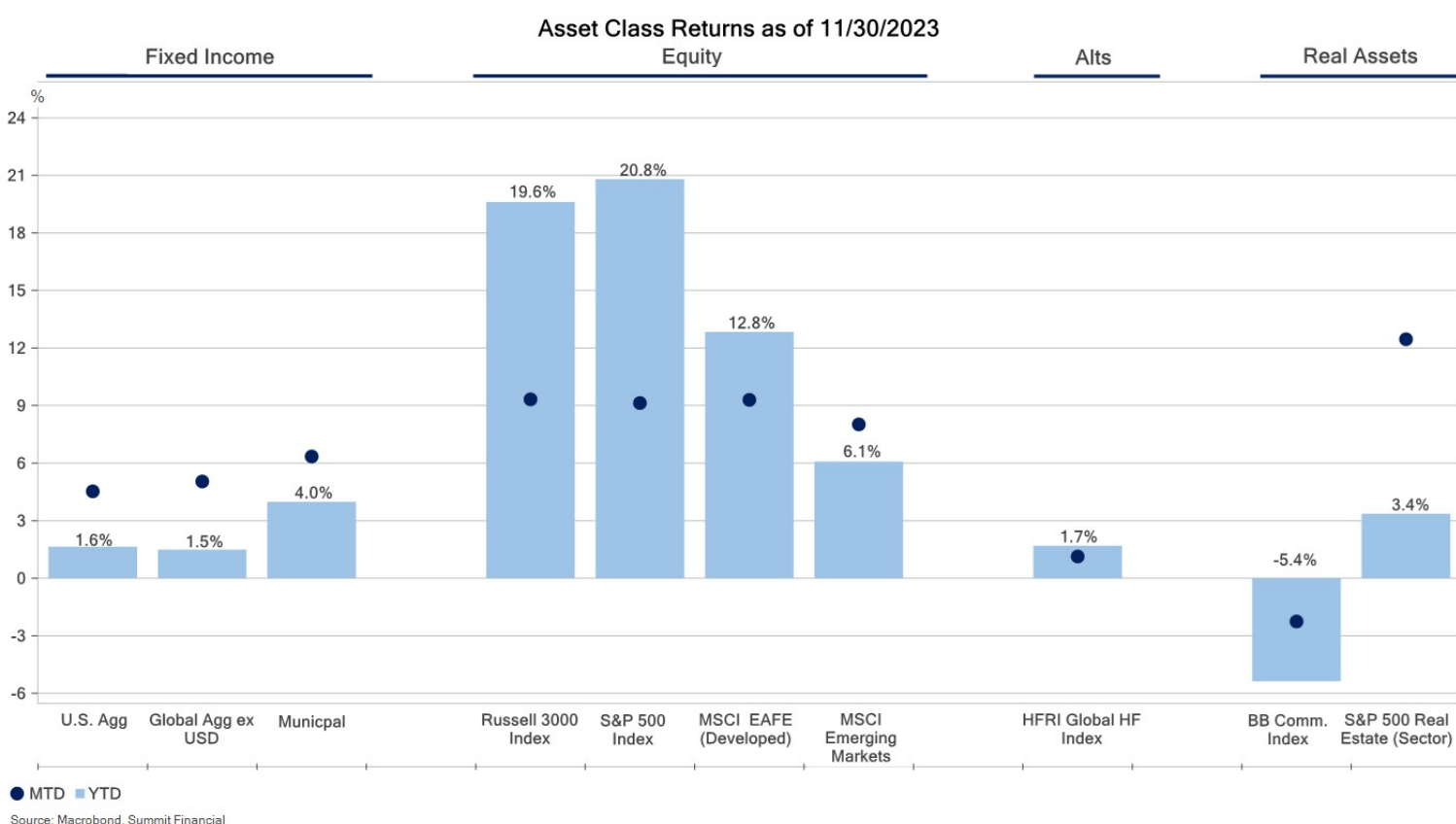


Key Takeaways

- If U.S. investors were feeling anxious about global events it was difficult to detect, as big rallies in U.S. equity and credit markets drove stock prices higher and interest rates lower.
- U.S. equity markets, as measured by the S&P 500, reversed three months of losses rising 9.9%.
- U.S. fixed income markets, after six consecutive monthly losses, bolted higher gaining 4.6%.
- U.S. 3-month Treasury yields retreated only modestly, declining 15bps from ~5.6% to ~5.5%.
- International markets kept pace, with developed and emerging markets gaining 8.2% and 7.8% respectively.
- Inflation continues to fall toward central bank targets in both the U.S. and Europe.
- Financial conditions eased materially as rates fell and credit spreads narrowed across corporate bonds.
- While the odds favor a soft landing for next year, it is likely not by a large margin. Per GDPNow, growth estimates for Q4 are now running at 1.2% versus 5.2% in Q3. Consensus estimates for CY 24 GDP growth are 1.7% and CPI 2.5%.
- In a recent speech, Fed Chair Powell indicated “we are getting what we wanted to get” and indicated that he sees U.S. economic and job growth continuing but at a moderating pace.
- Futures markets now anticipate the Fed will begin rate cuts in March 2024 and rates will decline 100bps towards 4.0% to 4.25% by December 2024.
