

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

**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

DECEMBER 2024
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Headline CPI rose modestly +0.3% in November, following four consecutive months of +0.2% increases, bringing year-over-year inflation to 2.7%. Shelter costs increased +0.3%, up to 4.9% year-over-year. Housing-related price pressures continue to hinder Federal Reserve efforts to lower inflation to the 2% target rate.
- The ISM Services Index came in at 54, up from 52 in November, driven by growth in Business Activity and New Order indexes. Respondents to the survey noted earlier order placement and higher activity than in previous months in preparation for possible tariffs in 2025.
- The labor market showed strength in December. Nonfarm payrolls exceeded expectations, coming in at 256,000, which was 91,000 higher than expectations for 165,000 new additions. Employment trended upward in health care, government, and retail trade sectors. The unemployment rate declined slightly to 4.1%, down from 4.2% in November.

U.S. EQUITIES

- December reversed some of the year's gains as the S&P dropped -2.4%. Investors appear to be reassessing the Federal Reserve rate cutting path for 2025. During 2024, the S&P 500 returned +25.0%, with the Magnificent Seven (+48%) stocks contributing more than half of the total index return. Excluding the Magnificent Seven from the index would have left the S&P with only a +11.8% gain.
- Small-cap stocks (Russell 2000 -8.3%) gave up around three-quarters of their strong November gains as the index posted its worst month since September 2022.

U.S. FIXED INCOME

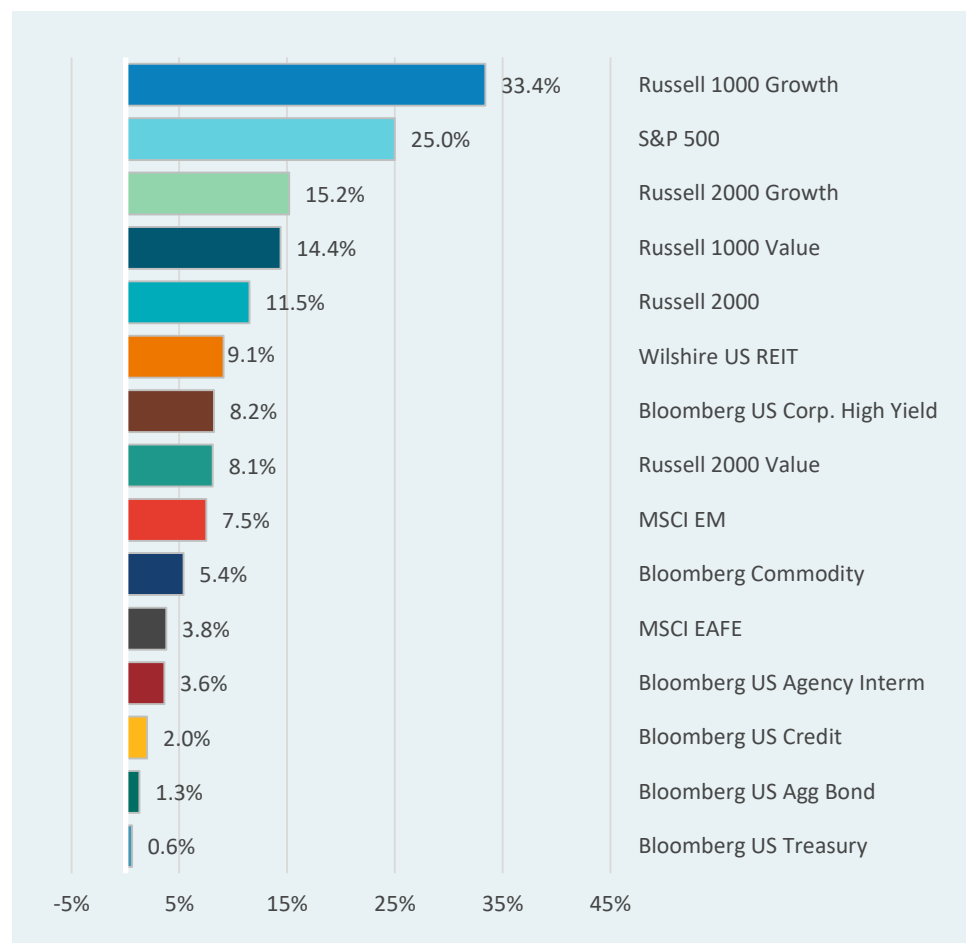
- At the December Federal Open Market Committee (FOMC) meeting the Federal Reserve voted 11-1 to cut rates by 25bps, which brought the target interest rate range to 4.25%-4.5%, its lowest since February 2023. Committee members signaled expectations for two 25bps rate cuts in 2025, far less than the four 25bps cuts expected at the time of the September meeting.
- Yields rose in December. The yields of 10- and 2-year U.S. Treasuries ended the month higher by +40bps and +13bps, respectively. The long end of the curve steepened as markets digested the ongoing strength of the economy and how that might impact future policy decisions.
- Fixed income indexes trended lower across the board in December (Bloomberg U.S. Agg -1.6%). Bonds delivered marginal gains for the full year, despite losses over the past month.

