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MARKET REVIEW

US equities surged in November, registering a robust gain year to date. Small-cap stocks led a broad equity rally after US elections shifted the balance of political power to the Republican Party. Republicans maintained a slim majority in the House of Representatives and secured control of the Senate, cementing a path for President-elect Donald Trump to enact major policy initiatives, including tax and spending cuts, deregulation, and nationalist trade policies. Risk sentiment was further fueled by favorable economic data, underscored by a resilient labor market, solid consumer spending, and improved consumer and business sentiment. Additionally, the manufacturing sector contracted at a slower pace in November, and the services sector expanded in October at the fastest pace in more than two years.

The Fed lowered interest rates by 25 basis points, although Fed Chair Jerome Powell signaled more concern about the inflation outlook, as stalled disinflation momentum and sturdy economic growth increased the potential for a pause in rate cuts in the months ahead. In October, the core Personal Consumption Price Index ticked up to 2.8% annually after stabilizing at 2.7% in the prior three months. Third-quarter earnings were better than expected; according to FactSet, of the 95% of companies in the S&P 500 Index that had reported third-quarter earnings, the blended year-over-year earnings growth rate for the index was 5.8%, above the 4.2% estimate on September 30.

The S&P 500 Net Total Return returned 5.8% over the month. Within the index, all of the sectors rose for the month. Consumer discretionary and financials were the top performing sectors, while health care and materials were the bottom performing sectors for the period.

FUND PERFORMANCE AND ATTRIBUTION

- The fund modestly outperformed the index for the period.
- Strong selection in industrials, utilities and consumer staples was partially offset by selection in consumer discretionary and materials.
- Within industrials and utilities, our top relative contributors were an out of benchmark allocation to AZEK and an overweight to Vistra, respectively. Within consumer discretionary and materials, our top relative detractors were an underweight to Tesla and an overweight to Celanese, respectively.
- Shares of AZEK rose over the period after reporting fourth quarter results that beat expectations. Adjusted earnings and net sales topped estimates however, both metrics declined year-over-year. Management confirmed its fiscal 2025 guidance. Shares of Tesla rose over the period in the wake of Donald Trump winning the U.S. Presidential Election. Investors are optimistic of Elon Musk's continued relationship with Trump as the incoming administration is supportive of a national standard for self-driving vehicles and potential tariffs on China could hold off competition with cheaper Chinese imports that rival Tesla.

FUND POSITIONING AND OUTLOOK

Equity market volatility increased in 3Q24 as investors navigate a complex landscape marked by policy actions, geopolitical tension, and mixed earnings reports. Recession fears led to a sharp decline across global markets in early August, followed by a significant rally in September that saw many indices register new record highs.

In the U.S., the Federal Reserve delivered its first cut in 4.5 years with forecasts signaling a path toward 3% by 2026. History has shown equity markets can realize vastly different trajectories whether a recession follows interest rate reductions. Inflation and employment remain the key variables the Fed monitors, with the latter likely to take priority in dictating future policy action. On employment, we see a continued normalization in job openings as companies remain in cost-cutting mode to offset slowing top-line growth. On prices, we remain vigilant on the possibility of reflation in the medium term especially with shelter inflation. The upcoming US election adds to the uncertainty, with potential policy impacts on tariffs, immigration, taxes and regulation influencing inflation and growth dynamics.

In Europe, positive earnings momentum has slowed with less upbeat economic indicators and more cautious forward guidance from corporates. The risks to earnings now appear to the downside, and our GIAs are closely assessing the implications as companies that can deliver relative earnings strength could be disproportionate winners in this environment. The European consumer remains a bright spot, with continued recovery in consumer confidence supported by real wage growth.

In Japan, economic momentum continues with a strong recovery in the services space coupled with ongoing corporate reforms. However, the rebound in the Yen risks hurting Japanese exporters. Meanwhile, the recent stimulus package announced by the Chinese government signals an effort to rekindle the domestic economy, which could improve business outlook for local companies and global companies with material exposure to China.

Our GIAs remain focused on identifying investment opportunities across industries and markets and vigilant in assessing potential risks.

RISKS

CAPITAL: Investment markets are subject to economic, regulatory, market sentiment and political risks. All investors should consider the risks that may impact their capital, before investing. The value of your investment may become worth more or less than at the time of the original investment. The Fund may experience a high volatility from time to time. **CONCENTRATION:** Concentration of investments within securities,

PAST PERFORMANCE DOES NOT PREDICT FUTURE RETURNS. AN INVESTMENT CAN LOSE VALUE.

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sectors or industries, or geographical regions may impact performance. **EQUITIES:** Investments may be volatile and may fluctuate according to market conditions, the performance of individual companies and that of the broader equity market. **HEDGING:** Any hedging strategy using derivatives may not achieve a perfect hedge. **MANAGER:** Investment performance depends on the investment management team and their investment strategies. If the strategies do not perform as expected, if opportunities to implement them do not arise, or if the team does not implement its investment strategies successfully; then a fund may underperform or experience losses. **SUSTAINABILITY:** A Sustainability Risk can be defined as an environmental, social or governance event or condition that, if it occurs, could cause an actual or potential material negative impact on the value of an investment.

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