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SERVING CLIENTS FOR OVER 30 YEARS

Q4 2023 MARKET & ECONOMIC REVIEW

Major Equity Market Indexes & Commentary

INDEX	DESCRIPTION	9/30/23	LOW CLOSE	HIGH CLOSE	12/31/23	QTD RETURN*
S&P 500	A market-capitalization weighted index of 500 large U.S companies.	4,288	4,117	4,783	4,770	11.2%
DJIA	Dow Jones Industrial Average or "The Dow"; A price-weighted average of 30 major U.S. companies.	33,508	32,418	37,710	37,690	12.5%
Nasdaq Composite Index	A market-capitalization weighted index comprised of over 3,000 companies, mostly in the technology and biotech industries.	13,219	12,596	15,099	15,011	13.6%
Russell 2000	A market-capitalization weighted index tracking U.S. small-cap stocks.	1,785	1,637	2,066	2,027	13.6%
NIKKEI 225	A price-weighted index comprised of Japan's top 225 most established companies (in Yen).	31,858	30,527	33,681	33,464	5.0%
MSCI Emerging Markets	An index comprised of 23 MSCI indices from emerging economies including Brazil, China, India, Mexico, Russia, South Africa, and the UAE.	953	911	1,024	1,024	7.4%
Stoxx Europe 600	An index comprised of 600 companies based in one of 18 EU countries including Austria, Belgium, Denmark, France, Germany, Ireland, Spain, and the United Kingdom (in Euro).	450	430	479	479	6.4%

*** Excludes effects of dividends** **Sources: FactSet**

EQUITY MARKETS COMMENTARY

- U.S stock indexes finished the year on a strong note with a rally in the last two months of the fourth quarter following a brief breather in the third quarter. All major U.S. equity indexes recorded double digit percentage gains in the quarter, as seen in the table above. The S&P 500 gained 11.2% in the quarter and has now nearly fully recovered to its all-time high price level seen in January 2022. The Dow Jones Industrial Average and Nasdaq Composite gained 12.5% and 13.6%, respectively.
- The small-cap Russell 2000 index regained some ground against the large cap indexes with a gain of 13.6%, outperforming both the S&P 500 and Dow Jones Industrial Average in the quarter following a period of underperformance for much of 2023. For most of 2023, the market's rally was driven by large-cap stocks, particularly the "Magnificent 7", as small-cap stocks were held back by concerns over recession and higher interest rates. However, the economy has held strong, and the market now expects the Fed to shift toward rate cuts in 2024, which pushed small-cap stocks to big gains in the final two months of the year. As seen in the green grid chart below, small-caps led the way during the fourth quarter, with small-cap value posting its best quarterly gain since the first quarter of 2021.
- International stock indexes were also up during the quarter albeit less than the U.S. stock indexes. As seen in the table above, the NIKKEI 225 gained 5.0%, the MSCI Emerging Markets index rose 7.4%, and the Stoxx Europe 600 increased 6.4%.

Table Comprised of the Following Indexes:

S&P 500 Large-Cap Total Return Index
S&P 500 Large-Cap Value Total Return Index
S&P 500 Large-Cap Growth Total Return Index
S&P 400 Mid-Cap Total Return Index
S&P 400 Mid-Cap Value Total Return Index
S&P 400 Mid-Cap Growth Total Return Index
S&P 600 Small-Cap Total Return Index
S&P 600 Small-Cap Value Total Return Index
S&P 600 Small-Cap Growth Total Return Index

Q4 2023 Return By Market Segment

	Value	Blend	Growth
Large	13.6%	11.7%	10.1%
Mid	13.6%	11.7%	9.9%
Small	15.8%	15.1%	14.3%

