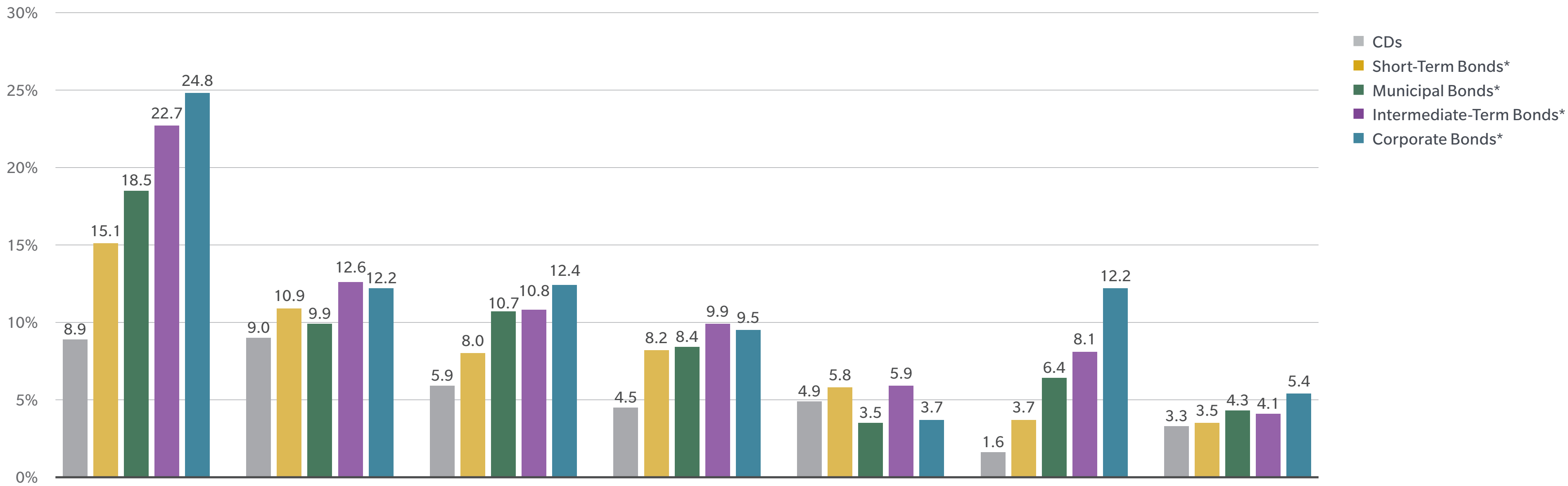
MARKET SNAPSHOT

CDs: Opportunity or Potential Opportunity Lost?

As the US Federal Reserve began raising interest rates, many investors began investing in certificates of deposit due to their attractive yields and stability. However, the Fed has started cutting rates, and we believe investors may benefit from adding exposure to bond funds. Over the past 40 years, CD rates peaked near or at the end of the last six Fed tightening cycles. Historically, in the two years after CD rates peaked (dates shown below), indices representing a diversified mix of short-term, municipal, intermediate-term and corporate bonds have generally generated stronger total returns than CDs. While bond market volatility may continue, the start of the Fed cutting cycle may provide a backdrop to start allocating maturing CD balances into bond funds exposed to areas of opportunity within fixed income markets.

Generally, investing in CDs at peak rates has left money on the table

Two-year subsequent total return from peak CD rate



1984	1989	1995	2000	2006	2019	2023	**Peak Year**
11.56%	10.09%	6.29%	6.73%	5.46%	2.69%	5.49%	**CD Peak Rate**
6.37%	6.45%	5.44%	1.81%	2.79%	0.17%	4.40%	**CD Rate 2 Years Later**
8/01/84 – 7/31/86	4/1/89–3/31/91	1/1/95–12/31/96	7/1/00–6/30/02	8/1/06–7/31/08	1/1/19–12/31/20	9/1/23-12/31/24	**Two-year period after peak CD rate**

It may be time to consider adding credit and duration exposure to help drive long-term value.

* Short-Term Bonds, Municipal Bonds, Intermediate-Term Bonds, and Corporate Bonds are represented by the Bloomberg 1-3 Year U.S. Government/Credit Bond Index, the Bloomberg Municipal Bond Index, the Bloomberg US Aggregate Bond Index and the Bloomberg US Corporate Bond Index, respectively. See the reverse side for additional information.

