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Monthly Market Recap

June 2024

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From the Investment Committee

June was generally another strong month for U.S. equity markets. Investors embraced data points that suggested an economic soft landing and provided encouraging inflationary data, stoking belief that the Fed will start cutting rates in the second half of 2024.

For the month, the S&P 500 gained 3.59%, the Nasdaq climbed 6.03% and the Dow was up 1.22%.

The fixed income markets were positive for the month. Treasury yields moved lower, led by the belly of the curve.

In the U.S., all eyes remain on the Fed and its battle against inflation. May's headline and core CPI numbers came in slightly better than expected at 3.3% and 3.4% year-over-year growth, respectively. The Fed took these numbers in stride during their June FOMC meeting, signaling a continued higher-for-longer sentiment. Fed fund futures, the market gauge for interest rate expectations, is still pricing in two cuts for 2024 and up to four more in 2025.

Globally, central banks have begun cutting rates. The Bank of Canada and the European Central Bank both cut rates in June, joining the Swiss National Bank and Sweden's Riksbank, who reduced rates in March/June and May, respectively.

As we enter the back half of 2024, we continue to focus on inflation and future Fed policy, the health of the U.S. consumer, rising geo-political risks, and the potential economic outcomes tied to the upcoming U.S. presidential election. Because of these factors, we remain neutral in our outlook towards risk assets and advocate for a balanced approach within the confines of our clients' investment objectives.

Key Takeaways

More Rate Cuts by Global Central Banks	• The Bank of Canada and European Central Bank both cut rates in June, joining only Sweden and Switzerland's national banks in rate reductions so far this year. • The Fed concluded its June meeting by keeping rates steady at 5.25-5.50%. • The Fed reiterated that the economy continues to grow at a healthy pace, and although there has been "modest further progress" on inflation, the Fed expects rates to be higher for longer.
Inflation Cools in May	• The Core PCE rose 2.6% year-over-year in May, its lowest annual increase since March of 2021. • Both CPI (3.3%) and Core CPI (3.4%) came in lower than expected for the month of May. • Within notable index components, gasoline prices dropped 3.6% and food-related costs rose just 0.1% from the previous month.
S&P 500 Pushes Higher, Led by Mega-Cap Tech	• The S&P 500 ended June up 15.3% on a YTD basis. • This marks the 13th best start of the year since 1950. • The S&P 500 has recorded 31 new record highs this year. • The best-performing sectors within the index have been Technology, Communications, and Energy.
May Unemployment Data Comes in Mixed	• The U.S. economy added 272,000 jobs in the month of May, above consensus expectations. • The unemployment rate rose to 4%, its highest level since January of 2022. • Average hourly earnings were up 4.1% year-over-year. • The number of job openings in the economy fell to a revised 7.9 million, the lowest level in 3 years.

