

Cost of Capital in the Current Environment

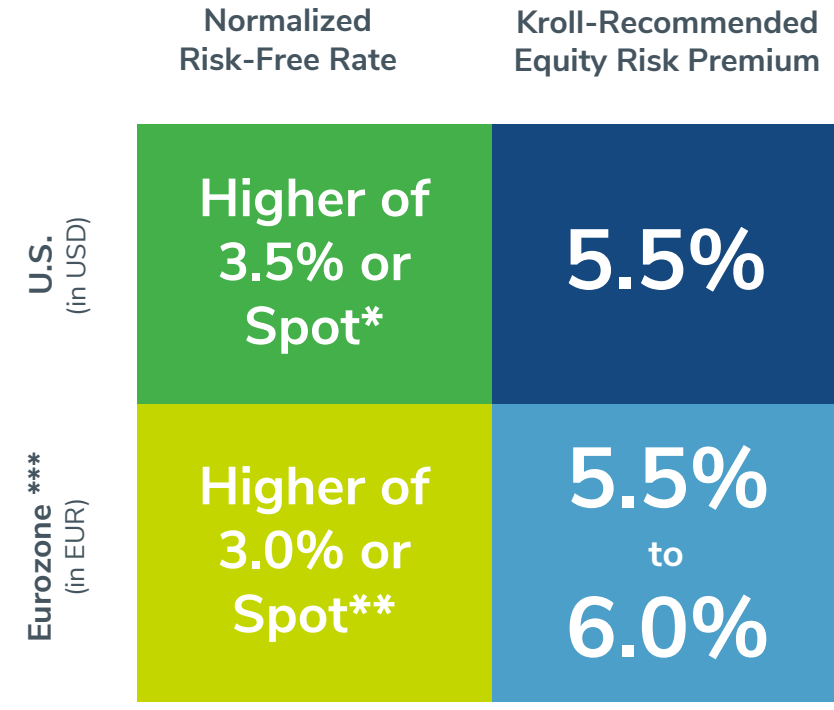
January 2024 Update

Global economic growth in 2023 handed a pleasant surprise to economists, thanks in part to a resilient U.S. economy and a decline in global energy prices. Although the U.S. economy showed greater resilience than the Eurozone's, real GDP growth in 2023 likely ended in a much better place than originally projected at the beginning of the year for both geographies. Going forward, a scenario of soft landing has become more plausible, although real growth is expected to slow down in 2024 in most regions globally. The good news is that despite the significant increase in interest rates in 2022 and 2023, economies and markets seem to have absorbed the hikes without major disruptions. Inflation has decelerated significantly, at a faster pace than many anticipated, while long-term inflation expectations have also dropped materially, especially in Germany. Investors are pricing significant policy rate cuts in 2024 for major economies, boosting confidence and leading to new record highs in some equity markets. This "risk-on" attitude means equity risk premia is likely to come down, barring a major geopolitical event (e.g., escalation of the Middle East conflict) or other unforeseen materially negative event.

Carla S. Nunes, CFA – Managing Director, Valuation Digital Solutions/Office of Professional Practice, Kroll

