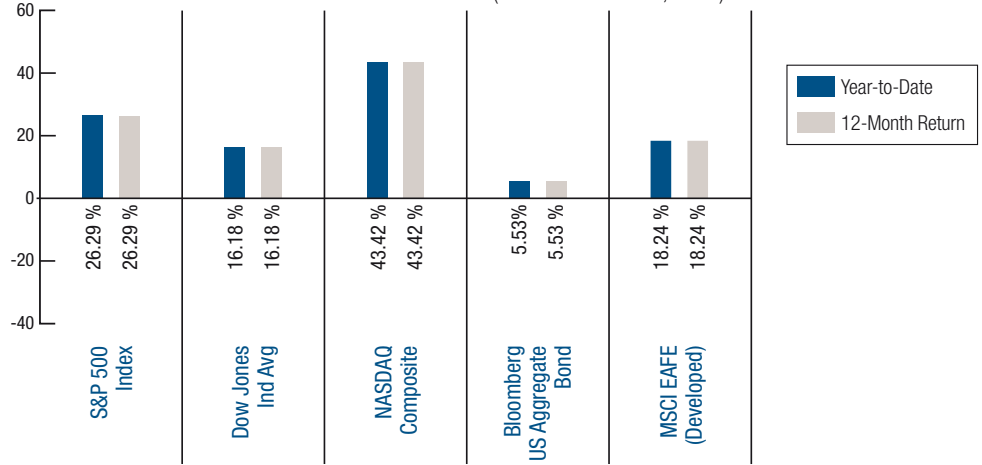




“The great investors are always very careful.”
— Charlie Munger

Asset Class Returns (as of December 29, 2023)



Source: Morningstar



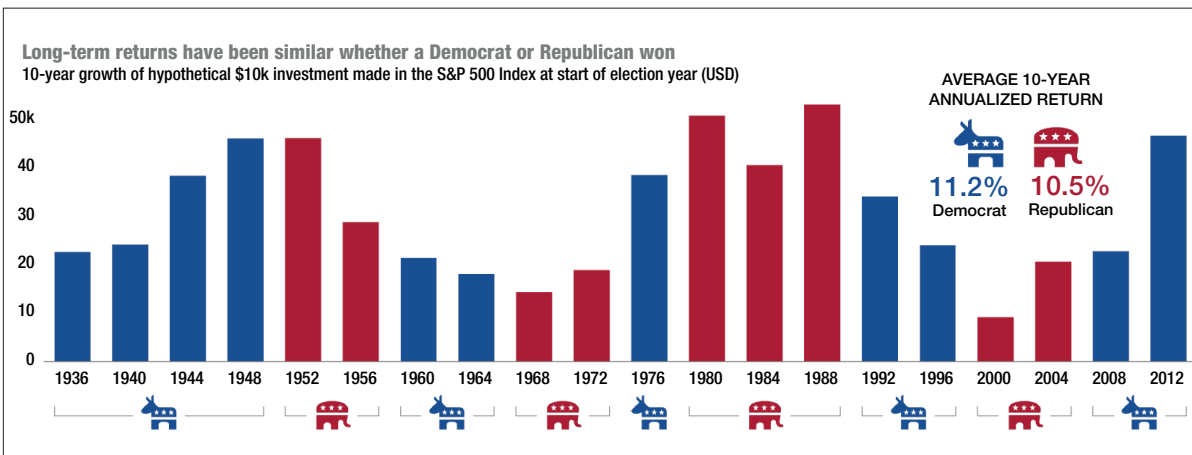
MARKET/ECONOMIC SYNOPSIS

Terry Wiles, CRPC®, AWMA®
Branch Manager, RJFS
President, Stonegate Financial

Happy New Year!!!

With 2023 in the rearview mirror, it’s time to focus on 2024. There’s no shortage of headlines as we look out our windshield, whether it’s the presidential election, a soft landing or hard landing, inflation and interest rates, or whether there is a housing bubble waiting to bust. These are just a few of many things that the pundits will argue over in 2024 and years to come.

