

# 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

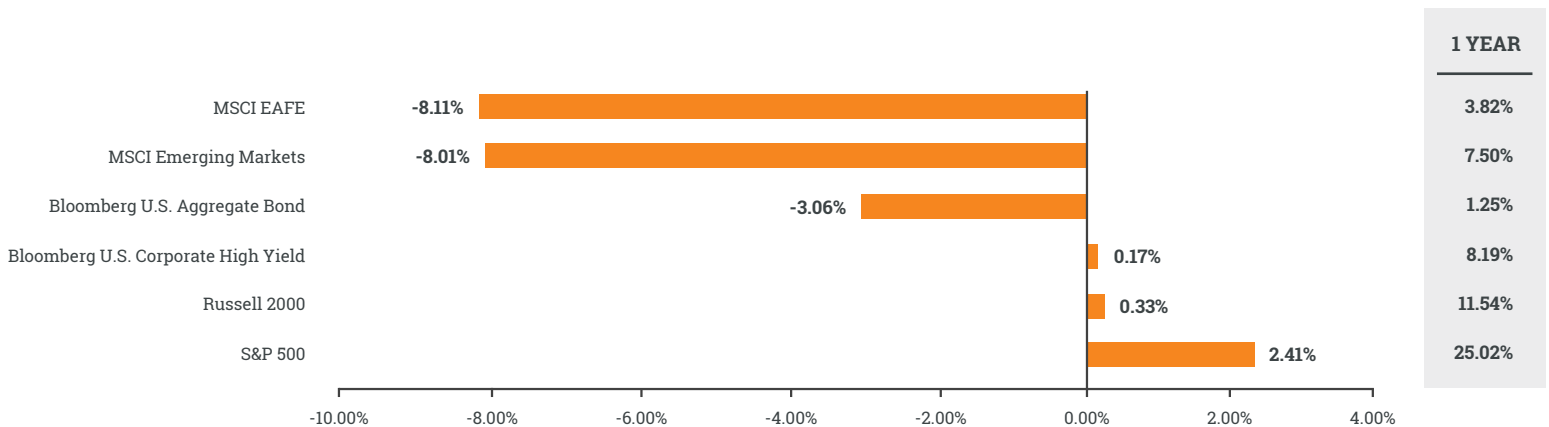
With over \$39 billion in total assets under management,<sup>1</sup> Penn Mutual Asset Management is dedicated to executing on its core asset management competencies, which include total return-based investing, advisory services and expertise in alternative asset investing.

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 December 31, 2024

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

### Fourth Quarter



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

## Fourth Quarter Headlines

**The rapid increase in long-term Treasury yields since the Federal Reserve's (Fed) first rate cut in September started to weigh on equity valuations as 2024 came to a close...**

Despite ending on a weaker tone, the S&P 500 Index notched 57 record high closes and generated a total return above 25% for the year. The Magnificent Seven led the way again, representing more than 60% of the S&P 500's annual gain.

**Fed policymakers lowered short-term rates by 25 basis points (bps) during the November and December Fed meetings, bringing total rate cuts to 100 bps since September...**

Despite the Fed's pivot to easier monetary policy, longer-term Treasury yields moved steadily higher during the quarter. The 10-year Treasury note closed December at 4.57%, up 79 bps during the fourth quarter. Despite periodic bouts of volatility, credit markets delivered strong returns relative to duration-matched Treasuries during the year. Investment-grade corporate bonds outperformed duration-matched Treasuries by 82 bps during the quarter and 246 bps year-to-date. The high-yield market also posted strong returns during 2024, up 8.19%.

**U.S. economic growth continues to show no signs of slowing despite weaker growth elsewhere across the global economy...**

U.S. consumer spending remains on solid footing supported by strong labor market conditions and record-high household wealth. Fourth quarter gross domestic product (GDP) is expected to increase by approximately 3%, which would mark the third consecutive quarter with growth rates near 3%.

## Outlook

The rapid rise in Treasury yields since the Fed started to lower interest rates marks a significant shift in the balance of power for setting monetary policy. Fed policymakers will likely be forced to follow the lead of bond investors who are now saying the Fed needs to be patient with additional rate cuts.

Baseline Forecasts		Actual 12/31/2023	Actual 12/31/2024	Forecast 12/31/2025	Forecast 12/31/2026
<b>US Economy</b>	GDP	2.9%	*2.7%	3.0%	2.5%
	Unemployment Rate	3.7%	4.2%	4.0%	4.0%
	CPI	3.1%	2.7%	3.0%	2.5%
<b>Stock Market</b>	S&P 500 Index	4,770	5,882	6,100	6,300
	Russell 2000 Index	2,027	2,230	2,400	2,800
<b>Bond Market</b>	Fed Funds Rate	5.31%	4.32%	4.25%	3.50%
	2-year Treasury Yield	4.25%	4.24%	4.50%	3.75%
	10-year Treasury Yield	3.88%	4.57%	4.75%	4.00%
	30-year Treasury Yield	4.03%	4.78%	5.00%	4.25%
<b>Commodities</b>	WTI Crude Oil	\$72	\$72	\$85	\$105
	Gold	\$2,063	\$2,625	\$2,400	\$2,200
<b>Currencies</b>	Dollar/Euro	1.10	1.04	1.00	1.10
	Yen	141	157	150	130

\*1-year as of 3Q24

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

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