GREENLEAF TRUST

Perspectives

A Greenleaf Trust Newsletter

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Michael F. Odar, CFA®
President
Chief Executive Officer

The Plan for 2024

Next year will mark the tenth and final year of our long-term strategic plan to be Top of Mind. The goal of the plan has always been to be top of mind with our clients by creating a unique holistic wealth management experience for them through our continuity of care and commitment to continuous improvement. By doing so, we open opportunities to expand our capabilities for them and others. Our plan for 2024 is again focused on taking another step forward towards this goal and built with input from every teammate in the company.

Our annual strategic planning process helps us ensure we are taking one step forward towards the achievement of our longer-term Top of Mind goal. It starts with our strategic planning questionnaire where every teammate has the opportunity to provide their thoughts on how we can serve our clients better. Candor is essential and expected as I am the only one that reviews their responses. Themes are identified from their responses, which are then brought to division leaders to build plans around with their respective teams. Those divisional plans are then brought to our advance.

Our advance is an annual three-day meeting in October involving our entire executive leadership team. The purpose of the advance is to review and discuss divisional strategic plans for the upcoming year. We call it an advance instead of a retreat because our plan is to move forward not backward. Divisional plans are scrutinized and challenged by each leader's peers in an effort to create a cohesive organizational plan. Candor is again essential. Once an organizational plan is constructed, we review it with our board of directors and build our budget around it.

Our organizational plan for 2024 is focused on three key themes — workplace culture, scalable enhancements, and purposeful growth.

Workplace culture continues to be one of the most important reasons teammates join Greenleaf Trust and want to spend their careers here serving clients. We strive to hire talented people from diverse backgrounds and provide them with a work environment that challenges, supports, equips, and multiplies their efforts through collaboration. The result is an engaged team that genuinely cares about clients and is inspired to do great work for them. In 2024, our focus will continue to be on new talent acquisition, training, inclusivity, succession planning, and emerging leader development.

Improving how we serve clients requires scalable enhancements as we grow. We recognize that what got us to where we are today may not necessarily get us to where we want to be in the future. Significant investments will be made in technological solutions that will allow teammates to work more efficiently from an administration perspective, which will create more focused time with and for clients. We will also be redesigning our estate settlement process to reduce time and increase interaction with beneficiaries.

"I appreciate this opportunity to share our 2024 plan. It was built for you."

In order to serve from generation to generation, it's important that we continue to grow purposefully. There are risks to growing too quickly or too slowly. Purposeful growth involves growing deeper and broader in our capabilities at a designed fiscally responsible pace. In 2024, expanding our digital media footprint, a more targeted social media presence and selective advertising will continue to help us expand brand awareness to be top of mind. We also will be building on our capabilities to serve the next generation of our current clients through tools, education, and wealth transfer services. Longer term, our growth will continue to come from satisfied clients, deliberate geographic expansion, and potential adjacent business acquisitions.

I appreciate this opportunity to share our 2024 plan. It was built for you. I am really looking forward to sharing our new long-term strategic plan with you at this time next year. Client input along with our entire team's will be involved in its construction and it will most certainly be client centric.

I wish you and yours the happiest of holidays.

Economic Commentary

Nicholas A. Juhle, CFA®
Chief Investment Officer

Thanksgiving is over, December is here and the holiday season is in full swing. I'm honestly not sure where the last twelve months have gone, but it has certainly been both an eventful and fruitful year. In what follows, I'll spend some time covering both the events and the fruits as we wrap up 2023.

As for the fruits, November was an exceptional month for financial markets. The S&P 500 gained more than 9% and core bonds rallied more than 3% practically erasing a three month string of declines. With one month left in the year, domestic stocks are up nearly 21% on a total return basis while core bonds are up more than 2%. Even a balanced portfolio constructed with 60% global equities and 40% bonds has returned more than 10% year-to-date. Fruitful.

As for the events, we've had our share, but fortunately many of the uncertainties faced this year have unfolded more positively than anticipated. In the first half, we navigated multiple regional bank failures and the unprecedented threat of a potential US debt default. Of course, neither evolved into a full blown crisis. Regional banking stress stabilized relatively quickly without spreading to larger banks and debt ceiling negotiations concluded with passage of the Fiscal Responsibility Act.

