TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

July 2024

Quarterly Insights

Second Quarter 2024

In This Issue

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EXECUTIVE SUMMARY

Stocks Up And Bonds Up In Q2

In the Second Quarter, the domestic S&P 500 Index was up 4.28% and out-performed all major regions. All developed foreign regions were negative. China was up 7.09% although we believe its economic growth continues to be challenged. Technology (+13.61%) and Communication Services (+9.11%), as was the case in Q1, were the leading Q2 sectors. Inflation (2.6% in May) remains above the Fed's 2% inflation target. In its June 12 meeting, the Fed maintained its target rate but indicated one rate cut is possible this year. In Q2, the Bloomberg US Aggregate Bond Total Return USD Index (AGG) rose 0.07% - year to date, the index is down 0.71%.

Market Cap Size: How Small Is Too Small?

The media often discusses small cap stocks, especially in the context of style rotation: when to increase exposure to the small companies as opposed to the large companies. There is no specific definition of what constitutes a "small cap company" in terms of market cap size. Perhaps there should be. How small is too small a market cap for a company to be considered for investment? We believe a company with a market cap of less than $7 billion should not be considered for the TriVant portfolio because:

1. The S&P 500 Index (average market cap of $100B) out-performs most of the time
2. The S&P 400 Midcap Index (average market cap of $7B) sometimes out-performs
3. The Russell 2000 Index (average market cap of $4B) consistently under-performs

Deliberate Investing

For Your

Peace Of Mind

The Average Market Cap Of The Russell 2000 Is Too Small For Portfolio Consideration

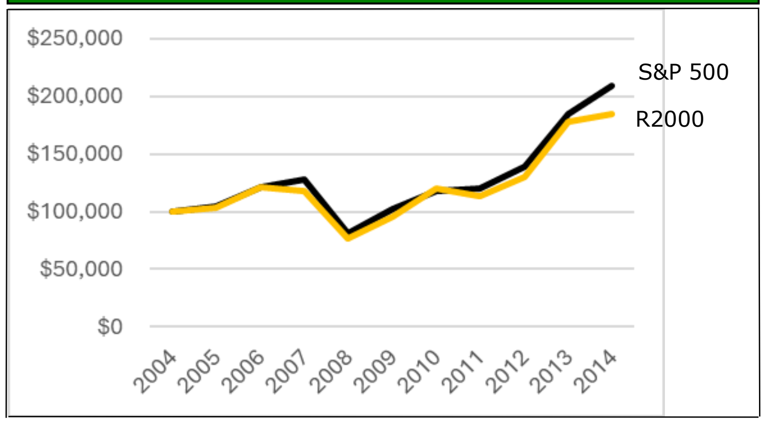
Market capitalization is the value of a company's outstanding shares of stocks. It is calculated by multiplying the total number of shares by the current share price. The largest S&P 500 Index stocks (Microsoft, Apple, Nvidia) have market caps over $3 trillion and the 500 companies in the index have an average market cap of roughly $100 billion. In contrast, the Russell 2000 Index, the most recognized "small cap index", has companies with an average market cap of roughly $4 billion. Does company size matter?

We compared the performance of the S&P 500 Index versus the Russell 2000 Index. Since our inception, the S&P 500 has had an average annual return of close to 10% (the "baseline" rate we expect), but the Russell 2000 has lagged badly. In fact, the Russell 2000 performance lag has become increasingly pronounced over the last five years. Why is this happening?

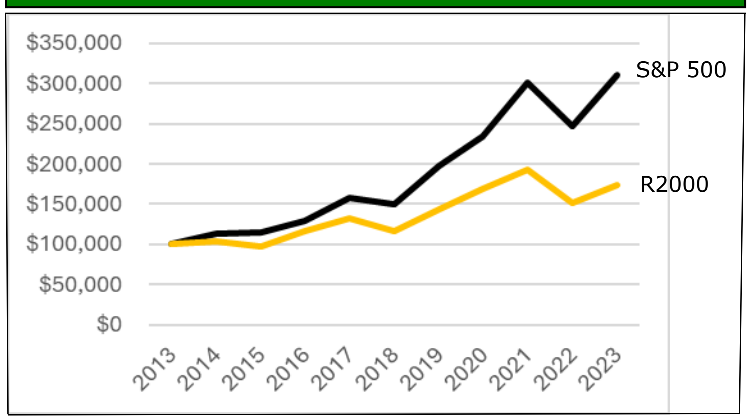
Annual Returns (%)

