



ZUCKERMAN INVESTMENT GROUP

Market Overview

January 2024

2023 Market Recap



▲ “Soft Landing”

- ▲ Heading into 2023, many market participants expected below average equity returns
- ▲ One of the most anticipated recessions in history– did not happen in 2023

▲ Stock Performance Surprised to the Upside

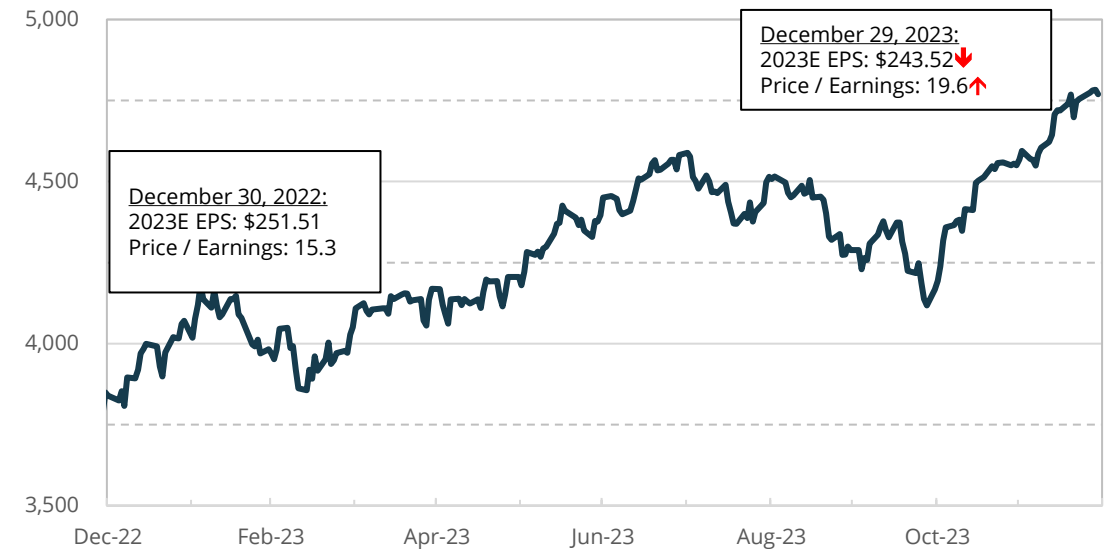
- ▲ The S&P500 increased 26%, significantly higher than long term average despite negativity heading into 2023
- ▲ Performance was largely driven by the mega-cap tech stocks
- ▲ EPS growth remained positive, but stocks were mainly driven by multiple expansions to 19.6x forward P/E
- ▲ The lesson we keep learning– it is difficult to forecast and predict.

▲ The Metrics that Mattered

- ▲ Economic growth was resilient at 2% trend growth and corporate EPS remained positive
- ▲ Low unemployment was sustained below 4%, but metrics such as inflationary wage growth slowed
- ▲ CPI inflation (and the Fed preferred metric of CPE) showed clear improvement

▲ The Federal Reserve and the Bond Market Expectations

- ▲ The risk-asset rally driven by the Fed pause in raising rates, with merely an expectation that rate cuts will come in 2024.
- ▲ The bond market is expecting 4 – 6 Fed rate cuts in 2024. The Fed has an official projection of 3 rate cuts



Market Overview: Performance



- ▲ **Russell 3000 Value Index**
 - ▲ Performance 12/30/2022 – 08/31/2023: 5.8%
 - ▲ Performance 09/01/2023 – 10/31/2023: -7.9%
 - ▲ Performance 11/01/2023 – 12/29/2023: 13.5%
 - ▲ **2023 Performance: 11.6%**

