

Overview

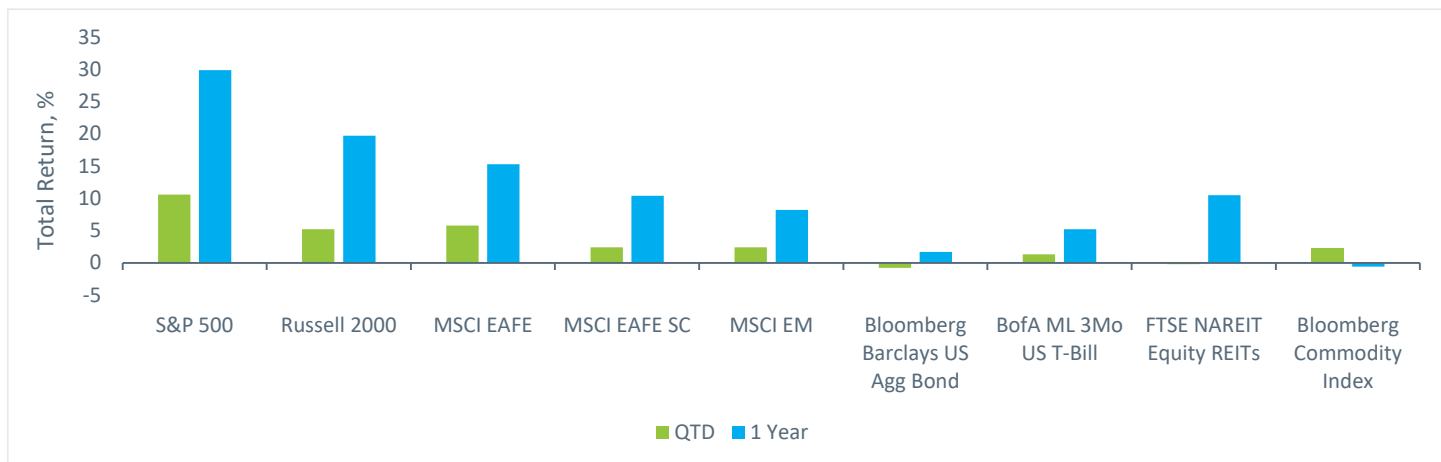
In Q1, risk assets built on their impressive performance in 2023 amid a resilient US economy and strong labor market despite rising uncertainty regarding the timing of future monetary policy changes and elevated geopolitical tensions. Both US and developed international equities, across all capitalizations and styles, posted gains in Q1. Emerging market equity returns were relatively lackluster as results from China continued to detract from the region.

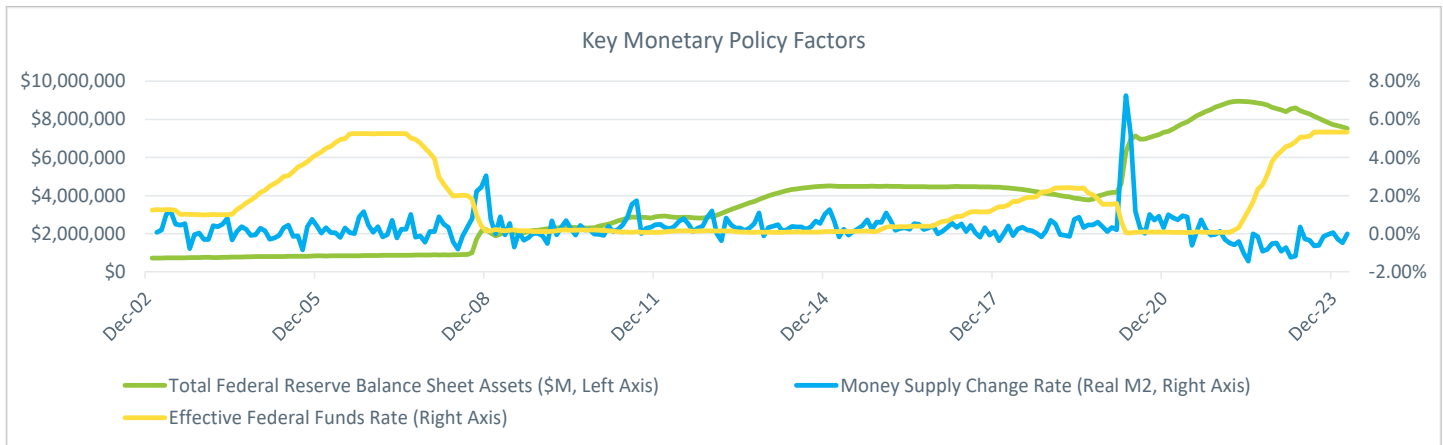
The public fixed income market posted mixed results with strong economic data and moderating expectations for future rate cuts contributing to increasing yields in Q1. The broad fixed income market experienced negative returns with shorter duration bonds outperforming longer maturity bonds, representing a trend change from late 2023. The more credit sensitive sectors, such as bank loans and high yield, along with hard currency emerging market debt posted positive returns. Returns were mixed across commodity markets as rising oil prices combined with certain metals—specifically, gold and copper—pushed results higher for the group, while the grains segment experienced declining prices.