- Internationally, developed markets continue to display mixed growth with Europe near 1.0% and China experiencing slowing growth due, in part, to falling real estate values.
- Globally, PMIs are strongest in emerging markets such as India and Mexico and weakest in Germany and France.

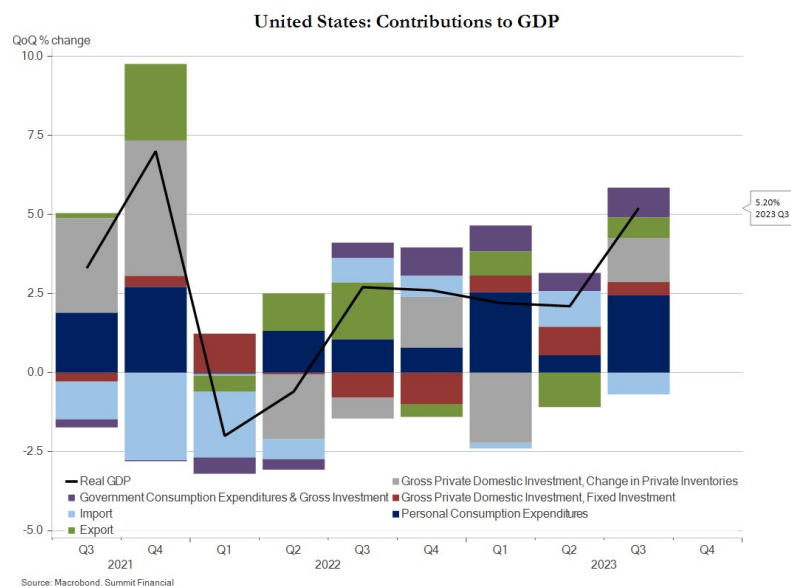


Economy

The U.S. economy continues to grow, albeit, at a slowing pace. For the current quarter, growth estimates are running near 1.2% versus a blistering 5.2% in Q3. Industrial production and residential investment remain flat to moderately negative, 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 moderating 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 (or mismanages) short term budget measures. For now, the current continuing resolution funds the government until January 19, 2024.

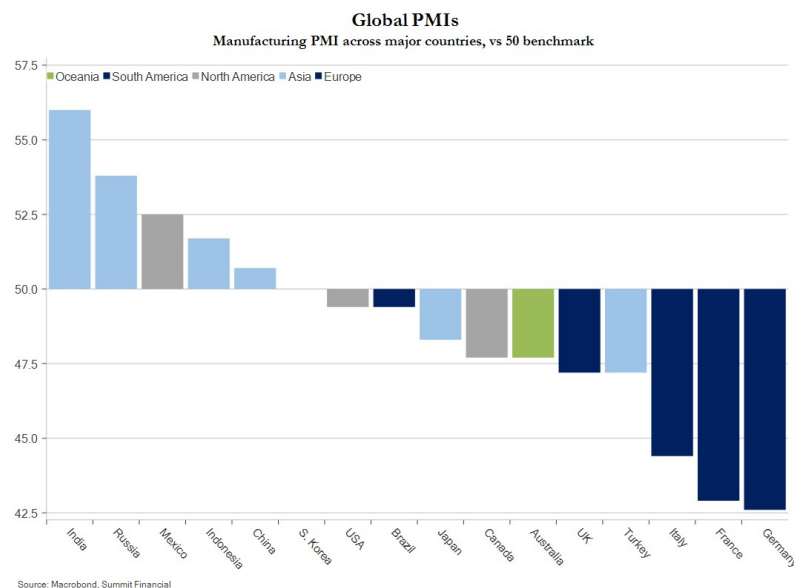
Monetary Policy Slowly Filtering Through

- 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. Powell's summary so far - 'we are getting what we wanted to get'.
- The most exposed segment to the lagged impact will be weaker quality credit, whether in bonds or private lending. Slower growth, combined with higher rates, will likely impact weaker balance sheets and lead to refinancing stress, which could lead to opportunities for distressed credit strategies.
- The lagged impact is sensitive to geographic region and sector. Risk exposures may extend to office properties, certain residential housing, consumer lending firms, regional banks, and venture capital financing.



