Market & Economic Outlook 2023 – April Update: Sensing Complacency

1Q23 Returns (12/31/22 - 3/31/23)	Value	Price Return	Total Return*	All-Time High	Date of All-Time High
S&P 500	4,109.31	7.0%	7.5%	4,796.56	1/3/2022
Dow Jones Industrial Average	33,274.15	0.4%	0.9%	36,799.65	1/4/2022
NASDAQ Composite	12,221.91	16.8%	17.0%	16,057.44	11/19/2021
Russell 2000	1,802.48	2.3%	2.7%	2,442.74	11/8/2021
MSCI EAFE (USD)	2,092.60	6.7%	7.7%	2,398.71	9/6/2021
MSCI Emerging Markets (USD)	990.28	3.4%	3.8%	1,444.93	2/17/2021

**Total Return includes dividends and assumes reinvestment*

Data Source: FactSet; Closing prices as of 3/31/2023

Outlook Summary:

Positive returns for U.S. equities in the first quarter of 2023 (1Q23) extended a market rally that began in mid-October last year. While we acknowledge improved investor sentiment (attributed to positive economic data and lower interest rates), we continue to see numerous challenges ahead for equity markets. Our S&P 500 fair value estimate of 3,900 remains unchanged from our December 2022 outlook, a level that is 5.1% below the index closing price as of 3/31/23. While 1Q23 economic data has trended above the consensus expectations in place three months ago, our equity market outlook remains cautious as the S&P 500 valuation is elevated (the index has moved higher even as consensus earnings estimates have moved lower), and we believe the rapid rise in interest rates over the past year will slow consumer spending and business investment. Federal Reserve Bank (Fed) interest rate increases first created housing market weakness as mortgage rates surged, and more recently contributed to the March 2023 bank liquidity crisis that negatively impacted many regional banks. In our view, this creates additional economic uncertainty as reduced bank liquidity can restrict bank lending across the economy. We see the S&P 500 trading in a range between 3,600 and 4,300.

As a balance to our cautious stance, several positive economic and market factors remain in place. This includes solid jobs gains and wage growth, the reopening of China's economy following the end of its zero-COVID lockdown policy, and a weaker U.S. dollar year-over-year (Y/Y), which can help boost overseas earnings. Additionally, elevated inflation levels are easing and the Fed appears very close to holding overnight interest rates in place, ending 12 months of steady rate increases. Investors now debate a range of 2023 economic outcomes, which includes a possible "soft landing" where economic growth (as measured by real gross domestic product, or GDP) is modestly positive (less than 1%). Another economic view is a mild recession (in our view, the most likely outcome), which reflects a 2023 GDP decline of roughly 0% to -1.0% and would likely lead to reduced earnings estimates below what current consensus reflects. A "hard landing," considered a GDP decline approaching -2.0% or more, is an outcome not currently priced into earnings estimates, in our view, and could drive equity prices down from current levels. Given the economic uncertainty that remains, we believe that investors could add defensive exposure (this includes sectors such as Utilities, Consumer Staples, and Health Care), as companies in these sectors generally sell products and services that are more essential during periods of economic weakness. In this environment we continue to recommend high-quality companies and broad sector diversification.

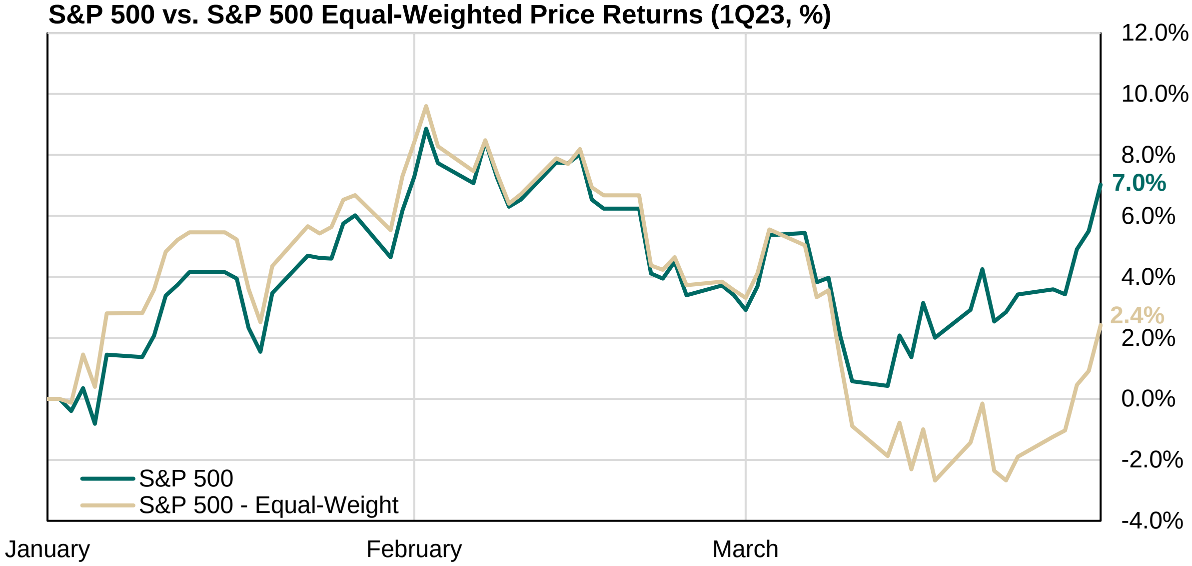
First quarter review. The widely followed, large-company S&P 500 index closed at a price level of 4,109 on 3/31/23, reflecting a 1Q23 price increase (not including dividends) of 7.0% (and 7.5% total return with dividends). This was the second consecutive quarter of gains (4Q22 price return was 7.1%) after declines over the first three quarters of 2022. In 2023, equities rallied in January (the S&P 500 gained 6.2%), dropped -2.6% in February due to worries about inflation, rising interest rates, and economic growth, and then the index rebounded 3.5% in March. We attribute the March gains to solid trends in 1Q23 economic data and an expectation that the Federal Reserve Bank will soon put the brakes on its year-long, aggressive interest rate hiking policy intended to slow inflation. The March rally was surprising given a sudden bank liquidity crisis early in the month. The S&P 500 dropped -4.5% for the week ended 3/10/23 as the bank scare emerged but gained 6.2% over the balance of the month as investors appeared satisfied that quick actions by the Fed and U.S. Treasury to backstop deposits helped to avert a deeper crisis. The first quarter also reflected a wide range of returns between other popular U.S. equity indices. The large-company, technology- and growth-centric Nasdaq Composite posted a 1Q23 total return of 17.0%, while the Dow Jones Industrial Average (also large-company, but less exposure to growth) produced a total return of just 0.9%. Small companies lagged the return of the S&P 500 and Nasdaq Composite as the widely followed, small-company Russell 2000 gained 2.7%.

