WITH YOU EVERY MILE

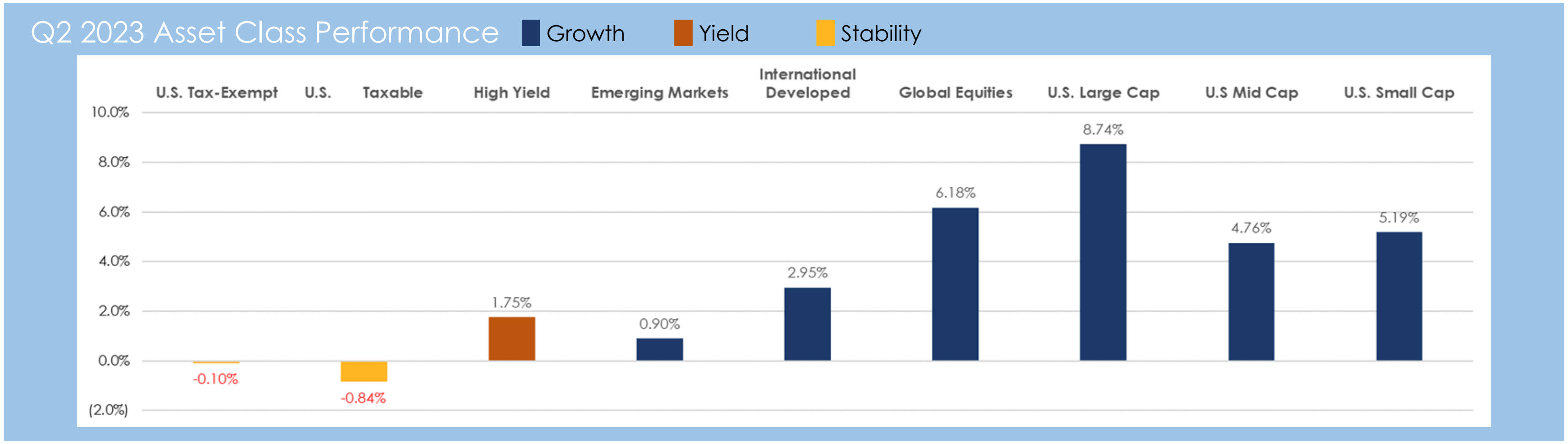
MARKET LANDSCAPE | Q3 2023

MIRACLE MILE INVESTMENT STRATEGY GROUP

MIRACLE MILE ADVISORS

THE STORY FOR Q3 2023

1. Liquidity was supportive of risk-taking in 1H23, but it will not be as supportive moving forward.
2. Economic growth was resilient in 1H23 but the lagged effect of rate hikes are still ahead.
3. Narrow market breadth made up the bulk of returns in 1H23, which we do not expect to continue into 2H23.
4. Corporate earnings are under pressure and consensus expectations are too high.
5. Valuation dispersion remains high in stocks, and value-oriented companies continue to be attractive.
6. We are close to the end of rate hikes, which is supportive of broader stock participation.
7. Solid opportunities in bonds are available - income and appreciation potential with appropriate risk.
8. We look to maintain our diversification sleeve allocation given growth, inflation, and interest rate uncertainties.



A.I. Frenzy Drives Markets Higher

Stock markets finished the second quarter of 2023 on a high note, adding to the first quarter's already strong returns. Performance was led by U.S. large cap growth stocks, whose recovery from last year's route gained further steam due to investor enthusiasm for A.I. Most of the returns were attributable to multiple expansion rather than earnings growth, which is surprising given the rise in rates during the quarter. Following passage of a new debt ceiling deal in early June, the Treasury began to withdraw the $400B of liquidity it injected earlier in the year, which we believe will pressure the frothier parts of the market, causing a rotation toward assets with more reasonable valuations. We already saw early signs of this in June, as the mega-cap, tech-driven rally broadened out into smaller stocks and more value-oriented sectors, a trend that we expect to continue.

