

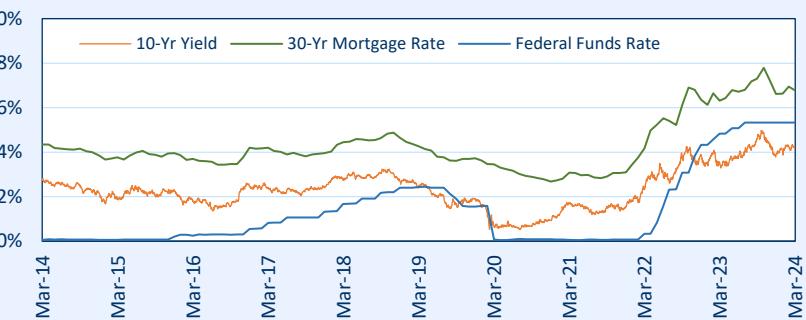
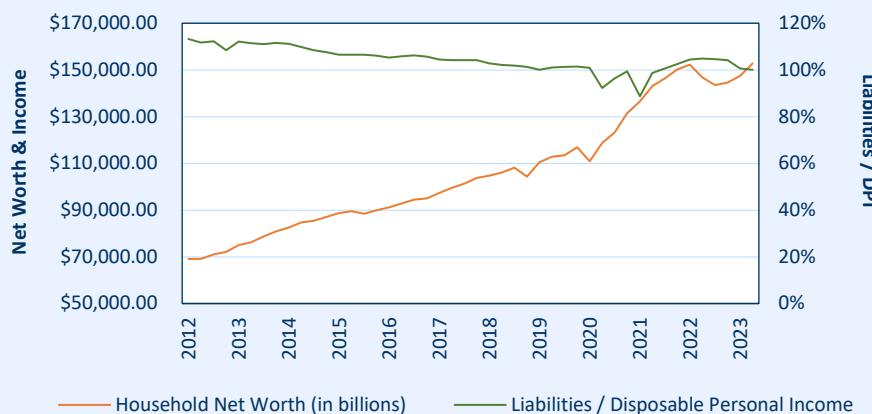
**U.S. Economic Conditions**

The U.S. economy continues to display resiliency - even in the face of continued inflationary pressures and interest rate levels that are materially higher than the norm over the past decade. Economic growth as measured by GDP was 3.4% in 2023, and year-over-year growth has been above 2% for six consecutive quarters as of the end of 2023 (see the top-left chart below). The continued strength of the economy has calmed investors who feared the Federal Reserve's policy moves would trigger a recession, but the leveling off of the downward trend in inflation is also changing views on the timing and degree to which the Fed will reduce rates. Initially, the consensus of investors and economists called for up to six rate cuts in 2024, but now the Fed is signaling that far fewer will occur - and market sentiment is changing to two or less. As a firm, we avoid the temptation to prognosticate in areas that have so many unknowns. However, we do feel that there are factors at the consumer level (related to a strong labor market and the wealth created in recent years with higher asset prices) that are playing into the economic resiliency we are seeing. With this said, the current level of rates should continue to keep pressure on inflation, even if a short-term pause in the decline is signaling otherwise.

**U.S. Gross Domestic Product and Unemployment**

**Interest Rates and Yields**

Date	1/1/2023	6/30/2023	12/31/2023	3/31/2024
<b>10-Year Yield</b>	3.79	3.81	3.88	4.20
<b>30-Year Mortgage Rate</b>	6.36	6.71	6.61	6.79
<b>Federal Funds Rate</b>	4.33	5.08	5.33	5.33


**Consumer Finances**

**Corporate Earnings**


**U.S. Stock Market**

Following a strong year in 2023, the U.S. equity market continued the run in the 1<sup>st</sup> quarter of 2024 - and as was the case last year - large growth stocks outperformed other market categories. However, the gap in results between growth and value stocks was much smaller than it was in 2023 (see the top-left table below). At the sector level, more economically sensitive sectors outperformed defensive sectors again in the 1<sup>st</sup> quarter (displayed in the top-right table below). This has primarily been driven by calming fears of a recession and optimism in the Technology sector related to Artificial Intelligence. Moving forward, investors should expect volatility given the backdrop (e.g., higher stock valuations, interest rate uncertainty, continued geopolitical conflict, etc.). Additionally, the increasing divide in our nation politically is leading to impulsive emotional reactions from some investors (around elections) who may feel that if their side does not win, the markets will be materially impacted. For this reason, we feel it is important to mention that historically, the impact of the party in control of the White House has had little long-term impact for investors. *Since 1936, the average 10-year annualized return of the stock market (as measured by the S&P 500 Index) for an investment made at the start of an election year was 10.8% - and the average gap or difference between when either party took office is a negligible 0.7% per year (11.2% vs. 10.5%).*

