Q3'2023 Market Review & Outlook

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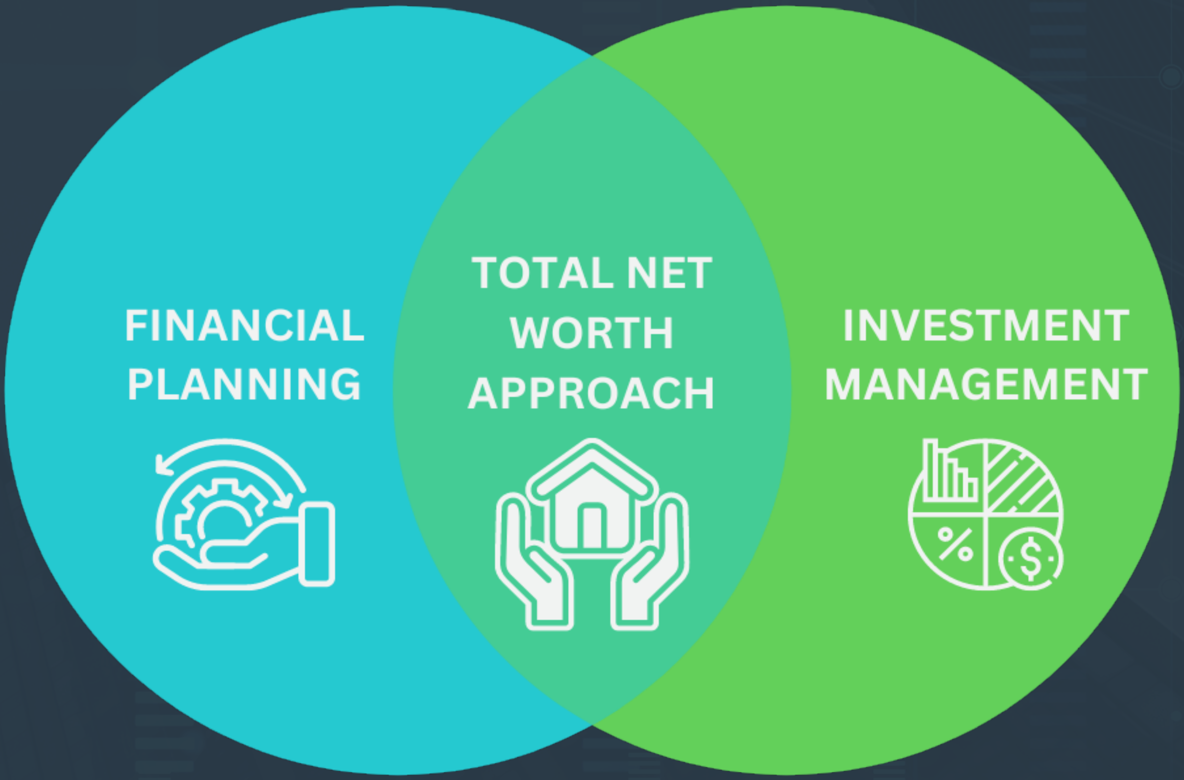

At Winthrop Wealth, we follow a **Total Net Worth Approach** to wealth management that combines both comprehensive financial planning and investment management. The financial plan helps define cash flow needs, seeks to optimize account structures, considers tax mitigation strategies, and determines the appropriate asset allocation based on the client's willingness and ability to take risk. Based on the output of the financial plan, our investment management process designs a well-diversified portfolio constructed with a long-term methodology based on prudent risk management, asset allocation, and security selection. *No strategy assures success or protects against loss. Investing involves risk, including loss of principle.*

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 All data sources from Bloomberg as of 9/30/2023.

- **US Equity Markets**:The market declined in the third quarter as the S&P 500 decreased by -3.3%, but after increasing by +16.9% in the first half of 2023, the year-to-date gain is still +13.1%. The market reached its high point for the year on July 31st but declined by -6% through the end of the quarter. The S&P 500 is now higher by about 22% from the bear market low reached on October 12, 2022, when the market fell by -24.5% from peak-to-trough.

- **US Fixed Income Markets**: The Bloomberg US Aggregate Bond index (Agg), which acts as a proxy for the intermediate-term investment-grade bond market, decreased by -3.2% in the third quarter as the 10-Year Treasury yield increased to 4.58% in the period (bond prices move inversely to interest rates and credit spreads). The bond market has now declined by -1.2% in 2023. The yield to maturity on the US Aggregate Bond index was 5.4% at the end of the quarter, which is the highest level since 2008.

- **Treasury Yields**: Yields increased across the Treasury curve. The 2-Year Treasury increased from 4.88% to 5.05% and the 10-Year rose from 3.84% to 4.58% during the quarter. Interest rates moved higher due to the economy performing better than expected, still-elevated inflation, higher oil prices, a renewed focus on the country's debt and deficit problem, and the Fed's new "higher-for-longer" outlook combined with their quantitative tightening program.

- **Inflation**: Most inflation readings have decelerated from peak levels with several indicators returning to normalized ranges. While the Fed acknowledges overall progress, they are not pleased with the pace of disinflation in the services sector as measured by the Core Personal Consumption Expenditure (PCE) Index. The latest Core PCE Inflation reading of +3.9% is still well above the Fed's 2.0% target.

- **The Fed**: The FOMC raised the federal funds rate 25 basis points (0.25%) at their July meeting before pausing rate hikes in September. The top end of the federal funds rate now stands at 5.50%. Since March of 2022, the Fed has increased interest rates by 5.25% total for one of the quickest tightening cycles in United States history. The FOMC's most recent Summary of Economic Projections (SEP) showed that the median participant expects one more rate hike this year before they cut rates by 50 basis points (0.50%) to 5.1% in 2024.

- **US Economy**: The resiliency of the economy this year has surprised many observers, including us. Even the Fed is taking a more optimistic view and is no longer forecasting a recession in 2023. The perceived odds of a soft-landing, where the economy avoids a recession while inflation decelerates toward the Fed's 2% target, have increased. Real GDP growth for 2023 is now estimated at +2.0%, compared with a forecast of +0.3% at the start of the year.

