

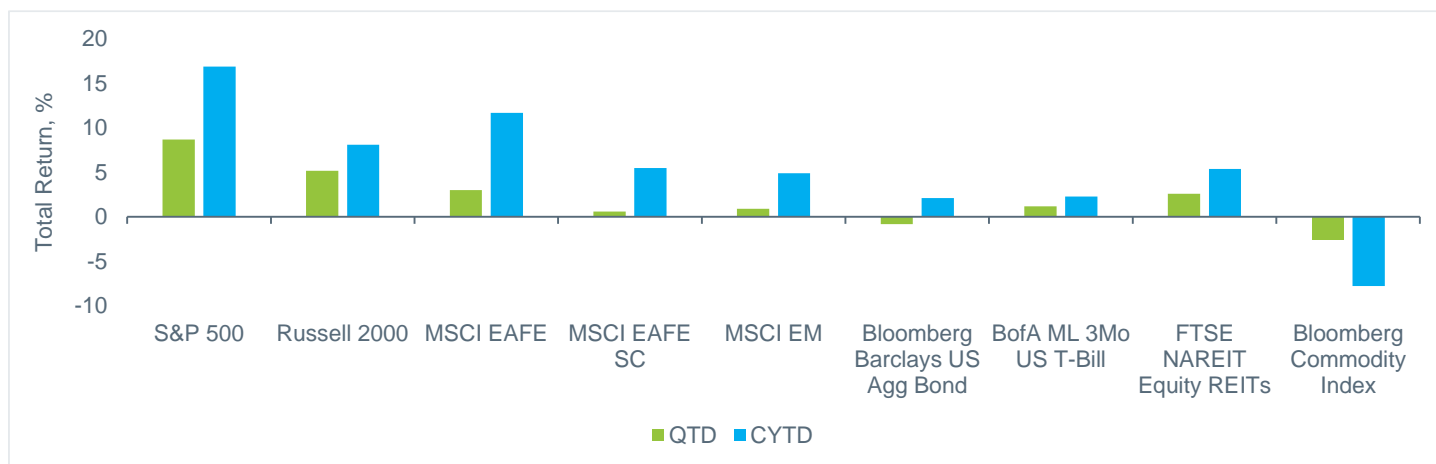
Overview

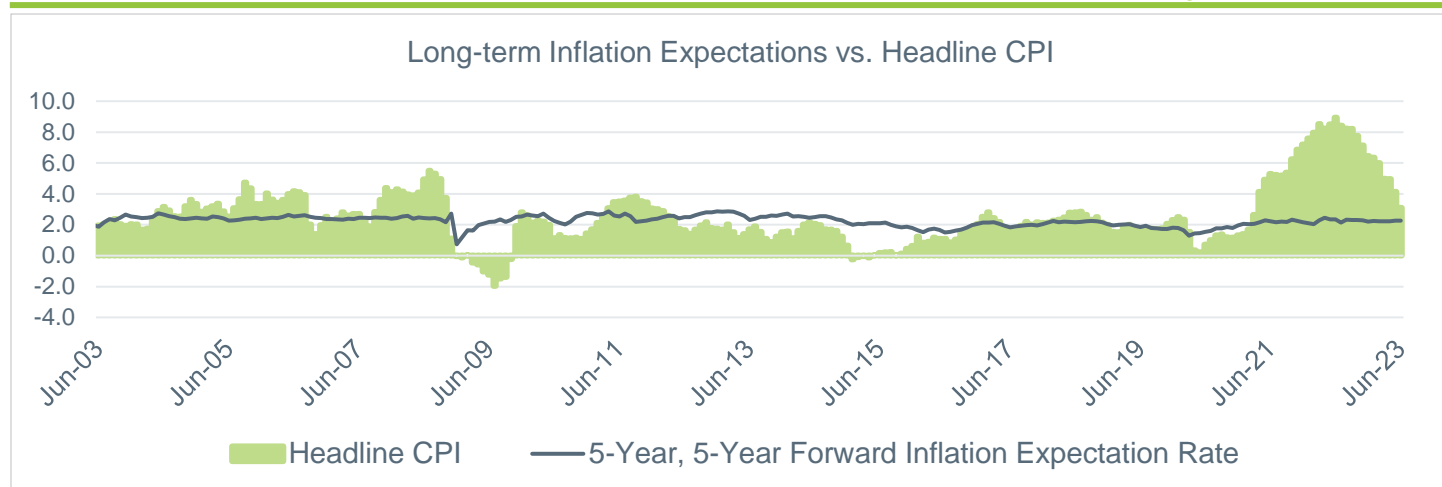
During Q2, investors focused on the uncertainty of the future interest rate path and timing of further actions by the US Federal Reserve (the Fed) and other global central banks. At the start of 2023, the combination of rate hikes and quantitative tightening kept expectations for a near-term US recession embedded in many market forecasts. However, the continued strength of certain indicators, such as consumer spending and job growth, has altered the expected timing of a recession for some market participants. Relatedly, the Q1 estimate of US GDP growth was revised higher to a 2.0% annualized rate, with consumer spending increasing 4.1%—the sharpest uptick since 2021. Also, the Federal Reserve Bank of Philadelphia published a survey of forecasters in May that indicated a median US GDP growth estimate of 1.0% for Q2. Mid-quarter forecasts and market outlooks were further complicated by the US debt ceiling debate, raising concerns regarding a potential default on the national debt. Ultimately, a deal was struck that suspended the ceiling until 2025, keeping non-defense spending growth flat in 2024 and limited to 1.0% in 2025.

