

VALUE UNLOCKED

Navigating Opportunities for Long-term
Value: 2024 Recap & 2025 Outlook



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Foreword

As we conclude a transformative year in 2024, we stand at the threshold of an exciting new chapter in 2025. The global economic landscape has shown remarkable resilience, adapting to shifting challenges and emerging stronger. With inflation cooling, central banks adjusting interest rates, and growth prospects reigniting investor confidence, we are entering a period ripe with opportunities. However, navigating this evolving environment requires focus, discipline, and a long-term perspective.

In this report, we explore key themes and trends shaping the investment horizon for 2025, from the growing role of private markets to the enduring appeal of gold as a safe haven. We also highlight the importance of staying aligned with quality investments and identifying sectors poised for sustainable growth, including those driven by technological innovation and infrastructure development.

At Lunar Asset Management, our approach remains rooted in a commitment to delivering long-term value for our clients. We invite you to explore the opportunities ahead and reflect on how we can continue working together to position your portfolio for success in the coming year.

Sincerely,



Shernel Thielman
Senior Investment Manager

Key takeaways

- 01 Economic Resilience**
2024 saw growth despite challenges, with eased rates boosting confidence.
- 02 2025 Opportunities**
Focus on infrastructure, energy, and AI for investment growth.
- 03 Private Markets**
Private credit and equity offer strong returns amid tighter lending.
- 04 Gold's Stability**
Gold remains a reliable hedge against economic uncertainties.
- 05 Long-term Drivers**
The "Five Ds" shape future investment trends.

Introduction

The year 2024 has been a year of resilience, with global markets adjusting to shifting economic conditions and emerging stronger. As we enter 2025, exciting opportunities lie ahead, driven by advancements in technology, infrastructure, and evolving market trends.

Key sectors such as private markets and gold remain critical for long-term growth, offering unique opportunities for investors. By focusing on quality investments and the structural shifts shaping the economy, we are well-positioned to help our clients navigate these changes and achieve sustained success in the coming year.

