

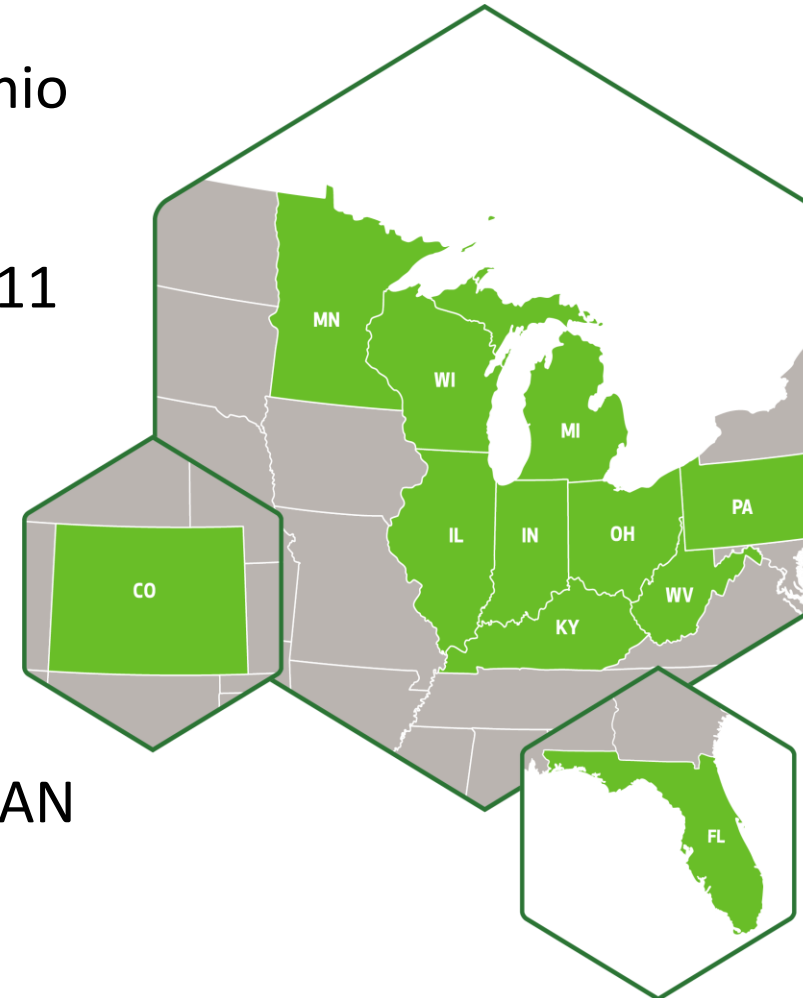
Powersports Finance Summit 2023 >>

Getting ready for 2024

John Augustine, CFA
Chief Investment Officer
Huntington Private Bank
October 2023

Market Presence

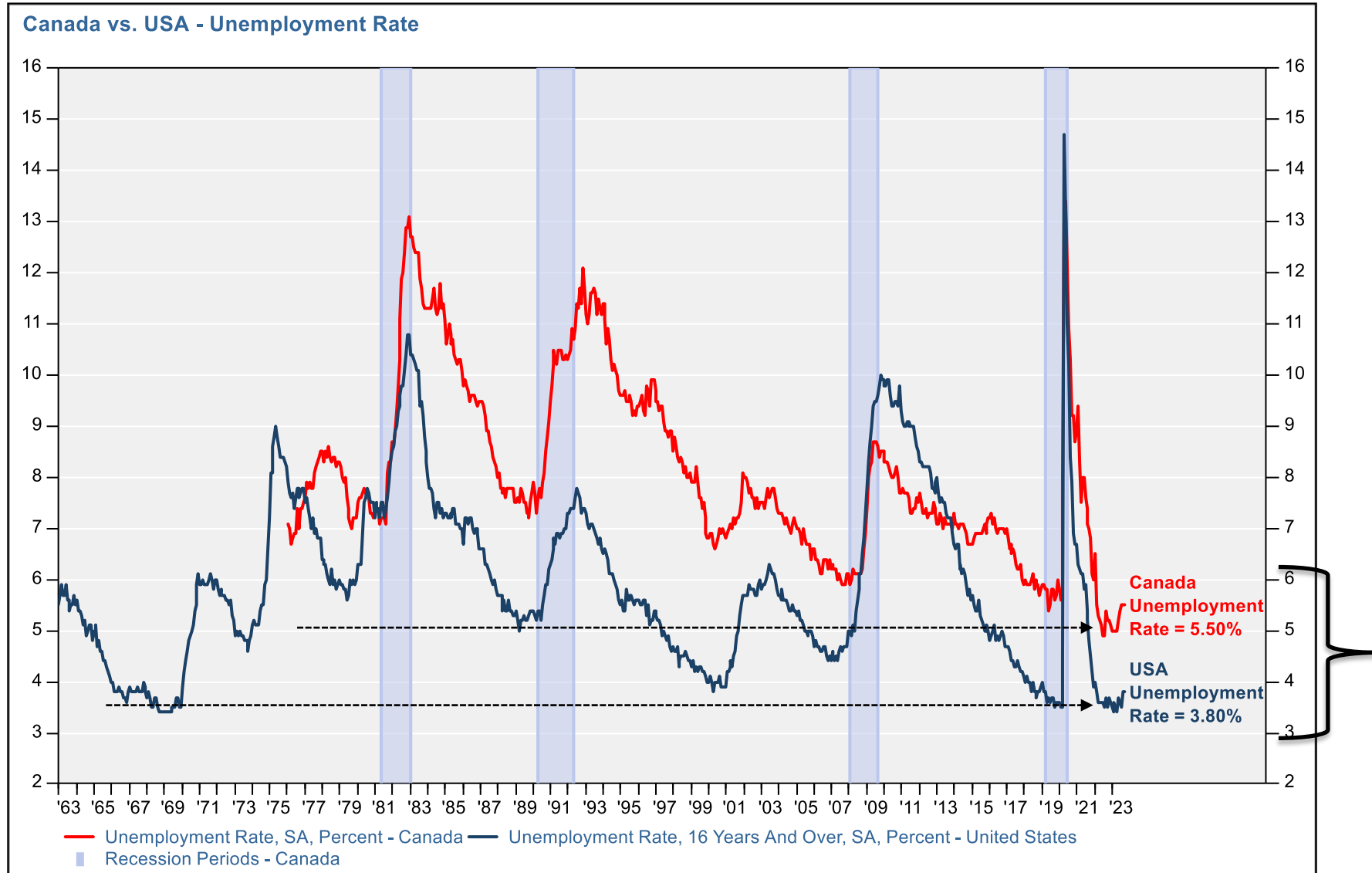
- Founded in 1866 and headquartered in Columbus, Ohio
- \$189 billion in bank assets
- More than 1,000 branches in 11 states, with certain businesses operating in extended geographies.
- \$24 billion in assets under management
- 31 Private Bank offices
- Listed on NASDAQ, Ticker: HBAN
- Member of S&P 500 Index