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Asset Class Performance

Equities

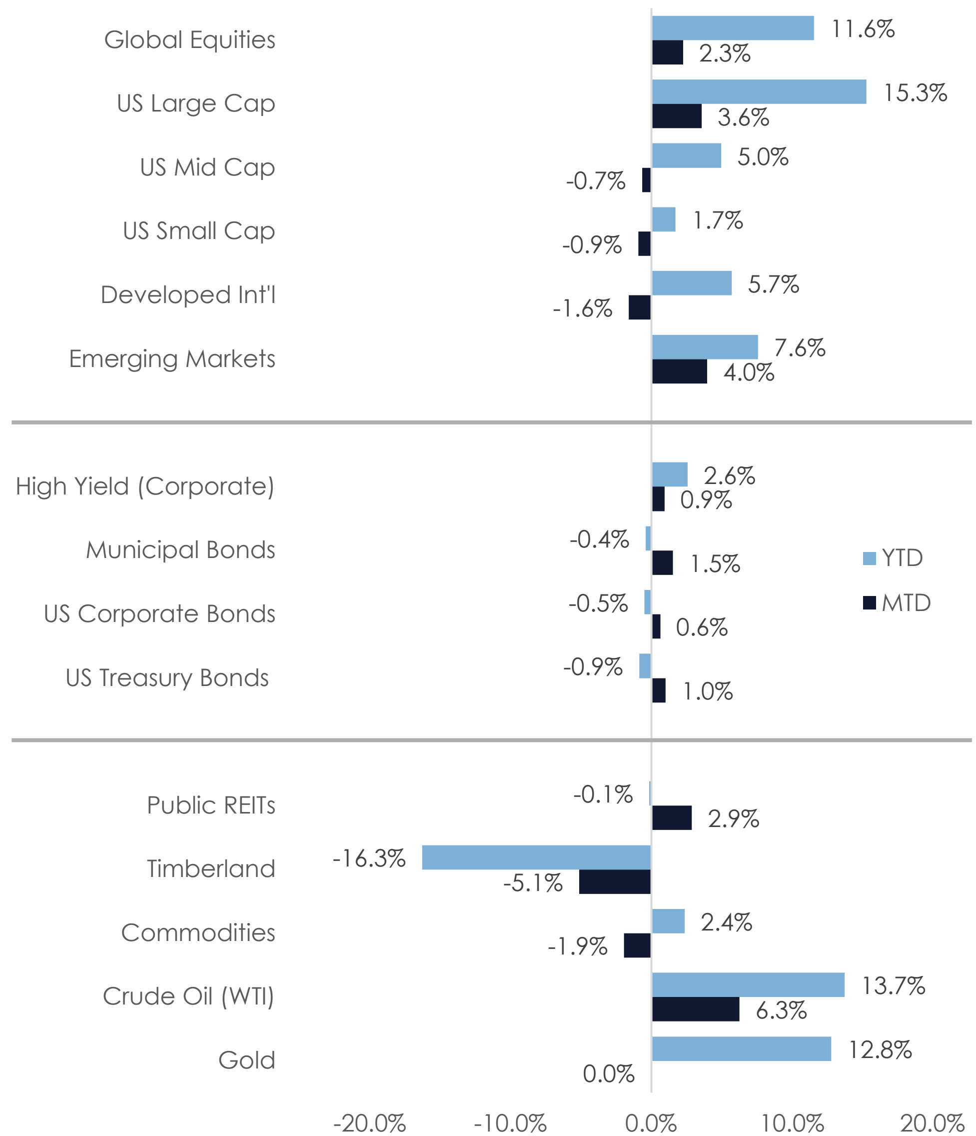
- After an impressive May, in which nearly every segment of equity markets were positive, it was back to more of the same, with relative returns highly bifurcated and led almost exclusively by U.S. large-cap growth names.
- Narrowness within the market has continued to grow, raising concerns among some investors about the market's ability to continue pushing higher without some rotation and broader participation.

Fixed Income

- Bond markets staged an impressive rally in June as economic releases signaled a slower growth environment.
- Although monthly gains were strong, they were not strong enough to negate the performance YTD.

Real Assets

- Copper's hot start to the year has been tarnished by recent losses, now down more than 15% since hitting multi-year highs in May, peaking at $5+ per pound.
- Lumber prices continued their notable decline since peaking in early March, perhaps signaling some much-needed cooling in the residential housing market.



Source: Bloomberg as of June 28, 2024.

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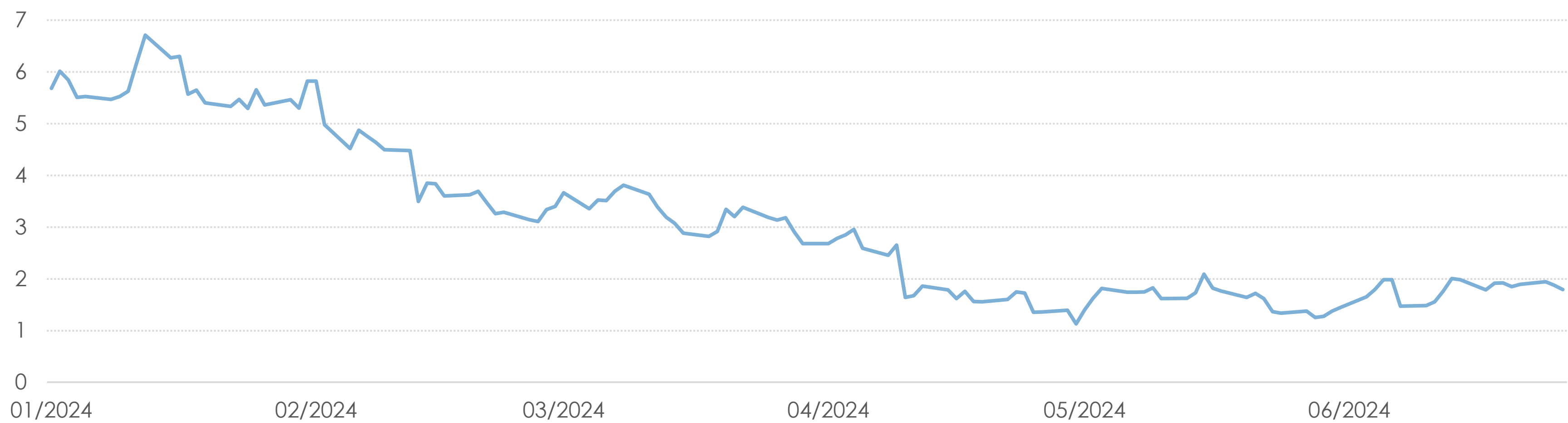
Macroeconomic Overview

