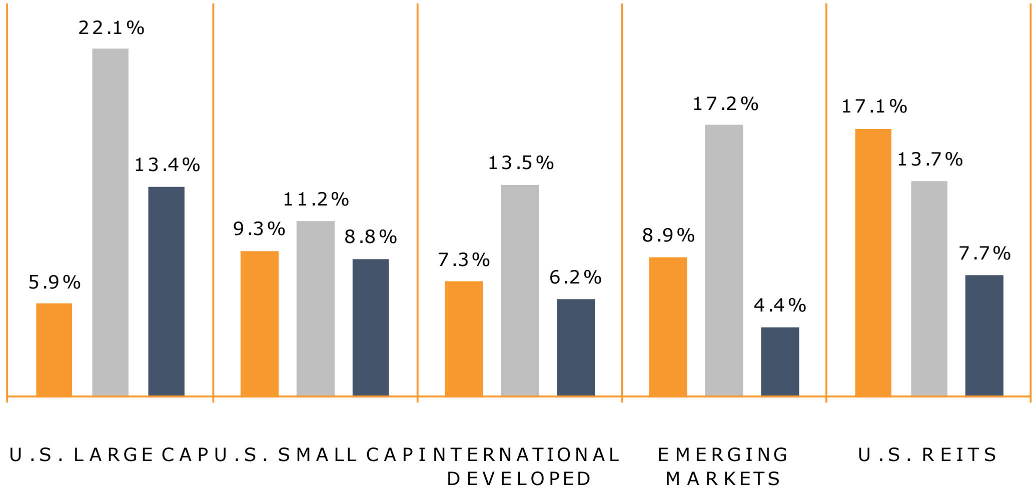
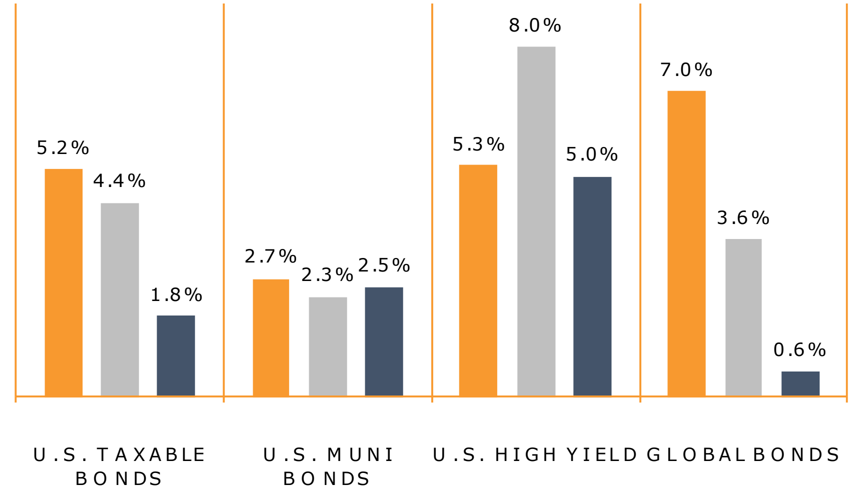
Q3'24 Market Review

■ 3 Month: 09/30/24 ■ YTD ■ 10 Year*

EQUITY MARKETS HIGHLIGHTS



FIXED INCOME MARKETS HIGHLIGHTS



- **U.S. Large Cap Stocks** trended higher+5.9% in Q3 and +22.1% YTD but for the quarter became a laggard for the first time this year as the market broadened.
  - A strong rally to start the quarter in July was met with volatility that resolved higher as markets broadened away from Large Cap Growth that had defined the 1H '24. Large Cap Growth finished +2.8% for the quarter, while other styles were up between +5-10%. Only one sector, Energy, finished in the red for Q3 -2.9% against a backdrop of mixed signals about the global economy.
- **U.S. Small Cap Stocks** rebounded into a leadership position +9.3% for the quarter, now up +11.2% YTD. Higher interest rates had been a headwind which appears to be reversing with the Fed beginning a rate cut cycle in September.
- **International Developed Stocks** performed well, up +7.3% for the quarter. Weakening of the US Dollar and accommodative central bank policy provided some tailwind.
- **Emerging Markets Stocks** benefitted from similar tailwinds as International and U.S. Small Caps +8.9% for the quarter. Late September stimulus announcements from China lead a major rally into quarter end, with China itself +23.6% for the quarter after being flat until Sept 19th.
- **U.S. REITS** provided leadership +17.1% as sentiment swung from bearish to mildly optimistic as markets anticipate rate cuts will provide a catalyst for improvement.

- **U.S. Taxable Bonds** provided solid absolute returns up +5.2% in Q3, and now +4.4% YTD. Rates rallied significantly finishing at or below levels where they were at the start of the year across the curve. The 2 year-10 year U.S. treasury curve inversion normalized in September after over a year and a half.
- **U.S. Muni Bonds** did not benefit to the same extent as their taxable counterparts, up +2.7% for Q3.
- **U.S. High Yield** credit markets were up +5.3% in Q3, and +8.0% YTD. Higher carry offset the lack of duration benefit in the quarter.
- **Global Bonds** were up +7.0% in Q3. The weakening U.S. dollar was a tailwind to global bonds while global central bank policy shifts from restrictive to accommodative stances.

