



**KATHMERE**  
CAPITAL MANAGEMENT

# 2024 Mid-Year CIO Market & Economic Perspectives

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## Market & Economic Recap

### Economy: Continued Resiliency Amid Two Opposing Forces

Six months into 2024, the U.S. economy continues to demonstrate remarkable resilience despite restrictive monetary policy and higher interest rates. Full-year 2024 economic growth has been trending towards 2% or so supported in large part by a fully employed and healthy U.S. consumer.

Through May, the U.S. labor market has registered 41 consecutive months of job growth, the unemployment rate has been at or below 4% since December 2021 while initial claims for unemployment insurance (a proxy for layoffs) remain low. In addition, the number of job openings continues to exceed the number of people seeking employment providing further support for continued payroll and wage growth. As a direct result of these supportive labor market dynamics real (i.e., net of inflation) personal income and total consumption has continued to grow at a healthy pace. At the same time, rising stock market and home prices have driven aggregate household net worth to all-time highs. And despite rising debt balances and higher interest rates, household debt service costs remain well below historical averages as a percentage of disposable personal income. Put simply, the U.S. consumer is in pretty good shape.

That said, we are now more than two years into the Fed's rate hiking campaign and the economy is contesting with two powerful forces pushing the economy in opposite directions.

On the one hand, the lagged effects of the Fed's rate hikes continue to be a headwind to growth with higher interest rates negatively impacting financially vulnerable consumers, companies and banks. Indicative of the

mounting stress caused by higher interest rates:

- Credit card and auto loan delinquency rates are rising especially for younger borrowers (<40 years old) which tend to have lower incomes and more debt on average relative to the rest of the population.
- In the corporate sector, defaults among highly indebted companies that issue debt in the high yield bond and loan markets have been gradually rising over the last two years since the Fed began hiking rates.
- In the banking sector, a number of community and smaller regional banks are dealing with vulnerabilities on their balance sheet caused by higher interest rates and the declines in the value of commercial real estate.

In short, consumers, companies and banks with lower income and/or weaker balance sheets have borne the brunt of the Fed's rate hikes thus far. Fortunately, the pain suffered by these groups has not yet had a significant negative impact on the broader economy. This is because: (a) these affected groups are comparatively small relative to the broader economy and (b) they are at least partly offset by other mitigating factors. Consider:

- Low earners account for a comparatively small share of total spending — among consumers, the lowest earning 40% of households (those most affected by higher rates) account for just 22% of all consumer spending in the economy while the highest earning 40% of households are responsible for 62% of spending, according to data from Apollo.
- In contrast with lower earning households, high earning households on net benefit from higher interest rates. High earning households are: (a) largely immune to rising rates on the liability side of their balance sheet due to the prevalence of fixed rate mortgages and the fact that approximately 40% of homeowners don't have a mortgage and (b) benefitting from higher rates on the asset side of their balance sheet at savings and investments are now earning considerably higher income than in the recent past.
- In the corporate sector, rising defaults in the below-investment grade high yield bond and loan market are mitigated by the fact that the investment-grade bond market is more than twice the size of the below-investment grade market and investment-grade issuers are broadly doing just fine given the majority of issuers smartly took advantage of lower interest rates and abundant capital markets in 2020-2021 to lock in low cost financing and extend the maturity of their debt.

- Within the banking sector, much of the stress caused by higher rates and declining commercial real estate prices has been mitigated by the fact that the much-feared flight of deposits from banks never materialized and commercial real estate prices appear to have stabilized and are now showing signs of moving higher again.

Countering the headwind facing the economy from the cumulative and lagged effects of the Fed's rate hikes is the Fed "pivot" from late 2023 which triggered a massive easing of financial conditions and has provided a significant tailwind to economic activity during the first half of the year.

As discussed in my year-end 2023 commentary the key economic story over the past several years has been inflation. It started rising following the depths of the pandemic. And it kept rising through 2021 and into 2022. Initially the Fed insisted inflation's rise was "transitory" and sat idly by for a while as it continued to rise. Eventually when it became apparent to the Fed that it wasn't as transitory as hoped, the Fed acted by raising rates in a historically aggressive fashion. After the Fed started raising rates inflation peaked and began to come back down from multi-decade highs reached in the summer of 2022. By late 2023, the Fed and the markets jointly came to believe that inflation was normalizing which led to the Fed's pivot when they suggested that the next move in interest rates was likely to be lower, not higher.

