HUGHES FINANCIAL SERVICES, LLC

Q4'23 Economic *update*

It's a wrap! As we said good-bye to 2023, investors found themselves looking forward to a bright and happy new year. Historically, equities have typically advanced in the fourth quarter, and they did not fail to do so in 2023. We entered the fourth quarter with strong momentum, including a healthy labor market and easing inflation pressures, and ended with a record high close of over 37,000 for the Dow Jones Industrial Average (DJIA). End of the year advances gave us reasons to celebrate as the S&P 500 saw a gain of more than 24% and the DJIA was up more than 13%.

In the fourth quarter, the S&P 500 was up nine weeks straight, four points away from its all-time high of 4,797 on December 28th, but then pulled back and closed the quarter at 4,769. The DJIA did reach an all-time high, ending the quarter at 37,689.

This jump was primarily the reaction to the Federal Reserve's signal to pivot from its aggressive monetary position, indicating that interest rates would be cut several times in 2024. The Federal Reserve left interest rates untouched in the fourth quarter due to the continued slowdown of inflation. "Inflation has eased from its highs, and this has come without a significant increase in unemployment. That's very good news," stated Fed Chair Jerome Powell after the December FOMC meeting. Fed officials see core inflation finishing 2023 at 3.2%, and 2.4% in 2024, then to 2.2% in 2025, resting at its final destination of 2% in 2026.

Throughout the year, the labor market has been slowly cooling down. The thriving labor market and wage growth are key indicators that are tracked by the Federal Reserve to help determine how they will move interest rates. The unemployment rate was reported at 3.7% in November.

The last quarter of 2023 could have been a pivoting point for equities. Over the past few years, the primary focus for investors has been inflation and interest rates, and many maintained a focus on retention, not gains. If interest rates begin to stabilize, this could help support higher stock valuations and provide potential market reentry points in 2024. A soft-landing might come to fruition in the coming year. Inflation stabilizing or becoming stagnant, lower interest rates, a strong labor market, and confident consumer spending are all positive news. These are some of the items investors can be grateful for. While optimism is on the rise and investors are potentially beginning to come out of the shadows, this is not the time to throw caution to the wind. 2024 brings a presidential election, geopolitical unrest continues, and pandemic-era savings are dwindling.

As your financial advisors, we are committed to keeping you apprised of any changes and activity that could directly affect your unique situation. While 2023 rewarded our focus of being disciplined with long-term equity investments, we enter 2024 with our continued mantra of "proceed with caution."

Now is a good time to review your investments and confirm they are still in line with your time horizon, risk tolerance, and goals.

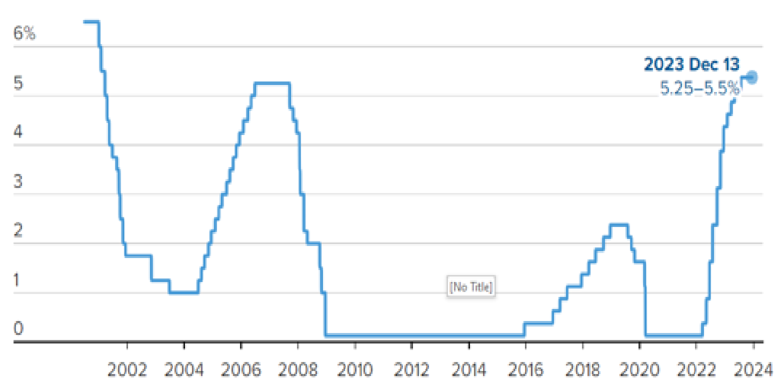
CELEBRATING 15 YEARS OF SERVICE

INFLATION & INTEREST RATES

Inflation pressure continued to ease in the fourth quarter. In October, the 12-month percent change for all items in the Consumer Price Index (CPI) decreased to 3.2%, following gains of approximately 3.7% in August and September. In November, the slowing trend continued, clocking in a 3.1% increase compared to a year earlier. While we have seen significant improvement from the 9.1% peak in June of 2022, there's still room to reach the Federal Reserve's target of 2%.

The November core CPI (which excludes food and energy prices), used by many economists as a better indicator of future inflation, was up 4% from the year prior. While this is not the best news, it is still well below its recent historical peak of 6.6% in September.

