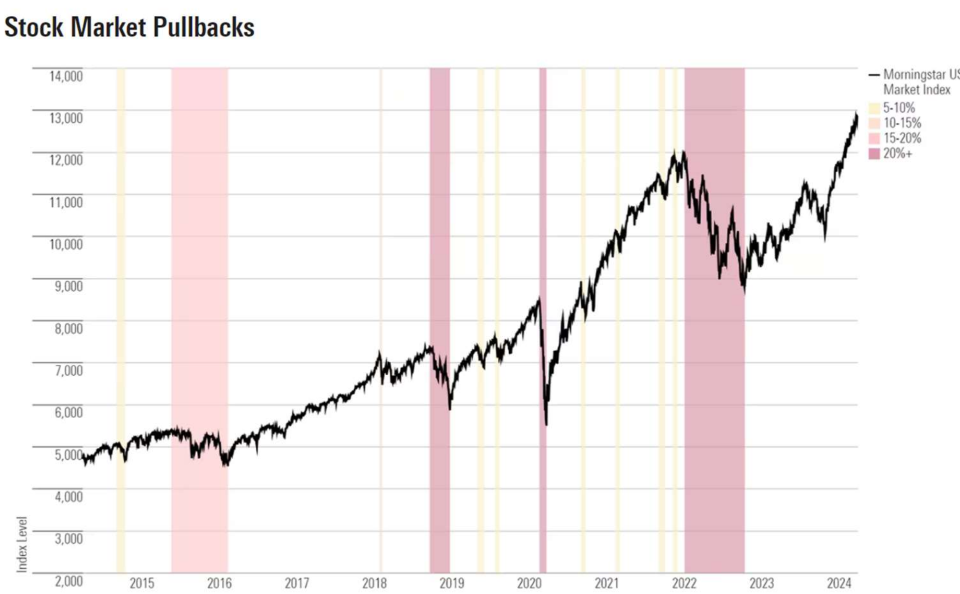
SENIOR SOLUTIONS UPDATE

FROM: PATRICE HORNER, CFP, MBA
SUBJECT: INVESTMENT COMMENTARY
DATE: MAY 30, 2024

Economic Overview

Job growth may have slowed in April, but first-quarter results show profits on the rise - OECD

The Organization for Economic Cooperation and Development (OECD) forecasts that global trade in goods and services will increase 2.3% this year and 3.3% next year, compared with 1% last year. Job growth may have slowed in April, but first-quarter results show profits on the rise for most US companies. This could indicate the economy remains resilient, despite lingering concerns of a potential recession, according to the Securities Industry and Financial Markets Association (SIFMA).



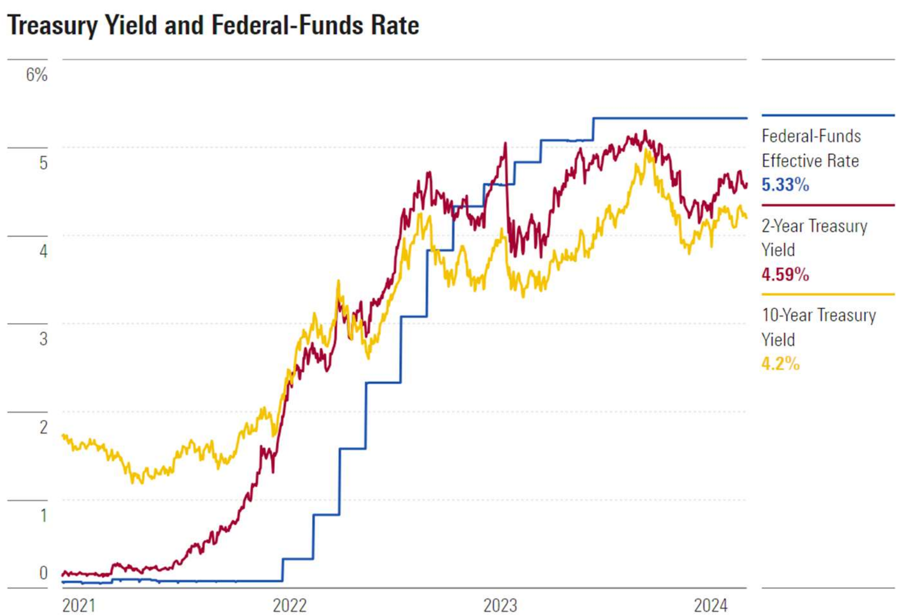
April was another rollercoaster month in terms of weather, markets and politics, and the worst for equities and bonds in six months. The month began with an escalation of the conflict in the Middle East, as Iran and Israel entered direct confrontation. A positive development was that Democrats and Republicans were able to compromise at last and the U.S. Congress finally passed the Ukraine aid package (as well as funds for Israel). Russia's invasion of Ukraine has added operational burdens and increased pressure on banks, which are serving as de facto intermediaries for implementing the sanctions in the financial system., notes ISDA.

Borge Brende, president of the World Economic Forum(WEF), has expressed concern about global economic conditions, noting that the current levels of debt are the highest seen since the Napoleonic Wars. The North Atlantic Treaty Organization (NATO) commemorated its 75th anniversary at a time when the 32-member alliance finds itself in an increasingly precarious position. Polish Prime Minister Donald Tusk's warning last week that Europe has entered a "pre-war era" underscores the geopolitical challenges going forward. The death of Iranian President Ebrahim Raisi has failed to affect oil prices, with ICE Brent stable in the $83-84 per barrel according to the Oil Intelligence Report.

Bearish sentiment among retail investors reached its highest level since late November. Institutional risk appetite remains risk-on according to Nuveen yet decreasing. Economic data has been surprising to the upside. However, global manufacturing trends remain generally expansionary on a global basis although uneven. Institutional investors pared back cash in favor of equities, with equity levels nearing the highs of early 2022. Risk-targeted strategies added equities as well, says State Street Global Advisors (SSGA). Investor bullishness climbed in March, continuing the trend that began in Q4 2023. Institutional risk appetite also spiked higher amid broader equity market gains.

The recent surge in bond yields contributed to an April stock market decline, prompting investors to adopt a more defensive stance. A record amount of new debt was issued in early 2024. Concerns remain among both market participants and regulators over potential liquidity risk in the market, notes International Swaps and Derivatives Association (ISDA). Many banks in posted enormous bond losses in 2023, addition to Silicon Bank in March 2023, such as Bank of America. Last month, Pennsylvania-based Republic First was shut down by regulators from too much 'unrealized bond losses' on their balance sheet. Embattled Long Island Bank unveiled a turnaround based on selling the non-large core assets and diversifying its commercial loan book. It must deal with its credit challenged substantial commercial real estate portfolio says American Banker.

The total unrealized losses in the banking sector last year amounted to a substantial $620 billion. The banking system had been calm over the last year, in large part to the Federal Reserve an emergency bail-out program for troubled banks, called it the Bank Term Funding Program (BTFP). It essentially expired a few weeks ago, so no more emergency lending according to prognosticator Peter Schiff. Via the BTFP, banks were allowed to borrow money from the Fed using their bond portfolios as collateral at 100% of value. Banks are still sitting on massive unrealized losses. It has become obvious that problems in the banking system haven't gone away, especially since BTFP has expired. There's still more than $500 million in unrealized losses in the US banking system. The vast majority of those unrealized losses come from US Treasuries. According to Schiff, the Federal Reserve will be be unable to bail out the banking sector due to its $900 billion insolvency.



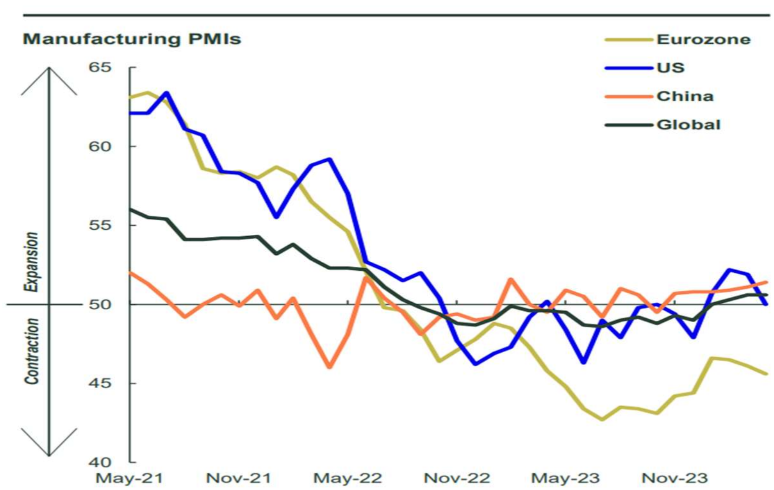
Source: Federal Reserve Economic Database. Data as of Mar 28, 2024.

