



Crescent Grove
Investment
Committee



Complex Needs

Important Goals

Independent Advice

Q2 2024

Market Perspectives

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Bond Index Returns

Annualized

	Q2	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Municipal 1-10Yr Index	-0.4%	-0.8%	2.3%	-0.4%	1.0%
Bloomberg US Aggregate Bond Index	0.1%	-0.7%	2.6%	-3.0%	-0.2%
Bloomberg US High Yield Index	1.1%	2.6%	10.4%	1.6%	3.9%

Treasury Yields

	1 Yr	2 Yr	5 Yr	10 Yr	30 Yr
Yield by Maturity	5.1%	4.8%	4.4%	4.4%	4.6%

FX and Commodity Returns

Annualized

	Q2	YTD	1 Yr	3 Yr	5 Yr
Bloomberg Dollar Index	1.9%	4.7%	3.0%	3.6%	1.4%
Bloomberg Commodity Index	1.5%	2.4%	-0.5%	2.2%	4.9%
WTI Crude Oil	1.2%	19.1%	29.5%	15.6%	4.3%
Natural Gas	13.9%	-18.8%	-44.4%	-31.5%	-27.3%
Copper	10.6%	14.7%	19.6%	2.8%	10.9%
Gold	4.9%	12.7%	20.6%	9.1%	9.4%

Equity Index Returns

Annualized

US Equities	Q2	YTD	1 Yr	3 Yr	5 Yr
Russell 3000	3.2%	13.6%	23.1%	8.0%	14.1%
S&P 500	4.3%	15.3%	24.6%	10.0%	15.0%
Russell 2000	-3.3%	1.7%	10.1%	-2.6%	6.9%
Non-US Equities	Q2	YTD	1 Yr	3 Yr	5 Yr
MSCI All Country World ex. US	1.0%	5.7%	11.6%	0.5%	5.5%
MSCI EAFE	-0.4%	5.3%	11.5%	2.9%	6.5%
MSCI Emerging Markets	5.0%	7.5%	12.5%	-5.1%	3.1%

US Equity "Style Box" Returns*

*Uses Russell indexes

	Q2			1 Yr		
	Value	Core	Growth	Value	Core	Growth
Large	-2.2%	3.6%	8.3%	13.1%	23.9%	33.5%
Mid	-3.4%	-3.3%	-3.2%	12.0%	12.9%	15.1%
Small	-3.6%	-3.3%	-2.9%	10.9%	10.1%	9.1%



Overview

Chart of the Qtr.

Key Themes

Fixed Income

Equities

Key Themes

- The economy continued to show resilience fueled by many of the same trends seen over the last several quarters—notably strong economic growth mixed with stubborn but decelerating inflation. Signs point to a muted economic landscape in the latter half of 2024 as consumer spending and labor demand slow, opening the door to policy easing and lower interest rates.

Fixed Income

- Treasury yields rose modestly in Q2, while investment grade corporate spreads ended the quarter largely unchanged. This stability left most bonds with muted, income-driven returns. Outside of high yield, bond returns generally remain negative YTD, though returns improved since late April.
- Credit markets remain well-bid but are beginning to show modest signs of risk aversion among the lowest-rated segments, reflecting expectations for decelerating growth.

Equities

- After a short-lived pullback early in the quarter, US stocks continued the year's strong-but-narrow rally with gains primarily driven by a handful of mega-cap tech and AI-related stocks. Smaller and value-oriented sectors continued to be left behind, despite cyclically attractive valuations.
- Internationally, emerging markets outperformed with help of rebounding Chinese stocks amid some signs of stabilization. Developed markets lagged as European equities posted flat returns amid political uncertainty, while Japan underperformed due to a weaker yen and idiosyncratic factors—like factory shutdowns—that weighed on growth.

Chart of the Quarter: Performance Concentration YTD



Overview

Chart of the Qtr.

