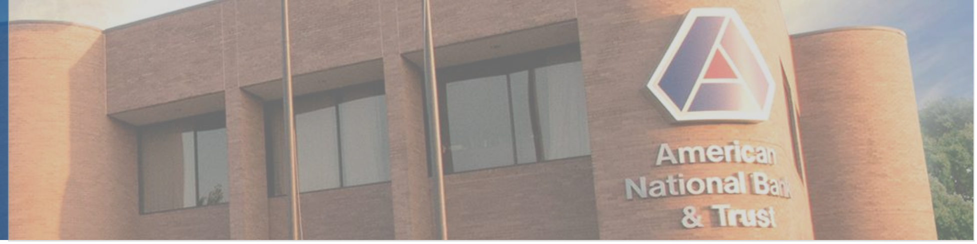
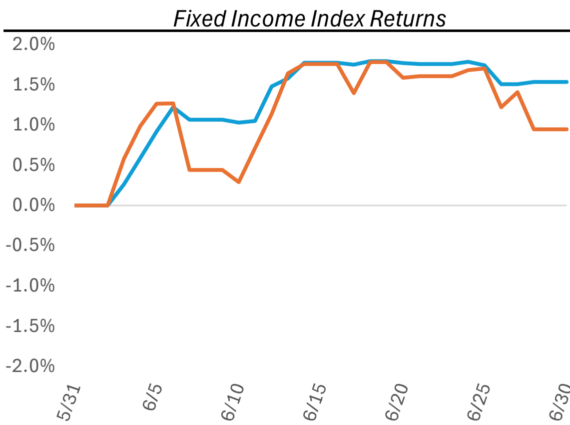
June Market Update

As of 6/30/24 | amnat.com



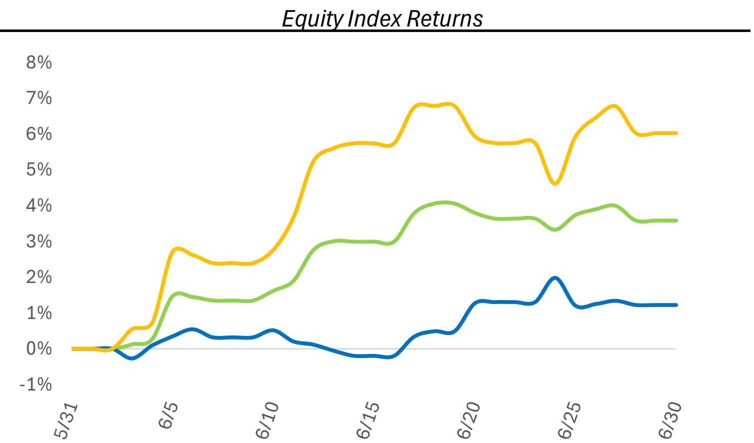
Macro & Market View: Summertime Slowdown

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 75% and 93% for the aggregate and municipal bond markets, respectively. Historically, June has generated a positive equity market return of 0.85% on average; however, the market had an above average return of 3.59% for the month.



