



June, 2023

Market Perspectives Video

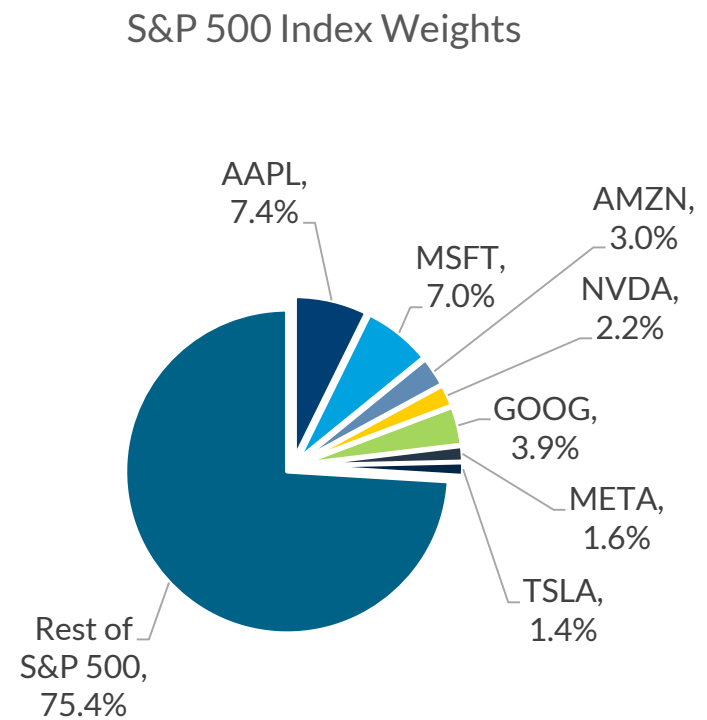
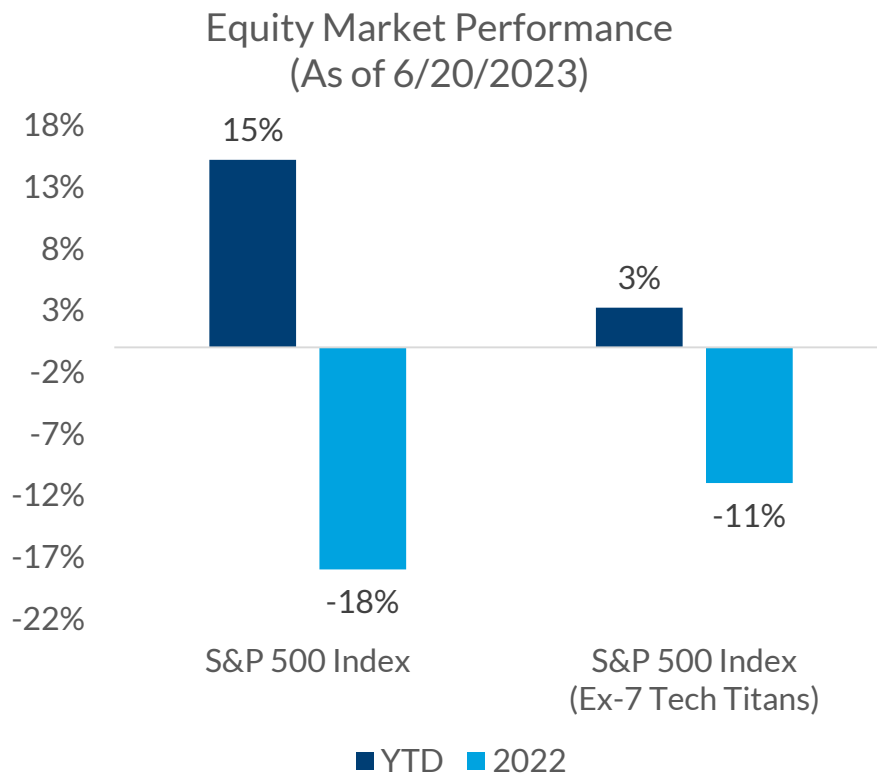
The Market is Up, But Why Aren't We Celebrating?

Charles Boettcher, Southwest Divisional Managing Director & Senior Portfolio Manager



Limited Number of Companies Driving Returns

- Strong 2023 returns have been narrowly driven by a handful of mega cap stocks, mostly tech.
- New bull markets have traditionally seen greater participation, and outperformance from smaller companies.