S&P 500 Index (SP50)

Data Source: FactSet as of 3/31/23. S&P 500 Daily Closing Prices 12/31/19 to 3/31/23

Leadership has narrowed. The S&P 500's price return of 7.0% in 1Q23 was not as good as it appeared as market leadership (stocks and sectors driving the gains) narrowed and not all stocks fully participated in gains. Of the eleven macro industry groups comprising the S&P 500 sectors (using MSCI's Global Industry Classification Standards, or GICS), four were lower in the quarter, and four other sectors posted only modest gains. Just three sectors (Information Technology, +21.5%, Communications Services, +20.2%, and Consumer Discretionary, +15.8%) drove the vast majority of index gains. Those three sectors include the five stocks with the largest market capitalization (often called the "mega-caps"), which collectively comprised 21.5% of the S&P 500's total market capitalization as of 3/23/23 (per FactSet). Perhaps a better way to look at the leadership from a narrow group of stocks is to compare the performance of the S&P 500 index (which is weighted by market capitalization) to the equal-weighted S&P 500 (where all 503 companies are weighted equally in the index calculation). The equal-weighted S&P 500 index gained 2.4% in 1Q23 compared to the 7.0% price gain of the market cap-weighted S&P 500. In March alone, the equal-weighted S&P 500 declined -1.1% compared to a 3.5% gain for the S&P 500. In addition, the comparatively weak performance of the Russell 2000 index is additional evidence that 1Q23 equity market gains lacked broad participation. While future gains could expand to more sectors and individual stocks if economic activity continues to surprise to the upside, the narrow market leadership as the overall index moved higher bears watching and indicates some level of caution from investors.

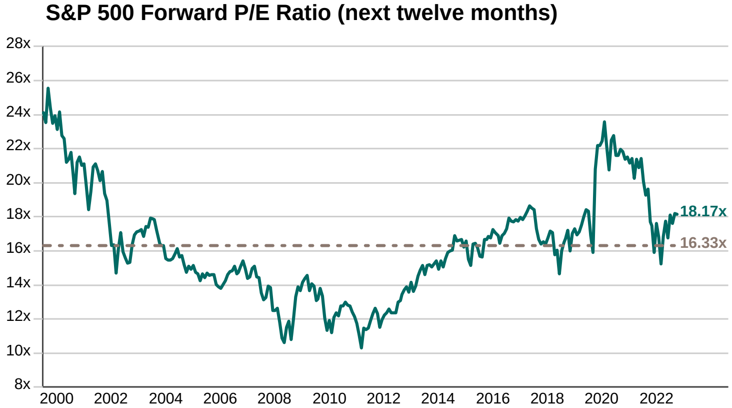
S&P 500 vs. S&P 500 Equal-Weighted Price Returns (1Q23, %)



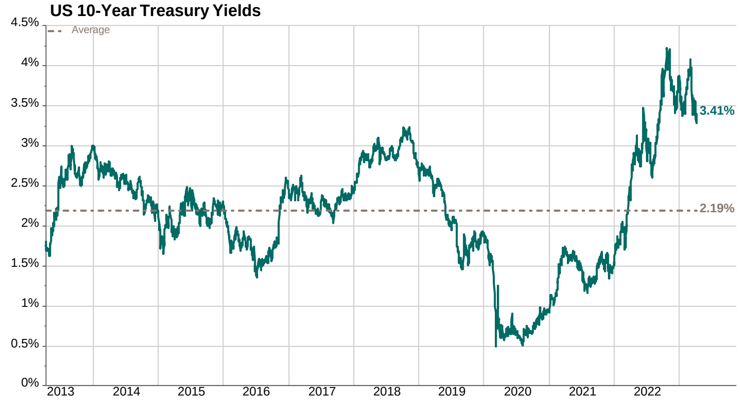
Data Source: FactSet and closing index prices from 12/31/22 to 3/31/23 . Price return excludes dividends.

Market valuation. Our S&P 500 fair value estimate of 3,900 represents a price-to-earnings (P/E) of 17.3x the next twelve months (2Q23 to 1Q24) S&P 500 FactSet consensus EPS estimate of $225. In addition, our fair value estimate is 17.8x the FactSet consensus calendar 2023 EPS estimate of $219 (as of 3/31/23). That estimate is 4.8% lower than when we published our 2023 Market Outlook on 12/27/22, reflecting an overall decline in earnings expectations in the quarters ahead. Our fair value is 5.1% below the index closing price on 3/31/23, and 1.6% above the closing price of 3,839 at the end of 2022. Along with a current S&P 500 dividend yield of 1.7%, this suggests a 2023 total return of less than 4%. Over the past 23 years, the S&P 500 has traded at an average P/E ratio (using the consensus estimate of the next four quarters) of 16.3x. While our fair value estimate assumes a P/E modestly above that long-term average, the current P/E valuation is 11.3% higher. Given that U.S. interest rates remain elevated (the yield on the 10-year U.S. Treasury bond, a proxy for U.S. long-term interest rates, at 3.40% as of 4/7/23, was significantly above both the 2.2% average over the past ten years and the yield of 1.51% at the end of 2021), we do not believe that P/E multiples will expand much from current levels. A decline in the 10-year Treasury yield in recent weeks (from a high of 4.08% in early March) likely contributed to equity market gains late in 1Q23, but given the drop in earnings estimates as well, the conditions for continued multiple expansion are not ideal, in our opinion. With economic uncertainty still at high levels and perhaps additional downward revisions to earnings estimates to come, we see the potential for significant market volatility and S&P 500 levels that could trade in a wide range.

S&P 500 Forward P/E Ratio (next twelve months)