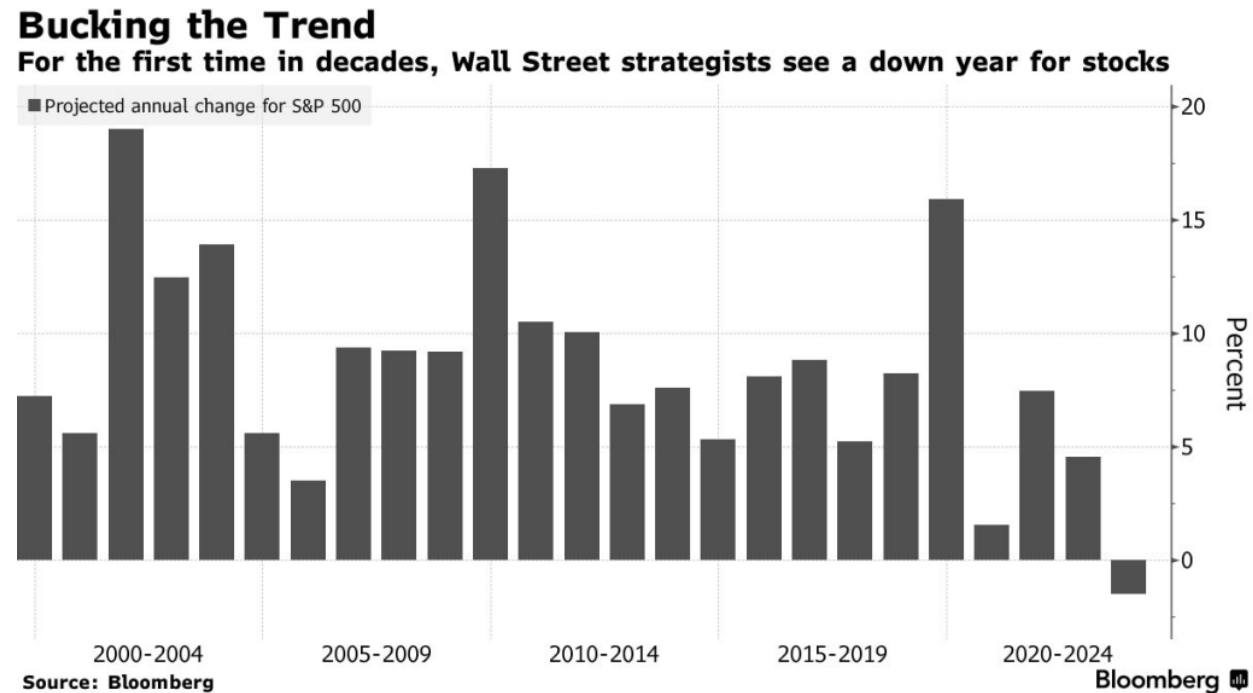
- ▲ **S&P 500 Index**
 - ▲ Performance 12/30/2022 – 08/31/2023: 18.7%
 - ▲ Performance 09/01/2023 – 10/31/2023: -6.9%
 - ▲ Performance 11/01/2023 – 12/29/2023: 12.8%
 - ▲ **2023 Performance: 26.3%**

- ▲ **Russell 2000 Value Index**
 - ▲ Performance 12/30/2022 – 08/31/2023: 4.8%
 - ▲ Performance 09/01/2023 – 10/31/2023: -12.1%
 - ▲ Performance 11/01/2023 – 12/29/2023: 21.8%
 - ▲ **2023 Performance: 16.9%**

Market Overview: 2023 Expectations



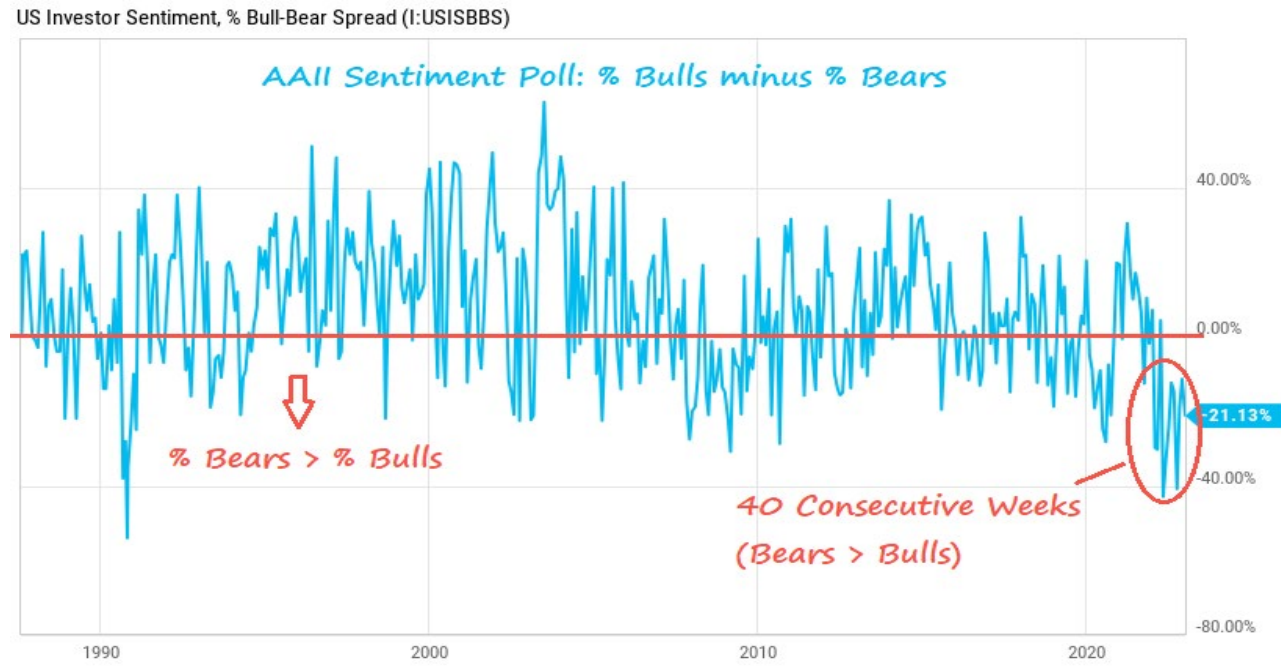
Heading into 2023, Wall Street strategists forecasted a negative return for the S&P 500.



