INDEPENDENT THINKING

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A Message from the CEO

I like to think that I know the value of a dollar – and I've tried to ensure that my children do too. I know that many of our clients feel the same way, both as wealth creators and as stewards of family wealth.

What sets the broader value of the U.S. dollar as a global reserve currency as well as our medium of exchange? And how safe is it? These questions, along with related planning and investment considerations, have been much on the mind of investors as economic policy shifts. As I'm writing, the markets are calm. Still, we are prepared for change.

We take a deep dive into the dollar in this issue of *Independent Thinking*. John Apruzzese considers the potential impact of current economic policy on the currency and the markets, while Brian Pollak looks at the 2500-year history of the major reserve currencies, a fun read if you like that kind of thing!

We also look at related wealth planning issues. Market volatility and the inevitable downturns, like the one we experienced earlier this year, can feel unsettling. But, as Justin Miller observes, down markets provide a window of opportunity to implement certain long-term planning strategies. And Alex Lyden addresses questions from some clients and advisors across the political spectrum about moving assets outside the United States. (Spoiler alert: Changing situs isn't easy or necessarily a good idea.)

Other articles in this issue include an overview on private equity by Stephanie Hackett and an interview with Apollo manager Michael Paniwozik on asset-backed credit, a large and growing asset class that we are incorporating into interested clients' portfolios. Michael Kirkbride sets out our still positive outlook for the U.S. technology sector, where stocks took a beating in April but have since recovered. Finally, as always, our Chairman, Jeff Maurer, contributes his well-earned perspective, this time on building and then trusting a team of personal advisors. It isn't easy to count on others, but there's no substitute for objective expertise and an open dialogue.

Speaking of talented and trusted advisors, I am pleased to report the continued expansion of our San Francisco team. Ryan Fox, Flavia Araujo Trento, Brandon Frandsen and Winifred (Winnie) Yam joined us in June from Silicon Valley Bank; all four earlier worked at Northern Trust. They are already settling in, contributing to our team and working with wealth creator clients, in technology and other fast-growing sectors, and with multigenerational families.

I trust you will find the articles in this issue thought-provoking and informative. Please don't hesitate to contact us with any questions or to discuss anything on your mind.

I hope you and your family have a safe and happy summer.

Chris

Chris Zander
President & Chief Executive Officer

The U.S. Dollar: Still Almighty?

By John Apruzzese

"First, do no harm." Interestingly, that line is *not* part of the Hippocratic oath, although it is attributed to the ancient Greek physician. It's also *not* always practical; if we followed it, we would never have surgery, for example. The expression has resonated through the ages because it suggests a balance.

President Trump is trying to rebalance world trade and the interrelated financial system. Since the United States quit the gold standard in 1971, Americans have enjoyed what a former French finance minister described as our *privilège exorbitant*, in controlling the world's reserve currency. The U.S. dollar is the most widely held asset by foreign central banks, the most widely used currency for foreign trade, and the currency of choice for many countries to borrow in. When Japan buys oil from Saudi Arabia, it pays in dollars; when Vietnam buys German machinery, it pays in dollars; when Argentina issues bonds on the world market, they are denominated in dollars. Global growth runs on the greenback.

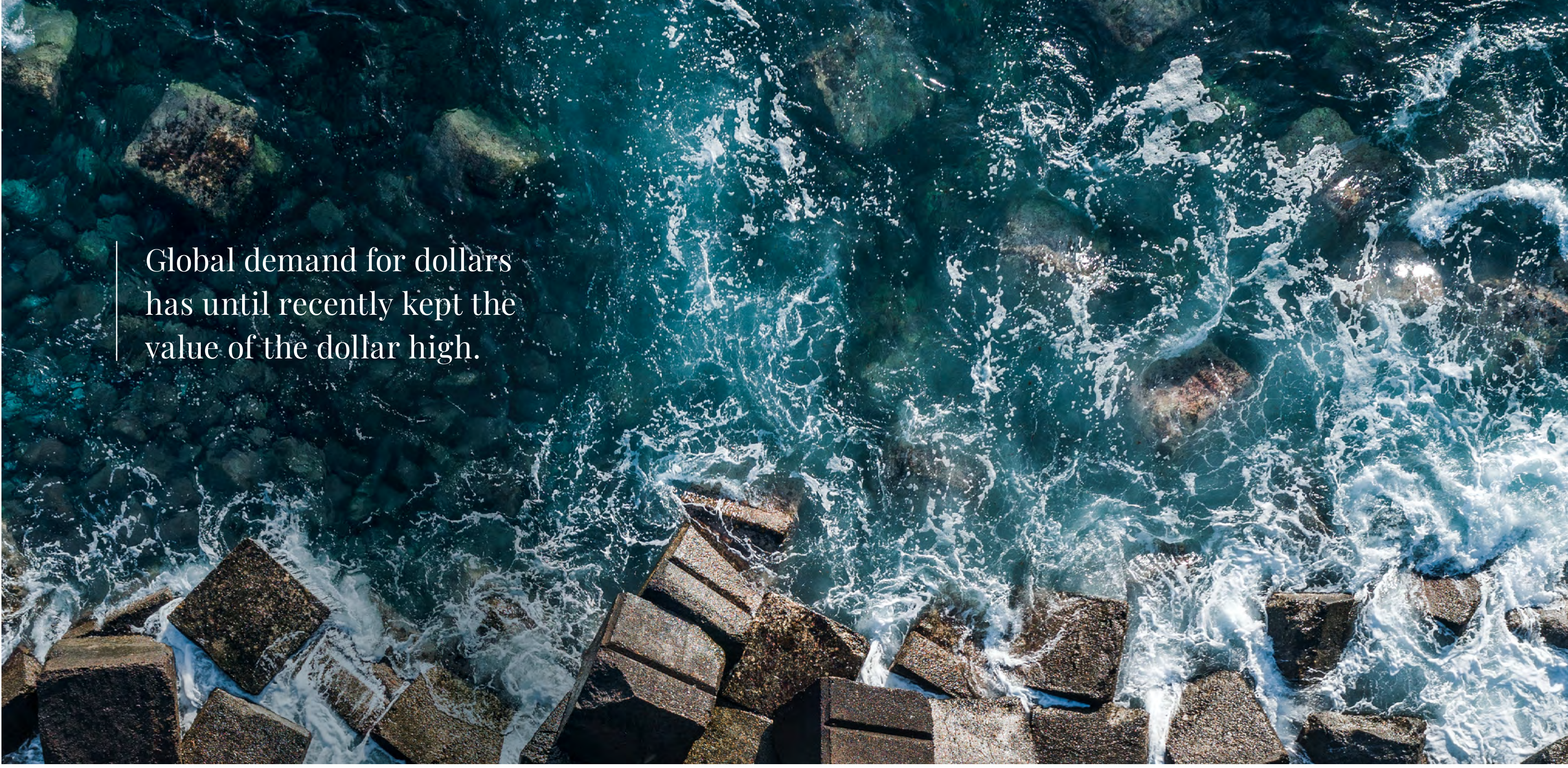
Access to all these dollars is facilitated by a persistent imbalance in the trade of goods between the United States and most of its trading partners. (The United States has a trade surplus in services and has benefited, along with the rest of the world, through the global growth generated by free trade.) But dollars sent overseas do not disappear. Instead, they are invested in U.S. dollar assets, including U.S. government bonds. This support has enabled the U.S. federal government to run ever larger deficits with higher debt levels without stressing the market.

