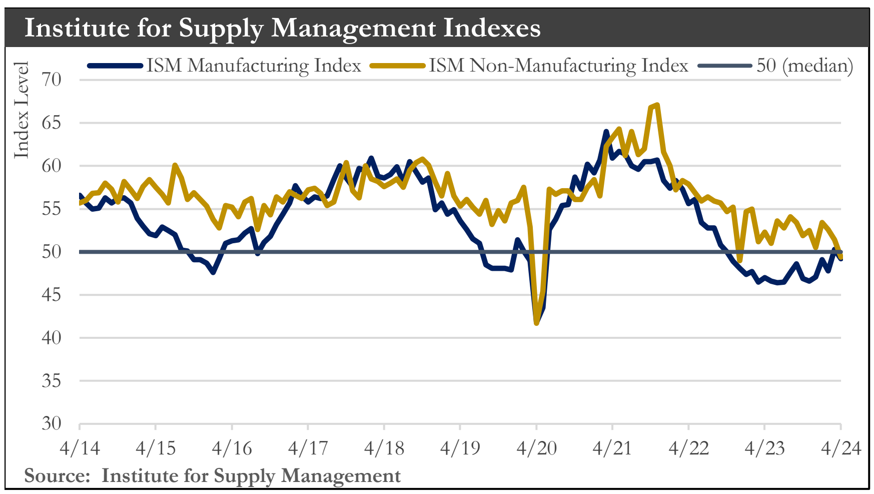
Economic Commentary & Capital Market Update

Economic Recap

The U.S. economy ended last year on a solid note, expanding at a 3.4% quarterly annualized pace in the fourth quarter. Labor market trends have also remained sturdy, with nonfarm payrolls expanding by 303,000 in March and averaging 276,000 per month over the course of Q1-2024. U.S. consumers also continued to demonstrate an eagerness to spend, especially on services-related activities. February personal spending data showed the biggest monthly jump in real services spending since the summer of 2021. Even the manufacturing sector, which has struggled as of late, may finally be turning a corner. To that point, the ISM manufacturing index crossed back into expansion territory in March for the first time since late 2022.



A stronger-than-expected gain in retail sales in March reinforced the view that the U.S. economy remains strong and is expected to lead growth among developed countries this year. Headline retail sales rose for a second consecutive month in March, after a string of monthly declines, with sales in the key control group acting as a driver. Higher rates are having a measurable effect on the housing market as data on existing home sales and housing starts and permits all declined in March. Both housing starts, building permits, and existing home sales retrenched in March.

Despite low unemployment, strong GDP growth, declining inflation and solid wage gains, many Americans are still feeling less optimistic than the data would suggest. The reasons proffered for the widespread malaise

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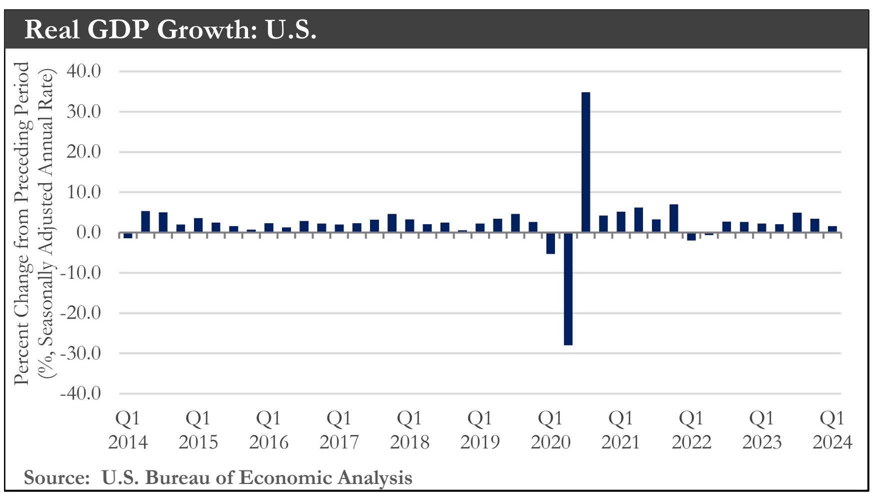
have largely centered around the various impacts of inflation, high interest rates and deep-rooted concerns about the general social, cultural, and geopolitical climate. While consumer spending has so far defied the downbeat mood reported on sentiment surveys, it may be just a matter of time before spending also retreats as previous analysis has shown a high correlation between the two. A cooling in spending, while lending an assist to the Fed's inflation fighting regime, would remove one of the major drivers of America's current strong economic performance.

Overall, however, the strength of the U.S. economy continues to be a bright spot in the global economy. We believe confidence appears to be growing that the U.S. economy can avoid recession and achieve a "soft landing." That said, we expect the second half of 2024 will likely mark a slowdown in U.S. growth.

