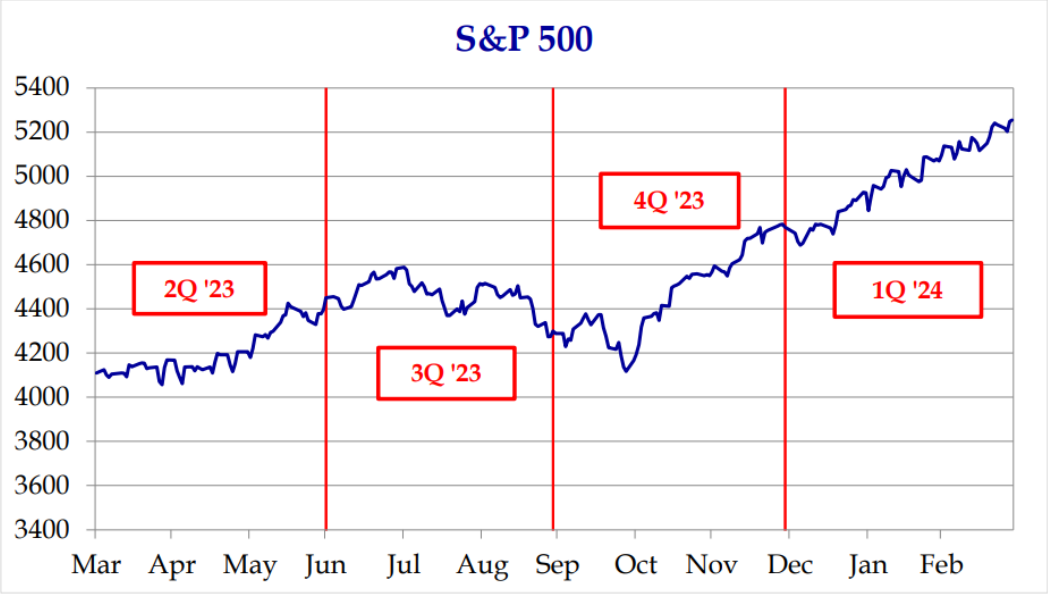
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Wealth Enhancement Group®
KINGS POINT TEAM

STRONG START TO THE YEAR AS BULL MARKET PARTICIPATION BROADENS OUT

Chart I



Source: Strategas Securities, LLC as of 3/31/2024

Recapping Q1: Market Advance Broadens Out

Q1 2024 continued the steady march higher from the lows of October 2023. As Chart I shows above, the market's climb maps a saw-tooth path upward and to the right. Beneath the surface of this advance we observed a very healthy sign—market breadth. Breadth or broadening out suggests a market that is in the early stages of an expansion period as market leaders begin to slow their pace of advance and other market sectors grab the baton to power the market forward. Chart II shows that sectors such as energy, financials, and industrials led the market advance in the first quarter, unlike last year which was dominated by the technology and consumer discretionary sectors. All but one S&P 500 sector saw positive returns in Q1, a sign of much broader participation than in 2023. Meanwhile the 'Magnificent 7' group of stocks did not continue their dramatic outperformance. Only four of these companies managed to perform better than the broader index and two of them have been losers so far this year. We believe this trend in increasing market breadth will benefit patient investors in carefully selected portfolios that restrain their exposure to higher valuation, mega-cap stocks.

Advisory services offered through Wealth Enhancement Advisory Services, LLC, a registered investment advisor and affiliate of Wealth Enhancement Group®.

Chart II

S&P 500 1Q Sector Performance Equal Weight	
Energy	12.5%
Industrials	10.7%
Financials	9.5%
Materials	8.0%
Technology	7.9%
C. Discretionary	7.4%
Healthcare	6.7%
C. Staples	4.9%
Communications	4.4%
Utilities	3.5%
Real Estate	-1.2%

Source: Strategas Securities, LLC as of 3/31/2024

Can the Market Hold these Gains? – Analyzing Three Key Factors

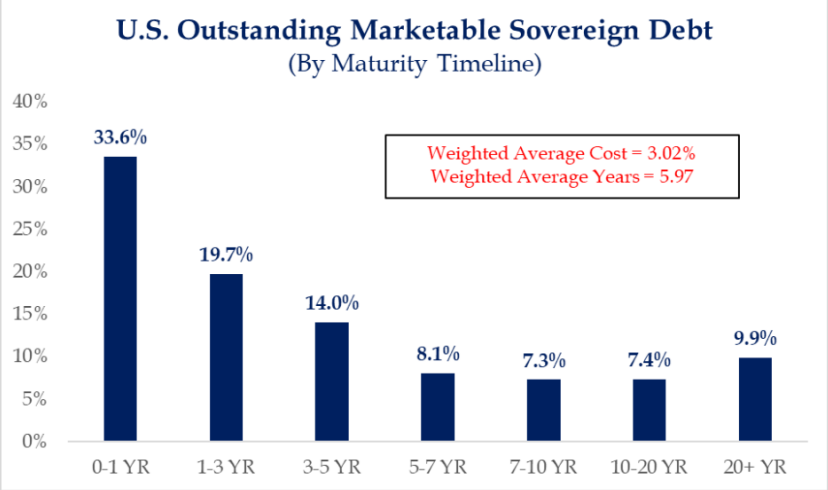
Historically, our framework for analyzing the health of a bull market focuses on three key legs of a stool that the Bull market thesis rests upon—Interest Rates, Corporate Profits, and Valuation. Let's look at each of these below to see how they might impact the market going forward.

