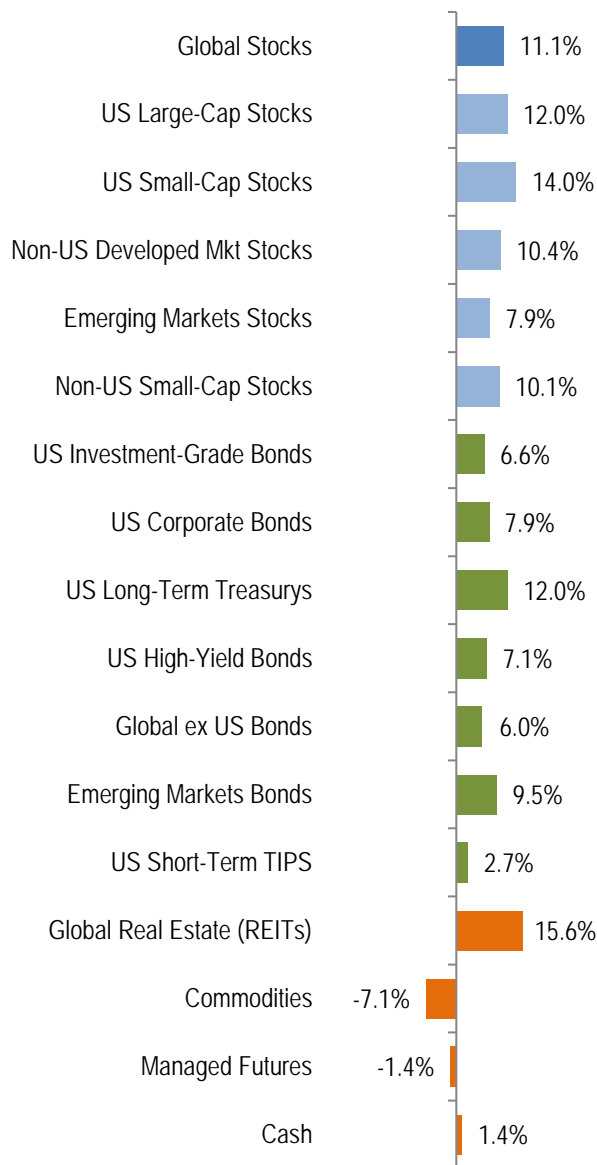


Fourth Quarter 2023



Fourth Quarter 2023: What Landing?

Pessimistic forecasts and a dour economic outlook set the stage for an unexpected stock bull market boom in 2023. Just over a year ago, Chairman Jerome Powell cautioned that "it is likely that restoring price stability will require holding policy at a restrictive level for some time. History cautions strongly against prematurely loosening policy. We will stay the course until the job is done." In the shadow of nearly 9% inflation, Powell faced a daunting challenge, and the prevailing economic debate revolved around the trade-off between economic pain and taming soaring prices.

Two contrasting scenarios emerged: the "soft" landing camp, anticipating minor disruptions to the economy; and the "hard" landing scenario, suggesting a recession as a necessary evil to curb inflation. In fact, neither scenario unfolded; there has been no "landing" at all. Inflation has seen significant reduction, and economic growth has proven resilient, defying expectations amidst banking stress, debt ceiling debates, and geopolitical turmoil. This unexpected "no" landing has translated into a stellar year for stocks, with global market indices returning over 20% in the year. Investment-grade bonds returned nearly 7%.