While inflation levels have moderated and are below recent peaks, the persistence of inflation above target ranges has led investors to carefully monitor comments from members of the Federal Open Market Committee (FOMC). At the beginning of the year, some investors forecasted as many as seven rate cuts throughout 2024; however, as the quarter progressed, the expected number has decreased. In late March, the FOMC communicated its intention to maintain the plan for three rate cuts during the year. Inflation readings above consensus estimates in February and March, combined with job gains above expectations, reinforced the view that the path of future interest rate declines could be more incremental and measured in nature. Notably, according to recent guidance from the US Federal Reserve, the rate at which assets are allowed to decline off its balance sheet will be reduced in coming months, indicating a relatively more accommodative policy. Overall, indicators currently point to stable economic activity with purchasing manager indexes for manufacturing and services remaining in expansionary territory in Q1.

Globally, economic growth and inflationary pressures persisted in 2023, and recent forecasts point to similar conditions in 2024 and beyond. In its February economic outlook, the Organisation for Economic Co-operation and

1st Quarter and Trailing 1 Year Performance



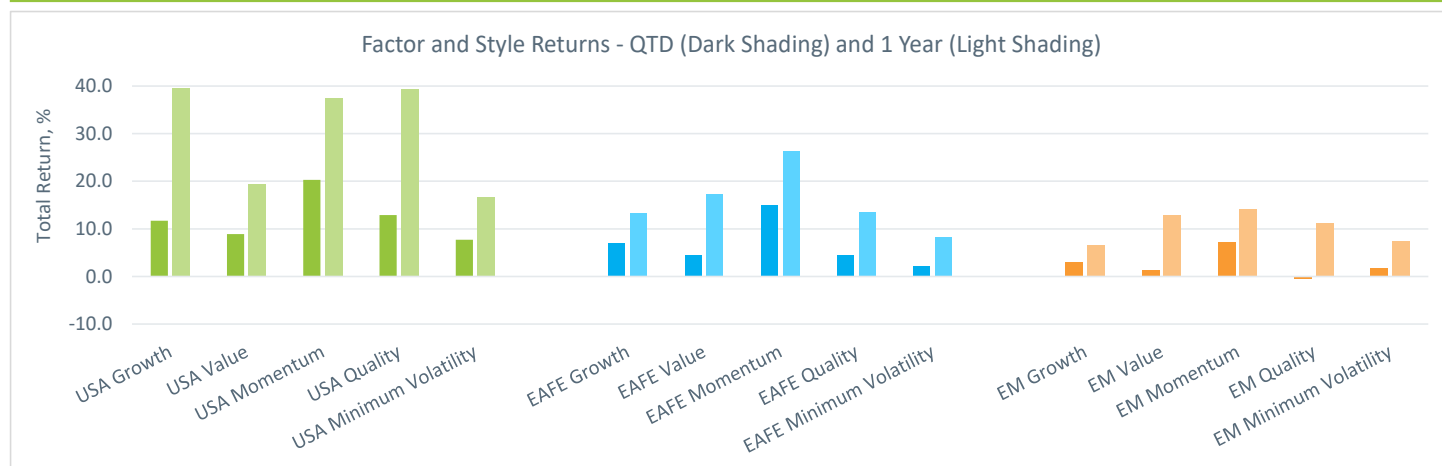


Development (OECD) forecasted world GDP growth of 2.9% and 3.0% in 2024 and 2025, respectively, and projected headline inflation of 6.6% in 2024 before moderating down to 3.8% in 2025. Geopolitical instability and potential inflationary shocks continue to represent risks to these forecasts. As the probability for a soft economic landing increased and growth projections improved, some investors have tended to expect less hawkish behavior from global central banks. While other central banks maintained policy rate levels, the Swiss National Bank did move to reduce policy rates in Q1, acting sooner than expected by market participants. Japan remains an outlier as it exited a negative interest environment in Q1 with its first rate hike since 2007.

