Quarterly Economic Report

3rd Quarter 2023

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

Quarterly Economic Report
Published in Q3 2023 | Data for Q2 2023

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OVERVIEW

Key Takeaways

- The Federal Reserve has remained hawkish in its tone toward rates. The Fed acknowledges that while progress has been made, the full effects of tightening have yet to be felt.
- The labor market and GDP growth remain solid, but there have been early indications of weakening from historically high levels.
- Tighter financial conditions and commercial real estate concerns have complicated the Fed's future path. The challenge for the Fed is how it will prioritize inflation with financial stability.
- Growth is expected to be resilient later in 2023, with market consensus showing expectations for 1.5% for Q3 2023 and 0.8% for Q4 2023.

Labor markets are still strong but may be cooling.
The Fed has raised borrowing costs aggressively with the aim of slowing the economy and inflation, which ultimately affects the job market.

The Fed delivered its first pause in rate hikes for the cycle.
The Federal Open Market Committee (FOMC) will continue to monitor incoming data and inflation and will consider if additional policy firming is appropriate.

Inflation has softened from multidecade highs.
The US and Europe look to be near the end of the rate hike cycle while persistent inflation is expected to force rates higher in the UK.

Home sales have slowed significantly.
For 2023, the market will be focused on the impact that multiyear highs in mortgage rates could continue to have on home sales.

The US Dollar (USD) reverses the gains it registered during the first three quarters of 2022.
An especially strong equity market was a key driver of the USD during inversion periods over which the currency weakened.

Yields continue to push higher due to unprecedented monetary policy.
Investors have put cash back to work as the economy and corporate earnings have been resilient and the fears of an expected recession in the first half of 2023 have not yet come to fruition.

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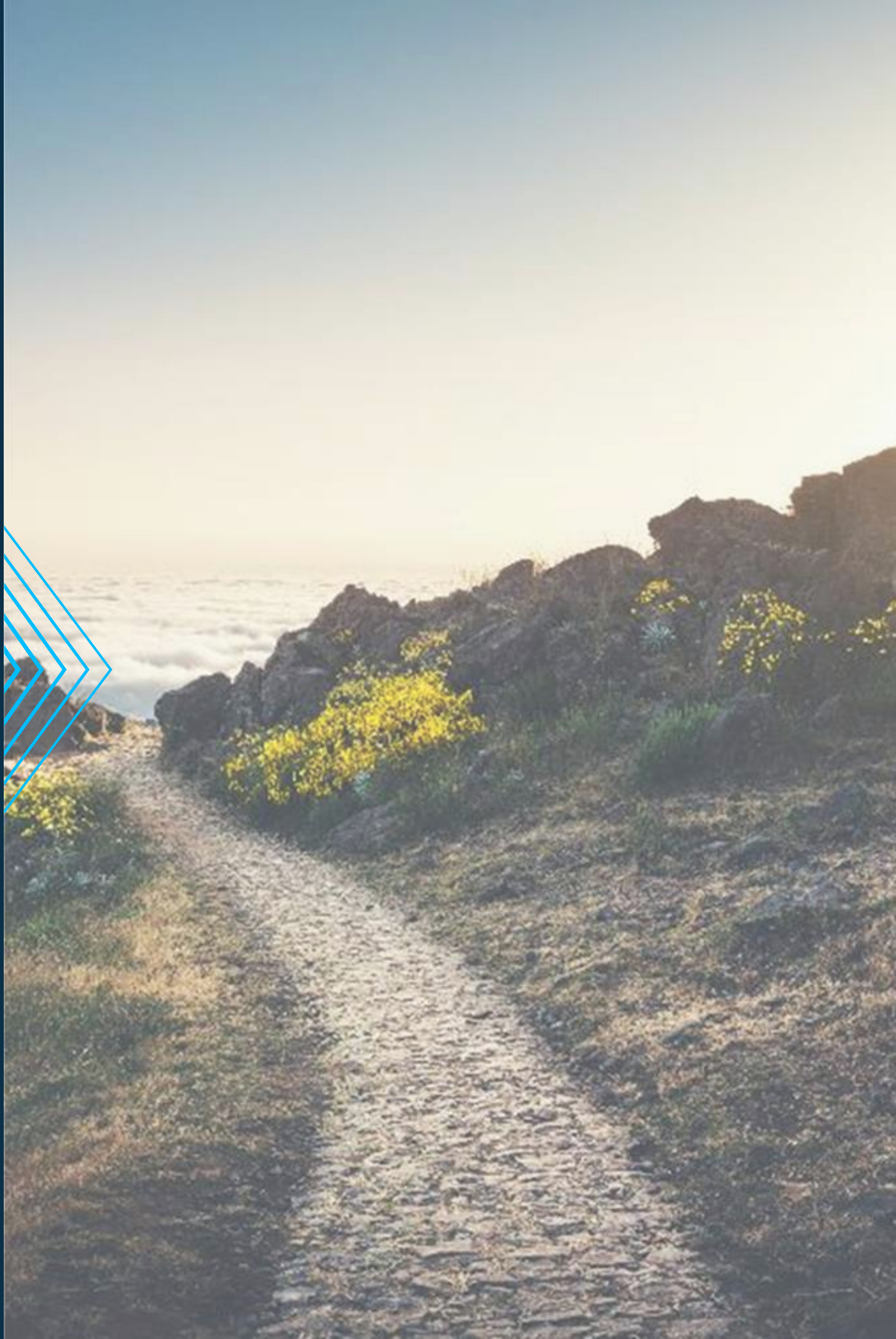
Domestic Economy



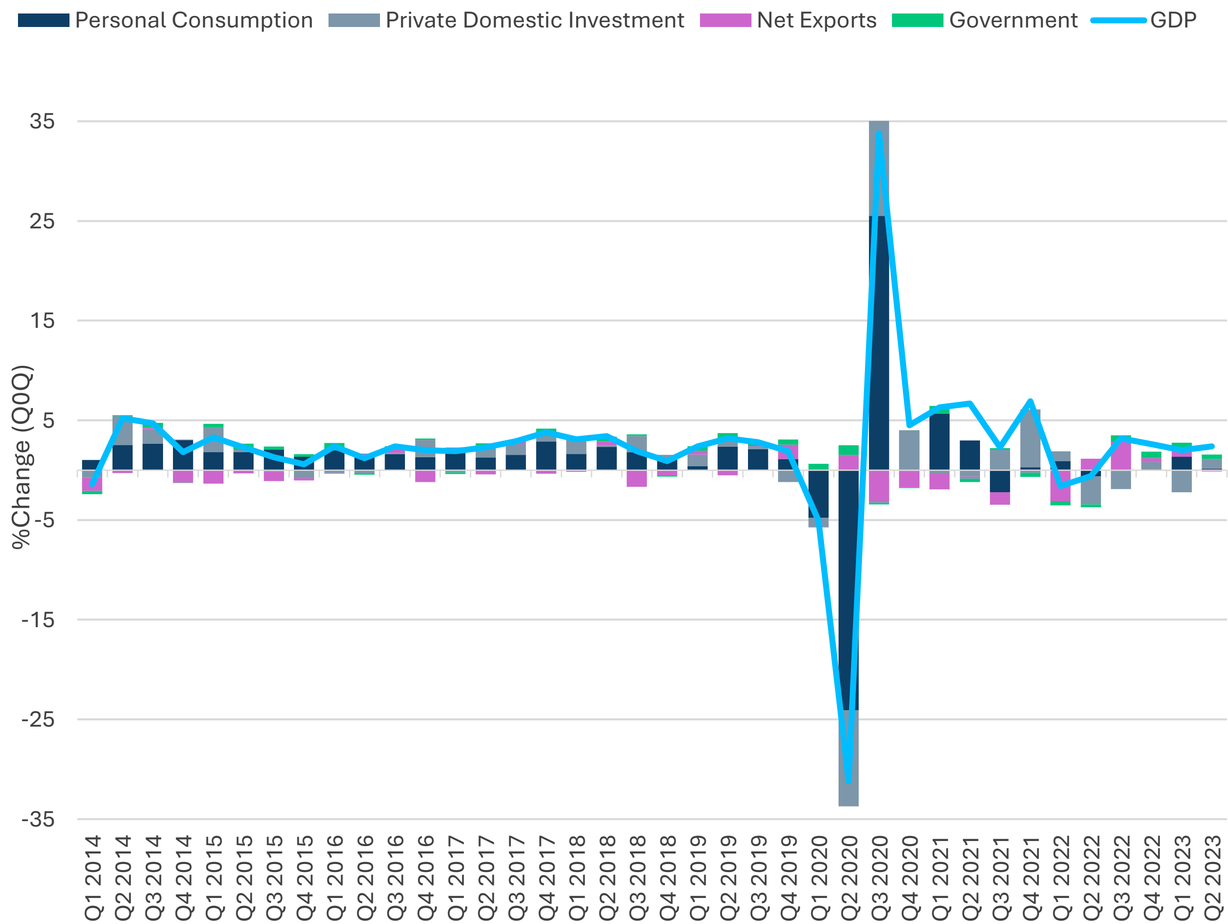
GDP: Resilience Expected

The annualized rate for Q2 2023 GDP read 2.4% quarter-over-quarter (QoQ). This is up from 2.0% in Q1 2023 due to a rebound in business investment and strong consumer spending.

For the full year 2022, GDP growth was 2.1%, with personal consumption and domestic investment heavily contributing.

Growth is expected to be resilient in later 2023, with market consensus showing expectations for 1.5% for Q3 2023 and 0.8% for Q4 2023.

GDP and Components



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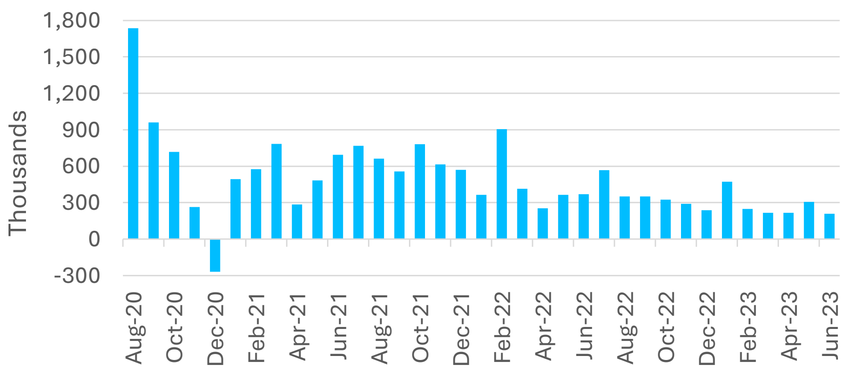
Source: Bureau of Economic Analysis, Congressional Budget Office and SVB Asset Management. Data as of 7/30/2023. 2022 and 2023 data points are estimates. GDP values shown in graph are percent change vs. prior quarter on an annualized basis.

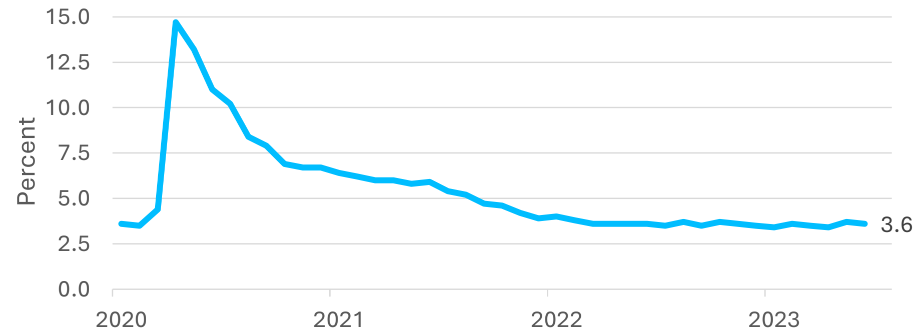
Employment: Hovering Near Pre-Pandemic Levels

During the second quarter of 2023, the average number of jobs grew by approximately 244,000 per month. The unemployment rate stayed historically low, ending the period at 3.6% — the same rate that it was before the onset of the COVID-19 pandemic in the US in February 2020. There continue to be more jobs available (~9.5 million) than unemployed Americans (~5.9 million), as companies continue to report difficulty in hiring despite rising wages.