#1 Three US/Canada areas to watch for consumer discretionary spending in 2024:

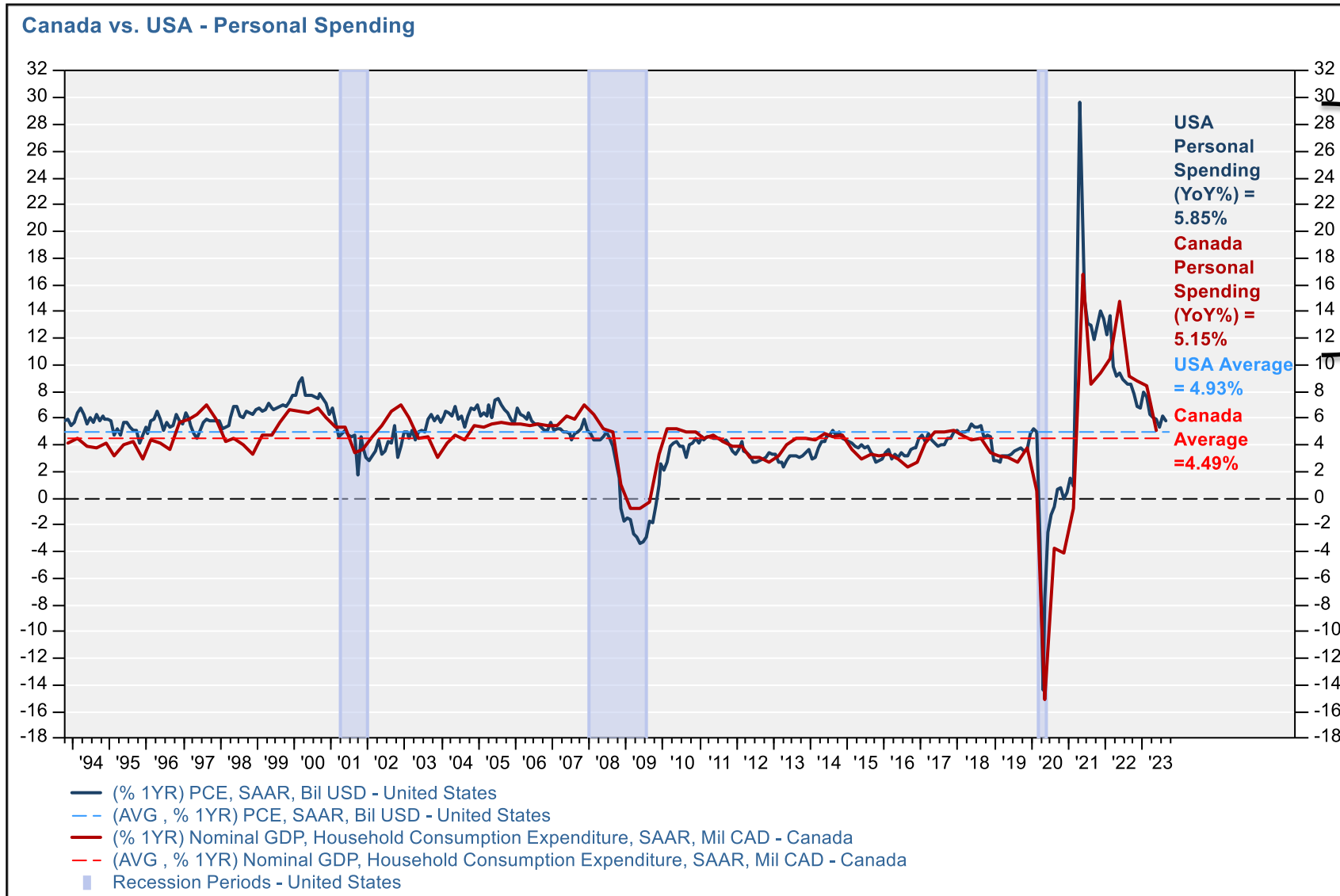
- 1) Unemployment Rate
- 2) Personal Spending
- 3) Central Bank Rates

Unemployment Rate – *Stay between 4% and 6%*



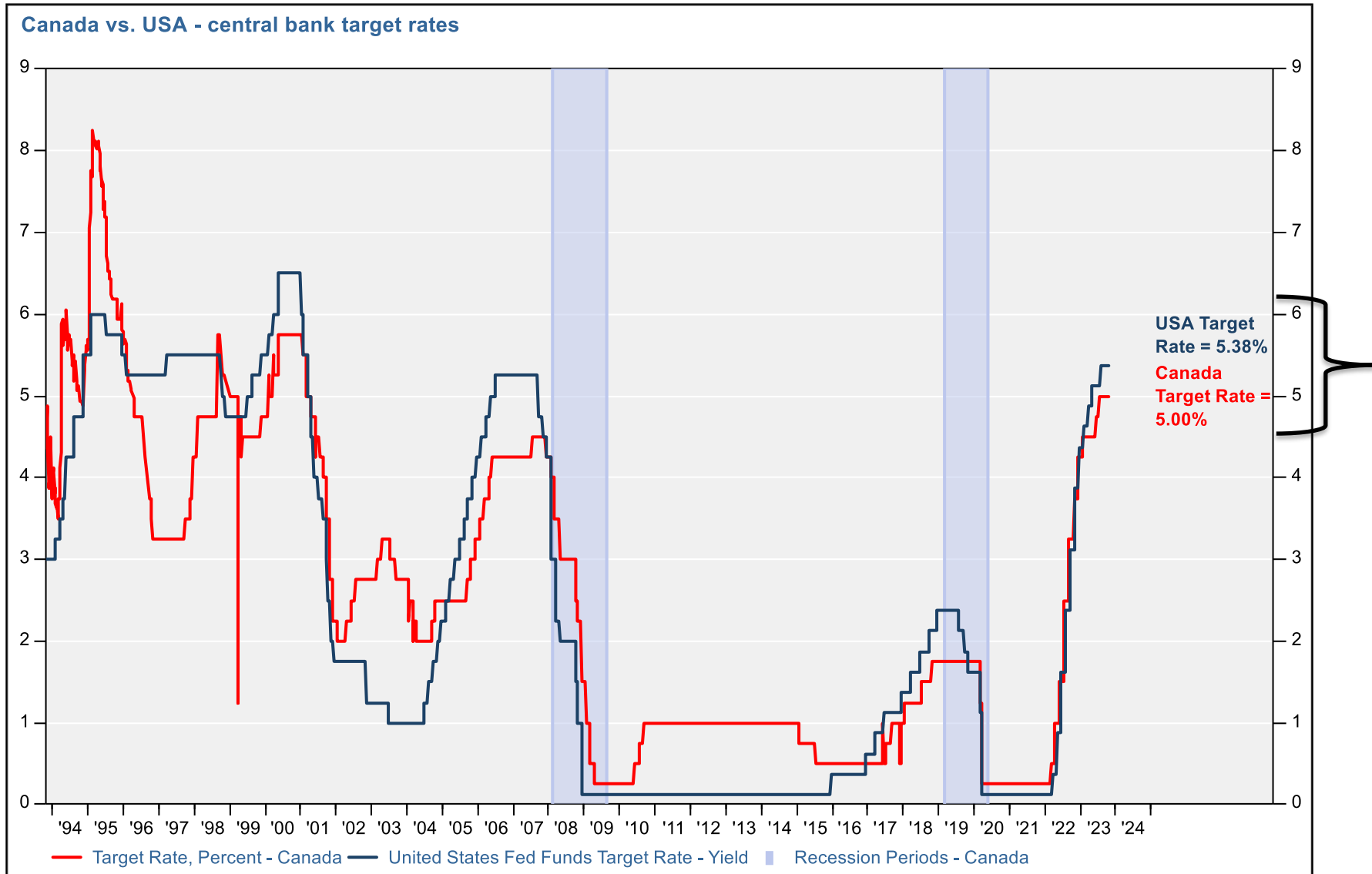
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Personal Spending – Keeping YoY consumer spending growth over 5%



