First Quarter Letter March 31, 2024

"The desire to perform all the time is usually a barrier to performing over time."

- Robert Olstein

As 2023 drew to a close, speculation around Fed Chairman Jerome Powell's comments on potential rate cuts fueled a strong rally. The momentum continued into the first quarter of 2024, resulting in gains across all equity indices. However, the attitude towards interest rates now seems to suggest that rates will be higher for longer and how that will influence the market returns remains to be seen in the year ahead. As mentioned later in this letter, we are coming into an election season and there will be lots of noise and opinions on how the outcome will affect the markets, but we know from experience that regardless of the outcomes, stock prices ultimately reflect the company's earnings and business fundamentals. As a firm we focus on these factors and concentrate our efforts on identifying those companies that we believe will achieve better than market risk-adjusted returns.

For the first quarter, all equity indices were positive with the most widely followed S&P 500 index up 10.56% and the Russell 1000 Growth Index up 11.41%. Value continued to lag growth and bonds were the only asset class with negative returns. See chart below.

Index	2024 1st Quarter
DJIA	6.14%
S&P 500	10.56%
S&P 500 (equal weight)	7.91%
S&P Mid Cap	9.95%
Russell 1000/Growth	11.41%
Russell 1000/Value	8.99%
Russell 2000	5.18%
NASDAQ Comp.	9.31%
Long Term Treasury Bonds	-2.93%
Inv Grade Corp Bonds	-0.08%
Gold	6.54%
3 Month T-Bill	1.29%

Within the market internals, all sectors were positive with the lone exception being Real Estate which lost (1.36%). Communication Services led the market returning 15.57%, Energy being the runner up at 12.69% and the other sectors performance as follows: Information Technology 12.48%, Financials 11.97%, Industrials 10.57%, Materials 8.44%, Health Care 8.40%, Consumer Staples 6.81%, Consumer Discretionary 4.75% and Utilities 3.59%.

The market and especially the media continued to be enamored with Artificial Intelligence (AI) and the potential it has to enhance productivity and life in general. The constant commentary on the Magnificent 7 and their influence on the market returns remained in focus during the quarter but now the market seems focused on a scaled down Mag 5 as Tesla and Apple have begun to lose some of their shine as of late.

Perhaps, investors may be beginning to become more focused on fundamentals and less on hype, which should benefit investors with diversified portfolios. In fact, March was the best month for value vs. growth since December 2022. Whether this continues only time will tell but having a diversified and fundamentally sound portfolio should continue to serve our clients well. In fact, the chart below from Barchart on X posted February 29, 2024, shows the U.S. Stock Market is the most concentrated it has been since the Great Depression.

Exhibit 7: The US equity market is near the most concentrated in a century
as of February 29, 2024

Source: Compustat, CRSP, Kenneth R. French, Goldman Sachs Global Investment Research

Portfolio Activity During Quarter

Growth Sleeve	Value Sleeve	International Sleeve
Buys:	**Buys:**	**Buys:**
+ Floor & Decor Holdings (FND)	+ Newmont Corporation (NEM)	+ Ashtead Group ADR (ASHTY)
+ Thermo Fisher Scientific Inc. (TMO)	+ Mosaic Co. (MOS)	
Sells:	**Sells:**	**Sells:**
- Charter Communications Inc. (CHTR)	- Target Corporation (TGT)	- Spotify Technology SA (SPOT)
- United Parcel Service, Inc. (UPS)		- Dakin Industries, Ltd. (DKILY)
		- Entain ADR (GMVHY)

Ignore the Noise

"The stock market is a giant distraction to the business of investing…in the long run investing is about returns earned by businesses, not markets."

- John C Bogle

I have the privilege of having a close relationship with an individual who has over 40 years of experience in the investment community. Recently we were having a conversation about all the benefits technology brings to our profession. An obvious example of this is the amount of data that is available to help analyze an investment. We then went on to discuss things that were not as beneficial. Many will agree that 24-hour access to email, telephone, etc., or "always on" has some negative effects. This friend continued down this path and said one change that he feels is not a positive is what he referred to as TMI (too much information). "Why is that I asked?" At first glance having access to information is normally a positive. His response stuck with me. "Too much information, where an individual can access, at any time, stock quotes, returns, performance, on their phone, their computer or their TV can lead to reactions based on price movement rather than valuation." The technology that allows us investors mountains of data to help analyze an investment can also be a detriment to the behavior of an investor.

