Quarterly Economic Report

1st Quarter 2025

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

Quarterly Economic Report
Published in Q1 2025 | Data for Q4 2024

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Overview

Key Takeaways

- The fourth quarter of 2024 saw further cuts to the federal funds rate by the Federal Open Market Committee (FOMC). The FOMC once again suggested it will assess incoming data as it considers "the extent and timing" of additional adjustments.
- At the December 2024 meeting, the Federal Reserve's Summary of Economic Projections (SEP) struck a more hawkish tone, with FOMC members' median projections showing only two additional 25-basis point (bps) rate cuts in 2025 — a change from the earlier-predicted four by the committee in September 2024.
- The unemployment rate remained around 4.1%. Based on recent data, the US labor market is moderating but entering the new year with signs of continued resilience.
- Markets are largely optimistic about the US economy as the Fed navigates the path of lowering the fed funds rate. Stable corporate earnings and economic data continue to support the fixed income capital market.

The FOMC further reduced the fed funds rate in Q4 2024.

The committee cut the fed funds rate by 25 bps at each of its November and December 2024 meetings. A total of 100 bps in rate cuts has been seen so far.

The labor market is stable.

Total non-farm payrolls increased by 256,000 in December. The unemployment rate has been in a tight range for several months, fluctuating from between 4.1% and 4.2%.

Inflation is moderating, but stickier than expected.

Core personal consumption expenditures (PCE) — the Fed's preferred inflation indicator — rose 2.8% year-over-year (YoY) in November. The Fed reiterated that it expects inflation to continue to decline in 2025.

US equities performance was strong in 2024.

US equities significantly outperformed global equities driven by solid economic data, a stronger US dollar and optimism around the potential positive impact of the new administration's policies.

Bond performance was muted in 2024, and lagged during Q4.

Worries about inflation and the more cautious stance anticipated by the Fed resulted in lackluster bond market performance. Nevertheless, high-yield bonds outperformed for the fourth consecutive year.

Credit index spreads have tightened significantly.

Corporate spreads have compressed close to levels not seen since 1997, supported by strong demand, solid US economic growth, resilient corporate fundamentals and optimism about the US economy.

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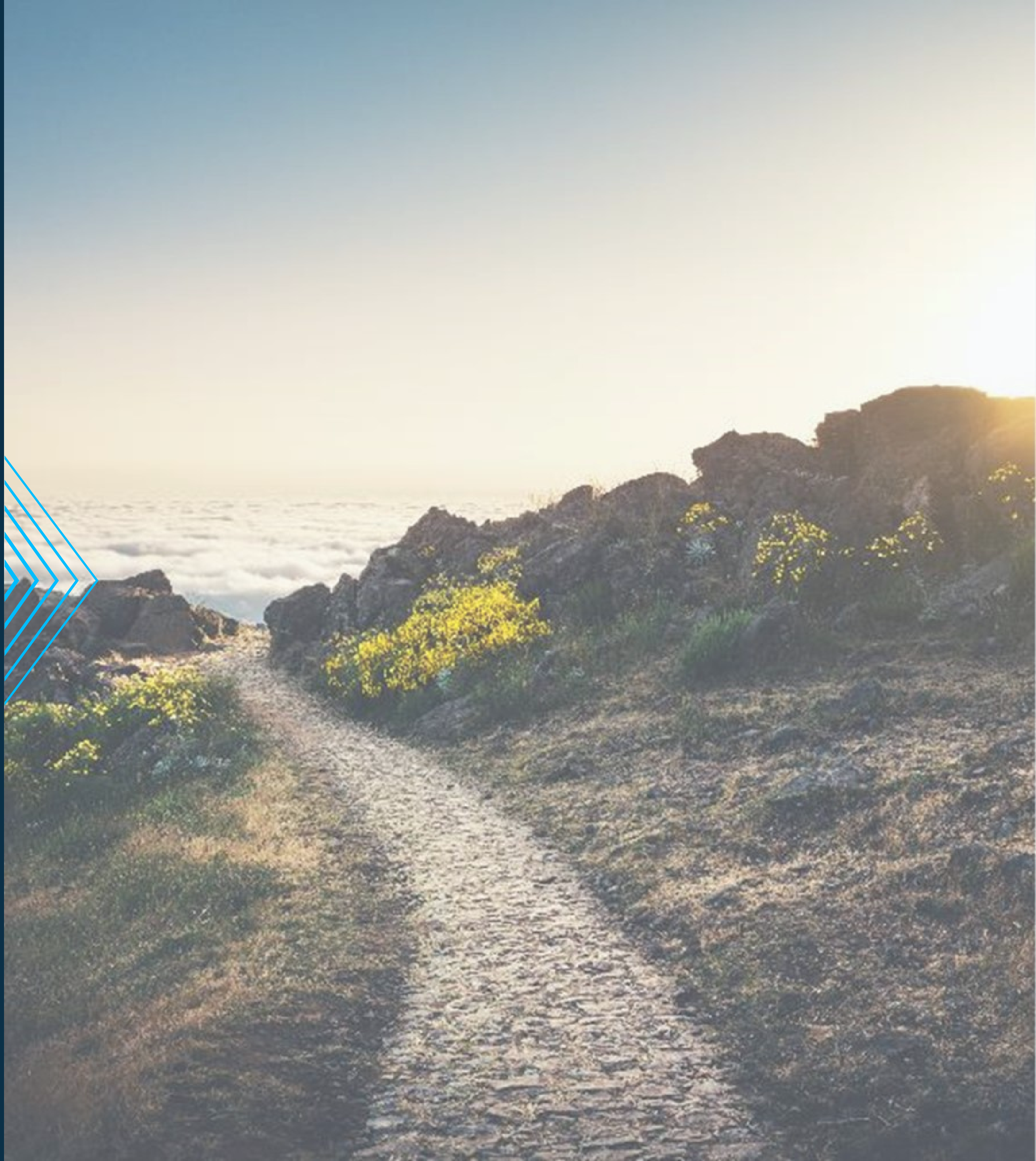
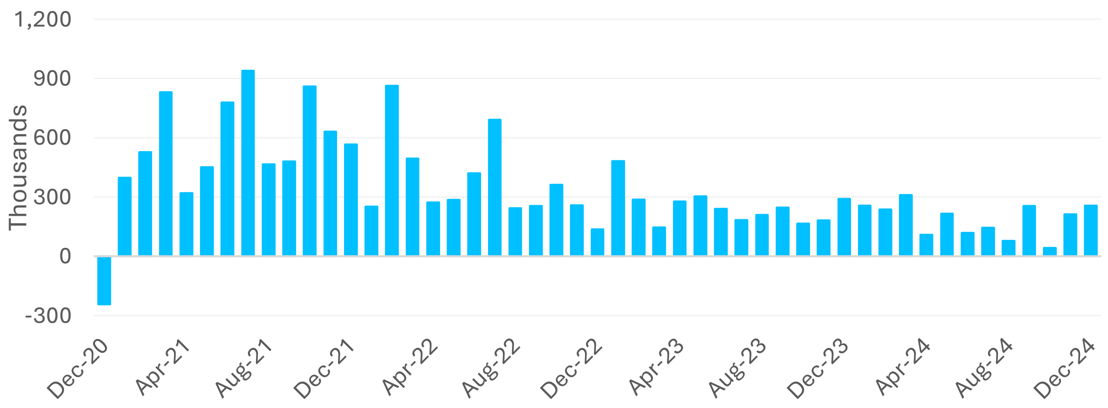
Domestic Economy



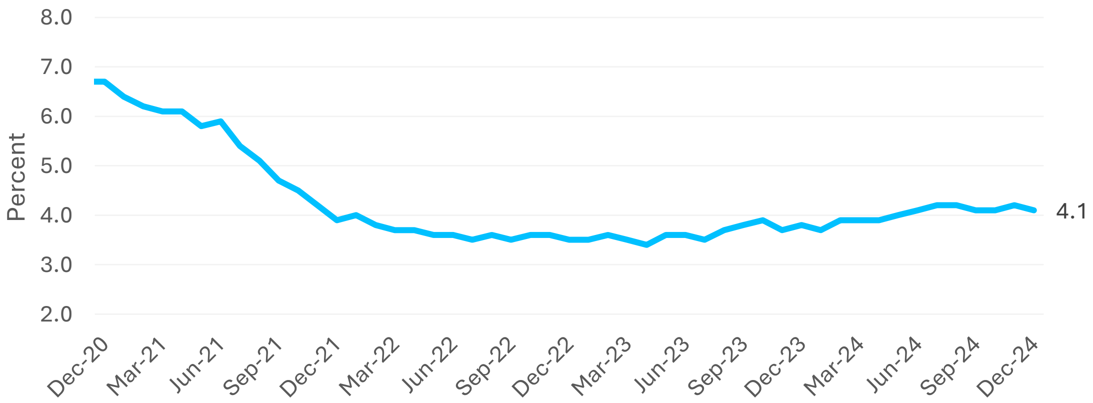
Unemployment is flattening

In Q4 2024, the average number of jobs grew by approximately 170,000 per month. The unemployment rate remained around 4.1%, rising to 4.2% in November before returning to 4.1% in December. As measured in November, there continue to be more jobs available (~8.1 million) than unemployed Americans (~7.1 million). The number of unemployed Americans decreased in December to ~6.9 million.

