Market Review and Outlook
Q2 2023

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Market Environment

June 30, 2023

- Equity Index gains were strong again in Q2, but were driven by a small group of 8 Large Cap stocks that make up over 27% of the S&P 500 index. Interest rates rose significantly, pushing bond returns into negative territory for Q2.
- Market expectations (and hopes) for a Fed ease of monetary policy have been proven wrong, and expectations of higher rates for longer have begun to work their way into the bond markets; however, equity market indices have not adjusted.

Index	Q2 2023 Return	YTD 2023 Return	1 Year Return
Aggregate Bond	-0.8%	+2.1%	-1.1%
Dow Industrials	+4.0%	+4.9%	+14.2%
S&P 500	+8.7%	+16.9%	+19.6%
NASDAQ	+13.1%	+32.3%	+26.2%

- The equal weighted S&P 500 underperformed the market weighted index by 4.8% in Q2, and by about 10% YTD as hype over Artificial Intelligence has driven stock prices higher in the information technology sector, while earnings are ignored.
- Continued strength in nominal economic activity including employment, consumption and inflation have driven interest rates back toward their highs of the year, seen before the small group of bank failures, that proved to not be systemic.
- After raising rate's a quarter point 3 times this year to 5.125%, the Fed paused at their June meeting but indicated two more hikes to go in 2023to reach 5.625 by year end. The Fed is also putting less liquidity in the market by winding down Quantitative Easing. The Fed continues to chase reality in upwardly adjusting rate and economic projections.
- Short term interest rates rose significantly to reflect a higher terminal Fed Funds rate due to persistent inflation.
- Earnings growth decelerated again overall while companies continued to raise prices, passing along increased cost pressures. In general, corporate revenue rose on those higher prices, but on lower volumes as consumers began rejecting higher prices.
- Inflation, interest rates, and prospects for Monetary Policy were again the main drivers of bond market sentiment, while AI hype dominated equity market sentiment. Risk assets did not adjust to reflect the higher interest rate environment.
- Short term Treasury rates now offer investors 5% - 5.5% yields, providing ample competition to higher risk assets, while financial asset valuations continue to be inflated from the effects of years of excess stimulus and liquidity still in the system.
- While economic activity is moderating in some sectors, the economy is not in the recession it is believed to be. The excessive stimulus of the past few years and current deployment of Fiscal stimulus continues to provide a solid nominal level of activity including 6.1% nominal GDP, 5.3% Core CPI, a 3.6% unemployment rate and 4.4% wage gains.

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Market Environment

June 30, 2023

- **Policy**
  - The Fed tightened rates 3 times for 75 basis points to 5.125%, then paused in their June meeting, but indicated an additional 50 basis points by year end in a continued effort to catch up after falling so far behind the inflation curve.
  - The Fed has also made the point they will continue to unwind their Quantitative Easing by letting MBS and Treasuries roll off.
  - In a deal to raise the debt ceiling after $7.5 Trillion fiscal stimulus packages, Congress passed a $1.7 trillion budget for 2023, maintaining significant levels of spending. Spending from previously passed Fiscal packages is beginning to be deployed.
  - The Fed and Market participants continue to look for "long and variable lags" in monetary policy to take hold on inflation while refusing to acknowledge that continued fiscal stimulus is pushing economic activity and inflation higher.
  - The Bank Failures in March have proven to not be systemic, and have had little immediate impact on broad economic conditions, allowing the Fed to maintain focus on fighting inflation. This has returned terminal rate expectations to higher levels.
  - A number of Global Central Banks raised rates, some after a pause, and indicated further tightening to follow.
  - The dynamics of Energy policy that conflict fossil fuels and alternative energy will be exacerbated moving forward.
- **Markets**
  - Equity market indices marched higher, driven by a small number of large stocks amid Hype around AI. Bond yields rose, pushing bond market indices lower in recognition of continued inflation and the Feds adjustment to higher terminal target rate above 5.5%.
  - Equity market sentiment continues to incorporate hopes of a friendly Fed despite again being proven wrong. Equity market sentiment has also not incorporated declining earnings in the current lofty Price/Earnings levels.
  - Equity markets posted positive returns in Q2 led again by 8 stocks in the Info Tech, Consumer Discretionary, and Communications sectors. Continued economic strength and fiscal stimulus distribution also helped Industrial sector and financials rebounded.
  - Bond markets generated losses in Q2 as the market shook off the non systemic impact of 3 failed banks in March, and rates rose to reflect higher Fed Funds policy terminal rates and continued high inflation.
  - Market Expectations continue to incorporate a relatively high probability of recession, which contributes to the argument for lower inflation and Fed easing. However, this is contradicted by high current market valuations for equities and still strong nominal GDP.
  - Market and economic headwinds and tailwinds are still coming together as the Fed continues rate hikes well above previous market expectations and inflation seeps deeper into the economy. The Feds own rate targets are again higher than in the previous quarter.
  - To date, those companies that have increased prices, and have product to sell, have been rewarded. However, overall volumes are declining due to higher prices. This could limit additional price rises and potentially further reduce earnings growth.
  - Equity markets will have to deal with a third consecutive decline in earnings while equity market indices maintain high valuations.

Market Outlook

June 30, 2023

- Economic activity including employment, inflation and consumption have remained stronger than market expectations.
- The fear of a significant negative economic impact from the few bank failures in March was excessive.
- Interest rates have returned to pre bank failure levels as the Fed has again raised their terminal rate expectations amid limited fallout from the bank sector, continued labor market strength, and continued inflationary pressures.
- Labor market strength continues to put upward pressure on wages while it is becoming more difficult for corporations to pass through price increases, leading to continued decline in earnings.
- The service sector of the economy such as travel and leisure remains robust, while the industrial sectors have regained strength.
- The housing market has turned up with growth in new home sales amid still low inventory, resulting in rising home prices again.
- The markets and the Fed continue their shouting match over what the level of interest rates should be. The bond market has begun to come to grips with reality and adjusted with higher interest rates, however the equity market remains in denial.
- The fight over raising the debt ceiling ended quietly, however without significant spending cuts, and therefore was stimulative.
- After initial deceleration in interest-sensitive sectors amid higher rates, the goods sector such as cars and homes has picked up, while the service sector remains robust. Services have been successfully been passing along upward pressure on prices due to still tight labor markets and rising wages, but signs of pushback are building.
- Overall economic growth continues to show broad strength as nominal GDP ran at 6.1% in Q1 2023, and will likely continue at a high rate, but largely offset by high inflation. Strong nominal activity will likely support continued strength in employment and inflation.
- We may see a significant decline in "open jobs" caused by a general deceleration in trends of robust production and sales of goods, along with service jobs being filled. However, this doesn't necessarily signal a large swing to higher unemployment.
- Global trade is shifting with an attempt at onshoring and near shoring production as industries are focused on diversifying supply chains. The build out of physical capacity is accelerating given the deployment of Fiscal stimulus packages passed in recent years.
- The massive amount of Fiscal stimulus passed for infrastructure, semiconductors, alternative energy, electric vehicles, etc. is being deployed, however the push to accelerate these efforts will be challenged by higher costs, labor needs, and supply chain challenges.
- **Earnings growth will eventually be a central focus for equity markets**. The upcoming earnings season will be the third consecutive decline in earnings, with earnings expected to decline 7.5%.
- We feel that corporate earnings growth expectations remain too high and actual results will weigh on the broad market, including the overweighted large cap Tech stocks, while some sectors of the market remain, or have become undervalued.

Investment Strategy

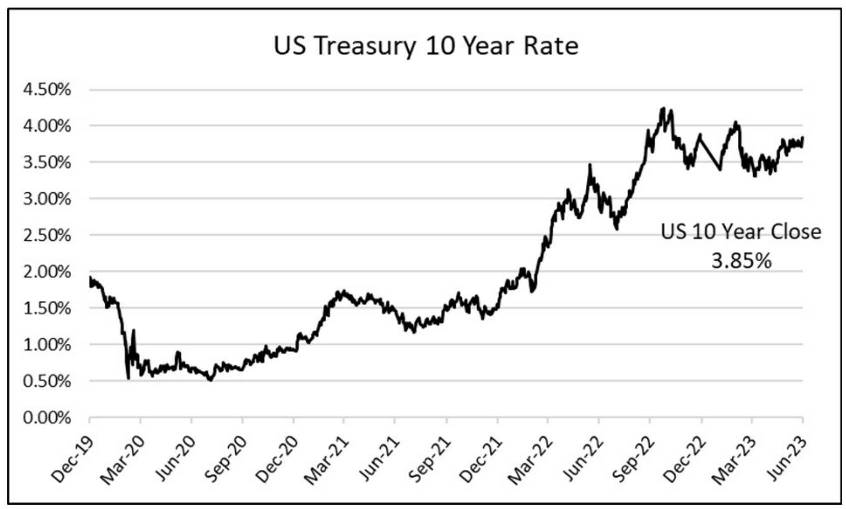
June 30, 2023

- We remain defensive in both equity and fixed income markets amid growing earnings pressures and rising interest rates.
- Investment strategy continues to maintain a significant underweight to equities, primarily reflected in the underweight of the "Great Eight" stocks that dominate (27% weighting) the S&P 500, in favor of short term fixed income assets yielding near 5.5%.
- The return of higher interest rates to pre SVB Bank failure levels after an excessive market reaction, and the reality of higher Fed rate policy for longer has provided for higher income in Fixed Income portfolios.
- The fixed income allocation is focused on short term US Treasuries at now over 5% yield while also maintaining a core position in high coupon GNMA Mortgage-Backed securities (full faith and credit of US Government) at over 5.5% yield.
- We continue to maintain corporate credit exposure, but also short term in nature given risk of significant spread widening. Where appropriate, we incorporate a short duration High Yield allocation as those yields have risen significantly relative to their risk.
- Maintain Treasury Inflation Protected Securities (TIPS) as implied inflation remains well below reality and our expectations.
- Equity investment strategy has maintained a reduced overall equity allocation, particularly in Growth sectors and maintaining positions in high quality dividend paying Value stocks.
- Within equities, strategy has made additional allocation to select Healthcare, Industrial, and Material sectors, further rotating out of overvalued large cap Technology and paring down utilities given higher interest rates and rising costs.
- Overall inflation remains high as input costs such as wages continue to move higher. Profit margins continue to contract as consumers begin to reject higher prices, reducing top and bottom lines.
- Inflation has had a negative impact on demand for goods and signs are beginning to appear that high services inflation is beginning to curb demand there as well. Inflation itself may have more impact on demand than Fed policy.
- Offsetting Fed policy is the continued Fiscal stimulus that continues to push economic activity. This provides for continued jobs and wage growth that lead to higher aggregate income and consumption, and higher overall inflation.
- Geopolitical risks have continued and will continue to have consequences on the global economy.
- International markets continue to be strained with record high UK inflation, still negative interest rates in Japan with the rest of the world tightening policy, Europe returning to recession, and China stagnant with significant structural issues.
- Significant economic activity with low unemployment should mitigate risk of deep recession. However, continued high inflation pressures increases uncertainty on corporate profits. Company specific management will be a differentiator.

Market Review

June 30, 2023

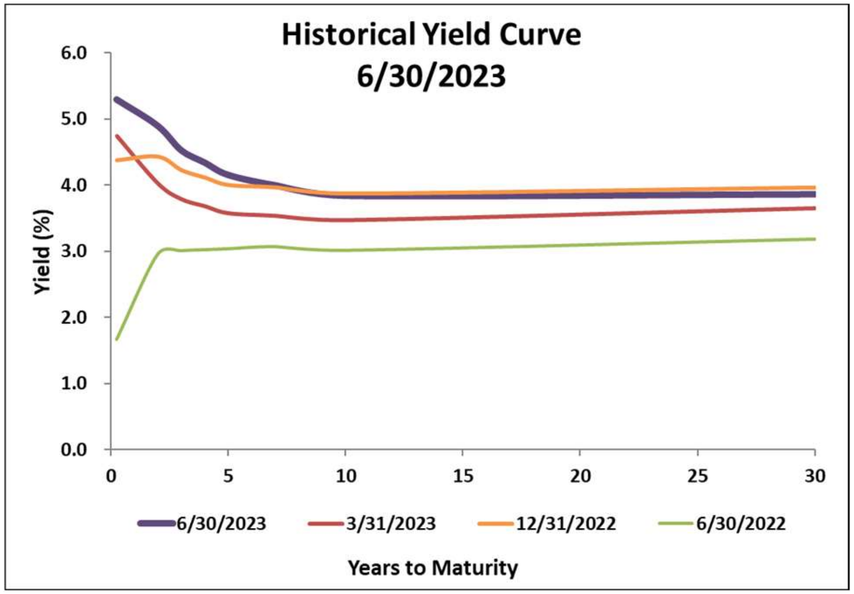
- The "Great Eight" stocks that make up 27% of the S&P 500 index continued to drive market indices higher in Q2. The S&P 500 returned 8.7% in Q2 while the Aggregate bond index fell -3%.
- Risk assets rallied in Q2 2023 on the continued hopes of a peak in interest rates and hopes of a Fed Ease while corporate earnings continued to decline.
- There was Volatility in Bond markets during Q2 2023 as the Fed continued to raise rates, albeit at a reduced rate, as inflation remained sticky, and as employment remained robust.
- Short term interest rates rose significantly during the quarter with 2-year Treasury yields rising to just below 5% as the Fed continued to raise their terminal rate.
- The Fed has committed to higher rates and holding there, while both equity and fixed income markets are pricing in a reversal of policy, in a disagreement with the Fed.

