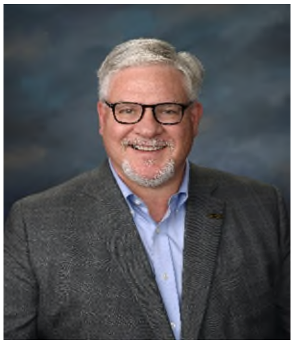
Wealth Management Bulletin
Spring 2024

LCNB | Wealth

Welcome to Spring …



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My grandson, Julian, will turn two in June. As a grandparent, it has been a great joy to watch him grow from a baby into a toddler. Every day is a new discovery. Every interaction is an adventure, one that he will not remember, but that I hope to never forget.

And as he grows, he seems to learn something new every day. For example, learning to talk. From sounds to words and then multiple words strung together. But one of the more interesting words he has learned is “no”. While important to him, it can be aggravating and, at times confusing, for his parents and grandparents. Eat your broccoli. ”No”. Time for your nap. ”No”. Do you want some ice cream? ”No”.

He has learned that the word can solicit a reaction, and in his own way, has learned that it can give him a little bit of power. So, for him, the negatively perceived word is a positive word. In the dictionary, all the definitions of the word, “no” have a negative connotation; an idea or feeling that a word invokes in addition to its literal or primary meaning. But in some circumstances the word “no” can be a positive response.

“No” is a word that none of us likes to hear. But as children, and even young adults, that word, directed at us, was often meant to keep us safe or at least make us think before pursuing a foolish course of conduct. As adults, we typically do not want anyone telling us that we should not do or pursue something that we think is advisable.

In the world of investment and financial advice, sometimes “no” is perhaps the best thing for us to hear. For hearing “no” in this adult context is not usually as absolute as hearing it as a child. For the “adult no” is usually qualified with phrases such as …no, but you should consider; or…no, but have you thought about…; or…no, not with your current level of assets or income…; or…no, not now, but maybe in the future.

When it comes to financial, estate, and retirement planning advice, sometimes “no” can be the most positive thing to hear. Where that “no” is delivered by someone who is objective, experienced, and who understands your financial and family dynamics, it can be the correct response. A bridge to a better idea or more appropriate course of action.

We at LCNB| Wealth are actually pretty good at saying no; at the right time and in the right circumstances. Our experienced and independent financial professionals also understand when “yes” and “of course” make sense to help you make the most of your financial resources. We should have a conversation about your financial goals and dreams. We may (k)no(w) some things that will help you and your family on the road to a solid financial legacy.

It is not always pleasant to hear Julian say “no”. But with his bright blue eyes and beautiful smile, it is a word he rarely hears from me, his Pop-pop.

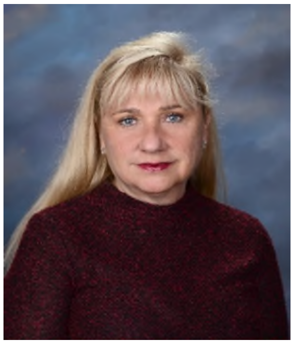
Enjoy the Spring and let us (k)no(w) how we may be of service to you and your family.

Thank you for your relationship with LCNB| Wealth.

Best Regards,

Mike

Services from Your Trust Officer



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One of our primary roles as trust officers is to coordinate your planning and ensure that it is properly monitored and adjusted over time as laws and family dynamics change. Your planning should be unique to you and your circumstances and reflect your wishes. Here are some examples of our planning services:

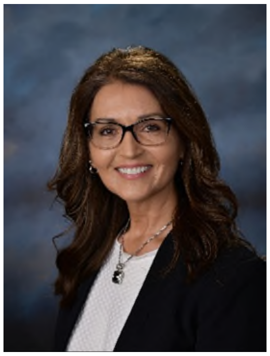
1. Help you prepare for important meetings with your advisors, such as attorneys, CPAs, and life insurance agents, by collecting required documentation and discussing your overall goals and objectives.
2. Help you explore your options to preserve more of your hard-earned assets, minimize taxes, donate to charities, and reach your future financial goals.
3. Help you assemble an advisor team, in addition to LCNB Wealth. We have a wide network of allied professionals who can help.

Providing the following documents, as applicable, to your trust officer, preferably at the beginning of our relationship, will help us provide the best services to you.

1. Current will, trust agreements, durable powers of attorney and health care proxies.
2. Last two years' tax returns.
3. Family tree and list of dependents.
4. List of charitable interests and desires.
5. Marriage license, prenuptial agreements, and divorce documents.
6. Bank and loan account statements.
7. Brokerage account statements, stock certificates, savings bonds, and annuity contracts.
8. Social Security and pension statements.
9. Real estate deeds and mortgage account statements.
10. Safe deposit box information.
11. Vehicle titles.
12. Summaries of insurance policies: life, real estate, auto, and personal contents.
13. List of digital accounts, digital assets, cryptocurrency, bitcoin, and NFT's.
14. List of personal property (furniture, antiques, cars, boats, art, jewelry items and collections, etc.)
15. Professional advisor names: attorney, accountant, corporate fiduciary, insurance agent, and investment advisor.