INTERNATIONAL MARKETS

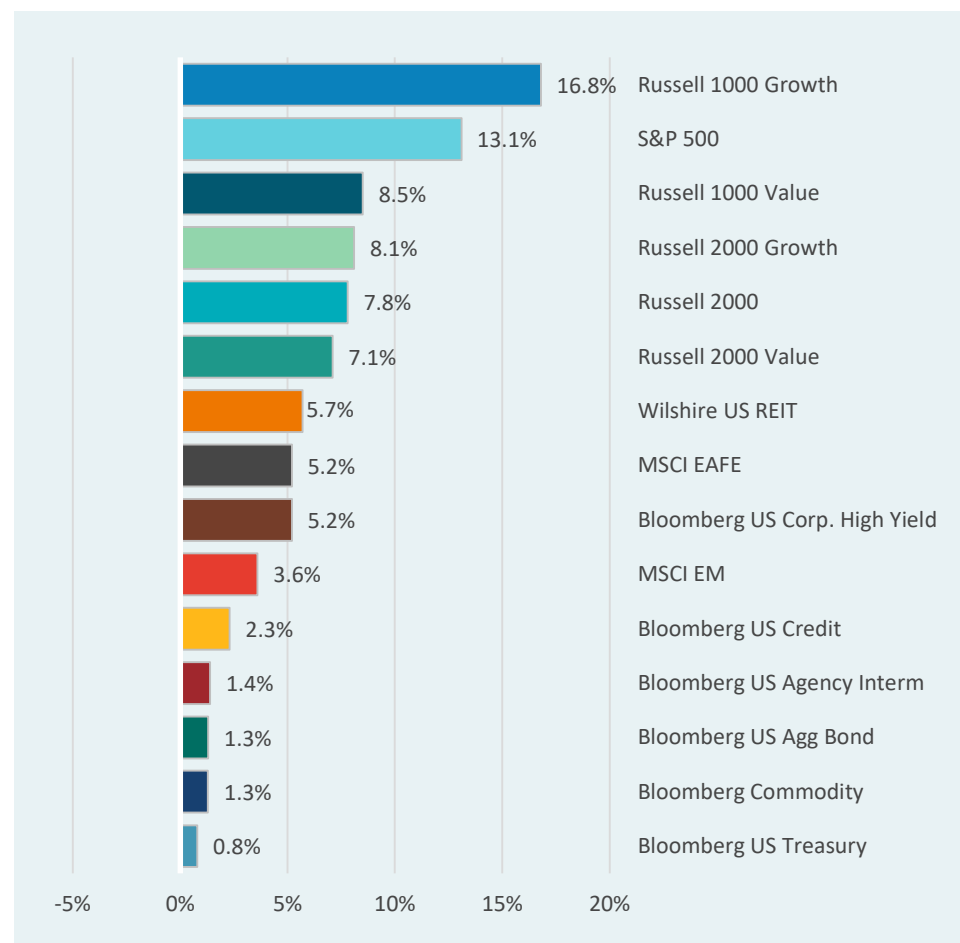
- The European Central Bank (ECB) decided to cut interest rates by 25bps at the December 12th meeting, for the fourth time in 2024. The ECB decision was reportedly based on a revised outlook for headline inflation to fall to 2.1% in 2025. President Lagarde explained that a 50bps cut was discussed, but that the Governing Council ultimately settled with 25bps due to elevated service cost inflation.
- Rising geopolitical tensions, particularly between the U.S. and China, and higher global bond yields, contributed to market volatility. Chinese stocks (MSCI China Index) delivered a gain of +2.7% for the month of December but were still down -15.1% from the October 7th high.

Major asset class returns

ONE YEAR ENDING DECEMBER



TEN YEARS ENDING DECEMBER



*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 12/31/24

Source: Morningstar, as of 12/31/24

U.S. large cap equities

- Four new closing highs were achieved in early December, though the S&P 500 index ultimately posted a loss of -2.5% for the month. The *higher for longer* narrative came back into the spotlight as investors questioned further rate cuts. Excluding the Magnificent Seven impact on the S&P 500 would have left the index with a -3.5% return in December.
- Year-over-year earnings growth was revised lower from +14.5% (September 30th) to an estimated +11.9% in Q4. If S&P earnings growth comes in as expected, this would mark the highest growth rate since Q4 2021. Productivity gains have been a notable driver of profit growth.
- 8 of 11 sectors declined in December, with Materials and Energy performing the worst. Communication Services, Consumer Discretionary, and Information Technology were the only positively performing sectors. Over the year, Materials was the only negatively performing sector, which appears to be due to the sector’s sensitivity to international economic activity.
- The VIX ended the month at 17.4, but peaked at a monthly high of 28.3 following the FOMC meeting and a shift in rate expectations.