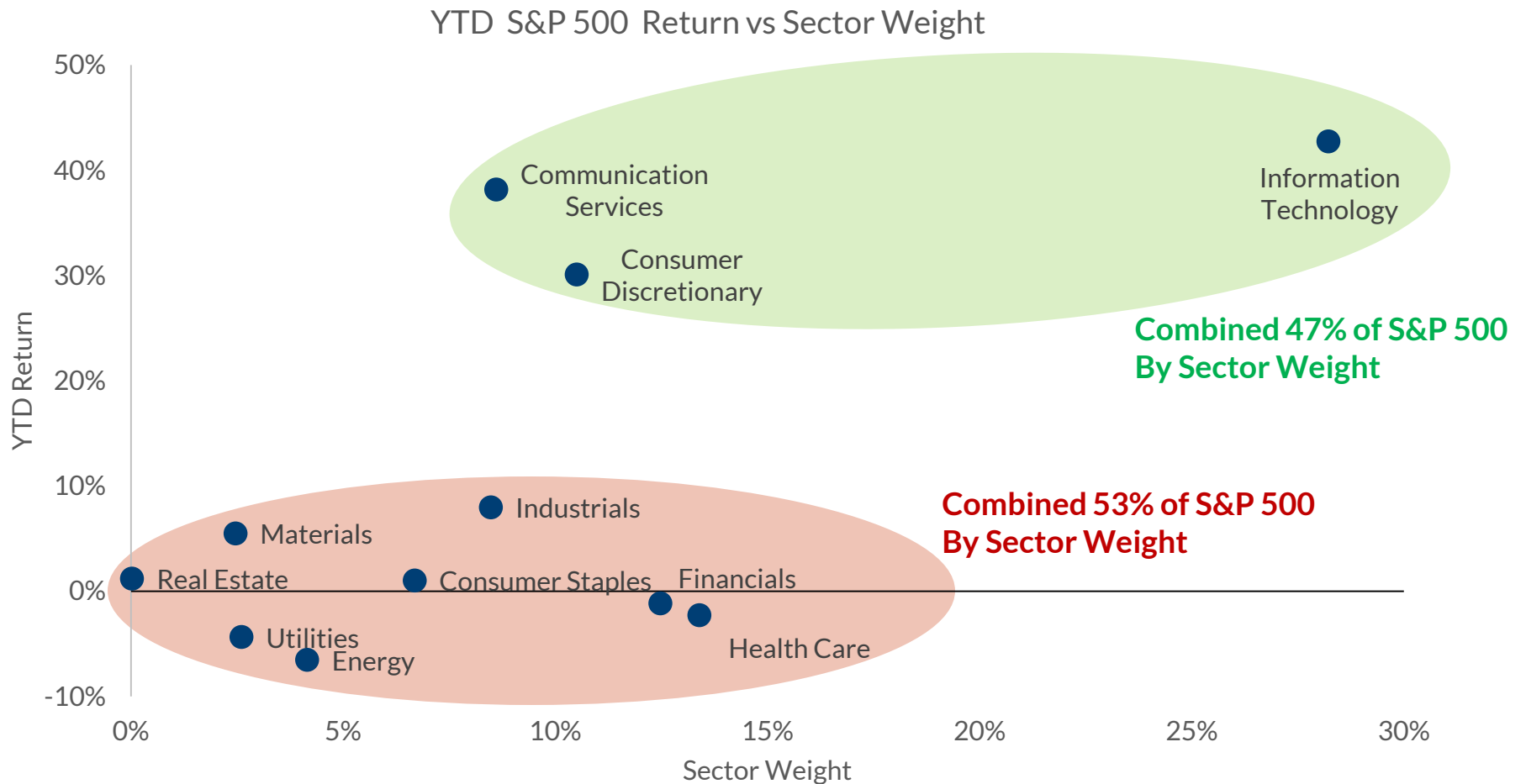


Source: FactSet as of June 2023.
 7 Tech Titans are: Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, Tesla.
 Past performance is no guarantee of future results.



A Lopsided Bull Market So Far

- The three Growth sectors combined to make up a record 14.5% points of the initial 20% move off October lows.
- Contributions from several Value leaning sectors have been the lowest on record.
- Value is the most economically sensitive sector and historically leads a bull market's initial rebound.



