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US Financials | North America

2024 Outlook & 14th Annual Investor Survey

Investor positioning in Financials flipped back to net overweight for 2024 but remains well below historical levels such as 2022 and 2014-18. Investors are the most bullish on Midcap Banks and Payments, most bearish on P&C/Life Insurance and Midcap Advisors.



2024 Outlook Survey Takeaways:

Investors are net overweight Financials into 2024, but only by a thin margin. We asked investors about their relative positioning in Financials heading into 2024, with a net 9% of respondents saying they are overweight the sector (33% overweight versus 24% underweight), versus net underweight by 2% last year. This 9% net overweight position remains significantly below the 30% average net overweight position from 2014-18, and 44% net overweight position heading into 2022. The increase in positioning versus last year's survey was mainly driven by a 9 pct point reduction in underweight respondents (24% this year versus 33% last year) rather than an increase in overweights. When asked which sector would be the best performer across the S&P 500 in 2024, Financials received 14% of total votes (third highest among sectors) which is unchanged versus last year's survey.

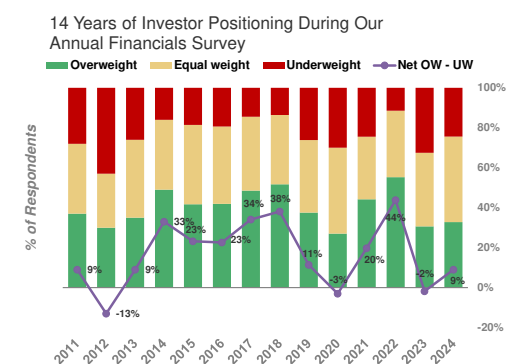
Among Financials sub-sectors, investors are most bullish on Midcap Banks and Payment Networks/Merchant Acquirers. 39% of investors expect Midcap Banks and Payment Networks/Merchant Acquirers each to be one of the three best performing Financial sub-sectors in 2024, driven by interest rates and consumer spending respectively. Large Cap Banks rank third (37% of respondents), also driven by rates. **Least favored among all investors are P&C Insurance, Life Insurance, and Midcap Advisors.** Most important drivers for P&C and Life Insurance are pricing power and rates, while investor views on Midcap Advisors were driven by M&A activity and capital markets valuations.

- **Generalists prefer Asset Managers, Brokers & Exchanges followed by Payments.** 4.3% of Generalists think that Asset Managers, Brokers & Exchanges will be among the top three best performing Financials sub-sectors in 2024, followed by Payments at 4.0% and Large Cap/Midcap Banks at 3.9% each. Midcap Advisors were least favored at 1.3%.
- **...but Financials Specialists prefer Midcap Banks by a wide margin.** 54% of Fins Specialists expect Midcap Banks to be among the top three best performing sub-sectors in 2024, 16 percentage points above the second most favored sub-sector Real Estate. Life Insurance was the least favored sub-sector at 5%.

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Exhibit 1 : Investor positioning flipped to net overweight by 9pct points (versus net underweight by 2 pct points last year). 33% are overweight, 43% equal-weight, and 24% are underweight



Source: AlphaWise, Morgan Stanley Research

Note: The 2024 Morgan Stanley Financials Survey was conducted online from December 5 -

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Morgan Stanley Is Equal-weight Financials. Morgan Stanley strategist Mike Wilson is equal-weight Financials, preferring Health Care, Staples, and Utilities. Within Financials, our sector analysts view Payments, P&C Insurance, and Midcap Advisors as Attractive, with all other sub-sectors In-Line.

Most Preferred Stock Picks: *Large Cap Banks:* **JPM** on share gains and strong capital levels; **RF** on the bank's granular retail deposit base, high level of capital flexibility and favorable valuation; **WFC** on strong excess capital position which positions the bank to have one of the best capital return profiles among Large Cap Banks and opportunity for further expense management. *Midcap Banks:* **MTB** on excess capital and liquidity to manage a wider variety of rate environments; **EWBC** on capacity for above peer loan growth with high excess capital and an attractive valuation; **WBS** on a diverse set of lower cost funding sources and high excess capital. *Consumer Finance:* **AXP** on higher credit quality vs card peers, still-strong operating leverage, consumer spend moderating but remaining healthy; **SLM** on losses & delinquencies already declining unlike peers, buybacks supported by loan sales. *Midcap Advisors:* **LAZ** on C-Corp conversion driving up multiple over time and valuation, **EVR** as an underappreciated way to play the coming M&A rebound. *Brokers, Asset Managers & Exchanges:* **BLK:** Top Pick given exposure to secular growth zones (privates, EM, solutions, FI, Aladdin tech + AI efficiencies) and best mix of product, leading ETF suite, distribution breadth and scale to ride out uncertainty. **BX:** Best positioned to benefit from the structural growth of private markets given its brand, scale, and breadth of investment expertise. **CBOE:** Defensive business model offers downside protection and benefits from higher volumes should the macro deteriorate and volatility increase further. *Life Insurance:* **MET:** Stands out in our view as one of the most attractive stocks, with safe haven-like characteristics. **EQH:** stripping out AB, the company is trading at a steep discount to peers. **VOYA:** Successfully pivoting away from restructuring and expense saving story toward more of a growth story. *P&C Insurance:* **ACGL:** Durable reinsurance pricing with capital allocation efficiency across the reinsurance, insurance and mortgage insurance segments. **ALL:** Undervalued in a favorable macro environment with lower inflationary pressures on loss cost trends and reasonable trajectory to low-to-mid double digit auto premium growth in 2024. **EG:** Durable reinsurance pricing along with strong underwriting discipline leading to opportunities for business expansion in the international markets. **HG:** Underappreciated turnaround story with underwriting improvements, ROE expansion, and reduced exposure to volatile Two Sigma returns not fully reflected in current P/B valuation. *Business Services:* **MSCI:** Top Pick in Business Services due to its strong growth (10% rev, 15% EPS), resiliency, and reasonable valuation. **SPGI:** Well positioned to expand in high growth areas, generate significant operating leverage, and return capital to shareholders resulting in a double-digit EPS CAGR. **TRU:** Significantly undervalued following challenging '23; should see accelerated growth in '24, estimates de-risked. *REITs:* Industry Top Pick **REG** on high-quality portfolio well poised for external growth, **PLD** on well-located portfolio limiting headwinds from new supply and ~65% below market leases, and **WELL** on pent-up demand for senior housing driven by demographic tailwinds. *Payments & Processing:* **V** and **MA** on continued faster than expected travel growth and favorable growth algos vs. remainder of our coverage, and **GPN** on valuation and improving competitive landscape for incumbents.

December 19, 2023, and included 132 investors. This includes responses both before and after Powell's market-moving comments on December 13.

Investor Survey Results: Digging Deeper

Investors continue to view interest rates as the biggest driver of the group. Interest rates were cited as the most impactful factor determining share prices for 6 out of 10 Financials sub-sectors (compared to 4 last year): Large Cap Banks, Midcap Banks, Asset Managers, Brokers, & Exchanges, Life Insurance, Business Services, and Real Estate. Credit Trends were cited as the first or second most impactful factor for 4 out of 10: Large Cap Banks, Consumer Finance, Midcap Banks, and Real Estate.

Sentiment on Financials relative to other S&P 500 sectors was unchanged versus last year... 14% of respondents expect Financials to be the best performing sector within the S&P 500, unchanged versus last year's survey and ranking #3 among sectors (up from #4).

... but with significant shifts in preference among sub-sectors. 39% of respondents expect the Midcap Banks to be one of the three top performing sub-sectors in Financials in 2024, (tied with Payment Networks/Merchant Acquirers), representing an 18 pct point increase versus last year's survey. Real Estate also saw a sharp increase; up 20 pct points to 32% of respondents. The sub-sectors that saw the sharpest declines versus last year's survey were P&C Insurance and Life Insurance, which were both down 15 pct points to 16% of respondents.

Respondents are looking for at least three rate cuts in 2024, with the 10-Year Treasury ending below 4%. 53% of respondents believe that the Fed funds rate will come down at least 75 bps in 2024 (41% say 3-4 cuts, 12% say 5 or more), while 63% of investors believe that the 10-Year Treasury yield will end 2024 below 4%. This reflects expectations for continued declines in core inflation by the end of the year with 63% of investors expecting core CPI to fall below 3%.

Positioned risk-on despite expectations for a credit cycle in 2024. 53% of investors indicated that they are still positioned more risk-on within equities despite being "somewhat" or "very" concerned about a credit cycle in 2024. This appears to reflect expectations for only a modest increase in unemployment with 93% of investors expecting the unemployment rate to end 2024 below 5%.

US Financials Sector Ratings

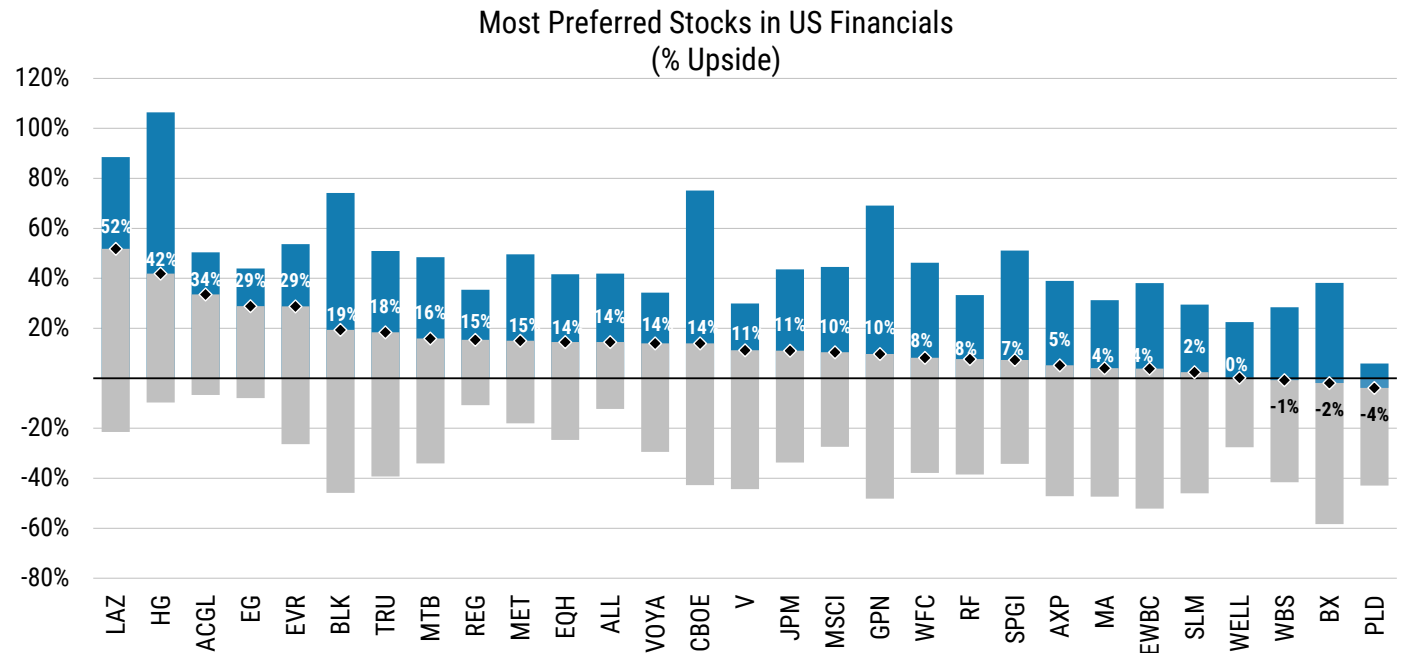
Exhibit 2: We head into 2024 with an Attractive industry view of Payments & Processing, P&C Insurance, and Midcap Advisors.

Industry View Heading into 2024		
Attractive	Payments & Processing	<i>James Faucette</i>
	P&C Insurance	<i>Bob Huang</i>
	Midcap Advisors	<i>Ryan Kenny</i>
In-Line	Large Cap Banks	<i>Manan Gosalia, Betsy Graseck</i>
	Midcap Banks	<i>Manan Gosalia</i>
	Brokers, Asset Managers, & Exchanges	<i>Michael Cyprys</i>
	Life Insurance	<i>Bob Huang</i>
	Real Estate	<i>Ronald Kamdem, Adam Kramer</i>
	Business Services	<i>Toni Kaplan, Greg Parrish</i>
	Consumer Finance	<i>Jeff Adelson, Betsy Graseck</i>

Source: Morgan Stanley Research

Most Preferred Stocks Across US Financials

Exhibit 3: Median 11% upside to base case across our Most Preferred Stocks



Note: Pricing as of January 8, 2024.
Source: FactSet, Morgan Stanley Research estimates

US Large Cap and Midcap Banks (Industry Views: In-Line)

Key Themes

Positive Drivers

NIM pressure is gradually abating. With the Fed on pause, we believe the worst of the NIM pressure is behind us. We still expect a couple of additional quarters of pressure, albeit at a decelerating pace, as deposit costs typically continue to rise until the Fed cuts rates. We are modelling an additional 13 bps in NIM decline through mid-2024, taking NIMs 45 bps below the cycle peak.

Capital markets outlook is improving. A rebound in capital markets activity should help offset softer NII for the Large Cap Banks. Our list of M&A leading indicators is flashing green with run-rate y/y deal volume announcements already inflecting positively.

Bank stocks are cheap by any measure. Bank stocks are trading at a median 11x consensus NTM EPS, below historical average multiples of 12x. On a P/TB basis stocks are trading at a median 1.7x versus their long-term average of 2.3x, and only slightly above the 1.3x trough during the 2015-16 oil shock. If we add back the notional MTM on AFS securities that banks should eventually accrete back as securities mature, stocks are even cheaper at 1.4x P/TB.

Negative Drivers

Deteriorating credit should keep multiples from re-rating higher. Total criticized loans across our coverage have increased by 10% q/q in 3Q23 and 30% YTD. Within CRE specifically, total nonaccruals increased 40% q/q in 3Q23 and 140% YTD. We think this pressure will continue to build over the next few quarters, and lead to net charge offs reaching a median 56bps by the end of next year versus 26bps in 3Q23. Bank stocks have historically not re-rated higher during periods of rising charge-offs, so despite the group being cheap compared to historical levels, we do not expect a material re-rate higher in the near term.

Loan growth to slow further. Loan growth has already slowed meaningfully from +10% y/y at the start of 2023 to +4% in 3Q. We expect this slows to +0-1% by mid-2024, with the risk that loan growth could go negative as both supply and demand are under pressure. On the supply side, banks continue to tighten underwriting standards given higher capital requirements and later cycle dynamics. Demand for bank loans continues to soften due to higher rates and could weaken further for commercial loans as capital markets open up.

Basel 3 endgame could be a key risk/potential re-rating opportunity for Large Cap Bank stocks. While the most likely outcome is some moderation to the current proposal that reduces the ROE drag on US banks, it is far from clear what these adjustments will be.

Midcap banks are too optimistic on expense control. With cost control measures ramping up, most banks with \$100-250 bil in assets are suggesting flat expenses in 2024 as they push to maintain positive operating leverage. We expect this will be tougher to do for Midcap banks, particularly as regulatory pressure and deposit competition adds to investment spend.

When to Get More Positive

When we have more conviction on slowing deterioration in credit, and more conviction on the timing and level of rate cuts. On credit specifically, we expect the rate of change for charge offs slows in 2H24, with CRE losses remaining elevated through 2025. On rates, we are currently modelling no rate cuts in the Base case, but we expect the first few rate cuts will be positive for the group.

Stock Picks in Large Cap Banks

- Wells Fargo (WFC.N):** Favor WFC for its excess capital position, which positions the bank well to face the proposed Basel III Endgame regulatory capital requirements and to have one of the best capital return profiles among Large Cap Banks. WFC's CET1 ratio of 11% as of 3Q23 is over 200bps above the bank's regulatory minimum. Meanwhile, WFC's expense base is not yet fully optimized and we see significant opportunity for management to heighten its focus on expense management next year. WFC is also relatively better positioned for a higher-for-longer rate environment because the bank's asset cap limited the volume of surge deposits it took in during QE.
- Regions Financial (RF.N):** Favor RF for its granular retail deposit base, which will benefit the bank's through-the-cycle deposit beta versus peers. RF has a high level of capital flexibility, with a CET1 ratio as of 3Q23 of 10.3%, ~300bps above the bank's regulatory minimum. As a result, the bank has resumed buybacks during 4Q23, while many peers have kept buybacks on pause in order to build capital. Valuation remains favorable at 10.4x our 2024E EPS versus a long term average of 12x and we believe the risk of additional NIB outflows is already more than priced in.
- JPMorgan Chase (JPM.N):** JPM is taking deposit share across the country, with median share up ~1.5% across the Top 50 US MSAs over the last 5 years. In addition, while JPM is clearly over-earning relative to peers, delivering >20% ROTCE the last four quarters, we think the longer JPM is over-earning the cheaper the stock will ultimately look. In the Corporate Investment Bank, JPM is the largest scale player across most businesses, with strong pricing power and expense discipline enabling them to better protect RoE if Basel 3 Endgame is enacted as proposed. JPM has strong capital levels of 14.3%, well above their current regulatory minimum of 11.4% and their new Jan. '24 regulatory minimum of 11.9%. Valuation remains attractive with JPM trading at only 10.3x our 2024 EPS against a >15% 2024 ROE.

Stock Picks in Midcap Banks

- M&T Bank (MTB.N, Top Pick in Midcap Banks):** Favor MTB for its excess liquidity and capital position which should make it more resilient to a wide range of macro/rate environments and a tougher regulatory backdrop. Excess cash (15% of total assets) provides the bank more optionality to pay down expensive wholesale borrowings and eventually brokered CDs, while excess capital (10.9% CET1 ratio; ~10.3% incl AOCI) means they have the capacity to selectively grow loans while most peers pull back, and eventually resume the buyback.
- East West Bancorp (EWBC.O):** Peer leading capital levels (13.3% CET1 or 11.6% including-AOCI) to support above-peer loan growth, share buybacks, and protection against potential credit losses. Trading at a discount to peers despite consistent above-peer returns (we estimate a 18% ROTCE for 2024E vs. a median 14% for peers). High cycle-to-date deposit beta and California CRE exposure weigh on valuation, but risks appear priced in with no obvious red flags for the near term.
- Huntington Bancshares (HBAN.O):** High quality, granular deposit mix (two thirds Consumer and Small Business). Limited office loan exposure (2% of total loans) with a >9% reserve is a positive differentiator in the current environment. An 8% CET1 ratio including AOCI provides capacity for loan growth next year as most peers remain on hold. Messaging on expense growth (pointing to ~4% next year) is more realistic than peers given tougher regulation coming for banks above \$100 bil in assets. Expect other banks to follow over the next few months.
- Webster Financial (WBS.N):** Favor WBS for its diversified funding base which helps it manage funding cost pressure better than peers. Health Savings Account deposits (14% of total balances) grow at a consistent mid-to-high single digit pace and cost only 15bps, while interLINK provides another stable source of deposit growth and can be used to pay down higher-cost brokered deposits. Total office exposure screens positively versus peers at just 2% of total balances.

Consumer Finance (Industry View: In-Line)

Key Themes

Why Upgrade to In-Line? We upgraded our industry view to In-Line from Cautious about a month ago as risk of credit deterioration has begun to unwind. Our bull/bear skew is now much more balanced entering 2024 vs where it was heading into 2023. Consensus, after previously being too optimistic, has now come our way, with 2024/25 consensus EPS down ~15%/~10% since YE22. After a rapid pace of fed funds hikes over the past ~2 years, the outlook for rates is now stable-to-lower, which reduces the incremental burden on low-to-middle income consumers who more reliant on revolving loans. Odds of a soft landing economic outcome have increased, supported by cooling inflation and less uncertainty in the unemployment outlook.

Consumer Credit Deterioration Set to Slow. Consumer delinquencies, after ramping for ~2 years to the fastest pace of increase since 2009-10, appears set to slow in 2024. Not only has growth in auto DQs already slowed for 3 quarters, but growth in card DQs should begin to slow in 1Q24 after peaking in 4Q23e. Why? **1)** Slower entry rate into early-stage DQs; **2)** Banks have tightened consumer lending standards for 5 quarters, with history showing DQs tend to slow after 4-6 quarters of tightening; **3)** Recent 2023 card vintages pointing to improved credit performance vs 2022. Peak losses will come after peak DQs, but nonetheless, we should start to see slowing NCOs in 2024, contrasting against accelerating C&I/CRE losses.

Why Not Go Long?

Downside Risks Remain in Place. We think it's still too early to go long the group. The group trades at an average PE of 8.3x, compared to 5-year/10-year historical averages of 8x/9x. Lagged effects from 500+ bps of fed hikes could drive a harder landing, which would drive a re-acceleration in consumer delinquencies. Consumers are still dealing with a cumulative 2+ years of higher prices, and have not yet fully returned to repaying their student loans.

CFPB Card Late-Fee Rule Remains an Overhang. The upcoming finalization of the CFPB's late fee rule (proposal included a ~75% reduction in late fees from today's \$30/\$41 to \$8) represents a material EPS headwind for card names if enacted, particularly names more exposed to private label cards such as BFH & SYF. If we assume no offsets in Year 1 of potential rule implementation, this could hit EPS by as much as 80% for BFH, ~60% for SYF. While some issuers have offered up mitigation strategies (higher APYs, new promo/maintenance fees, restructuring retail partnership agreements), it will likely take at least several years to fully reprice their loan books. We do expect various legal challenges once the rule is released, but this likely takes over a year to play out.

