Monthly Investment Report

August 2023

U.S. equities remained positive in July with the S&P 500 rising 3.2%. In a reversal from last month, emerging market equities outperformed developed markets led by Chinese equities (+10.8%). Treasury yields generally rose across the yield curve. Commodities and REITs generated positive returns. The U.S. Dollar depreciated against major currencies. Fitch cut the U.S. long-term foreign currency issuer default rating to AA+ from AAA. The Federal Reserve hiked interest rate for the 11th time since March 2022 taking the benchmark policy rate to 5.25%-5.50%, its highest level in more than 22 years. Labor market tightness is impeding the Fed's efforts to bring inflation down to its 2.0% target. Although the headline inflation decreased to 3.0% in June, the core PCE inflation, which is the Fed's preferred measure, remained persistently high at 4.1%.

Markets

After a strong performance in the first half of the year, U.S. equities continued to rise in July. The S&P 500 Index rose 3.2%, the Dow Jones rose 3.4%, while the Nasdaq Composite surged 4.1%. The S&P 500's rise was broad-based with all the market sectors experiencing positive gains. S&P 500 Energy stocks rose the most (+7.4%) followed by Telecoms (+6.9%), while Health Care stocks lagged, rising by just 1.0%. Information Technology stocks, which are up 46.6% year-to-date, took a bit of a breather and rose 2.7% for the month, slightly underperforming the broader markets. Large-cap and mid-cap stocks underperformed small-cap stocks for the month. Value stocks across all market capitalizations ended higher than growth stocks.

Internationally, developed markets other than the U.S., as represented by the MSCI-Developed World ex US Index, matched the S&P 500's 3.2% returns. MSCI Europe ex-UK and MSCI UK rose by 3.0% and 3.4%, respectively, in U.S. dollar terms. Emerging market equities, as represented by the MSCI-Emerging Markets Index, outperformed both the U.S. and developed markets. Equities in China, as represented by the MSCI-China, outperformed all major markets rising 10.8% in U.S. dollar terms. The U.S. dollar weakened against all major currencies.

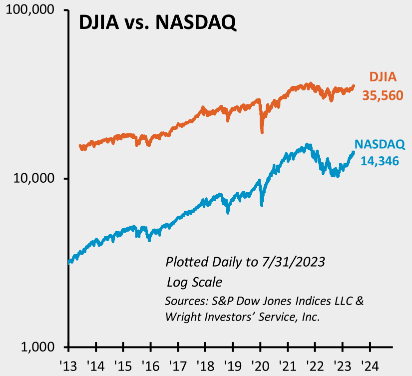
After a pause in June, the Fed pushed interest rates higher by a quarter percentage point at their July meeting, taking the benchmark rate to 5.25%-5.50%. Treasury yields rose in short-dated issues out to one year to maturity, and also for longer maturity issues. Intermediate maturity issues were mostly unchanged for the month. The highest yields within the range of Treasury maturities were offered by 6-month Treasury Bills, yielding 5.45%. The Bloomberg U.S. Aggregate, a comprehensive index of investment-grade, taxable, dollar-denominated bonds, declined -0.1% during the month though it is up 2.0% year-to-date. It underperformed the Bloomberg U.S. High Yield Bond index, which rose 1.4% for the month. Non-U.S. Dollar bonds, as represented by the Bloomberg Global Aggregate ex US Index, rose 1.3%.

Prices of most major commodities rose, but corn prices fell -9.1%. The S&P GSCI Index, which serves as a benchmark for investment in commodities, ended 9.8% higher. Crude oil prices rose by 15.8% driving energy stock prices higher. Gold and copper prices rose 2.1% and 7.1%, respectively. The S&P United States REIT Index rose 2.6% for the month.

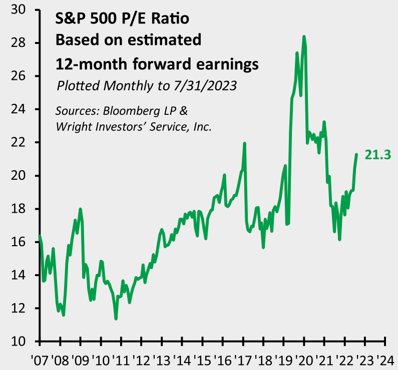
U.S. Economy

Private sector business activity continued to expand, as indicated by the US PMI Composite Index, which posted a reading of 52.0. However, the index fell to a 5-month low from 53.2 in June. The US Services PMI Business Activity Index fell to 52.3 from 54.4 in June. A modest increase in the Manufacturing Output Index (from 46.3 in June to 49.0 in July) was not enough to lift the Composite Index. Growth continues to be mostly driven by the service sector. The housing sector's activities have increased, but they are still lower than last year's levels, primarily due to higher mortgage rates. Activities in the construction sector have slowed down indicated by declining building permits and housing starts.

