

Capital Market Review / *Fourth Quarter 2023*

The Big Picture

Patience is a virtue

Patience is a key ingredient to long-term investing success. This past year we have been recovering from the 2022 bear market, and it has been a frustratingly slow process. Things started off looking better, yet it was only seven stocks that were going up while everything else went nowhere or even down. The wind finally came back around, and we ended 2023 with a strong rally. We predicted this and were well positioned for it.



So, how do we know? Experience certainly helps, but there are fundamentals that can help too. Prudent investing is done from the bottom-up. This means we make investment decisions based on each individual investment. It is much easier to analyze a particular company and assess its future than it is to guess where the entire market is going. This is obvious to anyone who thinks about it for a second, yet the standard question we get is, “Where is the market going?” That is what the media focuses on, so that is what people think about.

This is also true in analyzing managers. We need to understand how they make investment decisions and if we believe they have a solid process and are able to execute efficiently. This is far easier than trying to understand what the market will do to them in the short run. That patience leads to long-term success.

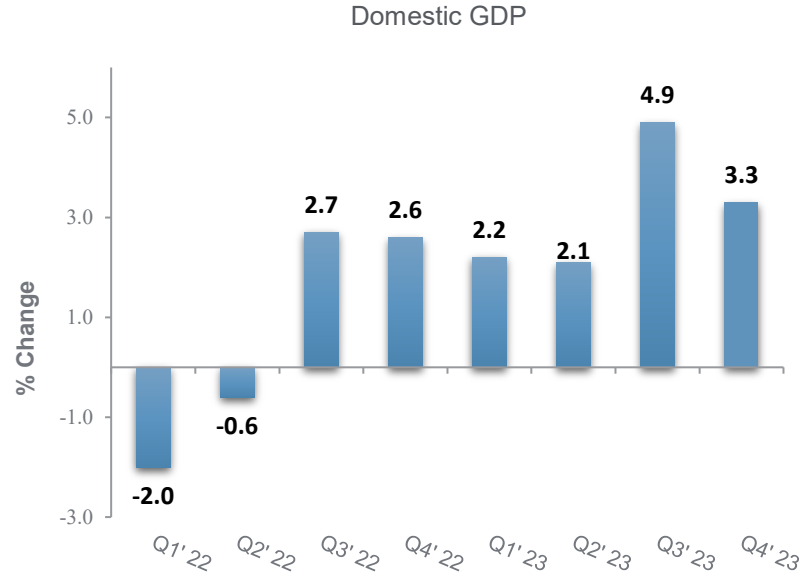
Patience is a key ingredient for long-term investing success.

The Economy

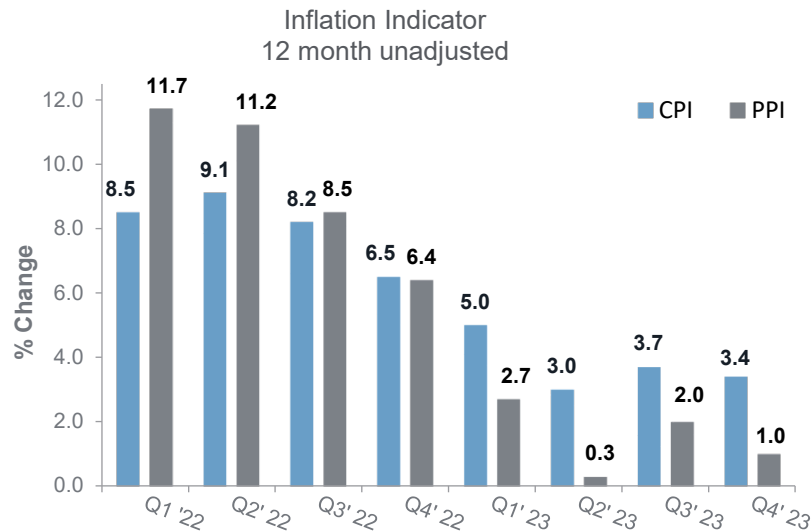
The 3rd quarter 2023 GDP growth came in up 4.9 percent, so much for all that recession talk. It is hard to remember a year when so many got it so wrong. That level of growth isn't sustainable but the initial reading for 4th quarter is 3.3 percent, which is still solid growth.

