

# Staying grounded when sands shift

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CHIEF MARKET STRATEGIST

MAY 2025

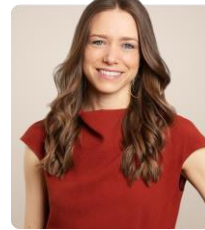


INVESTMENTS

# Introducing New York Life Investments

## Objective, top-down analysis

*Global Market Strategy at New York Life Investments*



**Lauren Goodwin, CFA**  
Chief Market Strategist



**Julia Hermann, CFA**  
Global Market Strategist



**Michael LoGalbo, CFA**  
Global Market Strategist

## Seasoned bottom-up expertise

*Multi-boutique structure*

### AFFILIATED BOUTIQUES

CANDRIAM

ausbil

NYL INVESTORS



KARTESIA

MACKEY SHIELDS

Apogem Capital  
A NEW YORK LIFE INVESTMENTS COMPANY

### UNAFFILIATED SUB-ADVISORS

CBRE Investment Management

CUSHING®  
ASSET MANAGEMENT

STONEPINE  
ASSET MANAGEMENT

FIERACAPITAL

BOW RIVER  
CAPITAL

WINSLOW CAPITAL

EPOCH

# Tackling the turning point: four transitions impacting private allocation in 2025

Cyclical turning points

## Global rates are moving lower



- Central bank cuts
- U.S. rates stickier
- Rates volatility expected

## Deal flow is returning



- Sponsor pressure
- Post-U.S. election optimism
- Valuations more reasonable after two years of slowdown

Structural turning points

## Private markets allocation is growing and democratizing



- Institutional allocations growing
- Retail investors getting in
- Investors want: diversification; access; higher return potential

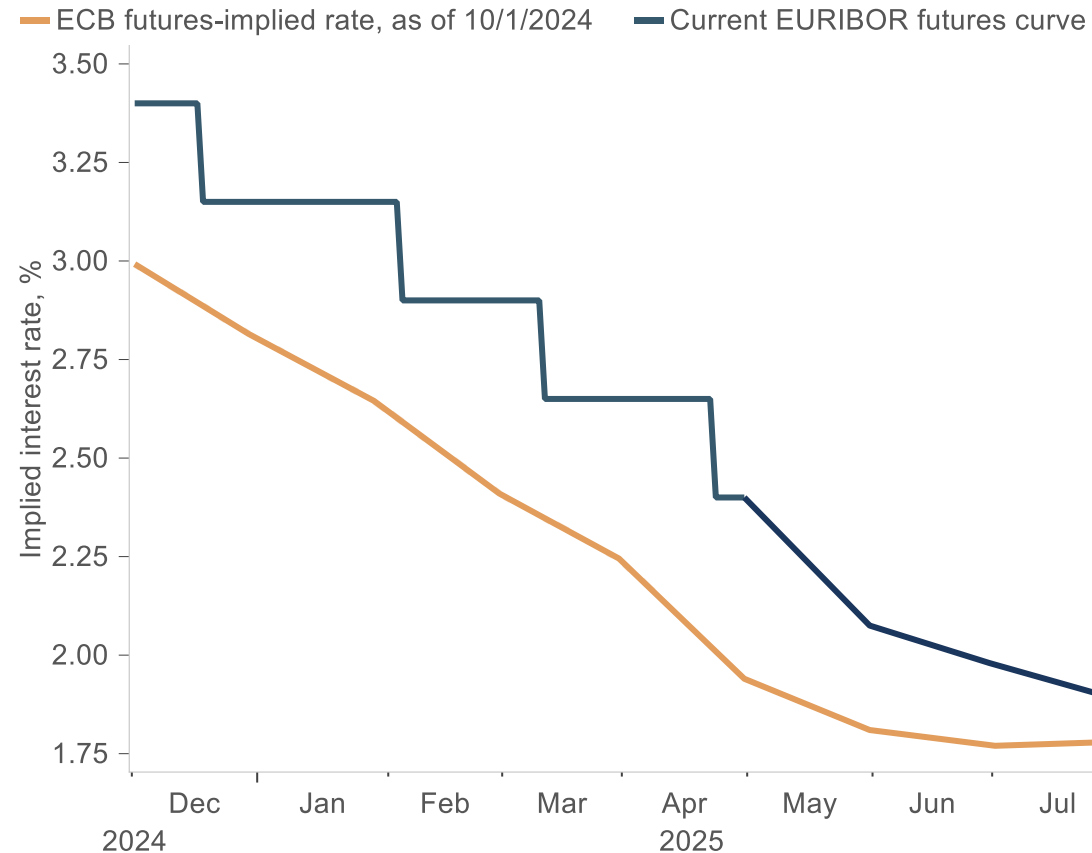
## Global megatrends are driving capital-intensive investments



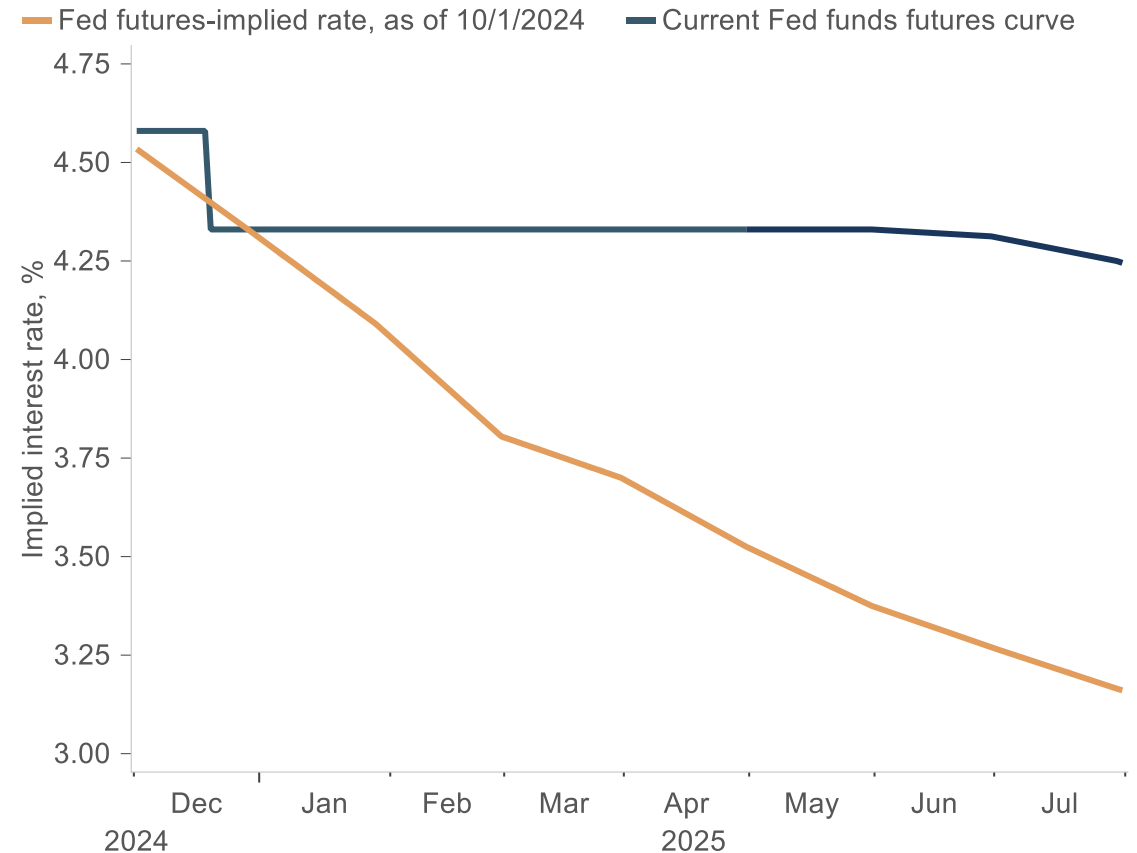
- Re-globalization of supply chains
- Electrification and climate change
- Digitization and AI
- Efficiency not as important as access and security

# Disparity between the US and Europe

... while slowing economic growth led to stabler rate expectations in Europe



Resilient U.S. economic growth has led to stickier interest rate expectations...