Source: Bloomberg, CD data prior to 12/31/2023 from Federal Reserve Bank of St. Louis, CD data after 12/31/2023 based on US Dollar 3-month Fiduciary Certificate of Deposit Rates . Monthly data as of the dates specified. For CD return, money is invested at the peak 3-month CD rate for that period, and reinvested into prevail market rates every 3 months for 2 years. Please note, 2023's peak rate occurred in September 2023 and therefore, returns for the year only present 15 months following the peak rate. Returns are gross and in USD annualized. Please see the back page for index definitions.

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See next page for important disclosures.

Opportunity Costs

While CDs generally have offered more stability, that stability may come with a cost. As demonstrated in the chart below, bond funds have generally delivered more growth (green boxes) than CDs during the periods highlighted below. Moreover, very few investors can successfully time the market. Since the Fed has already cut rates, waiting may mean missing market rebound. The opportunity cost can be substantial over time.

Growth opportunity with initial $100,000 investment when investing at peak CD rates*

■ outperformed CDs ■ underperformed CDs

CDs	$118,606	$118,708	$112,141	$109,128	$110,083	$103,284	$106,788
Short-Term Bonds	$132,479	$123,062	$116,660	$117,087	$111,894	$107,497	$107,151
Municipal Bonds	$140,485	$120,749	$122,654	$117,585	$107,214	$113,139	$108,878
Intermediate-Term Bonds	$150,544	$126,844	$122,775	$120,823	$112,071	$116,877	$108,276
Corporate Bond	$155,675	$125,834	$126,260	$119,900	$107,461	$125,861	$111,024
Performance Dates	8/1/84–7/31/86	4/1/89–3/31/91	1/1/95–12/31/96	7/1/00–6/30/02	8/1/06–7/31/08	1/1/19–12/31/20	9/1/23-12/31/24

Source: Bloomberg, Federal Reserve Bank of St. Louis. Monthly data as of the dates specified. For CD return, money is invested at the peak 3-month CD rate for that period, and reinvested into prevail market rates every 3 months for 2 years. Returns used are gross and in USD. Please see below for index definitions.

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* Growth Opportunity represents the index total returns, reinvesting all income and capital gains distributions. Green boxes in table depict time periods where the category outperformed the CD total return and red boxes depict underperformance.

CDs are FDIC insured and have principal and interest guarantees but offer no opportunity for growth of capital or income. The principal value and return of an investment in mutual funds will fluctuate with changes in market conditions. Bonds generally offer higher income than either CDs or money market funds.

Index Definitions: Short-term Bonds: Bloomberg 1-3 Year US Government/Credit Bond Index - measures the performance of the short-term (1 to 3 years) investment-grade corporate and US government bond markets. **Municipal Bonds:** Bloomberg Municipal Bond Index - measures the performance of the tax-exempt bond market. **Intermediate-Term Bonds:** Bloomberg US Aggregate Bond Index - measures the performance of the US investment grade, fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities with at least one year to final maturity. **Corporate Bonds:** Bloomberg US Corporate Bond Index - measures the investment grade, fixed-rate, taxable corporate bond market.

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Important Risk Considerations: Investments in debt instruments may decline in value as the result of, or perception of, declines in the credit quality of the issuer, borrower, counterparty, or other entity responsible for payment, underlying collateral, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile. In addition, debt instruments entail interest rate risk (as interest rates rise, prices usually fall). Therefore, the portfolio's value may decline during rising rates. Portfolios that consist of debt instruments with longer durations are generally more sensitive to a rise in interest rates than those with shorter durations. At times, and particularly during periods of market turmoil, all or a large portion of segments of the market may not have an active trading market. As a result, it may be difficult to value these investments and it may not be possible to sell a particular investment or type of investment at any particular time or at an acceptable price. The price of an instrument trading at a negative interest rate responds to interest rate changes like other debt instruments; however, an instrument purchased at a negative interest rate is expected to produce a negative return if held to maturity.

Keep in mind that all investments, including mutual funds, carry a certain amount of risk including the possible loss of the principal amount invested.

TO CONSIDER

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