



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

SEPTEMBER 2024
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Inflation data continues to move in a favorable direction – towards the Fed’s 2% target – though investors remain focused on labor market developments and any signs of potential weakness. Labor weakness could lead the Fed to cut rates more quickly, while continued economic and labor stability could lead to more restraint.
- September nonfarm payrolls came in at 254,000, significantly above estimates of 150,000. The surprise print helped ease concerns that the Fed might be acting more aggressively due to some sort of developments not yet clear to the overall market.
- The ISM Manufacturing Survey remained flat at 47.2, in contractionary territory for the sixth month. The underlying sub-indexes suggest input price pressures are easing, which is supportive for disinflation, though demand and hiring remain soft.

U.S. EQUITIES

- The surprise Federal Reserve 50 bps rate cut, and downward trending weekly initial and continuing unemployment figures, likely helped reignite the equity rally that had slowed in the first week of September. The S&P 500 gained +2.1% over the month and hit new all-time highs above 5,760.
- Mega cap stocks continue to have significant influence over the index, but gains were broadly positive across sizes and styles as economic data continued to support the *soft landing* narrative.
- Concerns of a slowing U.S. economy contributed to volatility early in the month with the VIX Index spiking from 15 to 25 before settling down ahead of the FOMC meeting. Volatility picked up again as geopolitical tensions in the middle east created uncertainty and put upward pressure on energy prices.

U.S. FIXED INCOME

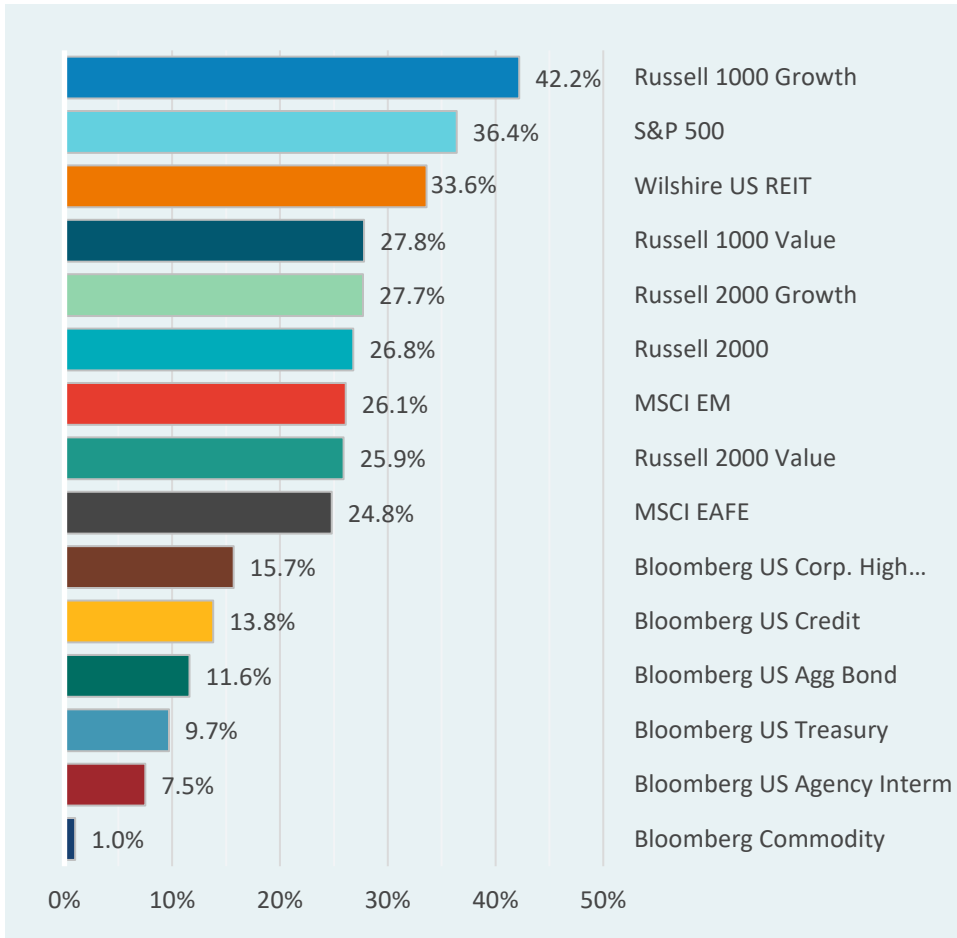
- Fixed income performance was generally positive as treasury yields fell in anticipation of a 50 bps rate cut, combined with investor expectations that rate cuts might come faster than previously believed. Yields jumped after the FOMC meeting but still finished lower month-over-month.
- The September FOMC meeting was of particular focus for investors due to its significance in marking the official pivot towards lower rates. Longer dated bonds benefitted most, with the Bloomberg U.S. Treasury long index rising +2.0%, while shorter dated treasury bonds (1-3 year) lagged, rising just +0.8%.
- The spread between the 10-year treasury and the 2-year treasury yield returned to positive territory – peaking intramonth at +26 bps. The 10-year treasury yield ended the month +15 bps above the 2-year treasury, for the first time in over 2 years.

