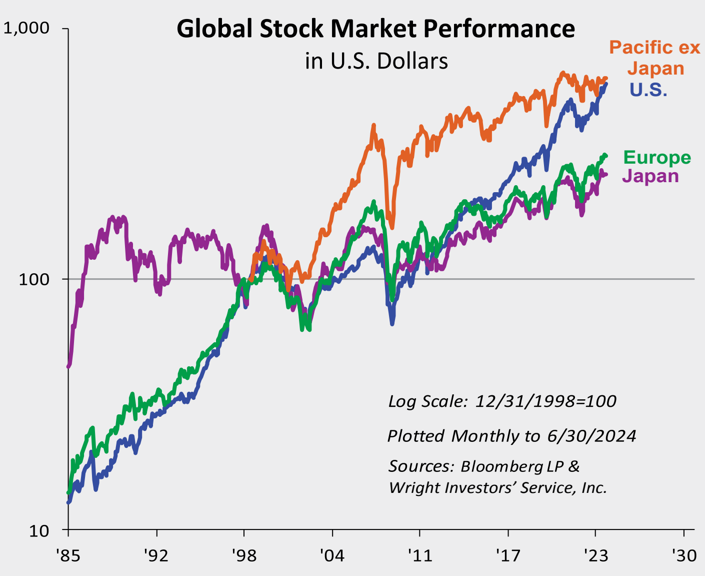
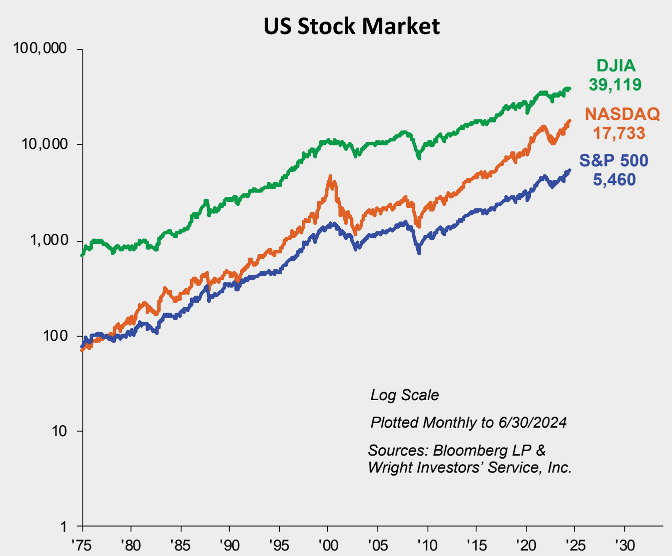
Quarterly Investment Report
July 2024

In the second quarter of 2024, the S&P 500 rose by +4.3%, with a +3.6% rise in June. The Dow Jones and Nasdaq Composite saw monthly gains of +1.2% and +6.0%, respectively. Large-cap growth and core stocks performed well, while mid- and small-caps declined. Information Technology led sector gains with a +13.8% increase, while Materials saw the largest decline, dropping -4.5%. US equities outperformed developed markets but underperformed China and Emerging markets for the quarter. The US dollar appreciated against most currencies, notably rising +6.3% against the Yen. In the bond market, the Bloomberg US Aggregate index increased +0.1% in the quarter and +0.9% in June. Non-US Dollar bonds declined -2.1% in the quarter. Although interest rates rose during the quarter, they were lower across the yield curve in June. Commodities outperformed bonds but lagged equities, with the Bloomberg Commodities Index rising +2.9%. The MSCI US REIT Index dropped by -0.2% for the quarter. US business activity hit a 26-month high in June, driven by the service sector. The S&P Global Flash US PMI Composite Output Index rose to 54.6, indicating robust economic growth. Inflationary pressures moderated gradually, and employment continued to gain, particularly in healthcare. The Federal Reserve's preferred inflation gauge, Core PCE, fell to 2.6% in May from 2.8%, while headline PCE inflation dropped to 2.6% from 2.7%. The Federal Reserve projects maintaining the Fed funds rate at 5.25%-5.50% in July, with a potential 0.25% rate cut in September anticipated by 59.9% of market participants. The investment outlook remains cautiously optimistic, with anticipated steady economic growth.

