CALDWELL TRUST COMPANY

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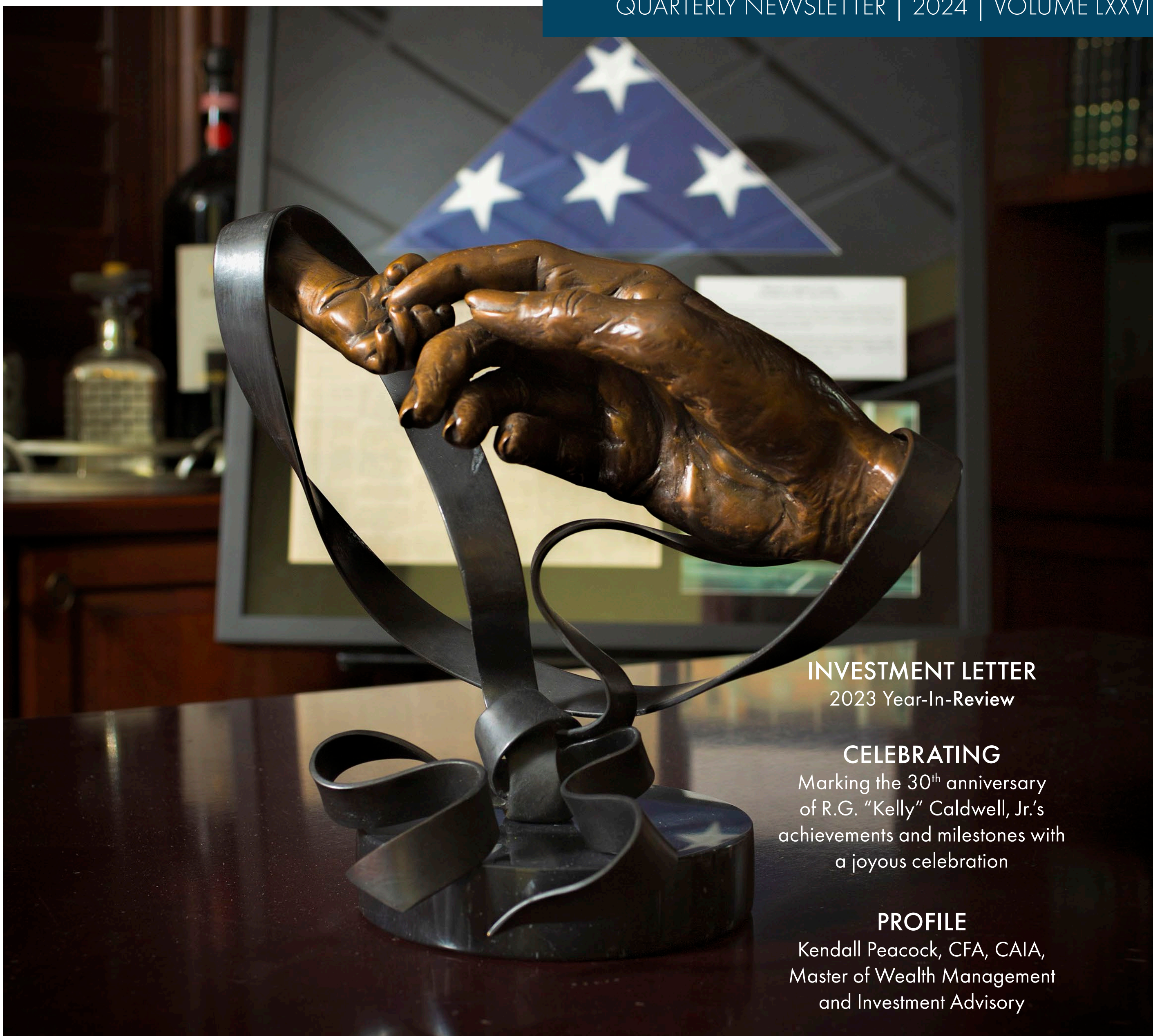


