



iCapital

2022 Outlook

The Year of Higher Hurdle Rates
and Lower Potential Returns

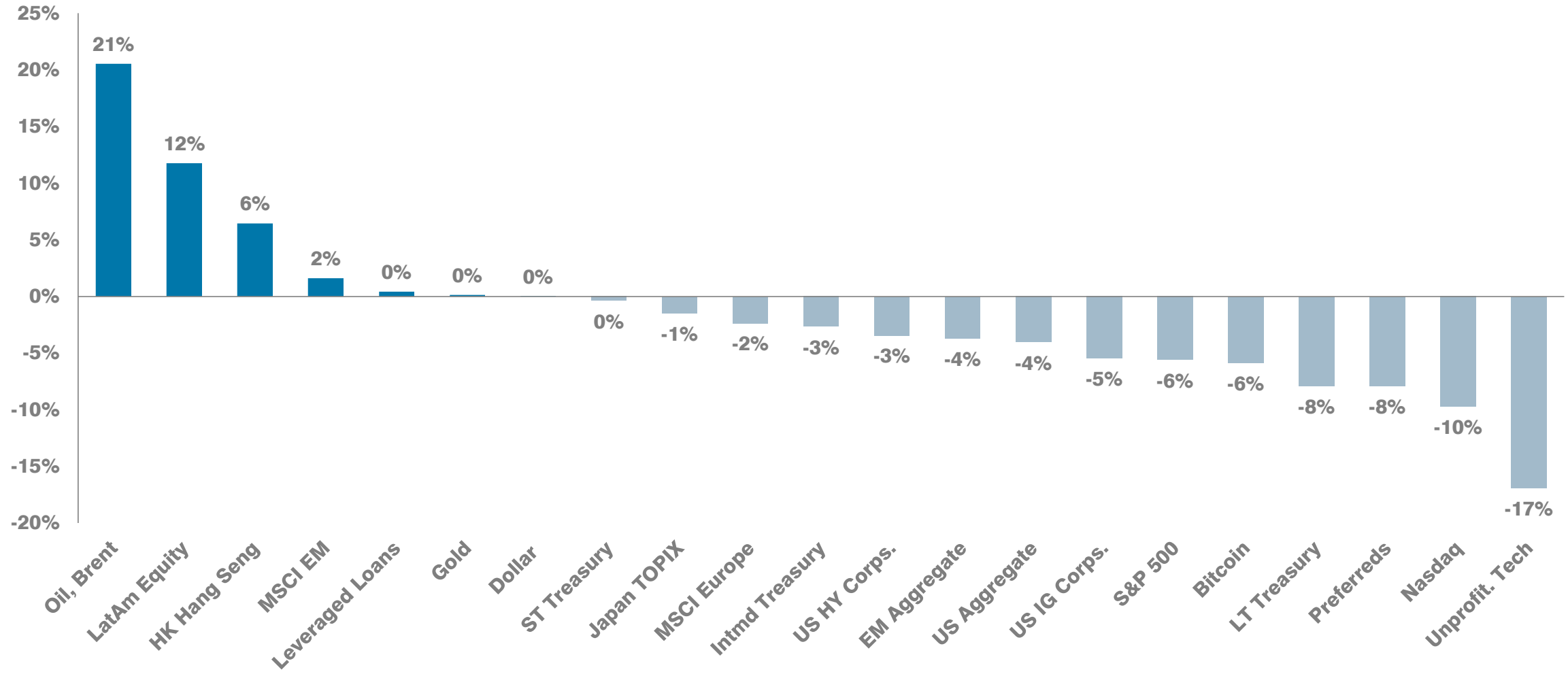
Anastasia Amoroso, CFA

Chief Investment Strategist

Does the behind-the-curve Fed spell trouble for the majority of asset classes?

Cross-Asset Performance

YTD % Change, Total Return

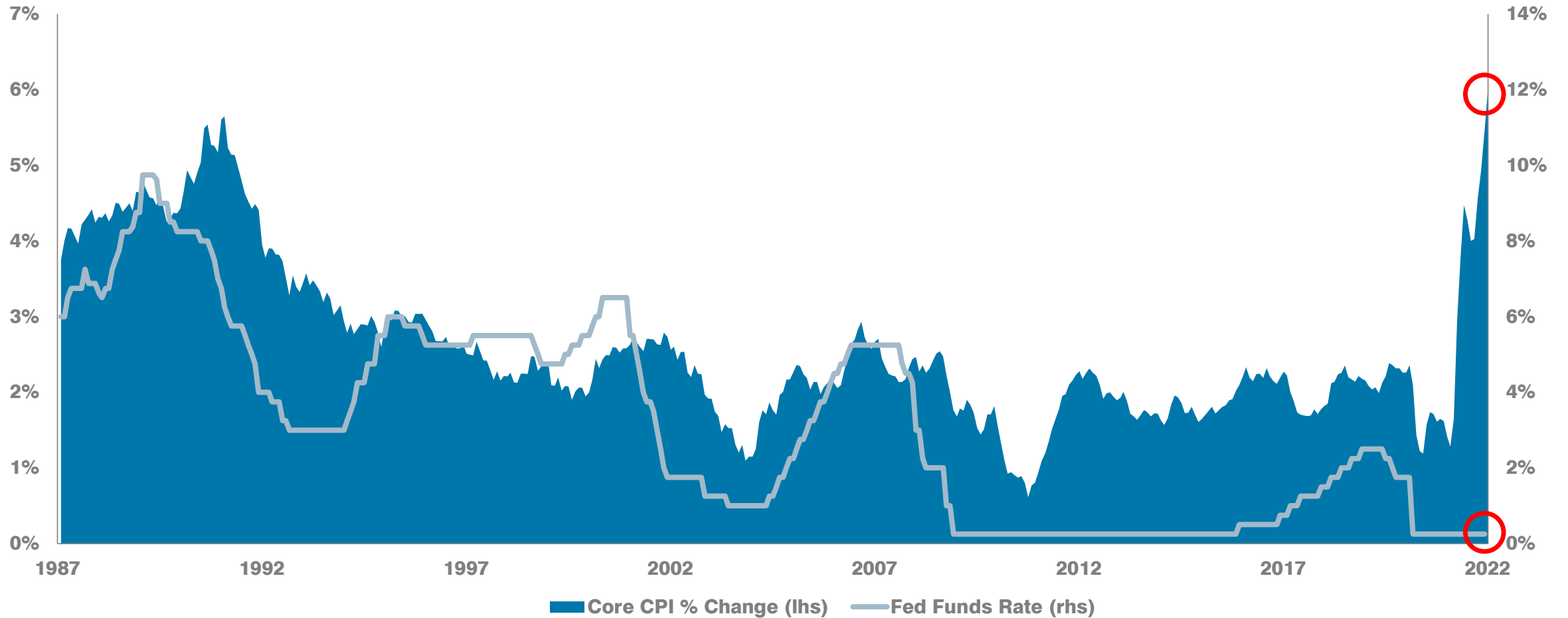


Source: Bloomberg, as of February 11, 2022. Note: Unprofit Tech is in reference to the GS Non-Profitable Tech Basket which consists of non-profitable US listed companies in innovative industries. Technology is defined quite broadly to include new economy companies across GICS industry groupings. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

The Fed is woefully behind the curve

Core CPI vs Fed Funds

% Change, Year-over-Year

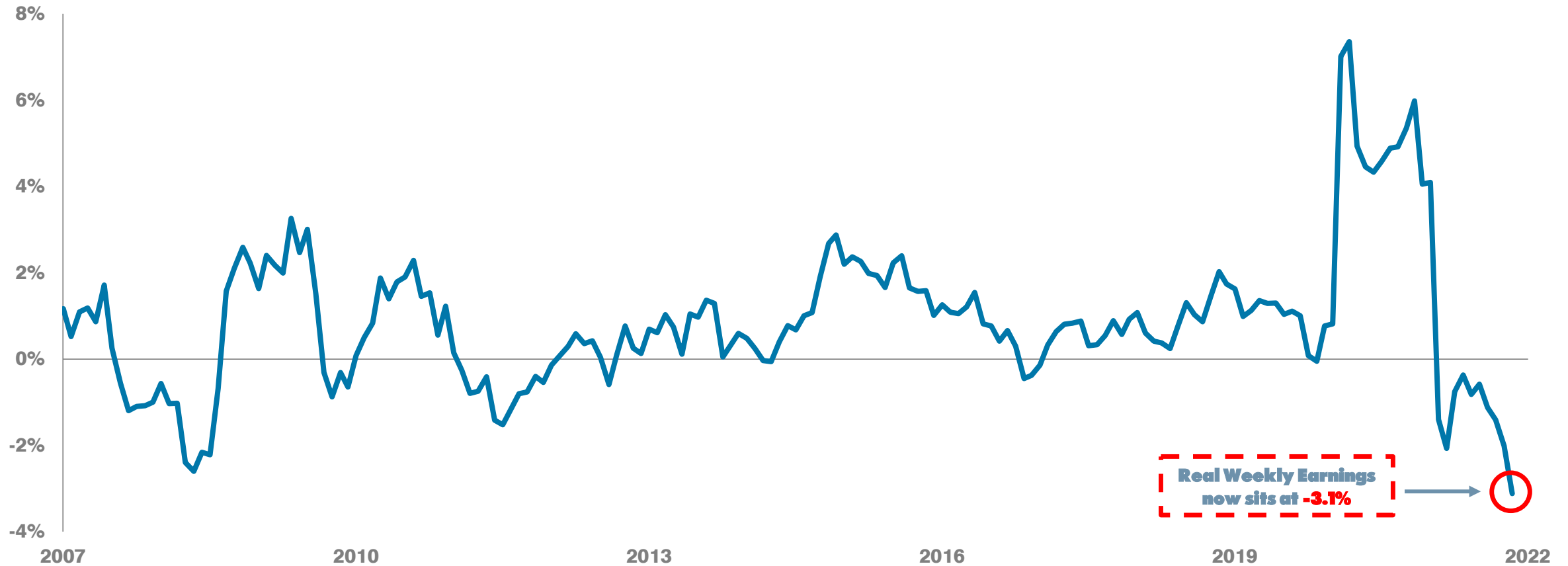


Source: Bloomberg, as of February 11, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Real wage growth has slowed to decade low

