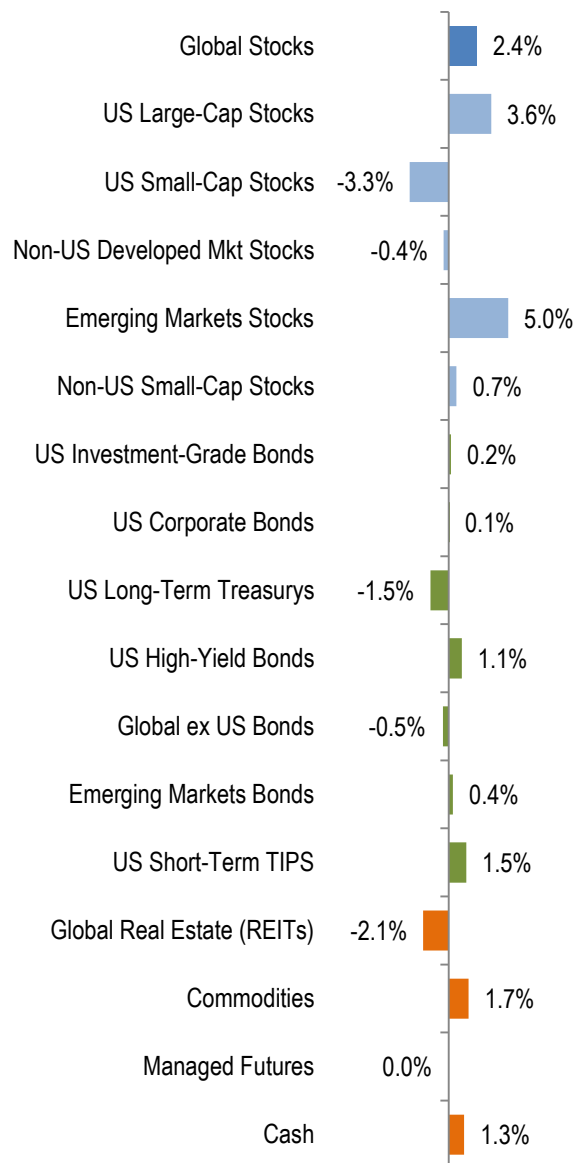


As of June 30, 2024

Second Quarter 2024



Second Quarter 2024: Artificial Intelligence or Artificial Highs?

The second quarter of 2024 capped a strong first half of the year, with the artificial intelligence ("AI") frenzy propelling stocks to gains despite a backdrop of tempered expectations for Federal Reserve interest-rate cuts. The S&P 500 climbed over 4% in the quarter and 15% in the first half of the year, marking a stellar performance reminiscent of last year's standout start to the year for the stock market.

Investors continued to flock to the burgeoning AI sector, confident that the boom is just beginning. Nvidia, a key player in this space, saw its shares soar by 150%, driving its market value above \$3 trillion and briefly making it the world's most valuable company. Nvidia's meteoric rise has accounted for almost a third of the S&P 500's gain for the year.

Despite early-year optimism for potential interest rate cuts, persistent inflation readings have tempered those expectations. Initially, investors anticipated up to six rate cuts from the Federal Reserve. However, as inflationary pressures persisted, the Fed has refrained from any cuts and maintained its current rate policy. This shift in expectations has pushed bond yields higher, with the benchmark 10-year U.S. Treasury note yield rising to 4.36%, from 3.88% at the end of last year.

Higher yields typically dampen enthusiasm for the riskier stock market, but the allure of an AI-driven future has sustained investor interest, leading to over 30 record closes for the S&P 500 in the first half of 2024. Outside of mega-cap tech, stocks have been less strong. The median stock in the S&P 500 was down 3% in the quarter and up just 5% for the year, highlighting the significant influence of a few large companies on the market's overall performance.

