

# 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

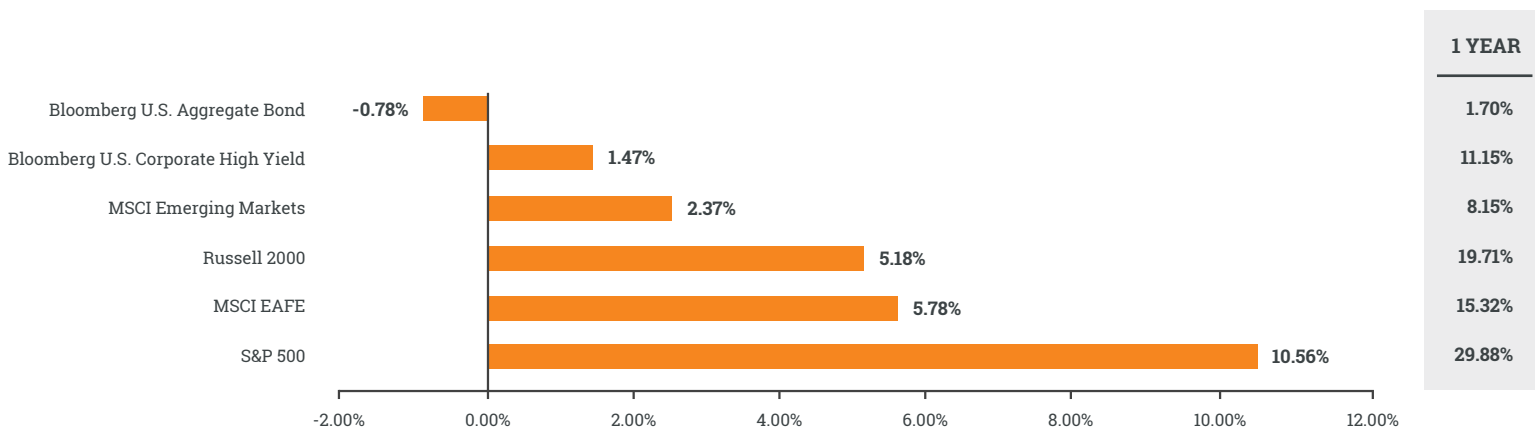
With over \$35 billion in total assets under management,<sup>1</sup> Penn Mutual Asset Management is dedicated to executing on its core asset management competencies, which include total return-based investing, advisory services and expertise in alternative asset investing.

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.

<sup>1</sup>As of March 31, 2024

## Benchmark Returns<sup>1</sup>

### First Quarter



<sup>1</sup>Bloomberg data as of March 31, 2024

## First Quarter Headlines

**Investor enthusiasm regarding artificial intelligence (AI) continues to fuel strong equity market gains with the S&P 500 Index notching 22 record high closes during the first quarter...**

Credit markets also rallied during the quarter as the record-setting volume of corporate bond issuance was easily absorbed by the market. Corporate bond exchange-traded funds (ETFs) witnessed the strongest inflows since 2020.

**Despite an uptick in inflation during the quarter, Federal Reserve (Fed) Chair Powell continues to signal that interest rate cuts are likely to begin soon...**

Treasury rates across the curve increased with the 10-year Treasury yield closing March at 4.21%, up 33 basis points (bps) since the start of the year. Investment-grade corporate credit spreads tightened, with spreads closing near the tightest levels since the Global Financial Crisis while the high-yield market generated a total return of 1.47%.

**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. Fourth quarter gross domestic product (GDP) came in at 3.4%, following a 4.9% print in the third quarter...**

Labor market conditions in the U.S. remain strong with the monthly job gains above the 200,000 mark in each of the previous three months.

## Outlook

Fed policymakers are likely to continue over-promising but under-delivering on the number of interest rate cuts this year as easing financial conditions and rapidly rising stock prices keep inflation pressures elevated.

Baseline Forecasts		Actual 12/31/2023	Actual 3/31/2024	Forecast 12/31/2024	Forecast 12/31/2025
<b>US Economy</b>	GDP	2.9%	*3.1%	2.5%	2.0%
	Unemployment Rate	3.7%	3.9%	4.0%	4.0%
	CPI	3.1%	3.2%	3.0%	2.5%
<b>Stock Market</b>	S&P 500 Index	4,770	5,254	5,200 ↑ (from 4,600)	5,400 ↑ (from 5,000)
	Russell 2000 Index	2,027	2,125	2,200	2,400
<b>Bond Market</b>	Fed Funds Rate	5.31%	5.31%	4.50%	3.50%
	2-year Treasury Yield	4.25%	4.62%	4.75%	3.75%
	10-year Treasury Yield	3.88%	4.20%	5.00%	4.25%
	30-year Treasury Yield	4.03%	4.34%	5.25%	4.50%
<b>Commodities</b>	WTI Crude Oil	\$72	\$83	\$100	\$110
	Gold	\$2,063	\$2,230	\$2,200	\$2,000
<b>Currencies</b>	Dollar/Euro	1.10	1.08	1.20	1.10
	Yen	141	151	130	120

\*1-year as of 4Q23

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 March 31, 2024 and are subject to change based on market and other conditions.

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