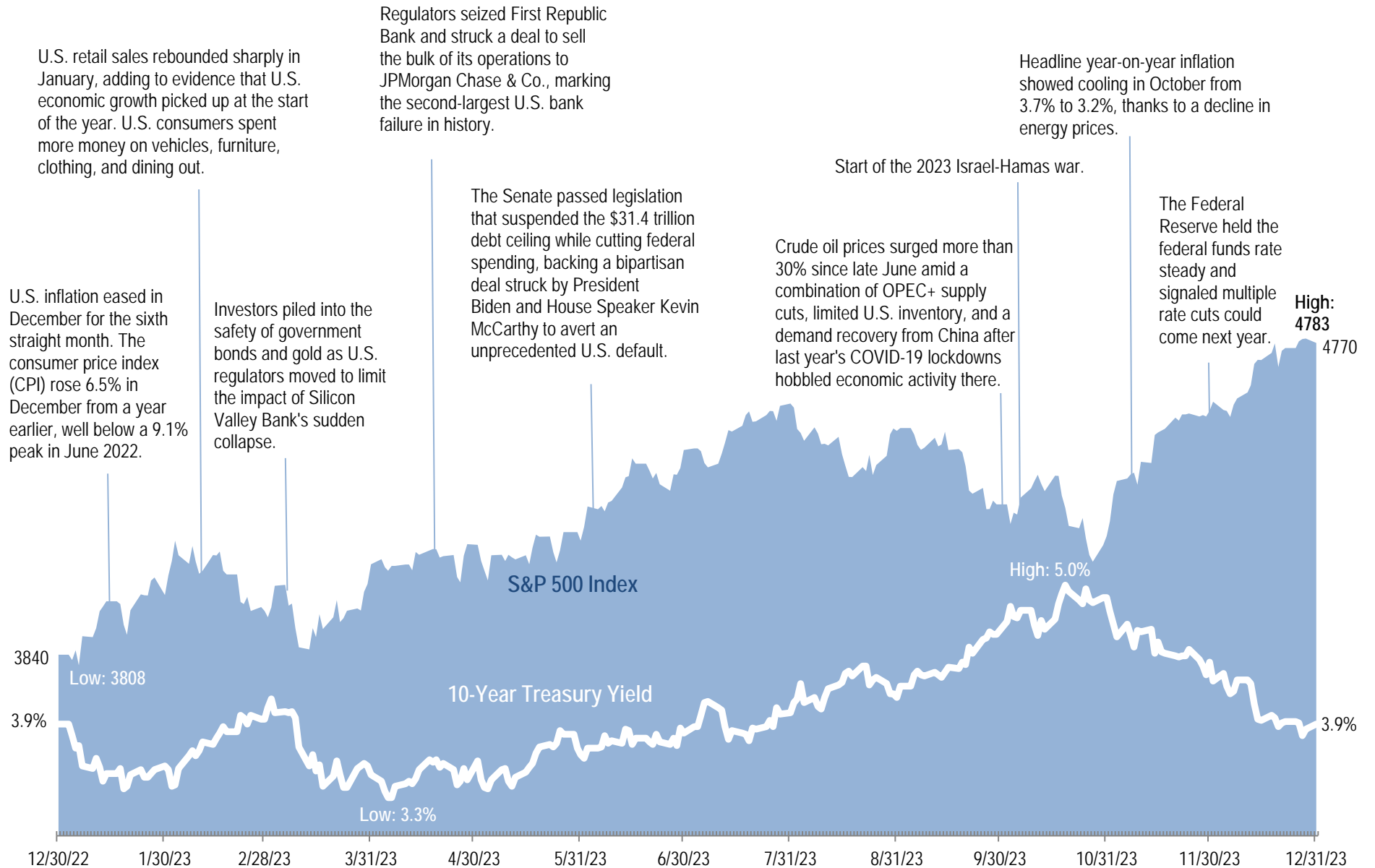
The abrupt shift in the inflationary landscape ushered in a new market narrative in the fourth quarter. The summertime expectation of "higher for longer" interest rates yielded to discussions of potential rate cuts as early as March 2024. After the 10-year Treasury rate touched 5.0% in October for the first time since 2007, interest rates have fallen precipitously; the 10-year Treasury ended the year precisely where it began it (at 3.9%).

