

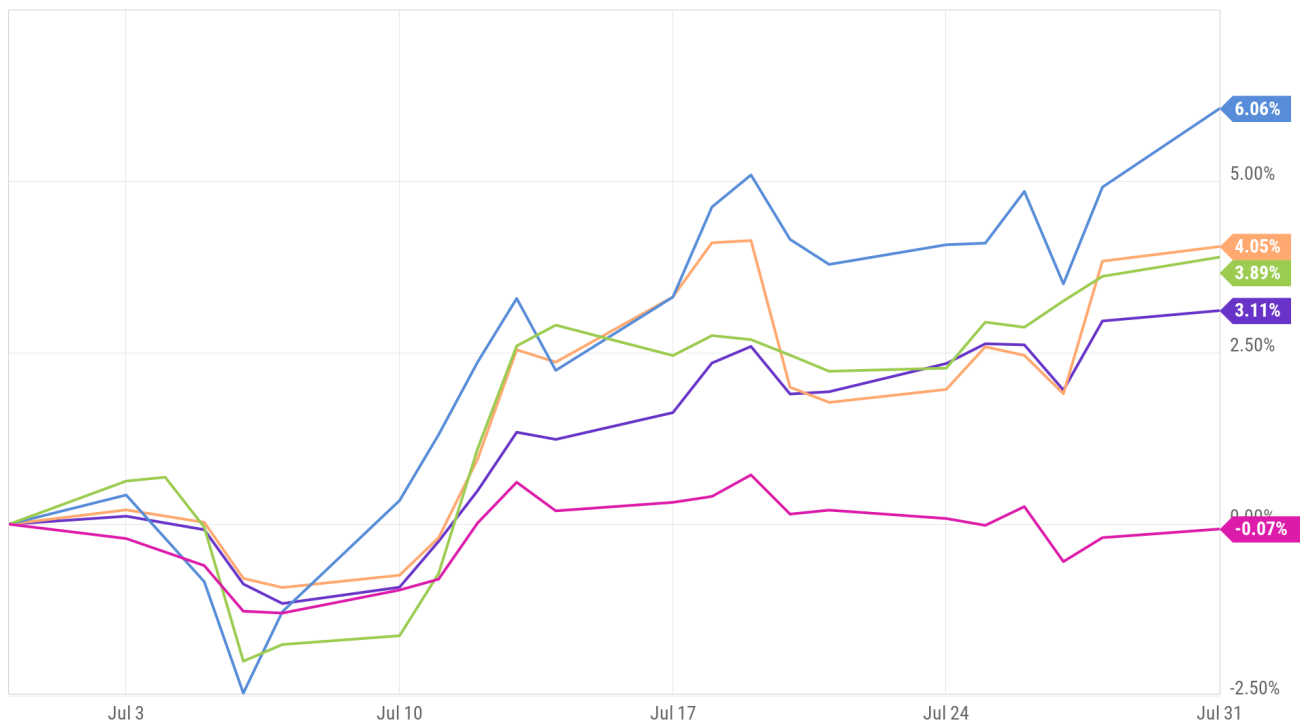
Positive Returns

The month of July saw a continued mixture of positive economic news releases and signs that inflation has peaked. We have suggested in the past that disinflation often presents an environment for positive stock market returns. This continued to play out as the S&P 500 increased +3.11%, the NASDAQ Composite gained +4.05%, the Russell 2000 jumped +6.06% and the MSCI ACWI index rose +3.89% during the month.

The bond market slipped modestly as the market priced in another rate increase by the Federal Reserve Board (the Fed), which occurred on July 26, 2023. The 10-year US Treasury rate rose from 3.82% last month to 3.96% at the end of July. Accordingly, the Bloomberg US Aggregate index lost -0.07% during the period. (CHART 1)

Chart 1 - Solid Returns

- S&P 500 Level % Change
- Nasdaq Composite Level % Change
- Russell 2000 Level % Change
- MSCI ACWI Ex USA Level % Change
- Bloomberg US Aggregate Level % Change