Market Overview: 2023 Expectations



Heading into 2023, individual investor sentiment was bearish.

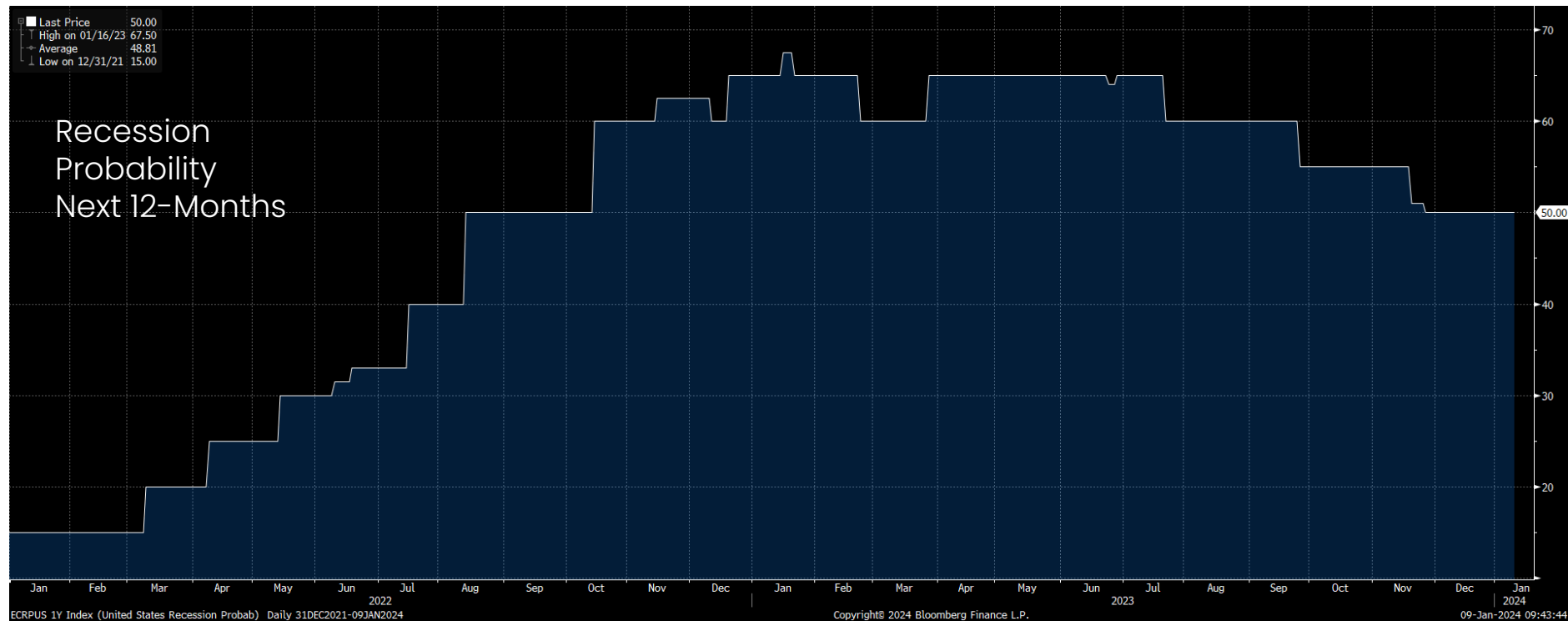


Source: Creative Planning

Market Overview: 2023 Expectations



Heading into 2023, the consensus recession probability among economists was just shy of 70% .



