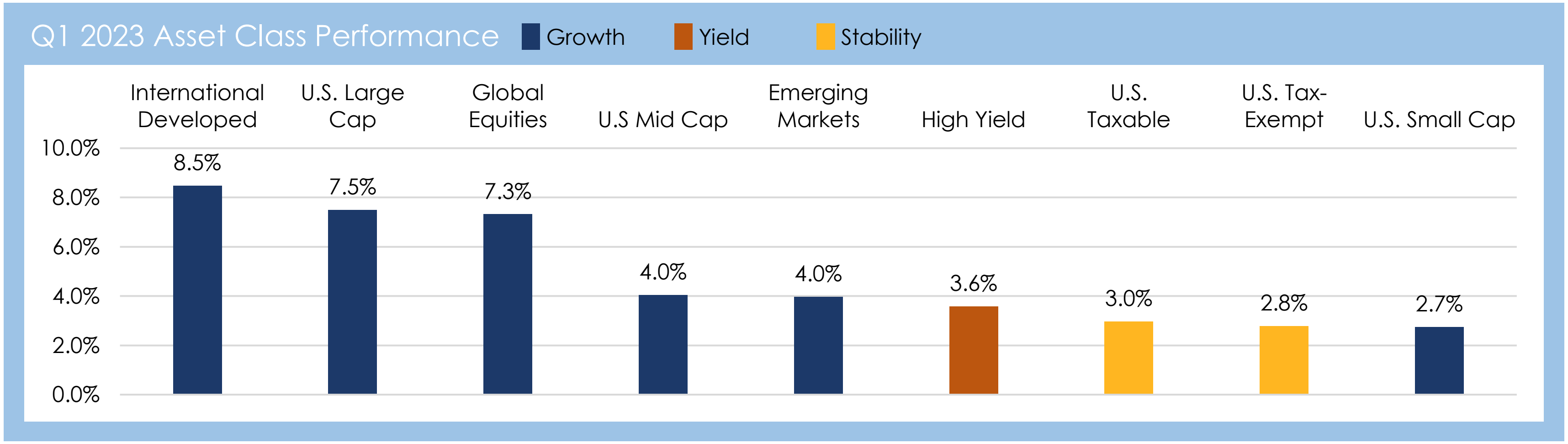
WITH YOU EVERY MILE

MARKET LANDSCAPE | Q2 2023

MIRACLE MILE INVESTMENT STRATEGY GROUP

MIRACLE MILE ADVISORS

ENTERING 2023 WITH A NEW REGIME



Fed Rate Hikes Hit Banks

Markets started off strong in 2023, with nearly all asset classes positive during Q1. However, the economy started experiencing cracks from a banking crisis in March. The Fed's historic pace of rate hikes was bound to break something, which resulted in the collapse of Silicon Valley Bank, the 16th largest bank in the United States. The Fed has remained committed to slowing inflation but will face tough decisions in Q2 as one of the most anticipated recessions in recent times starts to play out. However, with better regulations, less leverage, and disciplined lending across the banking industry, we do not forecast a deep recession, and expect profitable companies to continue to be favored for the remainder of the year.

2023 Economic & Market Forecasts

- Inflation is coming down slowly, with a rate pause near. Historically, this is bullish for stocks.
- An earnings decline will likely be more pronounced in coming quarters with a focus on quality and profits.
- Bonds are back to providing income and downside protection, and duration can help boost total return.
- Real assets are good diversifiers of financial assets (stocks and bonds). Allocating toward this area will help offset elevated inflation in the near term.

STAYING DIVERSIFIED HELPS DURING VOLATILITY

Markets

The difference between an investment's return and an investor's return is referred to as the "behavior gap". Staying diversified to achieve your financial goals helps offset this gap during volatile times.

Investment Outlook: A return to normal interest rate levels should balance out asset class risk-adjusted returns, and investors should continue to stay diversified as we enter an expected recession this year.

2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Emg Mkts 55.82%							REITs 27.96%	US Muni Bds 10.70%	Emg Mkts 18.22%
US SC 47.25%						Emg Mkts 78.51%	US SC 26.86%	REITs 8.29%	REITs 18.06%
Int'l Dev. 38.59%	REITs 31.58%	Emg Mkts 34.00%	REITs 35.06%	Emg Mkts 39.39%	US Corp Bds 5.24%	HY Bonds 58.21%	Emg Mkts 18.88%	US Corp Bds 7.84%	Int'l Dev. 17.32%
REITs 37.13%	Emg Mkts 25.55%	Comdty 21.36%	Emg Mkts 32.17%	Comdty 16.23%	Cash 2.24%	Int'l Dev. 31.78%	Comdty 16.83%	HY Bonds 4.98%	US SC 16.36%
HY Bonds 28.97%	Int'l Dev. 20.25%	Int'l Dev. 13.54%	Int'l Dev. 26.34%	Int'l Dev. 11.17%	US Muni Bds -2.47%	REITs 27.99%	HY Bonds 15.12%	US LC 2.11%	US LC 16.00%
US LC 28.68%	US SC 18.33%	REITs 12.16%	US SC 18.37%	US Corp Bds 6.97%	HY Bonds -26.16%	US SC 27.17%	US LC 15.06%	Cash 0.11%	HY Bonds 15.81%
Asset All. 27.51%	Asset All. 13.38%	Asset All. 8.19%	Asset All. 16.33%	Asset All. 6.55%	Asset All. -27.66%	Asset All. 26.76%	Asset All. 12.64%	Asset All. -0.59%	Asset All. 13.05%
Comdty 23.93%	HY Bonds 11.13%	US LC 4.91%	US LC 15.79%	US LC 5.49%	US SC -33.79%	US LC 26.46%	Int'l Dev. 7.75%	US SC -4.18%	US Muni Bds 6.78%
US Muni Bds 5.31%	US LC 10.88%	US SC 4.55%	HY Bonds 11.85%	Cash 5.11%	Comdty -35.65%	Comdty 18.91%	US Corp Bds 6.54%	Int'l Dev. -12.14%	US Corp Bds 4.21%
US Corp Bds 4.10%	Comdty 9.15%	US Muni Bds 3.51%	Cash 4.86%	US Muni Bds 3.36%	US LC -37.00%	US Muni Bds 12.91%	US Muni Bds 2.38%	Comdty -13.32%	Cash 0.12%
Cash 1.14%	US Muni Bds 4.48%	Cash 3.07%	US Muni Bds 4.84%	HY Bonds 1.87%	REITs -37.73%	US Corp Bds 5.93%	Cash 0.15%	Emg Mkts -18.42%	Comdty -1.06%
	US Corp Bds 4.34%	HY Bonds 2.74%	US Corp Bds 4.33%	US SC -1.57%	Int'l Dev. -43.38%	Cash 0.23%			
	Cash 1.30%	US Corp Bds 2.43%	Comdty 2.07%	REITs -15.69%	Emg Mkts -53.33%				