Sources: New York Life Investments Global Market Strategy, ECB (European Central Bank), Eurex Exchange, Federal Reserve Bank of New York, CME Group, Macrobond, May 2025.

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# Tackling the turning point: four transitions impacting private allocation in 2025

Cyclical turning points

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- Central bank cuts
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Spending in Europe

U.S. revenue concerns

## Deal flow is returning



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U.S. enthusiasm evaporated

Structural turning points

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## Global megatrends are driving capital-intensive investments



- Re-globalization of supply chains
- Electrification and climate change
- Digitization and AI
- Efficiency not as important as access and security

# Agenda

**Global change – investors may not want to wait (global megatrends)**

Private markets allocation is growing and democratizing

Where to find resilience to macroeconomic developments

Q&A

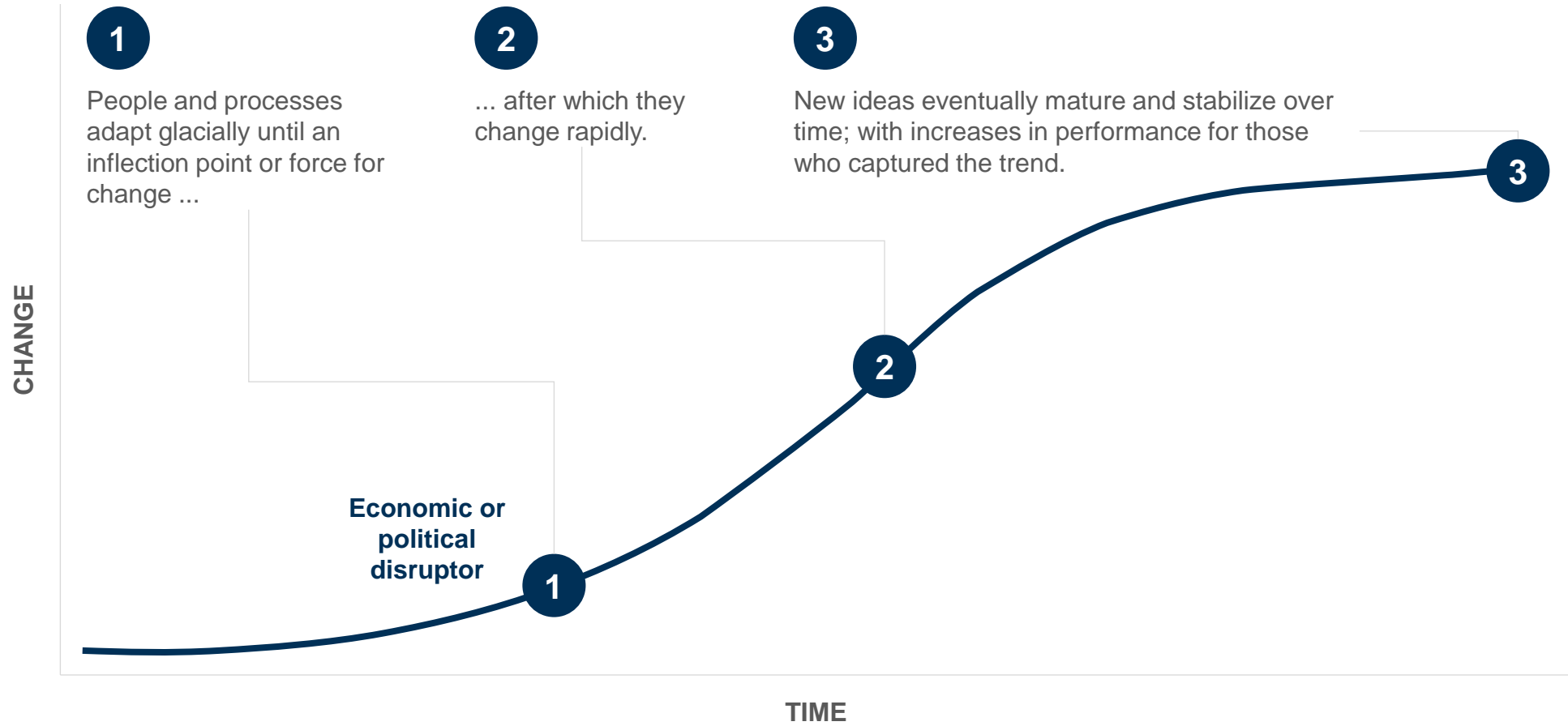


# Inertia

(n) a tendency to do nothing or to remain unchanged.