Thus, for nearly two years, the Fed had been saying "interest rates are going higher." That message was heard loud and clear by consumers, investors, corporate executives and bankers:

- Interest rates increased and bond prices fell sharply,
- Credit spreads widened,
- Commercial real estate prices declined,
- The stock market sold off, and
- Capital markets activity — IPOs, M&A, private equity transactions — slowed to a crawl.

All of this weighed on economic activity and increased the risk of the economy dipping into a recession.

This all changed in late 2023 when the Fed said, "interest rates are going lower." Once again, markets got the message:

- Interest rates declined and bond prices rebounded,
- Credit spreads tightened,
- Corporate debt issuance surged,
- Commercial real estate prices stabilized,
- Corporate earnings expectations improved,

- The stock market ripped higher,
- Household net worth surged to new all-time highs, and
- Private equity transactions, M&A and IPOs all came back to life.

Effectively, the Fed significantly loosened financial conditions just by talking about lowering rates. And in doing so, they generated a dramatic tailwind to the U.S. economy which continues to propel the economy forward today.

Looking forward, I anticipate the economy and the markets will continue to grapple with these two opposing forces. At least in the short-term however, it appears as though easy financial conditions and a strong U.S. consumer will be enough to carry growth forward for the next several quarters.

## Stocks: A New Year, The Same Themes

The global stock market rally that began in late October 2023 has broadly remained intact through the first half of 2024. In many respects, this year has been a continuation of many of the major trends of 2023: U.S. stocks outperforming non-U.S. stocks, U.S. growth stocks outperforming value and U.S. large cap stocks outperforming small cap stocks with mega-cap growth stocks believed to be uniquely positioned to benefit from an AI-driven boom propelling the market higher.



Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Investing involves risks such as fluctuating value and potential loss of principal value. There is no guarantee strategies will be successful.

Index representation as follows: U.S. Stocks (MSCI USA Index), Non-U.S. Stocks (MSCI ACWI ex. USA Index), Large Cap Value (Russell 1000 Value Index), Large Cap Growth (Russell 1000 Growth Index), Large Cap (S&P 500 Index), Large Cap Equal Weight (S&P 500 Equal Weighted Index), Small Cap (S&P 600 Index), Non-U.S. Developed Markets (MSCI World ex. USA Index), Emerging Markets (MSCI Emerging Markets Index).

Source: Ycharts. Data as of 6/30/2024.

While it feels like stocks as a whole have been on a tear lately, the market's advance has been unusually narrow. Take for example the equal weighted version of the S&P 500 Index which treats the returns of smaller stocks the same of those of the bigger ones and thus is a good proxy for the performance of the average stock in the market. Of the last three years, the equal weighted S&P 500 is up just slightly over 15% including dividends, significantly lagging the overall market, which is up more than 33%, and more than 25 percentage points behind the equal weight index's average gain of nearly 42% seen across all rolling three-year periods since 1990. It's not too much of an oversimplification to say that over the last three years, the overall market has delivered solid, albeit not spectacular performance on the back of a relatively limited selection of very large companies while the average company as produced middling performance at best.

The meaningful outperformance of mega-cap growth stocks has further increased the already notable top-heavy concentration of the U.S. equity market, with the 10 largest stocks in the index now representing 37% of the value of the overall benchmark making the index heavily reliant on the future performance of these select few stocks. While it's possible that this could mean less risk for the overall index given that these are very large, mature and highly profitable companies, the downside is that these stocks collectively trade at expensive valuations relative to the remaining stocks in the index — 30.3x forward earnings for the top 10 vs. 17.6x for the remaining stocks in the index.

As a direct result of the market being heavily concentrated in a collection of expensively valued companies, the overall market is expensively valued on most historical measures. And while valuation is not a reliable market timing tool in the short-term, today's historically elevated valuations are indicative of the prevailing sense of optimism and high expectations for U.S. stocks.

That said, it's worth noting that excluding the technology sector and a few other related industries and select companies, the market is valued approximately in line with historical averages suggesting pockets of attractively valued stocks exist outside of the headline grabbing stocks capturing investors' collective attention today.