The official unemployment rate was 3.7 percent through December. The labor market remains tight, and participation is growing. This is occurring while inflation is coming down, and the market is finally recognizing that good news is good news.

Inflation is 3.4 percent based on the latest consumer price index report. Down from 3.7 last quarter. The producer price index, which tracks wholesale prices, is up only 1.0 percent over the last 12 months.



Source: Factset



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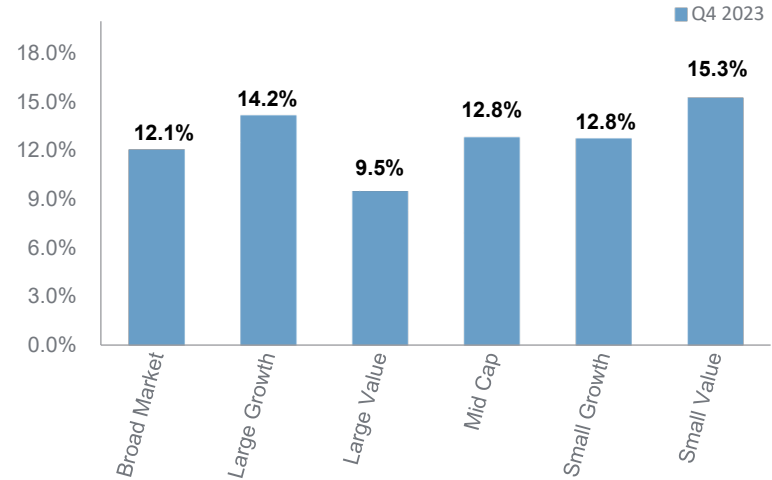
Source: Factset

Domestic Equity Markets

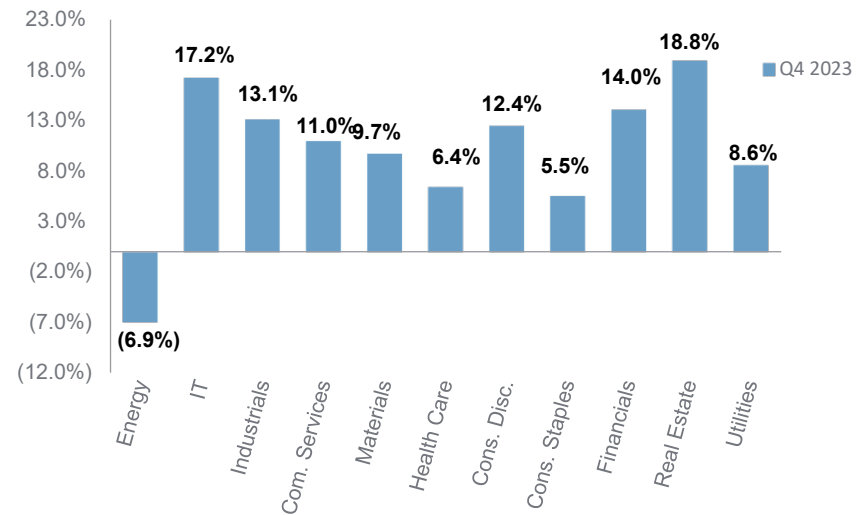
The market had a broad rally. For the quarter, the S&P 500 finished up 11.69 percent, and small company stocks represented by the Russell 2000 index were up 14.03 percent. Growth and value both did well with the Russell 1000 Growth index up 14.16 percent while the value index was up 9.50 percent. For small companies value did better with the growth index up 12.75 percent, and the value index was up 15.26 percent.

