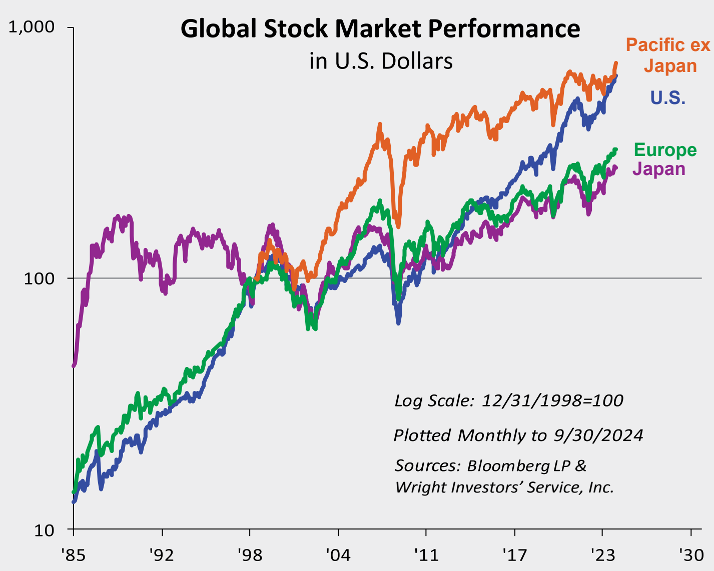
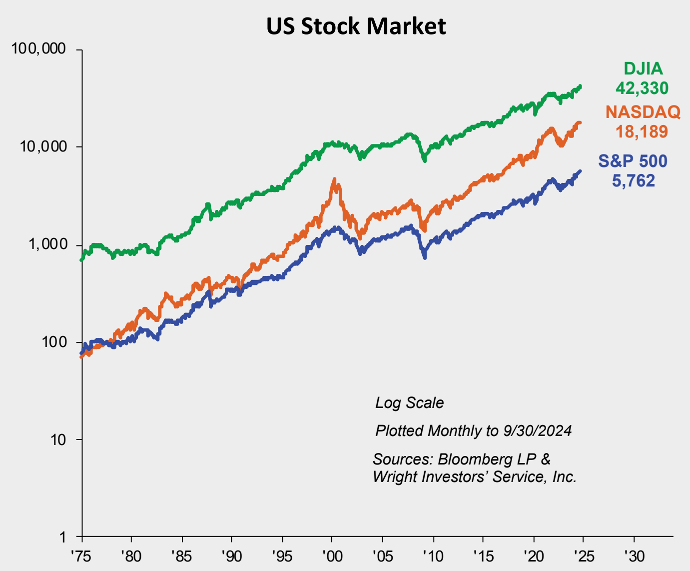
Quarterly Investment Report
October 2024

Equities delivered positive returns in the third quarter of 2024, September included. The S&P 500 gained +5.9% for the quarter, with a +2.1% rise in September alone. The Dow Jones and Nasdaq Composite recorded monthly gains of +2.0% and +2.8%, respectively. However, the tech-focused Nasdaq Composite underperformed the S&P 500 for the quarter. Among sectors, Utilities led the way with a notable +19.4% increase, while the Energy sector alone was in negative territory, declining -2.3%. China markets rebounded, advancing +23.9% in September. The US Dollar weakened against most currencies, losing -10.7% against the Yen in particular. In the bond market, the Bloomberg US Aggregate index rose +5.2% for the quarter and +1.3% in September. Non-US Dollar bonds also saw gains, rising +8.5% driven by falling interest rates overseas and the weaker US Dollar. Commodities, meanwhile, underperformed both bonds and equities, with the Bloomberg Commodities Index posting a modest +0.7% gain for the quarter. The MSCI US REIT Index rose sharply by +15.8% during the quarter. US business activity experienced slow growth, largely driven by the services sector. The Federal Reserve's preferred inflation gauge, the Core PCE, ticked up to 2.7% in August from 2.6% in July, while headline PCE inflation eased to 2.2% from 2.5%. In September, the Fed implemented a widely anticipated rate cut, reducing the benchmark rate to a range of 4.75%- 5.00%. Another 25 basis points reduction is expected at the November meeting, consistent with the Fed's forecast of gradually lowering rates through 2025 and 2026. The investment outlook remains cautiously optimistic, supported by expectations of steady economic growth fueled by lower interest rates. However, geopolitical tensions, including conflicts involving Israel and Iran, Russia and Ukraine, and in the South China Sea, continue to pose significant risks.

