Rose Capital Advisors Market Commentary & Outlook

Immaculate Disinflation

Q1 2024

Keeping Score: What We Got Right and Wrong in Q4

What we Got Right:.

“Powerful Seasonality Trends Cannot Be Ignored”
We mentioned that October-December is historically the strongest 3-month stretch of the year for equities. We expected more volatility in October but that markets would rally in November & December.

“Underweight High Dividend Equities”
Higher bond yields challenged higher yielding equities throughout 2023. This trend continued in Q4, with the S&P 500 (+11.7%) outperforming Utilities (+8.5%) and Staples (5.4%).

“US Over Developed Europe”
We believed the US economy is more resilient and would have a better chance of avoiding a Recession

“Don’t Fight the AI Secular Wave”
We cautioned investors who were underweight AI, as we believed this secular theme is still in the early innings.

What We Got Wrong:

“Hope for a Soft Landing but Prepare for Hard Landing”
We correctly called for “higher for longer” rates in 2023 and that inflation would remain stickier between 3.0-4.0%. However, we believed the Fed would maintain “hawkish” language until 2024. The “Powell Pivot” at the December Fed meeting took the market (and us) by surprise and brings rate cuts into play in Q1 2024.

“Short-Term Treasuries Still Attractive”
We believed hawkish Fed language in Q4 would continue to benefit short-term Treasuries. Instead, yields plunged as the Fed pivoted to rate cuts in 2024. Longer duration treasuries (as measured by the iShares 20+ Year Treasury ETF) rallied 12.9% in Q4.

Source: Bloomberg, Morningstar Direct and Dynasty Financial Partners

2023 Winners & Losers

Artificial Intelligence

ChatGPT hit 100 million users in just 5 days and the AI race officially began, with Nvidia & Microsoft among the winners

Federal Reserve

Could the Fed orchestrate a "soft landing" for the economy after peak inflation of 9.1%? The market believes so

Japan

Japanese equities rallied roughly 20% on strong economic growth and friendly corporate reform for investors

"Magnificent 7"

Big Tech rebounded after a dismal 2022, with Nvidia (+239%) and Meta (194%) and Tesla (101%) the best performers

India

Markets rallied to all-time highs over strong economic growth, with GDP hitting 7.6% in most recent quarter

Long Duration Treasuries

Long-duration Treasuries (as measured by iShares US 20+ Year Treasury) hit 50%+ drawdowns due to rising rates

Regional Banks

Silicon Valley Bank and Signature Bank were the second and third largest bank failures in US history, respectively

China

A failed Covid re-opening and housing crisis weighed on the second largest economy in the world

Oil

Oil prices finished negative on the year, in part due to record US production and a weakening Chinese economy

Congress

A downgrade of the US Credit Rating, an ousted House Speaker, and a looming Government Shutdown early in '24

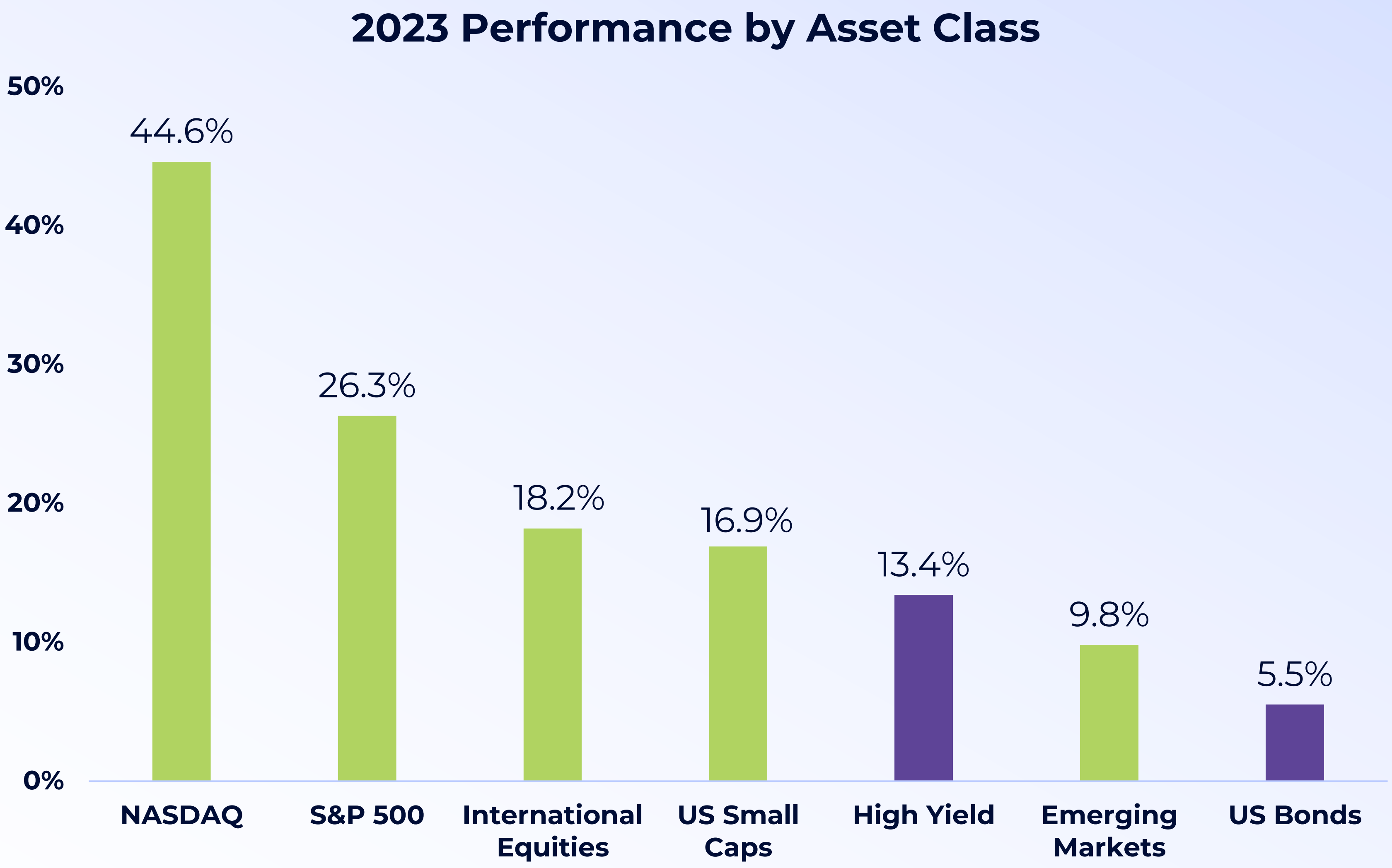
Source: Morningstar Direct, Bloomberg, Bespoke Investment Group and Dynasty Financial Partners
As of 12/31/2023