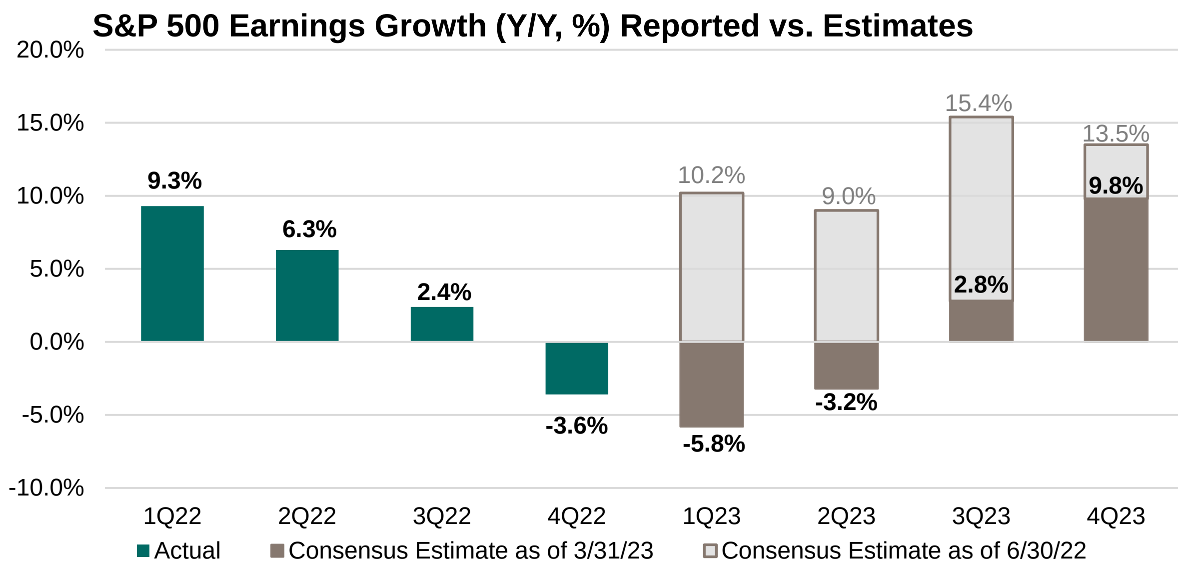


US 10-Year Treasury Yields



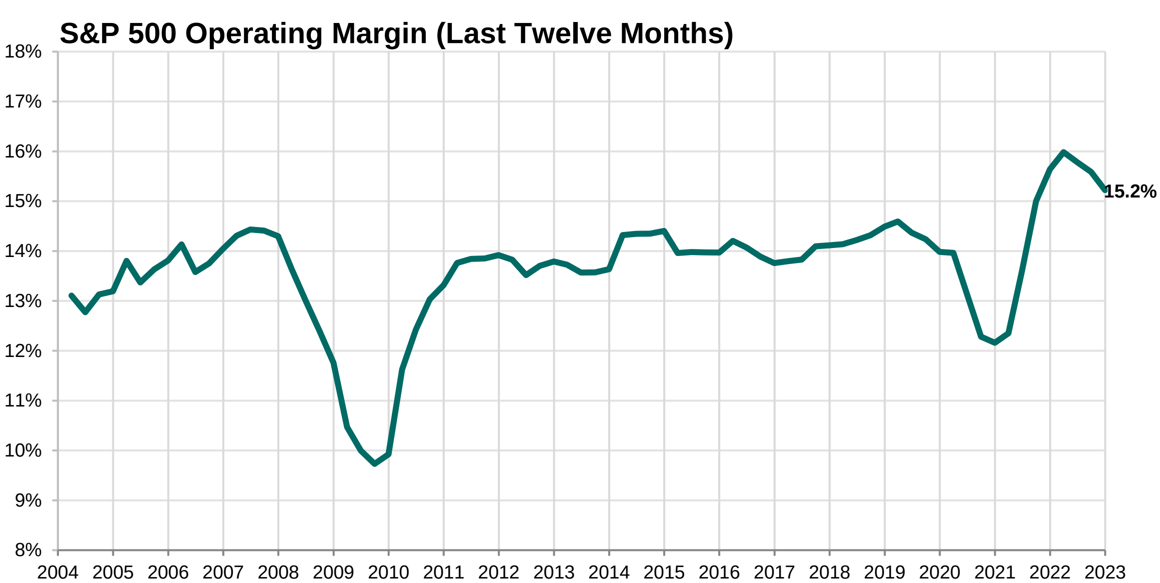
Data source: FactSet, using exchange data, as of 4/7/23 (see Other Disclosures on page 8 for further discussion of P/Es and Treasury yields)

Quarterly earnings are now falling Y/Y and estimate revisions are lower. Collective earnings for the S&P 500 index showed Y/Y growth for the first three quarters of 2022 (the green bars below reflect S&P 500 earnings growth for quarters already reported), although at a lower percentage growth rate each quarter. In 4Q22, quarterly Y/Y earnings growth turned negative for the first time since the pandemic lockdowns. When looking at estimated earnings growth (the dark gray bars show FactSet consensus earnings estimates for each quarter of 2023, and the light gray portion shows the earnings estimates for the same quarter nine months ago, as of 6/30/22) in 2023, S&P 500 earnings are estimated to decline Y/Y for both 1Q23 and 2Q23, but then return to growth in the final two quarters of the year. Estimate revisions have continued lower in recent months, and in the middle of last year, strong double-digit percentage growth was expected for each quarter of 2023. Given relatively solid economic data in January and February that has led to upward revisions in economic growth estimates, earnings results could surprise to the upside in 1Q23. The March 2023 bank liquidity crisis was unlikely to change the 1Q23 earnings trajectory, in our view, as it began relatively late in the quarter, but is likely to weigh on earnings (especially for the Financials sector) over the balance of the year. While improved earnings growth in 3Q23 and 4Q23 remains possible as Y/Y comparisons become easier, estimates have trended lower due to economic uncertainty. We look for estimates over the balance of 2023 to drift lower, with the potential for sustainable (improved visibility) earnings growth to resume in 2024.



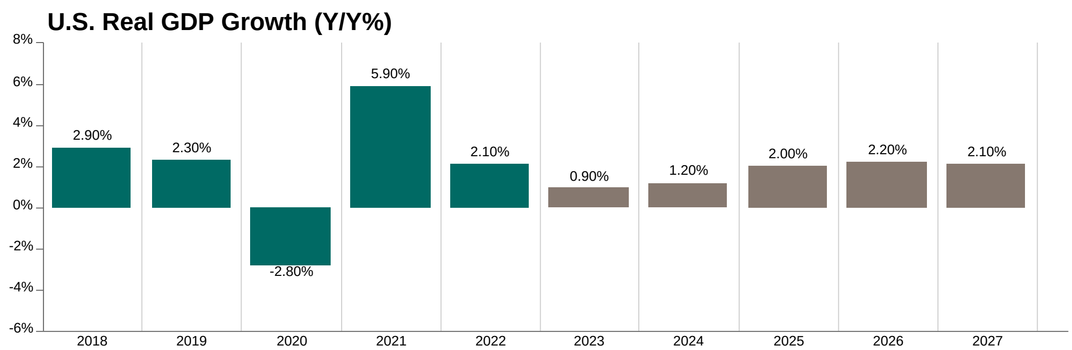
Data source: FactSet consensus estimates (from Wall Street analysts) as of 4/7/23. S&P 500 earnings are weighted by market capitalization for all constituents.