Three Factors Affecting Bull Market Longevity		Market Impact
Interest Rates	Short-term rates are abnormally high as the Fed's inflation fight is finally showing progress. The forecast for six anticipated rate cuts in 2024 has now dwindled to two but we still believe the next move in interest rates will be lower.	Rates likely headed lower, supporting equity valuations, increasing investment, and pushing cash off the sidelines.
Corporate Profits	After zero profit growth in 2023, S&P 500 profits are forecasted to grow 11% and 13% in 2024 and 2025. Innovation in areas such as AI and GLP-1 drugs is causing earnings acceleration.	Corporate profits will continue to expand on the back of innovative technologies.
Valuation	Most valuation metrics show the market is over-valued based on historical norms, although this is much more relevant in the largest market cap companies.	Valuations are stretched, suggesting careful stock selection required.

What are We Worried About?

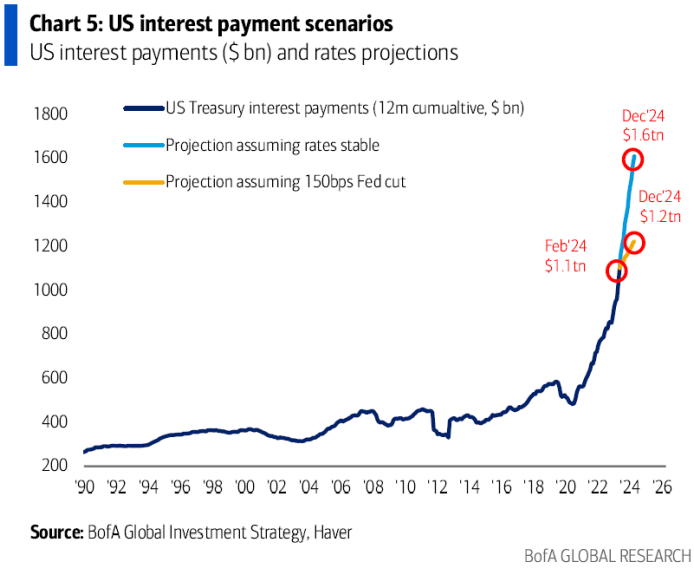
Geopolitical risks are ever-present, but the recent activity in the Middle East and ongoing war in Ukraine against the backdrop of rising tensions with China make us worry about the outlook for peaceful economic growth. Beyond that, we are growing concerned about the havoc that current interest rate levels would cause when the US Treasury is forced to refinance the large amount of debt maturities that are coming due in the next few years. Below, Chart IV shows that over 50% of the outstanding US debt matures in the next three years. Chart V, also below, shows the skyrocketing costs of interest payments the Treasury would have to pay if interest rates stay at current levels. Could this be why gold is rallying? Wouldn't this suggest that rates *have* to come down to save the US from financial peril?

Chart IV



Source: Strategas Securities, LLC as of 12/2/2023

Chart V



Source: Merrill Lynch "The Flow Show' as of 3/28/2024

AI: The Hype Is Real, but Maybe Not Why You Think

When most people think of AI, they might think of ChatGPT as a tool college kids use to write their papers. But we believe AI will be more impactful on the enterprise side, specifically in terms of expense reduction and productivity. One hedge fund manager said that AI can save their small firm $25 million in IT expenses per year. Healthcare companies like UnitedHealth are using it to automate the paperwork process for tens of thousands of clinical trials. Netflix, a new holding for us, can use it to quickly translate movies into dozens of languages. They are also able to digitally edit shows and movies in a fraction of the time (as opposed to having to reshoot scenes, for example). Coders will be able to do more with fewer resources, lowering labor costs for tech companies. Customer service expenses will be drastically reduced with the help of AI. Klarna, a private payments company, said that AI is doing the work of 700 customer service agents, handling 2/3rds of customer chats, and saving them approximately $40 million in profit per year. Amazon CEO Andy Jassy said that generative AI "may be the largest transformation since the cloud and perhaps since the Internet".

We expect several of our holdings to see increased profitability from the AI trend. Consultants like Gartner and Accenture help modernize companies and hold their hand through the AI implementation process. CDW sells the "picks and the shovels" or the tech hardware needed to use AI. As the largest renewable developer in the U.S., NextEra Energy stands to benefit from the increase in electricity production from AI. ASML helps create the advanced semiconductors that AI runs on. John Deere, a recent portfolio addition, is developing AI farming equipment to scan, detect, and spray weeds in real time. And of course, Microsoft and Google are the leading consumer-facing AI companies with their ChatGPT and Google Gemini platforms.

