

DANIELS+TANSEY

FINANCIAL ADVISORY • TAX • INVESTMENT MANAGEMENT

QUARTERLY RECAP

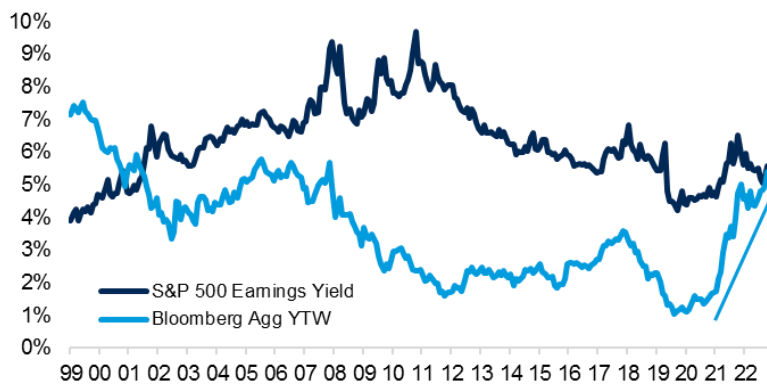
Q3 2023



1. We are likely at or near the peak cycle Federal Funds rate as the Fed evaluates a lagged impact from its monetary policy actions. Although markets consolidated a bit in the quarter on an evolving Fed narrative, a Fed “pause” and a higher for longer environment has historically resulted in favorable capital market returns.
2. Rising interest rates have increased the return outlook for fixed income and valuations look attractive relative to equities. Evaluating the new environment and the role fixed income plays in meeting investment objectives is top of mind for investors.
3. Inflation has improved significantly since peaking above nine percent in 2022 and is approaching the Fed’s two percent target. However, the final steps will likely be the hardest to overcome and the path may not be linear.

Relative Valuations Between Equity and Fixed Income

Bond yields have risen and the relative valuation gap between U.S. equity and fixed income has converged to nearly equal levels, the closest valuations have been in over 20 years.



Source: FactSet. As of September 30, 2023.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

Performance Following the Fed’s Last Hike – Next 12 Months

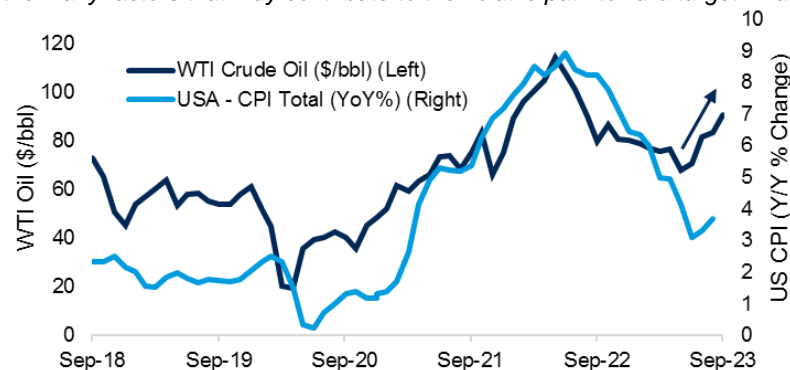
Financial markets have performed well following the Federal Reserve’s last rate hike, historically re-pricing ahead of the Fed. For example, the 10-year U.S. Treasury yield typically peaks prior to a Fed pause.

Date of Last Fed Rate Hike	“Pause” (Months to Next Cut)	Forward 3-Year Return from Date of Last Rate Hike (%)		
		Bbg Agg	1-3m Tbill	S&P 500
12/20/2018	7.5	5.0	0.9	25.0
6/29/2006	14.9	6.6	3.1	-8.0
5/16/2000	7.7	11.1	3.4	-12.4
3/25/1997	18.4	6.3	5.2	26.5
2/1/1995	5.2	10.2	5.5	30.5
Averages		7.8	3.6	12.3

Source: Federal Reserve, FactSet, Morningstar Direct. As of September 30, 2023. Indexes used are Bloomberg U.S. Aggregate Bond Index, Bloomberg 1-3m TBill Index, and S&P 500 Index.

