SVB Asset Management

Quarterly Economic Report

1st Quarter 2024

SVB Asset Management views on economic and market factors affecting global markets and business health

Quarterly Economic Report
Published in Q1 2024 | Data for Q4 2023

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OVERVIEW

Key Takeaways

- The Federal Reserve had a dovish pivot in December 2023 and downgraded its assessment of the economy, indicating growth has “slowed from its strong pace.”
- GDP decelerated and was down across the board. For the full year 2023, GDP growth was 2.5%, with personal consumption and domestic investment contributing heavily.
- Board Chairman Jerome Powell admitted that the Federal Open Market Committee (FOMC) is likely done raising rates. He also noted that the next consideration is when it will be appropriate to start to lower rates from current restrictive levels.
- Major equity market indices delivered strong gains this past year as investors became more confident that the Fed may be finished raising interest rates to combat inflation and possibly cut rates in the coming months.

The FOMC’s outlook reflects a dovish pivot.

The Fed downgraded its economic assessment and softened its tone on inflation as it maintained the fed funds range of 5.25%-5.50% in December 2023.

Expectations for rate cuts in 2024 have been accelerated.

With no further hikes on the horizon and inflation on a decline, the market is predicting rate cuts as soon as the first half of 2024.

Inflation has continued to decline.

Core personal consumption expenditures (PCE) — the Fed’s preferred inflation indicator — rose 3.2% on a year-over-year (YoY) basis, which is down from 4.6% in December 2022.

Credit metrics remain solid despite economic uncertainty.

Industrial corporate credit metrics remain healthy, and most companies are well-positioned for the year ahead.

Global central bank rates are expected to decline in 2024.

With markets pricing in multiple interest rate cuts, the rate advantage of the USD over foreign currencies is projected to narrow.

The bond market was volatile in 2023.

Market sentiment on the bond market sector changed as expectations for a soft landing and an end to Fed tightening caused yields to dive lower, helping to boost the sector’s performance in the fourth quarter.

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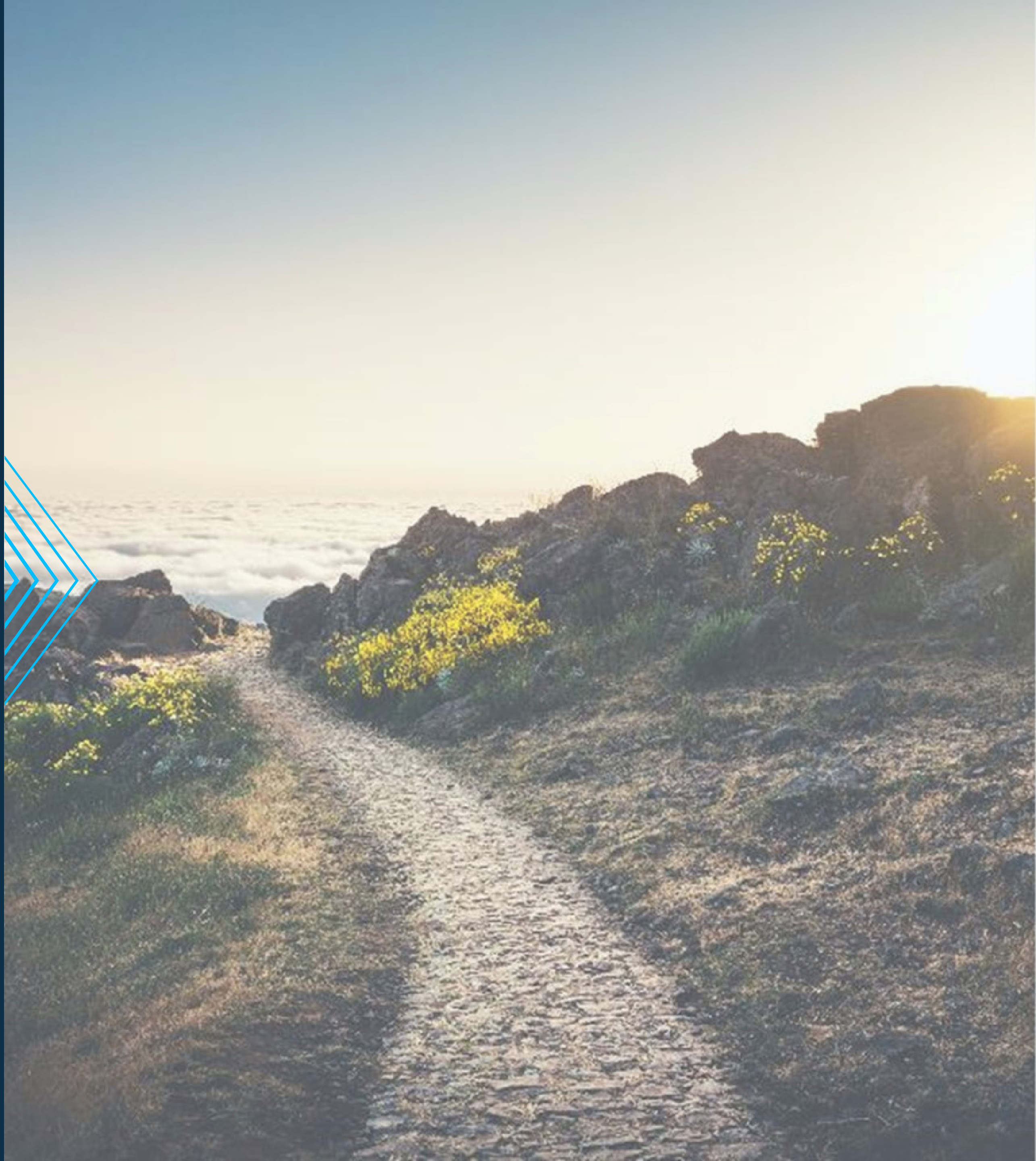
Domestic Economy



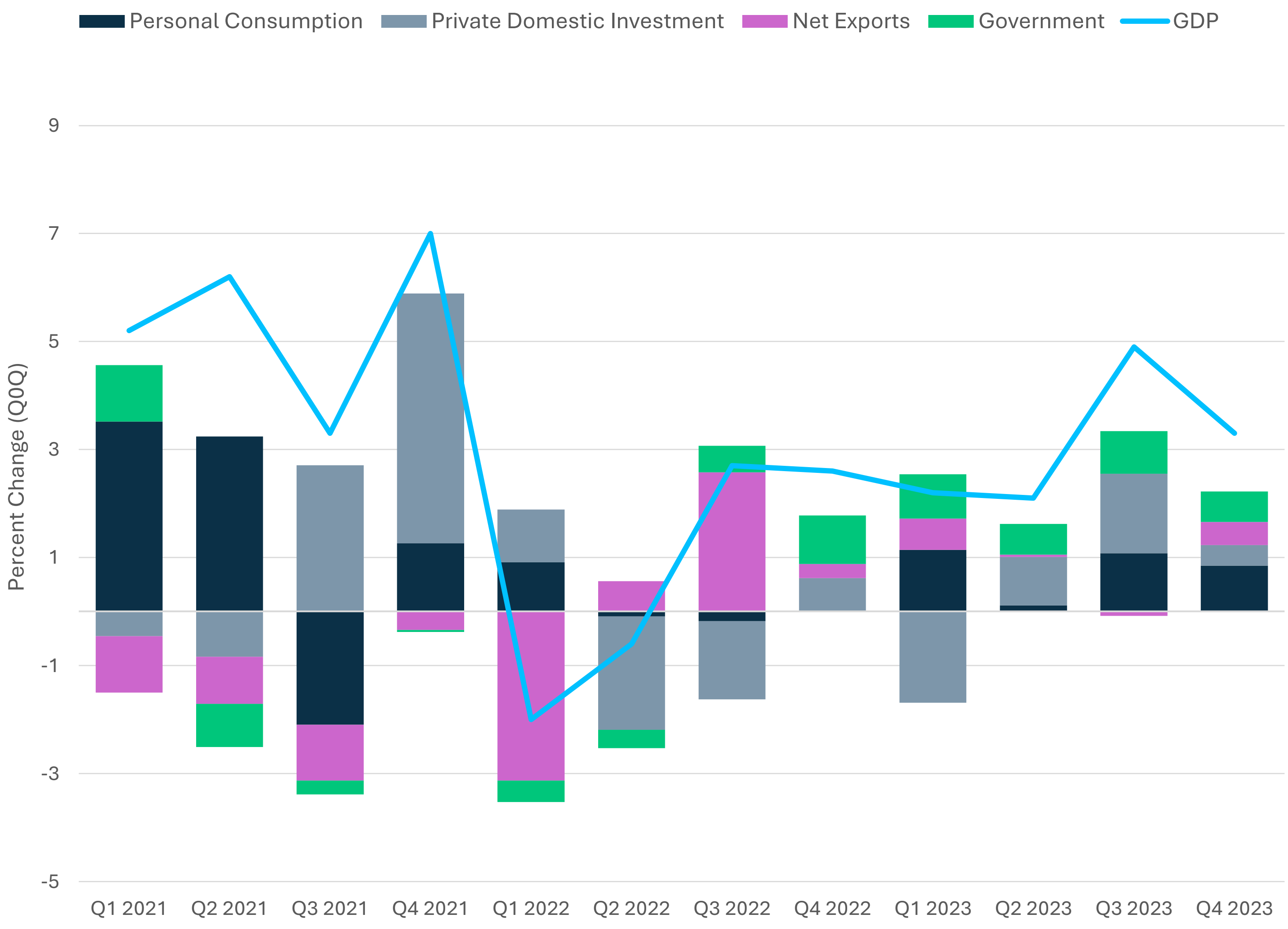
GDP: Deceleration Across the Board

The annualized rate for Q4 2023 GDP was 3.3% quarter-over-quarter (QoQ), down from 4.9% in Q3 2023. This deceleration reflected slowdowns in personal consumption and private domestic investment.

For the full year 2023, GDP growth was 2.5%, with personal consumption and domestic investment contributing heavily.

Growth is expected to be resilient in 2024, with market consensus showing expectations for 2.2% for Q1 2024 and 1.7% for Q2 2024.

GDP and Components

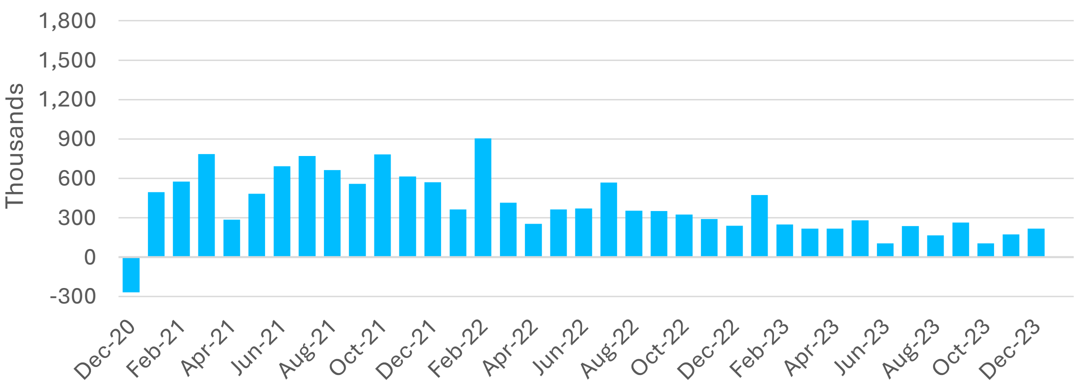


Source: Bureau of Economic Analysis, Congressional Budget Office and SVB Asset Management. Data as of 01/25/2024. 2022 and 2023 data points are estimates. GDP values shown in graph are percent change vs. prior quarter on an annualized basis.

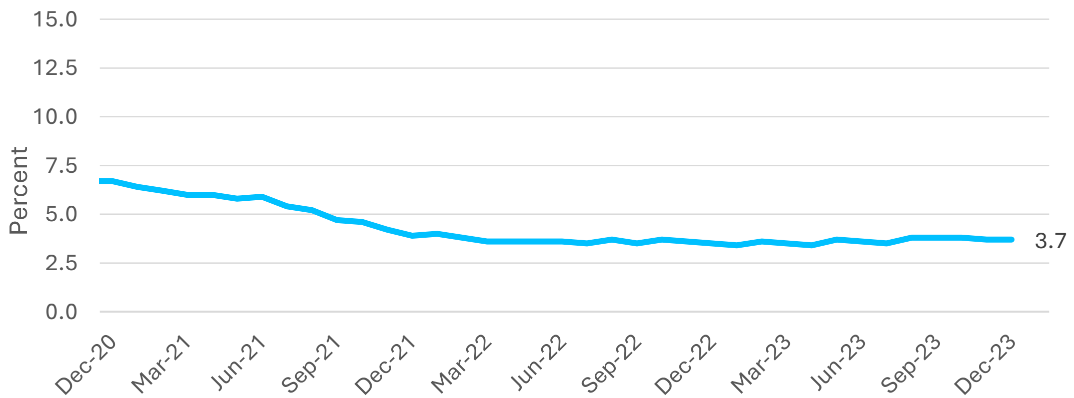
Employment: Showing Signs of Slight Deceleration

During Q4 2023, the average number of jobs grew by approximately 164,000 per month. The unemployment rate decreased from 3.8% at the end of September to 3.7% at the end of December, and there continue to be more jobs available (~9.6 million) than unemployed Americans (~6.3 million).