Asset classes within emerging markets delivered mixed results compared to the US and other developed countries. The debt burden within China has been a consistent topic among investors. While the country continues to target economic growth around 5% and aim for fiscal debt levels in line with expectations, the debt incurred by local government entities is creating a layer of uncertainty for the country's economic growth outlook. Purchasing manager index data released in Q1 indicates that manufacturing and services have entered into expansion territory, however concerns for the health of the property sector continued to weigh on investor sentiment.

Expanded Review of Key Economic Indicators

	Q1 2024	Q4 2023	Q3 2023	10 Year Average
Federal Funds Rate	5.33%	5.33%	5.33%	1.40%
Treasury (2-Year)	4.59%	4.79%	5.03%	1.70%
Treasury (10-Year)	4.20%	4.23%	4.59%	2.34%
Treasury (30-Year)	4.34%	4.03%	4.73%	2.83%
Breakeven Inflation (5-Year)	2.44%	2.15%	2.25%	1.92%
Breakeven Inflation (10-Year)	2.32%	2.17%	2.34%	1.98%
Breakeven Inflation (30-Year)	2.28%	2.16%	2.40%	2.03%
BB US Corp: Hi Yld Index - OAS	2.99%	3.23%	3.94%	4.24%
Capacity Utilization	78.25%	78.89%	79.49%	77.46%
Unemployment Rate	3.80%	3.70%	3.80%	4.80%
ISM PMI - Manufacturing	50.30%	47.40%	49.00%	53.71%
Baltic Dry Index - Shipping	1,821	2,094	1,701	1,378
Consumer Confidence (Conf. Board)	104.70	110.70	103.00	109.44
CPI YoY (Headline)	3.50%	3.40%	3.70%	2.83%
PPI YoY - Producer Prices	1.90%	-0.20%	2.50%	2.72%
US Dollar Total Weighted Index	121.57	118.77	122.63	113.55
WTI Crude Oil per Barrel	\$83	\$72	\$91	\$63
Gold Spot per Ounce	\$2,248	\$2,068	\$1,872	\$1,509



US Equity

In Q1, US equity markets posted significant gains with the Russell 3000 Index returning 10.0%. There was increased dispersion among the largest US stocks, commonly referred to as the “Magnificent 7,” with Meta and Nvidia delivering the highest returns. In contrast, Apple and Tesla failed to keep pace during the quarter. In general, companies that directly contribute to or are related to the development of artificial intelligence (AI) have benefited from a sentiment tailwind.

During the quarter, large-cap stocks outperformed small-cap stocks with the Russell 1000 Index returning 10.3% compared to the Russell 2000 Index returning 5.2%. Momentum and growth factors have been the most significant contributors to returns within US equity. While producing positive returns, value-oriented indexes and managers trailed their core- and growth-oriented peers. Specifically, the Russell 3000 Growth Index generated a return of 11.2% in Q1 compared to 8.6% for the Russell 3000 Value Index.

