TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

January 2024

Quarterly Insights

EXECUTIVE SUMMARY

2023 - The S&P 500 Index Was Up 26.29%

In 2023, the domestic S&P 500 Index was up 26.29% to lead global developed and emerging markets performance. Our initial 2023 market prediction for the S&P (flat) was way off. The main event we did not anticipate was how much the area of artificial intelligence (AI) would drive the market. The "Magnificent 7", seven of the largest technology growth stocks active in AI, dominated performance. Bonds were historically average. The Bloomberg Barclay's Aggregate Bond Index was up 5.53%.

We Believe The S&P 500 Index Will Be Up 8%-10% In 2024

We believe the S&P 500 Index will be up 8%-10% in 2024. Conditions point to a year of favorable trends for stocks. Right now we have:

- Rate cut expectations
- Cooling inflation
- A healthy labor market and consumer resilience
- A strong case for an economic soft landing versus a recession
- Favorable earnings expectations
- A stock market that finally showed broad strength in the last two months of 2023

Fourth Quarter 2023

In This Issue

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Deliberate Investing
For Your
Peace Of Mind

Stock Outlook: We Believe The S&P 500 Index Will Be Up 8%-10% In 2024

We believe the S&P 500 Index will be up 8%-10% in 2024. The market ascent might not be smooth. Conditions point to a year of favorable trends for stocks that include interest rates, inflation, and economic resilience. Possible market deterrents include fewer than expected rate cuts, higher than expected inflation, and a recession versus a soft landing. Right now we have:

- Rate cut expectations - the Fed expects a total 0.75% rate cut, the market expects a total 1.50% rate cut
- Cooling inflation - the Fed sees core inflation peaking at 2.4% next year, very close to its 2% target
- A strong case for an economic soft landing versus a recession - the CBO projects 1.5% 2024 GDP growth
- A healthy labor market - the current unemployment rate is 3.7%
- Consumer resilience - retail sales grew 0.3% in November (economists had expected a 0.1% decline)
- Favorable earnings expectations - analysts project S&P 500 earnings will increase 11.6% in 2024
- A stock market that finally showed broad strength in the last two months of 2023 (see bottom of page 4)
- Historical precedence - the S&P 500 Index has averaged a 9% return in the year following a 20%+ return
- A Presidential election - since 1952, the S&P 500 has never been down in an incumbent re-election year

