

A decorative geometric pattern of overlapping triangles in shades of blue and green is overlaid on the left side of the image. A prominent white triangle is positioned to the left of the main title text.

**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

JULY 2024
Capital Markets Update

Market commentary

U.S. ECONOMICS

- July nonfarm payrolls came in at 114,000, well below expectations of 175,000, while May and June figures were revised lower by a total of 26,000. Adding to the sharp slowdown in employment growth was an increase in the unemployment rate, which rose to 4.3%. The surprise increase in unemployment fueled fears that the U.S. labor market may be cooling much faster than expected.
- The ISM Manufacturing and Services Indexes diverged this month as the Manufacturing Index moved into a more notable pace of contraction (46.8) while the Services Index rebounded into expansionary territory with a reading of 51.4. Consumer activity has remained stable in services but both broad segments are reporting hesitancy in business investment given the higher rate environment.
- Consumer sentiment fell slightly to 66.4 from June's reading of 68.2. Although the drop is not particularly significant, consumer expectations of year ahead inflation continued to fall.

U.S. EQUITIES

- The U.S. equity rally carried on, with the S&P 500 closing the month +1.2%. U.S. Equities rallied through the first half of the month, posting new all-time highs near 5,670 on July 16th but fell through the second half of the month as uncertainty about the economy and the labor market rose. The second half of the month was largely a story of rotation out of the large cap space as the S&P 500 fell around -2.6% from the 17th through month end.
- Shakiness in the labor market and economic outlook had some investors speculating that two rate cuts could be possible in September. This change in expectations likely contributed to a rotation out of large caps and into small caps with the Russell 2000 Index posting a +10.2% return on the month.

U.S. FIXED INCOME

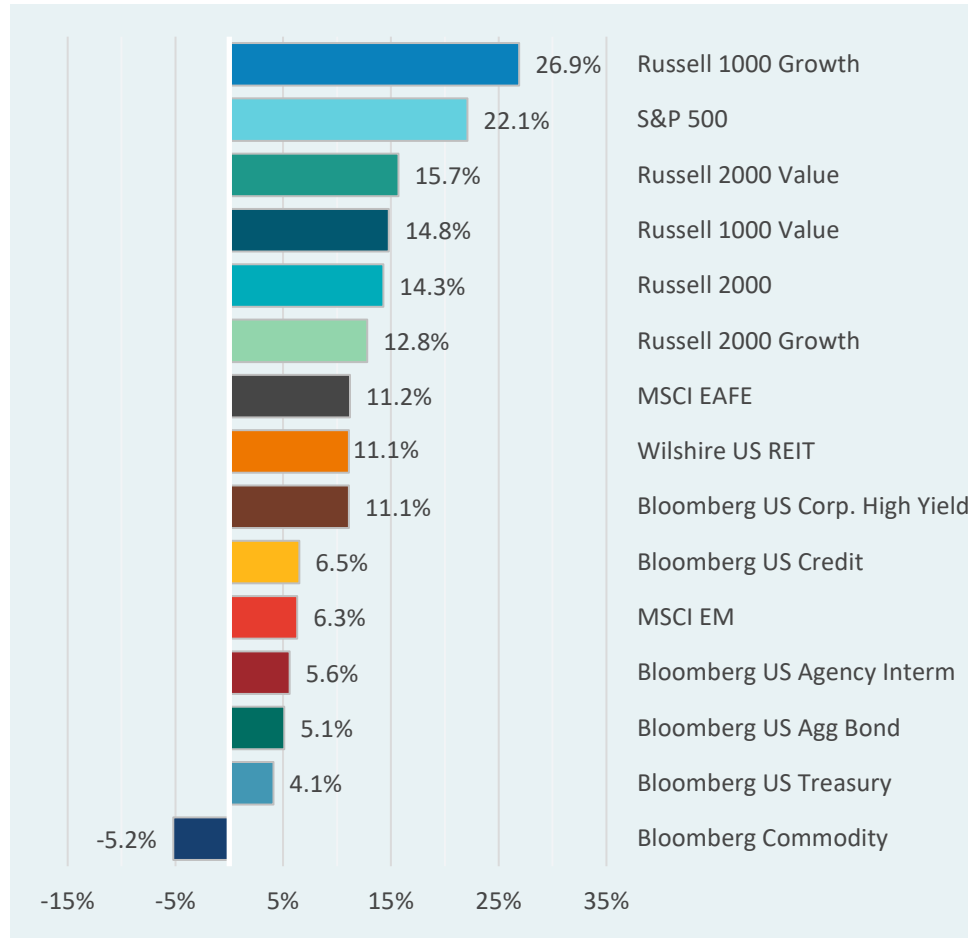
- The month closed with the July 30th-31st FOMC meeting. Investor opinions appeared to consolidate on a September rate cut in the final two weeks of the month. The meeting concluded with no changes to the policy rate and Chairman Powell reiterated that economic growth remains stable, inflation continues to move lower - in line with expectations, and that the labor market is normalizing.
- Yields moved lower across the curve in line with the increased likelihood of a quarter point September rate cut. Moves were more pronounced on the short end of the curve with the 2-year yield falling -42 bps. The 10/2 yield curve inversion narrowed from -35bps to -20 bps by month end.
- Fixed income markets benefited from expectations of rate cuts becoming more solidified. By month end a 0.25% rate cut in September was almost 100% priced in by investors which contributed to the Bloomberg U.S. Aggregate Bond Index posting a +2.3% gain.

