# KREITLER FINANCIAL INSIGHTS

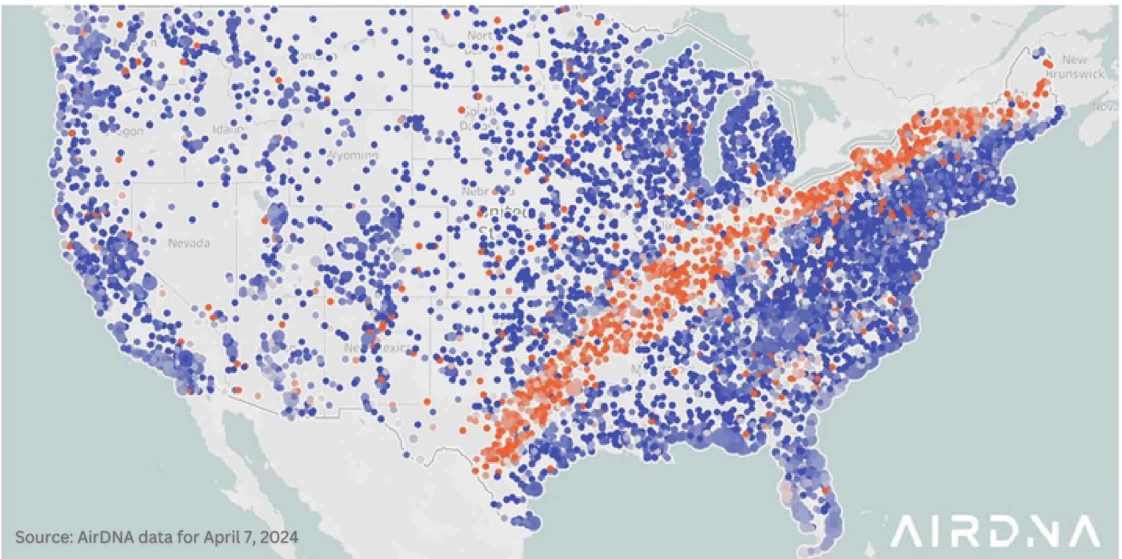
## INSIDE INSIGHTS



## ECLIPSE OCCUPANCY RATES BY CITY FOR AIRBNB

This data visualization shows occupancy rates for April 7, the night before the solar eclipse. Red indicates higher occupancy rates, blue indicates lower rates. The path of the total eclipse is clearly visible. According to AirDNA, Jefferson, VT, with 512 listings had the highest occupancy rate at 99.2%.

Viewing the 2024 Solar Eclipse Through a STR Lens: Trends and Takeaways (airdna.co)



# CHARLIE'S CORNER

We've reached the time of year when the sun regains its warmth, and it feels good to be outside. It's also a time of year that requires patience. As T.S. Elliot reminds us, **"April is the cruelest month."** Those beautiful spring flowers require rain showers and accompanying gray and gloomy days. Patience is required, indeed.

Markets continued to reward patient investors, following up their 2023 winning streak with a strong first quarter of 2024.

US large companies, as represented by the S&P 500, were up 10.6% (YCHARTS) for the quarter. Investors seem to have embraced the 'soft landing' narrative, in which the Federal Reserve manages Goldilocks "just right" rate hikes and quantitative tightening to cool inflation. We're reminded, however, that this was the same crowd that, for most of 2022 and 2023, seemed to repeat the mantra that a recession was six months ago. We take all of this into account with circumspection.

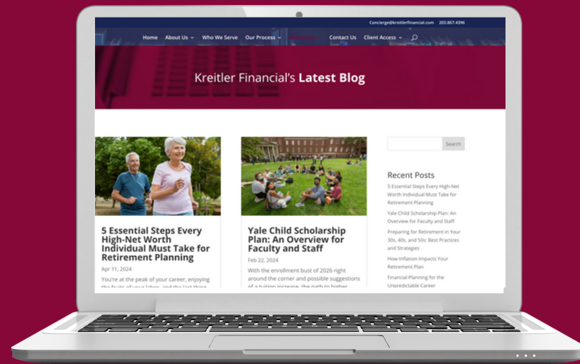
Inflation has come down, but not as quickly as many would like. We still hear a lot of pessimism on prices, though. When inflation goes down, prices don't come down; they just stop going up as fast. The world adjusts to the new level of prices, but perceptions may not adjust as quickly.