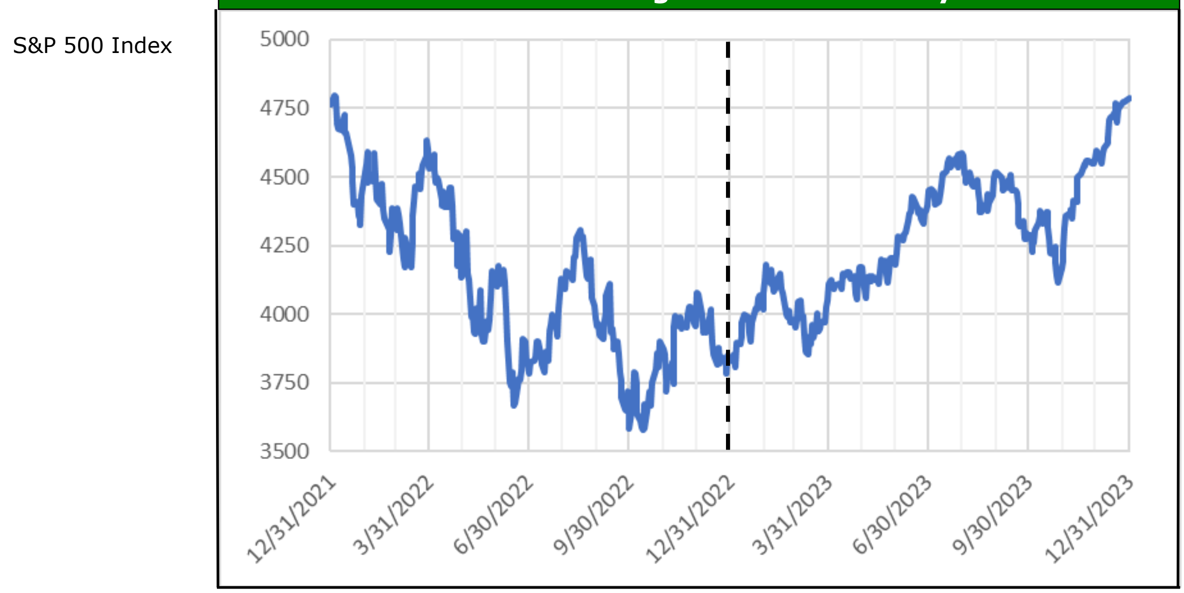
We Have Climbed The Wall Of Worry

In 2023, we "climbed the wall of worry" by overcoming fears of interest rates, inflation, and geopolitical events. A big driver for our 2024 outlook is anticipated Fed policy. We expect "Expansionary Monetary Conditions" (when the Fed is lowering its target rate), a time where the market historically out-performs.

Follow The Fed - Expansionary Monetary Conditions

Time Frame	S&P 500 Index Average Return	Data Source
January 1966 - December 2013 (172 months)	15.18%	Invest With The Fed
January 2014 - December 2023 (21 months)	12.42%	TriVant

2023: "Climbing The Wall Of Worry"



We know that the market was very ugly in 2022. Patience is a virtue as the S&P 500 fully recovered in 2023. Now we see room to move ahead in 2024. Thank you for your trust and confidence. Time and time again, we are reminded how important it is to stick to a long-term investment game plan.

Great Minds Think Alike

The majority of the Wall Street firms are in line with our 2024 S&P 500 Index forecast (8%-10%). It is nice to know that these firms are paying attention to us.

2024 S&P 500 Forecasts

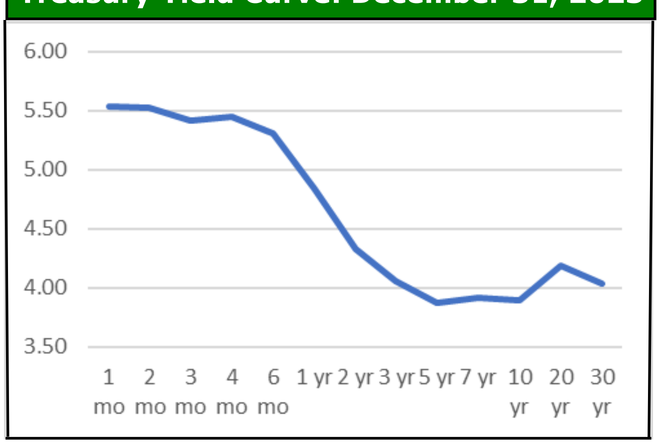
Wall Street Firm	Price Target	Performance %
Yardeni Research	5,400	14.4%
Oppenheimer Asset Management	5,200	10.2%
Fundstrat Global Advisors	5,200	10.2%
Citi	5,100	8.1%
Deutsche Bank	5,100	8.1%
BMO Capital Markets	5,100	8.1%
RBC Capital Markets	5,100	8.1%
Goldman Sachs	5,100 (up from 4,700)	8.1%
Bank of America	5,000	6.0%
Barclays	4,800	1.7%
UBS Global Wealth Management	4,700	-0.4%
Wells Fargo Securities	4,625	-2.0%
Morgan Stanley	4,500	-4.6%
JPMorgan Chase	4,200	-11.0%

Source: MarketWatch

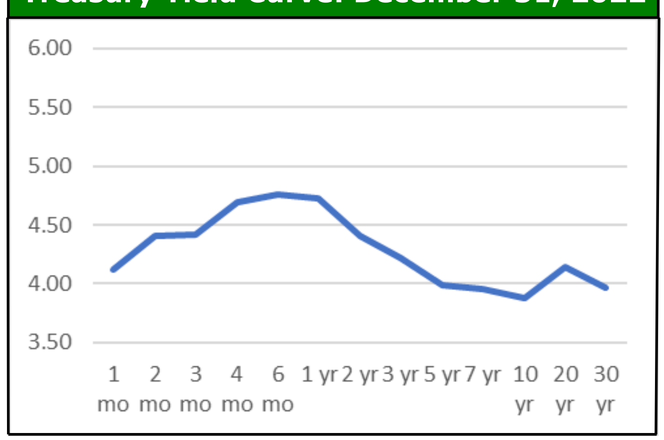
The Bond Market Blends Well To A Balanced Portfolio