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Central Bank Rates – *Getting central banks benchmark rates below 5%*



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#2 Economic Stance

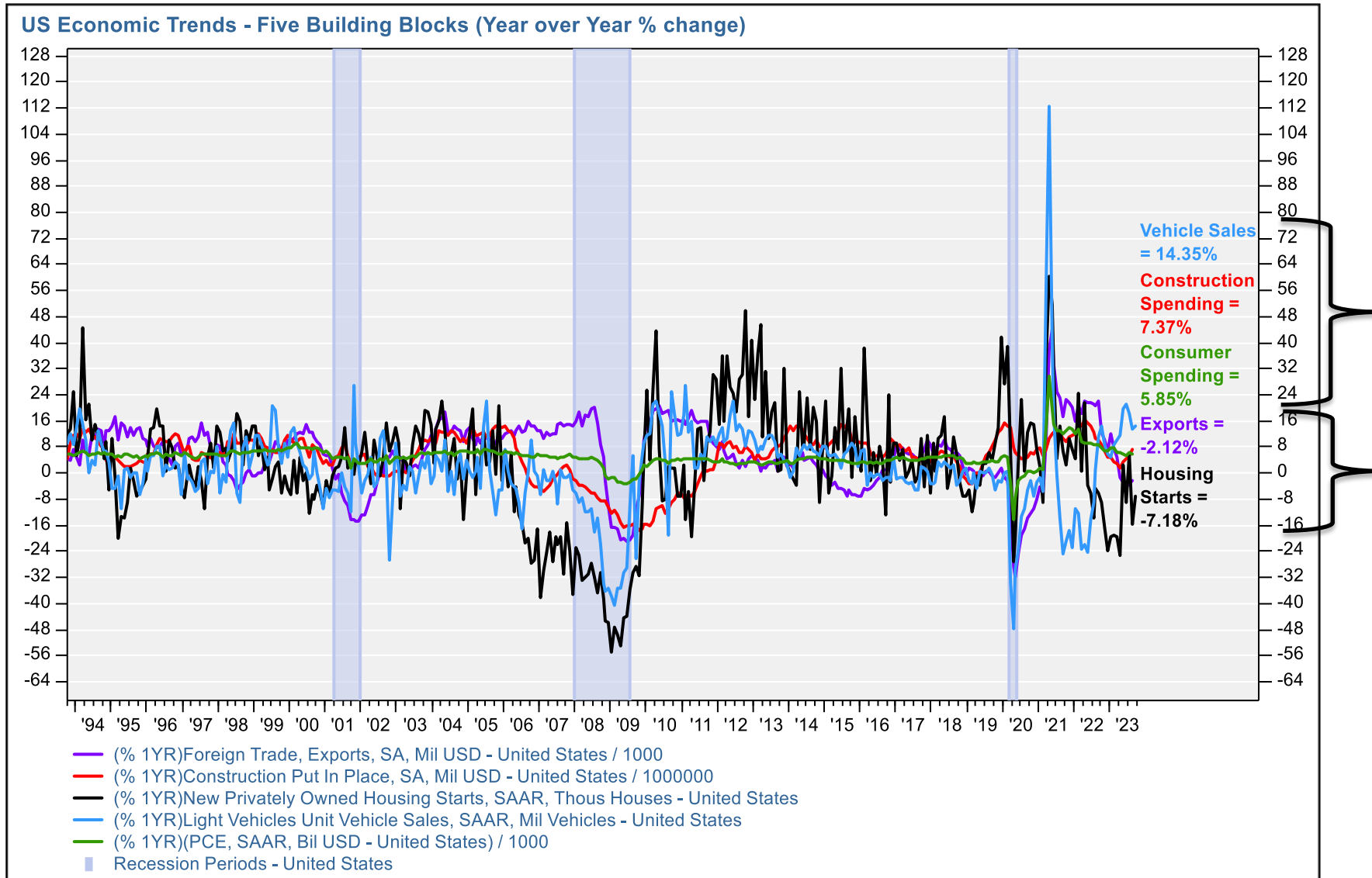
- Projections
- Five Building Blocks
- Leading Indicators
- Purchasing Manager Indexes

Central Bank Consensus Projections – GDP and Yields expected to trend lower

| | <u>Bank of Canada</u> | | | <u>Federal Reserve (SEP)</u> | | |
|-----------------------------|-----------------------|-------------|-------------|------------------------------|-------------|-------------|
| | <u>2022</u> | <u>2023</u> | <u>2024</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
| 1. Real GDP Growth | +3.4% | +1.8% | +1.2% | +2.1% | +2.1% | +1.5% |
| 2. Consumer Inflation (YoY) | 6.8% | 3.7% | 2.5% | 5.0% | 3.7% | 2.6% |
| 3. Unemployment Rate* | 5.3% | 5.4%* | 6.1%* | 4.1% | 3.8% | 4.1% |
| 4. Benchmark Rate* | 4.25% | 5.00%* | 3.75%* | 4.50% | 5.63% | 5.13% |

* NOTE: No central bank projection. Economists' projections (Bloomberg)
Source: Federal Reserve / Bank of Canada