Year	S&P 500	R2000
2005	4.91	3.32
2006	15.80	17.00
2007	5.50	(2.75)
2008	(37.00)	(34.80)
2009	26.46	25.22
2010	15.06	25.31
2011	2.11	(5.45)
2012	16.00	14.63
2013	32.39	37.00
2014	13.69	3.53
2015	1.38	(5.71)
2016	11.96	19.48
2017	21.83	13.14
2018	(4.38)	(12.18)
2019	31.49	23.72
2020	18.40	18.36
2021	28.71	13.70
2022	(18.11)	(21.56)
2023	26.29	15.09
2024 YTD	15.29	1.02

Growth of $100,000 - Our First 10 Years (2005-2014)



Growth of $100,000 - Our Last 10 Years (2014-2023)

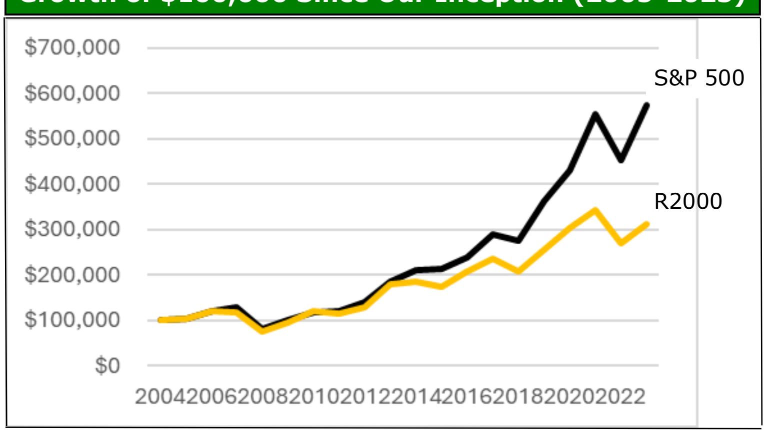


Compound Annual Growth Rates (%)

	Years	S&P 500	R2000
First 10 Years	2005-2014	7.67	6.34
Last 10 Years	2014-2023	12.03	5.71
All Years	**2005-2023**	**9.63**	**6.22**
Zero Fed Rate	2010-2016	15.13	13.78
Last 5 Years	2019-2023	15.69	8.49
Last 3 Years	2021-2023	10.00	0.87
Current Year	2024 YTD	15.29	1.02

Where's The Beef?
Pick any extended time frame - even a zero Fed rate - the Russell 2000 Index has lagged the S&P 500 Index.

Growth of $100,000 Since Our Inception (2005-2023)



Why The Russell 2000 Index Has Lagged So Badly

1. Profit Margin Efficiency

Let's use the S&P 500 Index as a proxy for large companies and the Russell 2000 Index as a proxy for much smaller companies. We postulate that over time, the larger companies have achieved superior efficiency. Why? Scalability. Their size/operating efficiency/goodwill/ability to maximize artificial intelligence has driven considerable competitive advantage. The evidence of competitive advantage is seen in operating margins.

Profit margin is the earnings of a company (or companies in an index) divided by the total amount of sales. It represents the efficiency of earnings by showing the dollars in sales required for a dollar in profit. Over time, the S&P 500 profit margin has improved while the Russell 2000 profit margin has not. Right now, the S&P 500 has roughly three times the level of profit margin as the Russell 2000. Profit levels drive stock performance.

