SECOND QUARTER 2024 REPORT

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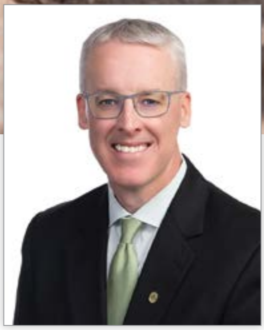
WEALTH MANAGEMENT
*A division of Enterprise Bank*



# From the Managing Director

Dear Clients and Friends,

We hope you are enjoying the summer. I wanted to take this opportunity to introduce myself as the new Head of Wealth Management and Chief Investment Officer as we wish all the very best to Mary Beth Haut and Dan LaPlante in their retirement adventures. I joined Enterprise in May as the next step in my 25+ year career with prior experience at Cambridge Trust, Athena Capital, Colorado PERA and Eaton Vance. I am excited to work with the team to continue delivering exceptional service, insightful planning advice and strong risk-managed investment performance to you.

It was a positive first half of the year for stock markets, especially large capitalization stocks in the US with the S&P 500 index up 15%, largely due to a great first quarter. Favorably, exposure to these stocks is the largest exposure in most client portfolios. In terms of sectors, technology was up 28% and communication services was up 27%. All major US equity sectors were up for the first half of the year, except for real estate which was down slightly at -2%. Growth stocks strongly outperformed value stocks with the mega technology names leading the way. Smaller capitalization stocks were not as fortunate and were up only 2% for the first half, likely due to their less robust earnings picture as well as typically higher debt loads that now face higher interest rate burdens. International equites were generally up 6-8% on an index basis.

Bonds were relatively quiet in the first half as the prospect for interest rate cuts from the Federal Reserve was pushed further out the calendar due to the continued strength of the economy. Investment grade bonds held their value or were marked down slightly depending on the bond type. However, yield and coupon income remain at their highest levels in quite some time and bonds are definitely a viable contributor to a diversified portfolio. High yield bonds were up 3% on an index basis as investors remained comfortable with some credit risk consistent with the equity market optimism.

As we publish this letter, we are heading into the second quarter earnings season. Similar fireworks as the first quarter are likely when the market heaped rewards (higher prices) on those meeting and

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beating lofty expectations, while punishing those with underwhelming results. In terms of the economy, there are some signs of cooling in the US which is generally reasonable as higher interest rates gradually reduce activity and inflation pressures as intended by policy makers. The challenge will be making sure cooling does not become anything more severe. Thus far, the Federal Reserve is executing on its "soft landing" goals, although the full effect of tightening policy tends to act with long lags. Markets are pricing in 1-2 interest rate cuts later this year as conditions moderate further.

Typically, the investment markets slow down as Wall Street and market participants take their vacations. However, this could be a less quiet summer as the markets interpret election scenarios, the changing outlook for interest rates and the latest round of earnings reports, in addition to geopolitical and weather-related risks as they flare up.

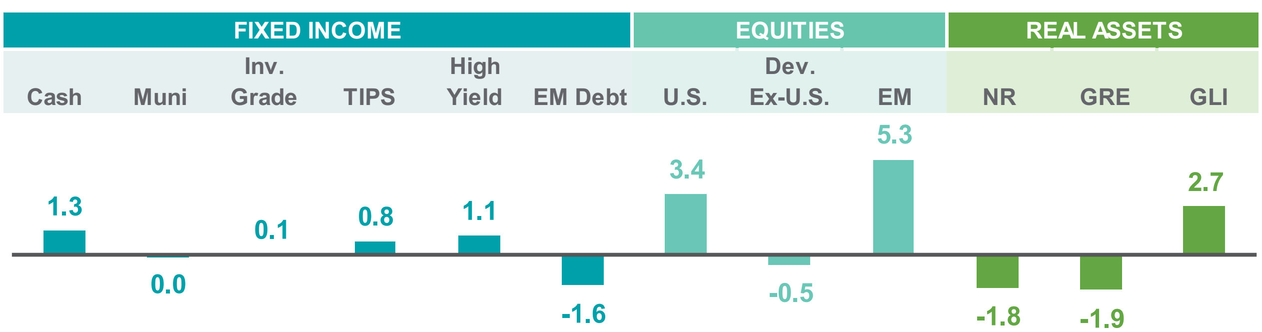
Our approach remains to stay patient as investors, looking through interim volatility toward your long term goals and objectives. As always, we combine our market research with your specific needs and goals to create the best-fit portfolio for you. Our advisors are highly experienced in assessing taxes, liquidity, risk tolerance and estate planning needs in dialogue with you. For institutional clients, we assess liquidity, risk-adjusted returns, institutional mission and capital needs. Please reach out to your advisor with questions at any time. We look forward to working with you over the rest of 2024. Thank you for your continued trust in Enterprise Wealth Management.

