

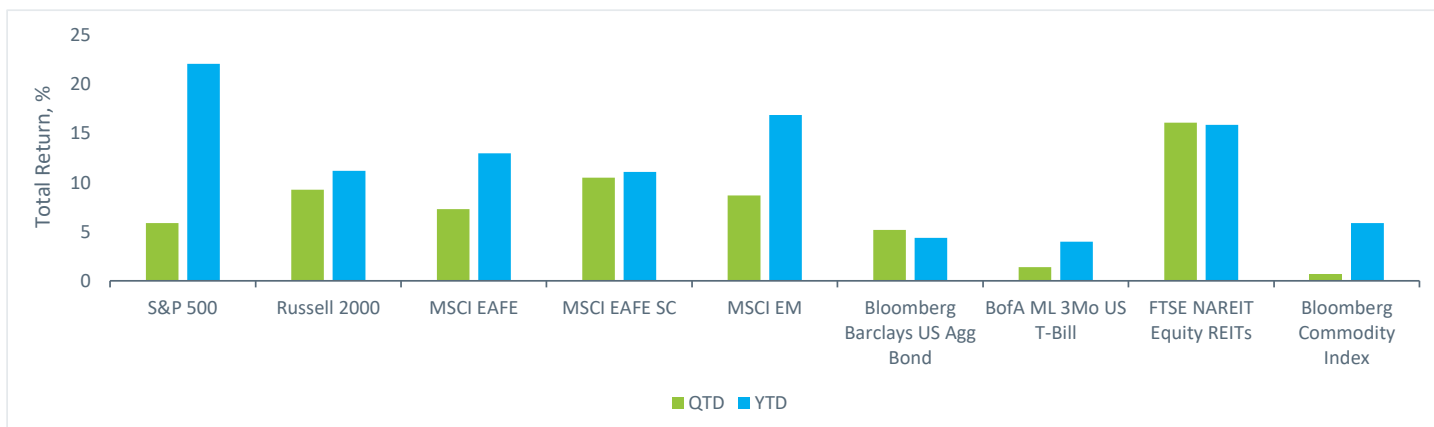
Overview

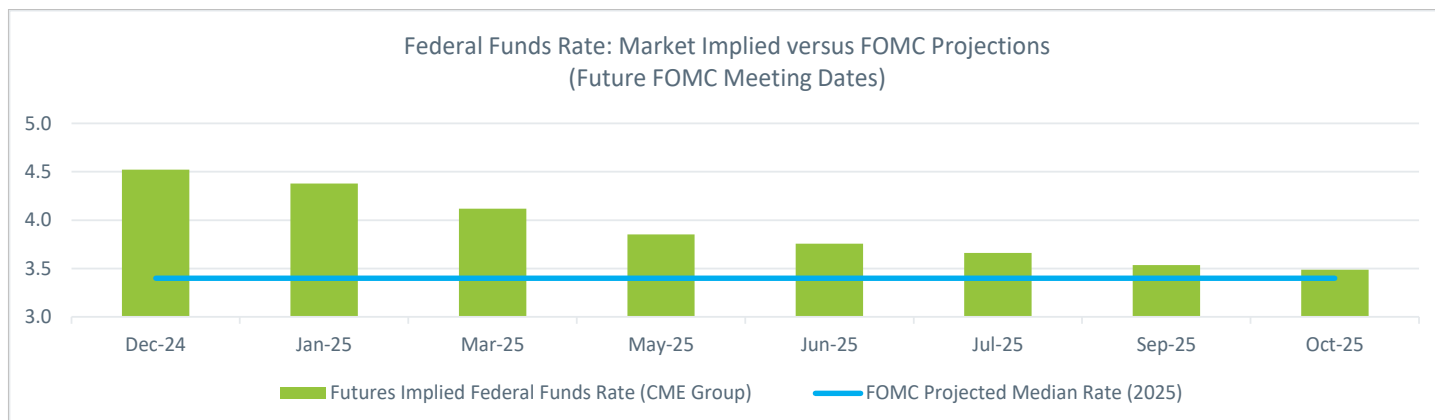
In Q3, market conditions were characterized by reversals of recent trends in public equity and fixed income. These conditions developed due to heightened expectations that global central banks, including the US Federal Reserve, would reduce their policy rates. Market anticipation of declining interest rates grew with reports showing continued inflation moderation and generally stable economic growth forecasts. Amidst this environment, non-US stocks, value-oriented stocks, and smaller cap stocks were especially strong performers in public equities. Within public fixed income, longer duration and non-US denominated securities outpaced other types of securities.

