# Q2’ 2024 Quarter Client Presentation

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April 12th, 2024

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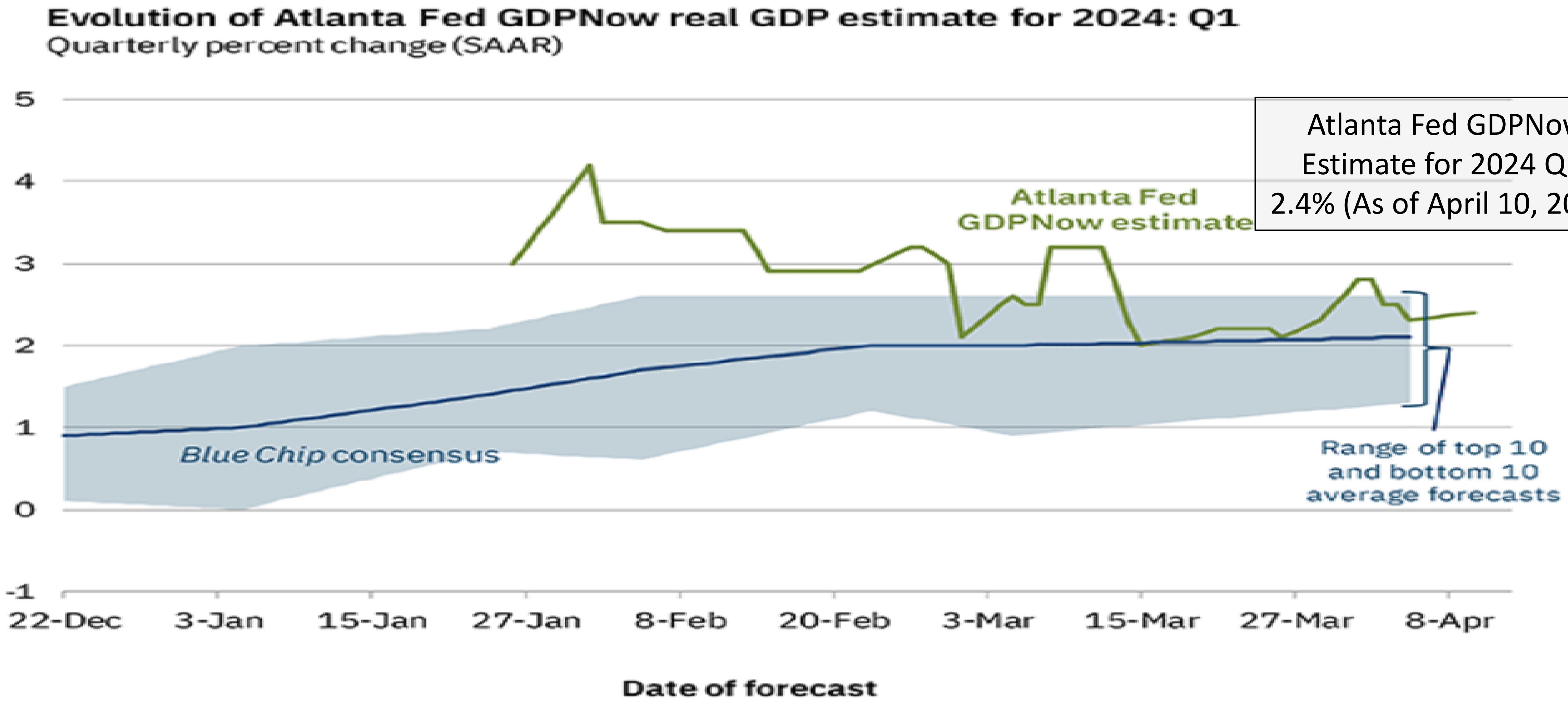
# A Lookback on 1Q24

