2024 3RD QUARTER
Economic and Financial Market Commentary

The U.S. economy is diversified and remains resilient, recently entering its fourth year of expansion. There are signs, however, of economic deceleration with consumer concerns rising due to the impact of higher interest rates and increased utilization of debt to finance spending. With some moderation in the labor market, the Federal Reserve's dual mandate of maximum employment and price stability may become difficult to achieve.

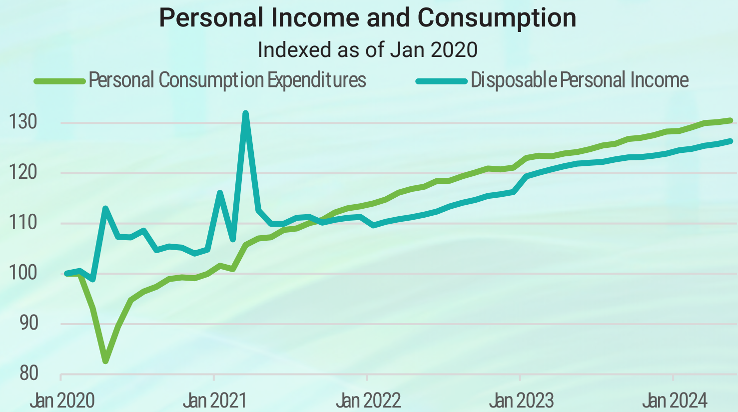
Economy (page 1)
- Consumption and Income: Spending is increasingly financed by debt.
- Labor Market: Unemployment is rising with further moderation possible.

Investments (page 2)
- Earnings and Valuations: Market concentration is elevated with U.S. large-caps pricey.
- Investment Strategy: Trimming equities, adding to bonds and alternatives.

Consumption and Income

Consumer spending continues to be a primary driver of U.S. economic activity. The outlook for consumption is mainly dependent on trends in consumer net worth, income levels and confidence. On the positive side, household net worth grew at 9.2% in the first quarter[1] as individuals benefited from the rising stock market and increased housing prices. Disposable personal income, which is defined as the income available to individuals after taxes, remained positive at +3.7% in May.[2] Data on consumer confidence[3] indicate individuals are confident of current business and labor market conditions, but less positive about expectations of future economic activity.

We believe there is a growing bifurcation of the economy due to persistent inflation and the impact of higher interest rates. High prices on many items have endured, which means that many Americans continue to face affordability challenges on goods and services. The "Personal Income and Consumption" graph highlights that consumer spending outpaced income for the last 2½ years. With the personal savings rate at low levels, the gap in income and consumption indicates that individuals are using credit card debt to finance spending. Credit card delinquencies continue to rise, indicating stress at lower income levels.



Source: U.S. Bureau of Economic Analysis; Data as of May 2024

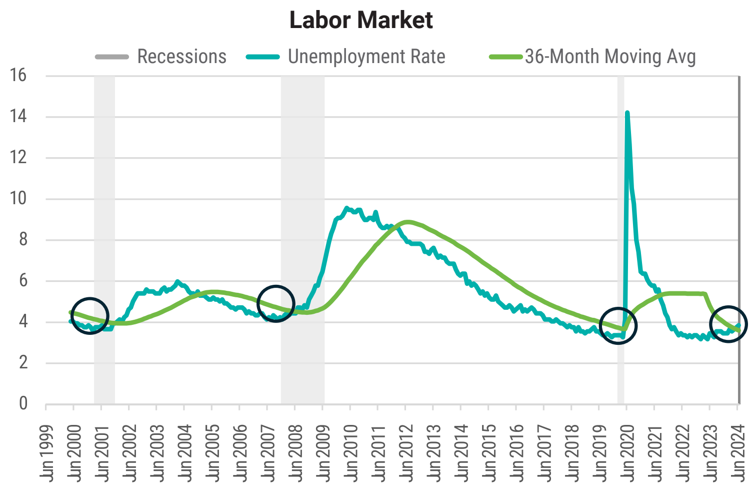
Labor Market

There are signs of moderation in the labor market with unemployment claims modestly higher and the unemployment rate at 4.1%, up from 3.4%. Jobs are being created, but employment growth has narrowed across industries and is currently being led by industries less cyclically sensitive, such as government and health care. Other labor market indicators[4] confirm a cooling market, including a decline in job openings, a falling quit rate and a deceleration in wages. Employment growth has also been concentrated in part-time workers.

