



**Presentation to Economic Outlook and Revenue Assessment
Committee**

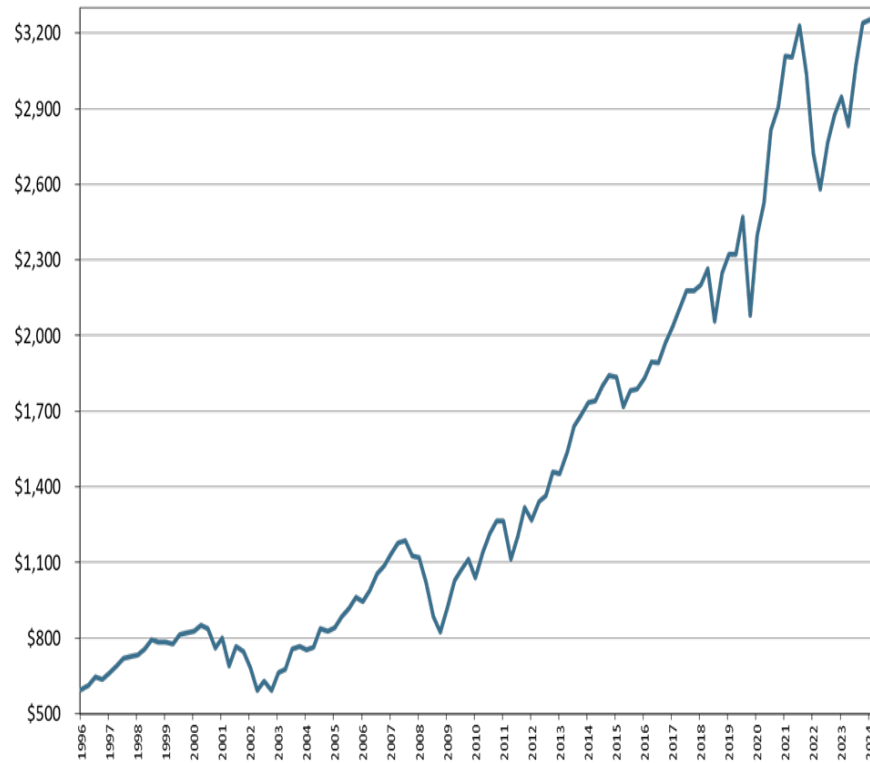
January 2, 2025

Chris Anton
Manager of Investments
Endowment Fund Investment Board

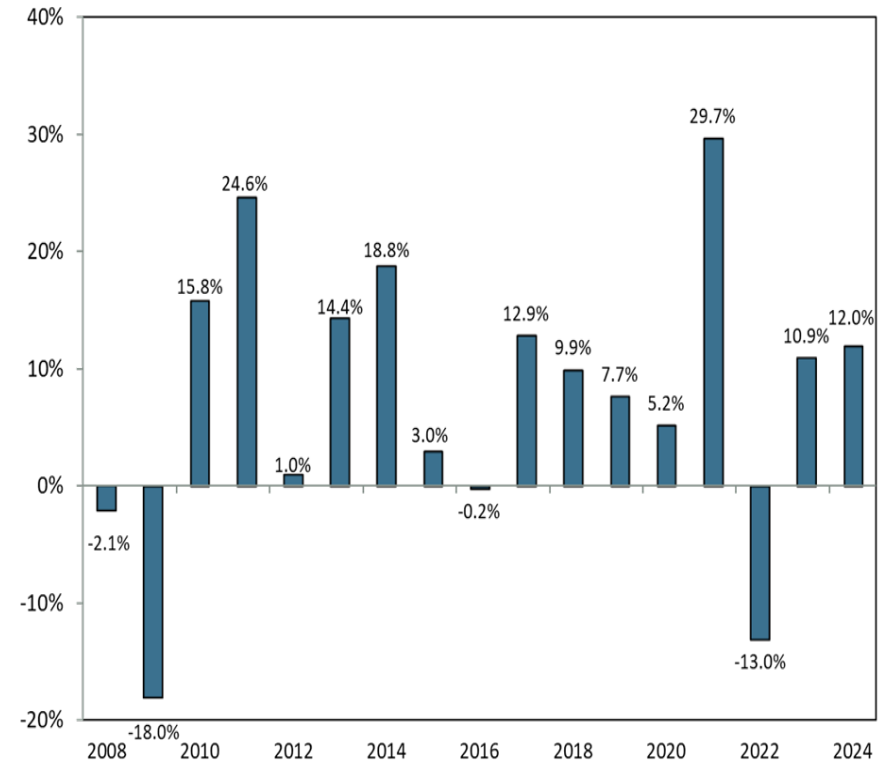
Endowment Fund Investment Board

EFIB had a solid FY2024

Total Land Grant Endowment Fund Assets
June 1996 - June 2024
(in millions)