Top Picks

- **American Express (AXP):** We prefer AXP given its higher credit quality skew, robust revenue growth, and positive operating leverage. Amid ongoing credit deterioration, AXP's lower credit risk is a standout (5-10% subprime vs 20-30% at peers), with US consumer card losses still ~30% below pre-COVID levels, and total cardmember losses expected to only meet pre-COVID levels by 2024 vs peers overshooting. Card loan growth is gradually cooling but is still elevated at ~17% y/y, and strong NII should support top-line growth as consumer spend moderates. Opex and variable customer engagement expense management will also help drive ~180bp of positive operating leverage in 2024e.
- **Sallie Mae Corp (SLM):** We also prefer SLM for its credit quality story, with losses already declining y/y and expected to further decline from ~2.5% in 3Q23 to 2.3/2.2% in 2024/25e as the company moves further out from 2022 idiosyncratic credit noise. Delinquencies are also declining y/y (a unique story among our coverage) and we expect this trend to continue in 2024. The company's recent ~\$1Bn loan sale in October should also help generate additional share buybacks.

Midcap Advisors (Industry View: Attractive)

Key Themes

Reiterating our Attractive industry view into 2024. Why?

- Leading indicators continue to point to a rebound in M&A deal activity, after 2023 delivered the lowest completed M&A volumes in a decade and the lowest relative to nominal US GDP in at least three decades.
- Pent-up demand following two years of extraordinarily weak M&A activity should drive up activity levels as CEO confidence builds.
- Expect deal activity improves y/y in 2024, even in our bear case.
- Structural drivers of M&A will support deal activity this cycle, including demand for AI and cloud capabilities, the clean-energy transition, innovation in life sciences, reshoring and China de-risking.
- Clarity from recent antitrust court decisions should increase appetite for large-cap M&A.
- Compensation ratios to come down, but remain above normalized target levels.

Stock Picks

- l **Lazard (LAZ):** Recent C-Corp conversion, completed in January 2024, should drive a multiple re-rating over time as newly eligible investors increase exposure to the stock. LAZ is least priced for a rebound in M&A in our view, trading at only 7.9x our 2025 EPS. LAZ is also most skewed to strategic transactions, with Dealogic showing 59% of 2018-22 revenues from strategics. New leadership is focused on total shareholder return, targeting an average 10-15% per year through 2030, with TSR now integrated into long-term incentive awards. LAZ also has strong expense discipline, having gradually reduced their workforce by ~10% in 2023 with a focus on lower performers and low-productivity geographies. We think this will position LAZ well to deliver stronger profitability in 2024. Our \$58 price target applies a 12x multiple against our 2025 EPS of \$4.83.

What Will the Rebound Look Like?

- **A gradual rebound in 2024, reaching normalized activity levels by 2025-26.** Expect completed M&A deal volumes to inflect positively starting in 1Q24 and build gradually through the year. We model completed volumes up +58% y/y in 2024. That's a large inflection on a percentage basis but off of a very low base, as last year's M&A activity as a % of US nominal GDP was the lowest in at least three decades. Our estimates bake in M&A as a % of US nominal GDP increasing from 45% below historical average in 2023 to ~20% below historical average levels in 2024, fully normalizing by 2026.
- **Expect deal activity improves in 2024, even in our bear case.** It's hard to imagine a year worse than 2023, which had the lowest completed M&A volumes in a decade and the lowest relative to nominal US GDP since at least 1996, which is as far back as our database goes. Given deal announcements have already inflected 35% y/y in 4Q23 and management team commentary that deal pipelines are growing and of high quality, we model 2024 completed activity up +20% y/y even in our bear case.
- **Strategics expected to lead the rebound, sponsors to follow.** Skew of announced deal activity is a clear indication that strategic deals should lead the rebound. Strategic/sponsor announced deal volumes represented 80%/20% of volume, respectively, in 4Q23; This is the lowest share of announced deal volume for sponsors since 2Q20, down 30% from the peak of 50% in 2Q22. That being said, sponsor-backed deals generally face less antitrust scrutiny, so the time from announcement-to-close is shorter, meaning sponsor-backed deal completions could begin to move in line with strategic deals once sponsors begin more rapidly deploying dry powder. The prospect of lower rates and a more stable financing market backdrop could be a catalyst to get financial sponsors off the sidelines.

Where could we be wrong? Biggest risks to the group include:

1. a hard landing, which could cloud corporate earnings visibility and lower CEO confidence;
2. tighter liquidity conditions, which could drive volatility in equity markets and suspend deal flow; and
3. escalating geopolitical risks.

More detail in our 2024 outlook here: [Clearer Skies Ahead](#)

Evercore (EVR): We view Evercore as an underappreciated way to play the coming M&A rebound, with EVR trading at a 6x / 20x consensus NTM PE discount to HLI / MC, respectively. In our view, EVR's multiple discount reflects three misconceptions about the stock: 1) the narrative that EVR has matured and therefore won't grow as fast; 2) concerns on comp-ratio management; and 3) EVR's relative skew to large-cap deals vs. other boutiques — three points we do not agree warrant such a steep discount. On the first point, Evercore has demonstrated a strong ability to continue growing, hiring 11 Senior Managing Directors this year while maintaining an expense ratio in the middle of the pack of our Midcap Advisors coverage. On the second point, we do not view 2023 comp ratio of ~68% as run-rate, and model comp ratio declining significantly to 61.8% in 2024 and 59.5% in 2025 as M&A activity recovers. Finally, we note that EVR plays across the M&A spectrum with the majority of its deals \$1B or less in value, and over 1/3 of revenues from non-M&A activity. EVR's ability to advise on mega-cap M&A deals, however, highlights the franchise strength. Such large-cap deals should continue to pick up in 2024 as macro and regulatory clarity increases. Our \$222 price target applies a 12x multiple against our 2025 EPS of \$18.53.

Brokers, Asset Managers & Exchanges (Industry View: In-Line)

Key Themes

Alternative Asset Managers: Lean more positive given potentially improved macro backdrop and rebound in capital markets should bode well for private markets players into 2024 and private credit is the standout opportunity on the horizon. Increased capital markets transactions should accelerate deployment and realization activity, supporting transaction/mgmt fees as well as driving higher performance fees. Furthermore, an improved macro sentiment and greater capital distributions returned to LP investors bodes well for future fundraising outlooks. Combined, this should support a meaningful earnings recovery at BX and BRDG that are well under earning. We also see scope for non-bank financial institutions to benefit from the introduction of Basel III end game rules on US wholesale banks. We size a potential \$300-400b opportunity in private credit AUM and \$3-4b in revenues across securitization, leveraged & acquisition finance, asset-backed finance and commercial real estate. We see this as part of a larger opportunity for alternative asset managers to take share in the overall private credit addressable market of ~\$32Tr. OW BX and EWs APO, ARES, and KKR are best positioned given i) breadth and scale of private credit opportunities, ii) deep origination funnels, and iii) stronger access to permanent capital vehicles (e.g., insurance company balance sheets).

Brokers: We remain neutral across our brokers coverage (EW SCHW, LPLA, AMP, HOOD, RJF) given peak rates with scope for rate cuts leading to NII headwinds and NIM pressure to weigh on earnings for the group. Amidst a continually uncertain interest rate path we also see idiosyncratic factors at each of the brokers that keeps us on the sidelines for now. At HOOD we see an increased challenge for expense cuts to offset potential rate cuts, pressuring profitability. At RJF, capital markets rebound could be beneficial, but a large loan book with CRE exposure as well as disappointing organic growth keeps us cautious. We have scope to get more positive at SCHW and LPLA, looking for rate cuts to accelerate the end of cash sorting at SCHW and extending duration to protect earnings in an environment of rate cuts at LPLA, though strong organic growth and mandate wins may pressure expense spend.

Traditional Asset Managers: We selectively add beta with elevation of BLK to Top Pick and recent addition to our Financials' Finest list as rates peaking and scope for cuts could catalyze money rotating into fixed income to lock in attractive yields and see BLK as a key beneficiary. Our equity strategists roll forward their call for a soft landing, with rate cuts beginning in June 2024. This in combination with decreased inflation could give way to a rotation into fixed income. Across the group, we expect fund flows to improve in 2024 as the market gains clarity around rates and we look for ~2% organic asset growth (net new money) in 2024 and a similar level in 2025, following 1% in 2023. Operating expense management will remain in focus during 2024 and we expect operating expenses to grow by 3% in 2024. As such, profitability remains challenged with inflationary cost pressures and growing business complexity with average net operating margins at 34% in 2024e, a modest 100bps recovery after a 400bp decline in 2022-23e. We also see an opportunity for Generative AI to drive operating efficiencies which could pave the way for future cost saves and productivity enhancements of 25-50% across various sleeves of the asset mgmt business. We remain selective, preferring Top Pick BLK (and recently added it to our Financials' Finest list) given its exposure to growth opportunities (fixed income, index, private markets, tech revs) and best mix of product, distribution breadth, and scale to capture rotation into fixed income (via its leading iShares platform and \$2.6Tr comprehensive fixed income platform).

Exchanges: We prefer exchanges skewed toward transactional revenues with defensive (OW CBOE) and durable (OW TW) growth as we see scope for macro and geopolitical risks to potentially renew uncertainty and volatility in the markets. We have replaced our prior Top Pick CBOE with BLK, but still see scope for our Overweight CBOE thesis to persist. CBOE's volumes have proven more sustainable than feared and its proprietary SPX and VIX index options reached new records in 2023 with ADVs of 2.9m and 740k contracts respectively through Oct '23. OW TW sees durable revenue growth supported by cyclical, secular, and regulatory tailwinds driving +13% revenue CAGR and +15% earnings CAGR over the next 3 years. Across the group, we are looking for +9% y/y revenue growth into '24 and +9% y/y EBITDA growth on average. We expect M&A execution and integration to drive market sentiment and investment theses at NDAQ and ICE.

Stock Picks

- l **BlackRock (BLK.N):** Elevated BLK to Top Pick (replacing CBOE) and added to our Financials Finest list given its leading iShares ETFs, multi-asset, and alts platform as well as its growing technology/Aladdin offering that are set to drive ~11% EPS CAGR in 2023-25e. The firm's track record of success with +5% average organic growth over the past 5 years, delivering \$1.8Tr of organic new assets reinforces our confidence as we look out into the future in the context of a highly fragmented \$100+ Tr industry. We also see opportunities for upside driven by transformative M&A which management highlighted as an area of focus on their most recent earnings call, similar to how they've executed in the past (e.g., BLK's transformational acquisition of BGI during 2009). While we still retain our cautious stance on the traditional asset managers given market uncertainty and continued profitability challenges, we selectively add risk with BLK as our Top Pick in the context of our strategists predicting rate cuts beginning in June 2024. This combined with decreased inflation could give way to a rotation out of cash sitting in money market funds and into fixed income, which BLK is poised to capture given its scale and brand. BLK also stands ready to benefit from secular growth in private markets, with ~\$28b of committed institutional capital to deploy in alternative strategies, particularly in private credit and infrastructure, with a goal of doubling private market revenues in 5 years.
- **Blackstone Group (BX.N):** We view Blackstone as among the best positioned to benefit from the structural growth of private markets given its brand, scale, and breadth of investment expertise. We see Blackstone as best placed to capture outsized share of the structural growth of private markets given its gearing to key themes across 1) rising allocations from a large private wealth and retail TAM, 2) secular and cyclical opportunity in private credit, and 3) AI capabilities that are set to transform the asset mgmt industry. Within retail, BX is furthest along in the retail build-out with a first-mover advantage and industry-leading distribution capabilities through dedicated internal and external sales team. We see scope for BCRED and newly launched BXPE to continue to resonate among retail investors given the investment track record and strong distribution reach at the firm, meanwhile redemptions at BREIT continue to show an improving trend. Within Private Credit, we view BX as an under-appreciated beneficiary of the secular tailwinds behind the asset class from rising investor allocations to expanded origination capabilities, as well as cyclical tailwinds as regulatory challenges pressure banks to further retrench from lending. BX's \$350b private credit business spans across direct lending (\$100b), liquid credit (\$100b leveraged loans, high yield, and CLOs), real estate credit (\$66b), asset-backed finance (\$30b), and other/insurance solutions (\$54b). With respect to AI initiatives, BX has been investing behind AI since 2015 and its team has grown to over 50 data scientists who sit on investment teams and assess risks and opportunities in portfolio diligence. These 3 key growth themes combined with ramping permanent capital initiatives, improving margins, and flagship fundraising fee activations should propel fee-paying AUM at +15% and FRE at +19% 3-yr CAGR through '26.
 - **CBOE Global Markets (CBOE.Z):** We stay OW CBOE and remain convicted in our thesis as we see a defensive business model that offers downside protection and benefits from higher volumes should the macro deteriorate and volatility increase further. Index options volumes have proved more sustainable than feared, with volumes that have held up against varying volatility backdrops in 2022-23. Three Reasons we're OW as we see: 1) Better organic revenue outlook that's more sustainable than the market appreciates, given continued adoption of the shorter dated ODTE options and potential for Cboe to pull the pricing lever on data and access revenues; 2) Multiple irons in the fire with early-days growth initiatives and product innovations, which are not in the price but

could present supportive tailwinds and potential upsides to estimates; and 3) Scope for positive operating leverage in 2024, that's not yet in estimates.

Payments & Processing (Industry View: Attractive)

Key Themes

A Shifting Competitive Landscape Can Benefit Payment Incumbents

Capital invested within the fintech space has continued to fall over the last 12 months amid higher rates and a softening valuation backdrop. We think a combination of lower fintech VC funding, along with cost pressures on fintech players who will be more likely to "stay in their lanes" and focus on core competencies will create a more favorable backdrop for incumbent payment providers. Fintech VC funding totaled just \$30.5B through 3Q in '23, down 55% from '22, which already saw fintech VC levels drop 45% from '21's massive \$140B influx. Notably, Fintech global VC funding levels are now approaching 2016/17's levels. In our view, availability of capital is a key component of driving industry disruption and without ample capital market funding, the potential for industry disruption will become more limited.

In recent months, the fintech industry has seen accelerated layoffs as companies have pulled back from a period of faster economic growth, while also facing higher profitability expectations given the backdrop of higher rates. This means a greater focus on costs, and in our view, likely means less focus on non-core growth investments that historically would increase industry competition for payments incumbents. In its 3Q23 print, Block announced that it's capping its headcount at 12K, implying an 8% staff reduction. Meanwhile, PayPal is reducing its non-transaction operating expenses by 10% this year, Shift4 laid off 150 employees in 2Q23 (~6.5% of its workforce), and Affirm reduced its headcount by 19% earlier in '23.

Given this environment, we think tech firms (inclusive of fintech), are most likely to focus on their core competencies over the medium term. This can benefit our covered payment providers as it likely instills discipline (e.g., PYPL focuses on branded checkout, Cash App on rolling out credit products) while reducing some of the competitive investment from larger tech firms.

Stock Picks

- Visa (V) and Mastercard (MA):** We continue to like V/MA as we believe that the ongoing strength of international travel could serve as an upside earnings driver for both. We think a good portion of investors lean conservative on the travel outlook in '24 on macro concerns that demand might drop off and the view that consumer "revenge travel" has largely played out. Additionally, we think many might be skeptical of Visa management's commentary that while cross-border travel growth is normalizing, it appears to be normalizing at an elevated rate vs. pre-pandemic, and there continues to be opportunity to recover volumes in certain corridors like Asia. For our part, we remain encouraged by recent commentary from airlines that indicate international travel demand and bookings remain especially strong. From a cyclical perspective, even if we were to enter a recession, V and MA have diversified and broad-based exposure to spending categories and strong expense flexibility that we believe can support EPS growth that's at least in-line with estimates. As such, we remain OW V and MA and believe they can compound at least at the rate of EPS growth, and we still see room for modest multiple expansion.
- Global Payments (GPN):** We believe GPN is best positioned merchant acquiring incumbent to benefit from the shifting competitive landscape mentioned above. We prefer the name given: 1) The company has recently started to deliver organic volume growth that is above the rate of the overall market, suggesting that the prior trend of share donation has stabilized and potentially turned into consistent share gain. 2) Global Payments has built favorable exposures to faster-growing verticals for software-integrated payments through M&A. 3) We appreciate that management has been consistent with identifying and integrating attractive assets via M&A, which we think is the best way to accelerate the growth profile. 4) Valuation: GPN is still trading near historical lows, and at ~10x '24 EPS is 5x below Fiserv, which is growing volumes slower.

Life Insurers (Industry View: In-Line)

Key Themes

Macro Environment: Life insurers are high beta stocks, both to equity markets and interest rates. Flattish equity markets over the next 12 months could serve as a marginal headwind and a potential peak in interest rates could unfavorably impact reserving and capital surplus. That said, interest rates are likely to remain above life insurers' internal expectations, which implies that the need for reserving true-up should be low and continue to benefit life insurers on long duration investment income. Companies with less equity sensitivity should have better risk/reward profiles, which includes stocks such as Aflac, MetLife, and RGA.

Investments And the Credit Cycle: Life insurers have high investment leverage, with investment portfolio assets relative to equity averaging ~8.3 times. While most life insurer investments are in highly rated fixed maturities, a potential ratings migration could serve as a headwind for life insurers. Further, certain asset classes, namely commercial real estate, have emerged as more vulnerable and alternative investment performance, which were a significant headwind to earnings this year, remains uncertain. Companies with high leverage include Lincoln and Brighthouse.

Capital Management: Companies generally have solid capital positions, which should support robust share buybacks and earnings accretion. That being said, the potential adverse impact of ratings migration, lower cash flows from volatile equity markets, and instability of interest rates could pose headwinds for companies that have limited excess capital and low free cash flow. Heading into 2024, we expect the pace of repurchases will remain in-line with 2023 levels. Overall, we expect share repurchase activity for 2024e will be 5.9% accretive to earnings, compared with our 2023e accretion estimate of 4.3%.

Mortality: Life expectancy has been declining in the US for several years. On one hand, the pandemic was responsible for much of the decline, and as COVID pressures normalize, we expect the headwind to mortality to become less onerous. Conversely, other drivers also contributed to the decline in life expectancy, such as are uptick in heart disease and cirrhosis. While we do not feel that mortality will return to pre-pandemic levels just yet, we do not expect it to have the significant impact it has had in recent years. Group and individual life insurance are likely to be the lines of business most impacted by changes in mortality. Accordingly, companies such as MetLife, Globe Life, Unum, and Lincoln stand out as underwriters of these businesses.

Stock Picks

EQH: The investment thesis for the company revolves around its ability to manage the risk associated with the variable annuity operations while continue to grow its more profitable group retirement and asset management operations. Stripping out AllianceBernstein, the company is trading at only 2.4x 2025e PE, a steep discount to its peers. Although the most recent quarter's results were somewhat challenged by Individual Retirement, the company is still well positioned to achieve its target of 12-15% EPS CAGR and \$2 billion of annual cash generation through 2027e. Given the attractive valuation, we remain Overweight on the company.

MET: MetLife stands out in our view as one of the most attractive stocks with safe haven-like characteristics. The company has narrowed its focus, exiting several areas from retail several years back and focused more on cash generation, which has allowed it to meaningfully increase the pace of buybacks. The stock is trading at 6.2x 2025e PE due to investors penalizing its higher-than-peers CRE office exposure. Additionally, adverse variable investment income has meaningfully pressured earnings. That said, the variable investment income is masking underlying business strength, and we have yet to see a deterioration in CRE credit quality. As we move into 2024, durable underlying fundamentals in capital light businesses and attractive valuation should support share price performance relative to peers.

VOYA: Voya is successfully pivoting away from restructuring and expense saving story toward more of a growth story. Relatively low capital intensity means that the overall macro environment should have less impact on the long-term growth prospect of Voya. Its Health Solutions segment has been a solid contributor to earnings over the past two quarters and is expected to continue. That said, the solid EPS growth profile is not being reflected in its current PE of 9.0x, which is below the historical average of 8.2x forward PE.

Our Stock Picks: Equitable, MetLife, Voya.

P&C Insurance (Industry View: Attractive)

Key Themes

Commercial Lines: Staying selective as reserving and social inflation for casualty lines continue to be in focus. While pricing should hold up, the overall underwriting margin could normalize down.

Personal Lines: Incrementally positive as pricing for personal auto and homeowners insurance increases and more rates get earned in 2024, along with less inflationary pressure on personal loss cost trends. Carriers will shift their focus to profitable growth in 2024.

Reinsurance: Pricing will continue to rise albeit at a much slower pace compared to 2023. Reinsurance demand remain strong, which should propel reinsurers to sustain strong ROE.

Brokers: We see the performance of brokers to bifurcate heading into 2024. Although margin expansion should be durable, lower interest rates could serve as a minor headwind to growth.

Stock Picks

ACGL: We believe in Arch Capital's ability to efficiently deploy capital across its 3 key business segments and further take advantage of its most profitable sectors. Heading into 2024, durable reinsurance pricing and solid risk management should serve as a tailwind to growth and underwriting profitability for Arch Capital.

ALL: Lower inflationary pressures and continued strong pricing leads us to believe that the overall environment should turn more positive for Allstate. The recent approved rate increases in key states such as CA, NY & NJ and management's focus on growth should lead to low- to mid-double-digit auto premium growth in 2024.

EG: We believe Everest Group has extensive growth opportunities in both the insurance and reinsurance segments. Beyond durable reinsurance pricing, the company continues to focus on growth in the international insurance market while closely monitoring its casualty reserving and executing on its technology strategy with more modern infrastructure.

HG: Although reinsurance pricing increases may be at a slower pace in 2024 compared to 2023, Hamilton Insurance Group is well positioned to benefit from the current reinsurance hard market. Since 2018, we believe Hamilton's improvements on underwriting profitability, strong growth, and reduction in Two Sigma exposure is not fully reflected in current P/B valuation.

Business Services (Industry View: In-Line)

Key Themes

Subscription-based Info Services names offer high quality earnings and revenue visibility, but valuations are largely stretched across the group. We are recommending SPGI and MSCI, which both fit our Equity Strategy team's preference for defensive characteristics with growth potential. We remain OW TRU as we believe that our secular thesis remains intact — TRU is a HSD grower over the long-run, with margin expansion, and EPS growth in the mid-teens. At ~13x '24 EBITDA, we believe TRU presents an attractive opportunity for owning a HSD growing business with structural tailwinds.

