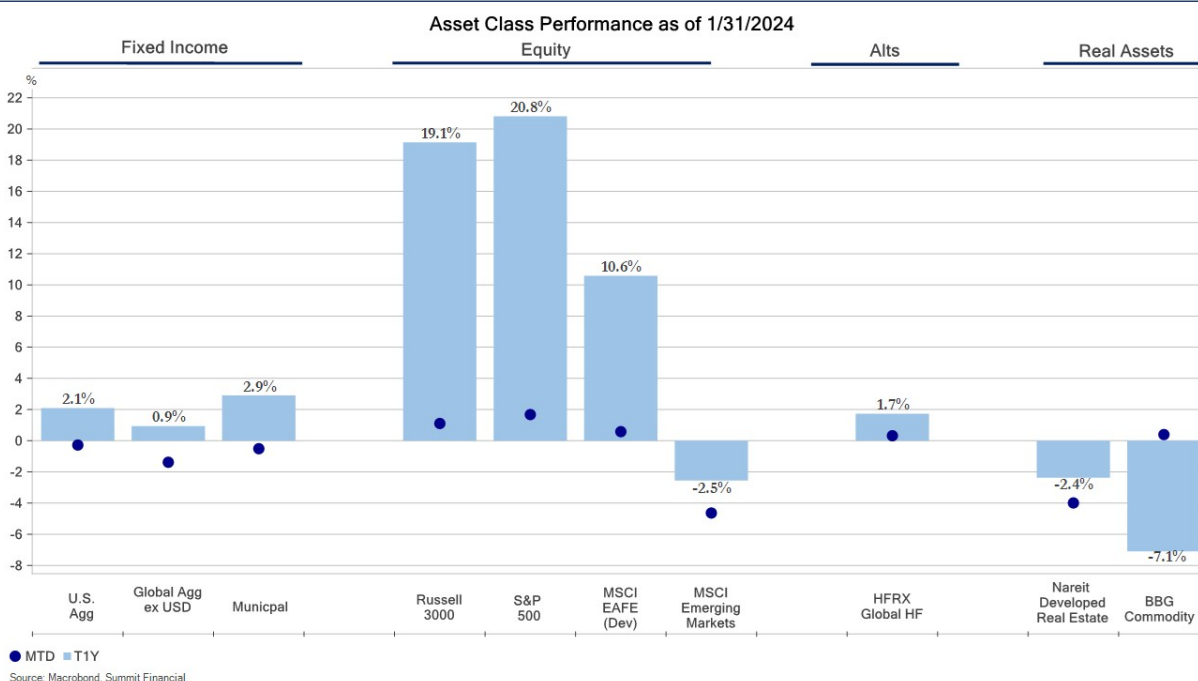


Key Takeaways

- U.S. growth surprised to the upside through 2023 and continues to be on solid footing entering 2024, although vulnerabilities are starting to emerge.
- Consensus expectations for six rate cuts appear ambitious and Fed policy will likely be less dovish than anticipated entering the year.
- Job market growth has stayed strong, defying skeptics anticipating a slowdown. The unemployment rate has been steady at sub-4% and wage growth has moderated but is squarely in positive territory.
- A healthy job market supported a resilient consumer and helped drive consumer confidence to its highest level since the end of 2021.
- Elevated U.S. equity market valuations and limited market breadth leave markets susceptible to deviations from the 'soft-landing' playbook.
- At ~20x forward P/E for the S&P 500, forward returns will need to be powered by earnings growth vs. multiple expansion. So far, Q4 reports have been mixed with limited and low magnitude positive earnings surprises.
- Lower valuations and different index compositions abroad are supportive for international equity markets, although the prospect for multiple expansion is uncertain.
- China's economic growth poses significant challenges for emerging markets in 2024 and heightened geopolitical risks will likely continue to affect capital flows throughout the year.
- The great reset in rates over the past 24 months has caused near-term pain but paves the way for longer-term gains in fixed income when rates moderate. Higher base rates and less rate volatility should result in smoother sailing.
- Still elevated yields but tight spreads support a more balanced positioning in fixed income with an orientation towards higher quality, more defensive assets.
- 2023 was a golden year for private credit with higher base rates and limited defaults. 2024 looks promising but falling base rates and the potential for stress emphasize the importance of manager selection.
- With cap rate headwinds abating, 2024 could be a more constructive year for private real estate assets, although challenges remain. Notably, sector divergences are still wide (ex. Office) and rent growth is slowing in many markets.



