APRIL 2024

THE MERRITT POINT MINUTE

GUIDING CLIENTS THROUGH THE COMPLEXITIES OF WEALTH MANAGEMENT

Thank you to our team, clients, and partners for your support over the last 5 years!

UPCOMING NYSE HOLIDAYS

*Please be advised that our offices will be closed in observance of the following market holidays:

MEMORIAL DAY
Monday, May 27th

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MERRITT POINT WEALTH ADVISORS℠

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TEAM ANNIVERSARIES

Celebrating anniversaries this upcoming quarter are:

David C. Belport, CIMA®, MBA
Managing Director - Investments
Senior PIM Portfolio Manager
1 Year

Samantha Belport
Senior Associate
1 Year

Steven P. Belport
Senior Vice President - Investments
1 Year

Anthony D'Ambrosio
Director, Partner
Wealth Advisor - Senior PIM Portfolio Manager
2 Years

Michelle D'Ambrosio
Senior Associate, Team Administrator
2 Years

Ingrid Dikmen
Senior Vice President - Investments
Senior PIM Portfolio Manager
3 Years

Economic Commentary

Approaching the end of Q1 (March 14th at the time of writing) the S&P 500 has posted an impressive YTD return of 8.25% with nearly imperceptible volatility, despite 2024 promising to be a year of transition in many ways. In focus for the coming year are Federal Reserve rate cuts, slowly waning market concentration, and the influence of election-year politics on the economy.

Fed Rate Cuts

While the discussion of "imminent" Fed rate cuts monopolized financial and economic discourse in 2023, said cuts failed to materialize, much to the dismay of Wall Street analysts who largely disregarded Fed guidance and began pricing in two rate cuts by December of 2023. For the coming year, the long awaited and prematurely heralded rate cuts seem to be a near certainty. In a circumstance where timing is everything, being early is the same as being wrong. But don't fear, a year of bad calls has failed to put a haze on the market's rose-colored glasses.

As I mentioned in the 2023 Q4 commentary, the Federal reserve signaled that they likely reached peak rates for this cycle and have a median expectation of three .25% rate cuts in 2024 or .75% total. This would represent a reduction in the Fed Funds range from 5.25-5.50% down to 4.50-4.75%. The market, in its perennially incorrect attempt to call Jerome Powell's higher for longer "bluff", started immediately pricing in six .25% rate cuts as of December. After two months (January and February) of hotter than expected inflation figures, market expectations have tempered and are now pricing in three cuts, in line with Fed projections, acknowledging the Fed's commitment to a slow and methodical approach to it's dual mandate. While an appropriate probability should be assigned to some unforeseen idiosyncratic risk triggering faster-than expected rate cuts (think back to the bank failures in the spring of 2023), it personally makes me feel more confident in current market levels knowing Wall Street expectations have sobered and come into alignment with policymaker guidance.

Market Concentration

In 2023 the "Magnificent Seven", a collection of seven ultra-large Nasdaq stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) shocked the market with their remarkable performance fueled largely by excitement around artificial intelligence. The "Mag 7" group gained an average of 111% last year and made up an unprecedented 29% of the entire market-cap weighted S&P 500 at year end. That's 1.4% of the names in the S&P 500, making up 29% of the total value. Even more impressive: of the S&P 500's roughly 26% return, 18% was driven by just these seven names, the remaining 493 stocks in the index contributing only 8% to the aggregate return. Seven names, 29% of the value, and 69% of the returns. The market's top-heavy nature has drawn concern as the tech giants exert an ever-growing influence over broader financial markets; each Nvidia earnings report looming as a bellwether of future market performance despite being a single, highly specialized computer chip maker.

Through the first quarter of 2024 however, a schism has formed in the "Mag 7". As the broader market has begun to catch up, four of the original seven have suffered from muted performance. While Nvidia, Meta, and Amazon continue to push forward, Tesla, Apple, Alphabet, and Microsoft have begun to plateau or pull back. Without the support of the broader market rallying, this would have entailed a substantial correction simply due to waning artificial intelligence hype. As an investment manager this sort of dynamic can be concerning, as a single narrative can have an acute effect on a much broader range of market sentiments, leading to unpredictable volatility.

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This trend has led many to take a tactical stance on what seems to be the beginning of a "broadening" market. Many believe this incredible 29% market-cap concentration previously achieved in December is unsustainable over the long run, a product of artificial intelligence euphoria, and expect a regression to the mean: a shift from mega-cap companies towards large (just regular large), mid, and small cap companies, and a partial rotation from tech to various other sectors. On the other side of the argument, these high-flying mega cap stocks are not wildly expensive. Nvidia for example has a forward PE ratio of roughly 36.9; all things considered this signifies relatively robust cashflow and strong earnings for a name with this much hype. Similarly, the broader Nasdaq index is trading at a forward PE ratio of 25.0. By comparison, the Nasdaq was trading at a forward PE ratio exceeding 100 in the year 2000, just prior to the "Dot-Com Bubble" bursting. Many of the "Mag 7" exhibit high quality earnings and strong capitalization, a particularly useful defense in the face of potentially higher-for-longer interest rates that might hamper smaller, more debt dependent companies. Whether the Magnificent Seven, now down to the Three Amigos, continue to prevail as the far-and-away market leaders is yet to be known and will likely depend on how accommodative interest rate policy is to more speculative mid and small cap stocks.

<u>Markets in Election years</u>

A short, non-partisan, remark on the statistics of Election year stock market returns. While these statistics are observational, and not necessarily deterministic, they can provide some insight into how political cycles can have an impact on stock market performance as incumbent parties attempt to stimulate the economy and boost their stats ahead of the November polls.