INTERNATIONAL MARKETS

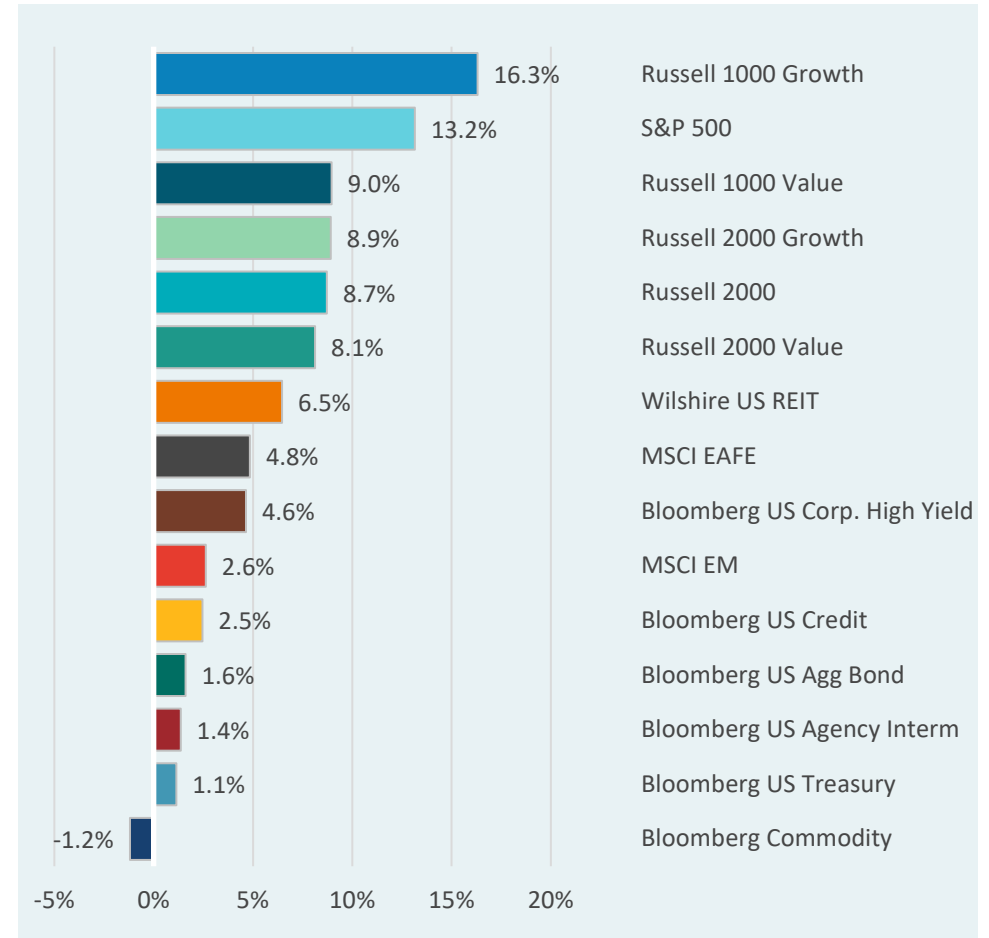
- The Bank of Japan continued its fight against the weakening yen. Over the past several months there were attempts to prop up the falling currency, but intervention only provided brief moments of relief. July was no different as the BOJ intervened on at least two separate occasions. On July 31st, the BOJ voted to raise its benchmark interest rate to "around 0.25%". The move helped strengthen the yen but also made waves across global markets during the days after month end.
- The European Central Bank opted to keep interest rates unchanged at the July 18th meeting. ECB President Christine Lagarde mentioned that the decision for the September meeting was "wide open" especially after messaging indicated that economic outlook for the euro zone was downgraded from previously more optimistic forecasts.

Major asset class returns

ONE YEAR ENDING JULY



TEN YEARS ENDING JULY



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 7/31/24

Source: Morningstar, as of 7/31/24

U.S. large cap equities

- The S&P 500 ended the month up 1.2% amidst market reallocation to small cap equities in the second half of the month. For the third month in a row, weakening economic data bolstered investor confidence in a 2024 rate cut.
- Performance was mixed but was broadly positive with 9 of 11 sectors posting gains. Energy (+7.2%), utilities (+6.8%), and financials (+6.5%) were the biggest gainers while communication services (-4.0%) and information technology (-2.1%) lagged the most.
- As of August 9th, 91% of companies in the S&P 500 had reported second quarter results. Of those companies, 59% reported a positive revenue surprise and 78% reported a positive EPS surprise.
- The year-over-year earnings growth rate was 10.8% as of August 9th, beating estimates of 8.9%. Positive EPS surprises reported by three of the Magnificent 7 were the largest contributors to the overall earnings growth rate in the second quarter. Amazon, Meta, and Apple posted EPS beats of \$0.23, \$0.44, and \$0.06, respectively.

