



## Reserve Account Overview

Period Ending 9/30/2024

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VIRGINIA BANKERS  
ASSOCIATION

SEE WHERE YOU'RE GOING

# ASSET CLASS RETURNS

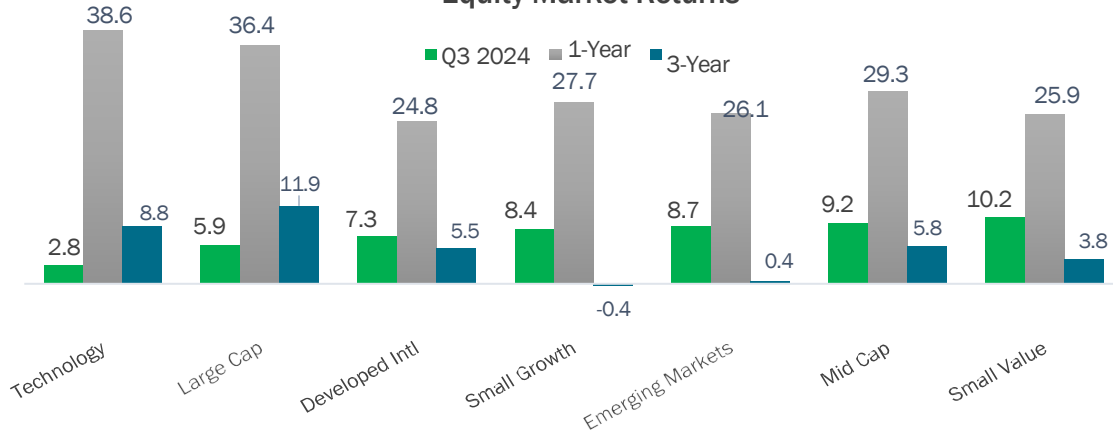
Annualized Return	Volatility	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD
Large Cap 14.0%	Small Cap 21.9%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 26.3%	Large Cap 22.1%
Small Cap 11.3%	REITs 21.2%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 14%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 18.9%	EM Equity 17.2%
REITs 10.9%	EM Equity 20.3%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Small Cap 16.9%	REITs 14.2%
High Yield 8.6%	DM Equity 18.4%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 14.1%	DM Equity 13.5%
Asset Alloc. 8.1%	Comdty. 16.6%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 14.0%	Asset Alloc. 12.3%
DM Equity 7.4%	Large Cap 16.1%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	REITs 11.4%	Small Cap 11.2%
EM Equity 6.9%	High Yield 11.5%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 10.3%	High Yield 9.6%
Fixed Income 2.7%	Asset Alloc. 11.5%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income 5.5%	Comdty. 5.9%
Cash 0.8%	Fixed Income 4.5%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	Fixed Income 4.4%
Comdty. -0.2%	Cash 0.7%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -7.9%	Cash 4.1%

Source: JPMorgan Guide to the Markets, which leverages data from Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management. Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index, and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2008 to 12/31/2023. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns. US Data are as of September 30, 2024.

