January 2024 | Alexis Investment Partners, LLC | 925-457-5258

Alexis Investment Partners, LLC

Practical ✦ Tactical



What a difference a year makes! Last January, the bulk of pundits were convinced that stocks were still in a bear market citing rising interest rates, inflation, wars… 2022 performance had been miserable for stocks and bonds globally. Our Jan 2023 newsletter focused on our belief that stocks had bottomed in October 2022 – feedback was a mix of hope and skepticism.

In hindsight, 2023 was great – but it wasn't easy for most investors. Interest rates continued to climb, economic growth slowed (recession calls loomed), banks failed, wars expanded, political concerns escalated… so it's not surprising that stocks were volatile with multiple 5%-10% corrections. **Those with the fortitude to stay invested were richly rewarded.**

In 2023, the S&P500 ETF (SPY) gained +26% DJIA (DIA) was up +16%. Globally, the All-Country World ETF (ACWI) was up +22%. Cash (SWVXX) and bonds (AGG) earned +5% and +5.6% respectively. (more performance info on page 2).

Your portfolio is designed to meet your long-term goals based on your resources and preferences. It's easy to be complacent after a good year, but **please schedule time to review your portfolio and performance and update us with regards to any concerns and/or change in circumstances.**

Our models, indicators, and analysis continue to confirm a Bull market. Earnings continue to come in better than forecast, and supply chains are improving. Inflation is slowing as productivity slowly improves. Although the pandemic stimulus has been revoked, the Fed is likely to be less restrictive in the months ahead.

The first few months of an election year tend to be choppy. That said, election years have generally been positive for stocks. We also saw **a significant improvement in market breadth (percentage of stocks doing well in the rally) late 2023,** which **tends to bode well for forward returns looking out 6-12 months** – with the caveat that past performance can't predict future results.

We look forward to learning more as the year unfolds. We have no crystal ball – thankfully, we have the flexibility, discipline, and experience to adapt to a broad range of potential outcomes which has allowed us to thrive through full market cycles.

What to Expect in Portfolios

Last month we wrote: "**We expect a seasonal tailwind to push stocks higher through year-end.** We remain tactically overweight stocks, expecting to rebalance to a more neutral posture incrementally over the coming months."

December was strong and we benefited from our high level of equity exposure.

We tactically sold some stock holdings in late December but remain marginally overweight stocks. Scaling back gives us the flexibility to buy dips should we see early weakness. **This is not a sign of concern, just normal risk management following windows of strong performance.**

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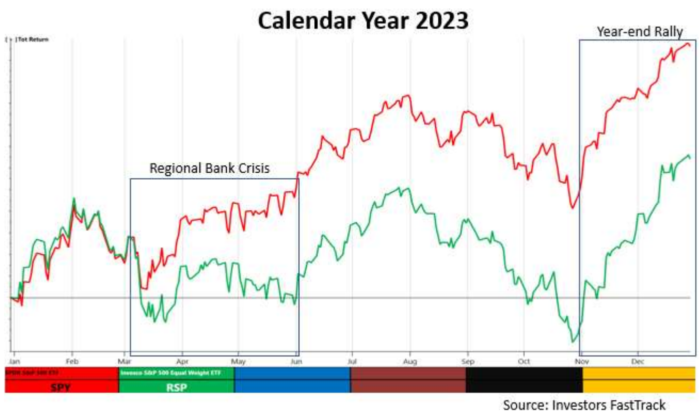
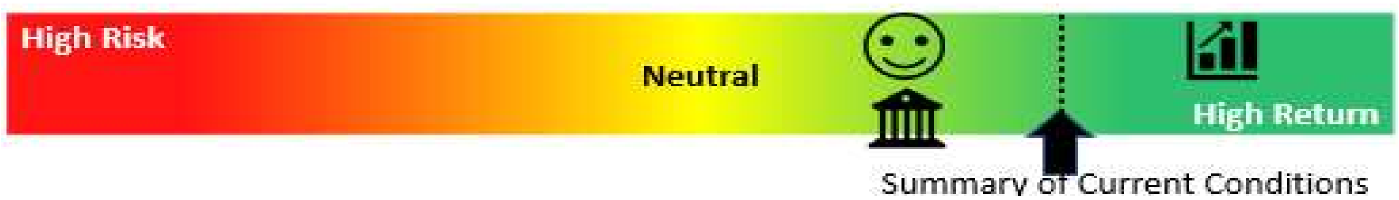
In 2023, the S&P500 index (SPY - red) gained 26%, but equal weight S&P500 (RSP - green) gained only 13%. **Through the regional bank crisis, RSP lost -4.3% while SPY gained +5.9%. In the year-end rally, RSP gained +16.6% while SPY gained +14.1%** We expect the equal weight S&P (RSP) may continue playing catch up through 2024 as leadership broadens.



