08/08/2022

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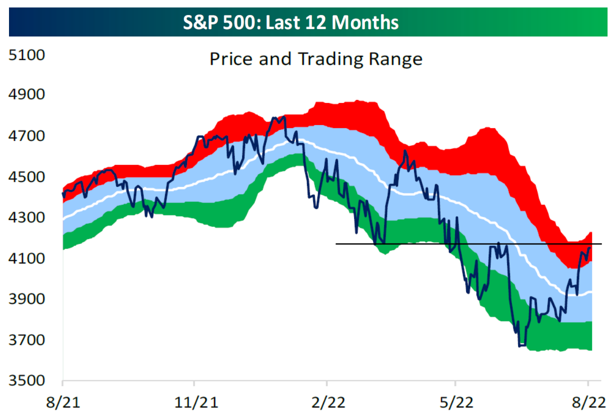
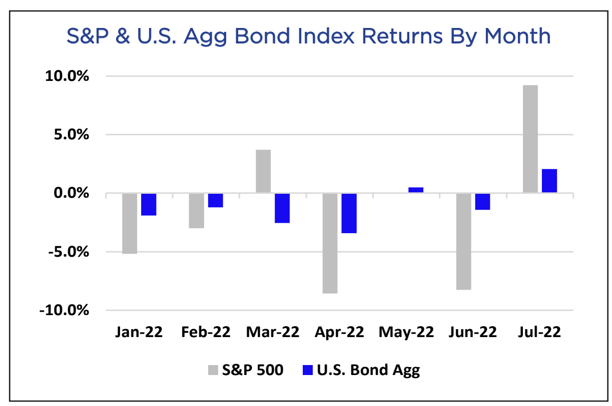
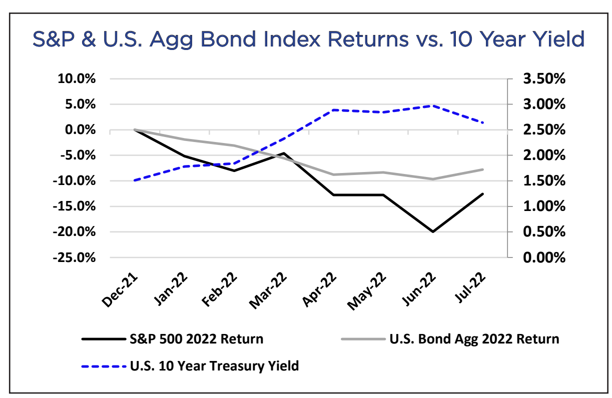
Dear Reader,

July saw a welcome rally across stock and bond markets. The S&P 500 posted a +9.2% monthly gain, and the U.S. Aggregate Bond Index generated a gain of 2.1% in the same period. Federal Reserve efforts to slow inflation continued to flatten the yield curve and short-term yields rose while long term bond yields fell sharply. The ten-year Treasury dropped from 3.48% at mid-June highs to 2.64% while the two year rose to 2.9% at July's close.