Federal Funds Target Rate (2002 - December 2023)



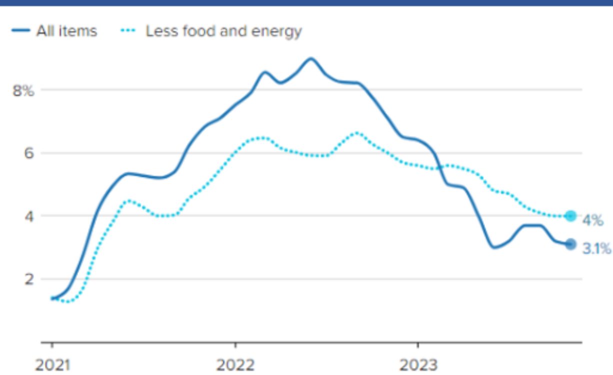
At their December Fed meeting, the central bank lowered its inflation forecast for 2024 from 2.6% to 2.4%. Overall, inflation and the strength of the economy are trending in the right direction and as a result, the Fed held rates steady at their final meeting of 2023. This is the third straight time the FOMC maintained a target rate range of 5.25-5.5%.

Since March of 2022, the Fed has raised interest rates a whopping 11 times. As such, this three-time consistency of rate stagnancy was well received by investors. Even better news was that the Feds suggested rate cuts in 2024.

> **In the Federal Reserve's official press release after the December meeting, it stated, "Recent indicators suggest that growth of economic activity has slowed from its strong pace in the third quarter. Job gains have moderated since earlier in the year but remain strong, and the unemployment rate has remained low. Inflation has eased over the past year but remains elevated. The U.S. banking system is sound and resilient. Tighter financial and credit conditions for households and businesses are likely to weigh on economic activity, hiring, and inflation. The extent of these effects remains uncertain. The Committee remains highly attentive to inflation risks."**

This confirmed that the Fed will continue to fervently pursue an inflation rate goal of 2% and will, "adjust the stance of monetary policy as appropriate if risks emerge that could impede the attainment of the Committee's goals. The Committee's assessment will consider a wide range of information, including readings on labor market conditions, inflation pressures and inflation expectations, and financial and international developments."

U.S. Consumer Price Index
Year-over-year percent change as of November 2023

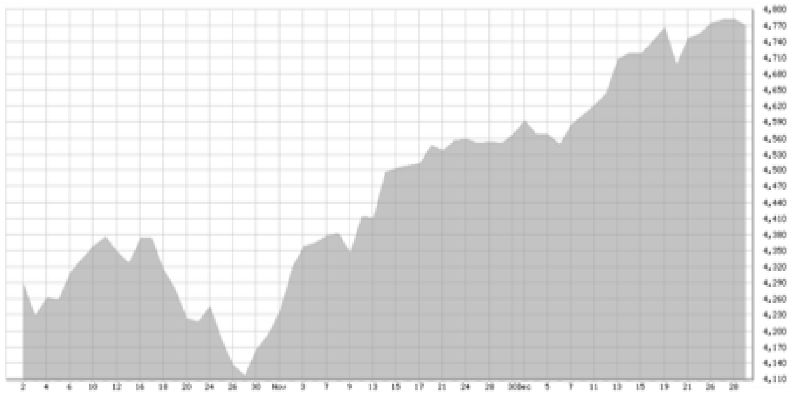


Equity markets responded very favorably to this news and the DJIA jumped more than 500 points, passing the 37,000 threshold for the first time.

