MULTIPLY GROUP

2025 MACROVIEW

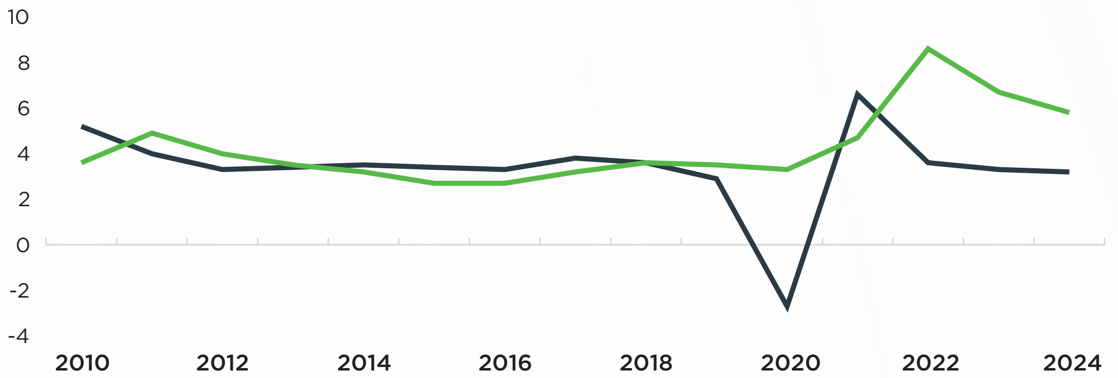
Contents

WHERE HAVE WE BEEN?

An unconventional cycle phase

The economic cycle from 2020 to the end of 2024 has been highly unconventional, marked by unique dynamics that differentiate it from traditional boom-and-bust cycles.

Global Real GDP Growth and Inflation (%)



Source: IMF
Note: World Economic Outlook, October 2024

2020

Pandemic recession results in unprecedented monetary and fiscal stimulus, with spending exceeding $26 trillion globally, within a year of lockdowns.

2021-2022

- Reopening economies unleashed pent-up consumer demand, fuelled by fiscal transfers and high household savings.
- Supply-side disruptions led to significant price pressures. Further exacerbated by Russia-Ukraine war, inflation reached a multi decade high.

2022-2023

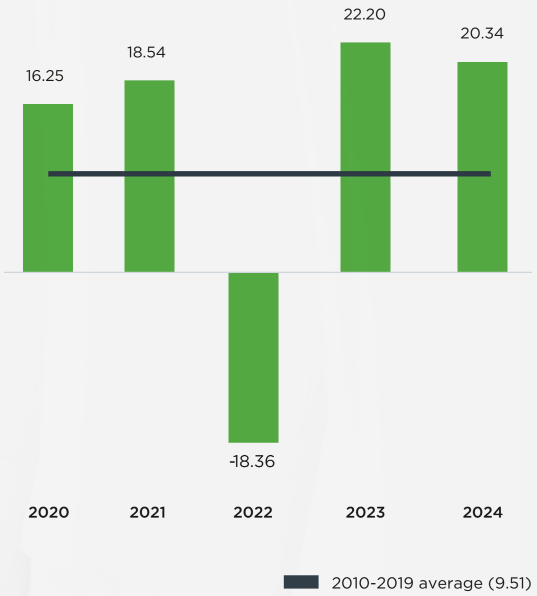
Central banks, led by the Federal Reserve, transitioned to the most aggressive rate hikes since the 1980s Volker Era.

- Longer maturity on debt and fiscal support mitigated some impact of tighter credit conditions.
- Despite tightening, labor markets remained remarkably strong, with low unemployment and robust wage growth supporting consumer spending.

2023-2024

- The soft-landing story continues. The global economy, especially the US, showed unexpected resilience, avoiding a deep recession in most regions.
- As a result, and supported by a tech resurgence, global markets had a remarkable run, growing 42% in the last couple of years.
- Geopolitical uncertainty surrounding elections and conflicts remained elevated, causing divergences in confidence and geographic growth.

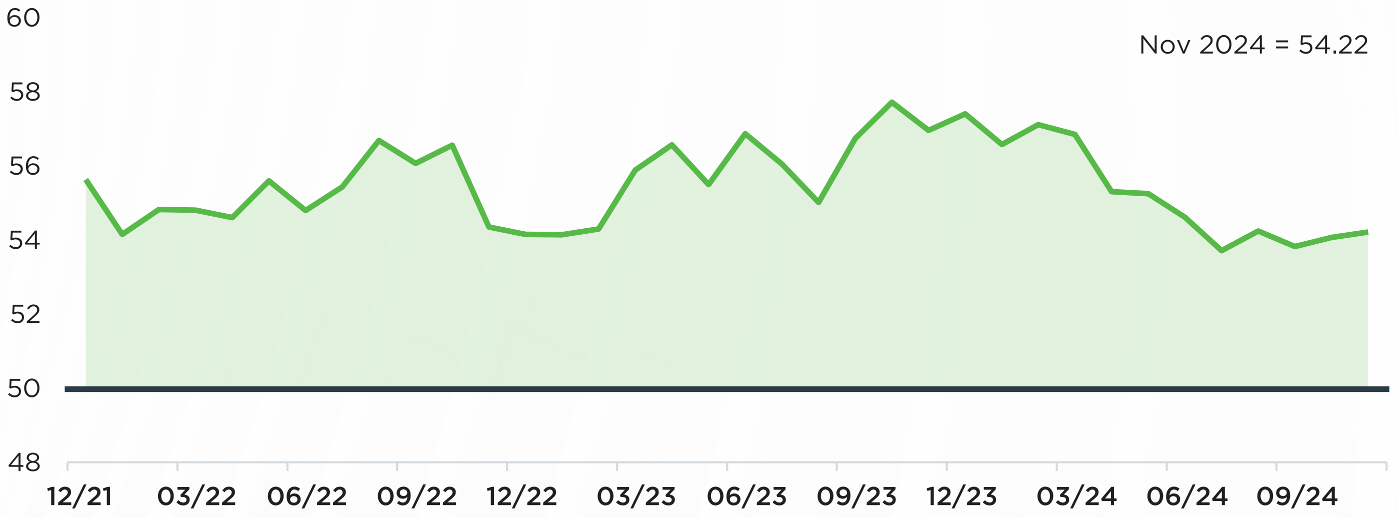
MSCI ACWI Total Returns (%)



Source: FactSet, MSCI
Note: Total returns, in USD

UAE continued to excel economically throughout this phase. Amid all the disruptions elsewhere, the country emerged as one of the safest and most competitive destinations. This was further backed by strong policy support and inward sovereign investments.

UAE PMI Index



Note: Above 50 means expansion

Source: FactSet, Markit

2025 GLOBAL ECONOMIC OUTLOOK

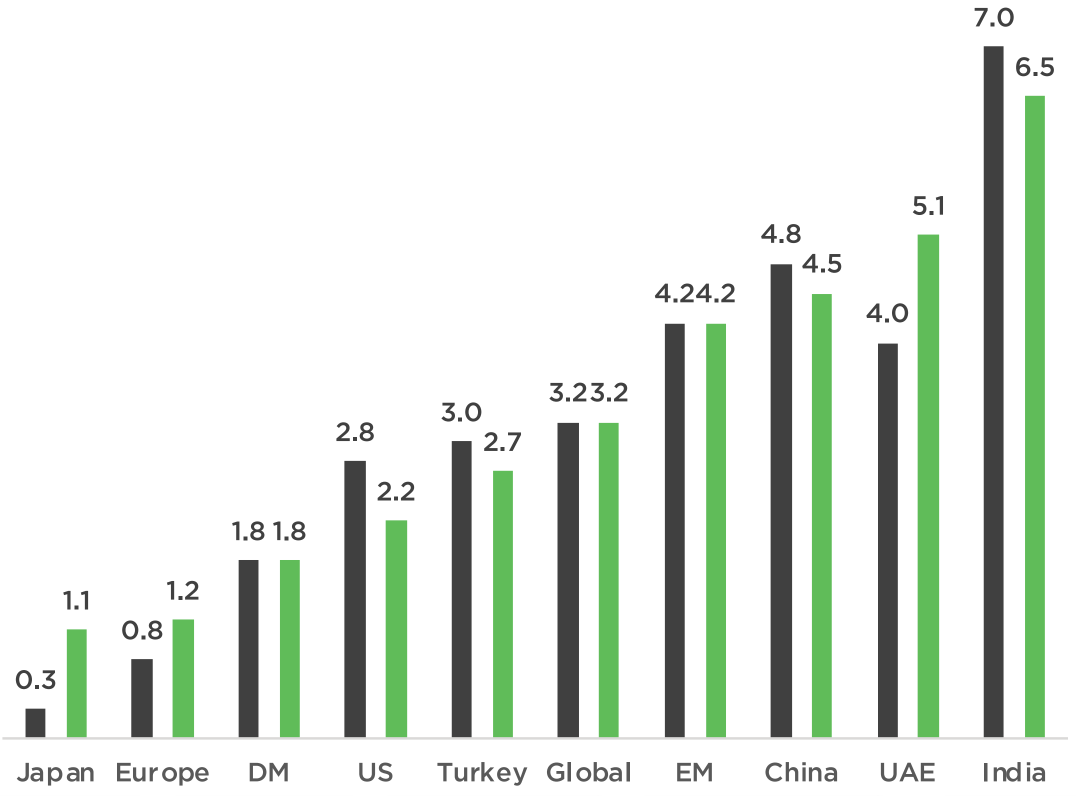
Moderate growth, disinflation and easing policy rates

For 2025, the global economic outlook is one of relative stability, albeit slower than the historical growth rate.