Since 1952, election years have averaged returns of roughly 7%, as compared with the roughly 10% average rate of return in all years, and 17% in years prior to election years. Over the same period, the S&P has not declined in an election year, an impressive statistic. One final stat, a US president has never been reelected when a recession has occurred in the fourth year of their first term, a stat Biden's team is certainly privy to. Although the Federal reserve is an independent entity, it is existentially intertwined with several US government agencies. Whether or not you think Jerome Powell's opinion may be subject to influence, expect pressure from the White House to provide an economically accommodative environment between now and the end of the year.

<u>Summary</u>

In summary there are a variety of known unknows that make 2024 a rather unpredictable year. Despite getting off to a strong start, we have already gained almost a full year's average returns within the first three months, and future volatility should be expected given the number of important variables that remain in flux. In this volatility however, remains potential opportunity as continued progress towards economic and political stability creates a strong platform for a continued bull market.

Dan Dodderidge, RICP®
Senior Vice President - Investments
1 Year

Matthew Muzyka
Senior Associate
3 years

Michael A. Salimbene
Director, Partner
Wealth Advisor - Senior PIM Portfolio Manager
2 years

Rob Schaefer, CFP®
Senior Wealth Planning Strategist
2 Years

Sheila Spicehandler, CRPS®, APMA®, MBA
Senior Vice President
4 Years

Kate Welch
Senior Associate
2 years

ROB SCHAEFER, CFP®
SENIOR WEALTH PLANNING STRATEGIST

TEAM BIRTHDAYS

Steven P. Belport
Senior Vice President - Investments
April 7th

Michelle D'Ambrosio
Senior Associate, Team Administrator
April 7th

Matthew Muzyka
Senior Associate
April 13th

NYC OFFICE OPENING

Our newest location at 250 Park Avenue, 7th Floor is open for business as of March 15th. As we continue our expansion, New York City is a natural fit for a location to service clients and advisors alike. We look forward to continuing to serve clients around the country from our Greenwich, Westport and New York City offices.

ANDREW PILLARELLA VICE PRESIDENT - INVESTMENTS HAS JOINED MERRITT POINT WEALTH ADVISORS

We are thrilled to announce the newest addition to the Merritt Point team, Andrew Pillarella. For the past 22 years, Andrew was an Executive Director at some of the largest global investment banks such as Citi and Morgan Stanley. In his role, he helped his institutional clients develop investment ideas as well as product origination. Andrew chose to become independent at Merritt Point Wealth Advisors to enhance the suite of products for his clients with access to a depth of resources. In his role as Vice President-Investments, Andrew represents Merritt Point Wealth Advisor's commitment to serving every aspect of our community's wealth advisory needs through his focus on not-for-profit organizations, endowments, family offices, as well as corporate retirement and pension plans. He feels privileged to have learned from some of the best mentors in the world and feels compelled to continue to empower his clients by sharing this knowledge.

ROBERTA ANDERSON, CFP® VICE PRESIDENT - INVESTMENTS HAS JOINED MERRITT POINT WEALTH ADVISORS

We are so excited to announce another new addition to our team, Roberta Anderson, CFP®. Roberta's journey began as a commercial lender at a Connecticut-based bank managing lending relationships for Fairfield County businesses and their owners. Her understanding of the complex relationships and unique personal financial needs of business owners led her to a twenty-three-year career in Private Banking. Directly prior to joining Merritt Point, she managed lending solutions tailored for high-net-worth clients as a Senior Vice President at People's United Bank. In addition to a bachelor's degree in finance from Fairfield University and an MBA from the University of Connecticut, Roberta fulfilled the rigorous requirements to earn the CERTIFIED FINANCIAL PLANNER™ certification.

Awards & Recognition

We've earned a spot on the esteemed

MERRITT POINT
WEALTH ADVISORS℠

2024 FORBES BEST-IN-STATE
WEALTH MANAGEMENT TEAMS LIST

We are so honored that Merritt Point Wealth Advisors has been named on the Forbes Best-in-State Wealth Management Teams List.

Thank you to our hardworking team and our wonderful clients!

Source: Forbes.com (Awarded January 2024) Data compiled by SHOOK Research LLC based on the time period from 3/31/22-3/31/23. Fee paid for use of marketing materials. The Forbes Best-in-State Wealth Management Teams rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria.

A Message From Our CEO

Dear Clients,

This Quarter we are celebrating our five year anniversary. I can't believe it's been 5 years. It's true, time flies when you're having fun.

I'd like to express my sincerest gratitude to our clients, employees, advisors and everyone who has contributed to our success over the past 5 years. Thanks to all of you, the Merritt Point Wealth Advisors team now consists of over of 20 individuals spanning multiple offices in Fairfield County, New York City and serving clients nationwide.

As we continue on this amazing journey, we look forward to adding more financial advisors, team members and locations so we can continue to provide our clients with the service and support we know they deserve.

JASON S. ANDREWS, CRPC®
FOUNDER, CEO

Investment products and services are offered through Wells Fargo Advisors Financial Network, LLC (WFAFN), Member SIPC. Merritt Point Wealth Advisors is a separate entity from WFAFN.

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AWARDS & RECOGNITION

We are pleased to announce that Beth Cutler has earned a spot on the esteemed Forbes 2024 Top Women Wealth Advisors Best-in-State!

Congratulations, Beth!

Beth Cutler
Founder, President

Source: Forbes.com (Awarded February 2024) Data compiled by SHOOK Research LLC based on the time period from 9/30/22 - 9/30/23. Fee paid for use of marketing materials. The Forbes Top Women Wealth Advisors Best-in-State rating algorithm is based on the previous year's industry experience, interviews, compliance records, assets under management, revenue and other criteria by SHOOK Research, LLC. Investment performance is not a criterion. Self-completed survey was used for rating. This rating is not related to the quality of the investment advice and based solely on the disclosed criteria.

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