Following a summer of market resilience, a new set of risks weighed on the markets. In last month's newsletter, I highlighted four converging risks that could collectively threaten continued economic expansion:

1. Rising oil and gas prices
2. A potential government shutdown
3. Resumption of student loan repayments
4. United Auto Workers (UAW) strike

We noted that these concerns had the potential to hamper fourth quarter growth and the outlook for 2024 by a little, or a lot, depending on the extent of the combined fallout. One by one, each risk evolved favorably. Oil and gas prices, which raced higher throughout the third quarter, have pulled back sharply thus far in the fourth quarter. We've avoided a government shutdown twice now with the can currently kicked down the road to February 2024. Student loan repayments did resume, as expected, but this dynamic has been factored into forecasts for months. The October retail sales report did not show a significant aggregate impact from the resumption of student loan payments and came in stronger than consensus forecasts. Additionally, consumer spending appears healthy as initial estimates from Adobe Analytics show e-commerce transactions for Black Friday and Cyber Monday up 7.5% & 9.7%, respectively, over 2022. Lastly, the UAW strike concluded with successful contract negotiations

"With one month left in the year, domestic stocks are up nearly 21% on a total return basis while core bonds are up more than 2%."

Economic Commentary, continued

after just six weeks of limited strikes.

As a result of these outcomes and other factors, the outlook for real US GDP growth has continued to improve. As has been the case throughout 2023, the expected economic valley has gotten shallower and pushed further into the future. Entering Q3, the median economist forecasted 0% real growth for Q3 and a 0.5% decline for Q4. However, the economy actually expanded 5.2% in Q3 and is forecast to grow 1.1% in Q4 (all figures are presented as quarter-over-quarter Seasonally Adjusted Annualized Growth Rates). Based on current projections, the near-term "low" point in the current cycle is forecast to hit in the second quarter of 2024 with growth of 0.2%. Again, this growth valley is shallower and further in the future than a month ago when forecasts pointed to 0.2% growth in the first quarter of 2024 as the near-term low point.

"Inflation has decelerated significantly and the labor market has softened without falling off of a cliff… these are positive developments for the Fed."

After an unexpected surge in September, US hiring cooled by more than expected in October and the unemployment rate inched slightly higher. The US labor market added 150K jobs, the unemployment rate increased to 3.9%, and wages grew slightly less than expected. In 2023, US employment has grown by an average of 240K per month, moderating from the 2022 average of 400K per month. Importantly, there are signs that the labor market is coming into better balance as total job openings have declined by 2.5 million since early 2022. The ratio of job openings to unemployed workers stands at 1.5:1, down from a peak of 2:1. This is welcome news for the Fed which is aiming to reduce wage pressures without a meaningful spike in the unemployment rate.

Turning to inflation, October data reported in November showed the Consumer Price Index (CPI) rose at 3.2% (year-over-year), decelerating from 3.7% in September and coming in below expectations of 3.3%. While this outcome remains above the Fed's stated target of 2.0%, it highlights significant improvement from the June 2022 peak of 9.1%. At +6.7% year-over-year, shelter costs decelerated slightly from +7.2% in September and a peak of 8.2% in March. We continue to keep a close eye on shelter costs, which represent nearly one third of the CPI basket and tend to impact the index with a lag.

Inflation has decelerated significantly and the labor market has softened without falling off of a cliff. While the monetary policy making environment remains tenuous, these are positive developments for the Fed.

On November 1, policymakers maintained the Federal Funds Rate target at 5.25%-5.50%, as expected.

The most recent Fed projections from September anticipate one additional rate increase this year, though an additional hike appears unlikely to us. Instead, it seems plausible that we have reached the peak of this hiking cycle, prompting consideration of when we might anticipate interest rate cuts. While markets are pricing in cuts beginning with the May 2024 meeting, minutes from the most recent FOMC meeting showed no indications that Fed officials were considering rate cuts in the near term. Committee members agreed that Fed policies need to stay "restrictive" until data shows a convincing trend that inflation will return to the central bank's 2% target.

