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# 2024 Outlook: The Road Ahead

Webinar

February 6, 2024

## TODAY'S GUEST SPEAKERS



**David Baskin**

*Chair, RPB Board of Trustees, Chair, Baskin Wealth Management (BWM)*



**Amy Brackett**

*Chair, RPB Investment Committee, Senior Wealth Advisor, Revolve Wealth Partners*



**Brad Smith**

*Partner, NEPC, RPB's outside investment advisory firm*



**Michael Kimmel**

*Chief Executive Officer, RPB*



**Stephanie Berger**

*Chief Marketing Officer, RPB*

## AGENDA

- 2023 Market Recap and Plan Update
- 2024 Outlook Roundtable
- Q&A

# 2023 MARKET RECAP & PLAN UPDATE

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## 2023 Capital Markets overview

U.S. economy experienced a **“no landing” (no recession)** in 2023 as inflation declined and earnings growth was surprisingly strong

Markets were optimistic about Fed rate cuts in early 2024. Bond markets priced in six **interest rate cuts in 2024** before Fed’s comments last week

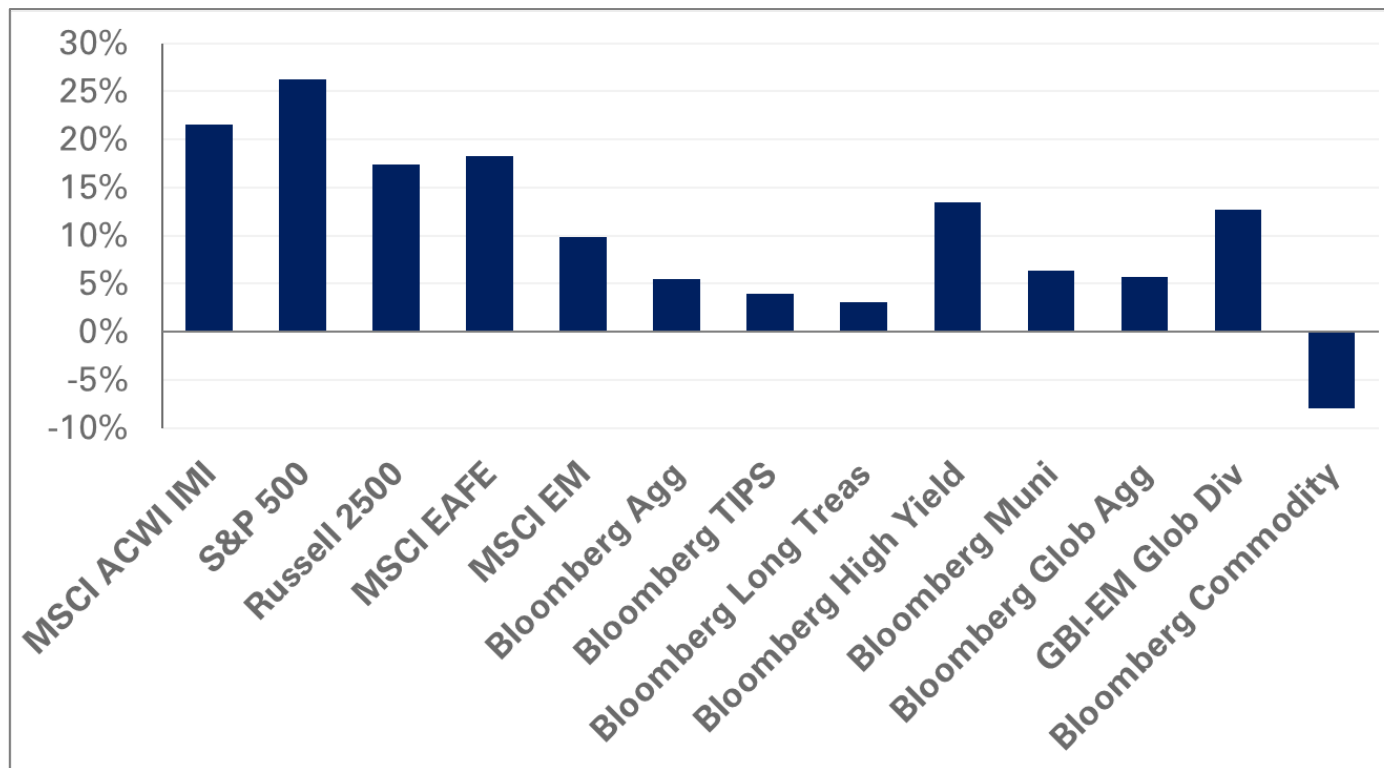
**Magnificent 7 drove U.S. equity market outperformance** in 2023 as revenue and earnings growth surpassed market expectations\*

Increasing **global geopolitical tensions had very little impact** on markets in 2023