S&P 500 PRICE INDEX



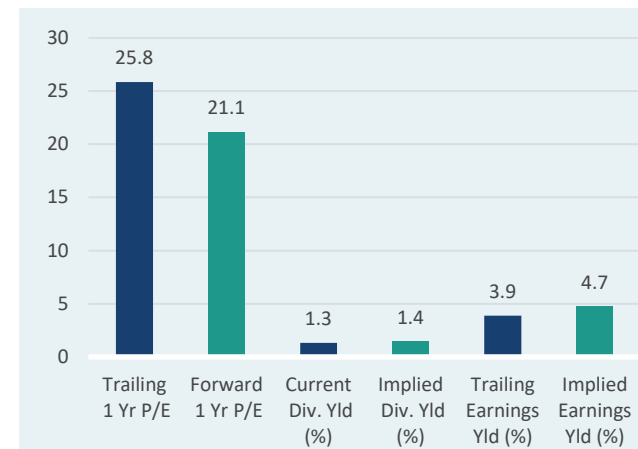
Source: Bloomberg, as of 7/31/24

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 7/31/24

S&P 500 VALUATION SNAPSHOT

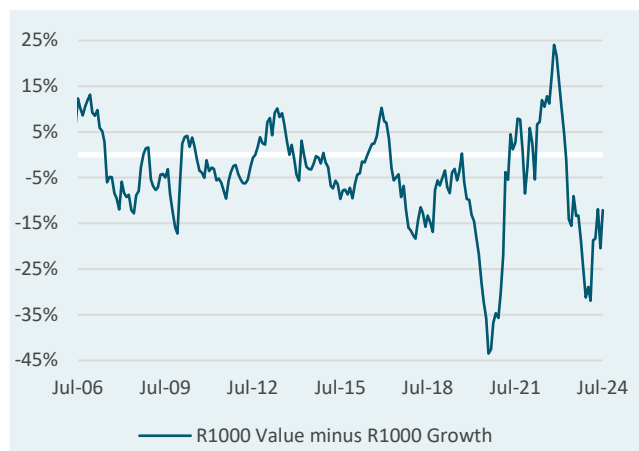


Source: Bloomberg, as of 7/31/24

Domestic equity size and style

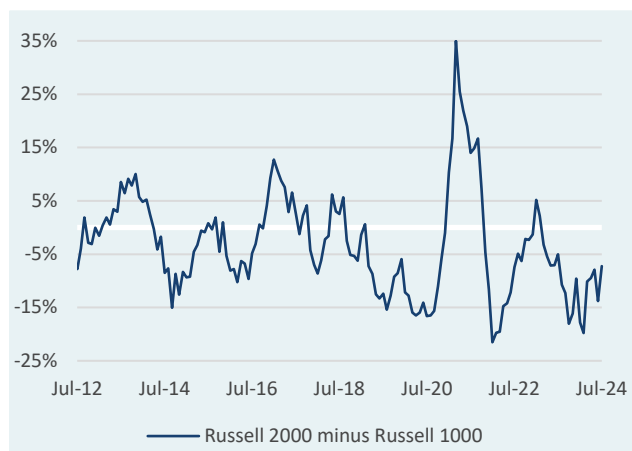
- In July, small caps (Russell 2000 +10.2%) outperformed large caps (Russell 1000 +1.5%) bringing the difference in 1-year performance to -7.3%. Small caps rose on cooling economic data, given that this market segment is generally more sensitive to borrowing costs than large caps.
- Value outperformed growth across sizes. Large cap value (Russell 1000 Value +5.1%) outperformed large cap growth (Russell 1000 Growth -1.7%) in July as investors turned their attention away from popular growth names in favor of small caps and value.
- Small cap value (Russell 2000 Value +12.2%) posted the largest gains across all sizes and styles in June, outperforming small cap growth (Russell 2000 Growth +8.2%).
- Relative valuations for large cap stocks continued to increase over the month. Large cap growth forward earnings increased to 28.5x, a 26.1% premium to the 10-year average of 22.6x. Large cap value traded at 16.2x forward earnings at the end of July, a 7.3% premium to the 10-year average and 5.9% more expensive than in June.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 7/31/24

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 7/31/24

1-YEAR SIZE & STYLE PERFORMANCE

	Value	Core	Growth
Large Cap	14.8%	21.5%	26.9%
Mid Cap	13.8%	13.7%	12.3%
Small Cap	15.7%	14.3%	12.8%