Sincerely,

David Lynch, CFA
*Managing Director, Chief Investment Officer*
*Enterprise Wealth Management*

**SECOND QUARTER 2024 TOTAL RETURNS (%)**

*The 60/40 portfolio continued to push higher on the back of strong equity market performance.*



| | FIXED INCOME | | | | | | EQUITIES | | | REAL ASSETS | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Cash | Muni | Inv. Grade | TIPS | High Yield | EM Debt | U.S. | Dev. Ex-U.S. | EM | NR | GRE | GLI |
| Q2 | 1.3 | 0.0 | 0.1 | 0.8 | 1.1 | -1.6 | 3.4 | -0.5 | 5.3 | -1.8 | -1.9 | 2.7 |
| YTD | 2.7 | -0.4 | -0.7 | 0.7 | 2.6 | -3.7 | 13.6 | 4.8 | 7.6 | 0.4 | -2.4 | 4.0 |

Source: Northern Trust Asset Management, Bloomberg. Data from 3/31/2024 through 6/30/2024. NR: Natural Resources; GRE: Global Real Estate; GLI: Global Listed Infrastructure. Indexes are gross of fees. Past performance and historical trends are not predictive of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

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At Enterprise Wealth Management, our mission is to help clients achieve their financial goals by providing professional investment management, extensive resources, and independent, objective advice that you can trust. Enterprise Wealth Management was established in 1992.

Our clients are successful executives, professionals, entrepreneurs, non-profit organizations, private foundations, and retirees who desire a financial partnership that can provide access to investment opportunities and alternative strategies.

# Soft Landing

*A supportive macroeconomic backdrop.*

After exceeding expectations for most of the prior year, patches of sequentially softer U.S. growth data undershot upwardly revised projections during the quarter. However, the relative softness was not to be confused with absolute weakness as growth levels remained healthy overall. Indeed, consensus projects that second quarter real Gross Domestic Product (GDP) will come in at 2.0%. This would be a step down from the 2023 exit rate (3.4%), but above the Fed's estimate of long-run GDP (1.8%). While the global growth impulse remained weak, there were some signs that U.S. growth leadership may be broadening to other regions. Specifically, global manufacturing and trade continued to show signs of improvement. Perhaps the most important macro development during the quarter was the resumption of disinflation. After exiting the first quarter at 4.5%, the 3-month annualized change in U.S. core inflation eased to 2.6% in the most recent data. More broadly, developed market inflation is still elevated and most major central banks remain committed to lowering it. While investors slightly reduced their expectations for rate cuts during the quarter, the base case remains for easier central bank policies than in recent years. Lastly, fiscal policy was back in the spotlight with elections heating up globally. Markets did not have enough information to make adjustments beyond contained initial reactions, but this could change as the outcomes and policies are firmed.

