Monthly Market Recap

September 2024

From the Investment Committee

September was another positive month for global risk assets. In the U.S., the S&P 500 closed at a new all-time high while the Nasdaq was up more than 2%. The Dow and Russell 2000 also ended the month positive.

In fixed-income markets, bonds staged an impressive rally, with shorter-maturity bonds leading Treasury yields lower. As a result, the Treasury yield curve is now positively sloped between the 2-year and the 10-year Treasury yields for the first time in more than two years—typically an indicator of an economic soft-landing.

The biggest headline in the U.S. last month came after the Federal Reserve's September meeting, when it announced a 50-basis-point interest rate cut. The cut likely marks a turning point in the Fed's dual mandate, returning to a focus on both maximum employment and price stability from a focus on the latter. The move also kicks off an easing cycle after rates have remained unchanged since last summer.

Despite heightened geopolitical risk in the Middle East, international stocks were also generally positive for the month. The best performing overseas market was China, which was buoyed by a multi-pronged stimulus package aiming to boost consumption, real estate and equity markets.

The fourth quarter is poised to be an active one for global markets. The U.S. presidential election is one month away, with polling still very tight. The Fed meets again in November and December, and market expectations are for additional rate cuts. Globally, tensions continue to rise in the Middle East, while markets wait to see if the Chinese stimulus package will provide a sustainable bounce.

Key Takeaways

Fed Cuts Rates by 0.50%	• The Federal Reserve cut the fed funds target rate by 0.50% on September 18, kicking off a monetary policy easing cycle that the markets expect to continue through 2025. • As of month-end, the fixed-income markets are pricing in an additional 0.75% of rate cuts for the rest of 2024. • While longer-term, market-derived forecasts are historically less accurate, the expectation is for an implied fed funds rate of 2.90% by year-end 2025.
Inflation Stabilizing	• Inflation continues to moderate in 2024, yet at a rate higher than before the pandemic. • The most recent monthly CPI number was reported at 2.5% annually, the lowest reading since February 2021. • Core PCE, the Fed's preferred inflation gauge, was reported at 2.7% for August, in line with consensus expectations.
Consumer Confidence Weakens	• September's Conference Board measure on consumer confidence has its biggest one-month decline since August 2021. • At that time, inflation started surging to its highest level in more than 40 years. • In the latest measure, respondents' concerns were mainly jobs and inflation.
China Announces Massive Stimulus Package	• China announced a massive stimulus package in an effort to reinflate its struggling economy and stock market. • Measures include lower short-term lending rates, lowering reserve requirements for banks, easing mortgage requirements and providing loans to incentivize corporate buybacks. • Chinese equity markets jumped higher on the news.

