

July 31, 2023

MATRIX

PRIVATE
CAPITAL
GROUP

Economic & Market Review

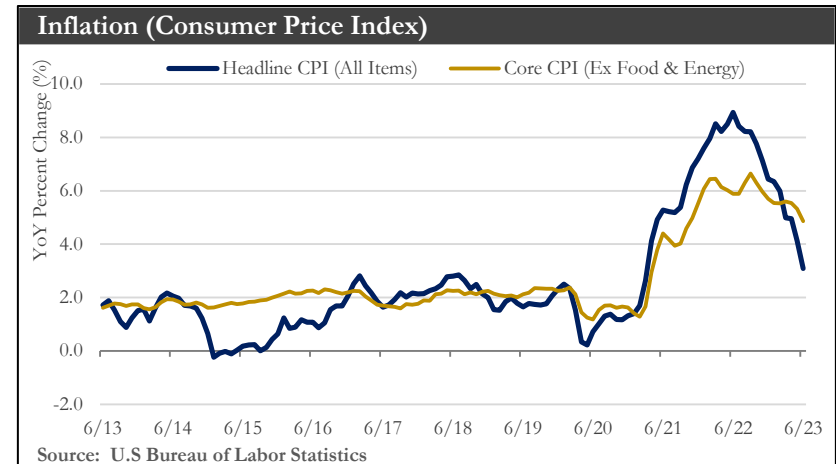
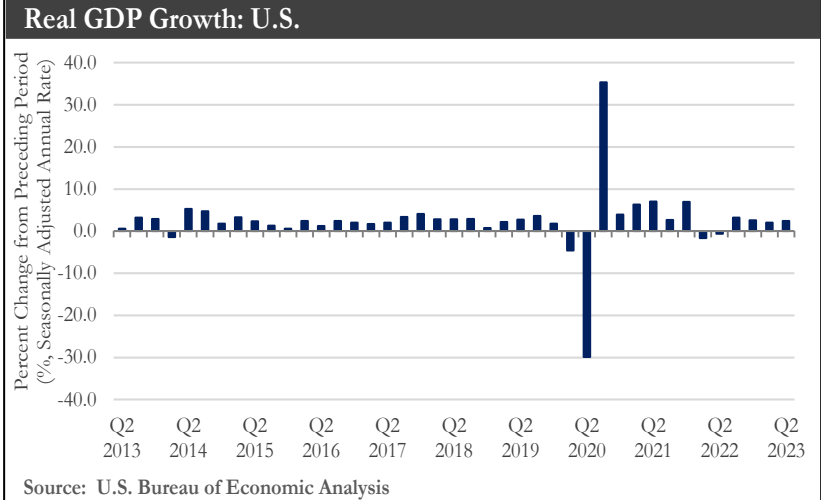
Capital Market Performance