The current federal-funds target rate range of 5.25%-5.50% is at the highest since before the 2008 financial crisis. Investors have been eagerly awaiting confirmation of when rates are likely to fall, and by how much, notes Morningstar. In January, markets were confident that the Fed had all but beaten inflation and would start cutting rates in March. Traders were anticipating six cuts in 2024 to bring the target rate range to 3.75%-4.00%. Now the consensus is for one late this year. At the latest Federal Open Market Committee (FOMC) meeting, officials voted to lower the cap each month from $60 billion to $25 billion on the amount of Treasury securities to expire and roll-off the books.

Consumer Price Index (CPI) spiked in January and February, then the hawkish tone from the FOMC prompted the markets to pull-back. By the end of February, bond market futures shifted dramatically to predict that the first cut will come in June, according to the CME FedWatch tool. The yield curve remains flat this year with a parallel rise across all maturities with a rise of 400bps on the short-end and of 350bps on longer term maturities. While credit yield spreads visa vi US Treasuries continued to tighten from positive earnings growth and a resilient economy. Tight credit spreads do not necessarily indicate weak future returns. Economic resilience may continue to reward Corporate Investment Grade (IG) 'Credit' bonds, even with tight spreads. Driven by economic and fundamental optimism, credit upgrade-to-downgrade ratios continued to improve in 1Q24.

US Money Market Funds (MMFs) have experienced massive inflows since the end of 2022. At nearly $6 trillion, it is an all-time high. Money Market Funds in the Eurozone have seen relatively small inflows. The European investors place less emphasis on deposit security than US counterparts. The US MMF flows spiked in March 2023 then retreated and remained elevated until April 2024, over concerns about the stability of US regional banks, reported Nuveen. Research by the Federal Reserve Bank of New York has shown that over a two-year period a one percentage point (100bps) increase in the federal funds rate led to a 600 bps increase in fund deposits due to the associated increase in MMF yields. Fund flows are affected by competition between MMFs and investors' deposits rates at banks. SSGA notes that with FOMC rate cuts on the horizon, cash-like money market mutual fund returns may be challenged by lower yields and increased reinvestment risk due to the process of reinvesting current income streams at lower rates.

US leading economic indicators continue rebounding, lifted by an increase in weekly manufacturing hours worked and gains in residential construction. The US is leading a global manufacturing expansion, while economic data continues surprising to the upside around the world, with all regions featuring positive readings. Earnings sentiment in the US and APAC regions (Japan and ex-Japan) improved in March, while sentiment in Europe remains weak. The Eurozone did report stronger economic data last month. The Sentix Investor Confidence Index in the Eurozone climbed higher, but remained in negative territory, per US global Investors. Service sectors moved into expansionary territory, while manufacturing activity in the Eurozone remained in contractionary territory.



Source: Bloomberg Finance L.P., as of April 30, 2024.

The Purchasing Managers' Indexes are effective economic leading indicators. In election years, it's common for incumbent governments to introduce measures such to increase infrastructure spending, tax incentives for businesses and supportive monetary policies that will stimulate manufacturing. PMI in a number of countries crossed above the 50-mark this year, separating growth from contraction. With weaker-than-expected 1Q24 GDP growth report, both Manufacturing and Services PMI components surprised to the downside, hit multi-month lows and hovered near the neutral 50 level.

According to Bank of America, US container imports are trending up 15-20% year-over-year in February 2024 led by improving furniture imports. Vessel congestion is down to 4.8% of the fleet (from 7% in early January) despite Red Sea disruptions. The Evercore ISI Air Cargo Cos index improved moving up from 49.6 to 50.2. International sales rose while domestic activity was unchanged. Limited vessel traffic is expected to be restored to the port of Baltimore by the end of the month, the U.S. Army Corps of Engineers said. These indicate expanding global manufacturing activity.

May's release of the Consumer Price Index (CPI) for April relieved some of the tension in financial markets, On a year-over-basis, core inflation (excluding the volatile food and energy components) dipped to 3.6%, its lowest level in two years. Prior months were revised lower, with a potential downward revision to 1Q24 GDP growth and downside expectations for 2Q25, reported Nuveen. The lower CPI print was reported the day after an upside surprise in April's Producer Price Index (PPI). Retail sales were flat in April, significantly below consensus projections. Whereas mixed signals, the indication is a moderation of inflation.

In May, there will be a disruption in the stock markets as the settlement cycle for broker-dealer transactions will shorten from T+2 to T+1 (Trade + one day). The transition begins on Friday, May 24, with Tuesday, May 28 being the first trading day under the new timeframe. Wednesday, May 29th will have double settlements, with Friday's trades settling T+2 and Tuesday's settling T+1. There are many moving pieces and several operations professionals involved in this transition.

Market Overview

The bull market rolled on for stocks in the 1Q24 - Morningstar

After stumbling in the early days of the new year, stocks officially erased all their losses from the bear market of 2022 when the US Market Index hit a new record on Jan. 24. A slew of new highs followed as the index continued to climb. Stocks are now 29% above their October 2023 lows.

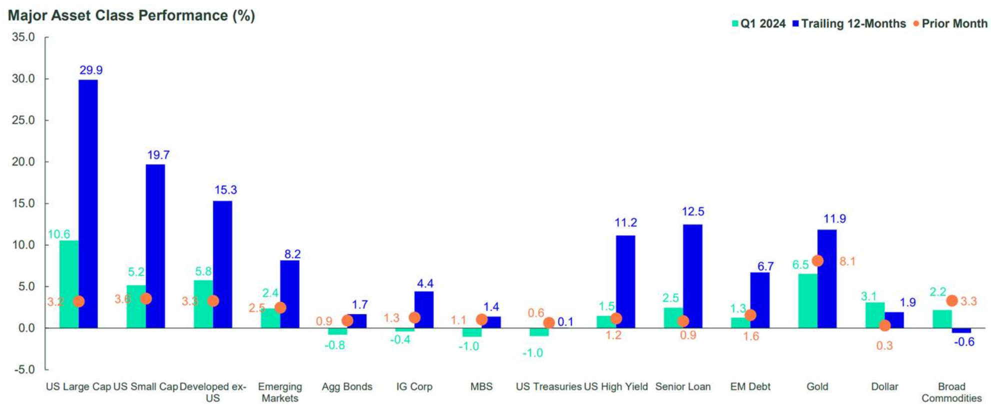
Returns were buoyed by strong earnings and seemingly endless investor appetite for names that are perceived to benefit from the nascent artificial intelligence (AI) boom, notes Morningstar. The S&P 500 retreated more than 5% through the first three weeks of April. The UK and China were in positive territory in April. Analysts forecasted earnings per share (EPS) growth of 3.5% for the first quarter, according to FactSet as of 26 April. For 2024, the forecast is for the S&P 500 EPS to grow 10.8%, and 13.9% in 2025.

Quarterly Market Performance Barometer

	Performance (%)		
US Equities	**Q1 2024**	**Q4 2023**	**1 Year**
US Market	10.24	12.08	29.78
Value	8.41	9.71	21.17
Growth	8.32	14.87	30.68
Dividend Composite	8.23	9.64	19.46
Wide Moat Composite	12.05	12.97	36.89
Global Equities			
Developed Markets ex-US	5.37	10.57	15.54
Emerging Markets	2.29	7.83	10.52
Fixed Income			
US Core Bond	-0.75	6.56	1.56
US Treasury Bond	-0.86	5.46	0.01
US High Yield Bond	1.53	7.07	11.13
TIPS	0.05	4.45	0.34
10+ Year Treasury Bond	-3.04	12.32	-6.33

The Morningstar US Market Index rose 10.2% in 1Q24 and 29.8% over the last 12 months, March to March in 1Q24 has been the best first quarter since 2019, notes Morningstar. This strong performance came despite many factors that could cause stock prices to fall, such as high readings on inflation, which reduced expectations for Federal Reserve interest rate cuts. For 2024, the forecast is for the S&P 500 Earnings Per Share (EPS) to grow 10.8%, then 13.9% in 2025. Real Estate, Technology, and Consumer Discretionary Sectors have seen the largest EPS upward revision from 2023 as compared to other Sectors. The 1Q24 rally was sustained despite frothy valuations and gains that have been too narrowly concentrated in a handful of stocks. Despite strong earnings expectations, Nuveen reported that Tech is only modestly beating the S&P 500 and has been one of the worst performing Sectors this year. Energy's EPS had a negative 9.3% revision, the largest of all the 11 Sectors. Yet, energy was one of the four Sectors to outpace the S&P year to date.