S&P 500 PRICE INDEX



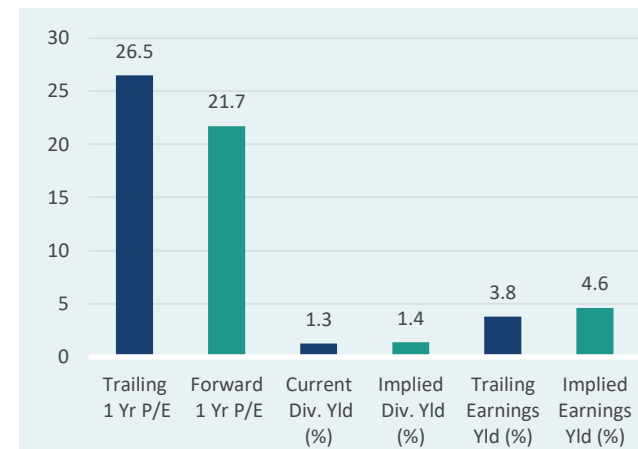
Source: S&P, as of 12/31/24

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, based on closing price, as of 12/31/24

S&P 500 VALUATION SNAPSHOT

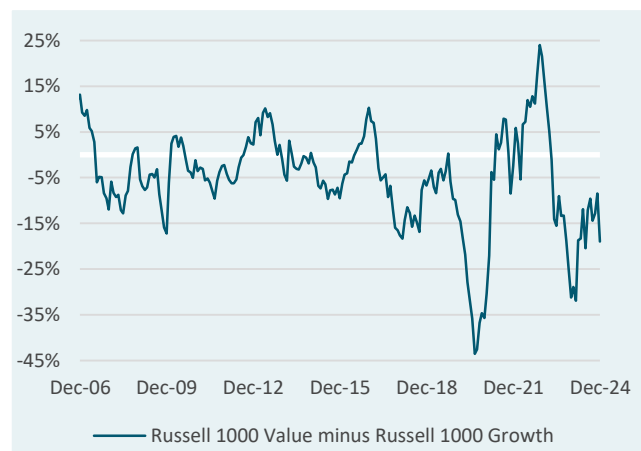


Source: S&P, as of 12/31/24

Domestic equity size and style

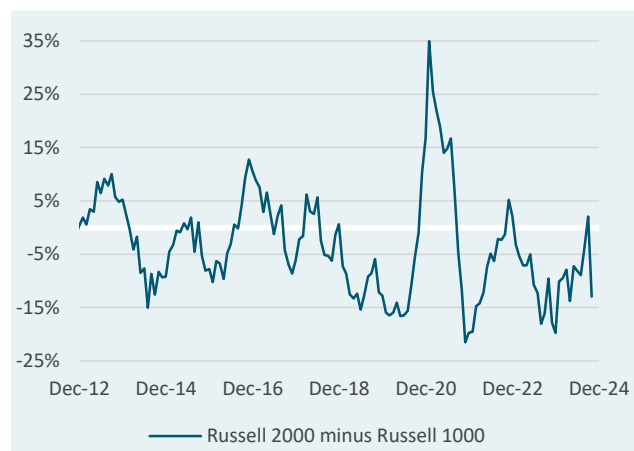
- Large-cap equities (Russell 1000 -2.8%) outperformed small-caps (Russell 2000 -8.3%) during December. Small-cap equities are generally more sensitive to the cost of capital, which may have led to pain as investors reassessed the future path of interest rates.
- In December, growth stocks (Russell 1000 Growth +0.9%) continued to outperform value stocks (Russell 1000 Value -6.8%). The large cap growth forward price to earnings ratio remained elevated at 28.9, which compares to the 16.2 multiple of large cap value.
- Large-cap growth (Russell 1000 Growth +0.9%) outperformed small-cap growth (Russell 2000 Growth -8.2%) by +9.1%. Large-cap equities were lifted by the group of Magnificent Seven stocks. Relative performance will likely be affected as interest rate and growth expectations better come into view.
- Over the years, the percentage of unprofitable companies within the large cap index (S&P 500) has fallen significantly, while more small cap companies (Russell 2000) have become unprofitable (7% versus 43% in Q3).

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE Russell, as of 12/31/24

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE Russell, as of 12/31/24

1-YEAR SIZE & STYLE PERFORMANCE

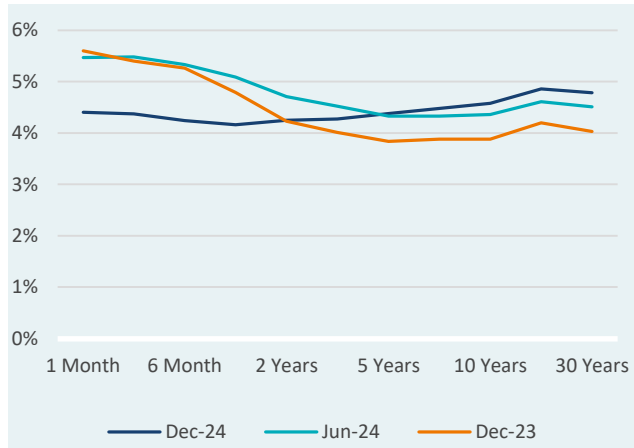
	Value	Core	Growth
Large Cap	14.4%	24.5%	33.4%
Mid Cap	13.1%	15.3%	22.1%
Small Cap	8.1%	11.5%	15.2%

