

# Q4

## Quarterly Market Review Fourth Quarter 2023

# Quarterly Market Summary

Stocks had a strong final quarter to the year, with the Russell 3000 Index returning 12.1%. All sectors except Energy posted positive returns. REITs were among the top performing sectors for the quarter, returning 17.1%, after the sector’s disappointing returns earlier in 2023.

In December, the Federal Reserve signaled progress in its fight against US inflation, and fixed income markets posted strong fourth quarter returns as market participants wagered on rate cuts in 2024. Small cap stocks, particularly small value stocks, outperformed the market for the period, exceeding even the large cap growth segment that has had such a strong 2023.

NVIDIA was not the only company to benefit from the recent boom in artificial intelligence. Broadcom, the fifth largest contributor to the Russell 3000, had a strong fourth quarter as it returned 35% for the period. Evidently, Broadcom’s contribution to the quarter’s returns shows that even names outside the so-called “Magnificent Seven” stocks can deliver outsized return contributions. Tesla, which is in the “Magnificent Seven” set, posted negative returns for the quarter, detracting from the overall market’s return.

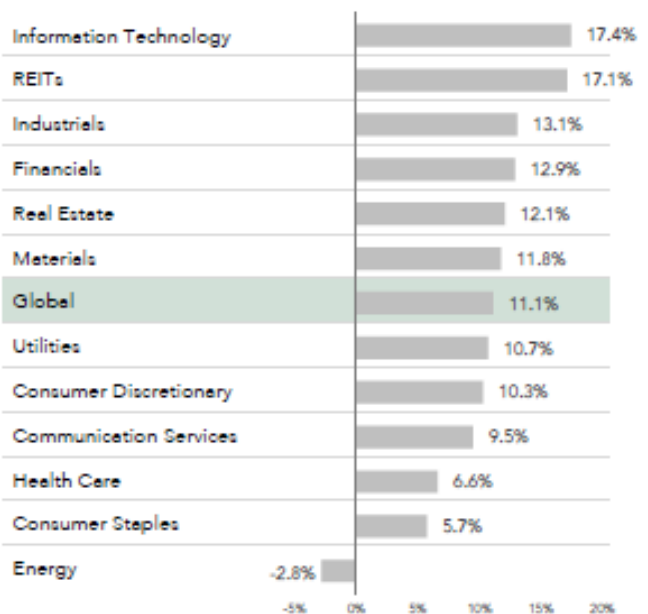
## GLOBAL ASSET CLASS RETURNS Q4 2023

<b>STOCKS</b>	US	12.07%
	Developed ex US	10.52%
	Emerging Markets	8.02%
<b>BONDS</b>	US	6.82%
	Global ex US	5.36%

## GLOBAL PREMIUM RETURNS Q4 2023

<b>SIZE</b>	Large	10.9%
	Small	12.5%
<b>VALUE</b>	Value	9.6%
	Growth	12.6%
<b>PROF</b>	High	11.6%
	Low	10.6%

## GLOBAL SECTOR RETURNS Q4 2023



## FIXED INCOME

In the bond market, U.S. Treasuries rebounded after posting their worst annual return in decades in 2022, with the Bloomberg U.S. Treasury Bond Index gaining 4.1 percent vs. the previous year’s 12.5 percent decline. But it was not a smooth ride for investors. Despite rising bond prices, yields (which fall when prices rise) were higher than they have been for most of the past decade. The 10-year Treasury yield nearly touched 5 percent in October for the first time since 2007, before pulling back below 4 percent by year-end. For the entire year, the 10-year yield was lower than that of three-month bills, keeping the yield curve inverted.

# Quarterly Market Summary

In terms of total returns, the U.S. Aggregate Bond Index surged 6.8 percent for the quarter ending the year up 5.5 percent.

## ALTERNATIVES

Even with positive returns in Wheat, Coffee and Gold, commodities declined in the fourth quarter with the Bloomberg Commodity Total Return Index down **-4.6** percent. Natural Gas, Sugar and Crude Oil were the key story for the period, declining **-25.6**, **-22.3**, and **-18.6** percent, respectively.