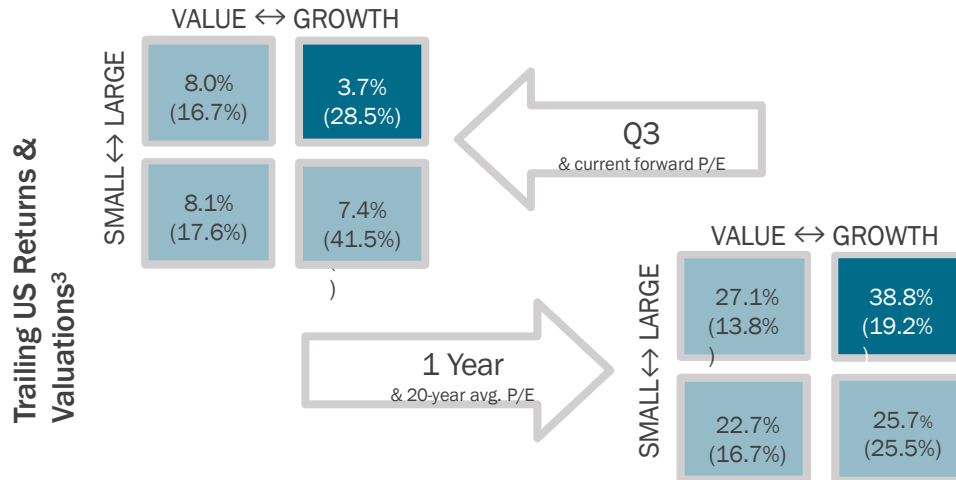
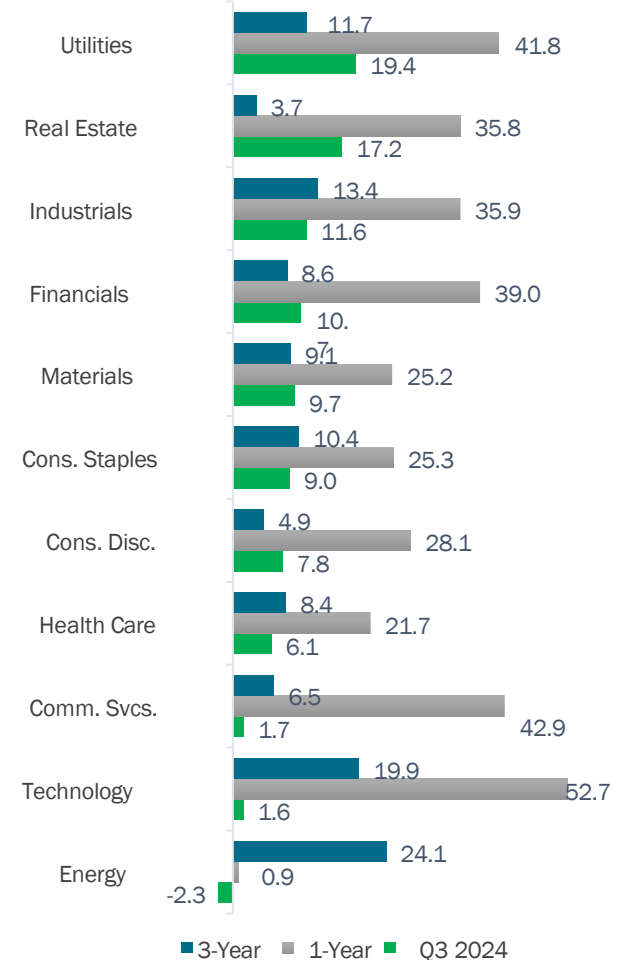
# EQUITIES

Expectations for further rate cuts lifted small-cap stocks, which are more sensitive to borrowing costs. Utilities and Real Estate emerged as top-performing sectors, benefiting from falling interest rates. On the international front, the People's Bank of China launched a substantial stimulus package aimed at encouraging investors to sell Treasuries and reinvest the proceeds in the Chinese stock market, providing a boost to Chinese equities.

