

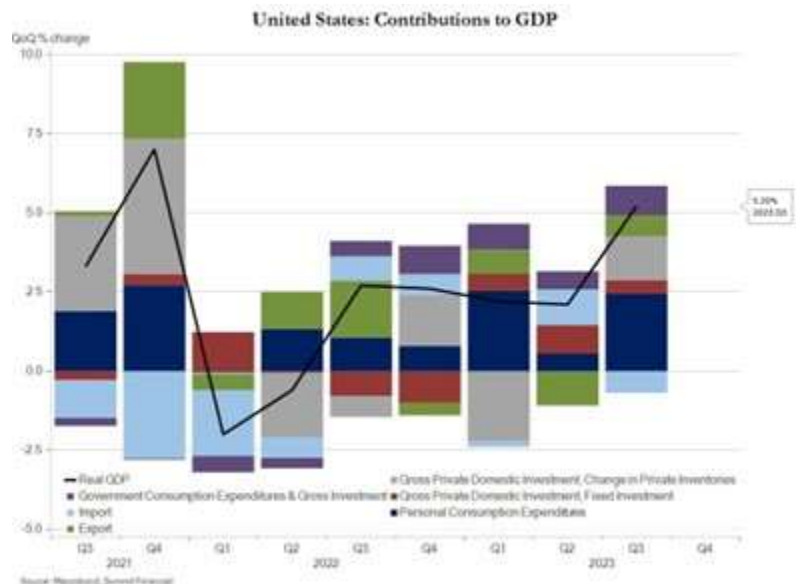
ECONOMIC & MARKET INSIGHTS

An Executive Summary for November 2023

The U.S. economy continues to grow, albeit, at a slowing pace. For the current quarter, growth estimates are running near 1.2% versus 5.2% in Q3. Industrial production and residential investment remain flat to mildly low, while retail spending, non-residential fixed investment, housing starts, and government expenditures remain positive contributors to growth. Job growth continues to moderate as non-farm payrolls saw 150k new jobs added, well below levels from a year ago. Unemployment remained steady at 3.9%, ticking up from 3.8% in October. Looking forward, the soft-landing scenario is most sensitive to cooling consumer spending as households are bogged down by higher debt service fees, mortgage and/or student loan repayments, and rising credit card balances. Federal government funding will return as a hot button issue heading into next year as Congress manages short term budget measures. For now, the current continuing resolution funds the government until January 19, 2024.

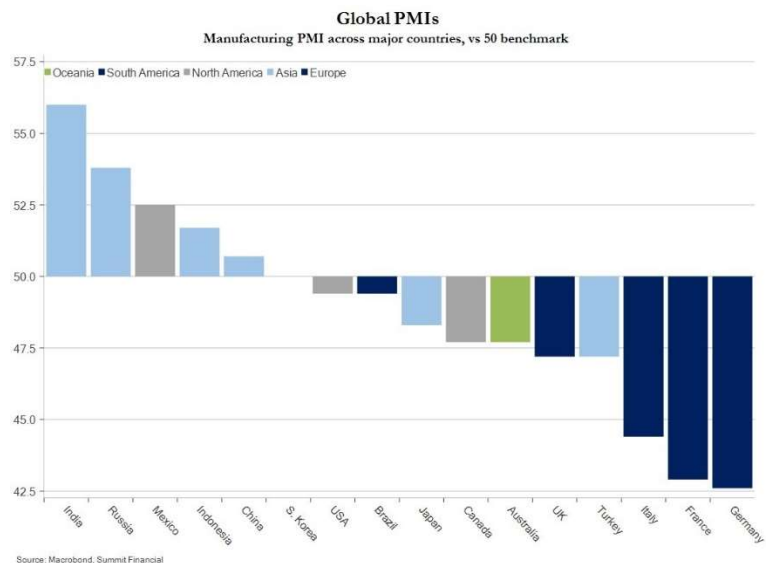
Monetary Policy Slowly Filtering Through

- The impact from higher rates continues to filter through the economy. Given the long and variable lags built into rate tightening, the Fed now has to pause and monitor to ensure that the rate hikes are working. Chairman Powell's summary so far - 'we are getting what we wanted to get'.
- The most sensitive segment to the lagged impact will be weaker quality credit, whether in bonds or private lending. Slower growth, combined with higher rates, will likely cause weaker balance sheets refinance, which could lead to opportunities for distressed credit strategies.
- Risk exposures may also extend to office properties, certain residential housing, consumer lending firms, regional banks, and venture capital financing.