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
		US Muni Bds 3.30%	US SC 21.31%		Cash 1.88%				Comdty 16.09%
		REITs 3.20%	HY Bonds 17.13%		US Muni Bds 1.28%				Cash 2.01%
	REITs 30.14%	US LC 1.38%	US LC 11.96%		US Corp Bds 0.01%	US LC 31.49%		REITs 43.20%	US Muni Bds -8.53%
US SC 38.82%	US LC 13.69%	US Corp Bds 0.55%	Comdty 11.77%	Emg Mkts 37.28%	HY Bonds -2.08%	REITs 26.00%	US SC 19.96%	US LC 28.71%	HY Bonds -11.19%
US LC 32.39%	US Muni Bds 9.05%	Cash 0.07%	Emg Mkts 11.19%	Int'l Dev. 25.03%	US LC -4.38%	US SC 25.52%	US LC 18.40%	Comdty 27.05%	US Corp Bds -13.01%
Int'l Dev. 22.78%	US Corp Bds 5.97%	Int'l Dev. -0.81%	REITs 8.52%	US LC 21.83%	REITs -4.62%	Int'l Dev. 22.01%	Emg Mkts 18.31%	US SC 14.82%	Int'l Dev. -14.01%
Asset All. 16.09%	Asset All. 5.91%	Asset All. -1.20%	Asset All. 7.83%	Asset All. 15.62%	Asset All. -6.09%	Asset All. 20.05%	Asset All. 10.56%	Asset All. 13.35%	Asset All. -15.83%
HY Bonds 7.45%	US SC 4.90%	US SC -4.41%	US Corp Bds 2.65%	US SC 14.65%	US SC -11.01%	Emg Mkts 18.42%	Int'l Dev. 7.82%	Int'l Dev. 11.78%	US LC -18.11%
REITs 2.47%	HY Bonds 2.45%	HY Bonds -4.47%	Int'l Dev. 1.00%	HY Bonds 7.50%	Comdty -11.25%	HY Bonds 14.32%	US Corp Bds 7.51%	US Muni Bds 1.52%	Emg Mkts -20.09%
Cash 0.08%	Cash 0.05%	Emg Mkts -14.92%	Cash 0.35%	US Muni Bds 5.45%	Int'l Dev. -13.79%	US Corp Bds 8.72%	HY Bonds 7.11%	HY Bonds 0.53%	US SC -20.44%
US Corp Bds -2.02%	Emg Mkts -2.19%	Comdty -24.66%	US Muni Bds 0.25%	REITs 5.23%	Emg Mkts -14.57%	Comdty 7.69%	US Muni Bds 5.21%	Cash 0.04%	REITs -20.92%
US Muni Bds -2.55%	Int'l Dev. -4.90%			US Corp Bds 3.54%		US Muni Bds 7.54%	Cash 0.54%	US Corp Bds -1.54%	
Emg Mkts -2.60%	Comdty -17.01%			Comdty 1.70%		Cash 2.30%	Comdty -3.12%	Emg Mkts -4.59%	
Comdty -9.52%				Cash 0.87%			REITs -8.00%		

Refer to appendix for disclosures and data sources

CURRENT STRATEGIC ASSET CLASS OUTLOOK

The focus in Q2 is quality in both stocks and bonds.

Investment Outlook: A looming recession is widening credit spreads, and we are comfortable generating ~5% yields within high quality fixed income. International stocks are favorable as they continue to provide higher yields while being cheaper than their US counterparts.

Markets

Growth	-	Neutral	+
Domestic			
Foreign			
Growth			
Value			
Large Cap			
Small/Mid Cap			
Hedged Equities			
Yield	**-**	**Neutral**	**+**
High Yield			
Preferreds			
Private Credit			
Real Estate			
Stability	**-**	**Neutral**	**+**
Duration			
US Gov. / Agency			
IG Municipal			
IG Corporate			
Diversification	**-**	**Neutral**	**+**
Real Assets			
Commodities			
Managed Futures			

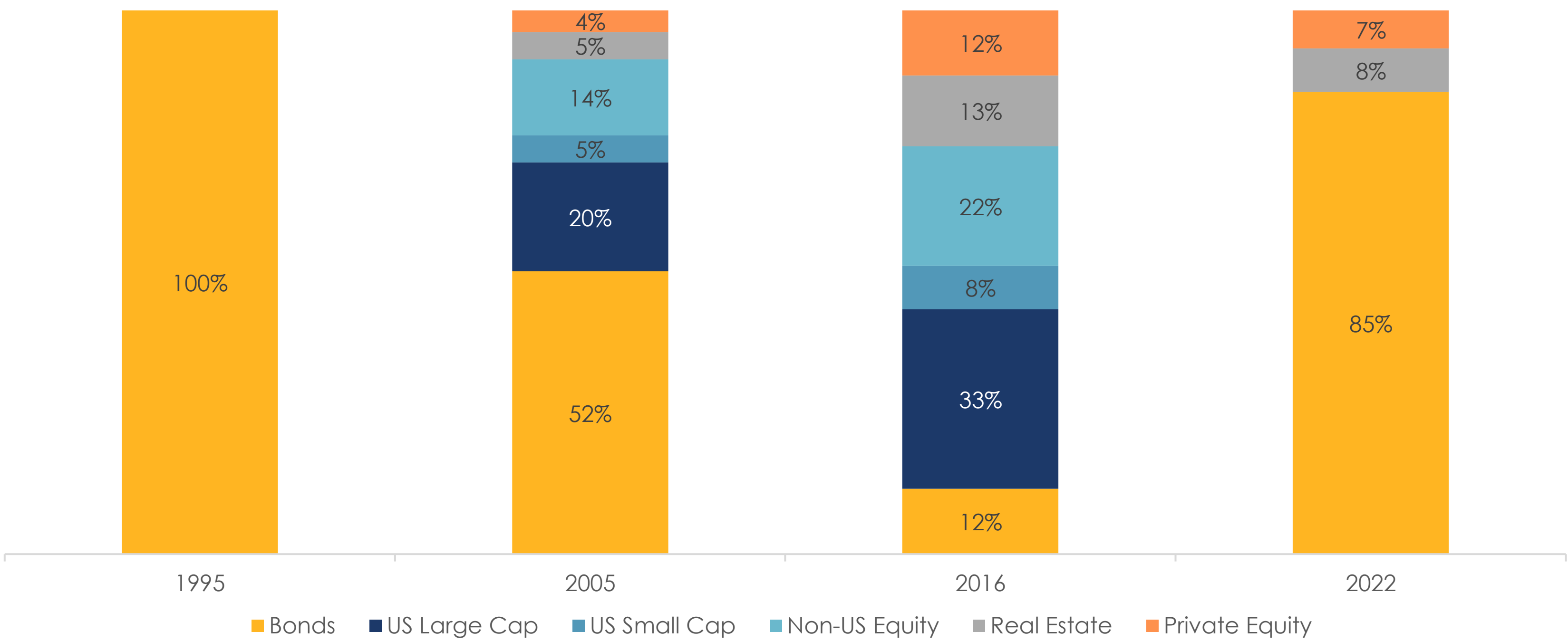
Refer to appendix for disclosures and data sources