Oil Prices Ticked Higher in the Quarter

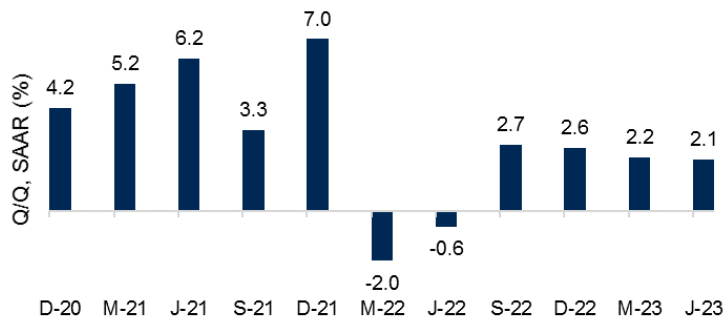
Oil prices moved higher during the third quarter on the back of continued supply constraints from OPEC. Commodity prices are a large component of inflation and are one of the many factors that may contribute to the volatile path toward target inflation levels.



Source: FactSet. Oil as of September 30, 2023; CPI as of August 31, 2023.

U.S. Real GDP Growth

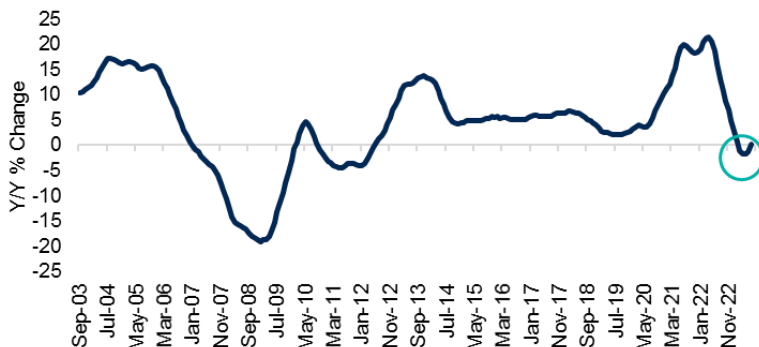
The U.S. economy remains resilient despite tightening monetary conditions. Favorable consumer spending and business investment helped propel growth in Q2 2023. Market expectations of recession have shifted significantly lower since the start of the year, but there are cautionary signs that may impact growth going forward.



Source: FactSet, BEA. As of September 30, 2023.

S&P Case Shiller 20 City Home Price Index

The index fell on a year over year basis for the first time in over ten years. Home prices, which have been a stubbornly sticky portion of inflation, have moderated and may help ease inflation levels in the future.

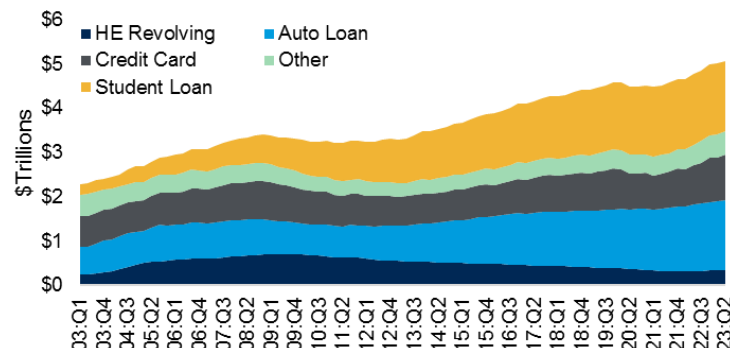


Source: FactSet, S&P/Case Shiller. As of July 31, 2023.

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Rising Consumer Debt – Ex Mortgages

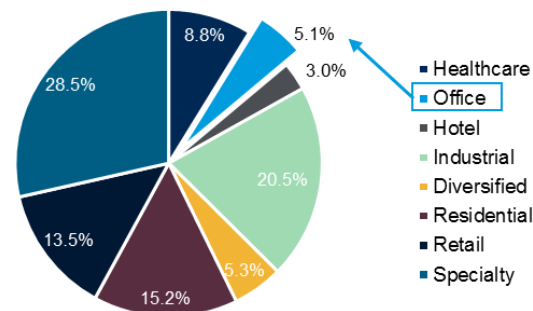
The U.S. consumer has been strong over the past few years but growing debt levels, rising delinquencies, increased cost of financing, declining savings, and the resumption of student loan payments, may test consumer resilience going forward.



