JANUARY 2024 MARKET RECAP

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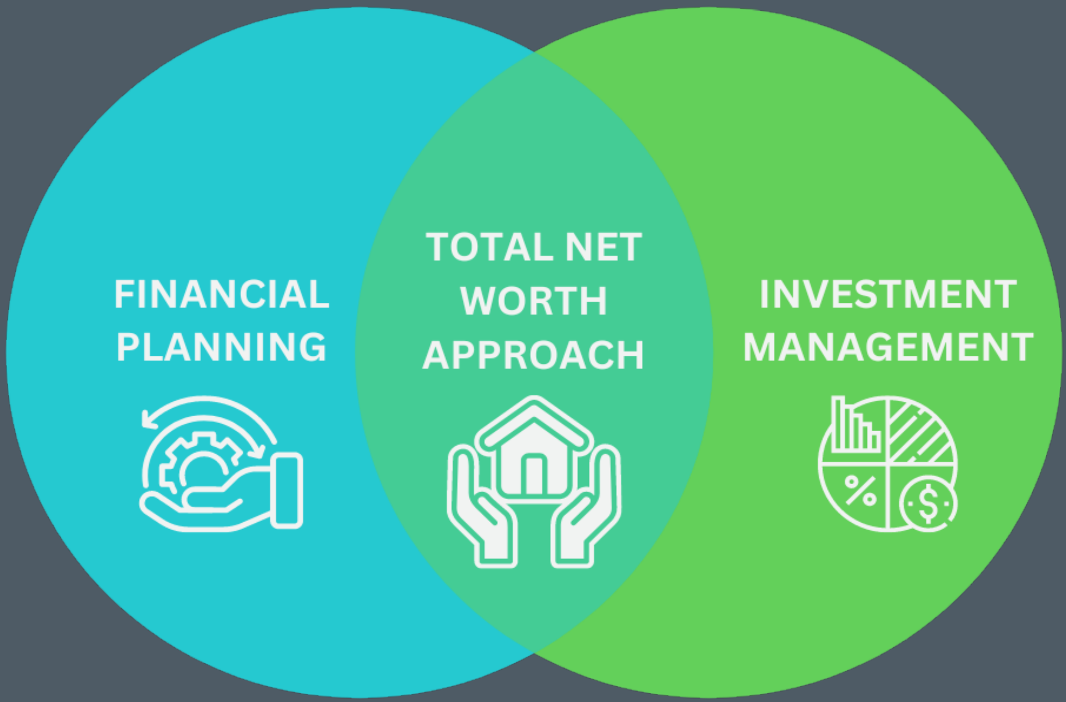

At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

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The market rally continued as the S&P 500 increased by +1.7% in January. After declining by -25% and bottoming on 10/12/22, the S&P 500 has increased by over +38% since then. The market rally over the last sixteen months was driven by evidence of disinflation, the economy, labor market, and corporate earnings holding up better than expected, the Fed thinking about cutting rates, and the perceived benefit that artificial intelligence (AI) will have on profits and productivity.

Performance over the last several years reinforces our belief in **a long-term viewpoint** as markets can be incredibly volatile over the short term. The stock market has historically gone up over time despite frequent declines. Since 1928, the S&P 500 has generated a total annualized return of +9.6% despite an average peak-to-trough decline of -15% at some point each year. We suggest not overreacting to a short-term prediction made by a so-called expert. As noted in our **S&P 500 Bear Markets**, historically challenging environments have created strong buying opportunities for long-term investors. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. Consider your own risk tolerance, financial circumstances, and time horizon.*

- **New All-Time High**: The S&P 500 reached a new all-time closing high of 4,928 on January 29th, surpassing the previous high of 4,977 achieved on 1/3/22.
- **Market Cap**: Large (S&P 500: +9.1%) outperformed Mid (S&P 400: -1.7%) and Small Caps (Russell 2000: -3.9%).
- **Style**: Growth (Russell 1000 Growth: +2.5%) exceeded Value (Russell 1000 Value: +0.1%).
- **Sector**: Five out of eleven sectors were positive in the month with Communication Services (+5.0%) and Technology (+4.0%) as the top performers and Materials (-3.9%) and Real Estate (-4.7%) as the laggards.