\* The Magnificent 7: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla

# 2023 Market Recap

➤ Equities rallied despite higher rates



Source: S&P, Russell, MSCI, JPM, Bloomberg, FactSet

# 2023 Asset Quilt – Diversification Matters

Returns for Key Indices Ranked in Order of Performance

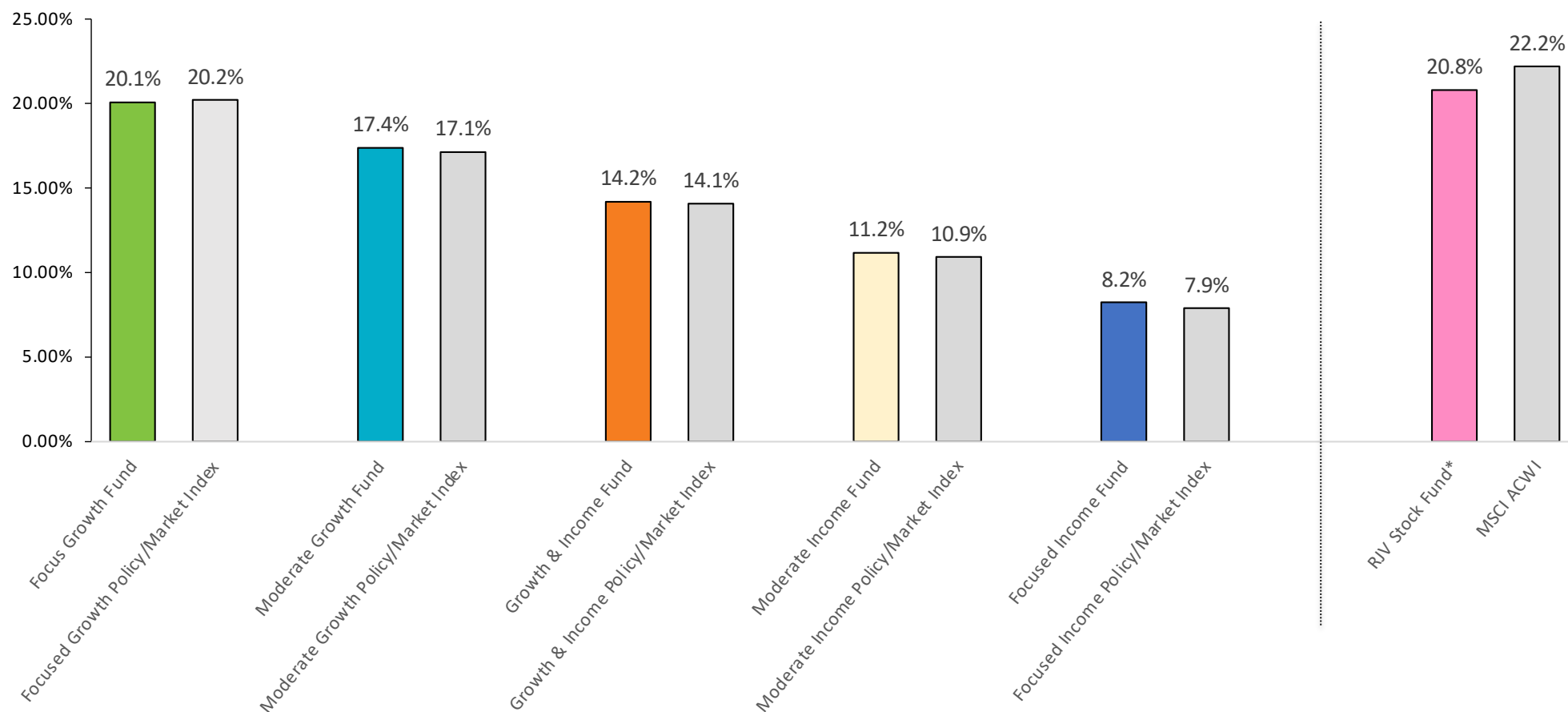
|                         |       |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|-------------------------|-------|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|-------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Best<br>↑<br>↓<br>Worst | 2008  | Barclays US Agg Bond 5.2      | MSCI EM 78.5                 | Alerian MLP 35.9             | Alerian MLP 13.9             | MSCI EM 18.2                 | Russell 3000 33.6            | FTSE NAREIT Equity REIT 30.1 | FTSE NAREIT Equity REIT 3.2  | Alerian MLP 18.3             | MSCI EM 37.3                 | FTSE Treasury Bill 3 Mon 1.9 | Russell 3000 31.0            | Russell 3000 20.9            | FTSE NAREIT Equity REIT 43.2 | Alerian MLP 30.9              | Alerian MLP 26.6             | Alerian MLP 26.6             | Russell 3000 11.5            | Russell 3000 9.7             |
|                         | 2009  | FTSE Treasury Bill 3 Mon 1.8  | Alerian MLP 76.4             | FTSE NAREIT Equity REIT 28.0 | FTSE NAREIT Equity REIT 8.3  | FTSE NAREIT Equity REIT 18.1 | Alerian MLP 27.6             | Russell 3000 12.6            | Barclays US Agg Bond 0.5     | Barclays Corp HY 17.1        | MSCI EAFE 25.0               | Barclays US Agg Bond 0.0     | FTSE NAREIT Equity REIT 26.0 | MSCI EM 18.3                 | Alerian MLP 40.2             | FTSE Treasury Bill 3 Mon 1.5  | Russell 3000 26.0            | Russell 3000 26.0            | FTSE NAREIT Equity REIT 7.6  | Alerian MLP 8.3              |
|                         | 2010  | Barclays Corp HY -26.2        | Barclays Corp HY 58.2        | MSCI EM 18.9                 | Barclays US Agg Bond 7.8     | MSCI EAFE 17.3               | MSCI EAFE 22.8               | Barclays US Agg Bond 6.0     | Russell 3000 0.5             | Russell 3000 12.7            | Russell 3000 21.1            | Barclays Corp HY -2.1        | MSCI EAFE 22.0               | MSCI EAFE 7.8                | Russell 3000 25.7            | Barclays Corp HY -11.2        | MSCI EAFE 18.2               | MSCI EAFE 18.2               | Barclays Corp HY 4.6         | FTSE NAREIT Equity REIT 8.0  |
|                         | 2011  | Alerian MLP -36.9             | MSCI EAFE 31.8               | Russell 3000 16.9            | Barclays Corp HY 5.0         | Russell 3000 16.4            | Barclays Corp HY 7.4         | Alerian MLP 4.8              | FTSE Treasury Bill 3 Mon 0.0 | MSCI EM 11.2                 | Barclays Corp HY 7.5         | FTSE NAREIT Equity REIT -4.6 | MSCI EM 18.4                 | Barclays US Agg Bond 7.5     | MSCI EAFE 11.3               | Barclays US Agg Bond -13.0    | FTSE NAREIT Equity REIT 13.7 | FTSE NAREIT Equity REIT 13.7 | MSCI EAFE 4.3                | MSCI EM 6.8                  |
|                         | 2012  | Russell 3000 -37.3            | Russell 3000 28.3            | Barclays Corp HY 15.1        | Russell 3000 1.0             | Barclays Corp HY 15.8        | FTSE NAREIT Equity REIT 2.5  | Barclays Corp HY 2.5         | MSCI EAFE -0.8               | FTSE NAREIT Equity REIT 8.5  | FTSE NAREIT Equity REIT 5.2  | Russell 3000 -5.2            | Barclays Corp HY 14.3        | Barclays Corp HY 7.1         | Barclays Corp HY 5.3         | MSCI EAFE -14.5               | Barclays Corp HY 13.4        | Barclays Corp HY 13.4        | MSCI EM 2.7                  | Barclays Corp HY 6.6         |
|                         | 2013  | FTSE NAREIT Equity REIT -37.7 | FTSE NAREIT Equity REIT 28.0 | MSCI EAFE 7.8                | FTSE Treasury Bill 3 Mon 0.1 | Alerian MLP 4.8              | FTSE Treasury Bill 3 Mon 0.1 | FTSE Treasury Bill 3 Mon 0.0 | Barclays Corp HY -4.5        | Barclays US Agg Bond 2.6     | Barclays US Agg Bond 3.5     | Alerian MLP -12.4            | Barclays US Agg Bond 8.7     | FTSE Treasury Bill 3 Mon 0.6 | FTSE Treasury Bill 3 Mon 0.0 | Russell 3000 -19.2            | MSCI EM 9.8                  | MSCI EM 9.8                  | Alerian MLP 1.9              | MSCI EAFE 5.6                |
|                         | 2014  | MSCI EAFE -43.4               | Barclays US Agg Bond 5.9     | Barclays US Agg Bond 6.5     | MSCI EAFE -12.1              | Barclays US Agg Bond 4.2     | Barclays US Agg Bond -2.0    | MSCI EM -2.2                 | MSCI EM -14.9                | MSCI EAFE 1.0                | FTSE Treasury Bill 3 Mon 0.8 | MSCI EAFE -13.8              | Alerian MLP 6.6              | FTSE NAREIT Equity REIT -8.0 | Barclays US Agg Bond -1.5    | MSCI EM -20.1                 | Barclays US Agg Bond 5.5     | Barclays US Agg Bond 5.5     | Barclays US Agg Bond 1.8     | Barclays US Agg Bond 3.2     |
|                         | 2015  | MSCI EM -53.3                 | FTSE Treasury Bill 3 Mon 0.2 | FTSE Treasury Bill 3 Mon 0.1 | MSCI EM -18.4                | FTSE Treasury Bill 3 Mon 0.1 | MSCI EM -2.6                 | MSCI EAFE -4.9               | Alerian MLP -32.6            | FTSE Treasury Bill 3 Mon 0.3 | Alerian MLP -6.5             | MSCI EM -14.6                | FTSE Treasury Bill 3 Mon 2.3 | Alerian MLP -28.7            | MSCI EM -2.5                 | FTSE NAREIT Equity REIT -24.4 | FTSE Treasury Bill 3 Mon 5.3 | FTSE Treasury Bill 3 Mon 5.3 | FTSE Treasury Bill 3 Mon 5.3 | FTSE Treasury Bill 3 Mon 1.3 |
|                         | 2016  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 2017  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 2018  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 2019  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 2020  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 2021  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 2022  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 2023  |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | YTD   |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 10 Yr |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |
|                         | 20 Yr |                               |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                              |                               |                              |                              |                              |                              |