Kroll Cost of Capital Inputs

Data as of January 31, 2024

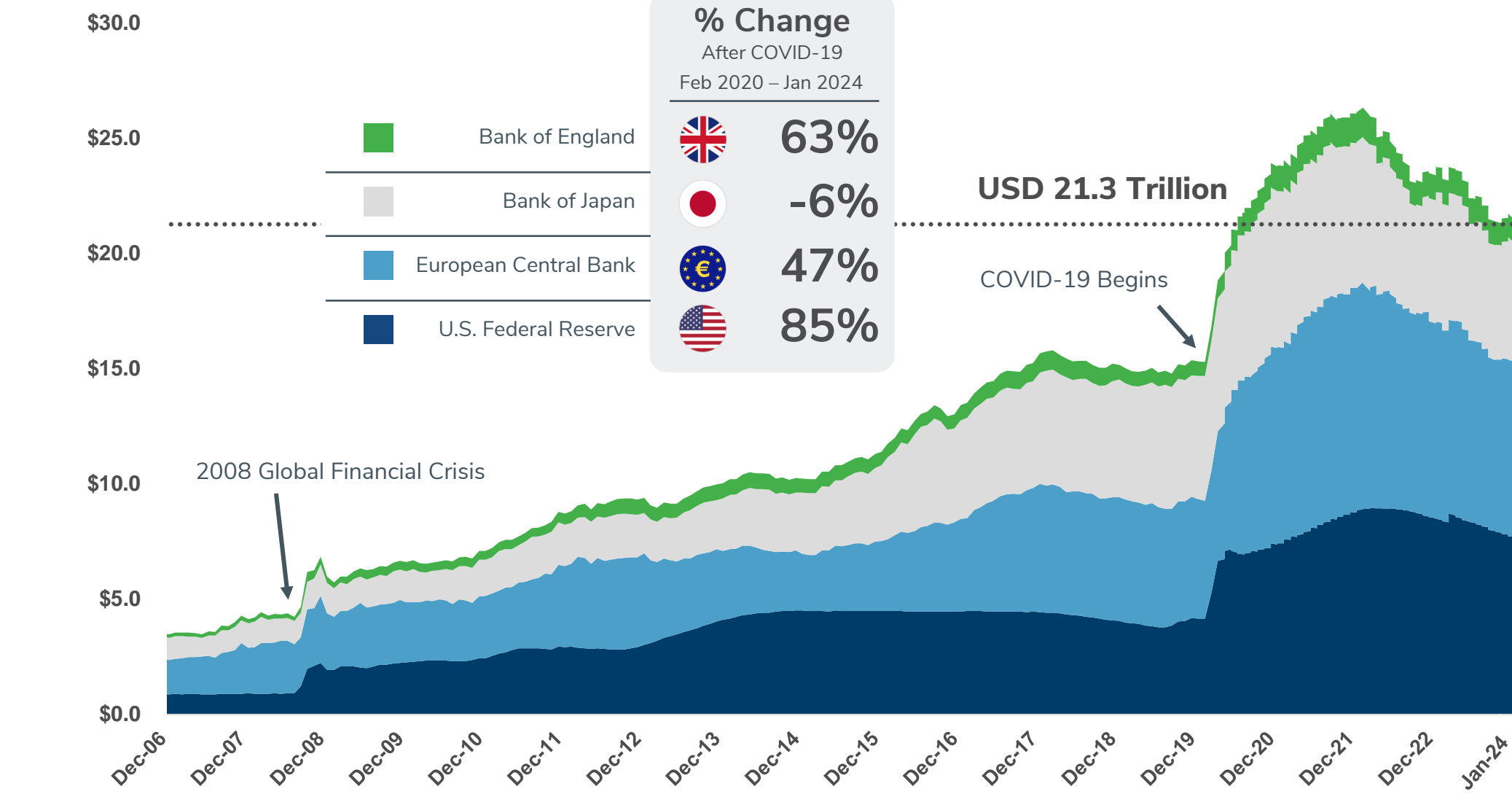


* We recommend using the spot 20-year U.S. Treasury yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our recommended U.S. normalized risk-free rate of 3.5%. This guidance is effective when developing USD-denominated discount rates as of June 16, 2022, and thereafter.
 ** We recommend using the spot 15-year German government bond yield as the proxy for the risk-free rate, if the prevailing yield as of the valuation date is higher than our recommended German normalized risk-free rate of 3.0%. This guidance is effective when developing EUR-denominated discount rates as of October 18, 2022, and thereafter.
 *** German normalized risk-free rate and Eurozone equity risk premium (ERP) for use in EUR-denominated discount rates from a German investor perspective. Our current ERP recommendation is at the top of the range. Additional country risk adjustments may be warranted when estimating discount rates for other countries in the Eurozone.

