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SUMMARY

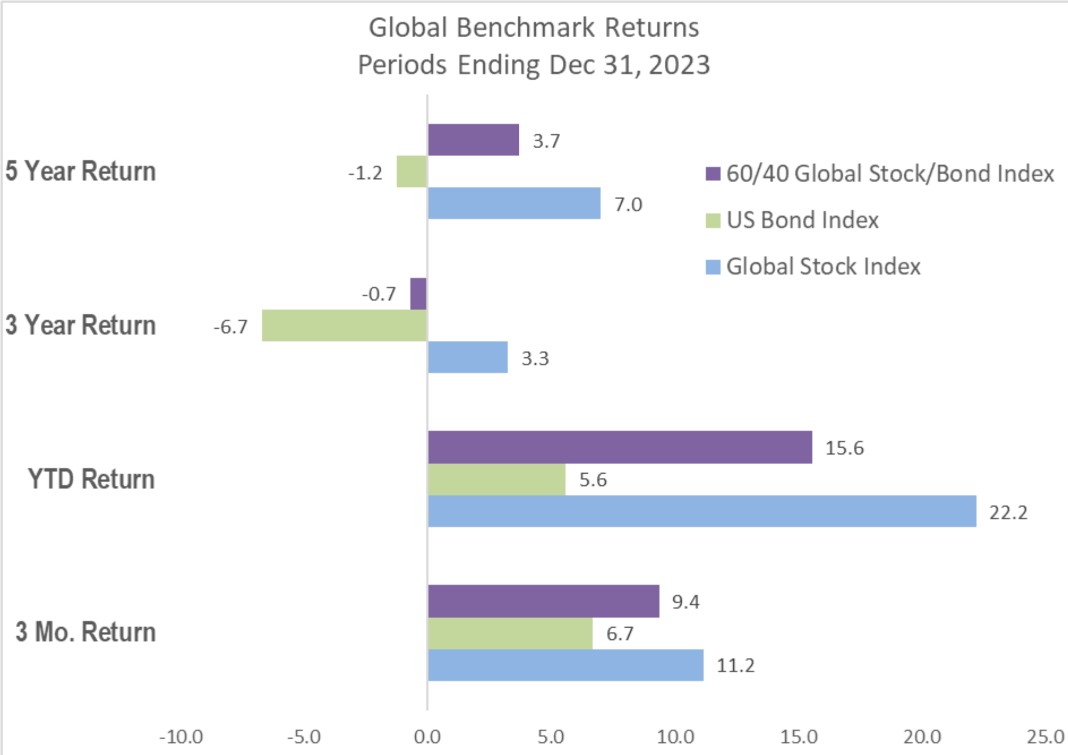
- The year 2023 reported positive returns for both stocks and bonds with a 60/40 global stock/bond benchmark portfolio returning 15.6 percent for the year. Most of the returns for the year came in the final two months.
- Global stocks added 22.2 percent while bonds added 5.6 percent for the year.
- We briefly review our investment positioning that leans into asset classes that may offer the most appealing prospective returns for the risk taken.

REVIEW AND OUTLOOK

Following a down year for both stocks and bonds in 2022, the year 2023 saw a recovery with both stocks and bonds contributing positively to performance. A 60/40 global stock/bond benchmark portfolio returned 15.6 percent for the year (see graph below). For the year, global stocks as measured by MSCI ACWI added 22.2 percent while bonds as measured by the Bloomberg Barclays Bond Index added 5.6 percent.

A strong rally in the final two months of the year pushed stock indexes up towards their highs for the year. Bonds likewise witnessed a strong rally during this time with Treasury yields falling across the yield curve (meaning prices rose), especially for those maturing beyond one year. A key market theme for 2023 was the narrow leadership of the so-called “Magnificent 7” stocks (Amazon, Apple, Alphabet, Meta, Microsoft, Nvidia and Tesla) which dominated the market with a combined return of 109 percent for year.[1] Given this narrow rally in a handful of US mega-cap stocks, one might expect a broadening out with other areas of the market (i.e, smaller and more value-focused stocks) to participate in the coming months.

[1] Source: Bloomberg, SYZ Private Banking.



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

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Looking ahead to 2024, a key question for investors is whether or not the global economy can avoid a recession. Current data show a weaking economy with a path toward slow growth and low inflation over the next six to nine months. In view of a slowing economy, rates are expected to be cut by most central banks in 2024 which could in turn provide support for both the economy and risk assets looking ahead.

Finally, as always with investing, risks remain. A key top-of-mind risk for the coming year 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 with the upcoming U.S. elections this fall adding risk to the outlook. Any combination of these challenges may cause investors to abruptly re-assess the outlook for markets.

VESTEER PORTFOLIOS

As discussed above, for the year 2023, the total return for a 60/40 global stock/bond portfolio was 15.6% while a 50/50 global stock/bond portfolio returned 13.9% over the year. Depending on chosen risk profile, Vesteer client portfolios report total returns of between 4.5% and 12.6% for the year.

As mentioned in prior letters, we continue to take risks, but seek to do so prudently. In terms of portfolio positioning, the combination of a slowing economy, along with relatively higher than average equity market valuations, leads us to take a somewhat defensive portfolio posture. As we enter 2024, we are tilting 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 all of our clients in the coming year! 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!

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