# Inertia

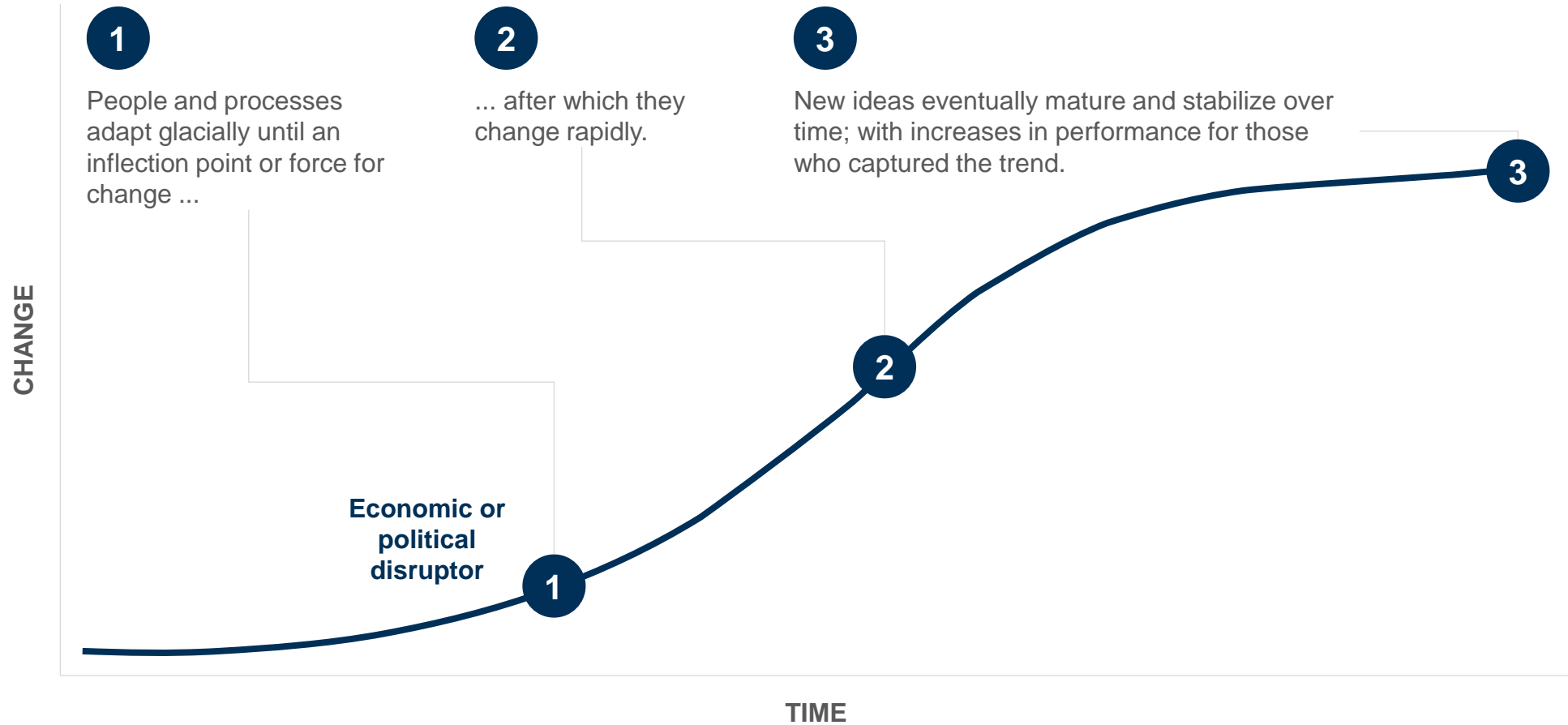
## The S-Curve of Innovation





# Inertia

## The S-Curve of Innovation



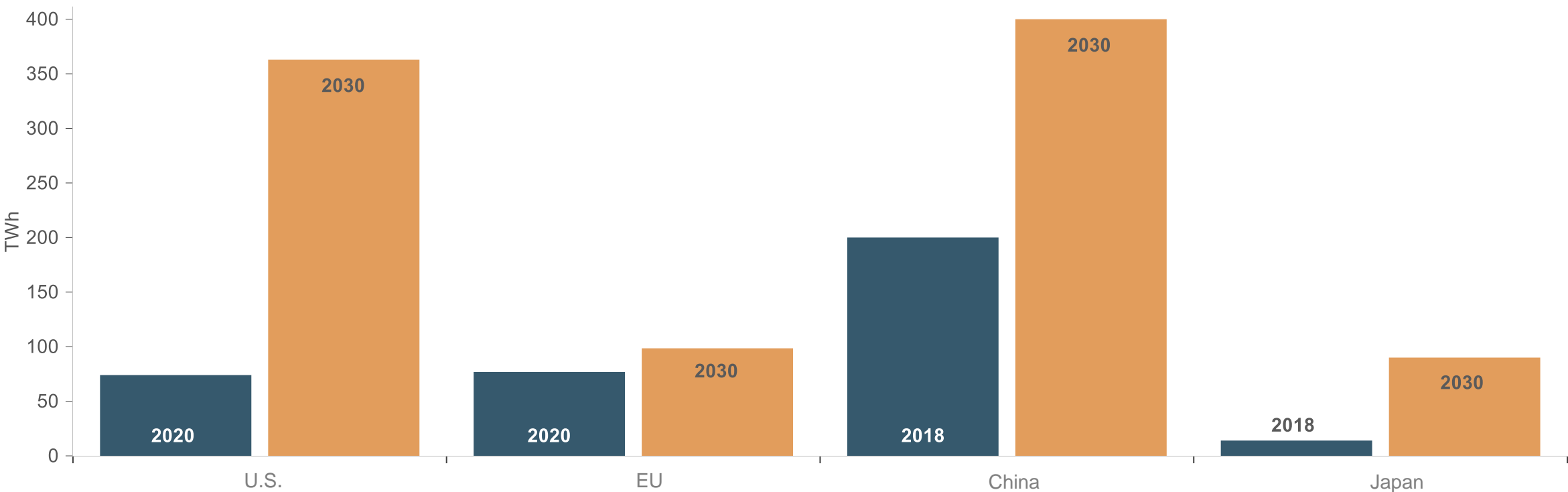
Chat GPT

# AI is sparking sustained capital reallocation

## AI's additional power requirements are extensive

Data center electricity use

■ 2020 and 2018 ■ 2030

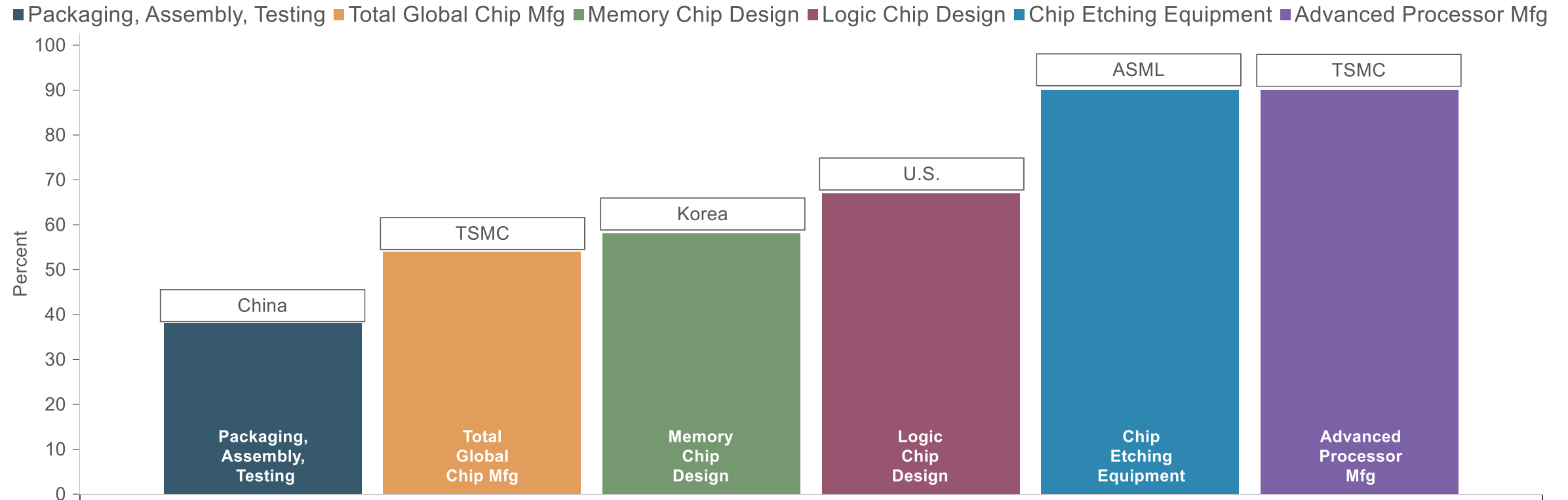


Sources: New York Life Investments Global Market Strategy, International Energy Agency, CBRE Investment Management, European Commission, China's State Council, Japan Science & Technology Agency, S&P Global, U.S. Energy Information Administration, Macrobond, March 2025.

