

WITH YOU EVERY MILE

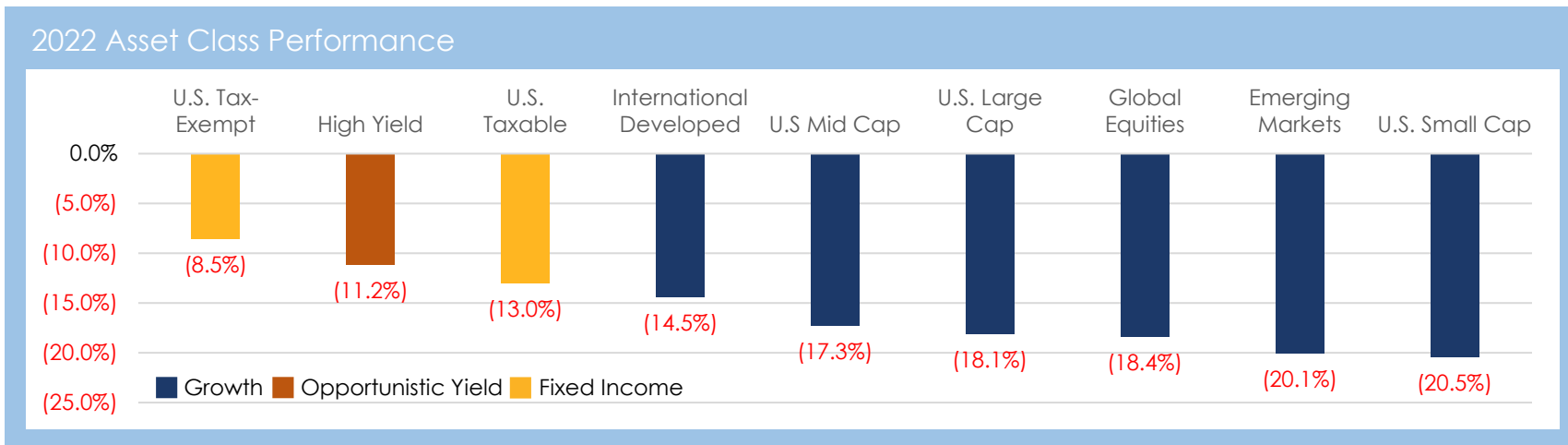


MARKET LANDSCAPE | Q1 2023

MIRACLE MILE INVESTMENT STRATEGY GROUP



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2022 Pain Provides 2023 Opportunities

2022 witnessed a rare economic and market event that saw stocks and bonds fall into bear markets at the same time as inflation took hold, which ushered in a new investment landscape. As we enter the new year, recession rather than inflation will be the focus. We expect the coming economic slowdown to be mild and see opportunities in select areas of the stock, bond, and alternatives markets. A higher real interest rate regime means embracing other assets for return opportunities and portfolio risk management. As we start 2023, risk sentiment in the markets remains defensive. We expect high market volatility at the beginning of the year to lead to a more productive market environment as the year progresses.

2023 Economic & Market Forecasts

- The pace of inflation will ease in 2023, but interest rates will remain elevated.
- The unemployment rate will tick up, and wage growth will slow, allowing the Federal Reserve to stop raising rates mid-year.
- Recession risk is high but may decline with inflation readings as the year progresses.
- The U.S. GDP will be slightly positive as strong employment trends balance out softening business spending.

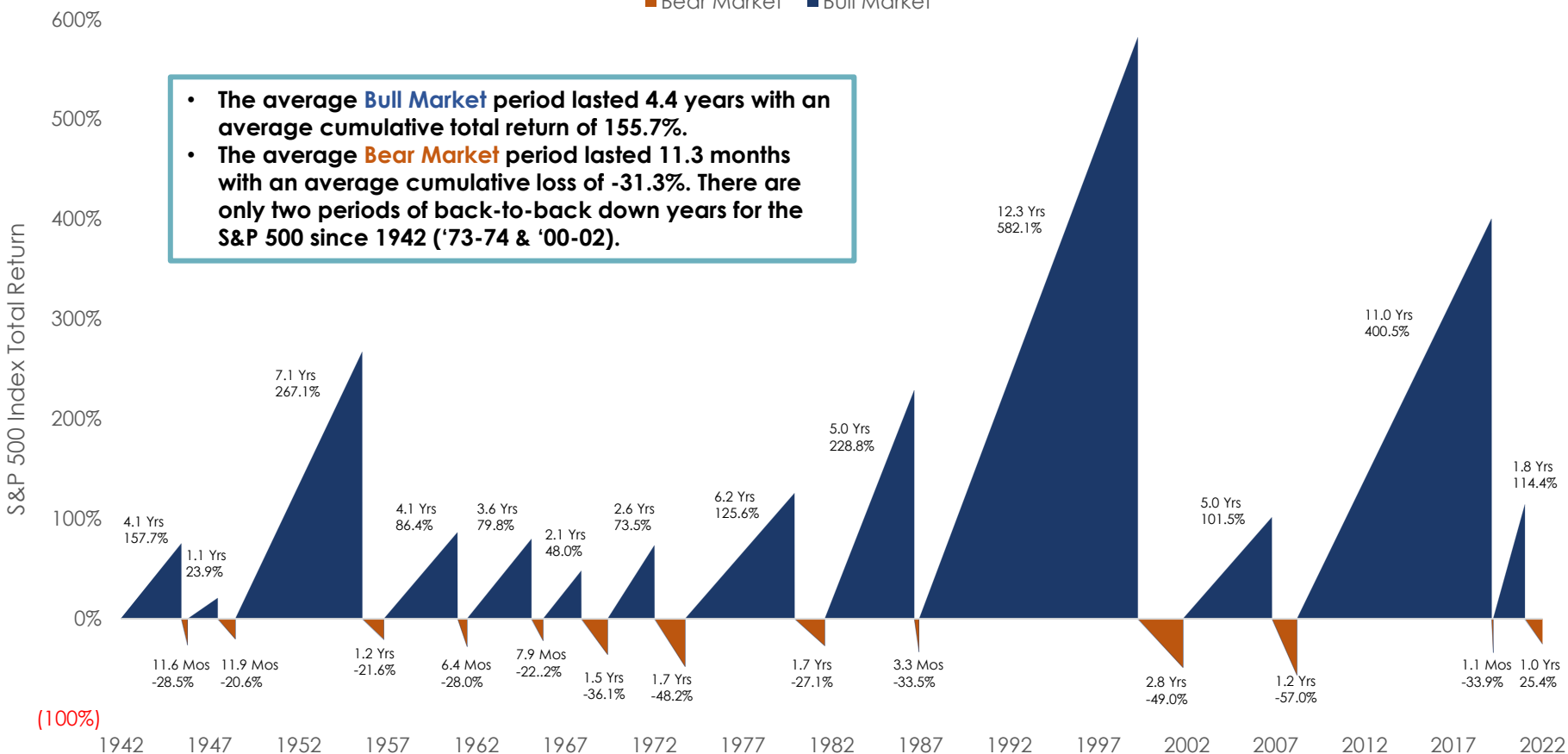
Bear markets are historically quick, but painful. It is important to remember that markets are forward looking and begin improving well before data points start confirming these trends.