One reason that earnings growth could remain constrained in the current environment is that company profit margins appear to have peaked. Over the past 19 years, the S&P 500 weighted-average operating margin ranged from just below 10% to 16%, with an average over the past four quarters near the top of that range at 15.2%. The operating margin is the earnings before interest expense and taxes, giving a view of profitability from the business operations. Over the nine years mid-2011 through 2019 (pre-pandemic), the S&P 500 operating margin ranged between 13.5% to 14.5%. The margin plunged during the global pandemic, then surged in 2021/2022 following the economy's reopening and passage of fiscal stimulus. In our view, the pandemic response and recovery has created a 3+ year period of volatility in data, and we expect the S&P 500 operating margin to trend back closer to that 14% level in time. This tells us that the earnings growth in the quarters ahead is highly dependent upon revenue growth, and margin compression back to historic ranges would result in earnings growth at a lower rate than revenue growth.



Data Source: FactSet, from company reports. Chart shows the weighted average S&P 500 operating margin reported over the prior 12 months as of 3/31/23.

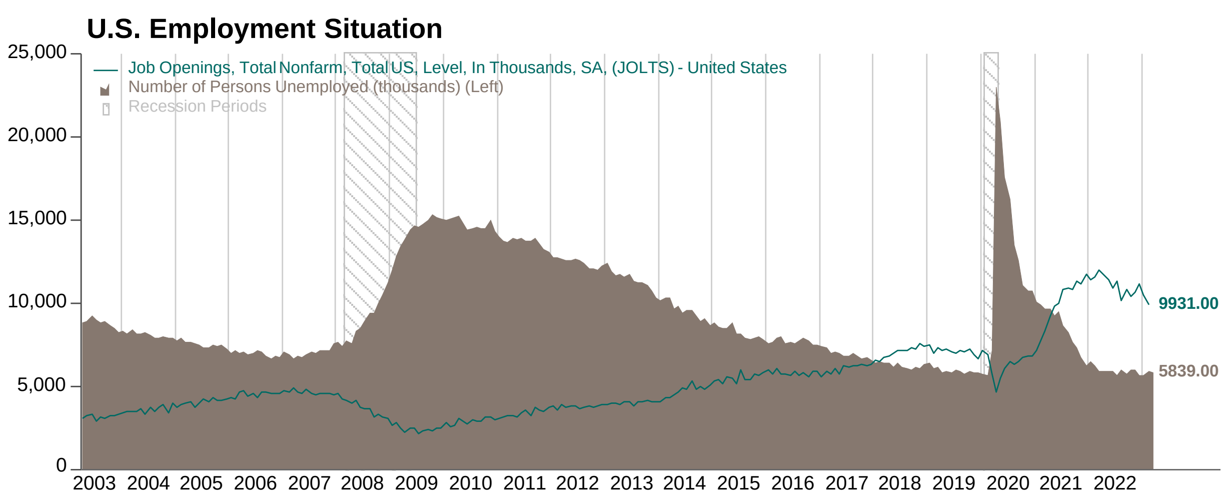
The U.S. economy has slowed, but stronger data in 4Q22 and 1Q23 reduced recession fears. When measuring U.S. economic activity, we look at real gross domestic product (GDP), which is the inflation-adjusted value of goods and services produced, reported by the Bureau of Economic Analysis (BEA). 4Q22 GDP increased 2.6% (quarterly growth annualized), contributing to 2.1% GDP growth for all of 2022. In the years 2015 to 2019, U.S. GDP growth averaged 2.4% annually, then was disrupted by the 2020 COVID-19 recession and strong 2021 stimulus- and reopening-led recovery. As GDP growth normalizes from pandemic distortions, estimated annual growth over the next five years (2023 to 2027) is well below that pre-pandemic average. The U.S. economy must navigate elevated inflation, a rapid rise in interest rates since early 2022, uncertain global growth (especially in Europe), and ongoing disruption caused by the Russia/Ukraine war. This has caused many investors, us included, to forecast economic weakness, including a mild recession, that could develop in 2023. Consumer spending contributed positively to 4Q22 GDP, but at the weakest level in ten quarters (since 2Q20), which suggested to us that the post-pandemic consumer was running out of steam. However, 1Q23 consumer data reported through early April (includes employment, wages, and retail sales) has trended above estimates and the FactSet consensus GDP estimate for the first quarter increased to 1.6% (as of 4/6/23) from -0.2% (as of 12/31/22). While the first 1Q23 GDP report from the BEA is not due until late April, the rise in expectations is notable. In our view, while near-term recession fears have receded, the risk remains, possibly in the second half of 2023 or in 2024. From the table below, the FactSet consensus quarterly GDP estimates over the balance of 2023 remain uninspiring.



U.S. Quarterly Real GDP Actual (A)/Estimates (E)	
3Q22A	3.2%
4Q22A	2.6%
1Q23E	1.6%
2Q23E	0.0%
3Q23E	-0.5%
4Q23E	0.2%

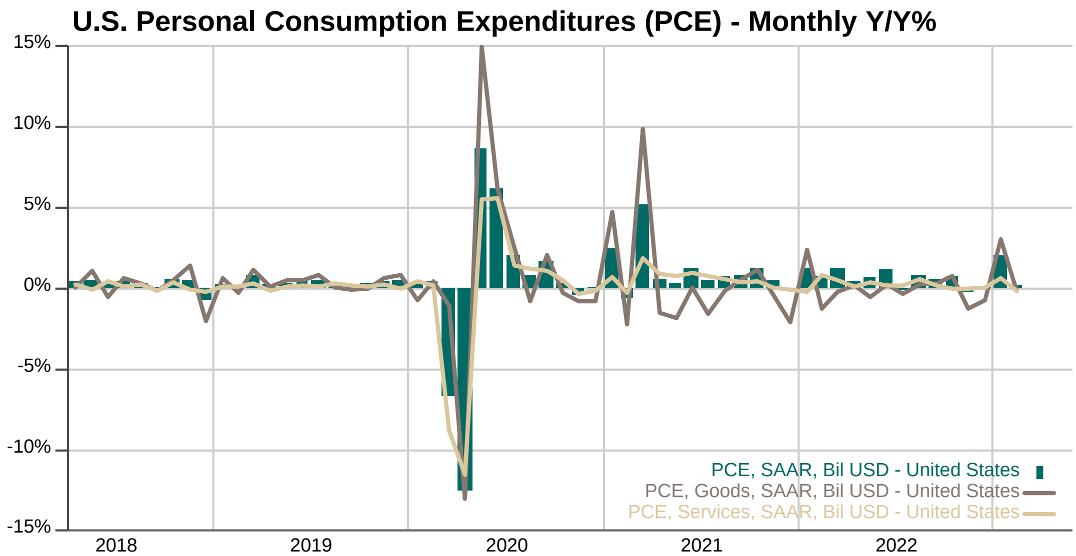
Data Source: FactSet consensus estimates and Bureau of Economic Analysis, as of 4/6/23. Chart shows annual real GDP reported by the BEA 2018-2022 (green bars), and FactSet consensus estimates 2023-2027 (gray bars). Table shows the real quarterly GDP (reported as sequential change annualized) reported data for 3Q22 and 4Q22, and FactSet consensus estimates for 1Q23, 2Q23, 3Q23, and 4Q23.