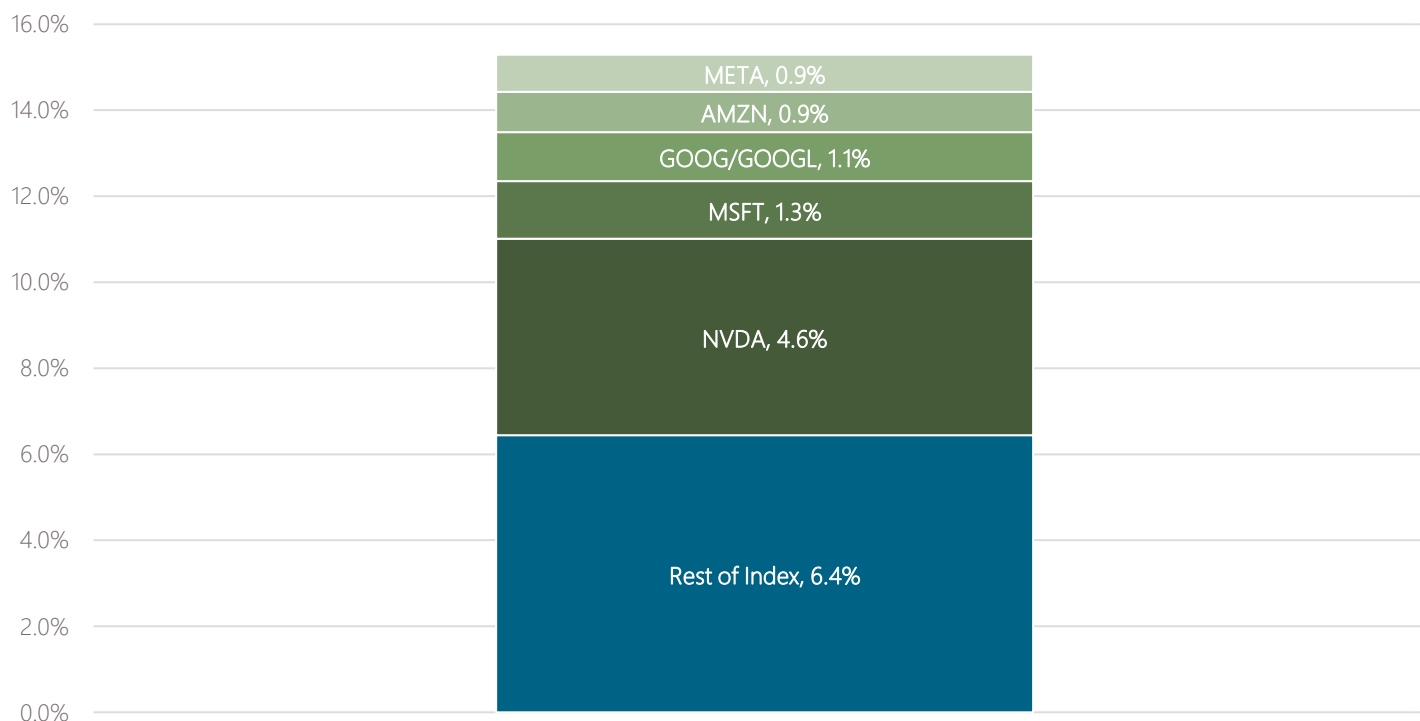
Key Themes

Fixed Income

Equities

- US stock market performance has been dominated by a small number of names in 2024. The S&P 500's 15.3% headline return belies the fact that just five mega-cap tech companies have driven more than half of the gains—as shown on the chart below.

Winners Take Most: Mega-Cap Companies Responsible for a Majority of Market Returns
YTD Contribution to S&P 500 Index Return



Economy: Falling But Stalling Inflation

Persistent services inflation is the key obstacle to achieving lower overall inflation rates



Overview

Chart of the Qtr.

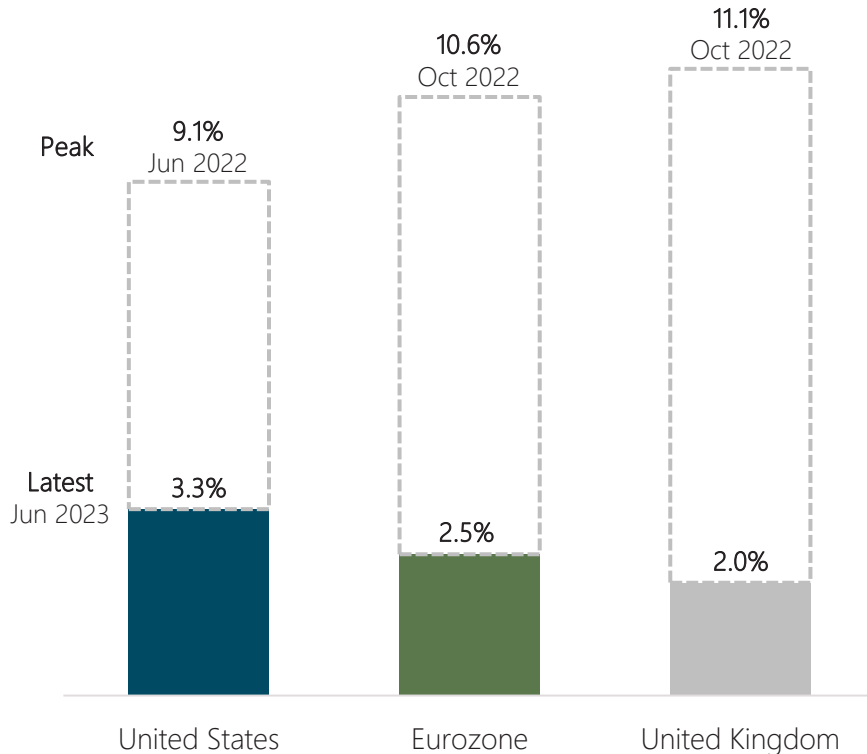
Key Themes

Fixed Income

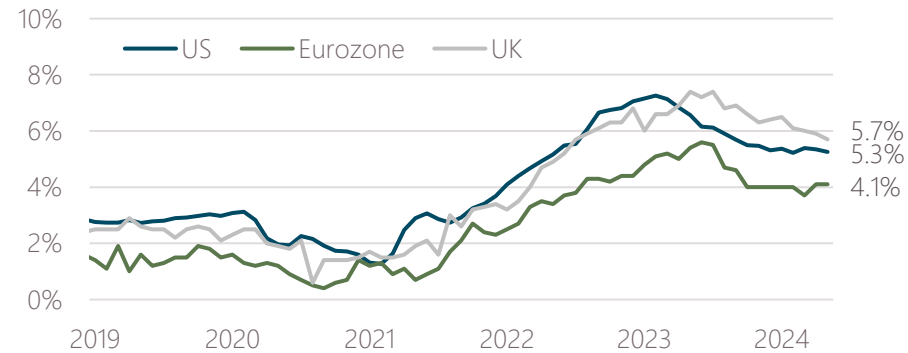
Equities

- Disinflationary trends have paused after a sharp decline from '22/'23 highs. Persistent core services inflation has postponed market expectations for when central banks may begin to relax their hawkish policy stances.

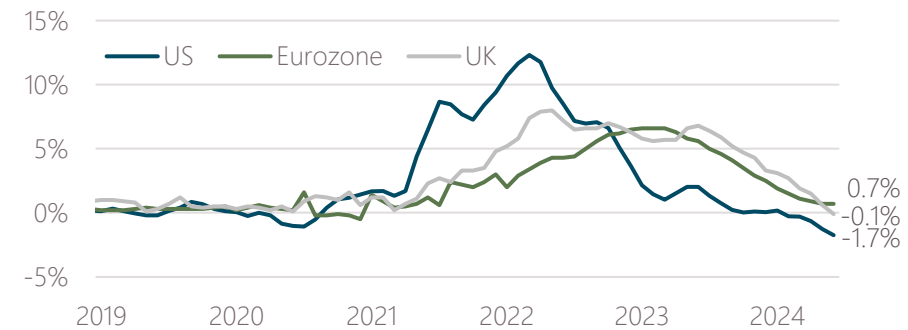
Disinflation Continues But Progress Has Slowed
CPI (Annual Change %)



Sticky Services Inflation is Biggest Driver of Inflationary Trends
Core Services CPI (YoY%)



Core Goods CPI (YoY%)



Interest Rates: Will They or Won't They?