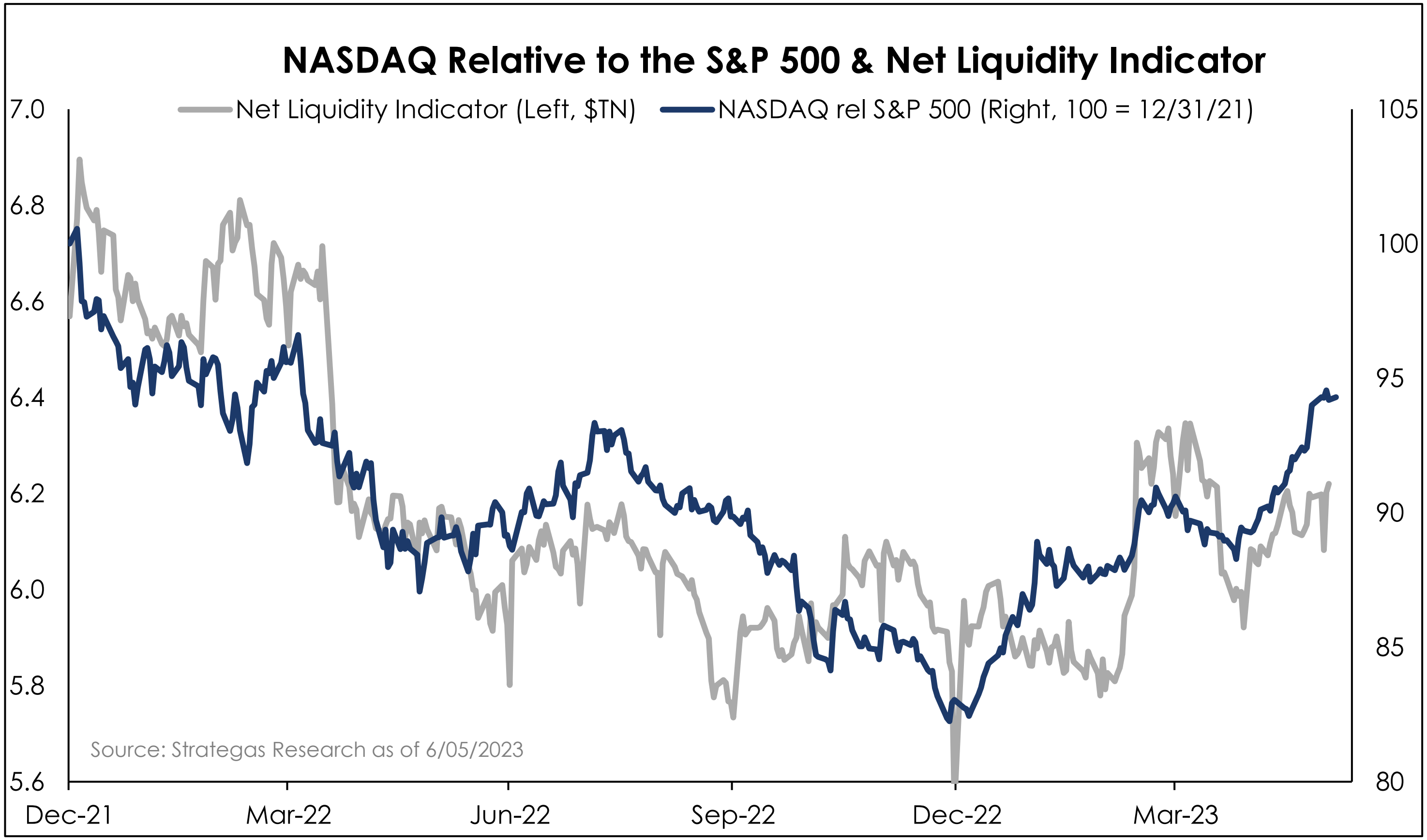
2023 Economic & Market Forecasts

- Low but still positive economic growth in the U.S. and a gradual fall in inflation should result in one or two more rate hikes.
- With valuations for growth stocks at historically elevated levels, we believe the more attractively priced segments of the equity market, such as value and emerging markets, offer better risk-return profiles in a "higher for longer" rate environment.
- Given their higher yields, bonds are providing better income as well as downside protection, and we see good opportunities in high quality corporates and munis.
- We believe complementing traditional stocks and bonds with hedged equities, private credit, and real assets can help diversify portfolios and offset inflation.

LIQUIDITY WAS SUPPORTIVE OF RISK TAKING IN 1H23

The Net Liquidity Indicator is a combination of various sources of government spending, and shows how overall U.S. monetary policy was temporarily supportive in the first half of 2023. After the debt ceiling was hit last January, the Treasury could no longer issue net debt, and as such, they spent down the Treasury General Account a net $400 billion to fund the U.S. Government. This offset the Federal Reserves liquidity drain (through interest rate hikes and qualitative tightening (QT)).

Investment Outlook: The added boost of liquidity is now past and monetary policy remains restrictive.