The markets have several major catalysts over the next month, including, Q4 earnings season, the January Employment Report (2/2), CPI Inflation (2/13), Retail Sales (2/15), and PCE Inflation (2/29).

Outlook

Short-Term: The macroeconomic backdrop is brighter now than it was at the beginning of 2023. Keep in mind that the stock market is a discounting mechanism that looks 6-12 months into the future, meaning that the present environment is already reflected in current equity prices. For the stock market to maintain its positive momentum, we will need another year of economic, inflation, and earnings data that exceed already high expectations. Putting it all together, we believe maintaining a cautious near-term outlook is prudent as our view is that the fundamentals of the market do not warrant new all-time highs yet. In recent years we have seen the market boom-and-bust several times, including 2017 into 2018, 2019 into 2020, and 2021 into 2022. Over short periods, we often turn cautious when the market gets greedy and extended, and positive when the market declines and investors begin to panic. We will generally trim equities or get more defensive when we view the market as extended and add to equities during selloffs. We believe this approach helps our clients **navigate volatile markets** through a comprehensive and repeatable process. *No strategy assures success or protects against loss.*

Long-term: In our view, investors with a globally diversified portfolio and a long-term time horizon should continue to remain optimistic. Markets have historically increased over time despite frequent drawdowns as successful corporations have been able to figure out ways to generate profits through advances in innovation and productivity. To capitalize on the **power of compounding**, we believe in the benefits of staying Disciplined, Opportunistic, and Diversified, while striving to Mitigate fees, taxes, and expenses.

- **Disciplined**: consistently applying our investment process and philosophy, which are grounded in a long-term approach.
- **Opportunistic**: rebalancing, repositioning, and tax-loss harvesting to take advantage of market volatility and dislocations.
- **Diversified**: seeking to ensure that portfolios are properly allocated across and among asset classes to enhance consistency.
- **Mitigate**: striving to avoid unnecessary disbursements, including fees, taxes, and expenses.

In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

Fixed Income Market

Interest Rates

Interest rates were relatively stable throughout the month. The 2-Year Treasury decreased from 4.25% to 4.21% while the 10-Year increased from 3.88% to 3.91%. Over the last few months, yields are down significantly from their multi-year highs as continued evidence of disinflation led the Fed to abandon their "higher-for-longer" outlook and openly discuss cutting interest rates. Yields on the 2-Year and 10-Year have both declined by over 1% since their October 2023 peaks.