S&P 500 Approaching All-Time Highs

- Four themes dominated 2023:
  - Artificial Intelligence
  - "Magnificent 7"
  - Federal Reserve
  - Inflation

- The S&P 500 ended the year on a nine-week winning streak, its longest since 2004.

- US Small Caps and Bonds were both negative YTD though October, but significantly rallied into year-end on the hopes of a "soft landing" and rate cuts.



Source: Bloomberg, Morningstar Direct and Dynasty Financial Partners
As of 12/31/2023
International Equities: MSCI EAFE, US Small Caps: Russell 2000, High Yield: Bloomberg US High Yield 2% Issuer Cap, Emerging Markets: MSCI EM, US Bonds: Bloomberg US Agg Bond

A Tale of Three Markets in 2023

- **January – July: Markets rallied to start 2023, in part due to:**
  - Lower valuations and buzz around Artificial Intelligence
  - A flight to safety in Big Tech due to the Banking Crisis
- **August – October: Bad news hit the markets, including:**
  - Fitch Downgrade of US Debt Rating
  - Property Crisis in China
  - Surging Treasury Yields, US Dollar and Oil Prices
- **November – December: Markets Rallied into Year-End due to:**
  - Declining Treasury Yields, Inflation, Oil Prices
  - "Powell Pivot" and belief the Fed tightening cycle is over

Returns by Asset Class

Asset Class	Jan-Jul 2023	Aug-Oct 2023	Nov-Dec 2023
Large Cap	20.6%	(8.2%)	14.1%
Large Growth	33.4%	(7.6%)	15.8%
Large Value	8.8%	(9.7%)	13.5%
Small Cap	14.7%	(16.7%)	22.4%
International	15.3%	(10.9%)	15.1%
Emerging Markets	11.4%	(12.2%)	12.2%
US Bonds	2.0%	(4.7%)	8.5%

Source: Morningstar Direct & Bloomberg
*As of 12/31/2023
Large Cap: S&P 500, Large Growth: Russell 1000 Growth, Large Value: Russell 1000 Value, Small Cap: Russell 2000, International: MSCI EAFE, Emerging Markets: MSCI EM, US Bonds: Bloomberg US Agg

Key Indicators Signaling a "Soft Landing"

Key Indicator	Signaling Recession?
Nonfarm Payrolls	NO
Consumer Price Index	NO
Oil Prices	NO
Citi Economic Surprise Index	NO
Credit Spreads	NO
US Retail Sales	NO
Home Sales	NO
Inverted Yield Curve	YES
Tighter Credit Conditions	YES
Financial or Geopolitical Shock	YES

The market is pricing in a "soft landing" for the economy, in part due to:

- Strong Labor Market
- Falling Inflation & Oil Prices
- Narrow Credit Spreads
- Resilient Consumer & Housing Market