| Benchmark | Inception Date | Quarter To Date | Month To Date |
|---|---|---|---|
| S&P 500 Total Return Index | 01/30/1970 | 10.6% | 3.2% |
| S&P 500 Growth Index Total Return | 01/13/2006 | 12.8% | 2.1% |
| S&P 500 Value Index Total Return | 01/05/2004 | 8.1% | 4.5% |
| S&P 400 TR | 03/18/2010 | 10.0% | 5.6% |
| S&P 600 TOTAL RETURN INDEX | 12/29/1995 | 2.5% | 3.2% |
| MSCI EAFE INDEX | 03/30/2001 | 5.8% | 3.3% |
| Bloomberg Barclays Aggregate Bond Index | 04/30/1976 | -0.8% | 0.9% |
| Bloomberg Commodity TR Index | 01/03/2000 | 2.2% | 3.3% |
| RUSSELL 2000 | 12/29/1978 | 5.2% | 3.6% |
| 65% S&P 500/35% BC AGG BOND | 03/31/1976 | 6.5% | 2.4% |
| 70% S&P 500 / 30% BC AGG | 03/31/1976 | 7.1% | 2.5% |
| 60% S&P 500 TR / 40% BC AGG BOND COMPOSITE INDEX | 03/31/1976 | 5.9% | 2.3% |
| RUSSELL 1000 TOTAL RETURN IDX TOTAL RETURN | 07/31/1995 | 10.3% | 3.2% |
| RUSSELL 1000 VALUE INDEX 1000 VALUE | 03/31/1993 | 8.4% | 4.8% |
| RUSSELL 1000 GROWTH INDEX RUSL 1000 GROW | 03/31/1993 | 11.2% | 1.7% |

Performance is not correlated to portfolio holding period

[2] Annualized

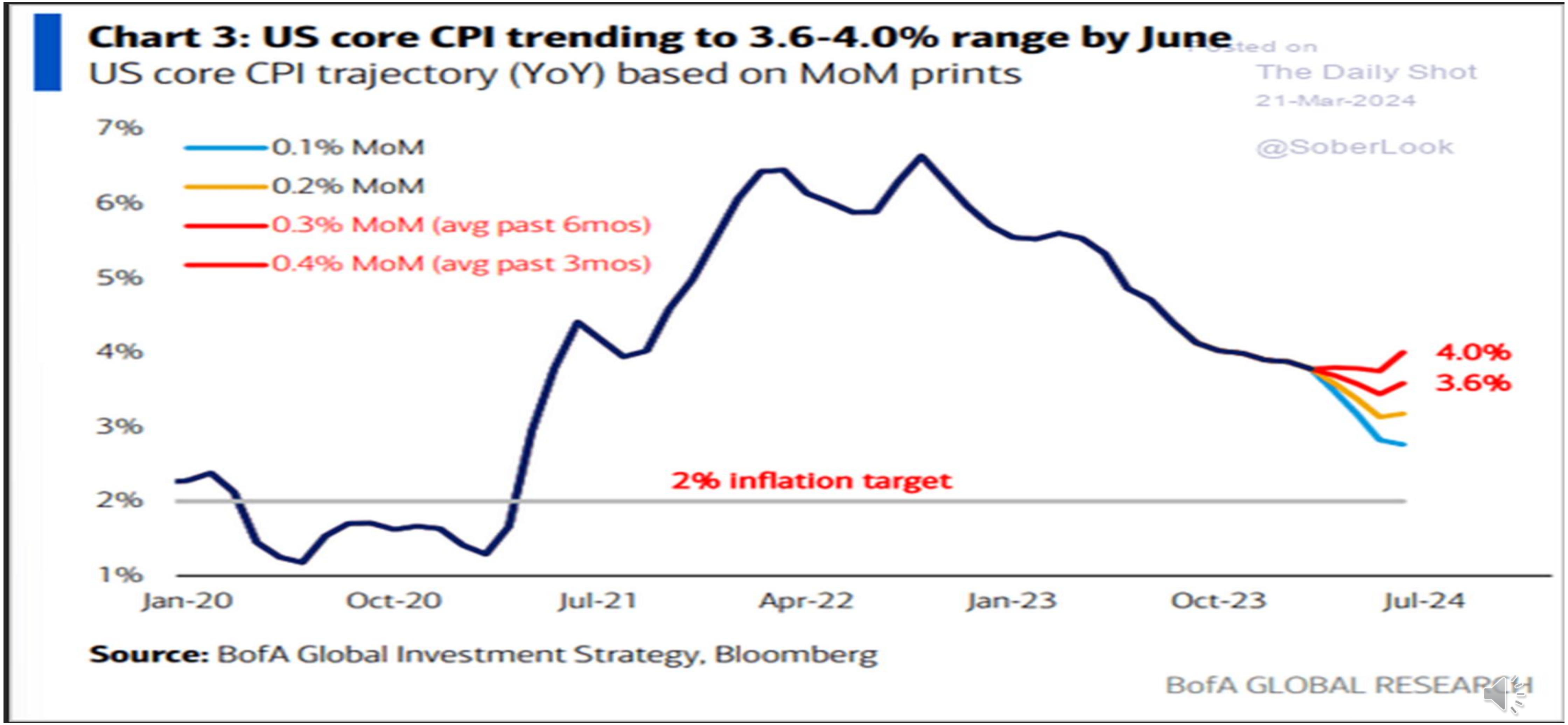
# Update on the Economy: Growth Remains Solid




