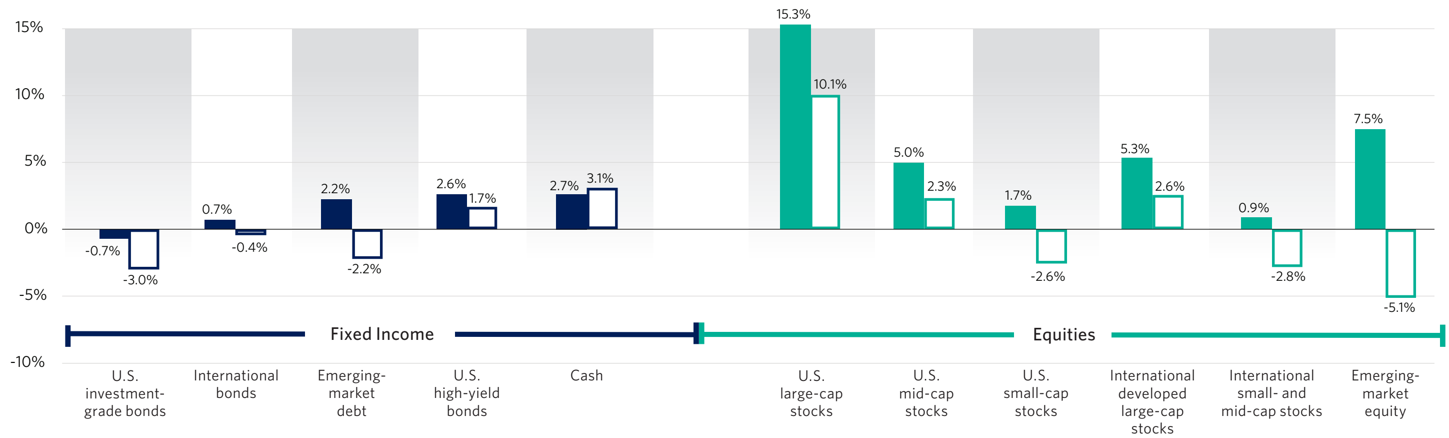
Quarterly market outlook: **Third quarter 2024**

Asset class performance



Source: Morningstar Direct, 6/30/2024. Total returns in USD. Cash represented by the Bloomberg US Treasury Bellwethers 3-Month Index. U.S. investment-grade bonds represented by the Bloomberg US Aggregate Bond Index. U.S. high-yield bonds represented by the Bloomberg US HY 2% Issuer Cap Index. International bonds represented by the Bloomberg Global Aggregate Ex USD Hedged Index. Emerging-market debt represented by the Bloomberg Emerging Market USD Aggregate Index. U.S. large-cap stocks represented by the S&P 500 Index. Developed international large-cap stocks represented by the MSCI EAFE Index. U.S. mid-cap stocks represented by the Russell Mid-cap index. U.S. small-cap stocks represented by the Russell 2000 Index. International small- and mid-cap stocks represented by the MSCI EAFE SMID Index. Emerging-market equity represented by the MSCI EM Index. Past performance does not guarantee future results. An index is unmanaged and is not available for direct investment and is not meant to depict an actual investment.

Looking back at the first half

Stocks rallied in the first half of 2024, driven by ongoing strength in mega-cap tech. But investment-grade bond returns have been muted in the face of higher yields.

Mega-cap tech leads U.S. markets higher while bonds lag — Equity markets rose in the first half of the year, led by a 15% gain in U.S. large-cap stocks, with information technology and communication services each higher by over 26% year to date. Enthusiasm around the growth potential of artificial intelligence (AI), along with robust profit growth, has lifted these sectors higher.

Bond yields rose in the first half of 2024, pressuring investment-grade bond returns. Steady economic growth supported lower-quality issuers, with U.S. high-yield bonds and emerging-market debt posting modest gains in the first half.

Fed likely to follow global central banks' easing policy — After two years of central banks tightening monetary policy to combat inflation, the European Central Bank and the Bank of Canada were the first of the G7 central banks to lower policy rates, each cutting rates by 0.25% in June. The Federal Reserve has maintained its policy rate target range at 5.25%–5.5% since July 2023. After several months of higher-than-expected inflation to begin 2024, inflation resumed its trend lower in Q2. If sustained in the months ahead, this could lead the Fed to cut interest rates once or twice this year.

