

Market Review

Snapshot

Despite pulling back in December, U.S. stocks (S&P 500 Index) posted another quarterly gain, which lifted the index's year-to-date return to 25%. Non-U.S. stocks underperformed U.S. stocks in December and in the quarter. U.S. bonds also declined for both periods.

- Alongside a more tempered Fed rate-cut outlook, U.S. stocks declined more than 2% in December. But earlier gains, particularly in the wake of November's election results, left the S&P 500 Index with a 2.4% fourth-quarter return.
- Most S&P 500 Index sectors declined in December and for the quarter. Only three of the index's 11 sectors posted December gains. For the quarter, four sectors advanced, led by Consumer Discretionary, up 14.3%.
- Non-U.S. developed markets stocks struggled, and they sharply lagged U.S. stocks for the quarter. The broad emerging markets index underperformed non-U.S. developed markets stocks.
- Despite still-above-target inflation and solid economic growth, the Fed cut rates by 50 bps in the fourth quarter. In December, policymakers raised their inflation forecast and cut their easing outlook. The European Central Bank cut rates twice, while the Bank of England eased in November but held steady in December.
- Annual U.S. headline inflation rose to 2.7% in November from 2.4% in September. Inflation also climbed in Europe and the U.K.
- In the U.S., large-cap stocks outperformed small-caps in December and for the quarter, and growth outpaced value. Outside the U.S., developed markets' size and style indices fell for both periods.
- U.S. Treasury yields rose for the month and the quarter, and the broad U.S. bond market declined. However, bonds delivered a year-to-date gain.

Returns (%)

INDEX	1 MO	3 MO	YTD	1 YR	3 YR	5 YR	10 YR
U.S. Large-Cap Equity							
S&P 500	-2.38	2.41	25.02	25.02	8.94	14.53	13.10
U.S. Small-Cap Equity							
Russell 2000	-8.26	0.33	11.54	11.54	1.24	7.40	7.82
Intl. Developed Markets Equity							
MSCI World ex USA	-2.68	-7.43	4.70	4.70	1.91	5.10	5.26
Emerging Markets Equity							
MSCI Emerging Markets	-0.14	-8.01	7.50	7.50	-1.92	1.70	3.64
Global Real Estate Equity							
S&P Global REIT	-7.35	-9.02	2.77	2.77	-5.02	0.46	2.98
U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-1.64	-3.06	1.25	1.25	-2.41	-0.33	1.35
Global Fixed Income							
Bloomberg Global Aggregate Bond	-2.15	-5.10	-1.69	-1.69	-4.52	-1.96	0.15
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.40	1.19	5.32	5.32	3.98	2.49	1.75