In addition, foreign stocks continue to trade at a material discount to U.S. stocks both on an absolute basis and relative to their recent history. Since the end of 2000, non-US stocks have traded at a 16% discount to US stocks on average; however, the discount today is nearly 35%. Remarkably, less than 15 years ago foreign markets traded at a slight premium to U.S. markets.

**"Of the last three years, the equal weighted S&P 500 is up just slightly over 15% including dividends."**

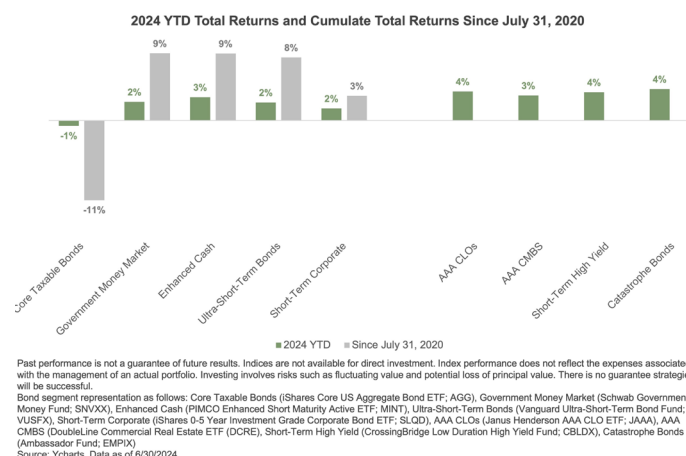
## Bonds: A Historical Drawdown Continues and Ongoing Short Duration Outperformance

After rallying sharply during the fourth quarter in 2023 to avoid registering an unprecedented third consecutive year of losses, the broad, investment-grade taxable bond market delivered modest losses during the first half of 2024. Interest rates generally trended upwards during the first four months of the year putting downward pressure on bond prices (bond prices move inversely to interest rates) as inflation persistently came in higher than hoped for several months prior to receding a bit to close the quarter, providing a welcome boost to bonds' performance.

Amid interest rates' move higher, money market funds, ultra-short-term and short-term bonds all modestly outperformed the broader market, delivering modest gains because of generally higher starting yields and lower vulnerability to rising rates. In addition, select "core plus" segments of the taxable fixed income

market including short-term high yield bonds, AAA-rated CLOs, AAA-rated CMBS and catastrophe bonds also outperformed the broad market.

At the midpoint of the year, the broad investment-grade taxable bond market remained mired in its longest drawdown on record at 47 months. The broad bond market remains down more than 10% from its all-time high achieved nearly four years ago in July 2020 as shown in the charts above.

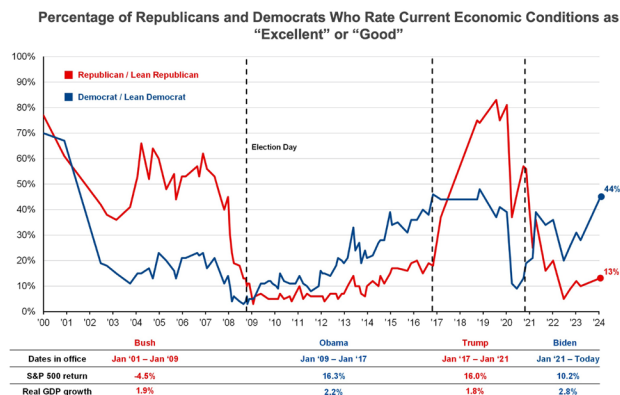


"Amid interest rates' move higher, money market funds, ultra-short-term and short-term bonds all modestly outperformed the broader market, delivering modest gains because of generally higher starting yields and lower vulnerability to rising rates. In addition, select "core plus" segments of the taxable fixed income market including short-term high yield bonds, AAA-rated CLOs, AAA-rated CMBS and catastrophe bonds also outperformed the broad market."

# Elections and Investing: Politics and Investing Don't Mix Well

With the 2024 Elections now less than six months away, talk of the election has been front and center in many discussions about the economy and portfolio management. And it's easy to see why — individuals of all political persuasions tend to hold strong beliefs about their preferred political candidates and election outcomes and it's clear that these beliefs tend to influence their assessment of the health of the economy.

The chart below shows the results of a survey regularly conducted by the Pew Research center which asks Americans how they feel about economic conditions. Survey participants are asked "Thinking about the nation's economy, how would you rate economic conditions in this country today...as excellent, good, only fair, or poor?" The results show that Republics generally feel better about the economy under a Republican president, while Democrats similarly generally feel better about the economy under a Democratic president.