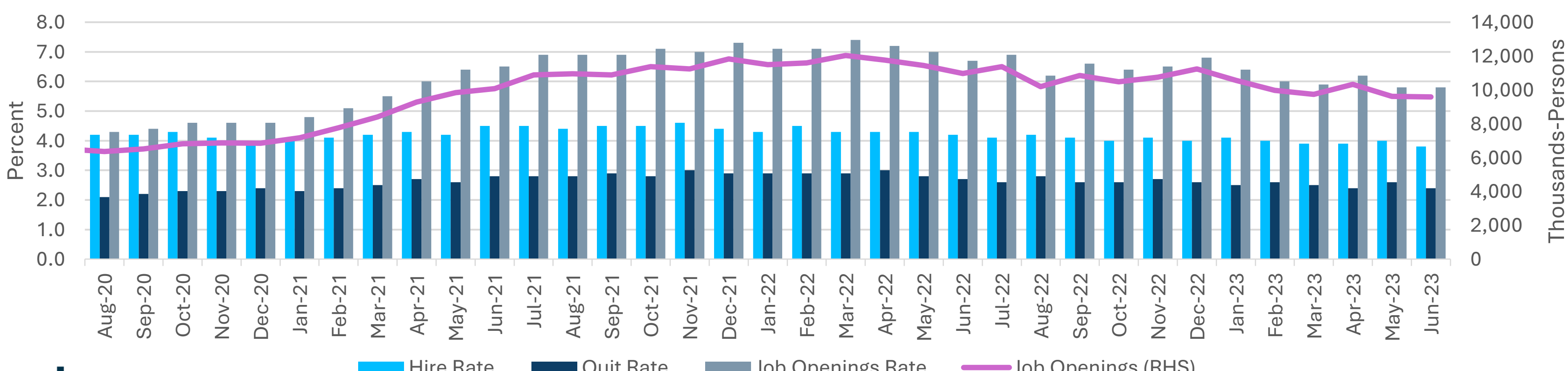
Non-Farm Payrolls



Unemployment Rate



Job Openings and Labor Turnover



Source: US Bureau of Labor Statistics, Bloomberg and SVB Asset Management. Data as of 6/30/2023.

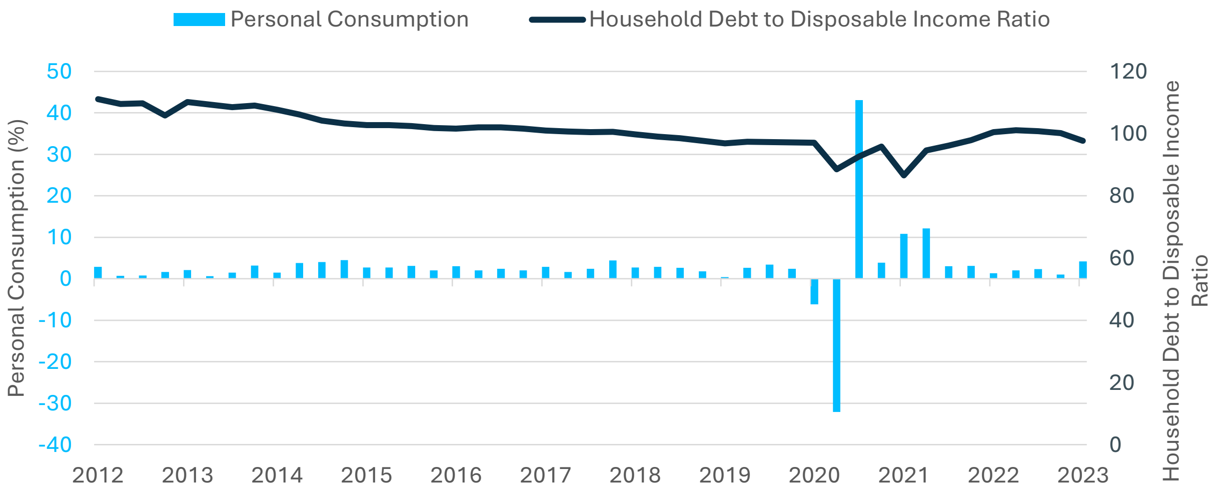
Consumption: Solid Consumer Spending

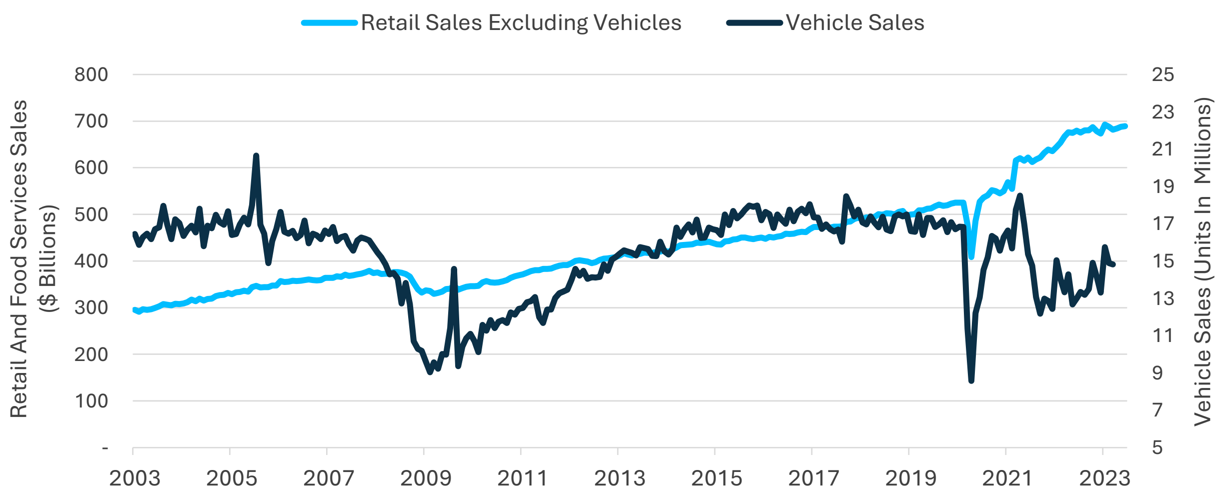
Personal consumption for Q2 2023 increased 1.6% from the prior quarter and increased 2.3% on a year-over-year (YoY) basis. Market expectations are that personal consumption will moderate to 0.8% in Q3 2023.

Retail sales excluding vehicles have been relatively flat from Q1 2023 to Q2 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





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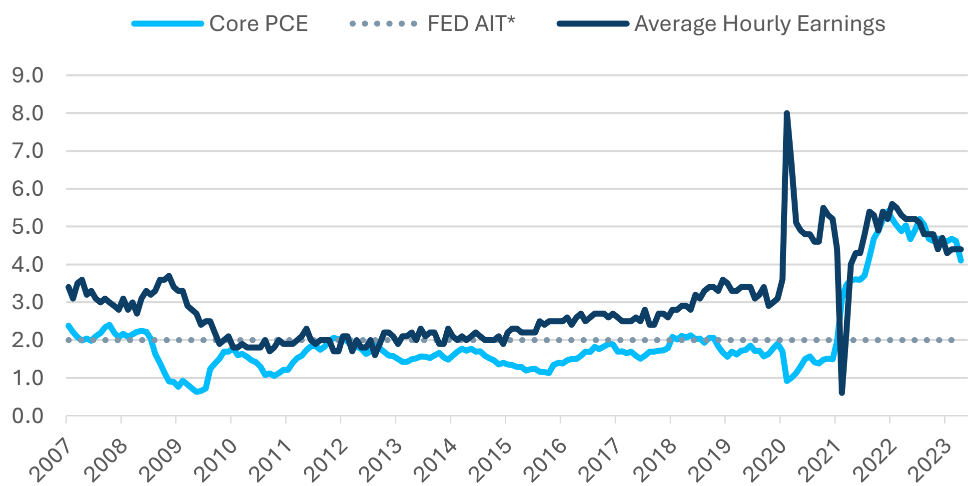
Source: Bloomberg and SVB Asset Management. Data as of 6/30/2023.

Inflation: Starting To Slow

Inflation has started to cool down with the June 2023 consumer price index (CPI) YoY reaching 3.0%. Core personal consumption expenditures (PCE) — the Fed's preferred inflation indicator — rose 4.1% on a YoY basis, which is down from 5.0% in June 2022.

In addition to market forecasts, the Fed continues to reiterate that it expects inflation to decline over the course of 2023.

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 Services	Shelter	Medical Care Services	Education And Communication
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%
Dec-22	6.50%	10.40%	11.80%	8.30%	7.30%	-1.50%	14.30%	19.30%	5.70%	2.10%	2.90%	5.90%	3.20%	7.00%	7.50%	4.10%	0.70%
Nov-22	7.10%	10.60%	12.00%	8.50%	13.10%	10.10%	13.70%	15.50%	6.00%	3.70%	3.60%	7.20%	3.10%	6.80%	7.10%	4.40%	0.70%
Oct-22	7.70%	10.90%	12.40%	8.60%	17.60%	17.50%	14.10%	20.00%	6.30%	5.10%	4.10%	8.40%	3.10%	6.70%	6.90%	5.40%	0.00%
Sep-22	8.20%	11.20%	13.00%	8.50%	19.80%	18.20%	15.50%	33.10%	6.60%	6.60%	5.50%	9.40%	3.70%	6.70%	6.60%	6.50%	0.20%
Aug-22	8.30%	11.40%	13.50%	8.00%	23.80%	25.60%	15.80%	33.00%	6.30%	7.10%	5.10%	10.10%	4.10%	6.10%	6.20%	5.60%	0.50%
Jul-22	8.50%	10.90%	13.10%	7.60%	32.90%	44.00%	15.20%	30.50%	5.90%	7.00%	5.10%	10.40%	3.70%	5.50%	5.70%	5.10%	0.50%
Jun-22	9.10%	10.40%	12.20%	7.70%	41.60%	59.90%	13.70%	38.40%	5.90%	7.20%	5.20%	11.40%	3.20%	5.50%	5.60%	4.80%	0.80%
May-22	8.60%	10.10%	11.90%	7.40%	34.60%	48.70%	12.00%	30.20%	6.00%	8.50%	5.00%	12.60%	2.40%	5.20%	5.50%	4.00%	0.80%
Apr-22	8.30%	9.40%	10.80%	7.20%	30.30%	43.60%	11.00%	22.70%	6.20%	9.70%	5.40%	13.20%	2.10%	4.90%	5.10%	3.50%	1.00%
Mar-22	8.50%	8.80%	10.00%	6.90%	32.00%	48.00%	11.10%	21.60%	6.50%	11.70%	6.80%	12.50%	2.70%	4.70%	5.00%	2.90%	1.50%
Feb-22	7.90%	7.90%	8.60%	6.80%	25.60%	38.00%	9.00%	23.80%	6.40%	12.30%	6.60%	12.40%	2.50%	4.40%	4.70%	2.40%	1.60%
Jan-22	7.50%	7.00%	7.40%	6.40%	27.00%	40.00%	10.70%	23.90%	6.00%	11.70%	5.30%	12.20%	1.40%	4.10%	4.40%	2.70%	1.60%
Dec-21	7.00%	6.30%	6.50%	6.00%	29.30%	49.60%	6.30%	24.10%	5.50%	10.70%	5.80%	11.80%	0.40%	3.70%	4.10%	2.50%	1.60%
Nov-21	6.80%	6.10%	6.40%	5.80%	33.30%	58.10%	6.50%	25.10%	4.90%	9.40%	5.00%	11.10%	0.20%	3.40%	3.80%	2.10%	1.70%
Oct-21	6.20%	5.30%	5.40%	5.30%	30.00%	49.60%	6.50%	28.10%	4.60%	8.40%	4.30%	9.80%	-0.40%	3.20%	3.50%	1.70%	1.80%

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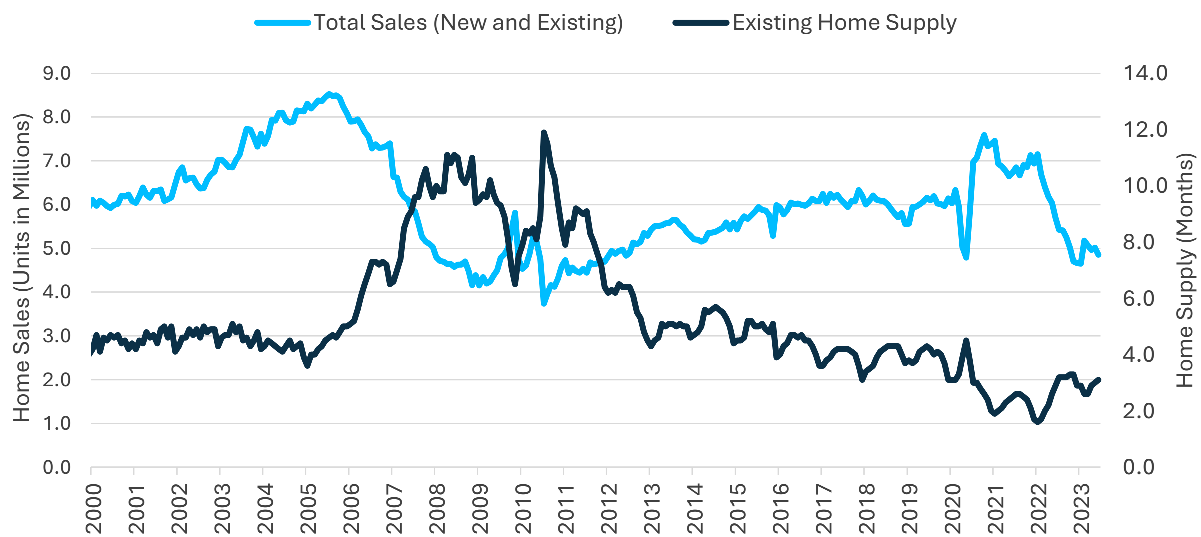
Source: Bloomberg, US Bureau of Labor and Statistics and SVB Asset Management. Data as of 6/30/2023.
*FED AIT is average inflation targeting. The CPI measures the weighted average price change in the prices paid by consumers for household goods and services. **Month over Month.

