

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:

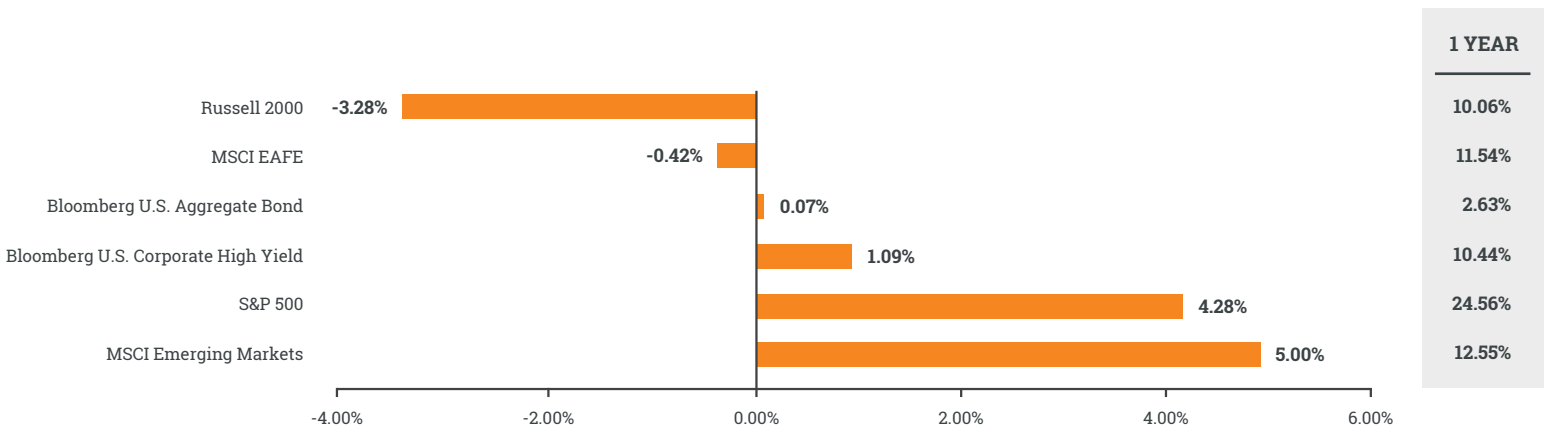
- Valuation drives decisions to help generate strong performance
- Diversification is the best form of risk management
- Being nimble and opportunistic creates value for investors
- Focus, discipline, teamwork and accountability enable results

With over \$35 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 June 30, 2024

Benchmark Returns¹ Second Quarter



¹Bloomberg data as of June 30, 2024

Second Quarter Headlines

Risk markets continue to exhibit strength despite the recent uptick in inflation delaying the start of Federal Reserve (Fed) rate cuts...

The S&P 500 Index notched 33 record high closes during the first half of the year with large capitalization technology names maintaining their market dominance. Investor enthusiasm regarding the potential of artificial intelligence (AI) fueled extraordinary gains for companies set to benefit from the transformative technology.

Investment-grade (IG) and high-yield corporate credit spreads hovered near the tightest levels since the Global Financial Crisis with near record-high issuance easily absorbed by investors taking advantage of attractive all-in yields...

IG corporate bonds underperformed duration-matched Treasuries by four basis points (bps) while the high-yield market generated a total return of 1.09%. Treasury rates across the yield curve moved higher with the 10-year Treasury yield closing June at 4.40%, up 20 bps during the quarter.

U.S. economic growth continues to show surprising resilience in light of the sharp rise in interest rates and a prolonged inversion of the yield curve...

Labor market conditions in the U.S. are showing pockets of weakness, including an uptick in the unemployment rate, but new job creation remains solid. Elevated mortgage rates continue to weigh on housing market activity but tight supplies have kept home prices elevated. Housing affordability remains the most challenging in decades.

Outlook

The Fed remains biased toward easier monetary policy this year despite setbacks in its fight to lower inflation. Monetary policymakers are beginning to put more emphasis on the full employment side of the Fed’s dual mandate. Supply pressures are likely to keep upward pressure on long-term Treasury yields for the balance of the year.

Baseline Forecasts		Actual 12/31/2023	Actual 6/30/2024	Forecast 12/31/2024	Forecast 12/31/2025
US Economy	GDP	2.9%	*2.9%	2.5%	2.0%
	Unemployment Rate	3.7%	4.0%	4.0%	4.0%
	CPI	3.1%	3.3%	3.0%	2.5%
Stock Market	S&P 500 Index	4,770	5,460	5,200	5,400
	Russell 2000 Index	2,027	2,048	2,200	2,400
Bond Market	Fed Funds Rate	5.31%	5.31%	4.75% ↑ (from 4.50%)	4.00% ↑ (from 3.50%)
	2-year Treasury Yield	4.25%	4.76%	4.50% ↓ (from 4.75%)	4.25% ↑ (from 3.75%)
	10-year Treasury Yield	3.88%	4.40%	4.75% ↓ (from 5.00%)	4.50% ↑ (from 4.25%)
	30-year Treasury Yield	4.03%	4.56%	5.00% ↓ (from 5.25%)	4.75% ↑ (from 4.50%)
Commodities	WTI Crude Oil	\$72	\$82	\$100	\$110
	Gold	\$2,063	\$2,327	\$2,200	\$2,000
Currencies	Dollar/Euro	1.10	1.07	1.20	1.10
	Yen	141	161	150 ↑ (from 130)	130 ↑ (from 120)

*1-year as of 1Q24

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 June 30, 2024 and are subject to change based on market and other conditions.

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