Remember the inverse relationship between bond prices and bond yields. As prices rise, yields fall (and vice versa). There were times in 2023 when Treasury yields rose (such as the beginning of Q1 as investors moved from bonds to stocks) and fell (later in Q1 during the regional bank crisis as investors moved from stocks to bonds). Still, the Treasury Yield Curve is similar to a year ago beyond the 2 year maturity. We see stability with safe bonds. Investors can earn a "risk-free" 4%+ return with a short-term US Treasury bond (two years ago, a safe return was 1%). We will assess bond opportunities in the event of Fed rate cuts and bond yield changes. A balanced portfolio (a mix of stocks and bonds) offers an attractive risk/return tradeoff.

Treasury Yield Curve: December 31, 2023



Treasury Yield Curve: December 31, 2022



Our 2023 Market Prediction Was Way Off

We predicted the S&P 500 Index would be flat in 2023 and the index rose 26.29%. These were our thoughts:

We believe the S&P 500 Index will be flat in 2023, falling in the first half and rising in the second half. Conditions point to a "transition year" for stocks. On the positive side, the economy is resilient, unemployment is low, and the US is taking strong steps towards innovation (such as the CHIPS and Science Act of 2022). On the challenging side, high inflation persists and in order to cool the economy, the Fed is expected to continue to raise its target rate and "shrink the balance sheet" via quantitative tightening (tightening the monetary supply by reducing its securities holdings). Right now we have:

- More rate hikes expected in the first half of 2023 (in the range of 0.75% to 1.25%)
- Quantitative tightening (QT)
- Continuing inflationary pressures - wages, the onshoring of industries, tariffs
- Above-average market valuation - the historical Price/Earnings ratio of the S&P 500 Index is 15.99 and the current P/E ratio is 19.69
- Earnings expectations that may be too high (must fully factor in recession risk, inflation, Fed rate hikes)

What Did We Miss?

Why was our market prediction so far off the mark? What did we miss? It wasn't the assumptions that drove our prediction - they proved accurate. We had a resilient economy (GDP was 5.20% in Q3 and 2.10% in Q2), low unemployment (3.7% in November) and technological innovation. Fed rate hikes totaled 1.00% in 2023, exactly what we expected. The Fed balance sheet was reduced by almost $1 trillion in 2023 and QT should continue in 2024. The Fed rate hikes reduced inflation from 7.1% (November 2022) to 3.1% (November 2023). Market valuation remained above-average (forward P/E is 21). 2023 S&P earnings were revised downward.

The main event we did not anticipate was how much the area of artificial intelligence (AI) would drive the market. While the S&P 500 Index was up 16.89% through Q2, it was not a broad rally. The "Magnificent 7", seven of the largest technology growth stocks active in AI, catapulted due to AI excitement and was attributable to the entire S&P 500 return for both the first half of 2023 and the entire year (see page 5).

The performance disparity between the "Magnificent 7" (close to 30% weighting of the S&P 500 Index) and the remaining 493 companies in the S&P 500 Index is best illustrated by comparing the S&P 500 Index to the Equal-Weighted S&P 500 Index. With the S&P 500 Index, companies are weighted according to their market capitalizations - hence the largest market cap companies (such as Apple and Microsoft) are weighted the most and have the greatest impact (attribution) on overall index performance. With the Equal-Weighted S&P 500 Index, each of the 500 companies is weighted at 0.2% of the index (0.2% * 500 = 100%) - hence each company has equal impact on overall index performance. It is interesting that the Equal Weighted S&P 500 Index was up only 1.79% through Q3 (roughly our "flat" S&P 500 Index prediction for 2023).

