Monthly Market Recap

July 2024

From the Investment Committee

July was an outlier in stock market performance for the year, with the Dow Jones up about 3%, the Nasdaq down about 3% and the S&P coming in relatively flat. Looking at sector performance, July was a strong departure from the tech-dominant performance we've seen so far YTD, especially in Q2.

After spending much of the year trailing large caps, small caps accelerated over the month in anticipation of lower rates in the near term—a benefit given the tendency for higher debt burdens in the space.

The volatility index (VIX) ticked up near the end of the month, a reversal from lower levels that began in April. Interest rates moved lower for the month, with the yield on the 10-year Treasury dropping close to 4% as the inflation and employment data continue to support a September rate cut.

Q2 GDP surprised to the upside, reporting continued strong growth and a stable labor market. We are seeing early signs of overall economic weakness from data including credit card and auto loan delinquency, among other metrics. The overall consumer spending figures continue to highlight a fractured economy where upper- and middle-class consumers remain strong, while lower-class consumers continue to feel the impact of higher interest rates.

While the broader market held relatively stable, major dominoes fell in the U.S. presidential election race. It remains a bit too early for these to have sweeping effects on the market, however we will start to see adjustments as outcomes are priced in. After a month that saw an attempted assassination and the resignation of a major party candidate late in the cycle, we should expect the unexpected over the next few months. That being said, it is important for investors to stick to their long-term goals. While you will hear us weigh the effects of potential outcomes on various pockets of the market, we will emphasize that investors should be careful not to invest their politics.

With the upcoming election in Q4 and the strength of market performance YTD, volatility over the next few months should be expected. Rest assured that we are closely monitoring markets and actively evaluating portfolios.

Key Takeaways

Inflation Weakens in June	• June's CPI report showed year-over-year growth at 3.0%, the lowest read in more than 3 years. • PCE, another widely followed inflation measure, came in at year-over-year growth of just 2.5%.
Small Caps Rally Amid Market Rotation	• The Russell 2000 Index was up 11.11% for the month, which brings YTD gains to 12.06%. • July 17 featured the largest single-day outperformance of the Russell 2000 Index versus the S&P 500 in over 34 years. • In large cap markets, tech was one of two sectors with negative returns in the month of July as the market rotated into real estate, utilities and financials.
Volatility Ticks Up	• The VIX ended the month at 16.36 after hitting an intra-month high of 19.36. • This was the highest reading since April. • We are entering a seasonal period where volatility typically moves higher.
Mixed Moves by Global Central Banks	• The Bank of Japan increased their policy rate in July to 0.25%, moving closer to other central bank policy rates. • The Bank of England cut rates by 0.25% to 5.00% on August 1. • The Fed concluded its July meeting by keeping rates steady at 5.25-5.50%. • The Fed is expected to cut rates in September by at least 0.25%, followed by additional cuts in November, December and January.