Morningstar's US economics team expects a soft landing as the rate of economic growth slows over the next few quarters but not enough to lead to a recession. That slowing rate of economic growth will likely weigh on Growth stocks, which are overvalued. Yet, that soft landing would be beneficial for Small Caps, as traders have avoided them over the concern that they would suffer the most in a potential recession. Small Caps tend to do well when the Fed begins to cut interest rates. Declining interest rates are positive for all stocks, but especially for several sectors that are overweighted in the value index. Lastly, a decline across the yield curve will remove the overhang that future earnings will be suppressed as Small Caps refinance low-cost maturing debt.



Source: Bloomberg Finance, L.P., as of March 31, 2024. **Past performance is not a reliable indicator of future performance.** Index returns are unmanaged and do not reflect the deduction of any fees or expenses. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. All the index performance results referred

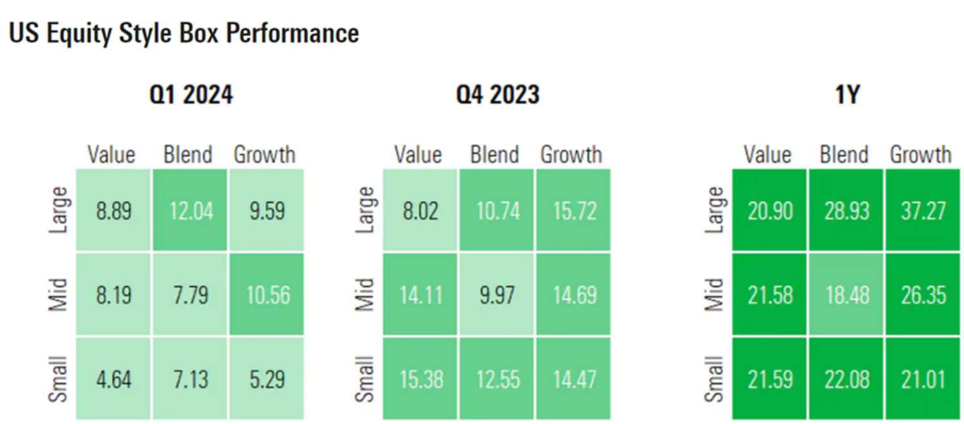
Equity Markets

Contrarian investments provide best margin of safety in a fully valued market - Morningstar.

US value stocks are trading at 14 to 15 EPS, excluding the expensive Tech stocks. It equates to a 7% equity earnings yield with a 500 basis point (bps) equity premium over Treasury Inflation Protected Securities (TIPS). Small Cap have an 8%–9% earnings yields. In 2024 many Small and Mid-Cap companies might prove unprofitable and unable to service higher borrowing costs. The Small-Cap Value could return to a higher average market price and reduce the earnings yield. Large Cap Quality equity are likely to be less volatile.

Volatility will remain elevated in 2024. The S&P 500 index fluctuated between going up by 6.5% in roughly the first four months of 2023, followed by a 12% jump in the next three to July, then a loss of (9.7%) between late July thru October and cloing the year with a 12% climb to the middle of December, according to Financial Planning reports. Frequent rebalancing might not have been beneficial in that environment. Opportunistic cash flow rebalancing can be implemented by reinvesting dividends more often.

The US stock market is trading 3% above our fair value estimate. Both Communications and Consumer Cyclicals rose in price and are nearing fair value. The Value category and Small Caps remain most undervalued. What has worked for the past one and a half years unlikely to be what works going forward. The Value category is trading at a 6% discount to Morningstar's fair value. The Growth category is at an 8% premium trading, well into overvalued territory. The Core category is at a blended fair value at a 3% premium.

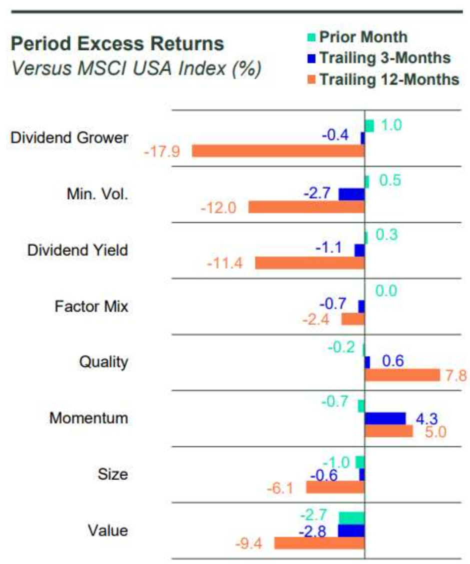


The stock market continued to climb in every sector of the style box. On a valuation basis, Small-Cap stocks remain the most attractive at an 18% discount, followed by Mid-Caps at a 3% discount, while Large Caps are at a 5% premium. Though advances were again smaller than the 4Q23. Small-Value stocks notched the smallest gains against the Large-Caps. US and US Growth valuations remain stretched from AI-induced hype, notes SSGA. AI-fueled US Growth exposures lead on Momentum, followed by regulatory reform supporting Japanese and Indian markets.

Growth underperformed Value across the globe. Defensive sectors posted outflows in March while Cyclical sectors had $4 have been primarily driven by multiple expansion. billion of inflows as the economy remains resilient. Strong earnings sentiment in Tech comes with rich valuations. Yet, Health Care has similarly strong earnings sentiment but with more constructive valuations. Energy's 2024 returns have been primarily driven by the price-multiple expansion.

Outperformance from Tech propelled Momentum in 1Q24, but that trade slightly faded in March during a rotation to Value. Many of the gains in the Value category were thanks to Financial Services and Energy stocks. Momentum consistently outperformed throughout different regions in 1Q24. Quality diverged between regions and was only rewarded in the US. March saw a broadening rally as Large Caps underperformed Small Caps. Growth in 2024 underpinned returns in Communication Services and Tech.

Projections for Quality sentiment are favorable. Quality companies have lower financial leverage than the broad market and positive free cash flows. Momentum remained strong for Communications Services. The US Momentum Factor Index was next, with gains of 4.3%. The index provides exposure to stocks with a high "Momentum" factor, a measure of how much a stock has risen in price relative to other stocks over the past year. Its top holdings include Microsoft, Nvidia, Amazon, and Meta.



Source: Bloomberg Finance, L.P., as of March 31, 2024.

The stock market rallied in 1Q24. Stock leadership for the overall rally continued to spring from the Interest Rate Sensitive Communications Services and Technology sectors. Communications Services gained 14.8%, which include Meta and Alphabet. While the Tech sector with Nvidia and Microsoft, rose 13.3%. Stocks tied to AI registered the greatest gains. For example, Nvidia rose 90% and it alone accounted for almost 25% of the market's return year-to-date. The US Semiconductor Index ended the 1Q24 up 40%, thanks largely to Nvidia, which accounts for nearly half of the index by weight.

Other rate-sensitive sectors including Energy and Industrials drove the biggest gains in the market, reported Morningstar. Energy came back to life in 1Q24 as oil prices ticked higher. It was the worst-performing sector in 4Q23. Defensive Sectors should not be ignored, according to M.A. Gayed in his May 7th post 'Defense Still in Control'. "We're still getting mixed signals and nothing that would indicate a major risk-off sentiment shift just yet."

Stock Sector Performance

	Performance (%) Q1 2024	Q4 2023	1 Year
Cyclical			
Basic Materials	8.06	11.05	18.19
Consumer Cyclical	4.09	12.35	25.00
Financial Services	12.23	14.61	35.03
Real Estate	-0.70	17.89	9.63
Sensitive			
Communication Services	14.80	11.67	47.95
Energy	13.25	-6.64	18.53
Industrials	10.94	13.55	28.72
Technology	13.07	17.23	46.81
Defensive			
Consumer Defensive	7.52	5.80	8.43
Healthcare	8.36	6.81	15.07
Utilities	4.94	8.65	0.61

While Defensive sectors outperformed last month in April, Cyclical sectors continue attracting inflows as economic and earnings fundamentals remain positive. Financial Services led the group. For Interest Sensitive sectors, Communication Services has shown stronger earnings sentiment and price momentum with less expensive valuations than Tech. Consensus estimates have Growth broadening out of the top 10 stocks over 2024. Materials, Consumer Discretionary, and Communication Services exceeded estimates in 1Q24.