Stock Market

U.S. markets closed higher in the second quarter of 2024 – the S&P 500 rose by +4.3%, including a +3.6% increase in June, bringing its year-to-date gain to +15.3%. The Dow Jones Industrial Average and the tech-heavy Nasdaq Composite also saw gains in June, rising +1.2% and +6.0%, respectively. Large-cap growth and core stocks posted positive returns in both the quarter and June, while mid-cap and small-cap stocks declined by -1.6% and -2.3% for the month, and -3.4% and -3.1% for the quarter, respectively. Market sectors showed mixed results during the quarter. Information Technology experienced the highest return this quarter with a +13.8% increase, while Materials saw the largest decline, falling by -4.5%. The Energy sector, which had the greatest gain last quarter, declined by -2.4% this quarter. In June, the Information Technology sector saw the largest gain of +9.3%, followed by Consumer Discretionary and Telecoms at +4.9% and +4.8%, respectively. The Utilities sector declined the most, dropping by -5.5%, followed by Materials at -3.0% and Energy at -1.3%.





Earnings growth was particularly strong in sectors such as Communication Services (+41.4%), Utilities (+30.5%), and Consumer Discretionary (+29.8%) during the quarter. However, some sectors experienced a decline in earnings, with Energy, Healthcare, and Materials seeing decreases of -25.7%, -25.5%, and -21.5% respectively. The Consumer Discretionary sector saw the largest earnings surprise at +16.8%.

Internationally, US equities demonstrated strong performance, outpacing most major developed markets for the quarter. The Japanese and other developed markets saw declines of -4.3% and -0.6%, respectively. In contrast, China and Emerging markets posted positive returns of +7.1% and +5.0%, respectively. The UK and Pacific ex-Japan markets also saw gains, rising by +3.7% and +2.5% during the period. The US dollar appreciated against all currencies during the quarter, except the Pound Sterling and the Swiss Franc. It strengthened the most against the Yen, with a notable gain of +6.3%.

Bond Market

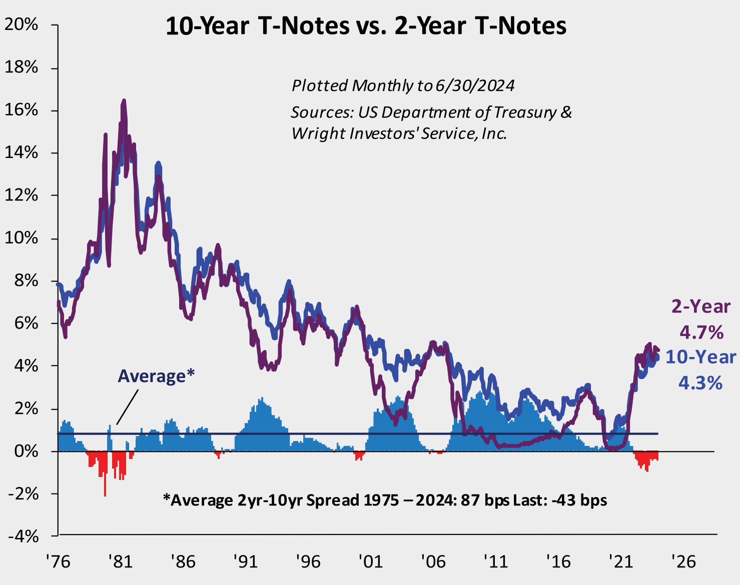
The Bloomberg US Aggregate, an index of taxable investment-grade, dollar-denominated bonds, increased +0.1% during the quarter and +0.9% in June. It underperformed the Bloomberg US High Yield Bond index, which rose +1.1% for the quarter and +0.9% for the month. Non-US Dollar bonds, represented by the Bloomberg Global Aggregate ex-US Index, declined by -2.1% in the quarter and -0.5% for the month, a slight improvement from the previous quarter's decline of -3.2%. Treasury yields rose for all maturities, causing the yield curve to shift upward for the quarter. However, the curve remains inverted, with yields on maturities less than three years exceeding those on longer maturities. The 10-year Treasury yield rose from 4.20% at the end of March 2024 to 4.40% at the end of the second quarter, while the 2-year yield increased from 4.62% to 4.75%. Treasury yields rose less than TIPS, indicating higher net demand for capital, and lower inflation expectations compared to the end of the first quarter.