- **Short-Term Market Outlook**: Over the summer, we wrote that we were turning cautious after the market broke above its 14-month trading range of 3,600 to 4,300 and headed toward 4,600. Given our cautious view at the time, many of our actively managed portfolios shifted defensively in July and August through a decrease in overall equity exposure. Now that our cautious view has been validated and the market has pulled back into its old trading range, we have upgraded our near-term view to balanced. Although, we are expecting more volatility and for the market to remain rangebound a while longer. *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.*

- **Long-Term Market Outlook**: In our view, investors with a globally diversified portfolio and a long-term horizon should continue to remain optimistic. Markets have historically increased over time despite frequent drawdowns as successful corporations have been able to figure out ways to generate profits through advances in innovation and productivity. To capitalize on the power of compounding, we believe in the benefits of staying Disciplined, Opportunistic, and Diversified, while Mitigating fees, taxes, and expenses. In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. 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.*

Please see some of our most recent market commentaries:

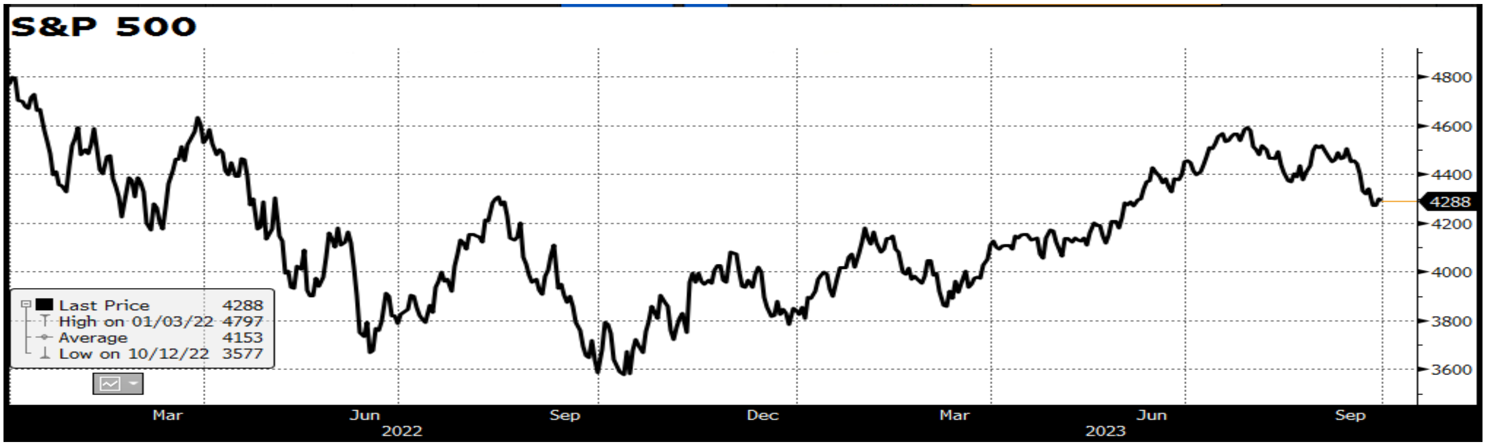
- **Principles for Long-Term Investing**
- **What do Sherpas and financial advisors have in common?**
- **The Power of Compounding**
- **Bond Primer**

US EQUITY MARKETS

The market declined in the third quarter as the S&P 500 decreased by -3.3%, but after increasing by +16.9% in the first half of 2023, the year-to-date gain is still +13.1%. The market reached its high point for the year on July 31st but declined by -6% through the end of the quarter. The S&P 500 is now higher by about 22% from the bear market low reached on October 12, 2022, when the market fell by -24.5% from peak-to-trough. Although the market has had solid performance for nearly the last twelve months, the S&P is still -8% below its all-time high on a total-return basis.

We constantly remind our clients to maintain a long-term viewpoint as markets can be incredibly volatile over the short-term. The stock market has historically gone up over time, but returns are not linear. Since 1928, the S&P 500 has generated a total annualized return of +9.5% despite an average peak-to-trough decline of -15% at some point each year. Market performance over the last two years reinforces our belief in a long-term viewpoint. As noted in our **S&P 500 Bear Markets chart**, chart, historically challenging environments have created strong buying opportunities for long-term investors. *Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. Consider your own risk tolerance, financial circumstances, and time horizon.*

The market rally since October was driven by evidence of disinflation, the economy, labor market, and corporate earnings holding up better than expected, and the perceived benefit that artificial intelligence (AI) will have on profits and productivity. The weakness in the third quarter was caused by fears over rising interest rates and the Fed's "higher-for-longer" outlook. Please see our **Client Question: Why do Interest Rates Impact Stock Prices?**



Source: Bloomberg

Size / Style / Sector

- **Size**: Large Caps (S&P 500: -3.3%) outperformed Mid (S&P 400: -4.2%) and Small (Russell 2000: -5.1%).
- **Style**: Growth (Russell 1000 Growth: -3.1%) narrowly exceeded Value (Russell 1000 Value: -3.2%).
- **Sector**: Only two of eleven sectors were positive in the third quarter. Energy (+12.2%) was the top performer as the price of WTI crude oil increased by 29% to $91 per barrel. Interest rate sensitive sectors, including Real Estate (-8.9%) and Utilities (-9.3%), were the laggards.

The three worst performing sectors of 2022 are still the top performers this year: Consumer Discretionary (26.6%), Technology (34.7%), and Communication Services (40.4%). Note that these three sectors are the home for the Magnificent 7 stocks (Apple, Microsoft, Alphabet, Amazon, Nvidia, Tesla, and Meta Platforms), which are still responsible for most of the S&P 500's gain this year despite mixed results in the quarter. The market often undergoes these violent rotations that can make an under-diversified investor feel like a genius one day and a fool the next. Rather than make risky concentrated bets, we prefer to construct diversified portfolios across regions, countries, market caps, factors, styles, sectors, and industries and tilt toward the areas we feel provide the most potential benefit.