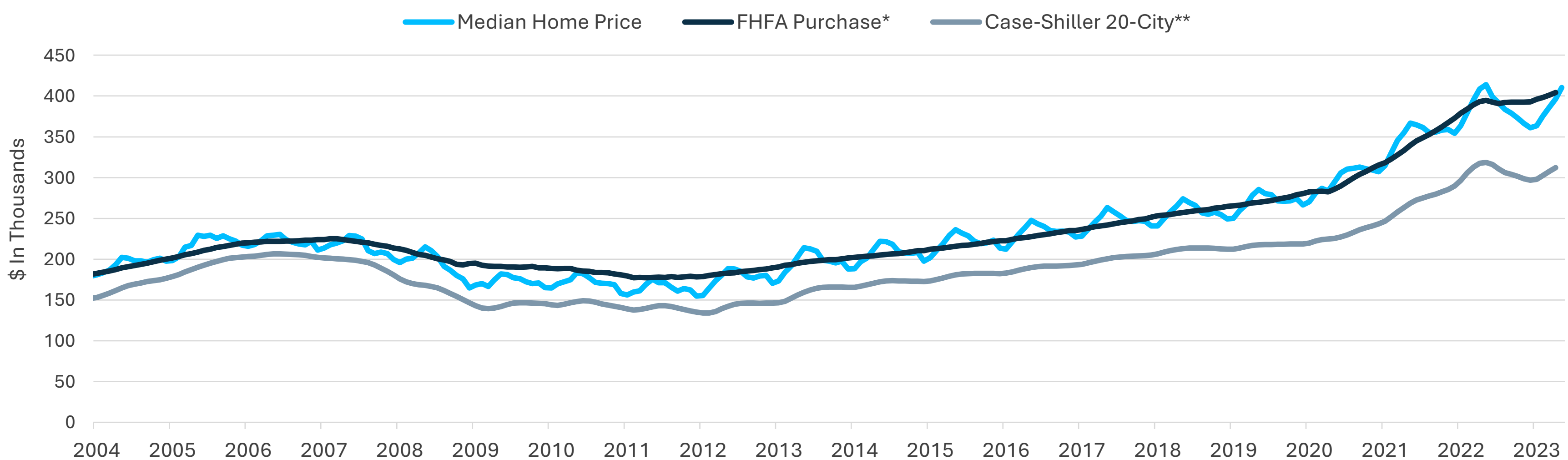
Housing: Sales Are Slumping

Home sales have slowed significantly, while inventory has slightly increased. For 2023, the market will be focused on the impact that multiyear highs in mortgage rates could continue to have on home sales.

Housing Market



Home Prices

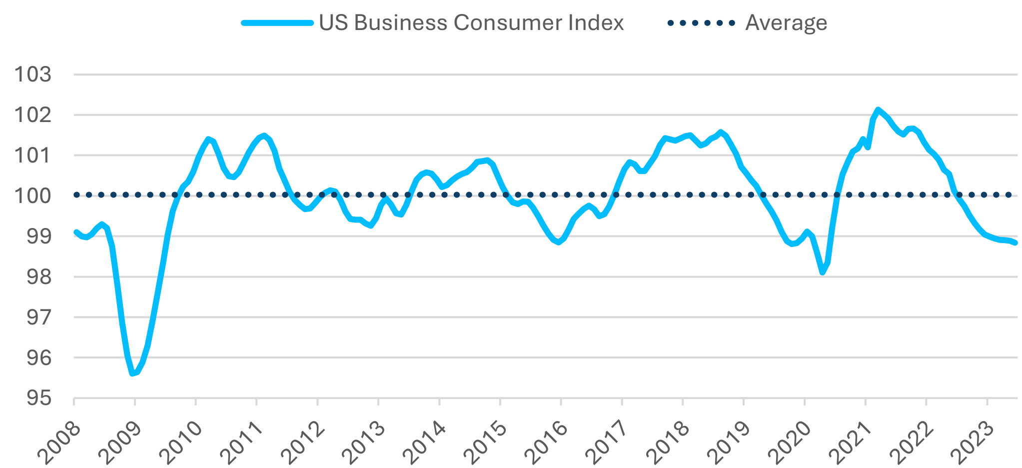


Source: Bloomberg and SVB Asset Management. Data as of 6/30/2023. *Federal Housing Finance Agency.
**The Case-Shiller 20-City measures the prices of residential real estate in 20 major US metropolitan areas.

Business Outlook: Moderating

Business sentiment has declined over the past several quarters and stayed below average in Q2 2023. Economic activity continued steadily throughout the second quarter. Institute for Supply Management (ISM) data remained in solid territory, and companies continue to be impacted 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	ISM Manufacturing PMI SA	ISM Non-Manufacturing
Jun-23	-23.2	-13.7	6.6	-12.0	-8.0	46.0	53.9
May-23	-29.1	-10.4	-31.8	-1.0	-10.0	46.9	50.3
Apr-23	-23.4	-31.3	10.8	-10.0	-12.0	47.1	51.9
Mar-23	-15.7	-23.2	-24.6	0.0	-8.0	46.3	51.2
Feb-23	-13.5	-24.3	-5.8	0.0	-14.0	47.7	55.1
Jan-23	-8.4	-8.9	-32.9	-1.0	-7.0	47.4	55.2
Dec-22	-19.4	-7.1	-9.1	-2.0	-10.0	50.0	54.5
Nov-22	-14.4	-15.5	4.5	-2.0	-9.0	49.0	55.5
Oct-22	-18.8	-13.7	-11.2	-4.0	1.0	48.4	49.2
Sep-22	-17.2	-9.9	-1.5	1.0	0.0	50.9	56.7
Aug-22	-12.9	6.2	-31.3	3.0	-8.0	52.8	56.9
Jul-22	-22.6	-12.3	11.1	13.0	0.0	52.8	56.7
Jun-22	-18.8	-2.8	-1.2	11.0	-10.0	53.1	56.0
May-22	-8.1	3.5	-11.6	21.0	-8.0	56.1	56.4
Apr-22	0.2	13.1	24.6	22.0	7.0	55.9	57.5
Mar-22	7.8	23.2	-11.8	32.0	9.0	57.0	58.4
Feb-22	12.5	12.7	3.1	25.0	5.0	58.4	57.2
Jan-22	0.9	20.8	-0.7	23.0	7.0	57.6	60.4
Dec-21	8.3	15.5	31.9	27.0	12.0	58.6	61.7
Nov-21	11.6	41.4	30.9	25.0	14.0	60.8	67.6
Oct-21	15.0	25.3	19.8	31.0	13.0	60.4	66.6

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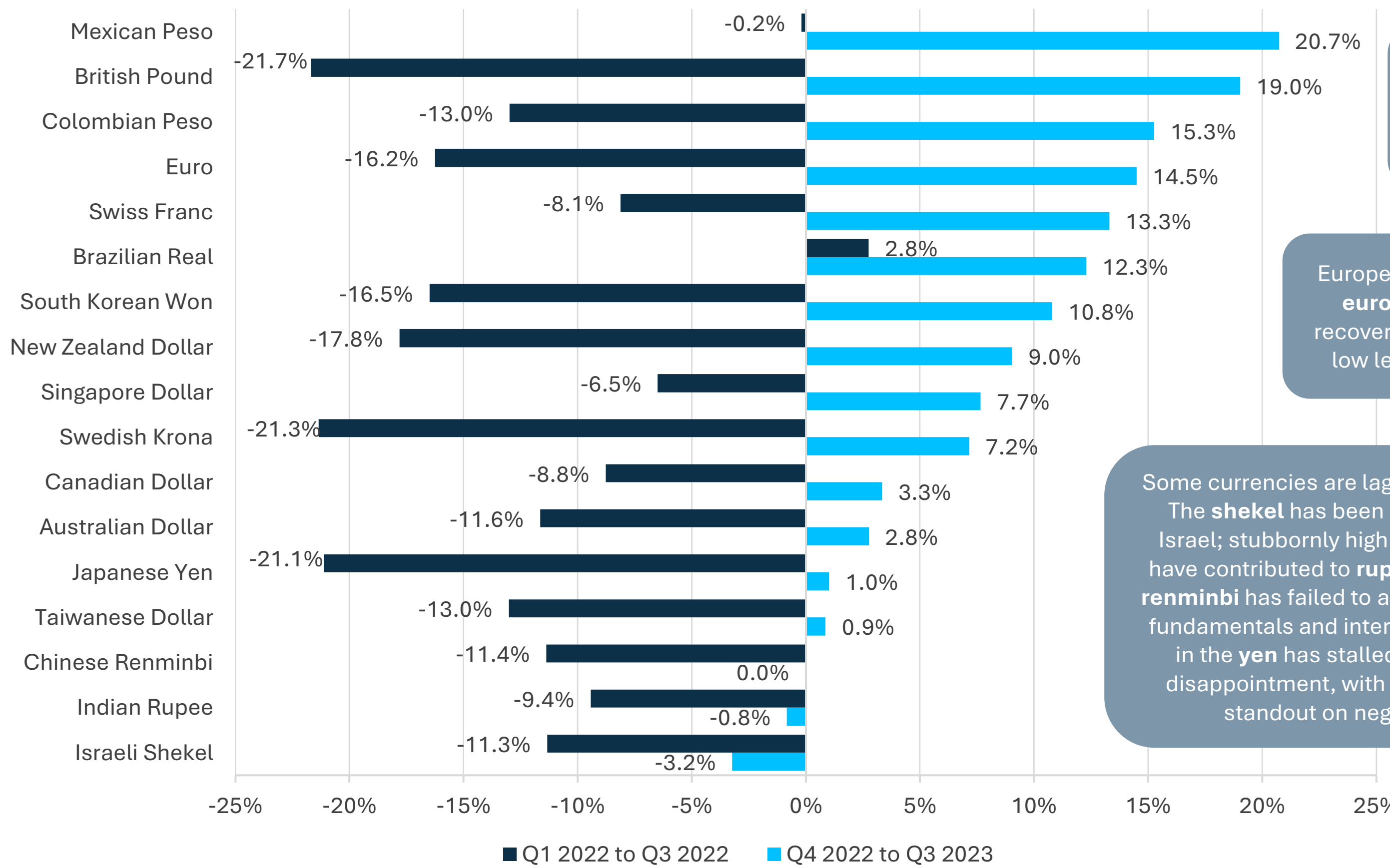
Source: Bloomberg, Organization for Economic Co-operation and Development (OECD, 2022) and BCI (indicator). Updated 7/27/2023. Heatmap colors are based on the indices and time periods shown and summarize business plans for economic activities. For the Fed surveys, the number represents business sentiment and the higher number represents higher business sentiment. For ISM indexes, the neutral number is usually 50. >50, the economy is likely to expand; <50, the economy is likely to contract.

Foreign Exchange

The USD Reversal is in Play, but Imbalanced

Fueled by a sharp recovery in risk assets and narrowing interest rate differentials vs. foreign currencies, the USD has traded softer since Q4 2022, reversing the gains it registered during the first three quarters of 2022.

Currency Performance vs. USD



LATAM* currency outperformance is fueled by high interest rates and near-shoring optimism.

European currencies, primarily the **euro, pound**, and **franc**, have recovered strongly, albeit from very low levels established last year.

Some currencies are lagging the currency recovery: The **shekel** has been hurt by political unrest in Israel; stubbornly high inflation and twin deficits have contributed to **rupee** weakness; the Chinese **renminbi** has failed to advance due to deteriorating fundamentals and interest rate cuts; and recovery in the **yen** has stalled due to monetary policy disappointment, with Japan remaining the lone standout on negative interest rates.