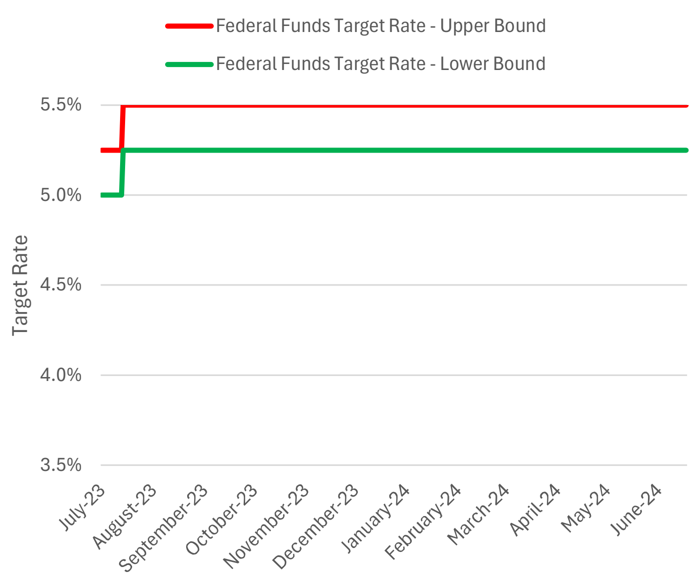
June Returns

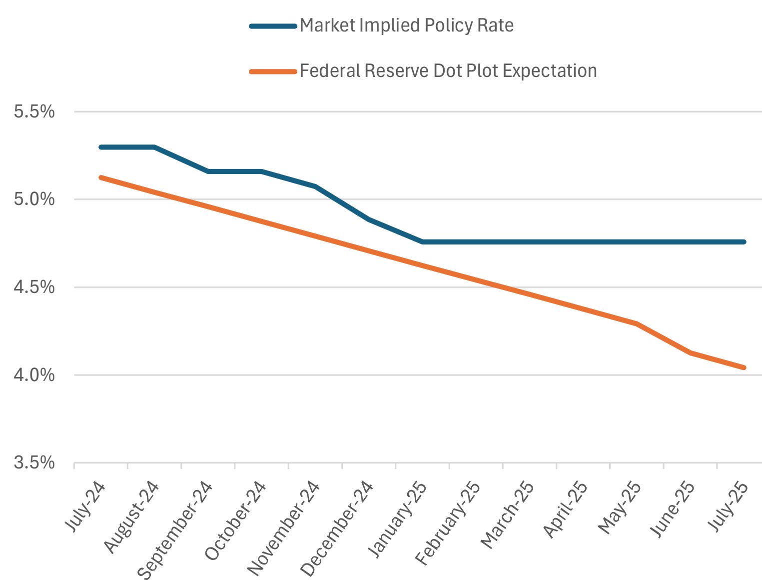
US Aggregate	0.95%
US Municipal	1.53%
S&P 500	3.59%
Dow Jones 30	1.23%
Nasdaq Comp	6.03%



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 higher than the Fed's expectation for this year. The next Federal Reserve meeting to discuss monetary policy is scheduled for September. The overall expectation is for the policy rate to be lowered by around 54 basis points (actual estimate of -0.5%) to 4.76% 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).





Source: Bloomberg LP

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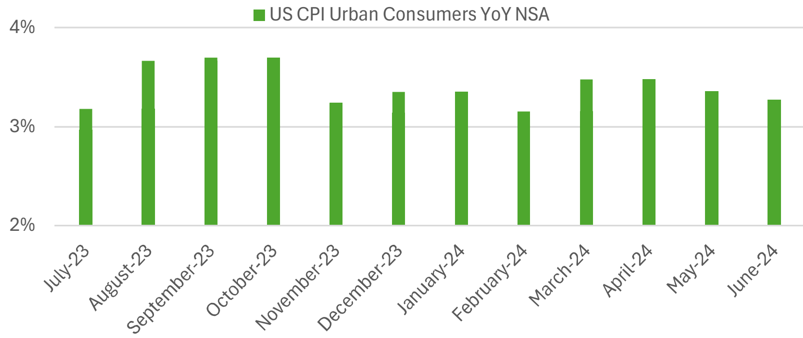
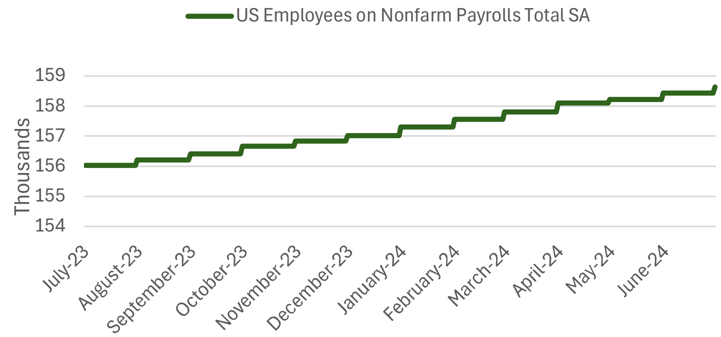
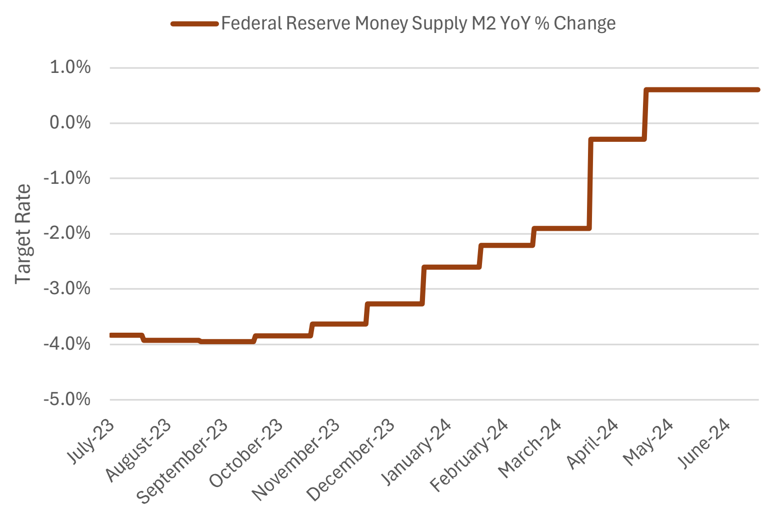




Source: Bloomberg LP

As shown in the US CPI Consumers year-over-year chart above, June experienced upward trending inflation over the last year and, since April, in a downward trend above the target at 3.36%. Additionally, nonfarm payrolls continue to trend upward, which influences, in part, whether or not the Federal Reserve will continue raising interest rates. However, as the data shows, the inflation level above the Fed target of 2.5% gives market participants an idea that lower interest rates are 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 strengthen and has bolstered the economy. There are signs of slowing economic growth.