Index Performance as of: 7/31/2023															
	<u>1 Month</u>	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>		<u>1 Month</u>	<u>3 Month</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>	<u>10 Year</u>
Russell								International Equity - Broad Market							
Russell 3000 Value	3.75	6.56	8.89	7.99	14.31	7.75	8.88	MSCI EAFE NR	3.24	3.37	15.28	16.79	9.25	4.54	5.20
Russell 3000	3.58	11.09	20.32	12.62	13.11	11.43	12.12	MSCI Emerging Mkts NR	6.23	8.41	11.42	8.35	1.46	1.71	3.47
Russell 3000 Growth	3.44	15.34	32.45	16.96	11.81	14.51	15.03	MSCI Frontier Markets NR	6.97	8.68	12.62	3.18	6.39	1.46	2.84
Russell 1000 Value	3.52	6.14	8.80	8.24	14.11	7.99	9.00	MSCI ACWI NR	3.66	8.50	18.11	12.91	10.41	8.23	8.63
Russell 1000	3.44	10.94	20.68	12.92	13.20	11.90	12.42	MSCI ACWI ex USA NR	4.07	4.78	13.92	13.41	7.09	3.85	4.71
Russell 1000 Growth	3.37	15.47	33.36	17.30	12.19	15.22	15.52	MSCI AC Asia ex Japan NR	6.13	7.01	9.34	6.19	0.41	1.97	4.92
Russell Midcap Value	4.35	8.37	9.80	6.14	14.87	7.14	8.90	International Equity - Country Region							
Russell Midcap	3.97	9.49	13.32	8.73	11.80	8.75	10.11	MSCI Brazil NR	4.89	22.42	22.56	29.03	10.24	4.92	2.43
Russell Midcap Growth	3.03	11.06	19.45	13.03	5.96	9.90	11.18	MSCI BRIC NR	7.81	8.60	7.40	5.90	-4.43	-0.50	3.19
Russell 2000 Value	7.55	13.78	10.19	3.90	17.41	4.65	7.38	MSCI China NR	10.76	5.44	4.71	1.79	-9.90	-2.83	3.69
Russell 2000	6.11	13.67	14.67	7.87	11.98	5.05	8.14	MSCI Europe NR	1.99	1.80	13.32	10.63	13.01	6.39	7.24
Russell 2000 Growth	4.68	13.37	18.85	11.55	6.50	4.79	8.51	MSCI India NR	2.99	10.96	8.25	7.54	16.60	8.02	9.50
Standard & Poors								MSCI Japan NR	3.02	9.23	16.41	15.14	7.32	3.66	5.47
S&P 500	3.21	10.51	20.64	12.99	13.69	12.17	12.64	MSCI EM Latin Amer NR	5.15	16.77	24.62	30.94	14.38	3.99	1.75
Consumer Discretionary	2.44	18.50	36.22	7.35	6.77	10.07	12.61	Fixed Income-Taxable							
Consumer Staples	2.14	-0.96	3.45	5.41	10.21	10.65	9.40	Bloomberg US Agg TR	-0.07	-1.51	2.02	-3.37	-4.46	0.75	1.49
Energy Sector	7.40	3.04	1.43	16.07	40.96	7.75	4.57	Bloomberg US Agg 1-3 YR	0.43	-0.28	1.58	0.42	-0.83	1.15	0.99
Financials Sector	4.85	7.04	4.30	7.04	15.97	7.05	10.01	Bloomberg US Agg 3-5 YR	0.33	-1.24	1.61	-1.68	-2.55	1.07	1.32
Health Care Sector	1.02	0.90	-0.48	3.03	10.13	10.59	12.09	Bloomberg US Agg 5-7 YR	0.11	-1.55	1.80	-3.32	-3.76	0.98	1.48
Industrials Sector	2.90	10.89	13.38	17.58	17.39	9.56	11.25	Bloomberg U.S. T-Bills	0.44	1.28	2.78	4.10	1.45	1.59	1.00
Information Technology	2.68	19.80	46.60	26.85	18.84	21.94	21.66	Bloomberg US Govt	-0.34	-2.21	1.24	-3.93	-5.17	0.48	0.94
Materials Sector	3.41	6.98	11.41	12.16	14.65	9.84	10.06	Bloomberg US Credit	0.31	-0.78	3.45	-1.29	-4.26	1.57	2.46
Real Estate Sector	1.25	2.09	5.02	-10.63	5.21	6.52	6.74	Bloomberg US Corp HY	1.38	2.13	6.83	4.41	2.04	3.41	4.37
Communication Services	6.94	16.51	45.70	20.93	7.33	10.25	7.15	Bloomberg US TIPS	0.13	-1.41	2.00	-5.39	-0.84	2.61	2.02
Utilities Sector	2.47	-1.95	-3.36	-6.44	6.62	8.36	9.21	Bloomberg Global-Agg	0.69	-1.28	2.13	-2.70	-5.74	-0.92	0.14
Other U.S. Equity								Bloomberg Gbl Agg ex-USA	1.28	-1.19	2.12	-2.45	-6.83	-2.33	-0.97
Dow Jones Industrial Avg.	3.44	4.85	8.55	10.62	12.65	9.29	11.17	Bloomberg EM USD Agg	1.18	1.92	4.52	4.68	-3.32	0.93	2.73
NASDAQ 100 Stock	3.84	19.20	44.70	22.77	13.94	17.90	18.92	Fixed Income-Tax Exempt							
Alternative Investments								Bloomberg Municipal	0.40	0.52	3.08	0.93	-1.00	1.87	2.81
Alerian MLP	5.90	9.71	16.02	22.62	34.51	5.84	1.44	Bloomberg Muni 3 YR	0.23	0.25	1.13	0.05	-0.50	1.06	1.14
Bloomberg Commodity	6.26	4.32	-2.02	-7.88	18.02	6.46	-0.52	Bloomberg Muni 5 YR	0.31	0.04	1.51	-0.05	-0.89	1.39	1.71
FTSE Nareit Equity REITs	2.85	4.67	8.37	-5.82	8.49	4.97	6.61	Bloomberg Muni 7 YR	0.41	-0.03	1.92	0.43	-0.89	1.84	2.34
S&P Global Nat Res	7.70	3.97	4.35	12.75	20.15	7.24	6.21	Bloomberg Muni HY	0.65	1.73	5.11	-0.20	1.07	2.85	4.46
S&P N.Amer Nat Res	7.38	5.38	4.25	12.26	28.57	6.68	3.70								