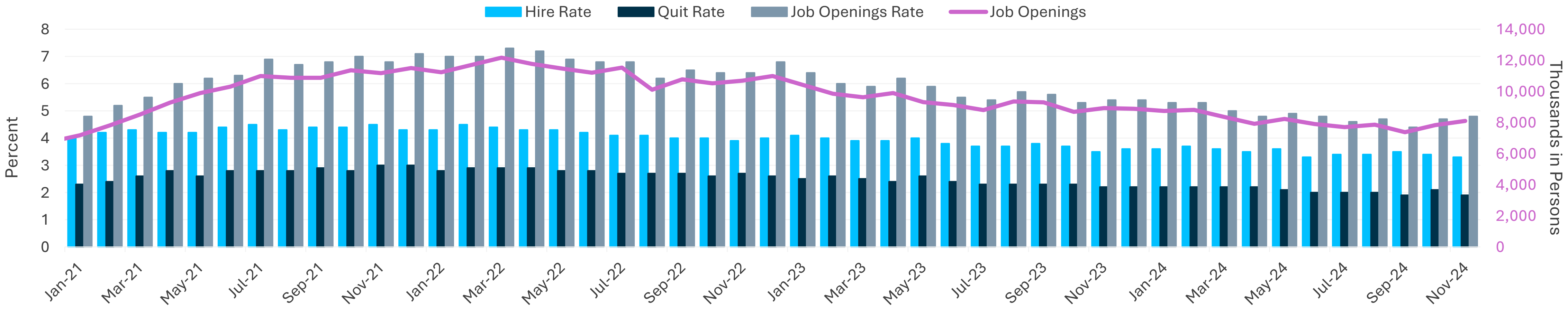
Non-farm Payrolls



Unemployment Rate



Job Openings and Labor Turnover



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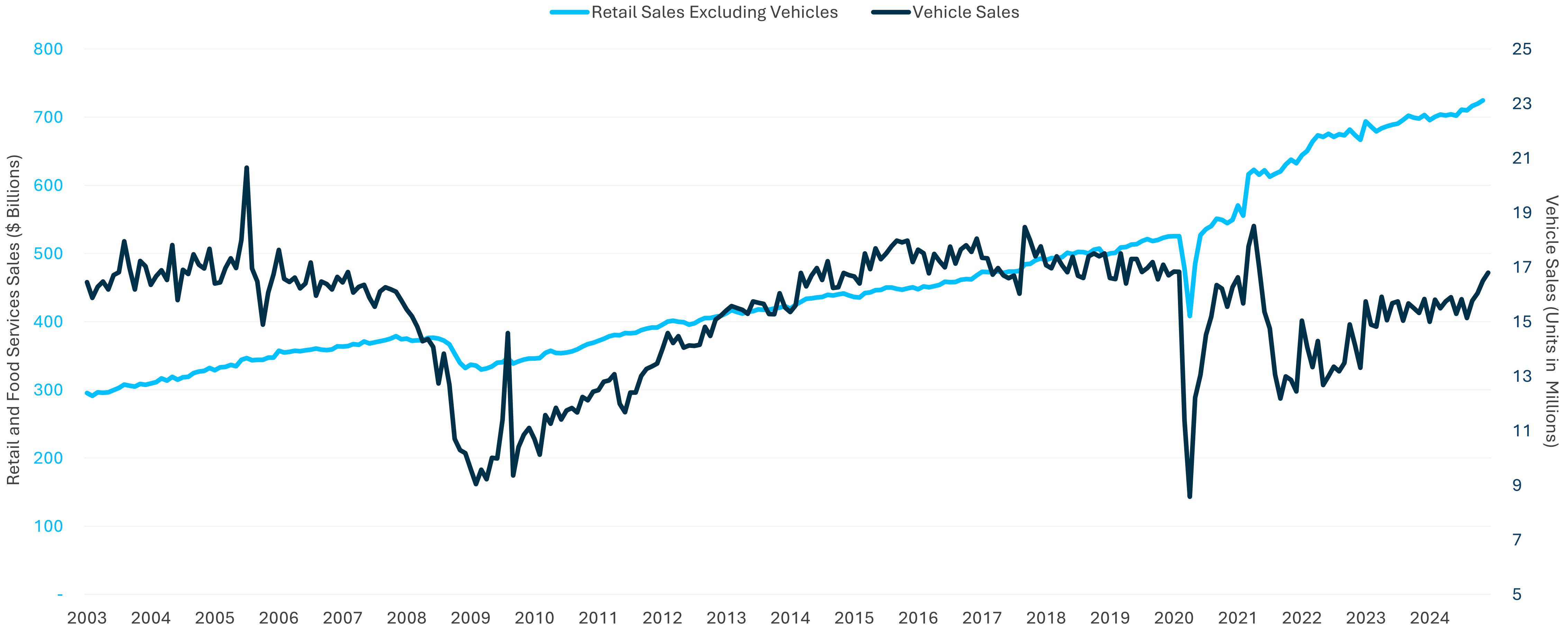
Source: US Bureau of Labor Statistics, Bloomberg and SVB Asset Management. Data as of 01/10/2025.

Consumption: Consumer retail and vehicle spending is increasing

Retail sales, excluding vehicles, have picked up between Q3 2024 and Q4 2024, as consumers increased their online shopping activity for the holiday season. Vehicle sales have also risen in response to declining interest rates.



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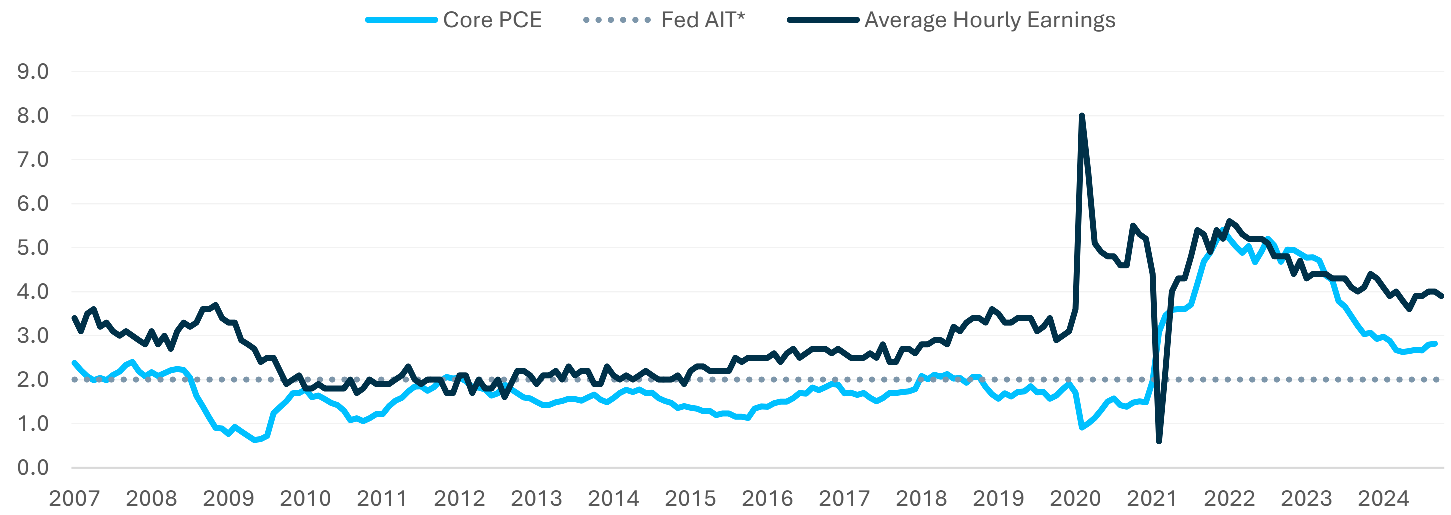
Source: Bloomberg and SVB Asset Management. Data as of 01/10/2025.

Inflation rose at the end of 2024

Inflation has slowly trended upward with the December 2024 consumer price index (CPI) rising to 2.9% YoY. Core PCE — the Fed's preferred inflation indicator — rose to 2.8% YoY in November 2024, which is down from 3.2% in November 2023.

In addition to market forecasts, the Fed continues to reiterate that it expects inflation to decline into 2025.

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-24	2.90%	2.50%	1.80%	3.60%	-0.50%	-3.40%	-2.80%	4.90%	3.20%	-0.50%	1.20%	-0.40%	0.50%	4.40%	4.60%	3.40%	0.60%
Nov-24	2.70%	2.40%	1.60%	3.60%	-3.20%	-8.10%	3.10%	1.80%	3.30%	-0.60%	1.10%	-0.70%	0.40%	4.60%	4.70%	3.70%	0.70%
Oct-24	2.60%	2.10%	1.10%	3.80%	-4.90%	-12.20%	4.50%	2.00%	3.30%	-1.00%	0.30%	-1.30%	1.00%	4.80%	4.90%	3.80%	0.80%
Sep-24	2.40%	2.30%	1.30%	3.90%	-6.80%	-15.30%	3.70%	2.00%	3.30%	-1.00%	1.80%	-1.30%	1.60%	4.70%	4.90%	3.60%	0.90%
Aug-24	2.50%	2.10%	0.90%	4.00%	-4.00%	-10.30%	3.90%	-0.10%	3.20%	-1.90%	0.30%	-1.20%	2.00%	4.90%	5.20%	3.20%	1.00%
Jul-24	2.90%	2.20%	1.10%	4.10%	1.10%	-2.20%	4.90%	1.50%	3.20%	-1.90%	0.20%	-1.00%	2.80%	4.90%	5.10%	3.30%	0.90%
Jun-24	3.00%	2.20%	1.10%	4.10%	1.00%	-2.50%	4.40%	3.70%	3.30%	-1.80%	0.80%	-0.90%	3.10%	5.10%	5.20%	3.30%	0.70%
May-24	3.30%	2.10%	1.00%	4.00%	3.70%	2.20%	5.90%	0.20%	3.40%	-1.70%	0.80%	-0.80%	3.10%	5.30%	5.40%	3.10%	0.50%
Apr-24	3.40%	2.20%	1.10%	4.10%	2.60%	1.20%	5.10%	-1.90%	3.60%	-1.30%	1.30%	-0.40%	2.50%	5.30%	5.50%	2.70%	0.40%
Mar-24	3.50%	2.20%	1.20%	4.20%	2.10%	1.30%	5.00%	-3.20%	3.80%	-0.70%	0.40%	-0.10%	2.50%	5.40%	5.70%	2.10%	0.20%
Feb-24	3.20%	2.20%	1.00%	4.50%	-1.90%	-3.90%	3.60%	-8.80%	3.80%	-0.30%	0.00%	0.40%	2.90%	5.20%	5.70%	1.10%	0.40%
Jan-24	3.10%	2.60%	1.20%	5.10%	-4.60%	-6.40%	3.80%	-17.80%	3.90%	-0.30%	0.10%	0.70%	3.00%	5.40%	6.00%	0.60%	0.00%

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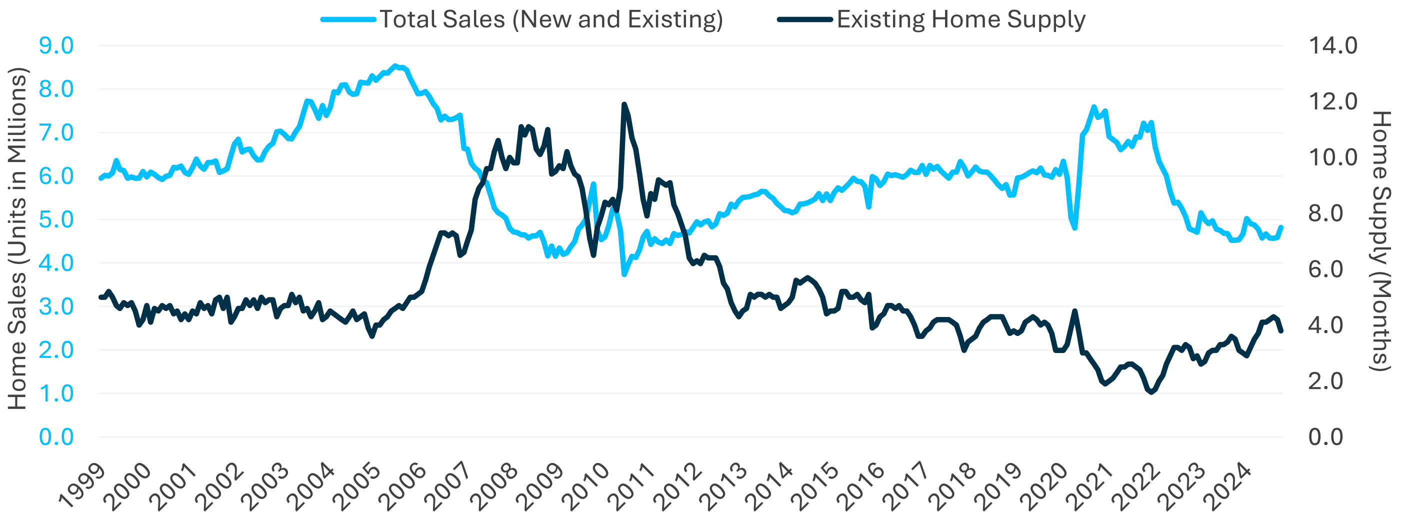
Source: Bloomberg, US Bureau of Labor Statistics and SVB Asset Management. Data as of 10/10/2024. *Fed AIT is average inflation targeting.
The CPI measures the weighted average price change in the prices paid by consumers for household goods and services. **Month-over-month.

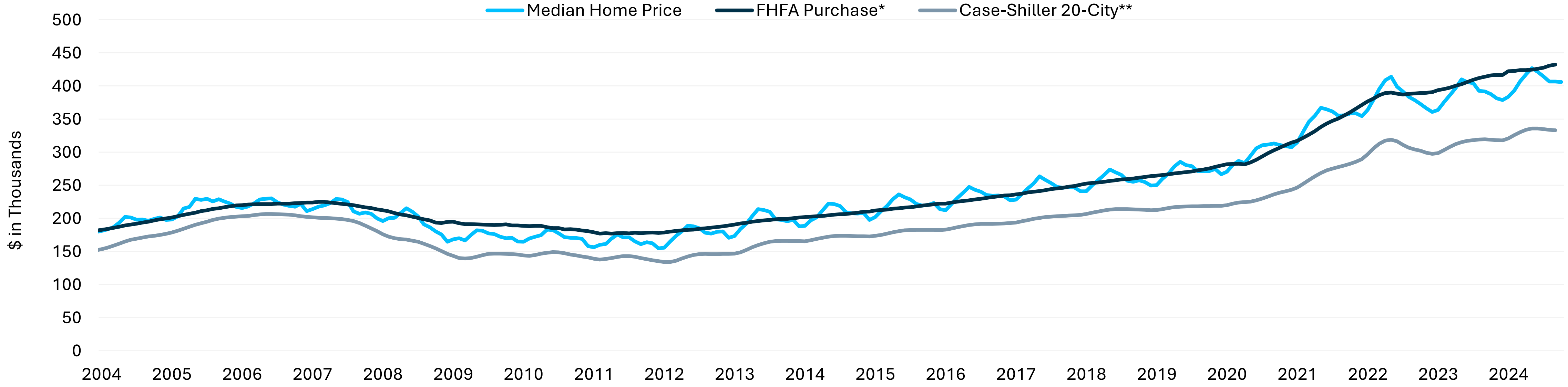
Housing sales are on the rise

Q4 2024 saw a dip followed by an upturn in total home sales as median home prices flattened. Rising mortgage rates have become expected for prospective American home buyers, and more consumers are buying existing homes.

