



**BMG ADVISORS**

# **1st Quarter 2023 Strategy Update**

We are pleased to announce that we have completed our strategy review for your account within our managed program. After extensive research and analysis, the Investment Committee instituted a few changes this quarter. Below are the strategy specific notes for your portfolio. Through our due diligence process, we are committed to identifying potential opportunities, reviewing risk/return, cost, and yield in all recommendations made. Please contact us if you have any questions, we are always happy to discuss in further detail. Thank you for the opportunity to work with you!

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# ***Our Investment Process***

Focus on managing investment costs in the following areas:

- Internal investment expenses/fees
- Sales charges and/or commissions
- Investment advisory fees

Focus on maintaining investment risk commensurate with client risk profile.

- Utilize a clear and decisive risk analysis tool
- Advisors personally review client's accounts for suitability
- Our process includes a review of the investments being used in portfolio construction by one or more external systems (or software) to help provide validation for portfolio recommendations

Finally, we are deeply concerned about retirement income and inflation risk as we build client portfolios; while we can't control market performance or inflation, our focus remains steadfast as we attempt to improve income and overall return potential while managing risk and cost.

## ***Market Commentary***

2023 started off with a bang (or thud) as we experienced a brief banking crisis. Several smaller banks found themselves unprepared for rapidly raising interest rates and amid massive outflows, were taken over by the FDIC. Fortunately, the damage was limited, and equity markets were able to end positive for the quarter lead by growth and technology.

Inflation continues to slowly fall but remains at elevated levels. Although there may be some setbacks, we believe as long as this trend continues, there will be limited risk for further Federal Reserve (FED) rate increases. Despite aggressive policy, the FED has struggled to get inflation to respond quicker due to consumers spending built-up pandemic savings. As these reserves deplete, consumers will be unwilling to pay higher prices theoretically helping reduce inflation further.

We are closely monitoring discussions in Washington DC regarding the Debt Ceiling. Failure to reach a deal could greatly impact both equity and bond markets, especially U.S. government debt. We are cautiously optimistic lawmakers will sort this out but, expect market volatility as negotiations come down to the wire as in 2011. Cash remains on the sidelines as higher interest rates have led to record levels in money market funds.

Our base-case includes a mild recession for the U.S. within the next 12 months. Recessions are never good but there are two possible positive side effects: Inflation could cool faster, and the FED could lower rates which would benefit bonds and growth equities.

## **Income with Moderate Growth Strategy**

The primary focus of the Income with Moderate Growth Strategy is long-term capital preservation and income generation.

As interest rates rose last year, we reduced interest rate risk by limiting exposure to long-term bonds. Now, with rates unlikely to go much higher, we want to lock-in higher yields for longer by adding a position in long-term bonds.

Money market yields remain high, and we continue to maintain an overweight position to reduce volatility while looking for additional opportunities this

## **Growth with Income Strategy**

The primary focus for the Growth with Income Strategy is to seek returns while being mindful of risk.

This quarter we made no changes and maintained our temporary high cash position. This will serve two purposes, seek to reduce short-term volatility, and increase diversification as we allocate into a new position as opportunity arises.

## **Growth Strategy**

The primary focus of the Growth Strategy is long-term growth.

This quarter we made no changes and maintained our temporary high cash position. This will serve two purposes, seek to reduce short-term volatility, and increase diversification as we allocate into a new position as opportunity arises.

## **Aggressive Growth Strategy**

The Aggressive Growth strategy seeks the possibility of increased return through increased risk and is not suitable for every investor.

This quarter we made no changes and maintained our temporary high cash position. This will serve two purposes, seek to reduce short-term volatility, and increase diversification as we allocate into a new position as opportunity arises.

# Disclosures

*Securities and Advisory Services offered through LPL Financial, a Registered Investment Advisor. Member FINRA/SIPC.*

*The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual.*

*The economic forecasts set forth in this material may not develop as predicted and there can be no guarantee that strategies promoted will be successful.*

*Stock and mutual fund investing involves risk including loss of principal.*

*Value investments can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.*

*The prices of small and mid-cap stocks are generally more volatile than large cap stocks.*

*Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.*

*The market value of corporate bonds will fluctuate, and if the bond is sold prior to maturity, the investor's yield may differ from the advertised yield.*

*Bond yields are subject to change. Certain call or special redemption features may exist which could impact yield.*

*Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.*

*International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.*

*Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.*

*There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*