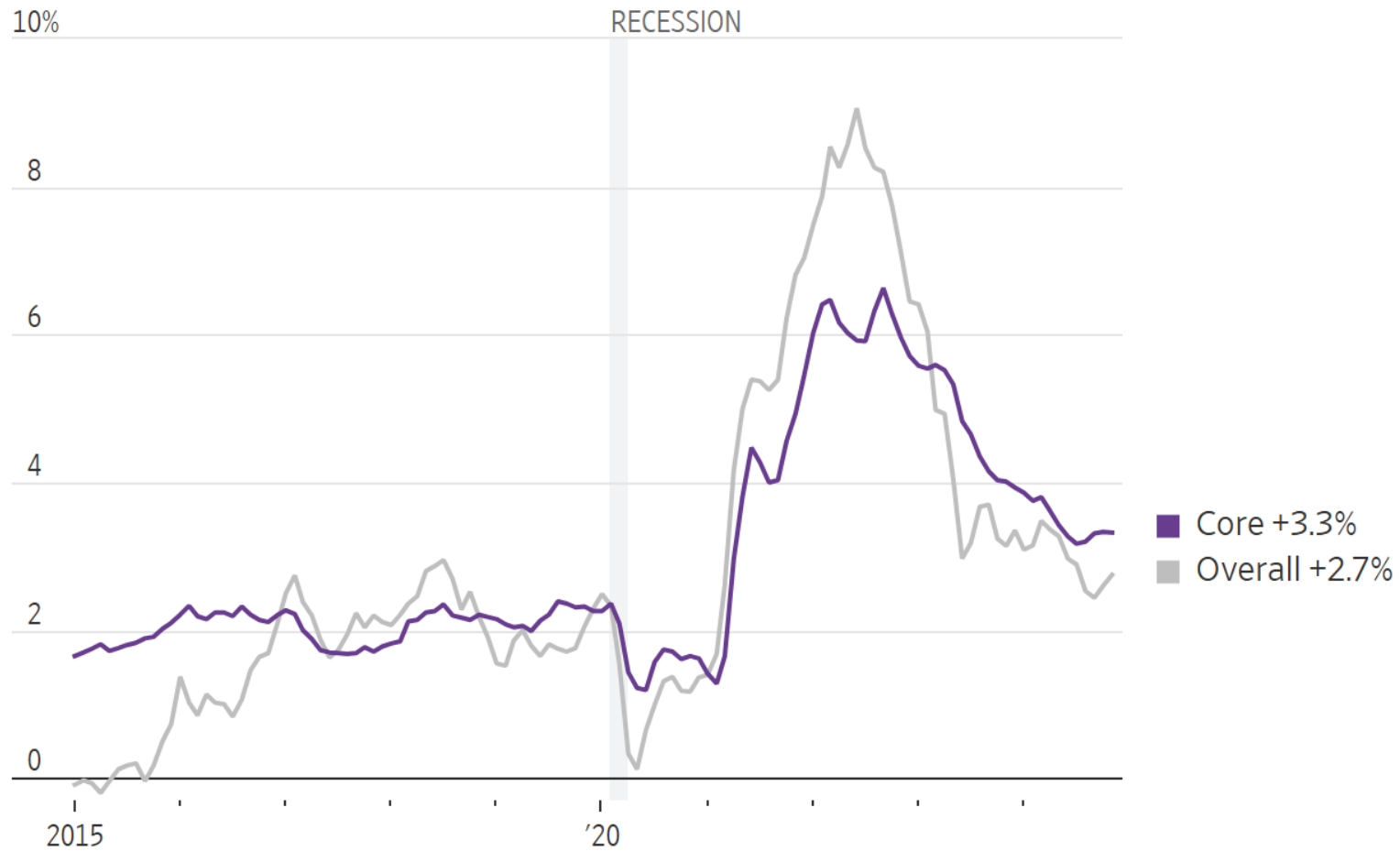


Annual Gross Fund Returns



Inflation Has Been The Big Challenge Over The Last Couple Of Years

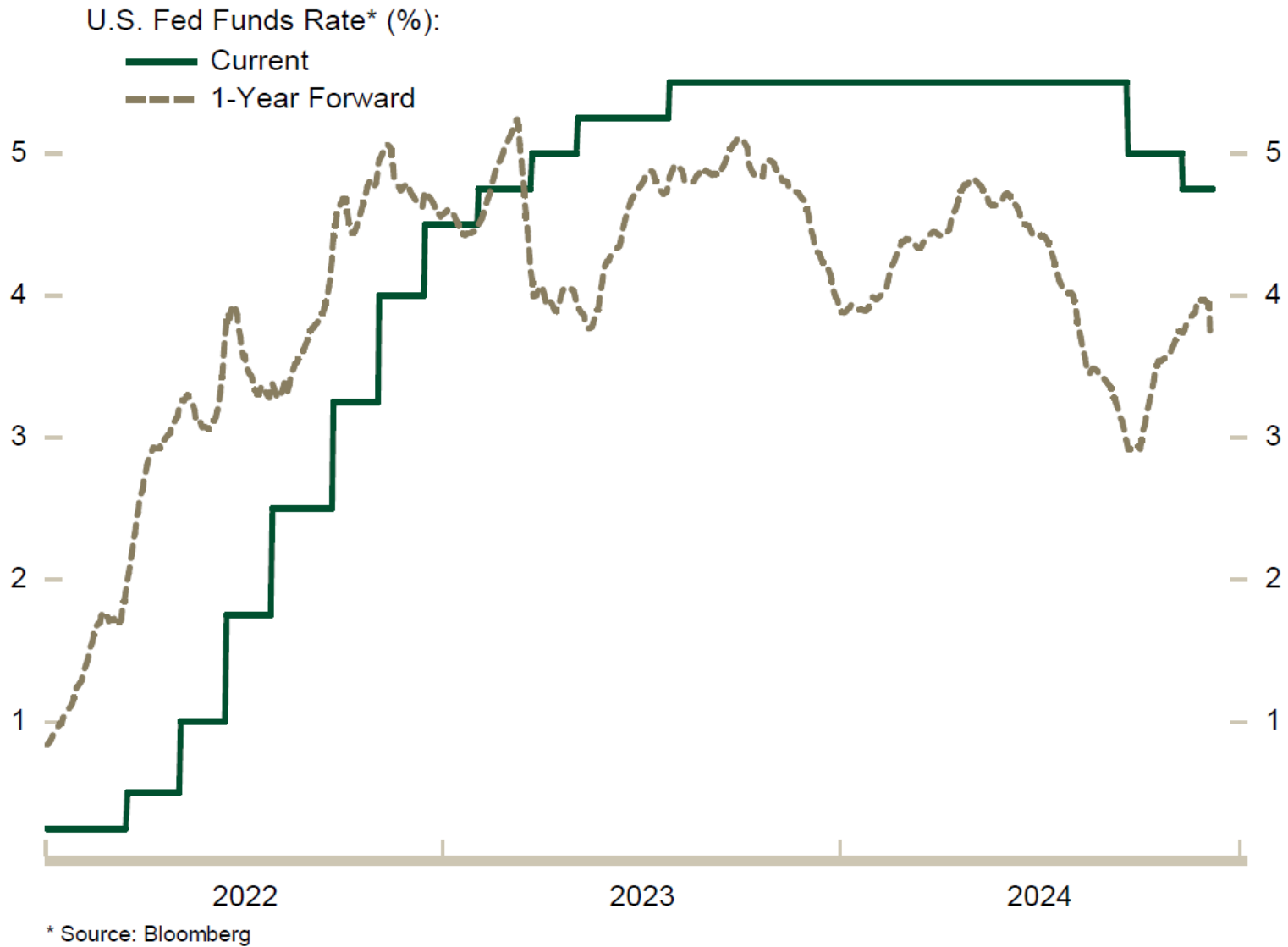
Consumer-price index, change from a year earlier



Note: Core excludes food and energy prices.