Real Estate stocks slumped 0.7% in 1Q24 as interest rates remained high. That marked a major reversal from the 4Q23, when these stocks saw gains of nearly 18%. A landmark settlement involving the National Association of Realtors, which could change how brokers are paid, weighed on share prices in March. Over the past year, however, Real Estate stocks are still up 9.6%.

International x-US

A gradual recovery is powered by a continued building of inventory stocks as well as a consumer -Oxford Economics

Data from the UK Office for National Statistics has confirmed that the UK slipped into a recession at the end of 2023, showing GDP contracted 0.3% in 4Q23 following a 0.1% contraction in 2Q23. Economists are expecting data to show the UK economy grew 0.1% in March, marking a 0.4% expansion over 1Q24. The Bank of England's (BOE) Financial Policy Committee warns that risks to the global commercial Real Estate sector could pose a threat to financial stability. There are contagion risks for global markets with a particular concern about the amount of Commercial Real Estate (CRE) debt held outside banks, the BoE said.

Oxford Economics expects Eurozone economic growth of 0.6% in 2014, compared to 0.5% in 2023, rebounding to 1.8% and 2.0% in 2025 and 2026 respectively. The Eurozone narrowly avoided a technical recession in the second half of 2023, with GDP growth in 3Q23 just -0.1%, while 4Q23 was stagnate. Eurozone inflation was 2.9% in December 2023, up from a two-year low of 2.4% in November, largely due to the energy subsidy withdrawal. A gradual recovery is powered by a continued building of inventory stocks as well as a consumer recovery with households regaining real purchasing power as interest rates begin to fall while wages outstripped inflation for the first time in many years.

Germany's economy is expected to stagnate in 2024 despite a stronger than expected start to the year. It will continue to lag behind European peers, according to German economic institute IW as reported by Reuters. Germany public investment is significantly lower than in other developed countries, according to Nuveen, such as spending on durable goods on roads, schools and kindergartens, as well as on data networks, the response to climate change, social housing, health care and infrastructure. That is beginning to be seen as a serious problem. There are growing calls for change.

China surprisingly reported stronger-than-expected export and import data, noted US Global Investors. In February, exports increased 7.1% year-over-year, above the expected increase of only 1.9%. Imports jumped 3.5% year-over-year versus the expected 1.5% rise. Year-to-date trade balance is at $125.16 billion, above the forecasted $106.8 billion. The IMF reports that China accounts for about one-third of global economic growth, larger than the combined share of global growth from the U.S., Europe and Japan in 2023. According to Matthews Asia 83% of China's GDP growth came from final consumption. China reported stronger-than-expected industrial output growth at 6.7% in April, yet retail sales lagged with only a 2.3% increase, highlighting weak consumer confidence and ongoing challenges in the housing sector. Surveys say that about 90% of new homes in China are sold to owner-occupiers. New homes in China sold on a pre-sale basis, which means buyers put down 30% cash and immediately begin servicing their mortgage. Matthews estimate that more than 7 million buyers are still waiting to receive their pre-paid apartments, with little recourse. This ties up funding for other spending. Today, almost 90% of urban employment is in small, privately owned, entrepreneurial firms responsible for most innovation and wealth creation in China.

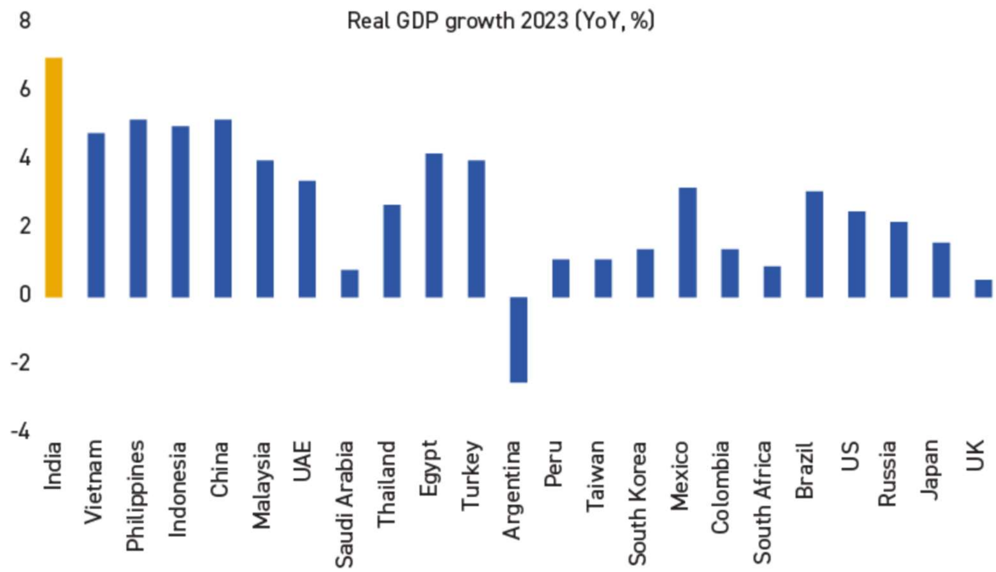
According to the International Monetary Fund (IMF), weaker consumption and investment continue to weigh on economic activity in China. China is planning to pump about 1 trillion yuan ($140 billion) into its economy. China's CPI was a negative 0.8% in January year over year, the fastest pace since 2009, mainly led by a sharp decrease in food prices. A sell-off in 'green stocks' in 2023 prevented investors from solidifying the value from the energy transition. The benchmark CSI 300 Index fell 3.4%. The authorities have discussed a stock stabilization fund in recent months. Chinese stocks rallied after the government started taking measures to stop the rout. Trading in the country's largest listed companies rose to a five-month-high, likely due to purchases by Beijing's state-run financial institutions.

Source: FTSE Russell and LSEG, as of February 29, 2024. Past performance is no guarantee of future results. Please see the end for important legal disclosures.

Investor expectations for inflation in Japan have reached a record high. The trend raises concerns about future interest rate increases notes ISDA. Inflation persists, despite recent monetary policy shifts away from negative interest rates and yield-curve controls. A minute-by-minute chart, shows multiple flash crashes, reports Michael Gayed CFA, suggesting the Bank of Japan (BoJ) might have been testing the market for an imminent intervention. The Japanese yen experienced a significant rebound April 29th in Monday trading, strengthening from a low of 160 to around 155 against the US dollar, after initially plunging to a 34-year low. Markets are continuing to speculate about potential intervention to support the currency, exacerbating the currency's decline to a 34-year low. The yen's weakness and the effect it is having on incentives to raise wages. Japan's monetary policy, including higher policy interest rates, should help to raise domestic net interest margins (NIMs) among Japanese Banks. The BoJ's raised its benchmark uncollateralised overnight call rate target by around 10bps to 0.1%. Fitch expects the policy rate to rise to only 0.25% by end of 2025. SIFMA reported BoJ's Governor Kazuo Ueda has announced no immediate plans to sell their Central Bank's substantial exchange-traded funds holdings, amid considerations on how to manage the legacy of aggressive monetary stimulus and climbing debt.

Over the past decade, India's consumption and production engines have been transitioning and expanding, according to Matthew's Asia. The forces of demand have been strengthened by big increases in government spending, particularly on infrastructure. Over the past 10 years, the government has spent around US$800 billion on bridges, roads, and rail and other construction projects, averaging around 3.6% of GDP. Exports have also increased, by around 35% over 10 years through 2022, supported by demand for pharmaceuticals, materials and industrial engineering goods like rail-rolling stock. For the past 10 years, India's earnings multiples have on average been at a 57% premium to Emerging Markets. Newer areas of growth, like Industrials and Manufacturing, are under-represented by benchmarks. The Sectors generally benefiting from India's structural growth are Financials and Health Care and Utilities. India's Agricultural sector remains a big contributor to its economy.

India is the world's fastest growing economy



Source: IMF, CLSA, as of March 4, 2024. Notes: For India, South Africa and Japan, fiscal year is used.