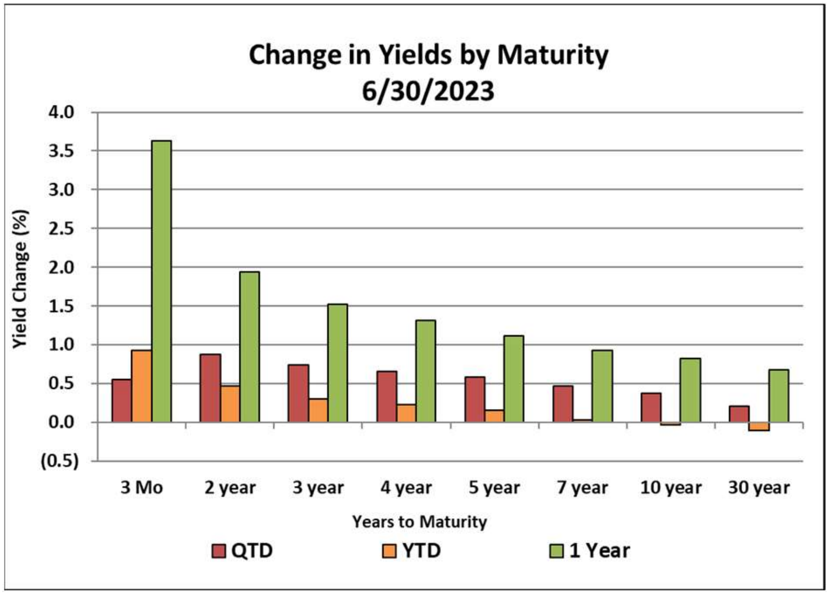


Market Review

Yield Curve – June 30, 2023

- Interest rates rose across the curve in June as inflation proved to be stickier than the market originally expected & a still relatively robust labor market squashed hopes of a near-term Fed Ease.
- The rate move primary in the belly of the yield curve, in the 2–7-year zone, where the expectations of FED policy and the implications of longer-term inflation meets, causing this increased volatility and higher rates.
- The bond market remains highly volatile and is overreacting to any information that may potentially influence the Fed to reverse policy, while the Fed continues to indicate maintaining higher rates for longer to tame inflation.
- The Fed has increased their own expectations of where rates would go, now to above 5.5% and will hold here, while also continuing to unwind Quantitative Easing.

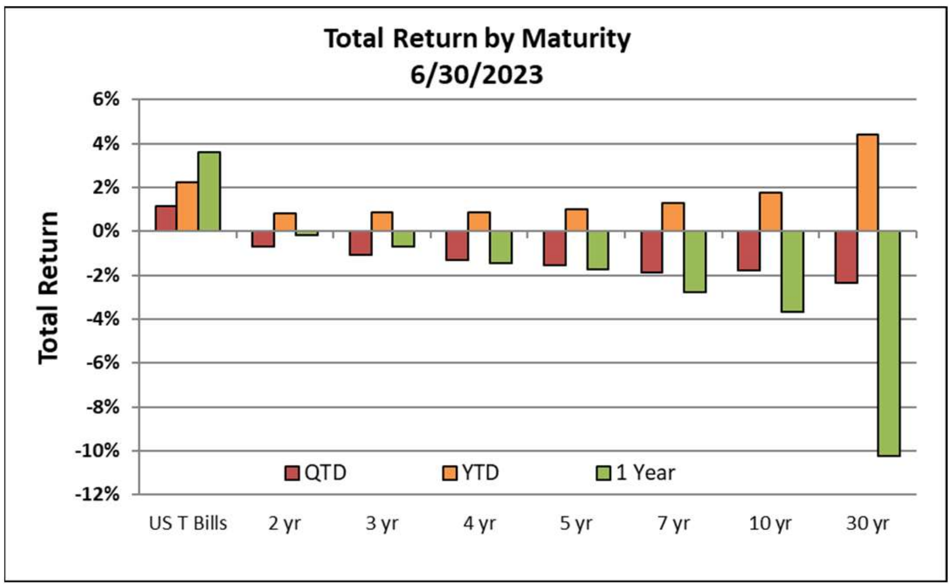


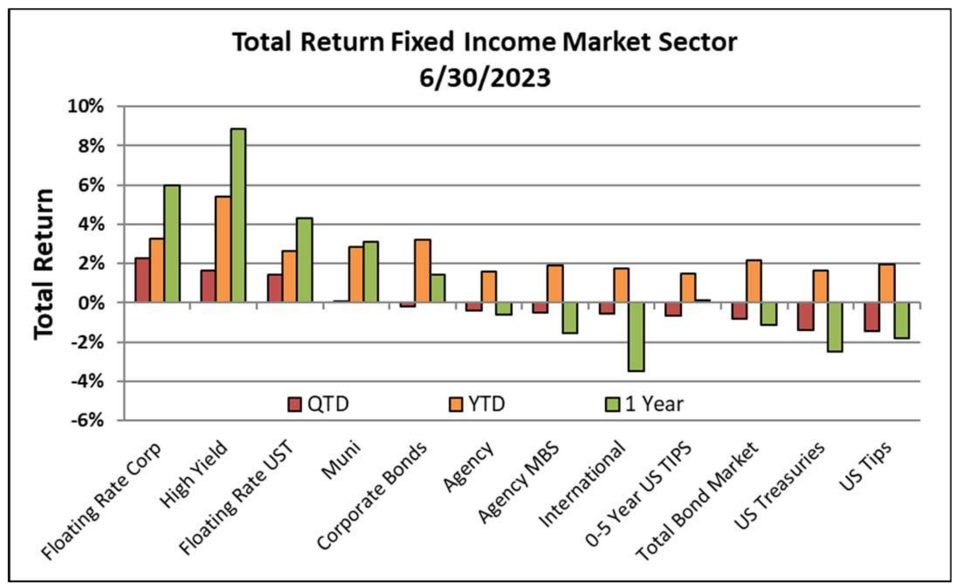


Market Review

Yield Curve and Sector Returns – June 30, 2023

- The rise in rates in Q2 generated negative returns across maturities, except for short-term T-Bills and floating rate notes.
- Floating Rate Corporate bonds generated positive returns due to their low level of interest rate sensitivity & High Yield corporate bonds generated enough income to offset the price fluctuation, all other sectors proved to be negative in Q2 2023.
- TIPs struggled as headline inflation came down over the quarter, while core inflation remains elevated.
- Longer term securities are still vulnerable with inflation high and the Fed still unwinding Quantitative easing. Short term rates may now have sufficient income to offset further price volatility.

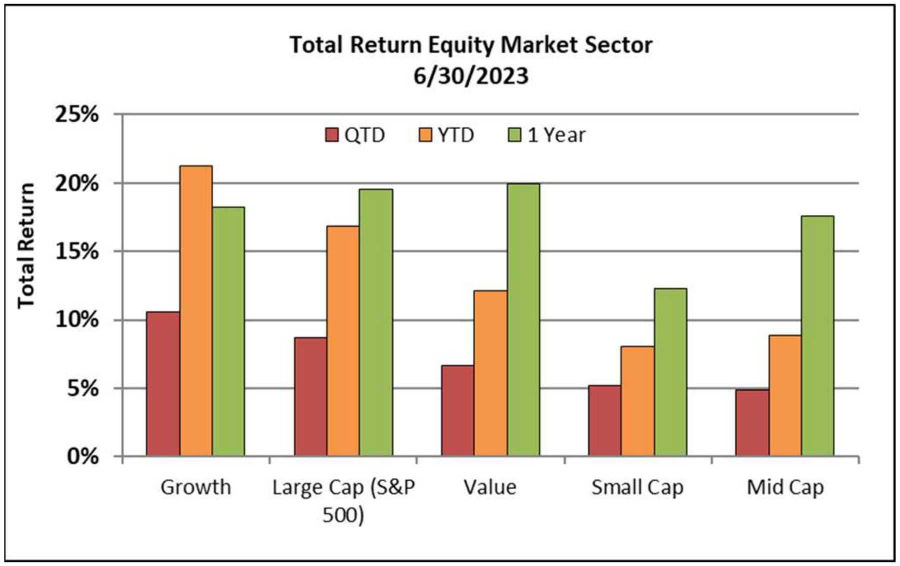


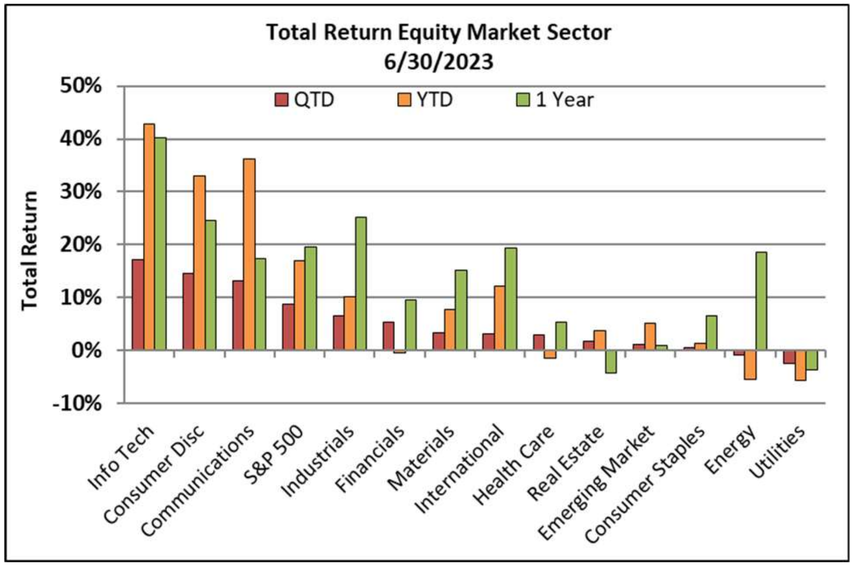


Market Review

Equity Market Returns – June 30, 2023

- Equity markets rallied in June & in Q2 amid AI hype and holding onto hope of the Fed pivoting on interest rate policy.
- The S&P 500 generated a positive +8.7% for the quarter, led by just a few stocks in three sectors.
- The equal weighted S&P lagged the market weighted by 4.8% in Q2 given the rally in growth and Information Technology, which is more heavily weighted in the market weight index.
- Information Technology, Consumer Discretionary, & Communications were the top performers for Q2.
- Utilities & Energy were among the worst performers given lower oil prices and higher interest rates, while industrials were boosted on strong economic activity and banks rebounded.
- Growth outperformed value while small & mid cap stocks continue to lag.





