Chart Book

As of January 31, 2024

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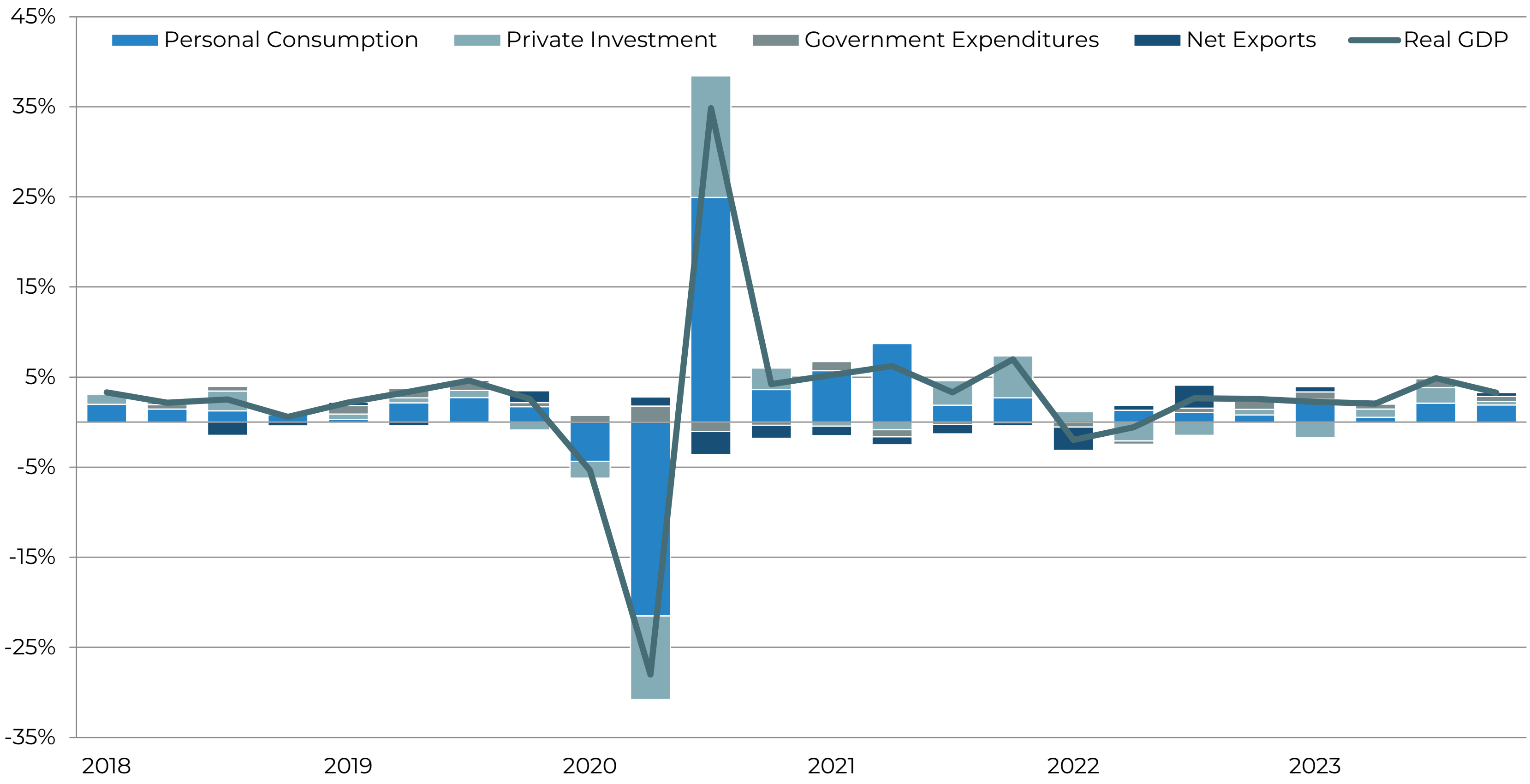
ECONOMIC PERSPECTIVE

The U.S. economy grew faster than expected in the fourth quarter, amid strong consumer spending, with growth for the full year coming in at 2.5%. The Commerce Department's advance fourth-quarter gross domestic product report also showed inflation pressures subsiding further. The strong economic performance, which appears to have spilled over into the new year, suggested that March would be too soon for the U.S. central bank to start cutting interest rates. Rate cuts this year, however, remain in the cards as inflation cools. Gross domestic product increased at a 3.3% annualized rate last quarter after advancing at a 4.9% pace in the third quarter. Growth was also supported by rising exports, government spending and business investment.

Economic Growth

Contributions to Percent Change in Real GDP (Annualized Q/Q % Change)

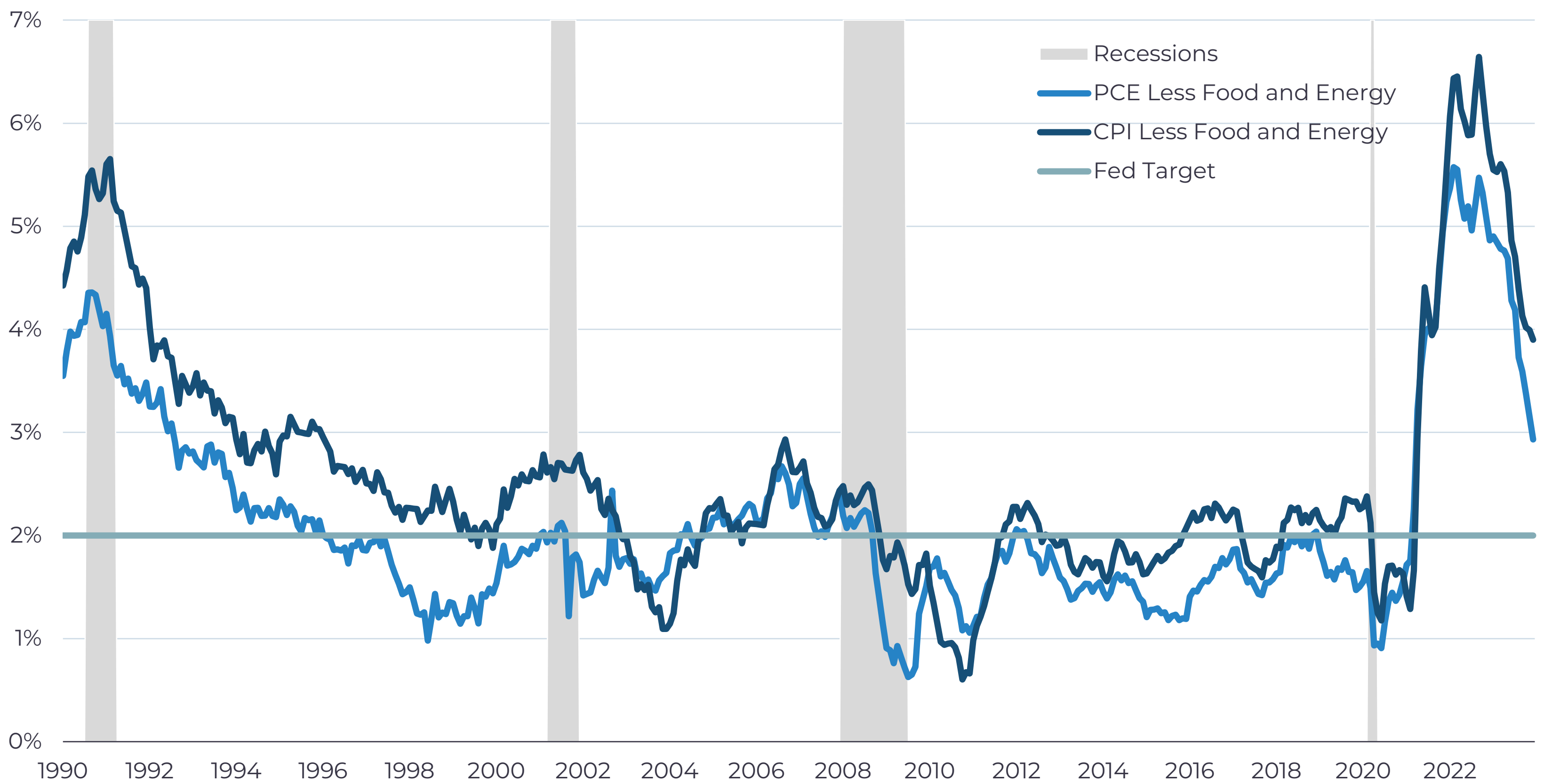


Source: U.S. Bureau of Economic Analysis (Reported quarterly)

Inflation, as measured by the Federal Reserve's preferred metric, fell below a 3% annual rate in December, showing that price increases are steadily headed back to the central bank's target. The overall personal consumption expenditures price index rose 0.2% for the month, as did the core index that omits food and energy costs. On an annual basis, the overall index remained unchanged at 2.6% while the core fell to 2.9% from 3.2% in November. The recent string of positive economic surprises means the Federal Reserve will be in no rush to cut interest rates in the near-term and stick to a cautious approach. But with the Fed's favored inflation gauge – the core PCE deflator – likely to reach the critical 2.5% y/y threshold in the coming months, we do anticipate Fed rate cuts this year.

