2023 3rd Quarter Financial & Investment Management General Commentary

Investment Market Overview

Where are we today?

Let's begin with a historic view as it relates to current market conditions.

When 1998 came to a close, we had the suspicion that very few stocks had accounted for the total return of the S&P 500 which achieved a 28.57% gain. What we found surprised us, the top 11 stocks accounted for more than the total gain for the year. What this meant was that the S&P 489, the bottom 489, was down for the year. The following year was even more dramatic and odd, the top 6 stocks accounted for more than the total return of the index which was up 21%. The S&P 500 index was up 55% for these two years but the concentration came from a very small number of stocks. This year is a repeat of those concentrated returns of 24 and 25 years ago. For the first 9 months, 7 stocks account for a total contribution of 85% of the return of the index and are up as weighted in the index 11%. The index return without these stocks is up just 2%. Just like in 1998 and 1999, the stocks leading the index today are great companies, the problem is finding great companies is not enough to have a great investment thesis. In order to have a great investment thesis, you need to have a method to buy these great companies at reasonable prices.

Rob Arnott runs an investment firm called Research Affiliates. He publishes every day on his website their expected returns for various asset classes over the next 10 years. At the end of Q3, he showed an expected return for Large Cap Domestic Equities 10 years from now of 4.1% and for the Aggregate Bond Index of 4.5% per year. While we do not have the data from 1998 and 1999, it was assuredly projecting very low returns. The methodology Research Affiliates uses is very thoughtful and very simple, if stocks are trading at low P/Es their projected future returns are high. While if stocks are trading at historically high P/Es, their projected future returns are very low. We have discussed this in several of our last commentaries: stock prices are very highly priced today by historical standards. We prefer price to sales ratios over price to earnings ratios because businesses cannot manipulate their price to sales ratio as easily as they can their price to earnings ratio. Today the price-to-sales of large cap domestic equities is in the top 5% of price to sales ratios going back 120 years. You may recall in our earlier Commentary; we took out the lower half of price to sales ratios over this 120-year period and still found the current price to sales ratio is in the top 5% over the same time period.

Looking ahead

So, concentration of return and high price to sales ratios are a warning signal. They are telling us the expected future return of the S&P 500 will be subpar. Will they be 4.1% per year over the next 10 years? Likely the answer is no, precision on future returns is an inexact science at best. This is what we can say with certainty, investing in the S&P 500 over the next decade may not solve the investment return needs of many of our clients.

The biggest winner in this crazy rise this year is Nvidia, up 435% over the first 9 months. To say the stock is overpriced would be a gross understatement. Ark, one of our sub-advisors known for holding very high-priced stocks, sold Nvidia this year at $185. They sold it because they could not see how Nvidia would achieve a 15% compounded annualized return over the next 5 years with the stock selling at $185. They have been ridiculed for this sale, a stock they first bought at $5 a share over 7 years ago. Anywhere you look for data on the current price of Nvidia, you will find reports of the valuation being ridiculously overpriced. Great company? Yes. Great investment at these prices? Very unlikely.

Dividend Portfolio

By contrast, for those in our dividend models, with these examples of crazy price levels, our domestic dividend portfolios have a current yield of about 3.75% with expected dividend growth of 7% or more per year. Do we wish it had a yield of 5%, sure, but it is still reasonably priced? If we start with a 3.75% yield and grow dividends by 7% per year, the yield 10 years from now will be over 7.35%. If that is even close to what we experience, we do not believe the dividend yield will be over 7.35%. What we think will happen is the price will rise significantly raising the price of the underlying portfolio and providing a double-digit total return for investors.

We are just as optimistic about the future returns from our international portfolio. The current yield of that portfolio is about 3.7%. Our expectation is that dividend growth will also be 7% per year or thereabouts. Total return will be similar to our expectation of total return on the domestic portfolio.

So, today we see a bright future with our portfolios and a bleak future for the indexation folks. They may be shining brightly today but history tells us their future is bleak.

Alternatives Portfolio

For some of our portfolio models, we have reduced our positions in currency-hedged Japanese equities and gold and increased positions in an emerging market equity with a degree of downside protection embedded by the ETF issuer. Our model research continues to find Japanese equities to be attractive. However, due to the prospect of currency intervention by Japan, we now hold a more balanced allocation between hedged and unhedged Japanese equities. We also initiated a position in emerging market equities, which represent an undervalued equity asset class according to our manager's research where they believe market pricing may already reflect the threat of a number of negative outcomes. In addition, unlike the Fed and the ECB (European Central Bank), emerging market central banks continue to pursue relatively more accommodative monetary policies which could support emerging market equities.