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Market Scoreboard

June 30, 2023

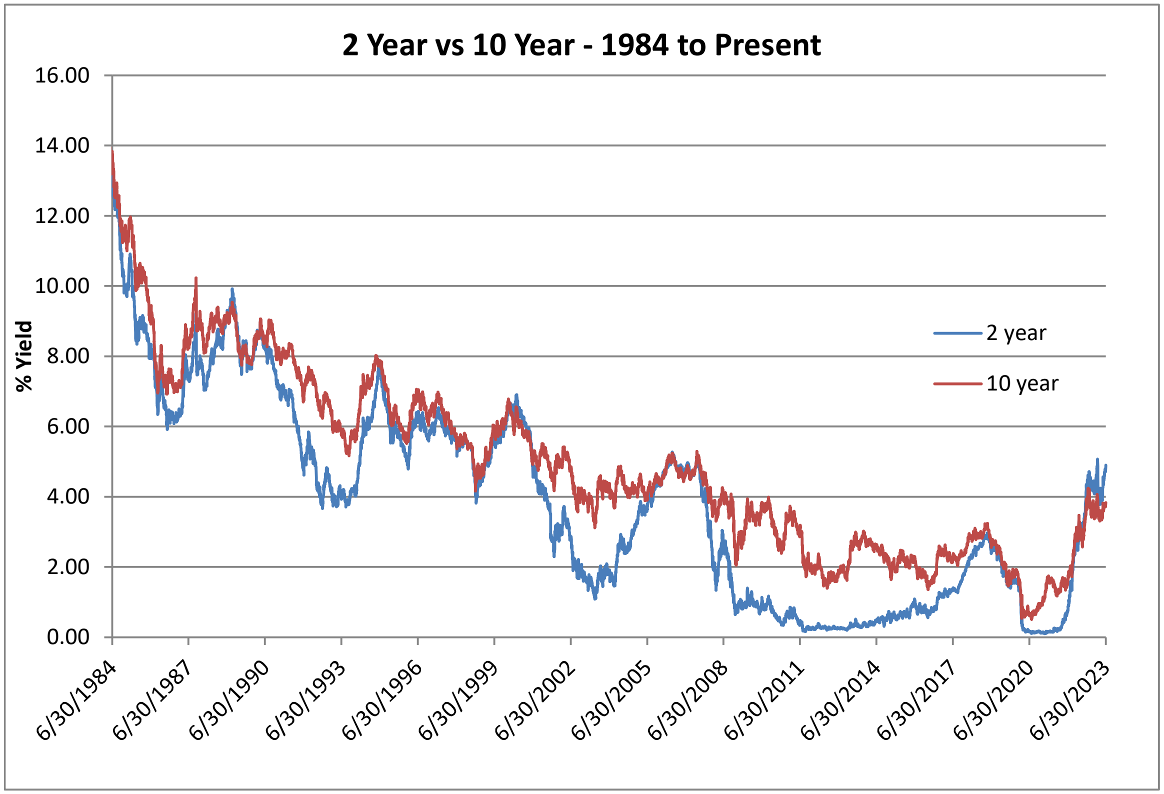
Market Summary - June 30th, 2023					
Bond Market	**MTD**	**QTD**	**YTD**	**1 Year**	**Yield**
Total Bond Market	0.0%	-0.8%	2.1%	-1.1%	4.8%
US Treasuries	-0.4%	-1.4%	1.6%	-2.5%	4.4%
US TIPS (Inflation Prot.)	-0.3%	-1.4%	2.0%	-1.8%	2.1%
Corporate Bonds	0.5%	-0.2%	3.2%	1.4%	5.6%
Floating Rate Corp	0.7%	2.3%	3.2%	6.0%	5.8%
US MBS Index	0.2%	-0.5%	1.9%	-1.6%	4.8%
High Yield Corporates	1.5%	1.6%	5.4%	8.9%	8.4%
Merrill Muni Index	1.2%	0.0%	2.8%	3.1%	3.0%
International Bonds	0.2%	-0.6%	1.7%	-3.5%	2.3%
Commodities/Other	**MTD**	**QTD**	**YTD**	**1 Year**	**End Value**
Oil (WTI)	3.5%	-6.4%	-11.0%	-17.9%	71
Gold	-2.2%	-2.5%	5.2%	6.2%	1,919
Dollar Index	-1.4%	0.4%	-0.6%	-1.7%	103

Market Summary - June 30th, 2023					
Stock Market Indices	**MTD**	**QTD**	**YTD**	**1 Year**	**End Value**
DOW Jones Avg.	4.7%	4.0%	4.9%	14.2%	34,408
NASDAQ Composite	6.7%	13.1%	32.3%	26.2%	13,788
Large Cap Core (S&P 500)	6.6%	8.7%	16.9%	19.6%	4,450
Large Cap Growth	6.4%	10.6%	21.2%	18.2%	2,843
Large Cap Value	6.9%	6.6%	12.1%	19.9%	1,593
Mid Cap Core	9.2%	4.8%	8.8%	17.5%	2,622
Mid Cap Growth	8.7%	5.1%	10.4%	19.2%	1,217
Mid Cap Value	9.6%	4.5%	7.1%	15.9%	859
Small Cap Core	8.1%	5.2%	8.1%	12.3%	1,889
Small Cap Growth	8.3%	7.1%	13.6%	18.5%	8,964
Small Cap Value	7.9%	3.2%	2.5%	6.0%	14,538
Europe	6.6%	3.7%	17.8%	29.9%	461
England	4.1%	2.5%	8.4%	13.7%	7,532
Japan	4.1%	9.0%	16.8%	20.9%	33,189
Shanghi 300	0.1%	-9.1%	-4.5%	-18.9%	3,842
International	4.6%	3.2%	12.1%	19.3%	2,132
MSCI China	4.0%	-9.7%	-5.5%	-16.8%	452
Emerging Markets	4.4%	1.0%	5.2%	0.9%	40

Market Review

Yield Curve Scenario Analysis – June 30, 2023

- Short term rates have finally moved in similar magnitude as past tightening cycles with two-year notes rising 400 basis points. With that said, rates remain relatively low by long term historical norms.
- Longer term yields have also moved in similar significant fashion yet are also still low on an absolute basis.
- Although moderating, the rise in inflation currently dwarfs anything seen since 1984, so further upward rate moves are possible.



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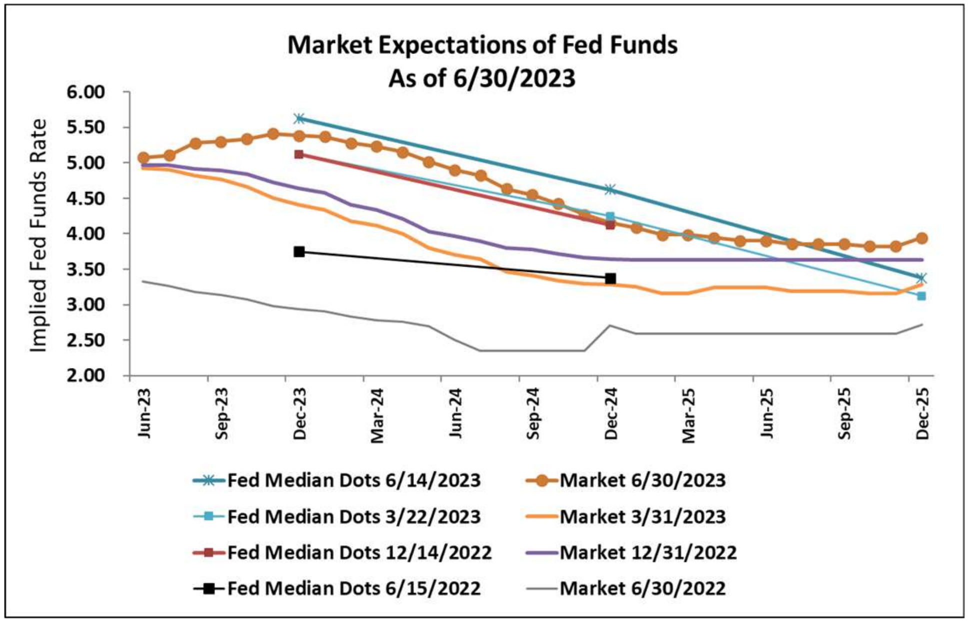
Market Review

Monetary/Fed Policy – June 2023

Federal Reserve Median Economic Projections As of 6/30/2023					
Change in GDP	**Actual**	**2023**	**2024**	**2025**	**Longer Run**
June 2023 Projection		1.0	1.1	1.8	1.8
March 2023 Projection		0.4	1.2	1.9	1.8
December 2022 Projection		0.5	1.6	1.8	1.8
Actual Q1 2023 yoy/qoq	**1.8%/2.0%**				
Unemployment Rate					
June 2023 Projection		4.1	4.5	4.5	4.0
March 2023 Projection		4.5	4.6	4.6	4.0
December 2022 Projection		4.6	4.6	4.5	4.0
Actual June 2023	**3.6%**				
PCE Inflation					
June 2023 Projection		3.2	2.5	2.1	2.0
March 2023 Projection		3.3	2.5	2.1	2.0
December 2022 Projection		3.1	2.5	2.1	2.0
Actual May 2023	**3.8%**				
Core PCE Inflation					
June 2023 Projection		3.9	2.6	2.2	
March 2023 Projection		3.6	2.6	2.1	
December 2022 Projection		3.5	2.5	2.1	
Actual May 2023	**4.6%**				
Projected Policy Path- Fed Funds					
June 2023 Projection		5.6	4.6	3.4	2.5
March 2023 Projection		5.1	4.3	3.1	2.5
Actual June 2023	5.1%				

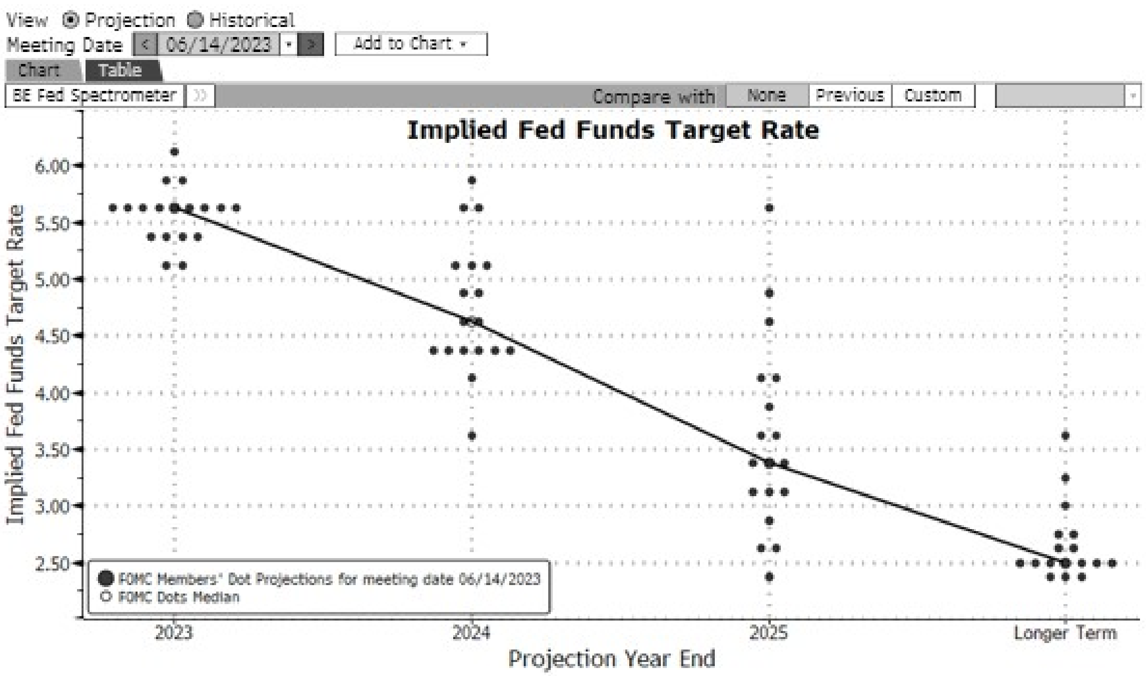
- The Fed funds rate is in range of 5.00 – 5.25% In the June meeting, the fed indicated its decision of further rate hikes will depend on the incoming data and reiterated they will not ease in 2023.
- The Fed continues to chase reality in their economic projections and reacting by shifting policy rate expectations accordingly. The markets continue to discount the Fed's resolve and maintain a higher funds rate than Fed expectations and continue to carry hope and expectations of a "Fed Pivot".



Market Review

Monetary Policy – June 2023

- The Feds Dot Plot shows all Fed Governors thoughts on where rates will be at each time period, with the median suggesting a rate over 5.5% by year end 2023, an increase from their previous meeting.
- Inflation expectations remain extremely low as implied by TIPS at just over 2% for the next 2, 5, and 10 years, and remains well below actual inflation and our expectations.
- There is significant disagreement among Fed officials over the level of rates by end of 2025.



