Capital Market Review / *Third Quarter 2024*

The Big Picture

Revenge of the Have-Nots

Well that did not take long. Last quarter we talked about the haves and the have-nots. The market narrowed dramatically and technology, specifically AI-driven technology, was the only area that produced positive results. We knew this was not sustainable, but we had no idea it would change so dramatically so quickly.

If AI is the coolest place to be, then utilities must be the most boring, but not this quarter.

For some time now we have pointed out the lack of return in utilities and how it makes no sense whatsoever: These are strong companies with solid dividend yields, as has been the case historically with utilities. However, there is no universe in which we are all driving electric cars and having our work done for us by AI that does not include an enormous increase in electricity production.

Utilities must grow significantly to keep up with the demands of the all-electric future. It seemed like they would lag forever, but this quarter they finally got the love they deserve with a 19 percent return. We often say that it is easy to know what the market will do, but nearly impossible to know when it will do it. Any investors who patiently waited for utilities to do what they should were finally rewarded.

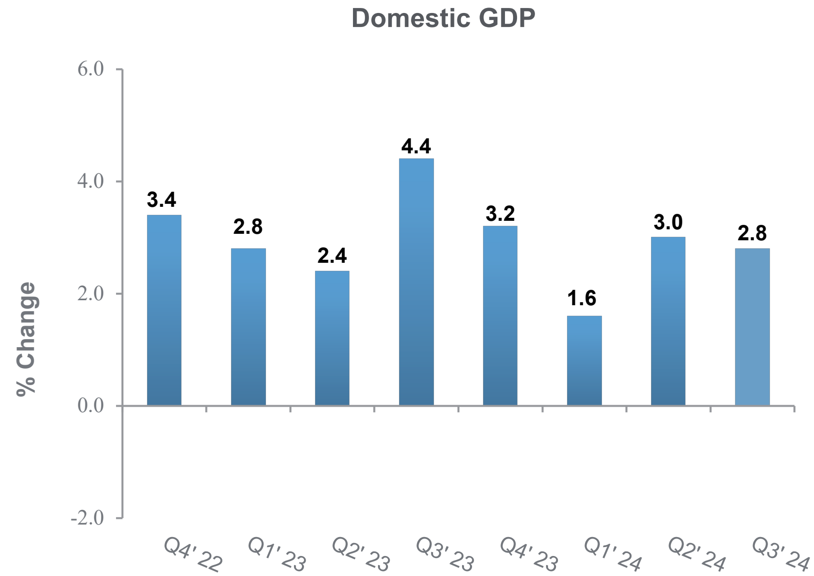
> *"It is easy to know what the market will do, but nearly impossible to know when it will do it."*

The Economy

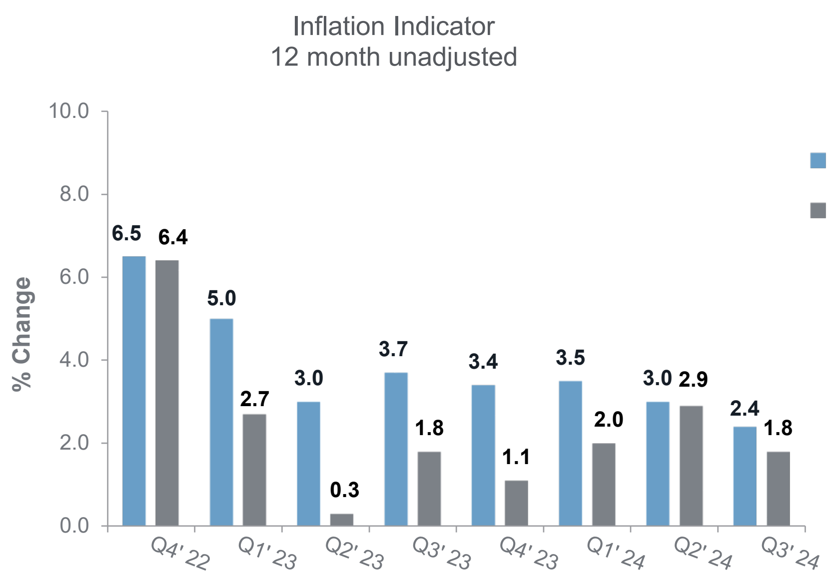
The 2nd quarter 2024 GDP growth came in up 3.0 percent, which was better than we expected. The initial reading for 3rd quarter GDP growth is 2.8 percent. The economy just keeps rolling along despite all the doomsayers.