Over the last 28 years in the investment and financial industry, I’ve learned that you can’t put all your chips on any one pundit’s foregone conclusion. I’ve learned that buying high quality investments and holding them through good and bad times leads to better outcomes than market timing. If we instead focus on longer trends versus what is happening right in front of us, we’ll be exercising Charlie Munger’s philosophy that temperament is more important than brains. The S&P 500 has finished positive in 32 of the last 43 years, and the Bloomberg U.S. Aggregate Bond Index has finished positive in 38 of the last 43 years. These are both great achievements that give us long-term confidence in the markets.



Presidential Election

– Here is a chart provided by the Capital Group that shows the 10-year returns of the S&P 500 are very similar no matter which party wins the race.

I'd personally like to show up on November 5th, 2024 and have two completely different candidates to vote on, versus the same ones repeatedly. As an ex-air traffic controller, I'm very familiar with the fact that FAA controllers and all commercial airline pilots must retire by age 65. Hmm, I wonder why...I surely would not feel comfortable controlling the same number of aircraft today as I was in the 1980's.

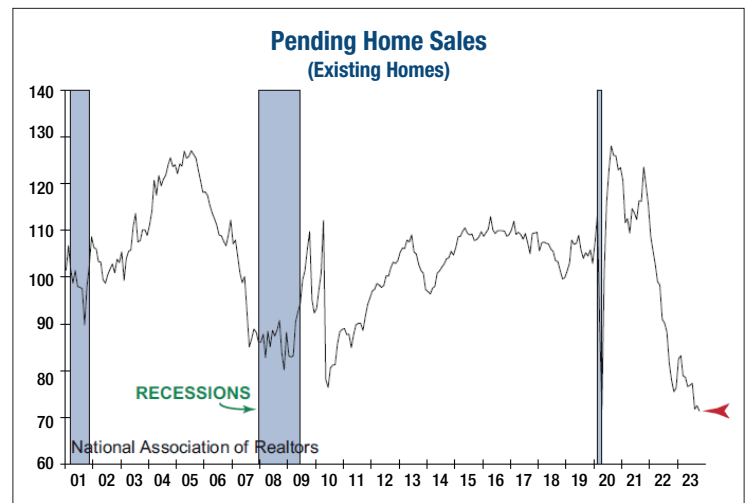
The Air Carrier Certification handbook states that this mandatory requirement is due to *"the physical drain and mental strain"* that these folks are under on a day-to-day basis. I can only imagine what type of stress a person running the most powerful country in the world is under on a day-to-day basis. As for the markets over time, you shouldn't worry which party wins the election. Corporations have always found ways to increase their earnings over time.

Economic Soft Landing or Hard Landing – Since the start of the Pandemic and closing of the economy, we've gone through a series of mini-recessions. In 2020, the leisure and hospitality industries fell off a cliff, and they have since come roaring back. In 2020-2021, our unemployment numbers skyrocketed, and now employers are having a very hard time filling open positions. In 2022, semiconductor companies saw earnings decrease and their stock prices were pummeled. Now the so called "Super Seven" have risen to all-time highs in 2023. These mini recessions may help us get through a broader recession without as much downside since many of the sectors have recently experienced significant pain and have rightfully reset themselves. We also witnessed the worst stock & bond market combined performance in the last 50years in 2022, and then rebounded nicely in 2023 with the S&P 500 up 26.29% and the Bloomberg Aggregate Bond Index up 5.53%.

Inflation and Interest Rates – The Federal Reserve met in December, and the key takeaway was that they had no intentions of raising rates and may start reducing rates in 2024. I wouldn't hold your breath waiting for the FED to lower rates. The one consistent message that FED Chair Jerome Powell has stood by is that they want to see core inflation under 3%. US Core Inflation is currently at 4.01% versus 5.96% last year. Yes, we are headed in the right direction, but we have not received an all-clear signal to date. I expect interest rates to remain higher for longer, versus a major drop in rates. Bonds look more attractive, as well as dividend paying stocks.