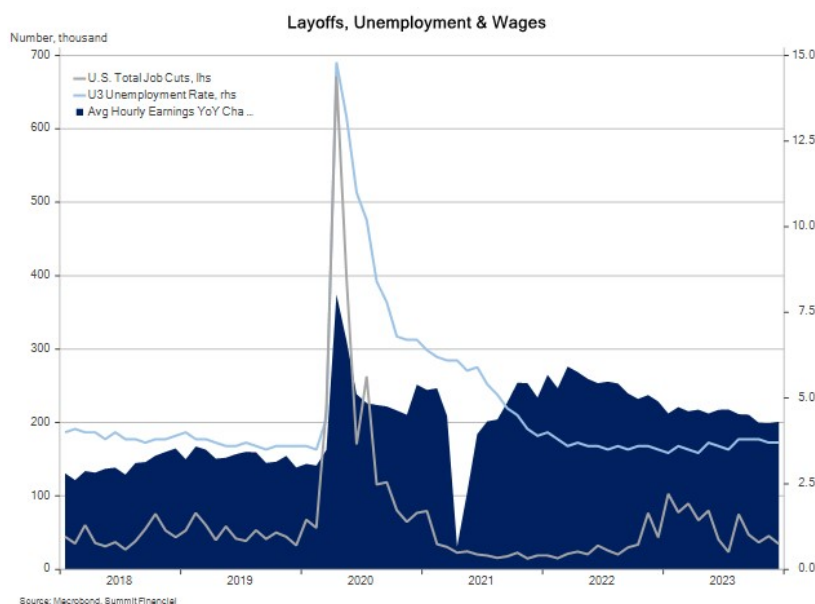
Economy

U.S. GDP growth surprised to the upside throughout 2023 and appears to be on solid footing entering 2024 based on a wide-range of metrics. The unemployment rate remained at 3.7% in January, despite a spike in layoffs, due to broad-based job growth and marked its 24th consecutive month under the key Fed threshold of 4%. A robust labor market, along with a meaningful increase in real wages due to inflation continuing its downward trend, led to a surge in consumer sentiment compared to Q4 2023. Given the consumer driven nature of the U.S. economy, recent data supports a cautiously optimistic outlook for many on Wall Street, while evolving geopolitical risks and other potential vulnerabilities seem to be capping any irrational exuberance from retail investors. Going forward, all eyes will remain on the Fed, key interest rates, and the path of inflation.

Globally, China will most likely lead headlines throughout 2024 as its economy grapples with several challenges including a property crisis, deflation, and weak consumer confidence. The Chinese government has taken aggressive measures to keep the economy afloat, but investors would be prudent to monitor exposure as the situation continues to evolve. Elsewhere, growth projections for India remain high, with Goldman Sachs recently predicting it will grow into the world's second largest economy.

