MONDAY MOSAIC – Impact of Higher Rates

Week of April 22nd, 2024

0.95%
Retail Sales ex Auto Fuel, Seasonally Adjusted, Month-over-Month

Retail sales data came in higher than expectations for the month of March. This was an unwelcome surprise to the upside for the markets that had already been recalibrating to higher interest rates.

-0.30%
Leading Economic Indicators, Seasonally Adjusted, Month-over-Month

After breaking its 22 consecutive months of decline in February, Leading Economic Indicators fell back yet again, missing expectations of -0.10% in March.

51.0
NAHB Housing Market Index, Seasonally Adjusted

Sentiment amongst homebuilders was reported in line with expectations and is at its highest level since last August, despite 30-year mortgage rates eclipsing 7% yet again.

TOP OF MIND

After such a strong run in the markets, the second quarter is off to a rocky, yet familiar, start.

Coming into the quarter, valuation levels for the S&P 500 Index were at a +30% premium to their 20-year average, which to us, implies that current earnings estimates have a lot of good news already priced in.

As inflation lingers at higher levels than what most, including the Federal Reserve, would like to see, interest rates have moved higher, weighing on fixed income returns.

Manufacturing activity is showing signs of recovery both in the US and abroad. This is encouraging for economic growth; however, it has historically led to higher interest rates and a rising price of oil.

With so much anticipated earnings growth in headline valuations, should interest rates continue to push higher, it will likely present a headwind to lofty valuation multiples.

INDEX RETURNS

As of 4/19/2024 (%)	1-Week	QTD	YTD	1-Year	3-Year
S&P 500 TR	-3.04	-5.40	4.58	21.45	7.73
Russell Mid Cap TR	-2.39	-6.50	1.54	14.08	2.38
Russell 2000 TR	-2.76	-8.29	-3.54	9.93	-3.12
MSCI EAFE NR	-2.29	-4.69	0.83	7.08	1.58
MSCI EM NR	-3.58	-3.64	-1.36	4.10	-6.99
Bloomberg US Agg Bond TR	-0.61	-2.36	-3.11	-0.24	-3.47
Bloomberg Intermediate Corporate Bond TR	-0.39	-1.49	-1.23	3.39	-1.14
Bloomberg High Yield Corporate TR	-0.58	-1.64	-0.19	8.75	1.34
Bloomberg Commodities TR	0.23	3.92	6.20	1.32	9.08

PRICE LEVELS

	4/19/2024	1 Mo	3 Mo	6 Mo	1-Year
US Dollar Index	106.15	103.41	103.29	106.16	101.84
10 Year Treasury Yield	4.61	4.28	4.14	4.92	3.54
West Texas Crude (WTI) $/bbl	83.00	82.79	73.69	89.12	77.27

Madison INVESTMENTS

CURRENT POSITIONING

Complacency in equity and credit markets against a backdrop of challenging fundamentals after two years of monetary tightening and heightened geopolitical risk is driving our defensive portfolio posture today.

Min – Neutral – Max	
EQUITIES	Domestic and global recession risk remains elevated as restrictive monetary policy across the globe continues to take hold and geopolitical tensions rise against a backdrop of rich valuations.
United States	Relative advantages are too strong to ignore. As a result, we are overweight US equities relative to International equities.
Large	The balance sheet strength of many of many large cap companies remains attractive, however, their valuations are amongst the richest relative to other US equities.
Mid	Higher proportion of domestic sales and relatively attractive valuations should help buffer against a slowdown in global growth.
Small	Valuations continue to remain attractive against large cap. Within small caps, we are focused on quality companies with strong free-cash-flows.
Value	Overweight Energy, but relatively neutral the Value style overall. Focused on balance sheet strength and free-cash-flows against the cheapest valued companies, leading us away from deep value sectors and industries.
Growth	Driven by an underweight to Consumer Discretionary and Communication Services.
International	Inflation, slowing global growth, tight monetary policy, and heightened geopolitical tensions remain headwinds.
Developed Markets	Overweight Japanese equities relative to the benchmark as well as against European stocks, as mounting economic pressures in Europe deserve an underweight.
Emerging Markets	Increased foreign investment, increasing trade between economies, and reasonable valuations make emerging Asian equities attractive in weak US dollar environment.

Min – Neutral – Max	
FIXED INCOME	We believe opportunities within fixed income markets are attractive.
Duration	Slight underweight duration to protect against a reacceleration in inflation while also protecting against the mounting pressures building against economic growth by hedging equity risk levels.
Treasury	Overweight Treasuries, specifically intermediate term, against a backdrop of challenged economic growth.
Corporate	High quality bias, no direct exposure to high yield. Credit spreads remain aggressively complacent.
MBS/Securitized	Attractive relative yield and historically wide spreads and strong implied credit quality makes the asset class attractive, specifically mortgages.

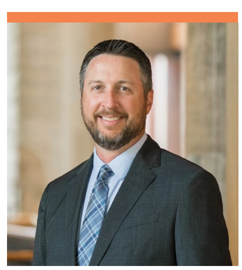
Min – Neutral – Max	
CASH	Conservative positioning across most asset classes has led to elevated positioning in cash which we anticipate using as opportunities arise.