Info Services valuation premium to the market is in-line with its recent average, but there are opportunities to create alpha. The Info Services group currently trades at a 60% premium to the S&P 500 on P/E, which is in-line with its 5Y average, but is above its 54% 10Y average. Valuations remain high across the group, which has been rewarded for high-quality, resilient business models with solid growth outlooks, leading to premium valuations. At current levels, we believe stock picking becomes even more important, and thus we favor resilient, high-quality names at reasonable prices.

Issuance expected to improve in 2024, but waters are still choppy. After global issuance increases of LSD-MSD in 2023, our Morgan Stanley Fixed Income team expects global market issuance increases of 8% in 2024. While 2023 issuance should return to growth, LSD-MSD increases were off of a very low base and issuance remains well below historical levels. The expected 8% issuance growth in 2024 is the start to the recovery, but we do not expect to see a full recovery until economic conditions become more favorable. Heading into 2024, there are a few positive signals for credit issuance as a soft landing and peak in policy rates should create a supportive environment. While our economists continue to call for a soft landing in the US, it's not smooth sailing. They expect growth to slow from 2.5% this year to 1.6% (4Q/4Q) in 2024. Importantly, growth continues to slow further in 2025 (1.4% 4Q/4Q) as the lagged impact of policy continues to flow through to the economy. It is this slowing but positive environment that could limit issuance upside, along with the potential for higher-for-longer rates. Net, we model a 11% revenue increase at Moody's MIS organic c/c and 11% for SPGI Ratings in 2024.

Stock Picks

MSCI is our Top Pick in Business Services. We view this as an attractive entry point for the best-in-class name in the Info Services space offering risk-reward upside. MSCI sits at the center of our Venn diagram encompassing growth characteristics, resiliency, and a reasonable valuation. MSCI is a best-in-class name in the Information Services space with the leading growth (10% top line) and margin profile (60% EBITDA margin) in the group, driving mid-teens EPS growth. We see significant growth opportunities ahead, and as macro uncertainty persists, we think MSCI presents a compelling value for both growth and defensive qualities (MSCI ranks #3 in our resiliency ranking). We see a long runway for organic growth, and do not think the market is pricing in upside opportunities within Private Assets (\$4B TAM) and ESG/Climate. We think this is an attractive time to get into a name that historically trades at a premium valuation. MSCI currently trades at ~28x std. '24 EV/EBITDA, which is -0.6 std. deviations below its historical multiple premium to the Info Services group.

S&P Global (SPGI): We view SPGI as a way to play the issuance recovery in 2024. SPGI is a leading Information Services provider with a unique position among peers to expand in high growth areas. We are bullish on SPGI given its portfolio diversification, margin execution, capital-return profile, and potential for greater synergies from the combination with INFO. Overall, we view SPGI as having strong assets, low-to-mid-teens EPS growth potential, strong capital return (85% of FCF), and is trading ~4-turns below subscription-based peers ex. CLVT at ~28x '24 levered P/FCF. The Rating Agencies are strong compounders, which we find attractive over the long term.

Transunion (TRU): We are OW TRU as we believe that our secular thesis remains intact - that the company will be able to grow revenue HSD in a normal year, with margin expansion, and EPS growth in the mid-teens. We believe TRU's portfolio was disproportionately impacted by macro factors in '23, creating tailwinds into '24. Also, completion of its technology transformation could lead to accelerated product innovation. We think shares reflect investor bearishness at this level with upside to '24 estimates. We think estimates have been de-risked and see earnings as positive catalysts ahead. At ~13x '24 EBITDA, we believe TRU presents an attractive opportunity for owning a HSD growth business with structural tailwinds.

REITs (Industry View: In-Line)

Key Themes

In-line industry view, but think risk is to the upside. Following 2 years of cumulative -25% underperformance vs. the S&P, the +23% rally (vs. S&P +15%) that started at the end of October (as real rates fell -82bps from peak) has more room to run, in our view. REITs historically outperform the S&P after the Fed pauses — our analysis suggests the last 4 times the Fed was in a tightening cycle and then paused, REITs were up +30% on average within 16 months (vs. S&P +20%).

We see 3 key factors supporting multiples next year: 1) Tailwind from generalist investors looking to position in rate-sensitive sector; our analysis suggests top holders' REIT allocation below 1% vs S&P weight of 2.3%, **2)** Consensus 24e of +4% YoY growth looks achievable, limiting another major round of negative revisions, and **3)** REITs still trade at a -8% discount to the S&P vs. the 5yr avg premium of +6%.

How should investors position ahead of a Fed easing cycle? Our roadmap is based on our regression analysis of real rates, IG spreads, and same-store NOI growth (69% r-squared) that suggest fair value for the REIT multiple is 15.5x based on 1.70% real rates, 1.00% IG spreads, and 3.00% same store NOI growth. REITs currently trade at 17.7x, which is a 2.2x premium to fair value. REITs traded 5.6x above fair value in 3Q08 during the GFC and -2.8x below fair value in 3Q12 when the market was slow to price in negative real rates. If real rates continue to fall, we think the REIT market may retest 4-5.5x above our fair value or a 19.5-21x multiple in a bull case scenario. The bear case would be that inflation and growth numbers surprise to the upside, leading to rising rates or concerns of regional banking concerns returning, pushing REITs multiples down to fair value or below.

Stock Picks

- Top Pick REG:** REG has one of the highest quality portfolios in the open air center space as measured by rent per SF of \$24.25 and occupancy of 94.6%. While expected organic growth of +2.9% is relatively in-line with peers, what is most underappreciated by the market is the external growth opportunity that is supported by what we view as the best balance sheet in the sector. Indeed, we attended [REG's market showcase](#) in its home city Jacksonville in early December and we walked away with higher conviction in management's ability to execute on 2.5-3.0% long-term SS-NOI organic growth, and after reinvesting free cash flow on a leverage-neutral basis, an ability to grow FFO 4.0-4.5% annually. We believe the market is missing 4 key things — (1) valuation premium rerating opportunity, (2) strong FCF generation supporting investment capacity and a low leverage ratio, (3) strong pipeline of leases and commenced occupancy upside, (4) merger accretion on track — as further detailed in our [REIT Outlook](#).
- PLD:** Prologis is the largest owner and operator of logistics real estate, with over 1bn sq.ft. footprint across the globe. The company's portfolio is well-located in higher barrier markets limiting headwinds from incremental new supply in the future which we would expect to be key to the company's market rent growth rebounding in 2H24 as development starts have fallen ~40% on a YoY basis. Current leases are ~65% below market leases and the company has a long runway for high single digit internal growth. We expect +8.7%/+8.8% cash same-store NOI growth in 24e/25e which is REIT sector leading. While we see risk to the cyclical components of industrial operating models (third party mgmt. income, development starts, and rising financing costs), these issues appear tempered relative to the overall REIT market.
- WELL:** WELL is the largest health and wellness real estate platform, deriving ~48% of its NOI from its RIDEA / SHOP segment. Post COVID, the company's core organic business has exceeded expectations and is supplemented by accretive external growth, a key differentiator. We believe portfolio occupancy troughed in 1Q21 at ~74% and model it increasing to

~86% in '25e, still below '19a at ~88%.

How do you play it? Our coverage universe of 53 stocks offers ~0% total returns (-4.0% price + 4.0% dividend) as of Dec. 15, 2023. While last year we were neutral on REITs but negatively inclined, this year we are neutral and positively inclined. See [REIT Outlook](#) for full details. Our key calls for 2024 are as follows:

- We recently rotated from mall REITs to open-air center REITs: Upgrading **REG** to **OW** and moving to Top Pick, upgrading **UE** to **EW**, and downgrading **SPG** to **EW**
- The office REITs rally is likely on its last leg, and we expect a reversion in 1H24: We recently downgraded **HIW** to **UW**; reiterate **UW VNO**
- Storage REIT pricing improved in 4Q23, and lower rates may be a tailwind for housing transactions: We recently upgraded **EXR** to **EW**
- Interest-rate-sensitive sectors are undervalued & offer the most compelling risk-adjusted returns: Reiterate **OW ADC**, **GLPI**, **SBAC**, **SAFE**, **CWK**
- Defensive growth sectors can continue to outperform: Reiterate **OW** on **PLD** in Industrial and **WELL** in Senior Housing
- In resi, see **UDR** as relative **OW** vs. CPT/MAA; SFRs screen more attractively than they have all year after recent underperformance, **OW INVH**

What about M&A? Our [analysis](#) suggests Manufactured Housing, Storage, Triple Nets, Specialty, Gaming, and Strip REITs may have greatest potential for M&A in 2024. High bar for Healthcare and Office deals remains.

This helps drive strong ss-NOI growth in '24e/'25e of +8.3%/+7.8%. While the implications of COVID-19 were significant, we believe the secular demographic tailwinds remain in place over the MT/LT as demand rebounds and new supply remains at record lows. There is significant pent-up demand for seniors housing given aging baby-boomers at an estimated ~21% of the US population of ~340 million in 2023. Our analysis of OECD population projections suggests as boomers age, the cohort of the US population aged 75+ will grow from ~25 million in 2023 to ~35 million in 2030 (+4.4% CAGR). We value WELL by applying a ~23x multiple to our base case '24e FFO of \$3.93, but look to our bull case PT of \$110 given recent outperformance.

AlphaWise Investor Survey

Investor Focus: Rates, Credit, M&A, Consumer Spend, and Pricing power

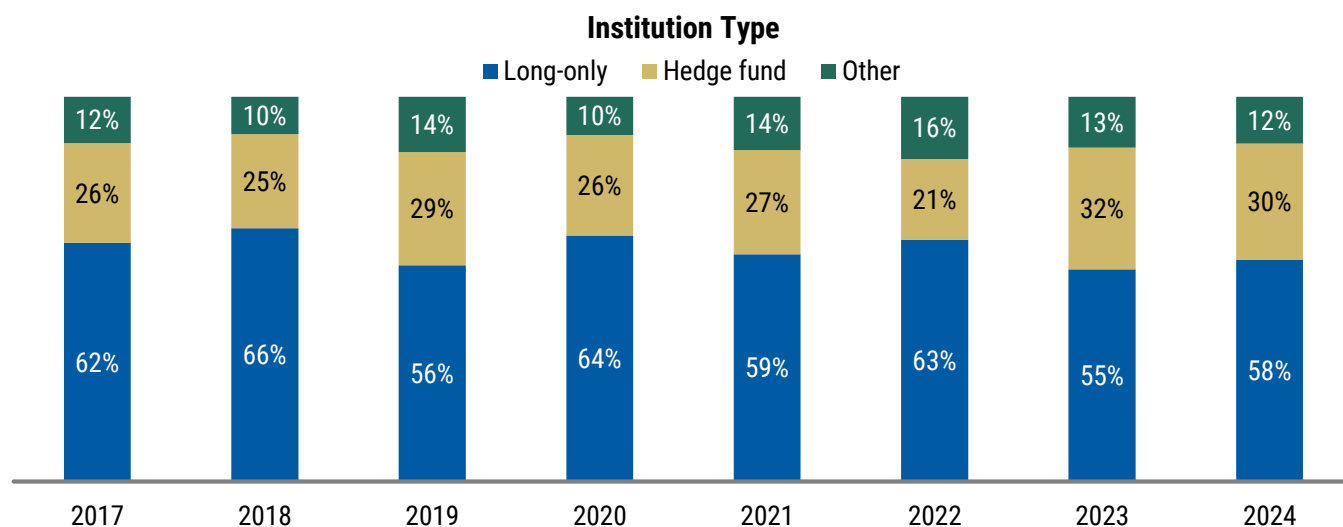
Exhibit 4: Investors expect rates, credit, M&A, consumer spend, and pricing power to drive financial stocks in 2024.

Financial Subsector	Most Impactful Factor	% of Total Votes	2nd Most Impactful Factor	% of Total Votes
Large Cap Banks	Interest Rates	43%	Credit Trends	21%
Consumer Finance	Credit Trends	34%	Consumer Spending, Interest Rates	29%
Midcap Advisors	M&A	45%	Capital Mkt Valuation	23%
Midcap Banks	Interest Rates	49%	Credit Trends	21%
Asset Managers, Brokers & Exchanges	Interest Rates	41%	Capital Mkt Valuation	39%
Life Insurance	Interest Rates	57%	Pricing Power	11%
P&C Insurance	Pricing Power	37%	Interest Rates	35%
Payments Networks/Merchant Acquirers	Consumer Spending	60%	Interest Rates	15%
Business Services	Interest Rates	27%	Pricing Power	21%
Real Estate	Interest Rates	87%	Credit Trends	6%

Source: AlphaWise, Morgan Stanley Research

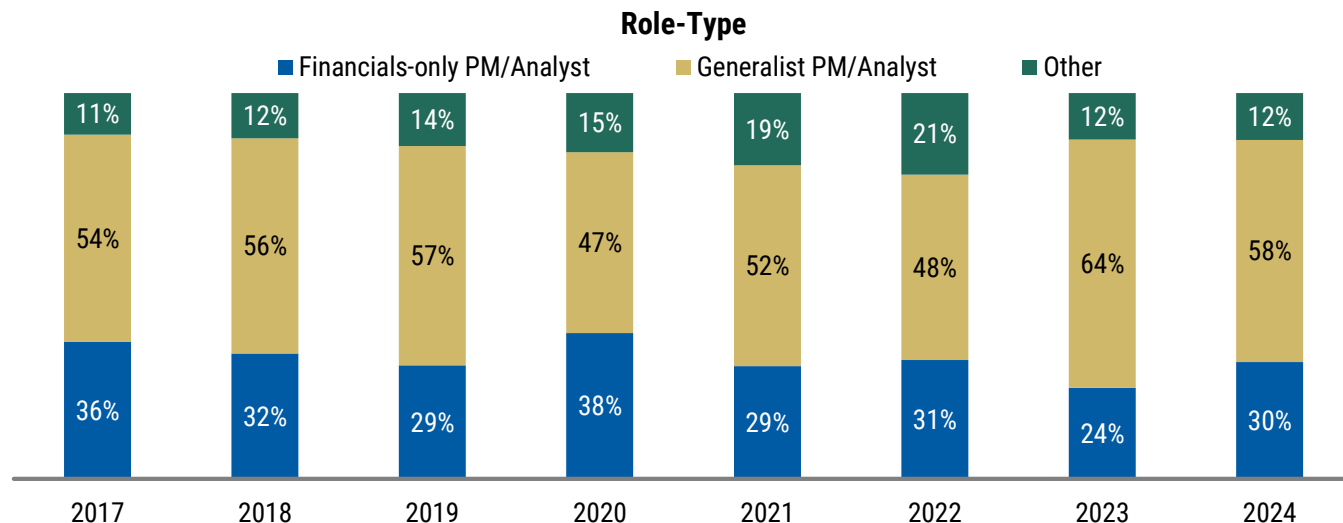
Who Took the Survey?

Exhibit 5: Slightly over half of respondents represent long-only funds



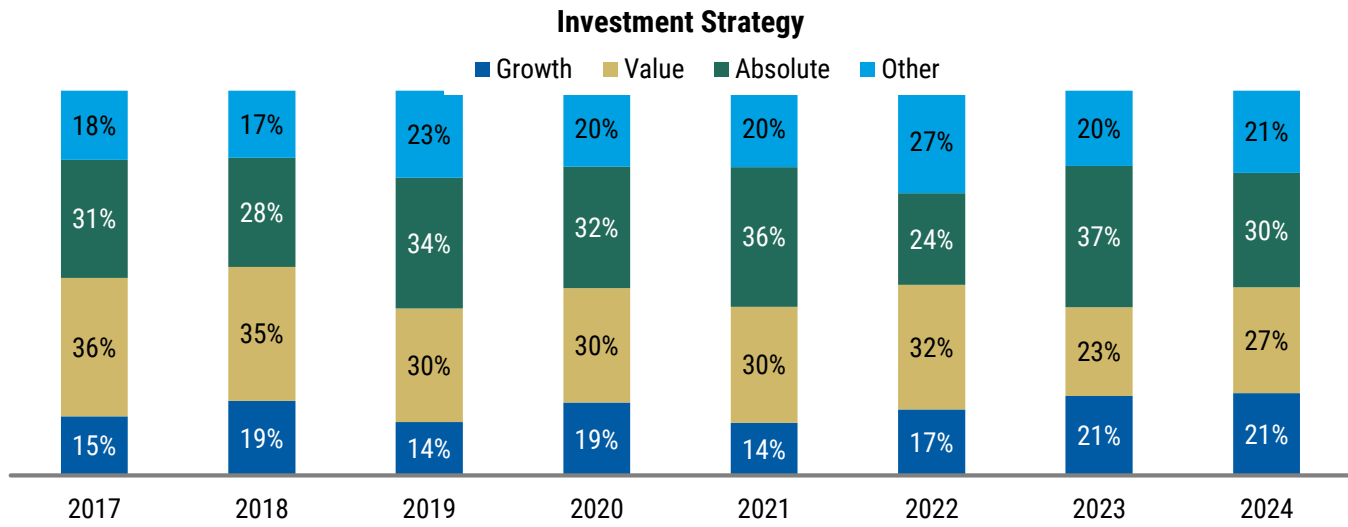
Source: AlphaWise, Morgan Stanley Research

Exhibit 6: Over half of respondents were generalists, with a modest uptick in specialists versus last year



Source: AlphaWise, Morgan Stanley Research

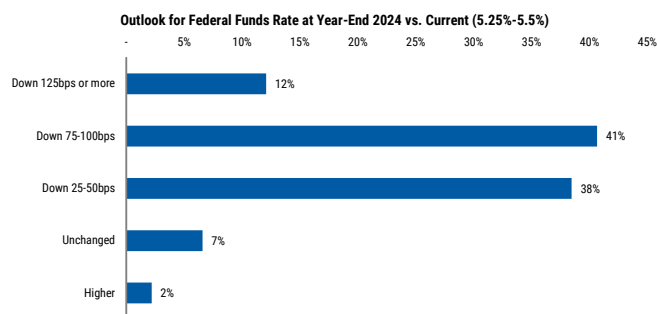
Exhibit 7: This year's survey was more skewed to value investors than last year



Source: AlphaWise, Morgan Stanley Research

Investors Expect at Least Three Rate Cuts in 2024

Exhibit 8: Majority of investors expect at least three Fed Rate cuts in 2024

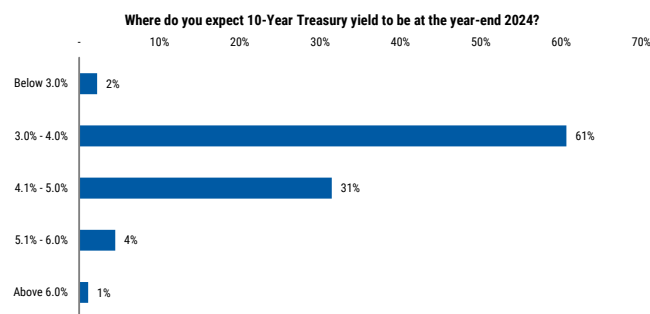


Source: AlphaWise, Morgan Stanley Research

Investor View:

- Fed Funds: Looking for at least three cuts in 2024.** 41% of investors expect the Fed funds rate to end 2024 down 75-100bps while another 12% expect Fed funds to come down 125bps or more. Only 7% expect no change in rates by year end and 2% expect the Fed funds rate to end the year above 5.25-5.50%.
- 10 Yr Yield: Equity investors are looking for long-end rates to end 2024 below 4%.** 61% believe the 10-year Treasury yield will end the year between 3-4%, versus 31% expecting it to end between 4-5%.

Exhibit 9: Nearly two-thirds of investors expect the 10-Year Treasury yield to end the year below 4%



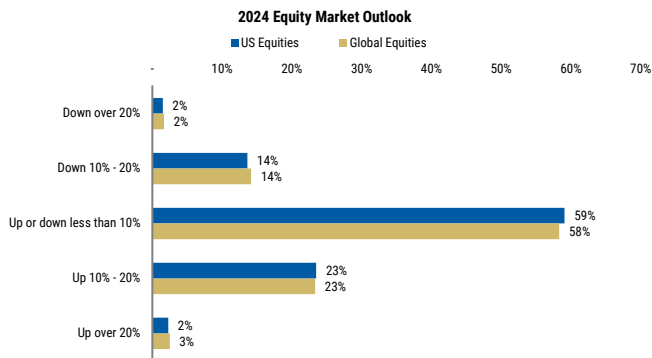
Source: AlphaWise, Morgan Stanley Research

Morgan Stanley View:

- Morgan Stanley Chief US Economist Ellen Zentner expects four rate cuts in 2024, starting in June.** Refer to her 2024 outlook [here](#) for a detailed breakdown of her forecasts.
- Morgan Stanley Rates Strategist Guneet Dhingra is forecasting the 10-yr yield to end 2024 at 3.95%.** He thinks cooling growth, labor markets, and inflation, a rate-cutting cycle starting in June 2024, more flexible Treasury supply, and a return of buyers missing in 2H23 help to drive both lower rate expectations and term premiums in 2024.

Markets: Investors Skew Bullish on the S&P 500

Exhibit 10: Stock Market: Most investors expect US and Global Markets to rise or fall <10% in 2024, with a skew to the upside



Source: AlphaWise, Morgan Stanley Research

Exhibit 11: Morgan Stanley Equity Strategist Mike Wilson's base case has the S&P 500 ending 2024 at 4,500.