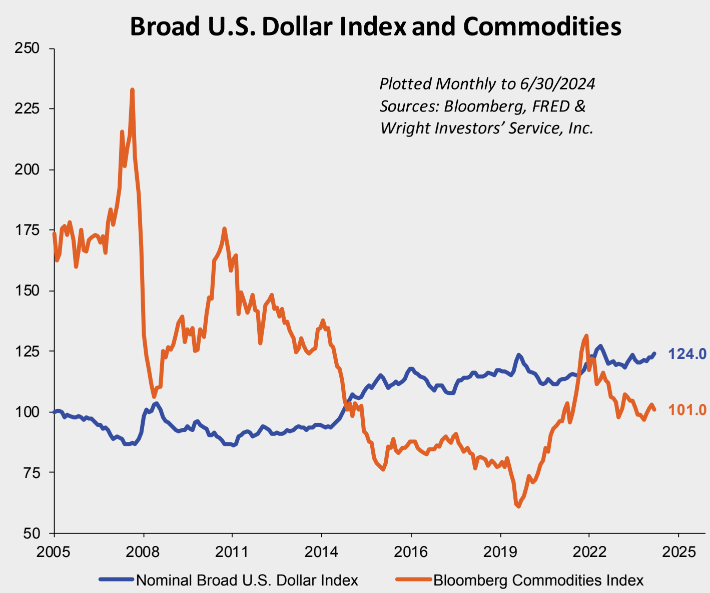
Alternatives

Commodities outperformed bonds but underperformed equities for the quarter. The Bloomberg Commodities Index, a widely recognized benchmark for gauging commodity performance, rose +2.9% for the quarter. Natural Gas, which had the largest loss in the previous quarter, saw the highest gain this quarter at +47.5%, followed by metals like copper and gold at +9.6% and +5.5% respectively. Corn experienced the largest decline at -10.1%, followed by Unleaded Gasoline, Heating Oil, Crude Oil, and Wheat at -8.4%, -3.8%, -2.0%, and -1.2%, respectively. Wheat saw the largest monthly decline at -18.4% while Heating Oil had the largest gain at +6.5%. The MSCI US REIT Index dropped -0.2%, pressured by higher interest rates and continued occupancy and refinancing challenges.

US Economy

In June, US business activity growth reached a 26-month high, driven by the service sector and supported by manufacturing. Rising demand and improved confidence spurred firms to boost payrolls. Slower input cost growth contributed to reduced selling price inflation, indicating a moderation in inflationary pressures. The S&P Global Flash US PMI Composite Output Index rose to 54.6 from 54.5 in the previous month, marking its highest level since April 2022. This growth was primarily driven by the service sector, which experienced its fastest expansion in 26 months due to robust domestic demand. The S&P Global Flash US Services PMI increased to 55.1 in June, up from 54.8 in May. Meanwhile, export orders continued to decline albeit at a slower pace. Manufacturing output also expanded for the fifth consecutive month, albeit at a slower pace. New orders reached a three-month high but remained below earlier levels, partly due to modest export growth.





The S&P Global Flash US Manufacturing PMI increased to 51.7 in June from 51.3 in May, signaling improved business conditions in the goods-producing sector for the second consecutive month and the fifth time in six months. Despite being below the levels seen in February and March, it marked the third highest level in 21 months. New orders and employment contributed positively to the PMI, while supplier delivery times and inventories shifted from negative to positive contributors. However, a moderation in production gains tempered some of these improvements. Selling price inflation decreased to a five-month low but remained above pre-pandemic averages, indicating persistent price pressures. In the services sector, price increases were the lowest in four years, while manufacturing saw its lowest level of price increases in six months. Input price inflation also slowed, suggesting a modest cooling trend despite remaining elevated compared to pre-pandemic levels. Manufacturing costs rose due to higher raw material and shipping expenses, contributing to slight supply chain pressures. Meanwhile, wage growth continued to drive higher costs in the service sector.

The resilient labor market continues to show gains across key industries amid economic uncertainties. In May, total nonfarm payroll employment in the United States increased by 272,000 jobs, surpassing the average monthly gain of 232,000 jobs observed over the previous 12 months. This growth coincided with a marginal change in the unemployment rate, which rose by 0.1% to 4.0%. The number of unemployed individuals also showed little variation at 6.6 million. A year earlier, the unemployment rate was lower at 3.7%, with 6.1 million people recorded as unemployed. Key sectors driving employment gains included healthcare, government, leisure and hospitality, and professional, scientific, and technical services. The healthcare sector alone added 68,000 jobs in May, marking the highest increase among these industries. Both the labor force participation rate and the employment-population ratio were relatively unchanged at 62.5% and 60.1%, respectively, in May. The median unemployment rate projection in the Fed's Summary of Economic Projections (SEP) is 4.0% at the close of 2024 and 4.2% at the end of the following year. These projections reflect the expected trajectory of the labor market and its implications for inflation moving forward.