Source: Pew Research Center, J.P. Morgan Asset Management. The survey was last conducted in January 2024, "Americans More Upbeat on the Economy; Biden's Job Rating Remains Very Low." Pew Research Center asks the question: "Thinking about the nation's economy, how would you rate economic conditions in this country today... as excellent, good, only fair, or poor?" S&P 500 returns are average annualized total returns between presidential inauguration dates and are updated monthly. Real GDP growth are average annualized GDP growth rates. Guide to the Markets — U.S. Data as of April 30, 2024.

Put simply: it's apparent that our opinions about politics heavily influences our collective views on the economy.

And yet, we've seen historically that the markets and the economy have performed both well (and poorly) during both Republican and Democratic presidential administrations. Looking at the table accompanying the graph, we see that the annualized returns on the S&P 500 during both the Obama administration and the Trump administration exceeded 16%, well above the market's long-term average of 10% or so.

One thing I'm often asked by investors is: how have markets historically performed during different configurations of the presidency and Congress. For example, how have markets performed under Republican and Democratic presidencies? When Republicans control both chambers of Congress and the White House? When Democrats do? What about during periods of political gridlock when neither party has full control?

This information is relatively easy to compute but the reality is that these types of figures tell investors very little about why markets performed the way they did. And importantly, they are even less likely to tell us much about how markets are likely to perform in the future. This is because there are a multitude of factors that influence short-term market performance of which politics and government policy are but one.

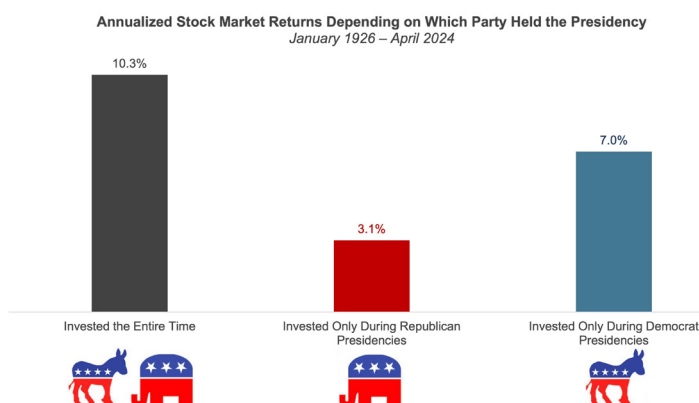
Arguably, one of the most important factors influencing how the markets perform during a presidential administration is simply when an administration starts and what the prevailing conditions were at the time. Consider the Reagan and Obama administrations — two administrations with stark differences in their philosophies and policies. Yet, during their eight years in office the S&P 500 Index delivered nearly identical cumulative total returns of 224% and 228%, respectively.<sup>1</sup> While their politics different mightily, what both administrations had in common was: their terms began in recessions and stocks were historically cheap.<sup>2</sup>

<sup>1</sup> Based on monthly data. Results for Reagan administration (1/20/1981 – 1/20/1989) covered 1/31/1981 – 1/31/1989 and results for Obama administration (1/20/2009 – 1/20/2017) covered 1/31/2009 – 1/31/2017.

<sup>2</sup> Analysis of stock valuations is based on the price-to-earnings ratio of the S&P 500 Index, which was trading at a price-to-earnings ratio of 9.1x and 10.4x, respectively, at the beginning of the Reagan and Obama terms. The average price-to-earnings ratio of the index was 16.7x from 1957 to January 2024. Source: Invesco.

Ultimately, investors who allowed their political opinions to overrule their investing discipline during the Reagan, Obama and Trump administrations may have missed out on the above-average returns earned by the stock market during political administrations they didn't like.

Another way of highlighting the risks of allowing one's political opinions to influence their investment strategy is to consider two hypothetical hyper-partisan investors — a die-hard Republican and a die-hard Democrat — who only invest in the stock market when their preferred party is in the White House and who sit patiently in cash earning zero when their party is out of power. The chart below shows the average annualized performance of our two hypothetical investors over the last 98+ years vs. the performance of the overall market. We see clearly that our hypothetical partisan investors badly lagged the performance of the overall market.