For more information, visit: <https://www.kroll.com/costofcapitalnavigator>

Total Assets Held by Major Central Banks Over Time

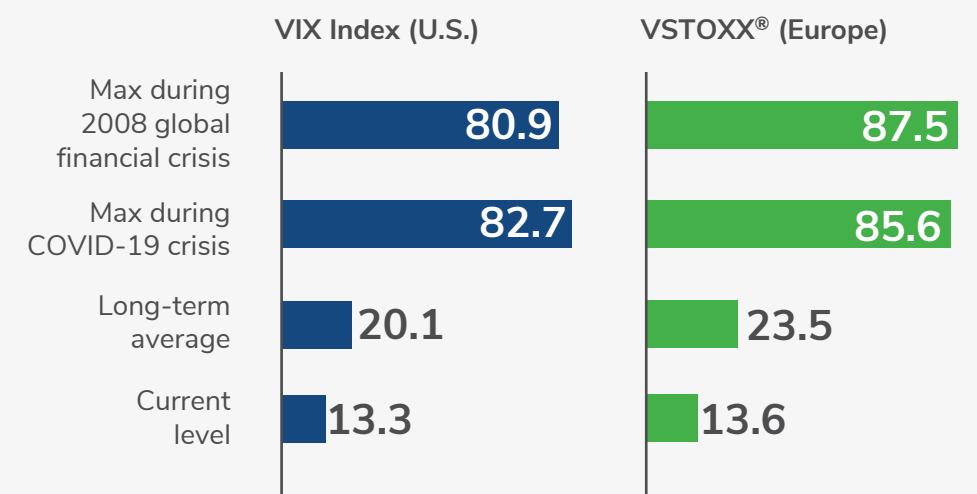
Data as of January 26, 2024



Sources: Capital IQ, FRED® Economic Data, Bank of England, Bank of Japan and European Central Bank