In short, the global demand for dollars, our great privilege, has until recently kept the value of the dollar high. This currency strength has enabled U.S. consumers to buy foreign goods cheaply and enabled emerging markets to build up manufacturing bases to meet that demand, lifting millions of people out of poverty.

Has it all been too much of a good thing? Clearly, this administration thinks so. As a result of all the additional dollars invested back in U.S. dollar assets – including public equities, government and corporate bonds, real estate and direct investments in plants and equipment – the United States has an increasingly unbalanced investment position. Foreign entities own far more U.S. assets (a net $26 trillion) than U.S. investors own foreign assets. (See the chart on page 4.)

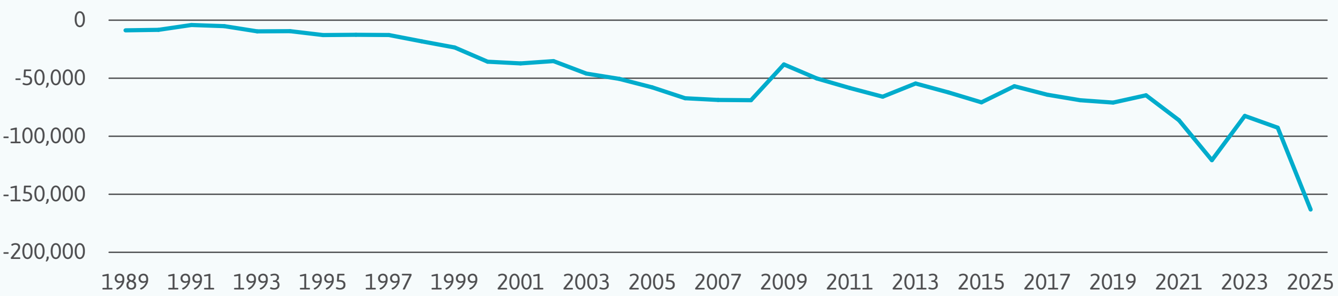
An additional consequence of the current system is that American workers and communities dependent on U.S.-based manufacturing are suffering. And we have become dependent on foreign-made supplies of many strategic items, including manufactured goods and materials necessary to build up and replace armaments and other military equipment. Addressing these issues through onshoring will take considerable effort and time and investment – and will not be economically advantageous in many cases.

A managed devaluation of the dollar has been tried in the past. (See the article by Brian Pollak on page 5.) The efforts this time so far are more like a shock treatment. Very high and erratic tariffs and related threats are making the patient worse.



More Buying than Selling

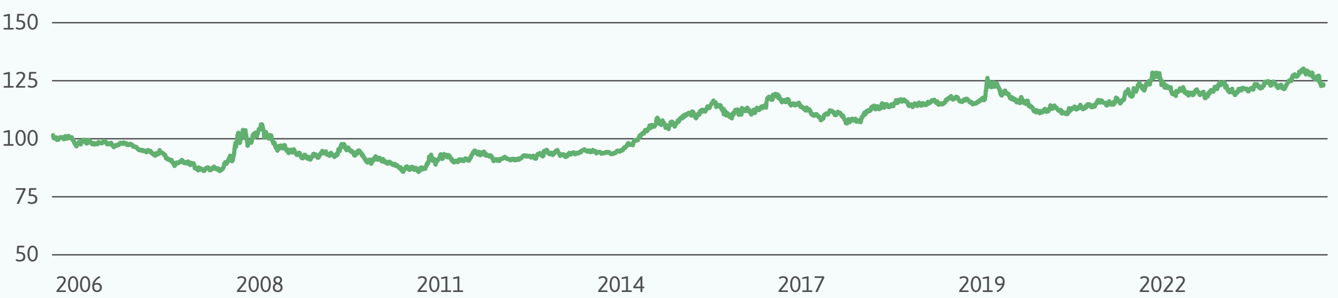
U.S. goods trade value index.



Source: United States Census Bureau, International Trade, International Monetary Fund. As of March 2025.

The [relative] Value of a Dollar

U.S. nominal dollar broad value index.



Note: Index is trade-weighted. Regions included: Europe, Canada, Japan, Mexico, China, United Kingdom, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Switzerland, Thailand, Philippines, Australia, Indonesia, India, Israel, Saudi Arabia, Russia, Sweden, Argentina, Venezuela, Chile, and Colombia.
Source: Board of Governors of the Federal Reserve System (U.S.) via FRED. Data as of May 2, 2025.

The U.S. dollar is falling now, but possibly for the wrong reasons. After a dizzying spate of contradictory announcements from President Trump, the world is questioning the basic assumptions that have underpinned its reserve currency status – the economic vitality and political stability of the United States, along with our commitment to the rule of law, defense guarantees, and our responsible, independent central bank.

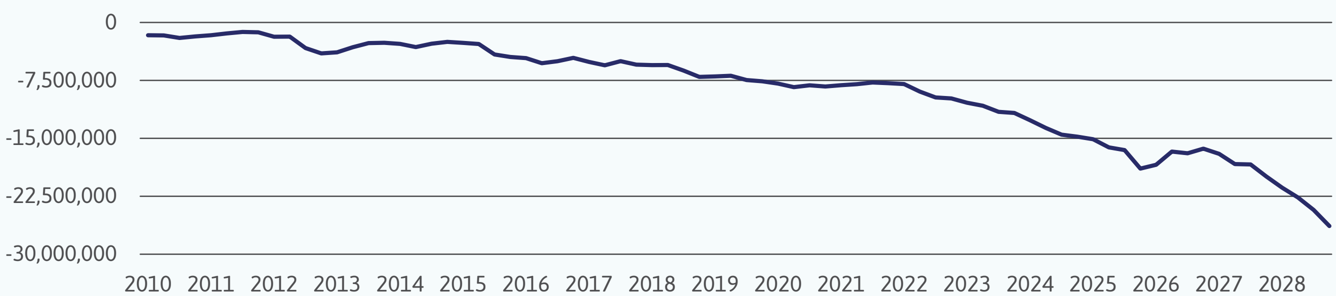
While we continue to expect that the extreme tariff rates will be reduced, partly in response to market reaction, and that the dollar will decline more gradually, there is now an increased probability that the United States and much of the world will enter a recession.

We are managing portfolios with these heightened risks in mind. In uncertain times, it is imperative that portfolios are well diversified. Our clients have benefited from being overweight U.S. public equity – and those gains are now being rebalanced in favor of international equities, as well as private equity where appropriate (see the article by Stephanie Hackett on page 10) and public and private credit. These asset classes provide further diversification and, in the case of credit, enhanced income. Additionally, there should be sufficient cash and short-term bonds in portfolios to fund spending needs for two years or more.

