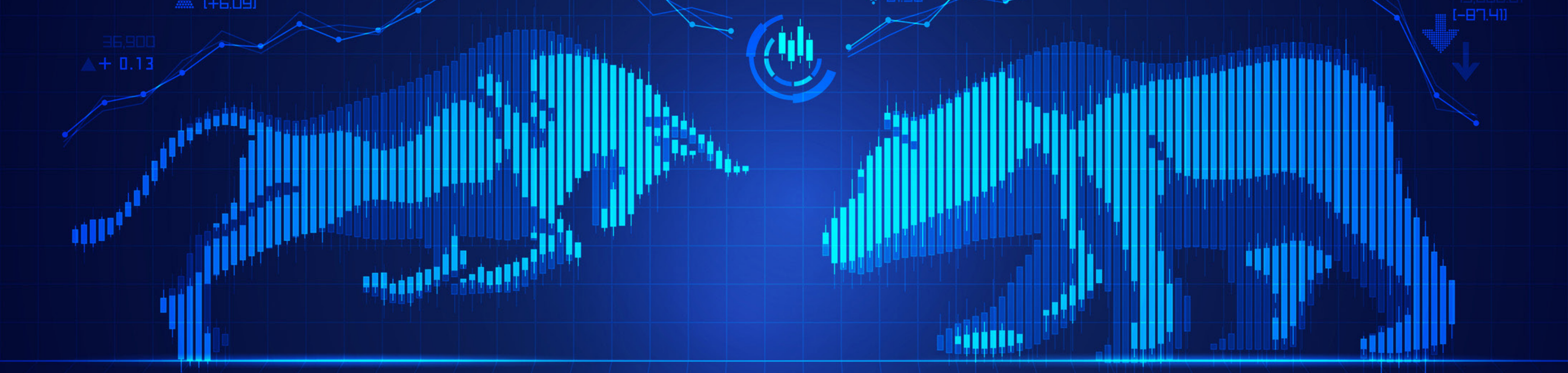

Capital Market Review
First Quarter 2024

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Key Takeaways from 1Q 2024

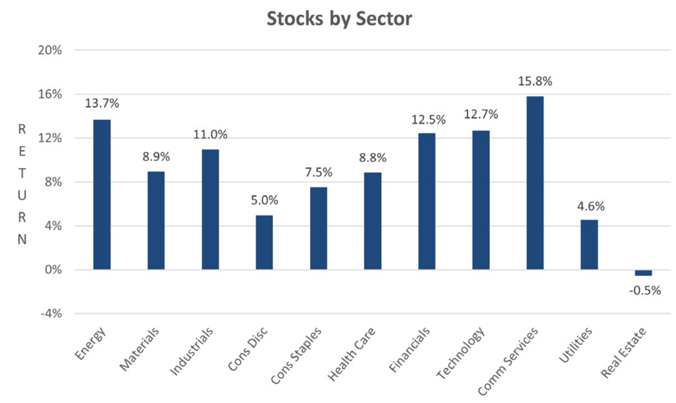
1. The S&P 500 Index fully regained its prior decline, hitting a record high 22 times during the first quarter and increasing 10.6%.
2. A variety of sectors led the quarter's rally and even outweighed negative performance from some of the Magnificent Seven stocks, which dominated returns in 2023.
3. The U.S. economy remains durable with steady to decreasing inflation, a strong labor market, and a durable consumer.
4. The Baltimore Bridge disaster and the upcoming Presidential Election will impact markets and the economy in various ways, but they should not impact investment decisions over the short term.

New record highs were a theme during the first quarter, from the S&P 500 Index to gold and even bitcoin. The S&P 500 Index ended the first three months of the year up 10.6% and finished at an all-time high twenty-two times during the quarter, or about one-third of all trading days, one of the best quarters ever from a record-high standpoint.