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Asset Class Performance

Equities

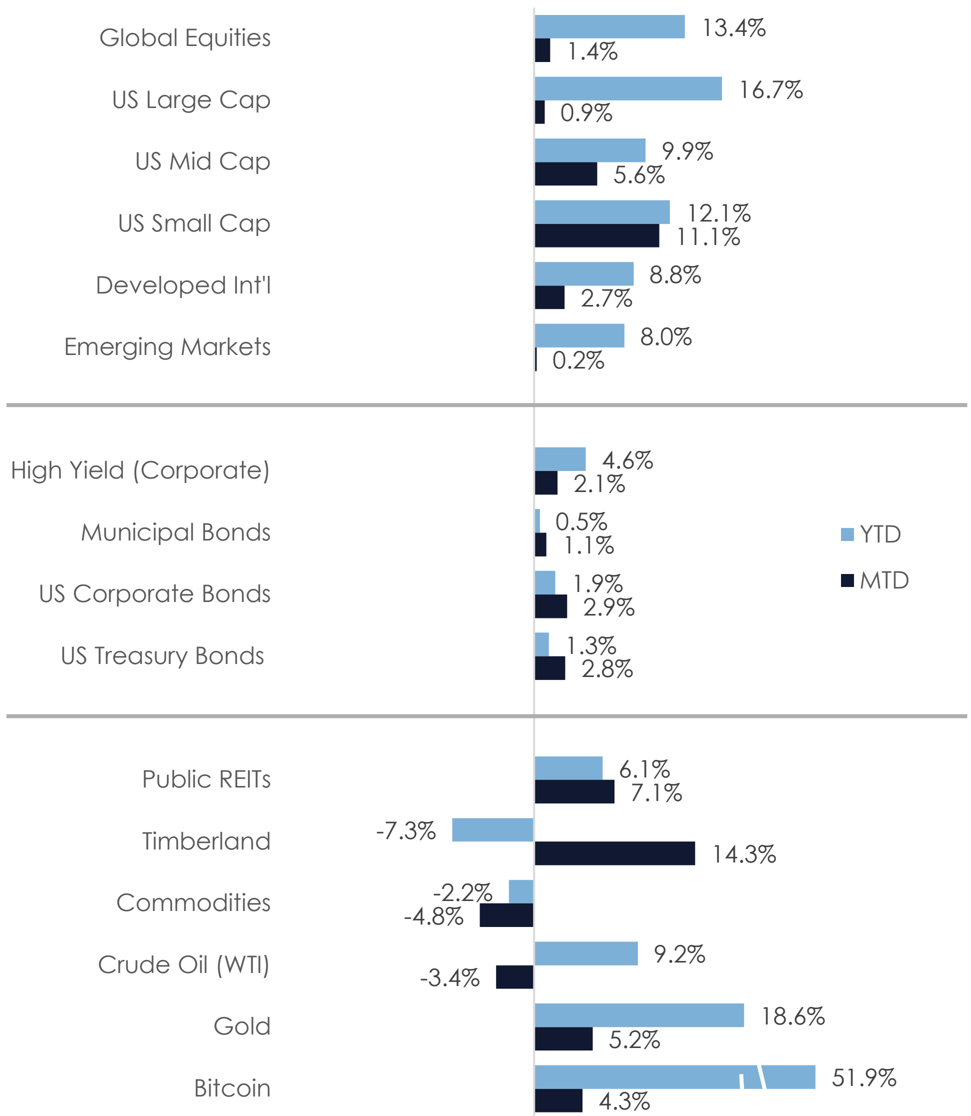
- Following the technology sector's rally during the first five months of the year, it experienced a growth of more than 19% through June. However, due to underperformance in July, the current YTD return for the sector is just above 6.5%.
- High-quality small-cap stocks rallied in July, posting a return of more than 11.5%.

Fixed Income

- Bond markets staged an impressive rally in July as economic releases signaled a slower growth environment.
- The monthly gains were strong enough to move most bond indexes into the green for the year.

Real Assets

- Public REITs were among the market's best performing stocks in July, returning better than 7% for the month, with timberland up better than 14%. Declining long-term interest rates and expectations that the Federal Reserve is about to begin a fresh easing cycle helped push REIT prices higher, as the cost of capital on new projects is set to decline.
- The broader commodity markets were quiet during July, with most of the major energy and industrial commodity components relatively unchanged.



Source: Bloomberg as of July 31, 2024.

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Macroeconomic Overview

	Year End 2023 %	Recent Period %	Prior Period %	YTD Change %
GDP* (YOY Change)	3.10	3.10	3.10	0.00
Conference Board - LEI	(0.20)	(0.20)	(0.40)	0.00
Unemployment Rate	3.70	4.10	4.00	0.40
CPI (YOY Change)	3.40	3.00	3.30	(0.40)
CPI ex. Food & Energy	3.90	3.30	3.40	(0.60)
PCE	2.94	2.63	2.62	(0.31)
Effective Fed Funds Rate	5.33	5.33	5.33	0.00
10-Year U.S. Treasury**	3.88	4.03	4.46	0.15

- ***Manufacturing:*** ISM Manufacturing PMI dropped significantly to 46.8 (versus 48.8 expected). This would indicate that purchasing activity is decreasing and hiring has slowed. Continued deterioration in this metric could indicate that the market's expected "soft landing" is an increasingly lofty outcome.

- ***Employment:*** Unemployment rate continues to drift higher. The latest jobs report, *released August 2*, reflects an unemployment rate of 4.3%, which is an increase of 0.2% over last month. Some weakness in the private sector is likely being masked by gains in the public sector.

Market-Derived Inflation Expectations*

The market expectations for future inflation has dropped, providing additional support for the Fed to begin cutting in September.

Source: Bloomberg as of June 30, 2024. *Reported quarterly; as of June 30, 2024. **As of July 31, 2024.