Despite the change in market trends, global economic indicators did not shift meaningfully during the quarter. The Organisation for Economic Co-operation and Development (OECD) Economic Outlook report, released in September, forecasted global GDP growth of 3.2% for 2024 and 2025—little changed from its May 2024 forecast. Similarly, the OECD forecasts for headline inflation in G20 economies for 2024 and 2025 only declined marginally compared to past forecasted levels. The current OECD forecast for global headline inflation is 5.4% by year-end, declining further down to 3.3% by the end of 2025. Recent US data points to stabilizing inflation as well, with the Core Consumer Price Index level finishing Q3 at 3.3%—the same reading as at the end of Q2. In contrast to Q2, the Purchasing Managers' Index for service industries moved into expansionary territory, while the reading for manufacturing industries remained in contractionary territory. US labor market indicators did not shift significantly, with wage growth at similar levels compared to Q2 and the unemployment rate remaining at 4.1%. However, economic forecasts continue to emphasize multiple risks to growth, including geopolitical or trade-related disputes and the potential for further escalation of ongoing wars and conflicts.

In September, the Federal Open Market Committee (FOMC) announced a 50 basis point reduction to the Federal Funds rate. Expectations for a 50 basis point rate cut, versus a more modest 25 basis point reduction, rose during Q3 amid weakening inflation readings with risks facing the labor market serving as a relevant factor as well. The Federal Funds rate range is now 4.75–5.00%, and the FOMC has suggested that further rate cuts are anticipated. The quarter-end yield of 4.38% for 6-month US Treasuries suggests that further rate reductions (*continued on next page*)

3rd Quarter and Year-to-Date Performance



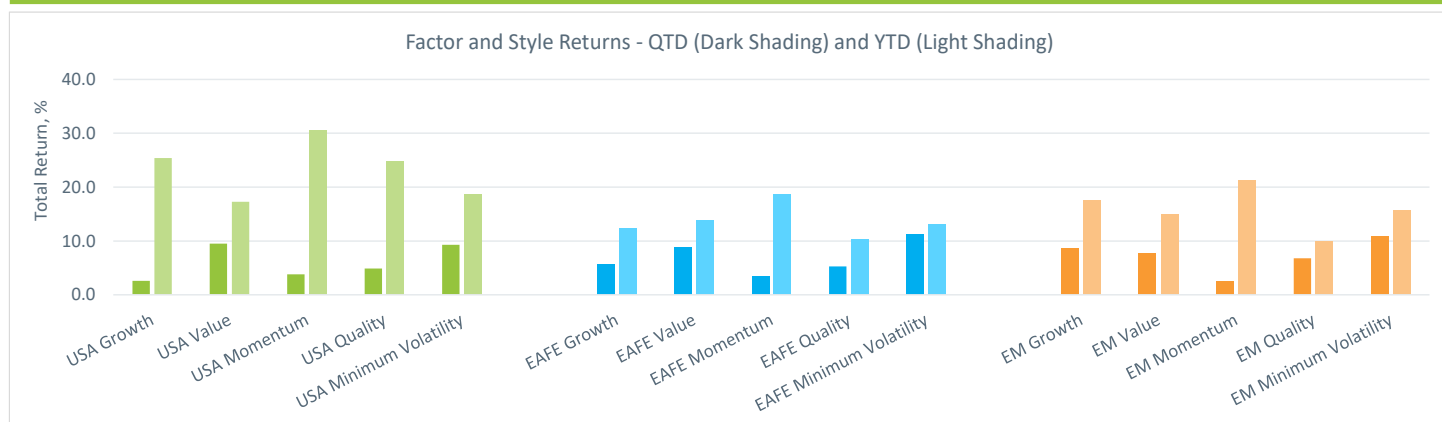


are already priced into the short end of the yield curve. While longer term interest rates declined over the quarter as a whole, longer term interest rates reversed direction and rose during the final weeks of Q3 as newly-released economic data was more positive than expected.