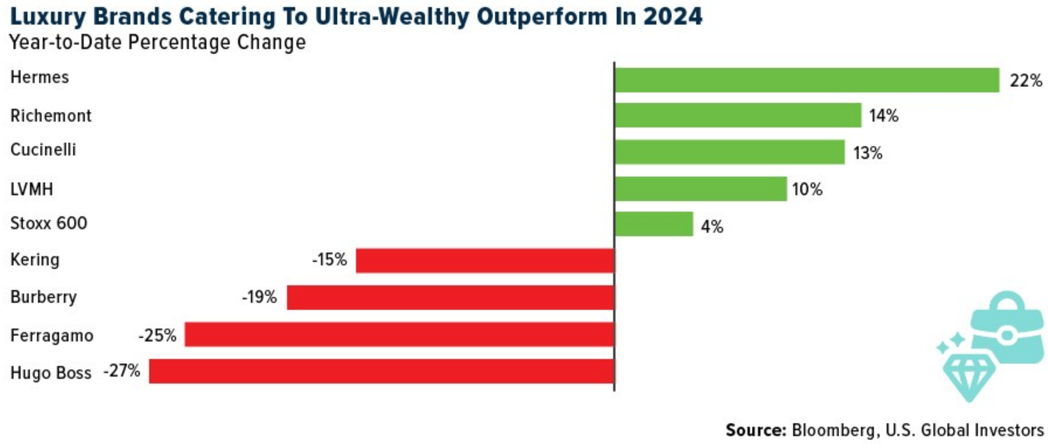
India's NSE Nifty 50 Index has grown by a third over the past 10 months with foreign inflows of $20 billion last year. Investors are turning away from the Chinese stock market towards India's faster growing one. India looks to be a rising star. Chinese equity valuations are near 15-year lows. India and US large-Cap Growth equities continue leading price momentum, while UK equity momentum has weakened further. Overall, volatility management strategies are in order.

Recent economic shifts are prompting some Emerging Market Central Banks to consider raising interest rates. This is a stark contrast to rate cuts elsewhere. According to Nuveen, countries like Turkey, South Africa, India, and Mexico face monetary pressure due to currency and commodity volatility. The shifting dynamic has caused significant market value losses in local-currency bonds recently.

London Stock Exchange Group (LSEG) reported that recent relative performance of Emerging Market (EM) Large Cap and EM Small Cap indexes are largely due to country specific factors, rather than a broad pull back in Large Cap Performance. The Indexes composition of Large Cap vs Small Cap companies along with specific country facts demonstrates that broader Asian gains are due to Small Caps. China, India, and Taiwan dominate the indexes, comprising 50-75% combined. The China and EM equity relative valuations are near 15-year lows. Brazil is looking desirable on a relative valuation basis.

Many other emerging economies are showing resilience, with growth accelerating in Brazil, India, and Southeast Asia's major economies. Emerging Markets (EM) have held up, with stronger-than-expected growth and stable external balances, partly due to improved monetary and fiscal policies. Emerging Market Bonds (EMB) were boosted by a decline in rates in the respective EM countries. Despite a widespread sell-off in global debt markets, Chinese sovereign bonds have demonstrated resilience.

According to Bank of America analyst Ashley Wallace, companies associated with high-end luxury brands are expected to maintain their robust performance. Their customer base is less affected by economic downturns and price increases. USG Morgan Stanley published a presentation promoting European luxury goods, with a focus on jewelry and watches. The broker stated that the importance of the luxury sector in the European market is increasing. Year-to-date, luxury companies account for about 8% of the total market capitalization of the STOXX 600 Index, up from 3.3%. PVH, the parent company of Tommy Hilfiger and Calvin Klein reported stronger 4Q23 EPS,but issued a forward sales warning. The skincare and beauty industries are one of the primary sectors of the luxury market.

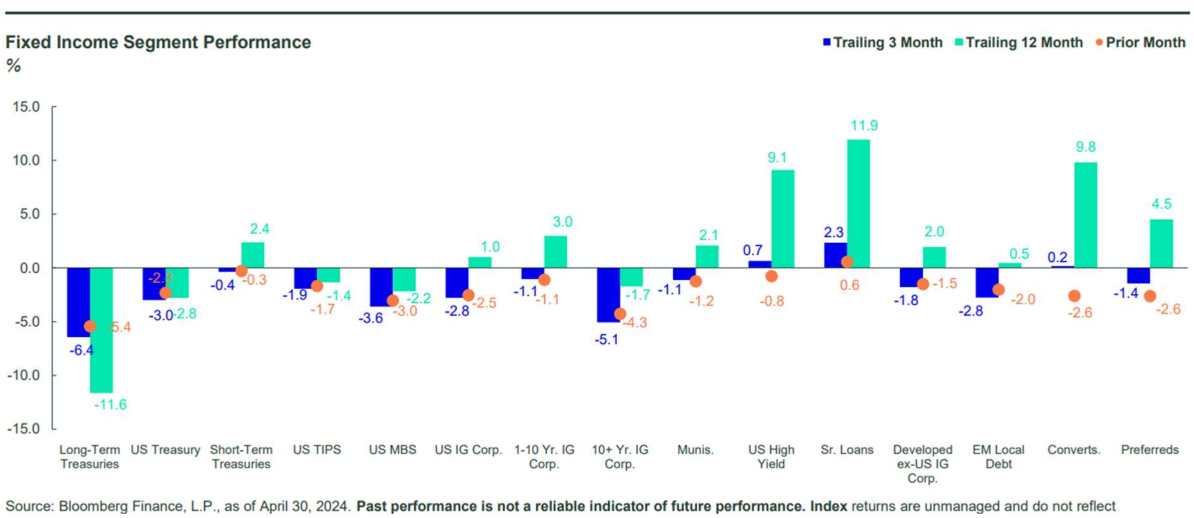


Fixed Income Assets

The higher-for-longer landscape took the wind out of the bond market's sails. - Morningstar

While the stock market was able to weather the diminished expectations for Fed rate cuts, Bond markets started 2024 predicting five rate cuts beginning in March. But now traders are betting on one-two cuts, with the first possibly in September. After a huge rally in the 4Q23, Bond prices fell and Yields rose in 1Q24. The Morningstar US Core Bond Index was down 0.8% for 1Q24. Benchmark yields have been steadily rising as prices eased, with the 10-year US Treasury Note notching a new year-to-date high of 4.33% at the end of March, per Morningstar.

The Moringstar Core Bond Index of prices ended the 1Q24 lower by 0.8%, while US Treasury bonds overall dropped 0.9%. The biggest losses came in Long Term Bonds, which tend to be most sensitive to changes in interest rates. The Long Term Treasury Bond Index fell 3% in 1Q24, which reversed some of the index's 12% gain in 4Q23. Meanwhile, the Long Term Core Bond Index dropped 2.3%. Bonds with shorter maturities performed slightly better, with the Short Term Core Bond Index eking out a 1Q24 gain of 0.2% according to the Morningstar categorization.

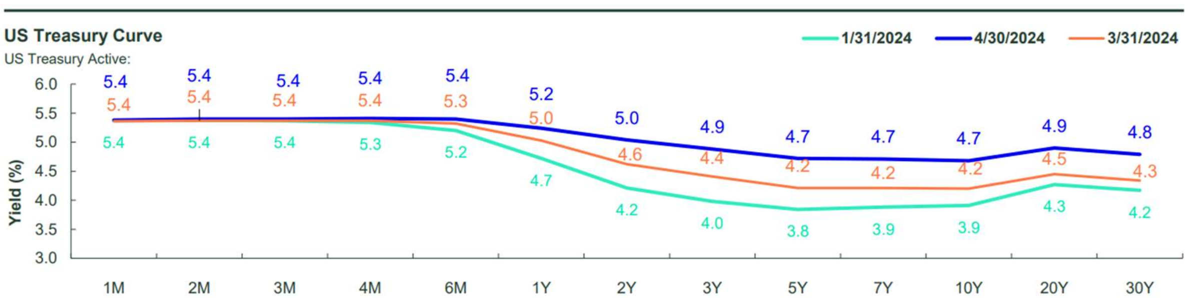


Treasury yields fell last week with the 10-year yield dropping 8bps to 4.42% from 4.5%. After negative total returns in 1Q24 and in April, the Treasury asset class has now returned 1.66% in May. The Investment Grade (IG) supply expanded with nearly $30 billion in new issuance at pricing. There is evidence of softer demand for the new issue market. Emerging Market Bonds (EMB) outperformed for the second week in a row, returning 0.77% to beat similar duration Treasury Bonds by 22 bps.

Credit sectors led on performance as higher rates attracted attention to bonds. Senior Loans, Convertibles, and Preferred had the strongest returns in 1Q24. Potentially attractive higher quality yield-to-duration profiles can be found within the Intermediate and Short-Term Corporate Bond sectors, according to SSGA. Yield income remains the primary contributor to Fixed Income total returns. This offsets some of the near-term decline in market prices as reported by Nuveen.