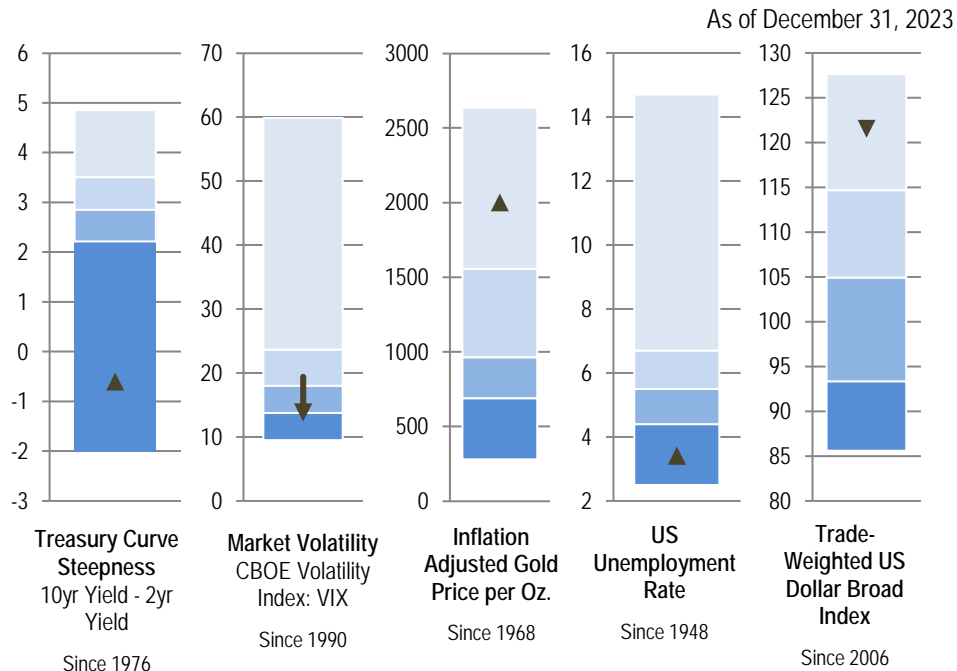
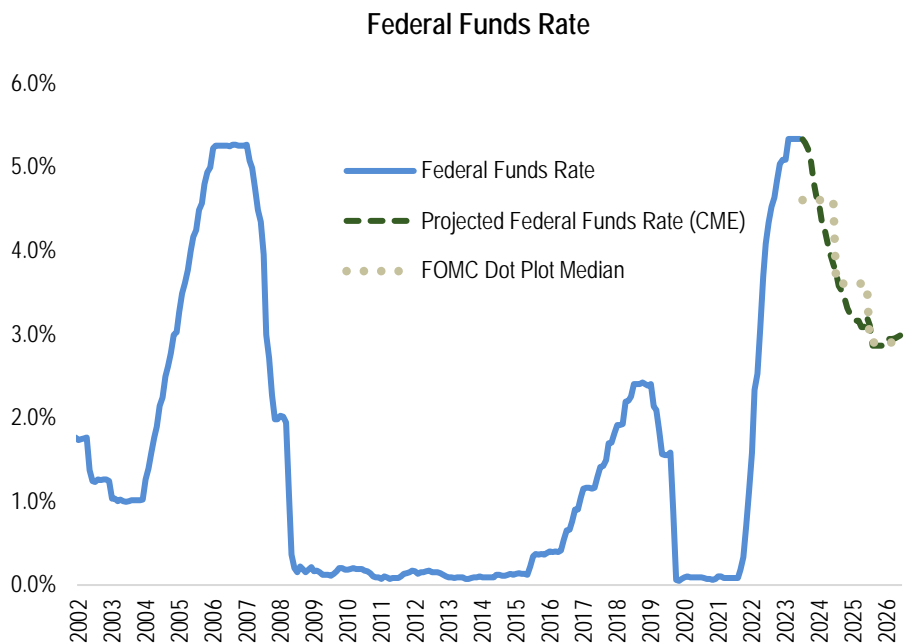
Despite a seemingly pessimistic US consumer, economic growth has outpaced muted projections. Job growth, although showing signs of slowing, has kept the unemployment rate near historic lows. Even amidst geopolitical tensions in the Middle East and ongoing conflicts in Ukraine, energy prices remained surprisingly tranquil. Oil prices descended to the mid \$70s per barrel, courtesy of record-setting US oil production.

