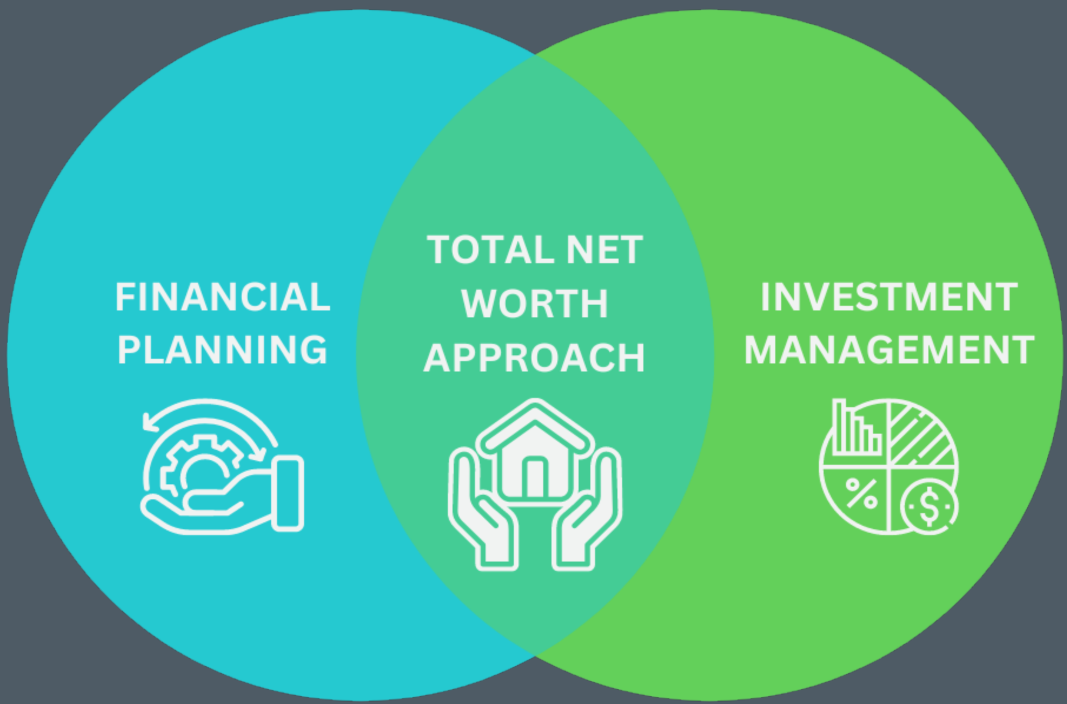
AUGUST 2024
MARKET RECAP

Andrew Murphy, CFA
Co-Chief Investment Officer



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.*

321 COLUMBUS AVENUE, 3rd FLOOR BOSTON, MA 02116
WINTHROPWEALTH.COM | 617.530.1010

After a brief selloff, the equity market rally continued to roll as the S&P 500 increased by +2.4% in August. The year-to-date return is now +19.5%. The market has increased in seven of the eight months this year. The strong return masks the volatility that occurred early in the month. The S&P 500 experienced its largest single-day decline this year when the index fell by nearly -3% on August 5th. In our opinion, August was another example of why investors should maintain a long-term viewpoint as the stock market can be very volatile in the short-term. Please see our Client Question: Principles for Long-Term Investing.

- **Market Selloff and Rebound:** The S&P 500 experienced its biggest decline this year when the index fell by -8.5% from July 16th through August 5th. However, the decline was short-lived as the market rebounded by over +9% from August 6th through the end of the month.
  - The quick rebound has created a great **O**pportunity to reassess your investment portfolio and mindset. We believe your portfolio's target asset allocation should be based on the output of your comprehensive financial plan and consider both your willingness and ability to take risk. If the latest market selloff created excessive stress for you, please speak with your advisor about potentially making adjustments.

- **Close to All-Time Highs:** The S&P ended the month at 5,648, or about -0.3% away from a new all-time price high.

- **Nvidia Reports Strong Earnings, Stock Falls -6% the Following Day:** Nvidia reported results that beat expectations on revenue, earnings, and revenue guidance. However, the magnitude of the beats was less than previous quarters. Investors decided to take profits as the stock dropped by over -6% the following day. The earnings reaction is what can happen when investors place incredibly high expectations on a stock. Anything less than a grand slam is met with disappointment. Despite the post-earnings selloff, the stock still increased by +2% in August and is higher by +141% year-to-date.

