MEEDER EDGE AND PRIVATE WEALTH

Market Viewpoints

May 2024

Market Highlights

TOTAL RETURNS (AS OF 5/31/24)

EQUITY INDICES	1 MONTH	YTD	1 YEAR	3 YEAR	5 YEAR
S&P 500	5.0%	11.3%	28.2%	9.6%	15.8%
US Large Cap Growth	6.0%	13.1%	33.6%	11.1%	19.4%
US Large Cap Value	3.2%	7.6%	21.7%	5.5%	10.7%
US Small Cap	5.0%	2.7%	20.1%	-1.7%	8.6%
Developed International	3.9%	7.1%	18.5%	3.1%	8.0%
Emerging Markets	0.6%	3.4%	12.4%	-6.2%	3.5%
FIXED INCOME INDICES	**1 MONTH**	**YTD**	**1 YEAR**	**3 YEAR**	**5 YEAR**
US Investment Grade	1.7%	-1.6%	1.3%	-3.1%	-0.2%
US High Yield	1.1%	1.6%	11.2%	1.8%	4.0%

SOURCE: MORNINGSTAR DIRECT, MEEDER INVESTMENT RESEARCH. INDICES: S&P 500 INDEX, RUSSELL 1000 GROWTH, RUSSELL 1000 VALUE, RUSSELL 2000, MSCI EAFE, MSCI EM, BLOOMBERG US AGG BOND, ICE BOFA US HIGH YIELD

EQUITIES

After a down month in April, equity markets rebounded in May as investor optimism and better-than-expected first quarter earnings supported risk assets. The 5.0% gain in the S&P 500 represented the index's sixth monthly advance over the past seven months. An expectation of falling interest rates along with AI fervor continues to propel U.S. Growth names as they outperformed their Value counterparts by 2.8% for the month. U.S. Small Caps were also a beneficiary of rate decline expectations as they were in line with their Large Cap peers. With an expectation of rate cuts in June by the ECB, Developed International stocks posted a solid 3.9% return, though they trailed domestic returns once again.

FIXED INCOME

U.S. Investment Grade bonds rose 1.7% for the month, producing only the fourth positive monthly return over the last twelve months. The Fed continues to remain cautious with language around rate cuts due to sticky inflation readings, but treasury rates saw relief this month around signs of a cooling labor market. Rates across the board experienced double-digit basis points downward moves, driving the positive returns for the month. U.S. High Yield experienced its best performance of the year, gaining 1.1% on the back of strong earnings and the largest retail inflows since November. Higher-quality credits contributed much of the return, though CCC credits also provided positive returns.

Portfolio Positioning

- Strong economic data, a resilient job market, consumer spending, continued disinflation, and increased earnings expectations have been catalysts for U.S. equities. With a concerning macroeconomic backdrop and weak growth in Europe along with China's well documented struggles, we continue to prefer U.S. equities over International.
- Small-Caps rallied during May as interest rates slightly declined, though the Fed is holding steady with their "higher for longer" narrative for the time being. If evidence of a lasting shift downward in rates presents itself, an increase in Small-Cap allocations could be warranted.
- Longer term bonds, which are more sensitive to interest rate movements, remain vulnerable to a reacceleration of inflation. With Fed cuts likely pushed to later in the year, we remain cautious to extend duration until the path becomes clearer.