Landscape	Price Target	Upside/Downside
Bull Case	5,050	6.0%
Base Case	4,500	-5.5%
Bear Case	3,850	-19.2%

Current S&P 500 Price 4,764

Source: Bloomberg, Morgan Stanley Research

Exhibit 12: Morgan Stanley Equity Strategy Sector Recommendations

Morgan Stanley Sector Recommendations				
Overweight	Health Care	Staples	Utilities	
	Comm Services	Energy	Financials	Materials
Neutral	Tech	Real Estate	Industrials	
	Broad Consumer	Cyclicals		
Underweight				

Source: Morgan Stanley Research

Investor View:

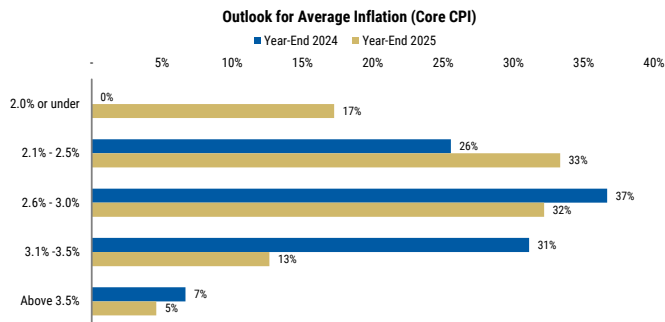
- Stock Markets: Most investors are looking for US equity markets to rise or fall <10% in 2024, with a skew to the upside.** While 59% of investors expect US equities to be up or down less than 10%, 25% expect an increase of >10% while only 16% expect a decrease of >10%. Sentiment looks similar for global equities.

Morgan Stanley View:

- Morgan Stanley US Equity Strategist Michael Wilson has a year-end SP500 price target of 4,500 (-6% versus current levels) with bull and bear cases of 5,050 (+6%) and 3,850 (-19%).** He forecasts 2024 earnings of US \$229 (+7%) assuming 4-5% top-line growth in addition to modest margin expansion as labor cost pressures ease. However, Wilson believes the near term backdrop for earnings remains challenged, pointing to weakening earnings revision breadth, cautious corporate commentary, and weaker consumer confidence. More detail in his 2024 outlook [here](#).

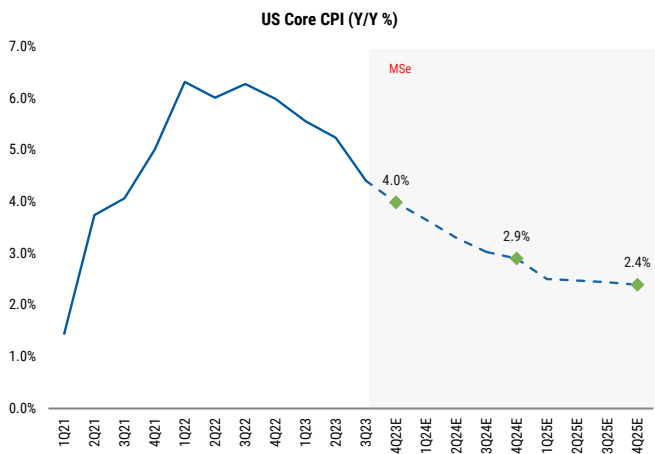
Inflation: Investors Expect Further Cooling in 2024

Exhibit 13: More than half of investors expect Core CPI inflation to fall below 3% by YE24.



Source: AlphaWise, Morgan Stanley Research

Exhibit 14: Morgan Stanley Chief US Economist expects core inflation to decline from 4% today to 2.9% by YE24 and 2.4% by YE25.



Source: Bureau of Labor Statistics, Morgan Stanley Research Estimates

Investor View:

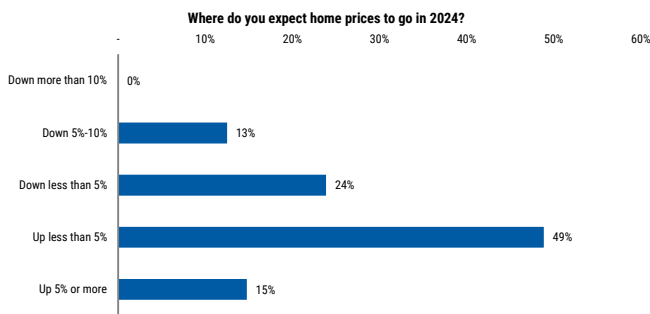
l **Inflation: Investors expect core CPI to fall in 2024/25.** 63% of investors expect core CPI to decline to 3.0% or below by year-end 2024, with 26% expecting core CPI to fall to the 2.1-2.5% range. Looking further out to year-end 2025, a larger 82% of investors expect core CPI to fall to 3.0% or below, including 17% expecting core CPI at or below 2.0%.

Morgan Stanley View:

l **Morgan Stanley Chief US Economist Ellen Zentner expects moderating consumer demand, improving supply chains to drive lower inflation.** Core goods *deflation* will play key role in overall disinflation from 4-Q23 onwards, driving core CPI down to 2.9% by 4-Q24. Disinflation in services should follow in 2025 on increased labor market slack, driving core CPI further down to 2.4% by YE25.

Home Prices: Investors Expect a Single-Digit Increase in 2024

Exhibit 15: Most investors expect home prices will increase in 2024, skewed toward a <5% increase



Source: AlphaWise, Morgan Stanley Research

Exhibit 16: Housing Forecasts for 2024

US Housing Forecasts	2022	2023 YTD	2024E
Home Price (Dec YoY %)	6%	5%	-3%
1-unit Existing Home Sales (mm)	-17%	-19%	3%
1-Family New Home Sales (000s)	-17%	4%	8%
1-Unit Housing Starts (000s)	-11%	-7%	10%

Note: 2023 YTD is latest available

Source: Morgan Stanley Research forecasts, Case-Shiller, NAR, US Census Bureau

Investor View:

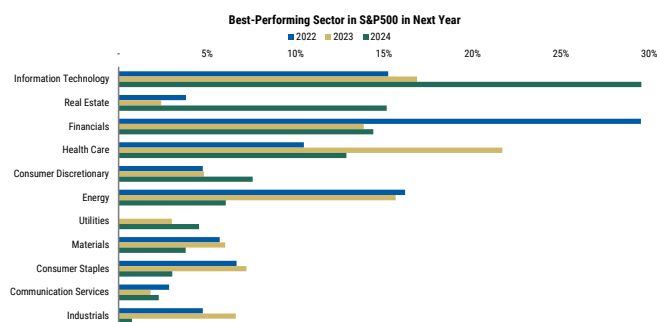
Investors expect the housing market to appreciate in 2024. 64% of investors expect housing prices will be up in 2024 (49% say up <5% and 15% say up 5% or more). Only 13% of investors expect prices to be down 5% or more.

Morgan Stanley View:

Morgan Stanley Housing Strategist Jim Egan expects single unit housing starts to rise 10% in 2024 and home prices to come down 3%. He believes that as rates come down throughout the year, expect (1) affordability to improve and (2) for-sale inventory to increase. Both of these developments are constructive for housing activity, but the latter provides a potential counterbalance for home prices. Expect housing activity to be stronger in the 2nd half of the year and new home sales to increase more than existing home sales over the course of the full year (+7.5% vs. +2.5%), while single-unit starts follow new home sales higher and print small gains as well (+10%). Home prices should see modest declines as the growth in inventory offsets increased demand. More in Egan's 2024 Housing Outlook [here](#).

Financials Come In #3 as the Sector Most Likely to Outperform the S&P 500, Up from #4 Spot Last Year

Exhibit 17: 14% of investors expect financials to be the best performing sector in the SP500 this year, unchanged versus last year



Source: AlphaWise, Morgan Stanley Research

Investor View:

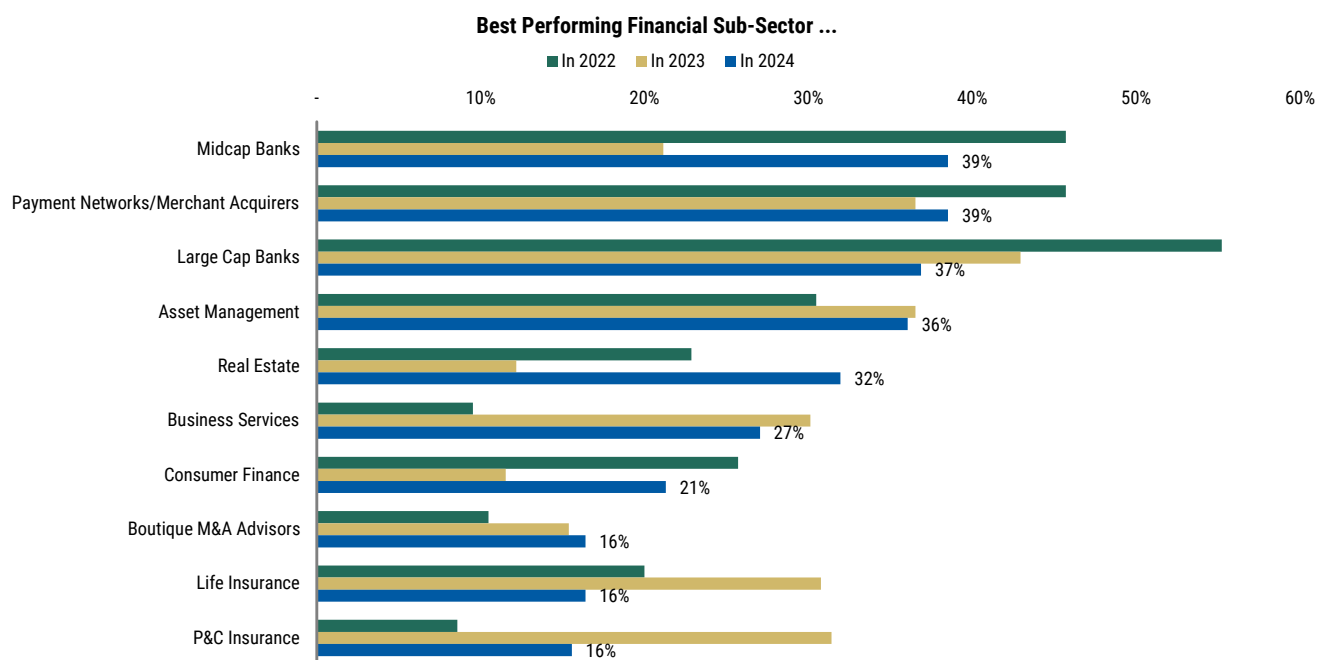
- Investors expect Financials to be the #3 best performing sector in the S&P 500 in 2024. Sentiment towards Financials relative to other S&P 500 sectors was relatively unchanged versus last year's survey, with 14% of investors expecting it to be the best performing sector (unchanged). This is third best among sectors.

Morgan Stanley View:

- Morgan Stanley Equity Strategist Michael Wilson is equal-weight Financials, while favoring Health Care, Staples, and Utilities as overweights. Wilson believes the current macro backdrop should be supportive of: 1) Traditional defensives (Healthcare, Staples and Utilities); 2) Select growth opportunities (lower volatility growth, in particular, along with stocks levered to secular themes that can outweigh cyclical risks); and 3) Late cycle cyclicals (Industrials and Energy). From a sector perspective, he is overweight Health Care, Staples and Utilities, and underweight Broad Consumer Cyclicals.

Among Financial Sub-Sectors, Investors Expect Midcap Banks and Payment Networks/Merchant Acquirers to Perform Best

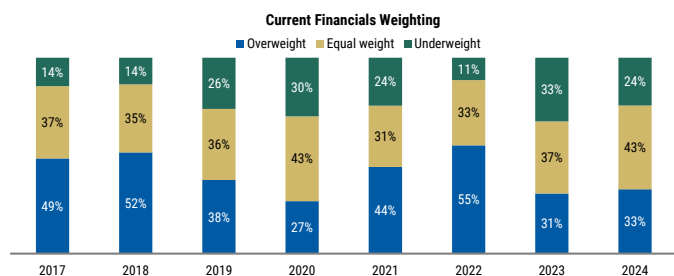
Exhibit 18: Investors expect Midcap Banks and Payment Networks/Merchant Acquirers to be the top performers within Financials in 2024



Note: Boutique M&A Advisors = Midcap Advisors; Source: AlphaWise, Morgan Stanley Research

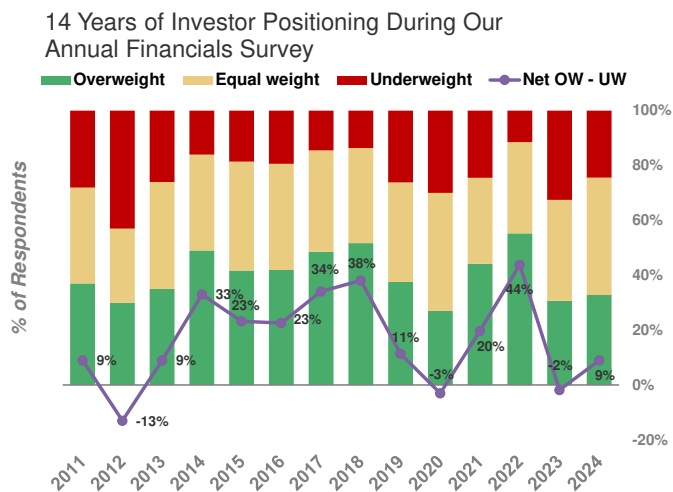
Ownership: Net Ownership of Financials Leans Slightly Bullish

Exhibit 19: Investor positioning in financials is slightly bullish, with 33% of investors overweight versus 24% underweight



Source: AlphaWise, Morgan Stanley Research

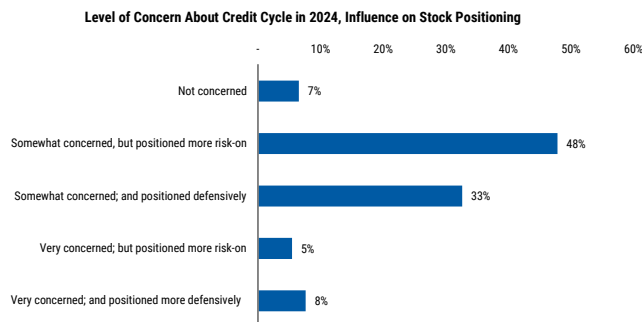
Exhibit 20: Net financials position (overweight minus underweight) increased to +9% for 2024; net bullish but well below the 2014-18 period



Source: AlphaWise, Morgan Stanley Research

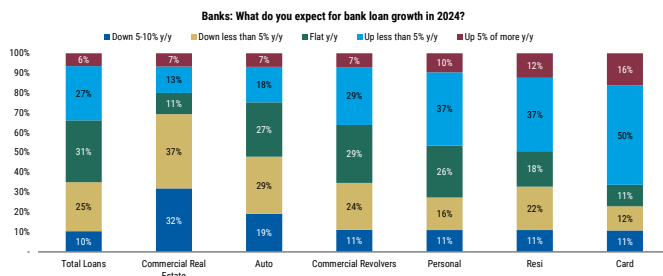
Banks & Consumer Finance: Investors See Credit Losses Rising but Are Still Risk-On

Exhibit 21: Nearly half of investors are positioned risk on despite being somewhat concerned about a credit cycle in 2024



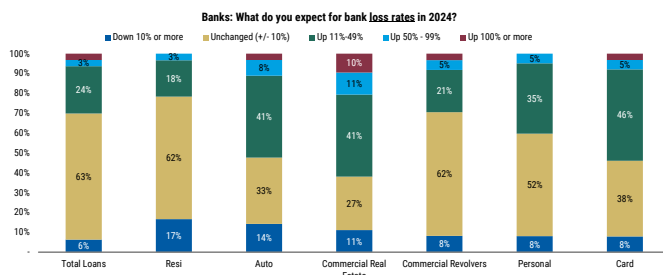
Source: AlphaWise, Morgan Stanley Research

Exhibit 22: Card loan growth expected to be the highest in 2024



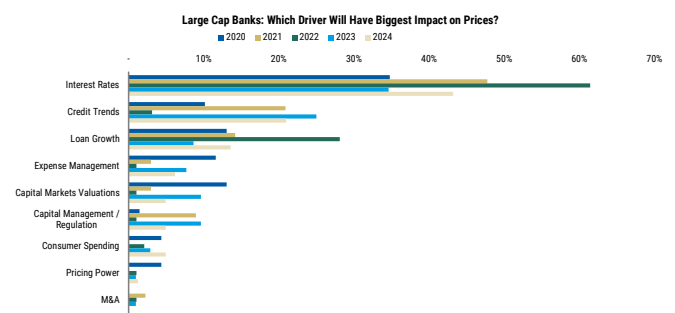
Source: AlphaWise, Morgan Stanley Research

Exhibit 23: Investors expect a sharp increase in CRE loan losses next year (21% expect up 50% or more) relative to other asset classes



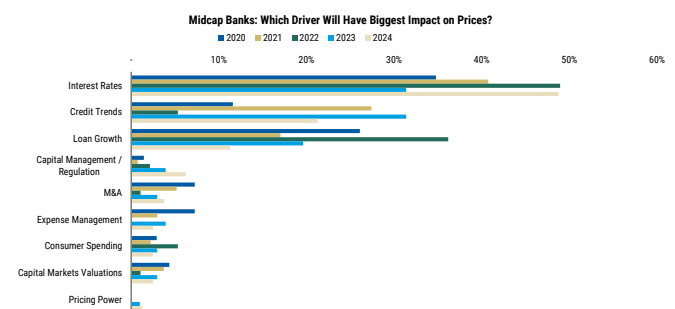
Source: AlphaWise, Morgan Stanley Research

Exhibit 24: Investors expect interest rates to have the biggest impact on Large Cap Bank stocks in 2024, more so than in 2023



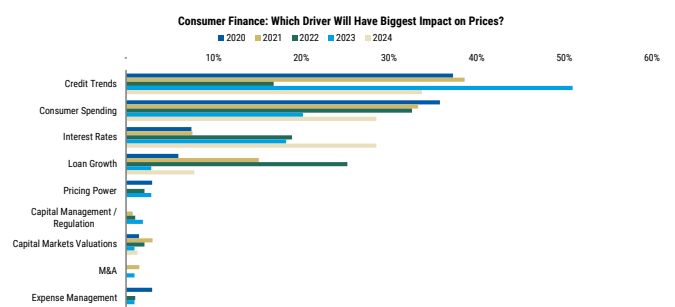
Source: AlphaWise, Morgan Stanley Research

Exhibit 25: The importance of interest rate trends also increased at Midcap Banks



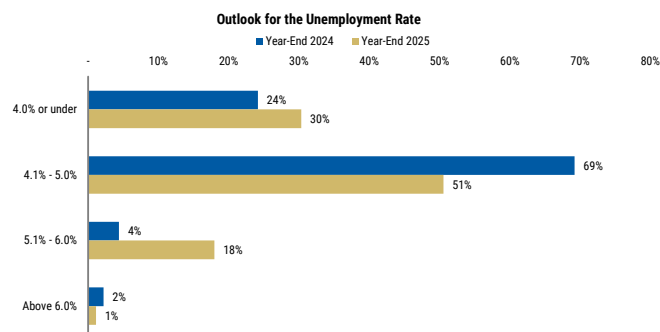
Source: AlphaWise, Morgan Stanley Research

Exhibit 26: Credit trends are still expected to be the biggest driver for Consumer Finance stocks in 2024, but by a much smaller margin with rates and consumer spending both increasing noticeably versus last year



Source: AlphaWise, Morgan Stanley Research

Exhibit 27: Two thirds of investors expect the unemployment rate to end 2024 at 4-5%, with a quarter expecting it to remain below 4%



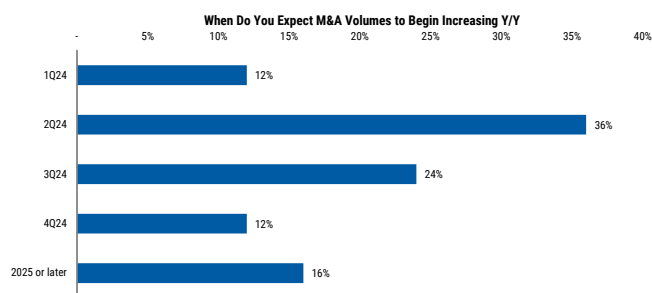
Source: AlphaWise, Morgan Stanley Research

Morgan Stanley View:

- l **For Large Cap and Midcap Banks, we believe rising NCOs will limit upside despite most bank stocks screening cheap.** We expect the median NCO ratio across our coverage universe to reach 56bps by the end of next year versus 26bps in 3Q23. Bank stocks have historically not re-rated higher during periods of rising charge-offs. So despite the group being cheap compared to historical levels, we do not expect a material re-rate higher in the near term.
- l **In Consumer Finance, we expect delinquency deterioration to finally slow.** Within consumer, we are starting to see credit deterioration slow, with delinquencies set to peak after a ~2-year period of acceleration. This supported our [recent industry upgrade](#) to In-line from Cautious. This shift in view also appears in-line with investors, who in our survey appear less concerned about credit deterioration than a year ago. "Credit Trends" stepped down as a top driver vs last year's survey, now 34% from 51% of respondents). We still think its too early to go long the group, particularly as stocks have mostly priced in a softer landing.

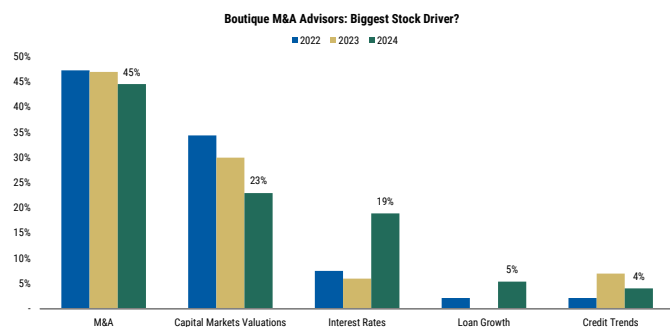
Midcap Advisors: Most Investors Expect M&A Volumes to Increase Y/Y by Mid-2024

Exhibit 28: A majority of investors expect announced M&A volumes will increase y/y starting in 2Q24 or later, with only 16% of respondents expecting the y/y increase to start in 2025



Source: AlphaWise, Morgan Stanley Research

Exhibit 29: Outside of M&A activity, investors see capital markets valuations as the biggest driver of stock prices in 2024. Interest rates picked up in importance vs prior survey.