INVESTORS SHOULD REVISIT THEIR ASSET ALLOCATION TARGETS

Investors had to consistently increase their risk exposures over the past 20 years to achieve their financial objectives.

Investment Outlook: 2022 brought a sudden reversal of interest rates, which ultimately hurt fixed income investors. However, the Fed is near the end of their hiking cycle, giving investors new incentives to revisit their overall asset allocation and increase their fixed income allocations.

Asset Allocation Needed to Generate 7.5% Return Over Time



- ✓ **Revisit financial objectives and liquidity needs**
- ✓ **Adjust fixed income allocation accordingly**
- ✓ **Earn more with cash if staying out of the market**

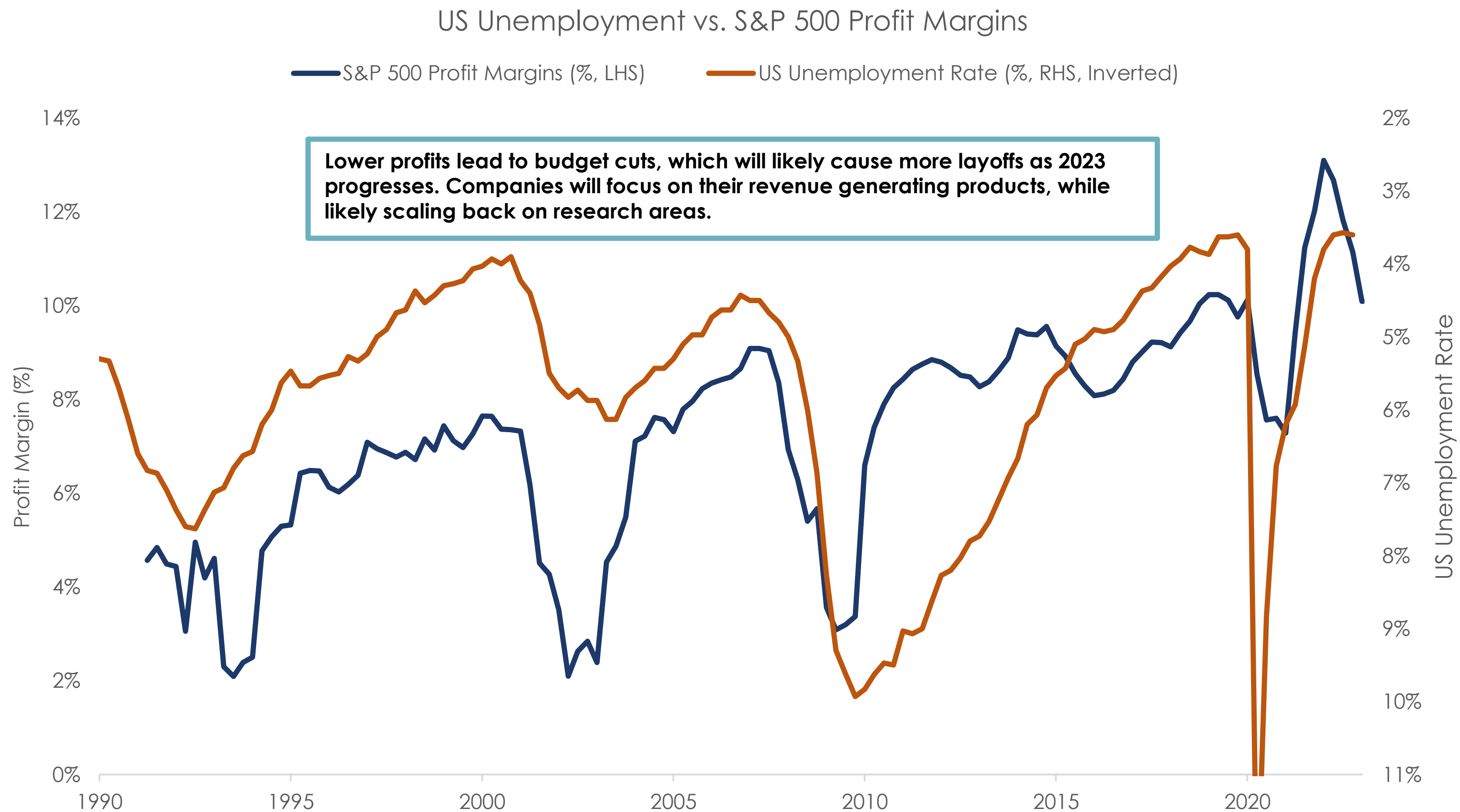
Refer to appendix for disclosures and data sources

EARNINGS FIRST, UNEMPLOYMENT SECOND

One of the consensus views across the economy is that earnings growth will slow down in 2023. While the labor market has been resilient thus far, falling profits has historically been a strong signal for near term rising unemployment.

Investment outlook: We expect an increased amount of layoffs throughout 2023 as seen already throughout the tech industry.