Investment Outlook: Investors should revisit their financial plans to ensure they can handle market volatility over different time periods. Proper cash flow planning can help investors stay invested during volatility if income needs are met.

Markets

Bull Markets vs. Bear Markets

■ Bear Market ■ Bull Market



Refer to appendix for disclosures and data sources

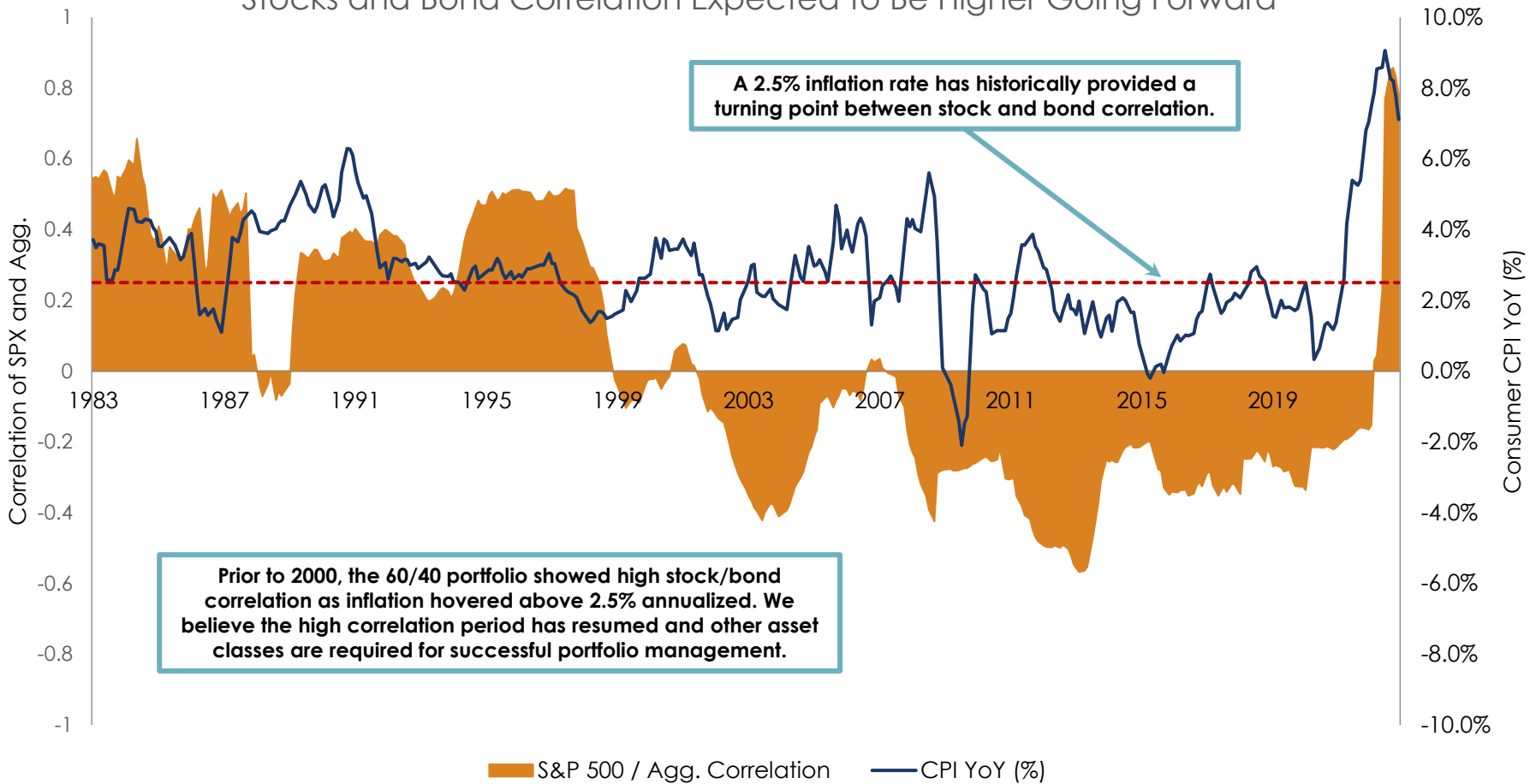
A HIGHER RATE REGIME REQUIRES OTHER ASSETS BESIDES STOCKS AND BONDS

The 60/40 portfolio, a combination of 60% equities and 40% bonds, historically generated returns over 6% with superior diversification.