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MARKET & ECONOMIC REVIEW

Fixed Income Rates & Commentary

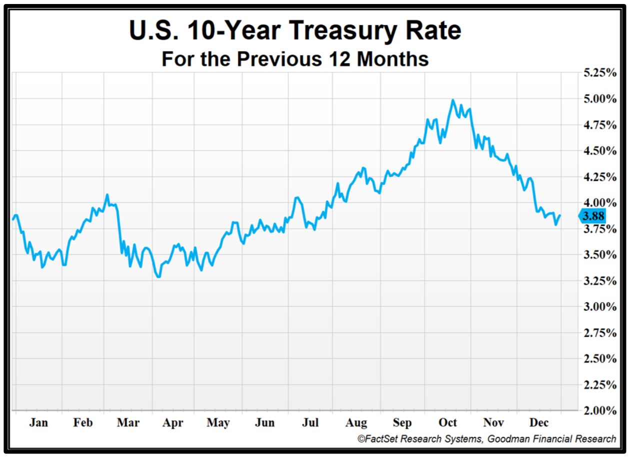
DESCRIPTION	9/30/23	12/31/23	QTD CHANGE IN BASIS POINTS*	DESCRIPTION	9/30/23	12/31/23	QTD CHANGE IN BASIS POINTS*
Federal Funds Target Rate	5.25%-5.50%	5.25%-5.50%	0	15 Yr. Mortgage Rate	6.72%	5.93%	-79
90 Day Treasury Bill	5.55%	5.40%	-15	30 Yr. Mortgage Rate	7.31%	6.61%	-70
2 Yr. Treasury Note	5.03%	4.23%	-80	Prime Rate (U.S.)	8.50%	8.50%	0
10 Yr. Treasury Note	4.57%	3.88%	-69	LIBOR (3 Month)	5.66%	5.59%	-7
30 Yr. Treasury Bond	4.71%	4.03%	-68	5-Year CD	1.38%	1.40%	+2

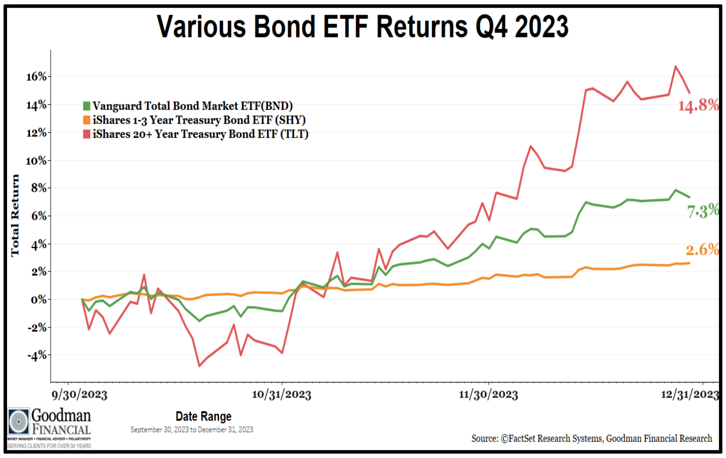
***One basis point is equal to 1/100th of 1% or 0.01%**

Sources: FactSet, Wall St. Journal, U.S. Treasury

FIXED INCOME COMMENTARY

- The Federal Reserve (the Fed) held the Federal Funds target rate flat at 5.25% to 5.50% during the fourth quarter which reversed some of the worries of the prior quarter. Recall in the prior quarter, the resiliently strong US economy was a headwind for markets due to expectations that the Federal Reserve would keep rates higher for longer. But with the Fed's recent dovish messaging as well as slowing inflation and cooling labor demand, the market is now anticipating rate cuts could occur sooner than previously expected. Investors will be watching closely to see whether this is delivered in the new year.
- Bond yields fell sharply during the quarter, as seen in the table above. Notably, the 10-year Treasury note yield retraced nearly all the increase from earlier in the year to close the year at 3.88% after peaking at just over 5% in October - a rate not seen since July 2007 (See the left chart below). As expected, mortgage rates followed the 10-Year Treasury yield and finished the quarter lower with the 30-year fixed mortgage rate dropping 70 basis points to 6.61%.
- The dramatic drop in yields during the fourth quarter drove a positive return in bond ETFs, as seen in the chart below on the right. The iShares 1-3 Year Treasury Bond ETF (SHY) gained 2.6% and the Vanguard Total Bond Market ETF (BND), which has an average maturity of 8 years, gained 7.3%. Longer-dated bonds benefited most from the decline in rates as the iShares 20+ Year Treasury Bond ETF (TLT) gained 14.8% during the quarter. Recall that longer maturities are more sensitive to changes in interest rates.