We are here to help you, so please do not hesitate to contact your trust officer to learn more.

Welcome Angie Crumbley!



Angie Crumbley joined the LCNB| Wealth team as an Associate Trust Officer in January. She will support our Trust Administrators with new accounts, distributions, and account file maintenance as well as supporting the Director of Wealth with reports for the monthly Trust Committee meeting.

Angie attended Sinclair Community College and has over 30 years of banking, mortgage lending, small business and compliance experience. She resides in the Morrow area with her husband, Jeff, and enjoys spending time with her adult kids and grandkids in her free time.

Join us in welcoming Angie to the LCNB| Wealth team!

Economic Summary – Six, Five, Four, Three, Two…

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No that is not the countdown for a rocket blasting off or even for the first rate cut in 2024. Rather, that is the steady reduction in the estimated number of interest rate cuts this year. Fixed income futures contracts were pricing in up to 6 cuts late last year when Jay Powell and FOMC first began to hint at easier monetary policy. As you can see below, current futures contracts show the first interest rate cut not happening until the September FOMC meeting and just a 50% chance of a second cut by the end of the year.

The Good News: The shift in recent Fed speak and market expectations for fewer interest rate cuts is partially due to a resilient U.S. economy. The labor market has softened but is still very strong with an unemployment rate of just 3.8% according to the Bureau of Labor Statistic's March reading.

The Bad News: Inflation as measured by the Consumer Price Index (CPI) is still running well above the Fed's stated 2% target. As of March, the CPI Index showed a 3.5% increase over the year-ago level. The Fed prefers to measure inflation using the Core Personal Consumption Expenditures Index or Core PCE.

Current Probabilities Across All Meetings and Possible Outcomes (BPS)

Meeting Date	375-400	400-425	425-450	450-475	475-500	500-525	525-550	550-575
05/01/2024	-	-	-	-	-	2.1%	97.9%	-
06/12/2024	-	-	-	-	0.3%	17.3%	82.3%	-
07/31/2024	-	-	-	0.1%	5.4%	36.8%	57.6%	-
09/18/2024	-	-	0.0%	2.3%	18.6%	45.6%	33.4%	-
11/07/2024	-	0.0%	0.6%	6.6%	25.7%	42.4%	24.7%	-
12/18/2024	0.0%	0.3%	3.5%	15.6%	33.6%	34.0%	13.0%	-

The most recent PCE rate is also well above the Fed's target at 2.8%.

The current Fed Funds target range of 5.25% to 5.50% is sufficiently above the inflation rate and therefore restrictive. Hard to see why the Fed would want to cut rates with inflation still running hot and the labor market in a strong position. They will likely want to hold that level until either the inflation rate falls further or the unemployment rate moves higher. For now, Jay Powell, the FOMC, and the rest of us market participants will be keeping a close eye on inflation and employment data for any signs of change.

Equity Summary:	1st Qtr.	YTD	12 Mth	3 Yr.	5 Yr.
S&P 500 (Large Cap Domestic)	10.56	10.56	29.88	11.49	15.05
Russell 2000 (Small Cap Domestic)	5.18	5.18	19.71	-0.10	8.10
MSCI ACWI Ex US (International)	4.69	4.69	13.26	1.94	5.97

