

Overview

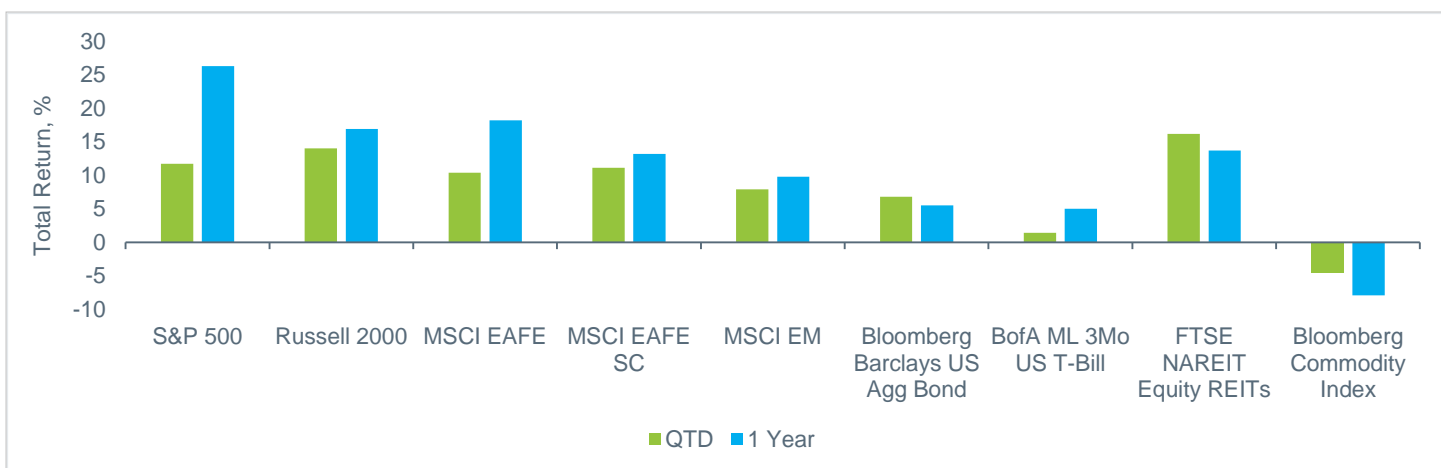
In Q4, most risk assets rebounded from more subdued conditions in the previous quarter to finish the year with significant positive returns—a stark turnaround compared to performance in 2022. For instance, the MSCI All Country World Index, a broad measure of the global stock market, returned 22.2% in 2023 compared to returns of -18.4% in 2022. US stocks outpaced international developed and emerging markets, both of which also finished the year in positive territory. However, not all risk assets had positive performance, as commodity prices and energy stocks broadly declined amidst slowing inflation. Fixed income markets also ended the year firmly in positive territory. Longer duration securities finished the quarter strongest with the Bloomberg Long Government/Credit Index delivering returns of 13.2% in Q4, well ahead of the more moderately positive returns from the broad fixed income market and shorter duration segments.

