INVESTMENT COMMENTARY

U.S. stock market momentum continued in 1Q24, while the bond market was slowed by higher interest rates. The period after a Federal Reserve (Fed) pause tends to be good for the markets, as the Fed has stopped raising interest rates, but the economic news continues to lag and show positive readings, producing a "Goldilocks" not-too-hot, not-too-cold outlook for economic growth, inflation, and employment. The Federal Open Market Committee (FOMC) met twice in the first quarter and monetary policy remained unchanged with the Federal Funds rate "paused" at 5.25 to 5.50%, while Quantitative Tightening (QT) continued to reduce the Federal Reserve (Fed) balance sheet. The March FOMC statement highlighted, "Recent indicators suggest that economic activity has been expanding at a solid pace. Job gains have remained strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. The Committee seeks to achieve maximum employment and inflation at the rate of 2 percent over the longer run. The Committee judges that the risks to achieving its employment and inflation goals are moving into better balance. The economic outlook is uncertain, and the Committee remains highly attentive to inflation risks." U.S. Real Gross Domestic Product (GDP) increased at an annual rate of +3.4% during the fourth quarter of 2023, while inflation, as measured by the U.S. Consumer Price Index (CPI), rose by 3.2% for the twelve-month period ending February 2024. The Bureau of Labor Statistics (BLS) reported the unemployment rate increased slightly in February to 3.9%, while the U6 measure of total unemployed was at 7.2%, below its historical average. The Conference Board Consumer Confidence Index decreased in February to 104.8.

The S&P 500 continued to generate strong returns in the first quarter returning +10.55%, while the tech-heavy NASDAQ 100 returned +8.72%. The Bloomberg U.S. Aggregate Index delivered a return of -0.78% for the quarter, negatively impacted by a parallel shift higher across the yield curve but helped by tighter spreads. The yield curve inversion expanded by 5 bps to 42 bps as the 2-year Treasury yield increased by 37 bps to 4.62%, while the 10-year Treasury yield increased by 32 bps to finish the quarter at 4.20%. For the quarter, Treasuries returned -0.96%, while other major investment grade bond sectors were mixed. Investment Grade (IG) corporate bonds generated a quarterly return of (-0.40%), U.S. Agency Securities (+0.03%), Mortgage-backed Securities (-1.04%), Commercial MBS (+0.85%) and Asset-backed Securities (+0.68%). U.S. High Yield Corporate Bonds once more generated strong positive returns and returned +1.47% for the quarter.

With a touch of irony, we begin our market outlook by looking backward to our 4Q22 Investment Commentary, where we stated, "the predominant threat to global economic growth remains post-pandemic related inflation", and "we believe the Fed's 2% inflation target would be difficult to achieve with an economic soft landing", meaning without a full recession. We went on to write, "We believe there are numerous sticky global inflationary factors that will elevate secular U.S. inflation levels above the 2% target." Additionally, we stated, "the Fed will need to hold a Funds terminal rate of no less than 5.25% for no less than 6-12 months to get inflation down to/below the 3% level." This PIA outlook has remained intact for the past two years. In fact, today one could argue we may have underestimated the stickiness of U.S. inflation, given we're beginning to hear market rumblings of the potential for an additional rate hike. Our earlier outlook for what the market describes as "higher for longer" was based on our recognition that the significant post-GFC accumulation of liquidity and asset wealth was unprecedented, while congruent with decade-long easy monetary policy and massive COVID-related financial stimulus and relief. While it's unclear how long consumers can/will continue to prop up the U.S. economy, we have reason to believe that the U.S. economy could be resilient and sustainable near trend growth levels throughout 2024. Looking beyond the historically unprecedented post-GFC easy monetary policy, from 1990 through 2007, more than 50% of the 17 years that preceded the GFC had Fed Fund rates between 5% and 8.25%, while real GDP during those high rate periods ranged from 2% to more than 4.5%, with the exception of a few months in 1991. Additionally, the PIA Investment Strategy Group (ISG) believes the cumulative deterioration caused by inflation on consumer sentiment and spending power represents a greater long-term economic threat than an outright recession. Therefore, the ISG continues to anticipate 0-3 rate cuts in 2024. However, we believe the probability of rate cuts decreases without unemployment picking up above 4.25%, real GDP falling below 2% trend, or inflation on a sustainable path below 2.5%.