US Equity Market Performance

Broad Market	Q3 2023	2023	Style	Q3 2023	2023	Sector	Q3 2023	2023
S&P 500	-3.27%	13.06%	Russell 1000 Growth	-3.13%	24.97%	Health Care	-2.65%	-4.09%
Russell 3000	-3.25%	12.38%	Russell 1000 Value	-3.17%	1.77%	Materials	-4.76%	2.61%
Dow Jones Industrial Average	-2.10%	2.73%				Consumer Discretionary	-4.80%	26.58%
Nasdaq	-3.94%	27.11%				Industrials	-5.16%	4.50%
			Sector	**Q3 2023**	**2023**	Technology	-5.64%	34.72%
Size	**Q3 2023**	**2023**	Energy	12.22%	5.99%	Consumer Staples	-5.97%	-4.76%
Mid Cap (S&P 400)	-4.20%	4.24%	Communication Services	3.07%	40.43%	Real Estate	-8.90%	-5.51%
Small Cap (Russell 2000)	-5.14%	2.51%	Financials	-1.13%	-1.65%	Utilities	-9.25%	-14.41%

Source: Bloomberg

US FIXED INCOME MARKETS

Interest Rates

Yields increased across the Treasury curve. The 2-Year Treasury increased from 4.88% to 5.05% and the 10-Year rose from 3.84% to 4.58% during the quarter. Interest rates moved higher due to the economy performing better than expected, still-elevated inflation, higher oil prices, a renewed focus on the country's **debt and deficit problem**, and the Fed's new "higher-for-longer" outlook combined with their quantitative tightening program.

Fixed Income Objective

As part of diversified portfolios, we purchase bonds with various types, issuers, maturities, and credit ratings. Our objective with fixed income is to pursue ballast, stability, and income in portfolios. *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.*

- **Ballast**: bonds that have a low or negative correlation to equities. Ideally, the fixed income holdings are increasing when equity markets are declining. Typically, intermediate- and long-term bonds with high credit ratings provide the most ballast.
- **Stability**: created by investing in bonds with low price volatility no matter the macroeconomic environment. High quality short-term bonds have lower volatility than most asset classes.
- **Income**: fixed income should provide a predictable stream of income to portfolios. We generally try to optimize income without taking on unnecessary credit risk or volatility.

Please see our **Client Question: Bond Primer** where we detail bond mechanics, characteristics, types, risks, and historical returns.

Short-Term Bonds

Short-term bonds have closer maturities and are consequently less interest rate sensitive than intermediate- or long-term fixed income securities. Pursuing stability and income from short-term bonds, including Treasuries, has been a successful strategy as yields remain elevated. Short-term Treasury yields, including, the 3-Month (5.5%), 6-Month (5.5%), and 12-Month (5.4%) are at their highest levels since the early 2000s. Once the Fed starts cutting the federal funds rate, short-term Treasury yields should also decline. We don't expect +5% short-term yields to be around forever, but we are opportunistically enjoying them while they last. If interested, please speak with your advisor about our Cash Alternatives Strategy, which is an investment strategy designed for individuals or entities to invest excess cash seeking potentially attractive yields in a conservative portfolio of short-term fixed income, including US Treasuries. *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. Investing involves risk including loss of principal. This strategy and its related holdings are not FDIC-insured.*

Intermediate-Term Bonds

The Bloomberg US Aggregate Bond index (Agg), which acts as a proxy for the intermediate-term investment-grade bond market, decreased by -3.2% in the third quarter as the 10-Year Treasury yield increased to 4.58% in the period (bond prices move inversely to interest rates and credit spreads). The bond market has now declined by -1.2% in 2023. The last two-plus years have been frustrating for intermediate-term fixed income investors as bonds have provided negative returns without any ballast. Since September 1, 2021, the Agg bond index has decreased by about -15% as the 10-Year Treasury yield has increased by nearly 330 basis points (3.3%).

Does this mean that it's time to throw in the towel and abandon intermediate-term bonds as part of a diversified investment portfolio? No, not in our view. All else equal, we expect intermediate-term bonds to provide both ballast and positive returns in the future once yields stabilize. For both new investors and those that have ridden out the last two years, the good news is that the yield to maturity on the US Aggregate Bond index is now 5.4%, the highest level since 2008. Yield to maturity is defined as the estimated annualized rate of return an investor can expect on a bond if purchased today and held to maturity, assuming the issuer makes all their interest and principal payments (i.e., no defaults). In other words, expected future returns from the Agg bond index have not been this attractive in 15 years. *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.*

	Returns				Fundamental Estimates		
Bloomberg Barclays Index	**Q3 2023**	**2023**	**2022**	**2021**	**Yield to Maturity**	**Credit Spread (bps)**	**Duration**
Aggregate	-3.23%	-1.21%	-13.01%	-1.54%	5.4%	52	6.1
Treasury Bills	1.34%	3.70%	1.52%	0.04%	5.4%		0.1
Corporates	-3.09%	0.02%	-15.76%	-1.04%	6.0%	121	6.7
High Yield	0.46%	5.86%	-11.19%	5.28%	9.0%	394	3.5
Securitized MBS/ABS/CMBS	-3.81%	-2.05%	-11.67%	-1.04%	5.6%	70	6.2
Munis	-3.95%	-1.38%	-8.53%	1.52%	4.3%		6.4

Source: Bloomberg

INFLATION

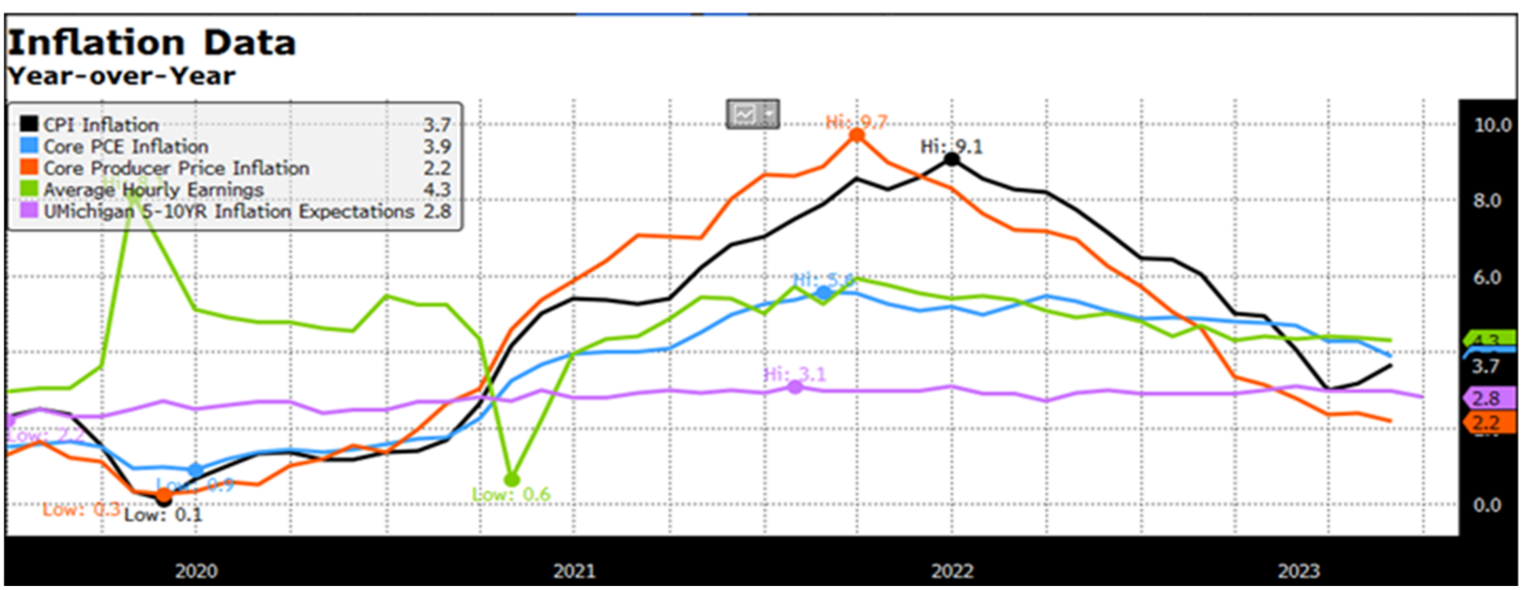
The increase in inflation since early-2021 was driven by supply chain bottlenecks, surging energy prices, strong consumer demand caused by a solid labor market, and massive amounts of stimulus. Most inflation readings have decelerated from peak levels with several indicators returning to normalized ranges. While the Fed acknowledges overall progress, they are not pleased with the pace of disinflation in the services sector as measured by the Core Personal Consumption Expenditure (PCE) Index. The latest Core PCE Inflation reading of +3.9% is still well above the Fed's 2.0% target.