Source: FTSE Russell, as of 12/31/24

Fixed income

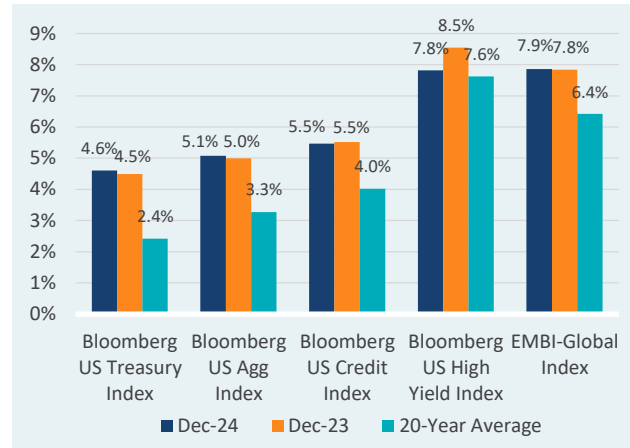
- Fixed income markets were broadly lower in December, while year-to-date returns were modestly positive. The Bloomberg U.S Aggregate Index fell -1.6% during the month, bringing year-to-date returns to +1.3%.
- The Federal Reserve moved as expected by cutting rates 25bps. However, official comments suggested that Fed actions in 2025 will focus on balancing the dual goals of *maximizing employment* and *maintaining price stability*. Following the Summary of Economic Projections, investors scaled back rate cut predictions for 2025 from four to two.
- Despite the rate cut announcement, both 2- and 10- year Treasury yields rose +13bps and +40bps, respectively. Investors cited strong recent economic data and the announcement of a slower pacing schedule as possible contributors to the rise in December yields.
- The U.S. Treasury Implied Volatility (“MOVE” Index) spiked from 95 to 99 during December. The index hit a mid-month low of 82, the lowest since May 2024, likely in anticipation of the FOMC December meeting. Volatility climbed back up to previous highs by month-end, likely in response to news of stickier inflation and a more cautious outlook around future rate decisions.

U.S. TREASURY YIELD CURVE



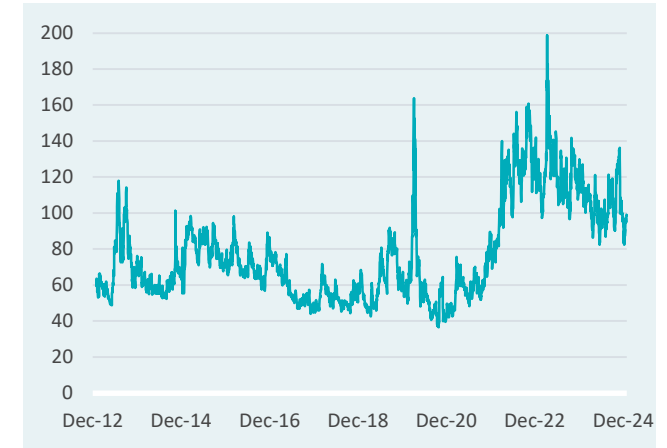
Source: U.S. Treasury, as of 12/31/24

NOMINAL YIELDS



Source: Morningstar, as of 12/31/24

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

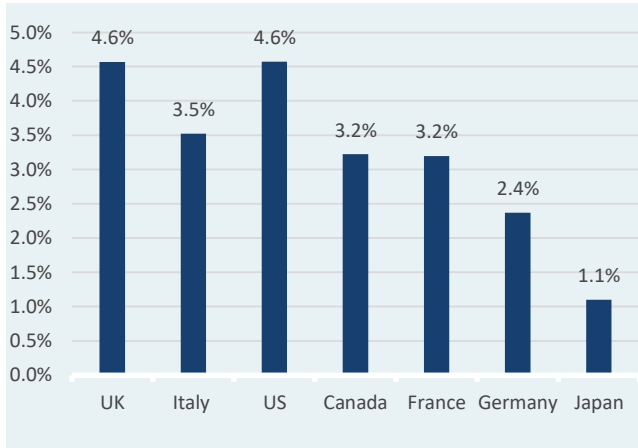


Source: BofA, as of 12/31/24

Global markets

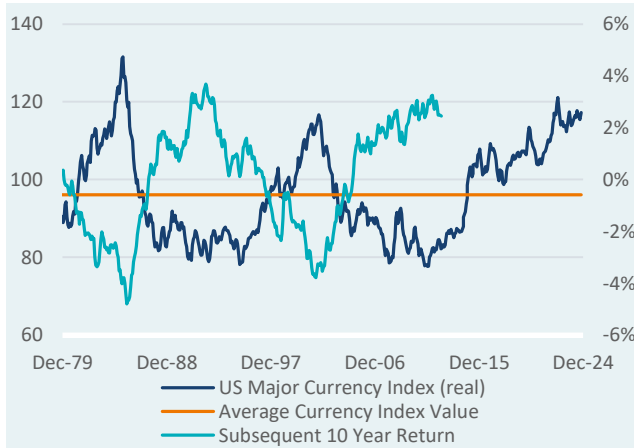
- U.S. and international developed equities delivered similar performance, -2.4% and -2.3% respectively. The MSCI Europe Index was down -0.4% during December amid political uncertainty as French Prime Minister Michel Barnier submitted his resignation after losing a vote of no confidence in parliament.
- Chinese equities rallied (MSCI China Index +2.7%) during the month. Gains were likely driven by the announcement of government stimulus plans and a maintenance of the 5% GDP growth target. Year-to-date, MSCI China Index is up +19.4% above the MSCI Emerging Markets Index of +7.5%.
- International stocks (MSCI ACWI ex-U.S.) trade at a large discount relative to U.S. stocks (S&P 500). International stocks showed a forward price to earnings ratio of 13.3, which is a -38.0% discount to the U.S. market (21.5). This is two standard deviations from the 20-year average.
- In December 2024, the Japanese yen (-4.4%) depreciated to a five-month low of 157.59 per dollar, fueled by the persistent interest rate differential between Japan and the U.S. The yen's decline, which is over 10% for the year, reflected Japan's accommodative monetary policy and the dollar's strength. Speculation about a potential Bank of Japan rate hike in early 2025 added complexity to the outlook.