Investment Outlook: A hawkish Fed will make returns harder to come by for equities, but investors can demand more yield for holding bonds to fight inflation. Non-correlated returns will play a big part in portfolios over the next decade, but investors must understand the unique risks that come with these investment products.

Markets

Stocks and Bond Correlation Expected to Be Higher Going Forward



Refer to appendix for disclosures and data sources

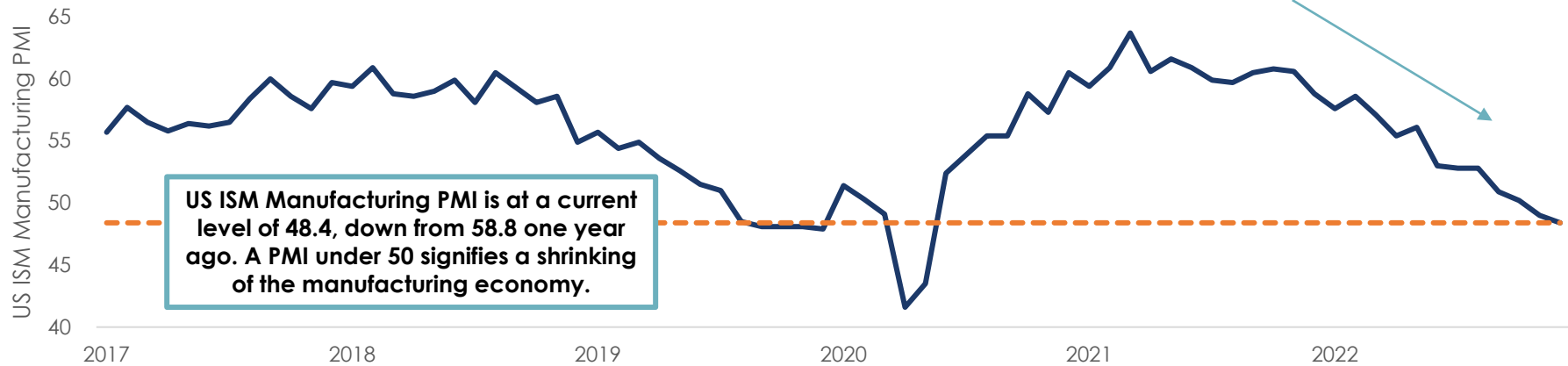
SLOWING BUT RESILIENT US ECONOMY

Although the US economy is primarily services-based, the ISM Manufacturing PMI tends to be a good gauge of overall economic health, given its sensitivity to cyclical changes in activity. This indicator has been declining steadily since peaking in early 2022. At the same time, the job market and wage growth have remained strong, given the low labor participation rate.

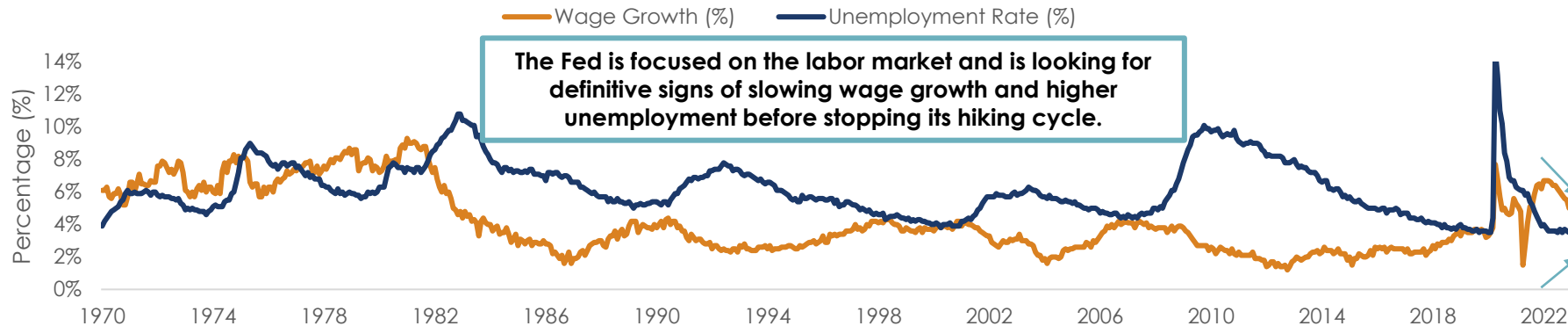
Investment outlook: Slowing growth with a tight labor market will keep the Fed on its tightening path.

Economy

ISM Manufacturing Index



Unemployment Rate and Wages



Refer to appendix for disclosures and data sources

INFLATION PROJECTED TO COME DOWN IN 2023

Inflation grabbed headlines in 2022, but projections show a better 2023 and beyond. With Federal Open Market Committee (FOMC) estimates projecting a Fed Funds rate near 3% by 2026, lower inflation will need to be present.

Investment outlook: We see inflation moderating in 2023 but still above historical levels. The higher interest rate environment still calls for alternative allocations to achieve financial goals.