The Fed has divided inflation into three buckets: goods (decelerating as supply chains normalize), housing (decelerating under rising mortgage rates and just starting to show up in the data), and non-housing related core services (still elevated due to the strong labor market and robust wage growth). The Fed theorizes the best way to decrease services inflation is to lower demand by weakening the labor market and aggregate spending.

The Fed's latest Summary of Economic Projections show the median participant expects Core PCE Inflation to fall to 3.7% in 2023, 2.6% in 2024, and 2.3% in 2025. Note that the Fed still shows inflation above their 2% target by the end of 2025.

Here are several key inflation indicators and a chart tracking the data since the start of 2020:

- **The Bureau of Labor Statistics Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The index does include food and energy prices.
  - o Latest Reading: 3.7% (August). Peak: 9.1% (June 2022).
- **The Core Personal Consumption Expenditure (PCE) Index** measures the prices paid by consumers for goods and services based on surveys of what businesses are selling. Core means that the index excludes food and energy prices. This is the Fed's preferred inflation measure, which they target at an average of 2%.
  - o Latest Reading: 3.9% (August). Peak: 5.4% (February 2022).
- **The Core Producer Price Index (PPI)** measures the average change in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.
  - o Latest Reading: 2.2% (August). Peak: 9.7% (March 2022).
- **The Bureau of Labor Statistics Average Hourly Earnings** tracks total hourly renumeration (in cash or in kind) paid to employees in return for work done (or paid leave). Data is from the Current Employment Statistics (CES) survey.
  - o Latest Reading: 4.3% (May). Peak: 8.1% (April 2020).
- **The University of Michigan Inflation Expectations** data is based on a monthly survey designed to gauge consumer expectations. Participants are asked for their view on annual inflation over the next 5 to 10 years.
  - o Latest Reading: 2.8% (September). Peak: 3.1% (January 2022).



Source: Bloomberg

The Federal Reserve serves as the central bank of the United States and performs key functions designed to promote the health of the economy and stability of the financial system. The three key entities include the Board of Governors, twelve Federal Reserve Banks, and the Federal Open Market Committee (FOMC). The FOMC sets monetary policy in accordance with its mandate from Congress: to promote maximum employment, stable prices, and moderate long-term interest rates. According to the Fed, "monetary policy directly affects interest rates; it indirectly affects stock prices, wealth, and currency exchange rates. Through these channels, monetary policy influences spending, investment, production, employment, and inflation in the United States." Please see our **Client Question on The Fed** which details the key entities, and the impact monetary policy has on the economy, interest rates, and stock prices.

Interest Rates		Balance Sheet		Commentary
Federal Funds Rate	Federal Funds Rate 2023 Change	Fed Balance Sheet	Fed Balance Sheet 2023 Change	September 2023 FOMC Statement
5.25% - 5.50%	+1.00% (0.25% rate hikes on February 1st, March 22nd, May 3rd, and July 26th)	$8.0 Trillion	- $550 Billion	In determining the extent of additional policy firming that may be appropriate to return inflation to 2 percent over time, the Committee will take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, and economic and financial developments.