Real Average Weekly Earnings

% Change, Year-over-Year

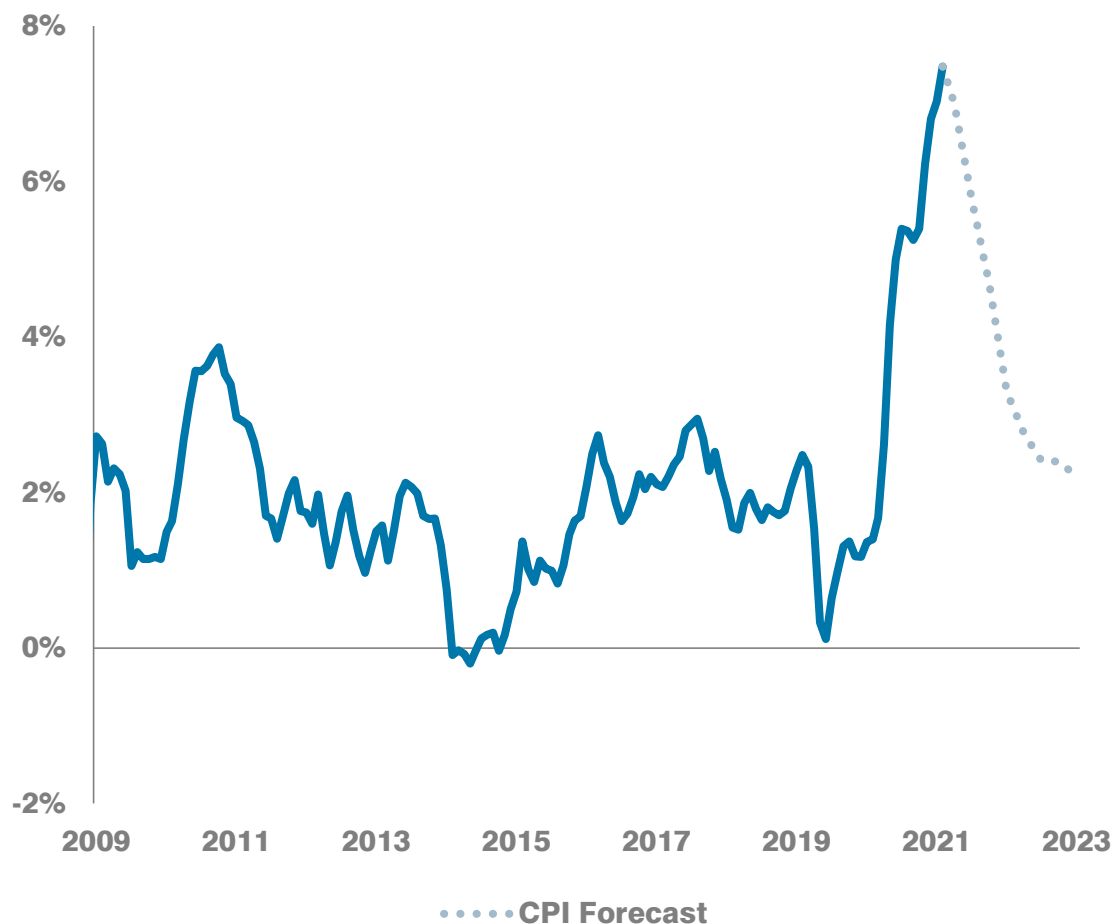


Source: Bloomberg, as of February 11, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Inflation is expected to abate through year-end and into 2023

Inflation Expectations

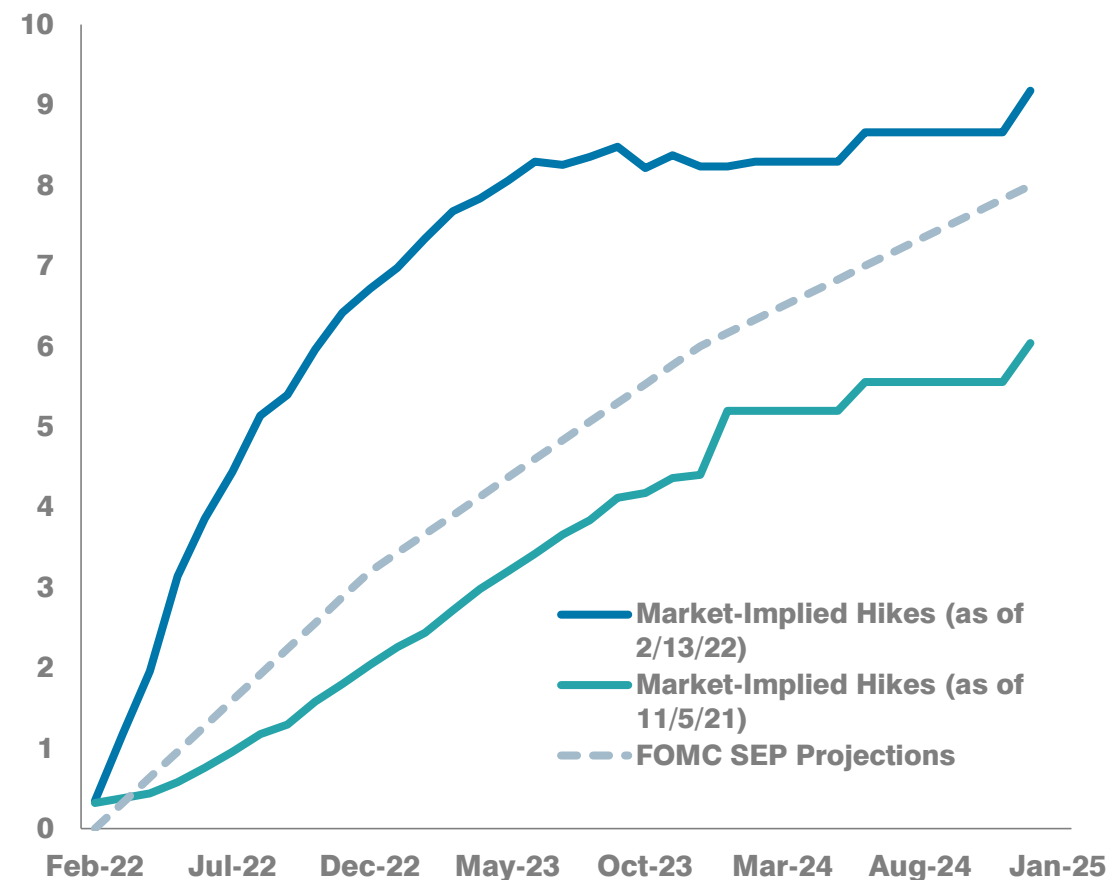
% Change, Year-over-Year



Source: Bloomberg, as of February 11, 2022. Note: CPI shown is headline CPI. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Rate Hike Expectations Through 2024

Market-Implied vs Fed-Implied Rate Hike Expectations

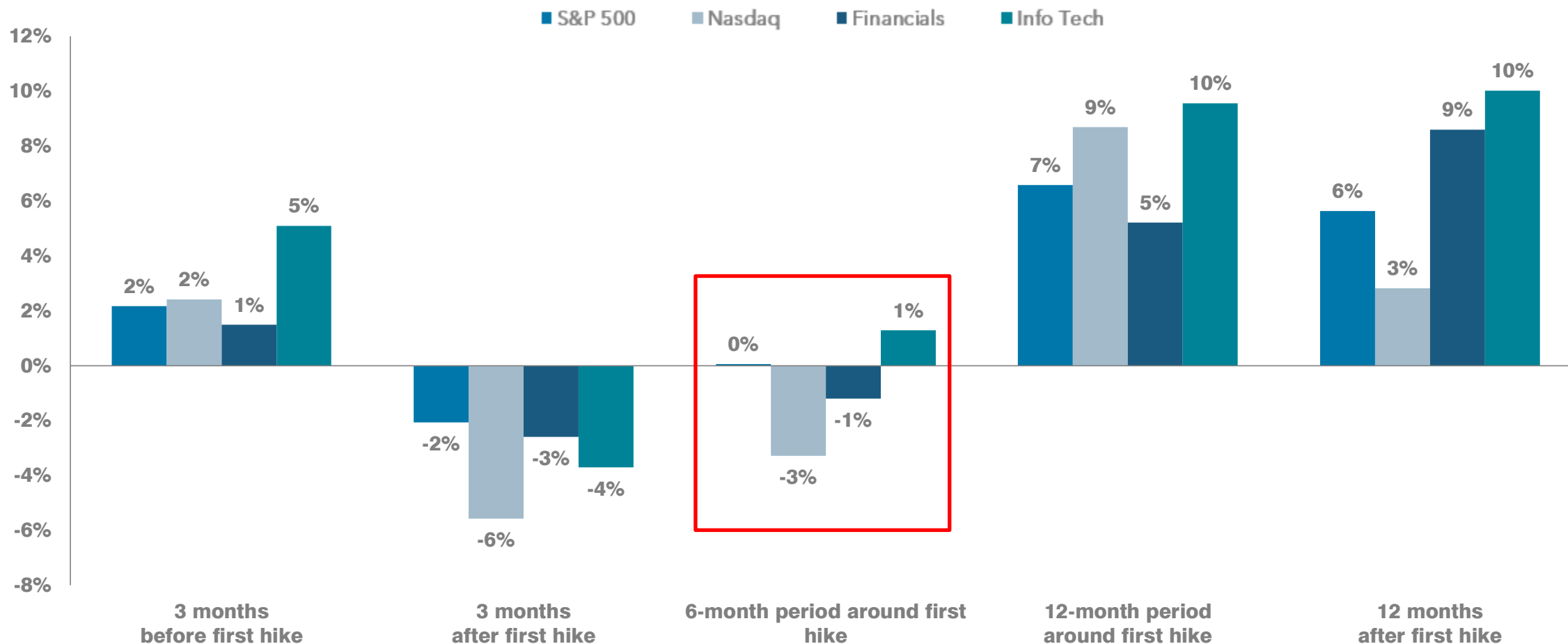


Source: Bloomberg, as of February 13, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Short-term periods around rate hikes may be choppy, but longer-term stocks tend to rise

Returns During The Last Three Rate Hiking Cycles

Average Returns (excl. '99-00)

