

Q3

Quarterly Market Review

Third Quarter 2024

Quarterly Market Review

This report features world capital market performance and a timeline of events for the past quarter. It begins with a global overview, then features the returns of stock and bond asset classes in the US and international markets.

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Quarterly Market Commentary

Third Quarter 2024 – October 15, 2024

After months of will-they-or-won't-they speculation, the Federal Reserve cut interest rates in September. And it was a relatively big one: The half-percentage-point decrease was the biggest the Fed has made since its emergency rate reductions in March 2020 at the onset of the pandemic. Before that, the country hadn't seen a half a point decrease **since the global financial crisis in 2008**.

The good news: With these cuts, policymakers acknowledged the progress they've made in wrangling inflation, which peaked at 9.1% in June 2022 and hit **2.5% this August**, nearing the Fed's traditional 2% target rate. The Fed fell short of declaring all-out victory but came close: "We know it is time to recalibrate our [interest rate] policy to something that's more appropriate given the progress on inflation," Fed Chair Jerome Powell **said**. "We're not saying, 'mission accomplished'...but I have to say, though, we're encouraged by the progress that we have made."

Now the less-good news: If you're wondering what the big rate cut means for you and your money, you may get wildly different—and sometimes misleading—answers depending on whom you ask. Whatever you hear is not enough

to risk disrupting your long-term investment plan.

One group of talking heads declares that lower rates will juice the economy. Lower policy rates make it less expensive for banks to borrow, so they might charge lower interest on mortgages, auto loans and credit cards. Theoretically, that could leave consumers with more money to spend, bumping up economic activity.

On the other hand, some economists are arguing that **high interest rates since 2022 have actually boosted the economy** by putting more money in bond investors' pockets, so lowering rates could actually cause growth to soften. Others point out that the Fed historically has made big rate cuts when it thinks the economy is in trouble.

And what about the stock market? Some say lower rates will help stocks, since it's cheaper for companies to borrow...except that historically, **higher interest rates tend to be associated with higher stock prices**. That tracks with recent history: **The S&P 500 has been up about 30%** since the Fed started raising rates in March 2022. Fact is, it's hard to know what will happen after the Fed cuts,

in part because **outcomes have varied in the past**. It's especially unclear what will happen given the extraordinary circumstances of the last few years.

Amid this uncertainty, investors may take comfort in remembering that the market is an incredibly sensitive pricing mechanism. By the time a cut is made, that information has already been included in all manner of financial instruments, from stocks to bank loans. So, if you have the impulse to make moves to take advantage of—or protect yourself from—whatever might come, you're probably too late.

Respond to any market development by sticking with your long-term investment plan.

Your portfolio is built to work across economic and interest-rate cycles—during which rates may rise and fall several times.

Regards,

Eric Hutchens



President & Chief Investment Officer
Allodium Investment Consultants

Quarterly Market Summary

Returns (USD), as of September 30, 2024

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q3 2024	6.23% 	7.76% 	8.72% 	16.04% 	5.20% 	3.48% 
Average Quarterly Return	2.4%	1.7%	2.6%	2.3%	1.0%	1.0%
Best Quarter	22.0% 2020 Q2	25.9% 2009 Q2	34.7% 2009 Q2	32.3% 2009 Q3	6.8% 2023 Q4	5.4% 2023 Q4
Worst Quarter	-22.8% 2008 Q4	-23.3% 2020 Q1	-27.6% 2008 Q4	-36.1% 2008 Q4	-5.9% 2022 Q1	-4.1% 2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

