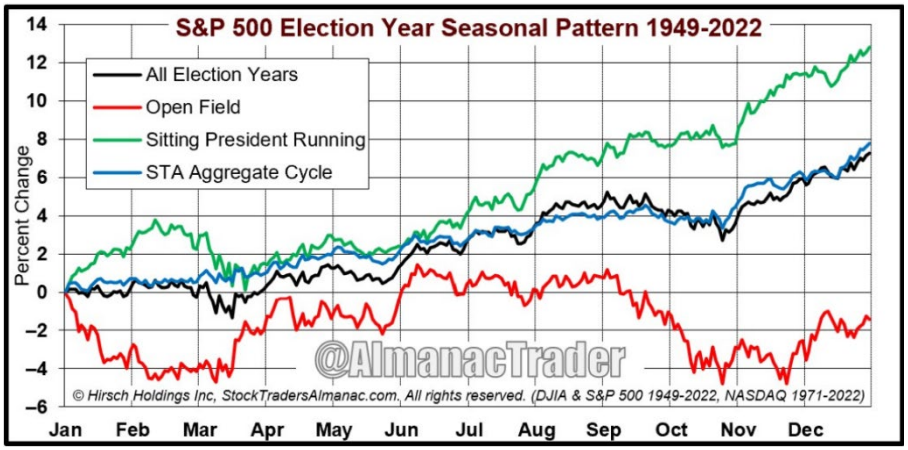
Allen R. Gillespie, CFA
Chief Investment Officer

SUMMARY

1. Great Presidential Election Year Starts
2. The Fly in the Ointment, Escalating Conflict
3. Political Prediction Markets

Great Presidential Election Year Starts

In our last Portfolio Commentary, we shared the *Stock Trader's Almanac* data regarding typical presidential election year patterns. At the time, we thought equity markets might follow an Open Field pattern, but we withheld judgement until after the first quarter of 2024. At this point, we believe it is fair to write that year-to-date equity market performance most closely resembles the "Sitting President Running" pattern. Equity markets stayed strong throughout the first quarter but experienced a large amount of weakness to begin April. The recent decline leaves equity markets just barely positive as of the time of this commentary. If the typical pattern holds, we expect to see a solid second half of the year following a few months of correction.



Source: Stocktradersalmanac.com

The Fly in the Ointment, Escalating Conflict

In a recent update, the *Stock Trader's Almanac* provided the following commentary related to the President Pattern:

"The top three years, where 2024's performance lies, show clear weakness in April and May with some additional weakness in Q3 or Q4. Additional gains over the last 9 Months of the year were limited in these top three years**. In 1956 the market was impacted by turmoil surrounding disputes regarding the Suez Canal and Hungarian Revolution**. In the other years the market suffered a soft patch or more at some point over the last 9 Months of these years. All but 1956 finished the year higher than the close of Q1."

We found the comments regarding the 1956 equity market performance interesting given that the market has declined sharply due to concerns about the escalating conflicts between Israel and Iran and between the Ukraine and Russia.