Outside of the US, a third interest rate cut by the European Central Bank (ECB) is anticipated during upcoming meetings given regional inflation falling to two-year lows and the ECB's desire to improve economic growth and labor market conditions. The Bank of Japan (BOJ) opted to keep interest rates steady in September after ending its negative rate policy earlier in the year. The BOJ did continue to project its preference for tighter policy, and should Japan's economic growth forecasts remain stable, further rate increases are anticipated. Near the end of Q3, the People's Bank of China announced a reduction of its policy interest rate and reserve requirements for banks, in addition to pushing the interest rates for existing mortgages lower. These accommodative measures generated a positive market reaction, especially given the subdued recent performance and valuation levels of investments related to China. However, some investors remain cautious of investments within China given the ongoing property market crisis and potential for further trade or geopolitical disruptions.

Expanded Review of Key Economic Indicators

	Q3 2024	Q2 2024	Q1 2024	10 Year Average
Federal Funds Rate	4.83%	5.33%	5.33%	1.66%
Treasury (2-Year)	3.66%	4.71%	4.59%	1.90%
Treasury (10-Year)	3.81%	4.36%	4.20%	2.43%
Treasury (30-Year)	4.14%	4.51%	4.34%	2.88%
Breakeven Inflation (5-Year)	2.09%	2.28%	2.44%	1.93%
Breakeven Inflation (10-Year)	2.19%	2.29%	2.32%	1.98%
Breakeven Inflation (30-Year)	2.20%	2.30%	2.28%	2.03%
BB US Corp: Hi Yld Index - OAS	2.94%	3.09%	2.99%	4.22%
Capacity Utilization	77.96%	78.17%	78.41%	77.43%
Unemployment Rate	4.10%	4.10%	3.80%	4.70%
ISM PMI - Manufacturing	47.20%	48.50%	50.30%	53.32%
ISM PMI - Service	54.90%	48.80%	51.40%	56.23%
Consumer Confidence (Conf. Board)	98.70	100.40	103.10	109.99
CPI YoY (Headline)	2.40%	3.00%	3.50%	2.88%
PPI YoY - Producer Prices	1.80%	2.60%	1.90%	2.70%
US Dollar Total Weighted Index	121.36	124.52	121.41	114.82
WTI Crude Oil per Barrel	\$68	\$82	\$83	\$62
Gold Spot per Ounce	\$2,650	\$2,333	\$2,230	\$1,564



US Equity

In Q3, US equity markets demonstrated resilience despite market turbulence in August due to the unwinding of the Yen carry trade and growing concerns related to slowing economic growth. Despite heightened volatility, the Russell 3000 Index delivered a return of 6.2% in Q3 as market participants positively reacted to the FOMC lowering the Federal Funds rate in September.

During the quarter, all sectors, except for Energy, generated positive returns. The Utilities sector provided the strongest results in Q3, particularly small-cap securities. In a reversal of recent trends, value outperformed growth by a significant margin, with the Russell 3000 Value Index delivering a return of 9.5% compared to 3.4% for the Russell 3000 Growth Index. Additionally, small-cap stocks outperformed their large-cap peers, particularly in the growth space, with the Russell 2000 Growth Index and the Russell 1000 Growth Index returning 8.4% and 3.2%, respectively.

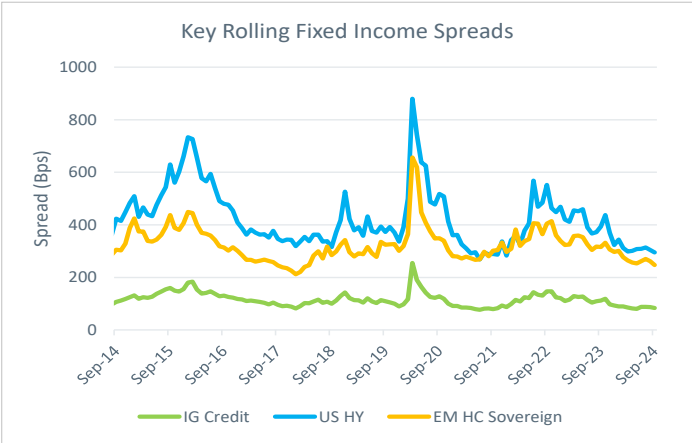
It was a challenging quarter for active managers, as the median manager failed to achieve excess returns across style and size spectrums. Growth-oriented managers, especially within the large-cap segment, fared relatively better, while those in the value space, particularly in the small-cap segment, fared worse.