John Apruzzese is the Chief Investment Officer of Evercore Wealth Management. He can be contacted at apruzzese@evercore.com.

A Global Stake in the United States

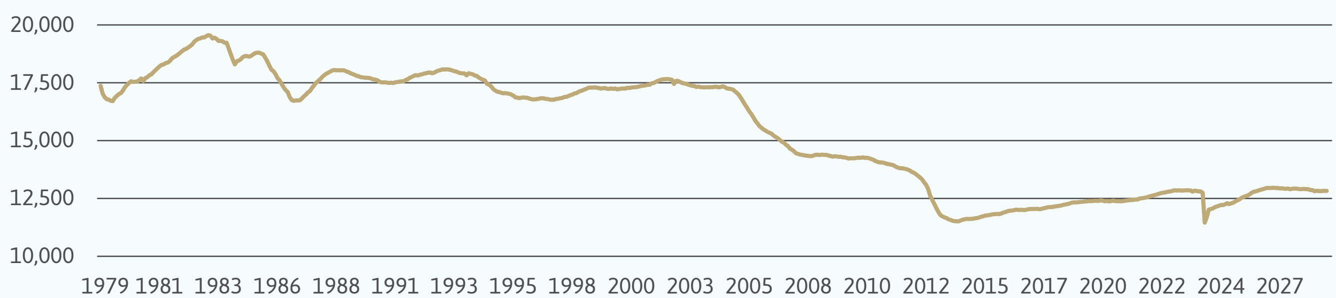
U.S. net international investment, historic and projected.



Source: U.S. Bureau of Economic Analysis. As of Q3 2024.

The U.S. Runs on Offshore Manufacturing

Manufacturing jobs in the United States, historic and projected.



Source: U.S. Bureau of Labor Statistics. As of March 2025.

A Brief History of Reserve Currencies

By Brian Pollak

Gold could be considered the first reserve currency. The first gold coins that we know of were struck around 550 BC, initiating a measure of value and facilitating trade and transactions between different groups of people – even those from different regions and cultures – that has lasted to this day. Gold remains a monetary asset to this day, never entirely losing its luster.

Spanish silver dollars, also known as Spanish Pieces of Eight, and Dutch guilders are now collector items. But each also had their time in the sun. Pieces of Eight emerged in the 16th century as the first reserve currency associated with a sovereign nation. The coins were uniform in weight and silver content, making them a reliable medium of exchange as Spanish ships traveled around the world. The Bank of Amsterdam, established in 1609 and often considered the precursor to modern central banks, was the first public bank to offer accounts that were not directly convertible to coin, creating a new and easier form of transferability and liquidity. This innovation supported the use of the Dutch guilder as a global currency, as did the simultaneous rise of the Dutch East India and Dutch West India trading companies, which expanded global trade throughout Asia and the Americas.

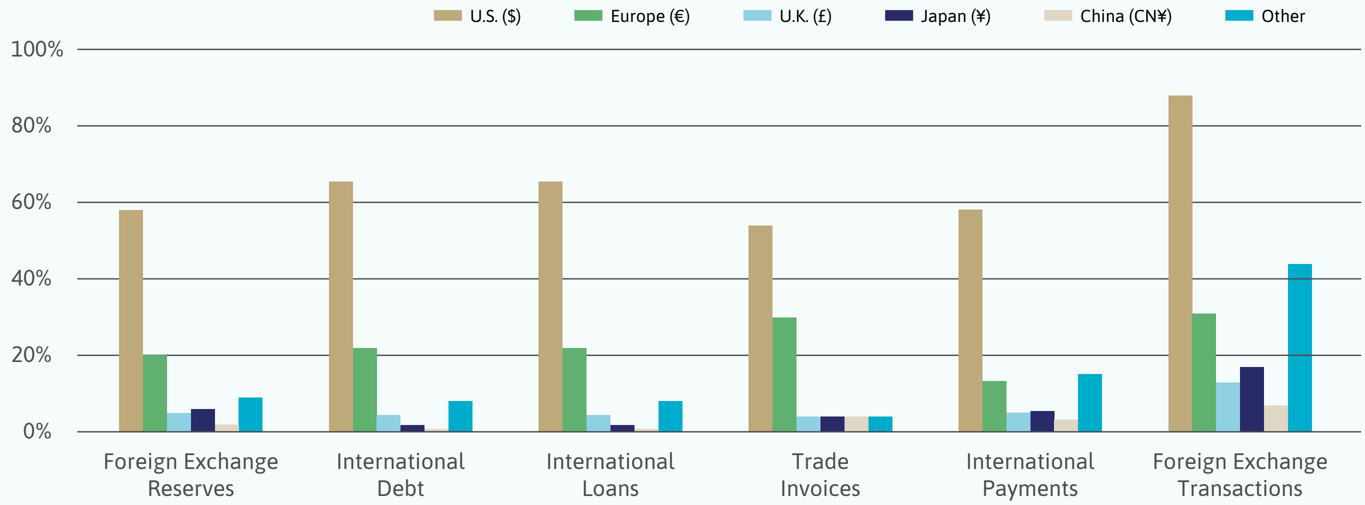
By the 19th century, trade and capital investments were often denominated in sterling. Britain's dominance in technology, innovation and production allowed its goods to be sold around the world and created the need for large quantities of raw materials and natural resources. Sterling weakened substantially through the world wars, when Britain took on significant debt and exhausted its foreign reserves. Nevertheless, it maintained an important position in global trade and as a reserve currency for much of the world until the end of World War II, when the sun finally set on the British empire.

Enter the U.S. dollar. The U.S. manufacturing base, unscathed by the Great War, became a producer of goods for all of Europe, including the United Kingdom, helping to elevate the dollar to a global currency. In addition, the U.S. dollar generally remained a hard-backed currency during this period, while many European currencies of the day, including sterling, did not. (The United Kingdom went off the gold standard from 1914 to 1925 and then permanently in 1931.) U.S. dollars poured into Europe and Japan after World War II to rebuild and redevelop shattered economies and infrastructures.

The Bretton Woods conference of 1944 codified the role of the U.S. dollar as the foundation of the global financial system. Here, most global currencies were officially pegged to the dollar, which was pegged to gold at a fixed exchange of $35 an ounce. The World Bank and the International Monetary Fund were established as well, all with a goal of stabilizing the post-war global economy.