The "Labor Market" chart shows that it's not just the level of unemployment, but the rate of change in recessionary environments. When people lose their jobs, they spend less money. This puts pressure on companies to lay off employees, creating a downward economic cycle. As shown, the tipping point in the last three recessions occurred when the unemployment rate crossed above the 36-month moving average. This indicator recently transpired in May.

Higher interest rates and rising home prices are limiting the level of sales in residential real estate, creating historically low affordability. With the current 30-year mortgage rate of 7.0% and an average rate on existing mortgages slightly above 4.0%,[5] U.S. homeowners are staying in their current houses. The high level of interest rates is also slowing new home construction.

As a result of the moderation in the labor market and the slowdown in industries like housing, we could potentially see a change in Federal Reserve policy. The key to the Fed reducing interest rates later this year remains inflation moving closer to the 2% target.



Source: U.S. Bureau of Labor Statistics; Data as of June 2024

Market Return Data as of June 30, 2024

Asset Class	Index	Total Return 3 Month (%)	Total Return YTD (%)	Total Return 1 Year (%)	Annualized 3 Year (%)	Annualized 5 Year (%)
Global Equities:	Diversified Equity Benchmark[6]	2.58%	11.26%	19.97%	6.09	11.86
Domestic Equities:	S&P 500 (Large-cap)	4.28%	15.29%	24.56%	10.01	15.05
	Russell 2000 (Small-cap)	-3.28%	1.73%	10.06%	-2.58	6.94
International Equities:	MSCI EAFE (Developed)	-0.42%	5.34%	11.54%	2.89	6.46
	MSCI Emerging Markets	5.00%	7.49%	12.55%	-5.07	3.10
Fixed Income:	Barclays Intermediate U.S. Gov't/Credit	0.64%	0.49%	4.19%	-1.18	0.71
	Barclays Municipal Short-Intermediate 1-10 Years	-0.31%	-0.67%	2.31%	-0.31	0.97

Source: Morningstar Direct; Data as of June 30, 2024

Equity Earnings and Valuations

The stock market surged in the first half of 2024 with the S&P 500 up 14.5% and the index reaching 31 all-time highs.[7] Like 2023, the primary driver of returns were the mega-cap technology companies and excitement around artificial intelligence (AI). We characterize stock market interest in AI as part hype and part fundamental. The "U.S. Earnings Growth" graph illustrates that five of the largest AI-related companies generated profit growth well above the rest of the index. Historical earnings and forecasted profits show a premium in growth, justifying their higher valuations and returns.

We believe improved market breadth is critical for further equity returns. As shown, the earnings gap between the five stocks and the rest of the market is expected to shrink as we move through the rest of 2024 and into 2025. If the rest of the market does experience a profit rebound, broader participation in equities may occur.

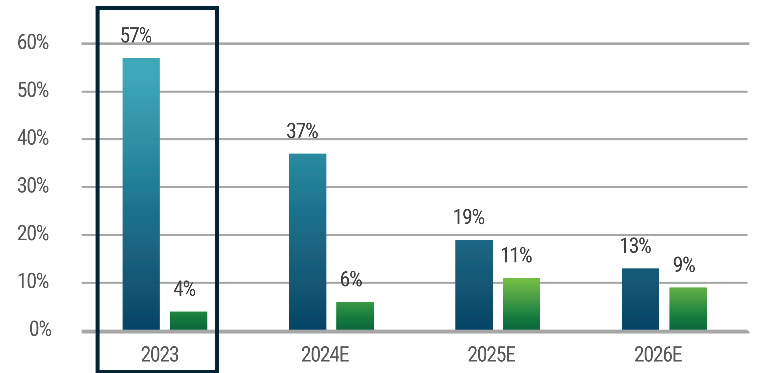
Market concentration continues to increase with the top 10 stocks in the S&P 500 reaching 37.0% of index at the end of June,[8] the highest in history. The enthusiasm around AI shows that these 10 stocks have a price-to-earnings (P/E) ratio of 30.3x,[9] a significant premium to the overall market. As highlighted in the "Global Equity Valuations" table, U.S. large-cap equities is the only equity asset class considered expensive relative to historical averages. U.S. small- and mid-cap companies trade at a discount, and international equity valuations, both developed and emerging, are close to average. The key to unlocking outperformance in these areas is likely a change in Federal Reserve policy. A reduction in interest rates would provide relief to smaller companies reliant on variable rate debt and potentially weaken the U.S. dollar, boosting international returns.