Source: Bloomberg

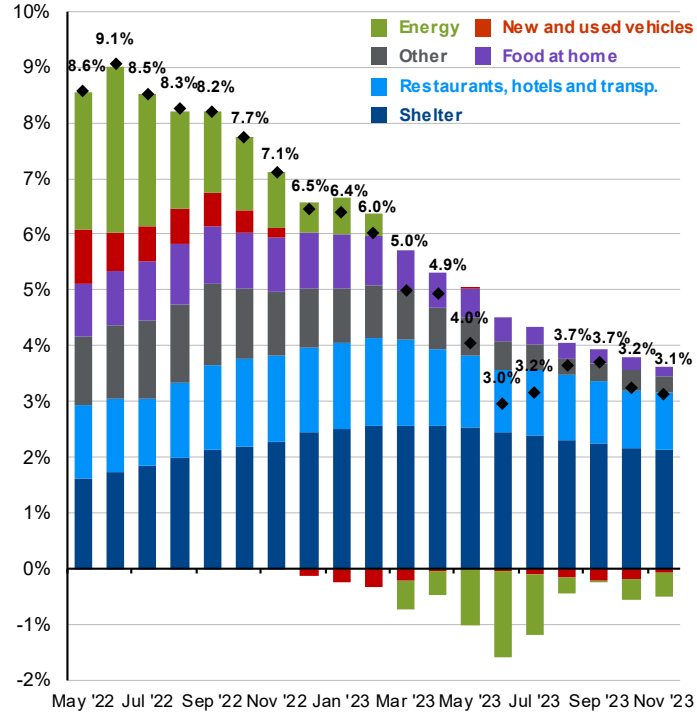
Market Overview: Inflation



Throughout 2023, inflation moderated from 6.5% to 3.0%.

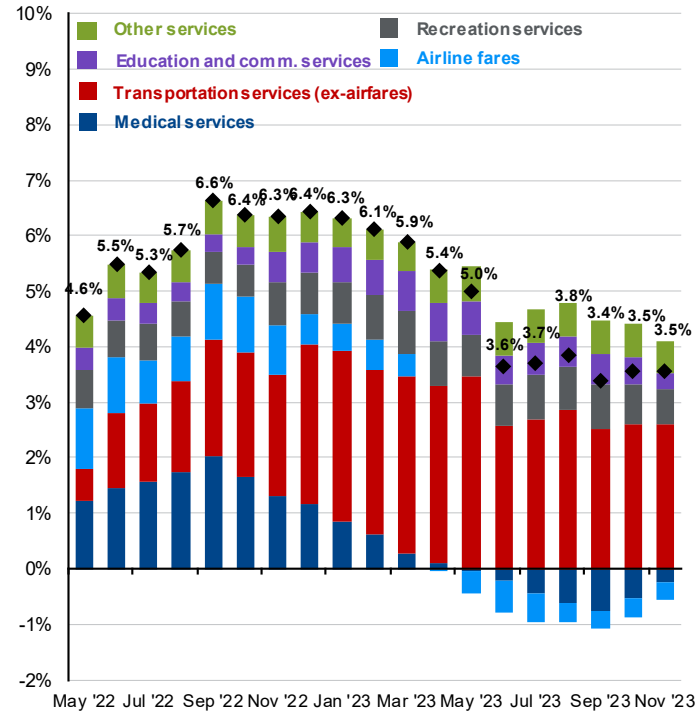
Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Contributors to core services ex-shelter CPI inflation*

Contribution to y/y % change in custom CPI index, non-seasonally adj.