Real estate was the best place to be. I honestly cannot remember the last time I wrote that sentence. Technology was right behind but the rally was broad based. Energy was the only negative sector.

Domestic Equity Market Returns



S&P GICS Sector Returns

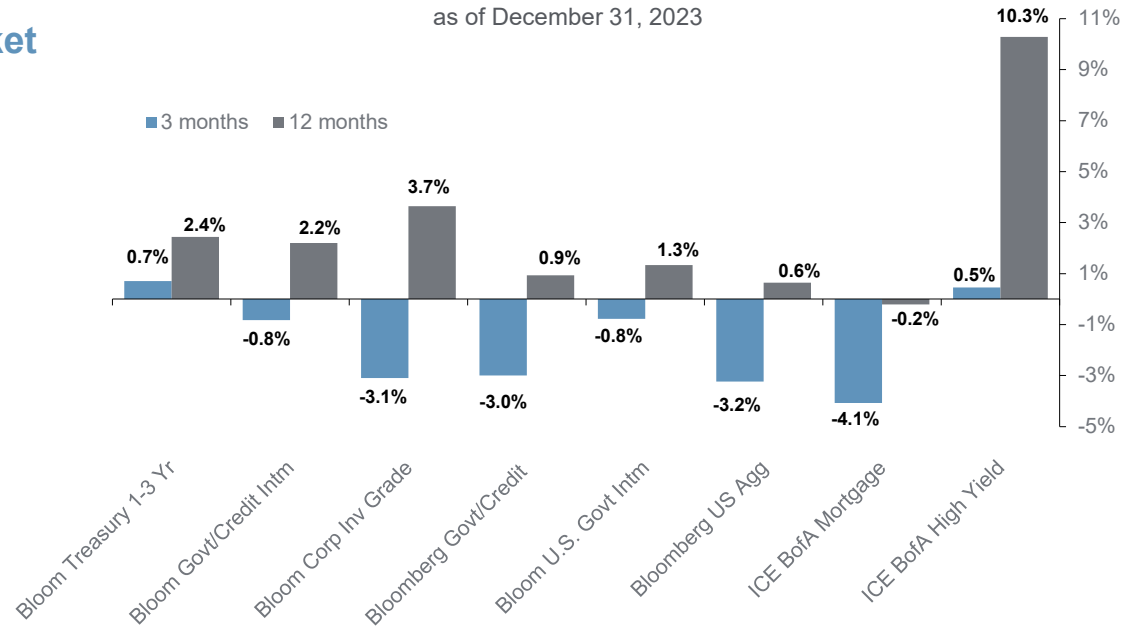


Domestic Fixed Income Market

Bonds had their best quarter in years. The Barclays US Aggregate Bond index ended up 6.82 percent. High yield bonds rose 7.06 percent. Bond yields remain attractive.

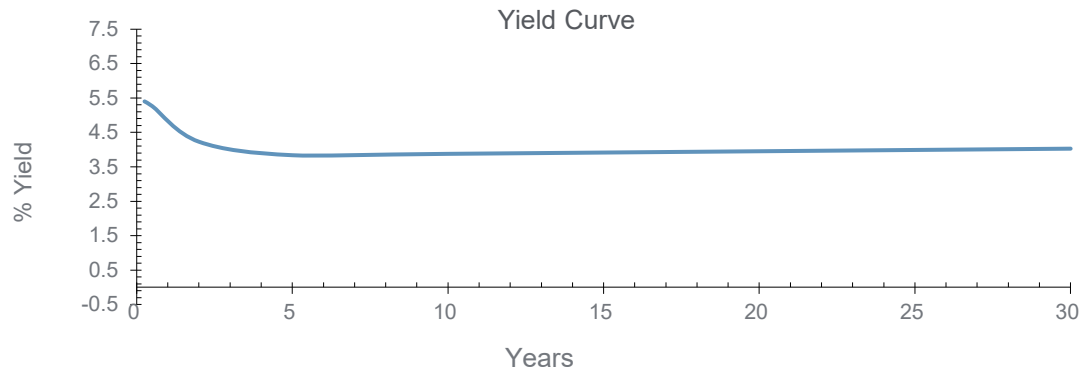
The ten-year Treasury ended the quarter with a 3.88 percent yield. The yield curve remains negative and extremely flat. We seem to be in a range around 4 percent. In other words, rates are back to the normal normal.