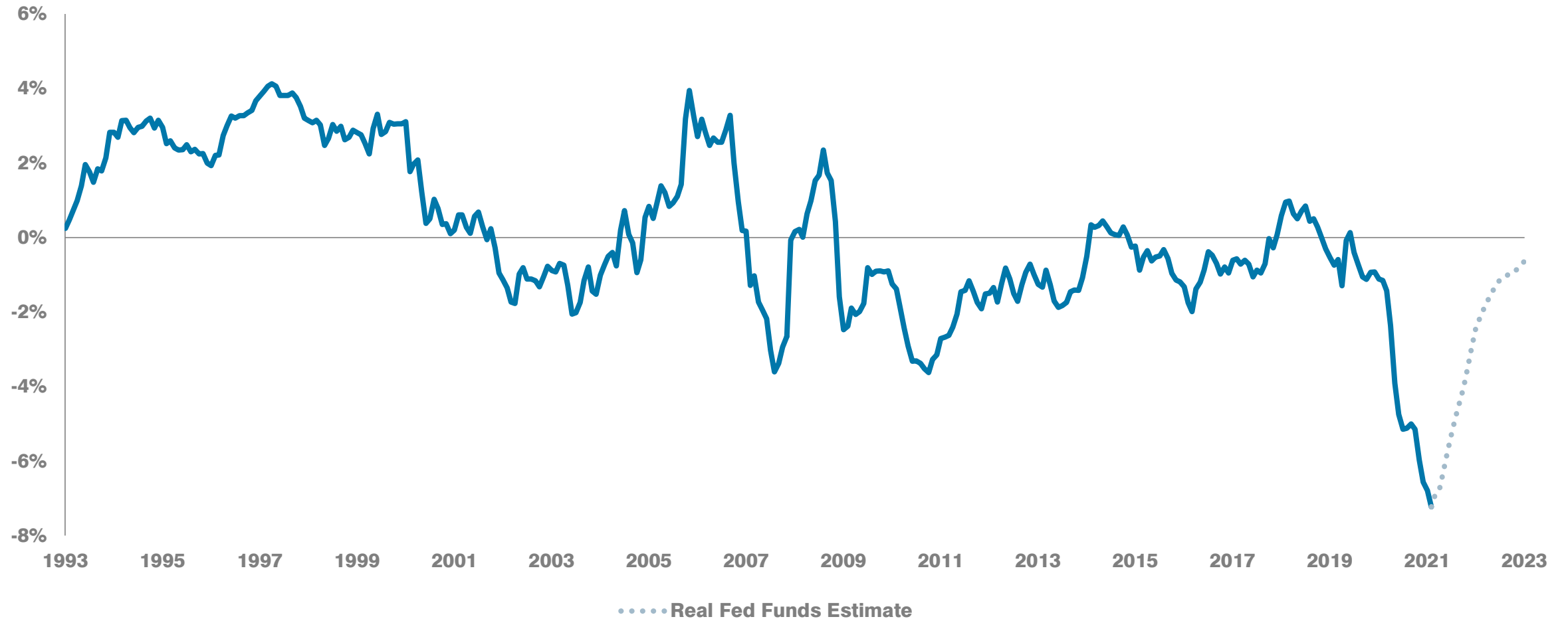


Source: iCapital, Bloomberg, as of January 3, 2022. Note: The rate hikes referenced in this analysis include those from Feb. 1994 to July 1995, June 2004 to June 2006, and December 2015 to March 2019. We define the 6-month period around the first rate hike as the 3 months before the first hike and the 3 months after the first hike. So, if first rate hike starts on 06.30.04 then the 6-month period around the first rate hike would be defined as the period between 3.30.04 and 9.30.04. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Real rates are expected to move higher but still to remain negative through 2023

Real Fed Funds Rate Through 2023

Fed Funds Effective Rate Less Headline Inflation

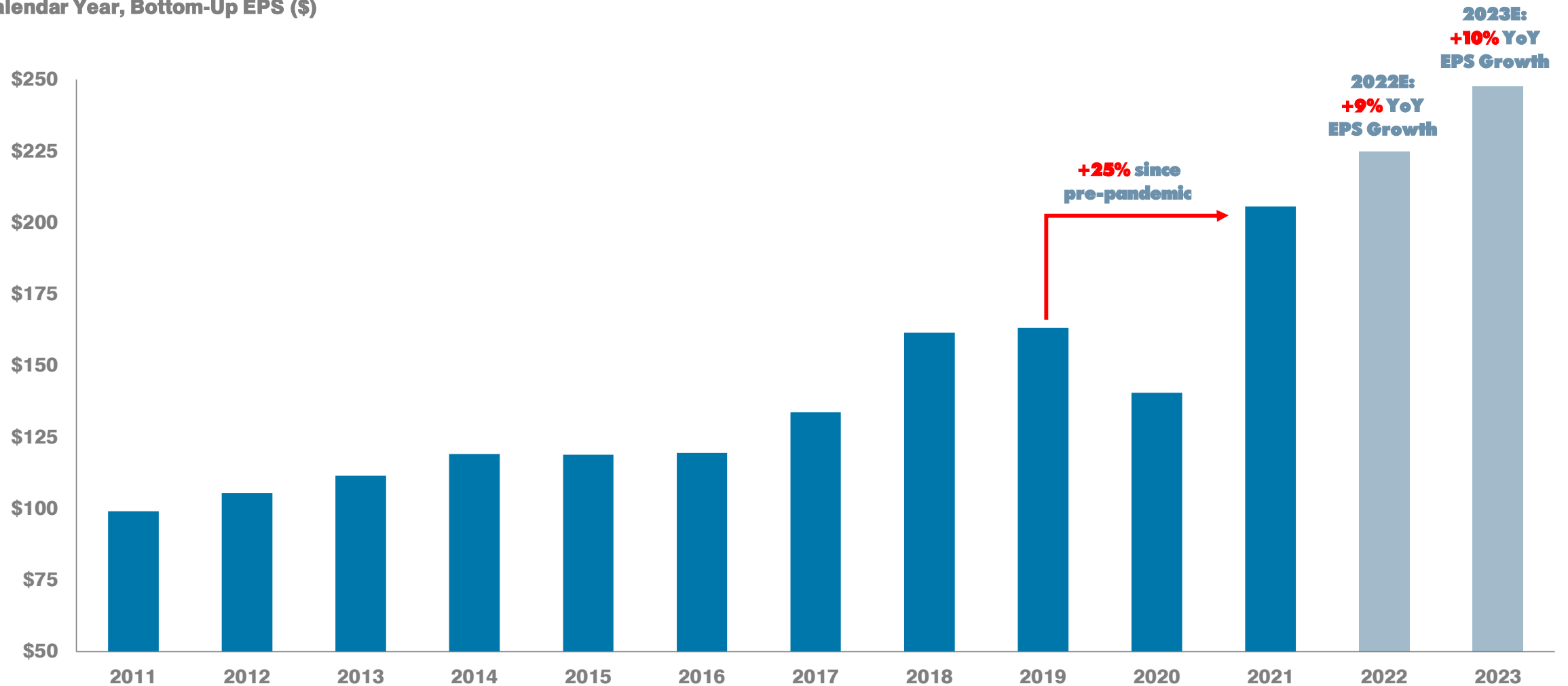


Source: Bloomberg, as of February 7, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed. Source: Bloomberg, as of February 7, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Strong EPS growth continues despite pandemic-related challenges

Exhibit 8: S&P 500 Earnings Per Share (EPS)

Calendar Year, Bottom-Up EPS (\$)

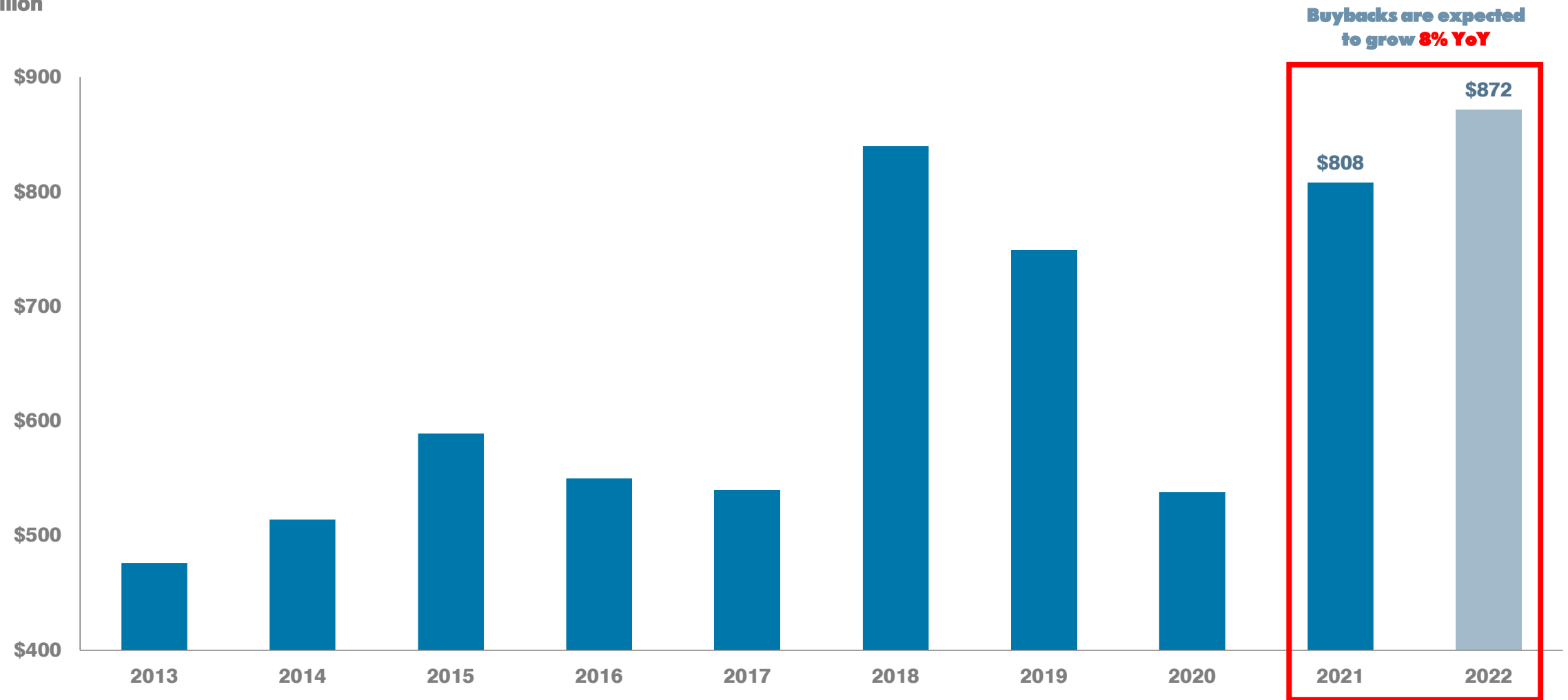


Source: FactSet, as of February 11, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Corporate buybacks in 2022 expected to top last year's \$808 billion