U.S. Equity Markets

	MTD %	YTD %	1 Yr %
Real Estate	8.22	4.59	11.79
Utilities	7.52	16.86	12.32
Financials	6.22	17.28	25.97
Industrials	6.06	13.03	17.66
Materials	5.98	8.61	9.69
Health Care	3.23	10.67	13.44
Consumer Staples	2.62	11.08	7.91
Energy	2.09	13.27	10.06
S&P 500	***0.94***	***16.69***	***22.07***
Consumer Discretionary	0.92	7.41	12.18
Technology	(3.34)	25.57	35.09
Communications Services	(4.10)	21.60	29.94

QTD (%)

	Value	Core	Growth
Large	5.1	1.5	-1.7
Mid	6.0	4.7	0.6
Small	12.2	10.2	8.2

YTD (%)

	Value	Core	Growth
Large	12.1	15.9	18.6
Mid	10.9	9.9	6.6
Small	11.2	12.1	13.0

Best

- Real Estate: After experiencing a turbulent first half of the year, the real estate sector has made a significant recovery, climbing more than eight percent on the month.
- Utilities: Value-oriented sectors, including Utilities and Materials, were among the best performers this month, a full 180 from June, when they were the largest under-performers.

Worst

- Technology: Technology was one of two sectors to post a negative return in July. Ongoing sector rotation has involved a pullback from the unprecedented mega-cap tech gains so far this year.

- ***Market Capitalization:*** Small-cap names have climbed, outperforming the S&P 500 by more than eight percent, a notable improvement from the five-percent lag in June.
- ***Style:*** The market rotation observed in July has prompted a shift in performance away from large-cap growth to small-cap value.

Source: Bloomberg as of July 31, 2024.

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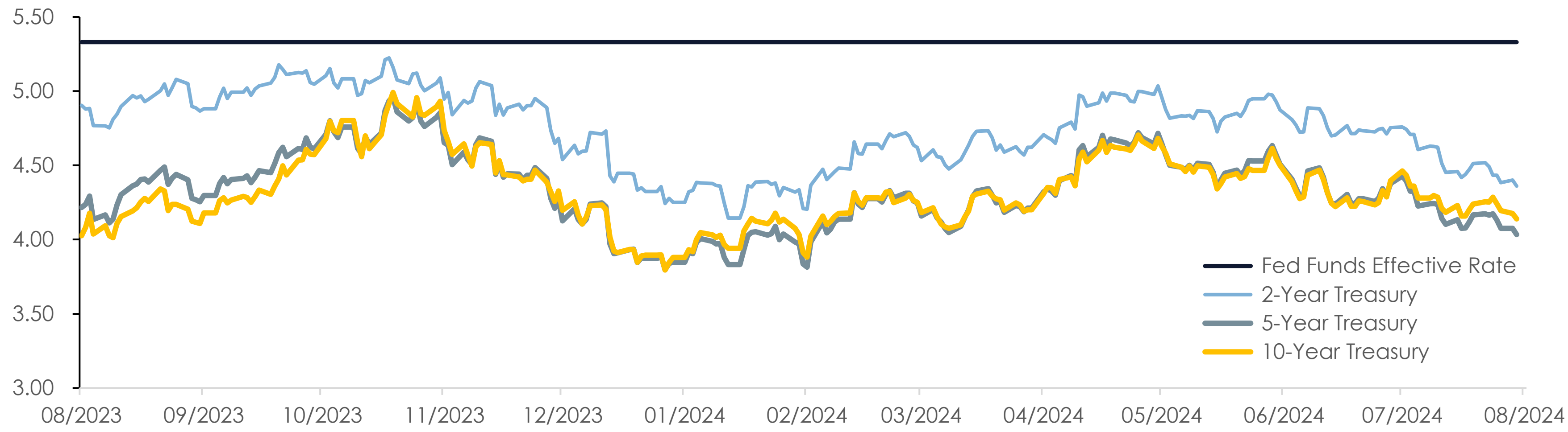
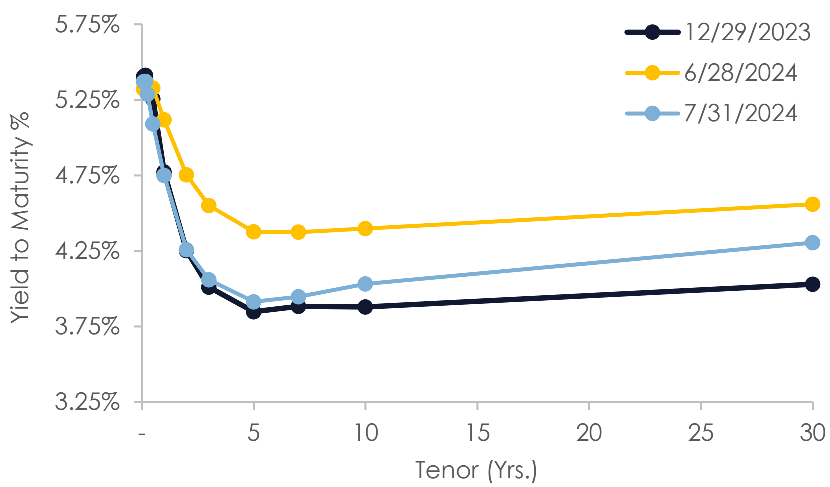
Fixed Income