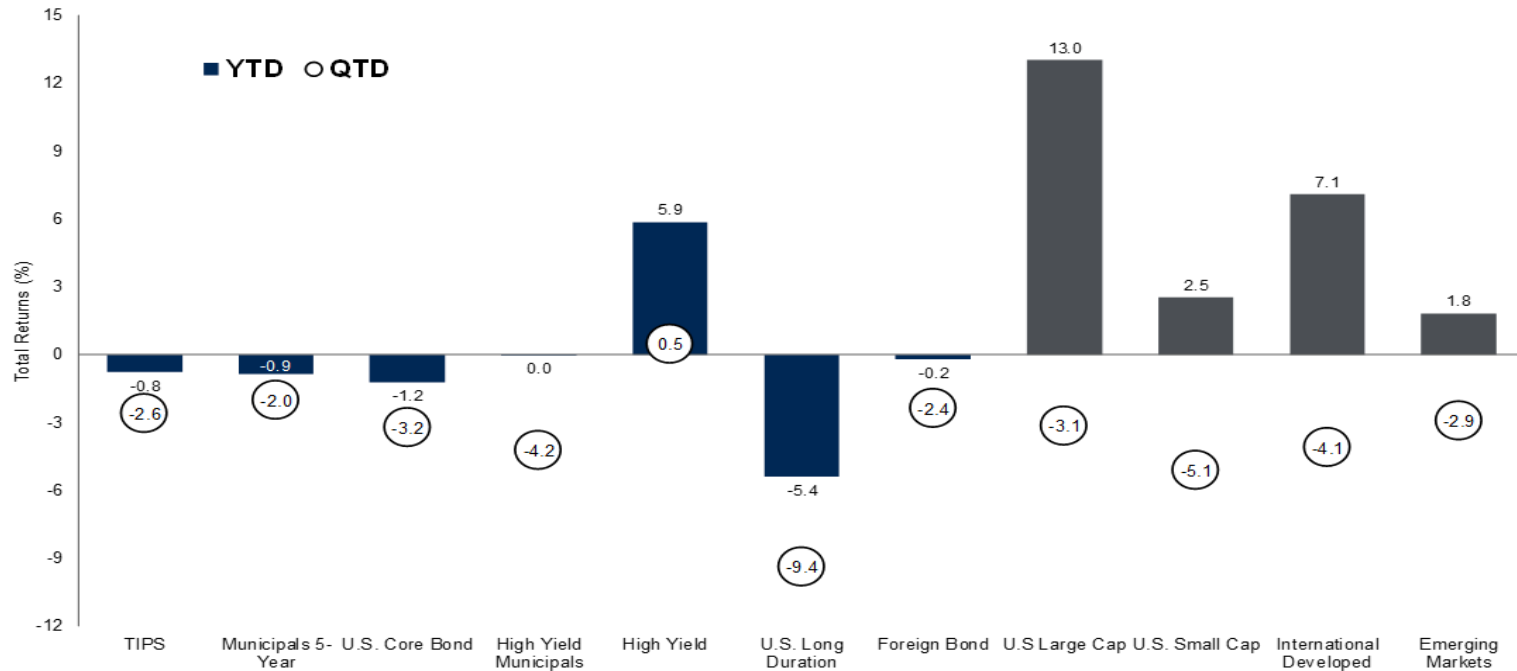
Source: Federal Reserve Bank of New York. As of Q2 2023.

Office Only a Small Portion of REIT Market

Commercial real estate continues to garner headlines, driven by weakness in the office market. While the office space certainly deserves attention, it only accounts for a small portion of the REIT market and fundamentals remain healthy across other property types.



Source: Morningstar Direct. As of September 30, 2023. Sector weights of the FTSE Nareit Equity REIT Index.