Current Fed Funds Rate
5.08

10 Year Tip	10 Year UST	Implied Inflation Premium
1.61	3.84	**2.22**

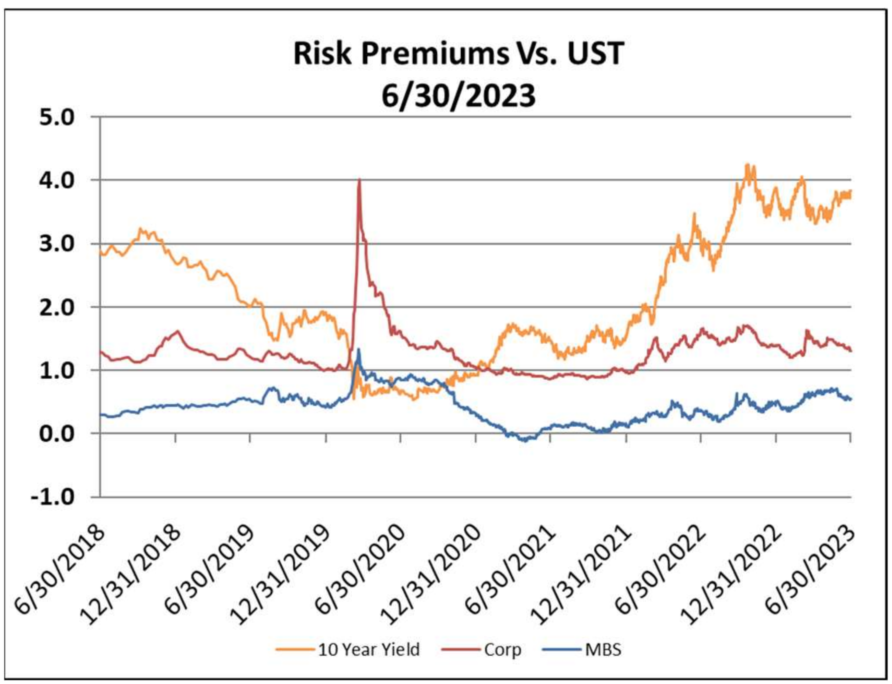
5 Year Tip	5 Year UST	Implied Inflation Premium
1.98	4.16	**2.17**

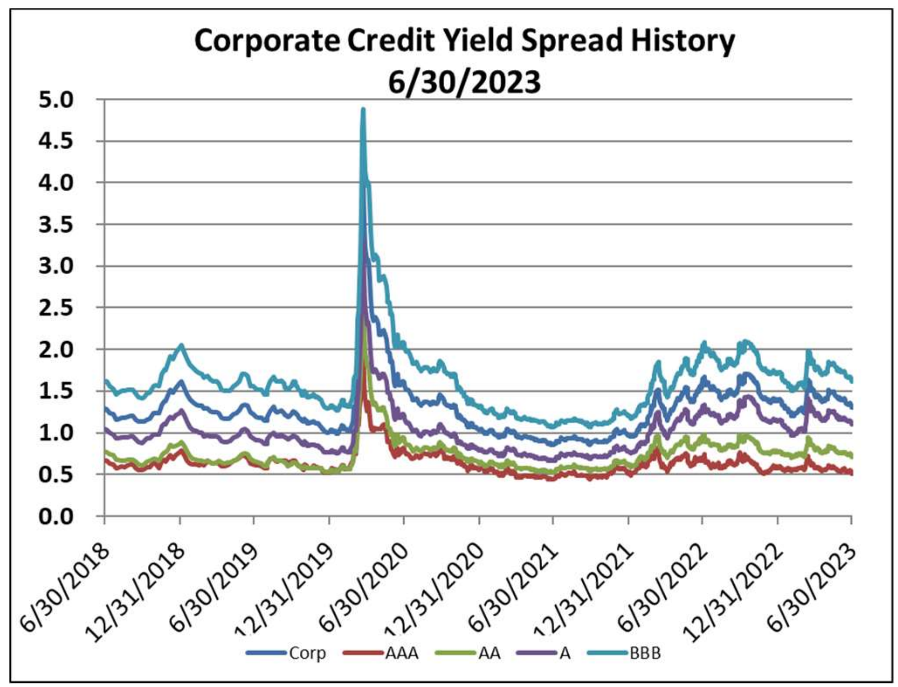
2 Year Tip	2 Year UST	Implied Inflation Premium
2.90	4.90	**1.99**

Market Review

Yield Spreads – June 2023

- Risk premiums in Corporate, Muni & MBS tightened slightly in Q2, but may room to widen amid ongoing equity market volatility and earnings pressures.
- Corporate credit conditions have been strong; however, rising rates and slower overall economic activity may begin to put pressure on companies with higher debt levels.
- Corporate bonds may still be vulnerable in an economic downturn, while Mortgage-backed securities, may be more stable given lack of credit risk.

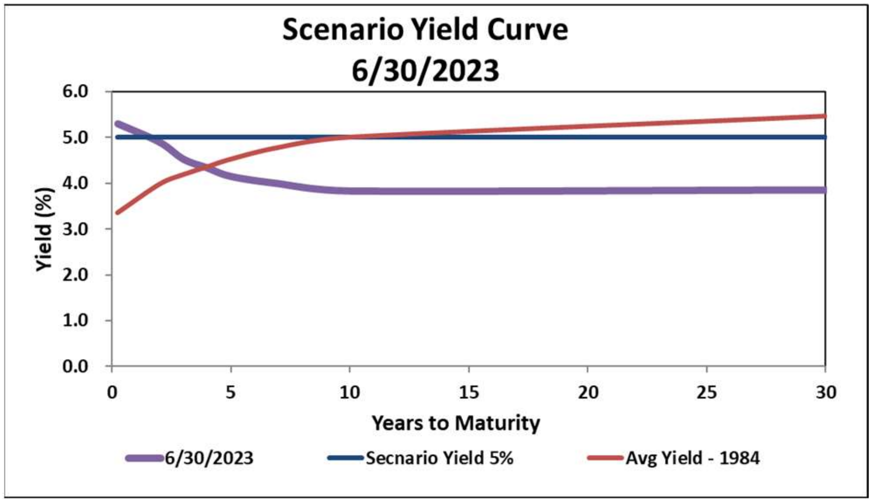


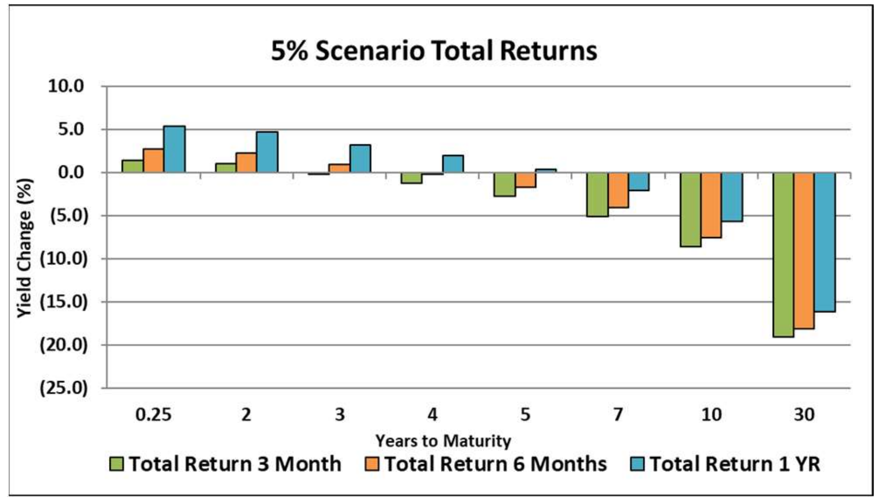


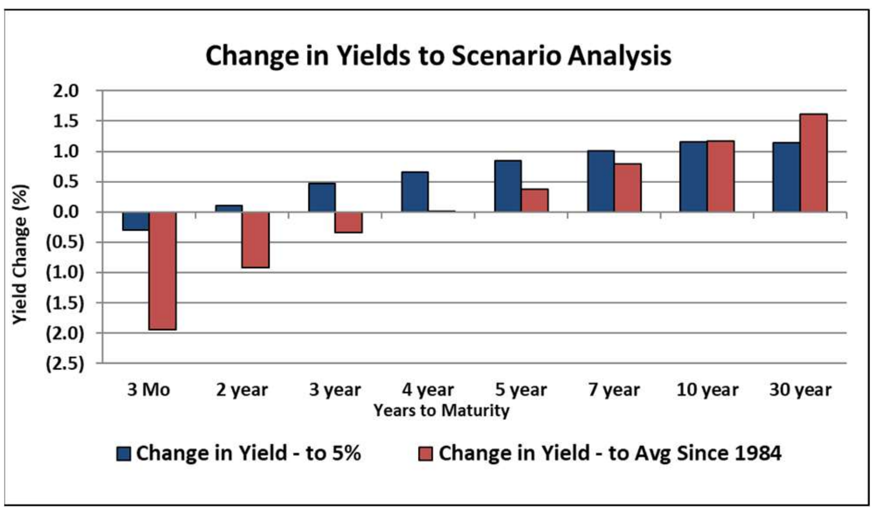
Market Review

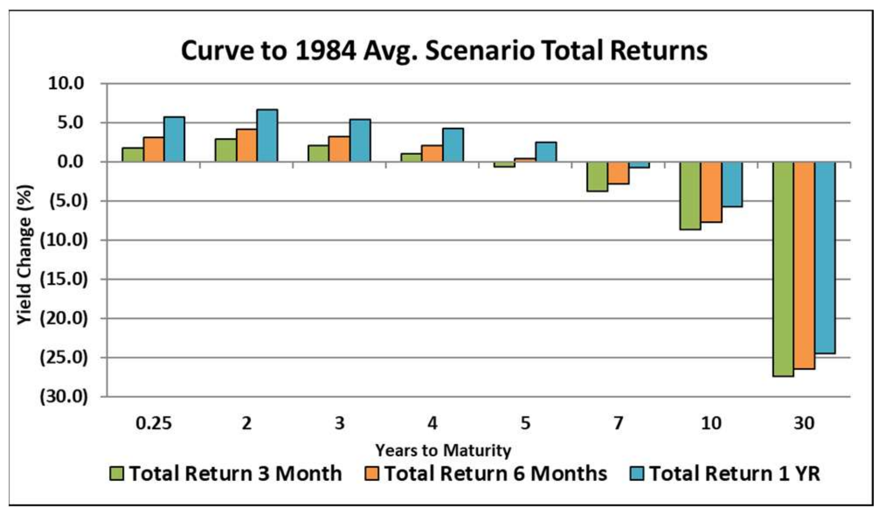
Yield Curve Scenario Analysis – June 30, 2023

- Given the recent rise in rates above 5%, the higher current level of income in shorter term maturities is better able to offset a decline in price from further rate increases. In scenarios moving rates to 5.0% across the curve and to their average yield curve since 1984, shorter term maturities still generate positive returns, where longer term maturities remain vulnerable.





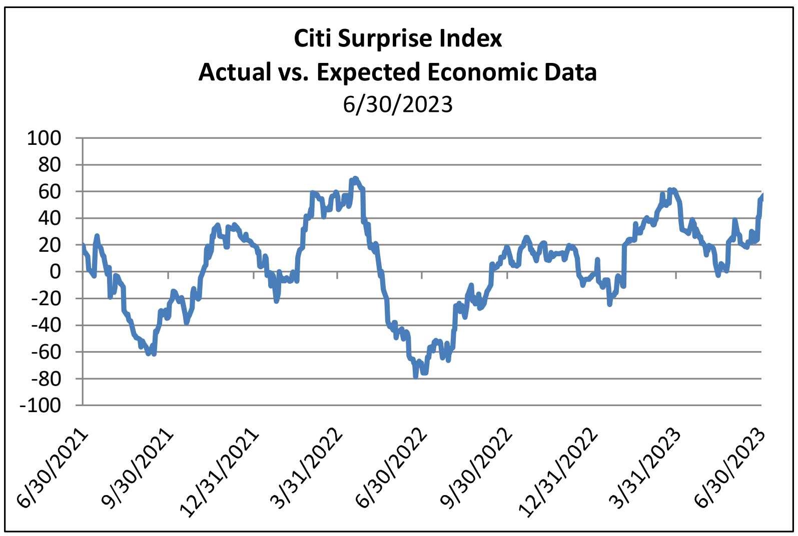




Economic Environment

June 2023

- Economic activity remains strong and has been coming in much stronger than market expectations, as evidenced in the Citi Surprise index.
- Inflation remains elevated around the globe and continues to accelerate in some areas such as Europe.
- Central banks around the world are raising interest rates aggressively and curbing additional Fiscal stimulus, acknowledging the risk of recession to win the battle against inflation.