Is a Housing Bubble Waiting to Bust? – We've been talking to local mortgage lenders, real estate agents, and real estate closing attorneys, and the housing picture is not sounding as rosy as many are portraying. With the 30-year fixed mortgage rate over 7%, it's hard to afford a mortgage if you are a home buyer in need of financing. A good portion of historical home sales have been from individuals moving for employment changes, or from wanting to upgrade from their existing home. It's very hard to justify moving if you must finance your new purchase when you probably have a current mortgage at half the rate of a new mortgage. It's a cash buyers' and sellers' housing market!

The chart below from our friends at Investech Research shows that pending existing home sales are at over 20-year lows. The shaded areas are recessions.



In summary, while we have some concerns with the overall strength of the economy going into 2024, we have tons of optimism on the earnings ability of corporate America this year and going forward. The United States continues to be at the forefront of innovation, and I don't see that changing in my lifetime. Every time we have a setback, we find a way to dig ourselves out and become a stronger, more resilient Nation.

May 2024 bring you health, happiness, and prosperity!!!



A TRIBUTE TO CHARLIE MUNGER

An Icon in the Investments and Business World

Terry Wiles, CRPC®, AWMA®
 Branch Manager, RJFS
 President, Stonegate Financial

Charlie Munger died on November 28th, 2023, at the age of 99. He would have become a centenarian on January 1st, 2024. He was an icon in the world of investing. As Berkshire Hathaway’s co-chairman, he worked together with his good friend Warren Buffett to build one of the most stellar companies in the world - a conglomerate of its own with full ownership of 65 companies like GEICO, Fruit of the Loom, Duracell, Dairy Queen, See’s Candies, and more. Charlie and Warren met at a dinner party in 1959 and maintained a friendship where they had never fought in over 60 years. Both gentlemen respected the other’s opinion, and neither would make a major investment decision without the other’s consent. Their business success grew over the years, and their ability and openness to challenge each other’s ideas proved invaluable.

Warren was recently quoted in a CNBC interview as saying *“I knew after I met Charlie, after a few minutes in the restaurant, I knew that this guy’s going to be in my life forever. We were gonna have fun together, we were gonna make money together, we were gonna get ideas from each other. We were both going to behave better than if we didn’t know each other.”*

In 2018, Alex and I attended the Berkshire Shareholder meeting in Omaha, Nebraska. This was one of the highlights of my career. We got to meet CNBC’s Becky Quick, who

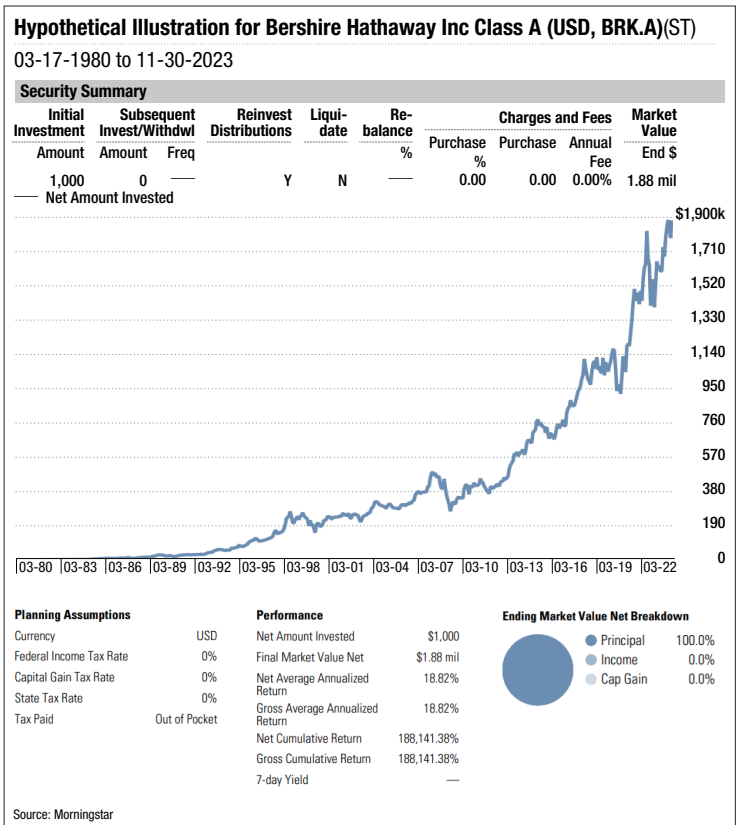


is one of the only trusted reporters welcomed into the inside sanctuary of Charlie and Warren. These shareholder meetings are mindboggling. It’s a place where the wealthiest investors around the globe converge to listen to two of the wittiest and most respected businessmen in the world

share their insights over a two-day period where they literally answer hours upon hours of shareholder questions. These questions can be anything from their worst mistakes, best ideas, geopolitics, the future of investing, to plain and simple investment advice. They share what seems to be endless knowledge with anyone that wants to listen.

