FEBRUARY 2024 MARKET RECAP

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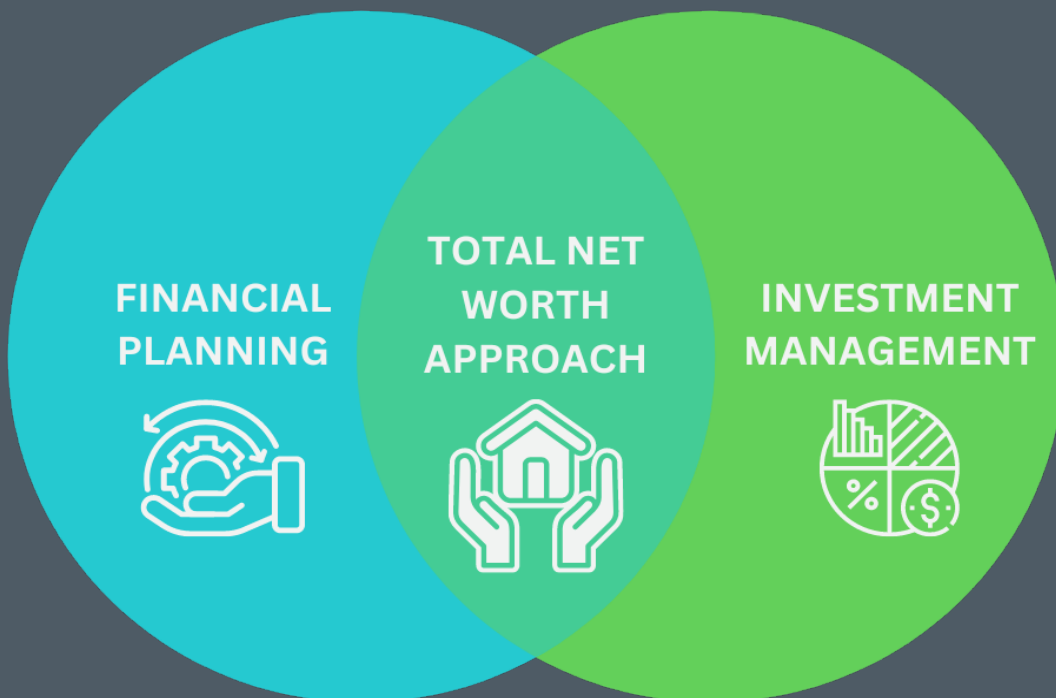

At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the 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. *For clients who receive both financial planning and investment advisory services under agreement. No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

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The market continued to roll in February as the S&P 500 increased by +5.3%. The 2024 year-to-date return is now +7.1%. After declining by -25% and bottoming on 10/12/22, the S&P 500 has increased by nearly +46% since then. The market rally over the last seventeen months was driven by evidence of disinflation, the economy, labor market, and corporate earnings exceeding expectations, 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. Please see our **Client Question: Principles for Long-Term Investing**.

- **Another New All-Time High**: The S&P 500 reached a new all-time closing high of 5,096 on the last day of the month.
- **Earnings**: Nearly 80% of S&P 500 companies have reported fourth quarter earnings and results have come in better than expected. Earnings growth is projected at +3.2% year-over-year, compared to an expectation of +1.5% at the beginning of the year. Source: Factset.
- **Market Cap**: Mid (S&P 400: +5.9%) and Small Caps (Russell 2000: +5.7%) outperformed Large (S&P 500: +5.3%).
- **Style**: Growth (Russell 1000 Growth: +6.8%) exceeded Value (Russell 1000 Value: +3.7%).
- **Sector**: All eleven sectors were positive in the month with Consumer Discretionary (+8.7%) and Industrials (+7.2%) as the top performers and Consumer Staples (+2.3%) and Utilities (+1.1%) as the laggards.
- **Upcoming Catalysts**: Fed Chair Powell testifies before the House and Senate (3/6 – 3/7), February Employment Report (3/8), CPI Inflation (3/12), FOMC Meeting (3/20), and PCE Inflation (3/29).

