BMG ADVISORS

# 4th Quarter 2022 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 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*

2022 will go down as a historically difficult year for both equity and fixed income markets. Mercifully, late in the fourth quarter we finally saw some moves to the positive. Currently, macro headwinds we experienced most of the year such as inflation, a strong US dollar, and bond yields are starting to shift to tailwinds.

Looking forward, both producers and consumers appear well positioned headed into 2023. Bonds, especially short-term, are paying attractive yields and the equity markets look to be slightly undervalued. In Europe, a milder than expected winter so far has greatly reduced the risk of an energy crisis; energy supplies are up, and prices are coming down.

In Q4 we saw overall inflation continue to moderate. While inflation on goods is coming down significantly, inflation on the services side continues to rise. This inflation is inherently "stickier" and is directly related to wage growth. Unemployment remains historically low, and jobs remain unfilled as there are nearly 3 openings for every 1 unemployed worker.

Concerns remain as the economy is slowed by the Federal Reserve (FED) and the risk of a recession increases. It appears the FED is determined to stomp out inflation and will hold rates "higher for longer" throughout 2023. This stance will most likely cause a mild recession this year. Given these factors, we are concerned about increased market volatility in the first half of the year but are optimistic that markets will end the year positive as the FED signals a shift to more accommodative policy.

## *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.

## *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.

## *Income with Moderate Growth Strategy:*

The primary focus of the Income with Moderate Growth Strategy is long-term capital preservation and income generation. Attractive yields have encouraged us to maintain a high position in low-risk, short-term US government T-bills. As these T-bills mature, we are moving the allocation into a money market fund with a similar yield and risk profile. This will allow us to buffer volatility and easily move into positions as opportunity arises in 2023.

# 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.*