Great Election Year Starts
S&P 500 Since 1950 By Election Year Q1 Performance

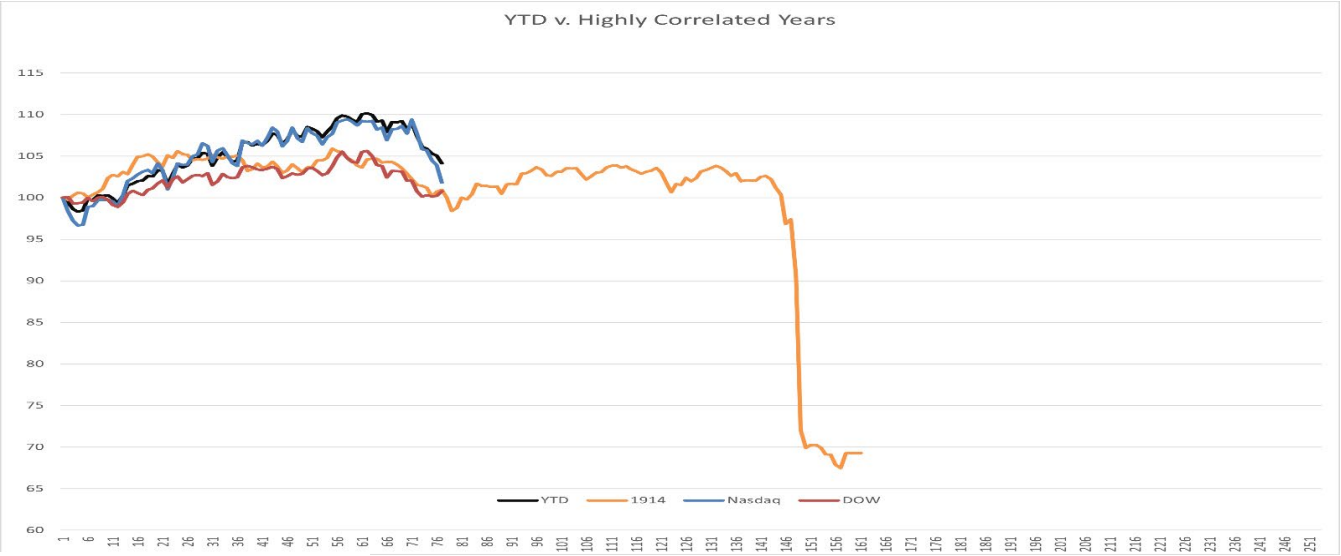
Year	Q1	Apr	May	Q2	Q3	Q4	Last 9 Mos	Full Year
1976	13.9%	−1.1%	−1.4%	1.5%	0.9%	2.1%	4.6%	19.1%
2012	12.0%	−0.8%	−6.3%	−3.3%	5.8%	−1.0%	1.3%	13.4%
1956	6.6%	−0.2%	−6.6%	−3.1%	−3.4%	2.9%	−3.7%	2.6%
1964	5.3%	0.6%	1.2%	3.4%	3.0%	0.7%	7.3%	13.0%
1972	5.0%	0.4%	1.7%	−0.1%	3.2%	6.8%	10.1%	15.6%
1996	4.8%	1.3%	2.3%	3.9%	2.5%	7.8%	14.8%	20.3%
1988	4.8%	0.9%	0.3%	5.6%	−0.6%	2.1%	7.3%	12.4%
Average:	**7.5%**	**0.2%**	**−1.3%**	**1.1%**	**1.6%**	**3.1%**	**5.9%**	**13.8%**
Median:	**5.3%**	**0.4%**	**0.3%**	**1.5%**	**2.5%**	**2.1%**	**7.3%**	**13.4%**
# Up:	**7**	**4**	**4**	**4**	**5**	**6**	**6**	**7**
#Down:	**0**	**3**	**3**	**3**	**2**	**1**	**1**	**0**

Source: Stocktradersalmanac.com

The Fly in the Ointment, Escalating Conflict (continued)

Over 20 years ago, we built a database of all equity market years going back to 1896 and interest rate data going back to 1914 (one year after the Federal Reserve was started). The database allows us to run correlations between the current market year and all prior market years to find similar sets. We are strong believers that anything that *can* happen in markets *has* happened in markets. After all, markets really can only do three things: go up, go down, or trade within a narrow range.

At any given moment, one typically finds multiple years that exhibit similar patterns, because most years are about average. Occasionally, however, the correlation work does force one to consider the potential outliers. Unfortunately, as of April 19, this year's correlation pattern just crossed above our threshold value for similarity with 1914. Now, a word of caution about how to consider such data. The full set of data contains 127 years of trading history. We also know there have been two world wars in that time. Thus, on a random basis, one might put the probability of global conflict at 2 out of 127 or 1.5% in any given year. When limiting consideration to only market years that are showing a high correlation to 2024's trading pattern, however, the universe drops to 10 years out of those 127. As a result, our interpretation is that the markets have increased the odds of a broader conflict from 1.5% to 10%.