Short-Term Bonds

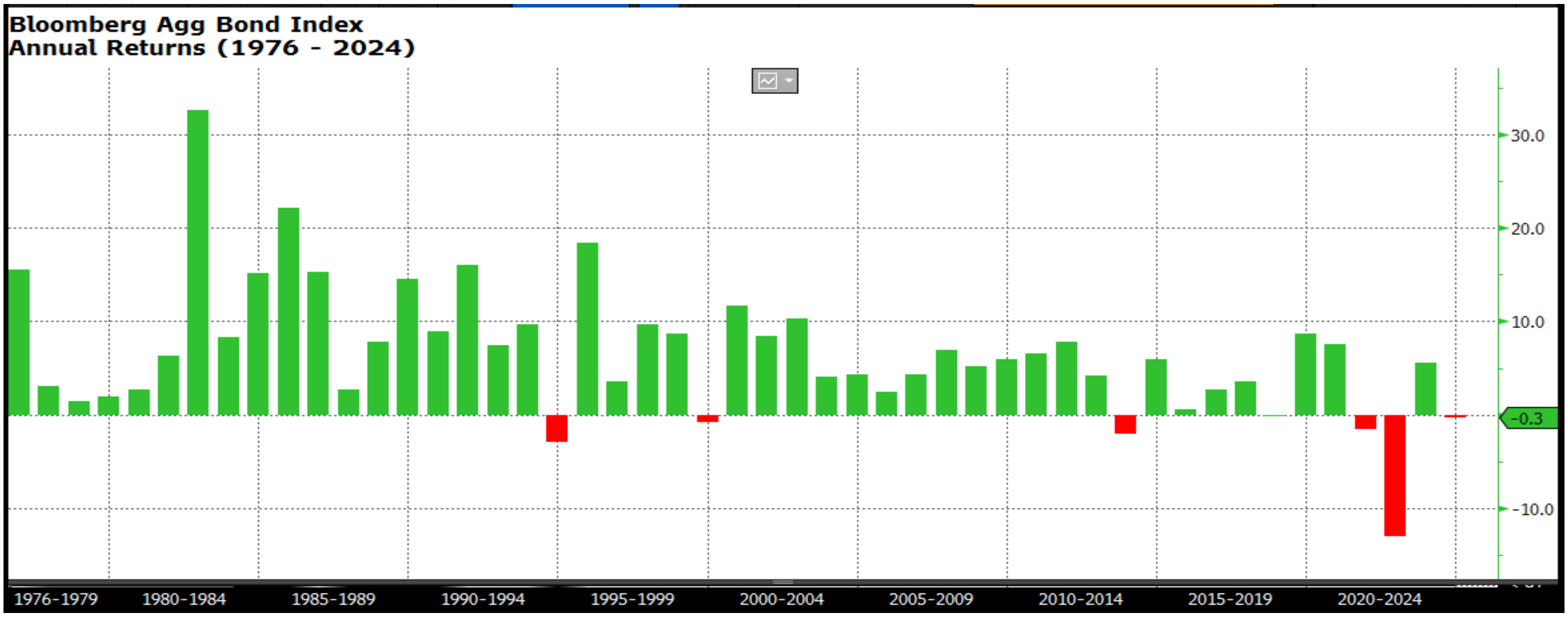
Short-term bonds have closer maturities and are consequently less interest rate sensitive than intermediate- or long-term fixed income securities. Pursuing stability and income from short-term bonds, including Treasuries, has been a successful strategy as yields remain elevated. Short-term Treasury yields, including, the 3-Month (5.4%), 6-Month (5.2%), and 12-Month (4.7%) are still at their highest levels since the early 2000s. Once the Fed starts cutting the federal funds rate, short-term Treasury yields should also decline. We don't expect +5% short-term yields to be around forever, but we are opportunistically enjoying them while they last. If interested, please speak with your advisor about our Cash Alternatives Strategy, which is an investment strategy designed for individuals or entities to invest excess cash seeking potentially attractive yields in a conservative portfolio of short-term fixed income securities, including US Treasuries. Also, please see our recent commentary, **Changing Treasury Yields – 4% is the new 5%**. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Investing involves risk including loss of principal. This strategy and its related holdings are not FDIC-insured.*

Intermediate-Term Bonds

The Bloomberg US Aggregate Bond index (Agg), which acts as a proxy for the intermediate-term investment-grade bond market, decreased by -0.3% as the 10-Year Treasury yield increased (bond prices move inversely to interest rates and credit spreads).

We hold intermediate-term fixed income in diversified portfolios to pursue ballast and income. The last few years have been frustrating for intermediate-term fixed income investors as bonds have provided negative returns in 2021 and 2022. We continue to recommend a patient approach, as all else equal, we expect intermediate-term bonds to provide both ballast and positive returns in the future if yields either stabilize or decline. We will highlight that the bond market's performance since October is a great example of what happens when yields fall. From October 19th, 2023, the 10-Year yield fell by 1.08% while the Agg increased by +9%.

Intermediate-term bonds are still an attractive investment opportunity in our opinion as the yield to maturity on the US Aggregate Bond index ended the year at 4.6%. Yield to maturity is defined as the estimated annualized rate of return an investor can expect on a bond if purchased today and held to maturity, assuming the issuer makes all their interest and principal payments (i.e., no defaults). In our view, patient investors should be optimistic about intermediate-term fixed income returns over the next several years. *Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*



Please see our **Client Question: Bond Primer** where we detail bond mechanics, characteristics, types, risks, and historical returns.

Monetary Policy

"The Committee is proceeding carefully. We will make decisions about the extent of additional policy firming and how long policy will remain restrictive based on the totality of the incoming data, the evolving outlook, and the balance of risks."

- Fed Chair Jerome Powell

At their January 31st meeting, the Federal Open Market Committee (FOMC) left the top end of the federal funds rate unchanged at 5.50%, and they signaled that rate cuts will begin in the next several months.

After raising interest rates by 5.25% total over the last two years, the Fed is now firmly focused on when to start cutting. Heading into the January meeting, many investors thought a rate cut in March was a probable outcome. However, Chair Powell pushed back on this notion as not the most likely scenario. Chair Powell outlined that the Fed wants to see "more good inflation data" before cutting interest rates.