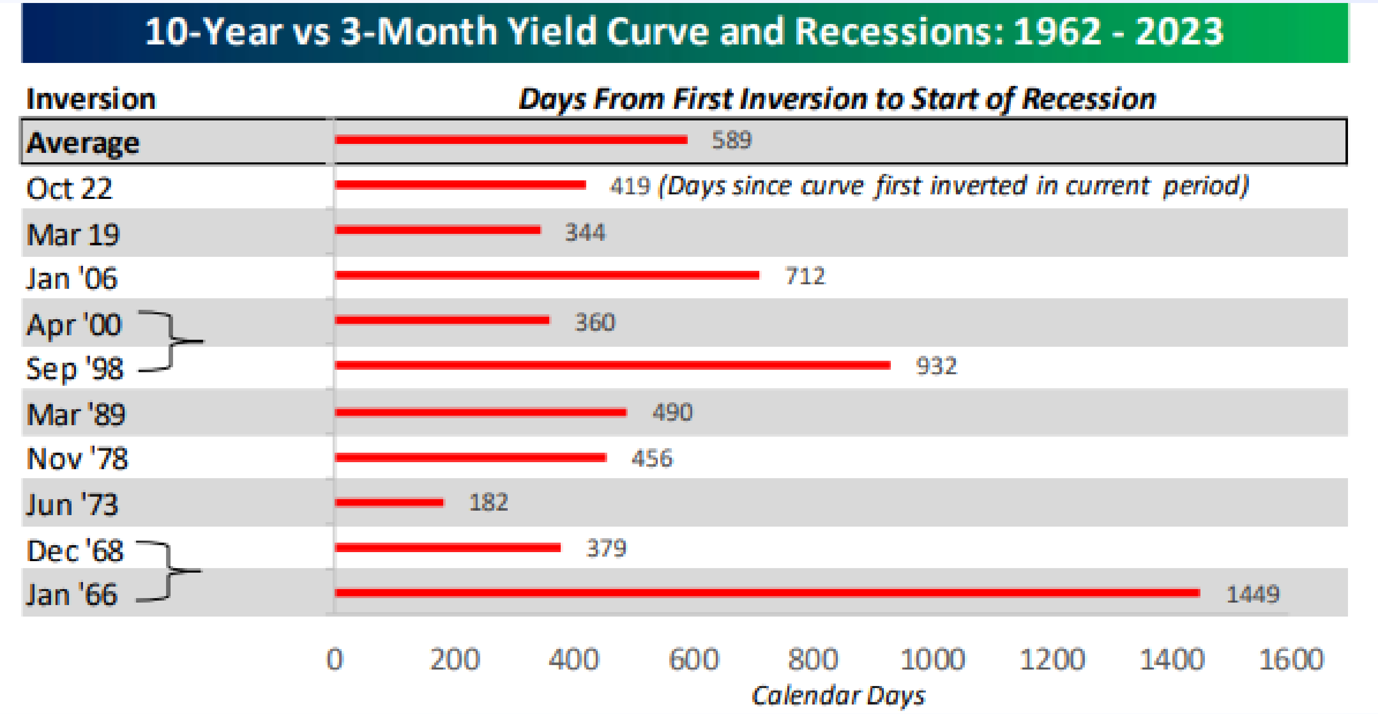
- Recession risks include:
  - Households Running Out of Excess Savings
  - Student Loan Repayments Restarting
  - Stickier Inflation
  - Rising Consumer Delinquency Rates
  - Slowing Bank Lending
  - Slowing Job Growth

Source: Bloomberg and Dynasty Financial Partners
As of 12/31/2023

Inverted Yield Curve Continues to Signal a Recession

Every US Recession since the 1950s has been preceded by an inverted yield curve. The 10-year and 3-month yield curve is closely watched by investors and first inverted 419 days ago. History shows a Recession begins much later after a yield curve initially inverts. In fact, the average number of total days from the first date of inversion to the start of a Recession has been 589 days (dating back to the late-1960s). This leaves the current inversion period well below the historical average of when a Recession would begin.

An important reminder is the current yield curve has remained inverted for 284 consecutive trading days - its longest inversion on record.



As of 12/20/2023
Source: Bespoke Investment Group
} Inversions followed by same Recession
Data highlights first inversion with no other inversions in prior twelve months.

The "Powell Pivot": Major Change in Fed Language

Monetary policy historically operates with a lagged effect on the economy. This makes it much tricker for Fed officials to determine when to stop raising rates, but it's clear from the Fed's most recent meeting that officials are now focusing on rate cuts in 2024. To highlight the "Powell pivot", we compare key quotes below from Fed Chair Powell's press conferences in November & December.

Notable Quotes from Fed Chair Powell's Press Conference:

November 2023	December 2023
• ***"We're not confident yet that we have achieved such a sufficiently restrictive stance"***	• ***"We believe that our policy rate is likely at or near its peak for this tightening cycle…"***
• ***"Inflation has been coming down, but it's still running well above our 2 percent target"***	• ***"Want to be reducing restriction on the economy well before 2 percent…so you don't overshoot…"***
• ***"The fact is the Committee is not thinking about rate cuts right now at all. We're not talking about rate cuts."***	• ***"Question of when it will become appropriate to begin dialing back the amount of policy restraint in place, that begins to come into view…and a discussion for us at our meeting today"***