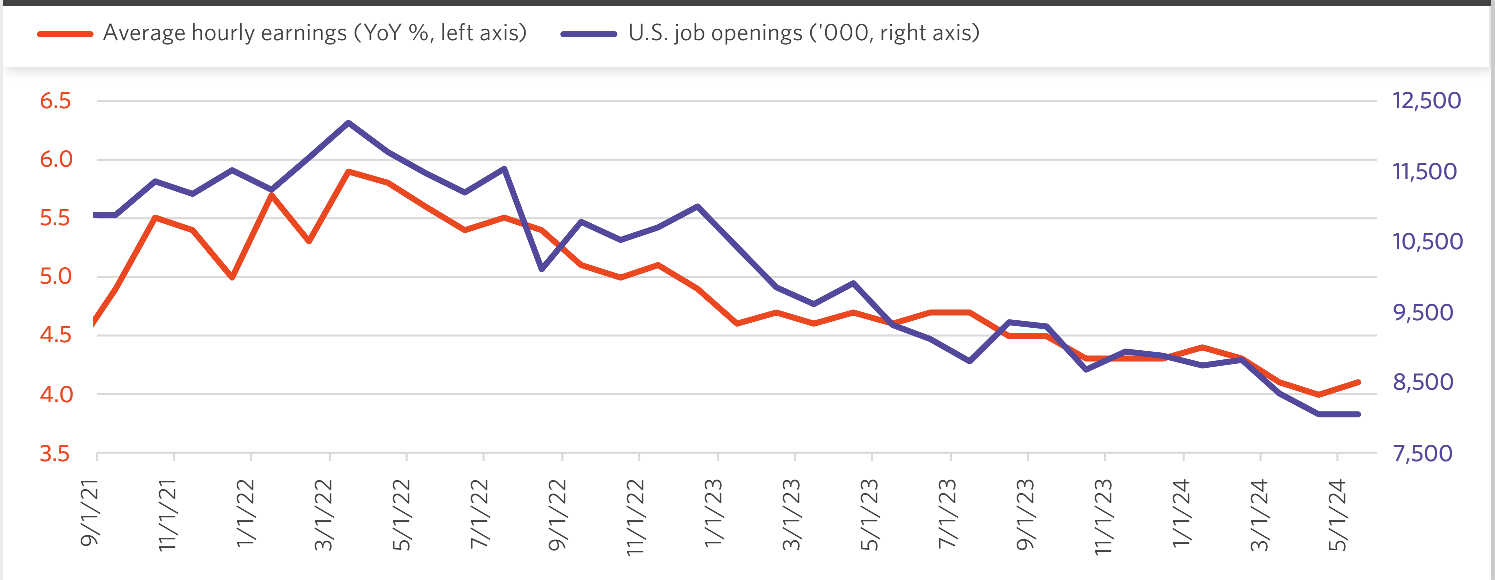
International stock markets rise, but a stronger dollar dampens returns — International stocks gained in the first half of 2024, with emerging-market stocks rising 7.5% and developed international large-cap stocks higher by 5.3%. Fiscal support from China's policymakers helped emerging-market stocks, while improving economic growth in Europe and strong corporate profit growth in Japan aided developed international stocks. But a stronger U.S. dollar partially offset the rise in international stock prices. Excluding the impact of currency, developed international large-cap and emerging-market stocks gained over 10% in the first half.

▶ *Action for investors*

Narrow market leadership may make you question the value of diversification. We recommend resisting the urge to chase performance and instead maintain a diversified portfolio aligned to your long-term goals.

Diversification does not ensure a profit or protect against loss in a declining market.

Job openings move lower alongside wage growth



Source: Bloomberg.

Economic outlook

The U.S. economy continues to grow at or above trend levels but has cooled from growth rates seen in 2023. In Q1, U.S. GDP growth was 1.3% annualized, down from 3.4% in Q4 of 2023. However, consumption remained resilient at 2%, while government spending and net exports drove much of the softness.

As we look toward the back half of 2024, we expect economic growth to moderate from this past year, perhaps toward trend growth of 1.5% to 2%, driven by a normalization in the labor market and softening consumption.

Labor market shows early signs of cooling — The U.S. labor market went through a period of strength in the post-pandemic period. However, the labor market has cooled a bit this year, with the unemployment rate now at 4%, the highest since 2021. Leading indicators point to further softening, as job openings and the quits rate (the percentage of employees who voluntarily leave jobs) have fallen to recent lows. Meanwhile, the labor supply continues to increase, supported by immigration as well.