Exhibit 9: S&P 500 Corporate Buybacks

\$ billion

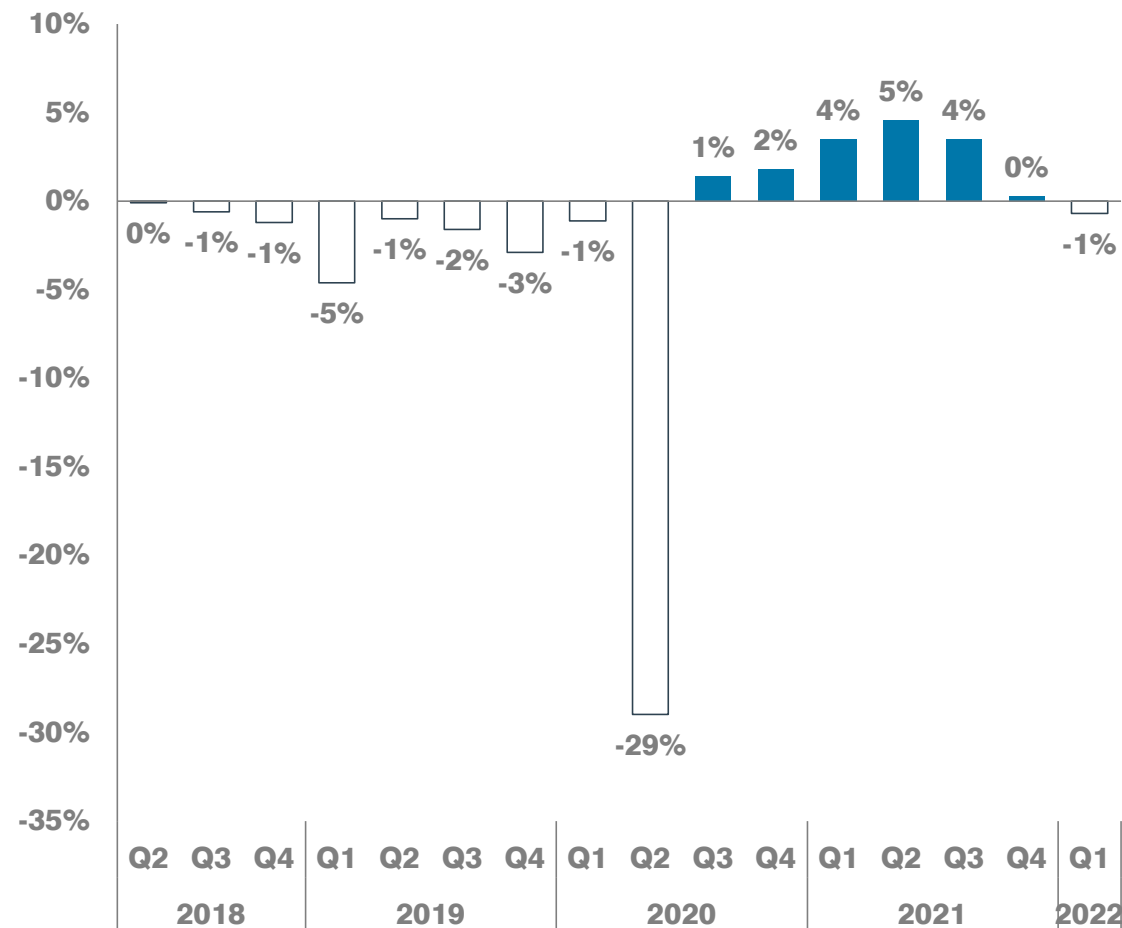


Source: Compustat, Goldman Sachs Investment Research, as of December 2, 2021. Note: Analysis looks at corporate buybacks for all S&P 500 companies. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Earnings revisions are likely to turn negative, investors will have to differentiate more

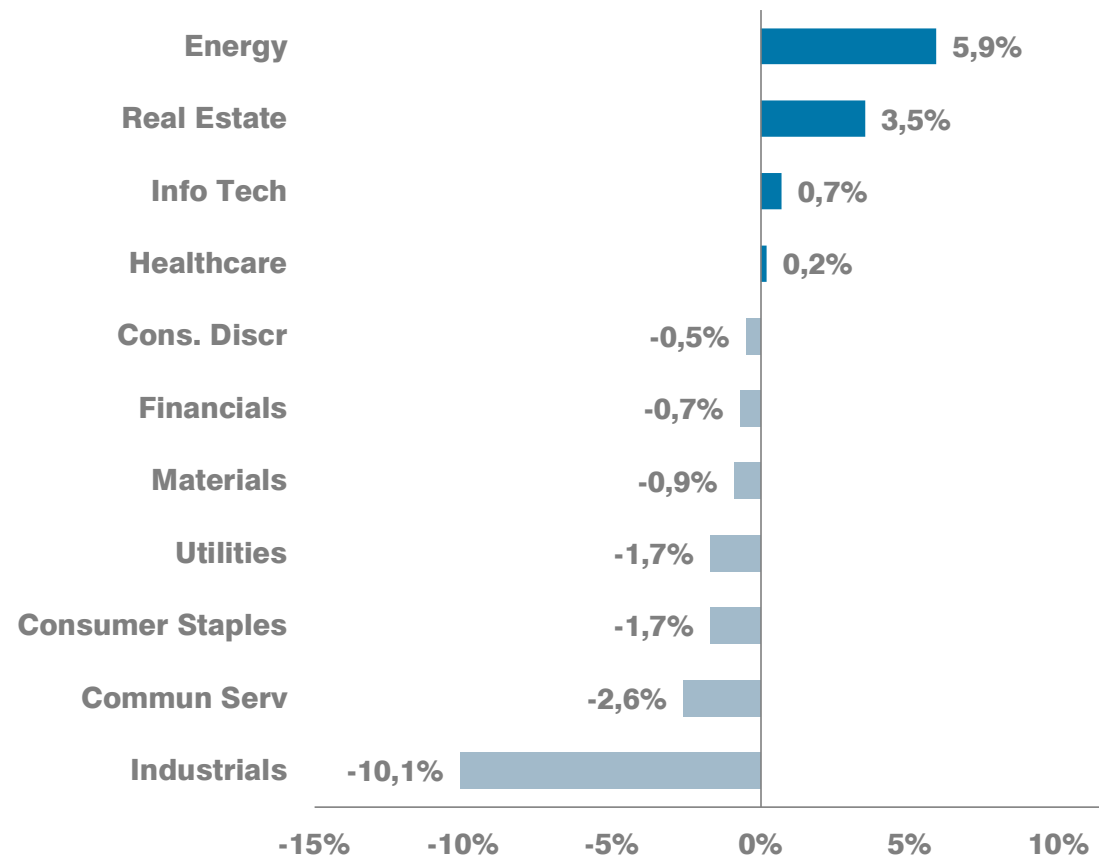
S&P 500 Earnings Revision

Change In S&P 500 Quarterly EPS: 1st Month of Quarter



S&P 500 Sector-Level Earnings Revision

Change In S&P 500 Sector-Level Q1 '22 EPS



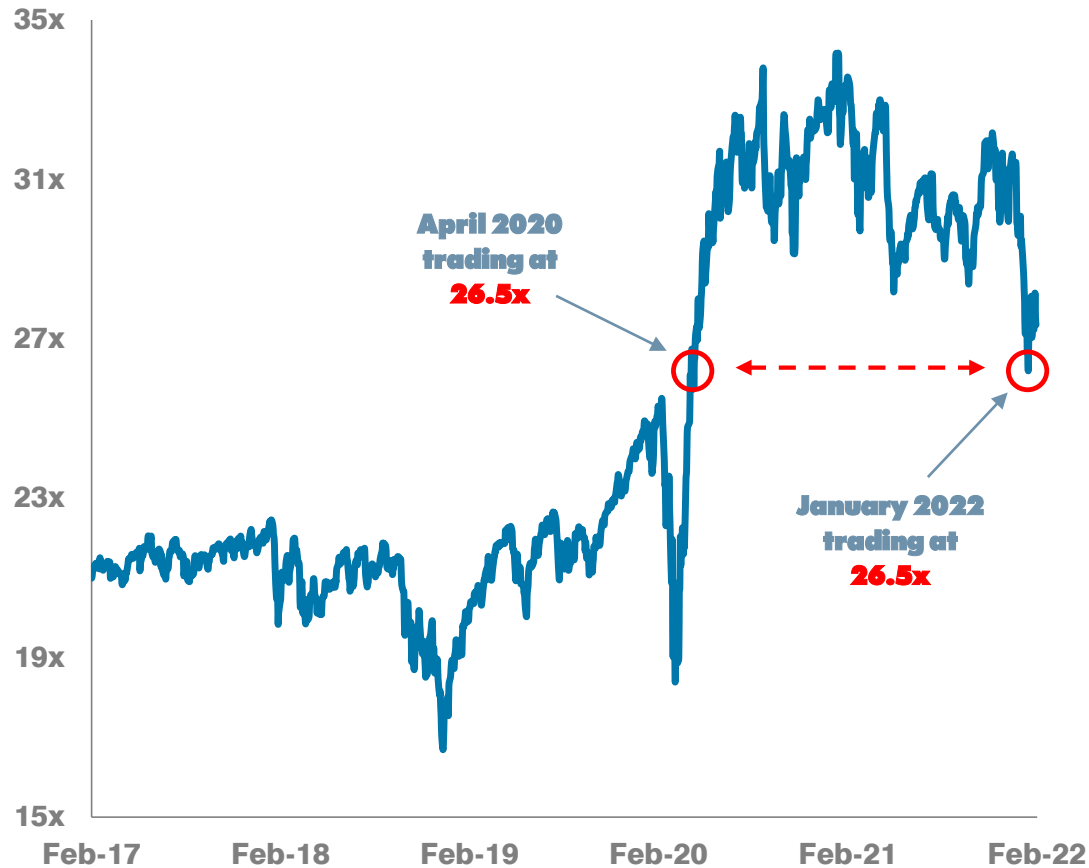
Source: FactSet, as of February 7, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Source: FactSet, as of February 7, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

