

WELCOME TO TEN THEMES FOR 2023

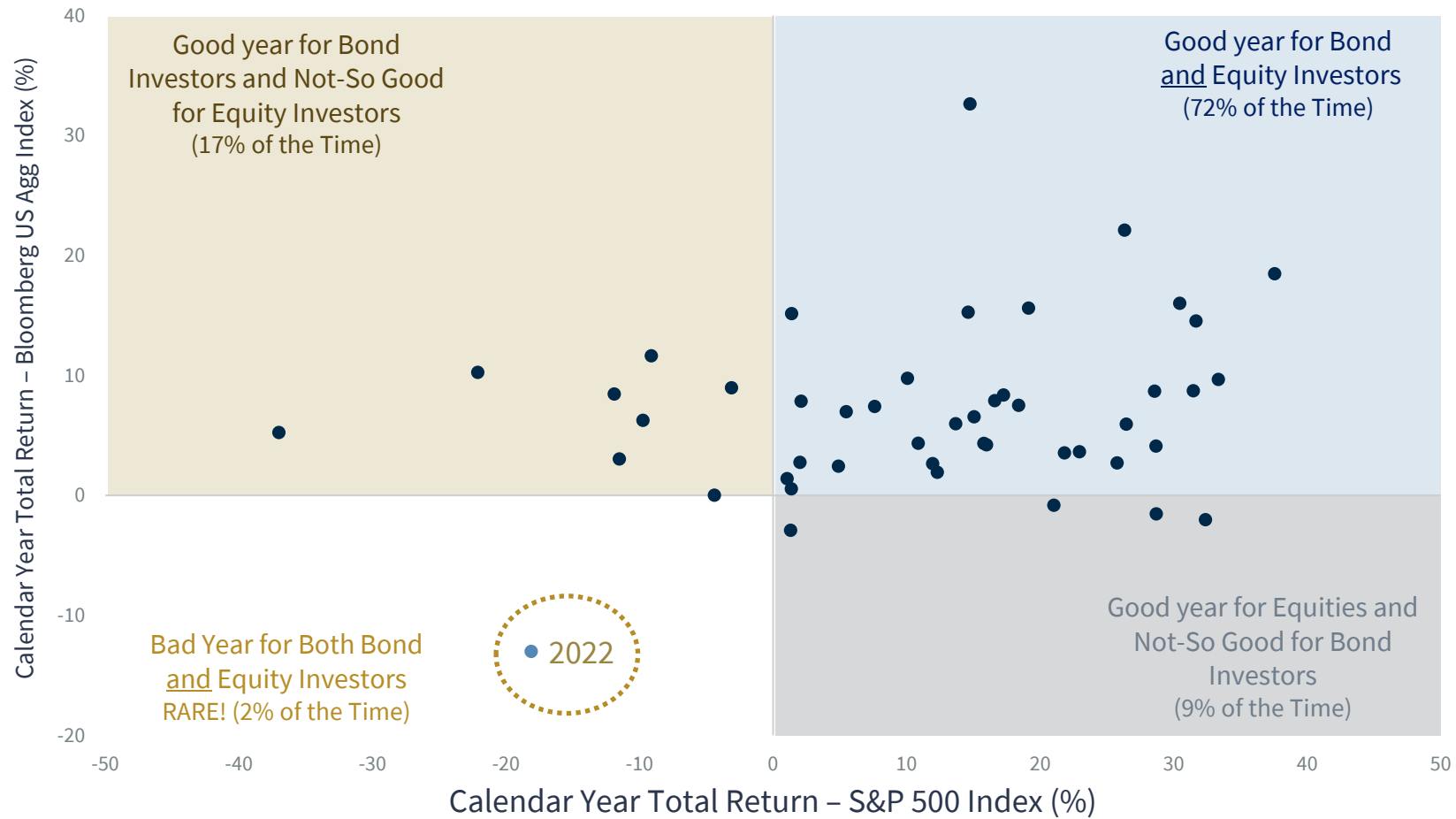
THE EVOLUTION OF MARKETS: SCARIER THAN JURASSIC PARK?

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Chief Investment Officer



2022 WAS A DISMAL YEAR FOR STOCKS AND BONDS

CALENDAR YEAR PERFORMANCE: 1976 - 2022



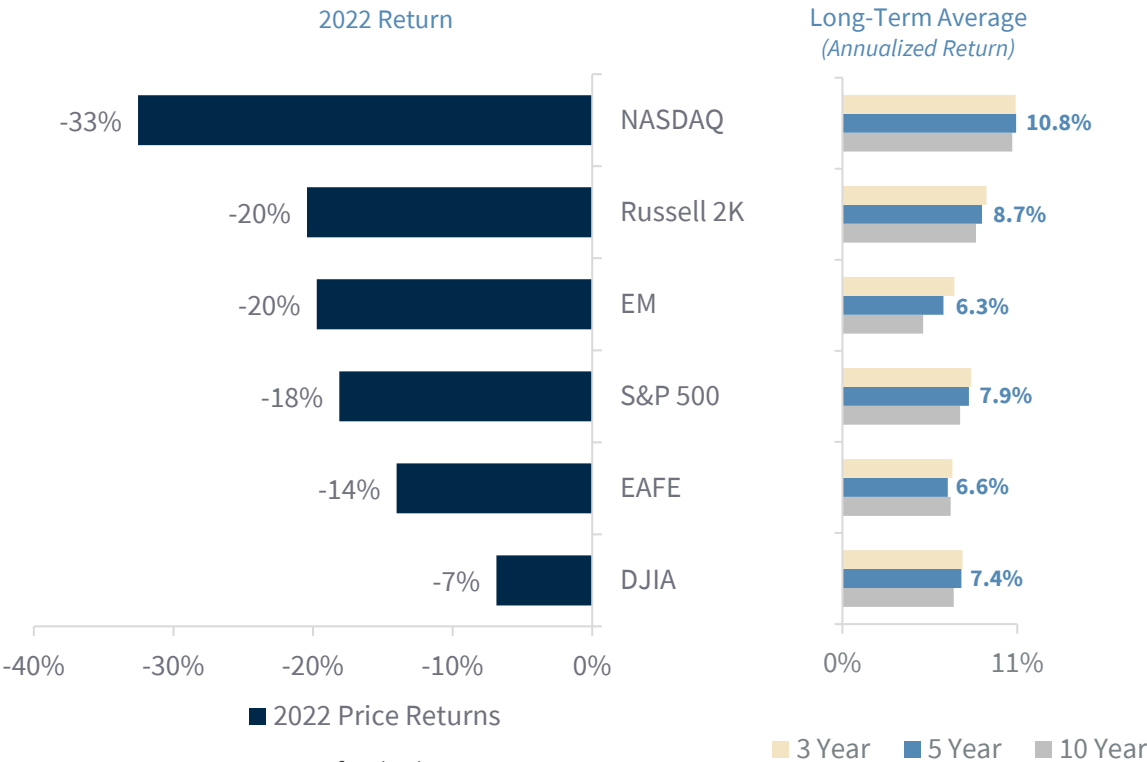
Source: FactSet, Data as of 12/31/2022.

PUTTING THE DECLINE INTO PERSPECTIVE

DESPITE THE DECLINE, INDICES REMAIN UP ON A LONGER-TERM HISTORICAL BASIS

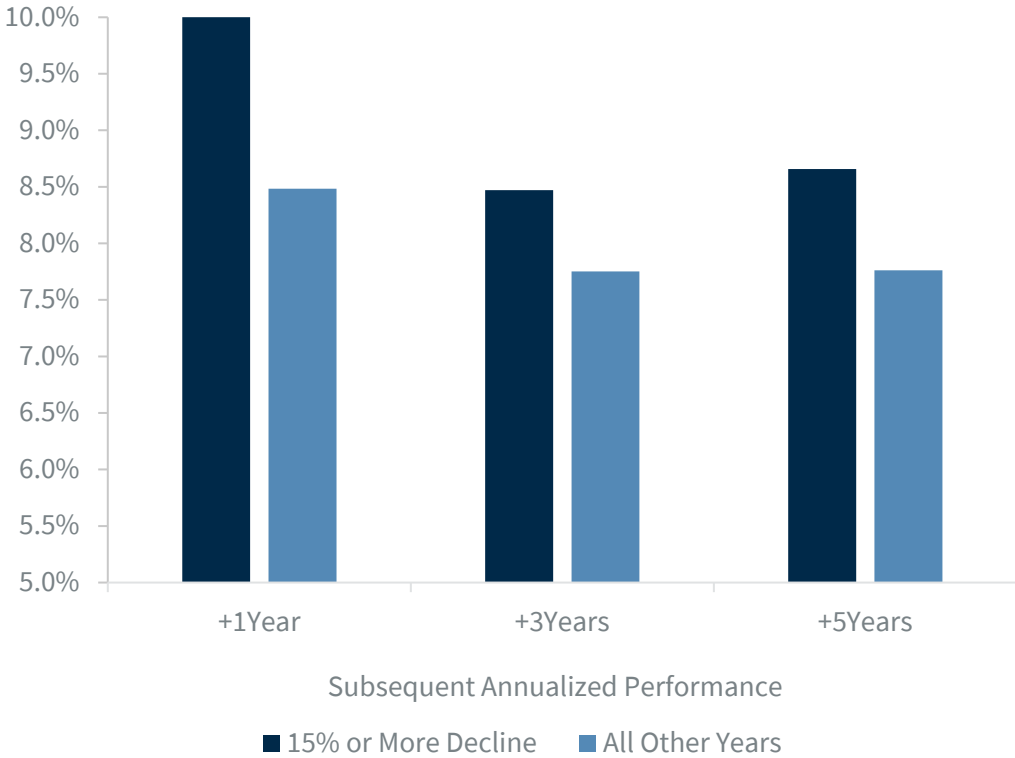
- After years with 15% declines, the S&P 500 historically experiences above-average forward returns

Despite Big Declines, Longer-Term Returns Remain Healthy



Source: FactSet. Data as of 12/31/2022.

Stronger Forward Performance After 15% Decline



Source: FactSet. Data as of 12/31/2022 and dates back to 1933.