Slower progress on inflation suggests fewer rate cuts than expected at the start of the year

Overview

Chart of the Qtr.

Key Themes

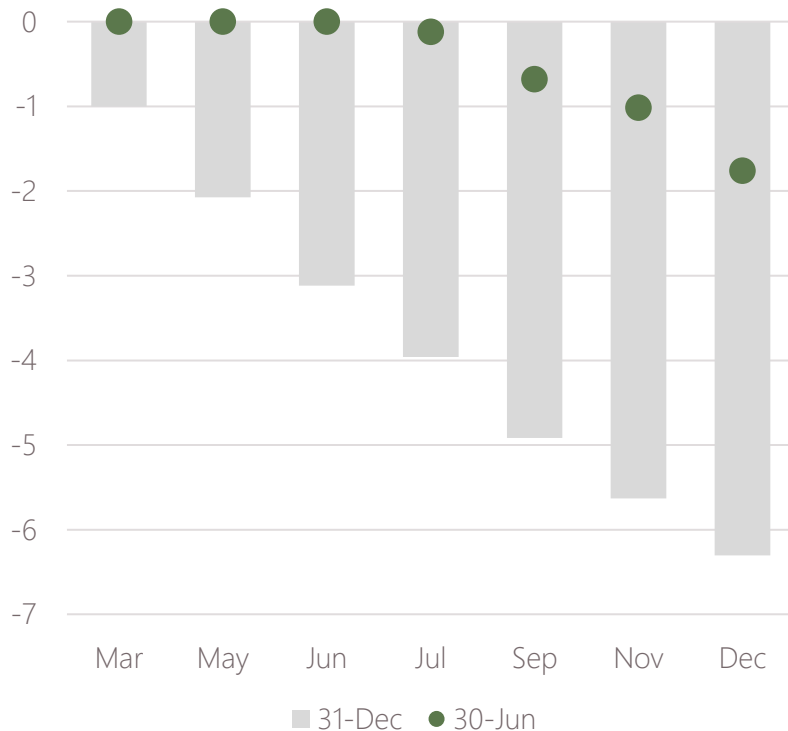
Fixed Income

Equities

- Strong US growth, still-tight labor markets, and a series of upside inflation surprises YTD have pushed back policymaker and market expectations for widespread rate cuts in 2024.

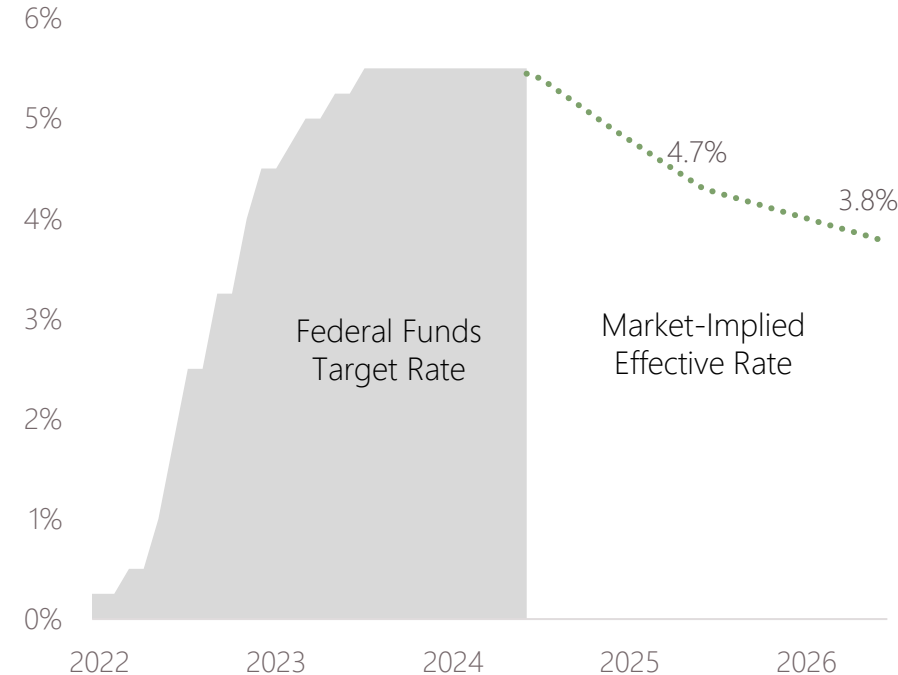
Resetting Rate Expectations

of 2024 Rate Cuts Expected by Fed Meeting



Inflation Progress Still Opens the Door for Policy Easing in 2H24

Fed Funds Rate – Actual and Futures Pricing



Under The Surface: Historically Narrow Market Leadership



US stocks continue to take a narrow road to record highs during the quarter

Overview

Chart of the Qtr.