INTERNATIONAL MARKETS

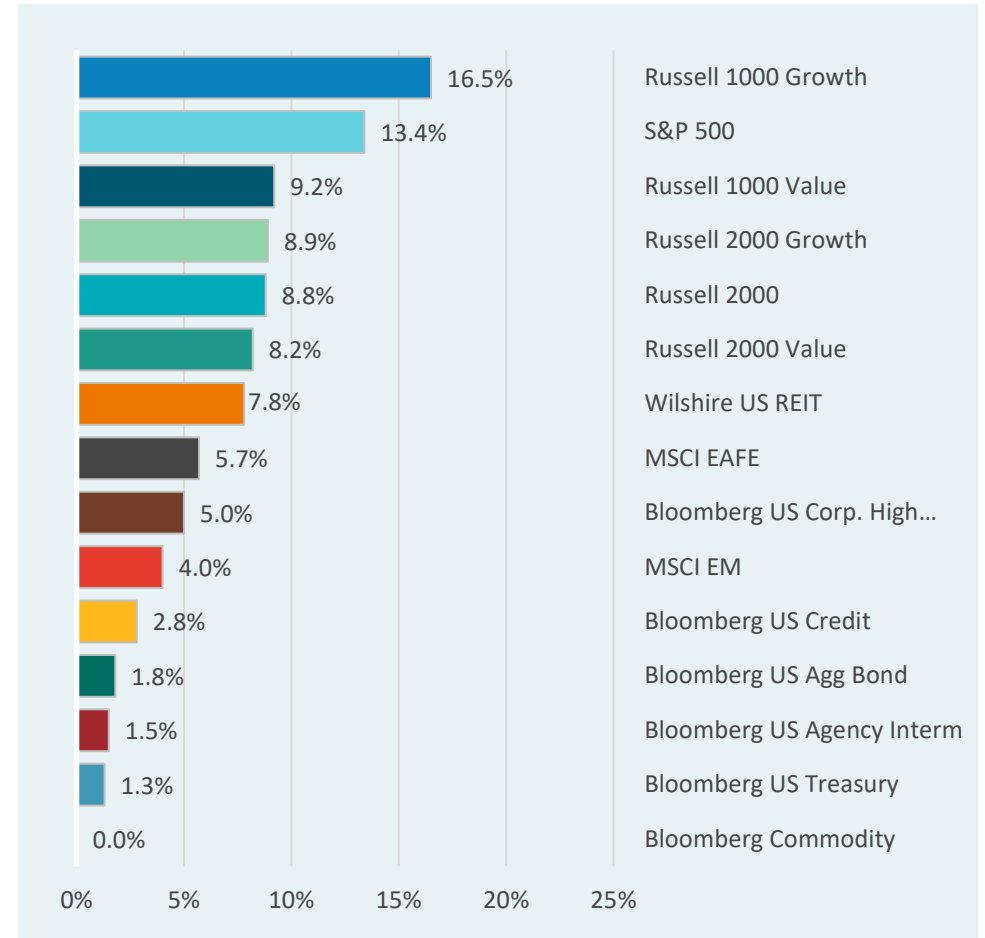
- Global central banks lined up for a slew of rate decisions in the days following the FOMC meeting. The bank of England, Bank of Japan, and the People’s Bank of China all announced they would keep rates unchanged. While the decisions were widely expected, individual economic backdrops will likely guide differing monetary policies in the future.
- Eurozone economic data and developments continue to paint a bleak picture, especially within Germany – the eurozone’s largest economy – which has struggling with languishing activity. Some investors are forecasting a decline in Q3 German GDP which would mark a second consecutive quarter of declines. Estimates were also recently revised downward to -0.2% year-over-year for calendar year 2024.