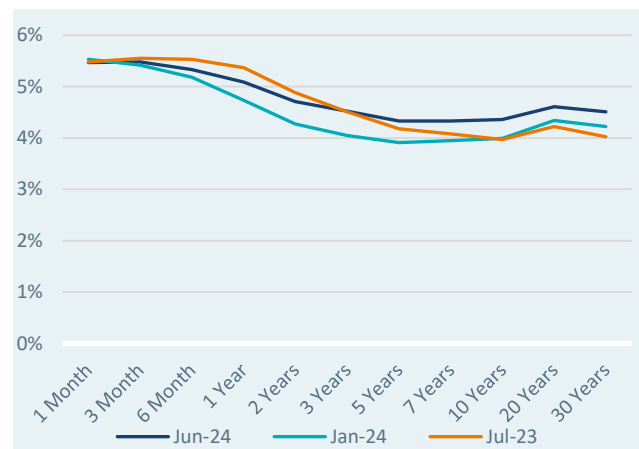
Source: FTSE, Bloomberg, as of 7/31/24

Fixed income

- U.S. bonds climbed for the third month in a row (Bloomberg U.S. Aggregate Index +2.3%) as inflation moved closer to the federal reserve 2% target and economic data continued to show signs of cooling. The gains made by the Bloomberg Aggregate in July pushed year-to-date returns (+1.6%) into the green for the first time year-to-date.
- Yields fell across the curve over the course of the month. The 2-year ended down 42 bps while the 10-year fell 27 bps. The 10/2 yield curve inversion narrowed from -35 bps to -20 bps as the short end fell most with the latest rate cut scenarios being priced in.

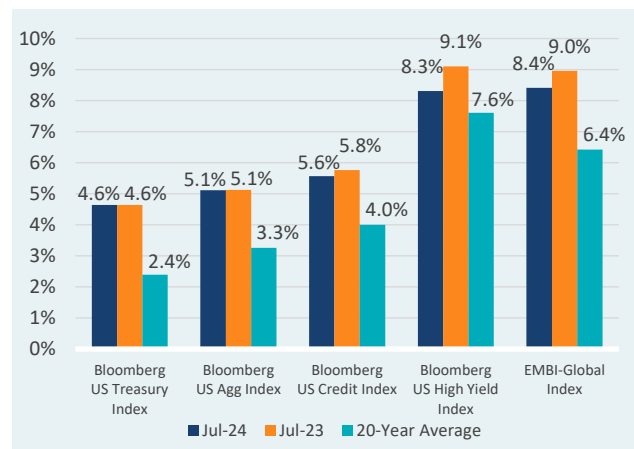
- Interest rate sensitivity mattered in July. Out of all the major fixed income indexes, the Bloomberg U.S. Treasury Long index was the top performer in July (+3.6%) while the Bloomberg short-duration treasury index (+0.5%) performed the worst.
- The annual default rate for bank loans and high yield corporate debt has fallen considerably since the beginning of the year. High yield corporate annual default rates fell from 2.04% in January to 1.16% in July. Bank loan annual default rates have receded 55 bps since January, ending July at 0.92%.

U.S. TREASURY YIELD CURVE



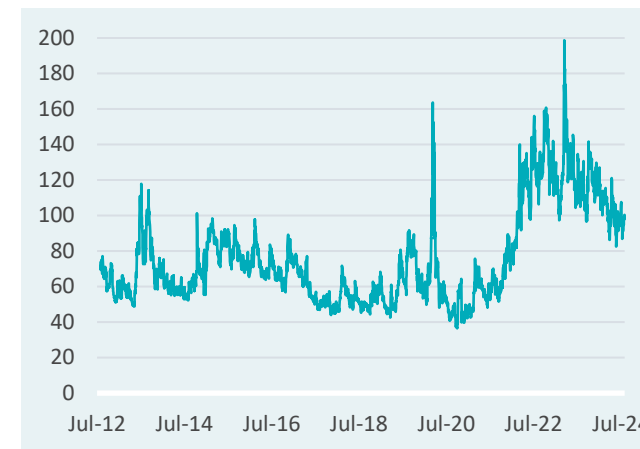
Source: Bloomberg, as of 7/31/24

NOMINAL YIELDS



Source: Morningstar, as of 7/31/24

U.S. TREASURY IMPLIED VOL ("MOVE" INDEX)