GDP Growth

The advance estimate of first quarter GDP showed the U.S. economy having downshifted relative to the strong pace of growth averaged through the second half of last year. Real GDP expanded by 1.6% (annualized) in Q1 from last year's fourth quarter.



Net exports and inventory investment were a sizeable drag on Q1 growth and helped to mask some of the underlying strength. Importantly, domestic demand expanded by a strong 2.8% and showed only a modest deceleration from last quarter.

We expect consumer resilience is likely to remain a key driver supporting economic growth over the near-term. Job gains remain plentiful and have shown little indication of slowing. This is helping to support aggregate

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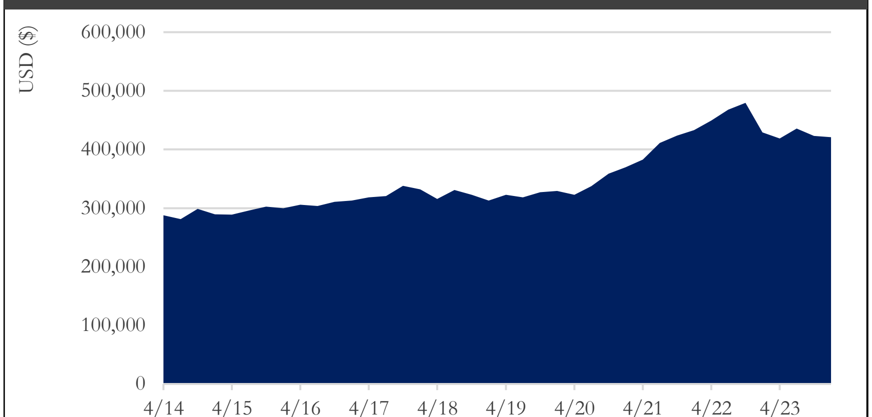
household income and providing a sustained tailwind to consumer spending.

Housing Market

Signals from the housing market were mixed. Following a strong showing in existing home sales in February, new home sales fell a modest 0.3% in March. But, on a three-month moving average basis, the typical volatile series shows a mostly flat trend. What is more interesting is the fact that the median new home price continues to decline and has fallen roughly 13% from its peak at the end of 2022. At present, new and existing single-family home prices are essentially at parity. However, there could be more weakness in new home prices ahead given there is 8.4 months of supply in that market, compared to a much tighter balance of only 3 months in the existing home market.

Median Sales Price of Houses Sold for the United States



Source: U.S. Bureau of the Census

Labor Market

Non-farm employment rose by 303,000 in March. The unemployment rate ticked down to 3.8%, while the labor force participation rate rose to 62.7%. Average hourly earnings were up 0.3% month-on-month (m/m).

Through the first quarter, the U.S. economy added an impressive 829,000 new jobs – nearly a 200,000 more than in the fourth quarter of last year. With job openings still elevated and stronger immigration flows helping to alleviate some of the constraints on labor supply, we believe job growth has the potential to run in the 150,000+ figure through the remainder of the year.

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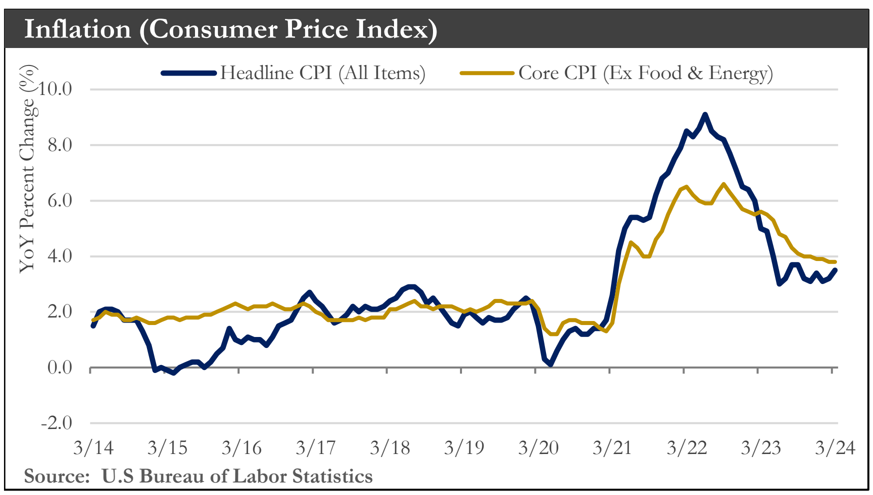
With the labor market still strong and the economy humming, the Federal Reserve can afford to be patient and wait for clearer signs that inflation is on a sustainable path back to 2% before dialing back their policy rate.