GDP YoY % Change			
		One Year	
	Q1 2023	Ago	Change
US	1.80	3.70	(1.90)
Eurozone	1.00	5.50	(4.50)
Germany	(0.50)	1.60	(2.10)
France	0.90	4.50	(3.60)
Italy	1.90	6.51	(4.62)
UK	0.20	10.60	(10.40)
Canada	1.70	4.50	(2.80)
Mexico	3.73	1.86	1.87
Australia	2.30	3.10	(0.80)
Japan	1.90	0.50	1.40
China	4.50	4.80	(0.30)
Russia	(1.80)	3.00	(4.80)
Brazil	4.00	2.43	1.57

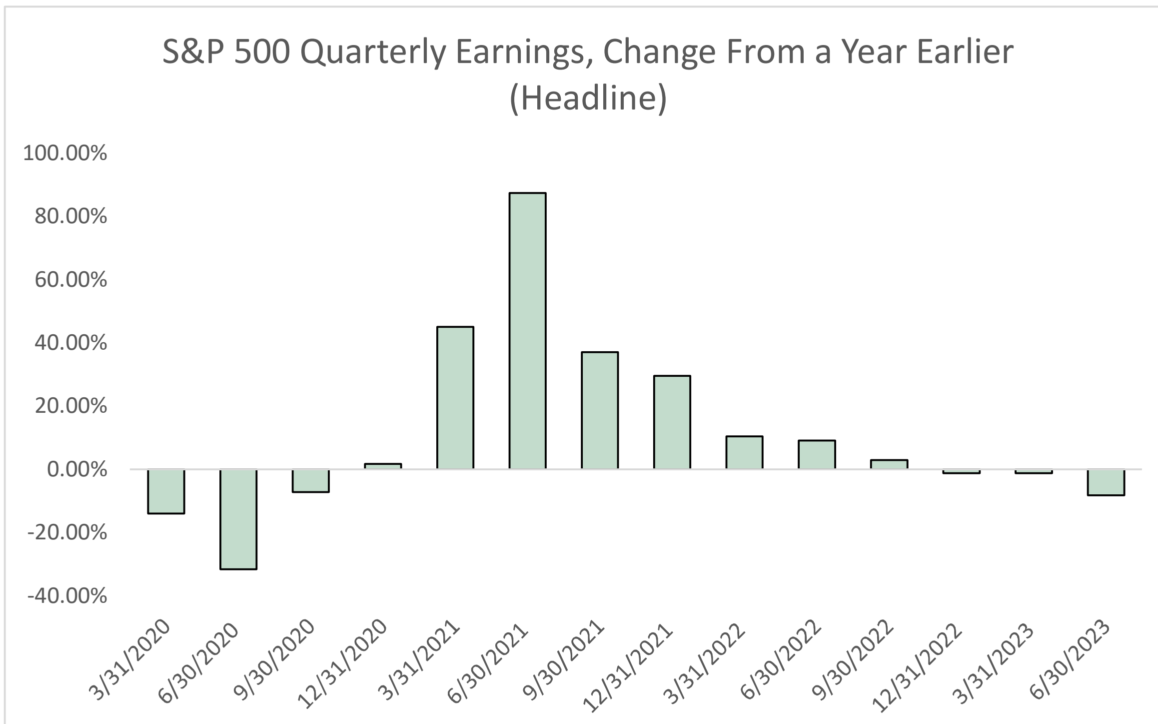
**Canada GDP as of 4/30/2023*
**All other GDP as of 3/31/2023*

Inflation YoY % Change			
		One Year	
	Jun-23	Ago	Change
US	3.00	9.10	(6.10)
Eurozone	5.50	8.60	(3.10)
Germany	6.40	6.70	(0.30)
France	4.50	5.80	(1.30)
Italy	6.40	8.00	(1.60)
UK	8.70	9.10	(0.40)
Canada	3.40	7.70	(4.30)
Mexico	5.06	7.99	(2.93)
Australia	2.30	3.10	(0.80)
Japan	3.20	2.50	0.70
China	0.00	2.50	(2.50)
Russia	2.51	17.10	(14.59)
Brazil	3.16	11.89	(8.73)

**UK, Canada, Japan, & Russia as of 5/2312023*
**Australia CPI as of 3/31/2023*

SPX Quarterly Earnings Decline

- The SPX is expected to have it's 3rd consecutive quarterly earnings decline on a year-over-year basis
- Bloomberg reports Headline earnings declined by -1.23% in Q4 2022, -1.28% in Q1 2023, and are expected to decline by -8.24% in Q2 2023
- This trend of declining earnings in combination with the continued rise of equity prices has put the SPX P/E ratio well above it's 20-year historical average and median.



SPX Headline Earnings Scenario Analysis

- Bloomberg reports that Headline* earnings grew 2.97% year-over-year to \$223.58 as of June 30th, but down from \$223.87 on March 31st
- This indicates the P/E ratio for the last twelve months is 19.91x earnings, above the 20-year average, median, mode, and harmonic average
- Consensus estimates are for headline earnings to fall over the next twelve months by -2.47% to \$218.05
- This indicates the P/E ratio for the next twelve months is 20.41x earnings, also above the 20-year average, median, mode, and harmonic average
- Historical scenarios are based on daily data from 6/30/2003 to 6/30/2023
- *Headline earnings use the market convention for each security and is a mix of GAAP, Adjusted, and special metrics (FFO Per Share for REITs, etc.)

	Actuals 6/30/2023	
	YoY Growth	2.97%
	Act. EPS	\$ 223.58
Description	P/E	SPX Price
6/30/2023	19.91	**\$ 4,450**
Mean	17.49	\$ 3,911
Median	17.18	\$ 3,841
Mode	17.00	\$ 3,801
Harmonic	16.94	\$ 3,787

	Estimates 6/30/2023					
	YoY Growth	10.00%	5.00%	**-2.47%**	-5.00%	-10.00%
	Est. EPS	\$245.94	\$234.76	\$218.05	\$212.40	\$201.22
Description	P/E	SPX Price				
6/30/2023	20.41	\$ 5,020	\$ 4,791	**\$ 4,450**	\$ 4,335	\$ 4,107
Mean	17.26	\$ 4,245	\$ 4,052	\$ 3,764	\$ 3,666	\$ 3,473
Median	17.03	\$ 4,188	\$ 3,998	\$ 3,713	\$ 3,617	\$ 3,427
Harmonic	16.77	\$ 4,124	\$ 3,937	\$ 3,657	\$ 3,562	\$ 3,374
Mode	16.00	\$ 3,935	\$ 3,756	\$ 3,489	\$ 3,398	\$ 3,220

SPX Adjusted Earnings Scenario Analysis

- Bloomberg reports that Adjusted* earnings grew 2.43% year-over-year to $208.91 as of June 30th, down from $209.31 on March 31st
- This indicates the P/E ratio for the last twelve months is 21.3x earnings, above the 20-year average, median, mode, and harmonic average
- Consensus estimates are for adjusted earnings to fall over the next twelve months by -1.24% to $206.31
- This indicates the P/E ratio for the next twelve months is 21.57x earnings, above the 20-year average, median, mode, and harmonic average
- Historical scenarios are based on daily data from 6/30/2003 to 6/30/2023

	Actuals 6/30/2023	
	YoY Growth	2.43%
	Act. EPS	$ 208.91
Description	P/E	SPX Price
6/30/2023	21.30	**$ 4,450**
Mean	18.31	$ 3,824
Mode	18.00	$ 3,760
Median	17.91	$ 3,741
Harmonic	17.67	$ 3,692

	Estimates 6/30/2023					
	YoY Growth	10.00%	5.00%	**-1.24%**	-5.00%	-10.00%
	Est. EPS	$229.80	$219.36	$206.31	$198.46	$188.02
Description	P/E			SPX Price		
6/30/2023	21.57	$ 4,957	$ 4,732	**$ 4,450**	$ 4,281	$ 4,056
Mean	18.20	$ 4,182	$ 3,992	$ 3,754	$ 3,612	$ 3,421
Median	17.64	$ 4,053	$ 3,869	$ 3,639	$ 3,500	$ 3,316
Harmonic	17.59	$ 4,041	$ 3,857	$ 3,628	$ 3,490	$ 3,306
Mode	17.00	$ 3,907	$ 3,729	$ 3,507	$ 3,374	$ 3,196

The "Great 8" S&P 500

- S&P 500 returns have been largely dominated by 8 stocks: Apple, Microsoft, Amazon, Nvidia, Google (x2), Meta, and Tesla.
- YTD these 8 stocks collectively attributed to more than 70% of the index total return (generating 12.22% of the 16.88% return for YTD 2023).
- This trend has been developing since the start of the year and as it continues, we see significant risks in the index and these stocks as their relative weights have grown to more than 27% of the index itself.

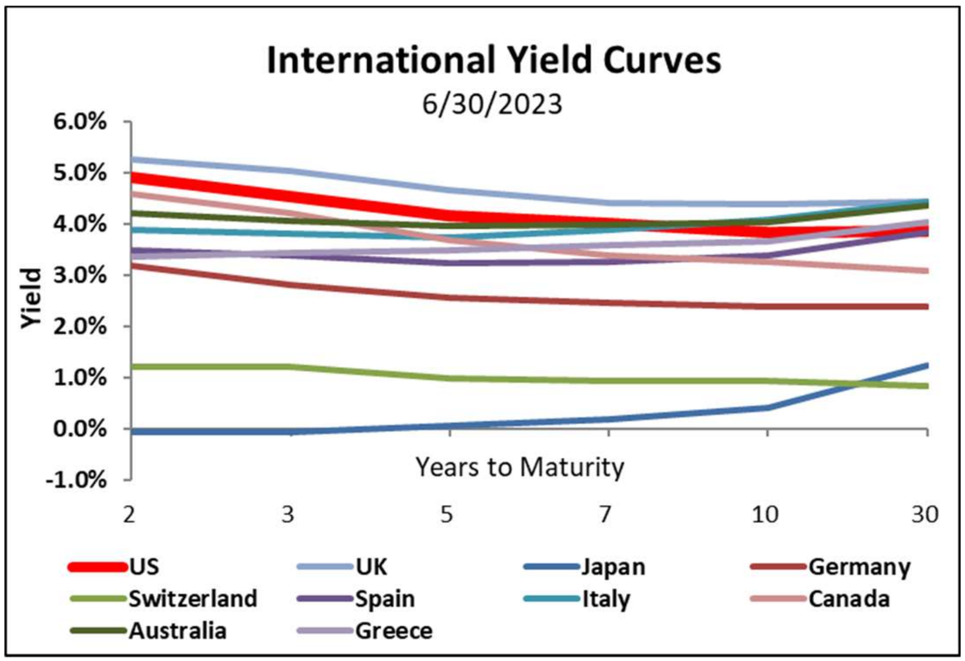
YTD 2023 - Top 8 Holdings Vs. Rest of S&P 500