For the first time in this Fed rate cycle, the bond market appeared to align with the Fed's outlook for rate cuts in 2024. Commensurately, interest rates climbed 30-40 bps higher across the curve as investors transitioned from optimism for lower rates to acceptance of "higher for longer". Our near-term outlook is for the numerous inflation concerns to outweigh recession fears and hopes for rate cuts. Financial conditions remain accommodative, which is anticipated in election years, but there are heightened risks of supply chain disruptions and growing concerns over the wars in Ukraine and the Middle East. The climbing costs of rising national debt and deficits, the risks of rising energy and commodity costs, and the added expense of trade fragmentation, particularly between the U.S. and China, are all adding to inflationary pressures. Additionally, the Conference Board Index of Leading Economic Indicators was positive in Q1 for the first time since April 2022. The ISG, however, remains cautious and has positioned portfolios accordingly with concerns of a "growth recession" (below trend GDP) beginning by the end of 2024.

In the first quarter of 2024, PIA portfolio duration remained at the long end of our +/- 0.25 year neutral range relative to our respective benchmarks. We continue to overweight corporate debt, with a focus on high quality credits with strong balance sheets. Our Industrial credits provide incremental risk-adjusted yield and our Financials are senior domestic debt we believe offer attractive compensation for their sector volatility. We maintained our modest overweight in Agency MBS during the quarter and will continue to evaluate opportunities to potentially add to the position. In our Plus strategies, we reduced our high yield exposure modestly, as high yield spreads narrowed and overall yields declined.

PIA Investment Strategy Group

INDEX RETURNS	QTD	YTD	1-Year
Bloomberg			
Universal	-0.47%	-0.47	2.67%
Aggregate	-0.78	-0.78	1.70
Gov-Credit	-0.72	-0.72	1.74
Int. Gov-Credit	-0.15	-0.15	2.69
IG - Corporate	-0.40	-0.40	4.43
Treasury only	-0.96	-0.96	0.05
1-3 year Gov	0.29	0.29	2.98
High Yield Corporate	1.47	1.47	11.15

INDEX RETURNS	QTD	YTD	1-Year
Bloomberg			
Global Aggregate	-2.08%	-2.08%	0.49%
Emerging Markets Debt	1.53	1.53	8.43
ICE BofA -1-year T-Note	0.83	0.83	4.30
S&P 500	10.55	10.55	29.87
DJIA	6.14	6.14	22.18
NASDAQ 100	8.72	8.72	39.65
MSCI EAFE	5.94	5.94	15.94

SECTOR RETURNS	QTD	QTD (Excess)	YTD	YTD (Excess)
Treasury (actual returns)	-0.96%	—	-0.96%	—
U.S. Agency	0.03	0.19	0.03	0.19
Mortgage Backed Security	-1.04	-0.14	-1.04	-0.14
Commercial Mtg Backed Security	0.85	1.45	0.85	1.45
Corporate	-0.40	0.89	-0.40	0.89
Financials	0.35	1.15	0.35	1.15
Industrials	-0.77	0.72	-0.77	0.72
Utilities	-0.77	1.01	-0.77	1.01
AAA-rated	-1.64	0.67	-1.64	0.67
AA-rated	-0.98	0.59	-0.98	0.59
A-rated	-0.55	0.73	-0.55	0.73
BBB-rated	-0.14	1.08	-0.14	1.08
High Yield Corporate	1.47	1.59	1.47	1.59

Source: Bloomberg
Excess returns are the return achieved by a security (or portfolio of securities) above the return of a benchmark.

CREDIT SPREADS	3/31/24	12/31/23	12/31/23
All Index Treasuries (yield)	-0.9	-0.8	-0.8
U.S. Agency	24.3	24.2	24.2
Mortgage Backed Security	82.4	81.3	81.3
Commercial Mortgage Backed Security	97.9	128.3	128.3
IG - Corporate	91.5	100.6	100.6
Financials	97.5	113.6	113.6
Industrials	86.9	92.2	92.2
Utilities	98.9	107.6	107.6
AAA-rated	34.8	38.5	38.5
AA-rated	44.4	48.1	48.1
A-rated	77.8	85.9	85.9
BBB-rated	112.5	123.7	123.7
High Yield Corporate	319.6	346.4	346.4