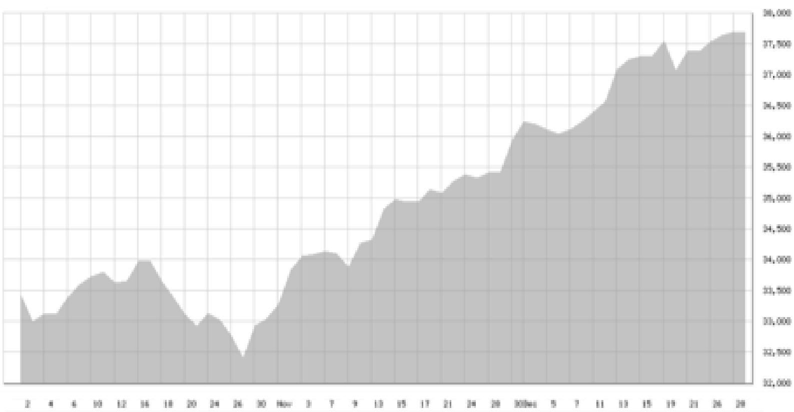
Interest rates and inflation are integral to financial planning so we will continue to keep a close eye on their movements. While the impact of the Fed's stringent monetary tightening policies of the last few years is now being seen, the Fed still maintains their willingness to raise rate again should inflation reverse direction. Although we cannot predict what the Fed's next move will be, we will continue to follow key economic indicators for our clients.

S&P 500 and DJIA: Q4, 2023

S&P 500	4,769	+11.24%



DJIA	37,689	+12.48%



Source: bigcharts.com

MONEY RATES

(as posted in Barron's 12/25/23)

	LATEST WEEK	YEAR AGO
Fed Funds Rate *	5.31%	4.34%
Bank Money Market [Z]	0.60%	0.25%
12-Month Certif [Z]	1.94%	1.35%

Z – Bankrate.com * - Avg Effective Offer Source: Barron's, bankrate.com

Q4 HIGHLIGHTS

- The Fed held the federal funds rate range steady at 5.25 – 5.50% with no changes in the 4th quarter
- Inflation pressures continue to ease, with November clocking in a 3.1% increase from a year earlier
- Bonds broke a 2-year losing streak due to a late quarter rally
- Treasury yields began to drop after talk of potential interest rate cuts in 2024
- Americans are seeing the "light at the end of the tunnel" from the economic aftermath of the pandemic
- Several key factors, including a presidential election and geopolitical unrest, could bring uncertainty for investors in 2024
- Staying the course and maintaining the consistency of a well-devised, long-term focused plan has historically served investors well
- We are here for you to discuss your personal financial situation and any concerns you may have

The Bond Market & Treasury Yields

Thanks to a year-end surge, bond prices experienced a historic rally and put an end to their two-year losing streak in mid-November.

Deutsche Bank Research's Jim Reid stated, **"It was a positive year for most financial assets, but in several cases the gains were almost entirely driven by the final two months."** He continued, "If we'd have stopped in late-October, then bonds would still have been on track for a third consecutive annual loss."

2023 was a significant year for treasury yields. In October, the 10-year treasury yield reached 5% for the first time in 16 years, before tempering back down. On December 29, the 10-year note was 3.88%, as compared to the end of the third quarter, when it reached 4.59%. The 20-year treasury ended the fourth quarter at 4.20% and the 30-year note closed at 4.03%.

The sudden pivot in bonds is testament to the volatility we saw in 2023 and how much weight that Fed movements carry. We will continue to closely monitor how the Fed's movements and rising interest rates are affecting bond yields. With the Feds anticipating interest rate cuts in 2024, this may narrow the opportunity to get lower-risk, higher yielding bonds.

Treasury Par Yield Curve Rates
December 29, 2023

5-year	10-year	20-year	30-year
3.84	3.88	4.20	4.03

Treasury.gov

For anyone interested in exploring bonds as part of a diversified portfolio, please contact us. As your wealth manager, we want to help you make the best decision for your portfolio. Please remember, while diversification in your portfolio can help you pursue your goals, it does not ensure a profit or guarantee against loss.

INVESTOR OUTLOOK

Overall, 2023 was a healthy year and this can be good news for investors. The biggest question now is - will this rally continue into the new year?

The end of the fourth quarter brought investors into the new year with optimism and anticipation. Looking forward to 2024, investors are hopeful and are beginning to see the light at the end of the pandemic-induced tunnel. Recession fears have significantly diminished, and a "soft-landing" or a shallow recession appears to be more possible. It is believed that real GDP growth will regress but remain healthy and the labor market will remain strong. Inflation is also anticipated to continue to lose steam and will decline to about 2.5% in 2024.

As of now, the interest rate hiking cycle seems to be coming to an end and many economists anticipate seeing the 5.25–5.5% rate as a high point until the Fed begins their interest rate cut cycle.