The official unemployment rate was 4.1 percent through September. The labor market remains strong. After a slight rise in unemployment the rate has leveled off. This shows that we are in the middle of the economic cycle and not near the end.

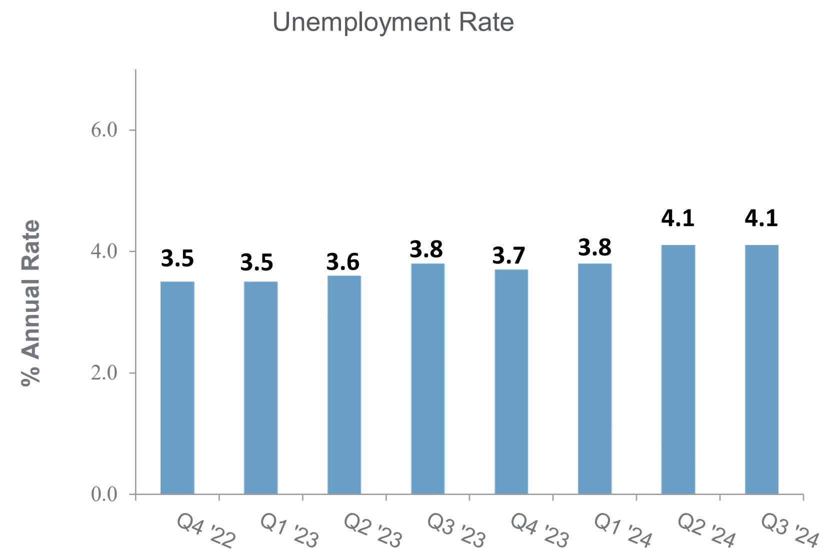
Inflation is 2.4 percent based on the latest consumer price index report. The slowdown has predictably gotten slower, but we are approaching the 2 percent target. The producer price index, which tracks wholesale prices, is up only 1.8 percent over the last 12 months.