We will continue to monitor headline events and economic health in the fourth quarter and look forward to sharing our perspective as the narrative evolves. As always, we encourage investors to lean on discipline and the benefit of a long time horizon during periods of uncertainty. On behalf of the entire team, thank you for allowing us to serve on your behalf.

"We will continue to monitor headline events and economic health… and look forward to sharing our perspective as the narrative evolves."

Jacob A. Barker, CFA®, CFP®
Senior Manager Selection Analyst

Shaking the Capital Gain Blues

Crisp fall air, the cheer of holiday festivities, and time spent with the ones we love are some of the many things we look forward to this time of year. Brutally cold mornings, ice coated windshields, and year-end capital gain distributions, on the other hand, can bring out the grinch in even the most upbeat among us. While there is nothing your wealth advisor can do about the incessant cold – except, perhaps, assist you in developing a plan that enables you to spend time in a more temperate climate during the winter months – your Greenleaf Trust advisor can help alleviate any misgivings surrounding year-end fund distributions and their associated taxes. Capital gain taxes, as the name implies, are taxes collected on the gains realized from the sale of an investment. Over the course of the year, fund portfolios buy and sell securities, and at the end of the reporting period, the funds calculate the net gain or loss derived from these transactions and distribute any net capital gains to fund shareholders. While rising markets may lead to more gains than downward trending markets, many funds continue to generate taxable gains no matter the market environment. While this realization may be unsettling, Greenleaf Trust clients can rest assured that their advisor has been thoughtfully preparing for these distributions with the goal of ensuring the best after-tax outcome for each of our clients. With this in mind, let us now turn our attention to the mechanics of these annual distributions.

> "Capital gain taxes, as the name implies, are taxes collected on the gains realized from the sale of an investment."

Most investors are familiar with basic tax principles for individual shares of stock. Mr. Smith buys shares of ABC Company for $100 and sells them for $110 realizing a $10 profit, or gain, on which he is expected to pay taxes. If Mr. Smith holds the shares for more than one year, the gains are considered long-term and subject to a federal tax rate of up to 23.8% (in 2023). If Mr. Smith holds the shares less than a year, the gains are short-term and taxed as ordinary income. The key here, though, is that Mr. Smith has to sell the shares to realize the gains. He controls the timing and has the ability to delay realization of gains and the resulting tax liability for as long as he holds the shares. The same concept is only partially true when it comes to mutual funds.

A share in a mutual fund represents a share in a portfolio of stocks (or other investments), and the price of that share (the net asset value or NAV) fluctuates with the prices of the underlying securities. The mechanics here are really no different than in the individual stock example above. Mr. Smith buys shares of the ABC Fund for $100, the underlying securities in that fund collectively appreciate by 10%, and Mr. Smith sells them for $110, realizing a $10 gain and the associated tax liability. Pretty straight-forward right? Here's where it gets a little more complicated...

If a mutual fund sells a holding in which it has a gain, it has to distribute that gain to the fund's shareholders in the year it was realized. If the mutual fund buys shares of ABC Company for $100 and sells them for $110, it has to distribute the $10 gain (short or long-term) to shareholders who are responsible for the tax liability. Instead of distributing gains after every transaction, funds typically make a single distribution at year-end which incorporates all gains netted against any offsetting losses or applicable loss carry forwards.

So there are two ways a fund investor can realize gains: 1) by receiving a capital gain distribution from the fund; and 2) by selling a fund share for more than the purchase price. Mechanically, capital gains distributions are processed similarly to dividends. There is a record date (holders of record on this date will receive the distribution), and an ex-date (the first day you can buy the fund without receiving the distribution). This means that a fund could set a record date of December 15 and if our friend Mr. Smith bought shares on December 14, he would receive the distribution and a tax bill. Likewise, Mr. Smith could have bought shares earlier in the year and sold them on December 14th and he would avoid the distribution altogether.

Perhaps this seems unfair. The fund accumulates gains all year and then distributes them to whoever happens to be holding the shares on the record date. Fortunately, there is a mechanism in place that prevents fund investors from being taxed twice – specifically, the distribution results in a corresponding reduction to the NAV or price of the fund share, which effectively reduces any gain in the shares themselves.

