Monthly Investment Report

November 2023

During the initial month of the fourth quarter, stock markets faced a challenging environment, with major stock indices, including the S&P 500, the Dow Jones Industrial Average, and the Nasdaq experiencing declines. Negative sentiment has also extended to the commodities market, with natural gas prices being a notable exception. Developed and emerging markets both underperformed the U.S. market. Additionally, the 10-year Treasury Yield crossed the 5% mark for the first time since 2007, with yields increasing across all maturity periods. During the recent FOMC meeting, the Federal Reserve chose to abstain from a rate hike for the second consecutive meeting and conveyed its commitment to a data-dependent and adaptable approach.

Markets

U.S. equities fell for the third month in a row in October with the S&P 500 Index experiencing a decline of -2.1%. Similarly, the Dow Jones Industrial Average and the tech-heavy Nasdaq Composite Index contracted by -1.3% and -2.8%, respectively, during the month. Utility sector stocks rose modestly, while energy stocks experienced the steepest decline, falling -6.0% for the month. Small Caps and Mid Caps fell more than Large Cap stocks reflecting investors' concerns about economic uncertainty. Value stocks exhibited stronger performance within the Large Caps. However, this was not the case with Small Caps and Mid Caps where growth stocks reported smaller declines as compared to value stocks. The third-quarter earnings reports for S&P 500 companies, so far, have revealed weaker forward guidance than in recent quarters.

The U.S. market outperformed both developed and emerging markets. The MSCI Developed World ex-US index and the MSCI Emerging Markets index fell -4.2% and -3.9%, respectively, for the month. Further, all major markets worldwide were in the red for the month.

For the second consecutive time, the Federal Reserve has opted to keep the Fed Funds rate steady at 5.25%-5.50%. This decision underscores the Fed's commitment to maintaining a vigilant and adaptable approach to monetary policy, with future adjustments contingent upon the data's reflection of economic developments. The 10-year Treasury yield has surpassed the 5% mark for the first time since 2007, and yields have increased across all maturities. The Bloomberg U.S. Aggregate Index declined -1.6% during the month and -2.8% year-to-date. It underperformed the Bloomberg U.S. High Yield Bond Index by -0.4% for the month. Non-U.S. Dollar bonds, as represented by the Bloomberg Global Aggregate ex US Index, fell -0.9% for the month and are down -4.1% year to date.

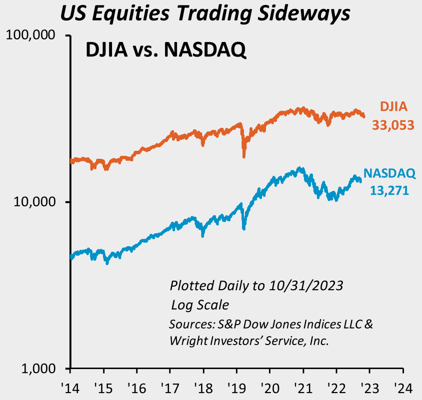
Commodities witnessed a significant decline in performance, reflecting the downward trend observed in equities over the month. The S&P GSCI index, a gauge for assessing commodity market performance, fell -5.4%. Natural gas prices surged 22.1% over the month while crude oil prices fell -10.8%. Throughout the month, the U.S. dollar displayed resilience against most major currencies.

U.S. Economy

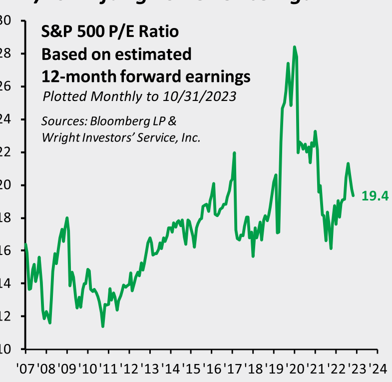
Evidence of economic weakness is beginning to emerge. The S&P Global PMI Indices, which have been reflecting mixed economic conditions in recent times, are now hinting at a potential slowdown. In October, the S&P Global US PMI Composite Output Index decreased to 50.7 from a revised 51.0 at the end of September. The US Services PMI fell to 50.6 from a revised 50.9 in the prior month. So far, less weakness is evident in the manufacturing sectors, which have been stable at the 50 level in September and October. On the price front, manufacturers witnessed more pronounced cost and output charge escalations, as inflation regained some traction. Once again, a surge in oil and oil-derived input costs were the primary catalyst for these increases.