After a difficult first three quarters, U.S. Real Estate Investment Trusts (REITs) rallied hard erasing year-to-date declines, up +16.35 percent for the quarter and +13.96 percent for the year.

## ECONOMY

The first reading of Q4 GDP showed that the U.S. economy grew at a 3.3 percent annualized pace, which is a decline from the 4.9 percent in Q3 but still much stronger than estimates of 2 percent.

As has been the case for several quarters, the prevailing characteristic remains a "tale of two economies". While the manufacturing sector (which makes up 8% of the U.S. economy) contracted for the 12th consecutive month, the services sector (constituting about 78% of GDP) expanded for the 11th consecutive month, serving as a primary driver behind continued wage inflation as well as tightness in the labor market.

While there's certainly a chance that the Fed will achieve its 2 percent inflation target without a commensurate spike in unemployment, there are still plenty of threats on the horizon. Notably, banks face pressure on several fronts, including declining values of longer-term debt holdings impacting balance sheets; savers shifting out of savings accounts as they seek higher-yielding money market funds; and record-level office vacancy rates that hinder the refinancing of low-rate real-estate loans into higher-rate loans.

Consumers, meanwhile, have just about burned their way through their post-COVID savings, which was the main driver for GDP growth in 2023. With credit card balances and delinquencies spiking and student loan payments resuming, it's unlikely that consumers will be able to sustain their spending levels and ride to the rescue once again in 2024. Businesses are also feeling the pinch from higher interest rates, as November saw a rapid increase in the number of Chapter 11 commercial bankruptcies.

Plenty of factors can still impact the economy and markets, including the conflicts in Israel and Ukraine, increased tensions with China, a spiking debt-to-GDP ratio, and chances for a government shutdown. Moreover, historically extreme valuations in a small handful of mega-cap stocks that account for about 30% of the market weight in the S&P 500 (i.e., the Magnificent Seven) means that any sort of correction in those names could reverberate through the broader market.

## LOOKING FORWARD

It was a year that defied expectations by many accounts. A number of forecasts predicted that the U.S. economy would enter a recession in 2023 as the Federal Reserve raised interest rates to fight high inflation. But the economy remained resilient, inflation eased, and the Fed declined to lift rates later in the year. U.S. stocks rose in 2023, despite some setbacks along the way. Many economists who called for a recession have since walked back their predictions. This underscored that guessing where markets may be headed is not a reliable way to invest.

# Quarterly Market Summary

Economic resilience in the U.S. and elsewhere is helping boost the global outlook for 2024, but as investors learned last year, the only thing certain is that there will be plenty of uncertainties. Many variables are in play for markets this year, from wars in Ukraine and the Middle East to questions around interest rates. Investors are also likely to be closely following the upcoming presidential election in the U.S. But it's worth noting that the political party that wins the White House is just one of many factors that investors consider when pricing assets, and stocks have generally trended upward regardless of which party holds the presidency. This may be reassuring when one considers the difficulty, or perhaps futility, of trying to guess what is going to happen in 2024—or any year.

That's why we recommended planning for what might happen rather than trying to predict what will. Last year was a vivid example of this.

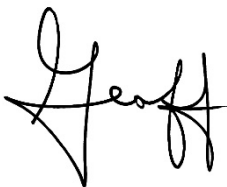
## **SUMMARY**

Remember, we're here to help. This also is where the time invested upfront with each of you shows its value. Formulating a solid and adaptable financial plan together and discussing liquidity, cash flows, and reserves provides the solid footing needed for times like these with many changing facets.

We appreciate the opportunity to work with each of you. We recognize that each client's situation is unique and incorporates different factors into their investment and financial plan.







As always, if you have any questions or concerns about current market trends and the impact on your personal situation and plan, please contact us and we would be happy to discuss.

All the best,

A handwritten signature in black ink, appearing to read "Geoff". The signature is stylized with a large initial "G" and a long horizontal stroke.