INVESTMENT LETTER

2023 Year-In-**Review**

CELEBRATING

Marking the 30th anniversary of R.G. "Kelly" Caldwell, Jr.'s achievements and milestones with a joyous celebration

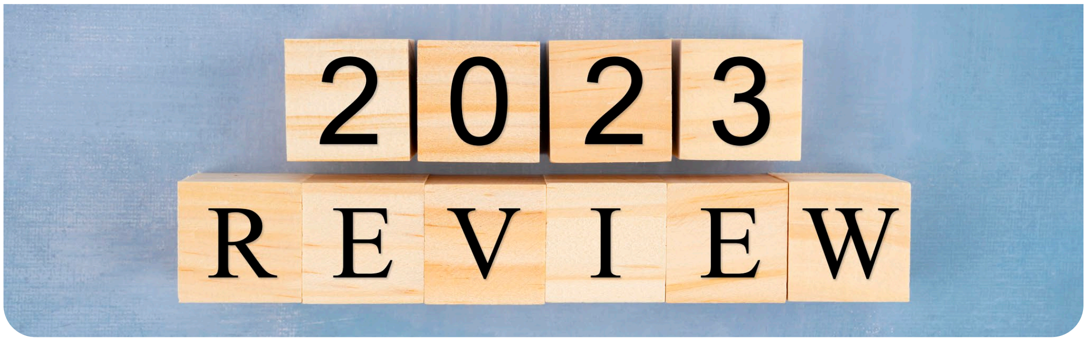
PROFILE

Kendall Peacock, CFA, CAIA, Master of Wealth Management and Investment Advisory

Building Wealth | Preserving Legacy

The Way It's Meant To Be

INVESTMENT LETTER | 2023 Year-In-Review



It is impossible to neatly summarize the remarkable year that just ended, but it can be seen as one of reversals, repeating themes, and receding recession fears. The first and welcome reversal was the stellar investment performance for 2023, which differed markedly from 2022, when both stocks and bonds suffered one of the worst years on record. Let us look back on the past year, then summarize the major themes and where we stand on the cusp of 2024.

JANUARY

- U.S. Treasury Secretary Janet Yellen warned Congress that the U.S. debt limit would be met within a week. "Certain extraordinary measures" allowed the U.S. to pay its bills for several more months, but the issue is still unresolved.
- China reported 2022 GDP growth of 3.0%, a sharp drop from 8.4% expansion in 2021.

FEBRUARY

- The first FOMC meeting of 2023 concluded on February 1st with a widely expected 0.25% increase in the fed funds rate to a range of 4.5% to 4.75%. Fed Chairman Jerome Powell reiterating his stance that "ongoing increases will be appropriate".
- An astonishing jobs report on February 3rd (showing 517,000 jobs added in January and the unemployment rate notching lower to 3.4%) marked the start of headwinds that would plague investors in the coming weeks and months. This ongoing tension between investors and the Fed drove much market activity in 2023.

MARCH

- In early March, rumblings of trouble at Silicon Valley Bank (the 16th largest U.S. bank at the time) escalated into a full-blown bank run. On Friday, March 10th, state, and federal regulators took over the bank's operations. Before the crisis was over, Signature Bank met the same fate and vulnerable First Republic Bank was ultimately acquired by JPMorgan Chase & Co. A related drama played out across the Atlantic, with the Swiss National Bank engineering a merger between troubled Credit Suisse and the more-stable UBS. The fear of 2008-style bank failures resulted in significant volatility for both stocks and bonds, but panic was short-lived.

APRIL

- By the end of April, stock returns were showing a wide dispersion. The thirty Dow Industrial stocks were up just under 3%, while the growth-focused Nasdaq had surged nearly 17%. This illustrated another major theme of 2023: the vast outperformance of the "Magnificent Seven" stocks. Amazon.com, Apple, Alphabet, Meta Platforms, Microsoft, Nvidia and Tesla were increasingly seen as the leaders in the application of Artificial Intelligence (AI). If indeed AI proves to be the next technology springboard bringing productivity and profitability gains to a broad swath of corporate America, these companies would deserve their lofty valuations.