Global GDP growth is expected to stabilize at a modest 3.1% over the next five years – versus the 3.4% historical norm. However, Donald Trump's tariff policies could mean a new trade war, fresh dose of inflation and a resulting global slowdown.

- **The U.S. continues to outperform other developed economies,** with upgrades to its growth forecast reflecting consumer resilience, contrasting with weaker performance in Europe.
- **Emerging market economies are expected to grow by over 4%, largely driven by emerging Asia.** But, China's slowdown and geopolitical risks will put downward pressure on growth.
- **China faces headwinds from new US tariffs.** While more fiscal and monetary interventions are expected, the long-term challenges such as high public debt and ageing population will persist.
- Regionally, the GCC is expected to grow at 3.5% after a subdued 1.4% growth in 2024. **UAE is expected to be the fastest growing economy followed by Saudi.**

Real Growth GDP (%)



Source: Source: IMF
Note: World economic outlook, October 2024

The direction of rates is clear – but not the depth or speed

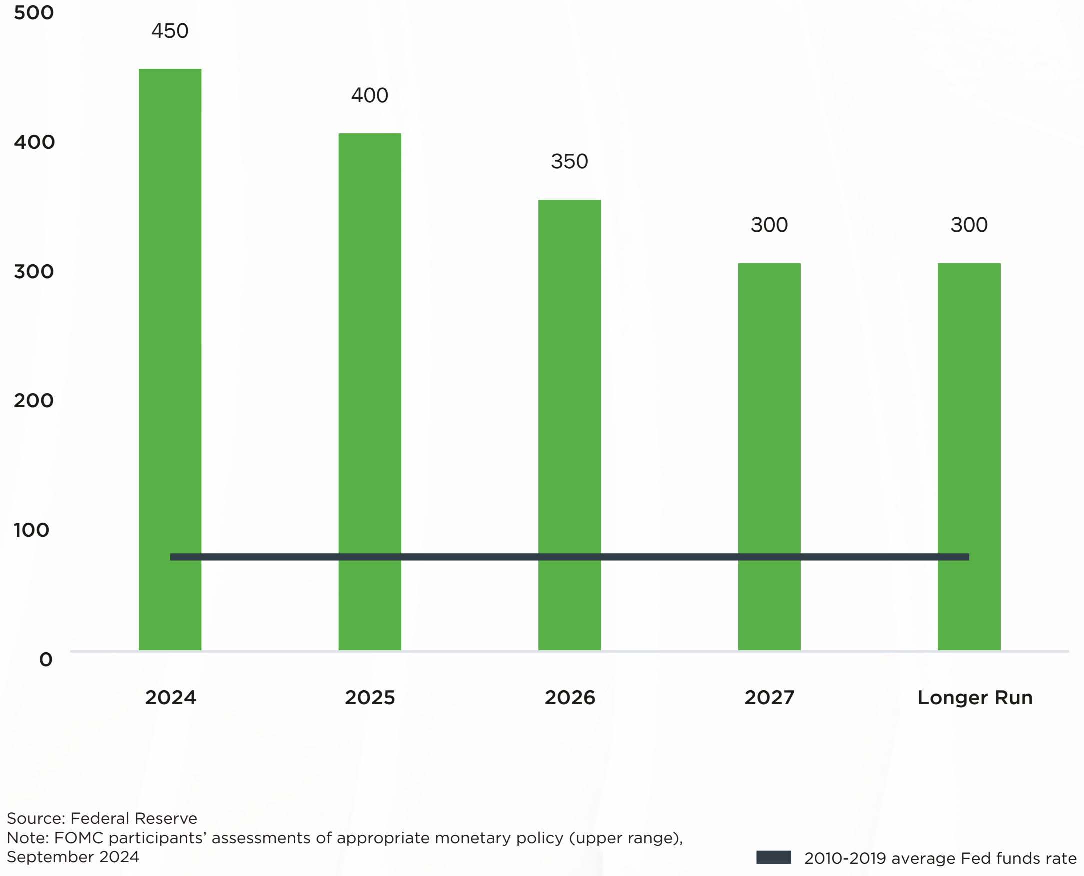
Abating price pressures will allow major central banks to cut rates further, but rates will remain higher than earlier anticipated, especially in the US.

The Fed currently expects to cut its benchmark rate 50bps in 2025 and 50bps in 2026. Longer term neutral rates are expected somewhere around 300bps, 4x higher than the 2010-2019 average of just 75bps.

Inflation remains precarious, as tight labor markets, persistently elevated services inflation, government policies, and risks of supply chain or commodity shocks forced a “hawkish cut” and heightened caution from the Fed in their last meeting of 2024.

As fiscal tailwinds and savings/cash buffers fade, tight conditions will increasingly weigh on corporate and consumer activity. The lag between monetary policy action and its full economic effect has historically been 29 months (we are 18 months out from the last hike).

Federal funds rate year-end projections (bps)



Source: Federal Reserve
Note: FOMC participants’ assessments of appropriate monetary policy (upper range), September 2024

Geopolitics is shaping the economic backdrop

Geopolitical risk has increased over the past half-decade in the wake of a series of shocks and is now structurally elevated.

While economies and markets have so far proven adaptable and resilient, 2025 will again test that resilience with unpredictability of Trump and his America first agenda.

We may witness accelerated US China rivalry, leading to more regionalization, trade restrictions and adverse macros.

A global reordering will generate opportunities to identify new beneficiaries in the investment landscape and support traditional safe havens such as the UAE, the USD and gold.

Risk	Description	Likelihood
US-China strategic competition	Tensions escalate meaningfully over Taiwan or in the South China Sea.	High
Global technology decoupling	Technology decoupling between the U.S. and China significantly accelerates in scale and scope.	High
Russia-NATO conflict	The war in Ukraine becomes protracted, raising the risk of escalation beyond Ukraine.	High
Middle East regional war	Regional conflict escalates, threatening energy infrastructure and increasing volatility.	High
Major cyber attacks	Cyber attacks cause sustained disruption to critical physical and digital infrastructure.	High
Major terror attacks	A terror attack leads to significant loss of life and commercial disruption.	High
Global trade protectionism	Tariffs increase dramatically on goods entering the U.S., negatively impacting the macro outlook.	Medium
Emerging markets political crisis	Increased global fragmentation severely stresses EM political systems and institutions.	Medium
North Korea conflict	North Korea pushes ahead with its nuclear buildup and takes provocative actions such as missile launches.	Medium
European fragmentation	Subdued economic growth and persistent inflationary pressures amid fragile energy security lead to a populist resurgence.	Low

Source: BlackRock
Note: Geopolitical risk dashboard, December 2024

Fiscal risks are growing

Fiscal policy flexibility is eroding as governments grapple with record debt levels ($100 trillion) and higher servicing costs.

- High debt burdens and rising defense needs will limit public investments and induce new taxes. Last year, countries such as the **UK, France and Russia announced plans for new tax hikes.**
- **Risk of triggering a financial crisis (a potential Liz Truss moment),** wherein investors stop buying government bonds. This issue could arise in the US which has a huge debt burden and Trump is targeting tax cuts.
- **Risk of a political crisis** as witnessed in the following countries recently.

France

The no-confidence vote that ousted French Prime Minister Michel Barnier in early December was the result of a showdown over the French budget.

Germany

The collapse of the German government in November was also the result of a budget battle.

South Korea

The short-lived martial law declaration by South Korean President Yoon Suk Yeol was partially the result of frustration over a budget battle with the opposition party.