10 THEMES FOR 2023



A Recession Months In
The Making



Fed The Predator, Inflation The Prey,
But The Hunt Is Coming To An End



Reduced Volatility After
2022's Asteroid Impact



Globalization Won't Go The
Way Of The Dinosaurs



Bonds Worth Sinking Your
Teeth Into



Corporate Fundamentals
Won't Fossilize



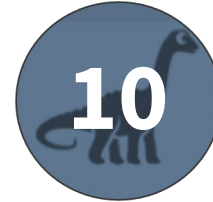
Carbon Dating The
Security Era



Excavating Opportunities In
The Emerging Markets



Dispersion & Diversion To Keep
Your Portfolio From Erupting



Don't Follow The
Herd's Footprints



1

US Economy

A Recession Months In The Making

INSIGHT:

Economists, CEOs, consumers, and the media have been calling for a recession for months. Therefore, this could be the most telegraphed recession in history.

BOTTOM LINE:

The US economy will likely face a mild contraction, with various industries rolling into recession at varying times. However, the depth of the decline will be contained by still strong consumer fundamentals. Over time, dwindling savings and weakening labor market conditions will stall the economy's momentum.

A MILD RECESSION ON THE HORIZON

FORECASTING A MILD RECESSION FOR 2023

- 2023 could see the mildest recession in history.

A Recession Months in the Making, But Not Yet...

Economy Still Expected to Enter (and Exit) Modest Recession in 2023

Are We Entering A Recession? How Investors Know When A Recession Begins

FedEx CEO says he expects the economy to enter a 'worldwide recession'

Why a global recession is inevitable in 2023

It's almost impossible to find a CEO who isn't bracing for a recession

Big banks see global economy slowing more in 2023, with likely U.S. recession

Mild recession ahead in 2023, U-M economists say

Fed Minutes Anticipate a Slowdown in Interest Rate Hikes 'Soon' and a Recession in 2023 as 'Likely'

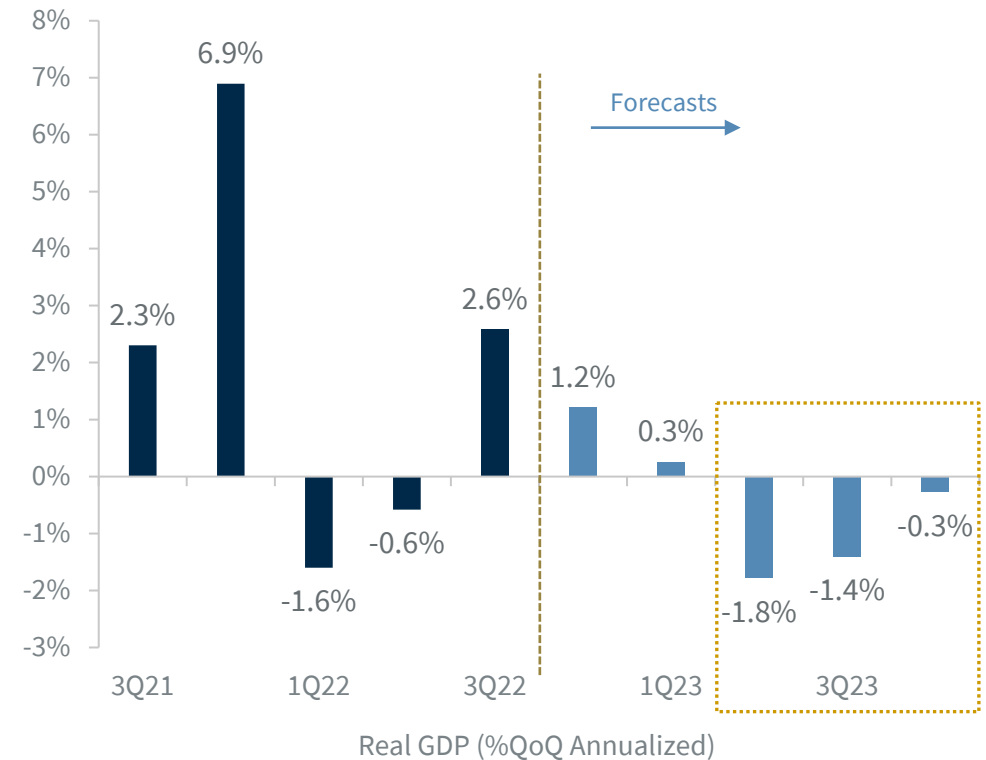
0.0%

2023 GDP Forecast

5.0%

2023 Unemployment Rate Forecast

Forecasted Mild Recession in 2023



Source: FactSet, Data as of 12/31/2022.

THE DNA OF THE BUSINESS CYCLE

THE NON-SYNCHRONIZED DECLINE OF THIS BUSINESS CYCLE

- It has not been a synchronized decline during this business cycle, as certain industries have already exhibited weakness, while others have remained resilient. We expect this cycle to continue going forward, which should buffer any significant economic decline.

Areas of Economy in 'Soft Patch'



Goods Retailers



Delivery/Transports



Tech/Streaming



Housing

What Do These Have in Common?

Industries Still on the Upswing



Airlines



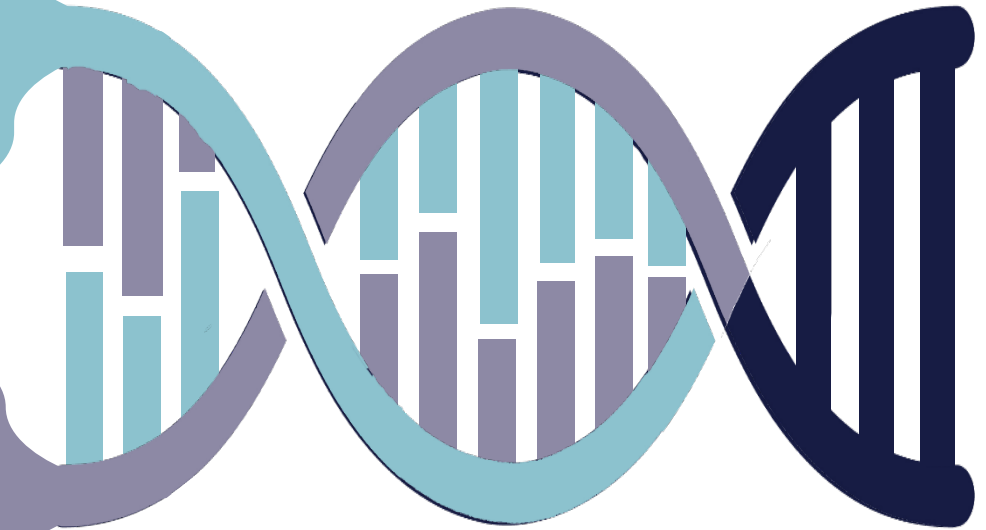
Restaurants



Energy



Health Care



2021

2022

2023

2024

■ Pandemic Early Winners

■ Services

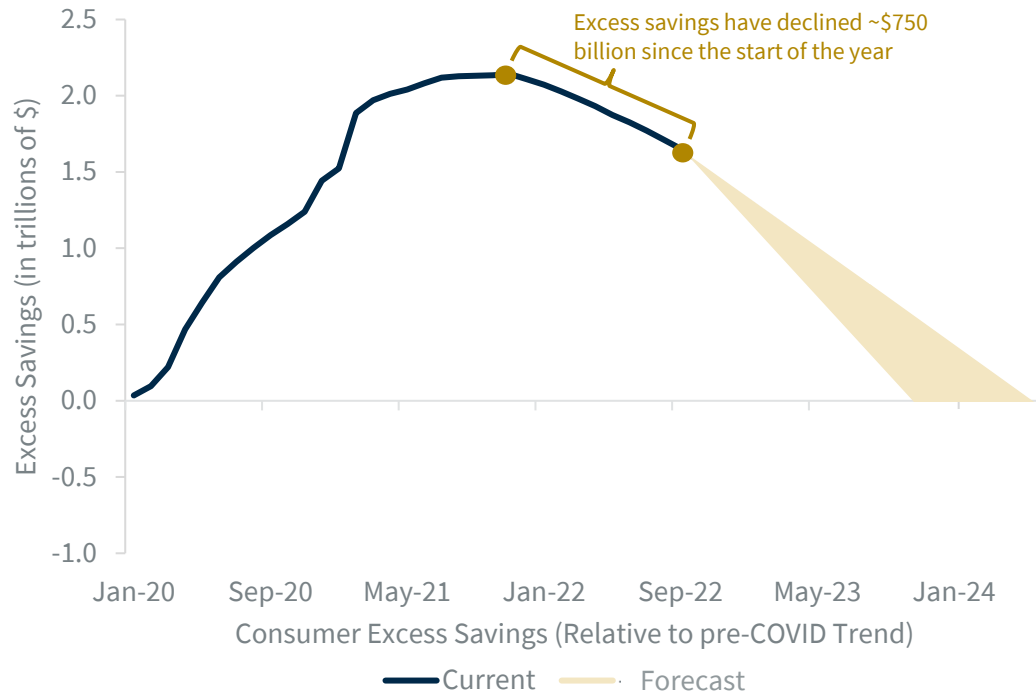
Source: Raymond James Economics

CONSUMER SPENDING TO 'NORMALIZE' AS EXCESS SAVINGS SHRINK

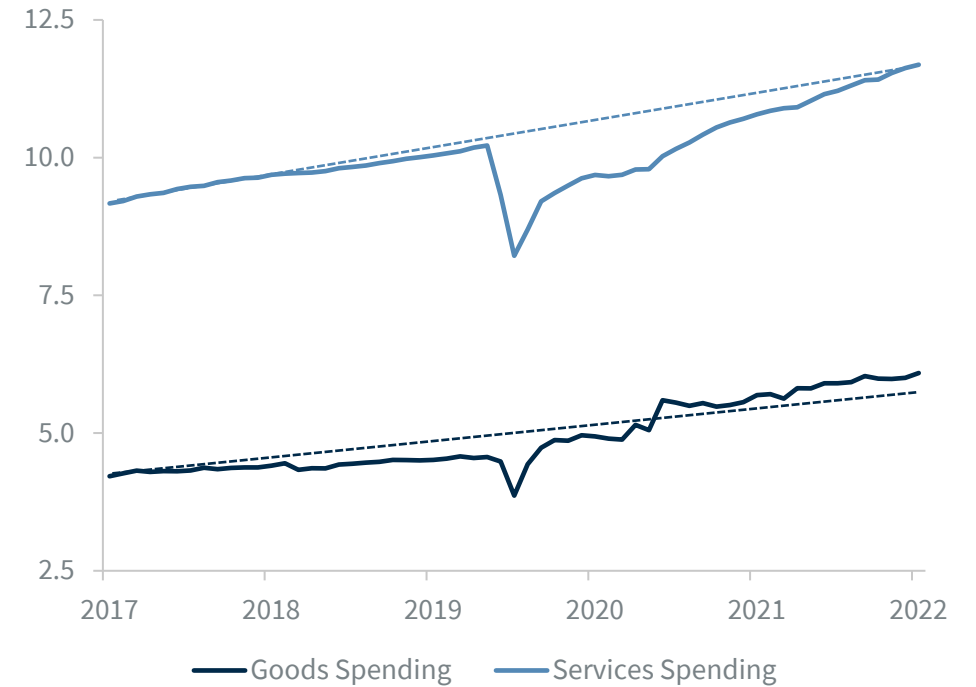
WHY WE EXPECT A MILD RECESSION: SLOWING CONSUMER SPENDING AND A WEAKENING IN THE LABOR MARKET