*Decent quarter for financial markets.*

Modest gains in fixed income were accompanied by somewhat more varied performance across equities and real assets – with U.S. equities still near the leaderboard. Fixed income returns were largely supported by coupon payments given sizeable initial headwinds from higher Treasury yields in April, followed by a partial reversal throughout May and June. While the overall credit backdrop remained quite firm, credit spreads were slightly higher across investment grade and high yield. Regional equity performance trends diverged as U.S. markets pushed higher with technologydriven gains while the

recovery in China and strong performance in India and Taiwan helped emerging market equities finish as the top-performing major asset class. Non-U.S. developed markets struggled later in the quarter as French equities dipped due to election uncertainty while Japan was a drag throughout most of the quarter. U.S. megacap tech performance continued to be a point of focus with strong 50%-plus earnings growth in 1Q earnings season along with a healthy dose of optimism around AI. Overall, the "Magnificent 7" group accounted for essentially the entire S&P 500 second quarter gain and about 60% of the year-to-date return. Within real assets, global listed infrastructure outpaced both global natural resources and global real estate with a key boost from the utilities segment amid investor optimism on an AI-driven increase in power demand in the future.

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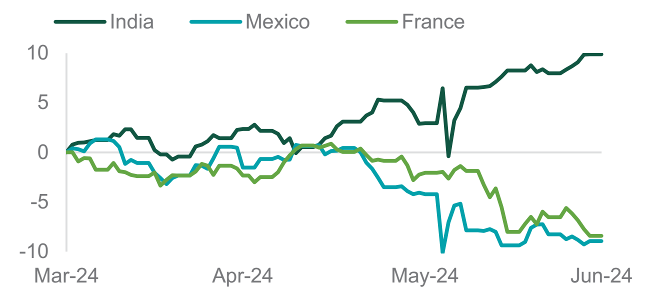
# Key Developments

## *Election Volatility*

Election news in 2Q included a smaller-than-expected win for Modi's party in India and a wider-than-expected win for Mexico's incumbent party. The spotlight turned to France after President Macron unexpectedly declared a parliamentary election after a weak showing for his party in the EU elections. The uncertainty led to weakness in French equities. The bumpy market reactions highlight the difficulty in investing around election outcomes, with investors often more focused on longer-term implications such as fiscal policy.

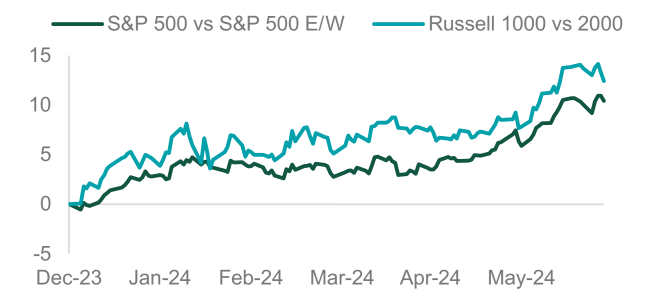
**2Q2024 RETURNS IN LOCAL CURRENCY (%)**




## *Big Tech Leading the Way*

Optimism around artificial intelligence remained a key driver for U.S. equities with more areas of the markets benefitting such as utilities (increased AI-related power demand). Megacap tech companies gained steam in June – leaving market concentration top of mind for investors. The S&P 500 gained 4.3% in 2Q versus losses for both the Russell 2000 (-3.3%) and the equalweighted S&P 500 (-2.6%). The S&P 500 gain was narrow – with standout returns from NVIDIA (+37%) and Apple (+23%) contributing almost 75% of that gain.

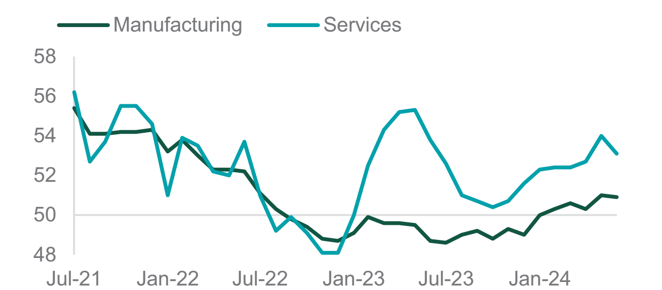
**2024 YTD RELATIVE PERFORMANCE (%)**




## *Steady Macro Backdrop in 2Q*

The global growth backdrop incrementally improved in 2Q with a combination of resilient-but-moderating U.S. economic activity and some firming in data coming out of Europe and China off a weaker starting point – buffered by improvement in global trade and manufacturing. Resumption of disinflationary trends in U.S. inflation data was well-received by investors. This was a closely-watched area heading into the quarter by the Federal Reserve and investors alike given the hotter-than-expected inflation data in early 2024.