Source: J.P. Morgan

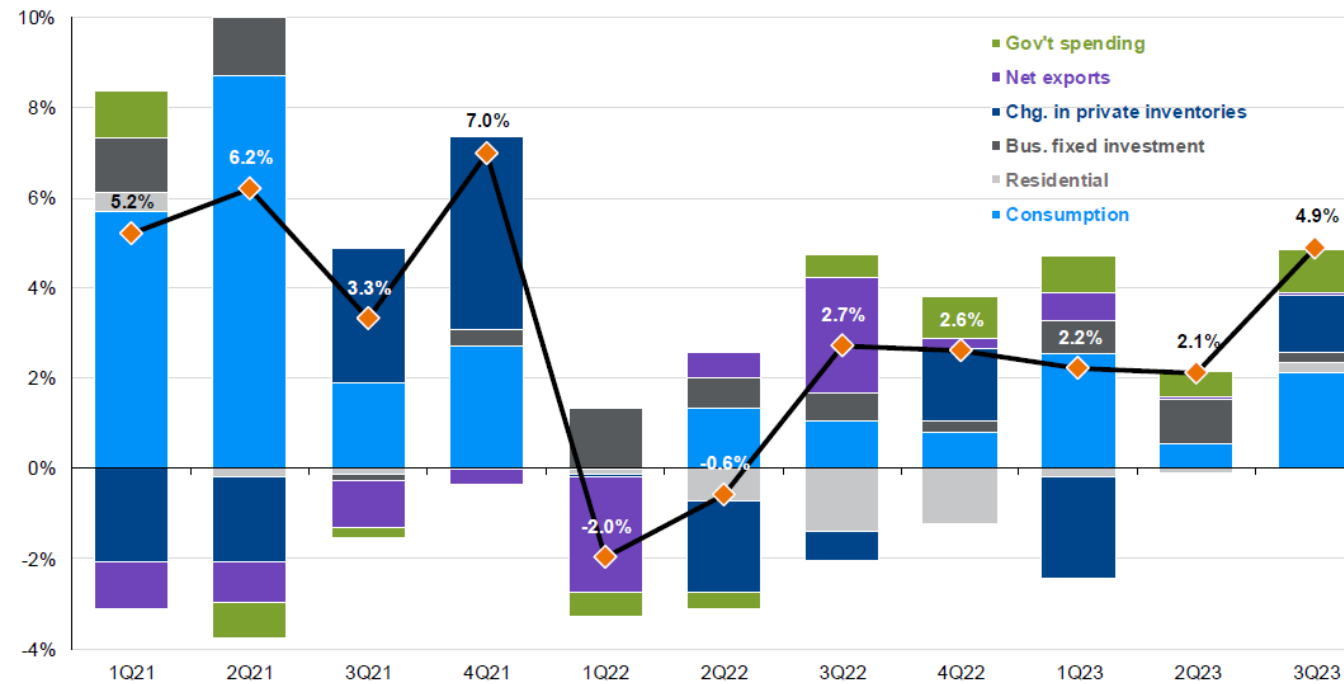
Market Overview: U.S. GDP



Despite expectations for “hard-landing”, GDP was better than feared.

Contributors to real GDP growth

q/q % change, annualized rate



Source: BEA, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of December 31, 2023.

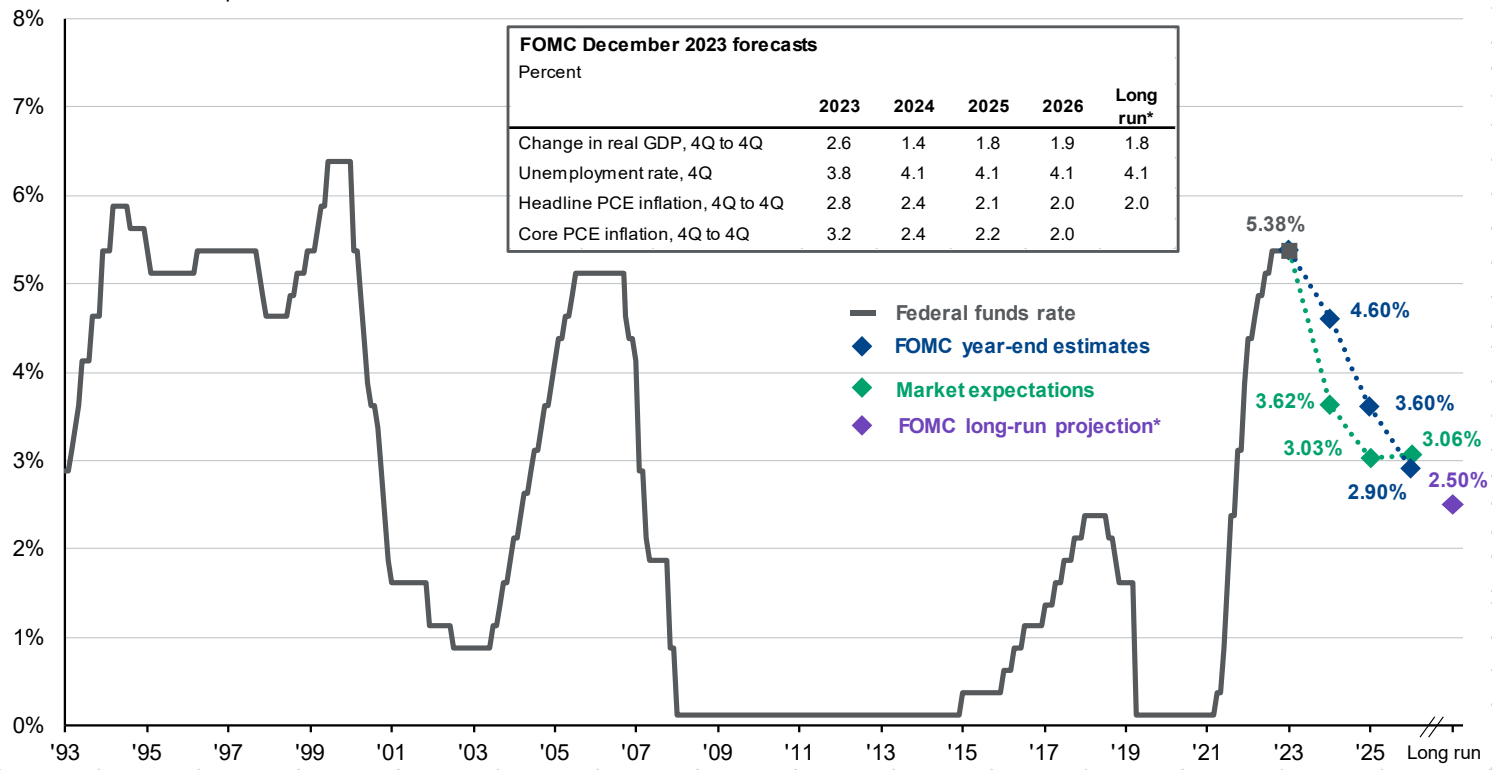
Market Overview: Federal Reserve



Market expectations & Federal Open Market Committee project the Federal Funds Rate to decline in 2024.

