

WAINWRIGHT INVESTMENT COUNSEL, LLC FINANCIAL MARKETS HIGHLIGHTS

Third Quarter 2024

The third quarter of 2024 saw the long-awaited start of an interest rate easing cycle. The Federal Reserve (“Fed”) cut its short-term target Federal Funds interest rate by 1/2 of a percent in September, believing that the “balance of risks” between 1) inflation above its two percent longer run target and 2) maximum employment, while “roughly in balance,” had shifted towards a slowing economy and, therefore, risks to full employment. Along with decent corporate earnings, expectations for continued interest rate cuts, potentially totaling over two percent by the end of 2025, further contributed to very strong capital market performance during the quarter.

The S&P 500 index of large and mega-cap stocks gained 5.9% during the quarter, 22.1% for the year-to-date and 36.4% over the trailing 12 months. Mega-cap technology companies were *not* primarily responsible for driving market gains, as they have been for some time, but rather there was a resurgence in *value* and *old-economy* oriented stocks. Previously lagging sectors like Industrials and Financials gained 11.6% and 10.7% during the quarter, outperforming the Technology (+1.6%) and Communication Services (+1.7%) sectors. The Russell 2000 index of small and mid-sized stocks outperformed most major indices this quarter, gaining 9.3%. The influence of the “Magnificent Seven” mega-cap stocks - Apple, Microsoft, NVidia, Amazon, Alphabet, Meta, and

Tesla - moderated but remains significant. On an equal-weighted basis, these seven stocks merely matched the S&P 500 during the quarter. Their combined weight in the S&P 500 being 31% at quarter-end, their performance continues to hold sway over market sentiment. Investors await the group’s Q3 earnings, with expectations of 20% growth, far exceeding the 3% projected for the rest of the S&P 500.

International markets made headlines multiple times during the quarter. Early August saw significant volatility in global markets as a surprise Japanese interest rate hike set off a rally in the yen and a historic plunge in the Japanese stock market. Overly levered investors who had borrowed at historically low rates in yen were forced to quickly sell their positions, resulting in a drawdown felt across the globe as the “yen-carry trade” unwound. In late September, China’s central bank unveiled its biggest stimulus since the COVID-19 pandemic, cutting interest rates and injecting liquidity into an economy fighting deflation. As a result, Asian stocks rallied to 2-1/2 year highs. For the quarter, the MSCI EAFE index of developed market stocks and MSCI Emerging Market index returned 7.3% and 8.7%, respectively.

Interest rates declined dramatically during the quarter, spurred by the Fed’s actions noted above. The 10-year Treasury yield declined from 4.4% to 3.8% and the 30-

Selected Index Returns (%) as of September 30, 2024 (Source: Morningstar Direct). 3, 5, 10 year returns are annualized.

	<u>July</u>	<u>August</u>	<u>September</u>	<u>QTR</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
S&P 500	1.22	2.43	2.14	5.89	22.08	36.35	11.91	15.98	13.38
S&P 400	5.81	-0.08	1.16	6.94	13.54	26.79	7.47	11.78	10.32
Russell 2000	10.16	-1.49	0.70	9.27	11.17	26.76	1.84	9.39	8.78
Wilshire U.S. REIT Index	5.45	6.42	2.64	15.19	14.88	33.61	4.60	5.39	7.76
MSCI EAFE	2.93	3.25	0.92	7.26	12.99	24.77	5.48	8.20	5.71
MSCI Emerging Markets	0.30	1.61	6.68	8.72	16.86	26.05	0.40	5.75	4.02
Bloomberg U.S. Aggregate Bond	2.34	1.44	1.34	5.20	4.45	11.57	-1.39	0.33	1.84
Bloomberg High Yield	1.94	1.63	1.62	5.28	8.00	15.74	3.10	4.72	5.04

The information contained herein is provided for informational and discussion purposes only. No chart, graph, or other figure provided should be used to determine which securities to buy, sell or hold. No representation is made concerning the appropriateness of any particular investment, security, portfolio of securities, transaction or investment strategy. **Investing involves risks, and there is always the potential of losing money.** Before entering into any financial transaction, you should ensure that you fully understand the terms, have evaluated the risks and have determined that the transaction is appropriate for you in all respects. You should consult with your personal legal, tax, or other advisors, including your financial professional, prior to making any investment decisions. **Past performance is never a guarantee of future investment results.**

Benchmarks and financial indices provide historical market data that serves as point of reference to compare the performance of a particular investment and/or investment strategy and are shown for illustrative purposes only. Benchmarks are presented merely to show general trends in the markets for the period and are not intended to imply that the portfolio is benchmarked to the indices either in composition or level of risk. The indices are unmanaged, are not available for direct investment, have no expenses (i.e., are gross of costs, fees or expenses associated with investing in the instruments that comprise the benchmark or financial index) and reflect reinvestment of dividends and distributions. A variety of factors may cause an index to be an inaccurate benchmark or proxy for a particular asset class and does not reflect the actual investment strategy of any client portfolio or any of the Firm’s investment strategies (or funds). In no way should the information about an index or proxy shown within this presentation be considered indicative or a guarantee of any results. Actual results differ, possibly substantially, from that shown.