Inflation Outlook

Consumer Price Index (Core) and Personal Consumption Expenditures Price Index (Core) (Y/Y % Change)

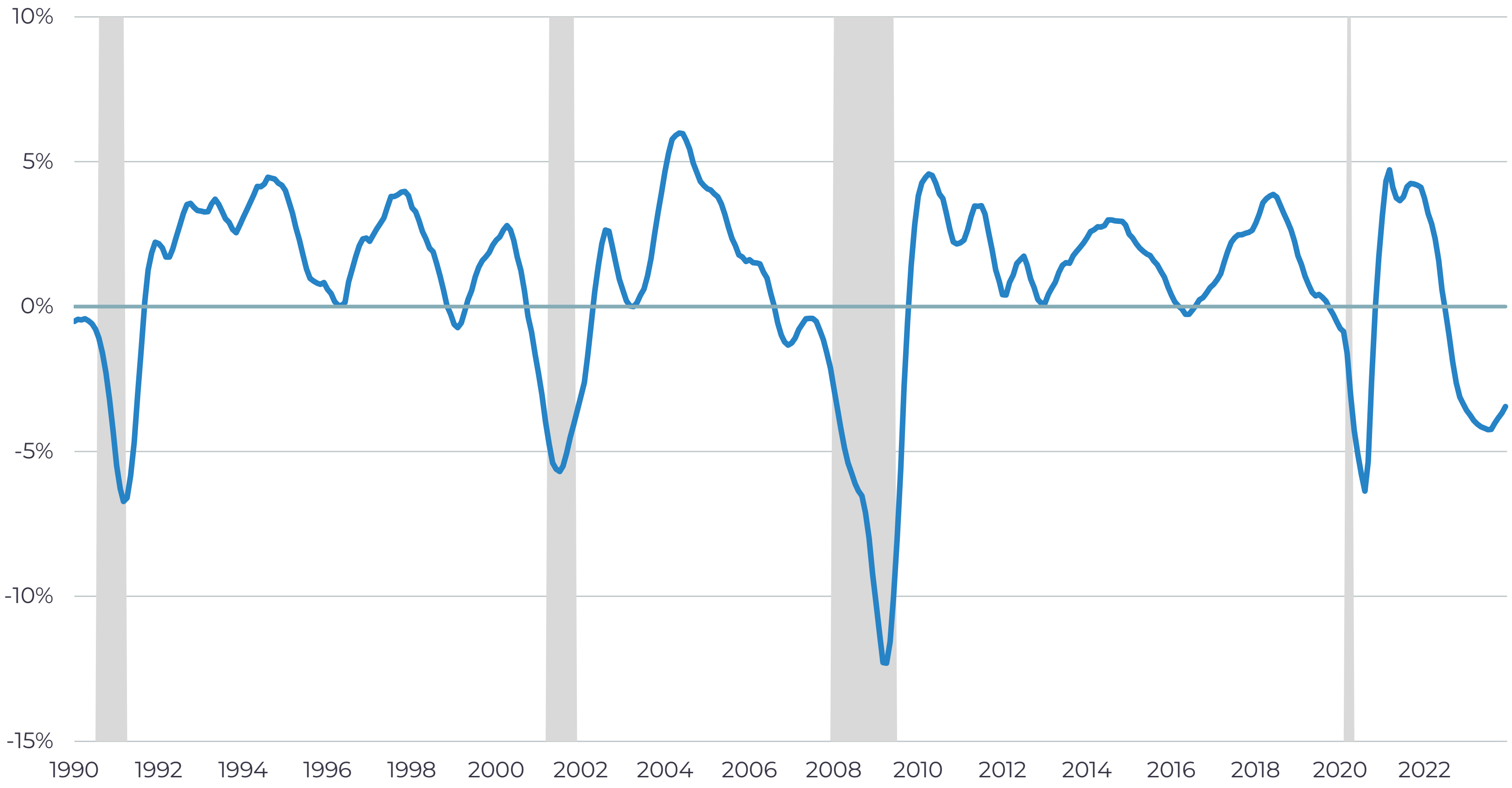


Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis (Reported monthly)

According to the Conference Board, the LEI for the U.S. continued to signal underlying weakness in the US economy. Despite the overall decline, six out of ten leading indicators made positive contributions to the LEI in December. Nonetheless, these improvements were more than offset by weak conditions in manufacturing, the high interest rate environment, and low consumer confidence. As the magnitude of monthly declines has lessened, the LEI's six-month and twelve-month growth rates have turned upward but remain negative, continuing to signal the risk of recession ahead. Overall, the Conference Board expects GDP growth to turn negative in Q2 and Q3 of 2024 but begin to recover late in the year.

U.S. Economic Outlook

Leading Economic Index (Six-Month Moving Average of the Six-Month Rate of Change)

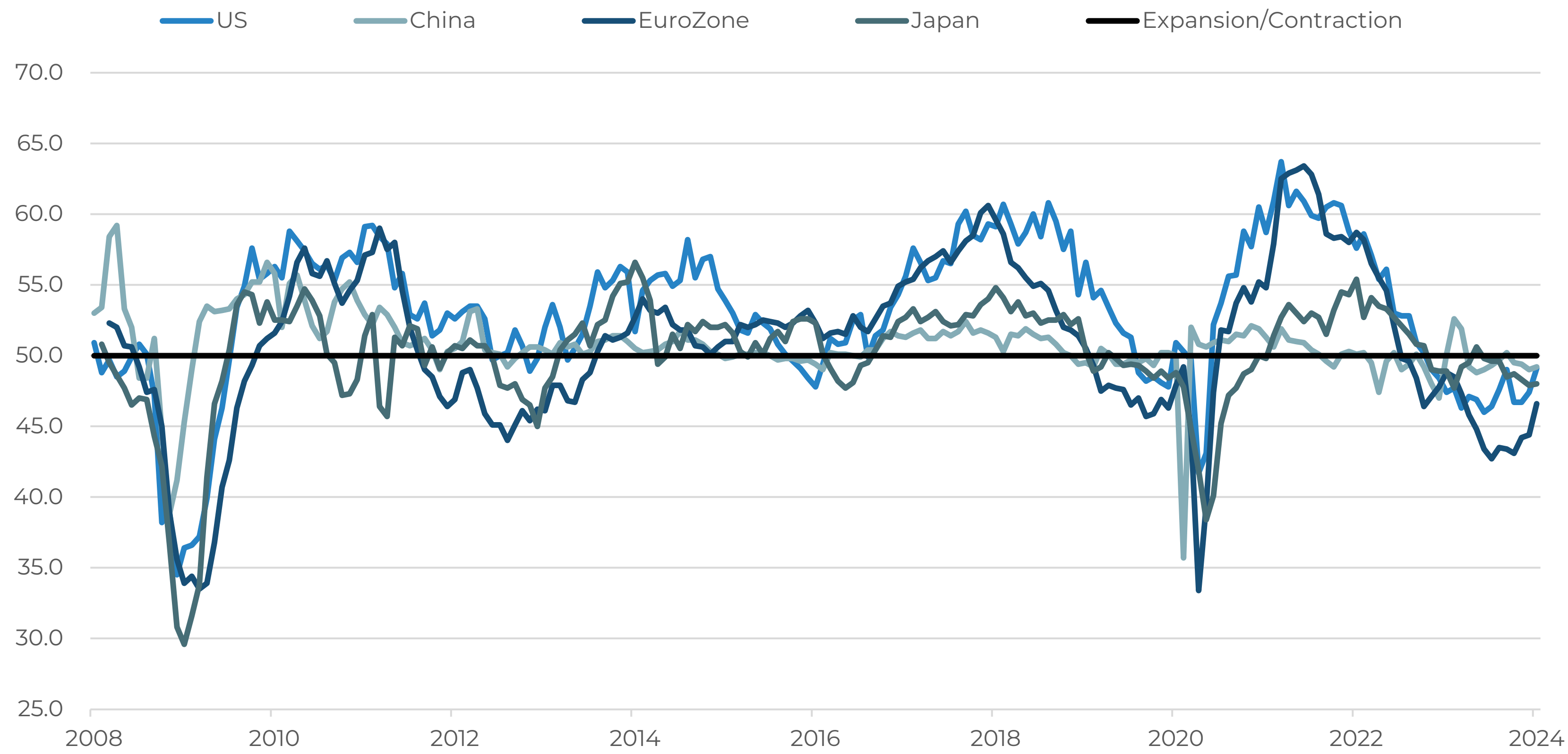


Source: Conference Board (Reported monthly)

The global manufacturing output PMI rose to an eight-month high In January. After global manufacturing lost some steam into year-end, the recent reading provides a glimmer of hope that momentum is improving again. The PMI subcomponents tracking new orders, future activity and employment also made advances, further raising optimism that a recovery could be established during the coming months. The impact of disruptions and delivery delays due to shipping companies avoiding the Red Sea has been minimal so far, at least at the global level.