Fixed Income (3Q)

- Volatility continued in fixed income markets and most segments posted negative returns. Interest rates rose as markets digested the possibility of a higher-for-longer regime from the Federal Reserve as the central bank continues to tackle bringing inflation to target levels.
- + High yield fared best as the segment, which has a lower duration profile than core fixed income, is less sensitive to interest rate changes.
- Long duration assets saw large declines in the quarter as longer dated rates experienced a sharp jump higher in the quarter.

Equity (3Q)

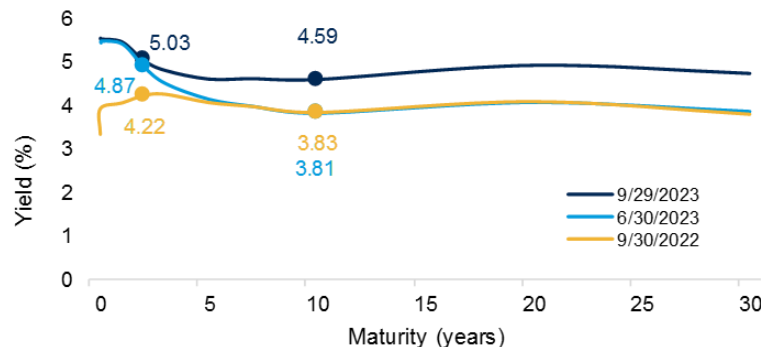
- Equities were broadly lower in the period as higher interest rates led to a repricing of valuations. U.S. large cap outperformed small cap.
- Developed non-U.S. struggled in the quarter. The Eurozone continues to have weak economic activity and central banks remain in tightening stances.
- Emerging markets outperformed in the quarter but were still negative on an absolute basis. Positive momentum in the Indian economy provided a tailwind for the emerging region.

Sources: Morningstar Direct. As of September 30, 2023.

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U.S. Treasury Yield Curve

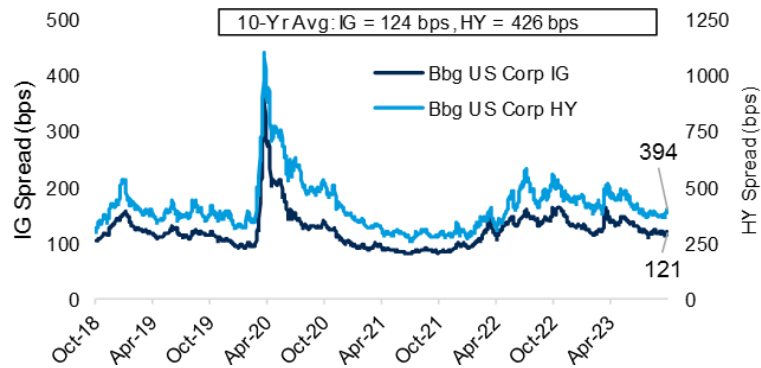
Interest rates rose across the yield curve during the quarter. The Fed paused in September following July's 25 basis point hike. The prospect of a higher-for-longer environment as inflation moves closer to the 2% target was a main driver of the move higher.



Source: FactSet. As of September 29, 2023.

Corporate Market Spreads – Trailing 5 Years

Corporate credit spreads ended the quarter essentially where they began. After a strong rally in July, spreads widened to end the quarter. Issuance ticked up in September but remains low relative to previous years.

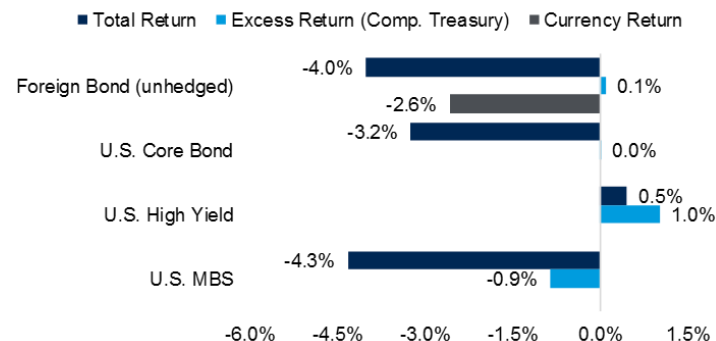


Source: FactSet. As of September 29, 2023.