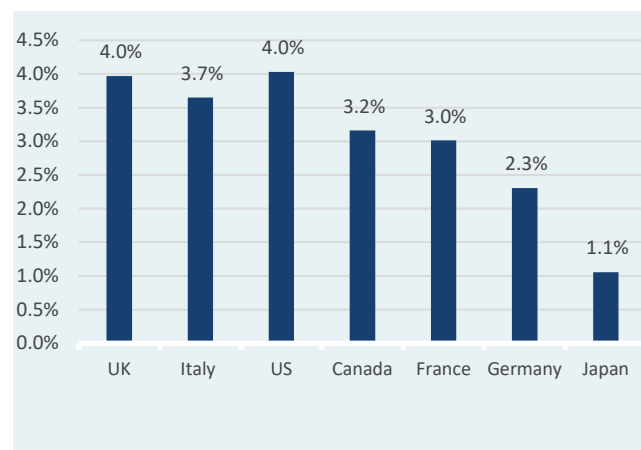


Source: Bloomberg, as of 7/31/24

Global markets

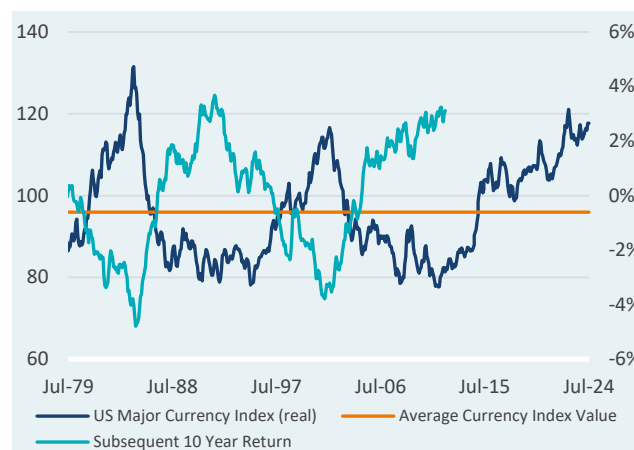
- In a reversal from the last two months, international equities outperformed U.S. equities by a healthy margin (MSCI ACWI ex US +2.3%). Japan, the United Kingdom, Canada and France, the largest ACWI ex U.S. constituents, all posted positive returns greater than 4%, with Japan leading the pack at +5.8%.
- Chinese equities were among the worst performers and finished the month -1.2% lower. The Chinese Communist Party held its third plenum at mid-month and although economic messaging was widely optimistic, many investors were hoping for a clearer plan to help the struggling property sector recover.
- The Biden administration touted potential restrictions on the sale of products that use any U.S. technology to China. The announcement shook up Asian tech stocks, but Japanese equities (+5.8%) recovered from the announcement and went on to post fresh highs not seen since December 1989.
- The MSCI Euro Index lagged most broad index counterparts, but still posted a modest +0.9% gain. The economic picture in the euro zone remains uncertain, but the prospect of continued rate cuts has kept investors optimistic that if economic activity does continue to slow, the ECB will act to fuel the economy.

GLOBAL SOVEREIGN 10-YEAR YIELDS



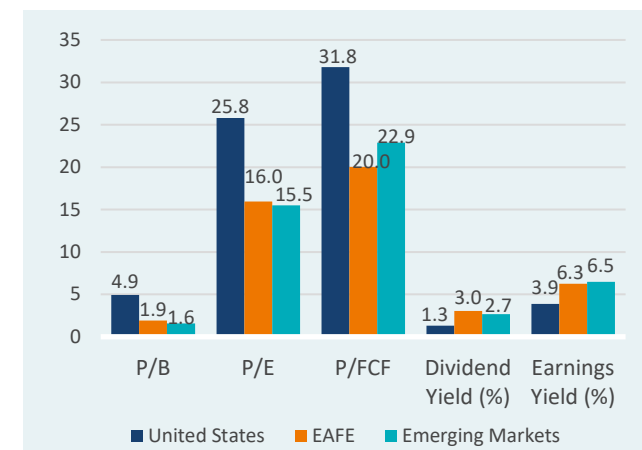
Source: Bloomberg, as of 7/31/24

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 7/31/24

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 7/31/24

Commodities

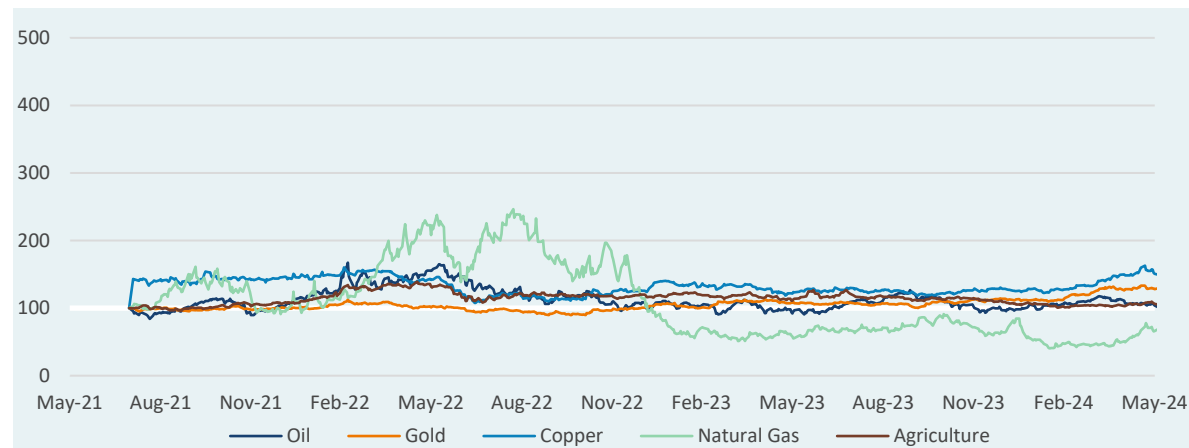
- Commodity performance was generally negative for the month as most major commodity sub indexes struggled with a multitude of headwinds. Precious metals and livestock were the only sub indexes to post positive performance, but the broad index fell -4.0%.
- Industrial metals (-6.8%) were the second worst performing sub index with aluminum (-10.0%) and zinc (-8.9%) leading the index to the downside. Weaker than expected economic data in China and soft manufacturing data in the U.S. have weighed on non-ferrous and other industrial metals.
- The Bloomberg Energy Index posted a -7.6% decline on the month. Though all components of the index were in the red, natural gas, which holds the second largest weight, fell -21.7%. Hurricane Beryl likely provided downward price pressure as the second largest natural gas export facility in the U.S. was affected by the storm, which resulted in less exports and more inventories.
- The Bloomberg Precious Metals sub-index recovered from last month's losses and went on to gain +2.7%. Although silver fell -2.1%, gold rose +4.7% to help prop up the index.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(4.0)	(4.0)	0.9	(5.2)	3.6	6.5	(1.2)
Bloomberg Agriculture	(4.8)	(4.8)	(10.8)	(16.1)	1.5	9.0	(0.6)
Bloomberg Energy	(7.6)	(7.6)	(0.3)	(12.8)	2.6	(1.3)	(9.4)
Bloomberg Grains	(6.5)	(6.5)	(18.9)	(26.1)	(4.6)	4.3	(2.7)
Bloomberg Industrial Metals	(6.8)	(6.8)	1.6	(1.5)	(1.3)	6.6	1.6
Bloomberg Livestock	2.4	2.4	12.2	1.9	5.8	(0.7)	(3.4)
Bloomberg Petroleum	(3.1)	(3.1)	13.1	6.0	20.8	11.3	(2.7)
Bloomberg Precious Metals	2.7	2.7	18.1	20.9	8.4	10.3	4.9
Bloomberg Softs	(2.3)	(2.3)	8.6	9.3	12.9	15.1	0.5

