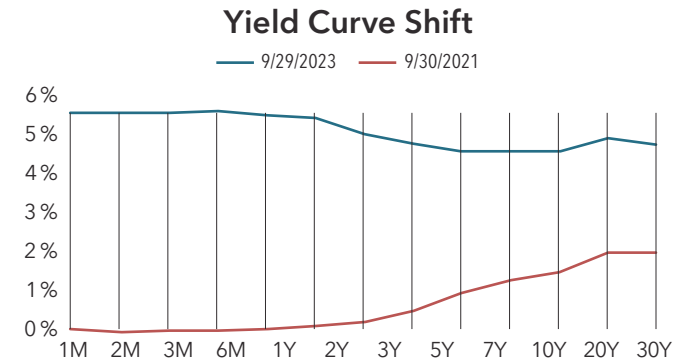


Higher for Longer

After the recent Federal Reserve meeting, markets have started pricing in higher rates for longer time periods. Fed governors are expecting one more hike this year and only two cuts next year. Will that be what actually happens? Uncertainty is high. Fed Chairman Jerome Powell said, "We are navigating by the stars under cloudy skies." A little over a year ago, the Fed was expecting to end 2023 with rates under 3%, not the current expectation of 5.5%.* These higher rates are driven by continued strength in the economy and concerns that higher inflation will be tough to control. Even though inflation has come down substantially in the last year, it is still well above Fed targets and accelerated again in August. That means we'll likely see higher rates for the foreseeable future.

The adjacent chart shows the increase in yields across all maturities. It's important to note that higher rates aren't always a bad thing. While this may hurt borrowers, savers benefit from higher interest rates. Savings accounts, CDs and money markets are attractive now. Compared to the last 15 years of 0% interest rates, this is welcome relief. But these short-term rates won't last forever. If the Fed does cut rates next year, these rates will also drop. It may make sense to lock in higher long-term rates on bonds. A 10-year treasury ended the quarter yielding 4.59%.** Corporate bond yields are even higher. This may be a good time to look for returns above inflation in relatively low risk investments. Talk to your advisor to see if this makes sense for you.



Source: U.S. Department of Treasury as of October 2, 2023

Market Returns

Source: Morningstar Direct data as of September 30, 2023

Asset Class	Index	Total Return 3 Month (%)	Total Return YTD (%)	Total Return 1 Year (%)	Annualized 3 Year (%)	Annualized 5 Year (%)
Global Equities:	Diversified Equity Benchmark***	-3.49	10.25	19.75	8.02	7.48
Domestic Equities:	S&P 500 (Large Cap)	-3.27	13.07	21.62	10.15	9.92
	Russell 2000 (Small Cap)	-5.13	2.54	8.93	7.16	2.40
International Equities:	MSCI EAFE (Developed)	-4.11	7.08	25.65	5.75	3.24
	MSCI Emerging Market	-2.93	1.82	11.70	-1.73	0.55
Fixed income:	Barclays Intermediate U.S. Gov't/Credit	-0.83	0.65	2.20	-2.93	1.02
	Barclays Muni Short-Interm 1-10 Years	-1.95	-0.69	2.16	-1.34	1.13
	Barclays Global Intermediate	-2.30	-2.27	2.68	-5.86	-1.71

U.S. Government Shutdown

The drama around a government shutdown has garnered a lot of attention. Our research shows that government shutdowns are typically short-lived and don't have a material, long-term impact on economic activity.

The real issue is the long-term impact of running government deficits in excess of \$1 trillion, which is an additional reason for the stark increase in treasury yields. As seen in the chart below, debt has exploded with a current load of \$33 trillion. Debt service as a percentage of our budget continues to edge higher.

Maintaining Defensive Portfolio Positioning

Cash: We maintain an overweight in cash via money market vehicles. These vehicles have generally followed the upward trend in the Fed Funds Rate, which is currently yielding at 5.25%.** We will likely look to deploy this cash into fixed income as we become more comfortable that interest rates are nearing their cycle highs.

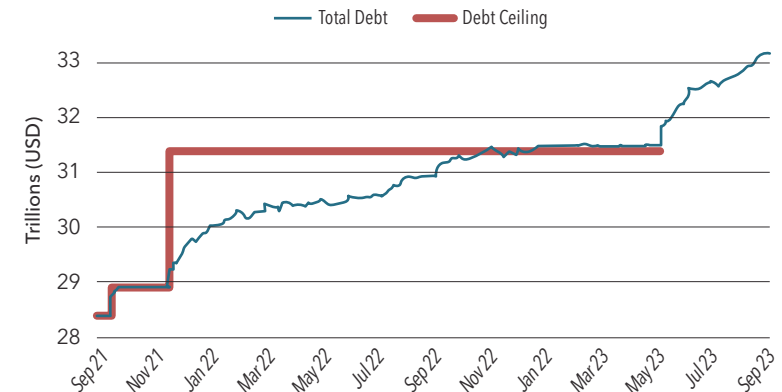
Bonds: We are underweight bonds but have been steadily increasing our position over the year as the relative valuation discrepancy between bonds and stocks becomes increasingly disparate.