- Slowing consumer spending and a weakening labor market should lead to a modest recession in 2023.

Dwindling Consumer Excess Savings



Services Spending Normalizing While Goods Remain Above Trend



Source: FactSet. Data as of 12/31/2022.



2

Monetary Policy

Fed The Predator, Inflation The Prey,
But The Hunt Is Coming To An End

INSIGHT:

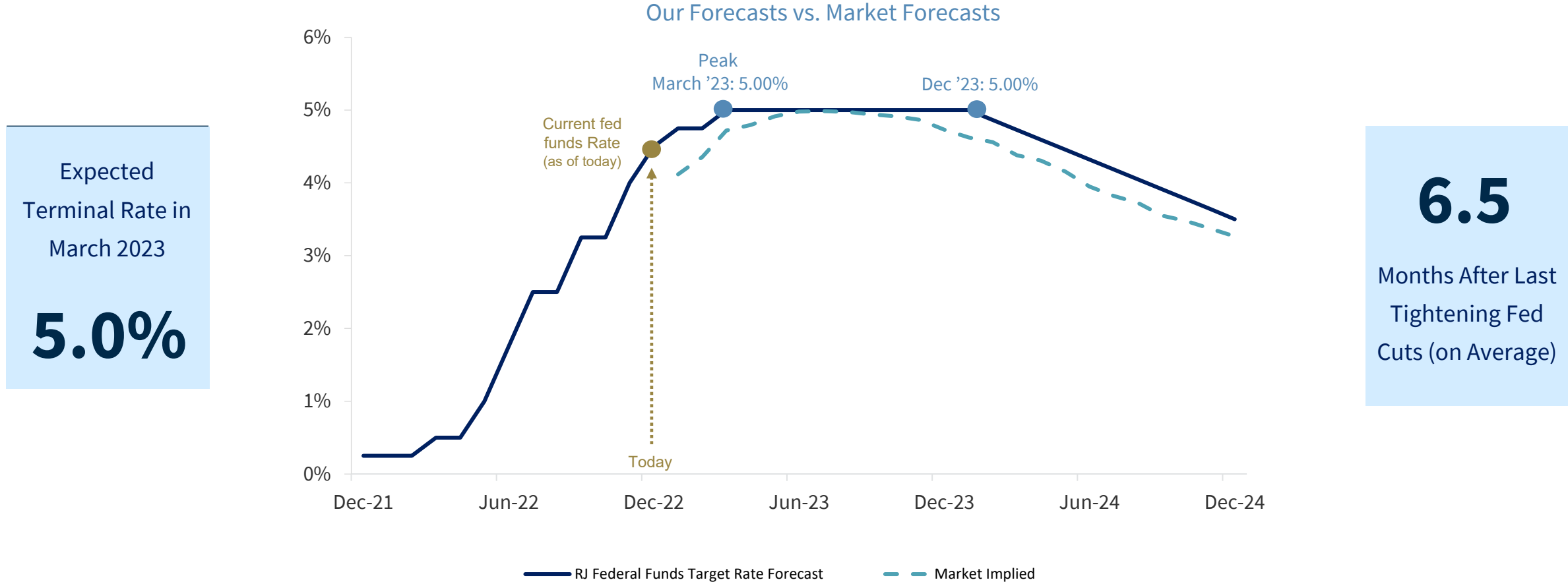
The Federal Reserve's (Fed) 425 basis points of tightening has been the most aggressive cycle since 1980 as it vows to tame inflation. But with prices for commodities, goods, and services already easing, and the stickier areas of inflation (e.g., housing) soon to follow, the end of this cycle could be near.

BOTTOM LINE:

Despite economic momentum slowing, that does not mean that the Fed will be quick to pivot or implement interest rate cuts. Instead, the Fed is more likely to pause rather than reverse its aggressive pursuits by year end.

THE FED'S TIGHTENING CYCLE CONTINUES

THE FED HAS RAISED INTEREST RATES AT THE FASTEST PACE SINCE 1980



Expected Terminal Rate in March 2023

5.0%

6.5

Months After Last Tightening Fed Cuts (on Average)

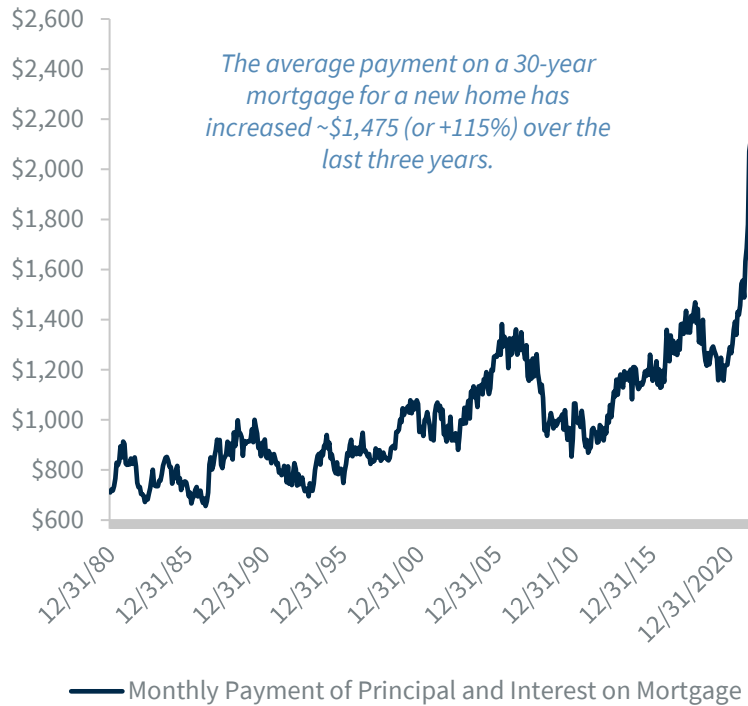
Source: FactSet, Federal Reserve, Data as of 12/15/2022.

A FED-INDUCED SLOWDOWN

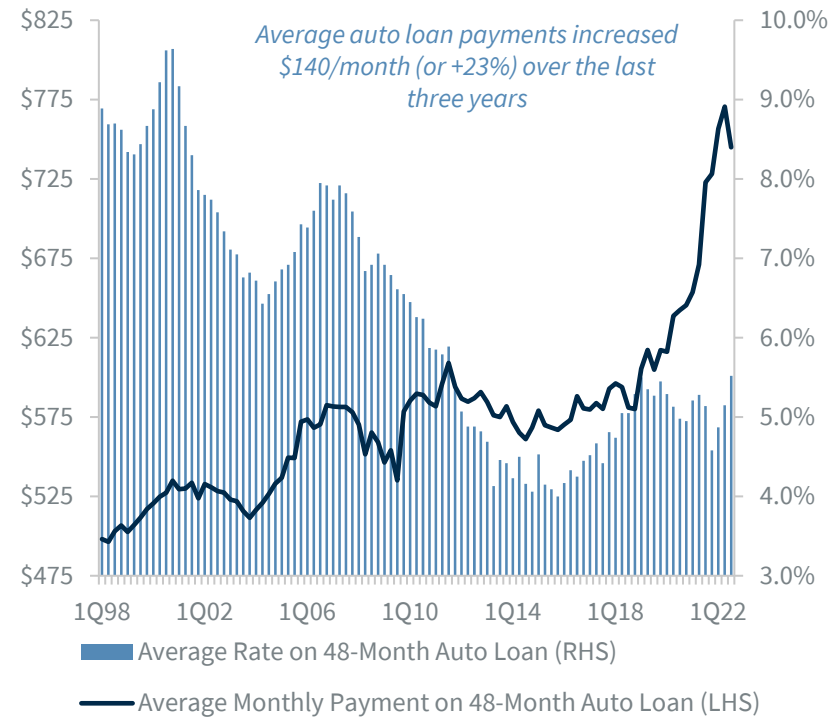
THE FED TIGHTENING CYCLE HAS BROADLY LIFTED INTEREST RATES ACROSS THE ECONOMY; MONETARY POLICY ACTS WITH A LAG

- The impact of the Fed tightening cycle is being felt in many areas throughout the economy.