Small-cap stocks have lagged their larger counterparts for the year and quarter. Value shares have been thoroughly beaten by growth stocks, continuing the trend of recent years in which investors favor companies with high potential for future earnings over those currently trading cheaply. Developed international shares have been middling compared to their U.S. peers, as global economic conditions, geopolitical factors, and a strengthening US dollar continue to weigh on their performance.

	QTD	YTD	1 Year	3 Years	5 Years	15 Years
Global Stocks	2.4%	10.3%	18.4%	4.7%	10.4%	10.3%
US Large-Cap Stocks	3.6%	14.2%	23.9%	8.7%	14.6%	14.7%
US Large-Cap Value	(2.2%)	6.6%	13.1%	5.5%	9.0%	11.8%
US Large-Cap Growth	8.3%	20.7%	33.5%	11.3%	19.3%	17.3%
US Small-Cap Stocks	(3.3%)	1.7%	10.1%	(2.6%)	6.9%	11.2%
US Small-Cap Value	(3.6%)	(0.8%)	10.9%	(0.5%)	7.1%	10.6%
US Small-Cap Growth	(2.9%)	4.4%	9.1%	(4.9%)	6.2%	11.6%
Non-US Developed Markets (USD)	(0.4%)	5.3%	11.5%	2.9%	6.5%	6.8%
Non-US Developed Markets (Local)	1.0%	11.1%	15.1%	8.1%	9.0%	8.6%
Emerging Markets (USD)	5.0%	7.5%	12.5%	(5.1%)	3.1%	4.9%
Emerging Markets (Local)	6.2%	11.0%	15.5%	(1.6%)	5.6%	7.1%
US Investment-Grade Bonds	0.2%	(0.5%)	2.7%	(3.0%)	(0.2%)	2.6%
US Long-Term Treasuries	(1.5%)	(4.4%)	(5.1%)	(10.0%)	(4.0%)	2.8%
US Short-Term TIPS	1.5%	2.1%	5.2%	1.6%	3.0%	2.3%
Global Real Estate (REITs)	(2.1%)	(3.2%)	5.7%	(3.8%)	0.3%	7.6%
Cash	1.3%	2.6%	5.3%	3.0%	2.2%	1.1%

Returns for periods longer than 1 year are annualized.

Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, MSCI, FTSE Russell, ICE BofA, Credit Suisse

Prices ticked up in December and paychecks grew, delivering real wage gains in 2023 for the first time in three years. The Consumer Price Index increased 3.4% from a year earlier in December, up from a 3.1% annual rate in November, as reported by the Labor Department.