# Collaboration among the competition (1/2)

## Concentrated tech manufacturing requires diversification and cooperation

Share of global production by major players

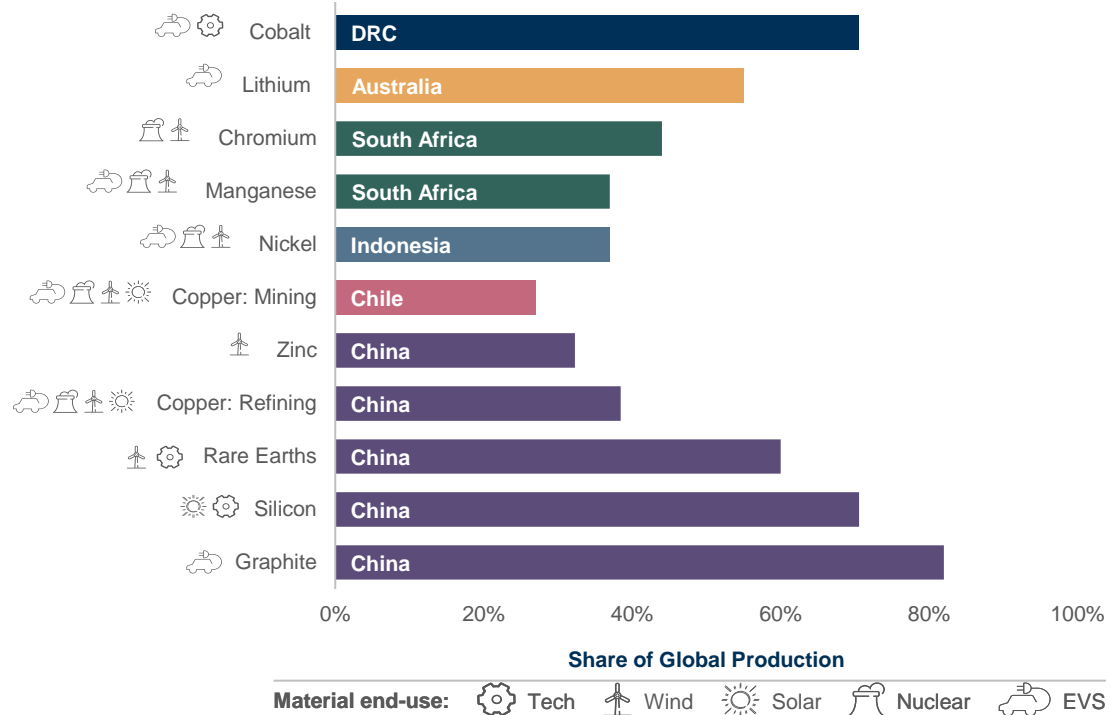


Sources: New York Life Investments Global Market Strategy, Semiconductor Industry Association, Boston Consulting Group, Seeking Alpha, Time, Visual Capitalist, Macrobond. Data sourced April 2023, ranging from 2020 to 2022. TSMC: Taiwan Semiconductor Manufacturing Co. ASML: Advanced Semiconductor Materials Lithography. March 2025.

# Collaboration among the competition (2/2)

## Global resource production for key technologies is highly concentrated

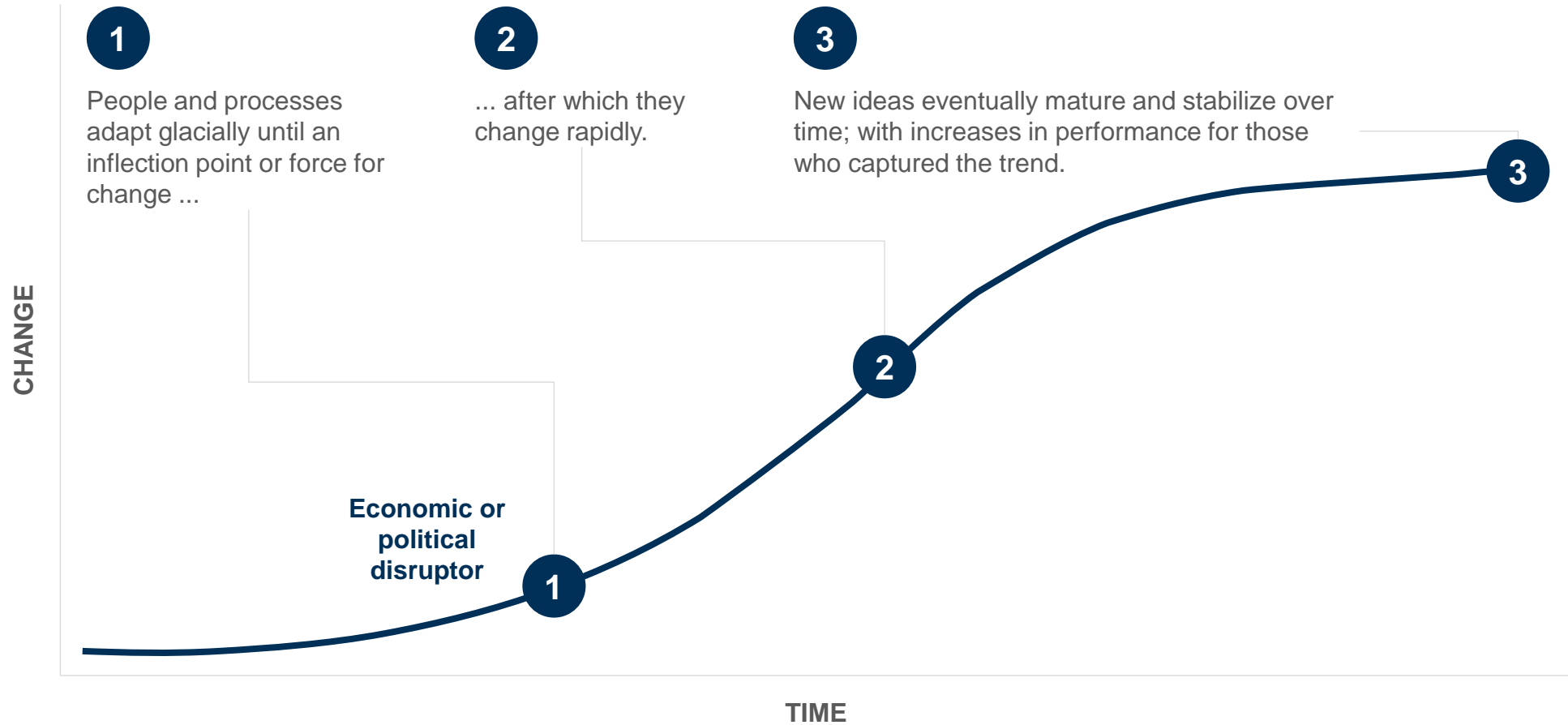
Share of raw materials: Top producer for each commodity



Sources: New York Life Investments Global Market Strategy, U.S. Geological Survey, International Energy Agency. Data as of 2021.

