

# Monthly Commentary & Outlook – April 2024

## Key Takeaways

- The key driver to financial market returns during April was the surprisingly higher-than-expected rate of inflation during the month and a reasonably strong labor market. The employment cost index rose during the period for the first time since early last year. For market participants, this signaled that the Fed would delay changing monetary policy even further out in the year with even a hint of a rate increase to quell inflation.
- Higher inflation and expected lower economic growth pushed investors to sell equity and bond investments. A few pockets in the global markets posted a positive return in April, including utility stocks, commodities, and emerging markets.
- Despite the inflation surprise and a relatively stable labor market, there were increasing signs of economic slowdown as the high cost of servicing debt and consumption slowed global demand.

## Markets Review and Outlook:

### Equities:

- There was no place to hide during April as the equity and bond markets posted their worst monthly result since September 2023.
- Low-risk stocks fell less than higher growth, higher beta stocks, with the Mag Seven now looking like The Fabulous Four. Disappointing earnings results impacted a few Mega Cap Tech stocks as earnings momentum has slowed.
- Overall, 1<sup>st</sup> quarter earnings came in stronger than expected; however, some Megs Cap stocks, such as Tesla and Meta, posted earnings below market expectations. Tesla missed the top and bottom lines in its earnings report, with its \$21.3 billion in revenue and \$1.5 billion net income coming far below analyst forecasts. Meta's stock price was negatively impacted during the month due to unexpected reactions to their earnings reports despite its strong revenue and earnings numbers.
- One of the few positive equity performers in April was in the emerging markets. Most results were due to a reversal in the Chinese market, a technical bounce after a -11.2% decline last year.

### Bonds:

- Most bond prices declined during April due to recent inflationary news that was contradictory to consensus and unfavorable to the Fed cutting interest rates.
- Only cash, cash equivalents, and leveraged loans posted positive results due to their higher yields and short duration.

### Alternatives:

- Systematic long/short managed futures and long/short managed commodities were some of the best-performing markets during the month.
- Precious metals, both silver and gold, produced sizable gains during the month with silver up, 6.88% and gold, 3.38%.
- Industrial metals were up significantly during April, 12.56%, led by Zinc, 20.73%, Nickel, 15.12%, and Copper, 12.66%.

Market Performance					
	Bullish	Favorable	Neutral	Cautious	Bearish
	April	YTD	1 Year	Current View	
U.S. Large Cap	-4.08	6.00	22.47	■ Cautious	
U.S. Mid Cap	-6.00	3.25	16.43	■ Favorable	
U.S. Small Cap	-5.61	-3.28	12.54	■ Neutral	
U.S. Momentum	-5.56	12.95	25.62	■ Cautious	
U.S. Growth	-3.91	8.32	26.63	■ Cautious	
U.S. Multi Factor	-5.39	4.75	24.49	■ Neutral	
U.S. High Beta	-6.63	-0.22	23.06	■ Cautious	
U.S. Quality	-4.43	6.86	26.01	■ Favorable	
U.S. Buyback	-5.90	3.13	19.52	■ Cautious	
U.S. Equal Weight	-5.10	2.69	16.66	■ Favorable	
U.S. Value	-4.30	3.39	18.07	■ Neutral	
U.S. Dividend Aristocrats	-4.68	1.98	6.09	■ Neutral	
U.S. Low Volatility	-3.07	2.53	2.21	■ Neutral	
U.S. Low Volatility High Div	-2.05	3.55	7.53	■ Neutral	
U.S. Select Dividend	-3.12	2.70	5.58	■ Neutral	
International Developed	-3.20	1.97	8.00	■ Neutral	
Emerging Markets Equity	1.08	3.01	9.34	■ Neutral	
<b>Fixed Income</b>					
U.S. Total Bond	-2.44	-3.17	-1.45	■ Neutral	
U.S. Government	-2.23	-3.10	-2.77	■ Neutral	
U.S. Corporate	-3.24	-3.98	-0.22	■ Neutral	
U.S. High Yield	-1.02	0.10	7.91	■ Cautious	
U.S. Leveraged Loans	0.56	2.29	10.10	■ Cautious	
Non-U.S. Developed	-1.38	-1.30	3.55	■ Cautious	
<b>Alternatives</b>					
REITs	-8.00	-9.09	-0.46	■ Cautious	
Commodities	1.04	11.21	11.98	■ Favorable	
Managed Futures	3.95	8.10	1.07	■ Favorable	
Hedge Funds	-0.95	1.03	5.46	■ Favorable	

Source: Morningstar, data as of 04/30/2024

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## Asset Class Allocations\*