After a major reset in the “frothy” valuations, it’s back to growth and out of cycles

Nasdaq Valuation Reset

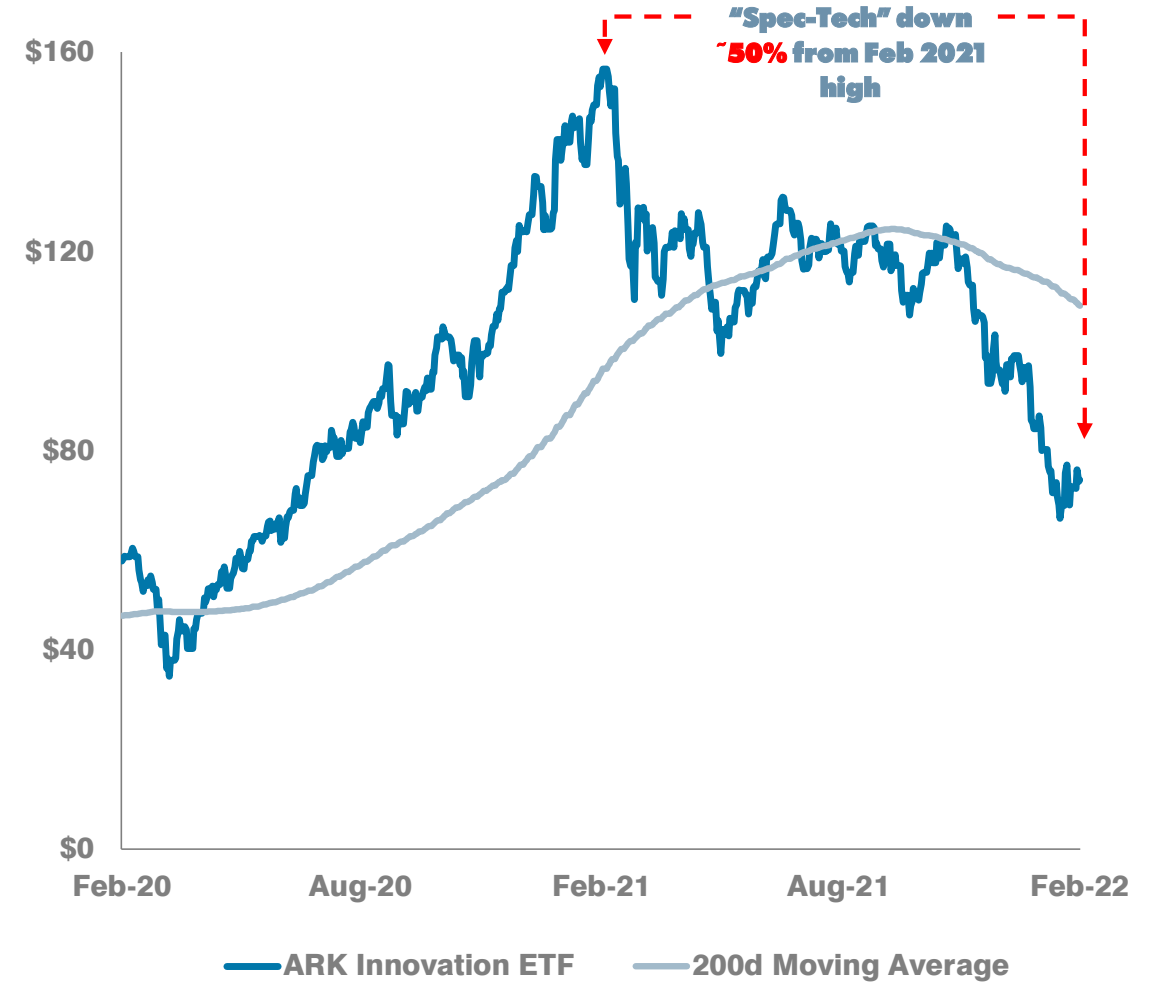
Forward 12-month P/E



Source: Bloomberg, as of February 11, 2022. Note: Forward 12-month P/E is the blended 12-month P/E for NASDAQ Composite Index. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Correction in "Spec -Tech" over prior year

ARK Innovation ETF Price w/ 200-day Moving Average



Source: Bloomberg, as of February 11, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Ideas for
Potentially
Earning
Inflation-
Beating
Returns
in 2022

IDEAS FOR POTENTIAL HYPER GROWTH:

1 **Venture Capital**

2 **Crypto
Ecosystem**

IDEAS FOR INFLATION AND RATE SHOCK-ABSORBERS:

3 **Private Credit**

4 **Real Assets -
Real Estate**

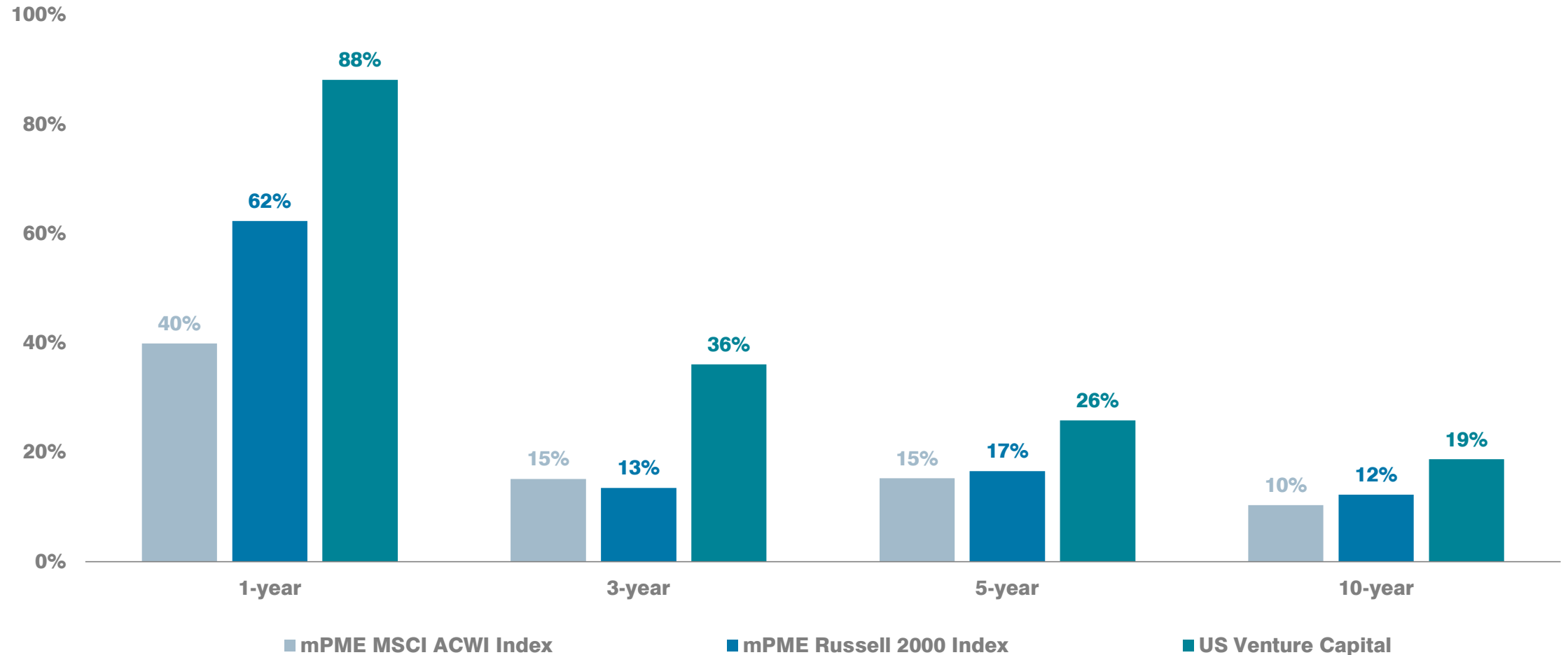
5 **Hedge Fund
Arbitrage
Strategies**

6 **Monetize
Elevated
Volatility**

Venture Capital (VC) has outperformed other asset classes over long periods

Venture Capital Return vs Public Market

Horizon Return Compared To Modified Public Market Equivalent (mPME)