International View Varies—EM Leads

- Internationally, growth remains weak and forward-looking measures such as 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 war in the Middle East.
- Gold drifted toward all-time highs as bond yields fell and geopolitical tensions remained elevated.
- U.S. dollar fell during the month, aiding risk assets as international markets largely kept pace with U.S. Commodities markets were notable laggards.



Markets

Earnings Seen Reaccelerating into CY 24

- Earnings growth for Q3 was -0.3% and is expected to reaccelerate in Q4 to 3.1% .
- Consensus earnings for CY 24 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, currently at $19\times$ forward earnings, 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.

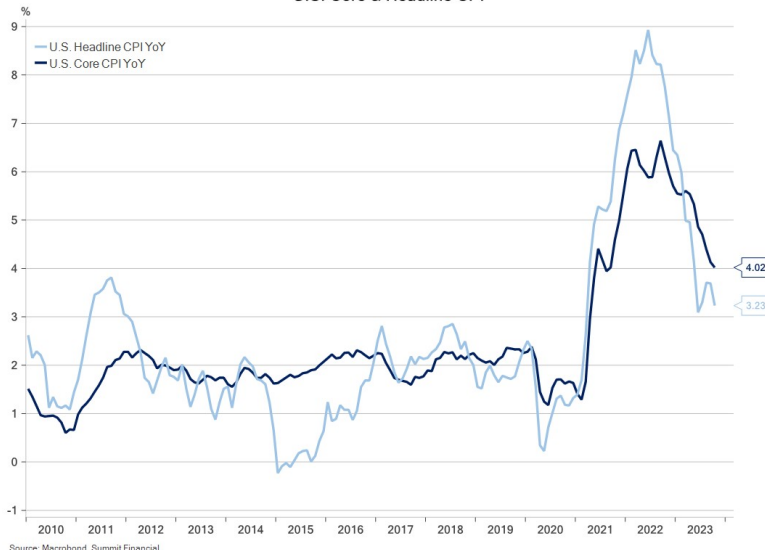
Fed Needs to See Real Progress on Inflation

- 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 resets bonds back to ‘normal’ after three difficult years.

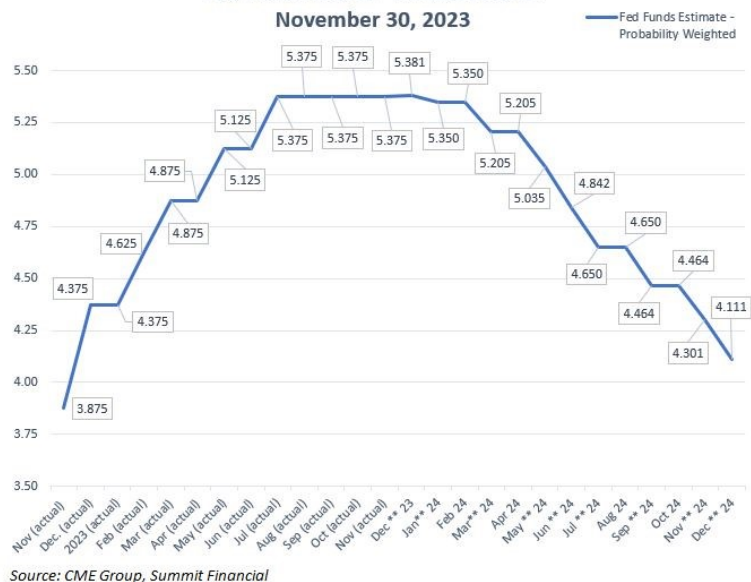
New Home Sales Resilient Despite High Rates

- 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 CMBS, delinquency rates are 4.6% , up from 3.0% a year ago, with Office (6.1%) and Retail (6.0%) the highest (worst) and Industrial (0.4%) the lowest (best). Office is the worst year over year, up 4.4% from 1.7% in November 2022.
- Infrastructure: Long term trends seeking digitization and decarbonization remain in place. Large PE firms remain bullish on the sector and continue to raise funds. Some managers see deal making activity increasing in 2024.

