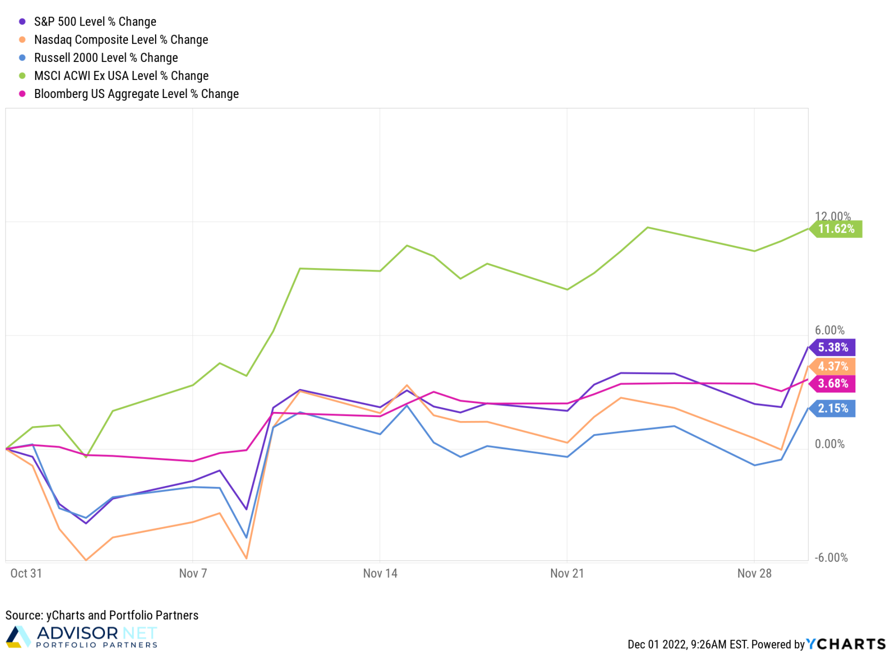
Solid Effort

The stock market put up a strong fight to turn in positive returns across most markets for the month of November. We think much of this was due to signals from the Federal Reserve Board (the Fed) that rate increases may be slowing faster than the market anticipated. Additionally, international stocks finally showed a little life after underperforming the US for most of the year. The S&P 500 was higher by +5.38%, the NASDAQ Composite increased +4.37%, the Russell 2000 rose +2.15% and the MSCI ACWI ex-USA led the way with a robust gain of +11.62% during the month. The bond market benefited from declining rates with the 10-year US Treasury rate falling from 4.07% last month to 3.70% at the end of November. This led to an impressive gain of +3.68% for the Bloomberg US Aggregate index. (CHART 1)

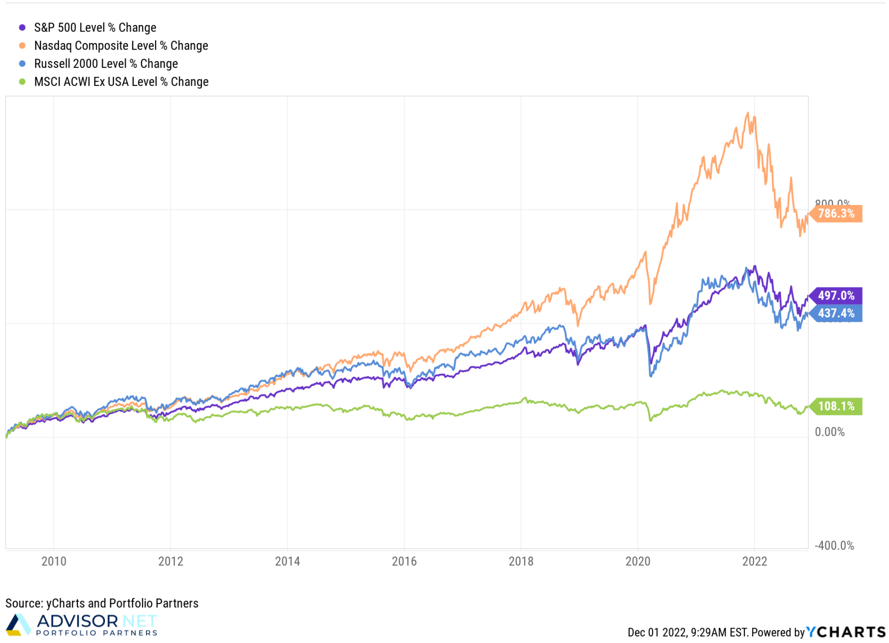
Chart 1 -Solid Effort in November



Finally

The US stock market has significantly outperformed the international markets since the March lows in 2009. Since that time, the S&P 500 has returned +497%, the NASDAQ Composite has surged +786%, and the Russell 2000 has increased +437%. The MSCI ACWI ex-USA, on the other hand, has “only” delivered a comparatively disappointing +108% during the same period. (CHART 2)

