

MONTHLY RECAP

FEBRUARY 2024

MONTHLY OBSERVATIONS

Records Broken in February

Strong economic data and earnings reports were supportive of a risk-on month with the S&P 500 breaking the 5000 level for the first time, surging over 5%. Even non-US markets experienced new market tops with Europe's Stoxx 600 hitting a record high and Japanese Nikkei 225 finally surpassing its peak set over 34 years ago. Large cap growth again led the market higher, nearly doubling large cap value's respectable 3.7% return. Small cap stocks recovered meaningfully following a difficult January. Emerging markets were boosted by a distinct change in sentiment for Chinese equities which reversed its downward trend with an 8.3% surge in February. Bond markets slipped with yields rising as markets shifted expectations further out for easing of monetary policy in the US. While lagging the broader equity markets, REITs posted a positive return reversing some of the January drawdown; regional malls, lodging/resorts, and single family home sub-sectors were all up over 4% in the month of February.

No Rush to Ease

FOMC minutes clearly indicated the Fed will remain patient in terms of any switch to an easing policy posture. While they indicated policy rates were likely at their peak for the current tightening cycle, members also noted an aversion to moving too quickly to ease without evidence of a durable fall in inflation to 2%. Markets adjusted their rate cut expectations with the probability of a March rate cut to near zero.

Nvidia Leads the Way Up

The surge in Nvidia (NVDA) has been a notable topic with it gaining 28.6% for the month (up 59.8% YTD and up 441% from the close of 2022). According to S&P, the company briefly traded above the \$2 trillion mark, joining Microsoft and Apple as the dominating gang of three (making up 17.9% of the S&P 500).

COMMENTARY FROM ASSET MANAGERS

Infrastructure Manager

The sell-off in communications towers over the last few months is judged to be an overreaction to rising interest rates, making valuations attractive considering the longer-term ramp up in 5G users.

REIT Manager

REITs tend to perform better against equities in the later stages of the rate hike cycle with their relative outperformance becoming more marked as rates peak and fall. A soft-landing could mean the best possible outcome of positive absolute and relative returns for REITs. Historical evidence suggests that REITs have often delivered strong positive returns in the 12 months after real yields have peaked.

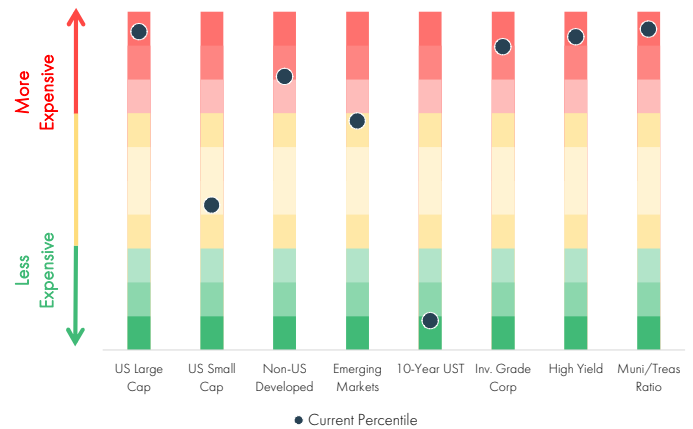
Emerging Markets Manager

Despite the negative market sentiment surrounding China, the IMF still projects Chinese GDP growth of 5% this year. The fundamentals behind China have not really changed much. It is still the world's second largest economy with an entrepreneurial culture that already leads in key industries such as batteries, solar, and electric vehicles.

MARKET RETURNS - 02.29.2024

	1-Mo	QTD	YTD	2023	2022	2021
Equity						
S&P 500	5.3%	7.1%	7.1%	26.3%	-18.1%	28.7%
Nasdaq Composite	6.2%	7.3%	7.3%	44.6%	-32.5%	22.2%
Russell 1000 Growth	6.8%	9.5%	9.5%	42.7%	-29.1%	27.6%
Russell 1000 Value	3.7%	3.8%	3.8%	11.5%	-7.5%	25.2%
Russell 2000	5.7%	1.5%	1.5%	16.9%	-20.4%	14.8%
MSCI EAFE	1.8%	2.4%	2.4%	18.2%	-14.5%	11.3%
MSCI Emerging Markets	4.8%	-0.1%	-0.1%	9.8%	-20.1%	-2.5%
Fixed Income						
Treasury	-1.3%	-1.6%	-1.6%	4.1%	-12.5%	-2.3%
Municipal	0.1%	-0.4%	-0.4%	6.4%	-8.5%	1.5%
Aggregate	-1.4%	-1.7%	-1.7%	5.5%	-13.0%	-1.5%
Investment Grade Corporate	-1.5%	-1.7%	-1.7%	8.5%	-15.8%	-1.0%
High Yield Corporate	0.3%	0.3%	0.3%	13.4%	-11.2%	5.3%
FX						
US Dollar Index	0.9%	2.8%	2.8%	-2.1%	7.9%	6.7%
Real						
Real Estate	1.8%	-3.1%	-3.1%	11.5%	-25.1%	39.9%
Infrastructure	-0.1%	-3.3%	-3.3%	5.8%	-1.0%	11.0%
Oil	2.3%	8.5%	8.5%	-10.3%	10.5%	50.2%
Gold	-0.2%	-0.9%	-0.9%	12.8%	-0.7%	-4.3%