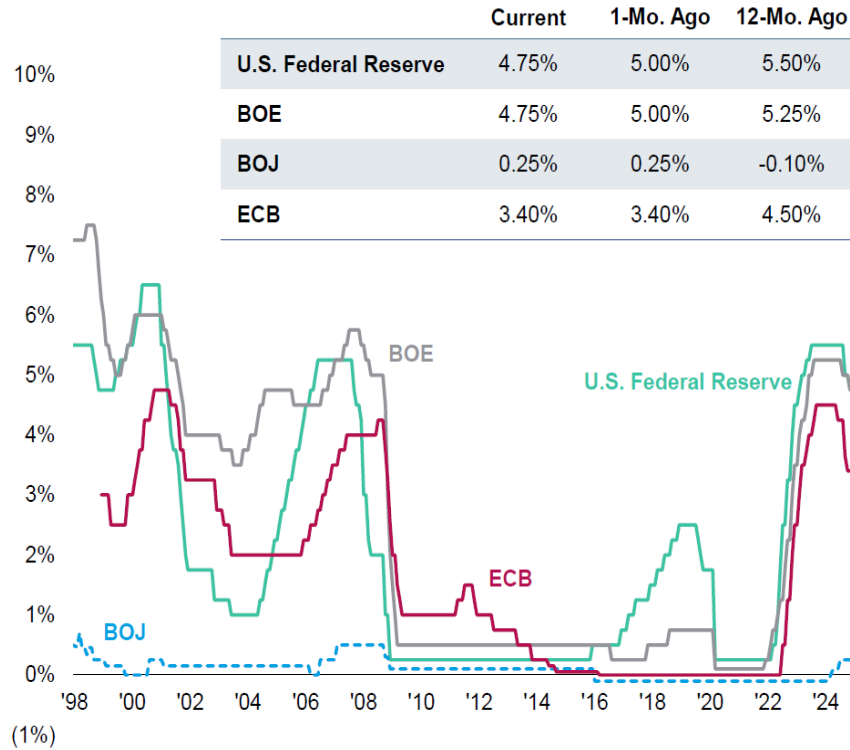
Source: Labor Department

The Fed Responded Aggressively By Hiking The Fed Funds Rate

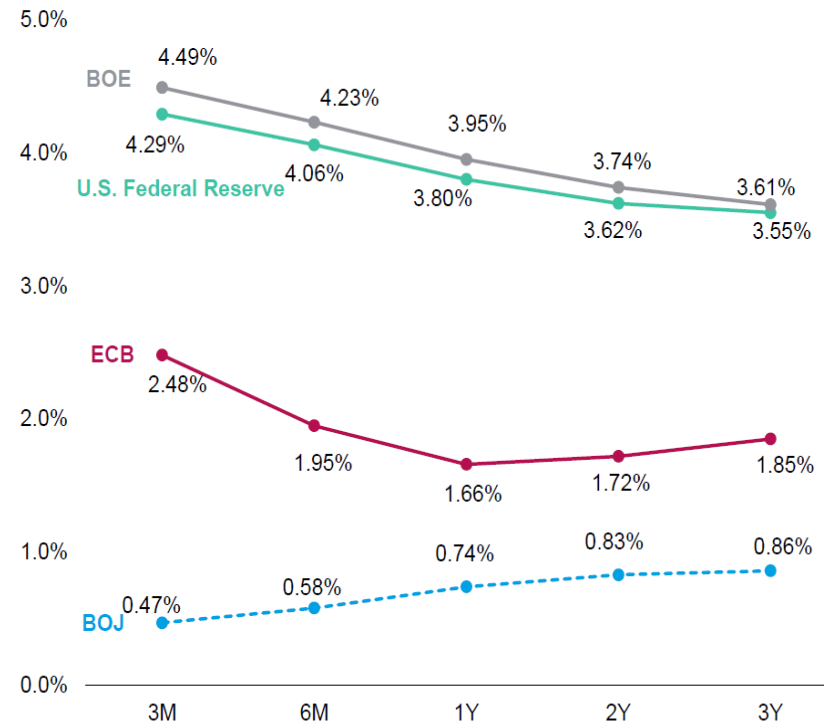


Central Banks Have Started To Ease Interest Rates as Inflation Has Moderated

Central Bank Policy Rates



Market Expectations for Future Central Bank Rates

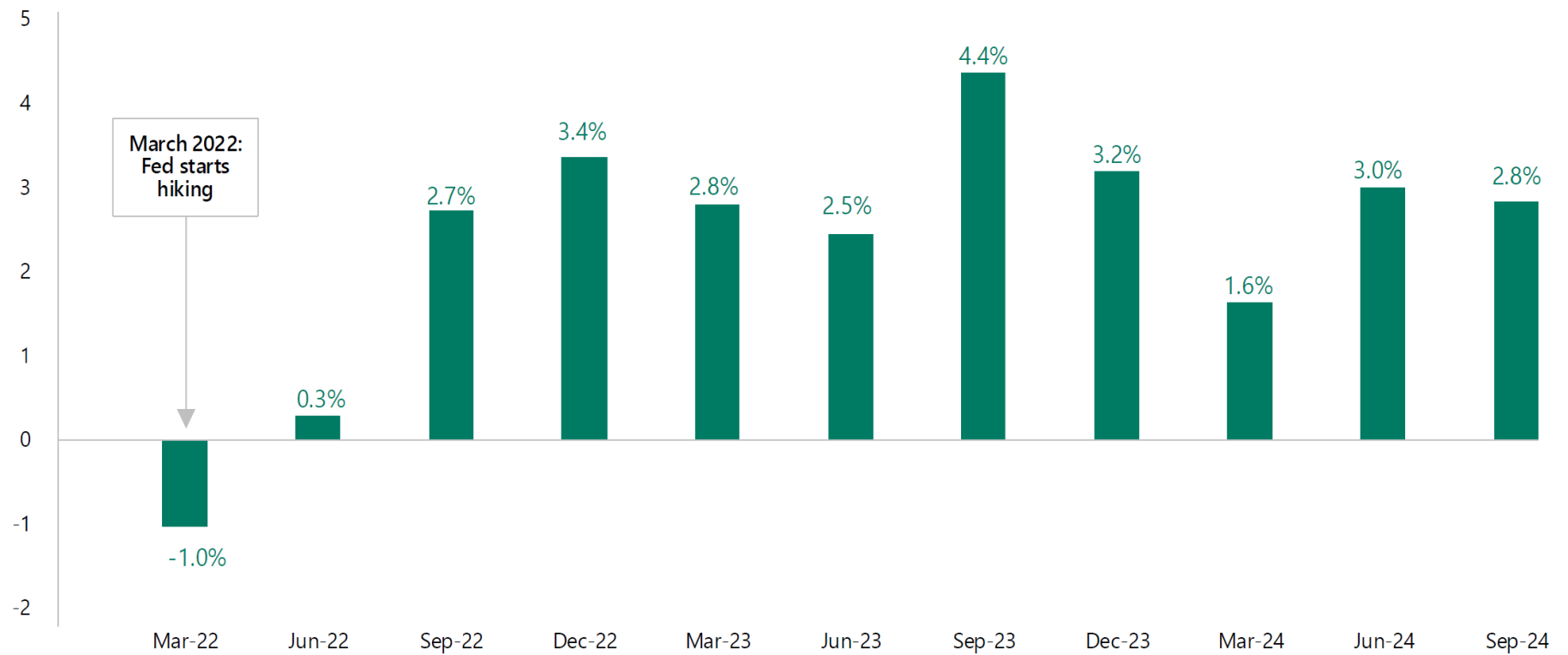


Source: Bloomberg, Factset as of 11/30/24. Data provided is for informational use only. See end of report for important additional information. Forecasts/estimates are based on current market conditions, subject to change, and may not necessarily come to pass.