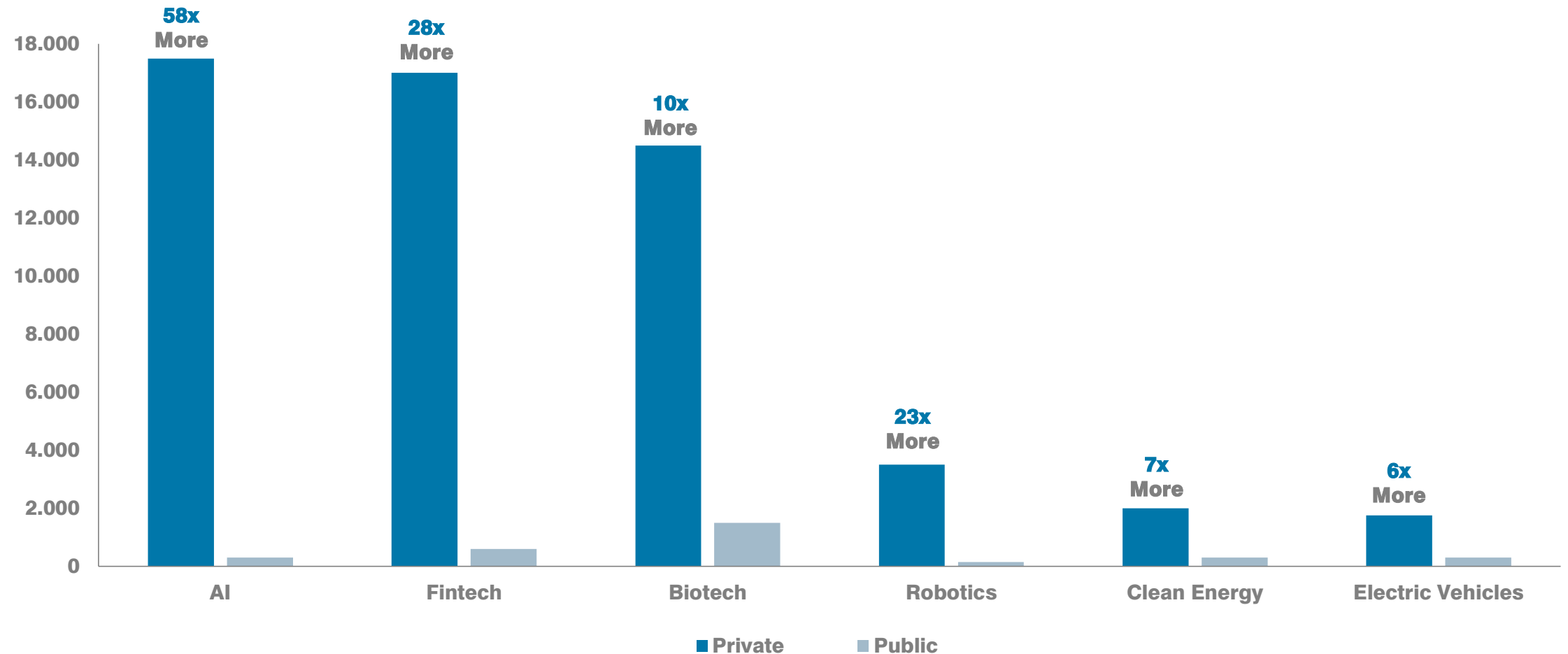


Source: Cambridge Associates, US Venture Capital Index Statistics, as of June 30, 2021. Note: VC annualized return is based on Cambridge Associates US Venture Capital Index which calculates a pooled horizon return, net of fees, expenses, and carried interest. Note: Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. It is expressed as a money-weighted return and is comparable to private market horizon return. mPME is calculated by accounting for private market contributions and distributions. Contributions are invested "on paper" in the public market index (in this case the Russell 2000 index) and distributions are taken out on the public market index in the same proportion as in the private investment. With each distribution, mPME "sells" the same proportion of the dollar value of shares owned by the public equivalent as the private investment sells in private shares.

In the innovation categories, private companies far outnumber public ones

Venture capital invests in innovation

Number of Private vs. Public Companies

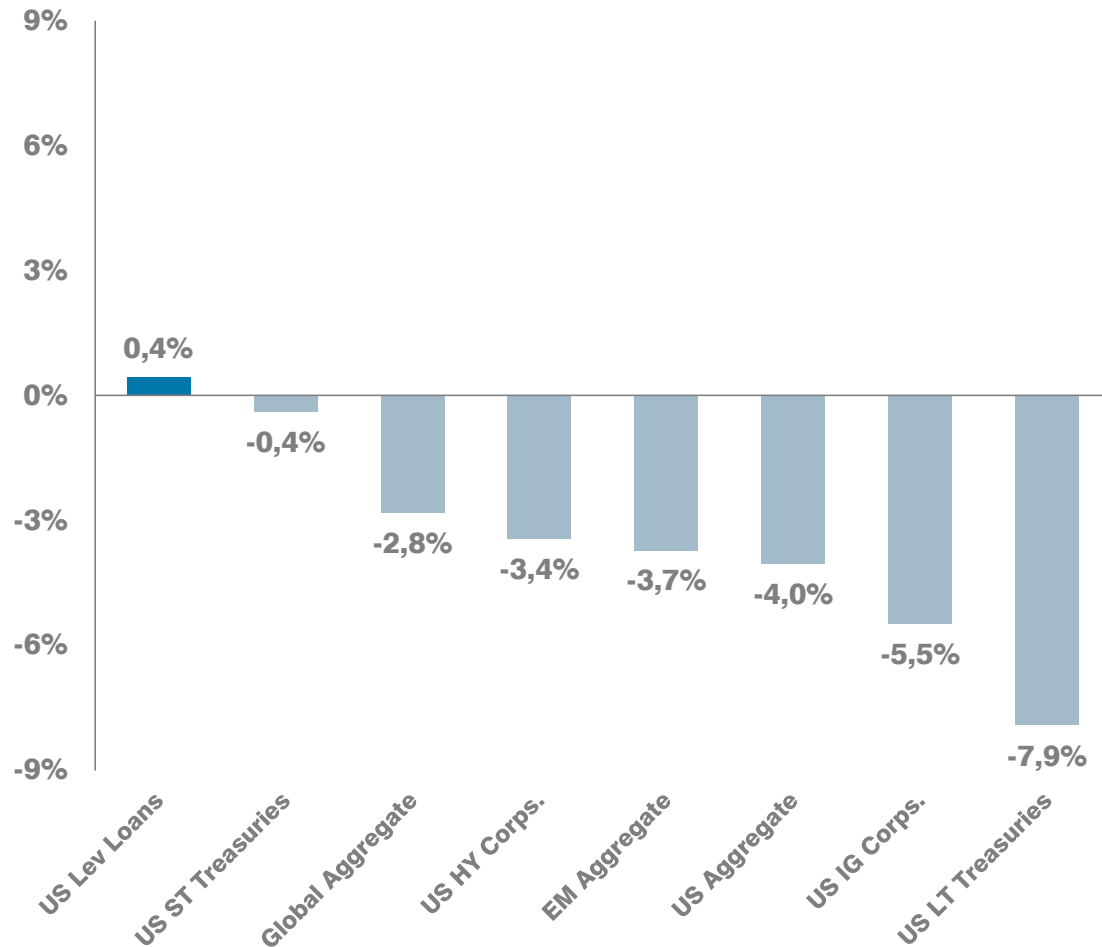


Source: Pitchbook Data, as of November 8, 2021. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

In a challenging year for fixed income, private credit can shine

Fixed Income Performance

YTD % Change, Total Return



Source: Bloomberg, as of February 11, 2022. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

High Yield vs. Direct Lending Returns

Risk-Adjusted Returns (%)

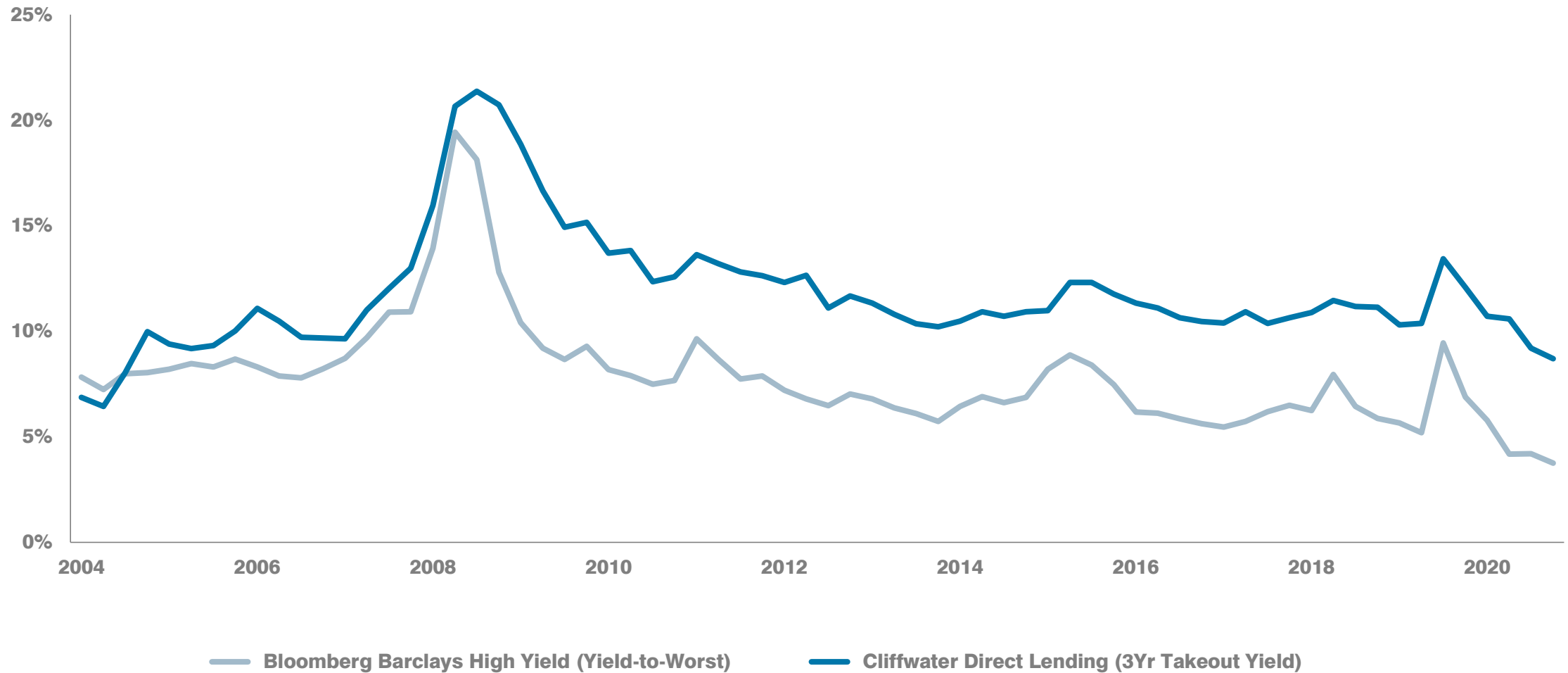


Source: Bloomberg, Cliffwater, Goldman Sachs Research as of December 31, 2021. Note: Risk-adjusted returns are based on annual total returns. Direct lending is represented by Cliffwater Direct Lending Index. High Yield is represented by Bloomberg High Yield Index and is adjusted based on volatility neutralization which is performed by reducing the amount of notional amount on the Bloomberg-Bardays HY Index such that its realized volatility equates that of the CDL Index. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Direct lending continues to offer more attractive yields than high yield bonds