Short-Term Outlook: Market performance over the last four months has been eye-popping as the S&P 500 has increased by over 22% since November 1st. That works out to an annualized pace of about 83%. While we are pleased with recent performance, we know that **market declines are common** and a pickup in volatility is inevitable. We believe maintaining a cautious near-term outlook is prudent as valuations are stretched and the market appears overextended. 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. 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 Investment Philosophy: While our short-term outlook changes based on current conditions, our long-term outlook remains optimistic for investors with both a comprehensive financial plan and investment process. 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 increased throughout the month as key economic and inflation data points came in higher than expected. This reduced market pricing for the number of times the Fed is expected to cut rates this year from six to three and delayed the projected start date from March to June. Throughout the month, the 2-Year Treasury increased from 4.21% to 4.62% while the 10-Year rose from 3.91% to 4.25%. Despite the monthly increase, yields are still down significantly from their multi-year highs reached in October 2023.

Short-Term Bonds

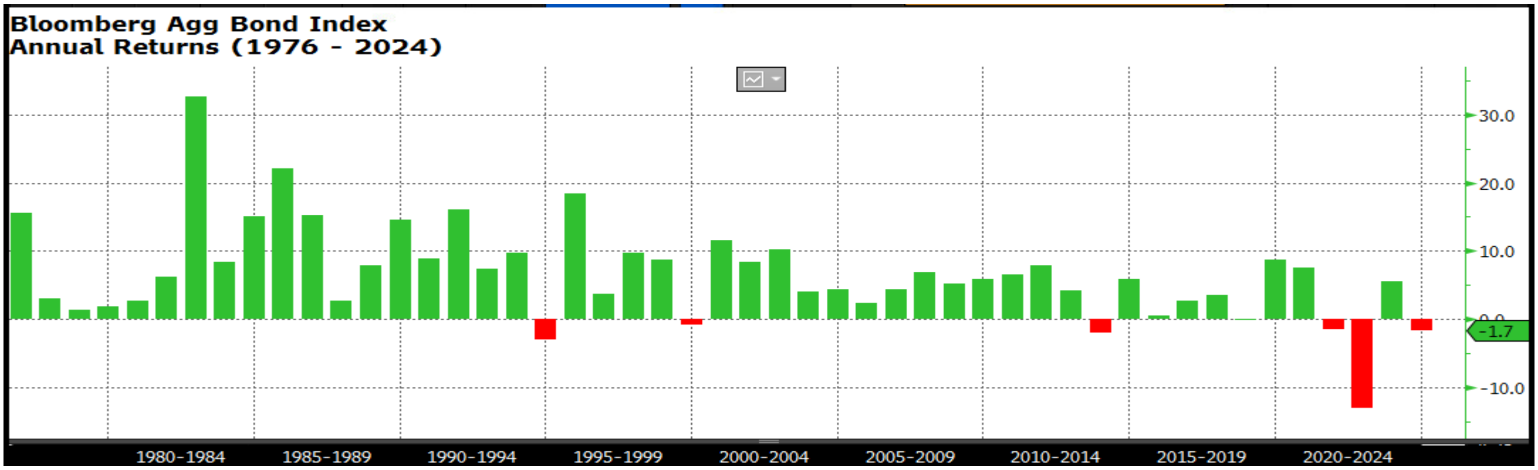
Short-term bonds have closer maturities and are consequently less interest rate sensitive than intermediate- or long-term fixed income securities. Pursuing stability and income from short-term bonds, including Treasuries, has been a successful strategy as yields remain elevated. Short-term Treasury yields, including, the 3-Month (5.4%), 6-Month (5.3%), and 12-Month (5.0%) 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. *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 -1.4% as the 10-Year Treasury yield increased (bond prices move inversely to interest rates and credit spreads). The Agg has now declined -1.7% in 2024.

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 produced 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 in the fourth quarter last year is a great example of what happens when yields fall. From October 19th through the end of 2023, the 10-Year yield fell by -1.1% while the Agg increased by +9.3%. *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.*

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 month at 4.9%. 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.*



Source: Bloomberg, as of 2/29/2024

Monetary Policy

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. Before that occurs, Chair Powell outlined that the Fed wants to see “more good inflation data”.

We suspect that the Fed will cut interest rates under the following scenarios:

- The Fed declares victory over inflation. The latest measure of the Fed’s preferred reading, Core PCE Inflation, came in at +2.8% in January, which is still above the Fed’s 2.0% target. The reading likely needs to stay under 3% for a few months to give the Fed enough confidence that inflation is on a sustained downward trajectory. In this case, the Fed would cut interest rates before inflation reaches 2.0% 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.