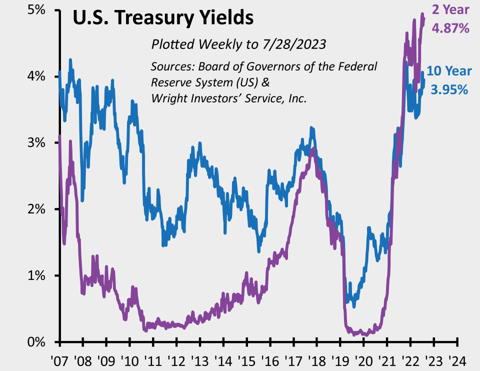
US Equities Moving Higher



P/Es Have Drifted Higher



2 Year & 10 Year Yields Resume Rise



Total Investment Returns—7.31.2023

	July	Last 12 Mos.
Dow Jones Industrial Average	3.4%	10.6%
Nasdaq Composite	4.1%	16.8%
S&P 500 Composite	3.2%	13.0%
S&P MidCap 400	4.1%	10.5%
S&P SmallCap 600	5.5%	5.3%
MSCI World ($)	3.4%	13.5%
MSCI World ex U.S. ($)	3.2%	15.5%
Bloomberg U.S. Aggregate	-0.1%	-3.4%
90-Day Treasury Bills	0.4%	4.1%
Consumer Price Index NSA* (Jun 2023)	0.2%	3.0%

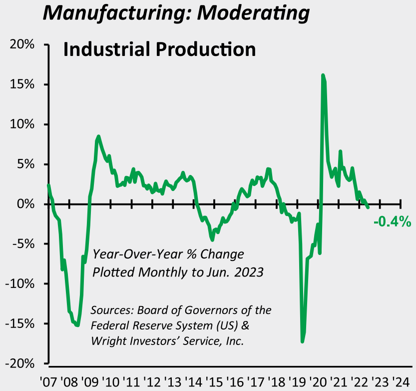
*NSA: Not Seasonally Adjusted
Sources: Bloomberg LP & Wright Investors' Service, Inc.

Consumer confidence has slowly begun to pick up. This is not surprising given that inflation-adjusted wages have increased. The Conference Board Consumer Confidence Index rose to 117.0 in July from 110.1 in June. Consumer spending rose 0.5% in June driven by increased spending on financial services and insurance, housing, recreation services, motor vehicles, and gasoline. The employment market continues to remain tight with the unemployment rate at 3.6%. Employment growth eased in June. Non-farm payrolls increased by 209,000, lower than May's downwardly revised total of 306,000. It was also the slowest month for job creation since December 2020. Average hourly earnings on private nonfarm payrolls rose by 0.4% for June and 4.4% year-over-year. The PCE and core PCE index over the 12-month period ending June, rose by 3.0% and 4.1%, respectively. Although PCE has improved versus the 5.0% recorded in February 2023, the Fed's key inflation indicator, core PCE, remains higher than the Fed's target of 2%. Fitch, which had placed the U.S. rating on negative watch in May citing the debt ceiling negotiations in Washington, cut the U.S. long-term foreign currency issuer default rating to AA+ from AAA. According to Fitch, there has been "a steady deterioration" in governance standards in fiscal matters over the past two decades.

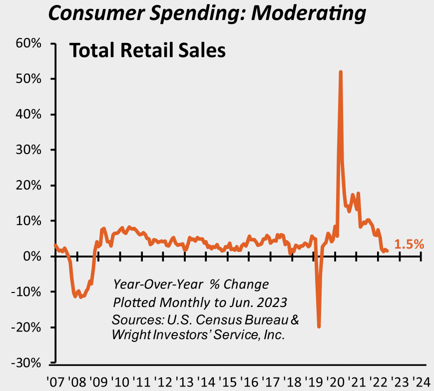
Investment Outlook

A recent Bloomberg survey of economists shows a 60% chance of the U.S. economy entering a recession in the next 12 months. That's a notable change from the end of 2022 when economists saw a 70% chance of a recession. A stronger labor market and a pullback in the CPI contributed to a shift in their outlooks. In line with expectations in the Federal Funds futures market, these economists expect no more rate hikes through the end of 2023, with the Fed Funds rate holding at 5.25%-5.50%. With a 525 basis-point increase in the Federal Funds rate in a little over a year, the market's belief that the tightening is close to being over seems reasonable. Job gains have slowed and the unemployment rate remains low. The housing market continues to be negatively impacted by rising mortgage rates. Although it is increasingly believed that the U.S. economy can achieve a "soft landing," a tight labor market and persistent inflation mean that this outcome is still far from certain. In the face of these uncertainties, we continue to believe that holding well-diversified portfolios of high-quality assets for the long term remains the best course for investors to follow.

Manufacturing: Moderating



Consumer Spending: Moderating



Core Inflation: Moderating