U.S. Fixed Income Market Performance as of December 31, 2023



Yield Curve as of Dec. 31, 2023

Time to Maturity	Interest Rate
3 Month	5.40
6 Month	5.26
2 Year	4.23
5 Year	3.84
10 Year	3.88
30 Year	4.03

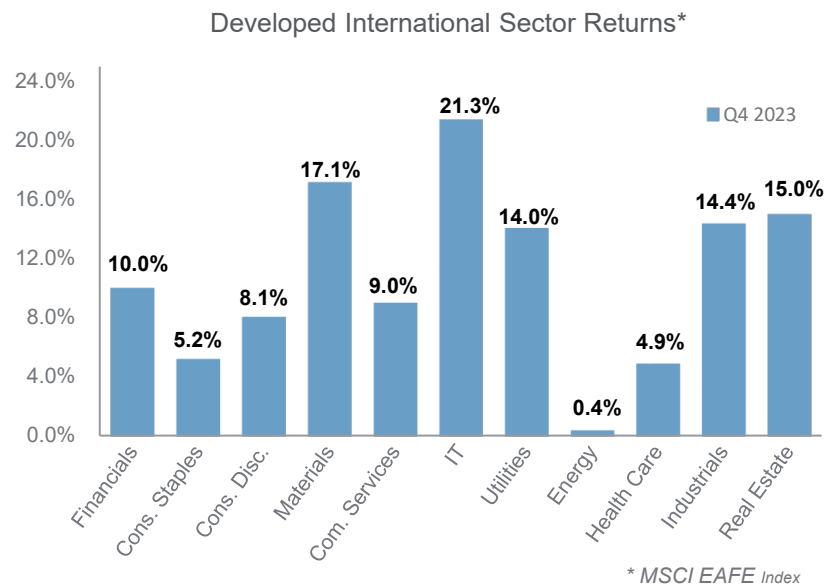


International Markets

International stocks also rallied. The EAFE index finished up 10.47 percent and the MSCI Emerging Markets index ended the quarter up 7.93 percent.

European stocks look very attractive from a valuation standpoint, but there are economic concerns as growth is near zero and they could easily fall into a recession. .

The dollar remained a driver of returns once again. American investors gained 5.45 percent on European investments from the weakening of the dollar. This reverses a 3 percent loss from last quarter. Needless to say, currencies have been volatile.