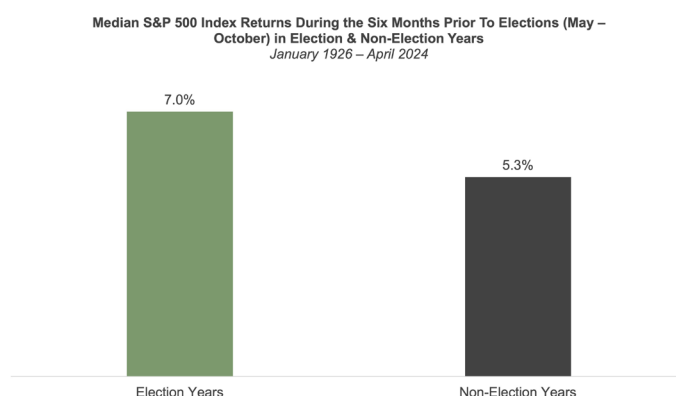
Mark Peterson, the Director of Investor Strategy & Education at BlackRock put it perfectly: “If you only invest when your preferred party is in office, you interrupt the magic of compounded annual returns in stocks that can have a major impact on your overall outcome.”

Lastly, on the topic of investing and politics, one idea I constantly hear in the financial media these days is the notion that “markets hate uncertainty” and thus that markets are vulnerable to a selloff in the months ahead simply because the election poses a significant source of uncertainty. The idea that markets hate uncertainty and thus are poised to perform poorly in the lead up to an election for no other reason that an election is

on the calendar is broadly accepted as conventional wisdom by many in the investing community.

The reality is that as with many things that are accepted as conventional wisdom in investing, such a view is not grounded in historical evidence.

My team examined the historical returns of the S&P 500 Index during the six months leading up to the last 24 presidential elections and compared those with the performance of the S&P 500 index during the same May through October period in the 74 years since 1926 that did not feature a presidential election. In the chart below, we see clearly that contrary to popular opinion, the stock market, on average, has delivered modestly stronger returns during the six months leading up to a presidential election than it has during the same months in non-election years.



As is always the case with investing, there are sources of risk and uncertainty facing the market that could lead to a near-term market selloff. Risk and uncertainty are always present in investing. They are simply the price we have to pay in order to capture the market's long-term returns.

The outcomes of elections are of course consequential for us and our future generations. But their impacts to the economy and markets are usually not direct, immediate or clearly apparent. We therefore believe it is nearly impossible to design an effective and repeatable investment strategy around an election cycle or anticipated political outcome.

Ultimately, we believe investors are better served when their investment strategy is driven by their unique goals, time horizon and risk tolerance and not the political cycle.

“If you only invest when your preferred party is in office, you interrupt the magic of compounded annual returns in stocks that can have a major impact on your overall outcome.”

# Cash or Bonds? Recognizing the Trade-Offs and Striking the Right Balance

As a result of impressive yields at the very short end of the yield curve on cash equivalents (e.g., money market funds and Treasury bills) many investors have come to question whether it makes sense to invest in bonds on any form as opposed to holding cash equivalents (what's been popularly referred to a "T-bill and chill" strategy).

These feelings are especially understandable considering cash equivalents' sustained outperformance over bonds during the last three-plus years which has seen broad investment-grade bonds experience a historically long and deep drawdown as described previously.

Many investors naturally are asking: "with money market funds and short-term Treasury bills yielding north of 5%, why bother with bonds?"

When evaluating the relative attractiveness of cash-like instruments vs. more traditional bonds, it's first critical to acknowledge that as is the case with all things investing, it's a matter of trade-offs. In this case, it's a trade-off of what's called reinvestment risk vs. market price risk.

With bonds, market price risk is the primary concern. Because a bond's interest rate is locked in over the life of the bond, if interest rates rise, a given bond's price will decline so that it's yield-to-maturity remains competitive with prevailing market yields. This risk has of course been front and center for many investors over the last few years as bonds have experienced historically elevated volatility and negative returns as interest rates moved higher.

On the other hand, with money markets and other short-term instruments, market price risk is negligible. If interest rates rise, the potential for negative price impact is minimal to nonexistent.

However, inherent in these instruments is something called reinvestment risk. When holding these short-term instruments, today's higher rates are not locked in for long and today's investments will need to be reinvested, or "rolled over," in relatively short order.

