WINTHROP WEALTH

MAY 2024
MARKET RECAP

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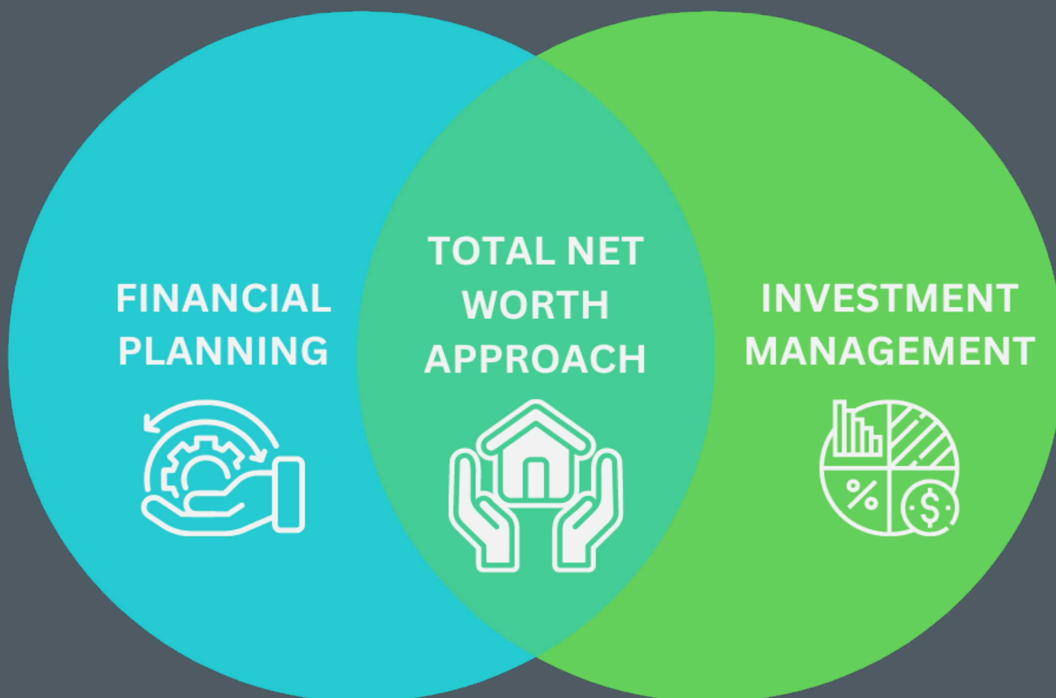

At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the 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 equity market staged a strong rebound in May with an increase of +5.0%, bringing the year-to-date return to +11.3%. The brief selloff in April (-4.1%) didn't last long. So much for "Sell in May and Go Away." The market return was driven by a moderation in several inflation indicators which led to lower interest rates, and spectacular earnings from Nvidia, the global leader in graphics processing units (GPUs) for use in artificial intelligence (AI) applications.

- **New All-Time High**: The S&P crossed above 5,300 for the first time ever during the month and hit a new all-time closing high of 5,321 on May 21st.
- **Bull Market Alive and Well**: The market is up over +51% since the start of the latest bull market on 10/12/22. 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**.
- **Nvidia Leads a Narrow Market**: Market returns were broad based over the last several months, but that trend reversed in May with the three largest stocks in the index, Microsoft (+6.8%), Apple (+13.0%), and Nvidia (+26.9%) doing most of the heavy lifting. Cumulatively, these stocks accounted for over 50% of the S&P 500's monthly return with Nvidia responsible for about 27%.
- **Market Cap**: Small (Russell 2000: +5.0%) and Large Caps (S&P 500: +5.0%) outperformed Mid (S&P 400: +4.4%).
- **Style**: Growth (Russell 1000 Growth: +6.0%) exceeded Value (Russell 1000 Value: +3.2%).
- **Sector**: Ten of eleven sectors were positive for the month as Technology (+10.1) led the way.
- **Upcoming Catalysts**: JOLTS Job Openings (6/4), BLS Employment Report (6/7), Apple Worldwide Developers Conference (6/10 – 6/14), CPI Inflation (6/12), FOMC Meeting (6/12), Retail Sales (6/18), First debate between President Biden and former President Trump (6/27), PCE Inflation (6/28).