Additional information about Wainwright Investment Counsel, LLC is also available at <https://adviserinfo.sec.gov/firm/summary/108711>. This information provided herein does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be used or relied upon in connection with any offer or sale of securities. The information herein reflects prevailing conditions and Wainwright’s judgments as of this date, all of which are subject to change without notice.

WAINWRIGHT INVESTMENT COUNSEL, LLC FINANCIAL MARKETS HIGHLIGHTS

Third Quarter 2024

year mortgage from ~6.9% to ~6.1%. Declining rates are a boon to bond holders. The Bloomberg Aggregate Bond index returned 5.2% during the quarter. Long-term Treasuries fared even better, up 7.8%, followed by corporate high yield bonds at 5.3%. Real Estate Investment Trusts (“REITs”), bond proxies of sorts due to their attractive yields, benefited from the declining interest rate environment. The Wilshire REIT index gained 15.2% during the quarter. Both commodities and Master Limited Partnerships posted marginal gains; the Alerian MLP index and Bloomberg Commodity index each returned 0.7%. Gold, Silver and Bitcoin returned 12.8%, 5.8% and 1.0%.

On the corporate earnings front, the outlook remains reasonably good. S&P 500 Q3 2024 earnings are expected to increase mid-single digits and 2025 earnings are presently forecasted to increase low-to-mid teens. Technology and, specifically, the Magnificent Seven companies, have powered earnings growth with the remainder of the S&P 500 companies expected to post modest earnings growth in the near-term. Pundits ballyhoo the lack of market “breadth,” but it is often the case that some stocks, companies and sectors are performing relatively better and others relatively worse. It will reverse at some point and other stocks, companies and sectors will lead. Recent performance of REITs and utilities are representative of that phenomenon, both

powered meaningfully higher by, amongst other things, growing demand for data centers and power due to the artificial intelligence boom.

It remains true that the market, as defined by the S&P 500, remains a bit expensive at ~22x forward estimated earnings, and there are terrible wars abroad and contentious politics at home. Watching the evening news is an exercise in self-flagellation, regrettably. Despite that, indeed in the face of it, Corporate America will continue to grow its earnings, assets and dividends, and the stock market will climb its perpetual wall of worry. We here at Wainwright wish you a happy transition into the autumn season. Please be in touch should you require anything.

Selected Index Returns (%) as of September 30, 2024 (Source: Morningstar Direct). 3, 5, 10 year returns are annualized.

	<u>July</u>	<u>August</u>	<u>September</u>	<u>QTR</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
S&P 500	1.22	2.43	2.14	5.89	22.08	36.35	11.91	15.98	13.38
S&P 400	5.81	-0.08	1.16	6.94	13.54	26.79	7.47	11.78	10.32
Russell 2000	10.16	-1.49	0.70	9.27	11.17	26.76	1.84	9.39	8.78
Wilshire U.S. REIT Index	5.45	6.42	2.64	15.19	14.88	33.61	4.60	5.39	7.76
MSCI EAFE	2.93	3.25	0.92	7.26	12.99	24.77	5.48	8.20	5.71
MSCI Emerging Markets	0.30	1.61	6.68	8.72	16.86	26.05	0.40	5.75	4.02
Bloomberg U.S. Aggregate Bond	2.34	1.44	1.34	5.20	4.45	11.57	-1.39	0.33	1.84
Bloomberg High Yield	1.94	1.63	1.62	5.28	8.00	15.74	3.10	4.72	5.04

The information contained herein is provided for informational and discussion purposes only. No chart, graph, or other figure provided should be used to determine which securities to buy, sell or hold. No representation is made concerning the appropriateness of any particular investment, security, portfolio of securities, transaction or investment strategy. **Investing involves risks, and there is always the potential of losing money.** Before entering into any financial transaction, you should ensure that you fully understand the terms, have evaluated the risks and have determined that the transaction is appropriate for you in all respects. You should consult with your personal legal, tax, or other advisors, including your financial professional, prior to making any investment decisions. **Past performance is never a guarantee of future investment results.**

Benchmarks and financial indices provide historical market data that serves as point of reference to compare the performance of a particular investment and/or investment strategy and are shown for illustrative purposes only. Benchmarks are presented merely to show general trends in the markets for the period and are not intended to imply that the portfolio is benchmarked to the indices either in composition or level of risk. The indices are unmanaged, are not available for direct investment, have no expenses (i.e., are gross of costs, fees or expenses associated with investing in the instruments that comprise the benchmark or financial index) and reflect reinvestment of dividends and distributions. A variety of factors may cause an index to be an inaccurate benchmark or proxy for a particular asset class and does not reflect the actual investment strategy of any client portfolio or any of the Firm’s investment strategies (or funds). In no way should the information about an index or proxy shown within this presentation be considered indicative or a guarantee of any results. Actual results differ, possibly substantially, from that shown.

Additional information about Wainwright Investment Counsel, LLC is also available at <https://adviserinfo.sec.gov/firm/summary/108711>. This information provided herein does not constitute an offer to sell or a solicitation of an offer to buy any securities and may not be used or relied upon in connection with any offer or sale of securities. The information herein reflects prevailing conditions and Wainwright’s judgments as of this date, all of which are subject to change without notice.