Asset Class Performance

Equities

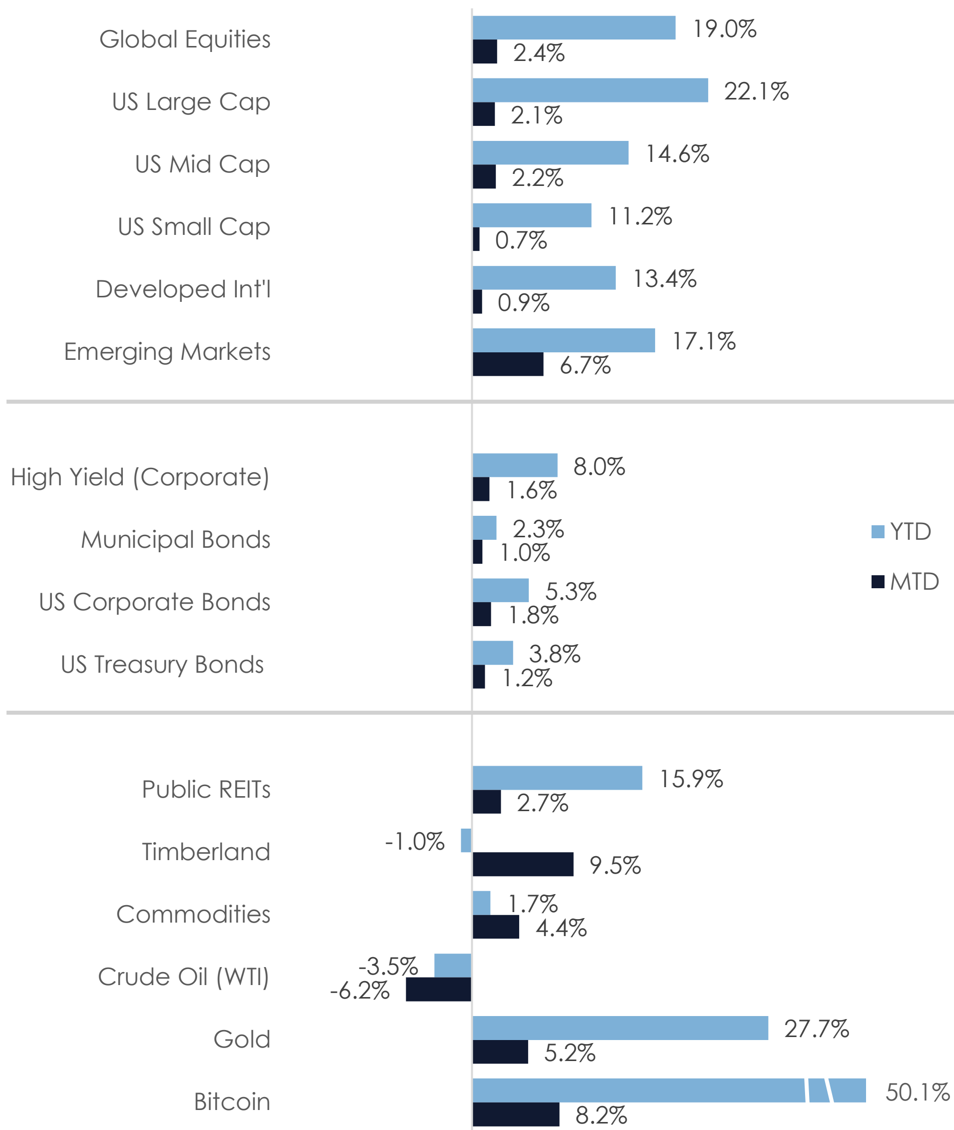
- Emerging market equities outperformed domestic markets, delivering returns 5% higher than U.S. large-caps.
- Large-cap core and both mid- and large-cap growth indexes had strong performance for the month, emerging as the only styles to outperform the broader S&P 500.

Fixed Income

- Thanks to the Fed, both taxable and tax-exempt markets staged another impressive rally in September.
- Year-to-date returns across both investment grade and high yield have been impressive.

Real Assets

- Following an uneventful August, September proved a broadly positive month for most real assets. Commodities, real estate and cryptocurrencies all jumped as the Fed began its first easing cycle since March 2020.
- Sugar prices have jumped just in time for Halloween, up more than 15% since mid-month. Drought and bushfires in Brazil, in combination with weather concerns across major sugar-producing regions of Southeast Asia and India, have markets concerned about a potential supply shortfall in early 2025.



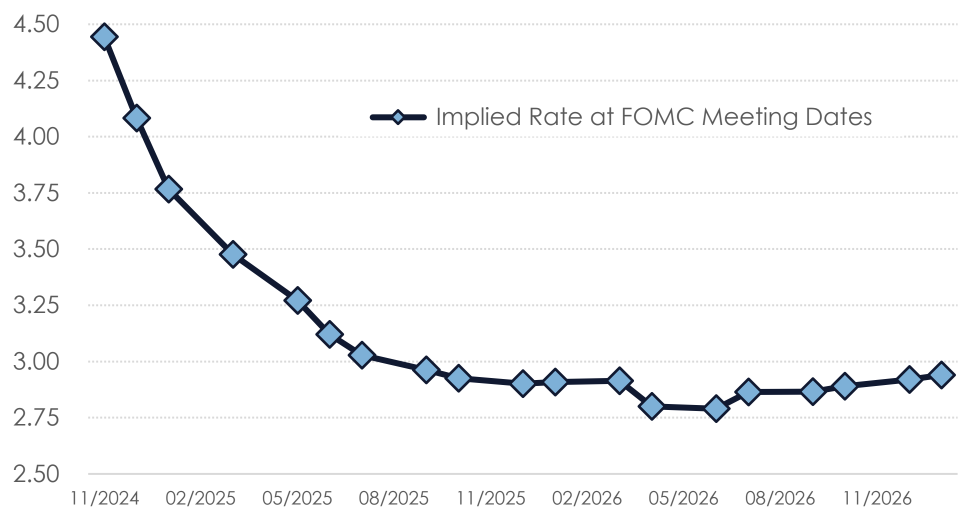
Source: Bloomberg as of September 30, 2024.