High Yield vs. Direct Lending Yields

Yield Comparison

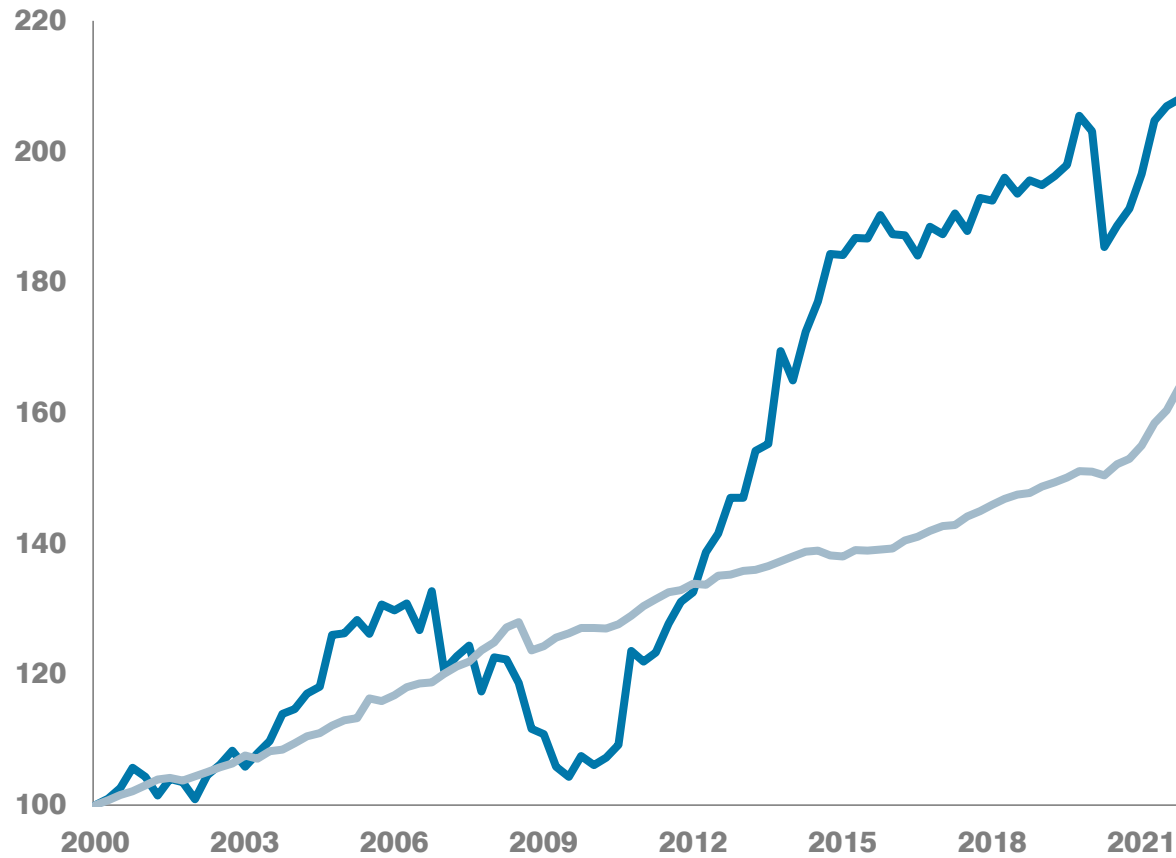


Source: Bloomberg, Cliffwater, as of September 30, 2021. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Growth in commercial real estate (CRE) net operating income has risen with increases in inflation

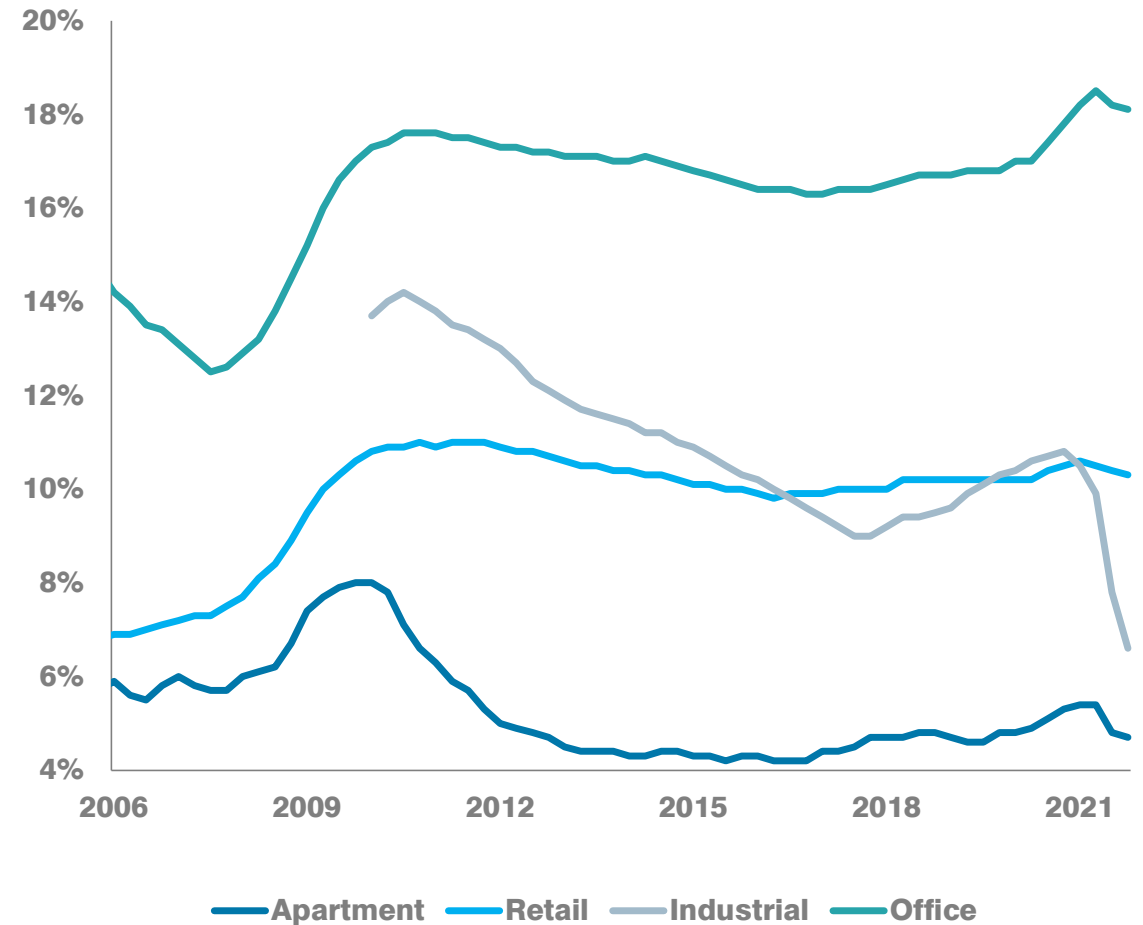
Real Estate Income and Inflation Since 2000

Normalized (2000=100)



Commercial Real Estate Vacancies

Vacancy Rate (%)



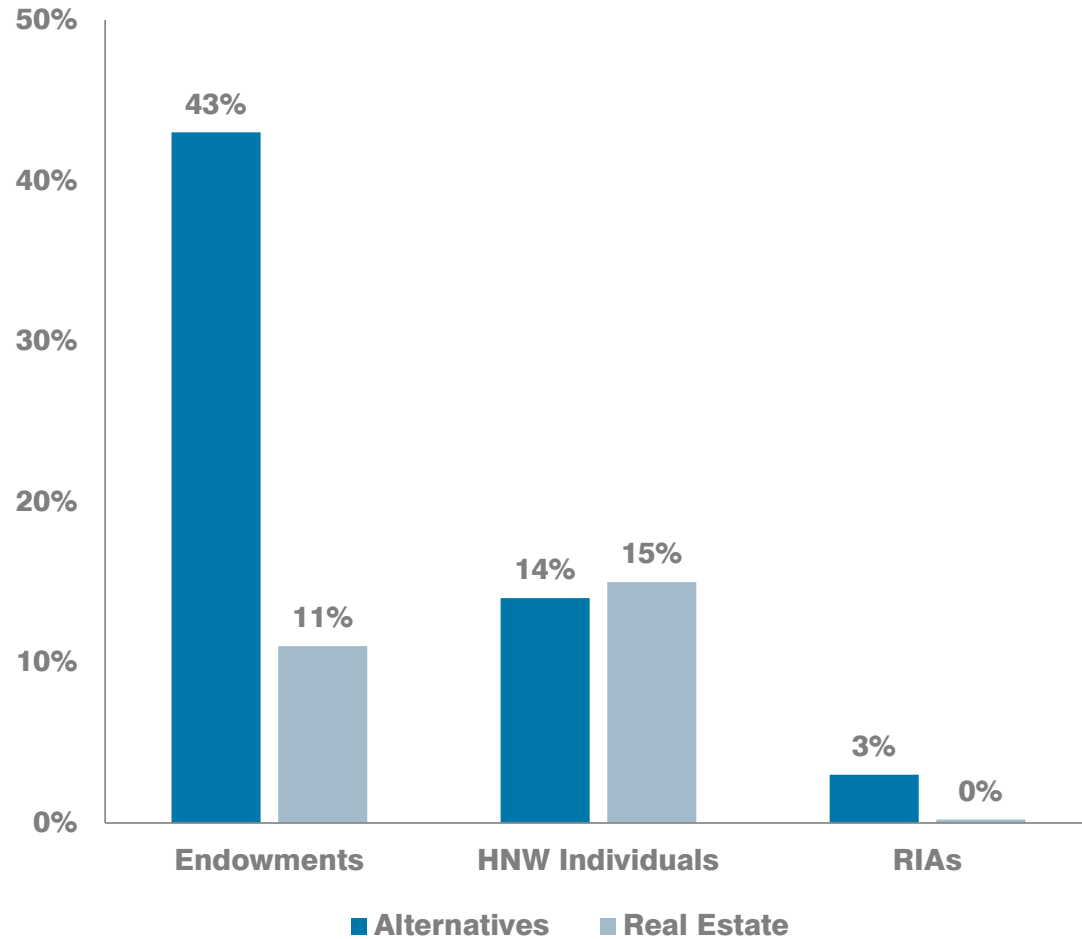
Source: Bloomberg, Bureau of Labor Statistics, NAREIT, as of December 31, 2021. Note: Real Estate net operating income growth represents the average equal-weight basket of commercial real estate sectors: industrial, office, apartment, retail. US Consumer Price Index measures the measure of the average monthly change in the price for goods and services paid by urban consumers. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Source: Bloomberg, Moody's REIS, as of December 31, 2021. Note: Rent Growth is defined as the year-on-year change in effective rent for an equal-weight basket of multifamily, retail, and office properties based in the US metro area. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Client asset allocation to these Top 6 Ideas in Alternatives has a lot more room to grow