	Yr End 2023 %	Recent Period %	Prior Period %	YTD Change %
GDP* (YoY Change)	3.10	2.90	3.10	(0.20)
Conference Board - LEI	(0.20)	(0.50)	(0.60)	(0.30)
Unemployment Rate	3.70	4.00	3.90	0.30
CPI (YoY Change)	3.40	3.30	3.40	(0.10)
CPI ex. Food & Energy	3.90	3.40	3.60	(0.50)
PCE	2.94	2.57	2.78	(0.37)
Effective Fed Funds Rate**	5.33	5.33	5.33	0.00
10-Year U.S. Treasury**	3.88	4.40	4.50	0.52

- ***PCE:*** Core PCE inflation came in at 2.6% YOY, in line with expectations and down from 2.8%. This likely keeps a September cut in play for the Fed.
- ***Durable Goods:*** Durable Goods Orders were down 1.2% on a YOY basis. This reinforces the idea that growth is decelerating in the U.S. We are also starting to see sell side earnings estimates drift lower.
- ***Unemployment:*** Claims for jobless benefits continue to rise. The job picture still looks relatively healthy but is deteriorating somewhat. This is to be expected as the Fed continues to try and slow down inflation.

Markets Expectations: Number of 25bp Cuts Priced In by Year-End 2024*



Source: Bloomberg as of May 31, 2024. *GDP reported quarterly. **Bloomberg as of June 28, 2024. ***Source: Bloomberg as of June 26, 2024.

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U.S. Equity Markets

	MTD %	YTD %	1 Yr %
Technology	9.32	28.24	44.39
Communications Services	4.80	26.68	45.24
S&P 500	**3.59**	**15.29**	**26.57**
Energy	(1.29)	10.93	17.75
Financials	(0.89)	10.16	27.32
Utilities	(5.51)	9.44	9.06
Consumer Staples	(0.18)	8.98	9.00
Health Care	1.91	7.81	13.59
Industrials	(0.94)	7.75	17.55
Consumer Discretionary	4.89	5.66	14.65
Materials	(3.03)	4.05	11.14
Real Estate	2.01	(2.45)	7.18

	Value	Core	Growth
Large	-2.2	3.6	8.3
Mid	-3.4	-3.3	-3.2
Small	-3.6	-3.3	-2.9

QTD (%)

	Value	Core	Growth
Large	6.6	14.2	20.7
Mid	4.5	5.0	6.0
Small	-0.9	1.7	4.4

YTD (%)

Best

- Technology: It was another month of significant outperformance led by mega-cap technology, with Microsoft, Apple and NVIDIA significantly outpacing the returns of the broader market.

- Consumer Discretionary: These names also had a strong month but were again led by mega-cap tech-oriented names like Amazon and Tesla, roughly doubling the return of the S&P 500.

Worst

- Value-oriented sectors Utilities, Materials, and Energy were June's worst performers, with each posting negative returns for the month.

- ***Market Capitalization:*** Mid- and small-cap value names experienced the worst performance in June, lagging returns on the S&P 500 by more than five full percentage points.

