

Current Investment Strategy and Themes

- Our portfolios are well diversified across asset classes, including alternatives, emphasizing defensive risk exposures commensurate with a slowing economy and lower overall demand.
- We typically focus on risk-adjusted returns but now place a higher premium on managing an expected increase in market volatility and economic uncertainty.
- We believe equity exposure should be focused on quality and further diversification across market capitalization, emphasizing integrating momentum to manage downside risk. We favor 1-5 year exposure to investment-grade credit and Treasury notes for bond portfolios and long/short equity, long/short managed futures, and gold for alternative portfolios.

Markets Review and Outlook:

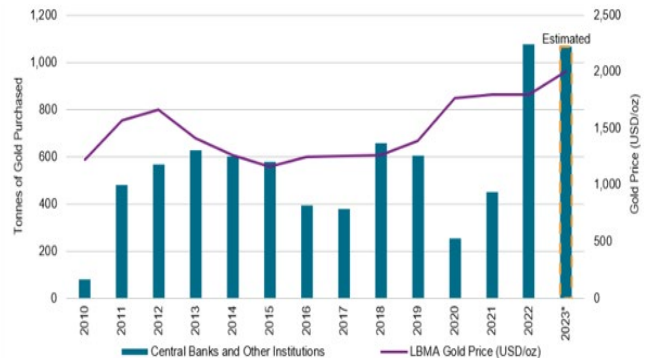
- Most risk assets, as well as previously depressed asset prices, soared during November, as higher real yields negated the Fed from rising rates and indicated that this posture will not change unless evidence suggests otherwise. Commodity prices declined due to much lower oil prices and a slowing inflation rate; despite that, prices for many goods and services are still inflated.
- Gold and crypto prices peaked during the month, reflecting the geopolitical and local political uncertainty rise.
- Asset valuations for most equities remain risky except overseas equities, especially emerging market equities. Earnings growth looks most attractive in those companies that can maintain operating cash flows with little debt on the balance sheet.
- In the credit markets, there is an increasing risk of default in many sectors as loans come due and refinancing costs prohibit new loan demand. The yield curve remains flat, suggesting little benefit to extending the average duration beyond 5-7 years.
- Consensus growth forecasts are lower into early 2025, with inflation trending toward 3.0%, not the Fed's 2.0% target rate. This forecast and rising debt levels suggest that both stocks and bonds could perform below their recent averages.
- Risk management and portfolio diversification are crucial to preserving long-term wealth. The vagaries of short-term market movements cannot be predicted, and those who react to this will forever miss their long-term financial objectives. Our expectation of higher risk levels into the next market cycle warrants this attention to risk management and patience.

Key Market Indicators

	Bullish	Favorable	Neutral	Cautious	Bearish
Equities					
Fixed Income					
Alternatives					

Source: Morningstar, data as of 11/30/2023

Central Bank Gold Purchases



Source: S&P Dow Jones Indices LLC, World Gold Council. Data from December 2010 to October 2023. Past performance is no guarantee of future results. Chart is provided for illustrative purposes. 2023 demand estimate is based on annualized Q1 data.

Source: Bloomberg

Important Disclosures

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Past performance is not a guarantee of future results. All investments are subject to risk, including the loss of principal. Portfolio positions referenced are subject to change at any time; your portfolio may not reflect the information referenced.

Palladium has sole discretion to change allocations to styles and vehicles at any time.

Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.

“U.S. Small Cap” represented by the Russell 2000 Index.

“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.

“Emerging” represented by the MSCI Emerging Markets Net Return Index.

“U.S. Aggregate” represented by the Bloomberg U.S. Aggregate Bond Index.

“U.S. Government” represented by the Bloomberg U.S. Government Bond Index.

“U.S. Corporate” represented by the Bloomberg U.S. Credit Bond Index.

“U.S. High Yield” represented by the Bloomberg U.S. Corporate High Yield Index.

“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.

“Emerging Market Debt” represented by the JP Morgan GBI-EM Global Core Index.

“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.

“Commodities” represented by the Dow Jones Commodity Index .

“Managed Futures” represented by the Credit Suisse Managed Futures Index.

“Global Macro” represented by the Credit Suisse Global Macro Index

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