MARK AHO
FINANCIAL GROUP
Your Vision, Our Mission

4th Quarter 2023

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Dear Friends,

Another year has come and is now gone. Welcome to 2024! Many interesting things have happened this past year or should we say the past two years. As far as the behavior of the equity markets go I think it is interesting to take a look at the last two years. **In the year 2022, the Dow, the S&P 500, and the Nasdaq 100 experienced peak-to-trough declines of 21%, 25% and 31% respectively. At the end of 2023, the week before Christmas all three were in new high ground on a total return basis which also includes dividends.** Why this swing happened in such a short period of time is irrelevant. What is more important is the wonderful lessons to be drawn from this experience. There are always many commentators providing theories and explanations. Again, this is unimportant…..seems to me the so called commentators who have successfully and consistently forecasted both the market action of 2022 and that of 2023 is, to my knowledge plus or minus zero!
What should matter most to us long-term, goal-focused, and plan driven equity investors is not **why** this happened but **that** it happened. If we look at history, there are numerous times where we have had significant declines which were and have always been reversed by significant and more meaningful increases in the following year or years. **This is just how this all works!**

As I do each year, I break my year end comments into two parts: first the timeless and enduring principles which we build our foundation of counsel on, which can be reinforced by these past two years, and then some consideration of the current conditions.

General Principles

As I have stated in the past, our emotional investor "well-being" needs a regular shot of vitamin C. These next points are just this.

- The economy cannot be consistently forecast, nor the market consistently timed. Thus we believe the highest-probability method of capturing equities' long term return is simply to remain invested all the time (Think of what just happened the past two years).

- We are long-term owners of businesses, as opposed to speculators on the near-term trend of stock prices (Think Warren Buffett, Charlie Munger, now deceased).
- Declines in the mainstream equity market, though frequent and sometimes quite significant, have always been temporary. New market highs have been normal as America's most consistently successful companies ceaselessly innovate.
- Long-term investment success most reliably depends on making a plan and acting continuously on that plan.
- An investment policy based on anticipating (or reacting to) current economic, financial, political events/trends most often fails in the long run.

Current Commentary

- I remain convinced the long-term disruptions and distortions resulting from the COVID pandemic are still working themselves out in the economy, the markets and the society itself, in ways that cannot be predicted, much less rendered into coherent investment policy.
- The financial response to COVID was a 40% explosion in the M2 money supply by the Federal Reserve. It predictably ignited a firestorm of inflation (Think Milton Friedman).
- To battle and stamp out inflation, the Fed then implemented the sharpest, fastest interest rate spike in its 110 year history. Both debt and equity markets cratered in response (Think 2022).
- Despite all this, economic activity just about everywhere except the housing sector has remained relatively robust; employment activity has, at least so far, been largely unaffected.
- Inflation has come down significantly, though not yet close to the Fed's 2% target. But prices for most goods and nearly all services remain elevated, straining middle-class budgets.
- Capital markets have recovered significantly, as speculation now centers on when and how much the Fed may lower interest rates in 2024, and whether a recession may yet begin, whatever they do. These outcomes are unknowable-probably even to the Fed itself-and don't lend themselves to forming a rational long-term investment policy.
- Significant uncertainties abound. Trends in the U.S. federal deficit and the national debt continue to appear unsustainable. Social Security and Medicare appear to be on paths to eventual insolvency unless reformed. The serial debt ceiling crisis continues, and a bitterly partisan presidential election looms. The markets will face significant challenges in the year just beginning-as indeed they do every year.

My overall recommendations are essentially what they were two years ago at this time, and what they've always been. Therefore, if your long-term goals have not changed, my recommendation is to stay with your current plan. And if your plan isn't changing, there'll most probably be no compelling reason to materially alter your portfolio.

If you would like to talk more about this or would like to re-review your existing plan please give us a call. As always, it is a privilege for all of us here to work with you and your wonderful families.

God Bless you always,
Mark

Capital Markets Snapshot

For a full analysis of the Quarter, please go to our web site at www.markahofinancialgroup.com. Then click on Resources> Education> Investment Strategy Quarterly. Below is a brief snapshot from the report (source- Morningstar):

Index		12/31/2023	2022	Last 10 years
Dow Jones Industrial Average		13.70%	-8.78%	5.23%
S&P 500 Index		24.23%	-19.44%	9.94%
NASDAQ Composite Index		43.42%	-33.10%	13.65%
Russell 1000G	Large Cap Growth	42.68%	-29.14%	14.86%
Russell 1000V	Large Cap Value	11.46%	-7.54%	8.40%
Russell 2000G	Small Cap Growth	18.66%	-26.36%	7.16%
Russell 2000V	Small Cap Value	14.65%	-14.48%	6.76%
MSCI EAFE	Developing International	18.85%	-14.01%	4.78%
MSCI EM	Emerging Markets	10.27%	-19.74%	3.05%
DJ US Select REIT	U.S. Real Estate	13.96%	-25.96%	7.00%
Barclays US Intermediate Govt/Credit		5.26%	-8.28%	1.73%
Citigroup World Government Bond Index		5.19%	-18.26%	-0.31%