Source: T. Rowe Price

MSCI Country Returns Three Months Ending December 31, 2023

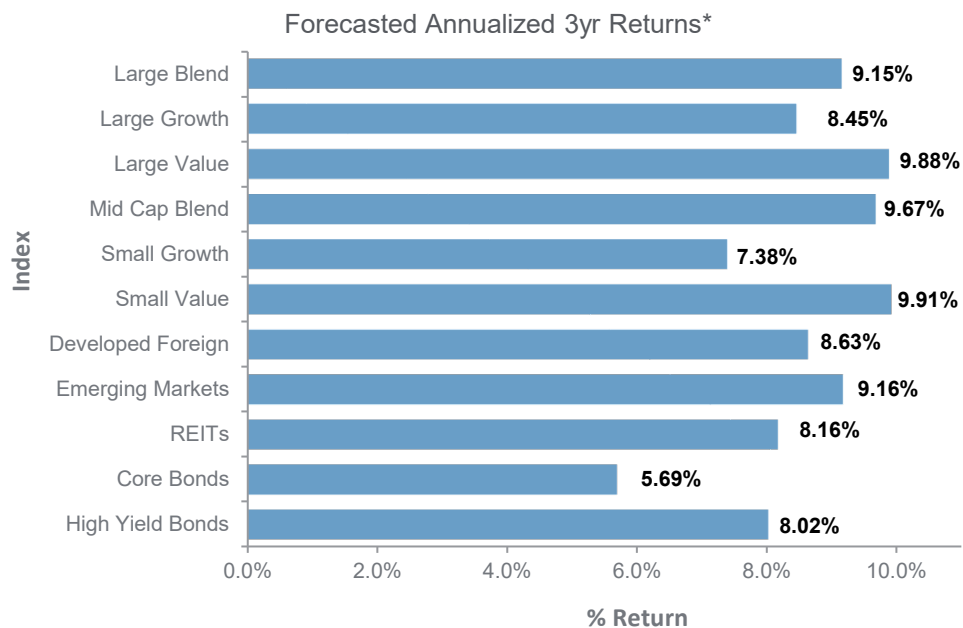
	Return US\$ (%)	Return Local Currency (%)	Currency Effect (%)
Austria	9.59%	5.04%	4.55%
Belgium	6.50%	2.08%	4.43%
Denmark	12.29%	7.59%	4.70%
Finland	9.45%	4.91%	4.55%
France	10.36%	5.78%	4.59%
Germany	13.04%	8.34%	4.70%
Ireland	6.26%	1.84%	4.42%
Italy	13.02%	8.32%	4.70%
Netherlands	19.89%	15.09%	4.80%
Norway	3.56%	-1.15%	4.71%
Portugal	14.95%	10.17%	4.78%
Spain	12.63%	7.95%	4.68%
Sweden	21.35%	12.57%	8.78%
Switzerland	10.13%	1.32%	8.81%
UK	6.88%	2.33%	4.55%
Europe Total	11.10%	5.65%	5.45%
Australia	15.27%	9.03%	6.24%
Hong Kong	3.42%	3.13%	0.30%
Japan	8.22%	2.24%	5.98%
New Zealand	14.72%	8.87%	5.85%
Singapore	4.48%	1.30%	3.18%
Pacific Total	9.28%	3.74%	5.54%
Brazil	18.05%	14.57%	3.48%
Canada	11.45%	8.70%	2.75%
China	-4.21%	-4.78%	0.57%
Greece	13.18%	8.48%	4.70%
Hungary	16.96%	10.34%	6.62%
India	11.98%	12.21%	-0.23%
Indonesia	2.04%	1.65%	0.38%
Korea	15.42%	10.16%	5.26%
Mexico	18.81%	15.77%	3.04%
Poland	38.11%	24.42%	13.69%
Thailand	3.90%	-2.61%	6.51%
Emerging Markets	7.93%	5.65%	2.29%

Market Forecast

Patience paid off and the gloom seems to be lifting from the market. We have come a long way very rapidly, so a pause is in order. However, the long-term outlook still looks bright.

Growth stocks are all the way back from the 2022 bear market, but value stocks and small company stocks still have room to rise. International stocks remain more attractive than domestic. Diversification worked last quarter and should continue to do so.

Bonds still look worthwhile and are behaving like bonds should. Yields are in the middle of their range and should settle down, after a volatile last six months.



Changes in Return Expectations
as of December 31, 2023

Asset Class	Change Over Quarter	Change Over Year
Large Blend	-0.25%	0.21%
Large Growth	-0.16%	0.33%
Large Value	-0.31%	0.27%
Mid Cap Blend	-0.35%	0.29%
Small Growth	-0.15%	0.01%
Small Value	-0.49%	0.26%
Developed Foreign	-0.33%	-0.12%
Emerging Markets	-0.19%	-0.25%
REITs	-0.23%	0.08%
Core Bonds	-0.34%	0.31%
High Yield Bonds	-0.47%	-0.01%

*Forecasted 3-year annualized returns represent Iron Capital's investment return expectations for various asset classes over the next 3 years. They are calculated using a weighted average of historic returns and forward return assumptions. They are meant to be a tool to judge relative attractiveness of asset classes and not a guarantee of future investment returns.