U.S. GDP Growth Has Remained Solid Despite Tighter Monetary Policy

US real GDP growth

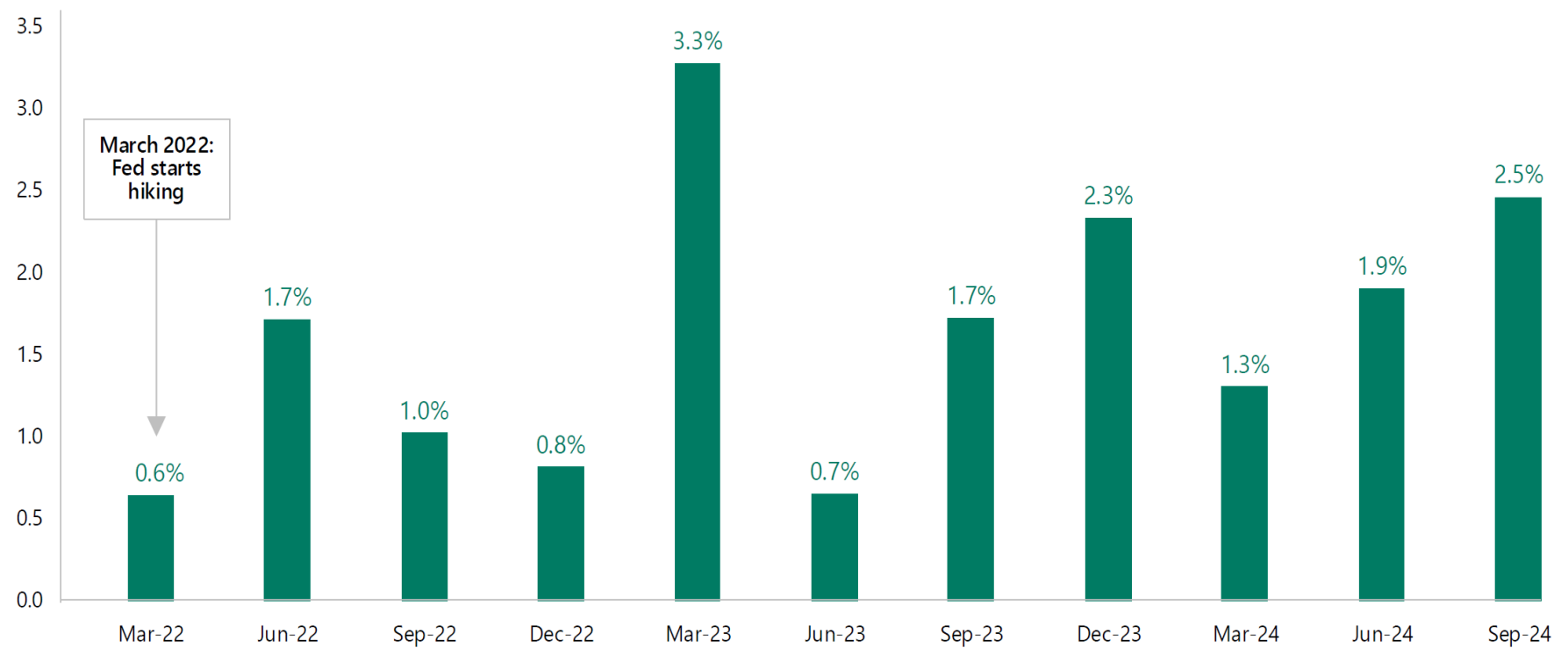
%QoQ SAAR



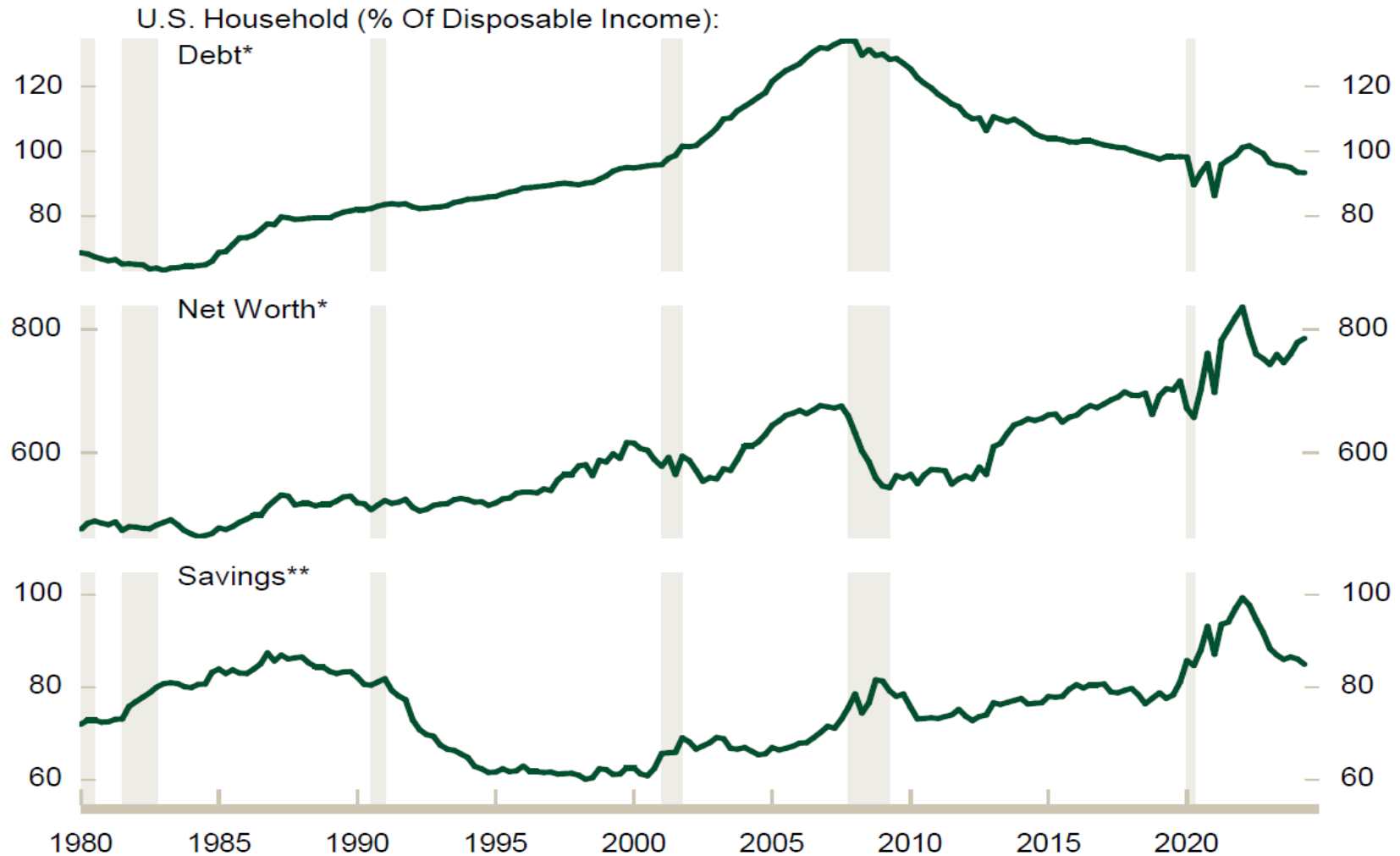
Fed Hikes Have Not Slowed Down the U.S. Consumer