Stocks: We are underweight stocks due to heightened economic uncertainty and our belief that equity multiples are too high given the drastic increase in yields. Within our equity allocations, we reduced real estate due to its sensitivity to interest rates. We increased our allocation to value stocks with more reasonable valuations and trimmed growth stocks that have been market leaders thus far this year.

Alternatives: We maintain an overweight position to our alternative investments to hedge against potential risks. We eliminated our commodity exposure and added a position in a complimentary enhanced equity income portfolio. This strategy invests in high-quality, dividend-paying stocks and sells covered calls to further enhance income. Should volatility continue higher, this strategy should benefit from relative downside protection for the equity portfolio and increased call premiums. The yield on this enhanced equity income strategy is designed to increase during time of market volatility.

Please see important disclosures on following pages.

Total U.S. Debt Outstanding



Source: U.S. Department of Treasury as of October 2, 2023.

*Board of Governors of the Federal Reserve System (US)

**Summary of Economic Projections - Dot Plot September FOMC Meeting (<https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20230920.pdf>)

***Benchmark consists of Russell 3000 (76%), MSCI ACWI ex US (20%) and FTSE EPRA/NAREIT Global (4%)

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Index Definitions:

Indexes shown are market indicators and are for comparative purposes only. They are not meant to represent any actual investment. Indexes are unmanaged and cannot be invested in directly. Securities indexes assume reinvestment of all dividends and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index.

Barclays Global Intermediate: This index measures global investment grade debt from 24 local currency markets, including treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers.

Barclays Intermediate US Government/Credit Index: The index is a broad-based flagship benchmark that includes investment grade, US dollar-denominated, fixed-rate Treasuries, government-related and corporate securities, within a 2-10 year maturity range.

Barclays Municipal Short-Intermediate 1-10 Years: Index that measures the performance of US municipal bonds with time to maturity of between one and ten years.

MSCI EAFE - Developed International: This index reflects the performance of small- to large-cap stocks across the developed regions of Europe, Australasia, and the Far East (EAFE). The index was developed by Morgan Stanley Capital International (MSCI) in 1969 and lists 926 stocks from 21 countries in the EAFE.

MSCI Emerging Market: An index used to measure equity market performance in global emerging markets, consisting of 23 economies including 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 the United Arab Emirates.

Russell Indices: The Russell 3000 is a market-capitalization-weighted equity index maintained by the FTSE Russell that provides exposure to the entire U.S. stock market. The index tracks the performance of the 3,000 largest U.S. traded stocks which represent about 98% of all U.S. incorporated equity securities. The Russell 2000 index measures the performance of approximately 2,000 of the smallest companies in the Russell 3000 index.

S&P Indices: The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. Other popular indices include the S&P MidCap 400, which represents the mid-cap range of companies and the S&P SmallCap 600, which represents small-cap companies. The S&P 1000 is a combination of the S&P 400 and 600, representing the small and mid-cap market. The S&P 500, S&P MidCap 400 and S&P SmallCap 600 combine to create a U.S. all-capitalization index known as the S&P Composite 1500.

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Sectors: Strategies that invest primarily in securities of companies in one industry or sector are subject to greater price fluctuations and volatility than strategies that invest in a more broadly diversified strategies. The Strategy may have over-weighted sector and issuer positions and may result in greater volatility and risk. Investing in small cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

Equity securities may fluctuate in response to news on companies, industries, market conditions, and the general economic environment. Small-cap and mid-cap stocks may not be appropriate for all investors. Bonds and fixed income securities are subject to interest rate, inflation, reinvestment, and credit risk. There are special risks associated with investments in high yield bonds. Low rated bonds carry heightened credit and investment risk. Credit ratings are subject to change. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall, and when interest rates fall, fixed income prices rise. If bonds are sold prior to maturity, investors may receive more or less than their initial cost.

U.S. government bonds and Treasury bills are guaranteed by the federal government and, if held to maturity, offer fixed rates of return and guaranteed principal. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term obligations of the U.S. government.

Alternative investments can result in higher loss potential and are sensitive to changes in economic conditions or other circumstances. International investing involves special risks, such as currency fluctuations, different financial accounting and reporting standards, and potential political or economic volatility. Investing in emerging markets can be riskier than investing in well-established foreign markets.

Asset Allocation or Diversification: Asset Allocation/Diversification of your overall investment portfolio does not assure a profit or protect against a loss in declining markets.

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