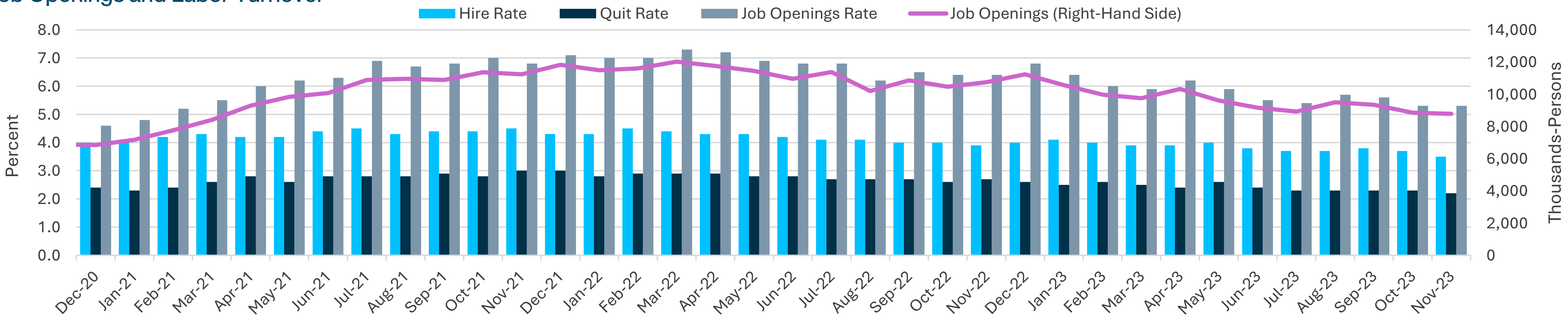
Non-Farm Payrolls



Unemployment Rate



Job Openings and Labor Turnover



Source: US Bureau of Labor Statistics, Bloomberg and SVB Asset Management. Data as of 01/25/2024.

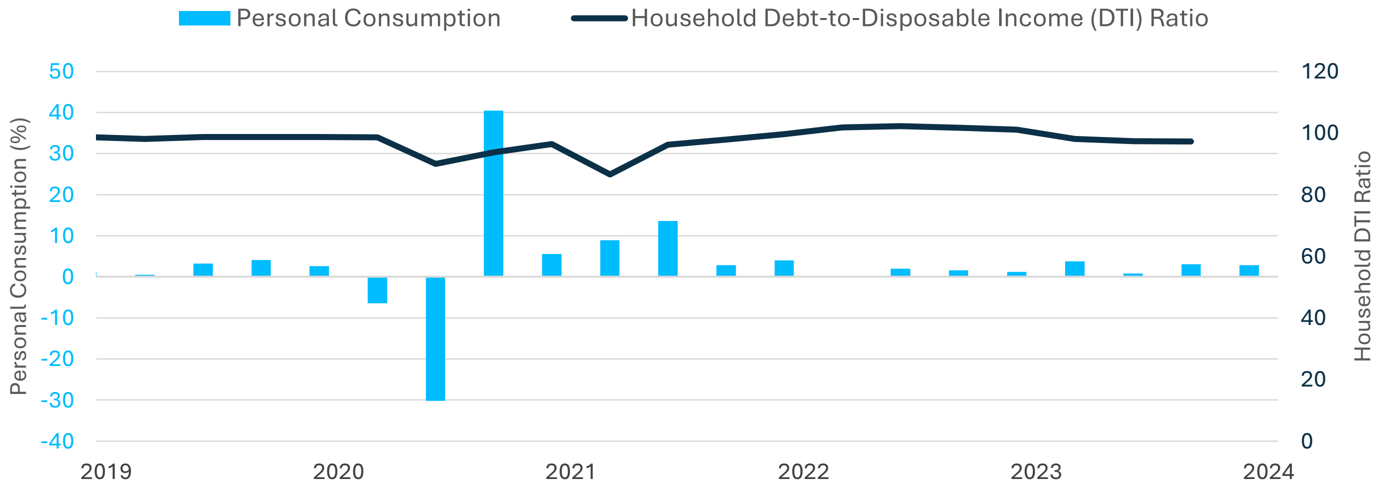
Consumption: Solid Consumer Spending

Personal consumption for Q4 2023 increased 2.8% from the prior quarter and increased 2.6% on a YoY basis. Market expectations are that personal consumption will moderate to 1.5% in Q1 2024.

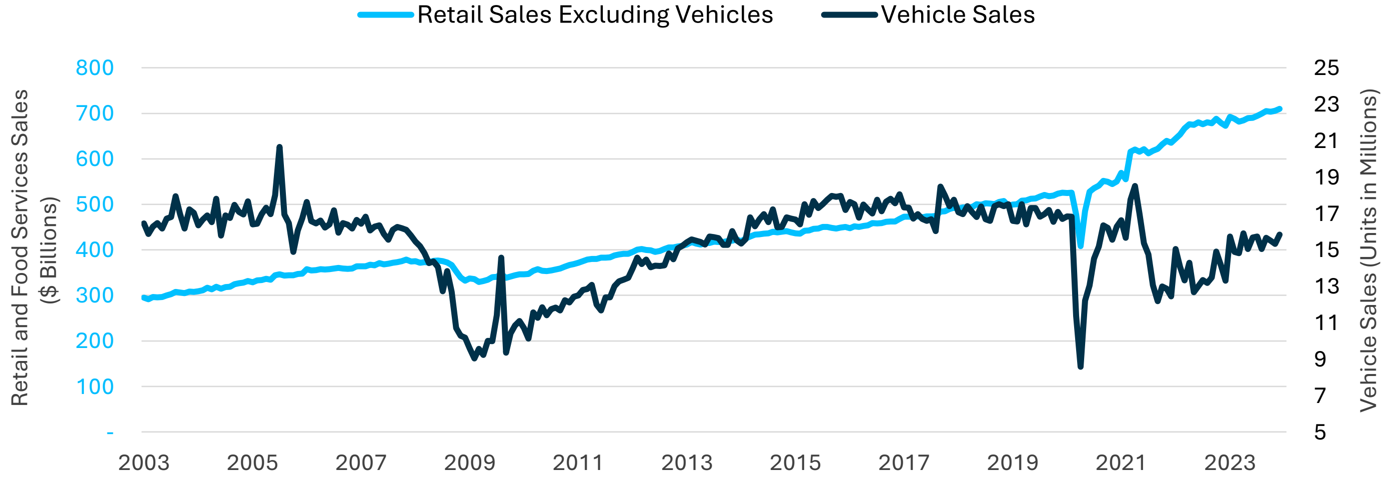
Retail sales excluding vehicles have been relatively flat from Q3 2023 to Q4 2023.

Higher wages and savings rates should lead to continued consumer spending. The rotation from goods to services should also be in effect.

Consumption Overview



Retail Sales



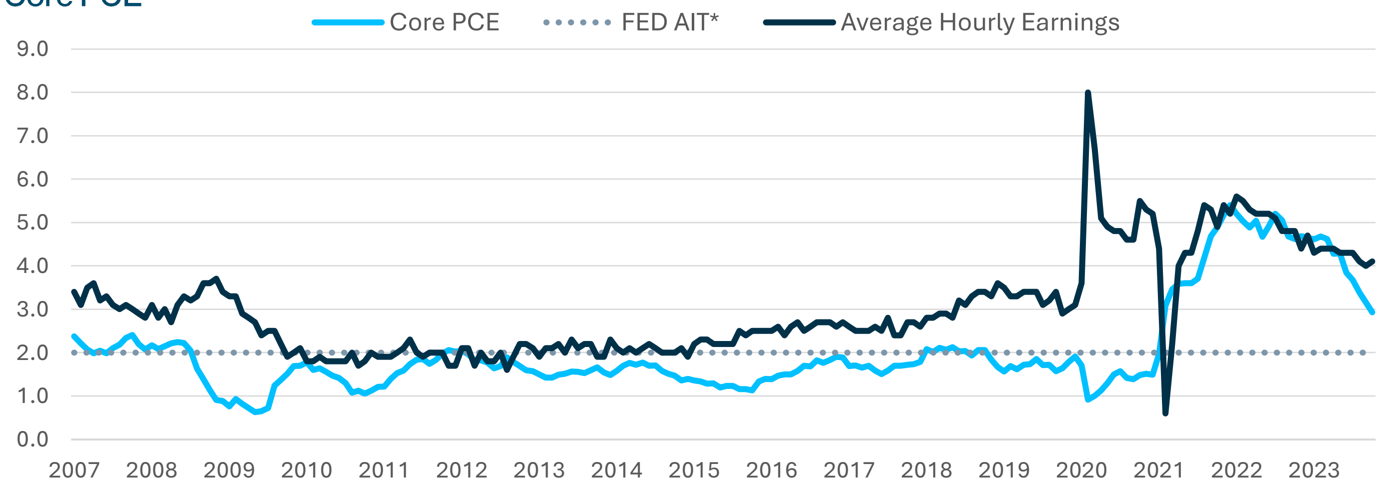
Source: Bloomberg and SVB Asset Management. Data as of 01/25/2024.

Inflation: On the Decline

Inflation has continued to decline with the December 2023 consumer price index (CPI) YoY reaching 2.9%. Core PCE — the Fed's preferred inflation indicator — rose 3.2% on a YoY basis, which is down from 4.6% in December 2022.

In addition to market forecasts, the Fed continues to reiterate that it expects inflation to decline into 2024.

Core PCE



CPI Breakdown (MoM Change)**

	All items	Food	Food at Home	Food Away from Home	Energy	Gasoline (All Types)	Electricity	Natural Gas (Piped)	All Items Less Food and Energy	Commodities Less Food and Energy	Apparel	New Vehicles	Medical Care Commodities	Services Less Energy	Shelter	Medical Care	Education and Communication
Dec-23	3.40%	2.70%	1.30%	5.20%	-2.00%	-1.90%	3.30%	-13.80%	3.90%	0.20%	1.00%	1.00%	4.70%	5.30%	6.20%	-0.50%	-0.10%
Nov-23	3.10%	2.90%	1.70%	5.30%	-5.40%	-8.90%	3.40%	-10.40%	4.00%	0.00%	1.10%	1.30%	5.00%	5.50%	6.50%	-0.90%	-0.10%
Oct-23	3.20%	3.30%	2.10%	5.40%	-4.50%	-5.30%	2.40%	-15.80%	4.00%	0.10%	2.60%	1.90%	4.70%	5.50%	6.70%	-2.00%	0.90%
Sep-23	3.70%	3.70%	2.40%	6.00%	-0.50%	3.00%	2.60%	-19.90%	4.10%	0.00%	2.30%	2.50%	4.20%	5.70%	7.20%	-2.60%	1.00%
Aug-23	3.70%	4.30%	3.00%	6.50%	-3.60%	-3.30%	2.10%	-16.50%	4.30%	0.20%	3.10%	2.90%	4.50%	5.90%	7.30%	-2.10%	1.00%
Jul-23	3.20%	4.90%	3.60%	7.10%	-12.50%	-19.90%	3.00%	-13.70%	4.70%	0.80%	3.20%	3.50%	4.10%	6.10%	7.70%	-1.50%	1.20%
Jun-23	3.00%	5.70%	4.70%	7.70%	-16.70%	-26.50%	5.40%	-18.60%	4.80%	1.30%	3.10%	4.10%	4.20%	6.20%	7.80%	-0.80%	1.10%
May-23	4.00%	6.70%	5.80%	8.30%	-11.70%	-19.70%	5.90%	-11.00%	5.30%	2.00%	3.50%	4.70%	4.40%	6.60%	8.00%	-0.10%	1.50%
Apr-23	4.90%	7.70%	7.10%	8.60%	-5.10%	-12.20%	8.40%	-2.10%	5.50%	2.00%	3.60%	5.40%	4.00%	6.80%	8.10%	0.40%	1.60%
Mar-23	5.00%	8.50%	8.40%	8.80%	-6.40%	-17.40%	10.20%	5.50%	5.60%	1.50%	3.30%	6.10%	3.60%	7.10%	8.20%	1.00%	1.40%
Feb-23	6.00%	9.50%	10.20%	8.40%	5.20%	-2.00%	12.90%	14.30%	5.50%	1.00%	3.30%	5.80%	3.20%	7.30%	8.10%	2.10%	1.00%
Jan-23	6.40%	10.10%	11.30%	8.20%	8.70%	1.50%	11.90%	26.70%	5.60%	1.40%	3.10%	5.80%	3.40%	7.20%	7.90%	3.00%	1.00%