- Russell 3000
- Alerian MLP
- Barclays US Agg Bond
- Barclays Corp HY
- FTSE Treasury Bill 3 Mon
- MSCI EAFE
- MSCI EM
- FTSE NAREIT Equity REIT

# 2023 Tiers 1 and 3 Investment Returns - Net of Fees

RPB Target Allocation Funds and RPB RJV Stock Fund

January 1, 2023 through December 31, 2023



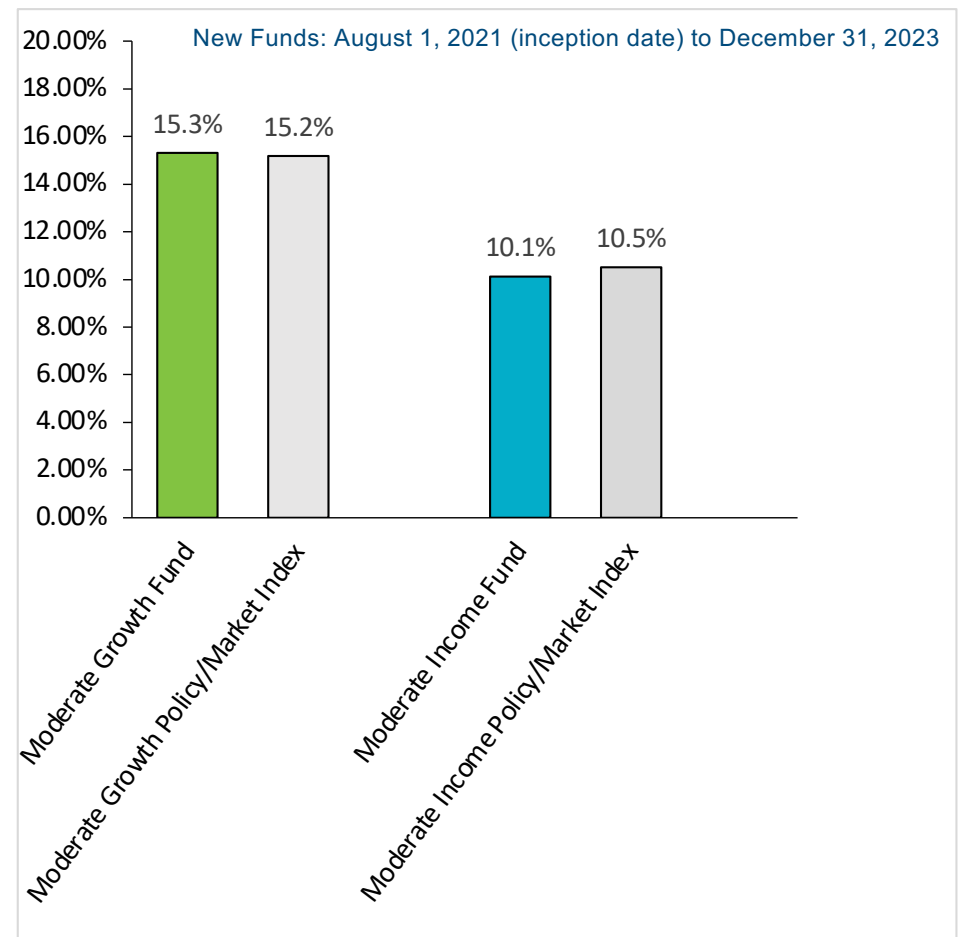
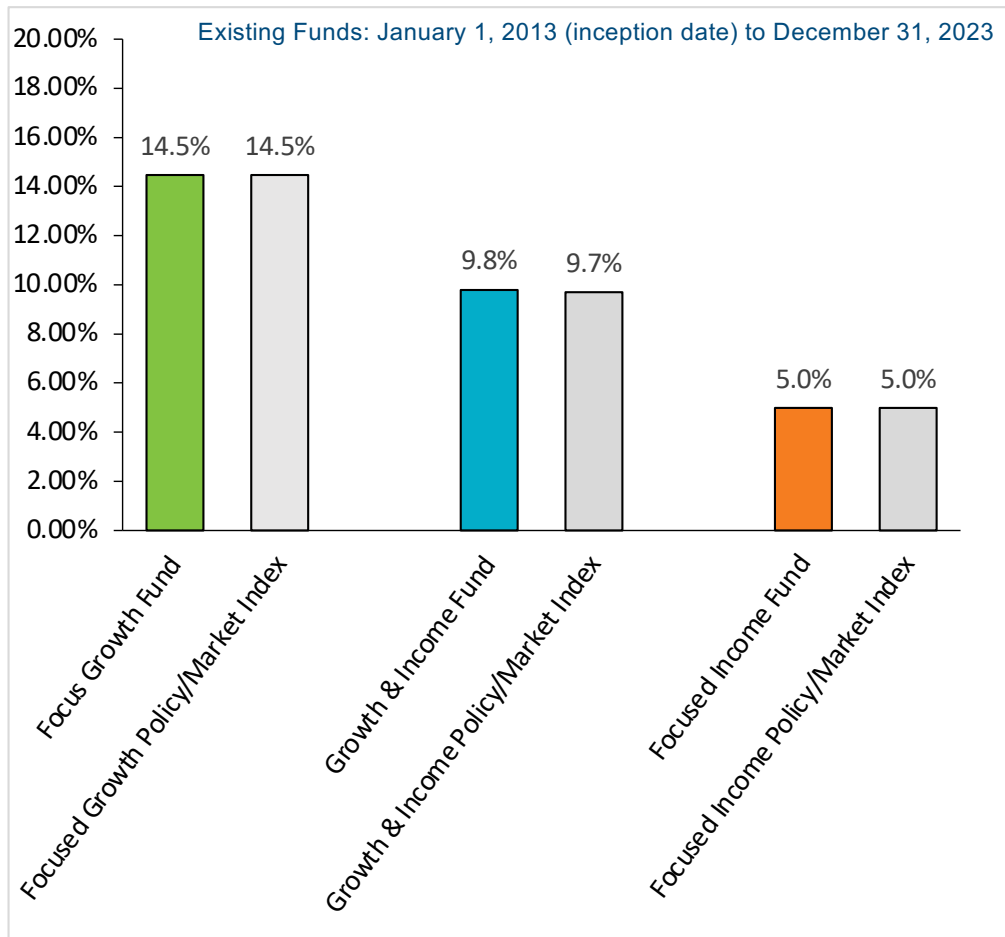
Net of investment management fees.