Atlanta Fed GDPNow Estimate for 2024 Q1: 2.4% (As of April 10, 2024)

**Sources:** *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
**Note:** The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

# Inflation Trends: The “Last Mile” is the most challenging

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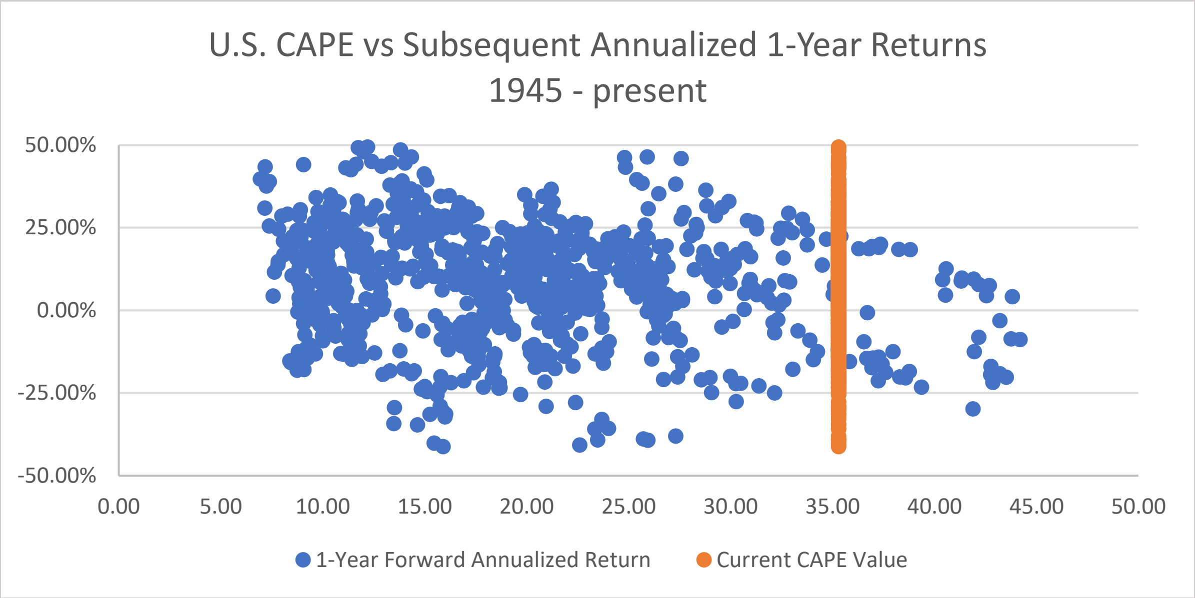
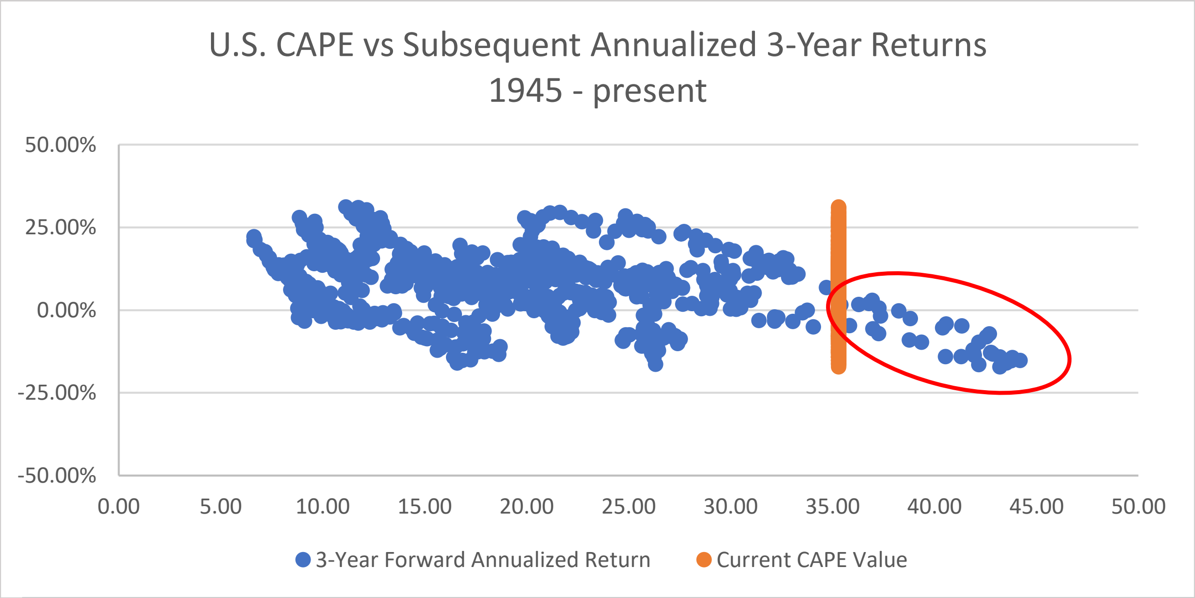
# Elevated Valuations: A Cautioning Signal for Forward US Returns