Fitch Ratings anticipates that Leveraged Loan and High Yield defaults will increase, to reflect the pressure of greater interest expense burden and the challenge from the expected economic slowdown. In the Fitch Ratings portfolios for Emerging Market Eastern Asia (EMEA) ratings remained high for Corporates. During 1Q24, there were 24 upgrades and 23 downgrades. This is the second-highest number of changes in any quarter in the past two years.

Securitized assets offer relative attractiveness due to the narrow credit spreads. Within the securitized space, the compelling opportunities are in Asset-Backed Securities (ABS), Nonagency Mortgage-Backed Securities (MBS) and Commercial Mortgage-Backed Securities (CMBS). ABS default rates are in line with pre-pandemic levels, yet yields are significantly higher. Spreads on Preferred Securities have compressed by 50 bps year-to-date, leading to some of the best returns within Fixed Income. Preferred and Convertibles Securities are two segments that provide high levels of income per unit of duration. Senior Loans are also attractive with yields north of 9%, one of the highest-yielding investments in any asset class.



Over the last year, the yield curve has seen an upward shift in yields across all maturities. On the other hand, volatility in the bond market remains slightly higher than its five-year average. That's because of changing expectations for the likely path of interest rates and unexpectedly high inflation, which is resulting in outsized reactions from bond traders.

The yield curve has now been inverted for the better part of six consecutive quarters. An inverted yield curve happens when yields on Short Term Treasuries exceed those on l\Long Term Treasuries. It's a sign that investors are pessimistic about the economy's prospects, and it's generally seen as a precursor to a recession. This economic cycle is unusual in how long the curve has remained inverted without an economic downturn. But an inverted yield curve does not always lead to a recession, according to Morningstar.

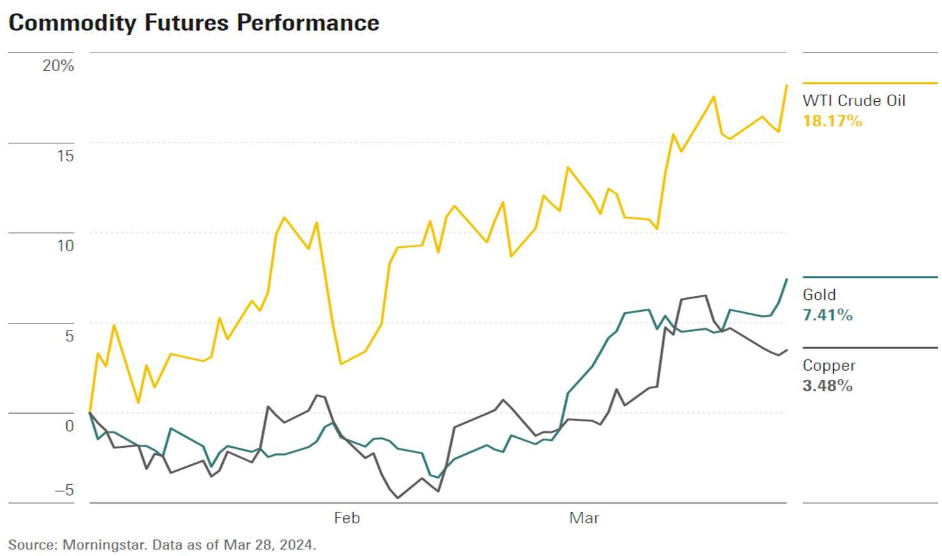
Other Assets

The historical relationship between commodities and interest rates is significant - US Global

Goldman analysts note that Materials have historically rallied when interest rates are lowered in a non-recessionary environment. The World Bank reported that Commodity prices are projected to experience a slight downturn in 2024 and 2025 but are expected to remain above pre-pandemic levels. Energy prices are expected to decline by 3% in 2024, as notably lower prices of natural gas and coal offset higher oil prices, followed by a further decline of 4 % in 2025. Oil prices exhibit significant volatility, responding to escalating tensions in the Middle East and a supply outlook that was tighter than anticipated.

Oil prices have been climbing since the start of the year, amid ongoing geopolitical tensions in the Middle East and constraints on production. Crude oil prices rose above $83 per barrel in late March. In general, higher oil prices mean higher prices for gasoline and consumer goods, contributing to rising inflation. Higher oil prices also tend to act as a tailwind for energy stocks, which gained 13.3% in 1Q24. In December 2023, the last month of available data, the U.S. produced a jaw-dropping 13.3 million barrels per day on average. This resulted in a new record amount of oil pumped in a single year, surpassing the previous record set in 2019, reported US Global Investors. Refinery curtailments in Asia and US refinery throughputs are consistently trending lower year-over-year. Now European demand concerns indicate there might be too much oil amidst weakening global demand, reported the Oil Intelligence Report.

Although the oil price forecasts assume no further conflict escalation, risks remain tilted to the upside stemming from the possibility of conflict in the Middle East and its consequent impact on energy supplies. Recent reductions in U.S. inventories, coupled with revised projections from the International Energy Agency (IEA) shifted from a predicted surplus to a modest deficit, boosting market confidence. Oil prices are anticipated to average to US$84/bbl in 2024, up from US$83/bbl in 2023, before tapering to US$79/bbl in 2025.

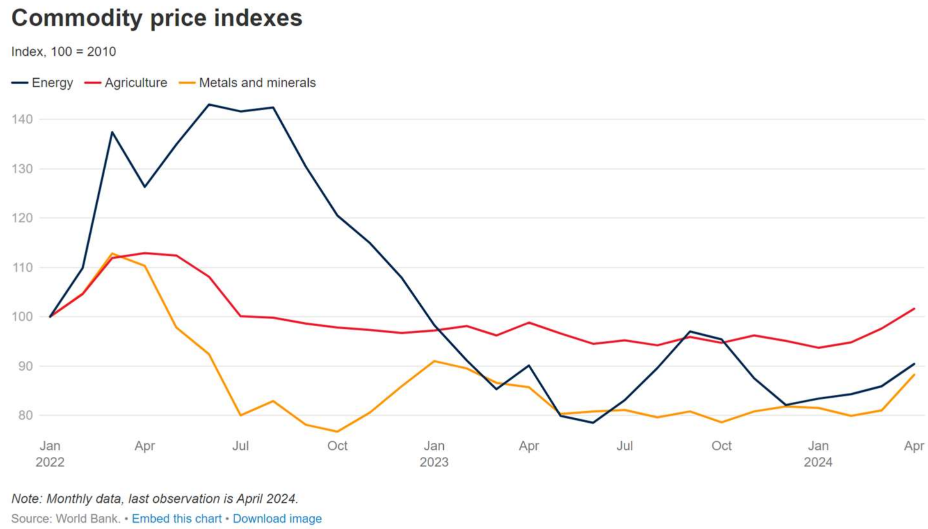


Gold and copper prices floundered at the start of the year but ticked up in March. Gold prices ended the quarter up 7.4%, while copper prices gained 3.5%. The price of gold tends to rise during economic or geopolitical uncertainty. Gold hit a fresh all-time high of $2,432 per ounce last Friday, April 26th. Gold's gained 13% since March 1st. This global phenomenon underscores the universal appeal of Gold as a store of value and a means of preserving purchasing power. In March alone, Chinese gold ETFs saw an impressive inflow of RMB1.2 billion ($164 million), marking the fourth straight month of positive flows, reported US Global Investors. Gold producers that are struggling to grow their reserves noted ISDA due to the lack of new, large discoveries and declining reserves at existing mines.

Metal prices are set to remain steady in 2024, before rising slightly in 2025. Industrial Metal prices remained generally unchanged in 1Q24, with a decline in iron ore prices offsetting increases in other metal prices. Metal prices stabilized but experienced a notable upswing in April. Notably, copper prices surged to a two-year high in April amid supply concerns and signs of resilience in global economic activity. Copper rallied toward $10,000 a ton this week. The Metal Index is expected to remain relatively unchanged in 2024 before rising steadily in 2025, reflecting a pickup in global industrial activity.

Sprott reported that the strength of silver's fundamentals in 2023 was especially fueled by strong gains in photovoltaic technology, according to the Silver Institute's 2024 Survey. Silver has caught up and outperformed Gold by 10% since mid-February. The best performing commodity for the week was Aluminum, rising 6.94%. Tin on the London Metal Exchange has risen this month and its 25% advance in 2024 puts it well ahead of more closely watched commodities. Disruptions have hit tin supply in major producers like Indonesia, Myanmar, and Democratic Republic of Congo, according to Bloomberg.