\*RJV Fund is in Tier 3, the remaining funds are in Tier 1



# Tier 1 Volatility – Standard Deviation

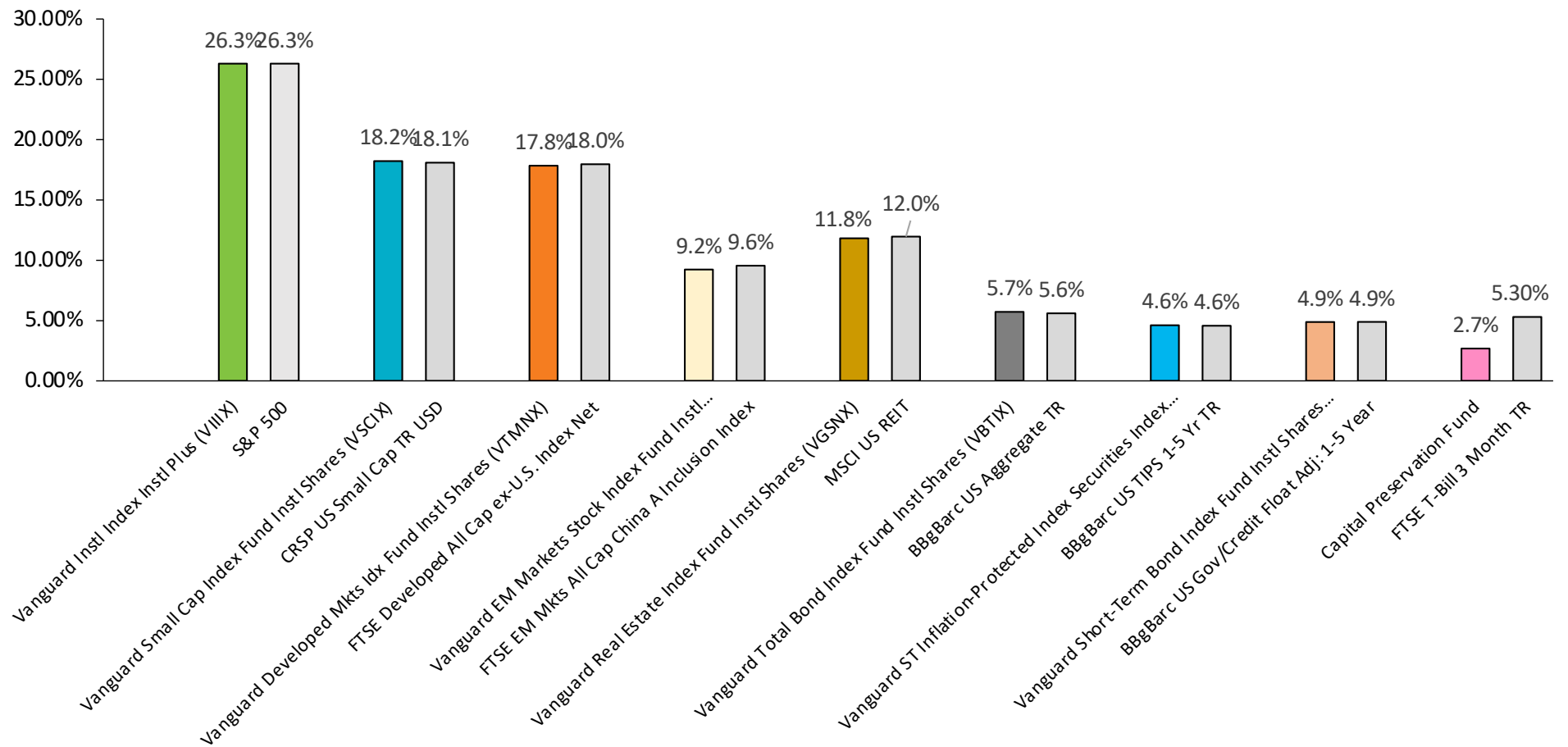
Lower is less risky



# 2023 Tier 2 Investment Returns - Net of Fees

## Vanguard Index Funds and RPB Capital Preservation Fund

January 1, 2023 through December 31, 2023



Net of investment management fees.

# 2024 OUTLOOK ROUNDTABLE

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## 2024 Key Investment Themes



### Magnificent 7

Unprecedented size (28% of S&P); sky-high earnings growth expectations are “priced for perfection”



### U.S. Fiscal Debt

Fundamentals suggest perpetual deficit cycle will likely require higher interest rates