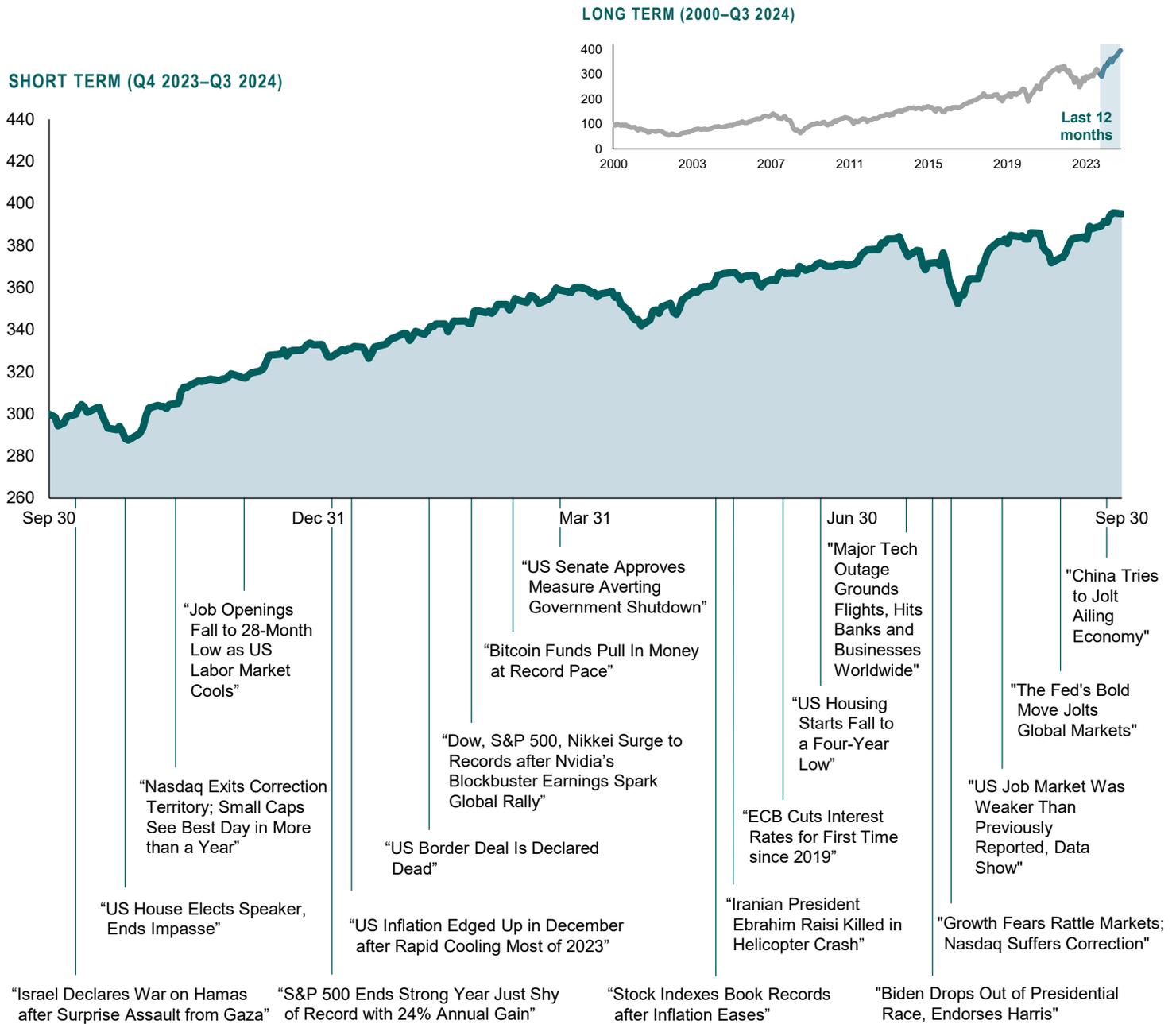
Returns (USD), as of September 30, 2024

	Stocks				Bonds	
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	35.19% ↑	24.98% ↑	26.05% ↑	30.43% ↑	11.57% ↑	9.78% ↑
5 Years	15.26% ↑	8.36% ↑	5.75% ↑	2.54% ↑	0.33% ↑	0.64% ↑
10 Years	12.83% ↑	5.68% ↑	4.02% ↑	4.92% ↑	1.84% ↑	2.62% ↑

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World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