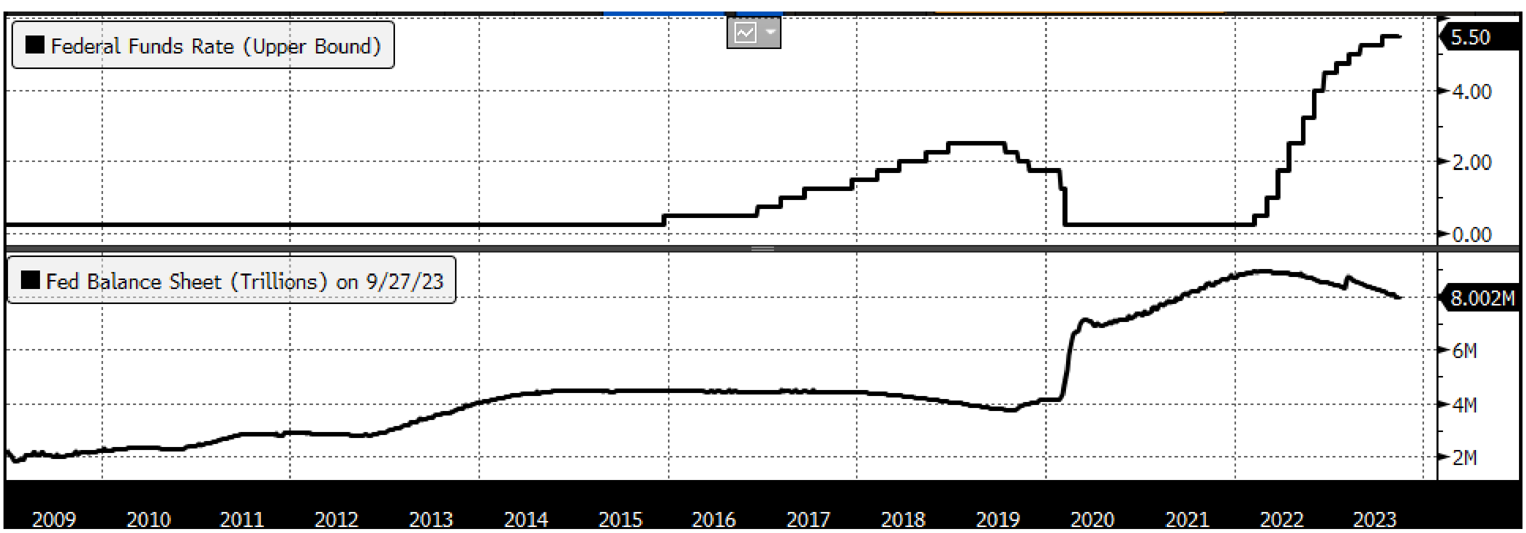
Interest Rates: The FOMC raised the federal funds rate 25 basis points (0.25%) at their July meeting before pausing rate hikes in September. The top end of the federal funds rate now stands at 5.50%. Since March of 2022, the Fed has increased interest rates by 5.25% total for one of the quickest tightening cycles in United States history. The FOMC's most recent Summary of Economic Projections (SEP) showed that the median participant expects one more rate hike this year before they cut rates by 50 basis points to 5.1% in 2024. The market is currently pricing in about a 50% chance that the Fed will raise rates again this year and agrees with 50 basis points of cuts in 2024.

Balance Sheet – Quantitative Tightening: The Fed is also reducing the size of their nearly $9 trillion balance sheet. The runoff plan is for monthly caps of about $60 billion for Treasuries and $35 billion for agency mortgage-backed securities. The monthly reduction of about $95 billion is larger than the $50 billion per month pace that was used during the 2017-2019 runoff plan. At the current runoff rate, it will take over 4 years for the Fed's balance sheet to decrease to its pre-pandemic size.

"Looking ahead, we are in a position to proceed carefully in determining the extent of additional policy firming that may be appropriate. Our decisions will be based on our ongoing assessments of the incoming data and the evolving outlook and risks."
– Fed Chair Jerome Powell

The Fed is getting ready to turn the page from focusing on how high to raise interest rates to concentrating on how long they should keep rates elevated. Recent speeches from committee members as well as the latest SEP indicate the Fed is forecasting that interest rates will remain "higher-for-longer." Currently, both the Fed and market pricing expect the federal funds rate to be at 5.1% at the end of 2024. We monitor Fed projections and market pricing closely, but we also recognize that these estimates are only a snapshot in time and will change rapidly as economic data evolves.

How long rates stay elevated will ultimately be a function of how quickly inflation growth declines. The Fed won't be ready to think about cutting interest rates from present levels until Core PCE Inflation, currently at 3.9%, decelerates further. The reading likely needs to approach 3% to give the Fed enough confidence that inflation is on a sustained downward trajectory to the 2.0% target. Once inflation is contained, the Fed will begin to lower interest rates and ease their foot off the monetary policy brake pedal.



Source: Bloomberg

The resiliency of the economy this year has surprised many observers, including us. Even the Fed is taking a more optimistic view and is no longer forecasting a recession in 2023. The perceived odds of a soft-landing, where the economy avoids a recession while inflation decelerates toward the Fed's 2% target, have increased. Real GDP growth for 2023 is now estimated at +2.1%, compared with a forecast of +0.3% at the start of the year.

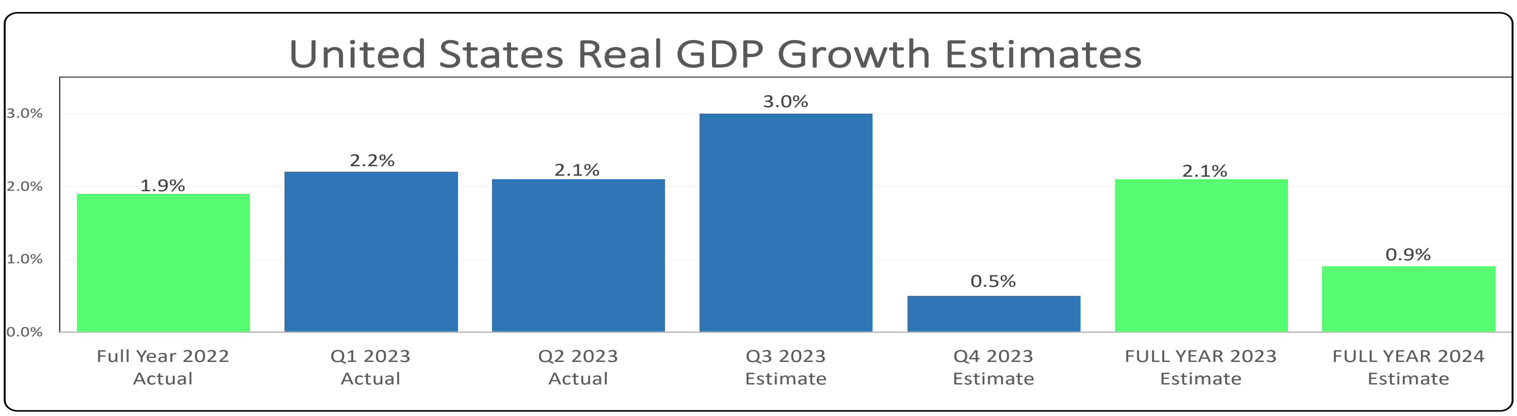
While we have been pleased with how the economy has performed, there are still reasons for caution. Several recessionary indicators are still flashing yellow or red, including the inverted yield curve, leading economic indicators, and the ISM Manufacturing survey. The economy has been supported by a strong labor market and robust spending, although now there is evidence that the consumer may be running low on purchasing power. Furthermore, the lagged effect of tighter monetary policy, rising oil prices, the United Auto Workers strike, and the resumption of student loan payments will all weigh on near-term economic activity.

We're taking a wait-and-see approach as the post-pandemic economy has thrown a series of head fakes. At times a recession seemed imminent and at other times we watched as the labor market set new records. We continue to believe that the key to economic growth in 2023 and 2024 is for inflation to become contained so the Fed can stop their tightening cycle before higher interest rates eventually lead to cracks in the labor market and/or the broader economy. Please see our latest data on US Recessions and S&P 500 Performance.