The chart below on the left shows the unemployment rate sitting at 4.1%, an increase from 3.6% one year ago. We also include the year-over-year change in the money supply in positive territory over the last year, but bottoming from the low in September 2023. Money supply leads inflation, loosely following the general trend in past economic cycles. This relationship suggests that the current downtrend in inflation may stay above the Fed's target level until we see an adjustment in economic data.



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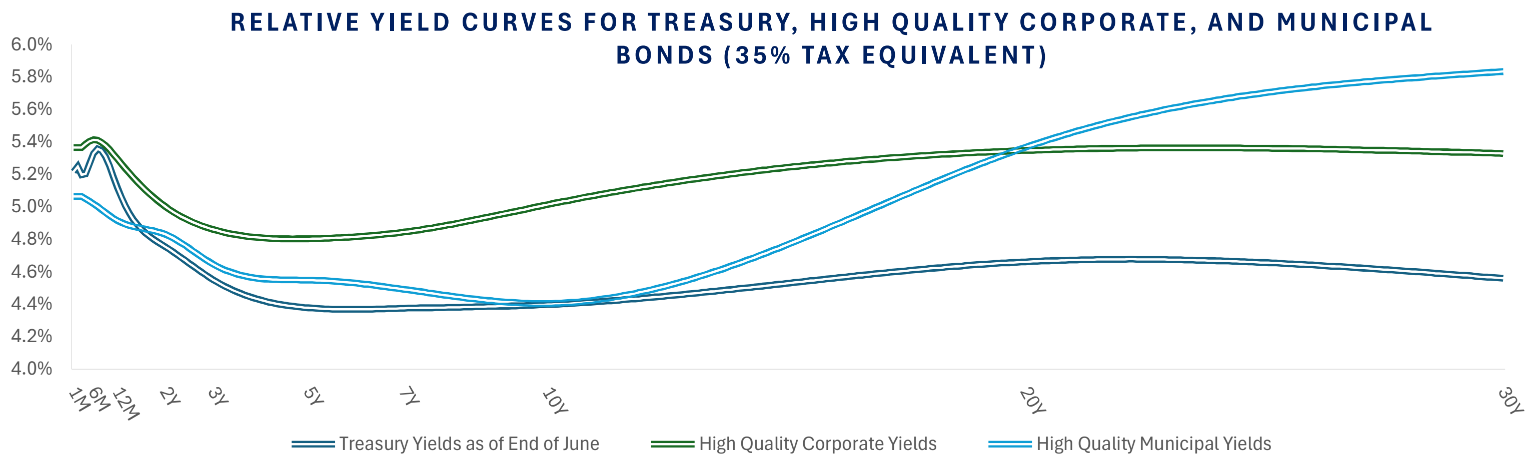
Across the sectors, only a few companies reported with a negative surprise across the spectrum to sales and earnings for June with the exception of negative surprise in the Consumer Staples and Information Technology sectors. For June, of the 8 companies that reported in the S&P 500, none of the companies had positive sales surprise and 7 of them had positive earnings surprise; we consider this negative surprise to be a headwind for equity valuations for the next quarter. For the 8 companies, the overall sales and earnings surprise is mixed at -0.34% and 1.45%, respectively for June 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.

Total returns in the fixed income markets were positive during June as interest rates continued to lower on news of cooler inflation. Treasury rates moved lower by 10-15bps across the curve, while tax-free municipal rates decreased by 25-30bps. Credit spreads also widened during the month as cooling inflation also means a slowing economy. 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 show proof of cooling inflation, providing the Federal Reserve the data it needs to begin cutting short-term interest rates later this year.



Source: Bloomberg LP

Market participants reviewed economic data and the futures market continued to convey higher interest rates even with the Federal Reserve continuing their rate cut narrative. The Federal Reserve has discussed the possibility that inflation may stay above target, which could lead to further rate hikes if economic data continues to be strong. With unprecendented political news in an election year, market turbulence may be expected. Monetary policy will be dictated by inflation, the underlying economy, and the consumer. 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. AI services continue to permeate through technology industries and into other industries as a productivity enhancement and we will likely see the trend continue; these factors lead us to blend value and growth investments across stocks and bonds that complement your financial goals and risk appetite. Thank you for your continued trust in allowing us to manage your financial assets. Please reach out to your administrator if you have any questions.