- **AI Spending Continues to Boom**: One of the key takeaways from earnings season is that companies are still spending tremendous amounts of money to develop AI infrastructure. For AI stocks to continue rising, investors will need to see demonstrable proof that companies are earning a return on their AI spending.

- **Upcoming Catalysts:** JOLTS Job Openings (9/4), BLS Employment Report (9/6), First Debate between Vice President Harris and Former President Trump (9/10), CPI Inflation (9/11), Retail Sales (9/17), FOMC Meeting (9/18), PCE Inflation (9/27).

Short-Term Outlook: Our short-term outlook continues to be cautious. Despite the volatility from late-July through early-August the stock market has been on a remarkable rally over a near two-year period as the S&P 500 is up by +63% since the start of the latest bull market on October 12, 2022. For the stock market to maintain its positive momentum, we will need economic, inflation, and earnings data to continue exceeding already high expectations. Right now, we see the biggest risks to the market as anything that challenges the earnings growth of the AI leaders, especially Nvidia. We will also point out that we have a lot of important market catalysts coming up, including economic data and the Presidential Election. Moving forward, we know that market declines are common, and we expect volatility to increase. *No strategy assures success or protects against loss.*

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 **D**isciplined, **O**pportunistic, and **D**iversified, while striving to **M**itigate 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 sourced from Bloomberg as of 8/31/2024

Fixed Income Markets

Interest Rates

Yields pulled back during the month due to a moderation in several inflation and economic growth indicators, and an expectation that the Fed will begin to lower the Federal Funds rate in September. The 2-Year Treasury yield (3.92%) declined by 34 basis points (bps) and the 10-Year (3.90%) fell by 13bps. 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: 5% Treasury Yields Are Almost Gone

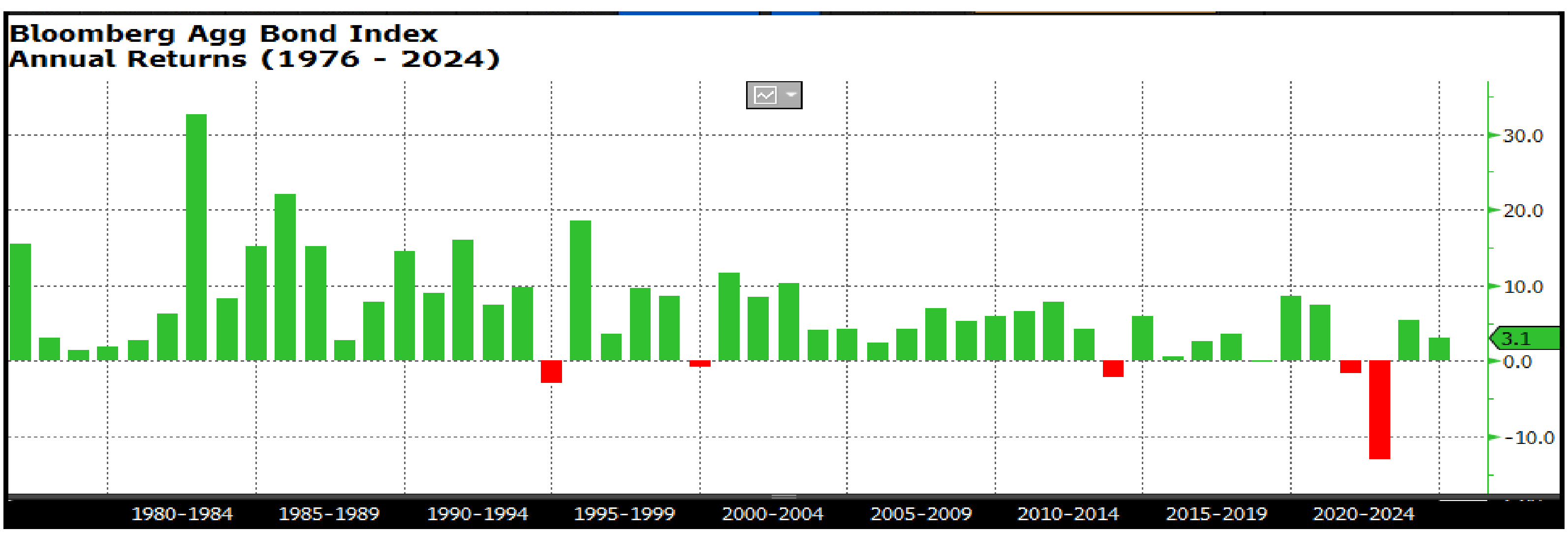
One of the benefits of the rise in interest rates over the past several years is that investors could receive +5 yields on short-term Treasury securities. The Fed influences short term interest rates by setting the federal funds rate. Short-term Treasury yields are declining as the market expects the Fed to start cutting the cutting the Federal Funds rate next month. At the end of August, only the 3-Month Treasury yield (5.11%) was still above +5% while the 6-Month (4.86%) and 12-Month (4.40%) were below that level. We expect the entire Treasury yield curve to be under +5% soon and we continue to advise locking in these still-attractive rates 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 +1.4% 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 +3.1%.