Macroeconomic Overview

	Year End 2023 %	Recent Period %	Prior Period %	YTD Change %
GDP* (YoY Change)	3.20	3.00	3.20	(0.20)
Conference Board - LEI	(0.20)	(0.20)	(0.60)	0.00
Unemployment Rate	3.70	4.20	4.30	0.50
CPI (YoY Change)	3.40	2.50	2.90	(0.90)
CPI ex. Food & Energy	3.90	3.20	3.20	(0.70)
PCE	3.04	2.68	2.65	(0.36)
Effective Fed Funds Rate**	5.33	4.83	5.33	(0.09)
10-Year U.S. Treasury**	3.88	3.78	3.90	(0.10)

- ***China:*** China has been in an economic downturn—driven largely by real estate—for several years. This, in turn, has created some drag on global demand. After all, China is the world's second largest economy.
  - The People's Bank of China recently embarked on a massive stimulus effort that has caused Chinese markets to sharply rebound from low levels.
  - While too early to tell whether this round of stimulus will cure the ailing economy, success would likely drive increased global consumption, demand and, potentially, inflation. We are watching these areas closely.

Market Expectations for the Path of Future Fed Rate Cuts? A Soft Landing.*



- Now that the Fed has begun to cut rates, what does the market expect?
  - A series of continuous rate cuts extending into 2025 towards a terminal target range of 2.75%-3.00%.
  - The possibility of another 0.50% cut during the initial stages.
  - A prolonged pause, extending more than a year after September 2025.
- ***Conclusion:*** This rate path suggests a soft landing is anticipated. If a hard landing was expected, the terminal target range would be much lower than 2.75%-3.00%.

Source: Bloomberg as of August 31, 2024. *Reported quarterly; as of June 30, 2024. **As of September 30, 2024. ***As of September 26, 2024.

U.S. Equity Markets

	MTD %	YTD %	1 Yr %
Consumer Discretionary	7.09	13.91	27.97
Utilities	6.60	30.63	41.68
Communications Services	4.63	28.81	42.78
Industrials	3.39	20.20	35.71
Real Estate	3.31	14.31	35.71
Materials	2.63	14.14	25.12
Technology	2.49	30.31	52.50
S&P 500	***2.14***	***22.08***	***36.22***
Consumer Staples	0.90	18.74	25.25
Financials	(0.55)	21.90	38.82
Health Care	(1.68)	14.35	21.62
Energy	(2.68)	8.36	0.79

QTD (%)

	Value	Core	Growth
Large	9.4	6.1	3.2
Mid	10.1	9.2	6.5
Small	10.1	9.3	8.4

YTD (%)

	Value	Core	Growth
Large	16.7	21.2	24.5
Mid	15.1	14.6	12.9
Small	9.2	11.2	13.2

Best

- ***Consumer Discretionary***: With the combination of falling rates and rising disposable incomes, consumer discretionary has posted a return of 7.3% for the month of September.

Worst

- ***Energy:*** The energy sector trailed the broader index by 5% for the month. Lower oil prices and oversupply concerns are a few of the factors impacting energy's performance.

