BREAKOUT CAPITAL

in strategic partnership with Rockefeller Capital Management

For more information:

Cheryl Galante, Head of Investor Relations and Client Servicing

646.216.8400
cgalante@breakout-capital.com

Breakout Capital Quarterly Q1 2024

Outlook

Global economic resilience continues to surprise investors in the post COVID world. Global GDP growth estimates for 2024 have risen further to 2.8% (vs 2.6% at the beginning of the year), which has led to expectations of limited rate easing globally. Despite this, the US dollar has remained relatively range-bound and financial markets have been well-behaved. The United States continues to lead the economic momentum, while China's economic weakness has stabilized now. While major countries like India, Indonesia and Mexico have proved resilient and are widely recognized for their success, we see a turn for the better among some of the world's most troubled emerging and frontier economies.

Turn for the better: Weaker emerging markets had been battered by high inflation, debt and deficits, which led to a sharp decline in their foreign exchange reserves. This stress spilled into the foreign currency debt market, where 25 emerging markets were showing signs of distress in June 2022. That number has since fallen to just 13. Foreign capital is returning to many of these countries, and foreign direct investment is steady. We believe this upswing can last, particularly in countries where newly elected leaders have a mandate for reform. We have added or considered adding exposure to stocks in these turnaround economies. Five of these cases follow:

- **Sri Lanka**: Sri Lanka was pursuing unorthodox polices before it defaulted during the pandemic, but not anymore. A new leadership team pushed tough reforms, including a currency devaluation, rate hikes and cuts to public spending. These steps should stabilize growth by increasing both consumption and investment.
- **Nigeria**: Before the 2022 election, corruption, clumsy state interventions including high subsidies, inflation and a broken foreign currency mechanism were a burden on growth. The new leadership pushed through a 75% devaluation and cleared a backlog in official trades, largely eliminating the discount traders were getting on the black market. An economy that has long performed below its potential now looks like a promising turnaround story.
- **Egypt**: After a decade in power, Abdel Fattah al-Sisi announced his latest reforms earlier this year, including public spending cuts, rate hikes and devaluation to stabilize the currency. These measures are paving the way for significant capital commitments from the IMF, the World Bank, and the United Arab Emirates. We expect the turn to orthodoxy to help bring down high fiscal and public debt, making Egypt more attractive.
- **Argentina:** Newly elected president Javier Milie is one of the world's most aggressive reformers. After promising to take a 'chainsaw' to his country 's dysfunction, he has downsized the government significantly, privatizing state firms, cutting the number of departments by half, and reducing the federal payroll. The budget recently posted a primary surplus – a feat for a country that has run deficits for all but 10 years since 1900. Before Millie, Argentina faced the world's highest black-market discount on its currency, and the highest premium on the dollar price of its government bonds—but both are coming down

now. A 50 percent devaluation helped. Once a no fly zone for global investors, Argentina is now a hot zone.

- **Turkey:** Once seen as perhaps the least financially predictable of major world leaders, President Recep Tayyip Erdogan changed tack last year and put serious technocrats in charge. They have hiked interest rates by more than 35 percentage points, taken other measures to curb excessive credit growth, and reaffirmed their commitment to orthodoxy despite recent state election losses for Erdogan’s party. Foreign ownership of Turkish assets is still near a record low, but the commitment to orthodoxy could change investor sentiment.

Disclaimer

Breakout Capital has entered into a strategic relationship with Rockefeller Capital Management ("RCM"). Neither RCM nor its subsidiaries have any investment or trading authority or risk management responsibility for Breakout Capital or over the positions held by Breakout Capital’s clients. RCM provides ongoing human resource related services to Breakout Capital.

Past Performance is no guarantee of future results. In considering the performance information contained herein, prospective investors should bear in mind that past, forecasted or targeted performance is not necessarily indicative of future results, and there can be no assurance that comparable results will be achieved. Breakout Capital's views regarding certain potential market and economic trends are as of the date of this quarterly letter. These views are subject to change at any time without notice. This newsletter is accurate as of its date, and no representation or warranty is made as to its continued accuracy after such date. Breakout Capital or any of its authorized representatives has any obligation to update this newsletter at any time in the future.

Breakout Capital is a registered investment advisor. Registration does not imply a certain level of skill or training. The views of Breakout Capital expressed herein were current as of the date indicated above and are subject to change. Any performance data quoted represents past performance and does not guarantee future results. This communication does not constitute investment advice and is for informational purposes only. An investor should assess his/her own investment needs based on his/her financial circumstances and investment objectives. Neither the information nor any opinions expressed herein should be construed as a solicitation or a recommendation by Breakout Capital to buy or sell any securities or investments. To the extent that any information contained herein has been obtained from third-party sources, such sources are believed to be reliable, but Breakout Capital has not independently verified the accuracy of such information.

Certain information contained in this document constitute “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” ‘forecast,” “intend,” “continue,” “target,” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

This information is not and may not be relied on in any manner as legal, tax, investment, accounting or other advice.

The MSCI Emerging Markets Index (the “MSCI EM Index”) is a free-float-adjusted, market-capitalization-weighted index designed to measure the equity market performance of large- and mid-capitalization companies across emerging market countries.

The MSCI All Country World Index (the “MSCI ACWI Index”) is a free-float-adjusted, market-capitalization-weighted index designed to measure the equity performance of large- and mid-capitalization companies across both developed and emerging markets. The index includes 23 developed markets and 24 emerging markets.

The MSCI USA Index (the “MSCI US Index”) is a free-float-adjusted, market-capitalization-weighted index designed to measure the performance of large- and mid-capitalization equities within the United States.

These indices are reviewed quarterly and rebalanced semi-annually. Index performance reflects the reinvestment of dividends but does not include the impact of management fees, trading costs, or other expenses associated with an investable product. The MSCI EM Index, the MSCI ACWI Index and the MSCI US index, are theoretical benchmarks and cannot be invested in directly.

For more information, please contact:

Cheryl Galante, Head of Investor Relations
Main 212 497 5100 | Direct 646 216 8400
cgalante@breakout-capital.com