# AVE MARIA MUTUAL FUNDS

## MARKET COMMENTARY – Q1 2024

***Economic Summary***

At the onset of 2024, investors held expectations of double-digit growth in corporate earnings, alongside subdued inflation, and the anticipation of six 25-basis point interest rate cuts by the Federal Reserve (THE FED). Corporate earnings have met expectations and are projected to increase by nearly 11% this year. However, inflation has proven to be more persistent than initially forecasted (CHART 1). This, coupled with a stronger-than-expected economy, has caused investors to reevaluate their outlook. As a result, interest rates were pushed higher across the yield curve as expectations started to align with the Fed's initial guidance of three cuts in the second half of the year.

As the 2024 election approaches, it looks to be both a captivating and pivotal one. Historically, incumbent Presidents have utilized various forms of fiscal spending to bolster the economy during election years, a trend that has consistently propelled stocks higher in every incumbent re-election year dating back to 1940 (CHART 2). While anecdotal, the desire to win re-election often drives politicians to prioritize economic stability, as securing votes during times of economic distress presents a significantly greater challenge.

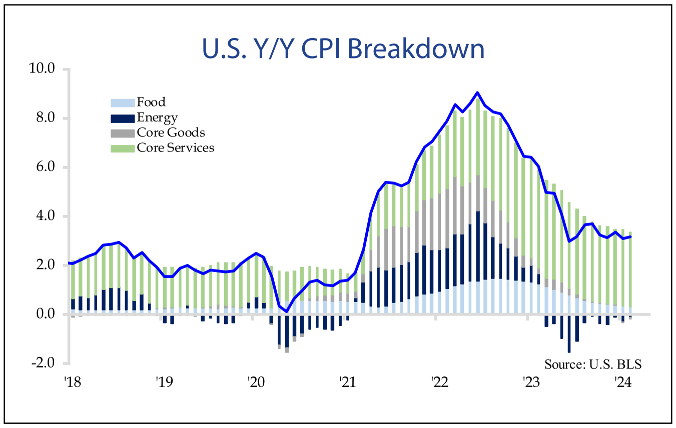


**Chart 1**

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — APRIL 1, 2024

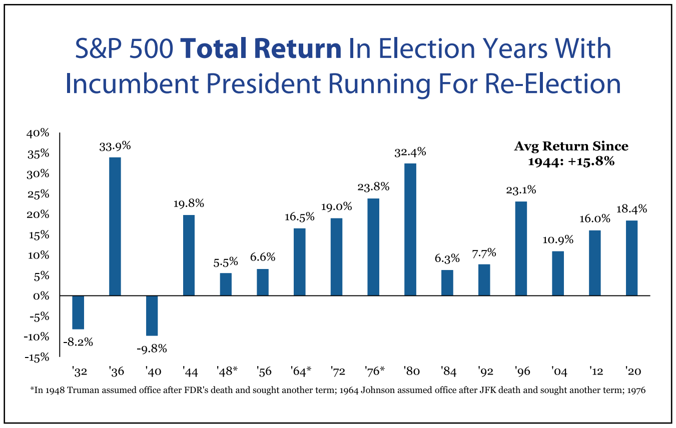


**Chart 2**

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — APRIL 1, 2024

**Past performance does not guarantee future results.**

***The Stock Market***

In the first quarter of the year, equity markets witnessed a remarkable surge, highlighted by the S&P 500's impressive gain of 10.6% (CHART 3). The NASDAQ, predominantly fueled by large-cap technology stocks, experienced a notable uptick of 9.3%. In contrast, small-cap stocks struggled to match this return, with the Russell 2000® Index achieving a more modest gain of 5.2% for the quarter. Additionally, growth stocks continued to outshine value stocks, with the Russell 1000® Growth Index delivering a return of 11.4%, surpassing the 9.0% return of the Russell 1000® Value Index (CHART 4).

At the sector level, Communication Services, Energy and Technology demonstrated notable outperformance, delivering returns of 15.8%, 13.7% and 12.7%, respectively. Real Estate, Utilities and Discretionary sectors fell short of the broader market performance, registering returns of -0.5%, 4.6% and 5.0%, respectively, during the quarter.

From a valuation standpoint, the next 12-month P/E ratios in the S&P 500® appear elevated compared to historical norms. However, when considering the significant impact of the Magnificent 7, the market's valuation aligns more closely with historical averages once their influence on the index is excluded (CHART 5). Despite the run-up in stock prices, there are still great companies trading at fair prices.

