

# Economic Update for Q3 2024 and Model Updates

US equities rallied further in the third quarter and are now back near all-time highs amid a strong economic backdrop. As a result, the S&P 500 is up approximately 20% year to date with breadth expanding beyond technology stocks and into blue-chip sectors such as industrials, utilities, and financials. The returns are also being seen in value and small cap stocks, whereas large growth stocks had seen the most appreciation early on in 2024. Collectively, these dynamics illustrate an economy and labor market that remains strong and expanding even as the pace of growth has slowed from the post-pandemic boom. In fact, this more measured growth is precisely what has helped bring inflation down and enabled the Federal Reserve to finally cut interest rates. With financing and cost pressures coming down, the market sees a better operating environment over the medium term than just a month or two ago.

The Federal Reserve appears to be achieving their goal of a soft landing, with promising indications of moderate growth and the increased likelihood of additional rate cuts through the end of 2024 and 2025. While money market rates have held above 5%, we do anticipate a decline in the short-term interest rate environment, which presents the opportunity to employ cash into a diversified portfolio. With interest rates declining, most clients should begin to see an increase in market value on bond portfolios as well. Historically, unemployment numbers rising in consecutive quarters has served as a negative indicator for markets. We believe this will be an anomaly, as inflation has slowed, and corporate earnings continue to be positive, with three-quarters of

companies in the S&P 500 beating estimates last quarter. Our expectations for the remainder of the year are to see moderate growth in the equity markets, with some unwarranted volatility as we approach the presidential election.

Community First Trust has utilized mutual fund models that have served our clients well since 1998. These models performed well, and withstood many challenges found in varying market cycles. However, with the changing technology and investments, we are implementing changes that recognize the acceptance and benefits of ETF's as we go forward. ETF's offer several benefits, including intraday trading, tax efficiency, transparency, and a lower cost than many mutual funds.

Our Investment Committee remains committed to providing investment models that are a result of analyzing, evaluating, monitoring, and implementing best ideas and practices into our clients' investment portfolios. We have begun the implementation of new institutional mutual funds and exchange-traded fund (ETF) portfolios that we believe will improve returns

while reducing volatility. Although we look forward to implementation, it will take time as we have had significant gains in some of our mutual funds and want to transition to ETFs in a tax efficient manner.

Community First Trust is excited to introduce you to our new path to investing - with our goals of increasing returns, reducing volatility, and decreasing fund expenses. If you have any questions, please feel free to contact your Community First Trust officer.

