

Investment Insights

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Our Philosophy A broadly diversified portfolio gives our clients the best chance to achieve their goals while taking as little risk as possible. However, there are fundamental economic realities that warrant consideration as we construct and modify portfolios.

Assumptions & Outlook

- The Federal Reserve has signaled it is likely finished raising interest rates and could cut rates in 2024 as inflation is falling and the economy is strong.
- The annual inflation rate has come down from a peak of 9.1% in June of 2022 to 3.1% in November of 2023. This is still above the Federal Reserve's target rate of 2.0%, but it's welcome progress.
- Ongoing US budget negotiations, a Presidential election, the continuing war in Ukraine and the recent war in the Middle East, may add to financial market volatility, but rarely do these types of events rise to the level of actionable for long-term investors.
- As of December 31, 2023, our Circuit Breaker is showing a "Normal" sign, with a closing index value 10.3% above an "Underweight" sign.

Portfolio Implications

- For clients in the distribution phase, we will continue to review and manage an appropriate level of reserves (i.e. bank cash, money market funds and high quality bonds).
- One benefit of a rising interest rate environment is cash positions are now paying a meaningful yield of about 5%.
- For clients in the accumulation phase, rebalancing your portfolio to ensure you are aligned with your target allocation may have merit.
- For clients in the distribution phase, it may be advantageous to hold a little extra money in their Money Market funds.
- Our investment policy provides the framework and discipline for making investment decisions. We continue to invest globally, in both stocks and bonds.
- Bond yields appear to have returned to a more normal range..
- During market corrections, it can be a good idea to consider reducing discretionary spending to help with investment sustainability.

As always, thank you for your trust and confidence.



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