The labor market's supply-and-demand dynamics could lead to further pickup in the unemployment rate and put some downward pressure on wage growth, in our view. If job uncertainty is elevated, consumer sentiment and some consumption may be negatively impacted. However, we continue to see this a normalization from a period of outsized strength rather than a deep or prolonged downturn.

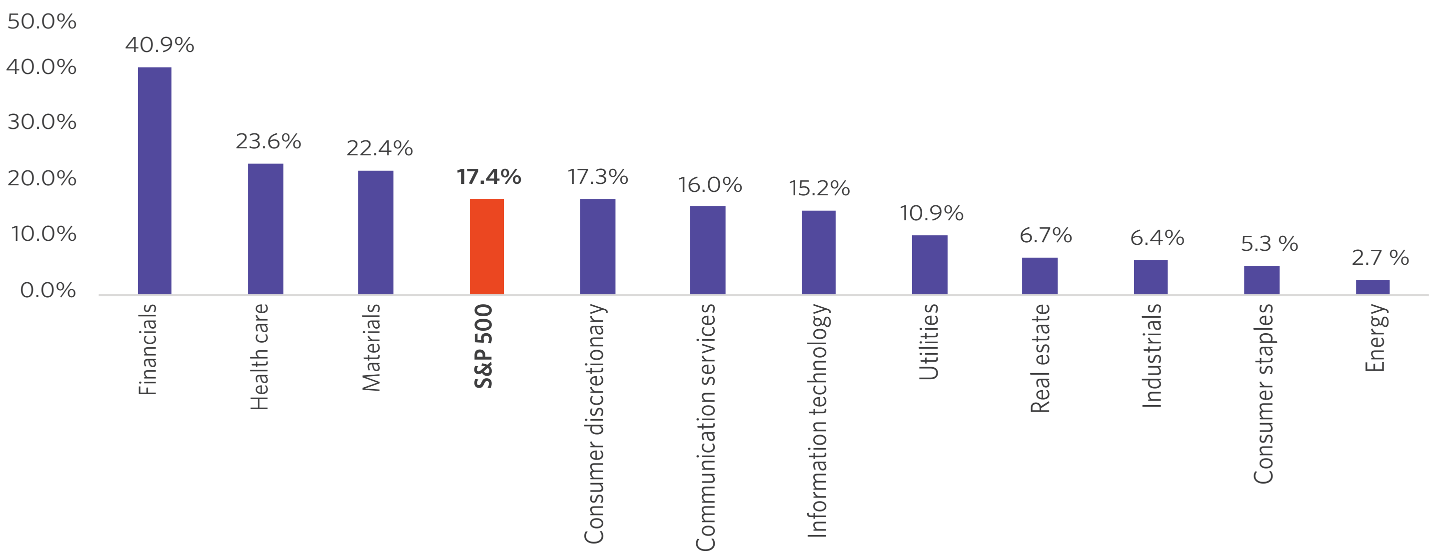
Inflation may continue its bumpy path lower — After hotter-than-expected inflation data in Q1, recent inflation readings have surprised to the downside. In our view, two potential drivers could move inflation closer to the Federal Reserve's 2% target:
1. Shelter and rent components of inflation moderate, especially given real-time data has already slowed. 2. Services inflation cools as wage growth slows. While inflation may not drop in a straight line, we believe it should move lower, giving the Fed more comfort to signal rate cuts.

▶ *Action for investors*

In this backdrop, we continue to favor U.S. large-cap and mid-cap stocks, which we believe can do well as the labor market cools, inflation moderates and the Fed potentially starts cutting rates.

Investing in equities involves risk, the value of your shares will fluctuate, and you may lose principal.

By Q4, earnings growth should broaden beyond tech (YoY %)



Source: FactSet. Q4 2024 earnings growth estimates.

Equity outlook

Despite a 4.5% correction in April, the S&P 500 was up over 4% for the quarter and on pace for gains of over 14% year to date. The markets' momentum continues to lie in mega-cap technology and enthusiasm around artificial intelligence (AI).

Can market leadership broaden? We believe technology sectors will continue to play a meaningful role in portfolios. Keep in mind that the S&P 500 has nearly a 50% weight to three growth sectors — technology, communication services and consumer discretionary — all of which house mega-cap AI stocks. These companies not only have delivered on earnings but have fortress cash positions, allowing them to reinvest in their businesses and return value to shareholders.