Benchmark Index Returns as of March 31, 2024

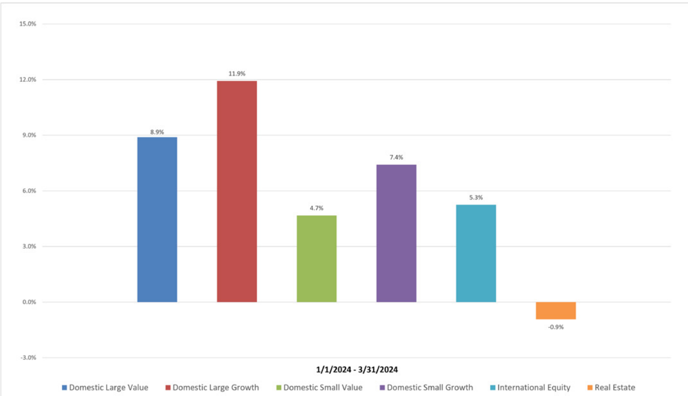
Benchmark Index Returns (%)	3 mo.
USTREAS TBill 3-Month	1.33
BBg US Govt/Credit 1-5 YR	0.14
BBg Municipal Bond 3 YR	-0.28
BBg US Aggregate Bond	-0.78
BBg Municipal Bond	-0.39
BBg Corp High Yield	1.47
FTSE WGBI Non-USD	-3.42
S&P 500	10.56
DJ Industrial Average	6.14
Russell 2000	5.18
MSCI ACWI	8.20
MSCI EAFE	5.78
MSCI EM	2.37
DJ US Select REIT	-0.39
Bloomberg Commodity	2.19

The stock market's increase was not focused on a small subset of companies or industries. Of the eleven sectors in the S&P 500 Index, all but one closed the quarter up at least 4.5%. Real estate was the only declining sector, ending the three months lower by 0.5%. Communication services, which Meta and Alphabet make up over 50% of the group, led the sectors, ending the quarter up 15.8%, followed by energy, up 13.7%.



Not only was the quarter's rally broad-based from a sector perspective, but both value and growth styles of the market increased to a similar degree. While large growth stocks still led the way with 11.4%, their value counterparts were not far behind, increasing by 9%. Value stocks even outperformed growth stocks during March. While one month hardly defines a trend, higher interest rates may be a contributing factor allowing value companies to close the performance gap with growth companies and helping those stocks be more attractive for future returns. However, this does not have to be a value or growth argument; both can do well in the same environment. Higher rates help value companies while, at the same time, growth companies can continue investing in their future to support growing at a faster rate.

Comparison of Equity Manager Styles
3 Months Ending 3/31/2024



The broadening of market leadership did not stall the artificial intelligence theme. Nvidia increased by over 80% during the quarter, while Qualcomm and Broadcom climbed by over 20%. Then there was Super Micro Computers which has already increased over 250% this year, after tripling in price last calendar year. If this theme continues, it's only a matter of time before Super Micro Computers is added to a "Magnificent 8," or perhaps a few of the laggards will be removed, and a new term will be coined identifying the current hot stocks.

Continuing the table from last quarter's Capital Market Review, we are even witnessing some divergence in the Magnificent 7. Despite a 100% increase last year, Tesla's stock price fell about 30% in the first quarter and 50% since the beginning of 2022. Also, since 2022, Apple, Alphabet, and Amazon have all underperformed the S&P 500 Index, leaving only three of the Magnificent Seven stocks beating the index over the past 27 months.

This is an example of not letting FOMO (fear of missing out) drive investment decisions. While FOMO would have worked for Nvidia, Tesla has turned out to be the opposite. This is not to say Tesla cannot be a promising investment, but buying into hype exposes a portfolio to risks that can be mitigated by following a more disciplined investment process. We strive to maintain exposure to the best companies at reasonable weights rather than participate in only the best performers because they tend not to be the best forever.