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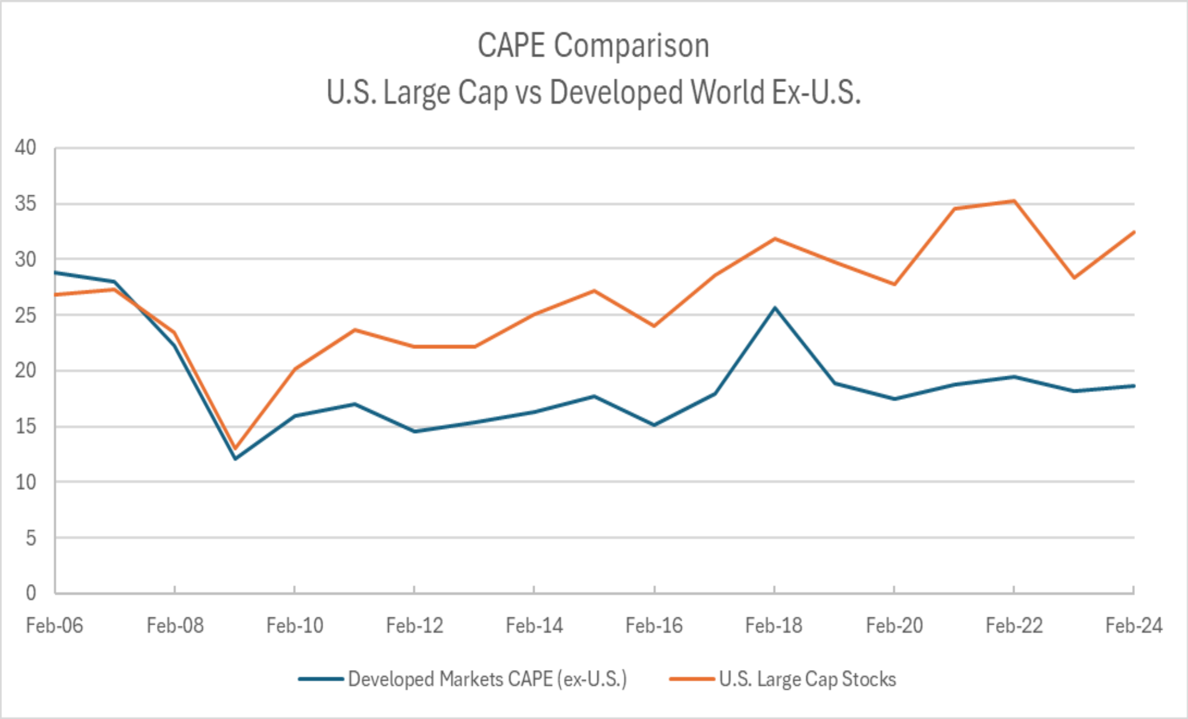
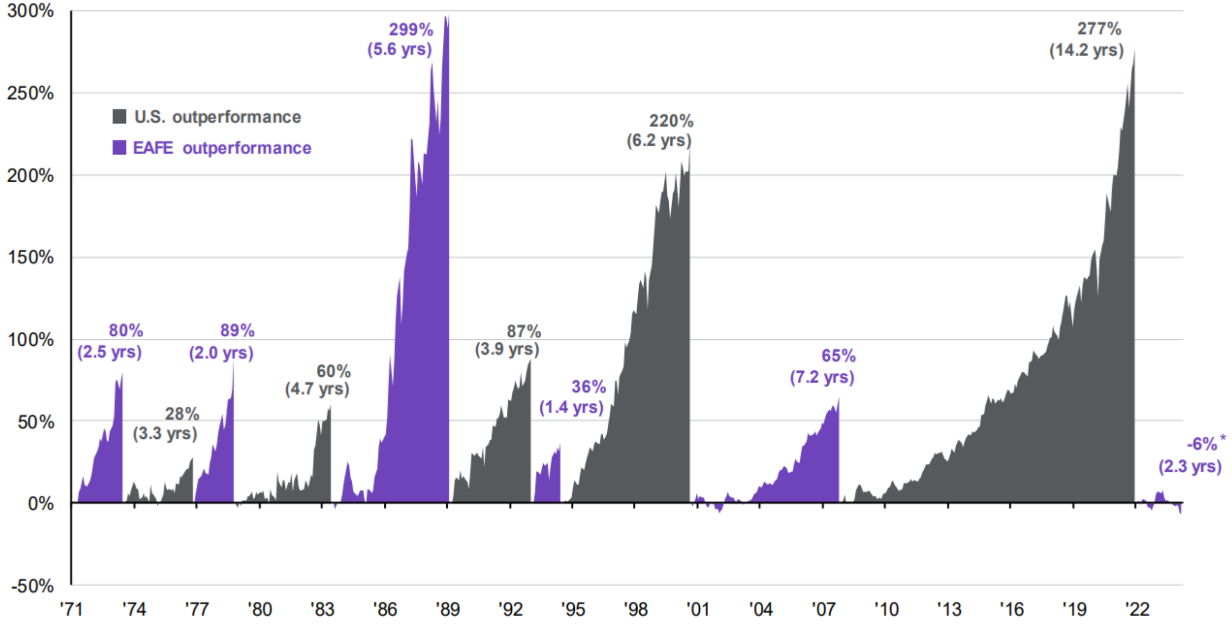
# Opportunities Beyond Domestic Shores