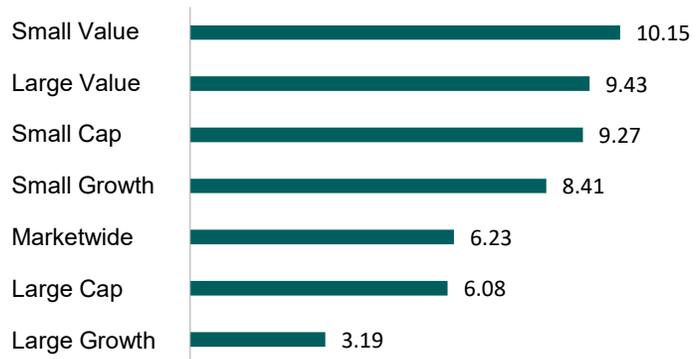
Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

US Stocks

Returns (USD), 3rd Quarter 2024

- The US equity market posted positive returns for the quarter and underperformed both non-US developed and emerging markets.
- Value outperformed growth.
- Small caps outperformed large caps.
- REIT indices outperformed equity market indices.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED			
			1 Year	3 Years	5 Years	10 Years
Small Value	10.15	9.22	25.88	3.77	9.29	8.22
Large Value	9.43	16.68	27.76	9.03	10.69	9.23
Small Cap	9.27	11.17	26.76	1.84	9.39	8.78
Small Growth	8.41	13.22	27.66	-0.35	8.82	8.95
Marketwide	6.23	20.63	35.19	10.29	15.26	12.83
Large Cap	6.08	21.18	35.68	10.83	15.64	13.10
Large Growth	3.19	24.55	42.19	12.02	19.74	16.52

World Market Capitalization

63% US Market
\$55.4 Trillion

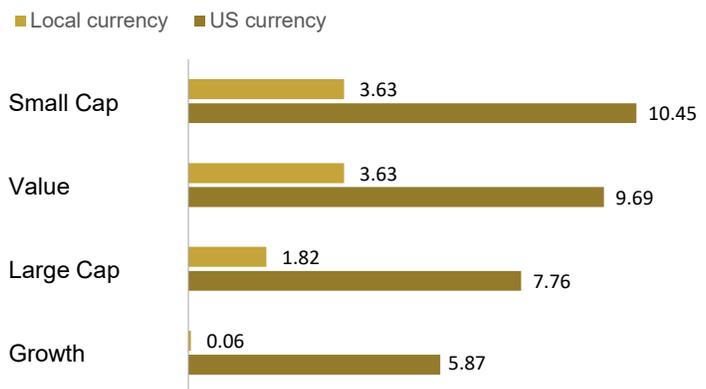
Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.

International Developed Stocks

Returns (USD), 3rd Quarter 2024

- Developed markets outside of the US posted positive returns for the quarter and outperformed the US market but underperformed emerging markets.
- Value outperformed growth.
- Small caps outperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED			
			1 Year	3 Years	5 Years	10 Years
Small Cap	10.45	11.53	23.36	0.05	6.85	5.99
Value	9.69	14.12	23.90	9.14	8.51	4.69
Large Cap	7.76	13.10	24.98	5.65	8.36	5.68
Growth	5.87	12.14	26.18	2.02	7.78	6.41

World Market Capitalization



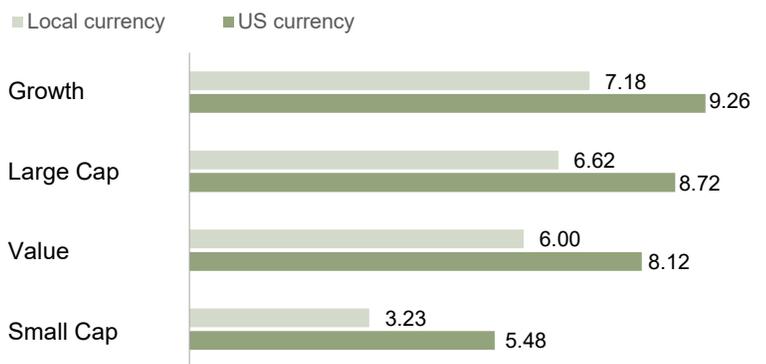
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Emerging Markets Stocks