International View Varies—EM Leads

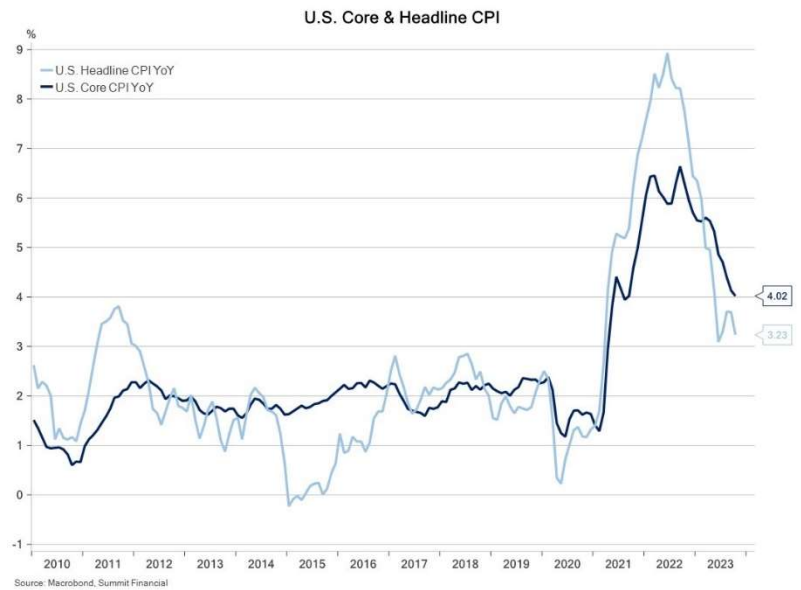
- Internationally, growth remains slow and forward-looking measures such as the Purchase Managers' Index (PMIs) show strong variances between moderate expansion and slight contraction.
- Chinese economic data continues to drag due, in part, to sinking real estate markets, concerns over debt defaults and shifting/reshoring of global production. The Biden-Xi meeting did not result in economic announcements but did lead to agreement on re-establishing military communications.



- Energy prices remained subdued following OPEC cuts to production and the containment, so far, of the conflict in the Middle East.
- Gold drifted toward all-time highs as bond yields fell.
- U.S. dollar fell during the month, aiding risk assets as international markets largely kept pace with U.S. Commodities markets were notable laggards.

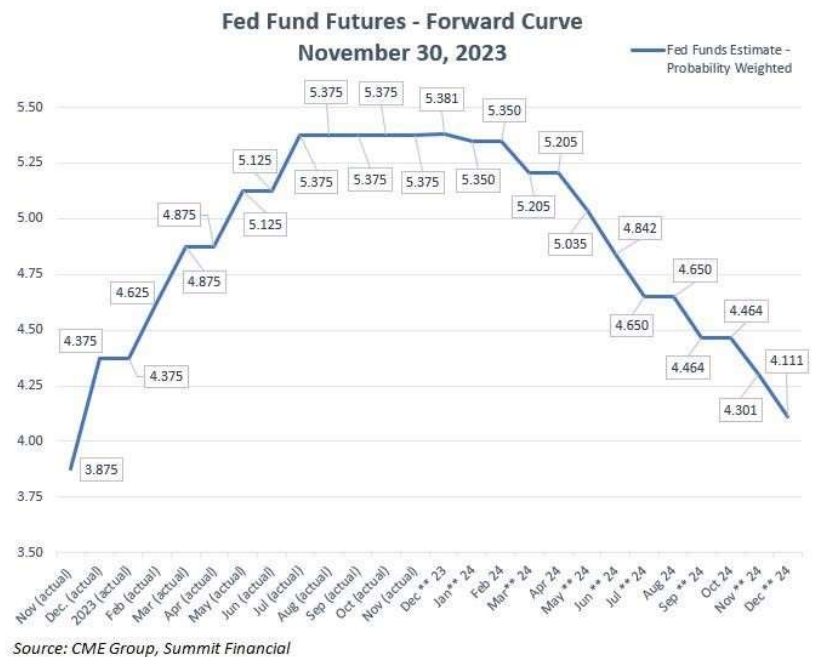
Earnings Seen Reaccelerating into 2024

- Earnings growth for Q3 was -0.3% and is expected to reaccelerate in Q4 to 3.1%.
- Consensus earnings for 2024 are forecast to grow 12%, although 6% to 8% may be more likely assuming a soft landing. However, with inflation stabilizing, firms are likely to better manage and contain cost of goods sold thereby maintaining margins.
- Equity valuations remain high and will likely have difficulty expanding—restricting a major driver of returns. Market leadership remains narrow and concentration in the top names within the S&P 500 is at historical highs.
- With the Fed holding short term rates higher into mid next year and long bond yields above 4%, equities face competition within the overall asset allocation, but remain the best bet to offset higher inflation