'Electrification is projected to increase annual copper demand to 36.6 million metric tons by 2031, while current supply projections indicate a shortfall of about 20% from that figure', said Olivia Lankester, Director of Responsible Investing and Sustainability at Federated Hermes Global Emerging Markets Equity. Although Aluminium is a critical material for achieving net zero, its production is still notoriously 'dirty'. US is considering increasing the existing 7.5% average tariff rate on Chinese steel and aluminum under Section 301 of the Trade Expansion Act.



Agriculture prices saw minimal change, with decreases in food and fertilizer prices balanced by a surge in beverage prices attributed to supply shortages caused by adverse weather conditions. Food commodity prices declined by 4 percent in 1Q24, attributable to improved supply and robust exports from the Black Sea region. Prices are expected to ease as well in this year and next amid improved supply conditions. Unfavorable weather conditions, in part due to El Niño, pushed cocoa and coffee to record highs by the end of 1Q24, a trend that continued in April. Matthews Asia reports that hedge fund speculation drove cocoa prices up over 32% to an all-time high during the month as futures markets reported $ 8.7 billion in speculative cocoa contracts. Political instability and declining crop yields in West Africa adding to the bull run-up in cocoa, the best year on record dating back to 1984. On the heels of a 61% return in 2023, cocoa is up an additional 51% in 2024 year-to-date.

Real estate has faced stiff technical headwinds for the last 18 months, but Nuveen predicts those winds are likely fading. The lagged impact of interest rate hikes is now filtering into house prices. Characterized by chronic shortages of modern stock and increased banking regulation limited development over the last 15 years. Higher rates are shifting interest to renting. The EU has an initiative to reduce average energy use by 16% in 2023residential buildings. Those complying will be able to charge premium rents.

The beleaguered office sector will remain challenged given high vacancy rates throughout the world. There attractive investment ideas across the residential, industrial, and alternative RE. The Hong Kong property market remains in a state of distress, as reported by Bloomberg. In an effort to stimulate demand, some developers are slashing prices nearly in half. Prices for certain units at The Corniche project have dropped from HK$45,000 to HK$25,000 ($3,200 per sf).

Europe's property markets have been subject to a series of further external shocks. First, the post-pandemic double-digit surge in the cost of living. The Ukraine induced energy crisis last winter, followed by the sharp interest rate hikes intended to stall the economy. Key Euro market rates are up from zero to around 2.5% today. Interest rates and market property yields are likely to trend downward in 2024. This is reflected in rate-sensitive REIT pricing, reports Baring EU Real Estate Division. Although drawing back in January, EU REIT prices remain up around 20% from 4Q23.

Grade A property tighter vacancy rates and a shift in demand is positive for the five-year demand outlook. Retail is improving, with foot traffic near to pre-pandemic levels. Industrial sector rental growth still outperformed office and retail due despite the increase in vacancy rates. Europe's main regions still need over 12% more logistic space, with the UK in the lead. There could be more demand for warehouse space due to 'just-in case' warehousing.

Crypto had a banner quarter. The S&P Bitcoin Index was up 47.5%. The first Bitcoin exchange-traded funds were approved in January, which provide investors with exposure to the digital coins. Investors clambered for a piece of the action, and demand for the new funds sent bitcoin and other cryptocurrencies soaring. Bitcoin went to an all-time high of more than $73,000 in mid-March which is a far cry from the sub-$30,000 prices it notched a year ago. It then gave up a fraction of those gains at the end of the month. Bitcoin itself the 1Q24 up 64.8%. The second most popular cryptocurrency, Ethereum, ended 1Q24 up 53.8%.

Source: State Street Global Advisors Investment Solutions Group. The forecasted returns are based on SSGA's Investment Solutions Group's Forecasted returns and long-term

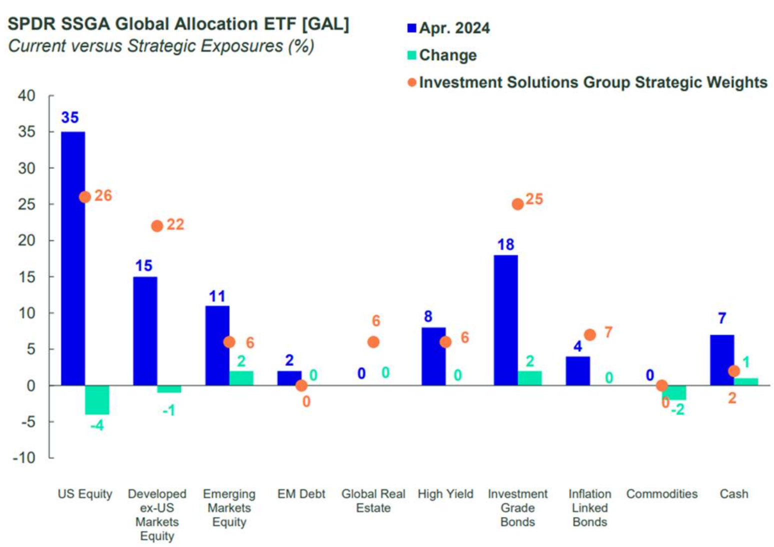
Asset Allocation

A barbell exposure to both defensive and higher-beta areas of the market to help optimize the risk-adjusted performance -Nuveen

Based on Morningstar valuations, the recommendation is to overweight Value, underweight Core, and to market weight Growth. By market capitalization, underweight Large-Cap stocks and overweighting Small-Cap and Mid-Cap stocks. The Tech and Industrials Sectors moved into an underweight category. Whereas overweight Communications, Basic Materials, Real Estate, and Utilities.

The S&P 400® and S&P 600® are smaller than S&P 500® Large-Cap U.S. Indexes. The U.S. Mid-Cap and Small-Cap markets are equivalent to entire countries' equity markets, Reports S&P Indexology. These differences in sectors and correlation may present an interesting option to diversify with the S&P Mid-Cap 400 and the S&P SmallCap 600. Non-U.S. Small Caps have outperformed Large Caps since 2001 by more than 250 bps on an annualized basis. They are well priced, at a 10% valuation discount to the Large Cap. Morningstar advocates for an underweight position in Large-Cap stocks in favor of overweighting Small-Cap stocks and a slight overweighting in Mid-Cap stocks.

U.S. Small Caps remain attractively valued relative to Large Caps, based on the forward price-to-earnings (P/E) ratio. Based on analyst estimates, earnings should grow faster for smaller companies in 2024. Small Caps have historically outperformed Large Caps following the first moves in a Fed rate-cutting cycle. The fundamental characteristics of smaller companies, especially those with pricing power, can mitigate the impact of inflation and protect or expand margins. The Industrials Sector is supported by fiscal policy initiatives for infrastructure spending and nonresidential construction. Consumer-oriented stocks are less compelling.



Tactical Rebalance Trades

Bought	• Emerging Market Equity • IG Bond • Cash
Sold	• US Equity • Developed ex-US • Commodities

Sector Rotation Trades

US Equity Allocation Total: 6%

Mar.	Comm. Svs. 2%	Indust. 2%	Tech. 2%	
Apr.	Comm. Svs. 2%	Indust. 2%	Tech. 1%	Energy 1%

Source: State Street Global Advisors. As of April 30, 2024. Exposures are as of the date indicated, are subject to change, and should not be relied upon as current thereafter. This information should not be considered a recommendation to invest in a particular sector. It is not known whether the sectors shown will be profitable in the future. The information above is rounded to the nearest whole number.

Nuveen advises to strike a balance between yield, duration, and potential volatility in Interim Term Bonds.After rate hikes in 2023, Core Bond Yields are now more in line with their duration. To ensure that the duration risk is being fairly compensated, overweight Intermediate Investment-Grade (IG) Corporate Bonds with a maturity less than 10 years. IG

Corporate Bond valuations are not as stretched. With a weighted duration of 4 years, duration risk is lessened as is limiting reinvestment risks. The 1-to-10-year IG Corporate bonds provide investors with more compensation for credit and rate risks than other Bonds, based on yield per unit of duration.

A 'barbell approach' could be a solution to achieve a duration target, by toggling between Floating Rate notes on the short-end and Core Bonds for the long-term exposure. A solution for heightened volatility in the Bond market could be Floating Rate Treasuries which are a good diversifier against Equities. Extend duration by Investment Grade (IG) Corporates, and Securitized Bonds such as Mortgage or Asset Backed Securities (MBS or ABS), Preferreds, high quality High Yield (HY) Bonds, and CLO Senior Bank Loans.