Source: Morningstar, as of 7/31/24

COMMODITY PERFORMANCE



Source: Bloomberg, as of 7/31/24

Appendix

Periodic table of returns

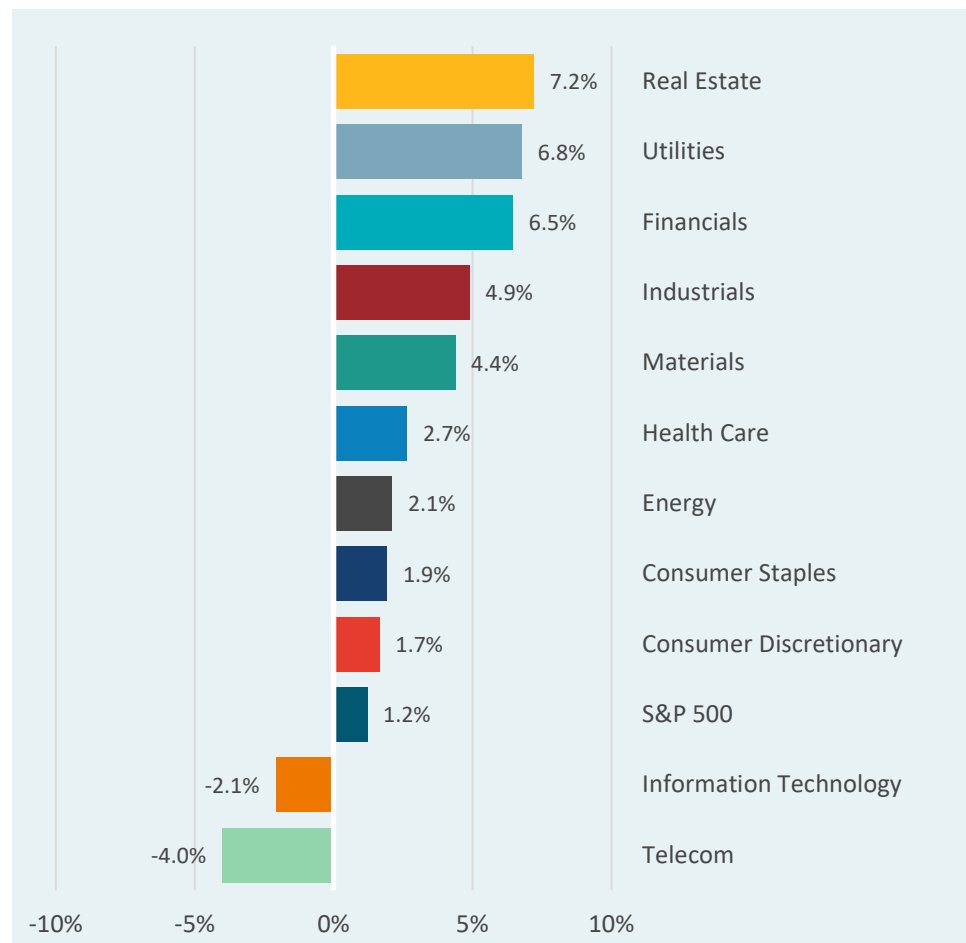
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	5-Year	10-Year
Large Cap Growth	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	18.6	18.4	16.3
Large Cap Equity	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	15.9	14.6	12.9
Small Cap Growth	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	18.7	13.0	9.9	9.0
Large Cap Value	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	18.2	12.1	6.5	8.9
Small Cap Equity	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	16.9	12.1	9.5	8.7
Small Cap Value	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	15.4	11.2	8.9	6.4
International Equity	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	14.6	8.4	7.4	8.1
Emerging Markets Equity	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	11.5	7.8	7.6	5.0
60/40 Global Portfolio	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	9.8	7.5	5.7	4.8
Hedge Funds of Funds	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	6.3	4.6	4.7	3.5
Cash	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	5.5	3.1	3.8	2.6
US Bonds	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	5.0	1.6	3.4	1.5
Commodities	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-7.9	0.9	2.1	1.6
Real Estate	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-7.9	-1.2	0.2	-1.2



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 6/30/24.