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Index Performance Attribution (3Q 2023)

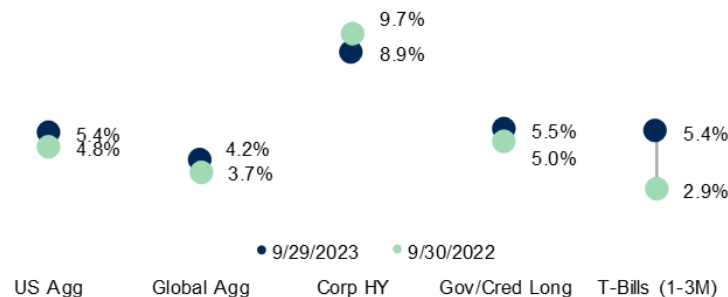
"Risk-on" sentiment early in the quarter fueled the corporate high yield market as fundamentals remain favorable and supply has been constrained. The MBS market continues to struggle amid the volatile and rising interest rate environment.



Source: FactSet. As of September 29, 2023.

Current Yield-to-Worst vs. 1 Year Ago

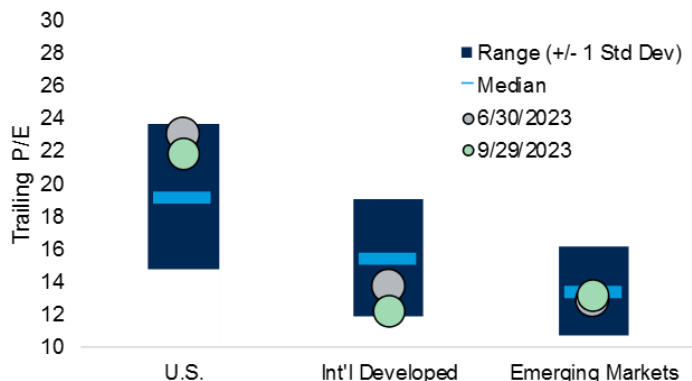
Yields continue to rise, fueled primarily by increasing interest rates as credit spreads have remained subdued. The return outlook for fixed income looks more attractive compared to this time last year.



Source: FactSet. As of September 29, 2023. Based on respective Bloomberg index.

Equity Valuations (Trailing PE – Last 15 Years)

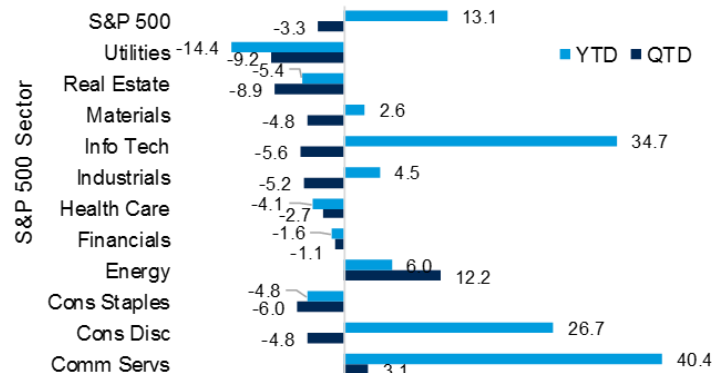
Equity valuations compressed in the third quarter as prices fell. Higher rates were the main culprit of the repricing. Non-U.S. markets continue to look favorably valued relative to the U.S.



Source: FactSet. As of September 29, 2023.

U.S. Equities – Return by Sector (3Q 2023)