The chart below from Morningstar shows the cumulative growth of a \$1,000 investment back in 1980 when the company first became a publicly traded stock. That investment would be valued at \$1.88 million through November 2023. An amazing achievement from two very down-to-earth, hardworking gentlemen that knew how to invest in high quality companies at a reasonable price.

R.I.P. Charlie, you will be sorely missed!



The Berkshire annual shareholder letter always contains some great quotes from both Charlie and Warren.

Here are a few of Charlie's offering his sage advice:

“*It is far better to buy a wonderful company at a fair price than a fair company at a wonderful price.*”

“*Don't work for anyone you don't respect and admire.*”

“*Work only with people you enjoy.*”

“*I've written my obituary the way I've lived my life and if [people] want to pay attention to it, that's alright with me. If they want to ignore it, that's ok with me too. I'll be dead.*”

“*What I needed to get ahead was to compete against idiots and fortunately there's a large supply.*”

“*A lot of people with high IQ's are terrible investors because they've got terrible temperaments. And that is why we say that having a certain kind of temperament is more important than brains. You need to keep raw irrational emotions under control. You need patience and discipline and an ability to take losses and adversity without going crazy. You need an ability to not be driven crazy by extreme success.*”



FINANCIAL PLANNING CORNER

New Year's Resolutions, 2024 Edition

Trey Stille, CPA
Financial Advisor, RJFS
Partner, Stonegate Financial

Is it just me, or did 2023 fly by at lightning speed? I'm sure like you, our family had plenty to be thankful for in 2023 with a nice dose of “good riddance” as well!

While there is always value in reflecting on the prior year, we want to look to the year ahead in this edition of our Planning Corner. It can be tough to come up with New Year's resolutions, and it's even harder to follow through on them. But we have good news - we have made that easier for you! Below are five resolutions that we hope will guide you towards a happy, healthy, and prosperous new year. We look forward to hearing about these resolutions as we meet in the coming months and wish you all the best as we ring-in 2024!

Automate Investment Deposits

Many clients we serve are diligent savers that prioritize contributions to their work retirement plans. Maximizing work plans, like a 401(k), is a great priority for many reasons, not the least of which include employer matches, current year tax benefits, and possibly even access to Roth contributions. For 2024, the 401(k)/403(b) contribution limit has increased to \$23,000 (\$30,500 for those age 50+).

As with your investments, it is important to consider how your accounts are diversified because this can provide more flexibility in managing taxes down the road. If you have an adequate emergency fund and are maximizing your workplace contributions, consider setting up automatic monthly contributions to a **taxable investment account**. Only gains in these accounts are subject to taxes, and those tax rates are lower than your ordinary income rates. **Resolve to build your taxable investment balances in 2024 as part of your overall financial and retirement planning!**

Check Your Work Retirement Plan Allocation

Markets bounced back healthily in 2023 after a dismal 2022. In 2024, make sure you check your work plan asset allocation. For example, you may be surprised to find that you are over-allocated to stocks when you consider your risk tolerance.

Resolve to check your 401(k) (or other work retirement plan) allocation early in 2024 to make sure you are not taking on too much risk, or too little risk, to meet your goals.

Review Your Beneficiaries

Turning the page to a new year always brings about the overarching feeling of change. Have there been any big changes in your life this year? Maybe it's the birth of a new grandchild, the death of a loved one, or even a divorce. These changes are a catalyst for reviewing beneficiaries on all your accounts – from your work retirement plan to your bank accounts and everything in between.