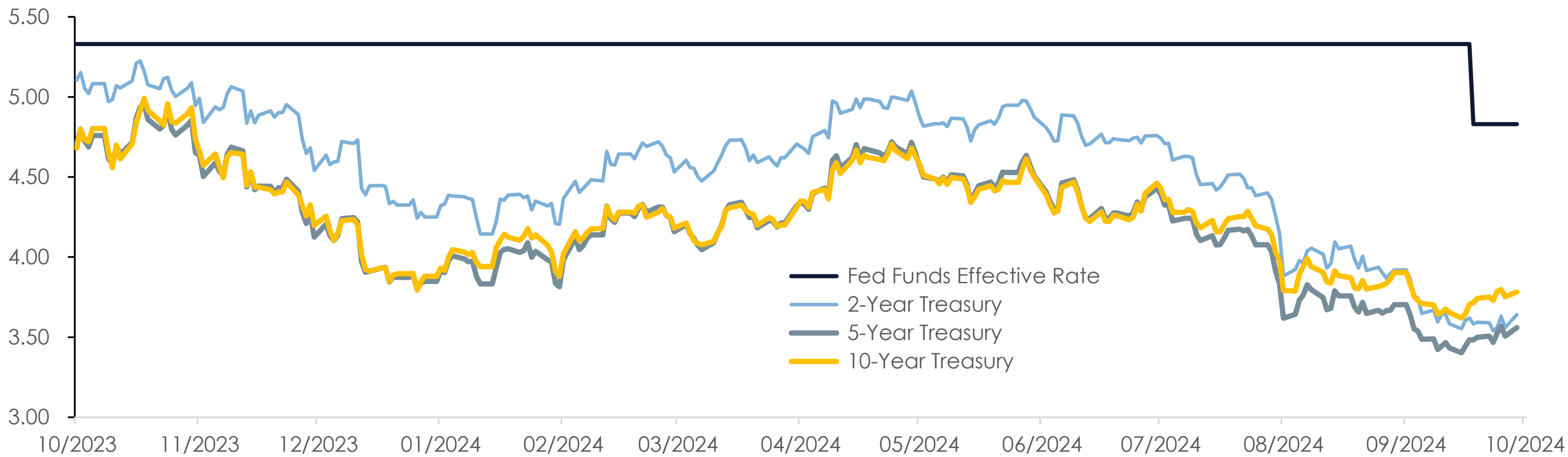
- ***Market Capitalization:*** Small-cap stocks continued to retreat relative to the S&P 500 in September as investors preferred the safety of large-cap stocks. The small-cap index posted a return of 0.84%.

- ***Style:*** Mid-cap growth stocks were once again the best performer for the month, reporting a return of 3.23%.

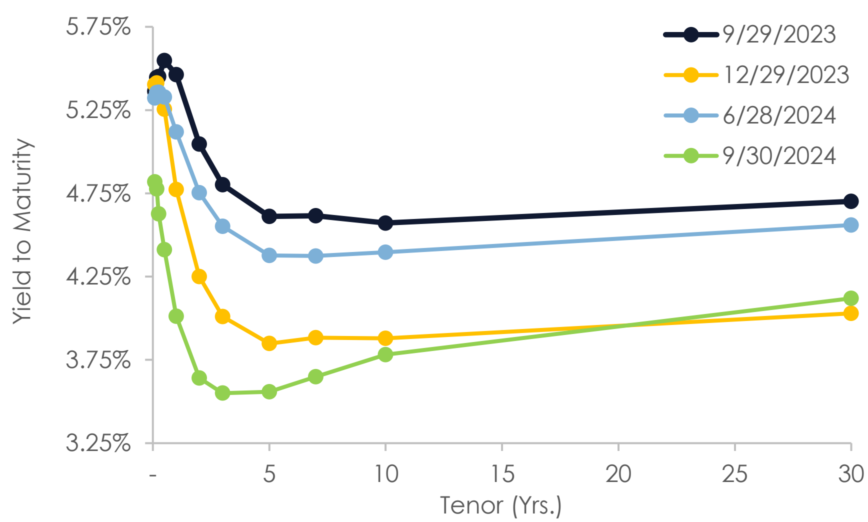
Source: Bloomberg as of September 30, 2024.