Source: Bureau of Labor Statistics



Source: Bureau of Economic Analysis

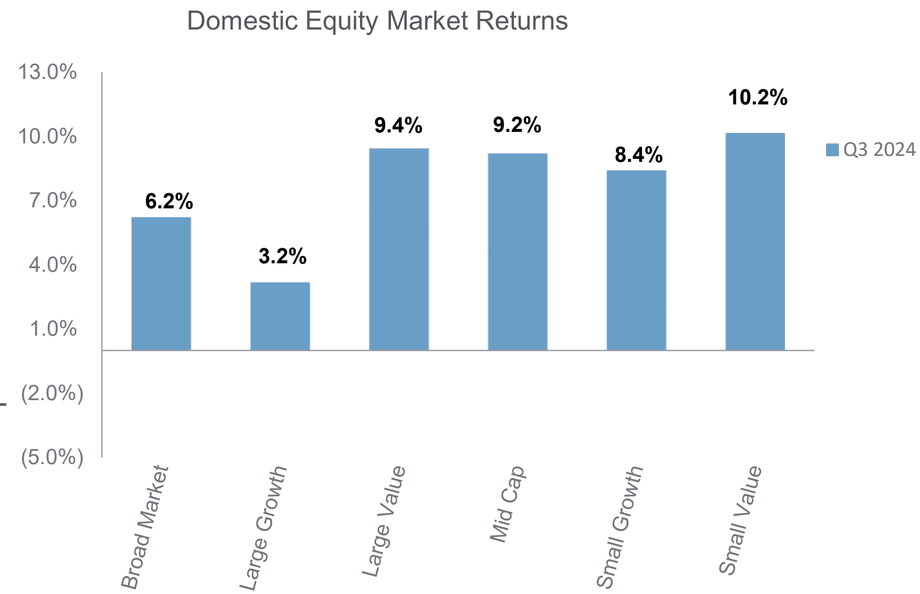


Source: Bureau of Labor Statistics

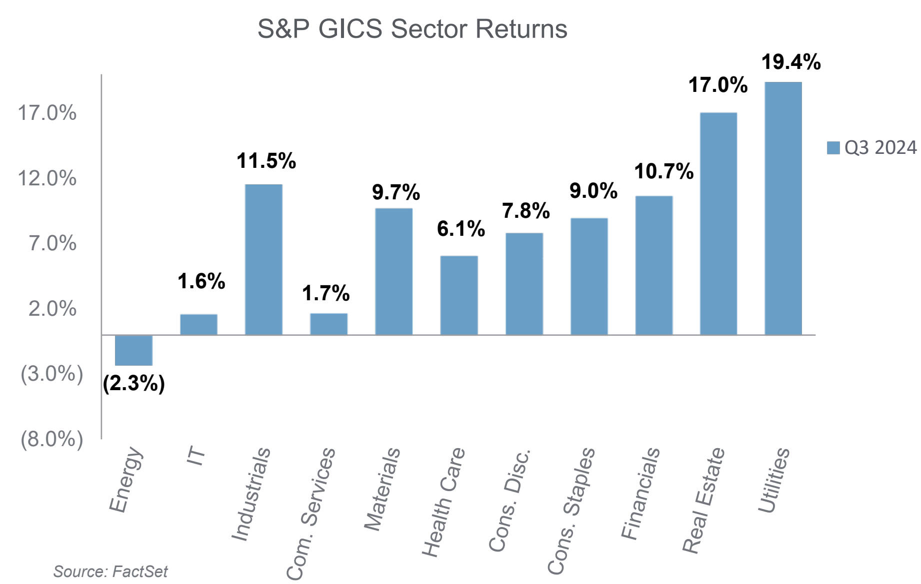
Domestic Equity Markets

The market produced a broad-based rally. For the quarter, the S&P 500 finished up 5.89 percent, and small company stocks represented by the Russell 2000 index were up 9.27 percent. Value dominated with the Russell 1000 Value index up 9.43 percent while the growth index was up 3.19 percent. For small companies, the difference was much less with the value index up 10.15 percent, and the growth index was up 8.41 percent.

Utilities were the best place to be up over 19 percent in one quarter. Real estate and industrials followed. Technology and communication services lagged while energy was negative.