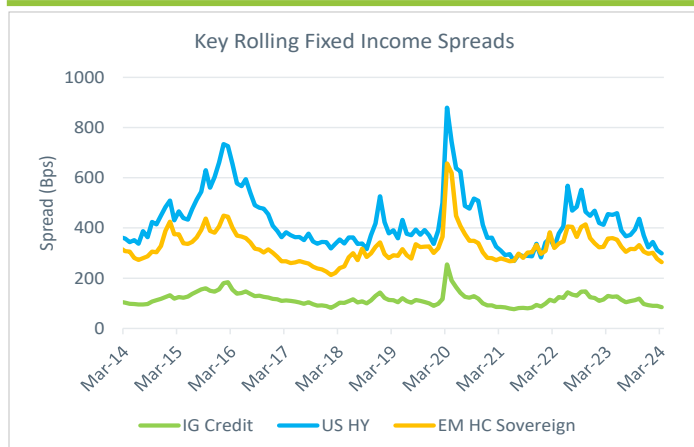
In a reversal of a recent trend, median manager excess returns were positive for active large-cap growth managers in Q1, suggesting the increased dispersion among the Magnificent 7 has provided increased opportunities for alpha generation. The best benchmark-relative results were reported by active small-cap value managers while active-growth managers in the mid-cap and small-cap spaces had more difficulty outpacing strong benchmark returns.

Non-US Equity

Developed international markets trailed their US counterparts in Q1 with the MSCI EAFE returning 5.8%. In similar fashion to the US markets, large-cap stocks outpaced small-cap stocks with the MSCI EAFE Index returning 5.8% compared to the MSCI EAFE Small Cap Index returning 2.4%. Growth stocks broadly outperformed value stocks with the MSCI EAFE Growth Index returning 7.0% compared to the MSCI EAFE Value Index returning 4.5%.

According to median manager excess returns, the quarter represented a favorable environment for active management across most sub-asset classes. One exception was the international small-cap growth space. Among developed international equity managers with positive excess returns in Q1, allocations to Japan and stock selection within the country was a common theme observed across portfolios.

In a continuation of a theme in Q4 2023, emerging market equities lagged developed markets with the MSCI Emerging Market Index returning 2.4% during the quarter. The majority of active emerging market managers outperformed in Q1 amid a lower return environment. Equity returns from China were led lower with sentiment impacted by concerns regarding debt and issues within its property sector, combined with stimulus levels falling below the expectations of some investors.



Fixed Income

In Q1, investor expectations related to monetary policy actions shifted due to persistent inflation, a strong labor market, and stable economic conditions. Market expectations of rate cuts now align with that of FOMC members, anticipating three rate cuts totaling 75 basis points by the end of the year, although the probability of the first cut occurring in June has continued to decline. US Treasury yields experienced a steady increase across the curve, with the 10-year yield rising by 32 basis points to end the quarter at 4.2%.

The yield curve remained inverted with the spread between 2-year and 10-year Treasury yields standing at 39 basis points at quarter-end, marking 21 months since the inversion began, the longest span in history. Against this backdrop, the Bloomberg US Aggregate Bond Index posted a return of -0.8% in Q1. Risk assets weathered rising rates, with lower-rated bonds outperforming. The Bloomberg US Corporate Investment Grade Index returned -0.4%, while the Bloomberg US Corporate High Yield Index returned 1.5%.

Emerging market debt delivered mixed results. The JPMorgan EMBI Global Diversified Index—tracking hard currency bonds in emerging markets—posted a 2.0% return in Q1. However, the strength of the US dollar put downward pressure on foreign exchange rates, leading to the underperformance of the JPMorgan GBI-EM Global Diversified Index, which tracks local currency bond markets, declining -2.1% in Q1.



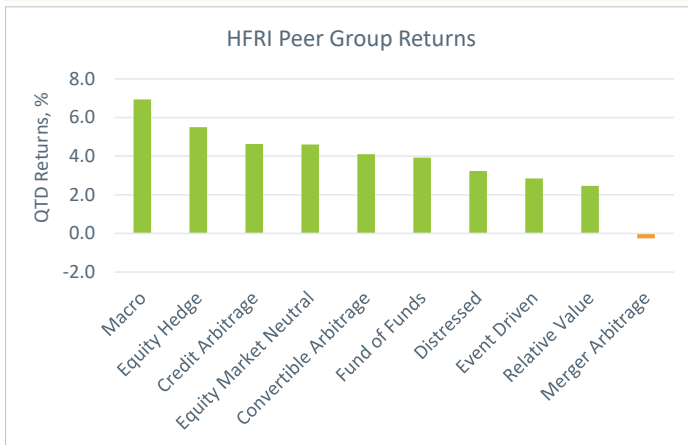
Multi-Asset

Global Tactical Asset Allocation (GTAA) strategies that RVK follows closely posted positive returns with moderate dispersion in Q1. All active managers targeting significant diversification underperformed a US-centric 60% equity and 40% fixed income blend (60/40 blend) as stocks were buoyed by strong earnings and investor appetite for names associated with the AI theme.