Fixed Income

Fed Funds Rate & Treasury Yields



U.S. Treasury Yield Curve



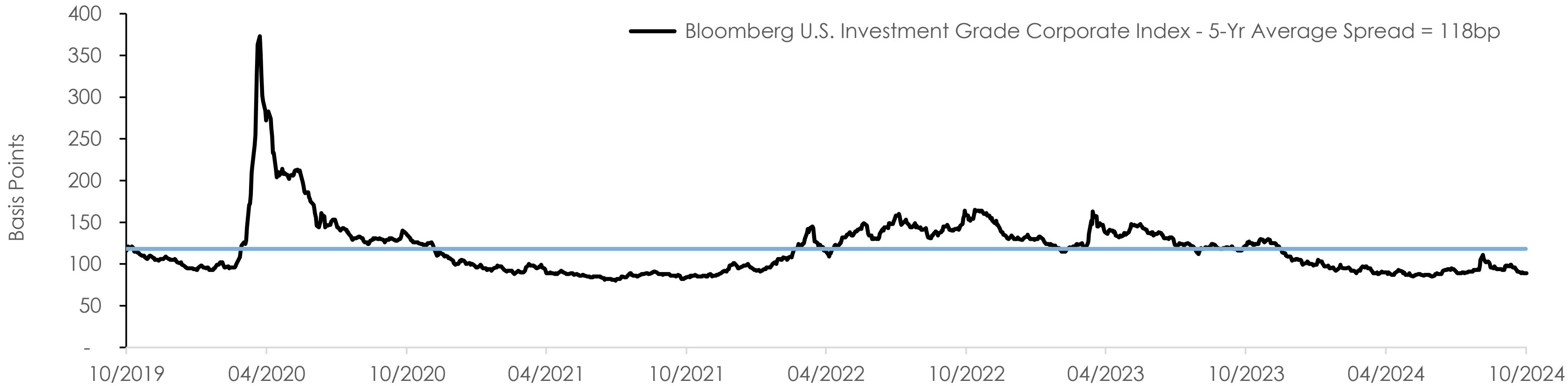
- Markets rallied in September in reaction to the 0.50% rate cut by the FOMC.
- Shorter-maturity yields declined the most, with front-end rates matching the decline in the fed funds rate. Longer-term maturities also fell but not to the extent of the shorter-maturity yields.
- The Treasury yield curve, as measured by the 2-year and 10-year yield difference, is now in positive territory for the first time since 2022. This is typically viewed as a signal that the Fed will continue to cut rates for the near-term and successfully engineer a soft landing.

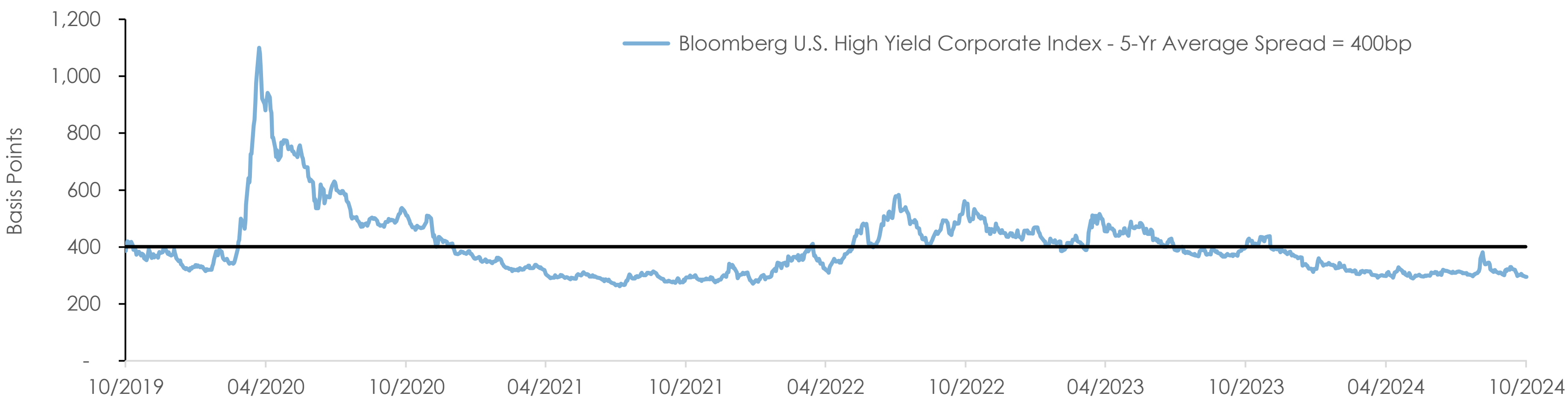
Source: Bloomberg as of September 30, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Corporate Bond Spreads