Short-Term Outlook: Our short-term outlook has been cautious since the market began to run toward all-time highs late last year. 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. Thus far, economic data has been fine. Earnings have been strong, especially from AI related companies. And inflation started the year hotter than expected but has recently begun to moderate. Right now, we see the biggest risks to the market as a reacceleration in inflation or anything the challenges the earnings growth of the AI leaders, especially Nvidia. Moving forward, we know that **market declines are common,** and we believe that a pause or pullback to shake out some of the excesses built up over the past several months would be healthy for long-term performance. 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. Given our cautious view and the recent market per-formance, we continue to believe this is an opportune time to raise funds for upcoming cash flow needs and to start implementing a plan for any aspirational purchases.

Long-term Investment Philosophy: Although 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.*

All data is sourced from Bloomberg as of 5/31/2024.

Fixed Income Market

Interest Rates

Yields pulled back slightly during the month due to a moderation in several inflation indicators. Both the 2-Year (4.87%) and the 10-Year (4.50%) Treasury yields decreased by over 15 basis points (bps). The decrease in yields created a tailwind for the fixed income markets as bond prices move inversely to interest rates and credit spreads.

Short-Term Bonds

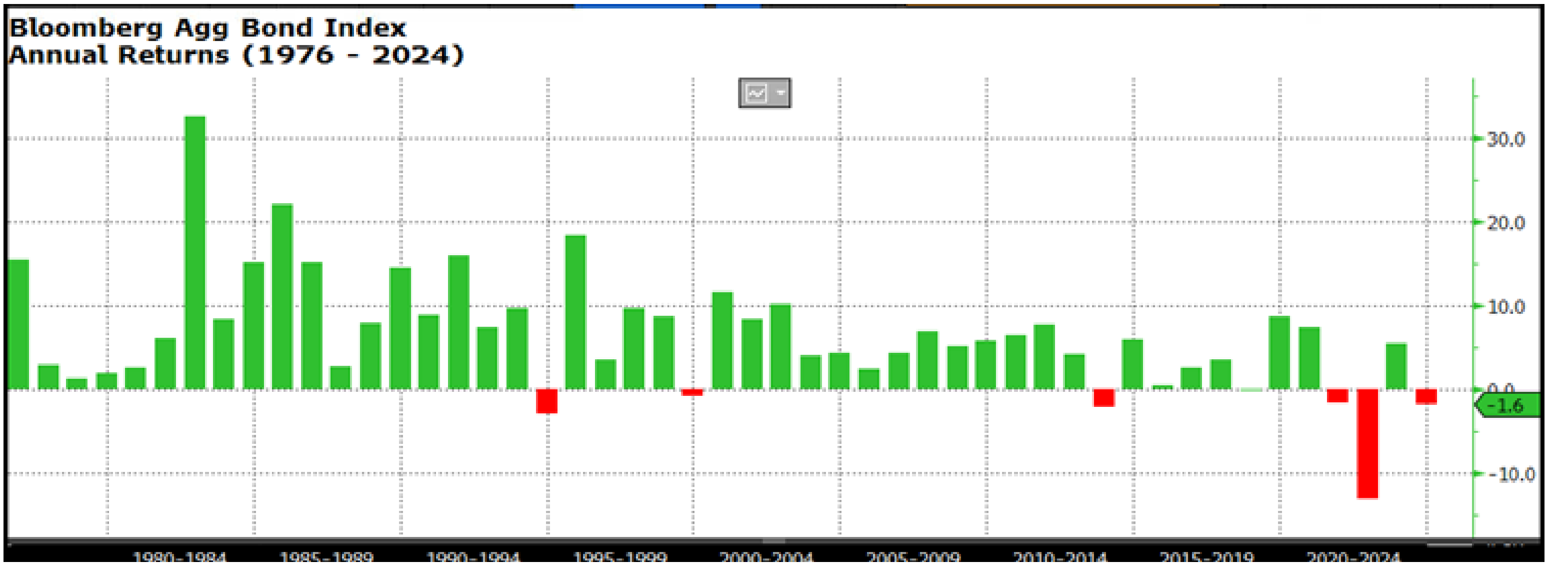
Short-term bonds have closer maturities and are consequently less interest rate sensitive than intermediate- or long-term fixed income securities. Pursuing stability and income from short-term bonds, including Treasuries, has been a successful strategy as yields remain elevated. Short-term Treasury yields, including, the 3-Month (5.4%), 6-Month (5.4%), and 12-Month (5.2%) 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 to invest excess cash in a conservative portfolio of short-term fixed income securities. *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, increased by +1.7% as the 10-Year Treasury yield declined (bond prices move inversely to interest rates and credit spreads). The year-to-date return of the Agg is now -1.6%.