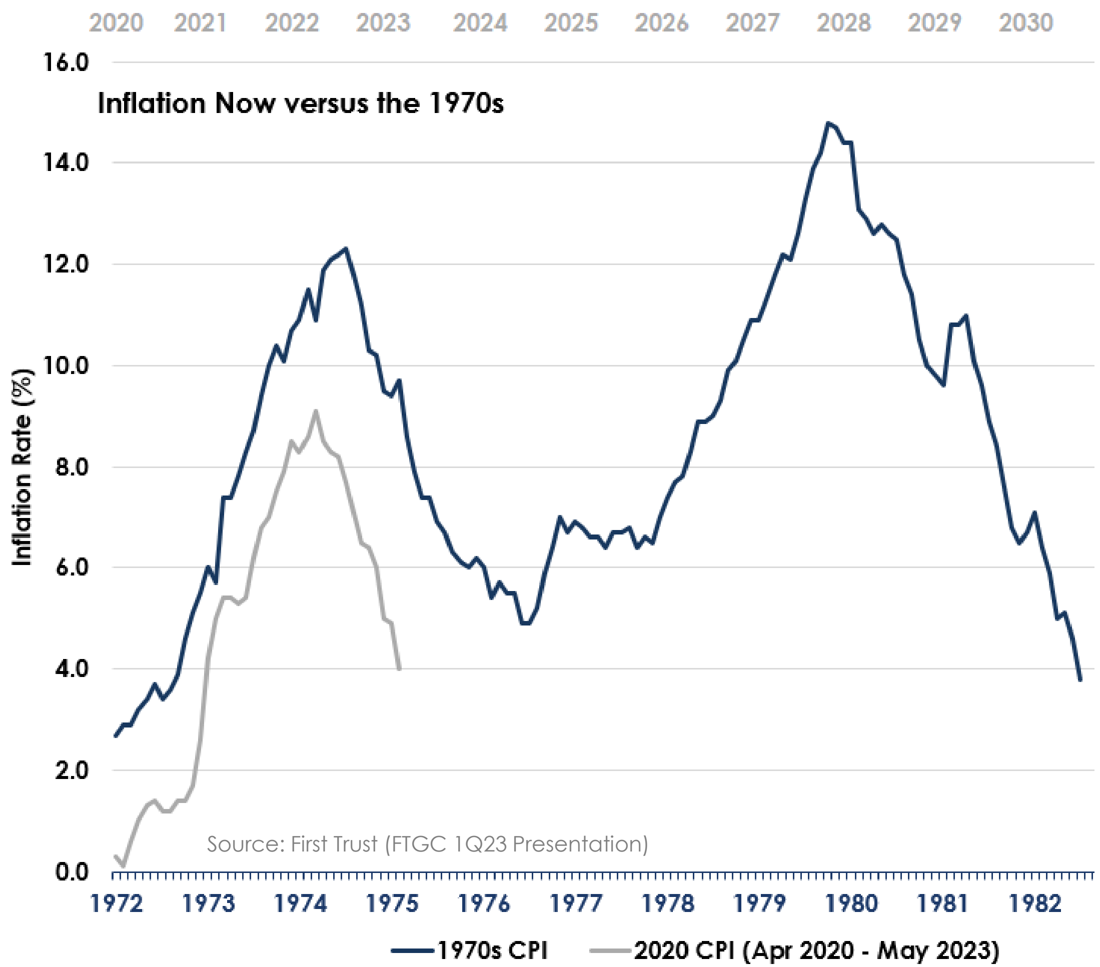


INFLATION THEN AND NOW

The Fed remains steadfast on bringing inflation down and avoiding the mistakes it made in the 1970s of easing too soon. Higher rates for longer are to anchor inflation expectations.

Investment Outlook: We expect the Fed to keep rates higher for longer, an important factor for all markets

Markets



Refer to appendix for disclosures and data sources

RESILIENT BUT SLOWING GROWTH

The U.S. economy has been strong, buoyed by tight labor markets, robust spending, and healthy balance sheets across consumers and businesses.

Investment outlook: The resilient economy still faces the lagged effects of the Fed's rate hikes, which will impact many aspects of the economy in the coming quarters.

#	Category	Leading Indicator	Advanced by…	Predicts a deteriorating in…
1	Economy	New orders less inventories in ISM survey	3 months	ISM manufacturing index
2	Employment	Unemployment, labor force participation rate, PCE inflation and avg. hourly earnings	12 months	Non-farm payrolls
3	Employment	Single family home sales	16 months	Initial jobless claims
4	Inflation	Small buisness pricing plans	12 months	Median CPI
5	Inflation-goods	Retail inventory to sales ratio	12 months	Core goods CPI
6	Inflation-services	Services prices in ISM survey	9 months	Consumer price inflation in services
7	Inflation-services	Producer prices inflation in service	9 months	Consumer price inflation in services
8	Inflation-services	Job openings	9 months	CPI in services ex-shelter
9	Lending	Banks tightening C&I loans	9 months	Corporate Defaults
10	Lending	Respondents reporting tighter credit standards	9 months	Bank Lending
11	Construction	Leading economic indicators	18 months	Construction activity
12	Profits	Fed Funds Rate, effective corporate tax rate, unemployment and productivity growth	8 months	Economy-wide profits
13	Profits	Economic activity, business cofidence, supplier deliveries, wages, inflation, cyclical GDP	12 months	S&P profits
14	Rents	Zillow observed rent index	12 months	Rent inflation
15	Revenue	Active truck utilization	6 months	S&P revenue growth
16	Wages	Avg. growth in wages advertised in job postings	4 months	Median wages
17	Wages	Rehiring rate proxy	12 months	Wages

Source: Alpine Macro, Bloomberg, Morgan Stanley, Piper Sandler, Steno Research, Trahan Macro Research, JPM/AM as of 04/2023

NARROW MARKET BREADTH

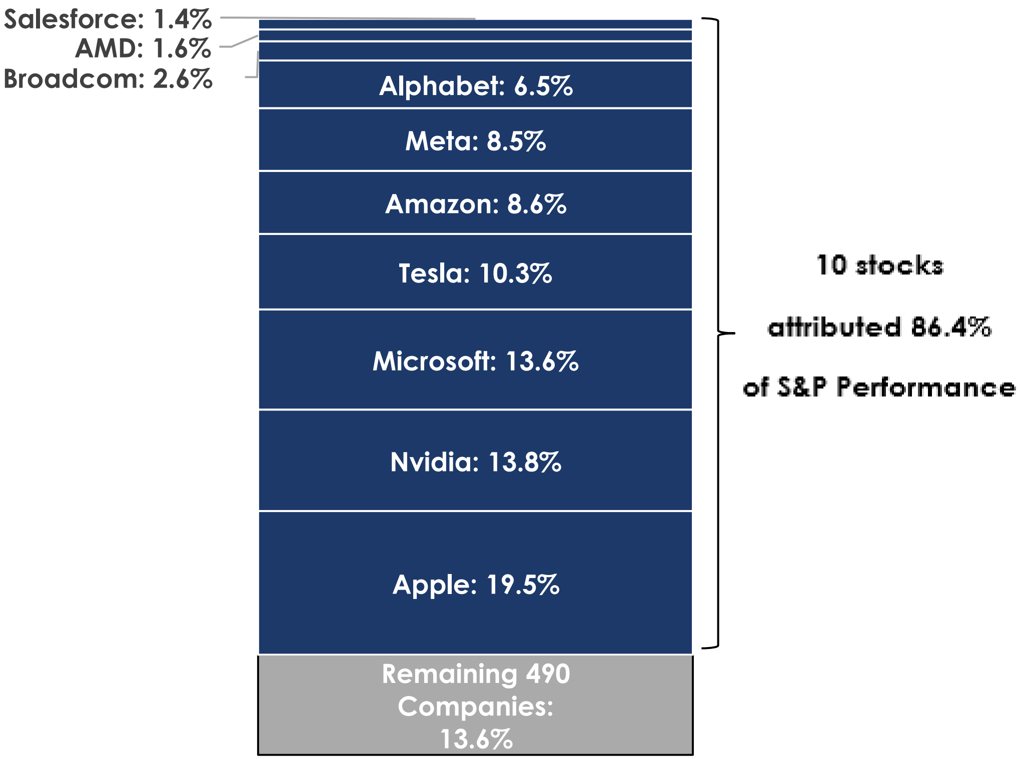
The top 10 largest stocks in the S&P 500 accounted for roughly 86% of the index's performance as of 6/30/2023. This year's market return is one of the narrowest in terms of market breadth, based on the difference in returns between market-cap weighted and equal-weighted versions of the S&P 500.