United States Economic Data

Data Point	Latest Reading	Historical Readings				Historical Averages				Source
		3-Months Ago		12-Months Ago		5-Year Average		10-Year Average		
Economic Indicators										
Leading Economic Indicators (Y/Y)	**-7.6%**	-7.9%	↑	-1.1%	↓	0.3%	↓	2.0%	↓	Conference Board
Financial Conditions Index	**0.13**	0.37	↓	-1.22	↑	0.15	↓	0.33	↓	Bloomberg
ISM Manufacturing Index	**47.6**	46.9	↑	52.9	↓	53.7	↓	54.2	↓	Institute for Supply Mgmt
ISM Services Index	**54.5**	50.3	↑	56.1	↓	56.7	↓	56.6	↓	Institute for Supply Mgmt
Consumer										
Retail Sales (Y/Y)	**2.5%**	2.1%	↑	10.2%	↓	7.2%	↓	5.4%	↓	US Census Bureau
Michigan Consumer Sentiment	**68.1**	59.2	↑	58.2	↑	78.1	↓	84.7	↓	University of Michigan
Debt-to-Service Ratio	**9.8%**	9.6%	↑	9.1%	↑	9.6%	↑	9.7%	↑	Federal Reserve
Labor Market										
Unemployment Rate	**3.8%**	3.7%	↑	3.7%	↑	4.9%	↓	5.0%	↓	Bureau of Labor Statistics
Change in Nonfarm Payrolls	**187,000**	281,000	↓	352,000	↓	119,117	↑	164,867	↑	Bureau of Labor Statistics
JOLTS Job Openings	**8,827,000**	9,616,000	↓	10,198,000	↓	8,712,593	↑	7,175,429	↑	Bureau of Labor Statistics
Housing Market										
Existing Home Sales (Annual Rate)	**4,040,000**	4,300,000	↓	4,770,000	↓	5,340,500	↓	5,310,200	↓	Ntl Association of Realtors
Case-Shiller Home Price Index (Y/Y)	**0.1%**	-1.7%	↑	13.2%	↓	8.4%	↓	7.5%	↓	S&P
30-Year Fixed Rate Mortgage	**7.8%**	7.2%	↑	6.8%	↑	4.5%	↑	4.2%	↑	Bankrate.com
Inflation										
Core PCE Inflation (Y/Y)	**3.9%**	4.7%	↓	5.2%	↓	3.1%	↑	2.3%	↑	Bureau of Econ Analysis
Consumer Price Index (Y/Y)	**3.7%**	4.0%	↓	8.3%	↓	3.9%	↓	2.7%	↑	Bureau of Labor Statistics
Average Hourly Earnings (Y/Y)	**4.3%**	4.3%	↑	5.4%	↓	4.4%	↓	3.4%	↑	Bureau of Labor Statistics

Source: Winthrop Wealth, Bloomberg



Source: Bloomberg

OUTLOOK

ECONOMIC GROWTH

The resiliency of the economy this year has surprised many observers, including us. The perceived odds of a soft-landing, where the economy avoids a recession while inflation decelerates toward the Fed's 2% target, have increased. Real GDP growth for 2023 is now estimated at +2.1%, compared with a forecast of +0.3% at the start of the year.

While we have been pleased with how the economy has performed, there are still reasons for caution. Several recessionary indicators are still flashing yellow or red, including the inverted yield curve, leading economic indicators, and the ISM Manufacturing survey.

Real GDP Estimates:
- 2023: +2.1%
- 2024: +0.9%
- 2025: +1.9%

MONETARY POLICY

- **Interest Rates**: The FOMC raised the federal funds rate 25 basis points (0.25%) at their July meeting before pausing rate hikes in September. The top end of the federal funds rate now stands at 5.50%. The FOMC's most recent Summary of Economic Projections (SEP) showed that the median participant expects one more rate hike this year before they cut rates by 50 basis points to 5.1% in 2024.
- **Balance Sheet Runoff Plan**: The Fed is still shrinking their balance sheet by $95 billion per month ($60 billion for Treasuries and $35 billion for agency mortgage-backed securities).

The Fed is getting ready to turn the page from focusing on how high to raise interest rates to concentrating on how long to keep rates elevated. Recent speeches from committee members as well as the latest SEP indicate the Fed is forecasting that interest rates will remain "higher-for-longer." Currently, both the Fed and market pricing expect the federal funds rate to be at 5.1% at the end of 2024.

CORPORATE EARNINGS

S&P 500 earnings estimates have stabilized over the past several weeks as the first and second quarter earnings both came in better than expected. Third quarter 2023 earnings season, which kicks off in mid-October, will provide valuable insight into how corporations are navigating the current environment. We will caution that if the economy stumbles then earnings estimates will get lowered.

S&P 500 Earnings Estimates

- 2023: $222 (+1%)
- 2024: $248 (+12%)

Over long time periods, earnings drive stock prices.

VALUATION

Valuations look stretched after the market rebound. We will caution that if earnings estimates get lowered, the current P/E will look even more stretched.

The P/E ratio is calculated as the current price divided by the earnings-per-share.
- Forward P/E (next 12-months): 18.0x
- 2023 Peak: 19.9x
- 25-Year Average: 16.5x.

Valuation analysis is subjective and typically based on interest rates, earnings growth estimates, and historical or relative values.

We continue to separate our outlook into short- (months) and long-term (years) periods.

Short-Term: Our near-term view is now balanced after the S&P 500 experienced a -6% pullback from July 31st through the end of the quarter. Over the summer, we wrote that we were turning cautious after the market broke above its 14-month trading range of 3,600 to 4,300 and headed toward 4,600. We expected some consolidation after the strong year-to-date performance and stated that a move back down into the upper end of the recent trading range was a probable outcome. Given our cautious view at the time, many of our actively managed portfolios shifted defensively in July and August through a decrease in overall equity and less exposure to certain mega cap stocks that have had massive gains this year. Now that our cautious view has been validated and the market has pulled back into its old trading range, we have upgraded our near-term view to balanced. Although, we are expecting more volatility and for the market to remain rangebound a while longer. We would turn more optimistic as inflation dissipates, the Fed stops their tightening campaign, and fundamentals improve. We would turn more cautious or pessimistic if the market were to break toward all-time highs without fundamental support, if inflation reaccelerates, or interest rates keep marching higher. *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.*

Long-term: In our view, investors with a globally diversified portfolio and a long-term time horizon should continue to remain optimistic. Markets have historically increased over time despite frequent drawdowns as successful corporations have been able to figure out ways to generate profits through advances in innovation and productivity. To capitalize on the **power of compounding**, we believe in the benefits of staying Disciplined, Opportunistic, and Diversified, while striving to Mitigate fees, taxes, and expenses.

