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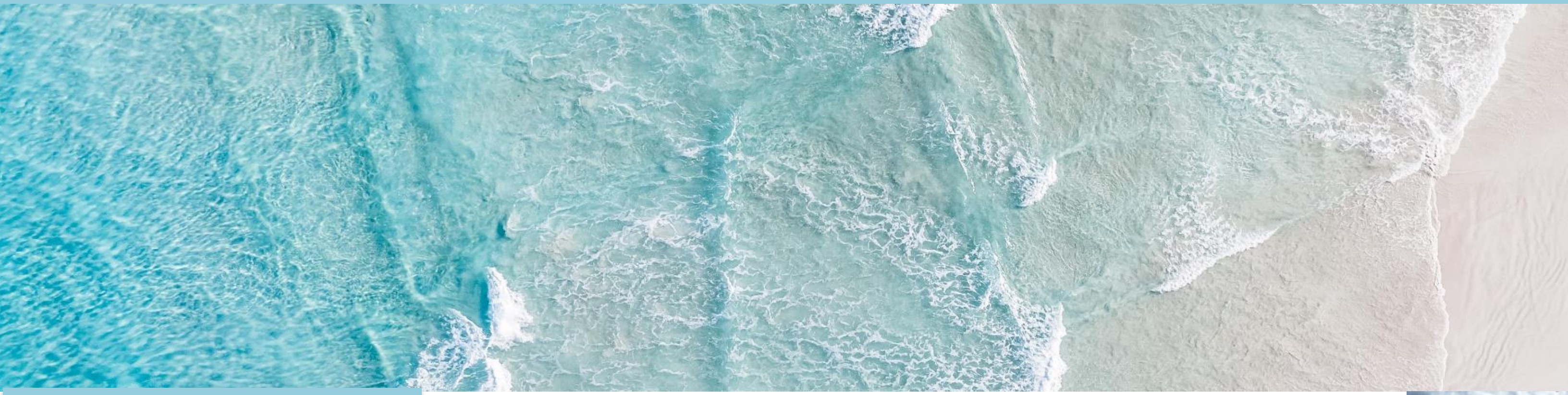

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We appreciate your introductions to friends, family and business associates, as well as your continued confidence in us.

Market Update

Looking Beyond the Crystal Ball

As the late Yogi Berra once said, "making a prediction is very hard, particularly when its about the future."

Yet predictions are what Wall Street, and the many strategists and analysts attempt to do on a regular basis. Often their research on an industry group, a specific company or the economy consists of an assumption for the future, based on what is "known" today. Unfortunately, as with any measure of probability, there can be a wide range of outcomes.

For much of this year there was and remains an active debate over the actual condition of the economy and how much work is left in the Federal Reserve's fight against inflation. There are some who are responsible for their firm's investment strategy who have called for a market downturn and economic recession. Others took the opposite view, and some remain decidedly undecided.

A market strategist knows that making a prediction is sometimes risky business. When the market goes one way and a forecast goes in another, that strategist might as well hang a "Hit Me, Please!" sign around their neck. Predictions are at the mercy of probability. Probability means possibility. All of which as a process, is simply an attempt to tame the degree of uncertainty of a forecast. Sometimes the calculation plays out perfectly and other times unforeseen events or circumstances spoil the party.

For the first six months of this year the market has defied most of those who called for it and the economy to fold. You had a perfect combination of higher interest rates, an unrelenting Fed, a tentative consumer, and questions about company profitability. Yet the market just kept chugging along. However, under the surface, there were and continue to be areas of weakness and increasing concern. There seems to be enough conviction that the economy is hanging in there, that the Fed will soon be done, and company profits and the consumer are both not ready to throw in the towel.

When one looks at the "market," it is important to understand that a disproportionate percentage of the best performers have been limited to the largest and most dominant technology companies. Over the past six months for example, just seven of these "mega cap" names have dominated the entire S&P 500 index. Without these outperformers, the returns for the Index would have been barely positive. (Forbes Magazine April 10, 2023, Derek Saul www.Forbes.com)

The market's concentration is unusual but understandable. In a market driven by rising rates, investors flocked to some of the most liquid, cash rich, and dominant names in their respective businesses. Having been sold off last year under the premise that technology companies would disproportionately suffer in a higher rate environment, these select few now became the "must own" names. Having a series of new stories to tell, such as the emergence of AI, machine learning and having the most sought-after semiconductor chips and the financial clout, doesn't hurt either. We believe this excitement will likely ease, although the opportunities remain substantial.

The second quarter presented quite a few challenges. Companies in commercial real estate and regional banking have been taking quite a few body blows. There is now a "shake-out" occurring in these sectors. This is often the case during a period of cyclical and economic adjustment. Equally, there are companies that are not yet acknowledged by the markets that will likely soon emerge and capture our attention. Perhaps they are in technology, healthcare, or even agriculture. This is how markets and the opportunities they present work, over time.

Whether a prediction or forecast for a short-term market outcome is ultimately accurate or not, it will likely not matter in the long term. Market's historically flush out the distractions and noise and eventually settle back into a more understandable and consistent story. For investors, it is important that they remain committed to their long-term goals and the strategies that can get them there.

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S&P 500 Index is an unmanaged, market value-weighted index of 500 stocks generally representative of the broad stock market. An investment cannot be made directly in a market index.

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