

Quarterly Recap

Market Indices

Market Indices ¹	December	4Q 2023	YTD
S&P 500	4.54%	11.69%	26.29%
Russell 3000	5.30%	12.07%	25.96%
Russell 2000	12.22%	14.03%	16.93%
MSCI EAFE	5.31%	10.42%	18.24%
MSCI Emerging Markets	3.91%	7.86%	9.83%
Bloomberg US Aggregate Bond	3.83%	6.82%	5.53%
Bloomberg US Municipal Bond	2.32%	7.89%	6.40%
Bloomberg US Corporate High Yield	3.73%	7.16%	13.44%

¹FactSet (all equity performance is total return based, which include reinvested dividends).

At-A-Glance

- The S&P 500 finished the year up 26.29% ending just 0.56% away from its 01/03/22 record high. Its nine-week year-ending rally marked its longest winning streak since 2004.
- The Dow Industrials gained 16.18% in 2023, topping 37,000 for the first time, ending at 37,689. The Dow-30 gained 4.93% last month and rose 13.09% in Q4.
- The Nasdaq Composite surged 44.64% in 2023, its best year since 2020. The index rose 5.58% in December, capping a 13.79% fourth quarter gain.
- Internationally, for the quarter, the MSCI EAFE Index gained 10.42%, trailing the S&P 500 by 1.27%. Emerging Markets underperformed the U.S. by a larger 3.83% differential.
- The yield on benchmark U.S. 10-year Treasury Notes ended the fourth quarter at 3.879%, down from 4.572% three months earlier.
- The Bloomberg Commodity Index fell 2.69% last month, extending its quarterly loss to 4.63% and capping its 2023 loss at 7.91%.
- Gold futures closed 2023 at \$2,071.80/oz (up 13.45% in 2023) while U.S. WTI crude oil finished at \$71.65/barrel (-10.73% YTD). Natural gas plunged nearly 44%.

Fourth Quarter 2023

Last year was a stellar year for equities. Fueled by an artificial intelligence boom within Big Tech coupled with weaker inflation, the S&P 500 soared 26.29%, more than fully erasing its 2022 loss of 18.11%. The Nasdaq 100 leapt 55.13%, its strongest year since 1999. Moreover, reflecting the magnitude of AI gains, the Philadelphia Semiconductor "SOX" Index surged 67%. The S&P 500 and Nasdaq 100 capped the year with nine straight weekly gains, a feat they haven't accomplished together since 1985. Quite notably, ahead of this, the S&P 500 had been in a 10.3% correction from July 31 through October 27.

The recovery went into overdrive after the Federal Reserve signaled in mid-December the end of its rate hike tightening cycle and opened the door to potential 2024 rate cuts beginning as early as March. Paramount in the Fed's pivot decision away from further rate hikes was the continued progress of reducing inflation back toward their 2% target. The Fed's preferred measure of inflation, the core Personal Consumption Price (PCE) Index slowed to 3.16% year-over-year in November, the lowest reading since March 2021. However, the core PCE price index rose just 1.87% annualized over the last six months. Core inflation metrics, such as this one, strip out volatile food and energy categories.

Despite strong yearly gains on Wall Street, the year was not without turmoil. Russia's war with Ukraine entered its second year and an October 7 attack on Israel by Hamas launched a war in the Middle East. Soaring interest rates kept new 30-year home mortgage rates above 7% for 17 consecutive weeks, reaching an October 2023 high of 7.79% before easing to 6.67% in the latest data, according to Freddie Mac.

The S&P 500 is in the process of emerging from a corporate earnings recession with third quarter 2023 earnings per share (EPS) growth coming in at +3.0%, widely surpassing initial estimates for a 1.1% contraction. Early fourth quarter EPS consensus estimates call for earnings growth of 2.1% which would cap 2023 with an overall 0.5% EPS contraction, followed by an estimated 10.6% earnings growth for 2024.

As shown in the style box performance boxes below, all three time periods ended positive for all styles and sizes. Most notably, small cap blend outperformed large cap blend in December and for the quarter while the reverse occurred for full-year 2023 returns. Large cap growth (+42.68%) widely trounced its value counterparts (+11.46%) by over 31%.