The top performing long-biased GTAA strategies featured a higher allocation to US equities, Japanese equities, and exposure to the technology sector, while those who trailed peers tended to hold larger emerging market equity and fixed income exposures.

Multi-asset managers who target reduced correlations, low volatility, and limited market sensitivity posted positive returns, though underperforming a 60/40 blend. Alternative Risk Premia strategies that RVK follows closely posted significant gains. The best performing managers in this peer group benefitted from long positions in stock indexes and agricultural commodities.

Diversified Inflation Strategy managers that RVK follows closely reported positive performance in Q1, but still underperformed a 60/40 blend. Managers with larger exposures to energy and gold within commodities outperformed peers while those with higher allocations to US bonds and REITs lagged behind.



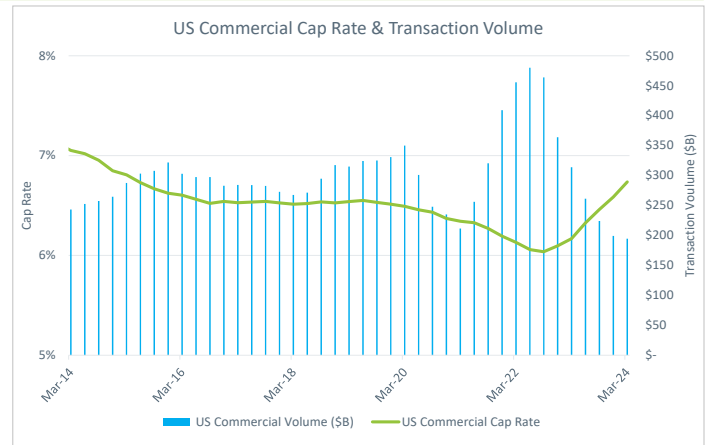
Diversified Hedge Funds

In Q1, hedge funds delivered positive results across the spectrum of major strategy groups. The HFRI Asset Weighted Composite Index delivered a return of 5.1%. The only outlier was seen across Merger Arbitrage managers, which broadly ended the quarter in flat territory. This has been driven by a continuation of sluggish deal flows due to muted activity from corporate management teams.

Trend Following managers enjoyed a strong start to the year, capturing pronounced trends across various commodities markets. Notably, cocoa prices have more than doubled year-to-date due to supply shock dynamics. The HFRI Systematic Directional Index and HFRI Quantitative Directional Index returned 10.0% and 9.8%, respectively, during the quarter.

Long-biased Equity Long/Short managers fared well on both a market capture and alpha basis, driven by the tailwinds of strong returns across nearly all public market sectors. Given particularly strong asset flows into tech-oriented, financial, and energy industries, managers with constructive thematic views here have ranked well versus peers.

While returns across uncorrelated market-neutral and multi-strategy platforms appeared to have cooled relative to recent results, managers that RVK follows closely are encouragingly keeping up with the current paradigm of elevated Treasury rates.



Real Estate

In Q1, core private real estate generated a return of -2.4% (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 -3.3% from price appreciation. Income returns continued to trend at the lower end of historical levels due to elevated borrowing costs and expenses.

Regarding price appreciation, this marks the sixth consecutive quarter of negative returns. While also reporting negative returns, publicly traded real estate outperformed private market counterparts with a total return of -1.3% in Q1, as measured by the FTSE/NAREIT All REITs Index.

Recent REIT performance has given some private real estate investors a sense of anticipation that the negative appreciation trend in private real estate may be nearing a bottom. Historically, the direction of the public REIT market has served as a leading indicator for private market counterparts.

However, this indicator may be less applicable in the current environment. There is growing consensus that, while cap rates have generally settled for public markets real estate securities, private market valuations have room to expand from their position to better match the public market levels. Additionally, activity in transaction markets remains muted as investors remain cautious leading to limited liquidity and valuation comparisons.

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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>.