal restraint or just political posturing? What are the implications for fiscal spending, tax policy, and growth?

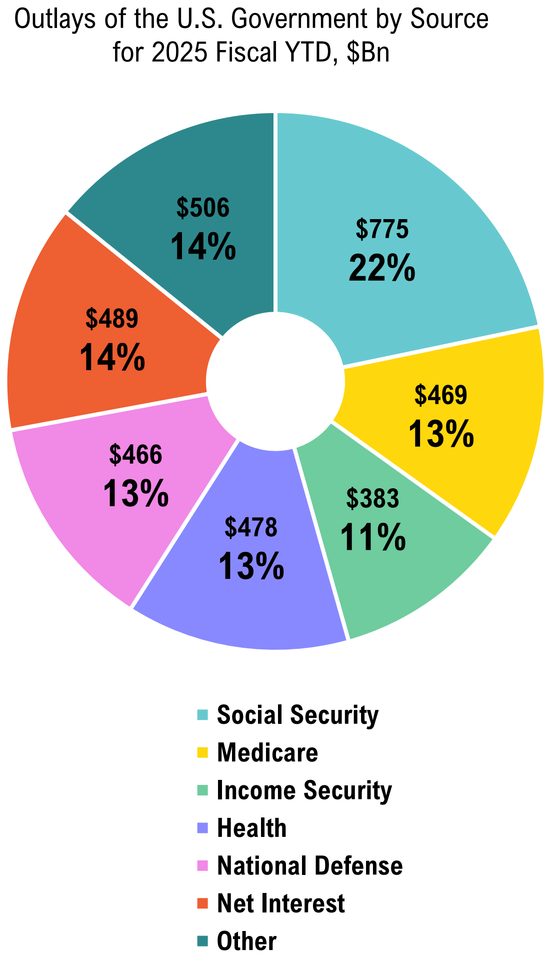
3. Is this a full-blown trade war that will result in recession—or is there still a path to de-escalation? What are markets currently pricing in?

4. How well positioned is the U.S. to absorb tariff-related disruptions versus China and Europe?

5. Will tariffs ignite inflation? How would the Fed likely respond—and what are the consequences for growth and risk assets?

At $1.8 trillion, 2024 was the largest non-crisis/pandemic deficit on record; the CBO estimates the 2025 fiscal deficit to reach $1.9 trillion

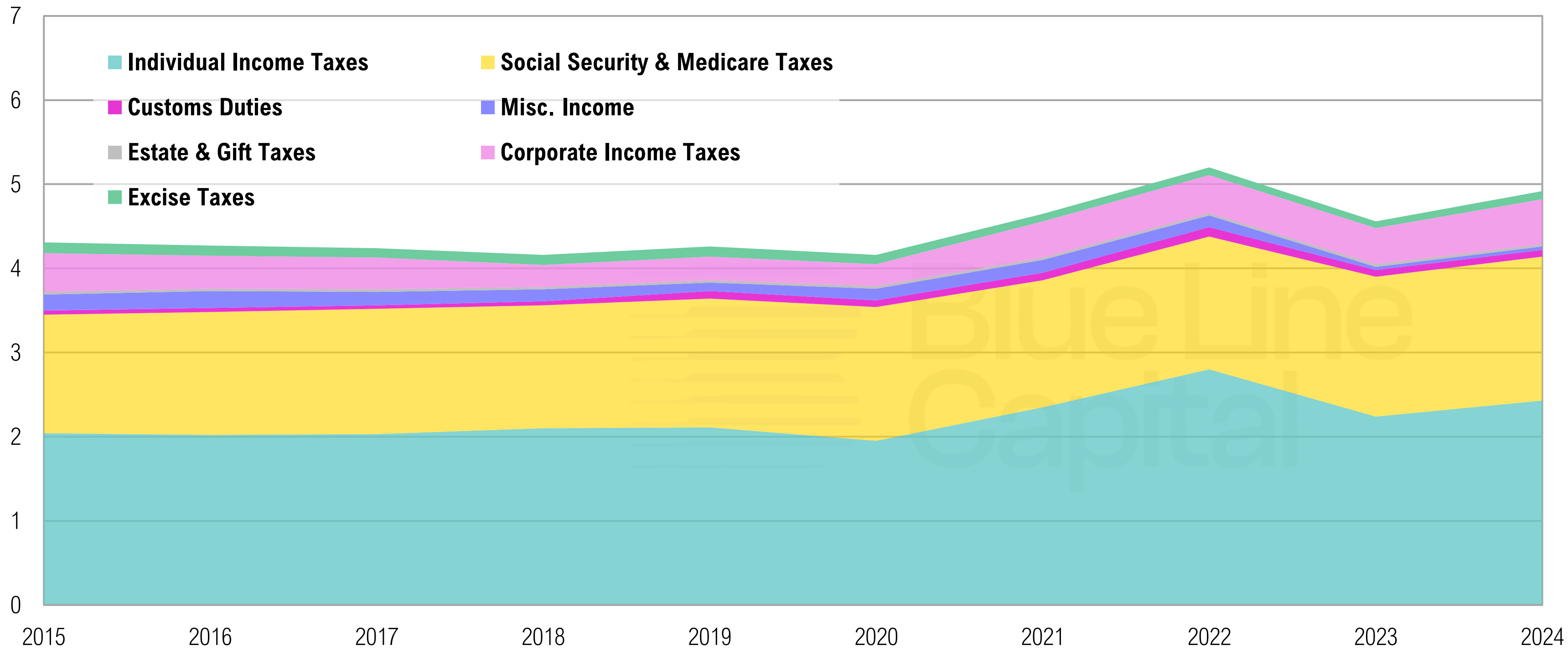




Source: Bureau of the Fiscal Service, Congressional Budget Office. Fiscal 2025 year started on 10/1/2024. As of 3/31/2025.

Trump wants to extend the TCJA and eliminate tax on social security, tips and overtime—in order to do so, the government needs to cut $1.7Tn in spending

Federal Revenue by Source, $Tn



Estimated Federal Revenue Impact of Eliminating Income Taxes on Social Security Benefits, $Bn

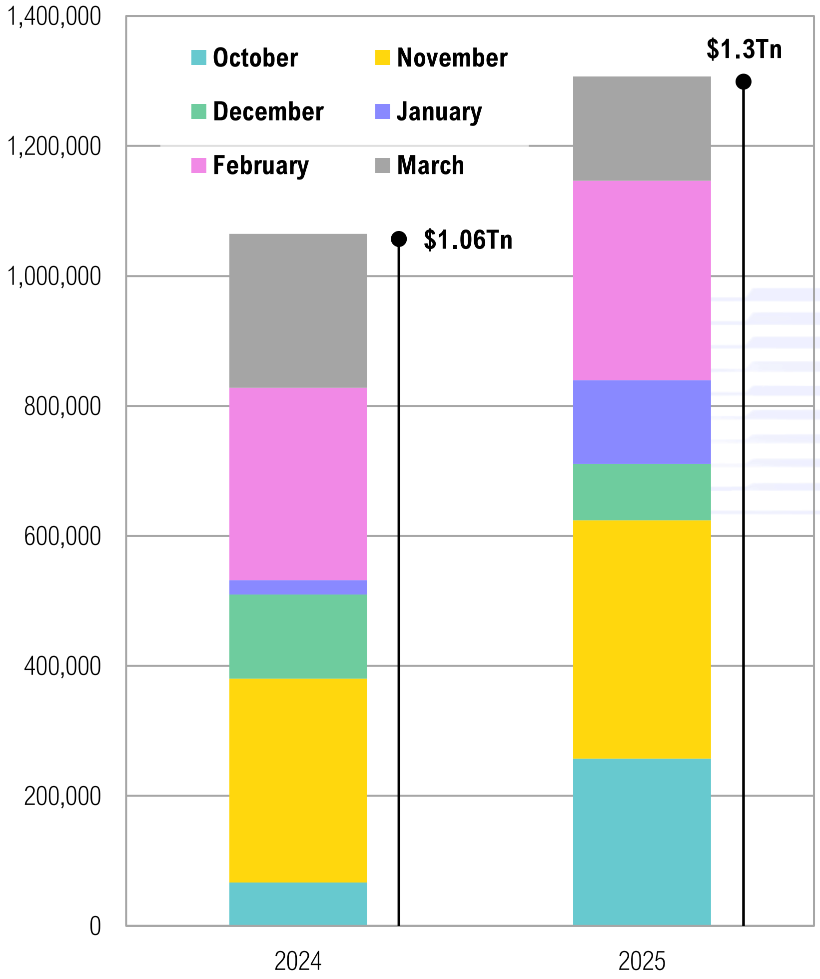
Provision	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2025 - 2034
Ending taxation of Social Security Benefits	-60	-116	-132	-139	-147	-155	-164	-172	-180	-187	-1,452

- **Why the determination to cut excessive government spending?**
- **Apart from the U.S. being on an unsustainable debt path, the Trump administration is aiming to extend the Tax Cuts and Jobs Act beyond its scheduled expiration at the end of 2025.**
- **Trump has also promised to eliminate all income taxes on social security benefits, tips, and overtime.**
- **Eliminating income tax on Social Security benefits alone would reduce government revenue by $1.45Tn over the next decade.**
- **On February 25, the House passed a budget resolution that allowed for $4.5Tn in tax cuts, *if* $1.7Tn in spending is cut.**

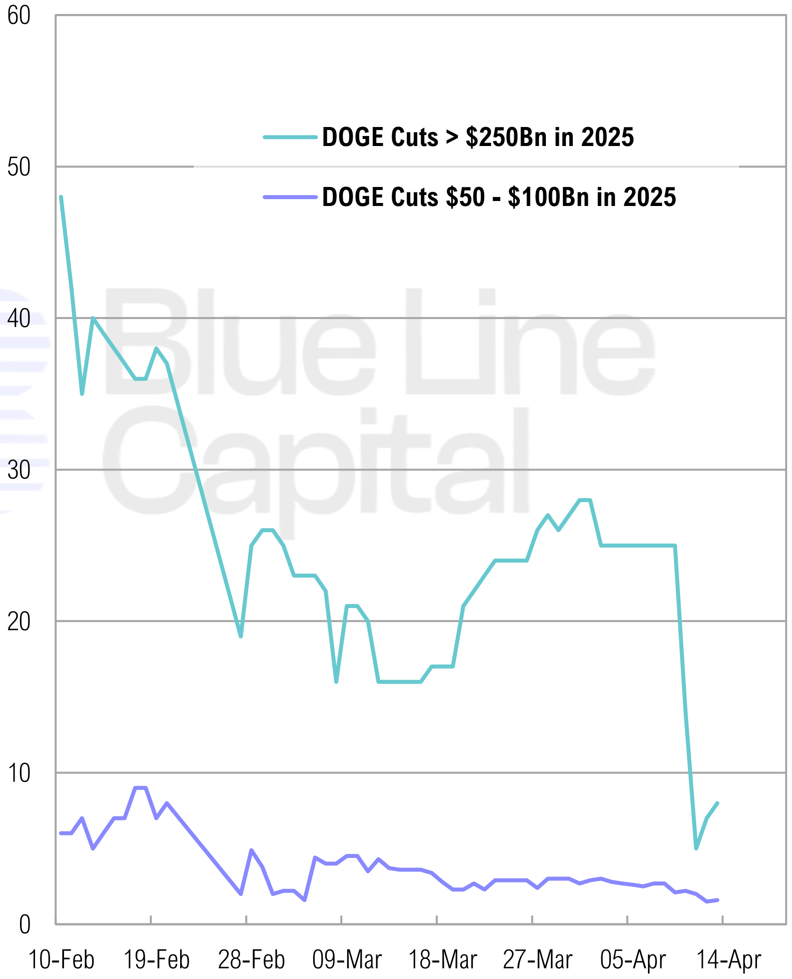
Source: Penn Wharton Budget Model, Bureau of the Fiscal Service. Federal revenue for fiscal years & inflation-adjusted 2024 dollars.

Art of the deal? DOGE has revised estimated savings down from $2Tn to $150B; as federal outlays exceed 2024 levels, even betting markets are losing faith in the department

U.S. Government Deficit*, $Mn



Betting Market Probabilities of DOGE Spending Cuts in 2025



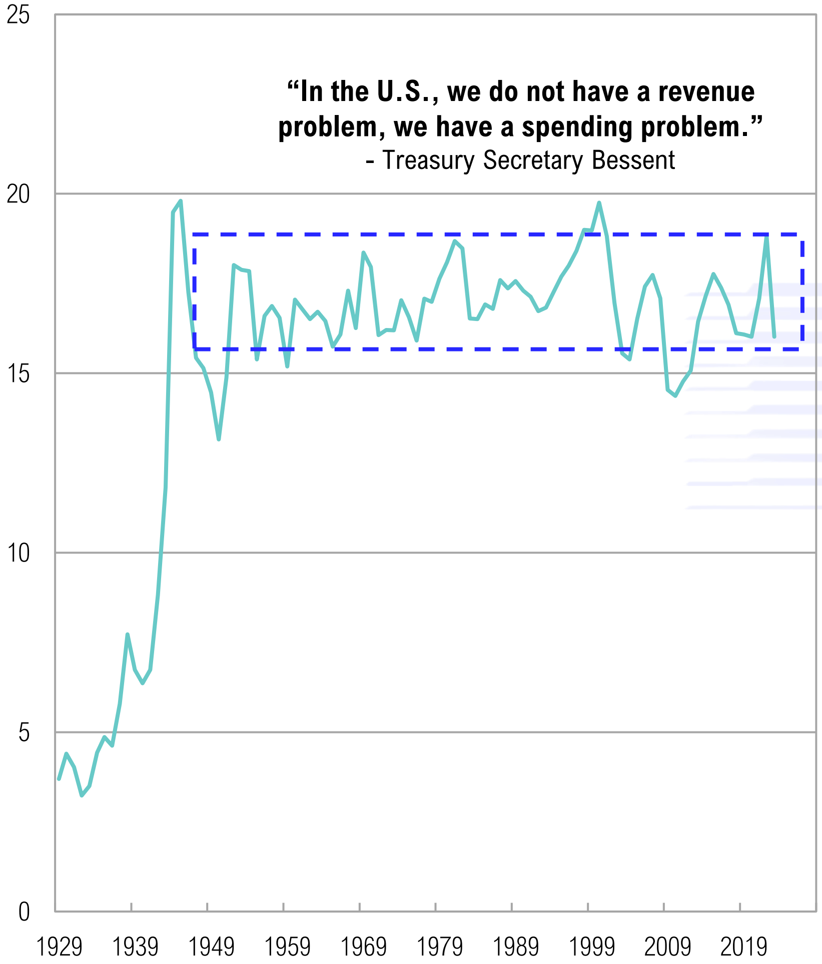
Timeline of projected DOGE Cuts:

- **October 2024:** "I think we can do **at least $2 trillion.**"
- **January 2025:** "I think we'll **try for $2 trillion.** I think if we try for $2 trillion, we've got a good shot at getting $1 trillion."
- **March 2025:** "Our goal is to reduce the deficit **by $1 trillion.**"
- **April 2025:** "I'm excited to announce that we **anticipate savings** in *2026* from reduction of waste and fraud **by $150 billion.**"

Source: Bloomberg, U.S. Department of Treasury. *Deficit for the first five months of the 2024 and 2025 fiscal years.

Federal tax receipts as a % of GDP have been steady since the 1950s; if the government cannot cut spending enough to extend the TCJA, U.S. taxpayers will have less disposable income

Federal Tax Receipts as a % of GDP



How 2026 Tax Brackets May Raise if TCJA Expires

HH Income Bracket	Single Filers	Joint Filers	Rates Under TCJA	Rates if TCJA Expires
1	$11,925	$23,850	10.0%	10.0%
2	$48,475	$96,950	12.0%	15.0%
3	$103,350	$206,700	22.0%	25.0%
4	$197,300	$394,600	24.0%	28.0%
5	$250,525	$501,050	32.0%	33.0%
6	$626,350	$751,600	35.0%	35.0%
7	No Upper Limit	No Upper Limit	37.0%	39.6%

How 2026 Deductions May Raise if TCJA Expires

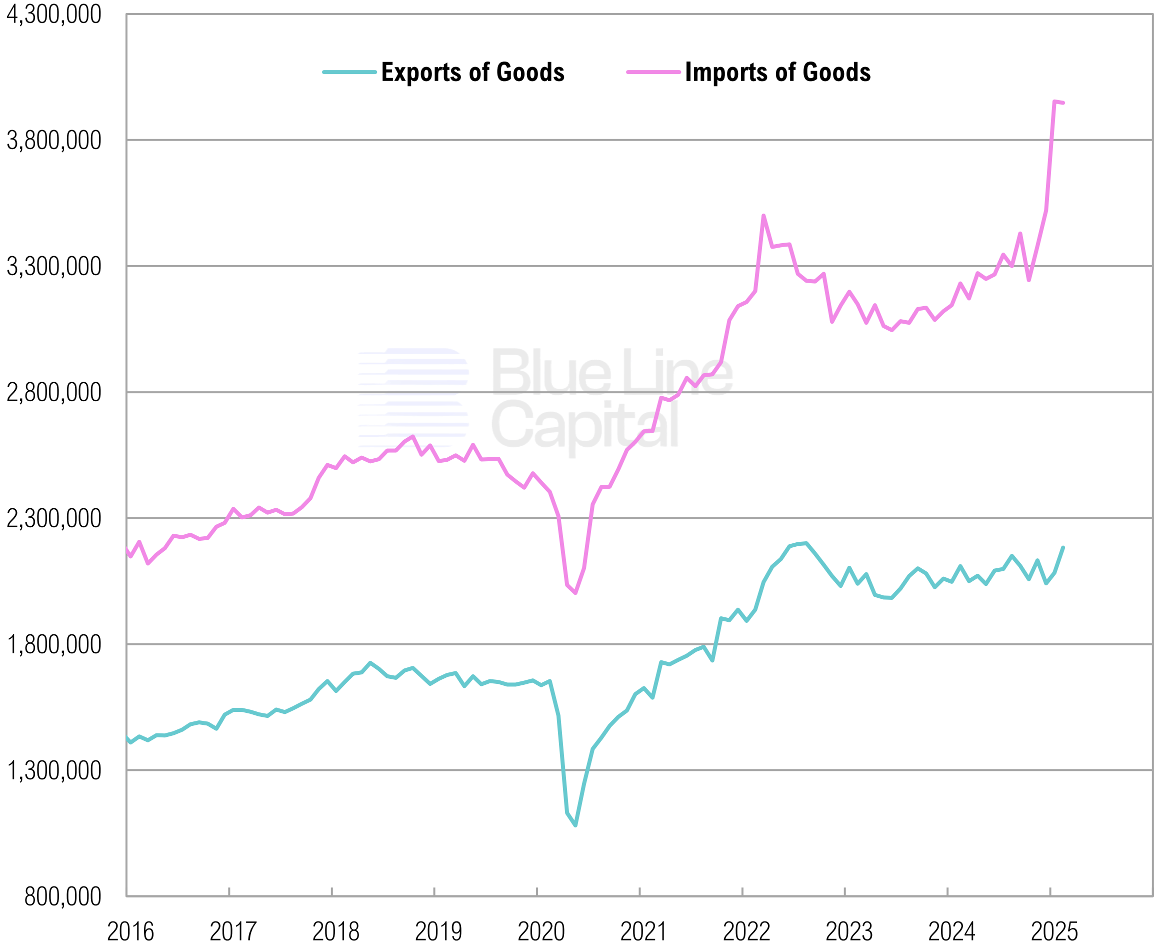
Standard Deductions for Individual Taxpayers	2017 Deductions (pre-TCJA)	2025 Deductions (last year covered by TCJA)	2026 Deductions (if TCJA expires)
Single Filers	$6,350	$14,600	$8,300
Joint Filers	$12,700	$29,200	$16,600

- **Despite no change in income, a single filer earning $55,000 in 2025 will pay over $2,000 more in taxes in 2026 if the TCJA expires due to lower deductions, higher tax brackets and more income taxed at higher rates.**
- The Council of Economic Advisers (CEA) estimates that allowing the TCJA to expire would reduce real annual take-home pay for a median-income household with two children by approximately $4,000 to $5,000.

Source: Bloomberg, Tax Foundation, Bloomberg Government.

The theoretical tariff plan to close the U.S. trade gap and raise some revenue is a political as much as an economic gambit

Exports & Imports of Goods (Annualized Balance of Payments Basis), $Mn



Harvard-Harris Poll: % of Survey Respondents Who Say the U.S. Economy is "On the Right Track"

	Apr-24	May-24	Jun-24	Jul-24	Sep-24	Oct-24	Nov-24	Jan-25	Feb-25	Mar-25	Apr-25
GOP	14%	14%	12%	11%	10%	**15%**	32%	34%	71%	72%	**69%**
DEM	60%	53%	53%	56%	55%	**52%**	29%	30%	21%	17%	**20%**
IND	26%	28%	18%	18%	22%	**23%**	17%	19%	31%	31%	**27%**

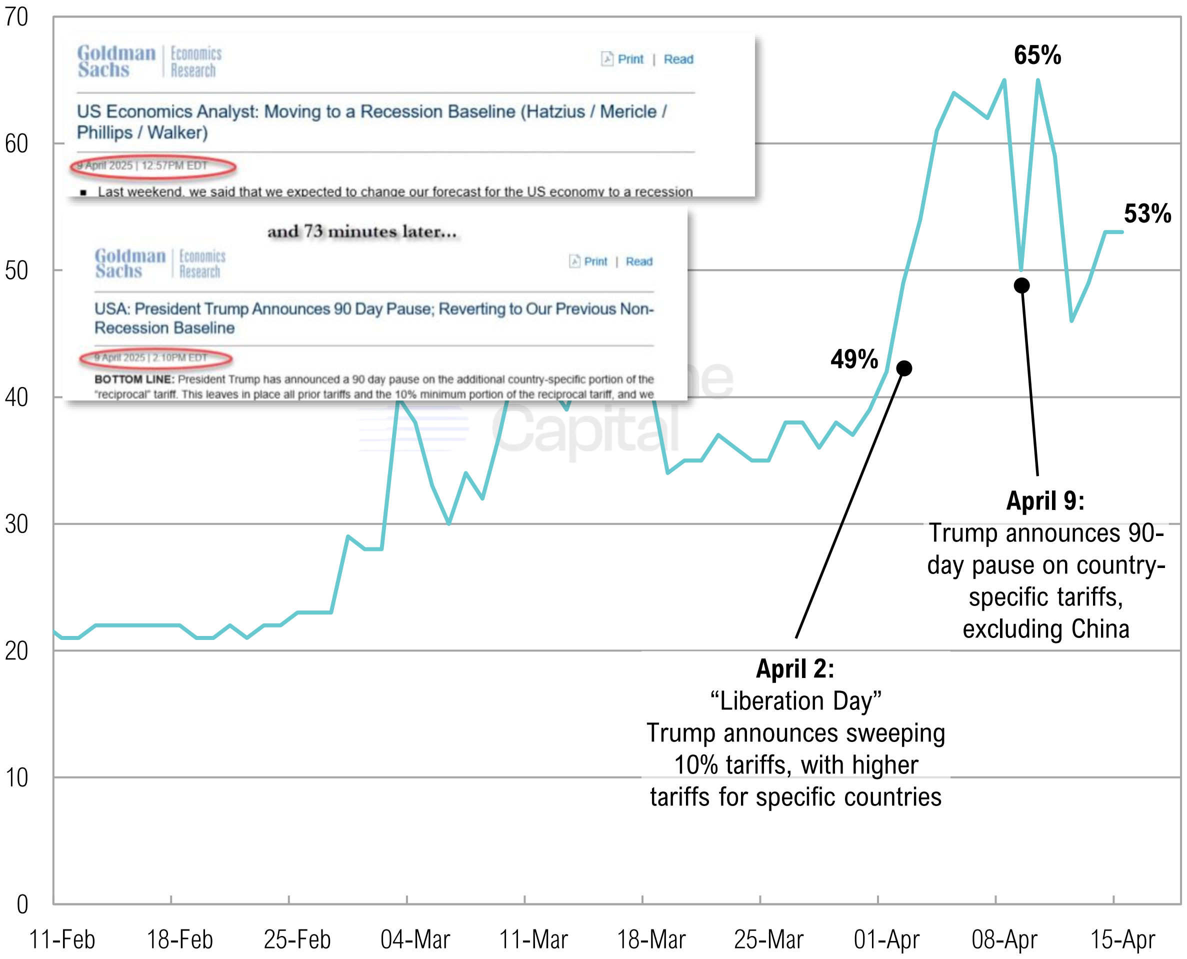
Harvard-Harris Poll: % of Survey Respondents Who Approve of Trump On…

	Jan-25 (Biden)	Feb-25 (Trump)	Mar-25 (Trump)	Apr-25
The Economy	37%	49%	45%	43%
Immigration	34%	56%	53%	51%
Foreign Affairs	38%	48%	45%	44%
Administering the Government	40%	49%	47%	47%
Handling Inflation	**34%**	**45%**	**43%**	**41%**
Reducing the Cost of the Government	-	53%	49%	50%
Returning America to its Values	-	53%	49%	49%
Tariffs and Trade Policy	-	-	-	**41%**

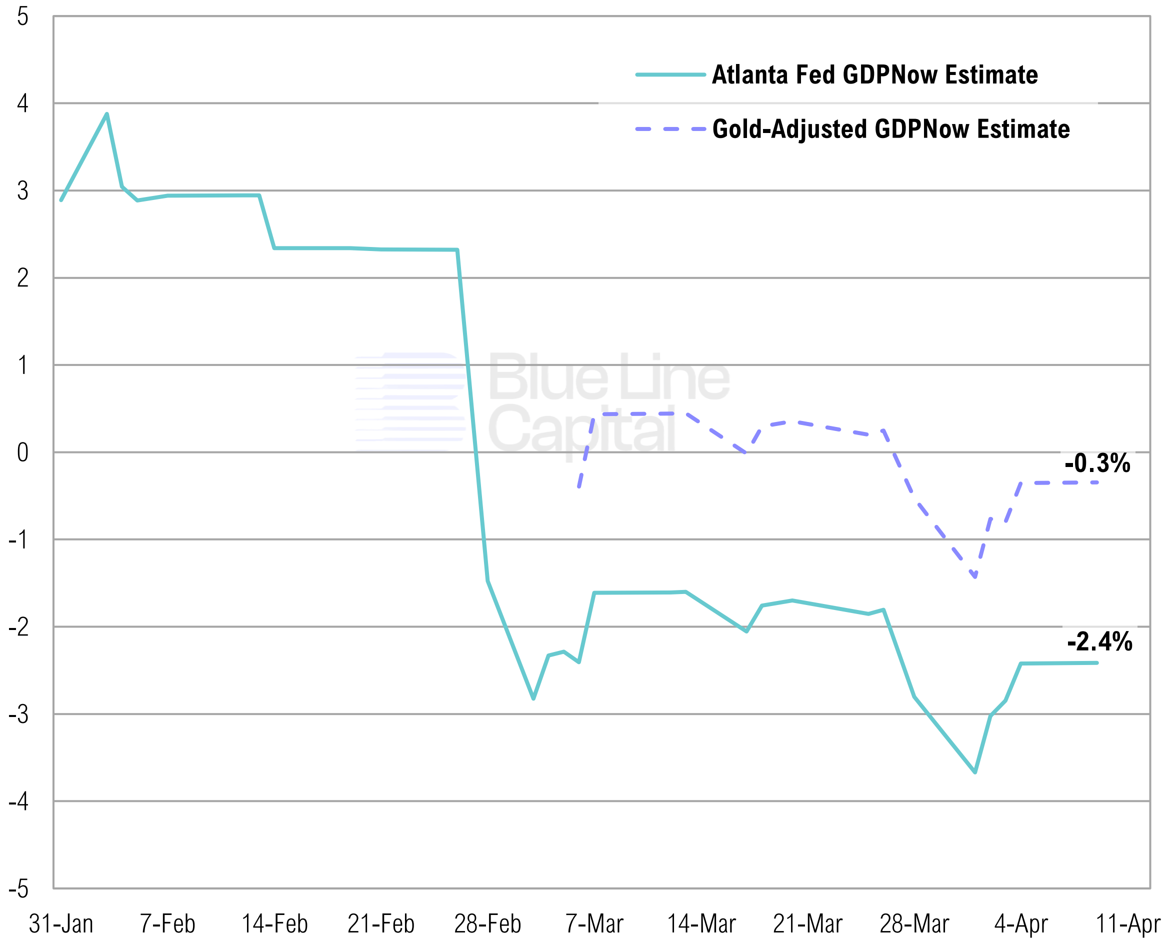
Source: Federal Reserve Bank of St. Louis, Harvard-Harris Poll conducted between 4/9/2025 – 4/10/2025 with 2,286 registered U.S. voters.

Last week in a nutshell: recession odds jumped to 65%; GDP estimates show U.S. economic growth shrinking in Q1

Betting Market Probability of a U.S. Recession in 2025, %



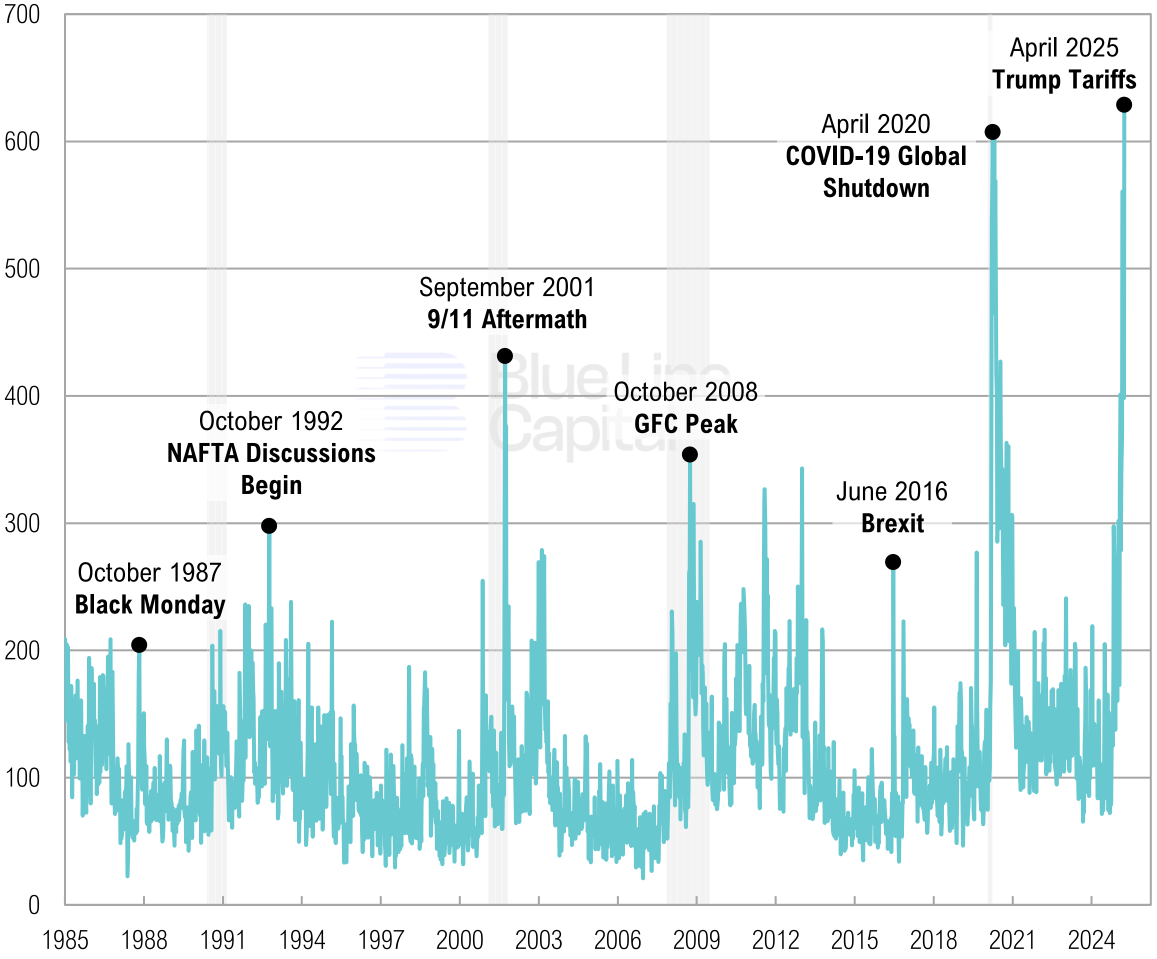
Evolution of Atlanta Fed GDPNow Real GDP Estimate for Q1, 2025



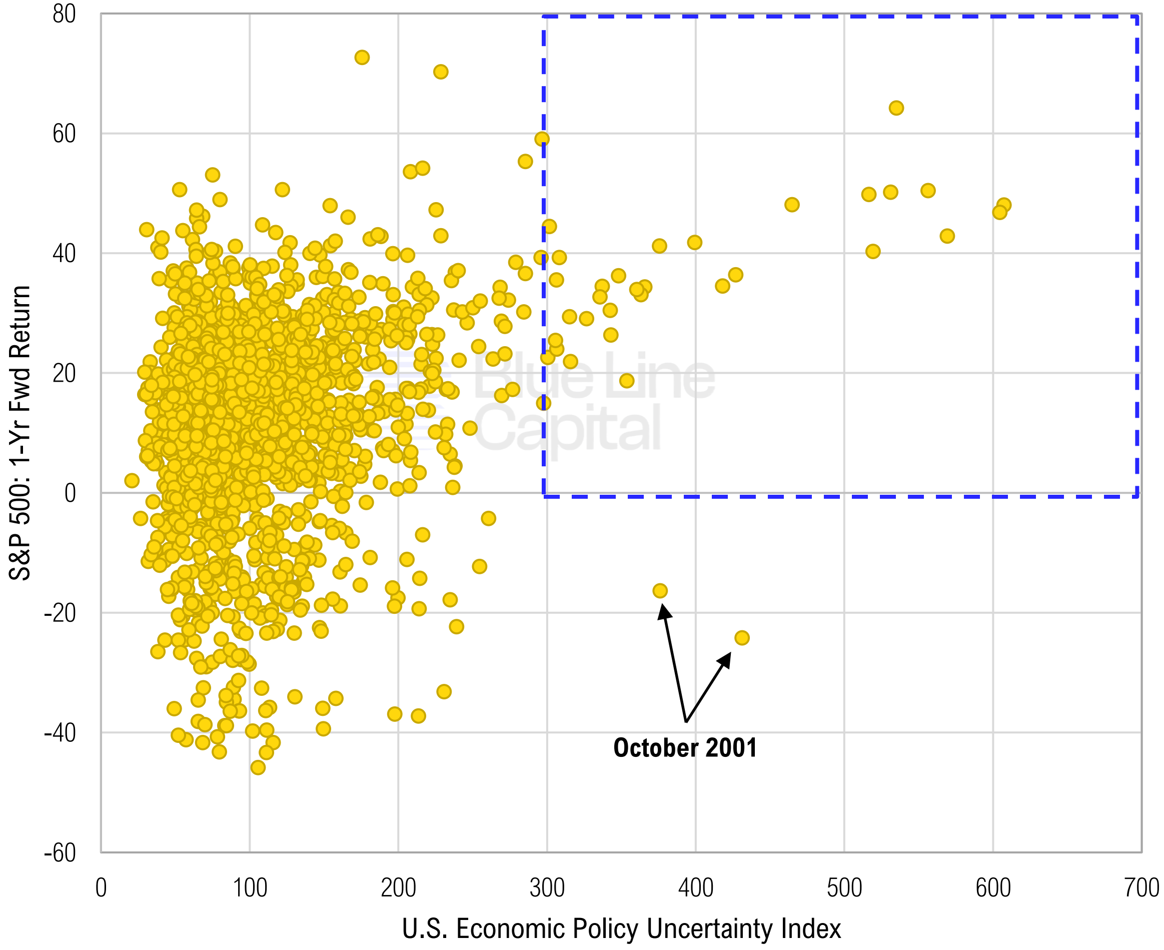
Source: Bloomberg, Goldman Sachs, Federal Reserve Bank of Atlanta. The growth rate of real GDP measured by the U.S. Bureau of Economic Analysis is a key metric of the pace of economic activity. It is one of the four variables included in the economic projections of Federal Reserve Board members and Bank presidents for every other FOMC meeting. The alternative model, which adjusts for imports and exports of gold, started on 3/6/2025 and its methodology can be found here.

U.S. economic uncertainty has reached the highest level in at least 40 years; historically, S&P 500 returns after these levels of uncertainty have been strong

U.S. Economic Policy Uncertainty Index



U.S. Economic Policy Uncertainty vs. 1-Year Fwd S&P 500 Returns



Source: Bloomberg. The U.S. Economic Uncertainty Index was created by Baker, Bloom & Davis and is based on an index of search results from the 10 largest U.S. newspapers, the number of federal tax code provisions set to expire, and disagreement among economic forecasters in the Federal Reserve Bank of Philadelphia's Survey of Professional Forecasters. Methodology details: https://www.policyuncertainty.com/methodology.html. As of 4/7/2025.

Even if not base case, returns during periods of stagflation and stress contrast so starkly with the last 15 years that they should be considered

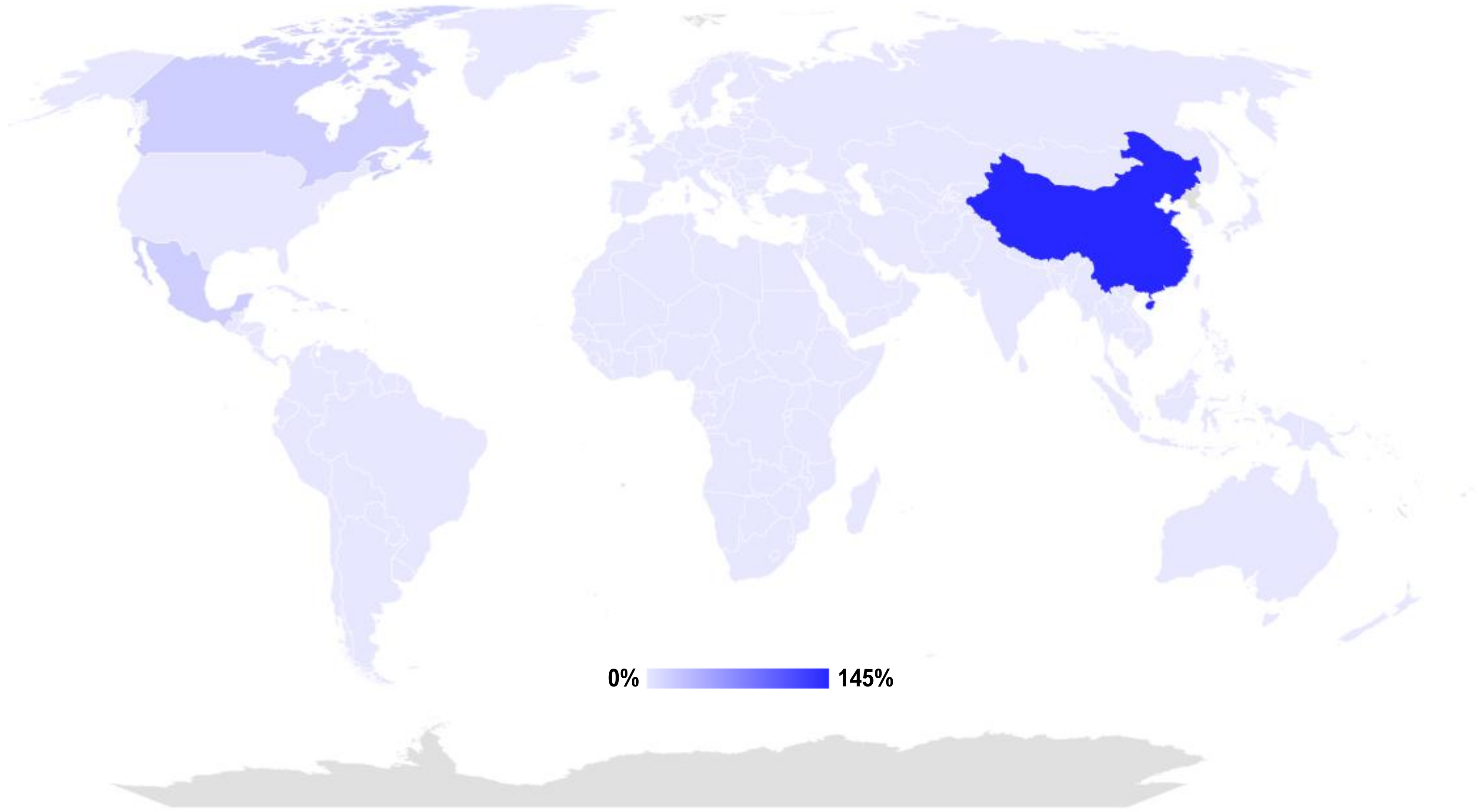
Smoot-Hawley Tariffs (Great Depression)					1970s Stagflation				2nd Stagflation Wave/ Reagan 1st Term				**	Lib. Day
1930	1931	1932	1933	1934	1972	1973	1974	1975	1979	1980	1981	1982	Average	4/2/25
Intl Dev Bonds 9.9%	Cash 1.2%	Intl Dev Bonds 47.0%	U.S. Small Cap 142.9%	U.S. HY Bonds 30.0%	Gold 48.3%	Gold 73.5%	Gold 67.0%	U.S. Small Cap 52.8%	Gold 133.4%	Midstrm Energy 62.9%	Cash 14.6%	U.S. HY Bonds 36.3%	Gold 20.1%	Intl Dev Bonds 4.5%
U.S. Muni Bds 5.9%	Gold 0.0%	Midstrm Energy 16.3%	EM Stocks 82.3%	Commodities 26.4%	Commodities 37.0%	Commodities 58.4%	Commodities 9.8%	U.S. Large Cap 37.2%	Midstrm Energy 46.6%	U.S. Small Cap 38.6%	U.S. HY Bonds 10.4%	U.S. Interm Bds 32.6%	Commodities 8.7%	Gold 2.7%
U.S. Interm Bds 4.6%	U.S. Muni Bds -2.5%	U.S. Muni Bds 9.2%	U.S. REITs 66.7%	U.S. Small Cap 24.2%	Intl Dev Stocks 30.1%	U.S. REITs 20.2%	Cash 8.0%	Intl Dev Stocks 32.3%	U.S. Small Cap 43.1%	EM Stocks 36.9%	U.S. Interm Bds 6.2%	U.S. Muni Bds 27.7%	Intl Dev Bonds 8.4%	Cash 0.2%
Cash 2.3%	U.S. Interm Bds -2.6%	U.S. Interm Bds 8.9%	Gold 64.8%	U.S. Muni Bds 14.8%	Midstrm Energy 20.3%	Cash 7.3%	EM Stocks 6.0%	Midstrm Energy 27.1%	EM Stocks 38.5%	U.S. Large Cap 32.5%	U.S. Small Cap 2.0%	U.S. Small Cap 24.9%	Cash 5.9%	U.S. Interm Bds -1.2%
Gold 0.0%	U.S. REITs -10.4%	Global 60/40 7.8%	Intl Dev Stocks 62.9%	Intl Dev Bonds 13.1%	U.S. Large Cap 19.0%	Intl Dev Bonds 6.9%	U.S. REITs 4.8%	Global 60/40 23.3%	Commodities 36.7%	Intl Dev Stocks 31.0%	U.S. REITs 1.9%	Global 60/40 23.3%	U.S. Interm Bds 5.8%	U.S. Muni Bds -1.4%
U.S. HY Bonds -4.9%	Global 60/40 -27.6%	Intl Dev Stocks 5.6%	Intl Dev Bonds 59.5%	Intl Dev Stocks 8.2%	U.S. REITs 17.4%	U.S. HY Bonds 6.8%	U.S. Interm Bds 4.1%	U.S. HY Bonds 16.4%	U.S. Large Cap 18.6%	Commodities 22.9%	Global 60/40 -0.8%	U.S. Large Cap 21.5%	U.S. Small Cap 5.4%	Intl Dev Stocks -1.5%
U.S. REITs -10.9%	Intl Dev Bonds -29.6%	EM Stocks 3.4%	Midstrm Energy 56.7%	EM Stocks 8.1%	Global 60/40 15.3%	Midstrm Energy 5.8%	Intl Dev Bonds 2.9%	U.S. REITs 14.1%	Intl Dev Stocks 13.4%	Global 60/40 19.8%	U.S. Muni Bds -2.8%	Intl Dev Stocks 12.3%	Midstrm Energy 5.0%	Global 60/40 -1.5%
Global 60/40 -11.8%	Commodities -29.7%	Cash 0.9%	Commodities 54.0%	U.S. Interm Bds 7.9%	Intl Dev Bonds 9.4%	U.S. Muni Bds 4.8%	U.S. Muni Bds -5.6%	Intl Dev Bonds 8.7%	Cash 10.6%	Gold 12.5%	U.S. Large Cap -4.9%	Gold 12.0%	Global 60/40 4.8%	U.S. HY Bonds -1.7%
Intl Dev Stocks -20.4%	U.S. HY Bonds -30.9%	Gold 0.0%	U.S. Large Cap 54.0%	Global 60/40 5.3%	U.S. Small Cap 4.4%	U.S. Interm Bds 3.3%	Global 60/40 -14.2%	Cash 5.9%	Global 60/40 10.3%	Cash 12.1%	Commodities -5.3%	Cash 10.9%	U.S. HY Bonds 3.4%	EM Stocks -3.5%
EM Stocks -20.4%	EM Stocks -33.0%	U.S. Small Cap -5.4%	Global 60/40 37.8%	Gold 2.8%	Cash 4.2%	EM Stocks 3.3%	U.S. HY Bonds -17.2%	U.S. Interm Bds 5.6%	U.S. REITs 5.3%	U.S. REITs 10.7%	Intl Dev Bonds -5.8%	Intl Dev Bonds 8.9%	Intl Dev Stocks 3.4%	U.S. Large Cap -4.1%
U.S. Large Cap -24.9%	Midstrm Energy -37.3%	U.S. Large Cap -8.2%	U.S. HY Bonds 19.3%	Cash 0.3%	U.S. HY Bonds 3.5%	Global 60/40 -6.4%	U.S. Small Cap -19.9%	U.S. Muni Bds 4.6%	U.S. Interm Bds 1.9%	Intl Dev Bonds 4.7%	Intl Dev Stocks -6.0%	U.S. REITs 4.8%	U.S. Muni Bds 3.4%	Commodities -4.9%
Midstrm Energy -26.6%	Intl Dev Stocks -42.0%	U.S. HY Bonds -9.9%	U.S. Interm Bds 1.8%	U.S. Large Cap -1.4%	U.S. Muni Bds 3.2%	Intl Dev Stocks -10.7%	Midstrm Energy -20.8%	Commodities -0.8%	U.S. Muni Bds 1.2%	U.S. HY Bonds 4.3%	EM Stocks -17.4%	Commodities -1.6%	EM Stocks 0.9%	U.S. REITs -5.9%
Commodities -29.9%	U.S. Large Cap -43.3%	Commodities -16.7%	Cash 0.5%	Midstrm Energy -1.5%	U.S. Interm Bds 2.4%	U.S. Large Cap -14.7%	Intl Dev Stocks -25.4%	EM Stocks -12.9%	U.S. HY Bonds 1.0%	U.S. Interm Bds 2.7%	Midstrm Energy -20.0%	EM Stocks -4.6%	U.S. REITs 0.9%	U.S. Small Cap -6.4%
U.S. Small Cap -38.1%	U.S. Small Cap -49.8%	U.S. REITs -43.6%	U.S. Muni Bds 0.2%	U.S. REITs -28.6%	EM Stocks -27.2%	U.S. Small Cap -30.9%	U.S. Large Cap -26.5%	Gold -25.2%	Intl Dev Bonds -1.2%	U.S. Muni Bds -11.5%	Gold -32.1%	Midstrm Energy -7.4%	U.S. Large Cap 0.8%	Midstrm Energy -9.7%

- Global 60/40
- U.S. Large Cap
- U.S. Small Cap
- Intl Dev Stocks
- Emerging Stocks
- Municipal Bonds
- U.S Int-Term Bonds
- U.S. High Yield Bds
- Intl Dev Bonds
- U.S. REITs
- Commodities
- Gold
- Midstream Energy
- Cash

Source: Bloomberg, SpringTide. See disclosures for asset class, index and portfolio definitions. Returns are gross of fees. It is not possible to invest directly in an index. **Geometric average calculated on the years included to the left. Returns for periods longer than 1 year are annualized. Liberation day returns from 4/2/2025 - 4/15/2025.

Trump tariff tracker:

Tariff Rate on U.S. Imports, %

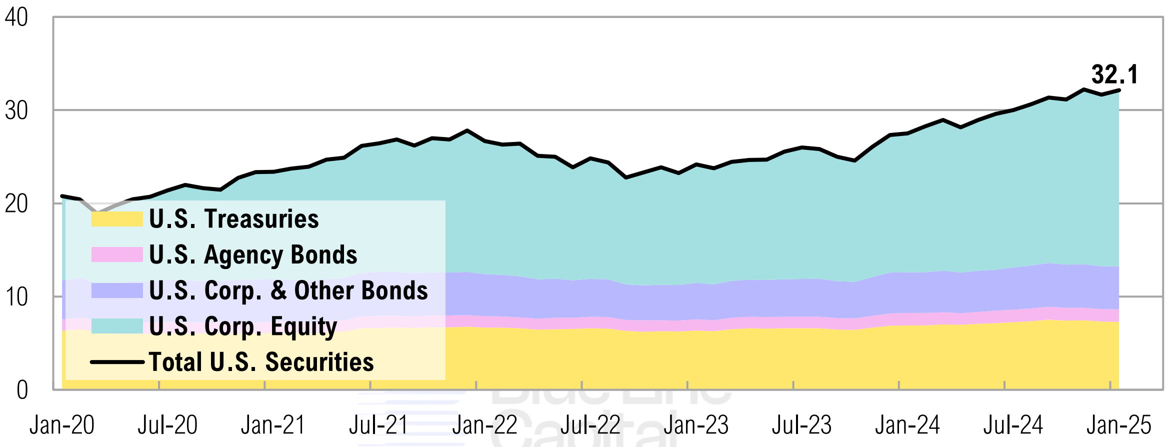


- Trump on April 9 announced a 90-day pause on the higher, April 2 tariffs.
- A base rate of 10% will be in place for all countries who "have not retaliated" to the April 2 tariff announcements (Mexico and Canada to remain at 25%).
- The EU paused its planned 25% reciprocal tariff post-announcement.
- China, meanwhile, imposed 125% tariffs on U.S. imports, to which the U.S. responded by raising tariffs on China to 145%.

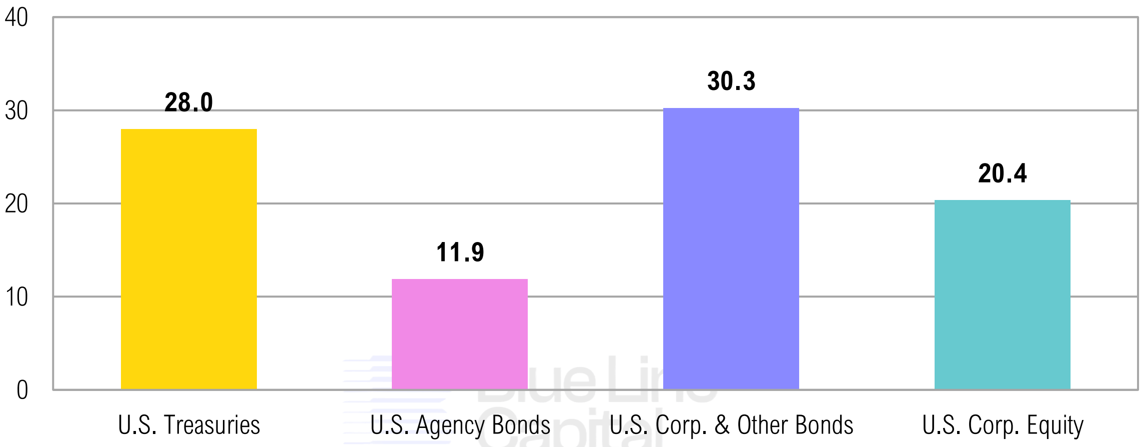
Source: Atlantic Council. As of 4/15/2025.

What happens if the trade war morphs into a capital war?