2023	S&P 500 Index	S&P 500 Index Equal Weight	What Surprised Us
Q1	+7.50%	+2.93%	AI Mania and the Regional Bank Crisis
Q2	+8.74%	+3.99%	Continued AI Mania
Q3	-3.27%	-4.90%	The Defensive Sectors lagged in a down market
Q4	+11.69%	+11.87%	High exuberance to 6 potential 2024 Fed rate cuts
Total	+26.29%	+13.87%	100% performance attribution to 7 stocks

2023 - A Year Where Portfolio Diversification Was Sub-Optimal

We reflect on 2023 as an unusual year where a few companies that were awful in 2022 drove all the returns. Holding all "Magnificent 7" stocks at their index weights would have been aggressive and counter to our initial market thesis. We advocate portfolio diversification and risk control but it hurt in 2023.

The "Magnificent 7"	S&P 500 Weight*	2023 Performance	Performance Attribution	2022 Perf.	2-Year Perf.
Apple (AAPL)	7.04%	48.83%	3.44%	(26.83%)	8.42%
Microsoft (MSFT)	6.93%	56.80%	3.94%	(28.69%)	11.81%
Amazon (AMZN)	3.47%	80.88%	2.81%	(49.62%)	(8.87%)
Nvidia (NVDA)	3.04%	238.87%	7.26%	(50.31%)	68.38%
Alphabet Class A (GOOGL)	2.07%	58.32%	1.21%	(39.09%)	(3.56%)
Facebook (META)	1.98%	101.72%	3.84%	(65.03%)	(29.46%)
Tesla (TSLA)	1.80%	194.13%	1.83%	(64.22%)	5.24%
Alphabet Class C (GOOG)	1.76%	58.83%	1.03%	(38.67%)	(2.59%)
TOTAL:	<u>28.05%</u>	**The "Magnificent 7":**	**<u>25.36%</u>**		
Attribution = Weight * Perf		**S&P 500 Index 2023:**	**26.29%**		
*** As at Dec. 31, 2023**		**Other 493 Stocks:**	**0.93%**	Our "flat" 2023 prediction	

1. The US Was The Place To Be

Heavy emphasis on US stocks helped us as the US led global developed market performance. Our larger-cap focus slightly helped us as the small cap Russell 2000 Index (+15.09% for 2023) lagged the S&P 500 Index. We had no Emerging Markets exposure. China was down 4.22% in Q4 and down 11.20% for the year.