Inflation

Inflation is proving stickier than expected in the U.S. The decline in inflation from highs of around 10% in 2022 represents the easy gains, as supply-chain blockages eased and commodity prices, especially for energy, normalized. The "last mile" to get inflation down is proving tougher. Services inflation remains elevated while goods prices, which fell last year, are now moving higher. Stubborn inflation pressures persisted in March, derailing the case for the Federal Reserve to begin reducing interest rates in June and raising questions over whether it can deliver cuts this year without signs of an economic slowdown. The Consumer Price Index (CPI) rose 0.4% between February and March. On a twelve-month basis, CPI inched higher to 3.5% (from 3.2% in February). Inflationary pressures remain firm across the board, firmer than the Fed needs it to be to initiate a series of interest rate cuts anytime soon.



Monetary Policy

The latest data raises two different possibilities. One is that the Fed's expectation that inflation continues to move lower but in an uneven and "bumpy" fashion is still intact—but with bigger bumps. In such a scenario, a delayed and slower pace of rate cuts is still possible this year.

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A second possibility is that inflation, rather than on a "bumpy" path to 2%, is getting stuck at a level closer to 3%. Without evidence that the economy is slowing more notably, that could scrap the case for cuts altogether.

Between now and the June FOMC meeting, Fed officials will only see two more inflation reports. Given the acceleration in inflation over the past three months, these reports are unlikely to be enough to instill greater confidence that inflation remains on a sustainable path back to 2%. For this reason, we expect the Fed will likely wait until at least July to cut rates.

U.S. Dollar

U.S. economic outperformance and an "on-hold" Federal Reserve has supported the greenback in early 2024. However, looking forward to later this year, slower growth in the U.S. is expected. With inflation trends gradually improving, the Fed should begin lowering interest rates. The U.S. economic slowdown could occur just as some key foreign economies begin to recover, a growth swing that would tend to weigh on the greenback. In addition, a soft U.S. landing, combined with inflation progress and lower U.S. yields, could also support broader financial market sentiment, weighing on the "safe haven" support for the U.S. dollar. Moderate U.S. dollar depreciation against G10 and emerging currencies may well occur later in 2024 and into 2025.

Eurozone

The Eurozone economy is only just emerging from a period of stagnation, while substantial disinflation progress and cooling wage growth have seen the European Central Bank adopt a more dovish outlook. In contrast, resilient U.S. growth and stubborn inflation trends have seen Fed officials signal the need for interest rates to stay higher for longer. The ECB has sent clear signals of a June rate cut, and perhaps as much as 100 basis points of rate cuts this year.

China

China's economy has shown a degree of resilience in early 2024, although to a lesser extent than the United States. Toward the end of last year, Chinese authorities moved forward with modest fiscal stimulus, which, combined with easier monetary policy, appears to have had a positive impact on growth momentum in early 2024. In Q1-2024, China's

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economy expanded 5.3% year-over-year. While headline Q1 growth data was better than expected, the latest batch of activity and sentiment data were mixed. In March, retail sales and industrial production were underwhelming, while home prices took another leg lower last month. On the other hand, the official manufacturing PMI crossed back above 50 for the first time in six months, and the non-manufacturing index firmed in March. China's economy could expand by just over 5.0% in 2024.

Outlook

Confidence is growing in the resilience of the global economy. The global economy is expected to grow 3.0% in 2024, marking the fourth consecutive year that the global economy grew at least 3%.

We believe the U.S. economy should grow by about 2.6% this year and China's economy to expand about 5%. In Europe, we anticipate Eurozone growth will remain steady but way below 3%, though risks are now tilted toward a stronger growth profile in light of improving sentiment and trends in real household incomes. Growth in economies such as India and Mexico can remain sturdy and contribute to the overall theme of resilient global economic activity.

Sources: Department of Commerce, Department of Labor, Bloomberg, Institute for Supply Management, National Association of Realtors, Peoples Bank of China, European Central Bank

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Index Performance as of: 4/30/2024