Returns (USD), 3rd Quarter 2024

- Emerging markets posted positive returns for the quarter and outperformed both US and non-US developed markets.
- Value underperformed growth.
- Small caps underperformed large caps.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED			
			1 Year	3 Years	5 Years	10 Years
Growth	9.26	18.49	27.64	-2.26	5.45	4.81
Large Cap	8.72	16.86	26.05	0.40	5.75	4.02
Value	8.12	15.11	24.38	3.29	5.94	3.12
Small Cap	5.48	12.91	23.01	5.14	12.22	5.86

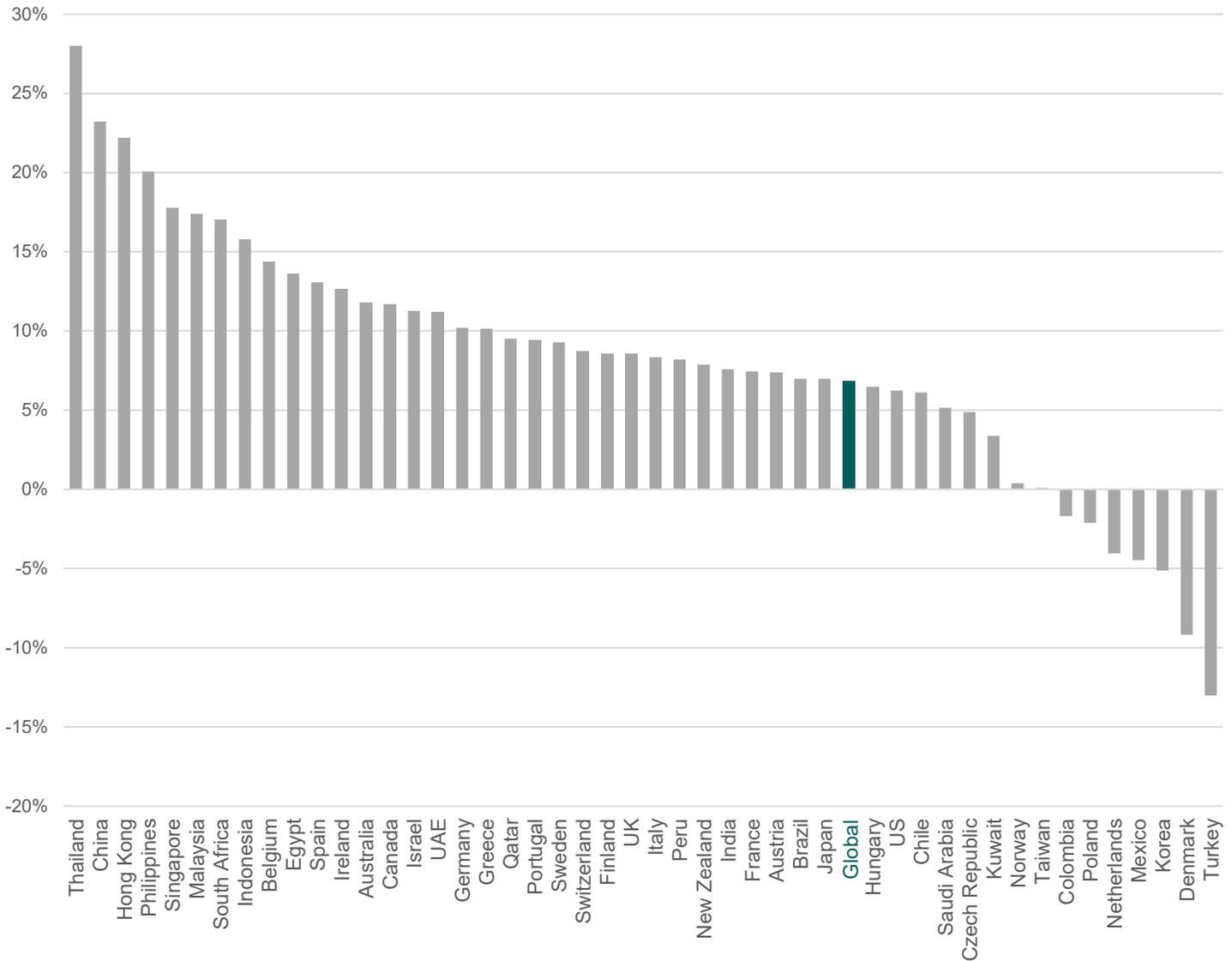
World Market Capitalization

11% Emerging Markets
\$9.7 Trillion

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Country Returns

Returns (USD), 3rd Quarter 2024



Past performance is no guarantee of future results. Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