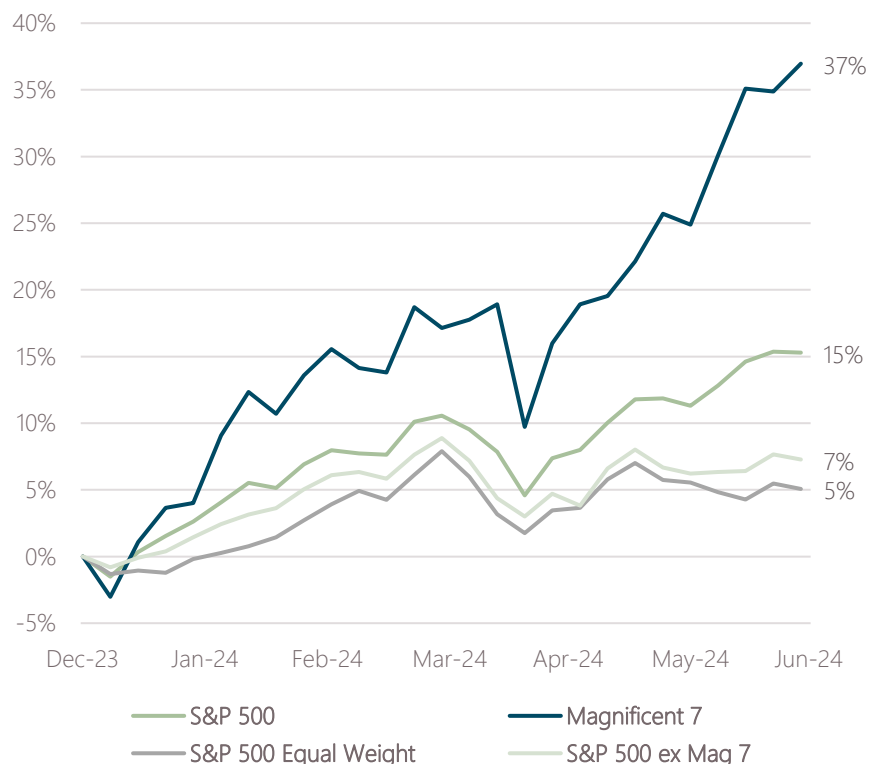
Key Themes

Fixed Income

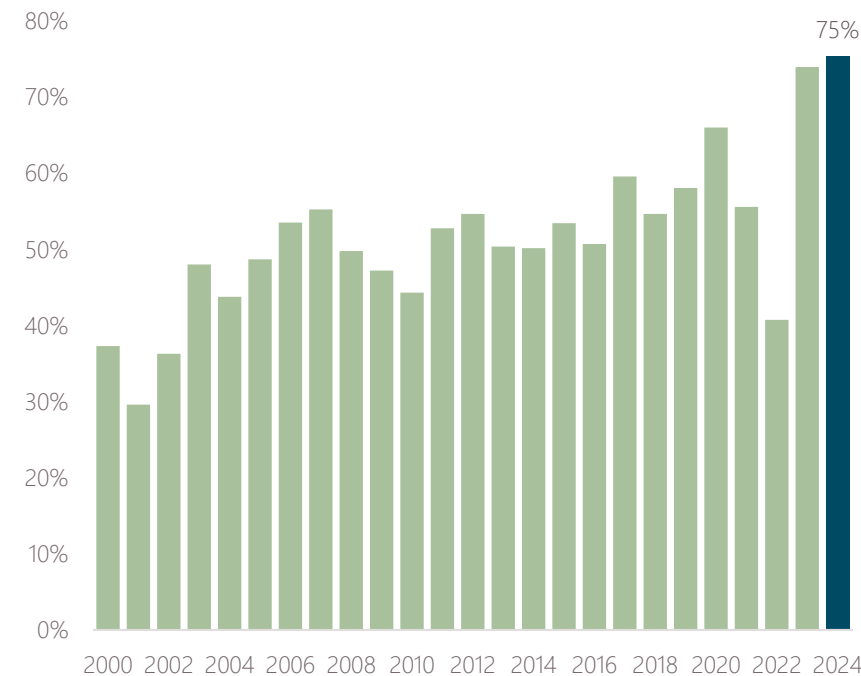
Equities

- US stocks' record highs were driven largely by the surge in a handful of mega-cap stocks and exuberance behind the AI theme. Beyond the Magnificent 7, only two sectors have outperformed YTD, with a near-record 75% of S&P 500 constituents lagging the broader index.

Heavy Lifting: Most Stocks Have Gone Sideways Beyond Mag 7
Magnificent 7 vs. Everyone Else



Market Gains Led by Increasingly Small Subset
% of S&P 500 Constituents Underperforming Index



The Other 493: Opportunities Beyond the Mag 7

Earnings growth expected to broaden beyond mega-cap technology leaders



Overview

Chart of the Qtr.