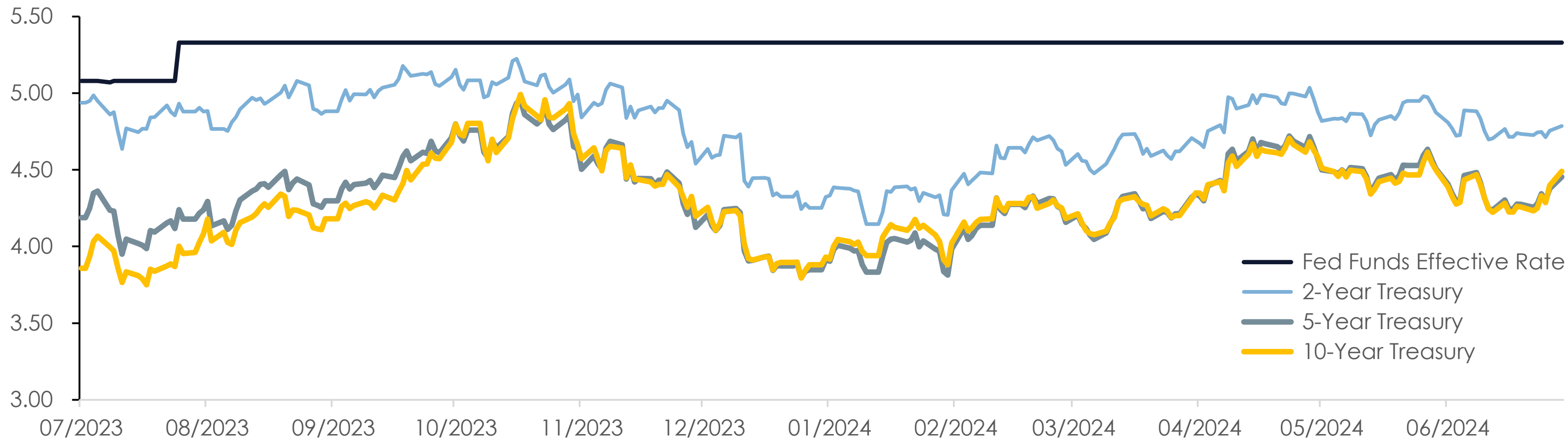
- ***Style:*** With mega-cap tech-oriented names again leading market returns, large-cap growth was unsurprisingly the best performing style segment within the market.

- Likely unnoticed by most investors, emerging market stocks were up better than 4% for the month, well ahead of developed international equities, which posted slightly negative returns.

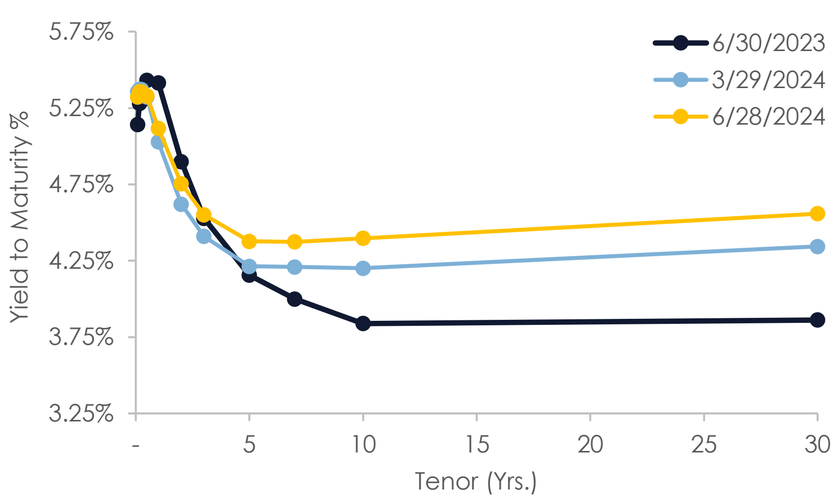
Source: Bloomberg as of June 28, 2024.

Fixed Income

Fed Funds Rate & Treasury Yields



U.S. Treasury Yield Curve



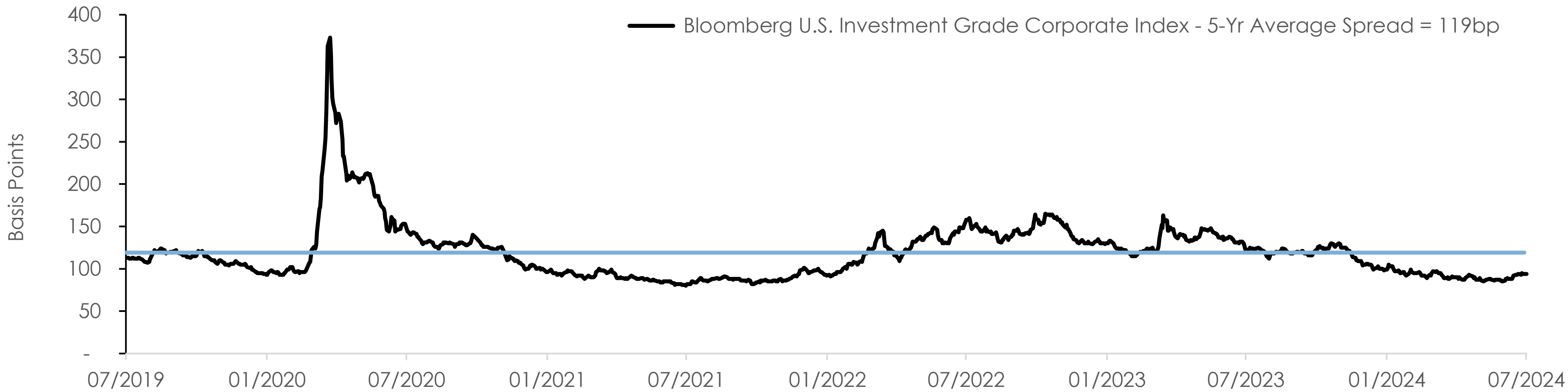
- June's FOMC meeting revealed no surprises. The Fed and markets both agree that the next move will be a cut in rates. The most recent dot plot shows a Fed looking for a single 0.25% cut, while markets keep vacillating between one and two cuts for the balance of 2024.
- In June, longer-dated Treasury yields moved lower by over 0.10% as inflationary data, jobs, retail sales, and the unemployment rate all point to a slower growth for the economy, allowing the Fed cover to begin reducing rates.
- Year-to-date yield levels for Treasuries are higher despite the rally in June, and total returns are back into positive territory thanks to the higher income levels that bonds now have to offer.

