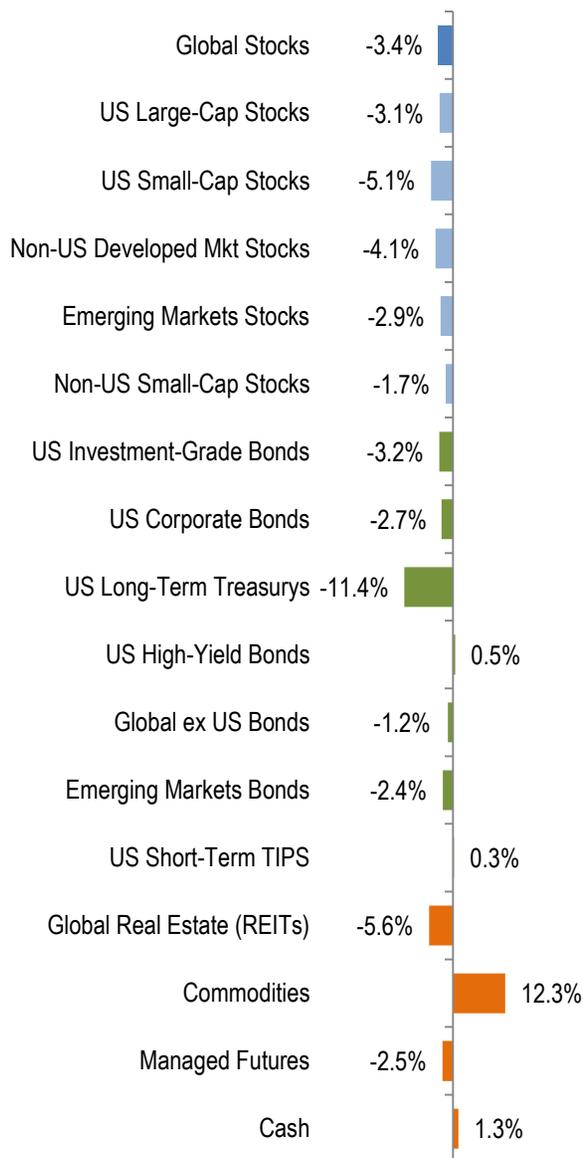


Third Quarter 2023



Third Quarter 2023: Markets on Summer Sabbatical

Surging yields on longer-term government bonds interrupted the steady market rally that had so far characterized 2023. The Russell 1000, which had been up nearly 20% for the year just two months prior in July, saw its momentum slow, settling for a 13% increase. The shift was spurred by growing belief that the Federal Reserve might keep interest rates higher for longer, potentially eroding the attractiveness of riskier assets like stocks.

Renewed concerns about inflation and the Federal Reserve's hawkish stance cast a shadow over investor sentiment in the third quarter. Treasury yields surged, with 10-year Treasuries hitting a 15-year high of 4.6%. Higher expected returns from bonds and cash offered renewed competition for stocks, contributing to their decline.

All things considered, stocks lost a modest 3% during the quarter, as technology shares retreated. The energy sector was a standout performer, posting double-digit gains as oil prices rose 25% over the past three months. Market volatility also made a return, with the VIX hitting a peak of 19 in the final week of the quarter as yet another federal government shutdown, since resolved thanks to another last-minute agreement, came into focus.

	QTD	YTD	1 Year	3 Years	5 Years	15 Years
Global Stocks	(3.4%)	9.4%	20.2%	6.9%	6.1%	7.7%
US Large-Cap Stocks	(3.1%)	13.0%	21.2%	9.5%	9.6%	11.3%
US Large-Cap Value	(3.2%)	1.8%	14.4%	11.1%	6.2%	8.6%
US Large-Cap Growth	(3.1%)	25.0%	27.7%	8.0%	12.4%	13.7%
US Small-Cap Stocks	(5.1%)	2.5%	8.9%	7.2%	2.4%	8.1%
US Small-Cap Value	(3.0%)	(0.5%)	7.8%	13.3%	2.6%	7.2%
US Small-Cap Growth	(7.3%)	5.2%	9.6%	1.1%	1.6%	8.8%
Non-US Developed Markets (USD)	(4.1%)	7.1%	25.6%	5.8%	3.2%	4.7%
Non-US Developed Markets (Local)	(1.3%)	10.7%	20.3%	10.8%	5.6%	6.3%
Emerging Markets (USD)	(2.9%)	1.8%	11.7%	(1.7%)	0.6%	3.8%
Emerging Markets (Local)	(1.4%)	4.0%	10.9%	0.6%	2.7%	6.0%
US Investment-Grade Bonds	(3.2%)	(1.1%)	0.6%	(5.3%)	0.1%	2.6%
US Long-Term Treasuries	(11.4%)	(8.2%)	(8.6%)	(15.2%)	(2.5%)	2.7%
US Short-Term TIPS	0.3%	1.5%	2.8%	1.4%	2.7%	2.0%
Global Real Estate (REITs)	(5.6%)	(4.1%)	2.7%	1.5%	(0.3%)	4.4%
Cash	1.3%	3.6%	4.6%	1.7%	1.8%	0.8%