New Portfolio Additions

Novo Nordisk (NVO)

Novo Nordisk is a $570 billion market cap pharmaceutical company best known for their diabetes and obesity drugs. The Ozempic (diabetes) and Wegovy (anti-obesity) brands helped NVO achieve 54% global market share in GLP-1 medications and 33% market share in diabetes last year. They also sell 50% of the world's insulin and supply diabetes products to 40 million people. NVO is a high-quality company with a 14% revenue CAGR over 5 years, a 42% operating margin, 50%+ ROIC, and they generated $12 billion in free cash flow over the last 12 months. One of the reasons we bought NVO is because they are the clear leader in developing an oral pill version of GLP-1 medications. NVO's trials showed a ~16% weight loss in 1-year (nearly 50 pounds of weight-loss for a 300-pound person). We think there is a large market of potential users who would get on GLP-1 medications once a pill becomes available, and we expect NVO to launch their pill months if not years before competitors. NVO also has trials underway for potential other use-cases of anti-obesity drugs, such as heart benefits, sleep apnea, NASH liver disease, knee problems, and addiction issues.



John Deere (DE)

Deere is a $110+ billion market cap agricultural and heavy equipment manufacturer based out of Illinois. The company has the #1 market share in its core agricultural market (by a wide margin) and an exceptional management team. They have a "wide moat" given the strong brand, deeply loyal customer base (many with decades-long relationships), high switching costs, and high barriers to entry. Despite Deere's strong track record, shares were only trading at 13x earnings at our time of purchase due to concerns about a slowdown in the Ag market. We would also highlight Deere's AI capabilities. The company is the clear leader in Ag software, and it remains a long-term growth opportunity for the company. They also have a partnership with Elon Musk's Starlink to provide internet for rural farmers to help them use Deere's software.



Builders FirstSource (BLDR)

BLDR is a $23 billion market cap housing supply company selling various lumber and housing related products. They are the largest U.S. supplier of building products for professionals and have nearly 600 locations in 43 states. We purchased BLDR for three main reasons: (1) exceptional management team and track record, (2) secular tailwind from housing shortage, and (3) M&A synergies from strong acquisition strategy. The company should benefit from the secular increase in new home construction as housing-starts continue to grow driven by historic underbuilding and increased demand. BLDR's acquisition strategy involves buying many smaller market players and paying a substantial discount to what the company's shares are valued at. These accretive acquisitions give BLDR a long runway of growth opportunities.



Netflix Inc (NFLX)

Netflix is a $240 billion streaming service and production company. The company has over 250 million subscribers, a proven management team, and is seeing an inflection in profitability. The company's operating margin is up 5x since 2016 (from 4% to 21%). Part of that is due to economies of scale. Netflix's content spend has stayed relatively flat over the last 5 years while subscribers have nearly doubled. This has led to NFLX's content spend per subscriber falling by 40% over 5 years. We continue to see a long runway of growth ahead as Netflix has <10% of TV viewing in every country. Also, streaming only makes up 36% of US TV viewing but that is changing rapidly. Netflix's growing advertising business should help widen the funnel of potential users. Free cash flow has improved from -$3.3 billion in 2019 to $6.9 billion in 2023.

Kings Point Team Updates

The Kings Point team is proud to announce the recent addition of Nicole Webb to the team. As a frequent contributor to financial news media, she has become a respected name and voice within the industry. In addition to being quoted in The Wall Street Journal and The New York Times, she regularly appears as a guest on CNBC, Fox Business, and Bloomberg TV & Radio. Nicole joined Wealth Enhancement Group in 2003 and is a Certified Financial Planner. During her tenure with the firm, she has held leadership, technical roles, and advisory roles and led the firm's expansion into the Northeast by opening the New York City office. Nicole has been an active participant in WEG's investment committee, product committee, and advisory council. Nicole is now an active member of the Kings Point team's investment committee.

In other Kings Point news, we are also pleased to share the addition of Tim Insko to our team. Tim joined Wealth Enhancement in 2022 and serves as a portfolio manager. He brings over a decade of experience in securities valuation, special situations, equity and fixed income trading, and activist investing analysis. Prior to his portfolio management role at Wealth Enhancement, Tim was the head of research for Forensic Alpha, an independent equity research firm based in London, UK.

In addition to the exciting additions of Nicole and Tim, Jack Salzman and Jeff Bates have transitioned to serving as Strategic Advisors to the Kings Point team. We are grateful for their continued active support and involvement in the ongoing mission to provide the finest investment advisory experience to our clients. We are also pleased to share the news of expanded research capabilities through the Fundamental Research Group (FRG) at Wealth Enhancement. The FRG is a team of 16 research analysts and 5 market strategists that perform individual stock research and macro analysis. This further integration of the brightest minds from Wealth Enhancement's fundamental research group has added a valuable dimension to our research process. As we continue to blend the work of our own internal Kings Point investment committee with that of Wall Street's top sell-side analysts and the added support of FRG, we are seeing the benefits of our newly expanded analytical depth through the sharing of fresh perspectives and prolific idea generation.

This information is not intended as a recommendation. The opinions are subject to change at any time and no forecasts can be guaranteed. Investment decisions should always be made based on an investor's specific circumstances.

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