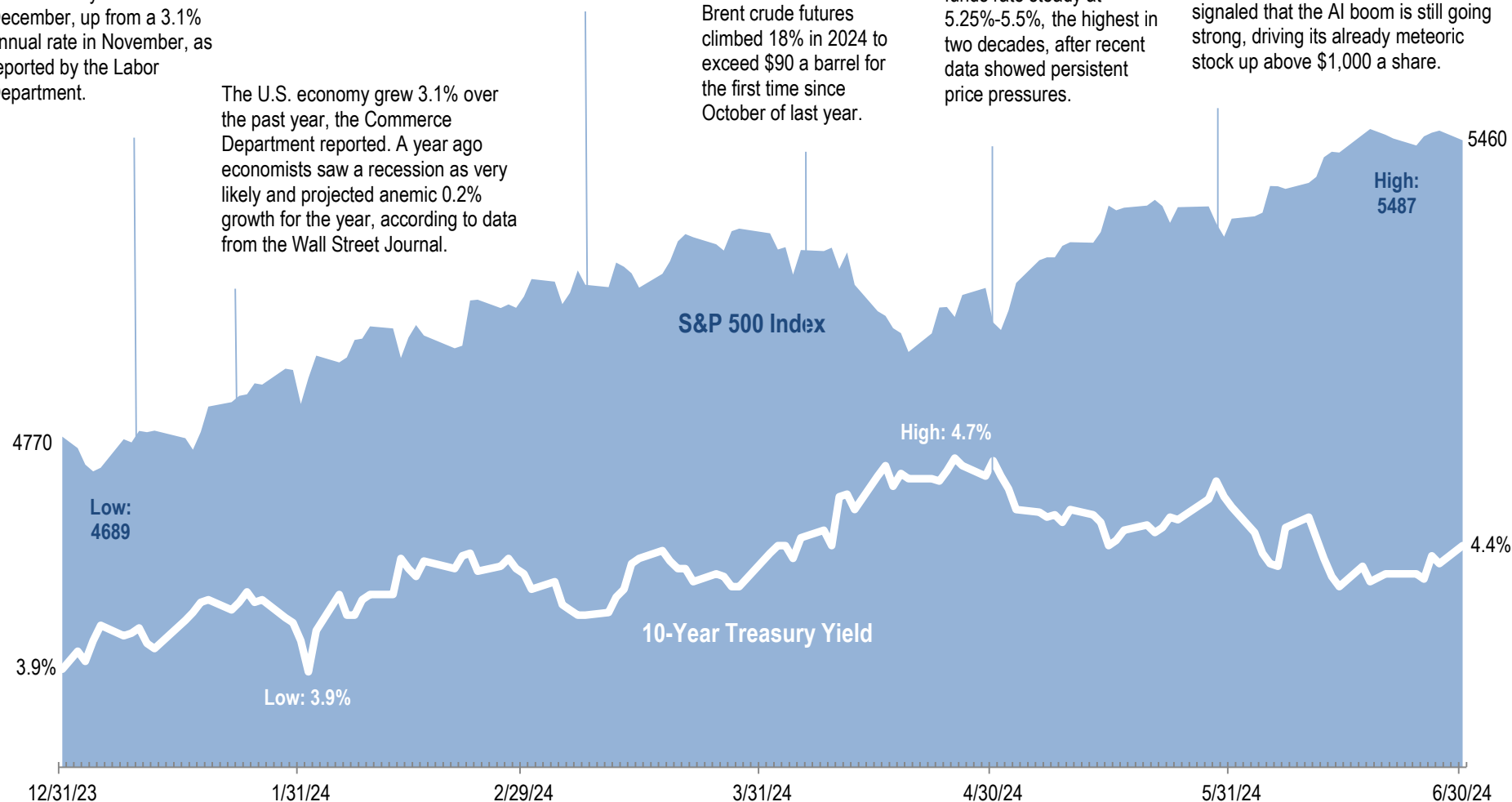
Gold prices broke above \$2,100 per ounce as rising geopolitical tensions have spurred demand from foreign central banks and investors bet on potential rate cuts.

The U.S. economy grew 3.1% over the past year, the Commerce Department reported. A year ago economists saw a recession as very likely and projected anemic 0.2% growth for the year, according to data from the Wall Street Journal.