Consider a 3-month Treasury bill (note that this example will extend to any short-term instrument

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including a money market fund). Today, a 3-month Treasury yields approximately 5.5% (this rate is largely determined by the Fed's monetary policy). Critically, it bears stressing that 5.5% is an annualized rate.

In order for an investor to earn 5.5% over the next year, they would have to reinvest their principal at the end of the three-month term into a new 3-month Treasury bill at the same rate.

And then do the same again. And again.

Only after holding four separate 3-month Treasury bills and reinvesting three times at the same rate, over the next year would an investor earn the annualized 5.5% yield. The assumption that rates will remain stable at this high level is thus a critical one behind the annualized yield calculation.

With short-term instruments, every time you reinvest, you risk getting a lower rate.

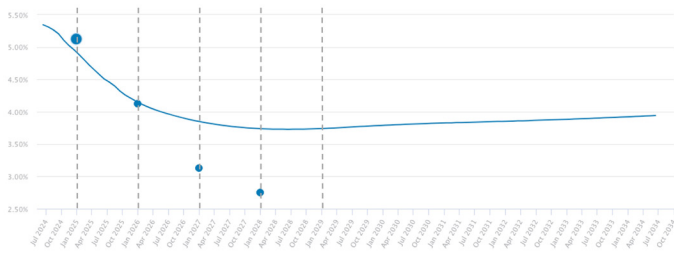
Thus, the risk with short-term instruments is that if rates fall — which is what would happen if the Fed were to cut rates — an investor would be left reinvesting into lower yields in the future.

The chart below plots both the market's and the Fed's expectations for short-term interest rates over the next decade.

The four blue dots depict the Fed's median expectation for where they expect to set their key monetary policy rate at the end of 2024, 2025, 2026 and 2027. We can clearly see that the Fed is expecting to cut rates fairly significantly over the next few years.

The solid blue line on the chart shows the market-implied future settings for the 3-month Term SOFR which is an index rate commonly used in floating commercial real estate and corporate financings and generally tends to closely track short-term Treasury bill rates and rates on offer on money market funds. The forward curve is often used by investment professionals as a baseline projection for future interest rates to support investment analysis. Again, we can see that the market is expecting lower rates in the future.

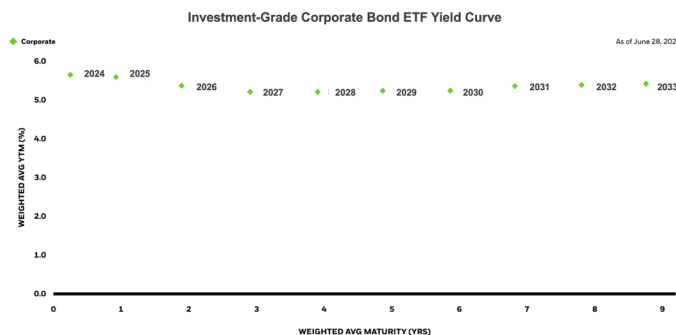
Fed Median Projection and 3-Month Term SOFR Forward Curve  
As of June 12, 2024



Note: The Term SOFR forward curves represent market-implied future settings for 3-month Term SOFR, and index rates commonly used in floating rate commercial real estate and corporate financings. Forward curves are often useful for forecasting and underwriting floating- and fixed-rate debt or for calculating yield maintenance but should not be viewed as predictive of actual future interest rates. The Fed Dot Plot and Fed Median reference the Federal Reserve Open Market Committee's expectations for where they anticipate the fed funds rate will be in the future. Each FOMC member indicates their view of the midpoint of the appropriate target range of the federal funds rate at the end of each of the next three years and over the longer run assuming a normalization of monetary policy. The FOMC has updated this "Fed Dot Plot" quarterly since January 2012.  
Source: Chatham Financial.

The bottom line is that both the Fed and the markets expect short-term rates to be lower in the future than they are today. Of course, there's no guarantee that things will play out this way. However, if they do, staying in very short-term investments presents considerable reinvestment risk. If short-term yields fall in the future, the currently available 5%-plus yields will not be available when it's time to reinvest the funds.

For investors looking to strike an attractive balance of reinvestment risk and market price risk I recommend considering short-term (i.e., bonds maturing in five years or less) investment grade bonds. The chart below shows the current market yields on investment-grade corporate bonds of various maturities. We can see that the corporate bond yield curve is both high (yields in the 5% to 6% range) and relatively flat (all yields are generally similar).