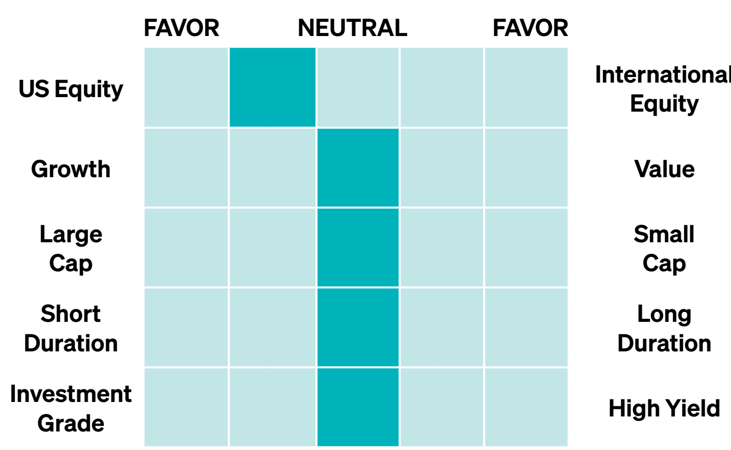
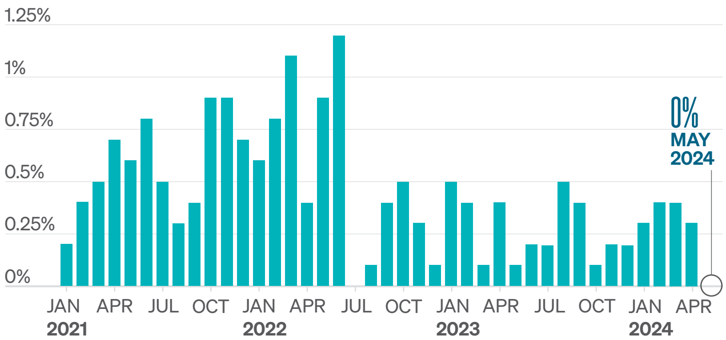


FIGURE 1

U.S. CONSUMER PRICE INDEX

MONTH-OVER-MONTH PERCENT CHANGE



SOURCE: U.S. BUREAU OF LABOR STATISTICS VIA FRED, DATA AS OF JUNE 12, 2024

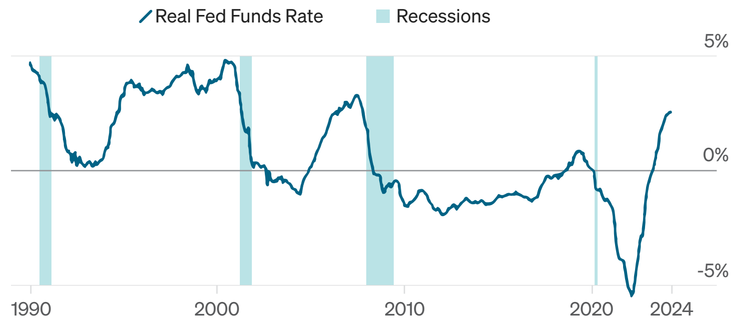
Note: Seasonally adjusted

- Inflation pressures relaxed last month and were softer than expected, with month-over-month CPI coming in flat for the first time in nearly two years. To achieve the Fed's stated year-over-year target of 2%, economists say the monthly reading should consistently be in the range of about 0.2%.
- CPI rose 3.3% on a year-over-year basis, down from 3.4% in April.
- Although slow moving, progress is being made and recent data supports the possibility of an interest rate cut by the end of the year.