### Equity Market Returns<sup>1</sup>



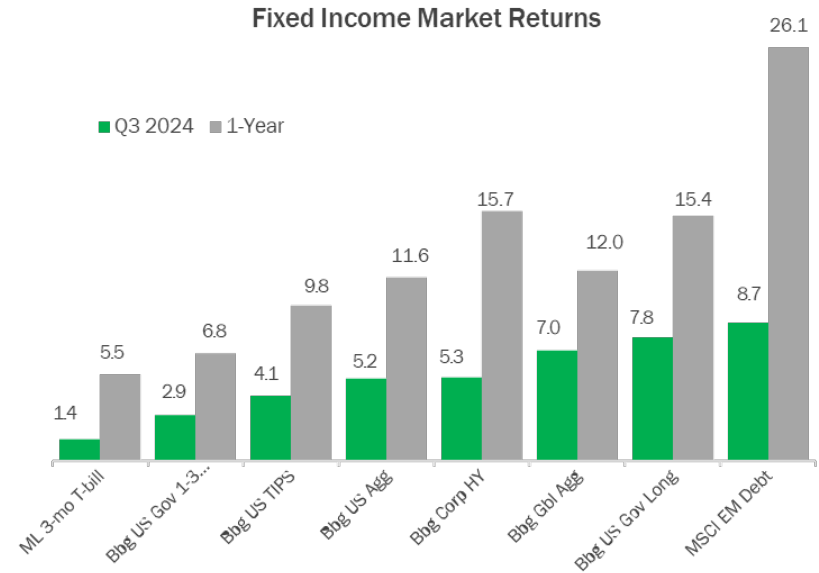
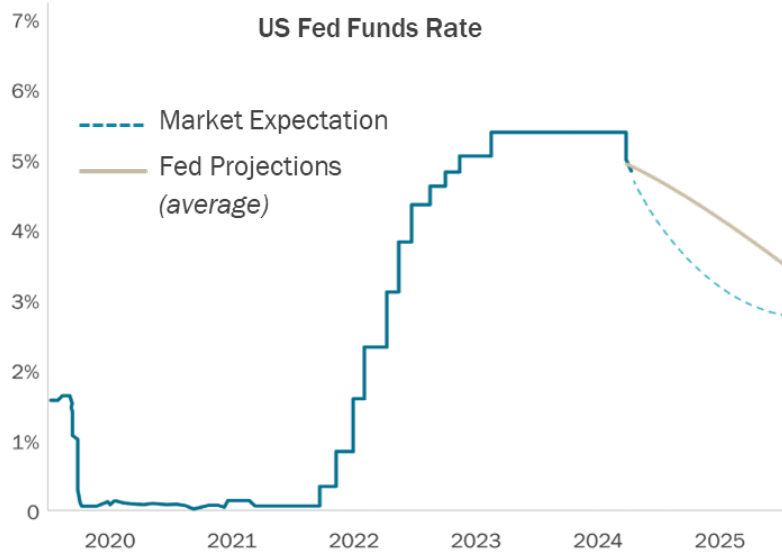
### Equity Sector Returns<sup>2</sup>



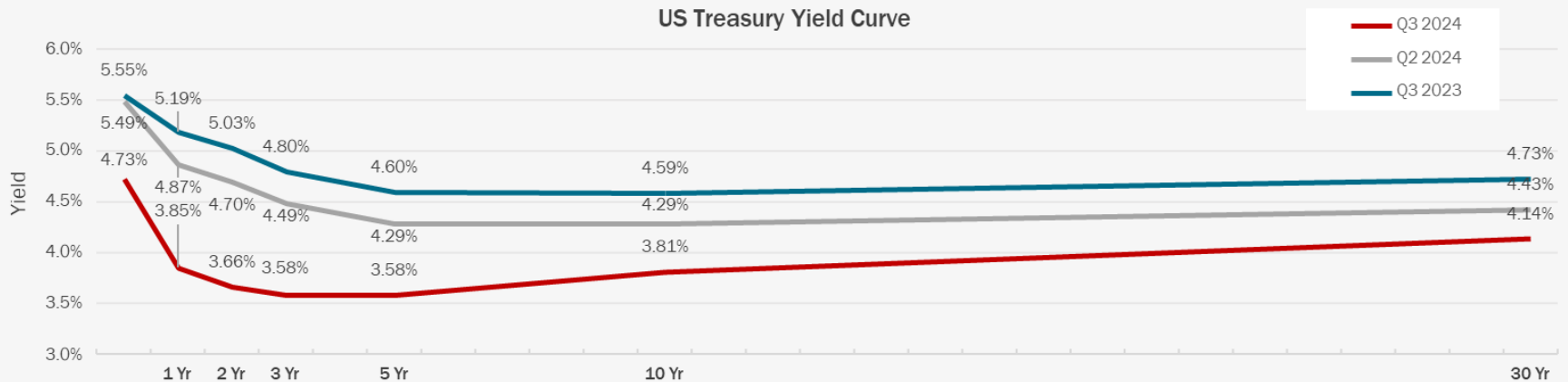
<sup>1</sup> Asset class returns are based on the following index proxies: Technology (NASDAQ Composite), Large Cap (S&P 500), Developed International (MSCI EAFE), Small Growth (Russell 2000 Growth), Emerging Markets (MSCI EM), Mid Cap (Russell Mid Cap), and Small Value (Russell 2000 Value). <sup>2</sup> Sector returns are based on the S&P 500 Sector Indices <sup>3</sup> Source: JPMorgan Guide to the Markets. Returns pertain to Morningstar categories. Valuations pertain to the Russell style indices.