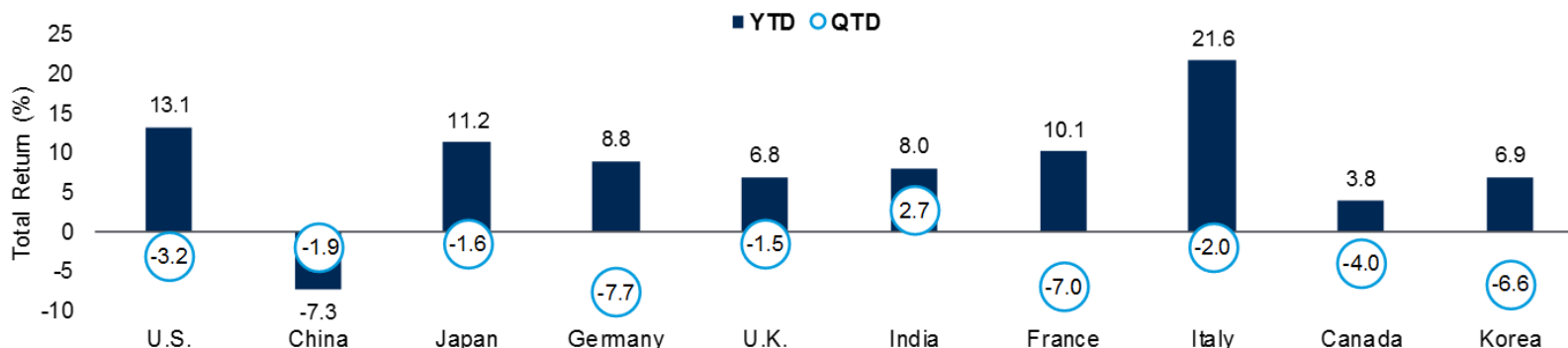
Energy and communication services were the lone positive sectors in the quarter. Energy benefited from a spike in oil prices, while Alphabet and Meta were top contributors within the communication sector.



Source: Morningstar Direct. As of September 30, 2023.

Country Total Returns (%) – Top 10 Largest Economies

Most global equity markets saw declining returns during the third quarter, but still remain positive year to date. A higher-for-longer interest rate environment prompted much of the sell-off for developed markets as investors weighed the potential impact to future economic growth and the effect on corporate earnings. Much of Europe struggled, with key countries such as Germany reporting negative GDP growth. On the other hand, India was a bright spot on the back of favorable economic data.



Source: Morningstar Direct. As of September 30, 2023.

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Total Return as of September 30, 2023
Periods greater than one year are annualized
All returns are in U.S. dollar terms

Global Fixed Income Markets	QTD	YTD	1YR	3YR	5YR	7YR	10YR	15YR
Bloomberg 1-3-Month T-Bill	1.3%	3.7%	4.6%	1.8%	1.7%	1.5%	1.1%	0.8%
Bloomberg U.S. TIPS	-2.6%	-0.8%	1.2%	-2.0%	2.1%	1.5%	1.7%	2.9%
Bloomberg Municipal Bond (5 Year)	-2.0%	-0.9%	2.2%	-1.7%	1.0%	0.8%	1.4%	2.6%
Bloomberg High Yield Municipal Bond	-4.2%	0.0%	3.5%	-0.7%	1.7%	2.3%	4.0%	4.9%
Bloomberg U.S. Aggregate	-3.2%	-1.2%	0.6%	-5.2%	0.1%	-0.1%	1.1%	2.5%
Bloomberg U.S. Corporate High Yield	0.5%	5.9%	10.3%	1.8%	3.0%	3.8%	4.2%	7.3%
Bloomberg Global Aggregate ex-U.S. Hedged	-0.8%	2.8%	3.0%	-2.6%	0.8%	0.9%	2.3%	3.1%
Bloomberg Global Aggregate ex-U.S. Unhedged	-4.0%	-3.2%	3.4%	-8.4%	-3.1%	-2.8%	-1.7%	0.4%
Bloomberg U.S. Long Gov / Credit	-9.4%	-5.4%	-2.9%	-11.9%	-1.2%	-1.4%	1.9%	4.3%
Global Equity Markets	QTD	YTD	1YR	3YR	5YR	7YR	10YR	15YR
S&P 500	-3.3%	13.1%	21.6%	10.2%	9.9%	12.2%	11.9%	11.3%
Dow Jones Industrial Average	-2.1%	2.7%	19.2%	8.6%	7.1%	11.5%	10.8%	10.5%
NASDAQ Composite	-3.9%	27.1%	26.1%	6.6%	11.4%	15.0%	14.5%	14.3%
Russell 3000	-3.3%	12.4%	20.5%	9.4%	9.1%	11.6%	11.3%	11.0%
Russell 1000	-3.1%	13.0%	21.2%	9.5%	9.6%	12.0%	11.6%	11.3%
Russell 1000 Growth	-3.1%	25.0%	27.7%	8.0%	12.4%	15.6%	14.5%	13.7%
Russell 1000 Value	-3.2%	1.8%	14.4%	11.1%	6.2%	7.9%	8.5%	8.6%
Russell Mid Cap	-4.7%	3.9%	13.4%	8.1%	6.4%	8.7%	9.0%	10.3%
Russell Mid Cap Growth	-5.2%	9.9%	17.5%	2.6%	7.0%	10.4%	9.9%	11.3%
Russell Mid Cap Value	-4.5%	0.5%	11.0%	11.0%	5.2%	6.8%	7.9%	9.2%
Russell 2000	-5.1%	2.5%	8.9%	7.2%	2.4%	6.6%	6.6%	8.1%
Russell 2000 Growth	-7.3%	5.2%	9.6%	1.1%	1.6%	6.8%	6.7%	8.8%
Russell 2000 Value	-3.0%	-0.5%	7.8%	13.3%	2.6%	5.9%	6.2%	7.2%
MSCI ACWI	-3.4%	10.1%	20.8%	6.9%	6.5%	8.6%	7.6%	7.6%
MSCI ACWI ex. U.S.	-3.8%	5.3%	20.4%	3.7%	2.6%	4.7%	3.3%	4.3%
MSCI EAFE	-4.1%	7.1%	25.6%	5.8%	3.2%	5.3%	3.8%	4.7%
MSCI EAFE Growth	-8.6%	4.3%	20.0%	0.4%	3.2%	5.3%	4.4%	5.2%
MSCI EAFE Value	0.6%	9.9%	31.5%	11.1%	2.8%	5.0%	3.0%	3.9%
MSCI EAFE Small Cap	-3.5%	1.8%	17.9%	1.1%	0.8%	4.0%	4.3%	6.6%
MSCI Emerging Markets	-2.9%	1.8%	11.7%	-1.7%	0.6%	3.2%	2.1%	3.8%