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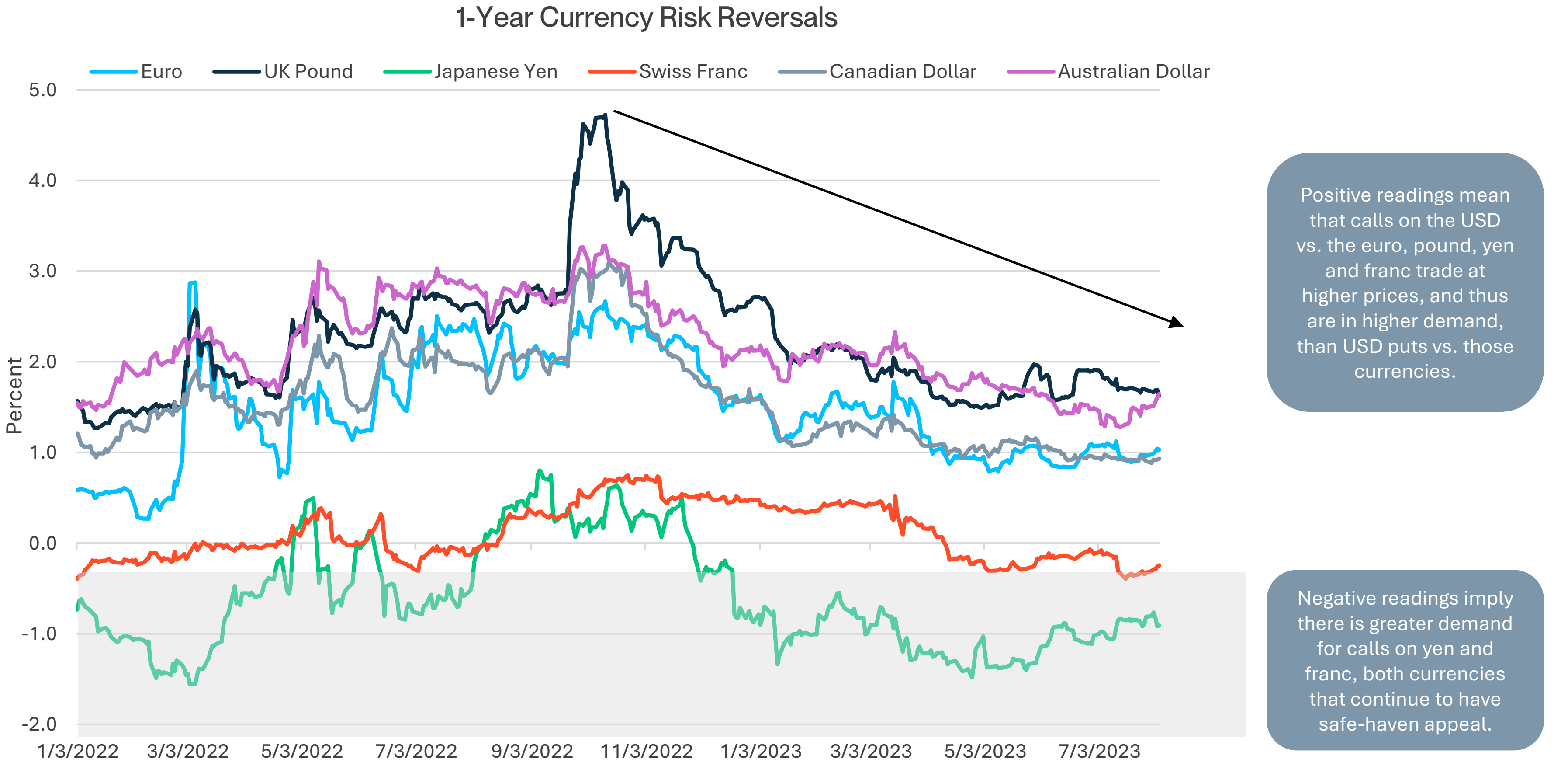
Source: Bloomberg. Data as of 8/1/2023. *Latin American.

Demand for Protection Against a Rising USD is Waning Along With Broad-Based USD Depreciation

The chart tracks 1-year 25-delta implied volatility risk reversals which is an expression of supply and demand dynamics in over-the-counter options markets. A reading of +2.0% (-2.0%) means USD calls trade at 2.0 implied volatility units higher (lower) than USD puts.



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Source: Bloomberg. Data as of 8/1/2023.

The USD Tends to Outperform During Bouts of 2s10s Yield Curve Inversion, but Sells Off Following the Inversion

An especially strong equity market was a key driver of the USD during inversion periods over which the USD weakened. The S&P 500 was up 22% and 17%, respectively.

Dates Inverted	Number Of Days	DXY* Return During Inversion	DXY Return 3 Months Following Inversion
9/11/80–10/23/81	407	+25.8%	-0.04%
1/15/82–7/16/82	179	+10.9%	+2.84%
1/4/89–6/29/89	175	+10.1%	-3.66%
8/11/89–10/11/89	61	+1.71%	-8.59%
3/8/90–3/29/90	21	+0.22%	-2.19%
6/3/98–7/28/98	55	+0.56%	-5.95%
2/3/00–12/27/00	328	+5.17%	+4.71%
1/31/06–3/28/06	56	+0.93%	-4.17%
6/8/06–6/5/07	362	-3.65%	-1.31%
8/22/19–9/2/19	11	+0.63%	-0.65%
7/5/22–Present	395	-2.97%	TBD

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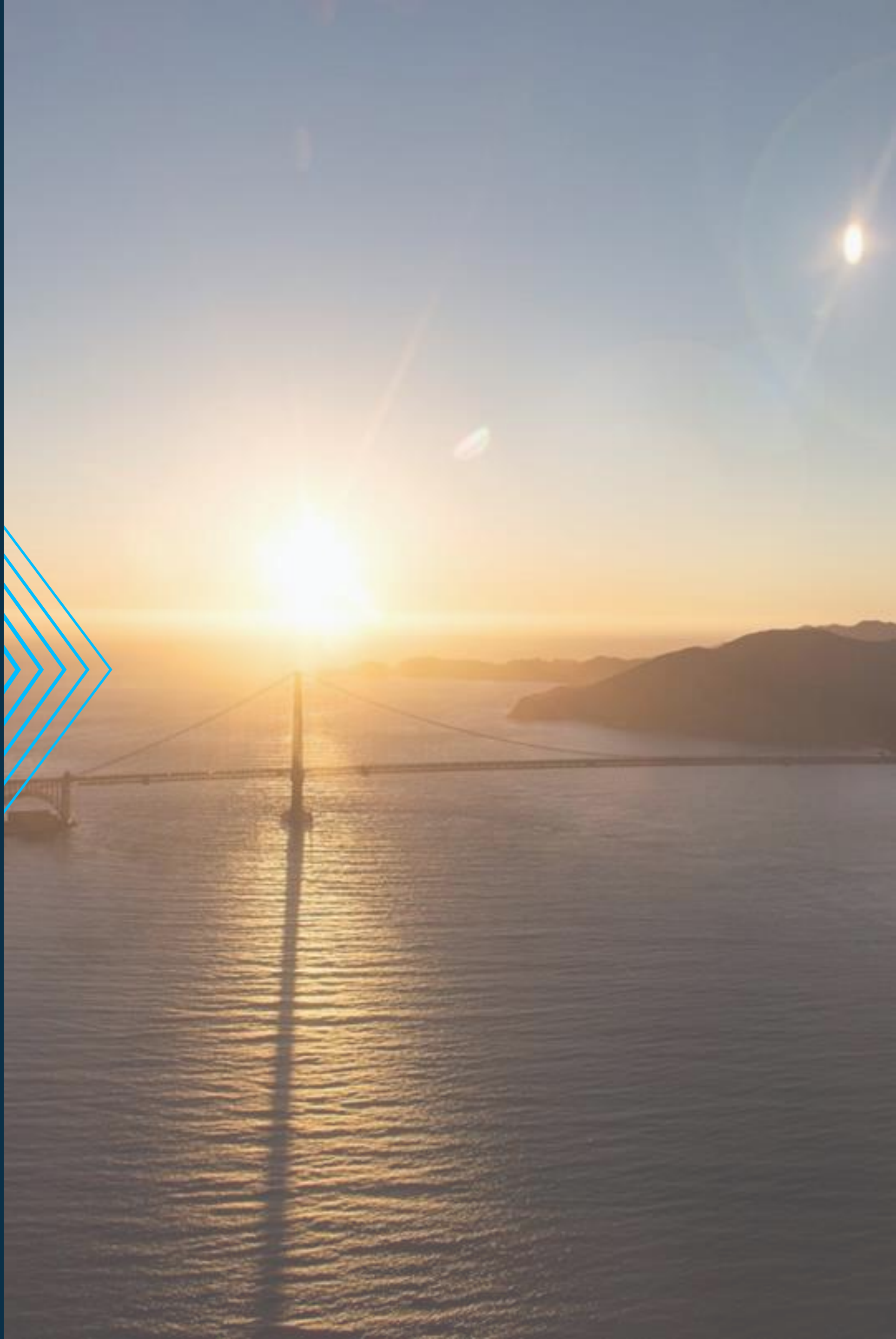
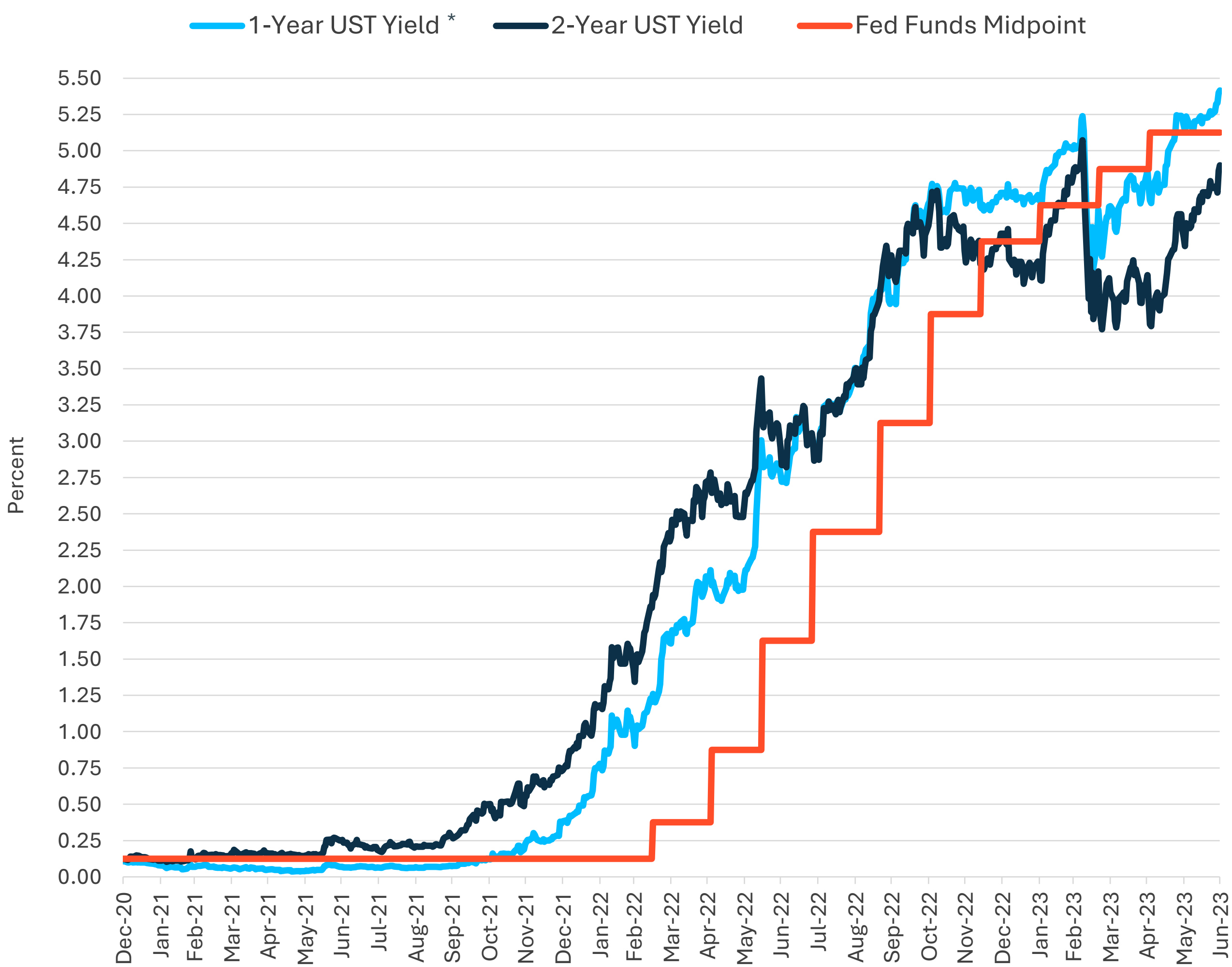
Source: Bloomberg. Data as of 8/1/2023. *USD Index.