The prospect of a more serious correction in U.S. equity markets persists due to overvaluation, weakening global economic prospects and the threat of persistent inflation along with monetary tightening. Should a significant correction in U.S. equities materialize, we recognize that other equity markets may follow, at least in the short term, and an overall reduction in equity allocations across the strategies may be appropriate at that time. We have made adjustments consistent with our model research to other strategies as noted below.

Liquidity

Everyone loves liquidity, we love liquidity! We would welcome the opportunity to invest in just liquid ideas and portfolios. Over the years, however, we have found great investment opportunities that were not liquid. These investments have not been suited for everyone as there are liquidity needs to consider as well as some accreditation, but in some cases they may be appropriate.

So, why are we encouraging illiquid investments today, especially when we just expressed a very optimistic view of great returns from our dividend portfolios? There are two reasons. First, diversification is a key component in portfolio development. We think we need to provide you with several ideas that can solve the long-term investment return needs of your clients, and we have some investments that may accomplish this. Second, we live in a cash flow starved world, and cash flow with safety is very hard to find. As you know we have not recommended fixed income as a component of portfolio construction for some time. We believe, even today, fixed income is not yet an attractive long term asset class. Fixed income had two components in portfolio construction historically, low volatility and high cash flow. Today, one can still get reasonable cash flow investing in fixed income, but fixed income held has had very low returns because rates have risen. The low volatility component of fixed income was blown apart last year when the price on the 10 Year US Treasury declined by 16.3%.

Low volatility does not mean double digit losses in anyone's definition. Will we see double digit losses in fixed income in the future? That is anyone's guess, but what we do know is that there is pressure on rates to continue to rise. If that pressure on rates to rise turns out to be our reality, returns in fixed income will continue to be subpar. Someday we will be constructive in fixed income again, just not now.

Fidelity Cash Management

Fidelity has announced a change in it cash management program. As of 12/15 FCASH will be the only available cash account option for all new non-IRA accounts. Current non-retirement brokerage accounts that use an option other than FCASH as its core cash account may continue to do so, but all new accounts (including new accounts for existing clients) must use the FCASH money market account. The rate for FCASH money market accounts is 2.26% as of 9/20/23 whereas the interest rate on the money market funds we select for client cash accounts has been rising and is currently between 3.7% and 5.0%. Any client needing to set up new non-IRA money market account needs to do so prior to 12/15/23. This is most applicable to new clients.

Client Meeting

We have experienced a bit of hesitancy on the part of some of our clients to meet with us to discuss their financial planning and/or portfolio management over the past couple of years. This in part is the result of the aftermath of Covid and today's active lifestyles.

A meeting with your financial advisory firm for an hour or so is a good investment in your financial future. There could be changes in your personal circumstances that we need to know about since our last meeting. Further, it is important for us to know if there have been any changes you feel need to be made to your financial plan or investment portfolio. We encourage clients to meet with us at least yearly depending on the complexity of their financial affairs. We will make ourselves available to fit within your schedule whenever possible. Meetings can be either on-site or online.

Last Chance Financial Planning Checklist

We provide this checklist every year to our clients and we're back again this year with an updated list for 2023. Use this to review any financial changes that have occurred in your life over the last 12 months.

The checklist addresses 8 different areas in your financial life:

- Taxes
- Retirement
- Investments
- Insurance
- Milestones
- Health
- Changes
- Family

To request a copy, send an email to btotri@stjohnfinancial.com with the words Planning Checklist in the subject line. We will reply back with an attached copy for you to use.

College Planning

Big FAFSA Changes Are Here – What You Need to Know

Each year, millions of students fill out the Free Application for Student Aid (FAFSA) to get help to pay for college. This help comes from federal and institutional aid, such as grants, scholarships and loans.

For the 2024-25 award year, the FAFSA is getting a facelift that includes a redesign and fewer questions. Plus, formulas determining aid eligibility have been modified with the goal of expanding financial assistance for low-income families.

This recent FAFSA overhaul puts into practice laws enacted in the FAFSA Simplification Act, part of the Consolidated Appropriations Act of 2021 and amended by the Consolidated Appropriations Act of 2022. Click HERE to read the details of these changes.