Global Economic Outlook

Manufacturing Purchasing Managers Index (PMI) (A PMI over 50 represents growth in manufacturing)

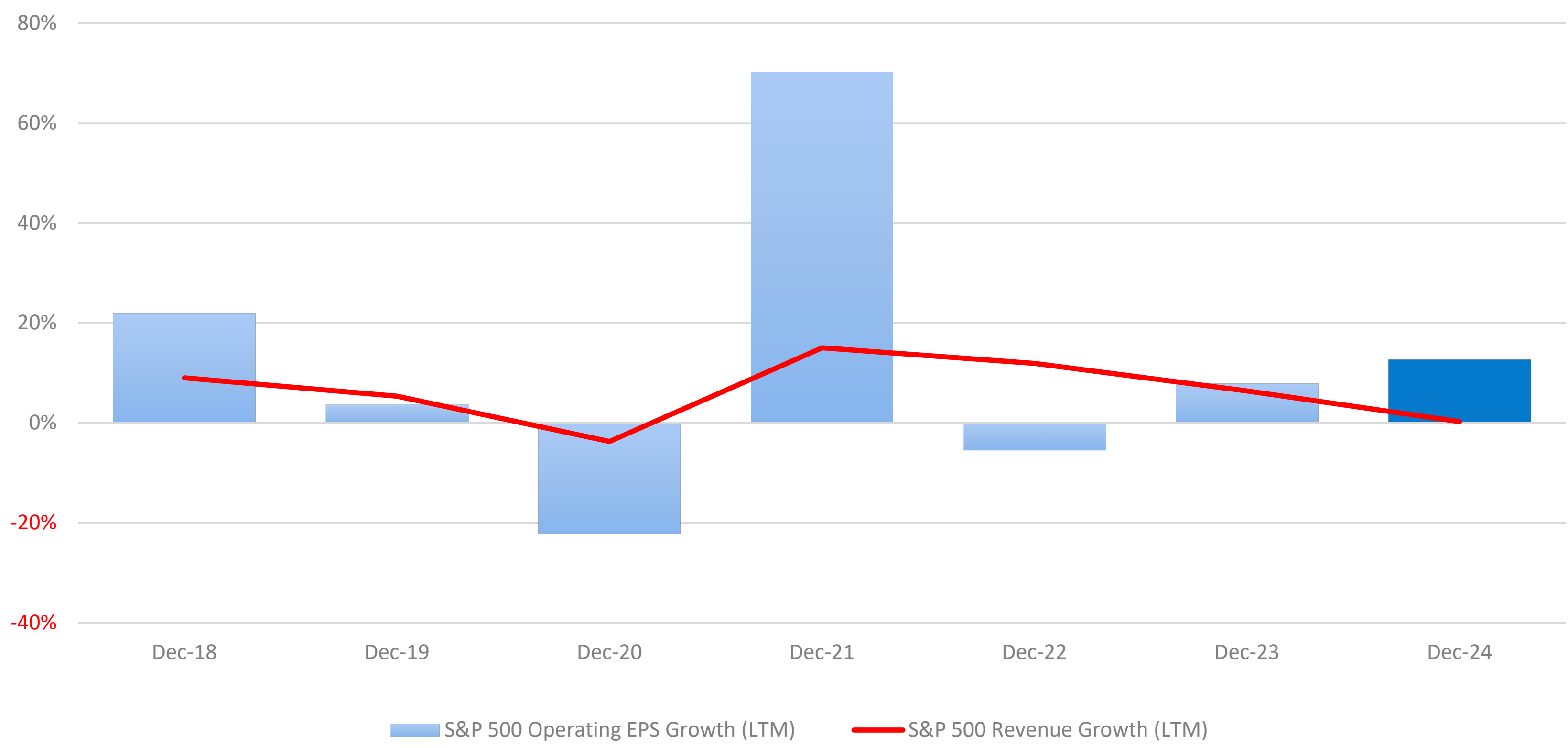


Source: ISM, Markit

According to FactSet, the bottom-up target price target for the S&P 500 over the next 12 months is 5340, which is 8.0% above the closing price of 4947. At the sector level, the Energy (+20.5%) sector is expected to see the largest price increase, as this sector has the largest upside difference between the bottom-up target price and the closing price. On the other hand, the Industrials (+5.5%) sector is expected to see the smallest price increase, as this sector has the smallest upside difference between the bottom-up target price and the closing price.

Corporate Profitability

S&P 500 Operating Earnings Per Share and Revenue Per Share Growth (Y/Y % Change)

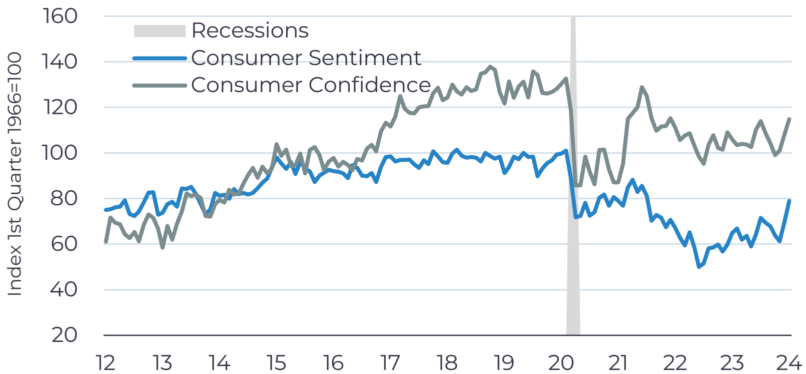


Source: S&P Dow Jones Indices (Reported monthly)

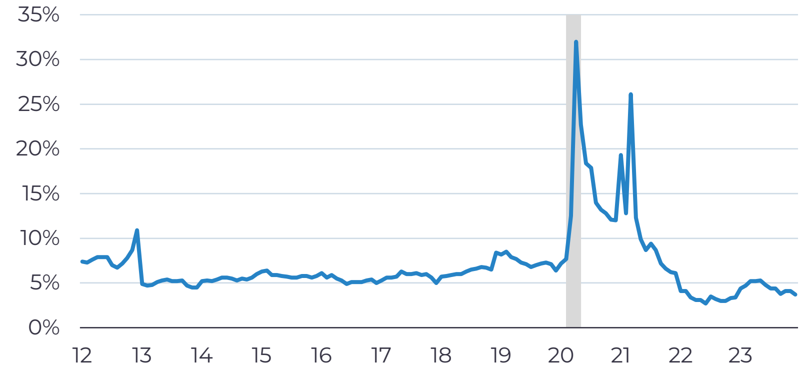
As reported by the Conference Board, January's increase in consumer confidence reflected slower inflation, anticipation of lower interest rates ahead, and generally favorable employment conditions as companies continue to hoard labor. The gain was seen across all age groups, but largest for consumers 55 and over. Likewise, confidence improved for all income groups except the very top; only households earning $125,000+ saw a slight dip. January's write-in responses revealed that consumers remain concerned about rising prices although inflation expectations fell to a three-year low. Buying plans dipped in January, but consumers continued to rate their income and personal finances favorably currently and over the next six months.

Consumer Outlook

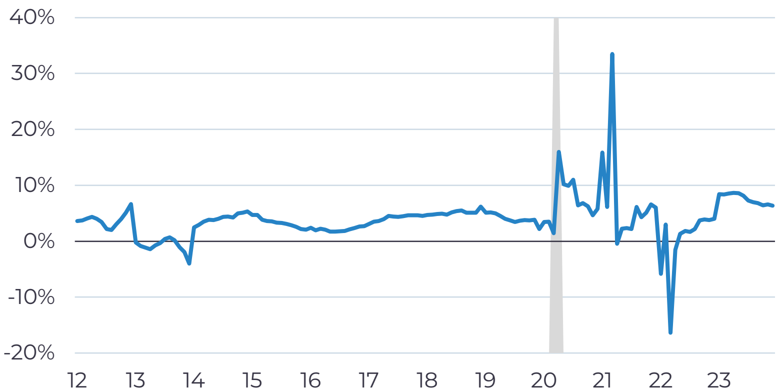
Consumer Sentiment & Confidence Indexes



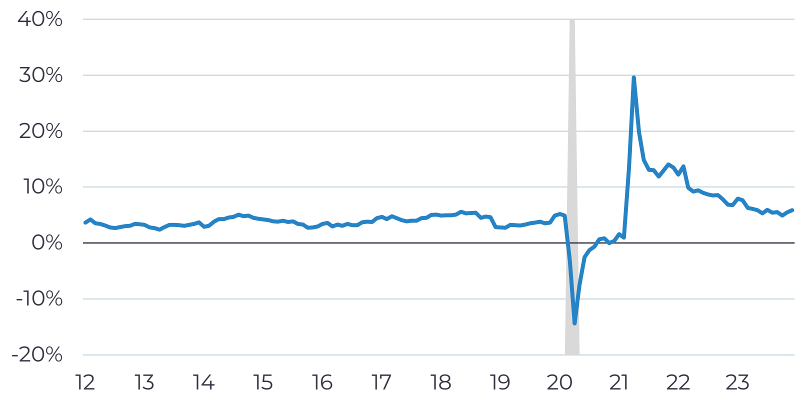
Personal Saving Rate (Seasonally Adjusted Annual Rate)



Disposable Personal Income (Y/Y % Change)



Personal Consumption Expenditures (Y/Y % Change)



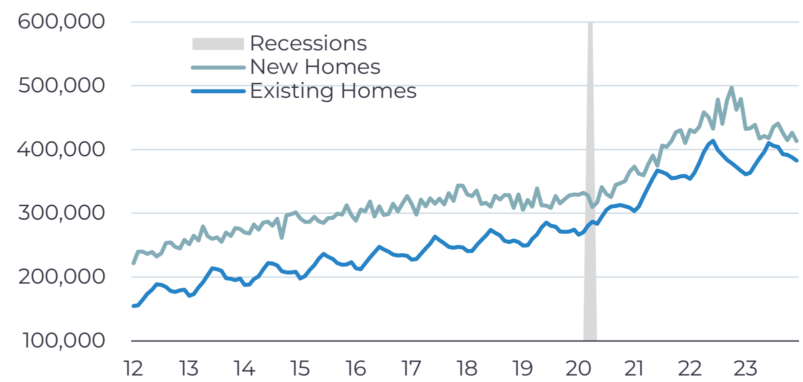
Source: Thomson Reuters/University of Michigan, Conference Board, U.S. Bureau of Economic Analysis (Reported monthly)

U.S. mortgage applications fell as home buyers struggled with a low number of home listings and rising home prices. Home buyers in today's market are struggling with three challenges: high rates, rising home prices, and increased competition over few home listings. The first has been easing up, as rates stay below 7%. But, a drop in rates could push more buyers into the market, further heating up home prices at a moment when the inventory of homes is lower than normal. Unless homeowners have enough reason to sell their current homes with mortgage rates as low as 2%, the market is going to continue to plod along.