Source: Bloomberg

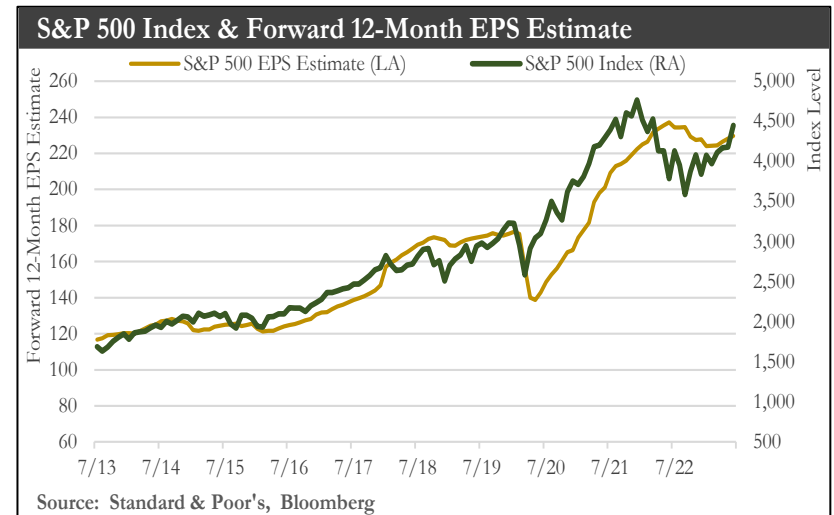
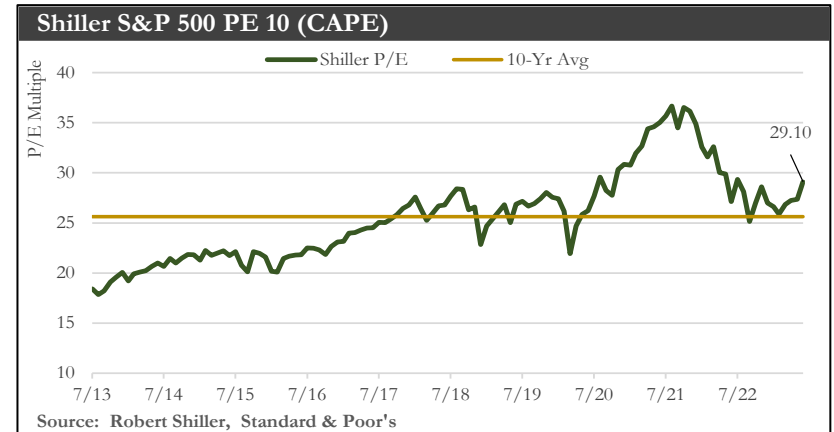
Economic & Market Overview

- **Economy Grinds Higher.** U.S. real gross domestic product increased at an unexpected annual rate of 2.4% in Q2 2023 according to the first estimate from the Bureau of Economic Analysis. The resilience of consumer spending has kept the economy in growth mode. With the labor market remaining strong, consumers have been able to weather the headwinds of higher prices and interest rates so far.
- **Higher for Longer.** The Federal Reserve raised the federal funds rate to 5.25% to 5.50% and announced a continuation of its balance sheet runoff in July. The Fed has not seen enough evidence from the economy that it can declare an end to the rate hiking cycle. If the labor market fails to weaken and/or core inflation fails to make the progress they expect, another 25 basis point hike will likely be on the table later this year.
- **Inflation Continues to Slide.** The Consumer Price Index (CPI) eased in June slowing to its lowest level in more than two years. CPI rose 3% in June from June of 2022. Core inflation however rose slightly, and its 12-month change edged lower from 5.3% to 4.1%. Inflation continues to be sticky and there is still a long way to go before declaring victory in the fight.