FOMC Estimates Show Slowing Inflation



Refer to appendix for disclosures and data sources

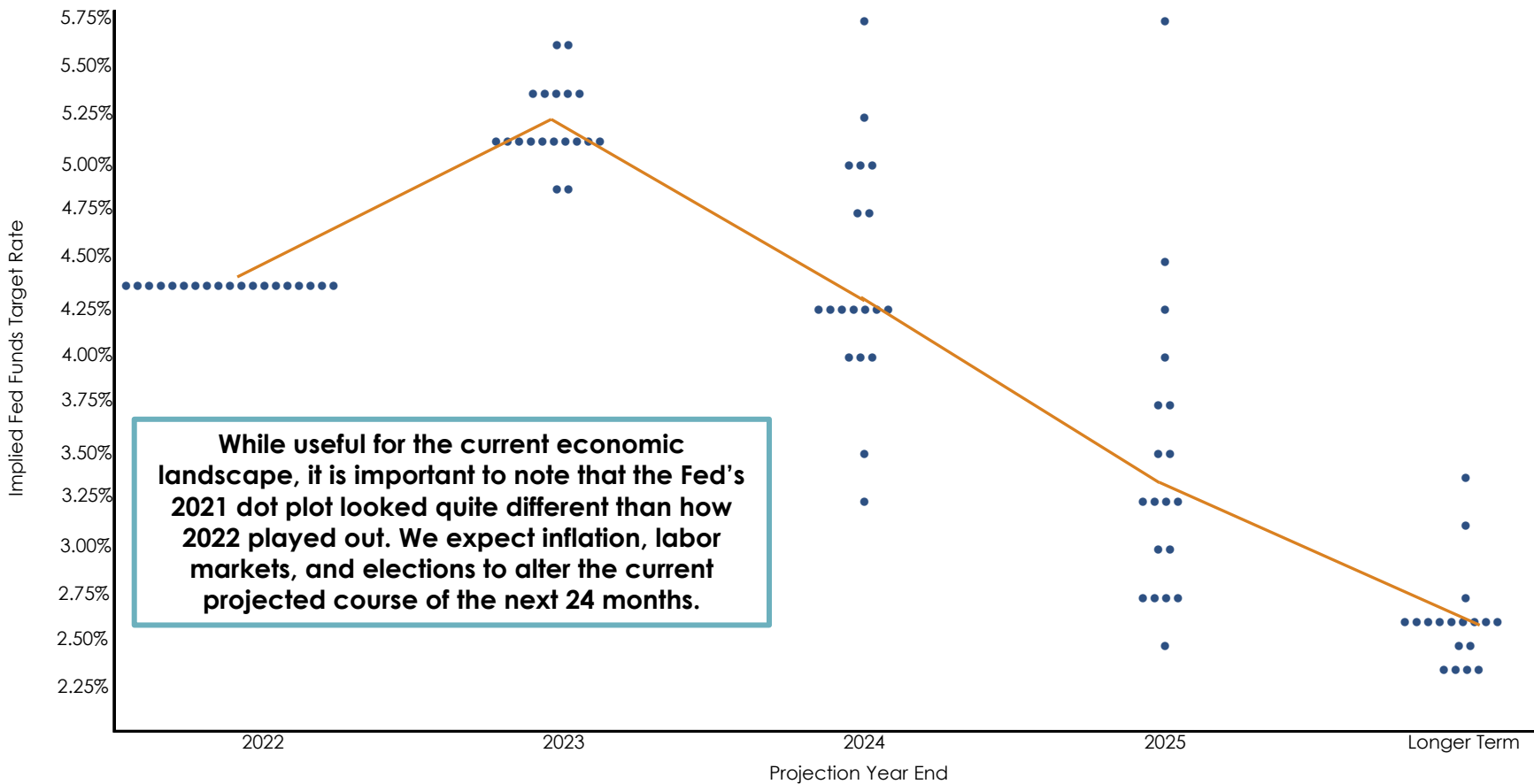
IMPLIED FED FUNDS TARGET RATE

The Fed dot plot shows the year-end Fed Funds Target that each Fed member predicts thru 2025+. This can give investors insight into when members may look to slow down their current hiking cycle.

Investment Outlook: While the future cannot be 100% predicted, most of the Fed agree that the rate hiking will stop in 2023, with a chance of rate cuts starting in 2024.

Economy

Implied Fed Funds Target Rate



While useful for the current economic landscape, it is important to note that the Fed's 2021 dot plot looked quite different than how 2022 played out. We expect inflation, labor markets, and elections to alter the current projected course of the next 24 months.