Real Estate Investment Trusts (REITs)

Returns (USD), 3rd Quarter 2024

- US real estate investment trusts underperformed non-US REITs during the quarter.

Ranked Returns (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED			
			1 Year	3 Years	5 Years	10 Years
Global ex US REITs	16.75	8.91	25.22	-2.36	-1.18	2.03
US REITs	15.56	14.92	33.71	4.36	4.41	7.03

Total Value of REIT Stocks



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

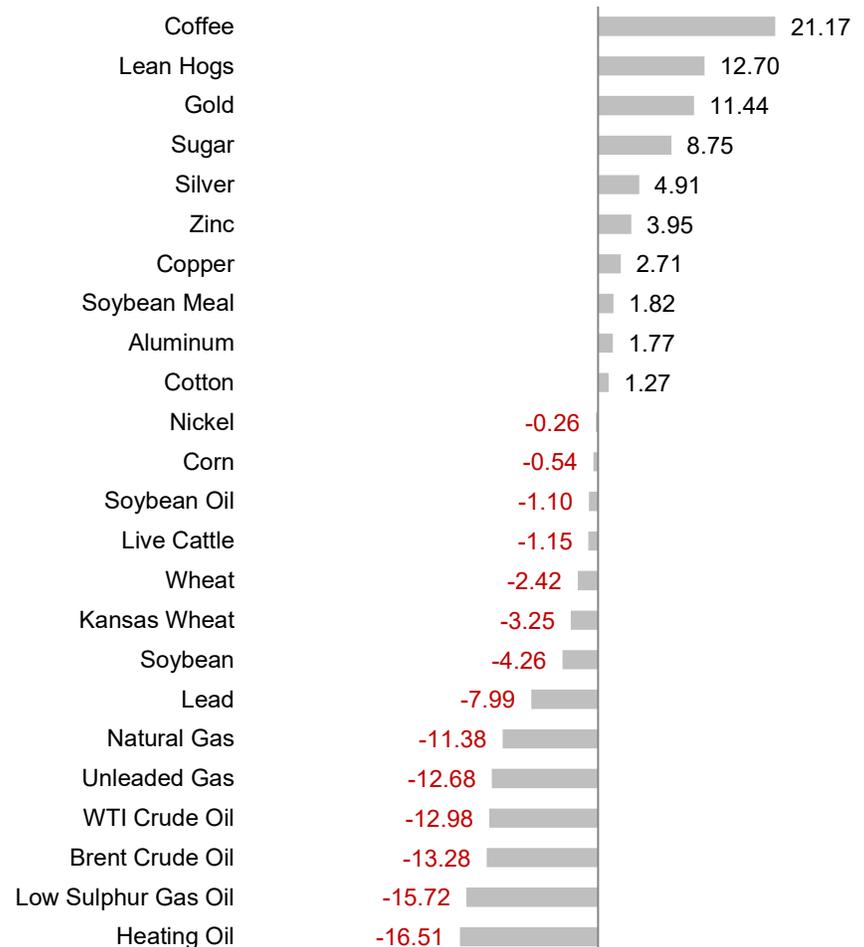
Commodities

Returns (USD), 3rd Quarter 2024

The Bloomberg Commodity Total Return Index returned +0.68% for the third quarter of 2024.

Coffee and Lean Hogs were the best performers, returning +21.17% and +12.70% during the quarter, respectively. Heating Oil and Low Sulphur Gas Oil were the worst performers, returning -16.51% and -15.72% during the quarter, respectively.

