

# ATHENA PURE VALUATION | PROFITABILITY

SMA COMMENTARY | QUARTER 4, 2023



## KEY TAKEAWAYS

- ◆ The portfolio was up 7.2% in Q3 versus its Morningstar US Mid Value benchmark of 13.1%. The portfolio was up 15.4% vs 10.9% for the full year
- ◆ EIX Edison International and ENLC EnLink Midstream LLC were bought. BGS B&G Foods Inc and CWH Camping World Holdings Inc were sold.

Positive Impacts	Negative Impacts
One stock outperformed the benchmark by more than 20% during the quarter NRG.	Three stocks underperformed the benchmark by more than 20% during the quarter DK, CVI and OGN.

## ECONOMIC AND MARKET PERSPECTIVE

- The Morningstar US Core Stock Index gained 10.9% in Q4, buoyed by resurgent growth stocks, up 14.9% during the quarter. Value stocks also performed well, up 9.7%.
- Real GDP grew by an astonishing 4.9% annual rate in Q3, dramatically exceeding both the Q1 and Q2 growth rates of around 2.0%. The labor market remains strong with December's unemployment rate holding steady at 3.7 percent, making the average for 2023 3.6 percent, the same average rate as 2022.
- PMI Manufacturing and Services indices remain in the high 40's and low 50's, with both the Manufacturing and the Services indices strengthening.
- For Q4 2023, the estimated year-over-year earnings growth rate for the S&P 500 is 1.3. This will mark the second straight quarter of year-over-year earnings growth for the index. Forward earnings and prices reflect a 12-month S&P 500 forward median P/E ratio of 19, a bit higher than the five-year average.
- The most recent Core Personal Consumption Expenditures (PCE) inflation rate was negative. As a result, the Fed pivoted in its inflation fight in December. Now the expectation is that there will be several Federal Funds target rate cuts in 2024. This means the money supply will begin growing once again, a precursor of future economic growth.
- Behavioral indicators remained in the normal range for all three Market Barometers: US Large Caps, International Developed markets, and US Small Caps. The Small Cap Barometer is the strongest.

The Pure portfolio's long-term performance profile remains attractive with 17 out of 22 years positive and periodic outsized returns of greater than 20% in 9 of those years.

## PERFORMANCE<sup>A</sup>

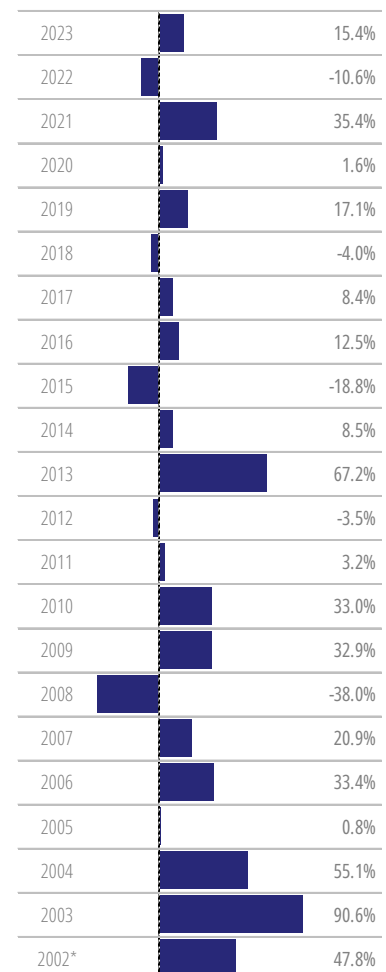
Annualized Since Inception (7/1/2002)



△ All performance figures are based on composite portfolio performance on a pre-tax basis with reinvestment of dividends and is net of all trading, custodial, and management fees.

† Portfolio benchmark is the M\* Mid Value Index.

## Calendar Year Performance



\* 2002 return is Jul 1 – Dec 31 and is not annualized.

## % ANNUALIZED TRAILING PERFORMANCE AS OF 12/31/2023

	Q4 2023	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
Pure Valuation   Profitability (Net)	7.2	15.4	15.4	11.3	10.4	5.5	15.5
Morningstar US Mid Value TR Index	14.1	10.9	10.9	11.8	10.9	8.7	9.7

*Investment returns presented assume reinvestment of dividends and capital gains and are net of actual management fees. Current performance may be higher or lower than what is shown. Benchmark performance is shown for comparison purposes only and it is not possible to invest directly in an index. Holdings shown and discussed in this analysis should not be deemed as a recommendation to buy or sell securities and the current portfolio holdings may be different than what is presented. There are risks involved in investing in any Athena Portfolio, including loss of principal.*

For complete portfolio performance, risks, and disclosures please refer to [athenainvest.com](http://athenainvest.com).

## IMPORTANT DISCLOSURES

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The opinions expressed in this commentary are as of December 31, 2023.

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PAST PERFORMANCE IS NO GUARANTEE OF FUTURE PERFORMANCE.