Refer to appendix for disclosures and data sources

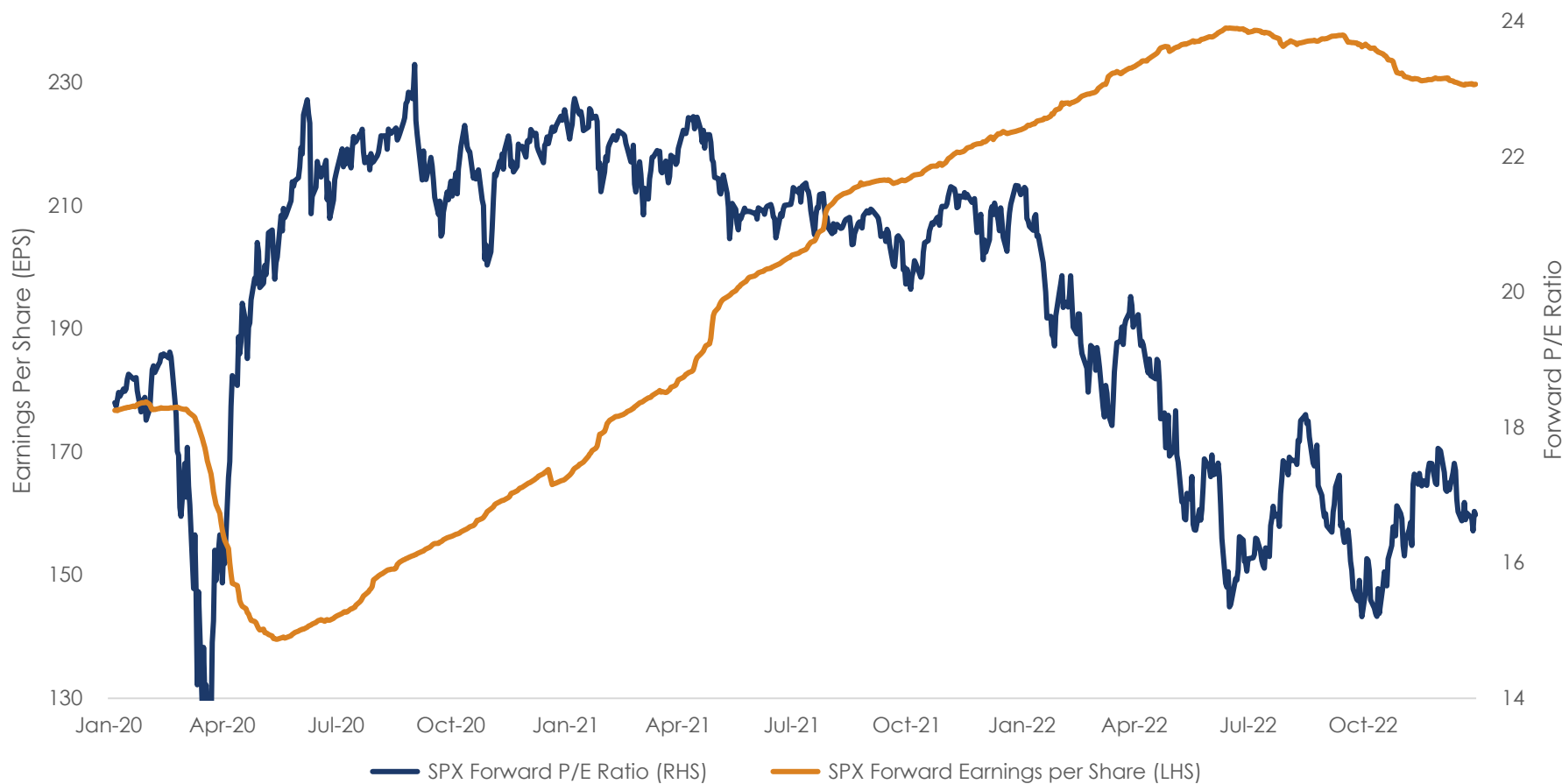
DECLINING CORPORATE EARNINGS

Most of last year's decline in equity markets was driven by valuation contraction, as the P/E multiple of the S&P 500 declined from 21.5X to 16.7x.

Investment outlook: Going forward, we expect stock prices to be driven more by corporate earnings, which have been steadily declining since peaking in the middle of 2022 and are expected to bottom sometime in 2023.

Equities

S&P 500 Valuation



Refer to appendix for disclosures and data sources

FAIRLY VALUED MARKET

The market historically drifts from undervalued to overvalued as current headlines swiftly change stock prices while earnings stay steady.

Investment Outlook: While we have seen the “P” in P/E get corrected in 2022, this year could see the “E” face hurdles as companies try to keep profits elevated in a recessionary environment.