	QTD	YTD	1 Year	3 Years	5 Years	15 Years
Global Stocks	11.1%	21.6%	21.6%	5.5%	11.5%	10.3%
US Large-Cap Stocks	12.0%	26.5%	26.5%	9.0%	15.5%	14.0%
US Large-Cap Value	9.5%	11.5%	11.5%	8.9%	10.9%	11.1%
US Large-Cap Growth	14.2%	42.7%	42.7%	8.9%	19.5%	16.7%
US Small-Cap Stocks	14.0%	16.9%	16.9%	2.2%	10.0%	11.3%
US Small-Cap Value	15.3%	14.7%	14.7%	7.9%	10.0%	10.3%
US Small-Cap Growth	12.8%	18.7%	18.7%	(3.5%)	9.2%	12.1%
Non-US Developed Markets (USD)	10.4%	18.2%	18.2%	4.0%	8.2%	6.9%
Non-US Developed Markets (Local)	5.0%	16.2%	16.2%	8.6%	9.5%	8.2%
Emerging Markets (USD)	7.9%	9.8%	9.8%	(5.1%)	3.7%	6.6%
Emerging Markets (Local)	5.6%	9.9%	9.9%	(2.5%)	5.4%	8.2%
US Investment-Grade Bonds	6.6%	5.4%	5.4%	(3.4%)	1.1%	2.7%
US Long-Term Treasuries	12.0%	2.8%	2.8%	(11.0%)	(1.1%)	2.3%
US Short-Term TIPS	2.7%	4.3%	4.3%	1.9%	3.3%	2.6%
Global Real Estate (REITs)	15.6%	10.9%	10.9%	2.2%	3.8%	8.2%
Cash	1.4%	5.0%	5.0%	2.2%	1.9%	0.9%

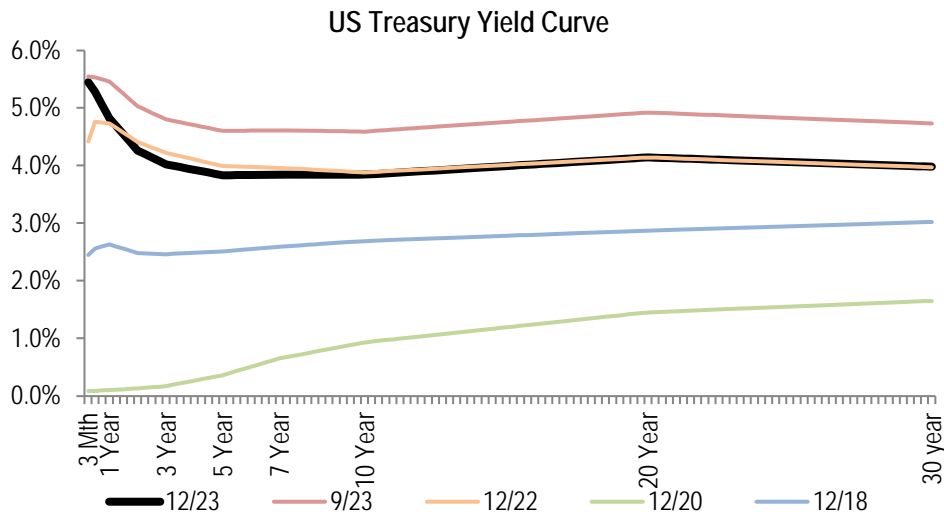
Returns for periods longer than 1 year are annualized. Managed Futures Index returns are available on a lag following month-end

Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, MSCI, FTSE Russell, ICE BofA, Credit Suisse





	12/2023	9/2023	12/2022	12/2020	12/2018
<b>Market Inflation Expectations</b>					
5 Year	2.1	2.2	2.3	2.0	1.5
10 Year	2.2	2.4	2.3	2.0	1.7
20 Year	2.4	2.7	2.5	2.1	1.8
CPI Year-over-Year	---	3.7	6.5	1.4	1.9
West Texas Crude Oil	75.8	90.8	80.2	48.4	45.2
Consumer Sentiment Index	69.7	68.1	59.7	80.7	98.3
S&P 500 Operating EPS	54.3*	52.3	50.4	38.2	35.0
Real GDP Growth YoY	---	4.9	2.6	4.2	0.6
Federal Funds Rate	5.33	5.33	4.10	0.09	2.27