Ranked Returns (%)



Periodic Returns (%)

QTR	YTD	ANNUALIZED			
		1 Year	3 Years	5 Years	10 Years
0.68	5.86	0.96	3.66	7.79	0.03

Fixed Income

Returns (USD), 3rd Quarter 2024

Interest rates decreased in the US Treasury market for the quarter.

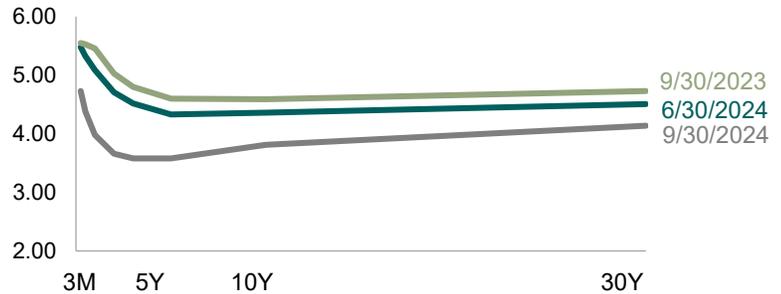
On the short end of the yield curve, the 1-Month US Treasury Bill yield decreased 54 basis points (bps) to +4.93%, while the 1-Year US Treasury Bill yield decreased 111 bps to +3.98%. The yield on the 2-Year US Treasury Note decreased 105 bps to +3.66%.

The yield on the 5-Year US Treasury Note decreased 75 bps to +3.58%. The yield on the 10-Year US Treasury Note decreased 55 bps to +3.81%. The yield on the 30-Year US Treasury Bond decreased 37 bps to +4.14%.

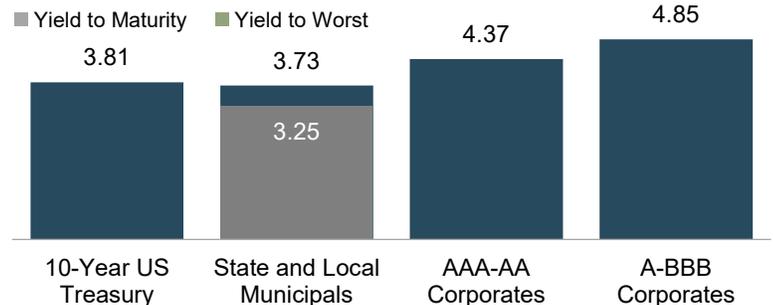
In terms of total returns, short-term US treasury bonds returned +3.43% while intermediate-term US treasury bonds returned +3.97%. Short-term corporate bonds returned +3.75% and intermediate-term corporate bonds returned +4.66%.¹

The total returns for short- and intermediate-term municipal bonds were +2.31% and +3.09%, respectively. Within the municipal fixed income market, general obligation bonds returned +2.77% while revenue bonds returned +2.70%.²

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Periodic Returns (%)

Asset Class	QTR	YTD	ANNUALIZED			
			1 Year	3 Years	5 Years	10 Years
Bloomberg U.S. Government Bond Index Long	7.81	2.44	15.43	-8.32	-4.25	1.09
Bloomberg U.S. High Yield Corporate Bond Index	5.28	8.00	15.74	3.10	4.72	5.04
Bloomberg U.S. Aggregate Bond Index	5.20	4.45	11.57	-1.39	0.33	1.84
FTSE World Government Bond Index 1-5 Years	5.09	3.61	8.74	-0.77	0.36	0.14
Bloomberg U.S. TIPS Index	4.12	4.85	9.79	-0.57	2.62	2.54
FTSE World Government Bond Index 1-5 Years (hedged to USD)	2.98	4.15	7.37	1.36	1.43	1.71
Bloomberg Municipal Bond Index	2.71	2.30	10.37	0.09	1.39	2.52
ICE BofA 1-Year US Treasury Note Index	2.03	4.01	5.87	2.48	1.99	1.55
ICE BofA US 3-Month Treasury Bill Index	1.37	4.03	5.46	3.49	2.32	1.65

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. **Past performance is not a guarantee of future results.** Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated.