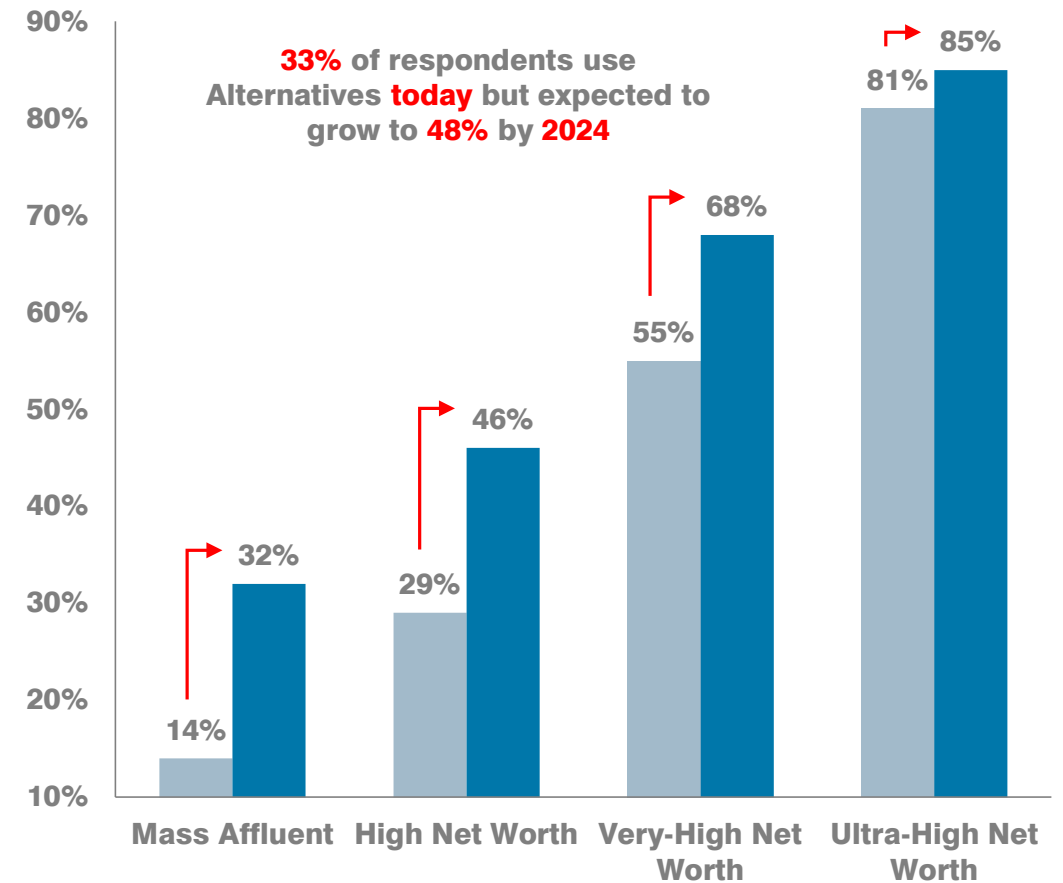
Allocation to Alternatives and Real Estate Across Investor Type

% Allocation



Current & Future Use of Alternatives by Affluence Level

Step Up in Use of Alternatives



Source: 2021 CapGemini World Wealth Report. CapGemini defines alternatives investments for HNW individuals as commodities, currencies, private equity, hedge funds, and structured products. 2020 NACUBO-TIAA Study of Endowments. Based on the overall coverage of all endowments surveyed. Study defines alternatives as Private Equity, Private Credit, Venture Capital, and marketable alternatives. 2020 Cerulli's RIA Marketplace Report. Alternatives portion includes individual equities, 60/40 proportional weighting of overall mutual funds, 60/40 proportional weighting of overall ETFs. Fixed Income portion includes individual fixed income, 60/40 proportional weighting of overall mutual funds, 60/40 proportional weighting of overall ETFs. Cash & Other includes, cash, deposit accounts, separate accounts, insurance products (fixed/variable annuities, etc.), and other. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

Source: EY Global Wealth Research Report, 2021. Note: Current and Future use is based off clients surveyed. For illustrative purposes only. Past performance is not indicative of future results. Future results are not guaranteed.

iCapital[®]

60 East 42nd Street, 26th Floor
New York, NY 10165
212.994.7400

www.icapitalnetwork.com

North America

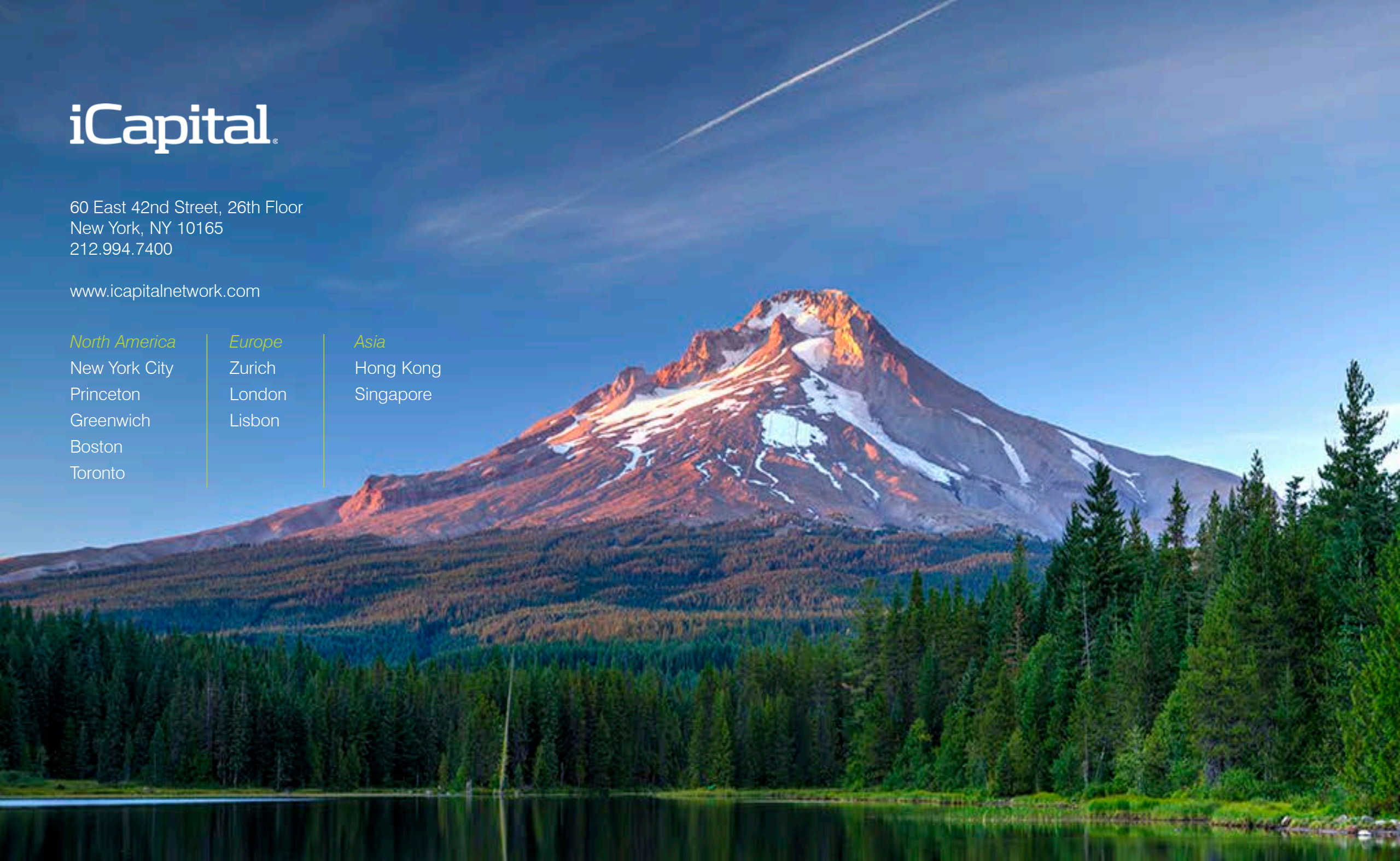
New York City
Princeton
Greenwich
Boston
Toronto

Europe

Zurich
London
Lisbon

Asia

Hong Kong
Singapore





IMPORTANT INFORMATION

This material is provided for informational purposes only and is not intended as, and may not be relied on in any manner as legal, tax or investment advice, a or as an offer to sell, a solicitation of an offer to purchase or a recommendation of any interest in any fund or security offered by Institutional Capital Network, Inc. or its (together "iCapital"). Past performance is not indicative of future results. Alternative investments are complex, speculative investment vehicles and are not suitable for all investors. An investment in an alternative investment entails a high degree of risk and no assurance can be given that any alternative investment fund's investment be achieved or that investors will receive a return of their capital. The information contained herein is subject to change and is also incomplete. This industry information importance is an opinion only and should not be relied upon as the only important information available. Information contained herein has been obtained from sources to be reliable, but not guaranteed, and iCapital assumes no liability for the information provided.

This presentation contains forward looking statements. Forward looking statements include, but are not limited to assumptions, estimates, projections, opinions, models hypothetical performance analysis. Forward looking statements involve significant elements of subjective judgments and analyses and changes thereto and/or different or additional factors could have a material impact on the results indicated. Due to various risks and uncertainties, actual results may vary materially from the contained herein. No representation or warranty is made by iCapital as to the reasonableness or completeness of such forward looking statements or to any other financial information contained herein.

Products offered by iCapital are typically private placements that are sold only to qualified clients of iCapital through transactions that are exempt from registration under Securities Act of 1933 pursuant to Rule 506(b) of Regulation D promulgated thereunder ("Private Placements"). An investment in any product issued pursuant to a Private Placement, such as the funds described, entails a high degree of risk and no assurance can be given that any alternative investment fund's investment objectives will be achieved or that investors will receive a return of their capital. Further, such investments are not subject to the same levels of regulatory scrutiny as publicly listed and as a result, investors may have access to significantly less information than they can access with respect to publicly listed investments. Prospective investors should note that investments in the products described involve long lock-ups and do not provide investors with liquidity

iCapital may have issued, and may in the future issue, material that is inconsistent with, and reaches different conclusions from, the information presented in this Those documents reflect the different assumptions, views, and analytical methods of the analysts who prepared them and iCapital is under no obligation to ensure that other reports are brought to the attention of any recipient of this document.

Securities may be offered through iCapital Securities, LLC, a registered broker dealer, member of FINRA and SIPC and subsidiary of Institutional Capital Network, Inc. iCapital). These registrations and memberships in no way imply that the SEC, FINRA or SIPC have endorsed the entities, products or services discussed herein. iCapital and iCapital Network are registered trademarks of Institutional Capital Network, Inc. Additional information is available upon request.

© 2022 Institutional Capital Network, Inc. All Rights Reserved.