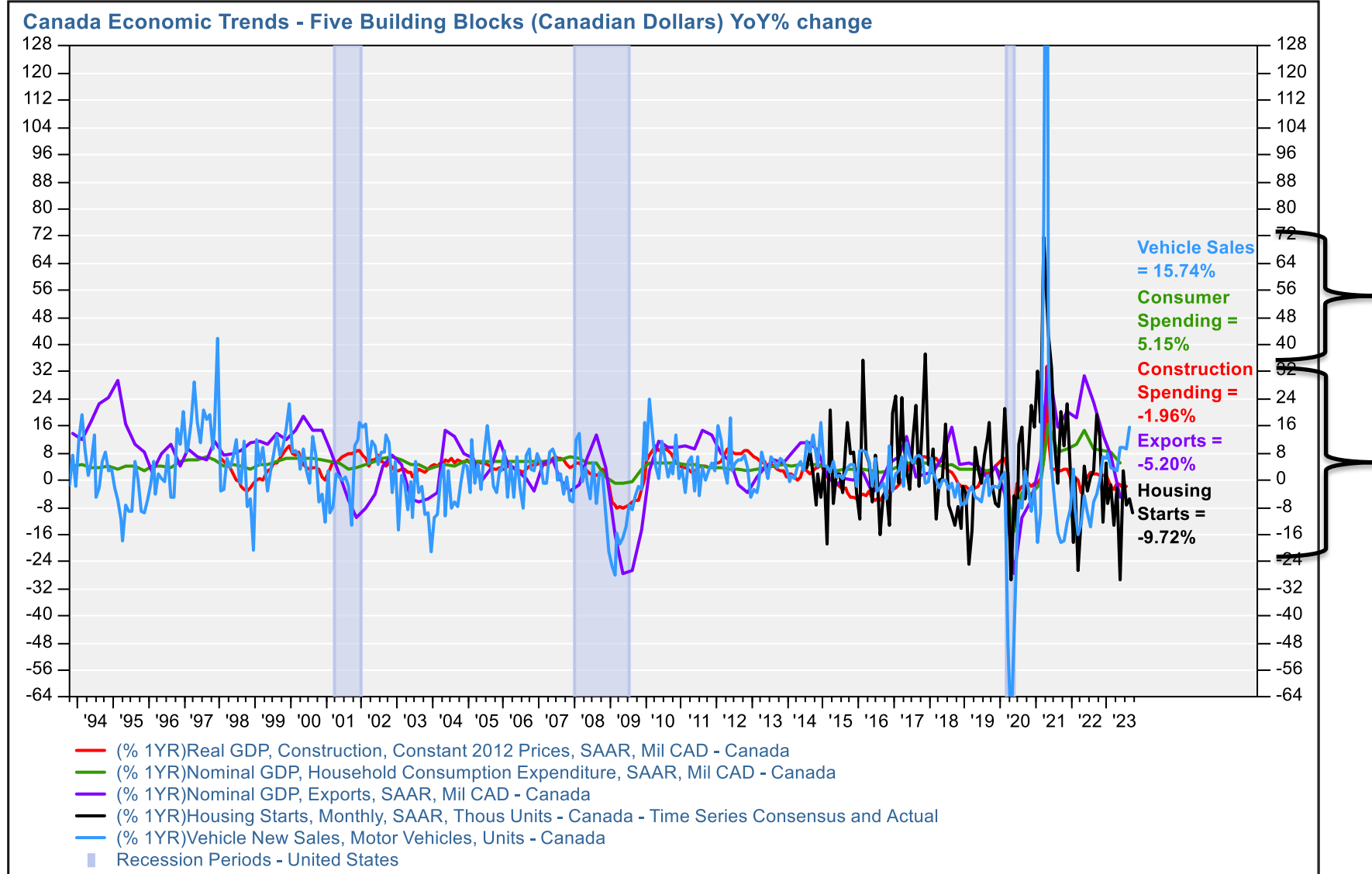
USA Five Building Blocks – Three positive; two negative



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Canada Five Building Blocks –

Two positive; three negative



Source = Factset

USA Crosscurrents – *Here are our observations*

1. Recession watch:

1. Consensus economist survey (Bloomberg) just moved down to 55%.
2. We have been at 55%.
 - *Canada = 35%*

2. Global geopolitical tensions

3. 2024 is an unknown election year

4. Housing shortage with prices still high.

5. Crude oil is on the rise.

6. Strikes are on the rise.

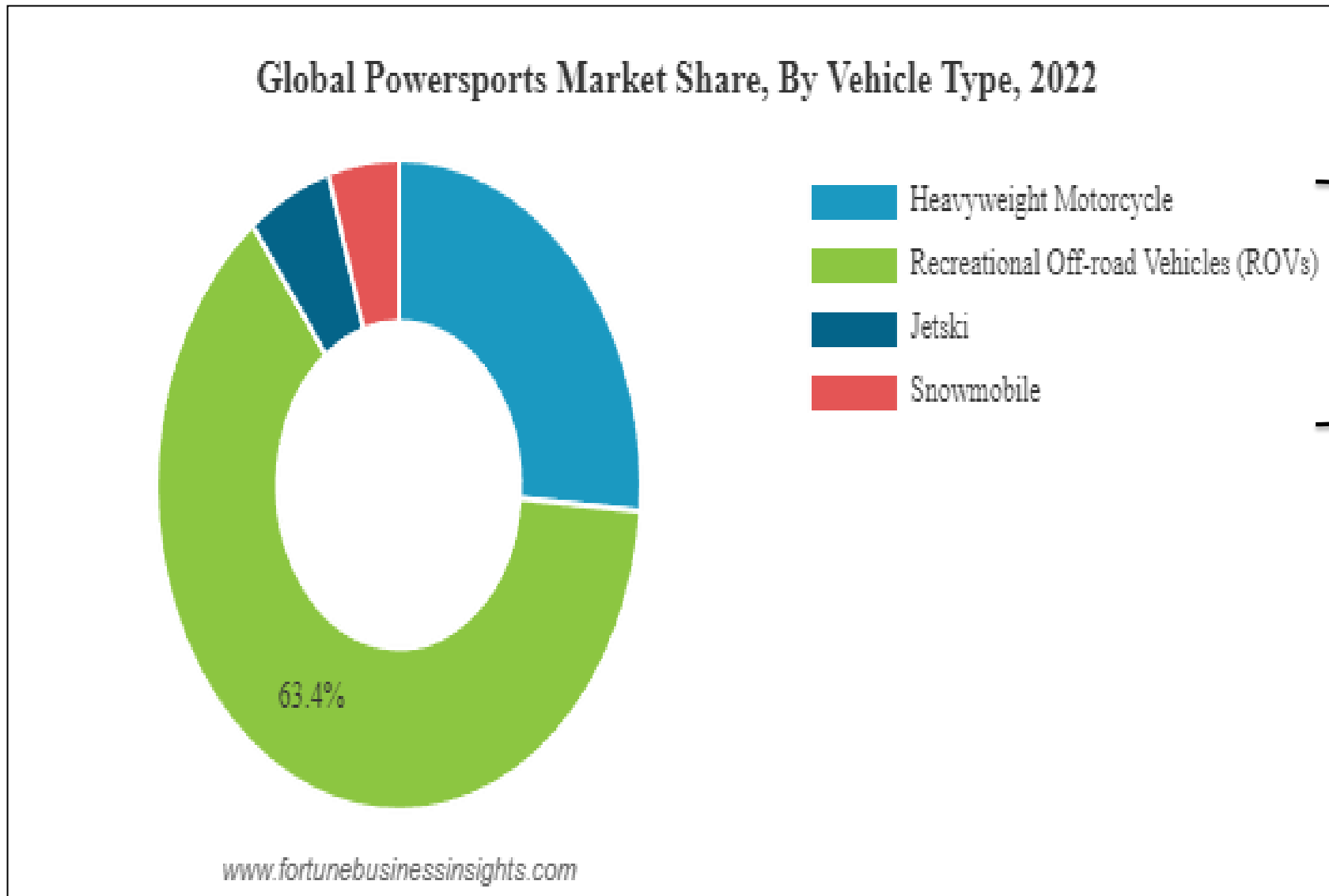
7. USA Macro Watch:

