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Rodney Sullivan, CFA, CAIA

SUMMARY

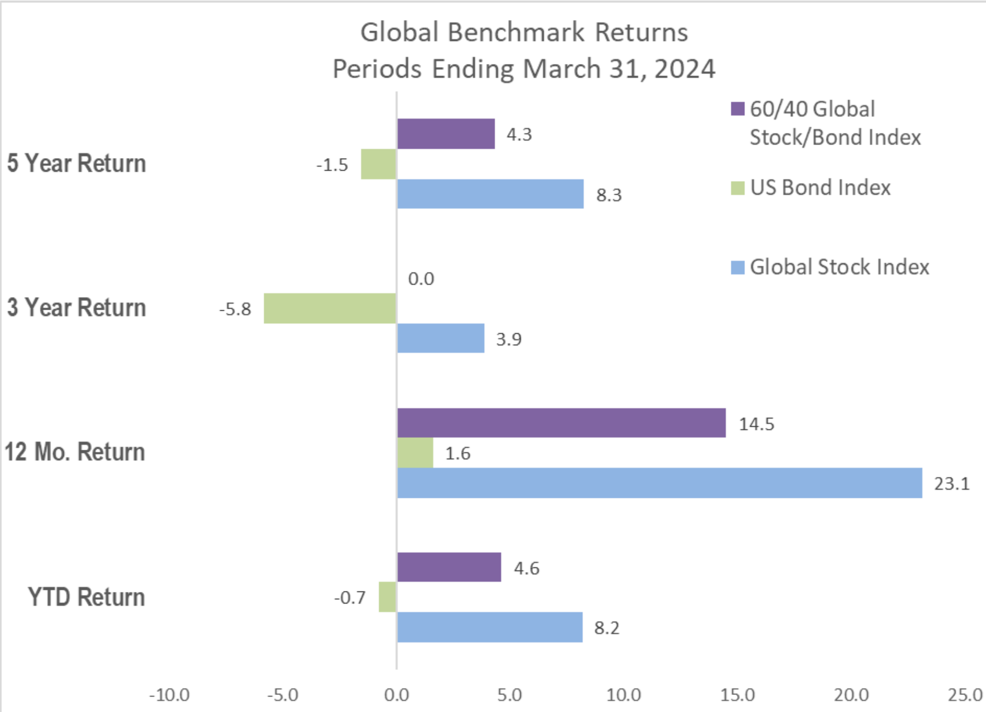
- Global equity markets rallied to begin 2024 with global stocks rising 8.1 percent so far this year. Bonds trailed reporting -0.7 percent returns for Q1.
- Our usual 60/40 global stock/bond benchmark portfolio returned 4.6 percent during Q1.
- We update our investment positioning that leans into asset classes that may offer the most appealing prospective returns for the risk taken over the medium to long-term.

REVIEW AND OUTLOOK

The stock market recovery that began late 2023 continued with U.S. stocks leading the way up over 10 percent during Q1. A 60/40 global stock/bond benchmark portfolio has returned 4.6 percent for the year (see graph below). Global stocks as measured by MSCI ACWI added 8.3 percent while bonds as measured by the Bloomberg Barclays Bond Index declined -0.7 percent.

The strong rally that began in the final two months of the year has continued to push risk assets higher to start the year. Bonds, however, witnessed continued pressure as the economy and inflation have continued to surprise on the upside leading Treasury yields to rise slightly across the yield curve (meaning prices fell). The narrow stock market rally which began last year as led by the so-called "Magnificent 7" stocks (Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia and Tesla), has narrowed even further with Apple and Tesla declining during Q1 of this year— AAPL down -11% and TSLA declining -29%. This means the market rally this year has been dominated by now only five stocks.

At the end of last year, we noted the risks to chasing a narrow rally being led by only a handful of US mega-cap stocks. We have been expecting to see the current rally broaden out into other areas of the market (i.e, smaller and more value-focused stocks) participating. Such a broadening may have already begun, with U.S. value stocks outpacing the tech-focused large cap growth counterparts during March.



Source: Vesteer Wealth Mgt analysis using data from Morningstar. Returns beyond one year annualized.

The portfolios shown are hypothetical portfolios and do not necessarily represent any actual Vesteer portfolio or strategy. The results are hypothetical and are not an indicator of future results and do not represent returns that any investor might actually achieve. Indexes are unmanaged, do not reflect management or trading fees, and one cannot invest directly in an index. Purchases are subject to suitability. This requires a review of an investor's objective, risk tolerance, and time horizons. Investing always involves risk, whenever you invest you are at risk of loss of principal as the market fluctuates. Past performance is not indicative of future results.

However, big challenges remain to a continued market rally. The global economy continues to surprise on the upside, but inflation has remained stubbornly higher than expected even in the face of higher interest rates. Attempting to balance between a slowing economy but higher than expected inflation has meant the anticipated rate cuts by the Fed being delayed. This tension suggests a meaningful risk for both the economy and risk assets looking ahead. The level of inflation has been particularly difficult to predict with the Fed and others being completely fooled over the past few years with inflation persistently higher than forecast and the Fed's target rate of 2 percent. We will continue to monitor the situation and should inflation reaccelerate, this would be a big negative surprise for markets and investors will not take it well as the consensus expects continued slowing of inflation.

Finally, as always with investing, other risks remain. A key top-of-mind risk is of course the stability of the geopolitical landscape which may overshadow the potential for markets. Tensions in Europe, Middle East, and China have led to heightened global uncertainty. The upcoming U.S. elections this fall adding another risk factor to consider. Any combination of these challenges may cause investors to abruptly re-assess the outlook for markets.

VESTEER PORTFOLIOS

As discussed above, so far during 2024, the total return for a 60/40 global stock/bond portfolio was 4.6% while a 50/50 global stock/bond portfolio returned 3.7%. Depending on chosen risk profile, Vesteer client portfolios report total returns of between 3.6% and 5.2% so far this year.

Remember too that financial success is about much more than beating the market. At Vesteer, we take a holistic approach to financial planning and investments. For instance, we assist our clients with tax-planning and risk-management strategies to help you keep more of what you earn. We further help you determine optimal debt-repayment that will help you extend your income further over the long run. We also objectively review your insurance policies (life, business, etc) and annuities to make sure you're adequately protected against financial ruin.

As mentioned in prior letters, we continue to take risks, but seek to do so prudently. In terms of portfolio positioning, as the economy has continued to surprise on the upside we have added more risk assets. Given the various risks to markets and the economy, we continue to tilt slightly towards more defensive stocks and bonds (those of higher quality, lower volatility, and less expensive valuations). As always, we will continue to monitor markets and the outlook and make changes as appropriate.

We look forward to continuing to work with you this year and years ahead! Please reach out to us if we can ever be of service to your long-term financial success.

As always, we thank you for your trust!

Vesteer Wealth Management, LLC
@Vesteerwealth.com

To learn more, please contact us:
web: www.Vesteerwealth.com
email: vesteer@vesteerwealth.com

(434) 282-1215 (O)
(203) 898-3422 (M)

Charlottesville, VA