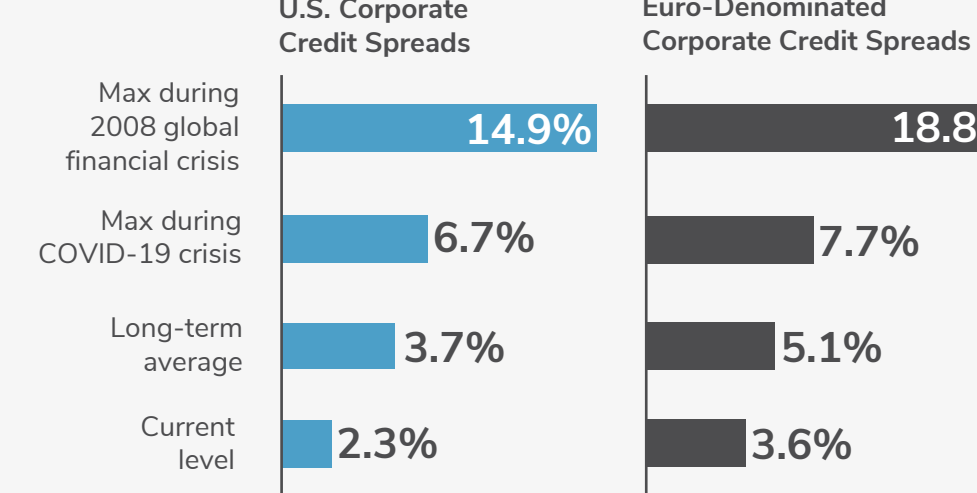
Global Market Volatility

Data as of January 26, 2024



Global Credit Spreads

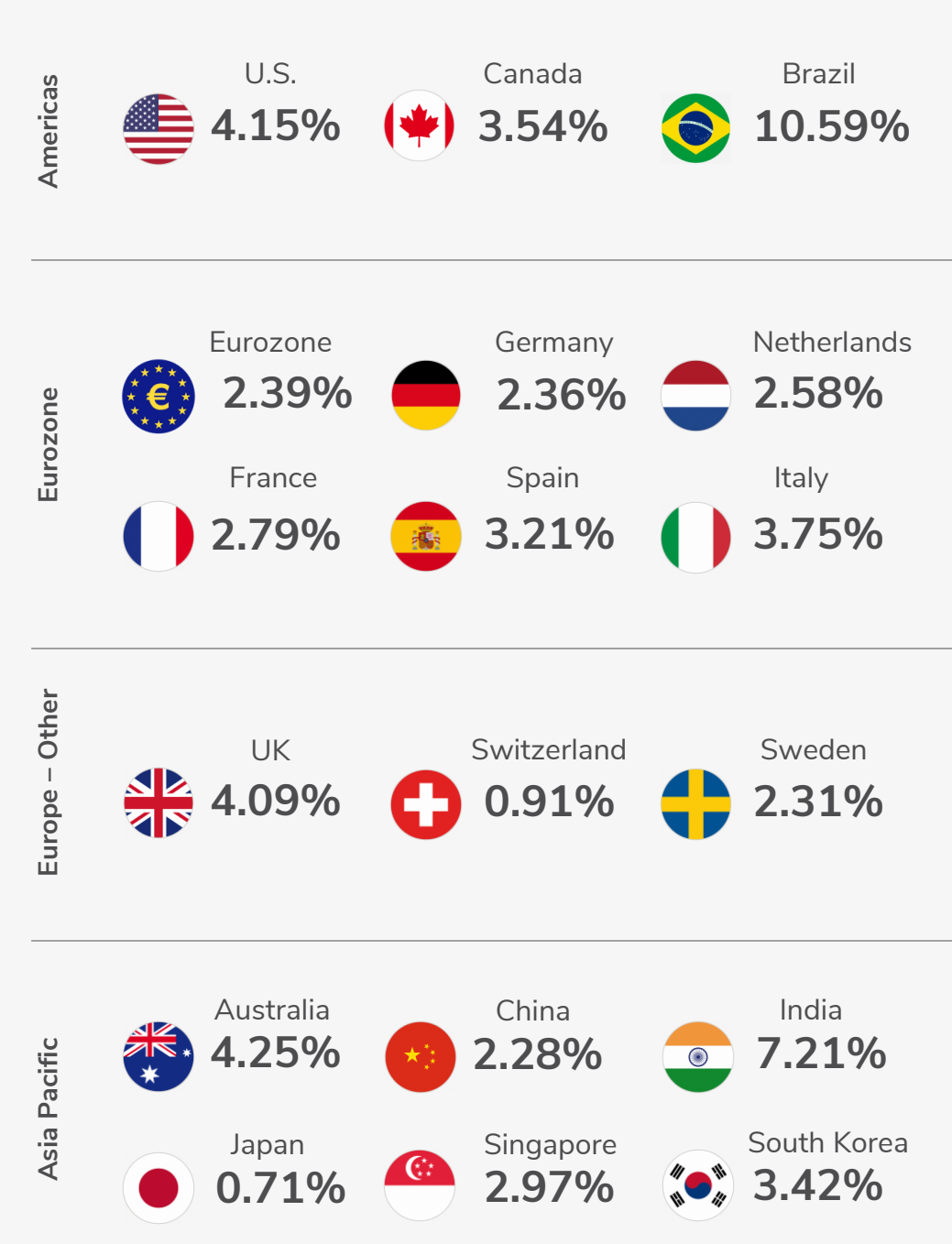
Data as of September 18, 2023



Sources: Capital IQ, FRED® Economic Data, Bloomberg
 U.S. corporate credit spreads are based on the difference in effective yields between the ICE BofA U.S. High Yield Index and the ICE BofA U.S. Corporate Index. Euro-denominated corporate credit spreads are based on the difference in effective yields between the Bloomberg Pan-European High Yield Index (EUR) and the Bloomberg Euro Aggregate Corporate Bond Index. Long-term averages are based on 1995 to present for VIX daily series, 1999 to present for VSTOXX daily series, 1996 to present for U.S. credit spread daily series, and 1998 to present for EUR-denominated credit spread monthly series.