# Quarterly Market Summary

## Index returns

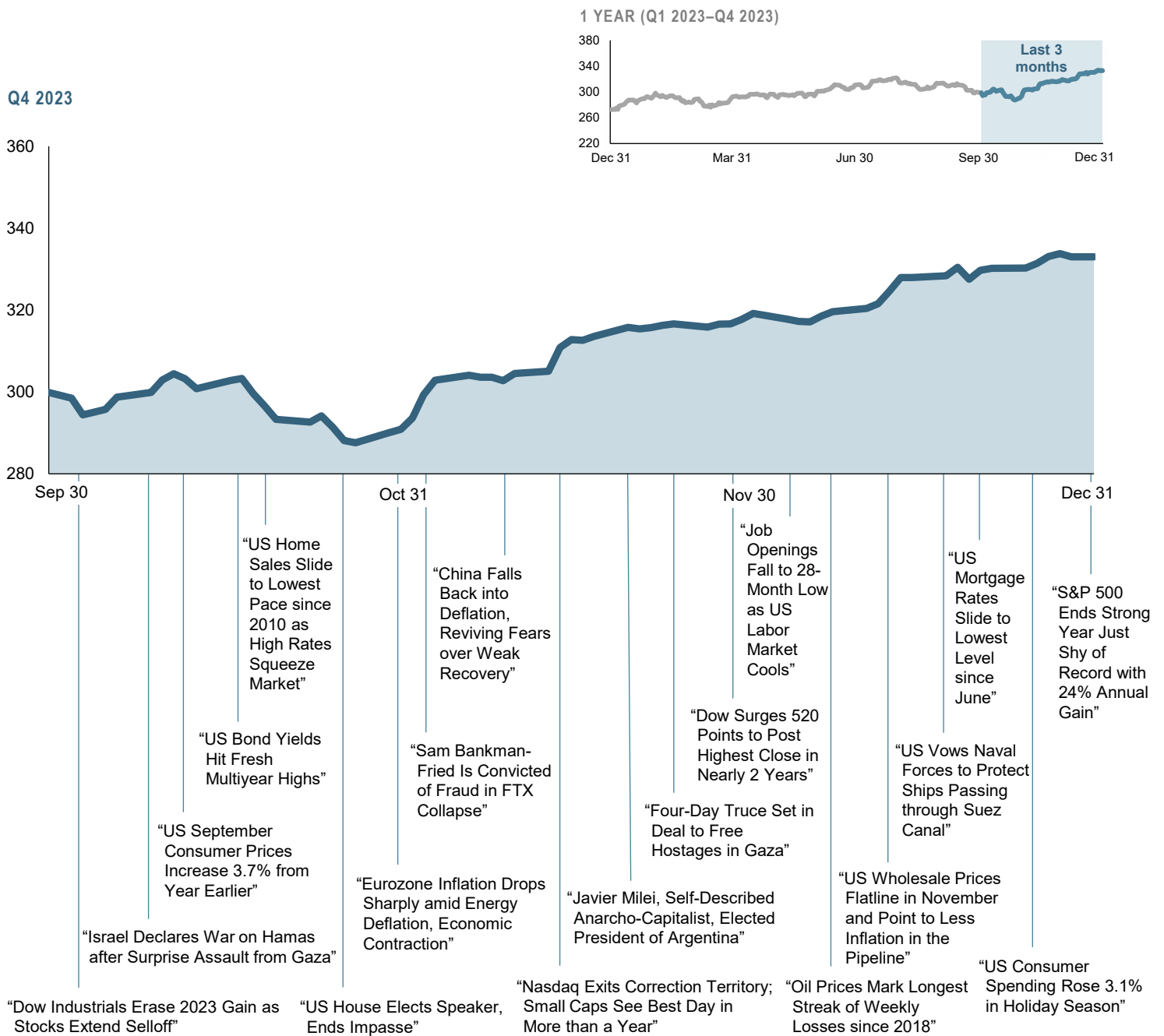
	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q4 2023	STOCKS				BONDS	
	12.07%	10.51%	7.86%	15.47%	6.82%	5.36%
						

Since Jan. 2001						
Average Quarterly Return	2.3%	1.6%	2.5%	2.3%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	6.8%	5.4%
	<b>2020 Q2</b>	<b>2009 Q2</b>	<b>2009 Q2</b>	<b>2009 Q3</b>	<b>2023 Q4</b>	<b>2023 Q4</b>
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	<b>2008 Q4</b>	<b>2020 Q1</b>	<b>2008 Q4</b>	<b>2008 Q4</b>	<b>2022 Q1</b>	<b>2022 Q1</b>

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2024, all rights reserved. Bloomberg data provided by Bloomberg.