Market Outlook

U.S. markets closed the third quarter of 2024 on a positive note. The S&P 500 gained +5.9%, including a +2.1% increase in September, bringing its year-to-date gain to +22.1%. The Dow Jones Industrial Average and the Nasdaq Composite also posted gains for the month, rising +2.0% and +2.8%, respectively. In September, large-cap growth stocks outperformed mid- and small-cap stocks, while small-caps led the gains for the quarter. Moreover, value stocks outpaced growth stocks during the quarter, though large-cap growth stocks were the top performers in September. Sector performance was mixed. Utilities led the quarter with a +19.4% gain, while Energy alone posted negative returns, down -2.3%. Real Estate followed as the second best-performing sector





rising +17.0% for the quarter. Information Technology stocks, which have seen strong gains earlier in the year, grew modestly by +1.6%. Year-to-date, Utilities is the top-performing sector, up +30.6%, followed closely by Information Technology at +30.3%. In September, Consumer Discretionary led all sectors with +7.1% gain, followed by Utilities (+6.6%) and Telecoms (+4.6%). Energy fell the most in September, down -2.7%, followed by Health Care (-1.7%) and Financials (-0.5%). Earnings growth was strong in sectors such as Information Technology (+20.6%), Health Care (+16.7%), and Utilities (+15.2%) during the quarter. However, earnings in the Materials and Industrials sectors declined by -7.1% and -0.5%, respectively. Utilities saw the largest earnings surprise, outperforming expectations by +10.1%, while the Communication Services recorded the largest negative earnings surprise at -10.9%.

International markets saw broad gains in the third quarter of 2024, with most regions posting positive returns. Japan and Europe ex-UK markets experienced more modest increases of +5.7% and +6.2% respectively. In contrast, China's markets staged a strong rebound, outpacing most developed markets for the quarter. The Pacific ex-Japan region also performed well, delivering a robust +14.3% gain. The US Dollar weakened against most major currencies during the quarter, with the steepest depreciation against the Japanese Yen, losing -10.7%. It also fell by -3.8% against the Euro and -5.5% against the British Pound.

Bond Market

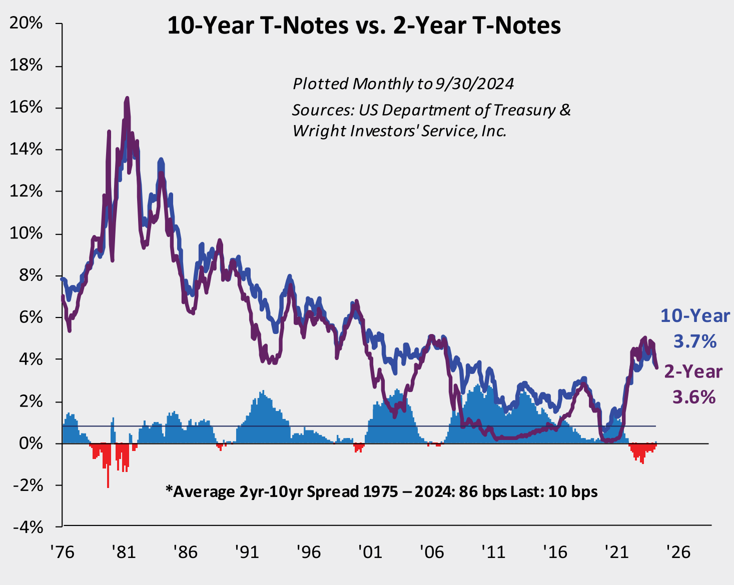
The Bloomberg US Aggregate Index, which tracks taxable investment-grade, dollar-denominated bonds, increased +5.2% during the quarter and +1.3% in September. Despite this strong performance, it slightly underperformed the Bloomberg US High Yield Bond index, which rose +5.3% for the quarter and +1.6% for the month. Non-US Dollar bonds, represented by the Bloomberg Global Aggregate ex-US Index, outperformed both, rising +8.5% for the quarter and +2.0% for September, reflecting both the US Dollar's weakness and falling interest rates overseas. Treasury yields declined across all maturities, causing the yield curve to shift downward for the quarter. The 10-year Treasury yield fell from 4.40% at the end of June 2024 to 3.78% by the end of September, while the 2-year yield dropped from 4.75% to 3.64%. The decline in Treasury yields exceeded that of Treasury Inflation-Protected Securities (TIPS), indicating lower inflation expectations compared to the end of the second quarter.