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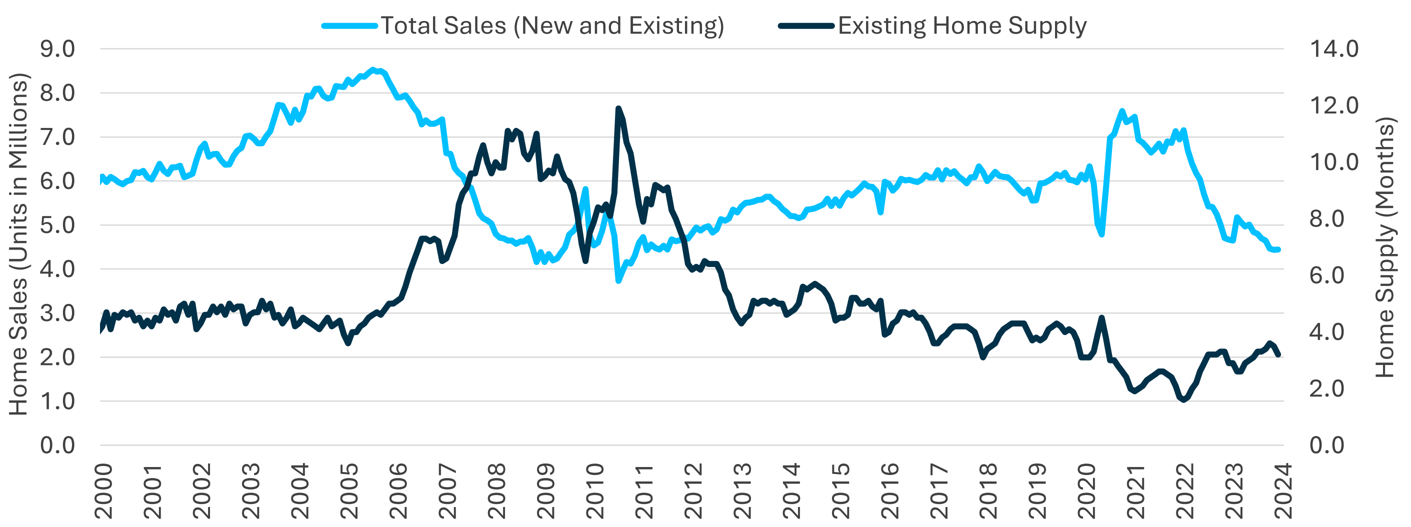
Source: Bloomberg, US Bureau of Labor and Statistics and SVB Asset Management. Data as of 01/17/2024. *FED AIT is average inflation targeting. The CPI measures the weighted average price change in the prices paid by consumers for household goods and services. **Month-over-month.

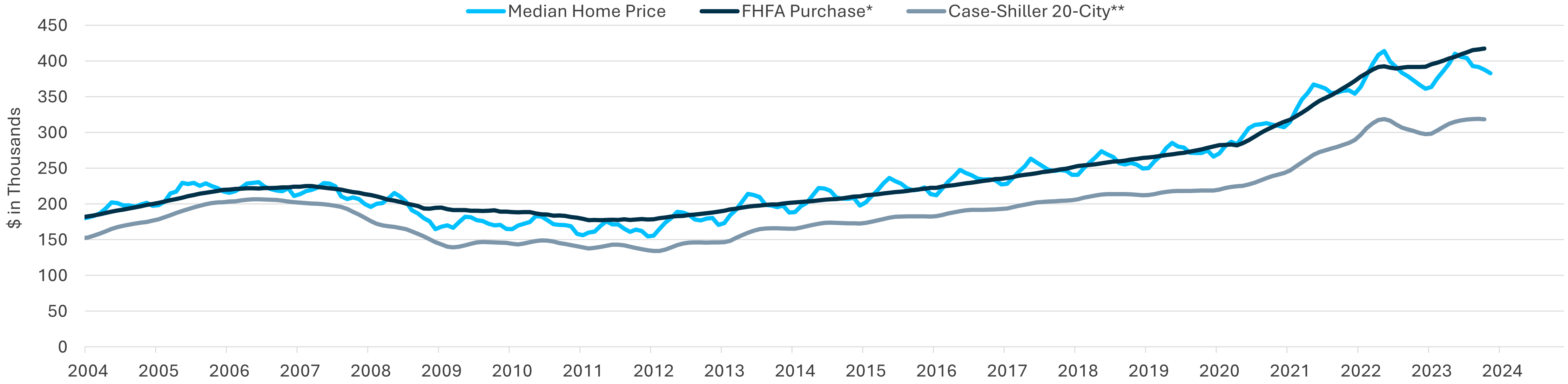
Housing: Rising Supply Despite Declining Sales

Home sales have continued to decrease following past quarter trends. While high mortgage rates and home prices have continued to limit overall sales in Q4, December saw a drop in mortgage rates that is expected to drive momentum in 2024 in tandem with the increasing number of homes available on the market.

Housing Market



Home Prices



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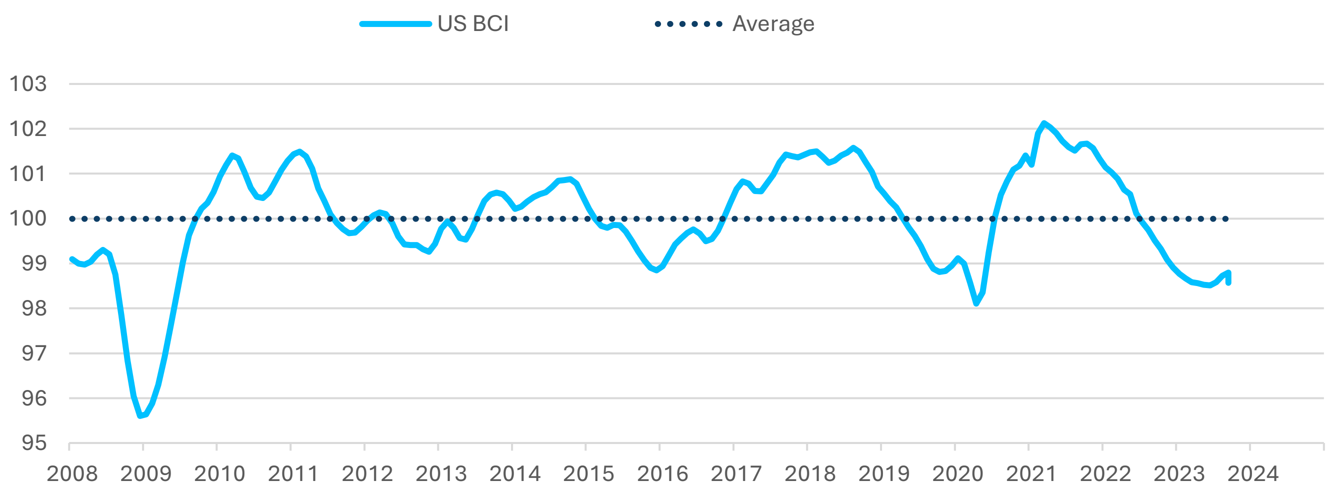
Source: Bloomberg and SVB Asset Management. Data as of 01/25/2024. *Federal Housing Finance Agency.
**The Case-Shiller 20-City measures the prices of residential real estate in 20 major US metropolitan areas.

Business Outlook: Moderating

Business sentiment has started to turn around after declining over the past several quarters, although it was still below average in Q4 2023. Institute for Supply Management (ISM) data has remained in solid territory, and companies continue to be affected by supply-chain issues and geopolitical events.

Business Confidence Index (BCI)



Business Sentiment

	Dallas Fed Manufacturing Survey	Philly Fed Manufacturing Survey	New York Fed's Empire Manufacturing Survey	Kansas City Fed Manufacturing Survey	Richmond Fed Manufacturing Survey
Dec-23	-9.3	21.5	19.4	17.0	18.0
Nov-23	-19.9	33.4	17.5	17.0	22.0
Oct-23	-19.2	20.2	23.5	16.0	12.0
Sep-23	-18.1	23.2	17.4	24.0	3.0
Aug-23	-17.2	31.9	17.0	26.0	18.0
Jul-23	-20.0	22.2	25.8	24.0	21.0
Jun-23	-23.2	24.7	21.6	22.0	22.0
May-23	-29.1	9.1	24.1	15.0	22.0
Apr-23	-23.4	21.7	19.0	12.0	28.0
Mar-23	-15.7	20.2	19.4	9.0	16.0
Feb-23	-13.5	13.2	21.1	17.0	10.0
Jan-23	-8.4	10.1	11.1	9.0	-2.0
Dec-22	-20.0	12.6	4.8	6.0	0.0
Nov-22	-15.7	2.2	10.3	1.0	14.0
Oct-22	-20.6	10.5	5.1	8.0	8.0
Sep-22	-18.6	9.2	9.4	4.0	8.0
Aug-22	-14.1	17.3	14.4	4.0	8.0
Jul-22	-23.7	2.3	-6.4	0.0	4.0
Jun-22	-18.8	21.6	4.2	-3.0	-10.0
May-22	-8.1	11.1	4.2	-5.0	-3.0
Apr-22	0.2	13.2	2.2	-1.0	-8.0

	ISM Manufacturing PMI SA	ISM Non-Manufacturing
Dec-23	59.4	60.0
Nov-23	60.9	58.5
Oct-23	58.8	58.2
Sep-23	58.6	57.6
Aug-23	59.0	58.0
Jul-23	59.9	58.5
Jun-23	58.1	57.5
May-23	60.5	59.5
Apr-23	59.3	60.4
Mar-23	58.1	60.8
Feb-23	58.6	60.1
Jan-23	54.9	58.1
Dec-22	55.7	56.5
Nov-22	54.4	59.1
Oct-22	54.9	56.5
Sep-22	53.6	55.3
Aug-22	52.6	56.1
Jul-22	51.5	55.2
Jun-22	51.0	54.4
May-22	48.5	56.0
Apr-22	48.1	53.2

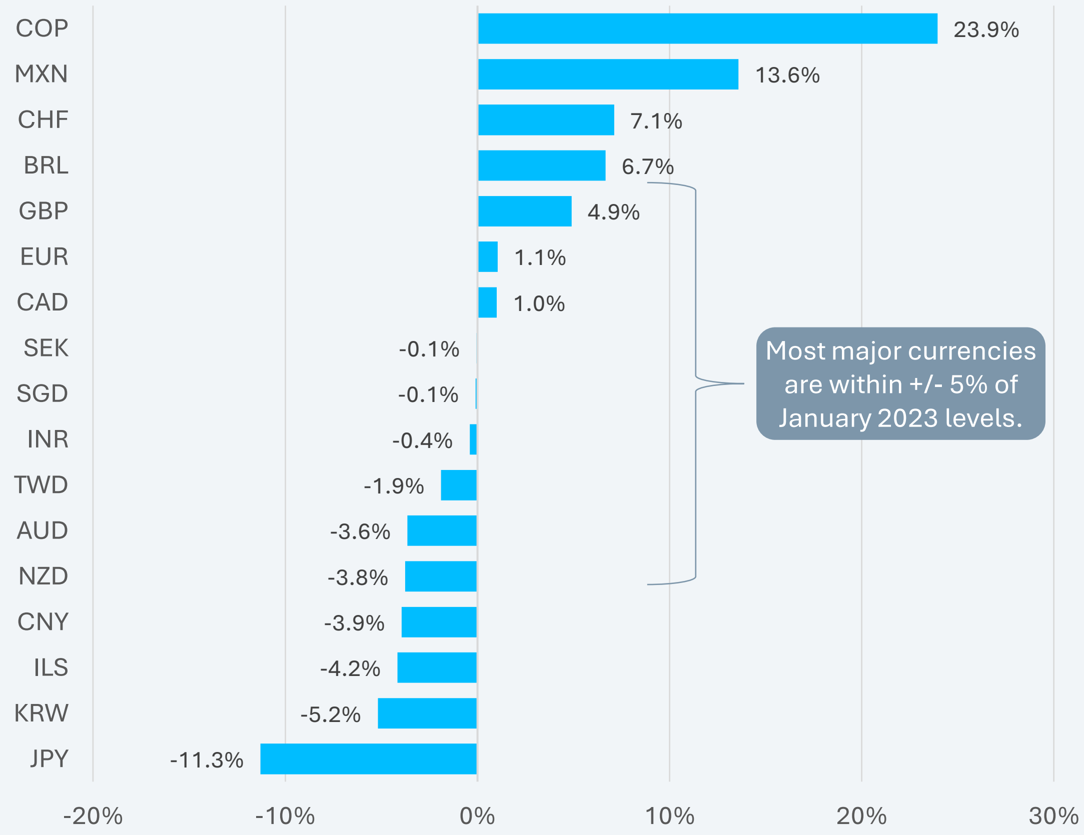
Source: Bloomberg, Organization for Economic Co-operation and Development (OECD, 2022) and BCI (indicator). Updated 01/17/2024. Heatmap colors are based on the indices and time periods shown and summarize business plans for economic activities. For the Fed surveys, the number represents business sentiment; the higher number represents higher business sentiment. For ISM indices, the neutral number is usually 50. >50, the economy is likely to expand; <50, the economy is likely to contract.

