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April 24, 2024

Dear Client,

This letter contains news and views that I feel will be of interest to you. As always, please call us at your convenience to set up your quarterly investment meeting.

Contents:

Going, Sebastien, Fisher & Le Bouef, LLP (GSF&L) News:

- Several GSF&L Certified Public Accountants have recently become credentialed as Personal Financial Specialists (PFS). They are Matt LeDoux, Robert Roy, Scott Hayes, Amy Spellman, Seth Dabney, and Kaleb Andrepont. The PFS credential is granted exclusively to CPAs with tax expertise and comprehensive knowledge of financial planning. All areas of financial planning, including estate, retirement, investments, and insurance have tax implications, and a PFS can advise in these areas. Please call any of them in addition to Craig or Darren should you need help or advice in the areas of estate, retirement, investment, insurance, or tax planning.

- As an update to the three closed end (interval) funds Cliffwater (CCLFX & CELFX) and Variant (NICHX) GSF&L added last year to our clients' investment fixed income allocation to provide income and diversification, see the following 2023 returns. The three funds have a low to negative correlation with the S&P 500 and Bond Aggregate Index. For the year ended December 31, 2023, the funds returned CCLFX 12.66%, CELFX 12.66%, and NICHX 9.50%, respectively, which compares to the S&P 500 total return of 26.29% and BBgBarc US Agg Bond total return of 5.53%. The 2023 distribution rates ranged from 9.88-11%. Feel free to contact one of the Advisors at GSF&L should you wish to learn more about the funds and how they may further diversify your investment portfolio.

Investment Views:

- ***YCharts - Through March 31, 2024 - Year-to-date returns –*** Dow Jones Industrial Average 6.14%, S&P 500 10.56%, NASDAQ 100 8.72%, Russell 2000 5.18%, S&P MidCap 400 9.95%, Morgan Stanley Capital International Europe, Australasia, Far East 5.81%, S&P GSFCI (Broad-Based Commodities) 10.36%, and BBgBarc US Aggregate Bond -0.78%.

- **Interest Rates (As of March 23, 2024 – Average National Rates) –**

Federal Funds Rate	5.33%	10-Year TIPS	1.87%
3-Month Treasury Bill	5.23%	10-Year Muni Bonds – Nat'l	2.40%
10-Year Treasury Note	4.19%	15-Year Mortgage Fixed	6.26%
30-Year Treasury Bond	4.33%	30-Year Mortgage Fixed	6.94%
Savings	0.46%	Money Market	0.66%
12-month CD	1.83%		

Sources: Federal Reserve, fms.bonds.com, Freddie Mac, FDIC

- ***Northern Trust – Weekly Economic Commentary – April 12, 2024 –*** The consumer price index (CPI) for March was above expectations, rising 0.4% for the month on both a headline and core basis. The details were all too familiar: shelter inflation remains stubbornly elevated. Core services excluding housing ticked upward, led by volatile categories like vehicle maintenance and insurance. The last mile of inflation recovery always loomed to be the hardest. If we ultimately achieve a soft landing, holding rates higher for even longer will be an important reason why.

- ***Bureau of Economic Analysis – March 28, 2024 -*** Real Gross Domestic Product (GDP) – the value of goods and services produced by the nation's economy less the value of the goods and services used up in production increased at an annual rate of 3.4% in the fourth quarter of 2023, according to the "third" estimate released by the Bureau. In the third quarter, real GDP increased 4.9%. Personal income increased 0.3% in February as compared to a 1.0% increase in January.

- ***Bureau of Labor Statistics – April 10, 2024 –*** On a seasonally adjusted basis, the Consumer Price Index for All Urban Consumers (CPI-U) increased 0.4% in March after rising the same in February. Over the last 12 months (through March), the all-items index increased 3.5% before seasonal adjustment. The index for shelter rose in March, as did the index for gasoline. Combined these two indexes contributed over half of the monthly increase in the index for all items.