Economy

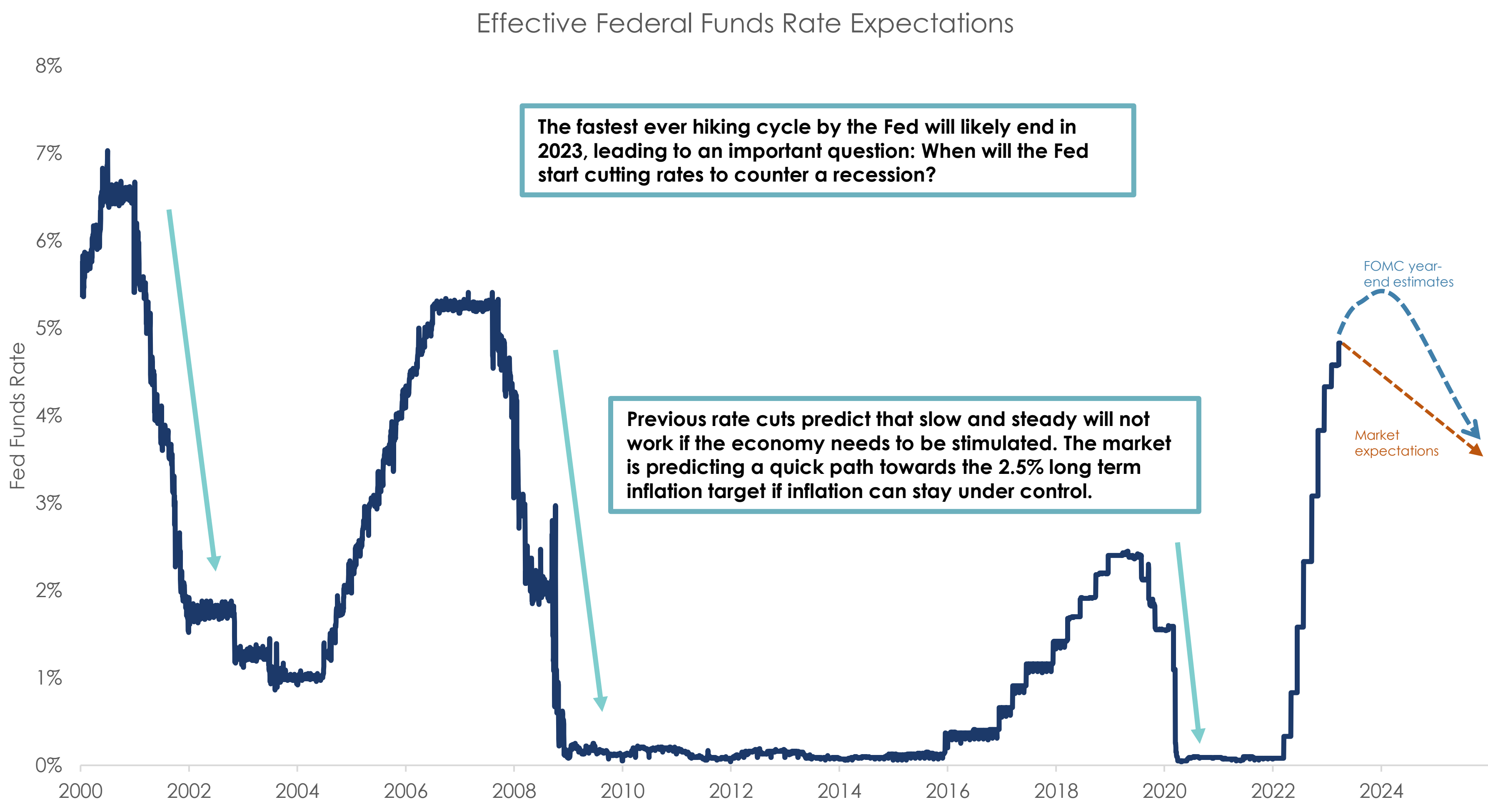


Refer to appendix for disclosures and data sources

FEDERAL FUNDS RATE EXPECTATIONS

The Fed has consistently raised the Fed Fund's rate since the start of 2022, which is projected to peak towards the end of 2023. However, market expectations are predicting a rate cut much sooner to counter recession risks.

Investment outlook: FOMC rate estimates are rarely accurate, as evident with their slow and steady rate hike projections at the start of 2022. History has shown that the Fed may need to cut rates just as fast as they raised them.

