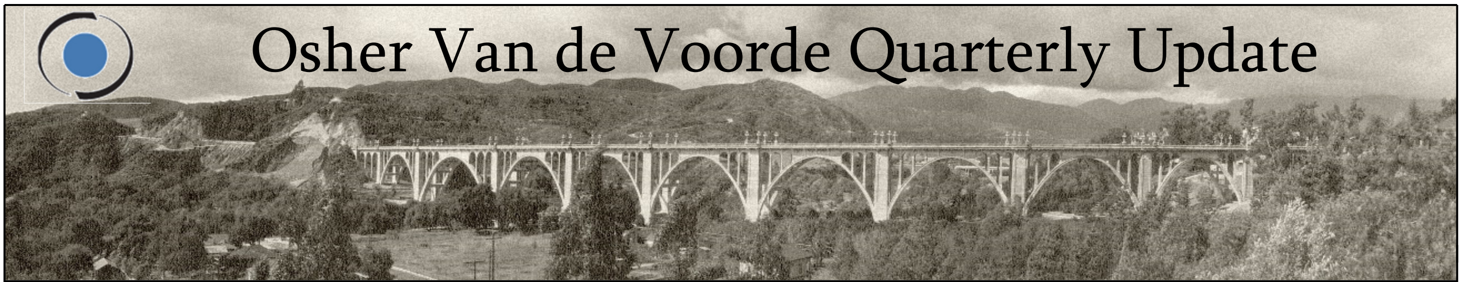


Osher Van de Voorde Quarterly Update

Goldilocks and the Three Rate Cuts

April 2024

Building on last year's mega-cap momentum, the stock market rallied higher in the first three months of 2024, with quarterly gains for the Dow Jones Industrial Average, S&P 500, and NASDAQ Composite at 5.6%, 10.2% and 9.1% respectively. Interestingly, this is the fourth time in the last 25 years and only the seventeenth time in the last 75 years where the S&P 500 has gained more than 8% during the first quarter. Impressively, especially for those with a bullish posture, the S&P 500 lost ground over the rest of the year in only one out of the previous 16 times with an average gain of 9.7% for the final three quarters of the year.

While the pace of *disinflation* has decelerated, the trend is undeniable and continues to slowly work its way toward the Federal Reserve's 2% inflation target. The Fed's preferred inflation gauge or core personal consumption expenditures price index (core PCE) was up 0.3% in February from one month ago and 2.8% on an annualized basis. This compares to 2.9% annualized in January and 3.2% in November of last year. Core PCE hasn't been below the Fed's target in three years and the so-called "last mile" to get back to 2% may be glacially slow.

While inflation remains somewhat stubborn, it must also be noted that economic resilience remains equally stubborn. Consumer spending rose 0.8% in February, well ahead of expectations for an increase of 0.5%, and the United States added 275,000 jobs in February and an additional 303,000 jobs in March. Meanwhile, unemployment has only inched higher to 3.8% from last April's 3.5% low, and GDP is expected to advance by 2.1% this year, only slightly below last year's 2.3% pace. The supertanker U.S. economy continues to grind higher, surprising many skeptics who had widely forecast imminent recession in the wake of the Fed's rate hike barrage. With the Fed having kept rates steady since last July, good economic news is no longer feared, translating to revived corporate earnings and higher stock prices.

The 25% gain in the S&P 500 since last November has boosted overall market capitalization by almost $11 trillion, fueling a boom in the wealth effect, and leaving consumers more confident. With consumer spending representing 68% of overall GDP, buoyant prices for stocks and real estate bode well for the economy in the months ahead.

When the year began, the consensus called for as many as six 25-basis-point cuts in the Fed Funds rate to commence in March. Now, only three months later, the consensus closely matches the Fed's own recently telegraphed expectations for only *three* 25-basis-point cuts in 2024. With the economy stable, many analysts are weighing the possibility that the Fed does not cut rates at all this year. Especially with the Presidential election looming and the Fed's preference to remain above the political fray, a June rate cut becomes more likely *if* the Fed follows through on its recent rhetoric.

The Fed is in an enviable position. The economy remains strong, yet not so hot that inflation is at risk of reaccelerating. If demand remains steady and inflation stickier, the Fed can wait longer before cutting rates. If the economy suddenly worsens and unemployment ticks higher than anticipated, the Fed has ample firepower to help engineer a soft landing by rapidly cutting rates. In previous times before the Fed Funds rate was repressed to zero, we might have been tempted to call this a Goldilocks set of economic circumstances. Only a matter of timing, it is all but certain that the Fed's next move will be a cut. Whether we see three cuts this year remains to be seen.