Source: Bloomberg

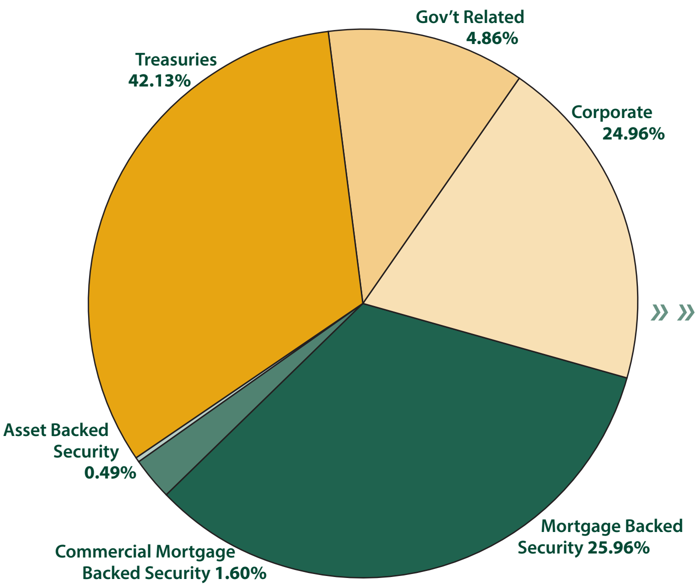
KEY INDICATORS	3/31/24	12/31/23
U.S. $ Index (DXY)	104.49	101.33
Oil (CL1)	83.2	71.7
Commodity Research Bureau (CRB)	290.3	263.8
Gross domestic Product (GDP)	3.4	3.4
Consumer Price Index (CPI)	3.2	3.4
Core CPI (Ex - Food & Energy)	3.8	3.9
Consumer Confidence	104.8	110.7
Unemployment Rate	3.9	3.7
S&P/Case Shiller - Comp - 20	6.6	6.2

Source: Bloomberg

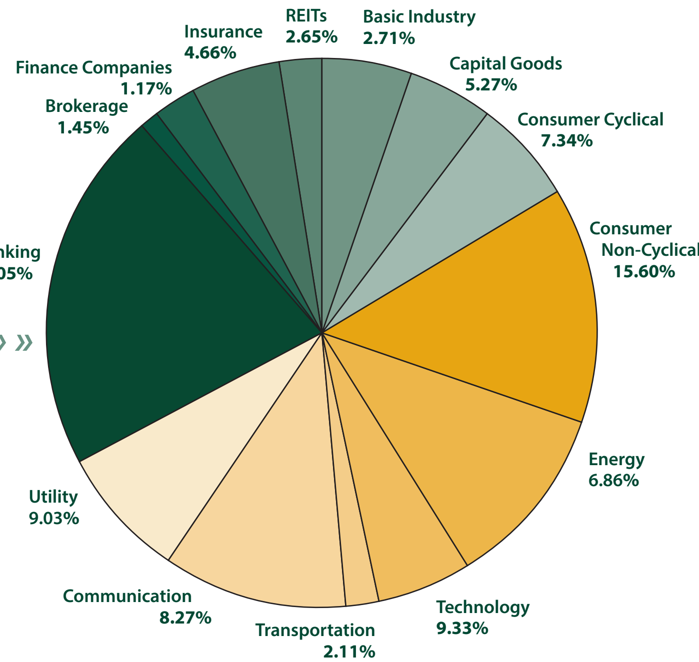
KEY RATES	1Q24	4Q23	4Q23	QTD Return	YTD Return
Fed Funds	5.25-5.5%	5.25-5.5%	5.25-5.5%	n/a	n/a
3-Month LIBOR	5.56	5.59	5.59	n/a	n/a
On-the-Run's					
3 Months	5.37	5.34	5.34	1.29	1.29
6 Months	5.32	5.26	5.26	1.24	1.24
2 Years	4.62	4.25	4.25	0.21	0.21
5 Years	4.21	3.85	3.85	-0.76	-0.76
10 Years	4.20	3.88	3.88	-1.61	-1.61
30 Years	4.34	4.03	4.03	-3.89	-3.89

Source: Bloomberg

BLOOMBERG **AGGREGATE**



BLOOMBERG **CORPORATE**



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INDEX DESCRIPTION

Bloomberg U.S. Universal Index represents the union of the U.S. Aggregate Index, U.S. Corporate High-Yield Index, Investment-Grade 144A Index, Eurodollar Index, U.S. Emerging Markets Index, and the non-ERISA eligible portion of the CMBS Index. The index covers USD-denominated, taxable bonds that are rated either investment-grade or below investment-grade. Some U.S. Universal Index constituents may be eligible for one or more of its contributing subcomponents that are not mutually exclusive. These securities are not double-counted in the index.

Bloomberg U.S. Aggregate Bond Index is an unmanaged index that covers the investment grade fixed rate bond market with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. The issues must be rated investment grade, be publicly traded, and meet certain maturity and issue size requirements.