Returns for periods longer than 1 year are annualized.

Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, S&P Dow Jones Indices, MSCI, FTSE Russell, ICE BofA, Credit Suisse

U.S. retail sales rebounded sharply in January, adding to evidence that U.S. economic growth picked up at the start of the year. U.S. consumers spent more money on vehicles, furniture, clothing, and dining out.

The Senate passed legislation that suspended the \$31.4 trillion debt ceiling while cutting federal spending, backing a bipartisan deal struck by President Biden and House Speaker Kevin McCarthy to avert an unprecedented U.S. default.

Crude oil prices surged more than 30% since late June amid a combination of OPEC+ supply cuts, limited U.S. inventory, and a demand recovery from China after last year's COVID-19 lockdowns hobbled economic activity there.

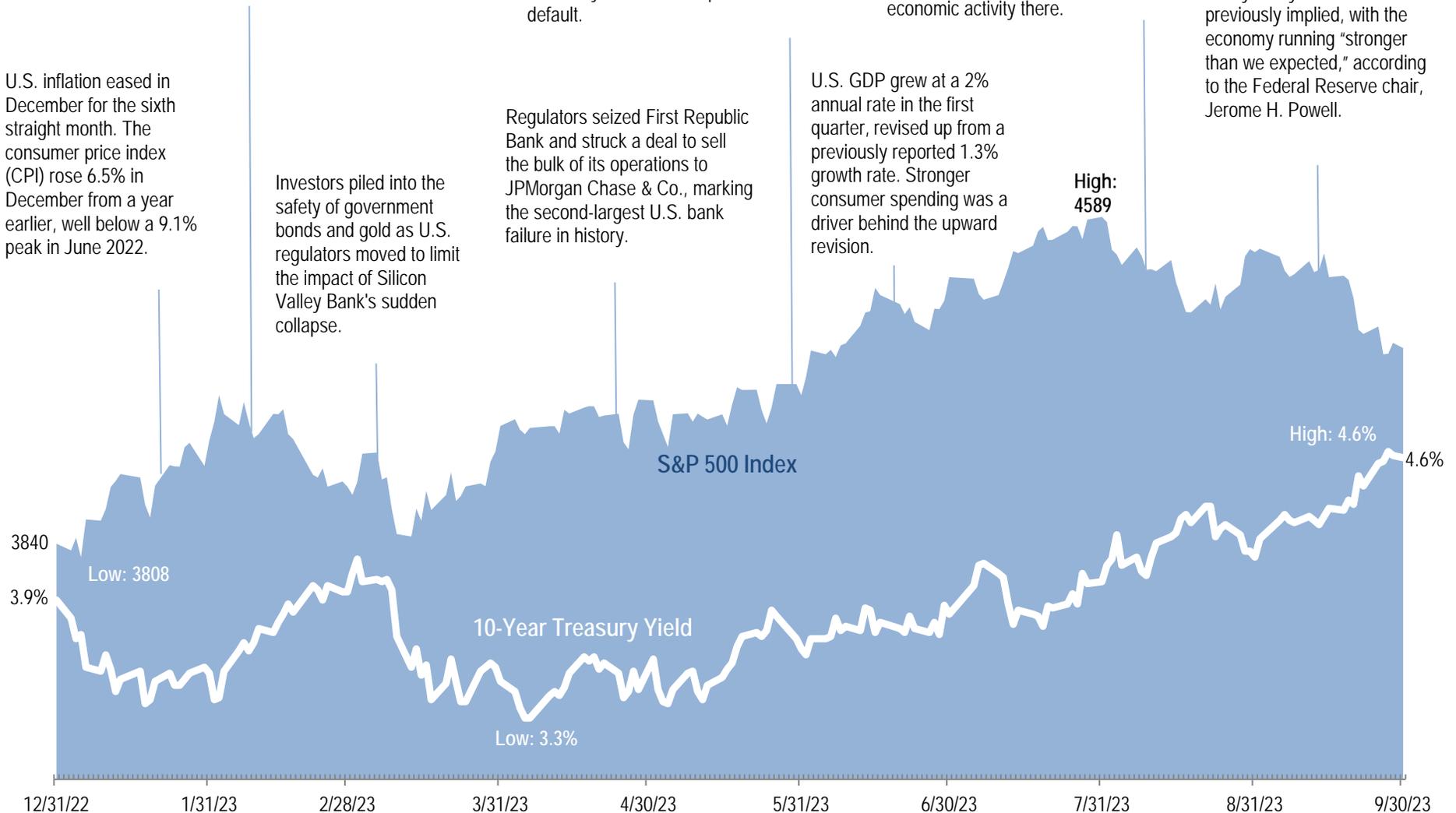
The Federal Reserve kept interest rates on hold, but indicated openness to another increase this year. Officials also don't expect to cut rates next year by as much as previously implied, with the economy running "stronger than we expected," according to the Federal Reserve chair, Jerome H. Powell.