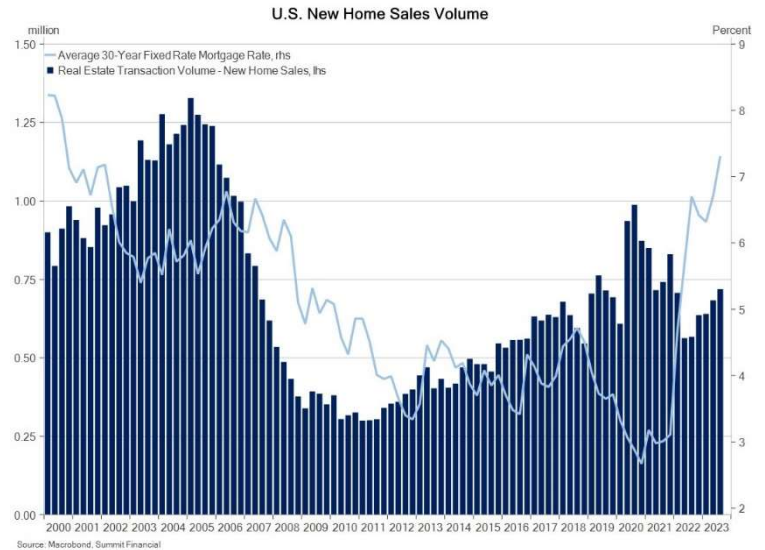
Fed Needs to See Real Progress on Inflation

- The Fed says it will stay “higher for longer” meaning that real rates stay higher as the Fed retains a larger cushion to protect against inflation reaccelerating.
- This does not preclude rate cuts. Assuming that inflation returns towards 2.5% to 3.0%, the Fed has room to lower rates towards 3.5% to 4.0% - in line with market forecasts for the end of next year.
- The Fed needs to see inflation abate and reach the 2.5% to 3.0% zone before it can move towards a balanced outlook. That should happen early next year.
- A stabilizing inflation backdrop and moderating Fed policy likely improves risk/reward for fixed income and could reset bonds back to ‘normal’ after three difficult years.



New Home Sales Resilient Despite High Rates

- Residential Real Estate: Mortgage rates remain near multi-year highs, but new single family home sales volumes remain robust. Volumes are similar to 2017- 2018, despite the current higher rate environment.
- Commercial Real Estate: Within Commercial Mortgage-Backed Securities, delinquency rates are up from a year ago, with Office and Retail struggling.
- Infrastructure: Long term trends seeking digitization and decarbonization remain in place. Large Private Equity firms remain bullish on the sector and continue to raise funds. Some managers see deal making activity increasing in 2024.



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The OECD Composite leading indicators (CLIs), designed to anticipate turning points in economic activity relative to trend, continue to strengthen in most major economies. The MOVE Index measures US interest rate volatility. The index tracks the movement in US treasury yield volatility implied by current prices of 1-month OTC options. The Cboe Volatility Index (VIX) is a real-time index that represents the market’s expectations for the relative strength of near-term price changes of the S&P 500 Index. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Core CPI excludes food and energy, while headline CPI includes all items. The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectations for inflation, stock prices and interest rates. A treasury Bill (T-Bill) is a short-term US government debt obligation backed by the treasury Department with a maturity of one year or less. Treasury Inflation-Protected Securities, or TIPS, are inflation-protected bonds (IPBs) that are issued by the U.S. Treasury. Their face value is pegged to the CPI and adjusted in step with changes in the rate of inflation. The Personal Consumption Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. EM Debt refers to Emerging Market Debt, which is represented by the Bloomberg Emerging Markets Tradeable External Debt Index. Precious metals are represented by the Bloomberg Precious Metals Subindex. The Bloomberg Precious Metals Subindex, is a commodity group subindex of the Bloomberg Commodity Index. It is composed of futures contracts on gold and silver. It reflects the return of underlying commodity futures price movements only and is quoted in USD. Infrastructure is represented by the S&P global Infrastructure Index, which is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infra- structure clusters: energy, transportation, and utilities. High-Yield Bonds that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default. Private Credit Investments (Direct Lending) involve a high degree of risk, including the loss of the entire investment. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. Investing in emerging markets may accentuate these risks. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. The ISM manufacturing index, also known as the purchasing managers’ index (PMI), is a monthly indicator of US economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the manufacturing sector. Consumer Sentiment is represented by The University of Michigan Consumer Sentiment Index which rates the relative level of current and future economic conditions. The ISM Non-Manufacturing Index is a monthly indicator of US economic activity based on a survey of executives covering all North American Industry Classification System’s businesses in the services (or non-manufacturing) sector. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client.

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