Central Banks and Fiscal Policy



Short-End Interest Rates

The Fed slowed the pace of rate hikes while allowing the impact of 400 basis points (bps) of higher yields to flow through the economy.



Q2 2021: The stronger recovery triggered the Fed to revise growth and inflation expectations. The dot plot was updated to reflect two potential rate hikes in 2023.

Q1 2022: The Fed turned hawkish in an effort to slow persistently elevated inflation. Seven or more rate hikes — along with balance sheet reductions — pushed interest rates to multiyear highs.

Q2 2022: Inflation and deteriorating consumer confidence forced the Fed to hike 50 and 75 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 their 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.

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Source: Bloomberg and SVB Asset Management. Data as of 6/30/23. *US Treasury Yield.

Economic Forecasts

Slow to moderate growth is expected as global central banks strive to achieve a soft landing.

Economic Projections	2023	2024	2025
United States			
Change in Real GDP	1.3%	0.8%	1.9%
Core PCE	4.3%	2.7%	2.2%
Unemployment Rate	3.8%	4.5%	4.4%
United Kingdom			
Change in Real GDP	0.2%	0.9%	1.5%
CPI	7.1%	2.7%	2.1%
Unemployment Rate	4.1%	4.5%	4.3%
Eurozone			
Change in Real GDP	0.6%	1.0%	1.6%
CPI	5.4%	2.5%	2.0%
Unemployment Rate	6.7%	6.8%	6.6%
Japan			
Change in Real GDP	1.2%	1.1%	1.0%
CPI	2.8%	1.5%	1.3%
Unemployment Rate	2.5%	2.4%	2.3%
China			
Change in Real GDP	5.5%	4.9%	4.6%
CPI	1.2%	2.2%	2.0%
Unemployment Rate	4.1%	4.0%	4.0%

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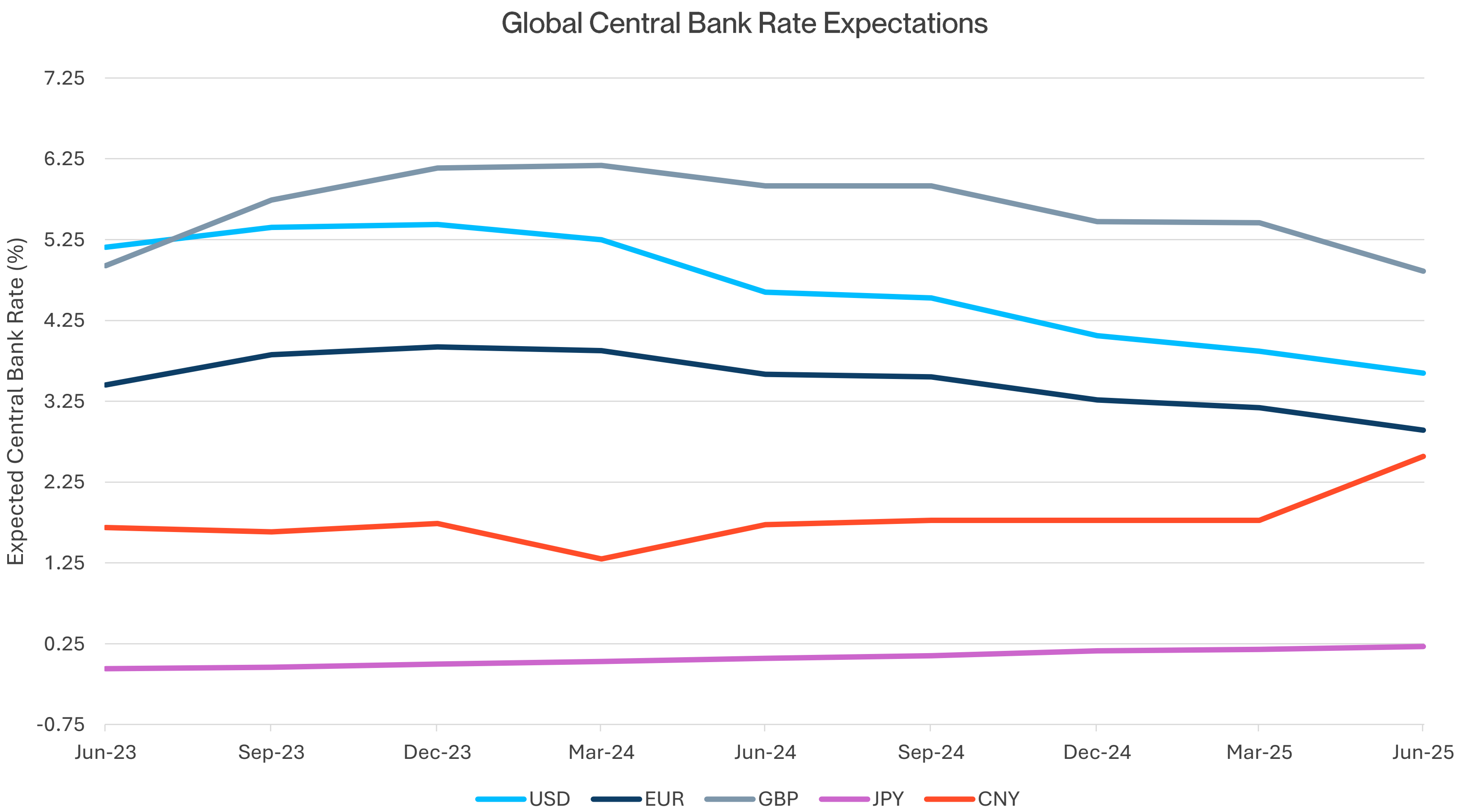
Source: Bloomberg. Data as of 6/30/2023.

Global Central Bank Expectations

The US and Europe look to be near the end of the rate hike cycle while persistent inflation is expected to force rates higher in the UK.



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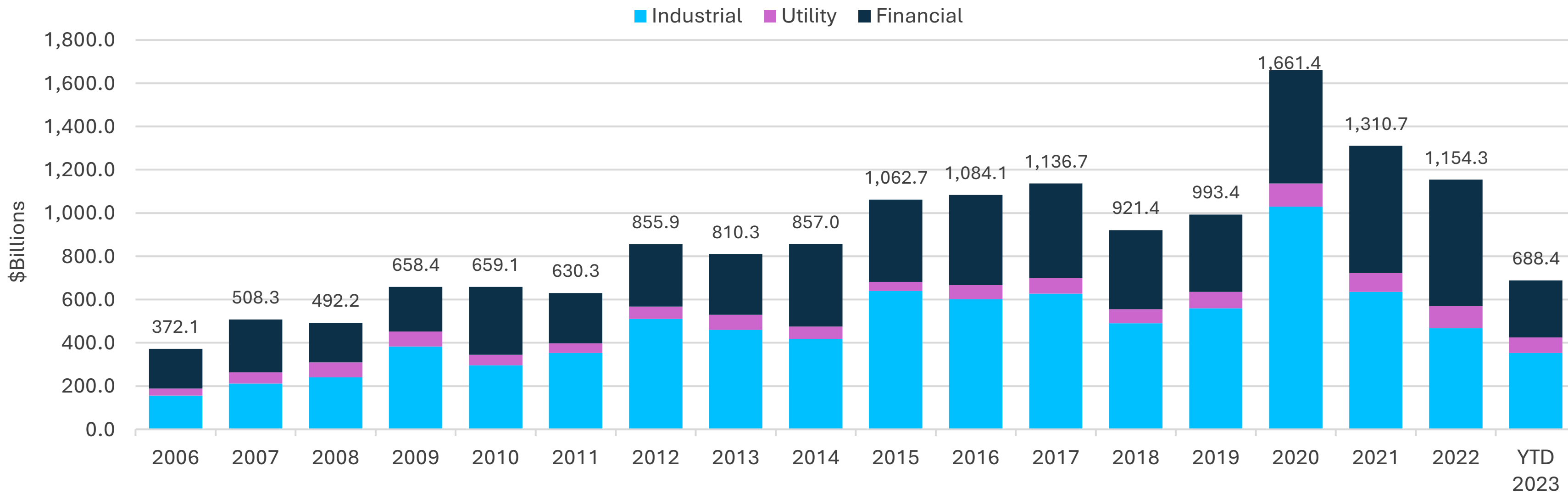
Source: Bloomberg. Data as of 6/30/2023.

Corporate Bond Market

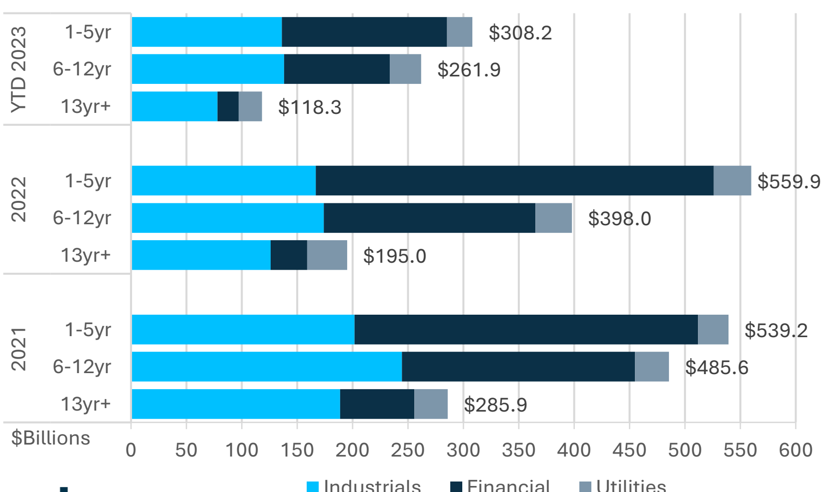
Corporate New-Issue Update

New issue of investment-grade (IG) corporate bonds remains relatively strong YTD, despite increased funding costs. Issuance is expected to rebound modestly during 2023 compared to lower levels seen over the last two years.

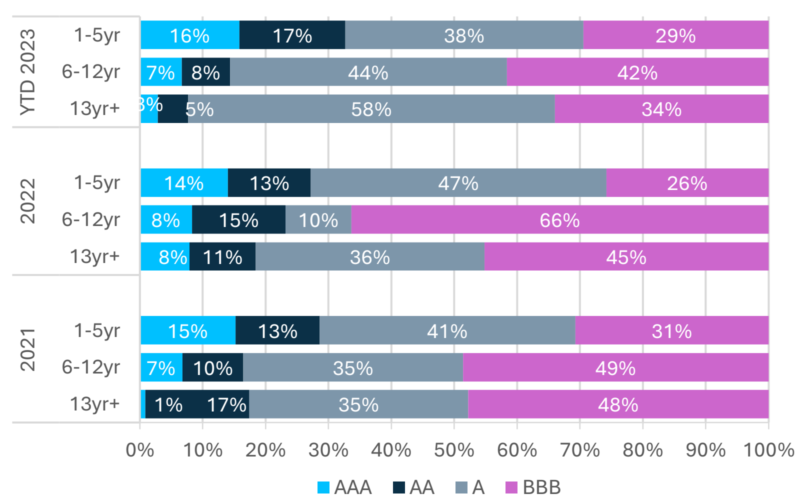
US IG Corporate New-Issue Volume



IG Corporate New-Issue Supply (Sector/Maturity)



IG Corporate New-Issue Supply (Rating/Maturity)