FIGURE 2

AS INFLATION FALLS, REAL RATES RISE

THE REAL FED FUNDS RATE IS ITS HIGHEST SINCE 2007, AFTER 2022's ALL-TIME LOW

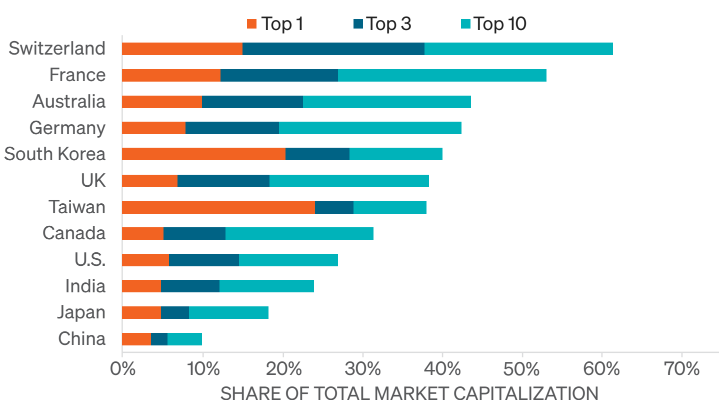


SOURCE: BLOOMBERG

- With the Fed holding rates steady, the concerning issue becomes the rise in real rates as inflation falls. As a reminder, real rates are equal to nominal rates minus inflation rates.
- Real rates have been on the rise and are now at their highest level since 2007. Real rates at these levels have triggered recessions in the past and will be important to monitor as the "higher for longer" narrative persists.

FIGURE 3

STOCK MARKET CONCENTRATION IN THE LARGEST GLOBAL EQUITY MARKETS, 2023



SOURCE: FACTSET AND COUNTERPOINT GLOBAL.

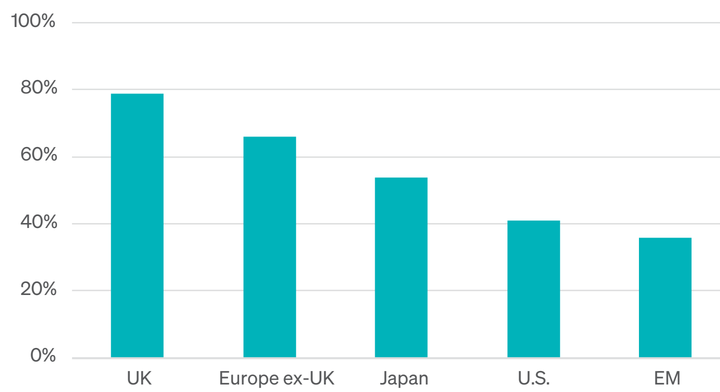
Note: Stacked bars reflect cumulative concentrations; Universe includes companies on the following stock exchanges: Switzerland: SIX Swiss Exchange; France: Euronext Paris; Australia: Australian Securities Exchange (ASX); Germany: Xetra (Frankfurt Stock Exchange); South Korea: Korea Exchange; United Kingdom (UK): London Stock Exchange; Taiwan: Taiwan Stock Exchange and Taipei Exchange; Canada: Toronto Stock Exchange; U.S.: New York Stock Exchange, NASDAQ, and NYSE American; India: Bombay Stock Exchange (BSE); Japan: Tokyo Stock Exchange; China: Shanghai Stock Exchange and Shenzhen Stock Exchange.

- Market concentration in the U.S. has dominated headlines with the ten largest U.S. stocks currently accounting for about 27% of the U.S. market.
- That seems high, but it's not as concentrated as many overseas markets. Out of the twelve largest markets, the U.S. is the fourth most diversified. Switzerland has the heaviest concentration with the top ten accounting for over 60% of market share.
- Concerns around market concentration stem from the prospects that the largest stocks are overvalued and the impact of increased flows into index funds fueling the concentration.

FIGURE 4

REVENUE EXPOSURE VS. COUNTRY OF LISTING

PERCENTAGE OF TOTAL REVENUE DERIVED FROM FOREIGN COUNTRIES



SOURCE: JPMORGAN

- Many investors have a home country bias, but it is important to consider revenue exposure when allocating to specific countries or regions.
- For instance, an investor with a bias to the U.S. still gets the benefit of international exposure as 41% of revenues of U.S. companies are derived from foreign countries. European companies ex-UK derive more than half of their revenues outside the region.
- As world economies have become more intertwined, this serves as a reminder that an understanding of exposures is necessary when considering asset allocations.

Outside the Markets

The world of men's tennis witnessed what might be the end of one of the sports most remarkable runs last month at the French Open. Rafeal Nadal, who's won the tournament a ridiculous 14 times, played what is most likely his last match at the tournament while falling to German Alezander Zverev in the first round. Nadal fought hard against the eventual tournament runner-up, but ultimately came up short as recent injury struggles have left him unable to compete at the level we're used to seeing over the course of his legendary career. If it does indeed prove to be the Spainard's final swing at the French, he leaves behind a ridiculous record that will never be matched.