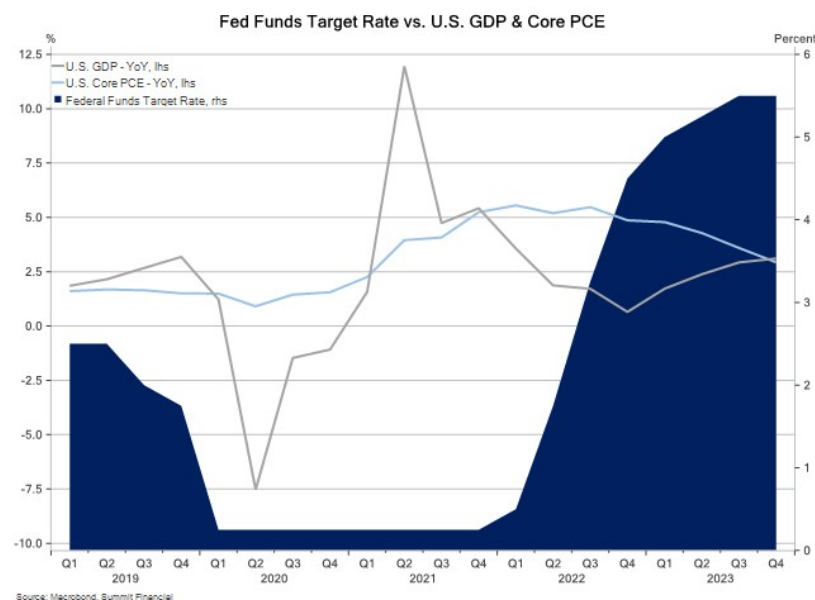
Labor Market Strong Despite Layoffs

- A wave of layoffs led to a difficult start to 2024 for many workers, as reports indicate a 130%+ increase from December, marking the highest number of January layoffs since 2009.
- The high number was not driven by distress in a particular sector, but was more company-specific with Alphabet, Amazon, Citigroup, Macy's, UPS, and others announcing plans to reduce staffing.
- Despite this headwind, the U.S. labor market has remained resilient and continued to support growth while also cooling enough to contribute to declining inflation figures.
- Diverse sector job growth, led by healthcare and the public sector, contributed to high labor demand overall and was coupled with a meaningful increase in average hourly wages, which added to robust market strength.



Lower Rates Likely but Timing less Certain

- Consensus around lower interest rates is gathering at the Fed as data continues to support inflation moving sustainably lower towards the 2% target.
- A March cut is increasingly less likely with futures markets predicting that a small cut (0.25%) is likely to be announced at the May FOMC meeting.
- Futures markets suggest 1.40% of cuts over the course of 2024 while dot-plot projections indicate closer to 0.75%. The path of growth and inflation will sway the Fed in one direction versus the other.
- Strong consensus around a Goldilocks 'soft-landing' scenario leaves risk assets susceptible to underwhelming rate cuts or disappointing earnings/growth results.



Markets

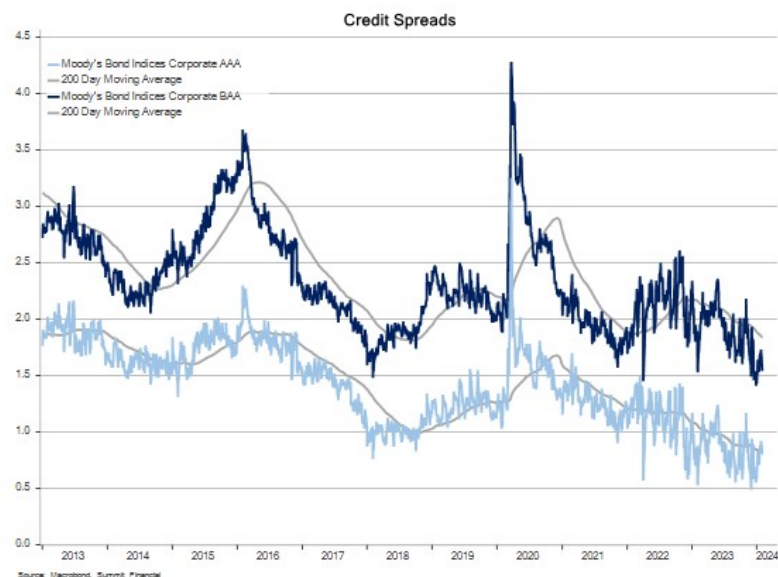
Tech Continues to Power U.S. Equities

- 2024 started out on a positive, albeit more mixed note for U.S. equities. The S&P 500 index reached a fresh all-time high recently despite earnings generally underwhelming expectations as margins continue to normalize post-pandemic.
- Other equity markets – both within and outside of the U.S. - have underwhelmed. U.S. small-caps are still ~20% off highs reach in 2021 and emerging market equities have fared even worse, dragged down by economic concerns in China.
- Valuations for U.S. large caps have risen to elevated levels leaving little room for error. Other markets offer more compelling pricing but carry additional risks or more muted growth expectations.



