SUMMIT GLOBAL INVESTMENTS

Our View from the Summit

MARKET OVERVIEW

Riding the surge it experienced late in 2023, the U.S. stock market continued to steamroll into 2024, with general optimism over the economy and interest rate cuts helping the S&P 500 post gains of more than 10%, its biggest first-quarter gain since 2019. The index set more than a dozen highs without a significant pullback during the first quarter of 2024, while the tech-heavy Nasdaq Composite in late February also registered its first record high since November 2021.

Benchmark	1Q 2024
S&P 500 Index	10.56%
Russell 2000 Index	5.18%
MSCI EAFE Index	5.67%
MSCI Emerging Mkts.	2.09%

Gains during the quarter can be attributed to confidence from investors that the economy is set for a soft landing. This optimism, whether warranted or not, has driven stock valuations up, with the S&P 500's forward price-to-earnings ratio climbing to 21, its highest level in more than two years. Increased workforce participation helped improve the labor supply, with the strongest labor market we've seen in more than five decades helping to put a tourniquet on inflation (for now).

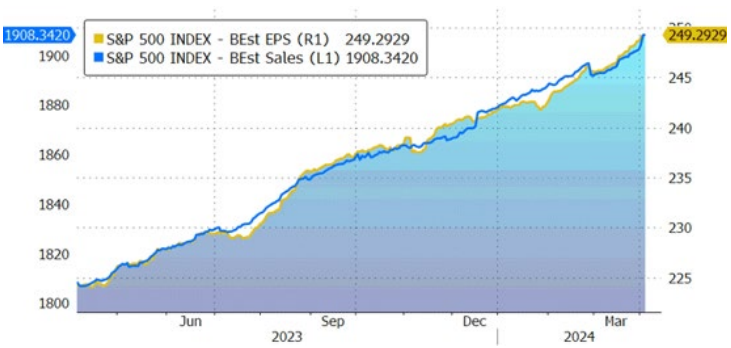
The stock market continues to be propelled by some of the megacap companies that led the way in 2023. But while all of the "Magnificent 7" tech and growth stocks posted massive gains in 2023, not all have fared so well at the beginning of this year. Nvidia (NVDA) continued to surge fueled by its gold-standard chips for AI, and Meta Platforms (META) has been outperforming as well, with the Facebook parent issuing its first dividend in February. But Apple (AAPL) and Tesla (TSLA) have seen substantial downturns.

Overall, other stocks have helped pick up the slack this quarter, indicating this rally could be broadening. Tech and communication services—sectors that house a combined five of the Magnificent Seven—are among the top S&P 500 sectors so far this year. But energy, financials, and industrials are also outperforming the S&P 500.

Globally, we are seeing expected and unexpected developments. In Japan there has been a notable shift helping drive improved return on equity. Unlike the U.S., growth in Canada has been stubborn even though the market expects the Bank of Canada's actions on rates to be similar to the Fed. Chinese equities continue to underperform sharply, with considerable pessimism as China faces numerous structural challenges, weak consumer confidence, and has only delivered a measured policy response to support its economy and markets. Europe continues to face challenges as the Russia/Ukraine war drags on, and the Israel-Hamas war which started in October of 2023 keeps the Mideast region extremely unstable.

MARKET FUNDAMENTALS

Sales and earnings per share for companies are critical fundamentals for investors to track to determine whether corporate prospects are improving or deteriorating. The adjacent chart shows Bloomberg's tracking of Wall Street analysts estimates of sales and earnings per share for the next twelve months for companies in the S&P 500 Index. Both fundamentals improved significantly during this first quarter. Sales estimates increased 1.6% and earnings per share estimates increased 3.1%, pointing to improving prospects for the stock market. S&P 500 companies continue to be highly profitable.



The S&P 500 Index ended the first quarter of 2024 at 5254.35, therefore, it trades at a 21.1% next-twelve-months earnings estimate, and 2.8% next-twelve-months sales estimate. Both valuation measures are in the top quartile of their respective histories, so from a valuation standpoint the stock market remains relatively expensive.

OUTLOOK

While it appears headwinds may continue in 2024 for the U.S. economy, we continue to be cautious and maintain our Managed Risk Approach™. Many forecasters are anticipating a soft landing, where inflation slows and growth cools without sliding into recession, but our optimism isn't overly excessive as we think the risks of economic growth eventually disappointing could be currently underappreciated. Throughout 2024, we'll be emphasizing high-quality security selection and diversification to protect client outcomes across a wide range of potential scenarios in the year ahead.

With significant uncertainty surrounding the macro-outlook, we think a defensive, risk-managed stance can help cushion portfolios in a market downturn, while not sacrificing upside potential should a soft landing occur. Overall, our outlook remains mixed and we continue to emphasize strong fundamentals in the face of economic risks. Non-U.S. developed equities still trade at a steep discount to U.S. equities, but there is significant uncertainty around their ability to deliver differentiated earnings.

- Our strategies with regards to China are largely driven by where our investment managers are finding the best value in emerging markets.
- Oil prices might remain rangebound as the tug-of-war between softer growth and supply constraints from the OPEC+ group of oil-producing countries continues.
- Gold appears overvalued as it trades at near record highs, and while gold prices may soften, several factors including heightened geopolitical tensions and structural support from central bank purchases still create a favorable cyclical environment for gold.
- Private credit yields are still high even as public credit yields have compressed, creating attractive return opportunities for private credit.
- Artificial intelligence technologies should continue to benefit technology stocks and improve corporate productivity.
- We remain alert to a highly contentious election year and its potential impact on market volatility.

Above all, we adhere to our disciplined, managed-risk, multi-factor investment process and continue to find attractive investment opportunities. SGI manages multiple investment strategies for clients. Over a full market cycle, our defensive strategies have historically limited downside risks and allowed for participation in market rallies. Over a complete market cycle, our market risk core investment strategies seek to outperform their respective benchmarks. Finally, our income strategies should continue to generate above average yields.

We are privileged for the opportunity to serve as your trusted advisor.

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