Source: AlphaWise, Morgan Stanley Research

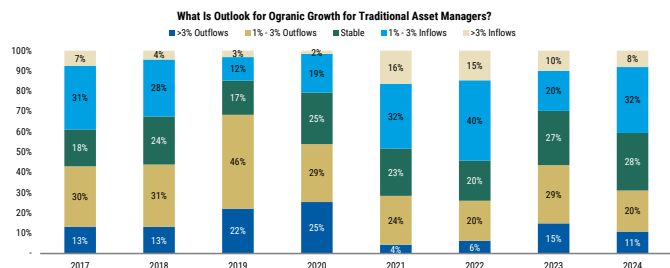
Morgan Stanley View:

We have an Attractive rating on the group. Leading indicators continue to point to a rebound in M&A deal activity, after 2023 delivered the lowest completed M&A volumes in a decade and the lowest relative to nominal US GDP in at least three decades. Pent-up demand following two years of extraordinarily weak M&A activity should drive up activity levels as CEO confidence builds. Expect deal activity improves y/y in 2024, even in our bear case. Structural drivers of M&A will support deal activity this cycle, including demand for AI and cloud capabilities, the clean-energy transition, innovation in life sciences, reshoring and China de-risking. Clarity from recent antitrust court decisions should increase appetite for large-cap M&A. Compensation ratios to come down, but remain above normalized target levels.

Expect a gradual rebound reaching normalized activity levels by 2025-26. We see completed M&A deal volumes to inflecting positively starting in 1Q24 and build gradually through the year. We model completed volumes up +58% y/y in 2024. That's a large inflection on a percentage basis but off of a very low base, as last year's M&A activity as a % of US nominal GDP was the lowest in at least three decades. Our estimates bake in M&A as a % of US nominal GDP increasing from 45% below historical average in 2023 to ~20% below historical average levels in 2024, fully normalizing by 2026. Strategics expected to lead the rebound, sponsors to follow - as evidenced by skew announced deal volumes of 80%/20% for strategics/sponsors in 4Q23.

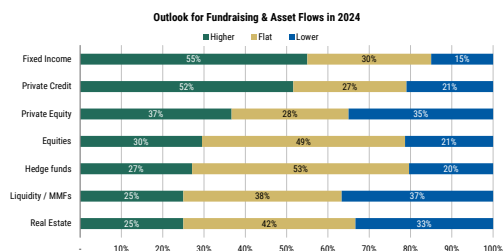
Brokers, Asset Managers & Exchanges: Expecting Flows Skewed to Fixed Income and Private Credit

Exhibit 30: Traditional Asset Managers: ~69% of investors expect net inflows or stable flows in 2024, up from from ~56% last year



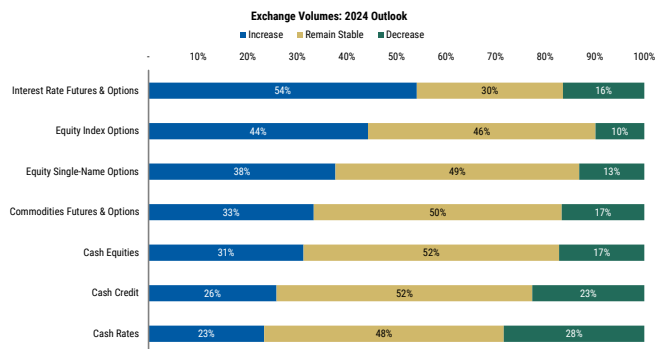
Source: AlphaWise, Morgan Stanley Research

Exhibit 31: Investors expect higher flows into fixed income and private credit in 2024, and lower flows into real estate and money market funds



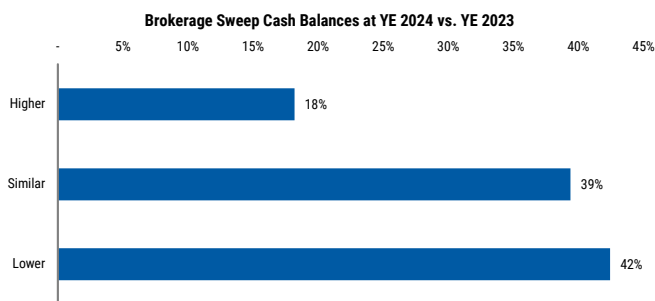
Source: AlphaWise, Morgan Stanley Research

Exhibit 32: Exchanges: Investors expect the largest increase in volumes across interest rates futures & options and equity index options



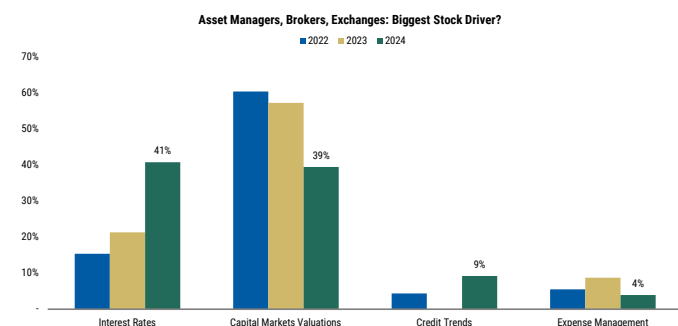
Source: AlphaWise, Morgan Stanley Research

Exhibit 33: Most investors expect brokerage sweep cash balances to decline or remain stable in 2024



Source: AlphaWise, Morgan Stanley Research

Exhibit 34: Investors see interest rates and capital market valuations as the biggest drivers of stock prices in 2024



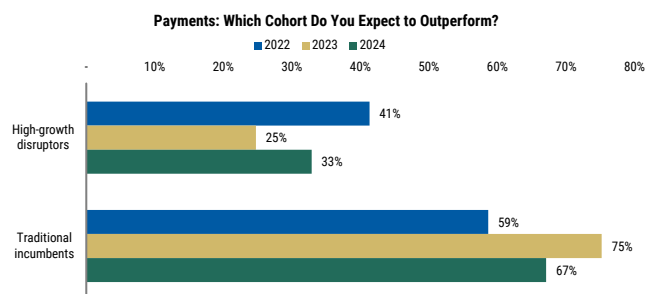
Source: AlphaWise, Morgan Stanley Research

Morgan Stanley View:

- **Among our traditional asset manager coverage, we're looking for low-single-digit inflows in 2024 on average, relatively stable to 2023 levels of ~1.4% LT organic growth.** Our expectations are in-line with the majority of investors, but it is worth noting that 32% of investors predict inflows of +1-3% in 2024, compared to 20% in the prior year. Similarly, expectations for harsh outflows have also improved, with only 11% expecting >3% outflows, versus 15% last year.
- **Investors expect strong flows into Fixed Income and Private Credit in 2024,** which is in-line with what we anticipate as we've outlined in our outlook [here](#). Our strategists see cash sitting in money market funds that should start to rotate out the curve and extend duration once the market gains clarity around the rates outlook. And for private credit, we size a large \$32tr TAM and see opportunities for non-bank lenders to put their dry powder to work as traditional bank lenders further retrench. Notably, ~37% of investors see increased flows into private equity, following a period of subdued sentiment for the asset class. Most investors expect softer flows into real estate and money market funds.
- Most investors expect **stable volumes at the exchanges in 2024 across options, cash equities, cash credit and rates.** Investors see the highest increase in volumes for interest rates futures and options, with 54% expecting an increase y/y. 44% of investors expect an increase in equity index options in 2024, compared to 36% in the prior year.
- Investors see **brokerage cash sweep balances as generally stable to lower,** with 39% expecting stable balances YE 24 versus YE 23 and 42% expecting a decline. We have a more diverged view as rates accelerate the end of cash sorting ... we see higher cash sweep balances at LPLA, RJF, HOOD, AMP but lower at SCHW as they repay expensive wholesale funding.

Payments: Investors Still Expect Incumbent Players to Outpace Growth Players

Exhibit 35: Investors still expect the incumbent cohort to outpace growth players in '23, but at a relatively lower rate than last year.



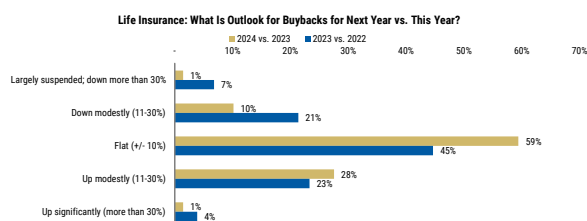
Source: AlphaWise, Morgan Stanley Research

Morgan Stanley View:

- **Among the incumbent payments players, we view V and MA** as best positioned to outperform in 2023 on a continued strength in international travel, along with a sustained competitive moat and more recession resilience than the market expects. For the legacy merchant processor stocks, we prefer **FIS and GPN** on valuation and our view that these stocks are best positioned to benefit from reduced fintech VC spend that should soften competitive pressures.

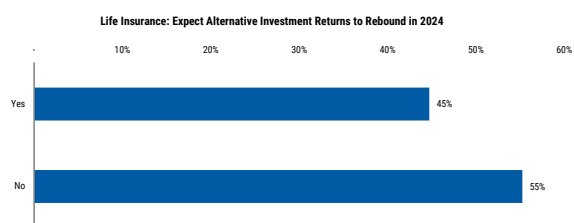
Life Insurance: Investors Expect Similar Buybacks in 2024 and Are Split on Alternative investment performance

Exhibit 36: Most Investors Expect Similar Buybacks In 2024 Compared to 2023



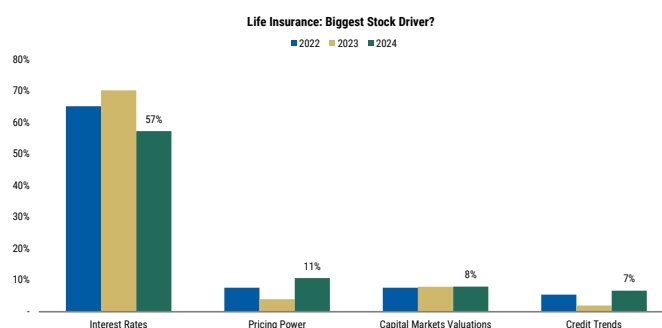
Source: AlphaWise, Morgan Stanley Research

Exhibit 37: Investors are uncertain about 2024 alternative investment portfolio performance



Source: AlphaWise, Morgan Stanley Research

Exhibit 38: Investors again see interest rates as the biggest driver of prices for life insurance stocks



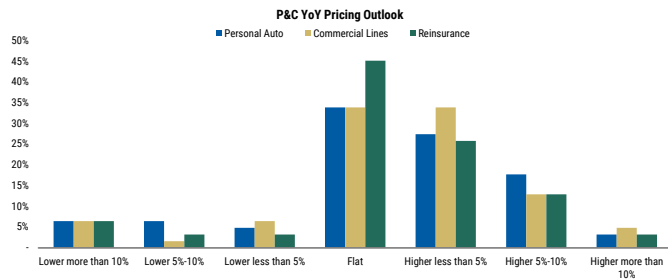
Source: AlphaWise, Morgan Stanley Research

Morgan Stanley View:

- Buybacks — we are in line with the market’s sentiment on buybacks for next year:** Heading into 2024, we expect the pace of repurchases will remain in-line with 2023 levels. While we view insurers capital position as having the capacity for greater accretion, in our view, insurers are penalized only modestly for holding onto excess capital but are penalized harshly for having to raise capital when the environment turns more challenging. With this in mind, we would expect most companies to hold onto a large buffer until the outlook for the macro environment becomes clearer.
- Expected Alternative investment returns — we agree with the market’s uncertainty:** With alternative investments, performance depends much on what exactly is in insurers’ portfolios. We have seen this reality transpire throughout the year, as PE returns normalized but were offset by real estate exposure. This makes returns difficult to forecast; however, management teams point to S&P performance as a guidepost. Given that equity market uncertainty is expected to persist throughout next year, we expect alts to continue to be a headwind for insurers in 2024, albeit to a lesser extent than they have been recently.

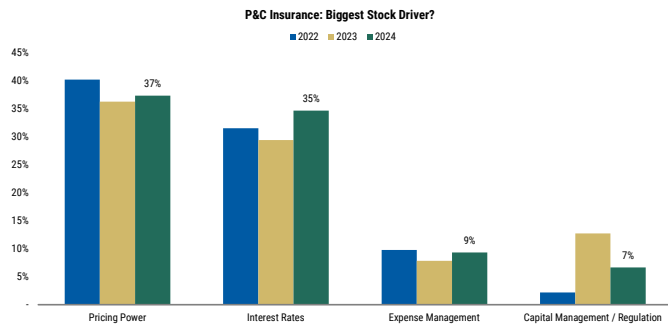
P&C Insurance: Investors Expecting Flat or Higher Pricing, Similar Auto Losses

Exhibit 39: Investors are mostly expecting flat or higher overall pricing in 2024



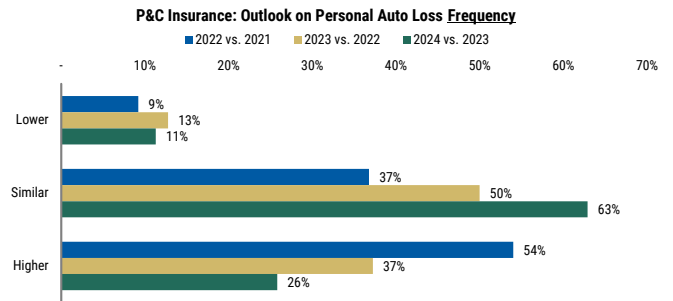
Source: AlphaWise, Morgan Stanley Research

Exhibit 40: Investors see pricing power and interest rates as the biggest drivers for P&C insurance stocks in 2024



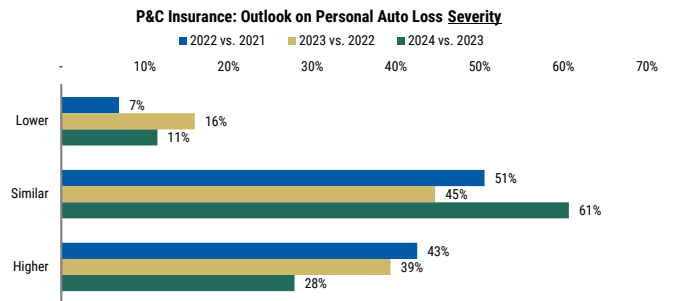
Source: AlphaWise, Morgan Stanley Research

Exhibit 41: Most investors anticipate similar frequency of auto losses in 2024



Source: AlphaWise, Morgan Stanley Research

Exhibit 42: Most investors anticipate similar loss severity on auto losses in 2024



Source: AlphaWise, Morgan Stanley Research

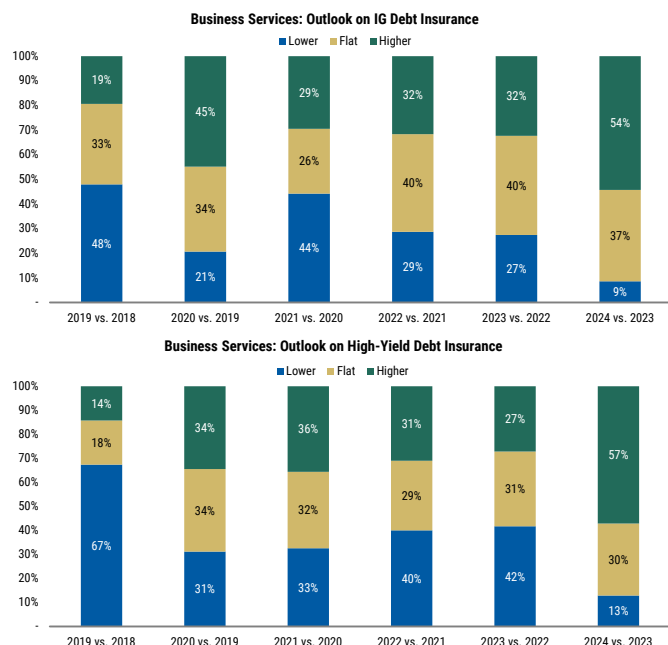
Morgan Stanley View:

P&C Pricing — In-line with market sentiment: Heading into 2024, we expect reinsurance pricing to rise albeit at a much slower pace compared to 2023. Pricing momentum should hold up for commercial & personal lines as primary carriers continue to get more earned rate.

Personal Auto Loss Trend — In-line with market sentiment: As inflationary pressures on auto parts, repair, & labor costs subside, we expect overall underwriting margins to improve as carriers shift their focus to profitable growth in 2024.

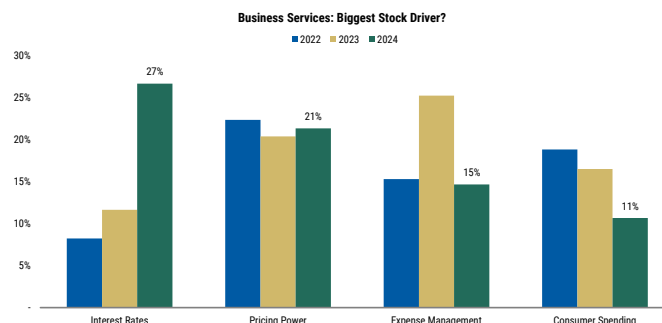
Business Services: Investors Positive on Issuance, Expect Rates and Pricing to Drive Stock Performance

Exhibit 43: Business Services: Investors Expect Higher Credit Issuance for Both IG and HY in 2024



Source: AlphaWise, Morgan Stanley Research

Exhibit 44: Investors see interest rates and pricing power as the top drivers for stocks heading into 2024



Source: AlphaWise, Morgan Stanley Research

Morgan Stanley View:

- Morgan Stanley fixed income team is bullish on issuance, similar to investors, though investors are more bullish on IG.** Morgan Stanley's fixed income strategists expect global corporate issuance to increase 8% from 2023 levels and global structured issuance to increase 10%. The team expects IG issuance to be flat next year, as companies hold off on issuance until rate cuts are delivered and funding rates normalize. 54% of investors, however, are expecting IG issuance to increase. In contrast, US issuance in HY and Loans could increase substantially as refinancing needs from 2025/2026 have to be managed through a softer growth environment. Our Morgan Stanley Fixed Income strategists expect HY gross issuance of \$230 billion for full-year 2024 (+32% Y/Y) and institutional loan supply of \$290 billion (+20% Y/Y). 57% of investors are expecting increased HY issuance.
- Net-net, Morgan Stanley's fixed income strategists expect a 9% increase in global issuance** across both corporate and structured in 2024.

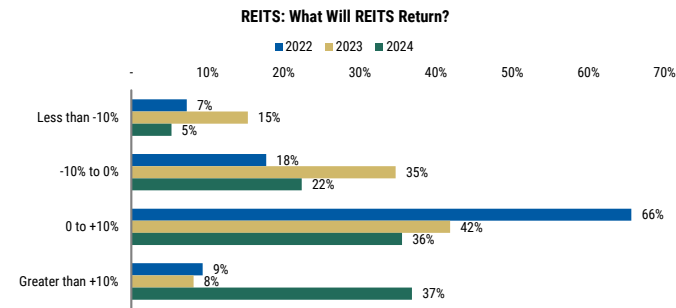
Exhibit 45: MS Fixed Income Research Forecasts an Aggregated 9% Increase in Global Issuance

	2023	2024	
Global Corporate (Ex-Fig)	\$1,477	\$1,599	8%
Total Global Structured	\$595	\$655	10%
Total Corp + Structured (Ex-FIG)	\$2,073	\$2,253	9%

Source: Morgan Stanley Research

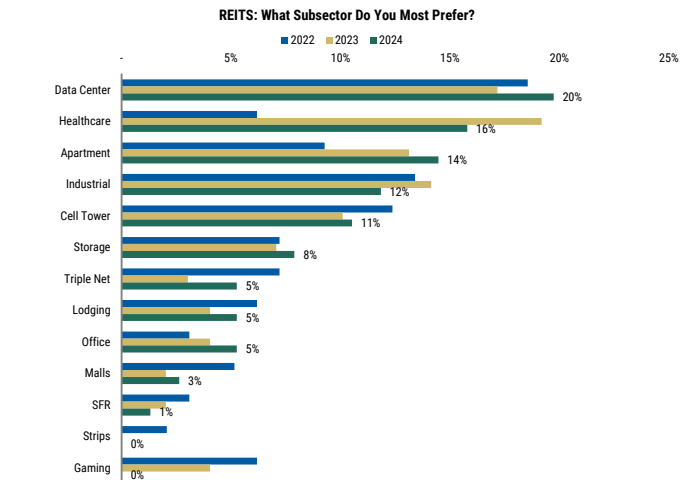
Real Estate: Investors In 'Wait & See' Mode

Exhibit 46: Roughly 3/4 of investors expect positive returns vs. 1/4 negative in 2024



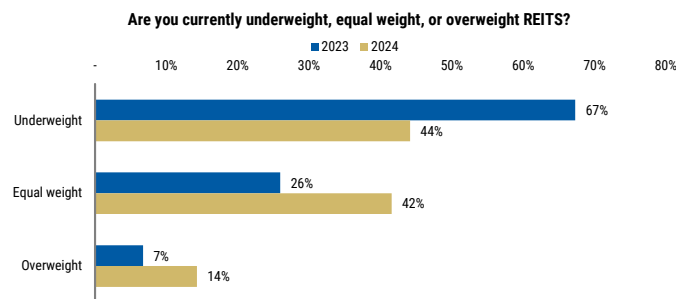
Source: AlphaWise, Morgan Stanley Research

Exhibit 47: Investors most bullish on data centers in 2024



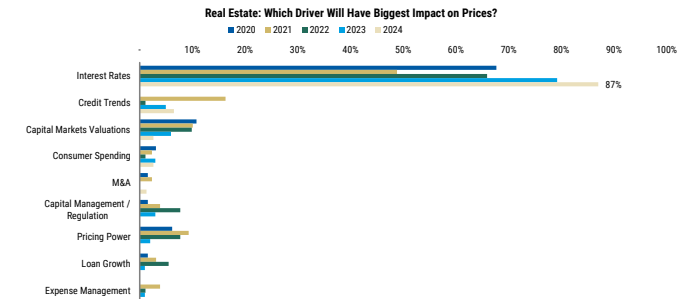
Source: AlphaWise, Morgan Stanley Research