# FIXED INCOME

The historic 26-month inversion between the 2- and 10-year Treasuries ended in the third quarter. Yields across the curve fell due to easing inflation, a slowing labor market, and the Fed's 50-basis point rate cut. As yields decreased, longer-duration bonds notably outperformed shorter-duration ones. Additionally, both AA- and AAA-rated bonds underperformed the index, indicating a greater risk appetite. Yields for both investment-grade and non-investment-grade issues remain relatively tight.



Source: BCA Research, Derived from overnight index swaps curve.



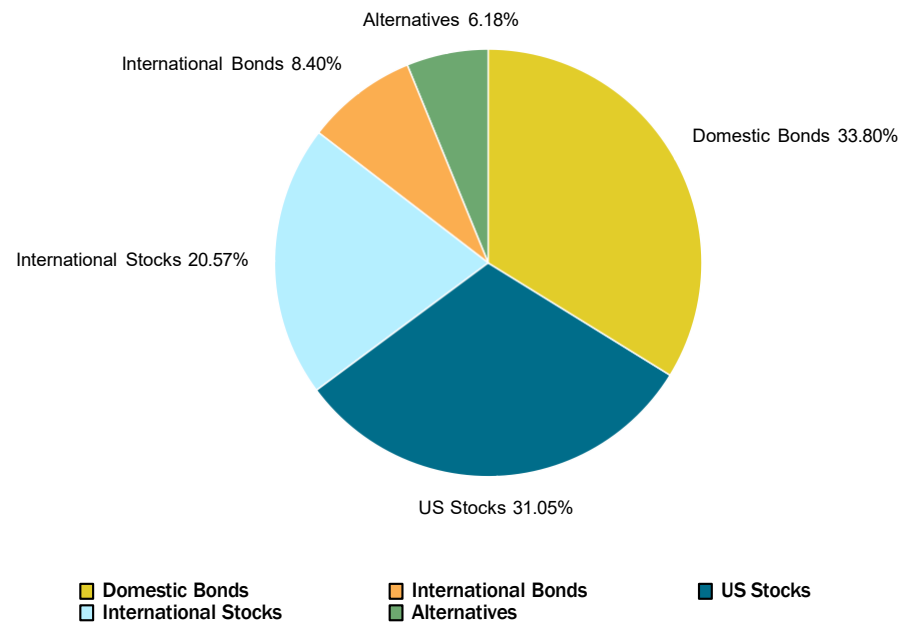
# RELATIONSHIP SUMMARY

## Performance Summary

	Previous 3 Months	Year to Date	Inception to Date (03/29/2021)
Start Value (Managed)	\$3,070,035	\$2,955,686	\$0
Net Flows (Managed)	\$0	\$0	\$2,900,000
Investment Gain (Managed)	\$198,648	\$312,997	\$368,683
Ending Value (Managed)	\$3,268,683	\$3,268,683	\$3,268,683
Account Return (Net TWR) (Managed)	6.47%	10.59%	3.60%

Returns for periods exceeding 12 months are annualized.

## Asset Allocation



Account	Month to Date Net Return	1 Year to Date Net Return	3 Year to Date Net Return
VBA Benefits Corporation (Corporate)	1.71%	21.21%	2.91%
VBA Management Services Inc (Corporate)	1.73%	20.81%	2.89%
Virginia Bankers Association (Corporate)	1.68%	20.63%	2.70%
<b>Total</b>	<b>1.72%</b>	<b>21.15%</b>	<b>2.89%</b>

Returns for periods exceeding 12 months are annualized.