Even if you did not have any major life changes this year, **it's a great practice to periodically ensure your beneficiary designations are aligned with your wishes. Resolve to check this off your list in 2024.**

Turn Off the News and Pick Up a Hobby

If you're tired of feeling happy, just turn on the news! Unfortunately, ratings seem to be driven exclusively by doom and gloom. Our team suggests turning **off** the news and repurposing that time with something that brings you joy!

Maybe you have an old hobby that you have not picked up in a while. Or maybe there's a new hobby or activity you have been wanting to try. Go for it! *Resolve to tune out the bad news in 2024 and dive into a hobby that fills your cup.*

Plan Your Next Getaway

Despite being a couple years removed from the depths of COVID-19, most of us are still itching to get out there and experience new things. For many, this means traveling to unfamiliar places for days (or even weeks) on end. And for others, this can be as simple as plotting out day trips to new locations or spending afternoons outside exploring the natural world around us.

Make it a point to plan that next getaway in 2024. Maybe that's an international trip, or maybe it's carving out time each week or two to explore a new local park. *Regardless of how your getaway looks, resolve to make that time for yourself and enjoy all that this great big world has to offer, whether far away or close to home.*

AROUND THE OFFICE

WE LOOK FORWARD TO

welcoming Baby Rickenbaker in January

and will miss having Heather in the office while she enjoys her 12-week maternity leave. During that time, Becky and Megan will be covering Heather's responsibilities, and Megan will be reaching out to schedule annual reviews.

GET READY FOR FORECAST 2024!

As we welcome the new year, it is a tradition to look back on the economic events of the previous year – which for 2023 provided a lot of "Never Before" occurrences!

We will also evaluate where we are now, and then consider what may be on the horizon in the year ahead. We will hold two live presentations this year. The first will be on **Wednesday, January 31st at Prestonwood Country Club in Cary starting at 5:45 PM.**

Watch for invitations and be sure to RSVP for you and any guests who might be interested in meeting us.

We will also deliver our Forecast 2024 presentation on **Friday, February 2nd to the residents of Carolina Preserve starting at 10 AM.**

For anyone unable to attend either of these events, we will share a taped version the first week of February via email and our website.

OUR ANNUAL SHREDDING EVENT IS SCHEDULED FOR SATURDAY, MARCH 23RD FROM 9-11 AM

in our parking lot at 204 Towne Village Drive, Cary. The new year is a wonderful time to go through old files and declutter! Safe and secure destruction of personal information is critical today, and we are excited to have a Proshred Security truck onsite.

We hope to see you, and welcome you to share this invitation with friends, neighbors, and coworkers too!

MARK YOUR CALENDARS FOR OUR ANNUAL

Ice Cream Social,

which is planned for **Wednesday, May 15th from 6:30-7:30 PM** in our parking lot.

What fun flavors will be on the menu this year? We will let you know in May!



204 Towne Village Drive
Cary, NC 27513
919-460-4688
www.SGFNC.com

If you would like to catch monthly updates and pictures of our littlest family members, be sure to follow us on Facebook!

<https://www.facebook.com/sgfnc>

- OR -

Just search for Stonegate Financial!

Terence Wiles - Branch Manager, RJFS | Alex Greene - Financial Advisor, RJFS | Trey Stillel - Financial Advisor, RJFS | Becky Wiles - Office Manager, RJFS | Heather Rickenbaker - Client Services Manager, RJFS
Landon Mundell - Client Service Associate, RJFS | Megan Long - Client Service Associate, RJFS

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The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad based measurement of performance of 500 widely held common stocks. The Barclays Aggregate Bond Index is diversified index measuring approximately 6,000 investment grade, fixed rate taxable securities. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the US & Canada.

International investing involves additional risks such as currency fluctuations, differing financial and accounting standards, and possible political and economic instability. Also, investing in emerging markets can be riskier than investing in well-established foreign markets. There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal.

Investing involves risk and you may incur a profit or loss regardless of strategy selected, including diversification and asset allocation.

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Bond prices and yields are subject to change based upon market conditions and availability. If bonds are sold prior to maturity, you may receive more or less than your initial investment. Holding bonds to term allows redemption at par value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise.

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