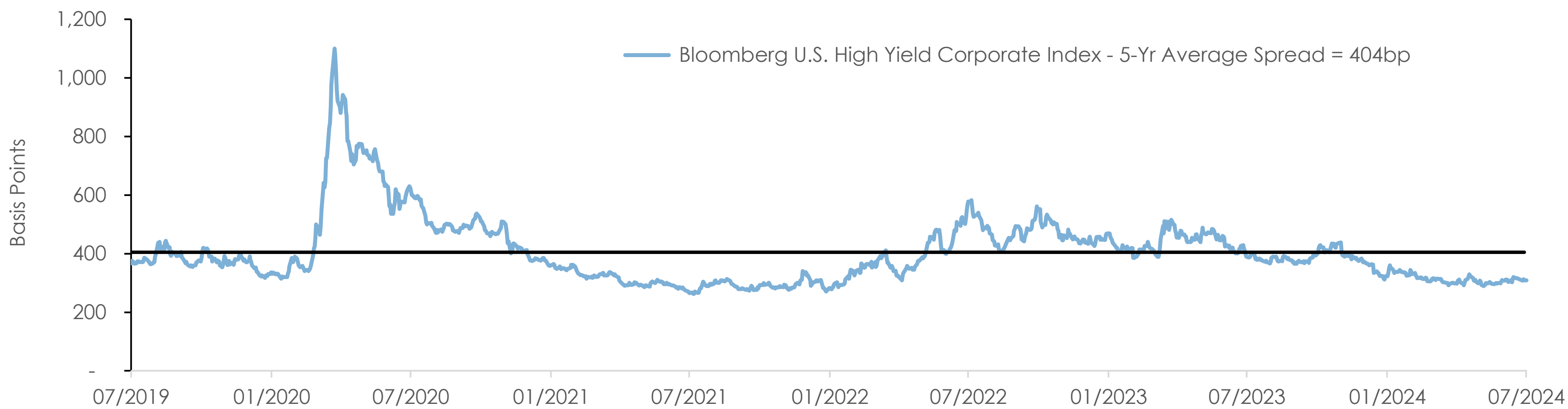
Source: Bloomberg as of June 28, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Corporate Bond Spreads

- *After reaching 3-year lows, corporate bond spreads have started to widen but remain historically tight.*
- *For investment grade bonds, the Bloomberg Corporate Bond Index was up 0.64% in June.*