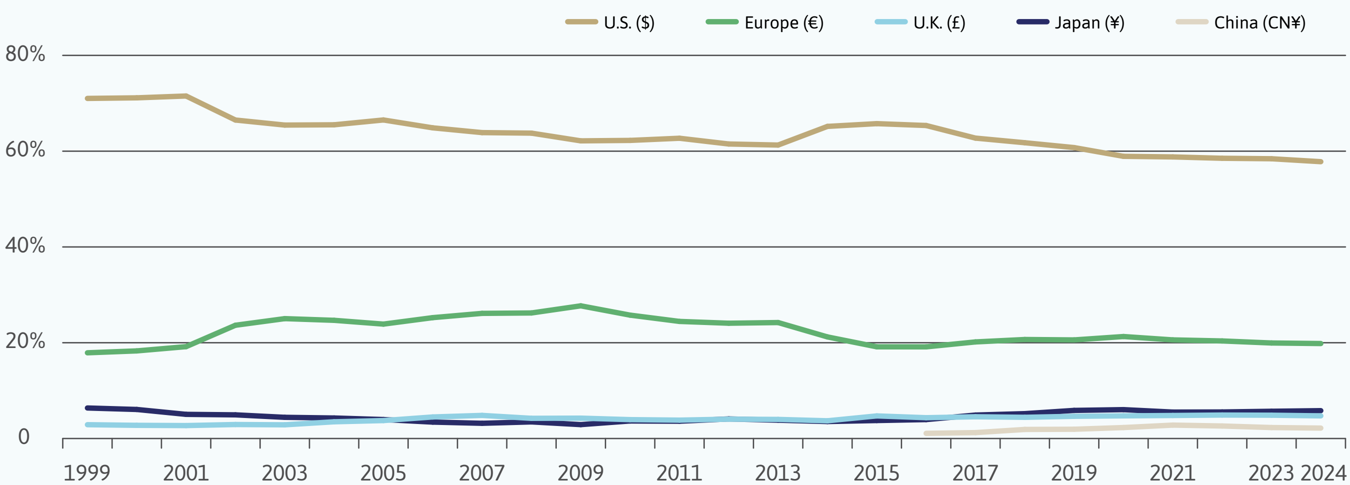
It was, without a doubt, the American century. But there were two significant currency events since Bretton Woods, both provoked by large global trade imbalances.

Role of the Dollar Remains Strong



Note: Share of global foreign exchange reserves excludes gold. International loans data excludes China; China is included in "Other." Trade invoice and international payments data excludes Eurozone trade. International Payments data from July 2024 SWIFT RMB Tracker Report. Sum of shares of foreign exchange transactions totals 200%.
Source: Atlantic Council (Dollar Dominance Monitor); BIS (Triennial Central Bank Survey); Boz et al (2022); ECB (The International Role of the Euro Report, 2023); IMF (COFER); SWIFT (RMB Tracker).

Currency as a Percentage of Global Central Bank Reserves



Source: International Monetary Fund. As of December 31, 2024.

The first was the so-called Nixon Shock of August 1971, in which the United States broke the Bretton Woods agreement by ending the convertibility of dollars to gold. The country was then running significant (although small by today's standards) twin trade and fiscal deficits. Americans were buying a lot of West German and Japanese goods (the trade deficit) while funding the Vietnam War and the Great Society programs (the fiscal deficit). At the same time, many central banks were converting their dollars into gold, draining U.S. gold reserves, while the United States kept printing dollars without enough gold reserves to back those dollars.

> The U.S. dollar continues to benefit from global trust in the U.S.

Leaving the gold standard solved the problems of the day, weakening the dollar and rebalancing trade, at least for a time. It also gave global central banks, including the U.S. Federal Reserve, more autonomy over monetary policy, allowing most global currencies to float freely. But it made the dollar a fiat currency, wherein the value of a currency is derived from trust, not by the backing of a physical metal. This has caused the devaluations of less powerful currencies, such as the Argentinian peso, and many more currency crises. Some economists believe that those monetary policy actions were at least part of the reason for the stagflation (slow growth and high inflation) that persisted in the United States through much of the 1970s.

The second major intervention was the Plaza Accord of September 1985. In the years prior, the dollar had appreciated significantly against other major currencies, largely due to the relatively high interest rates implemented by Federal Reserve Chair Paul Volker to fight inflation. The recovered strength of the dollar had made U.S. goods more expensive to export and foreign goods cheaper to import, leading to another large trade deficit, again with West Germany and Japan. The Plaza Accord participants (the G5 – the United States, the United Kingdom, Japan, West Germany and France) agreed to work toward weakening the U.S. dollar, specifically in relation to the Japanese yen and German deutsche mark. The Accord essentially worked, leading to a lower dollar and a narrowing of trade imbalances. By 1987, the Louvre Accord was struck, essentially reversing the Plaza Accord, ending the period of dollar weakness and stabilizing the global currency markets.

> **13%**
>
> The 25-year decline of the U.S. dollar in central bank reserves

Will the Trump administration's attempts to weaken the dollar constitute another major dollar intervention? It's too early to say. The fiscal and trade imbalances of today are more significant than those of either 1971 or 1985, but the economy itself is in better shape, and the dollar continues to benefit from global trust in the United States, as illustrated in the chart on page 6. Still, there are already signs that the dollar is fraying. Its share of global central bank reserves fell 13% over the past 25 years as others grew, primarily the Euro but also the yen, sterling, and the Chinese yuan. (See the chart on page 6.) And gold, the original reserve currency, still plays an important role 2,500 years on. International debt, currency denominations, international trade and foreign exchange transactions tell a similar story.

> There is no single alternative currency waiting in the wings.

It is reasonable to predict that the dollar continues to erode, ceding more of its dominance as the global currency. The difference this time is that there is no single alternative currency waiting in the wings, at least not yet. The Euro suffers from still uncoordinated fiscal policies; the yuan is still a highly managed currency, currently kept deliberately low by the Chinese government; and the yen suffers from demographic challenges and very low interest rates. Digital assets like Bitcoin are nascent and highly volatile. Stablecoins are a more likely potential solution, but digital assets pegged to one or more fiat currencies remain in a very early stage of development. And gold, while shining bright at present, is not a scalable alternative. For most U.S.-domiciled investors, who will want to match dollar liabilities with dollar assets, diversification away from the dollar makes sense only incrementally.

Brian Pollak is the Head of the Investment Policy Committee at Evercore Wealth Management. He can be contacted at brian.pollak@evercore.com.

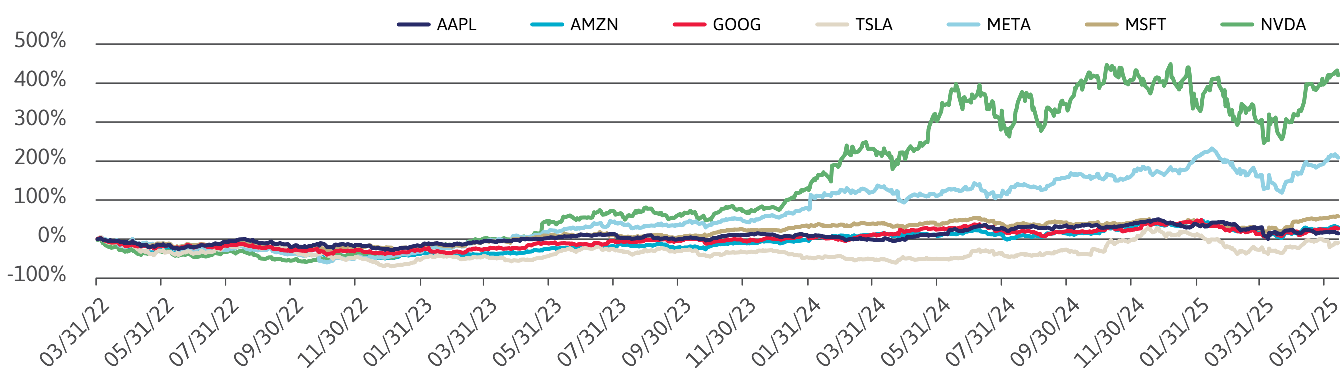
The AI Payoff: What Investors Can Expect

By Michael Kirkbride

Lawyers now spend seconds on contract reviews that used to take hundreds of (billable) hours. Data center cooling costs are being slashed. And digital agents are helping customers unlock productivity at an exponential scale. These are just three examples of Artificial Intelligence, or AI, driving meaningful change in corporate America. Potential further advances – in medicine, robotics, vehicles, marketing, you name it – suggest that the surface has barely been scratched.