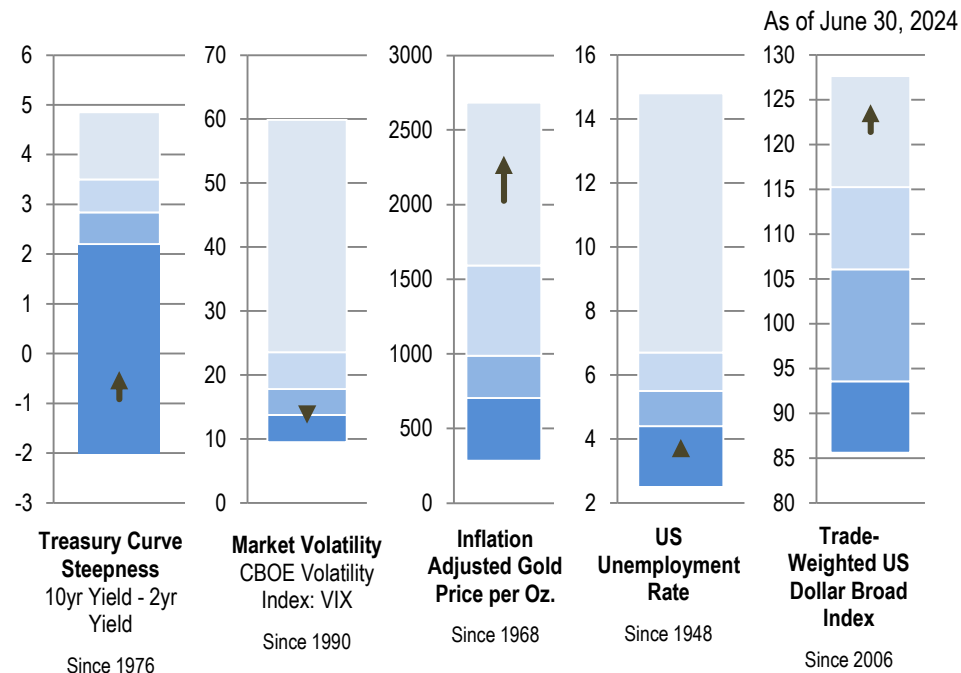
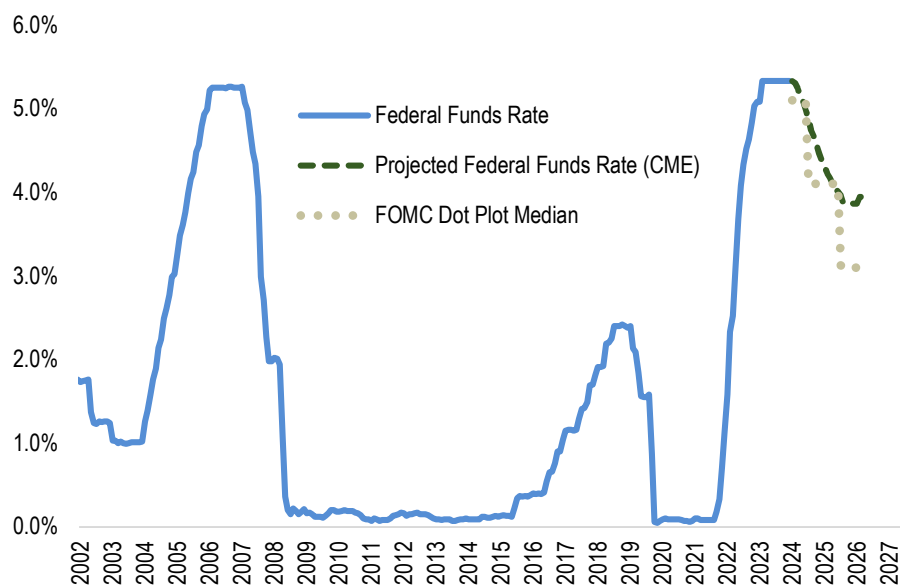
Brent crude futures climbed 18% in 2024 to exceed \$90 a barrel for the first time since October of last year.

The Federal Reserve kept the benchmark federal-funds rate steady at 5.25%-5.5%, the highest in two decades, after recent data showed persistent price pressures.

Nvidia delivered a record quarter and signaled that the AI boom is still going strong, driving its already meteoric stock up above \$1,000 a share.