Major asset class returns

ONE YEAR ENDING SEPTEMBER



TEN YEARS ENDING SEPTEMBER



*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 9/30/24

Source: Morningstar, as of 9/30/24

U.S. large cap equities

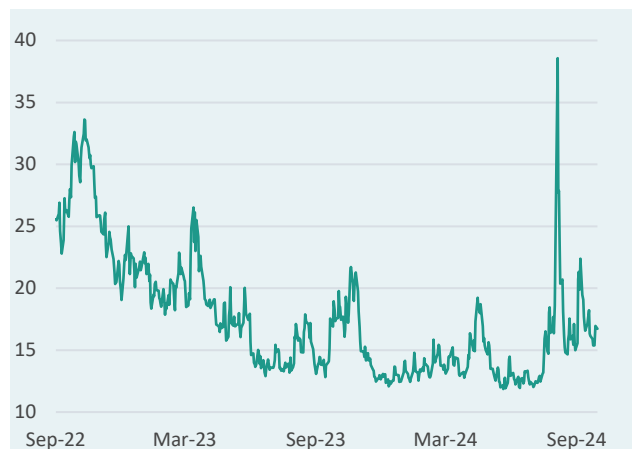
- The S&P 500 delivered a bumpy ride in September but ended the month +2.1%, and +5.9% for the third quarter. The index started the month down -4.3% before recovering as investors' concerns appeared to be quelled by a strong labor market, good inflation data, and a 50 bps Federal Reserve rate cut.
- The difference in performance between the S&P 500 cap-weighted index and the S&P 500 equal-weighted index continued to expand. By month end, year-to-date returns for the cap-weighted index were +21.7% compared to +14.7% for the equal-weighted index.
- S&P sector performance was broadly positive as 8 of 11 sectors ended in the green. Consumer Discretionary (+7.1%) more than made up for August losses while Utilities (+6.6%) posted strong positive gains for the third month. Energy (-2.7%) and Health Care (-1.7%) were among the worst performing sectors.
- As a group, the Magnificent 7 reversed course from August, recouping losses and returning +6.5% in September compared to +2.1% for the S&P 500. The Seven have gained +44.4% year-to-date while the S&P 500 has gained +22.1%.

S&P 500 PRICE INDEX



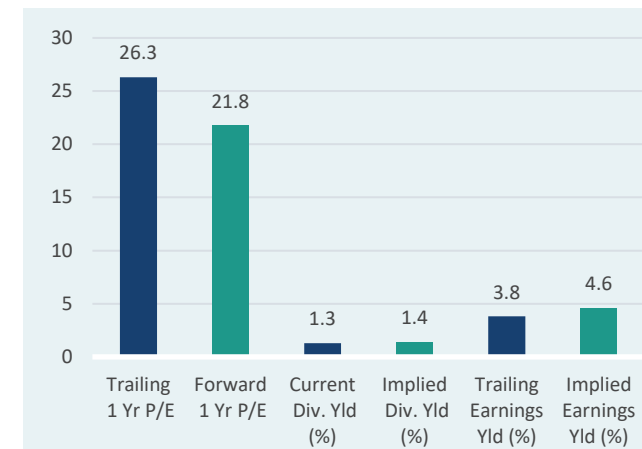
Source: S&P, as of 9/30/24

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, based on closing price as of 9/30/24