S&P 500 Valuation Shows a Fair Market

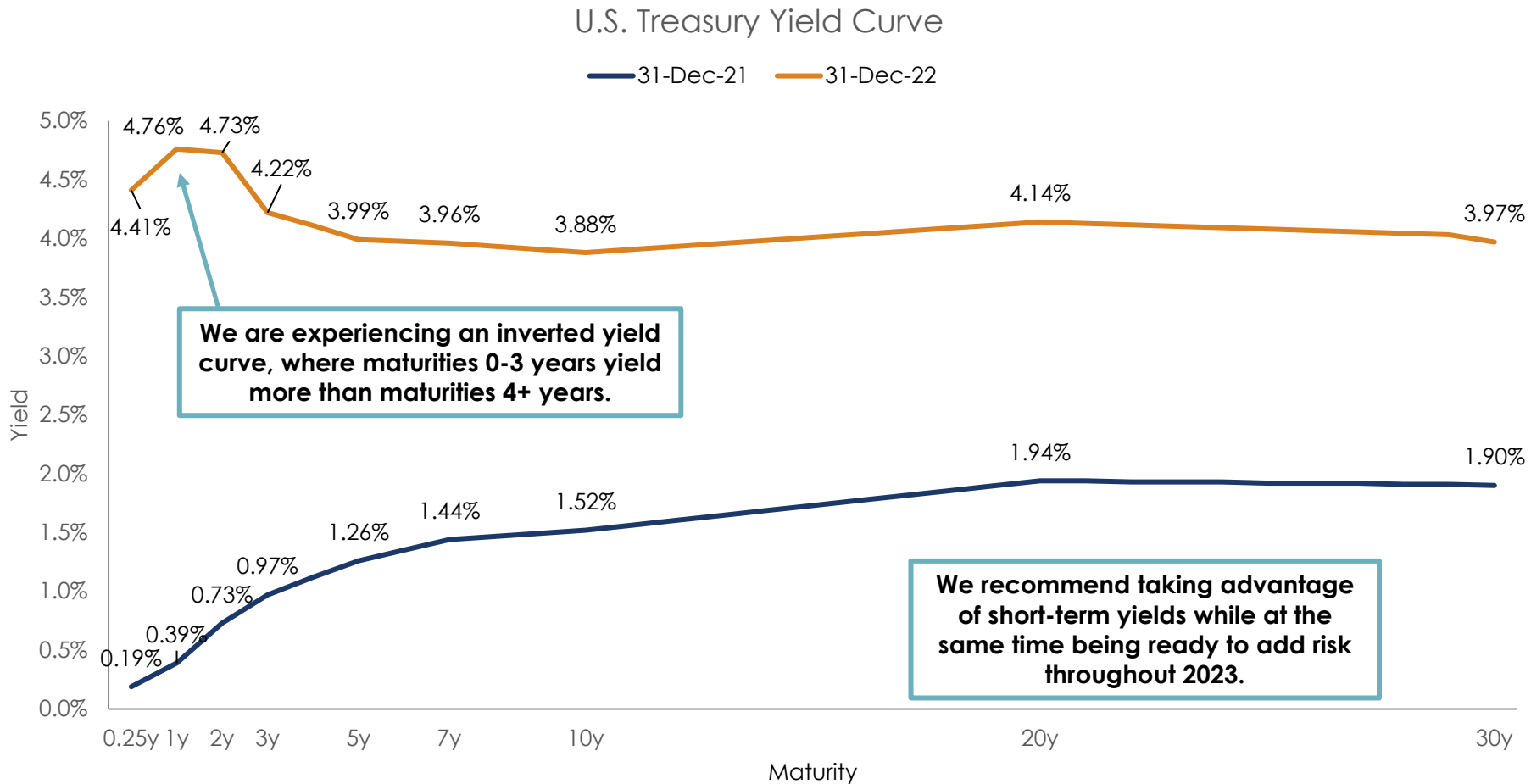


Refer to appendix for disclosures and data sources

IMPROVED YIELDS SUPPORT INCOME NEEDS

Relative to a year ago, yields on Treasuries are markedly higher, providing attractive investment opportunities without taking on undue credit risk.

Investment Outlook: Investors should focus on high-quality bonds that generate ~4%+ yields, which is comparable to where high-yield bonds were trading a year ago.



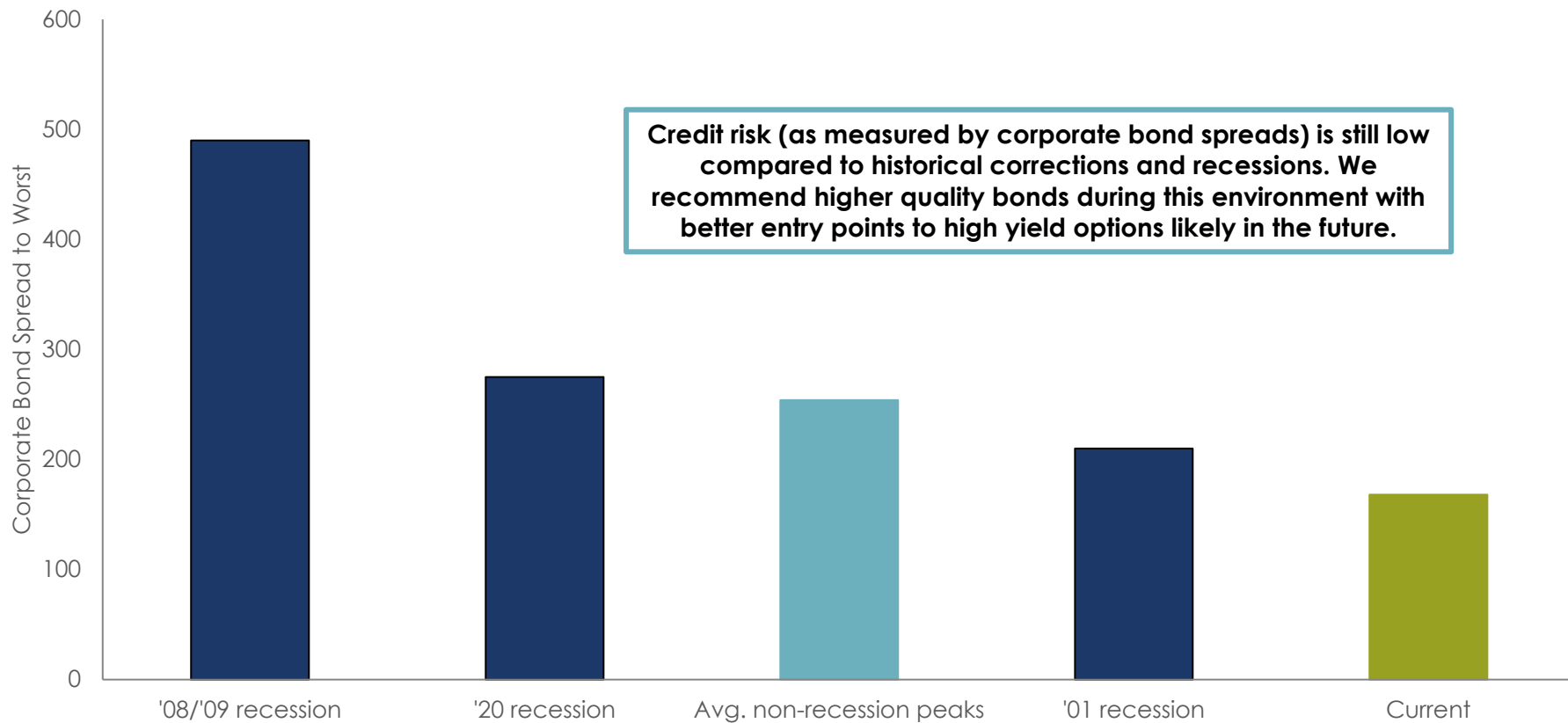
Fixed Income

CORPORATE SPREADS STILL HAVE SOME RISK; INVESTORS SHOULD STICK WITH HIGHER QUALITY OPTIONS

Treasuries are yielding over 4%, providing essential yields, while corporate bond spreads remain tight compared to recent recessionary environments.

