CHICAGO PARTNERS | WEALTH ADVISORS

Q4 2023 Conference Call Summary

You can click on each link to jump to the discussion of the topic.

- Volatility Tax Mitigation
  - As we enter Q4 of 2023, our focus at Chicago Partners is to find and incorporate investments into your portfolio that have excellent **after-tax, real (after-inflation) returns** that are lowly correlated or uncorrelated with each other.
- Consumer Price Index
  - The CPI came in a bit hotter than expected, which moved the capital markets.
- The U.S. Treasury Yield Curve
  - The Federal Reserve has remained vigilant and aggressively raised interest rates. With that, we have an inverted yield curve, meaning that short-term interest rates (now north of 5.5%) are higher than long-term interest rates (at 4.7%).
- Fed Total Assets
  - Not only is the Fed raising interest rates, but they're also letting the balance sheet roll off.
- World Interest Rate Probability
  - As new economic data comes out (like the CPI Report), expectations for the Fed's plans can change. With everything we know today, there is a 29.9% chance that the Fed will raise rates in December.
- U.S. Dollar Impact on Stocks
  - As interest rates have gone higher, the U.S. dollar has appreciated, which creates a lot of noise in algorithmic trading. While earnings reports have actually been pleasantly surprising, the appreciation of the U.S. dollar has still driven stocks down since Aug. 1st.
- U.S. Debt Clock
  - The U.S. national debt has increased to about $33.5 Trillion, and that's all being financed with Treasuries. The interest on the debt equates to just over 2%, even though rates are much higher. So, we will likely see the interest on the debt increase, most likely double.
- The Fed & Interest Rates
  - The long-term Fed target for interest rates is 2.5%, because it will be much easier to finance the debt at that rate as opposed to what we have now. Nonetheless, the Fed will not reduce interest rates until inflation is more moderate.
- Bloomberg U.S. Aggregate Annual Returns & Intra-Year Declines
  - We are experiencing the first three-year decline in the U.S. Bond Index.

- Interest Rates & Inflation
  - The Fed wanted to get positive, real yields, and at the end of the quarter, they reached that goal.
- Corporate Earnings
  - Earnings are a catalyst for long-term stock prices, and this year's earnings have been better than expected, which is one reason for the positive S&P 500 for the year.
- Evolving Portfolio DNA
  - Our goal at Chicago Partners is to enhance the after-tax, after-inflation, after-volatility return in your portfolio. One way we have been able to do that is through Private Credit.
  - The Innovator Equity Managed Floor ETF limits downside, but doesn't give up too much in upside. Since the beginning of this year, it's been neck-and-neck with the S&P 500, while still protecting downside risk.
  - Our AAA Farm Team includes the Fortress Net Lease REIT which has a yield expectation of 8.5%. The fund has rent escalators which will help the income yield on original investment grow each year, comparing that relative to a U.S. Treasury.
- Optimal Recessionary Conditions Checklist
- Leading Economic Indicators
- Client Access
- PwC Corner
  - Now is a great time to do a conversion of your post-tax contributions from your 401(k) over to your Roth 401(k). It's best to do this sooner rather than later, so reach out to your advisor or a contact at Partner Affairs or Benefits Connect if you have any questions!
- When in Doubt, Zoom Out!
  - It's comforting to keep in mind that historically, the market has produced a strong, long-term return.