

CAPITAL MARKETS OVERVIEW

About Us

Penn Mutual Asset Management (PMAM) is focused on risk-based institutional asset management, advisory and investment operation services. We are fixed-income specialists committed to applying our diverse expertise, delivering tailored investment strategies and solutions and balancing our repeatable, value-driven approach with seasoned investment judgment to drive performance and create value.

We believe:

- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Being nimble and opportunistic creates value for investors
- Focus, discipline, teamwork and accountability enable results

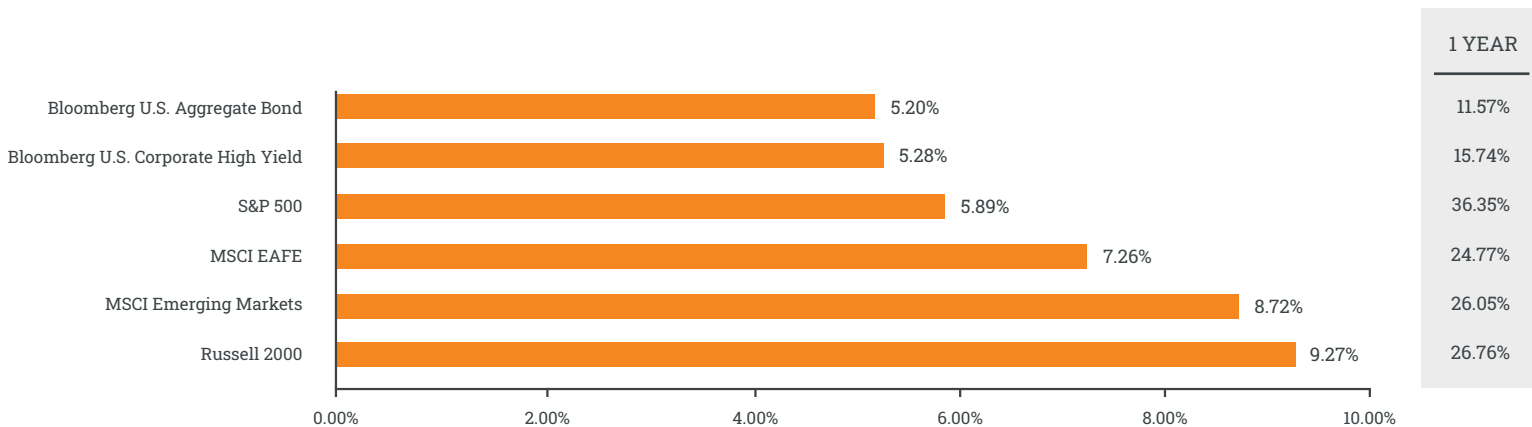
With over \$38 billion in total assets under management,¹ Penn Mutual Asset Management is dedicated to executing on its core asset management competencies, which include total return-based investing, advisory services and expertise in alternative asset investing.

We tailor our proven approach to generate solid risk-adjusted returns, while balancing the need for capital preservation to achieve each client's strategy and goals.

¹As of September 30, 2024

Benchmark Returns¹

Third Quarter



¹Bloomberg data as of September 30, 2024

Third Quarter Headlines

After a brief equity market sell-off and volatility surge in early August, the stock market rally quickly regained traction as the third quarter came to a close...

The S&P 500 Index notched 43 record high closes during the first nine months of the year with the recent rally broadening out beyond just the large capitalization technology names. Investor enthusiasm regarding the potential of artificial intelligence (AI) started to fade as investors worried whether the significant AI spending will pay off.

The Federal Reserve (Fed) lowered its policy rate by 50 basis points (bps) during its September meeting, marking the first Fed rate cut since 2020. The uptick in inflation witnessed during the first four months of the year reversed course thereafter, giving Fed policymakers more confidence inflation was sustainably approaching its 2% target...

Credit markets maintained positive momentum during the quarter. Investment-grade corporate bonds outperformed duration-matched Treasuries by 77 bps while the high-yield market generated a total return of 5.3%.

U.S. economic growth continues to exceed expectations despite recent signs of softening labor market conditions. According to the Atlanta Fed GDPNow forecast, third quarter economic growth is expected to increase by 3%, matching the second quarter gain...

The start of the easing cycle will provide some relief for homebuyers confronting tight supplies and the most challenging affordability measures in decades.

Outlook

The bond market has again become too optimistic about the pace and scale of Fed rate cuts anticipated over the next year. Strong household and corporate balance sheets are likely to remain supportive of economic growth, reducing the odds of more “super-sized” Fed rate cuts. The lack of urgency by politicians to address growing U.S. fiscal imbalances increases the potential for Treasury market volatility.

Baseline Forecasts		Actual 12/31/2023	Actual 9/30/2024	Forecast 12/31/2024	Forecast 12/31/2025
US Economy	GDP	2.9%	*3.0%	2.8% ↑ (from 2.5%)	2.0%
	Unemployment Rate	3.7%	4.2%	4.0%	4.0%
	CPI	3.1%	2.5%	2.5% ↓ (from 3.0%)	2.5%
Stock Market	S&P 500 Index	4,770	5,762	5,600 ↑ (from 5,200)	5,800 ↑ (from 5,400)
	Russell 2000 Index	2,027	2,230	2,200	2,400
Bond Market	Fed Funds Rate	5.31%	4.81%	4.25% ↓ (from 4.75%)	4.00%
	2-year Treasury Yield	4.25%	3.64%	4.50%	4.25%
	10-year Treasury Yield	3.88%	3.78%	4.75%	4.50%
	30-year Treasury Yield	4.03%	4.12%	5.00%	4.75%
Commodities	WTI Crude Oil	\$72	\$68	\$100	\$110
	Gold	\$2,063	\$2,635	\$2,200	\$2,000
Currencies	Dollar/Euro	1.10	1.11	1.20	1.10
	Yen	141	144	150	130

*1-year as of 2Q24

Source: Bloomberg

Index Definitions:

S&P 500 Index – An index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. 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.

Bloomberg U.S. Aggregate Bond Index – An index that 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, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

Bloomberg U.S. Corporate High Yield Bond Index – An index that measures the USD-denominated, high yield, fixed-rate corporate bond market.

MSCI Emerging Markets Index – A free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI EAFE Index – An index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

Russell 2000 Index – An index measuring the performance of approximately 2,000 small cap companies in the Russell 3000 Index, which is comprised of 3,000 the largest U.S. stocks.

Disclosures:

The views expressed in this material are the views of PMAM through the quarter ending September 30, 2024 and are subject to change based on market and other conditions.

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