Live Oak Private Wealth
First Quarter 2024 Letter

As our team regularly communicates, we have a philosophy of owning businesses for an extended period. We frequently use the real estate analogy. Buy a nice lot, in a great location and own it for many years. Now what if this lot had a sign out in front that each day would give you a price of the lot. Some days the sign would be green, meaning up, other days the price would be red, meaning down. Just because the sign shows the value of the property is either down, or up, (for a period of time) would not mean you would want to sell. Your original intention was to buy and hold this piece of land, regardless of price movement, for an extended period time. Why is it when it comes to buying a piece of a publicly traded company (i.e. a stock), that investors focus too much on day to day, or week to week price movement? As my old friend would say... "TMI." As hard as it seems, try to ignore the noise of all the flashing green and red on your smart phones and computer screens and let your investments compound over time.

"He who lives by the crystal ball will eat shattered glass."

- Ray Dalio

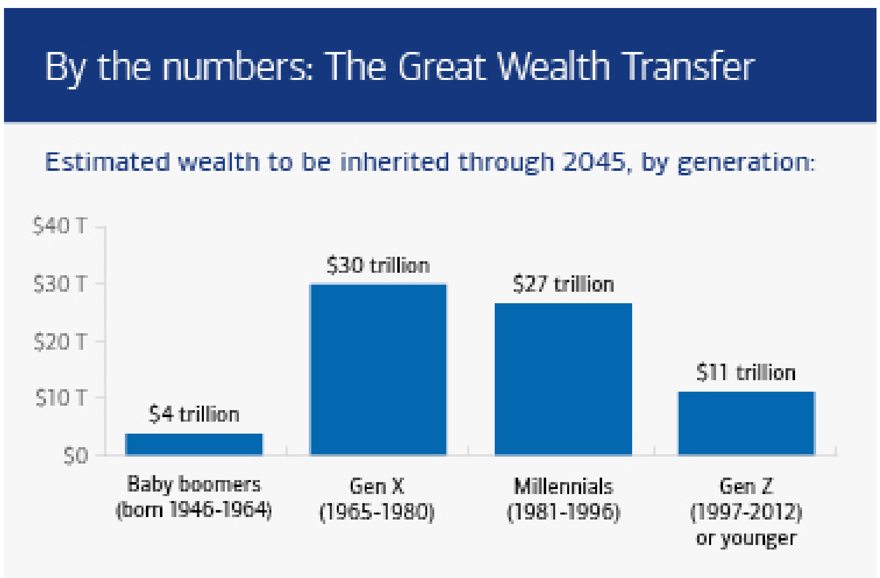
Which brings us to one of most common behavioral mistakes that occurs every four years. The behavior of making an investment decision based on a Presidential Election. People try to look into a crystal ball and predict all the outcomes based on who wins the race. I refer to this as the White House Theory. Whoever wins the White House, and that individual is not affiliated with the political party of your choosing, causes you to want to sell all, or significantly reduce your holdings. We have plenty of data that will show that this is usually a mistake, and you should ignore the "noise." As we approach the 3rd and 4th Quarters of 2024, we will be inundated with media polls predicting winners and losers. We want to caution our clients and urge them to ignore the noise and stick to their original plan.

So, in closing the investment summary for Q1 2024 we want to thank you for the trust and confidence you place in us to manage your assets. We take this responsibility in the highest regard and will do all we can to help you achieve your goals and plan accordingly for your future. As always, please feel free to contact us with any questions or concerns. Thank you again from each and every one of us at Live Oak Private Wealth.

The Greatest Multi-Generational Wealth Transfer in History – Actualizing Your Legacy

Over the next 20 years, a significant amount of personal wealth in the United States is expected to shift to younger generations and philanthropic organizations. The anticipated value of this wealth transfer is **$84 trillion**. That "t" is not a typo ……… $84 TRILLION! This anticipated era has been coined as the "Great Wealth Transfer" and expected to be the largest multi-generational transfer of wealth in American history.