S&P 500 VALUATION SNAPSHOT

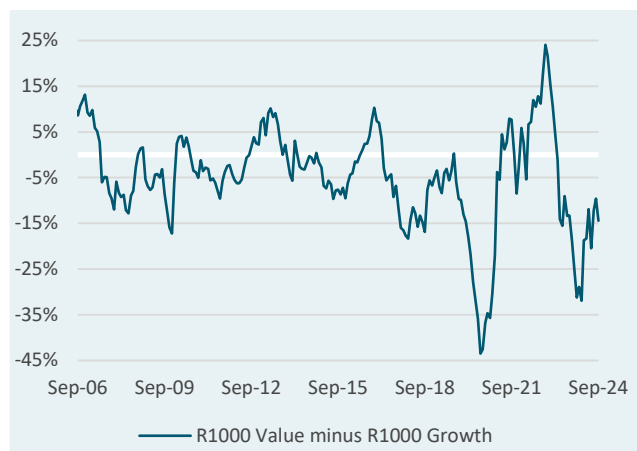


Source: S&P, as of 9/30/24

Domestic equity size and style

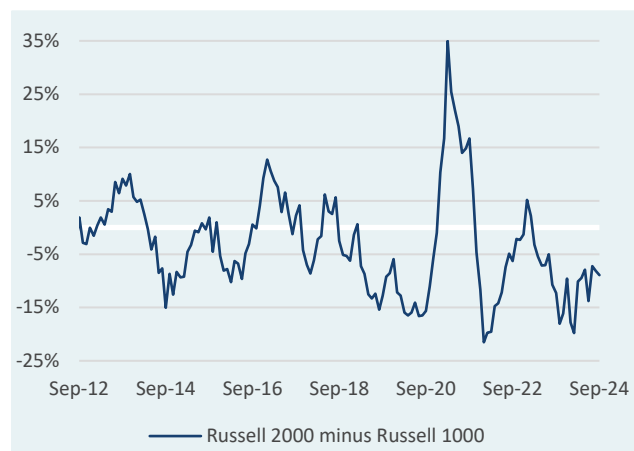
- Large cap indexes (Russell 1000 +2.1%) outperformed small caps (Russell 2000 +0.7%) in September, but for the full quarter, small cap indexes (+9.3%) outperformed large cap indexes (+6.1%). Small caps, often considered to be more interest-rate sensitive, likely benefited from growing expectations around interest rate cuts throughout the third quarter.
- In a reversal from last month, large growth indexes (Russell 1000 Growth +2.8%) outperformed large value indexes (Russell 1000 Value +1.4), primarily driven by the Magnificent 7.
- Small cap value (Russell 2000 Value +0.1%) was the worst performing index in September and also year-to-date (+9.2%). Quarter-to-date, small cap value was the best performer among sizes and styles (+10.2%).
- Large cap valuations expanded in September while small cap valuations remained flat. The S&P 500 forward earnings multiple rose to 21.6x, and the premium to the 10-year average P/E grew to 20%. The Russell 2000 ended the month flat, trading at 24.8x forward earnings.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Russell, as of 9/30/24

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Russell, as of 9/30/24

1-YEAR SIZE & STYLE PERFORMANCE

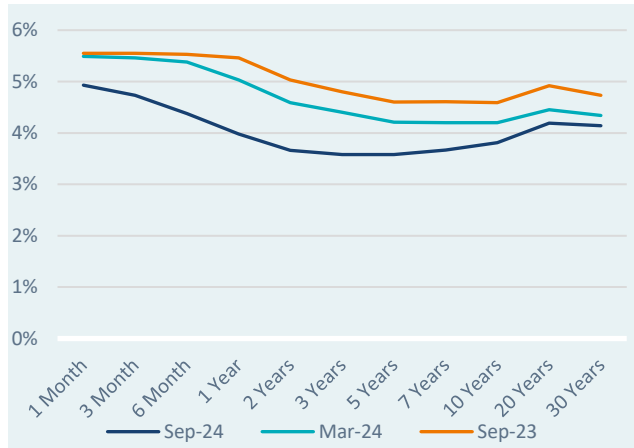
	Value	Core	Growth
Large Cap	27.8%	35.7%	42.2%
Mid Cap	29.0%	29.3%	29.3%
Small Cap	25.9%	26.8%	27.7%

Source: FTSE, Russell, as of 9/30/24

Fixed income

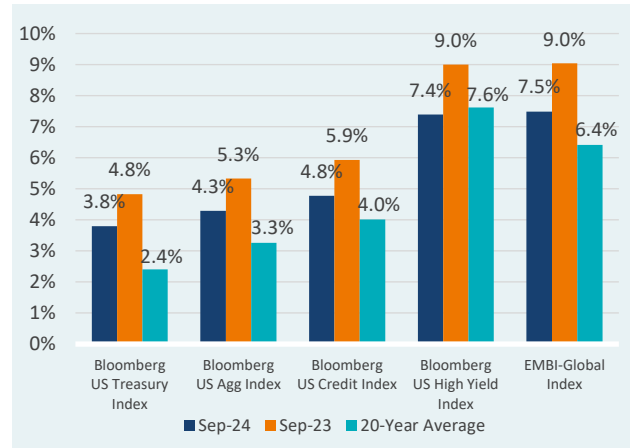
- U.S. core bonds (Bloomberg U.S. Aggregate Index +1.3%) gained in September given the environment of rate cuts, strong employment data, and cooling inflation.
- The Bloomberg U.S. Long Index (+2.0%) was the top U.S. fixed income performer over the month, benefiting from a greater sensitivity to rates (higher duration) relative to shorter tenor treasuries (Bloomberg U.S. Treasury 1-3 Year +0.8%). Local-currency debt (JPM GBI-EM Global Diversified +3.4%) gained the most overall in September, boosted by foreign currency exposure as the dollar grew weaker following the Federal Reserve’s pivot.
- Yields for 2- and 10-year treasuries fell. The 2-year moved -25 bps lower to 3.66% and the 10-year fell -10 bps to 3.81%. The U.S. yield curve has now *uninverted*, as represented by the 10/2 yield curve.
- Option-adjusted spreads remain very compressed for high yield and corporate fixed income instruments relative to the 10-year average. High yield bond spreads ended the month only +2 bps above the 10-year low and -102 bps below the 10-year median of 405 bps. Corporate debt spreads finished the month at 89 bps, which was -31 bps below the 10-year median.