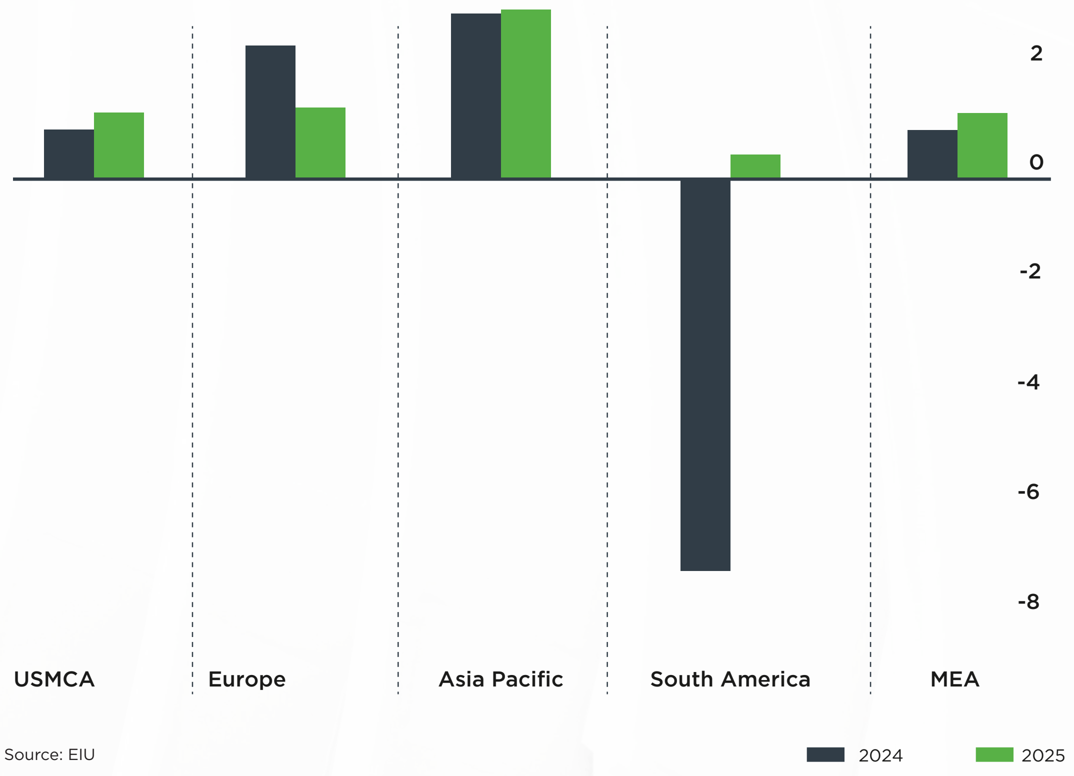
Can the consumer hold up?

Global consumers are expected to spend $3.2 trillion more in 2025, representing nearly 6% growth compared with 2024 (Nielsen). This growth will be driven by ongoing deflation and wage growth.

- Advanced economies like the U.S. will benefit from strong labor markets, but **discretionary spending is constrained by depleting pandemic-era savings** and higher borrowing costs.
- **Much of Asia and the Gulf countries are expected to outpace other regions** on the back of a high consumer bases with rising incomes, urbanisation and a surge in online shopping. China's retail market is expected to be outpaced by that of India, albeit from a smaller base.
- As geopolitics continues to impact margins, **price sensitivity has emerged as a key theme.** 67% of consumers around the globe say they are likely to change or try a new brand because of lower pricing.
- For businesses, rising consumer sensitivity and increased competition means that **use of technology to enhance margins and user experience will be a crucial driver.**

Global retail volumes expected to increase by 2.2% in 2025. Asia will lead the global retail sales growth, and south America will rebound 2025

Retail Sales Volume Rate, % y-o-y



Source: EIU

Geographic convictions

EU is falling behind

- EU's outlook remains challenging, with sluggish growth, falling export demand, competitiveness, and political instability in countries like France and Germany. Euro Area is expected to grow at less than 1% in 2025.
- While inflation is under control, wage growth has been subdued, impacting consumer confidence and spending.
- Yet, we can find opportunities at the sector or company level. Europe's equity valuations are compelling. Furthermore, ECB's dovish stance could provide support for such assets.

Pockets of value still available

EU, Brazil, and China (among others) are exhibiting signs of undervaluation:

- Europe's forward price-to-earnings multiples are at a 45% discount to US peers.
- The Brazilian equity market is considered extremely undervalued. The market is trading at a P/E of 7x with an average ROE of 15% over the last 5 years.
- In addition, considering expectations of more stimulus measures, China offers considerable upside and is still cheap compared to long-term valuations and growth potential.

The US is in a pole position

- The US has created a notable gap versus other advanced economies. It is growing at a much faster rate and has shown better ability to capitalize on mega forces in innovation.
- US businesses will benefit from declining corporate tax rates (by some estimates boosting S&P 500 earnings by 4%) and deregulation.
- While valuations are high, there is considerable growth on offer with the S&P 500's current PEG ratio at 1.5x, below the 10- year average. However, any misstep in earnings could lead to a steep correction.

Expect geopolitical swing states in Asia to do well

- India is expected to consistently grow by over 6%. India received an average of $4.5 billion in monthly FDI in 2024 This trend is expected to sustain in 2025. Household consumption has doubled over the last decade to $2.1 trillion in 2023, with over 7%annual growth.

- Indonesia is one of the more stable emerging markets and has a 130 million middle class population. With abundant resource, it is witnessing a boom in energy related mining and advanced production.

- Vietnam is growing at close to 7%, and offers robust investment opportunities in apparel, electronics.

Overall, emerging Asian countries have high growth economies, large domestic markets and they benefit from the China plus one strategy. These dynamics make this region a standout market over the coming years.

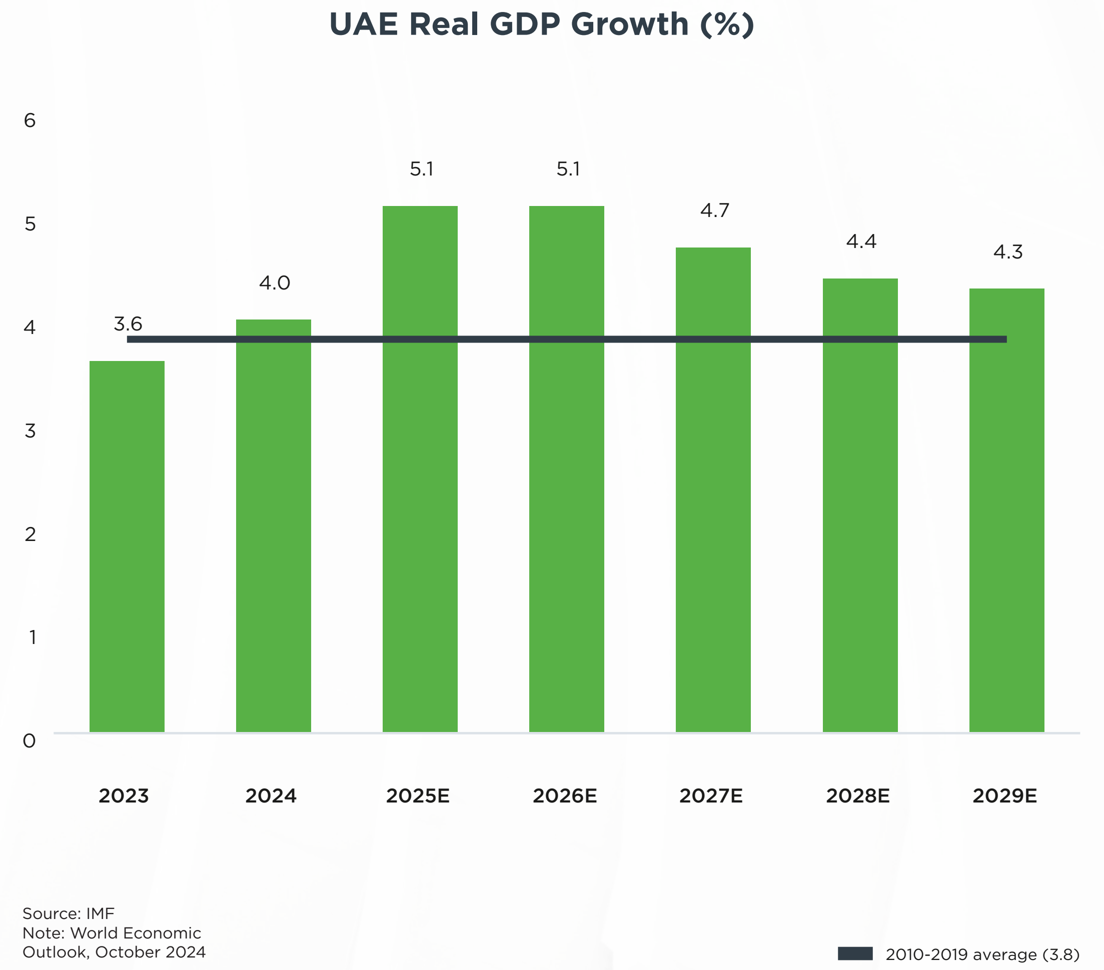
HOW IS THE UAE PLACED?