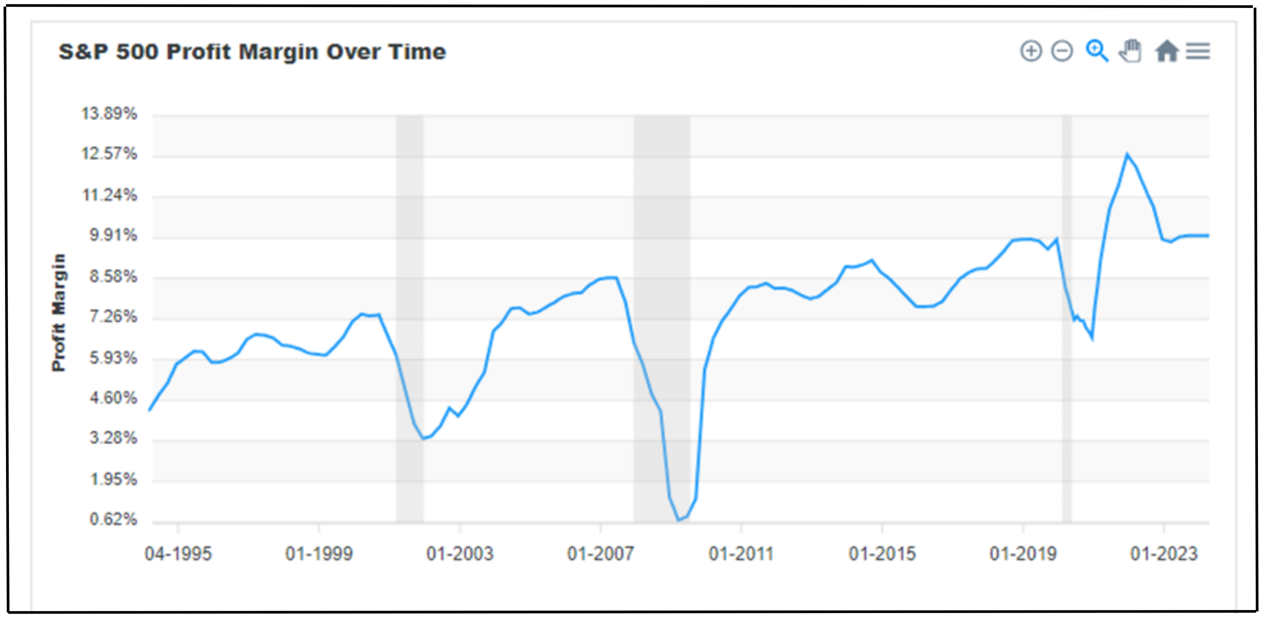
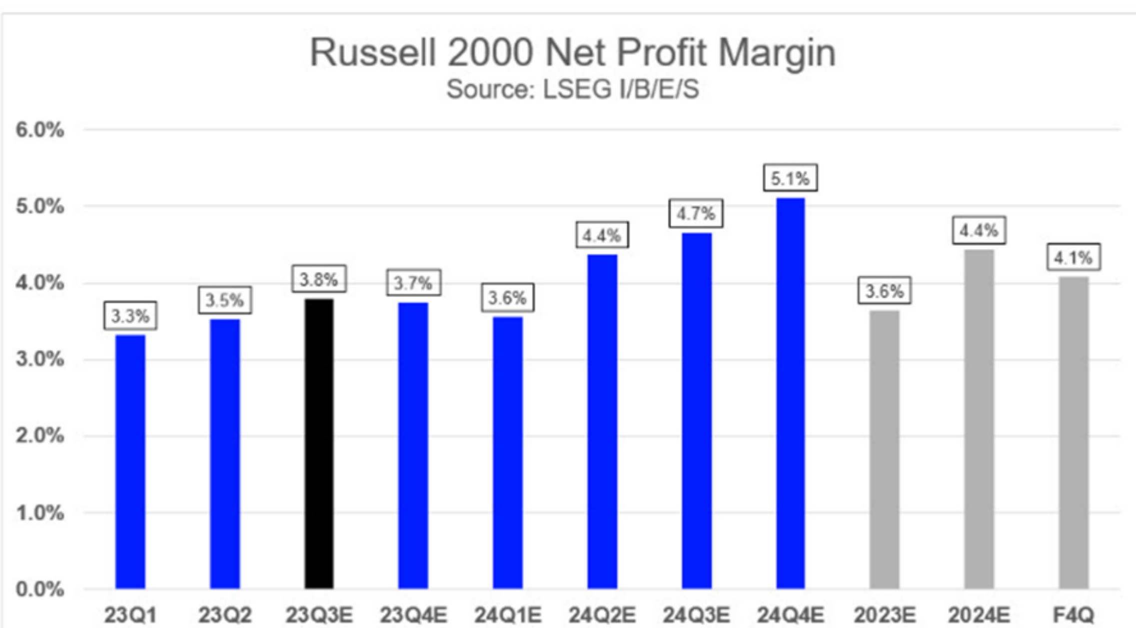