We suspect that the Fed will hold off on cutting interest rates until either of the following scenarios occur:

- The Fed declares victory over inflation. The latest measure of the Fed's preferred reading, Core PCE Inflation, came in at +3.5% in October, which is still above the Fed's 2.0% target. The reading likely needs to approach 3% to give the Fed enough confidence that inflation is on a sustained downward trajectory to their 2.0% target. In this scenario, the Fed would cut interest rates so that monetary policy isn't too restrictive.
- Something breaks in the economy, which causes the Fed to believe that GDP will slow, and that unemployment will rise. We've seen the Fed quickly respond to economic shocks by cutting interest rates and turning to accommodative monetary policy.

According to Bloomberg, market pricing indicates about 150 basis points of cuts this year with the first one occurring at the May 1st meeting. In our view, whether the Fed starts in March or May and whether they cut by 100 or 150 basis points does not make a huge difference. The important point is that monetary policy will be less restrictive compared to the previous two years, and that should be supportive for the economy and markets going forward.

Please see our **Client Question on The Fed**, which details the key entities and the impact monetary policy has on the economy, interest rates, and stock prices.

US Economy

The US economy continues to exceed expectations as fourth quarter GDP came in at a +3.3% seasonally adjusted annual rate, beating the consensus estimate of +2.0%. The underlying details showed consumption (70% of GDP) at +2.8%, above the estimate of +2.5%. The report suggests that consumers were feeling extra festive and ramped up their spending during the holiday season. Household spending should continue at a robust pace as long as the labor market remains strong.

The odds of a soft landing, an environment where inflation declines without a substantial rise in the unemployment rate and a recession, have increased. Chair Powell admitted that the Fed is encouraged by the progress the economy has made, but they are "not declaring victory at all at this point." For the last several quarters, we thought that the key to economic growth was for inflation to become contained so the Fed can stop their tightening cycle before higher interest rates eventually lead to cracks in the labor market and/or the broader economy. With the Fed ready to cut interest rates within the next few months, it appears that the economy has a strong chance of avoiding the recession that many prognosticators have been forecasting for the last two years.

Of course, the economy will enter a **recession** at some point. According to the National Bureau of Economic Research (NBER), since 1929 there have been 15 recessions in the US lasting an average of 13 months each. Rather than stress about a potential recession, we will focus on what we can control. We attempt to make market drawdowns more tolerable by maintaining a long-term viewpoint, keeping our clients diversified, planning out upcoming cash flow needs, and searching for opportunities. *Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.*

JANUARY 2024 MARKET RETURNS

US Equity											
Index	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	1.68%	26.26%	-18.13%	28.68%	18.39%	31.47%	20.71%	10.66%	14.15%	12.44%	9.62%
Russell 3000	1.11%	25.93%	-19.22%	25.64%	20.88%	31.01%	19.62%	8.94%	13.50%	11.85%	9.58%
Dow Jones Industrial Average	1.31%	16.18%	-6.86%	20.95%	9.72%	25.34%	14.15%	10.40%	11.09%	11.65%	9.25%
Nasdaq	1.04%	44.70%	-32.51%	22.21%	45.05%	36.73%	33.97%	5.73%	16.91%	15.13%	11.68%
S&P 400	-1.71%	16.39%	-13.10%	24.73%	13.65%	26.17%	7.19%	7.74%	10.55%	9.51%	9.71%
Russell 2000	-3.89%	16.88%	-20.46%	14.78%	19.93%	25.49%	7.12%	0.54%	7.75%	7.41%	7.89%
Russell 1000 Growth	2.49%	42.67%	-29.14%	27.59%	38.49%	36.39%	35.11%	9.40%	17.77%	15.27%	11.22%
Russell 1000 Value	0.10%	11.41%	-7.56%	25.12%	2.78%	26.52%	6.49%	9.43%	9.39%	8.75%	7.91%