Source: FactSet as of June 2023.
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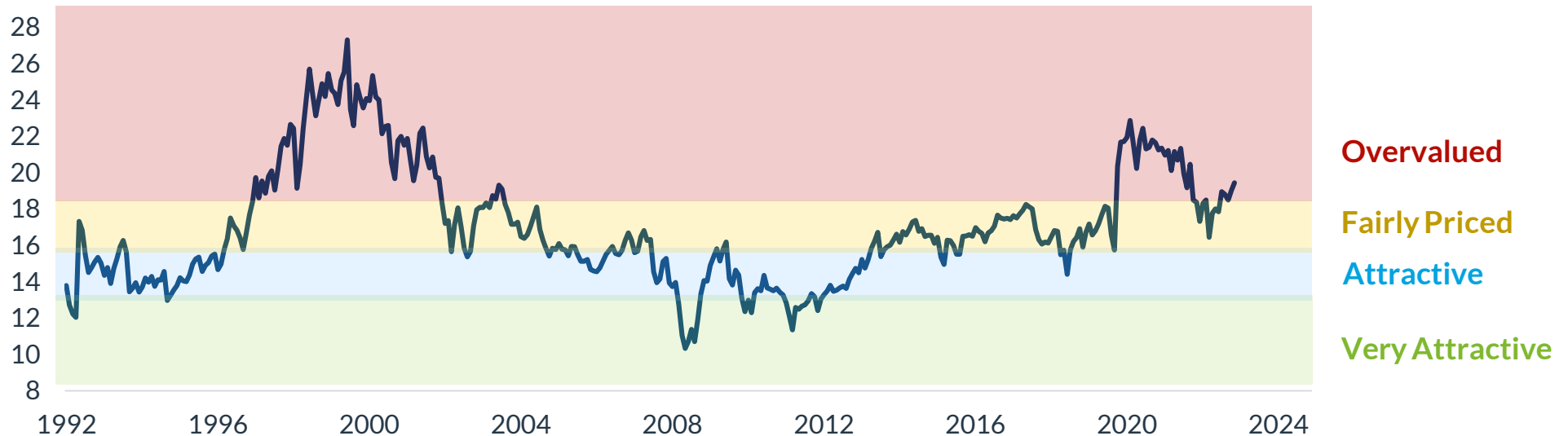
Markets Still Don't Reflect Risks Ahead

- Focusing on fundamentals is key.
- Earnings estimates have come down significantly, but markets are still pricing in a soft landing scenario.
- The market gains since October lows have been driven entirely by multiple expansion.

2023 S&P 500 Earnings Growth Forecasts



S&P 500 Forward Price/Earnings Ratio



Sources: FactSet, CNR Research as of May 31, 2023.

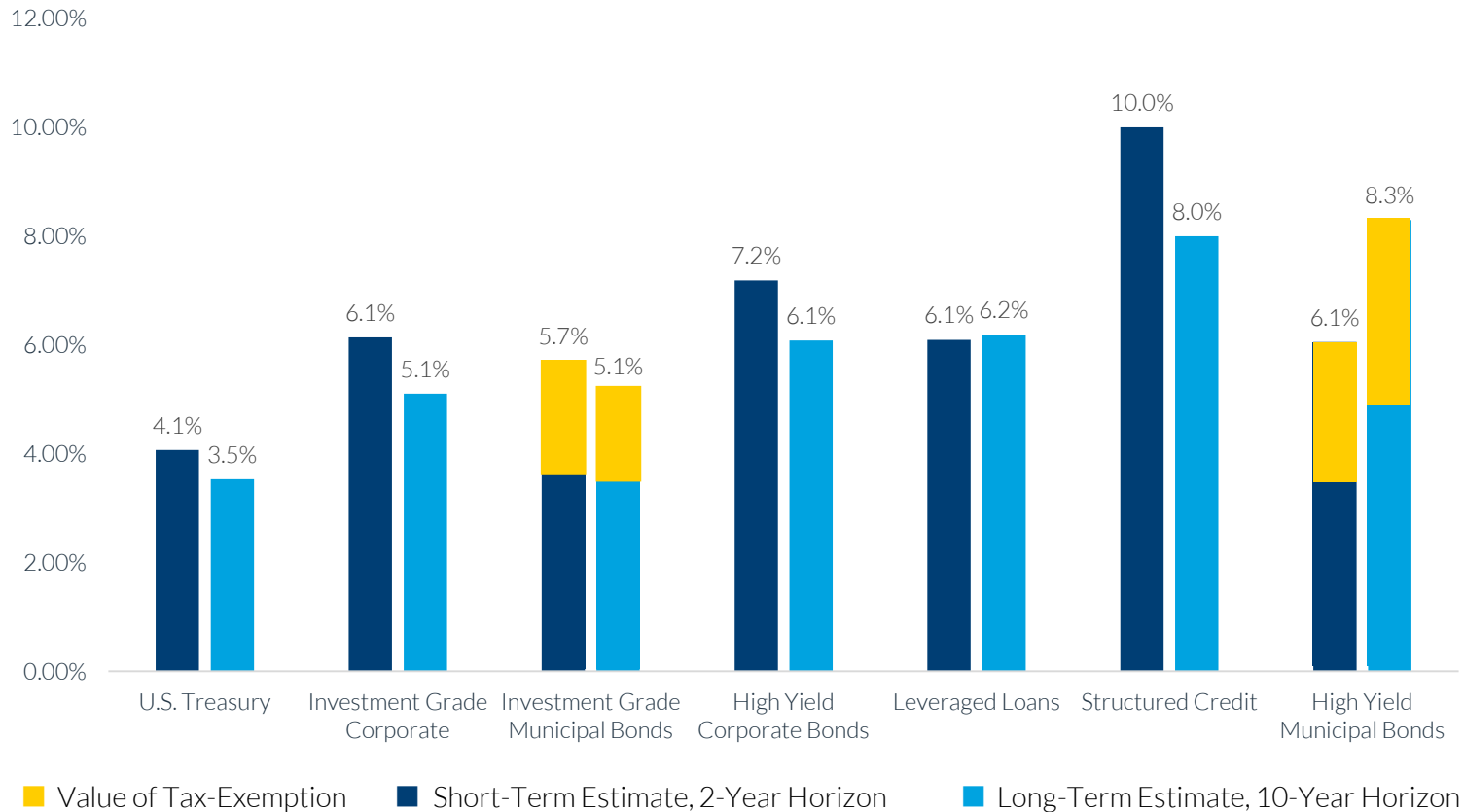
Indices as unmanaged, and one cannot invest directly in an index. Information is subject to change and is not a guarantee of future results.