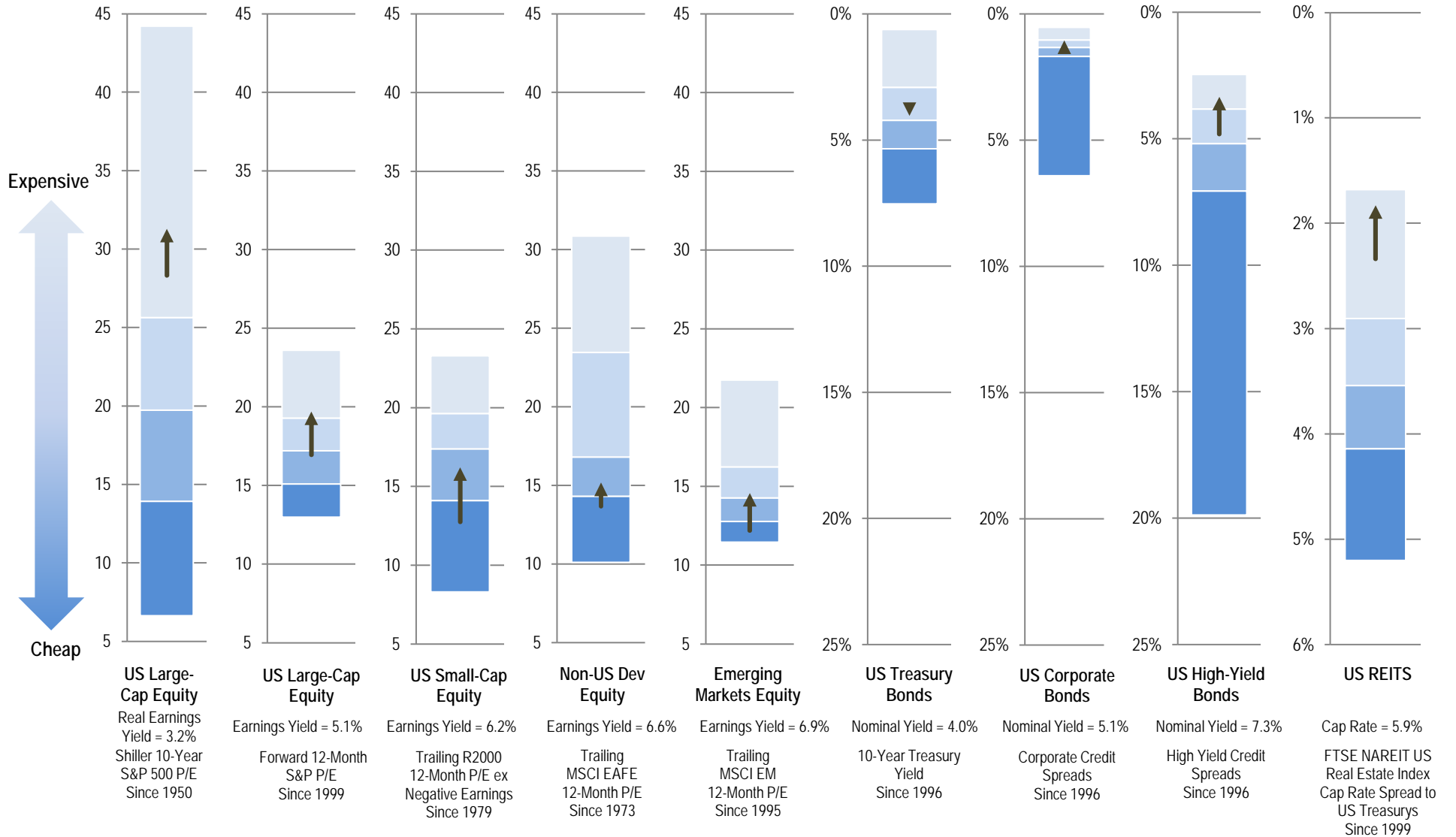


Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, CME Group, S&P Dow Jones Indices

Arrows in the top-right charts represent year on year change.

\*Estimate, provided by S&P Dow Jones Indices.