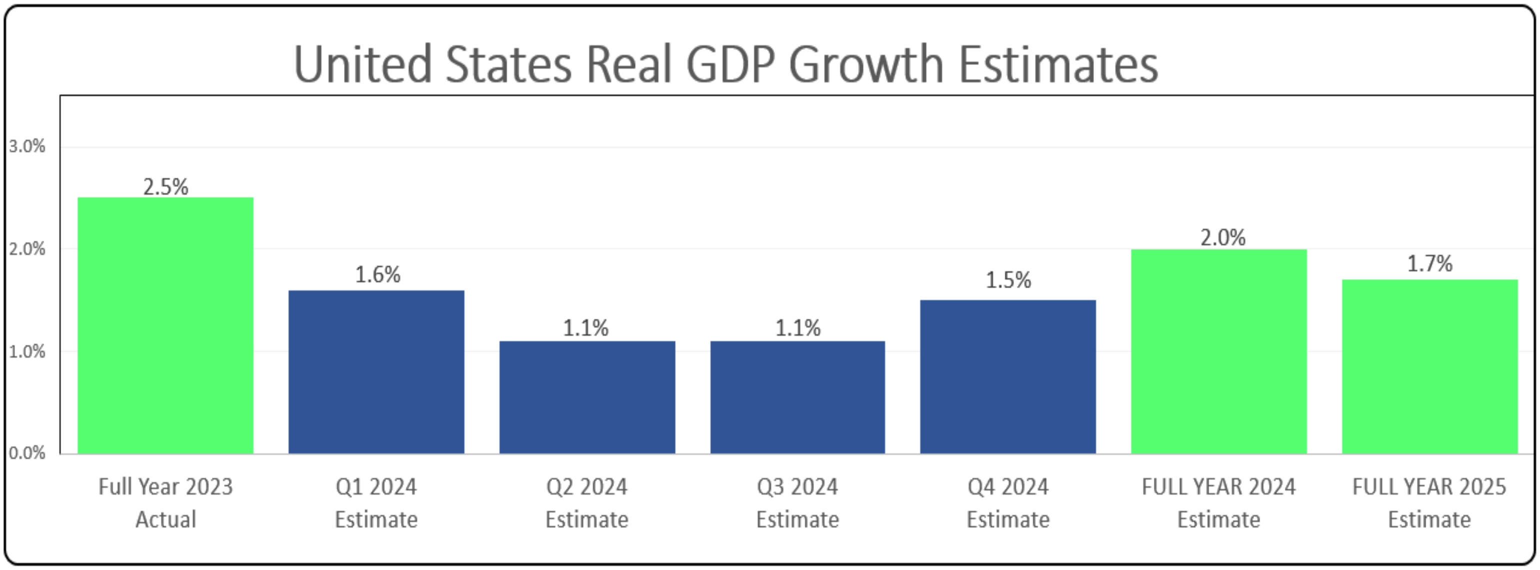
According to Bloomberg, market pricing indicates about 75 basis points of cuts this year with the first one projected to occur at the June 12th meeting. The market has shifted from pricing in about 150 to 75 basis points of cuts in the last few weeks as recent inflation data came in higher than expected. In our view, whether the Fed starts in March or June and whether they cut by 75 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 grow at a solid pace, supported by a strong labor market and consumer spending. The January employment report came in well above expectations with an increase of +353,000 jobs in the month and the unemployment rate holding steady at 3.7%. Real GDP Growth is currently estimated at +2.0% in 2024.

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.



Source: Bloomberg.

FEBRUARY 2024 MARKET RETURNS

US Equity

Index	February	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	5.34%	7.11%	26.26%	-18.13%	28.68%	18.39%	31.05%	11.88%	14.58%	12.67%	9.88%
Russell 3000	5.41%	6.58%	25.93%	-19.22%	25.64%	20.88%	29.10%	9.88%	13.76%	12.01%	9.81%
Dow Jones Industrial Average	2.50%	3.84%	16.18%	-6.86%	20.95%	9.72%	21.95%	10.24%	10.76%	11.60%	9.35%
Nasdaq	6.22%	7.33%	44.70%	-32.51%	22.21%	45.05%	42.63%	7.72%	17.23%	15.29%	12.12%
S&P 400	5.93%	4.12%	16.39%	-13.10%	24.73%	13.65%	12.73%	6.60%	10.16%	9.40%	9.76%
Russell 2000	5.65%	1.54%	16.88%	-20.46%	14.78%	19.93%	9.92%	-0.97%	6.67%	7.10%	7.88%
Russell 1000 Growth	6.82%	9.49%	42.67%	-29.14%	27.59%	38.49%	46.87%	12.47%	18.56%	15.64%	11.63%
Russell 1000 Value	3.69%	3.80%	11.41%	-7.56%	25.12%	2.78%	14.23%	8.37%	9.23%	8.71%	7.96%