Data as of 12/31/2024. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

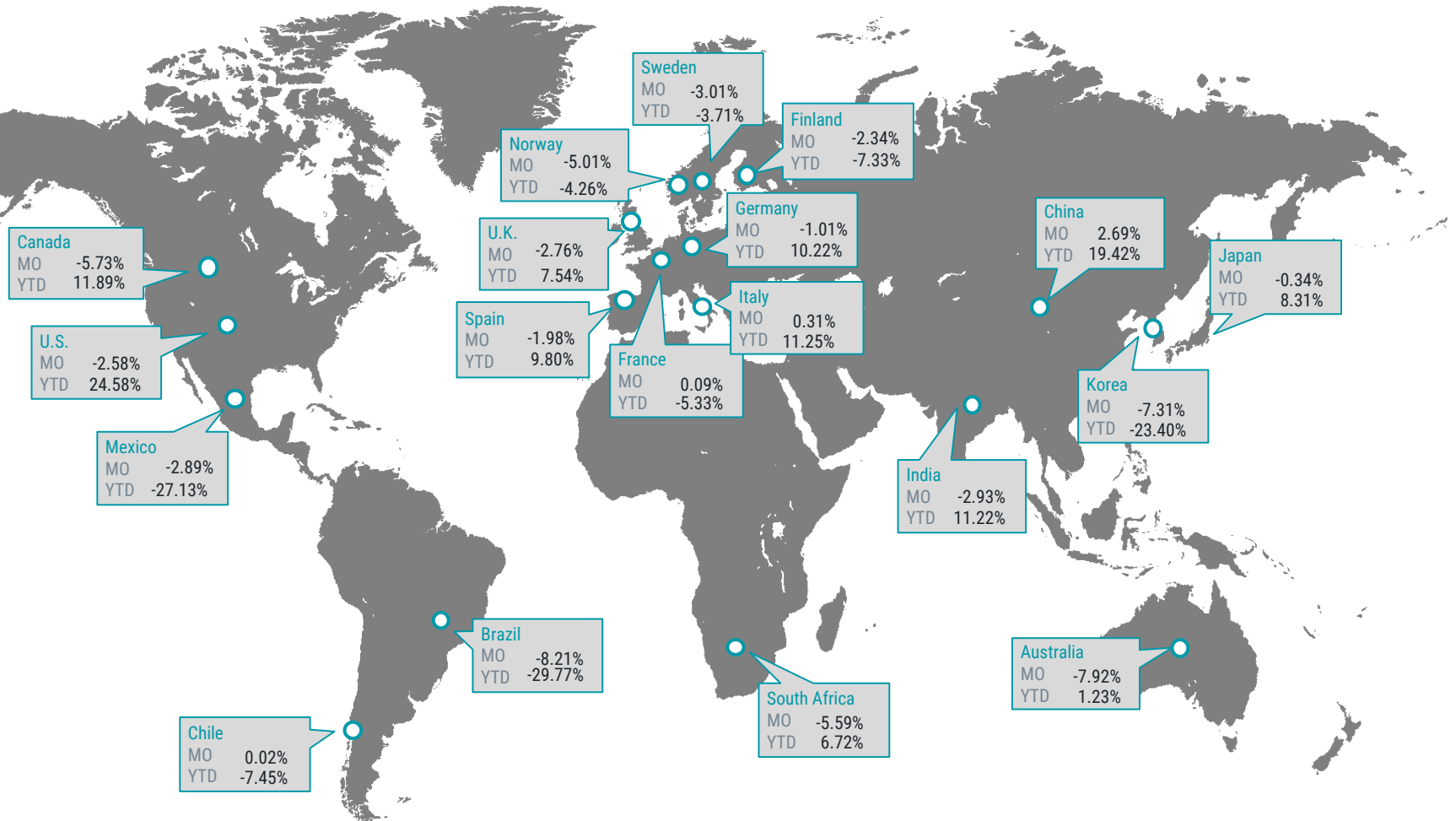
Equity Returns | Size and Style

		U.S.				Non-U.S. Developed Markets				Emerging Markets			
		QTD (%)		YTD (%)		QTD (%)		YTD (%)		QTD (%)		YTD (%)	
		Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth	Value	Growth
Size	Large	-1.98	7.07	14.37	33.36	-6.41	-8.67	7.36	2.52	-9.28	-6.44	5.03	12.76
	Small	-1.06	1.70	8.05	15.15	-8.12	-7.60	2.95	2.57	-7.98	-6.40	5.16	4.41

- The broad U.S. stock market index rose for the quarter, pushing its year-to-date gain to 25%. Value indices declined for the quarter, but all size and style indices rose for the year.
- Large-cap stocks outperformed their smaller peers for the quarter and year to date. For the year, large-cap stocks gained nearly 25%, while small-caps returned almost 12%.
- Growth stocks outperformed value stocks across the board in the fourth quarter and for the year. Year to date, large-cap growth stocks were top performers, returning more than 33%.
- International developed markets stocks retreated and underperformed U.S. stocks for the quarter. Year to date, they gained nearly 5% but sharply lagged their U.S. peers.
- Large-cap stocks, which declined nearly 8% for the quarter, fared slightly better than small-caps. Year to date, large-caps gained almost 5%, versus nearly 3% for small-caps.
- For the quarter and year, value stocks outperformed growth stocks among large-caps. In the small-cap arena, value underperformed for the quarter but outperformed year to date.
- The emerging markets (EM) stock index declined 8% for the quarter and underperformed developed markets. Year to date, EM stocks gained nearly 8%, outpacing non-U.S. developed markets but lagging U.S. stocks.
- Large-cap stocks declined more than small-caps in the fourth quarter. Year to date, large-caps advanced 9% versus nearly 5% for small-caps.
- In the large-cap space, growth stocks outperformed value stocks for the quarter and year. Among small-caps, value lagged growth for the quarter but outperformed for the year.

Data as of 12/31/2024. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Data as of 12/31/2024. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

Amid resilient economic data and changing expectations for inflation and Fed interest rate policy, U.S. Treasury yields steadily rose in the quarter. Against this backdrop, the broad U.S. bond index declined in December and the fourth quarter.