Investing involves risks such as fluctuating value and potential loss of principal value. There is no guarantee strategies will be successful.  
Note: Corporate iShares (ETF) representation as follows: 2024 (IBDP; iShares iBonds Dec 2024 Term Corporate ETF), 2025 (IBDQ; iShares iBonds Dec 2025 Term Corporate ETF), 2026 (IBDR; iShares iBonds Dec 2026 Term Corporate ETF), 2027 (IBDS; iShares iBonds Dec 2027 Term Corporate ETF), 2028 (IBDT; iShares iBonds Dec 2028 Term Corporate ETF), 2029 (IBDU; iShares iBonds Dec 2029 Term Corporate ETF), 2030 (IBDV; iShares iBonds Dec 2030 Term Corporate ETF), 2031 (IBDW; iShares iBonds Dec 2031 Term Corporate ETF), 2032 (IBDX; iShares iBonds Dec 2032 Term Corporate ETF), 2033 (IBDY; iShares iBonds Dec 2033 Term Corporate ETF).  
Source: iShares.

Thus, for investors with longer-term goals in mind (such as maintaining a long-term strategic reserve), I believe the current environment presents a compelling opportunity to capitalize on today's higher yields by bearing a modest amount of market price risk in place of the reinvestment risk associated with very short-term instruments like Treasury bills and money market funds.

That said, I continue to believe that short-term instruments remain attractive and appropriate for shorter-term goals or ones where price stability remains the paramount concern.

Ultimately, I believe that understanding the different types of risks and matching short and longer-term investments to your goals' time horizon increases your chances of investment success.

“With short-term instruments, every time you reinvest, you risk getting a lower rate. Thus, the risk with short-term instruments is that if rates fall—which is what would happen if the Fed were to cut rates—an investor would be left reinvesting into lower yields in the future.”

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Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not ensure against market risk. Asset allocation and diversification do not assure or guarantee better performance and cannot eliminate the risk of investment losses.

Tactical allocation may involve more frequent buying and selling of assets and will tend to generate higher transaction cost. Investors should consider the tax consequences of moving positions more frequently.

## Stock Investment Risk

Stock investing involves risk including loss of principal.

Investing in stock includes numerous specific risks including: the fluctuation of dividend, loss of principal and potential illiquidity of the investment in a falling market.

Investing in foreign and emerging markets securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

Currency risk is a form of risk that arises from the change in price of one currency against another. Whenever investors or companies have assets or business operations across national borders, they face currency risk if their positions are not hedged.

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## Bond Investment Risk

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond and bond mutual fund values and yields will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

High-yield/junk bonds are not investment-grade securities, involve substantial risks, and generally should be part of the diversified portfolio of sophisticated investors.

Municipal bonds are subject to availability, price, and to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rate rise. Interest income may be subject to the alternative minimum tax.

Federally tax-free but other state and local taxes may apply.

Investing in foreign and emerging markets debt securities involves special additional risks. These risks include, but are not limited to, currency risk, geopolitical and regulatory risk, and risk associated with varying settlement standards.

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## Alternative Investments Risk

Alternative strategies may not be suitable for all investors and should be considered as an investment for the risk capital portion of the investor's portfolio. The strategies employed in the management of alternative investments may accelerate the velocity of potential losses.

Investing in real estate/REITs involves special risks such as potential illiquidity and may not be suitable for all investors. There is no assurance that the investment objectives of this program will be attained.

Commodity-linked investments may be more volatile and less liquid than the underlying instruments or measures, and their value may be affected by the performance of the overall commodities baskets as well as weather, geopolitical events, and regulatory developments.

The fast price swings of commodities may result in significant volatility in an investor's holdings.

There is a risk of substantial loss associated with trading commodities, futures, options, derivatives and other financial instruments. Before trading, investors should carefully consider their financial position and risk tolerance to determine if the proposed trading style is appropriate. Investors should realize that when trading futures, commodities, options, derivatives and other financial instruments one could lose the full balance of their account. It is also possible to lose more than the initial deposit when trading derivatives or using leverage. All funds committed to such a trading strategy should be purely risk capital.



## 2024 Mid-Year CIO Market & Economic Perspectives