In the June data release, the Consumer Price Index (CPI) slowed to a 3.0% year-over-year rate, its lowest since March 2021. Additionally, signs of housing and used car prices plateauing are seen as providing further downward pressure on inflation given those categories' relatively large weights in the CPI calculation. Recent job growth reports in the US provided mixed signals. The ADP National Employment Report beat expectations by a wide margin; however, the non-farm payroll growth came in at 209,000, short of the average estimate of 240,000. The unemployment rate did decline to 3.6%, but the jobless rate ticked up to 6.9%. The labor force participation rate remained steady at 62.6%; although still depressed compared to pre-pandemic levels. Government jobs were the most significant positive driver of employment growth, followed by the health care sector. Notably, wage growth was above expectations, at 4.4% year-over-year.

US equity markets delivered strong results in Q2, primarily driven by the largest growth-oriented companies—which represent a significant portion of broad equity market indexes. Another positive equity market driver was bank earnings. During the quarter, banks outpaced depressed expectations following the failure of multiple institutions in February, which had led to heightened volatility and skepticism regarding the health of the industry. With the exception of below investment grade debt, US fixed income markets broadly posted negative returns in Q2, as the yield curve inverted further.

2nd Quarter Performance



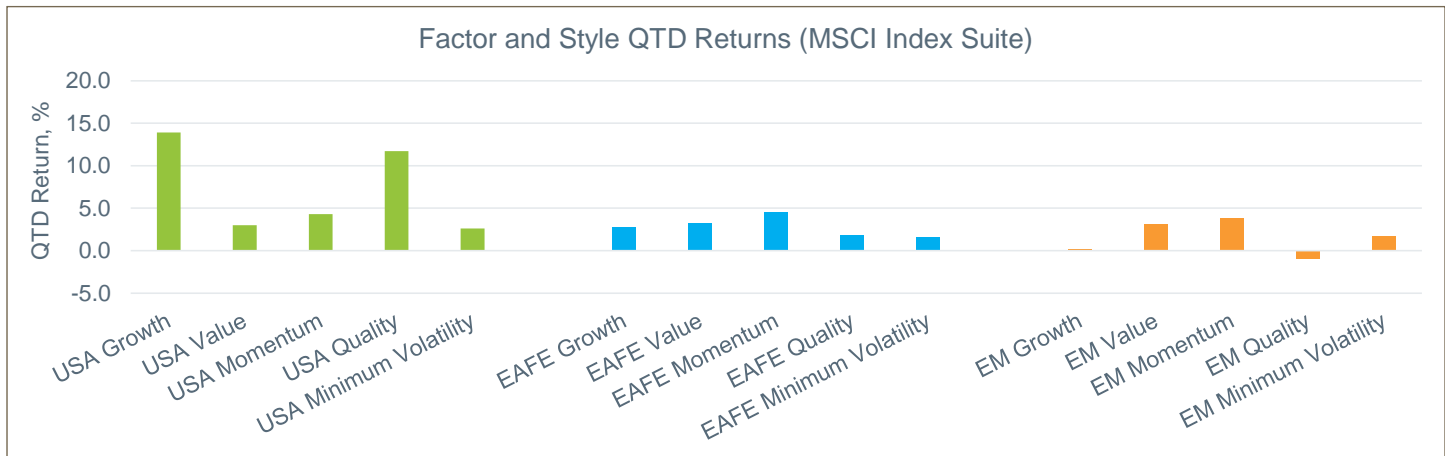


Additionally, some major global central banks, such as the European Central Bank (ECB) and the Bank of England (BoE), continued to increase policy rates to tame persistent inflation. With the Fed holding rates steady in June, the US Dollar weakened against most developed currencies near the end of the quarter. However, the Japanese Yen weakened against the US Dollar, as policy rates were maintained at levels significantly lower than other developed countries. Broad commodity prices experienced another negative quarter, albeit less negative than Q1, with declining energy prices being a key reason.