An economic golden era

The five-year outlook for growth remains elevated (2025-2029 average of 4.7%) to historical trend (2010-2019 average of 3.8%).

- Policy reforms have underpinned population growth, a key engine of growth, capitalising on global and regional disruptions. This has been reflected in the performance of key beneficiary stocks like Salik, Aldar and Emaar.
- Retail spending has been robust as well on the back of surging international visitors. Alpen Capital expects 5.4% CAGR in retail spending by 2028, the highest in the GCC.
- PMI in November remains expansionary at 54.22, influenced by expectations for ongoing consumer demand and sales.

However, oil price decline remains a key risk. OPEC+ cuts have not resulted in any notable price appreciation. There is a risk of internal misalignment as members seek to enhance their revenue and gain more market share, especially when Trump is pushing the US to produce more.



Source: IMF
Note: World Economic Outlook, October 2024

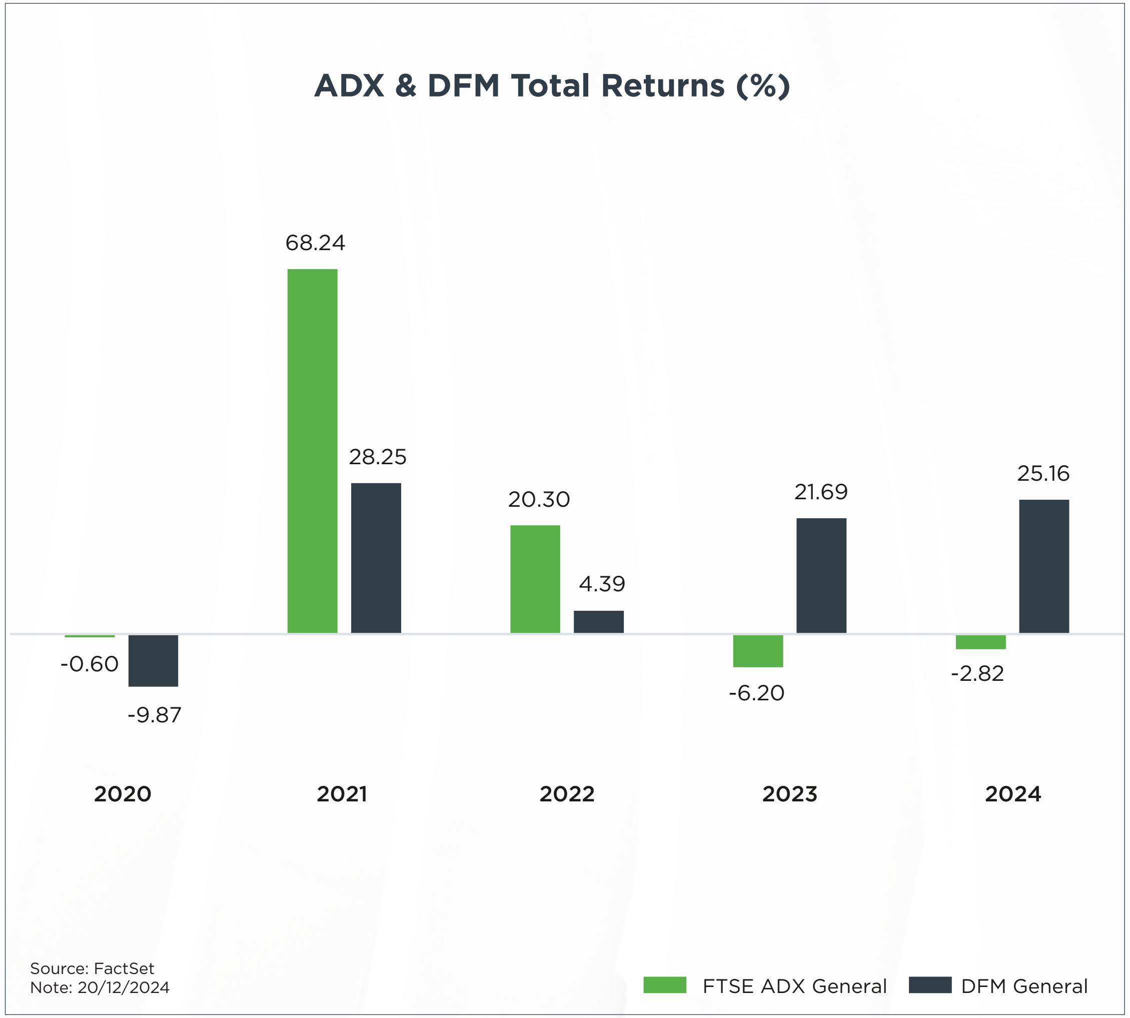
Local market performance

Despite the supportive economic backdrop locally, ADX and DFM had very different years again in 2024. The ADX General Index declined 3%, while DFM General advanced a globally competitive 25%.

This difference is largely attributed to the differing compositions of the indexes.

The DFM largely outperformed due to strong investor confidence in financial and real estate sectors –which make up over 60% of listed stocks.

There have also been generally higher valuations in Abu Dhabi (16x P/E vs 9x DFM), profit-taking in key stocks, and less diversification in growth-driven industries.

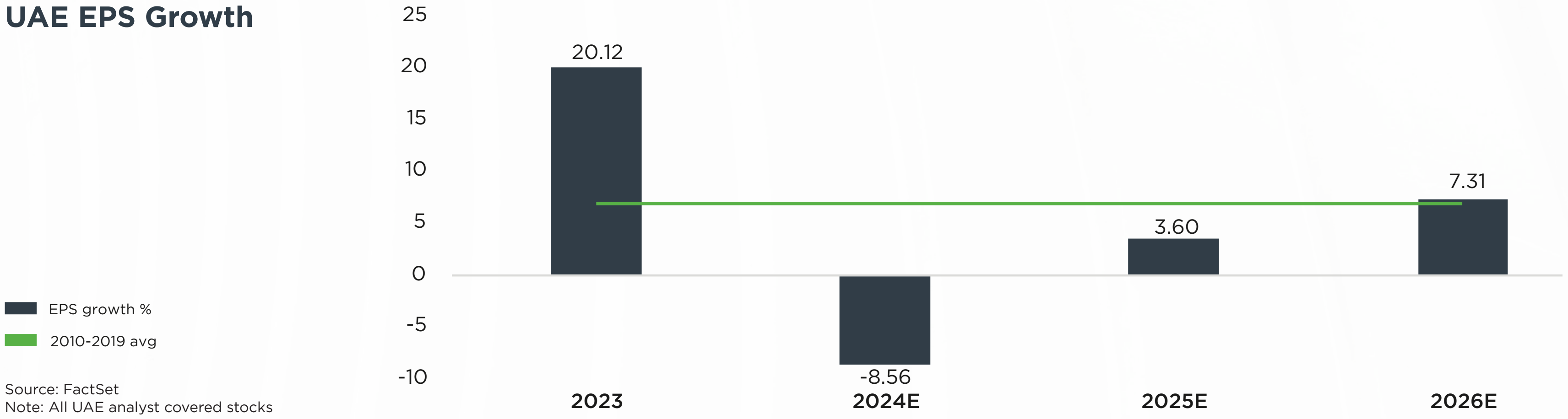


Earnings expectations

In 2024, corporates were required to digest both a higher interest environment and the first full year of corporate tax (as well as coming off a high base last year with many one-off earnings).