Strong jobs market helped by a record number of job openings, but growth may have peaked. We believe consumer spending strength in 1Q23 was helped by a pickup in post-holiday sales following a weak December (pent-up demand), as well as relatively mild winter weather across much of the U.S.; however, we attribute a larger component to an economy that has contributed to sustained job opportunities. Two monthly employment reports from the BLS include: Employment Situation (labor force, new jobs, unemployment) and Job Openings and Labor Turnover Survey (JOLTS, open jobs, separations and hires). The chart shows the total number of unemployed workers (gray bars) and total job openings (green line). In 2022, the U.S. created an average 399 thousand (K) net new nonfarm jobs, and 1Q23 saw a monthly average of 345K, including 236K in March. Looked at another way, the total number of unemployed was 5.936 million (M) at the end of February 2023. This compared to peak unemployment of 23.1M in April 2020, during the initial pandemic shutdown. The number of unemployed remains 44K higher than January 2020's (pre-pandemic) number of 5.892M. The number of employed (160.9M) in March 2023 was 2.2M higher than January 2020 (due to growth in the labor force). Driving consistent jobs gains and people entering or returning to the labor force has been a record number of job openings, which peaked at 12.0M in March 2022, and was still 9.9M in February 2023. Throughout 2020, there was a monthly average of 1.87 open jobs for every unemployed person, but in February 2023, the ratio dropped to 1.67, the lowest since November 2021. After five consecutive months of job openings averaging 10.8M, openings dropped 1.3M from December 2022 to February 2023, an indication to us that jobs growth will continue to slow in 2023.



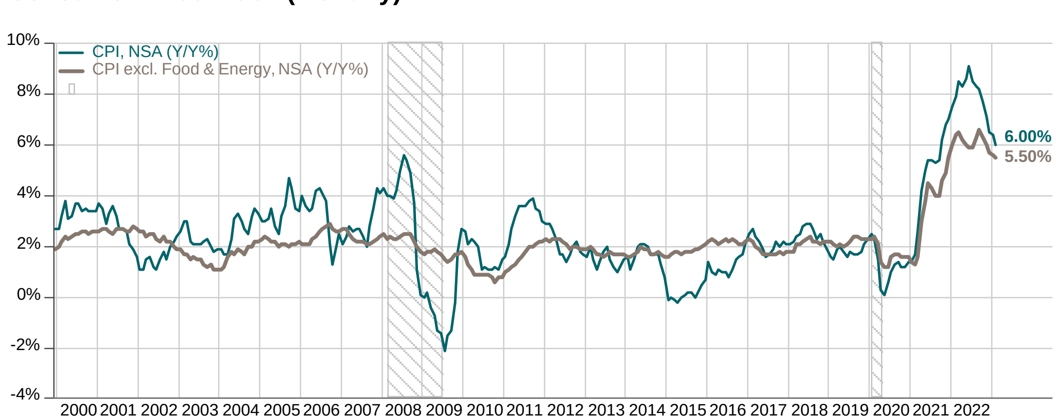
Data source: FactSet and Bureau of Labor Statistics, as of 2/28/23.

Spending on Services has outpaced Goods to drive consumer spending. In 2022, personal consumption expenditures, or PCE (consumer spending), which is reported by the Bureau of Economic Analysis (BEA), comprised 70.5% of real gross domestic product (GDP). Within that large consumer component, spending on Services comprised 61% and spending on Goods represented 39%. The chart below shows the monthly Y/Y percentage growth of consumer spending (green bars) with lines representing the two components of Services (gold) and Goods (gray). Goods spending growth surged above Services growth in mid-2020, early 2021, and early 2022, roughly corresponding to major Federal stimulus programs, including unemployment insurance that drove spending during the pandemic and multiple COVID-19 variant outbreaks as citizens stayed home. But as the economy reopened and people began travelling, driving, and attending concerts and sporting events, spending shifted away from Goods (spending on Goods declined in all four 2022 quarters) and toward Services (spending on Services grew in all four 2022 quarters). PCE spending surged in January 2023 (right side of chart) with a spike in both Goods and Services. As mentioned earlier, we attribute some of the January spending surge to pent-up holiday demand and mild weather, and sure enough, February spending slowed from January, including a big drop in the Goods component. While Services spending growth was positive throughout 2022, growth decelerated late in the year, from 4.6% in 2Q22, to 3.7% in 3Q22, to 1.6% in 4Q22. Strength in 1Q23 (not fully reported yet) will be helped by the January surge, but we expect consumer spending on Services and Goods to moderate in 2023, creating economic uncertainty.



Data source: FactSet and the U.S. Bureau of Economic Analysis (BEA), as of 2/28/23.

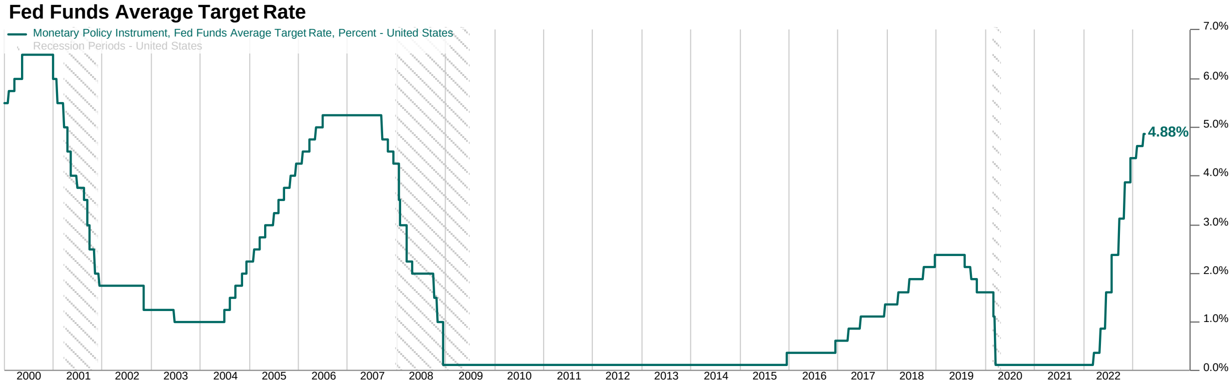
Inflation continues to move in the right direction, but core inflation remains sticky. The consumer price index (CPI), reported monthly by the BLS, increased 6.0% Y/Y in February 2023 and 6.4% Y/Y in January. Since peaking at 9.1% in June 2022, monthly Y/Y inflation has receded for eight consecutive months. In recent months, energy inflation has moderated, and this should continue on a Y/Y basis as it has now been one year since Russia invaded Ukraine, driving oil prices higher from already elevated levels (U.S. oil prices, as measured by West Texas Intermediate, traded at $80 per barrel on 4/10/23, unchanged from 12/31/23, but had spiked above $120 per barrel in March 2022 following the invasion). Food prices have continued rising at a double-digit percentage growth rate in 2023, creating ongoing inflation pressure. Core CPI, which excludes food and energy, was 5.5% Y/Y in February and 5.6% Y/Y in January, and was lower for five consecutive months since peaking at 6.6% in September 2022. Core inflation improvement has been driven by Goods inflation, which dropped below 2.0% in February, while Services inflation increased to 7.2% in February 2023 from 6.9% in December 2022. In January, Services comprised nearly 80% of the core inflation calculation, with shelter (rent and owners' equivalent rent) being the largest component. Changes in rents filter through the data with a lag (as leases roll over) and are expected to lead to falling shelter inflation contributions in future periods. We continue to expect ongoing improvement in inflation, but expect CPI to remain well above the Fed's stated 2.0% goal throughout 2023. As of 4/10/23, the FactSet consensus estimate (from Wall Street economists) for U.S. CPI inflation in 2023 was 4.1% (vs. 3.8% in December).