### Artificial Intelligence

AI may drive productivity gains across multiple sectors



### Heightened Geopolitical Risks

Historically, short-lived market impact following a geopolitical flash point

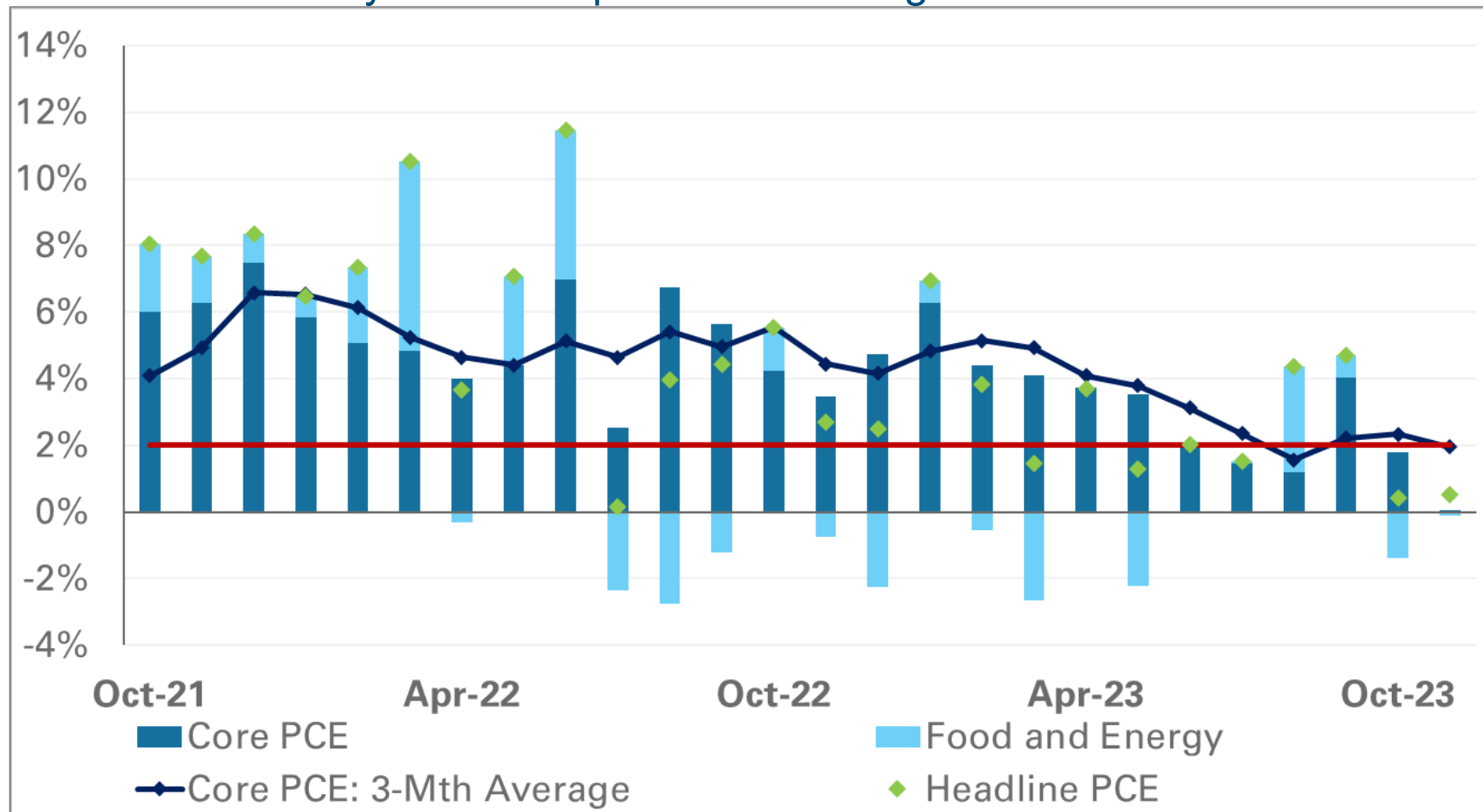


## Roundtable discussion

- What is the future path of inflation? Interest rates?

# Core inflation trended lower toward Fed's Target

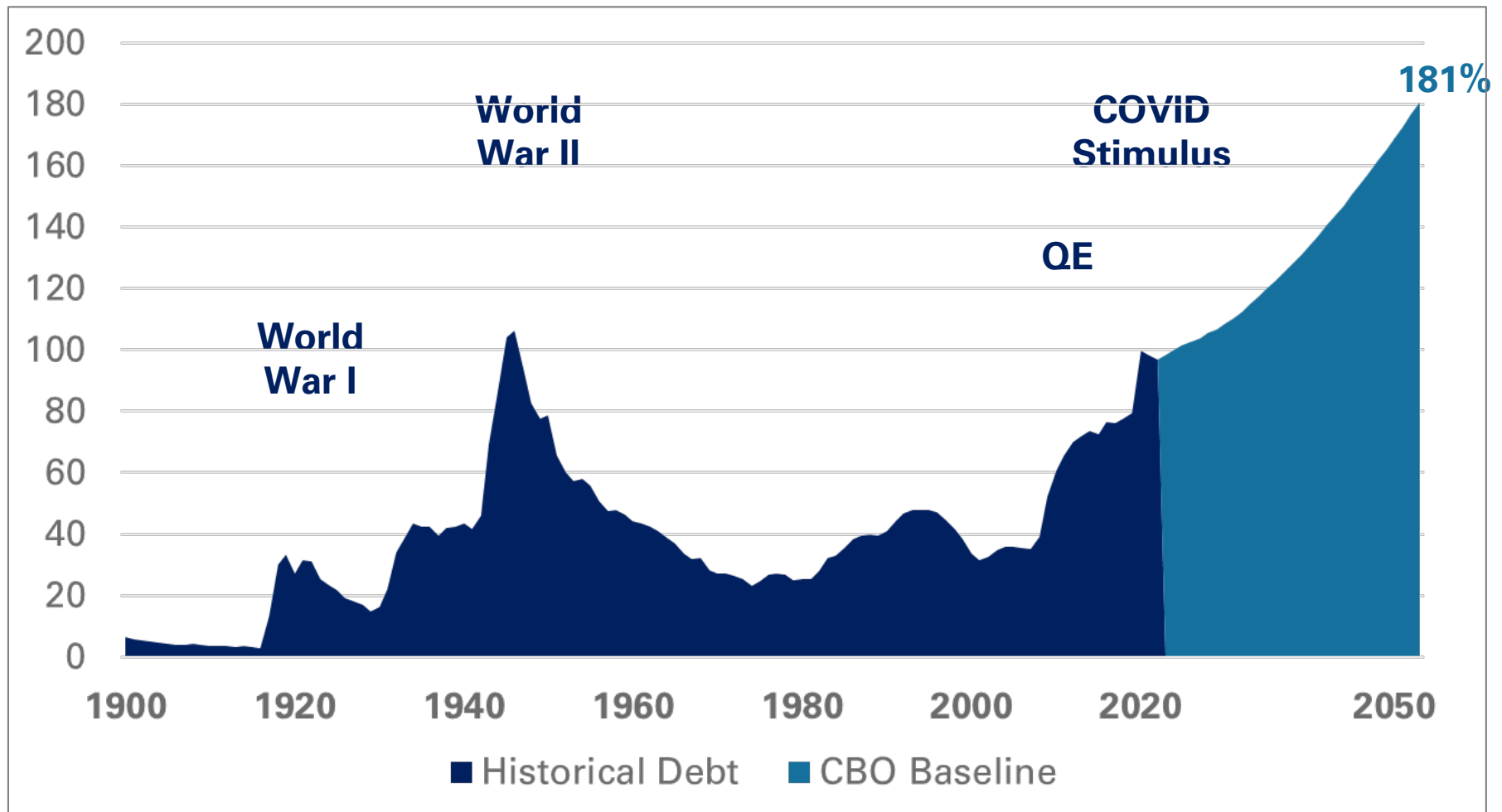
Annualized monthly U.S. PCE price index changes