Medicare

Centers for Medicare & Medicaid Services (CMS) has announced that the 2024 Medicare Part B premium will be $174.70, up 5.9% from the current premium of $164.90.

2024 Medicare Premiums

MAGI Single	MAGI Joint	Part B Base Premium	Part B IRMAA	Part D IRMAA	Total Monthly Premium
≤ $103,000	≤ $206,000	$174.70	$0.00	$0.00	$174.70
$103,001–$129,000	$206,001–$258,000	$174.70	$69.90	$12.90	$257.50
$129,001–$161,000	$258,001–$322,000	$174.70	$174.70	$33.30	$382.70
$161,000–$193,000	$322,001–$386,000	$174.70	$279.50	$53.80	$508.00
$193,001–$500,000	$386,001–$750,000	$174.70	$384.30	$74.20	$633.40
>$500,000	>$750,000	$174.70	$419.30	$81.00	$675.00

Clients should get their premium notice sometime in November. The Social Security Administration does look at tax returns every year, so if a client's income has changed from the previous year, the 2024 premiums should reflect it. There have been misconceptions that once you are charged the IRMAA it never goes away, but that's not true.

As always, these IRMAA brackets look to income two years prior and will be based on clients' 2022 tax returns. If a client has had a life-changing event that will cause income to be lower next year, you can appeal the IRMAA. Or, if you have filed an amended tax return for 2022 that would affect the 2024 IRMAA, this would be grounds for appeal too.

Medicare Advantage Marketing - Get ready for the onslaught. Beginning in early October, Medicare Advantage plans will be allowed to market their plans aggressively to the public in anticipation of open enrollment, which starts October 15.

Between October 15 and December 7, Medicare beneficiaries will have a chance to sign up or switch to a new Medicare Advantage plan, change their Medicare Drug Program and/or change Medicare Supplement coverage with coverage taking effect January 1, 2024.

Clients who are settled into Traditional Medicare with a supplement and Part D drug plan may remain blissfully ignorant of all the Medicare Advantage offerings out there…you can skip through the commercials. Clients with Medigap (Medicare Supplement) may want to change drug plans, but drug plan commercials won't help them: this is purely a financial decision based on the drugs they take and the costs of those drugs. These clients should log onto medicare.gov/find-a-plan and shop for the best plan for their needs. And they really should do this annually; drug plans are constantly changing their formulary and pricing, and new plans come on the market that may offer better coverage.

Alternatively, we have contracted with AMS (Affordable Medical Solutions) who can provide Medicare placement services at no cost. If interested call Amanda Starnes at 770/945-5261 X626 and give our name as a referral.

Clients who signed up for a Medicare Advantage plan when they first went onto Medicare, and who want to stay with Medicare Advantage should review their current plan and switch to a different plan if they find a better one. AMS can provide this service to you.

Oct. 15 to Dec. 7. You have many options to change coverage during this annual open enrollment period. You can switch to a different Medicare Advantage plan, change from a Medicare Advantage plan to original Medicare and vice versa, or switch from one Part D drug plan to another. Coverage in the new plan begins Jan. 1.

Jan. 1 to March 31. If you have a Medicare Advantage plan, you can switch to another Medicare Advantage plan, or change from Medicare Advantage to original Medicare and join a Part D plan during this Medicare Advantage open enrollment period. Coverage begins the first day of the month after you switch.

Social Security

Social Security COLA Set at 3.2% for 2024. Social Security recipients will get a 3.2 percent increase in their monthly payments next year, the Social Security Administration (SSA) announced Oct. 12.

The 2024 cost-of-living adjustment (COLA) marks a big drop from this year's increase of 8.7 percent, reflecting a considerable cooldown of inflation over the past 12 months.

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Consumer prices drive COLA

The SSA bases the COLA on changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the third quarter from one year to the next. The CPI-W is a subset of the main consumer price index, which provides the headline number in reporting on inflation.

The 2024 adjustment represents the difference between the average CPI-W index for July, August and September of 2022 and the average for those months in 2023. Shortly before the COLA reveal, the U.S. Bureau of Labor Statistics announced that the CPI-W rose at a 3.6 percent rate in September, following increases of 2.6 percent and 3.4 percent in July and August, respectively.

Social Security benefits have been annually adjusted for inflation since 1975. The previous two COLAs — 5.9 percent in 2022 and 8.7 percent in 2023 — were the largest since the early 1980s and increased the average monthly retirement benefit by $92 and $146, respectively, in those years.