Chart 2 -US Domination



Investors, however, were finally served a rare reprieve from this underperformance during November. We think the primary

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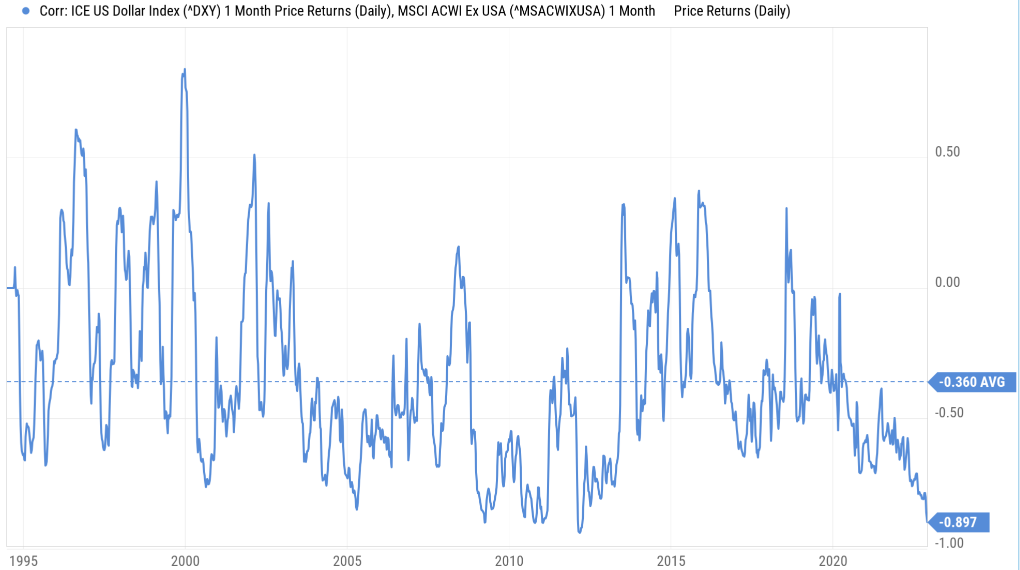
driver for the improved action during the month was related to the declining US Dollar ($USD). There is a long-term *negative correlation* of -0.36 between the $USD and international markets. This simply means that when the $USD goes up, the international markets tend to go down and vice versa.

Given the decline of around -5% for the $USD during the month, it makes sense to us that the international markets performed better than US markets over the short period. If the Fed slows down its rate increases (as may be the case), 10-year US Treasury rates will also fall thus causing the $USD to decline as well. Suffice to say, if the $USD continues to fall, international markets are likely to outperform US markets. (CHART 3)

Inflation and Wages

We have dedicated several paragraphs of our monthly newsletters this year detailing the negative impact that inflation has had on stocks and bonds. The story has been fairly straightforward: inflation is too high, so the Fed has to raise interest rates. We have detailed how higher rates cause valuations to reset lower for stocks and that basic bond math means that bond prices will go down when rates go up.