**MSCI EAFE and MSCI USA relative performance**

U.S. dollar, total return, cumulative outperformance




Source: FactSet, MSCI, J.P. Morgan Asset Management.
Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period. *Peak MSCI EAFE outperformance vs. MSCI USA occurred in April 2023. If this is sustained for 12 months, the regime will switch in April 2024.
*Guide to the Markets – U.S.* Data are as of March 31, 2024.

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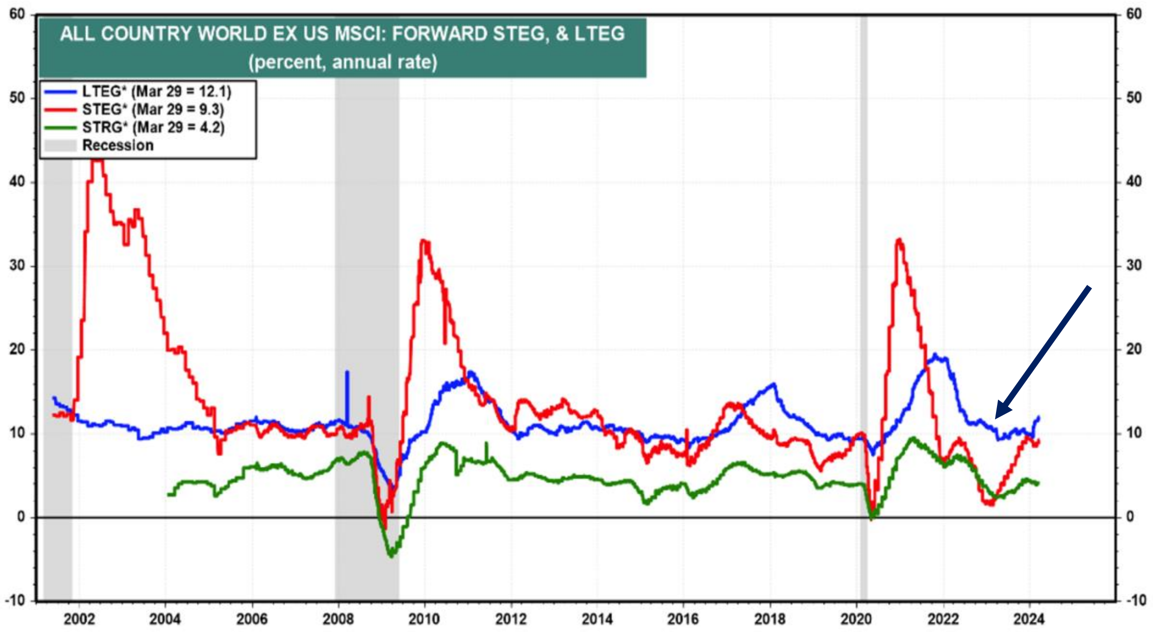
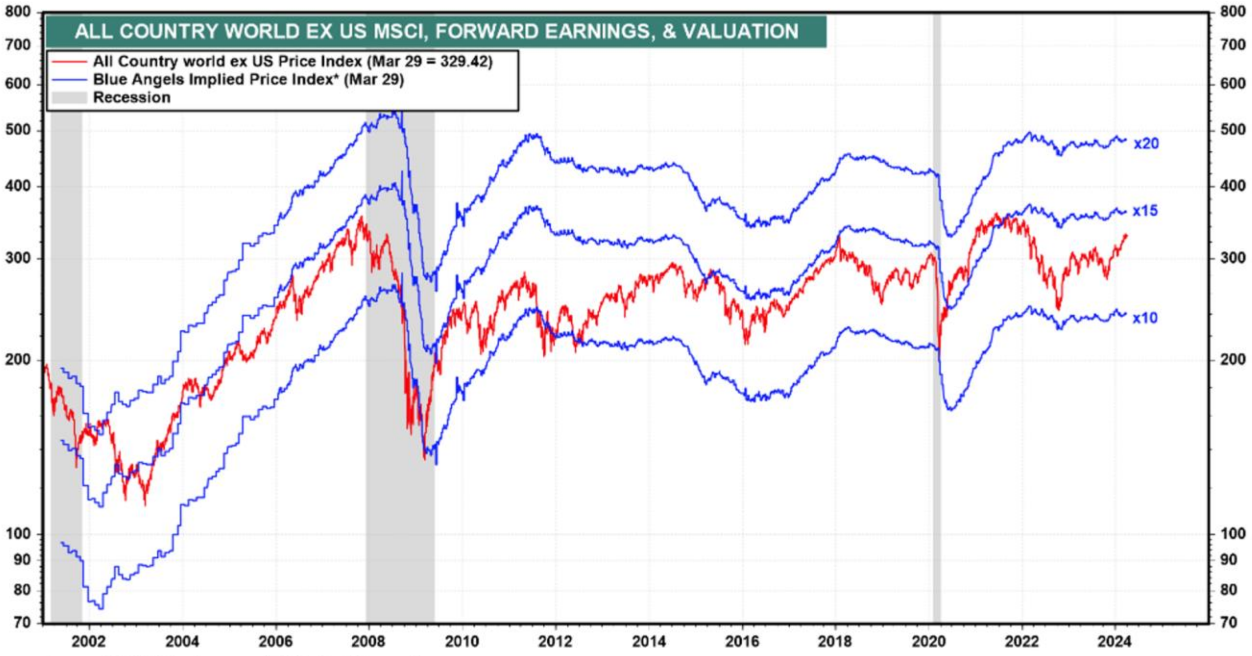
# International Markets Offering Competitive Growth Prospects with Less Demanding Valuations