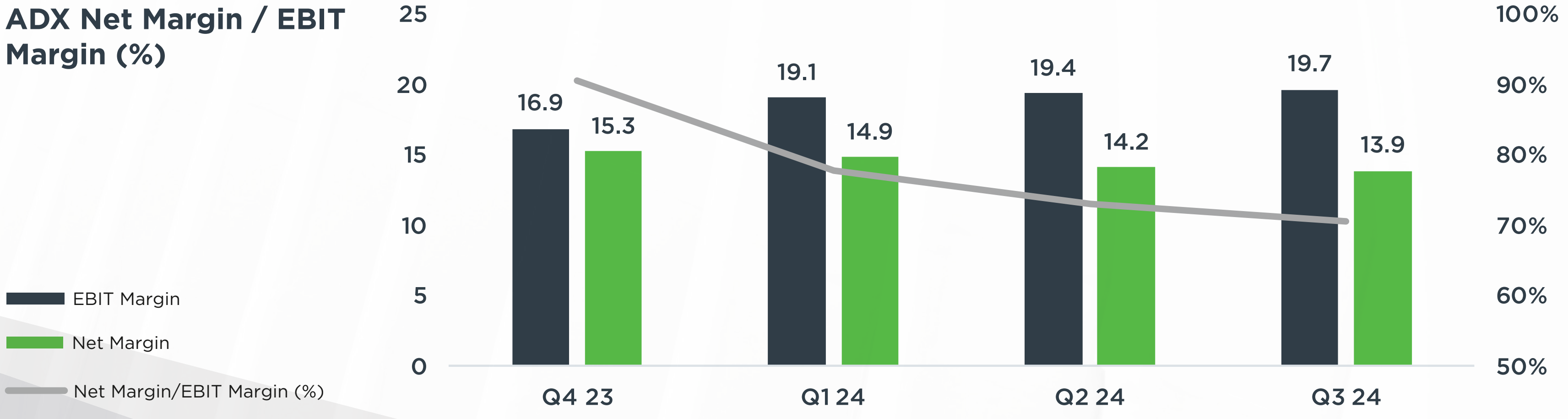
The outlook for profit growth is positive, with a full normalization to long term trend of ~7% expected by 2026 on the back of positive tailwinds to the UAE economic picture.

UAE EPS Growth



Source: FactSet
Note: All UAE analyst covered stocks

ADX Net Margin / EBIT Margin (%)



UAE IPO Outlook

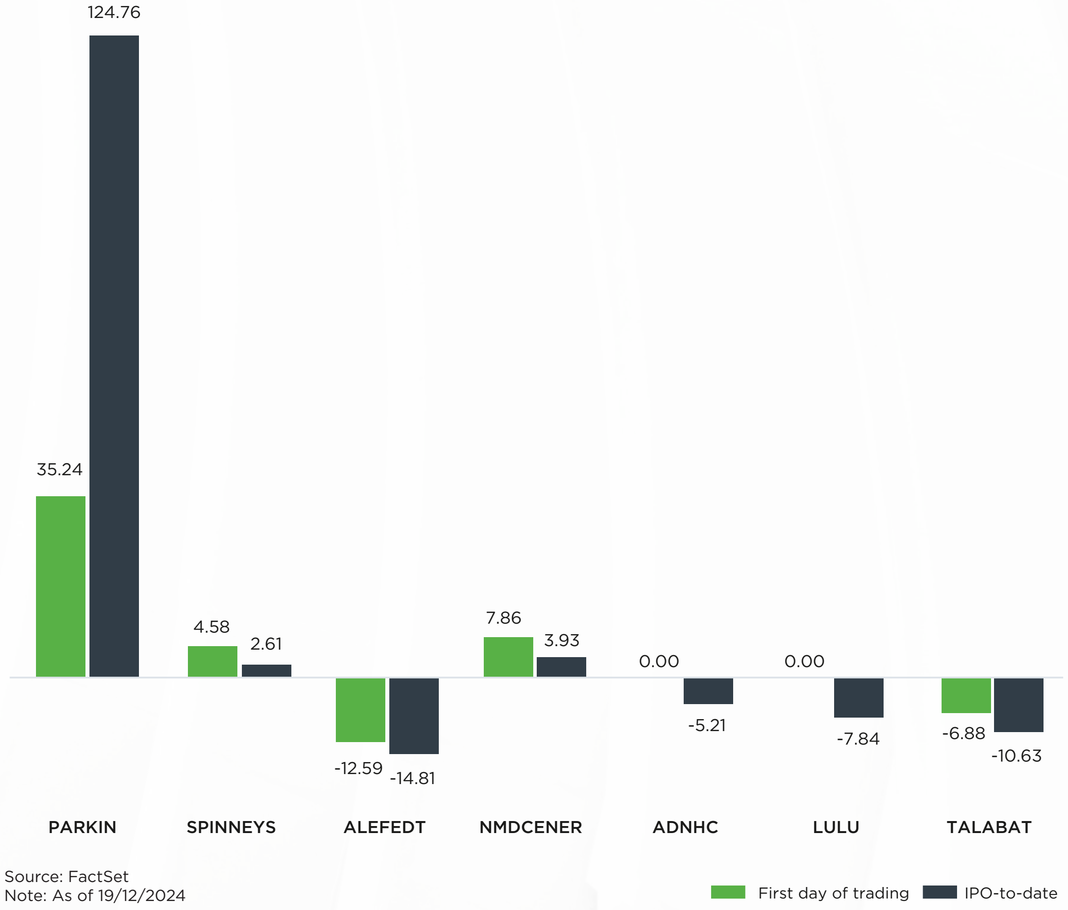
UAE's IPO market remained a bright spot globally, with over $6 billion raised across 7 listings (4 in ADX and 3 in DFM), accounting for 3.5% of total global IPO proceeds – despite making up just 0.5% of global GDP.

There have been 31 new listings to the UAE market over the last 5 years, compared to just 16 in the 10 years between 2010 and 2019, a clear sign of robust demand for more active and deep capital markets. 5 out of 7 listings in 2024 were from the private sector.

Looking ahead, the 2025 outlook for the UAE IPO market remains positive, with a healthy pipeline. But, a string of failed IPOs recently highlights a clear gap between issuers and investor expectations. We see the following factors in play:

- **Issuers need to leave more value on the table for post listing.** Recently Talabat and Lulu listed at 26x and 25x respectively. This compares with DFM and ADX market averages of 9x and 15x.
- **Earnings guidance will be crucial.** Notably, Lulu missed key targets in its first quarterly earnings guidance stated in its prospectus, eroding investor confidence and raising questions on governance.
- **Quality of allocation will be crucial.** Banks managing IPOs recently have often overallocated domestically, along with a large number of retail investors who focused on exiting as soon as possible.
- **Number of times oversubscription will not be a measure of success.** Lulu and Talabat were oversubscribed by double digits.

2024 UAE IPO Price Returns (%)



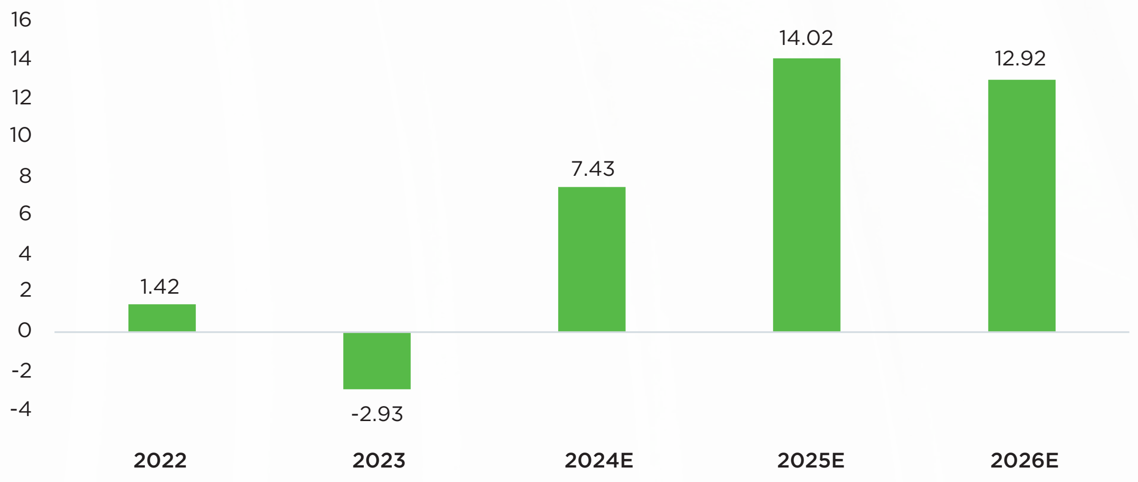
Source: FactSet
Note: As of 19/12/2024

GLOBAL MARKET OUTLOOK

Returns face earnings test amid stretched valuations

The balance between tailwinds such as strong economic expansion, falling interest rates, healthy earnings growth and headwinds such as, high valuations and ongoing geopolitical risks suggest that **market returns are likely to be more moderate.**

Global EPS One-Year Growth Estimates (%)