Fed Funds Rate & Treasury Yields



U.S. Treasury Yield Curve



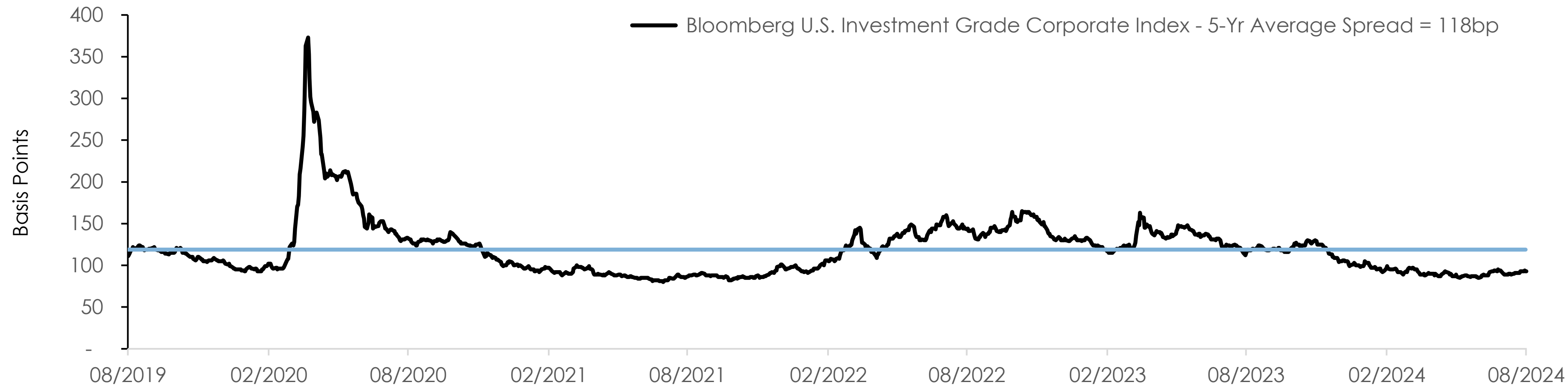
- July's FOMC meeting revealed no surprises. The Fed and markets both agree that the next move will be a cut in rates and that it will occur in September followed by cuts in November and December.
- The bond market rallied in July, with the 10-year Treasury approaching 4% at the end of the month. Rates across the Treasury curve declined dramatically, as the inflation and unemployment data pointed to a "soft landing" outcome at month-end before the employment numbers released on August 2 pushed yields even lower.
- Despite the move lower in Treasury rates for the month, year-to-date Treasury yields are mostly unchanged.