- a) *Weekly Initial Jobless Claims (300,000)*
- b) *Stock prices (4,000 on S&P 500)*
- c) *Bond yields (4% on 10-year yield)*
- d) *Consumer Confidence Index (100 level)*
- e) *Year-over-year consumer inflation (3%)*

#3 Powersports

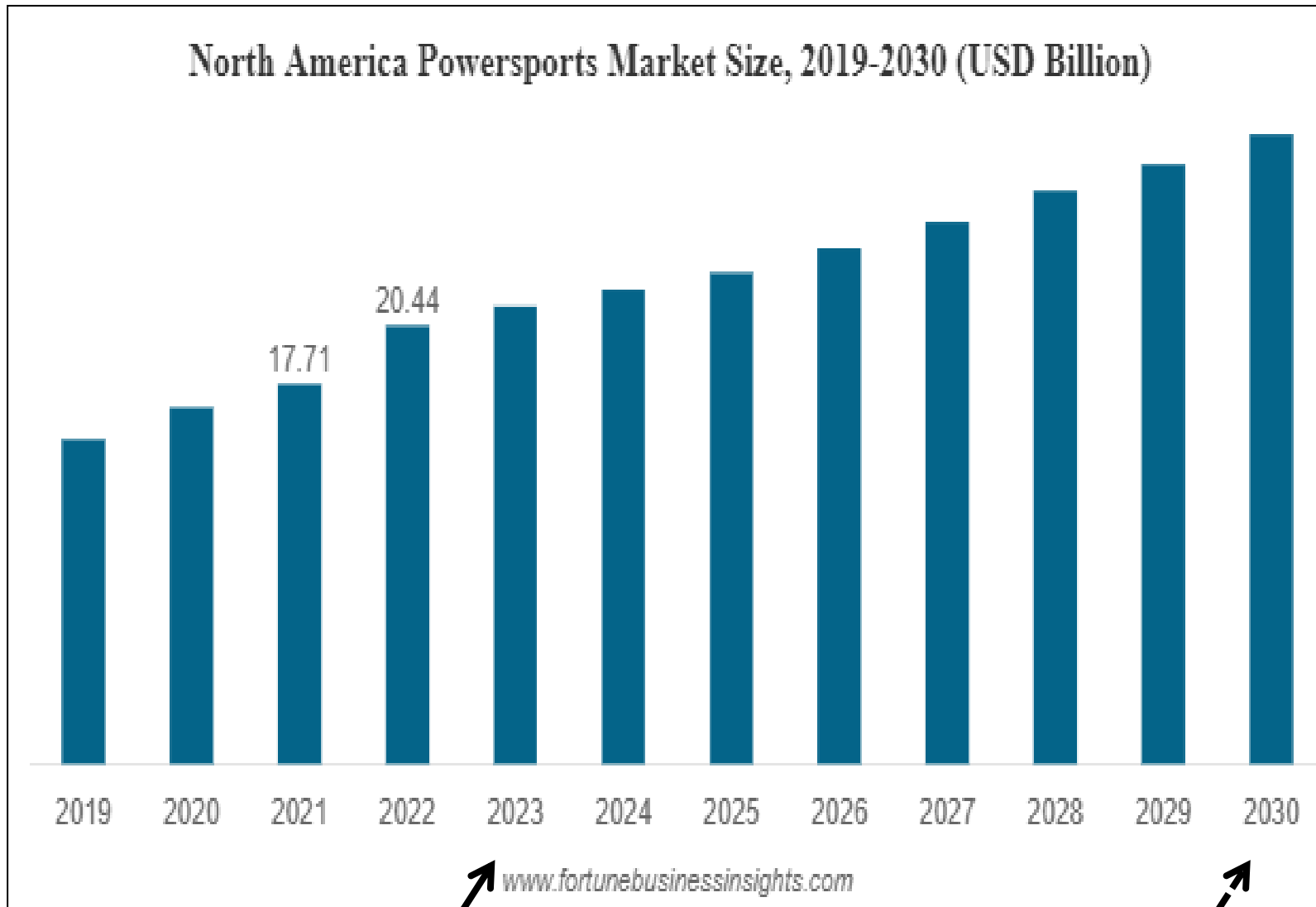
- % Market Share
- \$ Market Projection
- \$ Market Trends
- Consumer Confidence