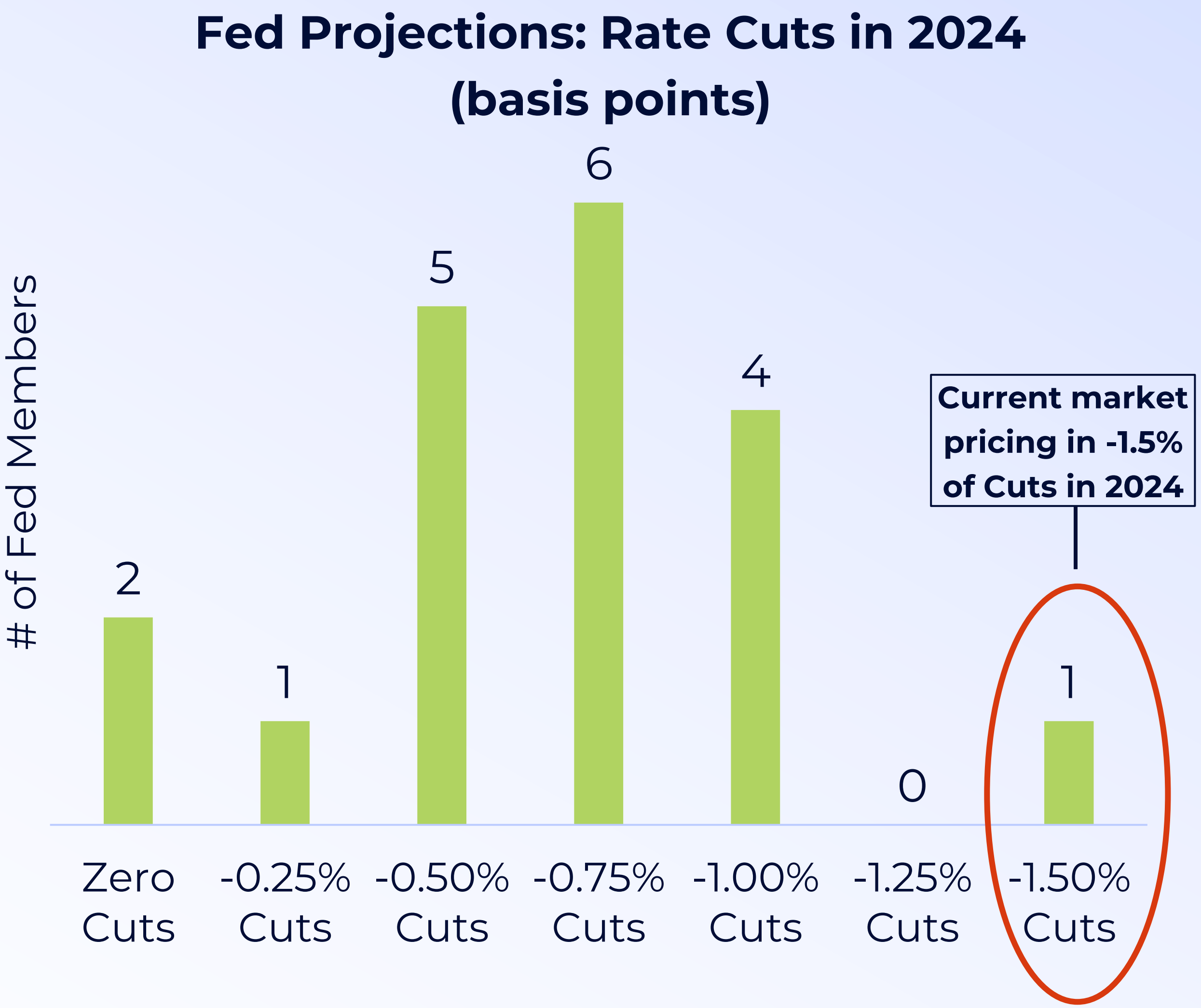
Source: US Federal Reserve
As of 12/31/2023

The “Powell Pivot”: Rate Cuts Expected in 2024

The “Powell Pivot” was also on full display when the Fed released their quarterly “Dot Plot” at the December meeting. The “Dot Plot” summarizes where FOMC members expect the Fed Funds Rate to finish in future years.

As shown to the right, a majority (6) of FOMC members expect 75 basis points of cuts in 2024. However, the market is currently pricing in 150 basis points of cuts in 2024. Once again, market expectations differ from the Fed.

The markets are also pricing in a 78% chance the first rate cut will occur at the March 20th meeting. **Given the runup in equity prices and loosening financial conditions, we believe the Fed will do its best to hold off cutting rates until the second quarter.**



Source: US Federal Reserve & CME FedWatch Tool
As of 12/31/2023
Fed Projections are from December 2023 meeting

Historically How Long Until the Fed Cuts?

As the market turns its attention to rate cuts, the next question is when will the Fed begin cutting interest rates? In looking back over the past 30 years, **the Fed has averaged roughly 10 months between the last hike and first cut.** Given the last rate hike in this cycle occurred in July 2023, this would put the Fed on pace to beginning cutting in May 2024. It's important to note the Fed historically has cut as early as 5 months after the last hike, and as late as 18 months (dating back to 1995).

Last Fed Hike	First Fed Cut	Time Between Last Hike & First Cut	Reason for Cut
Feb 1995	**Jul 1995**	**5 Months**	**Soft Landing**
Mar 1997	**Sep 1998**	**18 Months**	**Asian Financial Crisis**
May 2000	**Jan 2001**	**7.5 Months**	**Tech Bubble**
Jun 2006	**Sep 2007**	**14.5 Months**	**Housing Bubble**
Dec 2018	**Jul 2019**	**7 Months**	**Slowing Global Economy**
Jul 2023	***May 2024?***	**-**	**?**
Average		**10.5 Months**	

Source: US Federal Reserve & Bloomberg
As of 12/31/2023
Projection for May 2024 Rate Cut is based on historical average between last Fed hike & first cut

ROSE CAPITAL ADVISORS

History Points to the Bull Market Continuing

Despite volatility in 2023, US Stocks remain in a bull market that technically started on October 12th, 2022.