To illustrate, let's say Mr. Smith buys one share of ABC fund for $100 on December 14 and the fund distributes $10 in capital gains on December 15. Mr. Smith receives the $10 and will pay taxes on that amount (clearly unpleasant), and his share immediately re-prices to $90. Sounds like a lose-lose, but it means Mr. Smith's share could appreciate as much as $10 (from $90 back to $100) before he would realize gains on a sale.

Historically, the average distribution across our client holdings has been between three and five percent. This year, we estimate that capital gain distributions will be on the lower end of historical norms, averaging around three percent. Domestic large-cap equities are poised to distribute the largest gains this year.

Fortunately, our hands are not completely tied when it comes to taxes. In fact, several steps in our process are inherently geared toward managing tax liabilities generally and specifically as they apply to externally-managed funds. First of all, this discussion does not apply to 401(k)s, IRAs, or other qualified accounts and we ensure

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Shaking the Capital Gain Blues, continued

"We… evaluate the tax characteristics of different investment vehicles for our clients."

clients are maximizing these vehicles in the context of a broader wealth management plan. For non-qualified accounts, our portfolio construction and fund selection processes carefully consider the assumed tax impacts of the strategy or fashion in which our clients are investing. We carefully consider turnover rates, as it is usually the case that higher turnover (more trading) means more realized gains while lower turnover means the opposite. In addition, we keep an eye on the net flows of each fund, as large net outflows can force a fund manager to liquidate securities to meet redemptions, resulting in higher realized gains. We also evaluate the tax characteristics of different investment vehicles for our clients. This emphasis on tax efficiency is part of what leads us to recommend index-tracking exchange-traded funds (ETFs) for a portion of many client portfolios, as they usually experience less turnover and are generally more tax efficient than the average actively-managed mutual fund. We also monitor funds closely for manager or prospectus changes which may drive higher turnover if the portfolio is repositioned. Additionally, we analyze capital gains estimates to inform decision-making around year end – under unique circumstances, there may be benefits to strategic repositioning during the distribution season based on a host of account-specific factors. You can rest assured that we are thoroughly examining every account for opportunities.

Lastly, perhaps a little perspective is in order. Nobody looks forward to paying taxes and rational investors will make every effort to avoid, minimize, or delay them. Greenleaf Trust is in your corner working diligently to ensure that we're sheltering, minimizing, and delaying every chance we get. But at the end of the day, taxable gains are, well… gains. So, don't lose sight of the fact that while taxes are a certainty, they're also a certain indicator of a growing portfolio.

Cost-of-Living Adjustments to Retirement Plans for 2024

Lorey L. Matties
Senior Participant Services Specialist

The IRS recently announced that many of the key retirement plan limits will increase next year. These limit increases are more modest than the 2023 increases, with some limits remaining the same.

The contribution limit for employees who participate in 401(k), 403(b), and most 457 plans, as well as the federal government's Thrift Savings Plan will increase to $23,000, up from $22,500. The contribution boost for 2024 is lower than the $2,000 jump that occurred for 2023, but the $500 increase is still significant for the many employees who are falling short of their retirement goals.

The catch-up contribution for those 50 and older will remain at $7,500, adding up to a total allowed annual contribution of $30,500 for qualifying plans.

The super catch-up contribution provision in the SECURE 2.0 Act of 2022 is introducing big changes to catch-up retirement plan contributions in the next few years. As of January 2025, individuals ages 60 through 63 will be permitted to make a special catch-up contribution. This contribution will be limited to the greater of $10,000 or 150% of the standard catch-up contribution for 2024 and will be indexed to inflation.

"… the SECURE 2.0 Act of 2022 is introducing big changes to catch-up retirement plan contributions in the next few years."

Starting in 2026, taxpayers who earn over $145,000 in the prior calendar year and want to make catch-up contributions will have to do so with after-tax dollars in a Roth account. Individuals earning $145,000 or less, adjusted for inflation going forward, will be exempt from the Roth requirement. Many employers do not currently offer a Roth 401(k) plan and setting them up can take time. Employers that want to offer this option to their employees should start planning now.