	December Returns			Quarterly Returns			2023 Returns		
	Value	Blend	Growth	Value	Blend	Growth	Value	Blend	Growth
Large Cap	5.54%	4.84%	4.42%	9.00%	11.96%	14.16%	11.44%	26.53%	42.68%
Mid Cap	7.79%	7.73%	7.58%	12.11%	12.82%	14.95%	12.71%	17.23%	25.87%
Small Cap	12.45%	12.25%	11.61%	15.20%	14.03%	12.75%	14.65%	16.93%	18.60%

Source: Cetera Investment Management, FactSet. FTSE Russell Returns shown are total return, which includes dividends. Investors cannot invest directly in indexes. Data as of 12/31/2023.

Top & Bottom Performers

In sector performance, Real Estate (+8.7%) was the top performer in December, surpassing Technology's 3.83% December gain. Real Estate was also the top performing sector in the fourth quarter, surpassing Technology by nearly 1.7%. With crude oil and heating fuels were down double-digits for the year, Energy was a laggard in all three time periods. The full-year 2023 leaderboard was headlined by Technology (+57.84%), Communication Services (+55.80%) and Consumer Discretionary (+42.41%).

Top Sector Performers – December ¹	Bottom Sector Performers – December ¹
Real Estate (+8.70%)	Consumer Staples (+2.67%)
Industrials (+7.85%)	Utilities (+4.92%)
Consumer Discretionary (+6.10%)	Energy (-0.02%)

Top Performers – Fourth Quarter ¹	Bottom Performers – Fourth Quarter ¹
Real Estate (+18.83%)	Healthcare (+6.41%)
Technology (+17.27%)	Consumer Staples (+5.54%)
Financials (+4.03%)	Energy (-4.94%)

Top Performers – YTD 2023 ¹	Bottom Performers – YTD 2023 ¹
Technology (+57.84%)	Consumer Staples (+5.52%)
Communication Services (+55.80%)	Energy (-1.33%)
Consumer Discretionary (+42.41%)	Utilities (-7.08%)

¹FactSet (all S&P 500 sector performance percentages are total return based, which include reinvested dividends).

Remarkably, despite a year of outsized swings, the key 10-year Treasury yield ended 2023 nearly identical to where it started the year. The 2023 year-low of 3.25% occurred amidst the fallout of the Silicon Valley Bank regional banking crisis in March. Later in the year, the yield went on to eclipse 5% in October for the first time in 16-years. Following the December Fed pivot, the 10-year yield closed 2023 at 3.879% after starting the year at 3.878%. For the year, the yield on policy-sensitive 2-year Treasury notes fell just over 0.15% to end at 4.248%, its first yearly decline since 2020.

In fixed-income performance, U.S. Treasuries (as measured by the Bloomberg U.S. Government Bond Index) rallied 5.62% in the fourth quarter, ended the year with a 4.09% gain. Longer-term U.S. government bonds surged 12.69% in the fourth quarter, ending 2023 up just 3.11%. The majority of these fourth quarter gains for bonds came in December.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) registered a 6.82% fourth quarter gain, capping its 2023 gain at 5.53%. Non-investment-grade High-Yield corporate bonds advanced 7.16% in the final quarter of the year, extending its full-year 2023 leadership to 13.44%. For the year, High Yield corporate bonds beat Treasuries by over 9.3% and outpaced the Bloomberg Aggregate Bond Index by 7.9%. Municipal Bonds (+7.89%) slightly outperformed High Yield bonds in the fourth quarter, although gained around half as much for the year, up 6.40%.

CETERA® INVESTMENT MANAGEMENT

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Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holdings have a fluctuating average life of around 12.8 years.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable 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, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government).

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each 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 Index companies with higher price-to-book ratios and higher forecasted growth values.

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

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

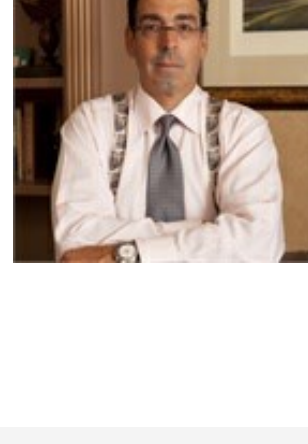
The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDXY or DXY moniker, started in March 1973, beginning with a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

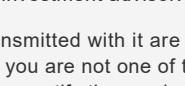
West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.



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