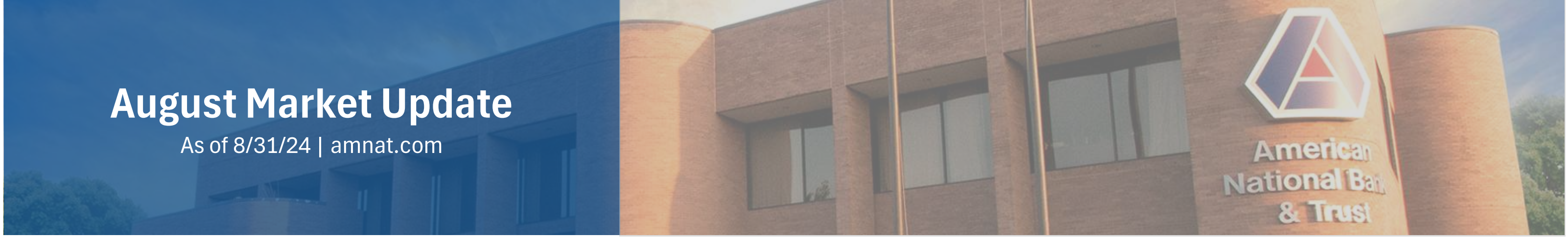


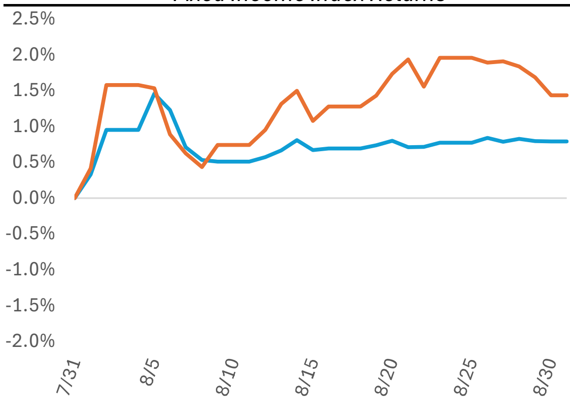

# August Market Update

As of 8/31/24 | amnat.com

## Macro & Market View: Vacation Lull

Interest rate policy uncertainty, domestic and international growth, the U.S. consumer, and inflation have contributed to recent positive returns in broad fixed income benchmarks as well as positive returns in broad equity benchmarks shown below. For this month, we have seen equity markets increase for the three broad US indices, while correlations have been 53% and -26% for the aggregate and municipal bond markets, respectively. Historically, August has generated a positive equity market return of 0.37% on average; however, the market had an above average return of 2.43% for the month. Equity returns this year are positive at 20.20% for the S&P 500 index, while the US Aggregate bond index returned 3.60%.

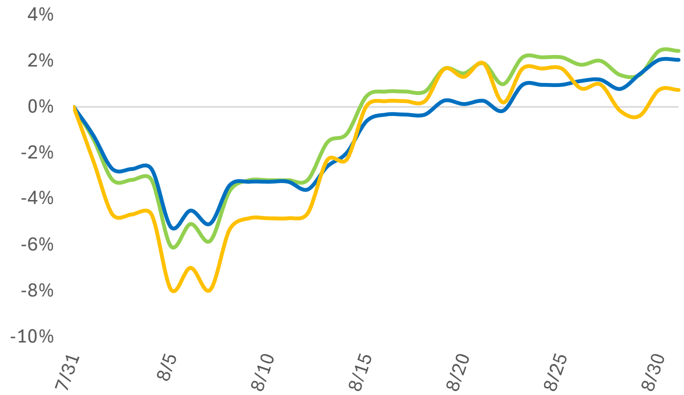
*Fixed Income Index Returns*




*August Returns*

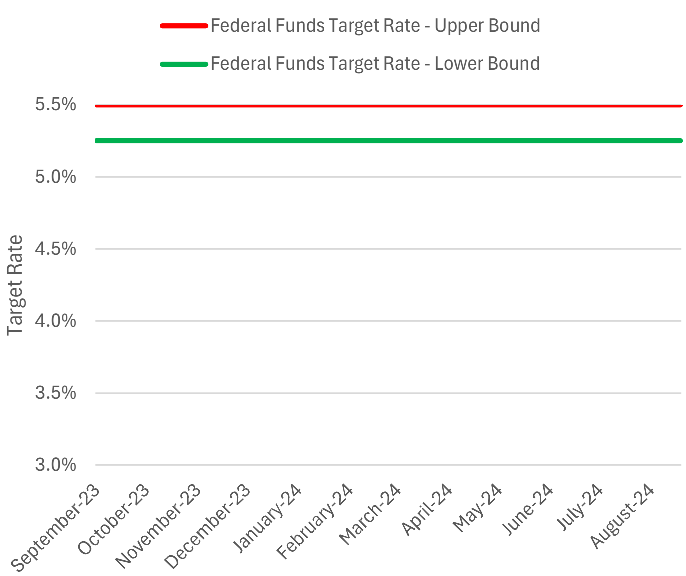
| | |
|---|---|
| US Aggregate | 1.44% |
| US Municipal | 0.79% |
| S&P 500 | 2.43% |
| Dow Jones 30 | 2.03% |
| Nasdaq Comp | 0.74% |