U.S. TREASURY YIELD CURVE



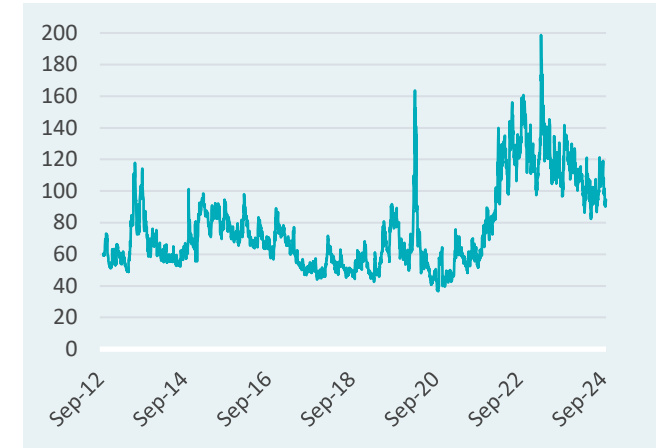
Source: U.S DoT, as of 9/30/24

NOMINAL YIELDS



Source: Morningstar, as of 9/30/24

U.S. TREASURY IMPLIED VOL (“MOVE” INDEX)

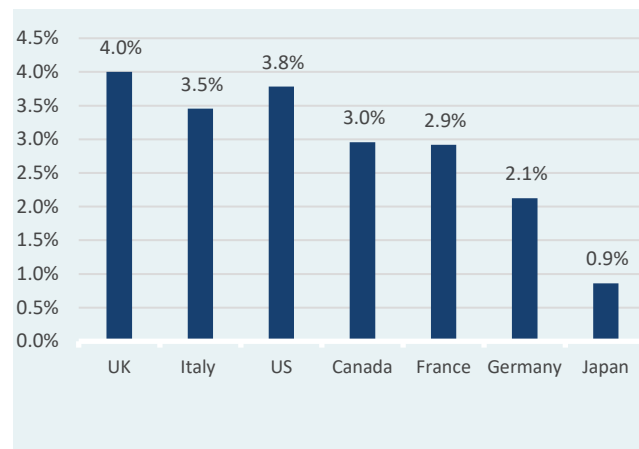


Source: BofA, as of 9/30/24

Global markets

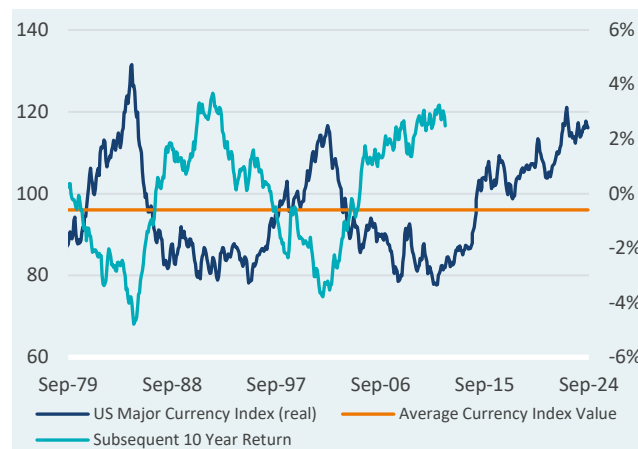
- International equities outperformed U.S. equities by +0.4% (MSCI ACWI ex-US +2.8%) during the month. Steady outperformance brought the full third quarter return for the ACWI ex-US to +8.1%, compared to +5.9% from the S&P 500.
- The MSCI Japan moderately lagged the MSCI EAFE Index, down -0.6%. Although the BOJ held rates steady, the yen (+1.8%) strengthened over the month which likely helped add pressure to Japan's export reliant economy - a reversal after the weakening yen had contributed in part to the Japanese equity rally.
- The MSCI EM Asia index rallied +8.0%. Although constituents generally performed well, China accounted for a significant portion of the rise, given its 34.5% weight in the index and its late month rally which propelled the MSCI China index to a +24% return.
- On September 24th, the People's Bank of China (PBOC) announced an economic stimulus package intended to help counter the nation's broader economic slowdown and boost consumer confidence. The proposed measures included monetary easing, equity market stimulus, and support for the still struggling property sector.