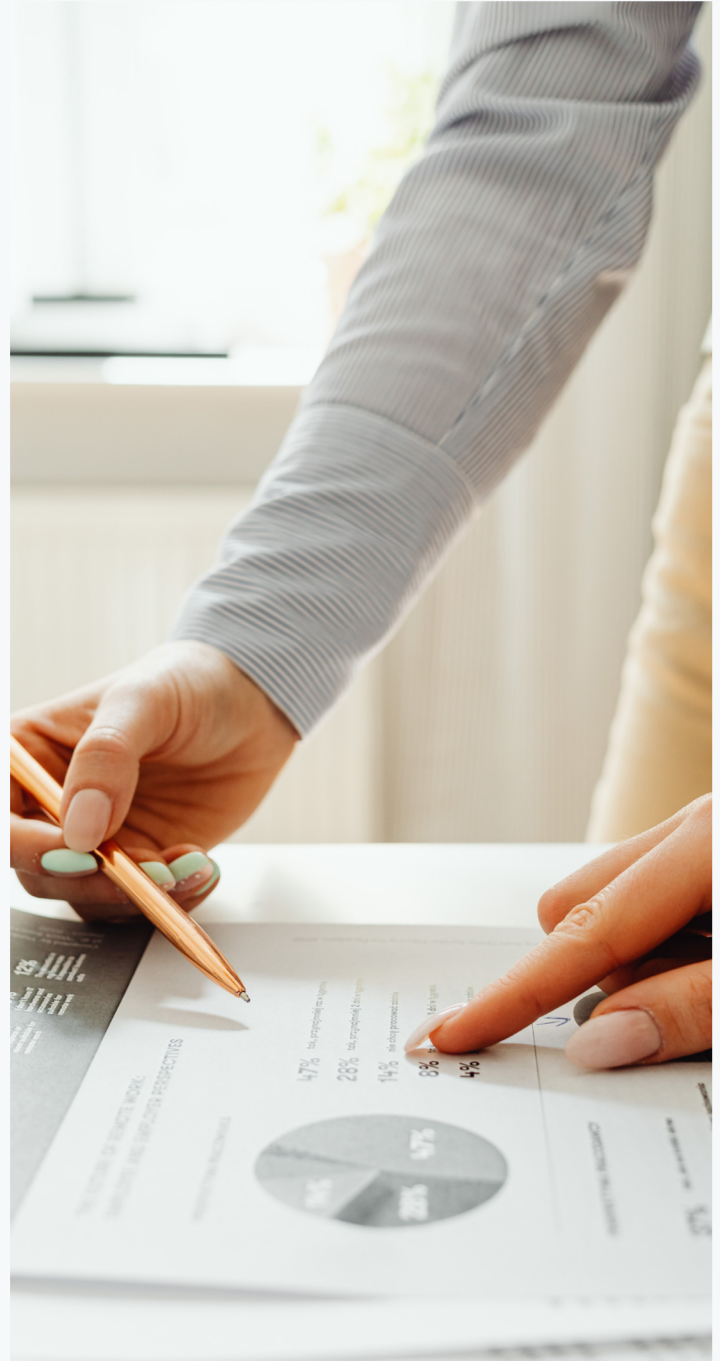


2024: Resilience Through Change

The global economy in 2024 showcased its ability to adapt and progress despite challenges. Inflation, once a central concern, has steadily cooled, enabling central banks—most notably the U.S. Federal Reserve—to begin easing interest rates. Falling rates have not only stabilized growth expectations but also reignited investor confidence, creating a favorable environment for risk assets.

U.S. equity markets, supported by strong corporate earnings and resilient consumer demand, climbed further in 2024. While valuations reached historically elevated levels, particularly in growth sectors, this has not hindered returns. As we have seen before, when cyclical tailwinds are strong, valuations alone are rarely a ceiling.

Over the past four years, markets have weathered extraordinary disruptions—from pandemic-induced supply shocks to geopolitical crises. Yet as we conclude 2024, the U.S. economy is transitioning to a more normalized growth trajectory. For investors, this shift underscores the importance of remaining disciplined, focusing on quality, and identifying assets with durable long-term prospects.

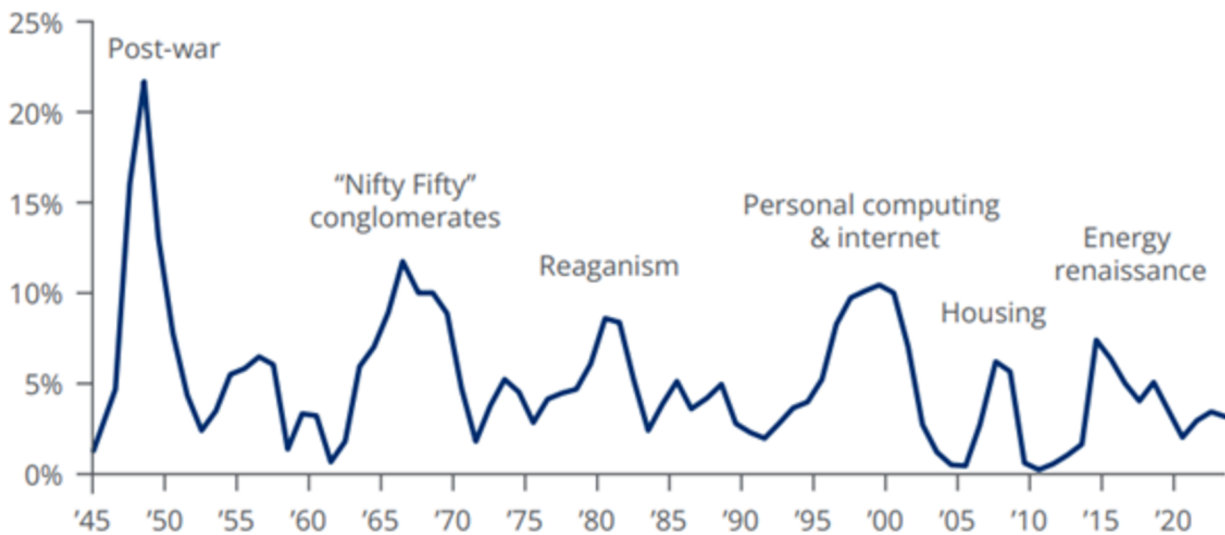


2025: A Year of Investment, Innovation, and Growth

Looking forward, 2025 will be shaped by renewed capital investment. Businesses are eager to spend on infrastructure, energy, and technological advancements like artificial intelligence (AI). Governments, too, are prioritizing economic resilience through spending initiatives that modernize power grids, transportation, and energy systems. These trends present a wide range of opportunities for value-focused investors.