# Inertia

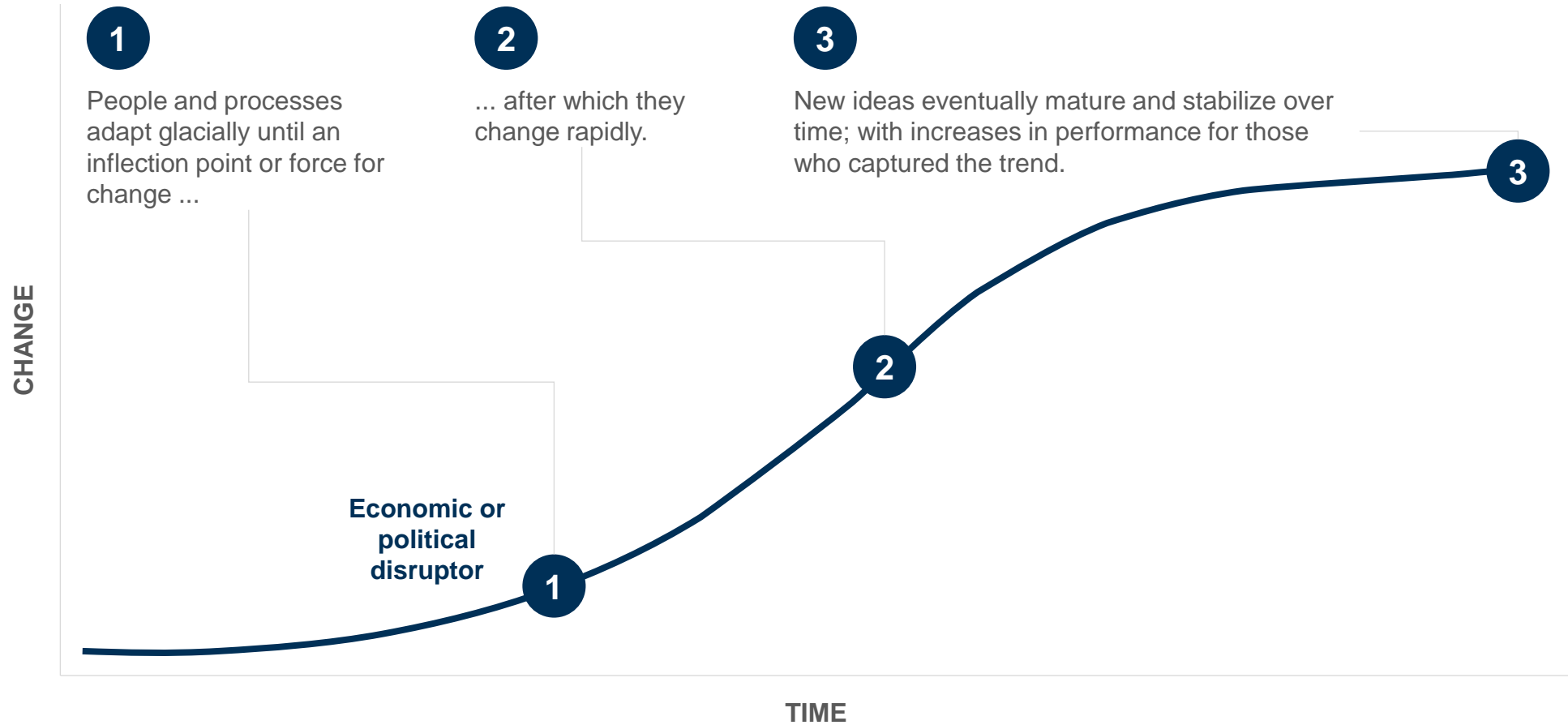
## The S-Curve of Innovation



Chat GPT • COVID-19

# Inertia

## The S-Curve of Innovation



Chat GPT • COVID-19 • Russia-Ukraine

# Agenda

Global change – investors may not want to wait (global megatrends)

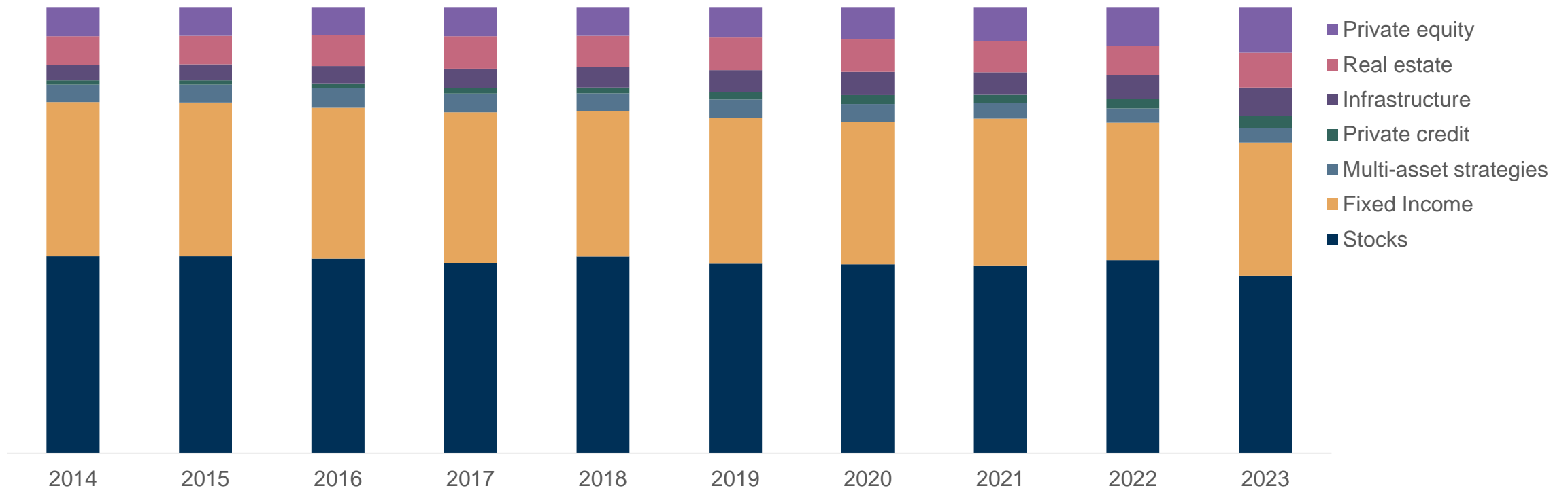
**Private markets allocation is growing and democratizing**

Where to find resilience to macroeconomic developments

Q&A

# Institutional investors have steadily increased their private allocation

**Institutional investor asset allocations, 2014–2023, %**



Sources: McKinsey, CEM Benchmarking, 2024. Allocations as of the beginning of each year.