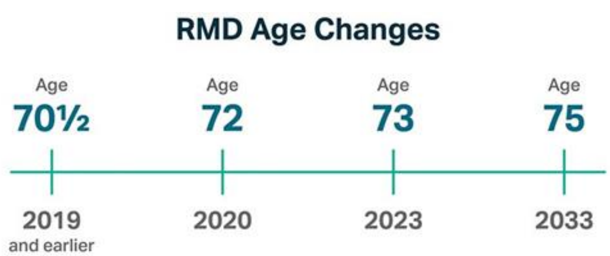
Taxes

Retirement account owners must take required minimum distributions (RMDs) from traditional IRAs and 401(k)s after a certain age. The SECURE 2.0 Act, which was signed into law in December 2022, changes the RMD rules for retirement savers beginning in 2023.

The new RMD rules for 2023 include:

- A higher RMD age.
- A lower penalty for missing a withdrawal.
- New rules for qualified charitable distributions.
- The Roth 401(k) RMD will be eliminated.

The SECURE Act of 2019 increased the RMD age from 70½ to 72 years. Now the SECURE 2.0 Act of 2022 has once again delayed the RMD age from 72 to 73 starting in 2023. And wait, there's more. In 2033, the RMD age will increase to age 75.



Since this new law became effective this year, the confusion is understandable. Here is a good overview to help eliminate some of that confusion.

529 Plans and Roth IRAs

A 529 plan is a tax advantaged education savings plan. A Roth IRA is an account where you invest after-tax dollars…dollars already taxed once, into a tax advantaged retirement account called a Roth IRA.

These are two tax-smart ways to set aside money for college: 529 plans and Roth individual retirement accounts (IRAs). 529 plans are designed to pay for education but you can also tap a Roth IRA for college, even though it's intended for retirement.

The well-known 529 plan can be used for K-12 education related costs as well as college expenses. But how does a Roth IRA figure in?

Like the 529, there is no income tax deduction when you contribute to a Roth IRA. Instead, your contributions and earnings grow tax free. And because you've already paid your taxes, you can withdraw contributions at any time, for any reason, tax free.

Many families use money from a Roth IRA to pay for at least a portion of their children's college expenses. The real magic of the Roth IRA happens if you waited until later in life to have kids or you're saving for grandkids.

Once you reach age 59½ (and it has been at least five years since you first contributed to a Roth), all of your withdrawals—earnings as well as contributions—are tax free. This means that 100% of your withdrawals can go to college expenses. If you're not yet 59½, withdrawals of earnings will be subject to income taxes, but not an early withdrawal penalty, so long as the cash is used for college expenses.

What's more, any money that you don't end up spending on college can remain in the Roth to fund your own retirement. Additionally, you can roll any unused 529 funds into a Roth IRA belonging to the student beginning in 2024. The 529 plan must be open prior to the rollover for at least 15 years to qualify and the funds must have been in the 529 account for at least 5 years before being rolled over.

It can be difficult to choose between a 529 plan and a Roth IRA. But there's nothing that says you can't fund both, provided you're financially able to do so. This can be a good strategy. You can use the money from the 529 plan first to pay for college and then tap the Roth IRA for any leftover expenses. Whatever money is left in the Roth IRA can stay there for your retirement.

Key Planning & Investment Deadlines

October 1. Final deadline for establishing SIMPLE IRA for 2023
October 1. FAFSA 2024-2025 opens
October 15. Medicare Advantage and drug plan open enrollment begins
October 16. 2022 extended individual tax returns due
November 1. 2023 Health insurance open enrollment starts
December 7. Medicare Advantage and drug plan open enrollment closes
December 31. Last day to:

- Establish Keogh, solo 401(k)
- Make contributions to 401(k)
- Sell stock to realize gains/losses
- Take RMDs
- Pay expenses for itemized deductions
- Make tax-deductible charitable contributions
- Make annual tax-free gifts

Seven Questions to Ask Your CPA before Year-End

Given the complex tax situation many high-income earners face, start tax planning in the fall while there is still time to make adjustments. We created a brief report with questions you may want to run by your CPA if they apply to you. These seven questions can help you spot problem areas and better understand the services you may need. Send an email to btotri@stjohnfinancial.com with the words *CPA Questions* in the subject line and we'll send you a copy.