- *Corporate bond spreads have been given the "all clear" from the Fed, moving closer to year-to-date lows in reaction to the lower front-end rates.*
- *Spread levels remain significantly below long-term averages, which is an indication that corporate bonds are relatively expensive in relationship to comparable Treasuries.*



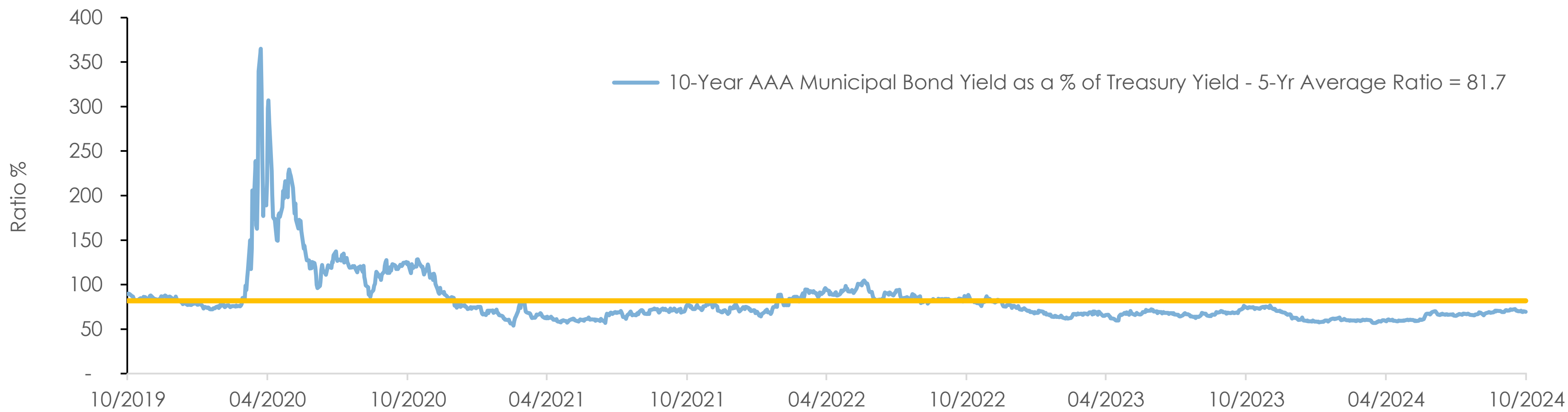


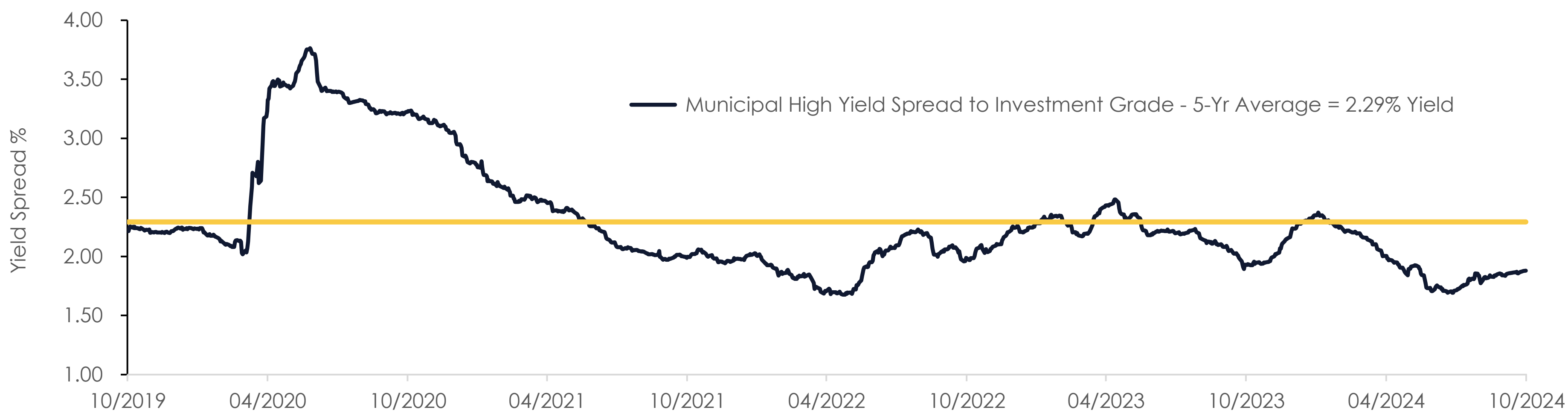