GLOBAL SOVEREIGN 10-YEAR YIELDS



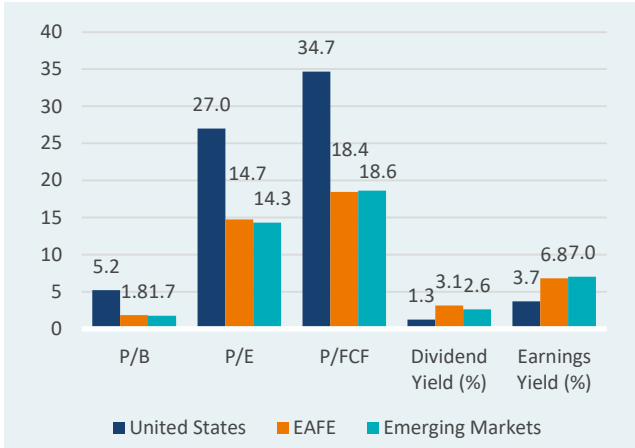
Source: Bloomberg, as of 12/31/24

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 12/31/24

MSCI VALUATION METRICS (3-MONTH AVG)

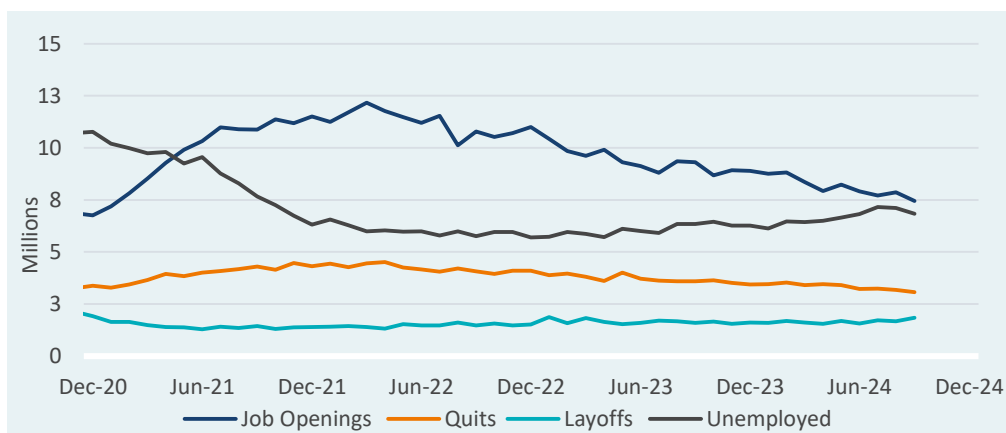


Source: MSCI, as of 12/31/24 – price metrics are trailing

U.S. economic review

Data Print	Period	Prior	Estimate	Actual
Change in Nonfarm Payrolls	Dec	212,000	165,000	256,000
Unemployment Rate	Dec	4.2%	4.2%	4.1%
CPI MoM	Dec	0.2%	0.3%	0.3%
CPI YoY	Dec	2.6%	2.7%	2.7%
CPI Ex Food and Energy MoM	Dec	0.3%	0.3%	0.3%
ISM Manufacturing	Dec	48	48	49
ISM Services Index	Dec	52	54	54
Conf. Board Consumer Confidence	Dec	113	113	105
S&P Global US Manufacturing PMI	Dec	48	48	49
S&P Global US Composite PMI	Dec	57	--	55
S&P Global US Services PMI	Dec	59	59	57
U. of Mich. Sentiment	Dec	74	74	74

LABOR MARKET METRICS



Source: FRED, as of 12/31/24

Labor Market

— The labor market showed strong growth in December. Nonfarm payrolls climbed to 256,000, exceeding market expectations of 165,000. October and November jobs data were revised lower by a combined 8,000. The ADP jobs report came in below the expected 140,000, adding 122,000 private sector jobs in December. Education and health services were at the forefront of private sector job growth.

Consumers

- Consumer sentiment was 74, up from 72 in November. December saw continued upticks in buying conditions for durable goods as consumers prepared for the impact that proposed 2025 tariffs could have on their future buying power.
- Consumer confidence declined to 105, down from November's revised 113. The December surveys indicated that while the household view of the labor market has improved, there remains slight pessimism around inflation pressures.