As shown on the right, Bull Markets can last many years and typically are much longer than Bear Markets. Excluding the current Bull Market, the US has seen 11 different Bull Markets dating back to the early 1960s – with a median return of 96%. The current Bull market has only returned 28%.

If the current Bull Market were to end, it would be one of the weakest and shortest bull markets. Since the early 1960s there there have only been two shorter bull markets (2001-2002 and 2008-2009).

History of S&P 500 Bull Markets (Post 1960)			
Start Date	**End Date**	**Return**	**# of Days**
6/26/1962	2/9/1966	79.8%	1,324
10/7/1966	11/29/1968	48.0%	784
5/26/1970	1/11/1973	73.5%	961
10/3/1974	11/28/1980	125.6%	2,248
8/12/1982	8/25/1987	228.8%	1,839
12/4/1987	3/24/2000	582.1%	4,494
9/21/2001	1/4/2002	21.4%	105
7/23/2002	10/9/2007	96.2%	1,904
11/20/2008	1/6/2009	24.2%	47
3/9/2009	2/19/2020	400.5%	3,999
3/23/2020	1/3/2022	114.4%	651
10/12/2022	???	28.4%	445
Median		**96.2%**	**1,324**

Source: Bespoke Investment Group
As of 12/31/2023

Investment Implications

1. **Expect Volatility to Return Early in 2024:**
   Volatility was historically low in 2023 despite major geopolitical events and a hawkish Fed. In 2023 there were only **two** trading days where the S&P 500 saw +/- 2% moves compared to **46** trading days in 2022. We expect volatility to return early in 2024.

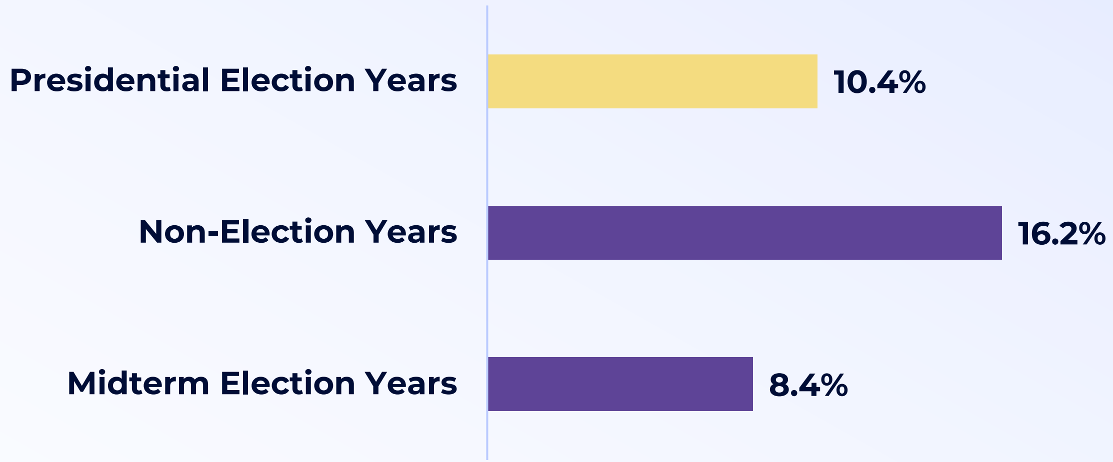
# Trading Days +/- 2% Moves: S&P 500	
2022	2023
46	2

As of 12/31/2023
Source: Morningstar

2. **Presidential Election Years Historically Strong for Equities:**
   The strongest equity returns during a 4-year Presidential cycle have historically occurred during Non-Election Years, averaging 16.2% dating back to 1948. We witnessed this in 2023 with the S&P 500 rallying roughly 26%. Looking to 2024, Presidential Election years have averaged returns of 10.4%.

   In next year's Presidential Election, we expect a rematch of 2020. President Trump may all but lock up the Republican Nomination by "Super Tuesday" (March 5th) if he performs strongly in the first four primaries (Iowa, New Hampshire, Nevada, and South Carolina). We also expect President Biden to re-run barring any health concerns.