SELECTED INDEX RETURNS - PERIODS ENDING December 31, 2023

	Quarter	Year-to-Date	One Year	Three Years	Five Years	Ten Years
US EQUITIES						
Broad Stock Market - Russell 3000	12.07%	25.96%	25.96%	8.54%	15.16%	11.48%
Large Stocks - S&P 500	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%
Dow Jones Industrial Average	13.09%	16.18%	16.18%	9.38%	12.47%	11.08%
Medium-Size Stocks - Russell Mid-Cap	12.82%	17.23%	17.23%	5.92%	12.68%	9.42%
Small Stocks - Russell 2000	14.03%	16.93%	16.93%	2.22%	9.97%	7.16%
Small Value Stocks- Russell 2000 Value	15.26%	14.65%	14.65%	7.94%	10.00%	6.76%
Small Growth Stocks- Russell 2000 Growth	12.75%	18.66%	18.66%	-3.50%	9.22%	7.16%
Large Value Stocks - Russell 1000 Value	9.50%	11.46%	11.46%	8.86%	10.91%	8.40%
Large Growth Stocks - Russell 1000 Growth	14.16%	42.68%	42.68%	8.86%	19.50%	14.86%
US FIXED INCOME						
1-3 Yr Treasury (Govt) Bonds - Bloomberg	2.56%	4.29%	4.29%	-0.10%	1.28%	1.04%
US Government Bonds Int - Bloomberg	3.97%	4.30%	4.30%	-1.83%	1.03%	1.24%
US Corporate Inv Grade Bonds - Bloomberg	8.50%	8.52%	8.52%	-3.29%	2.63%	2.95%
Government/Credit (Corp) Bonds - Bloomberg	6.63%	5.72%	5.72%	-3.53%	1.41%	1.97%
Int Govt/Credit (Corp) Bond - Bloomberg	4.56%	5.24%	5.24%	-1.63%	1.59%	1.72%
US Aggregate Bond Market - Bloomberg	6.82%	5.53%	5.53%	-3.31%	1.10%	1.81%
Mortgage Backed Securities - ICE BofA	7.37%	4.98%	4.98%	-2.96%	0.26%	1.38%
US High Yield Bonds - ICE BofA	7.06%	13.46%	13.46%	2.00%	5.21%	4.51%
INTERNATIONAL (Measured in US Dollars)						
Non-US Stocks - MSCI EAFE	10.47%	18.85%	18.85%	4.53%	8.69%	4.78%
World Stocks (includes US) - MSCI World	11.53%	24.42%	24.42%	7.79%	13.37%	9.18%
European Stocks - MSCI Europe	11.10%	20.66%	20.66%	6.45%	9.75%	4.74%
Japanese Stocks - MSCI Japan	8.22%	20.77%	20.77%	1.04%	7.31%	5.34%
Asian Stocks (Ex-Japan) - MSCI Pacific ex-Japan	11.42%	6.53%	6.53%	1.67%	5.84%	4.02%
Chinese Stocks - MSCI China	-4.21%	-11.04%	-11.04%	-18.31%	-2.65%	1.03%
Indian Stocks - MSCI India	11.98%	21.29%	21.29%	12.43%	12.12%	10.08%
Emerging Markets - MSCI EM	7.93%	10.27%	10.27%	-4.71%	4.07%	3.05%
Int'l Gov't Bonds -FTSE Non-USD World Gov't Bond	9.91%	5.83%	5.83%	-9.35%	-2.77%	-1.26%
REAL ESTATE						
FTSE NAREIT Equity-Reits Index	16.22%	13.73%	13.73%	7.21%	7.39%	7.60%
SHORT TERM INTEREST RATES						
T-Bills	1.41%	5.26%	5.26%	2.25%	1.91%	1.26%

Note: Returns for periods longer than 12 months are annualized.