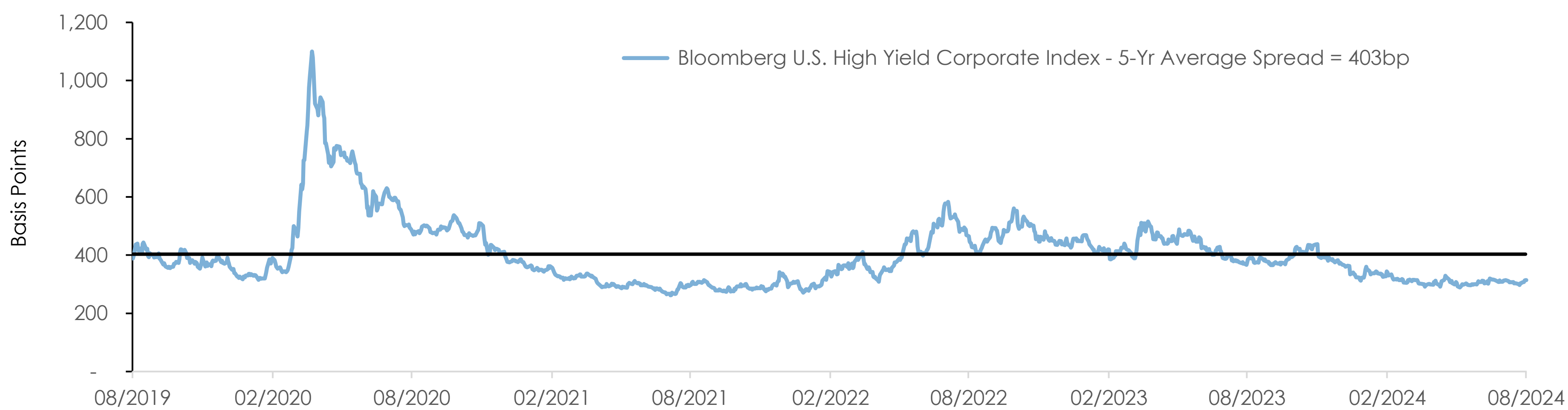
Source: Bloomberg as of July 31, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Corporate Bond Spreads

- *After reaching 3-year lows, corporate bond spreads were little changed for the month and remain historically tight.*
- *Both investment grade and high yield bonds have posted impressive returns so far this year. The Bloomberg Corporate Bond Index is up 1.89% YTD, while the Bloomberg High Yield Index is up 4.58%.*