MAY

- May brought Janet Yellen's January debt warning to the fore with a looming deadline in Washington, D.C. Negotiations – though no full resolutions – were completed over the Memorial Day weekend.

JUNE

- Bullish investors were bolstered by the passage of interim debt ceiling legislation as well as a well-telegraphed pause in the Fed's rate-hike cycle at their June meeting.

JULY

- Stocks simmered along with the record summer heat and the S&P 500 expanded the breadth of its gains. All eleven S&P 500 sectors notched gains in July, despite a widely expected rate hike announced by the Fed on July 26th. That hike, bringing the fed funds rate to 5.25% - 5.50%, would prove to be the last of 2023.

AUGUST

- Market losses began on August 1st when Fitch Ratings announced a downgrade of US Treasuries' credit rating from AAA to AA+. They continued when the August 10th CPI report showed an uptick in the all-items measure and the month ended with major U.S. stock indices giving back some of their year-to-date gains.

SEPTEMBER

- September came with striking actors and autoworkers, a hawkish outlook from the Federal Reserve, and a sharp jump in long-term Treasury yields. Work stoppages in myriad industries (entertainment, healthcare, hospitality, manufacturing, transportation) brought angst to investors as they attempted the quantify the implications for labor costs going forward. The United Auto Workers strike against the "big three" U.S. car manufacturers – initiated on September 14th -- was a prime example.
- The September FOMC meeting ended with the fed funds rate unchanged, which was almost universally expected. Less expected were the updates to the Summary of Economic Projections that quantified the Fed's mantra of "higher for longer".
- Political and geopolitical crises also kept market participants on edge. In Washington, DC, the concessions made to avoid a September 30th government shutdown cost Kevin McCarthy his House speakership. Investors had heightened concerns that a loss of confidence in U.S. governance would decrease the demand for U. S. Treasury securities and increase borrowing costs.

OCTOBER

- The specter of higher interest rates continued to haunt the equity markets in October. The 10-year Treasury yield rose further to 4.88% at month-end, including brief intraday trades above 5% late in the month.
- Hamas launched a surprise attack on Israel, igniting another global hotspot even as the Russia/Ukraine conflict ground on for its 20th month.

NOVEMBER

- After the markets' three-month slide, November provided another welcome reversal as hope emerged that we had seen the peak interest rates for this cycle. On November 1st, the U.S. Treasury announced a smaller-than-expected auction of new debt to meet government financing needs, supporting bond prices on relief that rates may not need to be raised to spur demand to absorb the new supply. Asset prices also rose on Fed-friendly softness in labor and inflation reports.

DECEMBER

- Companies reported profits for the third quarter that reversed a year-long "earnings recession". According to FactSet, the S&P 500 reported earnings growth of 4.9% for Q3 2023, marking "the first quarter of year-over-year earnings growth reported by the index since Q3 2022." Fourth quarter earnings are projected to grow 2.4%.

2023 IN SUMMARY

- The U.S. economy is remarkably resilient. Real GDP grew 2.0%, 2.1% and 4.9% in the first, second and third quarters, respectively. Fourth quarter estimates range from 2.0% to 2.5%.
- Consumer spending remains a large contributor to GDP.
- Jobs continue to be created, albeit at a slower pace.
- Modest average hourly earnings increases are unlikely to fuel wage-led inflation.
- Indeed, inflation is moving lower, although still above the Fed's long term target of 2.0%.
- The nascent AI realm appears able to emerge intact from turmoil on the scale of the Open AI/Altman/Microsoft saga.
- The fed funds rate has likely peaked, and the rate cycle will be lower from here.
- The 10-year Treasury yield was a major driver of market activity and had major swings but ended the year at 3.88%, essentially where it began.

