Mission Wealth

MARKET PERSPECTIVES

Q4 2024

Presented By

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Kieran Osborne is responsible for portfolio management, trading, analysis, investment, and economic research functions and leads the firm's Investment Committee.

Mr. Osborne oversees portfolio construction and implementation, conducts in-depth manager research and due diligence, and monitors fund performance on an ongoing basis.

Key Themes

KEY THEMES	COMMENTARY
Market Update	Stocks have been supported by reduced inflation, the beginning of a Fed rate-cutting cycle, an increased likelihood of a soft-landing economic outcome, the reduction of political uncertainty, and earnings results that came in broadly ahead of expectations. With that said, a repricing of future Fed rate cuts has caused some uptick in volatility. Bond yields have moved higher on the back of a stronger economic outlook, and the potential for inflation to stay elevated near-term. Bond yields are relatively attractive, and bond prices may be supported if the Fed continues cutting interest rates.
The Economy	The outlook for the U.S. economy has been revised higher and is expected to expand by over 2.5% in 2024. The labor market has been resilient, and consumer spending has been robust. Economic data has recently surprised to the upside, and the economy is expected to grow above trend before moderating in 2025. Our base case is for a soft-landing economic outcome, with positive economic growth expected for the foreseeable future. While inflation remains above the Fed's 2% target, it has improved, which may provide cover for the Fed to continue its rate-cutting cycle. The Fed considers current monetary policy as still restrictive but believes it is on a path toward a more neutral policy.
Asset Class Outlook	Historically, a soft landing and a Fed rate-cutting cycle have been supportive for stocks. However, we are cautious about valuations, which appear stretched, particularly for select mega-cap names. Bond yields are attractive, with many of our preferred bond funds yielding mid- to high-single digits. Moving forward, we believe alternative strategies offer attractive risk-adjusted return potential.

Mission Wealth Actions

- The ongoing divergence in performance across asset classes continues to provide us with **enhanced rebalancing opportunities.**

- While we have been **positive on stocks** for some time and continue to **favor stocks over the long haul**, we believe long-term **return expectations should be moderated**. Some segments of the markets look expensive, while other areas appear to offer relative value. We believe **broad diversification and staying disciplined** with rebalancing is **critical** – any divergence in performance may offer us the opportunity to **add selectively on weakness**.

- We like **bonds**, given that **yields are more attractive today.** Many of our preferred bond funds yield **mid- to high-single digits,** and the **current yield is the strongest determining factor** for forward-looking bond total returns.

- We have increased our exposure to alternative strategies, which we believe offer **attractive risk-adjusted returns and limited correlation to public markets.**

- We continue to **focus on long-term fundamentals** and stay **disciplined** with our investment decision-making. We believe our portfolios are **well-positioned** to navigate the forthcoming time period and **continue to meet our clients' long-term financial goals.**

Part 1:

MARKET UPDATE

Market Update

Stocks Strong Year-To-Date

- **Stocks have been supported** through the course of the year by **reduced inflation**, the Fed beginning its **rate-cutting cycle**, an increased likelihood of a **soft-landing** economic outcome, the recent reduction in **political uncertainty**, and **earnings results** that have broadly come in ahead of expectations.
- With that said, a repricing of Fed rate cut expectations has caused a recent uptick in volatility.

Source: FactSet

Market Update

Stock Concentration

- **Stock market concentration is at historic levels** and the largest companies have **stretched valuations** relative to the remaining stocks in the S&P 500 Index.

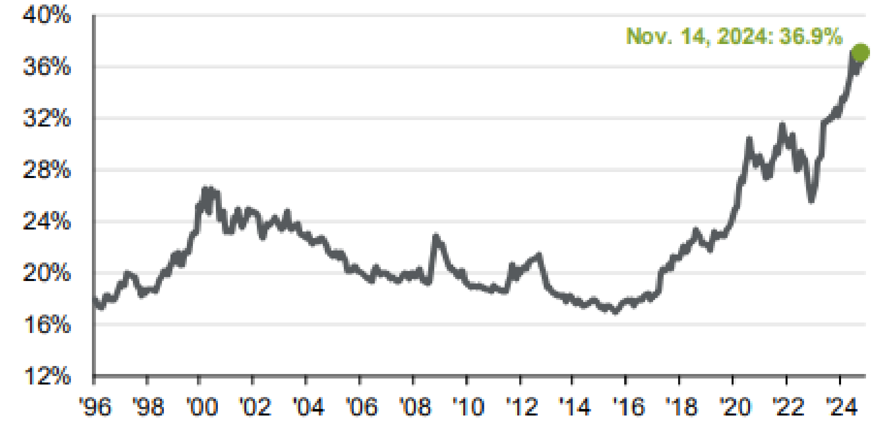
	Current	Average	% of avg.
Top 10	29.3x	20.5x	143%
Remaining stocks	19.2x	15.7x	122%
S&P 500	**22.0x**	**16.6x**	**133%**

Source: FactSet, Standard & Poor's,

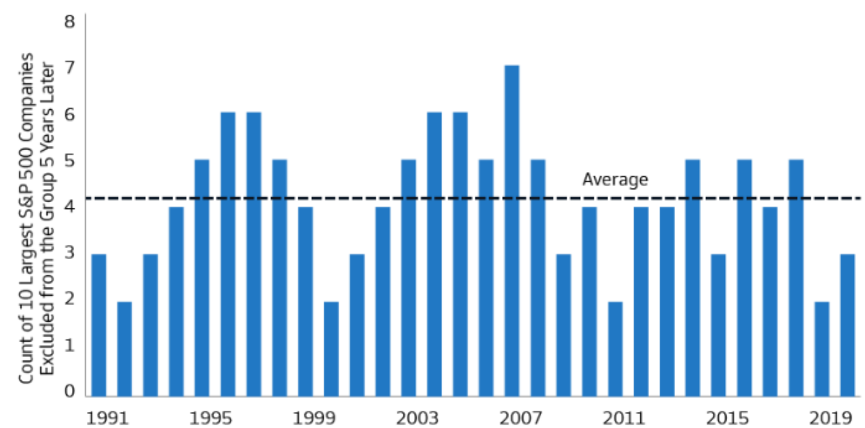
- Historically, **four of the largest ten S&P 500 companies fell out** of the top ten in the following five years.

➢ **Consider diversifying large, concentrated stock exposures.**

Weight of the top 10 stocks in the S&P 500
% of market capitalization of the S&P 500



Number of 10 Largest S&P 500 Companies No Longer in Top 10 5 Years Later

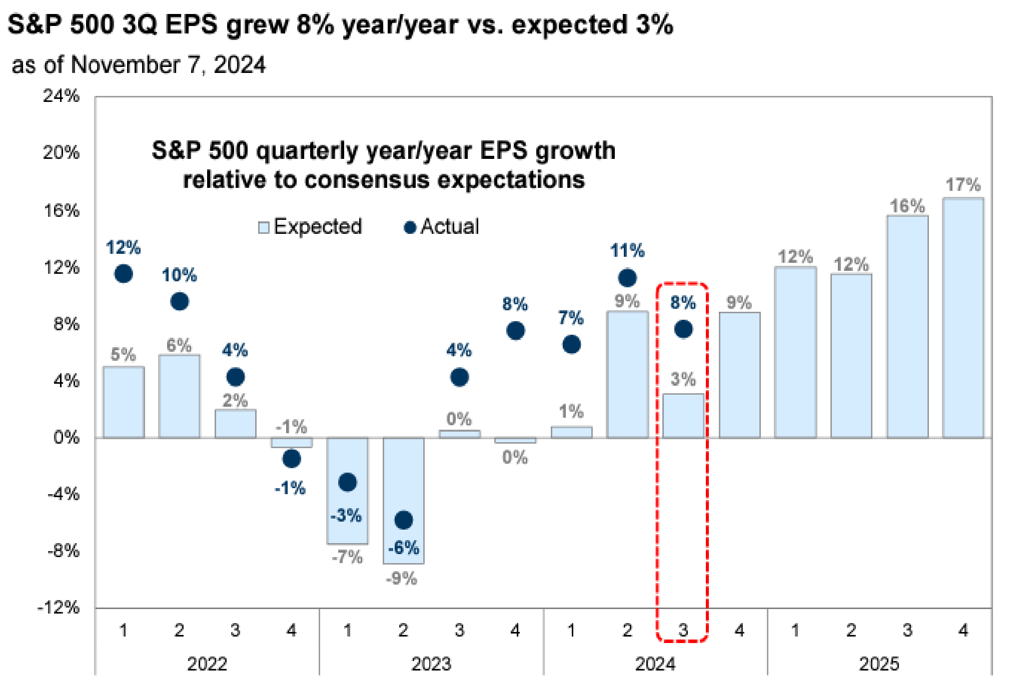


Source: Bloomberg and Goldman Sachs Asset Management. As of March 31, 2024.

Market Update

Earnings Scorecard

- Q3 2024 earnings were broadly positive, **with Y-o-Y S&P 500 earnings growth of 8% vs expectations of 3%.**
- Equity analysts continue to **forecast strong profit growth in the quarters ahead.**



Source: FactSet, Goldman Sachs Global Investment Research

Market Update

Bond Yields Move Higher

- Bond yields have recently moved higher on the back of a **stronger economic outlook** and the potential for **inflation to stay elevated** over the near term.
- Yields are **more attractive**, and bond prices may be **supported** if the Fed continues its easing cycle.

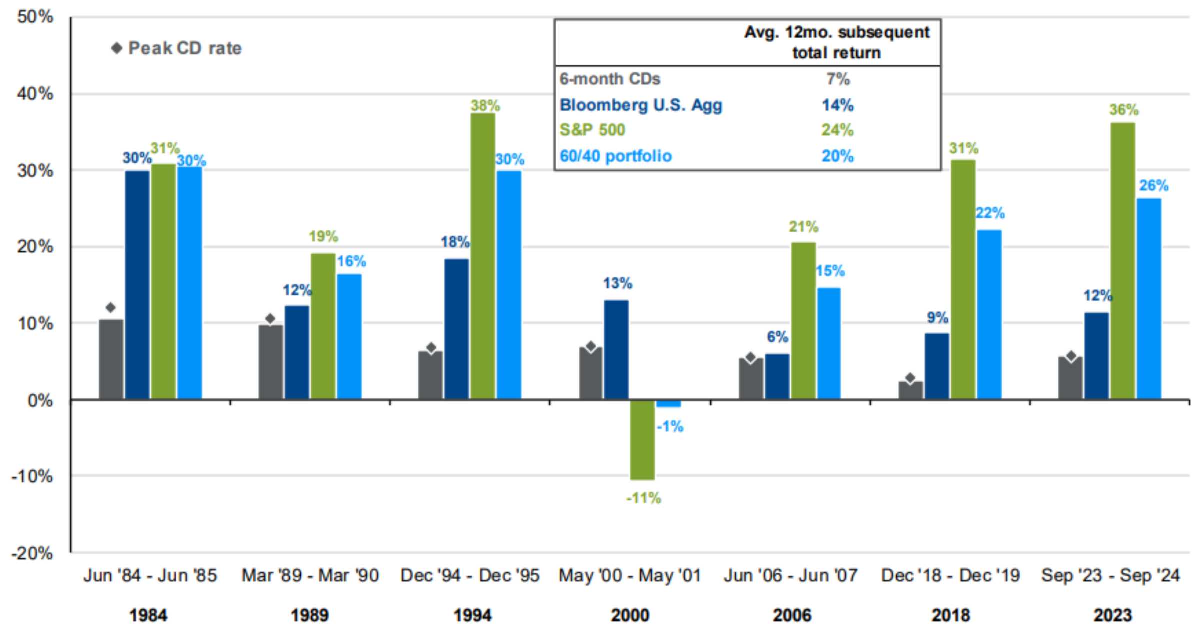
Source: FactSet

Market Update

Don’t Sit in Cash

- We’re **witnessing record levels of cash on the sidelines.**
- With the Fed now cutting rates, **cash yields are less attractive.**
- There is an opportunity cost of holding cash, even at peak interest rates.

Investment opportunities outside of CDs
Peak 6-month certificate of deposit (CD) rate during previous rate hiking cycles and subsequent 12-month total returns



Source: Bloomberg, FactSet, Federal Reserve, Standard & Poor’s, J.P. Morgan Asset Management.