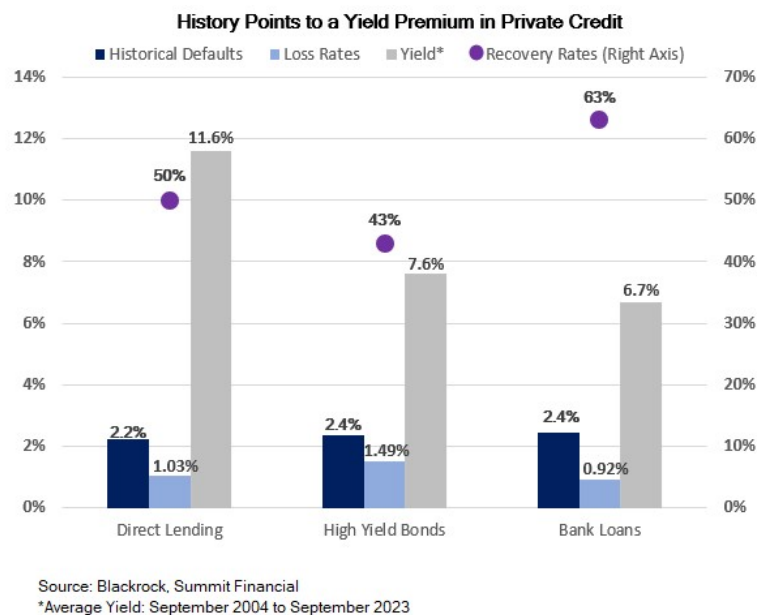
Tight Spreads and Still Elevated Yields Support Defensive Fixed Income Positioning

- As the Fed decided to hold rates at current levels during their January meeting, credit spreads continued their downward trend that started in early 2021.
- While tight spreads indicate lower risk, they also set up the potential for spreads to widen in the future if the economy weakens or market volatility increases, as investors demand higher yield to compensate for increased risk.
- Defensive positioning focused on higher-quality and lower-risk bonds that are less susceptible to price deterioration during broad market downturns may be prudent for investors, given the uncertainty of rate cut timing and concerns over global economic growth in 2024.



Private Credit Market Growth Continues

- The direct lending market share has grown over 700% relative to U.S. bank loans and U.S. high yield since 2010, and the outlook remains strong as private equity sponsors and other borrowers look to private credit as a financing solution in the currently restricted banking environment.
- Historically, direct lending has offered higher yield, lower defaults, and higher recovery rates than high yield bonds. While bank loans have higher recovery and lower loss rates, investors receive significantly lower yield for that risk reduction.
- With assets continuing to flow in to private credit, there has been a steady increase in firms and strategies over recent years and manager selection will be critical to investors hoping to realize the full potential of the space.