Source: FinTrust and SPIndices.com

Political Prediction Markets

Prediction markets are betting proposition and information markets for future events. Due to the vagaries of gambling laws and electoral rules, there are a many academic papers on the topic which address accuracy and the necessary conditions for political markets, as they might behave differently than pure financial markets. For example, financial markets respond to money flows, and frequently those with larger dollars have more research information. Therefore, money flow can provide accurate assessments regarding expected probabilities. In financial markets, many investors generally believe the bond market provides more accurate predictions regarding economic outcomes because it is a more institutionalized market than the equity markets.

Political markets differ in that the rules are one person, one vote. As a result, the number of buys on one side of the market may be more indicative of the future outcome than the money. In fact, during the 2004 election cycle on the Tradesports presidential market, there was a point at which a large bettor had driven the probability of a Bush re-election to zero. Professor Robin Hansen at George Mason University has some interesting papers regarding the impact of market manipulators on prediction markets. He concludes a manipulator just increases the returns to informed traders.

In the United States, the Iowa Political Stock Market is the oldest political market, as it traces its history back to 1988. There are also many foreign sites, like Predictit (operated by Victoria University of Wellington in New Zealand) which offer proposition markets on U.S. political outcomes. Interestingly, this year on the stock market, Progressive Insurance (PGR), META Platforms, and Trump Media & Tech (DJT) are among the top performing stocks year-to-date, and News Corp and Tesla's stock are negative for the year. In fact, the *Wall Street Journal* just published "Elon Musk Lost Democrats on Telsa." It would appear to be a progressive response to Bud Light boycotts. Winning sectors year-to-date include artificial intelligence names, energy, gold, and utilities, while the most negative sectors include solar and biotechnology. Internationally, the Asia Pacific country stock markets are all down: Hong Kong, China, S. Korea, the Philippines, Singapore, Australia, and Indonesia, while Turkey and India are the leading markets.

Portfolio Outlook and Actions

Fixed Income

The yield curve has begun to move toward the normalization we expect in 2024. Escalating conflict has historically been inflationary, so it appears the market is starting to believe the Federal Reserve when it says, "higher for longer." We still expect investment grade corporate bonds to remain range bound this year. As of March, Moody's reports that BAA bonds (the low end of investment grade securities) yielded 5.75%. Over the last 100 years, corporate bond yields have averaged 6.8%, so fixed income market yields are now just lower than long-term data series. As a result, we believe fixed income investors should consider gradually increasing their investment grade credit exposure as the yield curve straightens itself out.

Equities

As mentioned in our last commentary, the Russell 2000 small cap index continues to follow a post recessionary playbook. In our last portfolio commentary we wrote, "we would also encourage patience as buying weakness v. chasing strength would appear appropriate given the election year uncertainty." Given the recent market sell-off, this would appear to have been the appropriate assessment. While we generally think stocks for the long run make sense here, the growing political risks make us somewhat more cautious than we would otherwise be given the current and expected economic data.

Thank you for the trust you have placed in us. As always, if you have further questions, please do not hesitate to contact your FinTrust investment advisor.

Sincerely,

Your FinTrust Investment Team

Key Index Performance (As of 3/31/24)

Index	QTD	YTD	12M
S&P 500 (Large Capitalization Equity)	10.56	10.56	29.88
S&P 400 (Midcap Equity)	9.95	9.95	23.33
S&P 600 (Small Cap Equity)	2.46	2.46	15.93
S&P 500 Growth Stocks	14.1	14.1	23.2
S&P 500 Value Stocks	8.1	8.1	25.6
S&P GSCI (Commodities)	4.92	4.92	4.29
S&P U.S. Aggregate Bond Index	-0.53	-0.53	2.64
Balanced Weighting (60/40)	6.55	6.55	18.98

S&P Sectors	QTD	YTD	12M
Energy	12.68	12.68	13.60
Utilities	3.59	3.59	-3.06
Consumer Staples	6.81	6.81	4.34
Health Care	8.40	8.40	14.12
Industrials	10.57	10.57	24.53
Materials	8.44	8.44	15.21
Financials	11.97	11.97	31.02
Real Estate	-1.36	-1.36	5.70
Information Technology	12.48	12.48	44.79
Communication Services	15.57	15.57	48.43
Consumer Discretionary	4.75	4.75	27.62

*Source: S&P Dow Jones Indices & Bloomberg