Need for Senior Living Assistance

When it comes time to consider independent or assisted living facilities for your parents or for your-self, you may find that time is short and the decision making is involved and complex. If you are faced with this situation or would like to get ahead of any such possible upcoming decision, we can help you. We have affiliate companies whose purpose is to work with you for the placement into the right living arrangements. If you are a financial service client, we will work through the process with you. If you are an investment only client, we can put you in contact with a senior living assistance who will work with you. Please know that this 3rd party assistance company has no financial interest in the outcome as the organizations we use are all paid by facility on a uniform fee basis. If we can help, please contact the financial service department.

Personal Financial Management

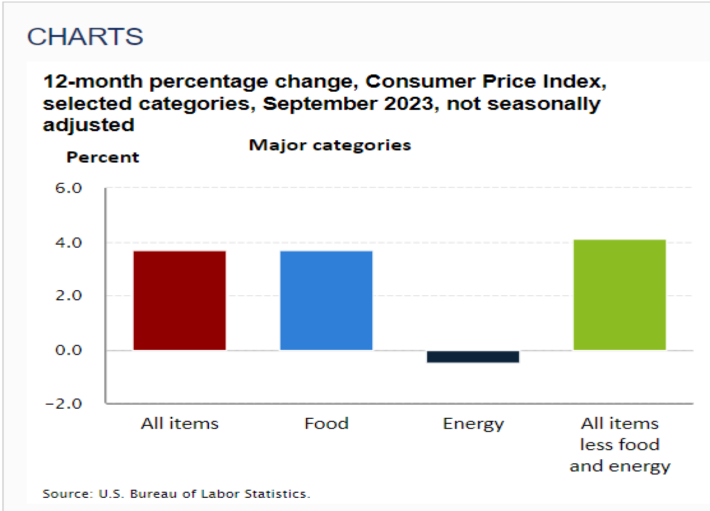
Especially under today's conditions of financial uncertainty, high inflation, and more demands on family income, it is more important than ever to follow sound financial principles. Focus needs to be on setting realistic financial goals, saving for emergencies, monitoring your credit, focusing on quality of life not lifestyle, and remaining financially informed to be able to make the best financial decisions. If you need assistance or coaching on your financial management and would like to meet or discuss our financial services and your portfolio management, we welcome hearing from you.

The Economy and Markets

CPI

- The consumer price index increased 0.4% on the month and 3.7% from a year ago, above respective forecasts for 0.3% and 3.6%.
- Core CPI increased 0.3% on the month and 4.1% on a 12-month basis, both exactly in line with expectations.
- Shelter costs were the main factor in the inflation increase, accounting for more than half the rise in CPI.
- Real average hourly earnings fell 0.2% on the month but were up 0.5% from a year ago.

In August, the Consumer Price Index for All Urban Consumers increased 0.6%, seasonally adjusted, and rose 3.7% over the last 12 months, not seasonally adjusted. The index for all items less food and energy increased 0.3% in August (SA); up 4.3% over the year (NSA).



While inflation has slowed down in the past couple of months, the reality is that we have already had consumer price increases. The fact that the growth rate is beginning to flatten does not take away the increases we have had over the past 2 years. Those price increases seem here to stay. Ultimately. we are not out of the woods regarding a recession and this will come down to the results from the existing tightening that has been done so far.

Market Corrections and Downturns

Although some indexes, such as the S&P 500 and NASDAQ, have indicated the market has been on a rise, as we discussed on page 1, this has not been the case except for a handful of technology stocks that happen to make up a large percentage of these indexes. The rest of the market including both domestic equities as well as international equities have moved into a correction or a potential bear market.

Investing, however is a long-term strategy and we must accept short term periods of losses to achieve long term gains. This is the definition of investing.

Background

It may be easier for us to explain Einstein's Theory of Relativity than to explain this market right now. We continue to have data points going in positive and negative directions. There is no consensus when a recession will hit or even that one will hit; and some say we are in a recession now.

We prepared for the "big" correction in 2021 and it was pushed to 2022 and then 2023 and now 2024. We could make the case for any of these along the way and the data to both prove and disprove each theory of when and how much.

The Fed right now is taking a victory lap that they have achieved a soft landing, but many analysts don't think inflation is finished rising as we are back up at the highs for oil and there is a suspicion that the low unemployment may be due to people having to work multiple jobs or people giving up and going on government subsidies.