Foreign Exchange

Developed Economy Currencies: Breakout Expected

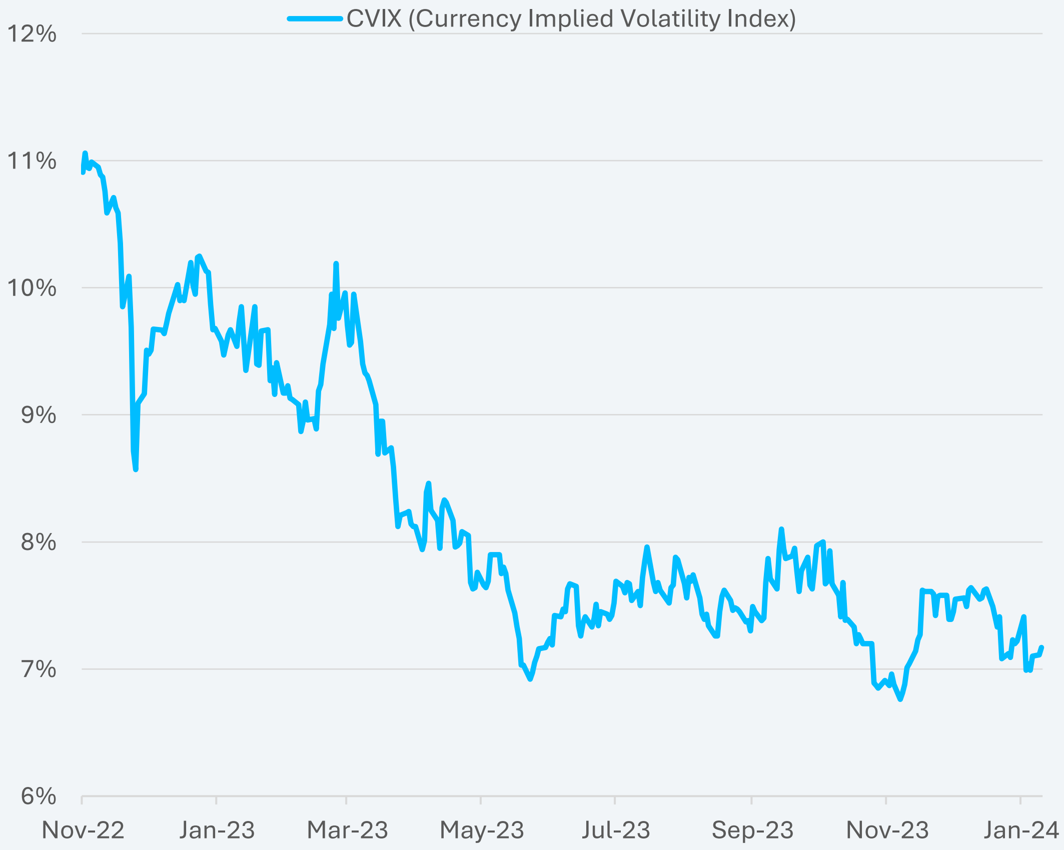
Following an extended period of muted volatility, developed economy currencies are due for a breakout in 2024 as global central banks provide clarity on monetary policy.

Currencies Stuck in Familiar Ranges Since January 2023



Currency performance between 01/01/2023 to 01/30/2024 vs. the USD.

Lack of Trends and Conviction Have Depressed Volatilities



CVIX is the Deutsche Bank Currency Volatility Index (analogue of the VIX index for equities). It measures the market's expectation of future currency movements.

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Source: Bloomberg. Data as of 01/30/2024.

Narrower Interest Rate Differentials Will Weigh on the USD in 2024

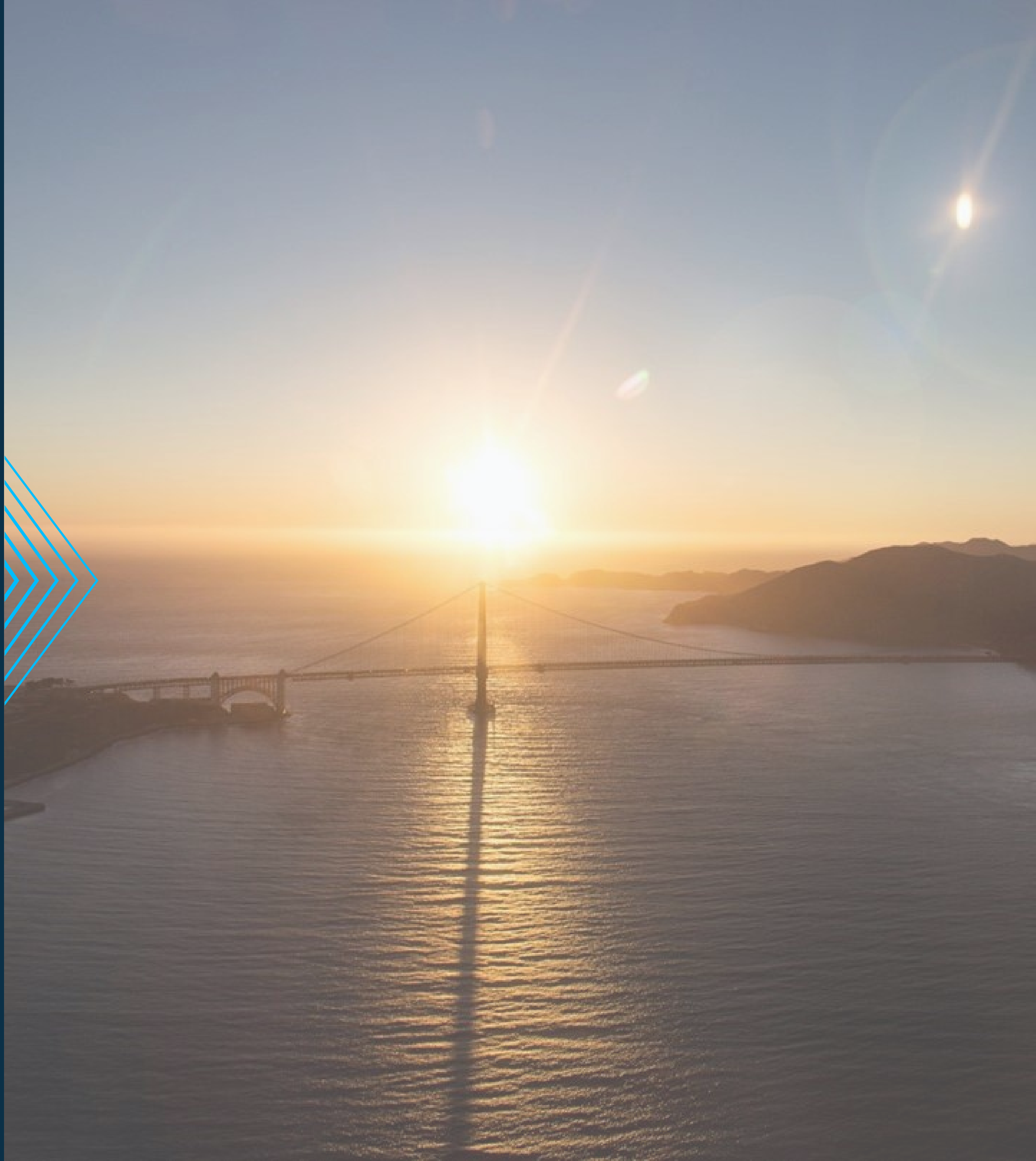
With markets pricing in multiple interest rate cuts, the rate advantage of the USD over foreign currencies is projected to narrow. Historically, exchange rates have tracked interest rate differentials closely.

	Current		Projected Year-End	
Country	Policy Rate	US Policy Rate Advantage	Policy Rate	US Policy Rate Advantage
United States	**5.50%**	**--**	**3.86%**	**--**
Australia	4.35%	1.15%	3.70%	0.16%
Canada	5.00%	0.50%	3.99%	-0.13%
Eurozone	4.00%	1.50%	2.37%	1.49%
Israel	4.75%	0.75%	3.70%	0.16%
Japan	-0.10%	5.60%	0.24%	3.62%
New Zealand	5.50%	0.00%	4.52%	-0.66%
Switzerland	1.75%	3.75%	0.97%	2.89%
UK	5.25%	0.25%	4.05%	-0.19%

Projected policy rates according to futures markets for the US and Australia, forward rate agreements for Israel, and OIS markets (all others).

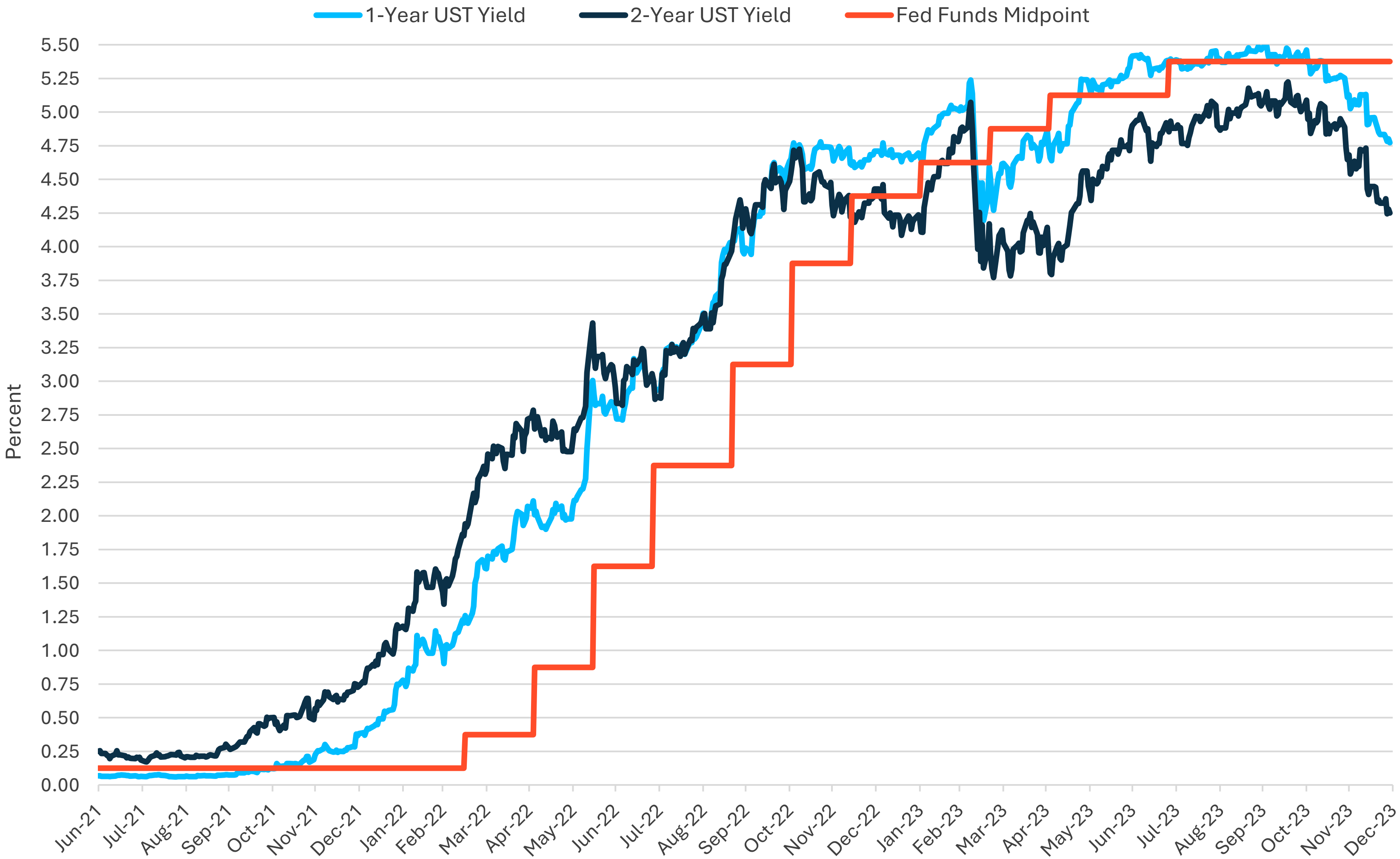
Source: Bloomberg. Data as of 01/30/2023.

Central Banks and Fiscal Policy



Short-End Interest Rates

A repricing in the front of the curve reflects the accelerated expectations for rate cuts in early 2024.



Q2 2022: Inflation and deteriorating consumer confidence forced the Fed to hike 50 and 75 basis points (bps) in May and June. The Fed warned that the likelihood of a soft landing would be challenging as growth slowed.

Q3 2022: The Fed remained very hawkish with three consecutive 75 bps rate hikes in Q3 2022. Inflation stayed elevated, and all "Fed speak" was unified in the message to raise rates until there was evidence that inflation was heading toward the 2% target.