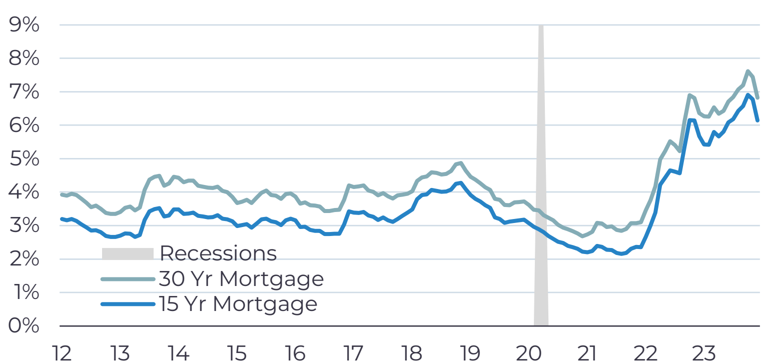
Housing Market Outlook

Housing Affordability (higher = more affordable)

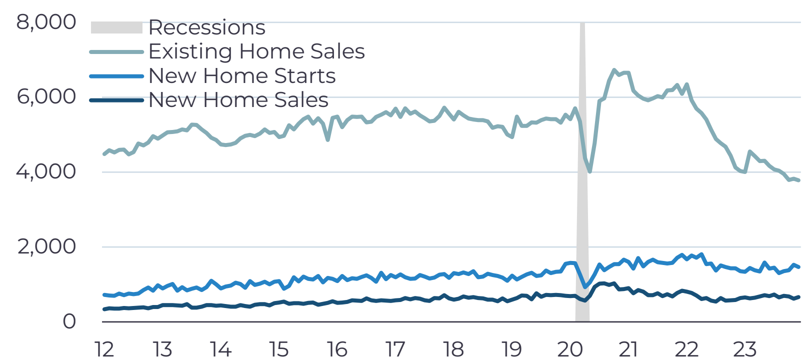
Median Selling Price of New and Existing Homes



Average Fixed Rate Mortgage in the U.S.©



Housing Starts, Existing Home Sales and New Home Sales (000's)

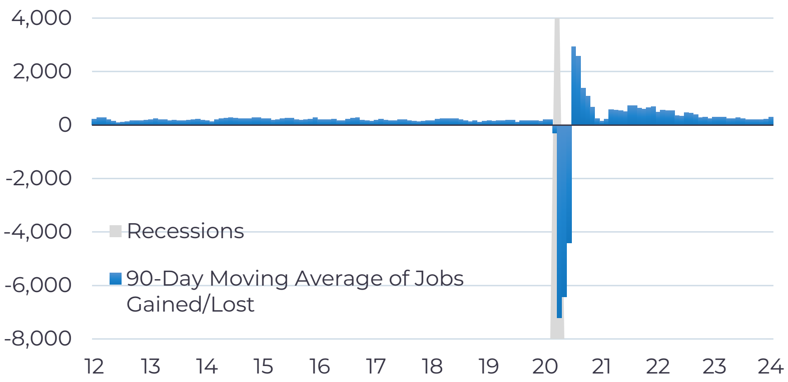


Source: National Association of Realtors, Freddie Mac, U.S. Bureau of the Census (Reported monthly)

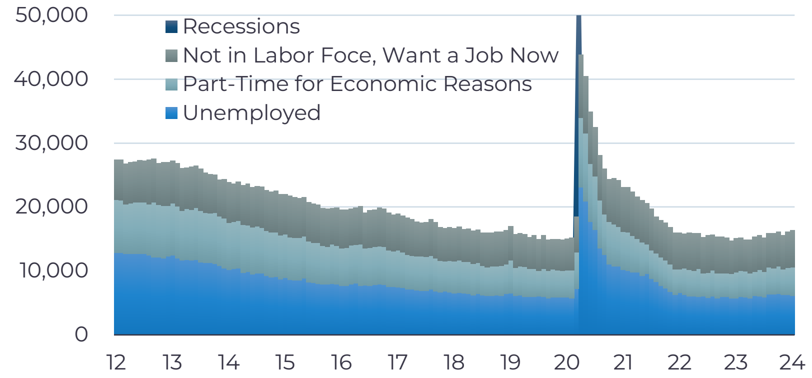
According to the Bureau of Labor Statistics, Nonfarm payrolls increased by 353,000 jobs in January, the largest gain in a year. In addition, revised data showed the economy added 126,000 more jobs in November and December than previously reported. Average hourly earnings increased 0.6% last month, the biggest gain since March 2022, after rising 0.4% in December. In the 12 months through January, wages increased 4.5% after advancing 4.3% in December. Wage growth is running ahead of the 3.0% to 3.5% range that most policymakers view as consistent with the U.S. central bank's 2% inflation target, supporting views that the Fed will not move quickly to lower borrowing costs.

Labor Market Outlook

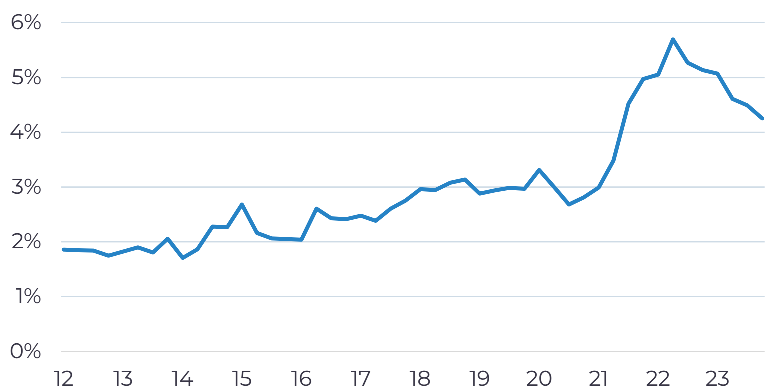
Jobs Gained/Lost (000's) with 12-Month Moving Average



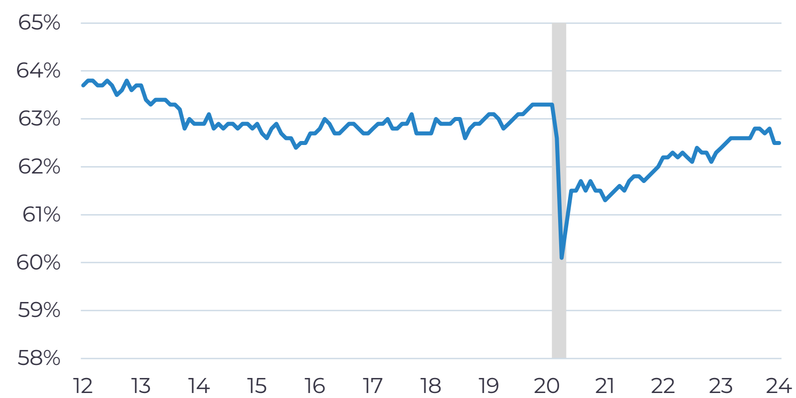
Labor Market Slack (000's)



Wage Growth (Y/Y % Change)



Labor Force Participation Rate



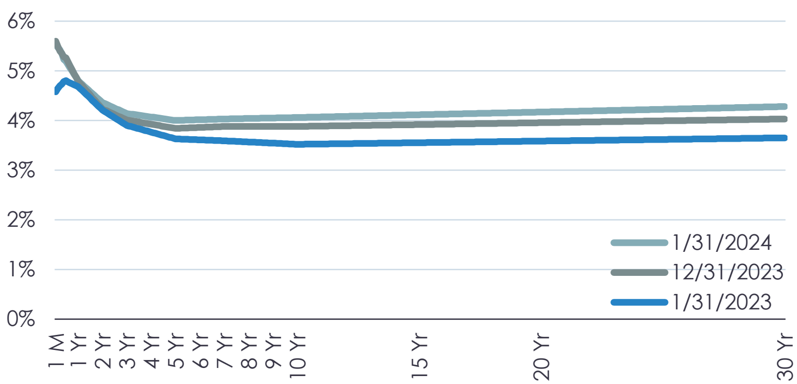
Source: U.S. Bureau of Labor Statistics, (Reported monthly, Wage Growth reported quarterly)

BOND MARKET PERSPECTIVE

While 2024 is only one month old, many investors may feel fatigued from what has been a very busy handful of weeks. With geopolitical tensions boiling, bond market volatility ticking up, new highs reached in major equity indexes and a slew of upbeat data, investors searched for directional clues. Rates nudged higher as the outlook for Fed policy changed and, as a result, treasury yields moved slightly higher with both 10-year and 30-year rates up around 20 bps. This move higher can likely be attributed to stronger than expected economic data, which suggests that the futures market may have been overzealous in expectations for interest rate cuts. The Fed is still set to cut rates this year, but economic resilience may delay and diminish those cuts.