Source: FactSet

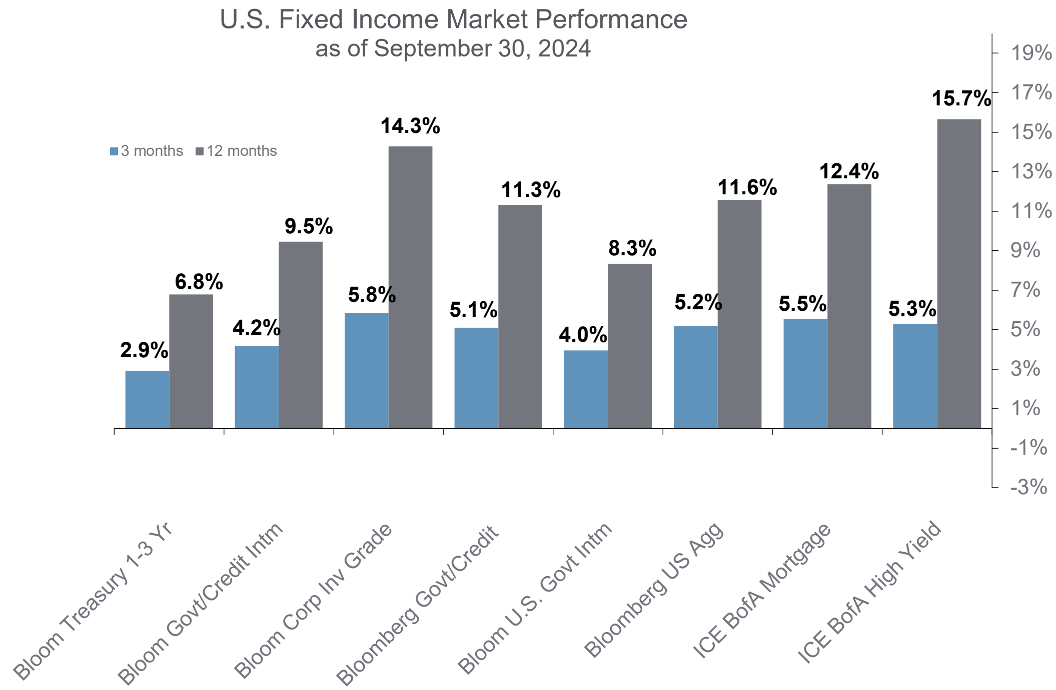


Source: FactSet

Domestic Fixed Income Market

Bonds were up big. The Bloomberg US Aggregate Bond index ended up 5.20 percent. High yield bonds rose 5.28 percent. Bond yields dropped to the lows of their range.

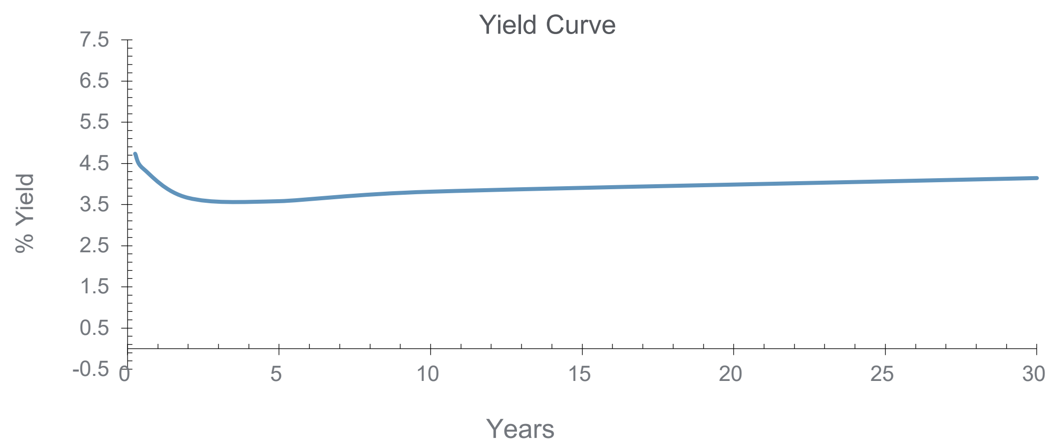
The ten-year Treasury ended the quarter with a 3.81 percent yield. Yields are near the bottom of their range and likely to move up in the short-term. We still believe the ten-year will fluctuate around 4 percent for the foreseeable future.



