Investor Advisory Committee on Financial Markets
Member Presentation Materials

July 12, 2023
The Changing World Order

What structural shifts in the US and global economies have had the largest impact on your growth expectations over the near and longer term?

Ray Dalio

July 2023
The Five Big Forces

1) **Financial/Economic:** Large Increases in Debt and Debt Monetization (Largest Since 1930-45)

2) **Internal Conflict:** Due to Wealth and Values Gaps (Largest Since 1930-45)

3) **External/Geopolitical Conflict:** The Great Powers Conflict—Especially between the US and China (Largest Since 1930-45)

4) **Acts of Nature:** Drought, Floods, and Pandemics—Especially Regarding Climate Change and How to Deal with It

5) **Human Inventiveness and New Technologies—Especially AI**
Structural Shifts and their Dangerous Interactions

• Fiscal controls are at odds with spending needs for social programs, green economy investing, infrastructure spending, and AI investing. Fiscal deficits are at odds with a sustainable supply and demand for government debt. These are also at odds with central banks’ inflation controls, which are at odds with domestic political and social stability, due to large wealth and political gaps.

• International geopolitical conflicts are creating deglobalization, as there is preparation for war and self-sufficiency rather than efficiency, which is at odds with efficiency and inflation goals.

• The fragmenting world order is causing multilateral systems to break down, which is at odds with stability, efficiency, and regulating AI.

• The big demographic shift will exacerbate the great North (“Rich Countries”) South (“Poor Countries”) divide.
A Lot Has Happened Over the Last Three Years
(2020-2023)

- Covid
- Big Fiscal Stimulus—Government Borrowed a Lot of Money
- Big Monetary Stimulus—Central Banks Printed a Lot of Money to Buy and Guarantee a Lot of Debt
- Internal Political Shift from Right to Left (Which Led to More Fiscal and Monetary Stimulus)
- Supply Line Problems
- Inflation Accelerated
- Greater International-Geopolitical Conflicts: China-US, NATO-Russia
  - Sanctions, Deglobalization, Self Sufficiency in the Event of War Is More Important than Efficiency
- Reduction in Fiscal Stimulation (Still High)
- Significant Reduction in Monetary Stimulation (from Extremely Easy to Slightly Tight)
- Big Losses in Bonds, Especially Government Bonds
- Reduction in Inflation to Still Too High Levels
- Credit Growth
- Venture Capital, Negative Cashflow Tech, and Commercial Real Estate Plunge
- AI Excitement and Boom
- Climate Change Initiative
COVID + STIMULUS LED TO TWO HUGE DEFICITS THAT IMPROVED THE INCOME STATEMENTS AND BALANCE SHEETS OF THE PRIVATE SECTOR AT THE EXPENSE OF THE GOVERNMENT SECTOR AND CENTRAL BANKS
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Please review the “Important Disclosures and Other Information” located at the end of this presentation.
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Figures for gains and losses on bond holdings for commercial and central banks is a rough estimate based on the trailing 10 year purchases of bonds by that player. To estimate purchase prices to compare to current prices, we use the relevant Barclays aggregate bond index for each country. Please review the “Important Disclosures and Other Information” located at the end of this presentation.
THE UNEMPLOYMENT RATE IS LOW AND COMPENSATION GROWTH IS HIGH
Household wealth figures are adjusted to exclude pension claims. Please review the “Important Disclosures and Other Information” located at the end of this presentation.

HOUSEHOLD SPENDING IS DRIVEN BY STRONG INCOMES AND BALANCE SHEETS, NOT BORROWING
INFLATION STILL LOOKS HOT – BUT EXPECTATIONS ARE ANCHORED

Breakeven inflation estimate is based on Bridgewater analysis. Please review the "Important Disclosures and Other Information" located at the end of this presentation.
HOUSEHOLDS AND BUSINESSES LOOK HEALTHIER ACROSS THE WORLD – WHILE GOVERNMENTS LOOK LESS HEALTHY

<table>
<thead>
<tr>
<th>Change in Assets and Liabilities by Player, Since 2020 (% PGDP)</th>
<th>USA</th>
<th>EUR</th>
<th>JPN</th>
<th>GBR</th>
<th>CAN</th>
<th>AUS</th>
<th>CHN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Household Net Worth</td>
<td>33%</td>
<td>1%</td>
<td>18%</td>
<td>-5%</td>
<td>30%</td>
<td>34%</td>
<td>35%</td>
</tr>
<tr>
<td>Household Assets</td>
<td>31%</td>
<td>-1%</td>
<td>20%</td>
<td>-10%</td>
<td>29%</td>
<td>25%</td>
<td>36%</td>
</tr>
<tr>
<td>Household Debt</td>
<td>-2%</td>
<td>-2%</td>
<td>2%</td>
<td>-5%</td>
<td>-1%</td>
<td>-9%</td>
<td>1%</td>
</tr>
<tr>
<td>Corporate Debt</td>
<td>1%</td>
<td>-4%</td>
<td>13%</td>
<td>-7%</td>
<td>1%</td>
<td>-12%</td>
<td>9%</td>
</tr>
<tr>
<td>Government Debt</td>
<td>12%</td>
<td>7%</td>
<td>6%</td>
<td>12%</td>
<td>11%</td>
<td>5%</td>
<td>12%</td>
</tr>
<tr>
<td>o/w Owned by Central Bank</td>
<td>8%</td>
<td>10%</td>
<td>8%</td>
<td>4%</td>
<td>10%</td>
<td>9%</td>
<td>0%</td>
</tr>
</tbody>
</table>

Memo: Central Bank Losses on Govt Debt (%PGDP)
-5%  -7%  -6%  -10% -2%  -3%  0%

Memo: Spot FX Move vs Gold
-21% -23% -39% -24% -23% -25% -24%
COMpanies with exposure to artificial intelligence have significantly outperformed the market in 2023

The return figures shown above are cumulative local-currency total returns indexed to 12/31/2022. Sector-specific returns are market-cap weighted indices. Please review the “Important Disclosures and Other Information” located at the end of this presentation.
BIG DEMOGRAPHIC SHIFTS ARE COMING

Working Age Population (mm)

- CHN, IND, USA, EUR, BRZ, RUS, JPN, GBR, CAN, AUS
- Today vs 2050

Working Age Population Change - 2050 vs Today

- CHN, IND, USA, EUR, BRZ, RUS, JPN, GBR, CAN, AUS
- Change in percentage: 
  - 20% increase
  - 15% increase
  - 10% increase
  - 5% increase
  - 0% change
  - 5% decrease
  - 10% decrease
  - 15% decrease
  - 20% decrease
  - 25% decrease
  - 30% decrease

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