

5T Wealth, LLC

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Elimination Newsletter

“Separating fact from fiction since 1998.
The antidote to Wall Street.”

A Short Look Back and a Long Look Forward December 27, 2023

What a crazy year 2023 has been. It started out looking like both stock and bond prices were going to crater. In December 2022, Dan Niles, of Satori Fund, was forecasting that the S&P 500 would drop to 2400 during 2023, meaning it would lose about 33% of its value. He was just one member of a chorus of bears. Everyone was on recession watch as 2022 ended. If recession didn't develop a steep rise in interest rates seemed the likely alternative. The recession didn't show up, but rising rates did. Once they started upward it felt relentless and we were all focused on “higher for longer”. The 60/40 (stocks/bonds) portfolio was declared dead, as both stock and bond prices were dropping into March. Stock prices stabilized, but bond prices continued to crater right through October. Even after stock prices stabilized, most of them went nowhere for months. It was the “magnificent 7” that drove the S&P 500 upward for several months, before the rally started broadening out.

As 2023 comes to an end, we are finishing the year with the Dow Jones Industrial Average, the S&P 500, and the Nasdaq Composite near record highs. Interest rates have peaked and are on their way back down. Bond prices have recovered. Should we be cheering Chair Powell? Maybe so. The most likely scenario for 2024 is a recession-free soft landing. We're not going to pick a 2024 year-end target for the S&P 500. It may be a fun mental exercise, but it has proven to be a fool's game. Even so, many do it. According to Yahoo Finance the average analyst forecast for the year end of 2024 for the S&P 500 is 5029. That would represent about a 6% gain from the close on Friday, December 22nd. Morgan Stanley, which has been one of the most bearish forecasters in recent years, has a target of 4500. Tom Lee, of FSInsight.com, has been one of the most bullish and most accurate in recent years. He thinks it will finish at 5400. That would be about a 13%+ gain. His “optimistic” target is 5800 for a 20%+ gain.

We all know there is plenty to worry about. Whatever the year end price turns out to be, we won't get there in a straight line. There will be more surprises along the way. We can tell you that 5T is generally optimistic about both bond prices and stock prices in 2024. If inflation keeps falling, bond prices will rise as yields continue to decline. If a hard landing (recession) develops, bond prices will rise even more, as yields fall even more. If you are in the “hard landing” camp, bonds should dominate your portfolio in 2024. Stock prices will follow earnings. We believe that earning should continue to rise for most of the 11 sectors of the S&P 500, and not just the “magnificent 7”.

One of the biggest risks to economic growth, and therefore to stock prices, is whether or not the American consumer continues to spend. It is a consumption oriented economy. The big question is “how long can they (we) can keep spending?” Their (our) demise has long been considered imminent. Lower interest rates, including mortgage rates, will definitely postpone the demise. Famed investor Peter Lynch used to talk

about getting some of his best research done just by “walking around”. I walked into the bar at the Silverado Country Club last Saturday and struck up a conversation with the bartender. He told me that his wife works at Target in Vacaville and that store had record sales on Friday, December 22nd! That doesn’t sound like the consumer is dead! Peter Lynch also said, *“Far more money has been lost by investors preparing for corrections, or trying to anticipate corrections, than has been lost in corrections themselves”*. Therefore we recommend that our clients invest in long term strategies, with the focus on multiyear returns, based on your personal risk profile. We are proud this year to tell our clients that we have partnered with JP Morgan and Blackrock to create customized versions of our core investment strategies that will only be available to 5T clients. Chris Roth has led our efforts to work with each of their investment teams to tailor and supplement their standard model portfolios to better fit our clients’ needs. We will be launching 5 strategies that are as follows:

- **5T Wealth Conservative** which is a tactical strategy based on a 20% allocation to stocks and an 80% allocation to bonds. Its focus is primarily on income from the bonds, preserving principle, and modest growth. This portfolio will replace the JP Morgan Tactical 20/80 strategy.
- **5T Wealth Moderate Income** which is a strategy based on a 60% allocation to stocks that pay above average dividends that are rising over time and a 40% allocation to bonds. This portfolio will replace the JP Morgan Multi-Asset Income 60/40 strategy.
- **5T Wealth Moderate Value** which is a strategy based on a 60% allocation to “value” stocks, often considered more conservative and less volatile than “growth” stocks and a 40% allocation to bonds. This portfolio will replace the BlackRock Target Allocation Smart Beta 60/40 strategy.
- **5T Moderate Growth** which is a strategy based on a 60% allocation to “growth” stocks, often considered a better option for growth, but with potentially more volatility than “value”, and a 40% allocation to bonds. This portfolio will replace the BlackRock Target Allocation 50/50 and 60/40 strategies.
- **5T Wealth Aggressive**, which is 80% allocated to stocks and only 20% to bonds. This portfolio will replace the JP Morgan Tactical 75/25 strategy.

All of these can be modified to accommodate any allocation from 10/90 to 90/10, of stocks and bonds. We also can create portfolios that are 100% allocated to stocks and aligned to your personal values and financial goals.

We can enhance your total portfolio with private equity, private credit, and private real estate investments. Some of our clients have been enjoying these investment for the past few years. Chris continues to work with their originators to bring down the minimum required investment so that more of our clients can participate. In private equity we offer Stepstone Private Markets Fund, Stepstone Private Venture and Growth Fund, Bow River Capital Evergreen Fund, and Hamilton Lane Private Assets Fund. In private credit we offer Cliffwater Corporate Lending Fund and Cliffwater Enhanced Lending Fund. In private real estate we offer Blackstone Real Estate Income Fund, Starwood Real Estate Income Fund, and Fortress Net Lease REIT. All of these investments have minimum investment standards and are less liquid than other ETFs, stocks or mutual funds that we may use in portfolios. We explain the liquidity features to every investor that invests in them.

We expect 2024 to be a good year for patient investors, and we are looking forward to working with you. We wish you a very Happy New Year.



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Disclosure and Disclaimer - Updated last on December 11, 2019 by Paul Krsek:

All return calculations for the S&P 500 were done using <https://dqyvj.com/sp-500-return-calculator/> unless otherwise noted.

All charts used in this newsletter are from Stockcharts.com and annotated by 5T Wealth, LLC

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5T WEALTH, LLC manages accounts with various histories and investment objectives. Various accounts may be managed differently from time to time.

Krsek makes frequent reference to strategies called Mendocino, Dividend Diamonds, Global Select and 5T Wealth Partners, LP. Each of these investment strategies have different suitability standards, investment objectives, potential volatility, and minimum investments. It is important to understand each strategy in detail before investing.

From time to time 5T WEALTH, LLC receives requests from clients to purchase securities that are not included in our investment strategies. Effective May 24, 2006, 5T WEALTH, LLC has encouraged clients to hold such securities in a separate account for the client. Because 5T WEALTH, LLC is a "fee only" registered investment advisor" it charges its normal management fee for monitoring such securities in the separate accounts in which they are held.

The investment objectives of various strategies may be substantially different from one another. Therefore topics or investments mentioned in ELLUMINATION may or may not apply to specific managed accounts and/or model strategies.

Trades or adjustments to accounts mentioned in ELLUMINATION may or may not happen in every account managed by portfolio managers at 5T WEALTH, LLC.

If you are not satisfied with the investment results in your account it is your responsibility to inform Krsek to discuss possible changes that can be made to the account to accommodate and satisfy your needs.

The assets held in managed accounts at 5T WEALTH, LLC may include stocks, bonds, cash, commodities, foreign exchange or mutual funds or exchange traded funds (ETF's), money market accounts or limited partnerships that represent the same. They are subject to market fluctuation and the potential for losses. The assets are not insured. The value and income produced by these investment products may fluctuate, so that an investor may get back less than they initially invested.

The portfolio managers at 5T WEALTH, LLC do not guarantee results.

Past performance should not be considered an indicator of potential future performance. If you do not consider yourself suitable, either emotionally or financially, to experience volatility and/or losses in financial markets, you should not invest.

From time to time Krsek lists the simple annual returns of the strategies mentioned in this newsletter. These results are from accounts that are "models" and do not represent the actual results accruing to each clients individual accounts. Simple annual return does not represent "time weighted return" as reported individually to clients in their investment performance reports which are prepared using data and calculations from Orion Advisors.

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