- ***C*raig's Thoughts and Views:**

Stocks Surge to New Highs to Start 2024

The 2023 rally continued in the first quarter of 2024 as a positive combination of stable economic growth, falling inflation, impending Fed rate cuts and ever-growing enthusiasm towards artificial intelligence (AI) propelled stocks higher, as the S&P 500 rose above 5,000 for the first time and hit new all-time highs.

The year began with a modest uptick in volatility, as traders and investors initially booked profits following the strong 2023 gains. However, those initially small declines intensified shortly after the start of the year when the December Consumer Price Index, an important inflation indicator, declined less than expected. That reading challenged the idea that inflation was quickly falling towards the Fed's 2.0% target and caused investors to delay the expected date of the first Fed rate cut, as expectations for that first cut moved from March to June. Fears of potentially higher-than-expected rates pushed stocks temporarily into negative territory early in January. However, the declines didn't last. First, fourth-quarter corporate earnings were again better than feared and that helped stocks recover from those early declines. Then, in late January, the Federal Reserve clearly signaled that rate hikes were over and strongly hinted that rate cuts would occur in the coming months. Investors seized on that positive message and the S&P 500 hit a new all-time high late in the month and finished with a modest gain, up 1.59%.

The rally continued and accelerated in February as fears of a potential rebound in inflation subsided. Inflation metrics released in February largely met expectations and importantly did not imply that inflation was reaccelerating. As such, investor expectations for a June rate cut were strengthened and that helped stocks extend the year-to-date gains. Then, on February 21st, Nvidia, the semiconductor company at the heart of the AI boom, posted much-stronger-than-expected earnings and guidance. Those results further fueled investors' AI enthusiasm and large-cap tech stocks powered the S&P 500 higher into month-end as the index hit a new record high above 5,000. The benchmark domestic index gained 5.34% in February.

The final month of the quarter saw even more gains, aided by familiar factors such as solid economic growth, generally as-expected inflation data, AI enthusiasm and bullish Fed guidance. Broadly speaking, economic and inflation data largely met expectations in March and continued to point towards stable growth and (slowly) falling inflation. Then, in mid-March, updated Federal Reserve interest rate projections still pointed towards three rate cuts in 2024, further reinforcing investor expectations for a June rate cut. Those positive factors combined with additional strong AI-related earnings reports (this time from Micron) to push markets broadly higher as the S&P 500 crossed 5,200 for the first time late in the month and ended March with strong gains.

In sum, the 2023 rally continued and accelerated in the first quarter of 2024 thanks to positive news flow that implied stable growth (no recession), still falling inflation, looming Fed rate cuts and continued AI enthusiasm and those factors propelled the S&P 500 to new all-time highs.

As always keep in mind that it's critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position, risk tolerance, and investment timeline.

We remain vigilant towards risks to portfolios and the economy, and we thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.

Watching the Recent Pullback

The recent market pullback continued last week as the S&P 500 dropped to a near two-month low below 5,000 due to strong economic data and further delays in rate cut expectations while earnings were mixed. The S&P 500 fell 3.05% last week and is now up just 4.14% year to date as of April 22. As the market continued its pullback what could make it worse?

Last week's economic data and Federal Reserve talk confirmed there will probably be no near-term rate cuts, while geopolitical risks remained elevated. At this point, despite the uptick in volatility, the decline from the recent highs (close to 5%) still should be viewed as a pullback from unsustainable positive expectations, not necessarily a sudden and more negative fundamental turn.

It appears (but we can't be certain) that stocks are not dropping because things are suddenly "bad." It seems they are dropping because they aren't as good as people were hoping for.

Growth Slows

Even with the recent hotter than expected CPI report a couple weeks ago, growth will have to hold up to support the market. The reason is because if growth rolls over, we're potentially looking at stagflation. In stagflation, the market (stocks) price to earnings ratio would likely trade lower, and this would likely lead to a drop in the market. At this point, growth is considered one of the most if not the most important influence on the economy. What to watch: unemployment rate and jobless claims.