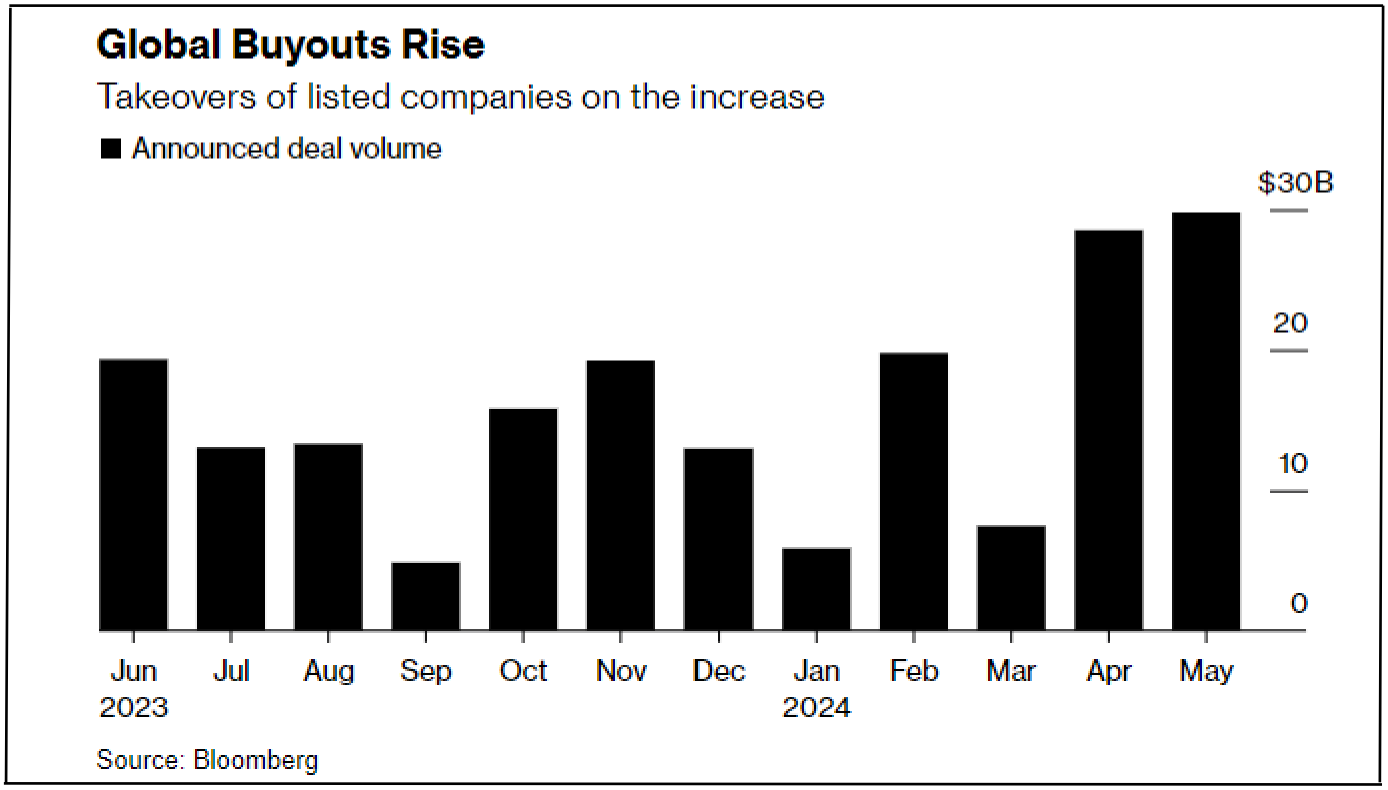