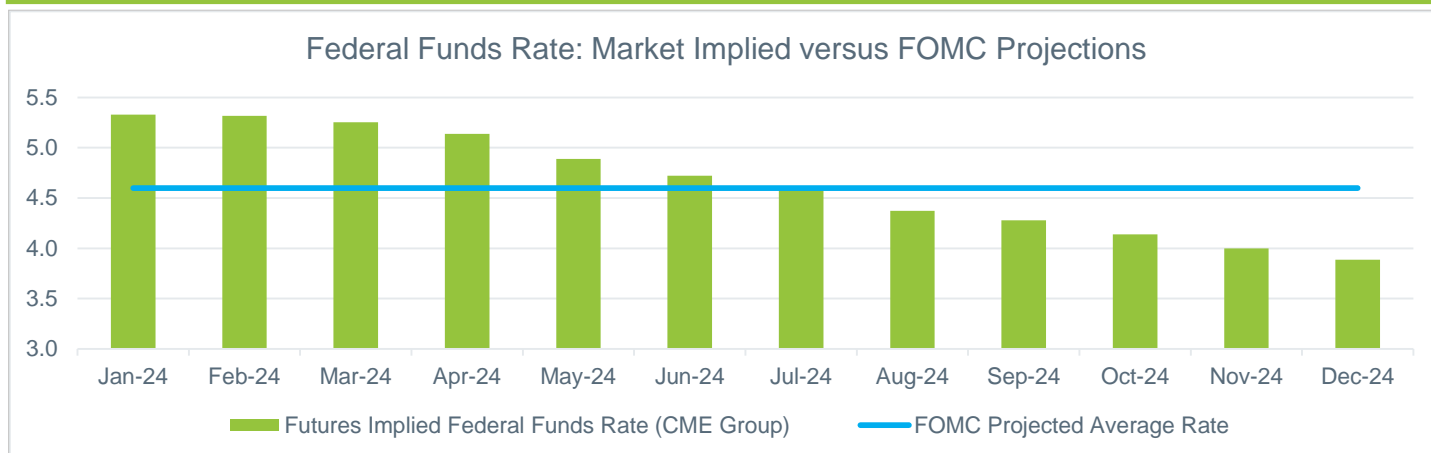
Despite the positive market performance, some recent indicators of economic activity have provided investors reason for caution. For example, the manufacturing Purchasing Managers' Index (PMI) remained in contractionary territory throughout the year. In addition, wholesale prices, as measured by the Producer Prices Index, unexpectedly declined in December. However, other economic indicators were more positive, with the services PMI remaining in expansionary territory, albeit lower than past quarters, and corporate earnings proving more resilient than some expected. While the labor market remained healthy as the unemployment rate finished the year at 3.7%, the December Bureau of Labor Statistics report revised down both October and November job gains, with job growth becoming more concentrated across a select number of industries.

Inflation levels and trends continue to garner investor attention as well. After peaking in 2022, inflation has declined to levels closer to target ranges during 2023. The December US Consumer Price Index (CPI) report showed a higher than expected uptick in monthly inflation and annual inflation of 3.4%. The annual level represents a significant drop compared to the CPI measure of 6.5% in December 2022. Members of the US Federal Open Market Committee (FOMC) anticipate further progress in bringing inflation down to target levels. The current FOMC forecast for their preferred inflation measure, the Personal Consumption Expenditure Price Index, projects a decline to 2.4% by the end of 2024.

Major global central banks generally maintained policy interest rate levels at the end of the year. As 2024 begins, the FOMC's current target range for short-term interest rates is 5.25-5.50%. *(continued on next page)*