Source: LSEG Datastream and © Yardeni Research.
* STRG is one-year ahead consensus expected short-term revenues growth. * STEG is one-year ahead consensus expected short-term earnings growth.
LTEG is five-year ahead consensus expected long-term earnings growth.




Source: LSEG Datastream and © Yardeni Research.
* Implied price index calculated using forward earnings times forward P/Es.

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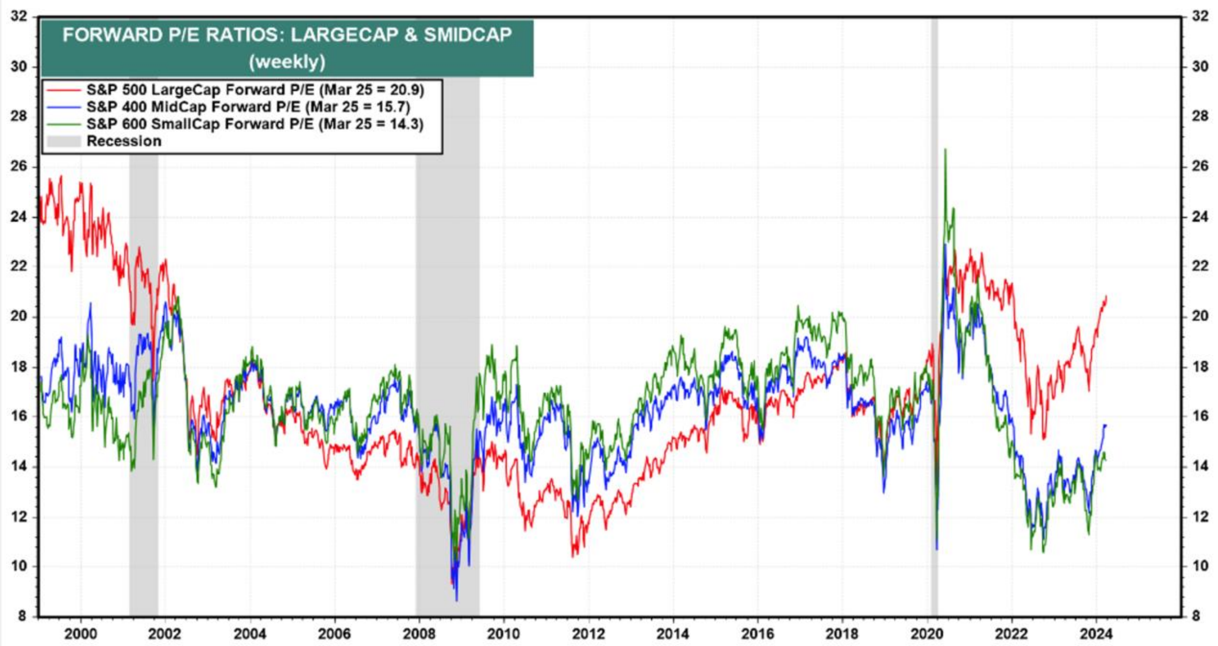
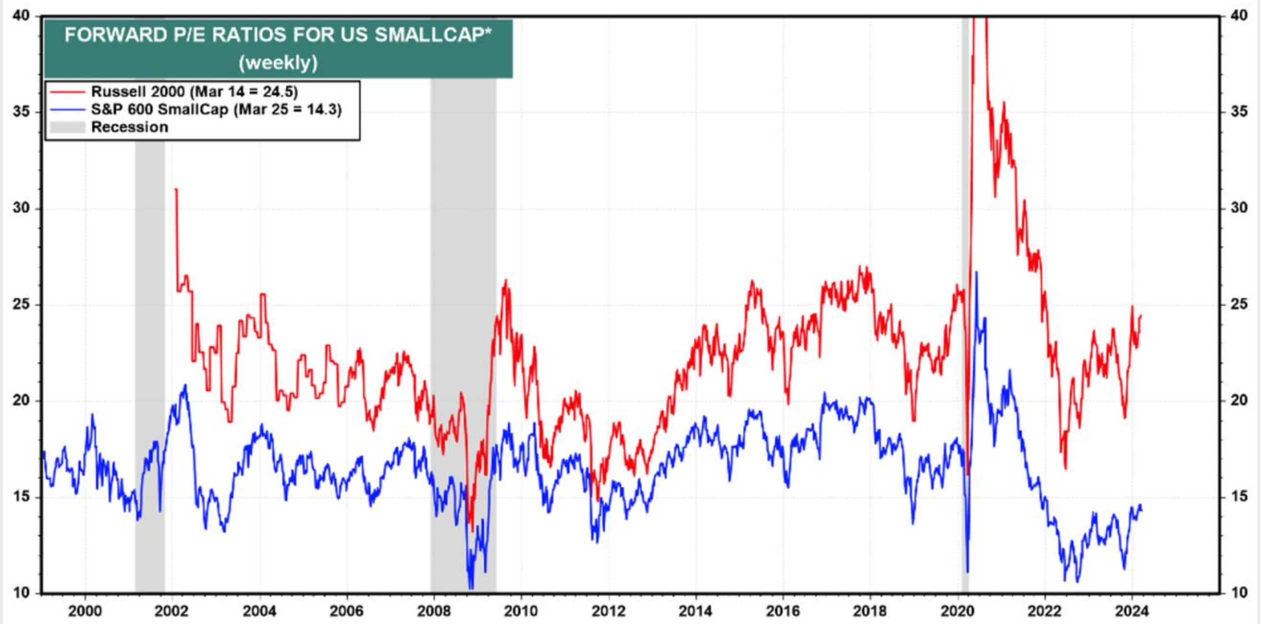
# The Case Remains for US Small & Mid-Caps



Source: LSEG Datastream and © Yardeni Research.



Source: LSEG Datastream and © Yardeni Research.
* Price divided by 12-month (52-week) forward consensus expected operating earnings per share. Monthly data through December 2005, weekly thereafter. P/E capped at 40 due to extreme values.