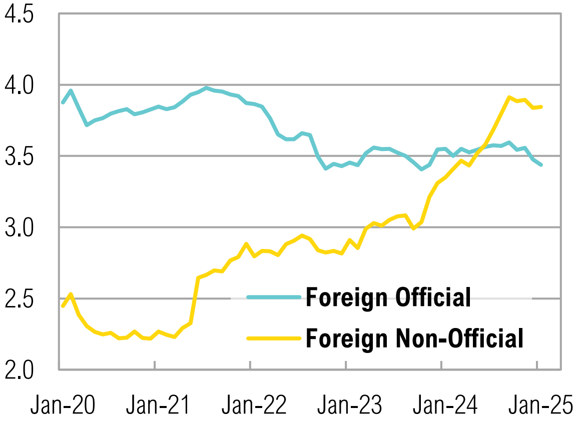
Foreign Holdings of U.S. Assets, $Tn (Jan-25)



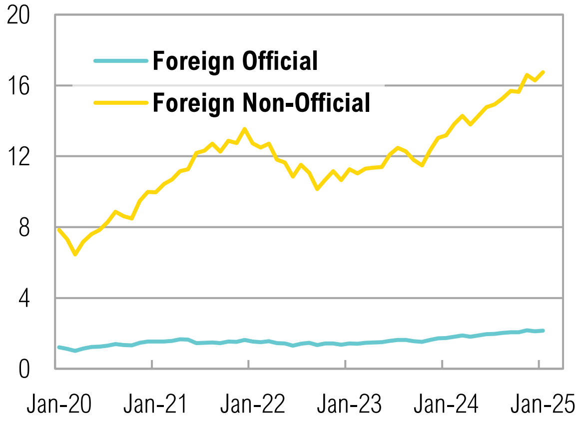
Foreign Holdings as a % of Total Market Cap (Jan-25)



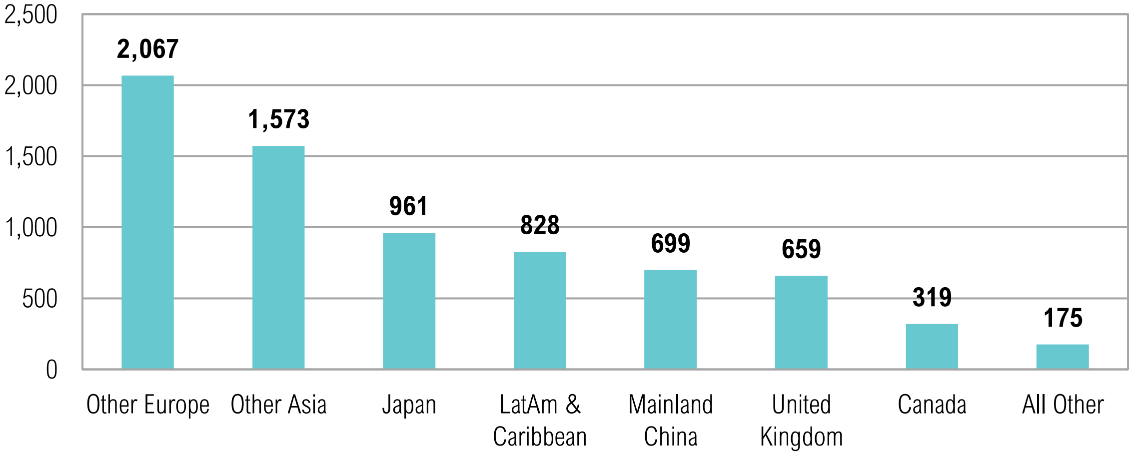
Foreign U.S. Treasury Holder Breakdown, $Tn



Foreign U.S. Equity Holder Breakdown, $Tn



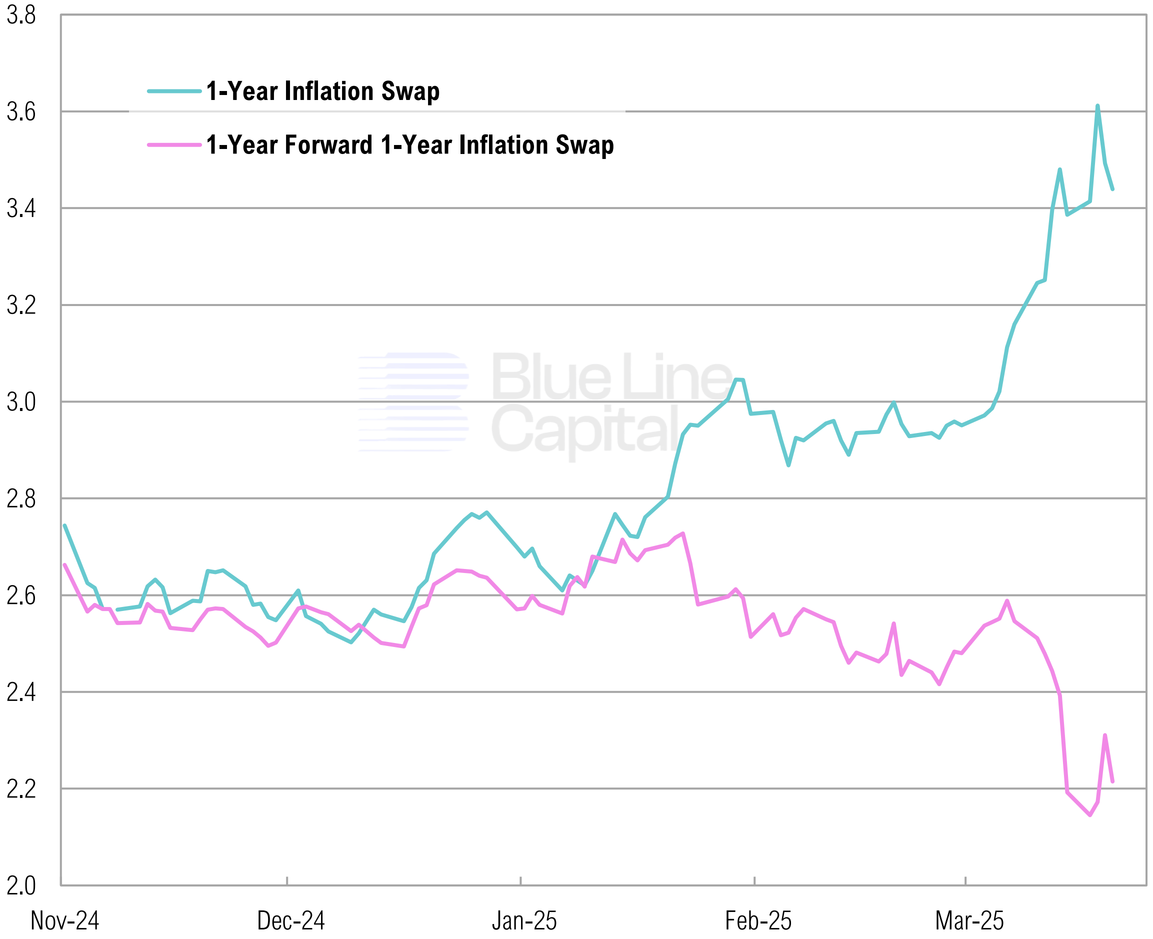
Foreign Holdings of U.S. Debt Maturing >1 Year*, $Bn (Jan-25)



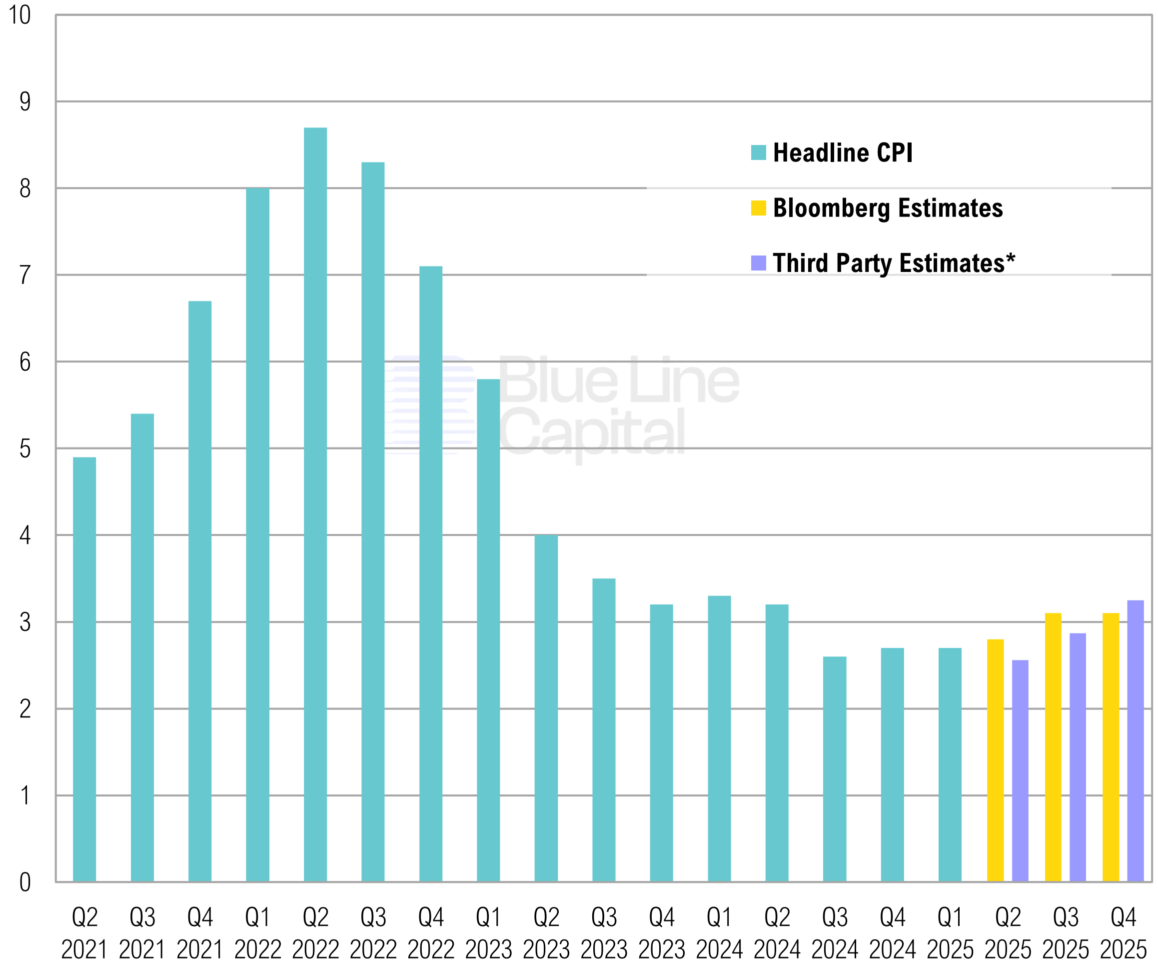
Source: U.S. Treasury, Federal Reserve. All data as of 1/31/2025. "Foreign official" refers to holdings by foreign central banks, sovereign wealth funds, and government institutions. "Foreign non-official" refers to private sector foreign investors such as corporations, banks, asset managers, and individuals. *Other Asia = Taiwan, Hong Kong, Singapore, India, Middle East, South Korea, Thailand and other smaller countries.

Inflation expectations suggest that the tariffs may lead to a one-time price shock; estimates show headline inflation expected to remain above 2% through 2025

Inflation Swap Implied Inflation Rates, %



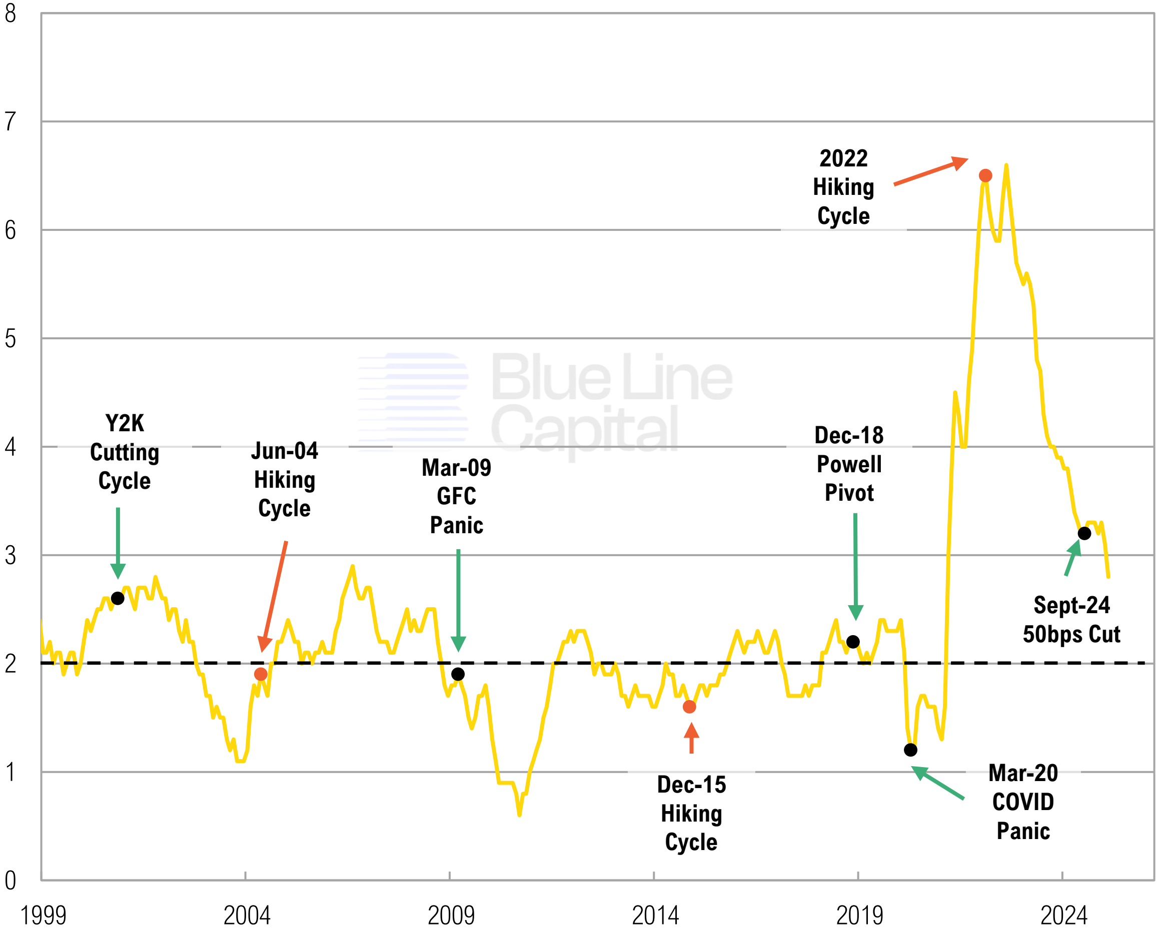
U.S. Headline CPI & Future Estimates, Y/Y %



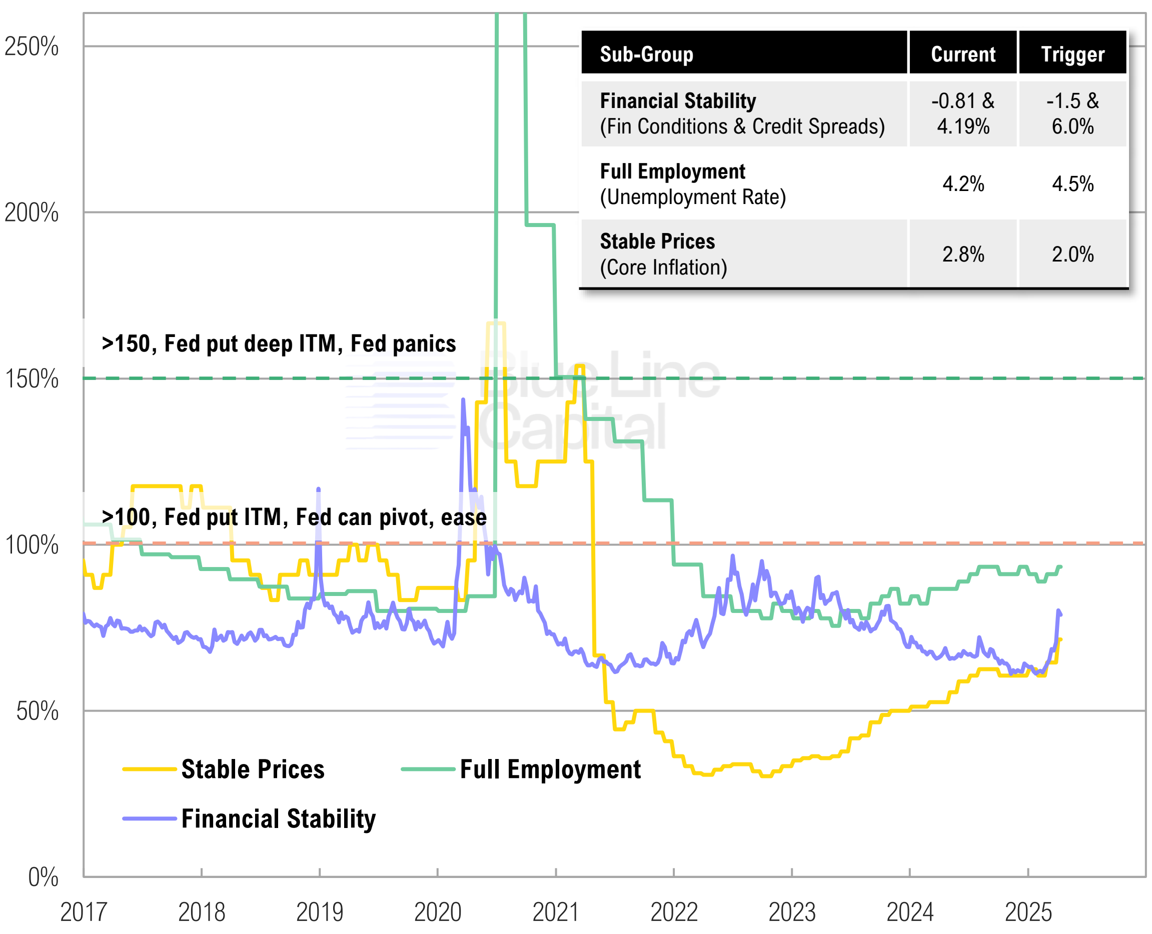
Source: Bloomberg. *Third Party Estimates: Hedgeye.

With core inflation still >2%, the Fed's aggressive rate cut in September may have been a preemptive move to avoid repeating past mistakes; financial stability concerns could provide impetus for additional intervention

U.S. Core Inflation, Y/Y %



Fed Pivot Index Sub-Groups, % Of Threshold

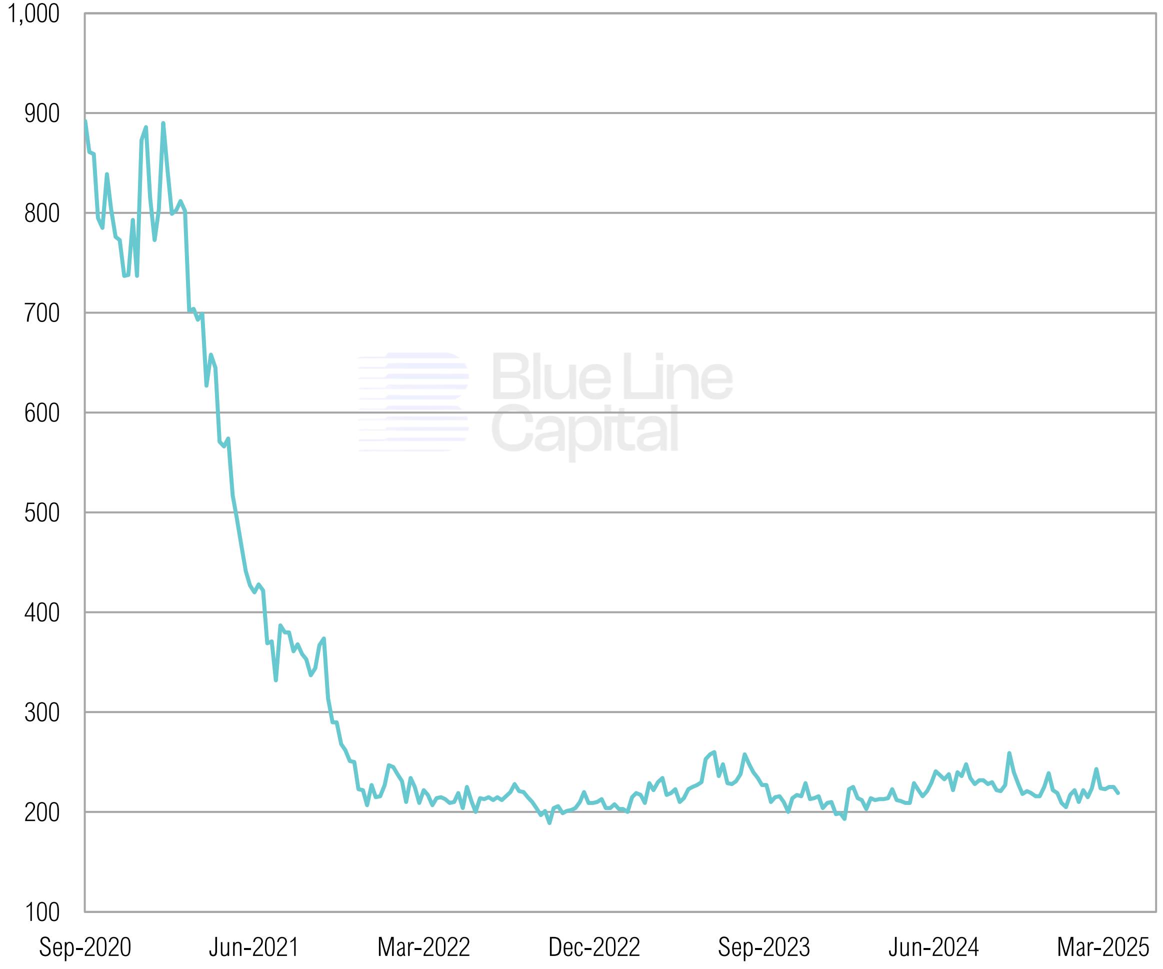


Sub-Group	Current	Trigger
Financial Stability (Fin Conditions & Credit Spreads)	-0.81 & 4.19%	-1.5 & 6.0%
Full Employment (Unemployment Rate)	4.2%	4.5%
Stable Prices (Core Inflation)	2.8%	2.0%

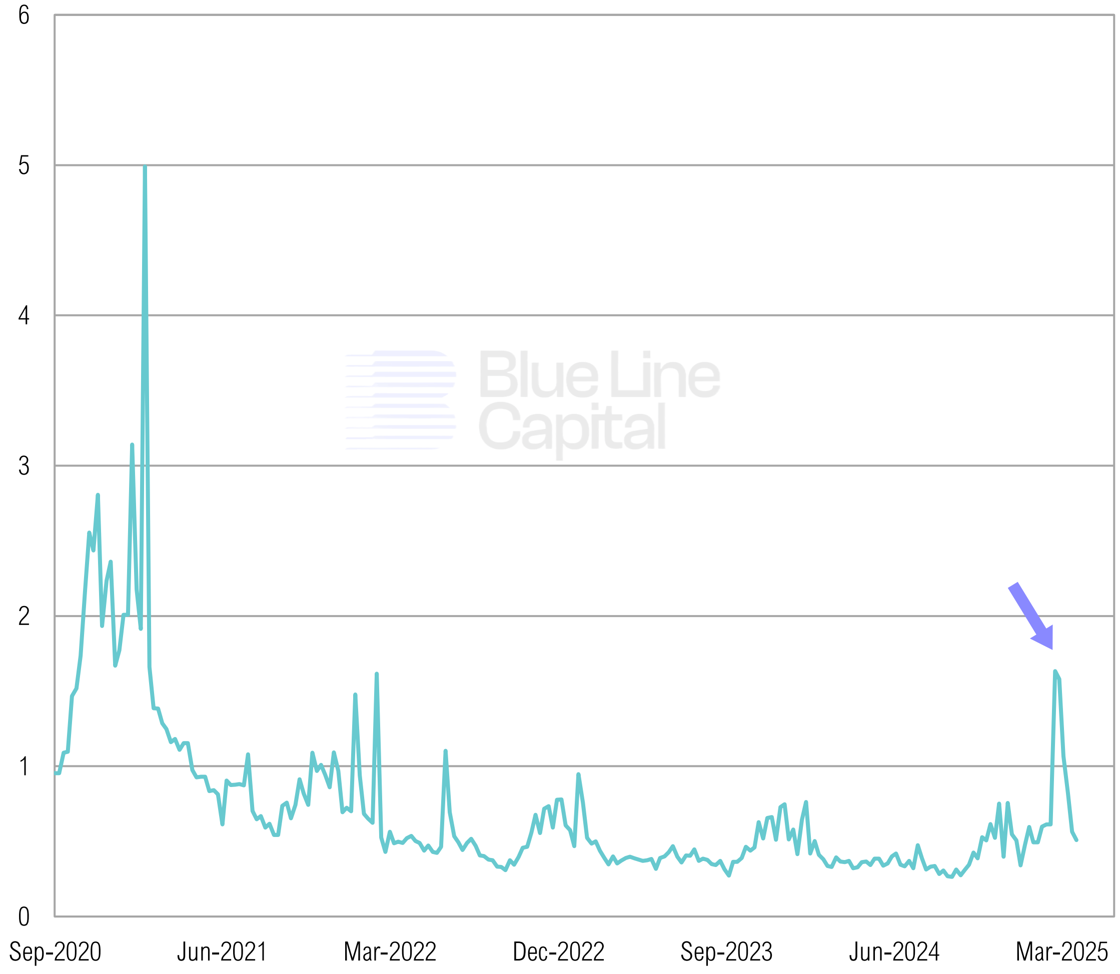
Source: Bloomberg, SpringTide. Springtide Fed Pivot Index is an equal-weighted average of economic and market data representing the Fed's three mandates, each expressed as a percentage of pivot "trigger". Price stability's trigger is Core CPI declining below 2%; full employment's trigger is the U.S. Unemployment rate rising past 4.5%; and financial stability's trigger is the Bbg Financial Conditions Index falling past -1.5, the S&P 500 P/E declining past 16x, and the Bbg U.S. Corporate High Yield OIS spread increasing above 600bps.

Initial jobless claims for federal employees spiked in early February, but have since dropped back to 2024 levels; national initial claims remain steady

Initial Jobless Claims: Nationwide, Thousands, Weekly



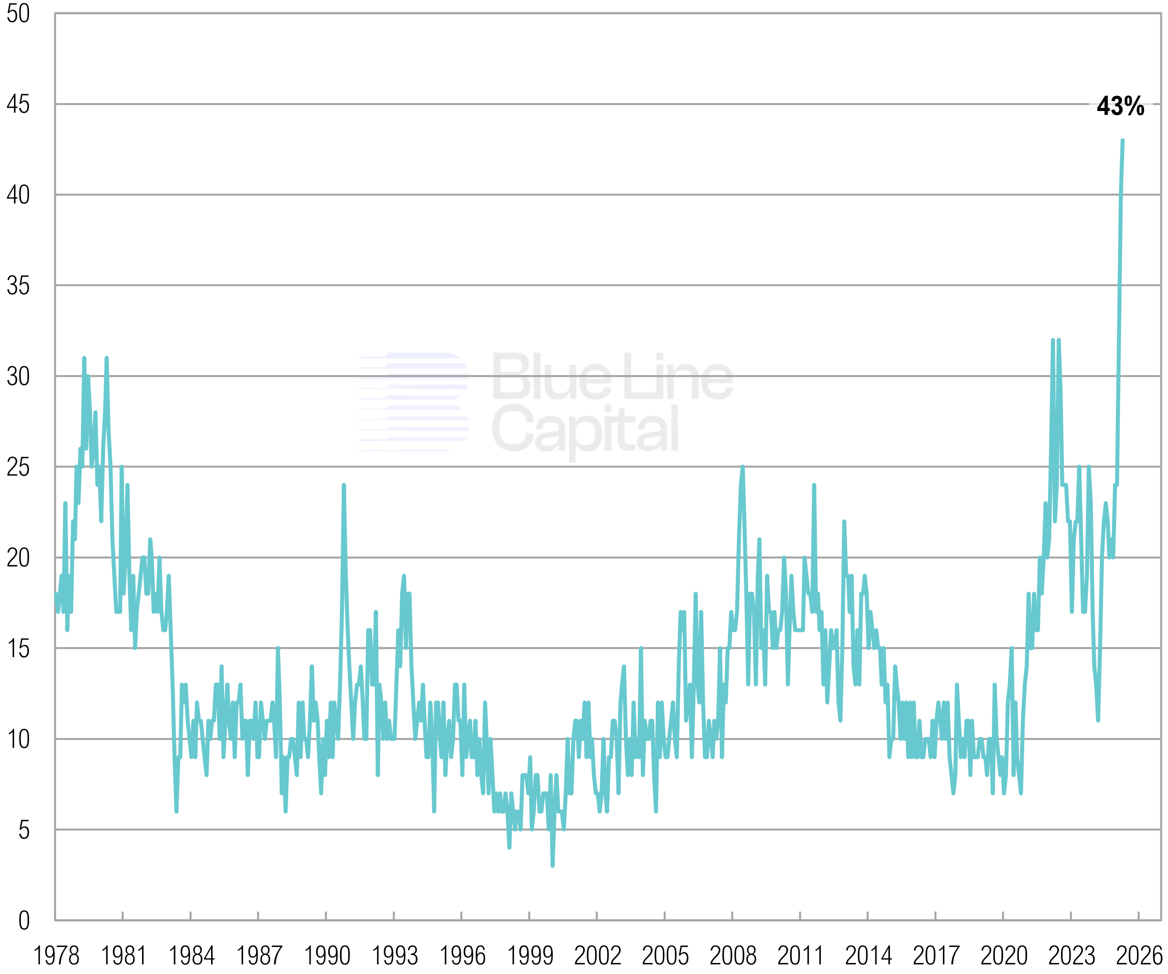
Initial Jobless Claims: Federal Employees, Thousands, Weekly



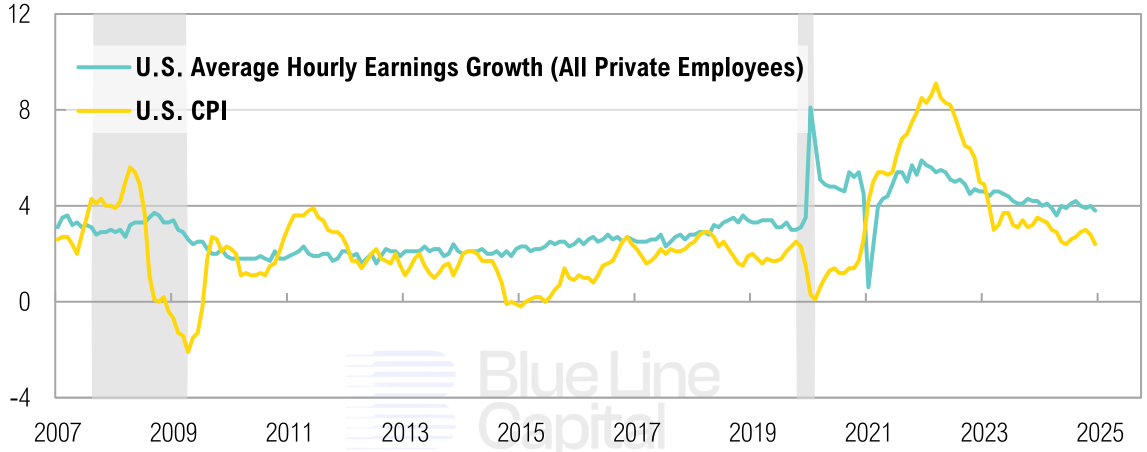
Source: Bloomberg. As of 3/28/2025.

Despite gloomy outlook and pressure on lower-income groups, the average consumer remains in relatively good shape: wage growth is strong, and HH debt-to-GDP is at the lowest in 20 years

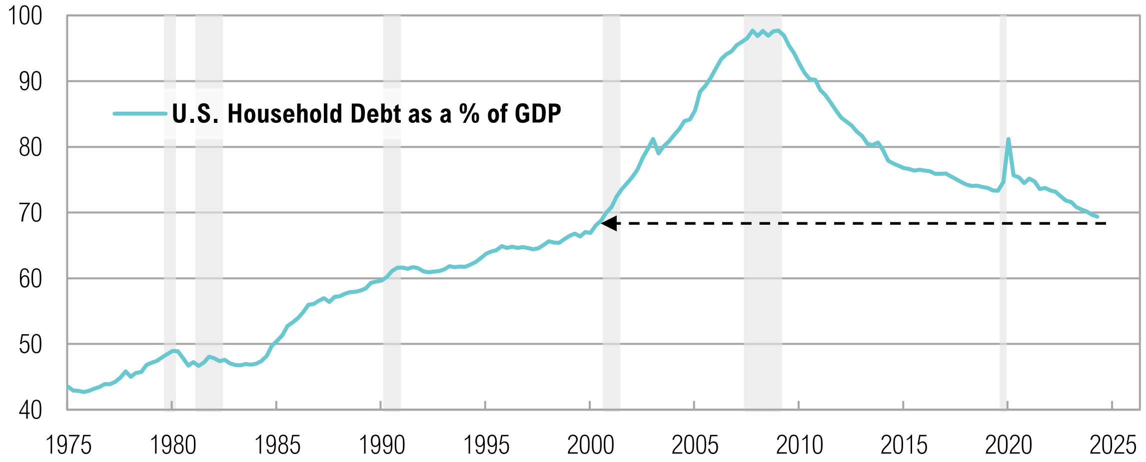
U. Of Michigan Survey: % of Respondents Expecting **Worse** Financial Conditions Over the Next Year



Headline CPI vs Average Hourly Earnings Growth (All Private Employees), %



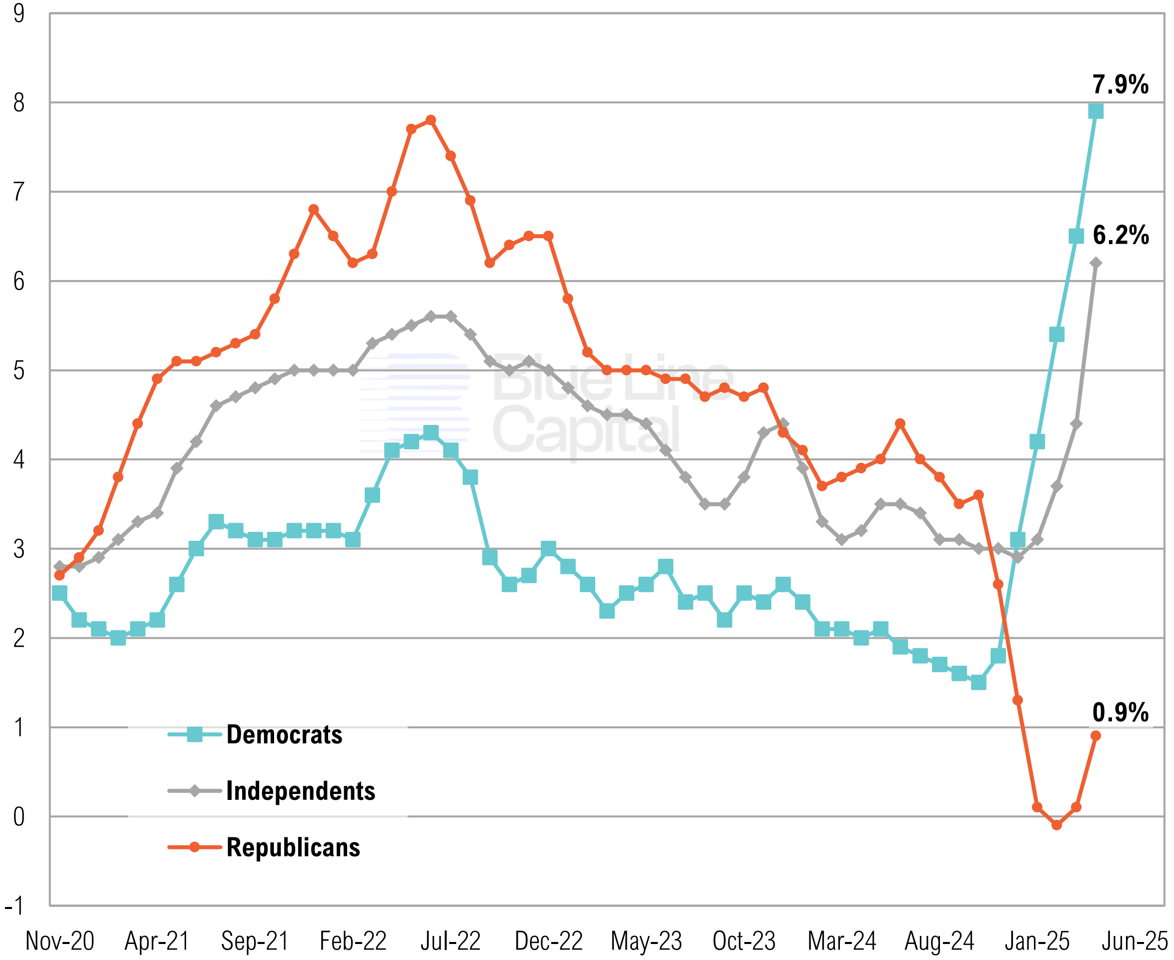
U.S. Household Debt as a Percentage of GDP



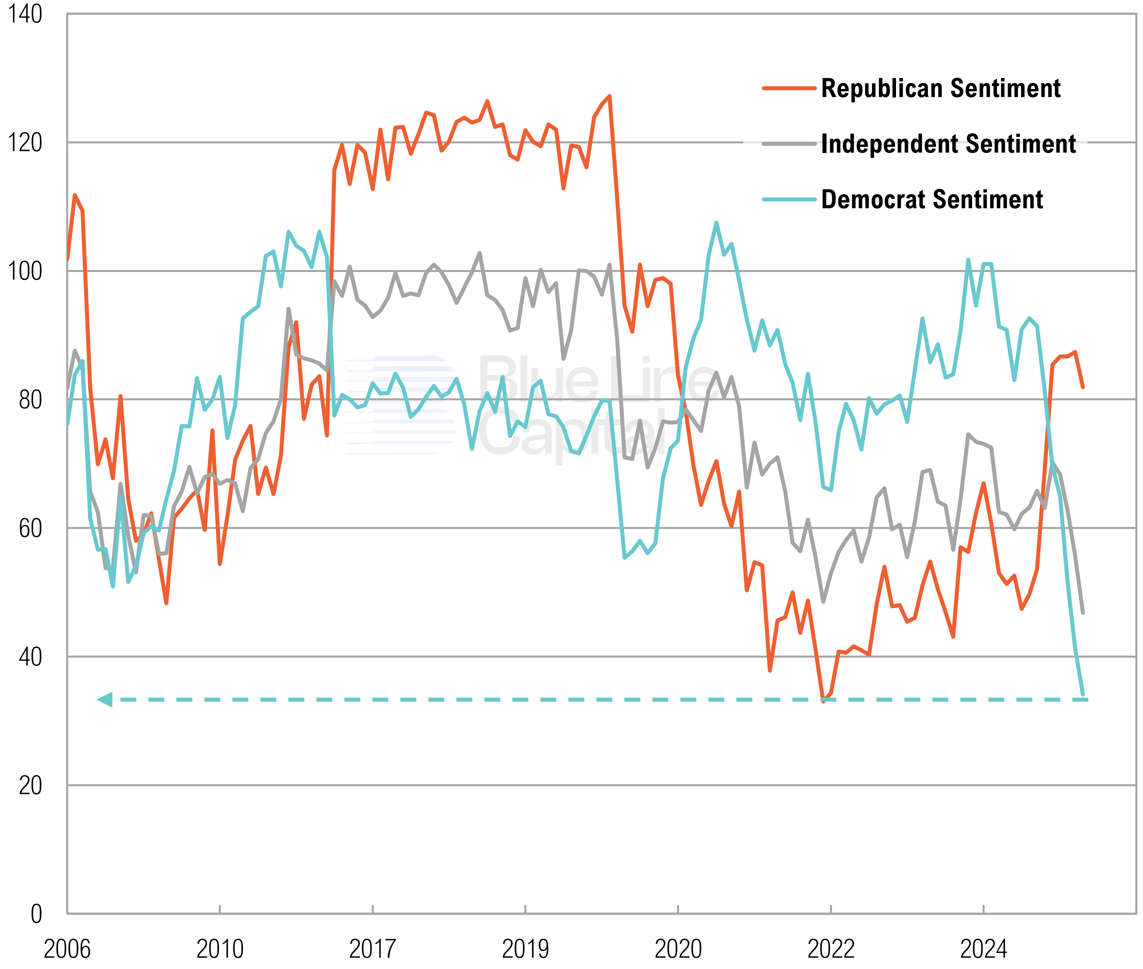
Source: Bloomberg

A picture is worth a thousand words

1-Year Inflation Expectations by Political Party, %



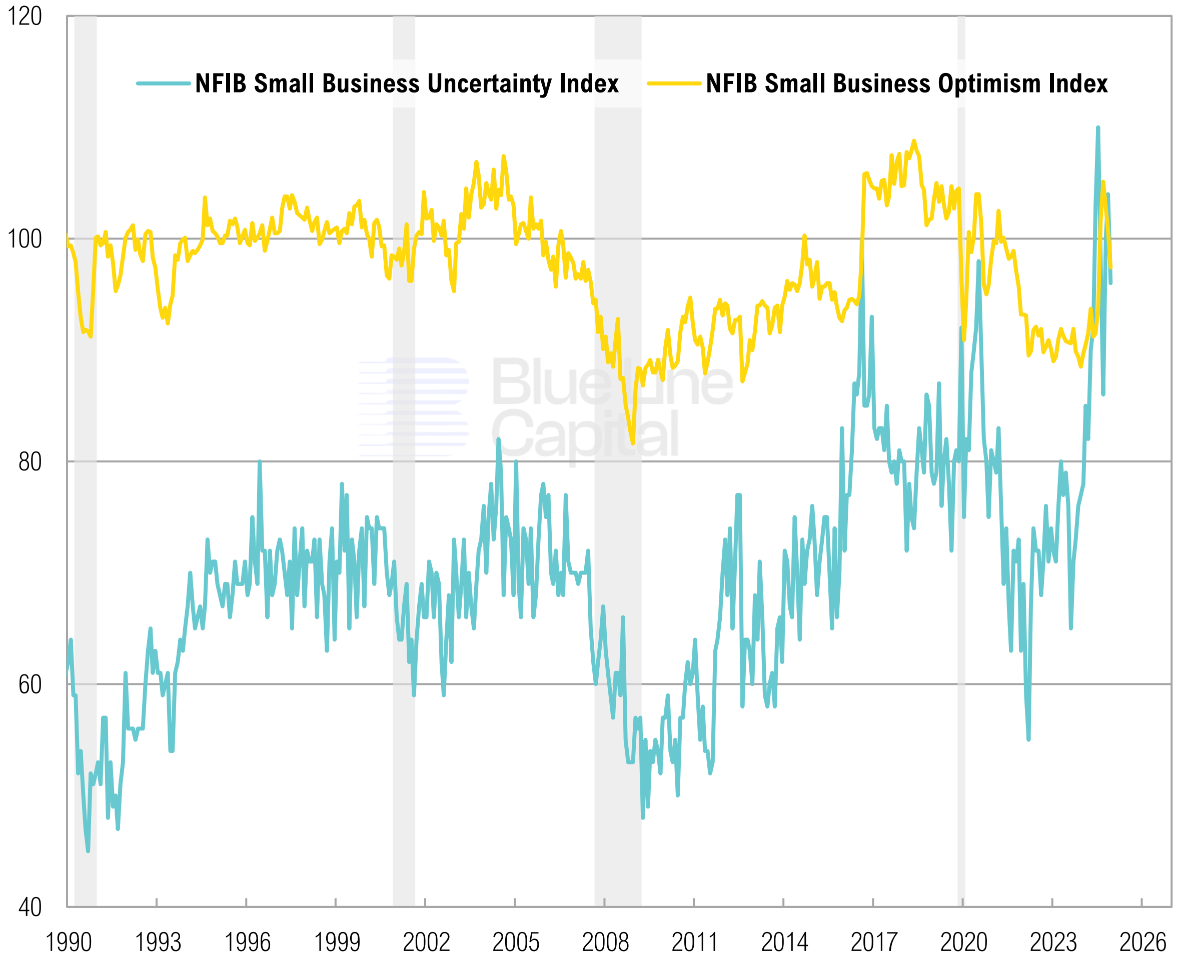
University of Michigan Consumer Sentiment Index, by Political Party



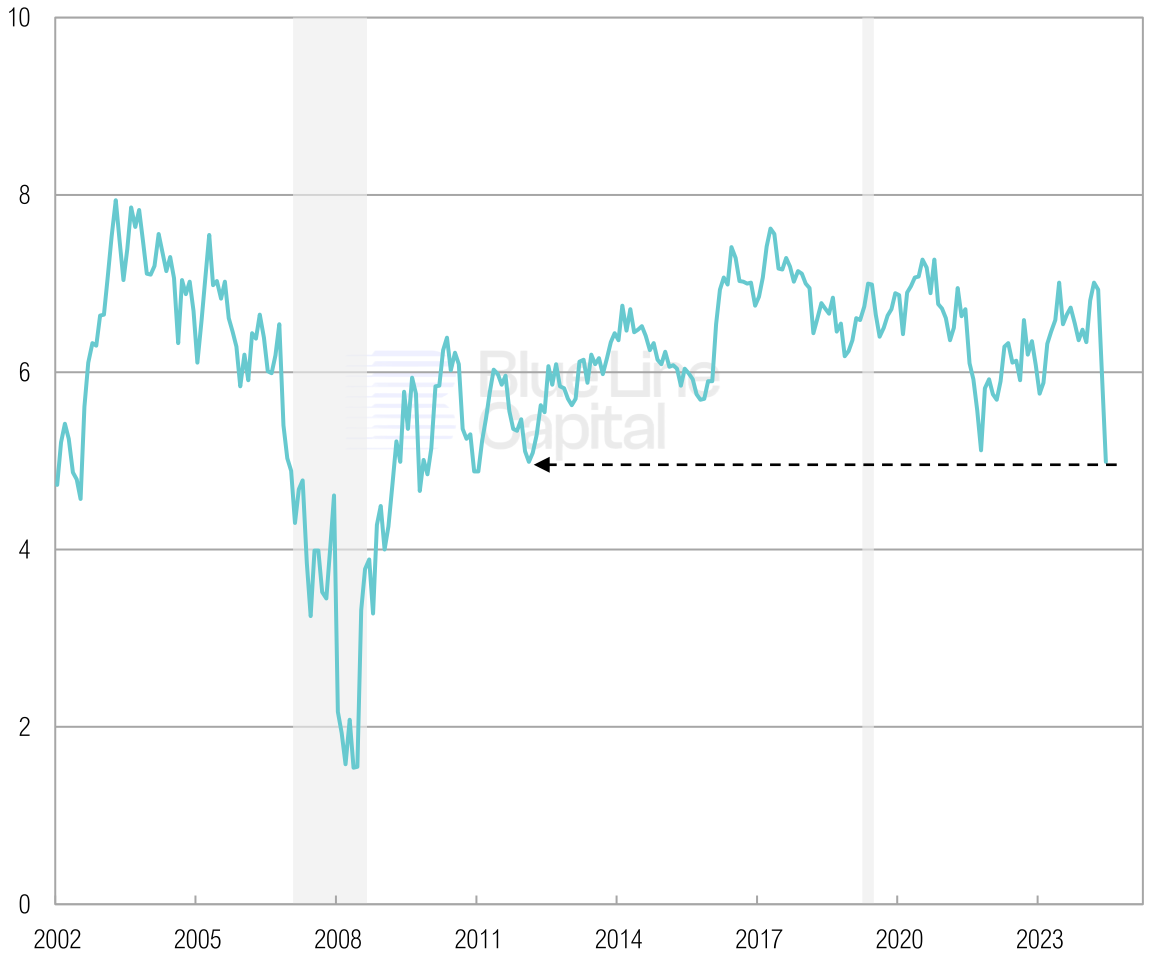
Source: Bloomberg. As of 4/14/2025.

Small business optimism is back at pre-election levels, accompanied by high levels of uncertainty; CEO confidence declined to levels last seen in 2012

National Federation of Independent Business (NFIB) Small Business Indices



CEO Confidence Index: “Confidence in the Economy 1 Year From Now”

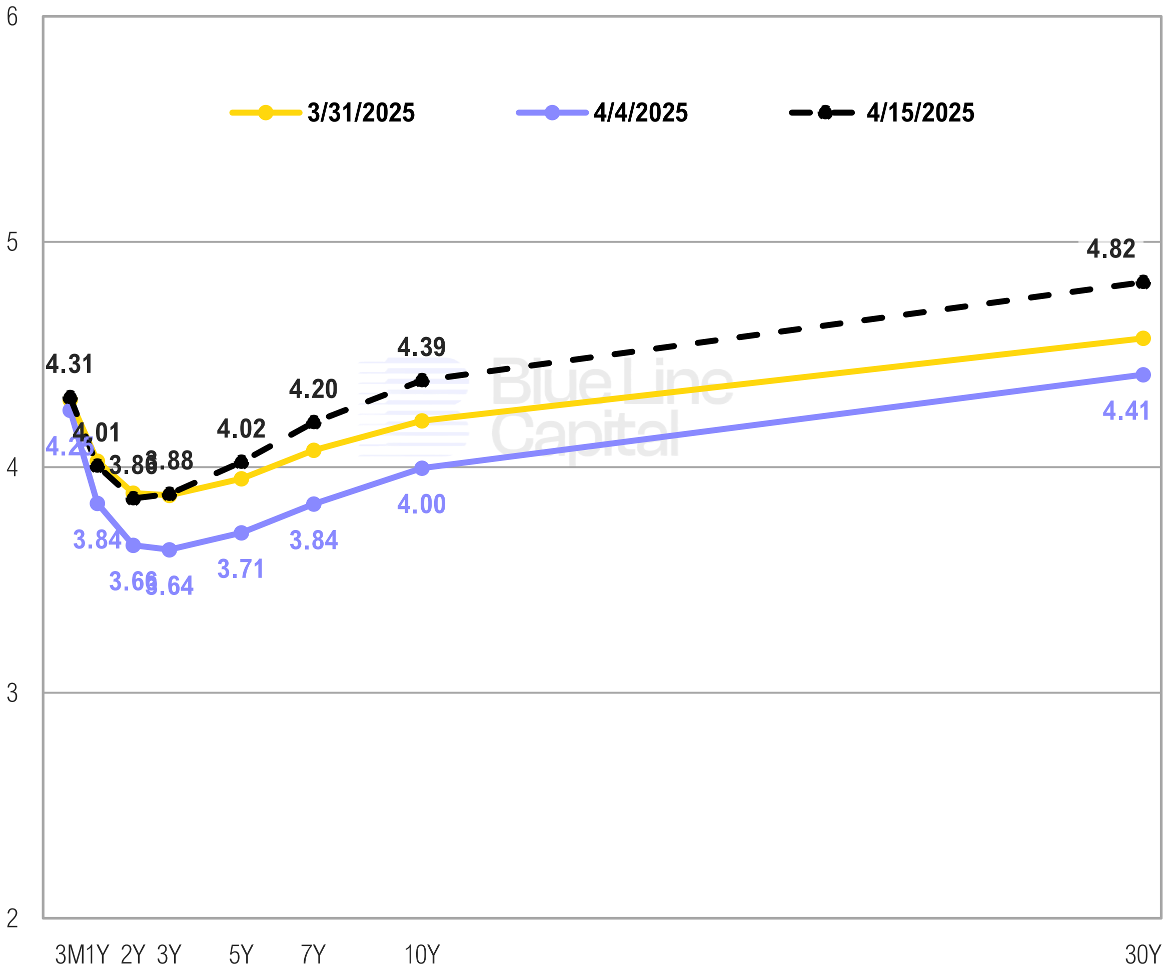


Source: NFIB, CEO Magazine, Bloomberg.