*Russell 1000 Growth Index – Measures the performance of the 1,000 largest companies in the Russell 3000 Index, with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index – Measures the performance of the 1,000 largest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. Russell 2000 Growth Index –Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with higher price-to-book ratios and higher forecasted growth values Russell 2000 Value Index – Measures the performance of the 2,000 smallest companies in the Russell 3000. Index with lower price-to-book ratios and lower forecasted growth values. MSCI Emerging Markets Index – A market capitalization weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin. The Dow Jones U.S. Select REIT Index intends to measure the performance of publicly traded REITs and REIT-like securities. Barclays Capital U.S. Intermediate Credit Bond Index measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year and less than ten years. The Citigroup WGBI G7 x U.S. (USD) is an unmanaged market value weighted index comprised of debt issued by countries in the group of 7 (Canada, France, Germany, Italy, Japan, United Kingdom, United States) excluding the United States. The MSCI EAFE is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations. The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The **Dow Jones Industrial Average** (DJIA), commonly known as "The Dow", is an index representing 30 stock of companies maintained and reviewed by the editors of the Wall Street Journal. The **NASDAQ** composite is an unmanaged index of securities traded on the NASDAQ system. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.*

MAFG PERSPECTIVE

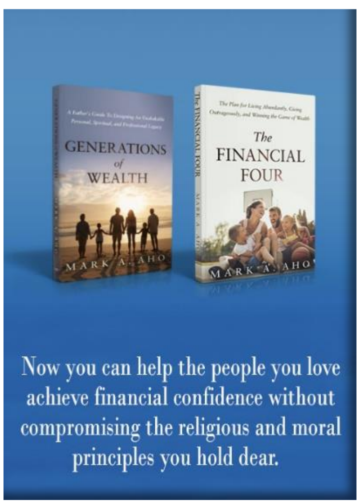
Would you like to hear more from us? Looking for a fresh perspective on the market, economy, and other planning topics? Open the camera on your phone and scan the QR codes if you'd like to see more from us.

Roast Beef and Garlic *Herb Cheese Crostini*

Who doesn't love finger food. Use leftover roast beef from a holiday meal and grab some from the deli, this appetizer is easy to make and will impress your guests.

- 1 Baguette, sliced thin and toasted
- ½ lb of very thinly sliced roast beef
- Garlic and Herbs Allouette Cheese spread

INSTRUCTIONS
Thinly slice the baguette and toast in a 400 degree oven for 5-6 minutes or until the crostini are golden brown.
Spread with cheese and then add small pieces of the roast beef on top.
Top with a few green chives for a pop of color and enjoy!

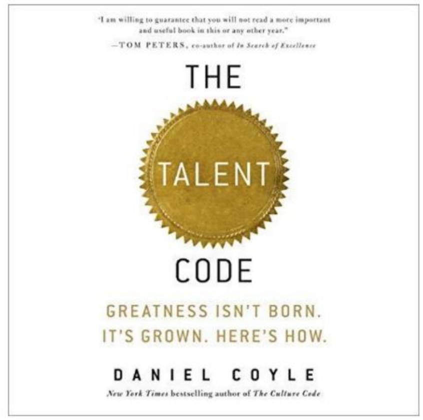


BOOKS AVAILABLE!

Mark's books, Generations of Wealth and The Financial Four are available! Please let us know if you are interested in a copy of either/both book and we will send to you.

Both are available through us or on Amazon.

Mark's Book Review



The Talent Code

Daniel Coyle - Published May 2009

This book was recommend to me a few years back during a golf lesson. Recently, I had an opportunity to attend another golf event to my delight this same book was recommended. Even though I read this a number of years ago, I re-read it and have enjoyed it all over again. Have you ever wondered how some people are superstars in their chosen fields while others are good or just average? Are these superstars born with these gifts? Well, according to the author of this book, most likely not. The gift they have is to be ignited to master something which they deeply practice. The formula for world class success is deep practice X 10,000 hours. Technically, this has to do with the buildup of "myelin" around your nerve fibers. The deeper more correctly you practice, the more myelin insulation around the nerve fibers, the better you become at the desired outcome. So, skill is insulation that wraps neural circuits and grows according to certain signals.