Prudent investing requires discipline through both good times and bad. The S&P 500 total return is up 39.6% from the end of 2022 to March 31, 2024 (YCHARTS), and investors who remained in the market after the very difficult 2022 have been rewarded. That disciplined approach also requires managing risk after such a strong run-up in the market.

Concentration within the stock market remains a concern, with 33.5% of the S&P 500 in just 10 companies (JPM GTM 2Q 2024). **Explore our "Why Price Matters" piece on page 4 for additional thoughts.**

# DON'T MISS OUT!

Did you know that Kreitler Financial shares invaluable insights through weekly articles? We offer detailed guidance on essential topics, including financial and retirement planning, as well as wealth management, aimed at strengthening and securing your financial future.

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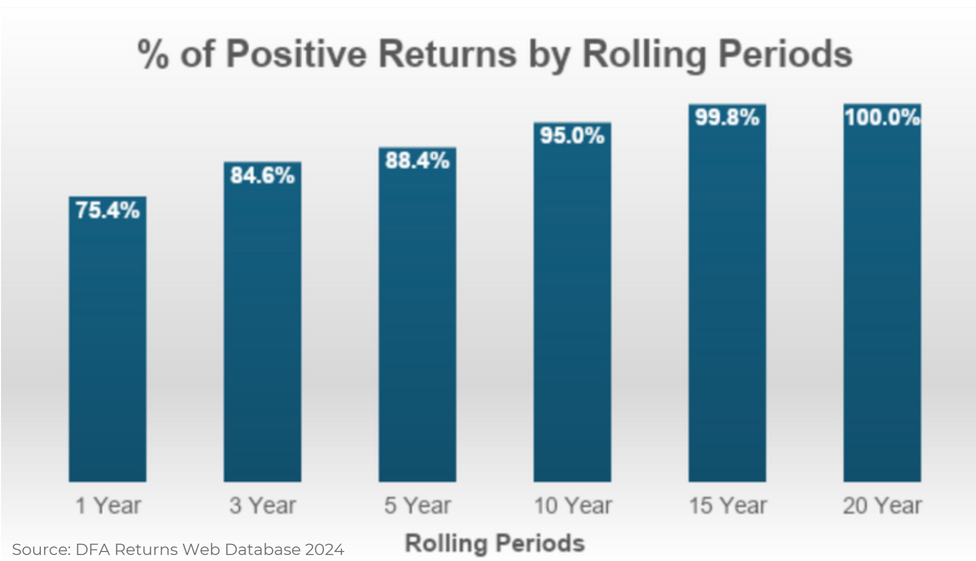


Source: DFA Returns Web Database 2024
Period: S&P 500 Returns January 1926-March 2024

# THE POWER OF TIME

We have a hard time thinking of a better case for long-term investors to own stocks than this chart.

Short-term investors should worry about making sure cash is available when they need it. This is why we advise clients not to invest that money when they know one of life's bills is coming due and to hold more conservative investments for their ongoing cash-flow needs.

For those willing to stay invested for ten years, the historical odds of making positive return was about 95% and a negative return was about 5%. Extend this to 15 years, and it becomes 99.8% for a positive return and 0.2% for a negative return. We're not gamblers, but those are pretty good odds and not one to bet against.

A diversified portfolio needs to have growth-oriented investments, such as stocks, to provide returns and attempt to stay ahead of inflation. It also needs more conservative assets to manage both expected and unexpected cash flow needs. We can help you design the right asset allocation for you.

# WHY PRICE MATTERS

Great companies may not be great investments if their prices are too high. We're reminded of this mantra by the stock market concentration in a few big tech companies.

Let's take a look at a well-known tech company that has become the darling of AI investor enthusiasts. Investors try to measure the relative value of one company stock against another by using the price-to-earnings (PE) ratio. PE divides the company's total value by the earnings (profits) the company generates. For example, a PE ratio of 20 implies that if I invested $100 in a company, my share of its profits was $5. That profit may be paid to me as a dividend or retained by the company to reinvest or buy back shares.