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 July, the 10-Year yield fell by nearly 1.1% while the Agg increased by +13.0%.

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 4.4%. 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

The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks.

- Fed Chair Jerome Powell

After leaving the top end of the Federal Funds rate unchanged at 5.50% since July 2023, the Fed is getting ready to cut.

Fed Chair Powell set the stage for a rate cut at the September 18th FOMC meeting during a speech at the Jackson Hole Economic Symposium in late August. Stating "the time has come for policy to adjust" is as close as the Fed Chair will say to "we're cutting interest rates at the next meeting."

The Fed's pivot toward lowering interest rates occurred because inflation has continued to moderate and there is sufficient evidence that the economy and labor market have cooled down. The Fed's preferred inflation reading, Core PCE Inflation, has decelerated from a peak of 5.6% in February 2022 to 2.6% in July. The Fed has gained confidence that inflation is on a sustainable path back to their 2% target. Meanwhile, the unemployment rate has increased from a 50-year low of 3.4% in January 2023 to 4.3% currently.

The Fed is no longer content with watching the unemployment rate move higher as they cheer for moderating inflation. Now the Fed is back to focusing on both sides of their dual mandate, maximum employment and price stability. Fed Chair Powell recently stated, "we do not seek or welcome further cooling in labor market conditions." The message from Chair Powell is that the Fed will lower rates further if the labor market continues to weaken.

There are three FOMC meetings left in 2024: September 18th, November 7th, and December 18th. According to Bloomberg, market pricing indicates about four rate cuts this year and another five in 2025. Right now, the year-end 2025 Federal Funds rate is priced at about 3.00%, or 2.50% lower than where it is now. Market pricing is volatile, but the implication is clear. Market participants expect that the Fed is about to embark on a rate cutting cycle.

Our view in 2024 was that the equity market did not need rate cuts as long as earnings were strong, the economy held up, and inflation continued to moderate. This proved to be true. The S&P 500 is up +19.5% year-to-date and +27.1% over the last year while the Federal Funds rate has remained at 5.5%. While a rate cutting cycle will be supportive for the economy and stock market, we caution that there are a lot of other critical variables other than Fed policy. Our view is to expect volatility as recent market performance has been abnormally strong and there are a lot of important catalysts over the next several weeks and months.

US Economy

The US Economy is still growing at a moderate pace. 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:** +2.5% - up from a projected +1.2% at the start of the year.
- **Job Gains:** nonfarm payrolls increased by a disappointing +114,000 in July. The reading came in well below expectations and was the second weakest month of job gains since 2021. The employment report for August will be released on September 6th. Investors will be watching closely to see if July was a blip or the start of a concerning trend. *Source: Bureau of Labor Statistics.*
- **Unemployment Rate:** 4.3% in July. 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:** +2.7% year-over-year in July. Consumer spending data is critical as consumption drives about 70% of GDP. *Source: US Census Bureau.*
- **Core PCE Inflation:** 2.6% year-over-year in July. This is the Fed's preferred inflation measure, which they target at an average of 2%. *Source: Bureau of Economic Analysis.*

AUGUST 2024 MARKET RETURNS

US Equity											
Index	**August**	**2024**	**2023**	**2022**	**2021**	**2020**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	2.43%	19.52%	26.26%	-18.13%	28.68%	18.39%	26.88%	9.35%	15.89%	12.95%	10.64%
Russell 3000	2.18%	18.18%	25.93%	-19.22%	25.64%	20.88%	25.76%	7.85%	15.17%	12.34%	10.56%
Dow Jones Industrial Average	2.03%	11.75%	16.18%	-6.86%	20.95%	9.72%	21.64%	7.70%	11.80%	11.77%	9.91%
Nasdaq	0.74%	18.58%	44.70%	-32.51%	22.21%	45.05%	27.23%	5.96%	18.33%	15.66%	13.23%
S&P 400	-0.08%	12.22%	16.39%	-13.10%	24.73%	13.65%	17.64%	5.58%	12.16%	9.65%	10.38%
Russell 2000	-1.50%	10.38%	16.88%	-20.46%	14.78%	19.93%	17.14%	0.56%	9.65%	8.00%	8.67%
Russell 1000 Growth	2.08%	21.12%	42.67%	-29.14%	27.59%	38.49%	30.71%	8.86%	19.06%	16.01%	12.55%
Russell 1000 Value	2.68%	15.08%	11.41%	-7.56%	25.12%	2.78%	20.52%	7.21%	11.13%	8.83%	8.52%