Key Themes

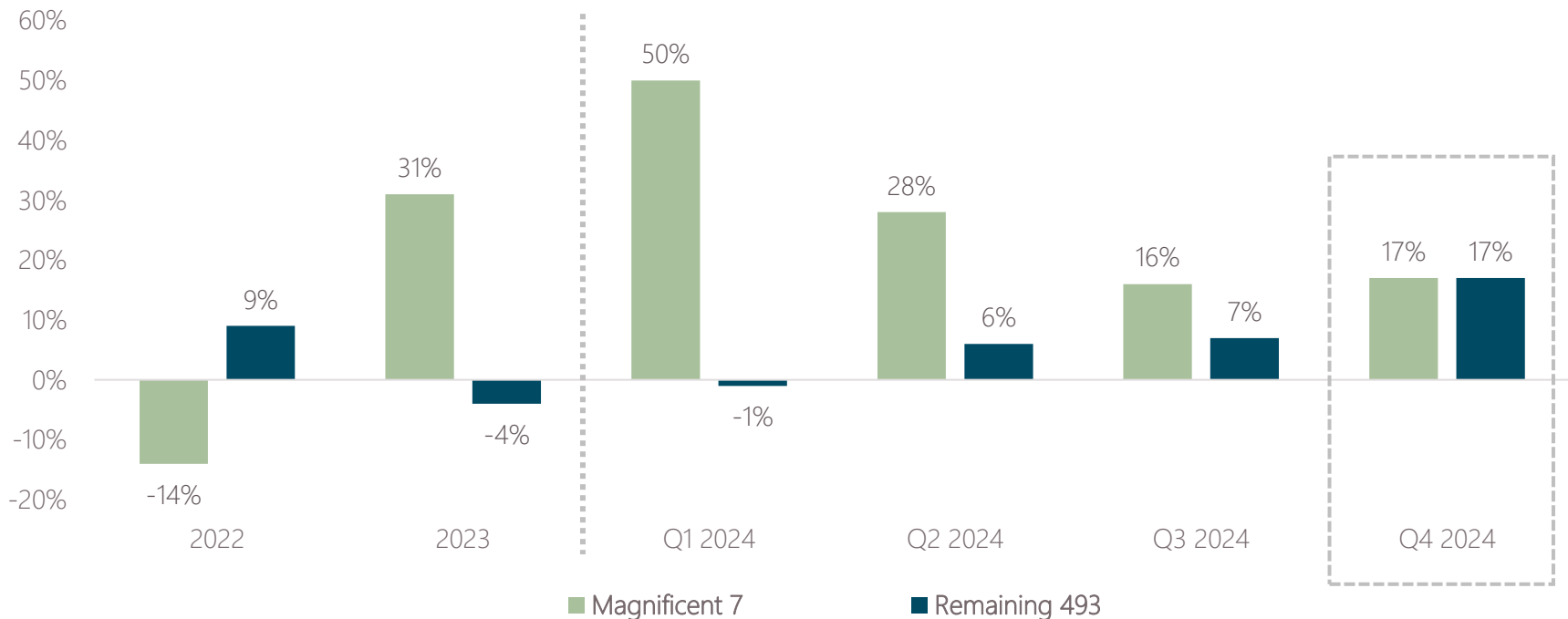
Fixed Income

Equities

- With the increased likelihood of rate cuts in 2024 and a moderation in U.S. economic growth, compelling opportunities are expected to emerge beyond the limited group of mega-cap technology companies. The valuation gap between Magnificent 7 and everything else could lead to upside for stocks left behind.

Strong 2H Earnings Growth Could be Catalyst for Mean Reversion Between Market's Leaders and Laggards

Earnings Growth Expectations (YoY%)



Bond Market Returns

Returns for major bond indices



Overview

Chart of the Qtr.

Key Themes

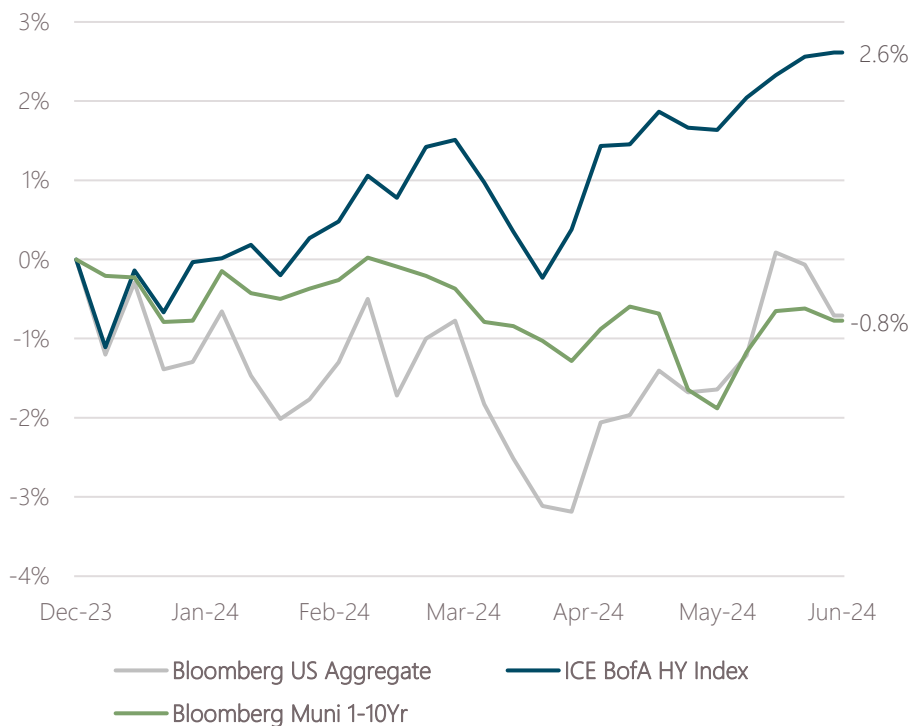
Fixed Income

Equities

- Momentum behind the higher-for-longer narrative kept a lid on any bond market rally and created a backdrop of record-breaking interest rate volatility for core bond sectors. Conversely, credit-sensitive and short-duration sectors largely side-stepped the duration damage felt by more rate-sensitive areas.

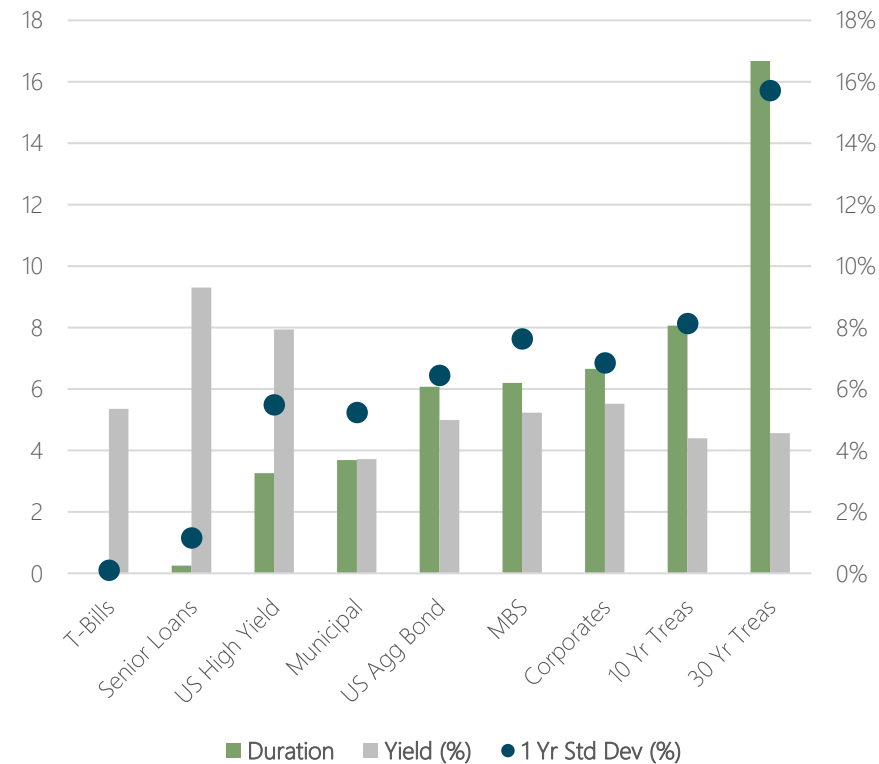
Core Bonds Struggle with "Higher-For-Longer"