Investment Outlook: Market breadth will dramatically improve if the economy does not go into a recession.

Equities

S&P 500 Year To Date Change In Market Cap

Percent Contributions to Index Return (%)

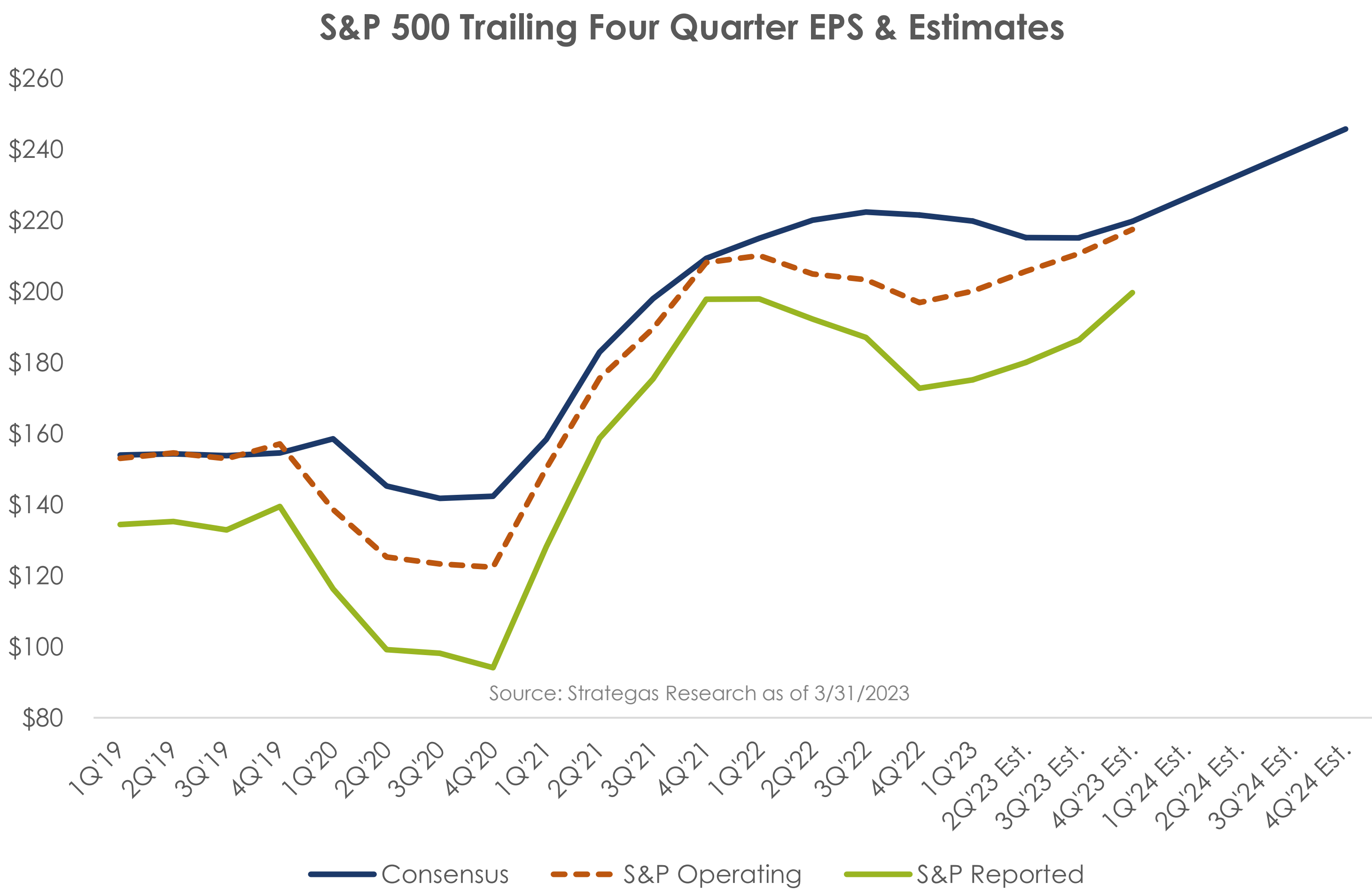


Source: Bloomberg data as of 1/03/2023 - 7/10/2023

EARNINGS UNDER PRESSURE?