Sources: FactSet, Morningstar. As of September 30, 2023.

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged and investors can not actually invest directly into an index:

TIPS: Bloomberg Barclays Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged
Municipals 5-Year: Bloomberg Barclays Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD
Core Bond: Bloomberg Barclays US Agg Total Return Value Unhedged USD
High Yield Municipals: Bloomberg Barclays Muni High Yield Total Return Index Value Unhedged USD
High Yield: Bloomberg Barclays US Corporate High Yield Total Return Index Value Unhedged USD
Foreign Bond: Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value USD (50/50 blend of hedged and unhedged)
EM Debt (unhedged): J.P. Morgan GBI-EM Global Diversified Composite Unhedged USD
U.S. Large Cap: S&P 500 Total Return Index
U.S. Small Cap : Russell 2000 Total Return Index
International Developed: MSCI EAFE Net Total Return USD Index
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index
World: MSCI ACWI Net Total Return USD Index
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD
Commodities: Bloomberg Commodity Total Return Index
Midstream Energy: Alerian MLP Total Return Index
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index
Event Driven: Hedge Fund Research HFRI Event-Driven Total Index
Relative Value: Hedge Fund Research HFRI Relative Value Fixed Income-Convertible Arbitrage Index
Equity Hedge: Hedge Fund Research HFRI Equity Hedge Total Index
Direct Fund Composite: Hedge Fund Research HFRI Fund Weighted Composite Index
Fund of Funds Composite: Hedge Fund Research HFRI Fund of Funds Composite Index
Macro: Hedge Fund Research HFRI Macro Total Index
International, 7% Emerging Markets, 5% U.S. Equity REITs, 6% MLPs
U.S.: MSCI USA Net Total Return USD Index
China: MSCI CHINA Net Total Return USD Index
Japan: MSCI Japan Net Total Return USD Index
Germany: MSCI Germany Net Total Return USD Index
India: MSCI India Net Total Return USD Index
United Kingdom: MSCI UK Net Total Return USD Index
France: MSCI France Net Total Return USD Index
Italy: MSCI Italy Net Total Return USD Index
Brazil: MSCI Brazil Net Total Return USD Index
Canada: MSCI Canada Net Total Return USD Index