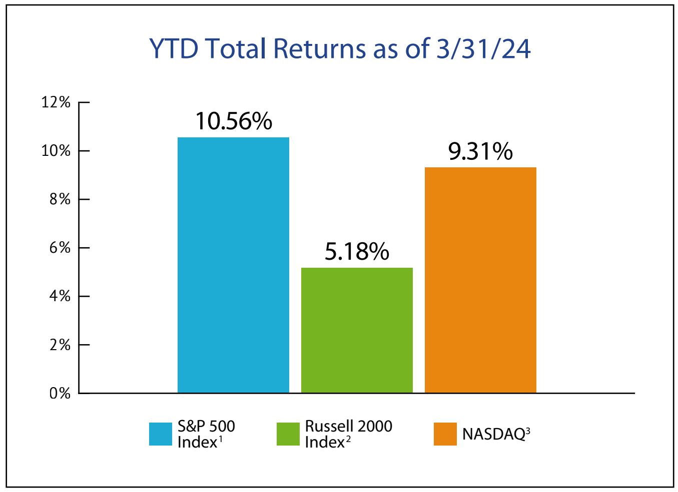


**Chart 3**

SOURCE: MORNINGSTAR DIRECT

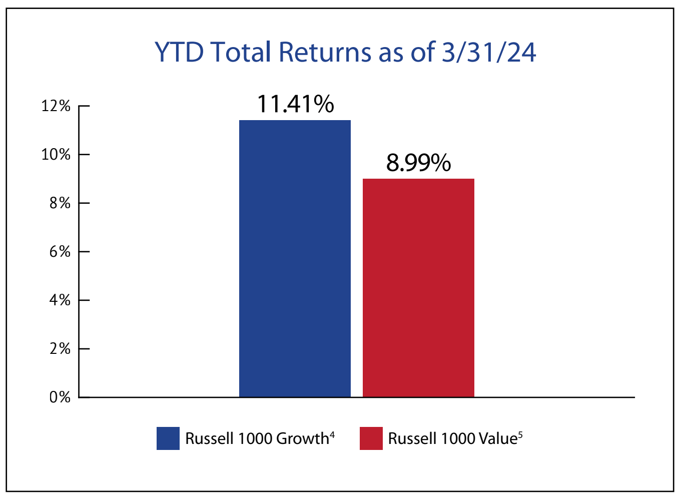


**Chart 4**

SOURCE: MORNINGSTAR DIRECT

**Past performance does not guarantee future results.** You cannot invest directly in an index.

[1] The S&P 500® Index is a capitalization weighted unmanaged index of 500 widely traded stocks, created by Standard & Poor's. The index is considered to represent the performance of the stock market in general.

[2] The Russell 2000® Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000® Index.

[3] The NASDAQ Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange (more than 2500 stocks).

[4] The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

[5] The Russell 1000® Value Index Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values.

### *The Bond Market*

Interest rates climbed along the yield curve, driven by persistent inflation and encouraging economic indicators signaling an economy that was stronger than most expected. Therefore, investors reassessed the potential for interest rate cuts by the Fed. Initially, investors' expectations were for six cuts at the beginning of the year, but by quarter-end, market sentiment shifted to align more closely with the Fed's projection of three cuts later in the year.

Corporate credit spreads have continued to narrow, due to improving economic conditions and robust corporate balance sheets. Bloomberg reports that corporate bonds are presently at their highest safety level in nearly a decade, thanks to corporations' proactive debt reduction efforts and upgraded credit ratings from major agencies. However, it's worth noting that spreads are currently below historical averages and therefore exercising caution remains prudent when adding additional exposure to corporate credits.

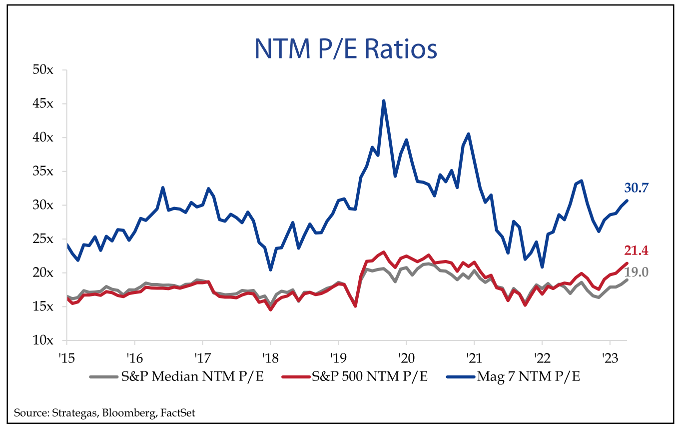


**Chart 5**

SOURCE: STRATEGAS RESEARCH PARTNERS
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