

CENTURION COUNSEL, INC.

Investment Management

First Quarter 2024 Performance Review

Last year's rally continued into the first quarter of 2024 amid a positive combination of stable economic growth, falling inflation, impending Fed rate cuts and ever-growing enthusiasm towards artificial intelligence (AI). These factors propelled the S&P 500 to new all-time highs (rising above 5,000 for the first time).

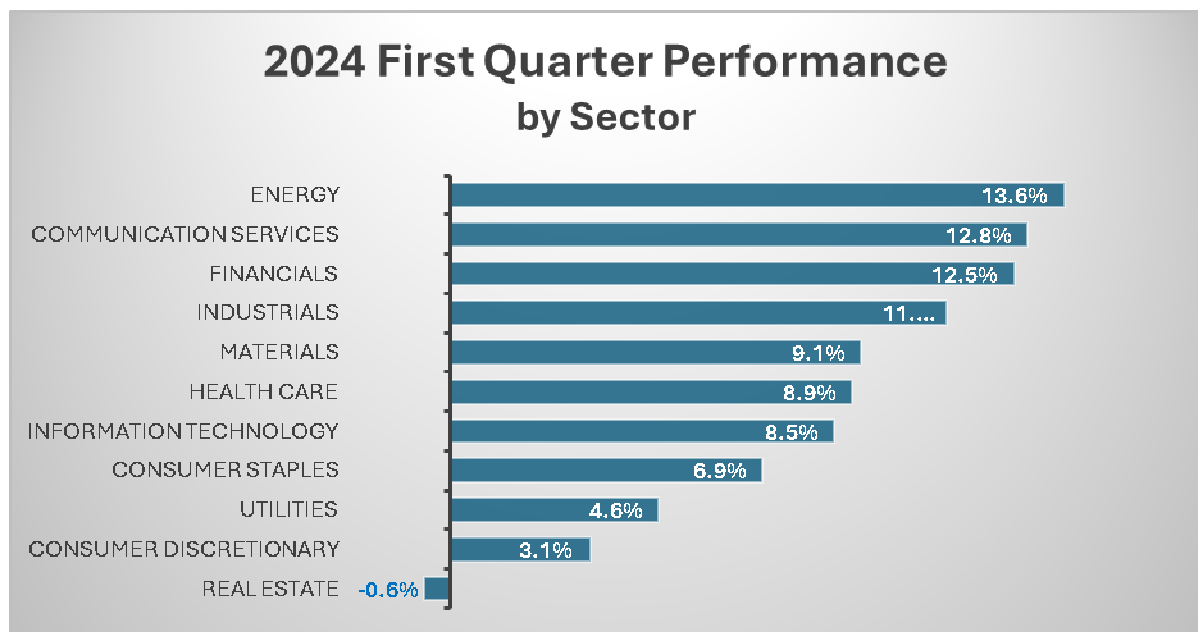
The rally in stocks caused small caps to register a positive return for the first quarter, but concerns about stubbornly high interest rates weighed on them (small cap stocks are more sensitive to higher funding costs and slowing growth) and caused them to lag behind large caps.

From an investment style standpoint, Growth once again outperformed Value in the first quarter; the margin was much closer than last year as both investment styles logged strong quarterly returns. Continued AI enthusiasm was the main reason for the modest growth outperformance over the past three months, as large-cap tech stocks again saw strong rallies during the first quarter.

On a sector level, gains were distributed equitably amongst various sectors and industries with 10 of the 11 S&P 500 sectors finishing the first quarter with a positive return. Unlike 2023, tech and tech-aligned sectors did not substantially outperform. Instead, the diversified gains demonstrated that the first quarter rally was driven by a more varied set of influences beyond just AI enthusiasm.

The only S&P 500 sector to log a negative return for the first quarter was Real Estate which continues to be weighed down by concerns about the health of the commercial real estate market. Specifically, terrible quarterly earnings from New York Community Bank reminded investors of the sustained weakness in the commercial real estate market.