Min – Neutral – Max	
ALTERNATIVES	
Commodities	Using to hedge against inflation, the potential for the US dollar to weaken, as well as equity risk, supported by decades of underinvestment and global supply chain disruptions, continue to make them relatively attractive.

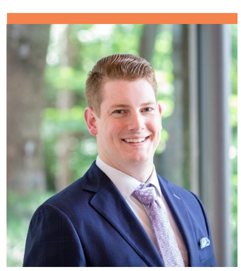
MOSAIC BY MADISON INVESTMENTS

Mosaic by Madison Investments represents Madison's global multi-asset product suite spanning the risk spectrum with a series of distinct portfolios across ETF/Mutual Fund and ETF mandates. Madison's Multi-Asset Solutions team has deep experience monitoring worldwide macroeconomic trends and their associated investment implications. Risk management and a commitment to consistency are key components of our philosophy and process. We believe that efficient asset allocation and downside volatility mitigation should lead to increased long-term client investment success.

MULTI-ASSET SOLUTIONS TEAM



Patrick Ryan, CFA
Head of Multi-Asset Solutions, Portfolio Manager



Stuart Dybdahl, CFA, CAIA
Portfolio Manager, Analyst

DISCLOSURES

"Madison" and/or "Madison Investments" is the unifying tradename of Madison Investment Holdings, Inc., Madison Asset Management, LLC ("MAM"), and Madison Investment Advisors, LLC ("MIA"). MAM and MIA are registered as investment advisers with the U.S. Securities and Exchange Commission. Madison Funds are distributed by MFD Distributor, LLC. MFD Distributor, LLC is registered with the U.S. Securities and Exchange Commission as a broker-dealer and is a member firm of the Financial Industry Regulatory Authority. The home office for each firm listed above is 550 Science Drive, Madison, WI 53711. Madison's toll-free number is 800- 767-0300.

Any performance data shown represents past performance. Past performance is no guarantee of future results.

Non-deposit investment products are not federally insured, involve investment risk, may lose value and are not obligations of, or guaranteed by, any financial institution. Investment returns and principal value will fluctuate.

This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security.

While Madison constructs portfolios for various risk tolerances, its Multi-Asset Solutions Team does not determine individual client's risk tolerance or investment objectives.

Indices are unmanaged. An investor cannot invest directly in an index. They are shown for illustrative purposes only, and do not represent the performance of any specific investment. Index returns do not include any expenses, fees or sales charges, which would lower performance.

The S&P 500® Index is an unmanaged index of large companies and is widely regarded as a standard for measuring large-cap and mid-cap U.S. stock-market performance. Results assume the reinvestment of all capital gain and dividend distributions. An investment cannot be made directly into an index.

The Russell Midcap® Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap® Index is a subset of the Russell 1000® Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000® Index, which represents approximately 11% of the total market capitalization of the Russell 3000® Index.

Russell Investment Group is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Russell Investment Group.

The MSCI EAFE (Europe, Australasia & Far East) Index is a free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. and Canada.

The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,138 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and corporate securities, with maturities greater than one year.

The Bloomberg Commodity Total Return index (BCOM) is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 13 week (3 Month) U.S. Treasury Bills.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Bloomberg US Intermediate Corporate Bond Index measures performance of United States dollar-denominated investment grade, fixed-rate, taxable corporate bond securities with maturities greater than or equal to one year, but less than ten years, that are issued by U.S and non-U.S. industrial, utility and financial issuers.

Although the information in this report has been obtained from sources that the firm believes to be reliable, we do not guarantee its accuracy, and any such information may be incomplete or condensed. All opinions included in this report constitute the firm's judgment as of the date of this report and are subject to change without notice.

All investing involves risks including the possible loss of principal. There can be no assurance the asset allocation portfolios will achieve their investment objectives. The portfolios may invest in equities which are subject to market volatility. In addition to the general risk of investing, the portfolio is subject to additional risks including investing in bond and debt securities, which includes credit risk, prepayment risk and interest rate risk. When interest rates rise, bond prices generally fall. Securities rated below investment grade are more sensitive to economic, political and adverse development changes.

Equity risk is the risk that securities held by the fund will fluctuate in value due to general market or economic conditions, perceptions regarding the industries in which the issuers of securities held by the fund participate, and the particular circumstances and performance of particular companies whose securities the fund holds. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

Commodity values can be very volatile. They can be impacted by world or local events, government regulations and economic conditions. Investments in commodities can lose value.

Each portfolio is subject to the risks and expenses of the underlying funds in direct proportion to the allocation of assets among the underlying funds.

Upon request, Madison may furnish to the client or institution a list of all security recommendations made within the past year.

The Conference Board Leading Economic Index is an American economic leading indicator intended to forecast future economic activity. It is calculated by The Conference Board, a non-governmental organization, which determines the value of the index from the values of ten key variables. These variables have historically turned downward before a recession and upward before an expansion.

The National Association of Home Builders (NAHB) Housing Market Index (HMI) rates the relative level of current and future single-family home sales. The data is compiled from a survey of around 900 home builders. A reading above 50 indicates a favorable outlook on home sales; below indicates a negative outlook.

Bond Spread is the difference between yields on differing debt instruments of varying maturities, credit ratings, and risk, calculated by deducting the yield of one instrument from another.