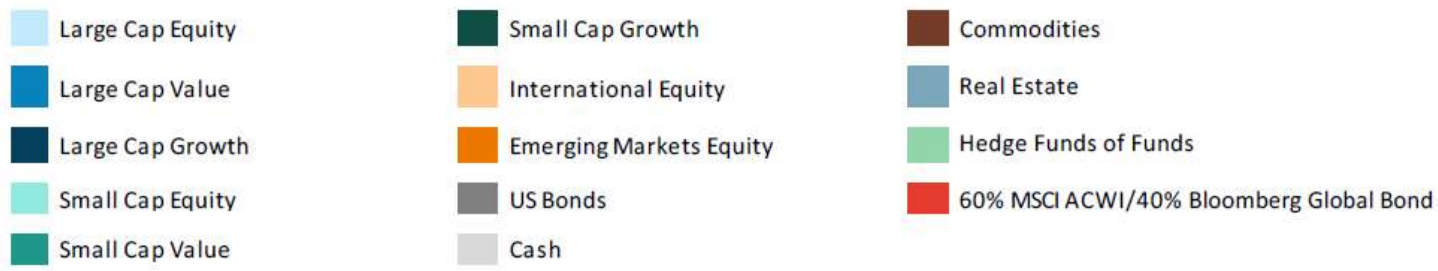
Looking Ahead

- The December FOMC official comments underscored the challenges the Fed has faced over the year to balance the health of the labor market with sticky inflation. The Fed appeared comfortable maintaining a *higher for longer* narrative and explained that economic and inflation data will guide 2025 decisions.

Appendix

Periodic table of returns

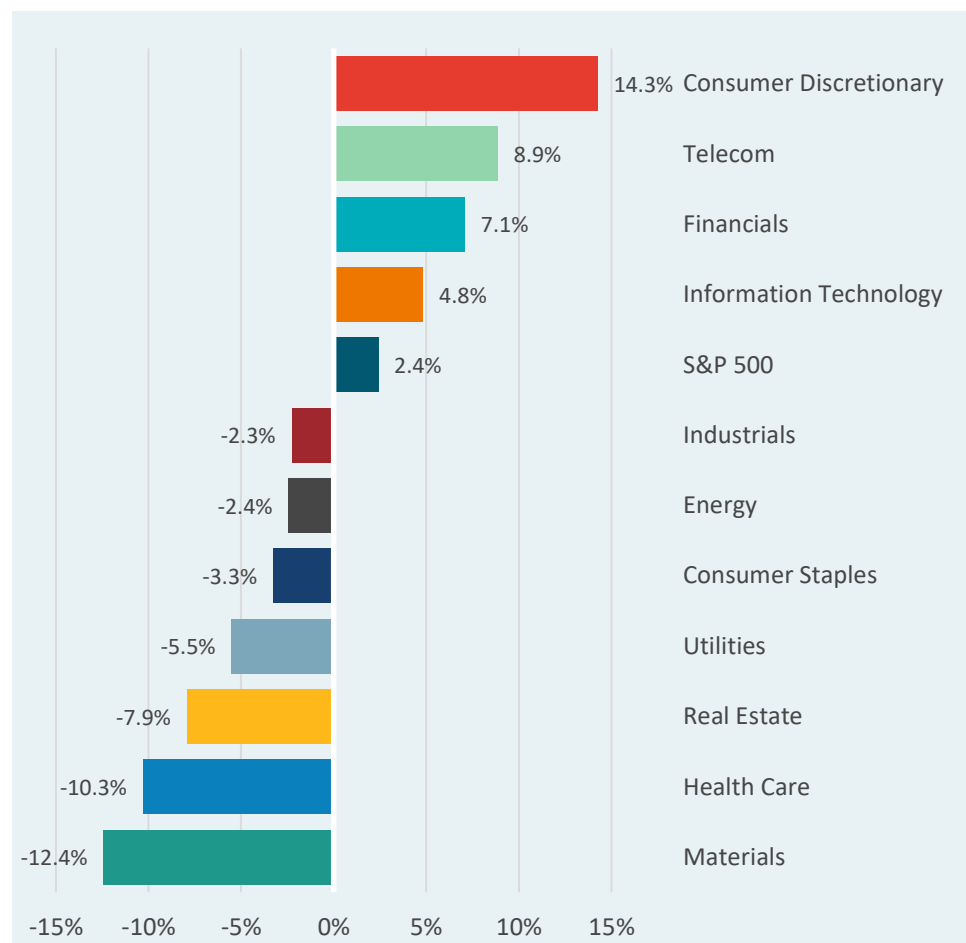
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	5-Year	10-Year
Large Cap Growth	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	42.7	33.4	19.0	16.8
Large Cap Equity	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	26.5	24.5	14.3	12.9
Large Cap Value	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	15.2	8.7	8.5
Small Cap Growth	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	14.4	7.4	8.1
Emerging Markets 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	11.5	7.3	7.8
Small Cap 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	9.9	6.9	7.1
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	9.5	6.8	5.9
Small Cap Value	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	8.1	5.4	5.7
International Equity	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	5.4	5.2
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	5.4	4.7	3.9
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	5.3	3.3	3.6
Commodities	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	3.8	2.4	1.7
US Bonds	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	1.3	1.7	1.3
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	-0.5	-0.3	1.3



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 9/30/24.