Global 10-Year Government Bond Yields

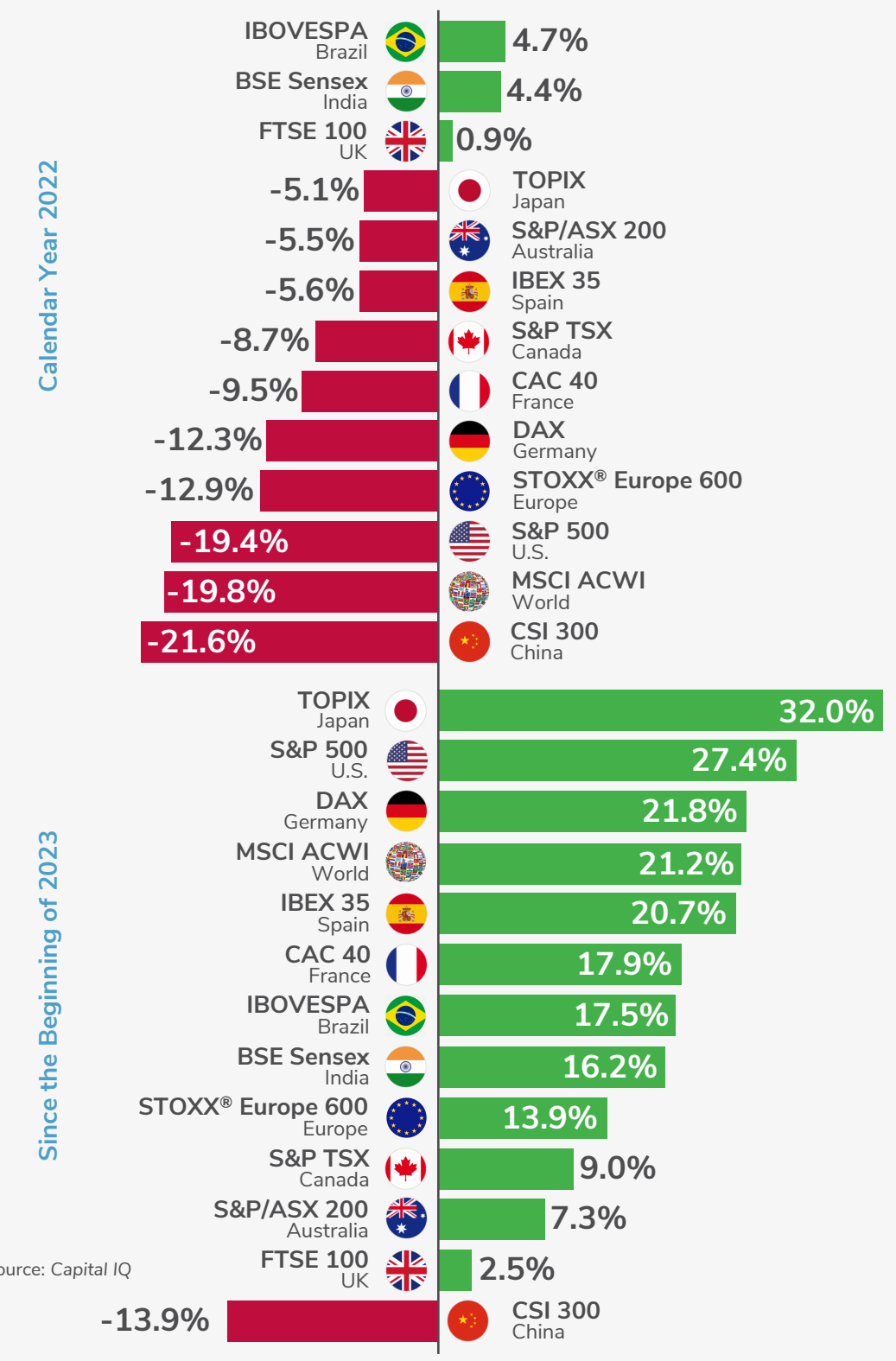
Data as of January 26, 2024



Sources: Refinitiv (Brazil, India), European Central Bank (Eurozone aggregate yield) and Capital IQ (other countries)