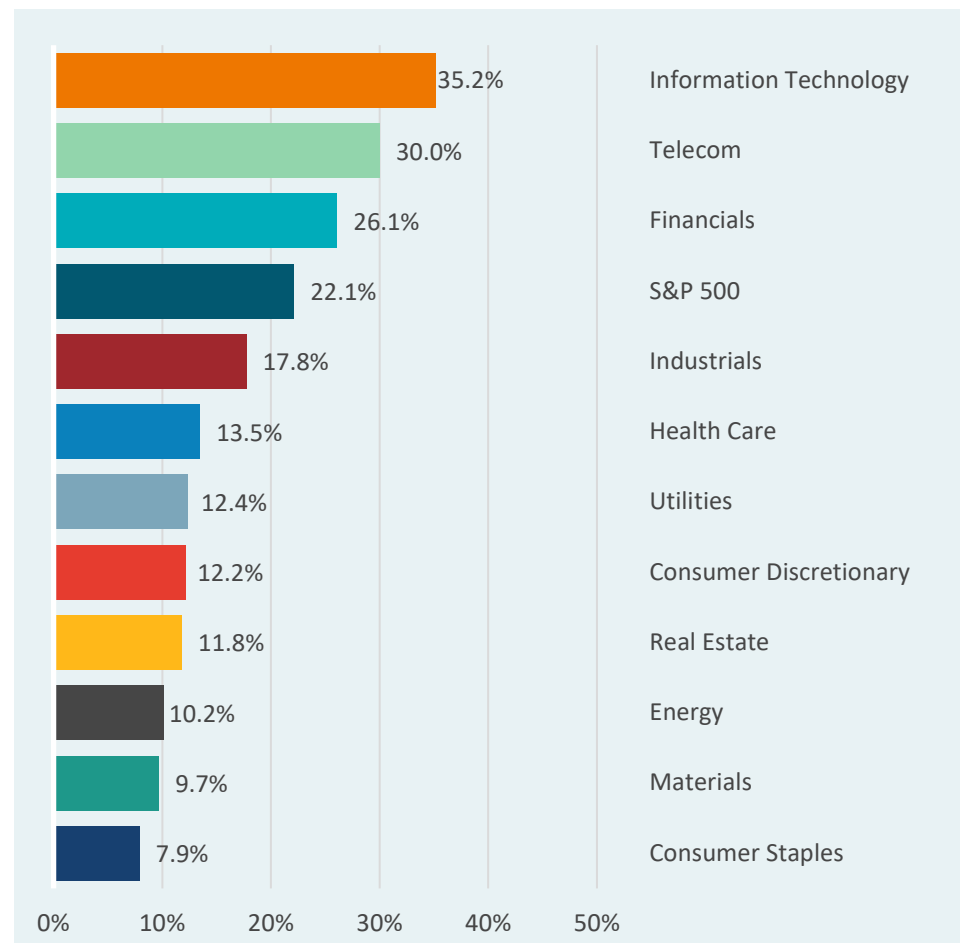
S&P 500 sector returns

QTD



Source: Morningstar, as of 7/31/24

ONE YEAR ENDING JUNE



Source: Morningstar, as of 7/31/2024

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	1.2	1.2	16.7	22.1	9.6	15.0	13.2
S&P 500 Equal Weighted	4.5	4.5	9.8	12.9	5.9	11.7	10.8
DJ Industrial Average	4.5	4.5	9.5	17.2	7.5	11.1	12.0
Russell Top 200	0.6	0.6	17.8	24.1	10.2	16.1	13.9
Russell 1000	1.5	1.5	15.9	21.5	8.5	14.6	12.9
Russell 2000	10.2	10.2	12.1	14.3	1.9	8.9	8.7
Russell 3000	1.9	1.9	15.7	21.1	8.1	14.2	12.6
Russell Mid Cap	4.7	4.7	9.9	13.7	3.7	10.2	9.9
Style Index							
Russell 1000 Growth	(1.7)	(1.7)	18.6	26.9	9.5	18.4	16.3
Russell 1000 Value	5.1	5.1	12.1	14.8	7.0	9.9	9.0
Russell 2000 Growth	8.2	8.2	13.0	12.8	(1.1)	7.6	8.9
Russell 2000 Value	12.2	12.2	15.5	15.7	4.6	9.5	8.1