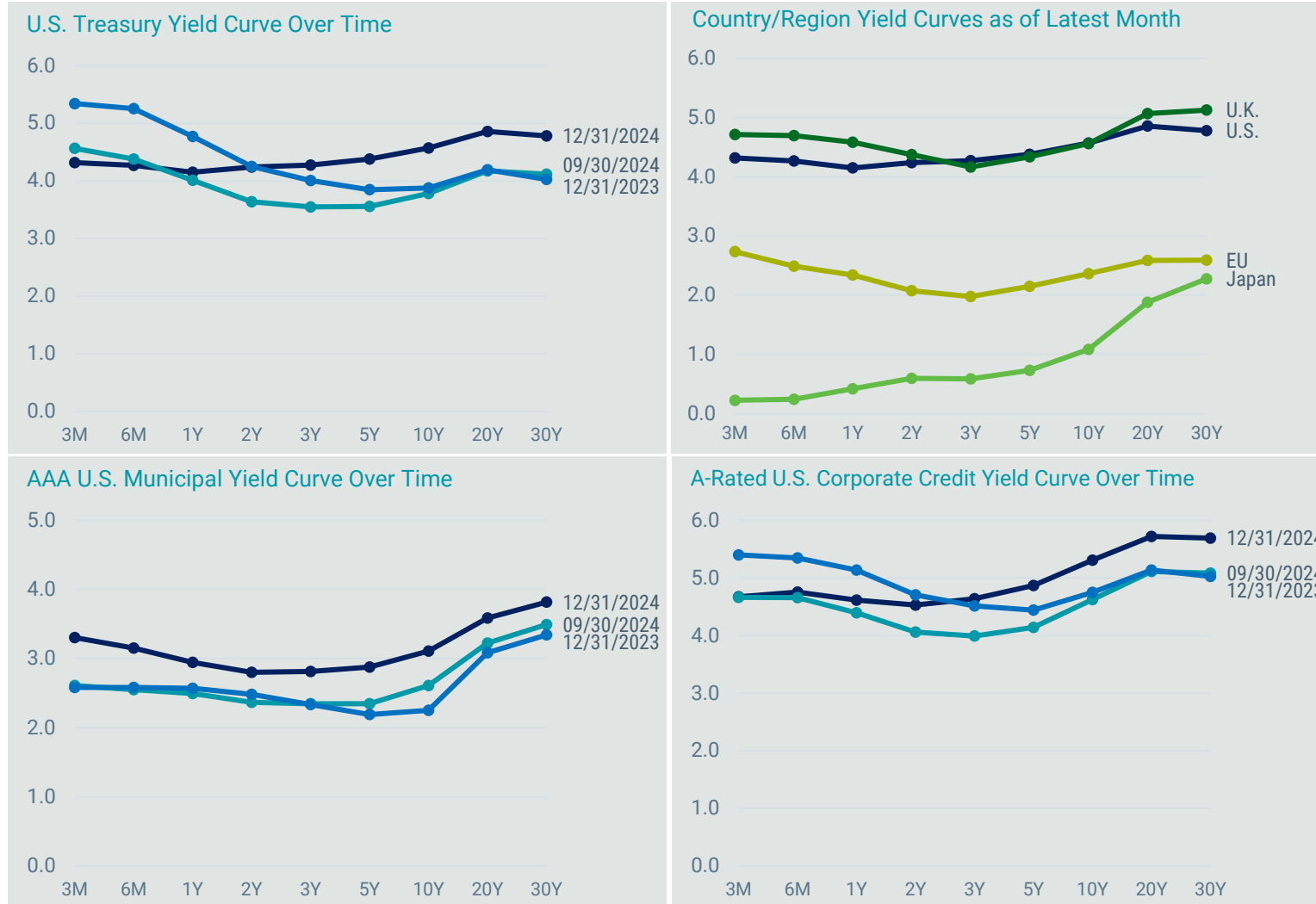
- The Bloomberg U.S. Aggregate Bond Index returned -1.64% and -3.1% for December and the fourth quarter, respectively, but maintained a year-to-date gain of 1.3%.
- Treasury yields increased in December and for the quarter. The 10-year note ended the year at 4.58%, 79 bps higher than on September 30. The two-year Treasury yield jumped 60 bps to 4.25%, and the yield curve remained positively sloped.
- Investment-grade and high-yield credit spreads tightened for the three-month period, but rising Treasury yields pressured returns. Investment-grade corporates declined but outpaced Treasuries, MBS and the broad bond index. High-yield corporates advanced slightly for the quarter and maintained a solid year-to-date gain.
- Despite persistent inflation and steady growth, the Fed cut interest rates 25 bps in November and again in December. This action pushed the federal funds rate to a range of 4.25% to 4.5%. Fed officials also revised higher their 2025 growth and inflation expectations and reduced their rate cut outlook.
- Annual headline CPI increased for the second straight month in November, while core CPI was 3.3% for the third straight month. Annual core PCE inflation, the Fed's preferred inflation gauge, inched up to 2.8% in October and held steady in November.
- Municipal bonds declined for the month and the quarter but outperformed Treasuries. TIPS declined but outpaced Treasuries for the quarter.

Returns (%)

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Global Fixed Income							
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U.S. Fixed Income							
Bloomberg U.S. Aggregate Bond	-1.64	-3.06	1.25	1.25	-2.41	-0.33	1.35
U.S. High-Yield Corporate							
Bloomberg U.S. Corporate High Yield Bond	-0.43	0.17	8.19	8.19	2.92	4.21	5.17
U.S. Investment Grade							
Bloomberg U.S. Corporate Bond	-1.94	-3.04	2.13	2.13	-2.27	0.30	2.43
Municipals							
Bloomberg Municipal Bond	-1.46	-1.22	1.05	1.05	-0.55	0.99	2.25
U.S. TIPS							
Bloomberg U.S. TIPS	-1.58	-2.88	1.84	1.84	-2.30	1.87	2.24
U.S. Treasuries							
Bloomberg U.S. Treasury Bond	-1.54	-3.14	0.58	0.58	-2.88	-0.68	0.83
U.S. Cash							
Bloomberg U.S. 1-3 Month Treasury Bill	0.40	1.19	5.32	5.32	3.98	2.49	1.75

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Global Yield Curves



Data as of 12/31/2024. Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).