The economic outlook in China, and its impact on global growth, continued to be a significant topic for investors. While China has released plans to provide stimulus and support for its economy, the rebound following the end of its zero-Covid policy has remained lackluster relative to expectations. As concerns about China have grown, more investors are starting to view India and other south-east Asia countries as the drivers of growth in the region. The World Bank released its 2023 Global Economic Prospects report in June, forecasting subdued global GDP growth of 2.1% in 2023 and 2.4% in 2024. Key drivers of its growth estimate included tightening financial conditions and expected declines in overall demand due to continued elevated inflation. The GDP growth for developed economies was estimated at 0.7% in 2023, with emerging economies contributing growth of 4.0%.

Expanded Review of Key Economic Indicators

	Q2 2023	Q1 2023	Q4 2022	10 Year Average
Federal Funds Rate	5.07%	4.83%	4.33%	1.01%
Treasury - 2 Year	4.87%	4.06%	4.41%	1.38%
Treasury - 10 Year	3.81%	3.48%	3.88%	2.23%
Treasury - 30 Year	3.85%	3.67%	3.97%	2.78%
Breakeven Inflation - 5 Year	2.19%	2.49%	2.38%	1.89%
Breakeven Inflation - 10 Year	2.23%	2.33%	2.30%	1.97%
Breakeven Inflation - 30 Year	2.24%	2.25%	2.35%	2.03%
BB US Corp: Hi Yld Index - OAS	3.90%	4.55%	4.69%	4.28%
Capacity Utilization	78.90%	79.51%	78.75%	77.34%
Unemployment Rate	3.60%	3.50%	3.50%	5.05%
ISM PMI - Manufacturing	46.00%	46.30%	48.40%	54.25%
Baltic Dry Index - Shipping	1,009	1,389	1,383	1,365
Consumer Confidence (Conf. Board)	109.70	104.20	109.00	107.29
CPI YoY (Headline)	3.00%	5.00%	6.50%	2.68%
PPI YoY - Producer Prices	-3.10%	3.00%	9.00%	2.78%
US Dollar Total Weighted Index	119.89	119.50	122.20	111.65
WTI Crude Oil per Barrel	\$71	\$80	\$80	\$65
Gold Spot per Ounce	\$1,914	\$2,004	\$1,824	\$1,459



US Equity

US equity markets continued their recovery in Q2 primarily driven by a handful of mega-cap growth stocks. While all sectors, excluding energy and utilities, in the Russell 1000 Index were positive, roughly half of its returns came from the information technology sector driven by optimism around advancements in artificial intelligence (AI) and related technology. Further, roughly two-thirds of the Russell 1000 Q2 returns can be attributed to the 10 largest companies in the index.

Growth outperformed value by a significant margin across market caps for the second consecutive quarter. By size, large-cap equity outperformed small-cap equity. The return spread of the Russell 1000 and Russell 2000 Growth and Value Indexes were 8.7% and 3.9%, respectively. Additionally, cyclical stocks continued to outperform their defensive counterparts with the MSCI USA Cyclical Index outperforming the MSCI USA Defensive Index by 27.6% year-to-date, indicating improving economic sentiment from investors despite continued near-term uncertainty around inflation and the future interest rate path and timing.

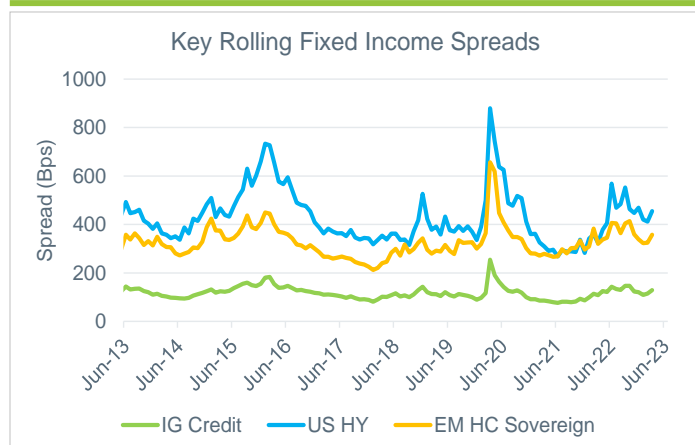
Active large-cap managers continued to struggle to generate excess returns as has been the case historically when index concentration rises. Mid-cap managers generally performed well in Q2 while a majority of active small-cap managers failed to outpace their respective benchmarks.

