Monthly Commentary & Outlook - May 2024

Key Takeaways

- The strong rebound in May was due to stronger-than-expected real GDP growth and slightly lower core inflation rates. The market sentiment
 reflected lower rates ahead and continued strong demand.
- The recent reversal of real growth expectations witnessed by GDP NOW's latest measure of 2.7% growth from nearly a 4.0% level two weeks
 prior, suggests that it's premature to get excited about sustained strong growth and lower inflation.
- Current indicators suggest that the US economy is on the path to a period of "stagflation," where growth continues to slow and inflation remains stubbornly high.
- Based on our macro view of the business cycle and current market indications that investors should continue to overweight equity portfolios to quality companies (strong operating cash flows and low debt levels) and other recession-resistant stocks. For bonds, we believe it's still too early to lengthen duration or increase exposure to credit risk. In the Alternative Investments space, we would favor non-correlated exposure to commodities and other select futures markets with a focus on low correlation to stocks and bonds, both public and private.

Markets Review and Outlook:

Equities:

- In May, the markets posted a strong reversal from April's poor results. Growth and quality stocks again led the way, placing the top technology companies in the S&P 500 Index as the leaders.
- Defensive stocks were the laggards during May, with dividendpaying stocks and low-volatility stocks lagging the pack.
- Essentially, it was "risk-on" during May as market participants piled back into the most overvalued (Al-related) stocks, trading on the confidence that rates were going lower and growth remained strong.
- The US is in one of the most concentrated periods in history, with the top 10 technology stocks representing nearly 30% of the total stock market. The wide disparity between these top tech stocks, given stubbornly high interest rates and lower economic growth, suggests the bloom is off the rise for these stocks moving forward.

Bonds:

- Bond prices reversed their April declines because economic growth was expected to slow, and inflation remained stable. Longer-term yields moved lower on lower inflation expectations.
- Credit spreads remain tight as credit risk rose during the month.
 It's now estimated that nearly 15% of short-term levered loans are distressed.

Alternatives:

- Commodities and managed futures did sell off slightly during May after months of gains. We still believe that higher uncertainty in the financial markets is possible due to rising political and geopolitical tensions, economic headwinds for consumers, and runaway debt and debt servicing costs.
- Gold has acted as a risk hedge for buyers and a possible replacement for US Treasuries for some foreign buyers, such as China.
- We believe base metals and precious metals will continue to be in strong demand due to the long-term strategic move to renewable energy sources.

Market Performance								
Bullish	Favorable		Neutral	Cautious	ī	Bearish		
	М	ay	YTD	1 Year		Current View		
U.S. Large Cap		94	11.24	28.01		Cautious		
U.S. Mid Cap		34	7.73	25.49		Favorable		
U.S. Small Cap		04	1.59	20.32		Neutral		
U.S Momentum		33	18.97	39.14		Cautious		
U.S Growth	6.	59	15.46	31.70		Cautious		
U.S.Multi Factor	4.:	15	9.10	33.51		Neutral		
U.S. High Beta		50	1.28	22.03		Cautious		
U.S. Quality		56	12.81	32.13		Favorable		
U.S. Buyback		75	5.97	28.92		Cautious		
U.S. Equal Weight		59	5.35	22.64		Favorable		
U.S. Value		97	6.45	23.94		Neutral		
U.S. Dividend Ar	istocrats 1.	45	3.46	14.35		Neutral		
U.S. Low Volatili	ty 2.	45	5.04	10.53		Neutral		
U.S. Low Volatili	ty High Di 4.	28	7.99	20.01		Neutral		
U.S. Select Dividend		23	7.04	19.29		Neutral		
International De	eveloped 5.	26	7.33	18.30		Neutral		
Emerging Marke	ets Equity 1.5	91	4.99	14.22		Neutral		
Fixed Income								
U.S. Total Bond	1.	69	-1.54	1.31		Neutral		
U.S. Government	t 1.	45	-1.70	-0.22		Neutral		
U.S. Corporate	2.:	19	-1.88	3.81		Neutral		
U.S. High Yield	1.:	12	1.22	10.50		Cautious		
U.S.Leveraged Lo	ans 1.	03	3.35	11.71		Cautious		
Non-U.S. Developed		21	-1.10	3.78		Cautious		
Alternatives								
REITs		57	-4.94	8.42		Cautious		
Commodities		93	9.06	17.16		Favorable		
Managed Futures		92	2.78	-5.56		Favorable		
Hedge Funds		18	2.22	6.94		Favorable		
Source: Morningstar, data as of 05/31/2024								

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Asset Class Allocations*

Asset Class/Strategy	Allocation
Palladiem Equity Model	
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%
Palladiem Fixed Income Model	
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%
Palladiem Alternatives Model	
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				
Palladiem Defensive					
Equity					
U.S. Large Cap	7.50%				
U.S. Equal Weight	7.50%				
U.S. Quality	5.00%				
International Quality	5.00%				
Fixed Income					
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%				
Alternative					
Global Credit Macro Opportunity	5.00%				
U.S. Hedged Equity	<u>15.00%</u>				
Total	100.00%				

Multi-Asset Class Strategies	Allocation				
· ·	Allocation				
Palladiem Aggressive					
Equity					
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%				
Alternative					
Gold	5.00%				
Carbon Allowances	5.00%				
Systematic Long/Short Managed Futures	15.00%				
Total	100.00%				

Multi-Asset Class Strategies	Allocation				
Palladiem Balanced					
Equity					
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%				
Fixed Income					
U.S. Total Bond	10.00%				
U.S. Investment Grade Bond	9.00%				
Alternative					
Gold	5.00%				
Carbon Allowances	5.00%				
Global Credit Macro Opportunity	5.00%				
Systematic Long/Short Managed Futures	5.00%				
U.S. Hedged Equity	5.00%				
Total	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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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.

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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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