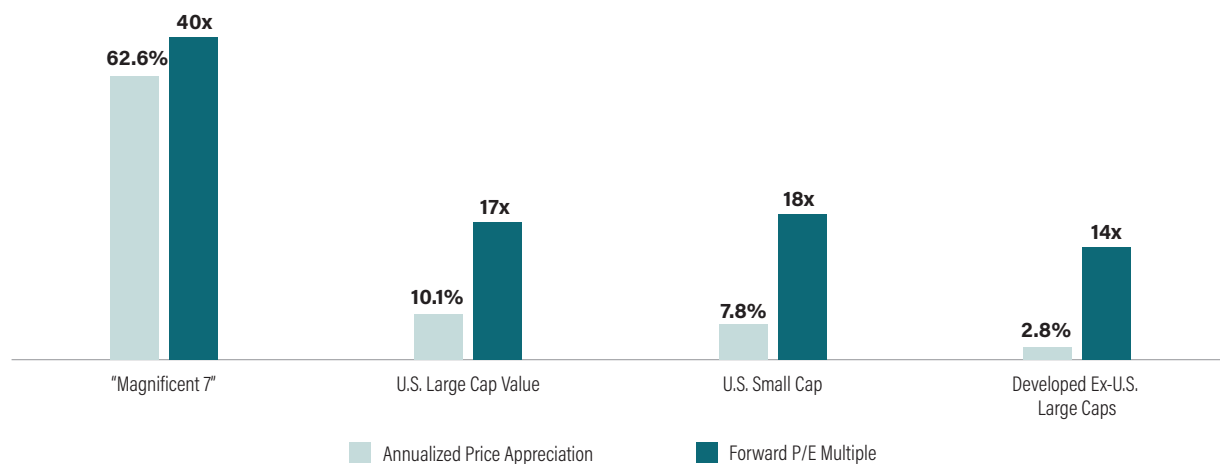


Solving for 2025

The Stage Is Set for Broadening Equity Market Performance

OPPORTUNITY IN VALUE STOCKS, SMALL CAPS AND NON-U.S. MARKETS

Five-year annualized price appreciation and current valuation



Source: FactSet, Standard & Poor's, MSCI, Neuberger Berman. Indices: Equal-weighted portfolio of Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla with no rebalancing; S&P 500 Value Index; Russell 2000 Index; MSCI EAFE Index. The P/E multiple for Magnificent 7 is the mean of the seven constituents as of October 31, 2024. The P/E multiple of the Russell 2000 Index is calculated with negative earners excluded. Data as of November 11, 2024.

What does it show?

The "Magnificent Seven" stocks have performed exceptionally strongly. While their earnings have also grown, price appreciation has pushed up valuations.

What does it mean?

Passive U.S. large-cap investing now has a distinctly "growthy" and "tech" rather than "core" flavor, due to these stocks becoming a larger portion of the benchmark indices—just as other parts of the market look set to close the earnings and performance gap.

What is our take for 2025?

We think earnings growth can improve outside of large-cap tech, while mega-cap tech growth normalizes. Value stocks, small caps and non-U.S. stocks could benefit from investors seeking more attractive value.

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