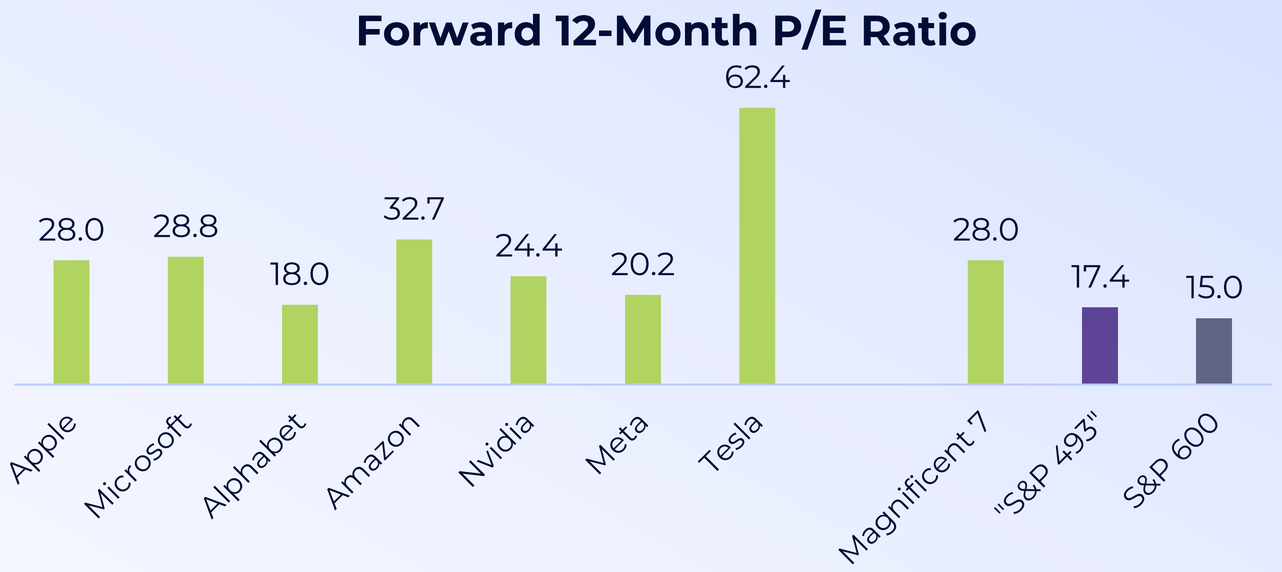
Average Return for US Stocks (1948-2023)



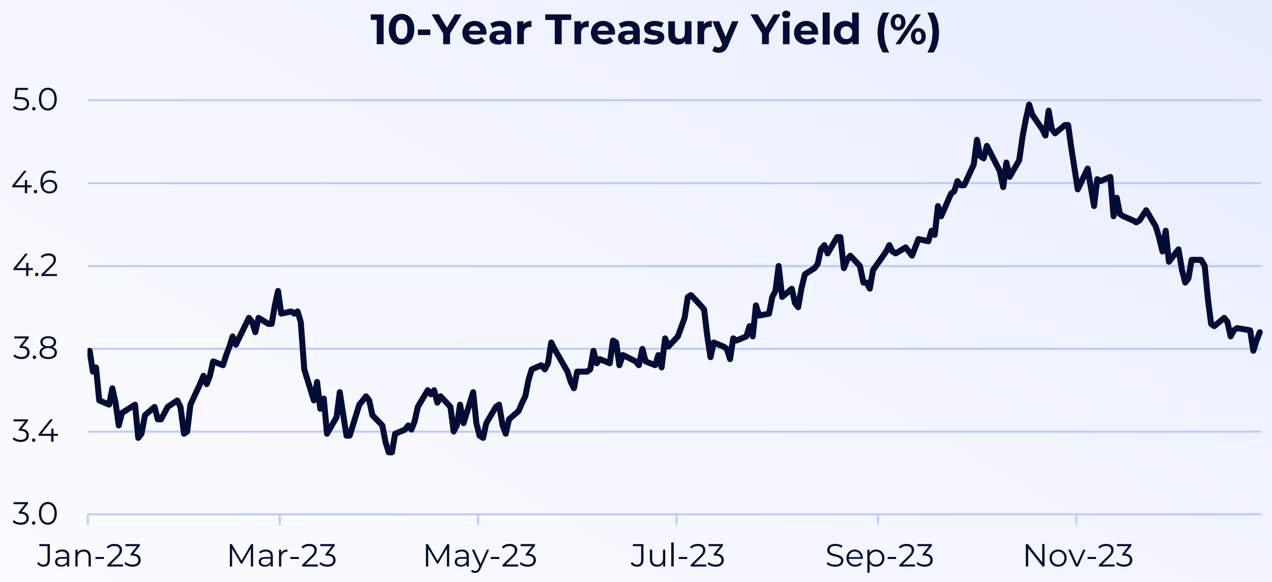
As of 12/31/2023
Source: Dynasty Financial Partners
US Stocks represented by S&P 500 index

Investment Implications (continued)

3. Small Caps Have Attractive Valuations:
The outperformance in Big Tech and Large Caps in 2023 has led to higher valuations. The Magnificent 7 have forward P/E ratios between 18x and 62x earnings. If we strip out these seven names, the remaining stocks in the S&P 500 have a median forward P/E of 17.4x. Despite the rally in Small Caps to end the year, the S&P 600 trades at just 15.0x. If the Fed can navigate a "soft landing," we could see Smalls Caps continue to outperform.