Source: yCharts and Portfolio Partners



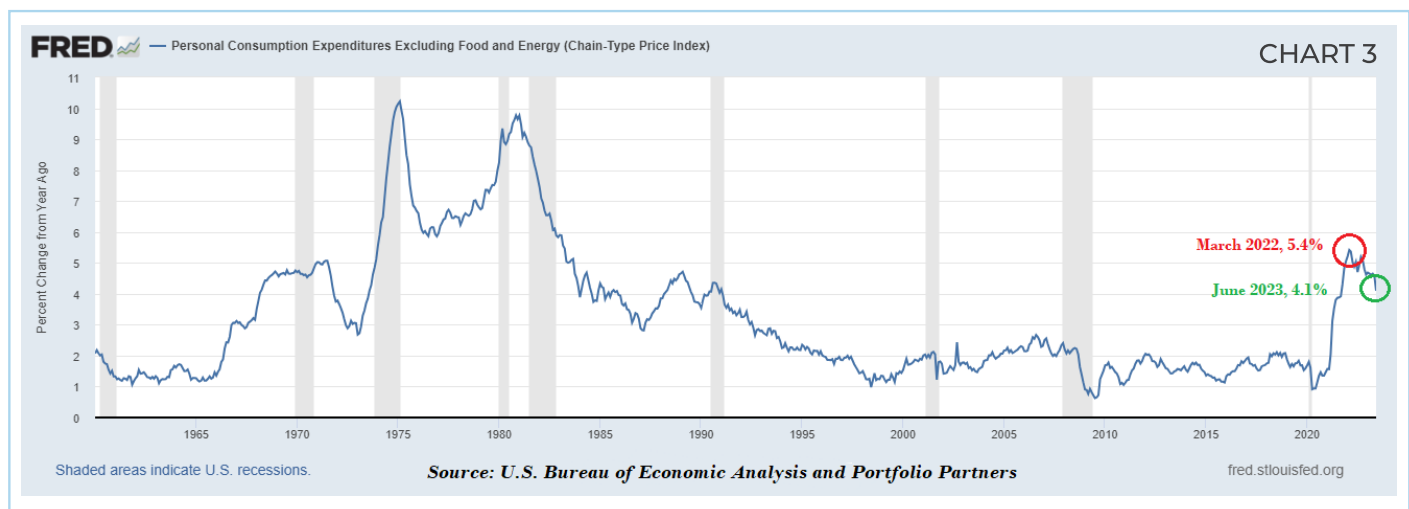
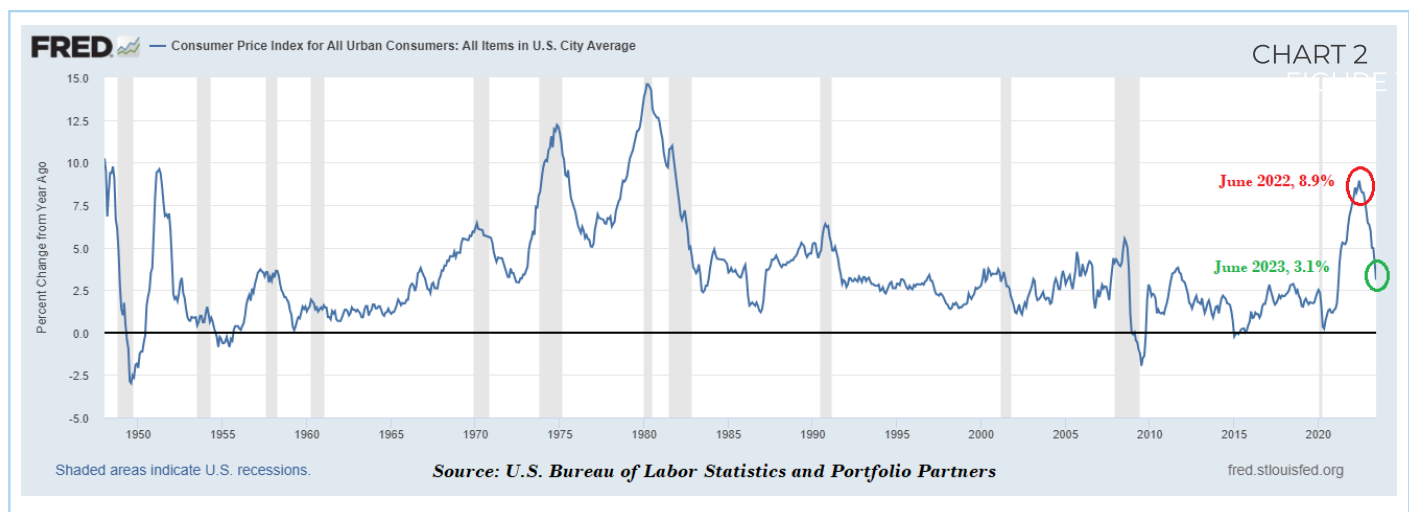
Aug 01 2023, 10:37AM EDT. Powered by YCHARTS

Continuation of Disinflation

The U.S. stock market has continued to move higher from October 2022 lows as positive employment trends, solid corporate earnings and easing inflation combine to provide fertile ground for higher prices. We suggested in our February 2023 *Portfolio Partners Newsletter* that disinflation may become the dominant theme for the year.

