MONDAY MOSAIC – Easing has Begun

Week of September 23rd, 2024

0.50%

Reduction in the Federal Funds Rate

Rate cuts have arrived. On Wednesday, the Federal Open Markets Committee (FOMC) reduced the policy rate by 50 basis points (bps) to a target range of 4.75% to 5.00% and signaled that more cuts are coming.

0.10%

Retail Sales, Seasonally Adjusted, Month-over-Month

Retail Sales for the month of August came in ahead of expectations of -0.20%. The possibility of lower borrowing rates ahead could provide further support to spending moving forward.

-0.20%

Leading Economic Indicators, Seasonally Adjusted, Month-over-Month

The index of Leading Economic Indicators contracted again in August, as it has since the Fed started tightening monetary policy in March of 2022, outside of a single flat reading in February of this year.

TOP OF MIND

Kicking off an easing cycle with a 50bps reduction in the policy rate has occurred on two prior occasions in the Fed's history, January of 2001 and September of 2007.

Supporting the decision was their confidence that inflation would continue to move closer to their stated 2% target while acknowledging that the main risk they are now focused on is accommodating a full labor market.

We also received the latest Summary of Economic Projections (SEP) report illustrating that the members of the FOMC are anticipating a reduction to the policy rate by another 50bps by the end of this year, with another 100bps in cuts projected for next year.

Equity markets responded favorably to the large reduction and softer messaging, while the bond market is seemingly less convinced that inflation will continue to moderate as the Fed eases monetary policy.

INDEX RETURNS

As of 9/20/2024 (%)	1-Week	QTD	YTD	1-Year	3-Year
S&P 500 TR	1.39	4.76	20.78	31.45	11.10
Russell Mid Cap TR	1.72	7.97	13.33	25.04	5.07
Russell 2000 TR	2.10	9.10	11.00	24.91	2.15
MSCI EAFE NR	0.43	4.98	10.58	18.01	4.23
MSCI EM NR	2.26	2.68	10.37	16.90	-1.58
Bloomberg US Agg Bond TR	-0.22	5.45	4.70	10.43	-1.66
Bloomberg Intermediate Corporate Bond TR	0.11	4.73	5.78	11.36	0.56
Bloomberg High Yield Corporate TR	0.82	5.13	7.84	14.54	3.00
Bloomberg Commodities TR	2.14	-1.64	3.42	-3.45	4.52

PRICE LEVELS

	9/20/2024	1 Mo	3 Mo	6 Mo	1-Year
US Dollar Index	100.72	100.72	105.47	104.23	105.58
10 Year Treasury Yield	3.73	3.80	4.24	4.23	4.43
West Texas Crude (WTI) $/bbl	71.91	75.82	82.63	82.41	90.00

CURRENT POSITIONING

Portfolios remain defensively positioned against stretched valuations and elevated levels of complacency in what we believe to be a late-cycle environment.

EQUITIES			■					Defensively postured against elevated levels of complacency.
U.S. Equity				■				Relative advantages remain attractive; however, headline valuations are stretched. Our longstanding overweight to US equities relative to International equities remains.
Large			■					The balance sheet strength of many of many large cap companies remains attractive, however, their valuations are amongst the richest relative to other US equities and international equities.
Mid				■				Should a recovery in global economic growth fail to materialize, relative valuations combined with a higher percentage of domestic sales make mid cap stocks attractive.
Small				■				Valuations continue to remain attractive against large caps but fundamentals remain challenged. Within small caps, we are focused on quality companies with strong free-cash-flows.
Value					■			Overweight Energy, but relatively neutral the Value style overall. Focused on balance sheet strength and free-cash-flows against the cheapest valued companies, leading us away from deep value sectors and industries.
Growth			■					Driven by an underweight to Consumer Discretionary and Communication Services.
International				■				Signs of a recovery in manufacturing are starting to form which could prove to be a tailwind to attractively valued international equities, which could be supported further by easier monetary policy.
Developed Markets			■					Overweight Japanese equities relative to the benchmark, slightly underweight the Eurozone.
Emerging Markets					■			Increased foreign investment, increasing trade between economies, and reasonable valuations make emerging Asian equities attractive.