Notably, moderated returns in Q3 for mega-cap growth stocks, especially the “Magnificent 7” group, has been cited as a factor benefiting active large-cap growth managers in the near-term.

Non-US Equity

Developed international markets outperformed the US in Q3 after trailing for six straight quarters, with the MSCI EAFE Index returning 7.3%. In a reversal from the prior two quarters, developed small-cap stocks outperformed large-cap, although value stocks continued to outpace their growth counterparts. Developed market returns were predominantly driven by Japan. Japanese markets reached all-time highs at the start of the quarter and then saw historically high volatility in August after the BOJ raised rates, triggering the unwind of the Japanese Yen carry trade. Amid the market strength, developed market active managers broadly struggled to beat their benchmarks in Q3 across all styles and market capitalizations.

Emerging market equities outperformed developed markets for the second straight quarter, with the MSCI Emerging Markets Index finishing the quarter up 8.7%. Emerging market growth stocks outperformed value while large-cap stocks outperformed small-cap. The majority of active emerging market managers underperformed in Q3. The emerging market region benefited from a significant rebound in Chinese stocks. The MSCI China Index delivered a Q3 return of 23.6% and was the largest contributor to returns within the region. Most of the country’s outperformance was generated in the last two weeks of the quarter after the government announced its largest stimulus package since the pandemic.



Fixed Income

During Q3, US Treasury yields declined as economic data spurred market participants to anticipate the eventual reduction to the Federal Funds rate in September. Over the course of Q3, the 10-year yield fell by 0.55% to end the quarter at 3.81%. Furthermore, the yield spread between 2- and 10-year Treasuries moved into positive territory—marking the end to an extended period of yield curve inversion that began over two years ago.

The Bloomberg US Aggregate Bond Index posted positive return of 5.2% in Q3. In addition to the impact of declining rates, returns were further bolstered by tightening spreads for credit securities. The Bloomberg US Corporate Investment Grade Index returned 5.8% and outpaced the 5.3% return for the Bloomberg US Corporate High Yield Index, which benefited less from declining rates given the lower duration of this asset class.

Emerging market debt saw especially strong performance. The JPMorgan EMBI Global Diversified Index—tracking hard currency bonds in emerging markets—posted a 6.2% return, resulting from the combined effect of lower yields and declining spreads. The JPMorgan GBI-EM Global Diversified Index, which tracks local currency bond markets, was boosted by a weaker US Dollar and delivered an even stronger return of 9.0%.



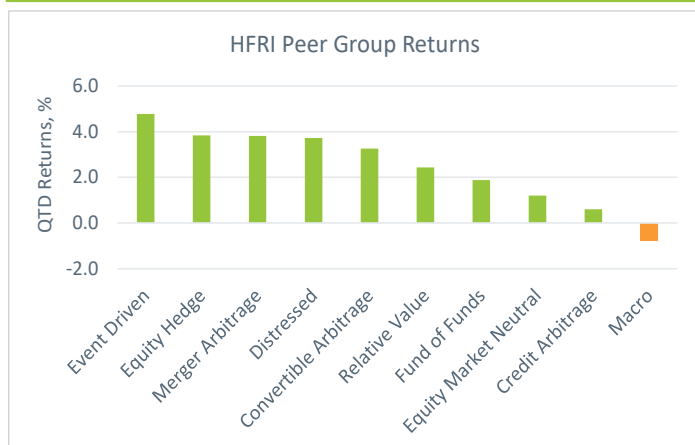
Multi-Asset

Global Tactical Asset Allocation (GTAA) strategies that RVK follows closely generated positive returns for Q3, with most managers tracking closely to a US-centric blend of 60% equity and 40% fixed income (US 60/40 Blend).