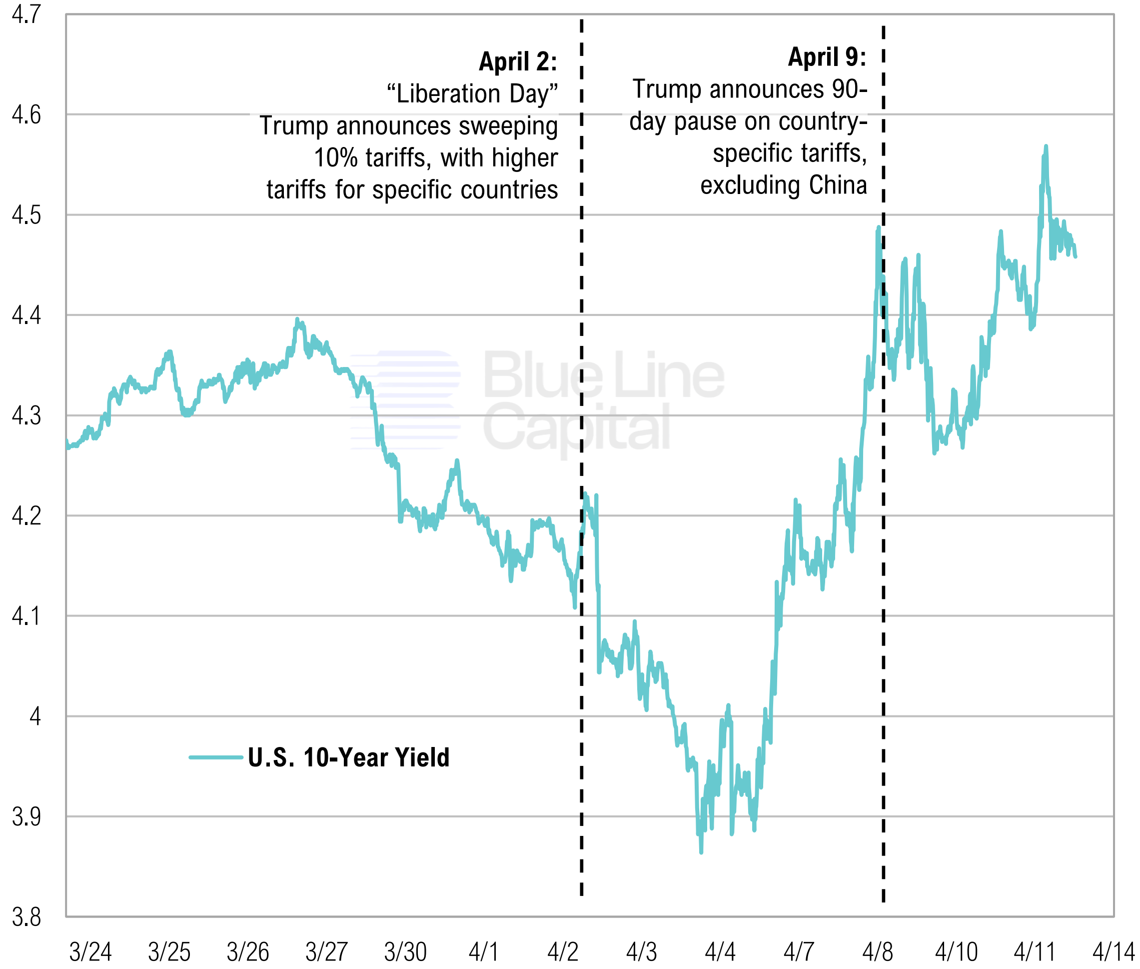
Blue Line Capital

Bond vigilantes: (more on this later)

U.S. Treasury Yield Curve by Date

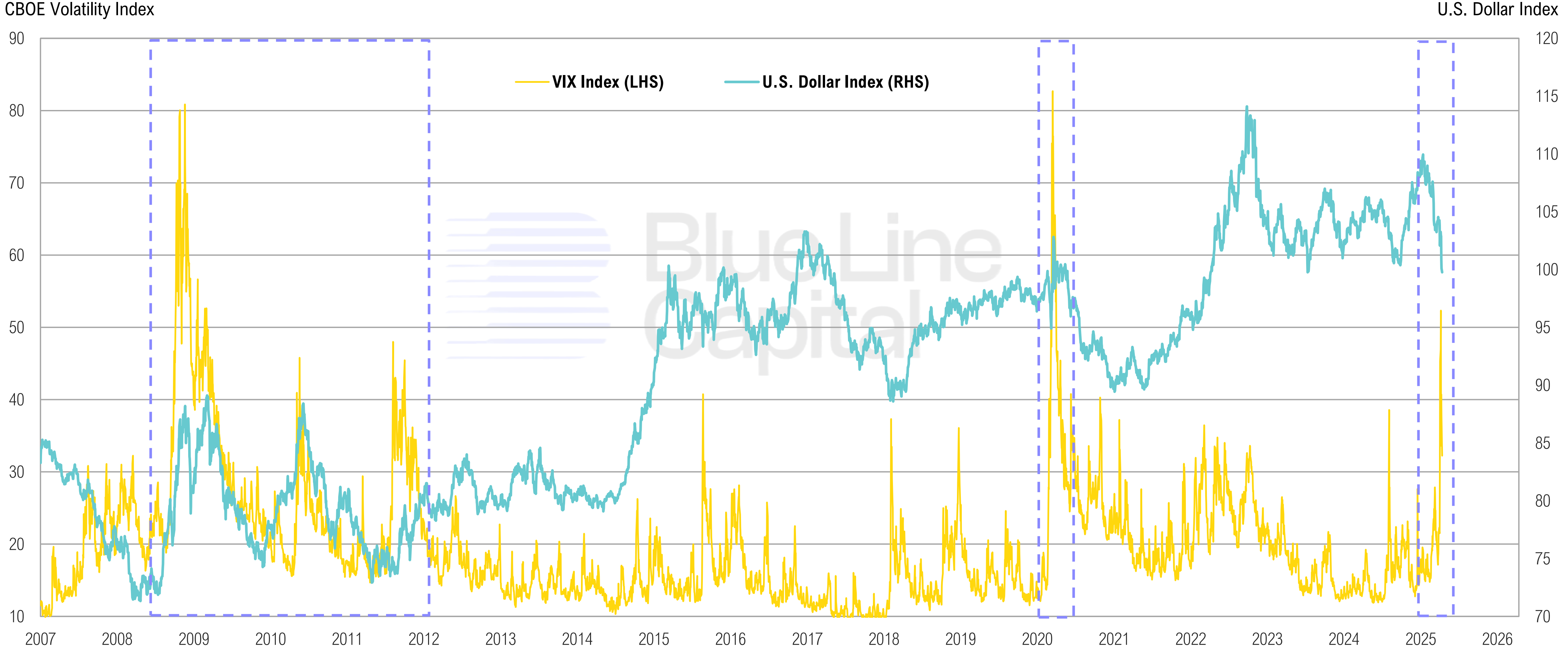


10-Year U.S. Treasury Yield, %



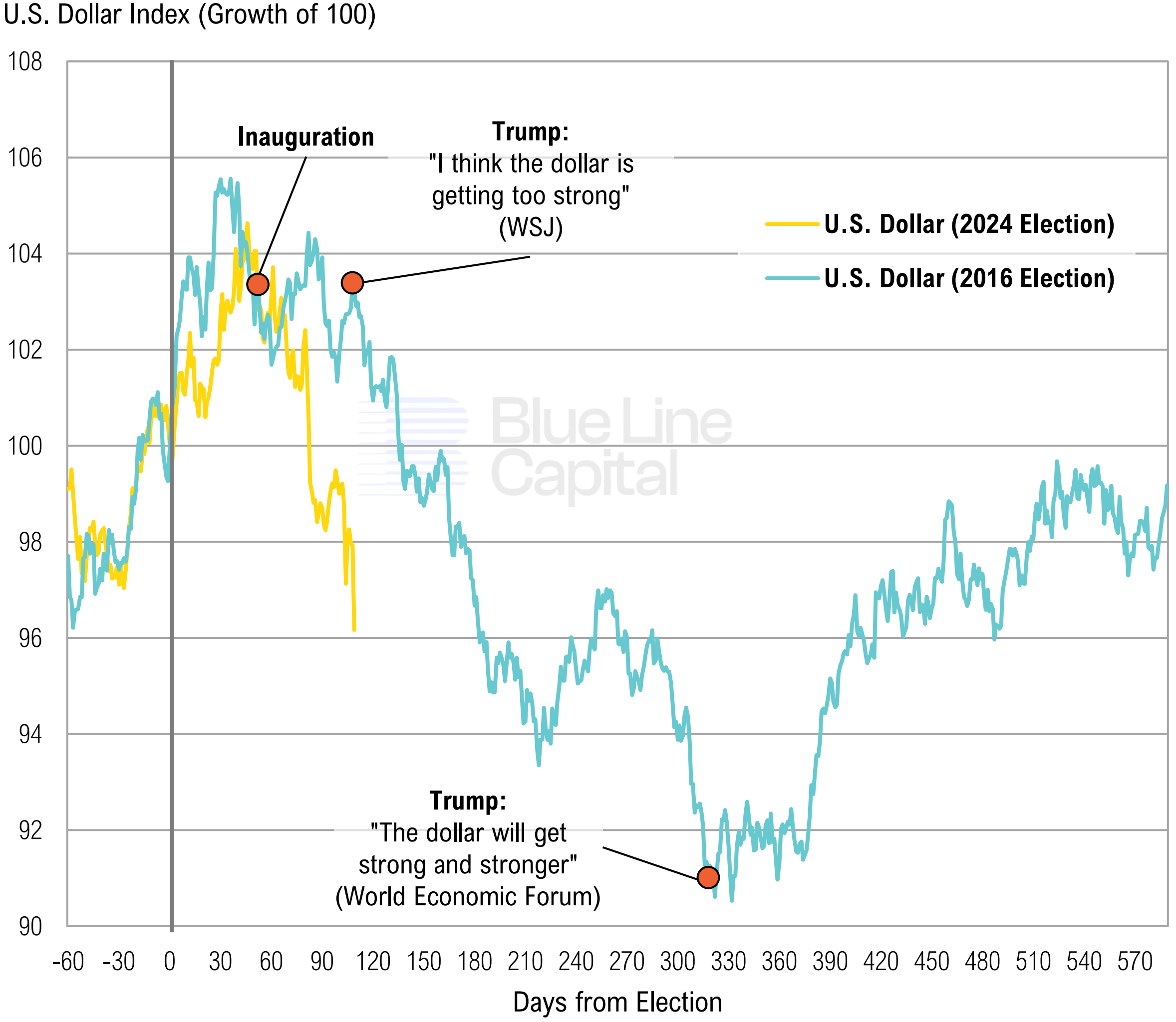
Source: Bloomberg. As of 4/15/2025.

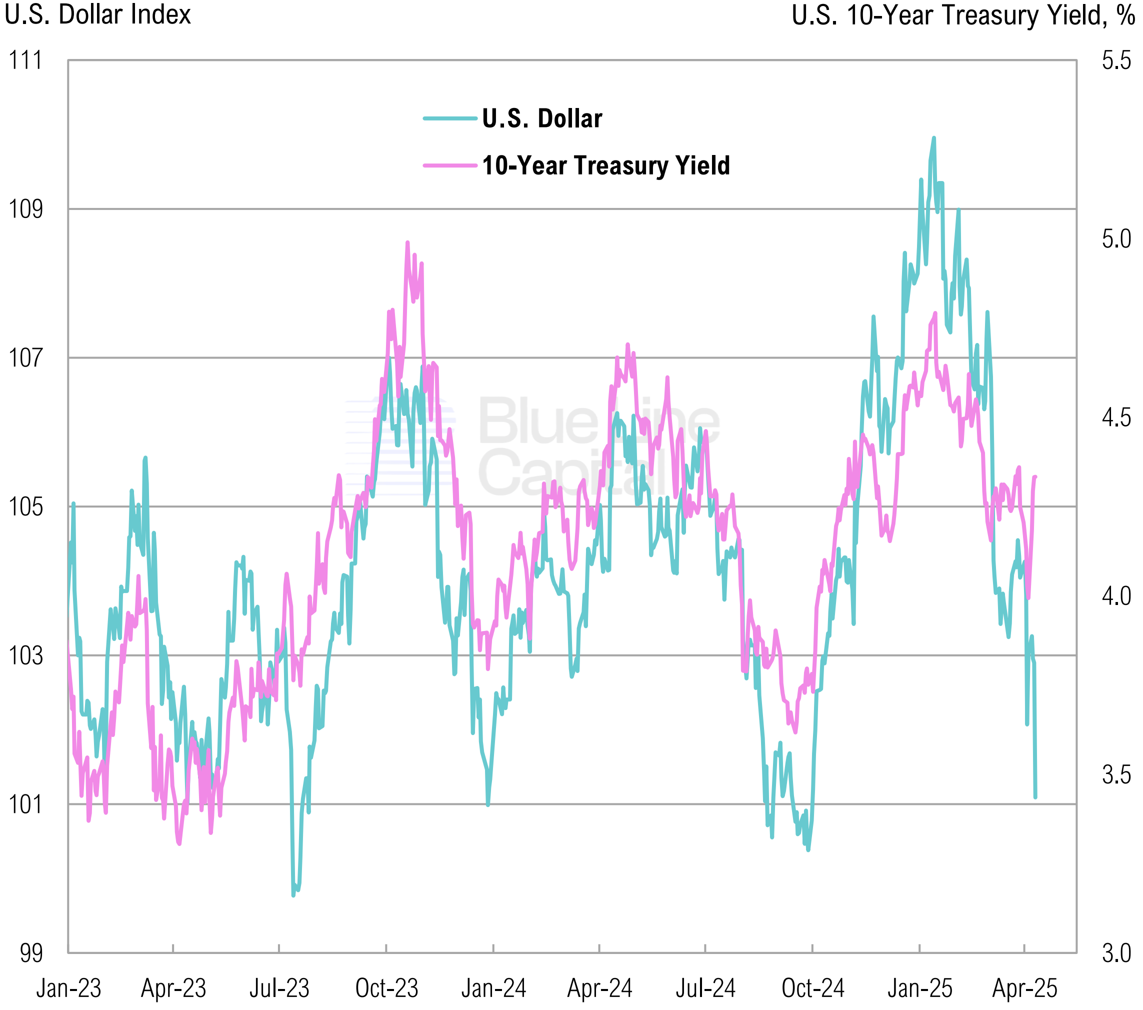
The U.S. dollar has sold off despite the spike in volatility, raising the question: is the dollar losing its haven status?



Source: Bloomberg

While the trajectory of the USD is similar to Trump's first term, this time may be more structural given the decoupling of the yield relationship (higher yields not creating a stronger USD)





Source: Bloomberg. As of 4/10/2025.

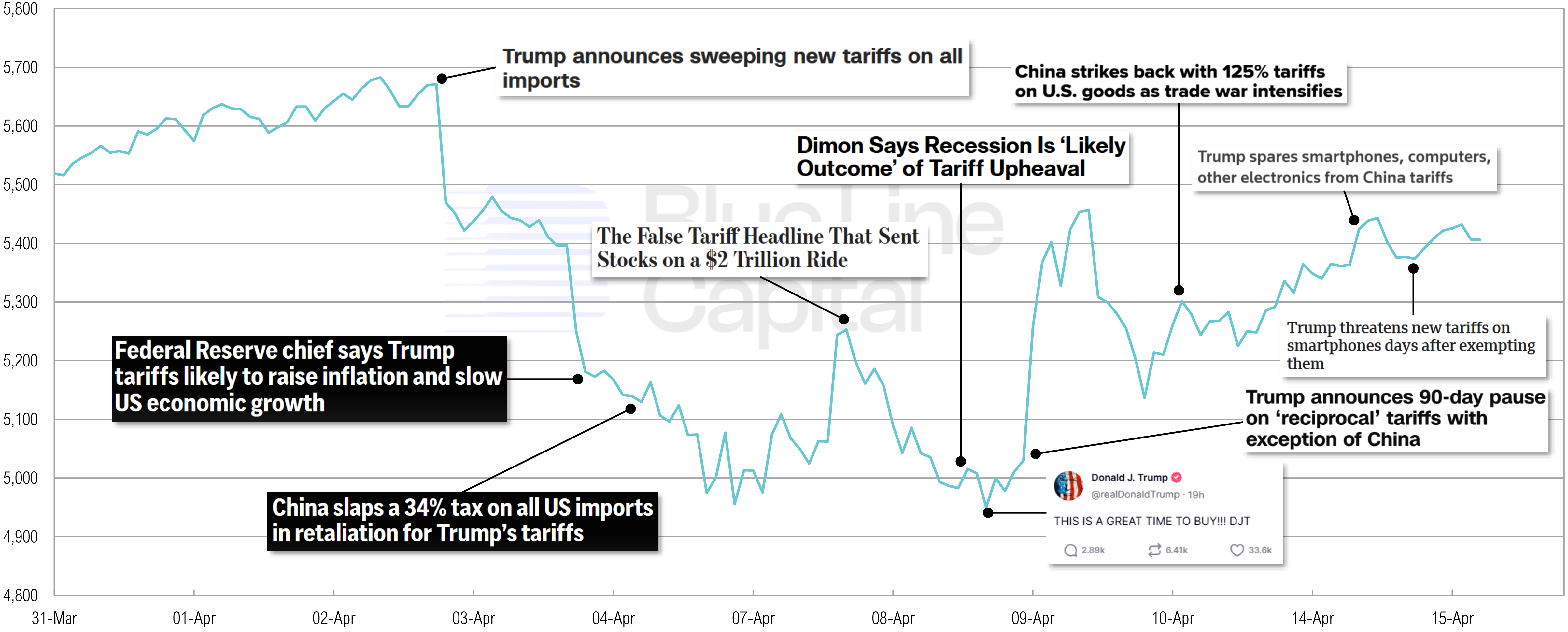
Equity:

U.S. Exceptionalism

1. How have equity markets responded to policy uncertainty—and how has positioning shifted?
2. Where do we expect leadership in the next cycle—by sector, style, or region?
3. Where are the opportunities and risks from a valuation, positioning, or other perspective?
4. Can U.S. equities continue to outperform their international counterparts given the policy backdrop? Have we seen the end of U.S. exceptionalism?
5. Where—if anywhere—are there compelling opportunities in venture capital, private equity, or other private market segments today?

Last week in U.S. equity markets…

S&P 500 Index



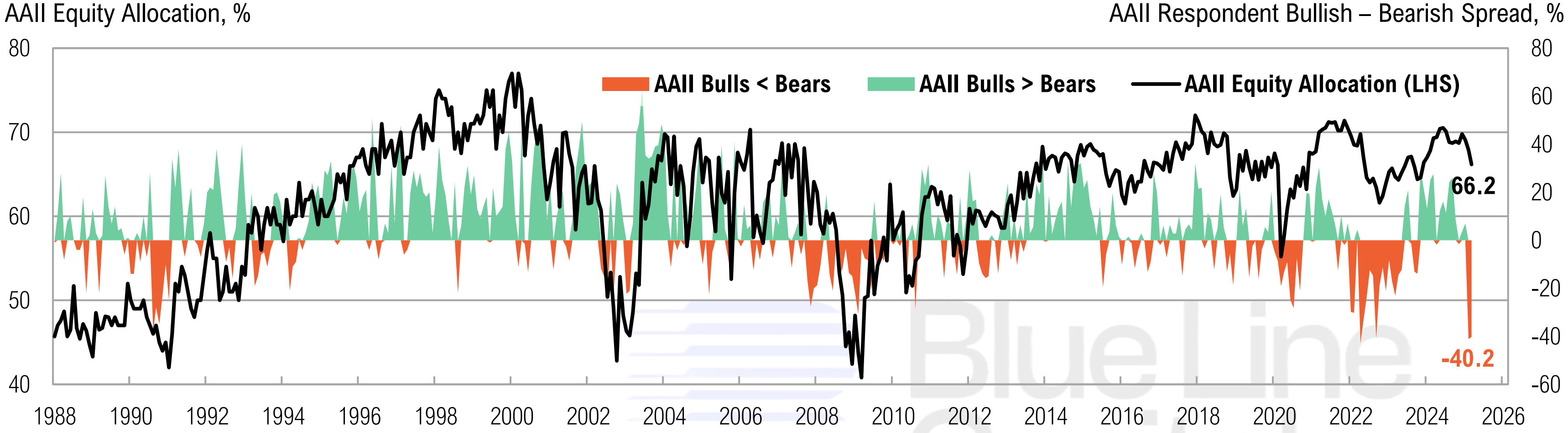
Source: Bloomberg

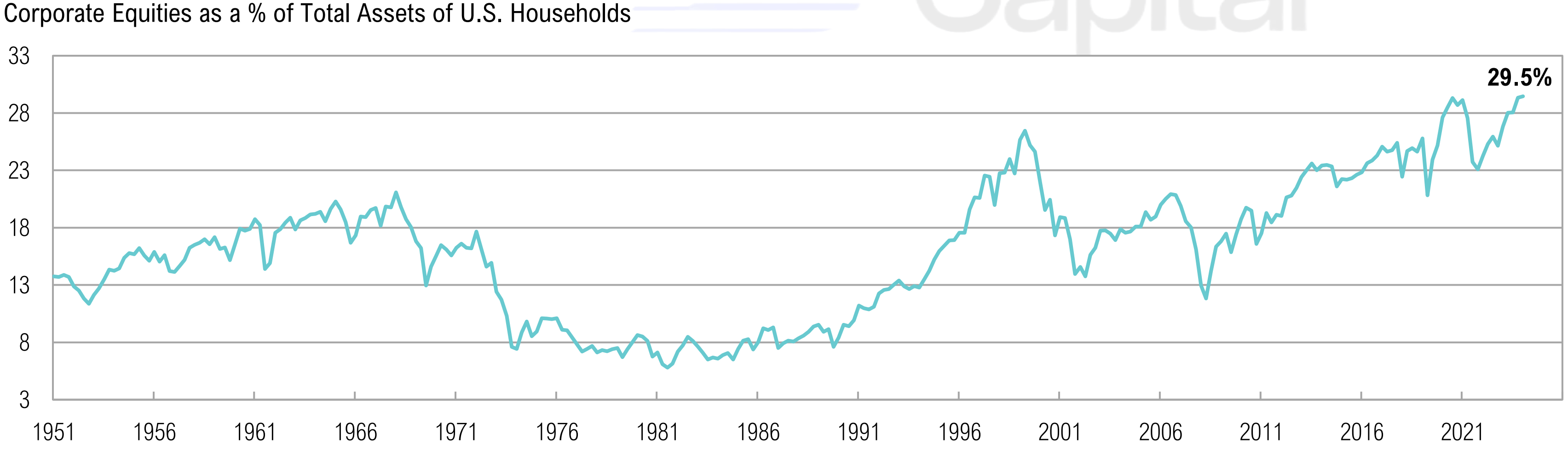
While the recent drawdown was rapid, the absolute level perhaps wasn't: the 19% drawdown in the S&P 500 was only modestly worse than long-term annual average of -14.5%

S&P 500 Annual Total Returns & Drawdowns*

Source: Bloomberg, Ibbotson Associates, SpringTide. Averages are arithmetic. Annual Returns are total returns represented by the S&P 500 TR Index from 1971 to date. Returns prior to 1971 are represented by the Ibbotson Associates U.S. Large Cap Stock TR Index. *Drawdown data is based on the S&P 500 Price Index. See appendix for index definitions and other disclosures. As of 4/16/2025.

While survey responses are excessively bearish, allocations were not; could it be because a record 30% of total household assets are comprised of equities?



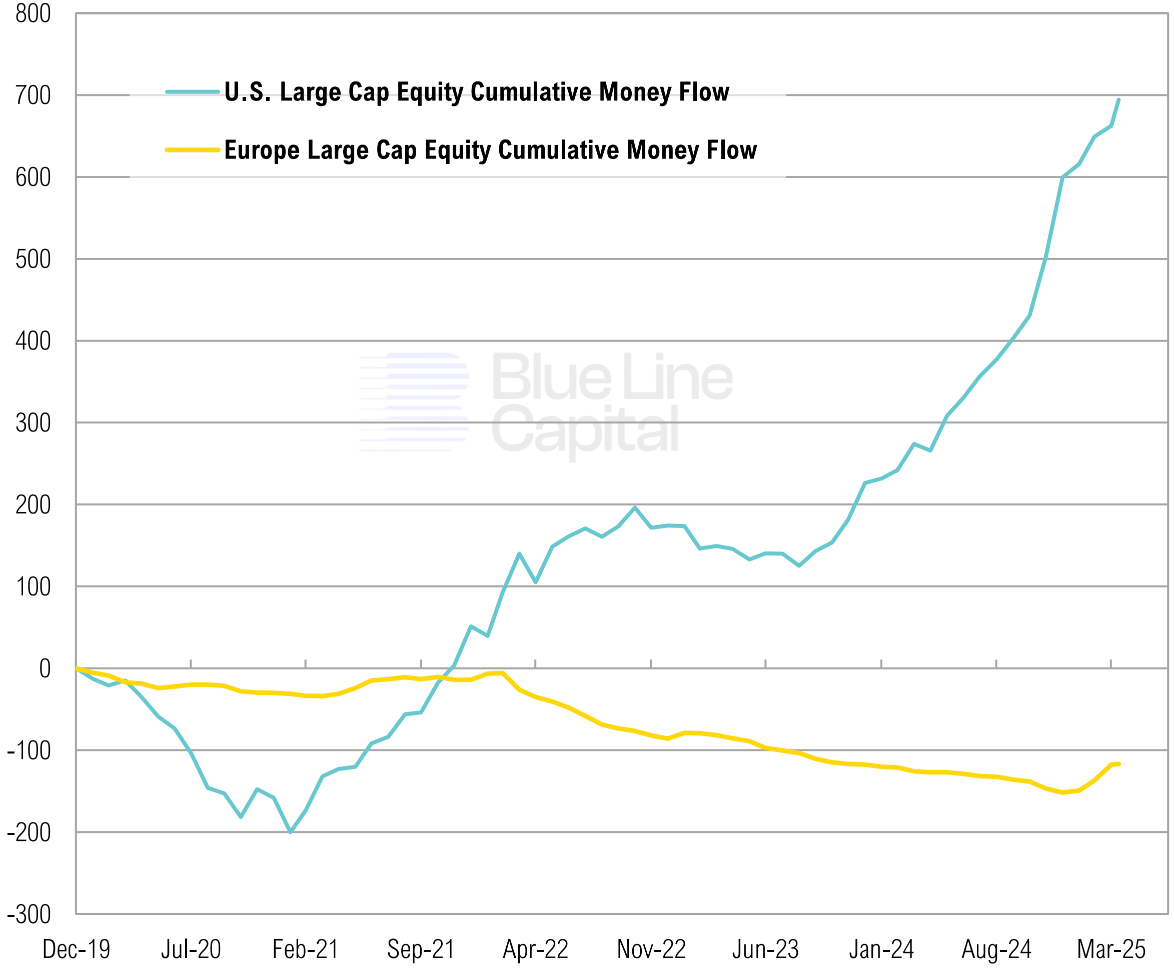


- **The AAII Sentiment Survey, which offers insights into the opinions of individual U.S. investors, recorded a record six consecutive weeks of bearish responses above 50%.**
- **Despite this, equity allocations remain relatively elevated.**
- **A possible reason for the disconnect between individual investor sentiment and equity allocations is the record 30% of U.S. household assets allocated to equities.**

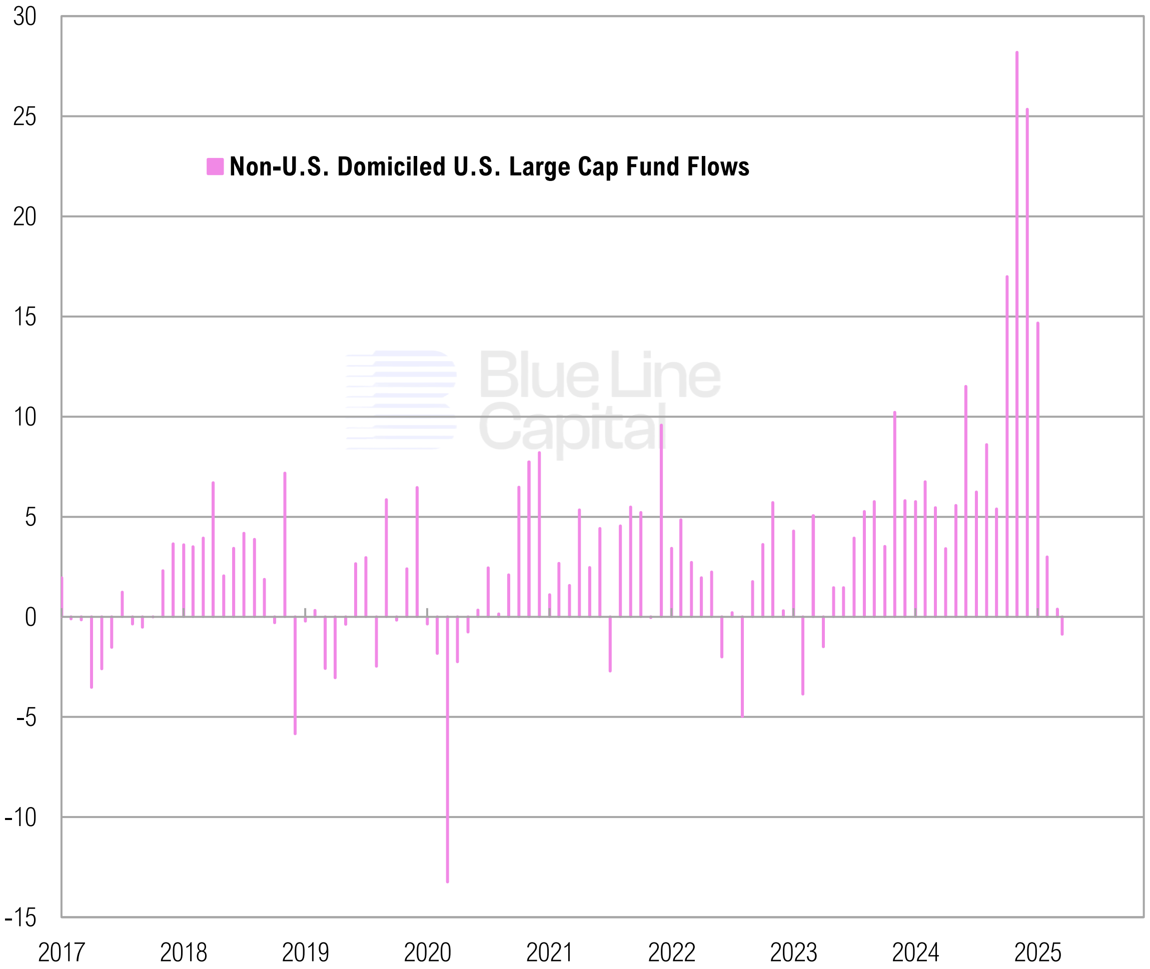
Source: American Association of Individual Investors, Federal Reserve of St. Louis. AAII as of 3/31/2025; HH equity allocations as of 9/30/2024.

Despite sentiment, flows into U.S. large cap funds continue

Global Open End Fund Cumulative Money Flow, $Bn



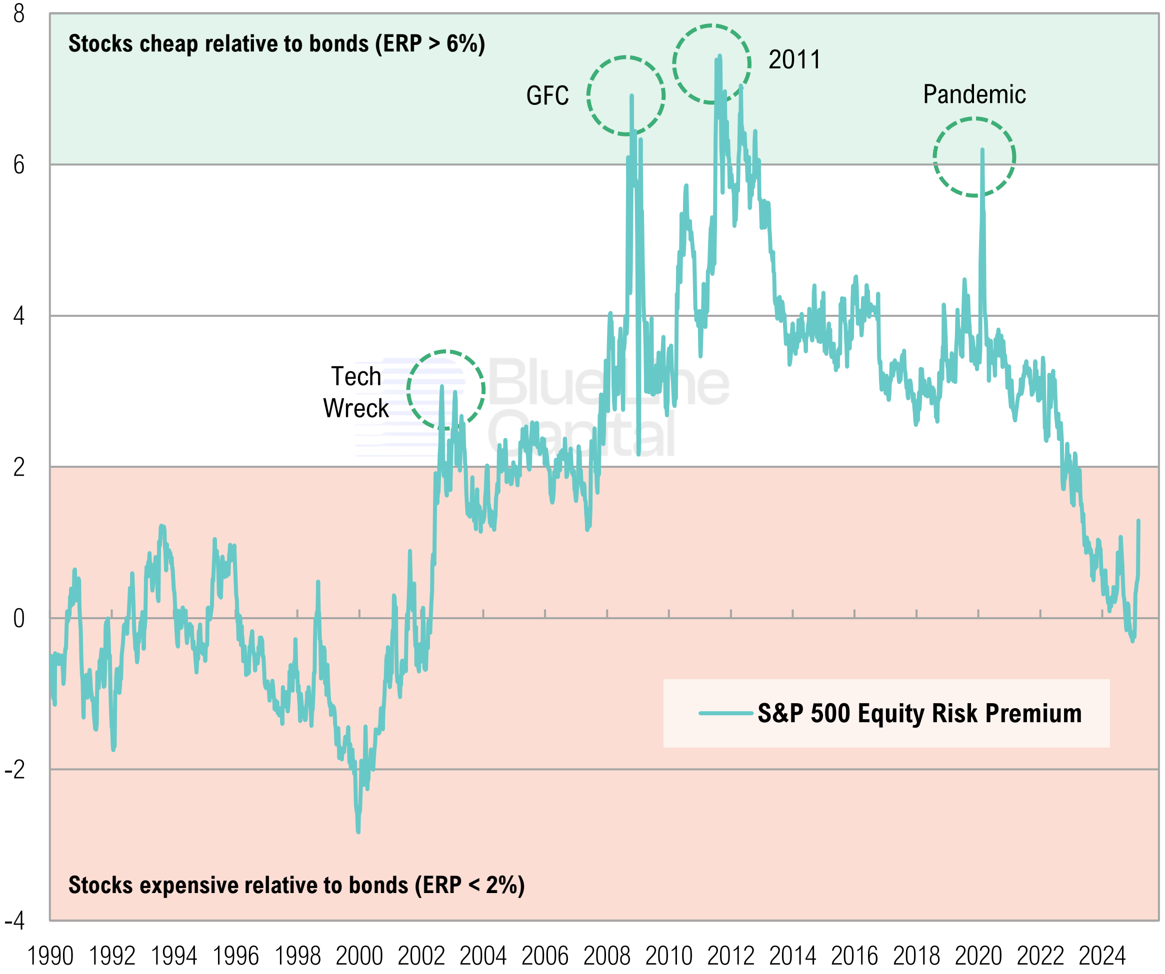
Non-U.S. Domiciled U.S. Large Cap Fund Monthly Money Flow, $Bn



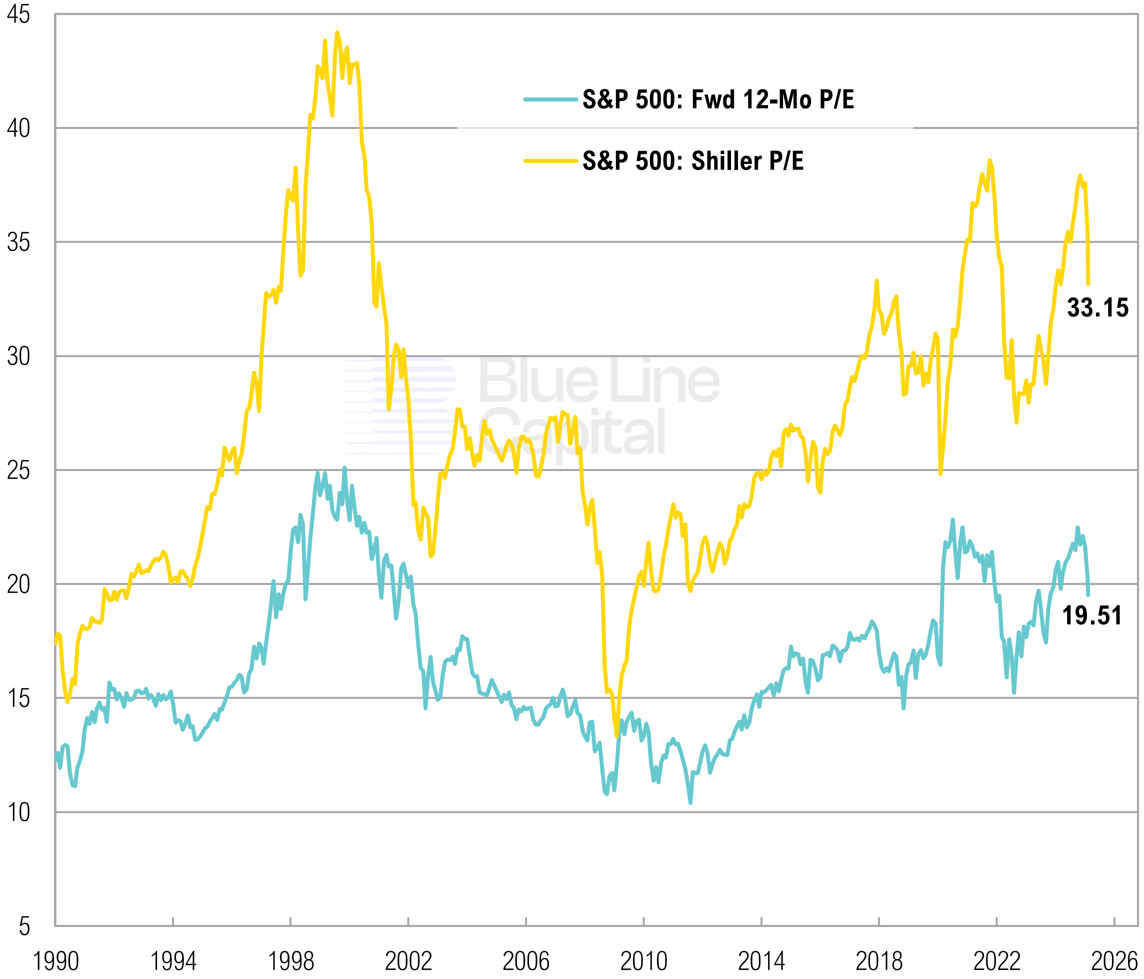
Source: Bloomberg, SpringTide. Estimate fund money flow as of 4/14/2025.

Using a yield-to-earnings yield comparison (ERP), U.S. stocks remain unattractive versus bonds, but their appeal has improved substantially; valuations have eased from both a Shiller and forward P/E perspective

S&P 500 Forward Earnings Yield minus 10-Year US Treasury, %

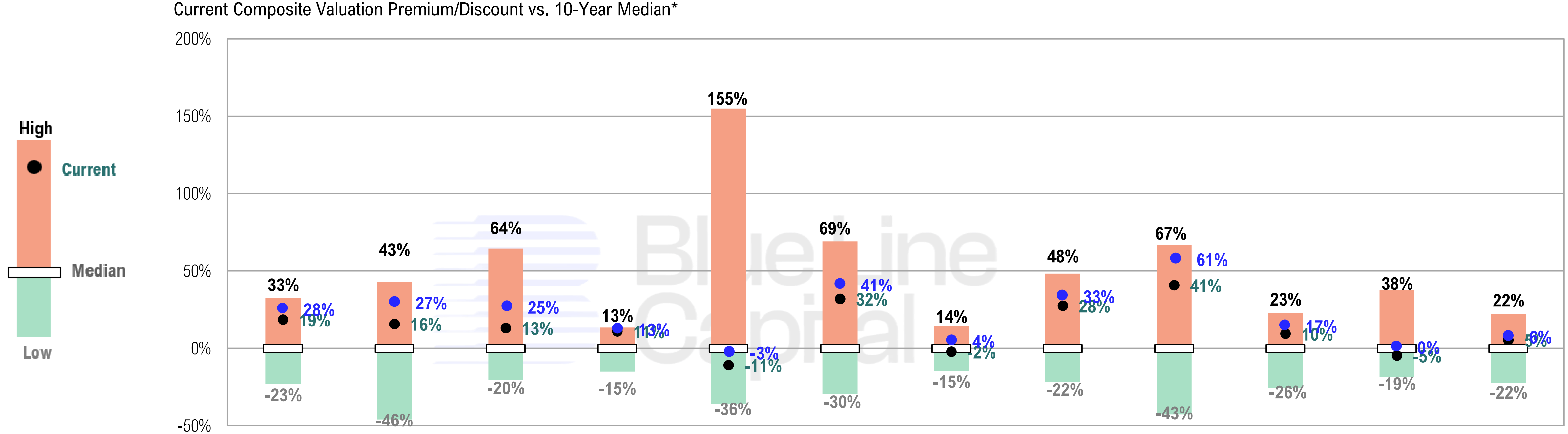


S&P 500 Price to Earnings, 12-Mo Fwd vs. Shiller



Source: Bloomberg. Equity risk premium calculated as S&P 500 earnings yield minus 10-year Treasury yield.

S&P 500 composite valuations eased amid the recent sell-off but have largely rebounded; tech, comm services, and cons. disc. saw the sharpest valuation declines

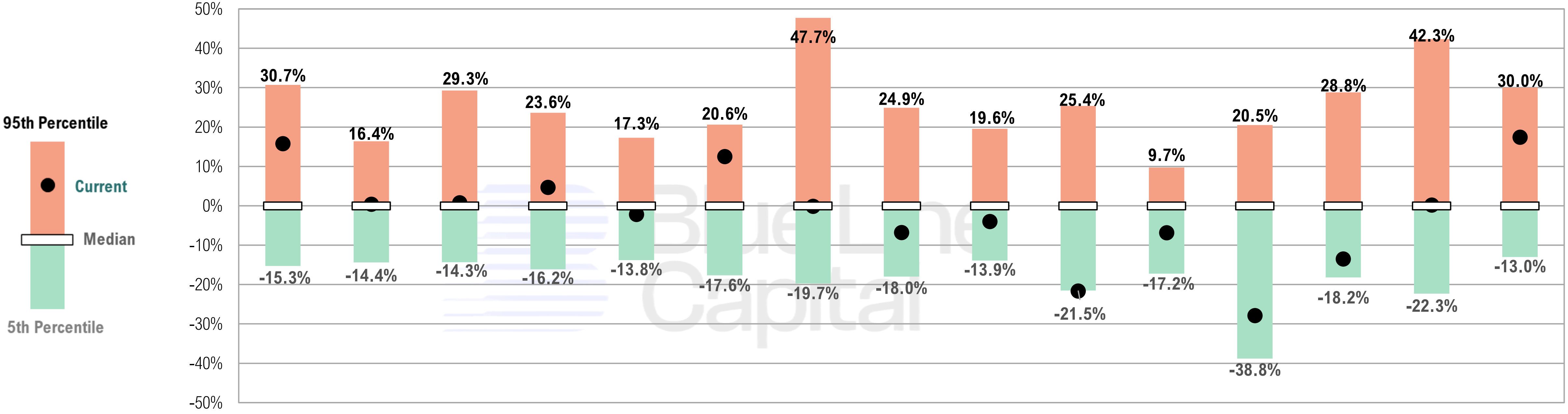


	S&P 500	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities
High Valuation Date	10/31/2024	8/31/2021	4/30/2021	4/29/2022	4/29/2016	3/29/2024	7/31/2024	4/30/2021	6/28/2024	11/1/2024	12/31/2021	8/31/2022
Low Valuation Date	9/30/2015	5/31/2018	2/29/2016	4/30/2018	9/30/2022	3/31/2020	3/31/2020	9/30/2015	9/30/2015	9/30/2015	10/31/2023	6/30/2015
Valuation Premium on 12/31/2023	16%	10%	14%	-4%	-17%	22%	6%	14%	48%	14%	-2%	-3%
Valuation Premium on 12/31/2022	-2%	-13%	-10%	7%	-23%	-2%	3%	3%	6%	-5%	-10%	13%
Valuation Premium on 12/31/2021	30%	38%	55%	14%	-23%	13%	7%	26%	55%	10%	38%	23%
Valuation Premium on 12/31/2020	29%	43%	58%	9%	44%	2%	3%	37%	45%	24%	15%	14%
Valuation Premium on 12/31/2019	5%	15%	4%	5%	-1%	2%	4%	-1%	11%	5%	10%	17%

Source: Bloomberg. *The composite valuation equal weights four valuation metrics (Fwd P/E, Fwd P/CF, TTM P/S and TTM EV/EBITDA) relative to each respective sectors' 10-year medium valuation. The Financials composite replaces EV/EBITDA with TTM P/B. As of 4/14/2025.

The U.S., Germany & India are the only countries trading above their 10-year median; Hong Kong & Mexico are currently below the 5th percentile low

Current Composite Valuation Premium/Discount vs. 10-Year Median*

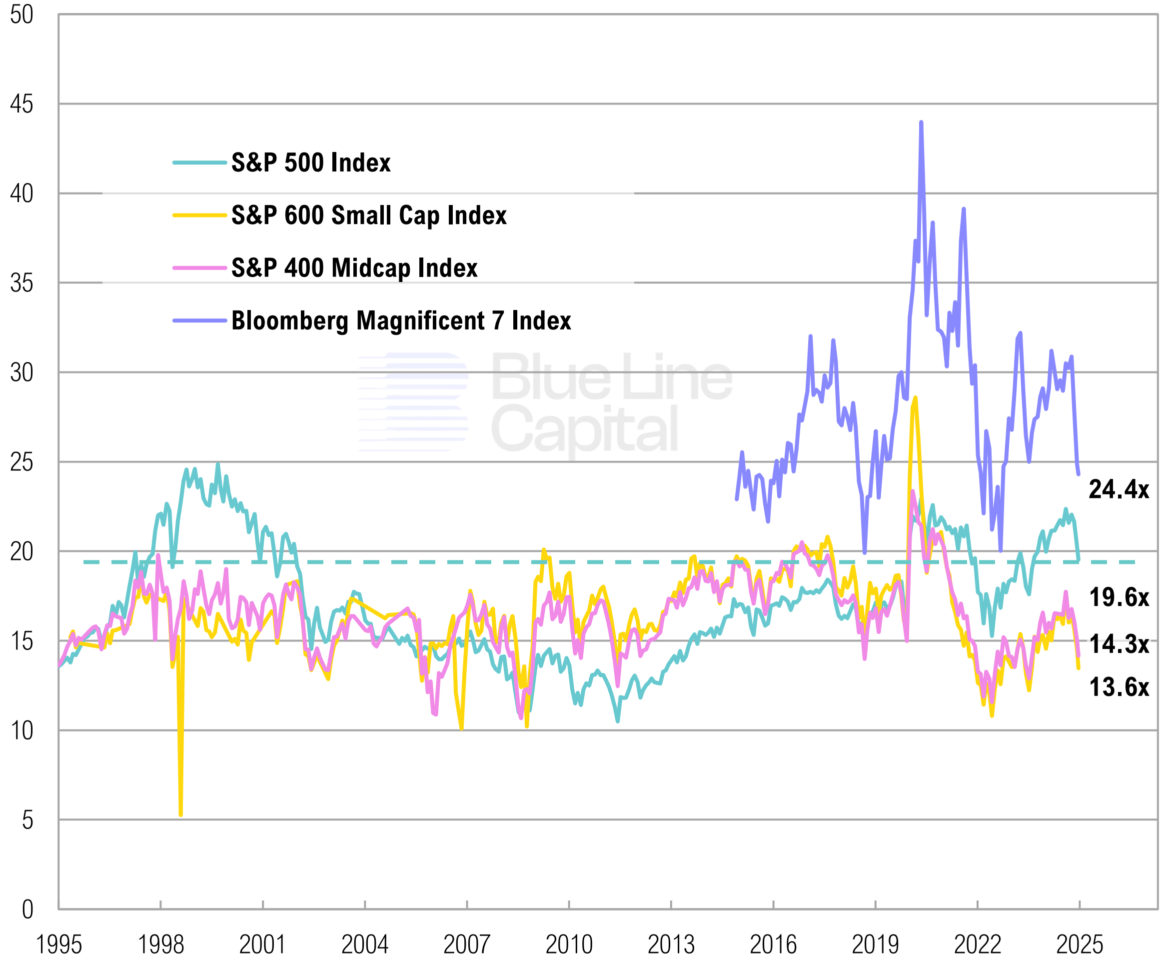


	U.S. Large Cap	EAFE	Emerging Markets	Canada	Europe	Germany	Netherlands	United Kingdom	Japan	Hong Kong	Australia	Brazil	Mexico	China	India
High Valuation Date	4/30/2021	12/31/2020	1/31/2021	11/30/2016	6/30/2021	12/31/2020	10/31/2021	7/31/2016	12/31/2020	5/31/2021	9/30/2024	12/31/2020	5/31/2015	1/31/2021	9/30/2024
Low Valuation Date	9/30/2015	9/30/2022	9/30/2015	9/30/2022	9/30/2022	9/30/2022	2/29/2016	9/30/2022	12/31/2018	1/31/2024	9/30/2022	6/30/2022	12/31/2024	9/30/2015	3/31/2020
Valuation Premium on 12/31/2024	28%	-3%	2%	6%	0%	8%	7%	-7%	9%	-19%	2%	-37%	-28%	-6%	24%
Valuation Premium on 12/31/2023	16%	-3%	5%	-4%	-6%	-8%	14%	-17%	0%	-16%	-6%	-25%	0%	-16%	25%
Valuation Premium on 12/31/2022	-2%	-12%	-3%	-20%	-14%	-18%	10%	-15%	-19%	0%	-17%	-38%	-15%	-3%	16%
Valuation Premium on 12/31/2021	30%	10%	13%	7%	14%	5%	58%	0%	6%	13%	4%	-32%	25%	12%	29%
Valuation Premium on 12/31/2020	31%	21%	34%	10%	19%	26%	24%	9%	25%	22%	12%	34%	9%	43%	21%

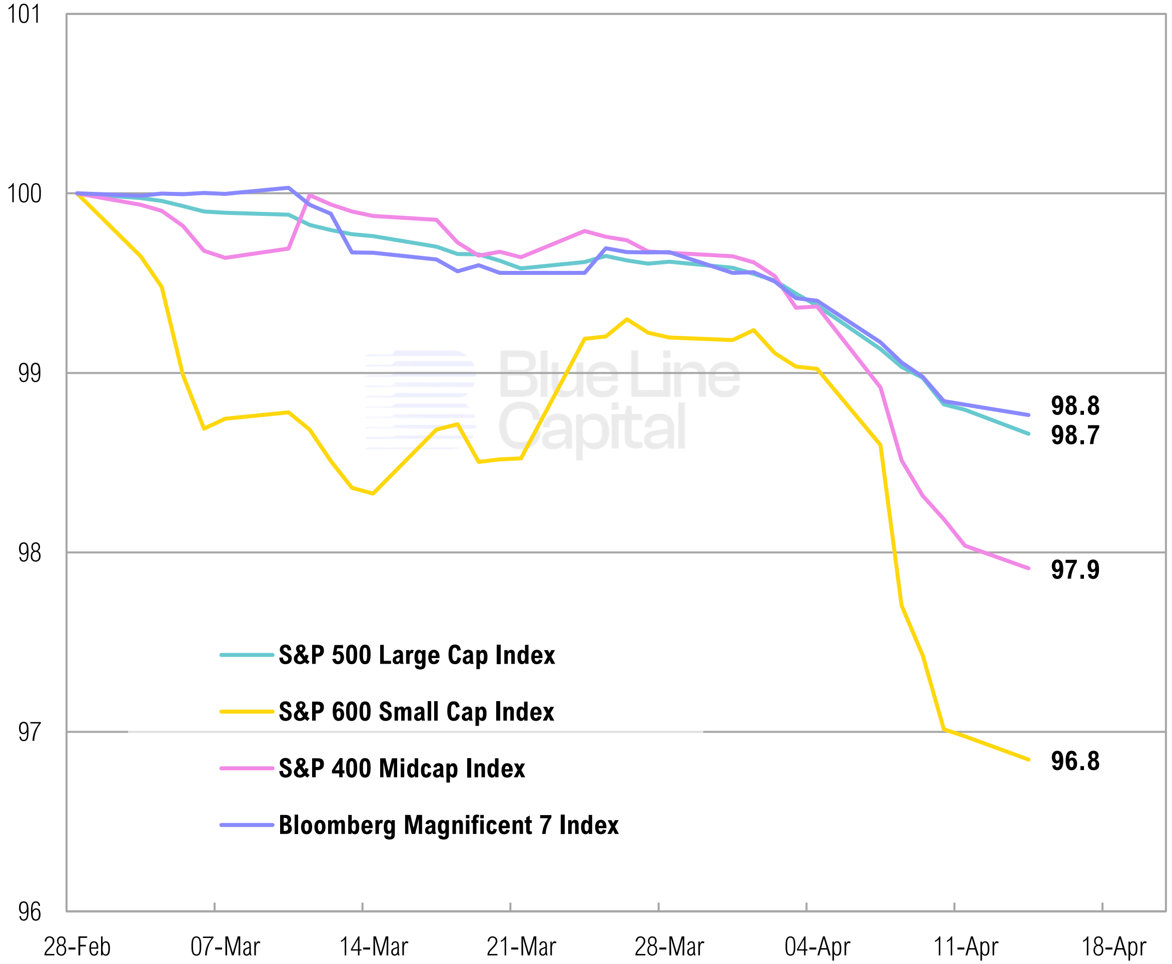
Source: Bloomberg. *The composite valuation selectively weights four valuation metrics (Fwd P/E, Fwd P/CF, TTM P/S and TTM EV/EBITDA) relative to each respective countries' 10-year medium valuation. As of 4/8/2025.