Corporate earnings have been resilient, reflecting underlying strength in the economy, but we believe profits will be pressured in the coming quarters due to continued monetary tightening and slowing growth.

Investment Outlook: We expect earnings for the S&P 500 earnings to contract in 2023 and prefer a more diversified approach to gaining equity exposure.



VALUATION DISPERSION

Given the large cap technology-driven rally so far in 2023, the valuation gap between growth stocks and other segments of the market have widened. U.S. large cap growth trades in the 80th percentile or above across various valuation metrics, while other markets are generally trading at multiples below their historical averages.

Investment Outlook: We see more attractive opportunities in value, small to medium cap, and international markets.

Absolute & Relative Valuation Z-Score* and 15-Year Percentile Ranking — Bottom 2 Expensive Valuation — Top 2 Attractive Valuation

		Valuation to Region History (Percentile)				Absolute Valuation Composite	Valuation Relative to MSCI ACWI (Percentile)				Relative Valuation Z-
		P/E	NTM P/E	P/B	P/S	Z-Score	P/E	NTM P/E	P/B	P/S	Score
US/Style/Region	S&P 500	86%	87%	93%	88%	1.19	97%	100%	99%	83%	1.53
	S&P 500 MidCap 400 Index	12%	18%	54%	36%	-0.53	5%	3%	1%	1%	-2.02
	S&P SmallCap 600 Index	9%	11%	23%	25%	-0.84	2%	7%	1%	7%	-1.74
	Russell 1000 Value	57%	63%	88%	69%	0.52	12%	1%	41%	8%	-0.92
	Russell 1000 Growth	90%	88%	92%	87%	1.59	100%	98%	91%	88%	2.00
	MSCI EAFE	26%	38%	85%	81%	0.24	0%	0%	10%	14%	-1.92
	MSCI Europe	32%	38%	84%	79%	0.25	11%	0%	7%	14%	-1.72
	MSCI EM	35%	77%	42%	54%	-0.04	3%	22%	1%	1%	-1.16

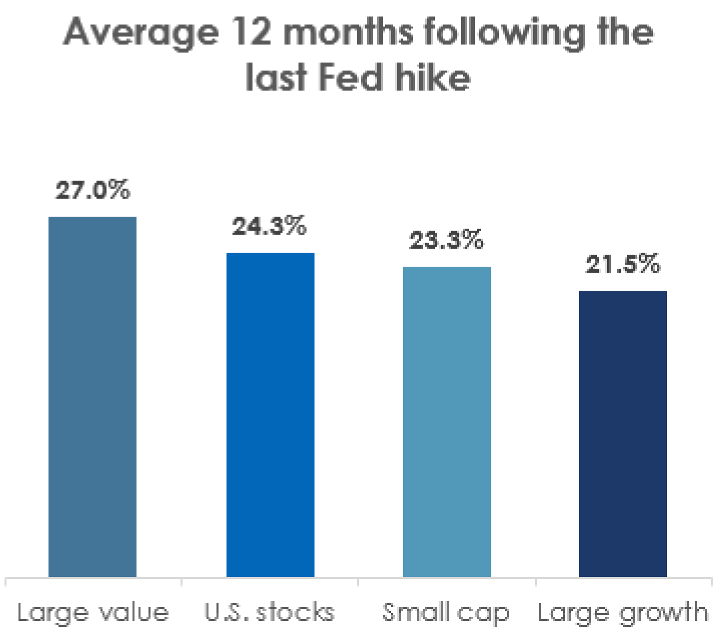
Source: Morningstar as of 6/30/2023

CLOSE TO THE END OF RATE HIKES

The Fed paused its rate hikes at its June meeting for the first time during this monetary policy cycle and is nearing the end of its tightening campaign. Historically, growth stocks have underperformed as the Fed's tightening cycle came to an end.

Investment Outlook: Value and small cap stocks could again outperform once the Fed is done raising interest rates.

Equities



Last Federal Reserve rate increase	Large Value	U.S. stocks	Small cap	Large growth
2/1/1995	38.7	30.0	38.8	16.1
3/25/1997	42.2	38.0	42.7	15.5
5/16/2000	-13.0	-0.3	-31.4	-16.0
6/29/2006	23.1	23.4	21.7	32.8
12/20/2018	30.5	25.4	35.6	19.8
Average	**27.0**	**24.3**	**23.3**	**21.5**