Consumer discretionary also lagged and registered only a slightly positive return as numerous retailers warned about a potential slowing of consumer spending during the first quarter (which is something we will monitor as we begin the second quarter).



Internationally, foreign markets posted solid quarterly gains but still underperformed the S&P 500. Looking deeper, foreign developed markets outperformed emerging markets in Q1 thanks to better-than-expected economic data and rising expectations for early summer rate cuts from the European Central Bank and Bank of England. Emerging markets, meanwhile, logged only slightly positive returns in Q1 and solidly underperformed the S&P 500 thanks to mixed Chinese economic data and a lack of substantial Chinese economic stimulus early in the quarter.

Commodities saw strong gains in the first quarter thanks to still-elevated geopolitical tensions, a weaker U.S. dollar, and smaller-than-expected declines in inflation. Oil rallied sharply in the first quarter thanks to late-quarter optimism for an acceleration in Chinese economic growth, combined with an increase in geopolitical tensions following the continued attacks on commercial ships in the Red Sea, along with an increase in Russian attacks on Ukrainian energy infrastructure. Gold hit a new all-time high in the first quarter, meanwhile, and logged solidly positive returns thanks to the buoyant inflation data and a weaker U.S. dollar.

Switching to fixed income markets, the leading benchmark for bonds (Bloomberg Barclays US Aggregate Bond Index) realized a slightly negative return for the first quarter of 2024. Disappointing inflation readings were the primary reason for the weakness in bonds as investors reacted to a delay in the expected start of Fed rate cuts from March until June. Looking deeper into the fixed income markets, longer-duration bonds handily underperformed those with shorter durations. That performance gap was due to the slower-than-expected decline in inflation; although it won't materially delay the start of Fed rate cuts, it does threaten to keep rates "higher for longer," which is a bigger negative for longer-dated debt.

Turning to the corporate bond market, higher-yielding but lower-quality “junk” bonds outperformed investment grade debt as looming Fed rate cuts and buoyant inflation--amidst stable economic growth--led bond investors to “reach” for more yield in the riskier parts of the credit spectrum.

Second Quarter Market Outlook

We begin the second quarter amid a positive macroeconomic environment. Growth appears stable, inflation is still falling, the Fed is likely going to deliver the first rate cut in four years, and AI enthusiasm keeps earnings estimates high. This is undoubtedly a favorable setup, but the strong rally of the last six months has left the S&P 500 at historically unsustainable valuations. Although investor and analyst sentiment is very bullish, it is essential that we continue to monitor the macroeconomic horizon for risks because at current stretched valuations, the market is vulnerable to a negative surprise.

Specifically, while it’s true that economic growth has remained resilient in the face of higher rates, some data is pointing to a loss of momentum. For example, retail sales missed expectations in January and February while the unemployment rate jumped to the highest level since 2022. Neither number warrants concern about the economy right now, but both serve as a reminder to watch data closely as a continued economic expansion is not guaranteed.

The scourge of inflation is still retreating, but the pace of that decline has slowed meaningfully. At the same time, the Consumer Price Index--one of the Fed’s preferred measures of inflation--has barely declined over the past several months as it sat at 4.0% year-to-year in October and was just 3.8% year-to-year in February. Meanwhile, other anecdotal indicators of inflation have hinted at a rebound in prices.

Although anticipated federal interest rate cuts were central to the first-quarter rally, they are not guaranteed going forward. If inflation bounces back and the Fed does not cut interest rates as aggressively as markets expect, that disappointment could result in a market decline in both stocks and bonds.

Finally, investor enthusiasm towards the potential for artificial intelligence remains a critical part of the bull market. Strong February earnings from Nvidia (the semiconductor company at the heart of the artificial intelligence boom) furthered investors’ hopes that AI integration will lead to a profitability and earnings boom--not just for tech companies, but for the entire market. However, that’s also not guaranteed and so far, AI integration has produced a lot of flashy headlines but not a lot of profit maximization for non-tech industries. If AI fails to broadly boost profits and demand for AI technology declines, that will be a significant negative for this market.