# World Stock Market Performance

MSCI All Country World Index with selected headlines from Q4 2023



*These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.*

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2024, all rights reserved. Index level based at 100 starting January 2000. It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

# US Stocks

## Fourth quarter 2023 index returns

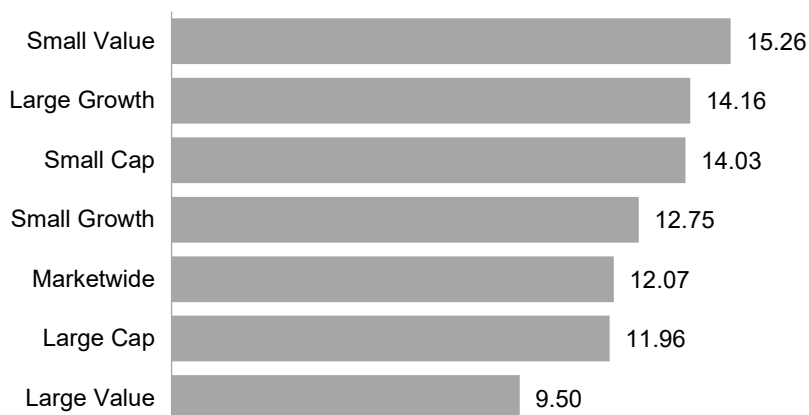
The US equity market posted positive returns for the quarter and outperformed both non-US developed and emerging markets.

Value underperformed growth within large caps and outperformed within small caps.

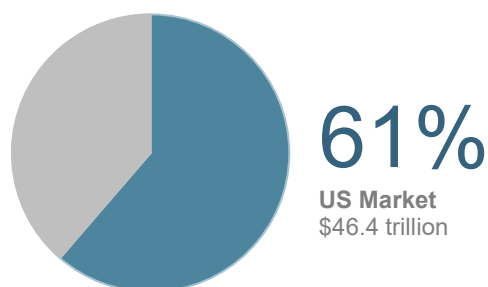
Small caps outperformed large caps.

REIT indices outperformed equity market indices.

### Ranked Returns (%)



### World Market Capitalization—US



### Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Small Value	15.26	14.65	7.94	10.00	6.76
Large Growth	14.16	42.68	8.86	19.50	14.86
Small Cap	14.03	16.93	2.22	9.97	7.16
Small Growth	12.75	18.66	-3.50	9.22	7.16
Marketwide	12.07	25.96	8.54	15.16	11.48
Large Cap	11.96	26.53	8.97	15.52	11.80
Large Value	9.50	11.46	8.86	10.91	8.40

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# International Developed Stocks

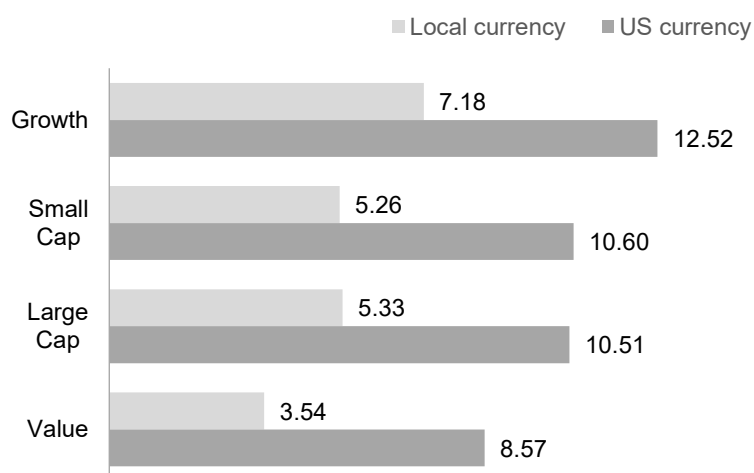
Fourth quarter 2023 index returns

Developed markets outside of the US posted positive returns for the quarter and underperformed the US market, but outperformed emerging markets.