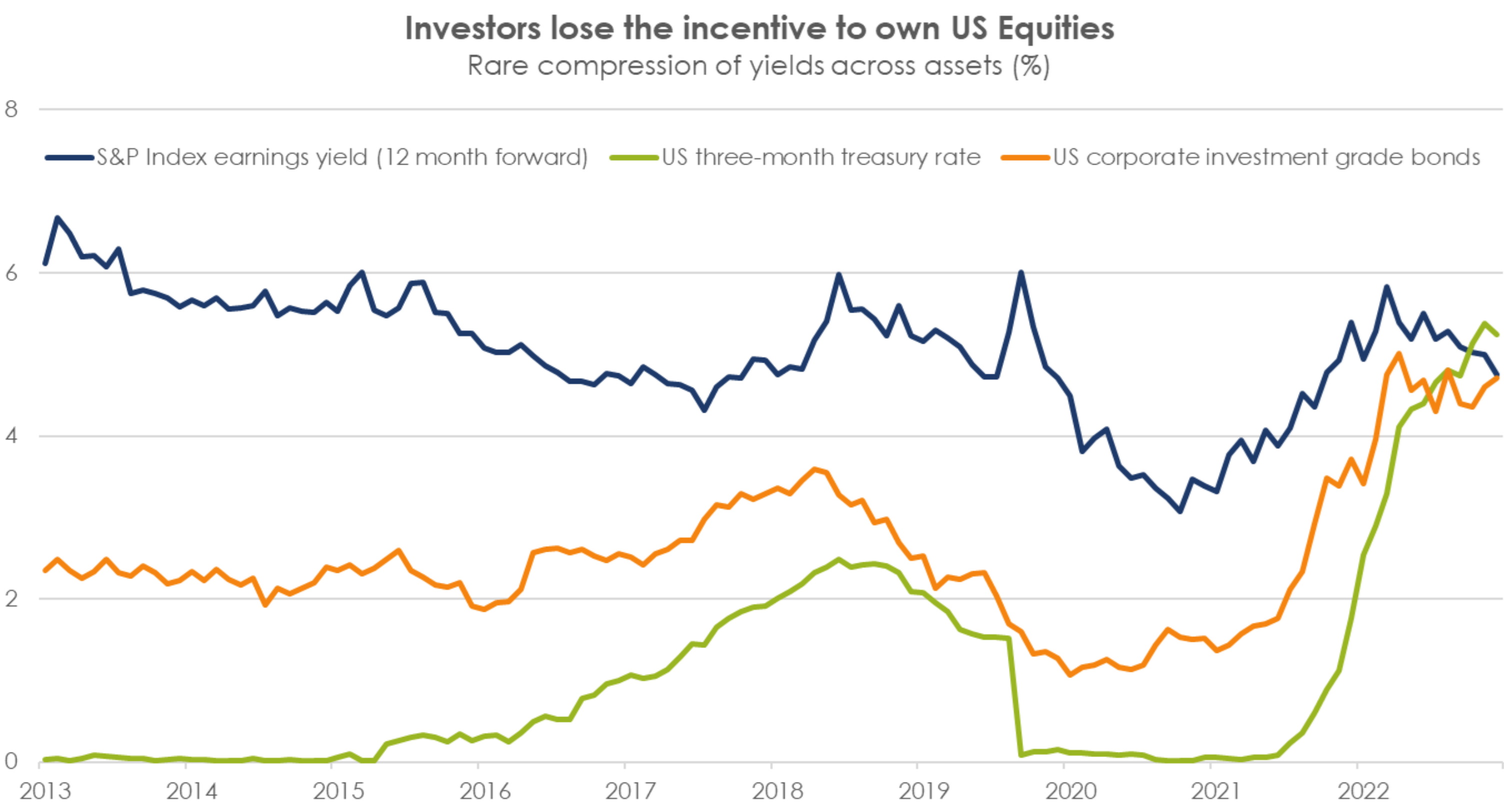
Source: Blackrock data as of 2/09/94 - 4/30/2023

Refer to appendix for disclosures and data sources

STOCK AND BOND YIELDS TELL TWO DIFFERENT STORIES

After the run up in stocks, the S&P 500 earnings yield is now about the same as for U.S. Corporate bonds (and 3-month Treasuries). Investors typically require a risk premium to own stocks vs. bonds (or Treasuries), which doesn't currently exist.

Investment Outlook: Bond valuations are more attractive than the S&P 500, better compensating for risk.