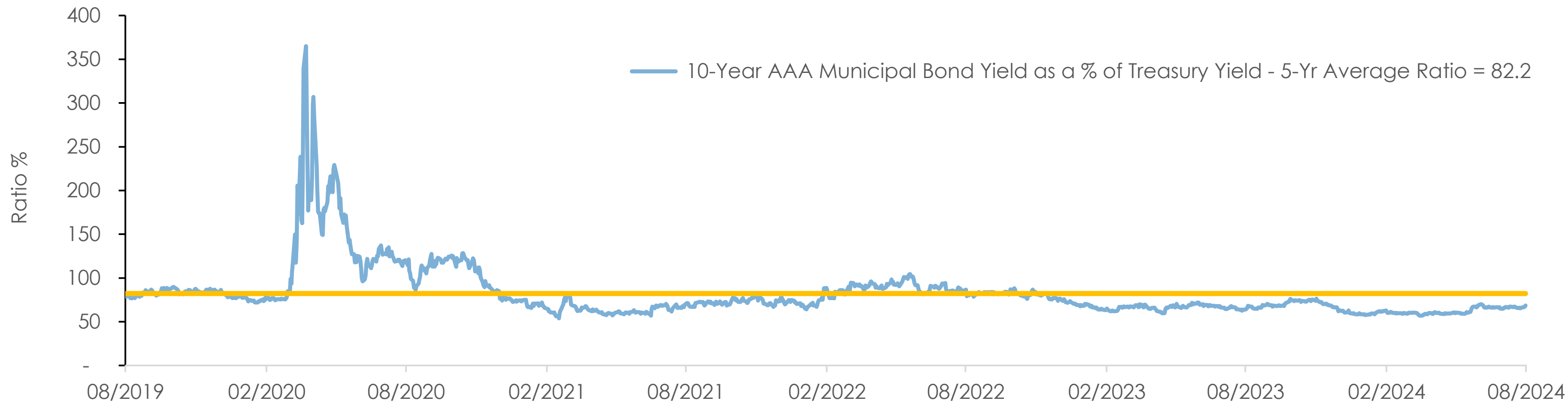


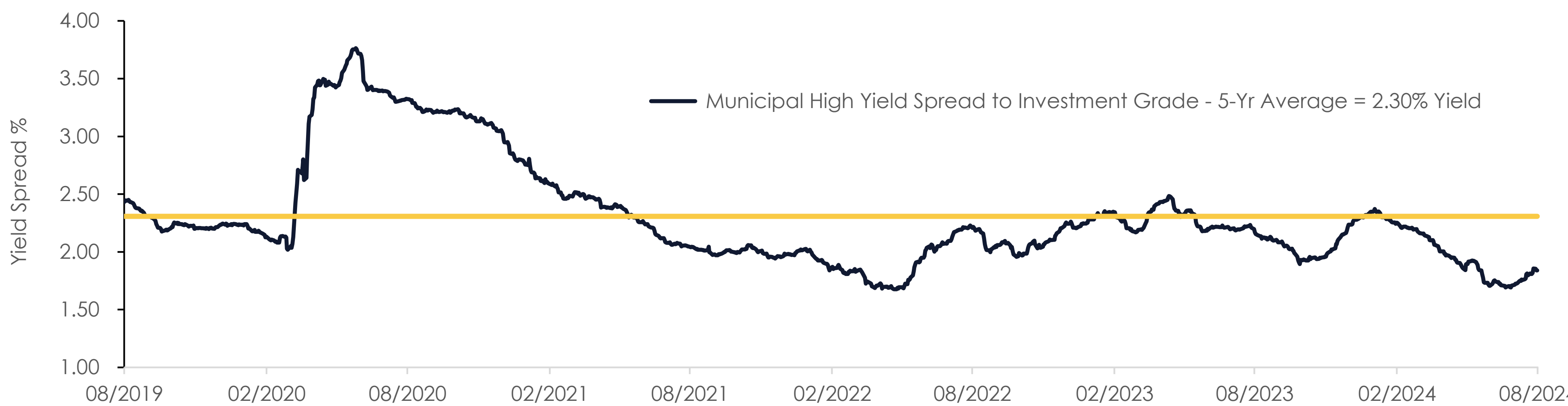
Source: Bloomberg as of July 31, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Municipal Bond Spreads

- *After reaching 3-year lows, municipal bond spreads widened for the month.*
- *While posting positive returns for the month, the year-to-date return is not as impressive as taxable bonds. The Bloomberg Municipal Bond Index was up 0.91% for the month but only 0.50% for the year.*





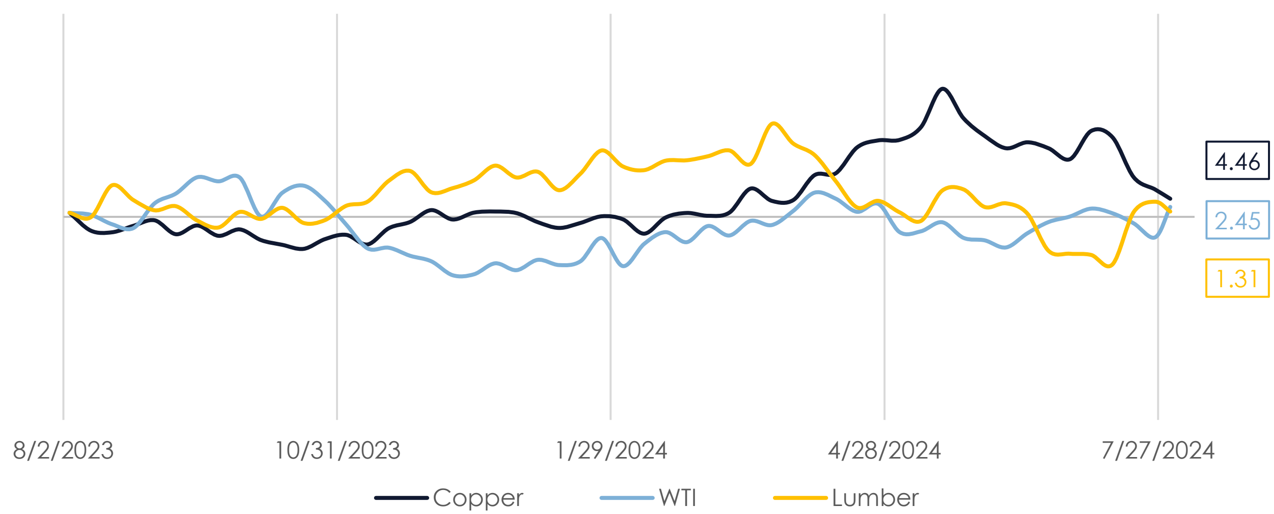
Source: Bloomberg as of July 31, 2024.

Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NAREIT	737.20	7.15%	6.08%	11.28%
FTSE NAREIT - Timberland	161.65	14.30%	-7.27%	-5.35%
Bloomberg Commodity Index	96.45	-4.81%	-2.23%	-10.12%
Crude Oil (WTI) [bbl.]	77.91	-3.39%	9.21%	2.45%
Natural Gas [MMBtu]	2.04	-21.63%	-23.80%	-39.31%
Copper [lb.]	9,225.00	-3.90%	7.78%	4.46%
Gold [oz.]	2,447.60	5.19%	18.64%	24.55%
Silver [oz.]	29.01	-0.47%	21.90%	17.21%
Bitcoin	64,559.96	4.29%	51.88%	121.04%
Ethereum	3,221.15	-5.71%	41.13%	73.81%

- ***Summary:*** While July was a rather uneventful month for much of the broader commodity space, publicly traded REITs rallied in anticipation of a long-awaited easing cycle by global central banks.
- ***REIT:*** Both U.S. and International REITs jumped meaningfully last month. Global central banks are about begin their first easing cycle in five years, which typically reduces both the cost of capital for developers and the capitalization rates for existing structures, thereby increasing property values.
- ***Broad Commodities:*** A number of major commodities experienced large run-ups into the spring and early summer but have since moderated significantly.

Major Commodities Not Fueling Inflationary Pressures



Broader commodities down 10% YOY reinforces the decline in market-derived inflation expectations, as shown in the Macroeconomic Overview graph on slide 5.

Source: Bloomberg as of July 31, 2024.

Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	814.16	1.41%	1.64%	13.40%	17.48%	6.23%	11.58%
U.S. Equity							
S&P 500	5,522.30	0.94%	1.22%	16.69%	22.07%	9.57%	14.96%
Russell 1000	3,015.48	1.24%	1.46%	15.89%	21.42%	8.49%	14.55%
Russell Mid Cap	3,391.68	5.60%	4.71%	9.91%	13.62%	3.66%	10.13%
Russell 2000	2,254.48	11.11%	10.16%	12.06%	14.18%	1.82%	8.87%
International Equity							
MSCI ACWI ex US	336.44	2.19%	2.35%	8.50%	10.19%	2.25%	6.84%
MSCI EAFE	2,381.44	2.72%	2.96%	8.84%	11.66%	4.11%	7.97%
MSCI Europe	171.72	1.64%	2.08%	8.33%	11.29%	4.52%	8.62%
MSCI Japan	1,721.42	5.59%	5.72%	12.42%	16.49%	5.03%	8.16%
MSCI Emerging Markets	1,084.77	0.23%	0.36%	8.01%	6.56%	-2.43%	3.75%
Global Fixed Income							
Bloomberg US Corporate High Yield	2,593.51	2.08%	1.94%	4.58%	11.02%	2.17%	4.20%
Bloomberg Municipal Bond Index	1,328.52	1.09%	0.91%	0.50%	3.73%	-0.86%	1.18%
Bloomberg US Corporate Total Return	3,281.77	2.93%	2.38%	1.89%	6.74%	-2.71%	0.98%
Bloomberg US Treasury Total Return	2,306.84	2.77%	2.19%	1.31%	4.12%	-2.99%	-0.20%
Bloomberg Global Aggregate	465.96	3.23%	2.76%	-0.49%	2.99%	-5.05%	-1.43%
Bloomberg U.S. Aggregate	2,196.77	2.93%	2.34%	1.61%	5.09%	-2.63%	0.19%
Bloomberg Gov't/Credit	2,547.59	2.81%	2.24%	1.55%	5.11%	-2.82%	0.35%
Bloomberg High Yield Municipal Bond Index	453.63	1.44%	1.10%	5.28%	9.36%	0.09%	3.09%

Source: Bloomberg as of July 31, 2024.

2024 Tactical Views

Asset Class	**Underweight**		**Neutral**		**Overweight**
Cash	•	•	•	●	•
Equities	•	•	●	•	•
U.S. Large Cap	•	•	•	•	●
U.S. Mid Cap	•	•	•	●	•
U.S. Small Cap	•	•	•	●	•
Developed Int'l	•	●	•	•	•
Emerging Markets	•	●	•	•	•
Fixed Income	•	•	●	•	•
U.S. Government	•	•	•	●	•
MBS	•	•	●	•	•
Corporates	•	•	●	•	•
Municipals	•	•	•	●	•
High Yield	•	•	●	•	•
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	•	●	•	•	•

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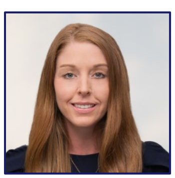

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

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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