Non-US Equity

Following two consecutive quarters of outperformance, developed equity underperformed the US in Q2, with the MSCI EAFE returning 3.0%. Value stocks outperformed growth stocks, while developed large-cap stocks outperformed small-cap stocks. While most active large-cap managers outperformed the MSCI EAFE Index, small-cap managers broadly underperformed the MSCI EAFE Small Cap Index.

While inflation in the US began to show signs of abatement, inflation continued to climb in Europe. Persistent above-target headline inflation combined with a tight labor market led the ECB to raise interest rates to 3.5%, its highest level in over 20 years. Japan was the top-performing developed region as the Bank of Japan's loose monetary policy and accelerating wage growth increased investors' optimism that Japan is finally breaking free from its historical deflationary stagnation.

Emerging markets lagged developed markets in Q2, with the MSCI Emerging Market Index returning 0.9% as value outperformed growth and small-cap stocks outperformed large-cap stocks. The majority of active emerging market managers outperformed in Q2. The post-COVID recovery in China continued to struggle despite government actions to revitalize growth through interest rate cuts and tax breaks, as declining exports combined with a youth unemployment rate north of 20% caused investors to continue to look elsewhere for potential growth.



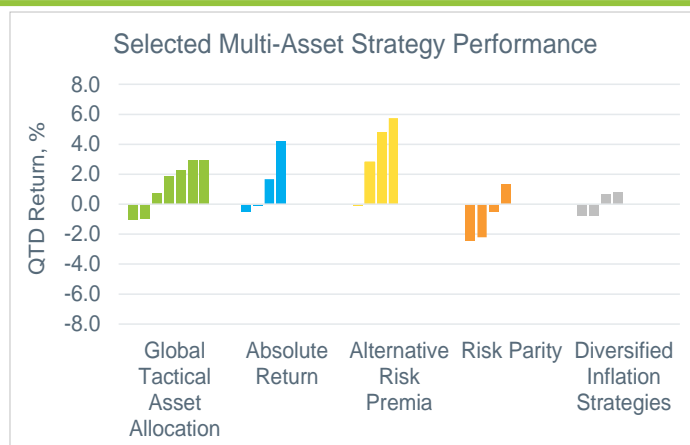
Fixed Income

In Q2, the Fed maintained its interest rate range, breaking the streak of consecutive rate hikes. However, Fed Chair Powell noted that future rate hikes could still occur based on economic conditions. Treasury yields rose across maturities, with the 10-year yield reaching 3.85%, similar to the beginning of the year. Marking its one-year anniversary, the yield curve inversion between the 2-year and 10-year yields deepened in Q2. The inversion is nearing the peak observed in March prior to the bank failures.

Against this backdrop, the Bloomberg US Aggregate Bond Index posted a return of -0.8% in Q2. One trend observed in Q1 persisted, with lower-rated bonds delivering better performance. The Bloomberg US Corporate Investment Grade Index returned -0.3% in Q2, lagging the Bloomberg US Corporate High Yield Index return of 1.7%.

Emerging markets debt provided positive returns in Q2, with the JPMorgan EMBI Global Diversified Index returning 2.2%. Yields on emerging market sovereign and corporate bonds decreased while US Treasury yields rose. High-yield issuers outperformed investment-grade issuers due to a risk-on environment and challenges faced by US interest rate duration.

Local emerging markets outperformed hard currency for the second consecutive quarter as local interest rates decreased, with the JPMorgan GBI-EM Global Diversified Index returning 2.6% in Q2.