For simplicity, we'll compare this tech company to the S&P 500. As of March 31, 2024 (YCHARTS), the P/E of the tech company was 75.7 versus the S&P 500's 23.5 (YCHARTS). This means investors are paying three times more for the tech company's profits than they are for the entire market.

What about fast-growing companies? An investor can use Wall Street analyst's forecasts of future profits as an estimate of Forward PE. The forward P/E for this tech company was 36.42 vs 22.74 for the S&P 500 as of the end of March 2024 (YCHARTS). Forecasts are often wrong, in our experience, and investors are paying twice as much for this tech company's forecasted profits than the rest of the market.

This is not intended as a comment on a company's valuation or as an investment. Rather, it is a reminder that yesterday's top performers may not be today's best investments. An investment's momentum can go on for much longer than one expects, but the past is littered with manias that ended poorly. The price one pays for an investment is critical to long-term investor returns.

The future is unknowable, which is why we believe patient discipline and owning a diversified portfolio are two of the keys to long-term investor success. Broadly diversified investments can participate in some of the growth experienced by the top performers while also owning things that may perform better in other environments.

> ***A goal without a plan is just a wish.***
>
> **Antoine de Saint Exupéry**
> French aristocrat, pilot, and author

# MARKET COMMENTARY

The U.S. economy has held up much better than most anticipated amid the Federal Reserve's very aggressive monetary tightening.

A strong labor market, resilient consumer demand, and possible rate cuts on the horizon have fueled strong equity market returns for the start of 2024. The S&P 500 Index returned just over 10% in Q1 and set 22 new record highs in just three months (YCHARTS). International stocks trailed U.S. stocks, with the MSCI EAFE Index and MSCI Emerging Markets Index returning 5.9% and 2.4%, respectively, for the quarter ending March 31, 2024 (YCHARTS).

Bonds have struggled in early 2024 as strong economic data has changed expectations for interest rate cuts by the Federal Reserve. Repriced expectations of three interest rate cuts from six interest rate cuts were a drag on bond returns for the quarter. The Bloomberg US Aggregate Bond Index returned -0.8% for the quarter ending March 31, 2024 (YCHARTS). We believe bonds continue to have value, given their relatively high yields and the potential for interest rate cuts to generate additional positive returns from capital appreciation.

Substantial re-pricing has occurred in the private real estate market and continues to impact returns negatively. Private real estate, as measured by the NCREIF National Index, returned -2.2% for Q1 2024 (Envestnet Tamarac). The potential for interest rate cuts and a resilient economy may present opportunities for positive long-term returns in real estate.

Turning points in the economy and markets are impossible to time reliably. There continue to be risks, such as the negative effects of ballooning government debt and interest payments, geopolitical uncertainty, and an aging population. Upside from advances in computing, healthcare, and productivity may provide a catalyst for growth. Markets attempt to price in all known information, so the ‘surprises’ or new information cause market changes. While we remain long-term optimists, we also expect the inevitable market swings. We recommend that investors stay the course and remain invested in a diversified portfolio.

## Market Return as of March 31, 2024

| Asset Class | Index | Year to Date Total Returns |
|---|---|---|
| US Stocks | S&P 500 Total Return | 10.60% |
| | Russell 2000 | 5.20% |
| Foreign Stocks | MSCI Emerging Markets | 2.40% |
| | MSCI EAFE | 5.90% |
| US Bonds | Bloomberg US Aggregate | -0.80% |
| Private Real Estate | NCREIF-National Index** | -2.20% |
| | | |
| | Source YCharts Returns as of March 31, 2024 | |
| | **Source Envestnet Tamarac as of March 31,2024 | |

# INTRODUCING

## FITZY

Say hello to the latest addition to the Kreitler Financial team. Fitzy joined the Kreitler Financial Team in February. A mini Australian shepherd, Fitzy is looking to further his career by honing his retrieval skills. Fitzy will be working remotely until he is housebroken.

***At Kreitler Financial, we help change people's lives by helping them dream a future they can't yet imagine, then outline the path to make it a reality.***



POSSIBILISTS & PATHFINDERS