Housing Market



Home Prices



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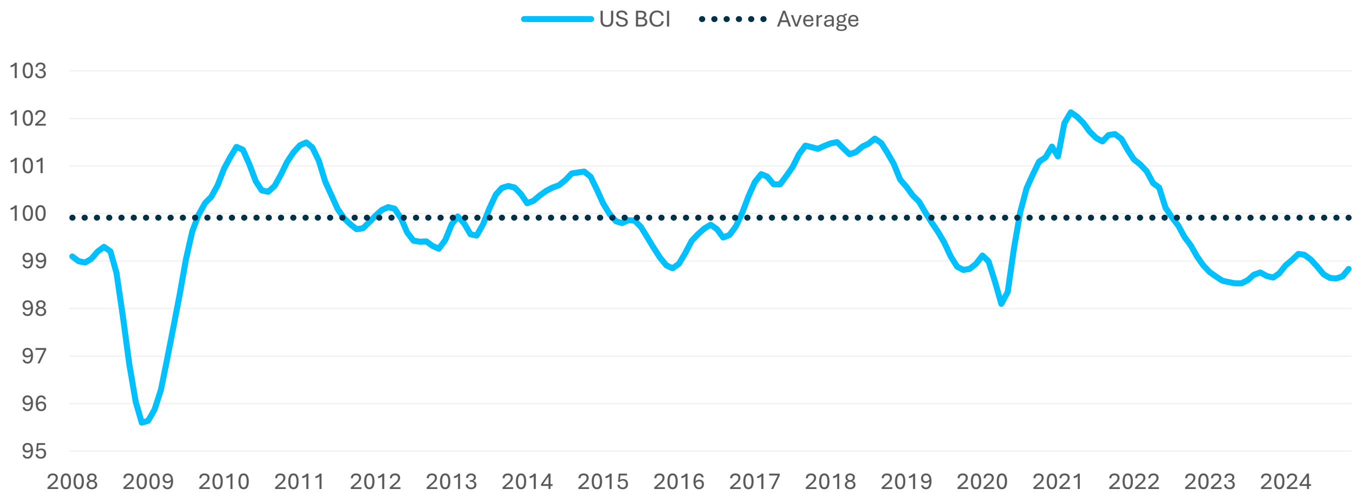
Source: Bloomberg and SVB Asset Management. Data as of 01/10/2025. *Federal Housing Finance Agency. **The Case-Shiller 20-City measures the prices of residential real estate in 20 major US metropolitan areas.

Business outlook is slowly recovering

Business sentiment saw a slight upturn in Q4 2024 after the dip the prior quarter. Institute for Supply Management (ISM) data has indicated that US services have remained strong due to increased orders, while manufacturing has started to see recovery.

Business Confidence Index (BCI)



Business Sentiment

	Dallas Fed Manufacturing Survey	Philly Fed Manufacturing Survey	New York Fed Empire Manufacturing Survey	Kansas City Fed Manufacturing Survey	Richmond Fed Manufacturing Survey	ISM Manufacturing	ISM Services
Dec-24	3.4	-10.9	0.2	-4.0	-10.0	49.3	54.1
Nov-24	-2.7	-4.4	31.2	-2.0	-14.0	48.4	52.1
Oct-24	-3.0	6.0	-11.9	-4.0	-14.0	46.5	56.0
Sep-24	-9.0	0.9	11.5	-8.0	-21.0	47.2	54.9
Aug-24	-9.7	-3.3	-4.7	-3.0	-19.0	47.2	51.5
Jul-24	-17.5	12.8	-6.6	-13.0	-17.0	46.8	51.4
Jun-24	-15.1	0.5	-6.0	-8.0	-10.0	48.5	48.8
May-24	-19.4	4.8	-15.6	-2.0	-2.0	48.7	53.8
Apr-24	-14.5	7.1	-14.3	-8.0	-5.0	49.2	49.4
Mar-24	-14.4	4.9	-20.9	-7.0	-12.0	50.3	51.4
Feb-24	-11.3	2.5	-2.4	-4.0	-7.0	47.8	52.6
Jan-24	-27.4	-4.7	-43.7	-9.0	-11.0	49.1	53.4
Dec-23	-10.4	-7.9	-14.5	-1.0	-11.0	47.1	50.5
Nov-23	-21.4	-6.8	9.1	-2.0	-7.0	46.6	52.5
Oct-23	-20.6	-15.7	-4.6	-6.0	4.0	46.9	51.9
Sep-23	-19.2	-14.2	1.9	-7.0	1.0	48.6	53.4
Aug-23	-18.5	10.6	-19.0	0.0	-7.0	47.6	54.1
Jul-23	-21.2	-14.5	1.1	-9.0	-8.0	46.5	52.8
Jun-23	-24.4	-13.9	6.6	-11.0	-7.0	46.4	53.6
May-23	-30.1	-10.0	-31.8	-2.0	-11.0	46.6	51.0
Apr-23	-24.3	-33.4	10.8	-9.0	-12.0	47.0	52.3

Source: Bloomberg, Organization for Economic Co-operation and Development (OECD, 2022) and BCI (indicator). Updated 01/10/2025. 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, with the higher number representing 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.

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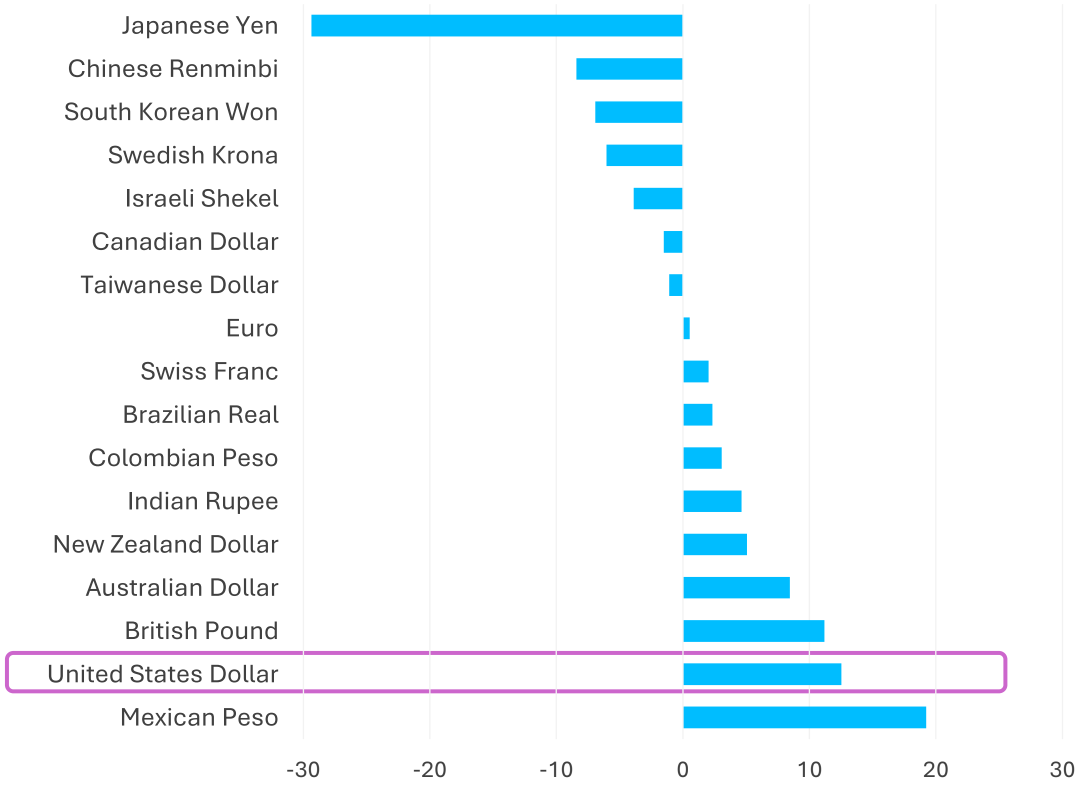
Foreign Exchange

After registering a strong 2024, the US dollar remains structurally overvalued

Based on Inflation Differentials

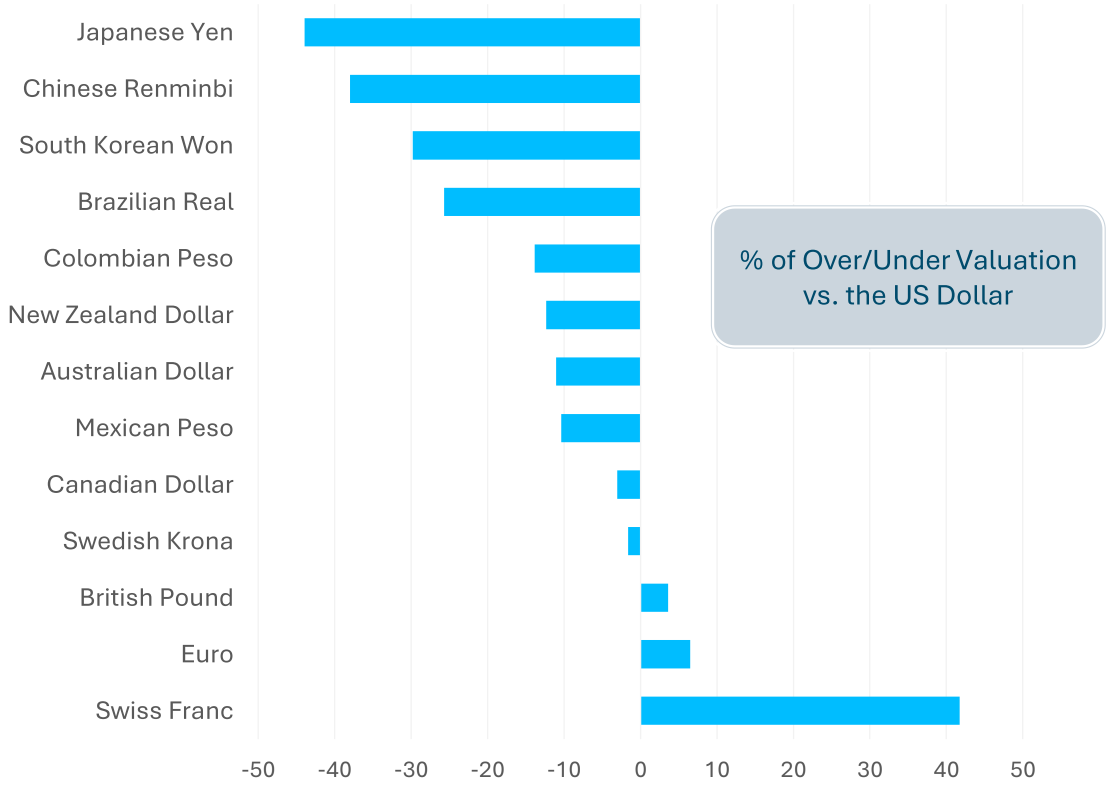
Bank of International Settlements REER Index



The real effective exchange rate index (REER) published by the Bank of International Settlements (BIS) is a valuation index that measures and tracks the value of each currency vs. a trade-weighted basket of other currencies, adjusted for inflation differentials.

Based on Purchasing Power Parity

The Economist Big Mac Index



The Big Mac Index is based on the theory of purchasing power parity (PPP), the notion that in the long run exchange rates should move towards the rate that would equalize the prices of an identical basket of goods and services (in this case, a burger) in any two countries. The base currency for the index is the US dollar.

