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Greetings,

As of the end of the 2nd quarter of 2024, net of fees, the returns of the fund models are:

As of 6/30/2024	2nd Qtr 2024	Year to Date	Last 1 Year†	Last 3 Years†	Last 5 Years†	Last 10 Years†
Aggressive Fund	**2.01%**	**7.97%**	**14.34%**	**5.01%**	**10.21%**	**7.99%**
Agg. Climate	3.98%	11.21%	17.41%	5.30%	n/a	n/a
benchmark*	2.33%	9.66%	16.82%	5.12%	10.21%	8.20%
Moderate Fund	**1.42%**	**5.75%**	**11.26%**	**3.21%**	**7.41%**	**5.95%**
Mod. Climate	2.94%	8.19%	14.31%	3.94%	7.01%	n/a
benchmark*	1.80%	6.89%	13.11%	3.51%	7.54%	6.46%
Conservative Fund	**0.93%**	**3.27%**	**8.06%**	**1.44%**	**4.33%**	**3.79%**
Con. Climate	1.75%	4.53%	9.29%	1.75%	n/a	n/a
benchmark*	1.21%	4.00%	9.09%	1.64%	4.50%	4.46%

*"Benchmark" is a blend of benchmarks for the fund's underlying portfolios of stocks and fixed income, relative to the portfolio allocations within the fund's model. †Rates of return (1+ years) are annualized. See the monthly performance reports online: https://midwestmethodist.org/investment-performance-reports/

Market Commentary from Envestnet | PMC

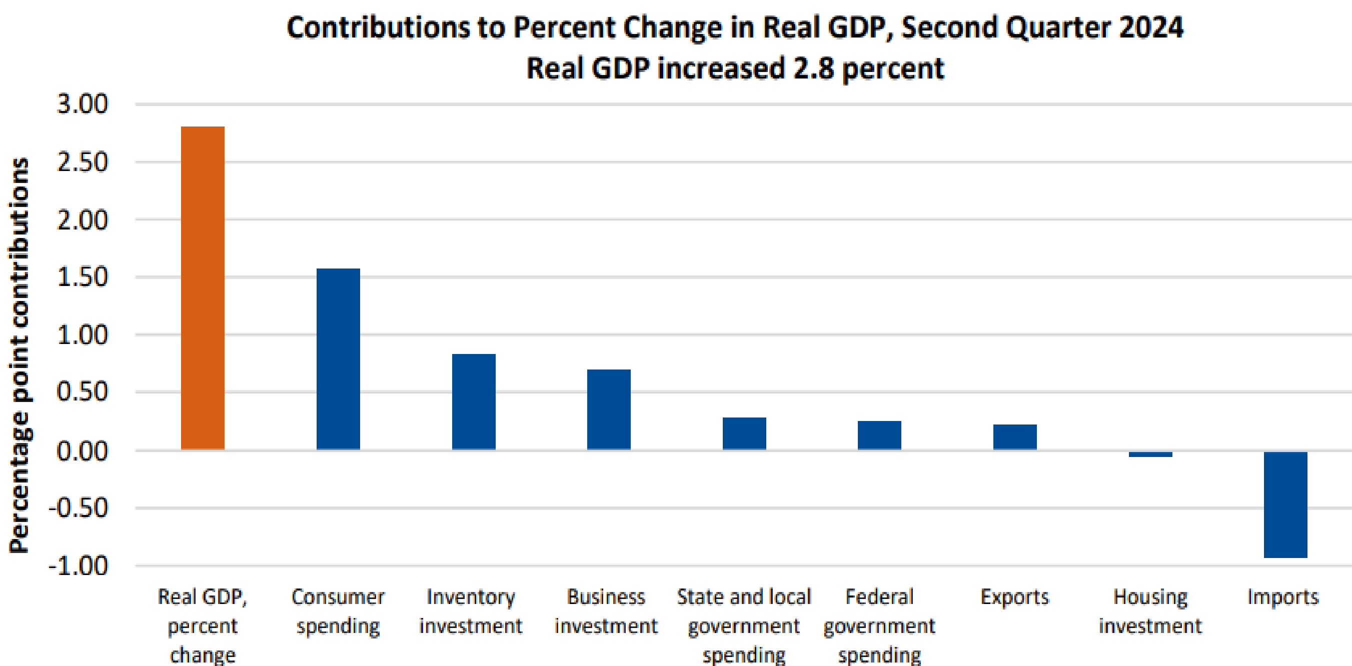
Brandon Thomas, Co-Founder and Chief Investment Officer, Envestnet, concluded their "Economic and Market Overview: Second Quarter 2024" report with the following observations and commentary:

> "The outlook for the economy this year appears promising. Consumers are contributing actively by spending sufficiently to bolster broader economic expansion. Real incomes, and consequently consumers' purchasing ability, are improving thanks to a robust job market. Moreover, substantial excess savings accumulated during the pandemic by middle- and higher-income households persist in supporting spending, providing consumers with disposable income as their wealth increases. The US economy remains robust, even though growth has slowed somewhat, with real GDP expected to increase by approximately 1.5% annualized in the first half of this year, down from 2.5% last year. This deceleration is seen positively as the Federal Reserve aims to stabilize the job market and curb inflation. Unemployment remains low at 4% but has risen by 0.5 percentage points in the past year, accompanied by a softening in hiring and decreases in hours worked and temporary employment—key indicators of future job growth. Pressures on wages and inflation are easing, and the Fed's target of 2% inflation appears achievable. However, many economists and analysts are of the opinion that as growth decelerates and unemployment edges upwards, the economy appears more delicate and exposed to risks. Numerous factors could disrupt the current trajectory, including geopolitical tensions that may escalate and the potential for significant downturns in the stock and bond markets, which are currently at elevated valuations. One of the prominent concerns among analysts is that there will be a misstep in Federal Reserve policy. In addition, market participants are now paying