Q4 2022: The Fed reduced the pace of rate hikes from 75 bps to 50 bps in December, as inflation showed signs of abating and the market expected a fairly stable fed funds rate in 2023.

Q2 2023: The Fed delivered its first pause in rate hikes for the cycle. Inflation materially improved, and the Fed cited the "lag effect" of the rate hikes' impact on the economy.

Q3 2023: The Fed paused again in September as economic projections improved for 2023 and 2024. The Fed stated that it expected one more hike in 2023, but market odds reflected that it may be done.

Q4 2023: Any expectations for further rate hikes were eliminated as the Fed pointed to accelerating disinflation. Rate cut timing was pulled forward, with the Fed potentially delivering the first cut during the first half of 2024.

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Source: Bloomberg, US Treasury Yield and SVB Asset Management. Data as of 12/31/23.

Economic Forecasts



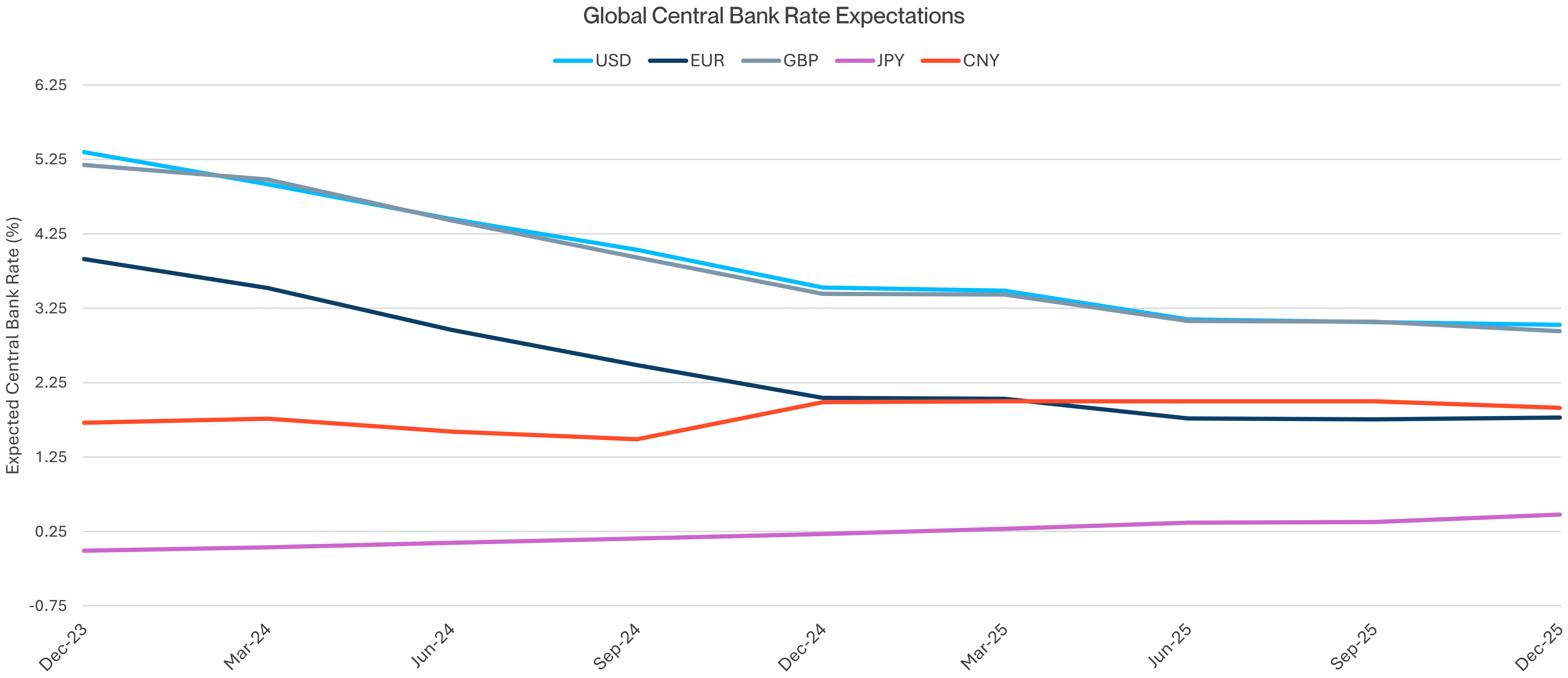


Economic Projections	2023	2024	2025
United States			
Change in Real GDP	2.4%	1.2%	1.7%
Core PCE	4.2%	2.5%	2.1%
Unemployment Rate	3.7%	4.2%	4.3%
United Kingdom			
Change in Real GDP	0.5%	0.4%	1.2%
CPI	7.4%	3.1%	2.0%
Unemployment Rate	4.2%	4.6%	4.6%
Eurozone			
Change in Real GDP	0.5%	0.6%	1.3%
CPI	5.5%	2.6%	2.1%
Unemployment Rate	6.5%	6.7%	6.7%
Japan			
Change in Real GDP	2.0%	0.8%	1.0%
CPI	3.2%	2.3%	1.6%
Unemployment Rate	2.6%	2.5%	2.4%
China			
Change in Real GDP	5.2%	4.5%	4.3%
CPI	0.4%	1.4%	1.8%
Unemployment Rate	5.2%	5.0%	5.1%

Source: Bloomberg. Data as of 12/31/2023.

Global Central Bank Expectations

A clear downward trend exists in global central bank rate expectations in 2024 and 2025.



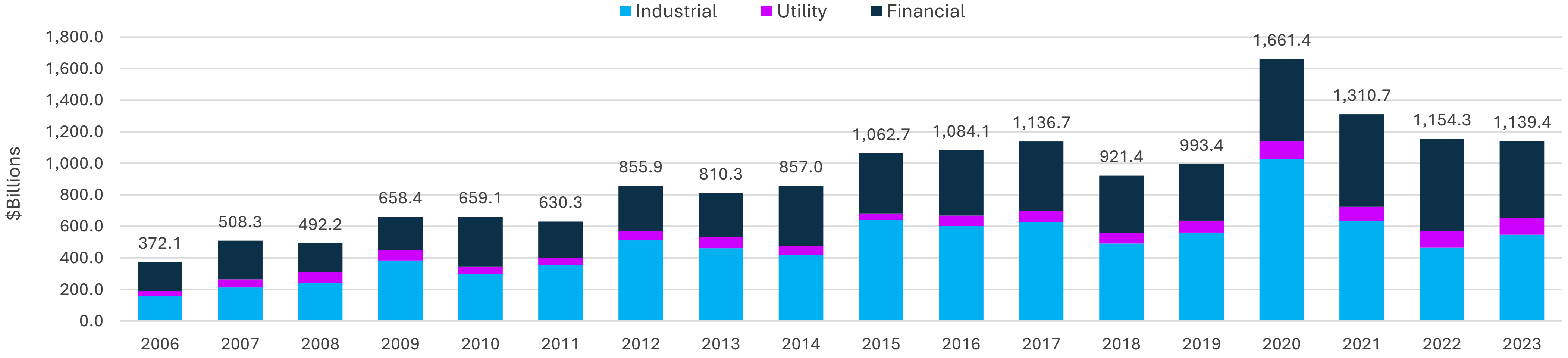
Source: Bloomberg. Data as of 12/31/2023.

Corporate Bond Market

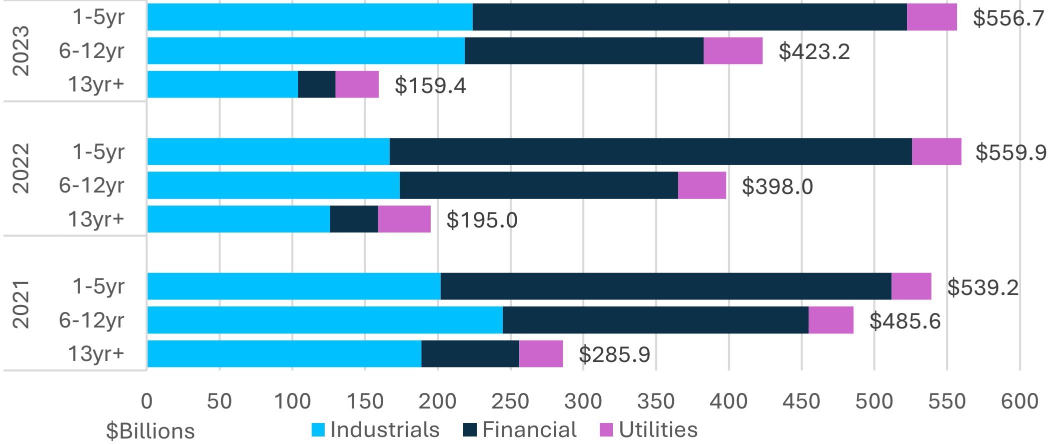
Corporates: New Issue Update

New issuance of investment-grade (IG) corporate bonds in 2023 was effectively flat compared to 2022, though levels remained in line with the previous five-year average (excluding 2020). Non-financial sector issuance was increasingly active this year at $651 billion, making up over 57% of total new issuance, the highest share since 2020. Financial sector issuance was $488 billion, or 43% of total new issuance.

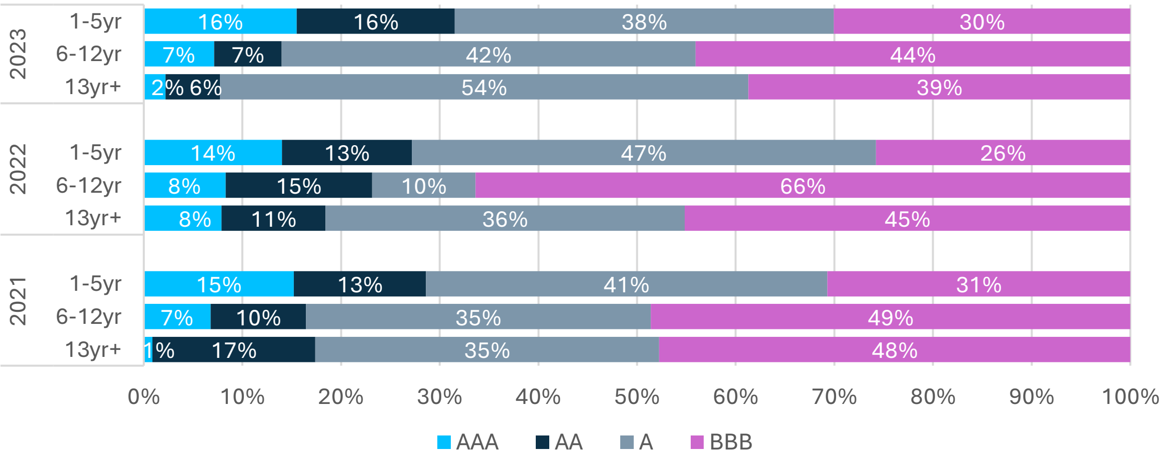
US IG Corporate New-Issue Volume



IG Corporate New-Issue Supply (Sector/Maturity)



IG Corporate New-Issue Supply (Rating/Maturity)



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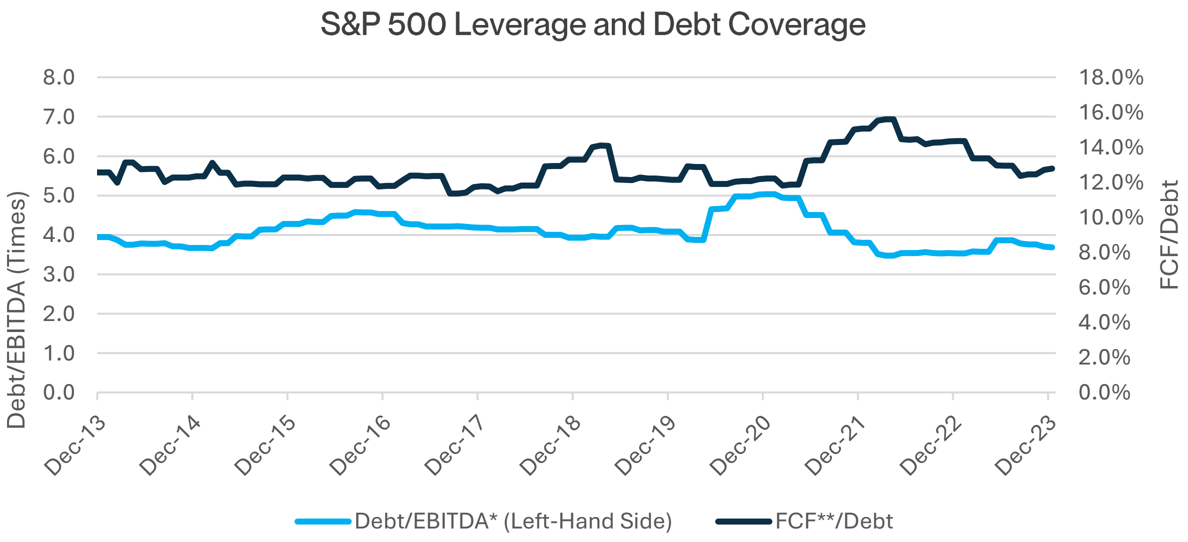
Source: Bloomberg Fixed Income Indices, Barclays Research. Data as of 12/29/2023. Past performance is not a guarantee of future results.
Totals may not add up to 100% due to rounding.