Value underperformed growth.

Small caps outperformed large caps.

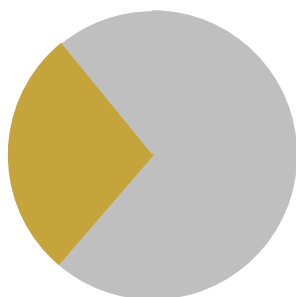
## Ranked Returns (%)



## World Market Capitalization—International Developed

28%

International Developed Market  
\$21.0 trillion



## Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Growth	12.52	17.45	0.44	8.94	5.08
Small Cap	10.60	12.62	-0.20	7.05	4.63
Large Cap	10.51	17.94	4.42	8.45	4.32
Value	8.57	18.48	8.19	7.48	3.29

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Large Cap (MSCI World ex USA Index), Small Cap (MSCI World ex USA Small Cap Index), Value (MSCI World ex USA Value Index), and Growth (MSCI World ex USA Growth Index). All index returns are net of withholding tax on dividends. World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. MSCI World ex USA IMI Index is used as the proxy for the International Developed market. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes.



# Emerging Markets Stocks

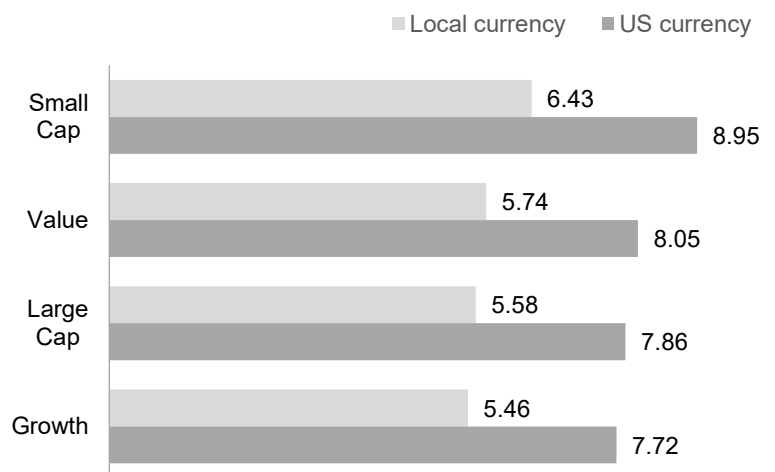
Fourth quarter 2023 index returns

Emerging markets posted positive returns for the quarter and underperformed both US and non-US developed markets.

Value outperformed growth.

Small caps outperformed large caps.

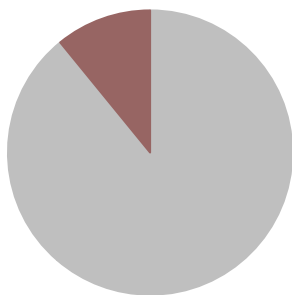
## Ranked Returns (%)



