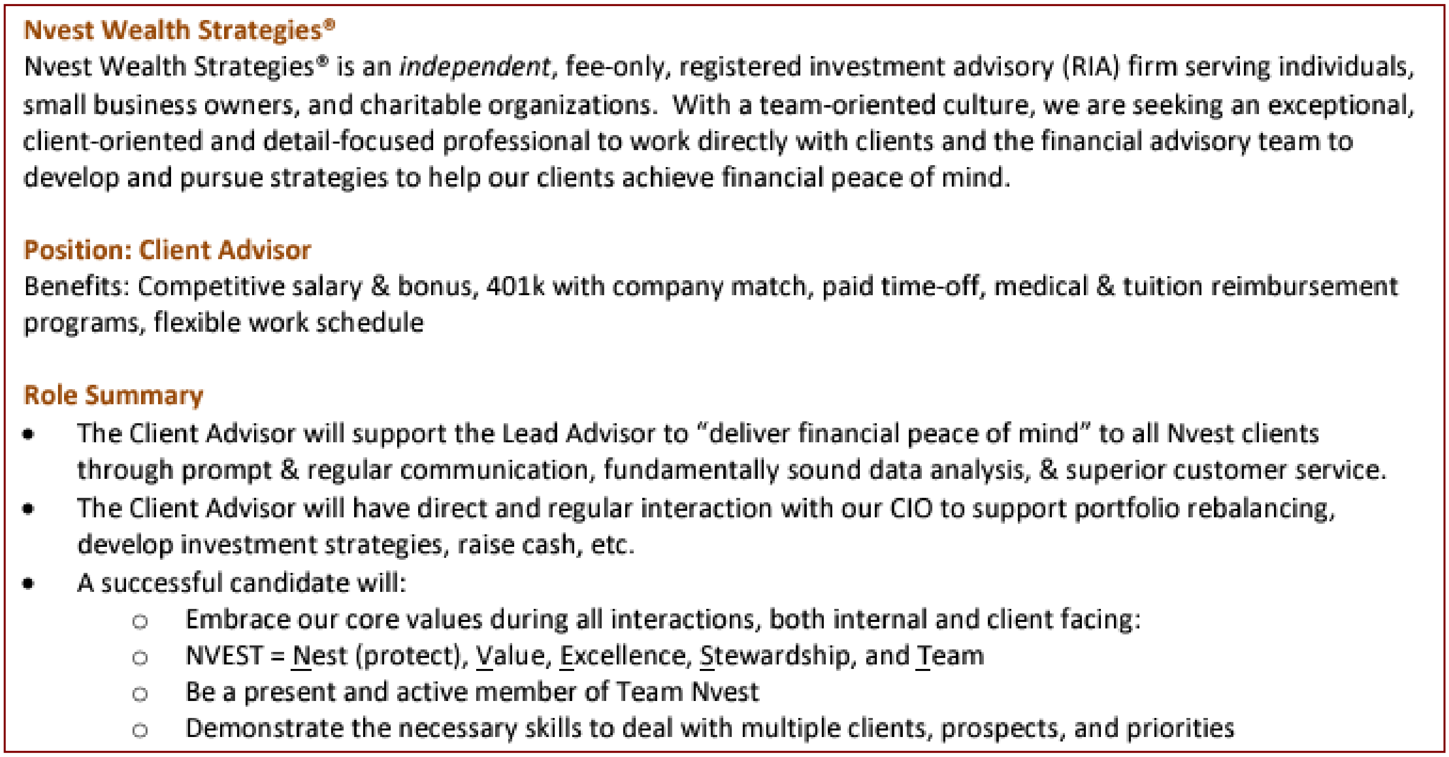
Nvest Engagement - August 8th 2024

Thank you for joining us today! We welcome your feedback following today's event. As always, we appreciate you trusting our team.

Nest	*protect & nurture*
Value	*exceed expectations*
Excellence	*in service, in detail, in results*
Stewardship	*always a fiduciary*
Team	*know every client*

We're hiring! Seeking to fill the position of Client Advisor. Please share our position profile with anyone you believe might be a good fit at Nvest as we seek to deliver financial peace of mind to our wonderful clients.



Nvest Wealth Strategies®

Nvest Wealth Strategies® is an *independent*, fee-only, registered investment advisory (RIA) firm serving individuals, small business owners, and charitable organizations. With a team-oriented culture, we are seeking an exceptional, client-oriented and detail-focused professional to work directly with clients and the financial advisory team to develop and pursue strategies to help our clients achieve financial peace of mind.

Position: Client Advisor

Benefits: Competitive salary & bonus, 401k with company match, paid time-off, medical & tuition reimbursement programs, flexible work schedule

Role Summary

- The Client Advisor will support the Lead Advisor to "deliver financial peace of mind" to all Nvest clients through prompt & regular communication, fundamentally sound data analysis, & superior customer service.
- The Client Advisor will have direct and regular interaction with our CIO to support portfolio rebalancing, develop investment strategies, raise cash, etc.
- A successful candidate will:
  - Embrace our core values during all interactions, both internal and client facing:
  - NVEST = Nest (protect), Value, Excellence, Stewardship, and Team
  - Be a present and active member of Team Nvest
  - Demonstrate the necessary skills to deal with multiple clients, prospects, and priorities

nvest
WEALTH STRATEGIES

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Monthly Commentary (July)

- Ever feel confused by highway signs, like this example: “Right Lane Must Turn Left.” Or how about “Entrance Only - Do Not Enter”. The same is often true with investing; for example, good economic news is sometimes viewed as bad by the markets and vice versa. For much of the last two years, soft or weak economic data was often viewed as good, but there are other times where bad news is bad (confusing?)

