

Q4 2023







PROSPERO WEALTH
QUARTERLY
LETTER

JANUARY 24, 2024

Q4 2023 LETTER FROM PROSPERO WEALTH

2023 WRAP-UP (FROM THE LENS OF E/O JANUARY 2024)

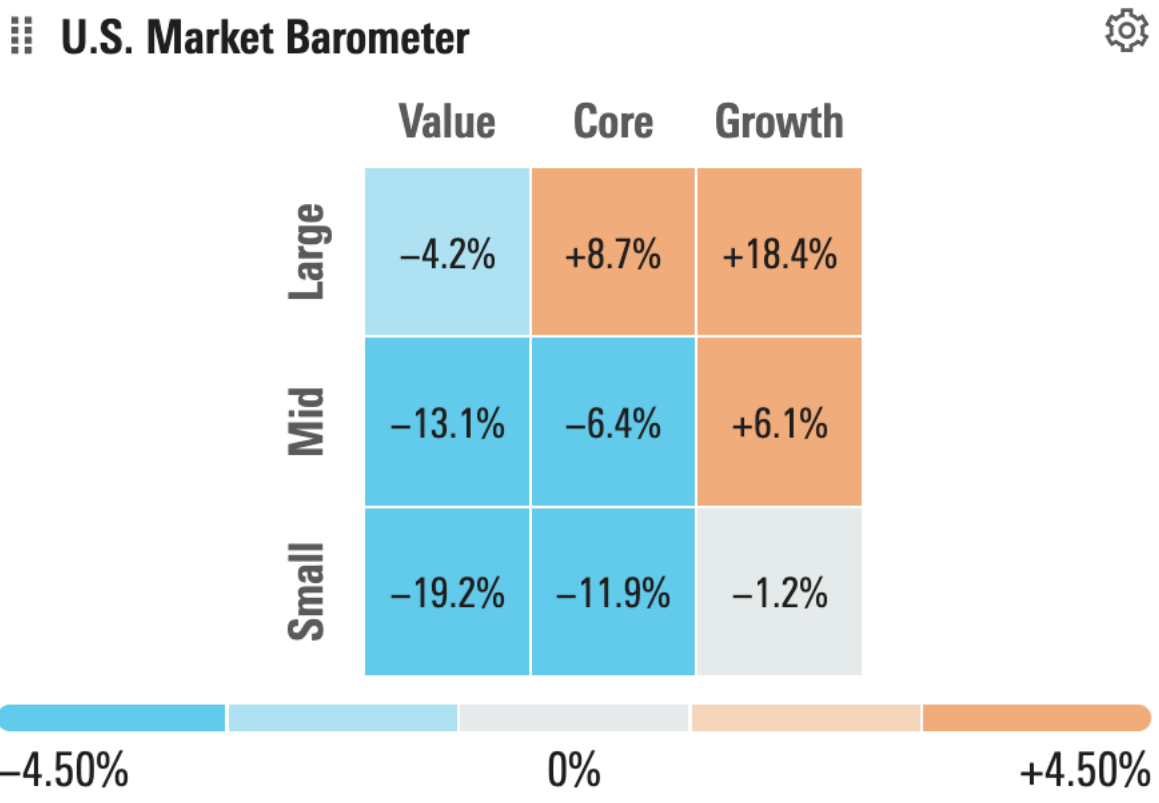
2023 was an amazing year in global markets, despite the pessimistic predictions coming out of 2022.

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
2023	STOCKS				BONDS	
	25.96%	17.94%	9.83%	10.23%	5.53%	8.32%
						
Since Jan. 2001						
Average Yearly Return	9.6%	6.6%	11.3%	9.2%	3.8%	3.8%
Best Year	33.6%	39.4%	78.5%	37.4%	10.3%	8.8%
	2013	2003	2009	2006	2002	2014
Worst Year	-37.3%	-43.6%	-53.3%	-45.7%	-13.0%	-9.8%
	2008	2008	2008	2008	2022	2022

In the US, Large Cap Growth, led by the Magnificent 7 of \$AMZN, \$AAPL, \$GOOGL, \$META, \$MSFT, \$NVDA, and \$TSLA, dominated by growing 42.68%. Value underperformed Growth and Small Caps underperformed Large Caps.

International (Developed and Emerging) posted positive growth, but still underperformed the US. Interestingly, Value outperformed Growth outside the US.

So that's weird, right? Large US-based Growth companies ran away with all of the growth and created a bubble. And that's what we see in valuations today (as of January 31st, 2024). Those of you who have met with me recently know that I love the US Market Barometer from Morningstar. Here is what it shows us today:



The numbers in the boxes do not reflect performance over any time period. The numbers instead reflect Morningstar's assessment of prices relative to what they see as fair value for the stocks in that category. That means they see Large Cap Growth as overvalued by 18.4% and Small Cap Value undervalued by -19.2%.