The interest rate yield curve is still inverted and inflation is still not down to the FED's 2% target. It would have to cut in half to reach that goal. Many feel the FED has gone too far too fast and reduction in interest rates are needed, but the FED cannot stop raising rates until inflation is tamed and they typically only cut rates when they broke the economy. The worst effect is they did raise rates too fast and too high and they did break something, but inflation is still not under control. The easiest way for the FED to fix inflation at this point is a recession.

Additionally, many government debts come due and need to be refinanced at higher rates which will drive up more debt. This will also be the case for corporate debt. Higher interest rates will create a strain on the economy as will higher gas prices. Energy and Food continue to be a driving force of inflation as seen in the most recent CPI. We still believe we are due for a hard-hitting recession and correction.

We believe the reason this has not happened yet is the government intervention, but the lateness of this intervention and with the speed in which it needed to be done we would expect some reaction.

While the indexes we pointed to above look to be moving in a positive direction, a phenomenon we have seen since 2019 is a handful of stocks are driving these index returns while the rest of the stocks have been moving in a sideways pattern. We started with the FANG stocks or Facebook, Amazon, Netflix and Google. Then Apple joined making it FAANG. Google and Facebook eventually fell off followed by Netflix. Added to the group was Microsoft and Google as Alphabet and Facebook as Meta worked its way back on the list for a new acronym, MAMAA. Now we have AI stocks like Nvidia and tech companies like Tesla as the new drivers. These are the new drivers of the indexes: Apple, Nvidia, Tesla, Microsoft, Alphabet (formerly known as Google), Meta (formerly known as Facebook), and Amazon.

The rest of the US Stock market is delivering marginal returns.

As an example, the S&P top 100 index of the largest 100 stocks including those listed above had a year-to-date return of 19.01% ending September 30th. The S&P 500 index including the top 100 but adding in the next 400 large companies below the 100 for the year-to-date period was 13.7%. Without the top stocks, this index would be substantially lower. Dipping into the mid cap range, the S&P mid-cap index returned 4.27% year to date and the S&P small cap returned just 0.81%.

Longer term, the US market has remained stronger than the rest of the world. The MSCI EAFE index for 5 years ending 9/30 was 3.24% and the MSCI World excluding US was 3.44% versus the Russell 3000 broad domestic equity market index of 8.61%.

Bear Market vs Bear Market

Although market cycles can be easily seen looking backwards in time, they are very difficult to predict while in the middle of one.

We believe that we are in a bear market, but there are two kinds, Secular and Cyclical.

Fidelity defines a long term "Secular Bear" market as those markets driven by long-term trends such as the direction of interest rates or corporate earnings, rather than by the phases of the business cycle, and they may continue for many years despite even severe short-term interruptions. Typically, secular bear markets are a long term up and down markets moving on average in a sideways pattern.

Cyclical bear markets arise when investor sentiment turns negative and typically last weeks or months. These can be short term corrections, a reaction to a global event or even a short recession. They are defined by at least a 20% drop in the market from its high point and in many cases is followed by an upturn in the market.

We believe we may be entering a secular bear market which is different from a cyclical bear market which is short term. While we have had a short-term bouncing market over the past few years of cyclical bull and bear markets, some of these only a few months long, secular bear markets last longer, up to 15 years. If this is the latest secular bear market, it may have started November of 2020.

To show an example of a Secular Bull and Secular Bear Market, we can look at the S&P 500 bull run of 1982 through 2000. As you can see, the following years moved in an up and down, yet sideways manor into 2014.

Secular Bull Market

Secular Bear Market

You can compare that to what we are seeing today since 2014.