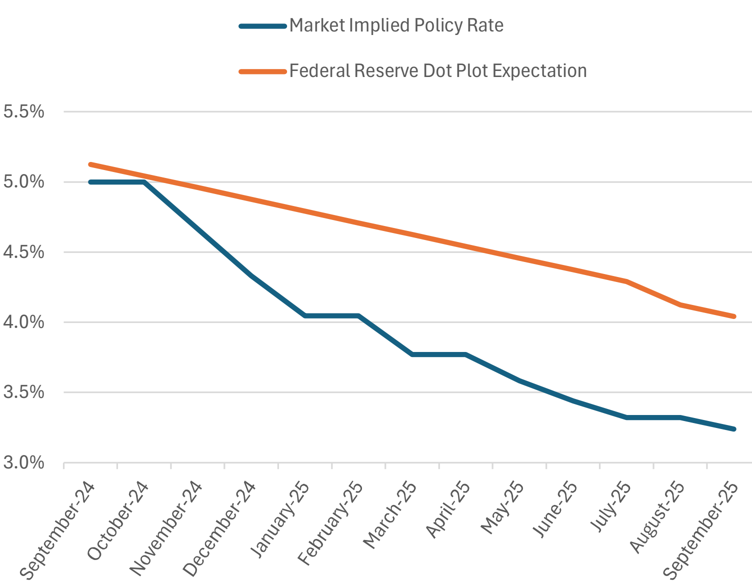
*Equity Index Returns*




Source: Bloomberg LP

Market participants are forecasting the Fed policy rate that sets interest rates for the economy to be lowered over the next twelve months. An important note is that market participants expect rates to be lower than the Fed's expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for September 18th. The overall expectation is for the policy rate to be lowered by around 176 basis points (actual estimate of -1.8%) to 3.24% in the next twelve months. The change in market participants' view of what the Federal Reserve should do can be explained by the inflation data measured by CPI (Consumer Price Index), the PCE (Personal Consumption Expenditures), and expected unemployment.




Source: Bloomberg LP

**Wichita Falls**
2732 Midwestern Pkwy
Wichita Falls, TX 76308
(940) 397-2420

**Fort Worth**
1500 W 7th
Fort Worth, TX 76102
(817) 505-1534

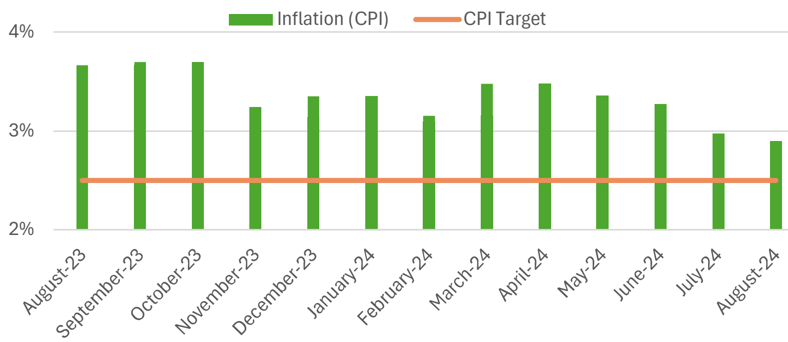
**Flower Mound**
1201 Cross Timbers Rd
Flower Mound, TX 75028
(469) 322-6202

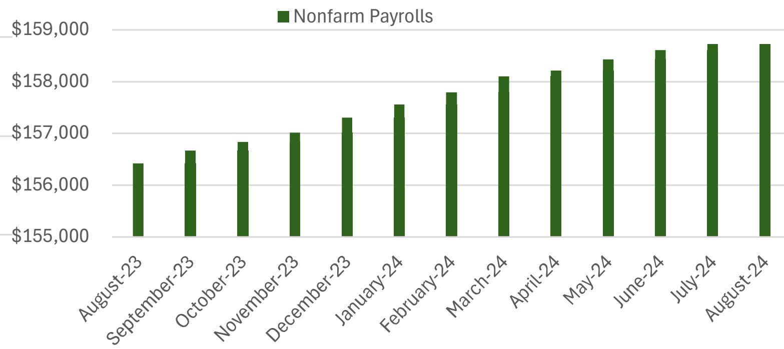
**Houston**
1235 North Loop West, Suite 907
Houston, TX 77008
(713) 913-0972