GLOBAL SOVEREIGN 10-YEAR YIELDS



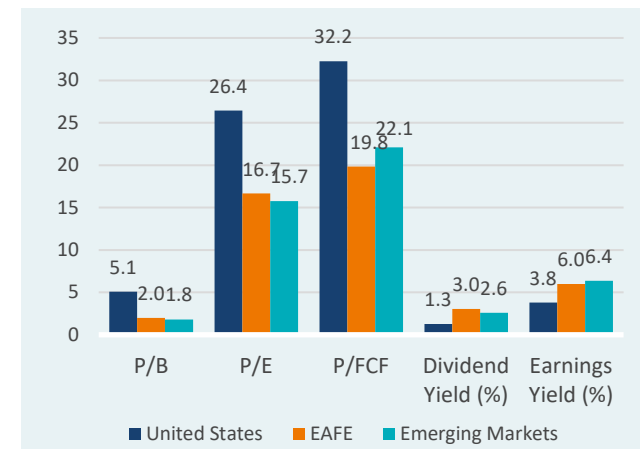
Source: Bloomberg, as of 9/30/24

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 9/30/24

MSCI VALUATION METRICS (3-MONTH AVG)



Source: MSCI, as of 9/30/24

Appendix

Periodic table of returns

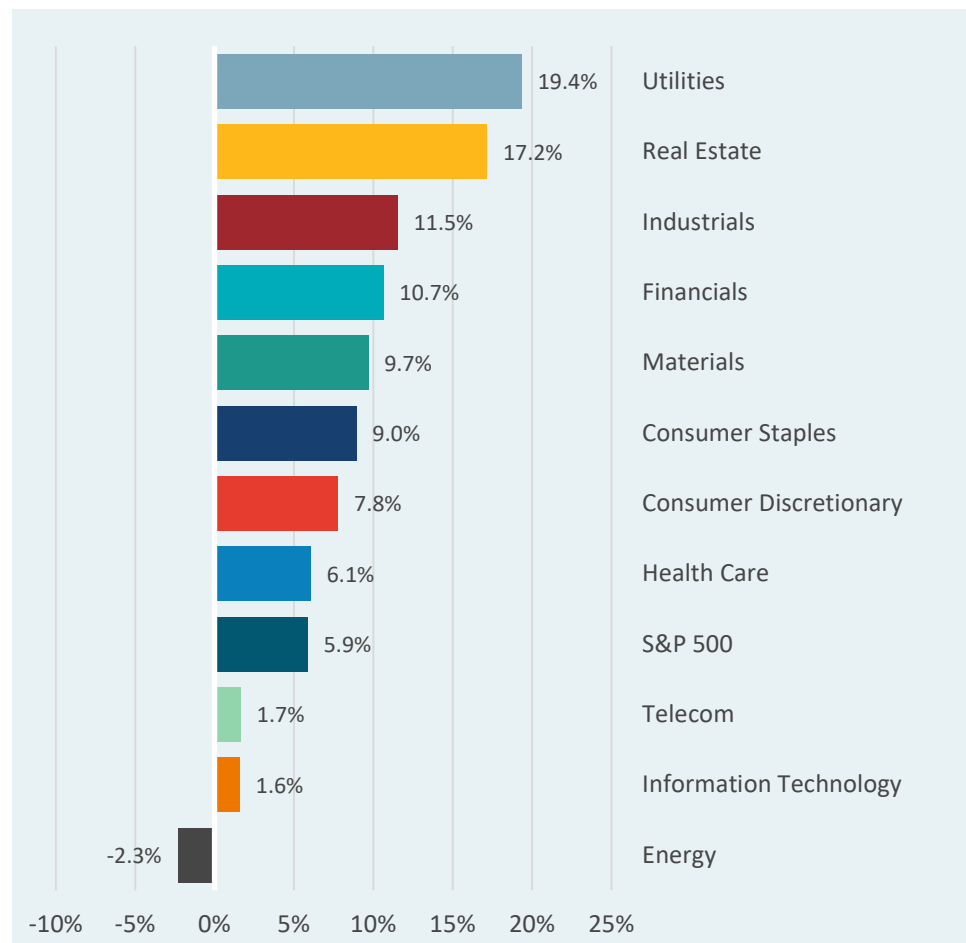
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	5-Year	10-Year
Large Cap Growth	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	24.5	19.7	16.5
Large Cap Equity	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	21.2	15.6	13.1
Emerging Markets Equity	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	16.9	10.7	9.2
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	16.7	7.8	8.9
Small Cap Growth	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	13.2	9.3	8.8
International Equity	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	13.0	9.4	6.4
60/40 Global Portfolio	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	12.5	8.2	8.2
Small Cap 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	11.2	8.8	5.0
Small Cap Value	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	9.2	5.7	5.7
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	6.0	5.3	3.6
Commodities	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	5.9	3.8	4.0
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	4.4	5.7	1.5
Cash	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	4.0	2.1	1.8
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	0.3	0.0