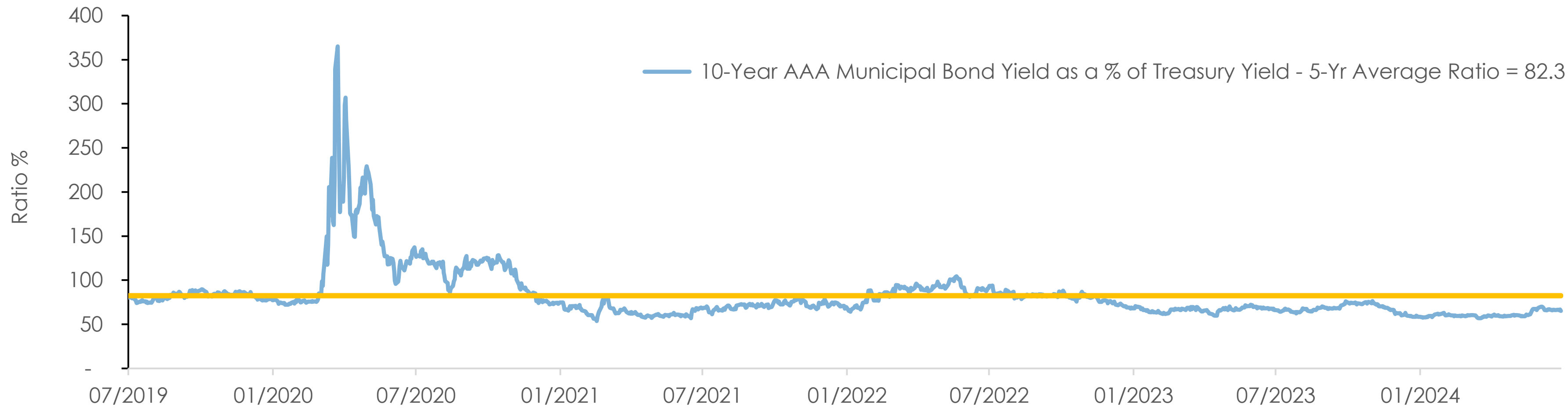


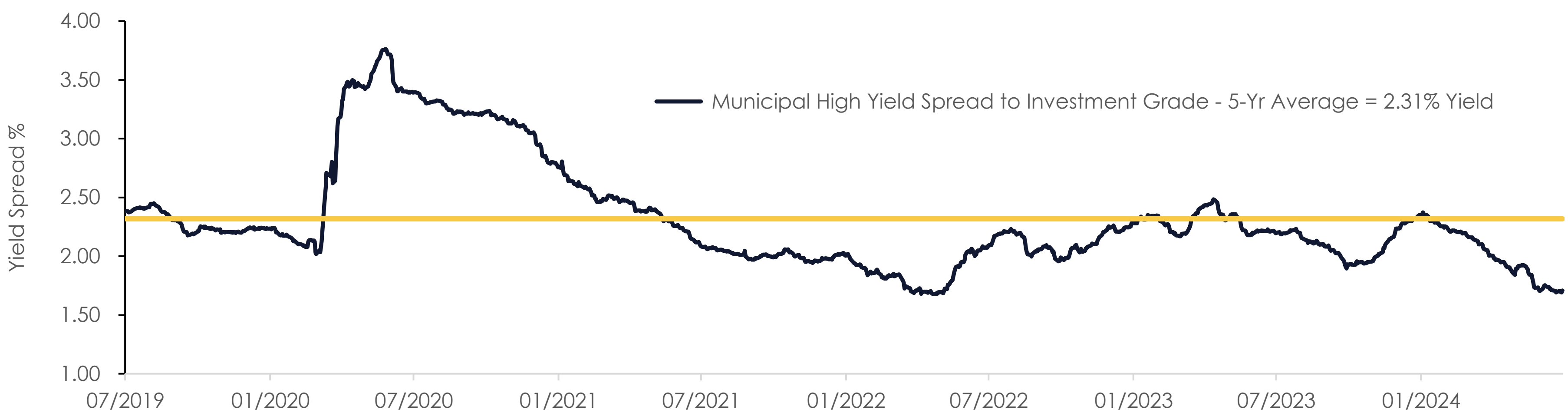
Source: Bloomberg as of June 28, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Municipal Bond Spreads

- *After reaching 3-year lows, municipal bond spreads have started to widen but remain historically tight.*
- *For investment grade bonds, the Bloomberg Municipal Bond Index was up 1.53% in June.*





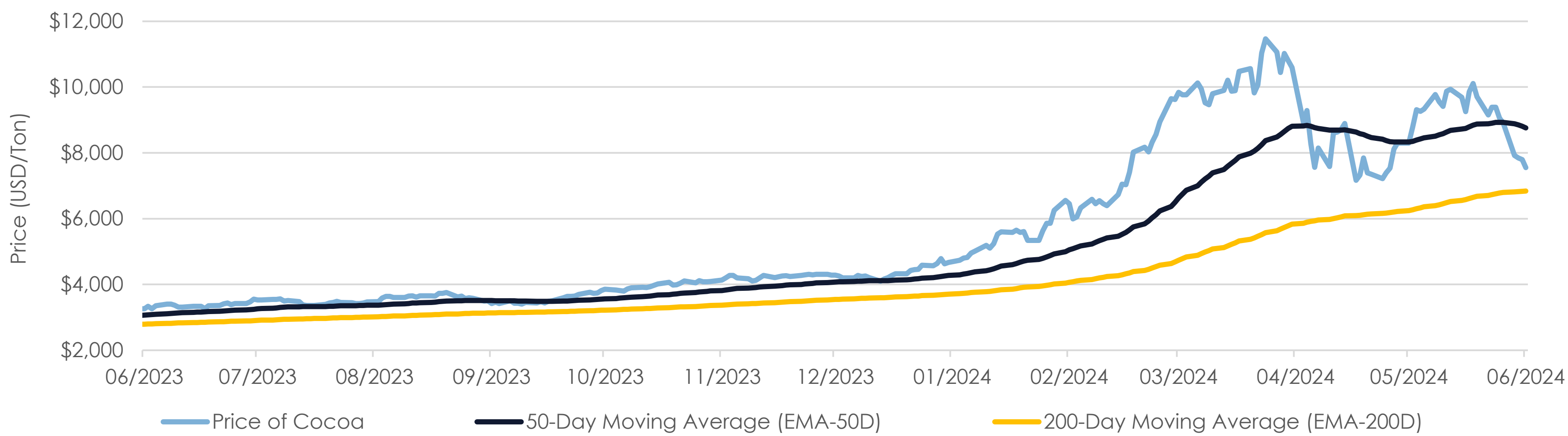
Source: Bloomberg as of June 28, 2024.

Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NARREIT	695.06	2.88%	-0.14%	9.70%
FTSE NARREIT - Timberland	145.91	-5.12%	-16.30%	-11.99%
Bloomberg Commodity Index	100.99	-1.94%	2.38%	0.66%
Crude Oil (WTI) [bbl.]	81.54	6.27%	13.74%	19.12%
Natural Gas [MMBtu]	2.60	-2.29%	-3.56%	-23.59%
Copper [lb.]	9,599.00	-4.39%	12.15%	15.44%
Gold [oz.]	2,326.75	-0.02%	12.79%	21.23%
Silver [oz.]	29.14	-4.16%	22.47%	27.96%
Bitcoin	61,904.96	-8.47%	45.63%	103.70%
Ethereum	3,416.14	-9.87%	49.68%	77.28%

- ***Summary:*** Though it was an uneventful month in the energy complex, lumber and a number of industrial metals experienced meaningful pullbacks. Cocoa also continues its gradual rollover after going parabolic to start 2024, as noted in May's Market Recap.
- ***Industrial Metals:*** There were notable monthly declines in copper, aluminum, and nickel following large runs higher into late May, while ultra-rare industrial metals palladium and rhodium remain locked into multi-year bear markets.
- ***Crypto:*** June was a rough month for major cryptocurrencies, which continue to decline since hitting multi-year highs in mid-March.

Cocoa Prices Tempered: A Closer Look at the Sugar Rush Aftermath*



Source: Bloomberg as of June 28, 2024. *Source: FactSet as of June 27, 2024.

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Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	802.01	2.26%	2.99%	11.56%	21.37%	5.81%	11.29%
U.S. Equity							
S&P 500	5,460.48	3.59%	4.28%	15.29%	26.57%	10.05%	15.01%
Russell 1000	2,974.64	3.31%	3.57%	14.23%	25.82%	8.75%	14.57%
Russell Mid Cap	3,241.22	-0.66%	-3.35%	4.96%	14.72%	2.30%	9.43%
Russell 2000	2,047.69	-0.93%	-3.28%	1.73%	11.83%	-2.77%	6.90%
International Equity							
MSCI ACWI ex US	329.38	-0.07%	1.11%	5.99%	12.83%	0.65%	6.09%
MSCI EAFE	2,314.63	-1.60%	-0.22%	5.71%	12.98%	3.01%	7.07%
MSCI Europe	171.72	-2.16%	0.95%	6.12%	13.64%	4.11%	7.80%
MSCI Japan	1,739.64	-0.67%	-4.33%	6.34%	12.93%	2.21%	7.02%
MSCI Emerging Markets	1,086.25	3.96%	5.02%	7.59%	12.68%	-4.90%	3.43%
Global Fixed Income							
Bloomberg US Corporate High Yield	2,544.05	0.94%	1.09%	2.58%	10.69%	1.70%	3.91%
Bloomberg Municipal Bond Index	1,316.52	1.53%	-0.02%	-0.40%	3.05%	-0.85%	1.16%
Bloomberg US Corporate Total Return	3,205.37	0.64%	-0.09%	-0.49%	4.44%	-2.95%	0.62%
Bloomberg US Treasury Total Return	2,257.45	1.01%	0.09%	-0.86%	1.00%	-3.20%	-0.65%
Bloomberg Global Aggregate	456.48	0.14%	-1.10%	-3.16%	0.63%	-5.53%	-2.02%
Bloomberg U.S. Aggregate	2,146.63	0.95%	0.07%	-0.71%	2.12%	-2.97%	-0.23%
Bloomberg Gov't/Credit	2,491.73	0.87%	0.05%	-0.68%	2.32%	-3.05%	-0.07%
Bloomberg High Yield Municipal Bond Index	448.70	2.45%	2.59%	4.14%	8.68%	0.19%	2.99%

Source: Bloomberg as of June 28, 2024.