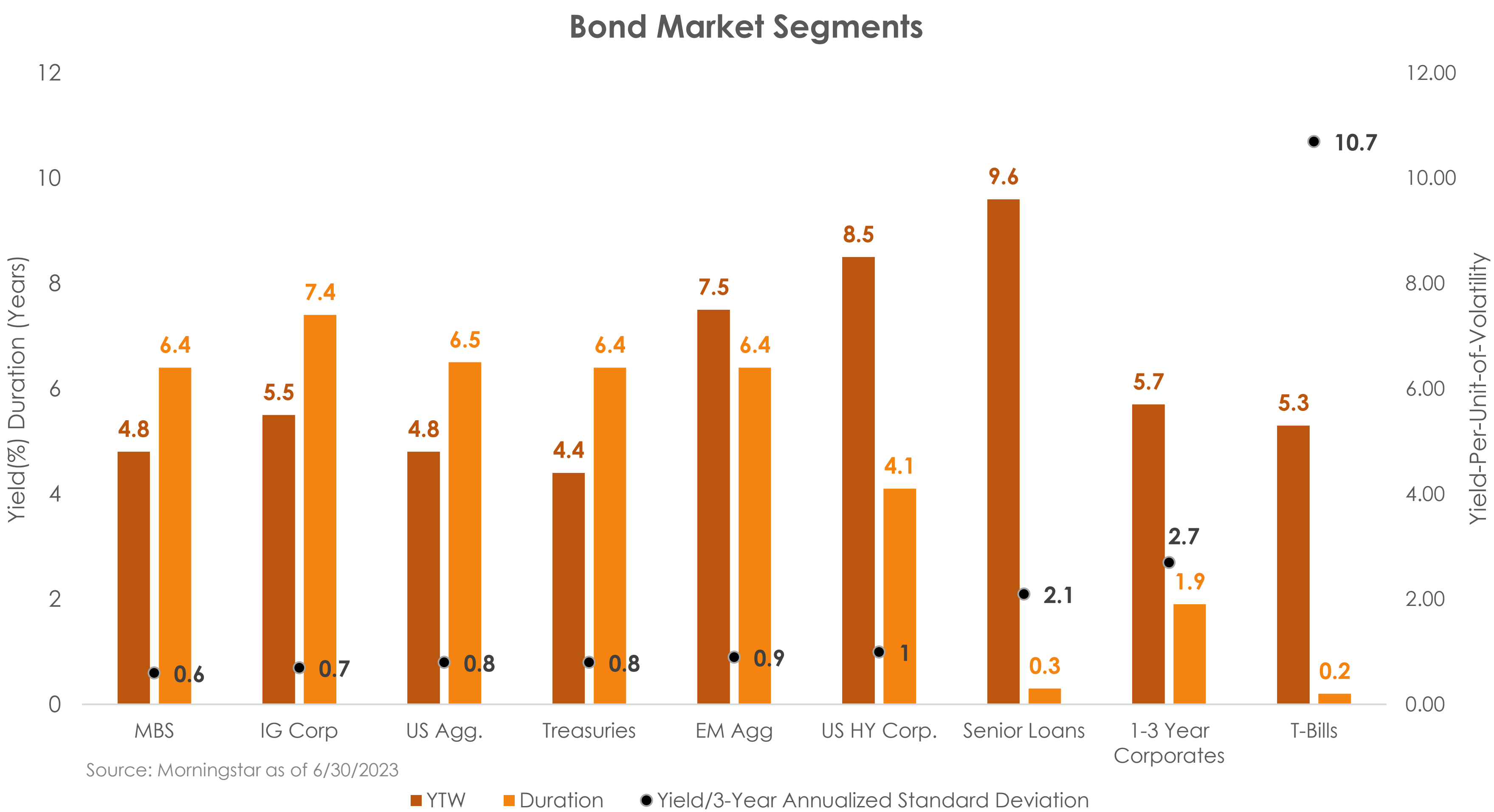


Source: Bloomberg as of 7/31/2013 - 6/29/2023

We see opportunities in bonds in longer-dated munis, mid-duration corporates, and shorter duration high yield.

Investment Outlook: The recent back up in yields due to stronger economic data is an opportunity to add quality fixed income. Short duration high yield also remains an attractive, risk and return balance.

Fixed Income



Source: Morningstar as of 6/30/2023

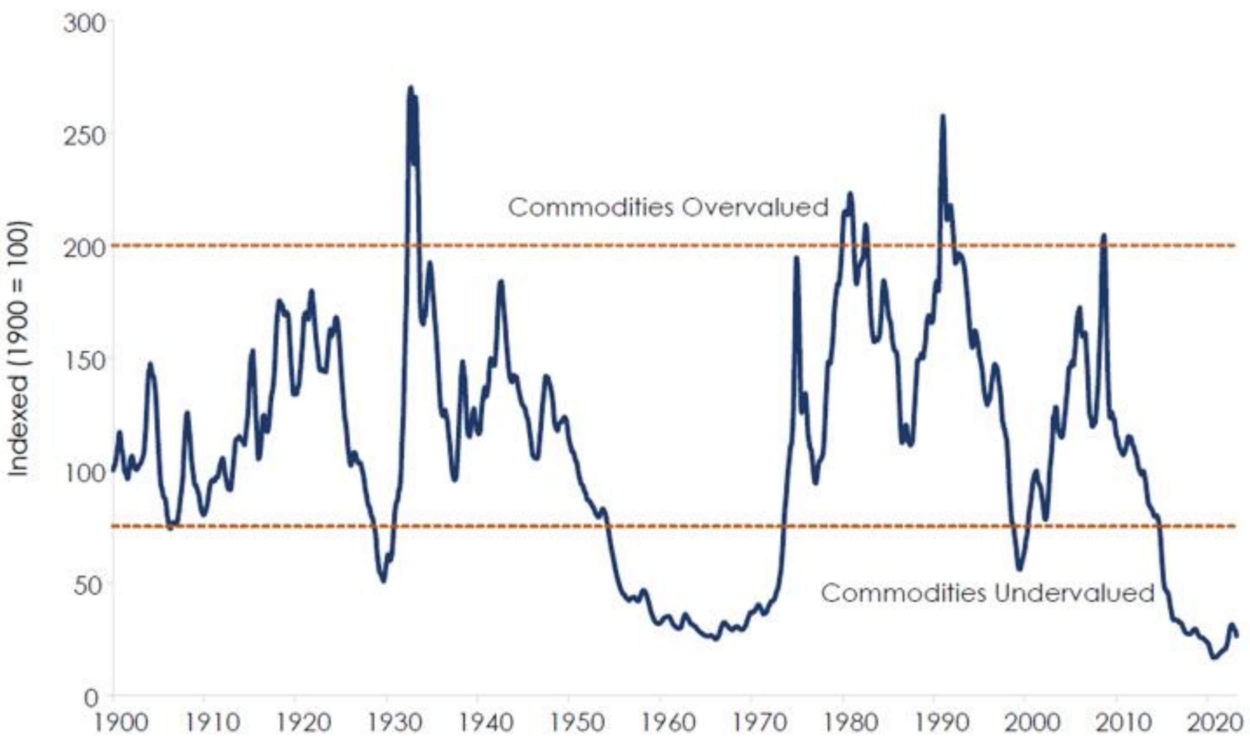
Refer to appendix for disclosures and data sources

THE CASE FOR COMMODITIES – NEAR TERM

Commodities will be in high demand in the coming decades, and they are cheap relative to stocks.

Investment Outlook: We do not know yet if a commodity super cycle has started, but valuations and energy transitions are providing a good opportunity to start holding commodities as a small percentage of portfolios.