Investment Outlook: Stick to higher quality fixed income options until more clarity is present in the markets.

Quality Fixed Income is Key

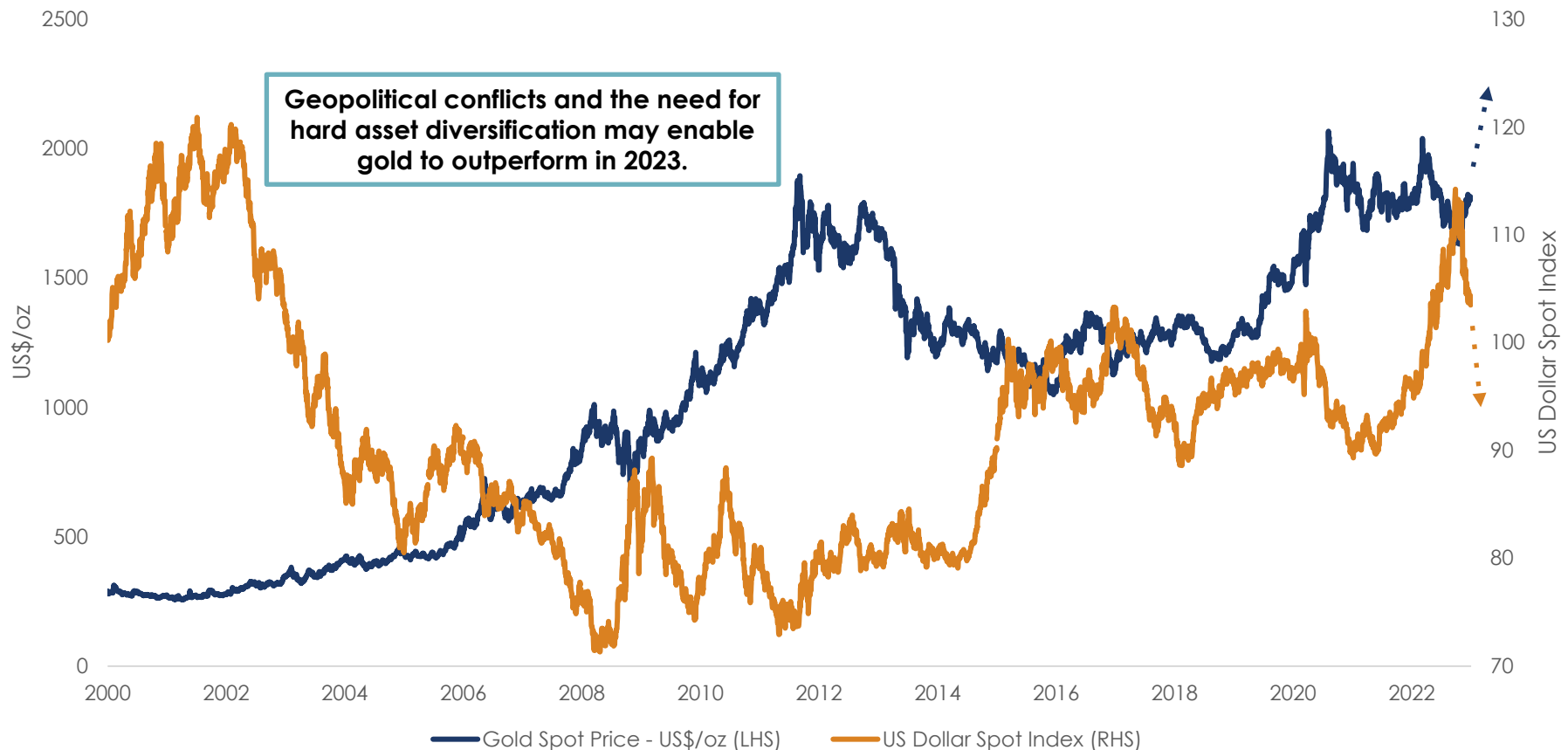


COMMODITIES CAN CONTINUE TO OUTPERFORM IN 2023

The Dow Jones Commodity Index was up ~20% in 2022, led by a state of long-run shortages fueled by the pandemic.

Investment Outlook: Nationalization will continue in 2023 as central banks look to increase their gold holdings vs. U.S. dollars. Additionally, we expect higher, albeit more volatile, prices in 2023 across commodities.