Individual retirement accounts (IRAs) currently have a $1,000 catch-up contribution limit for people aged 50 and over. Starting in 2024, that limit will be indexed to inflation with the other cost-of-living adjustments.

The Social Security Administration (SSA) also announced key numbers that affect workers and retirees for 2024 – an increase in the taxable wage base for workers and to the benefits for retirees. The Social Security Wage Base, which is the maximum amount of earnings subject to Social Security tax, will increase by $8,400 from $160,200 to $168,600 in 2024.

For retirees, the SSA announced a 3.2% increase to monthly Social Security and Supplemental Security Income benefits. This is good news for the 71 million Americans currently receiving benefits. On average, *Cost-of-Living Adjustments to Retirement Plans for 2024, continued*

that translates to approximately $50 more per month. The average monthly benefit check for retirees in 2023 was $1,840.27 ($22,083.24 annually) according to the Social Security Administration. Further highlighting the importance of saving for retirement.

The chart below reflects the key limits, along with other frequently used benefit and compensation items for 2024.

Retirement Plan Limitations	2024	2023
Annual deferral limit for 401(k), 403(b) and 457(b) plans	$23,000	$22,500
Catch-up contribution limit for persons age 50 and older in 401(k), 403(b) and 457(b) plans	$7,500	$7,500
Limitation on annual additions to a Defined Contribution plan – "415 limit"	$69,000	$66,000
Annual compensation for determining benefits or contributions to a Defined Contribution plan	$345,000	$330,000
Highly Compensated Employee (HCE) compensation threshold	$150,000	$150,000
Officer or Key Employee definition	$220,000	$215,000
Earnings subject to Social Security tax (wage base)	$168,600	$160,200
Annual IRA contribution limit	$7,000	$6,500
Annual IRA catch-up contribution limit for persons age 50 and older	$1,000	$1,000
Health Savings Account (HSA) individual contribution limit	$4,150	$3,850
Health Savings Account (HSA) family contribution limit	$8,300	$7,750
Health Savings Account (HSA) catch-up contribution for persons age 50 and older	$1,000	$1,000

"The Saver's Credit helps lower- and middle-income workers who contribute to a retirement plan by cutting up to $1,000 ($2,000 for married couples) off their tax bill when they file their annual tax returns."

The Saver's Credit helps lower- and middle-income workers who contribute to a retirement plan by cutting up to $1,000 ($2,000 for married couples) off their tax bill when they file their annual tax returns. It's a particularly good incentive to get young people started saving early and assist taxpayers with modest incomes to make their money work harder for them. The income limit for the credit for 2024 is $76,500 for married couples filing jointly; $57,375 for head of household; and $38,250 for singles.

The Saver's Credit as it exists today is also in for some significant changes, particularly with respect to how it's paid. The SECURE 2.0 Act converts the current tax credit into a government matching program for retirement plan contributions dubbed the "Saver's Match." The new Saver's Match isn't effective until 2027, so the existing tax credit will be around for a few years yet.

Should you have any questions regarding the various limitations that apply to retirement plans, including some that are not included in the above table, please contact our Greenleaf Trust Retirement Plan Division.

The Season of Giving

Bradley S. LaTour, J.D., CTFA
Vice President
Senior Trust Relationship Officer

Nearly half (48%) of Americans are expected to travel during this holiday season. Presumably, many will visit the other half that decided to stay home. Expectations are likely to be high that the food will be plentiful, the injuries during the family backyard touch football game will be minor, and Aunt Debbie will love that poodle sweater you bought her for Christmas (that you now wish were a simple pair of hoop earrings).

Ah, 'tis that time of year. The season of giving is upon us. Close to 50% of charitable gifts (and nearly 100% of Christmas gifts, by the way) are made in the month of December. It can be a busy time of year for most people, with decorating, shopping, cooking, traveling, skiing, sledding, skating and holiday parade watching to be done. This is the traditional time for gift-giving, but there can be many advantages to making financial gifts earlier in the year, to both family and charity.