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 since late last year is a great example of what happens when yields fall. From October 20th through the end of the month, the 10-Year yield fell by about -50 basis points while the Agg increased by +7.5%.

Intermediate-term bonds are still an attractive investment opportunity in our opinion as the yield to maturity on the US Aggregate Bond index ended May at 5.1%. 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.

Monetary Policy

I think it's unlikely that the next policy rate move will be a hike. We are prepared to maintain the current target range for the federal funds rate for as long as appropriate. We're also prepared to respond to unexpected weakening in the labor market.

- Fed Chair Jerome Powell

At their May 1st meeting, the Federal Open Market Committee (FOMC) left the top end of the federal funds rate unchanged at 5.50% for the sixth consecutive time. After raising interest rates by 5.25% total, the Fed has been on hold since July 2023.

According to Bloomberg, at the beginning of the year market pricing indicated an expectation that the Fed would lower interest rates by about 150 basis points in 2024. As inflation has consistently been higher than expected in recent months, projections have decreased to about 40 basis points worth of cuts. This now implies that the Fed will lower rates 1 to 2 times this year.

Going into the latest Fed meeting, the market was worried that Fed Chair Jerome Powell might state that the committee is thinking about raising interest rates again. Powell pushed back against this notion by stating that the Fed's base case is still to either maintain rates at current levels if inflation remains elevated or to cut if economic or inflation data weakens. Although anything can happen, the Fed expects their next move to be an interest rate cut.

The Fed also announced that starting in June their Quantitative Tightening program will slow down as the monthly cap on Treasury redemptions will shrink from $60 billion to $25 billion. The Fed's balance sheet now stands at about $7.3 trillion, down from a peak of nearly $9 trillion in 2022 due to all the monetary stimulus programs enacted during the pandemic. The Fed still thinks they can reduce the balance sheet close to its pre-pandemic size, but the decision to slow the runoff will inject more liquidity into the financial system compared to recent months. This should be supportive for keeping long-term interest rates lower in the near term.

In our view, whether the Fed cuts by 25 or 100 basis points this year does not make a huge difference. After all, the number of rate cuts in 2024 is just an arbitrary goalpost. Does it really matter if the Fed cuts in December 2024 versus January 2025? The important point is that monetary policy will be less restrictive compared to the previous two years. That development has already made a positive impact on markets and the economy, and it should continue to be supportive moving forward.

Please see our **Client Question on The Fed**, which details 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. We have seen a slowdown in recent data, but it is too early to say that cracks are forming. Here are a few indicators we are monitoring to assess the health of the US economy.

- **2024 Real GDP Growth Estimate**: +2.4% - up from a projected +1.2% at the start of the year.
- **Job Gains**: nonfarm payrolls increased by +175,000 in April. Although the most recent monthly job gains were solid, they were below the 1-Year average of +234,000. Source: Bureau of Labor Statistics.
- **Unemployment Rate**: 3.9% in April. The unemployment rate has slowly ticked higher since reaching a 50-year low of 3.4% in January 2023. Source: Bureau of Labor Statistics.
- **Retail Sales**: +3.0% year-over-year in April. Consumer spending data is critical as consumption drives about 70% of GDP. Source: US Census Bureau.
- **Core PCE Inflation**: 2.8% year-over-year in April. This is the Fed's preferred inflation measure, which they target at an average of 2%. Source: Bureau of Economic Analysis.

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. In order for the economic expansion and market rally to continue, we will need to see more signs of disinflation.

MAY 2024 MARKET RETURNS

US Equity

Index	May	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
S&P 500	4.96%	11.30%	26.26%	-18.13%	28.68%	18.39%	26.90%	9.54%	15.78%	12.66%	10.19%
Russell 3000	4.72%	10.15%	25.93%	-19.22%	25.64%	20.88%	26.29%	7.80%	14.97%	12.06%	10.09%
Dow Jones Industrial Average	2.58%	3.52%	16.18%	-6.86%	20.95%	9.72%	19.42%	5.99%	11.61%	11.23%	9.52%
Nasdaq	6.98%	11.83%	44.70%	-32.51%	22.21%	45.05%	28.76%	7.64%	18.58%	15.90%	12.47%
S&P 400	4.38%	7.85%	16.39%	-13.10%	24.73%	13.65%	24.91%	4.62%	12.22%	9.72%	10.00%
Russell 2000	5.01%	2.68%	16.88%	-20.46%	14.78%	19.93%	18.82%	-1.68%	8.58%	7.63%	8.09%
Russell 1000 Growth	5.99%	13.07%	42.67%	-29.14%	27.59%	38.49%	31.97%	11.11%	19.36%	15.78%	11.88%
Russell 1000 Value	3.17%	7.64%	11.41%	-7.56%	25.12%	2.78%	20.78%	5.41%	10.70%	8.59%	8.28%