Indeed, the best news may be that interest rate normalization has not ravaged the U.S. economy. Even with the precipitous decline in money supply which many suggest is a harbinger for recession and *deflation*, higher interest rates seem to have had little impact on the average consumer, who collectively took advantage of the previous era's historically low interest rates to refinance. In fact, higher interest rates have been a boom for retirees and savers who now earn a tidy sum on the collective $6 trillion invested in money market funds. The flood of post-pandemic liquidity has abated, supply chains have normalized, productivity is rising, and the Fed can continue to be patient.

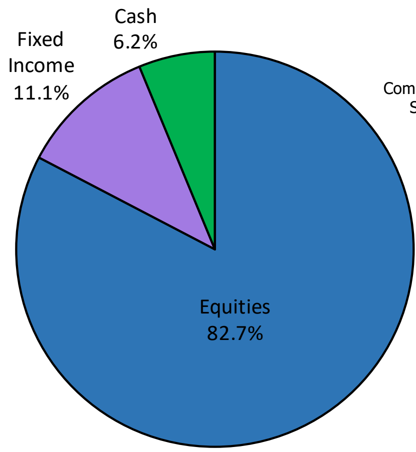
Meanwhile, all this good economic news has not been lost on the equity markets, leaving the major indices vulnerable to price correction. The S&P 500 now trades at just under 21x forward earnings estimates for the next 12 months and looks stretched at levels approximately 12% above its 200-day moving average. Momentum stocks are even more unanchored from fair value and seemingly ripe for mean reversion. For example, the Goldman Sachs Long/Short High Beta Momentum Index now trades approximately 30% above its 200-day moving average, a level only exceeded twice in the last 15 years, with both of those occasions ushering in 20%+ corrections. According to Bank of America, active funds now have 56% less exposure to value than momentum investments, which is a 15-year low and seems to offer a wonderful contrarian opportunity.

We continue to believe that the momentum trade will fade soon enough and our confidence in the long-term benefits of owning high-quality, best-of-breed businesses that consistently grow earnings and increase dividends will be validated. Further, we fully expect the benefits of an equally weighted strategy to normalize once AI-fueled momentum cools. In a market trading towards the higher end of historic ranges, the equally weighted S&P 500 trades at a very reasonable forward PE of 15. As earnings growth for the average stock plays catch-up over the coming quarters relative to mega-caps, we expect our discipline to shine.