Exhibit 4: Russell 2000 Net Profit Margin Expectations



2. Private Equity Buyout Wave

The best (most profitable) companies in the Russell 2000 Index are being acquired by private equity companies. Put another way, the team (index) is getting weaker because its best players are being taken off the roster. Buyout firms have announced $91 billion of listed-company takeovers this year through May, up 16% from the same period in 2023.



Extending The Playing Field Comparison To Include Mid Cap Stocks

We can conclude that "small cap stocks" as defined in the Russell 2000 Index have not cumulatively fared well versus the S&P 500 Index and the performance differential is getting worse. How have stocks with average market caps larger than the Russell 2000 but smaller than the S&P 500 fared versus the S&P 500?

A useful performance comparison is the S&P 400 Midcap Index. Here are the relative metrics of the indices:

Market Cap	S&P 500 Index	S&P 400 Midcap Index	Russell 2000 Index
Average Company	$101.2 Billion	$7.3 Billion	$4.3 Billion
Median Company	$34.6 Billion	$6.5 Billion	$0.9 Billion
Largest Company	$3.3 Trillion	$21.8 Billion	$49.6 Billion *

* Is going to get kicked out of the Russell 2000 Index

Mid-Cap Stocks Out-Perform The S&P 500 Index One-Third Of The Time

Since our inception, the S&P 500 Midcap Index has out-performed the S&P 500 Index one-third of the time. The catalyst is a negative change in annual GDP growth, consistent with the classic style rotation framework.

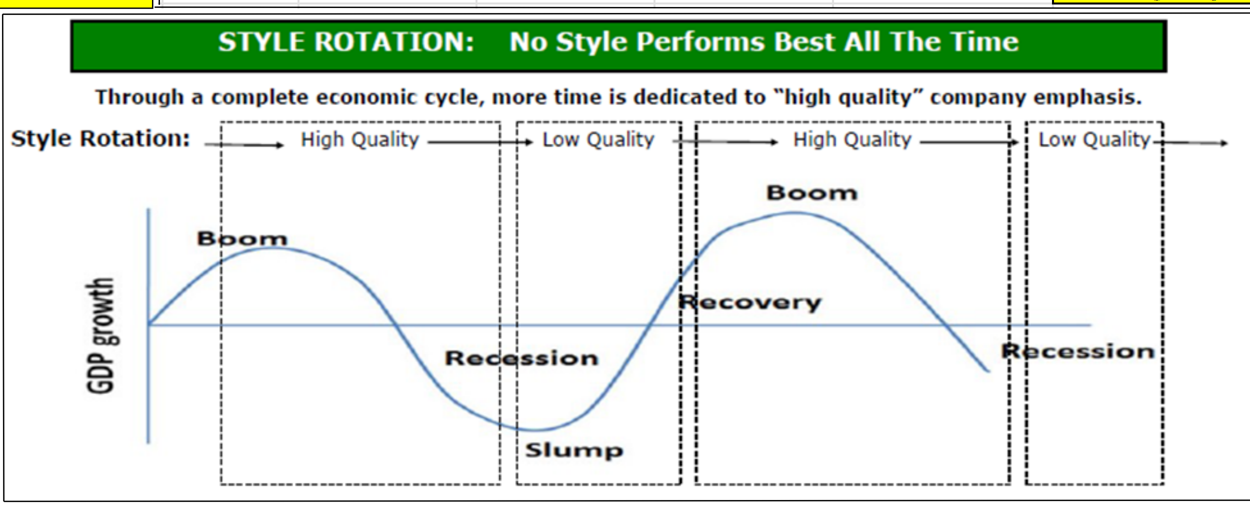
Annual Growth Rate (%)	Years	S&P 500	R2000	S&P 400 M
First 10	2005-2014	7.67	6.34	7.00
Last 10	2014-2023	12.03	5.71	7.56
All	**2005-2023**	**9.63**	**6.22**	**7.23**
Zero Fed Rate	2009-2016	16.68	15.35	17.46
Off Bottom	2009-2010	20.63	25.27	29.83
Last 5	2019-2023	15.69	8.49	10.84
Last 3	2021-2023	10.00	0.87	6.44
Current	2024 YTD	15.29	1.02	5.34

Market Cap Under $7B Is Too Small

Since the Russell 2000 ($4B average market cap) has consistently lagged and the S&P 400 Midcap ($7B average market cap) sometimes leads, we conclude that a company should have a minimum $7 billion market cap to be considered for the TriVant portfolio.

Annual Returns (%)