# Private markets perceived as access to “real economy”

## U.S. market capitalization dominates global market capitalization

— U.S. market cap / world market cap

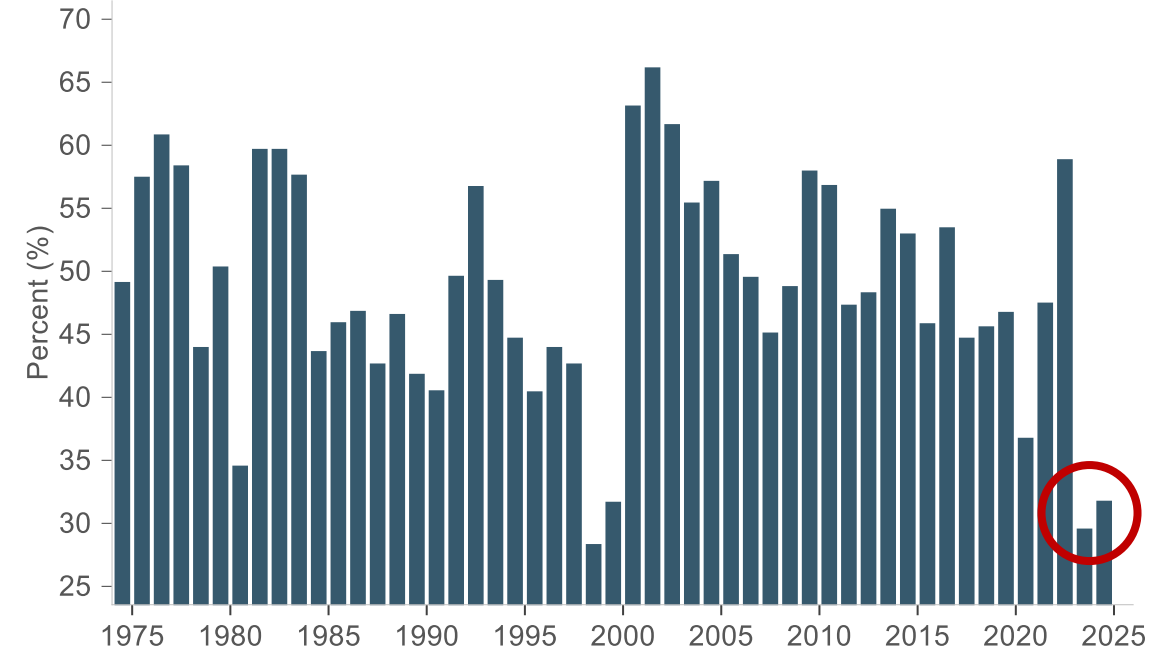


Sources: New York Life Investments Global Market Strategy, Bloomberg, Macrobond, May 2025. U.S. market cap is represented by the capitalization of the The MSCI USA Index — a free-float weighted U.S. equity index. Global market cap is represented by the capitalization of the MSCI ACWI — a free-float weighted global equity index. Past performance is not a guarantee of future results.

## Few stocks outperform the S&P 500 index in recent years

Percent of S&P 500 stocks outperforming the index over the calendar year

■ United States, outperforming\_stocks



Sources: New York Life Investments Global Market Strategy, , Macrobond, May 2025.

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Global change – investors may not want to wait (global megatrends)

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**Where to find resilience to macroeconomic developments**

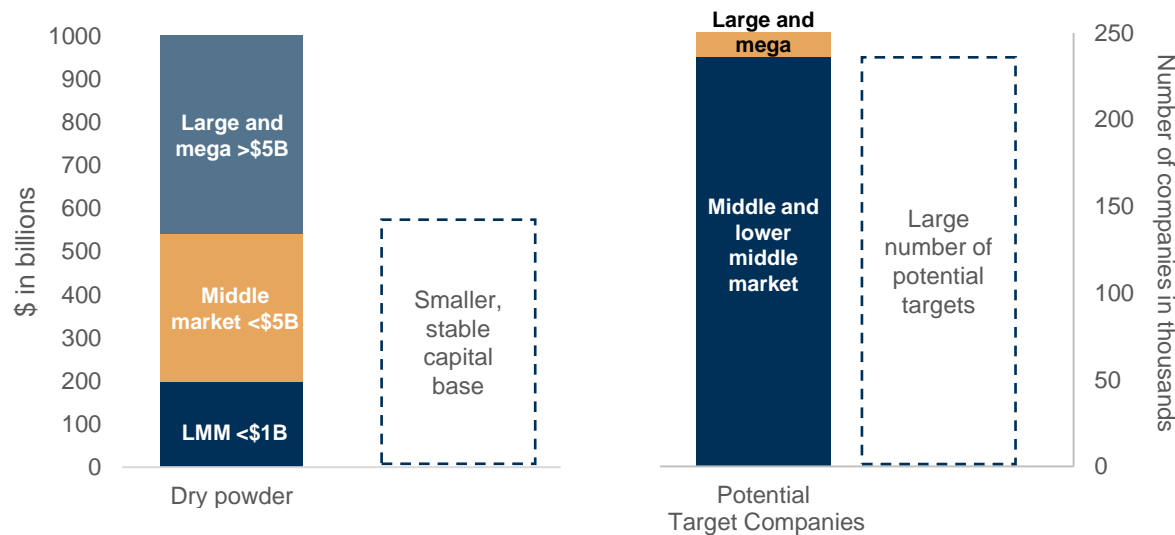
Q&A

# The middle market: a larger universe of potential targets

Imbalance in the capital raised and number of potential target companies has resulted in attractive entry valuations, historically.

Favorable supply-demand dynamics in the middle market...

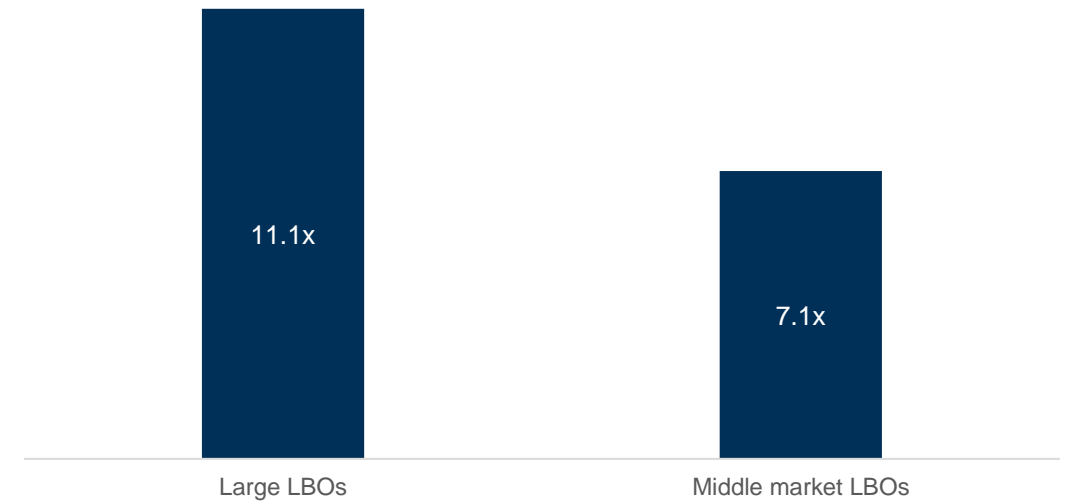
North America private equity dry powder by market segment vs. number of potential targets



Sources: Apogem. Data for dry powder comes from PitchBook. Includes U.S. and Canada-based buyout and growth funds. Represents dry powder as of latest data available, 30 June 2024. Accessed January 2025. Data for potential target companies comes from Capital IQ as of December 31, 2023. Analysis includes estimated number of North American (U.S. and Canada) companies. Middle Market company targets are defined as companies with \$5 million to \$250 million in revenues. Large and mega company targets defined as companies with > \$250 million in revenues.