International Equity											
MSCI Index	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	0.58%	18.24%	-14.45%	11.26%	7.82%	22.01%	10.29%	4.52%	6.91%	4.69%	5.53%
Europe	0.47%	22.94%	-17.86%	13.54%	7.89%	23.20%	11.21%	5.54%	7.52%	4.41%	5.04%
Japan	4.62%	20.32%	-16.65%	1.71%	14.48%	19.61%	14.60%	1.03%	5.75%	5.47%	4.53%
China	-10.61%	-11.20%	-21.93%	-21.72%	29.49%	23.46%	-22.24%	-20.85%	-4.90%	1.57%	6.52%
Emerging Markets	-4.64%	9.83%	-20.09%	-2.54%	18.31%	18.42%	1.96%	-6.19%	1.99%	3.38%	6.67%
ACWI ex US	-0.99%	15.62%	-16.00%	7.82%	10.65%	21.51%	7.61%	1.51%	5.63%	4.31%	5.62%

US Fixed Income											
Bloomberg Barclays Index	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	-0.27%	5.53%	-13.01%	-1.54%	7.51%	8.72%	2.60%	-3.17%	0.90%	1.68%	3.14%
Treasury Bills	0.44%	5.14%	1.52%	0.04%	0.54%	2.21%	5.24%	2.27%	1.86%	1.24%	1.41%
Corporates	-0.17%	8.52%	-15.76%	-1.04%	9.89%	14.54%	4.75%	-2.95%	2.19%	2.80%	4.09%
Securitized MBS/ABS/CMBS	-0.38%	5.08%	-11.67%	-1.04%	4.18%	6.44%	1.96%	-2.90%	0.21%	1.31%	
High Yield	-0.00%	13.45%	-11.19%	5.28%	7.11%	14.32%	10.19%	1.92%	4.52%	4.55%	6.51%
Munis	-0.51%	6.40%	-8.53%	1.52%	5.21%	7.54%	3.75%	-0.63%	2.14%	2.86%	3.64%

US Equity Sectors											
Index	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	3.95%	57.84%	-28.19%	34.52%	43.88%	50.27%	49.39%	15.92%	25.72%	21.30%	13.63%
Real Estate	-4.74%	12.27%	-26.21%	46.14%	-2.17%	29.00%	2.36%	6.58%	6.76%	7.69%	
Industrials	-0.88%	18.08%	-5.51%	21.10%	11.05%	29.32%	15.22%	12.55%	11.94%	10.51%	9.24%
Energy	-0.38%	-1.42%	65.43%	54.39%	-33.68%	11.81%	-4.49%	35.49%	11.13%	3.99%	8.32%
Consumer Discretionary	-3.53%	42.30%	-37.03%	24.43%	33.30%	27.94%	26.18%	3.66%	11.71%	12.32%	10.64%
Communication Services	5.02%	55.80%	-39.89%	21.57%	23.61%	32.69%	40.01%	5.02%	11.29%	8.24%	7.77%
Consumer Staples	1.54%	0.52%	-0.62%	18.63%	10.75%	27.61%	1.55%	7.94%	9.92%	9.13%	9.27%
Utilities	-3.01%	-7.08%	1.56%	17.67%	0.52%	26.35%	-5.65%	3.98%	6.51%	8.75%	8.99%
Materials	-3.91%	12.55%	-12.28%	27.28%	20.73%	24.58%	3.58%	9.04%	12.59%	9.12%	8.69%
Financials	3.04%	12.10%	-10.57%	34.87%	-1.76%	32.09%	5.37%	11.56%	10.20%	10.36%	4.59%
Health Care	3.01%	2.06%	-1.95%	26.13%	13.45%	20.82%	4.38%	7.78%	10.72%	11.25%	9.73%
	Calendar Year Returns						**Annualized Returns**				

Source: Bloomberg

DISCLOSURES

Content in this material is for general information only and not intended to provide specific advice or recommendations for any individual.

The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece, Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI US Broad Market Index captures broad US equity coverage. The index includes 3,204 constituents across large, mid, small and micro capitalizations, representing about 99% of the US equity universe.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

DISCLOSURES

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated investment grade, and have $300 million or more of outstanding face value.

Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.

Financial planning is a tool intended to review your current financial situation, investment objectives and goals, and suggest potential planning ideas and concepts that may be of benefit. There is no guarantee that financial planning will help you reach your goals.

Asset allocation does not ensure a profit or protect against loss. There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio.

Diversification does not protect against market risk. All investing involves risk which you should be prepared to bear.

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