U.S. inflation eased in December for the sixth straight month. The consumer price index (CPI) rose 6.5% in December from a year earlier, well below a 9.1% peak in June 2022.

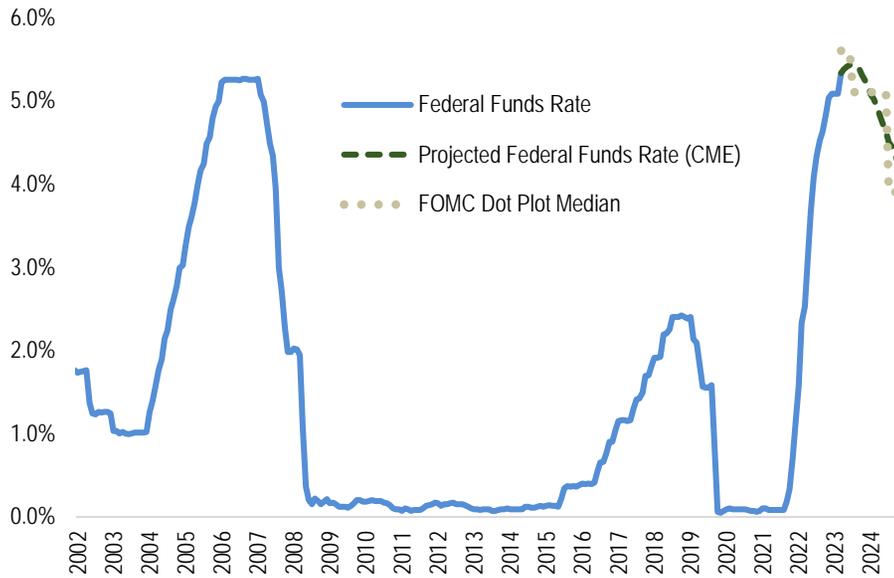
Investors piled into the safety of government bonds and gold as U.S. regulators moved to limit the impact of Silicon Valley Bank's sudden collapse.

Regulators seized First Republic Bank and struck a deal to sell the bulk of its operations to JPMorgan Chase & Co., marking the second-largest U.S. bank failure in history.

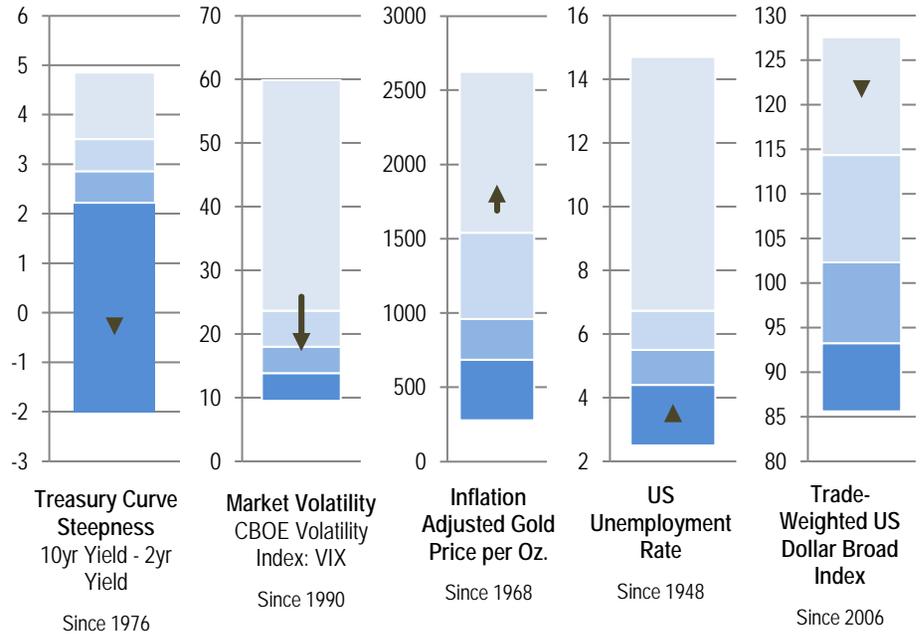
U.S. GDP grew at a 2% annual rate in the first quarter, revised up from a previously reported 1.3% growth rate. Stronger consumer spending was a driver behind the upward revision.