... drive lower relative entry multiples

Purchase multiples by market segment

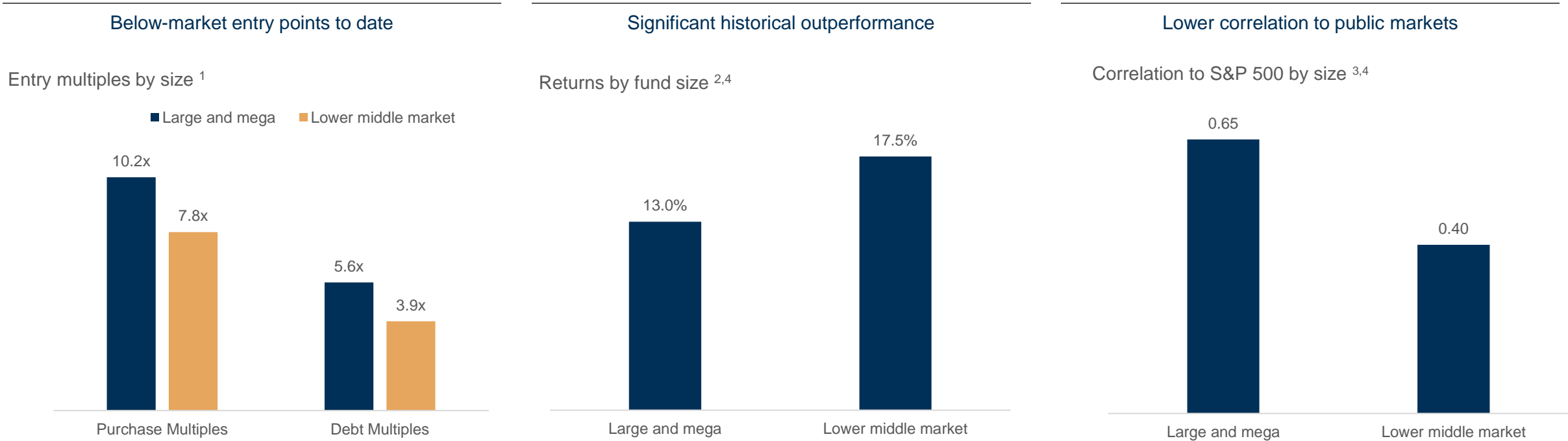


Sources: Apogem, PitchBook, GF Data, Jan 2025. Includes average annual purchase multiple for transactions from January 2019 to December 2024. Source for Large Market LBO Purchase Multiples: PitchBook, LCD, "US LBO Debt Quarterly Trend Lines, January 2025." "Large LBOs" are defined as transactions > \$500M. Source for Middle Market Purchase Multiples: GF Data's "GF Data M&A Report November 2024." Includes an average of transactions from \$50 million to \$500 million.

# In private equity: historical valuation, performance, and correlation benefits

We believe the lower middle market provides significant potential benefits in terms of outperformance potential and portfolio diversification.

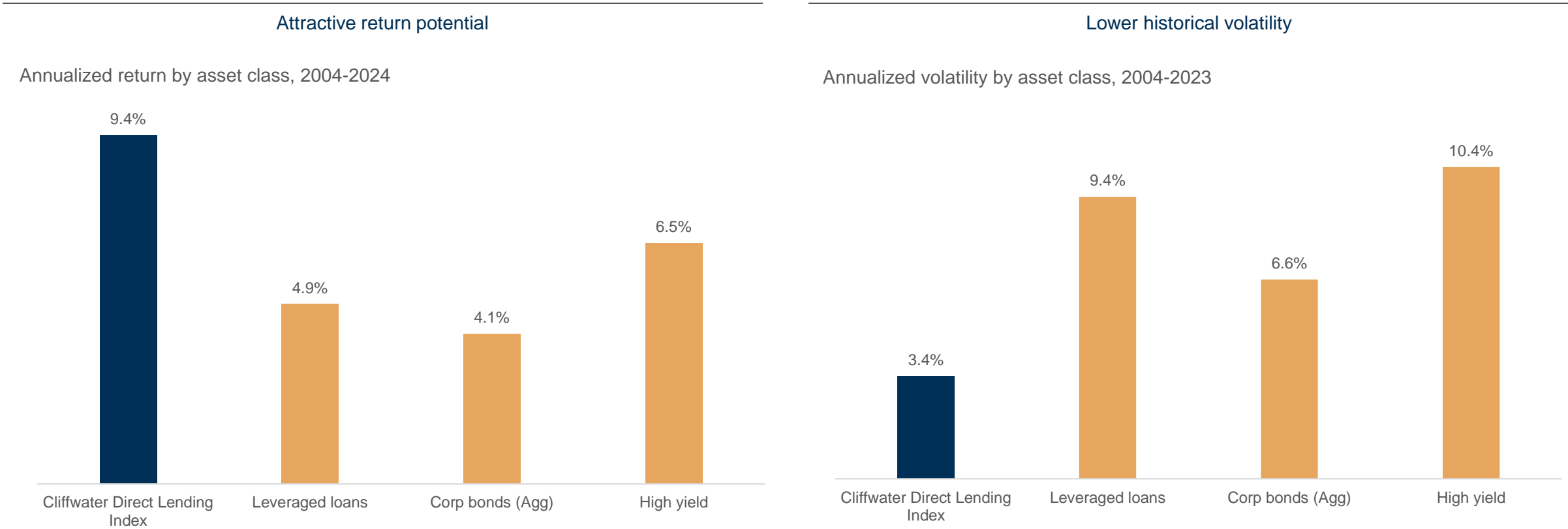
## Potential benefits of the middle market in portfolio construction: the example of private equity



Sources: Apogem, as of January 2025. 1. As of June 30, 2024. Includes transactions from January 2011 to June 2024. Source for Large Market LBO Purchase Multiples: LCD US LBO Debt Report - 2Q'24, PitchBook. "Large LBOs" defined as transactions > \$500M. Source for Large Market Debt Multiples: LCD US LBO Debt Report - 2Q'24, PitchBook. "Large LBOs" are defined as issuers with EBITDA > \$50M. Source for LMM Purchase Multiples: GF Data's "GF Data M&A Report August 2024." Source for LMM Debt Multiples: GF Data's "GF Data Leverage Report August 2024." Includes deals between \$50M and \$100M. 2. Source: Cambridge Associates pooled average returns since 1986 for North America based buyout and growth funds as of June 30, 2024. 3. As of June 30, 2024. Source: Cambridge Associates. Refers to US buyout funds in vintage years 1997 to 2024. Correlation is calculated using quarterly returns for public indexes and quarterly IRRs provided by Cambridge Associates. 4. "Lg / Mega" defined as funds > \$1B. "LMM" defined as funds < \$1B. All figures are shown net of all expenses, management fees and estimated incentive allocations.

# In direct lending: historically higher returns and lower volatility

Over the last 20 years, direct lending has delivered higher returns with lower volatility than public market credit.