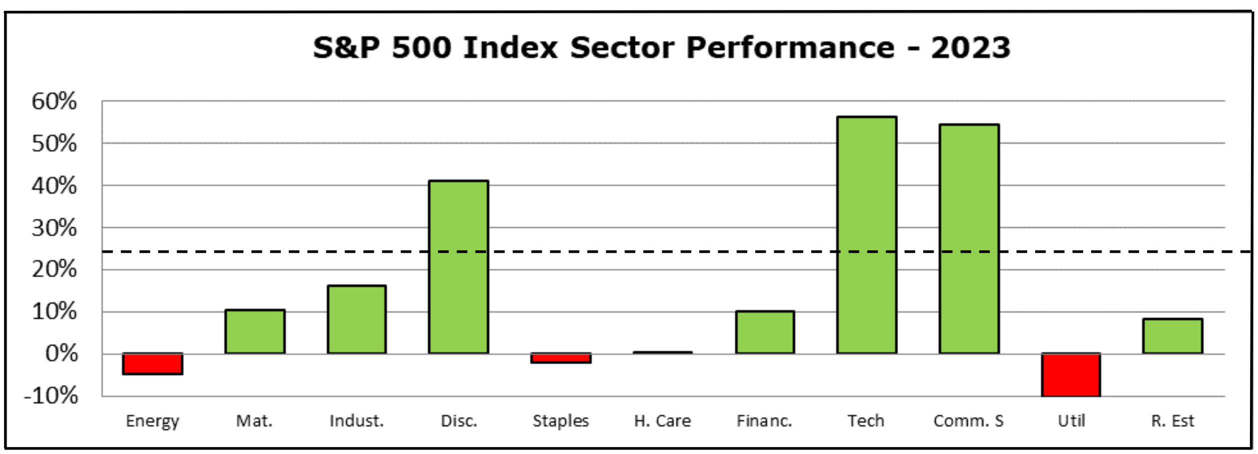
Equity Index Performance

Index	Q4 2023	2023
S&P 500 (Domestic)	**11.69%**	**26.29%**
MSCI EAFE (Foreign) *	**10.42%**	**18.24%**
MSCI Emerging Markets	**7.86%**	**9.83%**
MSCI EMU (European Monetary Union)	**12.43%**	**22.94%**
MSCI Japan	**8.19%**	**20.32%**

* Europe, Australia and the Far East

2. Technology, Communication Services and Consumer Discretionary Were The Superstars

The "Superstars" were led by the "Magnificent 7". Notable sector laggards were Staples and Health Care. In tougher markets such as Q3, we would normally expect these defensive sectors to lead. It did not happen. We postulate that investors deemed Technology as an equivalent or better defensive bet - which surprised us.



What's New In 2024

There are many changes in 2024 financial regulations and taxes of which we want you to be aware. These adjustments are summarized on this page and the next page. While we are neither tax professionals nor legal professionals, with your permission we are pleased to interact with your designated professionals. We regularly monitor required minimum distributions (RMDs) to ensure everyone meets their annual requirements. We also regularly monitor capital gains/losses and strive for tax efficiency.

1. Age For RMDs

Before the SECURE Act (January 1, 2020), the age for RMDs (required minimum distributions) from tax-deferred accounts was 70.5. The SECURE Act increased that age to 72. The SECURE Act 2.0 (year-end 2022) further increased the age to 73, beginning on January 1, 2023. The RMD age will be increased to 75 beginning on January 1, 2033.

2. Higher Catch-Up Contribution Limit

For a Regular or Roth IRA, an individual can contribute a maximum $7,000. If you are age 50 and older, the catch-up provision remains at $1,000, bringing your maximum 2024 Regular or Roth IRA contribution to $8,000.

Workers who are younger than age 50 can contribute a maximum $23,000 to a 401(k) in 2024. If you are age 50 and older, the catch-up provision remains at $7,500, bringing your maximum 2024 401(k) contribution to $30,500.

3. Tax-And-Penalty-Free Rollover From A 529 Plan To A Roth IRA

Money in a 529 Plan that is distributed for non-education purposes may be subject to penalties and taxes. Under the new SECURE Act 2.0 provision, starting in 2024 beneficiaries will be able to do a rollover of up to $35,000 from a 529 to a Roth IRA. The rollovers would be subject to the Roth IRA annual contribution limits and the 529 would need to have been open for at least 15 years.

The main benefit of this provision is to remove the uncertainty that happens if you over-fund a 529 or if your kids ultimately don't need it. Now you can reposition up to $35,000 from a 529 to a Roth IRA for your child. Remember that a Roth IRA is the most tax-advantaged account.

4. Inherited IRAs

For Inherited IRA accounts inherited before January 1, 2020, the normal Required Minimum Distribution (RMD) schedule applies. We are pleased to help you calculate your RMD.

For Inherited IRA accounts inherited January 1, 2020 and onward, all the assets must be distributed within 10 years of the date of death. We anticipate upcoming legislation to mandate annual distributions over a 10 year time frame, but at the moment, no specific distributions are required. You can take distributions if desired (any distribution will be taxed as regular income). We will keep you apprised of RMD legislation.