Federal Funds Rate

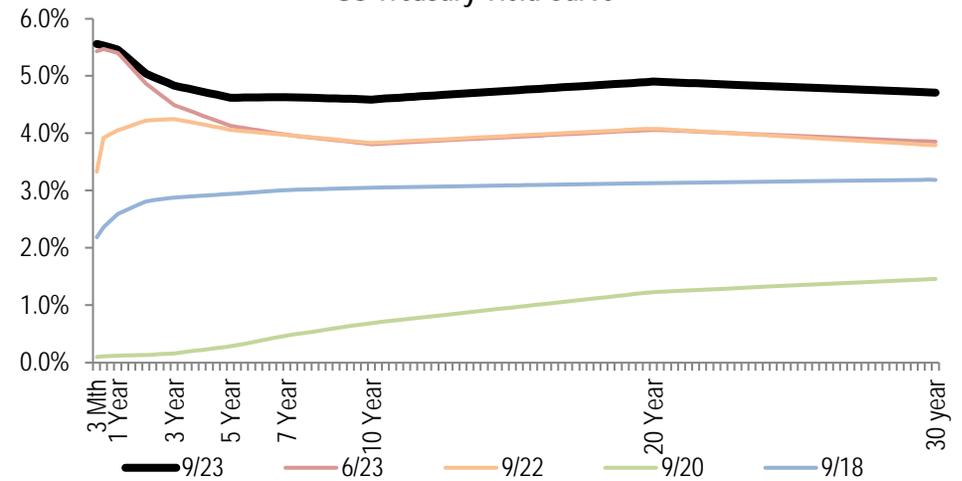


As of September 30, 2023



	<u>9/2023</u>	<u>6/2023</u>	<u>9/2022</u>	<u>9/2020</u>	<u>9/2018</u>
Market Inflation Expectations					
5 Year	2.2	2.2	2.1	1.5	2.0
10 Year	2.4	2.2	2.2	1.6	2.1
20 Year	2.7	2.5	2.4	1.8	2.2
CPI Year-over-Year	3.7	3.0	8.2	1.4	2.3
West Texas Crude Oil	90.8	70.7	79.9	40.1	73.2
Consumer Sentiment Index	68.1	64.4	58.6	78.9	100.1
S&P 500 Operating EPS	55.3*	54.8	50.4	37.9	41.4
Real GDP Growth YoY	---	2.1	2.7	34.8	2.5
Federal Funds Rate	5.33	5.08	2.56	0.09	1.95