Market Segment	YTD	1-Year	3-Year	5-Year	10-Year
Russell 3000	Broad Indices	10.0%	29.3%	9.8%	14.3%
S&P 500		10.6%	29.9%	11.5%	15.0%
Russell 2000		5.2%	19.7%	-0.1%	8.1%
Large Growth		11.9%	36.5%	8.0%	14.9%
Large Blend		10.0%	27.2%	9.9%	13.6%
Large Value		8.8%	20.7%	8.9%	10.9%
Mid Growth		9.4%	23.0%	1.1%	10.6%
Mid Blend		9.2%	22.5%	6.5%	10.9%
Mid Value		7.8%	20.8%	8.0%	10.6%
Small Growth		7.5%	18.1%	-2.0%	9.1%
Small Blend	Category	5.7%	18.9%	3.4%	9.3%
Small Value		4.7%	20.1%	5.9%	10.3%
					7.2%



Sector	YTD Return	Forward Price-to-Earnings Ratio		
		Mar. 31 2024	20-yr Avg	Relative to 20-yr Avg.
S&P 500 Index	10.6%	21.0	15.6	135%
Basic Materials	8.1%	21.5	14.9	144%
Consumer Cyclical	4.1%	25.6	19.6	131%
Financial Services	12.2%	16.0	12.5	128%
Real Estate	-0.7%	16.9	17.0	99%
Comm. Services	10.2%	19.0	18.6	102%
Energy	13.1%	13.0	13.5	96%
Industrials	10.9%	21.6	16.3	133%
Technology	13.1%	28.4	17.9	159%
Consumer Defensive	7.5%	20.2	17.5	115%
Healthcare	8.4%	19.1	15.0	127%
Utilities	4.9%	16.1	15.6	103%



## Foreign Economic Conditions & Stock Markets

In line with last year, foreign economic data has been mixed in 2024 as certain countries such as India and Japan have posted more favorable results, while others (e.g., China) have continued to face several structural headwinds. From an equity market perspective, foreign stocks posted positive returns on an absolute basis, but they trailed domestic stocks by a wide margin in the 1<sup>st</sup> quarter. This has also been the case for a number of years, which is illustrated by the large gap in the current 10-year average for the primary indexes - 12.3% for the Russell 3000 Index (U.S. index) and 4.3% for the MSCI ACWI ex-U.S. IM Index (foreign index). The performance gap is also the reason that the U.S. market's share of the global market index is at multi-decade highs - see the bottom-right chart below. Regionally, Emerging Markets stocks continued to underperform Developed Market stocks in the 1<sup>st</sup> quarter (primarily due to weakness in China), which has widened the current performance gap between these market segments. *Ultimately, gaps in longer-term average performance tend to come back together, but the long-awaited rebound in the relative results of foreign stocks seems to continue to face structural headwinds (e.g., the boost of "AI" to U.S. tech companies recently).*

### Currency Impact on Foreign Investment (made by U.S. investors)



Return	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
In Local Currency	1.9%	7.0%	18.2%	-10.6%	20.8%	6.0%	13.0%	-9.6%	14.1%	8.2%
Currency Impact	-7.6%	-2.5%	9.0%	-3.6%	0.7%	4.7%	-5.2%	-6.4%	1.5%	-3.5%
Net In U.S. Dollars	-5.7%	4.5%	27.2%	-14.2%	21.5%	10.7%	7.8%	-16.0%	15.6%	4.7%

