Weekly Manager's Pulse

December 19, 2022

Increasing fears of further interest rate hikes pushed equities to a second week of losses, even with a second CPI report that indicated easing inflationary pressures. Nearly every sector was in the red, with the exception of the energy sector on the back of a slight rebound in oil prices. The S&P 500 Index ultimately finished the week -2.05% lower. The CPI print showed inflation had only risen by 0.1% month-over-month, and 7.1% year-over-year, the lowest headline CPI reading since December of 2021 and below expectations of 7.3%. Oil's prices rose on the back of optimistic forecasts showing strong oil expectations for 2023. WTI and Brent crude finished at $74.29 and $79.04 per barrel, respectively. Lastly, U.S. Treasury yields continued to fall lower with the market sentiment, with the 10-Year and 2-Year yields finishing at 3.48% and 4.17%, respectively.

Economic Review*

- Headline CPI rose 0.1% and Core CPI rose 0.2%
- Retail sales declined 0.6% after a 1.3% gain last month
- Prelim. Manufacturing PMI declined to 46.2 from 47.7 in Nov

Spotlight: TARGET PLUS

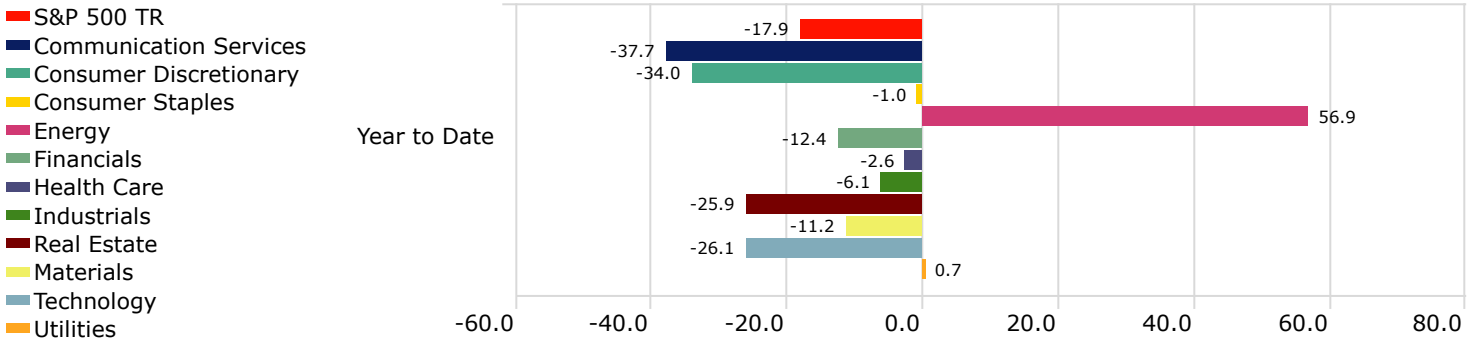
The Target PLUS models are designed to provide key enhancements to traditional target date investing. The first enhancement is to pair bestinclass equity managers with best-in-class fixed income managers, rather than using the same manager for each as most Target Date Funds do. Another enhancement is, given today's low interest rate environment, to only use fixed income strategies that utilize Tactical management or incorporate Active bond picking in their underlying holdings. We believe these types of strategies have the potential to offer enhanced returns, given the broader fixed income universe they are able to choose from. While the models are constructed with a Strategic, longterm investing horizon in mind, another key enhancement is to provide some Tactical exposure, which can help buffer losses during volatile markets. In addition, the underlying holdings within the models provide both Active management, via individual stock or bond selection, and Passive investing, via lower-cost, passive exposure to a specific index or benchmark. We believe the combination of these Strategic, Tactical, Active and Passive elements can deliver the desired portfolio outcome with greater diversification, improved risk management, and enhanced returns.

Stocks and bonds remained under pressure in Q3. Many of the same factors (i.e. inflation, rising rates, stronger US Dollar, and more restrictive central banks) are negatively impacting returns for both asset classes. Broad indexes of domestic stocks, bonds, and commodities all lost around -5% in Q3 as the S&P 500 fell by -4.88%, the Bloomberg US Aggregate Bond Index declined by -4.8%, and the Bloomberg Commodity Index lost -4.7%. Through Q3, the YTD return on the S&P 500 was -23.87% while the Bloomberg US Aggregate Bond Index fell by -14.6%. Through Q3, a traditional 60/40 portfolio was down by -20.6% YTD. Since 1976, only 2008 finished the year worse at -21%. In addition, there had never been three consecutive quarters in which stocks (as measured by the S&P 500) and bonds (as measured by the Bloomberg US Aggregate Bond Index) had declined until now.

Trailing Major Index Returns

	1 Week	1 Month	3 Month	1 Year
S&P 500	-2.05	-2.52	-0.10	-16.13
S&P MidCap 400 TR	-2.09	-3.47	1.97	-10.07
S&P SmallCap 600 TR USD	-2.64	-4.75	1.30	-12.53
MSCI ACWI NR USD	-2.11	-1.56	1.80	-16.73
MSCI EM NR USD	-2.10	0.53	1.79	-19.49
Bloomberg US Agg Bond TR USD	0.80	2.35	1.43	-11.19

YTD S&P Sector Returns



Weekly Manager's Pulse

December 19, 2022

Disclosure

The information provided herein is the opinion of The Pacific Financial Group, Inc. ("TPFG") a registered investment adviser, and may change without notice at the discretion of TPFG. Spotlight contains models managed by TPFG and represent TPFG's opinion and evaluation of its models. All information is believed to be accurate but has not been independently verified and TPFG makes no warranties as to the accuracy of the information or any representations made or implied. The information should not be construed or interpreted as an offer or solicitation to purchase or sell a financial instrument or service. The information is for informational purposes only and should not be relied on or deemed the provision of tax, legal, accounting or investment advice. Past performance is not a guarantee future results. All investments contain risks to include the total loss of invested principal. Diversification does not protect against the risk of loss. Investors should review all offering documents and disclosures and should consult their tax, legal or financial professional before investing.

The indices are presented as broad-based measures of the equity, fixed income and consumer markets. The indices are provided for comparative and illustrative purpose to provide a comparison of the model against the broader based equity, fixed income and consumer market. The indices are not intended to reflect the investment objectives of the model as the securities held within the model will differ in market volatility, concentration, investment objectives and diversification among others from those of the indices. The indices are not managed, and returns do not reflect the deduction of fees, expenses, transaction costs or taxes that actual client accounts are subject to. Investors cannot invest directly in an index. Returns are not annualized for periods less than 1 year.

Trailing Major Index Returns and YTD S&P Sector Returns are sourced from Morningstar Direct.

* Sourced from JPMorgan Asset Management, publicly available at https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/

All other economic and market data sources may include, and is not limited to:

Edward Jones, publicly available at https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/stock-market-weekly-update

Goldman Sachs, publicly available at https://www.gsam.com/content/gsam/us/en/advisors/market-insights.html

T. Rowe Price, publicly available at https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html