January 2024

Dear Clients and Friends,

The year 2023 rewarded investor patience. The first three-quarters brought challenges, as the market absorbed continuing interest rate hikes, the collapse of several regional banks, and a razor-thin market leadership, fueled by a handful of growth companies with a perceived head-start in artificial intelligence. The market finished 2023 strong, however, as the Federal Reserve signaled a pause to its interest rate tightening, which became the catalyst for a swift and broad market rebound in November and December.

The Fed continued its interest rate tightening in the first half of 2023, increasing the Fed Funds Rate by 0.25% in February, March, May, and July. For the remainder of the year, the Fed elected to hold the overnight borrowing rate to its current target range of 5.25%–5.50%. Since the beginning of 2022, when Fed Funds Rate rates were close to 0%, the Fed has raised the rates 11 times. Remaining diligent and guided by data, the Fed governors steered carefully between their dual mandate of maximum employment and price stability, seeking to deliver a "soft landing" by bringing down inflation while avoiding an economic recession.

Throughout most of 2023, the US stock market's returns were heavily concentrated in the hands of the "magnificent seven" technology companies, which generated outsized returns relative to the rest of the market. Several companies elevated the market-weighted S&P 500 Index—which gives more weight to the largest companies in the index—to a 26% gain for the year. This is almost twice the gains posted for the equal-weighted S&P 500 Index, which as its name implies weighs all companies in the index equally (S&P Global). Smaller and medium-size companies also performed well last year, with the Russell 2000 up 16.9% and the Russell Mid Cap up 17.2%. International equity markets also joined in the second-half stock market rally, with the international blue chip stock index (MSCI EAFE) up 18.9% and the Emerging Market Stock Index (MSCI EM) up 10.3% for the year. These foreign market returns benefited modestly from the weakening US Dollar Index, which was down 2.4% for the year.

A majority of fixed-income markets also posted positive returns, with both taxable and tax-exempt markets benefiting. The Bloomberg US Aggregate Bond Index was up 5.5%, the

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99 Canal Center Plaza | Suite 310 | Alexandria, VA 22314 | CaudronMegaryBlackburn.com

Tristan M. Caudron, CFP®
Managing Director - Investments
703-739-4545
Tristan.Caudron@wfadvisors.com

Matt Megary
Managing Director - Investments
703-739-4550
Matt.Megary@wfadvisors.com

Laurie J. Backburn, CFP® CDFA®
Managing Director – Investments
703-739-4513
Laurie.Blackburn@wfadvisors.com

Ivana K. McNeill, CFP®
First Vice President – Investments
703-739-4501
Ivana.McNeill@wfadvisors.com

Bloomberg High Yield Bond Index posted a 13.4% gain, and the Bloomberg Municipal Bond Index advanced 4.4%. This positive turn followed the extremely poor showing for the bond market in 2022, which many claim was the worst bond market in 100 years.

So what does all of this mean for 2024? We need to keep in mind that stock and bond markets are leading indicators and typically move well in advance of the economy. As always, there are conflicting views and opinions on whether a soft landing will prevail. Some prognosticators are predicting a short-lived recession followed by interest rate cuts, while others are expecting continued economic growth for the year. And everyone is looking forward to if and when the Fed begins to lower interest rates—often times with positive impacts on equity and bond markets. To paraphrase a famous Warren Buffett maxim, uncertainty can be the friend of long-term investors—even if it doesn't feel that way at the time!

Regardless of how 2024 unfolds, we continue to espouse the importance of maintaining a strategic, long-term, well diversified allocation of assets and of having enough liquid assets to allow you to meet your shorter-term cash flow needs. As always, we will give you our best, objective, and unbiased counsel. If we have not already discussed with you your plans for the year ahead, including any changes that you want to consider in your investment planning, please email or call Lichelle for an appointment. Also, keep a lookout for important 2023 tax documents that are expected to arrive toward the end of February (either in the mail or in your online account).

Finally, we are happy to share news of an organizational transition that we will be making over the next several months. Under the Wells Fargo umbrella, we have been approved to move from Wells Fargo Advisors to Wells Fargo Advisors Financial Network, which gives us greater independence. For our clients, the conversion will be almost seamless. Your account numbers and investments will be unaffected, and your relationship with us will remain the same. We have had our own offices and operated our own practice for years. By allowing us to be more independent, this transition gives us greater flexibility in meeting your needs. As we have since our inception, we will continue to act in your best interest going forward and as fiduciaries for the accounts we manage. As always, in making this decision we kept our focus on our clients. We want this transition to be as smooth as possible for you. You will soon receive a form letter to sign to complete and formalize the transition. Please sign it and return it to us as soon as possible. And, of course, we will all be available to answer any questions that you may have.

In closing, we want you to know that we cherish your trust and appreciate the opportunity to know and serve you and your family and to develop long-term, often multi-generational relationships. We strive to be there for you at each stage of your life, providing sound financial advice and investment planning tailored to your circumstances. On behalf of the entire team—Tristan Caudron, Matt Megary, Laurie Blackburn, Ivana McNeill, Jessica Marxer, Lori Polonsky, Melissa Rush, Chalee Ricciardi, Amy Champion, and Lichelle Yalung—we thank you for affording

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Tristan M. Caudron, CFP®
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Matt Megary
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Ivana K. McNeill, CFP®
First Vice President – Investments
703-739-4501
Ivana.McNeill@wfadvisors.com

us the honor and the pleasure of working with you. We wish you a wonderful 2024, filled with health, happiness, and prosperity.

Sincerely,

Tristan M. Caudron, CFP®
Managing Director – Investments

Matt Megary
Managing Director - Investments

Laurie J. Blackburn, CFP®, CDFA®
Managing Director – Investments

Ivana K. McNeill, CFP®
First Vice President – Investments

Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.
NASDAQ Composite is a stock market index of the common stocks and similar securities listed on the NASDAQ stock market.
S&P 500 Index is a market capitalization-weighted index composed of 500 widely held common stocks that is generally considered representative of the US stock market. The Index is unmanaged and not available for direct investment.
MSCI EAFE Index (Europe, Australia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The Index consists of the following 21 developed market country indexes: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, and the United Kingdom.
MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The Index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey,
Barclays U.S. Aggregate Bond Index is unmanaged and is composed of the Barclays U.S. Government/Credit Index and the Barclays U.S. Mortgage-Backed Securities Index, and includes Treasure issues, agency issues, corporate bond issues, and mortgage-backed securities.
Past performance is not an indication of future results. An index is not managed and is unavailable for direct investment.
Asset Allocation and diversification do not guarantee a profit or protect against losses in a declining market
The prices of small and mid-cap company stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.
Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different account standards. This may result in greater share price volatility. These risks are heightened in emerging markets.

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