Magnificent 7 Returns

	Returns (%)			
	2022	2023	2024Q1	Cumulative*
Alphabet Inc	(39.1)	58.3	8.1	4.2
Amazon.com Inc	(49.6)	80.9	18.7	8.2
Apple Inc	(26.4)	49.0	(10.8)	(2.2)
Meta Platforms Inc	(64.2)	194.1	37.3	44.5
Microsoft Corp	(28.0)	58.2	12.1	27.6
NVIDIA Corp	(50.3)	239.0	82.5	207.7
Tesla Inc	(65.0)	101.7	(29.3)	(50.1)
S&P 500 Index	*(18.1)*	*26.3*	*10.6*	*14.3*

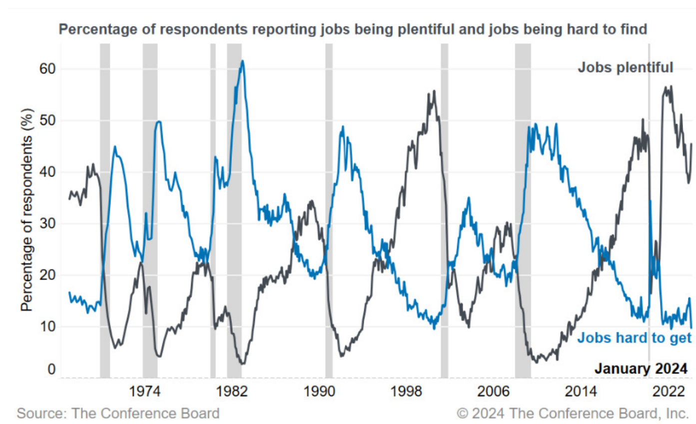
*Cumulative returns are from 1/1/2022-3/31/2024

Economy

Overall, the U.S. economy continues to do well. Consumers are spending money, the labor market remains strong, and inflation is moderating. Over the past three months, expectations for the number of rate cuts the Federal Reserve will institute throughout 2024 have decreased. The year began with the market expecting six rate cuts; now it's looking more like three. However, markets seem to care that rates are at their peak, and that the next move is a cut, whenever it may occur. The Fed has also increased its economic growth expectations through the remainder of the year, raising investor confidence.

The U.S. labor market continues to be a positive factor. Some labor statistics even show the market has strengthened since the Fed switched to a dovish tone (talking of rate cuts rather than hikes) last fall. There are still more jobs available than those looking for work; the previous data point showed 1.4 jobs per unemployed person. Granted, we do not know if these jobs are even remotely a fit for those unemployed, and this does not consider the distinction between socioeconomic classes, which have felt different degrees of labor market struggles. Nevertheless, weakness has yet to show in the labor markets, and most people who want a job have opportunities.