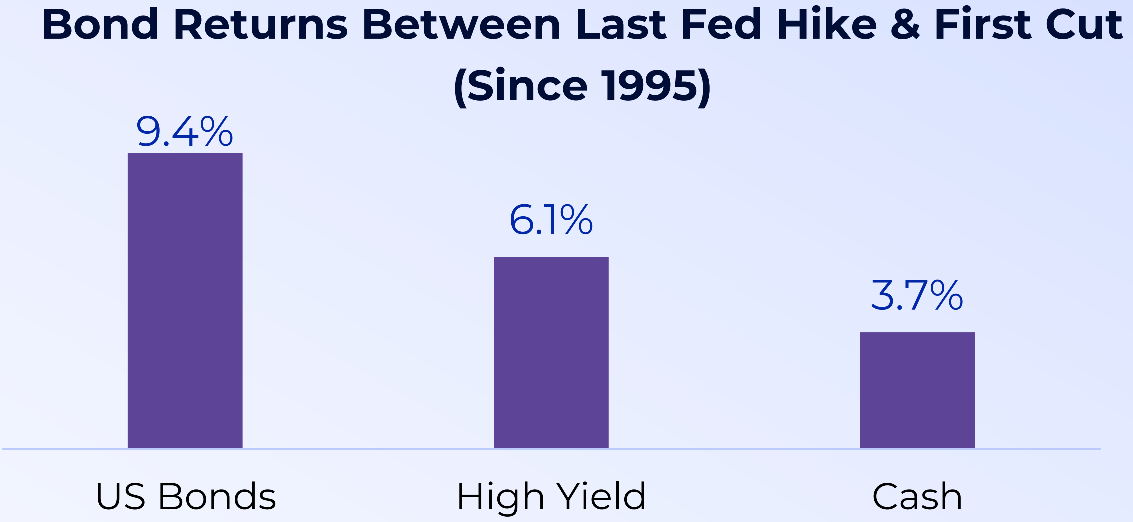
4. Upside Risk to Yields:
The bond market panicked into year-end and priced in a Recession and six rate cuts in 2024. We believe the chances of both happening are low. We especially feel a 10-year yield below 4% is too low compared to inflation expectations and real interest rates. Upside risks to yields also include large budget deficits and increasing treasury issuance.



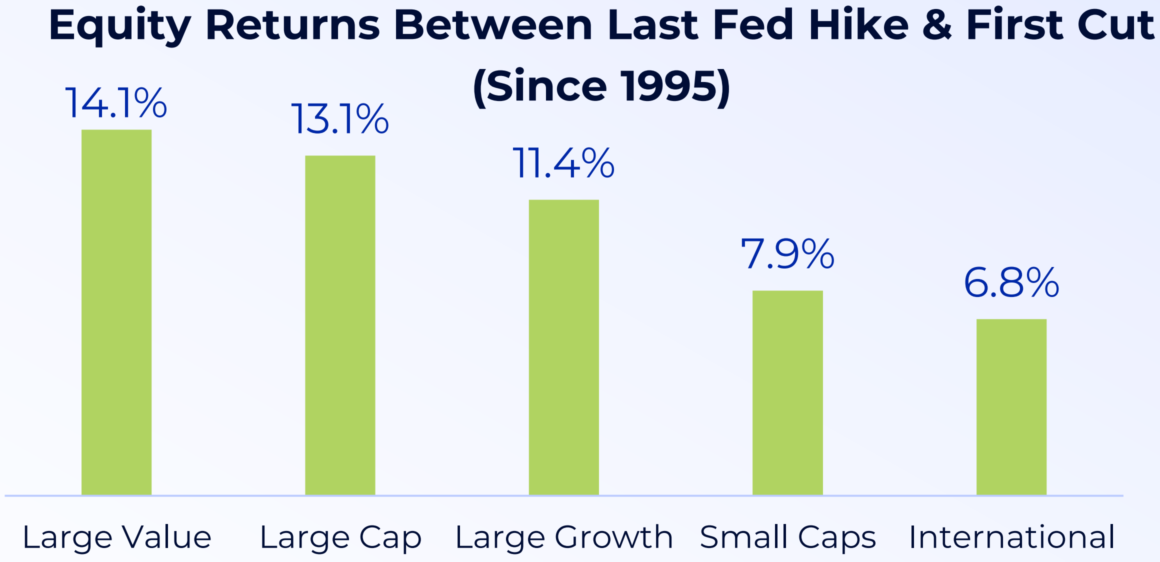
Source: Bloomberg, YCharts, Bespoke, US Treasury Department and Dynasty Financial Partners
As of 12/31/2023
Median 12-Month Forward P/E is used for "Magnificent 7" and "Rest of S&P 493"

Investment Implications (continued)

5. **Core Bonds Outperform During a Fed Pause:**
A Fed "pause" is historically a positive environment for fixed income, with Core Bonds (as measured by the Bloomberg US Agg Bond) outperforming High Yield and Cash. In fact, core bonds were positive during every "Fed Pause," including the Dot-Com Bubble (dating back to 1995). Given the surge of assets in Money Market Funds, it's important to note Cash underperformed in every "Fed pause" dating back to 1995.



6. **US Large Caps Outperform During a Fed Pause:**
A Fed Pause is also historically a positive environment for equities, with Large Caps outperforming Small Caps and International equities. Large Value was the best performer and was positive during every "Fed Pause," including the Dot-Com Bubble (dating back to 1995).



