




BMG ADVISORS

2nd 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. What follows 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 this in further detail. Thank you for the opportunity to work with you and Plan Your Story!

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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

The second quarter saw the bull market continue with volatility surprisingly low. Most of the Q2 rally was concentrated in 7 mega-cap stocks, but we remain optimistic for the second half of the year as participation continues to improve. Historically, positive first halves have led to positive second halves; however, returns could be limited, and market pullbacks to support likely.

Data continues to show that inflation is responding to the Federal Reserve's hawkish policy. Although much too soon to declare victory, we are nearing more reasonable levels, and a clear downtrend is leading to optimism that the tightening regime is at or near its end. The largest component of inflation, rent, is decreasing as additional multifamily supply comes online. Unfortunately, inflation for services remains stubbornly high.

Consumers will be under pressure as savings deplete and federal student loan payments resume this fall. Debt Ceiling negotiations culminated with a collective sigh of relief as a deal was reached before default. Retail cash remains on the sidelines, but institutional cash is moving back into the market.

We continue to monitor leading economic indicators, and our base-case remains a mild recession for the U.S. within the next 12 months. The argument for a soft landing, while still not our most likely scenario, is gaining traction as the U.S. consumer continues to support a gradually slowing economy.

Income with Moderate Growth Strategy

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

This quarter the Investment Committee decided it was time to put a bit of cash back to work. Rate hikes from the Federal Reserve are most likely complete; to lock in higher yields for a longer time, we shifted some cash as well as some of our current overweight in mortgages to corporate bonds. On the equity side, we eliminated our specific allocation to Value and opened a hedged equity position to keep exposure to the market yet limit risk. International equities were also added to increase diversification. Finally, the strategy was rebalanced back into a standard allocation of 40% equity and 60% bond.

Growth with Income Strategy

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

This quarter the Investment Committee decided it was time to put cash back to work. The S&P 500 has performed well so far this year. We opened a position tracking the benchmark to increase diversification and slightly reduced our specific Value exposure. Rate hikes from the Federal Reserve are most likely complete; to lock in higher yields for a longer time, we shifted some of our current overweight in mortgages over to corporate bonds. Finally, the strategy was rebalanced back into a standard allocation of 60% equity and 40% bond.

Growth Strategy

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

This quarter the Investment Committee decided it was time to put cash back to work. We believe growth and Technology's strong year-to-date performance will continue, and we added to the positions while slightly reducing our Value exposure. We moved to an overweight position in Industrials seeking to capitalize on increased defense spending as well as corporate "re-shoring" of supply chains. Clean Energy was removed from the strategy as clear global tailwinds did not materialize as we hoped into outperformance. Seeking to be less defensive, we removed a longstanding Healthcare overweight while bringing the Communication Services sector up to benchmark weight. After a rough 2022, Com Services has shown much potential year to date as one of the top-performing sectors with room to run. Finally, the strategy was rebalanced back into a standard allocation of 80% equity and 20% bond.

Aggressive Growth Strategy

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

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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 U.S. 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.