



SAM NEWS

4th Quarter 2023 Report
January 2024

Striking Distance S&P 500 Index Returns To Record Level

2023 certainly ended on a high note with the S&P 500 rising for nine straight weeks to close out the year- the best weekly win streak since 2004. The Dow Jones Industrial Average and the Nasdaq Composite both set new all-time record highs in December. In our routine interactions with clients, most are surprised at the substantial recovery in the broad indices and the resulting increases in their portfolio values. One recent article described this year's stock gains as "a lot like watching paint dry, until you realize how good the room looks." Stocks are reasonably valued, interest rates have likely peaked for this cycle, inflation is declining, and indications are that corporate earnings growth is returning. There is a good chance that we will avoid a recession altogether and that investors could be rewarded again in 2024 after a stellar 2023. Please read on for our SAM Outlook and SAM Strategy.

2023 INVESTMENT REPORT

The stock and bond markets both rallied in the final two months of 2023. The broad S&P 500 Index ended the year up 26.3%, the DOW 30 gained 16.2%, the Nasdaq (led by the "magnificent 7") rebounded 43.4% and small company stocks represented by the Russell 2000 gained 16.9%. International stocks again lagged U.S. equity returns but managed to produce a solid total return of 15%. The broad U.S. bond market was negative or flat most of the year but finished with a total return of 5.5%. Gold, the barbarous relic, gained 14%, with the price of gold still basically unchanged since 2011. According to Bloomberg, gold has returned 4.1% annually compared to 11% for the S&P 500 over the last 40 years.

INVESTMENT INDICES

All numbers listed are total returns (including dividends) and are percentage gains or losses:

	2023	4th Quarter	3-Year
Dow 30	16.2%	13.1%	9.4%
S&P 500	26.3%	11.7%	10.0%
Nasdaq Composite	43.4%	13.6%	5.2%
Russell 2000	16.9%	14.0%	2.2%
EAFE (International Stocks)	15.0%	10.1%	1.4%
Barclays Capital Aggregate (Bonds)	5.5%	6.8%	-3.3%

These are not the rates of return for SAM accounts, but are shown as a historical benchmark for various asset classes. SAM does not guarantee account performance. Accounts may lose value. Information taken from sources believed to be reliable, but its accuracy cannot be guaranteed.

SAM will be celebrating 25 years in business in 2024! We would like to thank all of our clients for their continued trust and confidence- some of whom have been with us since the beginning. If you know of anyone who may benefit from our service, please do not keep us a secret. As always there is no cost for an initial consultation meeting.

REQUIRED DISCLOSURES

Sierra Asset Management's **Privacy Notice, Proxy Voting Policy Summary and CRS Summary** are enclosed with this bulletin. If you have any questions, please contact us. During the 1st quarter of 2024, we will update our **U.S. Securities & Exchange Commission Form ADV Part 2**. You may request a copy by calling or sending an email. Our most recent SEC filings are always available at www.sec.gov.

1st Quarter Holidays

New Years, January 1st
Martin Luther King Jr. Day, Jan 15th
Washington's Birthday, Feb 19th
Good Friday, March 29th

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SAM Outlook and Strategy on the following page.



SAM OUTLOOK

We have maintained our positive outlook throughout the year and mentioned in our last newsletter that stocks could reach their old highs by year-end or in early 2024. Remember all of the top economists and Wall Street strategists who were predicting a severe recession coming into 2023? In one poll a year ago, 85% of the economists polled were predicting a recession and in October of 2022 it was closer to 100%. The U.S. economic outlook has improved as a result of the incoming data. In mid-December, the Federal Reserve essentially declared the end of the rate hike cycle and the forecast is for lower interest rates sometime in 2024. This "Fed pivot" sparked the sharp year-end gains in both stocks and bonds. The economy has remained surprisingly resilient, and inflation and wage growth are slowing.

Our outlook for 2024 remains optimistic. The substantial stock gains in the 4th quarter may have borrowed or pulled forward some of the gains for next year and we could see stocks flattening out for a while before eventually heading higher. If corporate earnings have truly troughed and are on the upswing, then stock gains will follow. With interest rates declining, we have already seen a positive turnaround in bond prices. Total return for bonds (coupon payments plus appreciation) could be surprisingly high in 2024. This bodes well for diversified, balanced portfolios, which make up a large percentage of our clients' accounts. We continue to see limited recession risk in the coming year and expect several tailwinds to global growth, including strong real household income growth, a smaller drag from monetary and fiscal tightening, a recovery in manufacturing activity, and an increased willingness of central banks to deliver interest rate cuts if growth slows.

SAM STRATEGY

Throughout the year we made some meaningful changes to our investment allocations that really paid off by year end. Our diversified stock holdings did well, but we are more optimistic on our bond holdings than we have been in years. Earlier in the year we added to longer-term bond holdings for the first time in over 15 years. Last year's Federal Reserve rate increases caused bond prices to decline and yields to go up substantially. We made the shift to longer term bonds at a good time, locked in solid yields, and there is a good chance that we could see some price appreciation in those bonds if the Federal Reserve lowers rates in 2024 (interest rates and bond prices move in opposite directions). We have shifted from a world in which There Is No Alternative (TINA) to stocks to an environment in which There Are Reasonable Alternatives (TARA), namely high-quality fixed income assets such as investment grade corporate bonds.

International stocks have lagged domestic stocks annually for the last 10+ years. We have maintained an allocation for diversification and the conviction that eventually international stocks will add alpha to our performance (winners rotate). The opportunity set in international markets can provide several benefits, including diversifying sources of risk and returns, an income stream we see as attractive (the MSCI EAFE Index carries a dividend yield of 3.4 percent compared to 1.5 percent for the S&P 500 Index), a more balanced industry mix and sector composition, and differentiated exposure to broader geopolitical trends.

IMPORTANT TAX INFORMATION

Schedule for Receiving Tax Preparation Forms

CHARLES SCHWAB 2023 FORM 1099-R for distributions from IRA, SEP-IRA, Simple IRA, and Roth IRA accounts: mid to late January.

CHARLES SCHWAB 2023 FORM 1099 COMPOSITE AND YEAR-END SUMMARY for taxable brokerage accounts: Mid to late February.

CHARLES SCHWAB 2023 FORM 5498 which reports your IRA contributions made by April 15, 2024: Mid to late May.

If any security sends updated information, Schwab will send a corrected Form 1099. While you may schedule your tax appointment earlier, please be sure to ask your CPA or tax preparer not to finalize your return preparation until March. Those clients who have limited partnership interests will typically not receive the partnership tax information until mid-March (as normal). While we may hold limited partnerships transferred in by clients, SAM does not invest in them.

SAM can still produce an estimate of gains/losses for tax planning purposes. SAM cost basis estimates should be used for planning purposes only, and should not be used for tax return preparation. It will be very important to use the cost basis data reported by Schwab on the 1099 composite and year-end summary. Your tax preparer or CPA will assist you with this important tax preparation issue. If you have any questions regarding cost basis, please give us a call at 658-5193 or toll-free 877-658-

"Life is like a trumpet. If you don't put anything into it, you don't get anything out."
- WC Handy