At 19.6x, the S&P 500's forward P/E is nearing pre-pandemic levels, while the Mag 7's forward P/E is nearing its 2022 bear market low; however, earnings revisions have only just started

12-Month Forward Price-to-Earnings Ratio



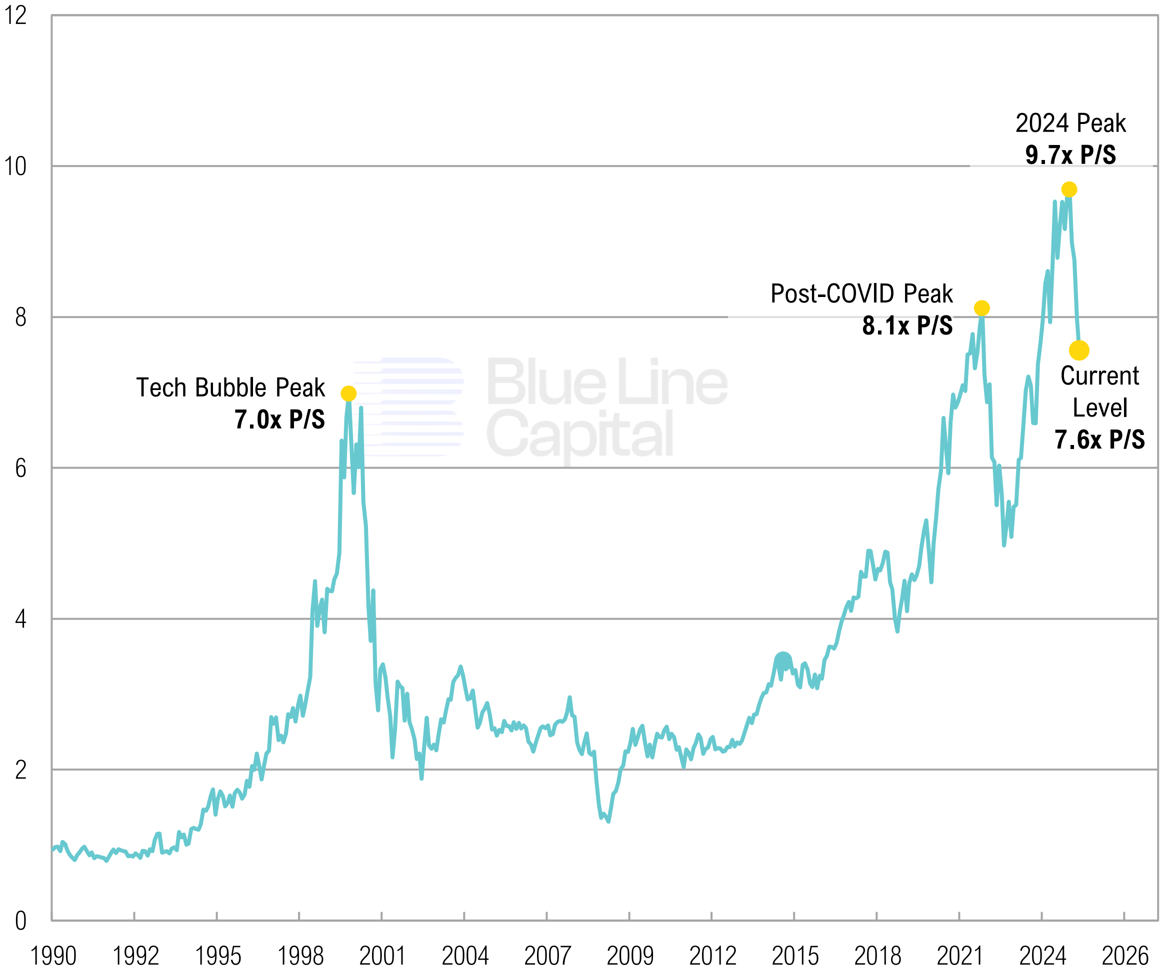
FY25 Earnings per Share Revisions, Growth of 100



Source: Bloomberg. As of 4/14/2025

The tech sector P/S ratio is still higher than peak Tech Bubble levels; Microsoft (11.0x), Nvidia (20.8x), and Broadcom (15.3x) account for ~47% of the sector

S&P 500 Information Technology Sector, Price to Sales Ratio



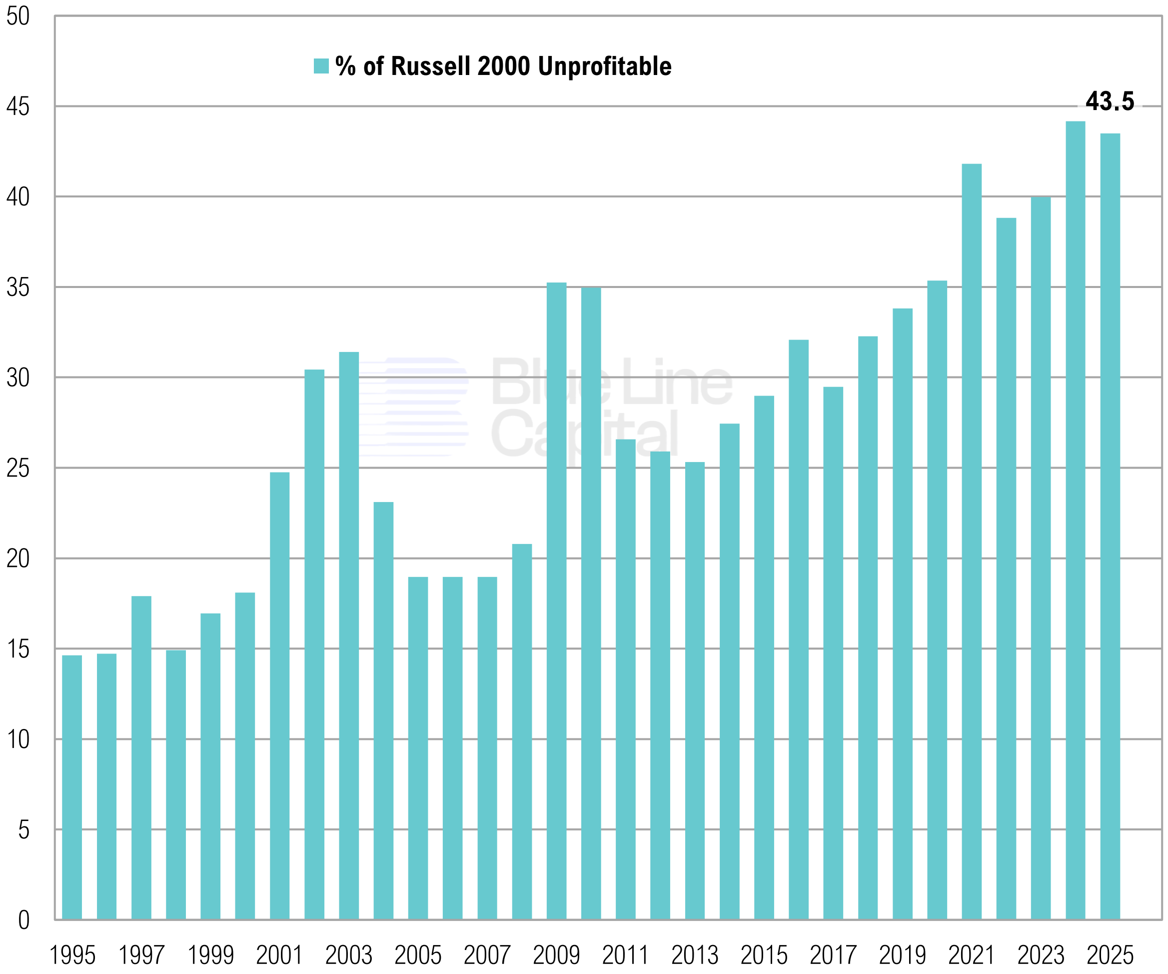
S&P 500 Information Technology Sector: Top 20 Holdings

Name	Weight	P/S	P/E	Fwd P/S	Fwd P/E
Apple Inc	21.8%	7.8	29.1	7.2	26.4
Microsoft Corp	19.3%	11.0	31.1	9.4	26.5
NVIDIA Corp	18.2%	20.8	37.6	12.6	23.3
Broadcom Inc	6.8%	15.3	52.9	12.5	24.8
Salesforce Inc	1.9%	6.5	37.5	5.9	22.3
Cisco Systems Inc	1.8%	4.3	21.0	3.9	14.7
International Business Machines Corp	1.7%	3.5	22.8	3.4	22.0
Oracle Corp	1.7%	6.7	30.8	5.9	20.5
Palantir Technologies Inc Class A	1.4%	72.8	471.6	53.6	157.5
Accenture PLC Class A Ordinary Shares	1.4%	2.7	23.5	2.6	21.8
Intuit Inc	1.3%	9.7	51.9	8.3	27.8
ServiceNow Inc	1.3%	15.0	112.8	12.0	46.2
QUALCOMM Inc	1.2%	3.8	15.6	3.5	11.7
Adobe Inc	1.2%	7.1	23.1	6.2	16.5
Advanced Micro Devices Inc	1.2%	5.9	81.5	4.6	18.7
Texas Instruments Inc	1.1%	8.8	31.0	7.8	26.1
Applied Materials Inc	0.9%	4.3	16.2	4.0	14.9
Palo Alto Networks Inc	0.9%	12.9	121.0	11.1	47.3
Crowdstrike Holdings Inc	0.7%	23.5	n/a	18.8	103.6
KLA Corp	0.7%	8.3	24.4	7.3	20.5
Other	13.4%	n/a	n/a	n/a	n/a
Total S&P 500 Tech Index	**100%**	**7.6**	**32.1**	**6.6**	**23.6**
Median S&P 500 Tech Constituent		**8.0**	**31.0**	**7.2**	**22.8**

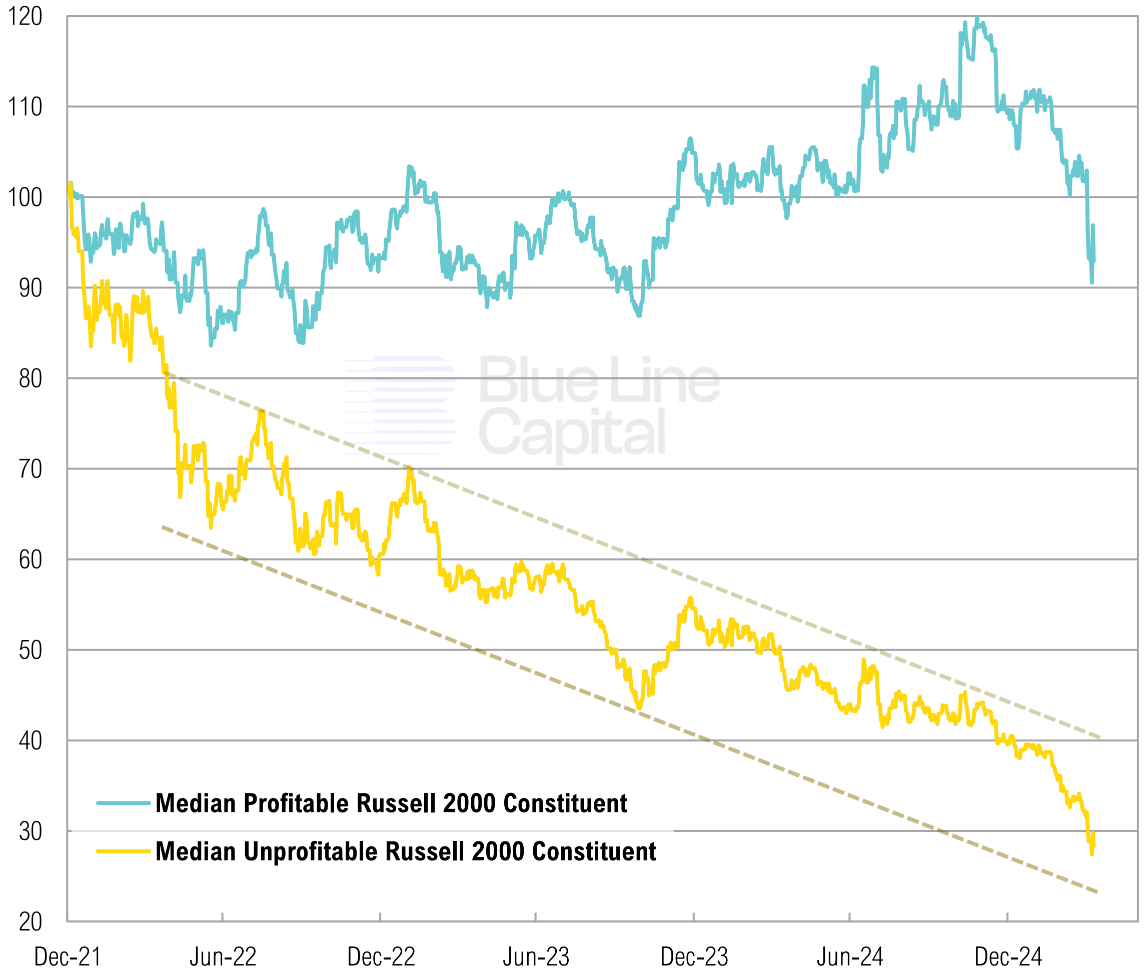
Source: Bloomberg. As of 4/14/2025.

The recent market selloff has been equally bad for profitable & unprofitable small cap stocks

% of Russell 2000 Constituents with Negative Earnings (TTM EPS)



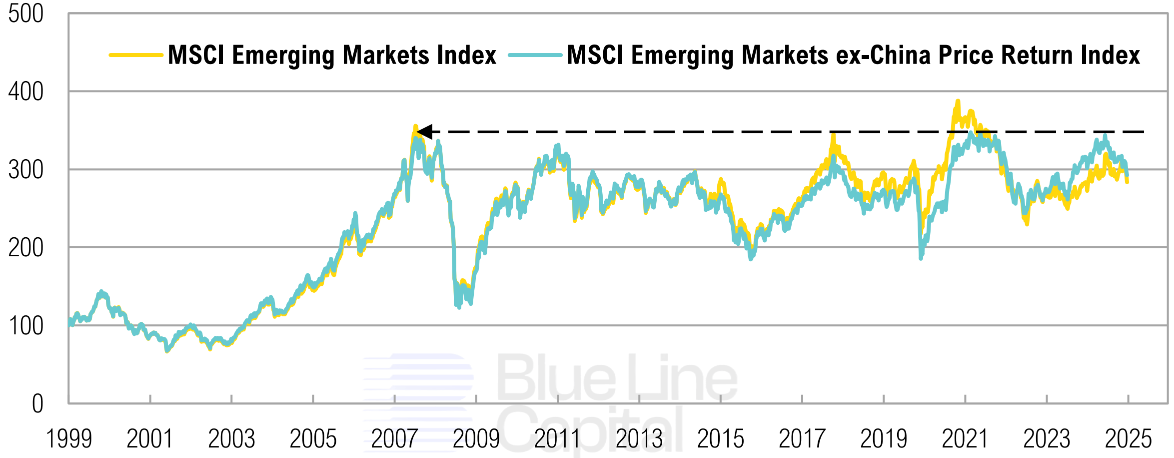
Profitable vs Unprofitable Russell 2000 Companies, Growth of 100



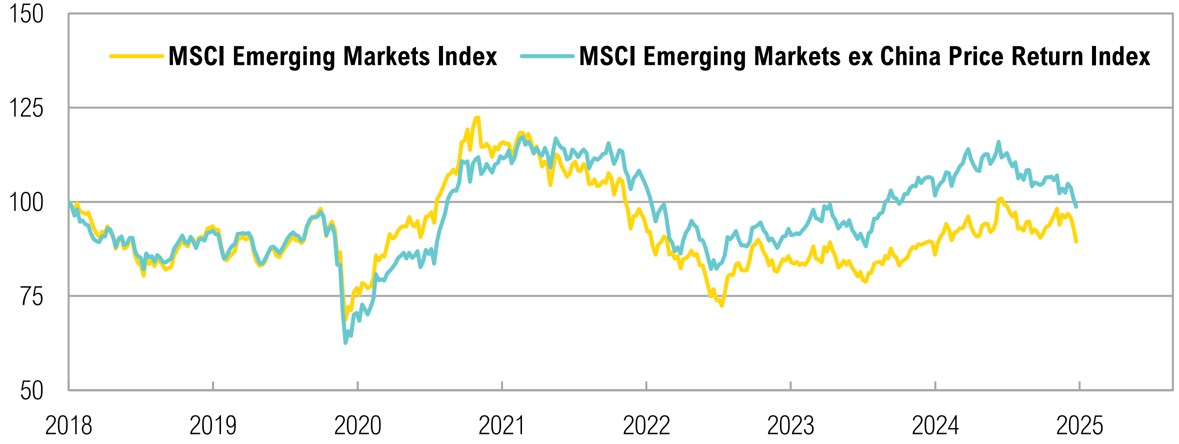
Source: Bloomberg, Apollo. Unprofitable constituent data as of 3/31/2025. Profitability is based on FY 2024 earnings. Relative performance as of 4/10/2025.

While EM ex-China stocks failed to break out of a 16-year resistance, they still appear attractively valued compared to U.S. large cap stocks; EM free cash flow yields are 2.8% higher than the S&P 500

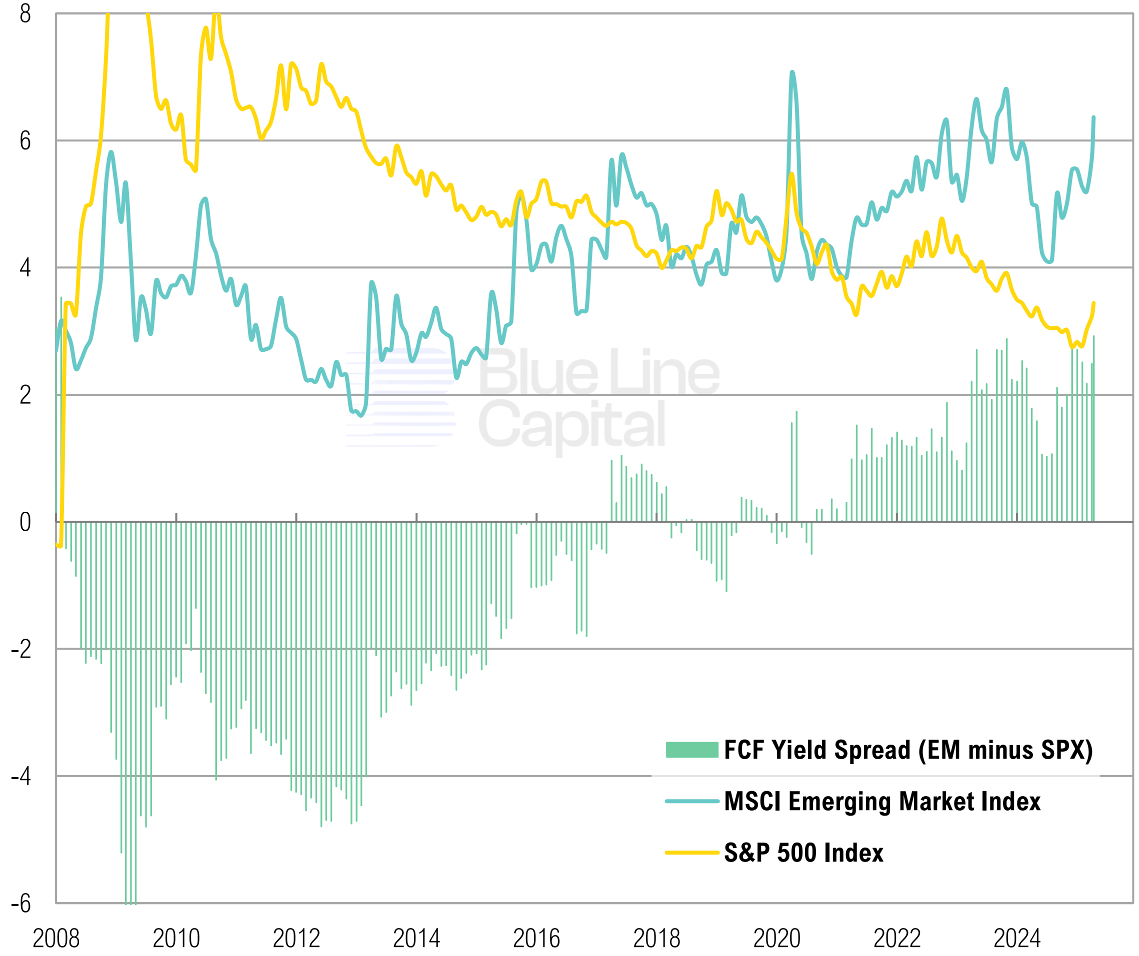
MSCI Emerging Markets ex-China Price Return Index, Growth of 100



MSCI Emerging Markets ex-China Price Return Index, Growth of 100



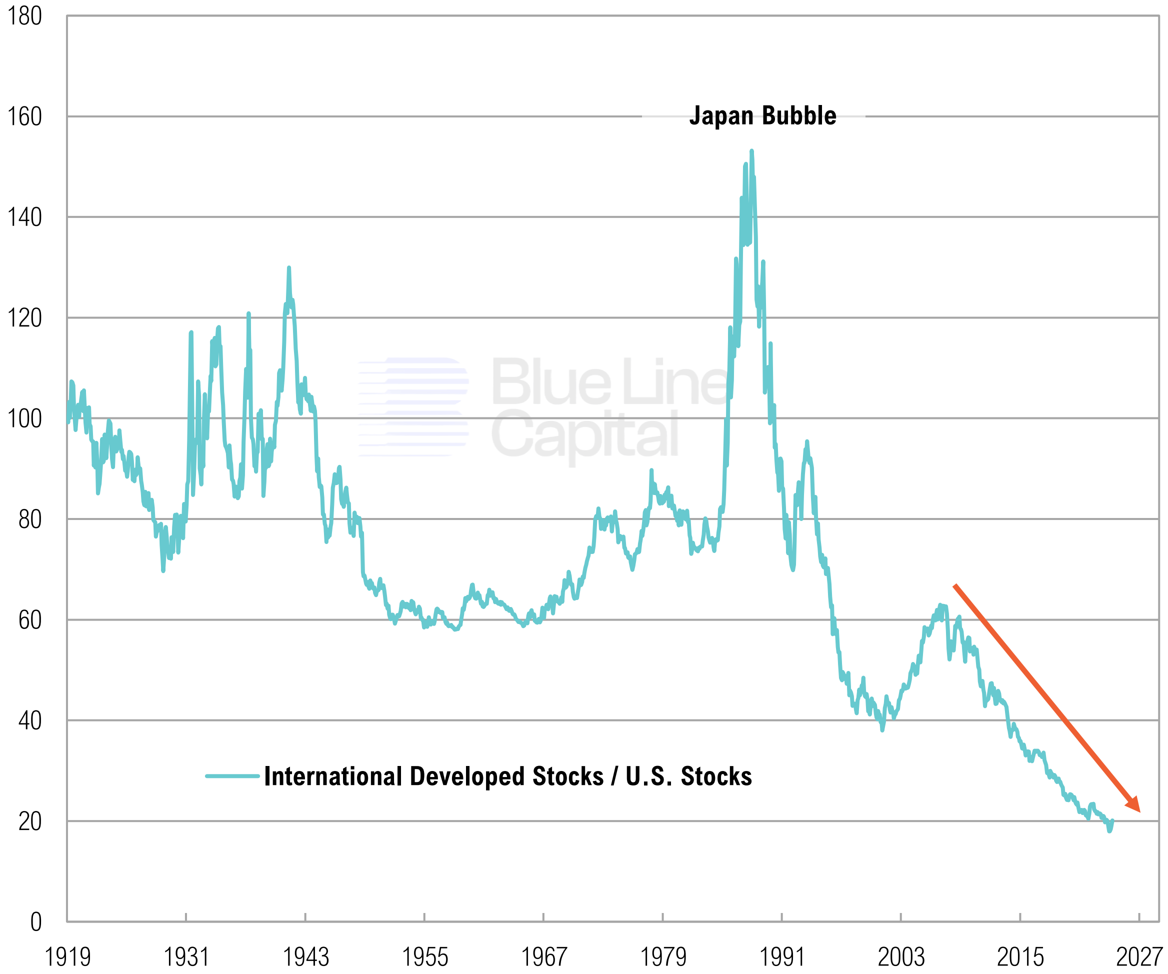
Free Cash Flow Yield, %



Source: Bloomberg. MSCI Emerging Markets ex-China Price Return Index in U.S. dollar. As of 4/14/2025.

While the U.S. has outperformed non-U.S. equities over the past century, the dominance has become more pronounced since the GFC

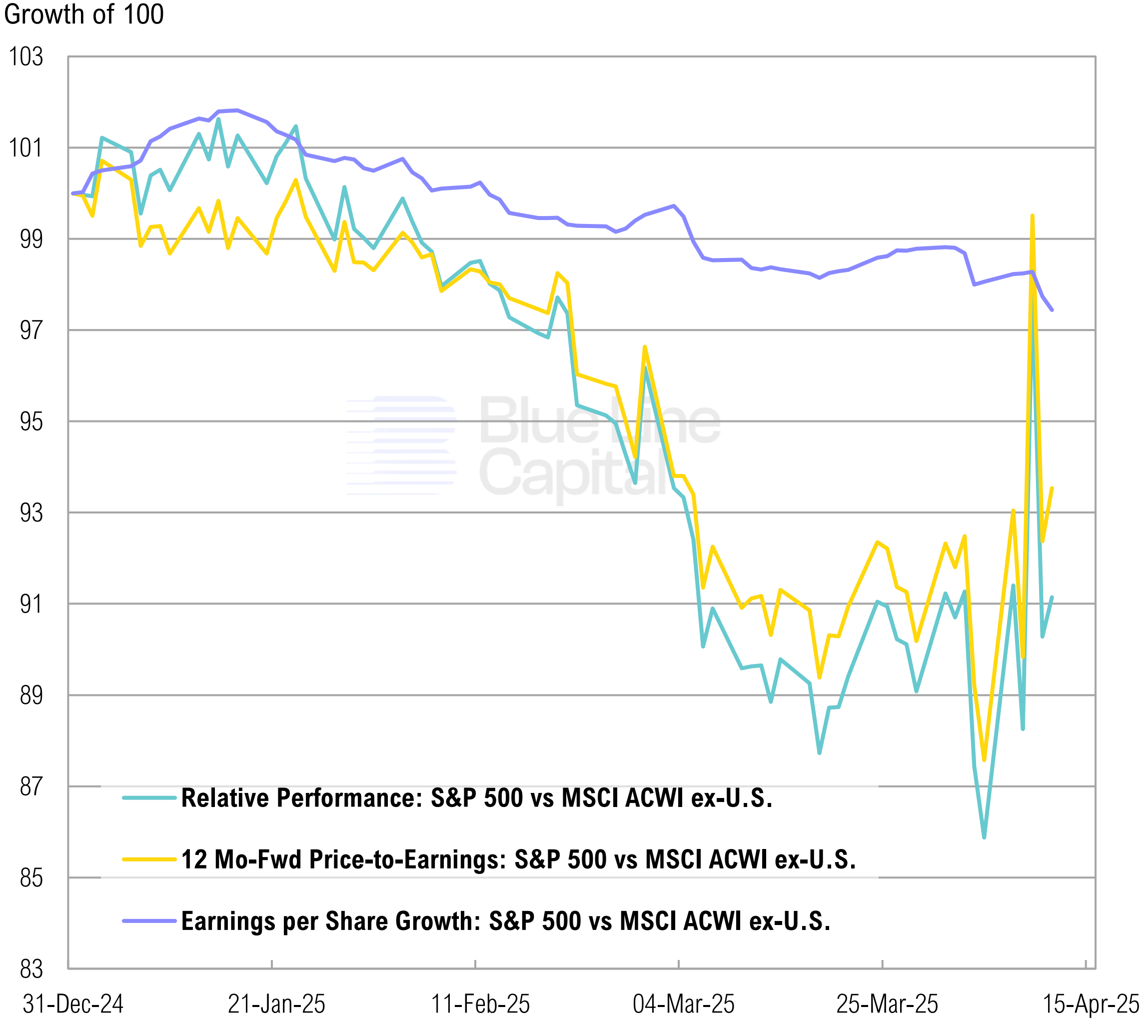
MSCI EAFE Index vs. S&P 500 Index



MSCI EM Index vs. S&P 500 Index

Source: Bloomberg. Returns are total return. See appendix for asset class & index definitions.

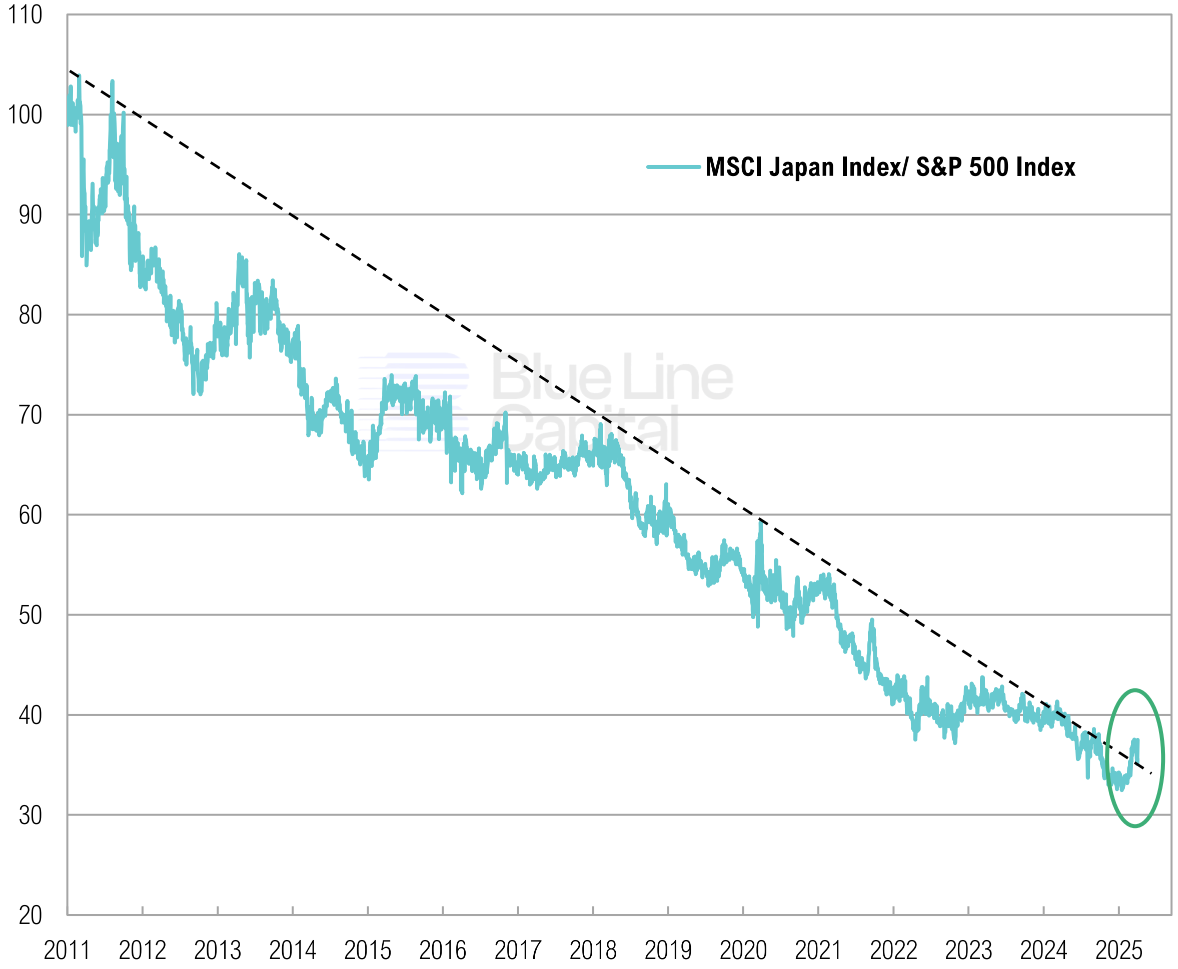
The outperformance of U.S. stocks over the past five years has primarily been driven by EPS growth; the Q1 divergence was driven by valuation changes (not fundamentals)



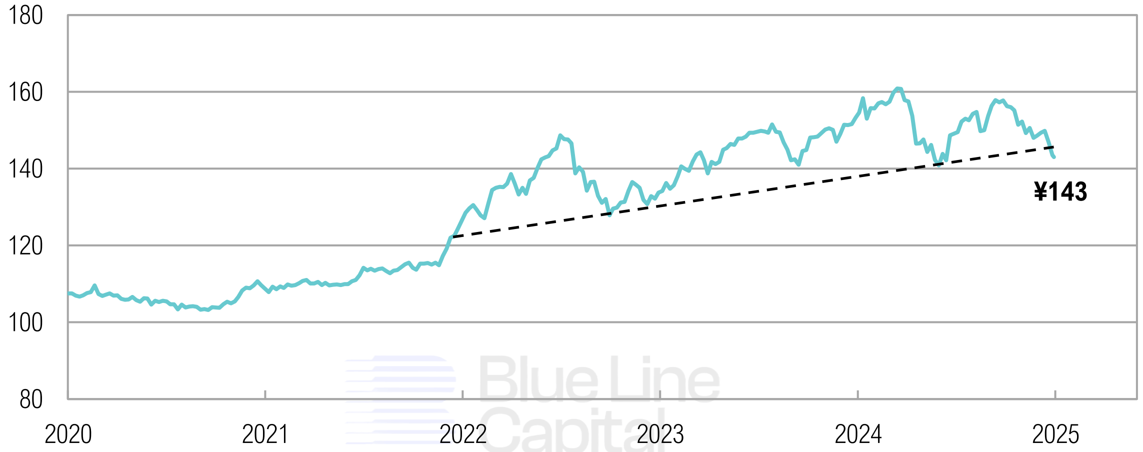
Source: Bloomberg

A combination of a low valuation, diverging monetary policies as well as potential trade negotiation catalysts creates an interesting setup for Japanese equities

Growth of 100

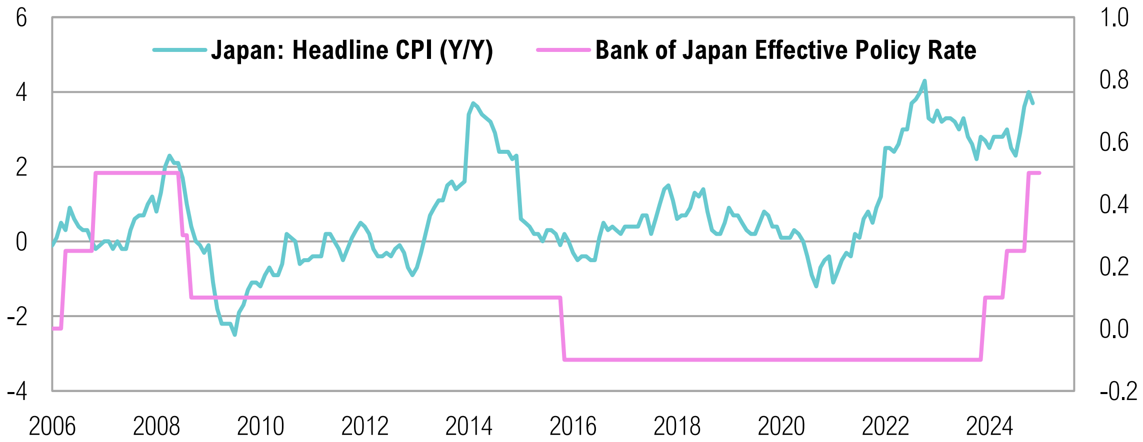


U.S. Dollar / Japanese Yen Exchange Rate



Japan Headline Inflation, Y/Y %

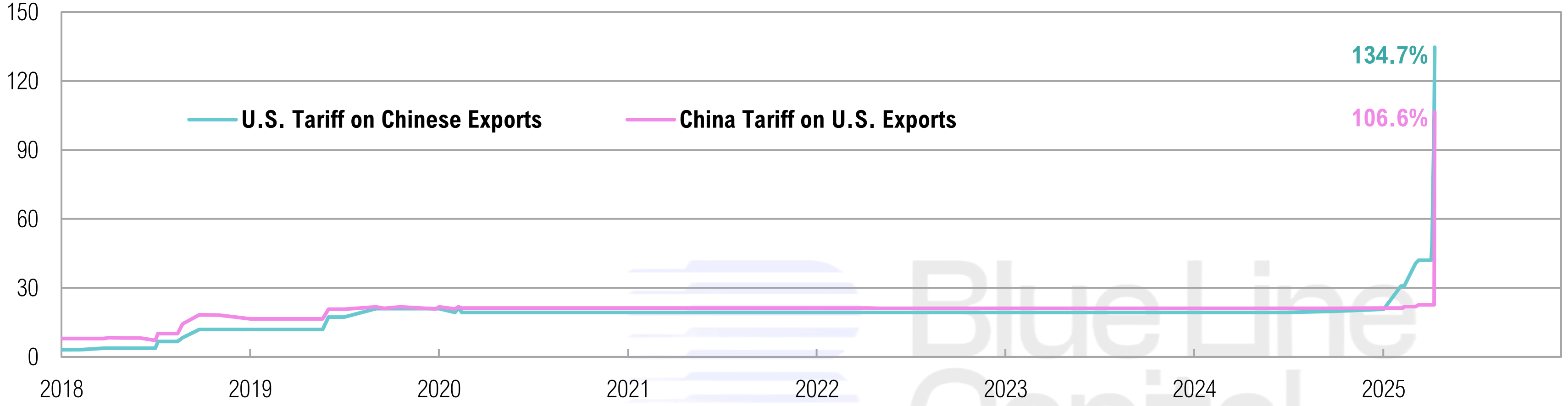
Bank of Japan Effective Policy Rate, %



Source: Bloomberg. As of 4/14/2025.

History rhymes: the U.S. and China are back in a trade war

Tariff Rates, %



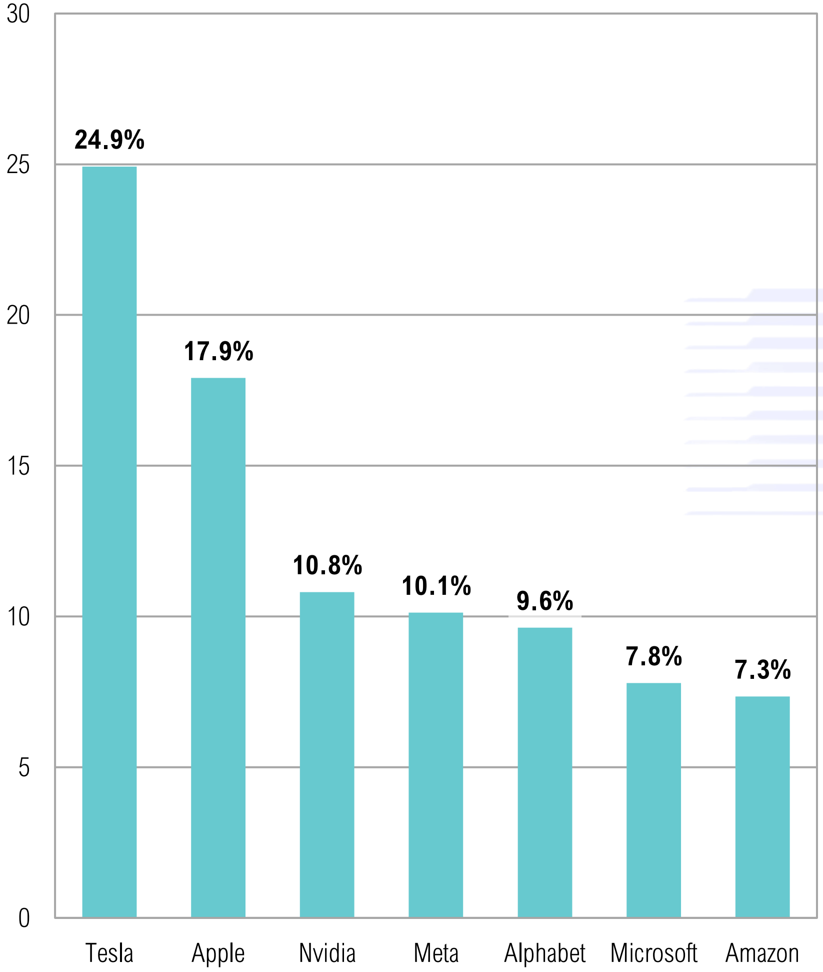
MSCI China Index

- **China and the U.S. have become rivals in efforts to reshape global trade as both countries continue to place reciprocal tariffs on each other.**
- **The U.S. has risen tariffs on China to 145%, while China has placed 125% reciprocal tariffs on the U.S.**
- **The trade war with China started in 2018 and continued throughout most of the rest of Trump's first term.**

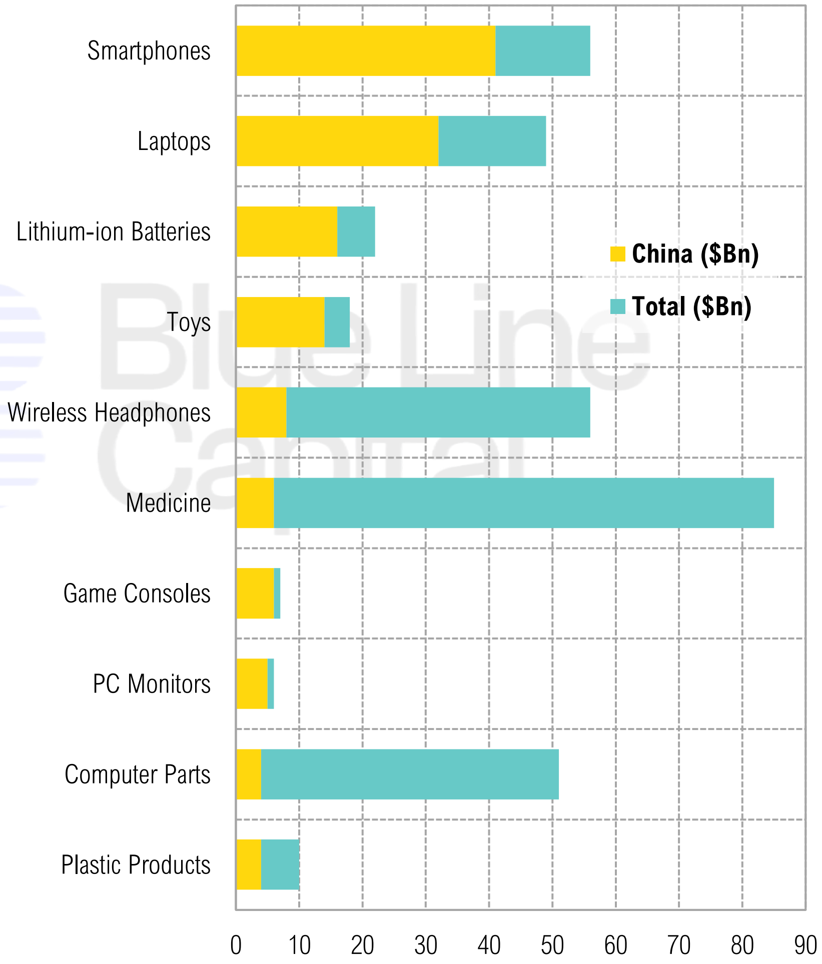
Source: World Bank, Bloomberg. As of 4/15/2025.

Many U.S. companies are highly dependent on China for imports of goods and materials

% of Magnificent 7 Suppliers Domiciled in China



Top 10 U.S. Imports from China (2024), $Bn

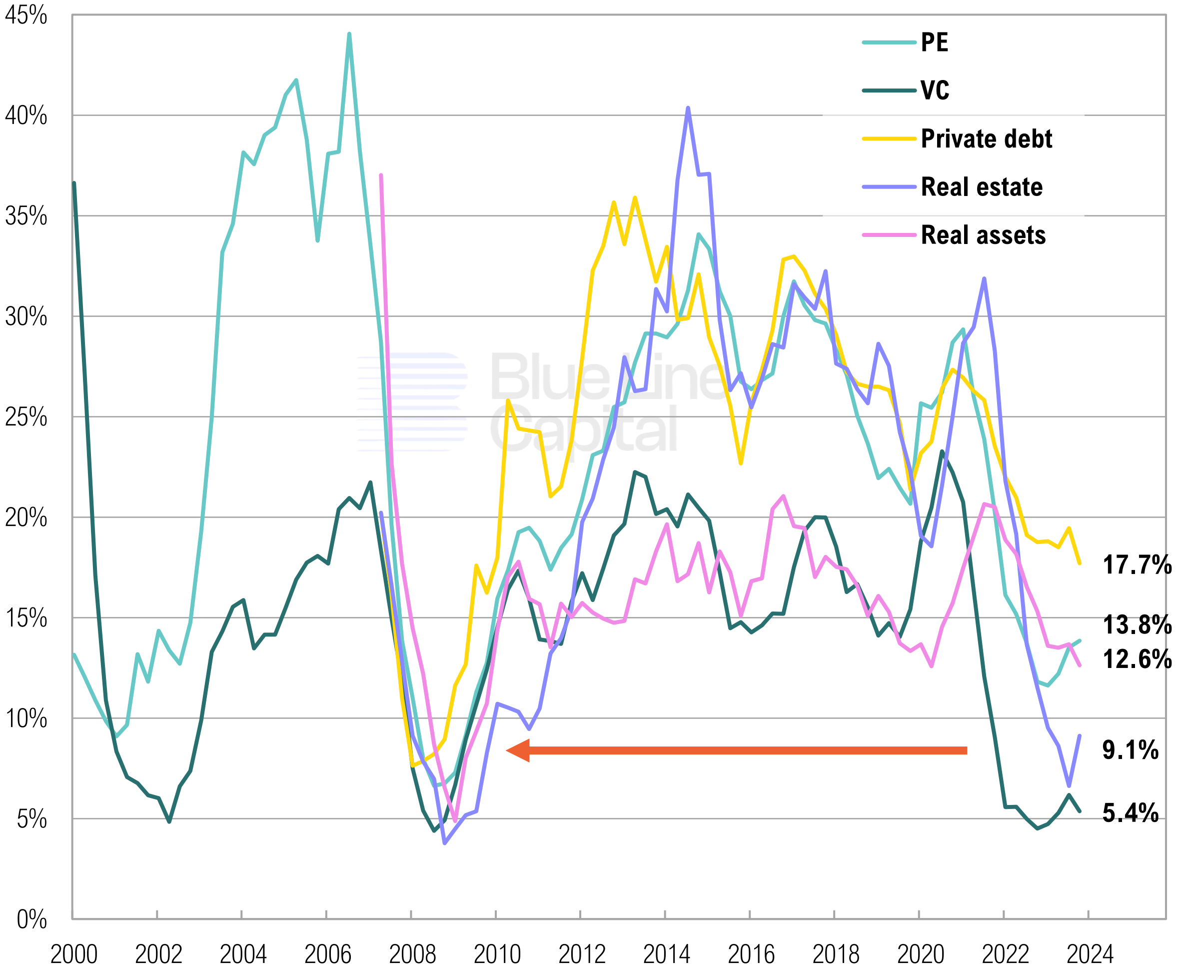


- After decades of integration, Chinese companies have become essential suppliers of a wide range of goods and materials.
- A high level of dependence on some goods manufactured in China means that there may be challenges ahead for many businesses and consumers.
- China is also a key supplier of critical minerals and metals, many of which form key components of Mag 7 supply chains.

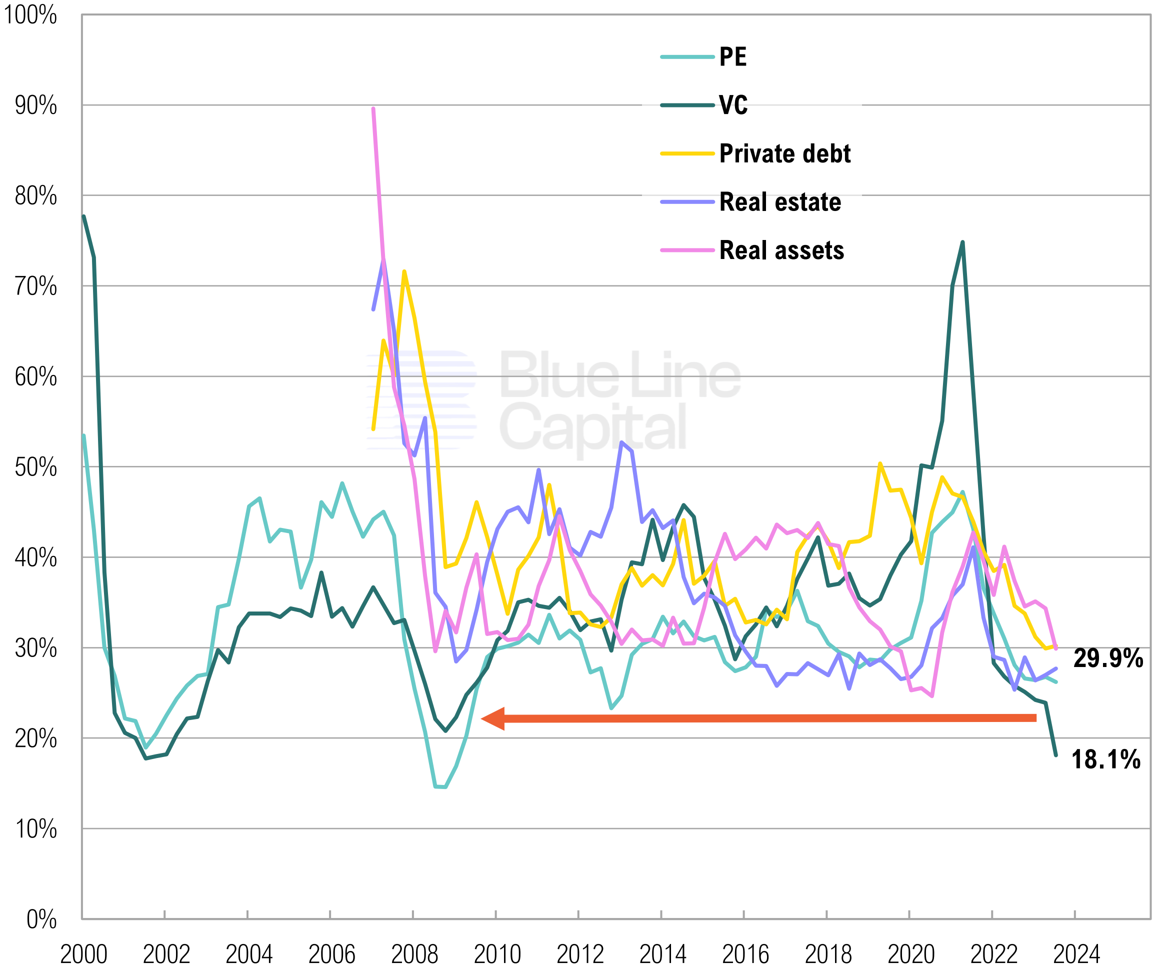
Source: Bloomberg, U.S. International Trade Commission.

Private funds are returning the lowest amount of capital since the GFC, whilst also drawing down capital more slowly, reflecting a challenging deal environment

Rolling 12-Month Distribution Yields by Asset Class



Rolling 12-Month Capital Call Rates by Asset Class



Source: Pitchbook. As of 9/30/2024.

Fixed Income & Credit:

Bond Vigilantes

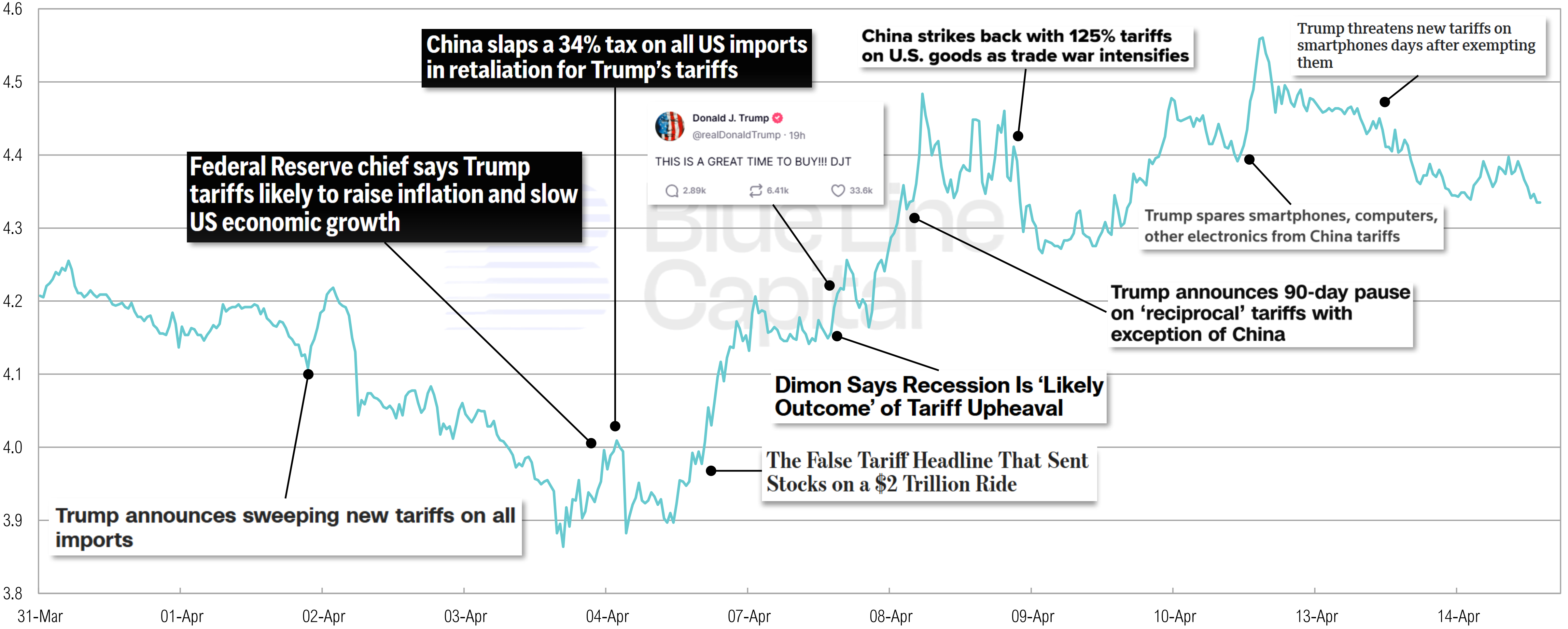
1. Can the administration both stimulate growth and shrink the deficit—without upsetting bond markets?