# Fixed Income: Valuations Providing a Much Greater Buffer Relative to Recent History

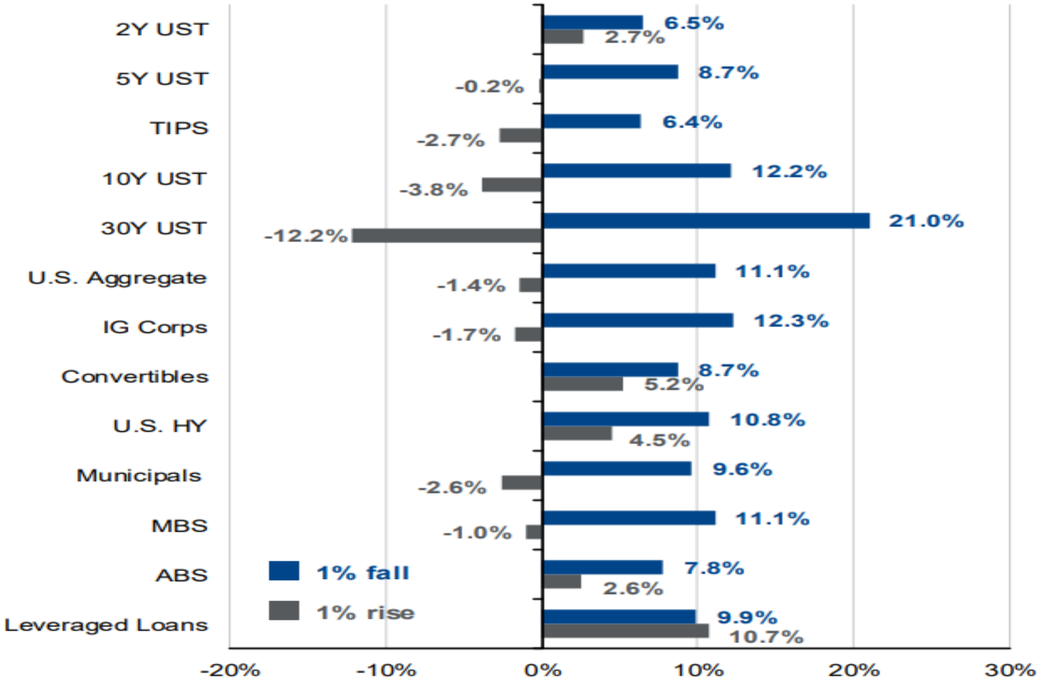
## Fixed income market dynamics



| U.S. Treasuries | Yield 3/31/2024 | Yield 12/31/2023 | Return 2024 YTD | Avg. Maturity | Correlation to 10-year | Correlation to S&P 500 |
|---|---|---|---|---|---|---|
| 2-Year | 4.59% | 4.23% | 0.24% | 2 years | 0.75 | -0.02 |
| 5-Year | 4.21% | 3.84% | -0.78% | 5 | 0.94 | -0.07 |
| TIPS | 1.85% | 1.72% | -0.08% | 7.3 | 0.71 | 0.30 |
| 10-Year | 4.20% | 3.88% | -1.67% | 10 | 1.00 | -0.13 |
| 30-Year | 4.34% | 4.03% | -4.06% | 30 | 0.93 | -0.16 |
| **Sector** | | | | | | |
| U.S. Aggregate | 4.85% | 4.53% | -0.78% | 8.4 | 0.87 | 0.24 |
| IG Corps | 5.30% | 5.06% | -0.40% | 10.8 | 0.60 | 0.48 |
| Convertibles | 6.64% | 7.26% | 2.09% | - | -0.10 | 0.87 |
| U.S. HY | 7.66% | 7.59% | 1.47% | 4.9 | -0.02 | 0.76 |
| Municipals | 3.49% | 3.22% | -0.39% | 13.3 | 0.68 | 0.27 |
| MBS | 5.04% | 4.68% | -1.04% | 7.5 | 0.79 | 0.24 |
| ABS | 5.79% | 5.65% | 1.27% | 3.6 | 0.05 | -0.03 |
| Leveraged Loans | 10.32% | 10.59% | 0.63% | 4.4 | -0.14 | -0.05 |

**Impact of a 1% rise or fall in interest rates**

Total return, assumes a parallel shift in the yield curve




Source: Bloomberg, FactSet, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. Sector yields reflect yield-to-worst. Leveraged loan yields reflect the yield to 3Y takeout. Correlations are based on 15-years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is not indicative of future results.

*Guide to the Markets – U.S.* Data are as of March 31, 2024.

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# Main Takeaways:

1.) While returns were broadly positive during the first quarter, for many asset classes we observed a "quarter of two halves" where the positive return dynamic broadened during the latter portion of the quarter.

2.) The economy continues to grow. However, inflation has remained stickier than the Federal Reserve or the markets would like to see. This has created pockets of volatility around key data releases and we anticipate this to be the case until we see real signs that inflationary pressures relent and in the absence of economic hiccups.

3.) While the forward return profile for US large cap stocks (namely the S&P 500) remains less attractive relative to recent returns observed, we continue to see palatable opportunities elsewhere. These include International stocks (both within developed and emerging markets), small-caps and mid-caps, as well as certain components of the US large cap market where valuations are more favorable.

4.) We continue to favor fixed income securities, specifically intermediate-term bonds maturing around 5-years and carrying a high-quality bias. These securities can be well positioned to diversify and protect portfolios in the event of an economic slowdown.

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# *DISCLOSURE*