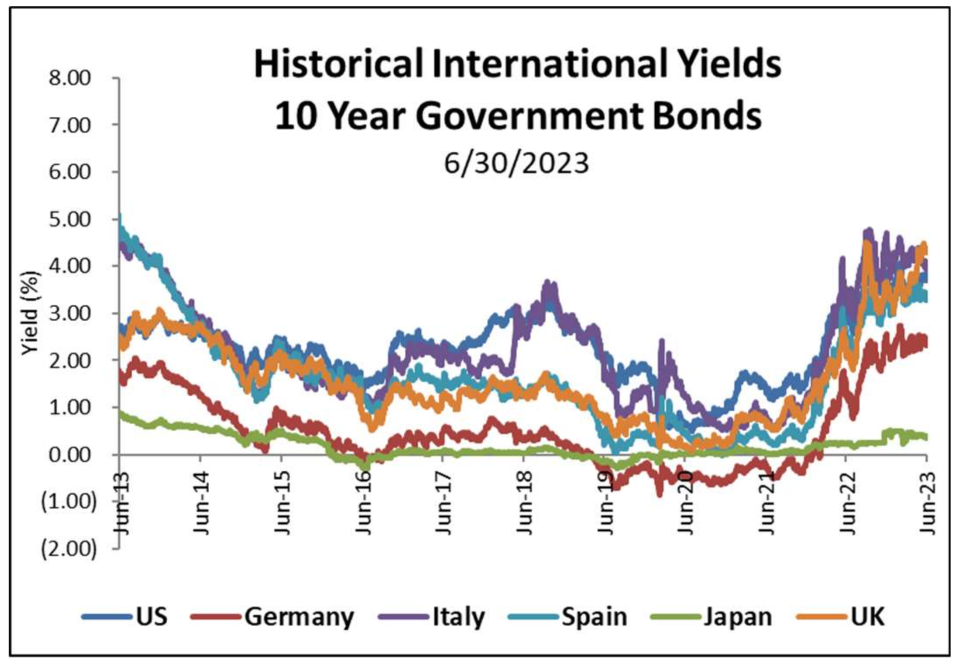
Company	12-31-2022 % Weight in SPX	6-30-2023 % Weight in SPX	YTD % Return	% YTD Contribution
AAPL	6.03%	7.63%	49.72%	3.00%
MSFT	5.55%	6.74%	42.66%	2.37%
AMZN	2.31%	3.12%	55.19%	1.27%
TSLA	1.03%	2.02%	189.54%	1.95%
GOOGL	1.64%	1.91%	35.67%	0.58%
GOOG	1.46%	1.65%	36.33%	0.53%
NVDA	1.13%	2.81%	138.47%	1.56%
META	0.84%	1.70%	112.51%	0.95%
Top 8 of SPX	**19.99%**	**27.58%**	**61.12%**	**12.22%**
Rest of SPX	**80.01%**	**72.42%**	**5.83%**	**4.66%**
Total	100.00%	100.00%	16.88%	16.88%

Market Review

International Yield Curves – June 2023

- Inflation has become a global phenomenon and interest rates are rising globally.
- Central banks globally have tightened policy in Q2 with a bias toward additional tightening including US, Australia, Canada, UK, and Europe, while Japan remains highly stimulative.
- The US continues as one of the highest yielding developed countries, however longer-term rates some countries have risen above the US. UK inflation, and interest rates are higher.
- Japan is the lone holdout maintaining excessive easy monetary policy.

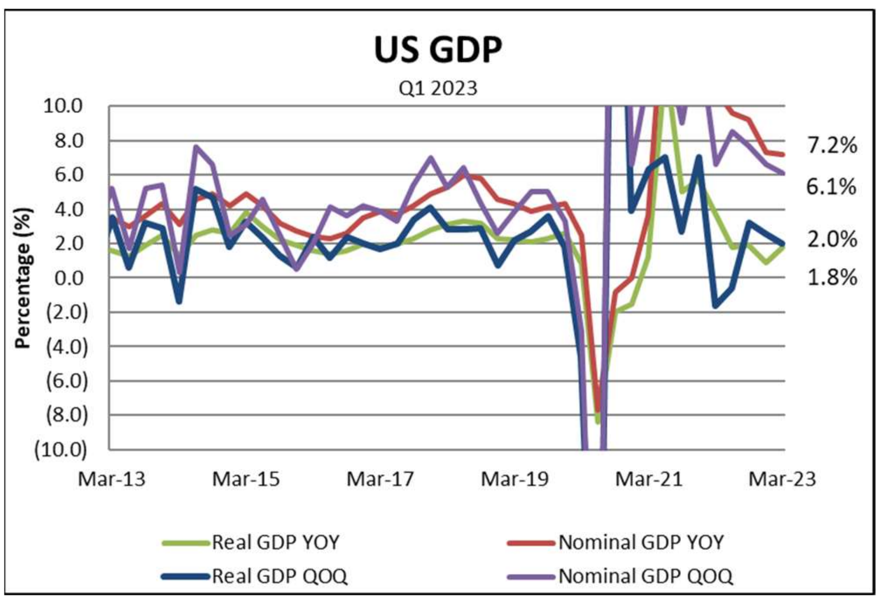


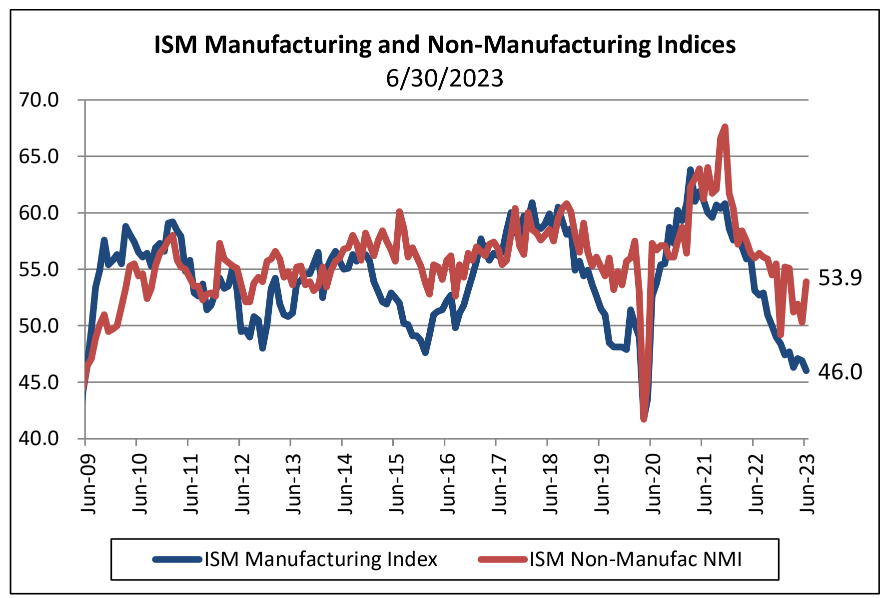


Economic Environment

June 2023

- US Economic activity remained robust in Q1 2023 with a Nominal GDP growth rate of 6.1% and a net Real GDP of 2.0%. The average Nominal GDP growth rate since 1984 has been 5%.
- On a Year over Year basis, growth is down from "off the charts" levels, but remains robust.
- This level of activity resulting from the excess monetary and fiscal stimulus of the past number of years continues to generate historically high and persistent inflation that has started to decelerate.
- While the Goods sectors of the economy have moderated as evidenced by the declining Manufacturing PMI survey below 50, the Services sectors have been robust. Recently the Services PMI turned down, perhaps due to disruptions in March, but recently bounce back up above expectations.





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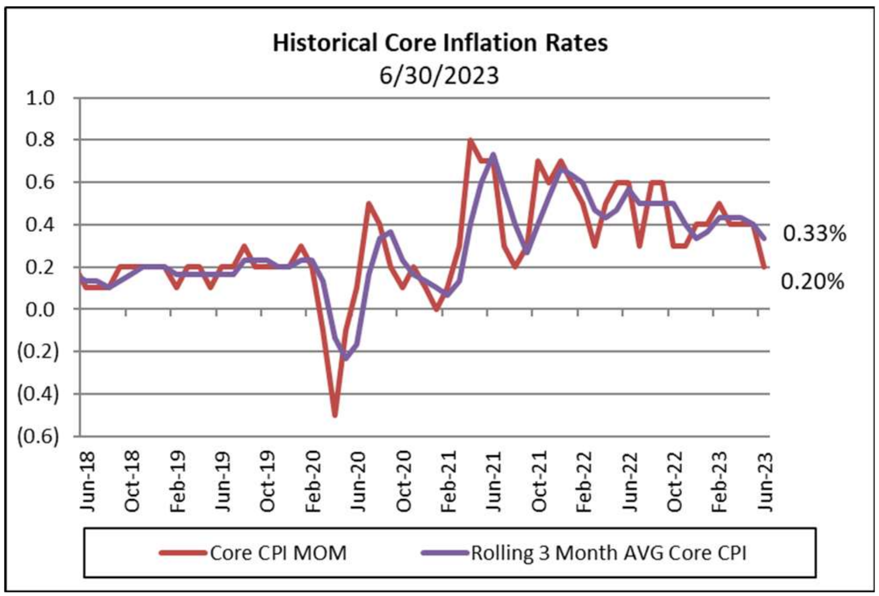
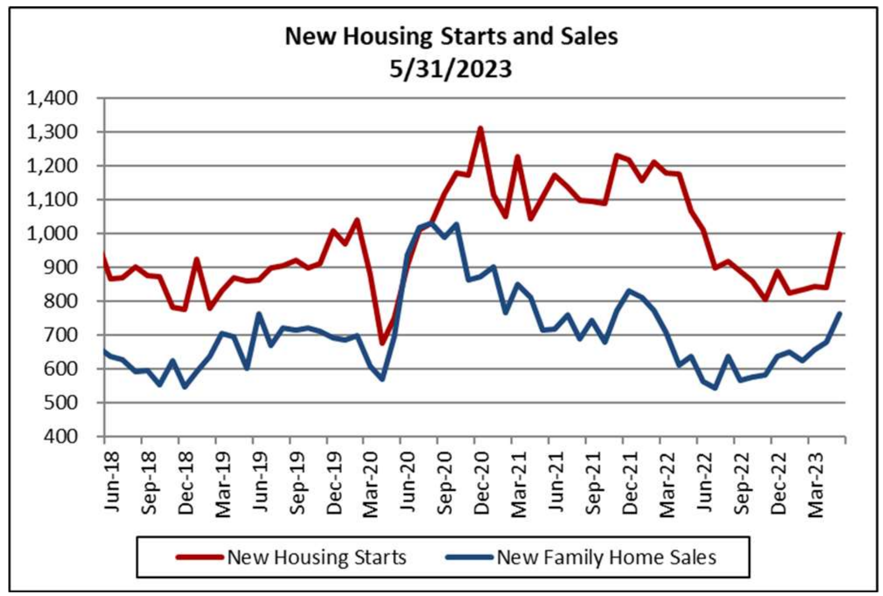
Economic Environment

June 2023

- Monthly Inflation rates have started to normalize in a range of 0.2% to 0.3%, annualized this would put the inflation rate around 3% which is still above the Feds long term targets.
- Core inflation however has been steady at around .4%, or above 4.5% annualized, still well above the Feds target and will present the largest challenge going forward.
- Housing starts and sales have started to increase, showcasing the strength in the housing market and continued inflation as homes continued to be sold at record prices.