2. Are the ‘bond vigilantes’ back—and what are rising bond yields and tight credit spreads telling us about growth, inflation, and investor confidence?

3. Where is the relative value today—in curve positioning/duration, sectors, and credit quality? What about private credit?

Last week in bond markets…

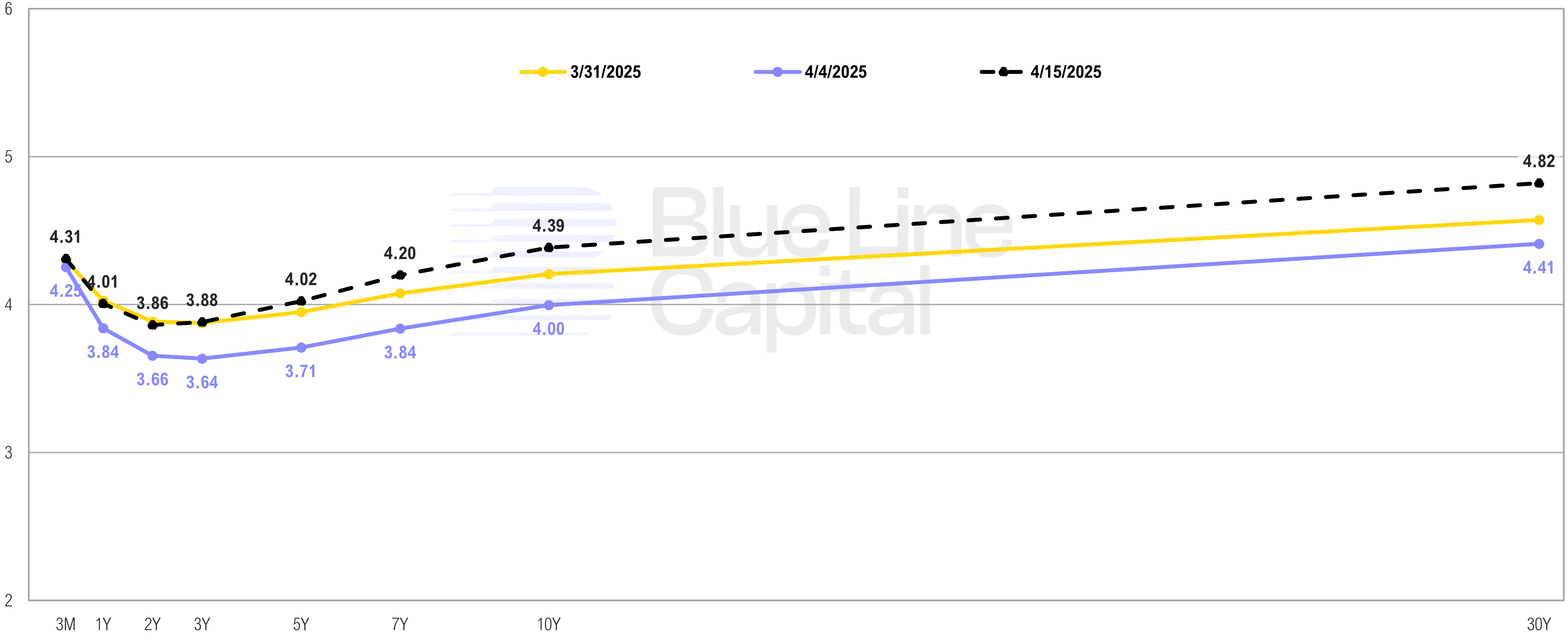
10-Year U.S. Treasury Yield, %



Source: Bloomberg

Yields initially declined on the tariff announcement but have since reversed course and now sit above pre-tariff levels

U.S. Treasury Yield Curve by Date

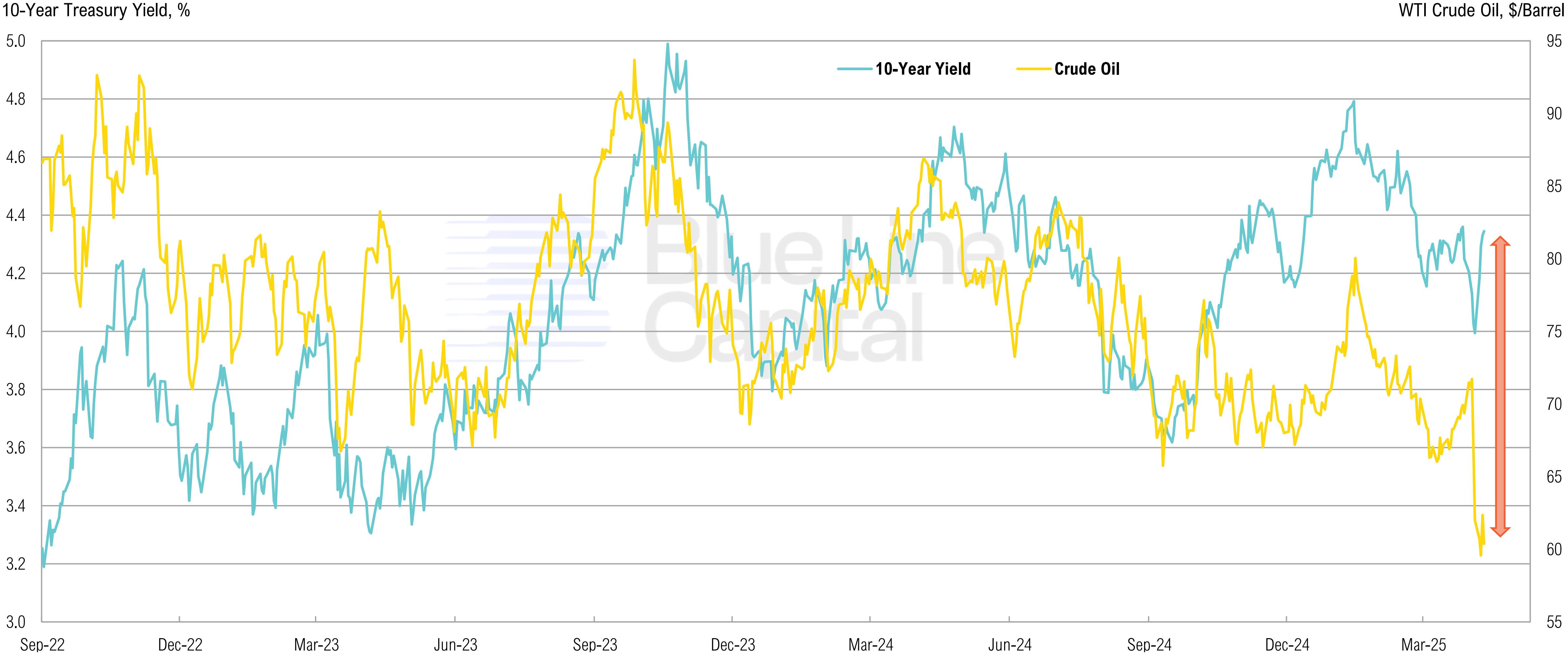


Source: Bloomberg. As of 4/15/2025.

There's no doubt that the Treasury market made it so that the decision about the time to move [on the tariff pause] was made with, I think perhaps, a little more urgency."

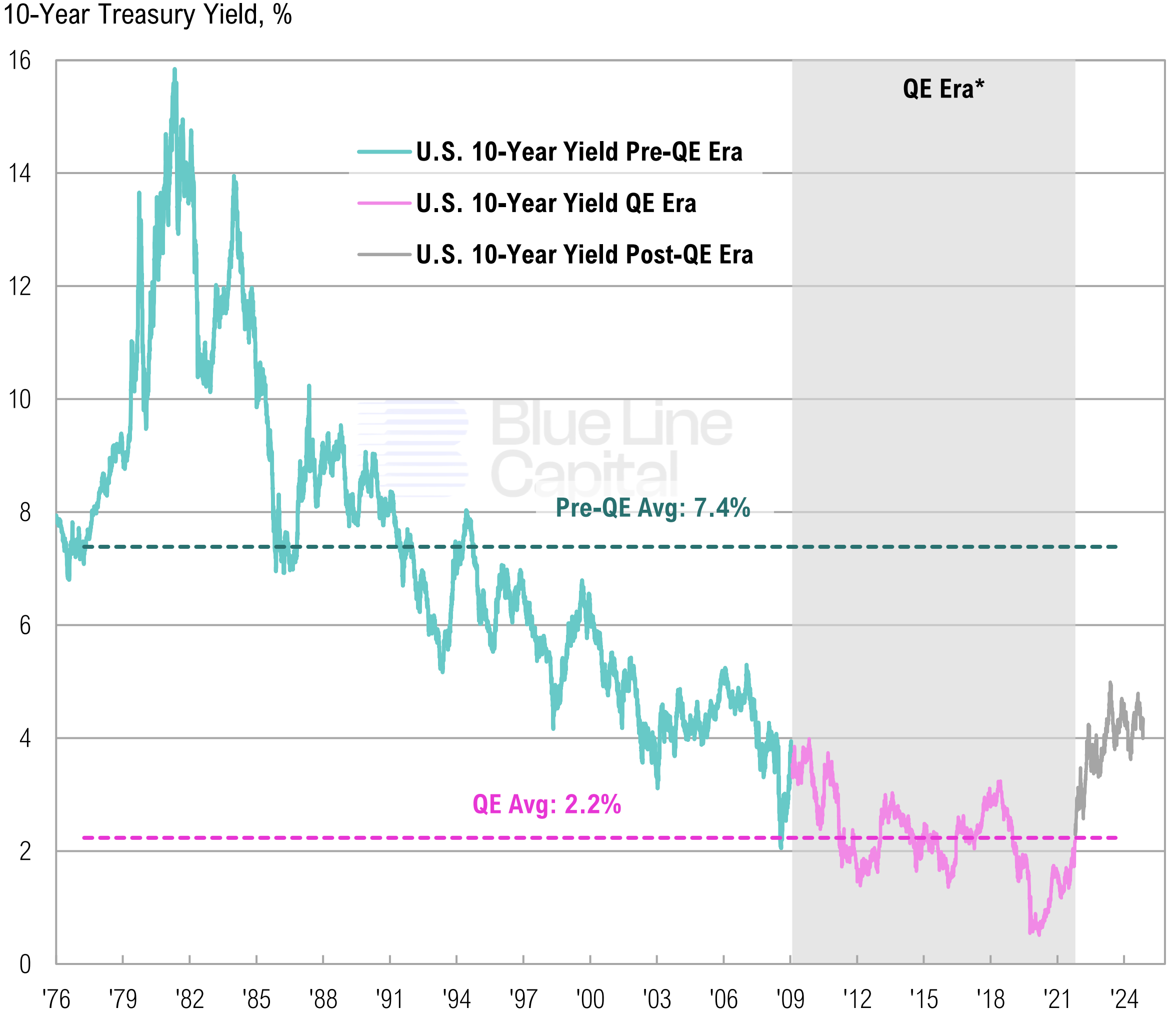
Kevin Hassett, *Director of the U.S. National Economic Council*

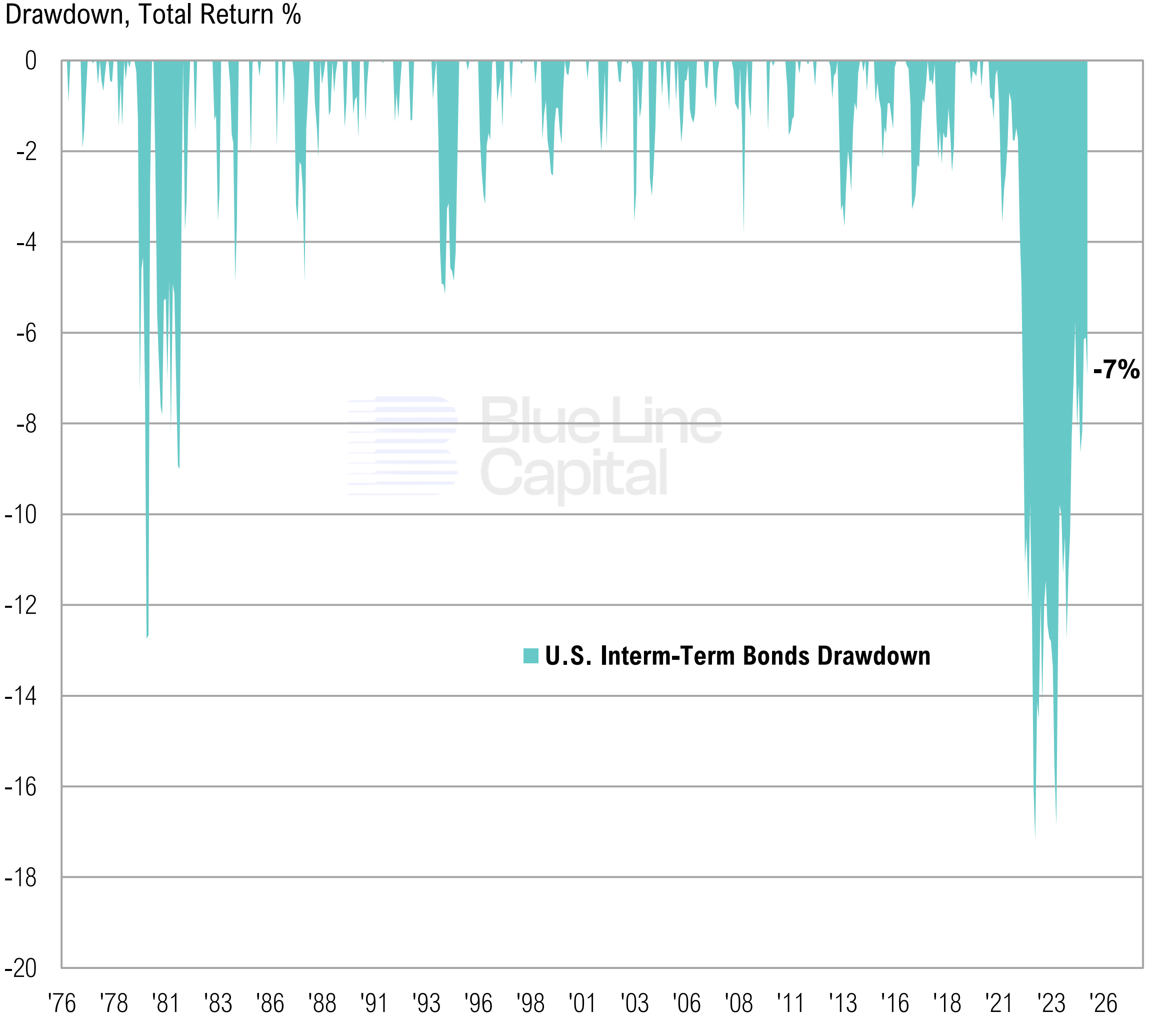
The strong relationship between yields and oil has recently broken down; U.S. bonds initially did not respond to slowing growth expectations



Source: Bloomberg

We are in the biggest bond bear market of all time; bonds peaked in August 2020 and have yet to recover





Source: Bloomberg. *QE Era defined as per Bianco Research from 6/30/2009 – 3/16/2022.

The 2–3-year part of yield curve has an attractive risk-reward profile—yields could rise 1.0-1.5% in the next year and total returns would still be positive

Estimated 1-Year Total Return for Given Change in Yields

Tenor

Change in Yields (%)	3-Mnth	6-Mnth	1-Yr	2-Yr	3-Yr	4-Yr	5-Yr	7-Yr	10-Yr	15-Yr	20-Yr	30-Yr
3.0%	3.5%	2.7%	1.2%	-1.8%	-4.4%	-7.0%	-9.5%	-13.9%	-19.2%	-27.3%	-33.3%	-43.0%
2.5%	3.7%	3.0%	1.7%	-0.9%	-3.0%	-5.2%	-7.2%	-10.9%	-15.3%	-22.0%	-27.0%	-35.1%
2.0%	3.8%	3.2%	2.1%	0.1%	-1.6%	-3.4%	-5.0%	-7.9%	-11.4%	-16.7%	-20.7%	-27.2%
1.5%	3.9%	3.5%	2.6%	1.0%	-0.3%	-1.6%	-2.8%	-4.9%	-7.5%	-11.4%	-14.3%	-19.2%
1.0%	4.0%	3.7%	3.0%	1.9%	1.1%	0.3%	-0.5%	-1.9%	-3.6%	-6.1%	-8.0%	-11.3%
0.5%	4.2%	3.9%	3.5%	2.9%	2.5%	2.1%	1.7%	1.1%	0.3%	-0.8%	-1.7%	-3.3%
0.0%	4.3%	4.2%	4.0%	3.8%	3.8%	3.9%	3.9%	4.1%	4.2%	4.5%	4.7%	4.7%
-0.5%	4.4%	4.4%	4.4%	4.8%	5.2%	5.7%	6.2%	7.1%	8.2%	9.8%	11.0%	12.6%
-1.0%	4.5%	4.7%	4.9%	5.7%	6.6%	7.5%	8.4%	10.1%	12.1%	15.1%	17.4%	20.6%
-1.5%	4.7%	4.9%	5.4%	6.7%	7.9%	9.3%	10.6%	13.1%	16.0%	20.5%	23.8%	28.6%
-2.0%	4.8%	5.2%	5.8%	7.6%	9.3%	11.2%	12.9%	16.1%	19.9%	25.8%	30.2%	36.6%
-2.5%	4.9%	5.4%	6.3%	8.5%	10.7%	13.0%	15.1%	19.1%	23.9%	31.1%	36.5%	44.7%
-3.0%	5.0%	5.6%	6.7%	9.5%	12.1%	14.8%	17.4%	22.1%	27.8%	36.4%	42.9%	52.7%
Duration (Yrs)	0.2	0.5	0.9	1.9	2.7	3.6	4.5	6.0	7.8	10.6	12.7	16.0
Yield YTM	4.3	4.2	4.0	3.8	3.8	3.9	3.9	4.1	4.2	4.5	4.7	4.7
Convexity	*0.0*	*0.0*	*0.0*	*0.0*	*0.1*	*0.2*	*0.2*	*0.4*	*0.7*	*1.4*	*2.2*	*3.7*

Yield Increase Insulation by Tenor:

- **2-Year: +2.0% (rise in yields)**
- **3-Year: +1.0%**
- **4-Year: +1.0%**
- **5-Year: +0.5%**

Total Returns by Tenor (for a 1% decline in yields):

- **15-Year: +15.1%**
- **20-Year: +17.4%**
- **30-Year: +20.6%**

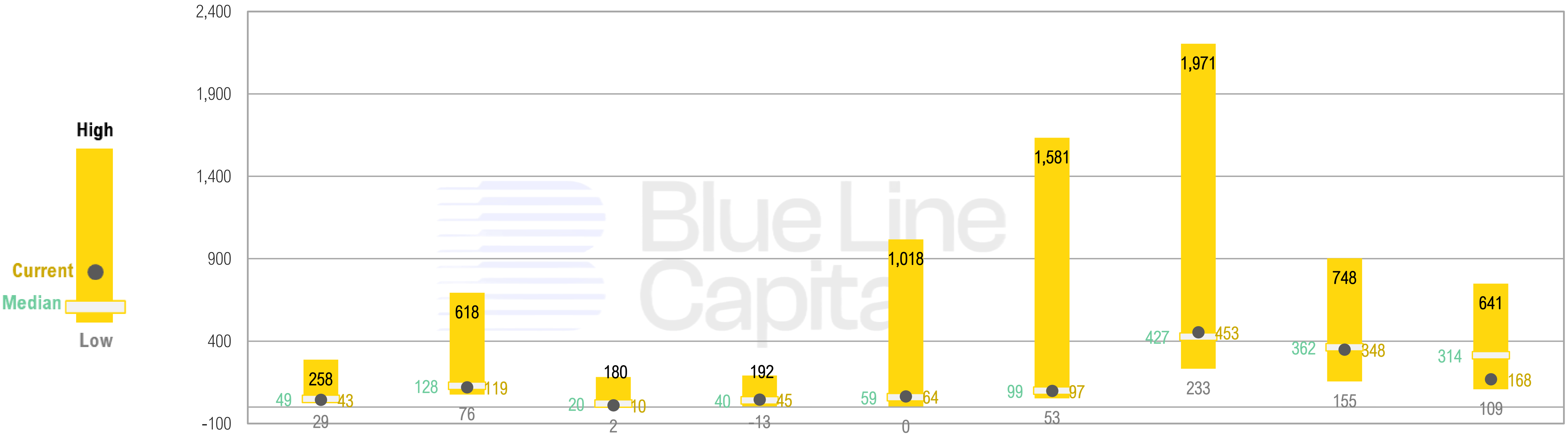
Total Returns by Tenor (for a 1% increase in yields):

- **15-Year: -6.1%**
- **20-Year: -8.0%**
- **30-Year: -11.3%**

Source: Bloomberg. As of 4/7/2025.

Despite the move higher, credit spreads are now only in line with median levels across most sectors; high-yield muni spreads appear disconnected

Current Credit Spread vs. Long-Term High/Low Range

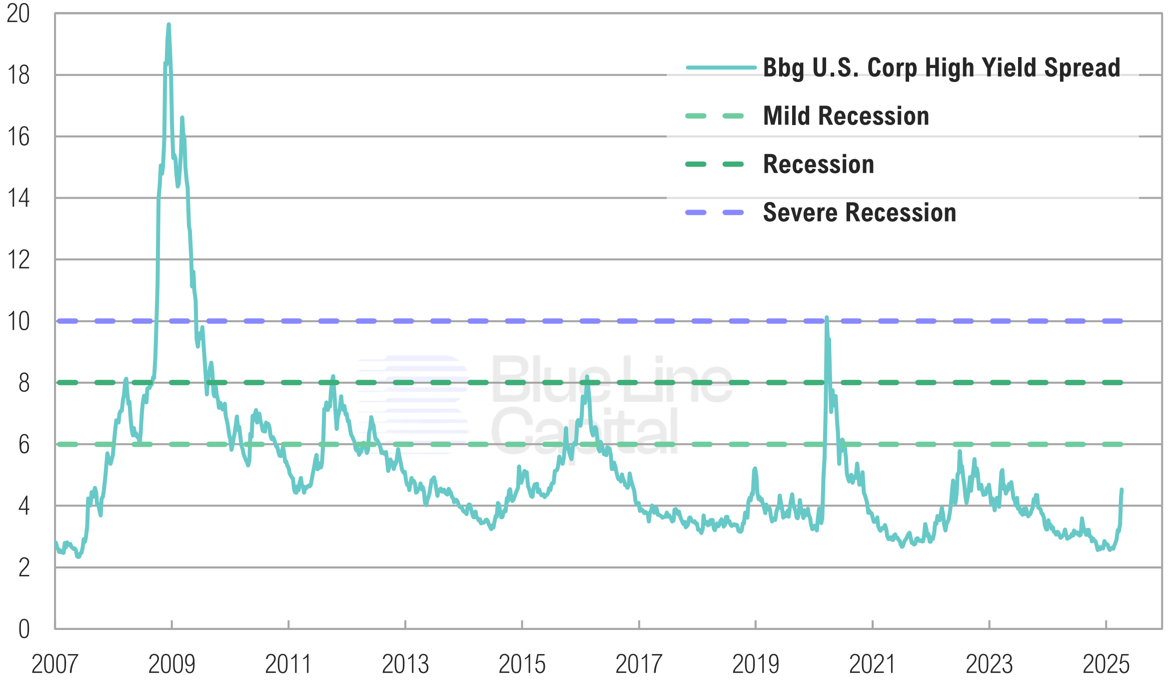


	Aggregate	Corporate	Agency	MBS	ABS	CMBS	High Yield	Emerging Markets	High Yield Muni Spread*
Max Spread Date	12/3/2008	12/3/2008	11/20/2008	12/3/2008	1/6/2009	11/21/2008	12/16/2008	11/28/2008	1/12/2009
Min Spread Date	4/14/2021	3/8/2005	4/19/2021	7/27/2010	10/1/2009	12/8/2004	5/22/2007	5/31/2007	6/11/2007
Spread on 12/31/23	42	99	17	47	68	126	323	319	235
Spread on 12/31/22	51	130	26	51	76	120	469	374	228
Spread on 12/31/21	36	92	8	31	38	68	283	330	200
Spread on 12/31/20	42	96	10	39	33	81	360	323	275

Source: Bloomberg. High Yield Muni Spread data is relative to Bloomberg Municipal Bond Index. Yield spread data is from 2004 – current.

Credit spreads widened from 2.6% in February to 4.5% by April 8, and are now back near 4%; despite the wider spreads, the sell-off in credit markets remains modest relative to equities

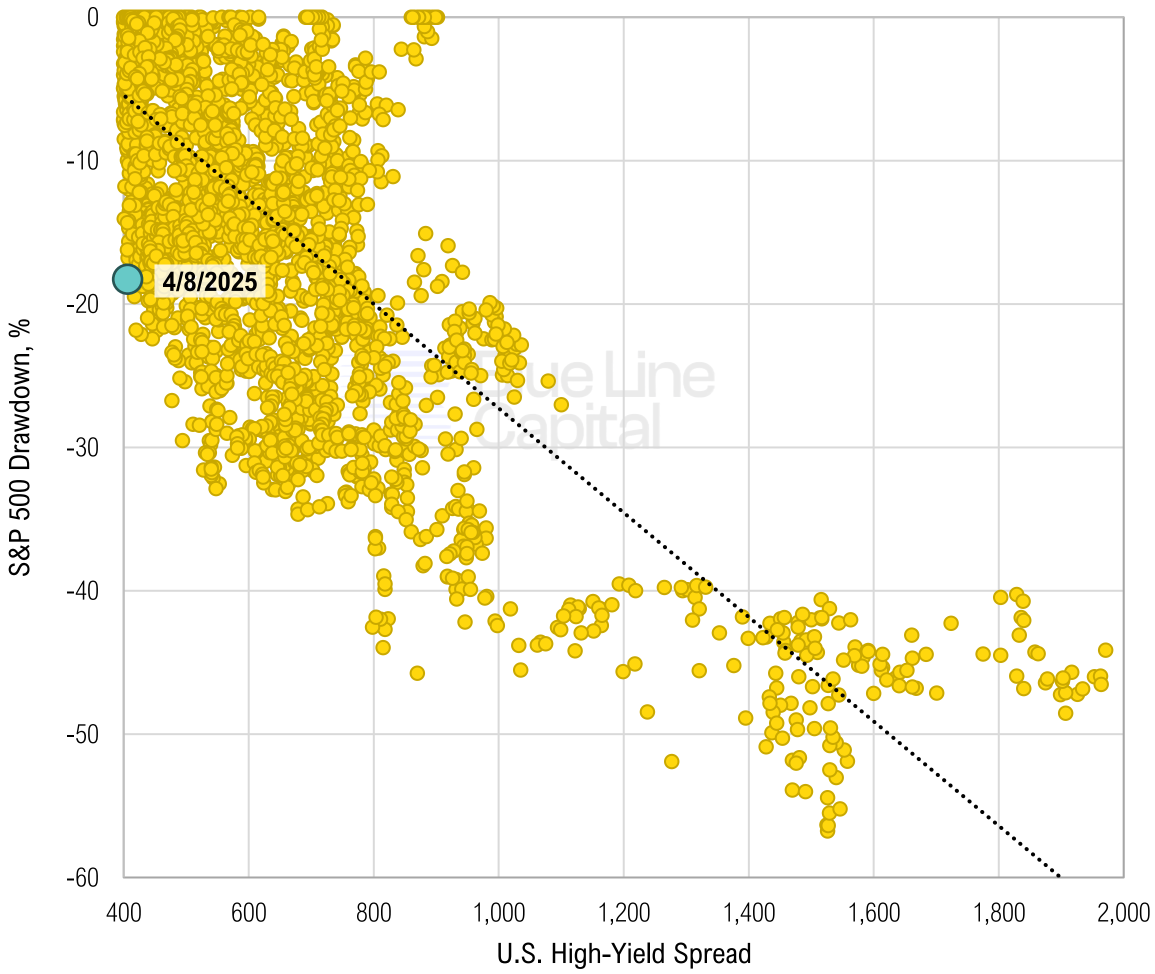
Credit Spreads, %



Average Forward Return

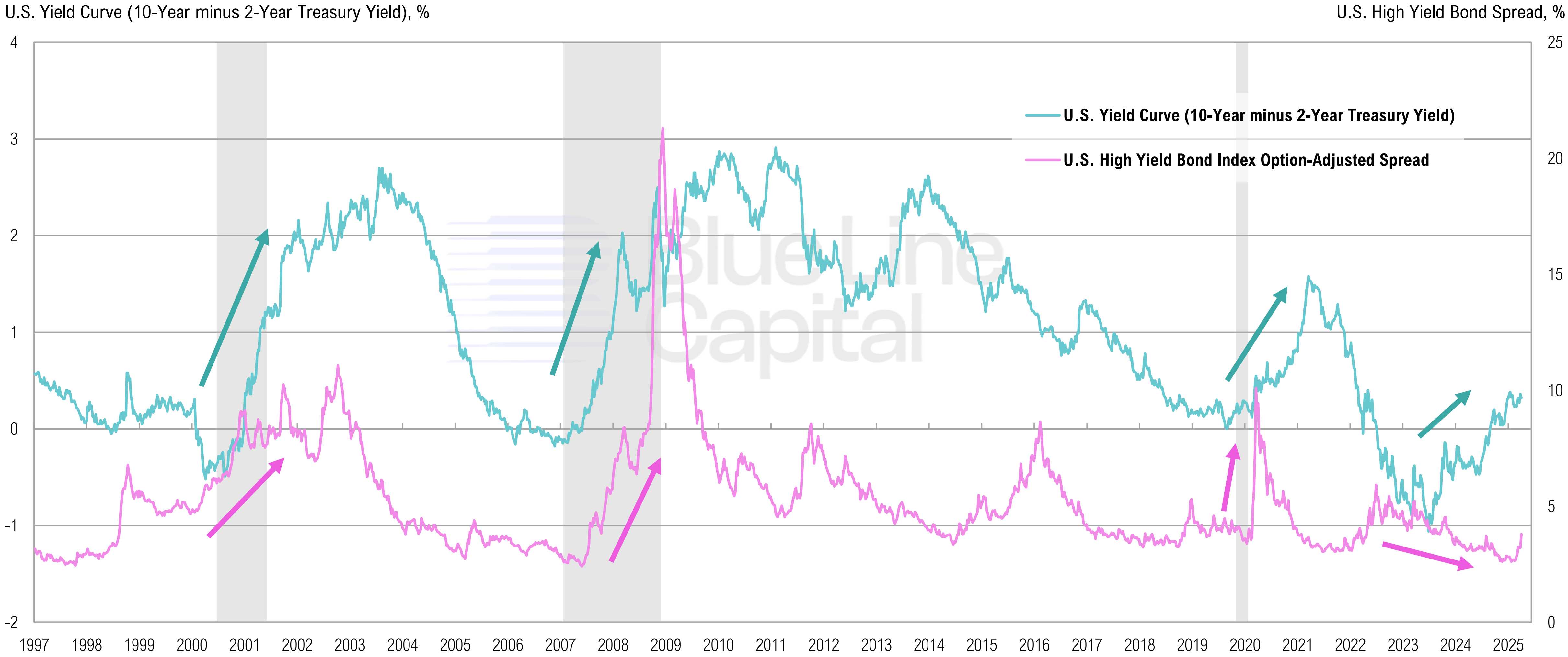
Spread Buckets	3M	6M	1Y	2Y	3Y
≤4	0.7%	1.9%	4.8%	3.0%	3.9%
4 < Spread ≤ 6	1.6%	3.2%	5.6%	6.5%	6.3%
6 < Spread ≤ 8	1.4%	2.2%	7.7%	9.8%	10.2%
>8	7.4%	16.4%	30.2%	22.1%	17.1%
All Spreads	1.7%	3.7%	8.1%	7.7%	7.9%

U.S. High-Yield Spreads vs. S&P 500 Drawdowns



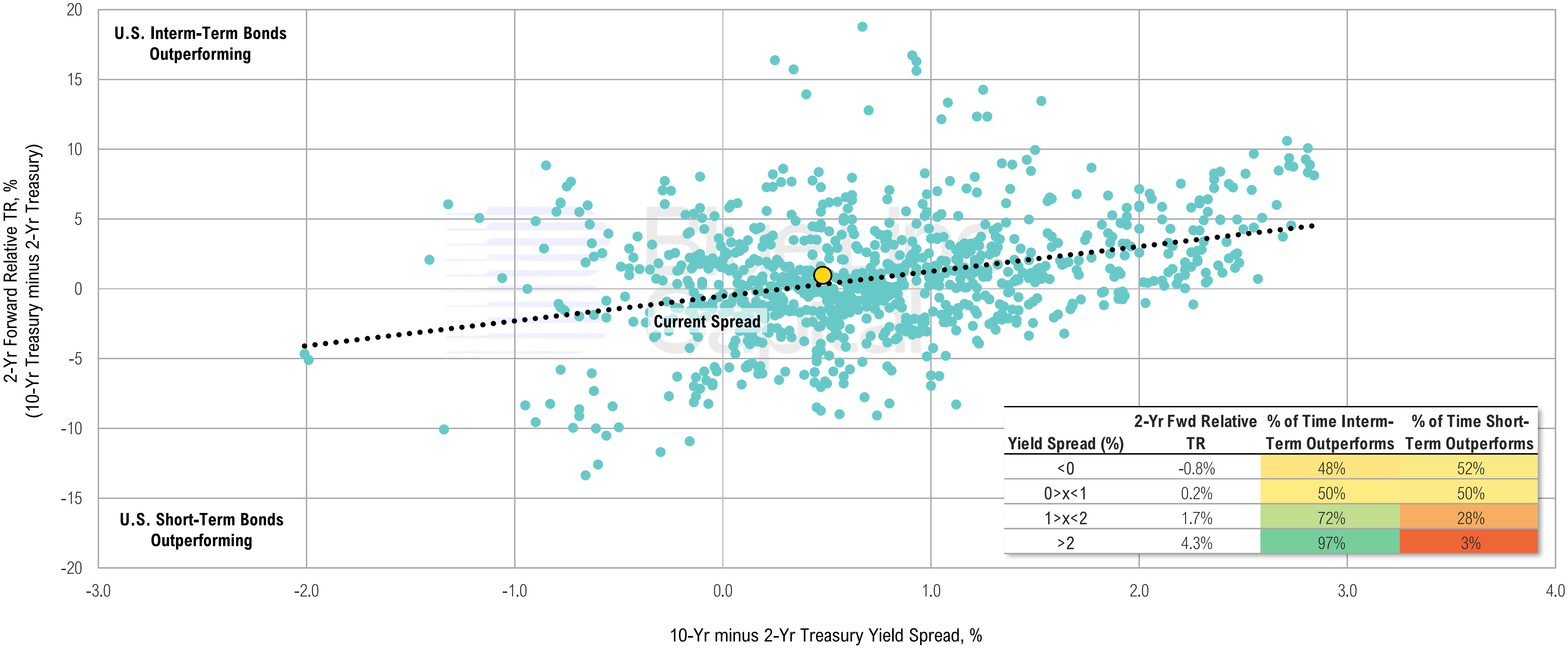
Source: SpringTide, Bloomberg. Forward return analysis from 2/4/1994 through 12/31/2023.

While the yield curve continues to steepen, credit spreads are only now starting to rise, and remain very low by any long-term standard



Source: Bloomberg

When the 2s10s spread is above 2%, investors should generally hold longer duration bonds; when it is between 1% and 2%, it is not a home run; and below 1% is a coin toss

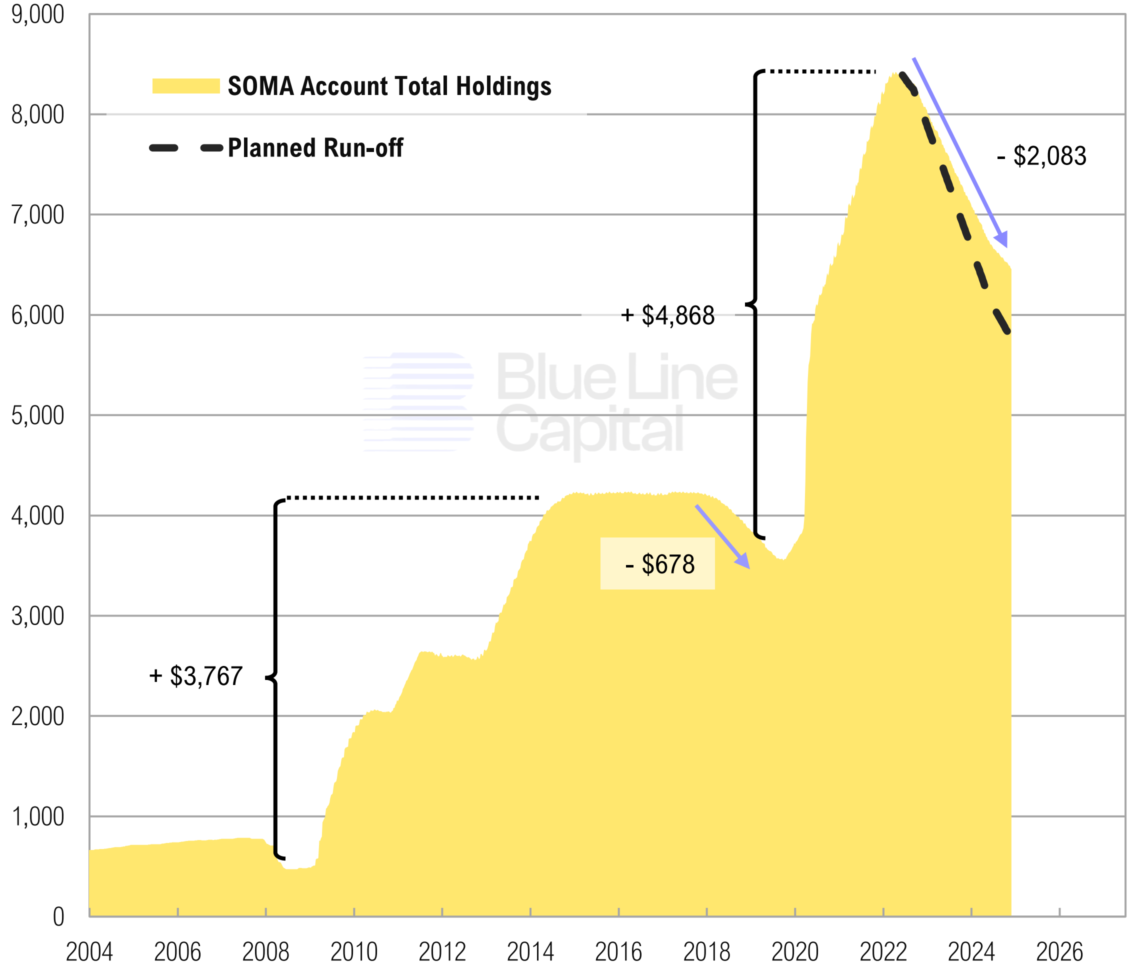


Yield Spread (%)	2-Yr Fwd Relative TR	% of Time Interm-Term Outperforms	% of Time Short-Term Outperforms
<0	-0.8%	48%	52%
0>x<1	0.2%	50%	50%
1>x<2	1.7%	72%	28%
>2	4.3%	97%	3%

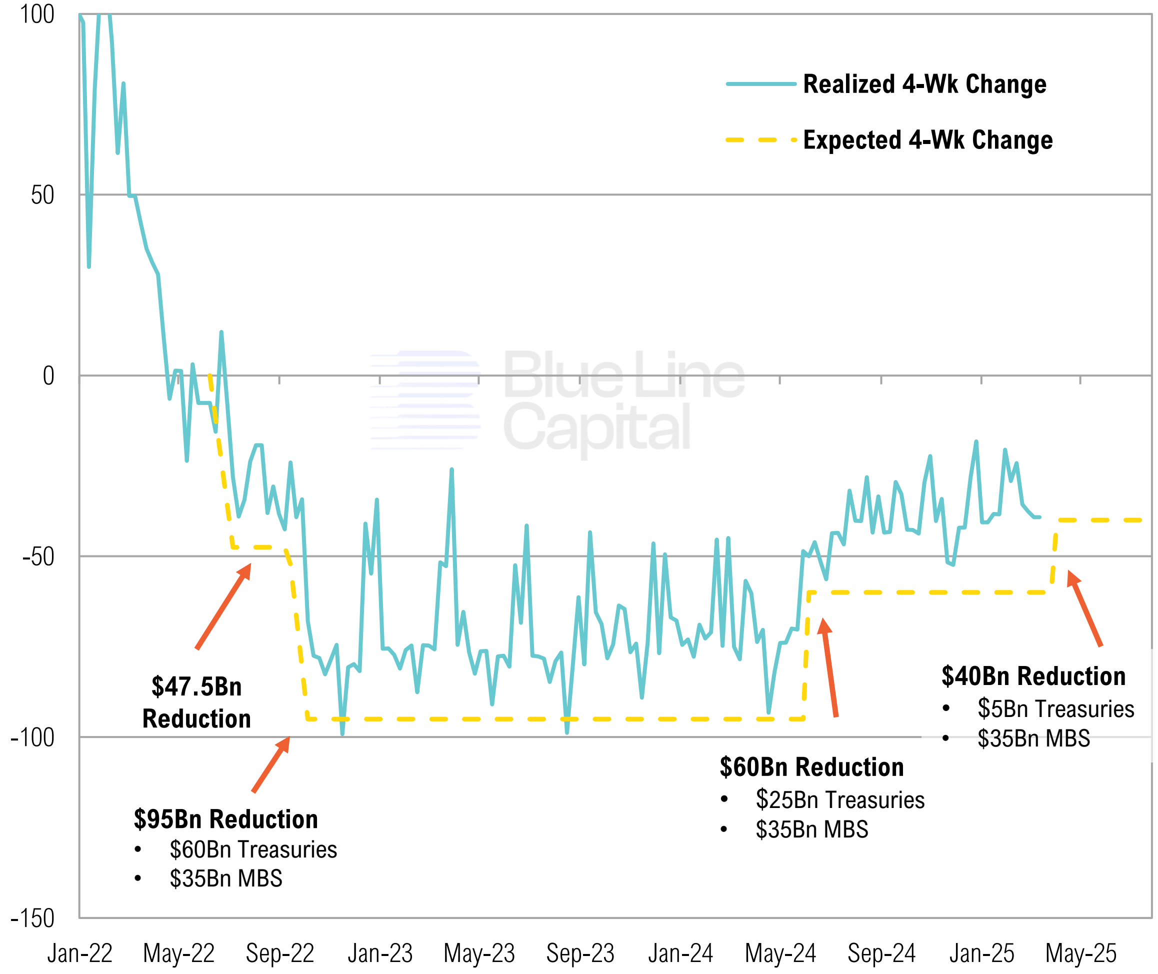
Source: Bloomberg, GFD, SpringTide calculations. Period of analysis from 12/31/1940 through 1/31/2023.

The Fed will slow QT from $60 billion to $40 billion starting in April, with a maximum Treasury runoff of $5 billion per month

Total SOMA Holdings, $Bn



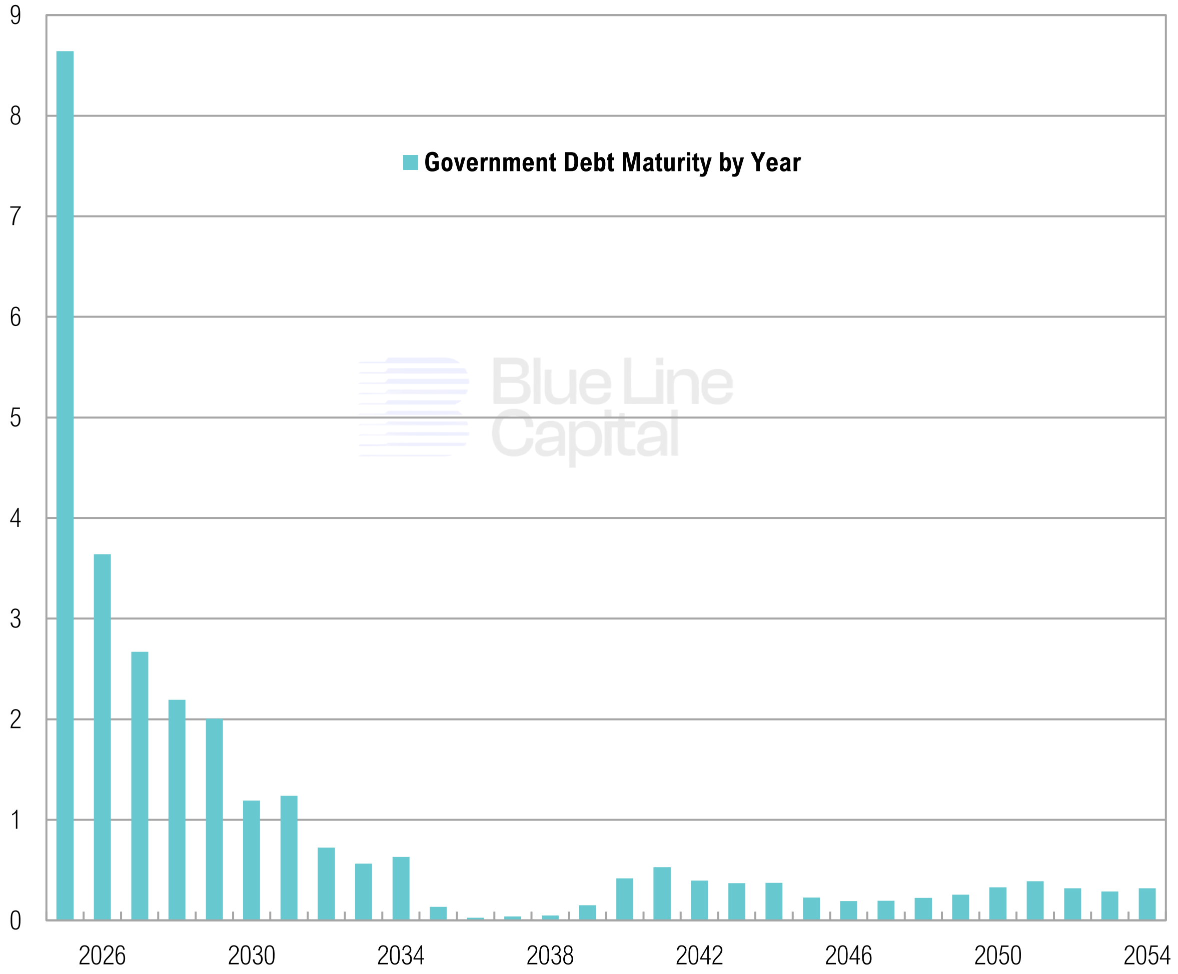
SOMA Account 4-Week Change, $Bn



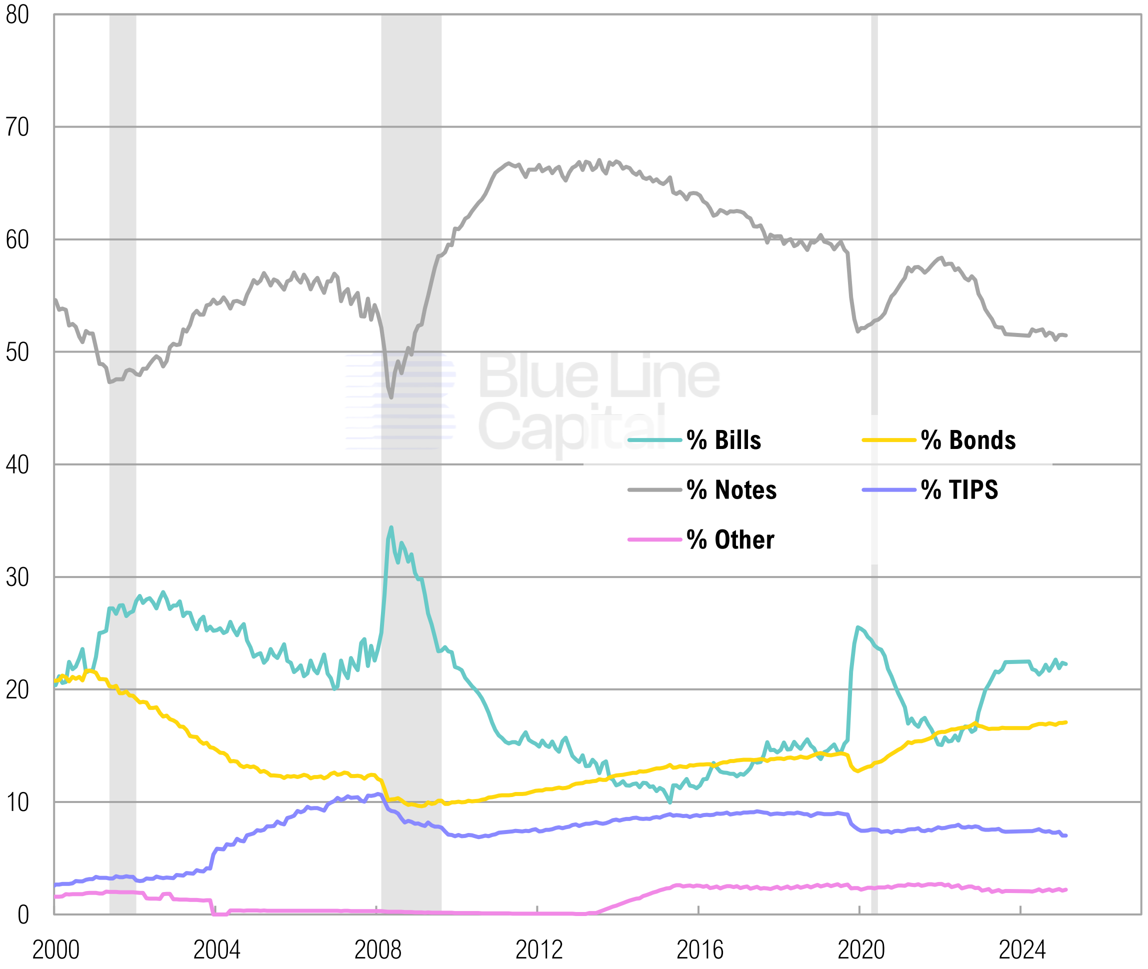
Source: Bloomberg

Almost $9Tn in government debt matures in 2025, including >$2Tn of notes and bonds that will be rolled at much higher rates; bill issuance, comprising 22% of total debt, is expected to decline in 2025