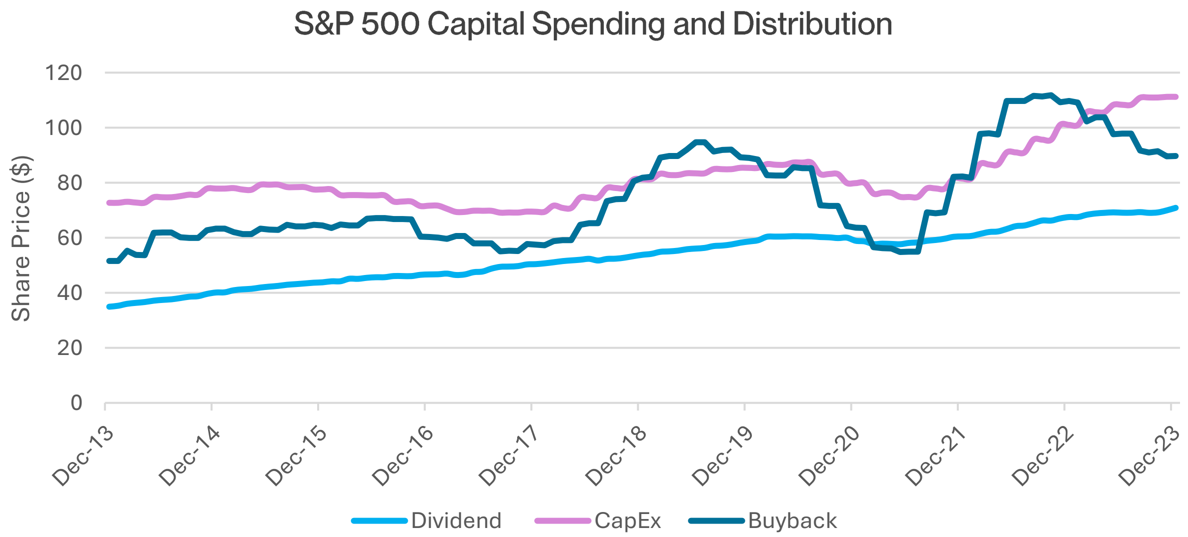
Credit Metrics Remain Solid Despite Economic Uncertainty

Industrial corporate credit metrics remain healthy, and most companies are well-positioned for the year ahead. Leverage continues to remain at historically low levels, while debt coverage has begun to improve after mild deterioration during 2022 and 2023.

Shareholder spending remains modest overall and well below free cash flow levels. While dividends have continued to rise, shareholder repurchases were significantly curtailed during 2023, which has helped industrial issuers maintain their strong credit profiles.

Capital spending is beginning to moderate from recent highs, given elevated borrowing costs and ongoing economic uncertainty. Capital expenditures and long-term investments are expected to continue moderating in 2024, which will further bolster corporate credit profiles.

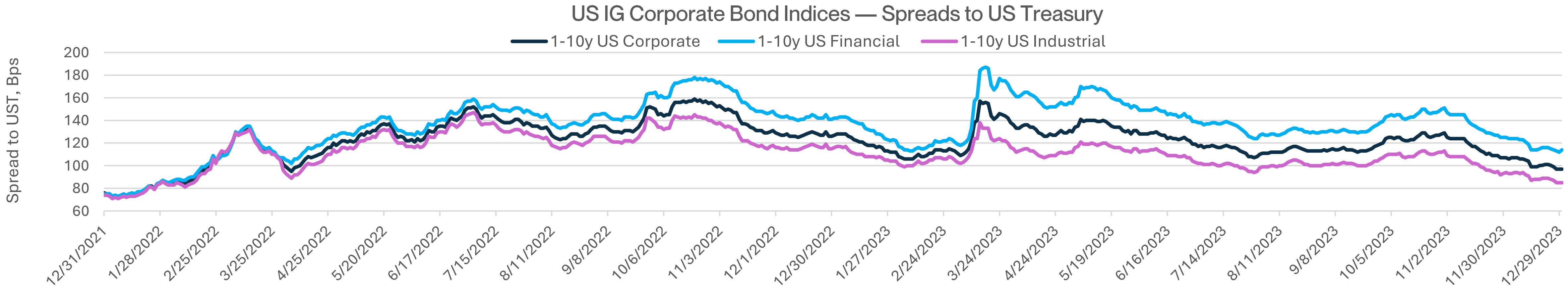




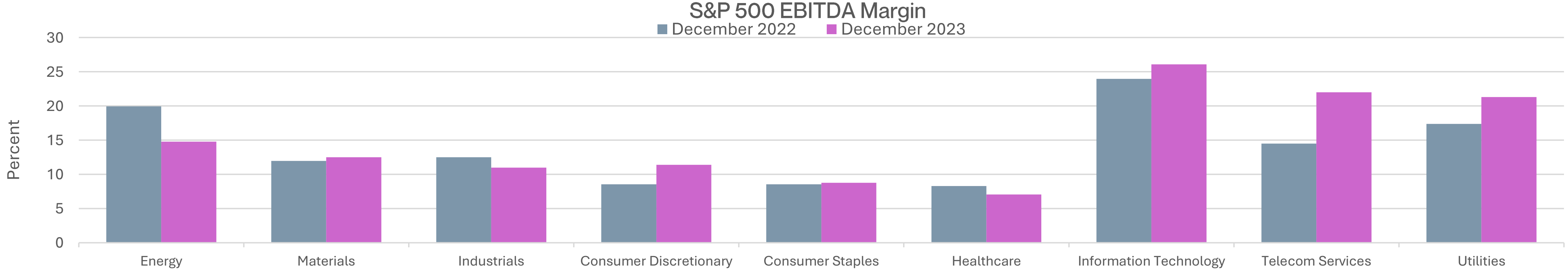
Source: Bloomberg. Data as of 01/18/2024. * Earnings before interest, taxes, depreciation, and amortization. ** Free cash flow.

Corporates: Spread and Sector Performance

The risk premium between US Treasuries and corporate bonds continued to tighten overall in 2023. Both strong fundamental and technical dynamics supported these tighter spreads. Modest widening is expected in 2024 as higher-for-longer interest rates and ongoing economic uncertainty begins to weigh on corporate credit fundamentals.



Operating profitability, as measured by EBITDA margin, saw the most growth YoY in the Utilities, IT, and Telecom sectors. Energy sector profitability fell sharply YoY on a comparative basis due to the sector's record year overall in 2022. Industrial and Consumer segments continue to see strong overall EBITDA margins, though some moderation is expected in 2024.



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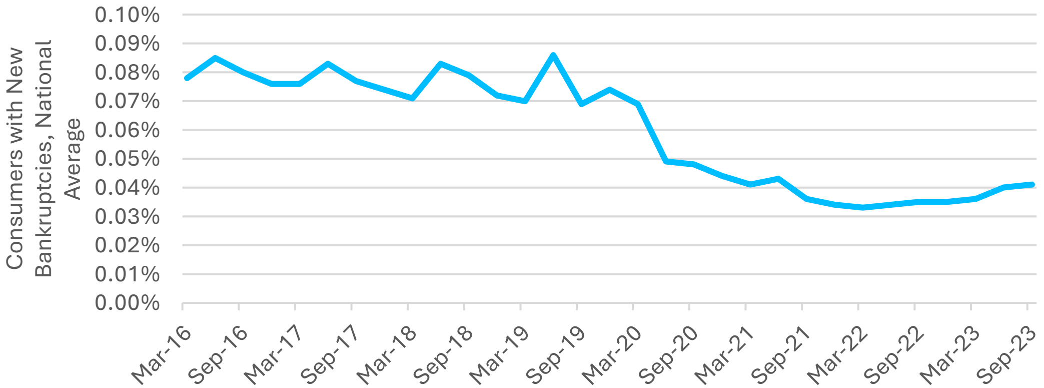
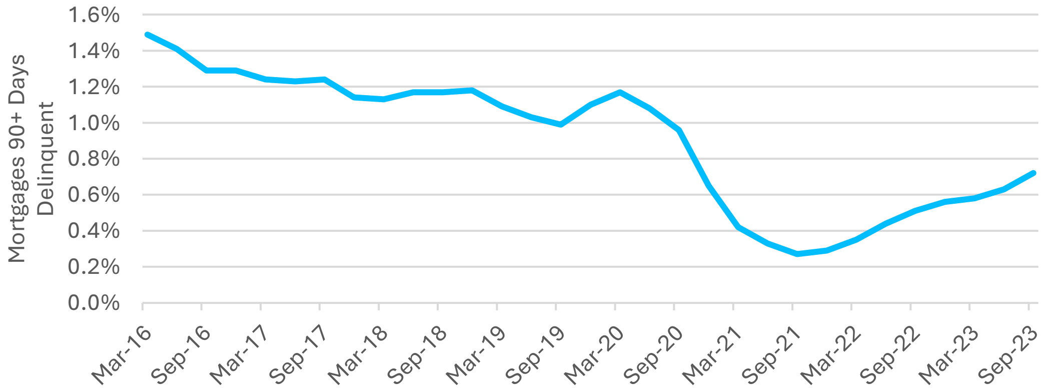
Sources: Bloomberg and Bloomberg US Corporate Bond Index (LUACTRUU). Data as of 12/29/23.

Consumer Checkup: Still Healthy but Vitality is Waning

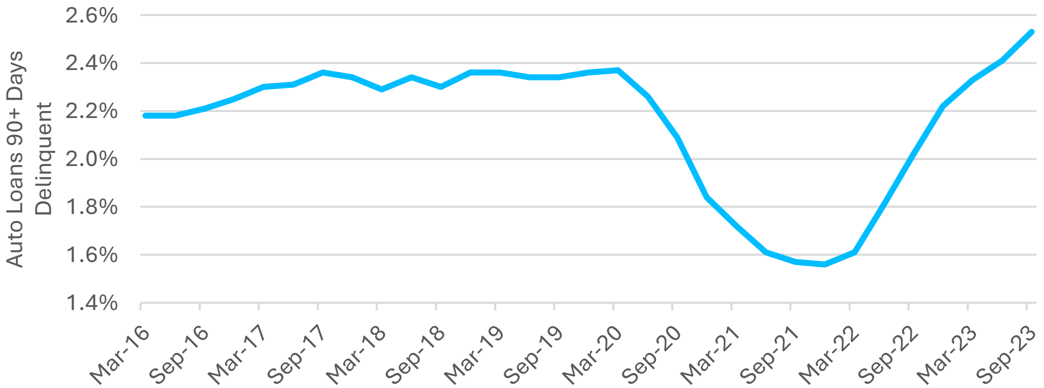
Bankruptcies Remain Low Amid Robust Employment



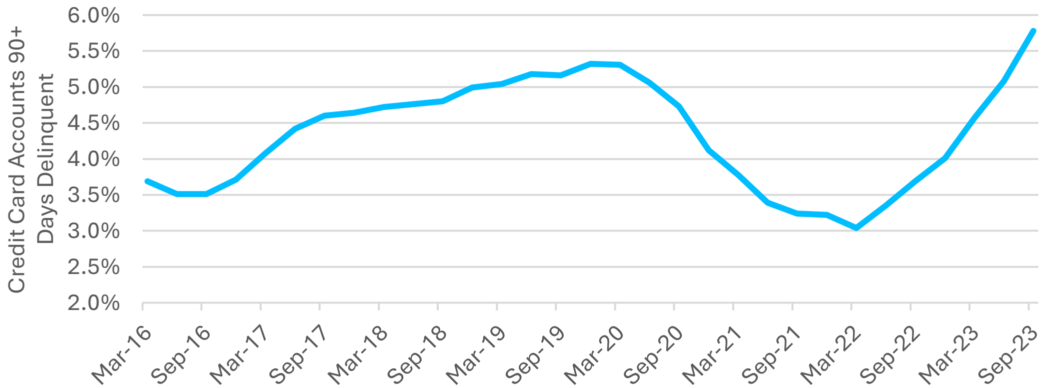
Mortgage Delinquencies Normalizing From Historic Lows



Auto Delinquencies Rising to Pre-Pandemic Levels as High Car Prices Increase Monthly Payments

