WINTER 2024

Quarterly Booklet

"And now we welcome the new year. Full of things that have never been."

- Poet Rainer Maria Rilke

ONE DAY IN JULY

Winter 2024

Issue XXVI

A Note from our Founder

Investing can be fun, but it can also create anxiety. To counter this, we go to our ancient friends the Stoics. Much of investing is outside the investor's circle of influence. Therefore, the Stoics taught, there is no purpose in worrying about it or spending time thinking about it. Ruminating about important things over which you have no control is a recipe for unease.

Instead, as investors we must focus only on what can be controlled. Take it from Epictetus (born AD 55) regarding what will happen if you don't:

"You will lament, you will be disturbed, and you will find fault both with gods and men." – From Enchiridion manual of Stoic advice, compiled by Arrian

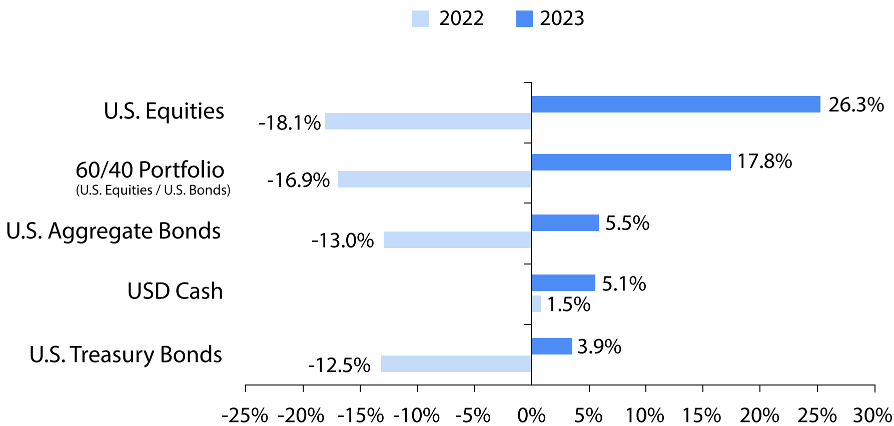
Keep this in mind throughout 2024. If the investing year resembles the past three years, there will be difficult points. The political year is going to upset many people. Remember to spend your time thinking about what is in your immediate control.

~ **Dan Cunningham**
Founder, One Day In July

Year in Review

Before we contemplate what the new year will bring, let's reflect on 2023. We begin 2024 in a markedly different place than the prior year. Thankfully, much of the losses experienced since the S&P 500's all-time high in January 2022 were reversed in 2023. After a period of heightened volatility as the Federal Reserve battled to rein in inflation, the bond market has also finally begun to normalize.

Total Return, 2022 vs. 2023 USD %

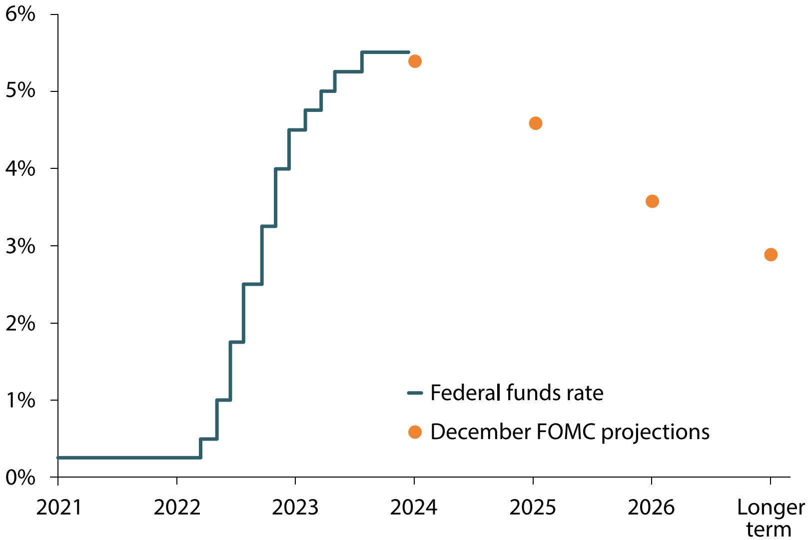


Source for data: Ycharts.com. Note: Total Return is the change in price over time including any applicable dividends and distributions. U.S. Equities represented by S&P 500 Index, U.S. Treasury Bonds by ICE US Treasury Core Bond Index (1-30 year Treasury bonds), 60/40 Portfolio by 60% Dow Jones U.S. Total Stock Market Index and 40% Bloomberg U.S. Aggregate Bond Index, U.S. Aggregate Bonds by Bloomberg U.S. Aggregate Bond Index, and USD Cash by Bloomberg U.S. Treasury Bills (1-3M) Index. Past performance is no guarantee of future results. It is not possible to invest directly in an index.