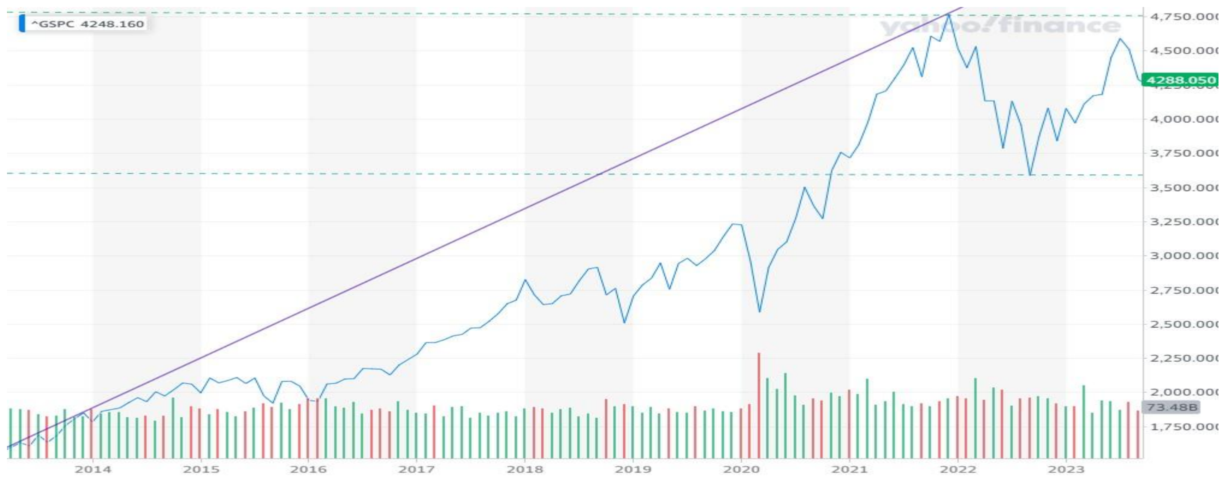
Secular Bull Market Secular Bear Market?

Unfortunately, we will not be able to say one way or another as we do not know if the market will go up from here or turn down again. To make that case, let's look at an example of a Cyclical Bull and Bear market.

Cyclical Bull Market Cyclical Bear Market

In this example, there was a downturn in 1975 that looked like it was going to continue, but moved back up higher than the previous high in 1973. So again, if we compare this to current day, will the market move above the 2022 high?

Cyclical Bull Market Cyclical Bear Market?



It is difficult at this time to make a determination of Cyclical or Secular, but given the recent world events, the increased costs of goods, the increased costs of growing a business with higher interest rates and employee costs and the high P/E ratios of stocks, it is a good bet to lean toward a longer-term market stagnation.

Unfortunately, the long-term bond market charts do not look much different and we could end up with a secular bear market in bonds if the FED does not move carefully.

Having said all this, these events are part of a market and the reason investing is long term. If we had gotten out of the market at some time during the 2000 to 2013 bear market, we would have missed the next 10-year bull market run.

For this reason, we reiterate that it is still important to remain in the market, but perhaps temper your expectations for high returns. This is why we have pushed clients to move to more stable dividend income to meet cash needs going forward, but remain in the market.

Active Portfolio Management

During times of recession or secular bear markets, the goal is not to totally prevent loss, but minimize the effect of it. This is for two reasons. One is that it is incredibly difficult to pick the top of the market to get out at the right time. Typically, we tend to look back and see where the recession or bear market began. The markets have a way of fooling us and if we had gotten out of the market sometime during the 2020 Covid short term bear market, we would have missed the run up for the rest of 2020 and 2021.

The second reason is that a recession or bear market can end at any time and is usually abrupt. There is no way to know if the upturn in 2023 is a bounce from the 2022 losses or the beginning of a new run-up. Because of this we try to limit losses, but remain in the market to participate should the market continue to go up.

While remaining in the market is important, for a majority of our clients, managing the risk is just as important. While we understand the charts above do show the traditional up and down movement in the market and do show that for every major loss, there has been a recovery, the reality is when we have a significant market drop, we all feel it deep down. Some may feel it more than others but we all feel it. Understanding that markets do rise and fall, an individual's risk tolerance does factor in.

The goal of the portfolio model is to match your level of risk with the portfolio and generate a reasonable return for a reasonable level of risk. While most clients will look at return alone, it is important to understand the returns being generated have a risk component to them. We feel with the changes we have made to the portfolios over the last several years, that managing risk (volatility) is as important as generating returns and when comparing the portfolio to any index, you should take that into account.

Additionally, the portfolio is set up as a diversified portfolio and the S&P 500 and Nasdaq are not comparable indexes to the portfolio. While your portfolio may underperform these indexes the risk level is substantially lower than these indexes. If you would ever like to see a comparison of your portfolio to a specific index, we can generate that.

Introducing a new client service

We wanted to find a way to help our clients take part more easily and effectively in the financial planning and investment planning process. We need to have documents signed, there are deadlines for required actions, tax returns need to be forward to us, financial planning goals need to be updated, and more…much more. Clients need an easy way to keep up with-it all-in order to optimize our service to you. The answer? **Knudge**.