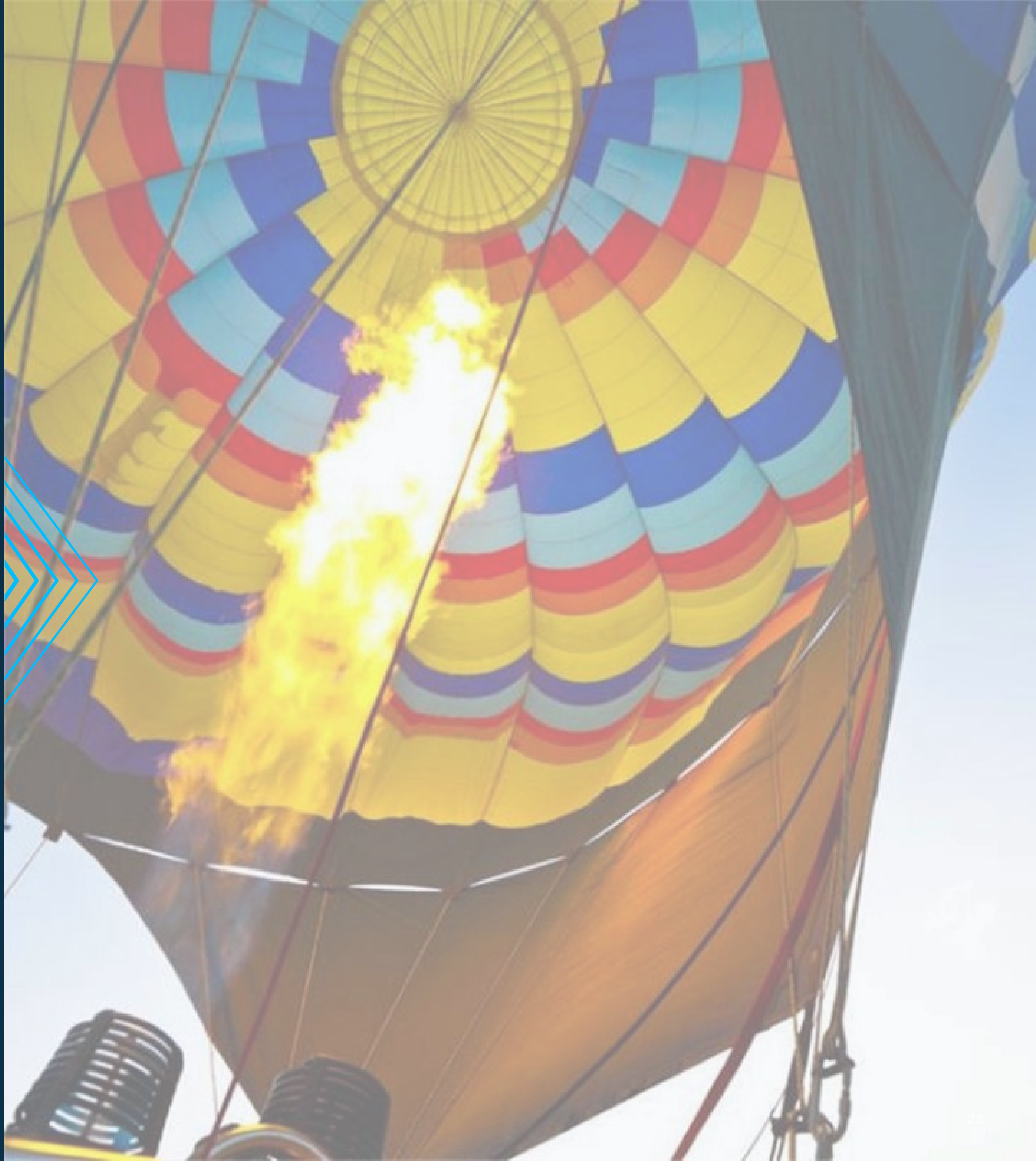


Consumers Falling Behind on Credit Card Payments as Inflation Affects Borrowers With Limited Savings



Source: Federal Reserve Bank of New York FRBNY Credit Panel/Equifax, Bloomberg and SVB Asset Management. Data as of 01/24/2024.

Markets and Performance



Market Sector Performance

US equities surged in the fourth quarter of 2023, erasing losses from earlier in the year. The Fed is increasingly optimistic that inflation is trending back to target. The innovation space (Tech and Biotech), which had been battered all year, ended on a positive note. The Fed's dovish pivot also contributed to the rally in bonds as corporate credit spreads tightened while benchmark US Treasuries rallied (yields lower) from their peaks in 2023.

Asset Class Returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
IPO Index 54.33%	Biotech 43.24%	Biotech 13.09%	Crude Oil 45.03%	Biotech 43.85%	US Treasury 0.86%	Tech 45.97%	IPO Index 109.60%	Crude Oil 55.01%	Crude Oil 6.71%	Tech 52.75%
Biotech 48.20%	Tech 14.23%	Tech 3.23%	High Yield 17.13%	Tech 39.65%	US Aggregate 0.01%	Crude Oil 34.46%	Biotech 48.10%	Tech 28.73%	High Yield -11.19%	IPO Index 50.90%
S&P 500 32.39%	S&P 500 13.69%	S&P 500 1.38%	Tech 12.27%	IPO Index 35.75%	High Yield -2.08%	IPO Index 33.87%	Tech 42.64%	S&P 500 28.71%	US Treasury -12.46%	S&P 500 26.29%
Tech 23.66%	US IG Corporate 7.46%	US Treasury 0.84%	S&P 500 11.96%	S&P 500 21.83%	US IG Corporate -2.51%	Biotech 32.34%	S&P 500 18.40%	High Yield 5.28%	US Aggregate -13.01%	High Yield 13.45%
High Yield 7.44%	IPO Index 7.17%	US Aggregate 0.55%	US IG Corporate 6.11%	Crude Oil 12.47%	S&P 500 -4.38%	S&P 500 31.49%	US IG Corporate 9.89%	US IG Corporate -1.04%	US IG Corporate -15.76%	US IG Corporate 8.52%
Crude Oil 7.19%	US Aggregate 5.97%	US IG Corporate -0.68%	US Aggregate 2.65%	High Yield 7.50%	Tech -6.02%	US IG Corporate 14.54%	US Treasury 8.00%	US Aggregate -1.54%	S&P 500 -18.11%	Biotech 7.76%
US IG Corporate -1.53%	US Treasury 5.05%	High Yield -4.47%	US Treasury 1.04%	US IG Corporate 6.42%	Biotech -14.99%	High Yield 14.32%	US Aggregate 7.51%	US Treasury -2.32%	Biotech -25.62%	US Aggregate 5.53%
US Aggregate -2.02%	High Yield 2.45%	IPO Index -7.98%	IPO Index -0.51%	US Aggregate 3.54%	IPO Index -17.53%	US Aggregate 8.72%	High Yield 7.11%	IPO Index -9.89%	Tech -30.29%	US Treasury 4.05%
US Treasury -2.75%	Crude Oil -45.87%	Crude Oil -30.47%	Biotech -15.61%	US Treasury 2.31%	Crude Oil -24.84%	US Treasury 6.86%	Crude Oil -20.54%	Biotech -20.38%	IPO Index -57.06%	Crude Oil -10.73%

All returns above are on a total return basis. 2023 returns are on an aggregate basis up to 12/31/2023. US Aggregate refers to Bloomberg Barclays Aggregate Bond Index. US Treasury refers to the US Treasury allocation of the Bloomberg Barclays Aggregate Bond Index. US IG Corporate refers to the IG Corporate allocation of the Bloomberg Barclays Aggregate Bond Index. High Yield refers to the US Corporate High Yield Bloomberg Index. Crude Oil refers to the Spot West Texas Intermediate Crude Oil — Bloomberg-sourced. S&P 500 refers to the S&P 500 Total Return Index. Tech refers to the S&P Global 1200 Information Technology Index. Biotech refers to the S&P Biotechnology Select Industry Index. IPO Index refers to the Renaissance IPO Index.

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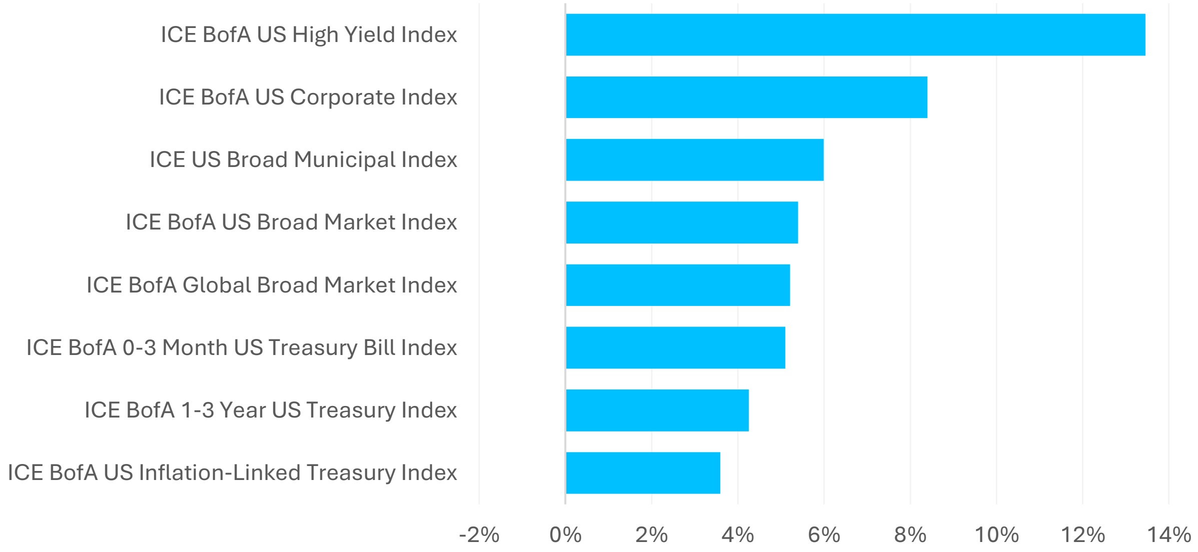
Source: Bloomberg and Bloomberg Barclays Indices as of 12/31/2023. Past index performance is no guarantee of future results.

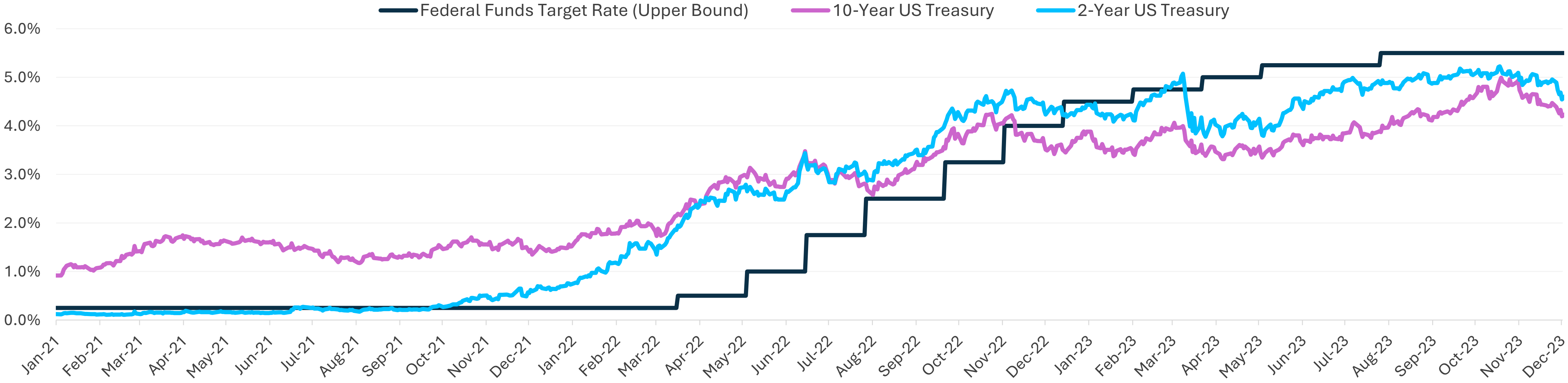
Bond Market Performance

The bond market in 2023 was marked by volatility as investors navigated through resilient economic data, a hawkish Fed and various technical factors. Going into Q4, market sentiment changed as expectations for a soft landing and an end to Fed tightening helped to drive yields lower and boost the sector's performance.

