Newsletter

October 2022

Hawkish Fed Agitates Markets

The Federal Reserve Board (Fed) is finally starting to convince investors that it will continue to raise interest rates until inflation is under control. The market rout that started in August intensified in September with stocks and bonds losing considerable value. The S&P 500 was lower by -9.34%, the NASDAQ Composite dived -10.50%, the Russell 2000 dropped -9.73% and the MSCI ACWI ex-USA sank -10.29% during September. The 10-year US Treasury rate jumped from 3.15% last month to 3.83% at the end of September, which led to a -4.32% loss for the Bloomberg US Aggregate index.(CHART 1)

Broad-based Weakness

We continue to believe that a diversified portfolio is a way to generate strong investment returns with lower volatility over longer periods of time. The goal is to include different asset classes that will generate uncorrelated returns and help reduce volatility over time. This approach has been challenged this year as returns have been negative across stocks and bonds. In addition, diversifying across market cap (size) and geography has hindered returns this year as well. (CHART 2)

Chart two shows that small cap stocks, mid cap stocks and international stocks have underperformed the S&P 500 this year. Even more painful has been the fact that bonds (as measured by the Bloomberg US Aggregate) have also generated double digit losses. We typically rely on bonds to help dampen volatility of our overall portfolio while also providing positive total returns. While this has not been the case this year, we believe history is on our side over longer periods of time.

As we more fully explained in our *September 2022 Portfolio Partners Newsletter,* the Fed's ... s changed from ... help drive full ... rates to fight inflation. The rapid rise in interest rates has led to negative bond returns as well as re-valuing stocks lower to reflect higher interest rates.

We believe that higher interest rates have had at least two other negative influences: 1. Higher rates tend to slow the economy. Small- and mid-sized companies tend to underperform during an economic slowdown. 2. Higher rates have led to a stronger US dollar. International markets will generally underperform when the US dollar is strong.

Chart 1 - Continued Selling Pressure in September

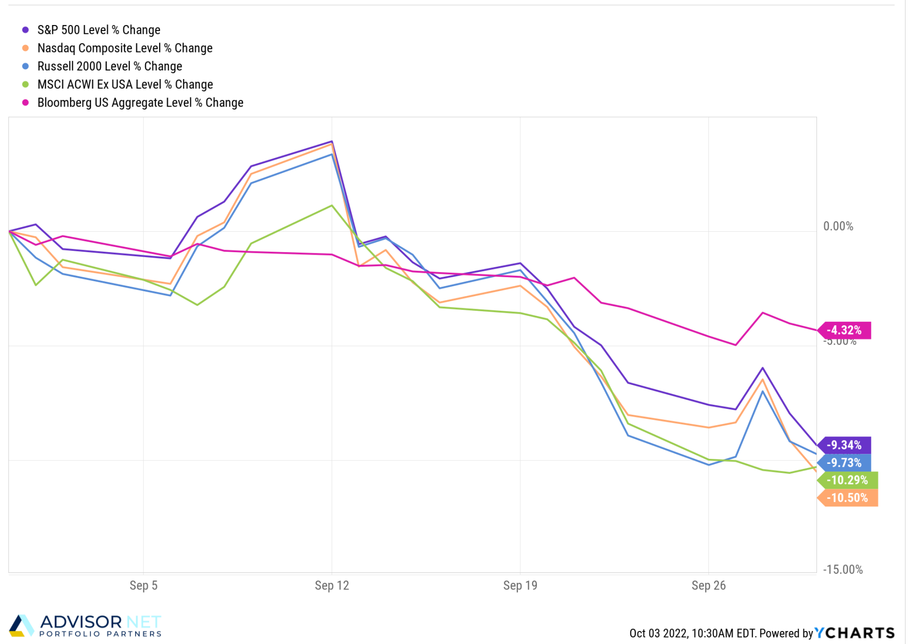

CHART 2		
Exposure	**INDEX**	**YTD RETURN**
US Large Cap	S&P 500	-23.87%
US Mid Cap	Russell Midcap	-24.27%
US Small Cap	Russell 2000	-25.10%
Global	MSCI ACWI ex-USA	-26.18%
Bonds	Bloomberg US Aggregate	-14.61%
Source: yCharts and Portfolio Partners		

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We think this plethora of events has coalesced to form this extraordinary market situation in which stocks and bonds have broadly underperformed. While painful in the short-term, we believe the long-term data continue to support our approach to managing diversified portfolios.