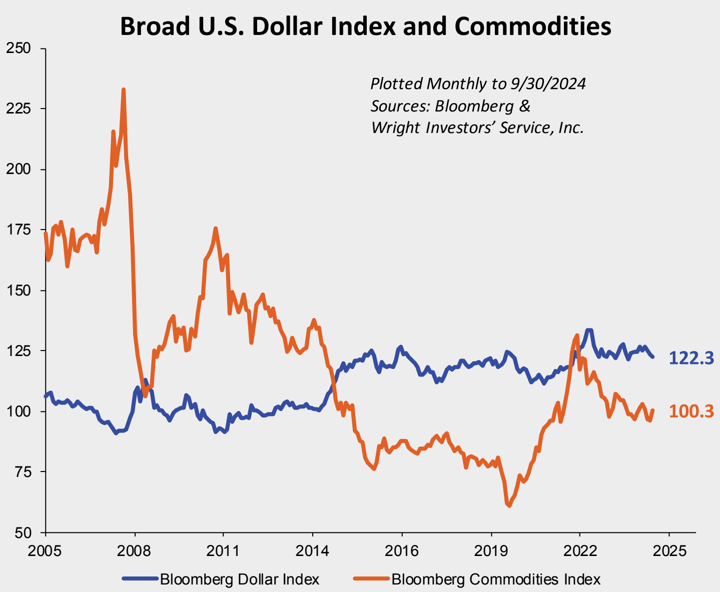
Alternatives

Commodities underperformed both bonds and equities for the quarter. The Bloomberg Commodities Index, a widely followed benchmark for commodity performance, gained a modest +0.7% for the quarter. Gold prices, however, saw a notable increase of +12.7%, while natural gas surged +12.4%. In the agriculture sector, corn and wheat prices rose by +6.9% and +5.5%, respectively. In contrast, crude oil prices fell sharply by -16.4%, and unleaded gasoline and heating oil experienced significant declines of -22.4% and -15.3% respectively. Unleaded gasoline prices fell -11.3% in September alone, while Natural Gas surged +37.4% during the same month. Real estate also performed well, with the MSCI US REIT Index gaining +15.8% for the quarter, supported by falling interest rates and robust demand in real estate markets. By September 26, the average rate for a 30-year fixed mortgage had declined to 6.08%, down from 6.95% at the start of the quarter. This marked the lowest level for 30-year fixed mortgage rates in two years and reflects continued downward pressure throughout the quarter.

US Economy

In September, the Federal Reserve enacted a 0.5% reduction in the federal funds rate, lowering it to a range of 4.75%–5.00%. The Federal Reserve Open Market Committee (FOMC) remains committed to its dual mandate of achieving maximum





employment and maintaining a 2% inflation target over the long term. The Fed is confident that inflation is moving steadily toward its target and believes that the risks to its employment and inflation objectives are now balanced. The Fed began raising interest rates in March 2022 as inflation soared to a 40-year high, with the most recent rate increase occurring in July 2023. Based on current projections, the median expectations among FOMC members is for the Fed Funds rate to be at 4.4% by the end of 2024, 3.4% by the end of 2025, and 2.9% by the end of 2026, which is in line with its expected long-term level. Inflation has shown signs of easing. Headline Personal Consumption Expenditures (PCE) inflation dropped from 2.5% to 2.2% in August. The Fed's Summary of Economic Projections (SEP) revised its median PCE inflation expectations downward to 2.3% for 2024 and 2.1% for 2025. Meanwhile, core PCE, which excludes volatile food and energy prices, moved up marginally to 2.7% from 2.6%. The SEP also reflects a slowing GDP growth forecast with the median projection for real GDP growth at 2.0% annually from 2024 through 2026, down from the previous year's pace. However, Real GDP grew at an annualized rate of 3.0% in the second quarter of 2024, driven by strong consumer spending, business investment, and inventory growth.

Total nonfarm payroll employment increased by 254K in August. Employment growth in September was stronger than the average job growth rate in recent months and ahead of the average monthly gain of 203K over the prior 12 months. The unemployment rate declined by 0.1%, to 4.1%. The number of unemployed individuals also dropped from 7.1 million to 6.8 million. A year earlier, the unemployment rate was lower at 3.8%, with 6.4 million people recorded as unemployed. Key sectors driving employment gains included healthcare and construction. Construction employment rose by 25K, and health care added about 45K jobs. Both the labor force participation rate and the employment-population ratio remained relatively steady in September at 62.7% and 60.2%, respectively. The SEP indicates a median unemployment rate of 4.4% by the end of both 2024 and 2025. This reflects expectations of a relatively stable labor market, even as the economy slows and the Fed continues its efforts to bring inflation down to its long-term target.