Commodity Prices / Dow Jones Industrial Average



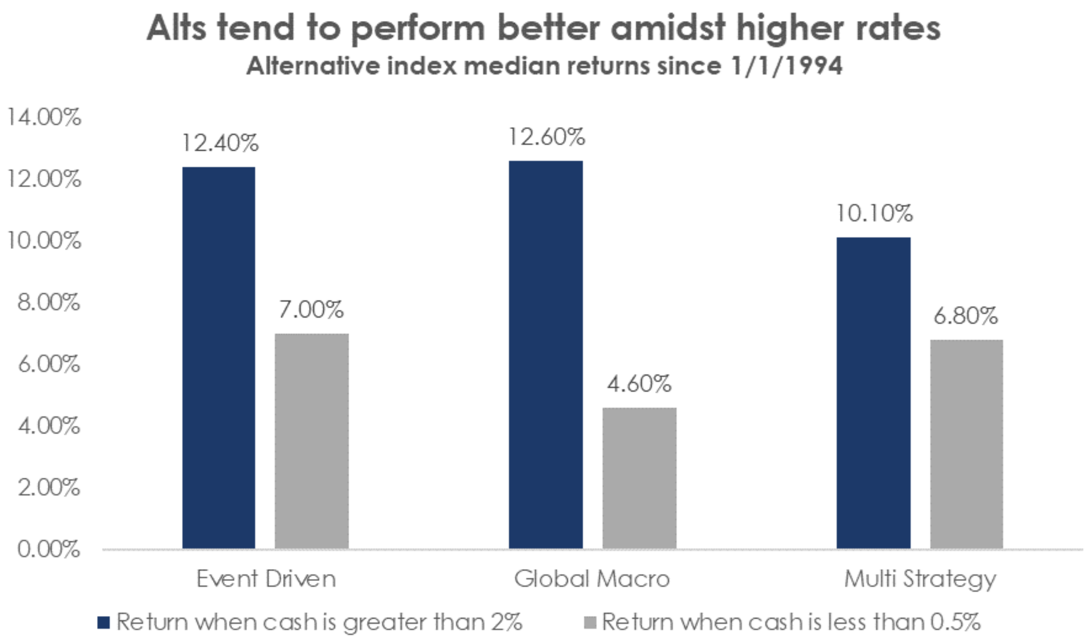
Source: Goehring & Rozencwajg data from Goldman Sachs Commodity Index to 1970 as of 12/31/2022

DIVERSIFICATION FOR ECONOMIC UNCERTAINTY

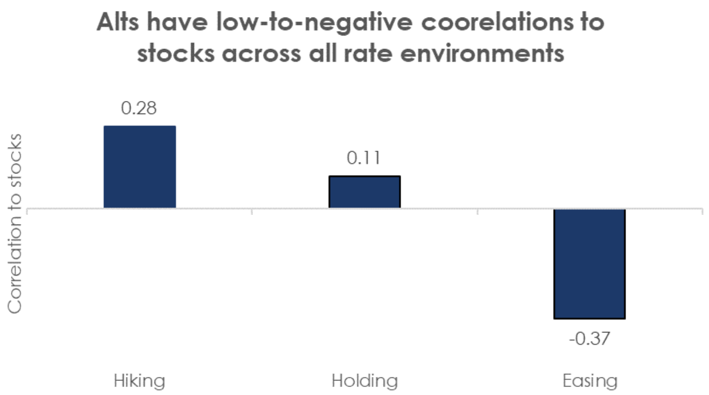
Alternatives have historically provided good portfolio diversification during various interest rate regimes, with lower correlations to stocks and better performance during higher rates.

Investment Outlook: Apply a multi-strategy approach with unique drivers of performance for increased diversification.

Alternatives



Source: BlackRock as of 3/31/2023



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Disclosures:
Slide 3: Performance numbers from Black Diamond corresponding index as of 6/30/2023.
Slide 4: As of 6/05/2023 data sourced from Strategas, NASDAQ relative to the S&P 500, net liquidity indicator.
Slide 5: Chart sourced from First Trust (FTGC 1Q23 Presentation), data from Bloomberg as of 6/30/1972 - 3/31/2023
Slide 6: Alpine Macro, Bloomberg, Morgan Stanley, Piper Sandler, Steno Research, Trahan Macro Research, JPM/AM April 2023
Slide 7: Data sourced from Bloomberg, BQL formula as of 1/03/2023 - 7/10/2023
Slide 8: As of 3/31/2023 data sourced from Strategas, Trailing 4 QTR for Consensus, Operating, and Reported EPS. Forecasts throughout 6/30/23 - 12/31/2024
Slide 9: Chart sourced from State Street SPDR Monthly Chart Pack 2023, Data as of 6/30/2023 from Morningstar
Slide 10: Chart sourced from Blackrock, data as of 2/09/94 - 4/30/2023
Slide 11: Data sourced from Bloomberg as of 7/31/2013 - 6/29/2023
Slide 12: Chart sourced from State Street SPDR Monthly Chart Pack 2023, Data as of 6/30/2023 from Morningstar
Slide 13: Chart sourced from Goehring & Rozencwajg data as of 12/31/2022 from Goldman Sachs Commodity Index to 1970, Goehring & Rozenwajg commodity index 1900-1970. Goldman index data from Bloomberg
Slide 14: Chart sourced from BlackRock (Diversify With Alts) data from Bloomberg as of 3/31/2023