Secular Bull

We believe that we are in a secular bull market for stocks that started in early 2013 and could last another five to 10 years.

Did we really just say that???

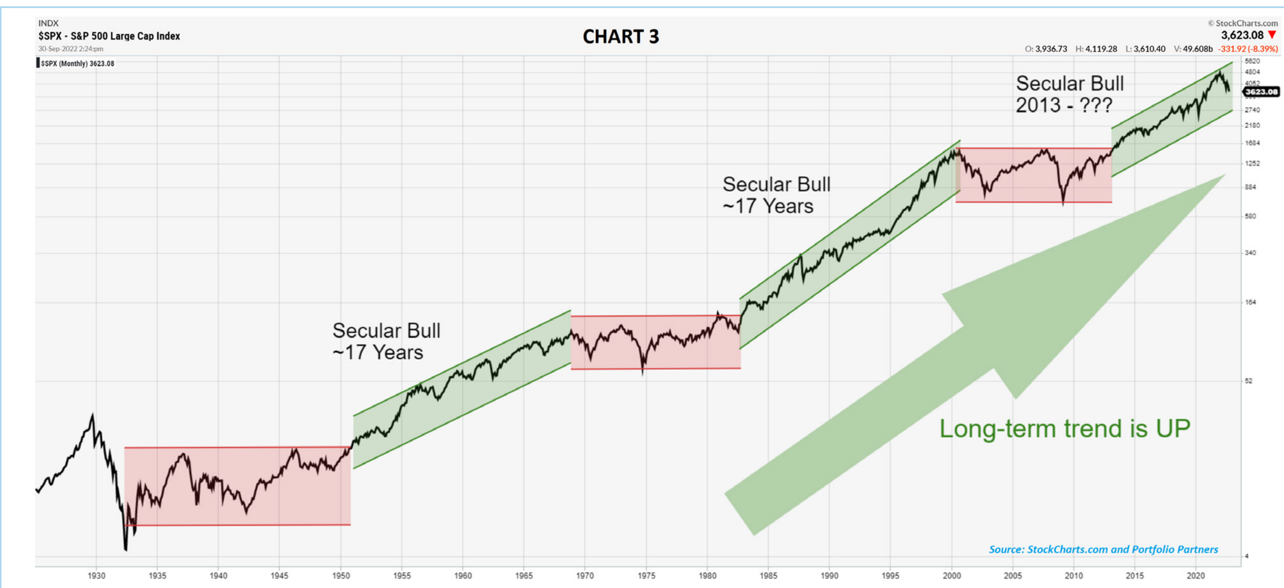
Yes, we did.

Does this mean every year will have positive returns?

No, it does not.

It means that the current bear cycle correction is not completely unexpected within the context of an overall secular bull market. Chart 3 reveals several secular bull markets that have also included significant drawdowns like we are currently experiencing. It is difficult to tolerate these moves in real-time, but history helps provide some context that may help investors withstand this challenging environment. (CHART 3)

We will respect the downtrend in the stock market and remain relatively defensive in our allocation models. Our wider view, however, keeps us open minded to the possibility of brighter days ahead. We have plans in place to react to different scenarios in an orderly manner as the evidence is revealed. Plan before you act. Sage advice for this difficult market environment.



MARKET TRACKER – 9/30/2022

INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	-4.88%	-15.48%	8.16%	9.24%
MSCI ACWI ex-USA	-9.80%	-24.79%	-1.07%	-0.34%
BLOOMBERG US AGGREGATE	-4.75%	-14.60%	-3.26%	-0.27%

(Source: yCharts and Portfolio Partners)

MARKET TRACKER – 9/30/2022

S&P 500	3,585.62
DIJA	28,725.51
NASDAQ	10,575.62
OIL	$79.49 /BARREL
GOLD	$1,662.40 /OUNCE
10-YEAR TREASURY FIELD	3.83%
UNEMPLOYMENT	3.70%
GDP	-0.60%
PPI	8.72%
CPI	8.26%

(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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All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful. A diversified portfolio does not assure a profit or protect against loss in a declining market.

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 securi-ties 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 securi-ties 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® 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.

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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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