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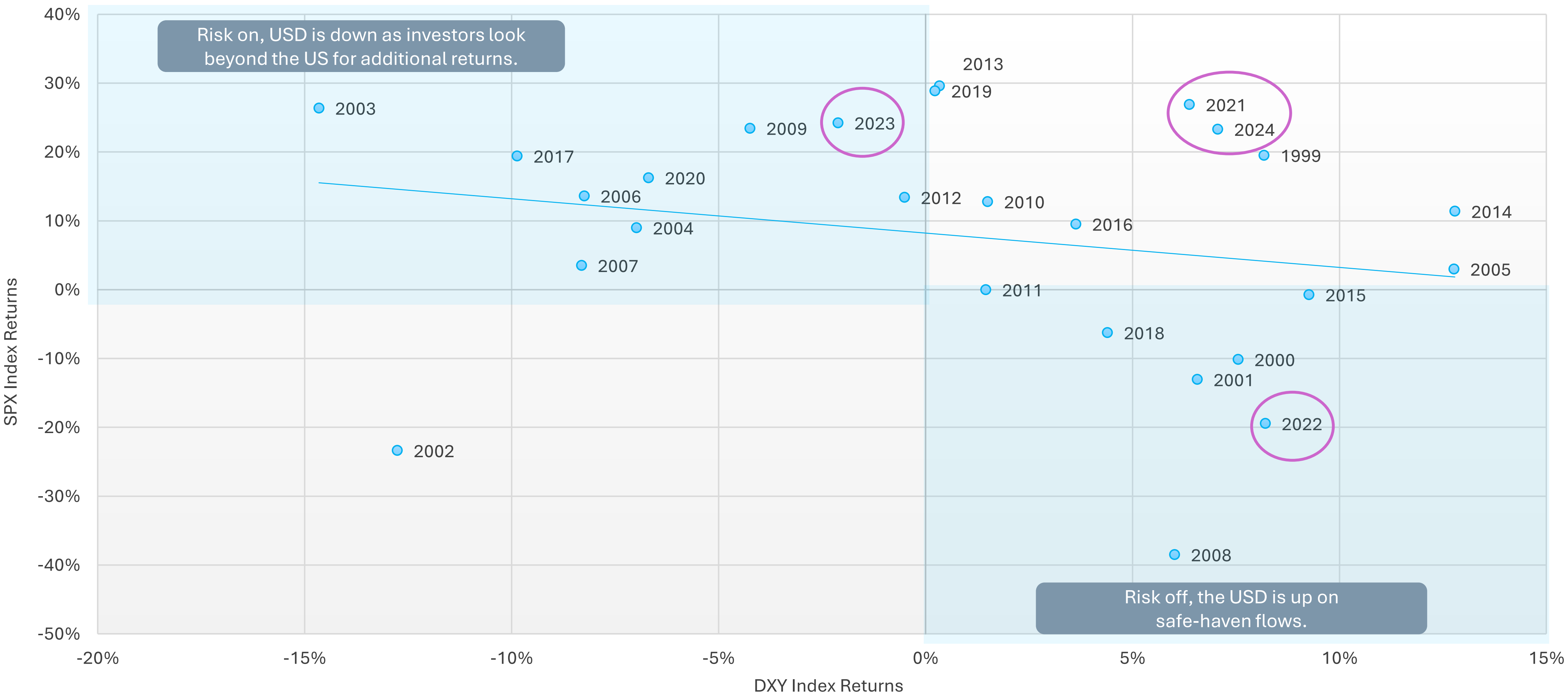
Source: BIS, The Economist and Bloomberg. Data as of 01/2025.

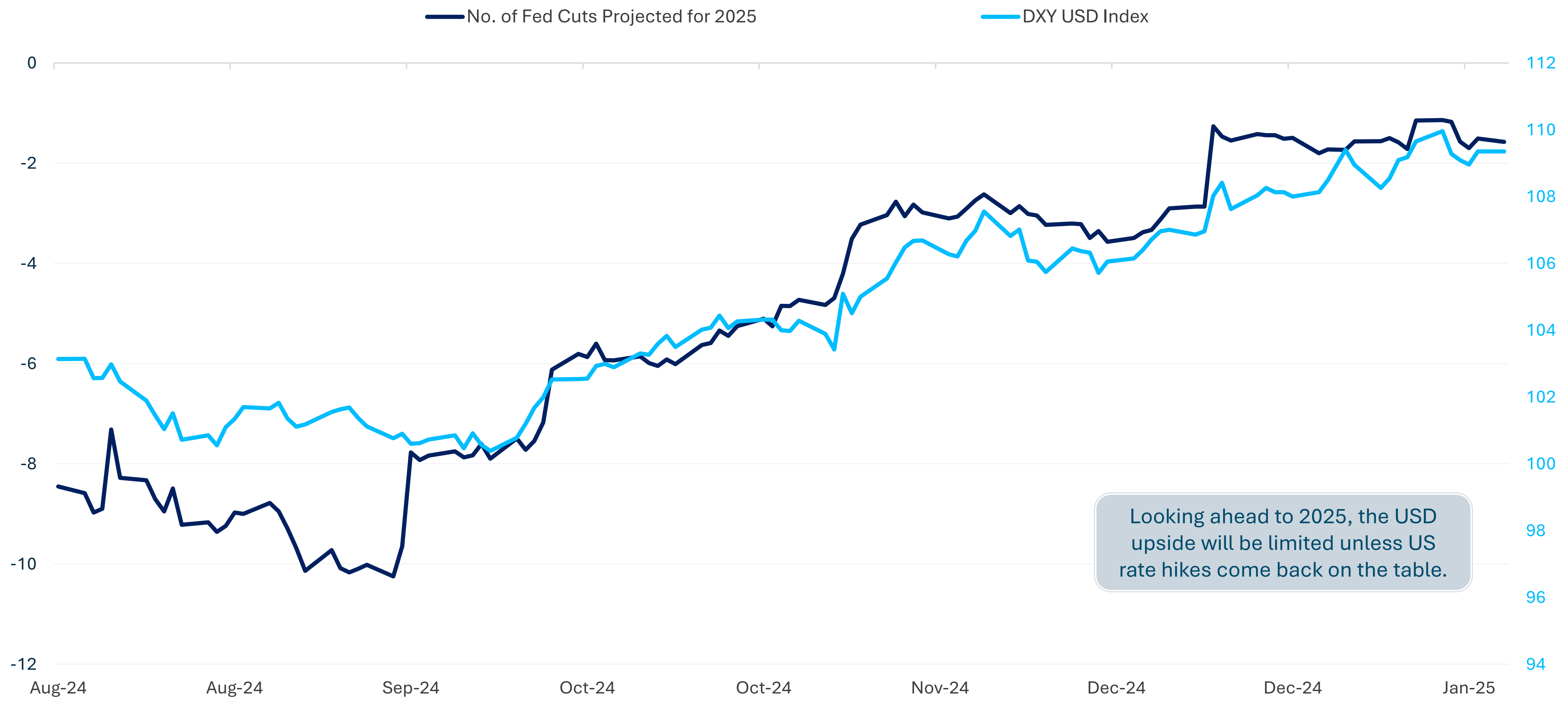
The US dollar has not been behaving like a safe-haven asset in recent years

Historically, the US dollar (USD) has been negatively correlated to risk (highlighted in quadrants II and IV below), but since inflation returned in 2021, the USD is responding more to changes in interest rate levels and expectations.



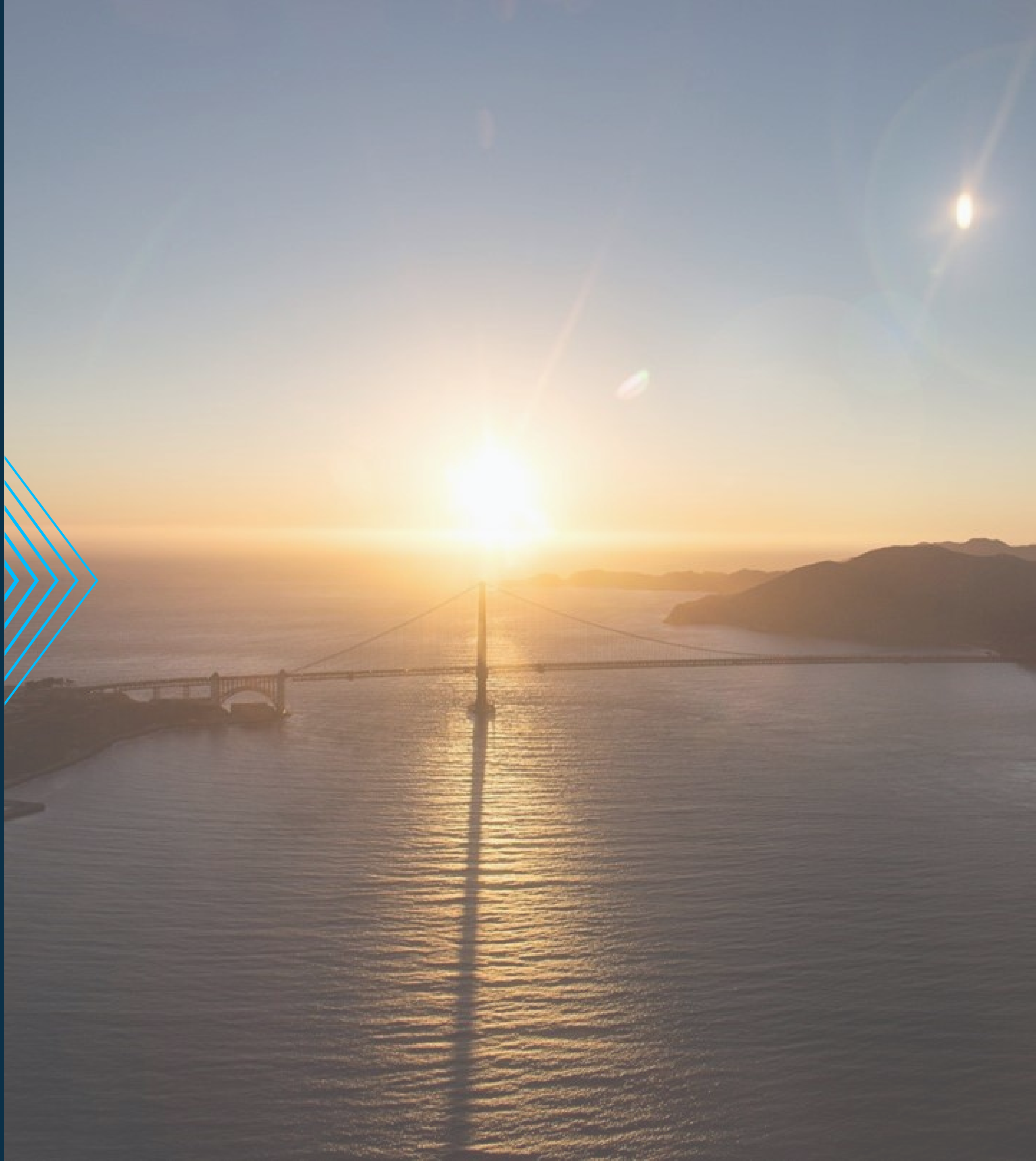
Source: Bloomberg. Data as of 01/2025.