Source: FactSet
Note: World Index (FR0000R1), mean analyst estimate

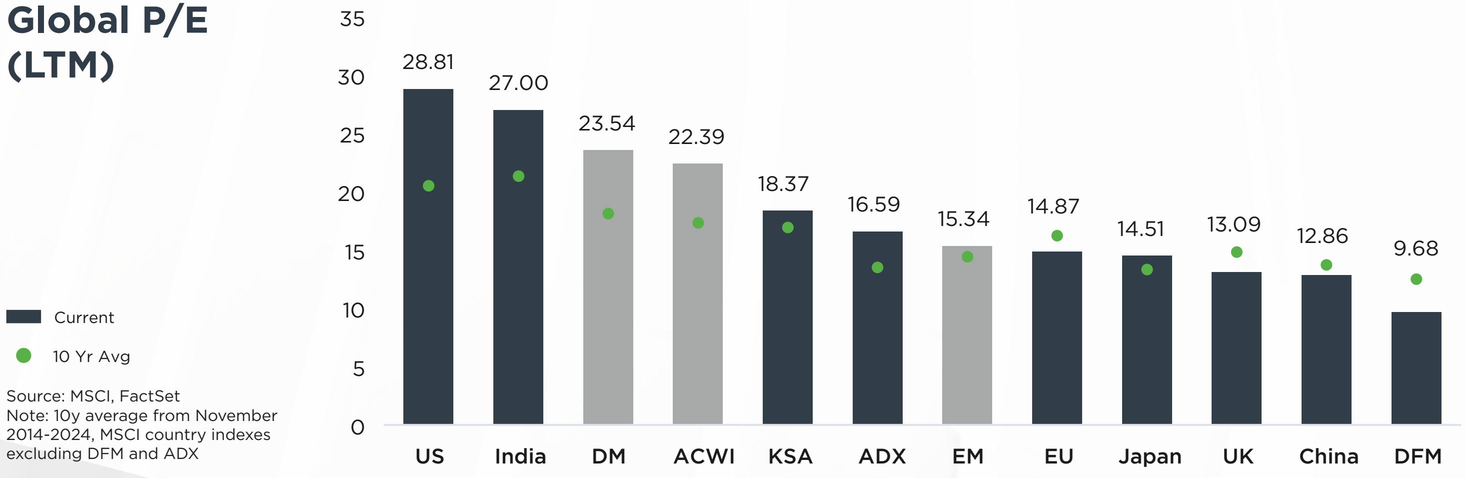
What's priced in?

Currently markets are priced for perfection. Valuations are stretched, particularly in popular US mega-caps.

The MSCI ACWI P/E currently stands at 22.39x, a nearly 30% premium over its 10-year average of 17.30x.

While equities have done well in periods of sustained growth and falling interest rates, significant tail risks to macro and political instability are seemingly not fully priced in.

Global P/E (LTM)



Source: MSCI, FactSet
Note: 10y average from November 2014-2024, MSCI country indexes excluding DFM and ADX

Sectoral Outlook

Earnings growth estimates highlight sectoral divergences, with technology and communication services leading growth, and **consumer sector sustaining its 2024 growth on the back of aforementioned factors.**

Overall, strong economy and expectations of more rate cuts in 2025 are driving generally **improved EPS growth forecasts, particularly for cyclicals.** Conversely, stable but modest growth in defensive sectors like consumer staples, utilities, and real estate, reflect their lower sensitivity to economic cycles.

EPS Growth Outlook, %

Sector	2024	2025	2026
Energy	-21.2	5.9	20.9
Materials	-14.2	19.0	14.9
Industrials	-1.0	17.8	14.5
Consumer Discretionary	11.2	11.9	14.0
Consumer Staples	1.6	5.6	8.7
Health Care	5.8	20.1	11.0
Financials	15.4	9.8	13.0
Information Technology	16.6	22.8	17.1
Communication Services	22.3	14.8	13.5
Utilities	10.0	8.3	7.6
Real Estate	1.1	4.5	7.5

Source: FactSet, S&P
Note: One-year growth can be impacted by base effects

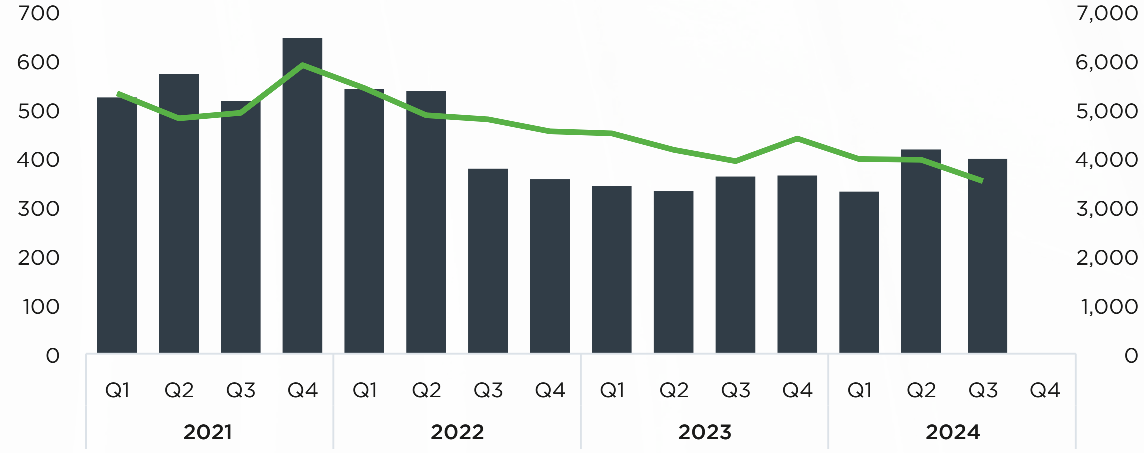
Is the tide finally turning for private markets?

For a second straight year, we saw wide bid-ask spreads and tighter liquidity. Buyers face higher borrowing costs and reduced leverage, limiting the amount they are willing to bid for assets, which in turn pressured EV/EBITDA multiples.

In addition, private markets are facing significant exit issues. **By the end of the Q3, only 9% of total private capital exits were IPOs, up from 7% in 2023,** which was the lowest level since 2008. Holding periods have increased by a year on average and PE's are under pressure to return capital.

Top dealmakers expect global M&A volumes to surpass $4 trillion next year, the highest in four years, compared to $3.5 trillion in 2024, buoyed by the urge to make transformational acquisitions and push towards lower regulations in the US and EU. With over a trillion in dry powder, nearly a third of large public companies face over 60% chance of being targeted (Accenture).