Exhibit 48: Investors still lean underweight REITs in 2024 but are more positively inclined compared to last year



Source: AlphaWise, Morgan Stanley Research

Exhibit 49: Investors overwhelmingly expect interest rates to drive prices in 2024



Source: AlphaWise, Morgan Stanley Research

Morgan Stanley View:

- ↳ **In-line industry view, but think risk is to the upside.**

 - REITs historically outperform the S&P after the Fed pauses. While +23% rally since October was driven by higher levered REITs, we see another leg higher w/ rate-sensitive sectors leading. Valuation at 17.7x vs 15.5x fair value keeps us neutral, but we are positively inclined as risks skew to upside.
 - We see the prospect for another 10-15% rally closing the -8% discount to S&P (vs. +6% historical premium) driven by 1) investors positioning ahead of Fed cuts in 2024, 2) estimate achievability limits another major round of negative earning revisions, and 3) refinancing risk remaining idiosyncratic vs. systemic.
- ↳ The key macro themes in 2024 are **slowing growth, falling inflation** and **normalizing monetary policy**, but with risks front-loaded in the meantime. **For REITs, we think this means staying positioned in defensive subsectors (Towers, Triple Net, Gaming) vs. sectors that tend to be more cyclical**

(Office, Lodging):

- **Slowing growth:** Consensus now has consolidated around the narrative of a "soft landing," and our economists and strategists agree. Our colleagues see global growth drifting below-trend, but still positive at 2.8% YoY by year-end 2024. Supported by compressing equity risk premiums and an expectation of earnings troughing in early 2024 and staging a durable recovery thereafter, our colleagues' NTM expected returns across the major equity markets are comfortably positive. With the majority of REIT earnings revisions behind us and thus already priced in, we see most REITs (i.e., those not subject to strained fundamentals) in a position to perform at today's lower growth expectations. We expect REITs to achieve ~4% FFO growth and ~4% SS-NOI growth in 2024. Further compression in equity risk premiums could be a tailwind to REIT price performance in 2024. While the 'soft landing' scenario is a tailwind for REITs compared to either a true recession or a hard landing, both of which would negatively impact key performance indicators like SS-NOI growth and occupancy, muted growth expectations is not our main macro-related area of concern for REIT performance in 2024.
- **Falling inflation:** Our US economists forecast core PCE inflation at 3.3% Q4/Q4 in 2023 and 2.4% in 2024, and core CPI at 4.0% in 2023 and 2.9% in 2024. Their forecast incorporates a downward shift after marking to market the expected 0.08% print for Core PCE in November. The almost 20bp downward surprise in November core PCE acts like a level shift in their index forecasts, bringing 4Q/4Q core PCE inflation down in 4Q23 and the first 3 quarters of 2024. Historical REIT performance across inflation regimes suggests 15% average 12M forward returns.
- **Normalizing monetary policy:** Markets have seesawed between pricing in US economic growth to be cooling or too hot, seeing inflation falling at a steady pace or being stickier, and policy needing to be tighter or looser. Our economists expect the Fed to make their first rate cut in June 2024, with UST 10Y yields falling to 3.95% by YE2024, helping to manage a glide lower in growth and inflation. The current rate hike pause and potential for reversal in 2H24 is a potential tailwind for REITs, but we prefer to stay defensive in 1H24. REITs will need to successfully weather depressed CRE activity hampered by still-tight financial conditions and navigate pushing out remaining 2024 maturity walls, and we think CRE transaction activity is unlikely to return until we have more clarity about where rates are moving.

Appendix: Industry Universe Summary Sheets

Exhibit 50: Large Cap Banks Comp Sheet (1/2)

		Scenario Value						Earnings & Profitability								BVPS / TBVPS						
Ticker	Rating	Price 1/8/24	Scenario Value			Chg to PT (%)			EPS		EPS Y/Y Chg.		EPS Ex. Reserve Release		EPS Ex. Reserve Release Y/Y Chg.		ROE	ROTCE	BVPS		TBVPS	
			Base	Bull	Bear	Base	Bull	Bear	2023e	2024e	2023e	2024e	2023e	2024e	2023e	2024e	2024e	2024e	4Q23e	2024e	4Q23e	2024e
US Money Centers																						
BAC	EW	34.16	32	45	22	-6%	32%	-36%	3.45	3.00	7%	-13%	3.56	3.21	9%	-10%	9%	12%	33.09	35.57	24.21	26.33
C	UW	54.01	46	65	35	-15%	20%	-35%	5.41	5.47	-25%	1%	5.95	5.79	-24%	-3%	5%	6%	99.48	105.37	86.68	92.48
GS	EW	388.86	333	533	211	-14%	37%	-46%	21.82	29.13	-27%	34%	21.29	32.28	-39%	52%	9%	10%	314.31	332.77	292.80	311.09
JPM	OW	172.02	191	247	114	11%	44%	-34%	17.08	16.63	39%	-3%	17.63	16.99	33%	-4%	15%	18%	103.20	115.02	84.88	96.46
Median						-10%	34%	-35%			-9%	-1%			-7%	-3%	9%	11%				
Super-Regional Banks																						
TFC	EW	38.00	38	50	23	0%	32%	-39%	3.77	3.72	-24%	-1%	4.08	3.98	-17%	-2%	8%	18%	43.04	45.51	21.02	23.97
PNC	UW	157.52	142	175	89	-10%	11%	-43%	13.94	12.41	-1%	-11%	14.06	13.10	2%	-7%	11%	15%	107.96	116.82	79.43	88.08
RF	OW	19.51	21	26	12	8%	33%	-38%	2.21	1.87	-3%	-15%	2.35	2.01	2%	-15%	11%	17%	16.36	17.75	10.23	11.55
USB	EW	43.96	44	58	28	0%	32%	-36%	4.29	4.00	6%	-7%	4.39	4.10	-3%	-7%	12%	22%	30.90	33.70	18.89	22.14
WFC	OW	49.92	54	73	31	8%	46%	-38%	5.12	4.73	11%	-8%	5.60	4.84	22%	-14%	10%	12%	45.67	49.53	38.71	42.41
Median						0%	32%	-38%			-1%	-8%			2%	-7%	11%	17%				
Trust Banks																						
BK	UW	52.70	49	60	35	-7%	14%	-34%	4.83	4.89	7%	1%	4.86	4.89	7%	1%	10%	15%	47.43	52.21	24.86	28.87
NTRS	EW	84.18	82	109	57	-3%	29%	-32%	6.15	6.05	-15%	-2%	6.19	6.05	-15%	-2%	11%	11%	52.32	56.37	48.96	52.96
STT	EW	78.43	83	96	47	6%	22%	-40%	7.36	8.27	-1%	12%	7.43	8.32	0%	12%	12%	19%	69.18	76.35	44.40	49.87
Median						-3%	22%	-34%			-1%	1%			0%	1%	11%	15%				
Card Companies																						
AXP	OW	189.21	199	230	100	5%	22%	-47%	11.20	12.30	14%	10%	12.63	13.23	20%	5%	32%	37%	36.27	41.39	30.83	35.79
COF	EW	133.71	120	187	56	-10%	40%	-58%	12.66	13.37	-27%	6%	17.26	14.59	-18%	-15%	10%	14%	129.44	148.45	89.23	104.98
DFS	EW	112.84	106	151	54	-6%	34%	-52%	12.31	11.80	-23%	-4%	17.43	13.21	-1%	-24%	20%	20%	54.64	61.08	53.62	60.00
SYF	UW	39.20	29	49	15	-26%	25%	-62%	5.01	4.92	-18%	-2%	7.56	6.20	1%	-18%	14%	17%	31.78	37.48	26.26	31.46
BFH	UW	33.57	25	43	16	-26%	28%	-52%	9.94	8.00	101%	-19%	8.05	8.82	-43%	9%	13%	17%	57.29	64.88	41.86	50.14
Median						-10%	28%	-52%			-18%	-2%			-1%	-15%	14%	17%				
Auto Finance																						
ALLY	EW	34.72	31	48	16	-11%	38%	-54%	3.14	3.74	-51%	19%	3.53	3.90	-53%	10%	10%	11%	35.70	41.11	30.99	36.52
Median						-11%	38%	-54%			-51%	19%			-53%	10%	10%	11%				
Student Lenders																						
SLM	OW	18.54	19	24	10	2%	29%	-46%	2.56	2.75	45%	7%	2.51	2.80	2%	11%	36%	40%	7.19	8.36	6.59	7.69
NAVI	EW	18.04	18	26	11	0%	44%	-39%	2.95	2.80	-8%	-5%	1.22	1.24	-20%	1%	10%	14%	25.39	28.87	19.28	21.94
Median						1%	37%	-43%			19%	1%			-9%	6%	23%	27%				

e = Estimated.

Sources: (1) Morgan Stanley Research. (2) Refinitiv. (3) Company Data

Note: BFH, SLM, and NAVI are lead-covered by Jeff Adelson.

Note: The implied "cost of equity" is calculated as the inverse of current 2023e and 2024e P/E multiples.

Note: BFH and SLM CET1 ratios apply to the bank subsidiaries only

Note: Data and estimates as of 1/8/2024 close

Source: Refinitiv, Company Data, Morgan Stanley Research Estimates

Exhibit 51: Large Cap Banks Comp Sheet (2/2)

Pricing														Valuation								Capt'l	COE					
Ticker	Rating	Comm. Shares	Market Cap (\$B)	Dividend		% Price Chg.						2023e P/E		2024e P/E		4Q23 P/B		2024e P/B		4Q23 P/TB		2024e P/TB		B3 CET1	COE			
				4Q23	Yield	5D	10D	30D	60D	90D	QTD	YTD	LTM	Curr.	Target	Curr.	Target	Curr.	Target	Curr.	Target	Curr.	Target	Curr.	Target	4Q23E	2023e	2024e
US Money Centers																												
BAC	EW	7,997	272.5	0.22	2.6%	1%	2%	16%	27%	18%	1%	1%	-1%	9.9x	9.3x	11.4x	10.7x	1.0x	1.0x	1.0x	0.9x	1.4x	1.3x	1.3x	1.2x	12.0%	10%	9%
C	UW	1,937	104.0	0.51	3.8%	5%	6%	20%	32%	30%	5%	5%	14%	10.0x	8.5x	9.9x	8.4x	0.5x	0.5x	0.5x	0.4x	0.6x	0.5x	0.6x	0.5x	13.7%	10%	10%
GS	EW	351	126.0	2.50	2.6%	1%	2%	15%	24%	19%	1%	1%	12%	17.8x	15.3x	13.3x	11.4x	1.2x	1.1x	1.2x	1.0x	1.3x	1.1x	1.2x	1.1x	14.7%	6%	7%
JPM	OW	2,934	498.0	1.00	2.3%	1%	3%	12%	16%	17%	1%	1%	25%	10.1x	11.2x	10.3x	11.5x	1.7x	1.9x	1.5x	1.7x	2.0x	2.3x	1.8x	2.0x	14.5%	10%	10%
Median (Mkt Cap = Total)					2.6%	1%	2%	15%	25%	18%	1%	1%	13%	10.0x	10.2x	10.9x	11.1x	1.1x	1.0x	1.1x	1.0x	1.4x	1.2x	1.3x	1.1x	14.1%	10%	9%
Super-Regional Banks																												
TFC	EW	1,327	50.1	0.52	5.5%	3%	3%	21%	31%	23%	3%	3%	-17%	10.1x	10.1x	10.2x	10.2x	0.9x	0.9x	0.8x	0.8x	1.8x	1.8x	1.6x	1.6x	9.7%	10%	10%
PNC	UW	401	62.2	1.50	3.8%	2%	3%	22%	33%	29%	2%	2%	-4%	11.3x	10.2x	12.7x	11.4x	1.5x	1.3x	1.3x	1.2x	2.0x	1.8x	1.8x	1.6x	9.7%	9%	8%
RF	OW	934	18.0	0.20	4.1%	1%	1%	22%	18%	5%	1%	1%	-13%	8.8x	9.5x	10.4x	11.2x	1.2x	1.3x	1.1x	1.2x	1.9x	2.1x	1.7x	1.8x	10.2%	11%	10%
USB	EW	1,501	68.2	0.48	4.4%	2%	1%	19%	35%	19%	2%	2%	-5%	10.2x	10.2x	11.0x	11.0x	1.4x	1.4x	1.3x	1.3x	2.3x	2.3x	2.0x	2.0x	9.7%	10%	9%
WFC	OW	3,834	181.3	0.30	2.4%	1%	2%	16%	20%	20%	1%	1%	17%	9.8x	10.5x	10.6x	11.4x	1.1x	1.2x	1.0x	1.1x	1.3x	1.4x	1.2x	1.3x	11.4%	10%	9%
Median (Mkt Cap = Total)		379.9			4.1%	2%	2%	21%	31%	20%	2%	2%	-5%	10.1x	10.2x	10.6x	11.2x	1.2x	1.3x	1.1x	1.2x	1.9x	1.8x	1.7x	1.6x	9.7%	10%	9%
Trust Banks																												
BK	UW	808	40.3	0.37	2.8%	1%	2%	12%	26%	16%	1%	1%	10%	10.9x	10.1x	10.8x	10.0x	1.1x	1.0x	1.0x	0.9x	2.1x	2.0x	1.8x	1.7x	12.0%	9%	9%
NTRS	EW	208	17.4	0.75	3.6%	0%	0%	10%	22%	9%	0%	0%	-11%	13.7x	13.3x	13.9x	13.6x	1.6x	1.6x	1.5x	1.5x	1.7x	1.7x	1.6x	1.5x	11.6%	7%	7%
STT	EW	349	24.1	0.63	3.2%	1%	2%	12%	20%	12%	1%	1%	-3%	10.7x	11.3x	9.5x	10.0x	1.1x	1.2x	1.0x	1.1x	1.8x	1.9x	1.6x	1.7x	10.6%	9%	11%
Median (Mkt Cap = Total)		81.9			3.2%	1%	2%	12%	22%	12%	1%	1%	-3%	10.9x	11.3x	10.8x	10.0x	1.1x	1.2x	1.0x	1.1x	1.8x	1.9x	1.6x	1.7x	11.6%	9%	9%
Card Companies																												
AXP	OW	743	137.8	0.60	1.3%	1%	2%	15%	24%	19%	1%	1%	26%	16.9x	17.8x	15.4x	16.2x	5.2x	5.5x	4.6x	4.8x	6.1x	6.5x	5.3x	5.6x	10.4%	6%	7%
COF	EW	381	50.4	0.60	1.8%	2%	3%	26%	38%	29%	2%	2%	38%	10.6x	9.5x	10.0x	9.0x	1.0x	0.9x	0.9x	0.8x	1.5x	1.3x	1.3x	1.1x	13.3%	9%	10%
DFS	EW	267	28.0	0.60	2.1%	0%	2%	32%	24%	23%	0%	0%	10%	9.2x	8.6x	9.6x	9.0x	2.1x	1.9x	1.8x	1.7x	2.1x	2.0x	1.9x	1.8x	11.4%	11%	10%
SYF	UW	438	16.1	0.23	2.3%	3%	3%	33%	32%	20%	3%	3%	20%	7.8x	5.8x	8.0x	5.9x	1.2x	0.9x	1.0x	0.8x	1.5x	1.1x	1.2x	0.9x	12.0%	13%	13%
BFH	UW	50	1.6	0.22	2.6%	2%	-1%	25%	10%	-13%	2%	2%	-18%	3.4x	2.5x	4.2x	3.1x	0.6x	0.4x	0.5x	0.4x	0.8x	0.6x	0.7x	0.5x	17.9%	30%	24%
Median (Mkt Cap = Total)		233.8			2.1%	2%	2%	26%	24%	20%	2%	2%	20%	9.2x	8.6x	9.6x	9.0x	1.2x	0.9x	1.0x	0.8x	1.5x	1.3x	1.3x	1.1x	12.0%	11%	10%
Auto Finance																												
ALLY	EW	299	10.6	0.30	3.5%	-1%	1%	30%	38%	20%	-1%	-1%	33%	11.1x	9.9x	9.3x	8.3x	1.0x	0.9x	0.8x	0.8x	1.1x	1.0x	1.0x	0.8x	10.4%	9%	11%
Median (Mkt Cap = Total)		10.6			3.5%	-1%	1%	30%	38%	20%	-1%	-1%	33%	11.1x	9.9x	9.3x	8.3x	1.0x	0.9x	0.8x	0.8x	1.1x	1.0x	1.0x	0.8x	10.4%	9%	11%
Student Lenders																												
SLM	OW	241	4.2	0.11	2.4%	-3%	-2%	31%	40%	27%	-3%	-3%	0%	7.2x	7.4x	6.7x	6.9x	2.6x	2.6x	2.2x	2.3x	2.8x	2.9x	2.4x	2.5x	12.3%	14%	15%
NAVI	EW	130	2.1	0.16	3.5%	-3%	-6%	8%	3%	-1%	-3%	-3%	6%	6.1x	6.1x	6.4x	6.4x	0.7x	0.7x	0.6x	0.6x	0.9x	0.9x	0.8x	0.8x	NA	16%	16%
Median (Mkt Cap = Total)		3.2			3.0%	-3%	-4%	20%	22%	13%	-3%	-3%	3%	6.7x	6.8x	6.6x	6.7x	1.6x	1.7x	1.4x	1.4x	1.9x	1.9x	1.6x	1.6x	12.3%	15%	15%

e = Estimated.

Sources: (1) Morgan Stanley Research. (2) Refinitiv. (3) Company Data

Note: BFH, SLM, and NAVI are lead-covered by Jeff Adelson.

Note: The implied "cost of equity" is calculated as the inverse of current 2023e and 2024e P/E multiples.

Note: BFH and SLM CET1 ratios apply to the bank subsidiaries only

Note: Data and estimates as of 1/8/2024 close

Source: Refinitiv, Company Data, Morgan Stanley Research Estimates

Exhibit 52: Midcap Advisors Comp Sheet

		Scenario Value						Pricing						Earnings & Revenue Growth									Key Ratios			Valuation								
Ticker	Rating	Price	Scenario Value			Chg to PT (%)			52-Week		Comm. Shares	Market Cap (\$B)	Dividend		% Price Chg.		EPS				EPS Y/Y			Revenues Y/Y			Comp Ratio	Expense Ratio	Pre-tax Margin	2024e P/E		2025e P/E		
		1/8/24	Base	Bull	Bear	Base	Bull	Bear	High	Low			2024e	Yield	YTD	LTM	2022	2023e	2024e	2025e	2023e	2024e	2025e	'23e	'24e	'24e	2024e	2024e	2024e	Curr.	Target	Curr.	Target	
Midcap Advisors (Covered by Ryan Kenny)																																		
EVR	OW	172.44	222	265	127	29%	54%	-26%	174.04	104.36	42	6.3	3.10	1.8%	1%	43%	12.01	5.76	12.86	18.53	-52%	123%	44%	-17%	33%	18%	61.8%	75.4%	24.6%	13.4x	17.3x	9.3x	12.0x	
LAZ	OW	38.20	58	72	30	52%	88%	-21%	43.44	25.82	102	4.3	2.00	5.2%	10%	4%	3.73	0.38	3.39	4.83	-90%	785%	42%	-17%	30%	12%	61.5%	81.1%	18.9%	11.3x	17.1x	7.9x	12.0x	
HLI	EW	116.82	133	167	88	14%	43%	-25%	123.51	83.92	67	7.9	2.40	2.1%	-3%	29%	4.54	4.24	6.35	8.07	-7%	50%	27%	3%	31%	17%	61.5%	75.2%	24.8%	18.4x	21.0x	14.5x	16.5x	
JEF	EW	40.69	44	66	26	8%	62%	-36%	40.96	28.34	219	8.4	1.40	3.4%	1%	14%	3.06	1.15	3.63	4.44	-62%	214%	22%	-22%	37%	14%	52.5%	82.5%	17.5%	11.2x	12.1x	9.2x	9.9x	
MC	UW	56.09	54	76	27	-4%	35%	-52%	58.67	33.87	83	3.9	2.45	4.4%	0%	32%	2.23	(0.26)	2.21	3.38	NM	NM	53%	-13%	50%	23%	65.9%	80.7%	19.3%	25.4x	24.5x	16.6x	16.0x	
Median (Mkt Cap = Total)						14%	54%	-26%				30.8		3.4%	1%	29%					-57%	169%	42%	-17%	33%	17%	61.5%	80.7%	19.3%	13.4x	17.3x	9.3x	12.0x	
Non-Covered Companies																																		
PJT	NC	96.50									2.3						4.07	3.16	4.43	4.86	-22%	40%	10%	8%	13%	5%	65%				21.8x	NC	19.9x	NC
PIPR.K	NC	168.94									2.9						10.46	7.80	11.60	14.67	-25%	49%	26%	-11%	22%	14%	63%				14.6x	NC	11.5x	NC
SF	NC	70.58									7.2						5.88	4.55	6.40	7.31	-23%	41%	14%	-3%	9%	6%	60%				11.0x	NC	9.7x	NC
PWP.O	NC	11.89									1.0						0.69	0.44	0.95	1.17	NA	115%	23%	5%	22%	12%	NA				12.5x	NC	10.2x	NC

e = Estimated.