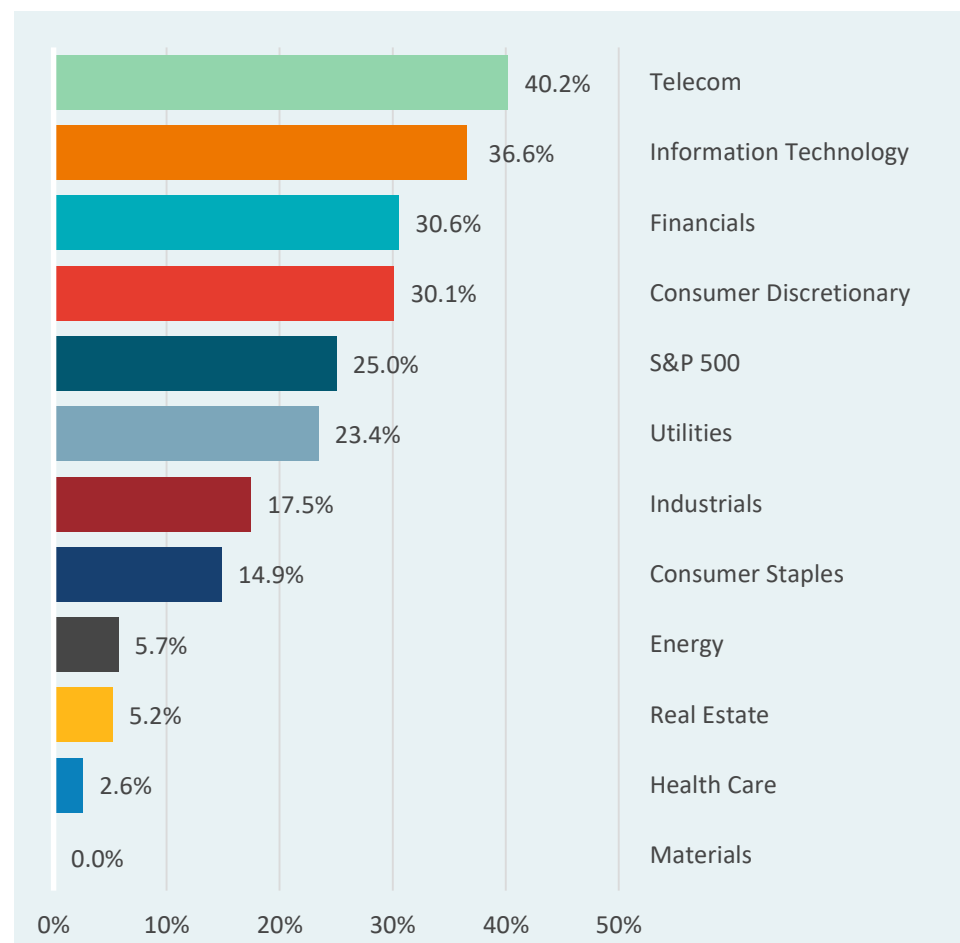
S&P 500 sector returns

QTD



Source: Morningstar, as of 12/31/24

ONE YEAR ENDING DECEMBER



Source: Morningstar, as of 12/31/24

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(2.4)	2.4	25.0	25.0	8.9	14.5	13.1
S&P 500 Equal Weighted	(6.3)	(1.9)	13.0	13.0	4.5	10.8	10.3
DJ Industrial Average	(5.1)	0.9	15.0	15.0	7.6	10.6	11.6
Russell Top 200	(1.5)	3.4	27.4	27.4	9.9	15.8	14.0
Russell 1000	(2.8)	2.7	24.5	24.5	8.4	14.3	12.9
Russell 2000	(8.3)	0.3	11.5	11.5	1.2	7.4	7.8
Russell 3000	(3.1)	2.6	23.8	23.8	8.0	13.9	12.5
Russell Mid Cap	(7.0)	0.6	15.3	15.3	3.8	9.9	9.6
Style Index							
Russell 1000 Growth	0.9	7.1	33.4	33.4	10.5	19.0	16.8
Russell 1000 Value	(6.8)	(2.0)	14.4	14.4	5.6	8.7	8.5
Russell 2000 Growth	(8.2)	1.7	15.2	15.2	0.2	6.9	8.1
Russell 2000 Value	(8.3)	(1.1)	8.1	8.1	1.9	7.3	7.1