Powersports Marketshare – *RV's are in the lead*



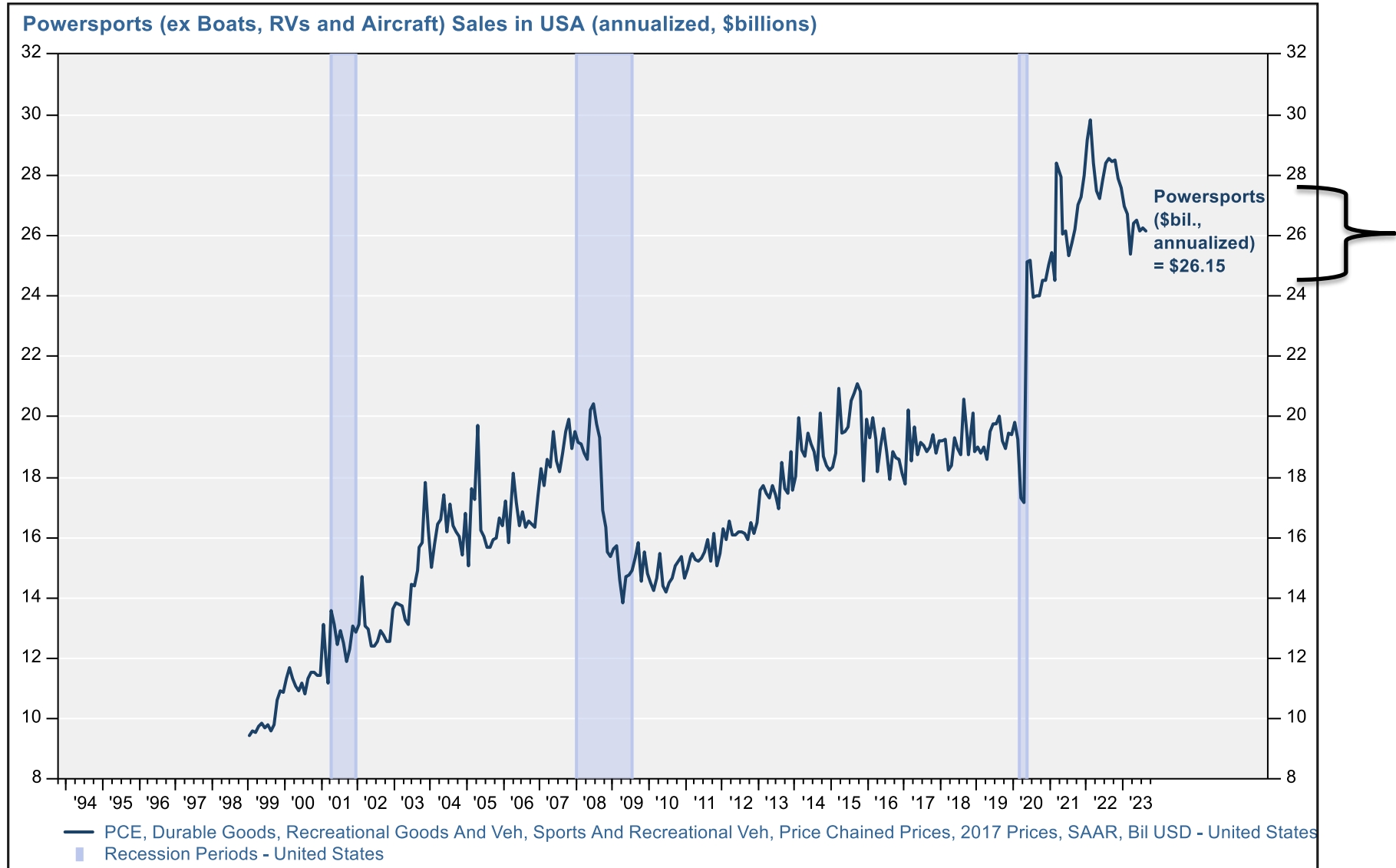
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North American Powersports Projection – *Heavyweight motorcycles, Recreational Off-Road, Jetski, Snowmobile*



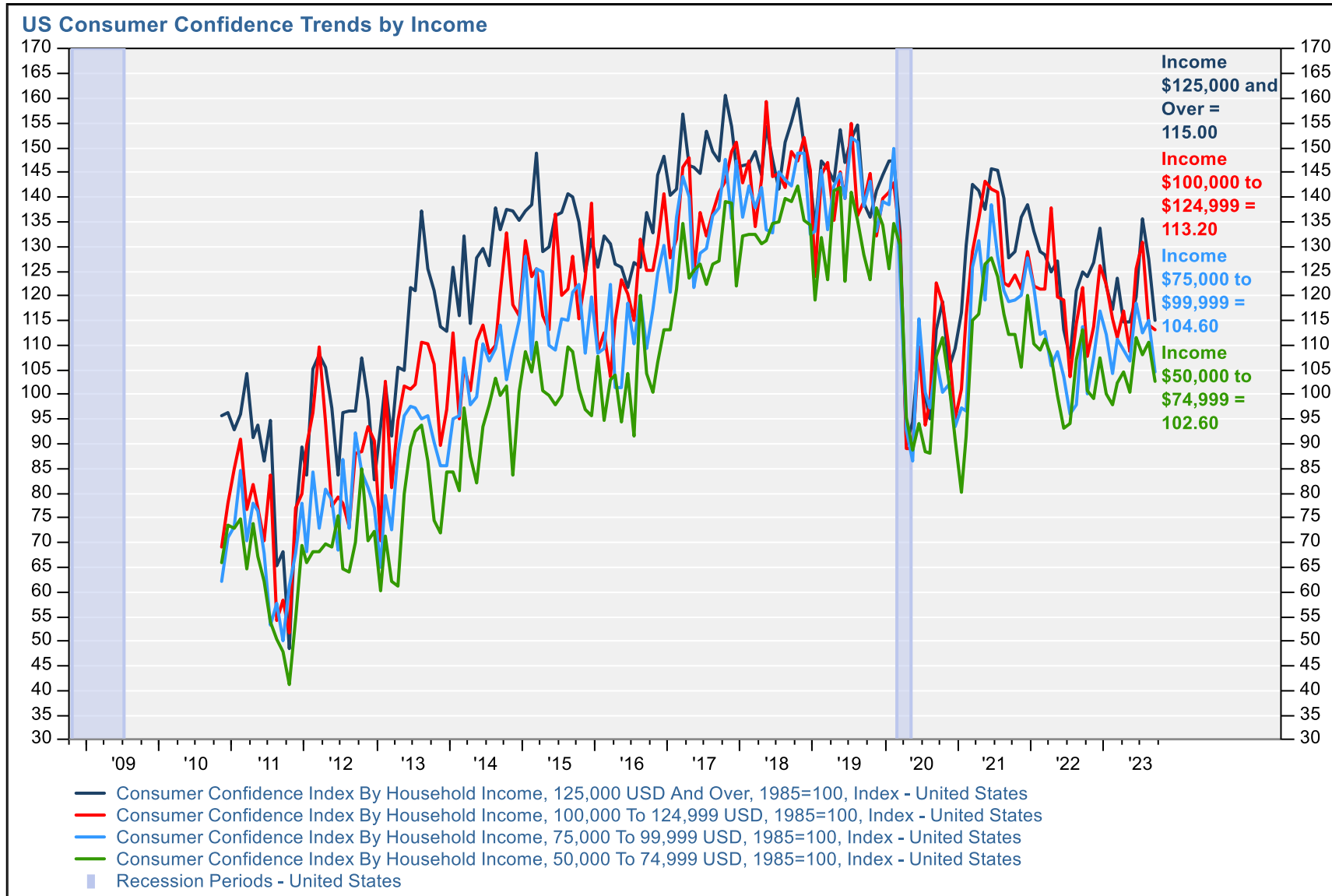
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US Powersport Sales – *Ahead of estimates*