The chart below shows the net performance of our most popular composite since inception (120 accounts – see disclosures on page 4).
The last four+ years have included the COVID crash and 2022 bear market. **Our strategy and discipline led to greater participation in gains than declines, allowing us to add value through this volatile time.**

Insights and Commentary

Investing can be an emotional roller coaster leading to costly mistakes. To navigate effectively as we seek greater participation in advances than declines, we have found it helpful to monitor a series of indicators and models based on 3 key tenants, (Don't Fight the Fed, Don't Fight the Trend, Follow Sentiment Except at Extremes) summarized in the chart below:

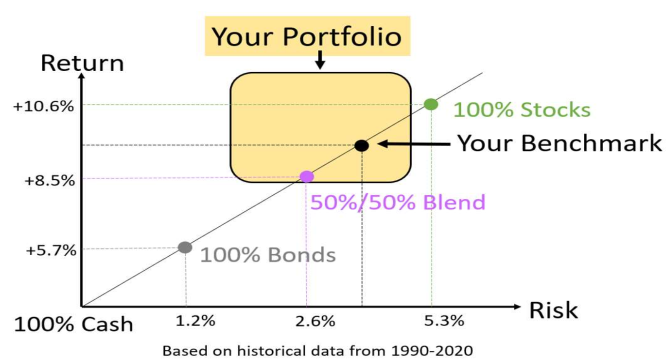


There's nothing like a strong market to cure investor pessimism and encourage optimism and greed. At some point, this can lead to complacency. Excess speculation increases the risk of corrections. Unchecked speculation eventually leads to bear markets.

After a party, it's rational to expect a hangover. This isn't a sign of illness or weakness, just fatigue and excess. The strength and duration of the hangover tends to relate to the level of excess and overall health. **Pullbacks in markets** similarly **tend to reflect prior excess. Given the current backdrop, we expect any near-term pullbacks to be relatively brief and shallow at this point.**

Our goal as tactical investment managers is to participate more in bull markets than bear markets and therefore add value through full market cycles. **Our most important goal is to earn the returns needed to fund long-term investment goals. Prudent risk management helps us focus on actions that support your long-term goals and avoid overreacting to volatility.** It's tempting to try to avoid turbulence, but that is easier said than done

Risk/Return Expectations



This graphic serves as an important reminder that our goal is to add value (generate higher risk-adjusted returns) through full market cycles by allowing our portfolios to deviate from benchmarks. **We base allocation decisions on an assessment of both risk and return potential.**

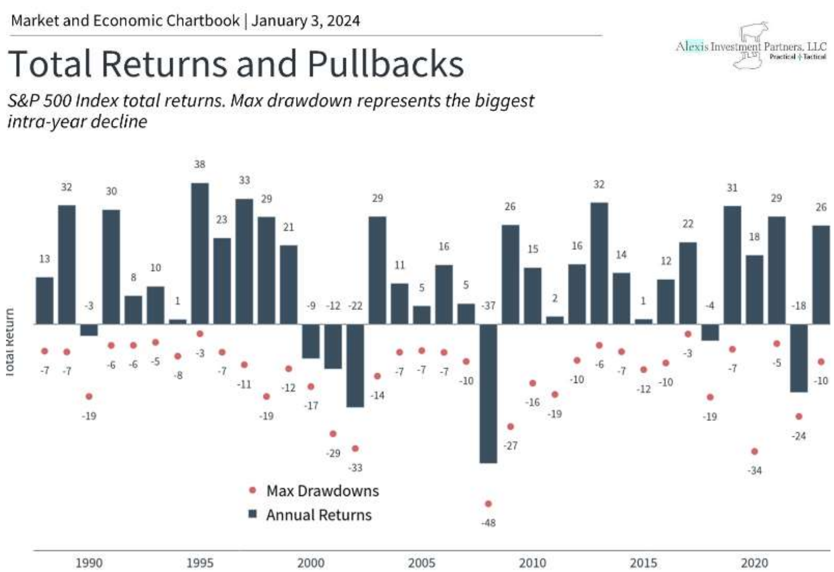
Portfolios are based on client needs, goals, and preferences.

Update, Observations, Indicators and Outlook:

In terms of our Market Pulse (right), **the Bull Market case has strengthened.** In bull markets, we anticipate and manage pullbacks and corrections, but our focus is to participate in the growth potential of various investment that trend higher.

We don't make money avoiding risk – we manage risk, so we have the confidence and capital to make and maintain prudent long-term investments in securities that are inherently volatile and through environments that are uncertain and sometimes uncomfortable.

Our outlook for 2024 is generally optimistic, despite the many known concerns and likely contensious election. The chart below reminds us to expect some bumps in the road.



