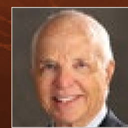
EPOCH | Epoch Investment Partners, Inc.

Epoch's Quarterly Capital Markets Outlook



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SUMMARIZED TRANSCRIPT
July 20, 2022

Each quarter, Epoch Investment Partners' Executive Chairman and Co-CIO is joined by our Global Investment Strategist to discuss themes affecting global capital markets. A full replay of the webinar is available on our website, www.eipny.com.

SLIDE 2

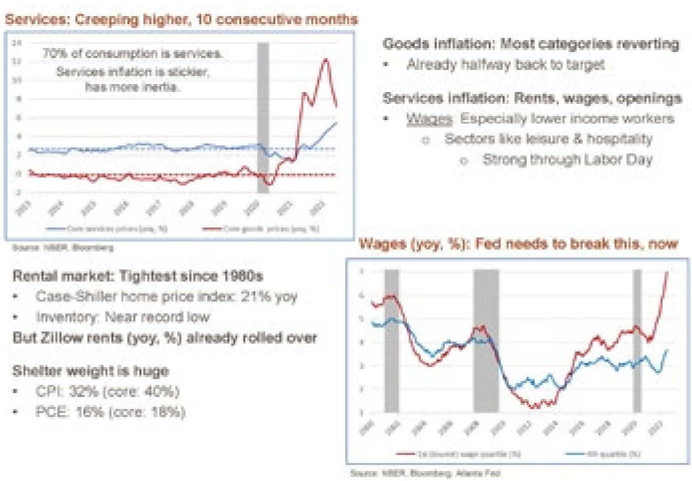
Positioning for a Recovery: Macro Factors

" We understand better how little we understand about inflation" – Jerome Powell, June 2022

1. Inflation determinants
2. Recession: Depth and Duration
3. Valuation factors
4. Global elements
5. No Roaring 2020s ahead

SLIDE 3

Services Inflation: More Pervasive, Persistent and Pernicious

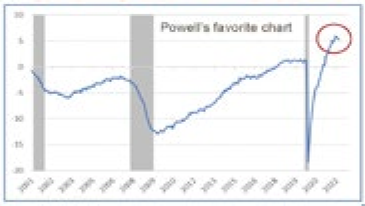


Although much of the focus over the last year has been on goods inflation, we believe services inflation is now more critical. Specifically, it is more pervasive (representing 70% of consumption), persistent (that is, stickier and more inertial) and pernicious (that is, more likely to result in a wage-price spiral, as in the '70s). To understand the future path of services inflation, pay special attention to job openings, low income wages, and rents.

SLIDE 4

Job Openings (11.2 million) vs. Available Workers (5.9 million)

Tightest labor market in decades:
job openings (mn) — # unemployed (mn)

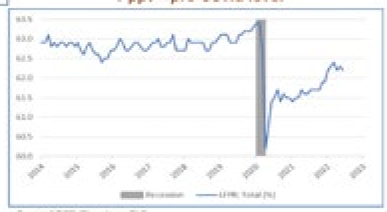


Source: NBER, Bloomberg

Job openings
- Healthcare: 1.9 mn
- Leisure & hospitality: 1.6 mn
- Retail: 1.1 mn
- Mfg: 0.8 mn
- Education: 0.6 mn

Revenge fun/travel
- Keeps L&H demand solid though Labor Day

Labor Force Participation Rate:
1 ppt < pre-Covid level



Source: NBER, Bloomberg, BLS

LFPR: Missing 1.5 mn Workers
- Elderly: LFPR has not rebounded
- Long Covid: And other health issues
- COVID stimulus: Created cash cushion
- Immigration: Plummeted during COVID

The gap between job openings and available workers has never been larger. This suggests a very tight labor market and upward pressure on wages, especially for workers in healthcare, leisure & hospitality, and similar sectors. One reason for this imbalance is that some workers have not rejoined the labor force, creating a critical supply-side disruption.

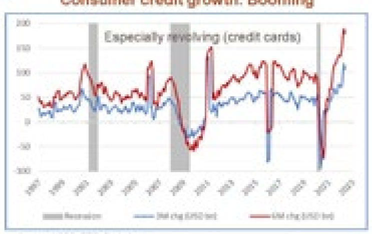
SLIDE 5

Wages Lagging Inflation: Declining Real Personal Income

Real PDI: Waning since Sept 2021

Source: NBER, Bloomberg

Consumer credit growth: Booming



Source: NBER, FRB, Bloomberg

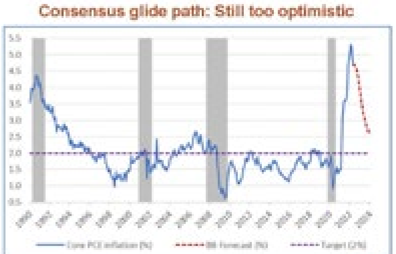
Borrowing suggests underlying fragility
- Explains resilient consumer
- Savings rate 4.4%: "Normal" is 7.2%

Personal income is now 5% below trend, largely because overall wage gains are not keeping pace with inflation. One consequence has been booming consumer credit, often at quite high interest rates. This suggests the consumer is more fragile than consensus realizes, as reflected in an extremely low savings rate.