International Equity											
MSCI Index	**August**	**2024**	**2023**	**2022**	**2021**	**2020**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	3.25%	11.96%	18.24%	-14.45%	11.26%	7.82%	19.69%	4.13%	8.61%	5.19%	6.10%
Europe	3.94%	10.76%	22.94%	-17.86%	13.54%	7.89%	18.44%	3.23%	8.76%	5.19%	5.77%
Japan	0.51%	13.00%	20.32%	-16.65%	1.71%	14.48%	19.21%	3.80%	8.12%	6.36%	4.99%
China	1.00%	4.39%	-11.20%	-21.93%	-21.72%	29.49%	-3.14%	-13.56%	-3.39%	0.55%	7.26%
Emerging Markets	1.61%	9.55%	9.83%	-20.09%	-2.54%	18.31%	14.45%	-3.05%	4.78%	2.56%	7.25%
ACWI ex US	2.85%	11.22%	15.62%	-16.00%	7.82%	10.65%	18.13%	2.10%	7.56%	4.42%	6.16%

US Fixed Income											
Bloomberg Index	**August**	**2024**	**2023**	**2022**	**2021**	**2020**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	1.44%	3.07%	5.53%	-13.01%	-1.54%	7.51%	7.80%	-2.11%	-0.04%	1.64%	3.17%
Treasury Bills	0.48%	3.64%	5.14%	1.52%	0.04%	0.54%	5.52%	3.42%	2.28%	1.59%	1.56%
Corporates	1.57%	3.49%	8.52%	-15.76%	-1.04%	9.89%	9.92%	-2.10%	0.67%	2.59%	4.14%
Securitized MBS/ABS/CMBS	1.58%	3.38%	5.08%	-11.67%	-1.04%	4.18%	8.05%	-1.62%	-0.09%	1.35%	
High Yield	1.63%	6.28%	13.45%	-11.19%	5.28%	7.11%	12.54%	2.54%	4.45%	4.65%	6.66%
Munis	0.79%	1.30%	6.40%	-8.53%	1.52%	5.21%	6.11%	-0.47%	1.02%	2.42%	3.59%

US Equity Sectors											
Index	**August**	**2024**	**2023**	**2022**	**2021**	**2020**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	1.25%	27.14%	57.84%	-28.19%	34.52%	43.88%	38.41%	16.56%	26.48%	21.99%	15.89%
Real Estate	5.79%	10.65%	12.35%	-26.13%	46.20%	-2.17%	22.03%	0.41%	5.69%	7.21%	
Industrials	2.86%	16.26%	18.08%	-5.51%	21.10%	11.05%	22.89%	9.75%	13.64%	11.20%	9.82%
Energy	-1.70%	11.35%	-1.42%	65.43%	54.39%	-33.68%	4.15%	28.89%	15.26%	3.41%	8.14%
Consumer Discretionary	-0.97%	6.37%	42.30%	-37.03%	24.43%	33.30%	13.03%	1.57%	10.74%	11.95%	11.06%
Communication Services	1.24%	23.11%	55.80%	-39.89%	21.57%	23.61%	32.85%	2.50%	13.65%	9.32%	8.61%
Consumer Staples	5.94%	17.68%	0.52%	-0.62%	18.63%	10.75%	19.57%	8.48%	10.20%	9.61%	9.97%
Utilities	4.86%	22.55%	-7.08%	1.56%	17.67%	0.52%	26.21%	7.00%	7.52%	9.50%	9.66%
Materials	2.39%	11.21%	12.55%	-12.28%	27.28%	20.73%	14.90%	5.48%	13.10%	8.66%	8.94%
Financials	4.51%	22.57%	12.10%	-10.57%	34.87%	-1.76%	34.24%	8.02%	13.47%	11.41%	5.61%
Health Care	5.10%	16.31%	2.06%	-1.95%	26.13%	13.45%	19.82%	6.91%	13.71%	11.36%	10.76%
	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.

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 invest- ment 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.
Securities offered through LPL Financial, Member FINRA/SIPC. Investment Advice offered through Winthrop Wealth, a Registered Investment Advisor and separate entity from LPL Financial.