As you read in last month's article by Lauree VanderVeen, entitled "Annual and Lifetime Gifts for 2023 and Beyond," gifting limits will be increasing for 2024. The federal gift tax annual exclusion amount will be $18,000 per person (a $1,000 increase from 2023). The lifetime gift tax exclusion amount will increase to $13,610,000 (a jump of $690,000). The lifetime exclusion amount is how much a person can transfer during their lifetime without incurring a federal gift tax. The annual exclusion amount is how much a person can transfer each year (so long as it is a present interest), with anything exceeding that amount counting towards the lifetime amount.

"This is the traditional time for gift-giving, but there can be many advantages to making financial gifts earlier in the year…"

In addition to simplifying that end of year to-do list, here are three potential benefits to making your planned gifts earlier in the calendar year (and 2024 is just around the proverbial corner).

First, the gift gets done. With even the best of intentions, unexpected events (life distractions, poor health or even death) during the course of the year could intervene and prevent the successful execution of a well-thought-out gifting strategy. Getting it done early in the year will ensure that the intended gifts are completed and any resulting benefits are realized.

One small detail to keep in mind when making gifts with personal checks. The completion of the gift will depend on the recipient. If to a charity, the gift is complete when the check is signed and "in the mail." If the charity then cashes the check in the following year, the gift still counts in the prior year. For individuals, the gift is not complete until the check is actually deposited by the donee. Thus, if you include a gift check in a holiday card in December, but it is not cashed until January, *The Season of Giving, continued*

the IRS will treat the gift as being made in January. Making gifts earlier in the year can help avoid such unintended consequences.

Second, the recipient can make use of the gift much earlier. Whether the gift is to family or charity, the funds can be applied immediately to current needs. The donor has the added benefit of observing how those funds are applied throughout the year. If they are satisfied with the recipient's stewardship of the gift, there is plenty of time to consider additional gifts or contributions.

"… if you include a gift check in a holiday card in December, but it is not cashed until January, the IRS will treat the gift as being made in January."

Third, the gifted amount and any growth on that gift, is out of the donor's estate. This is a subtle way to possibly increase the gift beyond the IRS limits. For example, Dan would like to make an annual exclusion gift of $18,000 (the maximum) to each of his three children in 2024, or a total of $54,000. If he makes the gift at the beginning of the year, he not only moves $54,000 out of his estate, but any appreciation on that gifted amount. If a diversified investment would have returned 7% during the year, Dan effectively moved an additional $3,780 of growth from his estate, or a total of $57,780.

While traditions can be anchoring and comforting, be intentional with your choice to keep them going. Gift-giving at the end of the year may be right for you, but there are some measurable benefits to making them earlier. At least give the timing some thought. After all, with gifts, that's what counts.

Gladiators of the Market: Exchange-Traded Funds

Steve Wilbur
Family Office Portfolio Manager

During a recent trip to Rome, I found myself reflecting on the Roman Forum's historical significance. It served as a hub for political discussions and economic decisions in the ancient world. Comparably, modern stock exchanges, like those where exchange traded funds (ETFs) are traded, play a similar role today. Much like the Forum was central to Roman commerce, ETFs are crucial to contemporary investment strategies. ETFs have emerged as a cornerstone of modern portfolio management. Offering a versatile and efficient mechanism for achieving diversified exposure to a range of asset classes, ETFs cater to both individual and institutional investors. This article delves into the history of ETFs, their operating mechanics, adoption, and their benefits.

A Historical Perspective

The conception of ETFs can be traced back to the early 1990s, with the launch of the first successful US ETF, the SPDR S&P 500, which allowed investors to participate in the performance of 500 of the largest US companies through a single investment. The inception of ETFs represented a seismic shift in the investment world, allowing for real-time trading of diversified asset bundles.

> "The inception of [exchange traded funds] ETFs represented a seismic shift in the investment world..."

ETF Mechanics: Authorized Participants and Creation/Redemption

At the heart of an ETF's operation is the creation and redemption process, which involves specific large investors known as Authorized Participants (APs). These APs have the unique ability to work directly with the ETF provider to create or redeem shares of the ETF. This process is pivotal for maintaining liquidity and ensuring that the ETF's share price does not deviate significantly from its net asset value (NAV).