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.

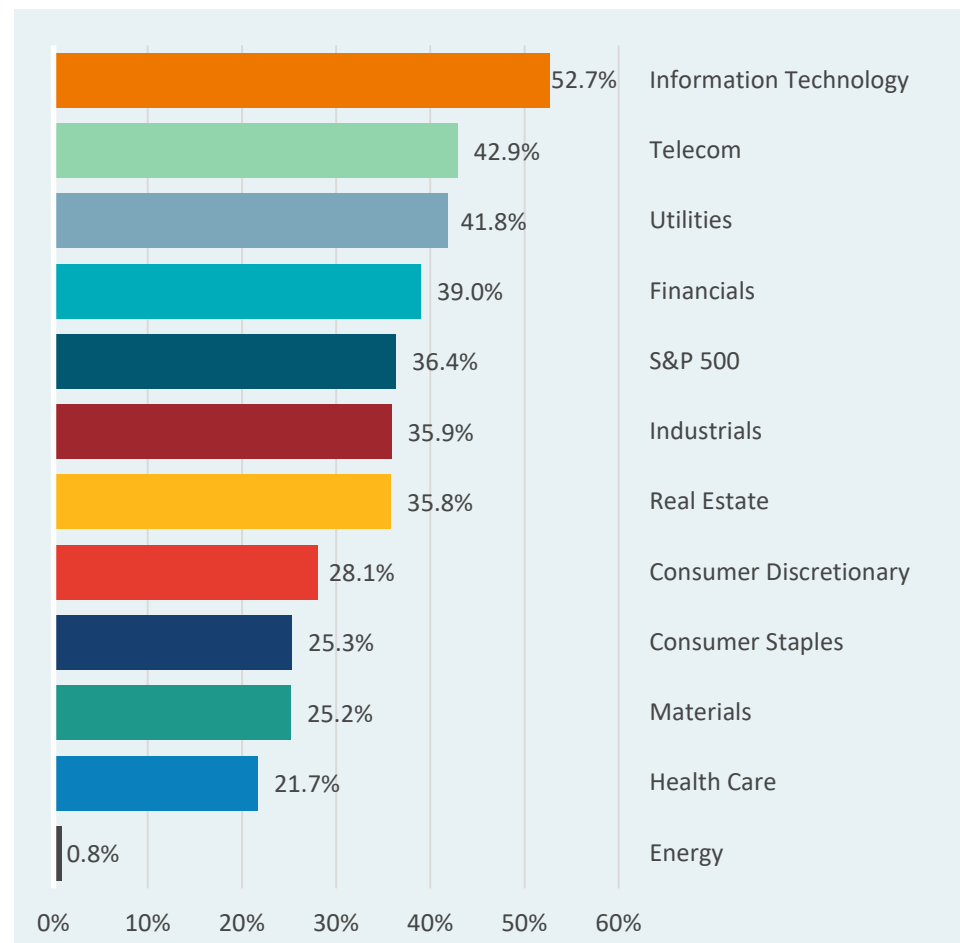
S&P 500 sector returns

QTD



Source: Morningstar, as of 9/30/24

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 9/30/24

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	2.1	5.9	22.1	36.4	11.9	16.0	13.4
S&P 500 Equal Weighted	2.3	9.6	15.2	28.8	8.2	12.8	11.1
DJ Industrial Average	2.0	8.7	13.9	28.8	10.0	11.8	12.0
Russell Top 200	2.1	5.2	23.3	37.7	12.6	17.2	14.1
Russell 1000	2.1	6.1	21.2	35.7	10.8	15.6	13.1
Russell 2000	0.7	9.3	11.2	26.8	1.8	9.4	8.8
Russell 3000	2.1	6.2	20.6	35.2	10.3	15.3	12.8
Russell Mid Cap	2.2	9.2	14.6	29.3	5.8	11.3	10.2
Style Index							
Russell 1000 Growth	2.8	3.2	24.5	42.2	12.0	19.7	16.5
Russell 1000 Value	1.4	9.4	16.7	27.8	9.0	10.7	9.2
Russell 2000 Growth	1.3	8.4	13.2	27.7	(0.4)	8.8	8.9
Russell 2000 Value	0.1	10.2	9.2	25.9	3.8	9.3	8.2

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	2.3	6.6	18.7	31.8	8.1	12.2	9.4
MSCI ACWI ex US	2.7	8.1	14.2	25.4	4.1	7.6	5.2
MSCI EAFE	0.9	7.3	13.0	24.8	5.5	8.2	5.7
MSCI EM	6.7	8.7	16.9	26.1	0.4	5.7	4.0
MSCI EAFE Small Cap	2.6	10.5	11.1	23.5	(0.4)	6.4	6.2
Style Index							
MSCI EAFE Growth	0.4	5.7	12.3	26.5	1.9	7.7	6.6
MSCI EAFE Value	1.4	8.9	13.8	23.1	8.9	8.3	4.6
Regional Index							
MSCI UK	0.3	7.9	15.4	23.3	9.8	7.9	4.1
MSCI Japan	(0.6)	5.7	12.4	21.6	2.7	7.1	6.4
MSCI Euro	1.8	6.9	12.8	27.3	6.7	9.1	5.7
MSCI EM Asia	8.0	9.5	21.6	29.7	0.8	7.2	5.6
MSCI EM Latin American	0.1	3.7	(12.5)	2.8	7.2	2.1	0.6