Sources: Bureau of Labor Statistics, FactSet, PCE is Personal Consumer Expenditures

# U.S. debt growth on unsustainable path

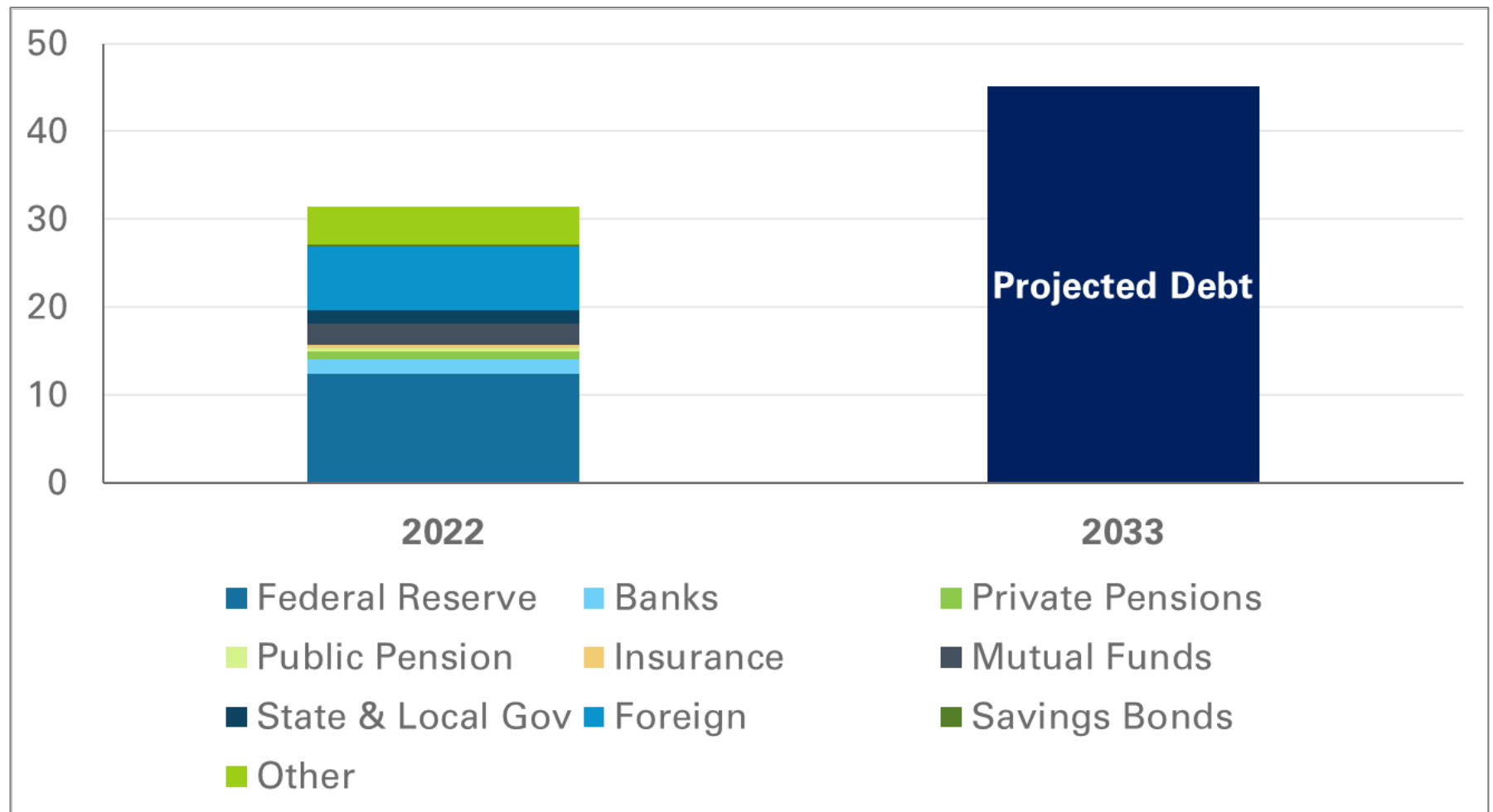
Federal debt held by the public as percentage of GDP



Source: Congressional Budget Office, NEPC. Interest rate paths are relative to CBO Baseline and based on an effective interest rate paid on debt

# Who's going to buy all this debt?

Ownership of U.S. Treasury securities in trillions



Source: U.S. Treasury, Congressional Budget Office. As of December 31



## Future path of interest rates?

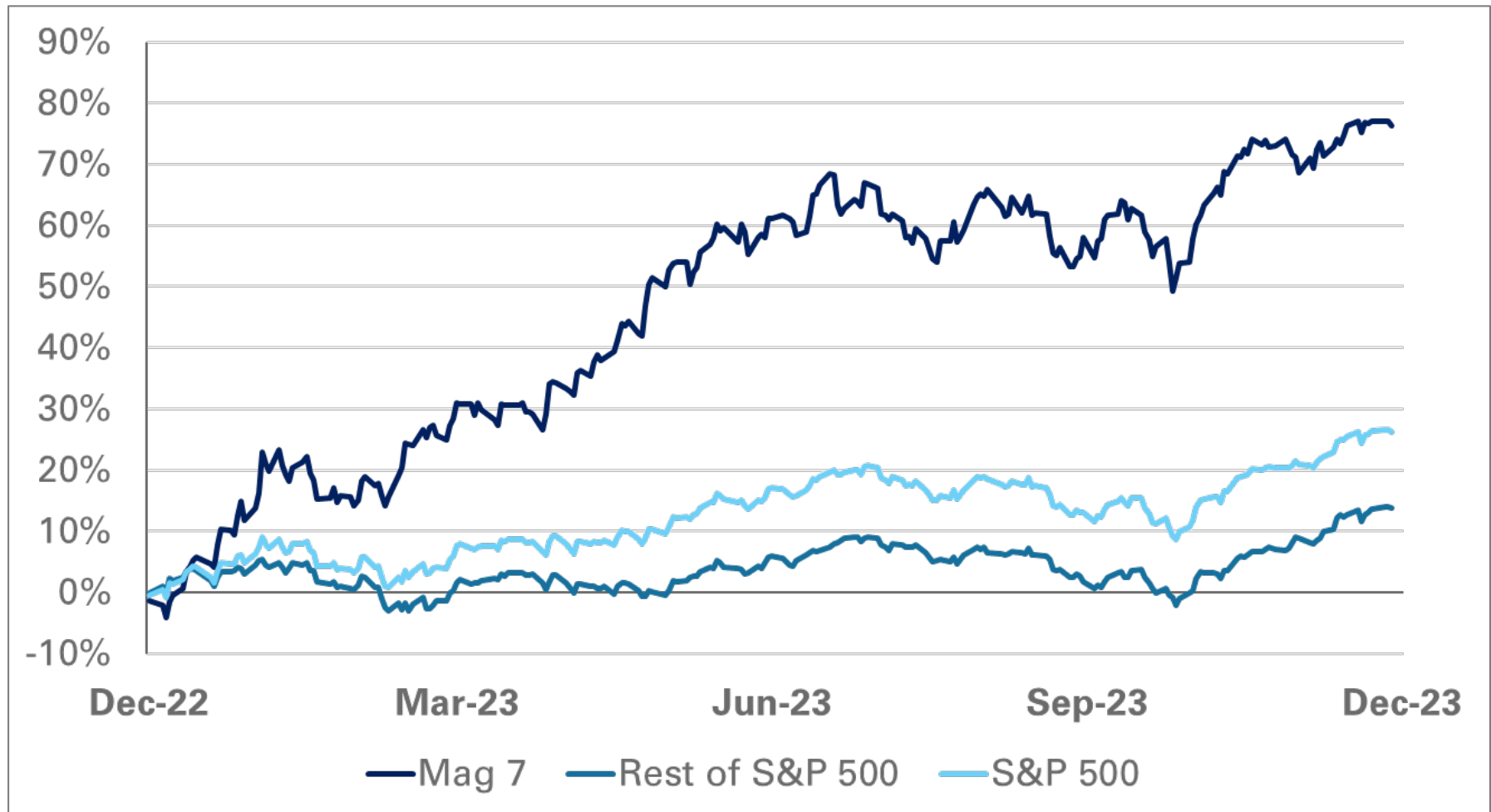
- Inflation expected to settle slightly above Fed's target of 2%
- Absent a recession, NEPC expects rate cuts to be slower than expected, possibly disappointing investors
- Fundamentals suggest growing U.S. deficits will require higher rates over time
- Continued economic growth could help offset this view and help maintain a healthier debt-to-GDP ratio\*