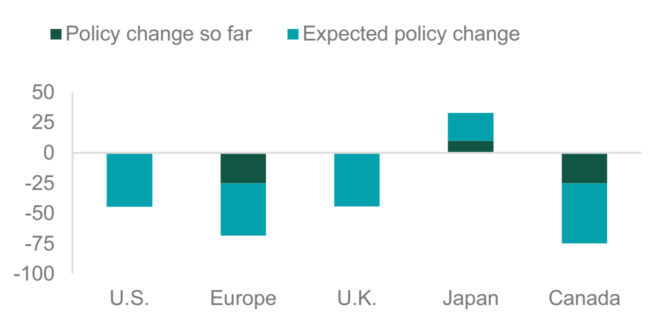
**GLOBAL PURCHASING MANAGER INDEXES**




## *Rate Cuts Commence*

Central bankers largely retained a patient approach with a bias towards rate cuts. The Bank of Canada and the European Central Bank both cut rates by 25 basis points in June with markets expecting the Bank of England and Federal Reserve to follow soon (perhaps August/September). Despite some movement in early 2Q, market expectations stabilized around 50-75 basis points of anticipated easing in 2024 from most major central banks. Meanwhile, the Bank of Japan held policy in 2Q with further tightening expected.

**EXPECTED 2024 CENTRAL BANK ACTIVITY (BPS)**



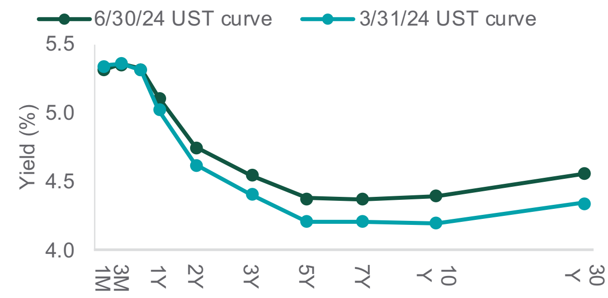

Source: Northern Trust Asset Management, Bloomberg. Data as of 6/30/2024. Note: in the third chart, performance proxied by the MSCI index for each respective country; E/W = equal-weighted. Past performance and historical trends are not predictive of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

# Market Review

### *Interest Rates*

After rising ~40-50 basis points (bps) in April, Treasury yields turned lower but still ended the quarter up 13 bps (2-year yield) and 20 bps (10-year yield). The turn lower coincided with incremental labor market easing and resumed disinflation. The Fed made no major policy changes during the quarter. It continued to convey a cautious and data-dependent approach to rate cuts, with little interest in further tightening. The prospect of a global easing cycle held in tact, with central banks in Europe and Canada cutting rates during the quarter.

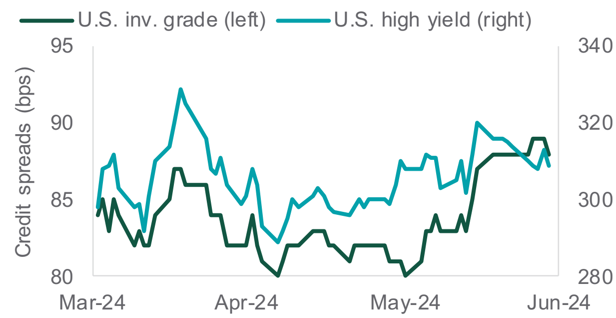
**U.S. TREASURY YIELD CURVE**




### *Credit Markets*

After widening in April alongside interest rate volatility, credit spreads snapped back and ended the quarter only slightly wider. Investment grade (IG) spreads widened 4 bps to 88 bps and high yield (HY) spreads widened 11 bps to 309 bps. Spreads for both areas still sit tighter than start-of-year levels and comfortably below historical averages. From a return standpoint, IG fixed income gained 0.1% and HY was up 1.1%. Higher quality credits modestly outperformed, while all-in-yields continued to drive most of the return at the index levels.