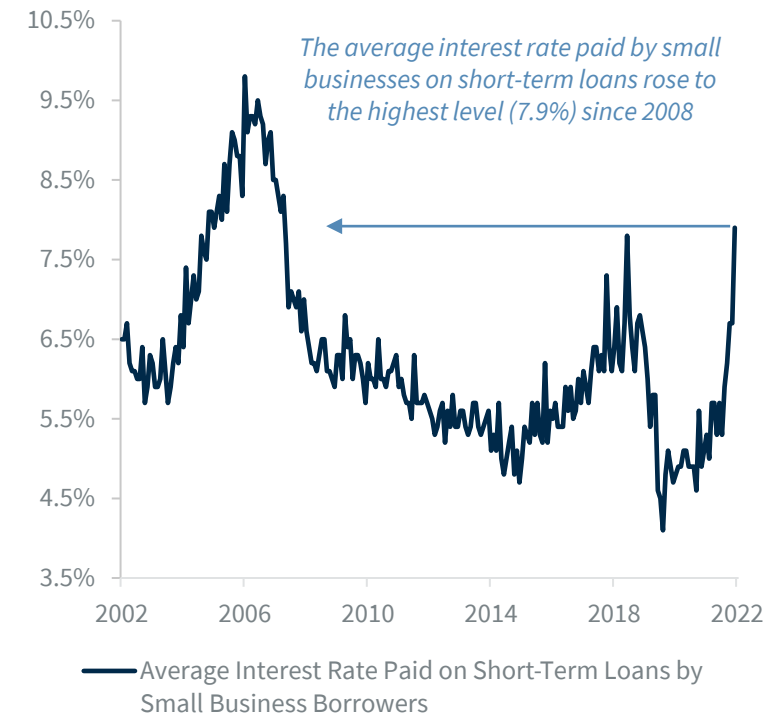
Mortgage Rates Surging Higher



Auto Loan Rates Increasing



Hurdle Rate on Business Loans Higher



Source: FactSet. Data as of 12/31/2022.

INFLATION DECELERATION

THE PATH OF INFLATION—TO THE UPSIDE AND NOW THE DOWNSIDE

- Just as on the way up, all major components of inflation are now on the path lower.



Commodities Prices



'Goods' Prices

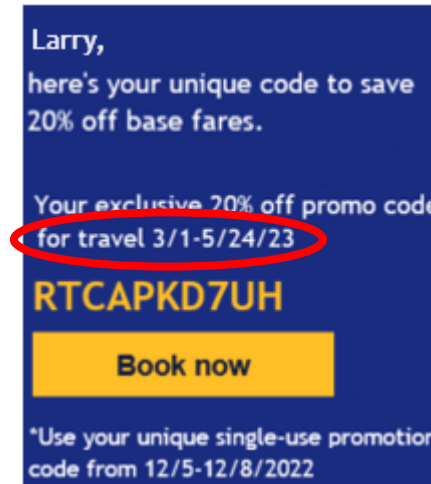


Used Vehicle Prices Have Eased for 5 Consecutive Months

Appliance Prices Have Eased In 6 of the Last 8 Months

Apparel Prices Have Eased in 3 of the Last 5 Months

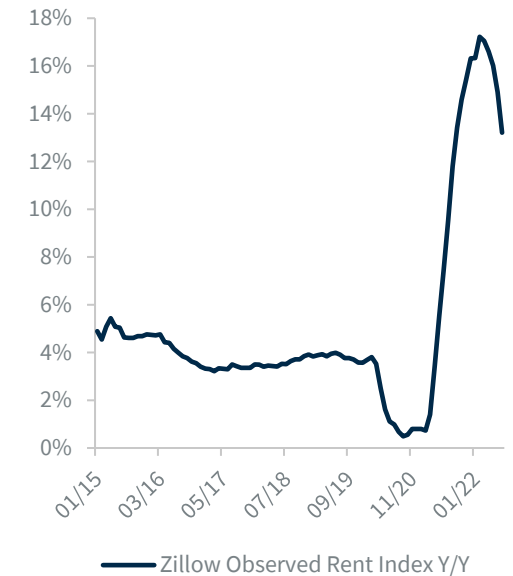
'Service' Prices



Food



Shelter



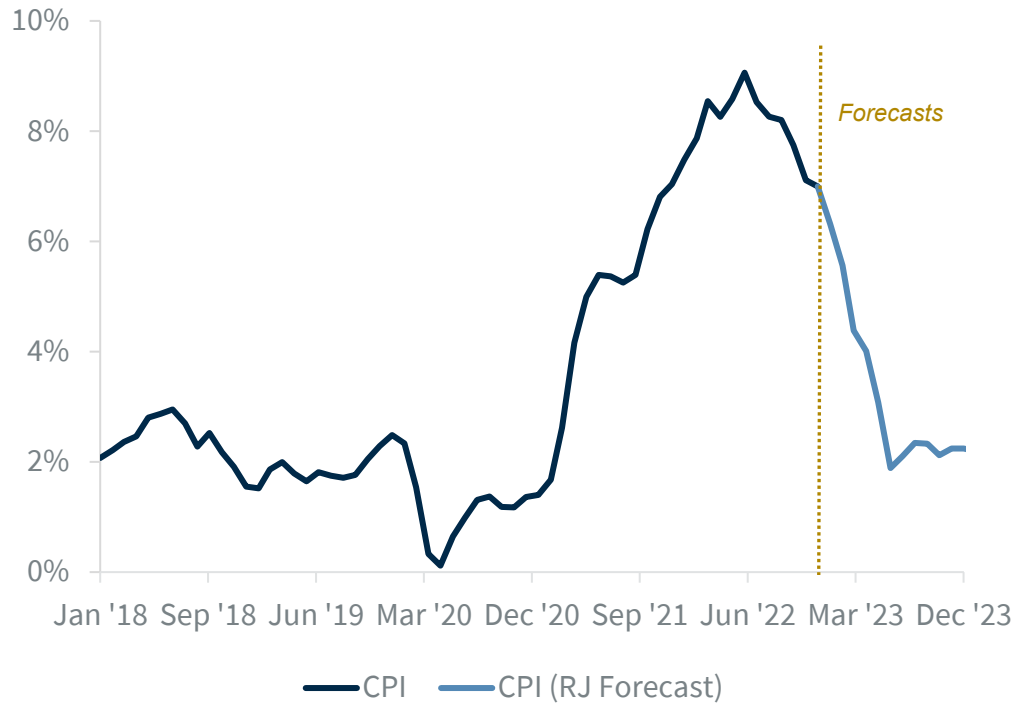
Source: FactSet. Data as of 12/31/2022.

THE EXPECTED PATH OF INFLATION

AS INFLATION MODERATES, WE EXPECT THE END OF THE TIGHTENING CYCLE

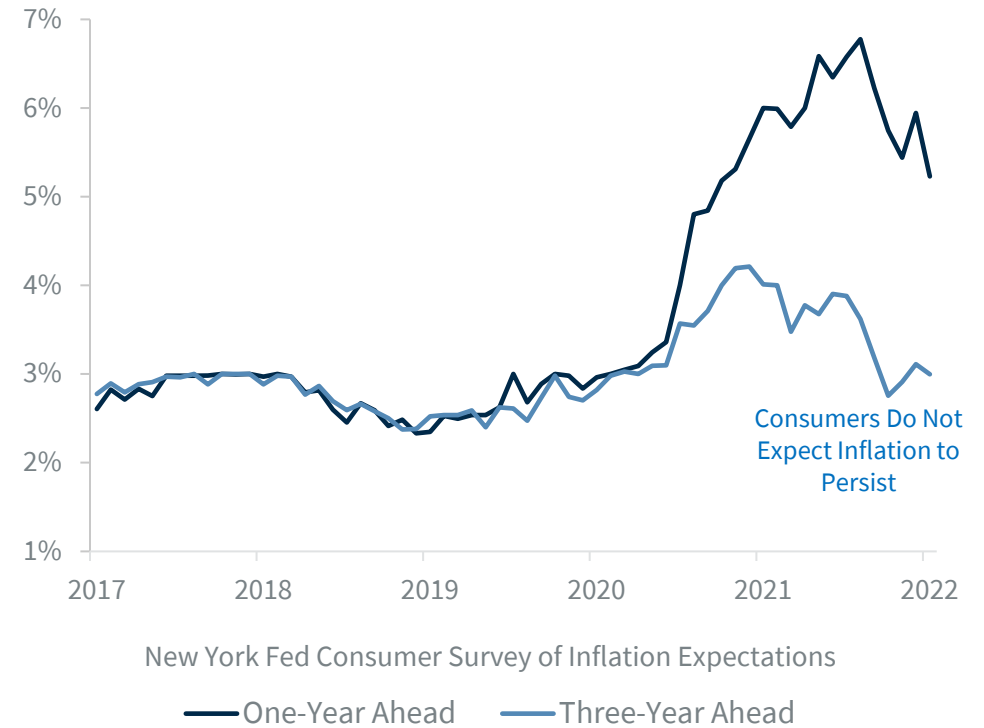
- Inflation cooling should allow the Fed end its tightening cycle in March.

Expected Path of Inflation in 2023



2.2%
Expected
Inflation by Year-
End 2023

Inflation Expectations Moderating



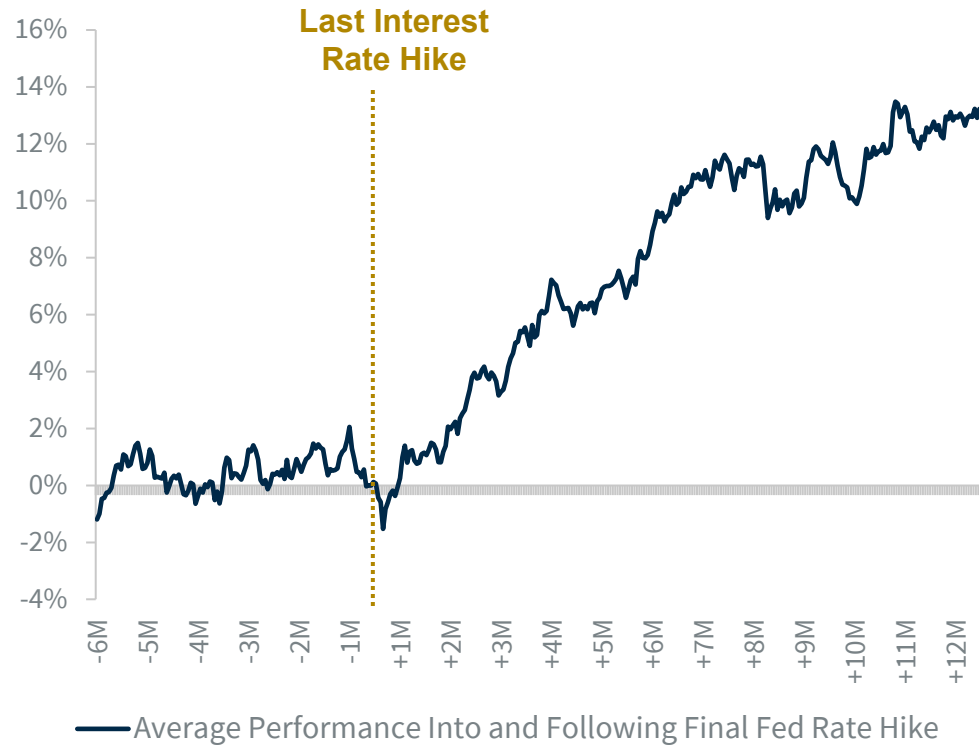
Source: FactSet. Data as of 12/31/2022.