The USD has tracked US interest levels and expectations in the post-COVID era



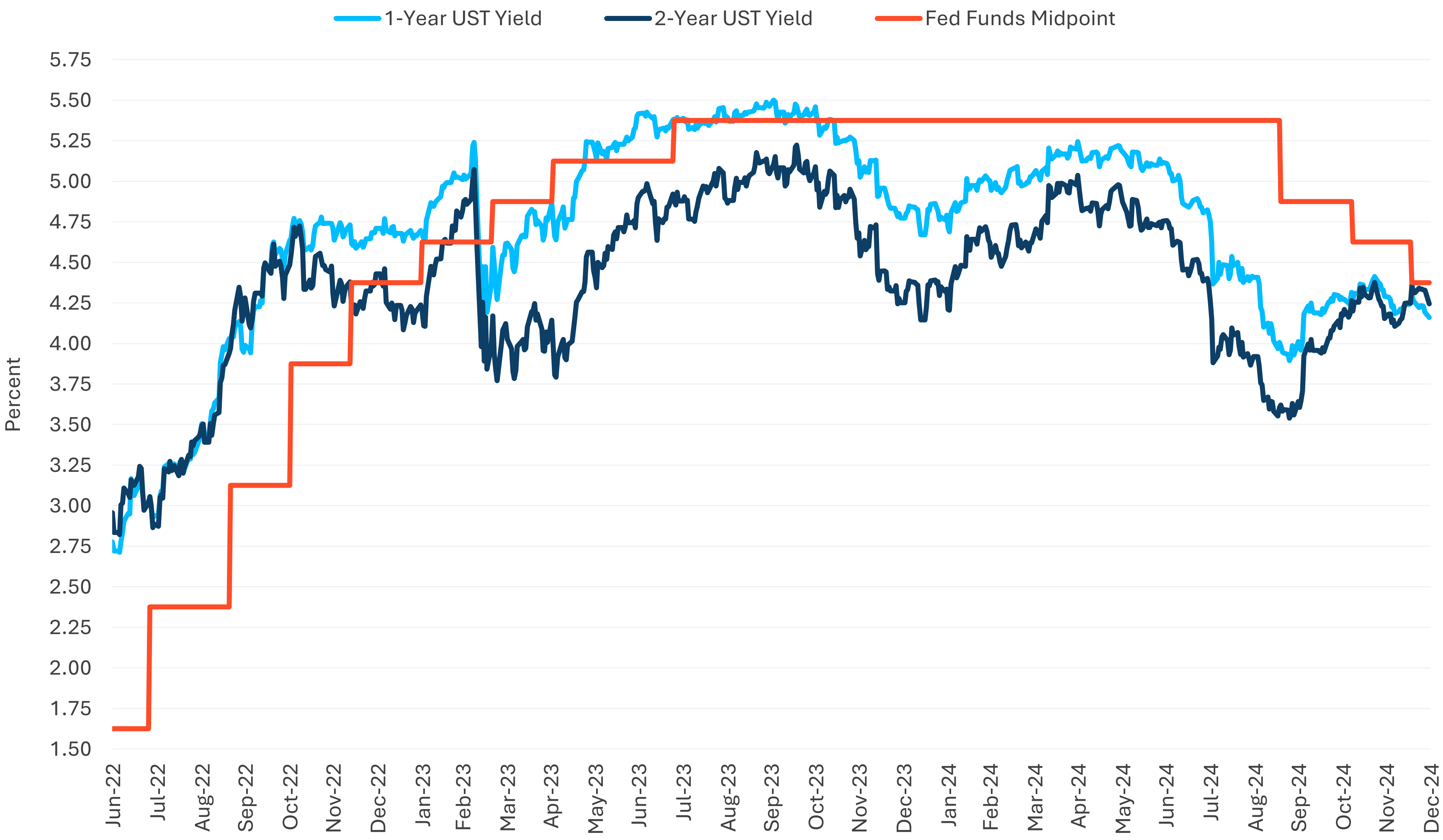
Sources: Bloomberg. Data as of 01/2025.

Central Banks and Monetary Policy



Short-end interest rates

Rates in the US rose 60 to 90 bps across the curve since the Fed delivered 100 bps of rate cuts starting in September 2024.



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 the rate hikes may be finished.

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.

Q1 2024: Persistent, higher-than-expected inflation pushed the timing of Fed rate cuts into mid-2024 as market pricing reduced rate cuts from six to less than three for the year. The dot plot reiterated the Fed stance for three cuts in 2024.

Q2 2024: Elevated growth and stubborn inflation forced the Fed to revise rate cut timing to late 2024 and drop the cut count to one for this year. The holding pattern persists, but the quantity of easing expected through 2026 remains unchanged.

Q3 2024: Weaker employment data drove rates over 100 bps lower in Q3. The Fed delivered an outsized 50-bps rate cut, sending the clear message it intends to ease the level of monetary restrictiveness on the economy.

Q4 2024: The political "red wave" drove markets to recalibrate rate cut expectations for 2025 and beyond. Potential pro-growth policies pushed inflation expectations higher, which drove 2-year rates up 60 bps+, even while the Fed eased 100 bps by the end of 2024.

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Source: Bloomberg, US Treasury Yield and SVB Asset Management. Data as of 12/31/2024.

History shows this cycle pause was lengthy – sizable cuts are possible...

Date of Last Fed Rate Hike	Time From Last Hike to First Rate Cut	Total Rate Cuts in 12 Months After Last Hike	Total Rate Cuts Over Entire Easing Cycle
1981	5 Months	200 bps	550 bps
1984	6 Months	119 bps	350 bps
1989	3 Months	150 bps	675 bps
1995	5 Months	75 bps	75 bps
1997	18 Months	0 bps	75 bps
2000	8 Months	250 bps	550 bps
2006	15 Months	0 bps	500 bps
2018	7 Months	75 bps	225 bps
Median	**7 Months**	**97 bps**	**425 bps**

The Fed in this cycle:

- Paused for ~14 months: July 2023 to September 2024
- Did not deliver any rate cuts in the first 12 months after hikes
- Has delivered 100 basis points of easing so far

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Source: Bloomberg: Federal Reserve Economic Data (FRED), Federal Reserve Bank, St. Louis (from Mitsubishi UFJ Financial Group , Inc. [MUFG]; and SVB Asset Management.

Economic forecasts

Economic Projections	2024	2025	2026
United States			
Change in Real GDP	2.7%	2.1%	2.0%
Core PCE	2.8%	2.5%	2.3%
Unemployment Rate	4.1%	4.3%	4.2%
United Kingdom			
Change in Real GDP	0.9%	1.4%	1.5%
CPI	2.5%	2.5%	2.2%
Unemployment Rate	4.3%	4.4%	4.5%
Eurozone			
Change in Real GDP	0.8%	1.0%	1.2%
CPI	2.4%	2.0%	2.0%
Unemployment Rate	6.4%	6.5%	6.4%
Japan			
Change in Real GDP	(0.2%)	1.2%	0.9%
CPI	2.6%	2.1%	1.8%
Unemployment Rate	2.5%	2.4%	2.4%
China			
Change in Real GDP	4.8%	4.5%	4.2%
CPI	0.4%	1.0%	1.4%
Unemployment Rate	5.1%	5.1%	5.0%

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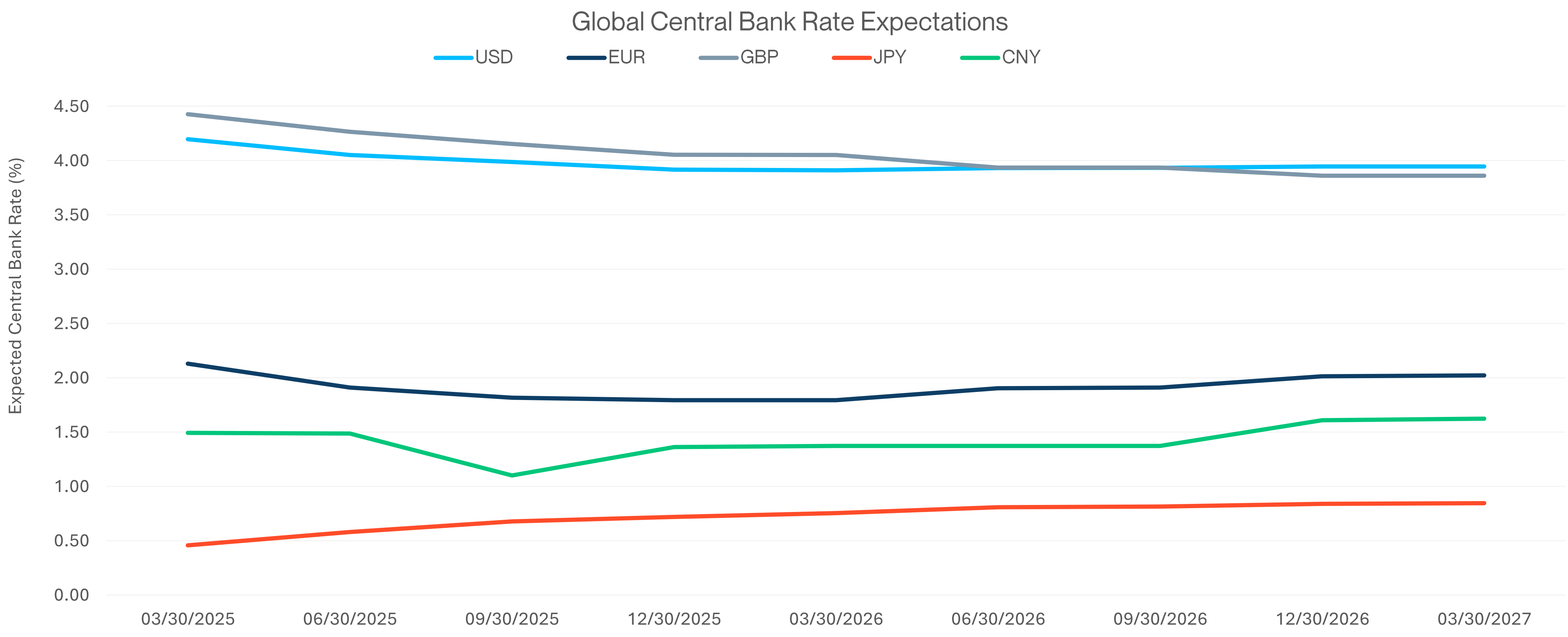
Source: Bloomberg. Data as of 12/31/2024.

Global central bank expectations

European central banks are expected to lower policy rates while the US remains largely on hold through 2025. Asian policy expectations show yields rising moderately over time.



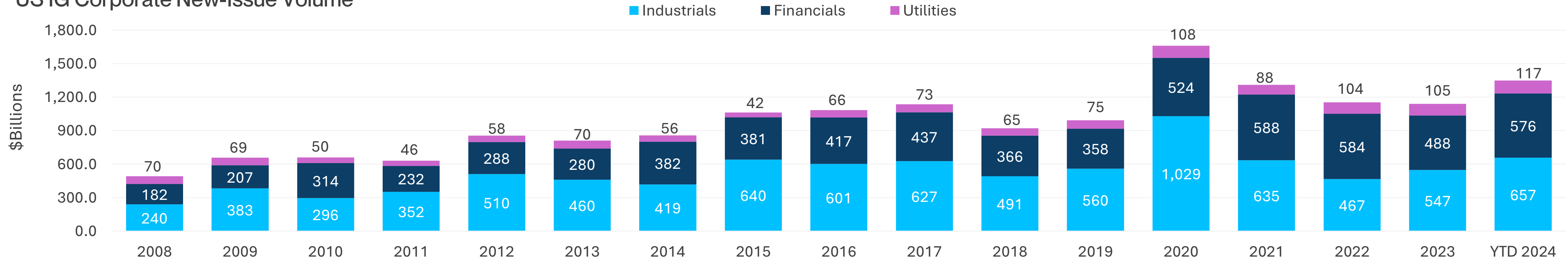
Source: Bloomberg. Data as of 12/31/2024.

Corporate Bond Market

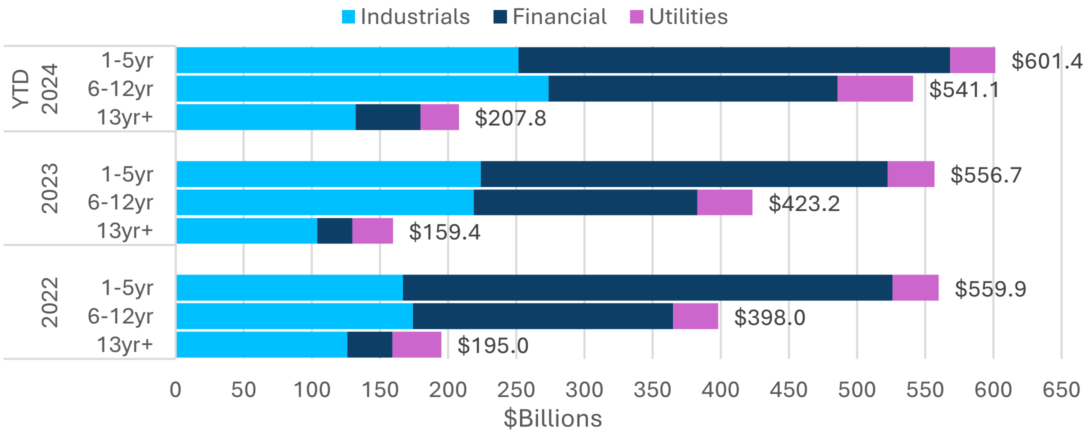
Investment grade corporates: New issue update

Total gross issuance of USD investment grade (IG) bonds reached a historical record for September 2024 ($200B), as issuers prefunded ahead of elections and a pivotal Fed decision, and strove to take advantage of enticing funding levels. July and August also saw strong issuance trends, with issuers pulling forward issuance in an effort to de-risk ahead of event risk and softening economic data. After a subdued October due to earnings blackout and elections, issuance picked up again in post-election November with exuberant market reaction to a Trump victory and another Fed cut in December (100 bps cumulative for the year). Total IG new issuance YTD (through November) has surpassed each of the past three years with the full year 2024 total likely to approach the all-time high reached in 2020.