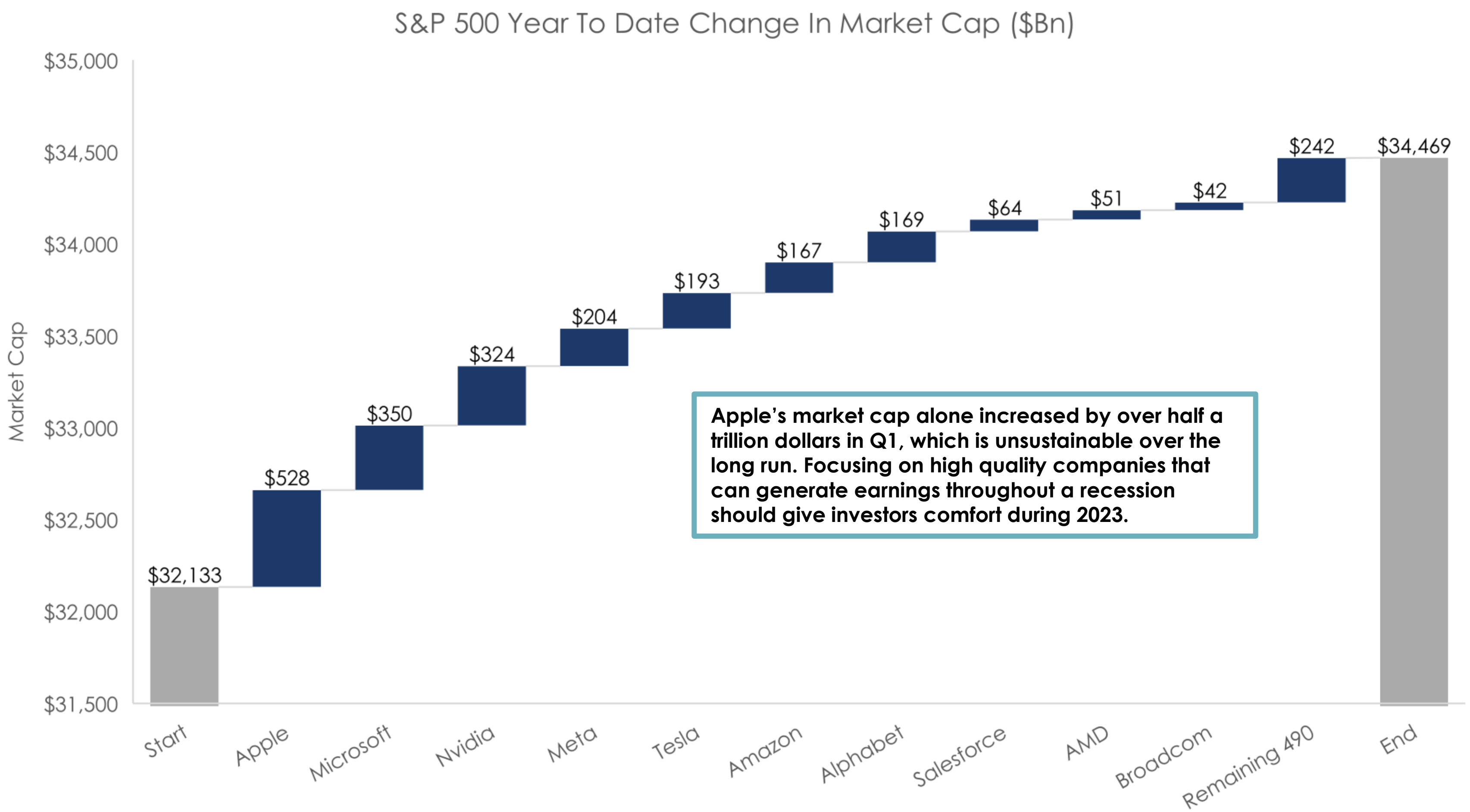


Refer to appendix for disclosures and data sources

Q1 PERFORMANCE ATTRIBUTED TO 9 STOCKS

Investors flocked to mega cap "safe" stocks during Q1, with nearly all the S&P 500's return coming from the top weightings.

Investment Outlook: While it was a welcomed relief, we do not forecast this performance to continue throughout the remainder of 2023. Growth-oriented companies are still adapting to the new interest rate environments, and we believe value and international outperformance will continue.



Apple's market cap alone increased by over half a trillion dollars in Q1, which is unsustainable over the long run. Focusing on high quality companies that can generate earnings throughout a recession should give investors comfort during 2023.

VALUE STOCKS REMAIN ATTRACTIVE

Value spreads (the difference in valuation multiples between cheap and expensive stocks) remain at extreme levels relative to history.

Investment Outlook: Growth has bounced back to start 2023, but for long term investors, global value stocks should remain a top allocation in portfolios.

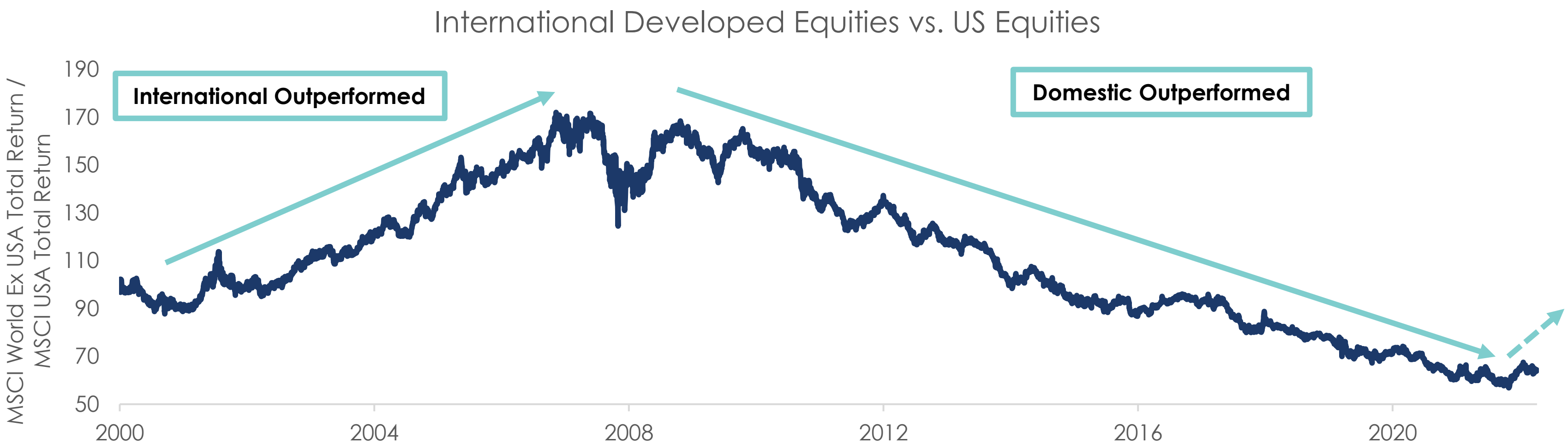
Equities

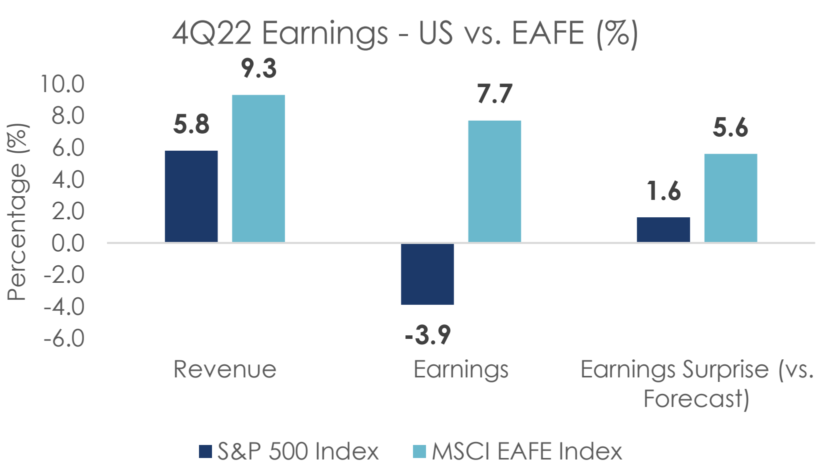
Refer to appendix for disclosures and data sources. Z-score is the number of standard deviations away from the mean value.

INTERNATIONAL OUTPFORMANCE: THE START OF A NEW TREND

Domestic stocks benefitted during the 2010s from a strengthening US dollar, increased globalization, and declining interest rates, all of which are starting to reverse their trend.

Investment Outlook: Portfolios have become increasingly concentrated over the past decade as the top 10 weights in the S&P 500 took more market share. We believe international stocks are poised to continue this trend reversal over the coming years.





International stocks are generating more revenue and profits vs. domestic companies and are still very attractive from a P/E ratio.