EXPECT A PAUSE – NOT A PIVOT

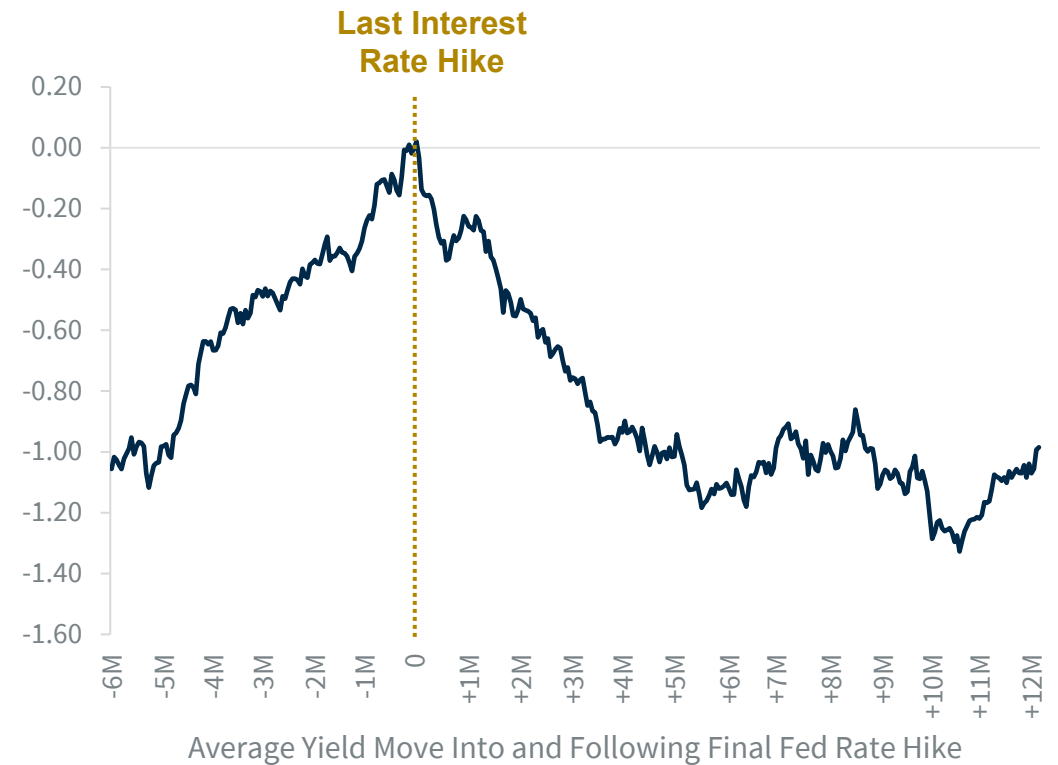
THE END OF THE TIGHTENING CYCLE HAS HISTORICALLY BROUGHT POSITIVE PERFORMANCE FOR EQUITIES AND BONDS

- Both equities and bonds are positive, on average, in the 12 months following the final Fed rate hike.

Equity Performance Following Final Fed Rate Hike



Bonds Following Final Fed Rate Hike



Source: FactSet. Data as of 12/31/2022.



3

Market Volatility

Reduced Volatility After 2022's Asteroid Impact

INSIGHT:

The markets were inundated with risks in 2022: supply chain challenges from the pandemic, the Russia-Ukraine war, COVID lockdowns in China, etc. As a result, many asset classes experienced elevated volatility and the weakest performance in several years.

BOTTOM LINE:

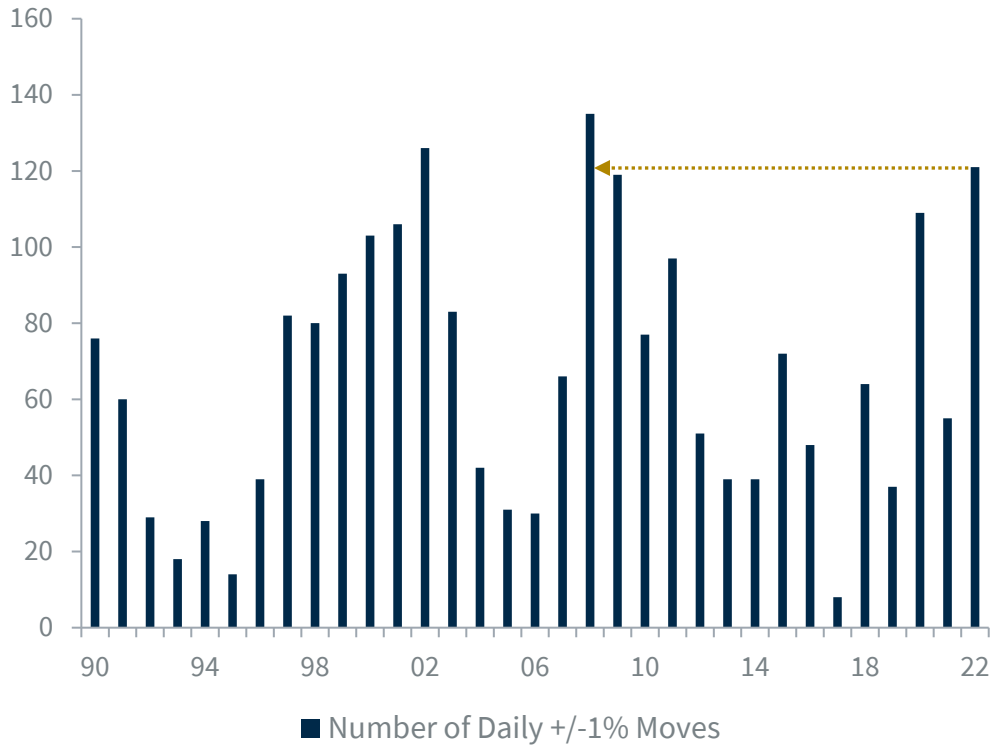
With more positive developments for many of the aforementioned risks, the headwinds of 2022 could shape up to be the tailwinds of 2023.

NEAR RECORD VOLATILITY IN 2022

RELATIVE TO HISTORY, 2022 WAS AN EXTREMELY VOLATILE YEAR

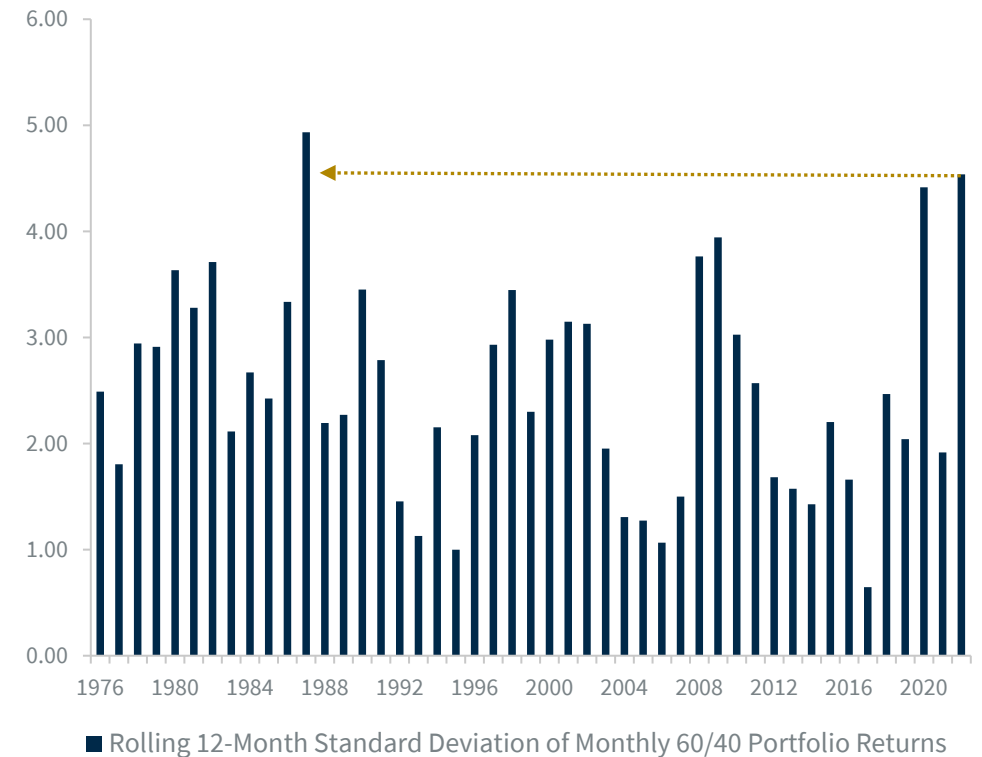
- The S&P 500 had the most daily 1% moves since 2008, and the 60/40 portfolio had its most volatile year since 1987.

Daily 1% Moves by Year



122
1% Daily Moves
in 2022; Most in a
Year Since 2008

Near Record Volatility for 60/40 Portfolio



Source: FactSet. Data as of 12/31/2022.