Rate Hikes Back on the Table

Last Thursday stocks dropped when New York Fed President Williams stated that while rate hikes weren't his "base case" the Fed would hike if the economy warranted it. In and of itself the statement was not controversial, but in reality the mere mention of rate hikes spooked the markets because much of the October-March rally has been driven by markets assuming rate hikes are over. If they are not, it'll create a potential large valuation reset and a give back of the recent rally. Fed flip-flopping on rate cuts is in its history. In the 1990s, it was a relatively routine occurrence. Only since the 2000s has the Fed shifted to a longer, drawn out cut cycle. What to watch: Fed Watch and rate cut expectations.

Oil Spikes

A likely reason for rising oil prices would be if we see the conflicts in Russia/Ukraine and Israel/Hamas spread regionally; however, there are other possibilities including a disruption in global shipping and OPEC rate cuts among others. Rising oil prices would increase headline inflation and while the Fed typically looks past short-term energy price increases, the politics of high oil prices and higher inflation would probably eliminate the possibility of a rate cut. Higher oil costs would essentially act as a "tax" on the economy, increasing slowdown chances. What to watch: WTI crude oil prices, particularly if they move toward $100/bbl+.

Artificial Intelligence Enthusiasm Wanes

Artificial Intelligence (AI) hasn't been the reason stocks have rallied, but it has contributed to the size of the gains. If investors begin to doubt the transformative power of AI, that may add downward valuation pressure to technology which would most likely weigh on the S&P 500 due to tech losses. What to watch: Nvidia (NVDA) stock. It's the darling of AI enthusiasm and earnings on May22 will be watched closely.

While the market pullback may not be over, it's important to realize that the decline has removed some market excess and put the S&P 500 closer to more fundamentally supported valuations. As of now, the macroeconomic view is still positive. However, that can change and we will be watching these four events among others.

GSF&L, LLP Registered Investment Advisors:

We can never know what the future holds, but we can make informed decisions regarding investment strategies and portfolio allocations. We (GSF&L) make changes based on our perception of opportunities in the capital markets. We assimilate fundamental, technical, and economic information to make informed decisions. Of course, it is important to have long-term focus on portfolio management, but with a critical analysis of intermediate strategies.

Managing risks and opportunities are important to portfolios and reaching one's financial needs and goals. Having a complimentary understanding of investment horizon and attitude toward risk are equally important. Markets and economies do not always behave as we expect them to. That is the problem with investing! There is no luck to professional investing. You can no more have a successful, disciplined approach by luck or accident than you can win a chess tournament by luck or accident.

If you know of someone who may fit our financial and investment planning philosophy, please mention our name. We are a small organization and intend to remain so. A solid organization makes it possible for us to spend our time managing our business rather than each other. Because everyone has so much to do, much gets done. We will forego any growth opportunity that may detract from our ability to serve our clients as they have become accustomed to. We never expect to be among the biggest, but our attention to be among the best is not subject to compromise.

Regards,

Craig

Craig C. Le Bouef, MBA, CPA/PFS, CFP®

NASDAQ composite measures the performance of all issues listed in the NASDAQ Stock Market, except for rights, warrants, units, and convertible debentures. The S&P 500 is made up of 500 common stocks representing major U.S. industry sectors. The Dow Jones Industrial Average contains 30 stocks that trade on the New York Stock Exchange (NYSE) which reflect the performance of 30 large American companies. The Morgan Stanley Capital International Europe, Australia, and Far East Index (MSCI EAFE) is a market-weighted aggregate of 20 individual country indexes that collectively represent many of the major markets of the world, excluding Canada and the U.S. The Lehman Brothers U.S. Aggregate Bond Index tracks performance of debt instruments issued by corporations and the U.S. Government and its agencies. The returns for this index are total returns, which includes reinvestment of dividends. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 8% of the total market capitalization of the Russell 3000 index.

All indices are unmanaged. It is not possible to invest in an index.

Past performance is no guarantee of future results. Diversification does not assure against market loss.