Overall, 2023 was a healthy year and this can be good news for investors. The biggest question now is - will this rally continue into the new year?

Some things to keep an eye on in the coming months include energy and housing costs. There was good news at the gas pump, as gas prices were down 8.9% over the past year.

Although not included in the core Consumer Price Index (CPI), declining gas prices can be a key player in consumer sentiment and spending habits. As consumer sentiment rebounded, gas prices began to decline. According to AAA, the national average for unleaded gas was $3.14 on December 12, the lowest all year. One month prior, it was $3.37. Higher prices, in places such as California, drove this average higher. However, in many states, consumers could readily find unleaded gas for under $3.00. The decline in gas prices has been a key player in the slowdown of inflation.

Shelter costs are still historically high, but on a slow downtrend. For now, housing costs remain persistent, up 6.5% year-over-year in November. In the coming year, purchasing a house may be more realistic for some home buyers. In October, the average 30-year fixed rate mortgage hit its 2023 high. During the remaining fourth quarter, it receded by over half a percent.

While things are looking up, throwing a good riddance party to market volatility may be premature. The coming year could still bring instability and uncertainty. Economic growth could decelerate in 2024.

Could an economic slowdown ruin the party – and the stock market? Geopolitical strain on the economy is still a major concern with the ongoing Russia-Ukraine war, conflict in the Middle East, and continued tensions with China.

The U.S. also has a presidential election this year, which can be a major influence on market movements. A new cabinet could signal major changes to the economy and tax law.

Since 1952, the average gain in the S&P 500 during a presidential election year is 7%. During a re-election year, the average annual gain is 12.2%. In a non-election year, the average is 10% annual total returns for this major index. Please remember that past performance does not guarantee future returns.

Fed officials will be keeping a close eye on key indicators such as housing, labor markets, and core goods that will help them when determining monetary policy. While the Fed anticipates rate cuts in 2024, it is best to be prepared for the unexpected, a lesson we've been handed over the last few years.

FOMC Calendar & Interest Rate Movements

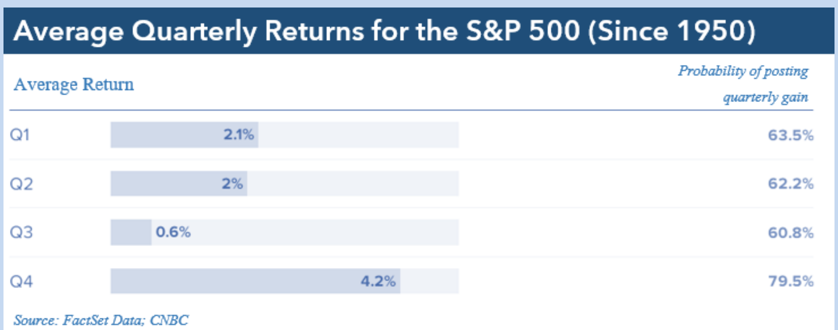
(December 14, 2022 - December 13, 2023 & 2024 Meeting Dates)

FOMC Meeting Date	Basis Point Change	Target Rate Range
December 17-18, 2024	TBD	TBD
November 6-7, 2024	TBD	TBD
September 17-18, 2024	TBD	TBD
July 30-31, 2024	TBD	TBD
June 11-12, 2024	TBD	TBD
Apr/May 30-1, 2024	TBD	TBD
March 19-20, 2024	TBD	TBD
January 30-31, 2024	TBD	TBD
December 13, 2023	Held Steady	5.25 – 5.50%
November 1, 2023	Held Steady	5.25 – 5.50%
September 20, 2023	Held Steady	5.25 – 5.50%
July 26, 2023	+ 25	5.25 – 5.50%
June 14, 2023	Held Steady	5.00 – 5.25%
May 3, 2023	+ 25	5.00 – 5.25%
March 22, 2023	+ 25	4.75% - 5.00%
February 1, 2023	+ 25	4.50% - 4.75%
December 14, 2022	+ 50	4.25% - 4.50%

Source: Federal Reserve Board

2023 rewarded long-term investors with strong returns and a rebounding economy. Regardless of what 2024 will bring us, it is always prudent to watch your expenses and make smart money and investment decisions. We believe in proactive preparation and our goal is to provide you with a solid financial strategy that is carefully designed to withstand any market environment. From an investor standpoint, we stand by our belief that investing in equities is a long-term commitment. Heading into a new year, which is also the election year for one of the most raucous races we have seen in recent history, we believe that volatility could still be prevalent and that investors should be cautionary in any financial decisions. A long-term strategy needs to be a benchmark for smart investors.