An End to Rate Hikes?

Many investors spent 2023 bracing for a recession, the probable outcome predicted by numerous CEOs and economists as a result of the aggressive streak of rate hikes intended to bring down the overall price level. Partly thanks to a stubbornly healthy labor force and a resilient consumer base, it now looks more likely that the Federal Open Market Committee (FOMC) has achieved its goal of a proverbial "soft landing" for the economy. At their latest policy meeting in mid-December, the Federal Reserve held the federal funds rate flat and signaled an aggregate 0.75% reduction in rates throughout 2024.

Fed Funds Policy Rate & Median FOMC Dot Projections



Source: Federal Reserve, Bloomberg Finance L.P. Data as of December 14, 2023.

Implications for Investors

Cash loses its luster. As the Federal Reserve lowers the target federal funds rate, we expect yields on cash-like products, like money market notes and certificates of deposit, to lose some of their allure. This shift may happen quickly, so it's important to make sure your portfolio is properly positioned.

Bonds offer more competitive returns. Bond yields remain elevated. Investors should consider locking in attractive bond yields while they are still available. As rates drop, we expect an increase in the opportunity cost of holding extra cash instead.

Stocks may move higher. With inflation trending down without a prolonged slowdown to the country's economic engine, there is reason to expect growth in corporate earnings, helped along by lower rates. This should result in stock prices moving higher, all other things being equal.

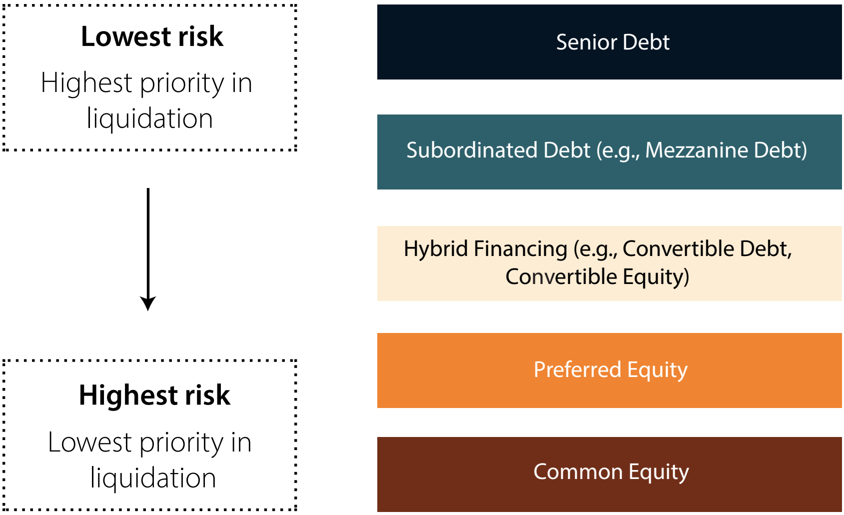
Stocks vs. Bonds: An Explainer

Stocks and bonds are the basic building blocks for a securities portfolio, and yet many investors do not understand the differences between these two financial instruments.

Stocks represent a slice of ownership in a company. When you purchase stock, you benefit when the company does well, which is reflected in the rising share price. This capital appreciation is one of the primary mechanisms for investors to build wealth. Certain companies also allow stockholders to share in the company's profits through the distribution of dividend payments. While stocks have seemingly unlimited potential for price appreciation, they are subject to volatile price swings and can lose value quickly. To offset that risk, investors commonly add bonds to their portfolios.

Bonds still carry various types of risk, but they provide more safety and certainty relative to stocks. When you buy a bond, you are essentially making a loan to a company or government in exchange for periodic interest payments. While the price of a bond over its lifetime does tend to fluctuate, bondholders are primarily seeking consistent income from their investments rather than the capital appreciation sought after by stockholders.