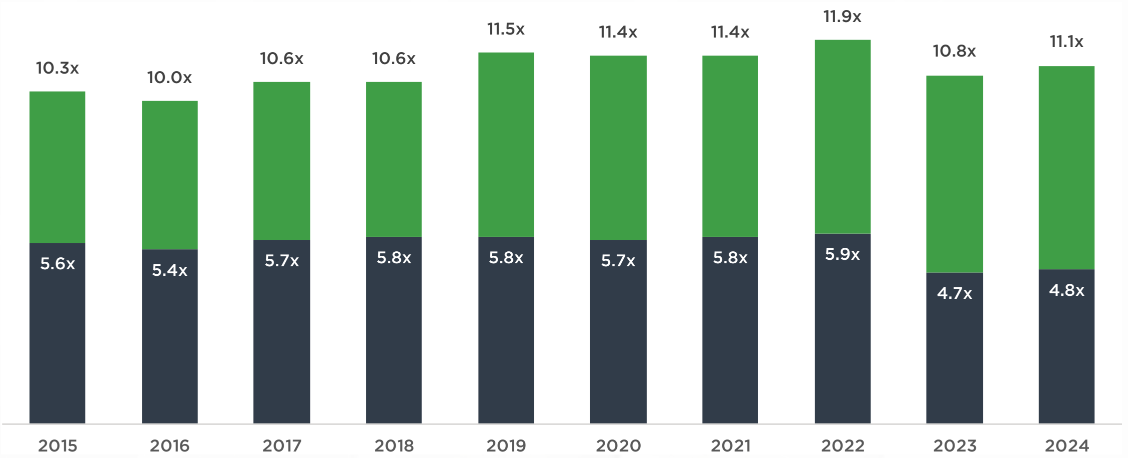
Global Private Market Deal Activity



Deal value ($B)
Deal count

Source: Pitchbook
Note: Global PE First Look, October 2024

US LBO Transaction and Leverage Multiples, 2024



Dept
Equity

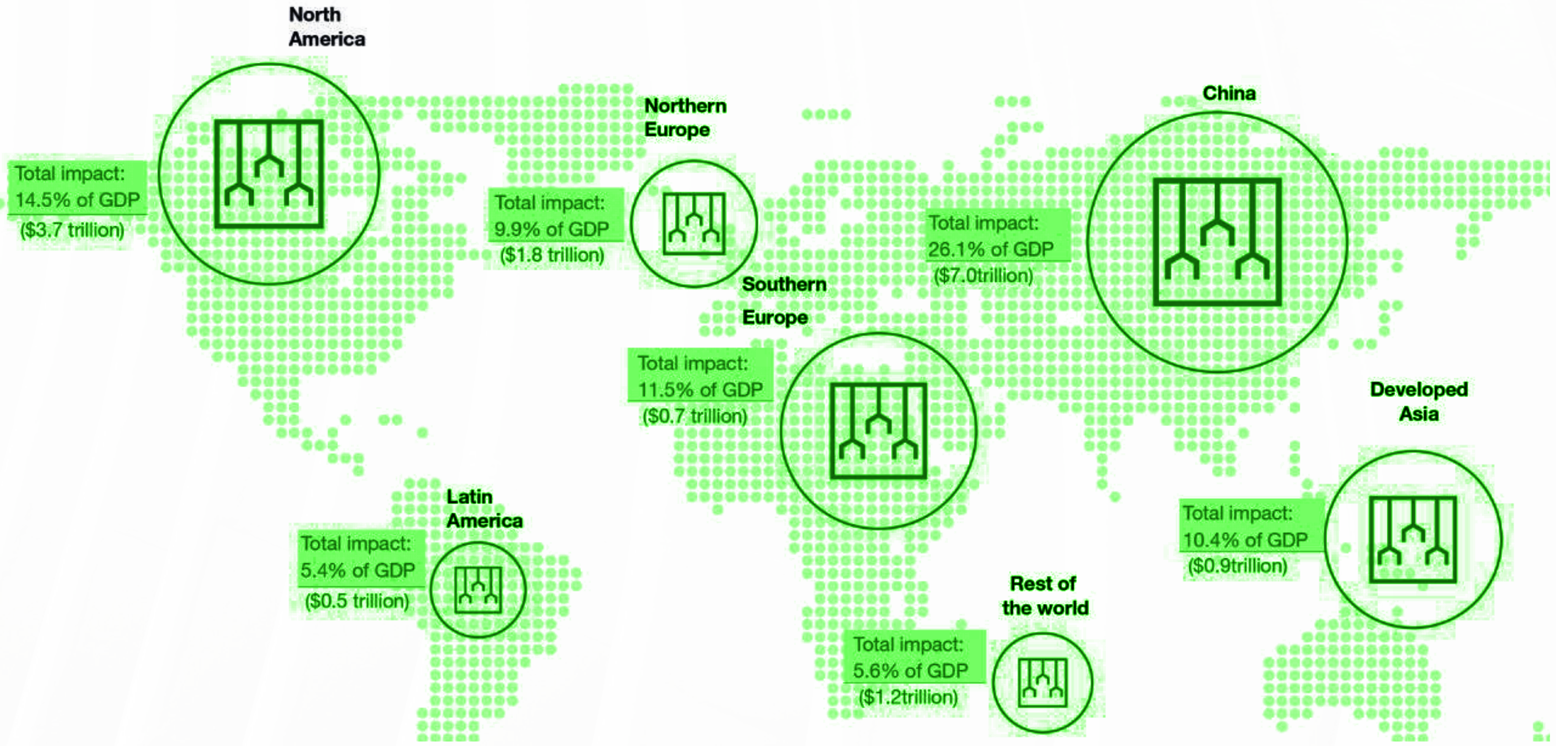
Source: Pitchbook
Note: 2024 through November

INVESTING THEMES

Technology and AI are unavoidable

In 2025, AI is expected to move from experimental applications to widespread adoption. Companies integrating AI are expected to achieve 20-30% improvements in productivity, with cost savings and enhanced decision-making driving returns. These gains amount to to $6.6 trillion from productivity and $9.1 trillion from increased consumption due to personalized and efficient products and services.

- **As a result, AI is becoming a crucial factor in acquisitions.** Acquirers now pay premium prices for companies with proven AI capabilities. The M&A rationale is going beyond traditional synergies to tech advantage. Instead of just acquiring to become bigger, many businesses are paying top dollars to get transformative capabilities.
- In addition, megatrends, mostly tech are **disrupting the business cycle** as economies transform and businesses find other ways to grow and sustain margins.



Source: PwC

Currency dispersion will weigh on geo-allocations

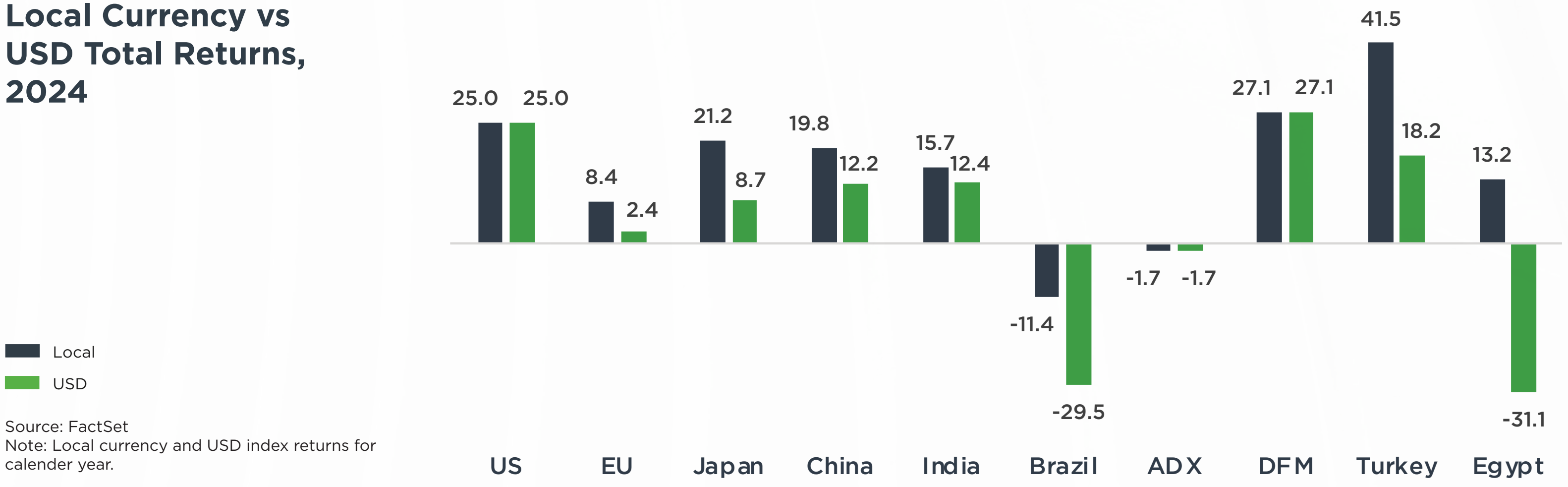
The dollar's attractive Treasury yields, safe-haven status, and resilience in times of global uncertainty pushed the **currency to a two year high,** despite the 100bps of cuts in 2024.

Dollar is expected to hold on to gains in 2025 as the US economy continues to outperform peers, Fed approaches more cautiously and Trump brings in extensive tariffs next year.

With Trump's America first approach, currency has become a crucial factor, not just across EMs, but also versus Euro and Yen. Japanese markets rose around 21% in 2024 but dollar-denominated gains were less than half that.

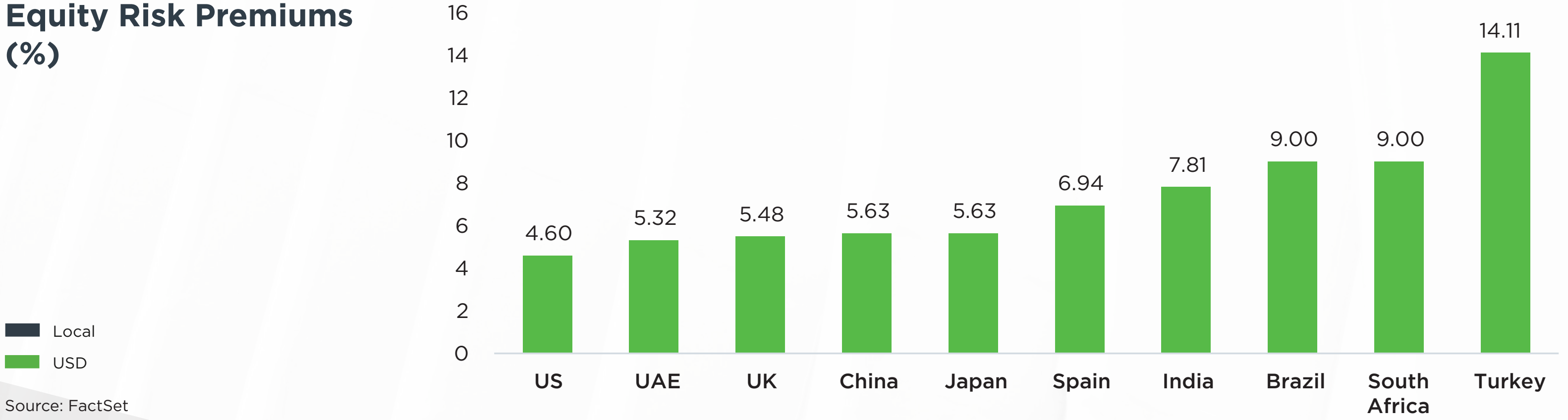
This highlights our UAE country advantage - an economy which is growing at a faster rate than most emerging markets, offering structural tailwinds and pegged to the world's best performing currency.