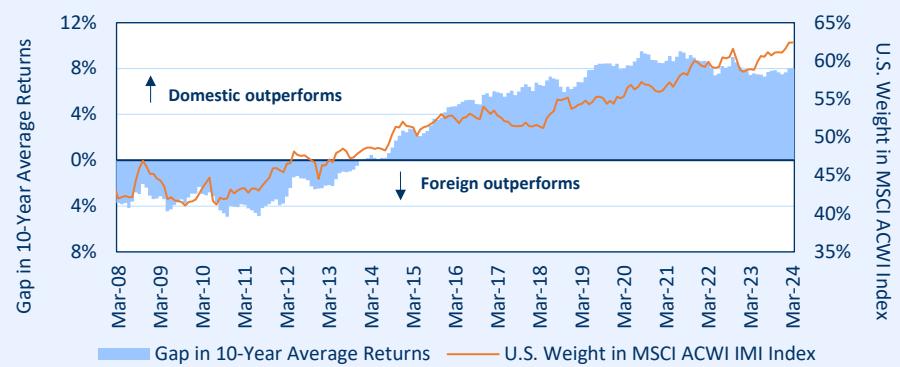
### Global Gross Domestic Product



### Foreign Stock Performance

Market Segment	YTD	1-Year	3-Year	5-Year	10-Year
MSCI ACWI ex-U.S. IM	Broad Indices	4.3%	13.2%	1.7%	6.0%
Developed Markets		5.3%	14.6%	3.9%	7.0%
Emerging Markets		2.2%	9.8%	-3.9%	3.0%
Foreign Large Growth	Category	6.6%	13.0%	0.0%	7.2%
Foreign Large Blend		5.2%	13.5%	2.9%	6.6%
Foreign Large Value		4.0%	13.8%	5.0%	6.5%
Foreign Small/Mid Growth		2.5%	9.1%	-4.1%	5.1%
Foreign Small/Mid Blend		3.2%	10.7%	0.3%	5.8%
Foreign Small/Mid Value		3.4%	14.5%	4.5%	6.8%

### Foreign vs. U.S. Performance and Allocation

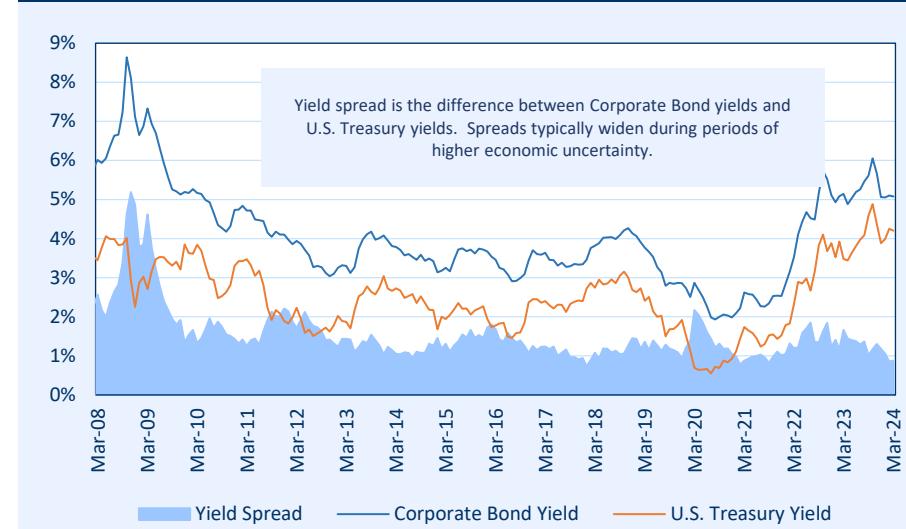
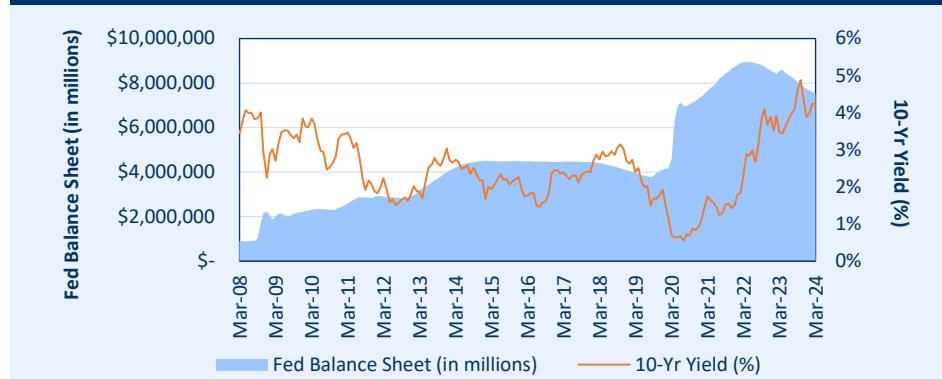
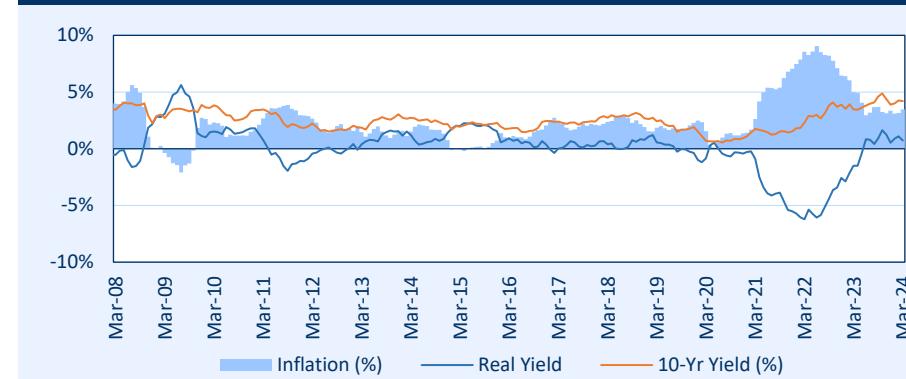