Leaders of the AI Pack

Percentage of total return.



Source: Factset.

Still, AI has tested investors' patience lately. After years of dramatic market outperformance, the share price of most members of the so-called Magnificent Seven – Amazon, Alphabet, Apple, Microsoft, Nvidia, Meta and Tesla – tumbled in recent months, as illustrated by the chart below. Though several have recovered appreciably, investors are clearly looking for a payoff.

It's still early, though. Microsoft CEO Satya Nadella recently noted the evolving deployment of AI and the cloud, pointing out that most companies are early in the process of moving from the AI training phase of adding data and teaching models to understand specific data and processes, to the "inference" phase, in which AI models are deployed to actively drive results. Think of it as moving from learning how to ride a bike to actually riding it.

The gains we're seeing today may be relatively simple compared to what's coming. Nvidia CEO Jensen Huang and others have been focused on the next wave of AI: agentic AI, robotics, and autonomous vehicles. Agentic AI refers to systems that can make decisions and act autonomously to complete tasks. A customer service agent that automatically replies to emails, processes returns and updates records without human intervention would be an example. In robotics, companies like Boston Dynamics use AI to help machines navigate terrain, recognize objects, and perform complex functions like warehouse automation. In the world of autonomous vehicles, Tesla and Waymo use AI for real-time decision-making, enabling cars to detect obstacles, follow traffic rules, and operate without human drivers.

At a recent investor conference, Uber CEO Dara Khosrowshahi said that he was seeing a shift from "little optimizations that increase some efficiency by five percent [to] 20%, 30%, 40% increases in efficiency."[1] As these use cases scale, powered by Nvidia chips housed in hyperscaler data centers owned by Amazon, Microsoft and Google, the broader payoff grows more tangible.

Crucially, the pace of innovation is accelerating. Each breakthrough builds on the last, compounding gains and shortening the time between invention and implementation. AI adoption has quickly risen to the top of the corporate priority list, with many seeing it as essential to staying competitive, agile, and efficient in an increasingly digital world. Success will be measured by improvements in margins and operational output. For hyperscalers, it will come down to revenue growth and free cash flow. Microsoft, for one, is seeing stronger-than-expected AI revenue growth in its Azure cloud division, but time will tell if the revenues come to justify the scale of its investment.

There will be bumps along the way. A slowing economy is causing CIOs to tighten budgets. Trade tensions are complicating supply chains and investment strategies. Regulatory issues will take years to settle. Even as open-source breakthroughs like DeepSeek challenge AI incumbents, they also reinforce the sector's immense potential and, by extension, the long-term value of cloud infrastructure and leading-edge hardware.

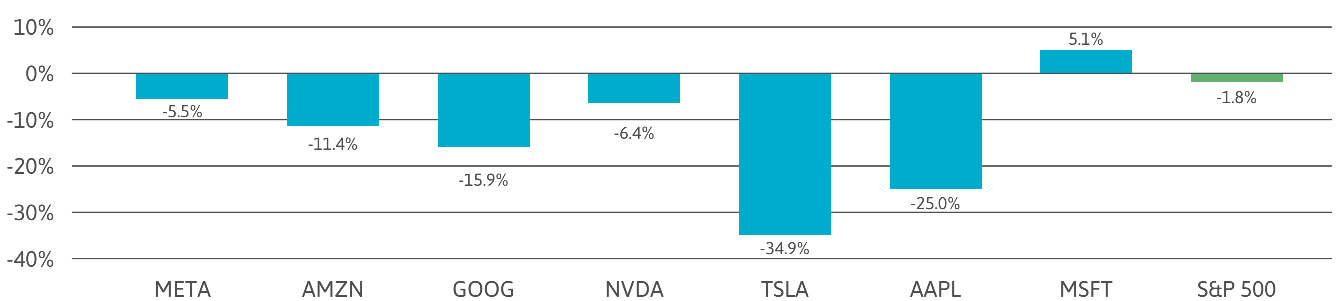
In the end, the promise of revolutionizing business operations is simply too great for most companies to ignore. At Evercore Wealth Management, our portfolios include both companies providing AI technology and beneficiaries. For patient investors in companies positioned to take advantage of the AI revolution, we believe that the potential for gains should be well worth the wait.

Michael Kirkbride is a Partner and Portfolio Manager at Evercore Wealth Management. He can be contacted at michael.kirkbride@evercore.com.

[1] Uber, Morgan Stanley TM&T Conference March 3, 2025.

The Harder They Fall

Returns (%) as of 6/10/25 from each company's respective all-time high.



Source: Factset. As of June 10, 2025.

Buying, Building and Selling: Investing in Private Equity

By Stephanie Hackett

Companies backed by private equity in the United States now outnumber publicly traded companies by two-and-a-half times, a 400% increase since 2000.[1] They represent the fastest-growing sectors of the market, generating many technologies, products and services that investors cannot access in the public markets. What's more, private companies have outperformed publicly traded companies in 97 of the last 100 quarters, on a 10-year rolling return basis.[2]

For many qualified investors, private equity is now the most exciting asset class.

The concept hasn't changed much in 25 years. Private equity firms raise capital from outside investors and use it to buy companies with the goal of increasing their value and, eventually, realizing a profit. This process often involves expansion or restructuring, improving operations, strengthening management, and supporting companies through periods of stress.

What has changed is the scale of the investment set. Options range from very early-stage companies developing new products or technologies, to investing now in established businesses that need capital for expansion or operational improvements. Of the U.S. companies with annual revenues over $100 million, 86% are still private.[3] Not surprisingly, they are in no rush to list. As private capital ecosystems continue to grow and strengthen, these companies can stay private for longer.

86%

Of the U.S. companies with annual revenues over $100 million are still private.

Two areas of private equity appear particularly attractive at present. The first – buyouts – are investments in established businesses with stable cash flows to implement operational improvements, expand to new products or geographies, eliminate unnecessary processes or costs, or to make add-on acquisitions. Buyouts acquire controlling and/or majority stakes and typically use larger amounts of debts. The second – growth equity – is made up of companies with proven business models that experience high growth rates or pivotal change, along with some recurring revenues. Growth equity investments are typically minority ownership stakes using little or no debt.