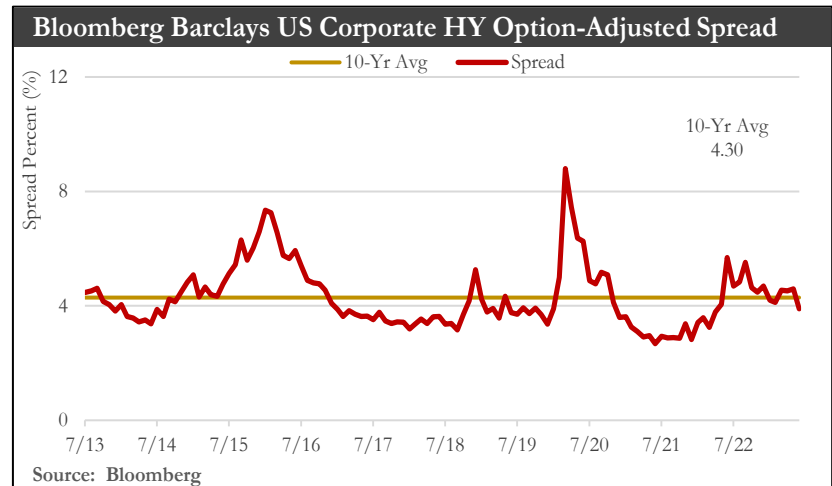
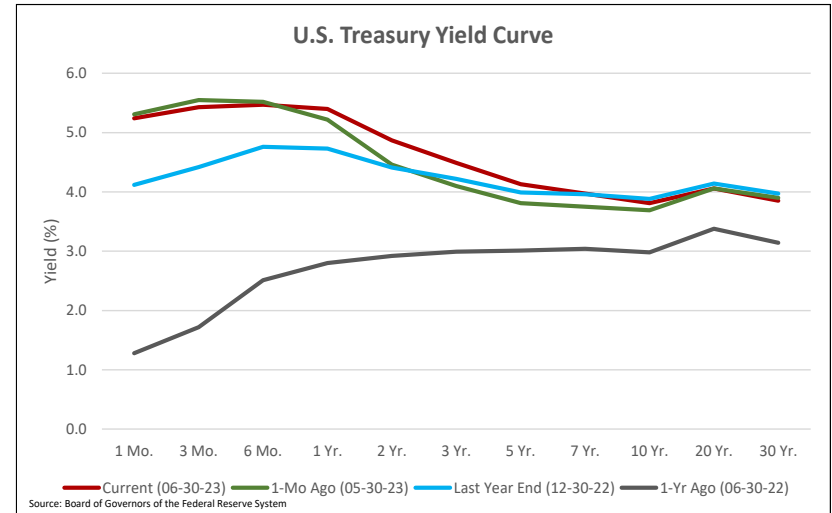
Economic & Market Overview

- **Valuations Stretch Further.** As of July 31st, according to Bloomberg, the price to earnings ratio, one measure used to value the S&P 500, rose to 20.8 times forward earnings. The current valuation is 22.0 times trailing 12-month earnings. One year ago, the forward P/E was at 17.9 times forward earnings. The longer-term CAPE Shiller S&P 500 PE measure is also elevated.
- **Earnings Growth Continues to Slide.** The Fed's rate hiking cycle and inflationary pressures are showing up in corporate earnings reports. Halfway through Q2 earnings reporting season, expectations are for a decline of 7.3% (according to Factset) from a year ago with 51% of the S&P 500 companies reporting so far. This follows on the heels of a decline in earnings growth during the 4th quarter of 2022 and Q1 '23.
- **A Tale of Two Markets Continues.** The broad U.S. stock market index as measured by the Russell 3000 was up 20.3% through July in 2023. The Russell 3000 Growth Index was up 32.5% while the Russell 3000 Value Index was up only 8.9%. Performance was led by Tech, Communication Services, and Discretionary sector stocks up 46.6%, 45.7%, and 36.2% respectively.



Economic & Market Overview

- **Higher for Longer Still Intact.** The 10-year U.S. Treasury yield has been trading at about 4.0%. In addition, the yield curve has remained inverted with the 90-day T-bill yielding 5.2%, the 1-year T-note at 5.1%, the 2-year T-note at 4.9%, and the 10-year T-bond at 4.0%. This may well be a signal from bond buyers that they are less fearful of the impact of an economic slowdown and more concerned about inflation and interest staying higher for longer.
- **Beginning to See Cracks in the Credit Story?** The \$3.5 trillion junk bond market (i.e., below investment grade credit quality) is under pressure as some issuers are finding themselves being forced to pay double digit coupon rates. As rates have stayed high, defaults have begun to increase and are likely to continue to increase in the quarters ahead.
- **Bond Investors Willing to Take on Risk.** Like the current investor interest garnered by the stock market, the riskiest of bonds, so called junk bonds, have attracted the capital of investors. Junk bond prices have increased, and credit spreads have tightened between these high yield bonds and investment grade bonds as demand for these double-digit yielding bonds has increased.



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