The author uses examples to makes this all very interesting with stories of these successful people. I highly recommend this book, especially if you are in the process of trying to improve yourself in some desired activity. All you need to do is be ignited and to start a deep corrective practice routine. Enjoy!

Mark's Movie Review - Maestro

Bradley Coopers drama film *Maestro* (2023) chronicles the relationship between Bernstein (played by Cooper) and his wife, Felicia Montealegre (played by Carey Mulligan). Produced by Steven Spielberg and Martin Scorsese,[184] the film premiered at the Venice International Film Festival. As the Spotlight Gala feature of the 61st New York Film Festival,[185] it was the first film presentation at the recently renovated David Geffen Hall in Lincoln Center, which was also where Bernstein had conducted the New York Philharmonic from its opening as Philharmonic Hall in 1962 until 1969. (Wikepedia)

My daughter is a music teacher and during the Christmas break suggested we watch this movie. It was recently added to Netflix. Bradley Cooper and Carey Mulligan played their roles magnificently and made this a wonderful biography. I personally like to understand the great talents of our time and past times. Leonard Bernstein was a genius conductor and composer. Of course this is evident to us all, for we have lived during his time and have witnessed his brilliance. The movie also very candidly depicts some of his difficult personal struggles in many scenes. All said, if you have an interest in the life and times of Bernstein and his wonderful beautiful and very talented wife, Felicia Montealegre, I would recommend you watch this movie.

The Most Wonderful Time of the Year

Along with most others, this time of the year is busy – filled with school activities, year-end deadlines, shopping, baking and decorating. Making sure to fit in fun Christmas events like movie night and a Christmas lights ride. Oh, and of course my kids giving me a daily reminder of the number of days remaining until Santa arrives. (Which serves as a reminder of all the other things I need to get done to properly celebrate this special holiday.) As a family, we try our best to slow down during this time of the year, to remember its true meaning and be thankful to spend it together. The excitement and joy, the extra time spent together with our loved ones, and as anyone who has children or grandchildren knows, the delight on our little ones faces when they get to open that present they have been eyeing under the tree for weeks.

We hope everyone had a wonderful Christmas – filled with family, laughter, traditions and special moments. Wishing you all a Happy New Year. Cheers to a great year ahead!

The balancing act of income and net worth

FAMILY & LIFESTYLE

Maintaining a balance between net worth and income will need to be adapted throughout your lifetime – learning strategies to manage the two can help.

There are a multitude of acronyms used to describe households and financial status. You may have heard of KIPPERS (Kids In Parents Pockets Eroding Retirement Savings), MUPPIE (Middle-aged Upcoming Prosperous Professional) or RINKs (Retired Income No Kids). But has HENRY made it onto your radar? And might it apply to you, or your younger loved ones?

Who are HENRYs?

HENRY stands for High Earner, Not Rich Yet. You may be someone who pursued higher education and makes a salary commensurate with the investment you put in – but on the flip side, you're saddled with student loans, pay high taxes, have a hefty mortgage and are up against high living expenses. Maybe you're a doctor, lawyer, psychologist, educator or other professional with little savings or investments, making you feel like generational wealth might be a far-away destination.

It can vary a bit If you're looking for the strict definition of a HENRY. Some cite HENRYs' earnings between $100,000 and $500,000. But salary is relative because costs vary significantly depending on where you live. Being in the HENRY category means you might need a strategic plan to make long-term progress if your income is tied up in expenses and loan payoffs. Plus, the loss of your job could be a financial catastrophe; locking yourself into expenses that track with your current income, but not your overall wealth, can also be a problem.

Building wealth over time

Some simple but effective strategies can allow you to build long-term wealth while addressing your immediate needs like debt repayment and living expenses.

Consider two moves that could free up more cash to invest in other assets. First, reduce your current tax bill by contributing the maximum to your employer-sponsored pretax 401(k), and consider other tax-advantaged savings vehicles like traditional IRAs and HSAs that can further reduce your current tax burden.

Second, consider your location. For some, where you live is intrinsic to your current position – but for others, if you have the option for hybrid work or working from home, consider moving to a less expensive geographic area.

A thorough look at day-to-day fixed and flexible expenses is also necessary to free up more cash to invest. You may have some “lifestyle creep” in the form of leisure, entertainment and other flexible expenses that may seem like necessities but, upon closer inspection, wouldn’t leave you in a dire situation if they were reduced.

Debt is another area where HENRYs should be mindful. School, auto or personal loans – and credit card debt – are often the primary areas where you can make changes. In addition, consider asking for an interest reduction from your credit card companies if you’ve been an on-time payer with a long and consistent track record. All this requires is a “goodwill letter” to your credit card company – a sample of which can be found easily online.