But we continue to believe market leadership should broaden beyond mega-cap technology. First, while the contribution to earnings growth in Q1 came largely from technology, by Q4 earnings growth will be driven equally by sectors outside technology. Second, we believe that as we get closer to Fed rate cuts, cyclical areas of the market may play catch-up as yields moderate. And finally, we believe that over time, the efficiencies from AI will be felt across sectors.

Will the presidential election trigger volatility? Historically, stock markets have experienced volatility in the six to eight weeks prior to U.S. Election Day, which is slated for Nov. 5 this year. However, markets typically recover in the weeks following the election.

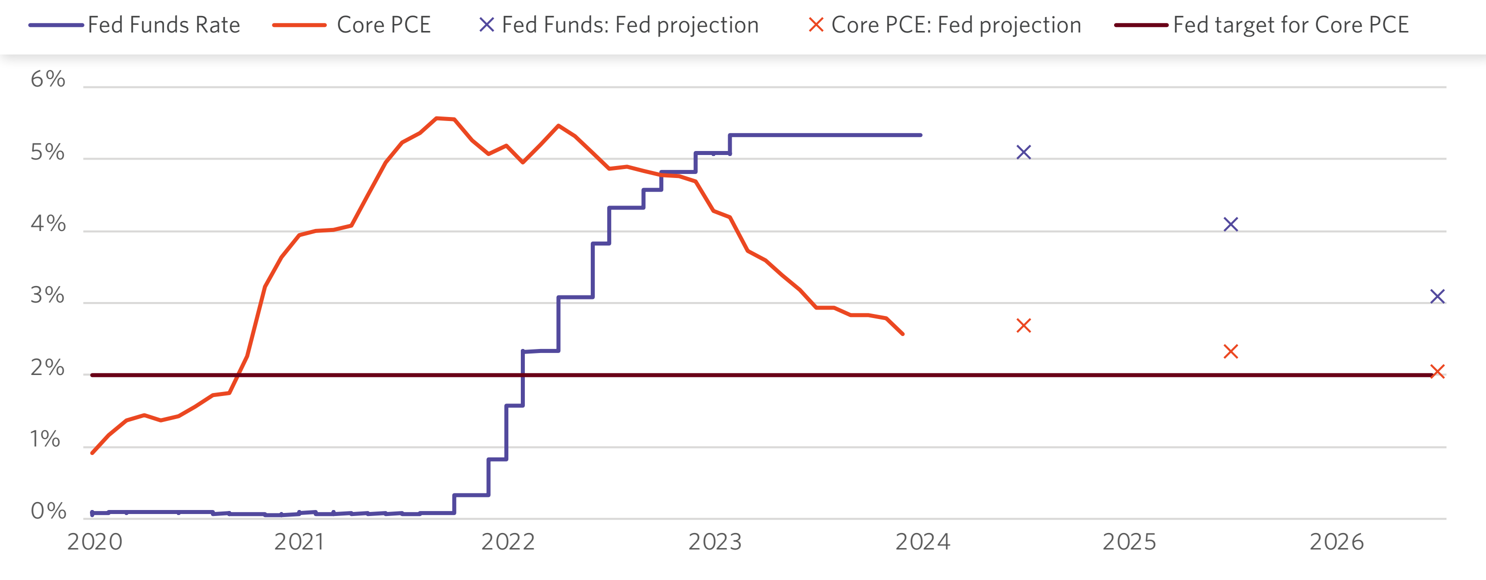
In this election cycle, we expect Congress to remain divided, which means no major new regulation or legislation is likely, regardless of which party wins. Markets tend to prefer political gridlock, as it means a more transparent operating environment for companies to run their businesses. Over the long run, markets tend to follow the fundamentals — including inflation, interest rates and economic growth — more so than politics and elections.

▶ *Action for investors*

We recommend using bouts of volatility as opportunities to rebalance and diversify portfolios. We remain overweight on U.S. large- and mid-cap equities, both of which could benefit as the Federal Reserve gets closer to interest rate cuts and earnings growth broadens.

Investing in equities involves risk, the value of your shares will fluctuate, and you may lose principal. Rebalancing may result in a taxable event.

Moderating inflation should allow Fed to cut rates soon



Source: Federal Reserve, Bureau of Economic Analysis.

Fixed-income outlook

We expect moderating inflation to allow the Federal Reserve to start cutting interest rates soon, increasing reinvestment risk for short-term bonds and CDs and steepening the yield curve. U.S. high-yield bond credit spreads remain well below historical averages, providing less compensation for default risk.

