

A close-up photograph of a black and gold fountain pen tip resting on a financial document. The document contains various financial terms and numbers, including "MARKET - R", "May 26", "P/E", "Yield", and "11.9". The pen is positioned diagonally across the frame, with its tip pointing towards the bottom right.

STONEBRIDGE
Capital Advisors

Monthly Market Commentary

February 2024 Review

INTRODUCTION

As we near the end of the first quarter of 2024, our Director of Equity and Director of Fixed Income reflect on another month of trading, including market conditions and how this impacts Stonebridge's investment strategies.

Key Market Moves

Equity Market Moves

01/31/2024 - 02/29/2024

S&P 500:

4845.65 to 5096.27 (up 250.62)

Dow:

38150.30 to 38996.37 (up 846.07)

NASDAQ:

15164.01 to 16091.92 (up 927.91)

Fixed Income Market Moves

01/31/2024 - 02/29/2024

2-Year Treasury:

4.27% to 4.64% (up 37 bps)

10-Year Treasury:

3.99% to 4.25% (up 26 bps)

10-Year A-rated Corporate:

4.93% to 5.20% (up 27 bps)

10-Year AAA-rated Municipal:

2.38% to 2.46% (up 8 bps)

Equities

Stonebridge's equity investment style provides a method for growth and income generation. Within this style, we utilize three equity strategies to invest in industry-leading, domestic companies with solid fundamentals.

Principally, we focus on large-cap equities because they are more mature companies who offer attractive growth potential and generally experience lower volatility. Our equity strategies are designed to achieve varying client investment goals and risk tolerances.

We focus on top-down, bottom-up fundamental analysis to uncover optimal equity securities that align with an individual client's investment policy. Portfolios are primarily built through individual stocks with a focus on domestic, large-cap companies.

LARGE CAP GROWTH

est. January 2001

GROWTH & INCOME

est. March 2015

DIVIDEND INCOME

est. March 2011

Fixed Income

We maintain a conservative risk profile via a bottom-up security selection process. Fixed income portfolios are constructed through individual bonds with investment-grade ratings that are well-diversified across issuers and sectors.

Our fixed income investment style provides a method for principal protection, alongside liquidity and income needs through two strategies: Tax-Exempt and Taxable.

TAXABLE

est. December 1998

TAX-EXEMPT

est. June 1997



MARKET COMMENTARY

Equity Review

As we concluded earnings season, stocks across the board drifted up. Once again, the growth trend led the way. The Russell Growth Index nearly doubled the Russell Value Index 6.82% compared to 3.69%. Continued strong performance in the graphics processing space (NVDA) and Communications services (META) helped propel this outperformance.

As the Magnificent 7 get all the attention, and apparently much of the fund flow, this leaves 493 other companies in the S&P as potential attractive candidates for long term equity investors. While we are at or nearing all-time highs in many equity indices, 215 companies in the S&P500 are greater than 10% off from their 52-week highs. 142 companies are down more than 15% from their 52-week high. One must use caution, just because a stock is trading down is not a sufficient thesis for investing, typically the market prices companies with great accuracy.

However, the fact the index is at an all-time high with so many constituents down illustrates the narrow breadth of the market and potential opportunity for a sustained rally among the 'other' stocks in the market (i.e. non-Mag7). While I expect, or at least will not be surprised, to see the rally continue for the Mag 7, the opportunity in the rest of the market is starting to look more and more enticing.

Fixed Income Review

The US Treasury yield curve shifted higher again during the month, but a rising tide didn't lift all boats. Tax-exempt municipal bond yields fell precipitously into the last year-end and have so far failed to move much higher in sympathy with Treasuries.

That has left what was (for a time) a relatively attractive pocket of the bond market on a taxable equivalent basis, a tougher place to unearth value. It all comes down to supply and demand—the first of which has fallen far short of satisfying the available cash searching for tax-free income. This once again means investors need to be patient, but ready to act quickly when more appealing credits or structures pop up at advantageous prices.

Corporate bond rates, which are more sensitive to changes in Treasury yields, have given investors slightly better opportunities to lock in higher relative returns in the last month. We continue to target high quality companies' bonds around the 5% level while keeping maturity distributions moderate, under 7-8 years in most cases, where the bulk of the available yield is found.



How many millionaires do you know who have become wealthy by investing in savings accounts? I rest my case.

- Robert G. Allen



Disclosure: Advisory services offered through Stonebridge, an investment adviser registered with the U.S. Securities & Exchange Commission. The views expressed here reflect those of Stonebridge Capital Advisors as of 02/01/2024. They may change as economic fundamentals and market conditions change. This commentary is provided as a general source of information only and is not intended to provide investment advice for individual investor circumstances. Past performance does not guarantee future results.



ABOUT THE AUTHORS



Michael Dashner, CFA

Director of Equity, Portfolio Manager

As the firm's Director of Equity, Michael Dashner is responsible for trading, analysis, allocation, and management of the firm's equity strategies. As one of the portfolio managers on the investment management team, he works directly with clients and advisors to establish customized investment portfolios for high net worth clients.

Having earned his BA in Economics from the University of South Dakota in 2007 and his MBA from the University of South Dakota in 2009, Michael joined Stonebridge in 2009 as a portfolio manager. In 2014, Michael completed and received his CFA from the Chartered Financial Institute. He is also a member of the CFA Society of Minnesota, along with the Minnesota Society of Municipal Analysts.



Jon Lynn

Director of Fixed Income, Portfolio Manager

As the firm's Director of Fixed Income, one of the portfolio managers, and an owner of Stonebridge, Jon is responsible for leading the taxable and tax-exempt fixed-income team. As a member of the Stonebridge Investment Review Committee and Research Committee, he oversees credit analysis, trading, and portfolio management.

Having earned his BA from the University of North Dakota in 1999, Jon joined Stonebridge in 2006 as a senior analyst and portfolio manager. With almost 25 years of business and financial experience, Jon is also an active member of the National Federation of Municipal Analysts and previously served on the board of the Minnesota Society of Municipal Analysts.