US Treasury Yield Curve

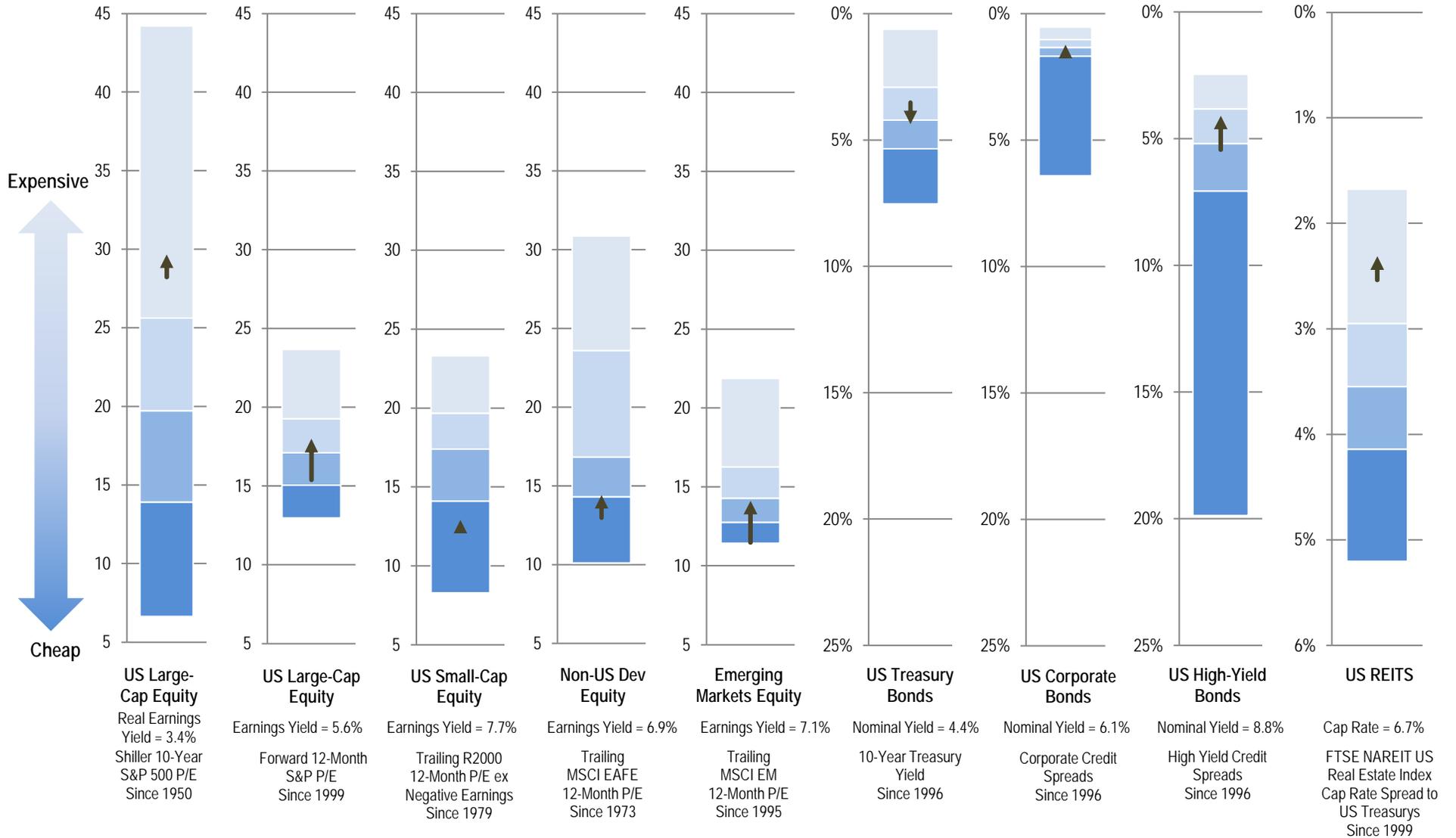


Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, CME Group, S&P Dow Jones Indices

Arrows in the top-right charts represent year on year change.

*Estimate, provided by S&P Dow Jones Indices.

As of September 30, 2023

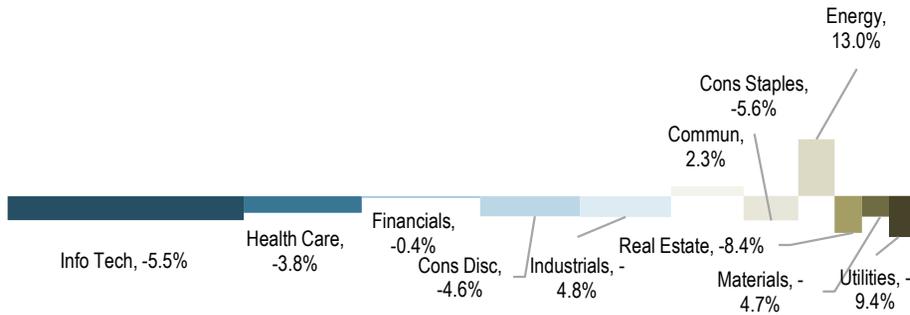


Arrows represent year on year change. Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%. P/E metrics calculated by Investment Metrics and Morningstar may use different methodology.