Manager selection

Choosing the right managers is key to success in private equity, as we expect our private equity investments to earn a premium that will compensate for illiquidity.

Private equity remains an inefficient asset class, meaning that information access and manager skill can be significant drivers of return. It is critical to identify managers able to buy well, build well and sell well:

- **Buy well:** Private equity funds have historically bought companies at valuation multiples that average 2.5 times lower than public market multiples.[7]
- **Build well:** Private equity funds have been able to build companies with higher and more resilient growth through economic cycles, despite higher leverage.[8]
- **Sell well:** Private equity funds add value during their ownership, selling better businesses than they bought. The average valuation multiple for private equity-backed companies is 1.2 times higher at exit versus what the managers paid at entry.[9]

Over the past 10 years, the dispersion in performance between the top quartile and bottom quartile for public equity portfolio managers has been between 2% to 3%. In private equity, this performance differential is 20%-plus.[10] And there is greater evidence of performance persistence in private equity. About 70% of private equity funds that performed in the top quartile of their vintage year have a successor fund that also generated above median returns.[11] Top-performing private equity funds can attract and retain talent, as well as access unique and proprietary deal flow. They are also able to raise larger successor funds that are often oversubscribed, so the teams spend less time fundraising and more time focusing on their portfolio companies.

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Private equity buyout managers have adjusted to higher interest rates and the higher cost of capital by reducing the amount of leverage. The market corrections over the last few years have forced companies to balance between growth and profitability, making this a compelling time to invest new capital.

Growth equity valuations have fallen by more than half from their 2021 peak, as initially overly eager investors came to realize that valuations should always reflect the illiquidity and complexity inherent in this asset class. Transaction volume has decreased, and private equity funds have struggled to attract new capital funding over the past two years.[4]

But the survivors have continued to build their customer base and grow revenues. The technology sector has been buoyed by strong fundamentals, and deal activity in tech started to uptick in 2024 and is expected to continue to increase in 2025-2026.[5] The private equity healthcare sector has lagged over the past several years due to regulatory complexity and policy uncertainty but is also gathering steam.[6]

At Evercore Wealth Management, we are focused on manager selection in this asset class and advising clients on their optimal allocations. For those investors that have a long-term investment horizon and a risk tolerance for illiquidity, allocating to private equity can add diversification and potential for outsized growth. Private equity and other illiquid investments generally represent between 5% to 20% of individual portfolios, depending on investor qualification, investment horizon and goals.

Stephanie Hackett is a Partner and Portfolio Manager at Evercore Wealth Management. She can be contacted at stephanie.hackett@evercore.com.

1 Source: PitchBook/LCD, World Federation of Exchanges database, iCapital Investment Strategy, with data based on availability as of Jan. 31, 2025.
2 Source: MSCI Private Capital Solutions, Bloomberg, with data as of Sept. 30, 2024.
3 Source: S&P Capital IQ, iCapital Investment Strategy, with data based on availability as of February 2023.
4 Source: PitchBook, with data based on availability as of Jan. 31, 2025.
5 Source: PitchBook, with data based on availability as of Dec. 31, 2024.
6 Source: PitchBook, with data based on availability as of Dec. 31, 2024.
7 Source: PitchBook Data, Inc./Bloomberg, with data as of Dec. 31, 2024.
8 Source: Dawson Partners and MSCI Private Capital Solutions/Bloomberg/PitchBook Data Inc based on the Russell 3000 index.
9 Source: Dawson Partners.
10 Source: Burgis, PivotalPath, Morningstar, Refinitiv, J.P. Morgan Asset Management.
11 Source: Preqin, includes all Preqin Private Equity Buyout funds from 1977 to 2013.

Q&A with Apollo Asset Backed Credit Company

Michael Paniwozik

Editor's note: Asset-backed credit is an important and growing asset class. Here we interview Michael Paniwozik, president of Apollo Asset Backed Credit Company, or ABC, one of the carefully selected outside fund managers that supplement the core capabilities of Evercore Wealth Management. Please note that the views of the external managers interviewed in *Independent Thinking* are their own and not necessarily those of Evercore Wealth Management.

Q: Let's start at the beginning. What is asset-backed finance, exactly?

A: Asset-backed finance is a critical tool for financing the day-to-day activities of millions of businesses and consumers globally. It encompasses a broad set of credit types that touch everyday life, from residential mortgages, credit cards and student loans, to planes, trains, automobiles, sports and entertainment royalties, and more.

This asset class can provide investors with downside protection through credit enhancement and structural safeguards, as well as diversification and yield at the investment and portfolio levels.

Q: How does Apollo approach asset-backed finance?

A: ABC affords investors access to high-quality asset-backed instruments across a diverse range of sectors, providing yield in excess of publicly traded credit of comparable quality.

Our proprietary sourcing engine – along with disciplined "purchase price matters" investment philosophy and the scale and diversity of our capital base – allows for access to a differentiated risk/return profile within private credit. The breadth of our offering across all different types of asset-backed risk enables us to invest in all market conditions.

Q: Why is that important?

A: Our asset-backed investments offer access to diversified collateral pools across unique and idiosyncratic asset classes. This differentiation makes asset-backed finance particularly impactful, as its performance is generally less correlated to corporate credit, delivering attractive diversification and enhancing portfolio resilience.

Unlike allocations to direct lending, which from a risk standpoint compares to single-B/high-yield risk, private asset-backed credit is predominantly investment grade or investment grade-like. About 80% of the portfolio is investment-grade or IG-equivalent, with de minimis subprime exposure. Our investors use ABC as a replacement for or complement to public fixed income exposures. Zero portfolio-level leverage further enhances downside protection and reduces forced selling risk.

Q: What is your impression of the scale of this opportunity?

A: The asset-backed finance, or ABF, market is massive, with around $20 trillion in market size globally. This makes it much larger than the circa $3 trillion public/private leveraged corporate credit markets. It is experiencing the same type of de-banking that we have seen with corporate finance, creating opportunities for non-bank financial institutions like Apollo to access the underlying assets and structure private ABF loans. Private ABF loans can offer 1% to 2% premium in spread/yield versus both public ABF and public corporate credit on a ratings- and duration-matched basis.

Q: Why do you believe the ABC is particularly well placed to take advantage of this opportunity?

A: ABC is a semi-liquid, turnkey solution that provides investors access to high-quality, asset-backed instruments across a diverse range of sectors, aiming to provide yield in excess of publicly traded credit of comparable quality. We seek to invest in what we believe will be the most attractive risk/return opportunities across the five major categories of the asset class, focusing primarily on directly originated investment grade or equivalent assets.

And of course, ABC benefits from the Apollo ABF Platform's broad origination channels. The firm has been investing in asset-backed credit for over 16 years and now has more than $312 billion deployed. We have 30-plus direct sourcing platforms and partnerships with 4,000 employees working on various asset-backed risks every day. We originate approximately $75 billion annually in asset-backed finance across some 50 asset classes and have material skin in the game with strong alignment with our investors.