Bloomberg U.S. Government/Credit Bond Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg U.S. Intermediate Government/Credit Bond Index is the Intermediate component of the U.S. Government/Credit index. The Government/Credit Index includes securities in the Government and Credit Indices. The Government Index includes treasuries (i.e., public obligations of the U.S. Treasury that have remaining maturities of more than one year) and agencies (i.e., publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government). The Credit Index includes publicly issued U.S. corporate and foreign debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

Bloomberg U.S. Corporate Bond Index covers USD-denominated, investment-grade, fixed-rate, taxable securities sold by industrial, utility, and financial issuers. It includes publicly issued U.S. corporate debentures and secured notes that meet specific maturity, liquidity, and quality requirements. Securities in the index roll up to the U.S. Credit and U.S. Aggregate indices. The U.S. Corporate Index was launched on January 1, 1973.

Bloomberg U.S. Treasury Index includes public obligations of the U.S. Treasury. Treasury bills are excluded by the maturity constraint but are part of a separate Short Treasury Index. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded. STRIPS are excluded from the index because their inclusion would result in double-counting. Securities in the Index roll up to the U.S. Aggregate, U.S. Universal, and Global Aggregate Indices.

Bloomberg U.S. 1-3 Year Government Bond Index consist of securities in the U.S. Government Index with a maturity from 1 up to (but not including) 3 years. Securities issued by the U.S. Government (i.e., securities in the Treasury and Agency Indices). Inclusions: Public obligations of the U.S. Treasury with a remaining maturity of one year or more. Publicly issued debt of U.S. Government agencies, quasi-federal corporations, and corporate or foreign debt guaranteed by the U.S. Government.

ICE BofA 1-Year US Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month that issue is sold and rolled into a newly selected issue. The issue selected at each month-end rebalancing is the outstanding Treasury note that matures closest to, but not beyond, one year from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

Bloomberg Corporate U.S. High Yield Index - covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures, 144-As and pay-in-kind bonds (PIKs, as of October 1, 2009) are also included. The index includes both corporate and non-corporate sectors. The corporate sectors are Industrial, Utility, and Finance, which include both U.S. and non-U.S. corporations. The Yankee sector has been discontinued as of 7/1/00. The bonds in the former Yankee sector have not been removed from the index, but *have been reclassified into other sectors.*

Bloomberg Global Aggregate Index provides a broad-based measure of the global investment-grade fixed-rate debt markets. The Global Aggregate Index contains three major components: the U.S. Aggregate Index (USD 300 million), the Pan-European Aggregate Index (EUR 300 million), and the Asian-Pacific Aggregate Index (JPY 35 billion). In addition to securities from these three benchmarks (94.4% of the overall Global Aggregate market value), the Global Aggregate Index includes Global Treasury, Eurodollar (USD 300 million), Euro-Yen (JPY 35 billion), Canadian (CAD 300 million), and Investment-Grade 144A (USD 300 million) index-eligible securities not already in the three regional aggregate indices. The Global Aggregate Index family includes a wide range of standard and customized subindices by liquidity constraint, sector, quality, and maturity. The Global Aggregate Index is a component of the Multiverse Index.

The Bloomberg EM USD Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD denominated debt from sovereign, quasi-sovereign, and corporate EM issuers. The index is broad-based in its coverage by sector and by country, and reflects the evolution of EM benchmarking from traditional sovereign bond indices to Aggregate-style benchmarks that are more representative of the EM investment choice set. Country eligibility and classification as an Emerging Market is rules-based and reviewed on an annual basis using World Bank income group and International Monetary Fund (IMF) country classifications. This index was previously called the Barclays US EM Index and history is available back to 1993.

S&P 500 Index – The S&P 500 index includes 500 leading companies in leading industries of the U.S. economy. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The Dow Jones Industrial Average (DJIA) is an index used to measure the performance of the U.S. financial markets. Introduced on May 26, 1896 by Charles H. Dow, it is the oldest stock price measure in continuous use. Over the past century "the Dow" has become the most widely recognized stock market indication in the U.S. and probably in the entire world. Most of the stocks included in the index are listed on the New York Stock Exchange, and are all large blue-chip companies that reflect the health of the U.S. economy. All but a handful of these have major business operations throughout the world, thus providing some insight into the economic well-being of the global economy.

The NASDAQ-100 Index is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No security can have more than a 24% weighting. The index was developed with a base value of 125 as of February1, 1985. Prior to December 21, 1998 the Nasdaq 100 was a cap-weighted index.

MSCI EAFE Index is a capitalization weighted index that monitors the performance of stocks from Europe, Australiasia, and the Far East.

Indexes are unmanaged, do not incur management fees, costs, and expenses, and cannot be invested in directly.

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