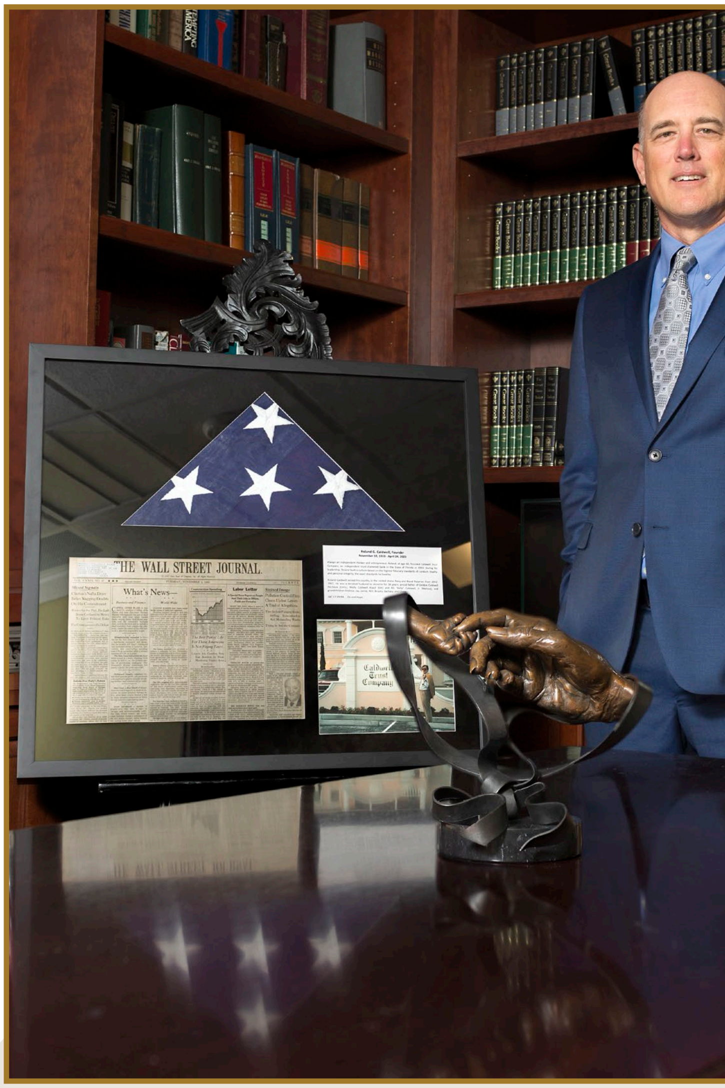
PRESENTED TO KELLY FROM CALDWELL TRUST DIRECTORS

Celebrating Kelly's 30th Anniversary!

To honor Kelly's outstanding leadership of over three decades, Caldwell Trust board members presented Kelly with a specially crafted bronze sculpture by Jamie Lee Sealander, a 2013 Ringling graduate. The sculpture artfully captures the image of an older woman's hand reaching out to an infant's hand, symbolizing the generational support provided to families by Caldwell Trust Company through their legacy and wealth planning services.

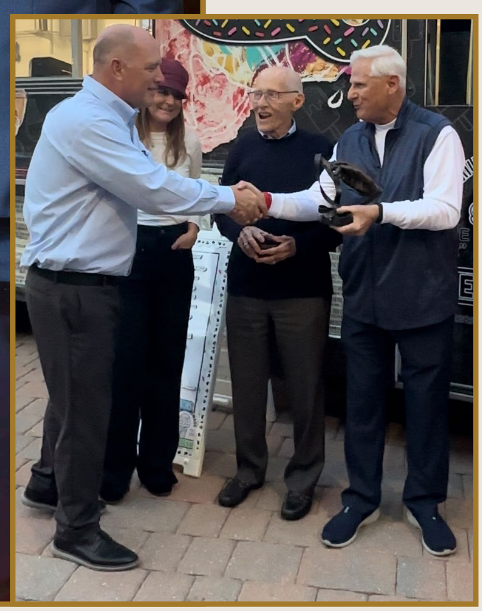
This unique gift is a testament to Kelly's exceptional leadership and caring commitment to clients and the community. Under his visionary guidance, Caldwell Trust Company has thrived as a trusted financial institution. It has become an integral part of the community fabric, contributing over $1.8 million to various causes in the area.