The top performing long-biased GTAA strategies that outperformed a US 60/40 Blend featured higher allocations to longer maturity bonds, global bonds, as well as diversifiers such as REITs and MLPs. Those that underperformed peers were hurt by higher allocation to Energy and US equity hedges.

Multi-asset managers that target reduced correlations, low volatility, and limited market sensitivity posted positive returns, although most underperformed a static US 60/40 Blend. Alternative Risk Premia strategies that RVK follows closely posted disparate performance. Within this group, positive outlying managers benefitted from trades targeting single stocks with mean reverting performance during the quarter.

Diversified Inflation Strategy managers tracked closely by RVK posted positive absolute performance, ranging from the mid-single digits to low double-digits. The top performing strategies that outperformed a US 60/40 Blend benefitted from top-down driven allocations to Infrastructure and REITs as well as an underweight to Energy. Those who underperformed peers tended to have higher allocations to Energy versus peers.



Diversified Hedge Funds

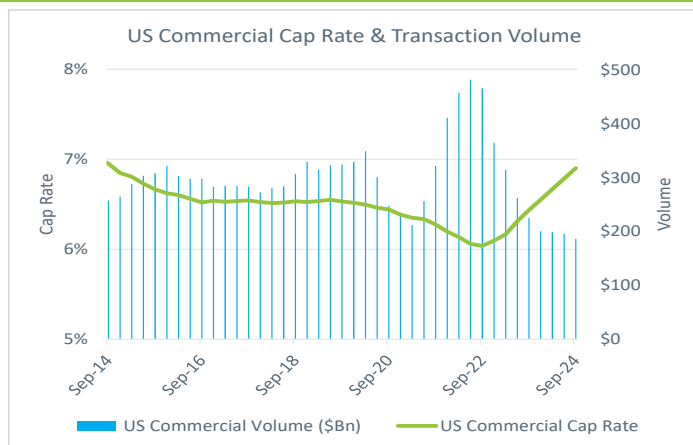
For Q3, hedge funds delivered widely positive results across the spectrum of major strategies. The HFRI Composite Index delivered a return of 1.8% in Q3 and 6.2% year-to-date.

Notably, event-driven strategies driven by M&A activity were some of the strongest performers. Key catalysts included the Hewlett Packard acquisition of Juniper Networks. Additionally, managers continue to evaluate deals proposed by other large companies, such as Nippon Steel and Kroger.

China-focused managers also delivered strong Q3 results, as markets surged in late September due to the announcement of government stimulus and rate cuts designed to bolster the property market.

Across global equity long/short strategies, managers continue to deliver strong alpha results. Although long alpha was particularly robust in August, shorts have been the key driver throughout the year. Short-selling has been particularly successful in the Materials, Consumer Staples, and Technology sectors year-to-date.

In contrast, Macro strategies struggled in Q3, as foreign exchange markets experienced a rapid deleveraging in popular carry trades involving the Japanese Yen and the Mexican Peso. Additionally, the magnitude of the interest rate cut by the FOMC was a factor leading to negative attribution for managers positioned for a “higher for longer” interest rate regime.



Real Estate

Core private real estate generated a positive 0.3% total return in Q3 (on a preliminary and gross of fee basis), as reported by the NFI-ODCE Index, with the total return comprising of 1.1% from income and -0.8% from price appreciation. Income returns improved slightly on a percentage basis quarter-over-quarter, with the 1-year trailing Income return of 4.1% at levels similar to longer-term trailing period returns. However, this quarter marks the ninth consecutive quarter of negative price appreciation for the NFI-ODCE. Investors of publicly traded real estate significantly outperformed their private market counterparts. Publicly traded real estate generated a return of 16.3% in Q3, as measured by FTSE/NAREIT All REITs Index.

The downward trend in price appreciation continued to slow during Q3, and transaction markets improved incrementally. The move by the FOMC toward a more accommodative monetary policy further helped to reinforce recent positive developments and indicators. Return volatility for Core Real Estate managers may narrow in scale in the near-term, as most have written down property valuations over past quarters to more appropriately reflect the reality on the ground. However, appraisers have been somewhat reluctant to take drastic actions without corresponding closed transactions. With improvements in the transaction markets, appraisers have more data comparisons to cite, which can lead to narrower bid-ask spreads and greater transparency of true clearing values for properties.

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