Generally speaking, bondholders can expect to get their principal investment back once the bond reaches maturity (depending on the credit quality of the bond issuer, among other factors). On the other hand, stock investors have a greater probability of losing their initial investments. In the event of a bankruptcy, bondholders will be repaid prior to common stock shareholders.



It's worth noting that a share of an equity index fund acts as a basket of individual stocks. If a single firm in the fund fails, the negative impact to the index fund investor is significantly more diluted than it is for the individual stockholder.

> "The new year stands before us, like a chapter in a book, waiting to be written. We can help write that story by setting goals."
>
> **MELODY BEATTIE** | AMERICAN AUTHOR

Five Simple Resolutions for 2024

A new year brings new opportunities and challenges. It's a great time to establish some goals for the coming months. We've put together a short list of objectives to help keep you on track.

1 **Pay yourself first.** A great strategy to boost your savings and investments is to commit to paying yourself first. This is the concept of automatically deducting a portion of your paycheck to contribute to an investment account. Many people do this already in their retirement accounts, but you can also engage in this practice for your brokerage account to help fund nearer-term goals. This way at least some of the income that's left over after you cover your essential expenses has a chance to compound and grow.

2

Review your account beneficiaries. Designating beneficiaries helps keep your assets out of probate. You should update your beneficiaries when you experience any family changes, such as marriage, divorce, the birth of a child or grandchild, or the loss of a beneficiary. Adding or changing beneficiaries on your Schwab account is simple.

3

Name a trusted contact for your investment accounts. People get sick, accidents happen, and accounts get hacked. Plan for the unexpected. A trusted contact is someone Schwab or One Day In July can contact if you can't be reached or if we suspect you are a victim of fraud or financial exploitation. Having a trusted contact on file helps us act more efficiently and effectively when it comes to protecting your accounts.

4

Establish or review your will. A poorly-written or out-of-date will can result in extra expense and complexity for your beneficiaries. Take the time to ensure this important estate planning document reflects your wishes and set yourself a reminder to review it regularly going forward.

"It's no wonder that, as brilliant research by the psychologist Paul Andreassen showed many years ago, people who receive frequent news updates on their investments earn lower returns than those who get no news. It's also no wonder that the media has ignored those findings."

JASON ZWEIG | WALL STREET JOURNAL COLUMNIST

5

Tune out financial news media. Don't let the news lead you to make behavioral errors in your portfolio. Financial pundits are great at triggering investor anxiety or convincing you that you are missing out on the next great trade. Avoid dwelling on short-term trends and trying to time the markets. Focus on the dividends coming into your accounts and your long-term plan.

Source: wsj.com, "The Intelligent Investor: Saving Investors From Themselves." 2013 July 1

ONE DAY
IN JULY

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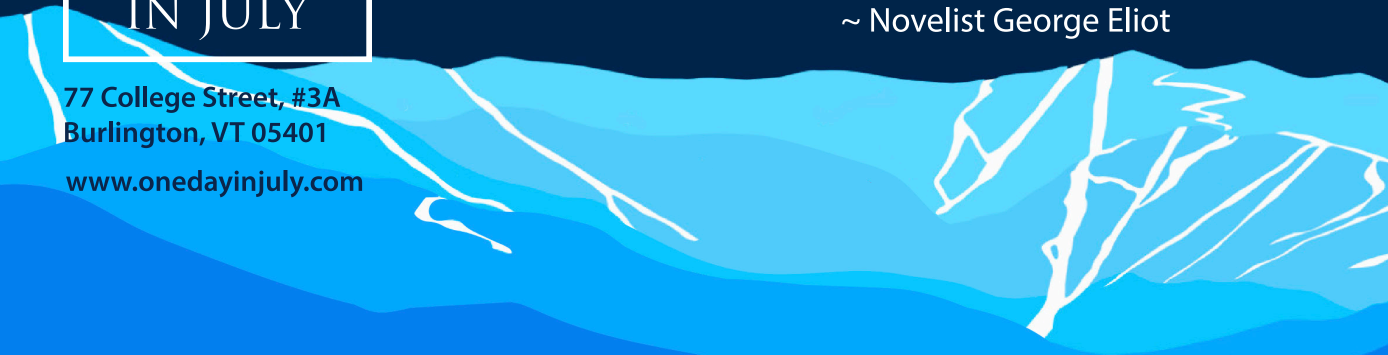
"It is never too late to be what you might have been."

~ Novelist George Eliot



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