\* The ratio of a country's debt to its gross domestic product (GDP). Expressed as a percentage, it gauges a country's ability to repay its debt.

## Roundtable discussion

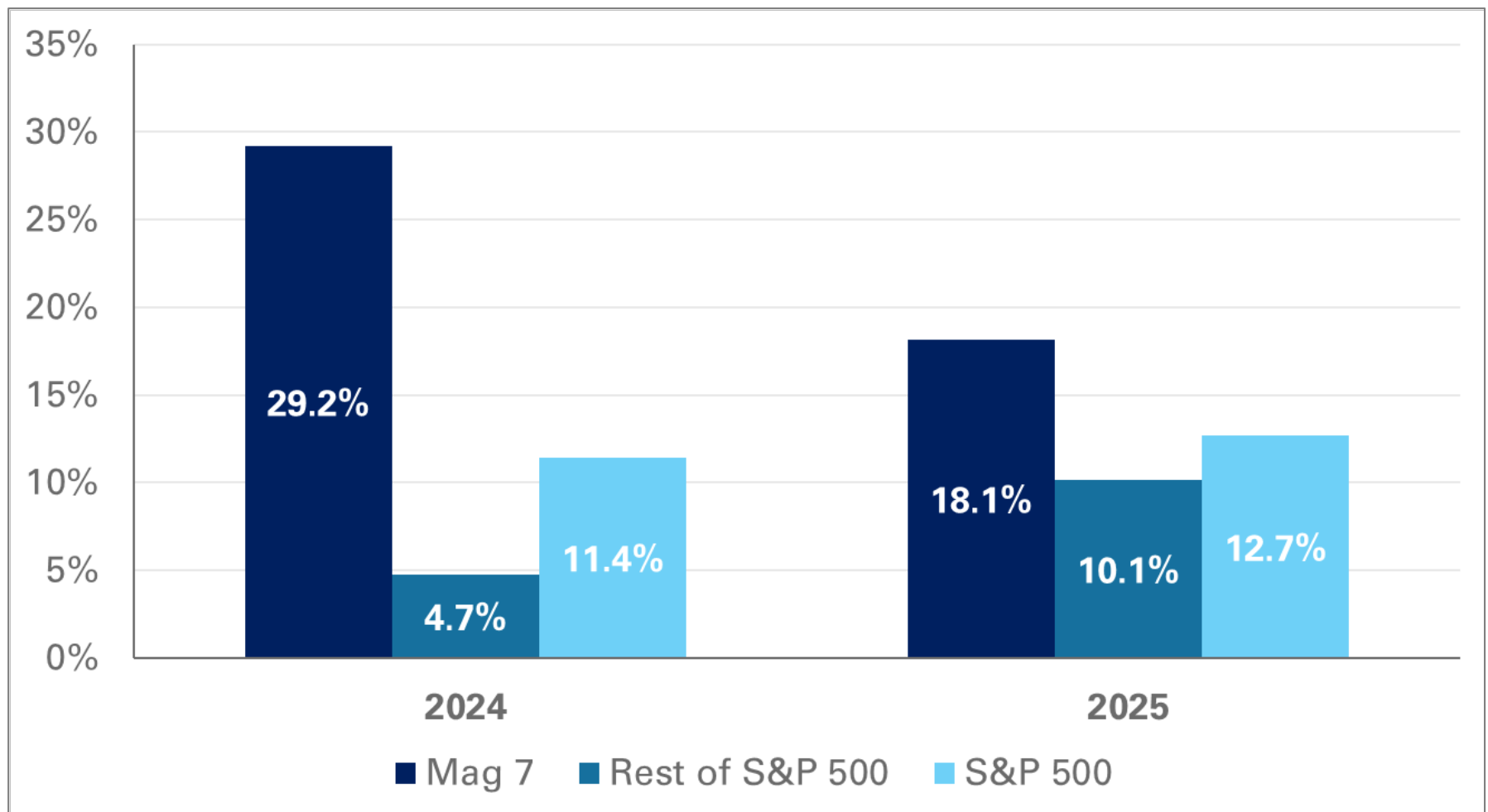
- Will equities extend their gains in 2024 and what is the outlook for bonds?

## S&P 500 Performance Driven by Magnificent 7



# Market expects continued Magnificent 7 growth

## Consensus earnings growth estimates



## 2024 drivers of asset class returns

- Investors need to address questions regarding the concentration of the Magnificent 7 (global 60/40 portfolio holds ~10% position)
- Magnificent 7 face unique risks: regulatory scrutiny, antitrust actions, China revenue exposure, “priced for perfection”
- Bonds currently providing solid income for investors; if rates fall investors will benefit from bond higher prices

## Roundtable discussion

- What effect will the upcoming election have on the markets (and other geopolitical risks)?