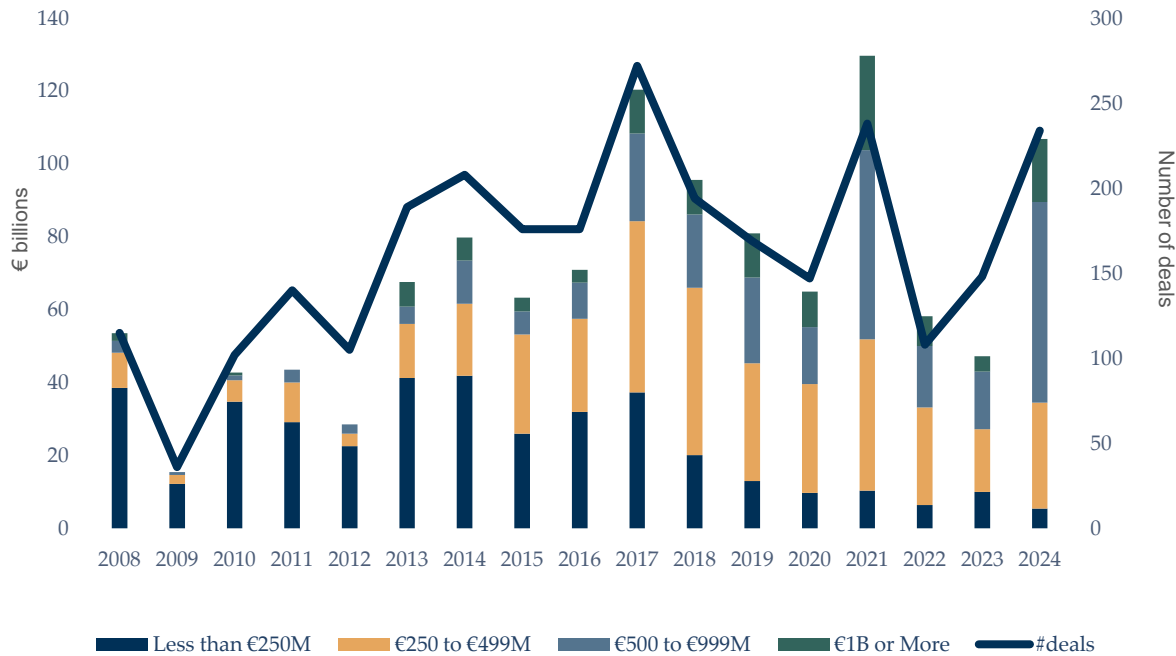
Sources for both charts: Apogem analysis. Direct lending returns are sourced from Cliffwater Direct Lending Index. Source for public credit returns (leveraged loan, corporate bonds, and high yield bonds) is Bloomberg. Data through December 31, 2024. Past performance is not a guarantee of future results.

# In Europe: the lower middle market is increasingly underserved

The European lower middle market corporates appear to need an increasing volume of financing from alternative lenders.

Issuances on the lower end of the leveraged loan market have now been trending downwards for a decade...

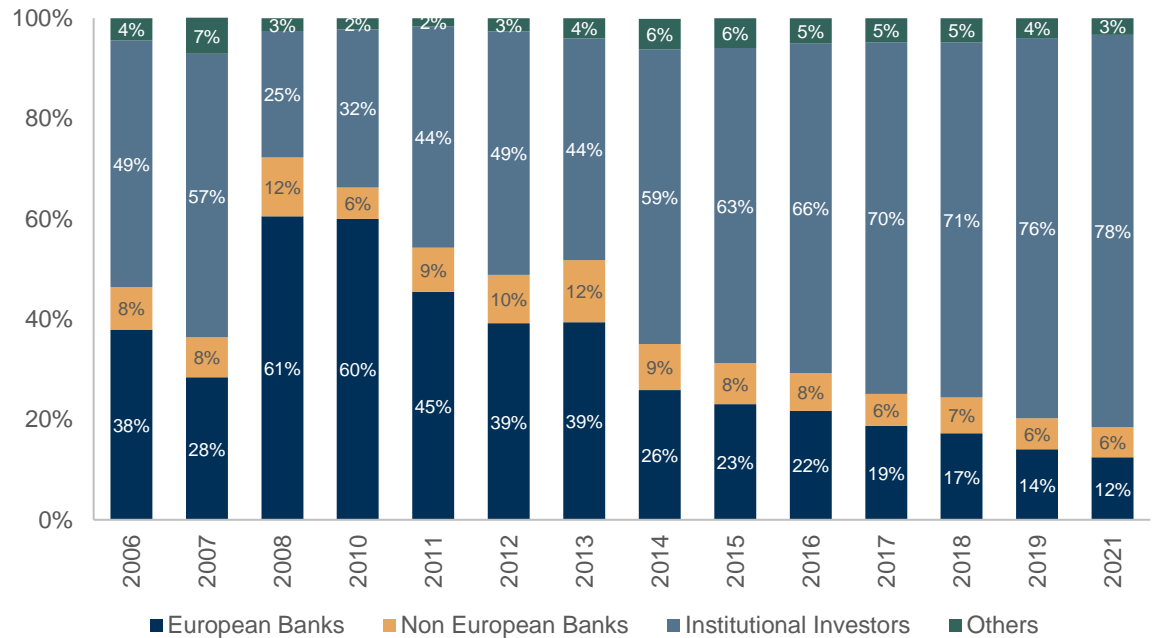
Annual senior loan volume (left axis) and deal count (right axis)



Sources: Kartesia, PitchBook, LCD European Leveraged Lending Review, Q4 2024. Deal count counts first and second lien portions of a single transaction as one event. Deal count also excludes any amendments. LCD updates current year volume as necessary to reflect the latest bank lending information.

... while bank loans have declined steadily over the period, leading European lower-middle market corporates to increasingly seek financing from alternative lenders.

Investor demand for primary loan issuance



Sources: Kartesia, PitchBook, LCD European Leveraged Lending Review, Q4 2024. Given the lack of primary issuance, LCD did not track enough observations to compile a meaningful sample for 2009, 2020, 2023, and 2024. As a result, the primary market investor charts are not yet updated for those years.

# Four turning points adapted for the new reality

Cyclical turning points

## Global rates are moving lower



*Allocating across geographies can provide access to different stages of the rate cutting and credit creation cycles.*

## Deal flow is returning



*Deal flow uncertain, but sponsor pressure and diversification needs are still very present.*

*2025 and 2026 should be a strong vintages for new capital entering the market.*

Structural turning points

## Private markets allocation is growing and democratizing



*Competition and performance dispersion may increase.*

*We believe there is an opportunity to diversify into smaller fund sizes, where market dynamics are less efficient and value creation opportunities can be more readily accessed.*

## Global megatrends are driving capital-intensive investments



*Investors may benefit from a stronger medium-term economic backdrop. Demand for certain sectors and resources is likely to increase.*

*Volatility in inflation, interest rates, and general macroeconomic conditions may be higher.*

# Global Market Strategy: our resources

## Macro Pulse: Economic & market commentary

### Weekly market update



### Economic and market outlooks (& quarterly webinars)



### Weekly Market Matters podcast



## Thought leadership

### Megatrends

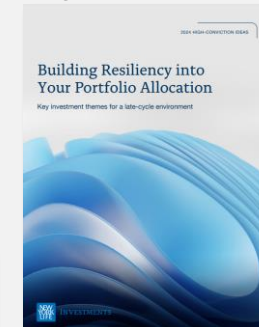


### Politics and geopolitics



## Asset allocation

### High-conviction ideas



### Asset class insights







#### **Important disclosures**

All investments are subject to market risk, including possible loss of principal. Diversification cannot assure a profit or protect against loss in a declining market. Active management typically involves higher fees than passive management.

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