

2023 Review and First Quarter 2024 Investment Committee Update

January 10, 2024



2023 Overview

The year 2023 was dominated by inflation and the Federal Reserve's restrictive policy in response to it. The year began with inflation at about 6.5%, with the Fed raising interest rates despite fears of rising unemployment and an economic recession. But while the focus remained on inflation, several other events occurred during the year, including the political battle over the debt ceiling and a potential government shutdown; the collapse of several banks; labor strikes; and unrest in the Middle East.

While inflation has turned lower, it remained above the Fed's 2.0% target. However, the progress in moderating price pressures allowed the Fed to refrain from further interest rate hikes since July. In addition, recent Fed projections indicate rate cuts of 75.0 basis points in 2024, possibly in the form of three 25.0-basis point rate reductions, although changes in the economy or inflation could prompt the Fed to alter its course of action moving forward.

The U.S. economy proved to be resilient in 2023. Gross domestic product expanded during each of the first three quarters of the year, increasing 2.2% in the first quarter, 2.1% in the second quarter, and 4.9% in the third quarter. Consumer spending, the linchpin of the economy, also showed strength, climbing 3.1% in the third quarter. Consumers spent on both goods and services throughout the year.

Snapshot 2023

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.

Market/Index	2022 Close	As of 9/29	2023 Close	Month Change	Q4 Change	2023 Change
DJIA	33,147.25	33,507.50	37,689.54	4.84%	12.48%	13.70%
Nasdaq	10,466.48	13,219.32	15,011.35	5.52%	13.56%	43.42%
S&P 500	3,839.50	4,288.05	4,769.83	4.42%	11.24%	24.23%
Russell 2000	1,761.25	1,785.10	2,027.07	12.05%	13.55%	15.09%
Global Dow	3,702.71	3,982.95	4,355.28	4.66%	9.35%	17.62%
fed. funds target rate	4.25%-4.50%	5.25%-5.50%	5.25%-5.50%	0 bps	0 bps	100 bps
10-year Treasuries	3.87%	4.57%	3.86%	-49 bps	-71 bps	-1 bps
US Dollar-DXY	103.48	106.19	101.39	-2.04%	-4.52%	-2.02%
Crude Oil-CL=F	\$80.41	\$90.87	\$71.30	-5.78%	-21.54%	-11.33%
Gold-GC=F	\$1,829.70	\$1,864.90	\$2,072.50	0.80%	11.13%	13.27%

Data sources: Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI, Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates).

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Stock Market Total Returns

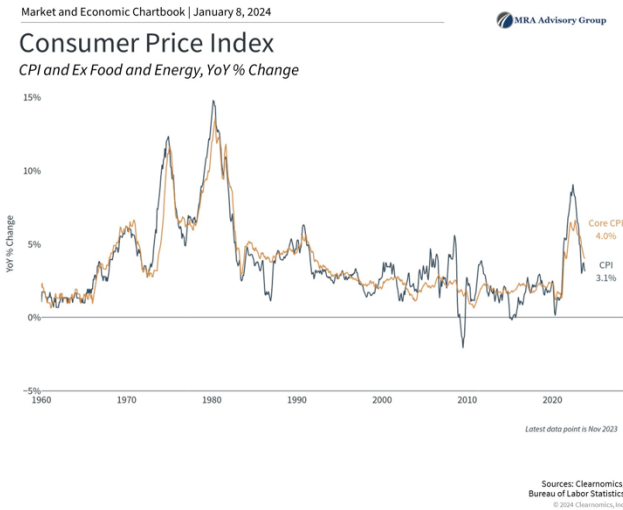
S&P 500 Total Return Index since 1995



Latest data point is Jan 5, 2024

Sources: Clearnomics, Standard & Poor's
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2024 Outlook



As 2023 drew to a close, there were some positives to consider upon entering the new year. The GDP expanded at a greater-than-expected pace in the third quarter, and crude oil and gas prices reversed course and dipped lower. Primary inflationary indicators, such as the Consumer Price Index and the personal consumption expenditures price index, trended lower at the end of the year. If interest rates decrease, borrowing will be available to more consumers, which should help the housing sector. Stocks enjoyed a solid bounce back in 2023. If corporate earnings continue to rebound, that would bode well for stocks in 2024. There are factors that will come into play next year, but

how they impact the economy and markets is open to speculation. How much longer will the Russia/Ukraine war last, and how much more financial aid will be coming from the United States? The Hamas/Israel conflict could expand to include other countries, impacting other lives and economies. And, of course, 2024 brings with it a presidential election.

With the likelihood of interest rate cuts by the second quarter of 2024, the Investment Committee sees several investment opportunities. In the fixed income side, we will gradually increase the duration of bonds as interest rate decreases become more evident. Corporate debt and bank loans are poised to performance well under a lower interest rate environment. In the equity side, value, small and mid-cap stocks, and dividend payers should outshine growth stocks and other equity sectors. Certain sectors such as technology, artificial intelligence, semiconductor chips, and industrial have favorable outlooks, but are poised to cool off a bit when compared to last year's performance.