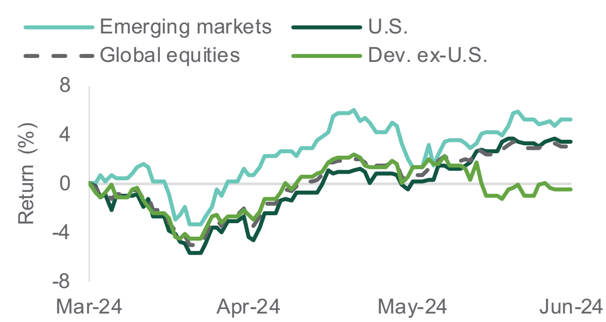
**CREDIT SPREADS**




### *Equities*

After inflationary pressures in April led to a ~5% sell-off, global equities rebounded to finish the quarter up 3.0%. Above-trend economic growth, disinflation traction and more favorable monetary policy supported the third consecutive quarter of equity gains. Emerging markets (+5.3%) led the major regions and China posted its first quarterly gain since early 2023. The U.S. (+3.4%) was not far behind, with its gains concentrated in large cap growth. Developed ex-U.S. equities lost 0.5%. They were keeping pace until French election risks surfaced.

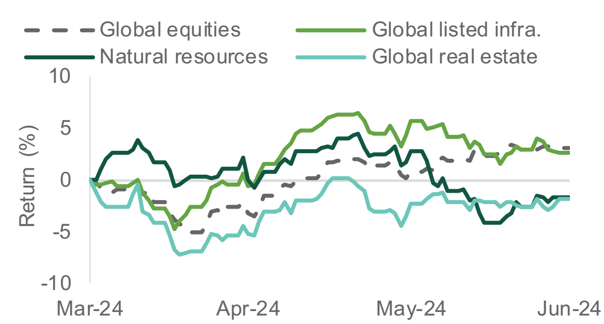
**REGIONAL EQUITY INDICES**




### *Real Assets*

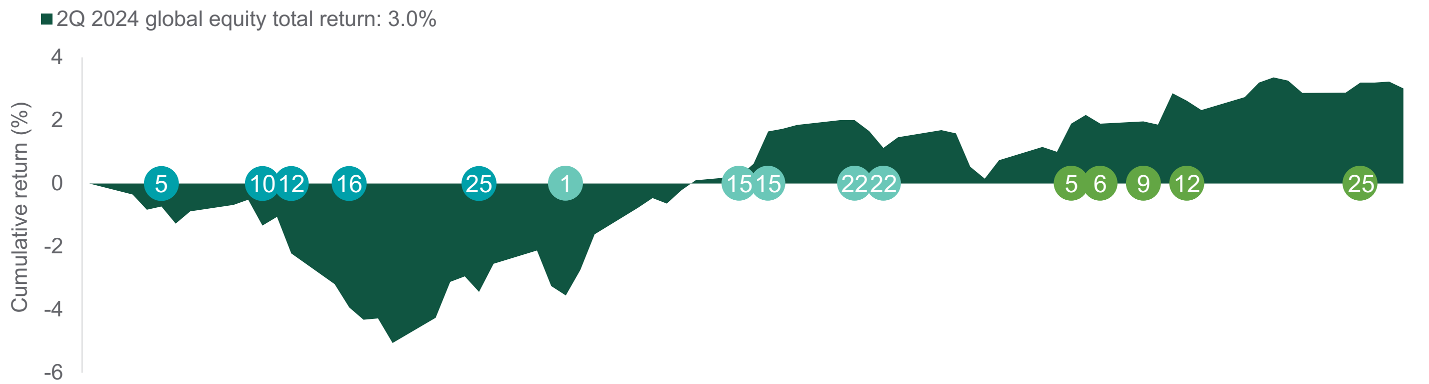
Listed infrastructure (+2.7%) was the only real asset that kept up with global equities. It had gained over 6% at one point, but its momentum faded. Investor focus on artificial intelligence (AI) was a potential tailwind given the infrastructure buildout that will likely be needed to support AI usage. Natural resources (-1.8%) had been outperforming with support from metals, but that turned in May along with lower energy prices. Global real estate (-1.9%) fell deeper into negative year-to-date territory with office and industrials notable detractors.