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US Consumer Confidence by Incomes – Cash buyers are higher income buyers

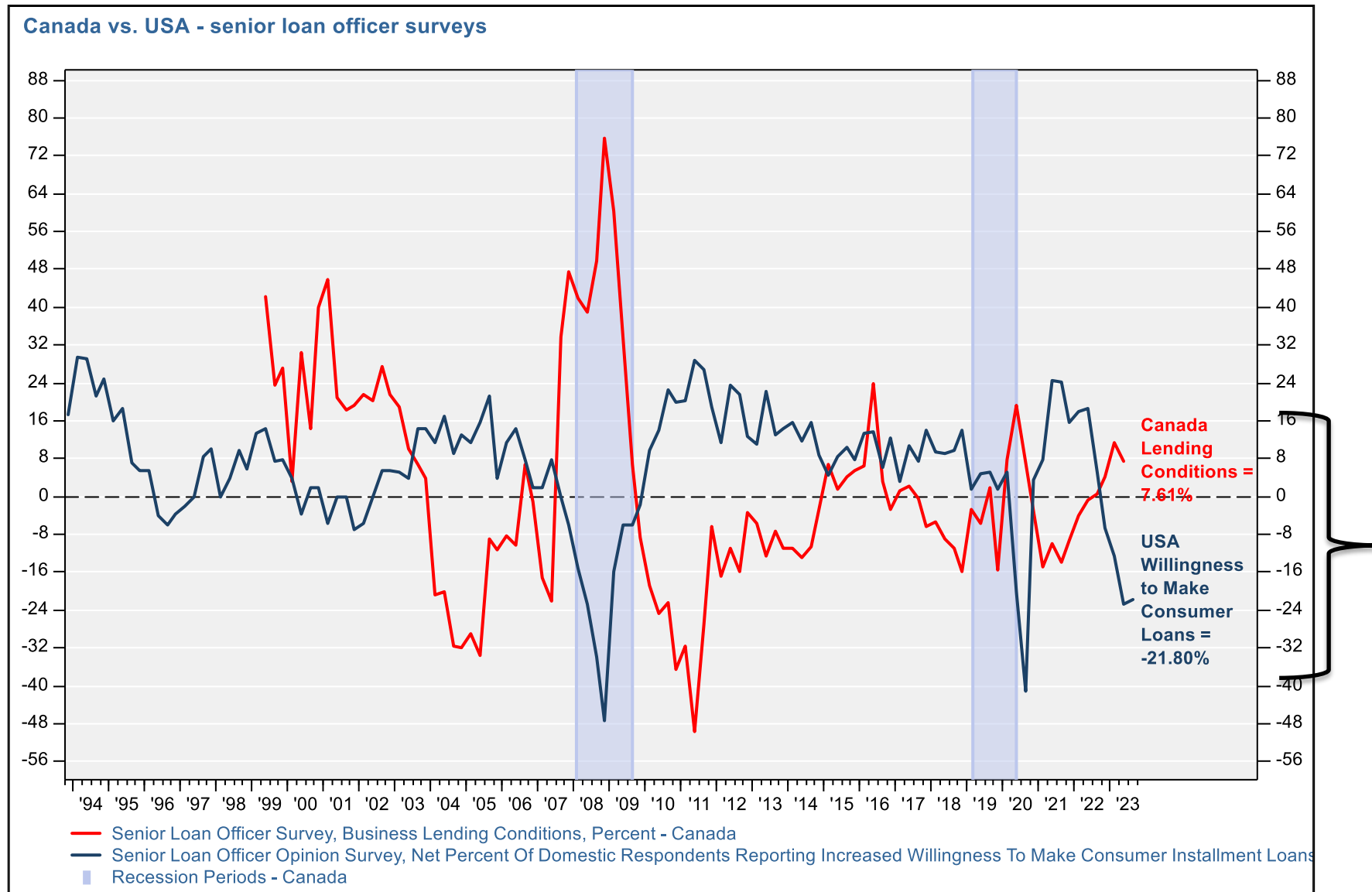


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#4 Financing Markets

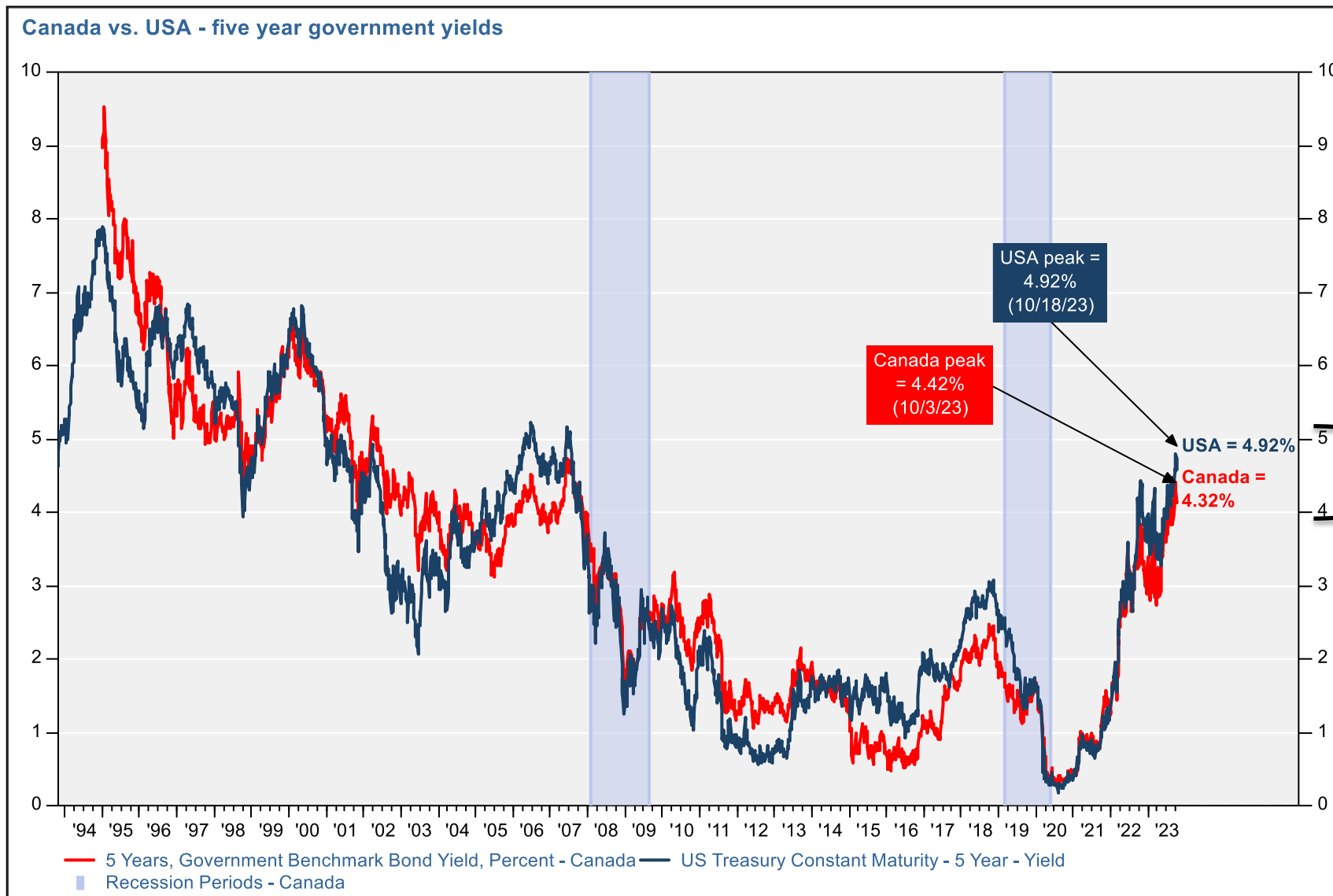
- Loan Officer Surveys
- Yield Trends
- Outstanding Credit