Heading into the new year, we will continue to keep an eye on inflation rates, economic growth data, and monetary policy moves. While we are not in the business of trying to predict the future, Wall Street's top strategists have released their forecast for the year ahead. The average consensus among them is that in 2024, the S&P 500 will climb less than the historical average.



Recent market surges should not deflect you from your long-term strategy and goals, especially since the coming months could bring much uncertainty. The media will be buzzing with daunting, speculative claims and predictions, and confusing information with the upcoming election. We recommend you minimize your viewing of news and social media.

With regards to your financial situation, we suggest periodically rebalancing your portfolio to confirm that your risk tolerance, time horizon, and asset allocations are all still in alignment with your goals. Reach out to us if this is something you'd like to consider doing. Also, if you haven't already done so, review your annual budget for 2024 and make any modifications to assist you with any anticipated needs throughout the year.

A few reminders for 2024:

- You can still contribute to a IRAs for the tax year 2023. The deadline to make your contribution is April 15, 2024.
- This is a good time to recheck and/or update your estate plan (especially your beneficiaries).
- Please notify us of any items or changes that you anticipate this year, such as retirement, adjustments to your estate plan, or important tax "birthdays."
- Review your financial situation directly with us.

Our goal in 2024 is to exceed our client's expectations. We take pride in offering top service that includes:

- A proactive, individually tailored approach to our client's financial goals and needs.
- Consistent and meaningful communication throughout the year.
- A schedule of regular client meetings.
- Continuing education for all our team members on issues that may affect our clients.
- Proactive planning to navigate the changing environment.

We always recommend discussing any changes, concerns, or ideas that you may have with us prior to making any financial decisions so we can help you determine your best strategy. There are often other factors to consider, including tax ramifications, increased risk, and time horizon changes when altering anything in your financial plan.

Please remember that as a valued client, we are always accessible to you. Feel free to contact us with any concerns or questions you may have.

We appreciate the trust and confidence you place in our firm and look forward to serving you in 2024 and beyond.

CONNOR J. DWYER MEMORIAL HOCKEY FUND

As many of you may know, Elise and Michael Dwyer's son, Connor, aged 24, suddenly passed away in early November due to complications from a pulmonary hemorrhage – cause unknown. Elise and her family are extremely thankful for the overwhelming support and many condolences that have been received from HFS clients.

Many of you have asked if there was anything you could do. Elise and her family have established the CONNOR J. DWYER MEMORIAL HOCKEY FUND to honor his love of and dedication to hockey. The Dwyer Family would like to help young people overcome financial barriers that are preventing them from playing hockey.

> "Our goal is to assist individuals who have financial barriers that would prevent them from playing hockey (ice, roller, and street). We want everyone who wants to play hockey, to be able to play without financial barriers, and also enjoy it as much as Connor did everyday of his life!"

To donate, please go to www.connordwyer.org where you can also learn more about Connor's life and the Memorial Fund. Or scan the QR code below to make a donation.

The Connor J. Dwyer Memorial Hockey Fund is a non-profit 501(c) (3) organization.
IRS Identification Number 93-4568713. Donations made to this non-profit are tax deductible in the U.S.

HUGHES FINANCIAL SERVICES, LLC

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We adhere to the highest fiduciary standards when providing advice that is truly unbiased and has only our clients' best interests in mind.

We offer our clients a wealth of comprehensive financial planning expertise in the following areas:

- retirement planning
- investment management
- tax planning
- estate planning
- risk/protection management
- education planning

The financial advisors at Hughes Financial Services proudly hold a variety of professional designations and certifications and are well-versed in several financial disciplines. We specialize in helping employees and retirees of local government, school systems and U.S. military with their retirement options.

Our combined education and experience allow us to offer you independent financial advice and solutions we are proud to provide.

Located in Herndon, Virginia (Fairfax County), Hughes Financial Services works with clients across the country.

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