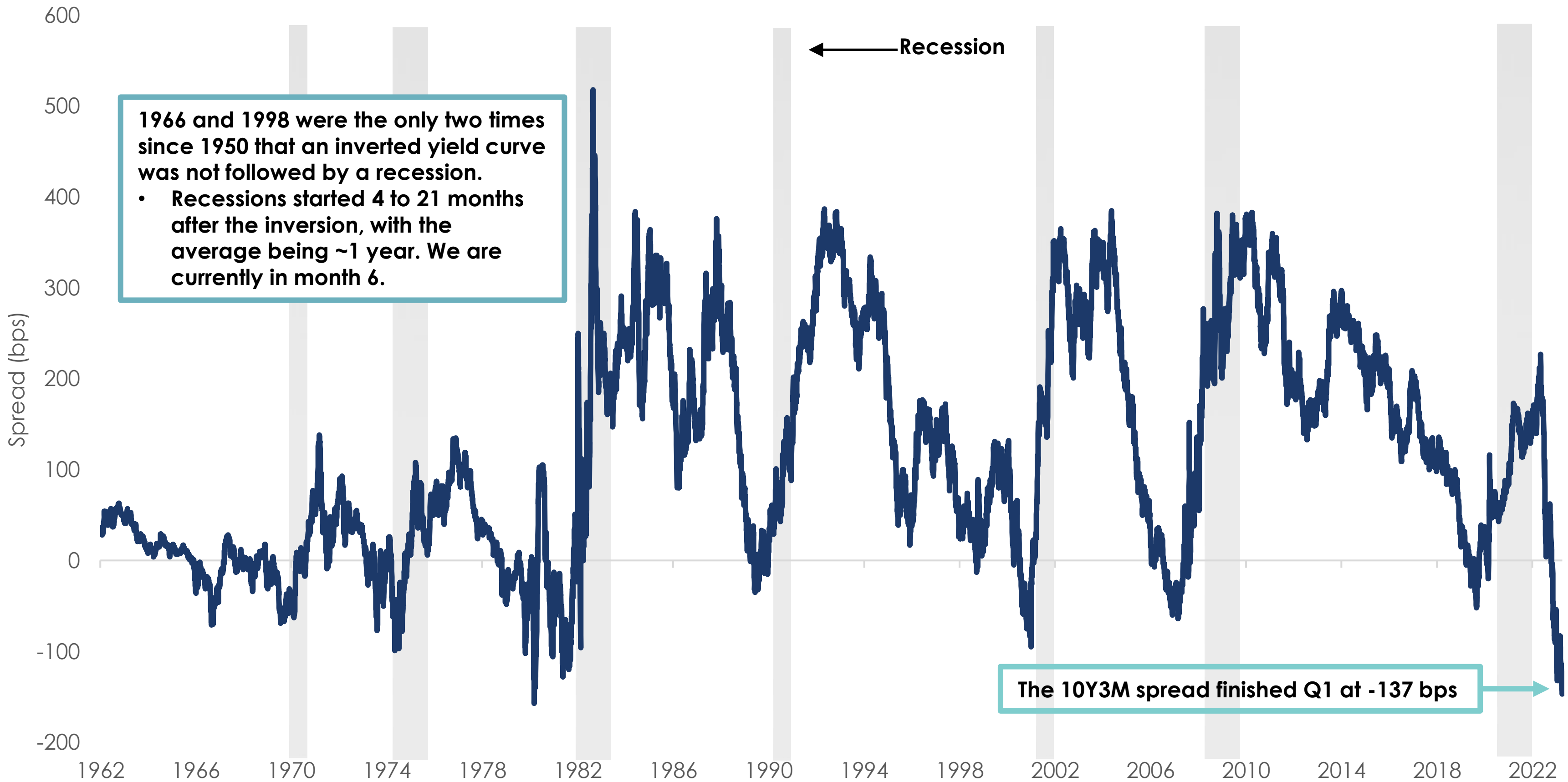
- **International stocks have less technology exposure**
- **International stocks benefit from a weakening US dollar**
- **International stocks pay out higher dividends**

WILL THE INVERTED YIELD CURVE PREDICT ANOTHER RECESSION?

The last 8 recessions were all preceded by an inverted yield curve, and there have been only 2 times since 1950 that an inverted yield curve occurred without a recession.

Investment Outlook: While a good indicator of an upcoming recession, an inverted yield curve rarely can forecast how deep and long the recession will last. We are positioned defensively for a recession but will look to take advantage of price dislocations in the market.