Asset Class/Strategy	Allocation
<b>Palladium Equity Model</b>	
U.S. Large Cap	15.00%
U.S. Equal Weight	15.00%
U.S. Quality	10.00%
International Quality	15.00%
Emerging Markets	10.00%
U.S Energy Sector	10.00%
International Small-Cap	10.00%
Dynamic Innovation	<u>15.00%</u>
	100.00%
<b>Palladium Fixed Income Model</b>	
U.S. Total Bond	30.00%
U.S. Investment Grade Bond	30.00%
U.S.1-3 Month T-Bill	15.00%
U.S. Short-Term Investment Grade Bond	<u>25.00%</u>
	100.00%
<b>Palladium Alternatives Model</b>	
Gold	20.00%
Carbon Allowances	10.00%
Global Credit Macro Opportunity	20.00%
U.S. Hedged Equity	20.00%
Long/Short Commodities	15.00%
Systematic Long/Short Managed Futures	<u>15.00%</u>
	100.00%

## Multi-Asset Class Allocations\*

Multi-Asset Class Strategies	Allocation
<b>Palladium Defensive</b>	
<b>Equity</b>	
U.S. Large Cap	7.50%
U.S. Equal Weight	7.50%
U.S. Quality	5.00%
International Quality	5.00%
<b>Fixed Income</b>	
U.S. Total Bond	15.00%
U.S. Investment Grade Bond	10.00%
U.S.1-3 Month T-Bill	10.00%
U.S. Short-Term Investment Grade Bond	20.00%
<b>Alternative</b>	
Global Credit Macro Opportunity	5.00%
U.S. Hedged Equity	<u>15.00%</u>
<b>Total</b>	100.00%
<b>Palladium Aggressive</b>	
<b>Equity</b>	
U.S. Large Cap	12.00%
U.S. Equal Weight	12.00%
U.S. Quality	10.00%
International Quality	10.00%
Emerging Markets	5.00%
U.S Energy Sector	6.00%
International Small-Cap	5.00%
Dynamic Innovation	15.00%
<b>Alternative</b>	
Gold	5.00%
Carbon Allowances	5.00%
Systematic Long/Short Managed Futures	<u>15.00%</u>
<b>Total</b>	100.00%

Multi-Asset Class Strategies	Allocation
<b>Palladium Balanced</b>	
<b>Equity</b>	
U.S. Large Cap	8.00%
U.S. Equal Weight	8.00%
U.S. Quality	5.00%
International Quality	10.00%
Emerging Markets	5.00%
U.S Energy Sector	5.00%
International Small-Cap	5.00%
Dynamic Innovation	10.00%
<b>Fixed Income</b>	
U.S. Total Bond	10.00%
U.S. Investment Grade Bond	9.00%
<b>Alternative</b>	
Gold	5.00%
Carbon Allowances	5.00%
Global Credit Macro Opportunity	5.00%
Systematic Long/Short Managed Futures	5.00%
U.S. Hedged Equity	<u>5.00%</u>
<b>Total</b>	100.00%

\*Asset Class and Multi-Class Allocations are shown for illustrative purposes only and are subject to change.

# Important Disclosures

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Index definitions (Some Indexes are represented by ETFs that best track the appropriate passive index net of fees) :

- "U.S. Large Cap" represented by the S&P 500 Index.
- "U.S. Mid Cap" represented by the S&P 500 Midcap 400 Index.
- "U.S. Small Cap" represented by the S&P 600 Smallcap Index.
- "U.S. Momentum" is represented by the S&P 500 Momentum Index.
- "U.S. Growth" is represented by the S&P 500 Growth Index.
- "U.S. Multi-Factor" represented by the S&P QVM Multi-Factor Index.
- "U.S. High Beta" represented by the S&P 500 High Beta Index.
- "U.S. Quality" is represented by the S&P Quality Index.
- "U.S. Buyback" represented by the S&P Buyback Index.
- "U.S. Equal Weight" is represented by the S&P Equal Weight Index.
- "U.S. Value" is represented by the S&P Value Index.
- "U.S. Dividend Aristocrats" represented by the S&P Dividend Aristocrats Index.
- "U.S. Low Volatility" is represented by the S&P Low Volatility Index.
- "U.S. Low Volatility High Div" represented by the S&P Low Volatility High Div Index.
- "U.S. Select Dividend" represented by the S&P Dividend Index.
- "International Developed" represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.
- "Emerging" represented by the MSCI Emerging Markets Net Return Index.
- "U.S. Total Bond" represented by the S&P U.S. Aggregate Bond Index.
- "U.S. Government" represented by the Bloomberg U.S. Government Bond Index.
- "U.S. Corporate" is represented by the iBoxx USD Liquid Investment Grade Index.
- "U.S. High Yield" represented by the iBoxx USD Liquid High Yield Index.
- "U.S. Leveraged Loans" represented by the iBoxx USD Leveraged Loans Index.
- "Non-U.S. Developed" represented by the S&P International Treasury ex U.S. Index.
- "Emerging Market Debt" is represented by the JP Morgan GBI-EM Global Core Index.
- "REITs" are 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.
- "Hedge Funds" represented by the ProShares Hedge Fund Replication Index.

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