- **Disciplined**: consistently applying our investment process and philosophy, which are grounded in a long-term approach.
- **Opportunistic**: rebalancing, repositioning, and tax-loss harvesting to take advantage of market volatility and dislocations.
- **Diversified**: seeking to ensure that portfolios are properly allocated across and among asset classes to enhance consistency.
- **Mitigate**: striving to avoid unnecessary disbursements, including fees, taxes, and expenses.

In our opinion, adhering to a structured process and executing on all these components should help keep our clients on track toward pursuing their long-term objectives. Historically, equity markets have recovered from recessions and downturns. Past performance is no guarantee of future returns. *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.*

US Equity											
Index	**Q3 2023**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
S&P 500	-3.27%	13.06%	-18.13%	28.68%	18.39%	31.47%	21.59%	10.42%	9.89%	11.82%	9.70%
Russell 3000	-3.25%	12.38%	-19.22%	25.64%	20.88%	31.01%	20.43%	9.63%	9.12%	11.20%	9.67%
Dow Jones Industrial Average	-2.10%	2.73%	-6.86%	20.95%	9.72%	25.34%	19.18%	9.04%	7.13%	10.68%	9.25%
Nasdaq	-3.94%	27.11%	-32.51%	22.21%	45.05%	36.73%	26.13%	6.90%	11.45%	14.55%	11.73%
S&P 400	-4.20%	4.24%	-13.10%	24.73%	13.65%	26.17%	15.46%	12.25%	6.03%	8.91%	9.86%
Russell 2000	-5.14%	2.51%	-20.46%	14.78%	19.93%	25.49%	8.87%	7.19%	2.36%	6.62%	8.10%
Russell 1000 Growth	-3.13%	24.97%	-29.14%	27.59%	38.49%	36.39%	27.71%	8.26%	12.41%	14.41%	11.09%
Russell 1000 Value	-3.17%	1.77%	-7.56%	25.12%	2.78%	26.52%	14.40%	11.29%	6.20%	8.36%	8.19%
International Equity											
MSCI Index	**Q3 2023**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
EAFE	-4.11%	7.08%	-14.45%	11.26%	7.82%	22.01%	25.65%	5.51%	3.24%	3.72%	5.89%
Europe	-7.21%	9.35%	-17.86%	13.54%	7.89%	23.20%	34.29%	6.11%	3.09%	3.68%	5.59%
Japan	-1.59%	11.21%	-16.65%	1.71%	14.48%	19.61%	25.92%	2.22%	2.06%	4.18%	4.61%
China	-1.94%	-7.29%	-21.93%	-21.72%	29.49%	23.46%	5.24%	-13.61%	-4.16%	1.51%	8.28%
Emerging Markets	-2.93%	1.82%	-20.09%	-2.54%	18.31%	18.42%	11.70%	-1.32%	0.55%	1.94%	7.30%
ACWI ex US	-3.77%	5.34%	-16.00%	7.82%	10.65%	21.51%	20.39%	3.71%	2.58%	3.24%	6.02%
US Fixed Income											
Bloomberg Barclays Index	**Q3 2023**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Aggregate	-3.23%	-1.21%	-13.01%	-1.54%	7.51%	8.72%	0.64%	-5.25%	0.10%	1.12%	2.84%
Treasury Bills	1.34%	3.70%	1.52%	0.04%	0.54%	2.21%	4.62%	1.75%	1.71%	1.09%	1.35%
Corporates	-3.09%	0.02%	-15.76%	-1.04%	9.89%	14.54%	3.65%	-5.00%	0.93%	2.22%	3.74%
Securitized MBS/ABS/CMBS	-3.81%	-2.05%	-11.67%	-1.04%	4.18%	6.44%	-0.04%	-4.94%	-0.63%	0.69%	
High Yield	0.46%	5.86%	-11.19%	5.28%	7.11%	14.32%	10.28%	1.85%	2.96%	4.22%	6.52%
Munis	-3.95%	-1.38%	-8.53%	1.52%	5.21%	7.54%	2.66%	-2.34%	1.05%	2.29%	3.33%
US Equity Sectors											
Index	**Q3 2023**	**2023**	**2022**	**2021**	**2020**	**2019**	**1-Year**	**3-Year**	**5-Year**	**10-Year**	**20-Year**
Technology	-5.64%	34.72%	-28.19%	34.52%	43.88%	50.27%	41.10%	13.64%	18.38%	20.29%	13.55%
Real Estate	-8.90%	-5.51%	-26.21%	46.14%	-2.17%	29.00%	-1.90%	2.45%	4.34%	5.84%	
Industrials	-5.16%	4.50%	-5.51%	21.10%	11.05%	29.32%	24.54%	11.31%	7.26%	9.95%	9.35%
Energy	12.22%	5.99%	65.43%	54.39%	-33.68%	11.81%	30.09%	51.05%	8.87%	4.94%	9.52%
Consumer Discretionary	-4.80%	26.58%	-37.03%	24.43%	33.30%	27.94%	13.69%	2.55%	7.17%	11.46%	10.64%
Communication Services	3.07%	40.43%	-39.89%	21.57%	23.61%	32.69%	38.48%	5.35%	7.88%	7.20%	8.08%
Consumer Staples	-5.97%	-4.76%	-0.62%	18.63%	10.75%	27.61%	7.35%	6.51%	8.50%	8.73%	9.36%
Utilities	-9.25%	-14.41%	1.56%	17.67%	0.52%	26.35%	-7.02%	3.24%	5.66%	8.30%	9.04%
Materials	-4.76%	2.61%	-12.28%	27.28%	20.73%	24.58%	18.05%	9.80%	8.60%	8.65%	9.02%
Financials	-1.13%	-1.65%	-10.57%	34.87%	-1.76%	32.09%	11.68%	13.94%	5.98%	9.55%	4.63%
Health Care	-2.65%	-4.09%	-1.95%	26.13%	13.45%	20.82%	8.18%	9.21%	8.21%	11.70%	9.94%
	Calendar Year Returns						Annualized Returns				

Source: Bloomberg

Leading Economic Indicators
The Conference Board US Leading Economic Indicators Index (LEI) is designed to forecast future activity based on economic variables that tend to move before changes in the overall economy. The index contains 10 data points. Updated monthly. Data goes back to 1960.