Note: HLI shows corresponding fiscal years (e.g. Columns for 2024e = F2025e, ending March 2025); Sources: (1) Morgan Stanley Research. (2) Refinitiv. (3) Company Data

Note: Data as of 1/8/2024

Source: Refinitiv, Company Data, Morgan Stanley Research Estimates

Exhibit 53: Midcap Bank Comp Sheet (1/2)

Scenario Value									Earnings & Profitability										EPS Ex. Reserve Release							
Ticker	Rating	Price 1/8/24	Scenario Value			Chg to PT (%)			EPS			EPS Y/Y Chg.			EPS Ex. Reserve Release			Y/Y Chg.			ROE	ROTCE	BVPS		TBVPS	
			Base	Bull	Bear	Base	Bull	Bear	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2024e	2024e	2023e	2024e	2023e	2024e
CADE	EW	29.17	24	34	14	-18%	17%	-52%	2.94	2.42	2.42	0%	-18%	0%	2.99	2.42	2.44	3%	-19%	1%	8%	12%	26.72	29.26	18.60	20.99
CBSH	EW	54.01	46	62	31	-15%	15%	-43%	3.67	3.61	3.16	-6%	-2%	-12%	3.72	3.66	3.16	9%	-2%	-14%	14%	15%	21.60	23.93	20.37	22.65
CFG	EW	33.60	31	41	19	-8%	22%	-43%	4.84	3.89	3.29	-10%	-20%	-15%	5.09	4.02	3.25	27%	-21%	-19%	7%	11%	46.33	51.32	29.30	33.28
CFR	EW	108.36	109	136	58	1%	26%	-46%	8.82	9.67	8.05	30%	10%	-17%	2.74	2.78	2.17	17%	2%	-22%	14%	17%	52.68	63.08	42.47	52.93
CMA	EW	56.80	45	68	23	-21%	20%	-60%	8.46	7.61	5.30	1%	-10%	-30%	3.31	2.94	1.92	38%	-11%	-35%	13%	16%	43.70	48.01	38.84	43.21
EWBC	OW	73.15	76	101	35	4%	38%	-52%	7.92	8.40	7.93	30%	6%	-6%	5.20	4.69	3.79	22%	-10%	-19%	17%	18%	47.66	53.17	44.30	49.76
FITB	EW	35.64	29	39	14	-19%	9%	-61%	3.45	3.56	2.92	-9%	3%	-18%	3.82	3.77	3.04	20%	-1%	-19%	13%	18%	23.98	26.83	16.78	19.70
HBAN	OW	13.09	13	17	7	-1%	30%	-47%	1.50	1.33	1.08	-4%	-11%	-19%	1.60	1.39	1.08	29%	-13%	-22%	9%	15%	11.45	12.36	7.12	8.08
KEY	EW	14.70	12	18	7	-18%	22%	-52%	1.92	1.10	1.31	-27%	-43%	20%	2.22	1.28	1.31	5%	-42%	2%	12%	14%	12.06	13.87	9.06	10.92
MTB	OW	138.07	160	205	91	16%	48%	-34%	14.15	15.82	13.98	1%	12%	-12%	14.68	16.65	14.06	18%	13%	-16%	9%	14%	148.48	157.84	97.52	102.86
NYCB	EW	10.59	10.5	13	6	-1%	23%	-43%	1.23	1.35	1.24	-1%	10%	-8%	1.24	1.50	1.30	0%	21%	-13%	8%	12%	14.75	15.40	11.45	12.29
OZK	EW	49.09	45	56	20	-8%	14%	-59%	4.54	5.72	5.25	2%	26%	-8%	4.23	4.84	3.64	20%	14%	-25%	12%	15%	41.68	45.83	35.85	40.00
PB	UW	66.42	57	73	46	-14%	10%	-31%	5.73	4.93	4.78	2%	-14%	-3%	5.69	4.75	4.84	6%	-17%	2%	6%	13%	75.38	78.83	38.49	40.33
SNV	EW	37.25	29	42	16	-22%	13%	-57%	4.94	4.29	3.47	0%	-13%	-19%	4.05	2.53	2.36	24%	-38%	-7%	12%	13%	29.88	32.40	26.64	29.25
VLY	UW	10.70	8.5	12	5	-21%	12%	-53%	1.30	1.08	0.93	12%	-17%	-14%	1.29	1.07	0.93	9%	-17%	-14%	8%	12%	12.80	13.35	8.81	9.44
WBS	OW	51.39	51	66	30	-1%	28%	-42%	5.59	5.98	5.74	15%	7%	-4%	5.76	6.18	5.77	32%	7%	-7%	10%	15%	47.71	52.87	31.24	34.90
ZION	UW	44.54	32	48	19	-28%	8%	-57%	5.80	4.57	3.72	-14%	-21%	-19%	4.08	3.31	2.34	2%	-19%	-29%	10%	13%	33.61	39.80	26.46	32.66
Median						-14%	20%	-52%				0%	-10%	-12%				18%	-11%	-16%	10%	14%				

Source: Company data, Refinitiv, Morgan Stanley Research estimates; e = Morgan Stanley Research estimates; Stock Ratings: OW = Overweight, EW = Equal-weight, UW = Underweight.

Exhibit 54: Midcap Bank Comp Sheet (2/2)

Ticker	Rating	Market Cap (\$B)	Dividend		% Price Chg.										2023e P/E		2024e P/E		2023e P/B		2024e P/B		2023e P/TB		2024e P/TB		CET1 2023E	COE 2023e
			3Q23	Yield	6D	10D	30D	60D	90D	QTD	YTD	LTM	Curr.	Target	Curr.	Target	Curr.	Target	Curr.	Target	Curr.	Target	Curr.	Target				
CADE	EW	5.3	0.24	3.2%	3%	-1%	5%	35%	36%	-1%	-1%	17%	12.1x	9.9x	12.1x	9.9x	1.1x	0.9x	1.0x	0.8x	1.6x	1.3x	1.4x	1.1x	11.8%	8%		
CBSH	EW	7.0	0.26	1.9%	2%	1%	4%	24%	17%	1%	1%	-18%	15.0x	12.7x	17.1x	14.6x	2.5x	2.1x	2.3x	1.9x	2.7x	2.3x	2.4x	2.0x	15.3%	7%		
CFG	EW	15.5	0.42	5.0%	5%	1%	13%	34%	25%	1%	1%	-19%	8.6x	8.0x	10.2x	9.4x	0.7x	0.7x	0.7x	0.6x	1.1x	1.1x	1.0x	0.9x	10.5%	12%		
CFR	EW	6.9	0.92	3.4%	3%	0%	6%	17%	18%	0%	0%	-20%	11.2x	11.3x	13.5x	13.5x	2.1x	2.1x	1.7x	1.7x	2.6x	2.6x	2.0x	2.1x	13.4%	9%		
CMA	EW	7.4	0.71	5.0%	4%	2%	14%	38%	37%	2%	2%	-16%	7.5x	5.9x	10.7x	8.5x	1.3x	1.0x	1.2x	0.9x	1.5x	1.2x	1.3x	1.0x	11.4%	13%		
EWBC	OW	10.2	0.48	2.6%	4%	2%	7%	31%	41%	2%	2%	7%	8.7x	9.0x	9.2x	9.6x	1.5x	1.6x	1.4x	1.4x	1.7x	1.7x	1.5x	1.5x	13.2%	10%		
FITB	EW	23.9	0.35	3.9%	5%	3%	14%	44%	43%	3%	3%	3%	10.0x	8.1x	12.2x	9.9x	1.5x	1.2x	1.3x	1.1x	2.1x	1.7x	1.8x	1.5x	10.1%	10%		
HBAN	OW	18.7	0.16	4.7%	5%	3%	9%	28%	28%	3%	3%	-10%	9.8x	9.8x	12.1x	12.0x	1.1x	1.1x	1.1x	1.1x	1.8x	1.8x	1.6x	1.6x	10.2%	10%		
KEY	EW	13.6	0.21	5.6%	4%	2%	11%	34%	41%	2%	2%	-20%	13.4x	11.0x	11.2x	9.2x	1.2x	1.0x	1.1x	0.9x	1.6x	1.3x	1.3x	1.1x	9.7%	7%		
MTB	OW	22.8	1.30	3.8%	3%	1%	4%	18%	9%	1%	1%	-8%	8.7x	10.1x	9.9x	11.4x	0.9x	1.1x	0.9x	1.0x	1.4x	1.6x	1.3x	1.6x	11.2%	11%		
NYCB	EW	7.5	0.17	6.4%	4%	4%	9%	15%	-3%	4%	4%	16%	7.8x	7.8x	8.5x	8.5x	0.7x	0.7x	0.7x	0.7x	0.9x	0.9x	0.9x	0.9x	9.6%	13%		
OZK	EW	5.6	0.36	2.9%	2%	-1%	9%	32%	31%	-1%	-1%	21%	8.6x	7.9x	9.4x	8.6x	1.2x	1.1x	1.1x	1.0x	1.4x	1.3x	1.2x	1.1x	10.3%	12%		
PB	UW	6.2	0.55	3.3%	1%	-2%	5%	21%	24%	-2%	-2%	-11%	13.5x	11.6x	13.9x	11.9x	0.9x	0.8x	0.8x	0.7x	1.7x	1.5x	1.6x	1.4x	15.2%	7%		
SNV	EW	5.4	0.38	4.1%	4%	-1%	4%	37%	36%	-1%	-1%	-4%	8.7x	6.8x	10.7x	8.4x	1.2x	1.0x	1.1x	0.9x	1.4x	1.1x	1.3x	1.0x	10.1%	12%		
VLY	UW	5.4	0.11	4.1%	3%	-1%	8%	36%	27%	-1%	-1%	-5%	9.9x	7.9x	11.5x	9.1x	0.8x	0.7x	0.8x	0.6x	1.2x	1.0x	1.1x	0.9x	9.3%	10%		
WBS	OW	9.4	0.40	3.1%	3%	1%	7%	33%	28%	1%	1%	7%	8.6x	8.5x	9.0x	8.9x	1.1x	1.1x	1.0x	1.0x	1.6x	1.6x	1.5x	1.5x	11.3%	12%		
ZION	UW	6.5	0.41	3.7%	6%	2%	14%	37%	27%	2%	2%	-13%	9.7x	7.0x	12.0x	8.6x	1.3x	1.0x	1.1x	0.8x	1.7x	1.2x	1.4x	1.0x	10.2%	10%		
Median (Mkt Cap = Total)		17.4		3.8%	4%	1%	8%	35%	28%	1%	1%	-8%	9.7x	8.5x	11.2x	9.4x	1.2x	1.0x	1.1x	0.9x	1.6x	1.3x	1.4x	1.1x	10.5%	10.3%		

Source: Company data, Refinitiv, Morgan Stanley Research estimates; e = Morgan Stanley Research estimates; Stock Ratings: OW = Overweight, EW = Equal-weight, UW = Underweight.

Exhibit 57: Life Insurance Comp Sheet

Ticker	Rating	Price	Price (\$)	Upside	Mkt Cap (\$M)	Div Yield (%)	Operating EPS			P/E Ratio			Book Value ex-AOCI			Price to Book ex-AOCI			ROE (%)		
		Target	8-Jan	(%)			2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e	2022	2023e	2024e
AFL	E	80	82.87	(3.5)	48,340	2.0	5.33	6.35	6.25	15.6	13.0	13.3	43.51	48.29	51.05	1.9	1.7	1.6	12.9	13.9	12.7
BHF	E	55	53.21	3.4	3,396	0.0	16.09	15.25	17.40	3.3	3.5	3.1	145.58	137.90	102.28	0.4	0.4	0.5	12.5	10.8	14.4
CRBG	E	25	23.47	6.5	14,651	4.0	3.66	4.10	4.95	6.4	5.7	4.7	36.34	34.07	39.45	0.6	0.7	0.6	11.0	11.9	13.5
EQH	O	38	33.19	14.5	11,187	2.7	4.33	4.57	6.00	7.7	7.3	5.5	24.19	30.12	36.19	1.4	1.1	0.9	19.6	17.0	18.3
GL	E	132	121.20	8.9	11,509	0.7	8.15	10.60	11.40	14.9	11.4	10.6	64.01	76.55	85.12	1.9	1.6	1.4	13.2	15.1	14.1
JXN	E	38	50.35	(24.5)	3,927	5.0	16.39	14.15	15.90	3.1	3.6	3.2	139.85	188.40	218.15	0.4	0.3	0.2	15.9	8.8	8.0
LNC	E	30	28.54	5.1	4,774	6.4	(6.91)	5.35	7.65	NM	5.3	3.7	67.70	71.62	83.31	0.4	0.4	0.3	(9.3)	7.7	9.9
MET	O	80	69.52	15.1	51,014	3.0	7.16	7.50	9.30	9.7	9.3	7.5	54.30	54.44	65.90	1.3	1.3	1.1	13.6	14.1	15.6
PFG	U	72	80.48	(10.5)	19,268	3.3	6.34	6.55	7.40	12.7	12.3	10.9	69.22	74.16	78.86	1.2	1.1	1.0	10.3	9.3	9.8
PRI	E	200	211.64	(5.5)	7,285	1.3	14.03	16.00	17.65	15.1	13.2	12.0	57.55	64.53	73.29	3.7	3.3	2.9	26.0	26.5	25.6
PRU	E	105	104.52	0.5	37,656	4.8	10.31	11.80	13.35	10.1	8.9	7.8	96.42	98.48	106.89	1.1	1.1	1.0	10.1	12.1	13.0
RGA	E	170	168.24	1.0	11,010	2.0	13.69	19.50	18.80	12.3	8.6	8.9	134.26	143.23	151.05	1.3	1.2	1.1	10.1	14.3	13.0
UNM	E	53	45.70	16.0	8,941	3.2	6.40	7.80	8.00	7.1	5.9	5.7	61.58	66.25	73.68	0.7	0.7	0.6	11.1	12.3	11.5
VOYA	O	84	73.71	14.0	7,739	2.2	7.32	7.45	8.95	10.1	9.9	8.2	59.59	59.63	65.78	1.2	1.2	1.1	12.9	12.9	14.6

Source: Refinitiv, Company data, Morgan Stanley Research estimates

Exhibit 58: P&C Insurance Comp Sheet

1/5/2024 Ticker	Rating	Price	Price	PT	YTD	Mkt Cap	Div	Operating EPS				Price / Op. Earnings (P/E)				BVPS excl. AOCI				P/BVPS excl. AOCI								
		Target (\$)	1/5/2024	Upside	2024	(\$M)	Yield	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E	2022	2023E	2024E	2025E					
Reinsurance																												
ADGL	OW	103	77.47	33.0%	4.3%	28,910	N/A	4.87	7.85	7.69	8.45	12.9x	9.9x	10.1x	9.2x	37.06	44.60	53.13	62.47	1.7x	1.7x	1.5x	1.2x					
EG	OW	480	367.69	30.5%	4.0%	15,954	N/A	27.08	55.67	63.96	74.18	12.2x	6.6x	5.7x	5.0x	266.51	321.36	377.82	444.45	1.2x	1.1x	1.0x	0.8x					
HG	OW	22	15.42	42.7%	3.1%	1,717	N/A	0.90	1.28	1.80		17.2x	12.0x	8.6x		16.19	17.92	20.90	24.60	0.9x	0.9x	0.7x	0.6x					
DNR	EW	240	202.09	18.8%	3.1%	10,609	0.8%	7.14	33.32	33.00	33.47	25.8x	6.1x	6.1x	6.0x	105.01	142.42	177.12	214.69	1.8x	1.4x	1.1x	0.9x					
Median								3.6%				0.8%	7.14	20.58	20.34	20.96	12.9x	8.2x	8.1x	7.3x	71.04	93.51	115.12	138.58	1.7x	1.3x	1.1x	0.9x
Primary Insurance Carriers																												
AIG	EW	67	68.63	-2.4%	1.3%	48,181	2.1%	5.12	6.72	7.81	9.83	12.4x	10.2x	8.8x	7.0x	86.62	99.44	117.00	137.34	0.7x	0.7x	0.6x	0.5x					
ALL	OW	171	148.50	15.2%	6.1%	38,861	2.4%	(0.88)	(1.52)	14.75	19.64	N/A	N/A	10.1x	7.6x	67.08	59.49	68.14	81.28	2.0x	2.5x	2.2x	1.8x					
CB	EW	226	227.30	-0.6%	0.6%	92,736	1.5%	15.18	19.28	21.68	23.61	14.5x	11.8x	10.5x	9.6x	146.42	160.23	175.76	193.04	1.5x	1.4x	1.3x	1.2x					
HIG	EW	78	82.00	-4.9%	2.0%	24,663	2.3%	7.57	8.18	9.87	11.54	10.0x	10.0x	8.3x	7.1x	53.66	58.69	65.11	72.91	1.4x	1.4x	1.3x	1.1x					
IFC	EW	216	201.59	7.1%	-1.1%	35,948	2.2%	11.92	11.04	13.95	15.02	16.4x	18.3x	14.5x	13.4x	29.38	24.38	32.27	40.89	6.6x	8.3x	6.2x	4.9x					
LMND	UW	12	16.61	-27.8%	3.0%	1,161	N/A	(4.59)	(3.60)	(2.83)	(2.24)	N/A	N/A	N/A	N/A	12.51	9.77	7.69	6.25	1.1x	1.7x	2.2x	2.7x					
PGR	EW	164	163.00	0.6%	2.3%	95,404	0.2%	4.07	5.58	8.44	10.52	31.9x	29.2x	19.3x	15.5x	31.11	34.85	41.20	51.09	4.2x	4.7x	4.0x	3.2x					
TRV	EW	183	192.54	-5.0%	1.1%	43,976	2.1%	12.42	11.16	16.74	19.37	15.1x	17.3x	11.5x	9.9x	120.67	126.57	137.88	151.53	1.6x	1.5x	1.4x	1.3x					
Median								1.7%				2.1%	6.34	7.45	11.91	13.28	14.8x	14.5x	10.5x	9.6x	60.37	59.09	66.62	77.10	1.5x	1.6x	1.8x	1.5x
Brokers																												
AON	EW	357	290.74	22.8%	-0.1%	58,211	0.8%	13.99	14.39	16.39	17.59	22.4x	20.2x	17.7x	16.5x	19.7x	72.9x	20.3x	15.9x	23.7x	84.2x	22.4x	16.8x					
MMC	EW	215	191.49	12.3%	1.1%	94,418	N/A	6.86	7.82	8.56	9.42	24.1x	24.5x	22.4x	20.3x	17.1x	19.9x	17.5x	15.9x	31.6x	24.3x	29.6x	25.3x					
WTW	EW	236	239.49	-1.5%	-0.7%	24,730	1.4%	13.41	14.02	16.34	18.35	18.2x	17.1x	14.7x	13.1x	13.7x	12.1x	11.2x	9.7x	40.8x	20.2x	15.7x	15.7x					
Median								-0.1%				1.1%	13.99	14.02	16.34	17.59	22.4x	20.2x	17.7x	16.5x	17.1x	19.9x	17.5x	15.9x	31.6x	24.3x	22.4x	16.8x

Source: Company Data, Refinitiv, Morgan Stanley Research estimates

Exhibit 63: Business Services Comp Sheet (Information Services)

Morgan Stanley - Standardized Comps															
Information Services						EV / EBITDA				Price / Earnings					
						Organic Revenue Growth		Consensus Method		Unadjusted Post-SBC		Consensus Method		NI to Common Adj. for Amort, net	
Ticker	Company	Rating	Share Price	Equity Value	Enterprise Value	'23 (%)	'24 (%)	CY '23E (x)	CY '24E (x)	CY '23E (x)	CY '24E (x)	CY '23E (x)	CY '24E (x)	CY '23E (x)	CY '24E (x)
CLVT.N	Clarivate PLC	EW	9.08	6,639	11,314	0.6%	2.6%	10.2x	9.9x	11.5x	11.0x	11.5x	10.6x	14.5x	13.0x
FDS.N	FactSet Research Systems Inc.	UW	462.74	17,882	19,135	8.5%	6.6%	23.9x	22.0x	23.9x	22.0x	30.8x	27.7x	30.8x	27.7x
IT.N	Gartner, Inc.	EW	437.25	34,761	35,972	8.7%	8.4%	24.2x	23.1x	26.6x	25.1x	38.9x	35.6x	36.2x	35.6x
MSCI.N	MSCI Inc.	OW	555.80	43,960	47,677	10.3%	10.0%	31.8x	28.4x	31.8x	28.4x	41.7x	36.2x	41.7x	36.2x
TRI.N	Thomson Reuters Corporation	EW	144.05	63,768	65,654	5.6%	5.3%	24.6x	23.7x	24.6x	23.7x	40.4x	39.1x	40.4x	39.1x
VRSK.O	Verisk Analytics Inc	EW	237.98	34,684	38,138	9.1%	7.2%	26.7x	24.4x	26.7x	24.4x	41.4x	36.3x	41.4x	36.3x
MCO.N	Moody's Corporation	EW	381.81	70,253	75,679	7.9%	8.7%	29.9x	25.8x	29.9x	25.8x	38.3x	34.9x	38.3x	34.9x
SPGI.N	S&P Global, Inc.	OW	436.39	139,558	153,102	7.6%	7.4%	26.2x	23.7x	26.2x	23.7x	34.9x	30.2x	34.9x	30.2x
Average - Subscription-Based Info Services						7.3%	7.0%	24.7x	22.6x	25.2x	23.0x	34.7x	31.3x	34.8x	31.6x
EXP.N	Experian PLC	OW	39.41	36,221	40,350	5.8%	7.1%	17.0x	15.7x	17.0x	15.7x	28.0x	25.6x	28.0x	25.6x
EFX.N	Equifax Inc.	EW	239.87	29,720	35,419	1.2%	11.1%	21.0x	18.6x	20.4x	17.5x	36.2x	30.4x	35.1x	28.5x
TRU.N	TransUnion	OW	66.56	12,913	18,041	2.5%	5.5%	13.6x	12.4x	14.7x	13.4x	20.3x	17.6x	42.4x	20.4x
FICO.N	Fair Isaac Corporation	NC	1131.16	28,588	30,353	10.3%	11.8%	37.6x	32.5x	37.6x	32.5x	54.7x	45.5x	54.7x	45.5x
DNB.N	Dun & Bradstreet Holdings Inc	NC	11.66	5,040	8,510	3.6%	4.6%	9.5x	8.8x	9.5x	8.8x	11.8x	10.9x	11.8x	10.9x
ADP.O	Automatic Data Processing, Inc.	EW	233.42	96,543	98,721	7.5%	6.4%	18.7x	16.8x	18.7x	16.8x	26.9x	24.4x	26.9x	24.4x
PAYX.O	Paychex, Inc.	EW	117.87	42,681	42,101	7.0%	6.4%	18.2x	16.9x	18.2x	16.9x	26.1x	24.0x	26.1x	24.0x
FA.O	First Advantage Corp.	NC	16.23	2,349	2,748	(4.7%)	6.7%	11.4x	10.4x	12.1x	11.1x	16.1x	15.0x	17.4x	16.1x
STER.O	Sterling Check Corp.	EW	13.94	1,306	1,765	(8.2%)	4.4%	9.5x	8.6x	12.7x	11.3x	13.3x	11.0x	18.1x	14.4x
HRT.N	HireRight Holdings Corp	NC	12.98	897	1,559	(10.0%)	4.7%	8.9x	8.2x	10.0x	9.3x	12.2x	10.1x	15.1x	12.5x
Average - Credit & Processors						1.5%	6.9%	16.5x	14.9x	17.1x	15.3x	24.6x	21.4x	27.6x	22.2x
Average - Information Services						4.1%	6.9%	20.2x	18.3x	20.7x	18.8x	35.3x	31.6x	36.9x	31.6x

Notes: EXPN.L is covered by Annelies Vermeulen with an industry view in-line, ADP.O and PAYX.O are covered by James Faucette with an industry view of attractive;
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Pricing as of: Jan 2, 2024
Source: Morgan Stanley Research, Company Data, and Factset

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(as of December 31, 2023)

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Stock Rating Category	Coverage Universe		Investment Banking Clients (IBC)			Other Material Investment Services Clients (MISC)	
	Count	% of Total	Count	% of Total IBC	% of Rating Category	Count	% of Total Other MISC
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Equal-weight/Hold	1668	46%	317	49%	19%	717	46%
Not-Rated/Hold	3	0%	0	0%	0%	1	0%
Underweight/Sell	598	17%	61	9%	10%	224	14%
Total	3,615		644			1547	

Data include common stock and ADRs currently assigned ratings. Investment Banking Clients are companies from whom Morgan Stanley received investment banking compensation in the last 12 months. Due to rounding off of decimals, the percentages provided in the "% of total" column may not add up to exactly 100 percent.