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(2.4)	(1.0)	17.5	17.5	5.4	10.1	9.2
MSCI ACWI ex US	(1.9)	(7.6)	5.5	5.5	0.8	4.1	4.8
MSCI EAFE	(2.3)	(8.1)	3.8	3.8	1.6	4.7	5.2
MSCI EM	(0.1)	(8.0)	7.5	7.5	(1.9)	1.7	3.6
MSCI EAFE Small Cap	(2.3)	(8.4)	1.8	1.8	(3.2)	2.3	5.5
Style Index							
MSCI EAFE Growth	(2.8)	(9.1)	2.0	2.0	(2.6)	4.0	5.8
MSCI EAFE Value	(1.8)	(7.1)	5.7	5.7	5.9	5.1	4.3
Regional Index							
MSCI UK	(2.8)	(6.8)	7.5	7.5	5.3	4.4	3.8
MSCI Japan	(0.3)	(3.6)	8.3	8.3	2.8	4.8	6.2
MSCI Euro	(0.4)	(9.4)	2.1	2.1	1.9	5.3	5.2
MSCI EM Asia	0.2	(7.9)	12.0	12.0	(1.6)	3.0	4.8
MSCI EM Latin American	(6.1)	(15.8)	(26.4)	(26.4)	2.1	(3.4)	0.3

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	(1.6)	(2.9)	1.8	1.8	(2.3)	1.9	2.2
Bloomberg US Treasury Bills	0.4	1.2	5.3	5.3	3.9	2.5	1.8
Bloomberg US Agg Bond	(1.6)	(3.1)	1.3	1.3	(2.4)	(0.3)	1.3
Bloomberg US Universal	(1.5)	(2.7)	2.0	2.0	(2.0)	0.1	1.7
Duration							
Bloomberg US Treasury 1-3 Yr	0.2	(0.1)	4.0	4.0	1.4	1.4	1.4
Bloomberg US Treasury Long	(5.3)	(8.6)	(6.4)	(6.4)	(12.0)	(5.2)	(0.6)
Bloomberg US Treasury	(1.5)	(3.1)	0.6	0.6	(2.9)	(0.7)	0.8
Issuer							
Bloomberg US MBS	(1.6)	(3.2)	1.2	1.2	(2.1)	(0.7)	0.9
Bloomberg US Corp. High Yield	(0.4)	0.2	8.2	8.2	2.9	4.2	5.2
Bloomberg US Agency Interm	(0.2)	(0.6)	3.6	3.6	0.5	0.9	1.4
Bloomberg US Credit	(1.9)	(3.0)	2.0	2.0	(2.2)	0.2	2.3

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	1.0	(0.4)	5.4	5.4	4.1	6.8	1.3
Wilshire US REIT	(7.3)	(5.0)	9.1	9.1	(2.5)	4.5	5.7
CS Leveraged Loans	0.6	2.3	9.1	9.1	6.8	5.7	5.1
S&P Global Infrastructure	(4.5)	(2.5)	15.1	15.1	7.1	5.3	5.9
Alerian MLP	(7.2)	5.6	26.7	26.7	27.2	14.8	3.3
Regional Index							
JPM EMBI Global Div	(1.4)	(1.9)	6.5	6.5	(0.9)	0.1	3.1
JPM GBI-EM Global Div	(1.9)	(7.0)	(2.4)	(2.4)	(1.0)	(1.9)	0.4
Hedge Funds							
HFRI Composite	(0.2)	1.5	8.8	8.8	4.1	6.8	5.2
HFRI FOF Composite	0.5	2.7	9.9	9.9	3.3	5.4	3.9
Currency (Spot)							
Euro	(2.0)	(7.2)	(6.3)	(6.3)	(3.1)	(1.6)	(1.5)
Pound Sterling	(1.5)	(6.6)	(1.8)	(1.8)	(2.6)	(1.1)	(2.2)
Yen	(4.4)	(9.0)	(10.3)	(10.3)	(9.8)	(7.1)	(2.7)

Source: Morningstar, HFRI, as of 12/31/24

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	3.3	14.1	12.1
<i>MSCI World Index (PME)</i>	20.3	7.3	12.1	8.8
Global Private Equity Direct Funds ¹	4.4	3.1	14.5	13.6
<i>MSCI World Index (PME)</i>	20.2	7.7	12.1	9.4
U.S. Private Equity Direct Funds ¹	5.2	4.4	16.1	15.0
<i>Russell 3000 Index (PME)</i>	23.1	8.9	14.4	12.3
Europe Private Equity Direct Funds ¹	4.3	3.9	13.7	12.1
<i>MSCI Europe Index (PME)</i>	11.9	4.9	7.8	4.5
Asia Private Equity Direct Funds ^{1,4}	(0.2)	(2.8)	8.0	10.6
<i>MSCI AC Asia Pacific Index (PME)</i>	13.1	(1.8)	4.8	4.7

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt ^{2,4}	7.5	9.7	11.9	10.6
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	10.7	6.3	5.8	4.9

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(3.5)	5.8	7.0	9.8
<i>FTSE NAREIT Equity REIT Index (PME)</i>	8.0	1.2	4.8	6.6

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ^{3,4}	8.6	14.9	7.2	2.9
<i>S&P Global Natural Resources Index (PME)</i>	8.1	6.5	8.9	5.7
Global Infrastructure ⁴	7.8	9.5	9.8	9.9
<i>S&P Global Infrastructure Index (PME)</i>	7.3	5.8	4.9	5.2

Source: Pooled IRRs and Public Market Equivalents (PMEs) are both from FTSE (previously Refinitiv C|A), as of June 30th, 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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