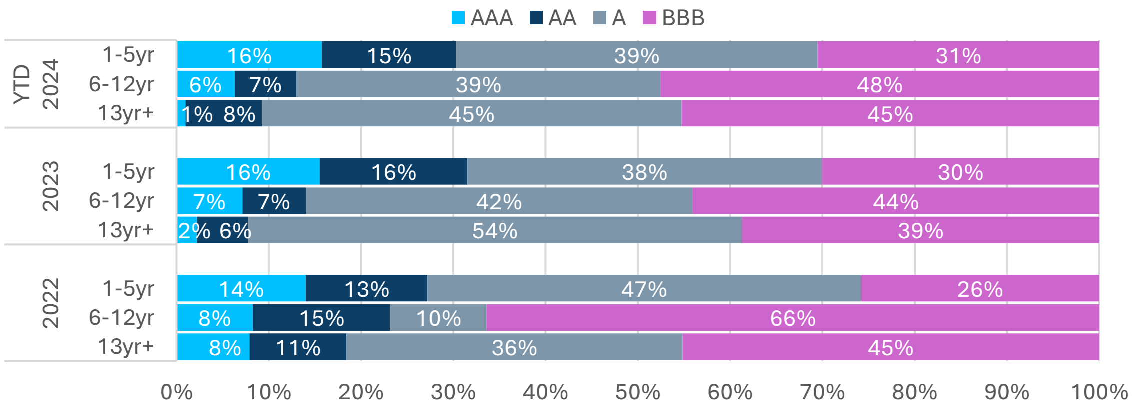
US IG Corporate New-Issue Volume



IG Corporate New-Issue Supply (Sector/Maturity)



IG Corporate New-Issue Supply (Rating/Maturity)

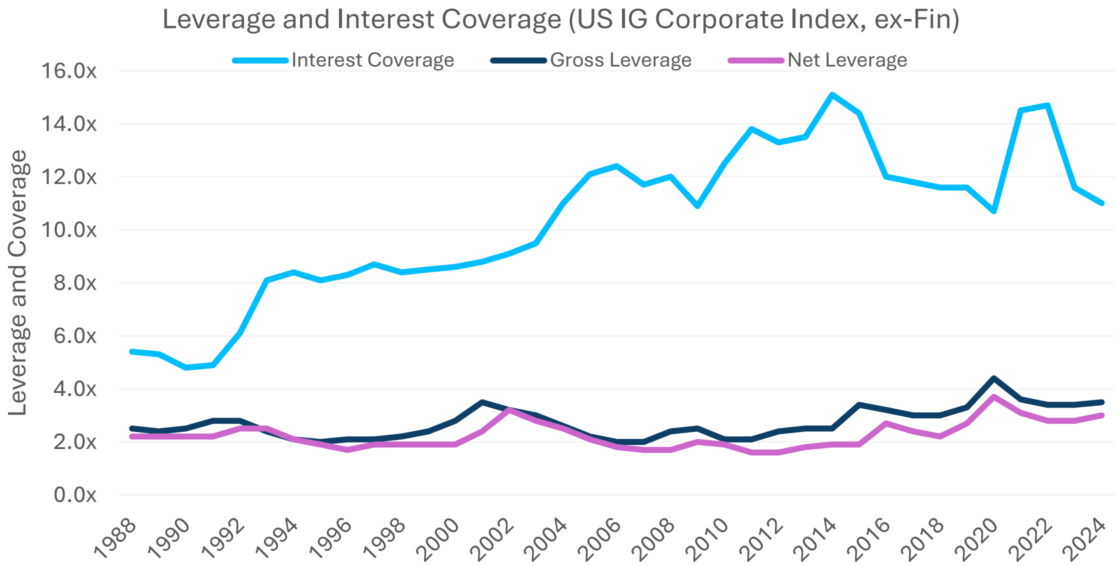


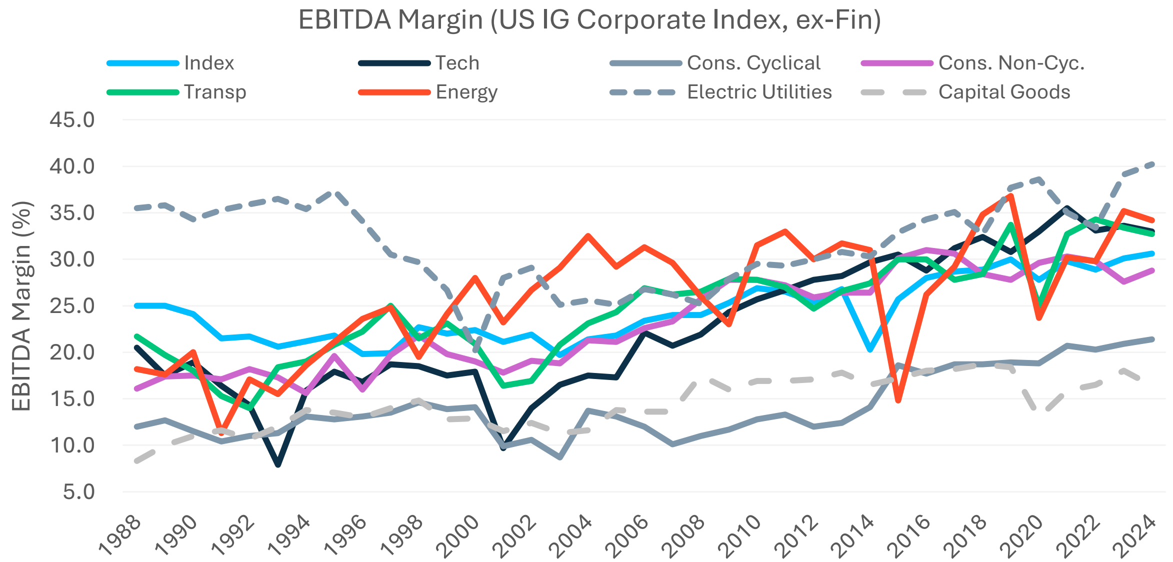
Source: Bloomberg Fixed Income Indices and Barclays Research. Data as of 12/31/2024. Past performance is not a guarantee of future results.
Totals may not add up to 100% due to rounding.

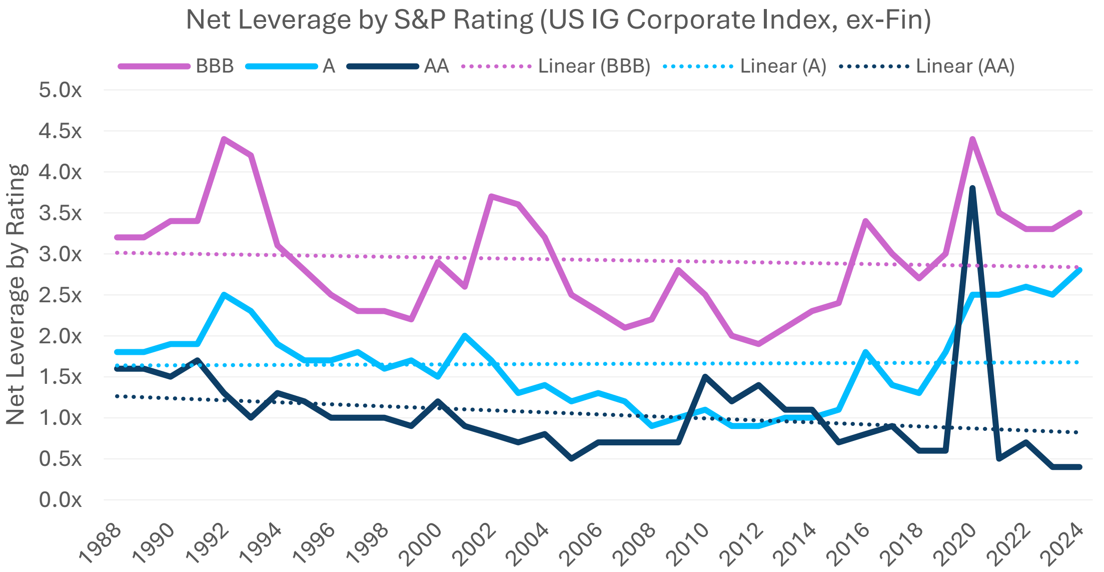
Profits may have peaked, but optimism remains

IG-credit (ex-financials) aggregate leverage metrics showed slight deterioration in 2024, as issuers continued to allocate greater capital to share buybacks, dividends and capital expenditures. Overall net leverage increased by +0.2x YoY to 3.0x, driven by single-A and BBB issuers, while overall interest coverage declined by -1.3x YoY to 11.7x.

The aggregate EBITDA margin of IG issuers continued to trend higher, supporting higher debt levels and interest costs. While there are no signs of imminent stress, prolonged tightness of financial conditions and a weaker consumer suggest peak profits may have passed.







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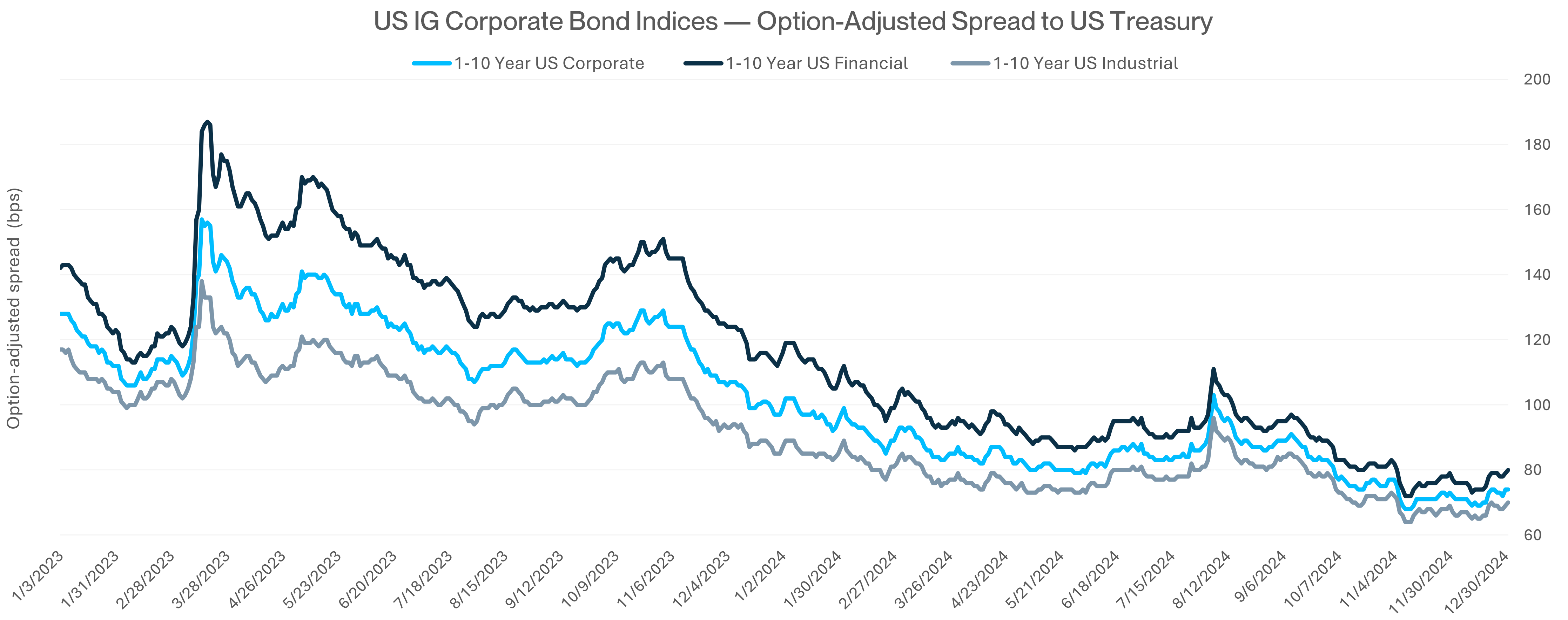
Source: Bloomberg, Barclays Research and SVB Asset Management. Data as of 12/31/2024.