The Federal Reserve has maintained its long-term Personal Consumption Expenditures (PCE) inflation projection unchanged from the previous quarter. Core PCE, the Fed's preferred gauge of inflation, fell to 2.6% from last month's reading of 2.8% while the headline PCE inflation dropped to 2.6% from 2.7%. The Federal Reserve Committee aims for maximum employment and a 2% inflation rate in the long run. Although the risks to achieving these goals are becoming more balanced, the FOMC appears more concerned about the lack of meaningful improvement in inflation than the slowly deteriorating labor conditions. If the economy evolves as projected, the median of FOMC members expects the appropriate level of the Fed funds rate to be 5.1% at the end of 2024, 4.1% at the end of 2025, and 3.1% at the end of 2026. According to CME's FedWatch tool, 91.2% of market participants believe the Federal Reserve will maintain the Fed Funds rate steady at 5.25%-5.50% at the upcoming July FOMC meeting, while. 59.9% expect a rate cut in the September meeting. In the Fed's SEP, committee members generally expect GDP growth to slow from last year's pace, with a median projection of 2.1% for 2024 and 2% over the next two years. Real GDP increased at an annual rate of 1.4% in the first quarter of 2024, driven by gains in consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending, partly offset by a decrease in private inventory investment.

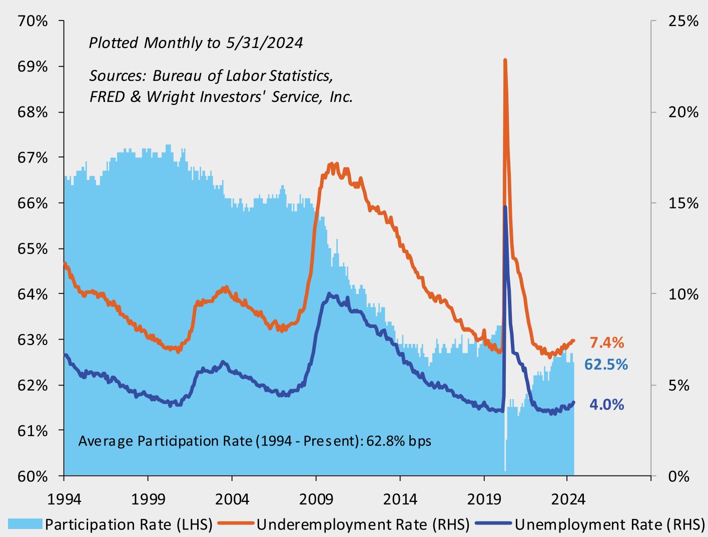
As of June 27, the average rate for a 30-year fixed mortgage stood at 6.9%. Throughout the quarter, this average rate hovered between approximately 6.8% and just over 7.2%. The 30-year fixed-rate mortgage has shown a downward trend

The U.S. Economy 2022–2025

			% Change In			End of Period Rates	
		Real GDP*	PCE Core Deflator*	Profits from Operations#	90-Day T-Bills	10-Year T-Notes
2022	Q1		**-2.0%**	**6.0%**	**48.0%**	**0.5%**	**2.3%**
	Q2		-0.6%	4.7%	36.8%	1.6%	3.0%
	Q3		2.7%	5.0%	20.7%	3.2%	3.8%
	Q4		2.6%	4.7%	12.5%	4.3%	3.9%
2023	Q1		**2.2%**	**5.0%**	**4.6%**	**4.7%**	**3.5%**
	Q2		2.1%	3.7%	1.8%	5.3%	3.8%
	Q3		4.9%	2.0%	-1.4%	5.4%	4.6%
	Q4		3.4%	2.0%	-1.1%	5.3%	3.9%
2024	Q1		**1.4%**	**3.7%**	**1.0%**	**5.4%**	**4.2%**
	Q2	e	2.0%	2.7%	2.9%	5.4%	4.4%
	Q3	e	1.6%	2.7%	29.5%	5.1%	4.3%
	Q4	e	1.6%	2.7%	34.9%	4.8%	4.1%
2025	Q1	e	**1.8%**	**2.4%**	**36.6%**	**4.5%**	**4.1%**
	Q2	e	1.9%	2.3%	37.7%	4.2%	4.0%
	Q3	e	2.0%	2.2%	-9.0%	4.0%	3.9%
	Q4	e	2.0%	2.2%	-8.8%	3.8%	3.9%

e: Bloomberg Consensus Estimates; *: Quarter-Over-Quarter Annual Rates; #: Year-Over-Year Change in S&P500 EPS Sources: Bloomberg LP, Wright Investors' Service, Inc.