Source: Bloomberg as of September 30, 2024.

Fixed Income (cnt'd)

Investment Grade and High Yield Municipal Bond Spreads

- *Municipal bond spreads widened during most of the month as a deluge of new issuance hit the market. As new offerings subsided after the Fed's rate-cut announcement, muni ratios declined to close the month relatively unchanged.*





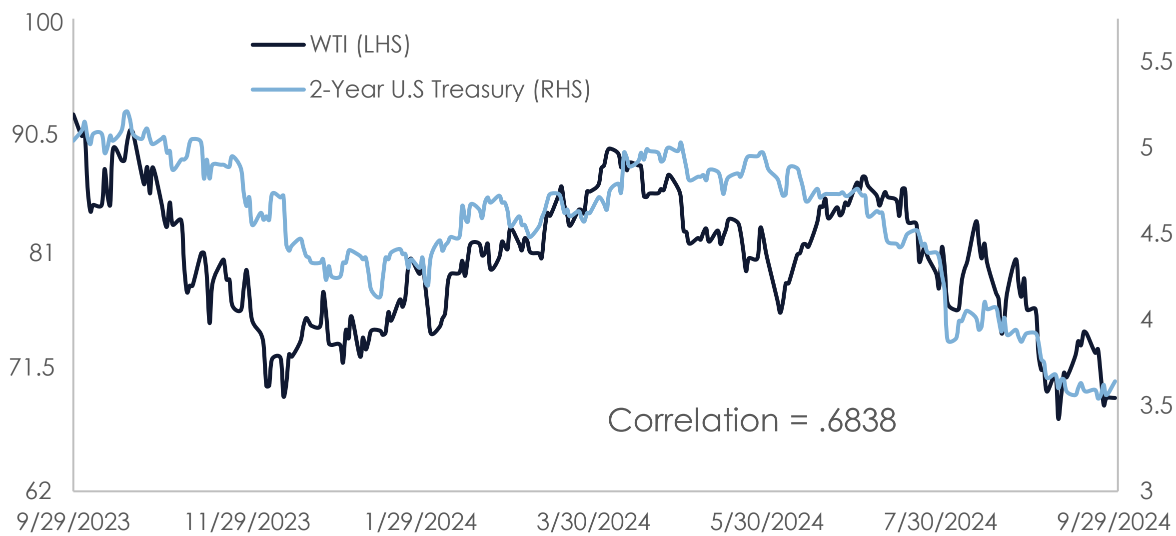
Source: Bloomberg as of September 30, 2024.