Source: Zephyr *StyleADVISOR*

Yield Curve as of September 30, 2024

Time to Maturity	Interest Rate
3 Month	4.73
6 Month	4.38
2 Year	3.66
5 Year	3.58
10 Year	3.81
30 Year	4.14



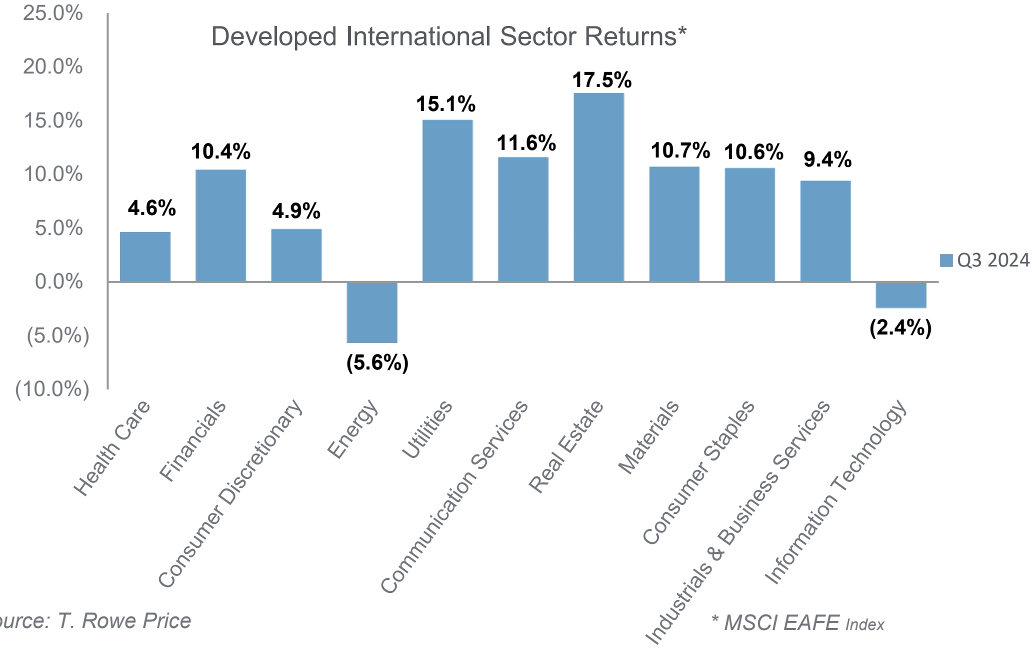
Source: US Treasury Department

International Markets

International stocks were also up. The EAFE index finished up 7.33 percent and the MSCI Emerging Markets index ended the quarter up 8.88 percent.

European stocks were up 1.64 percent in local terms, and up 6.63 percent for US investors. The weakness of the dollar added almost 5 percent for US investors. While we believe the weak dollar makes sense, this is a little extreme and likely to bounce back in the short-term.

China bounced back after extended weakness. This was driven by announcements of stimulus and no more bad news regarding the movement away from the free-marker reforms that made China a powerhouse. Still, the long-term outlook is much better in other emerging markets, especially India.



Source: T. Rowe Price

* MSCI EAFE Index

MSCI Country Returns
Three Months Ending September 30, 2024

	Return US$ (%)	Return Local Currency (%)	Currency Effect (%)
Austria	8.812%	4.493%	4.32%
Belgium	15.261%	10.686%	4.58%
Denmark	-10.195%	-13.792%	3.60%
Finland	8.168%	3.874%	4.29%
France	7.748%	3.471%	4.28%
Germany	10.727%	6.332%	4.40%
Ireland	13.956%	9.432%	4.52%
Italy	8.730%	4.414%	4.32%
Netherlands	-4.463%	-8.104%	3.64%
Norway	2.361%	1.256%	1.11%
Portugal	8.837%	4.517%	4.32%
Spain	13.739%	9.224%	4.52%
Sweden	8.404%	3.760%	4.64%
Switzerland	8.554%	1.903%	6.65%
UK	7.944%	1.727%	6.22%
Europe Total	**6.629%**	**1.635%**	**4.99%**
Australia	11.544%	7.382%	4.16%
Hong Kong	24.426%	23.817%	0.61%
Japan	5.875%	-5.854%	11.73%
New Zealand	5.815%	1.342%	4.47%
Singapore	17.607%	12.175%	5.43%
Pacific Total	**8.586%**	**-0.793%**	**9.38%**
Brazil	7.282%	5.772%	1.51%
Canada	12.207%	10.780%	1.43%
China	23.640%	22.361%	1.28%
Greece	10.547%	6.159%	4.39%
Hungary	6.319%	2.674%	3.65%
India	7.409%	7.942%	-0.53%
Indonesia	15.358%	6.658%	8.70%
Korea	-5.525%	-10.247%	4.72%
Mexico	-3.313%	3.648%	-6.96%
Poland	-3.386%	9.734%	-13.12%
Thailand	29.053%	13.158%	15.90%
Emerging Markets	**8.877%**	**6.774%**	**2.10%**