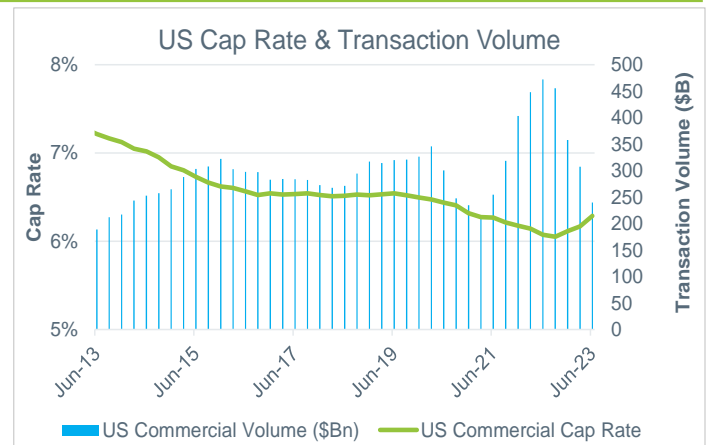
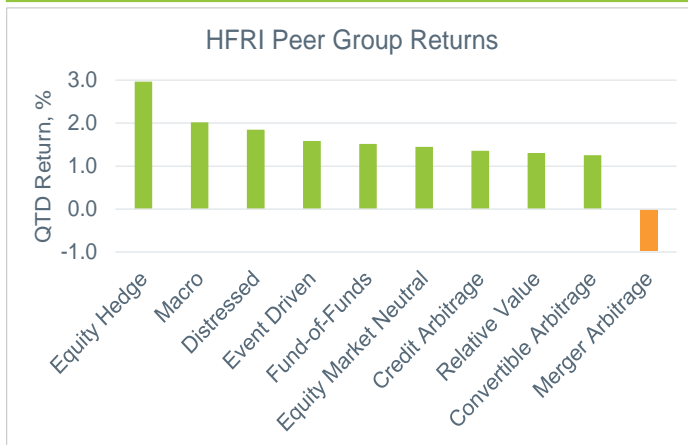


Multi-Asset

Global Tactical Asset Allocation (GTAA) strategies that RVK follows closely generally posted positive returns during Q2 with moderate dispersion. However, a US-centric blend of 60% equity and 40% fixed income outperformed most diversified active managers due to larger allocations to mega-cap equity holdings. The top-performing, long-biased GTAA strategies tended to include meaningful US and global equity positions, while managers with larger exposures to intermediate duration, higher-quality fixed income lagged peers. Additionally, value-oriented managers with lower US equity allocations generally underperformed in Q2.

Asset managers targeting reduced correlations, low volatility, and limited market sensitivity again produced widely disparate absolute returns, with certain managers underperforming peers due to exposure to precious metals within commodities. Alternative Risk Premia strategies that RVK follows closely ranged from slightly negative to strongly positive in Q2. The best performing managers in this peer group benefitted from currency momentum while value factors across asset classes were the biggest detractors.

Diversified Inflation Strategy (DIS) managers tracked closely by RVK broadly underperformed a US-centric blend of 60% equity and 40% fixed income during the quarter. Managers with larger exposures to commodities and TIPS lagged peers most significantly while those with larger REIT and Global Listed Infrastructure allocations tended to outperform peers.



Diversified Hedge Funds

In Q2, hedge funds delivered a second straight quarter of positive results. The HFRI Fund-Weighted Composite Index reported a net return of 2.2%, highlighted by mixed results from commodity and macro-oriented managers amidst the Fed's slowing interest rate trajectory and cooling inflation data.

While the dispersion of return among strategies has been wide in Q2, market-neutral strategies focusing on relative value, dispersion, and volatility trading have been able to benefit from turbulence caused by the regional banking crisis fallout. However, most have struggled to generate short alpha in technology-oriented industries that have been broadly rallying in recent months.

The current market euphoria for AI has driven a strong comeback across long-biased equity long/short managers, following challenged results in 2022. Managers closely tracked by RVK communicated a lengthy runway of opportunities, both long and short, across the larger AI theme, with the belief that many companies have overpromised application capabilities and competitive positioning.

While the deal calendar picked up slightly compared to Q1, event-driven and merger arbitrage managers largely remained on the sidelines. Headwinds continued to be driven by regulatory scrutiny and a cautious buying environment, following last year's frenzied pattern of expensive dealmaking.

Real Estate

Core private real estate generated a -2.7% return in Q2 (on a preliminary and gross-of-fee basis), as reported by the NFI-ODCE Index, with the total return comprising 0.9% from income and -3.6% from price appreciation. Income returns continue to trend at the lower end of historical levels while price appreciation continues to remain negative.

Investors of publicly traded real estate significantly outperformed their private market counterparts by a meaningful margin, with publicly traded real estate delivering a Q2 return of 1.6%, as measured by FTSE/NAREIT All REITs Index.

In Q2, private real estate markets continued to experience similar trends as the prior three quarters. Significant headwinds persisted as a direct result of disruptions in the capital markets from 2022. The industry remained in a period of elevated volatility with increased borrowing costs resulting in a period of resetting pricing expectations. Transaction markets remained muted with wide bid-ask spreads as investors remained cautious leading to limited liquidity.

Sectors with resilient underlying fundamentals performed better than the more cyclically sensitive ones. The office sector continued to remain the most challenged with respect to operating fundamentals with weakness in buyer interest, vacancy, leasing velocity, and ability to refinance debt in the current environment.

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To read more about the Coalition Greenwich award, please refer to the following URL: <https://www.rvkinc.com/about/about.php>.