

August 31, 2023

MATRIX

PRIVATE
CAPITAL
GROUP

Economic & Market Review

Capital Market Performance

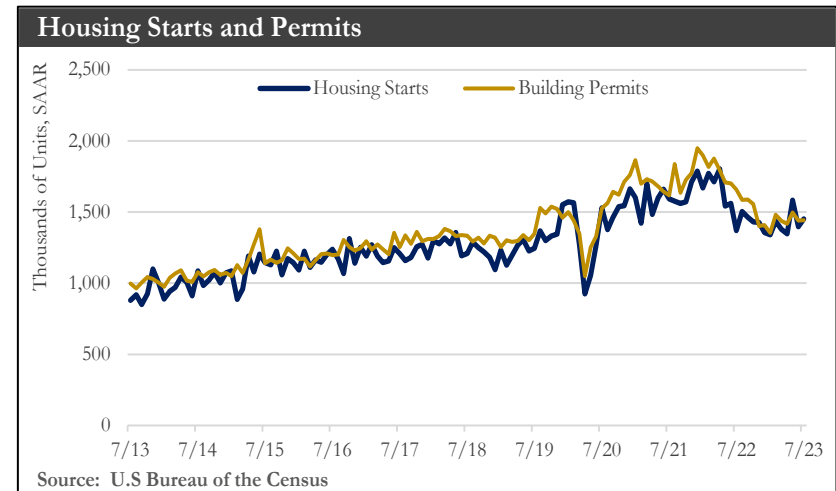
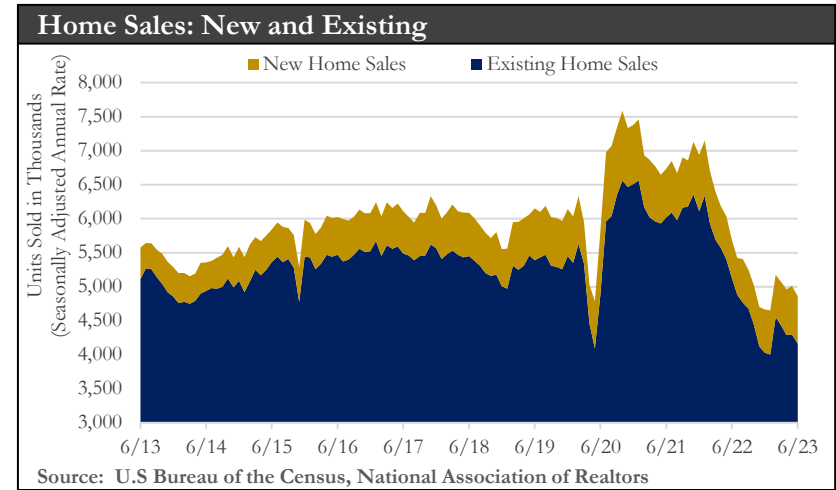
Index Performance as of: 8/31/2023