The Fed signals one rate cut this year — At its June meeting, the Fed trimmed expectations to one interest rate cut for this year. While Core PCE inflation remains above the Fed's 2% target, we expect inflation to continue to moderate, driven by lower shelter inflation and slower wage growth. The shelter component of PCE should decline as it catches up to market-based measures, while cooling labor markets should help slow wage growth. We expect moderating inflation to allow the Fed to pivot to rate cuts potentially in September and/or December. As the timing and pace of the cuts becomes clearer, short-term yields should decline, likely steepening the yield curve and leading to higher reinvestment risk for short-term bonds and CDs. We see value in intermediate- and long-term bonds and bond funds, which lock in rates for longer.

U.S. investment-grade bonds could underperform U.S. mid-cap stocks — A likely Fed pivot to interest rate cuts should support the economy, which should be favorable for stocks. Bonds typically perform well during Fed rate-cutting cycles as their prices rise, but could underperform U.S. mid-cap stocks, which offer a balance of quality and cyclicality to potentially benefit from economic growth.

U.S. high-yield bond credit spreads below historical averages — The resilient economy supports lower-quality issuers, including U.S. high-yield bonds. Credit spreads — which indicate the excess yield above U.S. Treasury bonds to compensate for default risk — are well below historical averages. We see limited opportunity for them to narrow further. Emerging-market debt is more attractive in our view, due to its higher quality and longer duration, as it would likely benefit more from lower rates.

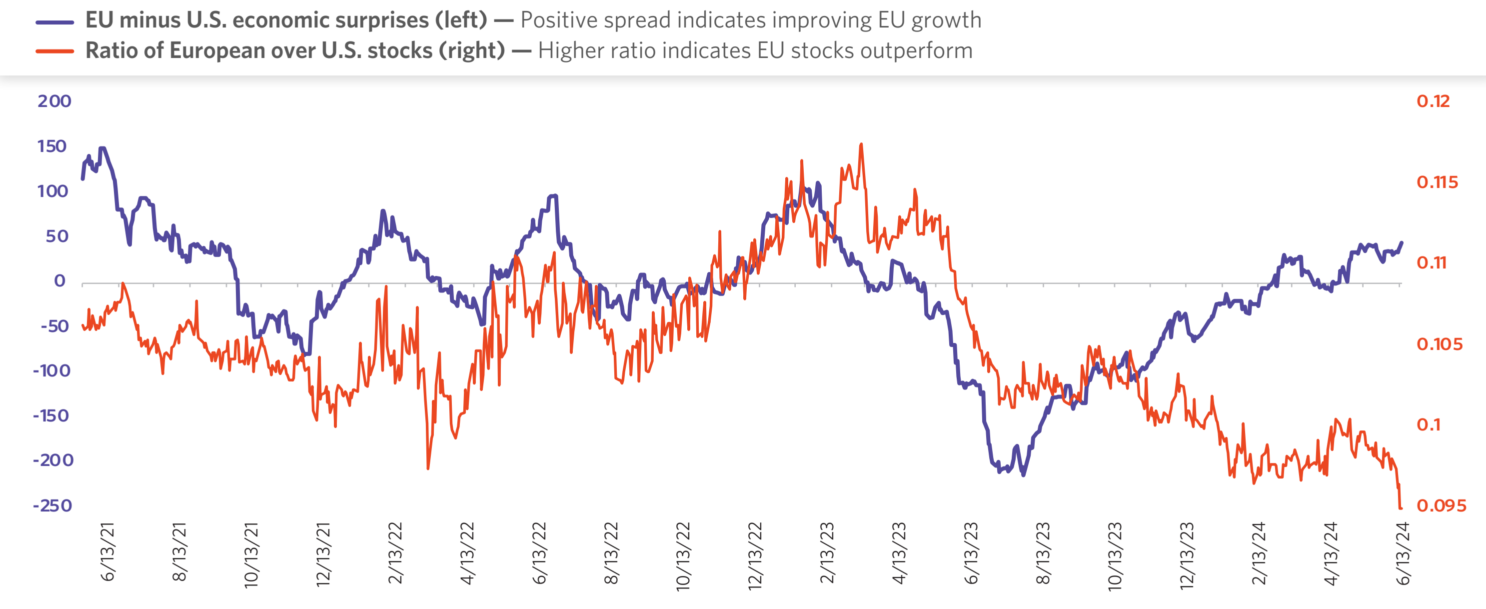
▶ *Action for investors*

We recommend underweighting U.S. investment-grade bonds, as we expect U.S. mid-cap stocks to outperform over the near term. We also suggest overweighting emerging-market debt, with U.S. high-yield bonds as a potential source of funds. Adding to intermediate-term bonds and bond funds may help reduce reinvestment risk by locking in rates for longer.

Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity. High-yield bonds carry a high risk of principal loss and may experience more price volatility than investment-grade bonds.

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries.

Narrowing growth gap could help international developed stocks



Source: Bloomberg, Edward Jones. U.S. stocks represented by the S&P 500; EU stocks represented by the Stoxx 600.

International outlook

Global growth stayed resilient in Q2 despite high borrowing costs, bolstered by U.S. strength. As major central banks start cutting rates to normalize policy, early signs of recovery outside the U.S. are starting to emerge.

European economy sees a gradual rebound — A modest eurozone recovery appears to be underway. Growth picked up more than expected in Q1, and timely survey indicators have moved higher since then, suggesting the region's cyclical outlook is improving. Despite unemployment falling to historic lows, inflation pressures have receded, and the European Central Bank (ECB) has started to gradually ease policy. With eurozone activity rebounding from a lull and U.S. economic activity normalizing after a period of exceptional strength, we believe international developed-market stocks offer catch-up potential and diversification benefits.

China stocks rally, but concerns remain — In response to an uncertain economic environment and an ongoing real estate crisis, Chinese policymakers have lowered interest rates, allowed banks to keep smaller reserves, and announced measures to absorb some of the excess housing inventory. The policy support sparked a Q2 rebound in stocks, but we remain cautious on the sustainability of the rally. Earnings estimates are hovering around 2017 levels. Also, there is a looming threat of another trade war ahead of the U.S. elections. Regardless of the election outcome, the fracturing in the U.S.–China relationship could continue.

Global rate-cutting cycle begins — More central banks began easing policy in Q2, with the ECB and Bank of Canada (BoC) lowering interest rates in June. Central banks will likely take a cautious approach to rate cuts, but we think a multiyear easing cycle will continue to gain steam next year. Lower rates can help drive a recovery in manufacturing activity and benefit cyclical sectors, which carry a higher weight in international indexes. A Federal Reserve pivot toward rate cuts could weigh on the U.S. dollar, helping the performance of international investments.

▶ *Action for investors*

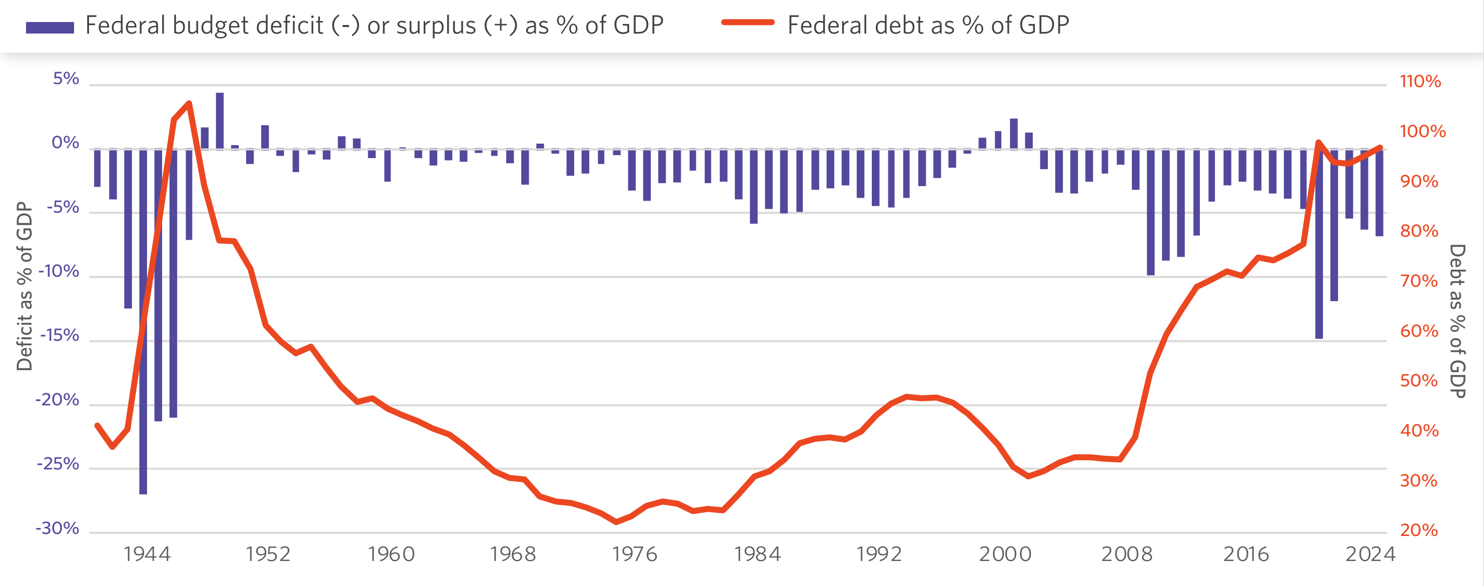
We recommend underweighting emerging-market equities, staying neutral with international developed equities, and overweighting U.S. stocks. Within fixed income, we see an opportunity to overweight emerging-market debt, which has higher interest rate sensitivity and historically outperforms U.S. bonds in periods following peak Fed policy.