- **July was a dynamic month** – both in financial markets and world events. CPI declined, and economic growth appeared stable (good news implying Fed doing good job managing inflation without economic harm). The seemingly invincible Magnificent Seven (large-cap tech-titans and with heavy influence on S&P500 index), surrendered leadership to mid- and smaller-size companies, as well as more cyclically sensitive sectors such as industrials, financials, and homebuilders - encouraging signs of life!

Style	July	YTD
Small-Cap Stocks	+8.8%	+11.2%
Mid-Cap Stocks	+5.4%	+11.3%
Avg US Stock Fund	+4.8%	+13.6%
Foreign Stocks	+2.9%	+8.4%
Bloomberg Bond Idx	+2.3%	+1.6%
Large-Cap Stocks	+1.7%	+14.6%
S&P 500	*+1.2%*	*+16.7%*

  - Smaller companies tend to carry higher debt relative to their revenues, should benefit more from cuts. This could explain the shift in July from tech giants to mid- and smaller-size companies. But for these companies to durably lead, it takes more than rate cuts. Smaller companies perform best when the economy is stable and if it weakens too much their recent advance could be short lived.

  - From July 11 through month-end (20 days), more than 70% of S&P 500 companies outperformed the index, the highest rate since 2001 (!). Mega-size tech companies, which positively distorted performance for 2023 and most of 2024, lagged the rest of the market in July.

  - **Broadening participation** is encouraging; implying investors are either awakening to the idea that many tech-titans are priced for perfection and seeking to harvest some profits and redeploy proceeds in cheaper areas; and/or they anticipate that the worst of inflation is behind us, the Fed will soon ease interest rates, and earnings growth is set to broaden to a larger swath of the economy and market.

- **Bond funds also jumped** in recent weeks as market rates adjust lower ahead of any changes from the Fed.

- Market action in early August creates skepticism that rotation may be durable, but leadership observed in July aligns with our emphasis toward assets that are fairly priced relative to earnings and balance sheet strength; a better risk/reward investment profile.

- Election years typically positive but more volatile because markets dislike uncertainty. Historically, the strongest performance occurs in Q4 as the election outcome becomes clear. Remarkably, the financial markets did not seem as impacted by the events in July as one might anticipate. More political surprises are likely between now and November, and with those, increased volatility.

- The next few months carry a reputation for seasonal weakness (also in election years) and lower trading volume (amplifying news), but it is rare for the market to peak in July. Taken together, while the path may be bumpy, history suggests the market is likely to end the year higher than it is now.

Early August Update

- **Soft employment data arriving in early August fuels fresh concern that the Fed is now late and the economic soft-landing scenario is in jeopardy.** This data is cited as the reason for the swift decline in bond yields (10yr UST went from 4.2% down to as low as 3.7%) since last Wednesday’s (7/31) Fed decision to hold rates suggests 1) inflationary expectations are falling rapidly; 2) the US economy is deteriorating more than recent data suggests; and/or 3) the Fed Funds rate is too high and rates should be cut. Tensions in the middle east and political uncertainty seem to be creating a perfect storm and causing the yen carry trade to quickly unwind amplifying moves.

  - The “yen carry trade” is a strategy wherein an investor borrows in a place where the cost of money is low (interest rates in Japan were negative until April) and invests proceeds where rates or growth is higher. The strategy depends on borrowing remaining cheap, and low market volatility. US economic data and geopolitics are causing volatility to spike at the same time Japan’s currency becomes more expensive (it strengthened 7.5% over the last week as Japan hiked rates while most other central banks are cutting or set to begin soon).

- **With rates more normal, bonds are again acting as an important diversifier** and validate a buckets of time philosophy to asset allocation. Investors with time on their side can and should allow equity prices to recover, while those with a shorter time horizon can and should utilize bonds to fund short-term cash flow needs.

- **The VIX, a measure of market “fear” quickly spiked in the past week to a top decile reading**. Historically, forward performance from these conditions is attractive. In 2024, bumps have been scarce (unusually calm); the average intra-year drawdown over the last 80 years is –14%. In fact, the market experiences a mid-year decline of at least 5% or more, 9 out of 10 years and half of these exceed 10%. More normal volatility should probably be considered healthy vs. an environment where it is absent and encourages excessive risk taking and formation of bubble-like conditions. A little pain from time to time is preferable to smooth sailing. Bumps are NEVER fun, but are normal and should be expected as part of long-term investing.

- If the Fed begins bringing down rates, dividend-paying value stocks theoretically become prime beneficiaries. In general, stocks with balance sheets strong enough to pay dividends, provide yield PLUS appreciation opportunity. Portfolios would benefit from this.

- Market measures and technicians we respect believe we are **most likely experiencing a normal pullback within a longer-term uptrend.**