Government Debt Maturity by Year, $Tn



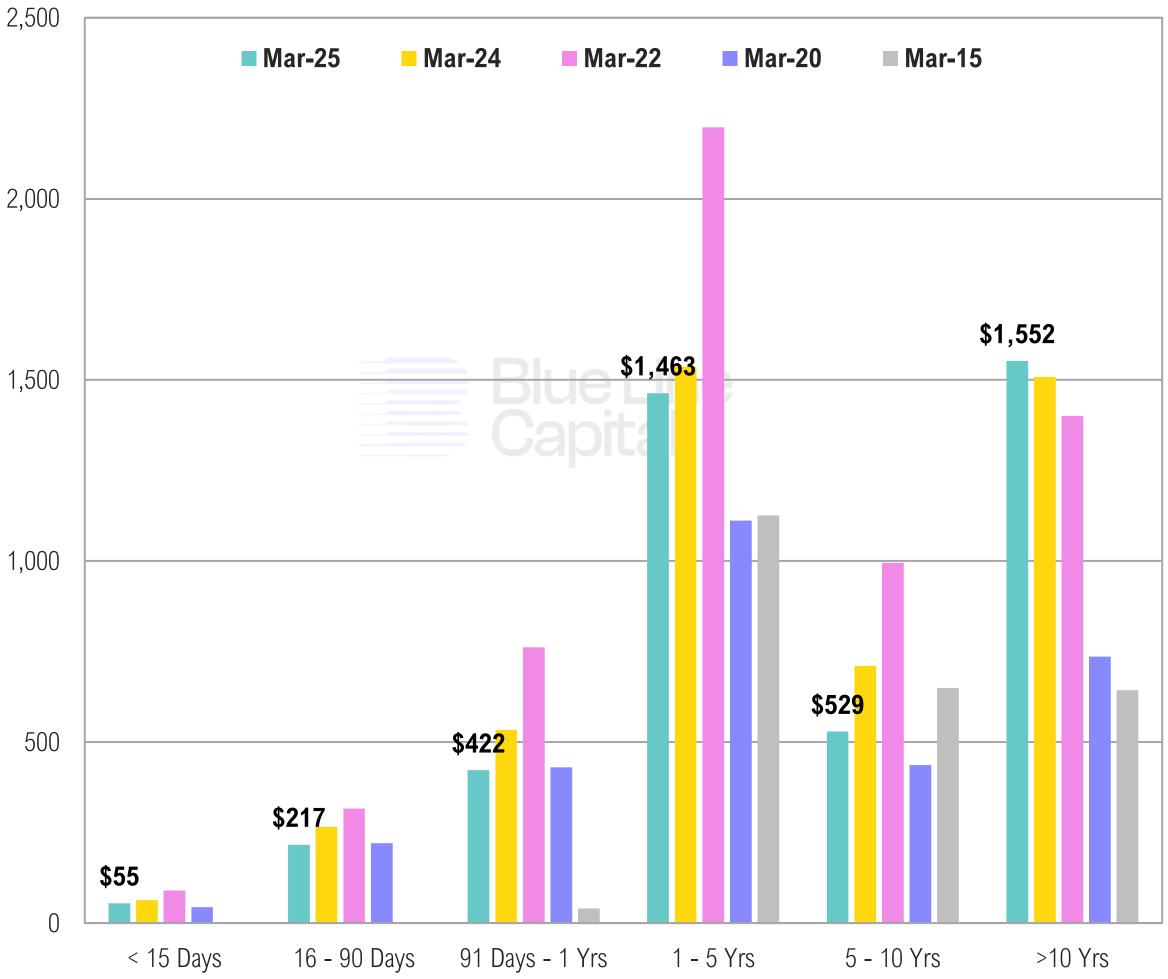
Debt Distribution, % of Total U.S. Marketable Debt Outstanding



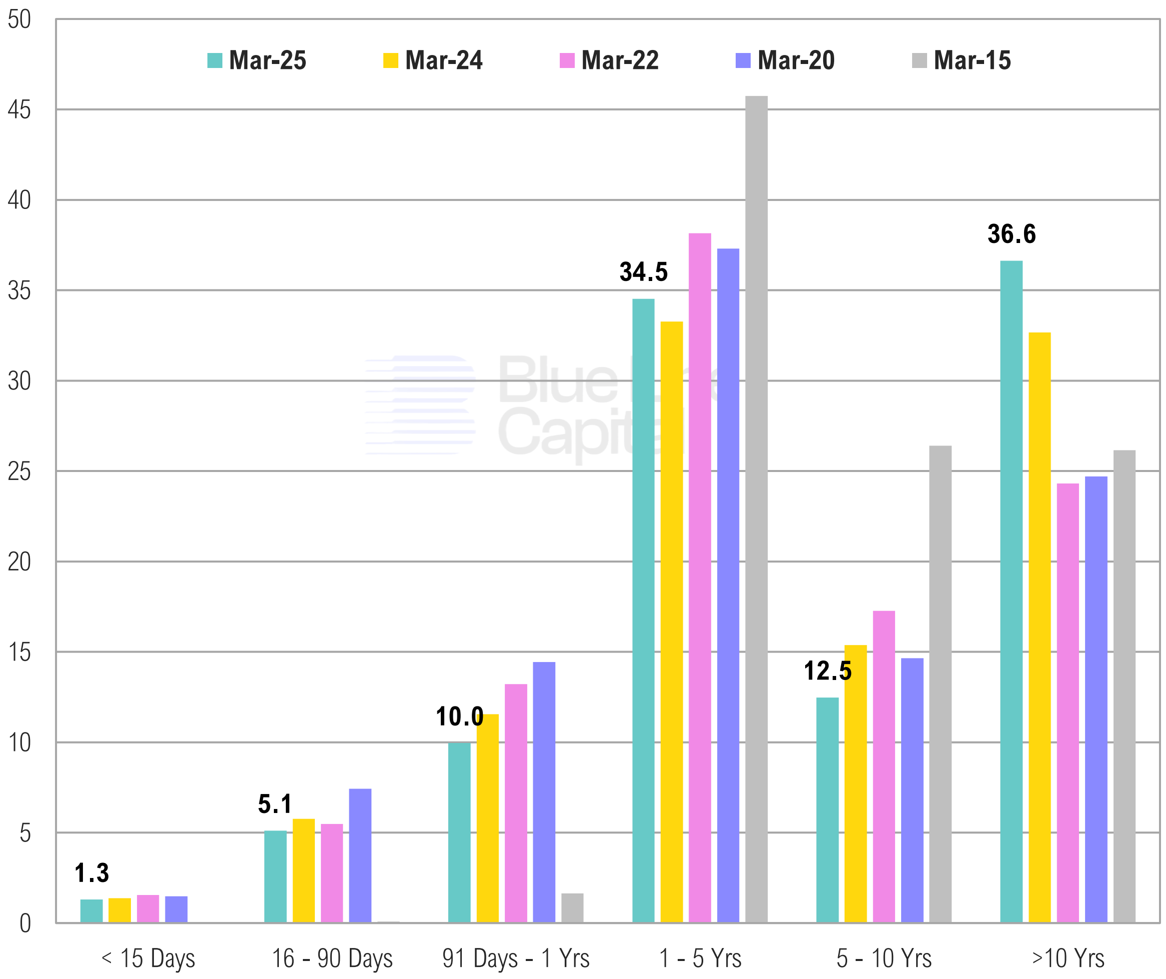
Source: Bloomberg

~17% ($712bn) of the Fed's balance sheet assets are maturing within the next year—far more than the $5bn monthly roll-off target; this implies the Fed will purchase >$500bn in debt (with the proceeds of maturing bonds)

Value of Fed Treasury Assets vs Maturity, $Bn

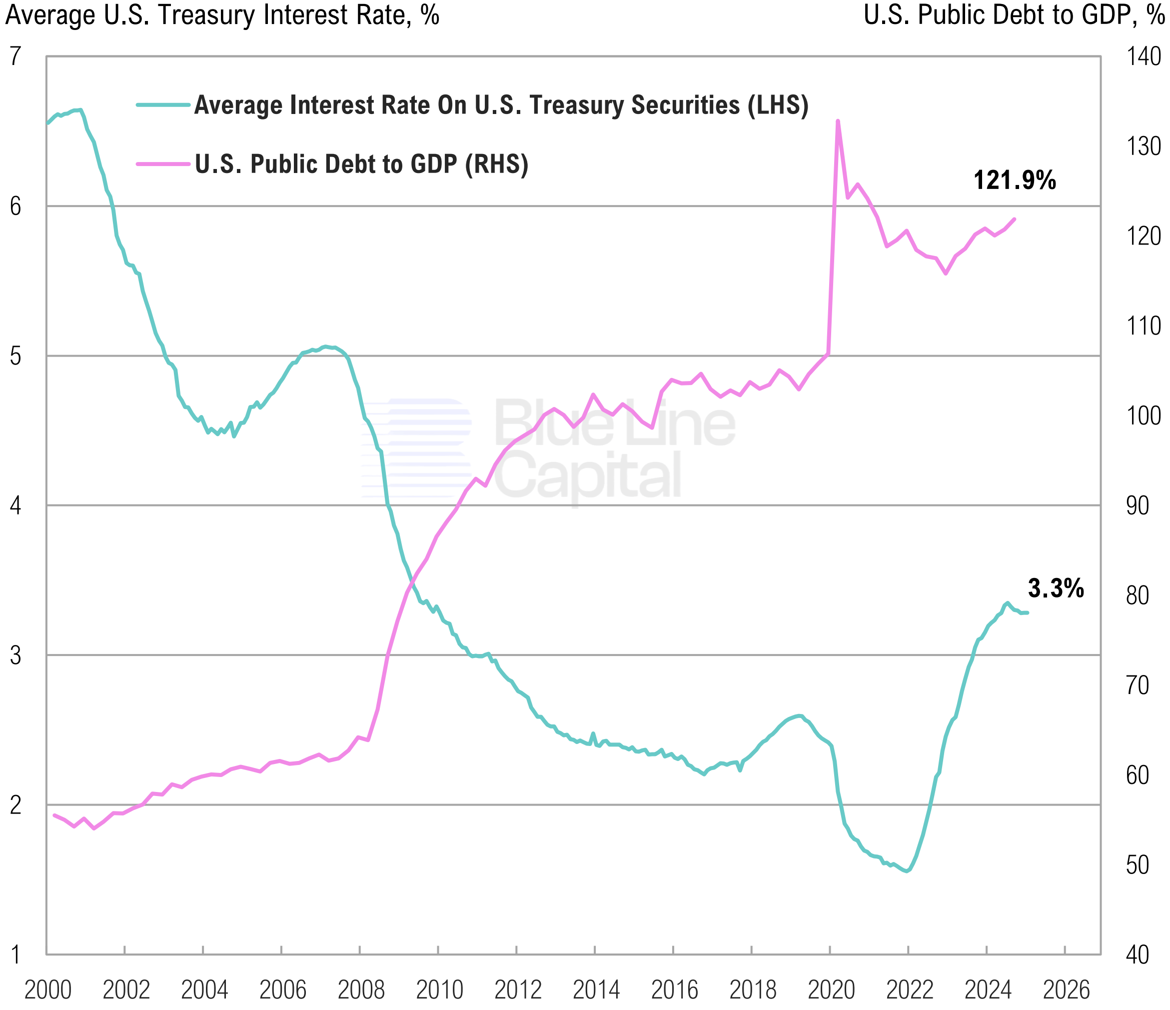


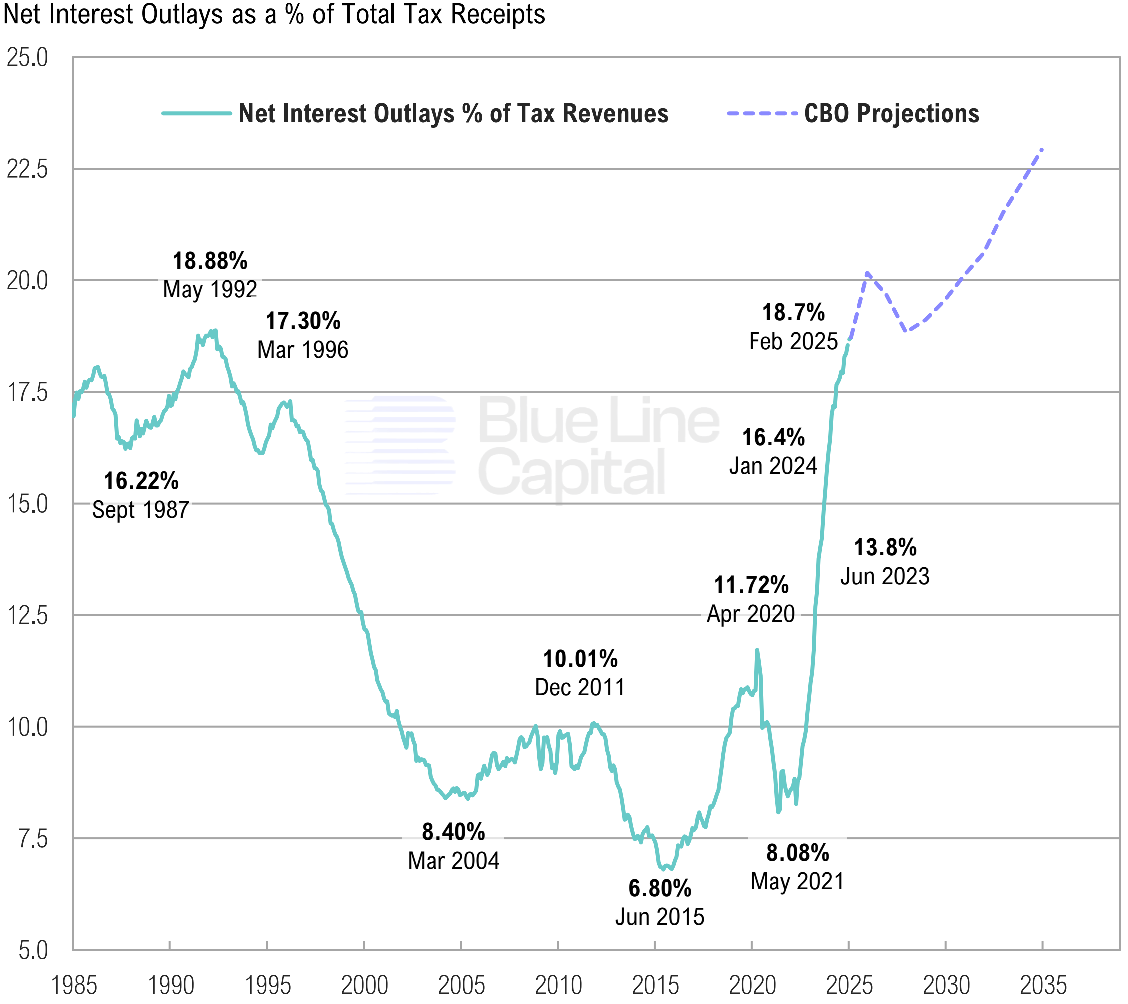
% of Total Fed Treasury Assets vs Maturity



Source: Bloomberg. As of 3/31/2025.

The average cost of Treasury debt outstanding has climbed to 3.3%, a level last seen when debt to GDP was 'just' 80%; tax receipts aren't keeping pace, with nearly 19% of taxes going only to net interest payments

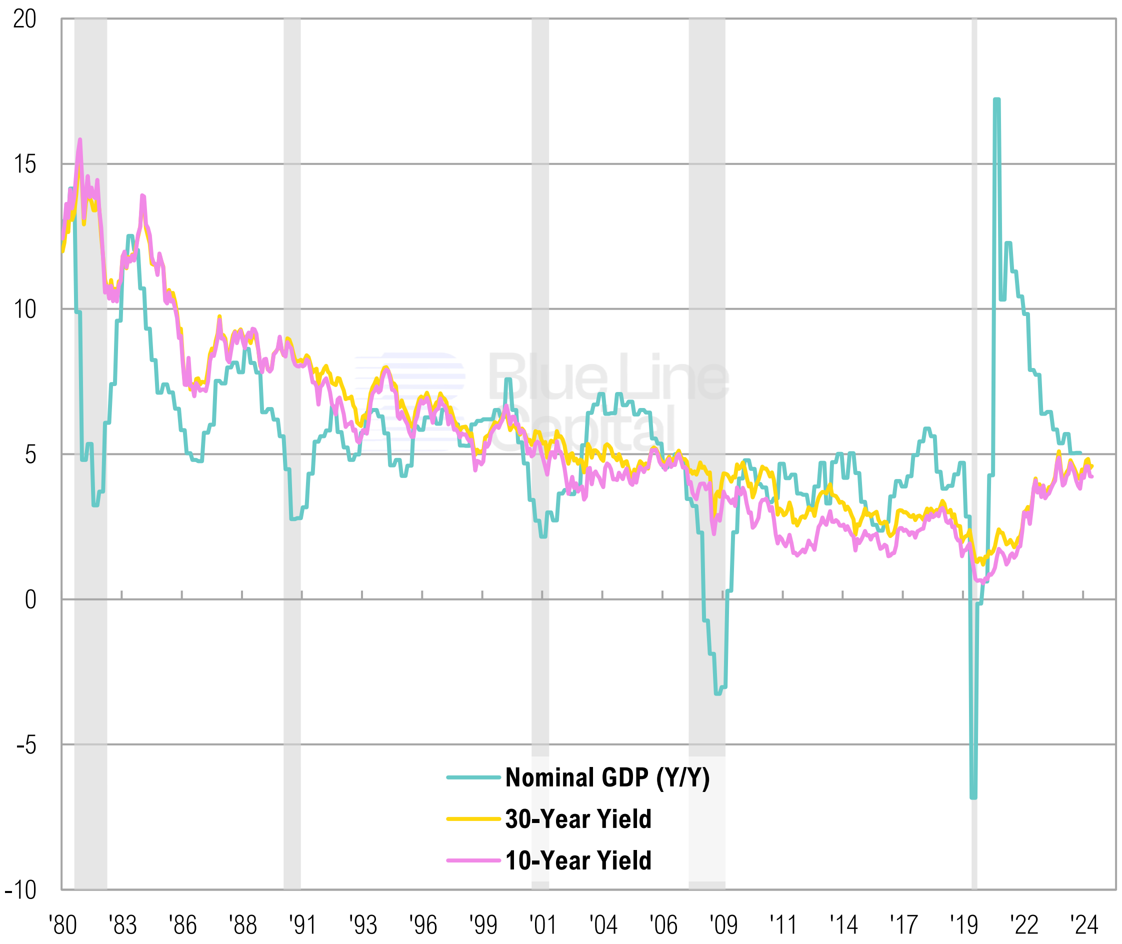




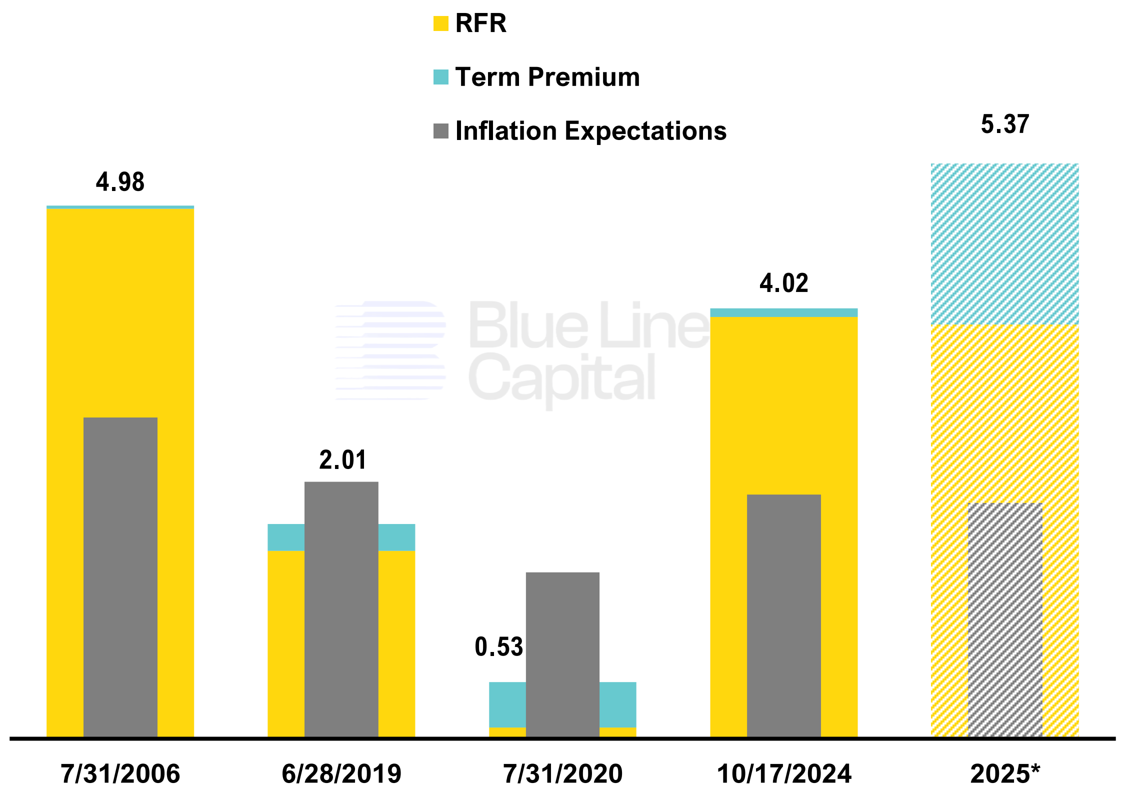
Source: U.S. Treasury, CBO.

Historically, long-term yields tend to follow nominal GDP; slowing GDP would lead to lower yields, unless that gets offset by increased term premium

Nominal GDP (Y/Y) & Yields, %

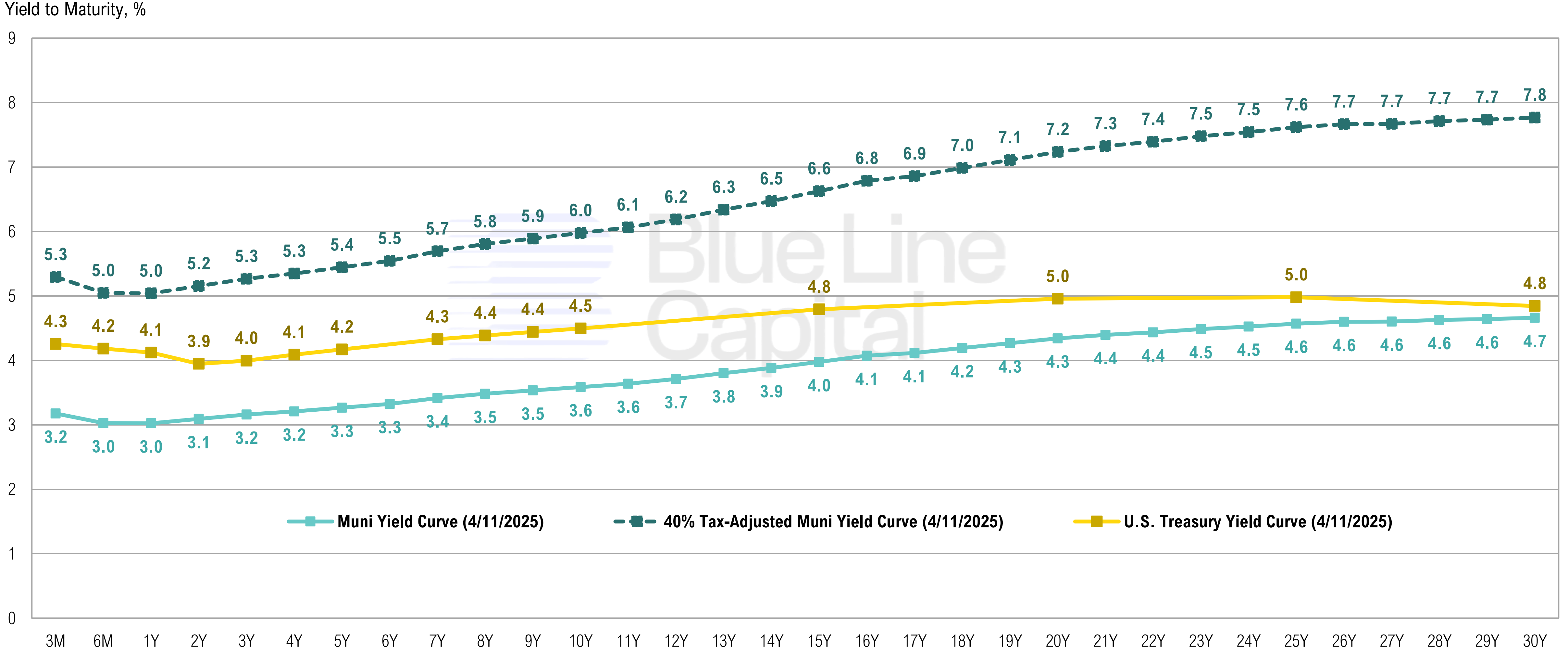


10-Year Yield Building Blocks, %



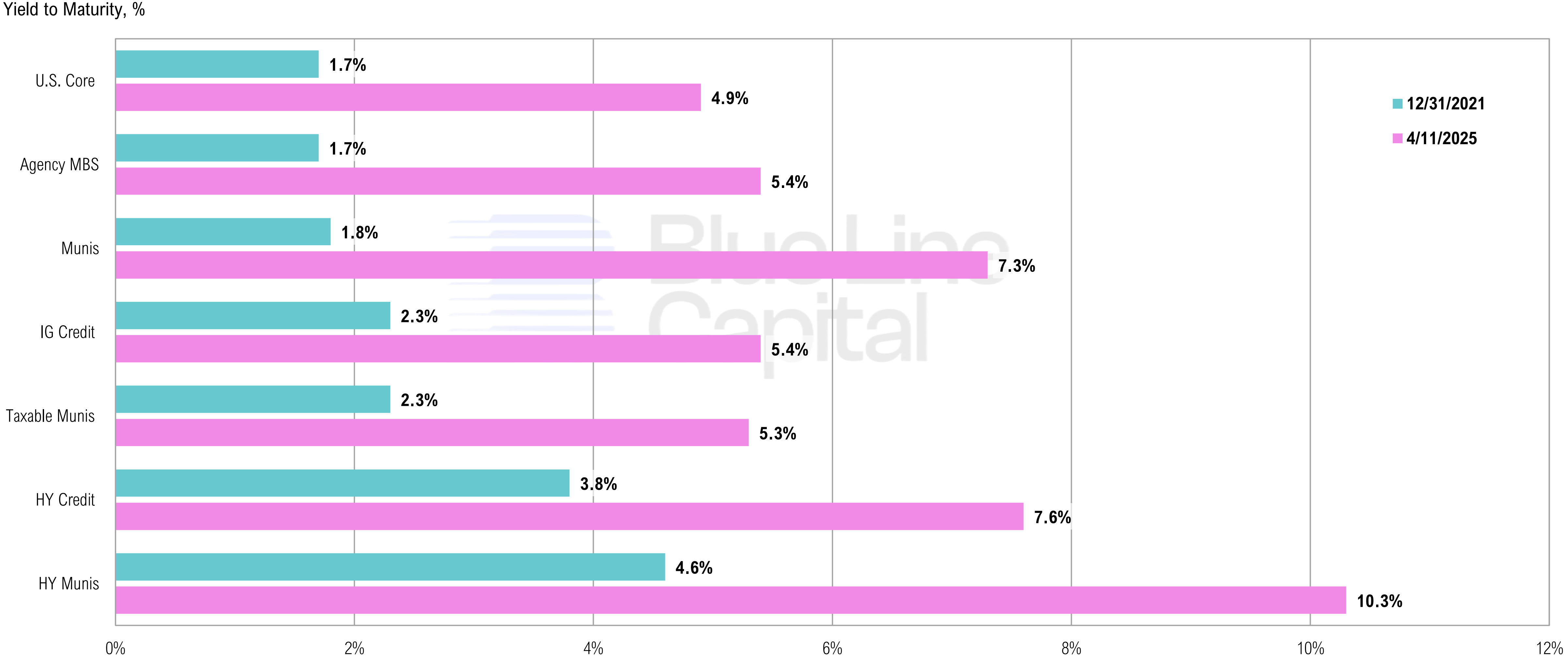
Source: Bloomberg, SpringTide calculations. RFR = risk free rate, proxied by 2-year Treasury yield; Term Premium = 2s10s Treasury spread; Credit Risk = hypothetical; Inflation Expectations = 10-year TIPS breakeven.
*2025 10-year yield breakdown is hypothetical. Assumptions are: RFR = 3.87%; Term Premium = 1.5% (historic full market cycle average is 86bps).

Muni-Treasury ratio: The muni yield curve has dislocated from Treasuries and appears particularly compelling on a tax-adjusted basis across the curve



Source: Bloomberg. As of 4/11/2025.

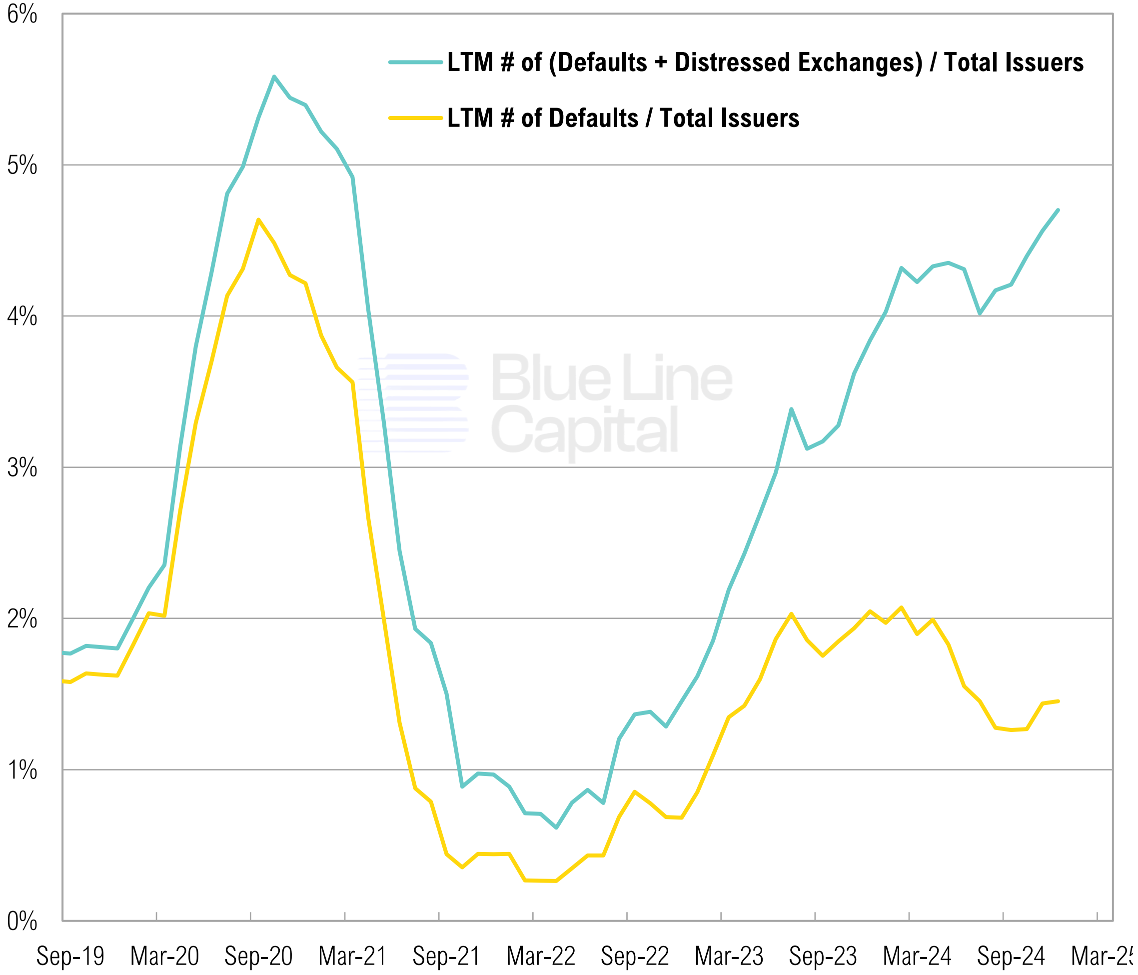
A case for bonds: yields today are at a much more attractive starting point



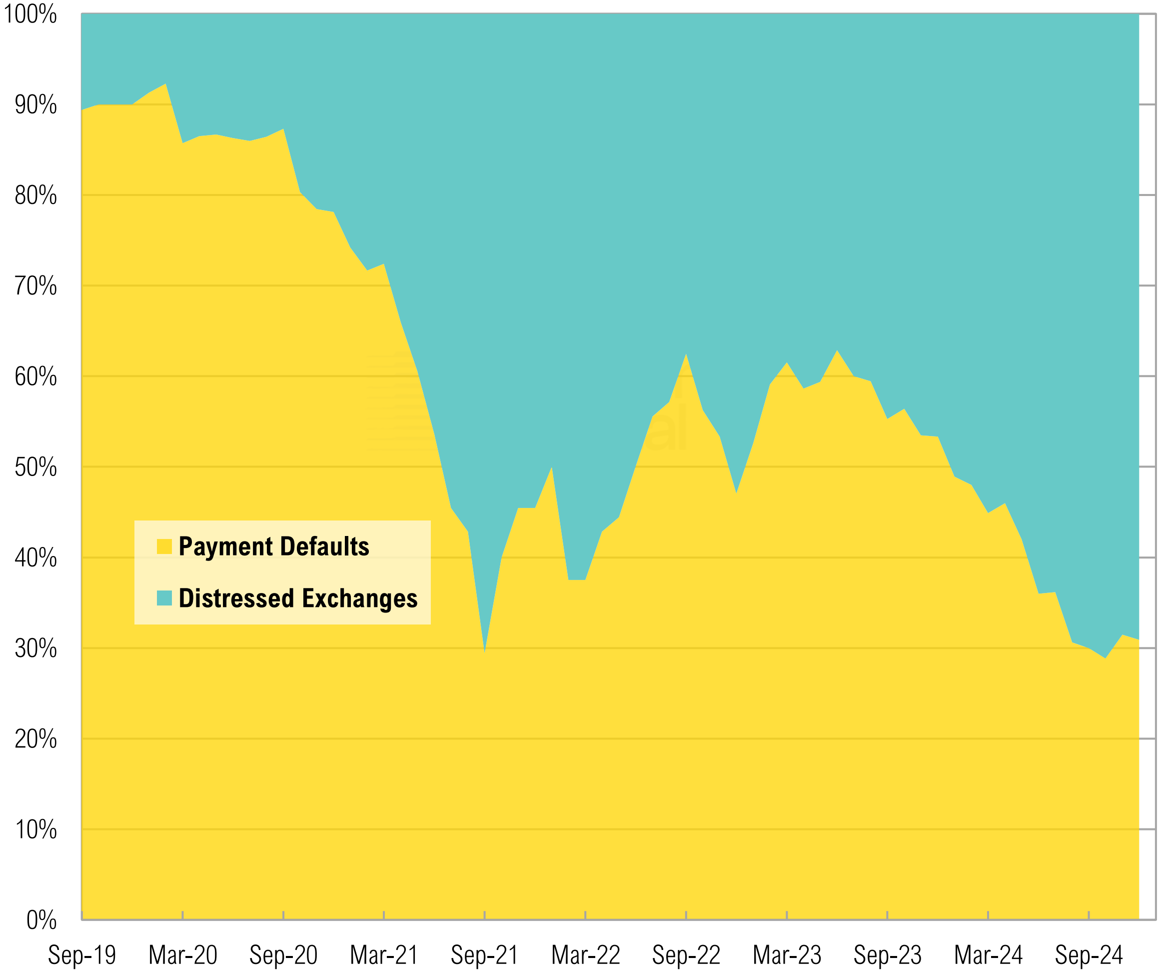
Source: Pimco. As of 4/11/2025.

Distressed exchanges are replacing traditional defaults, masking issues

Leveraged Loan Default Rate, %



Proportion of Defaults, %



Source: Pitchbook. As of 12/31/2024.

Real Assets:

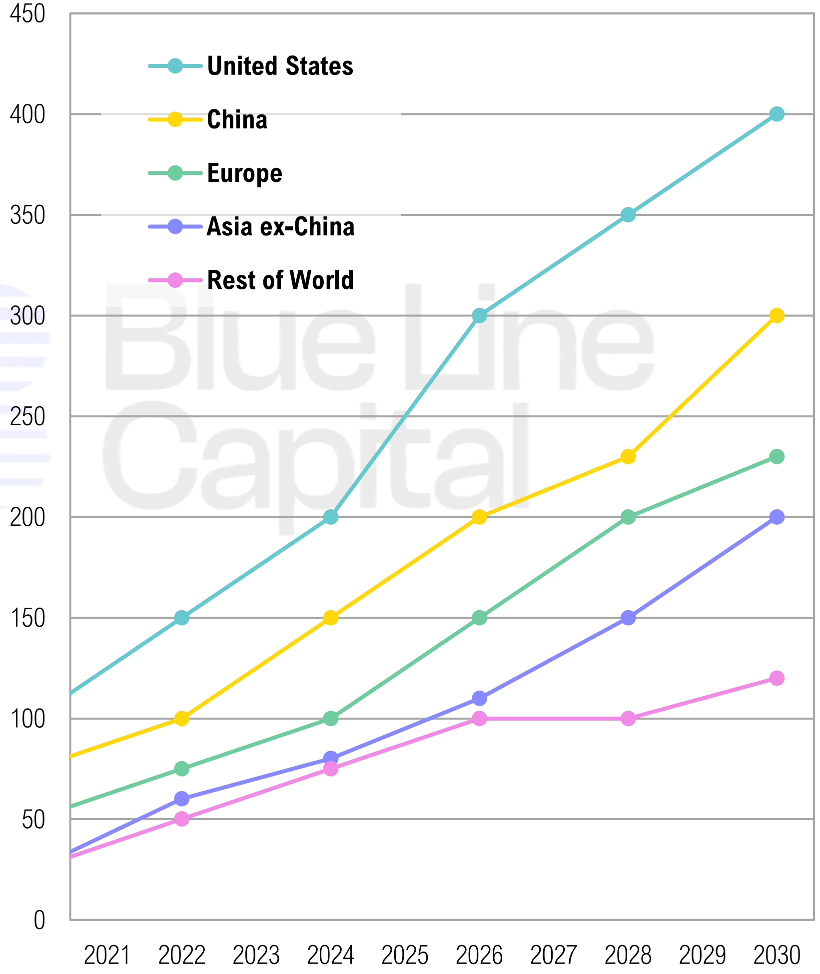
Going for Gold

1. What's the latest on the 'Power Play' thesis—and is the energy transition still investable?
2. Will gas prices decline—what are the downsides to lower crude prices, if any?
3. Should investors allocate to real assets, including commodities?
4. Given the potential for further fiscal consolidation, do precious metals still make sense?
5. Do real estate or infrastructure offer value or face headwinds from higher rates?

A nuclear revival & full circle moment: AI is boosting new nuclear plant efficiency to meet growing AI power needs; mega cap tech AI and data center capex continues

Planned AI-Related Capital Expenditure in Current Fiscal Year, $Bn

Data Center Electricity Consumption, Estimated TWh



CIO JOURNAL

Nuclear Power Is Back. And This Time, AI Can Help Manage the Reactors.

Argonne National Lab has an AI-based tool that can help design and operate nuclear reactors—at a time when AI itself is feeding a power frenzy.

By Belle Lin Follow
April 11, 2025 7:00 am ET

World Bank May Drop Ban on Funding Nuclear Power, President Says

By Ramsey Al-Rikabi and Shoko Oda
March 20, 2025 at 4:03 PM GMT+2
Updated on March 20, 2025 at 5:44 PM GMT+2

BUSINESS | ENERGY & OIL Follow

AI Boom to Fuel Surge in Data Center Energy Needs, IEA Says

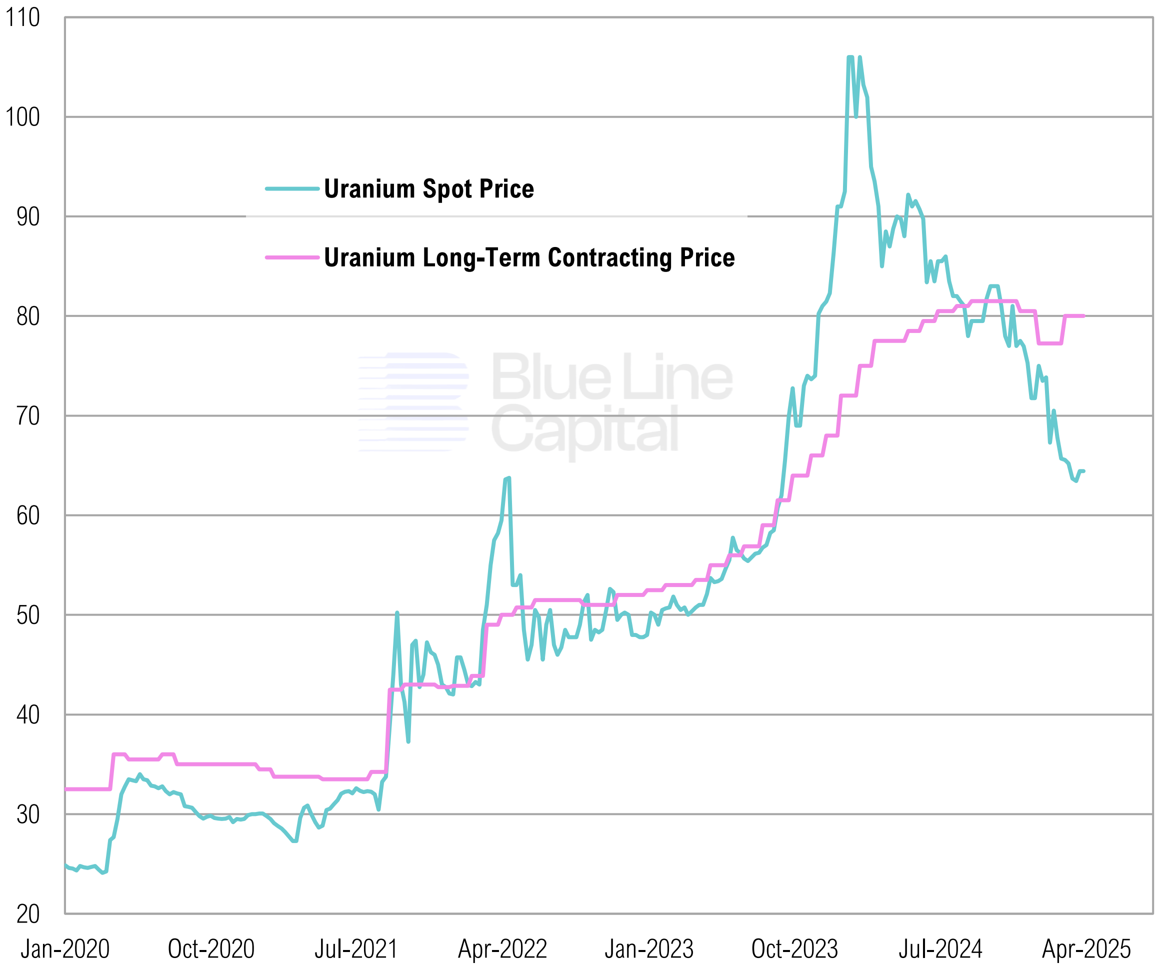
By 2030, data centers will require slightly more energy than Japan consumes today, with demand for AI-optimized facilities alone set to quadruple, IEA predicts

By Giulia Petroni Follow
April 10, 2025 9:18 am ET

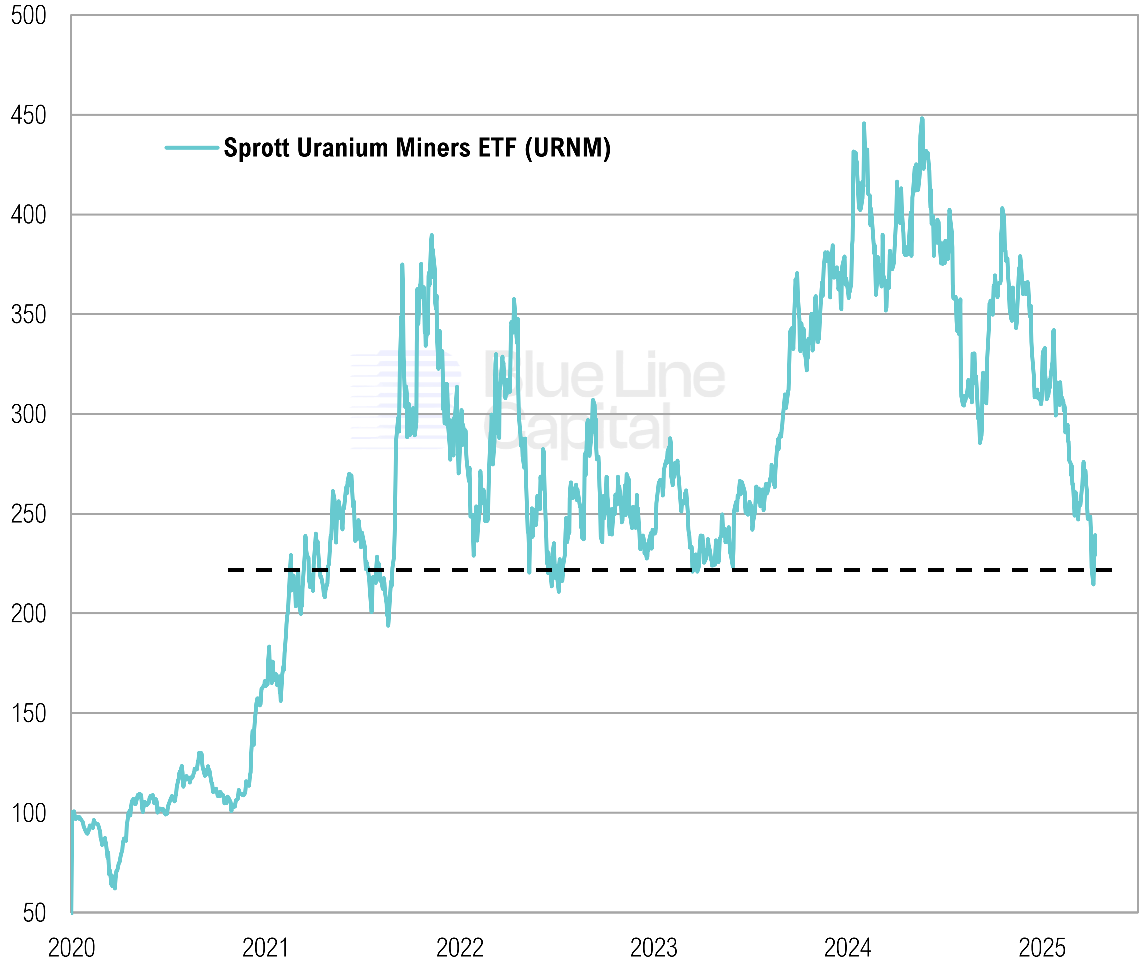
Source: Bloomberg, IEA, Wall Street Journal, CNBC.

Despite having little impact on miner profits, spot prices continue to drive stock prices; uranium miners are back to 2023 levels, even though long-term contracting prices (those negotiated between miners and utilities) are 67% higher

Uranium Spot Price, $/lbs



Growth of 100



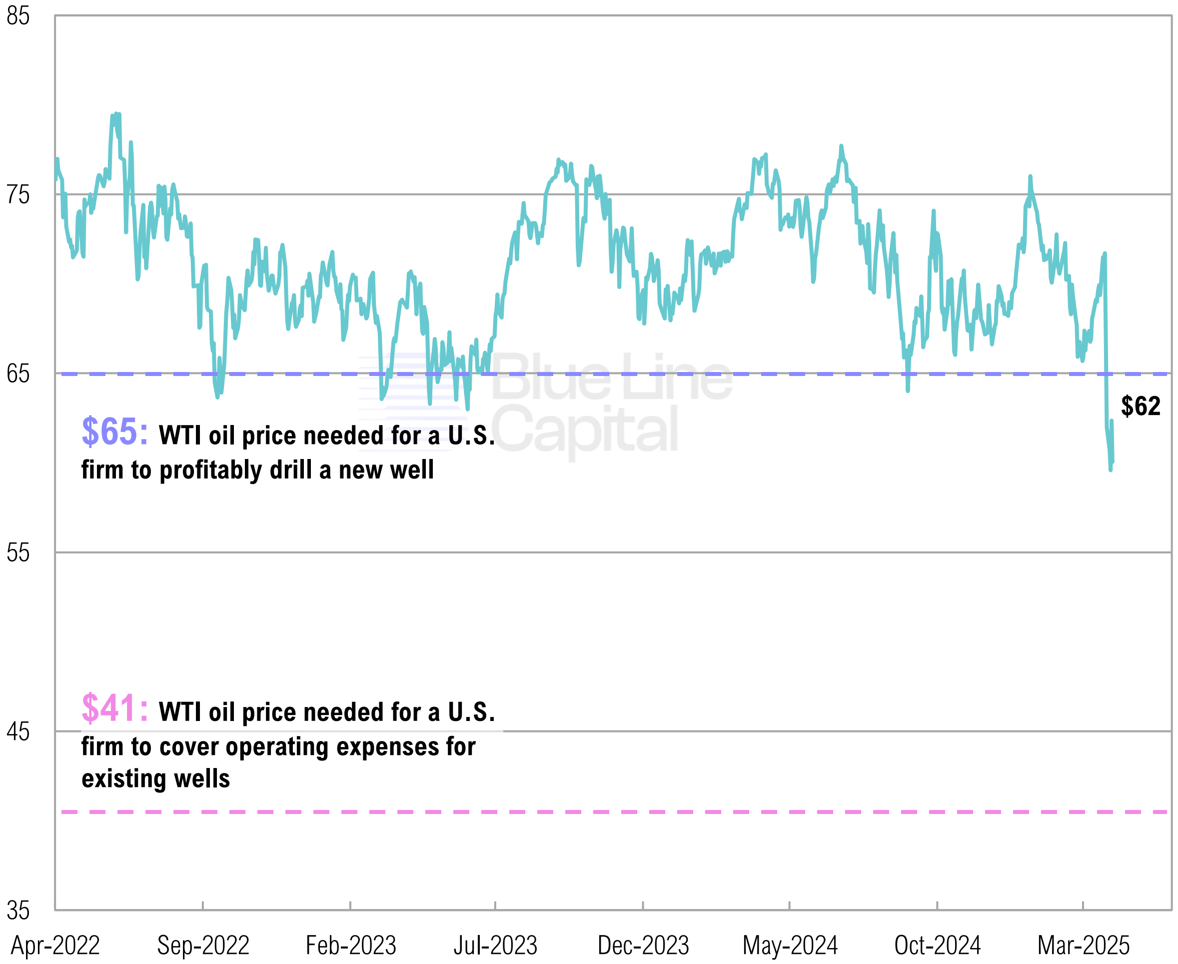
Source: Bloomberg

Sometimes people assume that if you’re able to decrease the cost of any type of technology component—in this case, we’re really talking about inference—it will somehow lead to less total spending on the technology. We have never seen that to be the case… I believe the cost of inference will meaningfully decline, making it much easier for companies to integrate inference and generative AI into all their applications.”