Q: What is your outlook now?

A: We believe private markets remain an attractive alternative due to their resiliency, lower volatility and lower correlation to public markets. Public markets tend to experience extreme price movements when liquidity evaporates. Private markets are priced upon the fundamentals and financials, mitigating the lack of liquidity and discounts.

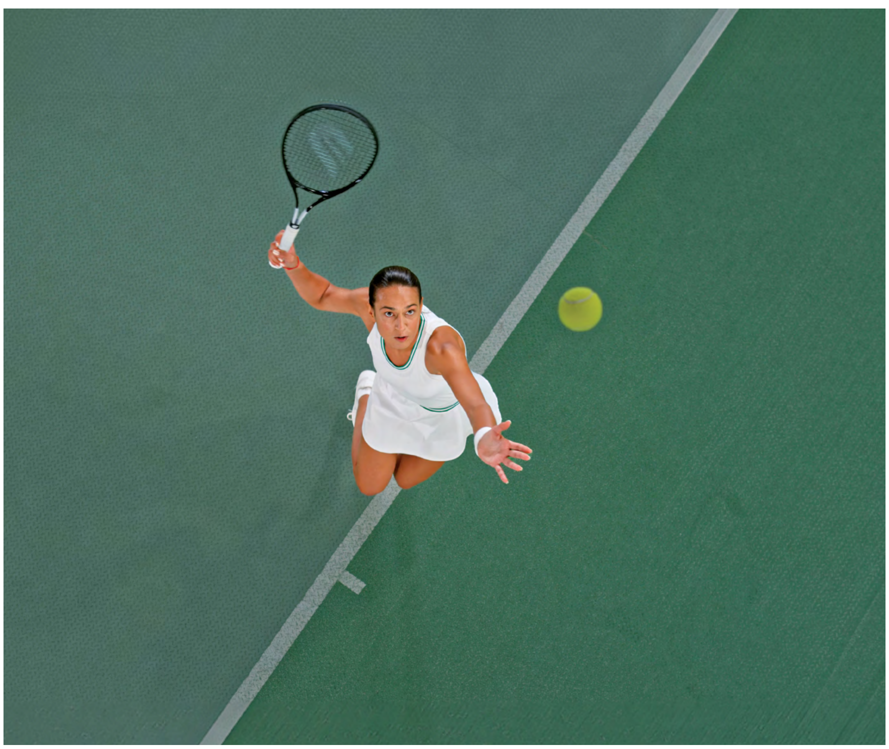
It's also worth noting that ABC's holdings are backed by thousands of underlying borrowers across sectors and geographies, reducing idiosyncratic risk. With broad exposure across five asset-backed pillars, ABC avoids overconcentration and has minimal direct sensitivity to tariff-impacted sectors.

For further information, please contact Evercore Wealth Management Partner and Portfolio Manager **Stephanie Hackett** at stephanie.hackett@evercore.com.

Plan, Don't Panic, After a Market Downturn

By Justin Miller

Volatile markets trigger anxiety and strong psychological reactions, making it a challenge to stay focused on wealth-planning fundamentals. The good news is that a market downturn can provide unique opportunities to strengthen a long-term strategic wealth plan. Here are some suggestions to stay on track, reduce risk and even take advantage of down markets in a volatile economic climate.



DEFENSIVE WEALTH PLANNING

Certain foundational steps can help protect a wealth management portfolio in uncertain times.

Maintain Adequate Liquidity. Ensuring access to sufficient defensive assets – such as cash and Treasuries – for lifestyle needs and short-term obligations is the starting point. At current levels, markets could slide further, and having access to adequate liquidity reduces pressure to sell investments at depressed prices and trigger capital gains. Depending on the sources of income, it could be prudent to maintain adequate short-term reserves to cover at least one year of expenses. Setting up a secured line of credit could provide additional protection if necessary.

Recalibrate Asset Allocation. In addition to ensuring adequate defensive assets, a down market is an opportune time to reassess the overall investment mix in the context of individual and family risk tolerances, time horizons and financial objectives. Minor asset allocation adjustments can often help realign the investment strategy with long-term wealth-planning goals.

Tax-Loss Harvesting. If the portfolio includes positions with losses, consider harvesting them. Those tax losses can offset any current or future capital gains. From an asset allocation perspective, investors can reinvest in a similar index fund or exchange traded fund (ETF), to maintain a similar market exposure while avoiding the tax code's wash-sale rule. This disallows losses when selling an investment if a "substantially identical investment" is purchased 30 days before or after the sale. To the extent that investors are working with multiple investment management firms, the lead advisor should coordinate the overall investment strategy so that one manager isn't buying the same stock that another manager sold, which would disallow the loss under the wash-sale rule.

Adjust Timing for Charitable Giving. It may be prudent to wait until market values recover before making charitable gifts to a public charity, donor-advised fund or private foundation. Donating appreciated assets down the road can increase the impact of generosity while also allowing for a larger itemized deduction for the fair market value of the donation, free of any capital gains tax on the long-term appreciation.

Review Loans. With interest rates fluctuating, it's worth reviewing current mortgages and other loans. Extending a fixed-rate period or locking in lower payments may improve financial flexibility.

TURNING VOLATILITY INTO OPPORTUNITY

While market downturns can be unsettling, they also open the door for long-term planning strategies.

Thoughtful Cash Investments. A drop in market values could be a compelling time to invest surplus cash. Investment entry points during market lows can pave the way for more significant long-term growth, especially as part of a rebalancing strategy aligned with long-term goals.

Roth IRA Conversion. Market dips provide a tax-efficient window to reduce the tax cost of converting traditional IRAs to Roth IRAs. You can pay tax on a lower asset value now and enjoy more potential tax-free growth moving forward. Investors can withdraw assets from a Roth IRA after age 59½, completely free of income taxes. Heirs can later withdraw remaining Roth IRA assets without any income taxes. Time horizon is key in evaluating this strategy.

Maximize the Lifetime Gift and Estate Tax Exemption. The current $13.99 million per person ($27.98 million per married couple) exemption presents a powerful opportunity for gift, estate and generation-skipping transfer, or GST, tax planning. Transferring assets when values are depressed locks in potential recovery and appreciation outside the taxable estate. Using trust strategies – such as spousal lifetime access trusts, or SLATs, grantor retained annuity trusts, or GRATs, sales to intentionally defective grantor trusts, or IDGTs, and/or Delaware dynasty trusts – can not only provide additional asset protection for loved ones, but all the potential market recovery and future growth of the assets can be transferred completely free of gift, estate and GST taxes to future generations.

Fix Underperforming GRATs. If a prior GRAT has underperformed, consider swapping in cash, bonds or promissory notes for the assets that have gone down in value, then re-GRAT those depressed assets to reset growth potential as part of a new GRAT strategy with a higher likelihood for success. In a way, the re-GRAT strategy is like "heads, you win; tails, you don't lose."