**REAL ASSET INDICES**




Source: Bloomberg. Returns in U.S. dollars. Indexes are gross of fees. Past performance and historical trends are not predictive of future results. Index performance returns do not reflect any management fees, transaction costs or expenses. It is not possible to invest directly in any index.

# Market Events




| APRIL | MAY | JUNE |
|---|---|---|
| **5** U.S. jobs data portray ongoing labor market strength as payrolls gain 303k, the unemployment rate ticks down to 3.8% from 3.9%, and wage growth remains elevated at 4.1%. | **1** In the post-meeting press conference, Fed Chair Powell outlines several of the likely policy scenarios – none of which include rate hikes. Jobs data eases across the same week. | **5** The Bank of Canada (BOC) lowers its target rate by 25 basis points (bps) to 4.75%, becoming the first G7 central bank to ease policy this cycle. |
| **10** U.S. Consumer Price Index (CPI) comes in hotter than expected for the third month in a row. Headline accelerates and core CPI doesn't budge at 3.8% year-over-year (expected 3.7%). | **15** U.S. inflation resumes moderation. While still hot at 0.3% month-over-month, this represents a step down from 0.4% the prior three months. | **6** The European Central Bank follows the BOC with a 25-bp cut that brings its deposit rate to 3.75%. Eurosystem staff upwardly revises 2024 and 2025 inflation projections. |
| **12** Iran warns of retaliation against Israel after an attack on an Iranian consulate. Iran proceeds to launch drones and missiles toward Israel over the weekend, though fallout is contained. | **15** China announces a broader property rescue package. Support measures include loans for unsold home purchases and easier requirements for homebuyers. | **9** A rightward shift in the EU parliament prompts French President Macron to call for a snap election. French and European equities weaken as investors await voting outcomes. |
| **16** Federal Reserve Chair Powell comments that it will likely take "longer for confidence after recent data", which shows a "lack of further progress on inflation". | **22** NVIDIA reports another quarter of strong AI-driven results. The 'Mag 7' contributes over 7 percentage points of the broader S&P 500's 6% year-over-year (y/y) earnings growth in Q1. | **12** U.S. CPI eases with core CPI ex-Shelter decelerating to 1.9% y/y. On the same day, the Fed convenes and makes no policy changes. Chair Powell acknowledges recent inflation progress. |
| **25** First quarter U.S. Gross Domestic Product slows below expectations but underlying demand remains solid in aggregate. | **22** U.K. core CPI eases less than expected. Services CPI ticks down to 5.9% y/y – not nearly as much as expected (5.4% y/y). | **25** Inflation data for Australia and Canada tops expectations. Both central banks will analyze one more inflation print before their next policy meeting. |

**Prepared by Northern Trust Asset Management for Enterprise Wealth Management.**

Indexes used: Bloomberg (BBG) 1-3 Month UST (Cash); BBG Municipal (Muni); BBG Aggregate (Inv. Grade); BBG TIPS (TIPS); BBG High Yield 2% Capped (High Yield); JP Morgan GBI-EM Global Diversified (Em. Markets Fixed Income); MSCI U.S. Equities IMI (U.S. Equities); MSCI World ex-U.S. IMI (Dev. ex-U.S. Equities); MSCI Emerging Market Equities IMI (Em. Markets Equities); S&P Global Natural Resources (Natural Resources); MSCI ACWI IMI Core Real Estate (Global Real Estate); S&P Global Infrastructure (Global Listed Infrastructure).