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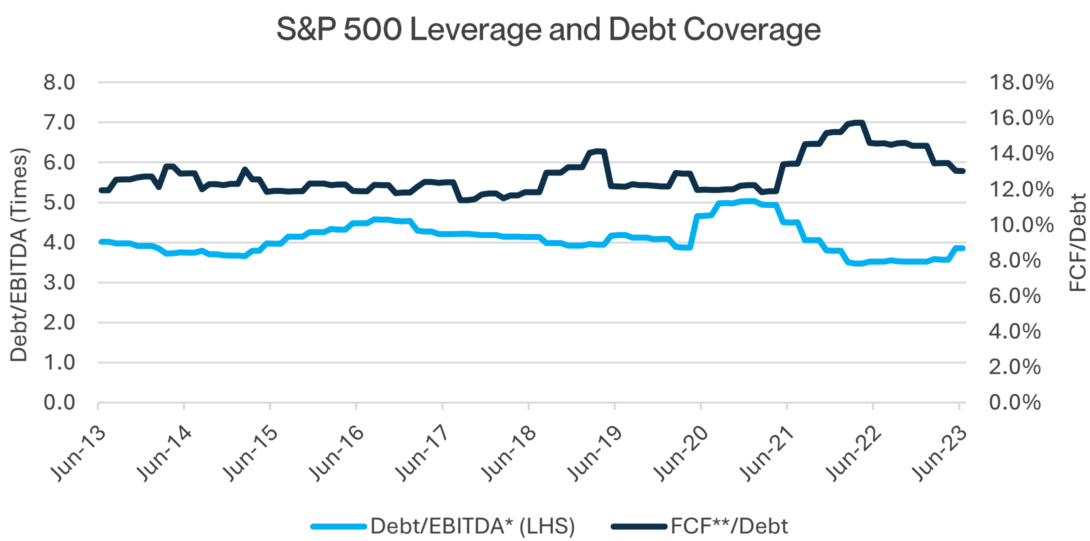
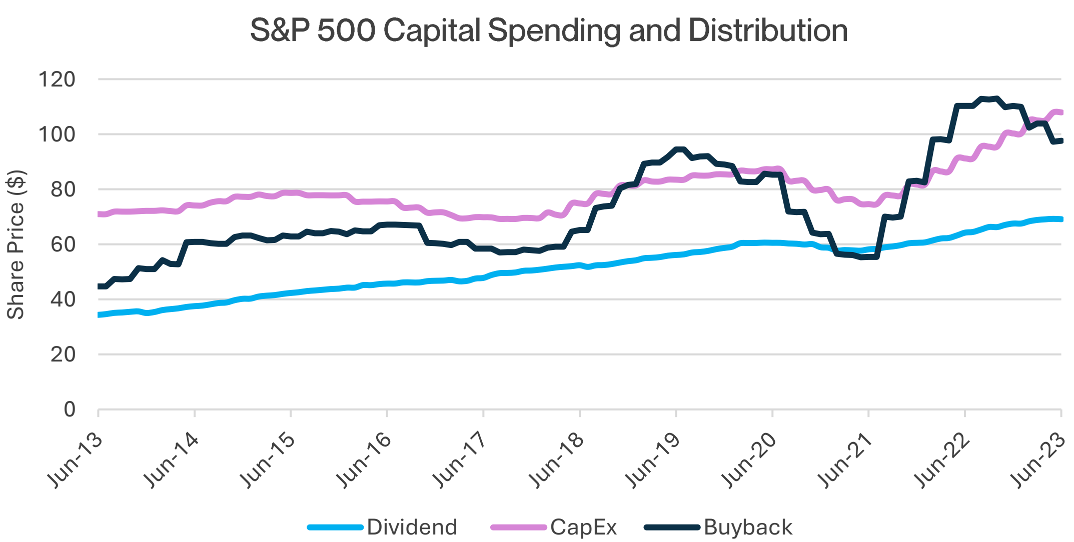
Source: Bloomberg Barclays Indices. Data as of 6/30/2023. Past performance is not a guarantee of future results. Totals may not add up to 100 due to rounding.

Corporates: Credit Metrics Starting To Normalize

While corporate credit metrics remain stable, leverage and debt coverage have started to normalize from more favorable levels in 2021 and early 2022.

Shareholder buybacks continue to taper as companies have shifted from cash distribution to cash preservation amidst the economic slowdown. However, dividends and capital expenditures continue to remain elevated, indicating still-strong corporate fundamentals.





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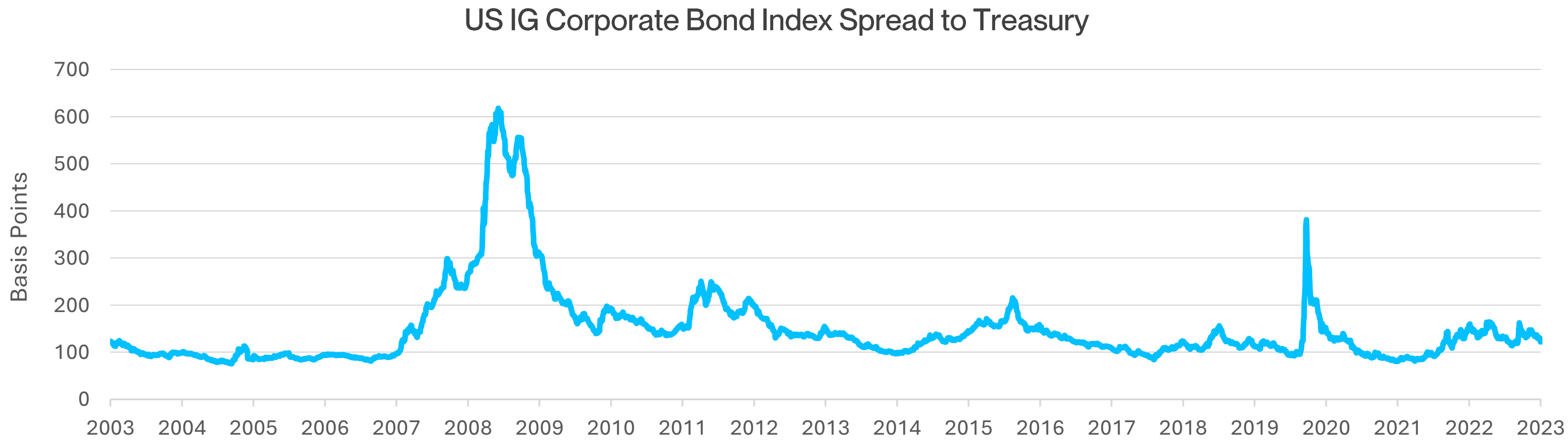
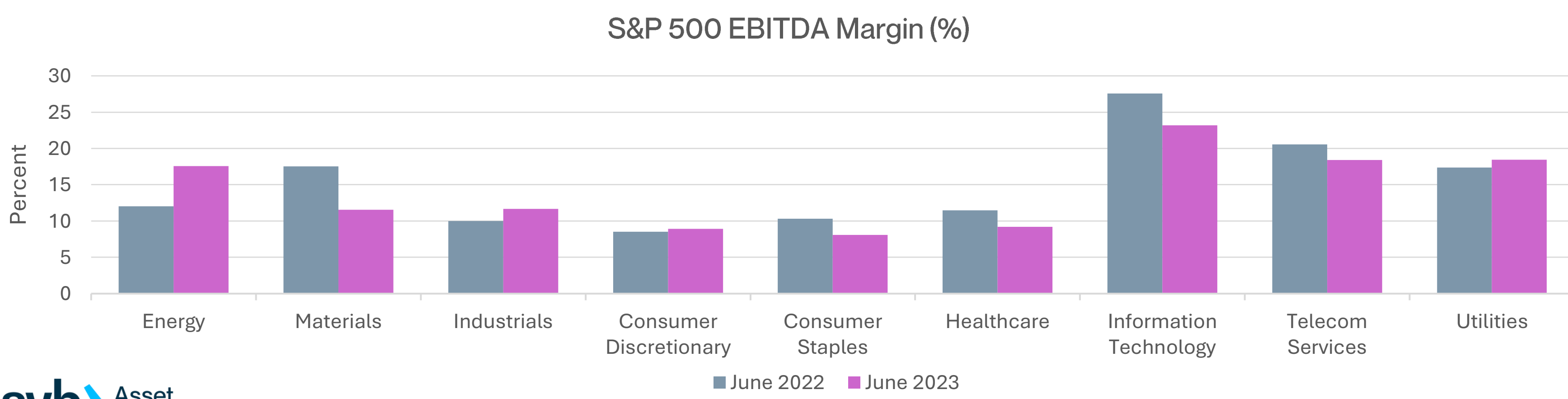
Source: Bloomberg. Data as of 6/30/2023. * Earnings Before Interest, Taxes, Depreciation, And Amortization. ** Free cash flow.

Corporates: Spread and Sector Performance

The risk premium between US Treasuries and corporate bonds YTD remains relatively flat compared to 2022 levels, though spreads are expected to widen over the next six to twelve months as lending standards tighten and economic conditions remain challenged.



Operating profitability, as measured by EBITDA margin, declined YoY for most sectors, except for Energy/Utilities, which benefited from rising energy prices, and Industrials, which saw ongoing strong demand. Consumer Discretionary was effectively flat, indicating persistent consumer spending through June 2023.



Source: Bloomberg. Data as of 7/5/2023 (Chart 1) and 6/30/23 (Chart 2) .

US Commercial Real Estate (CRE)

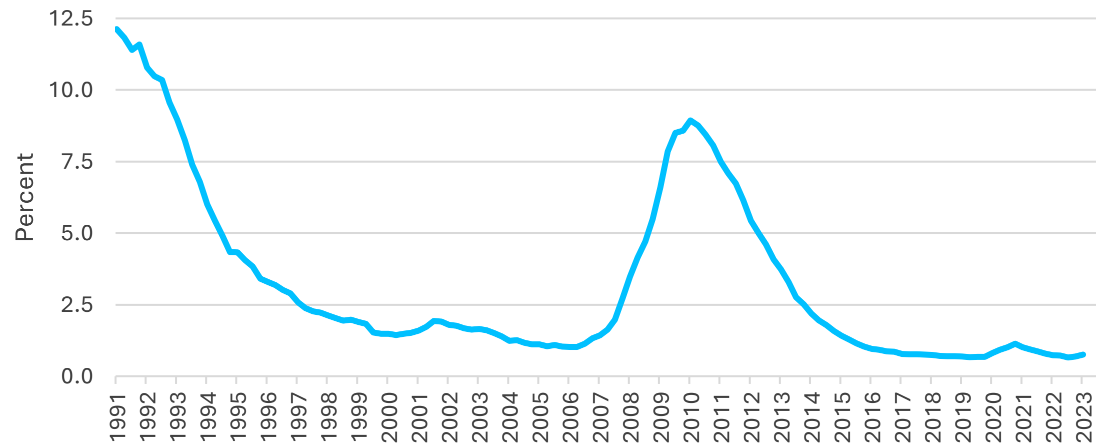
While delinquency rates among CRE loans remain low, vacancy rates have been increasing over the last several quarters, particularly in the office sector.

Overall bank exposure to office properties remains small, with most reporting low single-digit levels of office exposure to total loans (<5%). Office type and geography also play a large role in vacancy and delinquency rates in this sector.

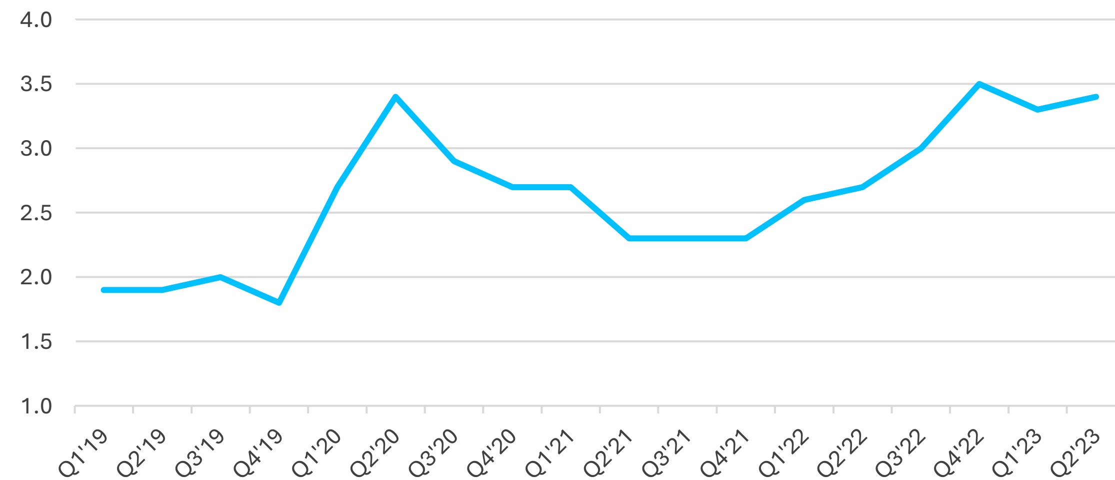
Despite relatively low delinquency rates, many banks have indicated they remain cautious and are de-risking from certain sub sectors, such as office, while also generally increasing loan loss reserves and charge-offs.

CRE loan delinquency rates across commercial banks increased from 0.69% at year-end 2022, to 0.76% in the first half of 2023. While delinquency rates were still well below historical averages, they continued to rise from historically low levels during 2022 due to ongoing deterioration in the sector.