4th Quarter and 1-Year Performance



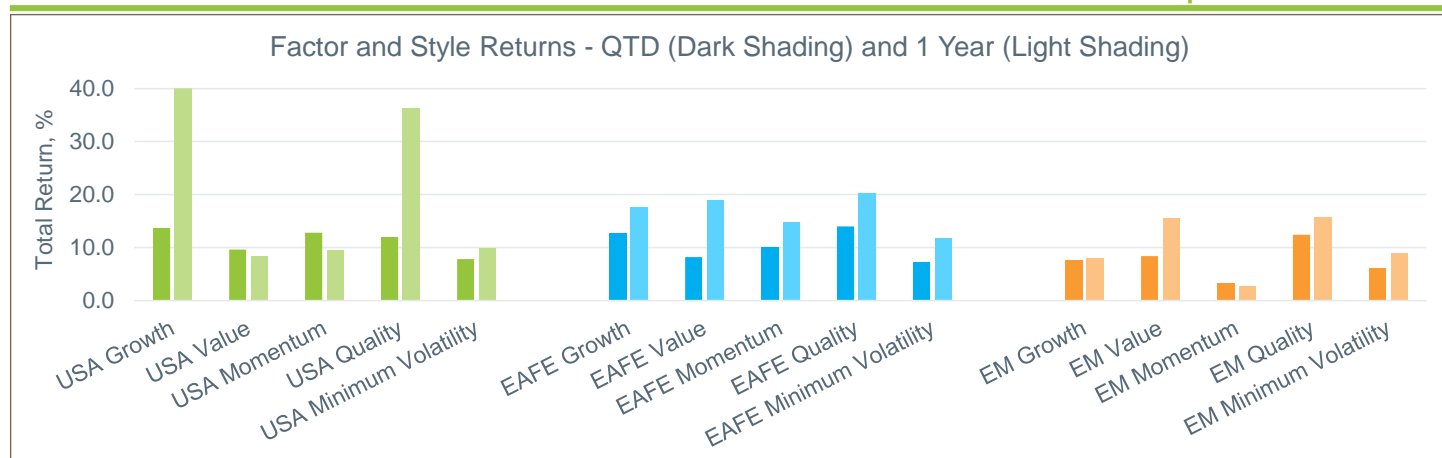


Looking forward, one can see a divergence between market expectations and policymaker comments with respect to the timing of potential rate cuts. According to CME Group’s calculations using 30-day Federal Funds futures pricing data, market implied probabilities are highest for a Federal Funds rate somewhere between 3.5% and 4.25% by the end of 2024. The most recent FOMC dot plot indicates members also anticipate rate cuts in 2024, predictions generally range from 4.4% to 4.9%, higher than the market implied rates.

Forecasts by the World Bank indicate slowing global GDP growth in 2024, which would mark the third consecutive year of waning economic activity. Specifically, global GDP growth was forecasted at 2.4% for 2024, compared to growth of 2.6% in 2023 and 3.0% in 2022. Macroeconomic and geopolitical risks, combined with persistent above-target inflation levels, are being cited as headwinds to growth prospects. Within developed international markets, Japan’s strong equity market results in 2023 were notable, as investor confidence improved in response to shifts in monetary policy and corporate culture. France and Germany were also among a select group of countries with significant stock market gains during the year. China’s performance remained subdued in 2023, as lackluster consumer demand combined with elevated risks within its real estate sector continued to be a drag on its economy and investor sentiment. In contrast, other emerging market countries, including Brazil, India, and Taiwan, experienced positive equity market performance.

Expanded Review of Key Economic Indicators

	Q4 2023	Q3 2023	Q2 2023	10 Year Average
Federal Funds Rate	5.33%	5.33%	5.07%	1.27%
Treasury (2-Year)	4.79%	5.03%	4.87%	1.60%
Treasury (10-Year)	4.23%	4.59%	3.81%	2.91%
Treasury (30-Year)	4.03%	4.73%	3.85%	2.82%
Breakeven Inflation (5-Year)	2.15%	2.25%	2.19%	1.91%
Breakeven Inflation (10-Year)	2.17%	2.34%	2.23%	1.98%
Breakeven Inflation (30-Year)	2.16%	2.40%	2.24%	2.03%
BB US Corp: Hi Yld Index - OAS	3.23%	3.94%	3.90%	4.25%
Capacity Utilization	78.89%	79.49%	78.90%	77.44%
Unemployment Rate	3.70%	3.80%	3.60%	4.88%
ISM PMI - Manufacturing	47.40%	49.00%	46.00%	53.88%
Baltic Dry Index - Shipping	2,094	1,701	1,091	1,367
Consumer Confidence (Conf. Board)	110.70	103.00	109.70	108.74
CPI YoY (Headline)	3.40%	3.70%	3.00%	2.78%
PPI YoY - Producer Prices	-0.20%	2.50%	-3.10%	2.74%
US Dollar Total Weighted Index	119.75	122.77	119.89	112.98
WTI Crude Oil per Barrel	\$73	\$91	\$71	\$64
Gold Spot per Ounce	\$2,054	\$1,834	\$1,914	\$1,493



US Equity

Following negative returns in Q3, US equity ended the year on a high note, with the Russell 3000 Index returning 12.1% in Q4 and 26.0% for the calendar year. Among US large cap stocks, growth stocks outpaced value stocks during the quarter, with the Russell 1000 Growth Index ending with a calendar year return of 42.7%, compared to a 9.5% return for the Russell 1000 Value Index. Although small cap stocks fared better than large cap stocks in Q4, they finished the year with a lower calendar year return of 16.9% versus 26.5% for large cap stocks, as measured by the Russell 2000 Index and Russell 1000 Index, respectively.

Overall, 2023 performance was driven by a group of the largest, growth-oriented companies commonly referred to as the “Magnificent 7.” These stocks provided substantial returns after a generally negative 2022. Stocks in the high beta, growth, and quality factor groups performed best in 2023, according to data from S&P Global. However, value and momentum factors also provided significant absolute returns during the year.

