



NORDWAND CAPITAL

2024 Review & 2025 Outlook

The Year Ahead in 4 Charts

January 2025

2025 Outlook Summary

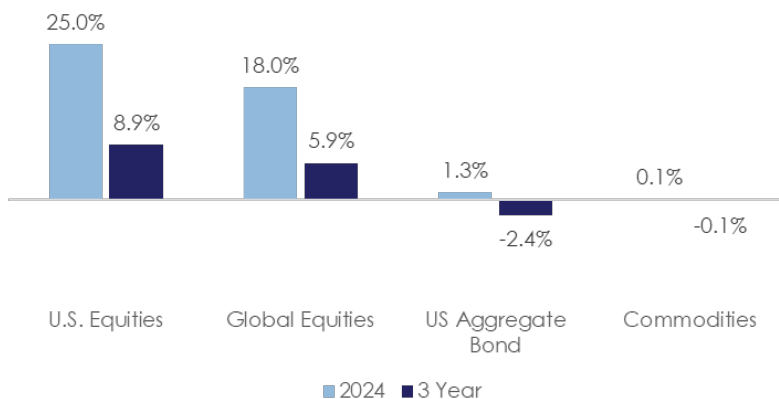
Our expectations for 2025 and beyond:

- The easy money in equities was made the last two years – meaningful impact from innovations in tech and healthcare may be necessary for this momentum to be maintained
- We prefer a combination of liquid and private credit solutions to balance liquidity, risk, and income generation for clients.
- Private credit is becoming more accessible with semi-liquid vehicles allowing for wider adoption across a wider segment of investors and is something to which Nordwand is increasing seeking exposure
- Private equity has suffered from lagging fundraising and limited distributions, but we see the light at the end of the tunnel
- Valuations in private equity are revealing yet more compelling stories and investments that may be suitable and produce outperformance for investors. We like this space as much as ever.
- **Here's to a healthy and successful 2025!**



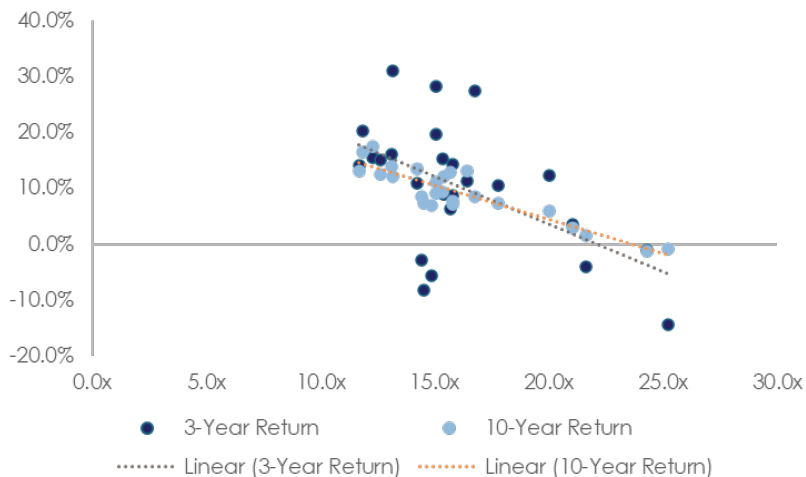
Returns & Outlook for Public Markets

Asset Class Returns (2024 & 3-Year)



Source: Bloomberg, Nordwand Capital, as of Dec. 31, 2024. Note: US equities = S&P 500, Global equities = MSCI ACWI Index, Commodities = Bloomberg Commodities Index.

S&P 500 P/E Ratio vs. 3-Yr & 10-Yr Returns



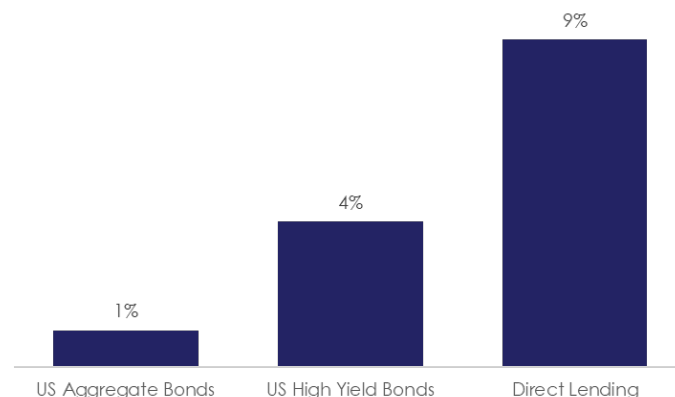
Source: Bloomberg, Nordwand Capital, as of Dec. 31, 2024.

- Equities were stellar again (chart at left), with most markets posting strong returns for the second year in a row
- Liquid fixed income was again uninspiring, with not much to get excited about other than risk reduction and the potential for diversification – investors may have to seek yield and return elsewhere within credit universe
- A recession was avoided in the US, with the economy looking resilient and likely to continue its growth path
- Clouds on the horizon include valuations, which at these lofty levels (~22x forward earnings, chart at right) has tended to produce lackluster forward returns over 3- and 10-year periods going back to 1990.
- Staying invested and keeping equity exposure remains appropriate given challenges of market timing, long-term holding horizons for many investors – but being tactical putting fresh capital to work may be key

Returns & Outlook for Private Markets

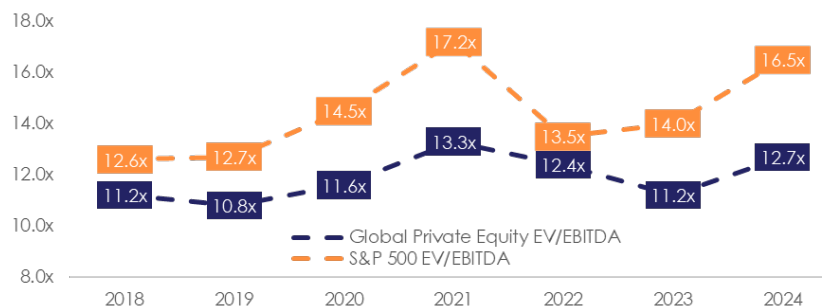
- Once again, private credit outpaced its liquid fixed income counterparts – posting 11.7% over 12-months ending Sept. 30th. ⁽¹⁾
- Over 10-years private credit and direct lending have consistently outpaced liquid options (top chart)
- Lower interest rates and modest rate-cutting path from here suggest private credit is likely to outperform liquid credit yet again
- Private equity valuations are depressed relative to listed peers (bottom chart), leading to potential positive returns relative to public equities as valuations revert
- Given expensive state of public equities, private equity outperformance could come from several directions, including: private activity picking up, financing costs continuing to come down, and/or public markets stagnating

Credit Returns (10-Years)



Source: Franklin Templeton Institute, Nordwand Capital, as of June 30, 2024

Private Equity Valuations vs. Listed Equities



Source: BlackRock, Nordwand Capital, as of 4Q2024.

1. Source: Cliffwater Direct Lending Index, as of Sept. 30, 2024.

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