Part 2:

THE ECONOMY

The Economy

Economic Outlook

- The **U.S. economy is expected to expand +2.6% in 2024,** followed by more moderate growth in 2025.
- A soft landing remains the most likely economic outcome, with positive economic growth expected for the foreseeable future.
- The market anticipates **inflation will remain above the Fed's long-term target of 2% through at least 2026.**

United States Economy	2021	2022	2023	*2024 Est.*	*2025 Est.*	*2026 Est.*
Real GDP (%y/y)	6.1	2.5	2.9	*2.6*	*1.8*	*2.0*
Household Consumption (Real, %y/y)	8.8	3.0	2.5	*2.5*	*2.0*	*1.8*
Government Consumption (Real, %y/y)	-0.3	-1.1	3.9	*3.1*	*1.5*	*1.3*
Gross Private Domestic Investment, Residential (Real, %y/y)	10.9	-8.6	-8.3	*3.9*	*3.5*	*4.9*
Gross Private Domestic Investment, Non-Residential (Real, %y/y)	6.0	7.0	6.0	*3.8*	*2.5*	*2.4*
Inflation						
CPI (%q/q, SAAR)	4.7	8.0	4.1	*2.9*	*2.3*	*2.3*
Core CPI (%q/q, SAAR)	3.6	6.2	4.8	*3.3*	*2.5*	*2.3*
PPI (%y/y)	7.0	9.5	2.0	*2.1*	*1.6*	*1.9*

Source: FactSet

The Economy

Economic Outlook

- After starting the year with positive economic data surprises, economic data largely underperformed expectations from May through September 2024.
- That has since reversed, with **economic data once again exceeding consensus estimates**.
- Incoming data continue to point to **above-trend GDP growth** over the near term, **buoyed by a strong and resilient consumer.**

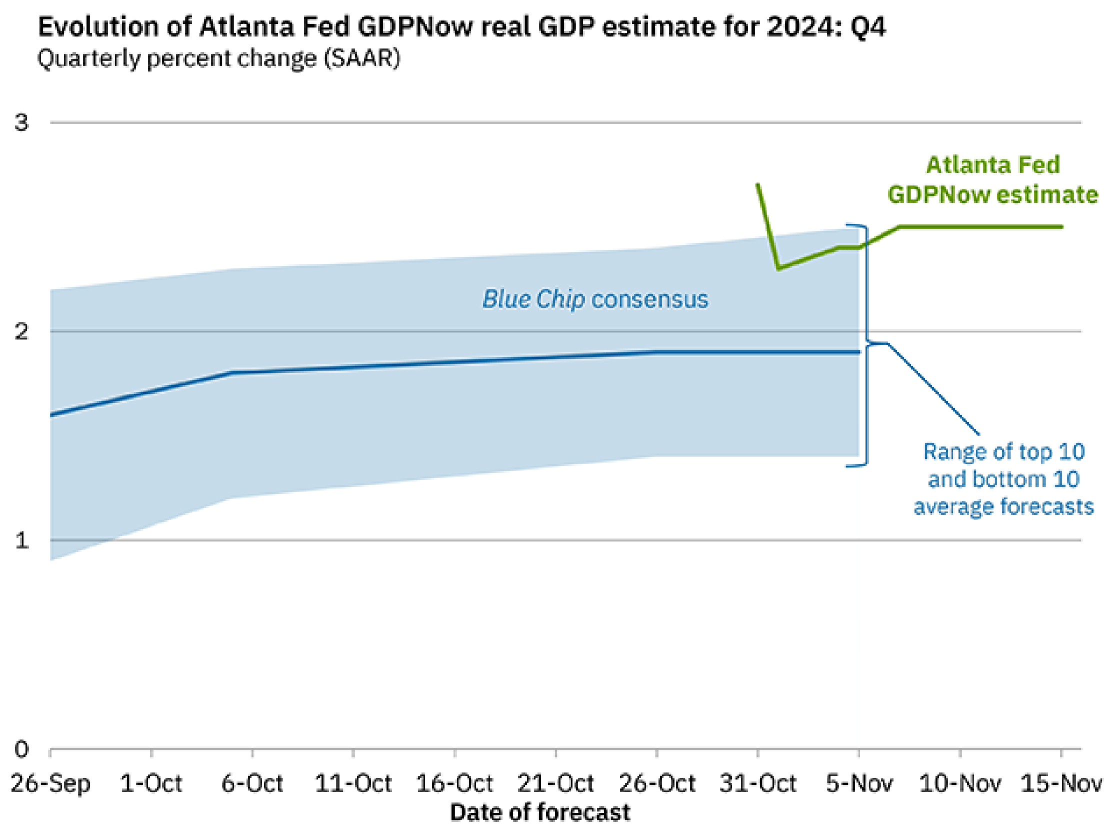
US data continues to surprise to the upside

Source: Bloomberg

The Economy

Economic Outlook

- **The US economy expanded by +2.8% in Q3**, after expanding +3.0% in Q2.
- The Atlanta Fed's latest GDPNow currently estimates **+2.5% GDP growth for Q4 2025.**

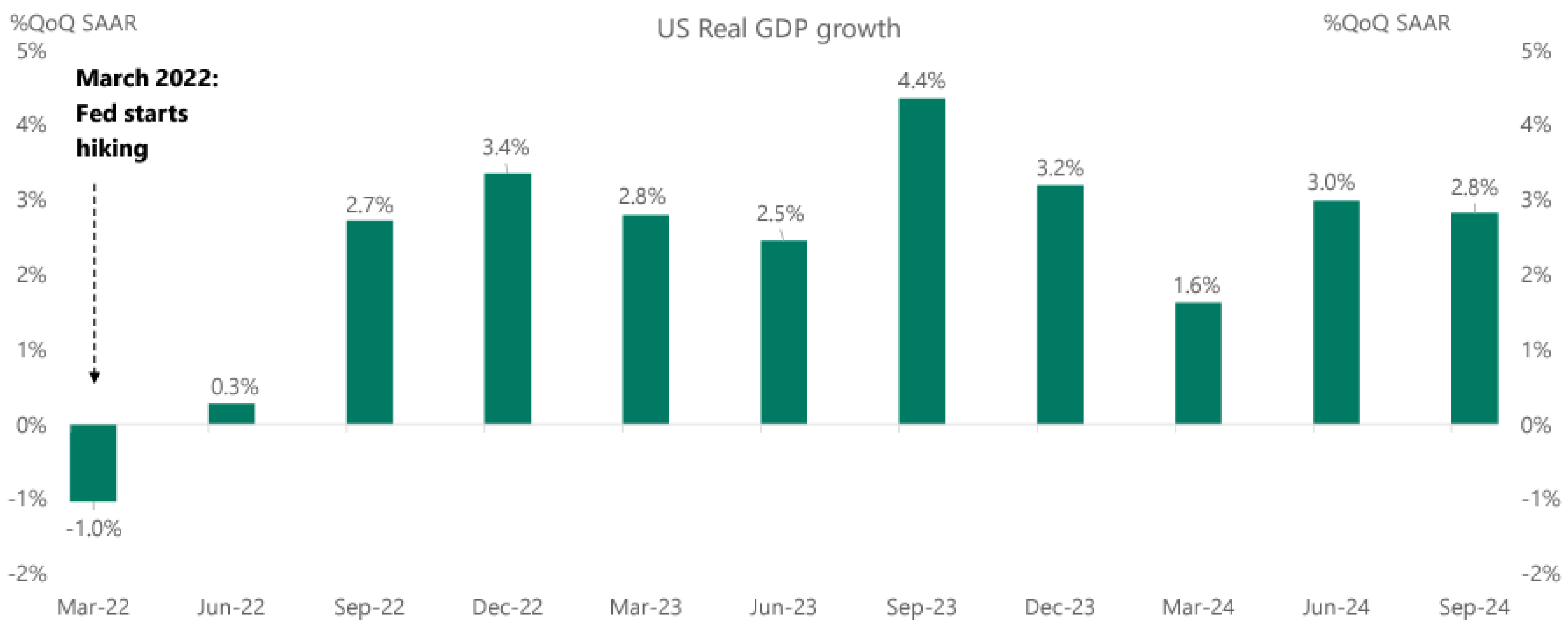


Sources: *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*
Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the *Blue Chip* survey.

The Economy

Economic Resilience

- The **economy has been strong** in the face of the Fed raising interest rates.

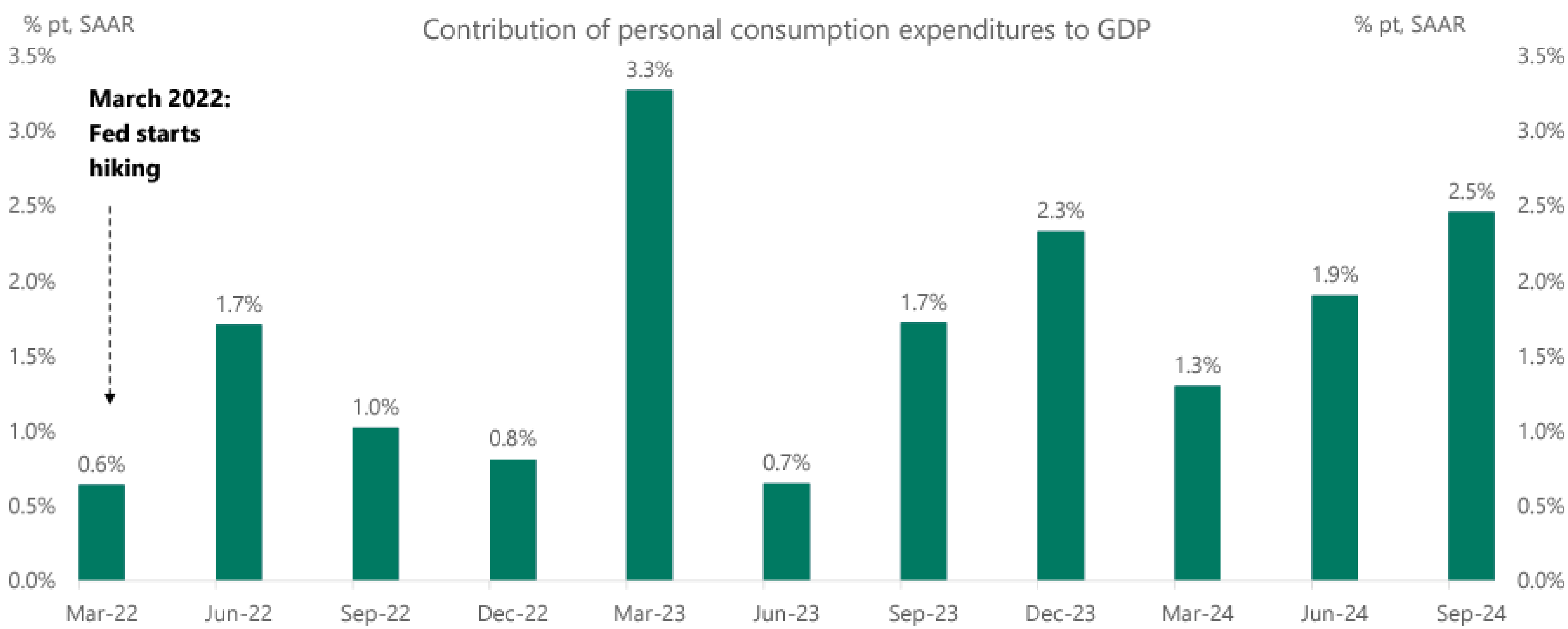


Source: BEA, Haver Analytics, Apollo Chief Economist

The Economy

Economic Resilience

- Economic growth has been driven by a strong labor market. Robust consumer–interest **rate hikes did not slow down consumer spending**.