SLIDE 6

Inflation Headed to 2%, Eventually

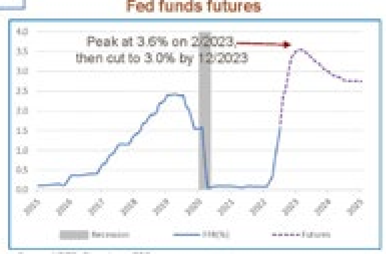
Consensus glide path: Still too optimistic



Source: NBER, Bloomberg, FRB

If it ain't frightening, it ain't tightening
Market pricing: Next six FOMC meetings
- 7/27: 80 bps
- 9/21: 60 bps
- 11/2: 35 bps
- 12/14: 15 bps
- 2/1: 5 bps
- 3/22: -5 bps

Fed funds futures



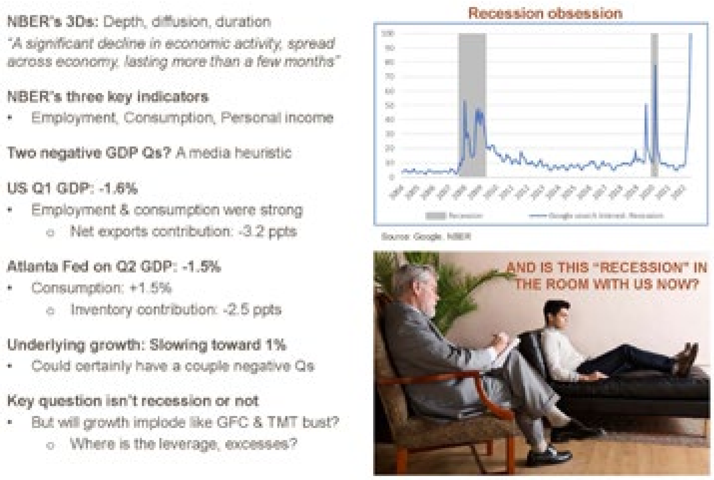
Source: NBER, Bloomberg, FRB

When will equity market trough?
- Possibly when market becomes confident inflation is finally headed back to 2%
- Enough Fed tightening has been priced in
- But policy lag is famously "long & variable"

The Fed is expected to hike interest rates to well over 3%, which will be the highest in 15 years. We expect interest-rate sensitive parts of the economy to rollover hard. However, we believe the equity market will trough once investors think enough tightening has been priced in to ensure services inflation returns to target.

SLIDE 7

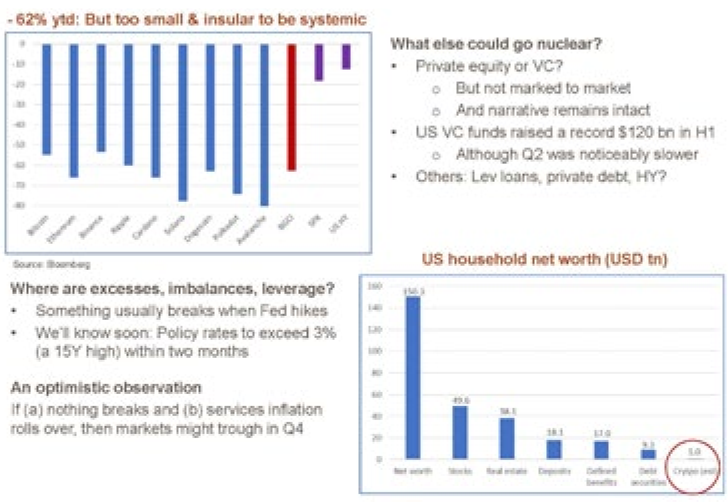
Are We Already in a Recession? A Majority of Americans Believe So



There is much misunderstanding of what constitutes a recession. The NBER has three key indicators, employment, consumption and personal income. Only the latter is currently weak. We believe the former two will soon roll over and that a "short and shallow" recession is highly likely over coming quarters.