The fortunate heirs of the generational change of ownership will primarily be those referred to as Generation X and Millennials. Of the $84 trillion, these heirs are expected to receive about $72.6 trillion, with the remaining $11.9 trillion transferring to charities[1].



Source: Cerulli Associates, "The Cerulli Report: U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2021."

No doubt such a vast amount of wealth transferring between generations in a relatively short amount of time will have an impact on American society! What the impact will be is hard to tell, but understanding the characteristics and lived experiences of each generation involved can facilitate productive conversations regarding the impact of the "Great Wealth Transfer." In addition, knowing what wealth planning tools are available can help navigate the path ahead.

The following table is just one of several that aim to provide context surrounding generational labels, serving as a way to reference groups of individuals based on 15-year time periods[2]. Although few individuals self-

[1] Cerulli Associates. (2022, January 20) *Cerulli Anticipates $84 Trillion in Wealth Transfers Through 2045*. Retrieved April 17, 2024, from, https://www.cerulli.com/press-releases/cerulli-anticipates-84-trillion-in-wealth-transfers-through-2045

[2] Adapted from a compilation by "Future Workplace" found in The 2020 Workplace by Meister, J. and Willyerd, K., 2010. New York HarperCollins. Copyright 2010 by Jeanne C. Meister and Karie Willyerd and from "Understanding Different Generations: Key Traits" (2024, March 19) Culture Partners https://culturepartners.com/insights/understanding-different-generations-key-traits/

identify as Generation X, Millennial, or any other name, this chart provides a starting point for understanding the attitudes, motivations, and influences that shape the people involved in this multi-generational wealth transfer conversation.

Generational Label:	Characteristics:
Baby Boomers (born between 1946 and 1964)	**Work Ethic:** Baby Boomers are known for their strong work ethic and dedication to their careers. **Individualism:** They value independence and self-reliance. **Social Activism:** Having grown up during significant social movements, they advocate for equality and justice. **Loyalty:** Baby Boomers tend to stay loyal to their employers and organizations. **Traditional Values:** They appreciate stability, family, and community. **Experience:** With years of experience, they offer valuable insights and mentorship.
Generation X (born between 1965 and 1980)	**Adaptability:** Gen Xers navigated economic uncertainty and technological advancements, making them adaptable. **Resourcefulness:** They are known for their problem-solving skills and self-reliance. **Work-Life Balance:** Generation X values balancing work and personal life. **Skepticism:** They question authority and seek authenticity. **Tech Savvy:** While not digital natives, they embraced technology as it evolved. **Experience:** With years of experience, they offer valuable insights and mentorship.
Millennials (born between 1981 and 1996)	**Digital Natives:** Millennials grew up with the internet, social media, and smartphones. **Entrepreneurial Spirit:** They are open to side hustles, freelancing, and startups. **Collaboration:** Millennials thrive in collaborative work environments. **Social Consciousness:** They care about social issues, sustainability, and diversity. **Work-Life Integration:** They prioritize flexibility and remote work. **Continuous Learning:** Millennials value ongoing education and skill development.

A chart cannot fully capture each individual's unique traits and a single article cannot provide each reader with a formula for success in such a complex and nuanced area as wealth planning. Nonetheless, deepening your understanding of the characteristics and experiences shaping individuals involved in your personal situation can help you identify shared goals and recognize gaps, allowing you to formulate a comprehensive plan that will help you achieve your objectives and goals. Likewise, increasing your familiarity with relevant wealth transfer tools and strategies empowers you to have more effective communications within your family and with your financial, legal and tax advisors so the comprehensive plan is understood and executed.

So where do we start? Baby Boomers' **work ethic** and **individualism** are aligned with the **resourcefulness** of Gen Xers' and the **entrepreneurial spirit** of Millennials. Boomers' **traditional values** around family, community and stability find common ground with Gen Xers' and Millennials who value **work-life balance/integration** (i.e., ensuring there is time for their family, friends, and community within the context of their professional life) and **social consciousness**.