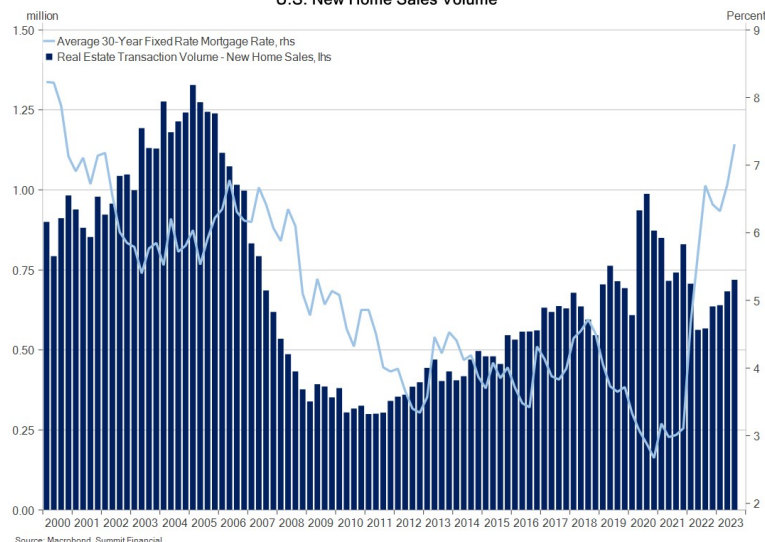
U.S. Core & Headline CPI



Fed Fund Futures - Forward Curve
November 30, 2023



U.S. New Home Sales Volume



Disclaimer

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It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership; The Russell 1000 Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000 Index representing approximately 90% of the total market capitalization of that index. It includes approximately 1,000 of the largest securities based on a combination of their market-cap and current index membership; The Russell Midcap Index measures the performance of the mid-cap segment of the US equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies; and the S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of eleven different sectors; the MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world excluding the US and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country; The MSCI World Index captures large- and mid-cap representation across developed markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the Bloomberg Commodity Index (BB Comm Index, Commodities) reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from the 6th-10th business day based on the roll schedule; the Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The index includes treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency); the Bloomberg Barclays Global Aggregate Ex US Index is a measure of investment-grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Bonds issued in US dollars are excluded; the Bloomberg Barclays Municipal Bond Index covers the US dollar-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds; the Dow Jones US Real Estate Index measures the performance of real estate investment trusts (REITs) and other companies that invest directly or indirectly in US real estate through development, management, or ownership, including property agencies; The Bloomberg Barclays US Corporate High-Yield Index measures the US dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded; The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, even driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset weighted based on the distribution of assets in the hedge fund industry; MLPs, or Master Limited Partnerships, are represented by the Alerian MLP Index, which is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index constituents earn the majority of their cash flow from midstream activities involving energy commodities; The S&P 500® Real Estate comprises those companies included in the S&P 500 that are classified as members of the GICS® Real Estate sector; The S&P Case-Shiller Home Price Index measures the value of single-family housing within the US. The index is a composite of single-family home price indices for the nine US Census divisions. Leading economic indicators (LEI) are statistics that precede economic events. They predict the next phase of the business cycle. 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 National Financial Conditions Index (NFCI) is a weighted average of a large number of variables (105 measures of financial activity) each expressed relative to their sample averages and scaled by their sample standard deviations. The short interest ratio is a mathematical indicator of the average number of days it takes for short sellers to repurchase borrowed securities in the open market. The ratio is calculated by dividing the total number of shorted shares of a stock by the average daily trading volume. CBD stands for central business district, which is the commercial and business center of a city. 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. Industrial metals are represented by the Bloomberg Industrial Metals Subindex, which is composed of futures contracts on aluminum, copper, nickel and zinc. It reflects the return of underlying commodity futures price movements only. It is quoted in USD. Energy is represented by the Bloomberg Energy Subindex which is a commodity group subindex of the Bloomberg CI. It is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. 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 infrastructure clusters: energy, transportation, and utilities. Agriculture is represented by the Bloomberg Agriculture Subindex, which is a commodity group subindex of the Bloomberg CI. It is composed of futures contracts on coffee, corn, cotton, soybeans, soybean oil, soybean meal, sugar and wheat. It reflects the return of underlying commodity futures price movements only and is quoted in USD. 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. 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