2022'S ASTEROID IMPACT

THE HIGHS AND LOWS OF 2022

S&P 500: 3 Consecutive Negative Quarters For The First Time Since 1Q09

First Time Both Indices Were Negative For 3 Straight Quarters In Over 4 Decades

US Agg Bond: 3 Consecutive Negative Quarters For The First Time Since 1Q80

 Worst Month Since
October 2008

September 2011

September 2008

October 2008

September 2011

September 2010

MSCI AC World

EM Equities

Municipals

TIPS

Commodities

Dollar

Best Month Since



January 2019

May 2009

January 1986

March 2009

December 2010

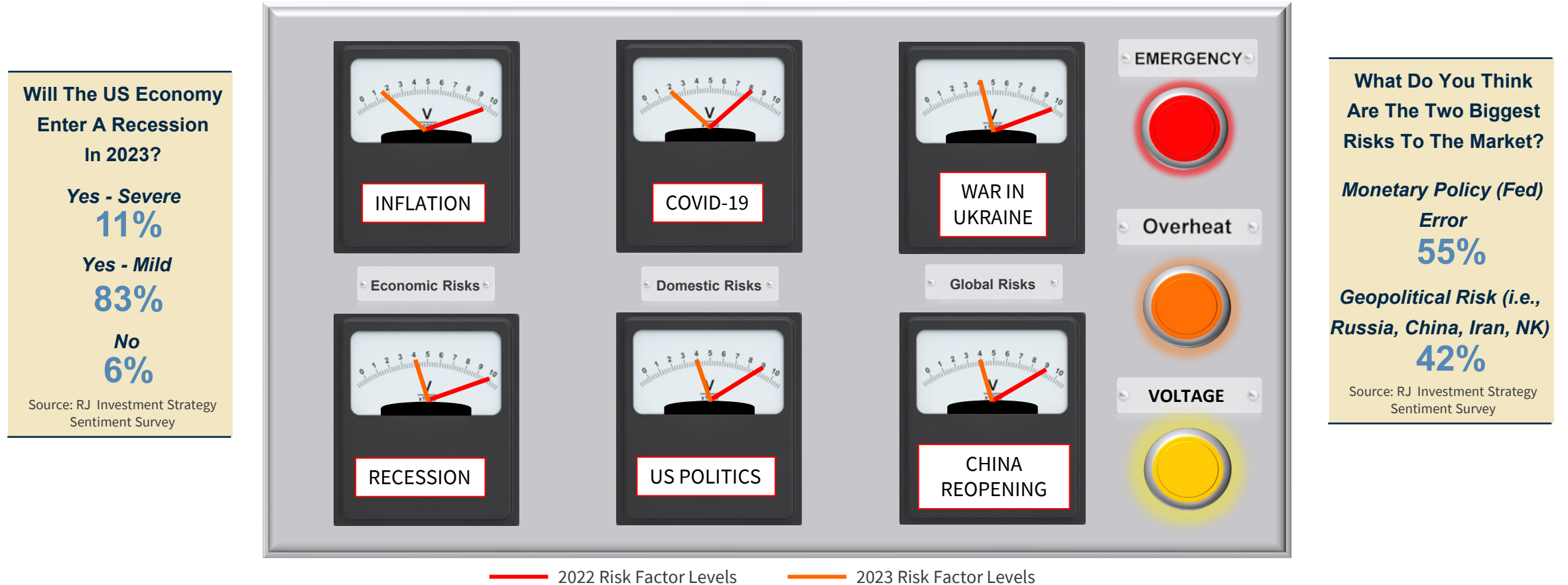
January 2015

Source: FactSet. Data as of 12/31/2022.

A REVERSAL OF VOLATILITY IN 2023

HEADLINE RISK FROM 2022 COULD LEAD TO UPSIDE IN 2023

- Risk factors should be 'dialed back' in 2023.



Source: FactSet, Data as of 12/31/2022.



4

Globalization or Deglobalization

Globalization Won't Go The Way
Of The Dinosaurs

INSIGHT:

The supply chain disruptions throughout the worst of the pandemic had many market pundits predicting that globalization would come to an end. Surprisingly, this call has made been over the last few decades.

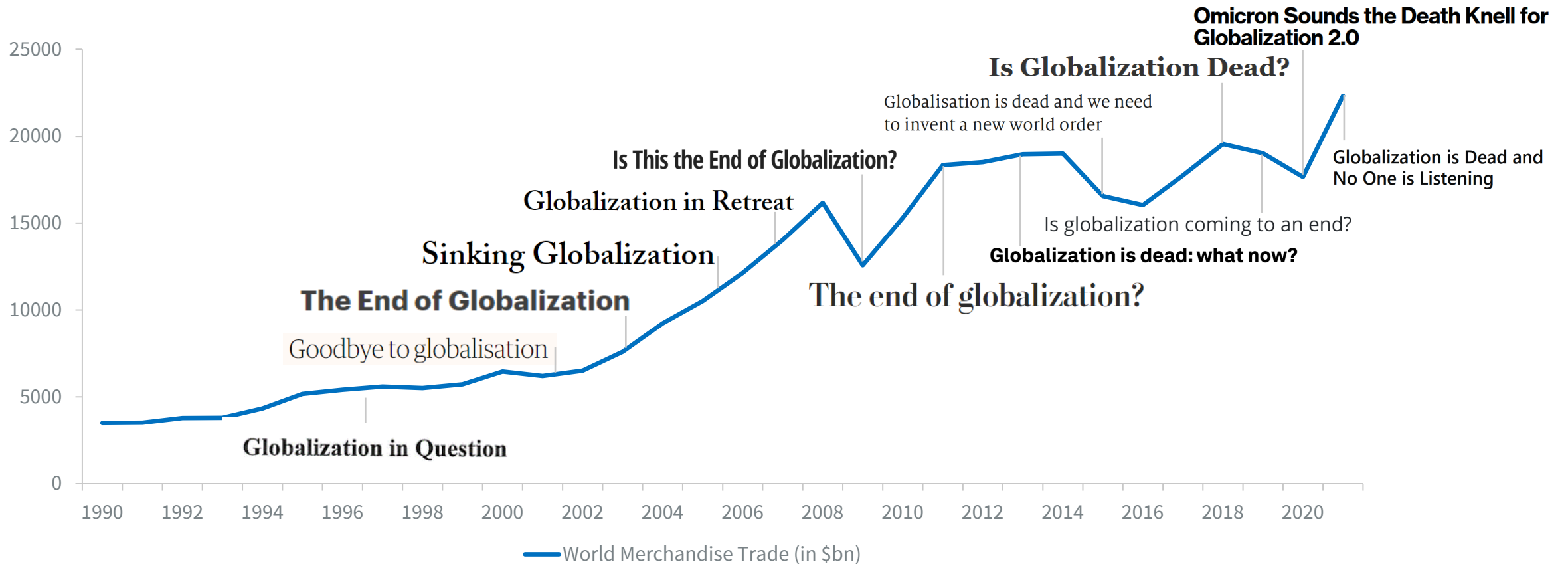
BOTTOM LINE:

The headlines overestimate the economic impact of shifting supply chains, and ultimately the competitive advantages (e.g., cost and production efficiencies) that are still intact. As such, we have a bias toward large, domestic multinational companies.

THE END OF GLOBALIZATION? NOT SO FAST

THE CALLS FOR THE 'END OF GLOBALIZATION' ARE NOT NEW

- Across every country, the percentage of respondents who believe globalization is “Good for their Country” has declined since 2019.



Source: FactSet , Data as of 12/31/2022.

THE SHIFTING OF GLOBALIZATION

GLOBALIZATION IS NOT ENDING, BUT IT IS SHIFTING

- Companies are shifting out of China, and other countries are benefitting.

Digging Below the Headlines

Apple Supplier Pegatron shifting production to Indonesia

Vietnam eyes China's tech crown as firms tire of 'zero COVID'

Smartphone, semiconductor manufacturers shift from China to India

Dell looks to phase out Chinese chips by 2024

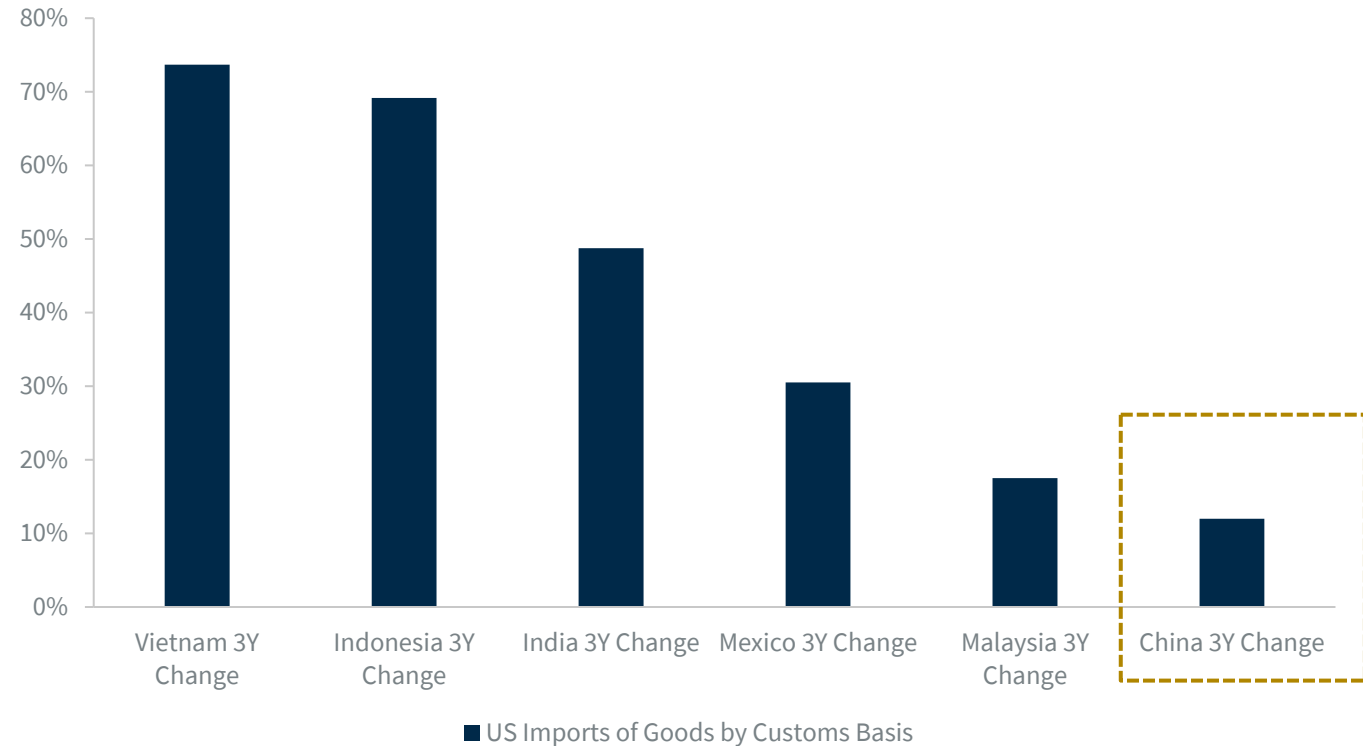
"Mexico is the New China" and Manufacturers are Moving There