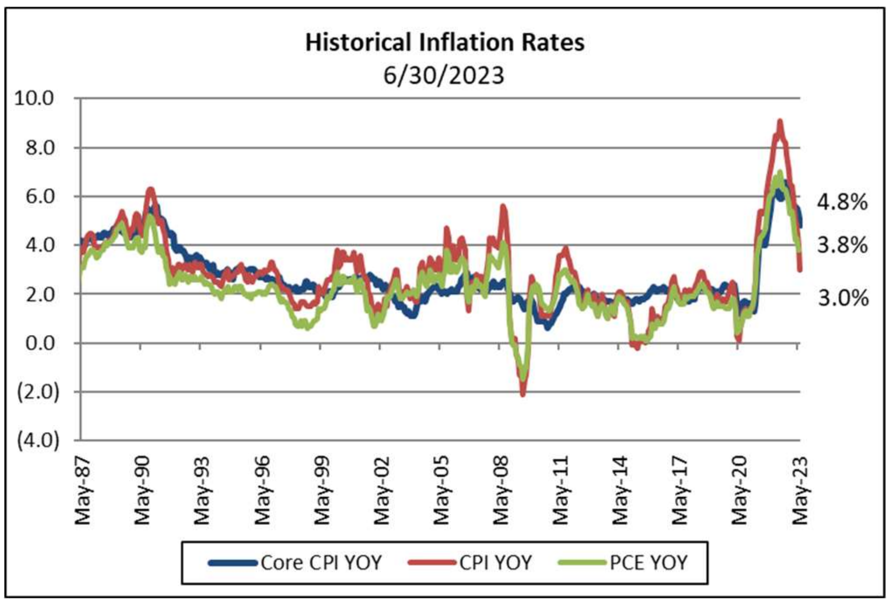


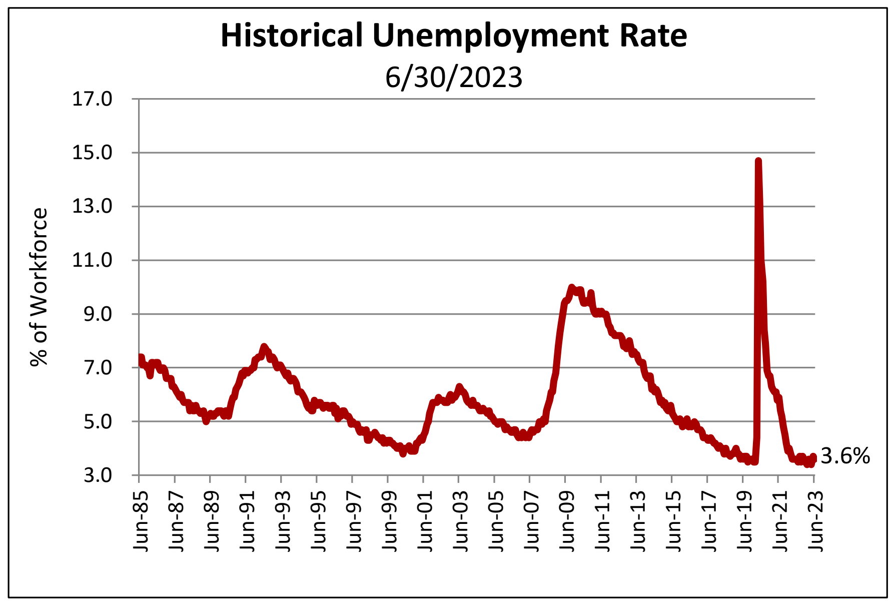


Economic Environment

Employment and Inflation – June 2023

- Inflation levels found a peak in the second quarter of 2022 at 9.1%, and has decelerated to 3.0% in June 2023, but still at high levels. Energy has fallen, but core inflation remains high at 4.8%.
- Input costs have moderated due to reduced energy and transportation costs, however remain high with wage pressures, and continue to be passed through to final demand, particularly in the services area.
- The economy has returned to around the 80% capacity utilization rate as supply chain disruptions have normalized and employees continue to return to the workforce filling in needed jobs.
- The unemployment rate has returned to its historical low of 3.6% amid continued demand for workers, suggesting continued wage pressures.

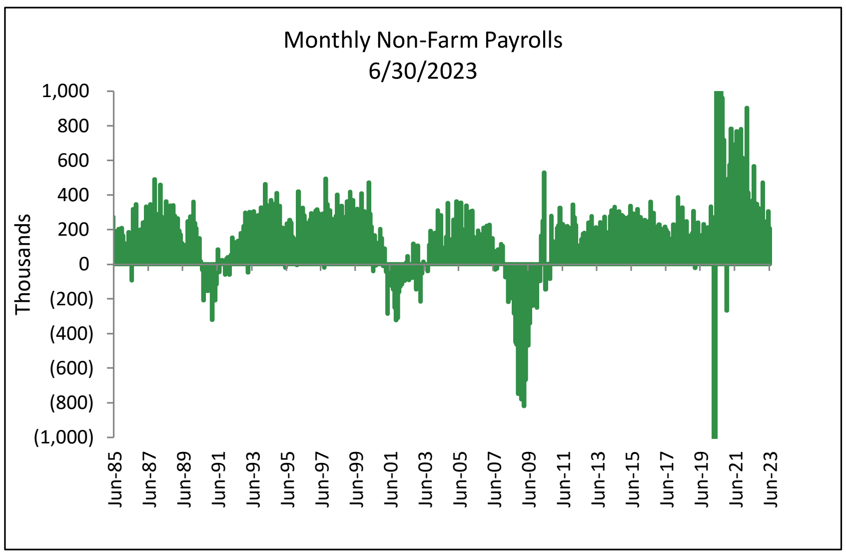


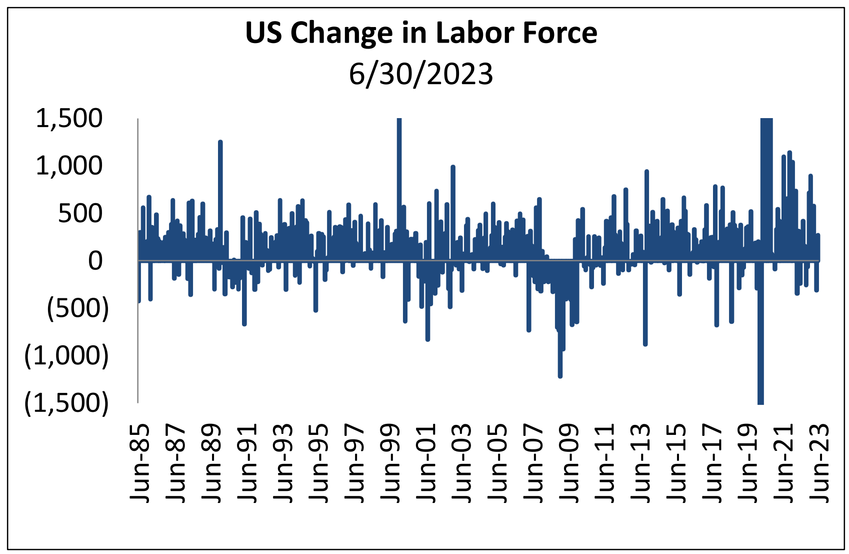


Economic Environment

Employment – Monthly Payrolls – June 2023

- Monthly payrolls additions continue at strong levels, but gains are decelerating as the pool of available workers is low at 3.6% unemployment rate, and many unfilled jobs have been filled.
- Many of the added jobs are people returning to the labor force after a long absence.
- The labor force continues to grow as people continue to return to work. Much work is still needed to fill available jobs. Weekly unemployment claims remain at extremely low levels as companies are hesitant to lay off workers.
- Many high-profile layoff announcements have been in technology related sectors, but laid off workers are quickly finding new jobs.

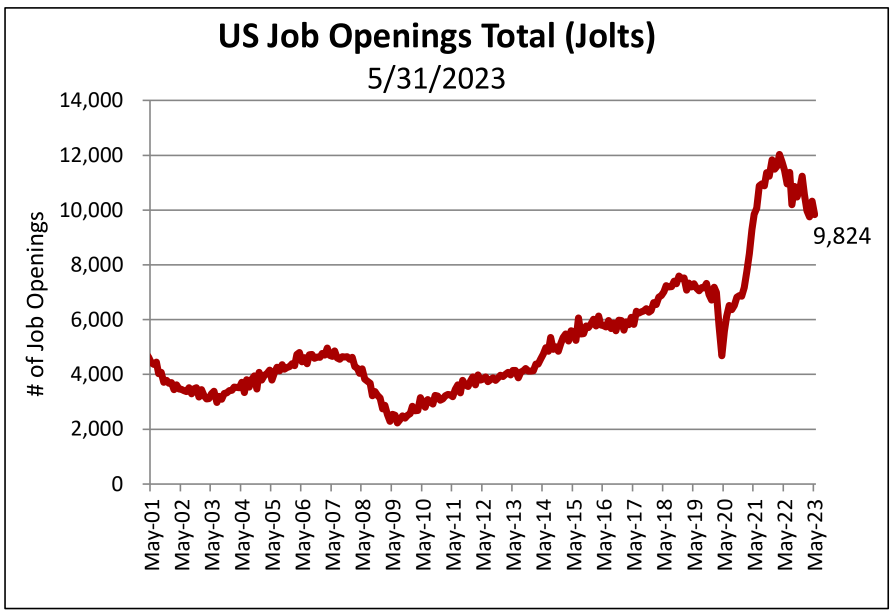




Economic Environment

Employment – Jobs – June 2023

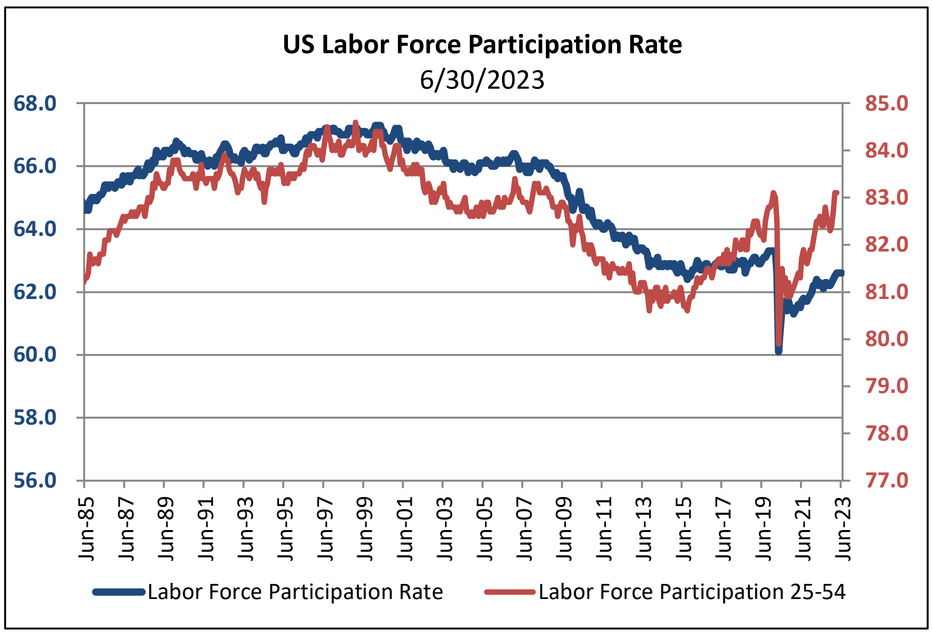
- Virtually all employment indicators suggest a very strong labor market, but may have begun to equalize as many jobs are getting filled, and further add needs are being reduced.
- The number of jobs available remains surprisingly high, although has begun to decline as the number of jobs being filled monthly has been consistently high.
- Currently, there are 1.61 jobs available for every unemployed worker, showcasing the labor shortage. A decline in the jobs openings may not be a leading indicator of a softening economy and overall labor market unless a significant increase in unemployment claims.

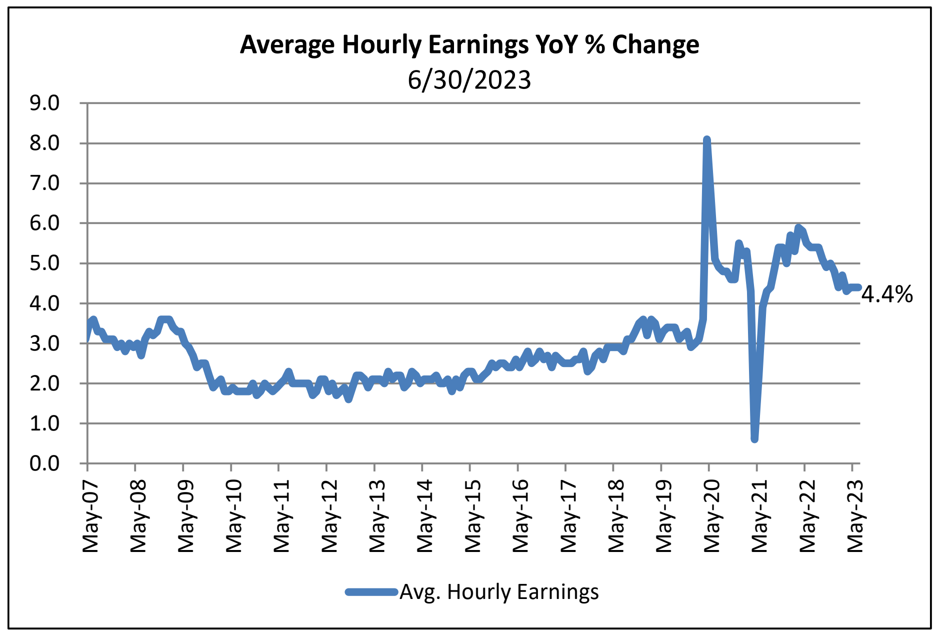


Economic Environment

Employment and Inflation – June 2023

- The prime working age participation rate has been increasing and is back near pre pandemic levels.
- The demand for labor has pushed up wages and pulled workers off the sidelines. The expiration of government stimulus and an evident rise in credit card use point to further rise in participation.
- The pandemic related frictions in the labor market such as remote work, required vaccination mandates, child care and worker choices have mostly faded but still exist to various degrees.
- Average hourly earnings have recently decelerated from high levels, perhaps due to the larger contributions from additions to the lower wage service sector, but wage growth remains high.