Andy Jassy, *Amazon CEO*

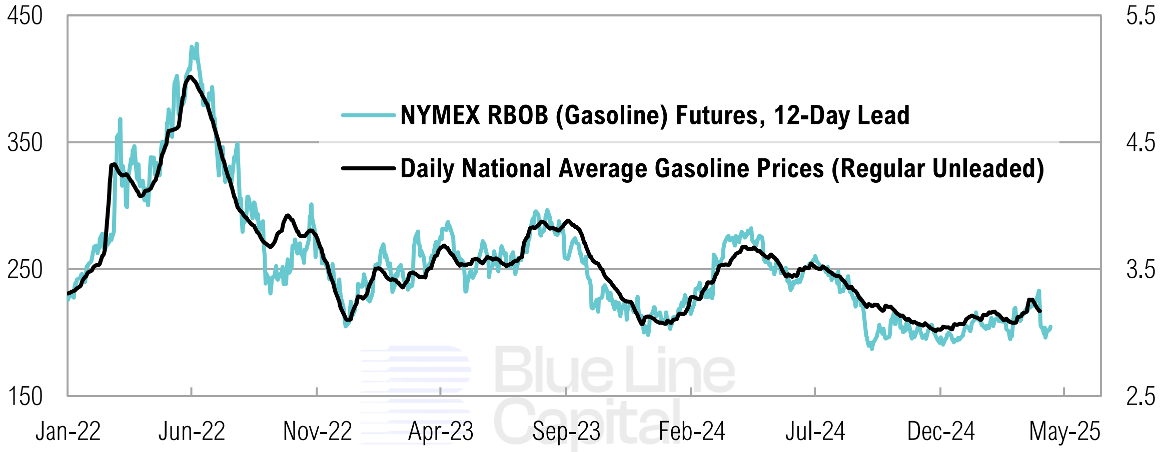
Crude prices have dropped below breakeven prices for many U.S. producers—but national average gas prices remain low, and energy prices are detracting from CPI

West Texas Intermediate (WTI) Crude Oil, $/Barrel



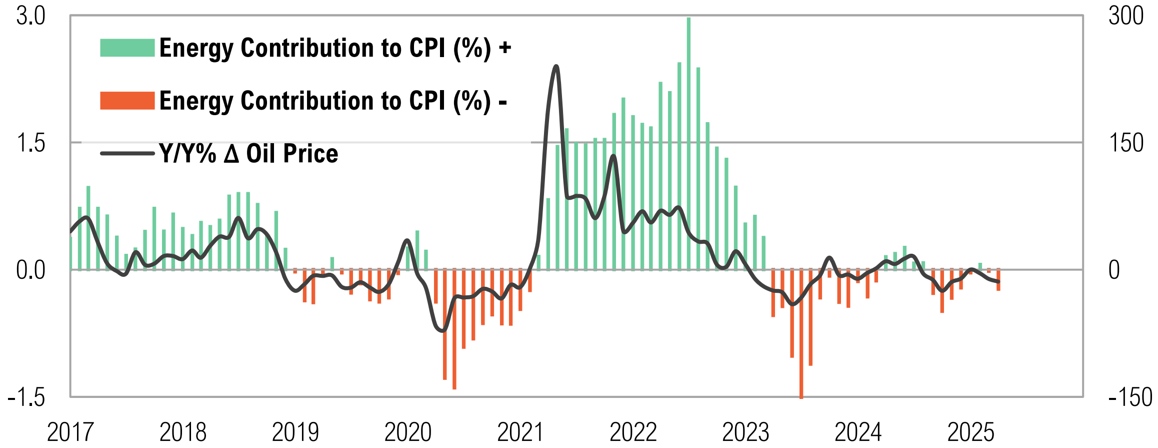
NYMEX RBOB Gasoline Futures, 12-Day Lead

National Average Gas Prices, $/Gallon



CPI: Energy Contribution, Y/Y %

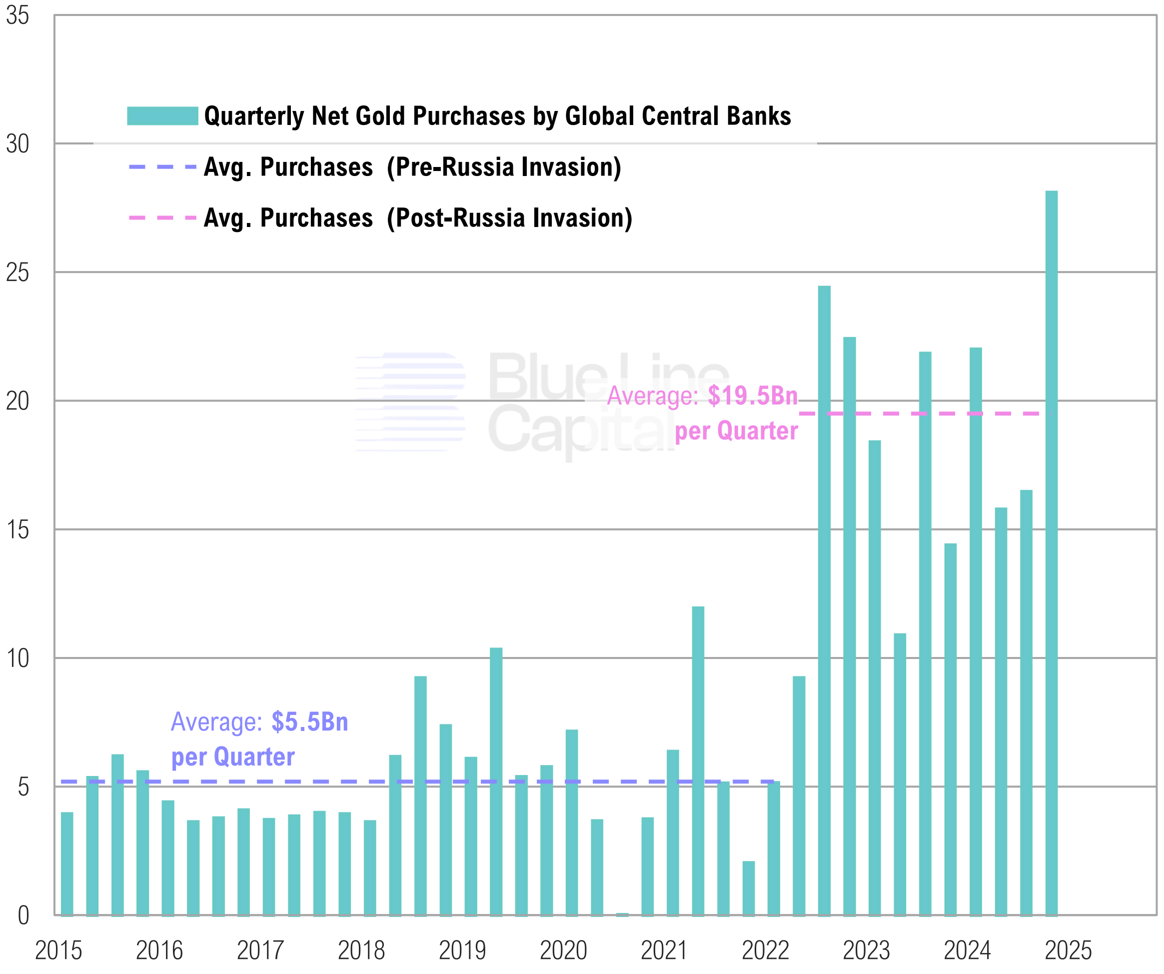
Change in WTI Crude Oil Price, Y/Y %



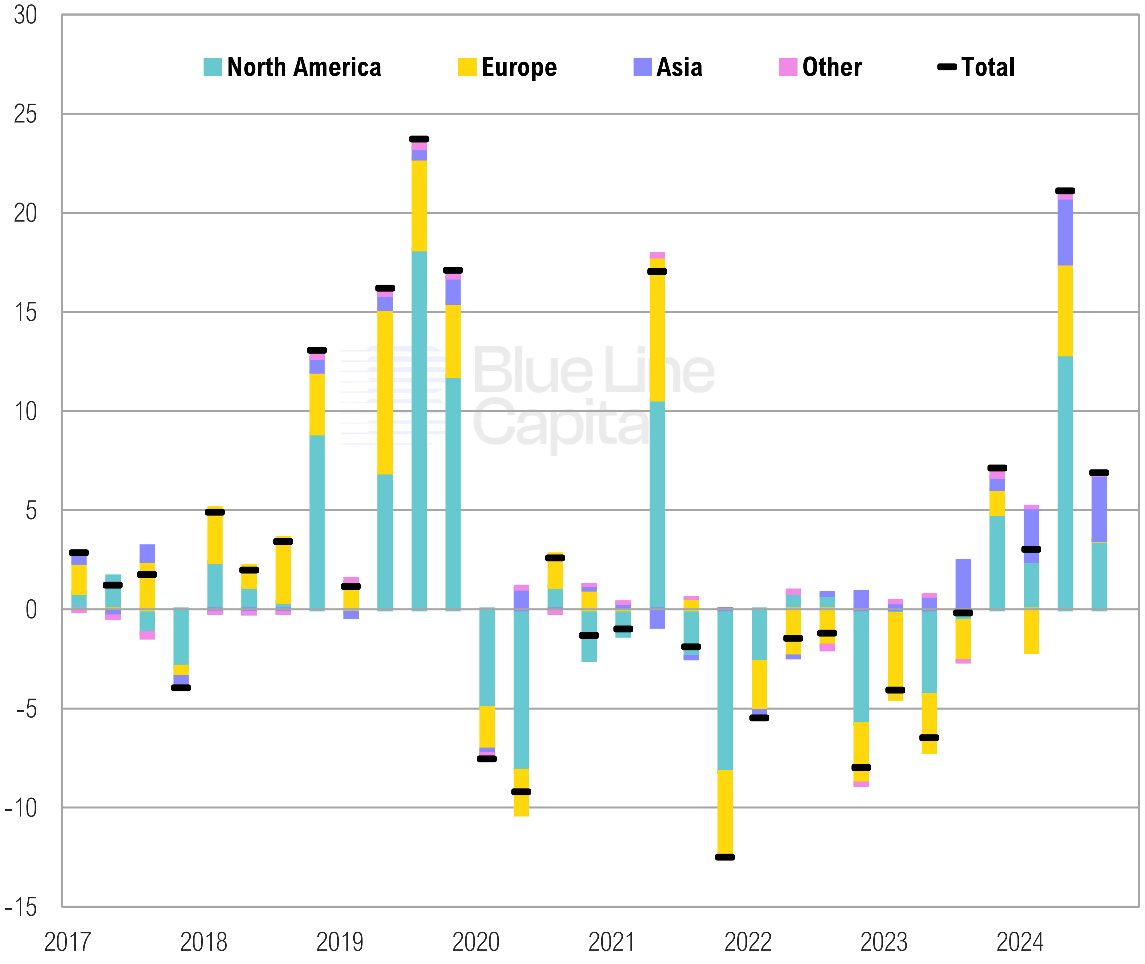
Source: Bloomberg, Federal Reserve Bank of Dallas.

Global central banks have ramped up gold purchases since the start of the Russia-Ukraine war; physical gold ETF flows remained weak post-COVID but saw near-record inflows in Q1

Quarterly Net Gold Purchases by Global Central Banks, $Bn

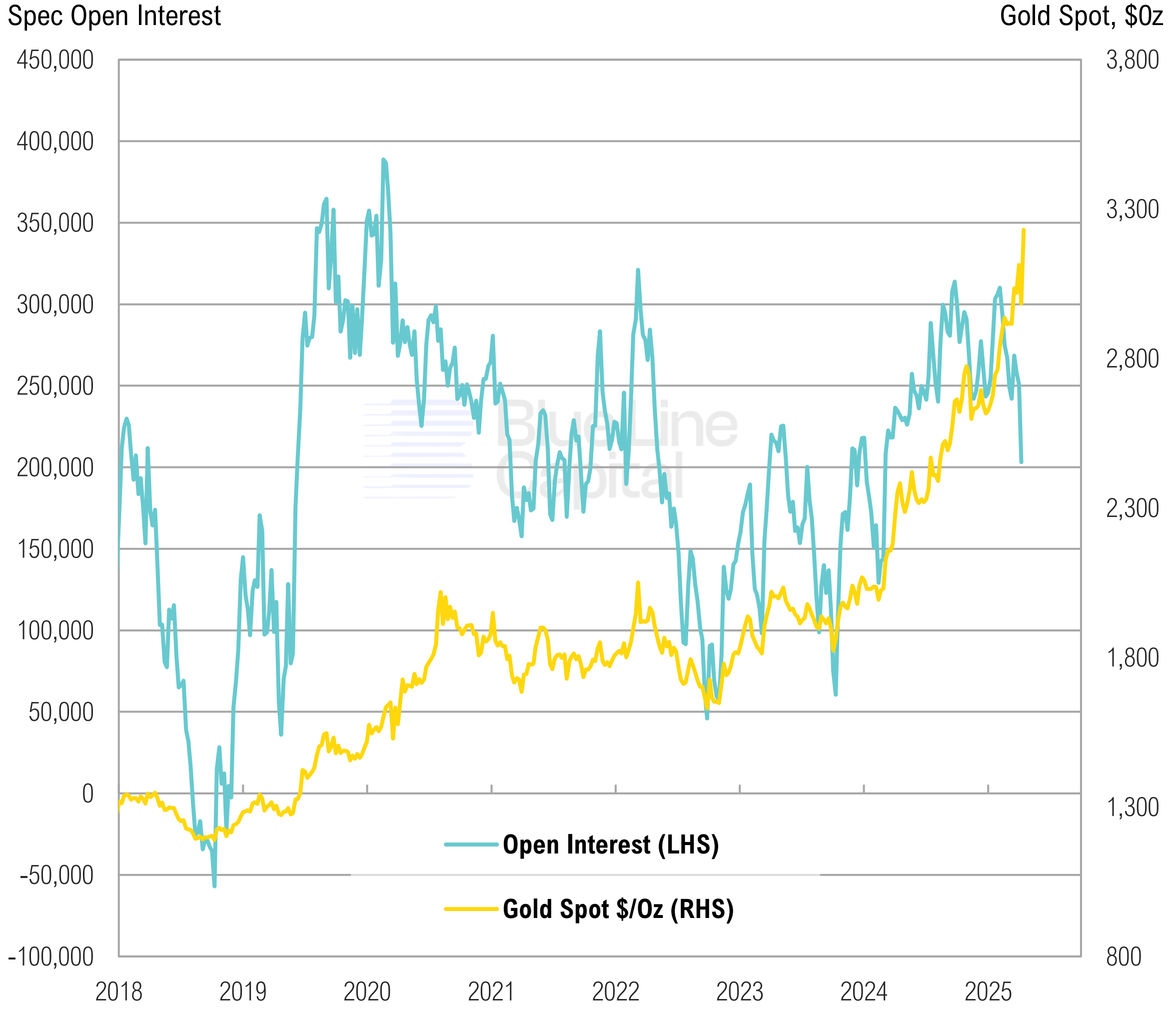


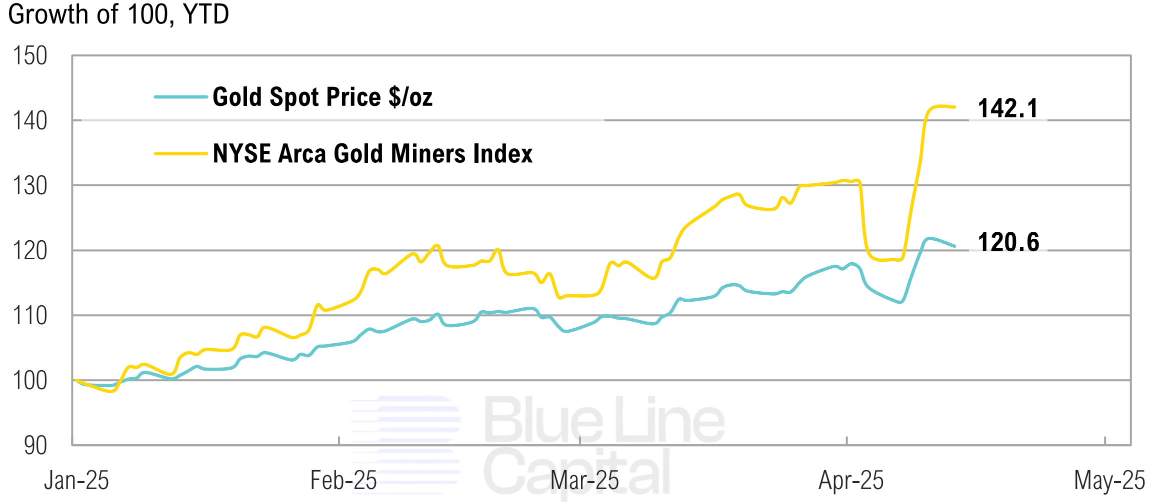
Quarterly Global Gold ETF Flows, $Bn

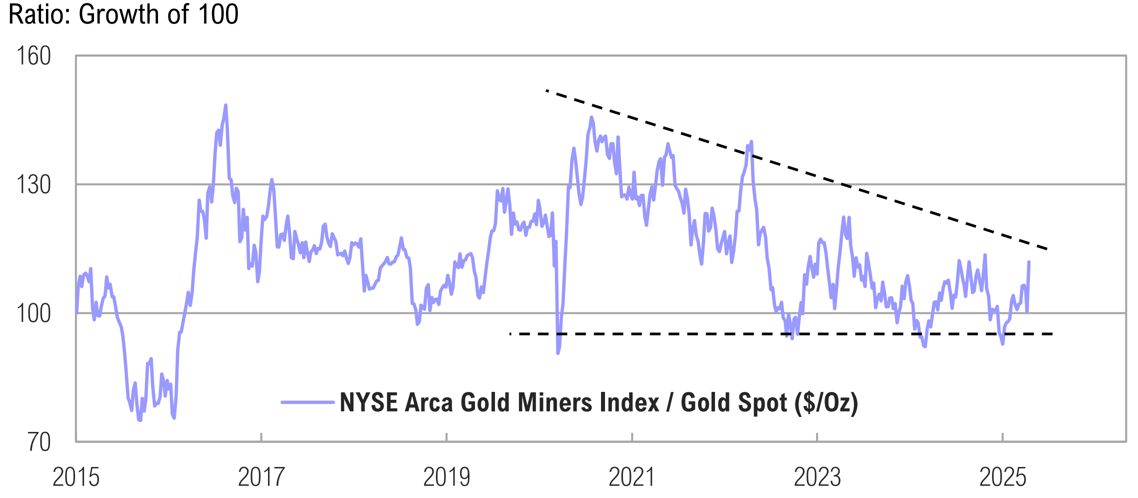


Source: Bloomberg. Central Bank Gold Purchases as of 12/31/2024. ETF Flows as of 3/31/2025.

Despite new all-time highs in gold, spec positioning *has come down*; while gold miners have seen strong YTD outperformance, fundamentals remain attractive



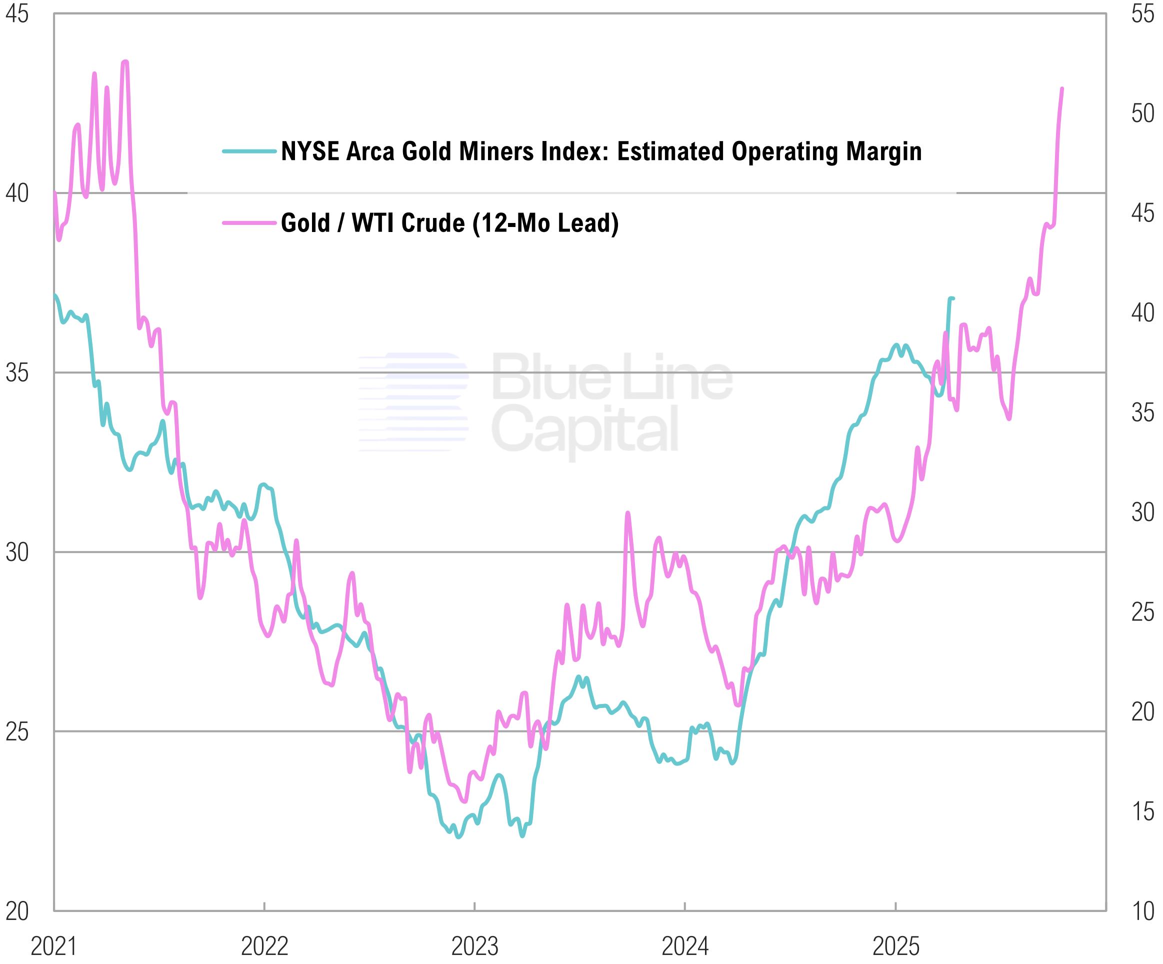




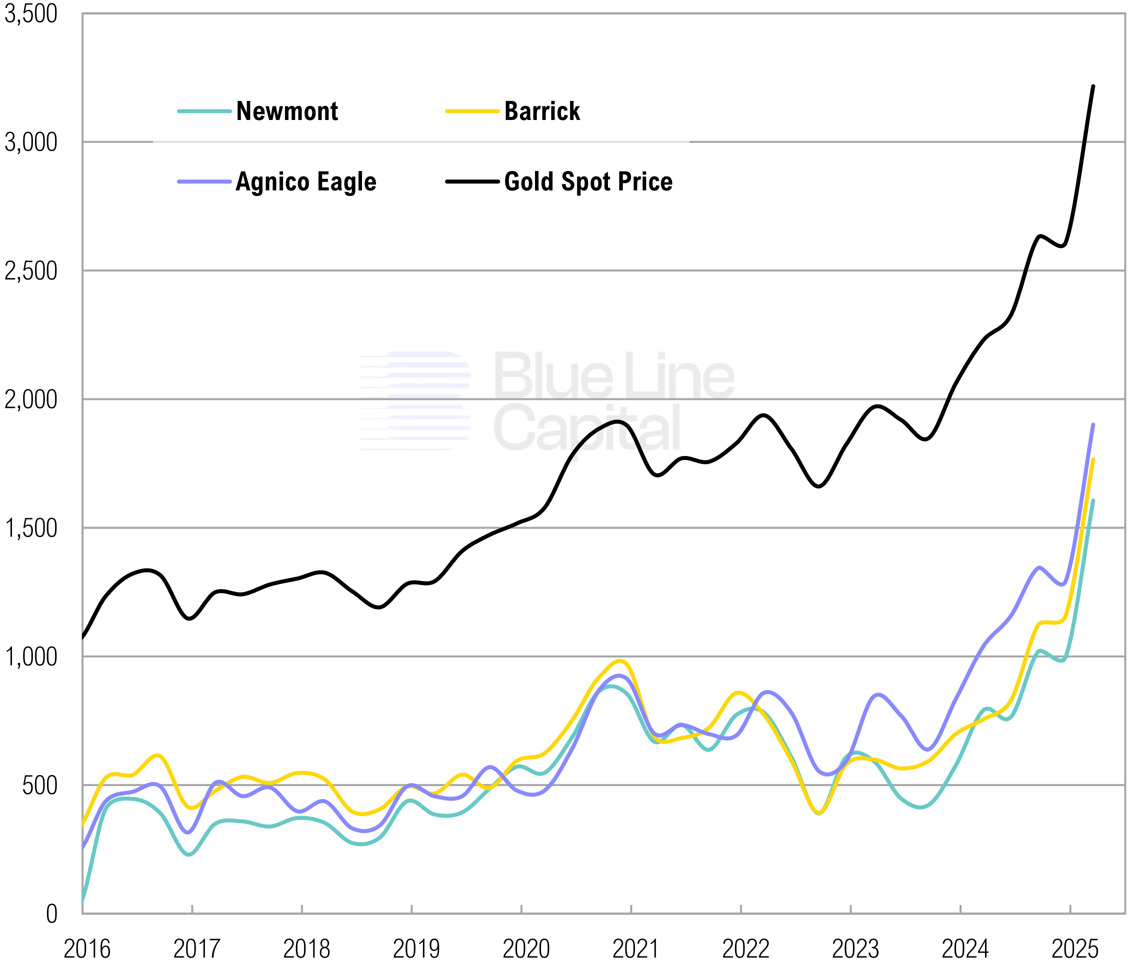
Source: Bloomberg. As of 4/13/2025.

Gold miners are experiencing the perfect setup for margin expansion: spot gold prices are up >40%, while crude prices—a major expense for miners—are down >25% since 1Q24

NYSE Arca Gold Miners Index: Est Operating Margin, %   Gold / WTI Crude (12-Mo Lead)

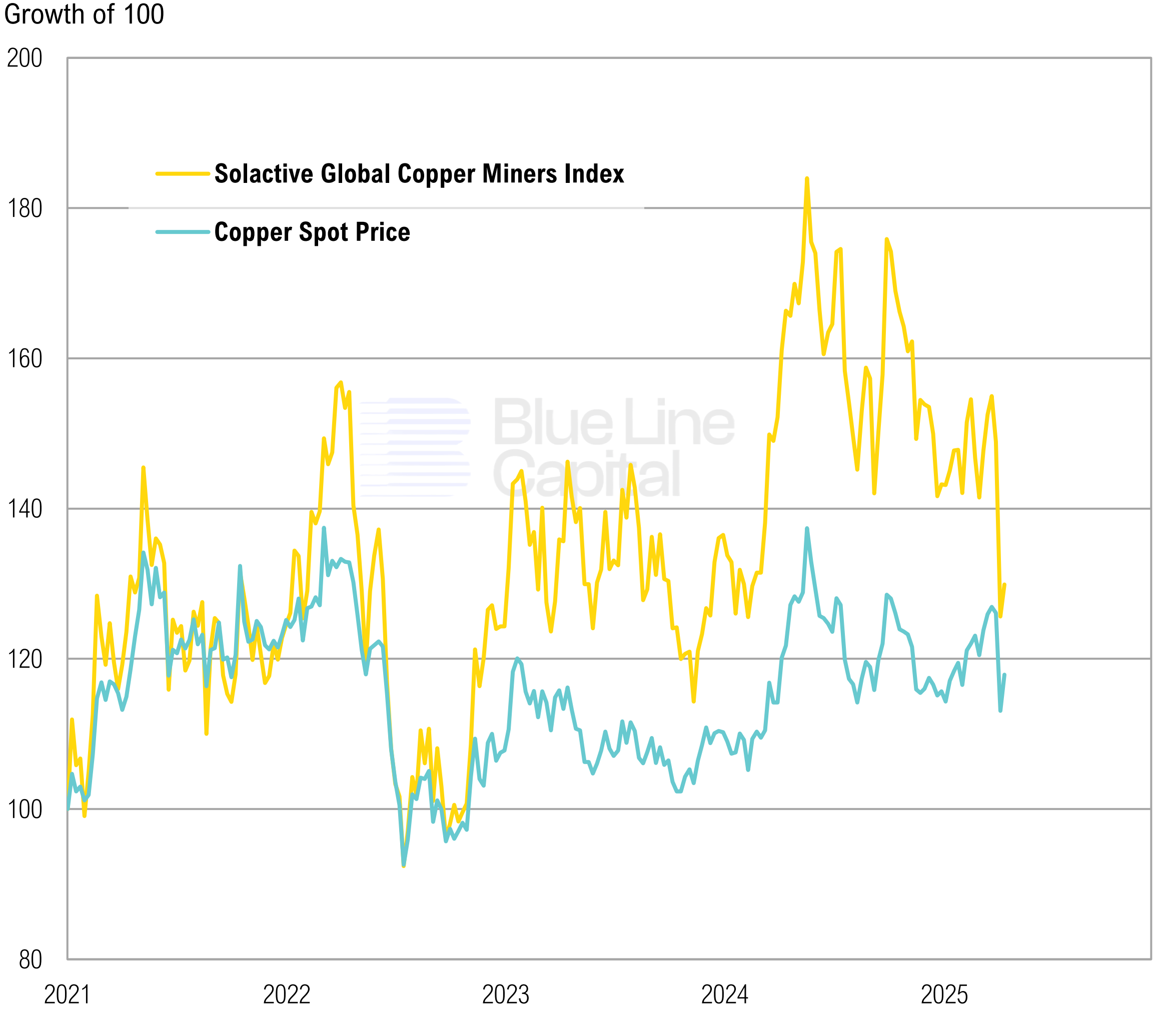


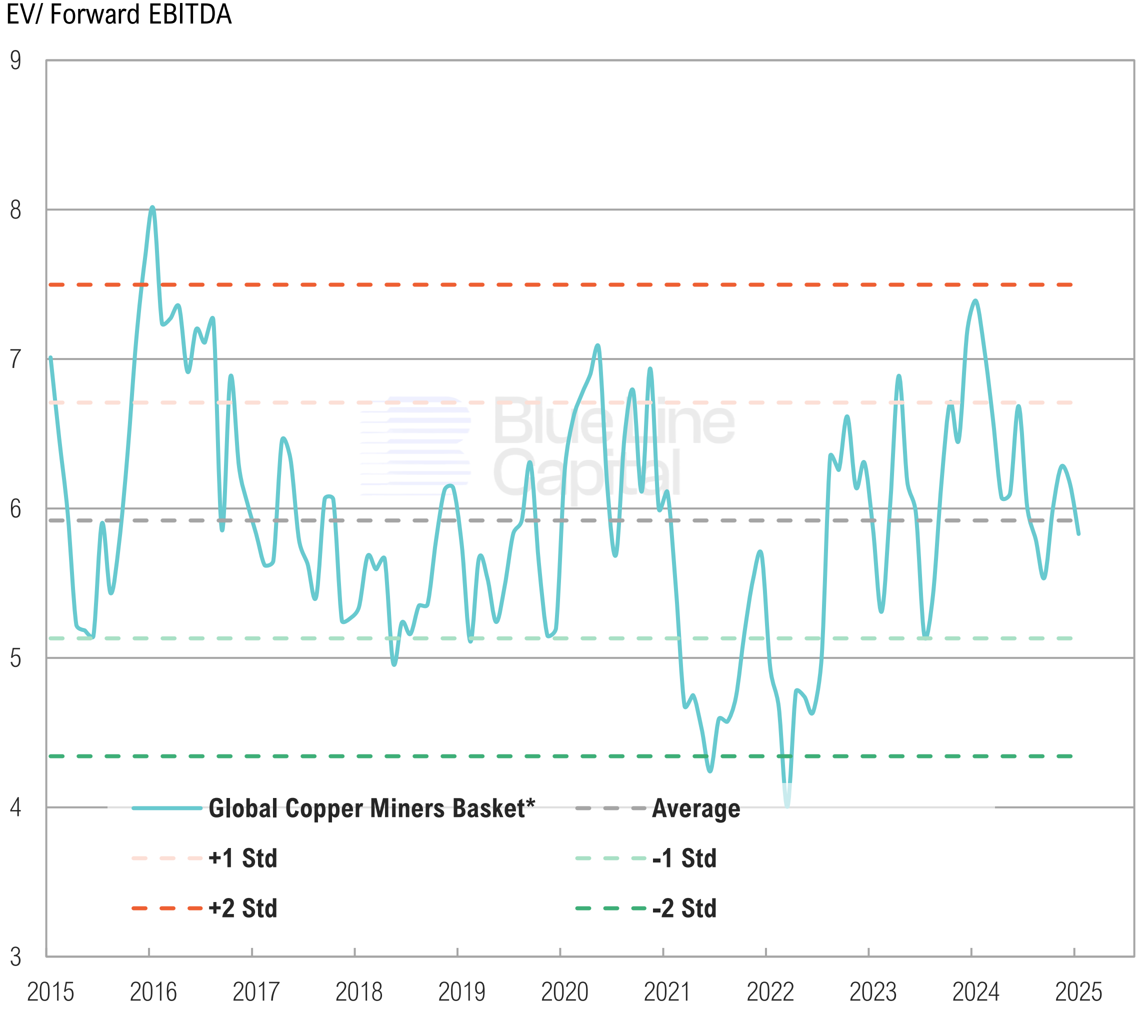
Profit Margin: Gold Spot Price minus All In Sustaining Costs, $/Oz



Source: Bloomberg, RHS assumes stable 25Q1 costs vs gold spot price. As of 4/13/2025.

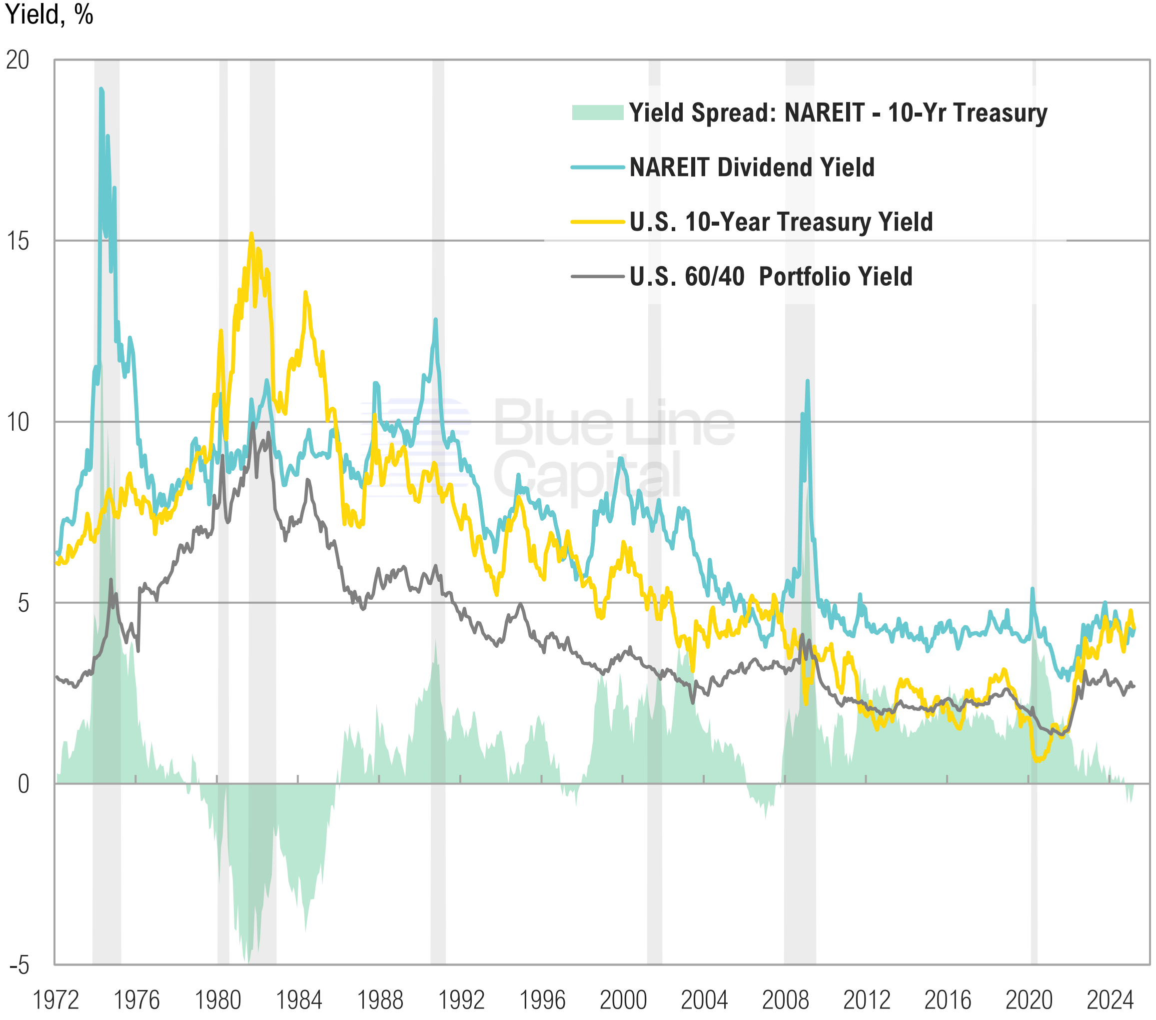
Copper miners are down roughly 30% from their 2024 peak, as global growth concerns weigh on spot prices; copper miner valuations are back at their 10-year average

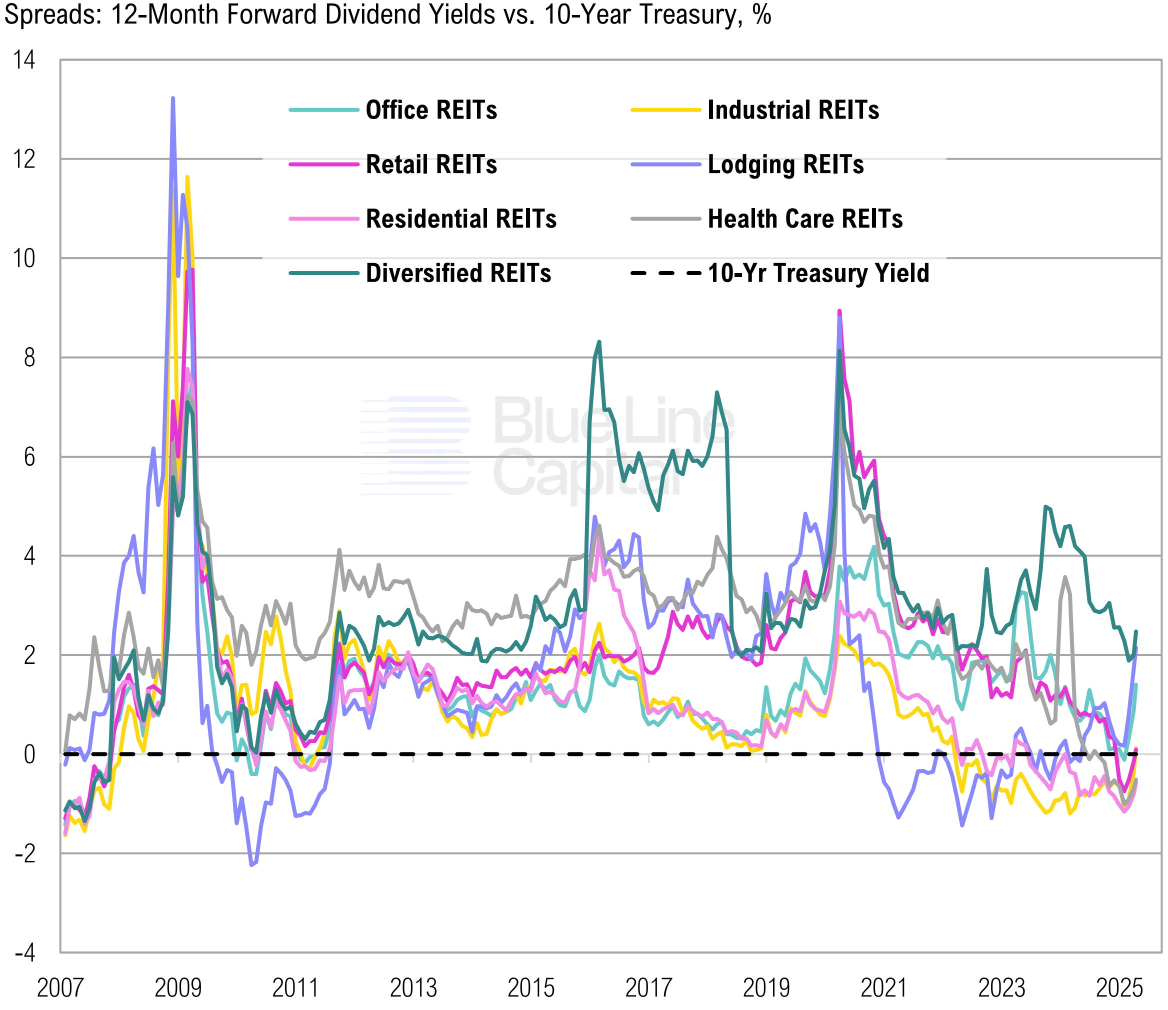




Source: Bloomberg, *Global Copper Miners Index includes equal weight basket of FCX, BHP, KGHM, FM, LUN and ANTO.

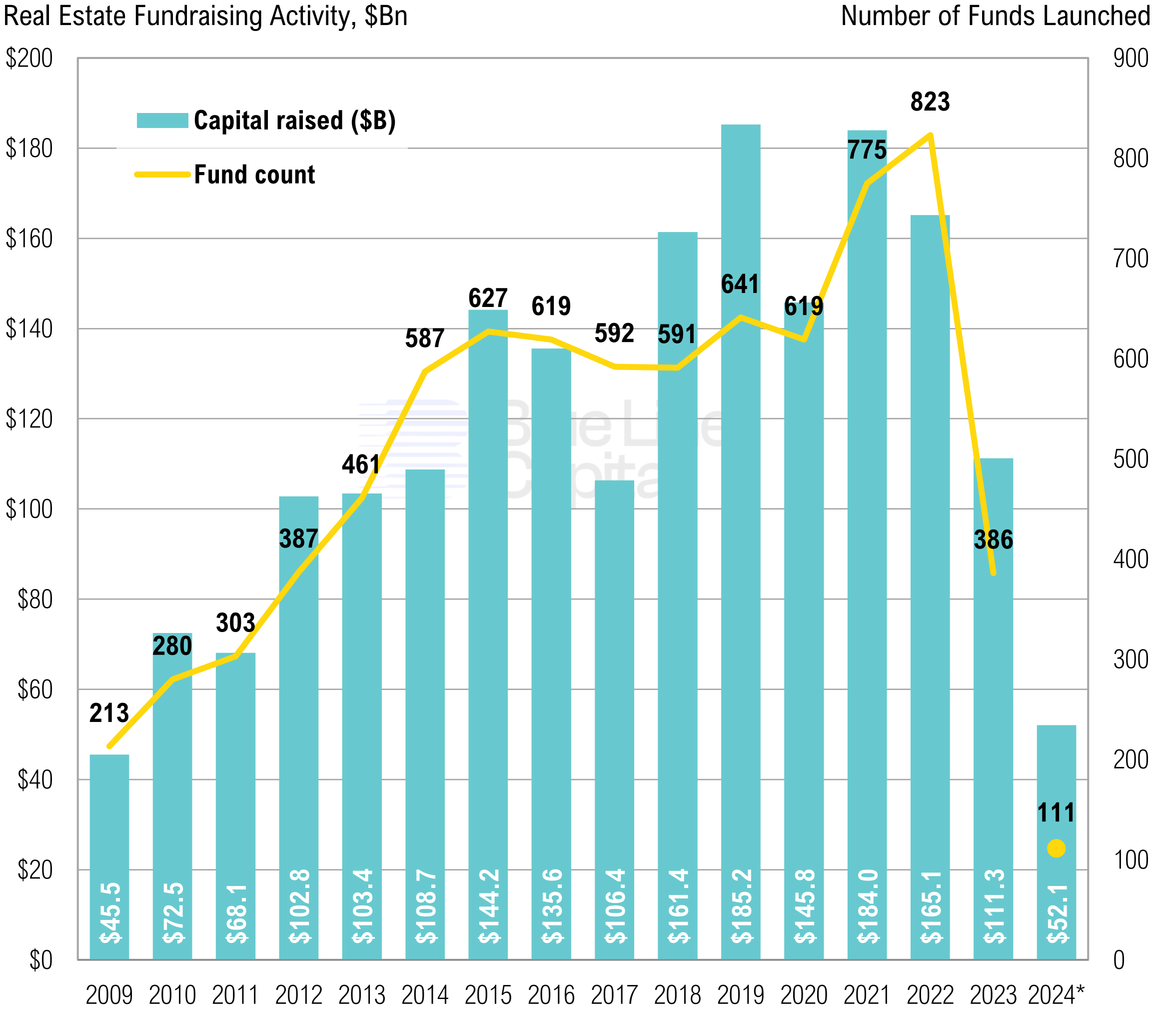
U.S. REITs are down ~8% since April 2 ("Liberation Day"), as higher yields have weighed on the asset class; some REIT sectors are starting to look more attractive on a relative yield basis

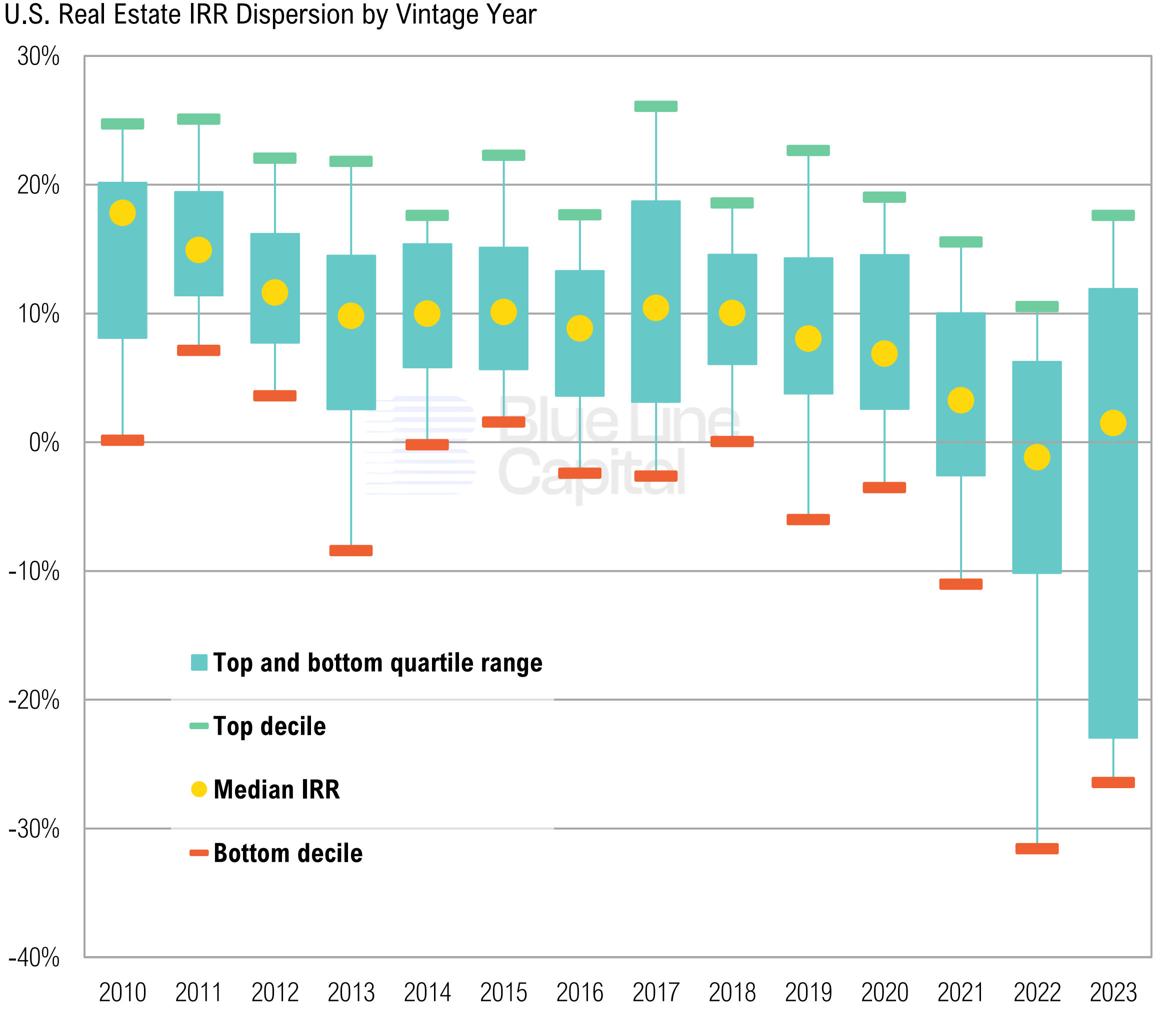




Source: Bloomberg, NAREIT. As of 4/11/2025.

2024 private real estate fundraising is on track to be even lower than 2023, which itself was at a fifteen-year low





Source: Pitchbook. Fundraising data as of 9/30/2024. Return data as of 6/30/2024.

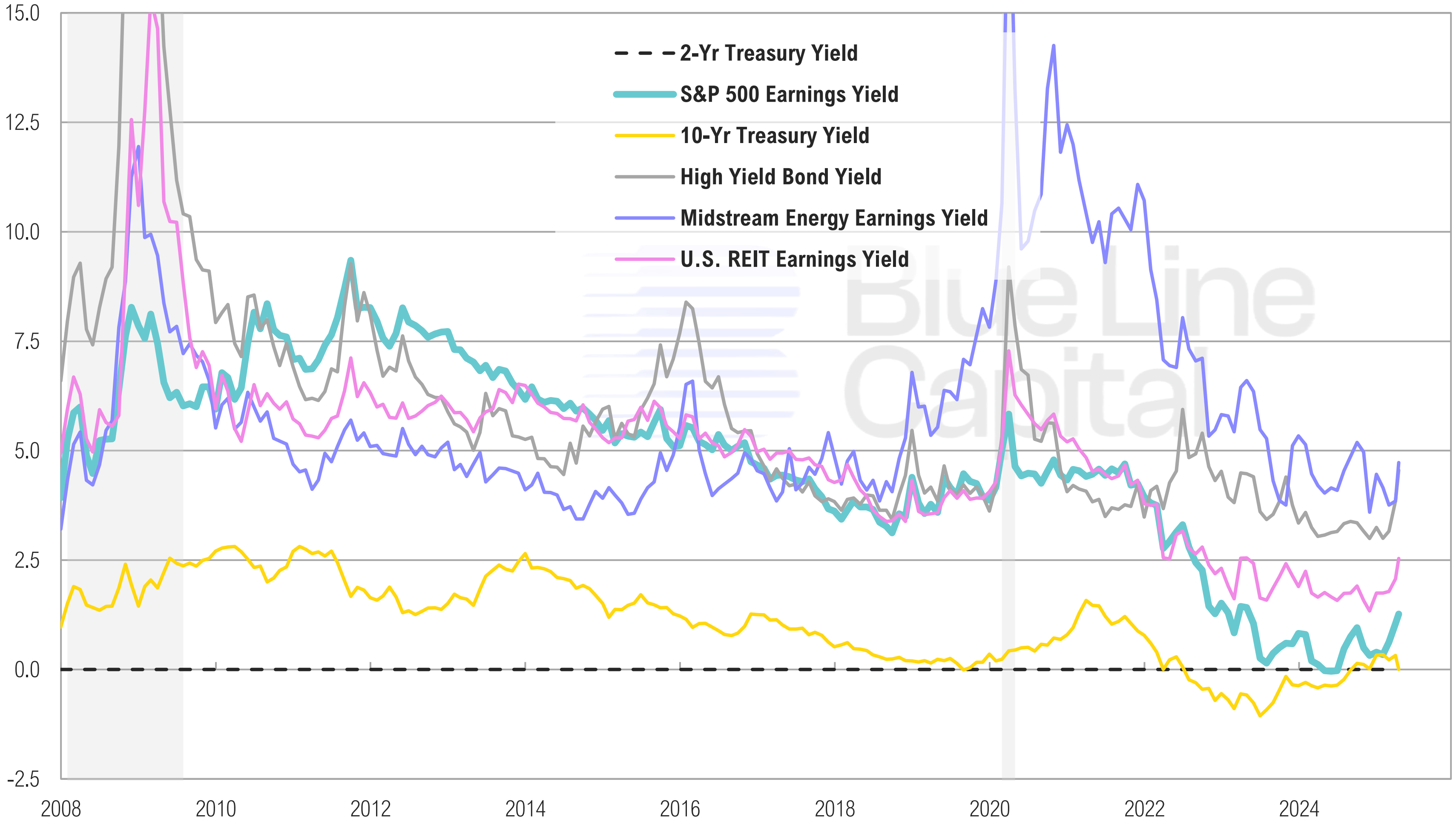
Opportunistic:

Non-Core Opportunities

1. What are some non-core opportunities to consider in today's environment?
2. How has bitcoin fared—and what are its prospects—amid the new pro-crypto government and recent volatility?
3. Could stablecoins play a new role in the evolving global demand for Treasuries?
4. Are closed-end funds presenting attractive dislocation plays?
5. Where do long/short equity, tactical multi-asset, and other alternative strategies fit in today's portfolio construction?

Despite improving in recent weeks, most assets remain relatively unattractive on a yield basis compared to Treasuries; however, absolute yields on midstream energy assets remain attractive

Current Yield vs. 2-Year Treasury, %



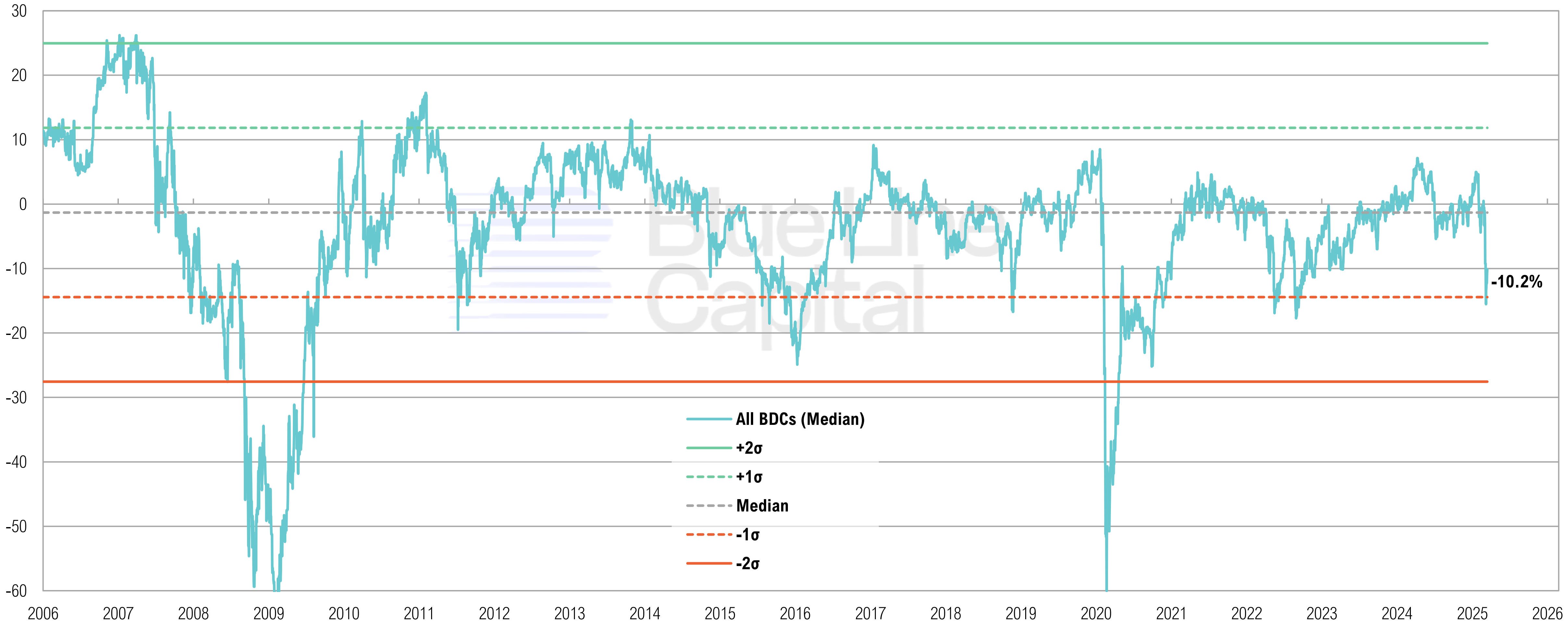
Current Yield:

- 2-Year Treasury: 3.83%
- 10-Year Treasury: 4.38%
- U.S. High Yield Bonds: 8.38%
- S&P 500: 5.09%
- Midstream Energy: 8.56%
- U.S. REITs: 6.37 earnings yield (4.35% dividend yield)

Source: Bloomberg. S&P 500, Midstream Energy and U.S. REIT yields proxied by forward 12-month estimated earnings yields. As of 4/14/2025.