The S&P Global Flash US PMI Composite Output Index, which encompasses both manufacturing and services, declined slightly to 54.4 in September from 54.6 in August. Despite the decrease, the index remains above the neutral level of 50, signaling continued economic expansion. The services sector maintained steady growth, while the manufacturing sector faced continued contraction, with the Flash US Manufacturing PMI dropping to a 15-month low. The Flash Services PMI eased slightly to 55.4 from 55.7, and the Flash Manufacturing PMI fell to 47.0, missing economists' expectations of 48.5 and marking its lowest point since June 2023. While business activity remained stable in September, average prices for goods and services rose at the fastest pace in six months, suggesting a potential pickup in inflation ahead. The increase in input prices was especially pronounced among the services sector, where many providers cited the need for wage increases as a key factor.

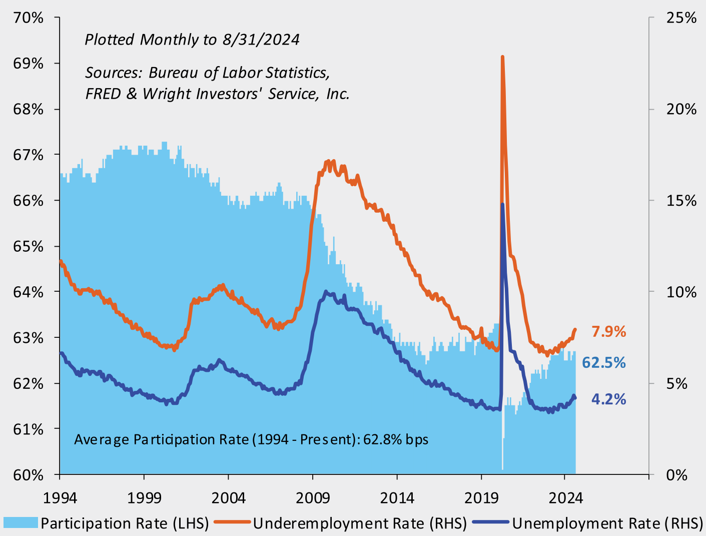
In the housing market, existing home sales fell by -2.5% in August to an annual rate of 3.86 million units, down -4.2% from August 2023. The inventory of unsold existing homes increased slightly by +0.7% to 1.35 million units, representing a 4.2-month supply. Rising rates and high home prices continue to challenge buyers. New home sales declined to 716K in August from the revised 751K, while housing starts climbed 9.6% from July to a seasonally adjusted annual rate of 1,356K, up 3.9% from a year earlier. Building permits in August reached a seasonally adjusted annual rate of 1,475K, a 4.9% increase from July but 6.5% lower than August 2023. While declining

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	**-1.0%**	**6.1%**	**47.8%**	**0.5%**	**2.3%**
	Q2	0.3%	4.8%	36.7%	1.6%	3.0%
	Q3	2.7%	5.2%	20.6%	3.2%	3.8%
	Q4	3.4%	4.7%	12.5%	4.3%	3.9%
2023	Q1	**2.8%**	**4.7%**	**4.7%**	**4.7%**	**3.5%**
	Q2	2.4%	3.8%	1.8%	5.3%	3.8%
	Q3	4.4%	2.4%	-1.3%	5.4%	4.6%
	Q4	3.2%	2.0%	-1.1%	5.3%	3.9%
2024	Q1	**1.6%**	**3.7%**	**1.0%**	**5.4%**	**4.2%**
	Q2	3.0%	2.8%	2.8%	5.4%	4.4%
	Q3 e	2.0%	2.6%	6.6%	4.6%	3.8%
	Q4 e	1.4%	2.6%	6.4%	4.3%	3.7%
2025	Q1 e	**1.6%**	**2.3%**	**7.5%**	**3.9%**	**3.7%**
	Q2 e	1.9%	2.2%	8.8%	3.5%	3.7%
	Q3 e	2.0%	2.2%	9.3%	3.3%	3.7%
	Q4 e	2.0%	2.2%	12.4%	3.1%	3.7%