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: J.P. Morgan

Recap



2023 performance relative to expectations reinforced the importance of having a correct asset allocation and staying invested.

How to Choose Your Investment Strategy?



LOCATION OF ASSETS

- Where are your assets located?
- What are the amounts of your assets?

LIQUIDITY NEEDS

- How much do you withdraw from your account on an annual basis?
- Do you have any significant upcoming expenditures?

TIME HORIZON

- When will you begin to withdraw from your account?
- What is the timeframe of any upcoming expenditures?

RISK ASSESSMENT

- How would you characterize your risk tolerance?
- What is your previous experience with investing?

CHOOSE STRATEGY

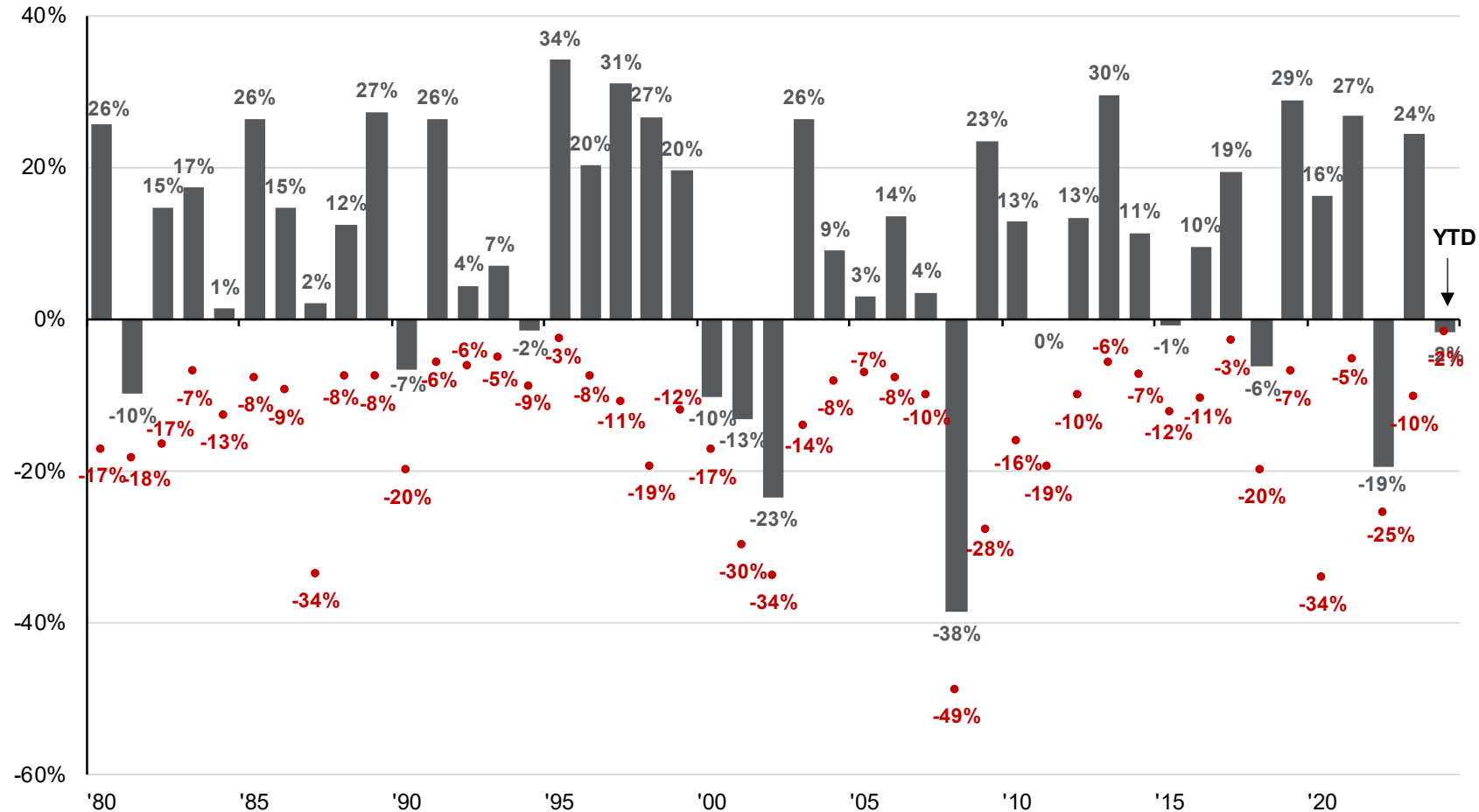
- Cash Management
- Fixed Income
- Balanced
- Equity

Market Overview: Staying Invested



S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.2%, annual returns were positive in 33 of 44 years