*Annualized daily returns as of 9/30/2024.

Market conditions and trends will vary. Past performance is no guarantee of future results. Investments cannot be made in an index.

Source: YCharts, Inc.; underlying indices are S&P 500® TR Index, Russell 2000® TR Index, MSCI EAFE TR, MSCI Emerging Markets Index TR, Dow Jones US Real Estate Index TR, Barclays Municipal Bond Index, Barclays U.S. Aggregate Bond Index, Barclays U.S. Corporate High Yield Bond Index and the Barclays Global Aggregate Bond Index.

Q3’24 U.S. Market Snapshot

US Equity Market Snapshot	9/30/24
Sector	3 Month Return
Utilities	19.3%
Real Estate	17.1%
Industrials	11.5%
Financials	10.6%
Consumer Cyclical	10.1%
Materials	9.6%
Consumer Defensive	9.0%
Health Care	6.1%
Comm. Services	5.9%
Technology	0.0%
Energy	-2.9%

Russell Equity Style Snapshot			9/30/24
3 Month	Value	Blend	Growth
Large	9.1%	5.2%	2.8%
Mid	10.1%	9.2%	6.5%
Small	10.2%	9.3%	8.4%

Market Indicators

Name	As of	Last Month**	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.
Key Interest Rates							
1 Month Treasury	9/30/24	4.93%	5.41%	-8.9%	5.55%	-11.2%	Daily
2 Year Treasury	9/30/24	3.66%	3.91%	-6.4%	5.03%	-27.2%	Daily
10 Year Treasury	9/30/24	3.81%	3.91%	-2.6%	4.59%	-17.0%	Daily
30 Year Mortgage	9/26/24	6.08%	6.46%	-5.9%	7.19%	-15.4%	Weekly
US Corporate AAA	9/30/24	4.24%	4.43%	-4.3%	5.30%	-20.0%	Daily
US Corporate BBB	9/30/24	4.97%	5.16%	-3.7%	6.33%	-21.5%	Daily
US Corporate CCC	9/30/24	11.63%	13.15%	-11.6%	14.03%	-17.1%	Daily
Effective Federal Funds	9/30/24	4.83%	5.33%	-9.4%	5.33%	-9.4%	Daily
U.S. Economy							
Consumer Sentiment	9/30/24	70.10	66.40	5.6%	67.80	3.4%	Monthly
Unemployment Rate	8/31/24	4.20%	4.30%	-2.3%	3.80%	10.5%	Monthly
Inflation Rate	8/31/24	2.53%	2.89%	-12.6%	3.67%	-31.0%	Monthly
Manufacturing PMI	9/30/24	47.20	46.80	0.9%	49.00	-3.7%	Monthly
Non Manufacturing PMI	8/31/24	51.50	51.40	0.2%	54.50	-5.5%	Monthly

Source: YCharts, Inc.

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Q3'24 Policy Easing Cycle Begins

Entering Q3, asset markets had been eagerly anticipating when December's verbal policy pivot by the Federal Reserve would translate into tangible action. In September, they got their wish with a jump start 50 bps rate cut, but it did not come until after a historic bout of volatility.

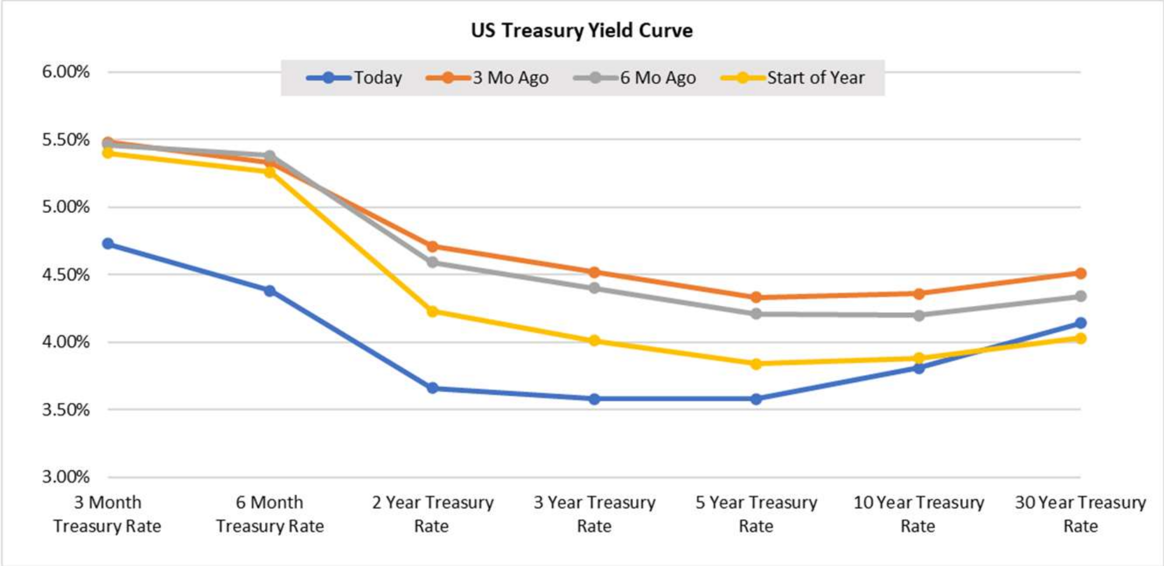
In early August, equity markets globally were jolted as the Yen strengthened slowly, then all at once as the Bank of Japan (BoJ) finally began their meager rate hiking cycle. This set off a domino effect as previously profitable trades involving borrowing in Yen, needed to be quickly unwound. Japanese equities sold off -15% over 3 days, with contagion stretching to the S&P 500, down -7.5%, and most acutely, the Russell 1000 Growth -10.5%. The VIX volatility index experienced one of its largest one-day spikes on record moving over 65 intraday.