Analyst Stock Ratings

Overweight (O). The stock's total return is expected to exceed the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Equal-weight (E). The stock's total return is expected to be in line with the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Not-Rated (NR). Currently the analyst does not have adequate conviction about the stock's total return relative to the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Underweight (U). The stock's total return is expected to be below the average total return of the analyst's industry (or industry team's) coverage universe, on a risk-adjusted basis, over the next 12-18 months.

Unless otherwise specified, the time frame for price targets included in Morgan Stanley Research is 12 to 18 months.

Analyst Industry Views

Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

In-Line (I): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be in line with the relevant broad market benchmark, as indicated below.

Cautious (C): The analyst views the performance of his or her industry coverage universe over the next 12-18 months with caution vs. the relevant broad market benchmark, as indicated below.

Benchmarks for each region are as follows: North America - S&P 500; Latin America - relevant MSCI country index or MSCI Latin America Index; Europe - MSCI Europe; Japan - TOPIX; Asia - relevant MSCI country index or MSCI sub-regional index or MSCI AC Asia Pacific ex Japan Index.

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INDUSTRY COVERAGE: Midcap Banks

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Manan Gosalia		
Bank Ozk (OZK.O)	E (12/05/2022)	\$49.09
Cadence Bank (CADE.N)	E (12/05/2022)	\$29.17
Citizens Financial Group, Inc (CFG.N)	E (12/04/2023)	\$33.60
Comerica Inc (CMA.N)	E (12/05/2022)	\$56.80
Commerce Bancshares Inc (CBSH.O)	E (09/27/2023)	\$54.01
Cullen/Frost Bankers (CFR.N)	E (05/16/2023)	\$108.36
East West Bancorp, Inc. (EWBC.O)	O (12/04/2023)	\$73.15
Fifth Third Bancorp (FITB.O)	E (03/28/2022)	\$35.64
Huntington Bancshares (HBAN.O)	O (12/05/2022)	\$13.09

KeyCorp (KEY.N)	E (04/07/2020)	\$14.70
M&T Bank Corp. (MTB.N)	O (04/21/2022)	\$138.07
New York Community Bancorp Inc (NYCB.N)	E (12/05/2022)	\$10.59
Prosperity Bancshares Inc (PB.N)	U (05/16/2023)	\$66.42
Synovus Financial Corp. (SNV.N)	E (12/05/2022)	\$37.25
Valley National Bancorp (VLY.O)	U (09/27/2023)	\$10.70
Webster Financial Corp (WBS.N)	O (12/05/2022)	\$51.39
Zions Bancorporation NA (ZION.O)	U (09/27/2023)	\$44.54

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* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Large Cap Banks

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Betsy L. Graseck, CFA		
Bank of America (BAC.N)	E (03/28/2022)	\$34.16
BNY Mellon (BK.N)	U (12/06/2022)	\$52.70
Citigroup Inc. (C.N)	U (03/28/2022)	\$54.01
Goldman Sachs Group Inc (GS.N)	E (12/06/2021)	\$388.86
JPMorgan Chase & Co (JPM.N)	O (12/06/2022)	\$172.02
Northern Trust Corp. (NTRS.O)	E (06/08/2020)	\$84.18
PNC Financial Services (PNC.N)	U (12/06/2021)	\$157.52
Regions Financial Corp (RF.N)	O (11/30/2020)	\$19.51
State Street Corporation (STT.N)	E (12/06/2022)	\$78.43
Truist Financial Corp (TFC.N)	E (01/07/2018)	\$38.00
U.S. Bancorp (USB.N)	E (11/30/2020)	\$43.96
Wells Fargo & Co. (WFC.N)	O (12/06/2021)	\$49.92

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* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Payments and Processing

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
James E Faucette		
Affirm Holdings Inc (AFRM.O)	U (12/18/2023)	\$45.34
Automatic Data Processing Inc (ADP.O)	E (02/25/2021)	\$236.76
AvidXchange Holdings Inc. (AVDX.O)	E (04/28/2022)	\$11.56
Block, Inc (SQ.N)	E (03/23/2022)	\$69.31
Broadridge Financial Solutions Inc. (BR.N)	E (12/14/2022)	\$200.00
Clearwater Analytics Holdings, Inc. (CWAN.N)	E (10/19/2021)	\$19.57
Enfusion, Inc. (ENFN.N)	O (01/03/2023)	\$9.30
Evertec Inc (EVTC.N)	U (03/09/2021)	\$39.95
Expensify, Inc. (EXFY.O)	U (06/12/2023)	\$2.15
Fidelity National Information Services (FIS.N)	O (02/14/2023)	\$63.35
Fiserv Inc. (FI.N)	E (12/16/2019)	\$135.23
Fleetcor Technologies Inc (FLT.N)	E (02/25/2021)	\$284.39
Flywire Corp (FLYW.O)	E (01/23/2023)	\$22.83
Global-e Online Ltd. (GLBE.O)	E (07/19/2023)	\$39.03
Global Payments Inc (GPN.N)	O (01/17/2023)	\$133.07
i3 Verticals Inc (IIIV.O)	E (07/26/2021)	\$20.64
Jack Henry & Associates, Inc. (JKHY.O)	E (06/15/2022)	\$169.70
Marqeta, Inc. (MQ.O)	E (04/03/2023)	\$6.65
MasterCard Inc (MA.N)	O (03/28/2016)	\$421.98
nCino, Inc. (NCNO.O)	U (09/20/2023)	\$34.59
NerdWallet Inc. (NRDS.O)	E (11/29/2021)	\$13.87

Open Lending Corp. (LPRO.O)	U (07/25/2022)	\$7.86
Paychex Inc (PAYX.O)	E (02/25/2021)	\$119.47
PayPal Holdings, Inc. (PYPL.O)	O (10/11/2017)	\$61.74
Q2 Holdings Inc (QTWO.N)	E (08/10/2020)	\$41.99
Repay Holdings Corporation. (RPAY.O)	E (10/05/2020)	\$8.23
Rocket Cos Inc (RKT.N)	E (08/31/2020)	\$12.97
Shift4 Payments Inc. (FOUR.N)	E (08/25/2023)	\$73.06
SS&C Technologies Holdings, Inc. (SSNC.O)	E (10/28/2019)	\$60.96
Upstart Holdings, Inc. (UPST.O)	U (06/29/2022)	\$35.54
UWM Holdings Corp (UWMC.N)	E (07/12/2021)	\$6.72
Verra Mobility Corp (VRRM.O)	E (05/26/2021)	\$21.29
Visa Inc. (V.N)	O (03/28/2016)	\$262.54
Western Union Co (WU.N)	U (02/02/2015)	\$12.31
WEX Inc (WEX.N)	E (02/25/2021)	\$199.79

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* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Brokers, Asset Managers & Exchanges

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Michael J. Cyprys, CFA, CPA		
Ameriprise Financial, Inc. (AMP.N)	E (01/07/2020)	\$384.44
Apollo Global Management Inc (APO.N)	E (07/19/2022)	\$96.29
Ares Management Corp (ARES.N)	E (09/10/2021)	\$118.95
BlackRock Inc. (BLK.N)	O (09/18/2015)	\$797.19
Blackstone Inc. (BX.N)	O (12/15/2014)	\$122.34
Bridge Investment Group (BRDG.N)	O (08/10/2021)	\$9.69
Brightsphere Investment Group Inc. (BSIG.N)	E (12/14/2021)	\$18.85
Carlyle Group Inc (CG.O)	E (11/14/2018)	\$39.87
CBOE Global Markets Inc. (CBOE.Z)	O (07/19/2022)	\$176.40
Charles Schwab Corp (SCHW.N)	E (03/30/2023)	\$67.80
CME Group Inc. (CME.O)	E (06/11/2021)	\$200.11
Franklin Resources Inc. (BEN.N)	U (09/03/2020)	\$29.33
Hamilton Lane Inc. (HLNE.O)	E (01/26/2021)	\$110.25
Intercontinental Exchange Inc (ICE.N)	E (06/11/2021)	\$128.41
Invesco (IVZ.N)	E (01/03/2018)	\$18.22
Janus Henderson Group (JHG.N)	E (11/16/2023)	\$29.33
KKR & CO. Inc (KKR.N)	E (02/17/2016)	\$82.12
LPL Financial Holdings Inc. (LPLA.O)	E (11/30/2022)	\$237.56
MarketAxess Holdings Inc. (MKTX.O)	E (12/21/2020)	\$277.48
Nasdaq, Inc. (NDAQ.O)	E (04/11/2023)	\$56.71
P10, Inc. (PX.N)	O (11/15/2021)	\$8.92
Raymond James Financial Inc. (RJF.N)	E (07/21/2023)	\$112.46
Robinhood Markets, Inc. (HOOD.O)	E (03/30/2022)	\$12.42
StepStone Group (STEP.O)	E (07/19/2022)	\$32.40
T. Rowe Price Group, Inc. (TROW.O)	E (10/05/2017)	\$106.93
TPG, Inc. (TPG.O)	E (02/07/2022)	\$39.21
Tradeweb Markets Inc (TW.O)	O (03/02/2021)	\$95.30
Victory Capital Holdings Inc (VCTR.O)	U (04/08/2020)	\$33.75
Virtu Financial Inc (VIRT.O)	E (04/11/2023)	\$20.99
Virtus Investment Partners (VRTS.O)	U (04/08/2022)	\$238.45
WisdomTree Inc. (WT.N)	E (04/08/2021)	\$6.94

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* Historical prices are not split adjusted.

INDUSTRY COVERAGE: Insurance - Life/Annuity

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Bob Jian Huang		
Aflac (AFL.N)	E (08/18/2023)	\$82.87
Brighthouse Financial Inc (BHF.O)	E (08/14/2017)	\$53.21
Corebridge Financial Inc (CRBG.N)	E (10/10/2022)	\$23.47
Equitable Holdings Inc (EQH.N)	O (06/04/2018)	\$33.19
Globe Life Inc (GL.N)	E (08/18/2023)	\$121.20
Jackson Financial Inc (JXN.N)	E (12/07/2021)	\$50.35
Lincoln National Corp (LNC.N)	E (11/03/2022)	\$28.54
Manulife Financial Corp. (MFC.TO)	E (11/13/2014)	C\$29.25
MetLife Inc. (MET.N)	O (01/07/2020)	\$69.52
Primerica, Inc. (PRI.N)	E (05/19/2022)	\$211.64
Principal Financial Group (PFG.O)	U (11/17/2022)	\$80.48
Prudential Financial (PRU.N)	E (12/13/2016)	\$104.52
Reinsurance Group of America (RGA.N)	E (05/19/2022)	\$168.24
Sun Life Financial Inc. (SLF.TO)	E (05/25/2012)	C\$68.72
Unum Group (UNM.N)	E (02/17/2010)	\$45.70
Voya Financial Inc (VOYA.N)	O (11/11/2015)	\$73.71

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INDUSTRY COVERAGE: Real Estate Investment Trusts

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Adam Kramer		
American Homes 4 Rent (AMH.N)	E (11/15/2018)	\$36.14
AvalonBay Communities Inc. (AVB.N)	E (12/02/2022)	\$184.54
Camden Property Trust (CPT.N)	E (12/12/2023)	\$99.25
Equity Residential (EQR.N)	E (12/12/2016)	\$61.73
Essex Property Trust, Inc. (ESS.N)	E (04/01/2020)	\$248.33
Invitation Homes Inc (INVH.N)	O (08/11/2020)	\$34.23
Mid-America Apartment Communities, Inc. (MAA.N)	E (12/12/2023)	\$133.49
Tricon Residential Inc (TCN.N)	E (11/01/2021)	\$8.95
UDR, Inc. (UDR.N)	O (12/02/2022)	\$38.59
Ronald Kamdem, CFA		
Agree Realty Corp. (ADC.N)	O (04/01/2022)	\$63.71
American Assets Trust Inc. (AAT.N)	E (05/18/2020)	\$23.23
Boston Properties, Inc. (BXP.N)	E (09/10/2019)	\$71.09
Broadstone Net Lease, Inc. (BNL.N)	E (04/15/2021)	\$17.35
EastGroup Properties Inc. (EGP.N)	E (04/12/2017)	\$181.99
Extra Space Storage Inc. (EXR.N)	E (12/20/2023)	\$159.84
Healthpeak Properties Inc (PEAK.N)	++	\$19.98
Highwoods Properties (HIW.N)	U (12/20/2023)	\$23.42
Hudson Pacific Properties (HPP.N)	E (09/09/2022)	\$9.56
Kimco Realty Corp. (KIM.N)	E (03/30/2022)	\$20.88
Macerich Co (MAC.N)	U (09/14/2020)	\$15.39
National Storage Affiliates Trust (NSA.N)	E (08/07/2018)	\$40.41
NNN REIT Inc (NNN.N)	E (07/12/2022)	\$43.58
Office Properties Income Trust (OPI.O)	U (12/13/2019)	\$6.37
Paramount Group Inc. (PGRE.N)	E (11/23/2022)	\$5.03
Phillips Edison & Company, Inc (PECO.O)	E (03/09/2022)	\$36.16
Physicians Realty Trust (DOC.N)	++	\$13.19
Prologis, Inc. (PLD.N)	O (10/17/2022)	\$133.17

Public Storage (PSA.N)	E (09/21/2023)	\$300.12
Realty Income Corp (O.N)	++	\$59.48
Regency Centers Corp (REG.O)	O (12/20/2023)	\$65.00
Safehold Inc (SAFE.N)	O (10/30/2023)	\$23.14
Simon Property Group Inc (SPG.N)	E (12/20/2023)	\$142.30
Site Centers Corp (SITC.N)	E (04/27/2020)	\$13.47
SL Green Realty Corporation (SLG.N)	E (05/28/2020)	\$45.72
Spirit Realty Capital (SRC.N)	++	\$45.25
Urban Edge Properties (UE.N)	E (12/20/2023)	\$18.10
Ventas Inc (VTR.N)	E (10/04/2021)	\$48.71
Vornado Realty Trust (VNO.N)	U (05/28/2020)	\$28.28
Welltower Inc. (WELL.N)	O (08/31/2022)	\$89.81

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INDUSTRY COVERAGE: Business & Education Services

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Greg Parrish, CFA		
Advantage Solutions Inc (ADV.O)	E (04/01/2021)	\$3.78
Stride Inc (LRN.N)	E (03/10/2023)	\$58.54
Javier Martinez de Olcoz Cerdan		
Laureate Education Inc (LAUR.O)	O (08/06/2023)	\$12.99
Toni Kaplan		
ADT Inc (ADT.N)	E (10/31/2022)	\$6.66
Aramark Holdings Corporation (ARMK.N)	E (08/10/2016)	\$28.88
Bright Horizons Family Solutions Inc (BFAM.N)	U (04/07/2021)	\$97.30
Cintas Corp (CTAS.O)	E (01/06/2021)	\$584.13
Clarivate Plc. (CLVT.N)	E (02/06/2023)	\$9.19
Equifax Inc (EFX.N)	E (08/16/2022)	\$246.37
FactSet Research Systems Inc. (FDS.N)	U (07/16/2019)	\$458.76
Gartner Inc. (IT.N)	E (11/03/2021)	\$435.82
Global Business Travel Group Inc (GBTG.N)	E (09/14/2022)	\$6.15
Moody's Corp (MCO.N)	E (01/07/2020)	\$375.70
MSCI Inc. (MSCI.N)	O (12/13/2023)	\$543.15
Republic Services Inc. (RSG.N)	O (07/13/2021)	\$164.35
Rollins Inc. (ROL.N)	E (12/21/2023)	\$42.87
S&P Global Inc (SPGI.N)	O (03/18/2021)	\$432.17
Sterling Check Corp. (STER.O)	E (04/11/2022)	\$13.68
Thomson Reuters Corp. (TRI.N)	E (02/02/2021)	\$146.12
TransUnion (TRU.N)	O (01/04/2023)	\$67.57
Verisk Analytics, Inc. (VRSK.O)	E (11/08/2022)	\$232.71
Waste Connections Inc. (WCN.N)	O (10/13/2020)	\$146.97
Waste Management, Inc. (WM.N)	E (10/13/2020)	\$178.24

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INDUSTRY COVERAGE: Midcap Advisors

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Ryan Kenny, CFA		
Evercore Inc (EVR.N)	O (04/12/2023)	\$172.44
Houlihan Lokey Inc (HLI.N)	E (07/18/2022)	\$116.82
Jefferies Financial Group Inc (JEF.N)	E (07/12/2023)	\$40.69
Lazard Ltd (LAZ.N)	O (07/12/2023)	\$38.20

Moelis & Co (MC.N)	U (07/18/2022)	\$56.09
SEI Investments Company (SEIC.O)	U (07/12/2022)	\$63.34

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INDUSTRY COVERAGE: Consumer Finance

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Betsy L. Graseck, CFA		
Ally Financial Inc (ALLY.N)	E (12/13/2023)	\$34.72
American Express Company (AXP.N)	O (02/08/2023)	\$189.21
Capital One Financial Corporation (COF.N)	E (12/13/2023)	\$133.71
Discover Financial Services (DFS.N)	E (02/08/2023)	\$112.84
Synchrony Financial (SYF.N)	U (12/01/2022)	\$39.20
Jeffrey Adelson, CFA		
Bread Financial Holdings, Inc. (BFH.N)	U (12/13/2023)	\$33.57
Navient Corp (NAVI.O)	E (12/01/2022)	\$18.04
SLM Corp (SLM.O)	O (04/05/2023)	\$18.54
SoFi Technologies, Inc. (SOFI.O)	E (10/31/2023)	\$8.53

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INDUSTRY COVERAGE: Real Estate Services

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Ronald Kamdem, CFA		
Cushman & Wakefield PLC (CWK.N)	O (08/27/2018)	\$10.14
Re/Max Holdings Inc (RMAX.N)	U (11/06/2023)	\$12.21
RMR Group Inc (RMR.O)	E (10/21/2019)	\$28.43

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INDUSTRY COVERAGE: Insurance - Property & Casualty

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Bob Jian Huang		
Allstate Corp (ALL.N)	O (01/04/2024)	\$149.38
American International Group Inc (AIG.N)	E (06/20/2023)	\$68.22
Aon PLC (AON.N)	E (06/20/2023)	\$295.54
Arch Capital Group Ltd. (ACGL.O)	O (06/20/2023)	\$77.12
Chubb Ltd (CB.N)	E (06/20/2023)	\$226.20
Everest Re Group Ltd. (EG.N)	O (06/20/2023)	\$372.50
Hamilton Insurance Group Ltd (HG.N)	O (12/05/2023)	\$15.50
Hartford Financial Services Group Inc (HIG.N)	E (06/20/2023)	\$82.01
Intact Financial Corporation (IFC.TO)	E (06/20/2023)	C\$204.61
Lemonade Inc. (LMND.N)	U (06/20/2023)	\$18.25
Marsh & McLennan Cos Inc (MMC.N)	E (06/20/2023)	\$191.60
RenaissanceRe Holdings Ltd. (RNR.N)	E (06/20/2023)	\$202.73
The Progressive Corp. (PGR.N)	E (10/31/2023)	\$165.37
The Travelers Companies, Inc. (TRV.N)	E (06/20/2023)	\$192.31
Willis Towers Watson PLC (WTW.O)	E (06/20/2023)	\$242.17

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INDUSTRY COVERAGE: Communications Infrastructure

COMPANY (TICKER)	RATING (AS OF)	PRICE* (01/08/2024)
Simon Flannery		
American Tower Corp. (AMT.N)	E (12/12/2018)	\$216.08
Crown Castle Corp. (CCI.N)	++	\$114.76
Digital Realty Trust Inc. (DLR.N)	E (06/24/2020)	\$133.70
Equinix Inc. (EQIX.O)	E (05/13/2009)	\$803.26
SBA Communications (SBAC.O)	O (06/02/2021)	\$248.42
Uniti Group Inc (UNIT.O)	U (12/12/2018)	\$5.92

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