\* Partial period return

# PERFORMANCE SUMMARY

	Start Value	Net Contribution	Net Investment Gain	Interest & Dividends	End Value	Total Return
<b>Monthly</b>						
September 2024	\$3,213,557	\$0	\$55,126	\$5,477	\$3,268,683	1.72%
August 2024	\$3,154,878	\$0	\$58,679	\$4,095	\$3,213,557	1.86%
July 2024	\$3,079,051	\$0	\$75,828	\$8,187	\$3,154,878	2.46%
June 2024	\$3,053,175	\$0	\$25,876	\$6,638	\$3,079,051	0.85%
May 2024	\$2,965,410	\$0	\$87,765	\$3,847	\$3,053,175	2.96%
April 2024	\$3,067,613	\$0	(\$102,203)	\$4,606	\$2,965,410	(3.33%)
March 2024	\$2,993,847	\$0	\$73,766	\$7,481	\$3,067,613	2.46%
February 2024	\$2,938,126	\$0	\$55,721	\$3,309	\$2,993,847	1.90%
January 2024	\$2,955,686	\$0	(\$17,560)	\$2,074	\$2,938,126	(0.59%)
<b>Monthly Total</b>	<b>\$2,955,686</b>	<b>\$0</b>	<b>\$312,997</b>	<b>\$45,714</b>	<b>\$3,268,683</b>	<b>10.59%</b>
<b>Annual</b>						
2024 *	\$2,955,686	\$0	\$312,997	\$45,714	\$3,268,683	10.59%
2023	\$2,599,575	\$0	\$356,111	\$77,754	\$2,955,686	13.70%
2022	\$2,380,200	\$650,000	(\$430,625)	\$58,122	\$2,599,575	(15.80%)
2021 *	\$0	\$2,250,000	\$130,200	\$34,807	\$2,380,200	6.93%
<b>Annual Total *</b>	<b>\$0</b>	<b>\$2,900,000</b>	<b>\$368,683</b>	<b>\$216,396</b>	<b>\$3,268,683</b>	<b>3.60%</b>
<b>Inception to Date</b>						
3/29/2021 - 9/30/2024	\$0	\$2,900,000	\$368,683	\$216,396	\$3,268,683	3.60%

\* Partial period return

Returns for periods exceeding 12 months are annualized.

## AGGREGATED ASSET ALLOCATION

Fund	% of Plan Assets	Total Assets
Vanguard S&P 500 ETF	18.77%	\$613,432.00
iShares Core US Aggregate Bond ETF	15.90%	\$519,639.00
Loomis Sayles Core Plus Bond Y	15.62%	\$510,580.00
Vanguard FTSE Developed Markets ETF	7.90%	\$258,289.00
PGIM Global Real Estate Z	6.06%	\$198,212.00
iShares Core International Aggt Bd ETF	5.94%	\$194,146.00
Fidelity International Small Cap	5.87%	\$191,977.00
Schwab Emerging Markets Equity ETF™	5.17%	\$168,862.00
American Century Small Cap Value I	4.52%	\$147,699.00
JPMorgan Mid Cap Growth I	4.48%	\$146,542.00
MFS Emerging Markets Debt I	2.31%	\$75,382.00
Forfeitures	1.82%	\$59,629.00
BlackRock High Yield Instl	1.67%	\$54,545.00
Vanguard Russell 1000 Value ETF	1.48%	\$48,357.00
Vanguard Russell 1000 Growth ETF	1.24%	\$40,401.00
ClearBridge International Growth I	0.64%	\$20,813.00
Schwab International Equity ETF™	0.62%	\$20,178.00
<b>Total Market Value:</b>	<b>100.00%</b>	<b>\$3,268,683.00</b>

Account	% of Total Assets	Total Assets
VBA Benefits Corporation	86.24%	\$2,818,913
VBA Management Services Inc	12.10%	\$395,449
Virginia Bankers Association	1.66%	\$54,321
<b>Total Market Value:</b>	<b>100.00%</b>	<b>\$3,079,050.00</b>