Fixed Income Return Forecast

- High yields are driving the return in fixed income.
- Based on current market yields, returns through the end of the year look to exceed averages.

Projected Fixed Income Capital Market Assumptions



Sources: Bloomberg, CNR Research as of 6/16/2023.

Structured Credit: Palmer Square BB CLO Index, Leveraged Loans: Morningstar LSTA Leveraged Loan Index, High Yield Municipal Bonds: Bloomberg 60% High Yield/40% Investment Grade Municipal Index, Municipal Bonds: Bloomberg Municipal Bond Index, High Yield Corporate Bonds: Bloomberg US High Yield Corporate Bonds, Corporate Bonds: Bloomberg US Investment Grade Corporate Index, Bloomberg Aggregate: Bloomberg US Aggregate Index

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Index Definitions

S&P 500 Index. The Standard & Poor's 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

Russell 2000® Index. The Russell 2000® Index is a market capitalization-weighted index measuring the performance of the small-cap segment of the US equity universe and includes the smallest 2,000 companies in the Russell 3000® Index.

DJ US Select Dividend Index®. The Dow Jones US Select Dividend Index® measures the performance of the top 100 US stocks by dividend yield.

MSCI EAFE Index. The MSCI EAFE (Europe, Australasia, Far East) Index is a free float-adjusted market capitalization weighted index that is designed to measure developed equity market results, excluding the US and Canada.

MSCI EM Index. The MSCI Emerging Markets Index is a free float-adjusted market capitalization weighted index that is designed to measure equity market results in the global emerging markets, consisting of more than 20 emerging market country indexes.

Bloomberg US Aggregate Bond Index. The Bloomberg US Aggregate Bond Index measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bonds.

Bloomberg US Investment Grade Corporate Bond Index. The Bloomberg US Investment Grade Corporate Bond Index measures the performance of investment grade, corporate, fixed-rate bonds with maturities of one year or more.

Bloomberg US Corporate High Yield Index. The Bloomberg US Corporate High Yield Index measures the performance of non-investment grade, US dollar-denominated, fixed-rate, taxable corporate bonds.

Bloomberg Municipal Bond Index. The Bloomberg US Municipal Bond Index measures the performance of investment grade, US dollar-denominated, long-term tax-exempt bonds.

Bloomberg Municipal High Yield Bond Index. The Bloomberg Municipal High Yield Bond Index measures the performance of non-investment grade, US dollar-denominated, and non-rated, tax-exempt bonds.

Commercial and Industrial (C&I) Loan: A commercial and industrial (C&I) loan is a loan made to a business or corporation.

Bloomberg US Corporate 1-5 years Total Return Index Value Unhedged USD:

Citi Economic Surprise Index: The Citigroup Economic Surprise Indices are objective and quantitative measures of economic news. They are defined as weighted historical standard deviations of data surprises (actual releases vs Bloomberg survey median). Indexes are unmanaged and do not reflect a deduction for fees or expenses. Investors cannot invest directly in an index.



Important Information

Equity investing strategies & products. There are inherent risks with equity investing. These risks include, but are not limited to stock market, manager or investment style. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Fixed Income investing strategies & products. There are inherent risks with fixed income investing. These risks include, but are not limited to, interest rate, call, credit, market, inflation, government policy, liquidity or junk bond risks. When interest rates rise, bond prices fall. This risk is heightened with investments in longer-duration fixed income securities and during periods when prevailing interest rates are low or negative.

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Real estate sector or REITs. Concentrating assets in the real estate sector or REITs may disproportionately subject a portfolio to the risks of that industry, including the loss of value because of adverse developments affecting the real estate industry and real property values. Investments in REITs may be subject to increased price volatility and liquidity risk; concentration risk is high.

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Important Information cont...

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Returns include the reinvestment of interest and dividends.

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