	<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	-2.83	7.59	5.81	8.17	11.68	6.80	9.00	MSCI EAFE NR	-3.83	3.80	10.87	17.92	6.05	4.13	4.93
Russell 3000	-1.93	8.52	18.00	14.73	9.79	10.23	12.22	MSCI Emerging Mkts NR	-6.16	3.47	4.55	1.25	-1.39	0.98	2.99
Russell 3000 Growth	-1.12	9.35	30.96	21.02	7.88	13.03	15.10	MSCI Frontier Markets NR	-0.91	8.40	11.60	0.43	3.31	2.41	2.99
Russell 1000 Value	-2.70	7.41	5.86	8.55	11.56	7.08	9.12	MSCI ACWI NR	-2.79	6.61	14.80	13.95	7.23	7.45	8.55
Russell 1000	-1.75	8.49	18.57	15.38	9.91	10.75	12.54	MSCI ACWI ex USA NR	-4.52	3.82	8.78	11.89	3.99	3.33	4.38
Russell 1000 Growth	-0.90	9.45	32.16	21.92	8.25	13.80	15.61	MSCI AC Asia ex Japan NR	-6.41	2.02	2.33	-0.61	-2.92	0.83	4.39
Russell Midcap Value	-3.54	9.39	5.91	5.62	12.04	6.09	8.90	International Equity - Country Region							
Russell Midcap	-3.47	8.74	9.39	8.35	9.23	7.32	10.02	MSCI Brazil NR	-8.32	11.51	12.36	11.17	10.47	5.63	1.76
Russell Midcap Growth	-3.30	7.33	15.51	13.00	3.84	7.95	11.02	MSCI BRIC NR	-6.90	5.79	-0.01	-3.27	-7.81	-1.08	2.57
Russell 2000 Value	-4.82	10.49	4.89	2.12	13.49	3.13	7.33	MSCI China NR	-8.96	4.84	-4.66	-7.53	-14.26	-3.89	2.48
Russell 2000	-5.01	8.99	8.93	4.61	8.09	3.11	7.94	MSCI Europe NR	-2.44	1.88	10.55	13.50	11.00	6.34	7.03
Russell 2000 Growth	-5.21	7.45	12.66	6.74	2.64	2.44	8.15	MSCI India NR	-1.90	5.77	6.19	1.33	14.54	7.40	10.53
								MSCI Japan NR	-2.42	4.64	13.59	15.30	3.88	3.11	5.45
Standard & Poors								MSCI EM Latin Amer NR	-7.28	9.21	15.55	18.20	13.95	4.24	1.30
S&P 500	-1.59	8.28	18.72	15.92	10.50	11.10	12.79	Fixed Income-Taxable							
Consumer Discretionary	-1.17	13.47	34.63	11.18	3.18	8.72	12.80	Bloomberg US Agg TR	-0.64	-1.06	1.37	-1.19	-4.41	0.49	1.48
Consumer Staples	-3.57	1.68	-0.25	3.46	7.21	9.74	9.50	Bloomberg US Agg 1-3 YR	0.37	0.39	1.95	1.60	-0.71	1.15	1.04
Energy Sector	1.81	16.61	3.27	14.93	42.29	8.86	4.94	Bloomberg US Agg 3-5 YR	0.02	-0.53	1.63	0.51	-2.56	0.95	1.37
Financials Sector	-2.65	8.91	1.53	6.35	13.34	6.18	10.28	Bloomberg US Agg 5-7 YR	-0.36	-1.02	1.43	-0.67	-3.83	0.76	1.51
Health Care Sector	-0.69	4.69	-1.17	8.59	8.91	9.49	12.42	Bloomberg U.S. T-Bills	0.45	1.33	3.24	4.37	1.60	1.65	1.05
Industrials Sector	-1.99	12.24	11.13	18.57	13.43	9.05	11.31	Bloomberg US Govt	-0.50	-1.58	0.73	-2.00	-4.99	0.23	0.94
Information Technology	-1.32	7.99	44.66	33.33	13.92	19.99	21.57	Bloomberg US Credit	-0.72	-0.11	2.70	0.85	-4.08	1.32	2.47
Materials Sector	-3.28	11.08	7.76	12.39	11.76	9.21	9.70	Bloomberg US Corp HY	0.28	3.36	7.13	7.16	1.81	3.32	4.47
Real Estate Sector	-3.00	3.71	1.87	-8.15	4.14	5.35	7.10	Bloomberg US TIPS	-0.89	-1.10	1.09	-3.68	-1.49	2.28	2.08
Communication Services	-0.37	9.30	45.16	25.76	4.14	9.50	7.57	Bloomberg Global-Agg	-1.37	-0.69	0.74	-0.09	-6.12	-1.21	0.06
Utilities Sector	-6.16	-2.25	-9.31	-12.65	5.32	6.76	9.07	Bloomberg Gbl Agg ex-USI	-1.97	-0.46	0.11	0.65	-7.54	-2.66	-1.12
								Bloomberg EM USD Agg	-1.20	1.46	3.26	3.98	-3.88	0.96	2.81
Other U.S. Equity								Fixed Income-Tax Exempt							
Dow Jones Industrial Avg.	-2.01	6.10	6.37	12.58	9.08	8.30	11.41	Bloomberg Municipal	-1.44	-0.06	1.59	1.70	-1.32	1.52	2.81
NASDAQ 100 Stock	-1.50	8.98	42.53	27.44	9.44	16.18	18.78	Bloomberg Muni 3 YR	-0.27	0.58	0.86	1.12	-0.58	1.01	1.11
								Bloomberg Muni 5 YR	-0.67	0.33	0.82	0.98	-1.10	1.26	1.71
Alternative Investments								Bloomberg Muni 7 YR	-1.05	0.07	0.85	1.15	-1.18	1.61	2.35
Alerian MLP	0.47	10.80	16.56	18.47	34.49	5.60	1.75	Bloomberg Muni HY	-1.52	0.88	3.52	0.52	0.47	2.37	4.73
Bloomberg Commodity	-0.77	9.70	-2.77	-8.67	15.18	6.68	-0.93								
FTSE Nareit Equity REITs	-3.11	4.79	5.00	-2.95	7.08	3.69	7.04								
S&P Global Nat Res	-3.38	10.88	0.82	8.23	17.25	7.21	5.79								
S&P N.Amer Nat Res	0.54	15.92	4.81	12.17	28.36	7.65	3.73								