Contribution of personal consumption expenditures to GDP

% pt, SAAR



Household Finances Remain Healthy But Savings Are Shrinking

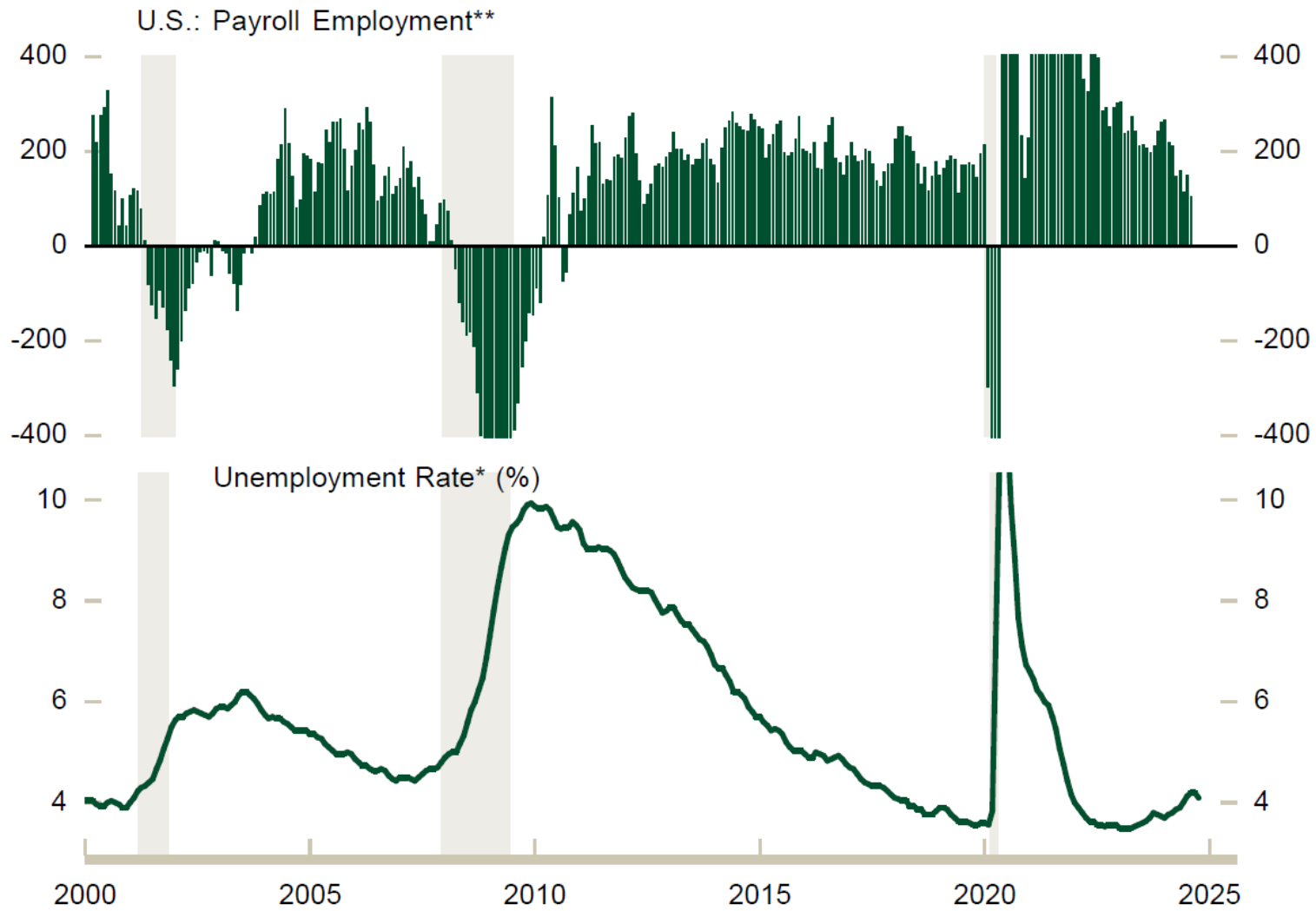


* Sources: Federal Reserve and Bureau of Economic Analysis

** Checkable and time deposits, short-term investments and money market funds

Note: Shaded for NBER-designated U.S. recessions

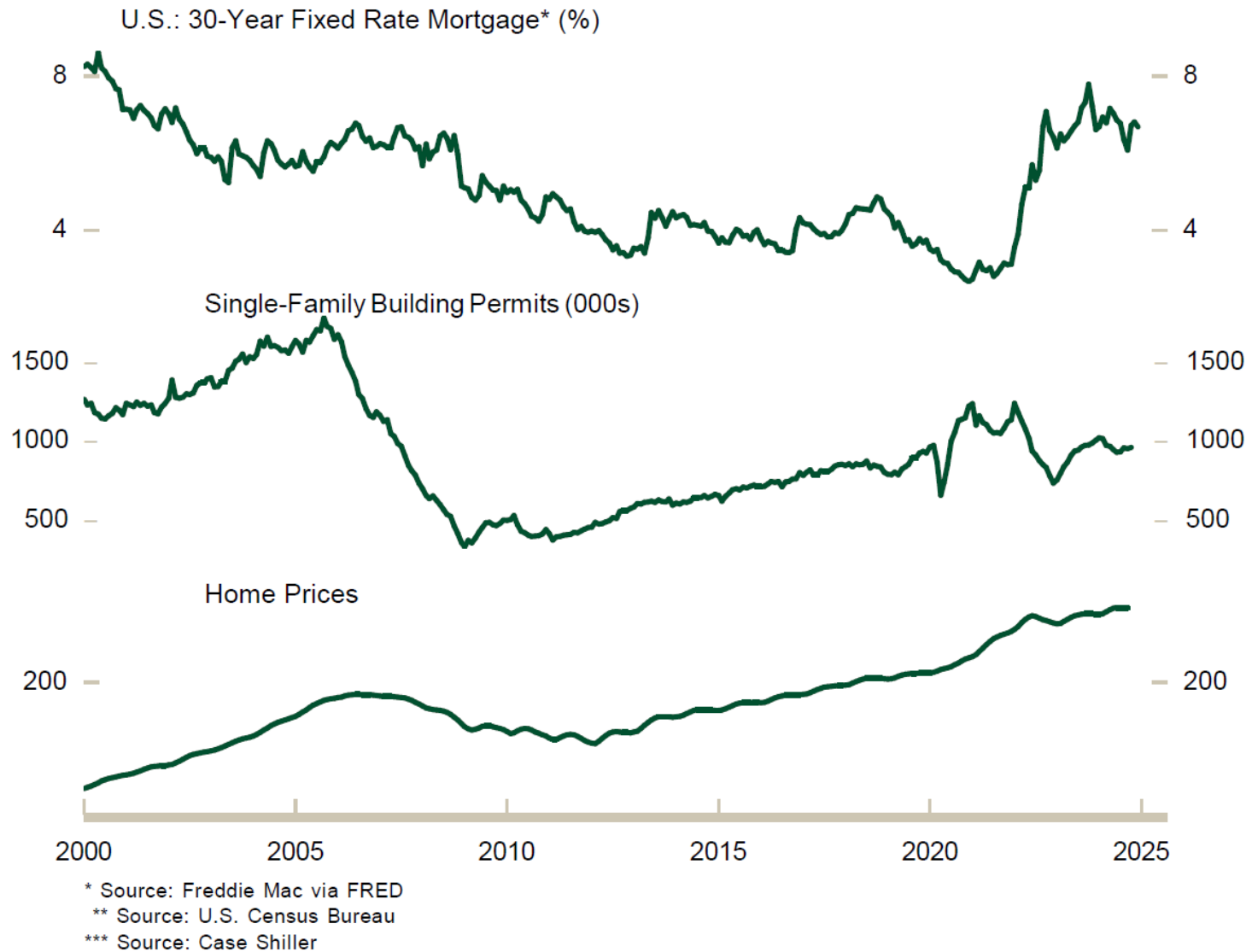
Labor Markets Have Tightened But Remain Healthy



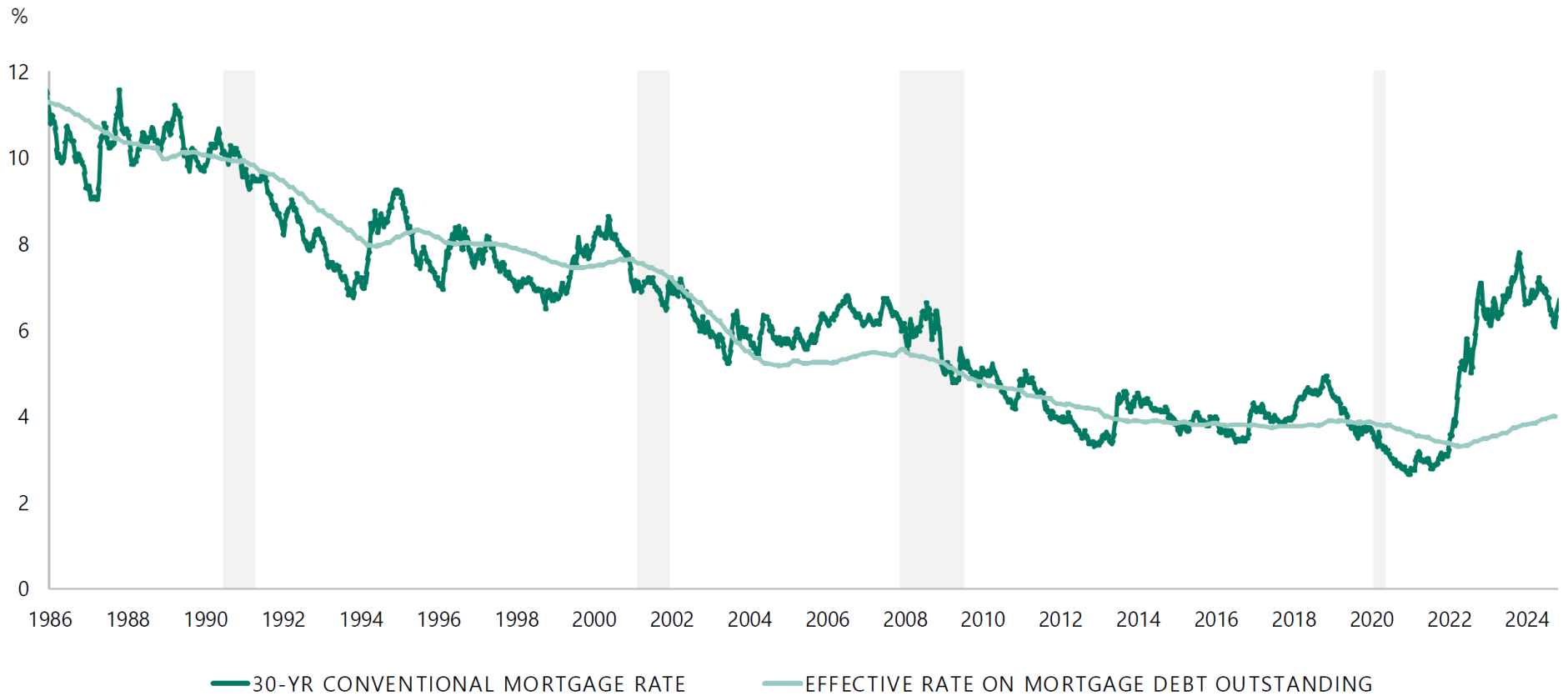
* Source: U.S. Bureau of Labor Statistics