Major Bond Index Returns – YTD



Short Duration: Striking the Balance Between Income and Risk

Duration, Current Yields and Trailing 1-Yr Volatility



Treasury Yields

Benchmark Treasury rates



Overview

Chart of the Qtr.

Key Themes

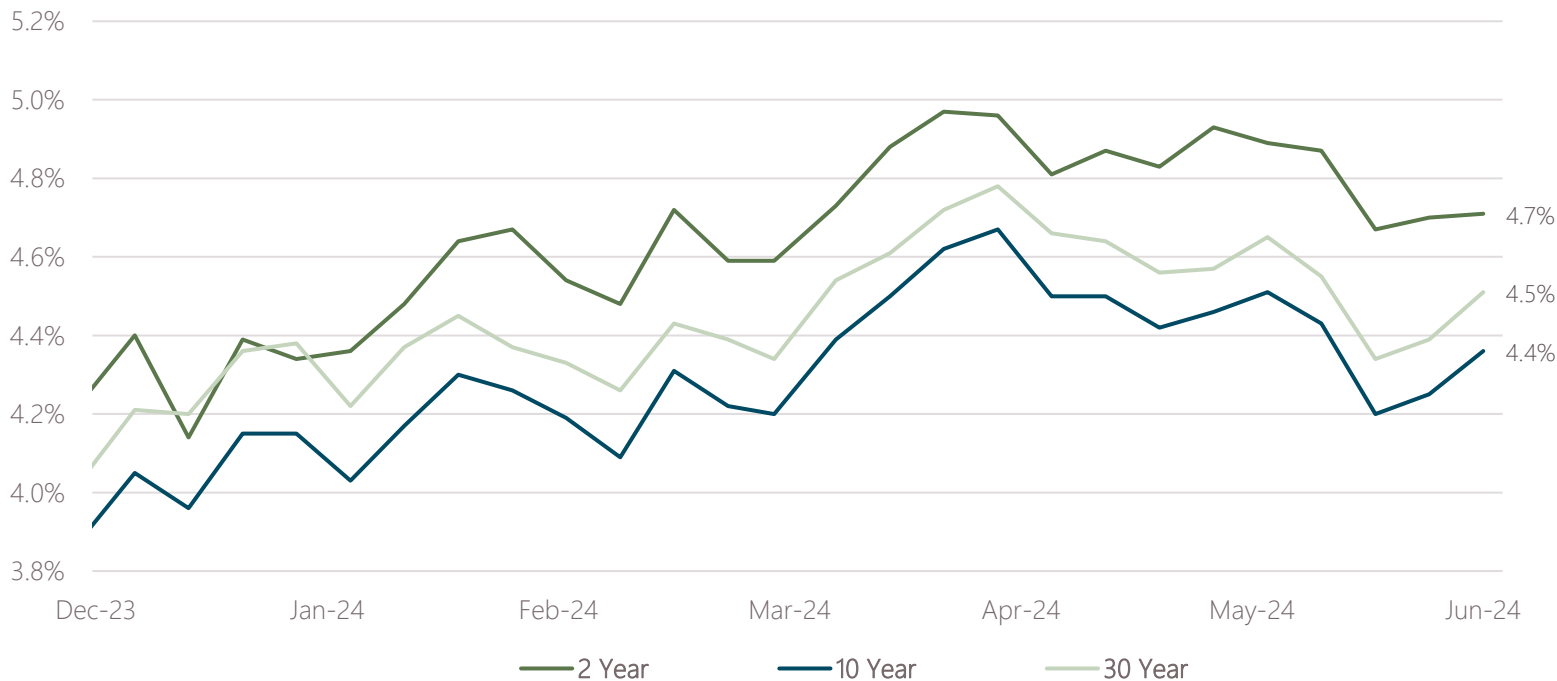
Fixed Income

Equities

- Treasury yields were volatile in Q2 given the uncertain path for monetary policy. Yields rose early in the quarter on a series of warm inflation readings before declining into the quarter's end as deflationary trends resumed and expectations for interest rate cuts grew.

Off Their Q2 Highs... But Still Higher

Treasury Yields – YTD



Credit Spreads

Investment grade and high yield credit spreads



Overview

Chart of the Qtr.

Key Themes

Fixed Income

Equities

- Strong fundamentals and historically attractive all-in yields continue to support credit markets. Still, modest signs of risk aversion are beginning to appear among the lowest-rated segments—e.g., CCC-rated bonds—reflecting expectations for a decelerating growth environment.