# INVESTMENT PERFORMANCE

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	Morningstar *
<b>CASH</b>	<b>Money Market-Taxable</b>	<b>0.00%</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>	<b>NA</b>
<b>ICE BofA US 3M Trsy Bill TR USD*</b>			<b>1.37</b>	<b>4.03</b>	<b>5.46</b>	<b>3.49</b>	<b>2.32</b>	<b>1.65</b>		
Cat: Morningstar Money Market - Taxable			1.22	3.74	5.05	3.26	2.07	1.39	0.41	
<b>iShares Core US Aggregate Bond ETF</b>	<b>Intermediate Core Bond</b>	<b>15.90%</b>	<b>5.21</b>	<b>4.56</b>	<b>11.55</b>	<b>-1.39</b>	<b>0.31</b>	<b>1.81</b>	<b>0.03</b>	<b>***</b>
<b>Bloomberg US Agg Bond TR USD*</b>			<b>5.20</b>	<b>4.45</b>	<b>11.57</b>	<b>-1.39</b>	<b>0.33</b>	<b>1.84</b>		
Cat: Morningstar Intermediate Core Bond			5.05	4.77	11.57	-1.38	0.43	1.75	0.56	
<b>Loomis Sayles Core Plus Bond Y</b>	<b>Intermediate Core-Plus Bond</b>	<b>15.62%</b>	<b>5.12</b>	<b>4.43</b>	<b>12.04</b>	<b>-1.21</b>	<b>1.13</b>	<b>2.21</b>	<b>0.49</b>	<b>***</b>
<b>Bloomberg US Agg Bond TR USD*</b>			<b>5.20</b>	<b>4.45</b>	<b>11.57</b>	<b>-1.39</b>	<b>0.33</b>	<b>1.84</b>		
Cat: Morningstar Intermediate Core-Plus Bond			5.13	5.27	12.41	-1.16	0.82	2.06	0.75	
<b>iShares Core International Aggt Bd ETF</b>	<b>Global Bond-USD Hedged</b>	<b>5.94%</b>	<b>3.53</b>	<b>4.20</b>	<b>10.39</b>	<b>0.30</b>	<b>0.45</b>	<b>NA</b>	<b>0.07</b>	<b>****</b>
<b>Bloomberg Global Aggregate TR Hdg USD*</b>			<b>4.24</b>	<b>4.38</b>	<b>10.63</b>	<b>-0.22</b>	<b>0.57</b>	<b>2.33</b>		
Cat: Morningstar Global Bond-USD Hedged			4.01	4.48	10.90	-0.63	0.41	1.91	0.70	
<b>BlackRock High Yield Instl</b>	<b>High Yield Bond</b>	<b>1.67%</b>	<b>4.65</b>	<b>8.26</b>	<b>15.65</b>	<b>3.58</b>	<b>4.85</b>	<b>4.96</b>	<b>0.58</b>	<b>****</b>
<b>Bloomberg US HY 2% Issuer Cap TR USD*</b>			<b>5.28</b>	<b>8.00</b>	<b>15.73</b>	<b>3.09</b>	<b>4.70</b>	<b>5.04</b>		
Cat: Morningstar High Yield Bond			4.42	7.36	14.04	2.87	4.17	4.16	0.90	
<b>MFS Emerging Markets Debt I</b>	<b>Emerging Markets Bond</b>	<b>2.31%</b>	<b>6.30</b>	<b>9.15</b>	<b>19.29</b>	<b>0.55</b>	<b>2.13</b>	<b>3.21</b>	<b>0.81</b>	<b>***</b>
<b>JPM EMBI Global Diversified TR USD*</b>			<b>6.15</b>	<b>8.64</b>	<b>18.60</b>	<b>-0.40</b>	<b>0.87</b>	<b>3.28</b>		
Cat: Morningstar Emerging Markets Bond			5.83	8.60	17.73	0.34	1.70	2.74	0.99	
<b>Vanguard Russell 1000 Value ETF</b>	<b>Large Value</b>	<b>1.48%</b>	<b>9.41</b>	<b>16.64</b>	<b>27.67</b>	<b>8.95</b>	<b>10.60</b>	<b>9.13</b>	<b>0.08</b>	<b>***</b>
<b>Russell 1000 Value TR USD*</b>			<b>9.43</b>	<b>16.68</b>	<b>27.76</b>	<b>9.03</b>	<b>10.69</b>	<b>9.23</b>		
Cat: Morningstar Large Value			8.05	15.90	27.14	9.58	11.23	9.29	0.90	
<b>Vanguard S&amp;P 500 ETF</b>	<b>Large Blend</b>	<b>18.77%</b>	<b>5.88</b>	<b>22.05</b>	<b>36.32</b>	<b>11.87</b>	<b>15.93</b>	<b>13.34</b>	<b>0.03</b>	<b>*****</b>
<b>S&amp;P 500 TR USD*</b>			<b>5.89</b>	<b>22.08</b>	<b>36.35</b>	<b>11.91</b>	<b>15.98</b>	<b>13.38</b>		
Cat: Morningstar Large Blend			5.94	19.37	32.86	10.15	14.30	11.82	0.77	