We continue to stress vigilance with respect to keeping your information secure. We have seen a surge of phishing email activity and have known people who have fallen victim to fraud and in some cases faced significant losses.

Just last month, a client got a call from someone claiming to be working for Schwab when he attempted to log into his account. Fortunately, we spoke soon after and I was able to detect that the call was fraudulent. We immediately called Schwab to safeguard his accounts and **the attack was unsuccessful, but very sophisticated.**

We wish you a happy and prosperous 2024 and appreciate the opportunity to manage your investments and help you clarify, plan for and achieve your long and short-term goals and needs. We encourage regular dialogue and hope to talk soon.

Market Pulse:

We try to avoid jargon, but a few terms are helpful when describing financial conditions.

Bull Market: markets trending up (making higher highs on rallies and higher lows in periods of decline). **We can expect periodic pullbacks and corrections, but these should be relatively short and shallow – followed by resumption of the up-trend.**

Consolidation: after a period of strong gains or steep declines sometimes markets become range bound, moving up and down by 3-5% over several weeks. After consolidation, the prior trend resumes.

Pullback: a decline of 3-5% that generally happens at least twice per year. Pullbacks often resolve within a few weeks.

Correction: a decline of 5% to 10% that typically happens once per year. Like pullbacks, markets recover quickly after corrections, generally within 3-6 months. **The 2023 Sept/Oct correction is over.**

Bear Market: a decline of 20% or more. Many bear markets are fully recovered within 18-24 months, but severe bear markets like 2000-2003 and 2007-2009 can take 5-7 years or longer to recover from. **The October lows marked the trough of the 2022 Bear Market.**

Bottoming Process: After a correction or bear market, stocks often bounce and re-test lows multiple times before recovery.

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Closing Comments:

Several clients have recently been speaking with friends who are looking to make a change either because they are nearing a life transition or have been unhappy with their current advisor.

We appreciate your referrals and are pleased that our company continues to enjoy steady growth. Our focus is always on providing exceptional service and performance and we are very grateful for your confidence and support!

Although our focus is on financial planning and investments, we also have relationships and resources to help with life and LTC insurance and annuities.

Jason acts as a 3(38) Fiduciary Advisor to 401k plans and has been able to help several small business owners reduce costs, significantly improve their plans and offload some of their liability as plan sponsors while creating a better experience for employees.

Please call and/or email me personally for most of your account servicing needs and especially when you have questions or concerns.

Disclosures

This material is for informational purposes only. Statements of future expectations, estimates, projections, and other forward-looking statements are based on available information and Jason Browne's view as of the time of these statements. Accordingly, such statements are inherently speculative as they are based on assumptions that may involve known and unknown risks and uncertainties.

Past performance is not indicative of future results. No investment is risk-free. Therefore, different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product (including the investments and/or investment strategies recommended or undertaken by Alexis Investment Partners, LLC) will be profitable, equal any corresponding indicated historical performance level(s), be suitable for your portfolio or individual situation, or prove successful. Due to various factors, including changing market conditions and/or applicable laws, the content may no longer be reflective of current opinions or positions. Moreover, you should not assume that any discussion or information contained in this newsletter serves as the receipt of, or as a substitute for, personalized investment advice from Alexis Investment Partners, LLC. Please remember to contact us if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Mutual funds and other securities may distribute taxable dividends and capital gains to investors. Taxes on such items can affect the returns realized from such investment income received from certain investments may be subject to the Alternative Minimum Tax (AMT). Please consult with your tax advisor before making any investment and consider the effect that taxes may have on returns.

Rebalancing assets in a portfolio can have tax consequences. Selling assets in a taxable account may result in a taxable gain. Alexis Investment Partners, LLC. is neither a law firm nor a certified public accounting firm and no portion of this newsletter should be construed as legal or accounting advice.

AIP Composite Performance is calculated by Black Diamond based on the performance of all discretionary managed accounts with a Growth and Income objective that are assigned a 70/30 benchmark. Performance is net of all fees and expenses. From April 30, 2019, until Alexis Investment Partners, LLC registered with the SEC as an investment advisory firm in May 2021, Jason Browne offered advisory services using Alexis Investment Partners, LLC as a trade name through Sowell Management, LLC an SEC Registered Investment Adviser. Alexis Investment Partners, LLC and Sowell Management, LLC are independently owned and operated.

Alexis Investment Partners, LLC. does not guarantee performance for any investment recommendation. Investors should consider investment objectives, risks, charges, and expenses before investing. Funds are selected for clients based on their individual goals and preferences and therefore some of the funds discussed in this newsletter may not be held in your portfolio.

Advisory services are offered through Alexis Investment Partners, LLC; an investment advisory firm registered with the Securities and Exchange Commission.