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MARKET & ECONOMIC REVIEW

U.S. Economic Commentary

INDICATOR	DESCRIPTION	9/30/23	12/31/23	QTD CHANGE
Weekly Initial Claims for Unemployment Insurance (in Thousands)	The number of new filings for unemployment insurance benefits. Most economists believe claims below 300,000 indicate a healthy labor market environment. **Weekly initial claims are still historically low, indicating a healthy and resilient labor market.**	207	202	-2.4%
Unemployment Rate	The percentage of total labor force that is unemployed but actively seeking employment. The U.S. Federal Reserve targets a long-run unemployment rate of between 4.5% and 5%. **The December unemployment rate was down slightly from the prior quarter and flat from the previous month. The historically low level indicates ongoing strength in the job market.**	3.8%	3.7%	-10 bps
Average Weekly Earnings	The average weekly salary earned by private, nonfarm employees. **Weekly wage growth of 0.9% during the quarter was driven by an increase in hourly earnings, offset by a slight decline in weekly hours.**	$1,165	$1,176	+0.9%
Index of Consumer Sentiment	This index is published by the University of Michigan and reflects consumer attitudes towards the state of the economy. **Sentiment rose from the prior quarter but remains historically low given multiple sources of uncertainty about the trajectory of the economy.**	68.1	69.7	+2.3%
ISM Purchasing Managers Index (PMI®)	This index represents economic activity in the manufacturing sector. Any value above 50.0 represents economic expansion. **The index remains below 50 indicating that economic activity is generally declining rather than expanding.**	49.0	47.4	-3.3%
Existing Home Sales (in Millions) *	This data is provided by the National Association of Realtors®. It is a seasonally adjusted annualized rate and reflects completed transactions in houses, townhomes, and condominiums. **The drop in existing home sales is partly due to seasonality as well as fewer homes available for sale, despite the recent decline in mortgage rates.**	4.04	3.82	-5.4%
US Capacity Utilization: Manufacturing *	The ratio of production capacity being used to produce finished products compared to the total capacity available. **Manufacturing utilization was down from last quarter but ticked up from the prior month. Manufacturing utilization is now 1.0% below the long-run average.**	77.9%	77.2%	-70 bps

***These items are as of 11/30/23, the date of the most recently published statistics**

Sources: FactSet, Federal Reserve Bank of St. Louis, The University of Michigan, U.S. Census Bureau, U.S Department of Labor, Institute of Supply Management

U.S. ECONOMIC HEALTH

- The number of Americans filing for unemployment benefits fell to 202,000 in the last week of 2023, which was below expectations of 216,000 and was the lowest new claim count in two months underscoring the resilience of the US labor market. On the other hand, the Labor Department's latest Job Openings and Labor Turnover survey (JOLTs) showed job openings fell to a 30-month low of 8.79 million in November (left chart) providing some evidence that the job market is continuing to gradually cool. Additionally, the report showed the number of people quitting their jobs dropped to the lowest level since February 2021 (right chart) indicating less job-hopping in the labor force which may contribute to moderating wage growth and lower inflation.
- Despite the drop in mortgage rates during the fourth quarter, the housing market remained soft as potential homebuyers are still dealing with historically low affordability. Existing home sales in November of 3.82 million units was down more than 5% from the prior quarter and near the lowest level since August 2010. New home sales of 590,000 in November declined 12% from the prior month and was the lowest level in more than a year.