As of December 31, 2023

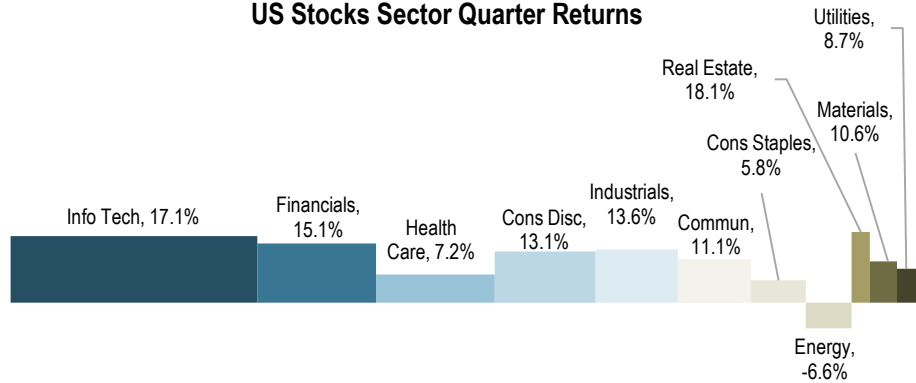


Arrows represent year on year change. Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%. P/E metrics calculated by Investment Metrics and Morningstar may use different methodology.

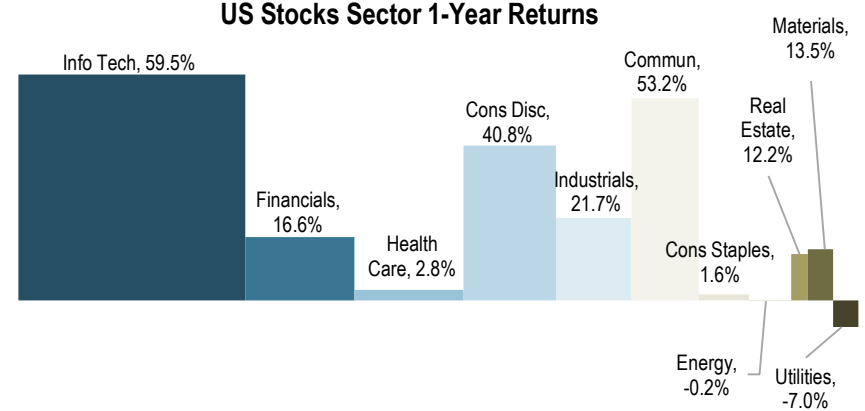
Sources: Sellwood Consulting LLC, Robert Shiller Data, S&P Dow Jones Indices, FTSE Russell, MCSI, Federal Reserve Economic Data, NAREIT

As of December 31, 2023

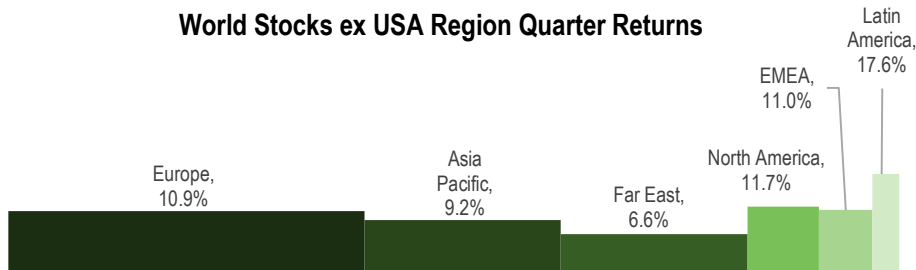
**US Stocks Sector Quarter Returns**



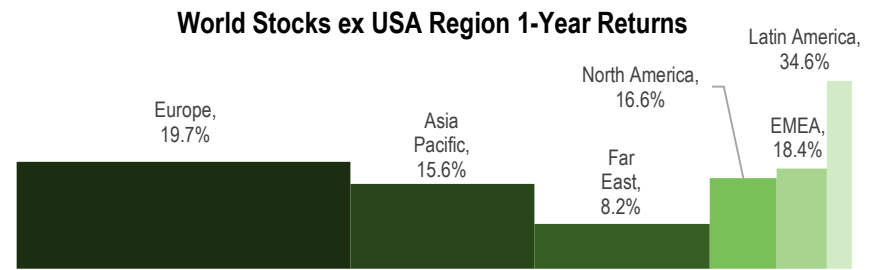
**US Stocks Sector 1-Year Returns**



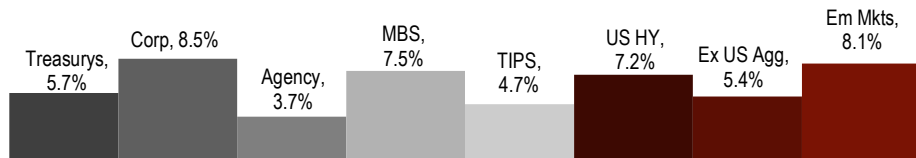
**World Stocks ex USA Region Quarter Returns**