\*Investment Policy Benchmark



# INVESTMENT PERFORMANCE

Fund Benchmark Category	Asset Class	(%) of Plan	3 Month	YTD	1 Year	3 Years Annualized	5 Years Annualized	10 Years Annualized	Expense Ratio	Morningstar *
Vanguard Russell 1000 Growth ETF	Large Growth	1.24%	3.17	24.47	42.13	11.96	19.65	16.42	0.08	*****
Russell 1000 Growth TR USD*			3.19	24.55	42.19	12.02	19.74	16.52		
Cat: Morningstar Large Growth			3.72	21.90	38.78	7.40	16.07	13.72	0.94	
JPMorgan Mid Cap Growth I	Mid-Cap Growth	4.48%	2.63	8.99	23.33	0.46	12.14	11.50	0.89	****
Russell Mid Cap Growth TR USD*			6.54	12.91	29.33	2.32	11.48	11.30		
Cat: Morningstar Mid-Cap Growth			6.46	12.68	26.45	-0.03	10.49	10.35	1.07	
American Century Small Cap Value I	Small Value	4.52%	7.07	7.37	22.84	4.48	11.49	10.25	0.89	****
Russell 2000 Value TR USD*			10.15	9.22	25.88	3.77	9.29	8.22		
Cat: Morningstar Small Value			8.15	8.74	22.68	6.47	11.02	8.17	1.11	
Schwab International Equity ETF™	Foreign Large Blend	0.62%	7.44	12.32	24.38	5.10	8.41	5.81	0.06	****
FTSE Dv Ex US NR USD*			7.41	12.14	24.22	4.93	8.26	5.70		
Cat: Morningstar Foreign Large Blend			7.28	13.09	24.19	4.30	7.73	5.42	0.90	
Vanguard FTSE Developed Markets ETF	Foreign Large Blend	7.90%	7.46	12.20	24.73	4.83	8.31	5.94	0.06	***
FTSE Dvlp ex US All Cap(US RIC)NR USD*			7.56	12.22	24.36	4.65	8.30	5.81		
Cat: Morningstar Foreign Large Blend			7.28	13.09	24.19	4.30	7.73	5.42	0.90	
ClearBridge International Growth I	Foreign Large Growth	0.64%	7.97	15.89	28.60	2.64	8.08	8.12	0.79	****
MSCI ACWI Ex USA Growth NR USD*			6.92	14.06	26.75	0.81	7.09	5.97		
Cat: Morningstar Foreign Large Growth			6.18	12.94	26.69	0.19	7.70	6.56	1.01	
Fidelity International Small Cap	Foreign Small/Mid Blend	5.87%	5.95	8.96	21.57	3.20	8.45	7.60	1.01	*****
MSCI ACWI Ex USA SMID NR USD*			9.32	11.92	23.01	1.63	7.26	5.57		
Cat: Morningstar Foreign Small/Mid Blend			8.41	11.18	23.24	0.99	7.34	5.77	1.11	
Schwab Emerging Markets Equity ETF™	Diversified Emerging Mkts	5.17%	10.42	19.05	26.43	1.78	6.28	4.35	0.11	***
FTSE Emerging NR USD*			11.02	20.17	28.06	2.25	6.75	4.64		
Cat: Morningstar Diversified Emerging Mkts			6.33	13.72	22.98	-0.05	5.84	3.73	1.12	
PGIM Global Real Estate Z	Global Real Estate	6.06%	16.28	14.52	30.55	1.16	3.07	5.05	0.95	****
FTSE EPRA Nareit Developed NR USD*			16.07	11.77	28.86	0.39	1.39	4.06		
Cat: Morningstar Global Real Estate			15.58	11.52	28.30	0.08	2.13	4.32	1.13	

\*Investment Policy Benchmark

## FUND SCORE SUMMARY

	# of Funds	Average SageView Score
Total Available Standalone Investments	17	18
Core Investments	17	18
Asset Allocation Investments	0	NA