Apple accelerates plans to move more manufacturing out of China

Indonesia's Satnusa taps manufacturing shift away from China

American Airlines call center comes to India

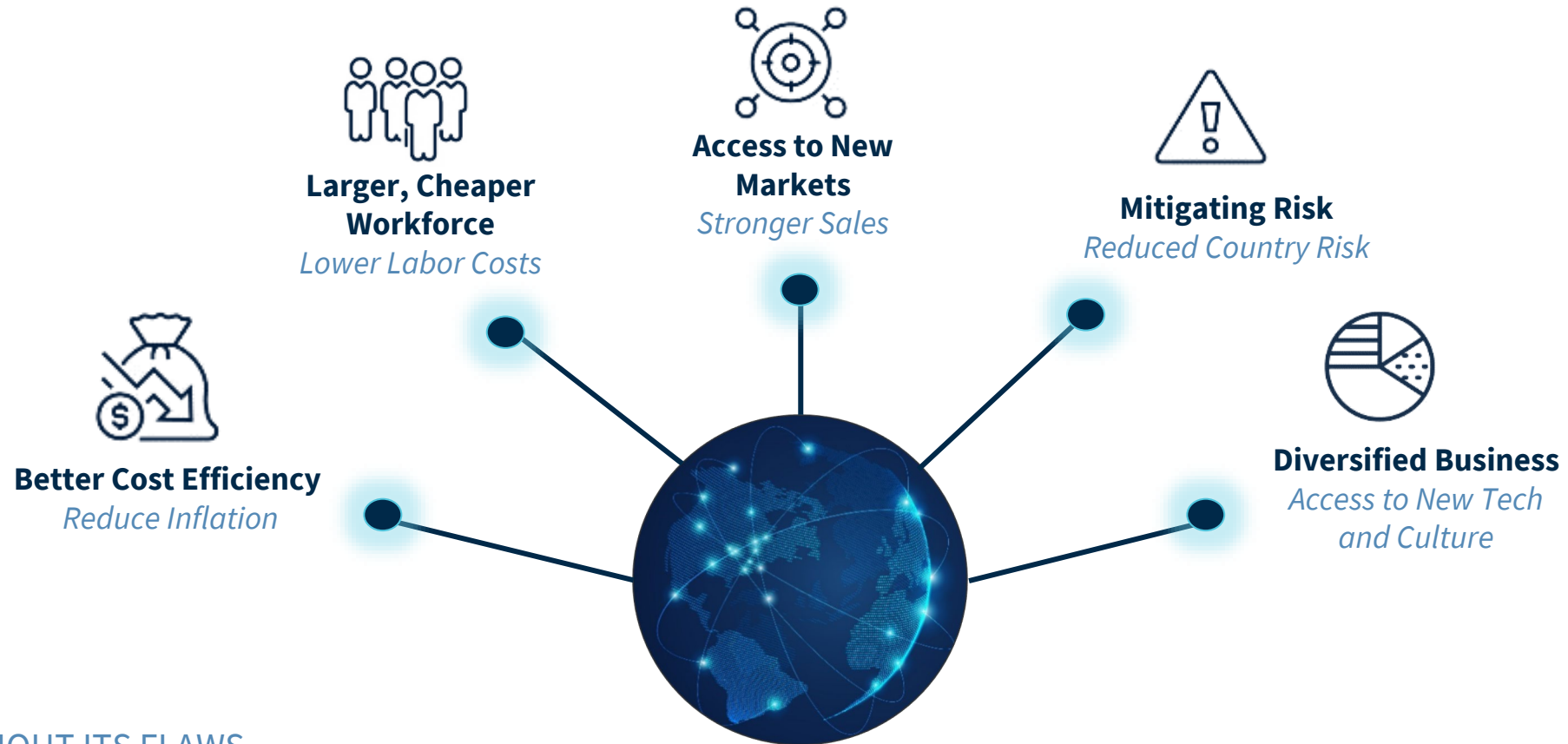
Globalization is Shifting



Source: FactSet , Data as of 12/31/2022.

THE LONG-TERM BENEFITS OF GLOBALIZATION REMAIN INTACT

GLOBALIZATION IS NOT DEAD, BUT IT MAY BE SHIFTING



NOT WITHOUT ITS FLAWS

'Copy Cat' Capitalism

National Security Concerns

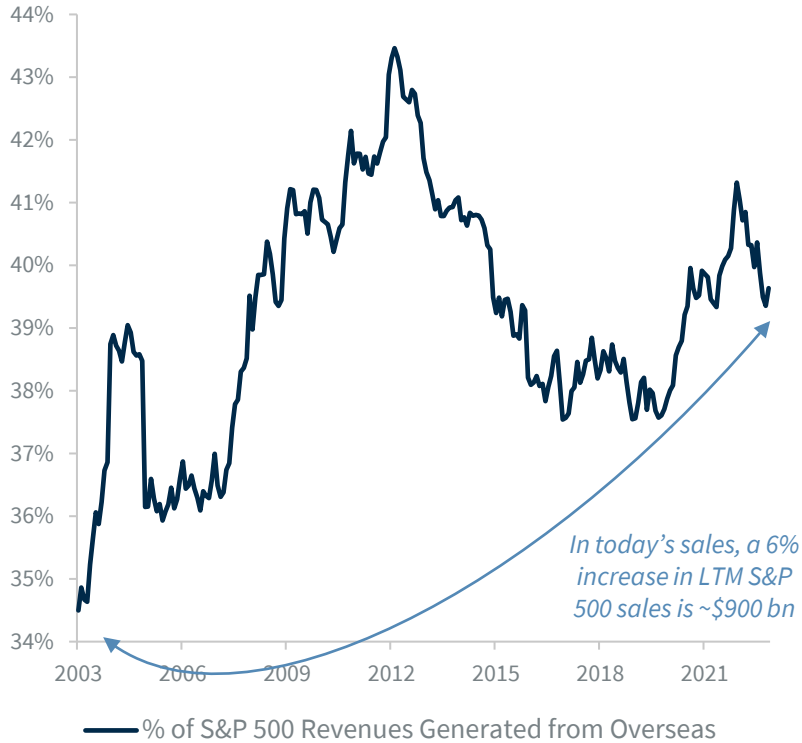
Supply Chain Dependence

GLOBALIZATION IS NOT DEAD

MULTINATIONAL COMPANIES ARE STILL REAPING THE BENEFITS OF GLOBALIZATION

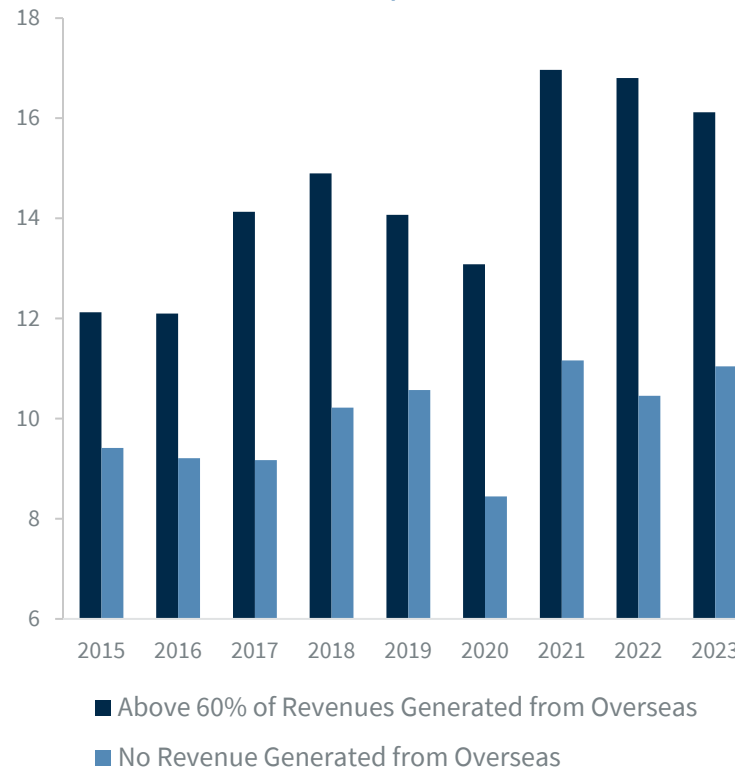
- Companies that generate a larger portion of their sales from overseas have seen higher margins and EPS growth.