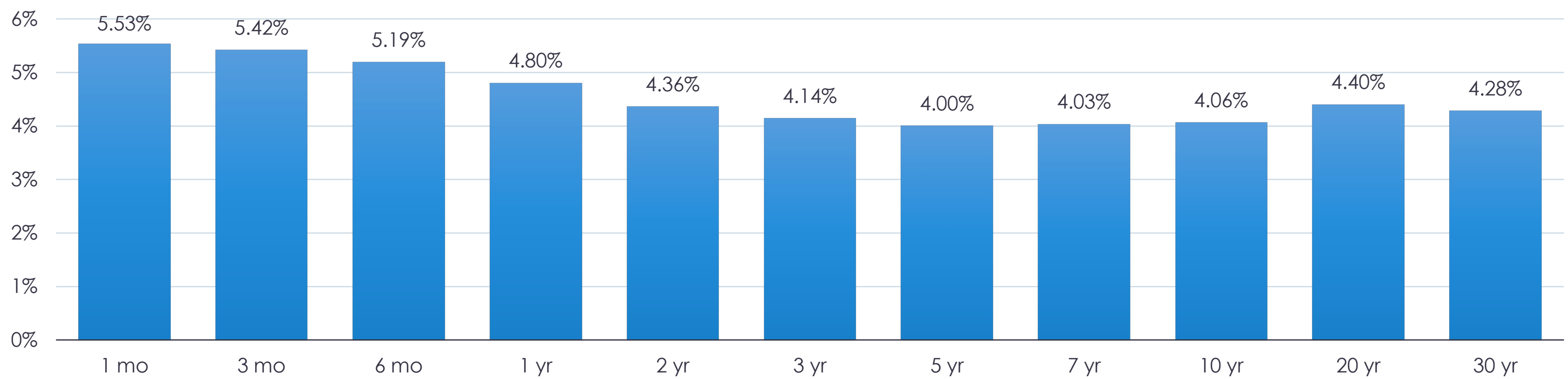
U.S. Treasury Market

U.S Treasury Yield Curve



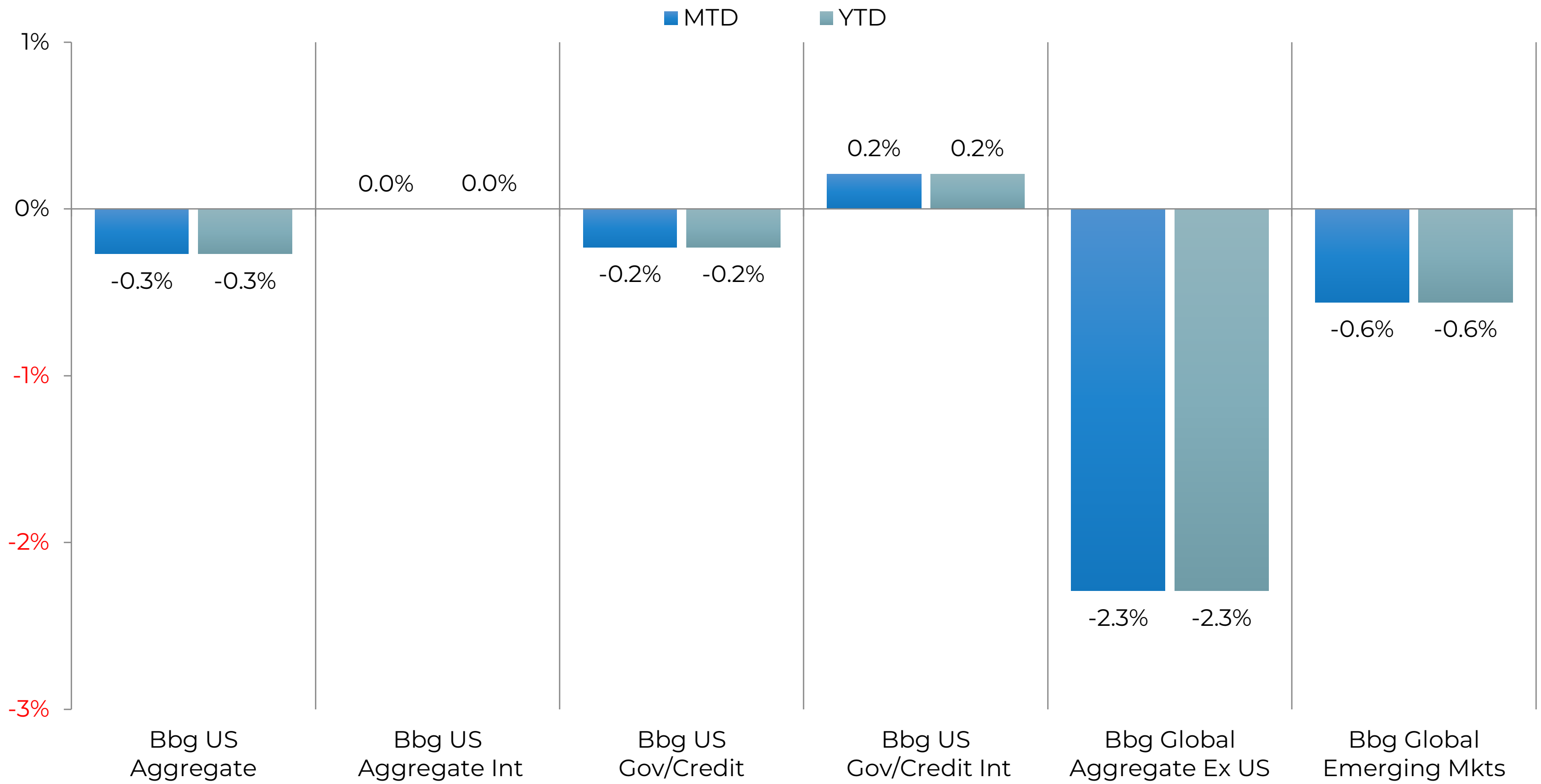
Historical U.S. 10-Year Treasury Rate

Current U.S. Treasury Yields by Maturity



Source: U.S. Department of Treasury

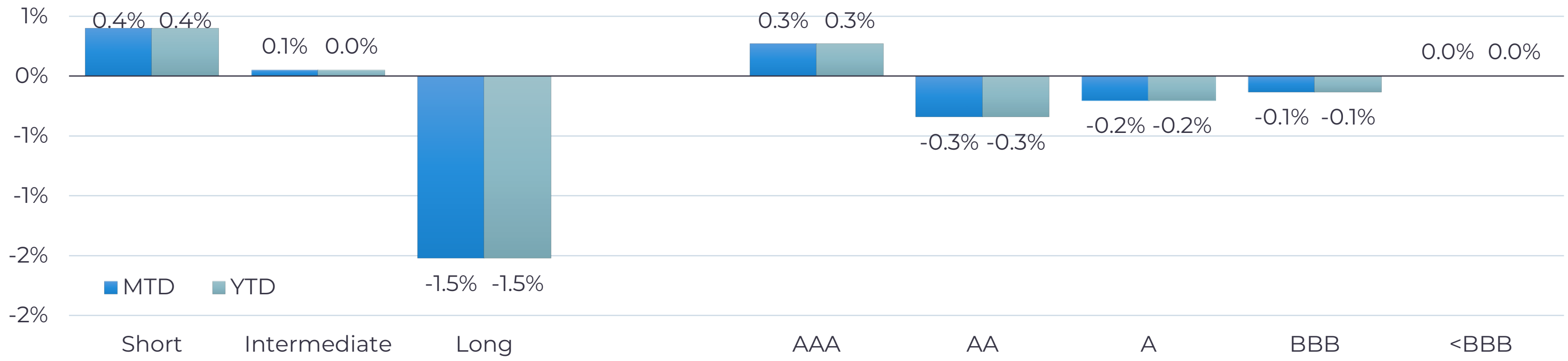
Global Fixed Income Returns by Bellwether Index



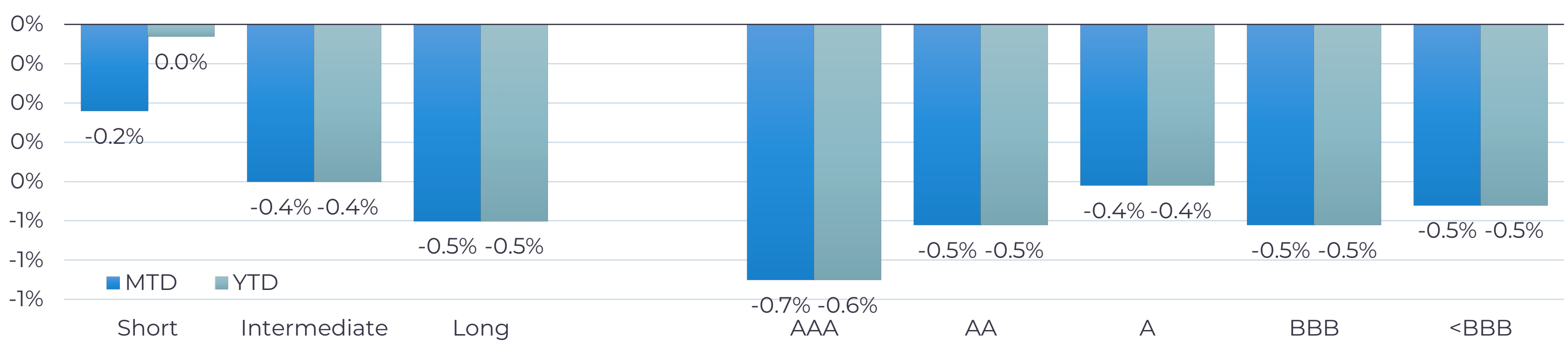
Source: Bloomberg Barclays (BB)