Stock Market Performance

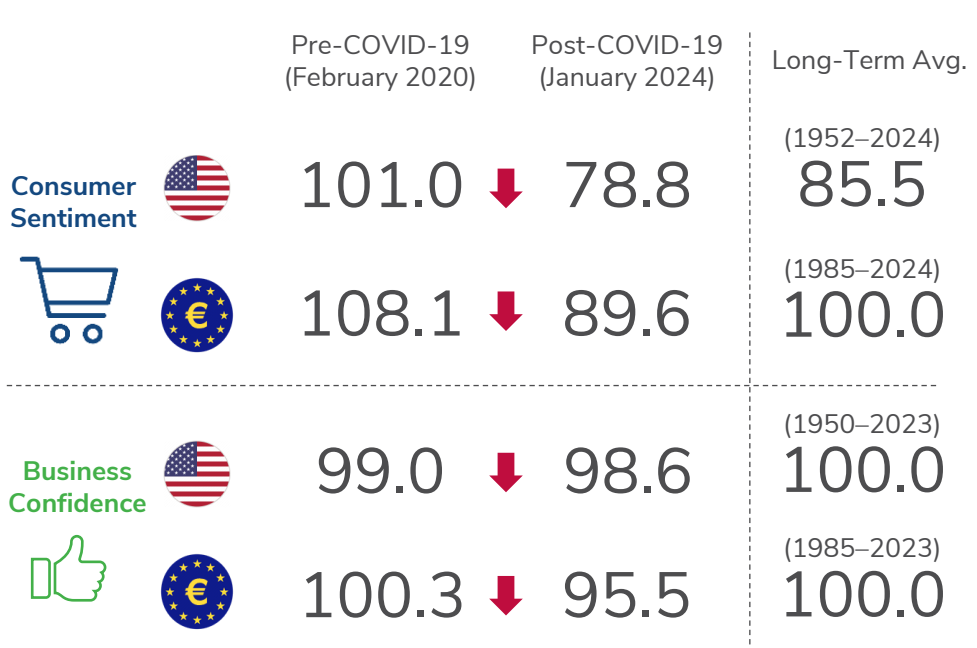
Data as of January 26, 2024



Source: Capital IQ

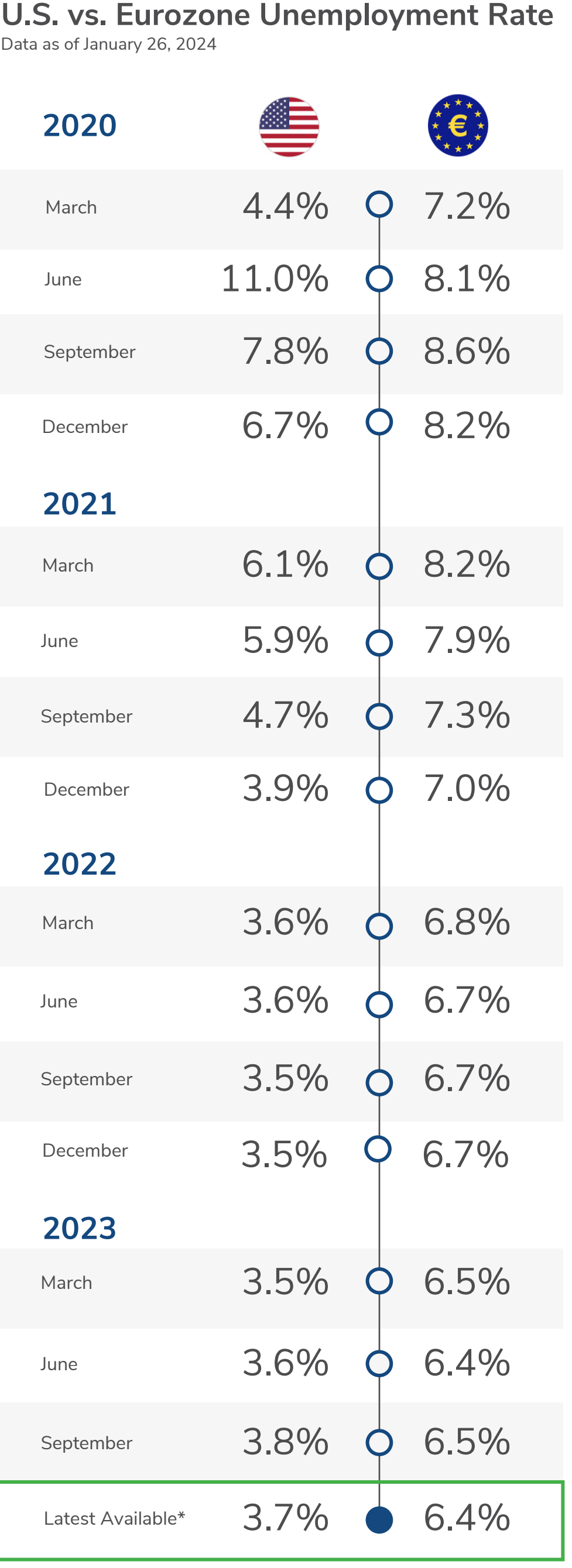
U.S. and Eurozone Consumer Sentiment vs. Business Confidence

Data as of January 26, 2024



U.S. vs. Eurozone Unemployment Rate

Data as of January 26, 2024



Source: U.S. Bureau of Labor Statistics and Eurostat
 * Data through December 2023 for the U.S. and November 2023 for the Eurozone.

Long-Term Inflation Expectations and Real GDP Growth (Median)