Investment Strategy

Relative to equities, there is value in fixed income as yields are attractive and there are limited signs of credit stress. The Barclay's Intermediate U.S. Government/ Credit Index yield-to-maturity is 4.82%,[10] well above the yield over the last 10 years. As a result of the relative valuation discount, we recently trimmed U.S. large-cap equities and added to core bonds. Within fixed income, our team is finding value in mortgage-backed and asset-backed securities.

Alternative Investments (ALTs) benefit from high short-term interest rates and provide diversification when markets become more volatile. We have increased our exposure to ALTs and expect they will continue to be an integral part of portfolio construction.

U.S Earnings Growth



Source: Goldman Sachs; Data as of May 2024

Global Equity Valuations

Equities	Current P/E	15 Year Avg P/E	P/E Premium
U.S. Composite	**20.3**	**16.3**	**25.2%**
U.S. Large-Cap	21.0	16.3	29.1%
U.S. Mid-Cap	15.1	15.9	-5.1%
U.S. Small-Cap	13.9	16.6	-16.0%
International Developed	**14.0**	**13.6**	**2.6%**
International Emerging	**12.4**	**11.7**	**5.5%**

Source: FactSet; Data as of July 1, 2024

Please see important disclosures on the following page.

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Sources:
1. Board of Governors of the Federal Reserve System; Q1 2024
2. U.S. Bureau of Economic Analysis; May 2024
3. Visa Business and Economic Insights; July 2024
4. U.S. Bureau of Labor Statistics; May 2024
5. Evercore ISI Macro Note; June 26, 2024
6. Benchmark consists of Russell 3000 (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)
7. Yahoo Finance "Stocks surged. What's next"; July 1, 2024
8. JP Morgan Guide to the Markets; June 30, 2024
9. JP Morgan Guide to the Market; June 30, 2024
10. Barclay's BarCap Indices; June 2024

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Index Definitions:
Indexes shown are market indicators and are for comparative purposes only. They are not mean to represent any actual investment. Indexes are unmanaged and cannot be invested in directly. Securities indexes assume reinvestment of all dividends and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index.

Barclays Global Intermediate: This index measures global investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Barclays Intermediate US Government/Credit Index: The index is a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

Barclays Municipal Short-Intermediate 1-10 Years: Index that measures the performance of US municipal bonds with time to maturity of between one and ten years.

MSCI EAFE - Developed International: This index reflects the performance of small- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and lists 926 stocks from 21 countries in the EAFE.

MSCI Emerging Market: An index used to measure equity market performance in global emerging markets, consisting of 23 economies including Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Russell Indices: The Russell 3000 is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S. traded stocks which represent about 98% of all U.S. incorporated equity securities. The Russell 2000 index measures the performance of approximately 2,000 of the smallest companies in the Russell 3000 index.

S&P Indices: The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. Other popular indices include the S&P MidCap 400, which represents the mid-cap range of companies and the S&P SmallCap 600, which represents small-cap companies. The S&P 1000 is a combination of the S&P 400 and 600, representing the small and mid-cap market. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 combine to create a U.S. all-capitalization index known as the S&P Composite 1500.

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Sectors: Strategies that invest primarily in securities of companies in one industry or sector are subject to greater price fluctuations and volatility than strategies that invest in a more broadly diversified strategies. The Strategy may have over-weighted sector and issuer positions and may result in greater volatility and risk. Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

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U.S. government bonds and Treasury bills are guaranteed by the federal government and, if held to maturity, offer fixed rates of return and guaranteed principal. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term obligations of the U.S. government.

Alternative investments can result in higher loss potential and are sensitive to changes in economic conditions or other circumstances. International investing involves special risks, such as currency fluctuations, different financial accounting and reporting standards, and potential political or economic volatility. Investing in emerging markets can be riskier than investing in well-established foreign markets.

Asset Allocation or Diversification: Asset Allocation/Diversification of your overall investment portfolio does not assure a profit or protect against a loss in declining markets.

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