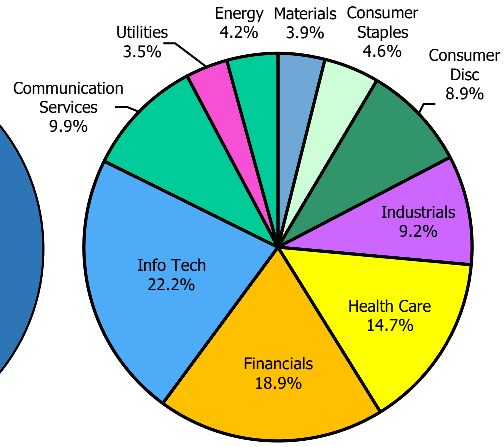
Investment Strategy Summary

As of March 31, 2024

Firmwide Asset Allocation



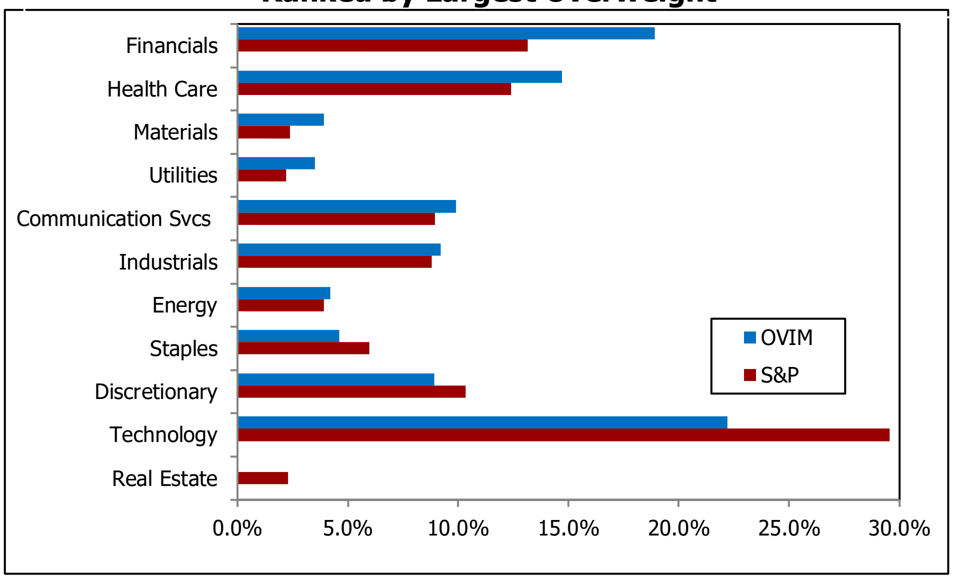
Equity Sector Allocation



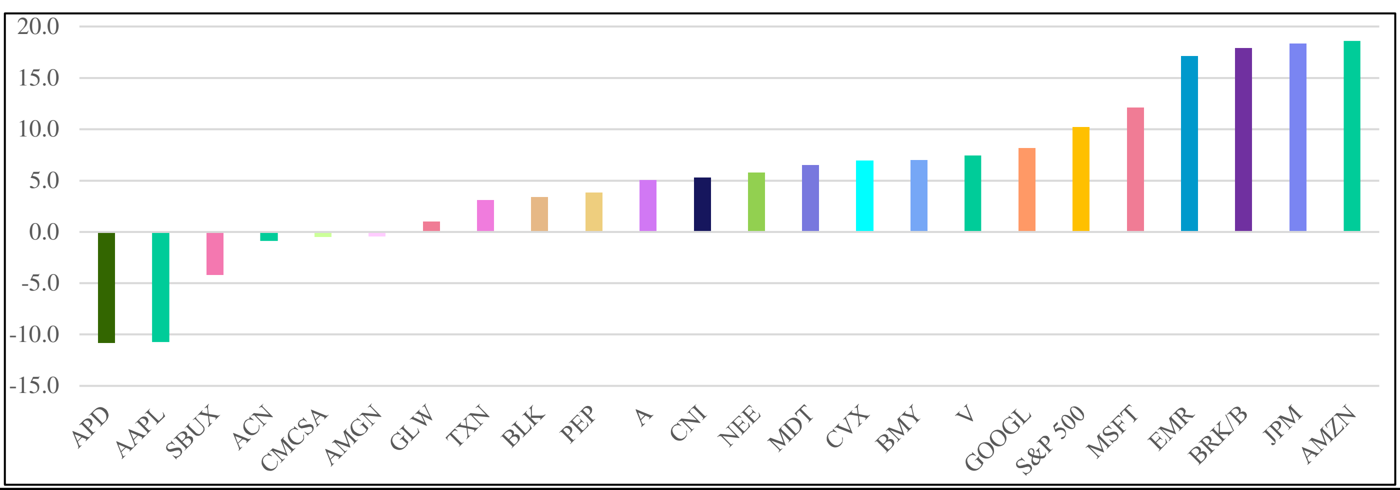
Top Core Global Equity Holdings

Alphabet Inc. Class A	GOOGL
BlackRock Inc.	BLK
Microsoft Corp.	MSFT
Visa Inc.	V
Amazon.com Inc.	AMZN
Emerson Electric Co.	EMR
Amgen Inc.	AMGN
Berkshire Hathaway Inc. Cl. B	BRK/B
Comcast Corp.	CMCSA
PepsiCo Inc.	PEP
JPMorgan Chase & Co.	JPM
Medtronic PLC	MDT
Chevron Corp.	CVX
Accenture PLC Class A	ACN
Apple Inc.	AAPL
Canadian National Railway	CNI
Texas Instruments Inc.	TXN
Air Products & Chemicals, Inc.	APD
Bristol-Myers Squibb Co.	BMY
Starbucks Corp.	SBUX
Corning Inc.	GLW
NextEra Energy, Inc.	NEE
Agilent Technologies Inc.	A