## World Market Capitalization—Emerging Markets

11%

Emerging Markets  
\$8.2 trillion



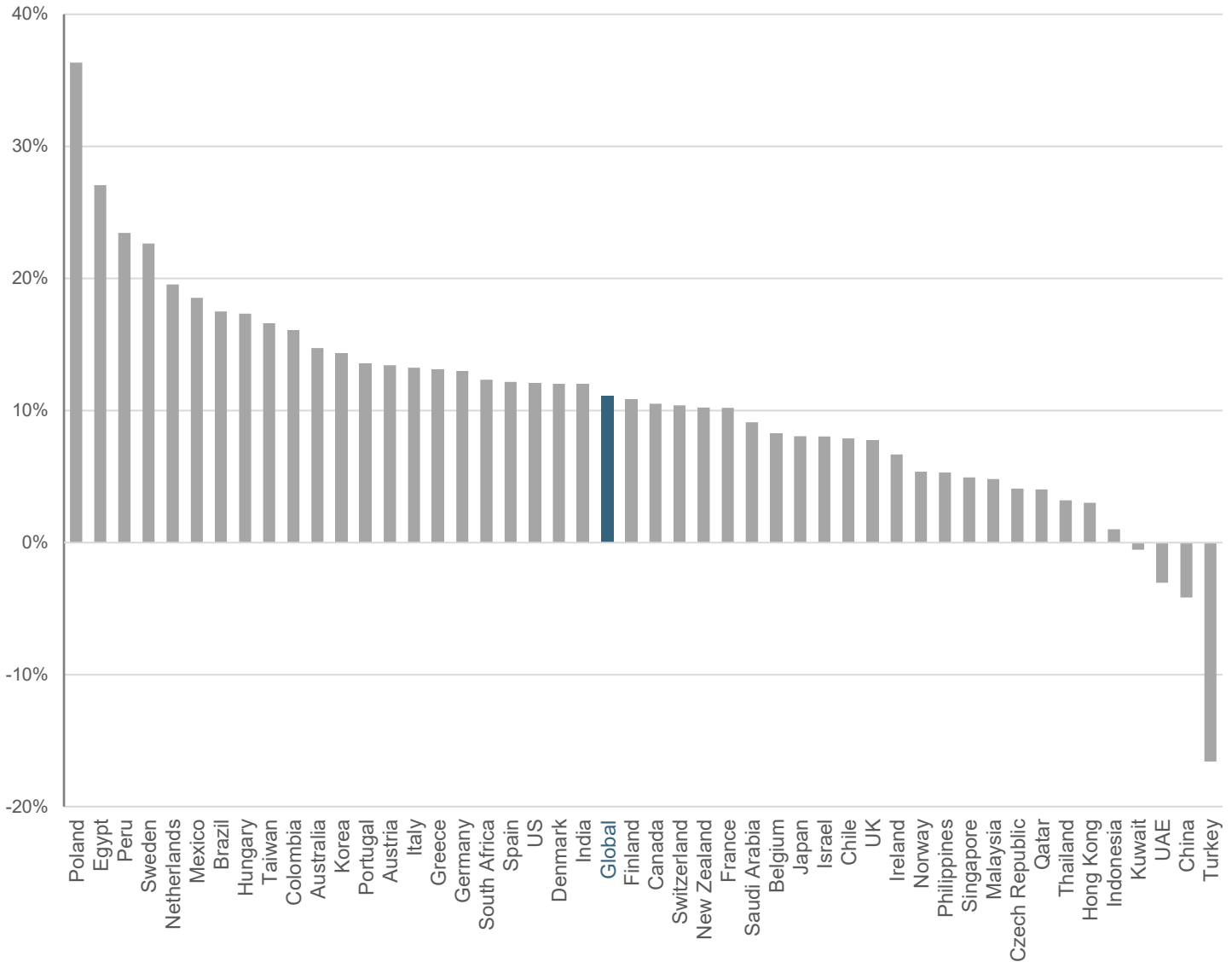
## Period Returns (%)

Asset Class	QTR	1 Year	Annualized		
			3 Years	5 Years	10 Years
Small Cap	8.95	23.92	6.45	9.92	5.34
Value	8.05	14.21	-0.01	3.37	1.94
Large Cap	7.86	9.83	-5.08	3.68	2.66
Growth	7.72	5.83	-9.67	3.90	3.28

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# Country Returns

Fourth quarter 2023 index returns



**Past performance is no guarantee of future results.**

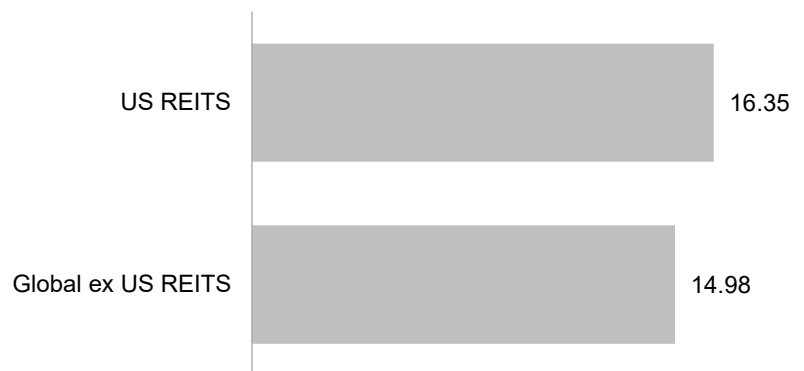
Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. MSCI data © MSCI 2024, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes.