**Denton**
120 S. Carroll Blvd
Denton, TX 76201
(469) 322-6202

**McKinney**
205 W. Louisiana St, Suite 103
McKinney, TX 75069
(214) 307-1664

**Dallas**
10000 N. Central Expressway, Suite 800
Dallas, TX 75231
(214) 534-1766

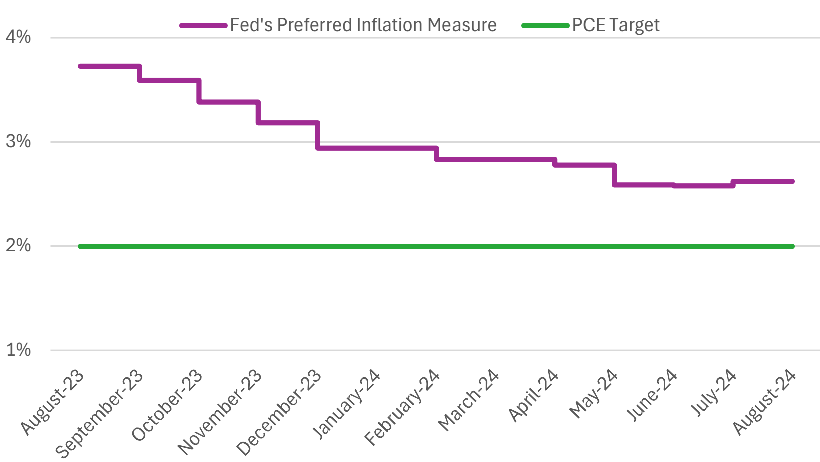


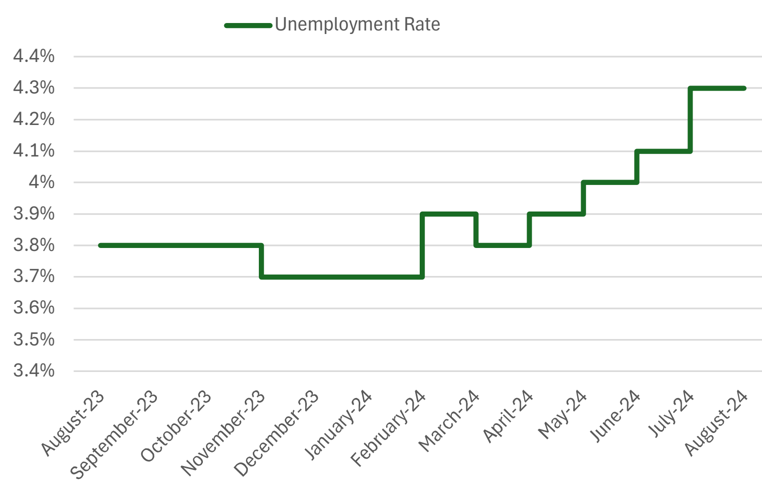




Source: Bloomberg LP

As shown in the US CPI Consumers year-over-year chart above, August experienced downward trending inflation over the last year and, since June, in a downward trend above the target at 3.03%. Additionally, nonfarm payrolls continue to trend upward, which influences, in part, whether or not the Federal Reserve will continue to hold the current level of interest rates. However, as the data shows, the downward inflation improvements toward the Fed target of 2.5% gives market participants hope that the period of climbing interest rates are ending in the next twelve months. Historically, the inverted treasury yield curve signalled the economy was near a recession, but as noted in previous updates this year, broad consumption has continued to bolster the economy. There are now signs of slowing economic growth.

The chart below on the right shows the unemployment rate sitting at 4.3%, an increase from 3.8% one year ago. We also include the year-over-year change in the PCE (Personal Consumption Expenditure) in positive territory over the last year, but bottoming from the low in July 2024. The Federal Reserve closely monitors inflation measured by the PCE and the CPI as part of their dual mandate of maximum employment and price stability. The positive progress in inflation has been welcomed as it shows moderation in price increases, but comparing the levels to their target suggests that the current downtrend in inflation may stay above the Fed's target level until we see an adjustment in economic data.




Source: Bloomberg LP

Across the sectors, company reporting has shown a positive surprise across the spectrum to sales and earnings for August with the exceptions of negative surprise in the Utilities and Communication Services sectors. For August, of the 179 companies that reported in the S&P 500, 92 of the companies had positive sales surprise and 143 of them had positive earnings surprise; we consider this positive surprise to be a tailwind for equity valuations for the next quarter. For the 179 companies, the overall sales and earnings surprise is positive at 0.66% and 2.97%, respectively, for August with companies being more resilient than consensus analyst estimates.