However, Gen Xers grew up during a time of rapid societal change, witnessing shifts in family structures and economic uncertainty. Gen Xers have diverse financial situations, and many are juggling multiple financial goals, such as saving for retirement, paying off student loans, and supporting children's education. Baby Boomers, being aware of their own unique experiences and values as well as those of the younger generations involved in their future wealth transfer, have an incredible opportunity to leverage their **depth of life experience** and **strength in face-to-face communication** to positively impact their family and community on a multi-generational scale. Baby Boomers can tailor wealth transfer strategies to align with their preferences and the needs of Gen Xers and Millennials, and by working with a competent team of professional advisors, these Baby Boomers can put a plan in place that:

- Streamlines the transfer of wealth across generations
- Offers protection to their beneficiaries from creditors, divorce, and other unexpected risks
- Simplifies the administration of their estates
- Reduces points of friction that can tax family wealth and family harmony
- Accomplishes the objectives of preserving wealth for future generations while empowering individuals within those future generations to continue the legacy of value creation

What wealth transfer strategies could a Baby Boomer evaluate that balance promoting individualism while protecting against the risks that can accompany youth, inexperience, the unknowns of life, and a rapidly changing world socially, politically, technologically, etc.? There is no one-size fits all, but below is a list of strategies that you can consider in the context of your personal situation. The details and timing for the use of any of the following strategies should be discussed with your advisors.

Family Meetings + Intergenerational Conversations

Wealth transfers can lead to changes in family dynamics. Family meetings and regular communication can be one of the most-effective wealth transfer planning strategies, particularly when coupled with educational support from trusted professional advisors including lawyers, accountants, and wealth advisors.

Trusts for Asset Management, Creditor Protection, Tax Efficiency, and Legacy Preservation

Trusts come in many shapes and sizes with varying degrees of control and access allocated among the person(s) funding the trust (the grantor/settlor), the person(s) benefiting from the trust (the beneficiary or beneficiaries) and the person(s) appointed to serve in a fiduciary capacity over the trust assets for the benefit of the beneficiary (the Trustee(s)). A trust can be incorporated into your Will or Revocable

Trust Agreement (such as a Standby Trust, Marital Trust, Credit Shelter Trust, etc.) or structured as a stand-alone separate trust agreement (such as an Irrevocable Life Insurance Trust, Grantor Retained Annuity Trust, Charitable Remainder Trust, Education Trust, etc.). They can be funded during your life or at your death. Some of the benefits of trusts can include:

- Ability to provide terms regarding how and when distributions can be made to a beneficiary (such as outright or staggered distributions based on age, distributions for specific reasons such as for health or education, or distributions based on the beneficiary's financial maturity)
- Protection to beneficiaries from creditors and divorce settlements
- Reducing the value of the grantor's estate for estate tax purposes
- Greater tax protection from generation to generation (e.g., the generation-skipping transfer tax)

Family Limited Partnerships (FLP) or Limited Liability Companies (LLC)

You can contribute assets such as a beach house or other family real estate, investments, or business interests to a FLP/LLC, and serve as the general partner/manager. As general partner/manager, you retain control over the company and its assets, and can make investment decisions, manage operations, and distribute income as your see fit. You can make gifts of minority ownership in the company to others (such as your children) tax-free every year up to the annual gift tax exclusion (presently $18,000 in 2024). The minority owners have a financial interest in the company and can benefit from potential tax savings and asset protection but have limited control. These vehicles are oftentimes used for the orderly transition of family real estate, such as a beach house, to the next generation because of the complexities associated with multigenerational ownership of an asset like a family beach house including shared use, approved uses (Personal/rental income producing), the timing and funding of capital expenditures, and desire to keep the family house "in the family".

Other Wealth Transfer Strategies

Complex planning and wealth transfer strategies become increasingly valuable for individuals and families with concerns of a taxable estate. Under current law, the IRS exempts estates of less than $13.61 million from federal estate tax in 2024. Grantor trusts are a common way to increase the tax-efficiency of wealth transfers in high-net-worth families, as are spousal lifetime access trusts (SLATs) and strategic lifetime gifting. While these strategies fall outside the scope of this article, these and other complex planning techniques can be explored for your specific situation.

The impact of the "Great Wealth Transfer" is still unknown, but we do know that the architects behind what it could be consist predominantly of Baby Boomers. Relying on the depth of their life experiences, their understanding of the impact of historical events, and their strength in face-to-face communication, these Baby Boomers are well-suited to map out the landscape and make good use of the professionals and wealth transfer strategies available to them.

DISCLOSURES:

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