Investing in equities involves risk, the value of your shares will fluctuate, and you may lose principal.

Investing outside the United States involves risks, such as currency fluctuations, periods of illiquidity and price volatility. These risks may be heightened in connection with investments in developing countries.

Before investing in bonds, you should understand the risks involved, including credit risk and market risk. Bond investments are also subject to interest rate risk such that when interest rates rise, the prices of bonds can decrease, and the investor can lose principal value if the investment is sold prior to maturity.

U.S. federal debt and budget deficits as % of GDP



Source: Federal Reserve Bank of St. Louis, Congressional Budget Office. Federal debt held by the public.

Election issues and implications

We believe several issues will be raised during the campaign that connect to fundamental factors important to the economy and markets, including government debt, Federal Reserve policy and trade. The election's outcome shouldn't dramatically alter the course of the markets or economy, but these factors may have some implications.

Debt and deficits: A slowly approaching train — U.S. budget deficits have run north of 6% in recent years. We've seen larger, rising deficits as a percentage of GDP (mid-'70s, early '80s, early 90s, 2008–10), but these accompanied periods of economic weakness. Today's sizable deficits are occurring with above-average GDP growth. We believe this could require more fiscal restraint ahead. While the government's $35 trillion-and-growing debt is an astronomical number, as a percentage of GDP, it's not yet at a level that would limit the government's ability to borrow at reasonable rates. Favorable economic policies can help delay or lessen those risks, but we think the solution will require fiscal spending and tax adjustments. But we don't expect either candidate this year to pursue material policies to address long-term debt issues.

Tariffs and trade in focus — We expect the campaign trail to include tough talk on trade with China. The U.S. economy's growth does not rely dramatically on trade, but the use of tariffs does present an inflationary risk. While such tactics were leveraged during former President Trump's term, they occurred within a much more benign inflation environment. We think tariff policies will instigate some trade war anxieties for the markets ahead, but we think domestic consumption and investment trends will be the more powerful influence on economic outcomes.

The Fed will move independently of the election — We are confident the Fed will act solely under the direction of incoming inflation and economic data. But the timing of such moves will likely occur around the election, with moderating inflation and softening employment conditions likely to support a case for a rate cut in the September–December window. We also could see some election-driven uncertainty around the future of Fed Chair Jerome Powell's role, if Trump were to propose a new Fed chief.

▶ *Action for investors*

We recommend an overweight allocation to equities. Also, consider treating an election-driven market pullback as a buying opportunity.

Investing in equities involves risk, the value of your shares will fluctuate, and you may lose principal.

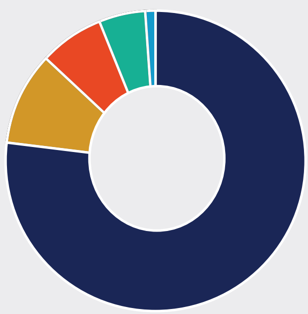
Strategic asset allocation guidance

Our **strategic asset allocation** represents our view of balanced diversification for the fixed-income and equity portions of a well-diversified portfolio based on our outlook for the economy and markets over the next 30 years. The exact weightings (neutral weights) to each asset class will depend on the broad allocation to equity and fixed-income investments that most closely aligns with your comfort with risk and financial goals.