Source: US Federal Reserve & Bloomberg
Large Value: Russell 1000 Value, Large Cap: S&P 500, Large Growth: Russell 1000 Growth, US Bonds: Bloomberg US Agg, Small Cap: Russell 2000, International: MSCI EAFE, US High Yield: Bloomberg US HY 2% Issuer Cap, Cash: Bloomberg US TBill 1-3 Month
Fed Pause Dates: 2/2/1995 – 7/5/1995, 3/26/1997-9/28/1998, 5/17/2000-1/2/2001, 6/30/2006-9/17/2007, 12/20/2018-7/30/2019

Historical Performance During a Fed "Pause"

Asset Class Performance Between the Last Fed Hike & First Cut (1995-2023)

Asset Class	Feb 2, 1995 – July 5, 1995	Mar 26, 1997 – Sep 28, 1998	May 17, 2000 – Jan 2, 2001	Jun 30, 2006 – Sep 17, 2007	Dec 20, 2018 – Jul 30, 2019	Average	July 27, 2023 – Dec 31, 2023
Large Value	16.3%	18.0%	3.3%	14.6%	18.2%	14.1%	2.3%
Large Cap	17.7%	22.7%	(11.8%)	15.1%	21.6%	13.1%	5.2%
Large Growth	18.3%	25.2%	(27.6%)	15.2%	26.0%	11.4%	8.2%
US Bonds	9.7%	11.5%	11.7%	7.6%	6.5%	9.4%	3.1%
Small Cap	16.0%	4.5%	(7.8%)	8.3%	18.5%	7.9%	3.1%
International	6.7%	4.2%	(8.9%)	20.7%	11.5%	6.8%	3.4%
US High Yield	10.9%	6.0%	(3.7%)	8.4%	9.1%	6.1%	6.4%
Cash	2.5%	5.6%	3.9%	5.1%	1.5%	3.7%	2.4%

Time Between Last Hike & First Cut	5 Months	18 Months	7.5 Months	14.5 Months	7 Months	-	?

Source: US Federal Reserve & Bloomberg
As of 12/31/2023
Large Value: Russell 1000 Value, Large Cap: S&P 500, Large Growth: Russell 1000 Growth, US Bonds: Bloomberg US Agg, Small Cap: Russell 2000, International: MSCI EAFE, US High Yield: Bloomberg US High Yield 2% Issuer Cap, Cash: Bloomberg US Treasury Bill 1-3 Month

Important Disclaimers and Disclosures

Rose Capital Advisors, LLC is registered as an investment adviser with Securities and Exchange Commission ("SEC"). Rose Capital Advisors, LLC only transacts business in states where it is properly registered, or is excluded or exempted from registration requirements. This report is a publication of Dynasty Financial Partners. Information presented is believed to be factual and up-to-date, but we do not guarantee its accuracy and it should not be regarded as a complete analysis of the subjects discussed. All expressions of opinion reflect the judgment of the author as of the date of publication and are subject to change.

*Information contained herein does not involve the rendering of personalized investment advice, but is limited to the dissemination of general information. A professional adviser should be consulted before implementing any of the strategies or options presented. *Information is not an offer to buy or sell, or a solicitation of any offer to buy or sell the securities mentioned herein. Past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the adviser), or product made reference to directly or indirectly, will be profitable or equal to past performance levels.*

Rose Capital Advisors clients – please contact us at 305.534.7673 if there have been any changes in your financial situation or investment objectives, or if you want to implement reasonable restrictions and/or modify existing restrictions. *All investment strategies have the potential for profit or loss. Different types of investments involve varying degrees of risk, and there can be no assurance that any specific investment will either be suitable or profitable for a client's investment portfolio. Historical performance results for investment indexes and/or categories, generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment-management fee, the incurrence of which would have the effect of decreasing historical performance results. Economic factors, market conditions, and investment strategies will affect the performance of any portfolio and there are no assurances that it will match or outperform any particular benchmark.*

Dynasty Financial Partners is a U.S. registered trademark of Dynasty Financial Partners, LLC ("Dynasty"). Dynasty is a brand name, and functions through Dynasty's wholly owned subsidiary, Dynasty Wealth Management, LLC, ("DWM") a registered investment adviser with the Securities and Exchange Commission, when providing investment services. Any reference to the terms "registered investment adviser" or "registered" does not imply that Dynasty or any person associated with Dynasty has achieved a certain level of skill or training. A copy of DWM's current written disclosure statement discussing our advisory services and fees is available for your review upon request.

This message is intended for the exclusive use of members or prospective members considering joining the Dynasty Network of registered investment advisers. It should not be construed as an attempt to sell or solicit any products or services of Dynasty, DWM or any investment strategy, nor should it be construed as legal, accounting, tax or other professional advice.

This material is proprietary and may not be reproduced, transferred, modified or distributed in any form without prior written permission from Dynasty. Dynasty reserves the right, at any time and without notice, to amend, or cease publication of the information contained herein. Certain of the information contained herein has been obtained from third-party sources and has not been independently verified. It is made available on an "as is" basis without warranty. Any strategies or investment programs described in this presentation are provided for educational purposes only and are not necessarily indicative of securities offered for sale or private placement offerings available to any investor.

The views expressed in the referenced materials are subject to change based on market and other conditions. This document contains certain statements that may be deemed forward-looking statements. Please note that any such statements are not guarantees of any future performance; actual results or developments may differ materially from those projected. Any projections, market outlooks, or estimates are based upon certain assumptions and should not be construed as indicative of actual events that will occur.

Historical performance results for investment indices and/or product benchmarks have been provided for general comparison purposes only, and do not include the charges that might be incurred in an actual portfolio, such as transaction and/or custodial charges, investment management fees, or the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.