Senior Loan Officer Surveys – *Both countries headed more negative*



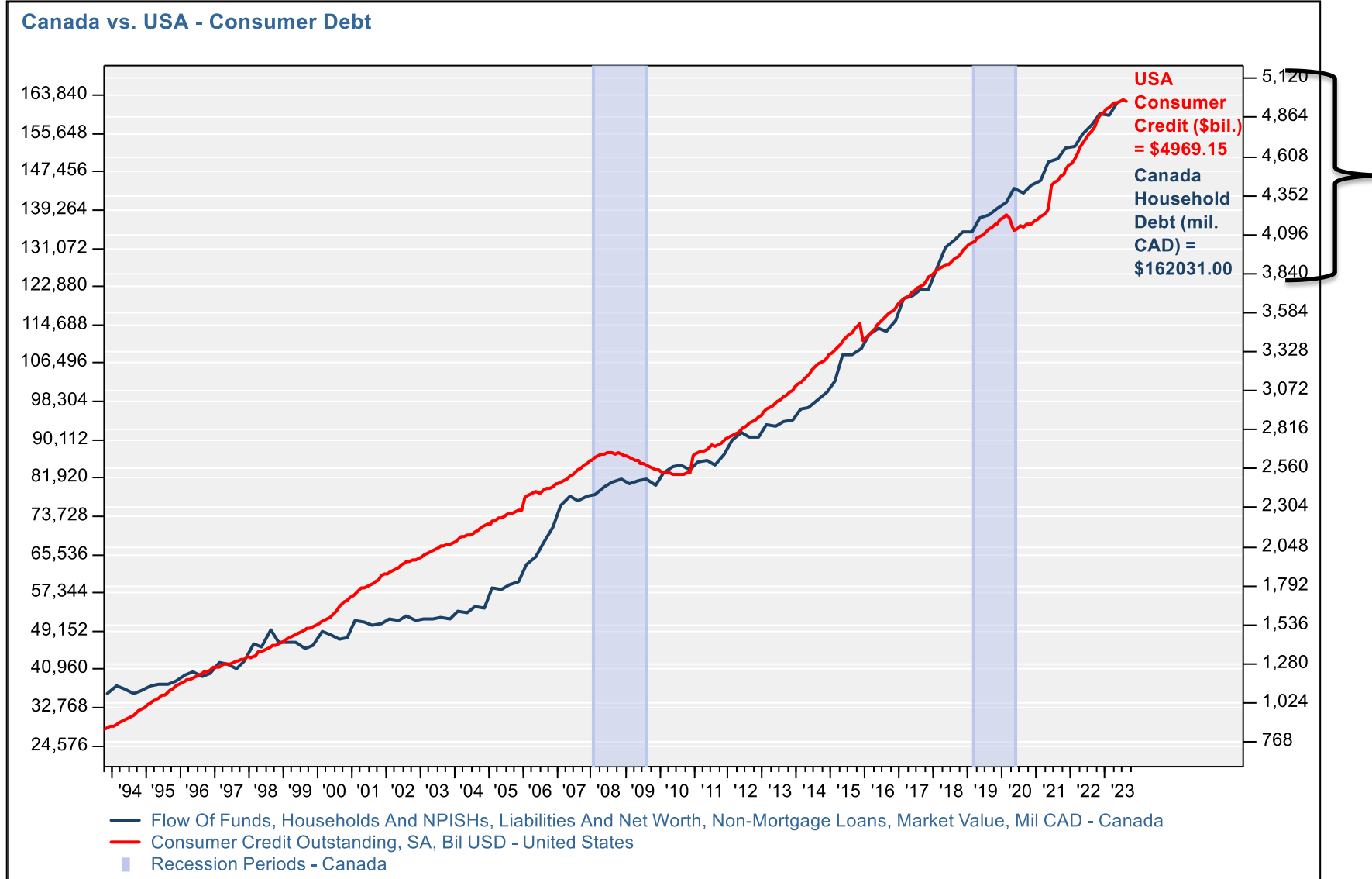
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Five Year Government Yield Trends – *The era of ever-lower yields is likely over*



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Consumer Credit Trends – US and Canada pacing together



Source = Factset

#5 Calls to Action

1. Economic
2. Business
3. Investor

Summary – Calls to Action – 2H 2023

1. U.S. Economy

- Five numbers to watch for a recession (since late 2022):
 - I. S&P 500 >> 4,000 (*Canada TSX Composite = 20,000*)
 - II. 10-year Treasury yield >> 4% (*Canada 10-year = 4%*)
 - III. Weekly Unemployment Claims >> 300,000
 - IV. Consumer Confidence >> 100 (*Bloomberg Nanos Confidence = 50*)
 - V. Headline Consumer Inflation (YoY) >> 3% (*Canada = 3%*)

2. Business

- Forward Order Book, Inventories, Productivity, Supply Chains
- Financing decisions now need considered – *fixed/variable, long/short*
 - *Its going to be more difficult to be a borrower.*

3. Investors

- Cash – have 6-12 months of distributions covered; don't over-cash
- Bonds – buy yields over 4.0% incrementally further out the yield curve
- Stocks – stay balanced between current dividends and future earnings growth
- Commodities – will stay volatile via China
 - *Stay relatively conservative with Cash, Bond, Stock allocations.*
 - *Periodically rebalance.*



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