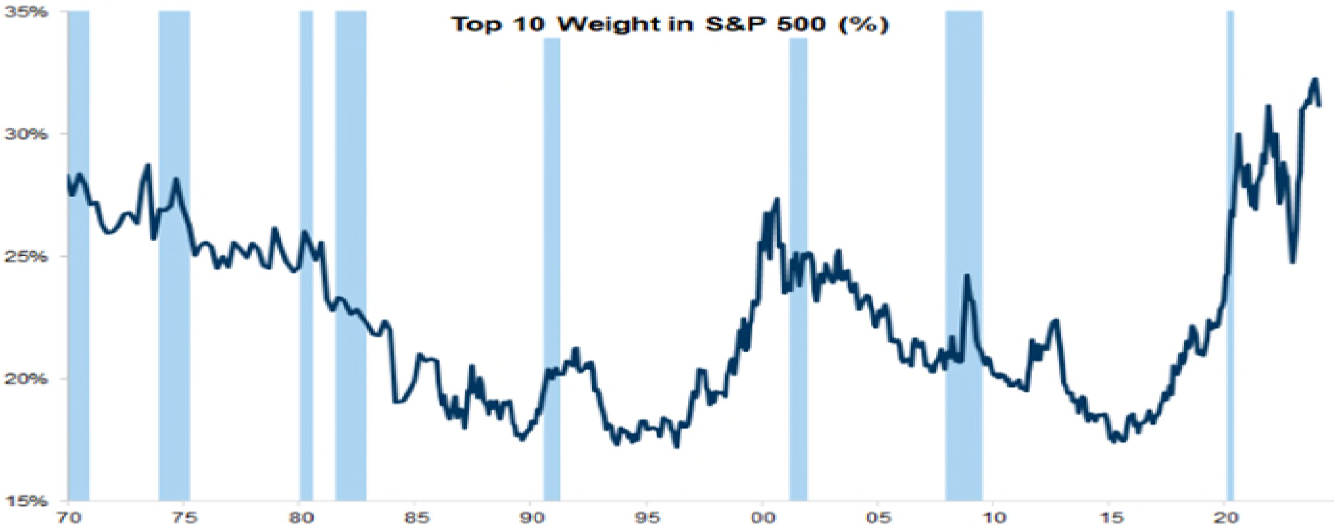
Stock Market Update – Where is my free lunch?

Harry Markowitz won a Nobel Prize in economics for his work on Modern Portfolio Theory and was credited with saying that, "diversification is the only free lunch on Wall St." His work showed that a portfolio constructed of different asset classes and investments with low correlation to one another could improve risk adjusted returns. Put another way, you could achieve higher returns with less volatility (risk).

Unfortunately, myself and a lot of other investment professionals who subscribe to this theory have not seen a free lunch in many years. Except for a few brief reversals, U.S. Large Cap Growth stocks have now vastly outperformed all other asset classes for over a decade and once again in the first quarter of 2024.

The resilient economy and more dovish Fed tone late last year fueled a strong start to the year for stocks as the momentum from 2023 spilled over into the first quarter of 2024. The S&P 500 Index returns continued to be driven by mega-cap tech stocks and finished the quarter up 10.56%. The top ten issues in the S&P 500 Index now make up over 30% of the index and make it a little top-heavy in our opinion.

Exhibit 23: The 10 largest companies have reached over 30% of the market value of the S&P500, the highest level since 1980



Shadow = NBER US Recession Period

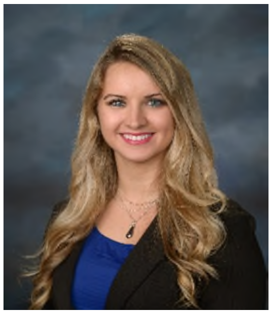
Source: Goldman Sachs Global Investment Research

International and small-cap stocks also performed well to start the year, just not as well as the large-cap domestic stocks. The Russell 2000 Index of small-cap stocks returned over 5% in the 1st quarter and nearly 20% over the trailing 12 months. International stocks as represented by the MSCI ACWI ex US Index returned 4.69% in the quarter and over 13% for the trailing 12 months.

The April cool down for stocks has led to some rotation as the mega-cap stocks mentioned above have sold off more than other stocks. We are still holding out for that free lunch and recommend investors continue to pay attention to valuation and invest in well diversified portfolios.

Fixed Income Summary:	1st Qtr.	YTD	12 Mth	3 Yr.	5 Yr.
US T-Bill 90 Day Index	1.28	1.28	5.22	2.79	2.03
BC Municipals 5Yr	-0.62	-0.62	1.36	-0.39	1.18
Bloomberg US Agg	-0.78	-0.78	1.70	-2.46	0.36
BC High Yield Corporate	1.47	1.47	11.15	2.19	4.21

Fixed Income – The Fed Rolls with the Punches



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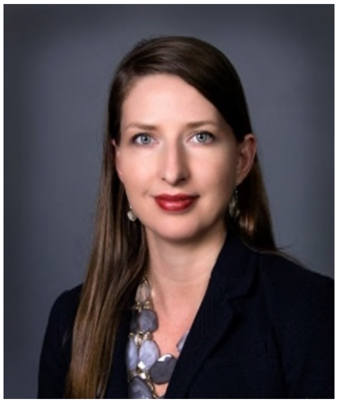
The Federal Reserve aims to be as transparent as possible with investors, but have been very quick to adapt to evolving economic data over the past several years. As Brad mentioned above, inflation has not come down as much as the Fed hoped. Coupled with continued strength in the labor market, this pushed the Fed back towards a "higher for longer" stance on rates and as of this writing, led to a slight pullback in equities. We mentioned in the last bulletin that the market was pricing in as many as six rate cuts in 2024. With the shift in Jay Powell's tone, the number of cuts projected for the remainder of the year sits between one and two cuts. These cuts are not projected to happen until the 4th quarter.