Core PCE, the Fed's preferred gauge of inflation, rose 3.7% year-on-year in September, slightly lower than the 3.8% (revised) increase reported in August. On a month-on-month basis, the core PCE grew 0.3% last month, tracking at a higher-than-ideal 3.6% annual rate. Consumer spending surged 0.7% in September, much higher than the

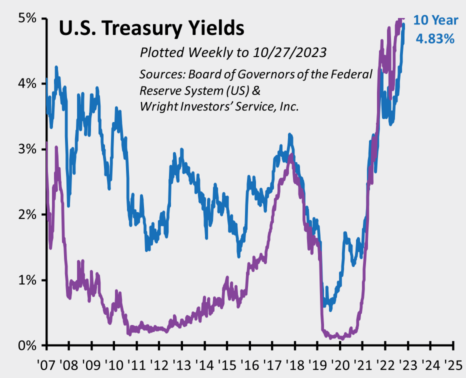
US Equities Trading Sideways



P/Es Drifting Lower Once Again



2 Year & 10 Year Yields Resume Rise



Total Investment Returns—10.31.2023

	October	Last 12 Mos.
Dow Jones Industrial Average	-1.3%	3.2%
Nasdaq Composite	-2.8%	18.0%
S&P 500 Composite	-2.1%	10.1%
S&P MidCap 400	-5.3%	-1.1%
S&P SmallCap 600	-5.7%	-7.7%
MSCI World ($)	-2.9%	10.5%
MSCI World ex U.S. ($)	-4.2%	12.6%
Bloomberg U.S. Aggregate	-1.6%	0.4%
90-Day Treasury Bills	0.5%	4.9%
Consumer Price Index NSA* (Sep 2023)	0.4%	3.7%

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

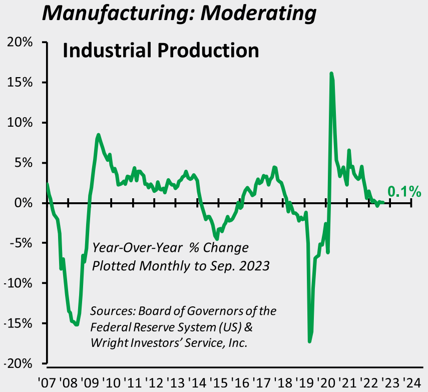
0.4% increase in August. Sticky inflation and a still-tight labor market have kept wage gains elevated, thus accelerating consumer spending. GDP rose at a 4.9% annualized rate in the third quarter, up from 2.1% in the second quarter. GDP growth delivered the strongest performance since late 2021, defying expectations of a slowdown, despite the Federal Reserve's interest rate hikes.

Indications of a job market slowdown are evident, as job gains in October hit their lowest point since January 2021. Nonfarm payroll jobs increased 150,000 in October and the unemployment rate rose 0.1% to 3.9%. Employment in the manufacturing sector saw a decrease of 35,000 jobs, primarily driven by a decline of -33,000 positions in the motor vehicles and parts segment, predominantly attributable to strike activity. Government fiscal spending has significantly increased since the onset of the COVID pandemic, resulting in a growing issuance of US Treasury securities. Notably, the upcoming quarterly refunding in November is projected to be approximately 40% larger than the previous year. The question remains whether there will be sufficient sources of demand to absorb this increased issuance, as rates might face upward pressure if buyers do not materialize. Finally, Congress must reach a consensus on the terms of a new appropriations bill before November 17th to avert a government shutdown. Historically such events have exerted upward pressure on interest rates and increased market volatility.

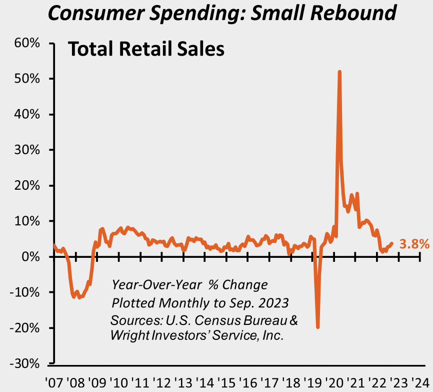
Investment Outlook

The release of weaker economic data has led many market participants to believe that it may pave the way for the Federal Reserve to start scaling back its measures to combat inflation. Given that markets function as a discounting mechanism, the anticipated timing of a potential shift in Federal Reserve policy has been advanced, and this has elicited a positive response from the markets. The gradual improvement in the Core PCE, coupled with a slight increase in unemployment, may not provide immediate justification for the Federal Reserve to hike interest rates in December. While the economic outlook may be uncertain due to various factors, including geopolitical tensions, investing in a well-diversified portfolio of high-quality securities with strong balance sheets and profitability may provide the best chance of delivering consistent returns over the long term and help mitigate risks associated with external uncertainties.

Manufacturing: Moderating



Consumer Spending: Small Rebound



Core Inflation: Moderating