Data Source: FactSet, Bureau of Labor Statistics as of 2/28/231. The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services (shaded areas are recession periods).

The U.S. Federal Reserve Bank (Fed) raised interest rates at both Open Market Committee (FOMC) meetings in the first quarter, but the hiking cycle is likely near its end. The Fed raised its overnight bank lending fed funds interest rate target by 0.25% at both the February and March FOMC meetings, bringing its target range to 4.75% to 5.00%. At a press conference following the March meeting, the Fed acknowledged that the bank liquidity crisis will likely cause tighter credit conditions that could "weigh on economic activity, hiring, and inflation." But the Fed decided to raise rates yet again, explaining that job gains are "robust," and that inflation "remains elevated." In addition, the Fed allowed for possible additional rate hikes at future FOMC meetings, writing that "some additional policy firming may be appropriate" in an effort to fight inflation pressures. After raising its fed funds target from 0% in March 2022, the Fed has raised the target range at nine consecutive FOMC meetings, representing the largest sustained period of interest rate hikes since 1979-1980. As of early April, both the Fed and the fed funds futures market expect one additional 0.25% hike (to a peak range of 5.00% to 5.25%), and Fed projections (from the March FOMC meeting) see a year-end 2023 fed funds rate of 5.1%, suggesting no rate cuts in 2023. In recent weeks, however, U.S. Treasury yields have moved sharply lower. The U.S. 2-year Treasury bond yield (a proxy for short-term interest rates) was 4.04% on 4/11/23, down from a yield of 5.08% on 3/8/23, just one month prior. After remaining below 0.25% for much of 2021, the 2-year Treasury yield began moving higher in October 2021, which we believe was predicting the Fed's shift to raising the fed funds target that began in March 2022. Throughout 2022, the 2-year yield rose, and remained above the fed funds rate. With the current 2-year yield significantly below the mid-point fed funds target of 4.88%, 2-year Treasury bond investors appear to be preparing for Fed interest rate cuts later this year. This dichotomy between the Fed's outlook for interest rates to remain elevated in 2023, and a bond market view expecting cuts, will be resolved, in our opinion, by economic data. Interest rate cuts are likely needed in a recession, while higher interest rates would prevail in an economic soft landing.

Fed Funds Average Target Rate

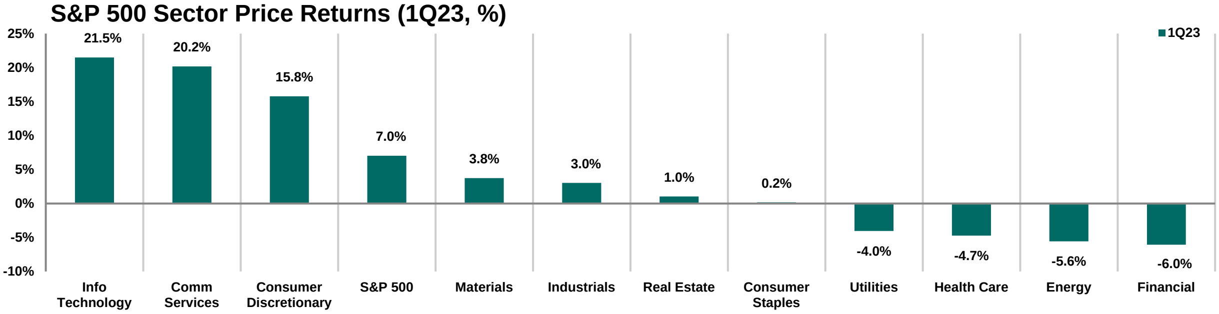


Data source: FactSet and Board of Governors of the Federal Reserve System, as of 4/6/23. Prior to December 2008, the Fed provided a single point fed funds target (shown on the chart). Since December 2008, the fed funds target is given in a 25bp range (chart shows the average).

Sector leadership narrowed in the first quarter. Another look at narrow equity market gains in 1Q23 can be seen from S&P 500 sector performance. The chart below shows the price performance (not including dividends) of the S&P 500 index separated into its 11 Global Industry Classifications Standard (GICS) sectors. Just three sectors (Information Technology, Communication Services, and Consumer Discretionary) beat the 7.0% increase of the overall index, while four other sectors were positive but posted returns below the index, and four more sectors delivered negative returns in 1Q23. Those three leading sectors to begin the year were the three bottom-performing sectors for all of 2022, indicating to us that some of this year's gains can be attributed to investor perception that some high-quality stocks and sectors were oversold at the end of 2022. Technology, Communication Services, and Consumer Discretionary include many of the "mega-cap" stocks that we discussed earlier, and also include many "growth" stocks, which we define as companies that have a long-term earnings growth trajectory greater than the overall market. The two worst-performing sectors in 1Q23 were Energy and Financials. The Energy sector led S&P 500 sector gains in both 2022 and 2021, and last year was the only sector that posted full-year gains. Global oil prices have pulled back from 2022 highs as supply constraints have eased, and lower prices create challenges to sector earnings growth in 2023.