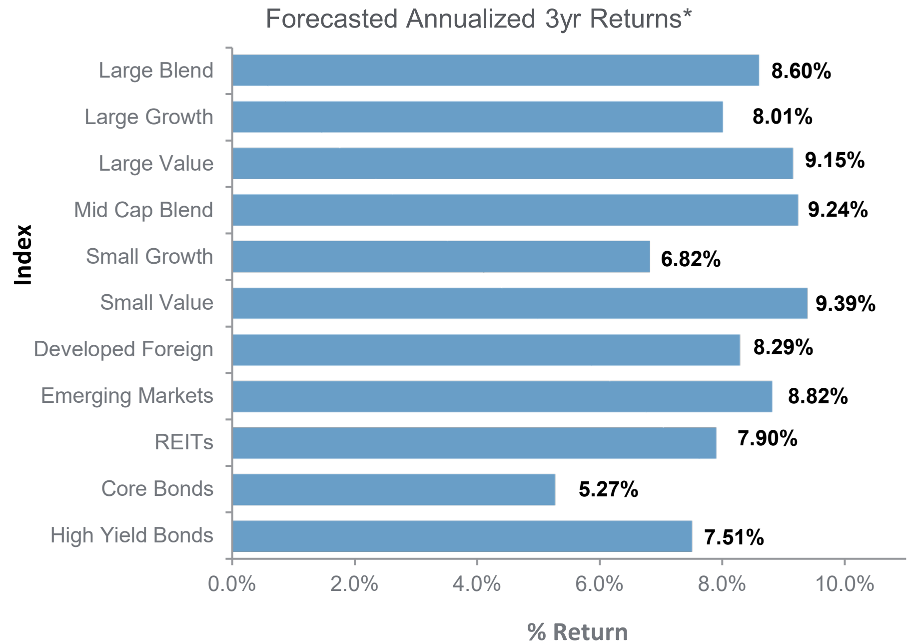
Source: MSCI

Market Forecast

We said the market had to broaden out and it did. This trend should continue. It may go in fits and starts, as it already has this year, but the valuations tell us we still have a long way to go.

AI driven technology still has legs, so while tech my underperform it should still deliver positive results. International remains attractive from a valuation standpoint and the European economy is hanging in there. We should continue to see outperformance from overseas.

Bond yields ended the quarter near the bottom of their range. That will likely bode ill in the very short-term, but longer-term bonds look fine in this range around 4 percent yield.



Changes in Return Expectations

as of Setpember 30, 2024

Asset Class	Change Over Quarter	Change Over Year
Large Blend	-0.31%	-0.49%
Large Growth	-0.33%	-0.29%
Large Value	-0.52%	-0.70%
Mid Cap Blend	-0.32%	-0.41%
Small Growth	-0.52%	-0.47%
Small Value	-0.43%	-0.71%
Developed Foreign	-0.27%	-0.51%
Emerging Markets	-1.14%	-0.63%
REITs	-0.22%	-0.32%
Core Bonds	-0.50%	-0.45%
High Yield Bonds	-0.55%	-0.74%

*Forecasted 3-year annualized returns represent Iron Capital's investment return expectations for various asset classes over the next 3 years. They are calculated using a weighted average of historic returns and forward return assumptions. They are meant to be a tool to judge relative attractiveness of asset classes and not a guarantee of future investment returns.