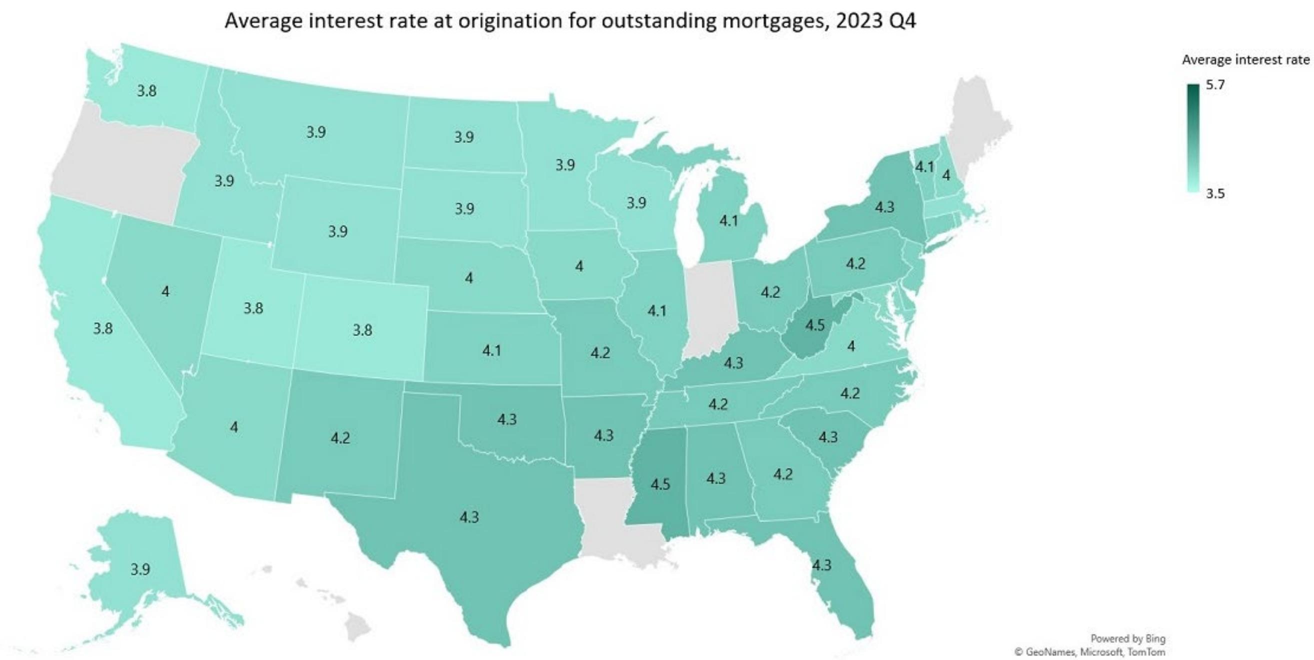


Source: BEA, Haver Analytics, Apollo Chief Economist.

The Economy

Economic Resilience

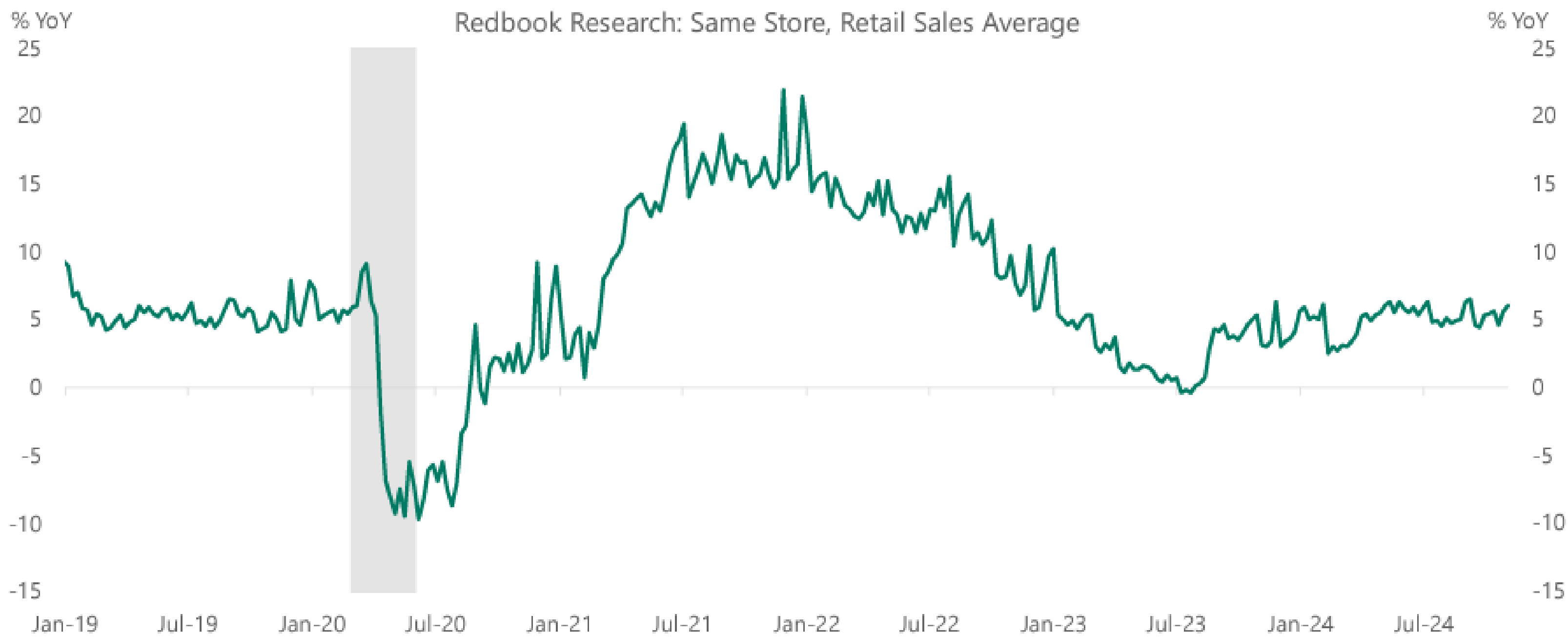
- **Nearly 90% of U.S. consumer debt is fixed rate** (mortgage, student, and auto loans). Many homeowners **locked in low rates** before the Fed started hiking: the **average interest rate** on outstanding **mortgages nationwide is currently ~4%.** Further, 40% of homeowners don't even have a mortgage.
- **The Fed's interest rate hikes had a limited impact on consumer spending.**



The Economy

Still Strong Consumer

- Same store retail sales growth remains strong, indicating ongoing consumer spending, helping to propel continued positive economic growth.

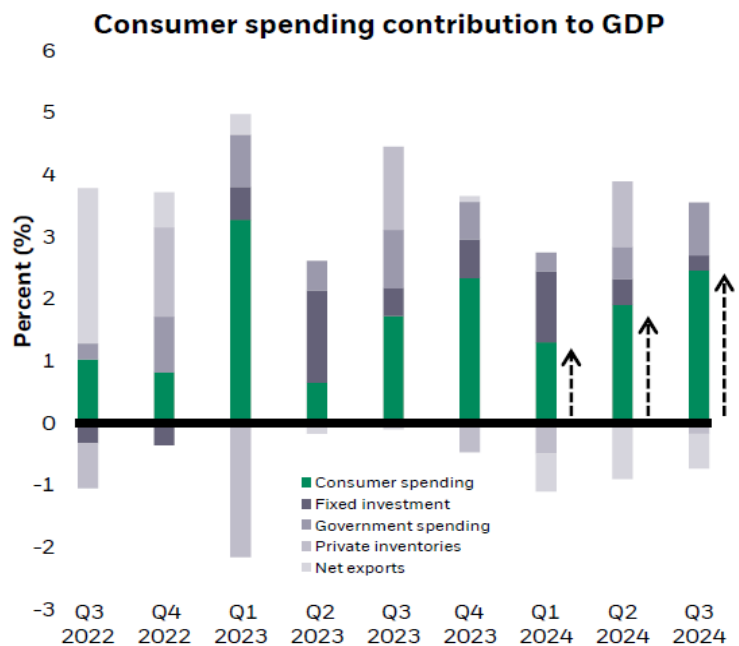


Source: Redbook, Haver Analytics, Apollo Chief Economist

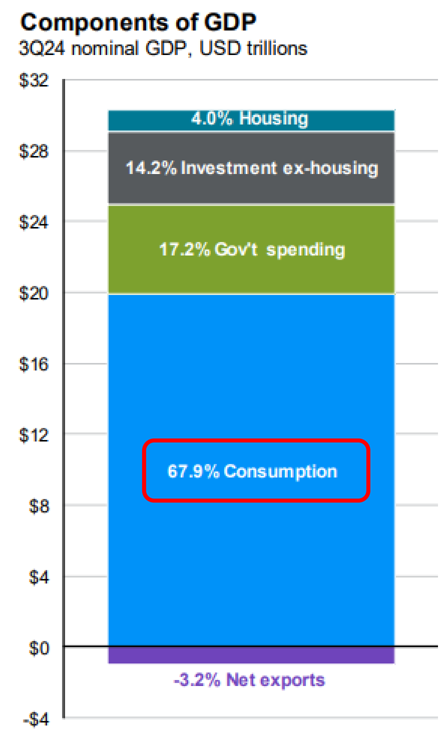
The Economy

Still Strong Consumer

- Strong retail sales growth, continued low jobless claims, rising average hourly earnings, and healthy US household balance sheets **indicate a strong consumer**.
- The importance of consumer spending cannot be overstated: it **makes up nearly 70% of U.S. GDP**



Source: Bureau of Economic Analysis for US GDP contributions, as of 9/30/2024.



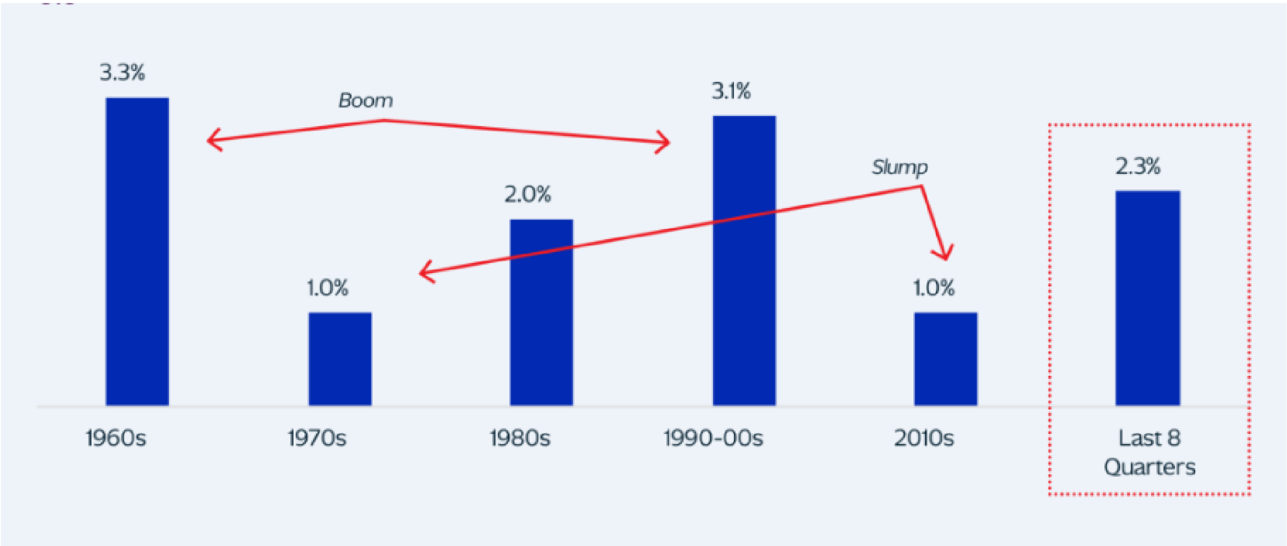
Source: BEA, FactSet

The Economy

Productivity Up

- Labor productivity has increased over recent quarters and relative to recent years.
- Stronger labor productivity is a key ingredient to extending the business cycle, which has been helped by investments in technology (AI particularly).