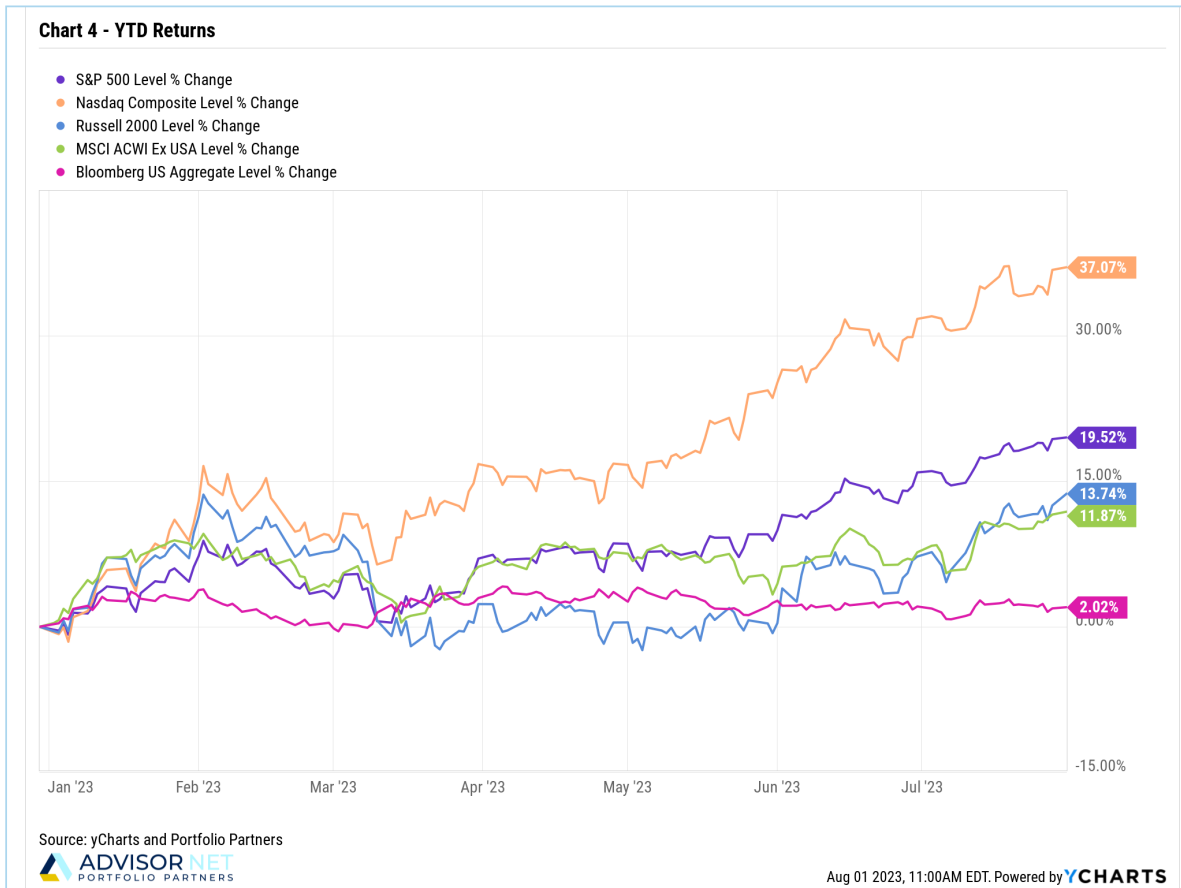
This scenario continues to play out as our two primary inflation indicators, Consumer Price Index (CPI) and Personal Consumption Expenditures excluding food and energy (core PCE), continue to decline. We like to look at CPI because we think it most closely represents the prices consumers experience. We combine that with core PCE because that is a favorite data point for the Fed.

The reader will notice that CPI and core PCE actually peaked in June 2022 and March 2022, respectively, but the stock market did not bottom until mid-October 2022. We think one reason for that has to do with the complex relationship between the market expectations for future interest rate actions of the Fed and the delayed nature of the data the market receives to make those determinations. Nonetheless, we continue to be fascinated by the awesome efficiency of the adaptive network of decision makers that we call the market. (CHART 2 & 3)



Responsible Behavior

The S&P 500 has gained +19.52%, the NASDAQ Composite has jumped +37.07%, the Russell 2000 has increased +13.74% and the MSCI ACWI index has added +11.87% through July 31, 2023. If past is prologue as Antonio suggested in *The Tempest*, it would be reasonable to expect a drawdown in the market sometime in the next month or so. According to historical data of the S&P 500, August and September can be two of the worst months of the year. In contrast, October through April is often the strongest part of the year. We will continue to monitor events and will update with any updated thoughts as appropriate. (CHART 4)



MARKET TRACKER – 7/31/2023				
INDEX	3 mo	1 yr	3 yr	5 yr
S&P 500	10.51%	13.02%	13.72%	12.20%
MSCI ACWI ex-USA	4.97%	14.03%	7.61%	4.35%
BLOOMBERG US AGGREGATE	-1.51%	-3.37%	-4.46%	0.75%

(Source: yCharts and Portfolio Partners)

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

MARKET TRACKER – 7/31/2023	
S&P 500	4,588.96
DIJA	35,559.29
NASDAQ	14,346.02
WTI CRUDE OIL	\$81.80/BARREL
GOLD	\$1,970.50/OUNCE
10-YEAR TREASURY FIELD	3.96%
UNEMPLOYMENT	3.60%
GDP	2.40%
PPI	0.13% Year-Over-Year
CORE CPE (INFLATION)	4.10% Year-Over-Year

(Source: yCharts, Dorsey Wright and Portfolio Partners)

The KBW Bank Index is designed to track the performance of the leading banks and thrifts that are publicly-traded in the U.S. The Index includes 24 banking stocks representing the large U.S. national money centers, regional banks and thrift institutions.

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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Past performance does not guarantee future results.

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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.