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	1.5	4.1	4.9	9.8	(0.6)	2.6	2.5
Bloomberg US Treasury Bills	0.5	1.4	4.1	5.6	3.5	2.3	1.7
Bloomberg US Agg Bond	1.3	5.2	4.4	11.6	(1.4)	0.3	1.8
Bloomberg US Universal	1.4	5.2	4.9	12.1	(1.1)	0.7	2.2
Duration							
Bloomberg US Treasury 1-3 Yr	0.8	2.9	4.1	6.8	1.3	1.5	1.4
Bloomberg US Treasury Long	2.0	7.8	2.4	15.4	(8.4)	(4.3)	1.1
Bloomberg US Treasury	1.2	4.7	3.8	9.7	(1.8)	(0.2)	1.3
Issuer							
Bloomberg US MBS	1.2	5.5	4.5	12.3	(1.2)	0.0	1.4
Bloomberg US Corp. High Yield	1.6	5.3	8.0	15.7	3.1	4.7	5.0
Bloomberg US Agency Interm	0.9	3.1	4.2	7.5	0.5	1.1	1.5
Bloomberg US Credit	1.7	5.7	5.2	13.8	(1.1)	1.1	2.8

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	4.9	0.7	5.9	1.0	3.7	7.8	0.0
Wilshire US REIT	2.6	15.2	14.9	33.6	4.6	5.4	7.8
CS Leveraged Loans	0.7	2.1	6.6	9.7	6.3	5.6	4.9
S&P Global Infrastructure	3.8	13.4	18.0	30.9	9.6	6.9	6.3
Alerian MLP	(0.4)	0.7	20.0	23.6	25.3	12.5	1.6
Regional Index							
JPM EMBI Global Div	1.8	6.2	8.6	18.6	(0.4)	0.9	3.3
JPM GBI-EM Global Div	3.4	9.0	4.9	13.4	0.6	0.6	0.6
Hedge Funds							
HFRI Composite	0.3	1.3	6.2	10.7	3.4	7.0	4.9
HFRI FOF Composite	0.2	1.1	6.0	9.3	2.3	5.3	3.6
Currency (Spot)							
Euro	0.8	4.1	1.0	5.4	(1.3)	0.5	(1.2)
Pound Sterling	2.1	6.1	5.2	9.9	(0.2)	1.7	(1.9)
Yen	1.8	12.5	(1.4)	4.3	(8.0)	(5.5)	(2.6)

Source: Morningstar, HFRI, as of 9/30/24

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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