

Investment Insights

Five For 2025

November 2024

All data, projections and opinions are as of the date of this report and subject to change.

As we move through many unknowns, we look for areas of high conviction and trends that we think should prevail throughout 2025 and into 2026. While the concerns of high deficits and government debt, potential new policy initiatives, elevated geopolitical risk, and questions surrounding Federal Reserve (Fed) actions remain top of mind, we find bright spots that break through and maintain the bull market advance, in our view. We highlight our top Five For 2025:

1. The U.S. corporate profit cycle powers on with attractive growth expected again in 2025.
2. The equity markets head into phase two of rebalancing, which would allow for broader participation as the fundamentals are likely to improve across the “rest of the best”.
3. Lower short- and intermediate-term interest rates as we expect the Fed to cut rates, which should provide some relief to Small-capitalization shares and support a merger and acquisition cycle in Mid-capitalization stocks.
4. A steeper yield curve would provide more normalcy in the Fixed Income markets.
5. Disruptive Innovation led by the Artificial Intelligence revolution could begin to unfold across a variety of industry groups helping to sustain solid corporate profit margins, increase productivity measurably, and support the build-out of the power generation and infrastructure themes.

All of the above sustains the global competitiveness and market attractiveness of the U.S. relative to the rest of the world.

The Five For 2025 are all part of our next decade thesis of the Advancement of the Asset Light Era. In this era, the economy and corporate America increasingly become “asset light” given rapid innovation and the continued focus on experience spending. At the same time, cash-rich asset light companies are increasingly in need of asset-heavy infrastructure to advance their growth. This combination, along with the fact that investment demand in a wide variety of assets should increase as the need to invest more for retirement accelerates, should support our view of rising asset prices in general in the years ahead. While it is natural to focus on the known unknowns, we shift our attention to our Five for 2025. We maintain our tactical Equity overweight relative to Fixed Income, our diversified, balanced approach in Growth versus Value, and continue to favor the U.S. relative to the rest of the world as we close out the chopiness at the end of 2024.

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YEAR AHEAD CIO THEMES

Artificial Intelligence

- Generative AI
- Data Analytics/Storage
- Power Demand/Generation/Storage
- Cloud Evolution
- Robotics/Automation
- Productivity Wave

Demographics

- Ageing/Longevity
- Biotechnology Innovation
- Great Wealth Transfer
- Investment Retirement Demand

Infrastructure Redevelopment

- Energy Addition
- Nuclear Renaissance
- Grid (Transmission/Distribution)
- Data Centers

Security

- Defense
- Space/Drones
- Cybersecurity
- Supply Chain Reconfiguration
- Reshoring/Onshoring Buildout

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