U.S. Annual Labor Productivity Growth, %

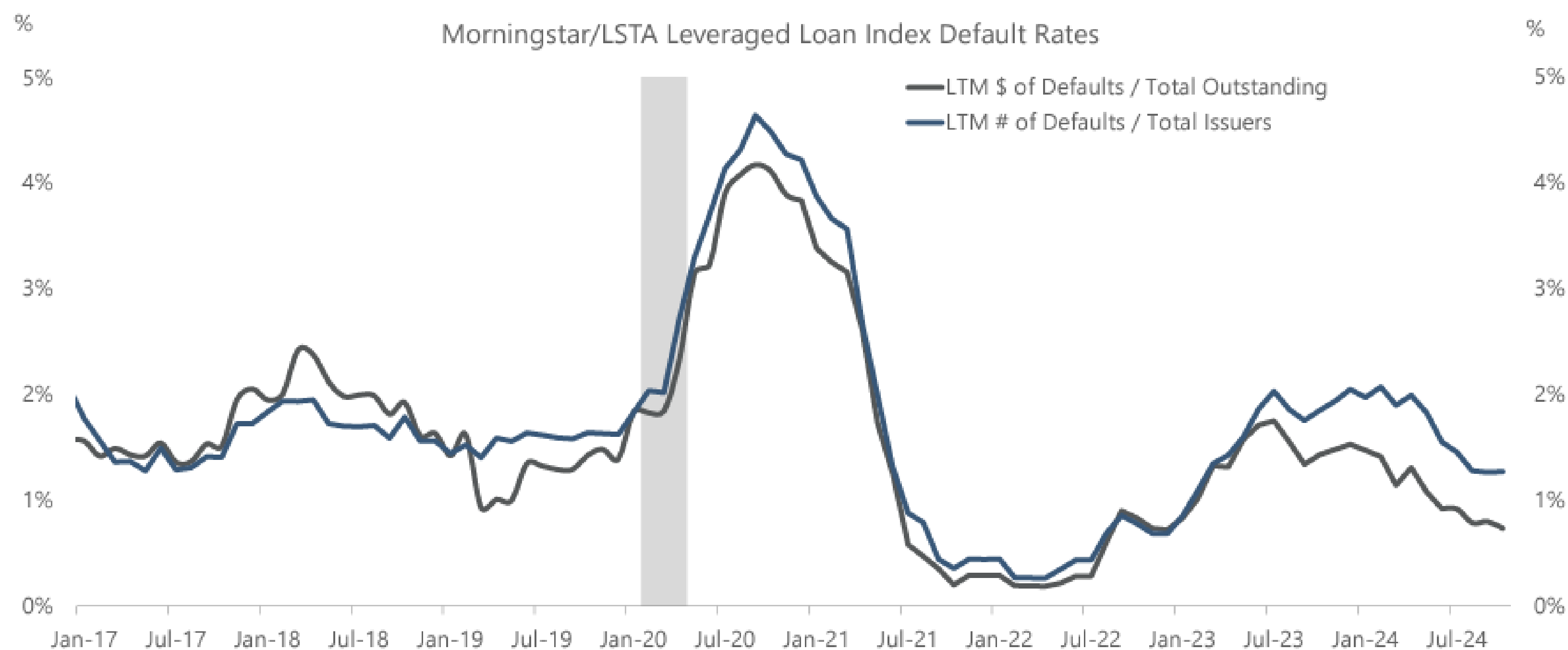


Note: 1960s refer to 1959-68; 1990s-00s refer to 1995-05; 1970s refer to 1973-79; 2010s refer to 2010-19; 1980s refer to 1980-88. Data as at October 31, 2024. Source: Bloomberg, Federal Reserve Bank of San Francisco.

The Economy

Default Rates Declining

- We have seen a steady decline in corporate default rates over recent months.
- **Supports positive economic outlook**: if the economy were declining, we would see default rates increasing.

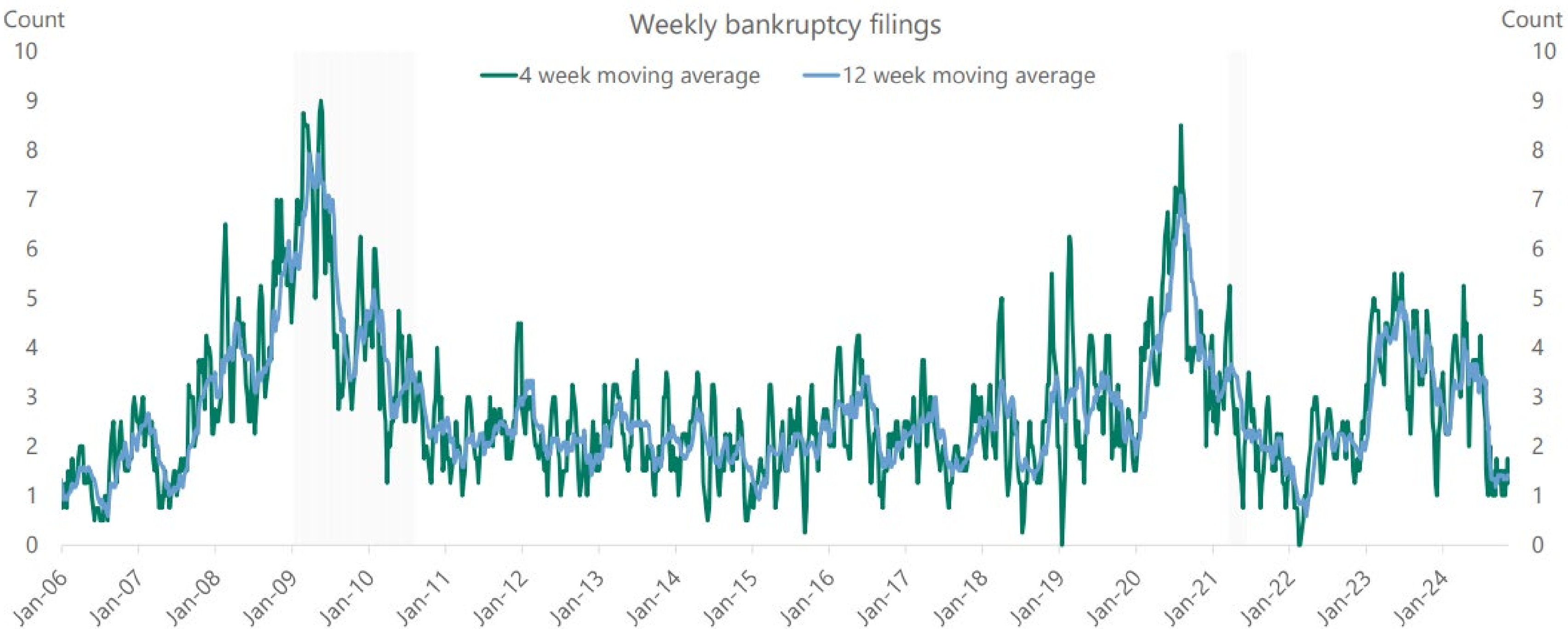


Source: PitchBook LCD, Apollo Chief Economist

The Economy

Bankruptcies Remain Low

- Weekly bankruptcy filings have trended lower.



Source: Bloomberg, Apollo Chief Economist. Note: Filings are for companies with more than $50mn in liabilities. For week ending on November 8, 2024.

The Economy

Capital Market Activity Rebounding

- Capital markets have begun to **recover but remain low** by historical measures.
- With a Fed rate-cutting cycle underway, political uncertainty largely behind us, and record amounts of dry powder on the sidelines, we anticipate **capital market activity and business investment to expand further**, a positive sign for economic growth.

Capital Markets Liquidity (TTM) as a % of GDP (IPO, HY Bond, leveraged Loan Issuance)

Data as at December 31, 2023. Source: KKR Global Macro & Asset Allocation analysis.

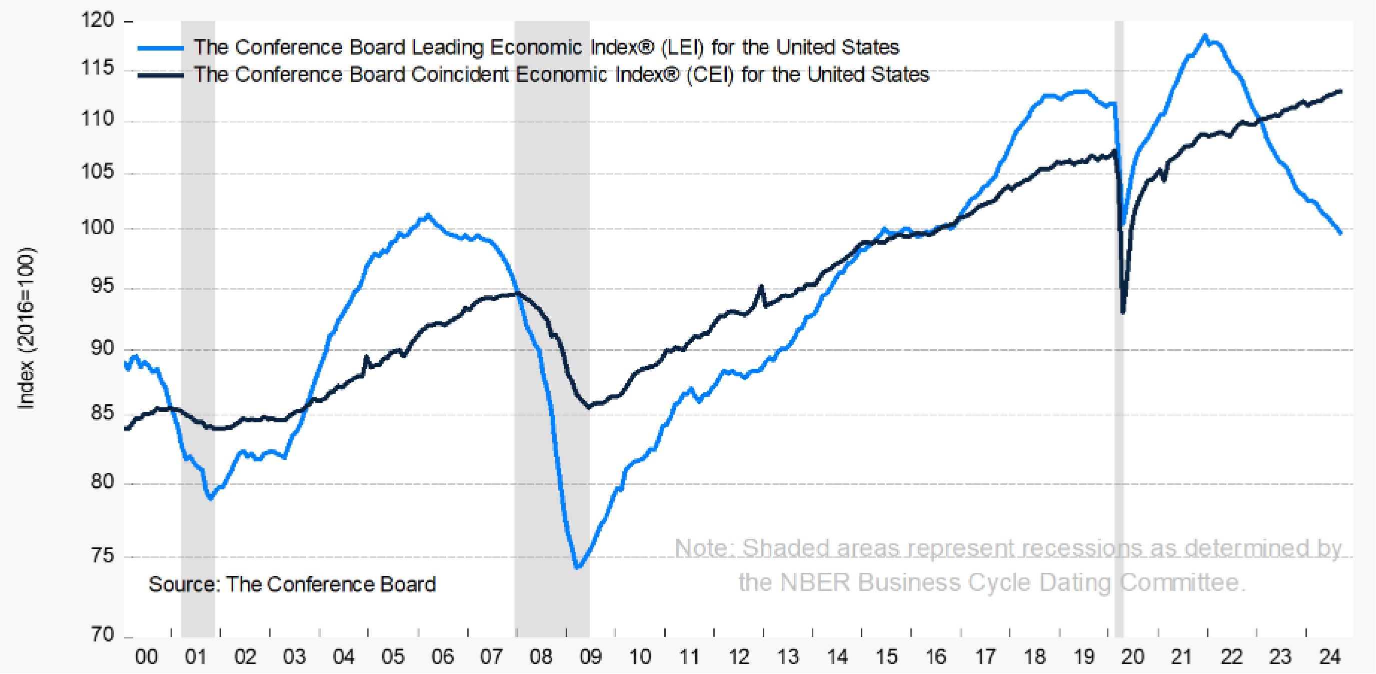
M&A Volume (TTM) as a % Of GDP

Data as at December 31, 2023. Source: KKR Global Macro & Asset Allocation analysis.

The Economy

LEIs Point to Slowing Growth

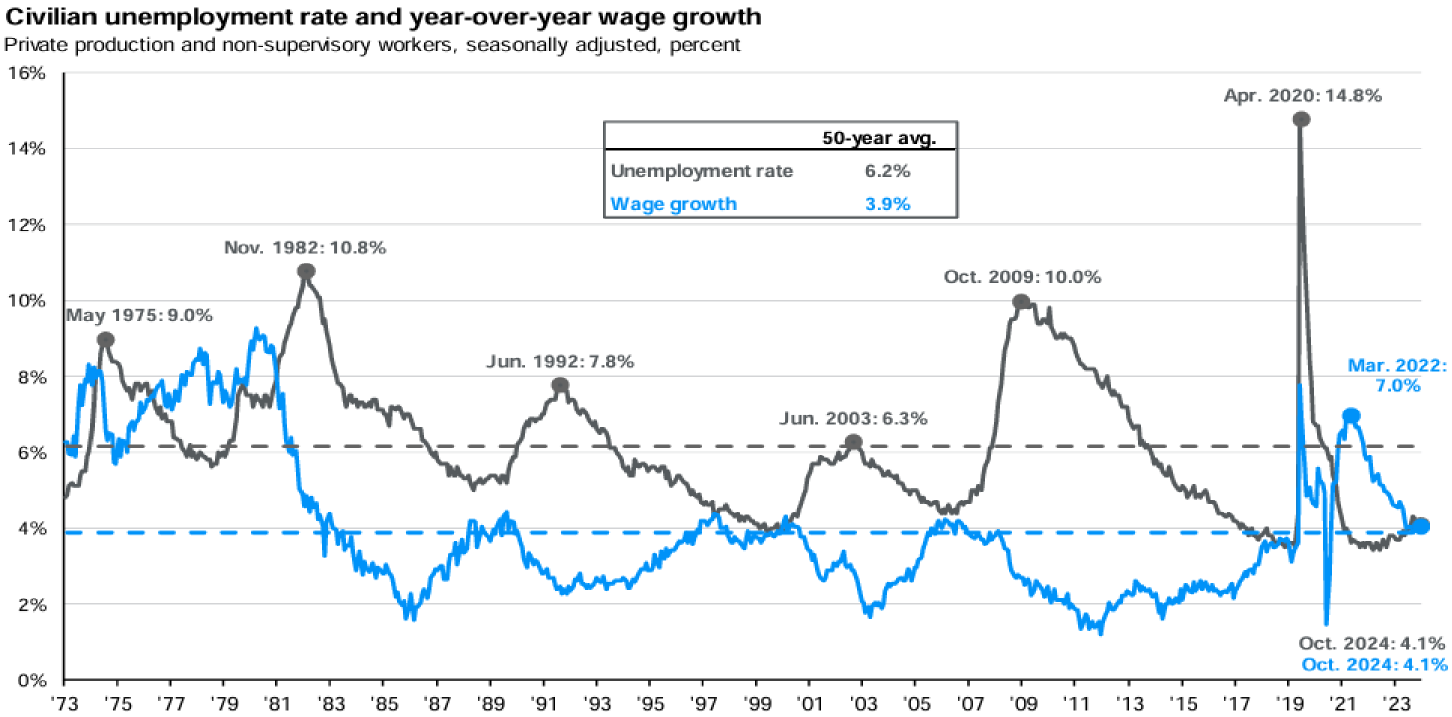
- While coincident economic indicators indicate ongoing economic growth, U.S. Leading Economic Indicators (LEI) suggest slowing growth in the months ahead.
- LEIs continue to signal uncertainty for economic activity, consistent with an expectation for moderating growth ahead to close out 2024 and into early 2025.