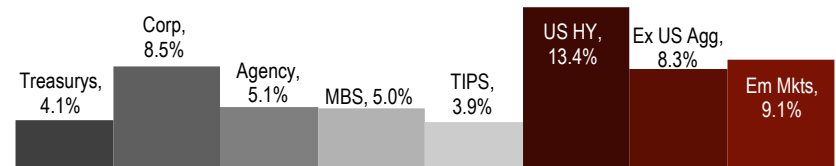
**World Stocks ex USA Region 1-Year Returns**



**Fixed Income Sectors Quarter Returns**

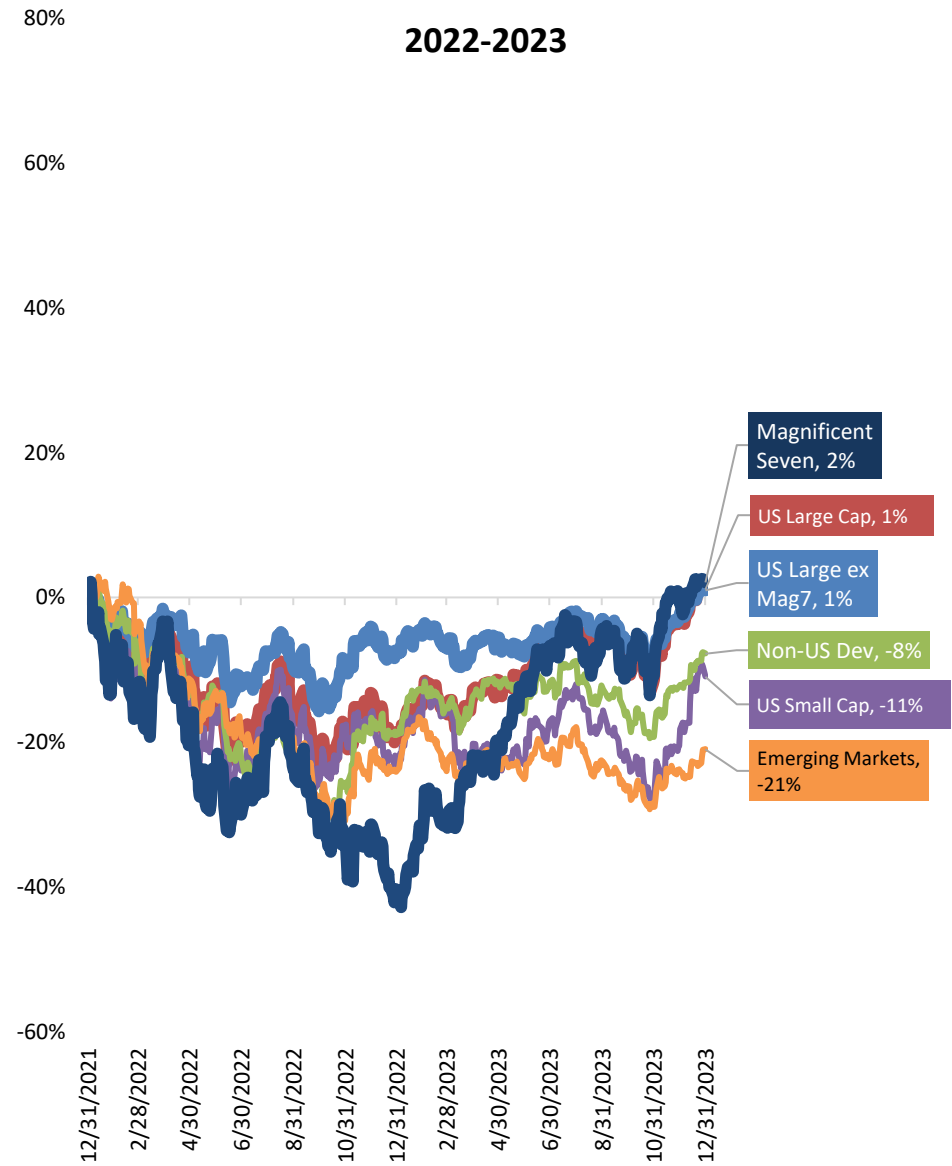
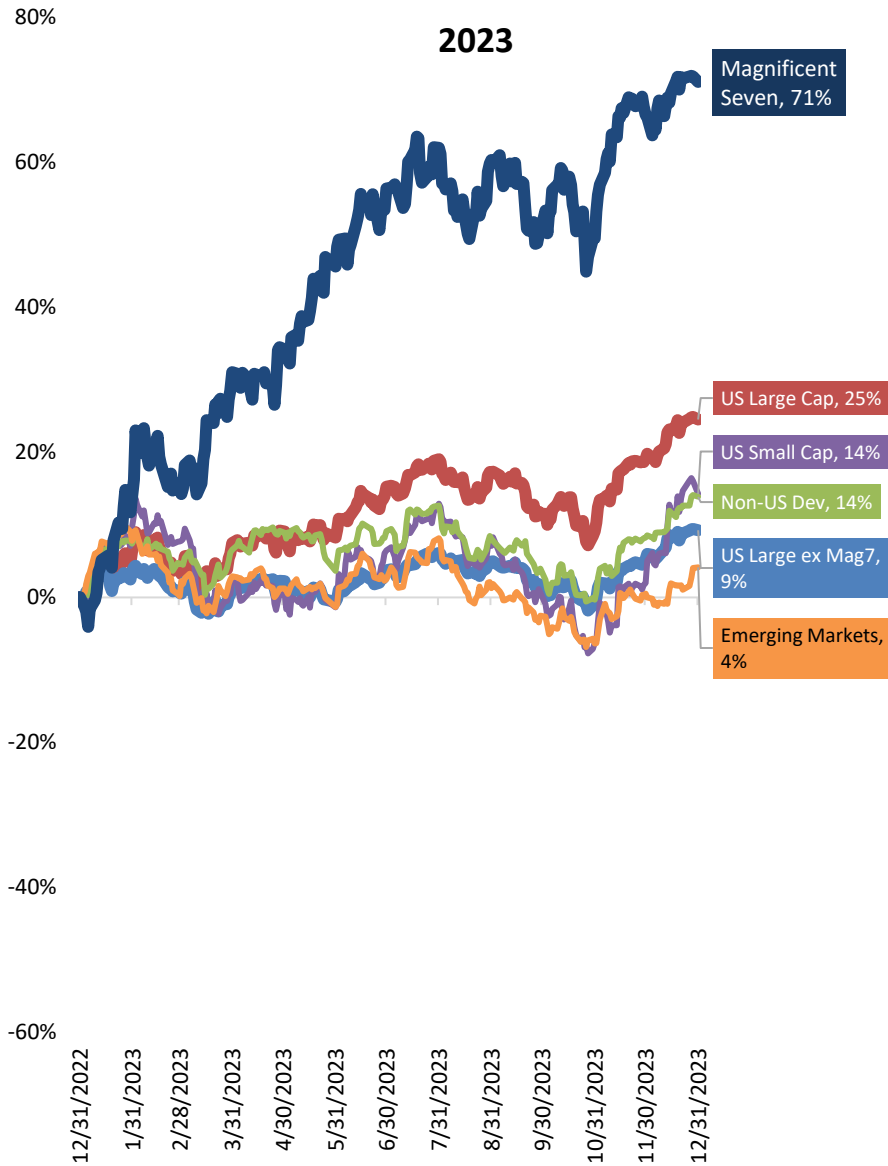


**Fixed Income Sectors 1-Year Returns**



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights. The Far East includes Hong Kong, Japan and Singapore.

Sources: Sellwood Consulting LLC, Morningstar, S&P Dow Jones Indices, MSCI, ICE BofA



Cumulative return shown above excludes dividends. Magnificent Seven includes Apple Inc, Microsoft Corp, Amazon.com Inc, NVIDIA Corp, Alphabet Inc, Meta Platforms Inc, & Tesla Inc.  
Sources: Sellwood Consulting LLC, Morningstar, S&P Dow Jones Indices, MSCI, FTSE Russell.