Weakness in Financials began in March when regional banks faced a liquidity crisis. In the near-term, liquidity risk in the U.S. banking system appears to have stabilized as the Federal Deposit Insurance Corporation (FDIC) protected depositors, and the Federal Reserve created a Bank Term Funding Program (BTFP) to provide additional liquidity. Over the medium-term, the banking sector faces multiple challenges created by higher rates and liquidity concerns. This includes pressure on margins and profitability if banks pay higher interest rates on deposits, or if lending growth slows (due to less liquidity). In addition, a macroeconomic slowdown could lead to rising delinquencies or defaults within loan portfolios. The weakness in Financials was notable, but that sector also includes insurance companies, asset managers, and other financial institutions. Another index of bank stocks, the S&P Banks Select, declined -17.9% in 1Q23 as bank stocks sold off in March. As banks begin to report 1Q23 financial results in mid-April, expectations are very low (as evidenced by the sector price weakness), but we are concerned that cautious outlooks over the balance of the year could spill over to other sectors as well.

S&P 500 Sector Price Returns (1Q23, %)



Data source: FactSet as of 3/31/23, S&P 500 GICS sector indices maintained by S&P Global & MSCI

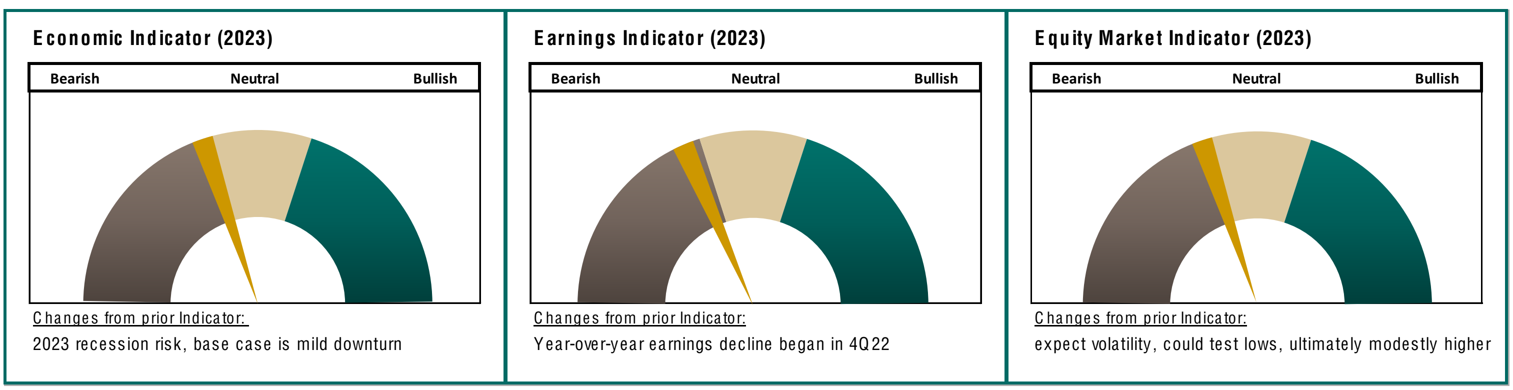
Sector weightings. While "growth" sectors, including Technology, Communications Services, and Consumer Discretionary, led sector gains in 1Q23, three "defensive" sectors, namely Health Care, Consumer Staples, and Utilities, posted gains in March (companies in defensive sectors can generally perform relatively better during economic downturns as their products and services are more essential to daily life). To us, this indicates increasing economic worry, despite the S&P 500's YTD gains. Given ongoing economic uncertainty as investors debate the prospect for a "soft" vs. "hard" landing, and with earnings growth already negative, we advocate for broad sector diversification for most equity portfolios. We believe that companies with market-leading products that can gain market share and hold or expand margins can do well in the current environment. Diversification is important to help minimize risk.

S&P 500 Sector Recommendations - April 2023

GICS Sector	S&P 500 Weight by Market Cap	WM Research 2023 Outlook	Notes (reflect current expectations and are subject to change)	Change
Technology	25.7%	underweight	remain selective, stick with high quality and positive cash flow	
Health Care	14.6%	overweight	still our favorite defensive sector	
Financials	12.9%	marketweight	we are cautious due to bank scare, diversify within the sector	
Consumer Discretionary	9.9%	marketweight	be wary of high valuations, but good value can be found for long-term investors	
Industrials	8.4%	marketweight	remain diversified within sector, weak dollar can help foreign earnings	
Communications Services	8.2%	marketweight	underperforming sector, with consumer spending concerns, be selective	
Consumer Staples	7.3%	marketweight	can be a safe haven in a recession, valuations elevated	underweight
Energy	4.8%	marketweight	Despite huge year, earnings growth expected, attractive on pullbacks	
Utilities	2.9%	marketweight	beneficiary of infrastructure & energy transition, valuations elevated	
Real Estate (REITs)	2.6%	marketweight	sector has lagged due to higher rates and recession concerns	overweight
Materials	2.6%	marketweight	some winners in this group for companies that have pricing power	

Data source: D.A. Davidson Wealth Management Research as of 4/10/23.

Wealth Management Research Investment Cycle Gauge



Source data: D.A. Davidson & Co. as of 4/10/23

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Market Indices: The information on indices is presented for illustrative purposes only and is not intended to imply the potential performance of any fund or investment. Indices provide a general source of information on how various market segments and types of investments have performed in the past. Index performance assumes the reinvestment of all distributions, but does not assume any transaction costs, taxes, management fees, or other expenses. You may not invest directly in an index. Past performance is not an indicator of future results. The S&P 500 Index is a market cap weighted index that is designed to measure the US large-cap equity performance. The index is composed of the 500 leading publicly traded US companies based on size, liquidity, industry, and profitability criteria. The Dow Jones Industrial Average is a price weighted index that tracks 30 large, exchange-traded companies trading on the New York Stock Exchange (NYSE) and the NASDAQ. The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market. Today the NASDAQ Composite includes over 3,000 companies. The Russell 2000® Index is a market cap weighted index that measures the performance of the 2,000 smallest companies in the Russell 3000® Index. The MSCI EAFE® Index (Europe, Austral, Asia, Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the US and Canada. The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production and weight-caps are applied at the commodity, sector and group level for diversification. The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market.

Other Disclosures:

The Global Industry Classification Standard (GICS) is a four-tiered, hierarchical industry classification system. Companies are classified quantitatively and qualitatively. Each company is assigned a single GICS classification at the Sub-Industry level according to its principal business activity. MSCI and S&P Dow Jones Indices use revenues as a key factor in determining a firm's principal business activity. The 11 sectors are: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Health Care, Industrials, Information Technology, Materials, Real Estate, and Utilities.

The S&P Banks Select index is compiled by S&P Dow Jones and includes 98 publicly traded companies that include diversified banks, regional banks, custody banks and mortgage lenders.

The S&P 500 Equal Weight Index is compiled by S&P Dow Jones. It is an equal-weight version of the widely used S&P 500. The index includes the same constituents as the capitalization-weighted S&P 500, but each company is allocated a fixed weight, or 0.2%, of the index total at each quarterly rebalance.