Domestic Fixed Income Returns by Maturity and Credit Quality

Domestic Bond Market - Taxable



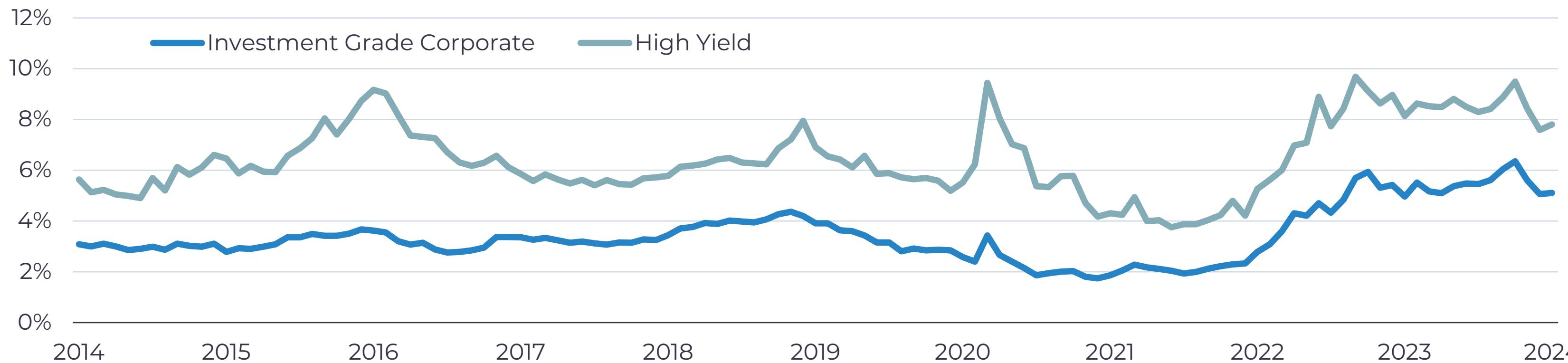
Domestic Bond Market - Municipal



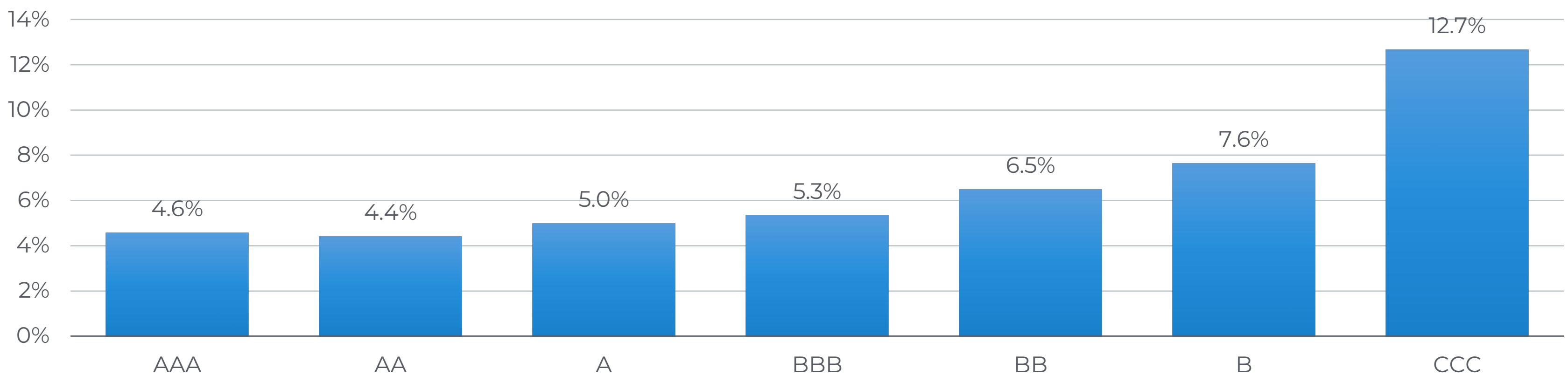
Short is defined as 1-3 years for taxable and 3 years for municipal, Intermediate is 5-7 years for taxable and 6-8 years for municipal, Long is 10+ years for taxable and 8-12 years for municipal. Source: Bloomberg Barclays Aggregate Bond Index (taxable bond market) and Bloomberg Barclays Municipal Index (municipal bond market).

Domestic Fixed Income Bond Yields

Historical Corporate Bond Market Yield to Worst



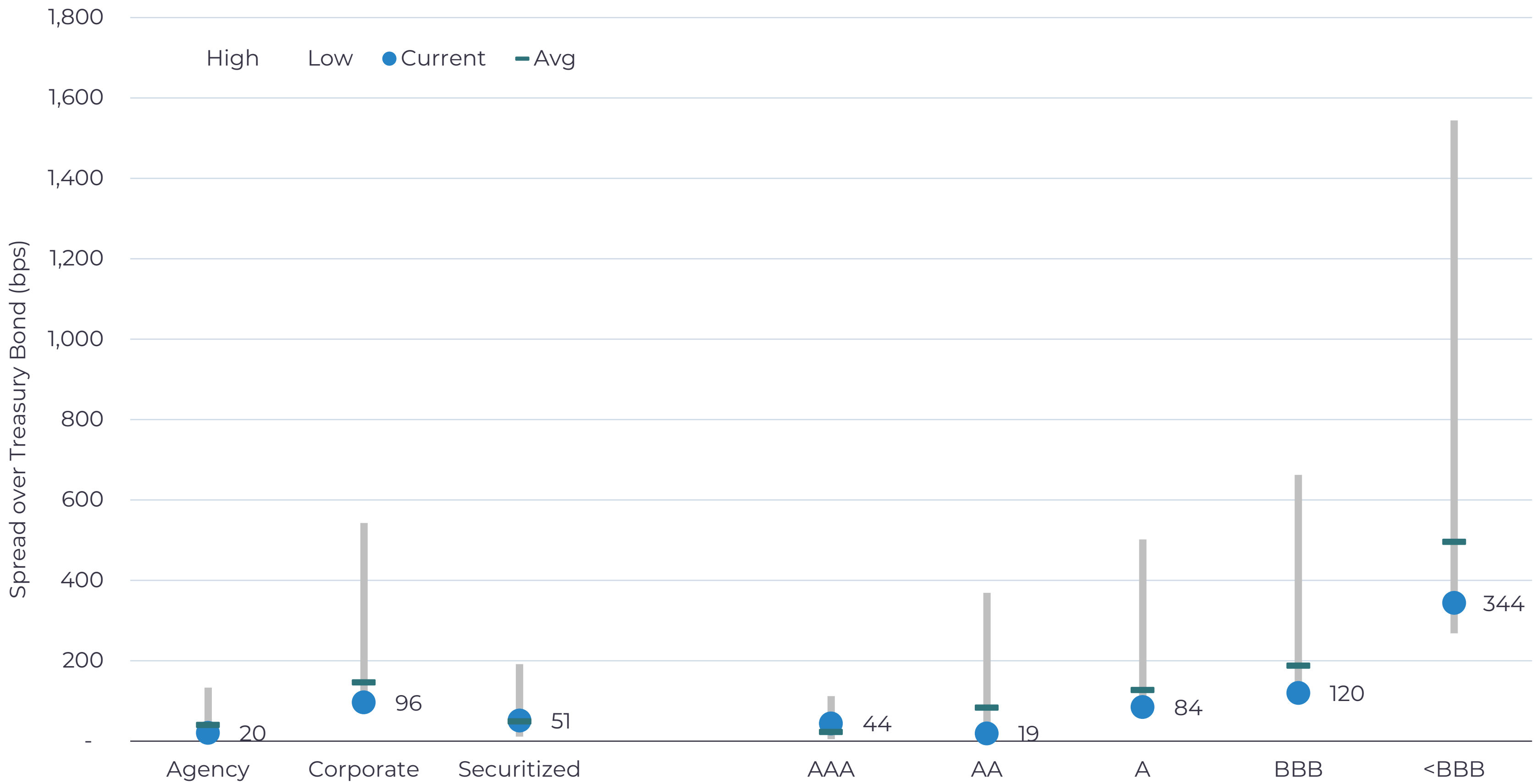
Current Corporate Bond Market Yields by Credit Quality



Investment Grade Corporate bonds are represented by the Bloomberg Barclays U.S. Corporate Investment Grade index. High Yield bonds are represented by the Bloomberg Barclays U.S. Corporate High Yield index. Source: Bloomberg Barclays