The US, affordable housing has tended to outperform during economic downturns, making it an appropriate choice as growth decelerate. Mortgage Securities (MBS) provide higher income that might offer FHA/GMA government guarantees. MBS have higher yields than traditional Bonds. Their negative correlation to stocks and bonds can provide portfolio diversification benefits as well.

Real Estate (RE) continues attracting flows as investors expect lower rates. According to DWS the RE Sector has stabilized. Real Estate Investment Trusts (REITs) have historically delivered strong relative returns in steady and declining rate environments. Despite stable REIT fundamentals and generally favorable valuations, investor allocations to real estate are at their lowest level since the 2008.

Add Commodities for diversification, through a tactical natural resource asset Commodity Sector rotation, suggests SSGA. Gold may provide portfolio protection in a heightened risk environment as was the case in 2023 when Gold aided in buffering against rising market volatility. It also serves as an Asset Alloction diversifier for Bonds and Stocks. When 'real rates' dropped more than 50 bps, Gold historically has averaged a slightly higher return than US bonds, notes SSGA.

Conclusion - *Planning a smooth glide path.*

There is a gradual shift or rotation occurring in the financial markets, as it glides from concerns about a recession to cautious optimism that the worst is behind us. It is not a smooth glide, as investors look for clear signals of the key interest rate decreases. The view is this has shifted back to the 4Q24, unless inflation and wages remain elevated.

On this basis, SSL is aiming to expand allocation to the US Mid Cap and Small Cap internationally. Large Cap remains onboard, but with diversification in sectors. Tech continues to play a role, as well as Industrials. The balance between Consumer Discretionary and Consumer Staples is tilted toward Discretionary. In Commodities, Minerals and Materials are being supported by Infrastructure spending. Agriculture remains important with Oil less of an emphasis.

Bonds, especially interim term IG Corporates are attractive due to the higher yields. There are capital gains potential when rates decline. It will be the reverse of what was experienced in 2023.

SSL uses a 'Smart Beta' strategy with factor, sector, and regional screens to pinpoint the attractive securities within an index or to make an investable index. Academic and practitioner research have shown that Smart Beta portfolios outperform the overall benchmarks in the long run. The strategies are implemented in the SSL following Model Portfolio with further detail in the attached Portfoilio xRay.

Please contact us to analyze your portfolio holdings. SeniorSolutionsBDA@outlook.com

SSL Model Portfolio
2Q24 Portfolio Design Structure

as of 30-May-24

		Green - Add *Red - Remove ETFs*									Eff	MosEnd		
20.00%	**Symbol**	**FIXED INCOME**	**Crd**	**Hldg**	**Hldg**	**Hldg**	**Hldg**	**Reg**	**Reg**	**Cap**	**Dur**	**YtdRetP**	**Yld**	**MS Star**
0.00%		Cash												
0.00%	VNLA	Janus Henderson Short Duration Inc	A-	59%Cr	22%D	12%Cash	0%Gov	56%BBB	38%A	MidLtd	1.21	6.03%	4.40%	4Neu
5.00%	FLRN	SPDR® Blmbg Inv Grd Flt Rt ETF	AA-	70%Corp	27%Gov	4%Cash		44%A	30%AAA	MidLtd	0.03	6.74%	5.80%	4Slv
0.00%	SRLN	SPDR® Blackstone Senior Loan	B	90%Corp	10%Cash			65%B	24%BB	LowLtd	0.31	11.97%	8.42%	3Neu
9.00%	IUSB	iShares Core Total USD Bond	A-	41%Gov	32%Corp	23%Sec	58%A	13%BB	12%BBB	MidMod	5.77	2.43%	3.72%	3Gld
2.00%	VGIT	Vanguard Intmdt-Term Treas	AAA	100%Gov				100%AAA		HighMo	5.02	0.21%	3.14%	4Slv
4.00%	VRP	Invesco Variable Rate Preferred	BBB-	98%Corp	2%Cash		62%BBB	32%BB	5%NR	MidLtd	2.01	15.20%	6.27%	5Brz
0.00%	CEMB	iShares JP Morgan EMB Corporate	BB+	96%Corp	3%Gov		30%BB	21%B	21%BBB	LowMod	4.4	2.13%	4.98%	4Slv
0.00%	CWB	SPDR® Blmbg Convert Secs	B	90%Util	10%Com	89%NR	83%USA	17%Cda	5%BB	LrgBld	1.82%	9.66%	2.02%	3Brz
20.00%		Subtotal												
80.00%		**EQUITY**	**Crd**	**Hldg**	**Hldg**	**Hldg**	**Hldg**	**Reg**	**Reg**	**Cap**	**Dur**	**YtdRet**	**Yld**	**MS Star**
10.00%	QUAL	iShares MSCI USA Quality Factor	A	33%Tech	12%HC	11%FS	10%Com	99%USA		Qual	LrgGrw	32.09%	1.10%	4Slv
5.00%	DEUS	Xtrackers Russell US Multifactor	B+	21%Tech	20%Ind	14%CC	11%Fin	98%USA		Liq	MidBld	23.50%	1.33%	4Slv
5.00%	SMLF	iShares U.S. Small-Cap Eq Fac	B	19%Ind	16%Tech	15%CC	15%FS	95%USA		Vol	SmlBld	27.81%	1.06%	4Gld
5.00%	XAR	SPDR® S&P Aerospace & Defense ETF	B+	100%Ind				100%USA		Vol	MidBld	30.38%	0.54%	3Slv
2.00%	XLC	*Comm Services Sel Sect SPDR®ETF*	A-	100%CommSrvc				100%USA		Qual	LrgBld	35.01%	0.79%	4Slv
3.00%	XLF	*Financial Select Sector SPDR®*	B+	97%Fin	3%Tech			97%USA	2%SWZ		LrgBld	33.44%	1.54%	4Brz
6.00%	XLV	*Health Care Select Sector SPDR®*	A	100%HC				100%USA			LrgBld	14.26%	1.53%	5Slv
5.00%	XLY	*Consumer Discret Sel Sect SPDR®*	A-	99%CC	.7%Tech	.4%Ind		99%USA	.6%SWZ		LrgGrw	15.94%	0.77%	4Slv
5.00%	XLP	*Consumer Staples Select Sector SPDR®*	A	99%CD	1%HC			100%USA			LrgVBld	9.52%	2.72%	3Brz
3.00%	IXC	iShares Global Energy ETF IXC	A-	100%Enr				60%US	12%UK	12%Cda	LrgVal	26.92%	3.11%	4Slv
4.00%	SCZ	iShares MSCI EAFE Small-Cap	C+	23%Ind	14%CC	13%FS	10%Tech	32%Jap	14%UK	10%Aus	MidBld	14.35%	2.83%	3Brz
7.00%	IQLT	iShares MSCI Intl Quality Factor	B+	20%FS	16%Ind	12%HC	11%CC	15%Swz	14%UK	12%Jap	LrgBGrw	17.90%	2.13%	4Slv
5.00%	QEMM	SPDR MSCI Emr Mrk StratFacts ETF	C+	23%Tech	21%FS	10%CC	9%CD	26%Chn	20%Ind	18%Twn	LrgVBld	12.03%	4.78%	3Gld
3.00%	PSR	Invesco Active US Real Estate	B+	100%RE				99%USA		LowQ	MidBld	6.28%	3.19%	3Neu
4.00%	IFRA	iShares US Infrastructure	B	42%Util	32%Ind	17%Mat	9%Enr	95%USA	5%Cda		MSVBld	25.51%	1.76%	5Gld
5.00%	GCC	WisdomTree Enhanced Cmdty ETF	A	*35%Eng*	*19%Imet*	*16%Pmet*	*12%Agr*	99%Gov	100%AA		LrgVal	20.13%	3.22%	3Brz
1.00%	CGW	Invesco S&P Global Water ETF	B+	53%Ind	37%Util	6%Mat	3%Tech	62%US	11%UK	7%Swz	MidGrw	20.49%	1.43%	4Brz
2.00%	GRN	iPath® Series B Carbon ETN	na								LrgVal	-8.66%	0%	NR
80.00%		Subtotal												
100.00%		Total												

Index: The ETF Trading Symbol is followed by the name, credit rating, sector data when applicable, YTD Returns, 12 month Yield, This is preceded by Market Cap and Style. The last column has Morningstar stars and level Neutral, Silver, Bronze or Gold.