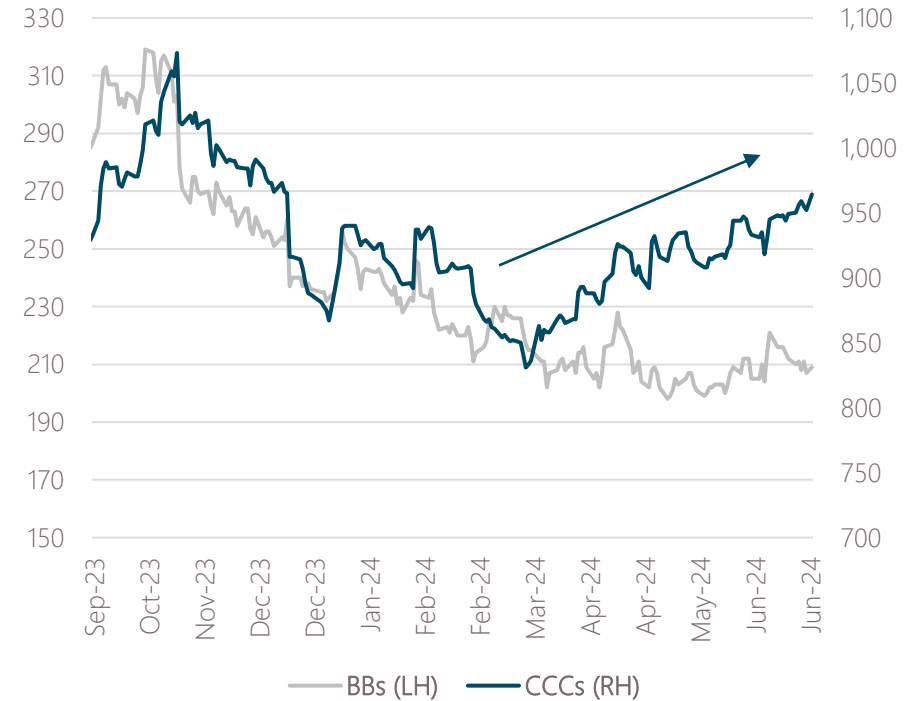
Credit Dilemma: Attractive Yields but Narrow Spreads

Investment Grade and High Yield Corporate Bond Spreads



Lower-Rated Credits Showing Modest Signs of Risk Aversion

High Yield Spreads: BBs vs CCCs



Stock Market Returns YTD – US vs. Non-US

Russell 3000 vs. MSCI All Country World ex. USA



Overview

Chart of the Qtr.

Macro

Fixed Income

Equities

- US stocks, led by a cohort of mega-cap tech leaders, continued to outperform non-US stocks in Q2. European equities posted flat returns amid political uncertainty, while Japan underperformed due to a weaker yen.

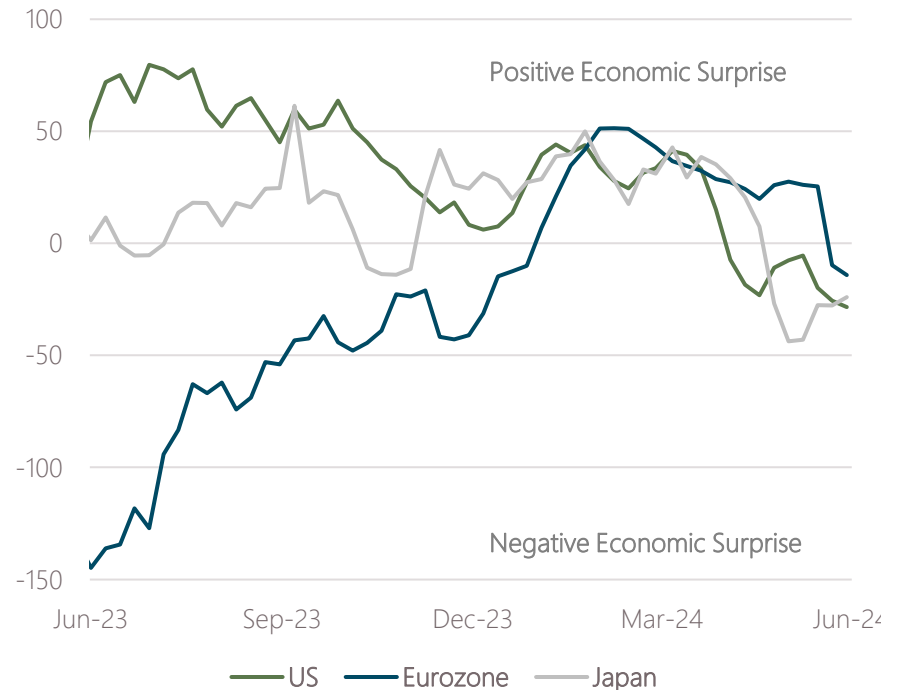
Non-US Markets Continue to Lag

US (Russell 3000) vs. Non-US (MSCI ACWI ex. USA)



Economic Data Deteriorated Across Developed Markets in Q2

Citi Economic Surprise Index (weekly)



Stock Market Returns YTD – US Large vs. Small

S&P 500 vs. Russell 2000



Overview

Chart of the Qtr.