Domestic Fixed Income
Bond Spreads

Current Bond Spreads Compared to 15-Year Range and 15-Year Average



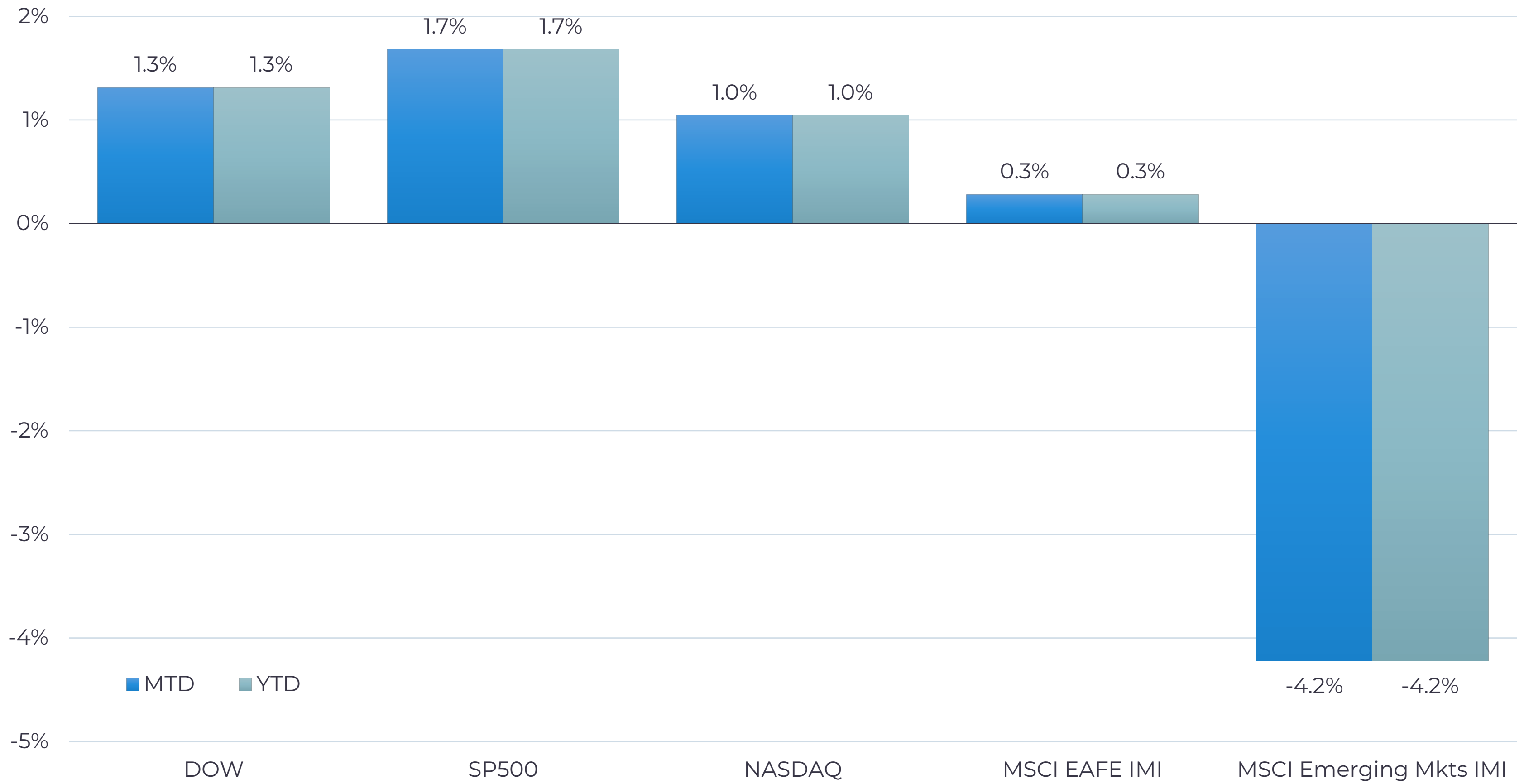
The length of each bar represents the Range of the highest and lowest spread to the Treasury benchmark over the past 15 years. Average represents the average spread over the past 15 years. Current represents the most recent month. Source: Bloomberg Barclays

EQUITY MARKET PERSPECTIVE

The S&P 500 Index was propelled to record highs in early January as optimism around a soft landing scenario continued the rally in the 'Magnificent Seven' stocks. Following a strong start, the S&P Index closed the month on a weaker note, as the hawkish tone at the Fed's January 31 meeting was not taken well by risk markets. The Fed pushed back on dovish market pricing for rate cuts, and explicitly noted that a March cut seems unlikely. Growth stocks were the notable outperformer compared to the performance of their value counterparts. Developed market equities were up, while emerging market equities were down. Real estate investment trusts, utilities and small caps – both of which are sensitive to interest rates – struggled as markets pared back the magnitude of rate cuts priced for the Federal Reserve in 2024.