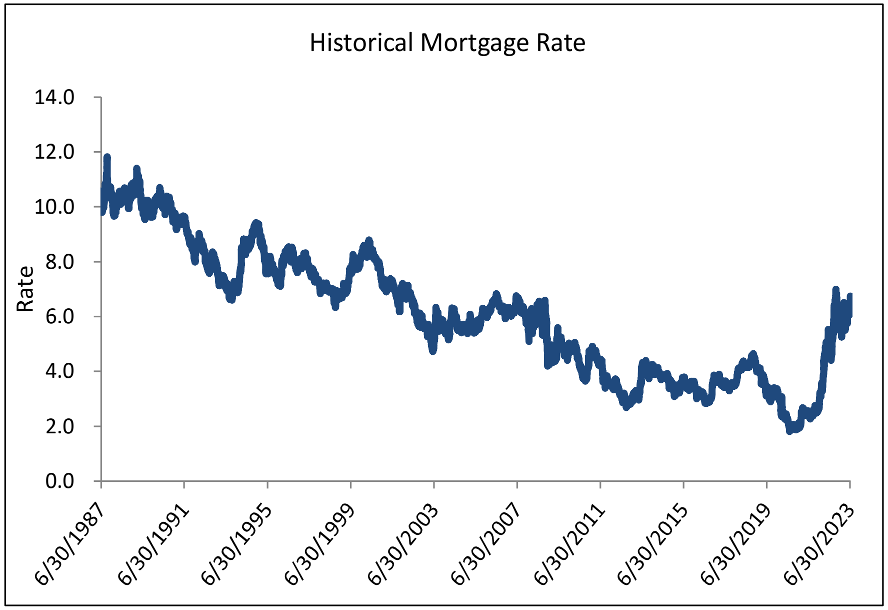


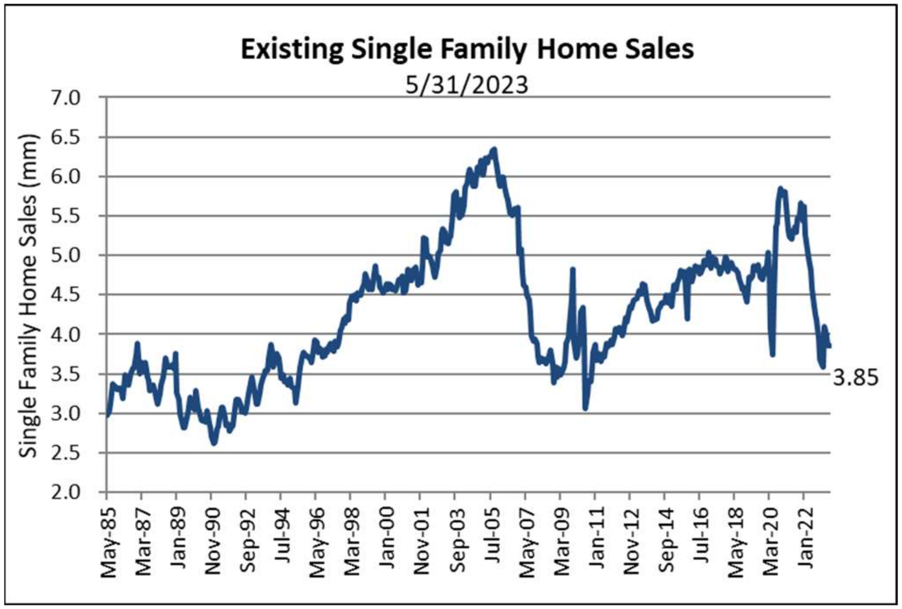


Economic Environment

Mortgage Rates and Housing – June 2023

- Mortgage rates have been rising and have returned closer to more long term historical normal levels nearing 7%.
- The rise in mortgage rates along with record high home prices has reduced home affordability dramatically slowed housing activity, particularly with still low inventory levels.
- New home sales have been back on the rise as have home prices while existing home sales have been slower amid lower inventory, and perhaps reluctance to move after locking in previous low rates.
- Housing had suffered a short term price and rate shock; however, the labor market remains strong and higher income levels and continued migration are generating renewed housing activity.

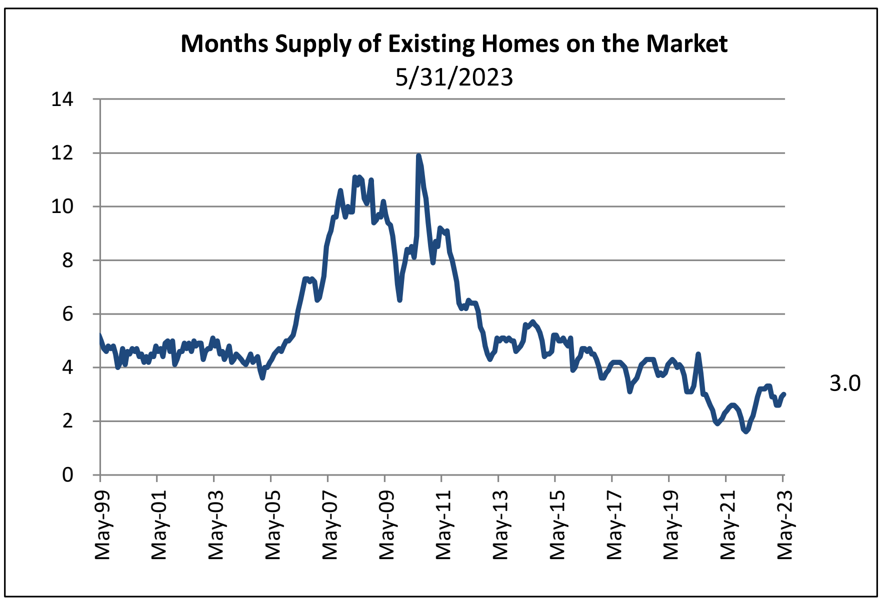


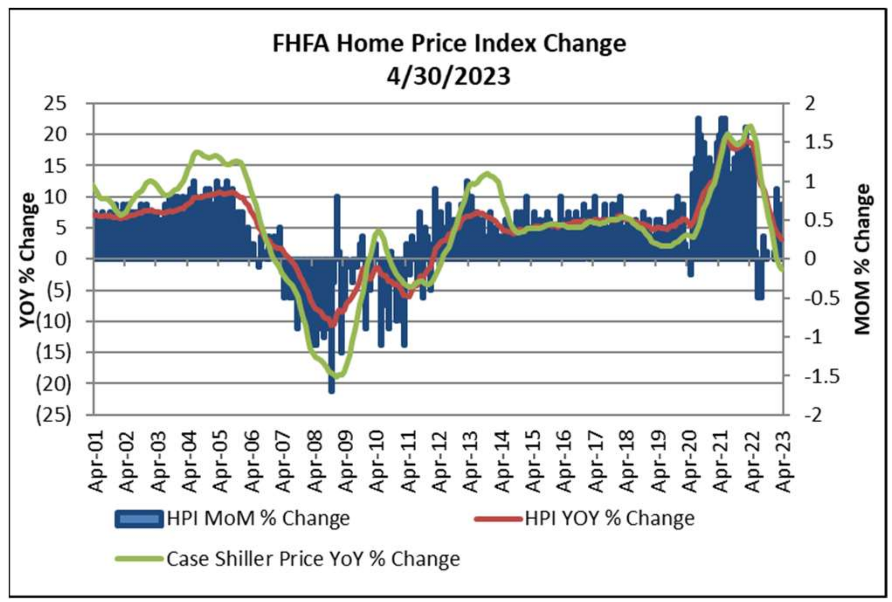


Economic Environment

Mortgage Rates and Housing – June 2023

- Demand remains strong in many areas, and after a pause that brought home prices down and some inventory higher, new activity has stabilized prices and taken out inventory.
- After a drop in prices from the highs, continued demand has stabilized prices. Despite higher mortgage rates, home prices have rebounded and have increase for the last 3 consecutive months.
- The lagged impact of home prices in CPI has contributed to higher levels, but has begun to slow. verse. However, significant expected declines may not come to fruition if home purchases and prices continue to accelerate.

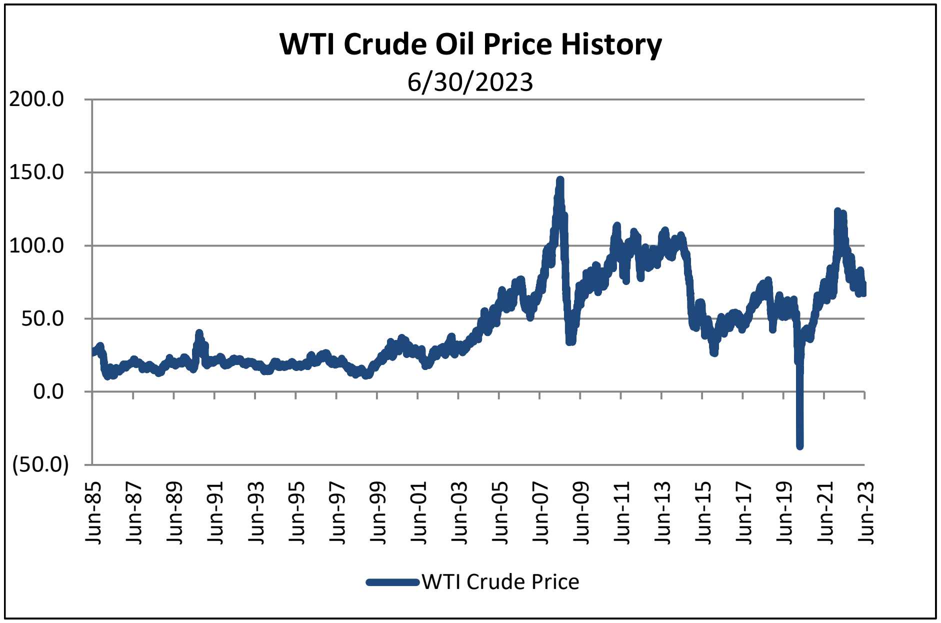


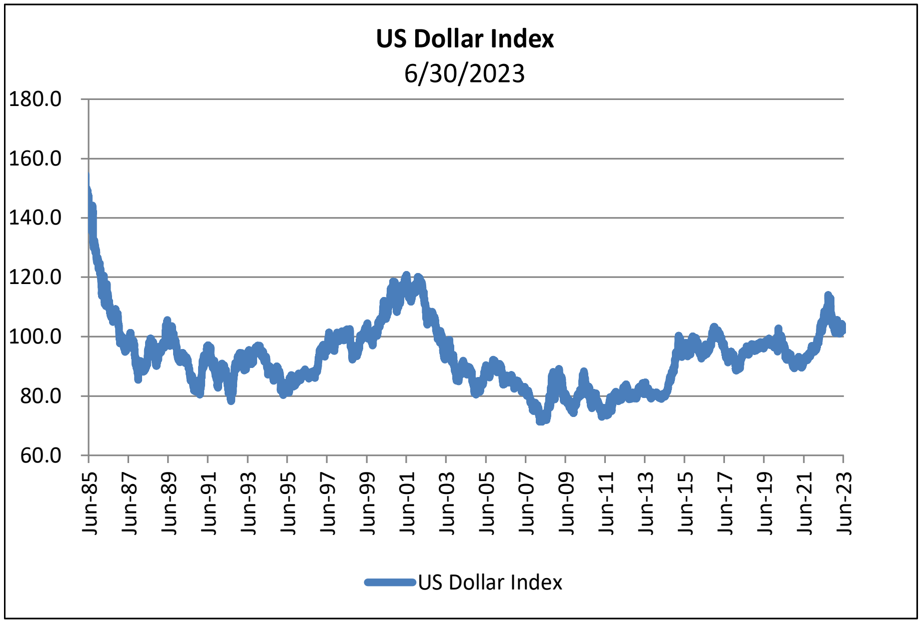


Economic Environment

June 2023

- Energy flows have shifted materially with Russian energy distribution shifting to China and India, while European supplies become sourced from the US and Middle East.
- The shift in policy to limit exploration, production, and distribution of oil and gas has led to a supply/demand imbalance and increasing energy prices, exacerbated by the Russian invasion of Ukraine.
- A spell of warm weather in Europe has eased supply concerns and brought down prices of gas and oil.
- The drive toward "green" energy is actually being hampered by continued supply chain disruptions, increased input costs, and need for labor, impairing development.
- The Dollar strength has reversed recently as other central banks around the world have begun tightening monetary policy by raising interest rates, reducing rate differentials and strengthening their currencies.





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