# Real Estate Investment Trusts (REITs)

Fourth quarter 2023 index returns

US real estate investment trusts outperformed non-US REITs during the quarter.

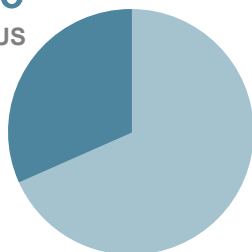
## Ranked Returns (%)



## Total Value of REIT Stocks

32%

Global ex US  
\$451 billion  
286 REITs  
(25 other countries)



68%

US  
\$976 billion  
104 REITs

## Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
US REITs	16.35	13.96	13.96	7.18	6.12	7.00
Global ex US REITs	14.98	5.59	5.59	-2.69	0.48	1.92

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

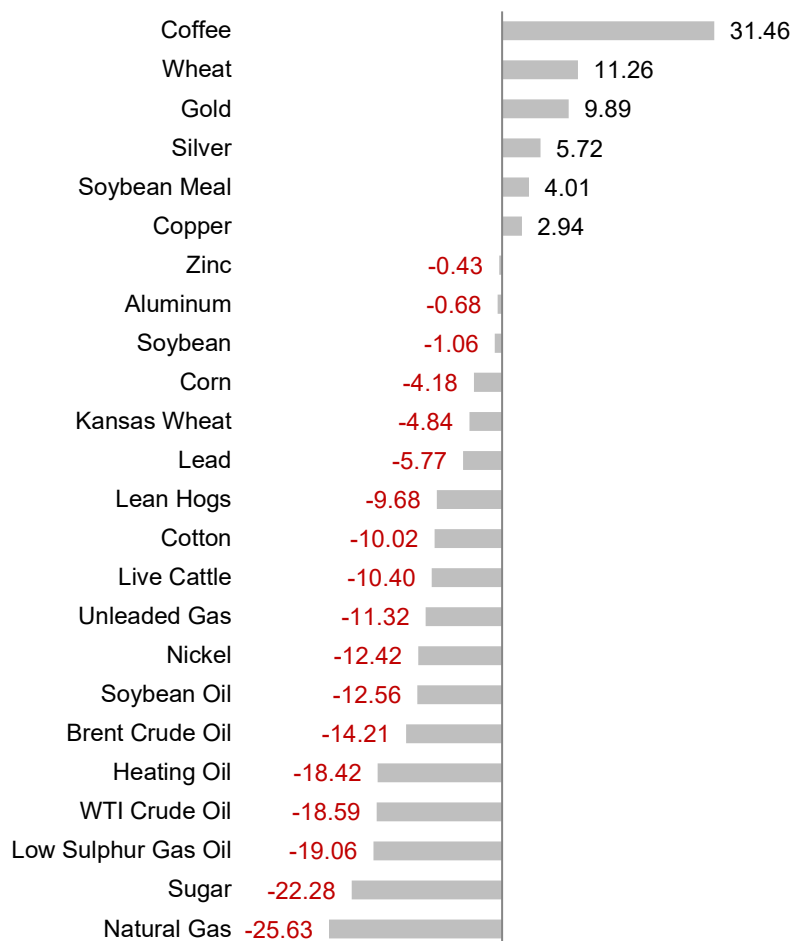
# Commodities

## Fourth quarter 2023 index returns

The Bloomberg Commodity Total Return Index returned -4.63% for the fourth quarter of 2023.

Natural Gas and Sugar were the worst performers, returning -25.63% and -22.28% during the quarter, respectively. Coffee and Wheat were the best performers, returning +31.46% and +11.26% during the quarter, respectively.

### Ranked Returns (%)



### Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Commodities	-4.63	-7.91	-7.91	10.76	7.23	-1.11

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

# Fixed Income

## Fourth quarter 2023 index returns

Interest rates generally decreased in the US Treasury market for the quarter.