CORPORATE INVESTMENT HAS ROOM TO BOOM

5-year annualized change in corporate capital spending, %



Sources: Bureau of Economic Analysis, Haver Analytics. Data as of December 31, 2023.

Private Markets: A Growing Role in Portfolios

As traditional banks continue to tighten lending standards, **private credit** has emerged as a critical source of financing for businesses seeking capital for growth, refinancing, or strategic initiatives. The private credit market, now valued at approximately **\$1.5 trillion**, is expected to nearly double to **\$2.8 trillion by 2028**. This growth reflects a structural shift in global lending, where **non-bank lenders** increasingly step in to meet demand.

Private credit offers several advantages: it generates stable, attractive risk-adjusted returns, often with less correlation to public markets. Senior secured loans, for example, provide downside protection through collateralized structures, while mezzanine and structured capital solutions support businesses with flexibility in a higher-for-longer rate environment.

Meanwhile, **private equity** continues to demonstrate its value by capitalizing on opportunities not accessible in public markets. More than **85% of U.S. companies with revenues exceeding \$100 million** remain private, meaning a significant share of economic growth occurs outside listed equities. In 2025, private equity funds are expected to deploy significant dry powder, focusing on businesses with strong fundamentals and clear growth trajectories.

For investors with a long-term horizon, private credit and equity present a compelling case. These markets allow participation in growth-driven, high-quality businesses while offering diversification and an edge over commoditized public markets. With our access to leading private market managers, we are well-positioned to help clients benefit from these opportunities.

Gold: A Time-tested Hedge with Structural Support



Gold remains one of our core areas of focus heading into 2025. After reaching record highs in 2024, gold continues to benefit from powerful structural drivers. Central banks—particularly in emerging markets—are rapidly accumulating gold to diversify reserves.

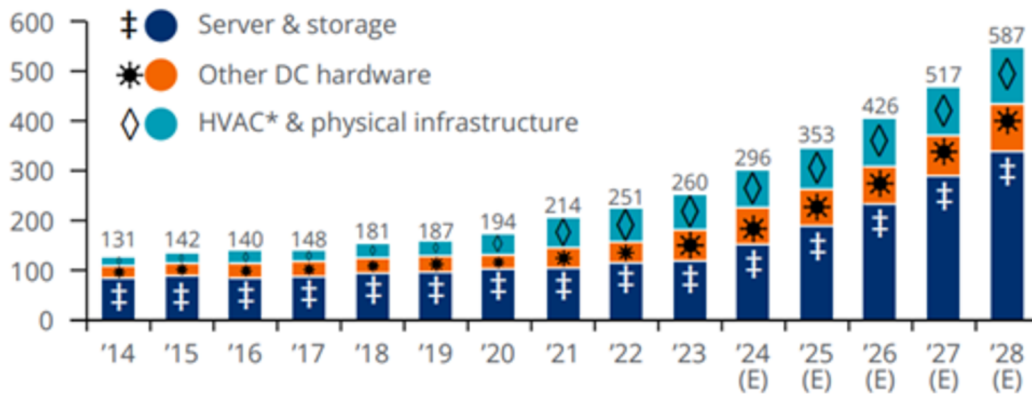
For context, the People's Bank of China holds just 5% of its reserves in gold, compared to 60% for the European Central Bank and 73% for the U.S. Federal Reserve.

This disparity signals room for further central bank demand, particularly as geopolitical uncertainties persist and many countries seek to reduce reliance on the U.S. dollar.

Gold's appeal as a store of value is further strengthened by ongoing fiscal concerns, rising global debt, and its role as a hedge against currency devaluation. With declining interest rates expected to moderate real yields, gold offers investors stability and resilience—qualities that are indispensable in any long-term portfolio.

SPENDING ON DATA CENTERS IS EXPECTED TO DOUBLE IN THE NEXT FIVE YEARS

Global data center capital expenditure, \$ billion



Sources: Dell'Oro, J.P. Morgan estimate.

*HVAC stands for heating, ventilation and air conditioning. Data as of March 2024.