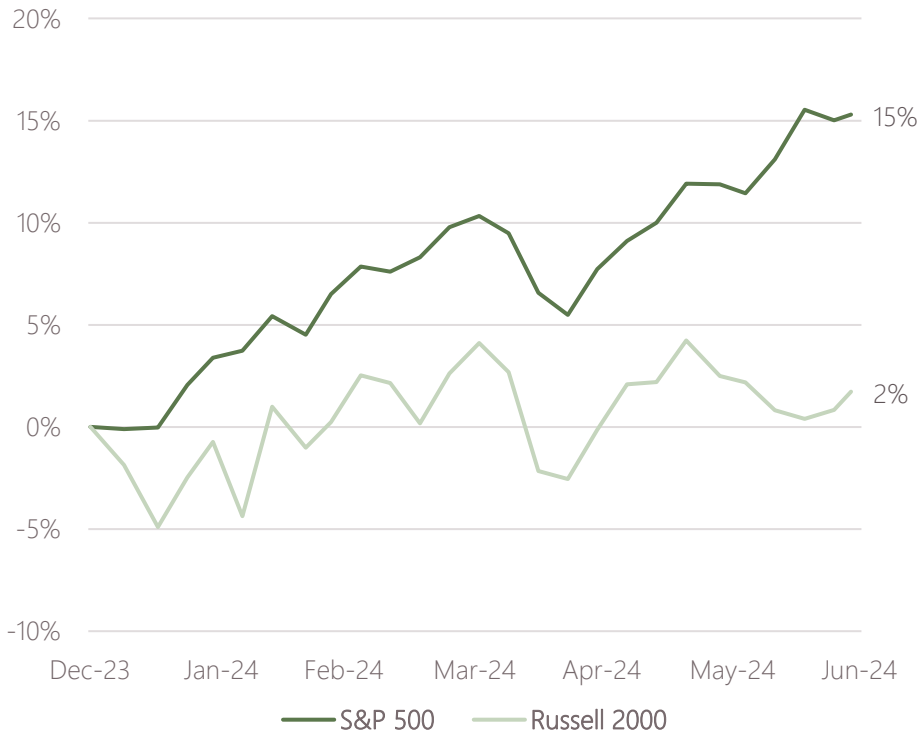
Macro

Fixed Income

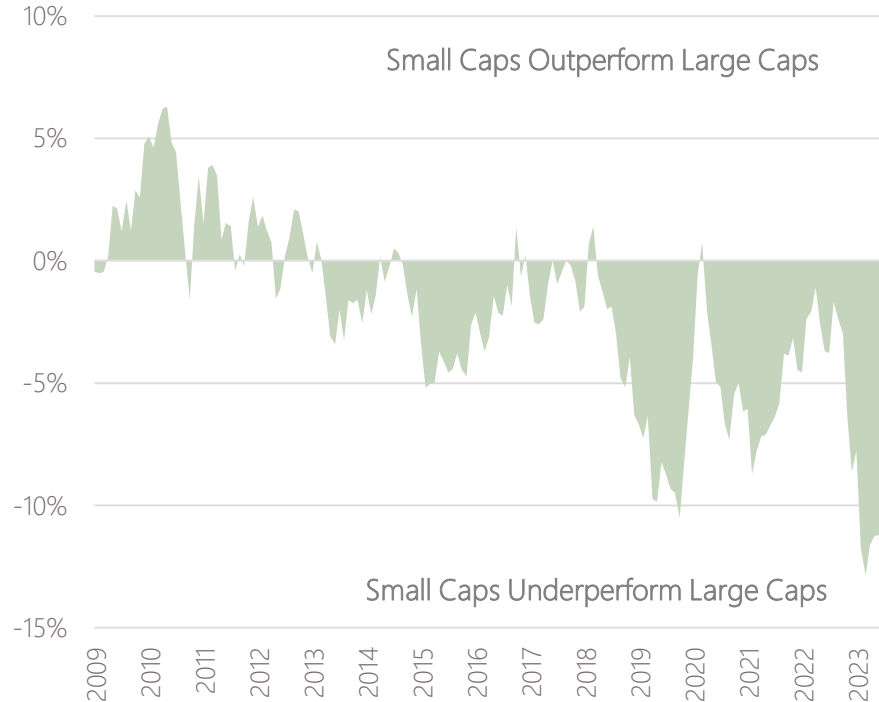
Equities

- Following a familiar pattern from the last few years, returns were better further up the capitalization scale. Despite favorable relative valuations, muted earnings growth and tighter financial conditions continue to weigh on small cap stocks.

Unloved: Large Caps Continue Their Dominance Over Small Caps
US Large Caps (S&P 500) vs. Small Caps (Russell 2000)



Small Cap Underperformance Has Reached Historic Levels
Rolling 3-Year Annualized Returns: Large Caps vs Small Caps



Stock Market Returns YTD – Developed Int’l vs. EM

MSCI EAFE vs. MSCI Emerging Markets



Overview

Chart of the Qtr.

Macro

Fixed Income

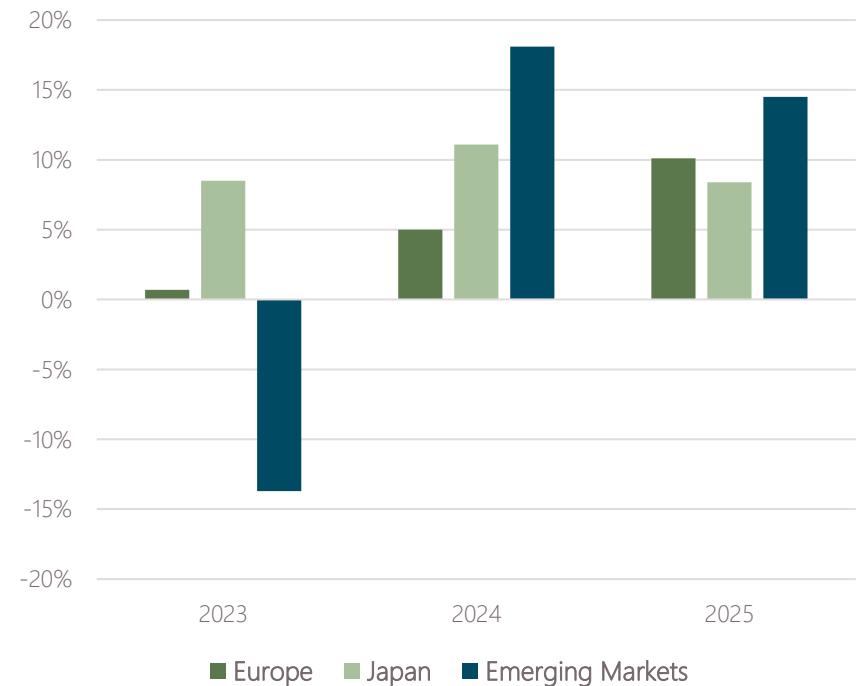
Equities

- Emerging markets finished ahead of developed peers in Q2. Chinese equities rebounded amid signs of stabilization in consumption and fixed investment, alongside continued policy support. The significant weight of Asian markets within the broader emerging market universe masked underperformance among other EM regions.

China and India Have Underpinned the EM Recovery YTD
Dev Int’l (MSCI EAFE) vs. Emerging Markets (MSCI EM)



EM Earnings Expected to Rebound More Than Developed
Annual Earnings Growth (%)





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