CRE Delinquency Rates on Loans Held at US Commercial Banks



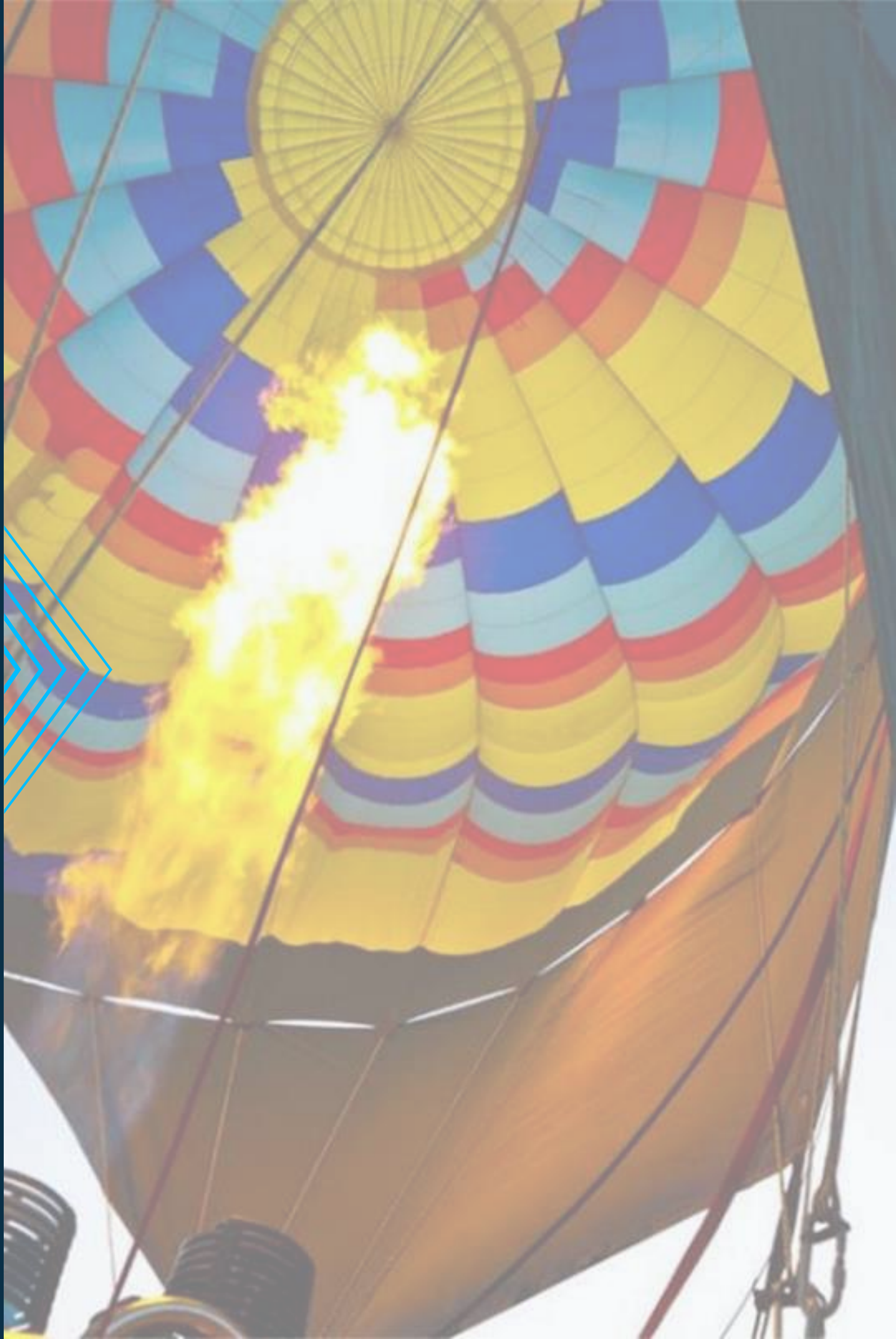
Loan Loss Reserve Coverage at Diversified US Banks



*Loan Loss Reserve/Non-performing Loans

Sources: Board of Governors of the Federal Reserve System (US), Delinquency Rate on Commercial Real Estate Loans (Excluding Farmland), Booked in Domestic Offices, All Commercial Banks [DRCRELEXFACBS], retrieved from FRED, Federal Reserve Bank of St. Louis; https://fred.stlouisfed.org/series/DRCRELEXFACBS, 6/7/2023 and Bloomberg, company filings, data as of 2Q 2023.

Markets and Performance



Market Sector Performance

Markets were more optimistic that the US economy was strong enough to shrug off the historic pace of rate hikes, banking system troubles, and stubborn inflation data. US equities ended the quarter on a strong note, thanks to growth in tech stocks driven by the surge in AI. Meanwhile, the decrease in oil prices can be attributed to the increase in US production while global consumption has slowed as supply continues to outpace demand.

Asset Class Returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD 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 39.12%
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 31.81%
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 16.89%
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 5.38%
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 3.21%
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%	US Aggregate 2.09%
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 Treasury 1.59%
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%	Biotech 0.08%
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 -11.99%

All returns above are on a total return basis. YTD 2023 returns are on an aggregate basis up to 6/30/2023. 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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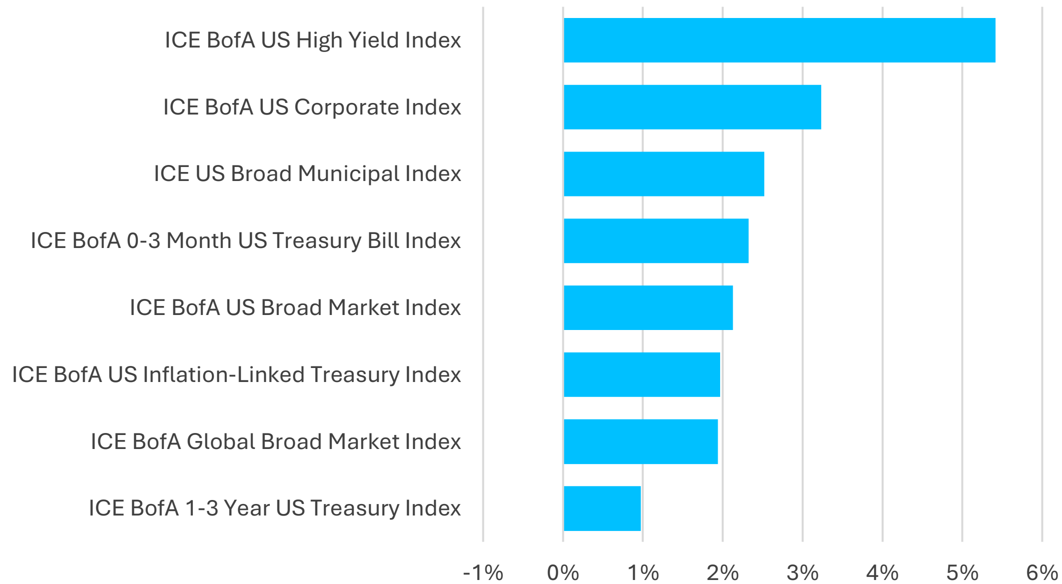
Source: Bloomberg and Bloomberg Barclays Indices as of 6/30/2023.
Past index performance is no guarantee of future results.

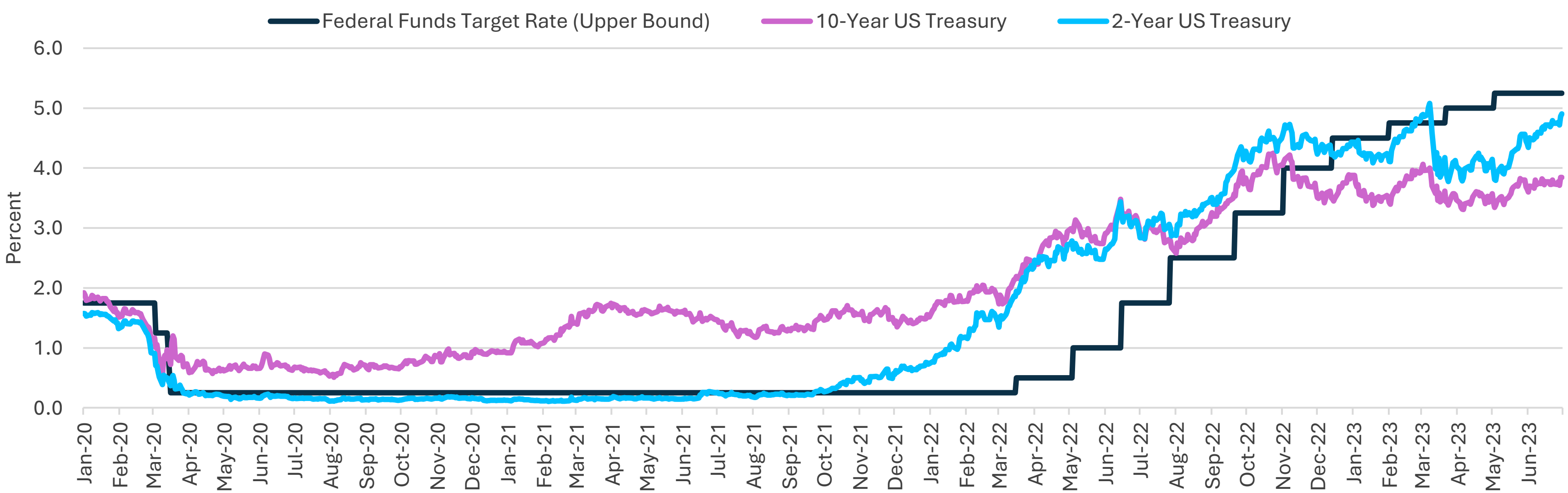
Bond Market Performance

Investors have put cash back to work in the second quarter, as the economy and corporate earnings have remained more resilient and the fears of an expected recession in the first half of 2023 have not yet come to fruition. The best performing fixed income assets YTD have been high-yield and IG credit.

2023 YTD Bond Performance



Bond Yields



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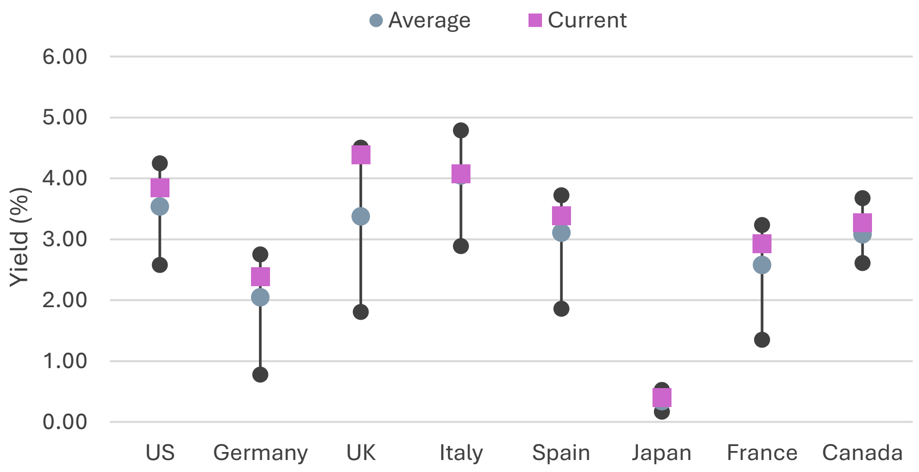
Sources: Bloomberg and ICE BofA Indices. As of 6/30/2023. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

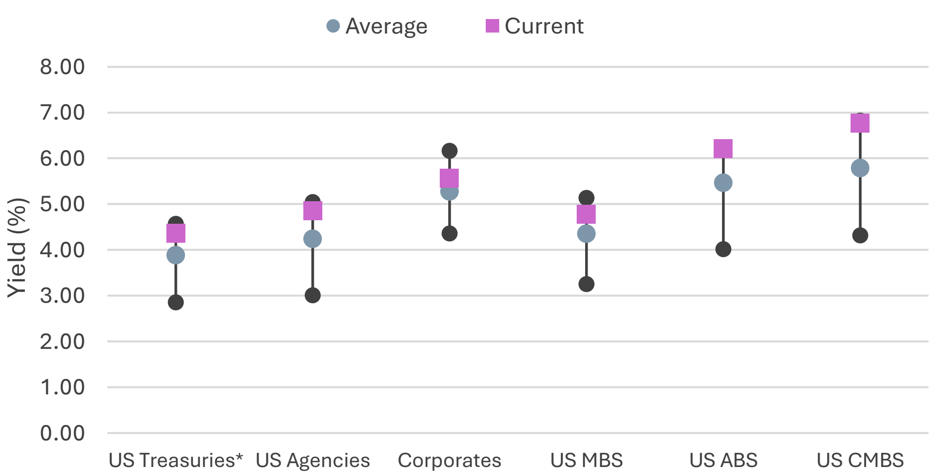
Global and Domestic Yields

Fixed income yields are well above their one-year averages as all-in yields continue to push higher due to unprecedented monetary policy tightening from the Fed.