International Equity

MSCI Index	May	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
EAFE	3.87%	7.07%	18.24%	-14.45%	11.26%	7.82%	16.89%	3.06%	8.04%	4.60%	5.82%
Europe	4.29%	9.17%	22.94%	-17.86%	13.54%	7.89%	19.09%	3.16%	9.03%	4.39%	5.60%
Japan	1.34%	7.03%	20.32%	-16.65%	1.71%	14.48%	16.86%	2.43%	7.55%	6.15%	4.70%
China	2.40%	6.76%	-11.20%	-21.93%	-21.72%	29.49%	3.92%	-17.10%	-2.40%	1.90%	7.39%
Emerging Markets	0.56%	3.41%	9.83%	-20.09%	-2.54%	18.31%	12.00%	-6.22%	3.55%	2.66%	7.08%
ACWI ex US	2.90%	5.79%	15.62%	-16.00%	7.82%	10.65%	15.49%	0.27%	6.81%	4.02%	5.89%

US Fixed Income

Bloomberg Barclays Index	May	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Aggregate	1.70%	-1.64%	5.53%	-13.01%	-1.54%	7.51%	1.08%	-3.10%	-0.17%	1.25%	3.10%
Treasury Bills	0.49%	2.26%	5.14%	1.52%	0.04%	0.54%	5.50%	2.97%	2.13%	1.45%	1.50%
Corporates	1.87%	-1.12%	8.52%	-15.76%	-1.04%	9.89%	4.11%	-2.71%	0.98%	2.28%	4.11%
Securitized MBS/ABS/CMBS	1.95%	-1.92%	5.08%	-11.67%	-1.04%	4.18%	0.58%	-3.19%	-0.71%	0.87%	
High Yield	1.10%	1.63%	13.45%	-11.19%	5.28%	7.11%	10.89%	1.77%	4.19%	4.29%	6.67%
Munis	-0.29%	-1.91%	6.40%	-8.53%	1.52%	5.21%	2.37%	-1.29%	0.93%	2.25%	3.61%

US Equity Sectors

Index	May	2024	2023	2022	2021	2020	1-Year	3-Year	5-Year	10-Year	20-Year
Technology	10.08%	17.31%	57.84%	-28.19%	34.52%	43.88%	36.41%	18.90%	27.11%	21.94%	14.82%
Real Estate	5.08%	-4.37%	12.35%	-26.13%	46.20%	-2.17%	9.25%	-0.97%	4.35%	6.03%	
Industrials	1.65%	8.77%	18.08%	-5.51%	21.10%	11.05%	28.07%	7.27%	13.39%	10.50%	9.65%
Energy	-0.39%	12.38%	-1.42%	65.43%	54.39%	-33.68%	23.57%	26.65%	15.17%	3.89%	8.59%
Consumer Discretionary	0.30%	0.73%	42.30%	-37.03%	24.43%	33.30%	19.36%	1.88%	11.12%	11.91%	10.57%
Communication Services	6.58%	20.88%	55.80%	-39.89%	21.57%	23.61%	40.19%	5.71%	14.59%	9.28%	8.95%
Consumer Staples	2.45%	9.18%	0.52%	-0.62%	18.63%	10.75%	11.87%	7.13%	10.61%	8.91%	9.42%
Utilities	8.97%	15.82%	-7.08%	1.56%	17.67%	0.52%	16.84%	7.11%	8.03%	9.12%	9.75%
Materials	3.22%	7.30%	12.55%	-12.28%	27.28%	20.73%	22.86%	3.70%	14.07%	8.64%	9.00%
Financials	3.16%	11.15%	12.10%	-10.57%	34.87%	-1.76%	32.13%	5.10%	12.16%	10.89%	5.19%
Health Care	2.38%	5.78%	2.06%	-1.95%	26.13%	13.45%	13.59%	6.89%	12.54%	11.09%	10.01%
	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 pro- moted 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 com- panies 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.

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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