2023 YTD Bond Performance



Bond Yields



Sources: Bloomberg and ICE BofA Indices. As of 12/31/2023. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

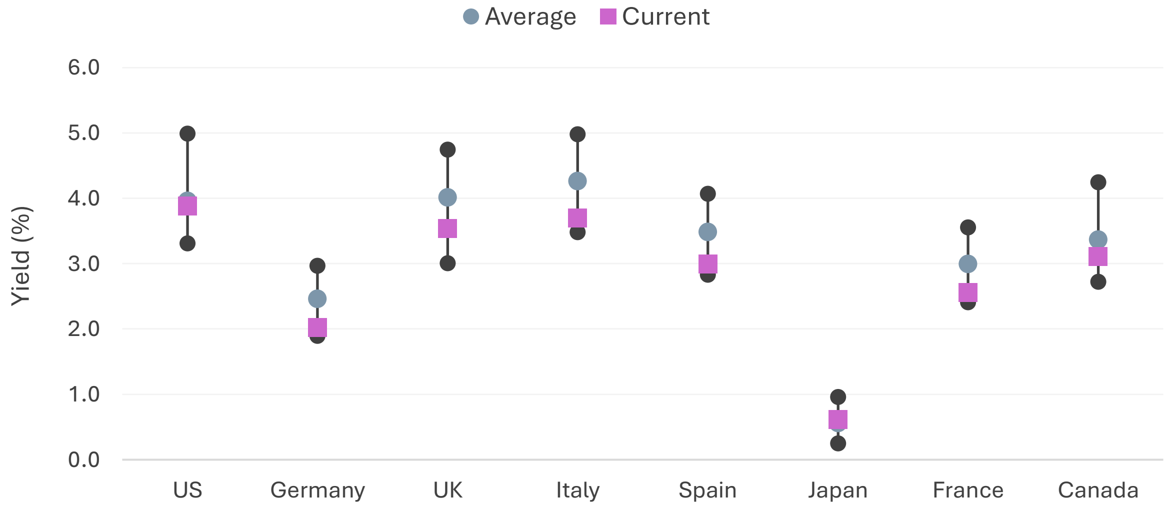
Global and Domestic Yields

Bond yields across all regions and sectors are trading below their 1-year averages. The market is optimistic that interest rates will continue to move lower in 2024, as inflation trends lower and the Fed signals the end of its tightening cycle.

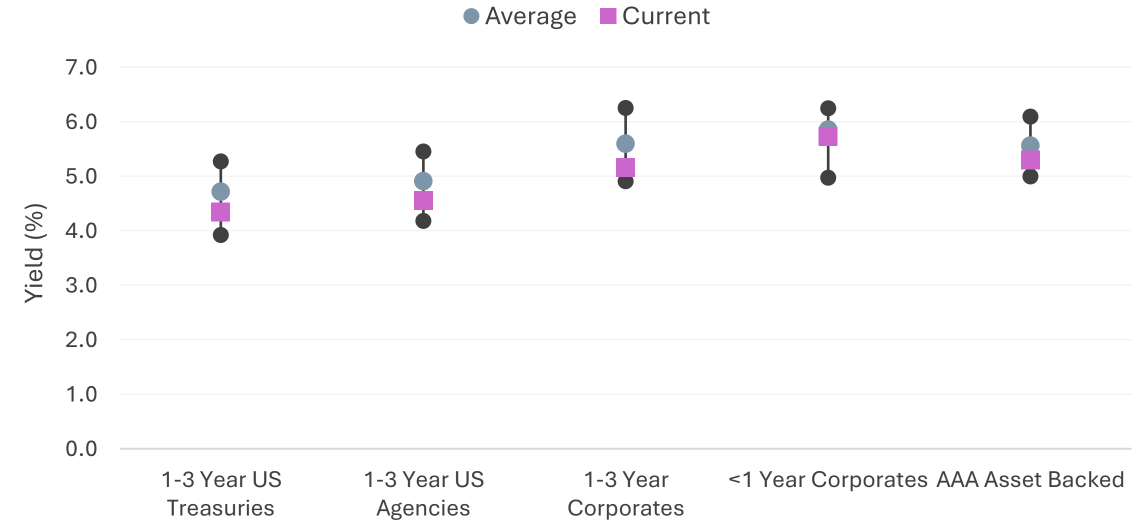
Broad Fixed Income Yields

*US Treasuries pertain to on-the-run sovereign 10-year securities.

Yields Across the Globe



Short-Duration Yields



Daily yields from 12/31/2022 to 12/31/2023. Sources: Bloomberg and ICE BofA Indices. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

Quarterly Credit and Duration Performance Stratification

Intermediate and long duration outperformed cash and cash equivalents across the credit spectrum. Credit spread tightening, due to strong fundamentals and falling benchmark (US Treasury) yields, contributed to the strong performance in Q4.

Corporate Credit

Duration	0-0.25	0.25-0.5	0.5-1.0	1.0-1.5	1.5-2.0	2.0-2.5	2.5-3.0	3.0-4.0	4.0-5.0	5.0-6.0	6.0-7.0	7.0-8.0	8.0-9.0	9.0-10.0	10.0-11.0	11.0-12.0	Over 12.0
AAA	1.46%	1.47%	1.85%	2.08%	2.67%	2.93%	3.89%	4.33%	5.12%	5.24%	7.03%	8.40%	9.40%	9.72%	10.80%	12.04%	13.45%
AA1	1.45%	1.39%	1.86%	2.29%	2.93%	2.99%	3.50%	4.54%	5.08%	6.02%	6.97%	7.96%		8.07%	10.26%	9.23%	12.65%
AA2	1.52%	1.53%	1.61%	2.31%	2.69%	3.11%	3.47%	4.23%	5.01%	6.39%	7.15%	7.97%	10.21%	9.55%	9.55%	10.91%	13.93%
AA3	1.44%	1.56%	1.71%	2.24%	2.82%	3.29%	3.80%	4.35%	5.23%	6.49%	7.45%	8.28%	9.33%	9.59%	10.29%	11.32%	13.47%
A1	1.56%	1.60%	1.86%	2.35%	2.96%	3.44%	3.90%	4.80%	5.86%	6.92%	8.29%	8.57%	8.46%	10.43%	11.19%	12.08%	14.10%
A2	1.57%	1.61%	1.84%	2.45%	2.85%	3.46%	3.99%	5.04%	5.93%	7.26%	8.58%	8.92%	10.08%	9.81%	11.54%	12.68%	14.02%
A3	1.64%	1.67%	1.89%	2.49%	2.89%	3.54%	4.14%	5.07%	6.20%	7.24%	8.78%	8.94%	9.56%	10.83%	11.92%	12.39%	14.42%
BBB1	1.63%	1.73%	1.85%	2.53%	3.00%	3.46%	4.21%	5.12%	6.26%	7.57%	9.04%	9.31%	10.46%	11.04%	12.05%	13.60%	14.93%
BBB2	1.58%	1.61%	1.76%	2.42%	2.95%	3.61%	4.18%	5.19%	6.38%	7.73%	9.22%	9.20%	10.07%	11.25%	12.66%	14.15%	15.28%
BBB3	1.76%	1.78%	1.91%	2.80%	3.40%	4.02%	4.70%	5.55%	6.93%	7.98%	9.20%	9.85%	10.81%	11.38%	13.15%	14.85%	16.15%

US Treasuries

Duration	0-0.25	0.25-0.5	0.5-1.0	1.0-1.5	1.5-2.0	2.0-2.5	2.5-3.0	3.0-4.0	4.0-5.0	5.0-6.0	6.0-7.0	7.0-8.0	8.0-9.0	9.0-10.0	10.0-11.0	11.0-12.0	Over 12.0
Treasury	1.35%	1.42%	1.65%	2.05%	2.44%	2.85%	3.22%	3.86%	4.61%	5.38%	6.00%	6.50%		8.49%	9.95%	10.57%	12.38%

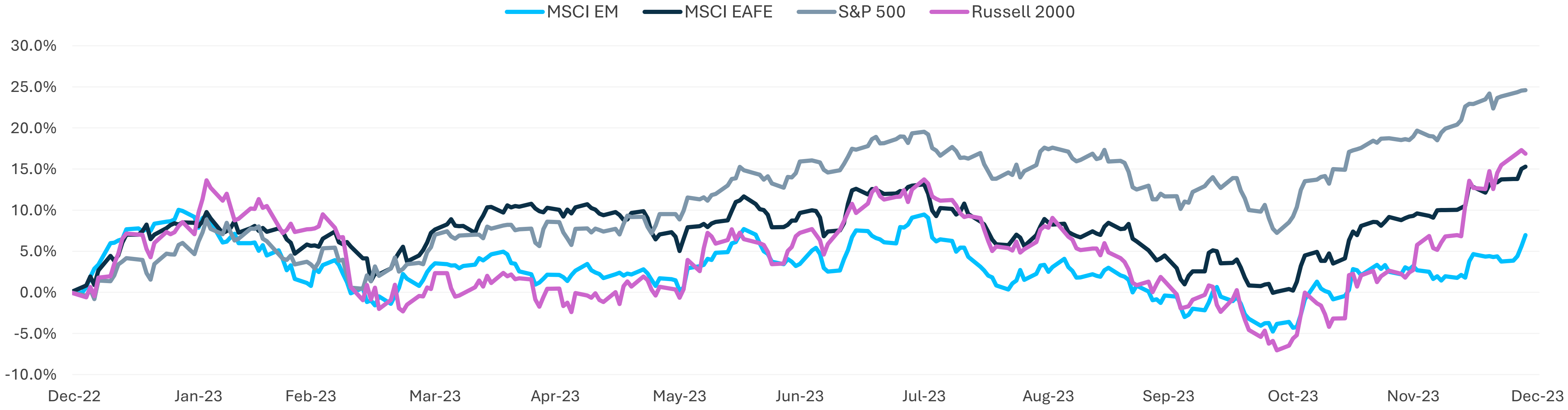
Percentages in table represent total return. Red cells indicate the lowest returns, and green cells indicate the highest returns. Gray cells indicate there were no securities within the specific duration range for the evaluation period.

Sources: Bloomberg and ICE BofA Indices. Performance data as of 12/31/2023. Past performance is not a guarantee of future results.

Global Equity Performance

Major equity market indices delivered strong gains this past year as investor confidence that the Fed may be finished raising interest rates to combat inflation and possibly cut rates in the coming months increased. Foreign shares lagged behind the US stocks as growth prospects in Europe and China remained relatively weak in comparison to those in the US.

Price Return	
	2023
MSCI EM	7.0%
MSCI EAFE	**15.0%**
S&P 500	24.2%
Russell 2000	15.1%



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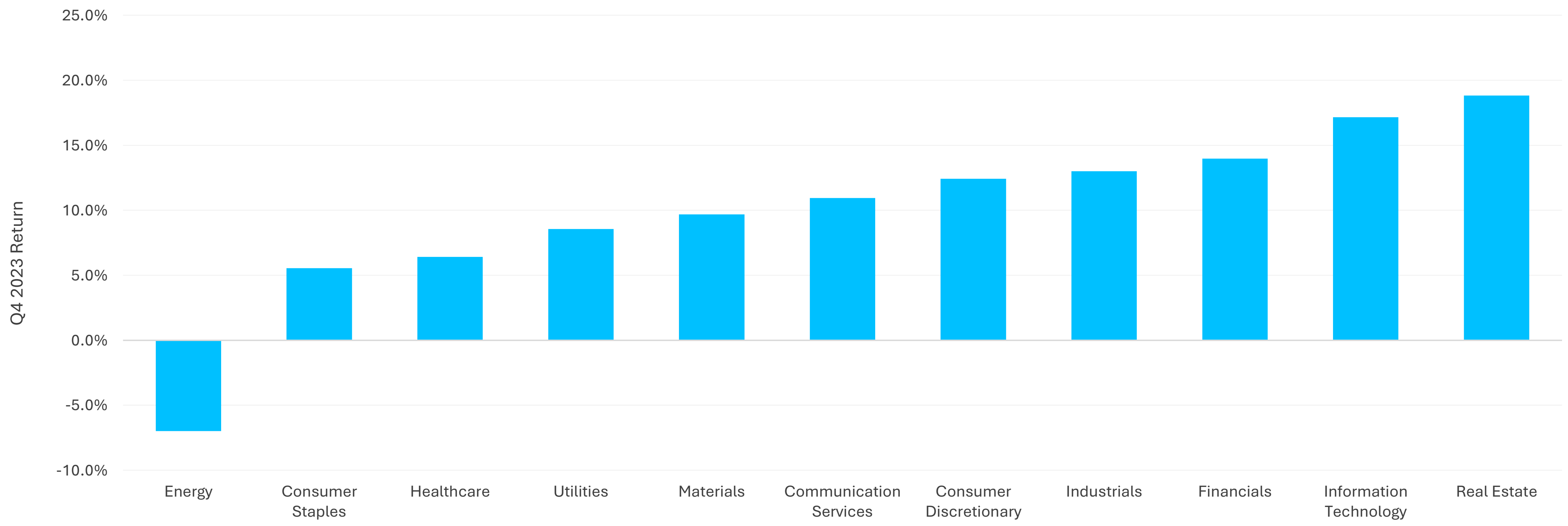
Source: Bloomberg. Represents price return from 12/31/2022 to 12/31/2023. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

US Equity Sector Performance

US stocks surged as the markets priced in the possibility of rate cuts by the Fed in 2024, in line with the Fed's recent signals of three rate cuts in 2024. Equity markets received this news positively. Furthermore, the strong corporate earnings in Q3 2023 marked the end of an "earnings recession" and provided further impetus for the stock market growth into Q4. This was a welcome relief for investors and helped to boost equity returns in Q4.

Index Weight	3.9%	6.2%	12.6%	2.3%	2.4%	8.6%	10.9%	8.8%	13.0%	28.9%	2.5%



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Source: Bloomberg. Represents total return of S&P 500 sectors for Q4 2023. Sector weights as of 12/31/2023. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

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