The high net worth but low-income camp

Those with high net worth but low income are on the opposite end of the spectrum. Some who fall into this category are business owners whose wealth is tied up in their businesses; others may be early retirees who’ve built up a meaningful investment portfolio and own paid-off properties, but no longer receive a steady income from a paycheck. They’re asset rich, but the major issue is the low amount of available reliable income.

The lack of liquidity comes with risks. This can cause problems in a volatile market, or when there are unexpected higher taxes from selling investments or liquidating portfolio assets, for example, or other unforeseen expenses.

Short- and long-term plans

Diversifying your assets for more short- and long-term flexibility and reduced risk over time can help meet your cash flow needs. Ideally, if you have a three-to-six-month emergency fund in cash savings, consider where to put money according to liquidity. Your emergency fund, for example, may go into a high-yield savings account or a money market account. Funds you might need access to in the next one to five years can go into T-bills, I-bonds or CDs. Illiquid assets like your house, car or other real estate holdings will be part of your long-term net worth plan and can build your equity.

The bottom line when it comes to balancing your net worth and income throughout your life is that a diverse portfolio with different types of liquidity may be the most appropriate for building long-term wealth, maximizing your cash flow and creating a life you love. Talk to your advisor about where you fall in these categories and how you can move the needle to create a more balanced outlook.

There is no assurance any investment strategy will be successful. Investing involves risk including the possible loss of capital. Diversification does not guarantee a profit nor protect against loss. Any withdrawals from tax deferred accounts, such as a 401(k) or IRA, may be subject to income taxes and prior to age 59 1/2 a 10% federal penalty tax may also apply.

Sources: wealthkeel.com; experian.com; moneymade.io; manulife.sg; investopedia.com; bestevercre.com

The S&P 500 versus the Dow Jones Industrial Average during the calendar year 2023

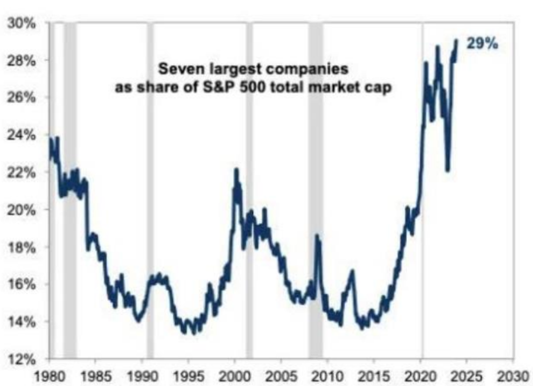
Okay, the S&P 500 gained a little over 24% and the Dow Jones Industrial average gained a little over 13%. Most people want to know why there is such a difference. The chart below (this chart is not the calendar year, for it is December of 2022 to December of 2023) in my opinion explains this. The S&P 500 had seven companies which together make up now 29% of the index and these seven companies together provided a 71% return. As you can see from this chart the remaining 493 companies provided a 6% return. Owning these seven companies during this past year provided a wonderful gain, no doubt about it. However, looking forward I would caution owning and overweight position in these seven companies. Let's just look at one valuation item on each.

	Price 1/5/24 mid day	EPS (Estimated 2024 Value Line)	PE ratio
META	350	16.00	21.88x
AMZN	146	3.00	48.67x
AAPL	182	6.50	28.00x
MSFT	370	11.00	33.64x
GOOGL	137	6.65*	20.60x
TSLA	239	4.00	59.75x
NVDA	488	19.50	25.03x

*EPS for GOOGL is from CFRA.

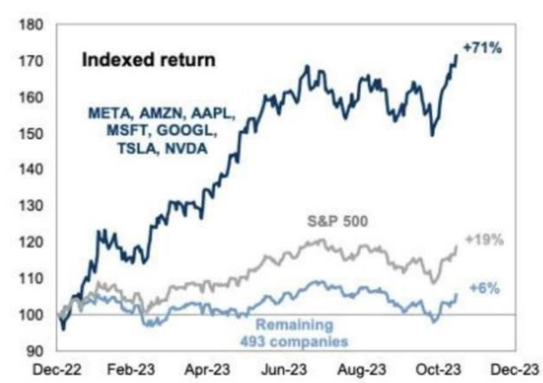
We believe in a diversified approach to investing and would again use caution to at this time overweight into these seven companies.

Exhibit 22: Share of largest seven companies' market cap in S&P 500 is at an all-time high



Source: Compustat, Goldman Sachs Global Investment Research

Exhibit 23: The Magnificent 7 have led the index higher in 2023



Source: FactSet, Goldman Sachs Global Investment Research

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