Example of Creation and Redemption Process using an S&P 500 ETF

Imagine the market sentiment is bullish, and there is a surge in demand for shares of an ETF that tracks the S&P 500. To meet this demand, an Authorized Participant (AP) steps in to create more ETF shares. The AP first collects a portfolio of stocks that replicates the S&P 500 index, known as the creation basket, and exchanges this with the ETF provider for new ETF shares. This process, known as an "in-kind" creation, introduces new shares to the market without cash transactions, enhancing tax efficiency.

Conversely, if the tide turns and investors look to offload their ETF shares, the AP can facilitate the reduction of shares in circulation. The AP buys ETF shares from the market to form a redemption basket and returns these shares to the ETF provider. In exchange, the AP receives the underlying stocks in the basket, which they can sell on the market or hold. This "in-kind" redemption process removes excess ETF shares from the market, aligning supply with demand.

Through these in-kind transactions, ETFs efficiently manage their share quantities and mitigate the impact on the ETF's market price, maintaining alignment with the NAV.

Benefits to Investors

ETFs confer numerous advantages, such as cost efficiency, tax advantages, and intraday liquidity. Investors can buy and sell ETF shares throughout the trading day at market prices, similar to stocks. Moreover, the tax benefits arising from the in-kind creation and redemption process are significant. By minimizing capital gains distributions, investors in ETFs can often defer taxes until their investment is sold.

> "ETFs confer numerous advantages, such as cost efficiency, tax advantages, and intraday liquidity."

Comparison with Other Investment Vehicles

When compared to mutual funds, which only settle trades at the end of each trading day at the NAV, ETFs stand out for their liquidity and pricing transparency. Unlike mutual funds, which can incur higher fees and often generate taxable capital gains each year, ETFs typically offer lower expense ratios and tax efficiency.

Strategic Integration into Investment Portfolios

ETFs have become a staple in strategic portfolio construction. They are not only used for broad market exposure but also for targeting specific sectors, geographic regions, or investment themes. The ability to blend various ETFs allows portfolio managers and individual investors to tailor their exposure and manage risks in line with their investment objectives.

Conclusion

In summary, ETFs serve as a modern armory for investors, providing a nimble strategy in crafting portfolios that echoes the finesse of ancient gladiatorial champions. Merging time-tested investment principles with the swiftness demanded in today's financial coliseums, they present a refined solution for managing assets with both diversification and efficiency, embodying a sophisticated approach to the ever-evolving arena of finance.

Understanding the underlying mechanics of ETFs, especially the creation and redemption process, equips investors with deeper insights into their operational nuances and advantages. As investment vehicles that are both a product of innovation and a catalyst for further financial evolution, ETFs continue to redefine the boundaries of portfolio management, standing tall as champions of the contemporary market arena.

"... ETFs serve as a modern armory for investors, providing a nimble strategy in crafting portfolios..."

Stock Market Pulse

Index	10/31/2023	Total Return Since 12/31/2022
S&P 1500	1,034.30	19.50%
Dow Jones Industrials	35,950.89	10.72%
NASDAQ	14,226.22	37.00%
S&P 500	4,567.80	20.79%
S&P 400	2,563.62	7.06%
S&P 600	1,170.66	2.80%
NYSE Composite	16,088.84	8.52%
Dow Jones Utilities	866.76	-7.11%
Barclays Aggregate Bond	2,082.29	1.64%

P/E Multiples	10/31/2023
S&P 1500	21.3x
Dow Jones Industrials	21.1x
NASDAQ	36.1x
S&P 500	21.9x
S&P 400	16.5x
S&P 600	14.5x

Key Rates

Fed Funds Rate	5.25% to 5.50%
T Bill 90 Days	5.30%
T Bond 30 Yr	4.49%
Prime Rate	8.50%

Current Valuations

Index	Aggregate	P/E	Div. Yield
S&P 1500	1,034.30	21.3x	1.56%
S&P 500	4,567.80	21.9x	1.53%
Dow Jones Industrials	35,950.89	21.1x	2.03%
Dow Jones Utilities	866.76	17.8x	4.03%

Spread Between 30 Year Government Yields and Market Dividend Yields: 2.93%

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