Treasury Yield-Curve Spread 10-Year minus 3-Month



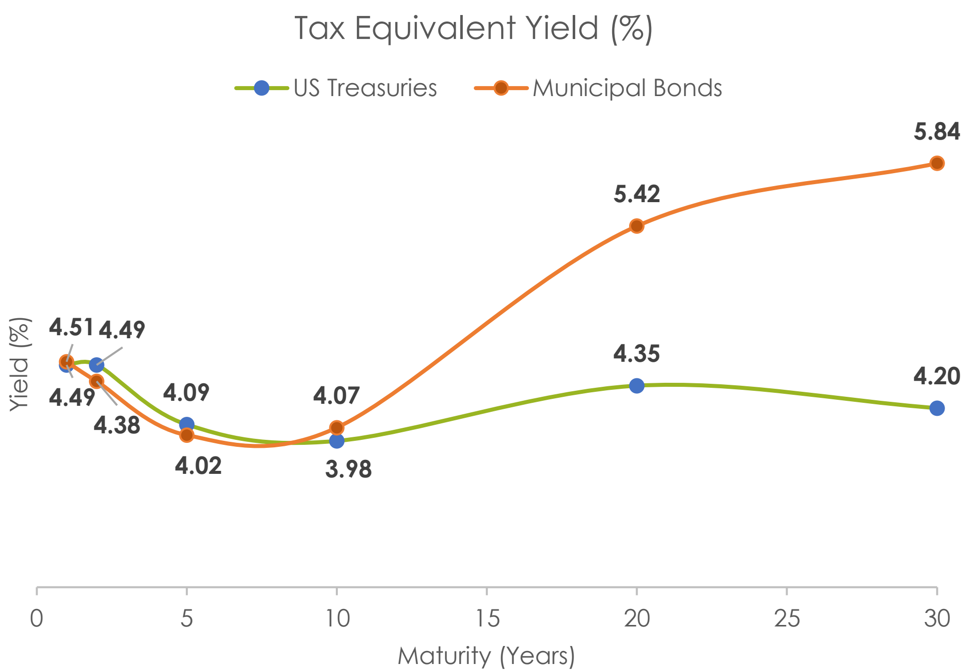
Fixed Income

Refer to appendix for disclosures and data sources

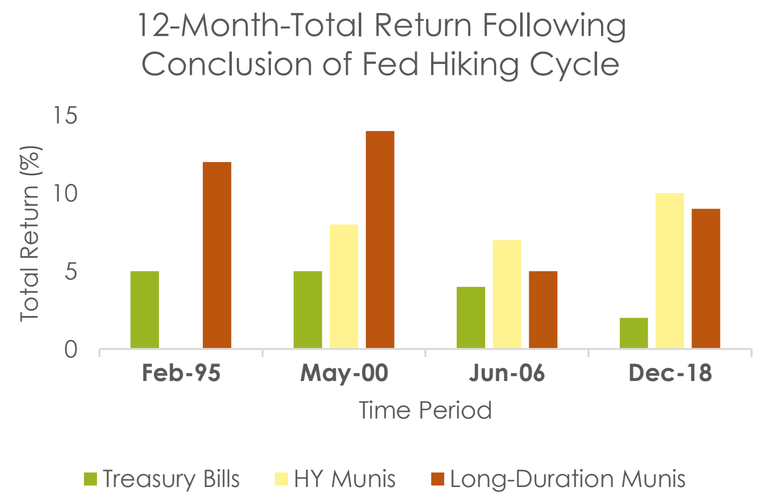
MUNICIPAL BONDS ARE ATTRACTIVE ON THE LONG END OF THE CURVE

Treasurys and municipal bonds are nearly identical on an after-tax yield basis on the short-end of the curve, but municipal bonds can start to pay off for maturities over 10 years.

Investment Outlook: Allocate to high quality and taxable bonds on the short-end of the curve, while looking for longer duration opportunities within the municipal markets.



Investors in high tax brackets are attracted to municipal bonds due to their tax-free income. However, investors should focus on after-tax total return across all asset classes.



Fixed Income

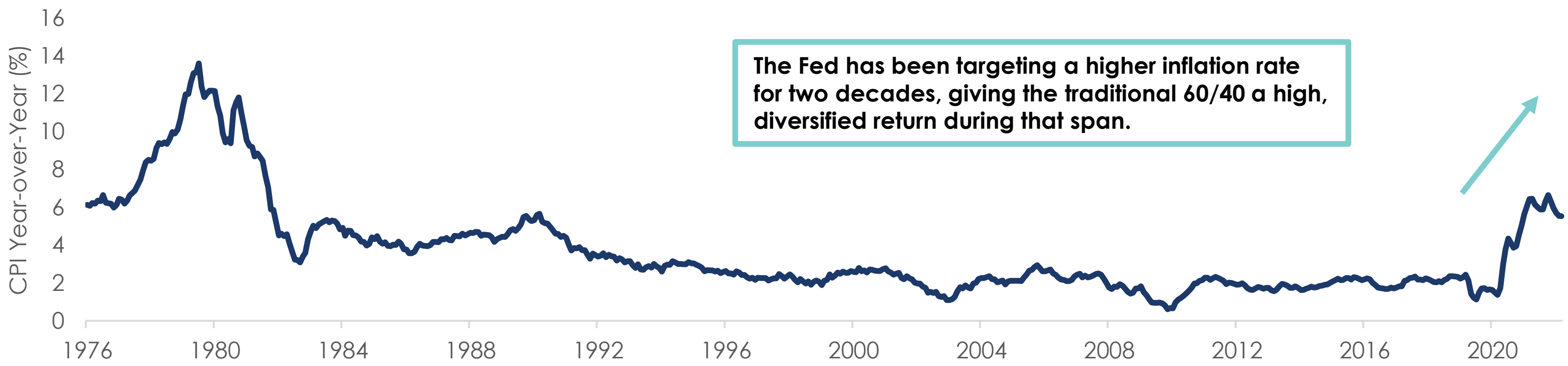
With the Fed nearing their hiking cycle conclusion, we are looking to extend our duration on municipal securities to capitalize on higher tax equivalent yields, in addition to capital appreciation opportunities.

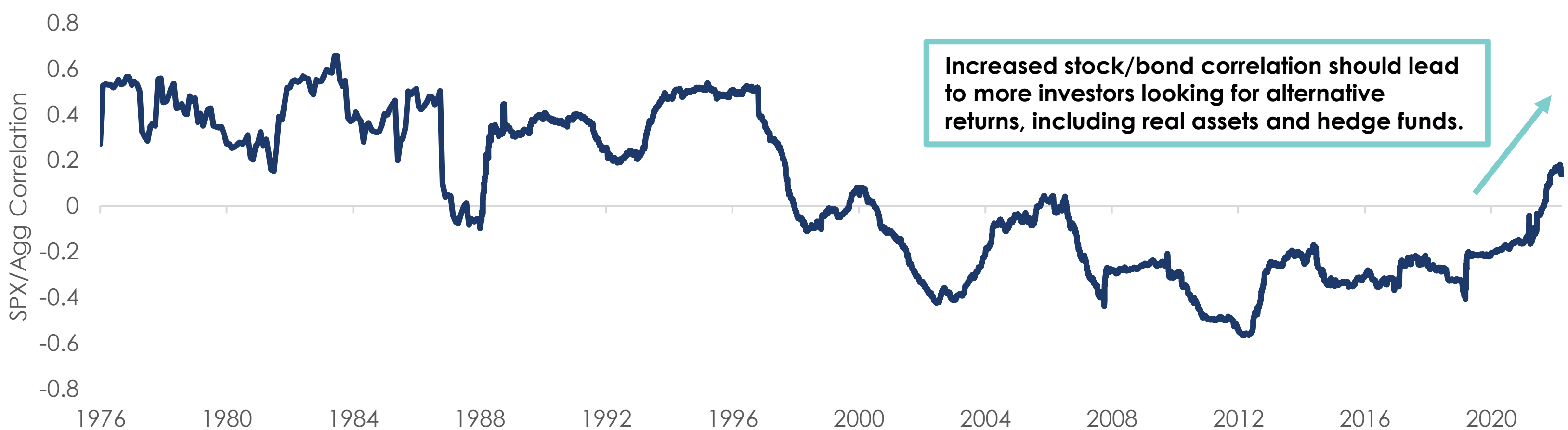
ARE STOCKS AND BONDS ENOUGH FOR YOUR PORTFOLIO?

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

Investment Outlook: Few investors today were exposed to the inflationary environment throughout the 1980s, which had little fixed income diversification. We do think fixed income offers attractive risk-adjusted returns today, but allocating a small part to diversifying assets should bode well for long term investors.