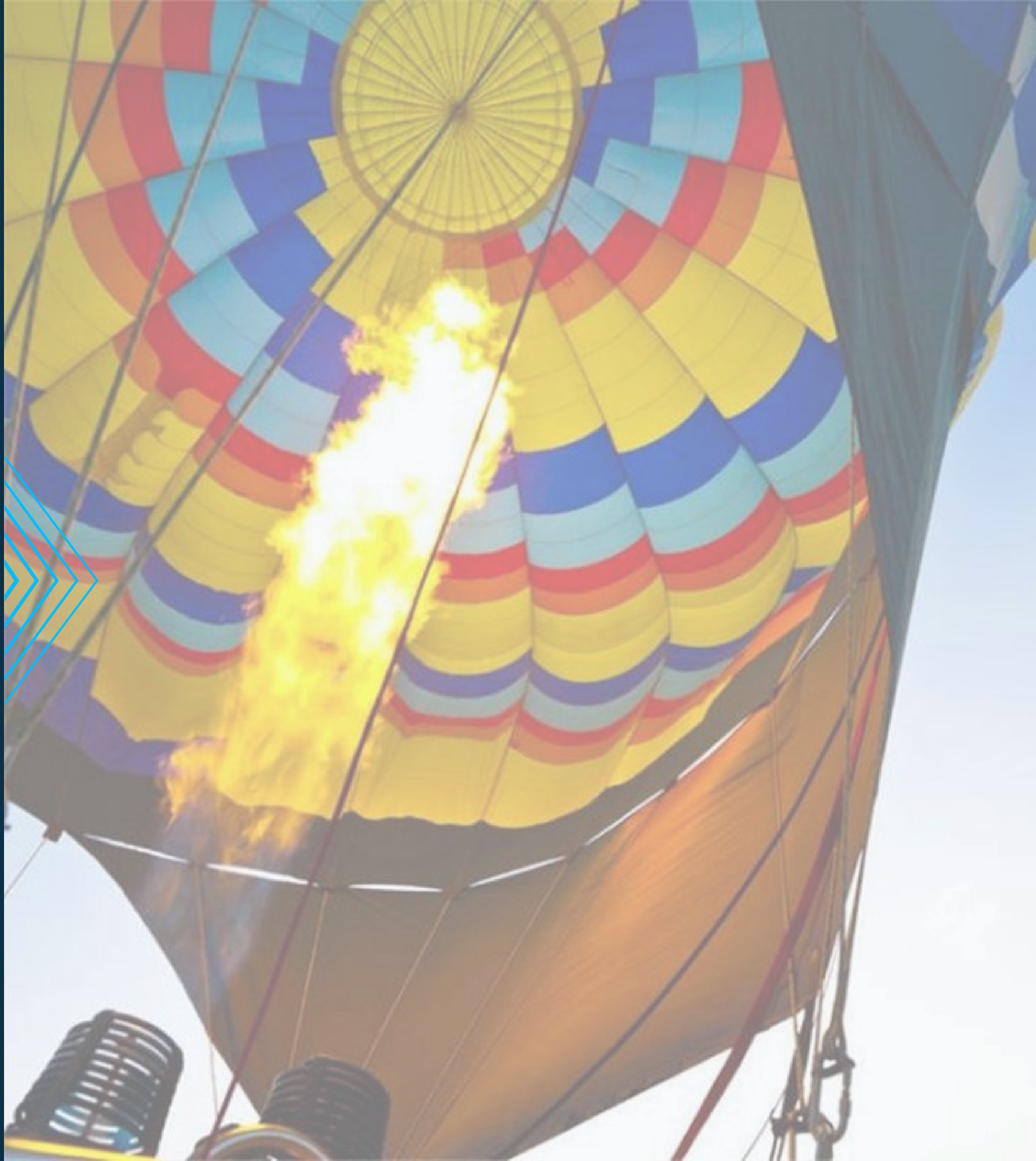
IG corporates: Spread and sector performance

Credit index spreads have compressed close to levels not seen since 1997, supported by strong demand, technical factors, solid US economic growth, and resilient corporate fundamentals. High all-in yields have led to robust demand, particularly from foreign institutions, helping absorb higher issuance levels by IG corporates. While macro uncertainty and rich valuations suggest limited further index spread compression, financials, particularly banks, remain attractive relative to industrials, with the basis between the two still wider than the 10-year historical mean.



Source: ICE BofA Indices. Data as of 12/31/2024.

Markets and Performance



Market sector performance

US equities had a stellar year, driven by solid economic growth, falling inflation and the AI boom, with the S&P 500 gaining over 25%. That's the first back-to-back years of 20%+ gains since 1997 – 1998. Despite the Fed's rate cuts and positive sentiment from a Republican sweep, concerns about growth, inflation and deficits led to higher Treasury yields and a steeper yield curve to close the year. Meanwhile, corporate bond spreads tightened due to economic optimism.

Asset Class Returns

2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
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%	Tech 31.77%
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 25.02%
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%	IPO Index 15.49%
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 8.19%
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%	US IG Corporate 2.13%
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 Aggregate 1.25%
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%	Biotech 1.18%
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 0.58%
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%	Crude Oil 0.10%

All returns above are on a total return basis. 2024 returns are on an aggregate basis through 12/31/2024. 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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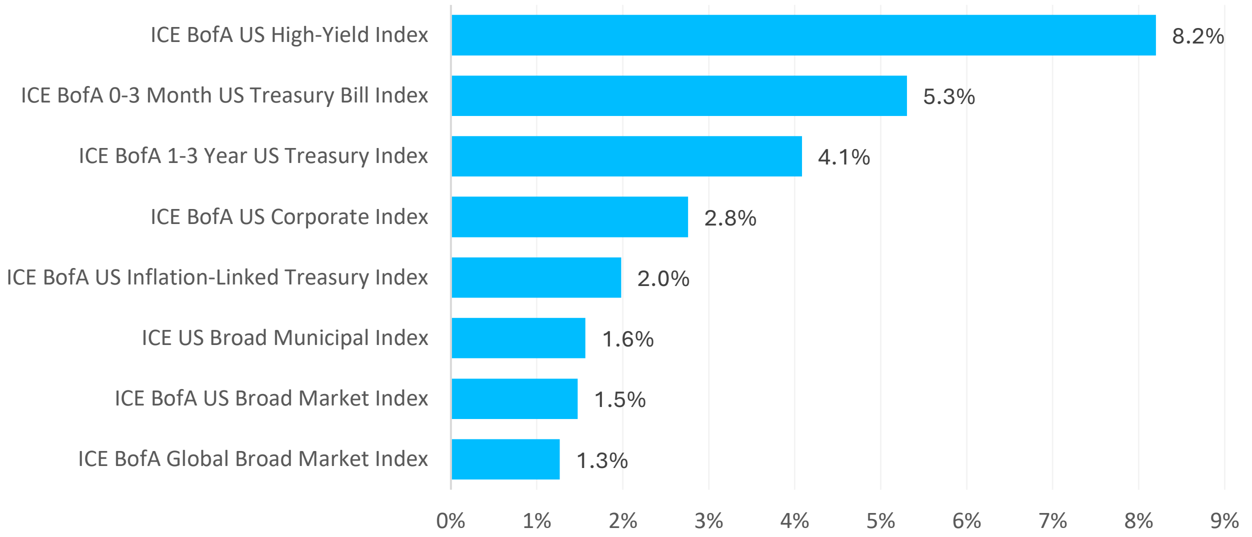
Source: Bloomberg and Bloomberg Barclays Indices as of 12/31/2024. Past index performance is no guarantee of future results.

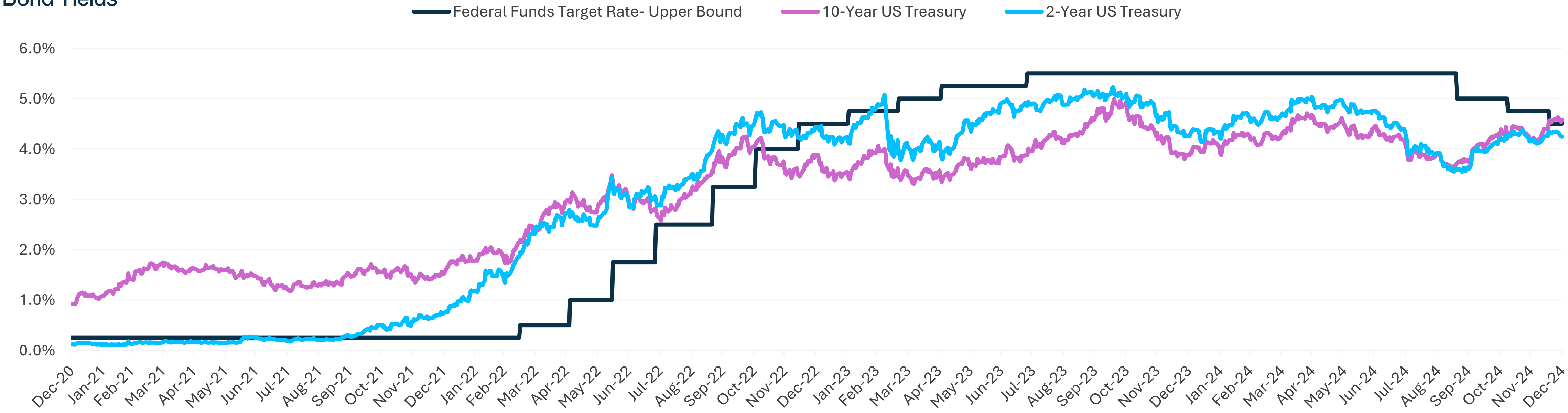
Bond market performance

Concerns about persistent inflation, coupled with a more cautious approach to rate cuts by the Fed, led to rising yields. This resulted in lackluster bond market performance in Q4, as markets adapted to a less accommodative Fed and underestimated the economy's resilience, which negatively affected returns. Despite this, high yield bonds outperformed for the fourth consecutive year, thanks to high all-in yields and tightening spreads boosting returns.