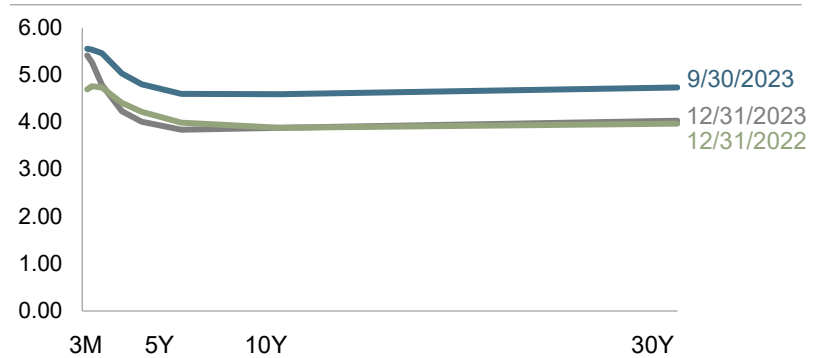
On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 5 basis points (bps) to 5.60%, while the 1-Year US Treasury Bill yield decreased 67 bps to 4.79%. The yield on the 2-Year US Treasury Note decreased 80 bps to 4.23%.

The yield on the 5-Year US Treasury Note decreased 76 bps to 3.84%. The yield on the 10-Year US Treasury Note decreased 71 bps to 3.88%. The yield on the 30-Year US Treasury Bond decreased 70 bps to 4.03%.

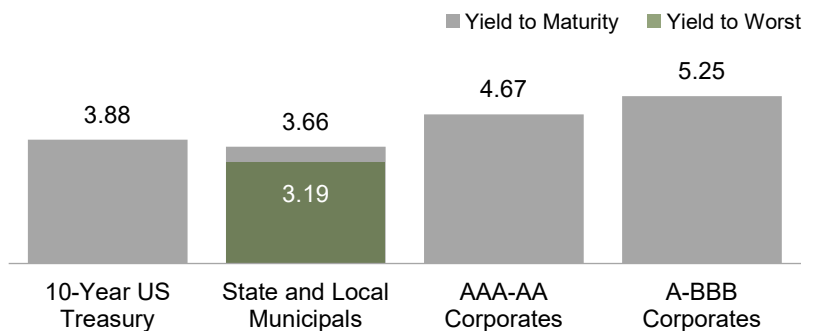
In terms of total returns, short-term US treasury bonds returned +3.21% while intermediate-term US treasury bonds returned +3.99%. Short-term corporate bonds returned +4.12% and intermediate-term corporate bonds returned +5.86%.<sup>1</sup>

The total returns for short- and intermediate-term municipal bonds were +3.53% and +6.53%, respectively. Within the municipal fixed income market, general obligation bonds returned +7.79% while revenue bonds returned +8.15%.<sup>2</sup>

### US Treasury Yield Curve (%)



### Bond Yields Across Issuers (%)



### Period Returns (%)

Asset Class	QTR	YTD	1 Year	Annualized		
				3 Years	5 Years	10 Years
Bloomberg U.S. Government Bond Index Long	12.69	3.11	3.11	-11.35	-1.23	2.27
Bloomberg Municipal Bond Index	7.89	6.40	6.40	-0.40	2.25	3.03
Bloomberg U.S. High Yield Corporate Bond Index	7.16	13.44	13.44	1.98	5.37	4.60
Bloomberg U.S. Aggregate Bond Index	6.82	5.53	5.53	-3.31	1.10	1.81
FTSE World Government Bond Index 1-5 Years	4.95	4.79	4.79	-2.95	-0.07	-0.44
Bloomberg U.S. TIPS Index	4.71	3.90	3.90	-1.00	3.15	2.42
FTSE World Government Bond Index 1-5 Years (hedged to USD)	3.09	5.26	5.26	-0.09	1.34	1.44
ICE BofA 1-Year US Treasury Note Index	1.79	4.74	4.74	1.18	1.66	1.18
ICE BofA US 3-Month Treasury Bill Index	1.37	5.01	5.01	2.15	1.88	1.25

1. Bloomberg US Treasury and US Corporate Bond Indices.

2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2024 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2024 ICE Data Indices, LLC. S&P data © 2024 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Bloomberg data provided by Bloomberg.

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