Year	S&P 500	R2000	SP400 Mid	GDP Growth (%)	Annual Change (%)
2005	4.91	3.32	(10.13)	3.48	(0.37)
2006	15.80	17.00	21.27	2.78	(0.70)
2007	5.50	(2.75)	6.69	2.01	(0.77)
2008	(37.00)	(34.80)	(37.28)	0.12	(1.89)
2009	26.46	25.22	35.00	(2.60)	(2.72)
2010	15.06	25.31	24.85	2.71	5.31
2011	2.11	(5.45)	(1.11)	1.55	(1.16)
2012	16.00	14.63	13.74	2.28	0.73
2013	32.39	37.00	31.57	1.84	(0.44)
2014	13.69	3.53	8.19	2.29	0.45
2015	1.38	(5.71)	(3.71)	2.71	0.42
2016	11.96	19.48	18.73	1.67	(1.04)
2017	21.83	13.14	14.45	2.24	0.57
2018	(4.38)	(12.18)	(12.50)	2.95	0.70
2019	31.49	23.72	24.05	2.29	(0.65)
2020	18.40	18.36	11.81	(2.27)	(5.06)
2021	28.71	13.70	23.21	5.95	8.71
2022	(18.11)	(21.56)	(14.48)	1.94	(4.01)
2023	26.29	15.09	14.45	2.50	0.56
Catalyst Indicator? 2024 YTD	15.29	1.02	5.34	1.60	(0.90)



Stocks Rise In Q2

In the Second Quarter, the domestic S&P 500 Index was up 4.28% and out-performed all major regions. All developed foreign regions were negative. China was up 7.09% in Q2 and is up 4.74% year-to-date, although we believe its economic growth continues to be challenged. Technology (+13.61%) and Communication Services (+9.11%), as was the case in Q1, were the leading Q2 sectors.

Equity Index Performance

Index	Q2 2024	2024 YTD
S&P 500 (Domestic)	4.28%	15.29%
MSCI EAFE (Foreign) *	(0.42%)	5.34%
MSCI Emerging Markets	5.00%	7.49%
MSCI EMU (European Monetary Union)	(2.49%)	5.10%
MSCI Japan	(4.27%)	6.27%

* Europe, Australia and the Far East

We Maintain Heavy US Exposure and Broad Sector Exposure

a) Heavy US Exposure

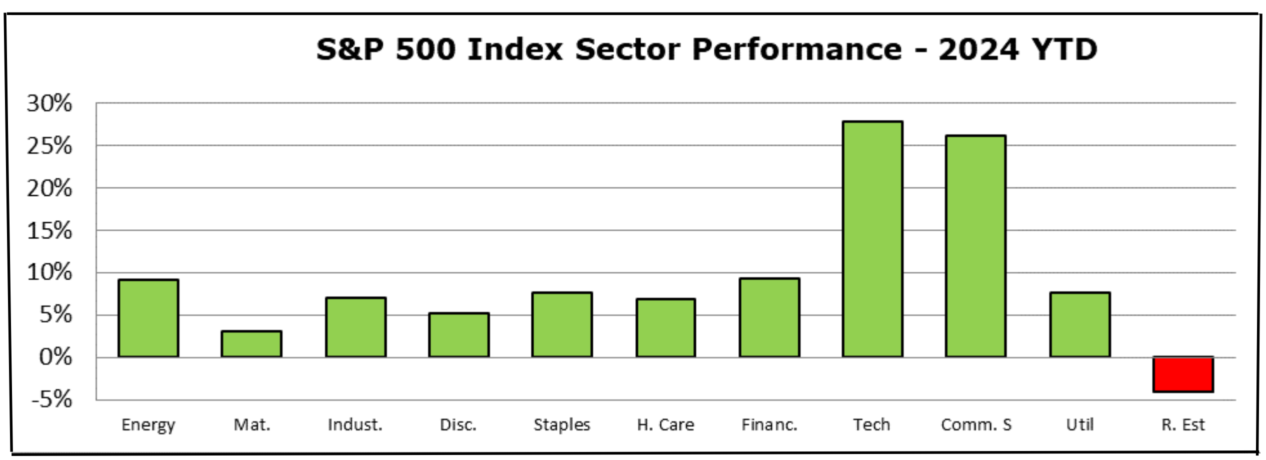
We have maintained around 90% US weighting in the stock component of our portfolio. Thus far in 2024, this has worked well as the foreign regions have lagged the US. We see no reason to change course at this time.

Why has Europe lagged? The quick answer is that the US is much more technology-driven (the leading performance sector) and there is recent European political uncertainty (for example, France recently called a snap election). The longer-range answer is that Europe's lower productivity is structural and a result of various factors including a greater prevalence of small companies, lower operating margins, worse demographics, smaller and more fragmented markets, and a more pronounced cultural push towards work balance/quality of life in comparison to the US.