The broad market selloff caused BDC discounts to widen >1 standard deviation; absent a recession, we believe opportunities are percolating

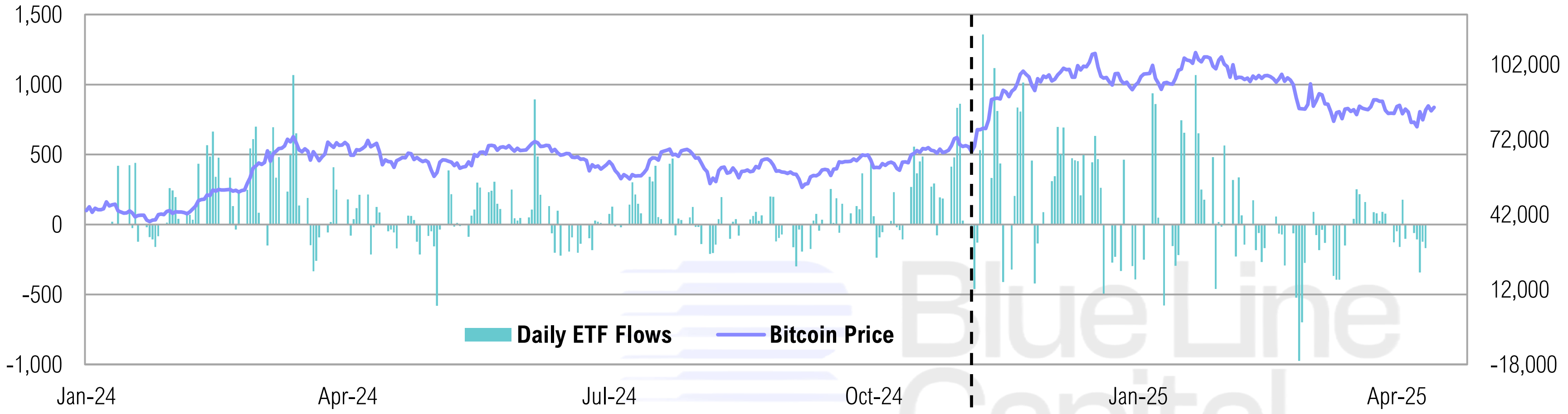
Debt BDC Universe Pricing Relative to NAV, %



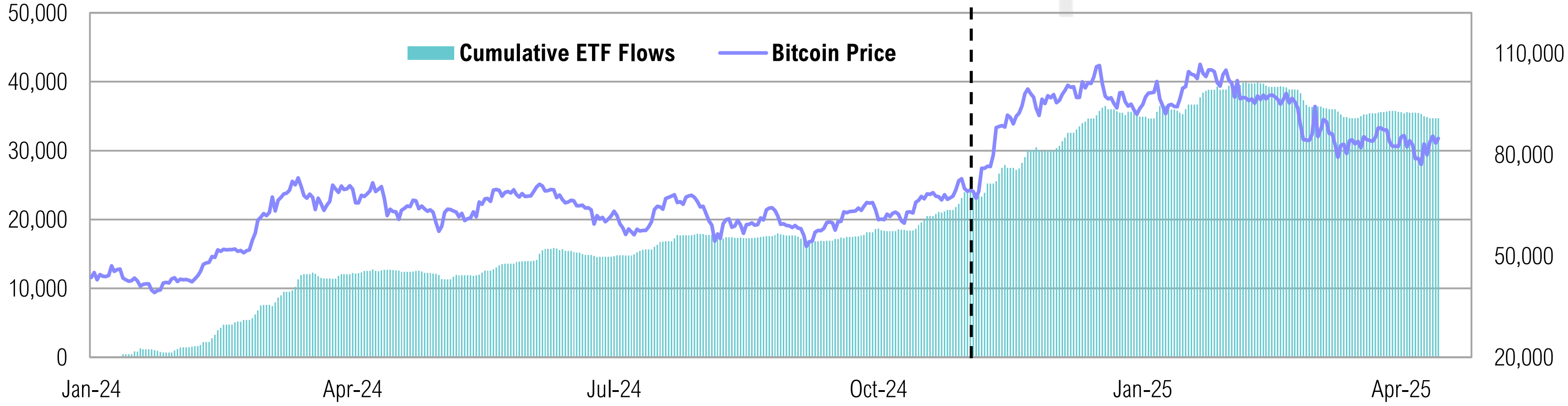
Source: Bloomberg, SpringTide. Universe exclude BDCs that are equity focused or don't meet liquidity & market cap requirements. As of 4/15/2025.

Bitcoin prices have declined 20% from their January 20 peak, despite pro-crypto policy initiatives coming from government; ETF flows have been subdued since mid-March

Daily Spot Bitcoin ETF Flows, $Mn



Cumulative Spot Bitcoin ETF Flows, $Mn

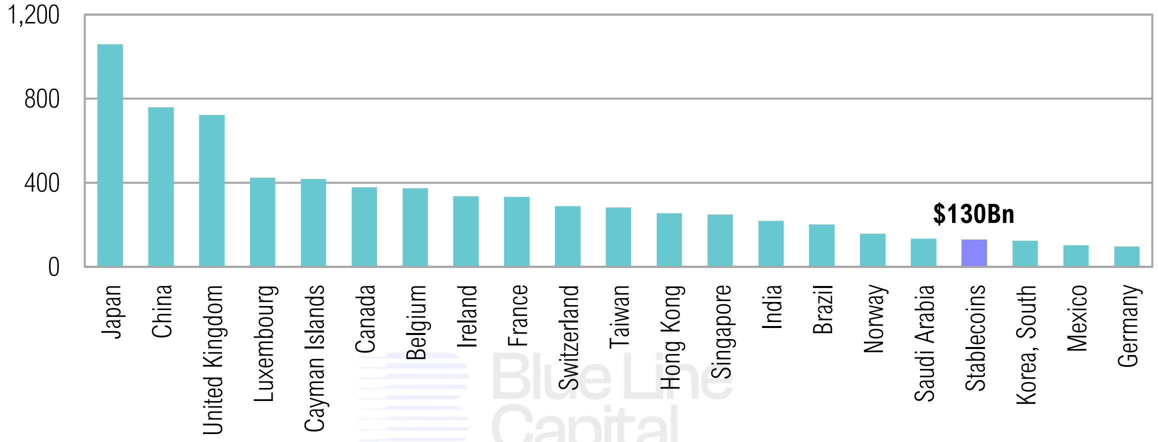


- **Spot bitcoin ETF inflows spiked in the weeks following the 2024 presidential election, with the new administration distinctly more pro-crypto than the previous one.**
- **November 8, 2024, saw the largest one-day inflows of $1.3Bn on record.**
- **Bitcoin prices reached a record $106,778 on January 21, 2025.**
- **Since then, bitcoin prices have declined by 20%, despite various pro-bitcoin policy announcements from the new government, including the creation of a strategic bitcoin reserve.**

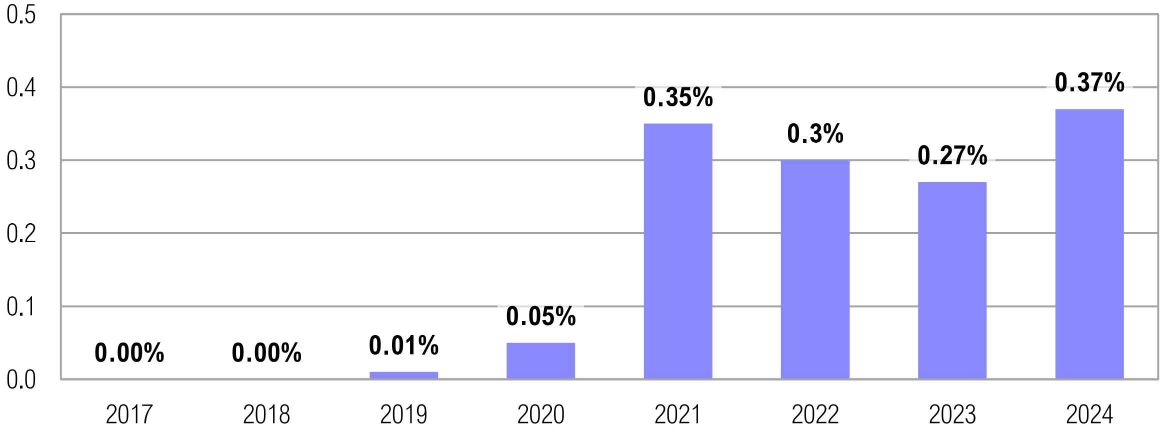
Source: Morningstar. As of 4/14/2025.

Stablecoins are the 18th largest foreign holder of U.S. Treasury securities and may help fill the gap if some historically major holders (China, Japan) reduce positions

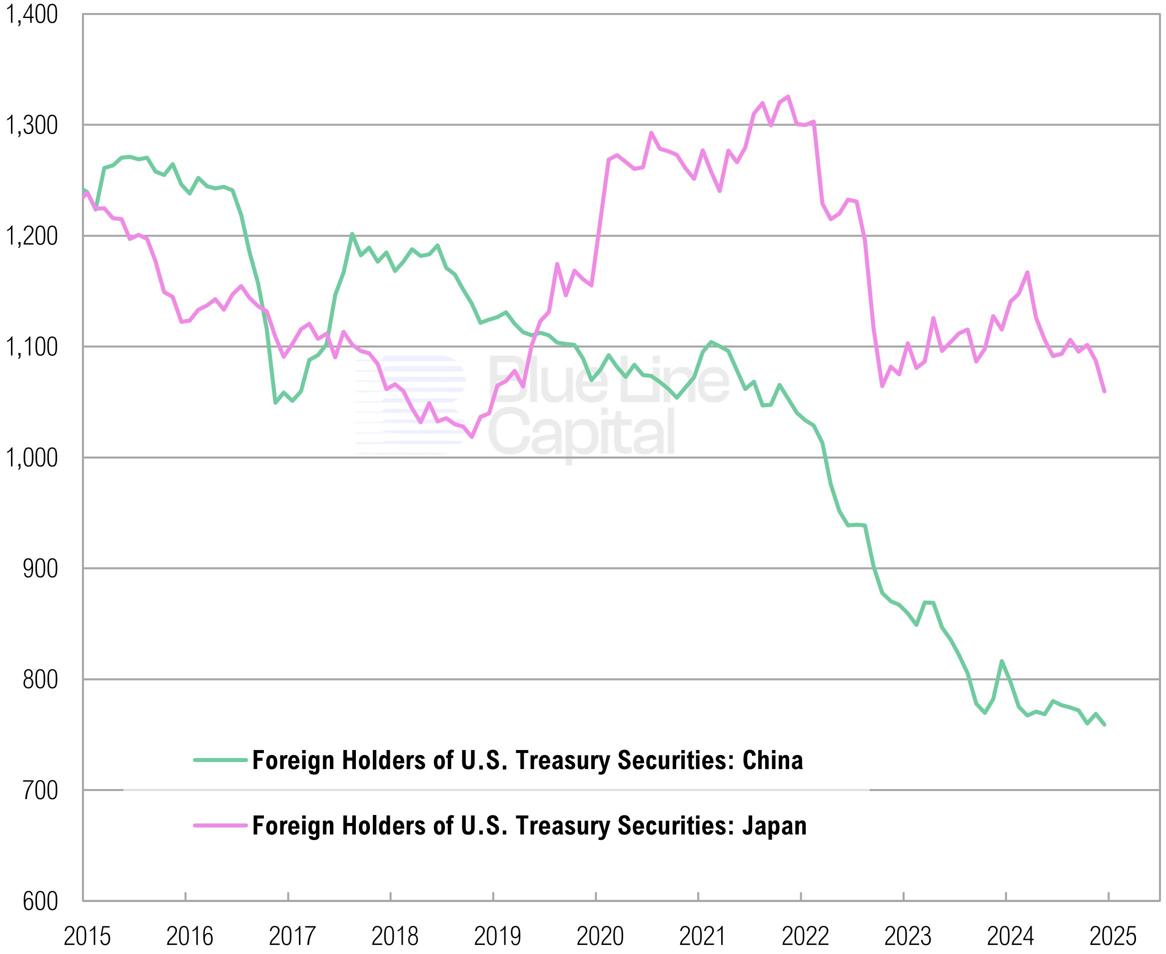
Largest Foreign Holders of U.S. Treasury Securities, $Mn



Estimated Stablecoin Share of U.S. National Debt



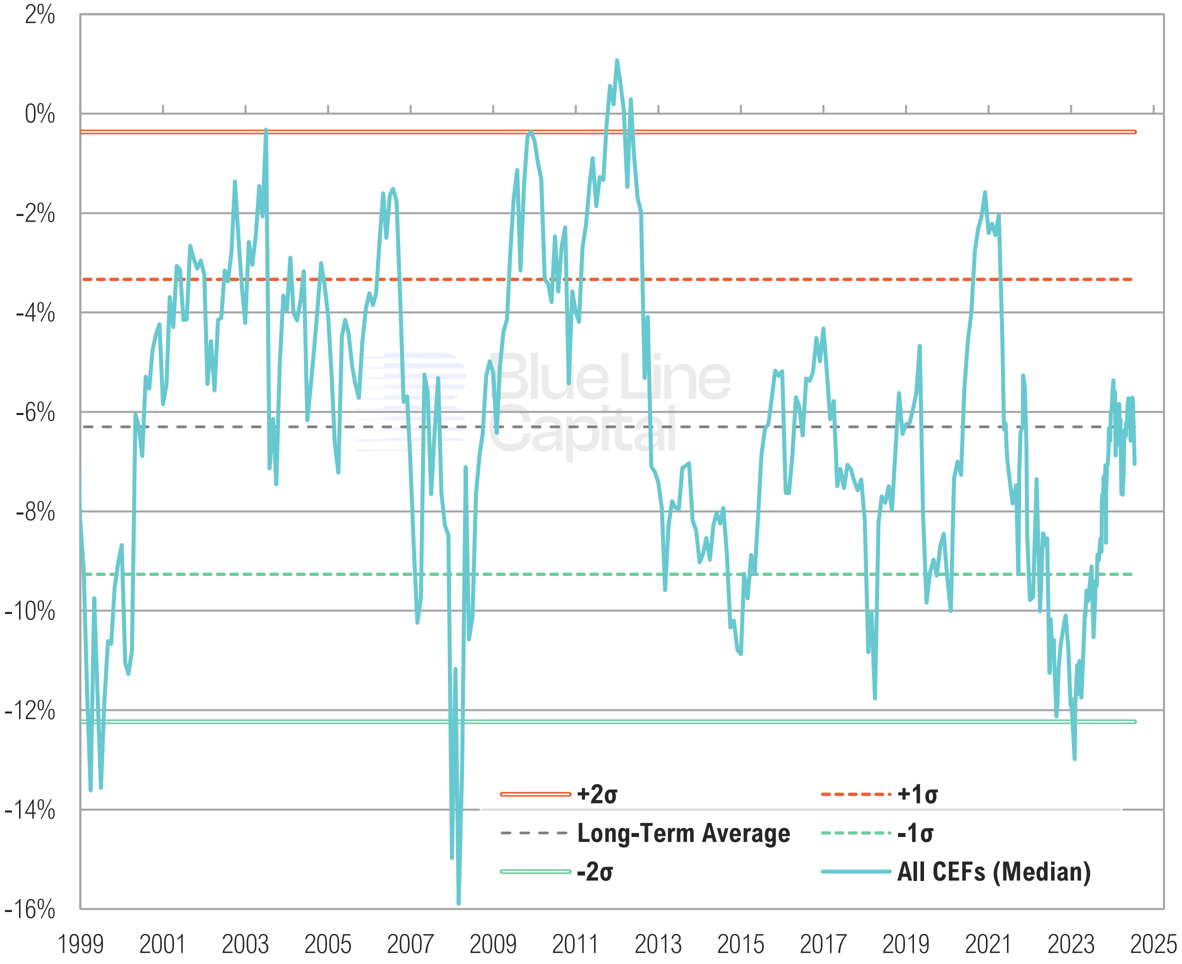
Select Foreign Holders of U.S. Treasury Securities, $Mn



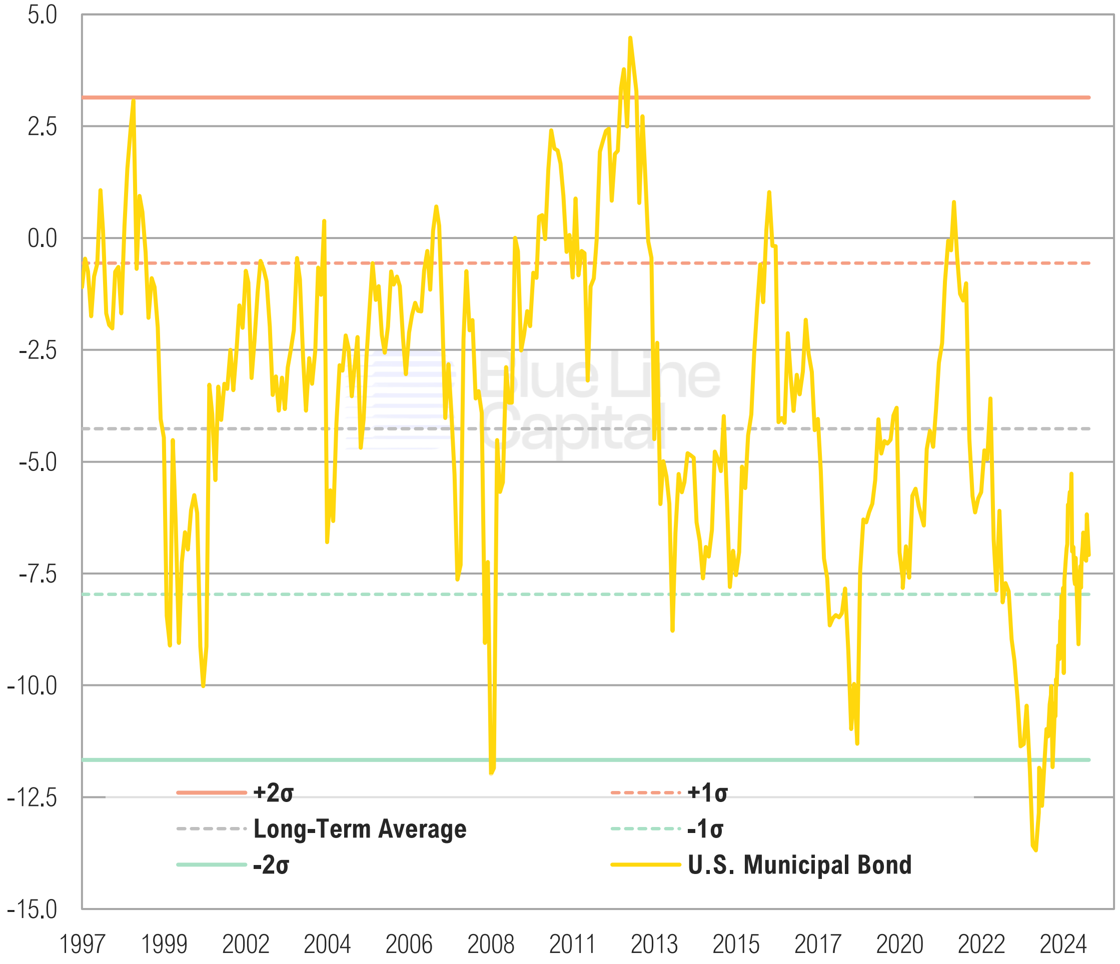
Source: U.S. Department of Treasury, Visual Capitalist, Tagus Capital. As of 12/31/2024.

Median CEF discounts have remained relatively stable during recent market volatility and are currently only slightly below long-term averages at -7.1%. U.S. Muni CEF discounts have also remained stable

Median Premium/Discount to Net Asset Value, %



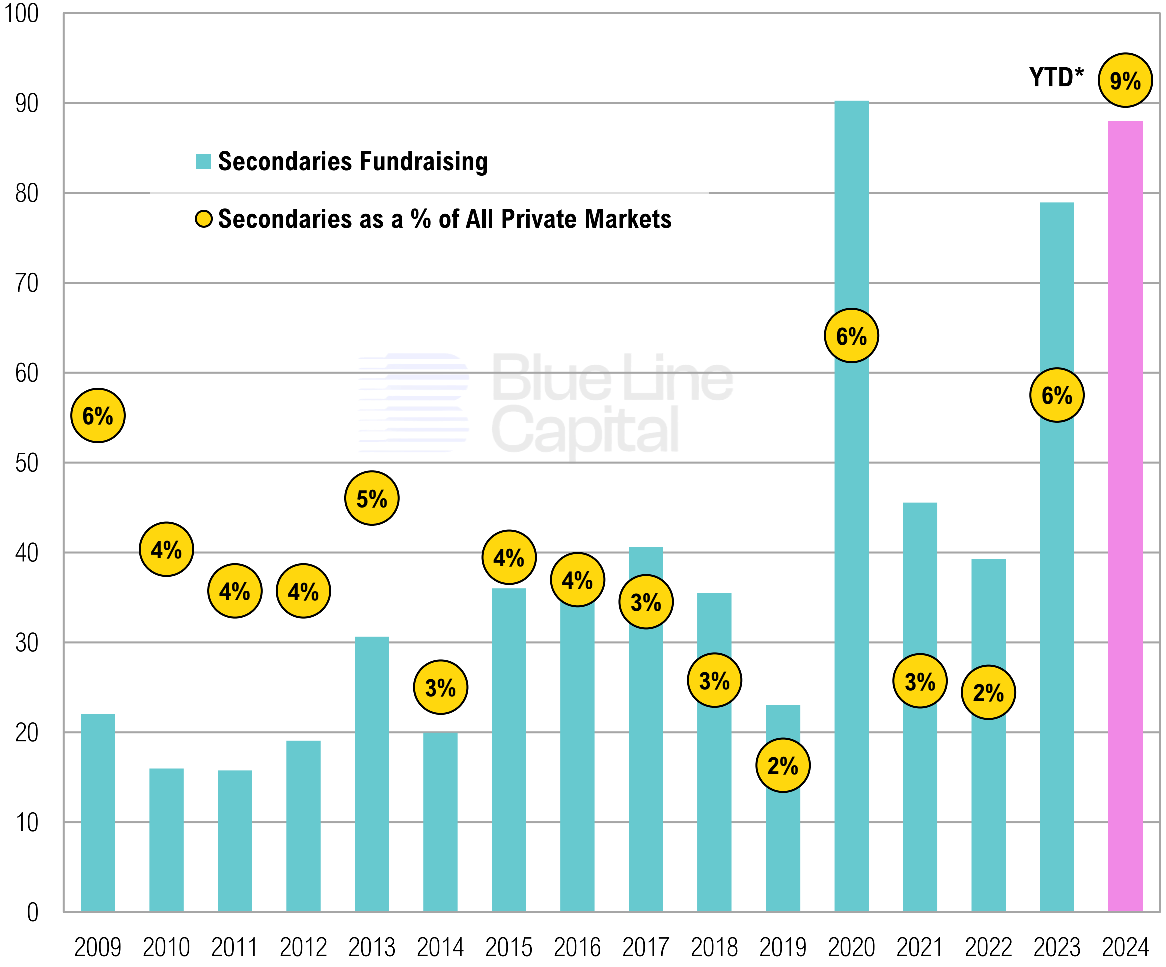
Average Premium/Discount to Net Asset Value



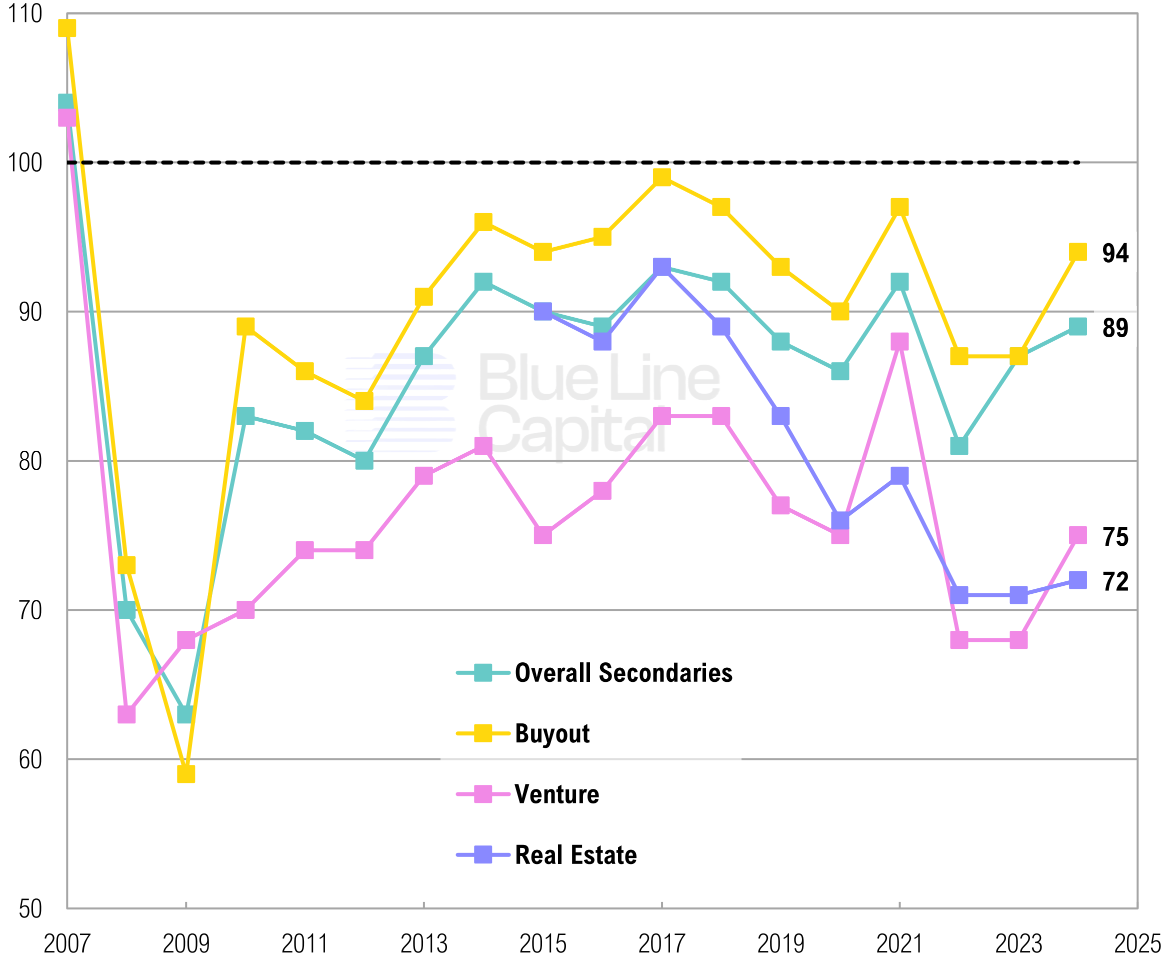
Source: Bloomberg. As of 4/15/2025.

Through September 2024, secondaries fundraising nearly surpassed its best full year of fundraising, although it remains just a fraction of all private market fundraising

Fundraising Activity, $Bn



Secondary Pricing as a % of NAV



Source: Pitchbook, StepStone, Tap, Greenhill, Lazard, Evercore, Various. *YTD as of 9/30/2024. Secondary pricing as a % of NAV as of 12/31/2024.

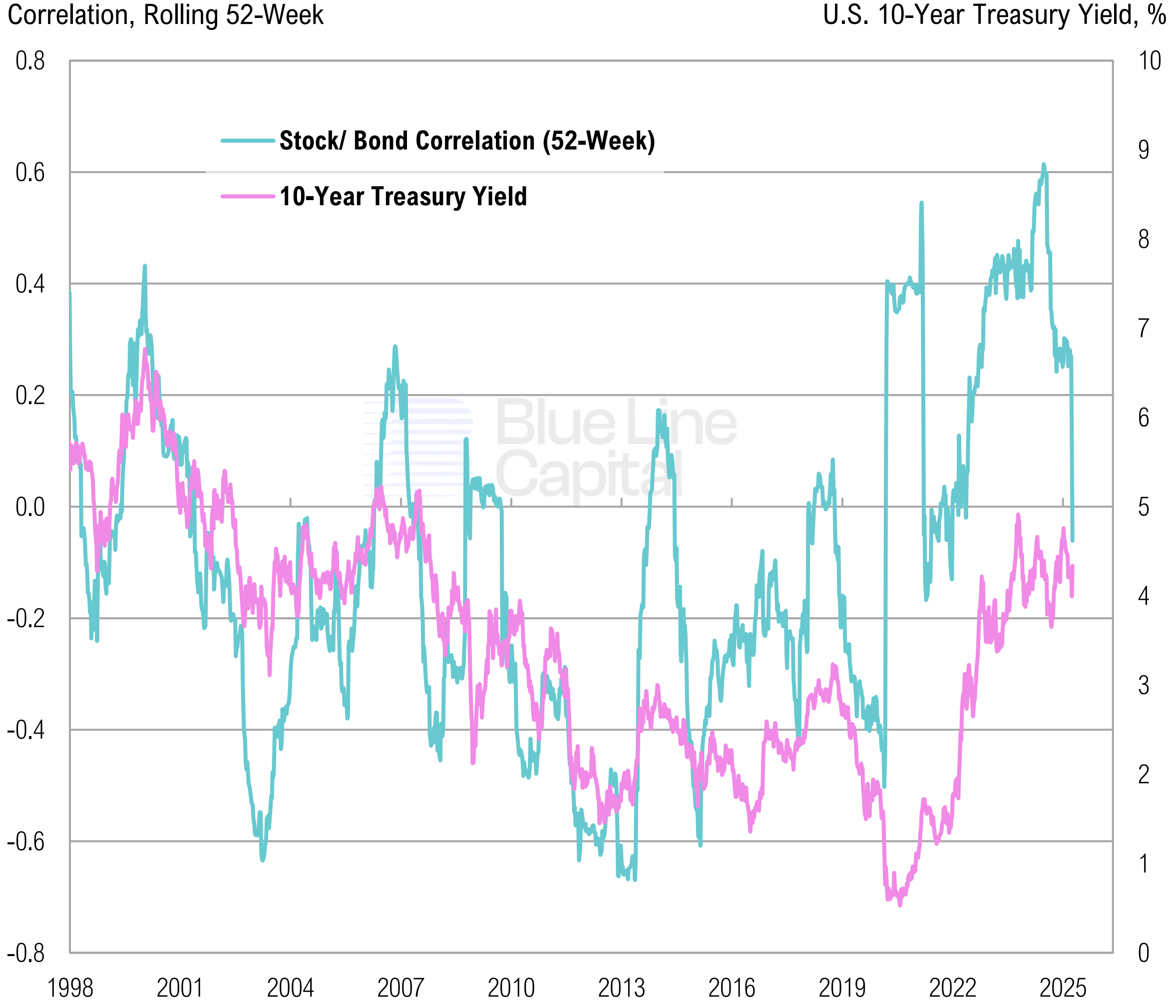
Asset Allocation:

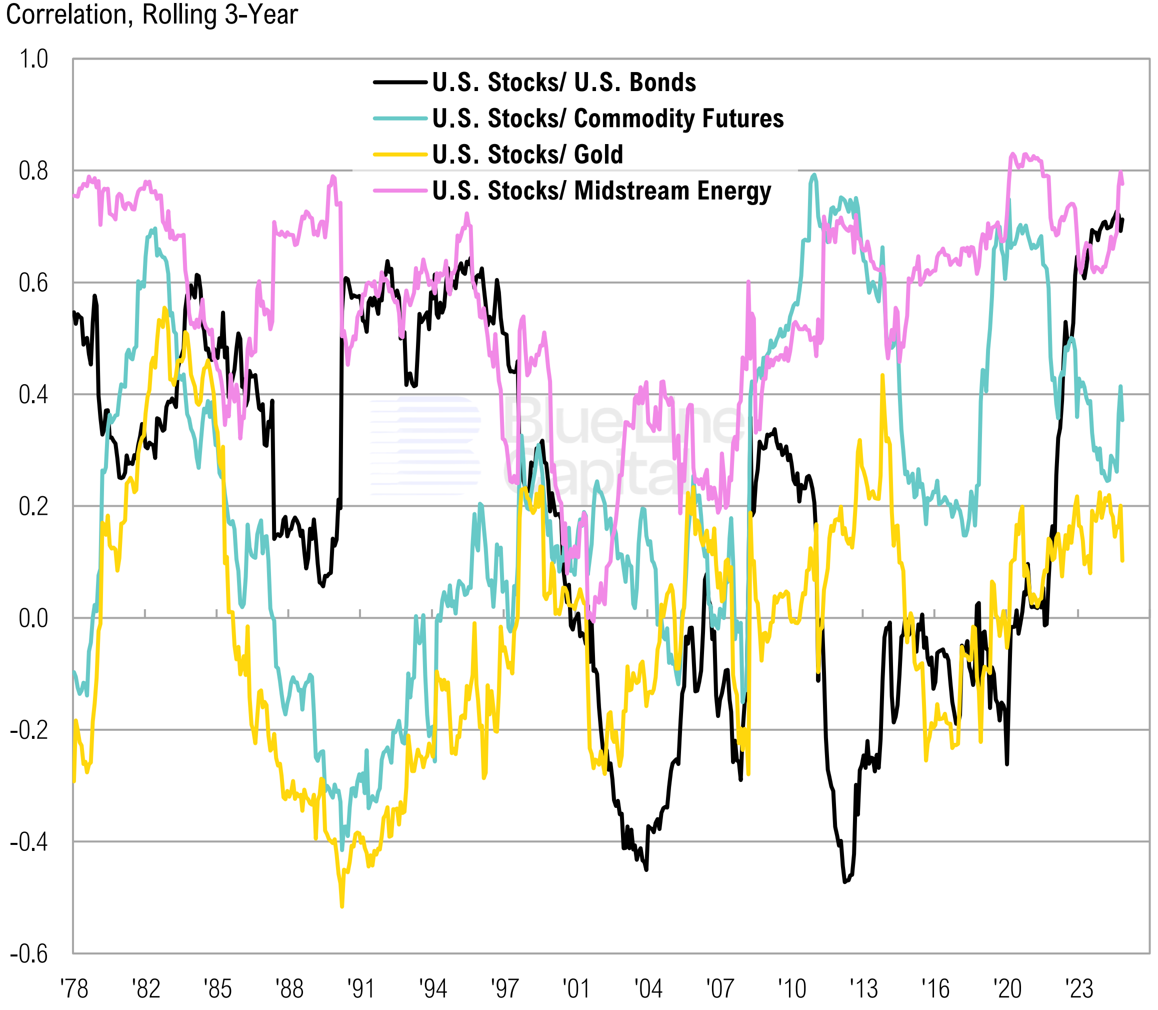
Selective Opportunities

1. How is SpringTide positioning portfolios tactically today, given short-term dislocations, sentiment extremes, and mean-reversion opportunities?

2. What are SpringTide's updated long-term capital market expectations for major asset classes?

Over recent years, bonds have provided less diversification benefits than the long-term average, but the recent selloff has caused that to change

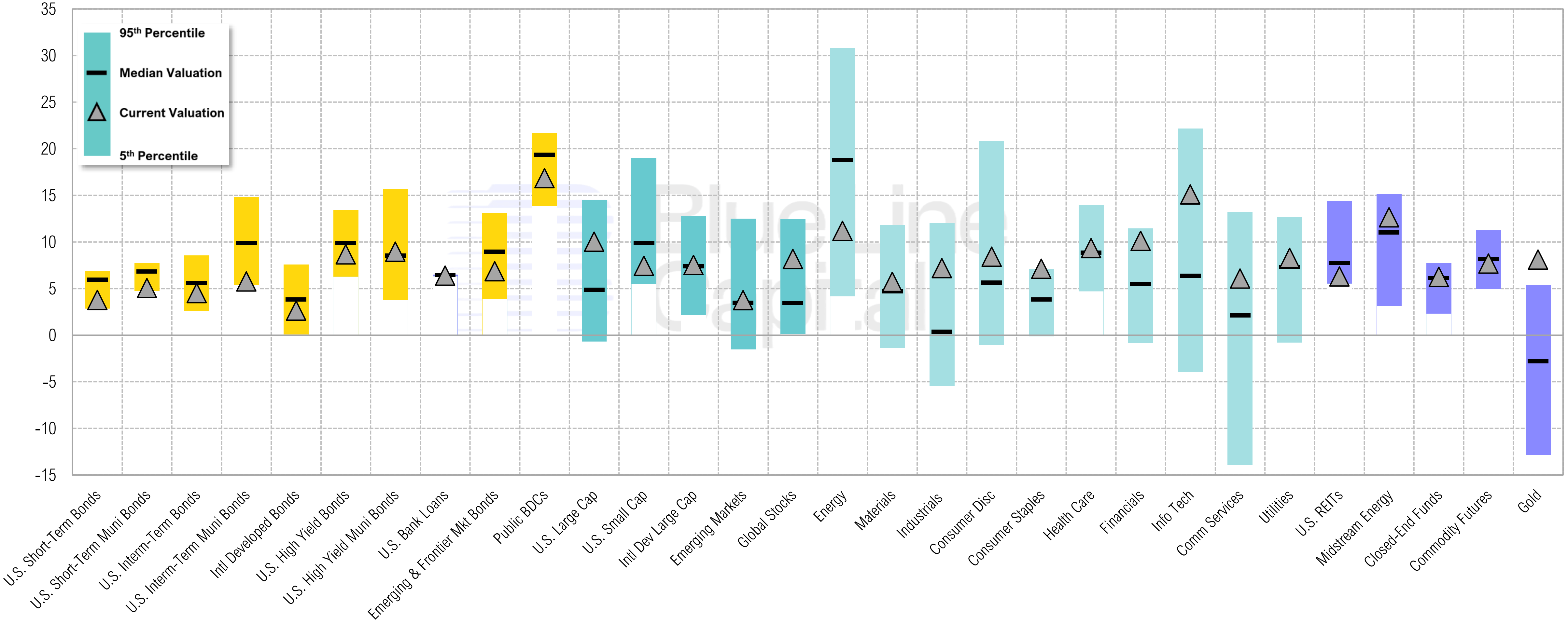




Source: Bloomberg. See appendix for asset class & index definitions. LHS as of 4/10/2025; RHS as of 3/31/2025.

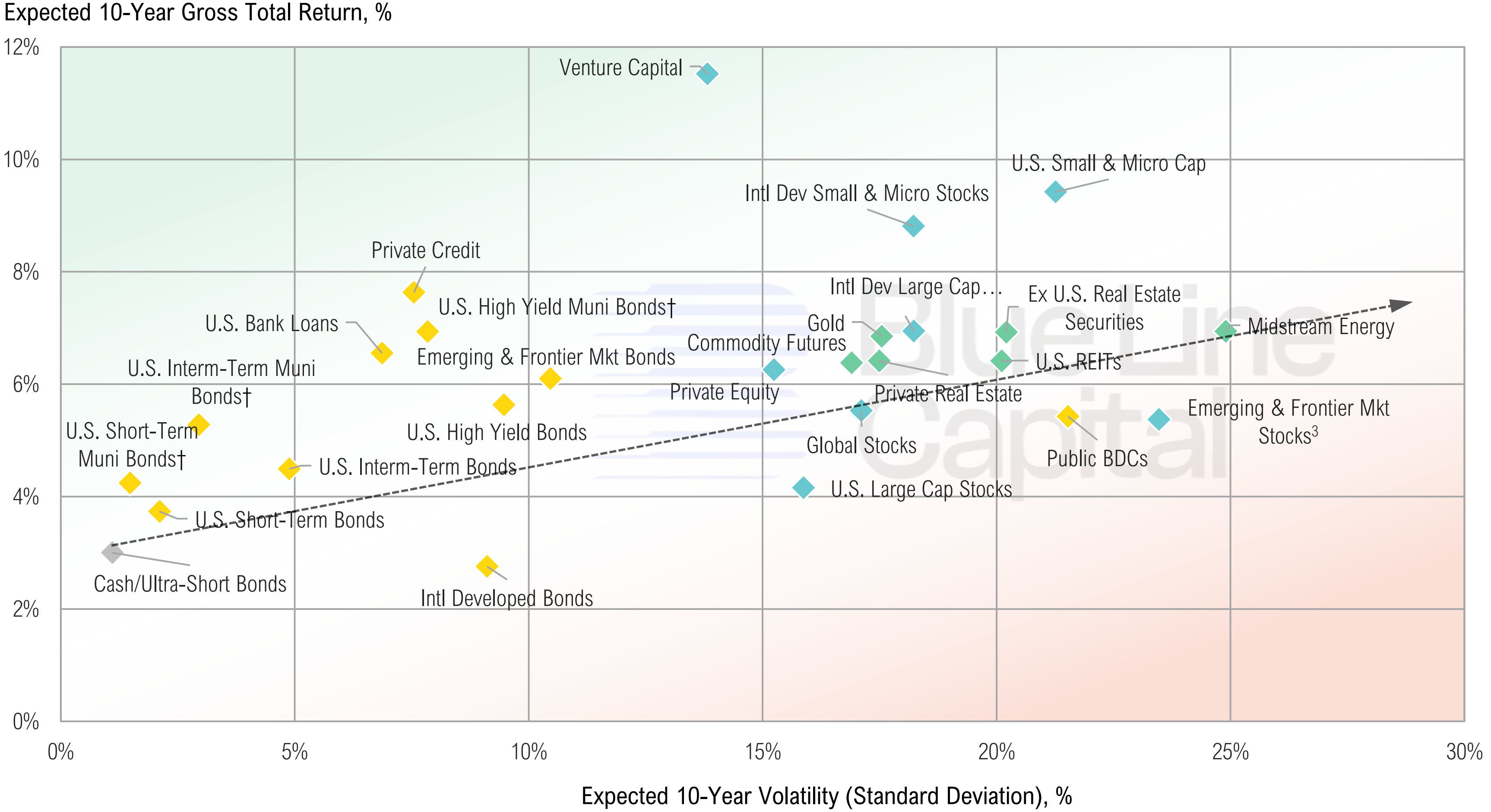
Over the shorter term, asset classes like small-cap stocks may deliver positive returns, even if valuations revert to 5th percentile lows of their historical range

3-Year Expected Total Return, % Annualized



Source: Bloomberg, SpringTide. Percentile range refers to the trailing 10-year valuation range.

Higher equity valuations have resulted in more muted long-term forward returns, with bonds and credit looking relatively more attractive



Asset Class	Expected Returns (%)	Expected Volatility (%)
Venture Capital	11.5	13.8
U.S. Small & Micro Cap	9.4	21.3
Digital Assets	9.2	29.4
Intl Dev Small & Micro Stocks	8.8	18.2
Closed-End Funds	8.8	13.1
Private Credit	7.6	7.5
Relative Value	7.5	4.7
Intl Dev Large Cap Stocks	6.9	18.2
Midstream Energy	6.9	24.9
U.S. High Yield Muni Bonds	6.9	7.8
Ex U.S. Real Estate Securities	6.9	20.2
Insurance-Linked Securities	6.9	4.5
Gold	6.9	17.5
U.S. Bank Loans	6.6	6.9
Private Real Estate	6.4	17.5
U.S. REITs	6.4	20.1
Commodity Futures	6.4	16.9
Private Equity	6.3	15.2
Emerging & Frontier Mkt Bonds	6.1	10.5
Long-Short Equity	6.1	8.0
U.S. High Yield Bonds	5.6	9.5
Global Stocks	5.5	17.1
Public BDCs	5.4	21.5
Emerging & Frontier Mkt Stocks	5.4	23.5
U.S. Interm-Term Muni Bonds	5.3	2.9
U.S. Interm-Term Bonds	4.5	4.9
Global Macro	4.5	6.3
U.S. Short-Term Muni Bonds	4.2	1.5
U.S. Large Cap Stocks	4.2	15.9
U.S. Short-Term Bonds	3.7	2.1
Cash/Ultra-Short Bonds	3.0	1.1
Intl Developed Bonds	2.8	9.1

[3] Estimated returns include impact of currency adjustment
† Reported on a taxable-equivalent basis assuming 35% marginal tax rate.

Source: Bloomberg, CA, Pitchbook, Morningstar, NAREIT, SpringTide calculations. Returns are gross of fees unless stated otherwise.

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Additionally, please be aware that past performance is not a guide to the future performance of any investment, and that the performance results and historical information provided displayed herein may have been adversely or favorably impacted by events and economic conditions that will not prevail in the future. Therefore, it should not be inferred that these results are indicative of the future performance of any strategy, index, fund, manager or group of managers.

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For more detail, including information about Blue Line Capital's business practices and conflicts identified, please refer to Blue Line Capital's Form ADV Part 2a and Form CRS at: https://www.bluelinecapitalwealth.com

Asset Class	Benchmark	Index	Start Date	End Date	Data Source
U.S. Large Cap Stocks	S&P 500 Index	S&P 500 TR Index	01/31/1970	n/a	Bloomberg, Ibbotson Associates, NYU/Stern
		IA SBBI US Large Stock TR Index	01/31/1926	12/31/1969	
		NYU/Stern S&P 500 TR	01/31/1920	12/31/1925	
U.S. Small & Micro Cap	Russell 2000 TR Index	Russell 2000 TR Index	01/31/1979	n/a	Bloomberg, Ibbotson Associates, SpringTide
		IA SBBI US Small Stock TR Index	01/31/1926	12/31/1978	
		SpringTide U.S. Small & Micro Cap Premium-Based Extension	01/31/1920	12/31/1925	
Intl Dev Stocks	MSCI EAFE NR Index	MSCI EAFE NR Index	01/31/1970	n/a	MSCI, NYU/Stern
		NYU/Stern Developed World Indices	01/31/1920	12/31/1969	
EM & Frontier Stocks	MSCI Emerging Markets NR Index	MSCI Emerging Markets NR Index	01/31/2001	n/a	MSCI, NYU/Stern
		NYU/Stern Emerging World Index (Price)	01/31/1920	12/31/2000	
Global Stocks	MSCI ACWI NR Index	MSCI ACWI NR Index	01/31/2001	n/a	MSCI, NYU/Stern
		NYU/Stern All World Index (Price)	01/31/1920	12/31/2000	
Venture Capital	Cambridge Venture Capital	Cambridge Venture Capital	01/01/1981	n/a	Cambridge, SpringTide
		SpringTide Venture Capital Premium-Based Extension	01/31/1920	12/31/1980	
U.S. Muni Bonds	Bloomberg Municipal 1-10Y Blend 1-12Y TR Index	Bloomberg Municipal 1-10Y Blend 1-12Y TR Index	07/31/1993	n/a	Bloomberg
		USA Municipal AAA Bonds Total Return Index (TRUSAMUM)	01/31/1920	06/30/1993	
U.S. Long-Term Bonds	Bloomberg US Long Gov/Corp TR Index	Bloomberg US Long Gov/Corp TR Index	02/28/1999	n/a	Bloomberg, NYU/Stern
		NYU/Stern US 30Yr Government Bond TR Index	01/31/1920	01/31/1999	
U.S. Interm-Term Bonds	Bloomberg US Aggregate Bond TR Index	Bloomberg US Aggregate Bond TR Index	01/31/1976	n/a	Bloomberg, NYU/Stern
		NYU/Stern US Total Return AAA Corporate Bond Index	01/31/1920	12/31/1975	
U.S. High Yield Bonds	Bloomberg US Corporate High Yield TR Index	Bloomberg US Corporate High Yield TR Index	07/31/1983	n/a	Bloomberg, Ibbotson Associates, SpringTide
		IA Bloomberg US HY Corporate Bonds	02/28/1926	06/30/1983	
		SpringTide U.S. High Yield Bonds Premium-Based Extension	01/31/1920	01/31/1926	
Intl Dev Bonds	Bloomberg Global Aggregate ex-USD TR Index	Bloomberg Global Aggregate ex-USD TR Index	01/31/1990	n/a	Bloomberg, NYU/Stern
		NYU/Stern All World ex-USA Government Bond Index	01/31/1920	12/31/1989	
U.S. REITs	MSCI US REIT GR Index	MSCI US REIT GR Index	01/01/1995	n/a	Bloomberg, Winans
		Winans US Real Estate Index (WIREI)	01/01/1920	12/31/1994	
Commodity Futures	Bloomberg Commodity TR Index	Bloomberg Commodity TR Index	01/31/1991	n/a	Bloomberg
		Thompson Jefferies CRB Core Commodity Total Return Index	01/31/1920	12/31/1990	
Midstream Energy	Alerian MLP TR Index	Alerian MLP TR Index	01/31/1996	n/a	Alerian, Bloomberg
		S&P 500 Energy Index	01/31/1946	12/31/1995	
		ExxonMobil Corp (XOM)	01/31/1920	12/31/1945	
Gold	LBMA Gold Price	LBMA Gold Price	02/29/1968	n/a	LBMA, Bloomberg
		New York Spot Bullion	01/31/1920	01/31/1968	
Cash/Ultra-Short Bonds	Bloomberg US T-Bill 1-3 Month TR Index	Bloomberg US T-Bill 1-3 Month TR Index	12/31/1991	n/a	Bloomberg, NYU/Stern
		NYU/Stern USA Total Return T-Bill Index	01/31/1920	11/30/1991	

Asset Class Benchmarks

Asset class performance was measured using the following benchmarks:

U.S. Large Cap Stocks: S&P 500 TR Index

U.S. Small & Micro Cap Stocks: Russell 2000 TR Index

Intl Dev Large Cap Stocks: MSCI EAFE GR Index

Intl Dev Small & Micro Stocks: MSCI EAFE GR Index

Emerging & Frontier Market Stocks: MSCI Emerging Markets GR Index

Global Stocks: MSCI ACWI GR Index

Private Equity: Cambridge Associates U.S. Private Equity

Venture Capital: Cambridge Associates U.S. Venture Capital

U.S. Interm-Term Muni Bonds: Bloomberg 1-10 (1-12 Yr) Muni Bond TR Index

U.S. High Yield Muni Bonds: Bloomberg High Yield Muni TR Index

U.S. Interm-Term Bonds: Bloomberg U.S. Aggregate Bond TR Index

U.S. High Yield Bonds: Bloomberg U.S. Corporate High Yield TR Index

U.S. Bank Loans: S&P/LSTA U.S. Leveraged Loan Index

Intl Developed Bonds: Bloomberg Global Aggregate ex-U.S. Index

Emerging & Frontier Market Bonds: JPMorgan EMBI Global Diversified TR Index

Public BDCs: S&P BDC Index

U.S. REITs: MSCI U.S. REIT GR Index

Ex U.S. Real Estate Securities: S&P Global Ex-U.S. Property TR Index

Private Real Estate: Cambridge Associates Real Estate

Commodity Futures: Bloomberg Commodity TR Index

Midstream Energy: Alerian MLP TR Index

Gold: LBMA Gold Price

Long-Short Equity: HFRI Equity Hedge Index

Global Macro: HFRI Macro-CTA Index

Relative Value: HFRI Relative Value Index

Closed-End Funds: S-Network Composite Closed-End TR Index

Insurance-Linked Securities: SwissRe Global Cat Bond TR Index

Digital Assets: MVIS CryptoCompare Digital Assets 25 Index

Cash & Cash Equivalents: Bloomberg U.S. T-Bill 1-3 Month TR Index

U.S. Short-Term Muni Bonds: Bloomberg Municipal 1-3 Yr TR Index

U.S. Short-Term Bonds: Bloomberg U.S. Agg 1-3 Yr TR Index

U.S. 60/40: 60% S&P 500 TR Index 40% Bloomberg U.S. Aggregate Bond TR Index

Global 60/40: 60% MSCI ACWI GR Index 40% Bloomberg Global Aggregate Bond TR Index

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