Bottom line: This historic rally is supported by positive fundamentals, but we cannot let the currently positive setup blind us to risks. That is why, while we are pleased with the market’s performance, we are also focused on managing both reward and risk in

portfolios. Despite the strong performance, this market remains vulnerable to negative news.

At Centurion, we remain vigilant towards risks to portfolios and the economy. We treat every investor uniquely. No two clients have the same portfolio. When designing each client's portfolio, we consider their time horizon, tax planning, risk tolerance, and income needs.

Through both bull and bear markets, we will remain focused on the diversified approach set up to meet your long-term investment goals. Therefore, it is critical for you to stay invested, remain patient, and stick to the plan, as we've worked with you to establish a unique, personal allocation target based on your financial position and goals.

Remember, successful investing is a marathon, not a sprint. We are committed to helping you effectively navigate this challenging investment environment, and we thank you for your ongoing confidence and trust. Please rest assured that our entire team will remain dedicated to helping you successfully navigate this market environment.

Account Updates

Please inform Centurion Counsel of any significant life style changes that may have recently occurred such as your retirement, or a change in your employment, health, or housing situation.

Should you have any questions about your portfolio, the contents of this communication, or any other issue, please give us a call. We would be happy to answer your questions on the phone or at our next meeting.

Cash Balances

Occasionally, you might notice cash balances in your performance reports. These balances reflect unsettled transactions that have not been posted to the money market.

Advance Billing Notice

This is to provide you with notice that Centurion Counsel will charge your account for the **second quarter 2024** management fee. Your management fee for this quarter will be **\$ 318.66**. This was calculated by multiplying your account value as of the end of the previous quarter by 1/4 of your annual fee rate, as stated in your client agreement. If assets are deposited into your account during the quarter, a pro-rata share of the quarterly fee will be charged. If you are currently paying your management fee by check, your check should be received by **April 12, 2024**. All checks should be made payable to **Centurion Counsel**. Please direct any questions regarding this advance billing notice to your registered representative.

SEC Rule 11Ac1-6: Quarterly Report on Routing of Customer Orders

SEC Rule 11Ac1-6 requires all brokerage firms to make publicly available quarterly reports on the order routing practices. This report provides information on the routing of “non-directed orders” – any order that the customer has not specifically instructed to be routed to a particular venue for execution.

<i>Total Centurion</i>	<i>Market</i>	<i>Limit</i>	<i>Material Aspects</i>
<u><i>Institutional Orders</i></u>	<u><i>Orders</i></u>	<u><i>Orders</i></u>	<u><i>Relationship</i></u>
NYSE, NASDAQ,	>1%	+99%	Clearing
AMEX, Options			Broker/Dealer

FINRA – SIPC Information Rule 2342

FINRA Conduct Rule 2342 requires us to inform clients of registered broker-dealers of their rights under the Securities Investor Protection Corporation (SIPC). SIPC, created under the Securities Investor Protection Act of 1970, protects customers of registered securities broker-dealers from certain losses if a SIPC member fails financially and is unable to meet obligations of its securities customers. SIPC does not, however, protect clients against losses from changes in market value of their securities. For further information regarding your rights under SIPC, including a brochure, you can contact SIPC directly by phone at 202-371-8300 or at their website address, www.sipc.org.

Information about Our Company

A copy of our Privacy Policy is available upon request.

Summary Disclosure Statement

You may view our Strategic Asset Allocation (SAA) Program Brochure at the SEC website at www.adviserinfo.sec.gov or contact Steven Foss at SFoss@centurioncounsel.com for a copy of the most recent Brochure.

Upon request, Centurion Counsel, Inc. will provide you, at no cost, with a copy of our most recent Client Brochure that describes the services offered through Centurion Counsel, Inc. and other important information.

Sincerely,

Jack K. Heilbron

Jack K. Heilbron
Chairman

Centurion Counsel, Inc.