Note: Both panels truncated; shaded for NBER-designated U.S. recessions

Home Prices Have Increased Despite Higher Mortgage Rates



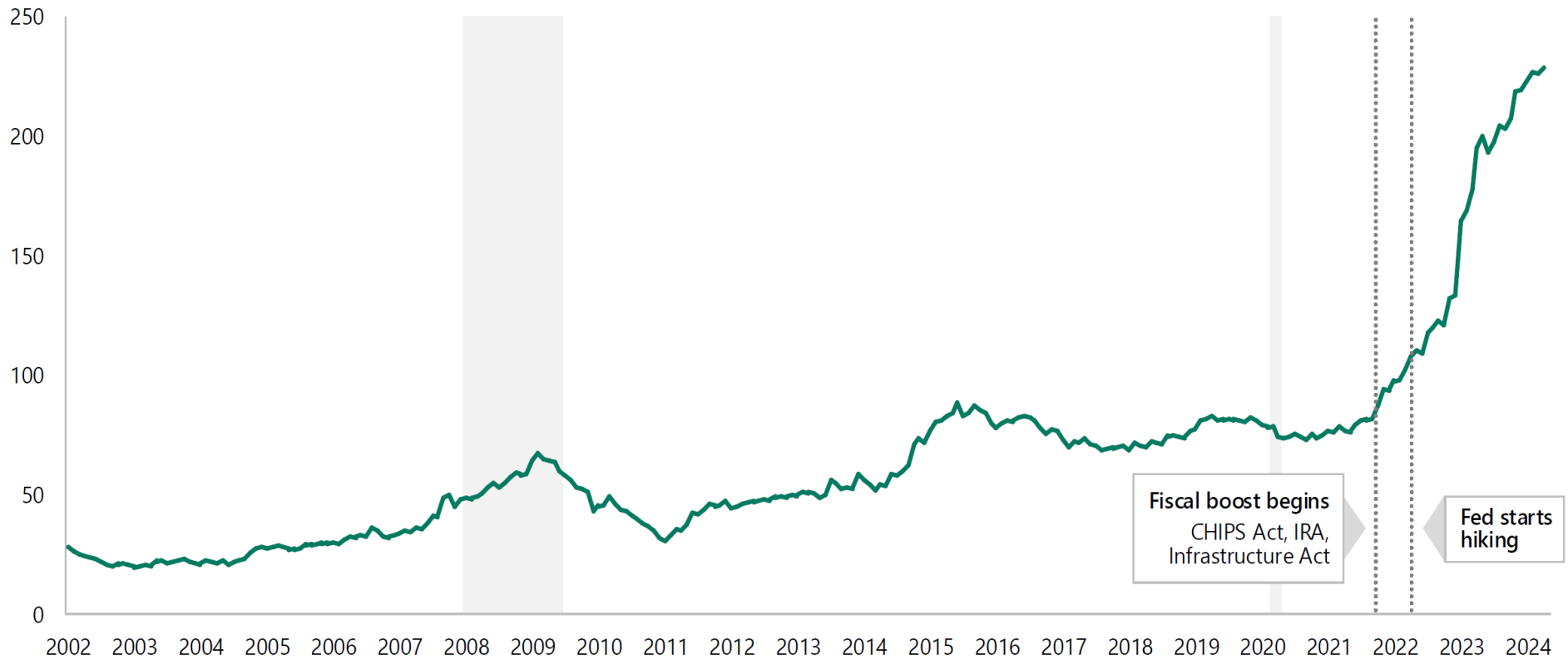
Effective Mortgage Rates Have Remained Low Because People Haven't Moved



Positive Effects of Fiscal Policy Have Helped Offset Negative Effects of Fed Hikes