Knudge is an email and/or text messaging system that allows us to program in to-do and open items and then share them with you. It helps all of us get stuff done. Knudge sends reminders to you at optimal times to increase the likelihood of an action being taken on time and keeps a record of our progress. We will be rolling out Knudge over the course of this year beginning with those full-service clients with the most needs. We will send you an invitation to join so you don't have anything you need to do at this time.

You can learn more by following this link then clicking on *Unsure What Knudge Is?*

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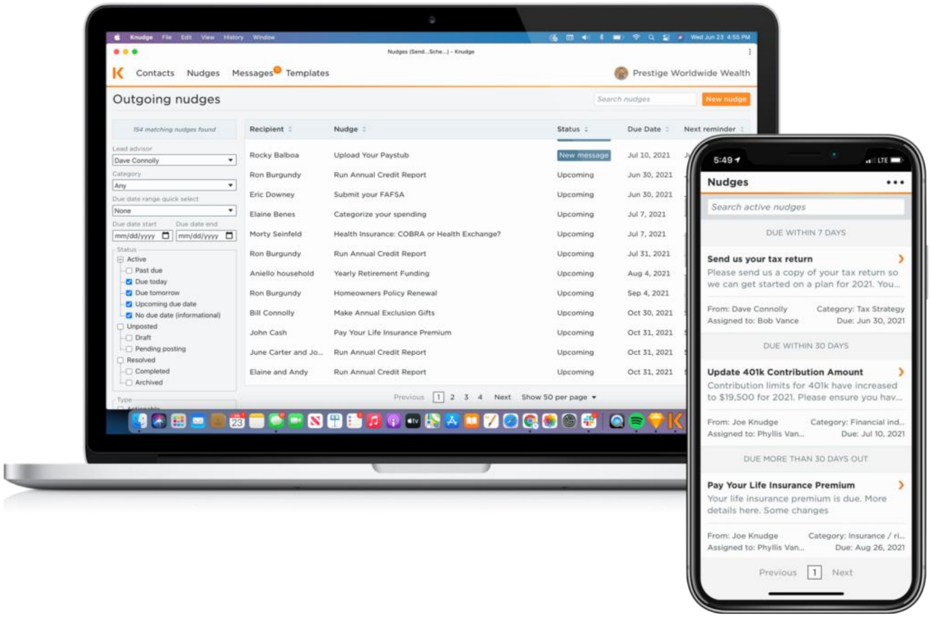
INTEGRATED FINANCIAL SERVICES



Below are the returns for index categories making up the broader markets. Morningstar sourced these index returns. Returns beyond one year are annualized.

	3rd Qtr. 2023	1 Year Average	5 Year Average Return	10 Year Average
S&P 500 Growth	-2.59	19.82	10.44	13.46
S&P 500 Value	-4.09	22.19	8.41	9.64
S&P Midcap 400 Growth	-3.24	16.21	5.63	8.89
S&P Midcap 400 Value	-5.23	14.50	6.06	8.64
S&P SmallCap 600 Growth	-4.26	9.62	2.91	8.55
S&P SmallCap 600 Value	-5.60	10.26	3.23	7.58
DJIA	-2.10	19.18	7.14	10.79
S&P 500	-3.27	21.62	9.92	11.91
S&P 500 Equal Weighted	-4.90	13.64	7.97	10.20
S&P Mid-Cap 400	-4.20	15.51	6.06	8.94
S&P Small Cap 600	-4.93	10.08	3.21	8.15
Russell 1000	-3.15	21.19	9.63	11.63
Russell 2000	-5.13	8.93	2.40	6.65
Russell 3000	-3.25	20.46	9.14	11.28
MSCI EAFE	-4.11	25.65	3.24	3.82
MSCI EAFE Large Growth	-9.16	20.32	4.29	4.79
MSCI EAFE Large Value	0.59	32.93	3.34	2.94
MSCI Emerging Mkt	-2.93	11.70	0.55	2.07
MSCI World	-3.46	21.95	7.26	8.26
MSCI US IMI Gold	-11.72	-5.41	7.15	5.15
DJ Real Estate	-8.56	-0.64	2.58	5.93
Bloomberg Commodities	4.71	-1.30	6.13	-0.75
Bloomberg Agg US Bond	-3.23	0.64	0.10	1.13
Bloomberg Agg US Interim	-1.89	1.42	0.42	1.06
Fidelity Money Market	1.26	4.31	1.47	0.89