**Fixed Income Markets**

Bond returns have been mixed thus far in 2024 as the rise in interest rates has had varying degrees of impact on performance. *The 10-year Treasury began the year at 3.88%, rose to as high as 4.34%, and finished the 1<sup>st</sup> quarter at 4.20%*. From a maturity perspective, short to medium-term bonds have held up better than long-term bonds (since they are less sensitive to rate increases), while high-yield and Emerging Markets bonds posted the highest returns (though still modest overall). With regard to the interest rate outlook, Federal Reserve policymakers held rates steady in March but relayed an expectation that they will reduce rates three times over the remainder of the year. However, they also continue to state that they will remain data dependent, and data released after the close of the quarter is suggesting that three rate cuts is less likely in 2024.

**Fixed Income Performance**

Sector, Maturity, Region	Avg. Yield	Avg. Maturity	YTD	1-Year	3-Year	5-Year	10-Year
Agency MBS	5.04%	7.5	0.1%	3.1%	-0.9%	1.0%	1.5%
U.S. Treasuries	4.58%	6.7	-0.7%	0.7%	-2.1%	0.2%	1.0%
U.S. TIPS	1.85%	7.3	-0.1%	0.5%	-0.5%	2.5%	2.2%
Municipals	3.49%	13.3	-0.4%	3.1%	-0.4%	1.6%	2.7%
Invest. Grade Corporate	5.30%	10.8	-0.4%	4.4%	-1.9%	1.5%	2.6%
High-Yield Corporate	7.66%	4.9	1.5%	11.2%	2.2%	4.2%	4.4%
Emerging Markets	7.74%	12.0	1.5%	8.4%	-1.5%	1.1%	2.9%
Short-Term Bond	3.76%	3.6	0.9%	4.9%	0.5%	1.7%	1.6%
Intermediate-Term Bond	3.94%	8.4	-0.2%	2.9%	-2.3%	0.7%	1.7%
Long-Term Bond	4.44%	20.5	-1.2%	2.2%	-4.3%	0.5%	2.9%
Foreign Bond	3.03%	8.9	0.6%	5.9%	-0.4%	1.0%	2.6%
U.S. Bond	4.85%	8.4	-0.8%	1.7%	-2.5%	0.4%	1.5%

**Yield Spreads**

**Federal Reserve Balance Sheet and 10-Year Treasury Yield**

**Year-Over-Year Inflation Data and Real Yield**


Definitions:

**Federal Funds Rate** - The interest rate set by the Federal Open Market Committee (FOMC), the governing body of the Federal Reserve Bank, which determines the amount banks charge for overnight lending of their reserve balances to other financial institutions. **Disposable Personal Income (DPI)** - The amount of total discretionary income received by a household net of taxes. **Liabilities / DPI** - The amount of total debt owed by households in relation to their DPI, measured as the aggregate of the entire U.S. population.

Data Sources:

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**Gross Domestic Product (GDP)**: First quarter 2024 GDP is an advanced estimate from the U.S. Bureau of Economic Analysis. **Unemployment**: U.S. Bureau of Labor Statistics, Unemployment Rate, retrieved from FRED, Federal Reserve Bank of St. Louis. **10-Year Treasury**: U.S. Treasury, Daily Treasury Yield Curve Rates. **30-Year Mortgage Rates**: FreddieMac, Monthly Average Commitment Rate And Points On 30-Year Fixed-Rate Mortgages Since 1971. **Fed Funds Rate**: The effective federal funds rate (EFFR) is calculated as a volume-weighted median of overnight federal funds transactions reported in the FR 2420 Report of Selected Money Market Rates. Data from the Federal Reserve Bank of New York. **Household Net Worth**: Board of Governors of the Federal Reserve System (US), Households and Nonprofit Organizations; Net Worth, Level [TNWBSHNO], retrieved from FRED, Federal Reserve Bank of St. Louis. **Median Household Income**: U.S. Census Bureau, Real Median Household Income in the United States [MEHOINUSA672N], retrieved from FRED, Federal Reserve Bank of St. Louis. **Liabilities / Disposable Personal Income**: Board of Governors of the Federal Reserve, Balance Sheet of Households and Nonprofit Organizations, 1952 - 2023. **Earnings**: Standard & Poor's Global.