UPDATING THE FINANCIAL PLAN

Updating a lifestyle and retirement financial planning analysis can help mitigate feelings of panic and prevent imprudent overreactions to a market downturn. Testing the plan against various market scenarios – including through our calculations around potential maximum drawdowns and periods of higher inflation – can help investors better assess the probability of financial success and identify any necessary changes. Examples of potential wealth-planning adjustments could include modifying spending levels, adjusting asset allocation, factoring in alternate income sources like employment, dividends, interest or trust distributions, and reassessing required minimum distributions.

BALANCING SHORT-TERM DEFENSE WITH LONG-TERM OPPORTUNITY

While it's natural to feel uneasy during market downturns, it is important to stay engaged. The right strategies can help investors weather today's volatility while laying the groundwork for long-term success.

In an economically challenging environment with increased market volatility, staying in close contact with your wealth management advisor is more important than ever. If you'd like to revisit your wealth plan, discuss any of the strategies mentioned above, or simply talk through what's on your mind, our Evercore Wealth Management team is here for you. Please don't hesitate to reach out.

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Near & Far: Considerations in Moving Assets Abroad

By Alex Lyden

When there is disruption or uncertainty, there is a natural urge to seek shelter elsewhere. While it may be prudent for a United States citizen or green card holder to diversify an investment portfolio by increasing exposure to foreign markets, moving financial assets overseas comes with significant challenges and potential pitfalls.

Them vs. U.S.: The IRS

U.S. Person vs. Foreign Person

The term "United States person" means:

- A citizen or resident of the United States
- A domestic partnership
- A domestic corporation
- Any estate other than a foreign estate
- Any trust if:
  – A court within the United States is able to exercise primary supervision over the administration of the trust, and
  – One or more United States persons have the authority to control all substantial decisions of the trust
- Any other person that is not a foreign person

A "foreign person" includes:

- A nonresident alien individual
- A foreign corporation
- A foreign partnership
- A foreign trust
- A foreign estate
- Any other person that is not a U.S. person

OPENING A BANK OR INVESTMENT ACCOUNT

The first challenge will be finding an institution that is willing to open an account. Most foreign jurisdictions have onerous "know your client" and anti-money laundering rules (often more so than the United States) and are therefore reluctant to open accounts for nonresidents. Additionally, most foreign governments have agreed to report any accounts held by U.S. persons to the U.S. government, as stipulated by the U.S. Foreign Account Tax Compliance Act, or FACTA.

REPORTING THE ACCOUNT

Any U.S. person (see the definitions at left) who owns or controls one or more foreign financial accounts with more than $10,000 (in the aggregate) at any point during the year must file a Report of Foreign Bank and Financial Accounts – also known as an "FBAR" – with the Financial Crimes Enforcement Network, or FinCEN, on an annual basis. The civil penalty for failure to file, if non-willful, is up to $10,000 per return, and it can be up to the greater of $100,000 or 50% of the account balance if the failure is willful. In addition, criminal penalties may include fines and imprisonment.

U.S. persons may also need to file a Form 8938 (Specified Foreign Financial Assets) with their tax return to report assets over a certain dollar amount based on tax filing status. For those married filing jointly, the total value of assets must be more than $100,000 on the last day of the tax year or more than $150,000 at any point. Penalties for failure to file are up to $10,000, with an additional $10,000 for each 30 days of non-filing after receiving notice, and a potential maximum penalty of $60,000.

TAX CONSIDERATIONS

U.S. persons are taxed by the United States on their worldwide income, in addition to any tax imposed by the country where they or their assets are located. While many countries have a tax treaty with the United States that prevents or minimizes double taxation, there may be mismatches in tax type or timing that prevent the taxes from offsetting each other. In addition, the United States taxes U.S. persons on certain foreign assets, such as foreign mutual funds, under the punitive passive foreign investment company regime.

If a U.S. person transfers funds to an offshore trust, they will be treated as the owner of that trust for income tax purposes in any year that there is a U.S. beneficiary, meaning that the tax treatment would be the same as if they held the assets in their individual name. The U.S. owner of a foreign trust must also file Form 3520 (Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts) and must ensure that the foreign trust files a timely and accurate Form 3520-A (Annual Information Return of Foreign Trust with a U.S. Owner), which is then attached to the owner's Form 3520.

It also should be noted that certain foreign retirement plans or accounts are categorized by the United States as a foreign trust arrangement and therefore trigger Form 3520 filing requirements. Penalties for failure to file a Form 3520 for ownership of a foreign trust are significant, generally equal to the greater of $10,000 or 5% of the gross value of the trust's assets. Additional penalties will be imposed if noncompliance continues for more than 90 days after the IRS mails a notice of failure to comply.

Moving assets abroad requires significant consideration and planning. Please contact your Evercore Wealth Management and Evercore Trust Company advisors to discuss your plans.

Verify, then Trust: Building a Team of Advisors

By Jeff Maurer

In times of uncertainty – economic, political, or personal – it's natural to worry. Even those who are financially well-off aren't immune to the "what-ifs" that keep us up at night. So, what's the antidote? It starts with building the right team of trusted advisors and continues with engaging in open, honest conversations.

Easier said than done, of course. In my 50 years as a wealth manager, I've seen some shocking violations of trust. And we've all heard the old social rule: Don't talk about sex, money, or politics. While the world has changed, that taboo still lingers. I don't always feel that I can talk openly about my finances with my friends or even my family. And I know I'm not alone in that.

But trust is essential, particularly when the going gets tough – in our society, in the markets, or in our personal lives. We sell ourselves short if we don't trust our family and our advisors, our doctors, teachers, coaches – the people invested in our lives and those of our families. That's why it's important to determine if someone is worth trusting and, that done, to create a safe space where transparency is welcome.

> Outside perspective and expertise are essential.

Consider health, another traditionally private topic. Our long-term medical well-being depends on trust as well as luck. A good physician, one who really listens, needs patients to speak up, to share their concerns, take the necessary tests, discuss results, follow advice, and seek a second opinion if the diagnosis is serious. (That's not disloyal – it's wise.)

I would never rely on self-diagnosis to deal with a serious medical condition, even with the help of Doctor Google. That's good practice for other areas of life too. While I might consider that my long experience as wealth manager has made me an expert on financial matters, I recognize the value of collaboration in evaluating my own options and forming my own decisions. Outside perspective and expertise are essential.

That's why when I'm asked, "What's your best advice for the current market?", my answer is always the same: It depends on the full financial picture. A good advisor needs to have a full understanding of individual and family long-term

If we let our advisors help, we can focus on what matters most.

goals and current concerns, assets and liabilities, income and spending patterns, health considerations, family dynamics and legacy intentions.

The real antidote to uncertainty isn't just financial stability. It's knowing we're not navigating life alone. Build a circle of trusted advisors: a physician, a financial advisor, an accountant, and a lawyer. Give them the full picture, share questions and concerns, ask for second options. If we let our advisors help, we can focus on what matters most.

Uncertainty will always be with us. But with the right team and the right conversations, we can face it with confidence and calm. It's never too late to build the right team – and never too early to stop worrying alone.

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