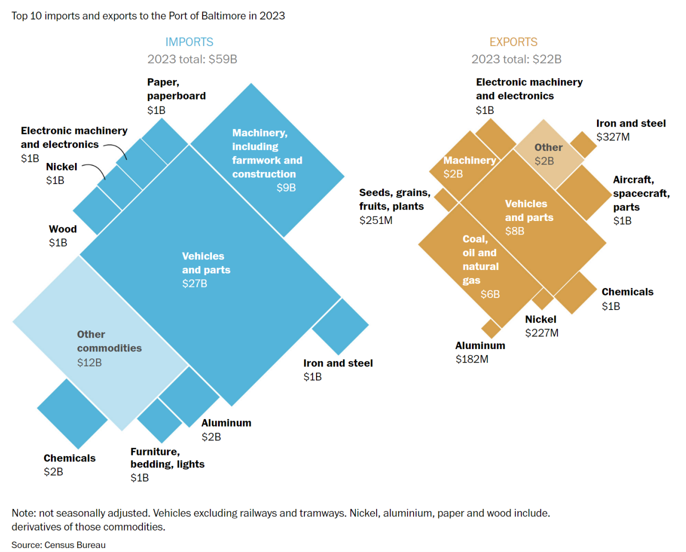
Labor Market



Source: https://www.conference-board.org/topics/labor-markets-charts

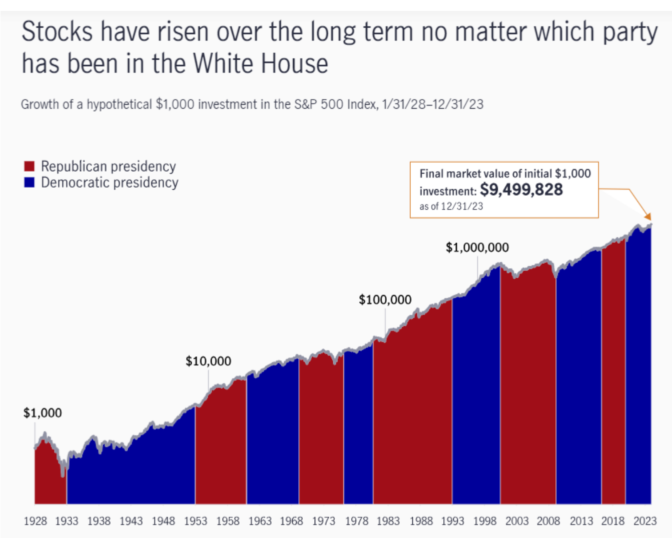
While the broad economy looks positive, the quarter ended with the unanticipated bridge collapse in Baltimore. While the Port of Baltimore may not be the biggest and best in the country, it is essential to specific industries. Last year, Baltimore was responsible for the most imports and exports of passenger vehicles and farm equipment. Coal is also one of the port's largest exports, as well as other fossil fuels like natural gas.

Ships can be diverted up and down the East Coast, and while there will likely be delays until new supply chains are established, this will likely not have much of an impact on U.S. economic growth. The uncertainty in the near term is what will this do to Baltimore's economy, specifically workers who rely on the port. The port employs about 15,000 workers, but the Maryland governor's office estimates 140,000 jobs are tied to the port's activity. Baltimore saw over 400,000 cruise passengers begin or end their journey in the city. This drop in consumers will impact restaurants, hotels, the airport, and other tourist attractions in the city. Depending on how long the port is closed, certain industries in Baltimore's economy may experience more despair than what is being picked up in national statistics.



Elections

What would a market commentary in 2024 be without a mention of the upcoming election? Unfortunately, politics is constantly pushed through multiple media sources and seems like a never-ending debate. While politics tends to make its way into the investment conversation, they should be two separate discussions. Politics will always be an emotional topic, but with investing, we try to remove those emotions.



We can experience volatility in financial markets during election years because uncertainty is present. If there is one thing markets always agree upon, it's that they do not like uncertainty. When it comes to Washington, D.C., the best way to have certainty, is a split government. As long as both houses of Congress and the President are not all the same party, it is very unlikely major legislation will pass, leaving us status quo expectations. But that is not to say if one party does have full control, we should expect a poor environment.

When one party controls the Executive and Legislative Branches, a President's major goals and campaign promises have a better chance of passing. These might create volatility in markets over the shorter term, but overall, it should not have a dramatic impact on long-term expectations. Certain industries might be impacted more than others, but companies are operating their business plans regardless of what is happening in Washington.

President	U.S. GDP Growth	S&P 500 Index
Reagan	3.5%	14.2%
H. W. Bush	2.2%	15.7%
Clinton	3.9%	17.2%
W. Bush	2.2%	(-2.9%)
Obama	1.7%	14.5%
Trump	1.4%	16.0%
Biden	3.7%	10.2%

*GDP Growth and S&P 500 Returns are annual averages during each presidency, Biden data through 12/2023, Source: Hartford Funds

While we recommend not changing investment portfolios due to politics, portfolios still need to take advantage of opportunities. Allegheny Financial Group believes in utilizing active management, so portfolio managers constantly look for opportunities to buy securities or avoid certain areas depending on risks. Although making changes may feel like the best thing to do, maintaining your allocation through all environments and allowing the underlying managers to make changes they see fit continues to be the best scenario to compound wealth over the long term to achieve your financial goals.

04/2024