Financial Conditions Index
The Bloomberg US Financial Conditions Index tracks the overall level of financial stress in the money market, bond, and equity markets to help assess the availability and cost of credit. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions. The number is a Z-Score that indicates the number of standard deviations by which current conditions deviate from normal levels. Updated daily. Data goes back to 1990.

ISM Manufacturing Index
The ISM Manufacturing PMI Index is based on a survey of more than 300 manufacturing firms - the index monitors employment, production, inventories, new orders, and supplier deliveries. A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. Updated monthly. Data goes back to 1948.

ISM Services Index
The ISM Non-Manufacturing PMI Index is based on a survey of more than 300 non-manufacturing firms. The index is a composite of four indicators with equal weights: Business Activity, New Orders, Employment, and Supplier Deliveries. A reading above 50 percent indicates that the non-manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting. Updated monthly. Data goes back to 1997.

Retail Sales
The US Census Bureau Retail Sales data tracks the resale of new and used goods to the general public for personal or household consumption. Data is adjusted for seasonal variation and holiday and trading-day differences and calculated from a survey of approximately 5,500 retail and food services firms. Updated monthly. Data goes back to 1992.

Michigan Consumer Sentiment
The University of Michigan collects data on consumer attitudes and expectations. The index is comprised of measures of attitudes toward personal finances, general business conditions, and market conditions or prices. Updated monthly. Data goes back to 1966.

Debt-to-Service Ratio
The Federal Reserve Household Debt Service and Financial Obligations. Also known as Household Debt Service Ratio (DSR). Calculated as Household debt service payments and financial obligations as a percentage of disposable personal income; seasonally adjusted. Updated quarterly. Data goes back to 1979.

Unemployment Rate
The Bureau of Labor Statistics Unemployment Rate tracks the number of unemployment persons as a percentage of the labor force. The labor force is calculated as the total number of employed plus unemployed. The unemployment rate is calculated from the Current Population Survey (CPS). Updated monthly. Data goes back to 1948.

Change in Nonfarm Payrolls
The Bureau of Labor Statistics Nonfarm Payrolls measures the monthly change in the number of employees on business payrolls. Approximately 140k businesses and government agencies representing 690k individual worksites are surveyed each month. Data is from the Current Employment Statistics (CES) survey. Updated monthly. Data goes back to 1939.

JOLTS Job Openings
The Job Openings and Labor Turnover Survey (JOLTS) is conducted by the Bureau of Labor Statistics of the U.S. Department of Labor. The program involves the monthly collection, processing, and dissemination of job openings and labor turnover data. The data, collected from sampled establishments on a voluntary basis, include employment, job openings, hires, quits, layoffs and discharges, and other separations. Updated monthly. Data goes back to 2000.

Existing Home Sales
The National Association of Realtors Existing Home Sales SAAR tracks total existing home sales including single family homes, townhomes, condominiums, and co-ops. All sales are based on closings from Multiple Listing Services. Updated monthly. Data goes back to 1999.

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Case-Shiller Home Price Index
The S&P Case-Shiller US National Home Price Index tracks the value of single-family housing within the United States. The index is a value-weighted average of 20 metro areas. Updated monthly. Data goes back to 2001.

30-Year Fixed Rate Mortgage
Bankrate.com calculates the national average 30-year Fixed Rate Mortgage. Updated daily. Data goes back to 1998.

Core PCE Inflation
The Core Personal Consumption Expenditure (PCE) index measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices to reveal underlying inflation trends. The FOMC targets an average of +2.0% Y/Y growth in Core PCE Inflation. Updated monthly. Data goes back to 1960.

Consumer Price Index
The Bureau of Labor Statistics Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The index does include food and energy prices. Updated monthly. Data goes back to 1914.

Average Hourly Earnings
The Bureau of Labor Statistics Average Hourly Earnings tracks total hourly renumeration (in cash or in kind) paid to employees in return for work done (or paid leave). Data is from the Current Employment Statistics (CES) survey. Updated monthly. Data goes back to 2007.

DISCLOSURES

Content in this material is for general information only and 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.

All indexes mentioned are unmanaged indexes which cannot be invested into directly. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. Past performance is no guarantee of future results.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P Midcap 400 Stock Index is an unmanaged index generally representative of the market for the stocks of mid-sized US companies.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Russell 1000 Growth Index measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values. Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The Russell 3000 Value Index measures the performance of those Russell 3000 companies with lower price-to-book ratios and lower forecasted growth values.

The prices of small cap stocks and mid cap stocks are generally more volatile than large cap stocks. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of the following developed country indices: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia. The MSCI EM Index consists of the following emerging market country indices: Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Greece,

Hungary, Poland, Qatar, Russia, South Africa. Turkey, United Arab Emirates, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan, and Thailand.

The MSCI US Broad Market Index captures broad US equity coverage. The index includes 3,204 constituents across large, mid, small and micro capitalizations, representing about 99% of the US equity universe.

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.

The Barclays Capital US Corporate High Yield Bond index is an index representative of the universe of fixed-rate, non-investment grade debt.

The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds.

The Bloomberg Barclays US Treasury Bills 1-3 Month Index is designed to measure the performance of public obligations of the U.S.

Treasury that have a remaining maturity of greater than or equal to 1 month and less than 3 months. The Index includes all publicly issued zero coupon U.S. Treasury Bills that have a remaining maturity of less than 3 months and at least 1 month, are rated investment grade, and have $300 million or more of outstanding face value.

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.

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.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply. If sold prior to maturity, capital gains tax could apply.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

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.

Financial planning is a tool intended to review your current financial situation, investment objectives and goals, and suggest potential planning ideas and concepts that may be of benefit. There is no guarantee that financial planning will help you reach your goals.

Asset allocation does not ensure a profit or protect against loss. 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. All investing involves risk which you should be prepared to bear.

Securities offered through LPL Financial, Member FINRA/SIPC. Investment Advice offered through Winthrop Wealth, a Registered Investment Advisor and separate entity from LPL Financial.

All data sources from Bloomberg as of 9/30/2023.