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**Index Data**: Source - Morningstar Direct. Indices listed are as follows: Russell 3000 Index (broad U.S. market), S&P 500 (U.S. large cap), Large Growth (Russell 1000 Growth), Large Blend (Russell 1000), Large Value (Russell 1000 Value), Mid Growth (Russell Mid Cap Growth), Mid Blend (Russell Mid Cap), Mid Value (Russell Mid Cap Value), Small Growth (Russell 2000 Growth), Small Blend (Russell 2000), Small Value (Russell 2000 Value). **Sector Performance Data**: Source - Morningstar Direct. Represents Morningstar sector index performance. **Price to Earnings Data**: J.P. Morgan Guide to the Markets, p.14. **Factor Performance Data**: Source - Morningstar Direct. U.S. Stock vs. Foreign Stock (Russell 3000 vs. MSCI ACWI ex-U.S. IM Index), Growth vs. Value (Russell 3000 Growth vs. Russell 3000 Value Index), Large Cap Stock vs. Small Cap Stock (S&P 500 vs. Russell 2000 Index), Quality Stock vs. Low Quality Stock (S&P 500 Quality Index vs. S&P 500 Index).

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**Gross Domestic Product**: Source - imf.org. Gross Domestic Product (GDP) for Developed markets (advanced economies), Emerging markets (emerging and developing economies), and World represent year-over-year economic growth data. **Foreign Stock Performance**: Source - Morningstar Direct. In order from top to bottom, the indices used are as follows: the MSCI ACWI ex-U.S. IM Index (broad foreign market), the MSCI EAFE IM Index (Developed Markets), the MSCI EM IM Index (Emerging Markets), the MSCI ACWI ex-U.S. Large Growth Index, the MSCI ACWI ex-U.S. Large Blend Index, the MSCI ACWI ex-U.S. Large Value Index, the MSCI ACWI ex-U.S. Small/Mid Growth Index, the MSCI ACWI ex-U.S. Small/Mid Blend Index, and the MSCI ACWI ex-U.S. Small/Mid Value Index. **Currency Impact on Returns**: Source - Morningstar Direct. Represents the yearly returns for the MSCI ACWI ex-U.S. Local Currency Index (Local Currency) and the MSCI ACWI ex-U.S. USD Index (U.S. Dollar). The currency data represents the difference between the yearly returns of the MSCI ACWI ex-U.S. Index in U.S. dollars versus Local Currency. **Foreign vs. U.S. Performance and Allocation**: Source - Morningstar Direct. Represents 1) the 10-year rolling return difference between the Russell 3000 Index (domestic) and the MSCI ACWI ex-U.S. IM Index (foreign) and 2) the U.S. historical weight within the MSCI ACWI ex-U.S. Index.

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**Fixed Income Performance**: Source - Morningstar Direct. Indices/categories listed are as follows: Agency MBS (Bloomberg US MBS Index), U.S. Treasuries (S&P/BGCantor U.S. Treasury Bond Index), U.S. TIPS (Bloomberg U.S. Treasury U.S. TIPS Index), Municipal (Bloomberg Municipal Index), Invest. Grade Corporates (Bloomberg US Corp Bond Index), High-Yield Corporates (Bloomberg High Yield Corporate Index), Emerging Markets (JPM EMBI Global Diversified Index), Short-Term Bond (Morningstar Short-Term Bond Category), Intermediate-Term Bond (Morningstar Intermediate Core-Plus Bond Category), Long-Term Bond (Morningstar Long-Term Bond Category), Foreign Bond (Bloomberg Global Agg ex USD Hedged USD), U.S. Bond (Bloomberg U.S. Aggregate Bond). **Yield Spreads**: Corporate Bond Yield - U.S. Department of the Treasury, 10-Year High Quality Market (HQM) Corporate Bond Par Yield [HQMCB10YRP], retrieved from FRED, Federal Reserve Bank of St. Louis. Treasury Yield / Real Yield - U.S. Treasury, Daily Treasury Yield Curve Rates. **Federal Reserve Balance Sheet Size & 10-Year Treasury Yield**: Fed Balance Sheet - Board of Governors of the Federal Reserve System (US), Assets: Total Assets: Total Assets (Less Eliminations from Consolidation): Wednesday Level [WALCL], retrieved from FRED, Federal Reserve Bank of St. Louis. **Inflation Data & Real Yield**: Source - inflationdata.com. U.S. Treasury, Daily Treasury Yield Curve Rates. Real yield represents the 10-Year Treasury Bond Yield less the year-over-year change in the Consumer Price Index (CPI).

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