Disclaimer

This commentary was authored by the investment team at Summit Financial, LLC., an SEC Registered Investment Adviser ("Summit"), headquartered at 4 Campus Drive, Parsippany, NJ 07054, Tel. 973-285-3600. It is provided for your information and guidance and is not intended as specific advice and does not constitute an offer to sell securities. Summit is an investment adviser and offers asset management and financial planning services. Indices are unmanaged and cannot be invested into directly. The Russell 3000 Index measures the performance of the largest 3,000 US companies representing approximately 98% of the investable US equity market. The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected; The Russell 2000 Index measures the performance of the small cap segment of the US equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership; The Russell 1000 Index measures the performance of the large-cap segment of the US equity universe. It is a subset of the Russell 3000 Index representing approximately 90% of the total market capitalization of that index. It includes approximately 1,000 of the largest securities based on a combination of their market-cap and current index membership; The Russell Midcap Index measures the performance of the mid-cap segment of the US equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies; the S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of eleven different sectors; the MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world excluding the US and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country; The MSCI World Index captures large- and mid-cap representation across developed markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the Bloomberg Commodity Index (BB Comm Index, Commodities) reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from the 6th-10th business day based on the roll schedule; the Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The index includes treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency); the Bloomberg Barclays Global Aggregate Ex US Index is a measure of investment-grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Bonds issued in US dollars are excluded; the Bloomberg Barclays Municipal Bond Index covers the US dollar-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds; the Dow Jones US Real Estate Index measures the performance of real estate investment trusts (REITs) and other companies that invest directly or indirectly in US real estate through development, management, or ownership, including property agencies; The Bloomberg Barclays US Corporate High-Yield Index measures the US dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded; The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, even driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset weighted based on the distribution of assets in the hedge fund industry; MLPs, or Master Limited Partnerships, are represented by the Alerian MLP Index, which is the leading gauge of energy infrastructure Master Limited Partnerships (MLPs). The capped, float-adjusted, capitalization-weighted index constituents earn the majority of their cash flow from midstream activities involving energy commodities; The S&P 500® Real Estate comprises those companies included in the S&P 500 that are classified as members of the GICS® Real Estate sector; The S&P Case-Shiller Home Price Index measures the value of single-family housing within the US. The index is a composite of single-family home price indices for the nine US Census divisions. Leading economic indicators (LEI) are statistics that precede economic events. They predict the next phase of the business cycle. The OECD Composite leading indicators (CLIs), designed to anticipate turning points in economic activity relative to trend, continue to strengthen in most major economies. The MOVE Index measures US interest rate volatility. The index tracks the movement in US treasury yield volatility implied by current prices of 1-month OTC options. The Cboe Volatility Index (VIX) is a real-time index that represents the market's expectations for the relative strength of near-term price changes of the S&P 500 Index. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Core CPI excludes food and energy, while headline CPI includes all items. The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectations for inflation, stock prices and interest rates. A treasury Bill (T-Bill) is a short-term US government debt obligation backed by the treasury Department with a maturity of one year or less. Treasury Inflation-Protected Securities, or TIPS, are inflation-protected bonds (IPBs) that are issued by the U.S. Treasury. Their face value is pegged to the CPI and adjusted in step with changes in the rate of inflation. The National Financial Conditions Index (NFCI) is a weighted average of a large number of variables (105 measures of financial activity) each expressed relative to their sample averages and scaled by their sample standard deviations. The short interest ratio is a mathematical indicator of the average number of days it takes for short sellers to repurchase borrowed securities in the open market. The ratio is calculated by dividing the total number of shorted shares of a stock by the average daily trading volume. CBD stands for central business district, which is the commercial and business center of a city. The Personal Consumption Price Index (PCE) is a measure of the prices that people living in the United States, or those buying on their behalf, pay for goods and services. EM Debt refers to Emerging Market Debt, which is represented by the Bloomberg Emerging Markets Tradeable External Debt Index. Precious metals are represented by the Bloomberg Precious Metals Subindex. The Bloomberg Precious Metals Subindex, is a commodity group subindex of the Bloomberg Commodity Index. It is composed of futures contracts on gold and silver. It reflects the return of underlying commodity futures price movements only and is quoted in USD. Industrial metals are represented by the Bloomberg Industrial Metals Subindex, which is composed of futures contracts on aluminum, copper, nickel and zinc. It reflects the return of underlying commodity futures price movements only. It is quoted in USD. Energy is represented by the Bloomberg Energy Subindex which is a commodity group subindex of the Bloomberg CI. It is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return of underlying commodity futures price movements only and is quoted in USD. Infrastructure is represented by the S&P global Infrastructure Index, which is designed to track 75 companies from around the world chosen to represent the listed infrastructure industry while maintaining liquidity and tradability. To create diversified exposure, the index includes three distinct infrastructure clusters: energy, transportation, and utilities. Agriculture is represented by the Bloomberg Agriculture Subindex, which is a commodity group subindex of the Bloomberg CI. It is composed of futures contracts on coffee, corn, cotton, soybeans, soybean oil, soybean meal, sugar and wheat. It reflects the return of underlying commodity futures price movements only and is quoted in USD. High-Yield Bonds that invest in lower-rated debt securities (commonly referred to as junk bonds) involve additional risks because of the lower credit quality of the securities in the portfolio. The investor should be aware of the possible higher level of volatility, and increased risk of default. Private Credit Investments (Direct Lending) involve a high degree of risk, including the loss of the entire investment. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. Investing in emerging markets may accentuate these risks. The PCE price index is known for capturing inflation (or deflation) across a wide range of consumer expenses and reflecting changes in consumer behavior. The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of US economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the manufacturing sector. Consumer Sentiment is represented by The University of Michigan Consumer Sentiment Index which rates the relative level of current and future economic conditions. The ISM Non-Manufacturing Index is a monthly indicator of US economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the services (or non-manufacturing) sector. Bank Loans are represented by Morningstar LSTA US Leveraged Loan Index as of December 31, 2022. Historical defaults, loss rates, recovery rates represent the average of 18 years of data from 2005-2022. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. Economic and market forecasts presented herein reflect our judgment as of the date of this presentation and are subject to change without notice. These forecasts are subject to high levels of uncertainty that may affect actual performance. Accordingly, these forecasts should be viewed as merely representative of a broad range of possible outcomes. These forecasts are estimated, based on assumptions, and are subject to significant revision and may change materially as economic and market conditions change. These forecasts do not take into account the specific investment objectives, restrictions, tax and financial situation or other needs of any specific client.