

January 2024

Dear Donor,

Fourth Quarter Review and First Quarter Outlook

After a fairly dismal September in which stocks fell and bond yields rose, investors hoped that the remaining three months of the year would do what they so often do, and rise amid good vibes of holiday cheer. It took the better part of October to finally get around to it, but deliver on those hopes the market did, posting one of its strongest year-end rallies ever. They don't call these events "Santa Claus" rallies for nothing, after all. Even while the S&P 500 delivered a 15.8 percent gain from its October 27 low to the end of the year, though, once again it was the bond market that captured all the drama. After touching the level of five percent in mid-October for the first time since 2007, the 10-year Treasury yield plummeted back below four percent as bond traders grew convinced that the Fed's monetary tightening policy was over, and that rate cuts were in the post for 2024.

And for the first time in a very long time, their confidence was validated by the Fed itself, following the December meeting of the Federal Open Market Committee. The pattern up to the December meeting had been for markets to get carried away with a rate cut narrative and for the Fed to push back hard against that narrative with its own projections. In this last meeting of 2023, though, the FOMC served up its own expectations for reducing rates by three quarters of a percent in 2024 (as a reminder, these are just projections by individual FOMC members and do not represent any kind of actual policy decision). The main driver of the Fed's change of heart from its previous meeting was continued traction in lower inflation. In particular, the November Core Personal Consumption Expenditure (PCE) index, which is the Fed's preferred metric for inflation, showed just a 3.5 percent year-on-year gain and a month-on-month increase of just 0.16 percent, both numbers being below economists' expectations. According to Fed chair Jay Powell at the post-FOMC press conference on December 13, some Committee members were knocking down their inflation projections for 2024 in real time, as a better than expected report on wholesale inflation had come out earlier that morning. In any event, this little Christmas present was all that stocks and bonds needed to race ahead to the end of the year.

As is often the case, though, markets are having something of a rethink as 2024 gets underway. There is a certain leap of logic one has to make in projecting a protracted series of rate cuts this year. Yes, inflation is lower and likely to keep trending down. But the economy is still doing just fine, even after almost two years of rising interest rates. The labor market continues to produce a healthy number of payroll gains each month, the year-end holiday shopping season was by almost all accounts more successful than expected, and the likelihood of a recession has declined, no longer the base case assumption among mainstream economists that it was a year ago. Conditions could change, of course, and we do expect that the pace of growth will be slower this year than it was last year. That could plausibly give the Fed an argument for modest cuts in rates. But by the end of last year, the bond market had effectively priced in six rate cuts for 2024 adding up to 1.5 percent lopped off the Fed funds rate. Unless economic conditions were to take a sharp turn for the worse, we would have a hard time seeing the rationale for such draconian cuts.

One of the exercises we habitually go through at this particular time of the year is to ask ourselves what could go wrong. The economy, of course, could deliver surprises on the upside or the downside. This could also be a year in which things really go south in China, which has been on a sort of slow-burn decline in fortune since conditions in the country's property and development sector, which accounts for about a third of the total economy, turned markedly worse back in 2022. Given the geopolitical importance of China, as well as its influence as the world's second-largest economy, a shift from slow-burn to downward spiral could be highly destabilizing. Then there are national elections, which in 2024 will involve about half of the world's total population – including those of the US, UK, India and Indonesia. These will become increasingly dominant themes as the year progresses – but they may wind up having very little impact on securities markets. Markets tend to ignore geopolitics, not because they are unimportant, but because they are hard to quantify in meaningful terms of value. Still, we would not be surprised to see a higher than usual amount of volatility as markets ponder the longer-term implications of shifting geopolitical tectonics. And big shifts do seem to be happening.

With warm regards,

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Portfolio Results Versus Benchmark

	Inception to Date 08/08/03 to 12/31/2023		Last 20 Years 12/31/2003 To 12/31/2023	Last 10 Years 12/31/2013 To 12/31/2023	Last 5 Years 12/31/2018 To 12/31/2023	Last 3 Years 12/31/2020 To 12/31/2023	Last 12 Months 12/31/2022 To 12/31/2023	YTD 1/1/2023 To 12/31/2023	QTD 10/1/2023 To 12/31/2023
	Annualized	Cumulative							
Jewish Foundation of Greensboro Total Portfolio	7.04%	300.42%	6.62%	5.82%	8.15%	5.33%	17.84%	17.84%	9.48%
*Conservative Growth Risk Benchmark	6.46%	259.00%	6.01%	5.57%	7.64%	2.78%	14.38%	14.38%	8.47%

Important Disclosure Information

Benchmark used was reviewed and adopted by the Jewish Foundation of Greensboro Investment Committee on 2/26/2014

Conservative Growth Risk Benchmark: 50% MSCI All Country World Index, 30% Barclays US Aggregate Bond & 20% HFRI Fund of Funds Composite Index

GJF Portfolio Returns are Time Weighted returns *net of fees* and are calculated by Tamarac Advisor View.

Portfolio returns include: CRUT Account(s), Unitrust Account and Israel Bond Position

*Index Returns are provided by Morningstar Direct. These returns are *gross of fees* and the actual performance would be less than shown if fees were deducted. All Index returns assume an annual rebalance. Inception to date returns for the benchmarks are calculated using an 08/01/2003 start date.

Returns are not annualized if less than 1 year.

Past performance is not indicative of future results.

Index Definitions:

MSCI All Country World Index: A stock index designed to capture large and mid cap representation across 23 Developed Markets and 21 Emerging Markets countries. With 2,433 constituents, the index covers approximately 85% of the global investable equity opportunity set.

Barclays US Aggregate Bond Index: Includes U.S. Government, corporate and mortgage-backed securities with maturities up to 30 years

HFRI Fund of Funds Composite Index: An equal-weighted index that includes over 800 constituent domestic and offshore hedge fund managers. The strategy designs a diversified portfolio with the objective of significantly lowering the risk (volatility) of investing with an individual manager. All funds report assets in USD and only fund of funds managers are included in the index. All funds report net of all fees returns on a monthly basis and have at least \$50 million under management or have been actively trading for at least twelve (12) months. The HFRI indices are updated three times a month. The current month and prior three months are left as estimates and are subject to change. All performance prior to that is locked and is no longer subject to change.