International Equity

MSCI Index	February	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
EAFE	1.83%	2.42%	18.24%	-14.45%	11.26%	7.82%	14.32%	4.44%	6.71%	4.39%	5.51%
Europe	2.93%	3.41%	22.94%	-17.86%	13.54%	7.89%	14.70%	5.35%	7.31%	4.10%	5.10%
Japan	3.00%	7.75%	20.32%	-16.65%	1.71%	14.48%	26.60%	3.03%	7.25%	6.23%	4.91%
China	8.39%	-3.11%	-11.20%	-21.93%	-21.72%	29.49%	-17.99%	-20.88%	-6.24%	0.97%	6.01%
Emerging Markets	4.76%	-0.11%	9.83%	-20.09%	-2.54%	18.31%	6.50%	-6.29%	1.88%	3.00%	6.40%
ACWI ex US	2.53%	1.51%	15.62%	-16.00%	7.82%	10.65%	11.79%	1.32%	5.40%	3.96%	5.54%

US Fixed Income

Bloomberg Barclays Index	February	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Aggregate	-1.41%	-1.68%	5.53%	-13.01%	-1.54%	7.51%	3.93%	-3.16%	0.60%	1.43%	2.98%
Treasury Bills	0.42%	0.86%	5.14%	1.52%	0.04%	0.54%	5.30%	2.50%	1.97%	1.31%	1.44%
Corporates	-1.50%	-1.67%	8.52%	-15.76%	-1.04%	9.89%	6.57%	-2.85%	1.80%	2.49%	3.92%
Securitized MBS/ABS/CMBS	-1.56%	-1.93%	5.08%	-11.67%	-1.04%	4.18%	3.21%	-3.22%	-0.14%	1.05%	
High Yield	0.29%	0.29%	13.45%	-11.19%	5.28%	7.11%	11.24%	1.84%	4.15%	4.34%	6.51%
Munis	0.13%	-0.38%	6.40%	-8.53%	1.52%	5.21%	5.43%	-0.21%	1.93%	2.67%	3.53%

US Equity Sectors

Index	February	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Technology	6.31%	10.51%	57.84%	-28.19%	34.52%	43.88%	60.14%	18.87%	25.89%	21.73%	14.32%
Real Estate	2.58%	-2.28%	12.27%	-26.21%	46.14%	-2.17%	7.80%	5.04%	5.94%	6.95%	
Industrials	7.23%	6.29%	18.08%	-5.51%	21.10%	11.05%	21.63%	11.96%	11.68%	10.72%	9.57%
Energy	3.18%	2.79%	-1.42%	65.43%	54.39%	-33.68%	4.09%	26.65%	10.57%	3.88%	8.19%
Consumer Discretionary	8.71%	4.87%	42.30%	-37.03%	24.43%	33.30%	34.34%	5.53%	12.19%	12.21%	10.74%
Communication Services	5.70%	11.01%	55.80%	-39.89%	21.57%	23.61%	59.41%	6.44%	13.07%	9.40%	8.19%
Consumer Staples	2.32%	3.89%	0.52%	-0.62%	18.63%	10.75%	8.78%	9.60%	10.12%	9.14%	9.13%
Utilities	1.12%	-1.93%	-7.08%	1.56%	17.67%	0.52%	0.52%	5.39%	5.08%	8.02%	8.74%
Materials	6.46%	2.30%	12.55%	-12.28%	27.28%	20.73%	8.50%	8.23%	12.17%	8.62%	8.50%
Financials	4.16%	7.32%	12.10%	-10.57%	34.87%	-1.76%	15.64%	9.82%	10.93%	10.84%	4.80%
Health Care	3.22%	6.32%	2.06%	-1.95%	26.13%	13.45%	16.13%	10.55%	11.32%	11.26%	9.97%
	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.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market.

DISCLOSURES

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.

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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