Inflation and Stock/Bond Correlation





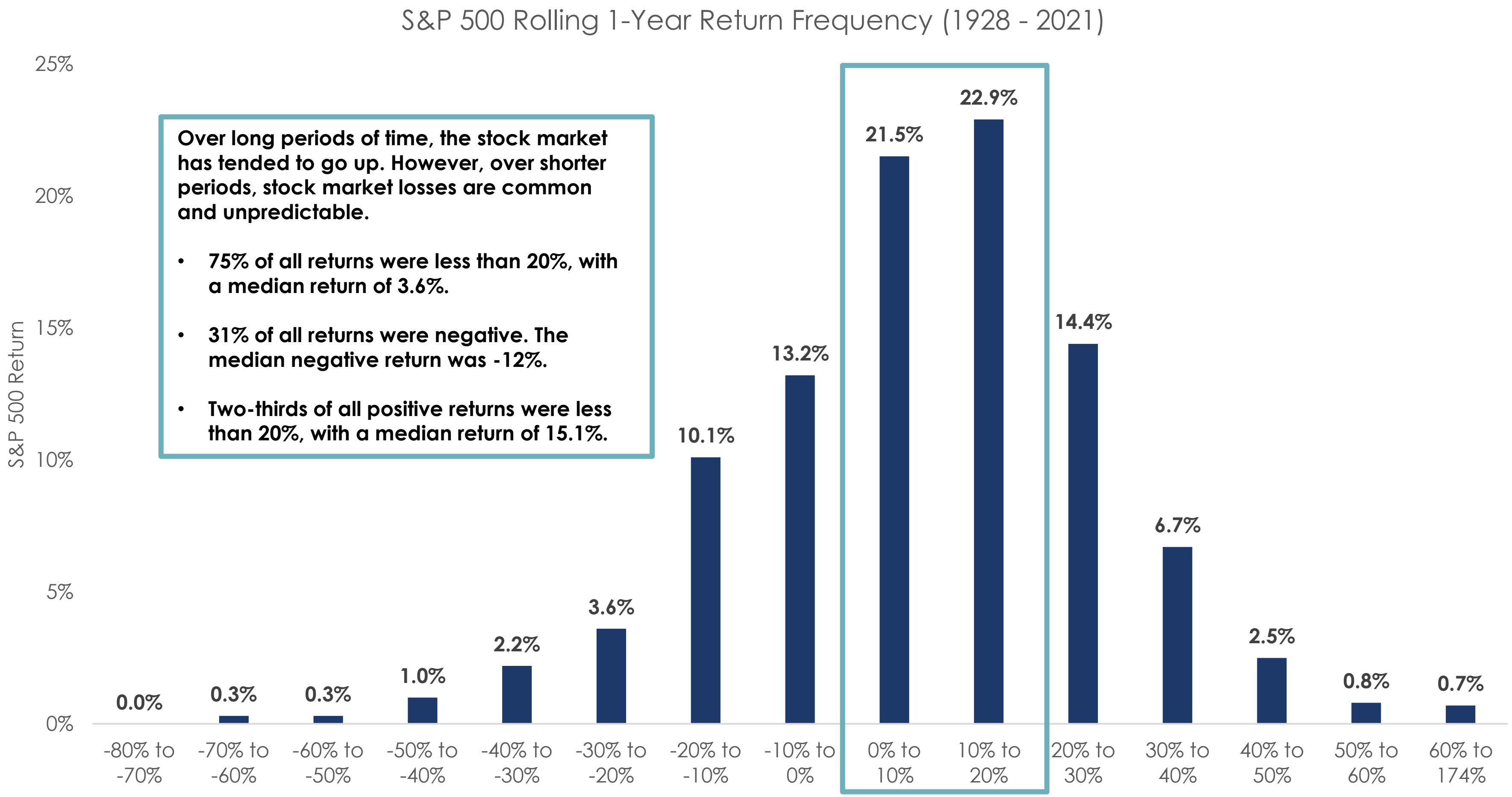
Alternatives

Refer to appendix for disclosures and data sources

VOLATILITY MAKES BUFFERED FUNDS ATTRACTIVE IN 2023

Annual stock market returns have been volatile over the past 5 years, ranging from ~-20% to ~+30% as investors digested pre and post pandemic data.

Investment Outlook: Q1 saw a big return for markets without fully solving for inflation and recession risks. Adding buffered funds for a portion of equity exposure makes sense as we enter a period of slower earnings and economic growth.



Over long periods of time, the stock market has tended to go up. However, over shorter periods, stock market losses are common and unpredictable.

- **75% of all returns were less than 20%, with a median return of 3.6%.**
- **31% of all returns were negative. The median negative return was -12%.**
- **Two-thirds of all positive returns were less than 20%, with a median return of 15.1%.**

Alternatives

Refer to appendix for disclosures and data sources

IMPORTANT DISCLOSURES

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Disclosures:
Slide 2: Performance numbers from Black Diamond corresponding index as of 3/31/2023.
Slide 3: As of 12/31/22. US LC = US large cap equities (S&P 500 Index), US SC = US small cap equities (Russell 2000 Index), Emg Mkts = Emerging market equities (MSCI EM Index), Int’l Dev. = International developed equities (MSCI EAFE Index), REITs = REITS (FTSE NAREIT Equity REIT Index), Comdty. = Commodities (Bloomberg Commodity Index), HY Bonds = High yield global bonds (Bloomberg Barclays Global High Yield Index), US Bonds = US fixed income (Bloomberg Barclays US Aggregate Bond Index), Cash = Cash (Bloomberg Barclays 1-3M Treasury Index), Asset All. = Asset Allocation (25% S&P 500, 10% Russell 2000, 15% MSCI EAFE, 5% MSCI EM, 25% Bloomberg Barclays US Aggregate, 5% Bloomberg Barclays Global High Yield, 5% Bloomberg Barclays 1-3M Treasury, 5% Bloomberg Commodity, 5% FTSE NAREIT Equity REIT).
Slide 5: BlackRock’s Market and Portfolio Insights, March 2023. The WSJ as of May 31, 2016. Bloomberg and BlackRock data as of July 15, 2022.
Slide 6: Data sourced from YCharts from 1/1/1990-3/31/2023.
Slide 7: Effective Fed Fund’s Rate data from 1/1/2000-3/31/2023. Estimates are hypothetical based on JPM’s Guide to the Markets Q2 2023.
Slide 8: Data sourced from Strategas’ Daily Macro Brief dated 4/5/2023.
Slide 9: AQR Capital Management data 1/1/1990-12/31/2022.
Slide 10: WisdomTree Model Portfolio Investment Committee Q2 2023 Quarterly Strategic Outlook.
Slide 11: Data sourced from YCharts 1/1/1962-3/31/2023.
Slide 12: Goldman Sach’s Market Know-How 2Q 2023.
Slide 13: CPI sourced from YCharts from 1/1/1976-3/31/2023. SPX/Agg correlation sourced from Bloomberg dated 1/1/1976-3/31/2023.
Slide 14: Innovator’s ETF “Why use Defined Outcome ETF Investing” Education page.