

**MB FOUNDATION
INVESTMENT SUMMARY
12/31/2023**

Index Name	QTD Return	YTD Return
Dow Jones Industrial Average	13.09%	16.18%
S&P 500 (Large Co. index)	11.69%	26.29%
Russell 2000 (Small Co. index)	14.03%	16.93%
MSCI EAFE (Int'l Equity index)	10.42%	18.24%
Bloomberg U.S. Aggregate Bond	6.82%	5.53%

Market Commentary

The fourth quarter of 2023 was extremely positive for broad equity asset classes (U.S. Stocks, Int'l Stocks, Real Estate, and Bonds). The S&P 500 returned 11% for the quarter. International markets were just shy of U.S. equities in Q4, with Developed Market stocks up 10%. Small Cap U.S. equities and Real Estate Investment Trusts ("REITs") rallied the most during the quarter, up 14% and 17%, respectively. Bonds rose nearly 7% in Q4 as interest rates fell. Rates fell due to lower inflation and a FED that is expected to be finished hiking interest rates in this cycle.

The equity markets overall in 2023 have been dominated by a resurgence of growth stocks and the Artificial Intelligence ("AI") trend. The growth heavy top 7 stocks in the U.S. market ("magnificent 7") accounted for 60% of the 26% return of the S&P 500 in 2023. The average U.S. stock in 2023 was up only 13%, as measured by the S&P 500 equally weighted index. Bonds, now sporting historically attractive yields, were up 5.5% in 2023. The 10 year treasury ended the year at a yield of 3.9%, right where it started 2023. Interest rate volatility was high throughout the year, with the 10 year treasury trading as high as 5%, before dropping back to 3.9% by the end of the year.

We expect the FED to be finished raising interest rates in this cycle. The FED is projecting the Fed Funds rate to be 4.6% by the end of 2024 (Fed Funds rate is 5.3% currently). The market probabilities now point to the FED actually cutting rates all the way down to 3.6% by the end of 2024. Risks related to tight fiscal policy and economic lagging effects, slow global growth, and negative leading indicators leave the macro-economic outlook dim. Also, the geopolitical unrest with two wars leads us to a slightly negative view. Even if the FED is able to engineer a "soft landing", equity upside is limited due to slow growth and higher than average market valuations.

In 2024, a shallow economic recession remains our base case. The market consensus is now for a soft landing by the FED, where we avoid a recession and inflation continues to come down to the FEDs 2% target. While a soft landing is possible, we still believe the economic and market backdrops point to a more conservative posture and muted expectation for 2024.

**Market
Highlights**

- For 2023, MBF portfolios performed between fixed income markets and equity markets
- In Q4 2023, REITs were the leading sub-asset class, up 17%
- 9 out of 11 MBF managers beat their benchmark returns for the trailing 10 year period

Market commentary provided in partnership with Cornerstone Management, Inc.