This shift lifted all interest rates higher. Due to the inverse relationship between bond prices and interest rates, the Bloomberg Aggregate returned -0.78% for the 1st quarter. The 2-year and 10-year Treasury rates ended the quarter higher with the 2-year finishing at 4.62% and the 10-year finishing the quarter at 4.20%. This surge in rates has continued into the 2nd quarter as well, with the 2-year trading at 5.00% and the 10-year trading at 4.71% as of this writing. Longer bonds increased slightly more than shorter bonds, decreasing the spread between the 2- and 10-year Treasuries to 0.29%. The spread between investment grade corporate bonds and treasuries began the year at 0.98%. The high yield spread began at 3.23%. These spreads narrowed in the 1st quarter to end at 0.90% and 2.99% respectively. Current spreads reinforce our view that investors are not being adequately compensated for taking on credit risk.

With broadening geopolitical risk, issue selection and active management in the international fixed income markets is increasingly important. Consequently, we have shifted our emerging market debt exposure from a passive ETF into an active fund: EIDOX, Eaton Vance Emerging Market Debt Opportunities Fund. Eaton Vance's bottom-up approach to security selection will be fundamental in taking advantage of emerging market fixed income inefficiencies. Given the positive real return on bonds amidst the uncertainty elsewhere, we continue to recommend an overweight to bonds in our portfolios.



Congratulations Izabela and Erin!

Trust Officer Izabela Camacho and Wealth Investment Officer Erin Hawk, recently earned the designation of Chartered Special Needs Consultants® (ChSNC®). Bestowed by The American College of Financial Services, the esteemed ChSNC® credential acknowledges their expertise in addressing the distinctive hurdles encountered by individuals with special needs, their families, and caregivers. Izabela and Erin armed with the ChSNC®, stand poised to guide and support such families in navigating federal benefits and financial management.

Alternative Investments Summary:	1st Qtr.	YTD	12 Mth	3 Yr.	5 Yr.
Bloomberg Commodity	2.19	2.19	-0.56	9.11	6.38
Dow Jones Global Real Estate	-1.07	-1.07	7.94	-1.92	0.22
Credit Suisse Hedge Fund	5.30	5.30	11.27	5.83	6.39
Consumer Price Index	0.86	0.86	2.50	5.31	4.04

Alternatives Update – 49ers Envy

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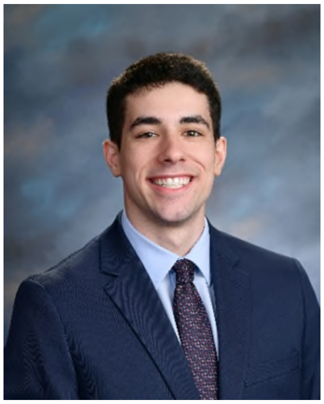
During the California gold rush, which spanned from 1848 to 1855, an estimated 750,000 pounds of gold was discovered. In the 1st quarter, gold reached a new all-time high of $2,238.40/ounce, rallying over 7%. This means that the gold found during the gold rush would be worth approximately $26.8 billion today. Both gold and Bitcoin thrive during times of high inflation and currency devaluation, as we are currently seeing in today's economy. Bitcoin experienced a significant surge, rising almost 70% during the quarter, from $42,547 to $71,011. Oil also saw gains of 15% for the quarter. While this benefits investors, it also increases inflationary pressure on consumers.

As equity markets reach all-time highs and the sentiment of higher interest rates persists, we have been exploring new alternative investments to enhance our clients' risk-adjusted returns. One investment avenue we believe accomplishes this is the buffered investment space. Buffered investments participate in market gains up to a certain threshold, but offer some protection in the event of a market downturn. The trade-off is that when you participate in this space, you forego the dividends. We have begun acquiring DAPR: First Trust Vest U.S. Equity Deep Buffer ETF – April. This ETF provides down-side protection of 25% while allowing investors to participate in gains of up to 15%. As always, we are available to help you meet your financial goals – reach out to any of our LCNB| Wealth officers for a more detailed discussion.



Welcome Andrew Verba!

Andrew Verba joined the LCNB| Wealth team as an Investment Client Care Coordinator in February. He is responsible for maintaining both existing and potential client relationships. Andrew updates and creates client presentations, meetings, and maintains the accuracy of reports to help drive investment decisions.

Andrew graduated from Lebanon High School with Honors and started working with the LCNB Client Care team in late 2021. Andrew lives in Maineville with his husky, Delilah. When not looking after his dog, he can be found in the gym, cooking, or playing video games.

Join us in welcoming Andrew to the LCNB| Wealth team!

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We hope that we are exceeding your expectations. The best compliment we could receive would be a referral of your friends and family. Please contact Josh Shapiro @ 513-228-7659 or jshapiro@LCNB.com for more information.