Sector Weightings Relative to S&P 500
Ranked by Largest Overweight



Q1 2024 OVIM Core Equity Rankings vs. S&P 500

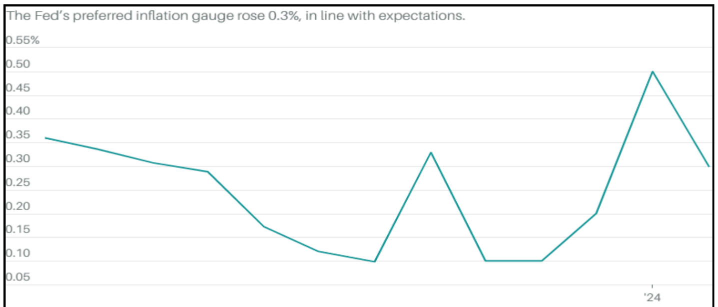


This presentation is solely for informational purposes. Data is pulled from sources believed to be reliable, but not independently verified. Past performance is no guarantee of future returns. Investing involves risk and possible loss of principal capital. No advice may be rendered by Osher Van de Voorde Investment Management unless a client service agreement is in place. Please contact us at your earliest convenience with any questions regarding the content of this presentation and how it may be the right strategy for you. This data is representative of all equity securities held across Osher Van de Voorde's client accounts, however portfolios are tailored to meet specific client objectives and actual client holdings will vary.

The S&P 500 Index or the Standard & Poor's 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The S&P 500 is a float-weighted index, meaning company market capitalizations are adjusted by the number of shares available for public trading. Note: Investors cannot invest directly in an index. These unmanaged indices do not reflect management fees and transaction costs that are associated with most investments.

Charting the Markets

The Fed's preferred inflation gauge rose 0.3%, in line with expectations.



Note: month-over-month change in core personal consumption expenditure price index
Sources: Commerce Department

Inflation is sticky above the Fed's 2% inflation target

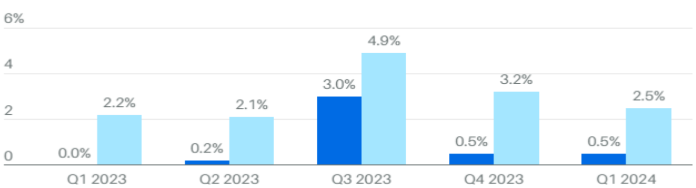
Source: BLS, Haver Analytics, Apollo Chief Economist

Look on the Bright Side

Economists have been too pessimistic about U.S. economic growth.

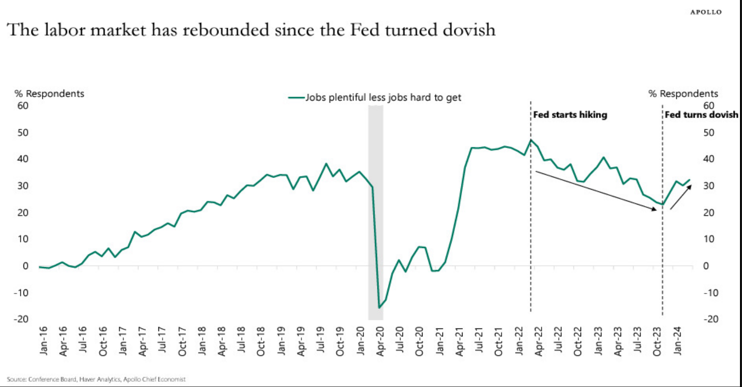
Change in U.S. real GDP, seasonally adjusted annualized rate

Consensus estimate   Actual

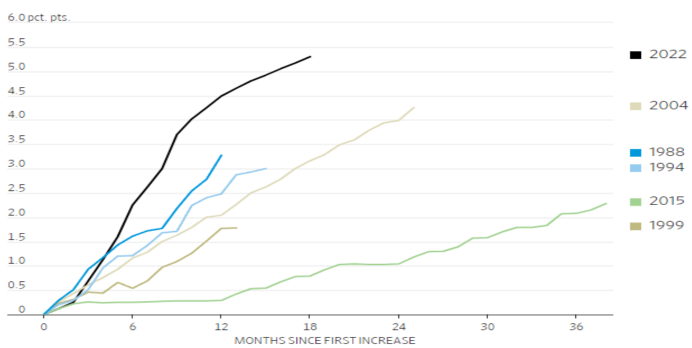


Note: First-quarter 2024 Actual is Atlanta Federal Reserve GDPNow forecast; estimate as of first day of each quarter.
Sources: Bloomberg, Bureau of Economic Analysis