The Economy

Unemployment Trended Higher But Remains Low

- Labor market conditions have generally eased, with the unemployment rate trending higher but remains historically low.
- As labor market conditions have eased, wage growth has moderated.

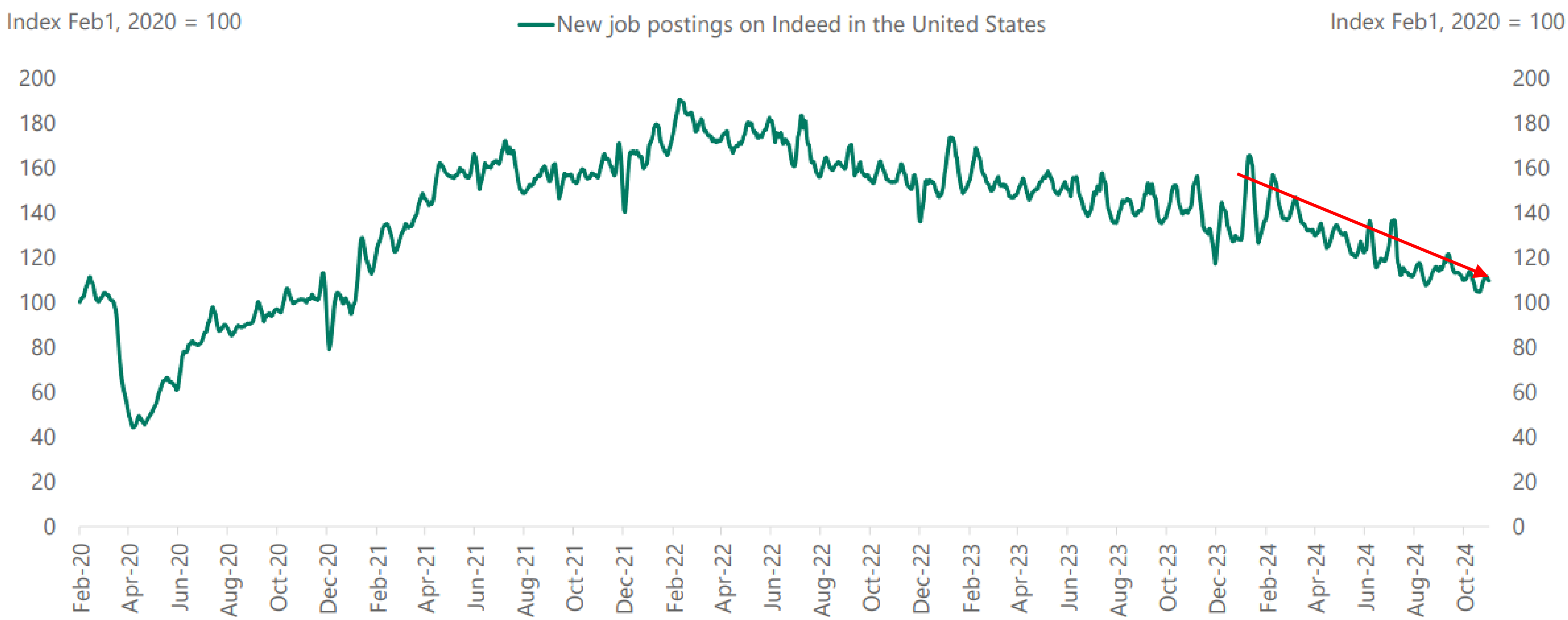


Source: BLS, FactSet, J.P. Morgan Asset Management.

The Economy

Labor Market Easing

- Daily job postings have been on a downward trajectory for some time.



Source: Indeed, Bloomberg, Apollo Chief Economist. Note: The data is seasonally adjusted

The Economy

Policy Implications of a Trump Administration

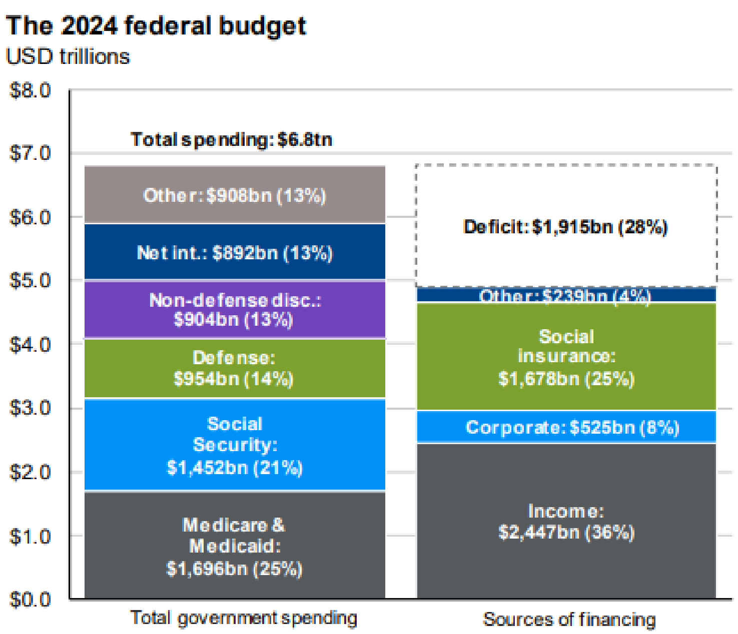
- Under a Trump administration, we expect an extension of the 2017 Tax Cuts and Jobs Act.
- Lower taxes: President-elect Trump has indicated a possible reduction in the corporate tax rate from 21% to 15%, and proposed no taxes on tips, overtime, and auto interest payments.
  - Tax law changes can be time-consuming, given the formal process required, and any changes may not realistically be passed until the summer of 2025.
- Higher Tariffs: President-elect Trump campaigned to raise tariffs on goods imported into the U.S., particularly from China.
  - Increasing tariffs may increase government income, though the increased cost is often passed on to the consumer. It may also incentivize the onshoring of manufacturing to the U.S., though that will occur over time, given the significant investment required.

➢ Economists generally consider these policies will be on net inflationary.

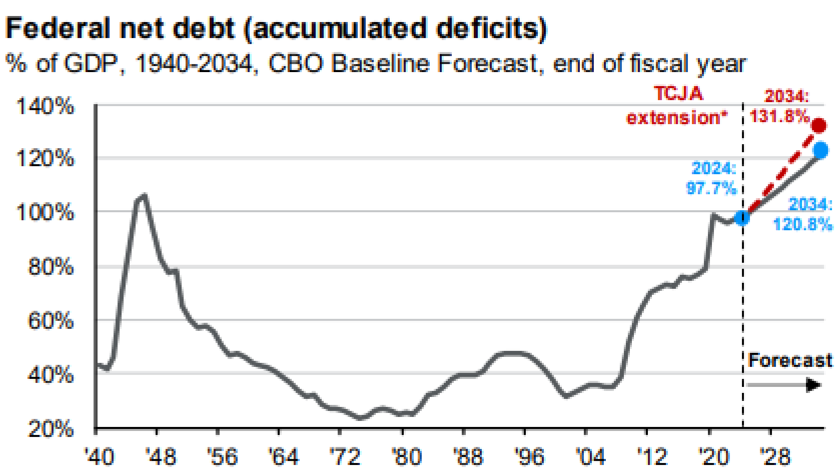
The Economy

Fiscal Situation

- Under current policies, U.S. Govt. debt is forecast to expand in the years ahead.
- For now, the market seems ok kicking the proverbial can down the road.
- DOGE aims to reduce govt. spending and waste; TBD how material these will be, but the reality is additional reforms are likely needed in the years ahead.



Source: CBO,



Source: CBO, J.P. Morgan Asset Management, BEA, Treasury Department

The Economy

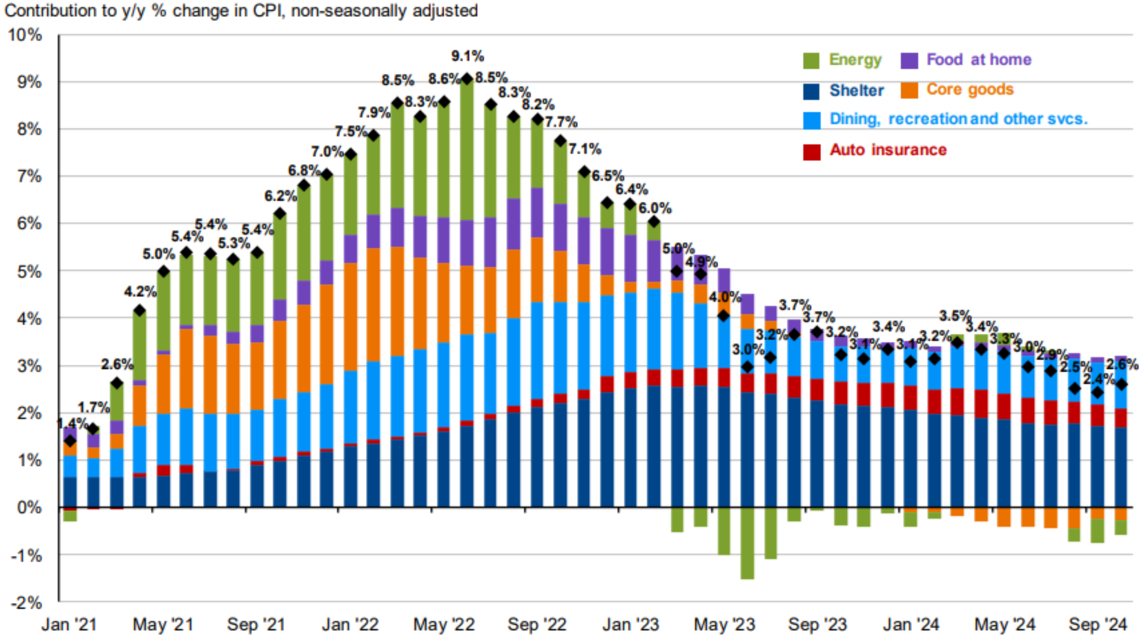
Inflation Lower But Above the Fed's Target

- **Inflation measures have trended lower** but remain above the Fed's long-term target of 2%. The "last mile" of inflation has proved to be challenging.

- Shelter costs may improve in the near term, and labor market rebalancing may put downward pressure on services inflation.

Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



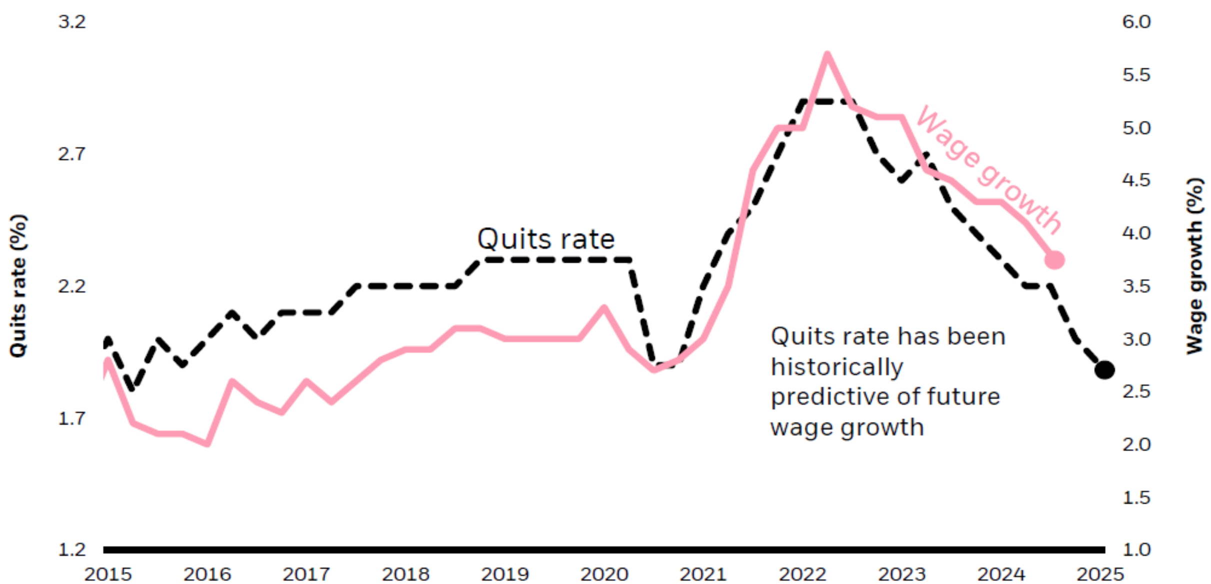
Source: BLS, FactSet

The Economy

Easing Labor Market May Moderate Inflation

- Ongoing easing of labor market conditions may **moderate wage inflation and, in turn, consumer spending and overall inflation**.
- …which may provide the Fed with cover to continue cutting rates.

Quits rate (6-month lead) vs wage growth



Sources: BlackRock, Bloomberg. Bureau of Labor Statistics, as of 9/30/2024. US JOLTS Quits Rate Index, Employment Cost Index for Private Industry Workers Year-over-Year Not Seasonally Adjusted.

The Economy

Fed Policy: Easing Cycle Underway…But Not Too Easy

- 2024 economic growth is likely to exceed the Fed’s most recent economic projection (“dot plot” forecasts in September 2024), and inflation may come in a bit higher.
- The Fed’s forecasts indicate **one more 0.25% rate cut is likely in December,** followed by four 0.25% rate cuts in 2025.
- The **market is only pricing in two or three 0.25% cuts in 2025**.
- Given the better-than-expected economic backdrop, **the Fed may revise its expectations for less rate cuts next year.**

Economic projections of Fed Board members & Fed Bank presidents, September 2024

Percent

Variable	Median[1]				
	2024	2025	2026	2027	Longer run
Change in real GDP	2.0	2.0	2.0	2.0	1.8
June projection	2.1	2.0	2.0		1.8
Unemployment rate	4.4	4.4	4.3	4.2	4.2
June projection	4.0	4.2	4.1		4.2
PCE inflation	2.3	2.1	2.0	2.0	2.0
June projection	2.6	2.3	2.0		2.0
Core PCE inflation[4]	2.6	2.2	2.0	2.0	
June projection	2.8	2.3	2.0		
Memo: Projected appropriate policy path					
Federal funds rate	4.4	3.4	2.9	2.9	2.9
June projection	5.1	4.1	3.1		2.8

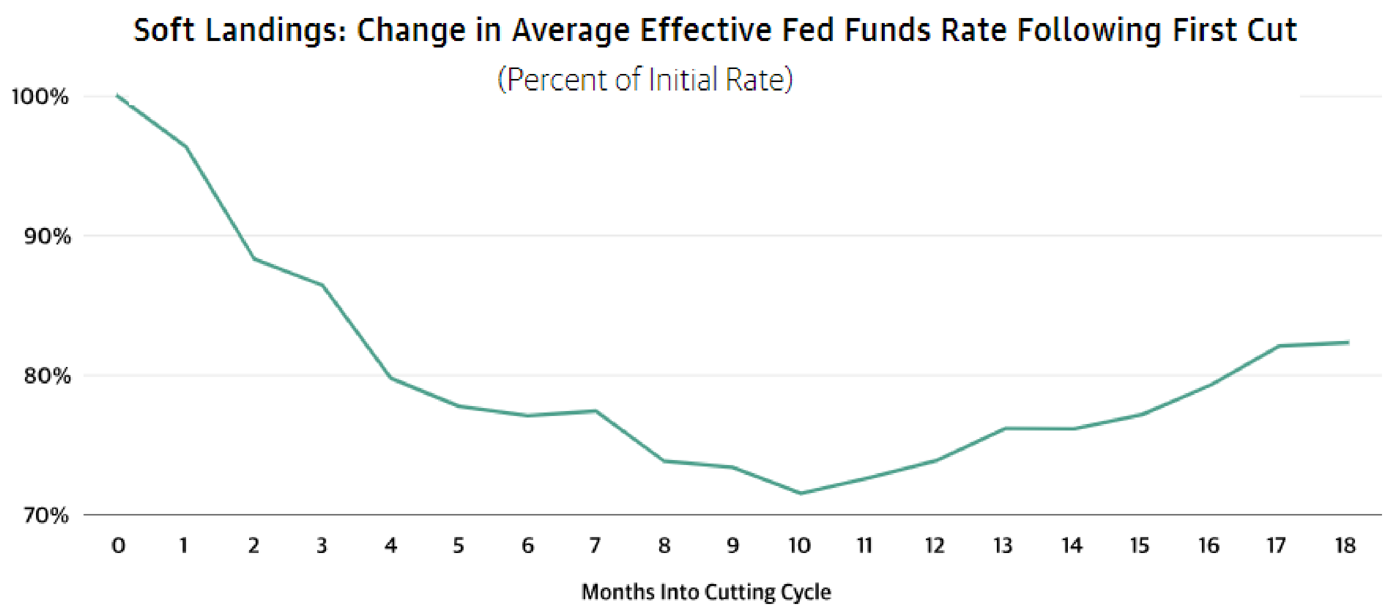
Source: Federal Reserve

The Economy – Fed Policy

How Much Will the Fed Cut?

- In prior instances of soft-landing rate-cutting cycles, **Fed cuts were relatively shallow,** and the Fed pivoted back to rate hikes about 10 months into the cutting cycle.

- Based on historic precedent and the economy's resilience, **rates may not be cut as aggressively as previously thought.**

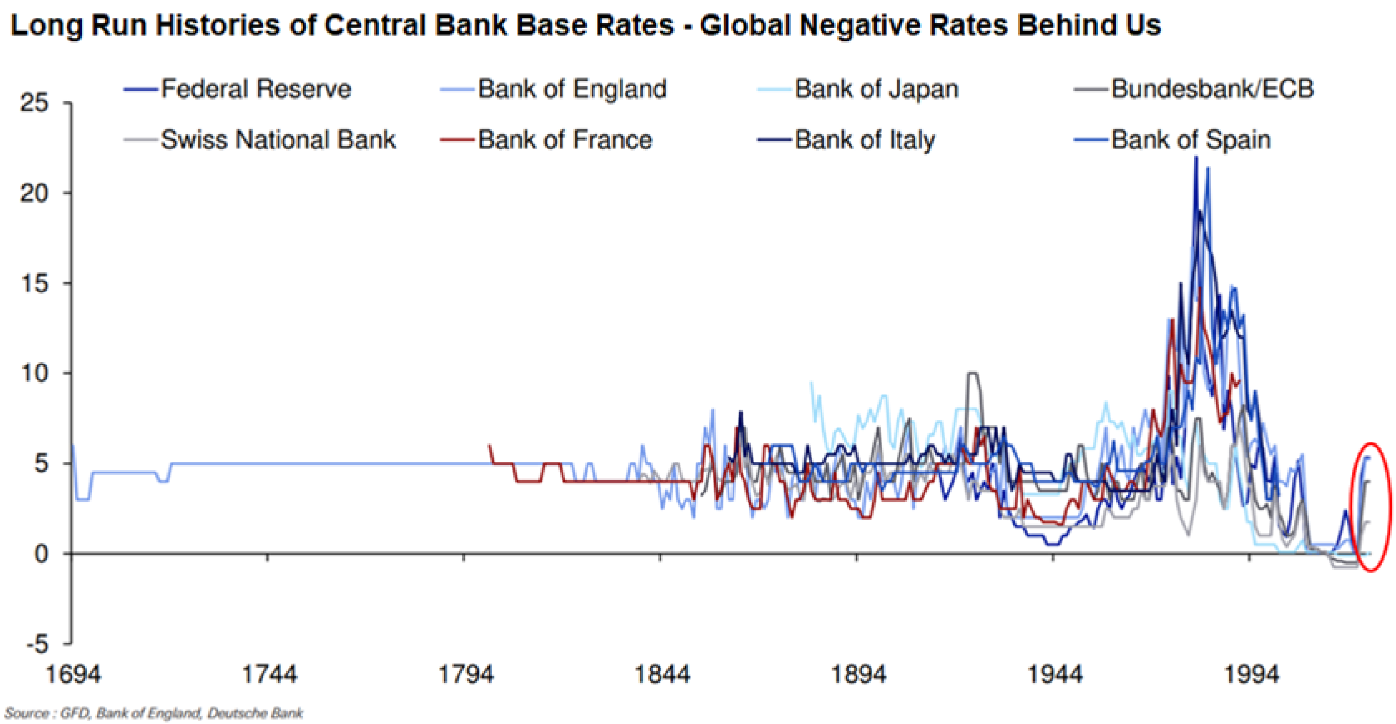


Source: Blackstone Investment Strategy Calculations, US Federal Reserve, and Bloomberg.

The Economy – Fed Policy

New Phase for Monetary Policy

- While interest rate cuts are underway, we believe we have entered a longer-term **structural shift for global monetary policy**. Gone are the post-2008 days of zero interest rates or negative central bank base rates. Expect **higher interest rates in the years ahead** relative to post-2008 through 2021.



Part 3:

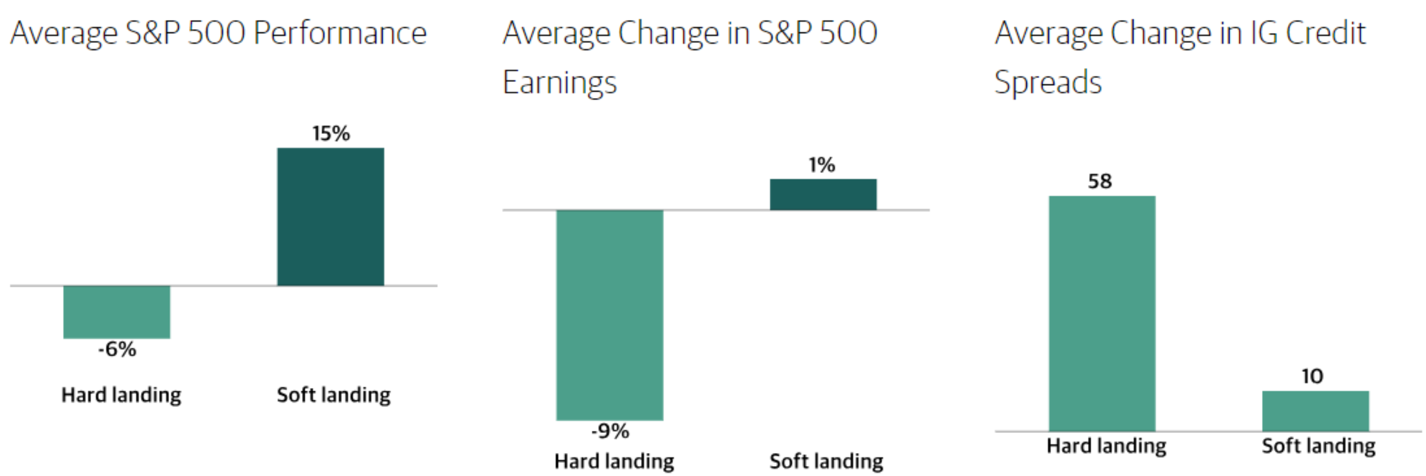
OUTLOOK

Outlook

Soft Landings Supportive

- **The "why" behind Fed rate cuts matters.** Modest reductions in rates under soft landing scenarios tend to be **supportive to the stock market and credit** (our base case).
- If the Fed cuts longer and deeper under a hard landing outcome (not our base case), stocks may come under pressure.