Positioning for 2025: Quality and Value at the Core

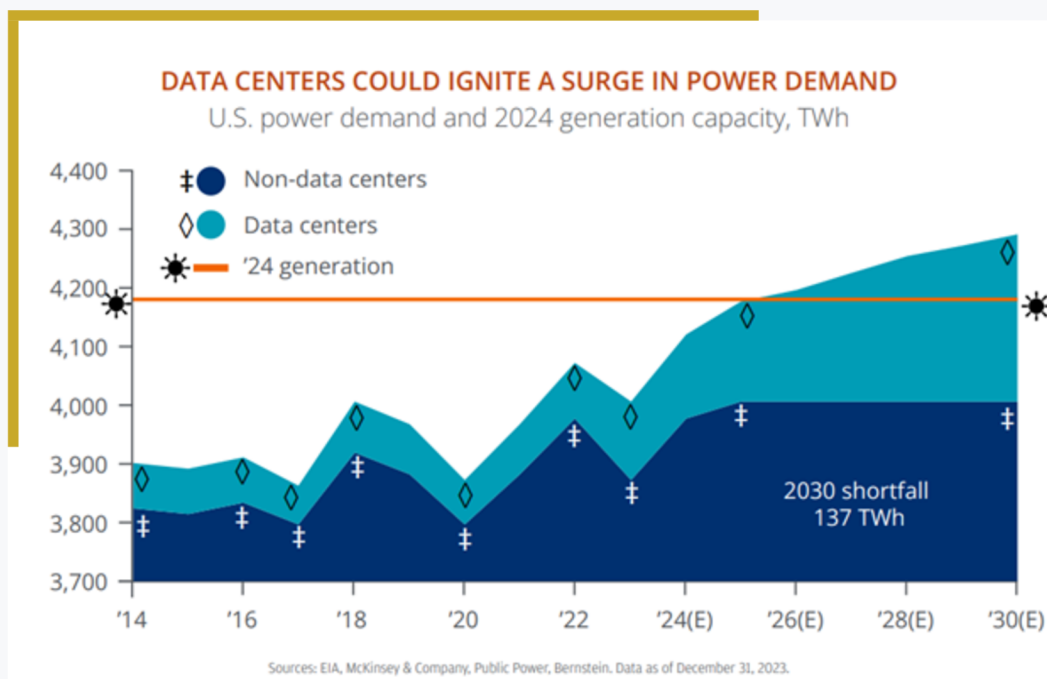
As we enter 2025, we remain focused on high-quality businesses—those with strong fundamentals, competitive moats, and proven ability to navigate complex environments. Family-owned enterprises, known for their long-term perspective and prudent management, remain a critical part of our strategy. Key opportunities include:

- Equities:** While U.S. markets remain attractive, European small- and mid-cap companies offer significant value in sectors poised for structural growth, such as AI, infrastructure, and defense.
- Fixed Income:** With interest rates declining, investment-grade bonds are once again a reliable source of income and stability, providing attractive yields with potential for capital gains.
- Private Markets:** Private credit and private equity present compelling opportunities for long-term investors seeking diversification and superior risk-adjusted returns.
- Real Assets:** Sectors like data centers, logistics, and multifamily housing present opportunities amid rising demand and constrained supply.

Long-term Trends: Structural Drivers of Growth

The "Five Ds"—**debt, deglobalization, demographics, decarbonization, and digitalization**—remain the foundation for understanding long-term economic trends. These forces bring both challenges and opportunities. For example:

- The energy transition will drive trillions in annual investment to meet surging power demand, particularly from AI data centers.
- AI itself will continue to revolutionize industries, creating productivity gains while increasing infrastructure needs, from power grids to smart technologies.
- Environmental solutions, including renewables and next-generation nuclear energy, are emerging as cost-effective, sustainable drivers of economic growth.



Investors who focus on these long-term structural shifts—and the companies leading them—will be positioned to capture meaningful returns.

Closing Thoughts

As we reflect on 2024 and look ahead to 2025, one thing remains clear: **resilient businesses**—those with strong balance sheets, sustainable growth drivers, and capable leadership—are well-positioned to deliver value in any environment.

For those who are **not yet clients of ours but are reading this**, we invite you to take advantage of a **one-time complimentary portfolio consultation**. We'll evaluate your portfolio to ensure it aligns with your risk profile, goals, and the trends shaping the years ahead.

As for our valued clients, rest assured: your portfolios are already well-positioned to capitalize on the opportunities ahead, with our focus on quality, value, and long-term sustainability.

Here's to a prosperous 2025!



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