2024 Bond Performance



Bond Yields



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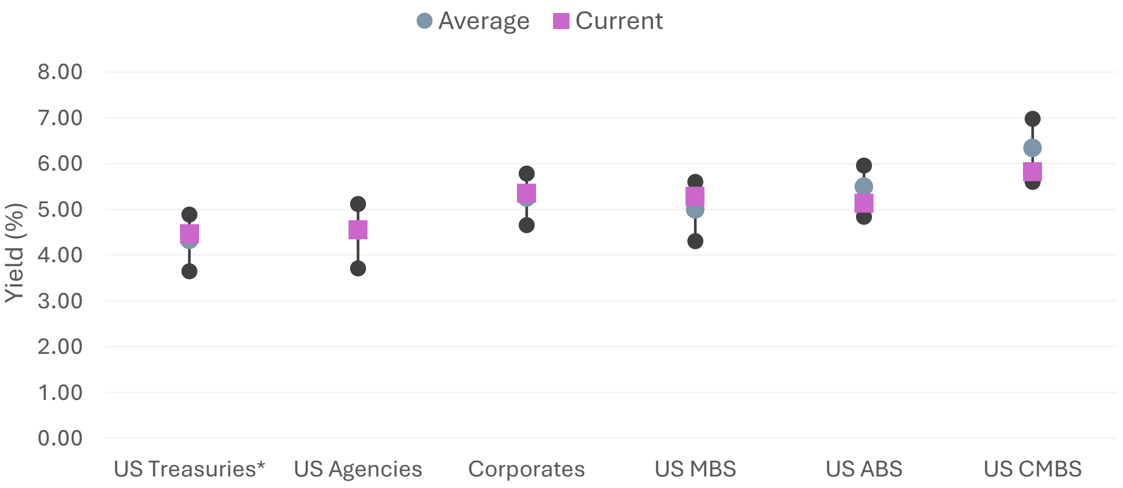
Sources: Bloomberg and ICE BofA Indices. As of 12/31/2024. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

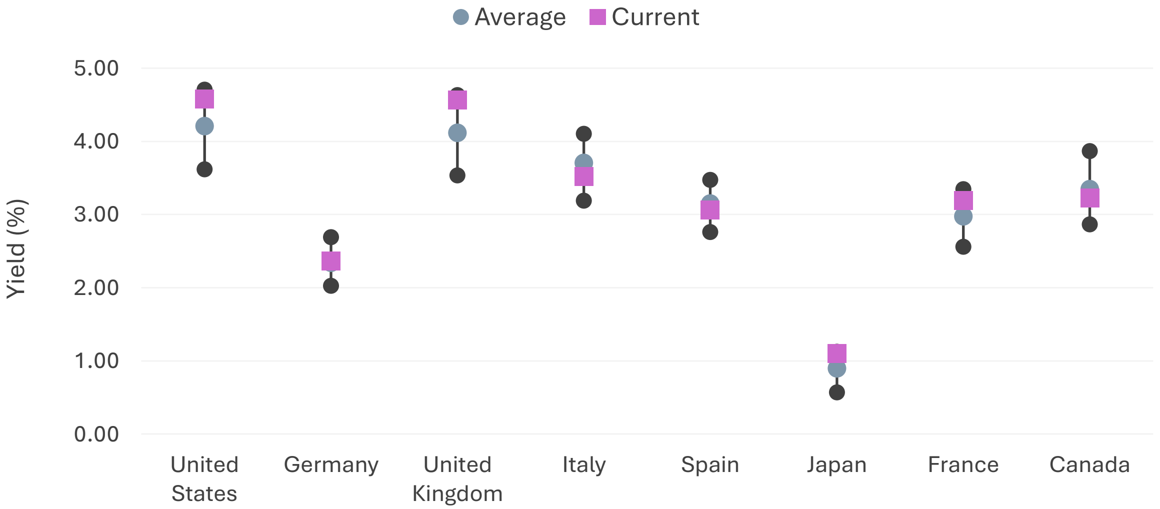
Global and domestic yields

US and global bond yields experienced significant volatility throughout the year, driven by fluctuating and eventually declining inflation rates, central bank policies and ongoing geopolitical tensions. Central banks around the world, including the Fed, played a pivotal role in shaping bond markets through their interest rate decisions and monetary policies. These actions led to well-defined yield ranges as markets anticipated and reacted to policy changes. Additionally, geopolitical tensions added to the uncertainty, causing investors to seek safe-haven assets, further contributing to yield fluctuations.

Broad Fixed Income Yields



Yields Across the Globe



Short-Duration Yields

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Daily yields from 12/31/2023 to 12/31/2024. Sources: Bloomberg and ICE BofA Indices. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results. *US Treasuries pertain to on-the-run sovereign 10-year securities.

Quarterly credit and duration performance stratification

Short-duration credit outperformed long-duration credit as spreads in the short end tightened modestly, benefiting from the Fed's easing cycle and the economy's resilience. In contrast, long-duration credit spreads were under pressure from inflation worries and the high fiscal deficit, boosting the supply of longer-term bonds and requiring higher-risk premiums.

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		1.30%	0.88%	0.44%	0.13%	-0.44%	-0.90%	-1.21%	-1.86%	-2.91%	-3.65%	-4.19%	-4.57%	-5.52%	-5.99%	-6.00%	-9.16%
AA1	1.24%	1.16%	1.02%	0.52%	0.04%	-0.44%	-0.67%	-1.56%	-2.32%	-3.04%	-3.39%		-4.58%	-5.86%	-5.75%		-8.16%
AA2	1.23%	1.18%	0.93%	0.34%	0.05%	-0.25%	-0.76%	-1.35%	-2.16%	-2.69%	-3.47%	-3.64%	-4.48%	-5.06%	-5.49%	-5.31%	-7.96%
AA3	1.25%	1.23%	0.94%	0.52%	0.16%	-0.29%	-0.61%	-1.29%	-2.00%	-2.90%	-3.45%	-3.71%	-4.41%	-5.00%	-5.26%	-6.04%	-7.52%
A1	1.28%	1.25%	1.00%	0.59%	0.18%	-0.20%	-0.63%	-1.26%	-2.00%	-2.70%	-3.27%	-3.66%	-4.29%	-5.07%	-5.14%	-5.56%	-7.44%
A2	1.27%	1.26%	1.02%	0.58%	0.21%	-0.20%	-0.57%	-1.27%	-1.99%	-2.68%	-3.22%	-3.61%	-4.32%	-4.88%	-5.22%	-5.75%	-7.37%
A3	1.32%	1.24%	1.07%	0.66%	0.22%	-0.18%	-0.53%	-1.21%	-1.92%	-2.57%	-3.07%	-3.51%	-4.33%	-5.04%	-5.00%	-5.52%	-7.10%
BBB1	1.33%	1.26%	1.10%	0.73%	0.33%	-0.07%	-0.51%	-1.09%	-1.78%	-2.54%	-2.83%	-3.27%	-4.25%	-4.57%	-4.85%	-5.53%	-6.76%
BBB2	1.30%	1.27%	1.10%	0.76%	0.32%	-0.04%	-0.43%	-1.04%	-1.72%	-2.17%	-2.68%	-2.92%	-3.77%	-4.58%	-3.96%	-4.94%	-6.09%
BBB3	1.42%	1.32%	1.20%	0.98%	0.46%	0.27%	-0.18%	-0.60%	-1.19%	-1.95%	-1.81%	-2.18%	-2.26%	-2.54%	-2.31%	-3.37%	-4.11%

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	1.18%	1.15%	0.98%	0.49%	0.01%	-0.45%	-0.90%	-1.65%	-2.46%	-3.38%	-4.17%	-4.75%	-5.27%	-6.13%	-7.04%	-7.52%	-8.78%

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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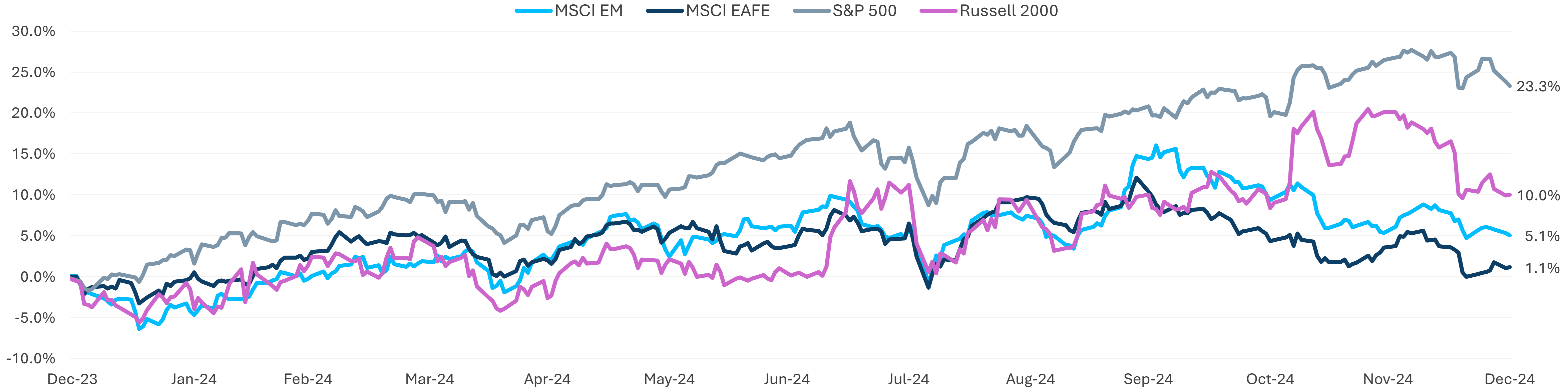
Sources: Bloomberg and ICE BofA Indices. Performance data as of 12/31/2024. Past performance is not a guarantee of future results.

Global equity performance

US equities significantly outperformed global equities driven by solid economic data, a stronger US dollar and optimism around the potential positive impact of the new administration's policies.

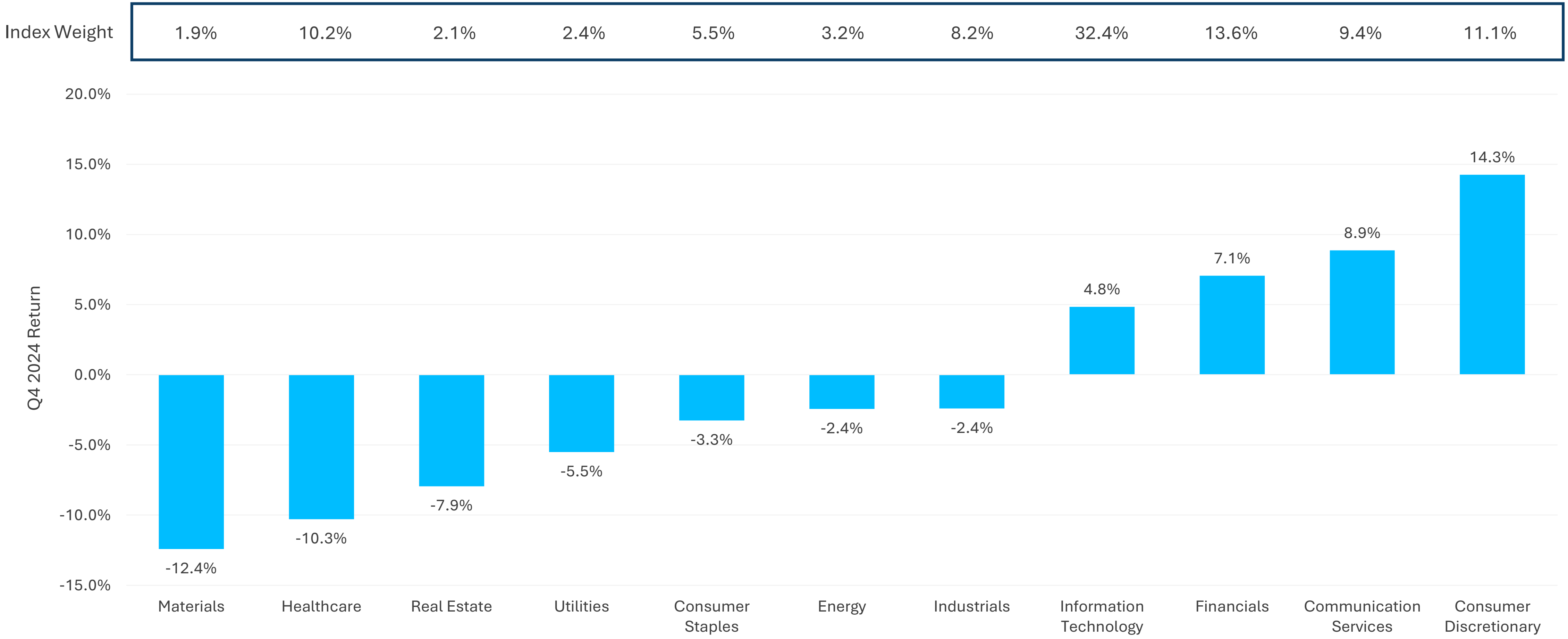
Price Return	
	2024
MSCI EM	5.1%
MSCI EAFE	1.1%
S&P 500	23.3%
Russell 2000	10.0%



Source: Bloomberg. Represents price return from 12/31/2023 to 12/31/2024. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

US equity sector performance

In Q4 2024, the S&P 500 experienced significant gains in the technology sector, driven by the ongoing surge in AI. The communication services sector also performed well, bolstered by rising advertising revenues and the expansion of streaming services. Notably, the consumer discretionary sector emerged as the top performer, benefiting from a resilient economy and robust consumer spending, which led to positive earnings.



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Source: Bloomberg. Represents total return of S&P 500 sectors for Q4 2024. Sector weights as of 12/31/2024. Indices are unmanaged and cannot be invested in directly. Past performance is not a guarantee of future results.

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