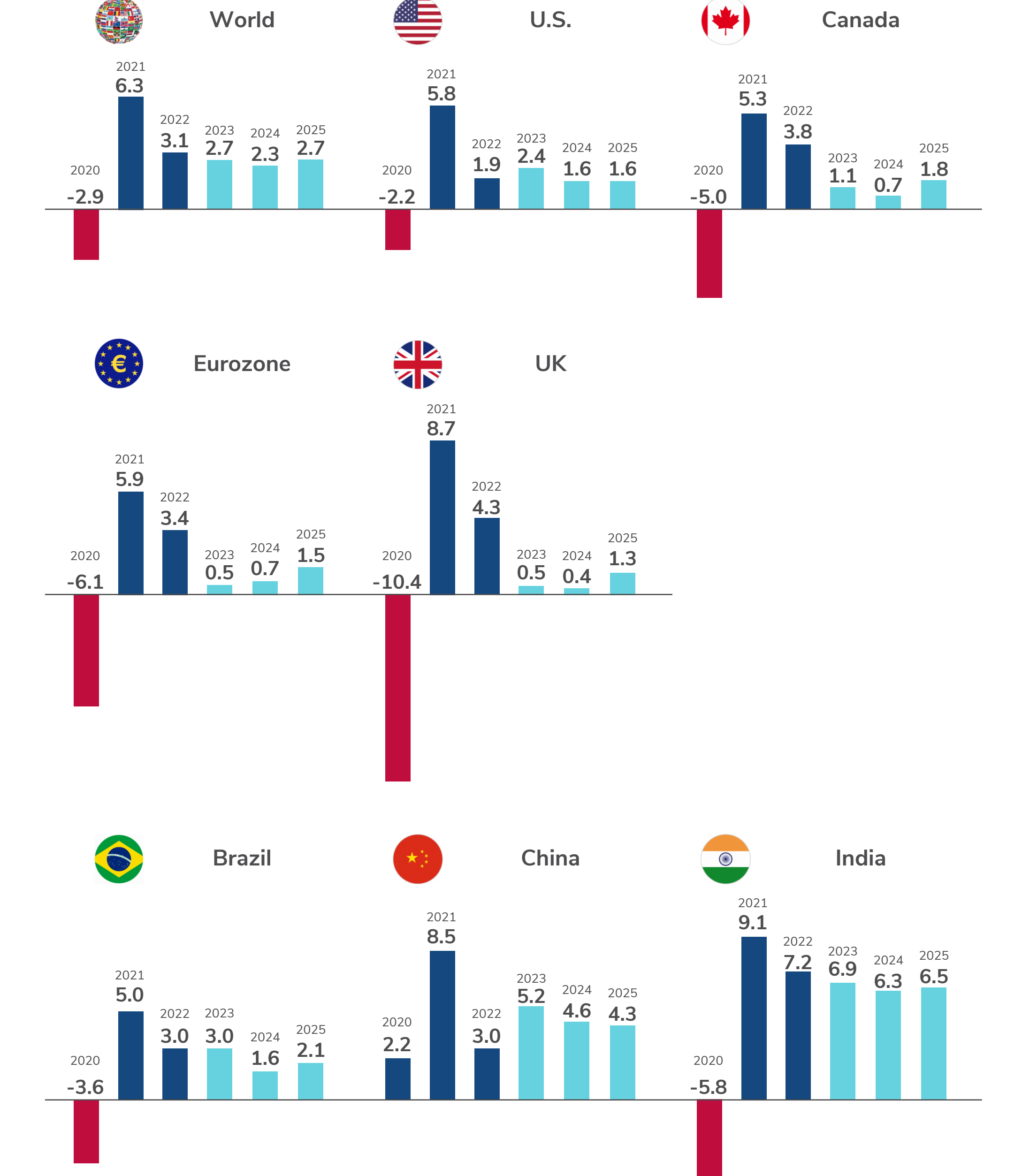
Data as of January 30, 2024



Sources of underlying U.S. data: 1) Real GDP growth data was sourced from Blue Chip Economic Indicators, Blue Chip Financial Forecasts, Consensus Economics, IHS Markit (S&P Global Market Intelligence), Federal Reserve Bank of Philadelphia (Livingston Survey, and Survey of Professional Forecasters), and Oxford Economics. 2) Inflation expectations relied on the sources already listed under real GDP growth data, as well as data from the Federal Reserve Bank of Cleveland, the Federal Reserve Bank of Philadelphia (Aruba Term Structure of Inflation Expectations), and the University of Michigan's Surveys of Consumers Inflation Expectations.
 Sources of underlying German real GDP growth and inflation data: Consensus Economics, Economist Intelligence Unit, IHS Markit (S&P Global Market Intelligence), International Monetary Fund, Oxford Economics and PwC.

Real GDP Growth (%) Estimates (Median)

Data as of January 30, 2024



Sources: OECD, International Monetary Fund, World Bank, Blue Chip Economic Indicators, Consensus Economics, Economist Intelligence Unit, Fitch Ratings, IHS Markit (S&P Global Market Intelligence), Moody's Analytics, Oxford Economics and S&P Global Ratings. Some sources did not have data available for all countries and regions.