Our portfolios blend fixed income with dynamic long-only equity strategies. Our Legacy portfolio blends long-term growth and value on a discretionary basis, while our Dividend portfolio seeks lower volatility and higher current income. We also have Momentum and Quality strategies that are factor-driven, smart beta portfolios. The Momentum portfolio benefits from positive momentum while remaining diversified. The Quality portfolio blends low volatility with momentum to produce a portfolio of high quality equity income and positive momentum. Benjamin Builder solutions complement the other equity strategies and offer an efficient method to invest broadly across geography, style, and sector using a dynamic fund process.

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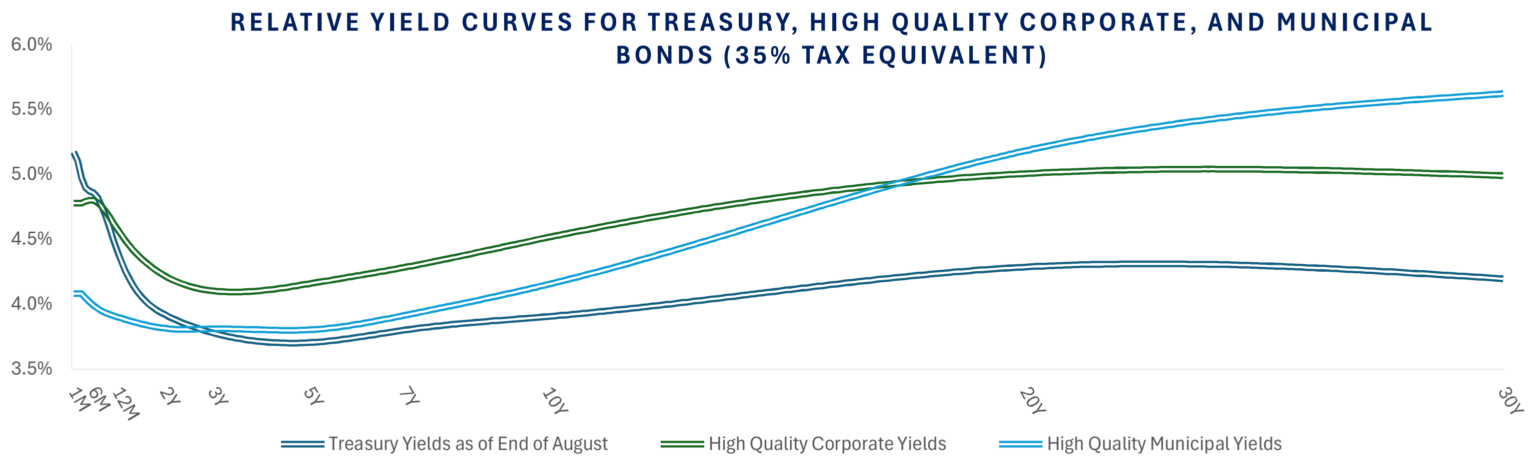
Total returns in the fixed income markets were positive during August as interest rates continued to lower on news of cooler inflation. Treasury rates moved lower between 15-35bps across the curve, while tax-free municipal rates decreased with the front end of the curve moving down by about 35bps. Credit spreads were volatile during the month but ultimately ended unchanged from the previous month. Our strategy throughout the year has been to lock in higher interest rates when the market allows while also moving up the credit scale by reducing risk to lower rated credits to mitigate spread volatility. PPI, CPI, and PCE readings continue to indicate cooling inflation, providing the Federal Reserve the data it needs to begin cutting short-term interest rates as soon as September.




Source: Bloomberg LP

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Market participants reviewed economic data and the futures market changed perspective on interest rates based on data centered on the consumer. The Federal Reserve has discussed the possibility that inflation may stay above target, but the central bank has a dual mandate for maximum employment and price stability. With unprecendented political news in an election year, market turbulence was expected and delivered. As we have stated, monetary policy will be dictated by inflation, the underlying economy, and the consumer. The consumer is core to economic strength and we are seeing the consumer pull back in terms of where they will spend their income. Finally, when we compare historical monthly returns for stocks and bonds over the last 5 decades, we can see the impact of diversification on portfolio volatility and income. As the perception is that interest rates will come down, corporate and municipal bonds provide a real rate of total return that includes current income and price appreciation. While technology innovation is strong and continues, most industries will see productivity enhancements across their business. These factors lead us to blend value and growth investments across stocks and seek relative value bonds that complement your financial goals and risk appetite. Thank you for your continued trust in allowing us to manage your financial assets.