The labor market has rebounded since the Fed turned dovish

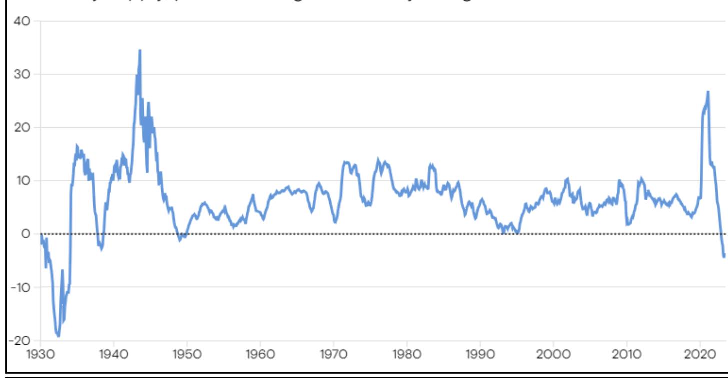


Cumulative change in federal-funds rate since start of initial rate increase

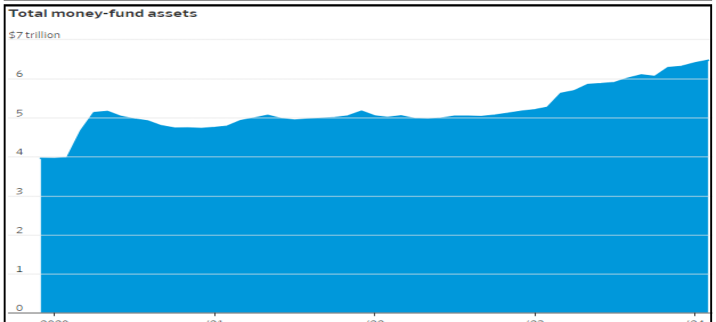


Source: Federal Reserve

M2 money supply, percent change from one year ago

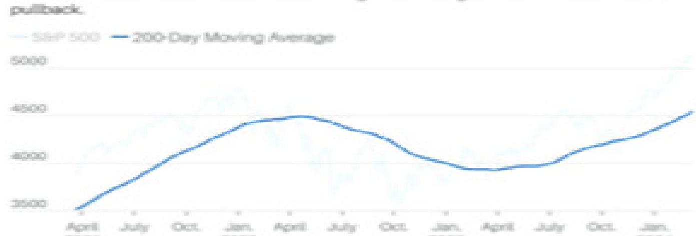


Total money-fund assets



Source: Crane Data

The S&P 500 index trades well above its long-term average and could be due for a pullback.

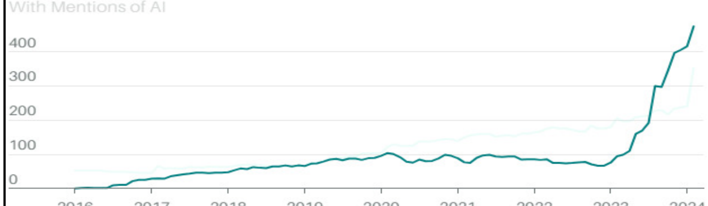


Source: FactSet

AI Buzz Grows Louder

Mentions of artificial intelligence have increased as consumer discretionary companies, including retailers, look for ways to integrate new technologies into their business models.

Number of Earnings-Call Transcripts With Mentions of AI   Number of Total Filings With Mentions of AI

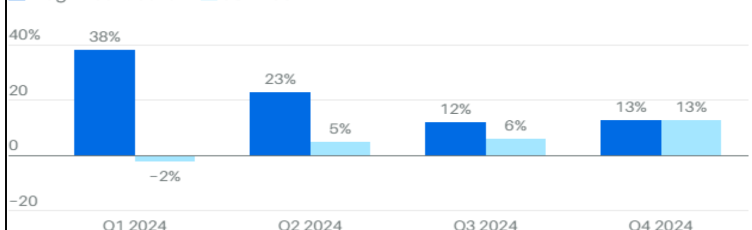


Sources: Stifel Think Tank Group, FactSet, U.S. Securities and Exchange Commission

Earnings growth of the Magnificent Seven and the rest of the S&P 500 should be equal by the end of the year.

Y/Y EPS Growth Consensus Estimate

Magnificent Seven   S&P 493



Sources: FactSet, BofA Securities

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investment management

Empowering clients to realize lifelong goals with confidence and peace of mind.

