



Quarterly Market Update – Lee McLellan, Investment Planner, Pinnacle Asset Management

Dear ,

This is the first of a new newsletter I will be writing and sharing with you at the end of each quarter. As a valued friend, client, or partner, I want to personally share what has occurred in the market/economy, what we have been working on with clients, and what has happened with life! We have some exciting updates coming out soon, and we are thrilled to share those with you very soon.

Market update

We'll dive into the details below, but first, let's review the year-to-date results:

	12/29/23 Close	3/29/24 Close*	Change Year to Date	% Gain/Loss Year to Date
DJIA	37,689.54	39,586.19	+1,896.65	+5.03%
NASDAQ	15,011.35	16,379.46	+1,368.11	+9.11%
S&P 500	4,769.83	5,254.53	+484.52	+10.16%
MSCI EAFE	2,241.21	2,349.41	+108.20	+4.83%
Russell 2000	2,027.07	2,124.55	+97.48	+4.81%
Bloomberg Aggregate Bond	2,162.21	2,145.23	-16.98	-0.79%

*Performance reflects index values as of market close on March 28, 2024. Bloomberg Aggregate Bond and MSCI EAFE reflect March 29, 2024, closing values.

EQUITIES: US equities rallied for a second straight quarter in Q1. This is the best performance to start a year since 2019. The big story for quarter 1 revolved around the market's ability to continue to rally despite language from the Federal Reserve indicating rates could stay higher for longer.

FIXED INCOME: US Treasury rates are up this quarter. The 2 year yields 4.62% and 10 year yields 4.2%. The probability of a June rate cut stood at just 60% late in the quarter, while the market was priced for just under 0.7% of rate cuts in 2024.

ECONOMY: The US Economy continues to remain strong. The first read of **Q4 GDP** expanded 3.4%, well ahead of the initial 2.0% consensus, with consumer spending a key tailwind.

MY TAKE: Investing in the markets requires a counterintuitive approach. We get the most inquiries into buying stocks when the market is up. A helpful reminder from our friend Warren Buffett: "to be fearful when others are greedy and to be greedy only when others are fearful." Stocks usually experience 3-4 pullbacks of 5% or more each year. We have not had a > 5% pullback since September of 2023.

Bonds/fixed income continue to remain attractive with rates at elevated levels. The temptation is to park money in a money market fund that pays an attractive rate. We caution clients on "keeping all your eggs in one basket". Once the economy slows and rates start to fall, a lot of investors in money market funds will be wishing they locked in these rates for an extended period. A reminder that most rates in money market funds are not guaranteed and can fluctuate.

3 Big Themes

In this section, I will share 3 themes that seem to be coming up in conversations with clients during the last quarter. My hope is that one or all of these can give you insight into improving your planning and investing strategies:

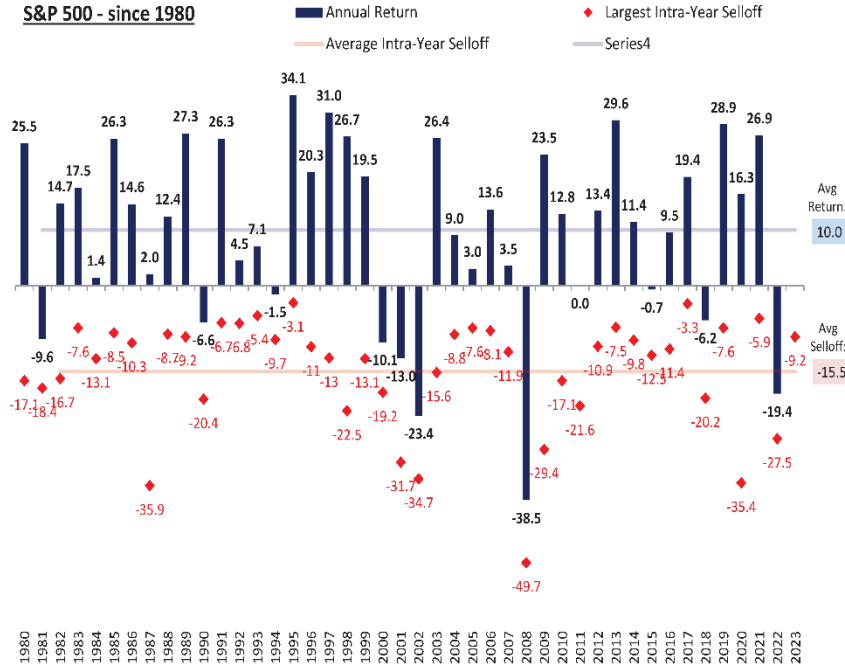
1. **Planning for an early retirement.** A lot of the work we do on a day-to-day basis involves goal planning. This could include goals of buying a house, planning for vacations, funding education, paying off debt, and the big one: retirement. I have noticed in conversations a lot lately that people are wanting to retire early. Instead of targeting an age of 65 or 70 for retirement, I hear a lot of 55 or 60. This IS an attainable goal with early-stage planning. But I always remind people there is a lot to think about with retiring early. How will you fund your lifestyle before being able to leverage social security? What about health insurance? Do you feel like you have enough hobbies or interests to fill your day? With a good plan, anything is possible!
2. **When should I invest?** The S&P 500 notched six new record highs in March. When the market is reaching a new high, it must go back down at some point, right? As mentioned earlier, pullbacks of 5% or more are common in any given year. Why is it that people have a hard time saving money in their bank accounts, but have better luck with it comes to saving in a retirement plan(401(k), IRA, etc.)? It is forced savings. The money going into your retirement plan never hits your bank account. My preference is to establish a savings plan with the accounts we manage, as well. When you are investing bi-weekly, monthly, or quarterly, it takes the guesswork out of when you should invest. Because you are ALWAYS investing.
3. **Taxes.** Tax Day is this month. Proper tax planning can add a lot of value to an overall plan. The goal should not be to pay as little tax each year. But to pay the minimum required of you over your lifetime. Here is your friendly reminder that you can make contributions to individual retirement accounts for the 2023 tax year up to the filing deadline. Each investing decision

usually has a tax consequence. Our goal is to work with you and your tax professional to make those options clear and concise.

Chart of the Quarter

Market Selloff Stats

S&P 500 - since 1980



Source: FactSet

Selloffs are common:

- Average Largest Intra-year selloff: -15.5%
- Ex-bear market years still normal to get 8-12% drawdown intra-year
- Average Annual return is : +10.0%

Team Updates

Gary, Tammy, and I continue to work together to provide the best possible experience for our clients. As a reminder, Gary and I are now working out of our office in Burton Hills. If you have not been able to come by to check it out, please let us know and let's schedule a time! Tammy continues to work out of our office downtown on 3rd Ave.

We have very exciting updates we are working on as I type. Our hope is that these updates will create a better understanding of what we do and how we work with clients.

This quarterly letter will continue to evolve, as well. If you have any feedback or questions on anything included in this letter, please let us know.

We hope you have a great summer!

Sincerely,

Lee McLellan, Gary Collier, & Tammy Bowling.

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