QUARTERLY UPDATE

LETTER FROM OUR CIO

OCTOBER 9, 2024

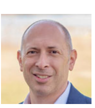
The third quarter of 2024 has been marked by notable shifts in the U.S. economy and financial markets, driven by macroeconomic factors, global uncertainties, and ongoing policy decisions by the Federal Reserve. While the overall economic picture remains one of resilience, there are emerging challenges that warrant close monitoring.

Economic Growth and Employment: After a robust first half of the year, U.S. economic growth moderated in Q3, with GDP growth estimated to be around 2.0%. This represents a slowdown, largely due to weakening consumer demand and a pullback in business investment. While the labor market remains relatively strong, with unemployment near historic lows, wage growth has begun to decelerate. Consumer spending, which has been a key driver of growth, showed signs of cooling as higher interest rates and inflation weighed on household budgets. The services sector saw slower demand, especially in travel and leisure, which had experienced post-pandemic surges.

Inflation and Monetary Policy: While still elevated, inflation showed signs of moderating in Q3. Headline CPI has cooled to an annualized rate of around 3%, down from its peak in 2022. The Federal Reserve's aggressive rate hikes throughout 2023 have begun to show their effects, with core inflation (excluding food and energy) easing. However, the central bank remains cautious as inflationary pressures from the housing and services sectors persist. The Fed continued to walk a tightrope in Q3, balancing its inflation-fighting mandate with the need to support economic growth. In September, the Fed cut their target rate by 50 bps to a range of 4.75%-5%, signaling a move to a more normal rate environment is appropriate. Additional rate cuts are priced in for the remainder of the year and into 2025.

Equity markets experienced increased volatility throughout Q3, though ended the quarter in the green. You may recall the volatility update that we published on August 5, 2024, dispelling the notion of a recession. Concerns over higher-for-longer interest rates, coupled with geopolitical uncertainties, particularly in the Middle East and China, weighed on investor sentiment throughout the 3rd quarter.

Overall, the 3rd quarter of 2024 presented a complex economic landscape characterized by a balancing act between growth, inflation, interest rate expectations, and geopolitical risks. While the US economy continued to expand, challenges such as inflation and global uncertainties underscored the importance of prudent management. As we navigate through this uncertainty, maintaining a diversified portfolio and staying attuned to evolving market dynamics is paramount to us at Legacy Edge Advisors. We remain constructive on sectors such as semiconductors and software to take advantage of AI trends, cybersecurity, industrials, healthcare innovation and the electrical grid. We are tactically reducing equity exposure in the qualified accounts as we head into the November election cycle and January debt ceiling debate. While we continue to maintain that markets will focus on economic activity and shrug off the political uncertainty, valuations are stretched and support a short-term moderate move out of US growth stocks, EAFE and China, in favor of US Value stocks and US Fixed Income. We continue to monitor the political and economic risks and stand ready to act when necessary. Looking ahead, Q4 is expected to be a critical period as the Fed's data-driven approach will continue to guide market direction and broader economic performance. Our portfolios at Legacy Edge are well positioned given the current economic, political and market environment.



Jason Kass, CFA, CFP®
Chief Investment Officer & Sr. Portfolio Manager
Legacy Edge Advisors

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