Yields Across the Globe

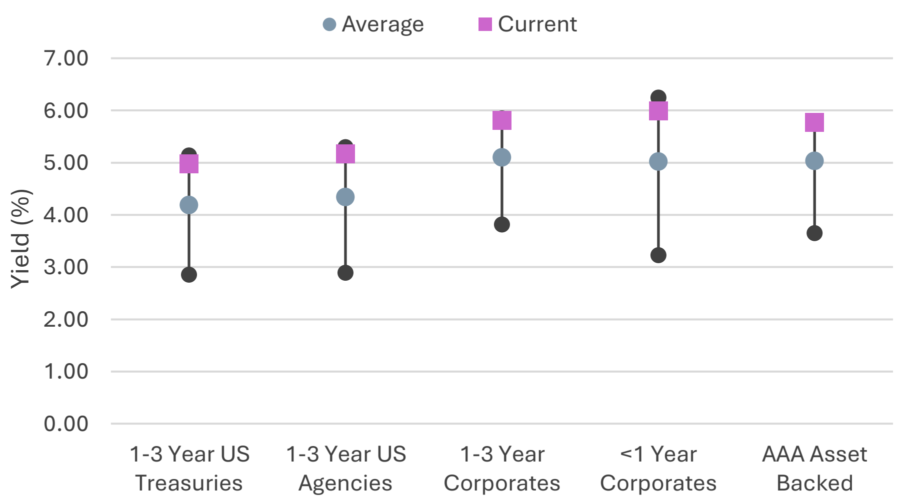


Broad Fixed Income Yields



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

Short-Duration Yields



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Daily yields from 6/30/2022 to 6/30/2023. 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

In the second quarter, the combination of persistently high inflation and a resilient global economy led to a rise in yields and a tightening of credit spreads due to strong corporate earnings. Bonds with shorter durations outperformed those with longer durations, while lower-rated bonds saw the best performance as the risk of a recession in 2023 diminished.

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		1.08%	0.78%	-0.10%	-0.30%	-0.54%	-0.99%	-0.82%	-0.91%	-2.10%	-1.34%	-1.45%	-0.64%	-1.40%	-0.91%	-0.53%	-1.01%
AA1		0.00%	0.94%	-0.24%	-0.35%	-0.80%	-0.95%	-1.05%	-1.04%	-1.27%	-0.34%	-0.41%		-0.44%	-0.47%	0.19%	-0.51%
AA2	1.28%	1.17%	0.83%	0.31%	-0.07%	-0.30%	-0.62%	-0.52%	-0.65%	-0.66%	-0.58%	-1.15%	-0.51%	-1.56%	-0.42%	-1.13%	-1.05%
AA3	1.30%	1.25%	0.97%	0.14%	-0.03%	-0.37%	-0.41%	-0.49%	-0.81%	-0.89%	-0.95%	-0.98%	-0.79%	-0.79%	-0.80%	-0.99%	-0.86%
A1	1.36%	1.19%	0.92%	0.32%	0.09%	0.05%	-0.12%	-0.28%	-0.44%	-0.67%	-0.78%	-0.79%	-1.39%	-1.65%	-0.91%	-0.55%	-0.63%
A2	1.38%	1.32%	1.06%	0.49%	0.27%	0.24%	0.02%	-0.23%	-0.52%	-0.52%	-0.55%	-0.76%	-0.76%	-1.19%	-0.93%	-0.20%	-0.56%
A3	1.42%	1.47%	1.06%	0.67%	0.34%	0.12%	0.11%	-0.08%	-0.34%	-0.42%	-0.18%	-0.66%	-1.35%	-1.12%	-0.85%	-0.34%	-0.84%
BBB1	1.49%	1.47%	1.25%	0.62%	0.31%	0.18%	-0.09%	-0.11%	-0.56%	-0.42%	-0.18%	-0.55%	-0.41%	-0.37%	-0.59%	-0.27%	-0.51%
BBB2	1.56%	1.43%	1.20%	0.70%	0.35%	0.60%	0.15%	-0.01%	-0.43%	-0.33%	-0.18%	-0.26%	-0.26%	-0.23%	-0.48%	0.42%	-0.22%
BBB3	1.61%	1.50%	1.28%	1.04%	0.93%	0.90%	0.57%	0.81%	0.12%	0.44%	0.55%	0.06%	0.02%	0.69%	0.36%	1.43%	0.33%

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
AAA	1.21%	1.06%	0.76%	-0.12%	-0.64%	-0.90%	-1.05%	-1.23%	-1.52%	-1.63%	-1.93%	-1.86%	-1.84%	-1.90%	-1.86%	-2.07%	-2.33%

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.

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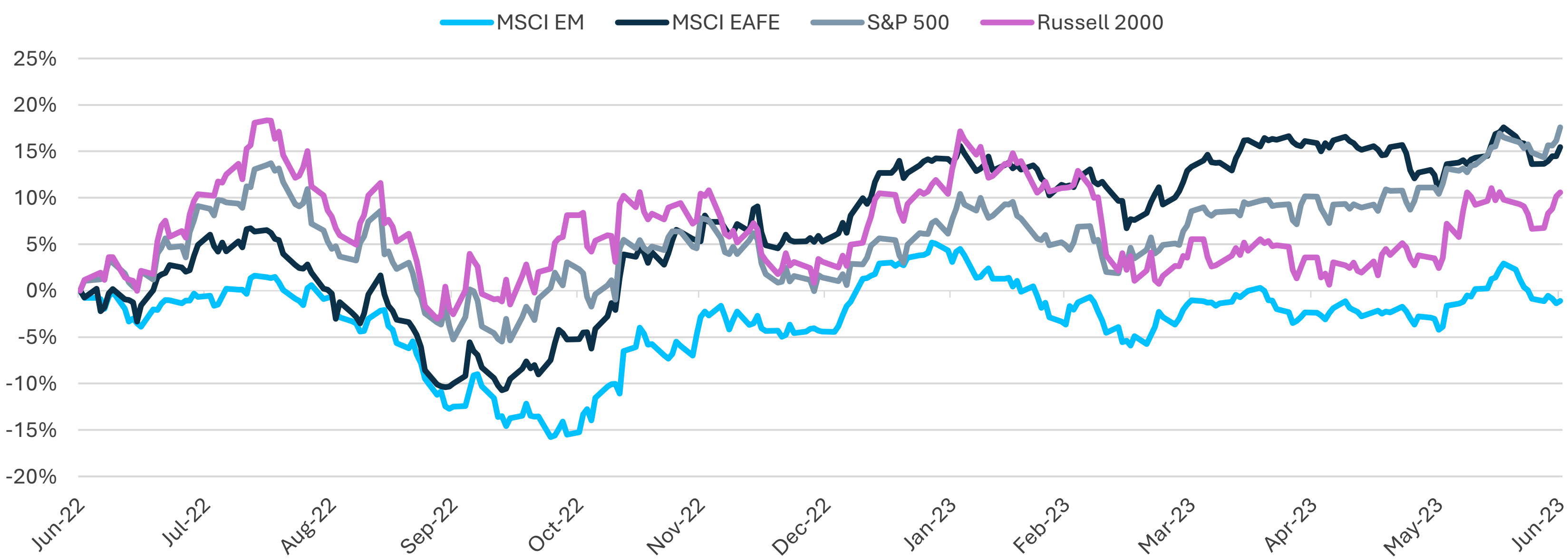
Sources: Bloomberg and ICE BofA Indices. Performance data as of 6/30/2023. Past performance is not a guarantee of future results.

Global Equity Performance

Global stocks have been performing well YTD as concerns over rising rates, slowing economic growth and stubbornly high inflation have subsided recently, helping to boost investor confidence and their willingness to take on risk in search of higher returns.

Price Return	YTD 2023
MSCI EM	-1.1%
MSCI EAFE	**15.5%**
S&P 500	**17.6%**
Russell 2000	10.6%



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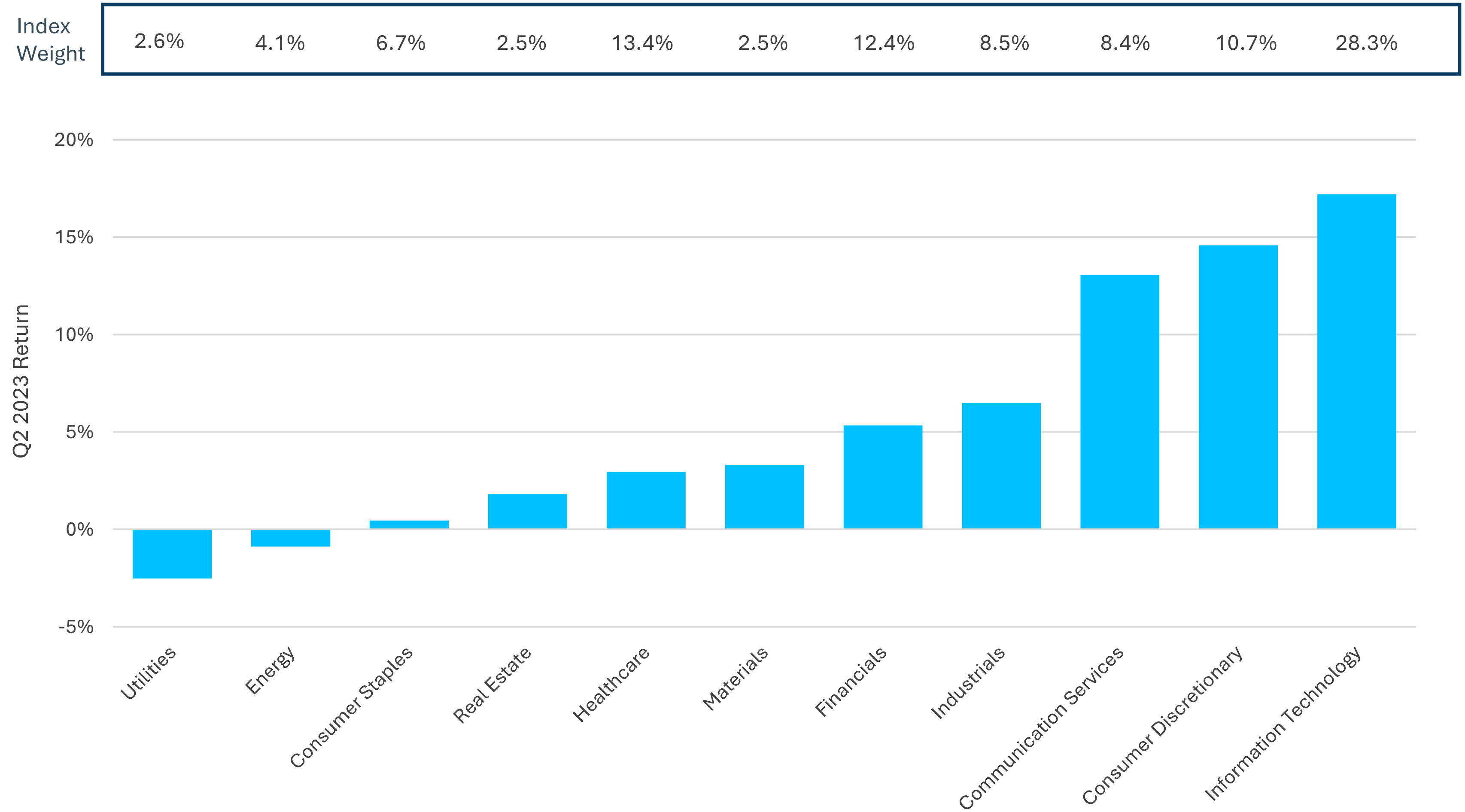
Source: Bloomberg. Represents price return from 6/30/2022 to 6/30/2023. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

US Equity Sector Performance

US stocks rallied in the second quarter due to a favorable environment for risk assets, provided by the continued global economic expansion and generally disinflationary trends. The tech sector led the way as the excitement around AI was a key driver for the sector's outperformance.



Source: Bloomberg. Represents total return of S&P 500 sectors for Q2 2023.
Sector weights as of 6/30/2023. Indices are unmanaged and cannot be invested in directly.
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