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Global Fixed Income

Yield curves (USD), 3rd Quarter 2024

Interest rates generally decreased across global developed markets for the quarter.

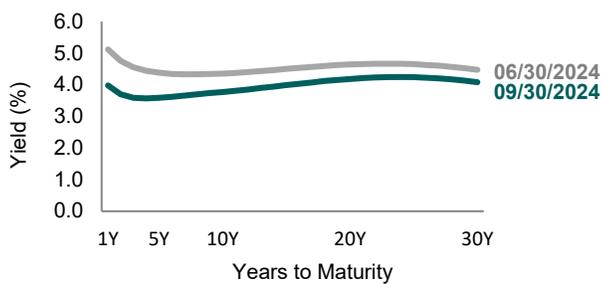
Realized term premiums were broadly positive across global developed markets as longer-term bonds generally outperformed shorter-term bonds.

In Japan, short-term interest rates increased while longer-term interest rates generally decreased. The short-term segment of the yield curve remained inverted in Australia, UK, Germany, and Canada.

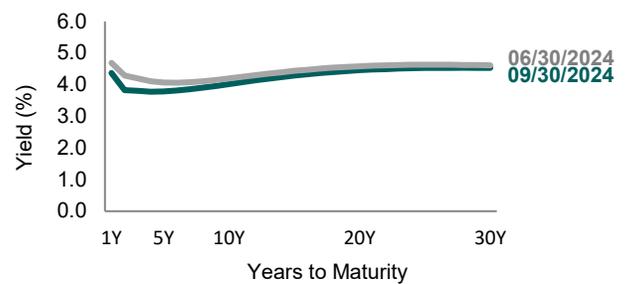
Changes in Yields (bps) since 06/30/2024

	1Y	5Y	10Y	20Y	30Y
US	-114.0	-79.3	-58.3	-45.7	-39.5
UK	-32.2	-28.6	-17.8	-12.9	-8.0
Germany	-77.0	-53.9	-34.4	-23.9	-21.3
Japan	6.1	-8.4	-17.9	-12.4	-5.9
Canada	-108.0	-75.9	-53.9	-32.8	-26.1
Australia	-48.7	-43.7	-32.5	-18.2	-7.4

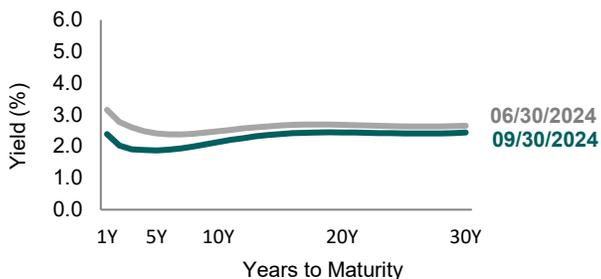
US



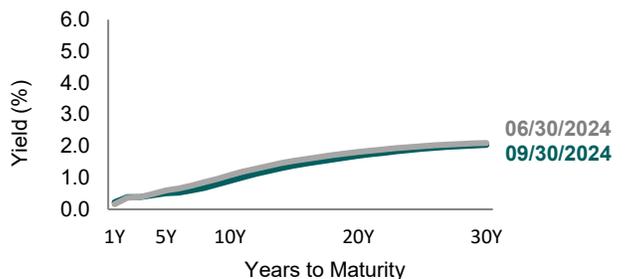
UK



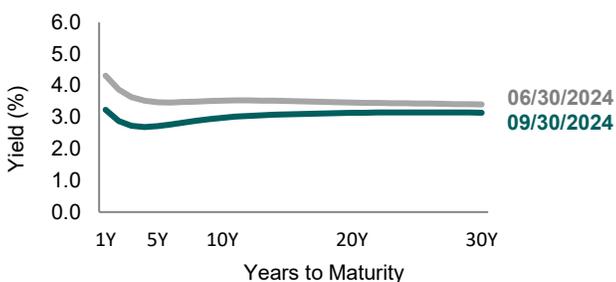
Germany



Japan



Canada



Australia