After Hitting 20-Year High, US Dollar Looks to Soften

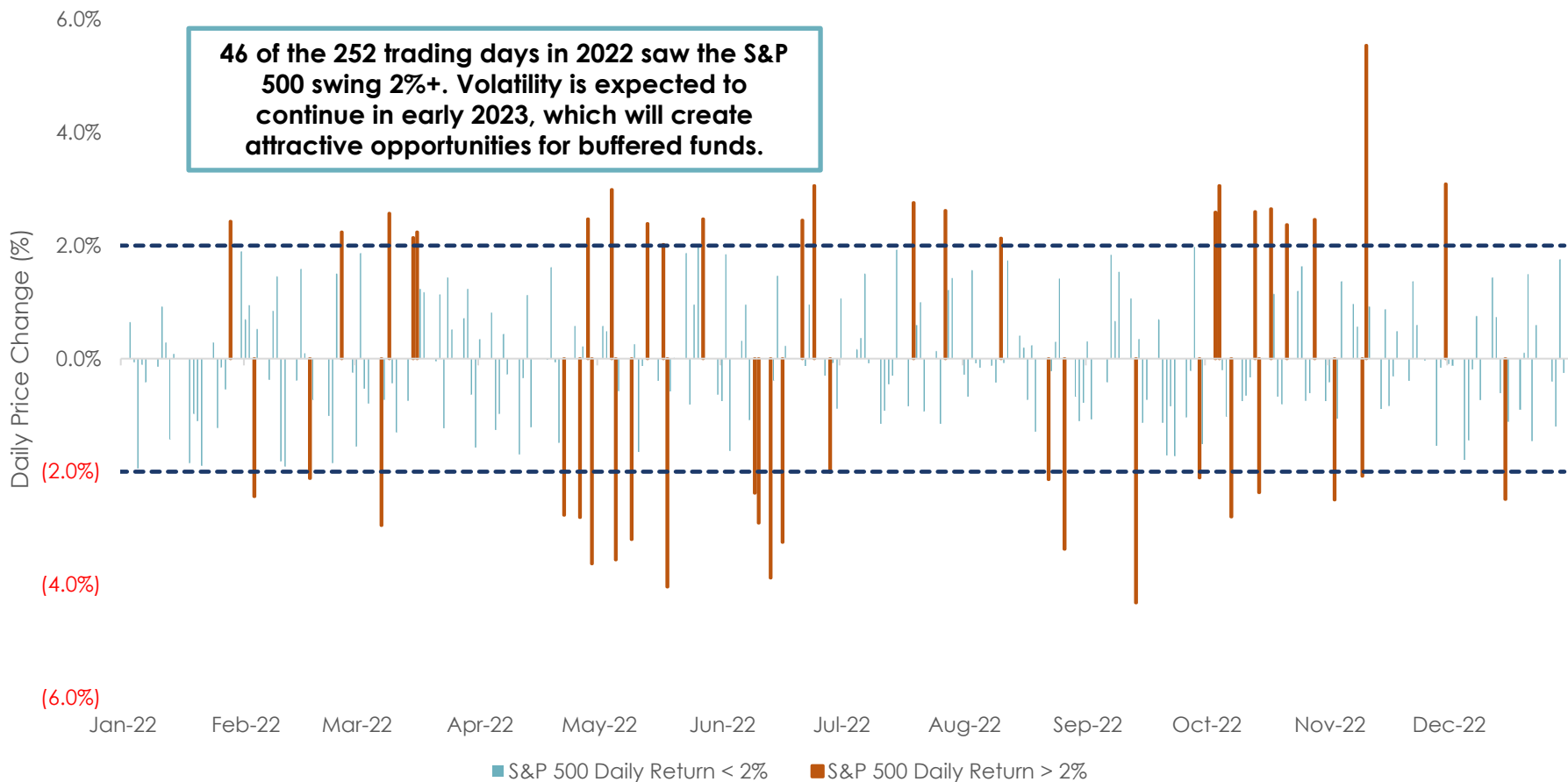


VOLATILITY MAKES BUFFERED FUNDS ATTRACTIVE

Buffered funds seek to track the returns of an index up to a predetermined cap while protecting investors against losses.

Investment Outlook: The first half of 2023 will likely see range-bound trading until the Fed stops their hiking cycle. Until then, adding downside protection with buffered funds can lower portfolio beta while keeping most of the projected upside participation.

Volatility was Everywhere in 2022



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Disclosures:

Slide 2: Performance numbers from Black Diamond corresponding index as of 12/31/2022.

Slide 3: Data sourced from [Yardeni Research "Stock Market Historical Tables: Bull and Bear Markets"](#).

Slide 4: Data sourced from Bloomberg from 1/1/1982-12/31/2022 based on S&P 500 / US Aggregate correlation. CPI data sourced from Bloomberg.

Slide 5: ISM Manufacturing data sourced from Bloomberg 1/1/2017-12/31/2022. Unemployment rate and Wage growth sourced from BLS 1/1/1970-12/31/2022.

Slide 6: Fed Funds Rate and Core CPI as of BLS 1/1/2000-12/31/2022. [Projections are sourced from BLS](#).

Slide 7: [Fed Dot Plot sourced from FOMC](#). Average line is an estimate of the aggregate members.

Slide 8: P/E and EPS are sourced from Bloomberg 1/1/2022-12/31/2022.

Slide 9: P/E ratio sourced from Bloomberg 1/1/1997-12/31/2022. Standard deviations and averages are sourced from JPM Guide to the Markets Q1 2023.

Slide 10: Yield curves sourced from [JPM Guide to the Markets Q1 2023](#).

Slide 11: Source: J.P. Morgan. Spread-to-worst indicated are the difference between the yield-to-worst of a bond and yield-to-worst of a U.S. Treasury security with a similar duration. Investment grade is represented by the J.P. Morgan JULI IG Index. *Average non-recession peaks include the peak in spreads during the Tech' bubble (2002), European sovereign debt crisis (2011) and Oil collapse/strong dollar episode (2016). Data are as of December 5, 2022. <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/guide-to-the-markets/>

Slide 12: Gold price and US dollar data sourced from YCharts 1/1/2000-12/31/2022.

Slide 13: S&P 500 daily returns sourced from Bloomberg 1/1/2022-12/31/2022.