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

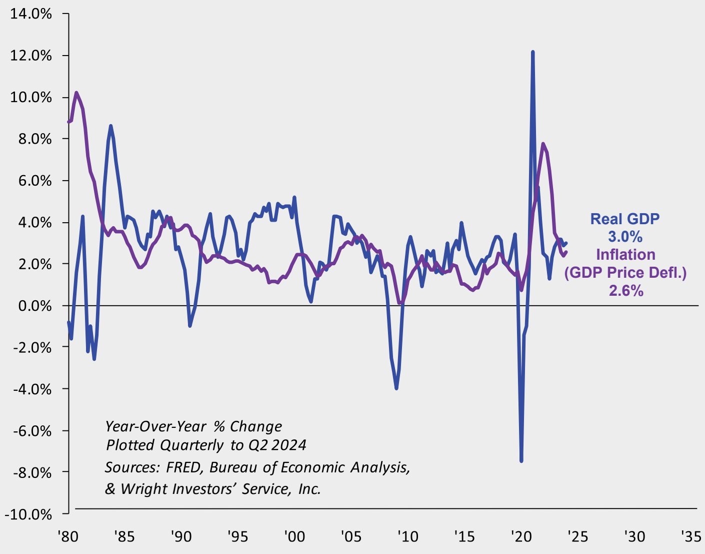


mortgage rates offers opportunities for potential buyers, high home prices and economic uncertainties remain obstacles. However, rising housing starts and building permits suggest an optimistic outlook for the housing market.

Investment Outlook

Interest-rate cuts are expected to stimulate stronger demand for durable goods. The August retail sales report indicated that while consumers are exercising caution in their spending, they have not significantly reduced expenditures despite higher prices, elevated interest rates, and slower labor market growth. Conditions remain favorable for consumers, with real average weekly earnings increasing by +1.0% year-over-year, and a savings rate of 4.8% of disposable income. Economists surveyed by Bloomberg LP forecast real GDP growth of 2.6% in 2024, slowing to 1.8% in 2025 before returning to a trend of 2.0% in 2026. They anticipate unemployment rates to rise slightly, finishing 2024 at 4.1% and 2025 at 4.4% before moving lower to 4.3% in 2026. Additionally, they expect the Consumer Price Index (CPI) to improve steadily, declining from an anticipated 2.9% 2024, to 2.2% and 2.3% in 2025 and 2026, respectively. Labor market trends are softening, and economists expect further declines in the Fed Funds rate, with expectations of 4.45% at the end of 2024, 3.35% at the end of 2025, and 3.05% in December 2026. These projections align closely with current market expectations. The outcome of the upcoming US presidential election is becoming increasingly significant for financial markets, economic activity, and geopolitical dynamics. The implications extend to the US budget, military strategy, foreign relations, and domestic issues such as women's rights and immigration. With no candidate holding a clear lead, uncertainty about the election outcome is pronounced, and concerns about potential contestation of results further complicate the situation. At the same time, the rapidly evolving conflict between Iran and Israel is a reminder that some developments can't or won't wait for those results. The knock-on effects of the conflicts continue to cause trade disruptions, which inhibits progress on the inflation front. While the Fed hasn't fully achieved its 2% objective, inflation trends are moving in the right direction. Given the long and variable lags in monetary policy effects, the Fed's focus remains balanced between its dual mandates of maintaining price stability and full employment. Investors should remain vigilant, adopting flexible investment strategies and maintaining diversified portfolios to effectively navigate potential market fluctuations amidst the evolving economic and geopolitical landscape. Diversification is key to managing risk, as spreading investments across various asset classes—such as stocks, bonds, commodities, and real estate—can mitigate the impact of poor performance in any single sector. We continue to believe that investors are best served by investing in a diverse range of securities of high-quality companies, held for the long term.

Real GDP vs. Inflation



Global Investment Returns In U.S. Dollars

	Q3 2024		Trailing 12 Months	
	Stocks	Bonds	Stocks	Bonds
U.S.	**5.8%**	**5.2%**	**35.6%**	**11.6%**
Canada	12.0%	5.5%	26.8%	11.2%
Mexico	-3.4%	6.4%	-3.4%	18.0%
Japan	**5.7%**	**14.1%**	**21.6%**	**3.4%**
Pacific ex Japan	14.3%	6.3%	28.2%	12.5%
Australia	11.5%	7.1%	31.6%	15.4%
China	23.5%	5.0%	23.9%	12.0%
Hong Kong	24.4%	4.8%	14.8%	11.4%
Europe	**6.6%**	**8.0%**	**25.2%**	**15.1%**
France	7.7%	6.3%	16.4%	8.5%
Germany	10.7%	7.5%	32.1%	13.4%
Italy	8.6%	9.0%	34.4%	17.6%
Netherlands	-4.5%	7.8%	38.7%	14.6%
Spain	13.7%	8.1%	35.9%	16.1%
Switzerland	8.5%	8.9%	21.6%	16.9%
U.K.	7.9%	8.7%	23.3%	19.2%
World	**6.4%**	**7.0%**	**32.4%**	**12.0%**
World ex U.S.	7.8%	8.5%	25.0%	12.3%

Sources: MSCI Stock & Bloomberg Barclays Bond Indexes as of 9/30/2024