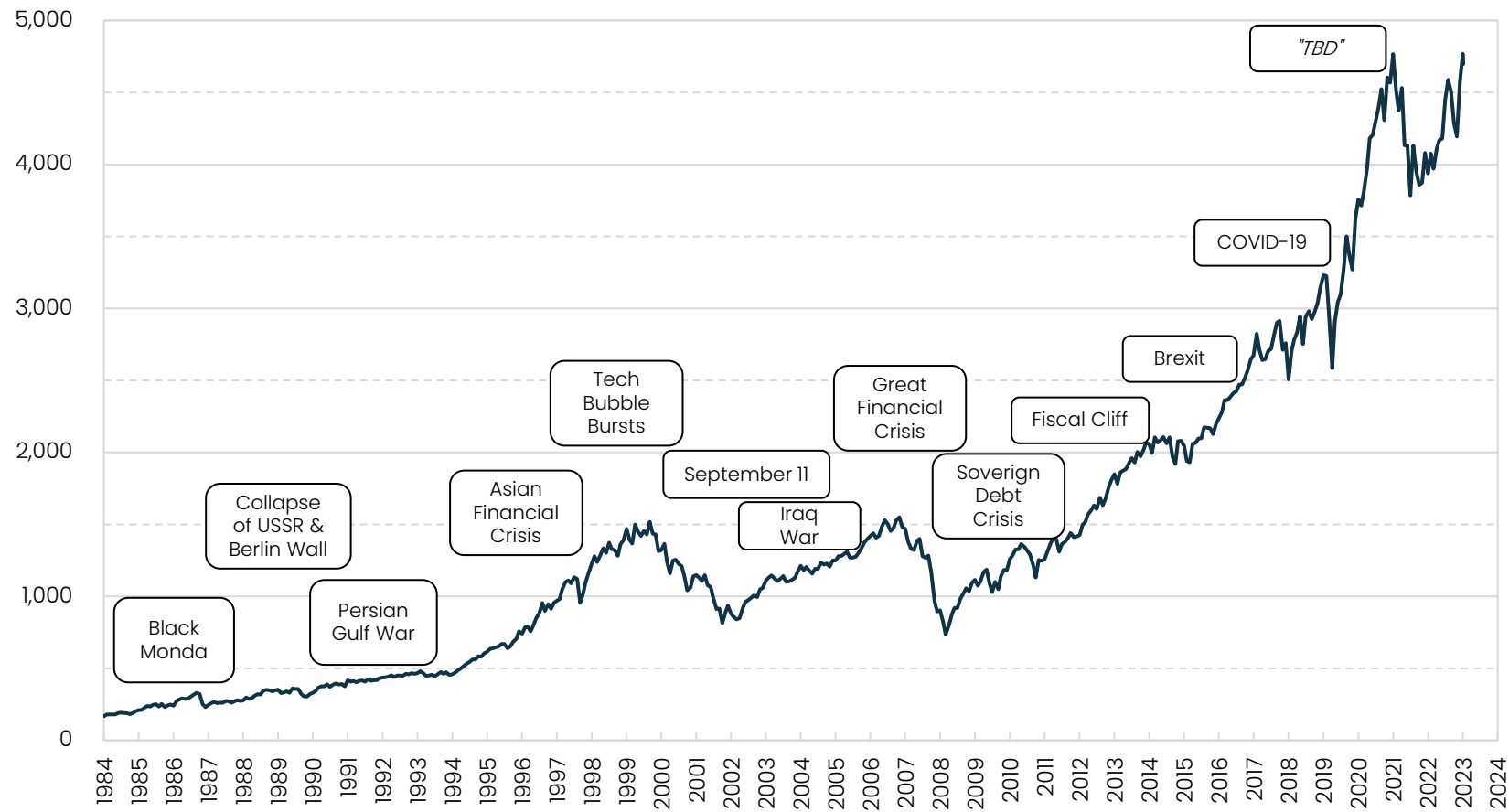


Source: J.P. Morgan

Market Overview: Staying Invested



Staying invested in equities, through all the ups and downs, remains the best way to build long-term wealth.