US construction spending on manufacturing

\$bn, SAAR



U.S. Equity Markets Have Had Strong Performance

Market Summary > S&P 500

6,052.83

+5,304.13 (708.45%) ↑ all time

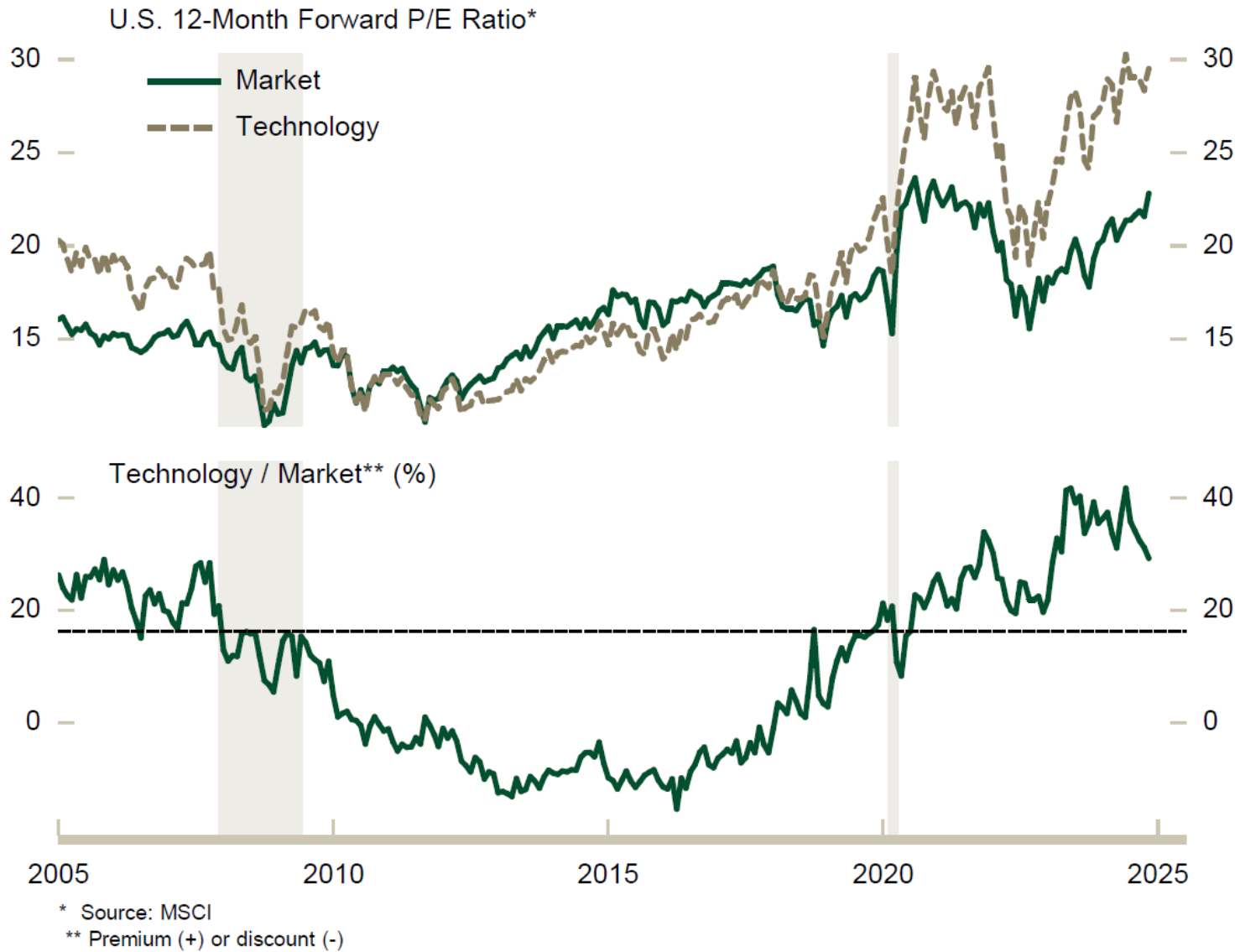
Dec 9, 3:54 PM EST • Disclaimer

1D | 5D | 1M | 6M | YTD | 1Y | 5Y | Max



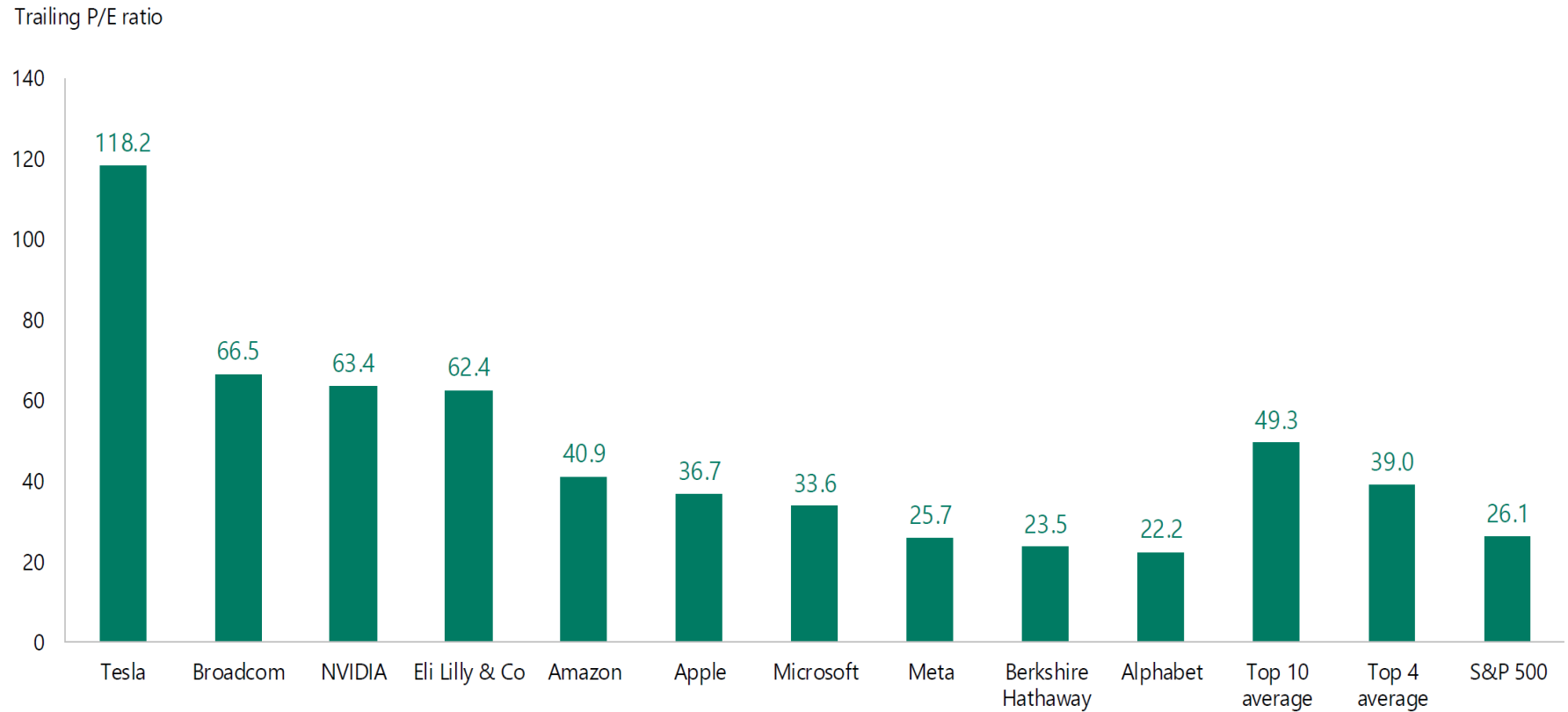
Open	6,083.01	Low	6,049.50	52-wk high	6,099.97
High	6,088.51	Prev close	6,090.27	52-wk low	4,593.39