Real Assets

	Price USD	MTD %	YTD %	1 Yr %
Real Assets				
FTSE NAREIT	799.23	2.70%	15.92%	34.61%
FTSE NAREIT - Timberland	171.30	9.48%	-1.02%	13.00%
Bloomberg Commodity Index	100.34	4.43%	1.72%	-4.28%
Crude Oil (WTI) [bbl.]	68.17	-6.17%	-3.51%	-12.92%
Natural Gas [MMBtu]	2.65	33.37%	2.71%	-1.12%
Copper [lb.]	9,829.00	6.43%	14.84%	18.84%
Gold [oz.]	2,634.58	5.24%	27.71%	42.52%
Silver [oz.]	31.16	7.95%	30.95%	40.49%
Bitcoin	63,785.09	8.19%	50.05%	135.61%
Ethereum	2,613.61	4.25%	14.52%	55.54%

- ***Summary:*** September was a broadly positive month for most real assets. Interest rates and the U.S. dollar continued to decline, offering a tailwind to most commodity prices as well as the valuations of real estate investment trusts (REITs).
- ***Broad Commodities:*** Most individual commodities were up single-digits for the month, with sugar (+15%) and cocoa (-20%) being the major outliers.

"In Sync": Crude Oil and Interest Rates Now Have Relatively Strong Correlation*



- Crude oil has shown some notable weakness of late and has established a fairly tight correlation with the 2-year U.S. Treasury over the last 12 months.
- The decline in both crude and the 2-year would seem to reinforce the narrative of a potentially slowing economy heading into 2025, as well as further easing in short-term inflationary pressures.

Source: Bloomberg as of September 30, 2024. *Source: FactSet as of September 30, 2024.

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Financial Markets Performance

	Price USD	MTD %	QTD %	YTD %	1 Yr %	3 Yr %	5 Yr %
Global Equity							
MSCI ACWI	851.78	2.35%	6.71%	19.05%	32.21%	8.56%	12.72%
U.S. Equity							
S&P 500	5,762.48	2.14%	5.89%	22.08%	36.22%	11.88%	15.94%
Russell 1000	3,145.06	2.14%	6.08%	21.18%	35.55%	10.80%	15.61%
Russell Mid Cap	3,525.36	2.23%	9.21%	14.63%	29.21%	5.72%	11.26%
Russell 2000	2,229.97	0.70%	9.27%	11.16%	26.66%	1.81%	9.34%
International Equity							
MSCI ACWI ex US	353.62	2.71%	8.13%	14.62%	25.78%	4.59%	8.14%
MSCI EAFE	2,468.66	0.94%	7.31%	13.44%	25.22%	5.95%	8.81%
MSCI Europe	175.15	0.46%	6.53%	13.05%	25.83%	7.26%	9.50%
MSCI Japan	1,622.43	-0.17%	5.69%	12.40%	21.80%	2.93%	7.50%
MSCI Emerging Markets	1,170.85	6.67%	8.81%	17.11%	26.29%	0.71%	6.09%
Global Fixed Income							
Bloomberg US Corporate High Yield	2,678.46	1.62%	5.28%	8.00%	15.70%	3.10%	4.71%
Bloomberg Municipal Bond Index	1,352.23	0.99%	2.71%	2.30%	10.34%	0.09%	1.38%
Bloomberg US Corporate Total Return	3,392.48	1.77%	5.84%	5.32%	14.24%	-1.18%	1.16%
Bloomberg US Treasury Total Return	2,364.44	1.20%	4.74%	3.84%	9.69%	-1.78%	-0.20%
Bloomberg Global Aggregate	489.21	1.70%	6.98%	3.60%	11.95%	-3.05%	-0.83%
Bloomberg U.S. Aggregate	2,258.17	1.34%	5.20%	4.45%	11.54%	-1.39%	0.33%
Bloomberg Gov't/Credit	2,618.85	1.40%	5.10%	4.39%	11.28%	-1.50%	0.41%
Bloomberg High Yield Municipal Bond Index	463.10	0.90%	3.21%	7.48%	17.33%	1.05%	3.07%

Source: Bloomberg as of September 30, 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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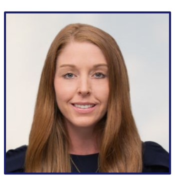

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

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

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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