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2024 Tactical Views

Asset Class	**Underweight**		**Neutral**		**Overweight**
Cash	•	•	•	●	•
Fixed Income	•	•	●	•	•
U.S. Government	•	•	•	●	•
MBS	•	•	●	•	•
Corporates	•	•	●	•	•
Municipals	•	•	•	●	•
High Yield	•	•	●	•	•
Developed Int'l	•	●	•	•	•
Emerging Markets	•	●	•	•	•
Equities	•	•	●	•	•
U.S. Large Cap	•	•	•	•	●
U.S. Mid Cap	•	•	•	●	•
U.S. Small Cap	•	•	•	●	•
Developed Int'l	•	●	•	•	•
Emerging Markets	•	●	•	•	•
Real Assets	•	•	●	•	•
Commodities	•	•	●	•	•
Timberland	•	•	●	•	•
Private Real Estate	•	•	●	•	•
Alternatives	•	•	●	•	•
Hedge Funds	•	•	●	•	•
Private Equity	•	•	•	•	●
Private Debt	•	•	●	•	•

Equity Sectors	**Underweight**		**Neutral**		**Overweight**
Energy	•	•	•	●	•
Healthcare	•	•	●	•	•
Consumer Discretionary	•	•	●	•	•
Industrials	•	•	●	•	•
Technology	•	•	•	●	•
Communications	•	•	●	•	•
Financials	●	•	•	•	•
Real Estate	●	•	•	•	•
Utilities	•	●	•	•	•
Materials	•	•	●	•	•
Consumer Staples	•	●	•	•	•

- **Fixed Income:** We have moved to slightly overweight U.S. Government Bonds. With the Fed poised to cut rates in the coming months, we recommend a slightly longer duration position but remain underweight lower credit bonds as spread levels remain too tight.

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg US Aggregate Total Return Index USD
High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg US Corporate High Yield Total Return Index USD
U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long
Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
Real Assets: S&P Real Assets
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged
U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD
U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD

U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index
U.S. All Cap: Russell 3000 Total Return Index
U.S. Large Cap: Russell 1000 Total Return Index
U.S. Small Cap: Russell 2000 Total Return Index
US Value: Russell 3000 Value Total Return Index
US Growth: Russell 3000 Growth Total Return Index
Int'l Developed All Cap: MSCI EAFE IMI Net Total Return USD Index
Int'l Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index
Int'l Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index
Int'l Developed Value: MSCI EAFE Value Net Total Return USD Index
Int'l Developed Growth: MSCI EAFE Growth Net Total Return USD Index
EM All Cap: MSCI Emerging Markets IMI Net Total Return USD Index
EM Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index
EM Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index
EM Value: MSCI Emerging Markets Value Net Total Return USD Index
EM Growth: MSCI Emerging Markets Growth Net Total Return USD Index

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Material Risks & Limitations

Fixed Income securities are subject to interest rate risks, the risk of default and liquidity risk. U.S. investors exposed to non-U.S. fixed income may also be subject to currency risk and fluctuations.

Cash may be subject to the loss of principal and over longer period of time may lose purchasing power due to inflation.

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impact by currency and/or country specific risks which may result in lower liquidity in some markets.

Real Assets can be volatile and may include asset segments that may have greater volatility than investment in traditional equity securities. Such volatility could be influenced by a myriad of factors including, but not limited to overall market volatility, changes in interest rates, political and regulatory developments, or other exogenous events like weather or natural disaster.

Private Equity involves higher risk and is suitable only for sophisticated investors. Along with traditional equity market risks, private equity investments are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility and/or the potential loss of capital.

Private Credit involves higher risk and is suitable only for sophisticated investors. These assets are subject to interest rate risks, the risk of default and limited liquidity. U.S. investors exposed to non-U.S. private credit may also be subject to currency risk and fluctuations.

Private Real Estate involves higher risk and is suitable only for sophisticated investors. Real estate assets can be volatile and may include unique risks to the asset class like leverage and/or industry, sector or geographical concentration. Declines in real estate value may take place for a number of reasons including, but are not limited to economic conditions, change in condition of the underlying property or defaults by the borrow.

Marketable Alternatives involves higher risk and is suitable only for sophisticated investors. Along with traditional market risks, marketable alternatives are also subject to higher fees, lower liquidity and the potential for leverage that may amplify volatility or the potential for loss of capital. Additionally, short selling involved certain risks including, but not limited to additional costs, and the potential for unlimited loss on certain short sale positions.

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