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Asset Class Performance
Total Returns

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EM 39.8%	Fixed Inc 7.9%	EM 79.0%	Small Cap 26.5%	Fixed Inc 7.7%	EM 18.0%	Small Cap 38.8%	S&P 500 33.7%	S&P 500 1.4%	Small Cap 21.3%	EM 37.8%	Fixed Inc 8.3%	S&P 500 31.5%	Small Cap 20.0%	S&P 500 29.7%	Common 16.1%	S&P 500 26.3%	Common 9.1%
Common 58.2%	Balanced 23.5%	EAFE 32.5%	EM 19.2%	S&P 500 7.1%	EAFE 17.9%	S&P 500 32.4%	Balanced 8.4%	Fixed Inc 0.5%	S&P 500 12.0%	EAFE 15.6%	S&P 500 -4.4%	S&P 500 25.5%	EM 18.7%	Common 27.1%	Fixed Inc -13.0%	EAFE 18.9%	Fixed Inc -1.1%
EAFE 11.6%	Small Cap 27.2%	Small Cap 18.9%	Balanced 19.5%	Small Cap 36.3%	EAFE 27.3%	Fixed Inc 8.9%	EAFE 16.6%	Common 11.8%	S&P 500 21.8%	Balanced 4.5%	EAFE 27.7%	S&P 500 16.4%	Small Cap 14.8%	EAFE 14.4%	Small Cap 16.0%	EAFE 11.8%	
Balanced 8.4%	Common 35.6%	S&P 500 28.5%	S&P 500 15.1%	Small Cap 14.2%	S&P 500 16.0%	Balanced 15.9%	Small Cap 4.9%	EM 11.6%	Balanced 15.2%	Small Cap -11.0%	Balanced 20.4%	Balanced 12.6%	Balanced 14.0%	Balanced 14.4%	Balanced 15.3%	Balanced 1.4%	
Fixed Inc 6.4%	S&P 500 27.0%	Balanced 23.3%	Balanced 12.2%	EAFE 13.7%	Balanced 12.2%	Fixed Inc -2.0%	EM -2.8%	Small Cap 4.4%	Balanced 8.0%	Small Cap 14.6%	Common 13.2%	EM 18.0%	EAFE 8.3%	EAFE 11.6%	S&P 500 18.1%	EM 19.3%	
S&P 500 5.5%	EAFE 43.1%	Common 18.9%	EAFE 8.2%	Common 13.3%	Fixed Inc 3.8%	EM -2.3%	EAFE 4.5%	EM -14.6%	Fixed Inc 2.4%	Fixed Inc 3.0%	EAFE 11.4%	Fixed Inc 8.5%	Fixed Inc 7.5%	Fixed Inc 1.8%	EM 19.7%	EM 5.7%	
Small Cap -15.0%	EM -13.2%	Fixed Inc 3.0%	Fixed Inc 6.4%	EM -19.2%	Common -1.1%	Common -8.5%	Common -17.0%	Common -14.1%	EAFE 1.7%	Common -14.2%	Common -7.7%	Common -1.1%	EM -2.2%	EM -26.4%	Common -7.9%	Small Cap -3.7%	

Latest data point is Jun 5, 2024

The Balanced Portfolio is a hypothetical 40/60 portfolio consisting of 40% U.S. Large Cap, 5% Small Cap, 10% International Developed Equities, 5% Emerging Market Equities, 20% U.S. Bonds, and 20% Commodities.

Sources: Cleonomics, ISEIG
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Portfolio Updates

Going forward, the Investment Committee will continue to process the quarterly rebalancing of the **WealthBuilder** ETFs models at the beginning of each quarter. As for the WealthBuilder equities models, we will be processing the rebalance during the second half of the quarter. This change is being implemented to align with the timing of release of certain crucial reports the Investment Committee utilizes as part of portfolio selection process.

In the **WealthBuilder** ETF models, we are making the following sales and purchases:

SELLS:

- IUSB - iShares Core Total USD Bond Market ETF
- FMHI - First Trust Municipal High Income ETF
- FTSL - First Trust Senior Loan Fund
- SHYG - iShares 0-5 Year High Yield Corporate Bond ETF
- VTEB - Vanguard Tax-Exempt Bond Index Fund ETF Shares
- SHY - iShares 1-3 Year Treasury Bond ETF
- IGSB - iShares 1-5 Year Investment Grade Corporate Bond ETF
- SHV - iShares Short Treasury Bond ETF

BUYS:

- BIL - SPDR Bloomberg 1-3 Month T-Bill ETF
- TLT - iShares 20-Year+ Treasury Bond ETF

If you would like to have a discussion regarding any of the changes we have made, please reach out to your advisor and they will be happy to share our philosophy and methodology behind the portfolio changes.

All of us on the MRA Investment Committee want to thank you for your continued faith and trust in us. Wishing everyone a healthy and prosperous New Year!

The MRA Advisory Investment Committee

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