Global Equity Returns by Bellwether Index

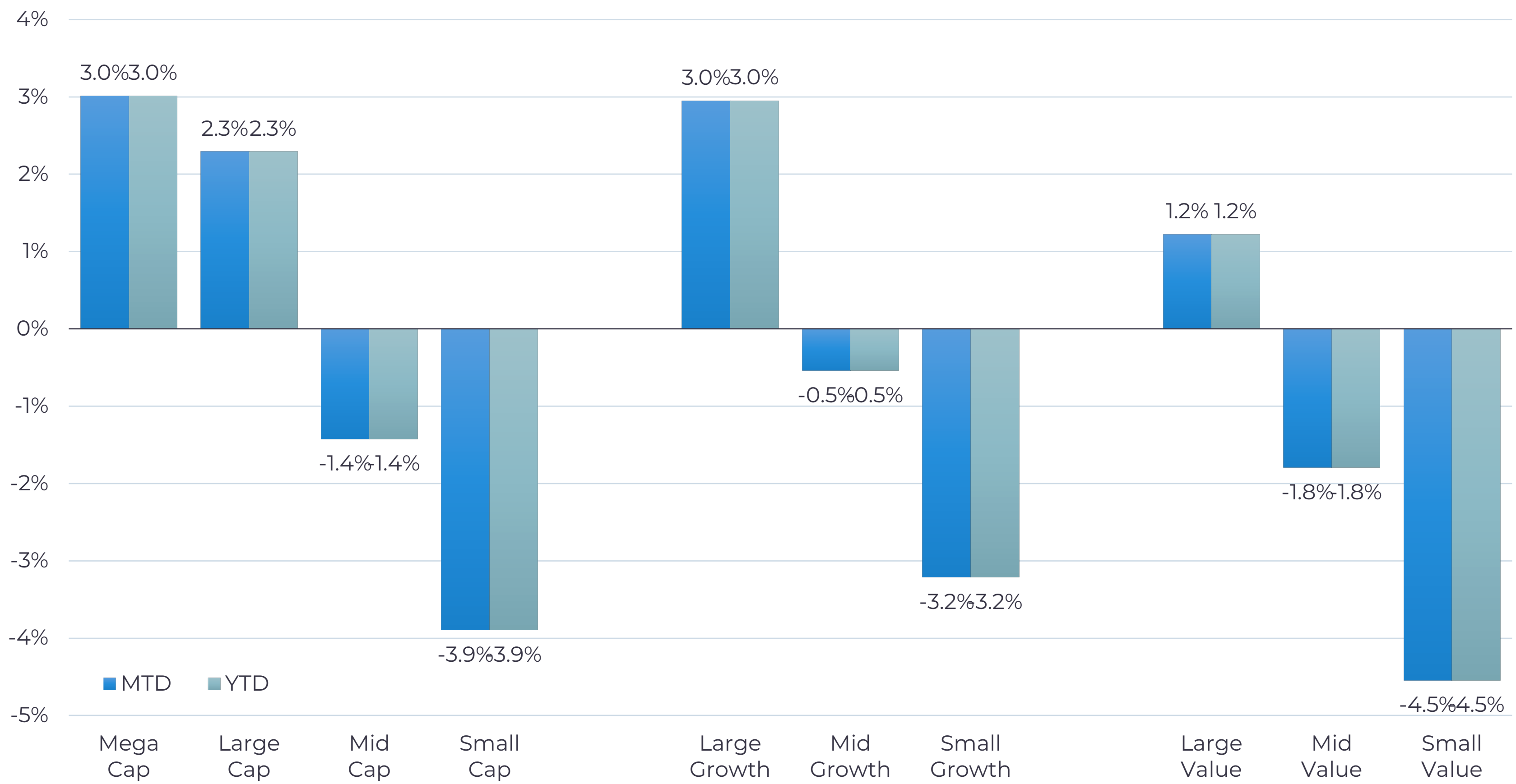
Global Equity Markets



Source: S&P Dow Jones, NASDAQ, MSCI

Domestic Equity Returns by Market Cap & Style

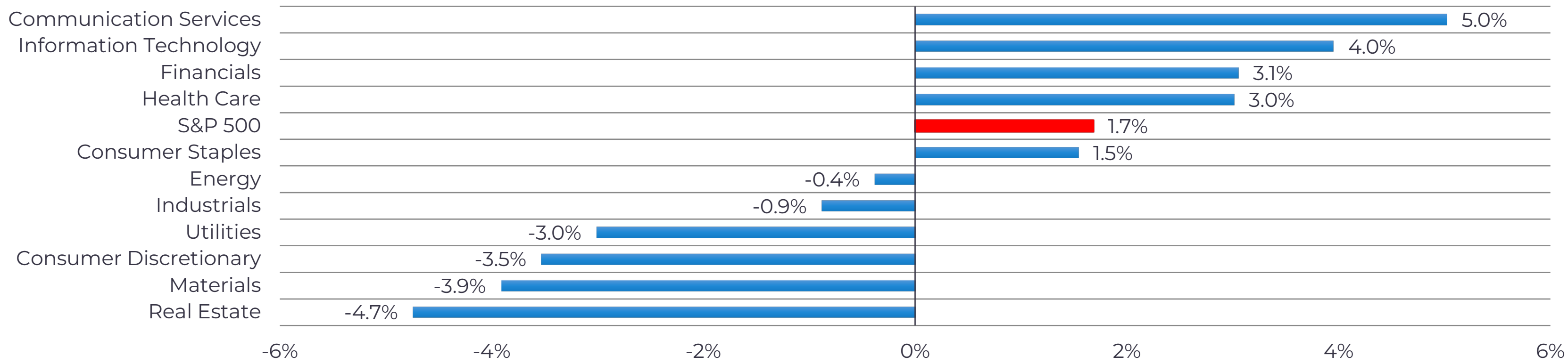
Domestic Equity Markets



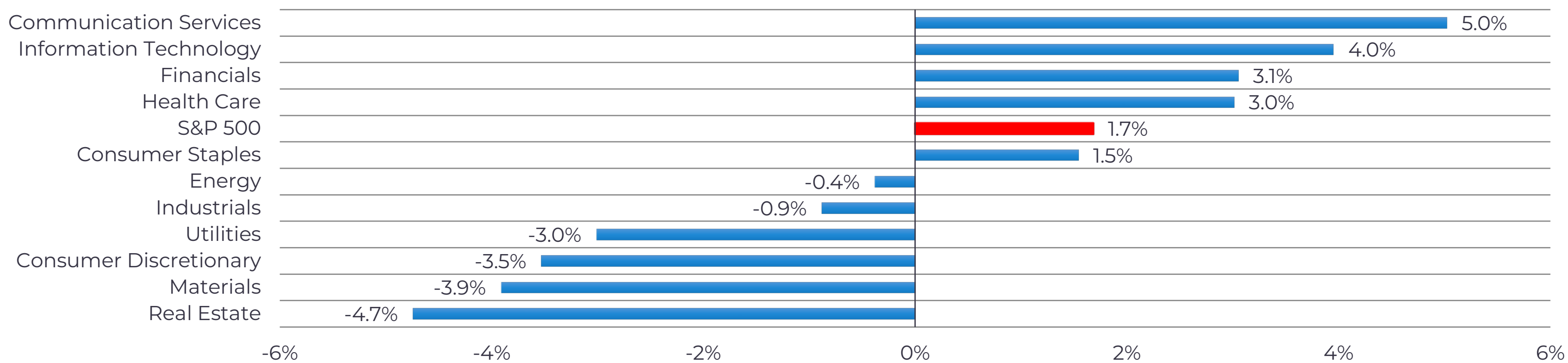
Asset classes are represented by the following benchmarks: Russell Top 50 (Mega), Russell Top 200 (Large), Russell Midcap (Mid), Russell 2000 (Small). Source: Russell

Domestic Equity Returns by Sector

MTD S&P 500 Returns by Sector



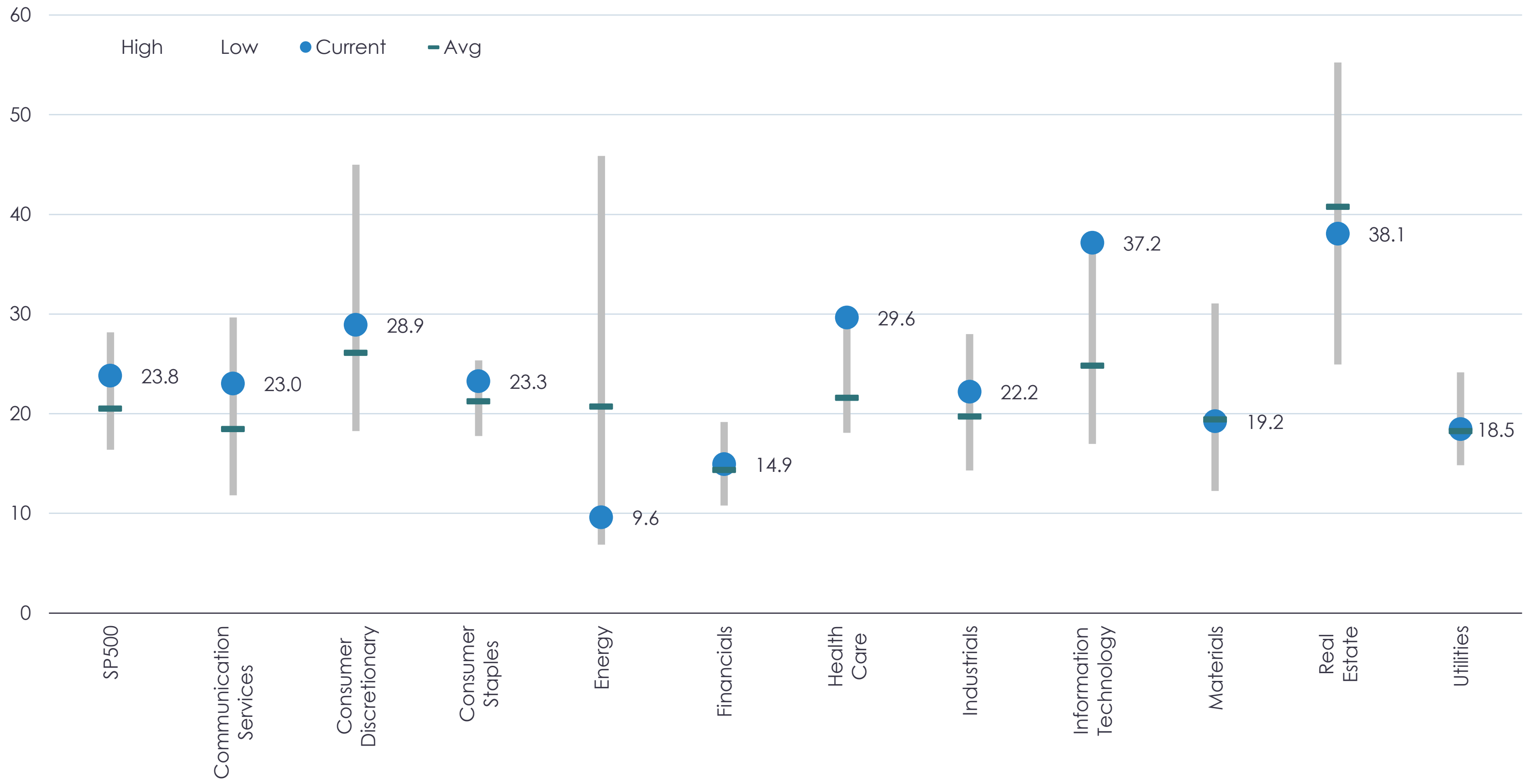
YTD S&P 500 Returns by Sector



Source: S&P Dow Jones

Domestic Equity Valuations by Sector

Trailing 12 Month P/E Ratio Compared to 10-Year Range and 10-Year Average



P/E ratios are based on trailing 12 months earnings (LTM) excluding negative earnings. The length of each bar represents the Range of the highest and lowest P/E ratio over the past 10 years. Average represents the average P/E ratio over the past 10 years. Current represents the most recent month. Source: Bloomberg

Economic Indicator Descriptions

- Real Gross Domestic Product (GDP): GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive GDP growth signals an expanding economy.
- Consumer Price Index (CPI): Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services.
- Personal Consumption Expenditure Chain-type Price Index (PCEPI): Measuring the change in the PCEPI provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.
- Conference Board Index of Leading Economic Indicators (LEI): The LEI is designed to signal peaks and troughs in the business cycle. The ten components include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.
- The Institute for Supply Management (ISM) PMI Index: The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.
- The Institute for Supply Management (ISM) Non-manufacturing Index (NMI): The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.
- Consumer Confidence Index (CCI): The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards the business climate, personal finances and spending. This index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.
- Consumer Sentiment Index (MCSI): The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy. The MSCI is becoming more useful for investors because it gives a monthly snapshot of whether consumers feel like spending money by accessing their views on the business climate, personal finance, and spending in order to judge their level of optimism/pessimism. This is important because consumer spending accounts for a large portion of U.S. GDP.
- Disposable Personal Income per Capita (DPI): DPI is the amount of money that households have available for spending and saving after income taxes have been accounted for. DPI is monitored to gauge the overall state of the economy.
- Personal Consumption Expenditures (PCE): PCE consists of the actual and imputed expenditures of households including durables, non-durables and services.
- Retail Sales: The retail sales report captures in-store sales as well as catalog and other out-of-store sales. The report also breaks down sales figures into groups such as food and beverages, clothing, and autos. The results are often presented two ways: with and without auto sales being counted, because their high sticker price can add extra volatility to the data.
- Housing Affordability Index (HAI): Published monthly by the National Association of Realtors, the HAI index has a value of 100 when the median-income family has sufficient income to purchase a median-priced existing home. A higher index number indicates that more households can afford to purchase a home.
- Unemployment Rate: Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.
- Wage Growth: Calculated quarterly by the Bureau of Labor Statistics, the employment cost index measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The index tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company. We are using the wage component of this index.

Benchmark Descriptions

- U.S. Aggregate Bond: The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS, ABS, and CMBS sectors. Securities included in the index must have at least one year until final maturity.
- U.S. Treasury: The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.
- U.S. Agency: The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade USD-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi- federal corporations, and corporate and foreign debt guaranteed by the U.S. government.
- U.S. Corporate: The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.
- U.S. MBS: The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).
- U.S. Municipal Bond: The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least one year until final maturity.
- General Obligation Bond Index: The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.
- Revenue Bond Index: The Barclays Revenue Bond Index measures the average market- weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.
- Investment Style: Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).
- Large Cap vs. Small Cap: Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.
- Value vs. Growth: Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.
- Mega Cap: The Russell Top 50 Index measures the performance of the top 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the Russell 1000 index.
- Large Cap: The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the Russell 1000 index.
- Mid Cap: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.
- Small Cap: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.
- Large Cap Growth: The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.
- Large Cap Value: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.
- Mid Cap Growth: The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.
- Mid Cap Value: The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.
- Small Cap Growth: The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.
- Small Cap Value: The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

DISCLAIMER