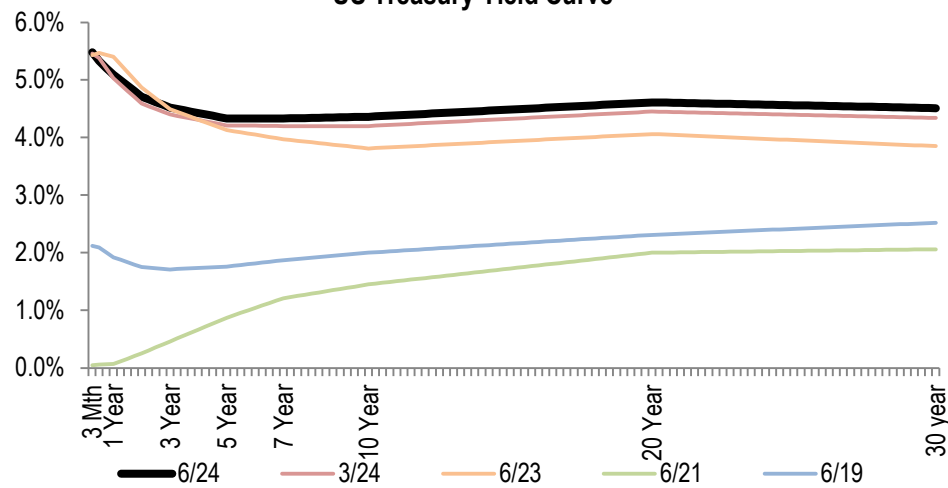


Federal Funds Rate



	6/2024	3/2024	6/2023	6/2021	6/2019
Market Inflation Expectations					
5 Year	2.2	2.4	2.2	2.5	1.5
10 Year	2.3	2.3	2.2	2.3	1.7
20 Year	2.5	2.5	2.5	2.4	1.8
CPI Year-over-Year	---	3.5	3.0	5.4	1.6
West Texas Crude Oil	81.5	84.0	70.7	73.5	58.2
Consumer Sentiment Index	68.2	79.4	64.4	85.5	98.2
S&P 500 Operating EPS	58.2*	54.6	54.8	52.1	40.1
Real GDP Growth YoY	---	1.4	2.1	6.2	3.4
Federal Funds Rate	5.33	5.33	5.08	0.08	2.38