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## FUND SCORE SUMMARY

Fund Name	Ticker	Total Return Composite Ranking	Rolling 12 Mo Perf. (5 Yrs.)	RSquared (3 Yrs)	Modified Sharpe Ratio (36 Mos.)	Alpha (60 Mos.)	Up Capture Ratio (10 Yrs.)	Down Capture Ratio (10 Yrs.)	Batting Average (10 Yrs.)	Expense Ratio	SageView Normalized Ranking
Loomis Sayles Core Plus Bond Y	NERYX	40%	45%	46%	56%	23%	29%	53%	66%	36%	43%
BlackRock High Yield Instl	BHYIX	19%	31%	5%	23%	26%	17%	47%	2%	20%	5%
MFS Emerging Markets Debt I	MEDIX	37%	49%	20%	54%	35%	60%	30%	37%	36%	28%
JPMorgan Mid Cap Growth I	HLGEX	30%	44%	4%	41%	16%	23%	47%	6%	41%	6%
American Century Small Cap Value I	ACVIX	42%	49%	35%	77%	32%	17%	57%	6%	31%	27%
ClearBridge International Growth I	LMGNX	31%	48%	64%	30%	39%	24%	39%	2%	33%	19%
Fidelity International Small Cap	FISMX	21%	24%	72%	10%	15%	93%	3%	29%	38%	12%
PGIM Global Real Estate Z	PURZX	38%	46%	43%	29%	41%	38%	59%	10%	36%	30%

Fund Name	Ticker	Expense Ratio	Tracking Error (3 Yrs)	RSquared (3 Yrs)	Beta (3 Yrs)	SageView Normalized Ranking
iShares Core US Aggregate Bond ETF	AGG	16%	32%	32%	22%	15%
iShares Core International Aggt Bd ETF	IAGG	NA	NA	NA	NA	NA
Vanguard Russell 1000 Value ETF	VONV	25%	18%	21%	65%	21%
Vanguard S&P 500 ETF	VOO	13%	7%	11%	67%	9%
Vanguard Russell 1000 Growth ETF	VONG	21%	23%	25%	60%	23%
Schwab International Equity ETF™	SCHF	24%	2%	2%	9%	8%
Vanguard FTSE Developed Markets ETF	VEA	24%	45%	40%	29%	27%
Schwab Emerging Markets Equity ETF™	SCHE	18%	1%	1%	27%	1%

SageView's Fee for Investment Management is 0.375%. Over the last 4 quarters this equates to \$11,598.

# SAGEVIEW TACTICAL POSITIONING

## Q3 Market Update

### SageView Dynamic Portfolio Positioning

#### Cautious on Stocks

While markets have shown resilience and inflation has moderated, we continue to maintain a cautious positioning within the SageView portfolios. In the aftermath of the Federal Reserve's tightening cycle, which pushed interest rates to their highest level in 23 years, we are concerned that the Fed may have kept policy too restrictive for too long. The unemployment rate has edged up to 4.1% from its recent low of 3.8%, consumer spending has softened, and credit card delinquencies have reached a decade high. Although lower rates should help to boost spending and support economic growth, the lag between monetary policy adjustments and their full impact remains a key consideration. Moreover, with the upcoming election season expected to elevate market uncertainty, we have modestly increased our allocation to bonds, which we expect to respond more swiftly to additional rate cuts.

#### Small Caps and Value Stocks: Pockets of Opportunity

While we approach stocks with caution, certain segments present more compelling opportunities. In particular, we foresee small-cap stocks benefiting from declining interest rates. Given that smaller companies typically rely more heavily on borrowing for growth, they tend to be more sensitive to changes in interest rates. After bearing the brunt of rate increases from 2022 to 2024, small caps now trade at relatively attractive valuations compared to large caps.

Meanwhile, following a prolonged period of growth stock dominance, we see value stocks as a relative opportunity. Historically, significant divergences between growth and value performance have been followed by a reversion to the mean, where returns even out. This shift began to materialize in Q3, and we expect further rebalancing towards value in the months ahead.

#### International over US

Lastly, we believe that declining interest rates may provide a tailwind for international stocks. Lower U.S. rates reduce the strength of the dollar, which in turn enhances the appeal of international stocks. After an extended period of U.S. dollar outperformance, due to high domestic rates and inflation, this dynamic is likely to reverse as the U.S. leads the way in cutting rates globally. As such, we are moderately overweight international stocks, given the prospect of a weakening dollar and favorable relative valuations.

Our focus remains on navigating the complexities of today's complex markets and seizing new opportunities, while maintaining a disciplined and flexible approach to changing conditions.