closer attention to election polls in an attempt to handicap the outcome in November's elections. Globally, despite aggressive monetary policy tightening over the past two years, economic growth has proven more resilient than anticipated. The previous year was overshadowed by persistent fears of a global recession, but with inflation cooling and the prospect of interest rate cuts on the horizon, households and businesses in most developed economies seem reassured that conditions are on the mend. Overall, while economists and analysts are generally positive on the economic outlook, investors should be diligent in monitoring diversification in their portfolio as the election cycle begins to heat up."[1]

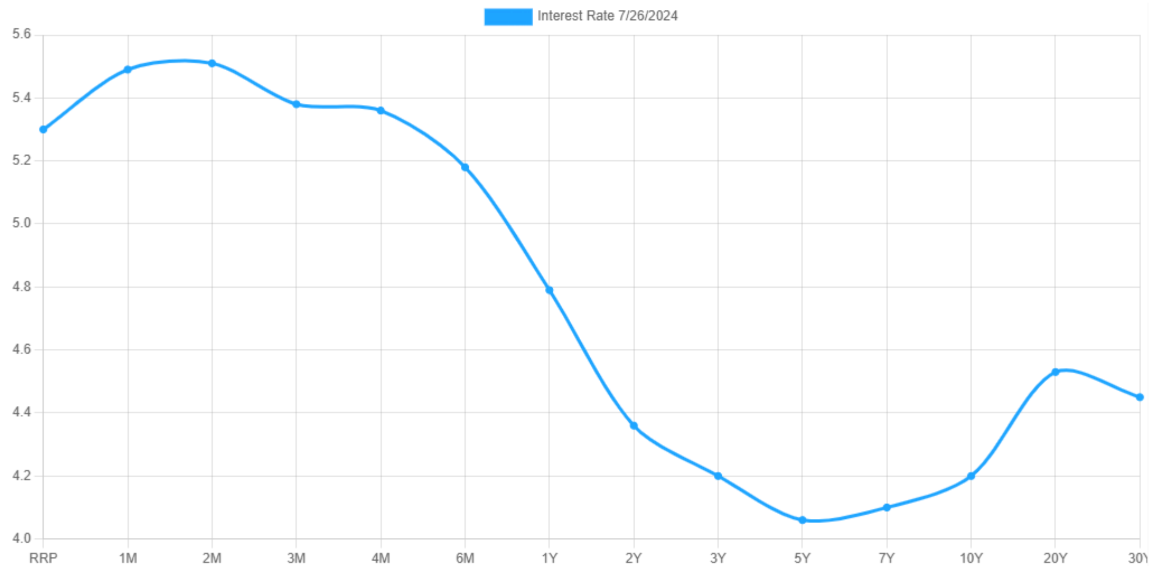
"The US economy remains robust …"

According to the Bureau of Economic Analysis, "Real gross domestic product (GDP) increased at an annual rate of 2.8 percent in the second quarter of 2024, according to the 'advance' estimate. In the first quarter, real GDP increased 1.4 percent. The increase in the second quarter primarily reflected increases in consumer spending, inventory investment, and business investment. Imports, which are a subtraction in the calculation of GDP, increased."[2]



"the Fed's target of 2% inflation appears achievable"

When the yield curve has inverted, nine of ten times in the previous 70 years, the inversion has indicated an imminent recession. Recently, we have experienced the longest and deepest yield curve inversion in history, and, so far, no recession. An inverted yield curve exists when "long-term U.S. Treasury debt interest rates are less than short-term interest rates."[3] Market commentators commonly compare the 2-year versus the 10-year, while academic studies tend to focus on the 3-month versus the 10-year. Both comparisons are currently still inverted, although the 2-year vs. 10-year is flattening. The 2-year versus the 20-year has recently "flipped," which has caused some market watchers to speculate about how rapidly the yield curve could normalize.



Source: ustreasuryyieldcurve.com for July 26, 2024

"One of the prominent concerns … is that there will be a misstep in Federal Reserve policy."

It is the consensus that the Fed waited too long to raise rates to combat inflation, and then when they did raise rates, they raised them rapidly. You may recall that Chair Powell talked about inflation being "transitory." One concern is the Fed starts cutting rates too early, and inflation regains strength. Another concern is the Fed waits too long to cut rates, and the economy suffers, leading to job losses. The Fed is trying to get it just right.

"investors should be diligent in monitoring diversification in their portfolio"

Yields on short-term bonds may reset rapidly, causing yields on "safe" money markets to decline rapidly, while intermediate and long-term bonds will reset their prices, meaning their valuations should increase. As always, a healthy investment strategy depends on diverse asset allocation. Local churches are typically too risk-avoidant, which actually incurs the risk of losing higher long-term gains. There should be serious consideration of diversifying money invested in a money market account that is not needed for the next year into the Conservative Fund as a low-risk alternative with higher potential for better returns.

Respectfully,

Chris Walters

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[1] https://www.investpmc.com/sites/default/files/documents/PMC_QuarterlyMarketEnvironment.pdf
[2] https://www.bea.gov/news/blog/2024-07-25/gross-domestic-product-second-quarter-2024-advance
[3] https://www.investopedia.com/terms/i/invertedyieldcurve.asp

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