Why has Japan lagged? Japan is struggling with a low birth rate and concerns about economic growth. It has a projected 2024 GDP growth of 0.8% in comparison to 2.2% for the US (source: The Economist). Also, the Japanese Yen has depreciated 12.68% versus the US Dollar so far in 2024 and is at its lowest level since 1986.

b) Broad Sector Exposure

While Technology and Communication Services have been by far the sector leaders, we believe it is important to maintain broad sector exposure. Hence, we are roughly neutral-weight to these areas, not over-weight.



Bonds Rise In Q2

The Bloomberg US Aggregate Bond Total Return USD Index (AGG), a broad-based representation of bond performance, rose 0.07% in the Second Quarter. Year-to-date, the index is down 0.71%. The Fed's preferred inflation gauge, the core Personal Consumption Expenditures index, rose 2.6% in May. In its June 12 meeting, the Fed paused on rate cuts but indicated one rate cut is possible this year.

Key US Interest Rates	March 31, 2024	June 30, 2024	Change
Federal Reserve Board Funds Target Rate	5.25% - 5.50%	5.25% - 5.50%	No Change
2-Year Treasury (Constant Maturity)	4.59%	4.71%	+ 12 basis points
5-Year Treasury (Constant Maturity)	4.21%	4.33%	+ 12 basis points
10-Year Treasury (Constant Maturity)	4.20%	4.36%	+ 16 basis points

Why Bonds Rose In Q2

Remember the inverse relationship between bond prices and bond yields. As prices rise, yields fall (and vice versa). In Q2, Treasury yields slightly rose but bond prices also rose as investors moved from stocks to bonds. Why did this happen? Heightened market expectations of future rate cuts beyond the level indicated by the Fed.

At the beginning of the year, there were aggressive rate cut expectations for 2024. The Fed expected a total 0.75% rate cut (three 0.25% rate cuts) and the market expected a total 1.50% rate cut (six 0.25% rate cuts). In Q1, market expectations of future rate cuts fell to the point where the Fed and the market were aligned with expectations for three rate cuts in 2024. Bond prices fell accordingly in Q1.

The exact opposite situation occurred in Q2 2024 - higher expectations of rate cuts drove up bond prices. While Fed Chairman Jerome Powell signaled only one future rate cut because inflation is not yet at the Fed's desired level, the market believes that (future) inflation is very close to accommodating more than one rate cut, the first one starting in September. Put another way, the market believes the Fed is being overcautious in its message to the market and will be able to cut rates faster than indicated. Based on that belief, investors bid up bond prices.

Lower Expectations Of Rate Cuts = Higher Bond Yields = Lower Bond Prices (see Q1 2024)

Higher Expectations of Rate Cuts = Lower Bond Yields = Higher Bond Prices (see Q2 2024)

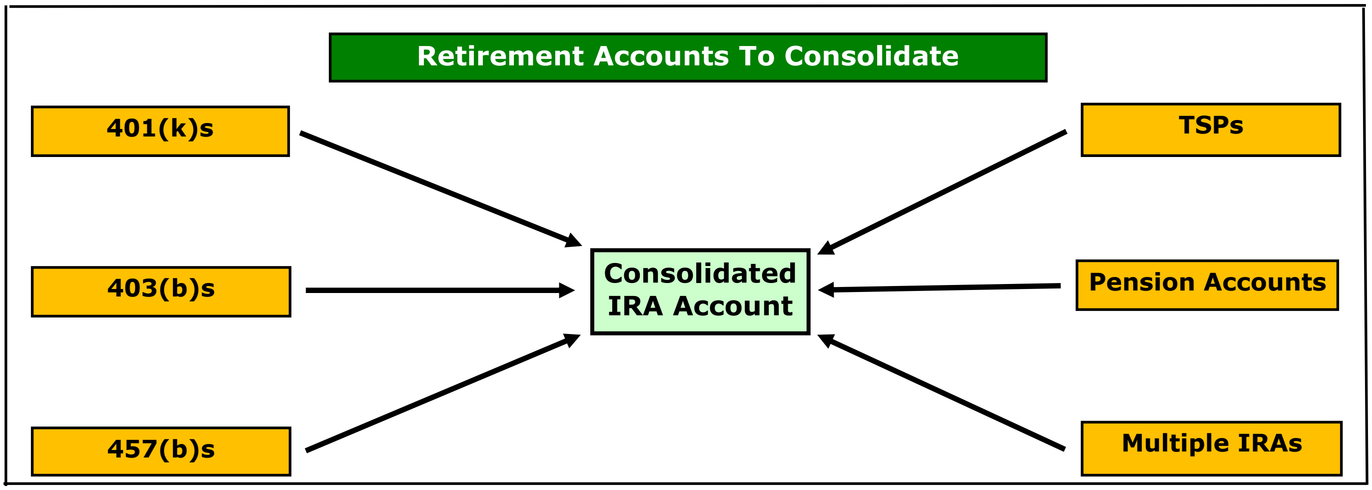
So far, there have been no rate cuts and no clear indication of when (or if) there will be rate cuts. Why? Inflation remains above the Fed's 2% inflation target.