US Treasury Yield Curve

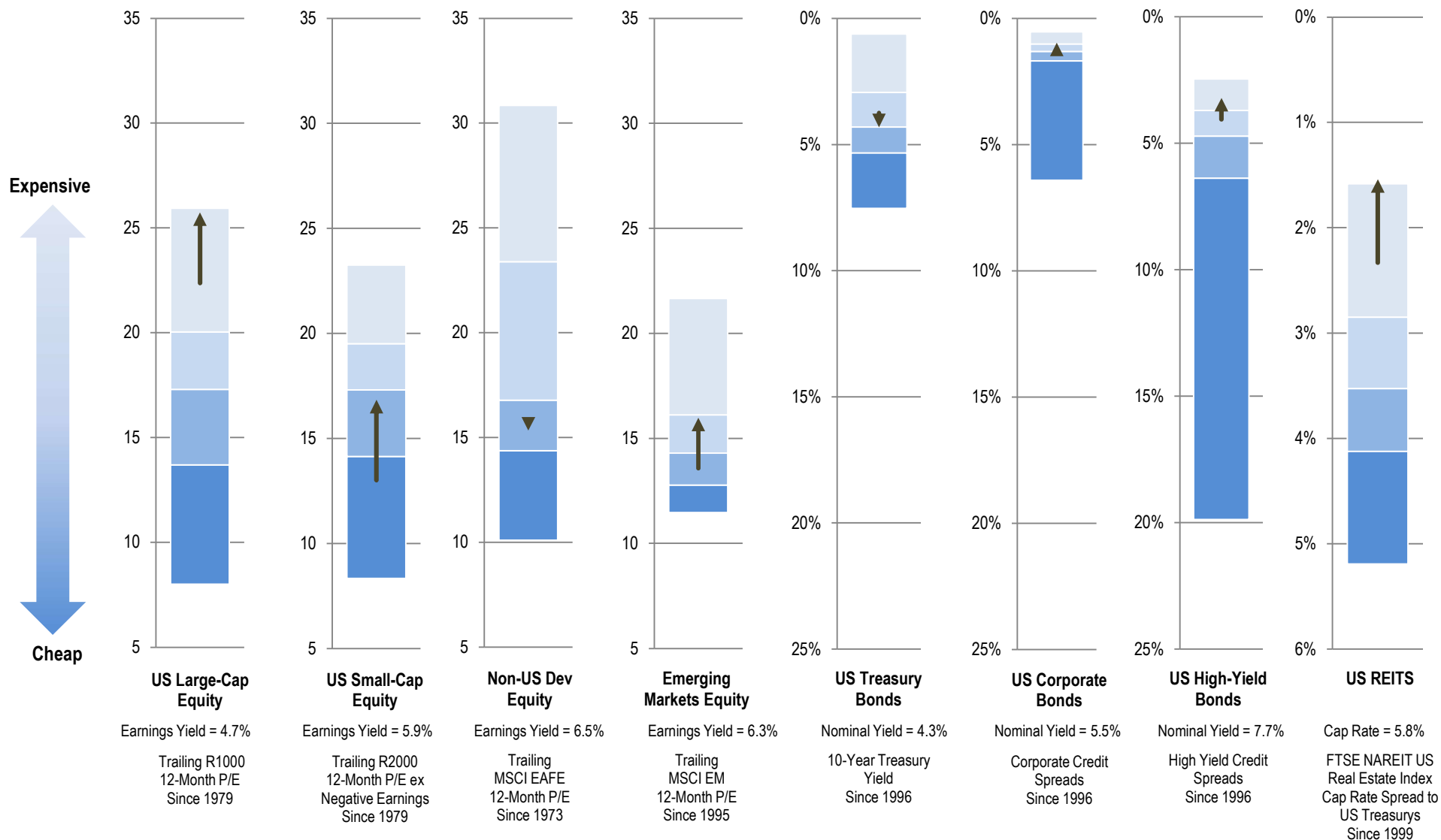


Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, CME Group, S&P Dow Jones Indices

Arrows in the top-right charts represent year on year change.

*Estimate, provided by S&P Dow Jones Indices.

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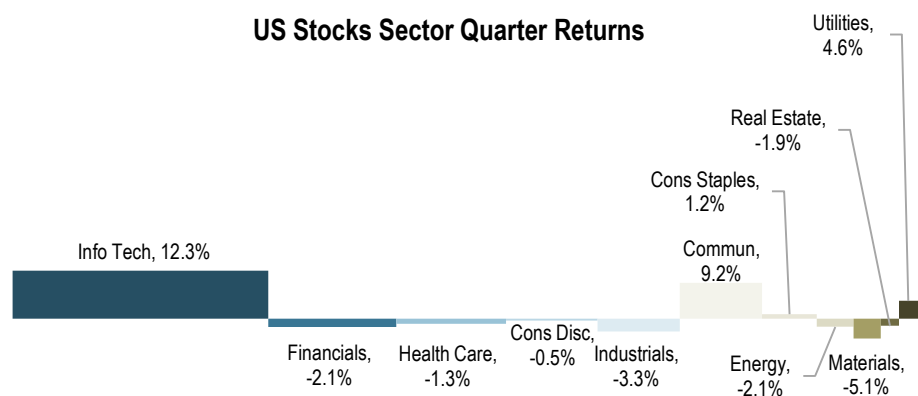


Arrows represent year on year change. Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%. P/E metrics calculated by Investment Metrics and Morningstar may use different methodology.

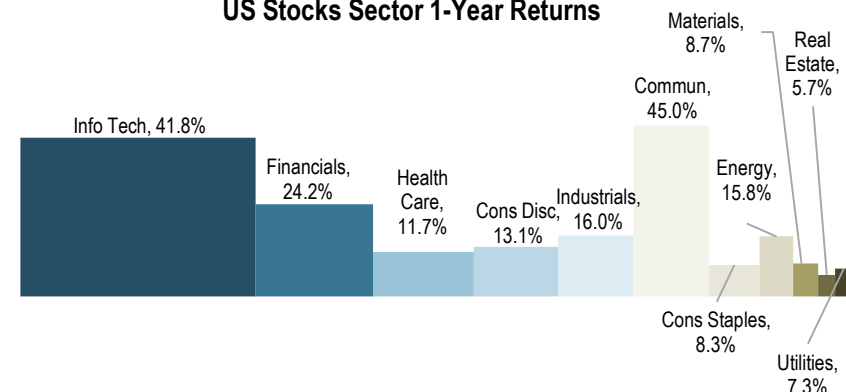
Sources: Sellwood Consulting LLC, Robert Shiller Data, S&P Dow Jones Indices, FTSE Russell, MSCI, Federal Reserve Economic Data, NAREIT