Source: Bloomberg

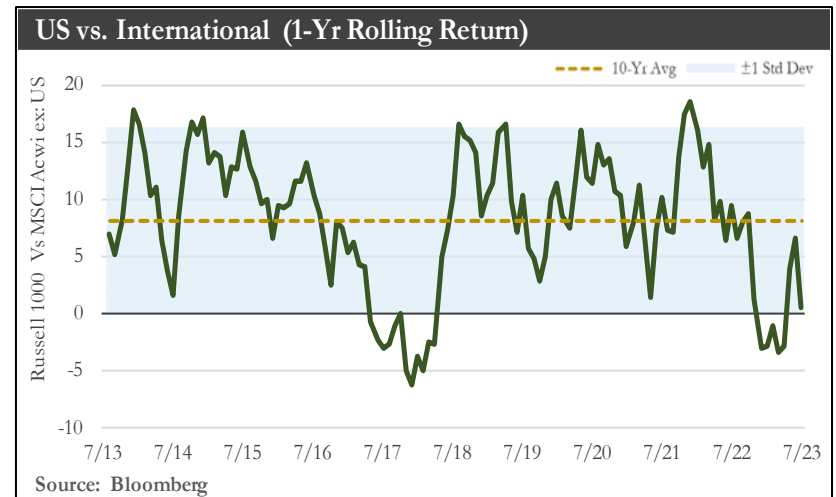
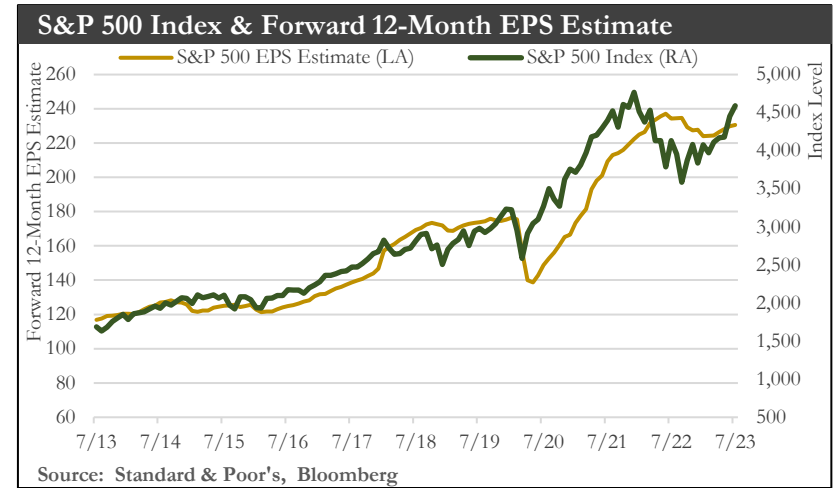
Economic & Market Overview

- **Economy Grinds Up Against Higher Rates.** U.S. real gross domestic product increased at an annual rate of 2.1% in Q2 2023 according to the second estimate from the Bureau of Economic Analysis. The resilience of consumer spending has kept the economy in growth mode. With the labor market remaining resilient, consumers have been able to weather the headwinds of higher prices and interest rates so far having locked in lower rates on loans in recent years.
- **Shifting Mix in the Housing Market.** Residential construction continues to gain steam in 2023. Housing starts rose 3.9% in July despite higher mortgage rates. Limited resale inventory along with builder incentives are expected to continue to support the increasing percentage of new vs. existing homes sales.
- **Consumerism Alive and Well.** U.S. consumers kicked off the third quarter on a strong note with retail sales coming in well above expectations. Retail sales rose 0.7% in July, up from an upwardly revised 0.3% reading in June. Despite the gain, consumer spending is expected to slow in the months ahead as higher interest rates filter through the economy. Also, the resumption of student debt payments impacting 27 million people and tighter credit conditions are likely to begin weighing on spending.