The forward S&P 500 price-to-earnings ratio (P/E) is a valuation measure, calculated by dividing the price of the S&P 500 index over the weighted average earnings per share (EPS) estimate of each company in the index. Earnings are based on "forward" consensus estimates expected over the next 12 months (NTM), using quarterly analyst estimates as provided by FactSet.

Fair value refers to a valuation method based on our view of the intrinsic value of an asset or index, determined by macroeconomic factors and earnings expectations rather than current market prices. This is our view of intrinsic value as of the date of this report.

Gross domestic product (GDP) refers to the monetary measure of the market value of all final goods and services produced within a country's borders within a specific time period. Real GDP is adjusted for the impact of inflation. GDP numbers are compiled by the Bureau of Economic Analysis (BEA), a division within the U.S. Department of Commerce. Quarterly GDP is reported as a percentage change from the prior quarter, annualized. The BEA also reports data on a year-over-year percentage change from the same period one year prior. The most recent GDP report can be found at www.bea.gov.

FactSet is a data aggregation software utilized by D.A. Davidson's Wealth Management Research. The FactSet Consensus refers to the aggregate of all analyst estimates from firms that submit estimates to FactSet for a given financial metric.

The annual price returns of the S&P 500 index are calculated using index closing value on 12/31 of one year to 12/31 of the next year. 2023 returns are calculated as of 3/31/2023. Intra-year peak-to-trough percentage declines are calculated using the index closing prices from an intra-year high date to a subsequent low date. Closing prices are provided by S&P Global through FactSet. Averages across years are calculated using the arithmetic mean.

S&P 500 earnings growth reflect the year over year change in operating earnings on a per share basis. Earnings data are aggregated for all S&P 500 constituents and are measured according to the relative market capitalization weights for each company. Estimated earnings are the combined FactSet estimates of analysts covering each company included in the index.

The Federal Reserve Bank's Open Market Committee (FOMC) consists of twelve members--the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The Federal Reserve Summary of Economic Projections (SEP) is sourced from federalreserve.gov, as of 3/31/23. Projections of change in real gross domestic product (GDP) and projections for both measures of inflation are percent changes from the fourth quarter of the previous year to the fourth quarter of the year indicated. Projections for the unemployment rate are for the average civilian unemployment rate in the fourth quarter of the year indicated. Each participant's projections are based on his or her assessment of appropriate monetary policy. The projections for the federal funds rate are the value of the midpoint of the projected appropriate target range for the federal funds rate or the projected appropriate target level for the federal funds rate at the end of the specified calendar year or over the longer run. The Summary of Economic Projections is compiled from Federal Reserve Board members and Federal Reserve Bank presidents.

The term "monetary policy" refers to the actions undertaken by a central bank, such as the Federal Reserve, to influence the availability and cost of money and credit to help promote national economic goals. The Board of Governors of the Federal Reserve System is responsible for the discount rate and reserve requirements, and the Federal Open Market Committee is responsible for open market operations. The Federal Reserve influences the demand for, and supply of, balances that depository institutions hold at Federal Reserve Banks and in this way alters the federal funds rate. The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Treasury yield curve displays the market interest rate across different contract lengths for U.S. Treasury bonds, indicating the relationship between the interest rate and the time ("term") to maturity. The yields of the 2-year and 10-year U.S. Treasury bonds are widely followed barometers of the current U.S. interest rate environment. Treasury bond data used in calculating interest rate spreads is obtained directly from the U.S. Treasury Department, through FactSet.

U.S. Personal Consumption Expenditures (PCE) is an indicator of the growth in consumer spending and measures the value of goods and services purchased by persons who reside in the U.S. It is reported monthly by the Bureau of Economic Analysis.

The National Bureau of Economic Research (NBER) is a private non-profit research organization. The NBER is widely used as an organization that analyzes U.S. economic data and the business cycle and determines the start dates and end dates of economic recessions. The NBER defines recession as "a significant decline in economic activity that is spread across the economy and that lasts more than a few months;" and also looks at the depth, diffusion, and duration of the downturn.

The Bureau of Labor Statistics (BLS) compiles U.S. labor statistics from two monthly surveys. The household survey measures labor force status by demographics; the establishment survey measures nonfarm employment and data by industry. The nonfarm payrolls component of the establishment survey are drawn from private businesses and government entities. The nonfarm payrolls number is among the most widely used data points to assess U.S. employment trends. The unemployment rate is the percentage of the labor force that is jobless and actively willing and available to work.

The BLS also publishes the Job Openings and Labor Turnover Survey (JOLTS) measures job openings, hires and separations from a monthly survey of U.S. business establishments.

The consumer price index (CPI) is a measure of average change over time in the prices paid by urban consumers for a market basket of goods and services. It is reported monthly by the U.S. Bureau of Labor Statistics.

PCE inflation is the percentage rates of change in the price index for personal consumption expenditures (PCE). The index is published monthly by the U.S. Bureau of Economic Analysis.

Volatility is how much and how quickly prices move over a given span of time. In the stock market, increased volatility, in the form of rapidly falling prices is often a sign of rising uncertainty.

The U.S. Census reports annualized monthly data on housing starts, permits and completions. It is a widely followed measure to track construction activity in the residential housing market. New Home sales measures sales of new single family homes and is a measure of the demand for housing. Home price data is monitored from the S&P CoreLogic Case-Shiller Home Price Index.

We define a Bear Market as a peak-to-trough decline (using closing prices) of 20% or more. We generally use the S&P 500 index as a proxy for the broad market for large, leading U.S. companies.

Daily prices for West Texas Intermediate (WTI) crude oil from Cushing, Oklahoma are quoted daily on a price per barrel basis and are available from the U.S. Energy International Administration. Data can also be found from the St. Louis Federal Reserve Bank at fred.stlouisfed.org.

Personal Savings is reported monthly by the Bureau of Economic Analysis for individuals and is defined as personal income less personal outlays and taxes. The personal savings rate is personal savings as a percentage of disposable personal income.

On 3/12/23, the U.S. Federal Reserve Board created a new bank Term Funding program (BTFP) to provide depository institutions an additional source of liquidity to service deposit requests if needed. More information can be found at federalreserve.gov/newsevents/pressreleases/monetary20230312a.htm. Data detailing bank usage of Fed borrowing facilities is reported weekly through a "Federal Reserve statistical release." Data can be found at federalreserve.gov under "Factors Affecting Reserve Balances."

The Federal Deposit Insurance Corporation (FDIC), fdic.gov, is an independent agency created by Congress to maintain stability and public confidence in the U.S. financial system. The FDIC insures deposits and provides regulatory oversight of financial institutions.