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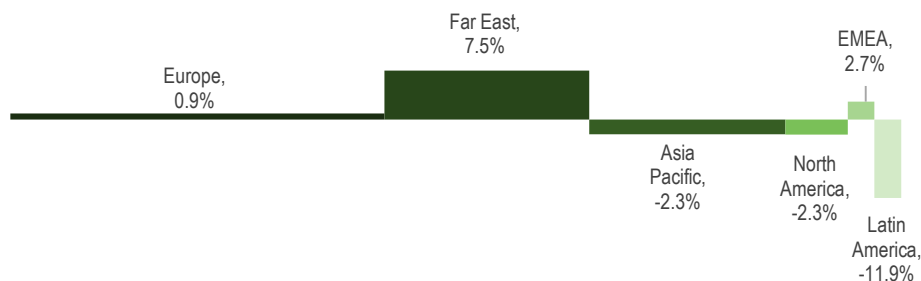
US Stocks Sector Quarter Returns



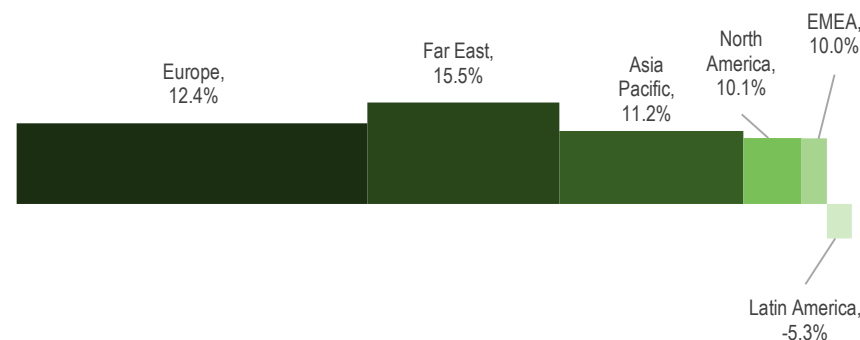
US Stocks Sector 1-Year Returns



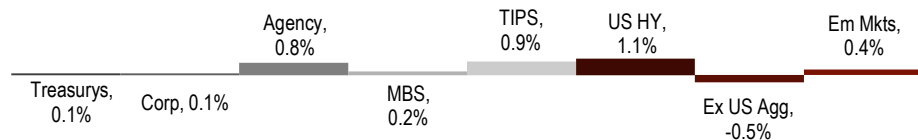
World Stocks ex USA Region Quarter Returns



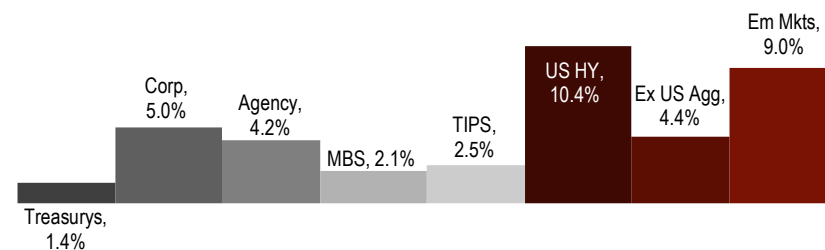
World Stocks ex USA Region 1-Year Returns



Fixed Income Sectors Quarter Returns



Fixed Income Sectors 1-Year Returns



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights. The Far East includes Hong Kong, Japan and Singapore.

Sources: Sellwood Consulting LLC, Morningstar, S&P Dow Jones Indices, MSCI, ICE BofA