Stay The Course With Your Bond Target Asset Allocation

While the bond component of our portfolio has slightly out-performed a flat bond index (AGG) so far in 2024, we realize that you are likely not very excited about bonds right now. Keep the faith. Remember that bonds are an integral part of the risk management of your portfolio. We have had a period where stocks have out-performed and bonds have not. There will inevitably be a time when the opposite occurs. In the meantime, no-risk short term US Government Treasurys (duration one year or less) are offering more than a 5% yield (not bad!).

Why It Makes Sense To Consolidate Retirement Accounts

Over the course of your work career, if you are like most people, you have changed jobs several times. There may be a trail of retirement accounts - 401(k)s, 403(b)s, 457(b)s, thrift savings plans (TSPs), other pension accounts, multiple IRA accounts - that are spread out at different former employers and brokerage firms. There are huge benefits to consolidating these accounts into one IRA account.



REASONS TO CONSOLIDATE

1. Efficient Account Management

If you have changed jobs several times, you may have several accounts to monitor. Keeping an eye on all these separate accounts is time consuming. Also, it is likely difficult to carry out a disciplined investment strategy throughout the accounts. For example, let's say you want an overall target asset allocation of 60% stocks and 40% bonds, as well as a stock geographical allocation of 80% USA and 20% foreign. It is much easier to attain these goals via one account versus multiple accounts.

2. Potentially Lower Management Fees And Expenses

Retirement accounts often have management fees (calculated as a percentage of assets) and other expenses related to overseeing the accounts. These types of fees add up across multiple smaller accounts. It is often the case where a consolidation of accounts will result in lower overall fees.

3. Easier Setup For Your RMD Calculations

When the time comes where you have to take a required minimum distribution (RMD) from your retirement account(s), it is much easier to calculate the RMD from one account versus multiple accounts. You don't want to make an error in your RMD assessment - the IRS penalty is excessive!

4. Easier Setup For Your Beneficiaries

Consolidating the retirement accounts makes it easier for your beneficiaries to direct your estate after your passing. For example, setting up an Inherited IRA is much easier from one account versus several.

We are pleased to assist you in consolidating your retirement accounts. Contact us anytime.

We made several portfolio adjustments in Q2 because of style rotation considerations and the fact that we are confident in the market. In our view, these companies are attractive and poised for long-term success. We bought

- Eagle Materials Inc. (symbol: EXP: $9 billion market cap), a leading US manufacturer of heavy construction materials and light building materials. EXP has a network of over 70 facilities in 21 states.
- Hologic Inc. (symbol: HOLX; $18 billion market cap), the leader in 3D mammography. HOLX has four operating segments: Diagnostics, Breast Health, GYN Surgical, and Skeletal Health.
- Evercore Inc. (symbol: EVR; $7 billion market cap), a premier independent investment banking advisory firm that operates in the US, Europe, Latin America, and other international markets.
- Eli Lilly and Company (symbol: LLY; $700 billion market cap), a global leader in the discovery, development, and marketing of human pharmaceuticals. Much attention is given to diabetes and obesity.
- UBS Group AG (symbol: UBS; $97 billion market cap), a leading global bank.

We sold BHP Group Ltd ADR (symbol: BHP), a very large Australian-based mining company. We also sold AstraZeneca PLC (symbol: AZN), a U.K.-based pharmaceutical company. Additional sells were Ulta Beauty Inc (symbol: ULTA), a US beauty retailer, and Salesforce Inc. (symbol: CRM), an enterprise software expert.

We will continue to closely monitor the market and adjust your portfolio as needed. Please feel free to contact us anytime to discuss questions or comments you may have. We will keep you informed of portfolio progress.

Respectfully submitted,

TRIVANT

CUSTOM PORTFOLIO GROUP, LLC