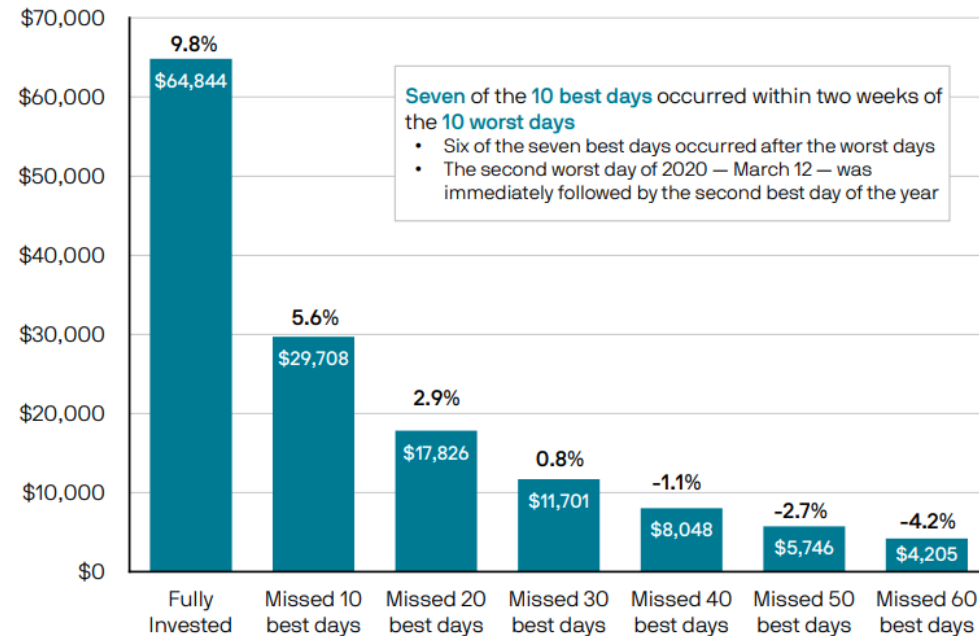


Market Overview: Staying Invested



Returns of the S&P 500

Performance of a \$10,000 investment between January 1, 2003 and December 30, 2022



Plan to stay invested

Losses hurt more than gains feel good. Market lows can result in emotional decision making.

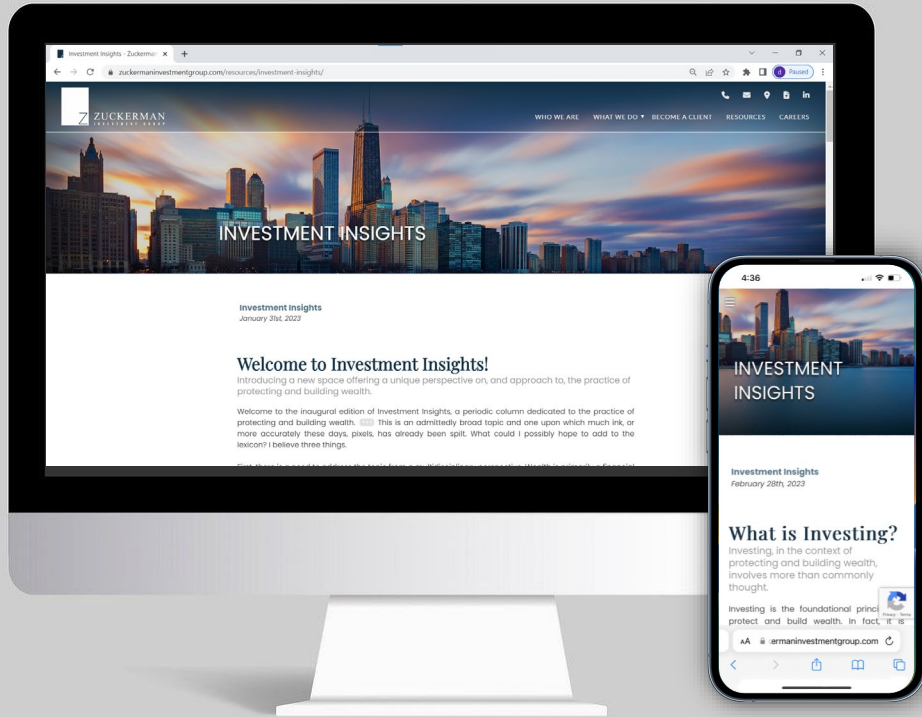
Taking “control” by selling out of the market after the worst days is likely to result in missing the best days that follow. Investing for the long term in a well-diversified portfolio can result in a better retirement outcome.

Source: J.P. Morgan Asset Management analysis using data from Bloomberg. Returns are based on the S&P 500 Total Return Index, an unmanaged, capitalization-weighted index that measures the performance of 500 large capitalization domestic stocks representing all major industries. Indices do not include fees or operating expenses and are not available for actual investment. The hypothetical performance calculations are shown for illustrative purposes only and are not meant to be representative of actual results while investing over the time periods shown. The hypothetical performance calculations are shown gross of fees. If fees were included, returns would be lower. Hypothetical performance returns reflect the reinvestment of all dividends. The hypothetical performance results have certain inherent limitations. Unlike an actual performance record, they do not reflect actual trading, liquidity constraints, fees and other costs. Also, since the trades have not actually been executed, the results may have under- or overcompensated for the impact of certain market factors such as lack of liquidity. Simulated trading programs in general are also subject to the fact that they are designed with the benefit of hindsight. Returns will fluctuate and an investment upon redemption may be worth more or less than its original value. Past performance is not indicative of future returns. An individual cannot invest directly in an index. Data as of December 31, 2022.

J.P.Morgan
ASSET MANAGEMENT

Source: JP Morgan Asset Management

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