SELECTED INDEX RETURNS - PERIODS ENDING September 30, 2024

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
US EQUITIES						
Broad Stock Market - Russell 3000	6.23%	20.63%	35.19%	10.29%	15.26%	12.83%
Large Stocks - S&P 500	5.89%	22.08%	36.35%	11.91%	15.98%	13.38%
Dow Jones Industrial Average	8.72%	13.93%	28.85%	9.97%	11.78%	12.03%
Medium-Size Stocks - Russell Mid-Cap	9.21%	14.63%	29.33%	5.75%	11.30%	10.19%
Small Stocks - Russell 2000	9.27%	11.17%	26.76%	1.84%	9.39%	8.78%
Small Value Stocks- Russell 2000 Value	10.15%	9.22%	25.88%	3.77%	9.29%	8.22%
Small Growth Stocks- Russell 2000 Growth	8.41%	13.22%	27.66%	-0.35%	8.82%	8.95%
Large Value Stocks - Russell 1000 Value	9.43%	16.68%	27.76%	9.03%	10.69%	9.23%
Large Growth Stocks - Russell 1000 Growth	3.19%	24.55%	42.19%	12.02%	19.74%	16.52%
US FIXED INCOME						
1-3 Yr Treasury (Gov't) Bonds - Bloomberg	2.91%	4.13%	6.79%	1.27%	1.49%	1.41%
US Government Bonds Int - Bloomberg	3.95%	4.19%	8.33%	-0.10%	0.84%	1.50%
US Corporate Inv Grade Bonds - Bloomberg	5.84%	5.32%	14.28%	-1.18%	1.16%	2.93%
Government/Credit (Corp) Bonds - Bloomberg	5.10%	4.39%	11.31%	-1.50%	0.41%	2.00%
Int Govt/Credit (Corp) Bond - Bloomberg	4.17%	4.68%	9.45%	0.17%	1.26%	1.96%
US Aggregate Bond Market - Bloomberg	5.20%	4.45%	11.57%	-1.39%	0.33%	1.84%
Mortgage Backed Securities - ICE BofA	5.54%	4.66%	12.37%	-1.21%	0.04%	1.43%
US High Yield Bonds - ICE BofA	5.28%	8.03%	15.66%	3.08%	4.55%	4.95%
INTERNATIONAL (Measured in US Dollars)						
Non-US Stocks - MSCI EAFE	7.33%	13.50%	25.38%	6.02%	8.72%	6.22%
World Stocks (includes US) - MSCI World	6.46%	19.28%	33.03%	9.61%	13.59%	10.65%
European Stocks - MSCI Europe	6.63%	13.41%	26.00%	7.33%	9.55%	6.22%
Japanese Stocks - MSCI Japan	5.88%	12.71%	21.97%	3.05%	7.54%	6.75%
Asian Stocks (Ex-Japan) - MSCI Pacific ex-Japan	14.31%	15.17%	28.32%	4.90%	6.43%	5.38%
Chinese Stocks - MSCI China	23.64%	29.60%	24.14%	-5.38%	1.00%	3.58%
Indian Stocks - MSCI India	7.41%	25.79%	40.85%	12.12%	16.89%	10.17%
Emerging Markets - MSCI EM	8.88%	17.24%	26.54%	0.82%	6.15%	4.41%
Int'l Gov't Bonds -FTSE Non-USD World Gov't Bond	8.61%	1.92%	12.02%	-6.25%	-3.42%	-1.09%
REAL ESTATE						
FTSE NAREIT Equity-Reits Index	16.09%	15.93%	34.74%	5.07%	5.46%	7.78%
SHORT TERM INTEREST RATES						
T-Bills	1.37%	4.18%	5.64%	3.64%	2.39%	1.67%

Note: Returns for periods longer than 12 months are annualized.

Source: Zephyr *StyleADVISOR*