Since making his debut in Paris in 2005, which he of course won, Nadal has become inextricably entwined with the annual tournament. So much so that a ten-foot steel statue was erected at the entrance to Roland Garros in 2021 to honor his achievements. Over the course of two decades, Rafa compiled a record of 112 wins against only four losses, translating into a win percentage of 97%. Four separate years (2008, 2010, 2017, and 2020), he managed to navigate the tournament without dropping a single set. The otherworldly feat has bestowed the moniker of the "King of Clay" upon him. The door has not been completely shut for a return, but the writing is on the wall and has been acknowledged by the legend.

"If it's the last time that I played here, I am at peace with myself," Nadal said. "I tried everything to be ready for this tournament for almost 20 years. And today and the last two years I have been working and going through probably the toughest process in my tennis career, with the dream to come back here. At least I did that. I mean, I lost, but that's part of the business."

All is not lost though as the "King of Clay" is set to return to Paris this summer to compete in the Olympics alongside countryman Carlos Alcaraz in doubles. But if it is truly bon voyage as far as the French Open is concerned, we can definitively say that we will never see another competitor the likes of Nadal again. Congrats to Rafa on an amazing career!

IMPORTANT DISCLOSURES

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INDEX DESCRIPTIONS

S&P 500 Index: The Index tracks the stock performance of 500 of the largest companies listed on stock exchanges in the United States. It is one of the most followed equity indices and includes approximately 80% of the total market capitalization of U.S. public companies. Russell **1000 Growth Index**: The Index measures the performance of the large-cap growth segment of the US equity universe. It includes those Russell 1000 companies with relatively higher price-to-book ratios, higher I/B/E/S forecast medium-term (2-year) growth, and higher sales per share historical growth. The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap growth segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect growth characteristics. **Russell 1000 Value Index**: The Index measures the performance of the large-cap value segment of the US equity universe. It includes those Russell 1000 companies with relatively lower price-to-book ratios, lower I/B/E/S forecast medium-term (2 years) growth, and lower sales per share historical growth (5 years). The Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. The index is completely reconstituted annually to ensure new and growing equities are included and that the represented companies continue to reflect value characteristics. **Russell 2000 Index**: The Index is constructed to provide a comprehensive, unbiased barometer of the small-cap segment of the US equity market. A subset of the Russell 3000 Index, it includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership. **MSCI EAFE Index:** The Index is an equity index that captures large and mid-cap representation across 21 Developed Markets countries* around the world, excluding the US and Canada. With 783 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **MSCI EM Index**: The Index captures large and mid-cap representation across 24 Emerging Markets (EM) countries*. With 1,440 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country. **Bloomberg US Aggregate Bond Index:** The Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, fixed-rate agency MBS, ABS, and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, US Aggregate-eligible securities also contribute to the multi-currency Global Aggregate Index and the US Universal Index. The US Aggregate Index was created in 1986, with history backfilled to January 1, 1976. **ICE BofA US High Yield Bond Index:** The Index tracks the performance of US dollar denominated below investment grade rated corporate debt publicly issued in the US domestic market. To qualify for inclusion in the index, securities must have a below investment grade rating (based on an average of Moody's, S&P, and Fitch) and an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long term sovereign debt ratings). Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of $100 million. Original issue zero coupon bonds, "global" securities (debt issued simultaneously in the Eurobond and US domestic bond markets), 144a securities, and pay-in-kind securities, including toggle notes, qualify for inclusion in the Index. Callable perpetual securities qualify, provided they are at least one year from the first call date. Fixed-to-floating rate securities also qualify, provided they are callable within the fixed rate period and are at least one year from the last call prior to the date the bond transitions from a fixed to a floating rate security. DRD-eligible and defaulted securities are excluded from the Index.

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