Equity diversification

- U.S. large-cap stocks
- International large-cap stocks
- U.S. mid-cap stocks
- U.S. small-cap stocks
- International small- and mid-cap stocks
- Emerging-market equity

Fixed-income diversification



- U.S. investment-grade bonds
- U.S. high-yield bonds
- International bonds
- Emerging-market debt
- Cash

Opportunistic portfolio guidance

Our **opportunistic portfolio guidance** represents our timely investment advice based on our global outlook. We expect this guidance to enhance your portfolio's return potential, relative to our long-term strategic portfolio guidance, without taking on unintentional risk.

		Underweight	Neutral	Overweight
Asset allocation guidance				
Equity		·	·	●
Fixed income		●	·	·
Equities	U.S. large-cap stocks	·	·	●
Equities	International large-cap stocks	·	●	·
Equities	U.S. mid-cap stocks	·	·	●
Equities	U.S. small-cap stocks	·	●	·
Equities	International small- and mid-cap stocks	·	●	·
Equities	Emerging-market equity	●	·	·
Fixed income	U.S. investment-grade bonds	●	·	·
Fixed income	U.S. high-yield bonds	●	·	·
Fixed income	International bonds	·	●	·
Fixed income	Emerging-market debt	·	·	●
Fixed income	Cash	·	●	·
Equity style guidance				
Value-style equity		·	●	·
Growth-style equity		·	●	·
U.S. equity sector guidance				
Communication services		·	●	·
Consumer discretionary		·	●	·
Consumer staples		·	●	·
Energy		·	●	·
Financial services		●	·	·
Health care		·	●	·
Industrials		·	·	●
Materials		●	·	·
Real estate		·	●	·
Technology		·	●	·
Utilities		·	·	●
U.S. investment-grade bond guidance				
Interest rate risk (duration)		·	·	●
Credit risk		·	●	·

Diversification does not ensure a profit or protect against loss in a declining market.

Quarterly market outlook: **Third quarter 2024**

Investment performance benchmarks

It's natural to compare your portfolio's performance to market performance benchmarks, but it's important to put this information in the right context and understand the mix of investments you own. Talk with your financial advisor about any next steps for your portfolio to help you stay on track toward your long-term goals.

As of June 30, 2024

Asset class performance

Total returns	YTD 2024	3-year	5-year
U.S. large-cap stocks	15.3	10.1	15.0
U.S. mid-cap stocks	5.0	2.3	9.4
U.S. small-cap stocks	1.7	-2.6	6.9
International developed large-cap stocks	5.3	2.6	6.5
International small- & mid-cap stocks	0.9	-2.8	4.1
Emerging-market equity	7.5	-5.1	3.1
U.S. investment-grade bonds	-0.7	-3.0	-0.2
International bonds	0.7	-0.4	0.5
Emerging-market debt	2.2	-2.2	0.5
U.S. high-yield bonds	2.6	1.7	3.9
Cash	2.7	3.1	2.2

U.S. equity sector performance

Total returns	YTD 2024	3-year	5-year
Information technology	28.2	19.7	27.1
Financials	10.2	6.1	10.6
Consumer staples	9.0	7.4	9.4
Consumer discretionary	5.7	2.3	10.5
Communication services	26.7	6.3	14.7
Health care	7.8	6.7	11.5
Industrials	7.8	8.1	11.5
Materials	4.0	4.6	10.9
Real estate	-2.4	-1.6	4.4
Utilities	9.4	5.8	6.1
Energy	10.9	24.9	12.9

Source: Morningstar Direct, 6/30/2024. Total returns in USD. 3- & 5-year periods are annualized returns. Cash represented by the Bloomberg US Treasury Bellwethers 3-Month index. U.S. investment-grade bonds represented by the Bloomberg US Aggregate Bond Index. U.S. high-yield bonds represented by the Bloomberg US HY 2% Issuer Cap Index. International bonds represented by the Bloomberg Global Aggregate Ex USD Hedged Index. Emerging-market debt represented by the Bloomberg Emerging Market USD Aggregate Index. U.S. large-cap stocks represented by the S&P 500 Index. Developed international large-cap stocks represented by the MSCI EAFE Index. U.S. mid-cap stocks represented by the Russell Mid-cap Index. U.S. small-cap stocks represented by the Russell 2000 Index. International small- and mid-cap stocks represented by the MSCI EAFE SMID Index. Emerging-market equity represented by the MSCI EM Index. Equity sectors of the S&P 500 Index. An index is unmanaged and is not available for direct investment. Performance does not include payment of any expenses, fees or sales charges, which would lower the performance results. The value of investments fluctuates, and investors can lose some or all of their principal. Past performance does not guarantee future results.