FIXED INCOME				■				We believe opportunities within fixed income markets are attractive over the mid- to long-term time periods while recognizing volatility could persist over the short-term.
Duration			■					Slight underweight to duration due to the uncertainty around inflation and need for a higher interest rate regime.
Treasury						■		Overweight Treasuries, specifically intermediate term, against a backdrop of challenged economic growth.
Corporate			■					Prefer short-term investment grade corporate credit relative to intermediate and long-term. High quality bias remains with little value offered in the form of spreads across the high yield universe.
MBS/Securitized						■		Attractive relative yield and historically wide spreads and strong implied credit quality makes the asset class attractive, specifically mortgages.

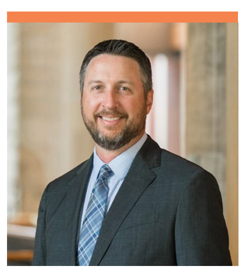
ALTERNATIVES	■							
Commodities	■							Entering a late cycle environment in which monetary policy rates begin to be reduced combined with a lack of geopolitical risk premium combine for challenging environment moving forward.

CASH					■			Conservative positioning across most asset classes has led to elevated positioning in cash which we anticipate using as opportunities arise.

MOSAIC BY MADISON INVESTMENTS

Mosaic by Madison Investments represents Madison's global multi-asset product suite spanning the risk spectrum with a series of distinct portfolios across ETF/Mutual Fund and ETF mandates. Madison's Multi-Asset Solutions team has deep experience monitoring worldwide macroeconomic trends and their associated investment implications. Risk management and a commitment to consistency are key components of our philosophy and process. We believe that efficient asset allocation and downside volatility mitigation should lead to increased long-term client investment success.

MULTI-ASSET SOLUTIONS TEAM



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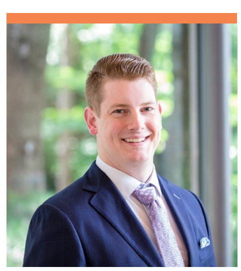

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The S&P 500® Index is a large-cap market index which measures the performance of a representative sample of 500 leading companies in leading industries in the U.S.

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 11% of the total market capitalization of the Russell 3000® Index.

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The MSCI EAFE (Europe, Australasia & Far East) Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,138 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and corporate securities, with maturities greater than one year.

The Bloomberg Commodity Total Return index (BCOM) is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Bloomberg US Intermediate Corporate Bond Index measures performance of United States dollar-denominated investment grade, fixed-rate, taxable corporate bond securities with maturities greater than or equal to one year, but less than ten years, that are issued by U.S and non-U.S. industrial, utility and financial issuers.

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All investing involves risks including the possible loss of principal. There can be no assurance the asset allocation portfolios will achieve their investment objectives. The portfolios may invest in equities which are subject to market volatility. In addition to the general risk of investing, the portfolio is subject to additional risks including investing in bond and debt securities, which includes credit risk, prepayment risk and interest rate risk. When interest rates rise, bond prices generally fall. Securities rated below investment grade are more sensitive to economic, political and adverse development changes.

Equity risk is the risk that securities held by the fund will fluctuate in value due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the fund participate, and the particular circumstances and performance of particular companies whose securities the fund holds. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

Commodity values can be very volatile. They can be impacted by world or local events, government regulations and economic conditions. Investments in commodities can lose value.

Each portfolio is subject to the risks and expenses of the underlying funds in direct proportion to the allocation of assets among the underlying funds.

Upon request, Madison may furnish to the client or institution a list of all security recommendations made within the past year.

The federal funds rate is the target interest rate range set by the Federal Open Market Committee (FOMC) for banks to lend or borrow excess reserves overnight. It influences monetary and financial conditions, short-term interest rates, and the stock market.

The Conference Board Leading Economic Index is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables. These variables have historically turned downward before a recession and upward before an expansion.

Bond Spread is the difference between yields on differing debt instruments of varying maturities, credit ratings, and risk, calculated by deducting the yield of one instrument from another.

A basis point is one-hundredth of a percent.