Mack Reid, one of our esteemed board members, captured it perfectly, stating, "Kelly's leadership has guided us in creating lasting legacies for our clients, and this artwork is a tangible representation of the impactful work we do."



LEFT: 30 Years of Leadership, R.G. "Kelly" Caldwell Jr, Caldwell Trust Company.

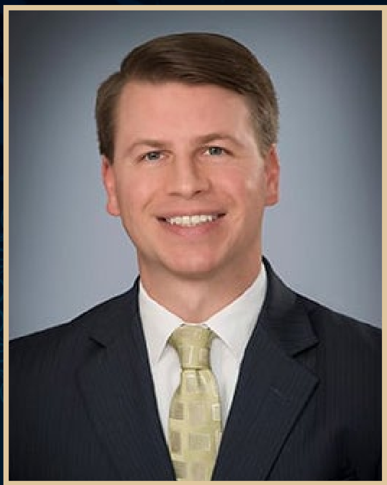
BELOW: Board member Mack Reid presented the bronze structure to Kelly Caldwell for his thirty years of leadership and service.



PROFILE

Kendall Peacock, CFA, CAIA

Master of Wealth Management and Investment Advisory



Kendall Peacock, CFA, CAIA, is a name associated with excellence in the realm of comprehensive wealth management and investment advisory services. As the Vice President and Senior Portfolio Manager based at Caldwell's downtown Sarasota office, Kendall's expertise benefits families, private trusts, businesses, and charitable organizations.

Kendall's journey to becoming a respected figure in the finance industry is marked by his dedication and years of service. Before joining Caldwell Trust Company, he dedicated fifteen years of his professional life as a portfolio manager, serving at financial institutions like Northern Trust and SunTrust. Prior to his venture into the world of finance, Kendall also spent several years in the technology industry, working as a consultant for large corporations and government agencies.

Education has always been a key element of Kendall's journey, and his academic achievements reflect his commitment to excellence. He earned his Bachelor of Science degree in Business Economics from the University of Louisville, graduating summa cum laude. This academic foundation became the bedrock for his subsequent accomplishments. Kendall completed the Florida Bankers Association Graduate Trust and Wealth Management School program, earning academic honors for his efforts.

Furthermore, Kendall has achieved the esteemed Chartered Financial Analyst (CFA) designation, establishing his credentials in the world of finance. He is a proud member of the CFA Institute, and his dedication to the profession is evident through his past role as the President of the CFA Society Tampa Bay. Additionally, he holds the Chartered Alternative Investment Analyst (CAIA) designation, showcasing his expertise in alternative investments.

Originally from Louisville, Kentucky, Kendall found his home in Sarasota in 2016. While his professional life thrives in the world of finance, he also knows how to savor life's pleasures in his free time. Golf and fishing are among his favorite pursuits, allowing him to enjoy the stunning landscapes and recreational opportunities that the Sarasota region offers.

Kendall Peacock, CFA, CAIA, is more than just a financial expert; he is a professional who combines his knowledge and experience to offer the best financial solutions to his clients. His journey is a testament to the spirit of excellence, and his passion for what he does shines through in his commitment to serving clients and his enjoyment of life's finer moments.

Supporting the Boys & Girls Clubs of Sarasota & DeSoto Counties Champions for Children event.

FROM LEFT TO RIGHT: Sonya Kristie, Salena Wilhoit, Milca Rivera with Kendall Peacock and Sheryl Vieira

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The Way It's Meant To Be

CHARTERED PRIVATE TRUSTEE
PROUDLY SERVING OUR COMMUNITY SINCE 1993

PROUD MEMBERS OF

Charlotte County Chamber of Commerce
Greater Sarasota Chamber of Commerce
Manatee Chamber of Commerce
North Port Chamber of Commerce
Venice Area Chamber of Commerce

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30 YEAR ANNIVERSARY

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