	1 Month	3 Month	YTD	1 Year	3 Year	5 Year	10 Year
Russell							
Russell 3000 Value	-4.39	4.03	3.85	13.42	4.76	8.39	8.27
Russell 3000	-4.40	4.02	5.18	22.28	6.32	12.40	11.79
Russell 3000 Growth	-4.41	4.02	6.32	30.74	7.58	15.73	14.94
Russell 1000 Value	-4.27	4.22	4.33	13.39	5.13	8.56	8.41
Russell 1000	-4.26	4.15	5.60	22.81	6.95	12.84	12.11
Russell 1000 Growth	-4.24	4.09	6.69	31.80	8.47	16.44	15.46
Russell Midcap Value	-5.23	4.43	2.56	14.06	3.23	8.02	7.91
Russell Midcap	-5.40	4.21	2.73	16.33	2.38	9.03	9.38
Russell Midcap Growth	-5.81	3.70	3.14	20.69	0.70	9.51	10.84
Russell 2000 Value	-6.37	0.92	-3.66	13.97	-0.71	5.92	6.42
Russell 2000	-7.04	1.73	-2.23	13.28	-3.21	5.79	7.19
Russell 2000 Growth	-7.70	2.58	-0.71	12.35	-5.94	5.01	7.57
Standard & Poors							
S&P 500	-4.08	4.29	6.04	22.65	8.04	13.16	12.38
Consumer Discretionary	-4.33	4.11	0.43	24.33	0.47	9.31	12.19
Consumer Staples	-0.89	4.95	6.56	2.55	6.89	9.21	8.85
Energy Sector	-0.76	13.24	12.82	12.98	29.20	12.56	4.08
Financials Sector	-4.18	4.57	7.75	23.96	5.65	9.81	10.70
Health Care Sector	-5.08	0.30	3.32	6.90	6.72	11.47	11.13
Industrials Sector	-3.58	7.96	7.00	23.57	7.79	11.20	10.53
Information Technology	-5.43	2.52	6.57	37.46	14.81	22.43	21.23
Materials Sector	-4.59	8.18	3.95	12.34	4.36	11.43	8.62
Real Estate Sector	-8.50	-4.48	-9.00	-0.67	-2.27	3.51	5.80
Communication Services	-2.07	8.00	13.42	41.31	3.47	11.76	8.95
Utilities Sector	1.65	9.59	6.29	0.20	3.26	6.02	8.08
Other U.S. Equity							
Dow Jones Industrial Avg.	-4.92	-0.39	0.92	13.25	5.86	9.60	11.08
NASDAQ 100 Stock	-4.43	1.98	3.90	32.77	8.83	18.51	18.33
International Equity - Broad Market							
MSCI EAFE NR	-2.56	2.49	3.08	9.28	2.86	6.17	4.37
MSCI Emerging Mkts NR	0.45	7.83	2.83	9.88	-5.68	1.88	2.96
MSCI Frontier Markets NR	-2.98	1.10	2.11	10.01	-2.27	2.36	0.92
MSCI ACWI NR	-3.30	4.02	4.63	17.46	4.26	9.43	8.19
MSCI ACWI ex USA NR	-1.80	3.84	2.81	9.32	0.35	5.03	3.92
MSCI AC Asia ex Japan NR	1.25	9.63	3.65	7.52	-7.21	1.81	4.23
International Equity - Country Region							
MSCI Brazil NR	-4.06	-5.56	-11.13	17.79	5.08	1.16	0.99
MSCI BRIC NR	3.86	10.05	3.87	7.09	-9.85	-1.56	2.57
MSCI China NR	6.60	16.63	4.26	-6.77	-17.54	-5.54	2.12
MSCI Europe NR	-0.91	5.00	6.65	10.98	8.15	7.79	6.72
MSCI India NR	2.32	5.97	8.53	34.40	13.50	11.92	10.06
MSCI Japan NR	-4.86	0.95	5.61	19.23	2.50	6.40	6.43
MSCI EM Latin Amer NR	-3.51	-2.66	-7.33	15.24	7.83	2.85	1.04
Fixed Income							
Bloomberg US Agg TR	-2.53	-3.02	-3.28	-1.47	-3.53	-0.16	1.20
Bloomberg U.S. T-Bills	0.43	1.32	1.76	5.43	2.80	2.07	1.40
Bloomberg US Govt	-2.30	-2.95	-3.21	-2.69	-3.66	-0.45	0.76
Bloomberg US Credit	-2.49	-2.71	-2.89	0.76	-3.02	0.78	2.11
Bloomberg US Corp HY	-0.94	0.52	0.52	9.02	1.50	3.71	4.27
Bloomberg Municipal	-1.24	-1.11	-1.62	2.08	-1.10	1.26	2.41
Bloomberg US TIPS	-1.69	-1.94	-1.77	-1.35	-1.55	2.07	1.90
Bloomberg Global-Agg	-2.52	-3.22	-4.55	-2.47	-5.93	-1.61	-0.44
Bloomberg Gbl Agg ex-USD	-2.59	-3.51	-5.72	-3.56	-7.84	-2.88	-1.77
Bloomberg EM USD Agg	-1.65	0.42	-0.14	6.22	-2.45	0.66	2.61
Alternative Investments							
Alerian MLP	-1.24	7.73	12.42	34.24	25.66	11.24	2.38
Bloomberg Commodity	2.69	4.53	4.94	2.89	7.19	7.03	-1.54
FTSE Nareit Equity REITs	-7.01	-3.18	-7.20	1.94	-0.94	2.69	5.48
S&P Global Nat Res	-0.04	7.85	2.12	5.90	8.03	9.02	5.08
S&P N.Amer Nat Res	-0.74	12.53	10.36	15.64	20.17	11.86	3.12