Highlights Of Other Changes In 2024

1. Standard Deductions

Year	2024	2023
Single	$14,600	$13,850
Above 65 (Additional) (Single/Head of Household)	$1,950	$1,850
Married Filing Jointly	$29,200	$27,700
Above 65 (Additional, per person) (Married Filing Jointly)	$1,550	$1,500

2. 2024 Federal Ordinary Income Tax Brackets

Single	Married Filing Jointly	Rate
Up to $11,600	Up to $23,200	10%
$11,601 - $47,150	$23,201 - $94,300	12%
$47,151 - $100,525	$94,301 - $201,050	22%
$100,526 - $191,950	$201,051 - $383,900	24%
$191,951 - $243,725	$383,901 - $487,450	32%
$243,726 - $609,350	$487,451 - $731,200	35%
Over $609,350	Over $731,200	37%

3. 2024 Federal Long Term Capital Gains Tax Brackets

Single	Married Filing Jointly	Rate
Up to $47,025	Up to $94,050	0%
$47,026 - $518,900	$94,051 - $583,750	15%
Over $518,900	Over $583,750	20% *

* Subject to an additional 3.8% Net Interest Income Tax above certain Modified Adjusted Gross Income Limits

4. Federal Estate Taxes

	2024	2023
Basic Exclusion Amount	$13,610,000	$12,920,000
Annual Gift Tax Exclusion	$18,000	$17,000

5. 2024 IRA and 401(k) Contribution Limits

Account Type	Under 50 Years Old	50+ Years Old
IRA	$7,000	$8,000
401(k)	$23,000	$30,500

Income Limits* To Contribute To A Roth IRA	2024	2023
Single Tax Filer	<$161,000	<$153,000
Married Filing Jointly	<$230,000	<$228,000

* Modified Adjusted Gross Income (MAGI)

6. Social Security Inflation Adjustment

Social Security benefits and Supplemental Security Income (SSI) payments will increase by 3.2% in 2024. This is the annual cost-of-living adjustment (COLA) required by law. The increase will begin with benefits that Social Security beneficiaries receive in January 2024.

We made several portfolio adjustments in Q4 to add high quality companies that we believe have excellent long-term potential. Each of these companies is the leader in their market segment and, in our view, has a distinct competitive advantage.

We bought Nvidia Corp (symbol: NVDA; $1.2 trillion market cap), the world's leading maker of chips tailored for artificial intelligence (AI). NVDA has over 80% share of the GPU (graphics processing unit) market, the chips that are used in data center, cloud computing and AI. We also bought Meta Platforms Inc (symbol: META; $838 billion market cap), the world's largest social networking company with 3 billion users. META has two operating segments: Family of Apps (Facebook, Instagram, Messenger, WhatsApp) and Reality Labs (virtual reality). We are most interested in Instagram and WhatsApp. Finally, we bought Stryker Corporation (symbol: SYK; $112 billion market cap), a medical technology company with two operating segments: Orthopaedics & Spine, and MedSurg & Neurotechnology.

In the bond portfolio, we bought a 10-year US Treasury with an effective yield at the time of over 4.6% (a good move in hindsight given the subsequent drop in yields). We reduced our exposure to mortgage-backed securities (symbol: MBSD).

In October, we sold Western Alliance Bancorp (symbol: WAL; $5 billion market cap) because of balance sheet bond exposure. Additional sells in Q4 were Conagra Brands Inc (symbol: CAG; $13 billion market cap), Moderna Inc (symbol: MRNA; $37 billion market cap), Siemens Healthineers AG (symbol: SMMNY; $65 billion market cap) and CVS Health Corp (symbol: CVS; $87 billion market cap). These companies did not perform to our expectations and, in some cases, presented tax-loss-selling opportunities.

We will continue to closely monitor the market and adjust your portfolio as needed. Please feel free to contact us anytime to discuss questions or comments you may have. We will keep you informed of portfolio progress.

Respectfully submitted,

TRIVANT

CUSTOM PORTFOLIO GROUP, LLC

Disclaimer

The information presented herein is intended for informational purposes only. All views are subject to change based on updated indicators. The recommendations made in this publication are made without regard to individual suitability. Investors should consider their own needs and objectives before making any investment decision.

Commentary in this review reflects our portfolio strategy. Many of our clients have different objectives and circumstances which are reflected in unique portfolio considerations. Please note that accounts may not contain all elements of the strategy discussed here. Additionally, individual client customizations and start dates may preclude certain elements of this strategy from being implemented.

Past performance is no guarantee of future results. A risk of loss is involved with investments in stock markets.