Local Currency vs USD Total Returns, 2024



Source: FactSet
Note: Local currency and USD index returns for calender year.

Equity Risk Premiums (%)



Source: FactSet

Reshoring creates opportunities

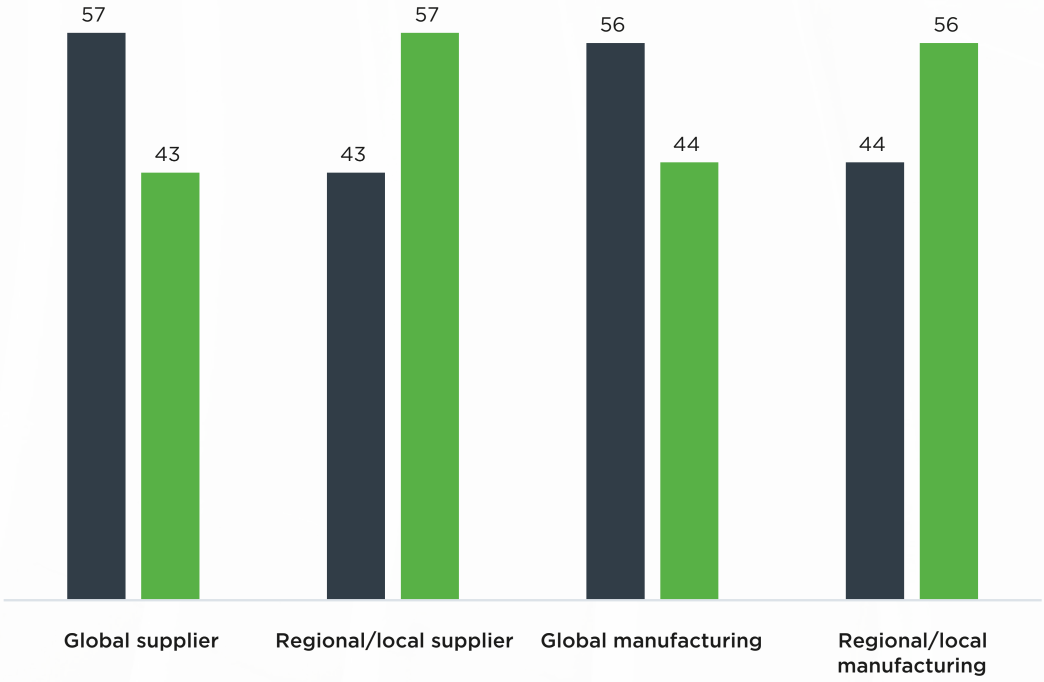
The pandemic and disruptions from geopolitical conflicts (Russia-Ukraine and US-China rivalry) exposed **vulnerabilities in global supply chains, driving the need for localization.**

Labor costs in countries like China have risen by over 30% in the last decade, eroding cost advantages. At the same time, advanced technologies in automation and AI are enabling localized production and offsetting cost differentials.

Governments now incentivize reshoring, especially for critical goods as well as developing new sectors that were historically out of reach, like chips, EVs and pharmaceuticals.

- **Economies which are highly reliant on exports,** such as China, Korea may face reduced foreign investment if reshoring continues.
- Reshoring and localization could **increase production costs for consumer goods** in developed markets, potentially impacting profit margins or retail prices.
- Business will need to **enhance capex on automation,** infrastructure to off-set these changes.

Geographical distribution of supplier and manufacturing base (%)



Source: Capgemini Research Institute

Discounts are on offer as companies offload non-core assets

Companies that poured billions into acquisitions during boom times are now unloading those assets, to simplify their core.

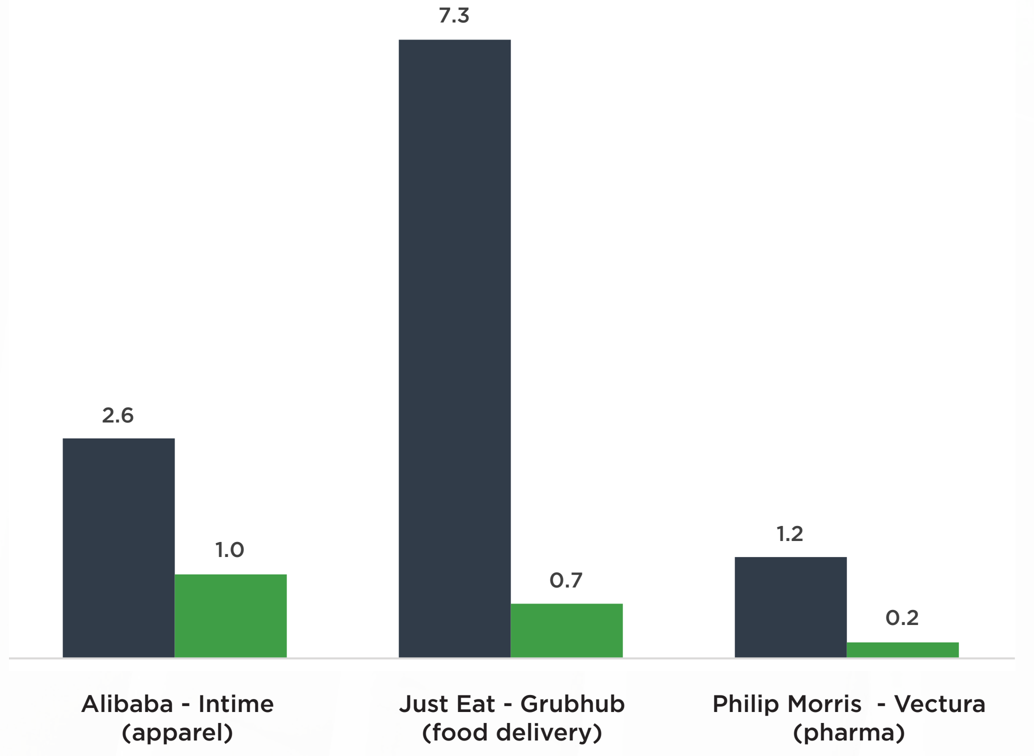
Corporates have been involved in at least $250 billion of spinoffs and asset sales in 2024, often at discount to original prices paid.

Many companies overestimated synergies and benefits during the deal frenzy. As M&A activity rebounds, it will be more a favourable time to divest – and pick up discounts.

Many of this year's most notable breakups have come in Europe, where health-care company Sanofi is selling its over-the-counter drug business. Consumer health group Reckitt Benckiser Group Plc is planning to sell it homecare assets.

These exits reflect a broader trend to streamline operations, reduce debt, and concentrate on core business areas to enhance competitiveness amid a volatile external backdrop.

Discounts for non-core assets bought at excesive valuations ($ bn)



Source: Various News
Note: All initial purchases made in period between 2020 and early 2022, sales in 2024

Balancing long term vertical plays with opportunistic bets

A dynamic investment approach positions an investment holding company to **navigate uncertainties, capitalize on shifting trends, and outperform in a nuanced and rapidly evolving 2025** investment landscape.

This is increasingly becoming the case as lingering higher for longer rates force sellers to market. Investors that are quick to spot and adapt will be able to tap into rising opportunities across geographies/sectors.

Public markets are one answer. Notably, over the last two years, allocators in S&P 500 public equities saw annualized returns of 24% compared to 9% for US private equities.

Total Returns (%)

%	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Public Equities	-2	8	24	-9	27	16	19	-18	22	17
Private Equities	6	9	19	11	19	28	41	-4	9	8
Growth	5	7	27	-1	31	33	31	-29	29	35
Value	-4	18	15	-9	31	2	25	-5	22	12
Developed	0	3	26	-14	22	10	11	-15	18	3
Emerging	-15	12	31	-15	20	15	1	-18	9	11
Bonds	0	3	4	0	9	7	-2	-13	6	1
Real Assets	2	9	5	-6	29	-5	40	-26	12	5
Commodities	-33	10	4	-14	16	-24	39	24	-5	8

Source: FactSet, BlackRock, Cambridge Associates

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