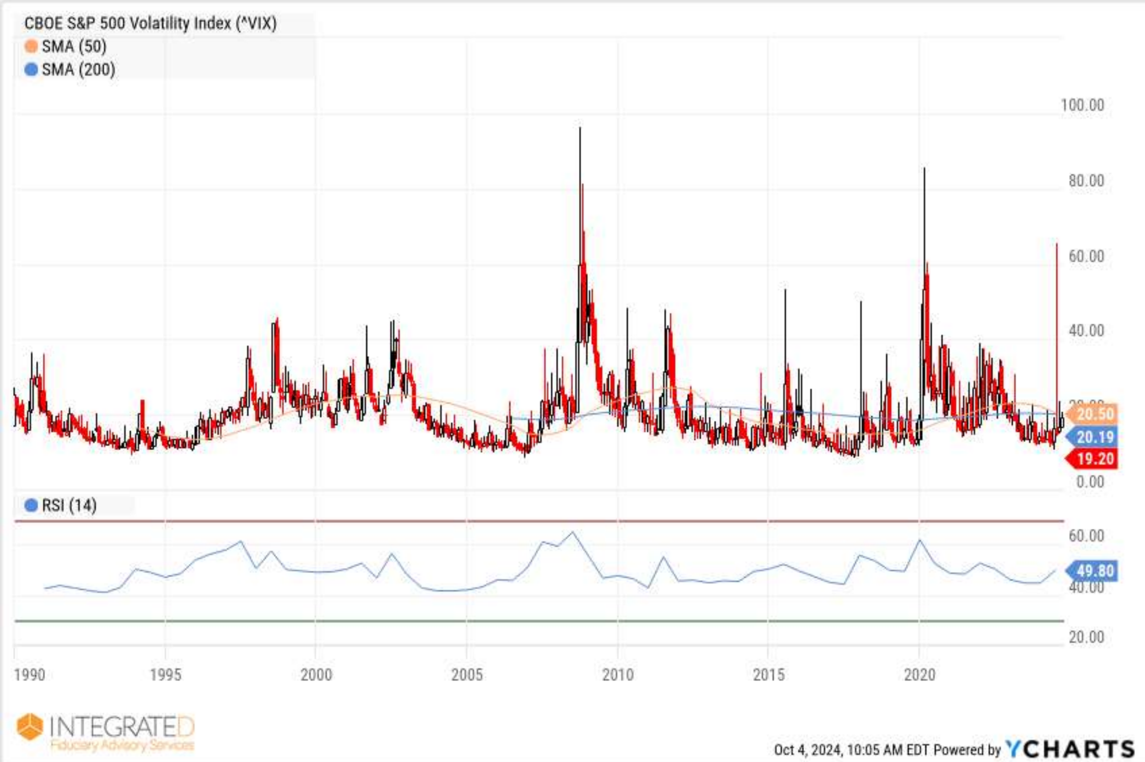
By the end of the week, it would be a distant memory. Investors were able to quickly refocus on the coming policy easing cycle as the BoJ suggested they would be quick to reverse course to combat any weakness if needed. From there the stage was set for the rest of global central banks to deliver more good news.

Outside of central bank policy, other market signals continued to deliver mixed messages throughout the quarter. Q2 earnings in rearview were a mixed bag, Q3 forward guidance as well. The one certainty that could be drawn was that slowing was not turning to imminent collapse. Inflation continued its glide path lower but remained above target. Labor market revisions continued to trend negatively, yet the overall unemployment rate and continuing claims have only picked up modestly.

Sensing this lack of definitive proof, Powell would deliver his 50 bps jump start as a "Realignment" of policy to ensure a smooth landing, or maybe even no landing at all. Rates rallied significantly over the quarter in anticipation and response, finishing at or below levels where they started the year when they had appeared to overshoot in pricing in future rate cuts.

Entering Q4, that appears to be the case again, and rates may grind modestly higher near term as markets seek equilibrium. That move will likely be capped in the near term, but the biggest risk remains that the pivot is premature. That, however, is more likely a 2025 story. Until then the liquidity backdrop and strong sentiment may prove enough to stave off more significant declines.





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