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	1.6	1.6	13.1	17.0	5.8	11.0	8.7
MSCI ACWI ex US	2.3	2.3	8.1	9.7	1.8	6.3	4.2
MSCI EAFE	2.9	2.9	8.4	11.2	3.6	7.4	4.8
MSCI EM	0.3	0.3	7.8	6.3	(2.7)	3.4	2.6
MSCI EAFE Small Cap	5.7	5.7	6.2	9.1	(2.1)	5.5	5.1
Style Index							
MSCI EAFE Growth	1.2	1.2	7.5	8.6	(0.1)	6.8	5.8
MSCI EAFE Value	4.7	4.7	9.4	13.9	7.3	7.5	3.7
Regional Index							
MSCI UK	4.2	4.2	11.4	13.3	8.1	7.0	3.2
MSCI Japan	5.8	5.8	12.4	16.2	4.7	7.8	6.1
MSCI Euro	0.9	0.9	6.4	8.2	3.6	7.9	4.8
MSCI EM Asia	(0.3)	(0.3)	10.7	8.0	(2.8)	4.8	4.2
MSCI EM Latin American	1.0	1.0	(14.8)	(9.3)	2.7	0.3	(0.3)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	1.8	1.8	2.5	4.4	(1.6)	2.4	2.1
Bloomberg US Treasury Bills	0.5	0.5	3.1	5.5	3.2	2.2	1.6
Bloomberg US Agg Bond	2.3	2.3	1.6	5.1	(2.6)	0.2	1.6
Bloomberg US Universal	2.3	2.3	2.0	5.7	(2.3)	0.5	1.9
Duration							
Bloomberg US Treasury 1-3 Yr	1.2	1.2	2.4	5.4	0.7	1.3	1.2
Bloomberg US Treasury Long	3.6	3.6	(1.6)	(0.1)	(10.5)	(3.6)	0.9
Bloomberg US Treasury	2.2	2.2	1.3	4.1	(3.0)	(0.2)	1.1
Issuer							
Bloomberg US MBS	2.6	2.6	1.6	4.9	(2.3)	(0.3)	1.2
Bloomberg US Corp. High Yield	1.9	1.9	4.6	11.1	2.2	4.2	4.6
Bloomberg US Agency Interim	1.4	1.4	2.4	5.6	(0.3)	0.9	1.4
Bloomberg US Credit	2.3	2.3	1.9	6.5	(2.6)	0.9	2.5

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(4.0)	(4.0)	0.9	(5.2)	3.6	6.5	(1.2)
Wilshire US REIT	5.5	5.5	5.2	11.1	0.4	4.8	6.5
CS Leveraged Loans	0.7	0.7	5.2	10.4	6.2	5.4	4.7
S&P Global Infrastructure	4.4	4.4	8.6	9.5	6.8	5.7	5.3
Alerian MLP	0.7	0.7	20.0	27.5	25.5	11.4	2.4
Regional Index							
JPM EMBI Global Div	1.9	1.9	4.3	9.2	(2.1)	0.1	2.8
JPM GBI-EM Global Div	2.3	2.3	(1.5)	0.1	(2.4)	(1.0)	(0.5)
Hedge Funds							
HFRI Composite	0.8	0.8	5.7	8.6	3.4	6.7	4.9
HFRI FOF Composite	(0.0)	(0.0)	4.6	7.2	2.3	4.7	3.5
Currency (Spot)							
Euro	1.0	1.0	(2.0)	(1.9)	(3.0)	(0.6)	(2.1)
Pound Sterling	1.6	1.6	0.8	(0.2)	(2.6)	1.0	(2.7)
Yen	6.9	6.9	(6.3)	(5.6)	(10.0)	(6.3)	(3.7)

Source: Morningstar, HFRI, as of 7/31/24

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	2.7	7.4	14.9	12.4
<i>MSCI World Index (PME)</i>	25.2	9.0	12.4	9.1
Global Private Equity Direct Funds ¹	4.9	6.9	15.3	14.0
<i>MSCI World Index (PME)</i>	25.1	9.2	12.4	9.6
U.S. Private Equity Direct Funds ¹	6.2	8.3	17.0	15.3
<i>Russell 3000 Index (PME)</i>	29.2	10.4	14.6	12.5
Europe Private Equity Direct Funds ¹	4.3	8.2	14.8	12.5
<i>MSCI Europe Index (PME)</i>	14.4	7.0	8.6	4.8
Asia Private Equity Direct Funds ^{1,4}	(1.1)	(0.7)	8.2	11.1
<i>MSCI AC Asia Pacific Index (PME)</i>	11.7	(1.9)	4.4	4.9

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt ^{2,4}	8.0	12.1	12.2	10.8
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	12.1	5.9	5.6	4.8

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(4.0)	8.4	7.6	10.3
<i>FTSE NAREIT Equity REIT Index (PME)</i>	10.8	5.2	5.0	7.6

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Natural Resources ^{3,4}	6.6	17.9	6.1	3.4
<i>S&P Global Natural Resources Index (PME)</i>	4.6	9.1	8.5	5.7
Global Infrastructure ⁴	8.2	10.3	10.2	10.2
<i>S&P Global Infrastructure Index (PME)</i>	3.5	4.6	4.3	4.6

Source: Pooled IRRs and Public Market Equivalents (PMEs) are both from Refinitiv C/A, as of March 31st, 2024. All returns in U.S. dollars.

1. Includes Buyout, Growth Equity and Venture Capital.

2. Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

3. Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

4. Due to limited history of the PME, only the funds with the same vintage years as PMEs are included.

Notices & disclosures

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