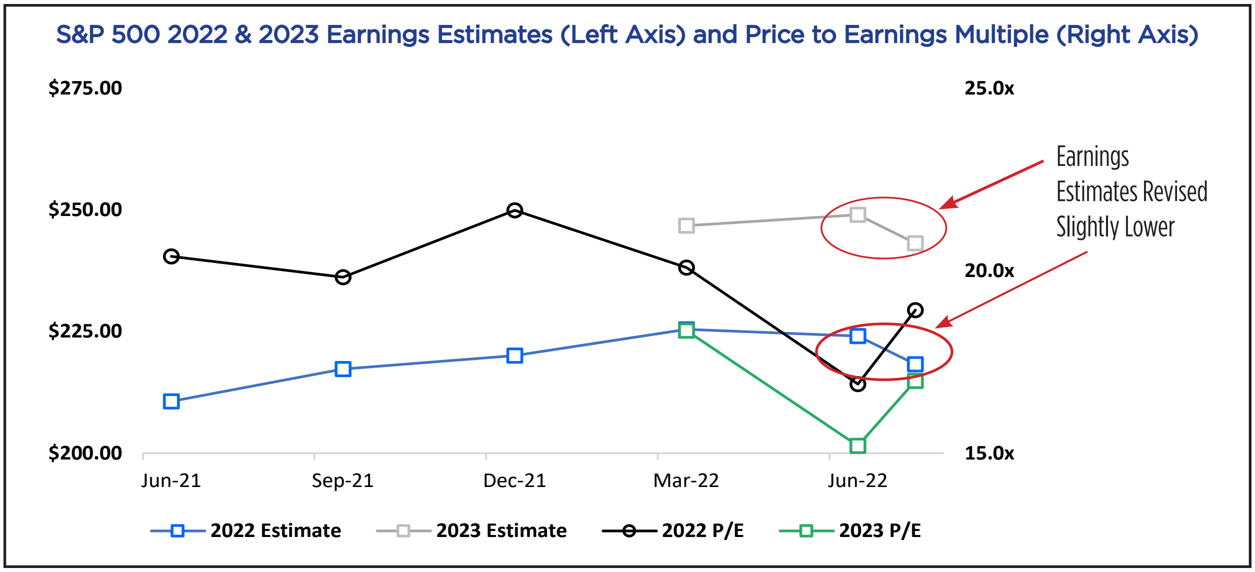
Source: *Bespoke Investment Group*





While returns shifted significantly to the positive during the month, the focus of market participants largely remains the same. Concerns about the near-term trajectory of inflation, Federal Reserve policy, and economic growth remain at the forefront of investors' minds. The result is lower valuation multiples for public companies combined with declining forward earnings estimates. As is always the case, the impact of these developments on corporate earnings will ultimately drive the direction of markets from here forward.

The ever-present tug of war between bullish and bearish investors continually generates a wall of worry for the markets to



climb. Highlighting current concerns are the tight labor markets caused by a record low unemployment rate and the related fears of a "wage-price" spiral, as inflation levels remain stubbornly elevated. Additionally, the geopolitical risks (i.e., Russia/Ukraine & China/Taiwan) persist and businesses are still challenged by supply chain issues and component shortages. Overall uncertainty remains high and investor sentiment is at record negativity. Despite negative consumer sentiment, spending remains elevated as people continue to spend the significant savings amassed during the 2020 and 2021 period. But there are emerging signs that the U.S. consumer is starting to become overextended. Given extremely negative sentiment (by some measures, the worst on record) and the continued headwind of inflation, many fear consumer and business behavior may deteriorate, resulting in a decline in spending levels and negatively impacting our economic growth.

In short, there's a great deal for investors to digest in the current environment. The combination of a marked shift in Federal Reserve policy for the first time since the 08/09 financial crisis, highest inflation levels since the early 80s, and cloudy economic outlook have resulted in elevated volatility across both equity and fixed income markets. Market participants have been forced to deal with this uncertainty in a very compressed time period. The rapid transition from the 12-year bull market in stocks and 40-year bull move in bonds has presented investors with an unusually wide range of outcomes in a short period of time. Fed Chairman Powell recently said it best during his July remarks - "These are not normal times. There's significantly more uncertainty now about the path ahead than I think there ordinarily is, and ordinarily it's quite high."

We are of the view that investors are in best position to deploy capital during times of elevated volatility and uncertainty. These periods typically offer the opportunity to purchase assets at significant discounts to fair value and re-position portfolios to reflect the current environment and pricing levels. Earlier in the year, we increased our cash position to reflect a more bearish short-term outlook as technical indicators had turned negative. Looking forward, we expect to deploy cash over time into assets which have meaningfully sold off and appear cheap relative to underlying fundamentals.

To quote Yogi Berra – "it's tough to make predictions, especially about the future." Forecasting macroeconomic outcomes and attempting to profit from such prognostications can be extremely challenging. Considering the list of current market Pro's and Con's our role is to follow a disciplined yet opportunistic approach when selecting investments for your portfolio. To manage your portfolio, we constantly evaluate portfolio holdings in light of current circumstances and possible future market conditions. We believe periods of market dislocation, such as the first half of this year, tend to provide pockets of opportunity for patient, long-term investors. While it remains to be seen whether the bulls or bears will be correct over the short to medium term, over the long run equity investors have historically been rewarded with attractive returns. We are confident this will remain the case for long-term investors.

As always, we thank you for your patronage and encourage you to call us with any questions or concerns.

Sincerely,

CJ Brott

Karen Burns

Andrew Kerai

Pros:	Cons:
1. Mega Cap Strength	1. Don't Fight the Fed
2. Investor Sentiment	2. Jobless Claims
3. Peak Inflation	3. Bear Markets
4. Peak Supply Chain	4. Long Term Technicals
5. Earnings	5. Leading Indicators
6. Back to Back GDP Declines	6. Housing
7. Bonds Stabilizing	7. Dollar Strength
8. Valuations	8. Yield Curve
9. Short Term Technicals	9. Real Yields
10. Election Cycle	10. Economic Sentiment
11. Historicals/Seasonality	11. Geopolitics
12. Buy and Hold	

Source: Bespoke Investment Group