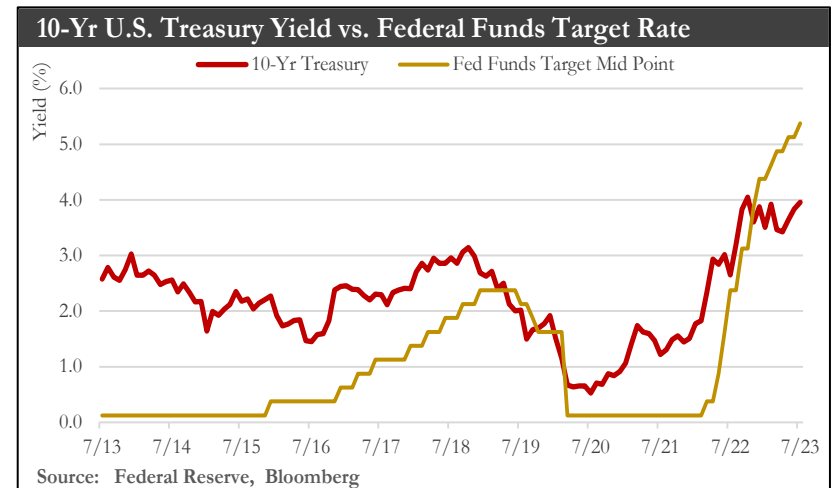
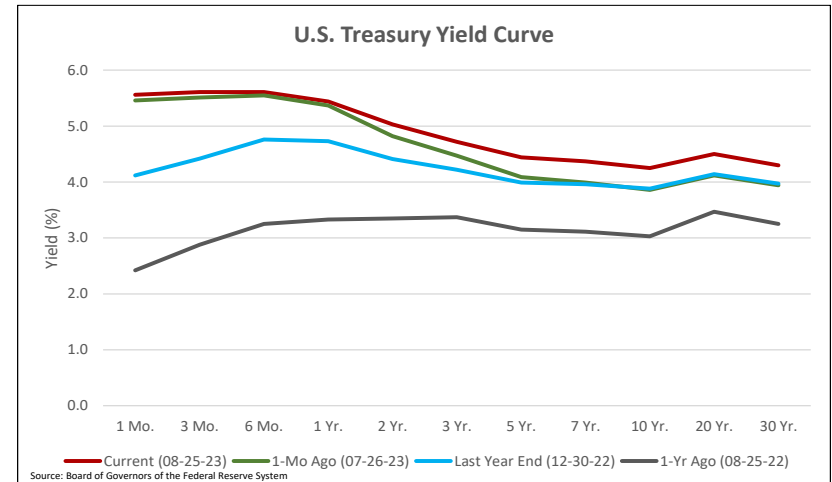
Economic & Market Overview

- Valuations Remain Stretched.** As of August 31st, according to Bloomberg, the price to earnings ratio, one measure used to value the S&P 500, slipped to 19.5 times forward earnings from 19.6 times just a few weeks ago. The current valuation is 22.1 times trailing 12-month earnings. One year ago, the forward P/E was at 17.2 times forward earnings.
- Earnings Growth Recession.** The Fed's rate hiking cycle and inflationary pressures are showing up in corporate earnings reports. Q3 earnings forecasts are for another decline (according to Factset) from a year ago. This follows on the heels of declines in earnings growth during the 4th quarter of 2022 and both Q1 and Q2 of 2023.
- Here and Abroad.** U.S. equities have significantly outperformed their international counterparts for the last 15 years. The S&P 500 Exchange Trade Fund (ETF) was up 11% annualized, the MSCI All Country World ex-U.S. ETF was up 3% annualized, and the MSCI Emerging Markets ETF was up 2% annualized. This period of outperformance generally corresponds with faster and larger U.S. government fiscal and monetary intervention, superior domestic corporate performance, and a strong U.S. dollar.



Economic & Market Overview

- **Inverted Yield Curve Steepens Slightly.** The 10-year U.S. Treasury yield has continued to trade in the 4.2%-4.3% range in recent days. In addition, the inverted yield curve steepened a bit with the 90-day T-bill yielding 5.4%, the 1-year T-note at 5.4%, the 2-year T-note at 5.0%, the 10-year T-bond at 4.2%. 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 sticky inflation and interest staying higher for longer.
- **Not So Fast.** Fed officials indicated at the Jackson Hole Economic Symposium recently that they may be close to being done with interest rate hikes but are being held back from ruling out further rate increases until inflation is more clearly on a downward path. According to the President of the Boston Fed, “it is extremely likely we will need to hold for a substantial amount of time... economic resilience really does suggest we may have more to do”.
- **Pressure Off the U.S. Dollar for Now?** With the Federal Reserve indicating that they may not be done hiking interest rates, the short-term impact on the value of the U.S. dollar should be positive. Higher rates should attract both more domestic and international investors to U.S. bonds after years of ultra-low interest rates.



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