SLIDE 8

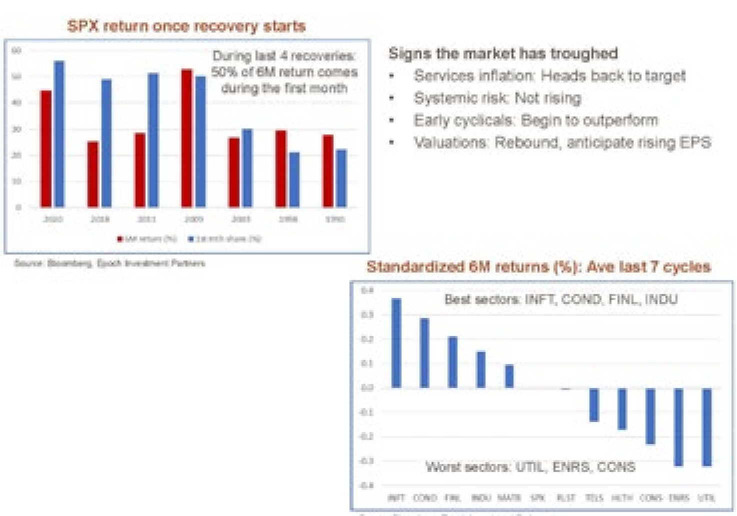
What Happens in Crypto Stays in Crypto?



Often when the Fed hikes by 300 bps or more, something systemic breaks. The result is financial contagion and a seizing up of lending markets. Crypto is too small and insular to be systemic. Many pundits also worry about private equity and venture capital, but so far their narrative remains intact. If systemic risk is avoided this cycle, then equity markets could trough in Q4.

SLIDE 9

After the Market Troughs: Typical 6 month SPX Return is 25%-30%



Once equity markets trough, the following six months is usually quite favorable for investors with average returns of 25%-30%. This appreciation is often front-loaded, which gives investors incentives to jump the gun. There is also considerable regularity in sector leadership, with tech, discretionary, banks and industrials typically outperforming.

SLIDE 10

The Sinking JPY: Reason to Avoid Japanese Equities?

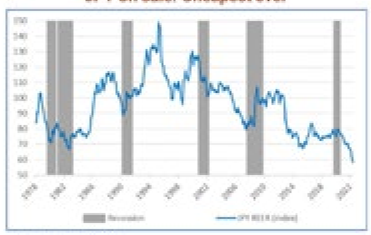
10Y spread peaked in June: No one told the JPY

Source: NBER, Bloomberg

USD on fire: Has blown past fundamentals
- Driven by 10Y spread and Terms of Trade
  - US is a net energy exporter
- Likely to reverse during next few months

JPY on sale: Reasons to expect a rebound
- 10Y spread
- Cheap
- Extreme move already (99th percentile)
- Positioning is short

JPY on sale: Cheapest ever



Source: NBER, Bloomberg

Turning to non-US markets, we believe USD/JPY has peaked and will trend lower over the next quarter or two. The 10Y US-Japan spread has peaked, the JPY is the cheapest it has ever been, and the move has already been extreme. Finally, spec positioning is short, but usually moves to neutral during recessions.

SLIDE 11

ECB's First Inflation Test: And Russia Takes the War to Europe

EU NG price: Back to normal in 2025?

Source: Bloomberg

European equities are cheap, but
- Inflation: Same problem as Fed
  - ECB is much more dovish
- Italy: Repeat of Euro crisis?
  - 5 systemic EU crises in 15 years
- NG: EU needs to rebuild inventory
  - Winter is coming

Nord Stream NG flow: RUS to GER (MCM/d)

Source: ECB, Bloomberg

Europe faces three major challenges: high inflation (similar to the US), possible systemic risk out of Italy, and reduced natural gas supplies from Russia. A recession appears probable and we expect choppy markets ahead.

SLIDE 12

Investment Implications: When to Start Positioning for a Recovery?

"The FOMC is looking for convincing, compelling evidence that inflationary pressures are abating"
— Jerome Powell, June 2022

1) Services inflation: More pervasive, persistent and pernicious
- Watchlist: Job openings, 4th quartile wages & rents

2) Short & shallow recession: Key risk is hidden leverage & excesses
- Something usually breaks when Fed hikes 300 bps (2007: housing finance, 2001: TMT)
- 2nd risk to benign scenario: Wage-price spiral in services, Powell channels his inner Volcker

3) Choppy markets: Trough when market confident inflation is heading back to target
- Equity valuations appear fair: But bottom-up 2023 earnings estimates are delusional
  - They call for higher top-line growth and margin expansion
- Gains occur early: Best sectors typically INFT, COND, FINL vs UTIL, ENRG, CONS

4) Global markets: Europe's three challenges
- China: Only major market where both monetary & fiscal policy are stimulative
- USD overshoot: Expect lower USD/JPY over next 3-6 months

5) Next decade won't be a repeat of the 2010s: Reflation and the 3Ds
- Relative to last two decades: Higher trend inflation, wage growth & labor share
- Monetary & fiscal policy: Less room for stimulus (MMT into the dustbin)
- Lower top-line growth: Implied by each of the 3Ds
- Headwind for long-duration assets: Including speculative tech, biotech, VC & real estate

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www.eipny.com