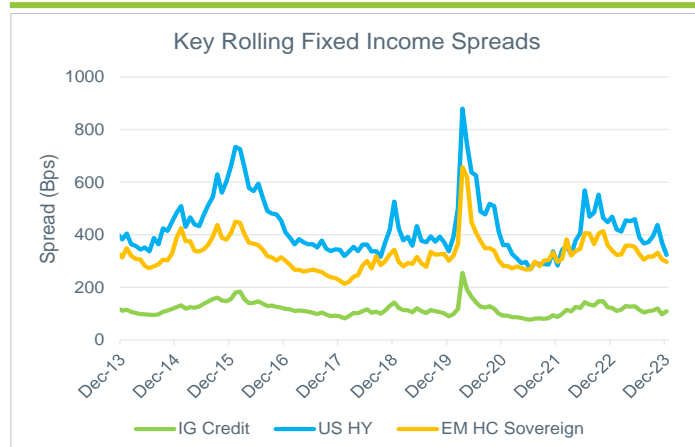
Across active managers, median peer group performance suggests that many strategies did not outperform their respective benchmarks for Q4 and the calendar year. Given the strong returns delivered by growth indexes, growth-oriented managers generally had lower rates of success. In contrast, value-oriented managers were relatively more effective in providing excess returns compared to their benchmarks.

Non-US Equity

Developed international markets trailed their US counterparts in Q4. Growth stocks outperformed value stocks during the quarter; however, value outpaced growth for the calendar year. Developed small-cap stocks outperformed large-cap stocks, as the MSCI EAFE Small Cap Index finished up 11.1%. Similar to their US counterparts, most active managers of non-US equity strategies struggled to beat their index in Q4.

All developed market sectors delivered positive absolute performance during the quarter except for energy, which had a negative return in Q4 in spite of initially rallying following the start of the Israel/Hamas war in October. Despite continued pledges of production cuts by OPEC, weak results were driven by waning global demand, moderating inflation, and a mild European winter. The European Central Bank and Bank of England have both pushed back against near-term rate cuts as the Eurozone continues to see persistently high price and wage growth.

Emerging market equities lagged developed markets in Q4. Value stocks outperformed their growth counterparts, and small-cap outperformed large-cap. Within China, despite a reported uptick in economic growth for Q3 and continued governmental stimulus, the MSCI China Index remained in negative territory in Q4 as investor sentiment remain muted. The majority of active emerging market managers outperformed their benchmarks for the quarter and the calendar year.



Fixed Income

The fixed income market surged in Q4, fueled by moderating economic data, cooling inflation, and investor expectations for more accommodative FOMC policy, along with an increased likelihood of a soft landing for the US economy. The Bloomberg US Aggregate Bond Index gained 6.8% in Q4 and 5.5% for the calendar year.

The US 10-year Treasury yield fell 71 basis points during the quarter to end the year at 3.9%, matching its yield at the start of year. Longer duration assets responded to the rate environment and the potential for rate cuts in 2024 with sharply positive results in Q4.

Across plus sectors, spreads tightened and risk assets rallied amid falling rates. The Bloomberg US Corporate Investment Grade Index returned 8.5% in Q4 and 8.5% for the calendar year, while the Bloomberg US Corporate High Yield Index returned 7.2% in Q4 and 13.5% for the calendar year. Generally, continued strength in corporate fundamentals have buoyed investor sentiment across these segments.

Emerging market debt experienced a robust rally during the quarter, culminating in strong year-end performance. The JPMorgan EMBI Global Diversified Index, which follows hard currency bonds in emerging markets, recorded a return of 9.2% in Q4 and 11.1% for the calendar year. The JPMorgan GBI-EM Global Diversified Index, reflecting local currency bond markets, gained 8.1% in Q4 and 12.7% for the calendar year.