Budgeting and Preparing for Healthcare in Retirement

It is never too early to start budgeting and preparing for expected healthcare expenses in our retirement years. While we do our best to stay healthy, medical conditions due to aging may be unavoidable. Below, we discuss ways to estimate and prepare for retirement healthcare costs.

Estimating Retirement Healthcare Costs

Healthcare is likely to be one of our largest expenses in retirement. According to Fidelity's 2023 Retiree Health Care Cost Estimate, "a 65-year-old retiring this year can expect to spend an average of $157,500 in health care and medical expenses throughout retirement." Expected healthcare expenses will depend on your personal circumstances and healthcare needs. Once you've estimated your healthcare costs, you'll want to set aside an appropriate amount to cover them. Three types of healthcare expenses are summarized below.

Health Insurance Before Medicare

Retirement prior to age 65 requires a plan to cover health insurance before Medicare eligibility kicks in. One option is to continue coverage on a former employer's health insurance under COBRA (Consolidated Onmibus Budget Reconciliation Act). COBRA can be expensive, and the coverage period is temporary, generally lasting for 18 to 36 months. Another option is to purchase a plan on the health insurance marketplace at HealthCare.gov where you may qualify for a tax credit or subsidy depending on income. Lastly, an option may to be gain coverage through a working spouse's health insurance plan. Once you've identified insurance options before Medicare, you can include estimated costs in your retirement budget.

Medicare

The Medicare Part A (Hospital Insurance) premium is $0 for most people, while the premium for Medicare Part B (Medical Insurance) ranges from $174.70 to $594.00 per month in 2024 depending on your income. Medicare premiums should be considered when making decisions on recognizing income from sources such as capital gains, home sales, and Roth IRA conversions. In addition to premiums for Medicare Part A and Part B, you may need to account for the additional cost of a Medicare Supplement or Medicare Advantage plan.

Long Term Care

Long-term care covers the cost of helping meet a person's needs when they can no longer perform the activities of daily living. Options for long-term care include adult day service centers, home health, assisted living communities, and nursing homes. It is estimated that nearly 60 percent of us will need some form of long-term assistance with basic daily activities that we take for granted when we are healthy. Women spend an average 3.6 years in long-term care, while men spend an average of 2.5 years. It is estimated that seniors who require long-term care will need an average of $138,000 worth of long-term care services. It is challenging to prepare for the cost of long-term care, as there is no guarantee you will ever need it. If you do need long-term care, Medicare generally does not pay for it. Family history, health history, and lifestyle need to be considered when planning for long-term care.

Saving for Healthcare Retirement Costs

Health Savings Account

For those with an eligible high-deductible plan, the health savings account (HSA) allows you a triple tax-advantaged way to save for qualified medical expenses until retirement. The triple tax advantage means that contributions are tax-deductible, earnings grow tax-free, and withdrawals for qualified medical expenses are also free of tax. The 2024 tax-deductible contribution limit to an HSA is $4,150 for singles and $8,300 for families with a $1,000 catch-up contribution for those age 55 and over. Your savings will carry over from year to year, so if you do not need the money now, you can use it in a future year. Qualified HSA withdrawals are those withdrawn for a qualified medical expense and are not subject to tax or penalty. Non-qualified withdrawals are withdrawals from the HSA for anything other than a non-qualified medical expense and are subject to ordinary income tax and a 20% penalty for those under the age of 65.

Traditional and ROTH IRAs

Savings in Traditional and ROTH IRAs may be used to cover healthcare costs in retirement, noting that withdrawals from an IRA are subject to ordinary income tax and penalty for those under 59 ½ while *contributions* to a ROTH IRA can be withdrawn at any time free of tax or penalty.

Emergency Savings Accounts

A taxable brokerage account may be used as emergency savings to cover future medical costs. Income and capital gains are taxed in the year they are earned or recognized.

Long Term Care Insurance

As long-term care is generally not covered by Medicare, a long-term care insurance policy that covers adult day service centers, home health, assisted living communities, and nursing home stays may lessen reliance on your retirement savings to cover long-term care. If you incur long-term care costs and do not have long-term care insurance coverage, any costs would be paid from your assets.

Please give us a call if you would like to discuss further the process of estimating potential long-term care costs and whether your assets may be sufficient to cover these potential expenses and still meet your other financial goals.

DeLynn Russell and James Van de Voorde

Sources: Schwab, Fidelity, Genworth, Principal, Medicare.gov, LongTermCare.gov, ConsumerAffairs.com

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