I look at the indicator several times a week and the current dispersion is as broad as I have seen it in a long while. For a sense of how extreme these numbers are, relative to historical norms, check out the scale along the bottom. The color gradient and scale are maxed out at 4.5% either way of fair value. All but two of the boxes in the chart are beyond those numbers, and at the extreme ends (Small Value to Large Growth) we see a 37.6% gap. That is wild.

Our core portfolio models and allocations skew towards the value and small sides of this chart (they also skew global which is not shown in the chart), so we like the way our core portfolios are positioned from here. We believe our core portfolio models will show more resilience than standard cap-weighted allocations (which are predominantly in the Magnificent 7) in any correction and that we should also see long-term outperformance from here. We could be wrong, but that's how we're positioned.

For those of you invested in one of our active growth strategies, we think this is also a good time to look at re-allocating some of those gains more defensively. We'll be looking at those allocations across strategies in Q1 on your behalf.

USING YOUR ADVISER. HELP ME, HELP YOU

In our industry, most people think of their financial adviser as their "investment person." In a small number of cases, they think of the adviser as their "financial plan person." Beyond that, they almost never think of the adviser as their "financial accountability partner" or as the first stop for broader "financial advice" or "financial coaching."

This is something we want to change. If you are one of our financial planning clients, you can probably use us for a lot more than you are.



Here are a few ways that some clients are utilizing our services:

- Strategic change to investment allocation based on client moving from the US to an EU country with drastically different investment taxation rules
- Screenshare of benefits enrollment with employer
- Job offer assessment and compensation proposal evaluation
- Navigating from owning two homes into a single home while in retirement (and not showing eligible income for traditional mortgages)
- Tax-efficient sale of securities to purchase a large boat for retirement
- Real-time assessment of financing his/her motorcycles while at the dealer
- Gaming out future IPO with vested RSUs and ISOs
- Locating legal referrals to help with elder care and Medicaid enrollment
- Advising individuals on withholding recommendations for a large tender offer

If it touches your finances, you are not alone. Email us. SMS us. Call us.

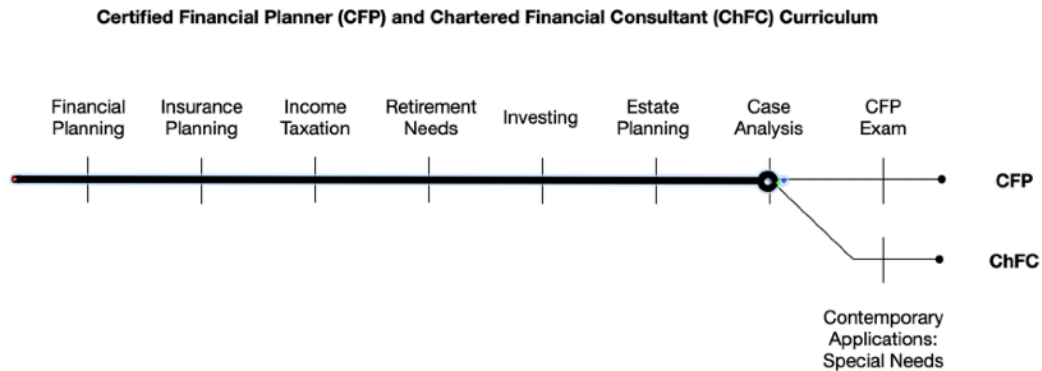
We love gaming things out with you and applying our experiences and capacity to learn. While it is impossible to be an expert in every financial niche, we generally know who to call or where to start digging, and we're happy to get into the heavy lifting on big decisions with you.

UPDATES AND NEW OFFERINGS

- 1. Our New Website** - We shipped our new website just a week or so ago. It's a huge improvement over what we had, with lots more FAQ content.
- 2. Growth Ahead** - While there is nothing to report just yet, it does look like we will be adding new advisor faces to Prospero Wealth in the near future (stay tuned). This is exciting on multiple fronts. We love the idea of having new colleagues that bring their own unique skills and capabilities to the company. We also love the idea that we can continually reinvest additional revenue back into improving our client experience. You should never expect us to sit still.

3. Certified Financial Planner (CFP) and Chartered Financial Consultant (ChFC)

Designations - I am in the final class of my CFP curriculum and have completed all the work hours required for the credential. My plan, as of right now, is to sit for the exam in November 2024. This will allow me time to refresh on all the material through a prep course and accommodate for an expected family vacation to Korea this summer. It's coming!



IN CONCLUSION

2023 was a monster year for Prospero Wealth and 2024 is off to an incredible start. Your referrals have allowed us to grow at an amazing rate and we hope you see the benefits of that in your overall experience. Thank you. Thank you. Thank you.

Until next time,