U.S. Equity Valuations Are Rich By Historical Standards

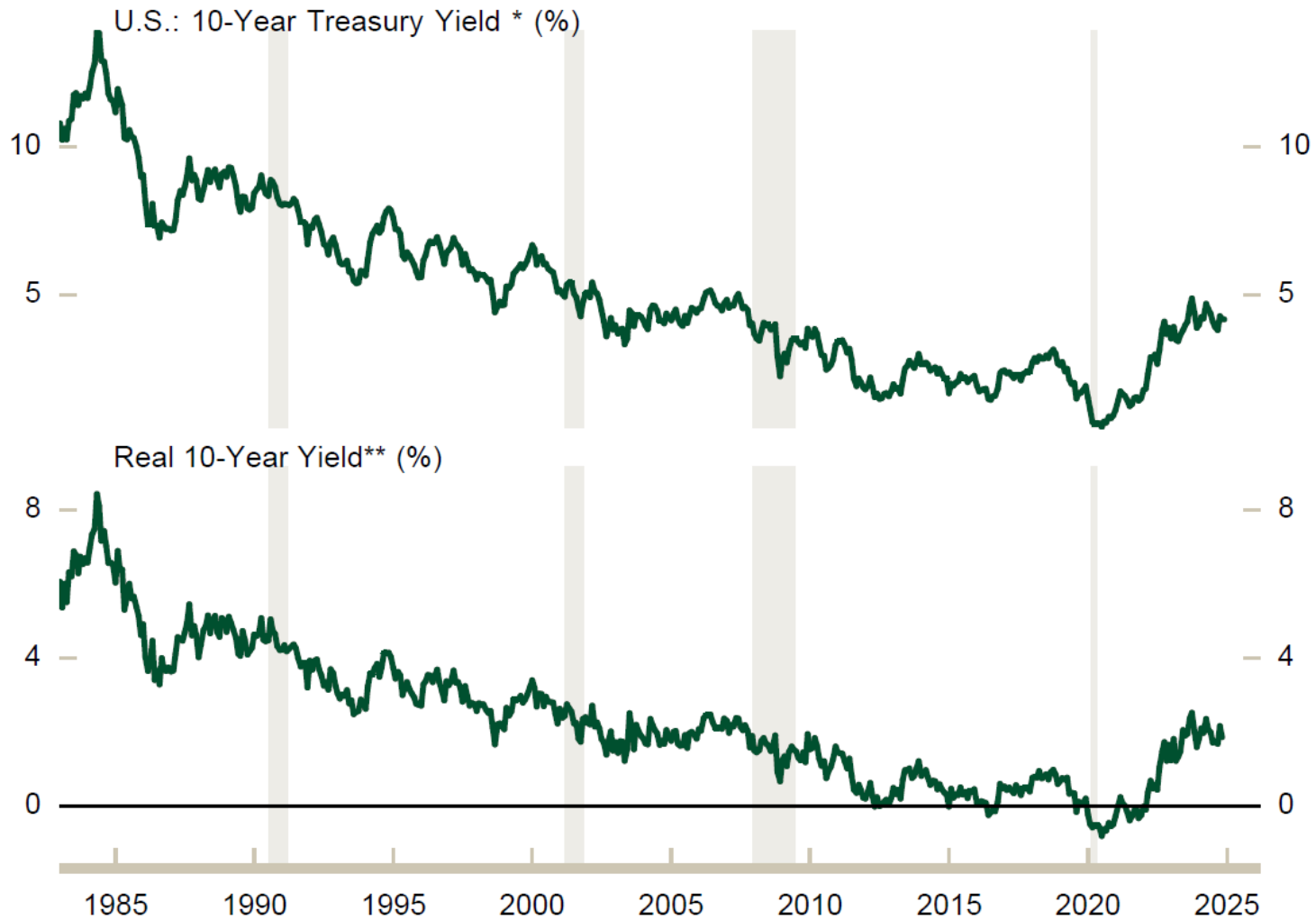


The Average P/E Ratio of Top 10 Companies in S&P500 is Almost 50!

Trailing P/E ratio of top 10 companies in S&P 500 by market cap



The Last Decade Low Treasury Yields May Have Been An Anomaly



* Source: Federal Reserve

** Nominal rate minus Cleveland Fed 10-year inflation expectations

Trump Wins The Presidential Election

- Financial Markets Have Responded Favorably To Trump's Re-election and The Republican Control of Both Houses of Congress.
- Trump Ran On A Platform That Included:
 - Lower Taxes
 - Lighter Touch With Regulations
 - Increased Tariffs – Particularly With China
 - More Drilling
 - Less Immigration
- The consensus view is that the Republican sweep will result in pro-growth policies for the U.S. However, it is important to keep in mind that Trump's policies are a mix of economically supportive measures (tax cuts and deregulation) and stagflationary measures (tariffs and deportation/anti-immigration).
- Specific implementation plans and phasing are very important.

Overall Trump's Policies Appear To Be Pro-Growth

Table 1 Trump's Policies Fatten The U.S. Economic Tail Risks

Policy	Economic Impact				U.S. Financial Market Implications		
	Growth	Inflation	Debt/Deficits	Uncertainty	Treasurys	Equities	Dollar
Tax Cuts	Up	Up	Up	---	Bearish	Bullish	---
Deregulation	Up	Up	---	---	Bearish	Bullish	Bullish
Tariffs	Down	Up	Up	Up	Bearish	Bearish	Bearish
Deportation & Anti-Immigration	Down	Up	Up	Up	Bearish	Bearish	Bearish

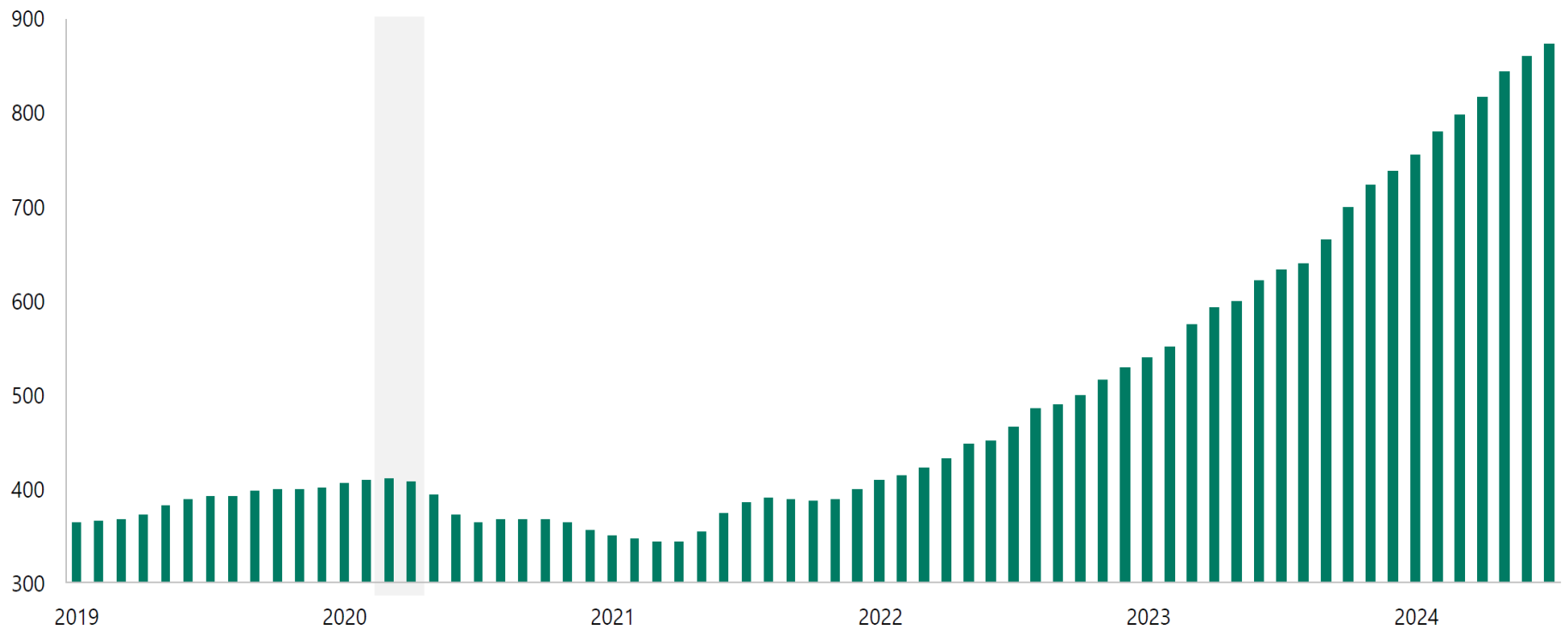
Note: Bold text denotes where policy has greatest impact

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Total U.S. Government Interest Expenses Are Approaching \$1 Trillion Per Year

Total interest expense on public issues

\$ billion, 12-month sum



The Budget Deficit Will Continue To Expand

- Trump's policies imply an increase in the budget deficit and debt relative to the prior trend.
- Deficits are projected to be high relative to GDP for the foreseeable future.
- Cutting spending is difficult because Social Security, Medicare, defense and net interest payments together represent about 65% of the total federal expenditures and are quasi-untouchable.
- There is no imminent debt crisis, but the increasing deficit could add to potential upward pressure on U.S. Treasury yields.
- It will be interesting to watch Elon Musk and Vivek Ramaswamy as they lead the new Department of Government Efficiency.

Key Themes For 2025

- The outlook for the U.S. economy remains strong with no signs of major slowdown going into 2025.
- It is too early to fully assess the impact of potential new policies following Donald Trump's election as U.S. president. Key policy objectives of lower taxes, less regulation, higher tariffs and reduced immigration could drive inflation, increase interest rates, boost asset prices and strengthen the dollar.
- The U.S. economy has charted its own path and outperformed most other developed countries. AI and large fiscal expenditures have been big contributors.
- Equity valuations are elevated which implies the upside for stocks will be significantly lower over the next few years. There is room for small and mid-cap stock valuations to improve given most haven't participated in the AI boom.
- It will be challenging for the Fed to reach its 2% inflation target next year. A resilient economy and sticky inflation may force the Fed to halt interest rate cuts next year.
- Long-term interest rates may increase if the budget deficit continues to expand.
- Global geopolitical risks have largely been ignored by financial markets but have the potential to result in disruption.