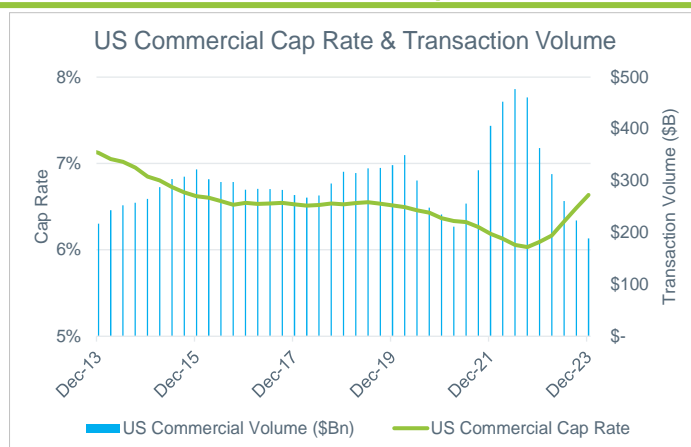
Multi-Asset

Global Tactical Asset Allocation (GTAA) strategies that RVK follows closely posted significant gains in Q4. However, nearly all active managers underperformed a US-centric 60/40 blend of equity and fixed income both in Q4 and for the calendar year.

The top performing long-biased GTAA strategies in Q4 featured higher allocations to US equities and exposure to the technology sector. Underperforming managers tended to have larger emerging markets exposure and significant value tilts.

Multi-asset managers who target reduced correlations, low volatility, and limited market sensitivity posted positive returns, though underperforming a static US-centric 60/40 blend of equity and fixed income. Alternative Risk Premia strategies that RVK follows closely posted widely disparate returns in Q4. The best performing managers in this peer group benefitted from long positions in highly shorted stocks amidst the market rally, while managers with exposure to momentum across macro factors in equity or fixed income were negatively impacted.

Diversified Inflation Strategy (DIS) managers tracked closely by RVK reported positive performance. Managers that had larger exposures to listed infrastructure and real estate equities outperformed peers most significantly, while those with larger exposure to the energy and agriculture commodity sector tended to underperform peers.



Diversified Hedge Funds

During 2023, all major hedge fund strategy groups, with the exception of Systematic Macro, produced positive absolute returns with Equity Activist and Directional Quant as the top performers. The HFRI Asset Weighted Composite finished the year with returns of 3.2%.

In Q4, results were more mixed amidst a broad market rally. Credit Arbitrage, Equity Activist, and Directional Quant peer groups indicated the highest returns while most other strategy groups posted modest single-digit gains. Due to the combination of rising equity markets and a reasonable short selling environment supported by elevated rates, both long-biased and market neutral Long/Short Equity managers generated strong market capture despite generally limited exposure to the “Magnificent 7” stocks. Income-oriented strategies provided attractive returns for the first time in years, as managers took advantage of elevated interest rates. Additionally, rates volatility created opportunity for relative value trading.

Despite a strong finish, 2023 featured turbulent times for hedge funds, such as the regional banking crisis experienced earlier in the year. The banking crisis hurt managers carrying short rate exposures, while creating more favorable conditions for opportunistic managers. Although temporary, these market dislocations created disparity and volatility within sectors that provided the largest tailwinds for Equity Long/Short, Directional Quant, and volatility-oriented managers.

Real Estate

In Q4, core private real estate generated a negative return of -4.8% (on a preliminary and gross of fee basis), as reported by the NFI-ODCE Index, with the total return comprising of 1.0% from income and -5.8% from price appreciation. The income return improved slightly on a percentage basis from the prior quarter, but continues to trend at the lower end of historical levels due to elevated borrowing costs and expenses. Publicly traded real estate outperformed private market counterparts, delivering returns of 17.6% in Q4, as measured by FTSE/NAREIT All REITs Index. For the year, publicly traded real estate returned 11.5%, benefiting from equity beta exposure, compared to -12.0% for the NFI-ODCE Index.

In Q4, private real estate markets continued to experience similar trends as the prior five quarters. Significant headwinds persisted due to lingering disruptions in the capital markets from 2022. The industry remained in a period of elevated volatility as increased borrowing costs led to a reset of pricing expectations. Transaction markets continued to be muted with wide bid-ask spreads as investors remained cautious, leading to limited liquidity. Sectors with resilient underlying fundamentals generally performed better than those that are more cyclically sensitive. The office sector continues to experience challenged operating fundamentals due to 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>.