U.S. Employment

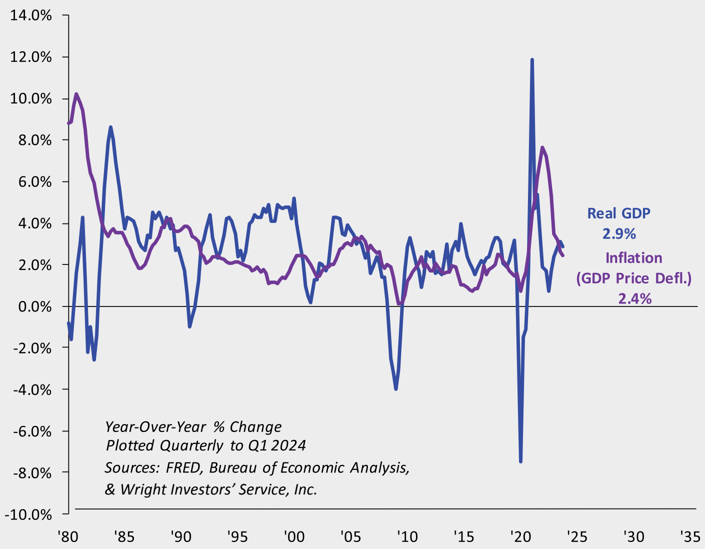


recently, reaching its lowest level in nearly three months. This trend is supported by a slowly growing economy, and rates are anticipated to continue declining. Sales of existing homes decreased by -0.7% in May, reaching an annual rate of 4.11 million units. This decline follows a recovery from a low point earlier in the year when sales had dropped to their worst level in decades in 2023. Elevated rates and high home prices continue to present challenges for buyers. In May, housing starts were at a seasonally adjusted annual rate of 1,277K, which is -5.5% below the revised April estimate of 1,352K. Building permits in May were at a seasonally adjusted annual rate of 1,386K, down -3.8% from the April estimate of 1,440K.

Investment Outlook

The outlook for the US economy presents a mixed picture, reflecting cautious optimism tempered by ongoing challenges. The second quarter concluded with an expansion in business activity alongside a reduction in inflationary pressures, signaling robust economic conditions. The service sector is leading this growth, buoyed by strong domestic spending, while manufacturing is enjoying its strongest growth period in two years. Positive trends in the labor market, driven by increased hiring and enhanced business confidence, are also evident. The Federal Reserve's monetary policy remains crucial, with expectations leaning towards potential rate cuts starting in 2024 and continuing into 2025. This adjustment is anticipated due to the projected slowdown in inflation, which has shown resilience despite recent fluctuations not entirely aligned with the Fed's preferences. The economy is forecasted to expand steadily in 2024 supported by domestic resilience. However, global factors such as geopolitical tensions and supply chain disruptions continue to influence economic conditions. Despite these challenges, the US economy appears poised for steady growth with expectations of a soft landing, emphasizing the importance of prudent risk management. Investors should remain vigilant, adopting flexible investment strategies and maintaining diversified portfolios to effectively navigate potential market fluctuations amidst the evolving economic landscape.

Real GDP vs. Inflation



Global Investment Returns In U.S. Dollars

	Q2 2024		Trailing 12 Months	
	Stocks	Bonds	Stocks	Bonds
U.S.	**3.9%**	**0.1%**	**24.1%**	**2.6%**
Canada	-2.1%	-0.3%	8.6%	-0.4%
Mexico	-16.1%	0.1%	-6.5%	6.7%
Japan	**-4.3%**	**-8.4%**	**13.1%**	**-15.0%**
Pacific ex Japan	2.5%	0.9%	6.8%	4.7%
Australia	1.6%	1.3%	14.1%	3.5%
China	7.1%	1.3%	-1.6%	6.7%
Hong Kong	0.9%	1.9%	-18.0%	5.3%
Europe	**0.5%**	**-1.6%**	**11.7%**	**1.7%**
France	-7.5%	-3.4%	0.5%	-3.9%
Germany	-1.4%	-1.5%	10.1%	-0.1%
Italy	-3.4%	-2.5%	21.3%	0.8%
Netherlands	5.0%	-1.9%	25.6%	0.0%
Spain	-1.6%	-1.1%	15.0%	2.7%
Switzerland	3.1%	1.4%	6.1%	5.0%
U.K.	3.7%	-0.8%	12.5%	5.4%
World	**2.6%**	**-1.1%**	**20.2%**	**0.9%**
World ex U.S.	-0.6%	-2.1%	11.2%	-0.7%

Sources: MSCI Stock & Bloomberg Barclays Bond Indexes as of 6/30/2024