Chart 3: Negative Correlation Between US Dollar and International Markets



Source: yCharts and Portfolio Partners

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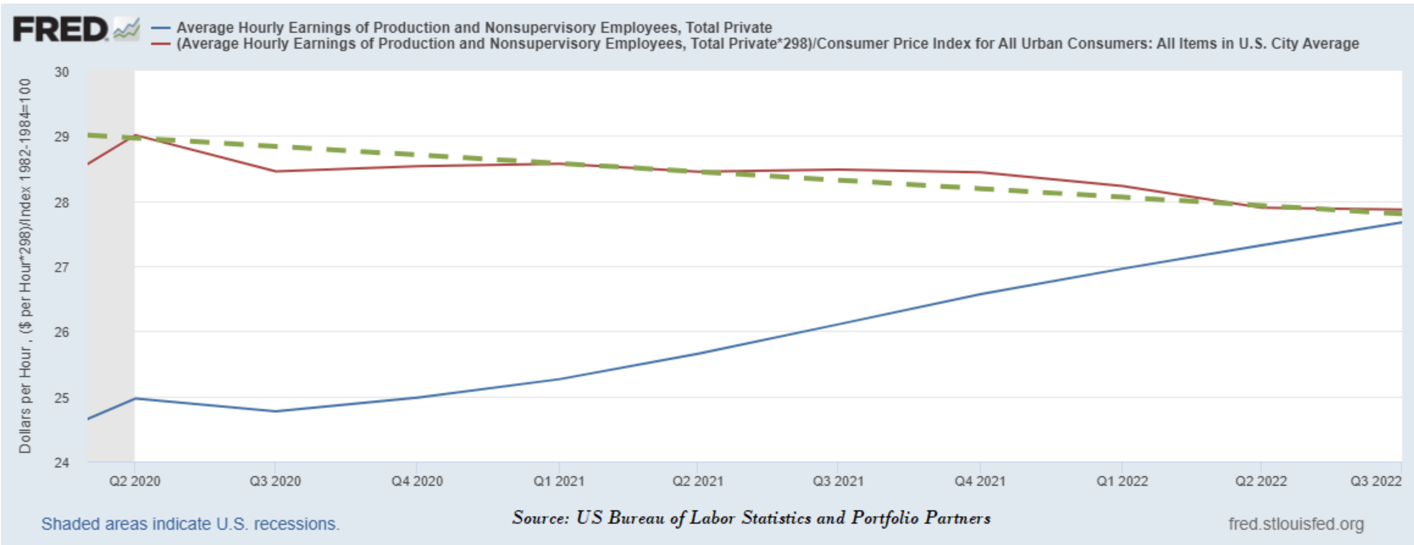
Nov 29 2022, 3:16PM EST. Powered by YCHARTS

One of the hidden costs of inflation has been the impact on *real* wages, or inflation-adjusted wages. The concept here is simple: if inflation makes everything 6% more expensive, then you must receive a 6% increase in wages to maintain your purchasing power. Unfortunately, average wages have not kept up with inflation since 2Q 2020. This means that even though workers' paychecks are bigger, they have less purchasing power because everything is more expensive. We believe this helps underscore the importance of the Fed taking action to fight inflation despite short-term disruptions to stocks and bonds. (CHART 4 next page)

Newsletter

December 2022

CHART 4



Skies of Blue

We have stated consistently throughout 2022 that we must respect the downtrend of the stock market. As a result, we have maintained a relatively defensive positioning in our portfolios in an attempt to withstand the market drawdown in stocks and bonds. The current trend in the market is not our friend and we think it is best to try to stay protected until conditions improve. At the same time, we continue to see sprigs of green (see *November Newsletter*) that hint to a brighter future.

Our goal is to maintain our current stance and then adjust incrementally as rates stabilize and a clearer economic outlook emerges. The trend will again become our friend and we will utilize that opportunity to help recover losses and build future gains for your portfolios. As with life, patience, planning, and discipline are key to seeing skies of blue while everyone else is focused on storms that may have passed.

MARKET TRACKER – 11/30/2022

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	2.84%	-9.21%	10.91%	10.98%
MSCI ACWI ex-USA	3.44%	-11.43%	2.22%	1.96%
BLOOMBERG US AGGREGATE	-2.46%	-12.84%	-2.59%	0.21%

(Source: yCharts and Portfolio Partners)

MARKET TRACKER – 11/30/2022

S&P 500	4,080.11
DIJA	34,589.77
NASDAQ	11,468.00
WTI CRUDE OIL	$80.55 /BARREL
GOLD	$1,746.00 /OUNCE
10-YEAR TREASURY FIELD	3.68%
UNEMPLOYMENT	3.70%
GDP	2.90%
PPI	7.97%
CORE CPE (INFLATION)	4.98%

(Source: yCharts, Dorsey Wright and Portfolio Partners)

Thank you for your trust and support.
Stay focused on your long-term objectives.

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The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "growth" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of large-cap U.S. equity securities that are classified as "value" based on a multi-factor analysis.

The index, a member of the Dow Jones Total Stock Market Indices family, is designed to measure the performance of small-cap U.S. equity securities.

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The S&P 500® Health Care comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

The S&P 500® Consumer Discretionary comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

The S&P 500® Utilities comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

The S&P 500® Communication Services comprises those companies included in the S&P 500 that are classified as members of the GICS® communication services sector.

The S&P 500® Real Estate comprises stocks included in the S&P 500 that are classified as members of the GICS® real estate sector.

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The S&P 500® Consumer Staples comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

The S&P 500® Materials comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

The S&P 500® Industrials comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

The S&P 500® Financials comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

The S&P 500® Energy comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The NASDAQ Composite Index includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Bloomberg Barclays US Aggregate Bond Index, which was originally called the Lehman Aggregate

Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM passthroughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The MSCI All-Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed country indexes include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

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