In the 12 Months Following the First Cut

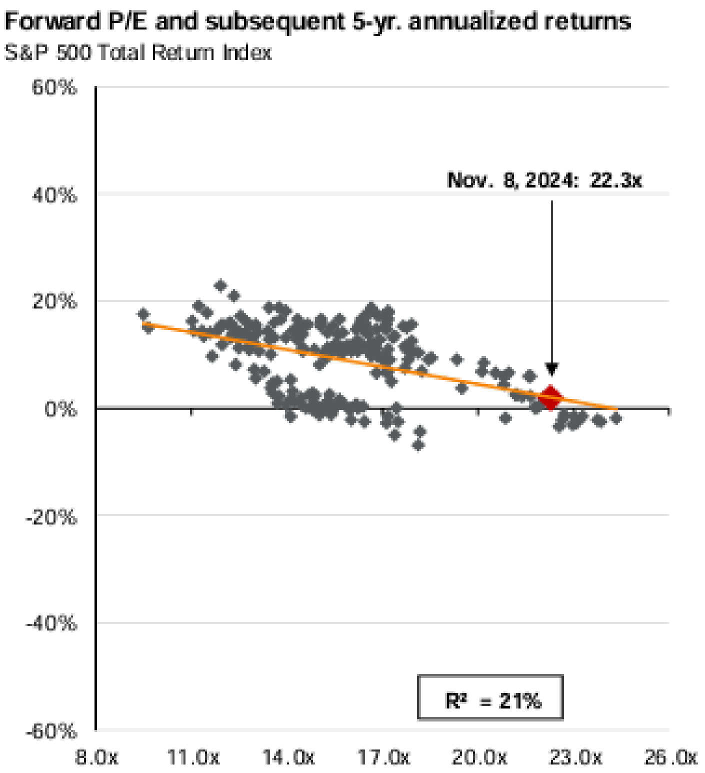


Source: Bloomberg, Standard & Poor's and Macrobond.

Outlook

Cautious on Valuations

- The stock market is expensive relative to historic averages, across most metrics.
- Today's Price-to-Earnings (P/E) ratio **implies more moderate annualized returns for the S&P 500 in the years ahead.**
- Higher relative interest rates may also act to moderate stock returns.



S&P 500 Index

Valuation measure	Description	Latest	30-year avg.*	Std. dev. over/under-valued
P/E	Forward P/E	22.30x	16.73x	1.71
CAPE	Shiller's P/E	35.08x	28.03x	1.15
Div. Yield	Dividend yield	1.30%	1.98%	1.93
P/B	Price to book	4.61x	3.18x	1.73
P/CF	Price to cash flow	17.07x	11.29x	2.46
EY Spread	EY minus Baa yield	-1.04%	0.05%	0.59

As of 11/8/2024

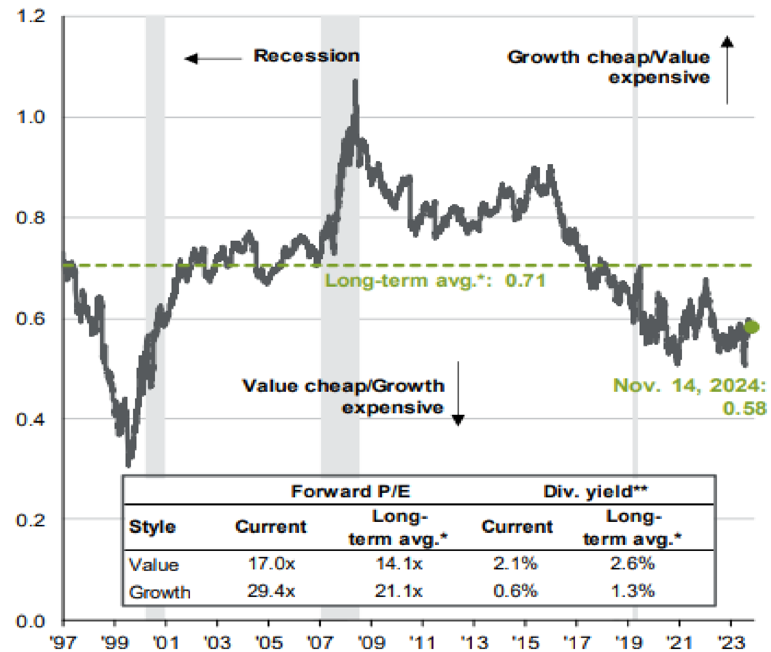
Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.

Outlook

Value vs. Growth

- Growth stocks have outperformed recently, while Value stocks have outperformed over the last 3-years. Value appears relatively cheap.
- Interest rate environment infers similar moderated performance for Growth and Value.

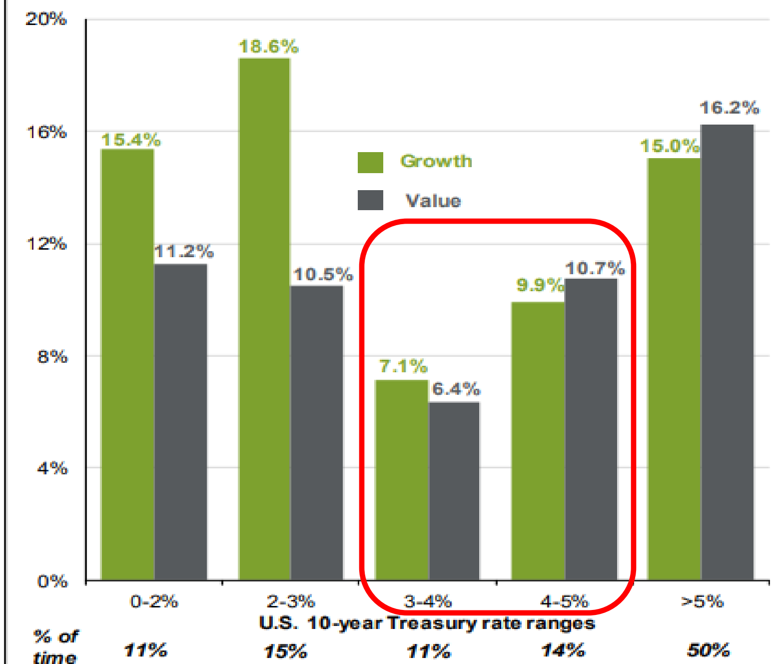
Value vs. Growth relative valuations
Rel. fwd. P/E ratio of Value vs. Growth, 1997 - present



Style	Forward P/E Current	Forward P/E Long-term avg.*	Div. yield** Current	Div. yield** Long-term avg.*
Value	17.0x	14.1x	2.1%	2.6%
Growth	29.4x	21.1x	0.6%	1.3%

Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.

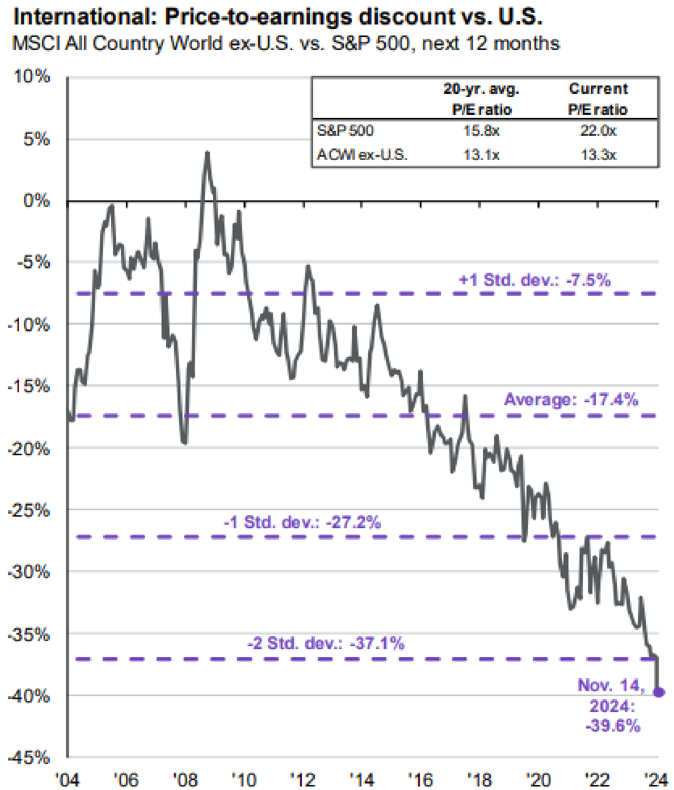
Value vs. Growth in different interest rate environments
Annualized total return by 10-year Treasury rate ranges, 1979 - present



Outlook

International Valuations Relatively Cheap

- International stocks are currently trading at **historical discounts** to the U.S. market and offer **higher dividend yields**.



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

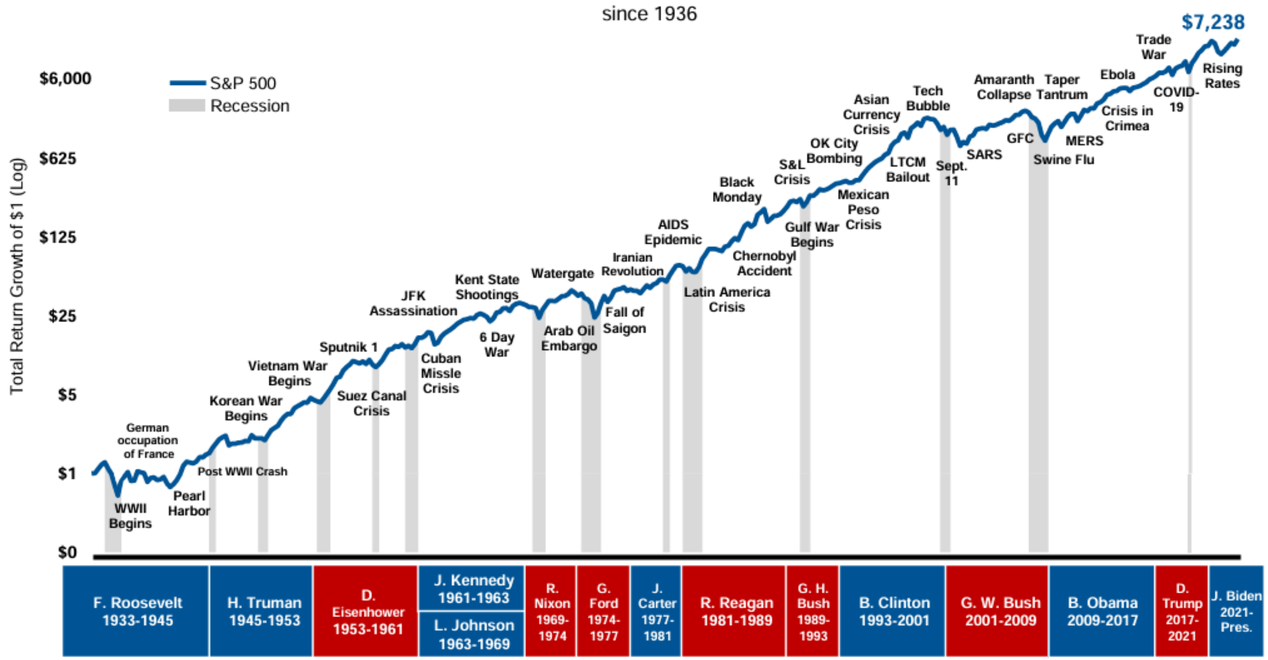
Outlook

U.S. Election

- There is no statistical evidence that elections impact the long-term trend of the stock market, **regardless of which political party wins the White House.**
- The President is **just one factor** that impacts market returns: interest rates, productivity, technological advances, and other factors all have a large bearing on the stock market.