ASSET CLASS VALUATIONS - 02.29.2024



MARKET VS FED 2024 RATE EXPECTATIONS



Despite consistent Fed messaging that only 2-3 rate cuts were expected this year, market based pricing pointed to expectations of 4-5 cuts in 2024. However, since early January, markets have been repricing when the first Fed rate cut will come, with expectations moving closer and closer to the Fed's projections such that by the end of February, they were closely aligned.

Source: Morningstar Direct, Bloomberg; See important information in the disclosures.



DISCLOSURES

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SOURCES

Morningstar Direct as of 02.29.2024

Bloomberg as of 02.29.2024

Manager comments come from discussions with various asset managers and are broad commentary on sectors and not be considered recommendations by any asset manager. These comments do not necessarily reflect strategy allocations or the view or opinion of MGIA or Moneta Group.

DEFINITIONS

The S&P 500 Index is a free-float capitalization-weighted index of the prices of approximately 500 large-cap common stocks actively traded in the United States.

The NASDAQ Composite Index is a market capitalization weighted index with more than 3000 common equities listed on the NASDAQ Stock Market.

The Russell 1000® Index is an index of 1000 issues representative of the U.S. large capitalization securities market.

The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000® Value Index measures the performance of those Russell 1000 Index securities with lower price-to-book ratios and lower forecasted growth values, representative of U.S. Securities exhibiting value characteristics.

The Russell 2000® Index is an index of 2000 issues representative of the U.S. small capitalization securities market.

The MSCI EAFE Index is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Emerging Markets Index is a float-adjusted market capitalization index that consists of indices in 21 emerging economies.

Bloomberg U.S. Treasury Bond Index includes public obligations of the US Treasury, i.e. US government bonds. Certain Treasury bills are excluded by a maturity constraint. In addition, certain special issues, such as state and local government series bonds (SLGs), as well as U.S. Treasury TIPS, are excluded.

The Bloomberg U.S. Municipal Index covers the USD-denominated long-term tax exempt bond market. It includes general obligation and revenue bonds, which both can be pre-refunded years later and get reclassified as such.

The Bloomberg U.S. Aggregate Bond Index is an index, with income reinvested, generally representative of intermediate-term government bonds, investment grade corporate debt securities and mortgage-backed securities.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by US and non-US industrial, utility and financial issuers.

The Bloomberg US Corporate High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition, are excluded.

The US Dollar Index measures the US dollar against six global currencies: the euro, Swiss franc, Japanese yen, Canadian dollar, British pound, and Swedish krona.

The FTSE Nareit All Equity REITs Index is a free-float adjusted, market capitalization-weighted index of U.S. equity REITs. Constituents of the index include all tax-qualified REITs with more than 50 percent of total assets in qualifying real estate assets other than mortgages secured by real property.

The S&P Global Listed Infrastructure index measures the performance of global companies that are engaged in infrastructure and related operations. It provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure, the index includes three distinct infrastructure clusters: utilities, transportation and energy.

Brent crude is the most traded of all of the oil benchmarks, and is defined as crude mostly drilled from the North Sea oilfields: Brent, Forties, Oseberg and Ekofisk (collectively known as BFOE).

The Dow Jones Commodity Index Gold is designed to track the gold market through futures contracts.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The Corporate Master OAS uses an index of bonds that are considered investment grade (those rated BBB or better). When the last calendar day of the month takes place on the weekend, weekend observations will occur as a result of month ending accrued interest adjustments.

The ICE BoFA Option-Adjusted Spreads (OASs) are the calculated spreads between a computed OAS index of all bonds in a given rating category and a spot Treasury curve. An OAS index is constructed using each constituent bond's OAS, weighted by market capitalization. The ICE BoFA High Yield Master II OAS uses an index of bonds that are below investment grade (those rated BB or below).

Asset class valuations are a percentile ranking based on monthly data going back to common inception of 9/1/2006. The US Large Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the S&P 500 Index. The US Small Cap percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the Russell 2000 Index. The International Developed percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI EAFE NR Index. The Emerging Market percentile is the average percentile ranking of the trailing P/E, P/B, P/S, and P/C ratio of the MSCI Emerging Markets NR Index. The 10-Year US Treasury percentile is the percentile ranking of the 10-Year US Treasury yield. The Investment Grade percentile is the percentile ranking of the ICE BoFA US Corporate option adjusted spread. The High Yield Corporate percentile is the percentile ranking of the ICE BoFA US High Yield corporate option adjusted spread. The Municipal/Treasury percentile is the percentile ranking of the Bloomberg Municipal Index yield divided by the 10-Year US Treasury Yield.