



EQUITY & FIXED INCOME MARKETS COMMENTARY

Stocks delivered mixed returns in January. The S&P 500 rose 1.7%, while the Blended Equity benchmark fell -0.5% in January, as the Mid-Cap S&P 400 and the Small-Cap S&P 600 Indices lagged, down -1.7% and -3.9%, respectively. The Dow Jones Industrial Average Index was up 1.3% and the NASDAQ Composite Index was also up 1.0% for the month. International stock indices were mixed in January, with developed markets up 0.5% and emerging markets down -4.7%. Bond indices also had mixed results in January, as the 10-year U.S. Treasury bond yield rose slightly to 3.95%, from 3.88% last month.

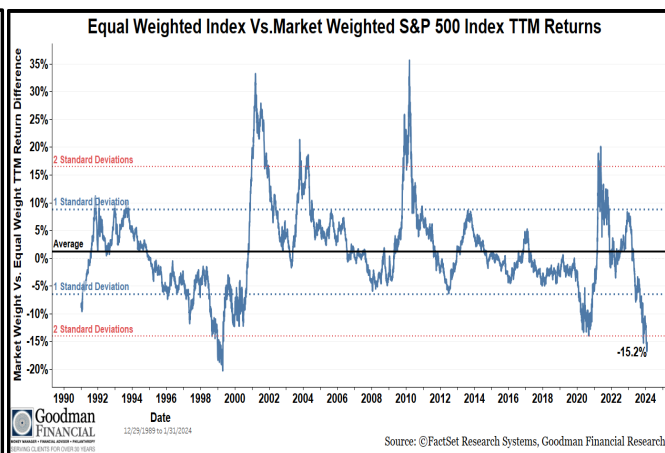
HITTING NEW HIGHS!

As you may have heard on the news, stocks have recently reached all-time highs – Hooray! Before popping a bottle of expensive champagne, it is important to note that while the S&P 500 and Dow Jones Industrial Average indices have reached new highs in January, they are only a mere few percent above their prior high point achieved over two years ago in January 2022. Meanwhile, the Equal-weighted S&P 500 as well as the S&P 400 Mid-cap and S&P 600 Small-cap indices are all 5-14% below their prior highs seen in November 2021 – nothing to celebrate yet for those indices. Let’s also pause to reflect on how we got here. The S&P 500 and Index suffered a bear market in 2022 and ended the year down -18.1%, only to nearly fully recover those losses last year, ending up 26.3%, as seen in the chart below (left). At the end of the day, it was a long and painful two-year slog to essentially get back to even. As also seen in that chart, it takes a gain bigger than the previous loss to get back to even, another painful lesson in math that long-term investors have learned over market cycles. Another lesson that can be gleaned from history is that if investors can incur smaller losses than those seen in the S&P 500 Index (like GFC’s Equity Composite did in 2022), then it is an easier and likely smoother ride to get back to even, if not actually end up in a higher place than where one started.

As mentioned, the “Equal-Weighted” S&P 500 has lagged its better-known, market-capitalization weighted S&P 500 cousin. That is because the “Magnificent 7” stocks that we have talked about previously (Amazon, Apple, Google, Meta, Microsoft, NVIDIA and Tesla) were up over 100% on average in 2023 and, given their huge 28% weight in the market-cap weighted S&P 500, were able to lift that index well above its equal-weighted version (where those 7 stocks have a meager 1.5% weight). As seen in the chart below (right), the equal-weighted version of the S&P 500 has underperformed the market-cap weighted index by 15.2% over the preceding twelve months. Historically, that sort of trailing underperformance has been followed by periods of catch-up and usually outperformance over subsequent periods. The same is also true for small and mid-cap stocks relative to the S&P 500. This is why we continue to be optimistic that we will see market gains broaden out to those stocks that have been left behind this past year. If right, this should provide a nice tailwind for GFC equity portfolios.



Data as of 12/31/23



Data as of 1/31/24



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REFERENCED INDICES

You cannot invest directly in an index. Index results assume the reinvestment of all dividends and interest.

- **S&P 500 Index** - a market-cap weighted index composed of the common stock of 500 leading companies in leading industries of the U.S. economy.
- **S&P 400 Mid-cap Index** – a market-cap weighted index composed of the common stock of 400 mid-sized companies reflecting the distinctive risk and return characteristics of the U.S. mid-cap equities sector.
- **S&P 600 Small-cap Index** – a market-cap weighted index composed of the common stock of 600 small-sized companies reflecting the distinctive risk and return characteristics of the U.S. small-cap equities sector.
- **Dow Jones Industrial Average Index** – a price-weighted index composed of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.
- **Nasdaq Composite Index** – an index that measures all Nasdaq domestic and international based stocks listed on the Nasdaq Stock Market.
- **Barclays Intermediate Govt/Corp Index** – the index includes investment grade, US dollar-denominated, fixed-rate treasuries, government-related and corporate securities with less than 10 years to maturity.