## U.S. Election & Heightened Geopolitical Risks



Instant Transmission of (Mis)Information

Speed of information today amplifies risks and introduces additional uncertainty



Market Impact of Geopolitics

Historically, short-lived market impact following a geopolitical flash point



2024 Global Election Super cycle

Over 50% of global population is heading to the polls in 2024

# Historic geopolitical flash points and market implications

- Flash points fuel near-term market volatility but history suggests long-term returns driven by underlying economic growth

| Date          | Events                         | S&P 500 1-Day Return | S&P 500 1-Mth Return | S&P 500 1-Year Return | Trading Days to Recoup |
|---------------|--------------------------------|----------------------|----------------------|-----------------------|------------------------|
| Oct 26, 1973  | Yom Kippur War & Oil Embargo   | -0.2%                | -10.7%               | -37.0%                | 1574                   |
| Nov 2, 1979   | Iranian Hostage Crisis         | -0.7%                | 3.6%                 | 24.3%                 | 7                      |
| Dec 13, 1989  | U.S. Invasion of Panama        | -0.5%                | -3.4%                | -3.2%                 | 12                     |
| Aug 2, 1990   | Invasion of Kuwait by Iraq     | -1.9%                | -7.8%                | 14.1%                 | 129                    |
| Sept 11, 2001 | 9/11 Terrorist Attack          | -4.9%                | 0.6%                 | -15.5%                | 20                     |
| Feb 20, 2011  | Arab Spring Reaches Libya      | -2.1%                | -3.5%                | 3.5%                  | 46                     |
| Jan 31, 2014  | Annexation of Crimea by Russia | -2.3%                | 4.6%                 | 14.2%                 | 6                      |
| Jun 23, 2016  | BREXIT                         | -3.6%                | 3.1%                 | 17.8%                 | 11                     |
| Feb 24, 2022  | Invasion of Ukraine by Russia  | 2.2%                 | 6.1%                 | -5.9%                 | -                      |
| Oct 7, 2023   | Israel Attacked by Hamas       | 0.6%                 | 1.4%                 | 11.2%                 | -                      |



## U.S. Election and Growing Geopolitical Risks

- We do not believe current geopolitical risks or global elections warrant investment actions for longer-term investors (> 5-7 years)
- Investors should be prepared for increased market volatility should global tensions escalate in 2024
- Investors should embrace portfolio diversification as uncertainty introduces potential for market surprises
- If you build your own portfolio, look for opportunities to rebalance

## Your next actions

- Know what you're invested in
- Stay focused on your risk tolerance
- Beginning of the year is a good time to review your portfolio
- Set up rebalancing to maintain your risk, liquidity, and diversification goals.
- Consult with a Fidelity Retirement Planner  
800-328-6608



## Reminders

- Tax forms on NetBenefits for those who took withdrawals in 2023
- Retirement Planning Seminar  
June 2 - 4, 2024 | Denver



# Broad diversification in each Tier 1 fund

As of September 1, 2023

| Asset Class                                 | Manager                       | TARGET ALLOCATION*  |                      |                      |                      |                     |
|---|-------------------------------|---------------------|----------------------|----------------------|----------------------|---------------------|
|   |                               | Focused Growth Fund | Moderate Growth Fund | Growth & Income Fund | Moderate Income Fund | Focused Income Fund |
| <b>U.S. Stocks</b>                          |                               |                     |                      |                      |                      |                     |
| Large-Cap Core                              | The Vanguard Group            | 26.65%              | 21.04%               | 15.43%               | 9.82%                | 4.21%               |
| Large-Cap Value                             | The Vanguard Group            | 12.11%              | 9.56%                | 7.01%                | 4.46%                | 1.91%               |
| Small-/Mid-Cap Growth                       | Pinnacle Associates Ltd.      | 9.69%               | 7.65%                | 5.61%                | 3.57%                | 1.53%               |
| <b>Total U.S. Stocks</b>                    |                               | <b>48.45%</b>       | <b>38.25%</b>        | <b>28.05%</b>        | <b>17.85%</b>        | <b>7.65%</b>        |
| <b>International Equity</b>                 |                               |                     |                      |                      |                      |                     |
| International Developed Value               | Artisan Partners              | 12.10%              | 9.55%                | 7.00%                | 4.46%                | 1.91%               |
| International Developed Growth              | Wellington Management         | 7.50%               | 5.92%                | 4.34%                | 2.76%                | 1.18%               |
| International Developed                     | The Vanguard Group            | 8.00%               | 6.32%                | 4.63%                | 2.95%                | 1.26%               |
| International Small-Cap Core                | Grandeur Peak Global Advisors | 4.70%               | 3.71%                | 2.72%                | 1.73%                | 0.74%               |
| <b>Total International Developed Stocks</b> |                               | <b>32.30%</b>       | <b>25.50%</b>        | <b>18.69%</b>        | <b>11.90%</b>        | <b>5.10%</b>        |
| <b>Global Equity</b>                        |                               |                     |                      |                      |                      |                     |
| Global Equity                               | GQG Partners                  | 7.13%               | 5.63%                | 4.13%                | 2.63%                | 1.13%               |
| Global Equity                               | Walter Scott                  | 7.13%               | 5.63%                | 4.13%                | 2.63%                | 1.13%               |
| <b>Total Global Equity</b>                  |                               | <b>14.25%</b>       | <b>11.25%</b>        | <b>8.26%</b>         | <b>5.25%</b>         | <b>2.25%</b>        |
| <b>Fixed Income</b>                         |                               |                     |                      |                      |                      |                     |
| Core Bonds                                  | Income Research + Management  | 2.90%               | 14.50%               | 26.10%               | 36.85%               | 48.19%              |
| TIPS  | Income Research + Management  | 1.00%               | 5.00%                | 9.00%                | 13.00%               | 17.00%              |
| High Yield Bonds                            | Shenkman Capital Management   | 0.33%               | 1.67%                | 3.00%                | 2.91%                | 3.80%               |
| Unconstrained Fixed Income                  | BlackRock                     | 0.77%               | 3.83%                | 6.90%                | 8.13%                | 10.63%              |
| Short-Term Bonds                            | The Vanguard Group            | 0.00%               | 0.00%                | 0.00%                | 4.12%                | 5.39%               |
| <b>Total Fixed Income</b>                   |                               | <b>5.00%</b>        | <b>25.00%</b>        | <b>45.00%</b>        | <b>65.00%</b>        | <b>85.00%</b>       |
| <b>GRAND TOTAL</b>                          |                               | <b>100.00%</b>      | <b>100.00%</b>       | <b>100.00%</b>       | <b>100.00%</b>       | <b>100.00%</b>      |

\* The fund's actual allocation may vary slightly from the target based on changes in the market. Figures may not sum to 100% due to rounding.

# Tier 2 and 3 single asset class funds



# Q & A

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