S&P 500 Growth of $1

since 1936



U.S. Stocks: S&P 500 Index as of 12/31/2023. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

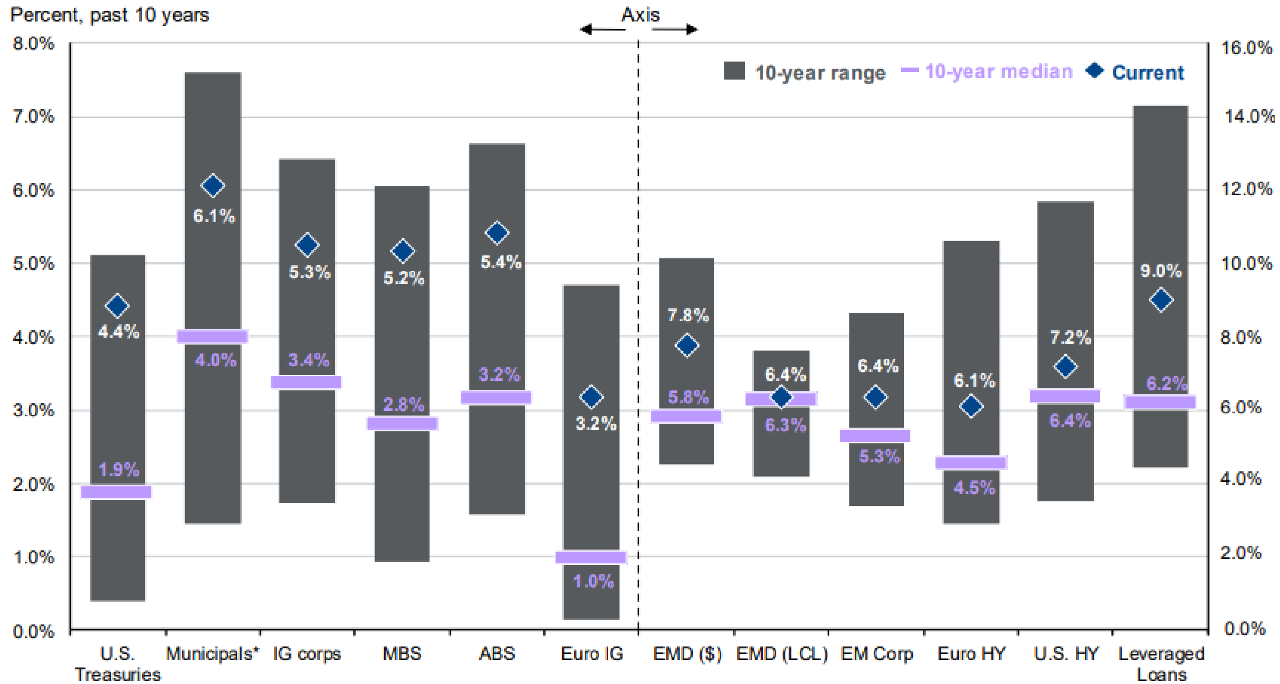
Outlook

Bond Yields Attractive

- **Current bond yields are attractive** relative to recent history, and bond prices may be supported as the Fed continues to cut rates.
- Many of our bond funds are yielding mid- to high-single digits.

Yield-to-worst across fixed income sectors

Percent, past 10 years



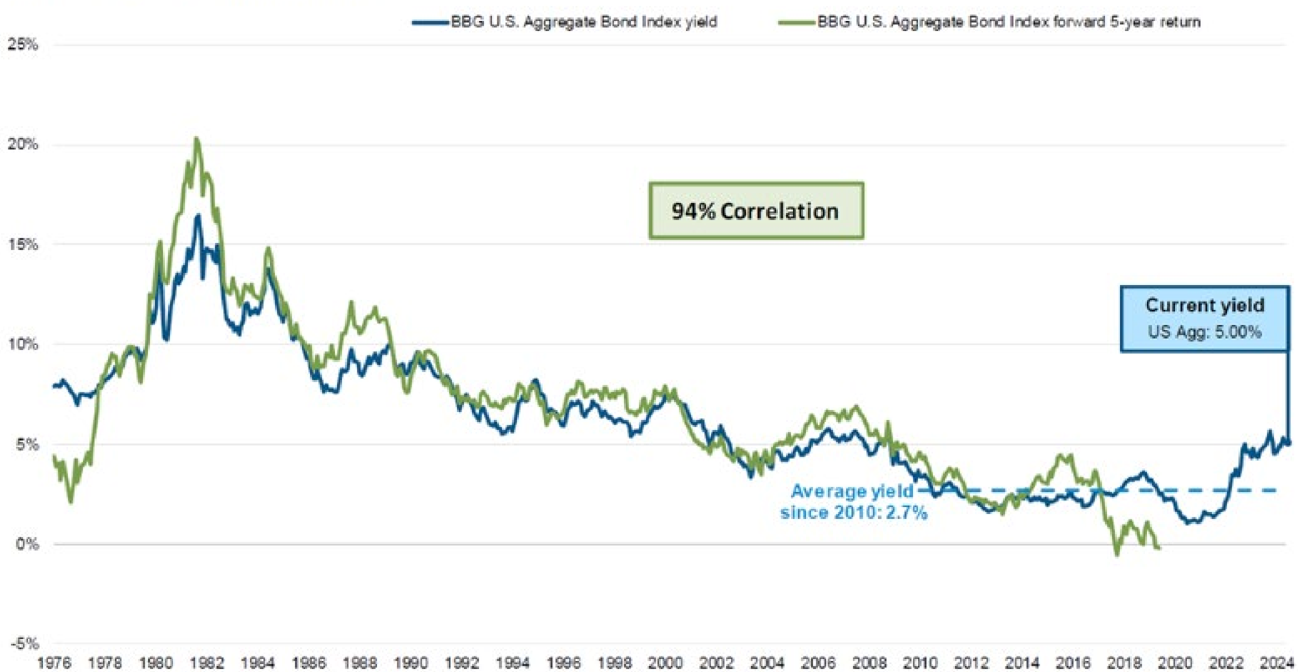
Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management

Outlook

Bond Yields Attractive

- The **current yield is the strongest determining factor** for forward-looking bond returns.

Yield vs. 5-year forward return



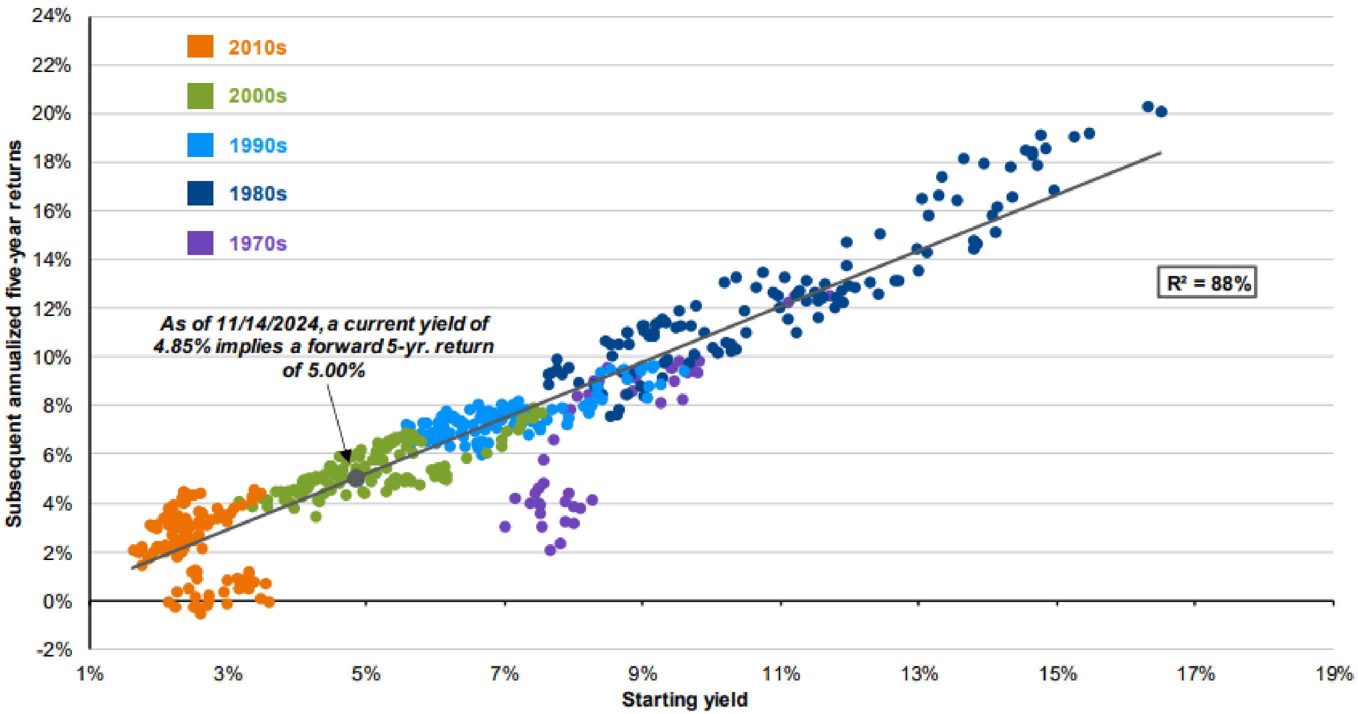
As of 30 June 2024. Source: Bloomberg, PIMCO
Past performance is not a guarantee nor a reliable indicator of future performance. Chart is provided for illustrative purposes only and is not indicative of the past or future performance of any PIMCO product.
Yield and return are for the Bloomberg U.S. Aggregate Bond Index. It is not possible to invest directly in an unmanaged index.

Outlook

Bond Yields Attractive

- The current yield on core fixed income infers a **healthy mid-single-digit forward-looking return expectation**.

Yield-to-worst and subsequent 5-year annualized returns
Bloomberg U.S. Aggregate Total Return Index



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.

Outlook - Alternatives

Private Equity

- We believe private equity offers **attractive upside return potential.** Private Equity has historically **outperformed public stock market equivalents, with less volatility** over time.

Real Assets

- Real Estate has **cycled capitalization rate increases** and we are **positive on the outlook moving forward**, particularly for residential, industrial logistics, medical office, data centers, and select other exposures.
- We believe infrastructure offers investors long-term **consistency in returns and yield**, in assets like power and utilities, ports, airports, toll roads, data centers, cell towers, and fiber networks. **Trillions of dollars in spending are required in these infrastructure areas over the coming years** to sustain ongoing economic growth.

Direct Credit

- We consider it to be a **favorable environment for direct lending strategies**, with still high interest rates driving increased current yield. **Business fundamentals continue to be robust**, supporting credits.

Disclosures

The information in this presentation is subject to change without notification. Certain statements contained within are forward-looking, including, but not limited to, statements that predict or indicate future events, trends, plans, or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties. Although the opinions expressed are based upon assumptions believed to be reliable, there is no guarantee that they will come to pass. This information may change at any time due to market or other conditions.

International investing entails special risk considerations, including currency fluctuations, lower liquidity, economic and political risks, and differences in accounting methods. Diversification cannot ensure a profit or protect against a loss.

Investments in commodities may be affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, and international economic and political developments. Commodities are volatile investments and should form only a small part of a diversified portfolio. The use of derivative instruments may add additional risk. An investment in commodities may not be suitable for all investors.

Diversification helps spread risk throughout your portfolio, so investments that perform poorly may be balanced by others that perform relatively better. Neither diversification nor rebalancing can ensure a profit or protect against a loss.

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Fixed-income securities carry interest rates, inflation, and credit and default risks. Any fixed-income security sold or redeemed before maturity may be subject to a substantial gain or loss. Interest income generated by municipal bonds is generally expected to be free from federal income taxes and, if the bonds are held by an investor resident in the state of issuance, state and local income taxes. Such interest income may be subject to federal and/or state alternative minimum taxes. Investing in municipal bonds to generate tax-exempt income may not be appropriate for investors in all tax brackets. Short- and long-term capital gains and gains characterized as market discounts recognized when bonds are sold or mature are generally taxable at both the state and federal levels. Short- and long-term losses recognized when bonds are sold or mature may generally offset capital gains and/or ordinary income at the state and federal levels.

Fixed income yields are based on Bloomberg indices and from the following sources: US Treasury, FactSet, PIMCO, JP Morgan Asset Management, and are represented by Broad Market, U.S. Treasuries, Municipals, U.S. Corporate bonds, MBS, ABS, Euro Corporates, Emerging Markets Debt, Emerging Markets Corporates, U.S. High Yield, Euro High Yield, Leveraged Loans. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting and considers factors like call provisions, prepayments, and other features that may affect the bonds' cash flows.

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