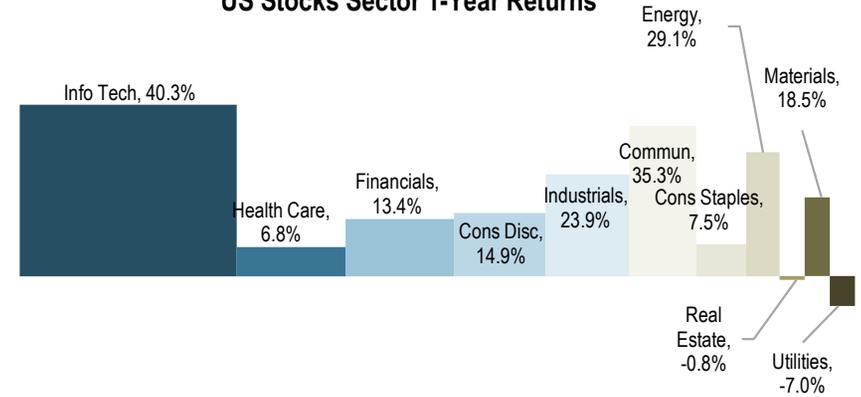
Sources: Sellwood Consulting LLC, Robert Shiller Data, S&P Dow Jones Indices, FTSE Russell, MCSI, Federal Reserve Economic Data, NAREIT

As of September 30, 2023

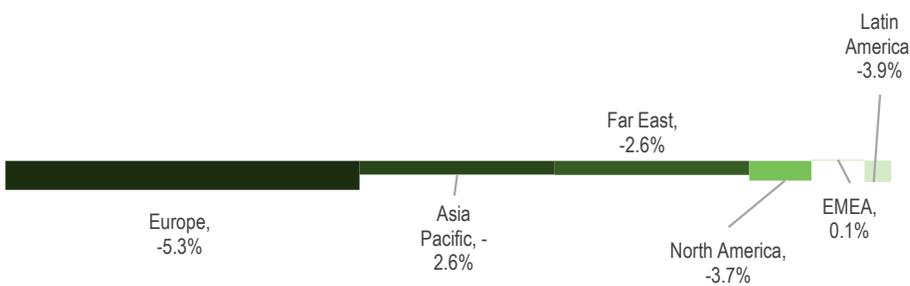
US Stocks Sector Quarter Returns



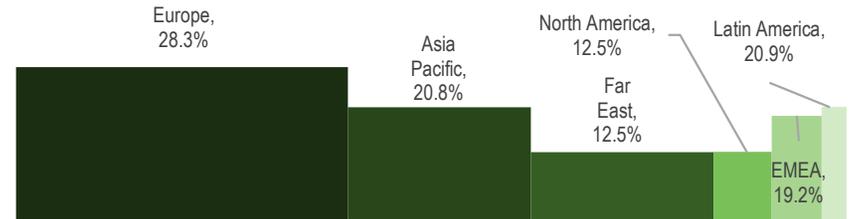
US Stocks Sector 1-Year Returns



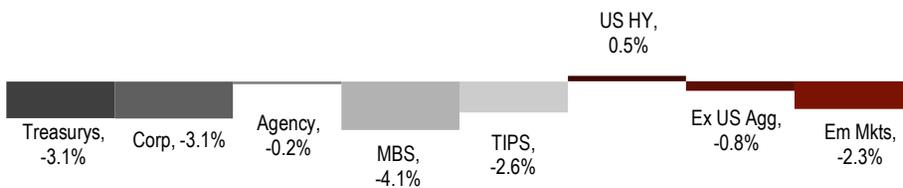
World Stocks ex USA Region Quarter Returns



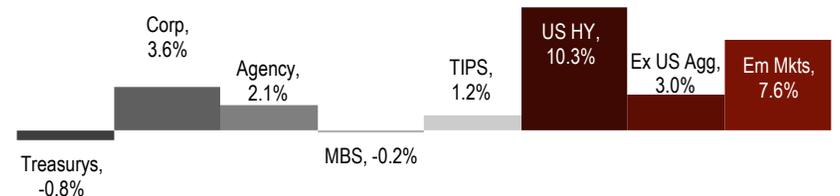
World Stocks ex USA Region 1-Year Returns



Fixed Income Sectors Quarter Returns



Fixed Income Sectors 1-Year Returns



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights. The Far East includes Hong Kong, Japan and Singapore.

Sources: Sellwood Consulting LLC, Morningstar, S&P Dow Jones Indices, MSCI, ICE BofA