S&P 500 Revenues From Overseas Continue to Move Higher

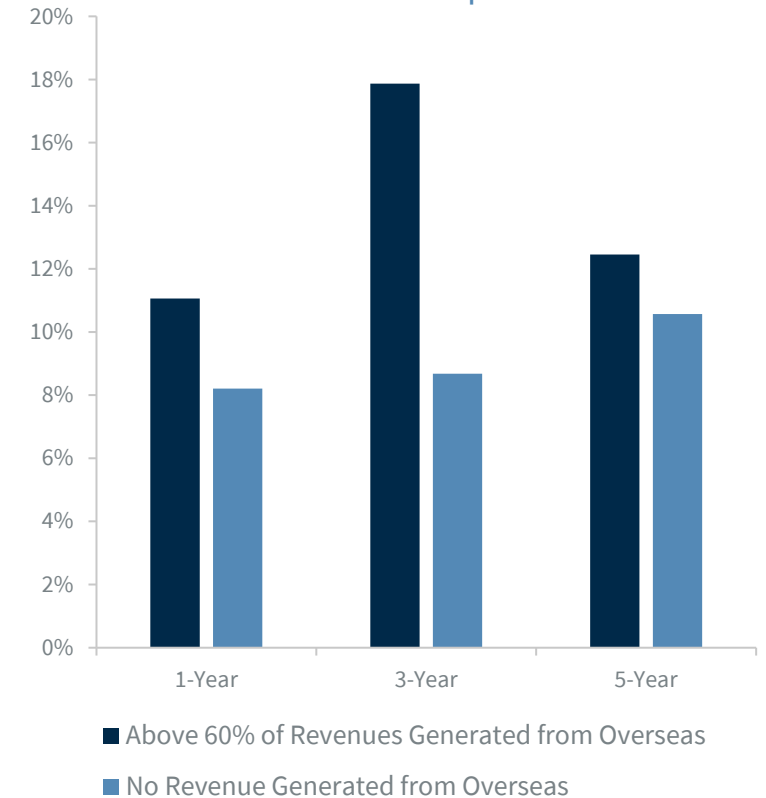


Source: FactSet, Data as of 12/31/2022.

Margins Higher Amongst Multinational Companies



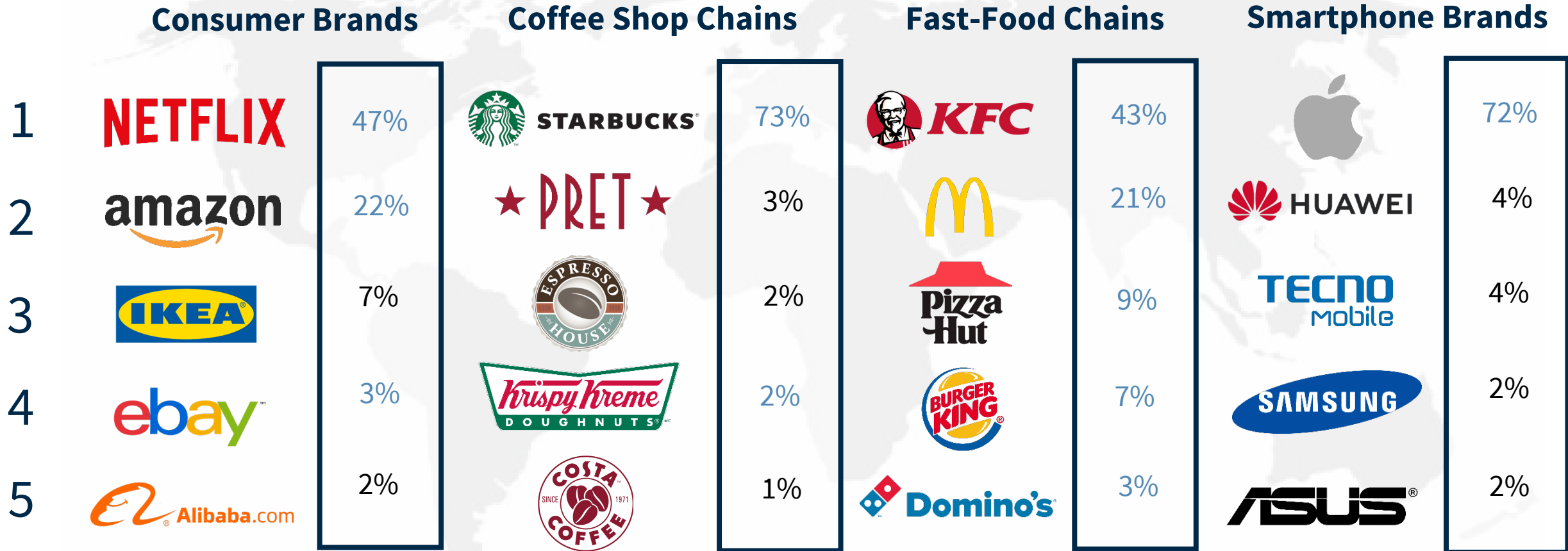
Stronger EPS Growth in Internationally 'Focused' Companies



GLOBALIZATION OF AMERICAN COMPANIES

ACROSS THE WORLD, US-BASED COMPANIES ARE THE MOST POPULAR ACROSS A VARIETY OF BRANDS

- When looking at coffee shops, fast food chains and smartphones, US companies reign supreme.



Source: Bloomberg Finance LP, Data as of 12/31/2022.



5 Fixed Income

Bonds Worth Sinking Your Teeth Into

INSIGHT:

Bond investors are taking advantage of the highest yields available in years. Even though rates seem to have reached their peak, yields are still attractive and now have less risk than a year ago.

BOTTOM LINE:

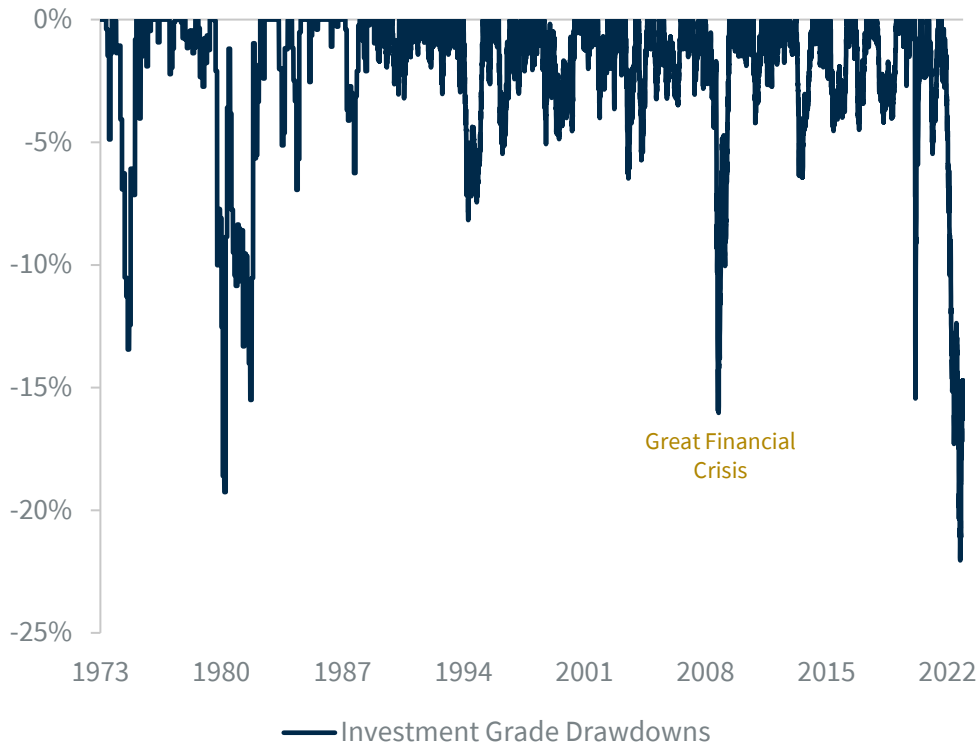
Throughout the year, economic struggles and easing inflation will lead to a lower 10-year Treasury yield. With many subsets of the yield curve inverted, investors should opt for quality rather than chase yield.

DIFFICULT YEAR FOR FIXED INCOME

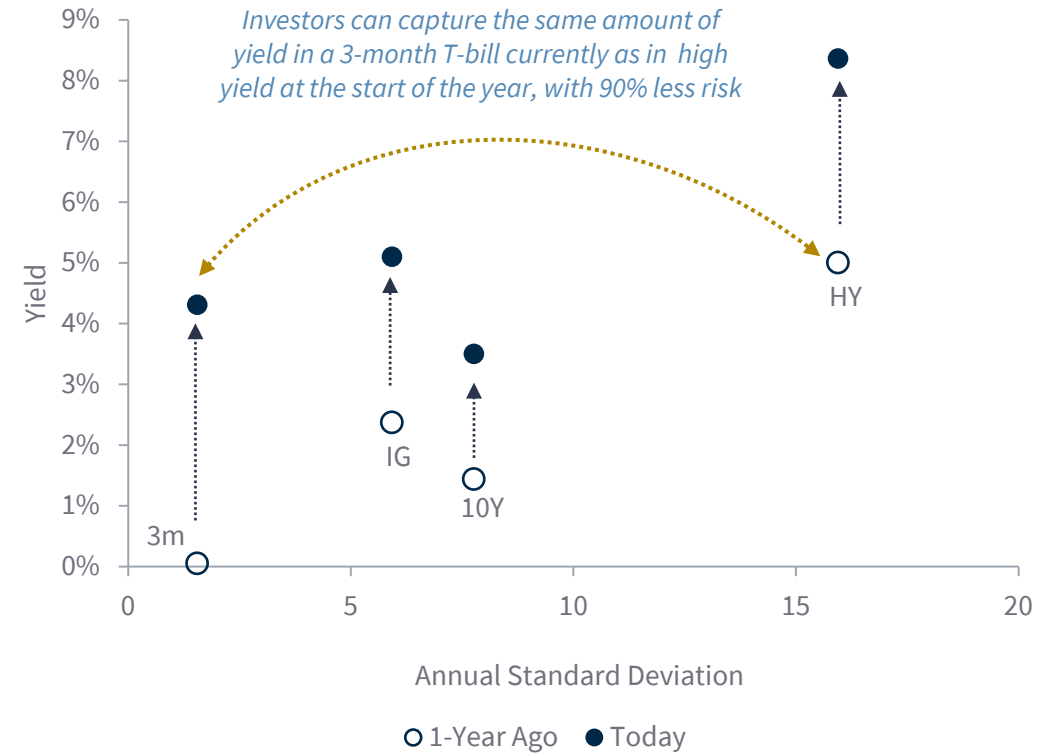
A DIFFICULT YEAR FOR FIXED INCOME INVESTORS

- While it was a difficult year for fixed income investors, it has led to future opportunities.

Largest Drawdown for Investment Grade Bonds on Record



Drawdown Brings Opportunities

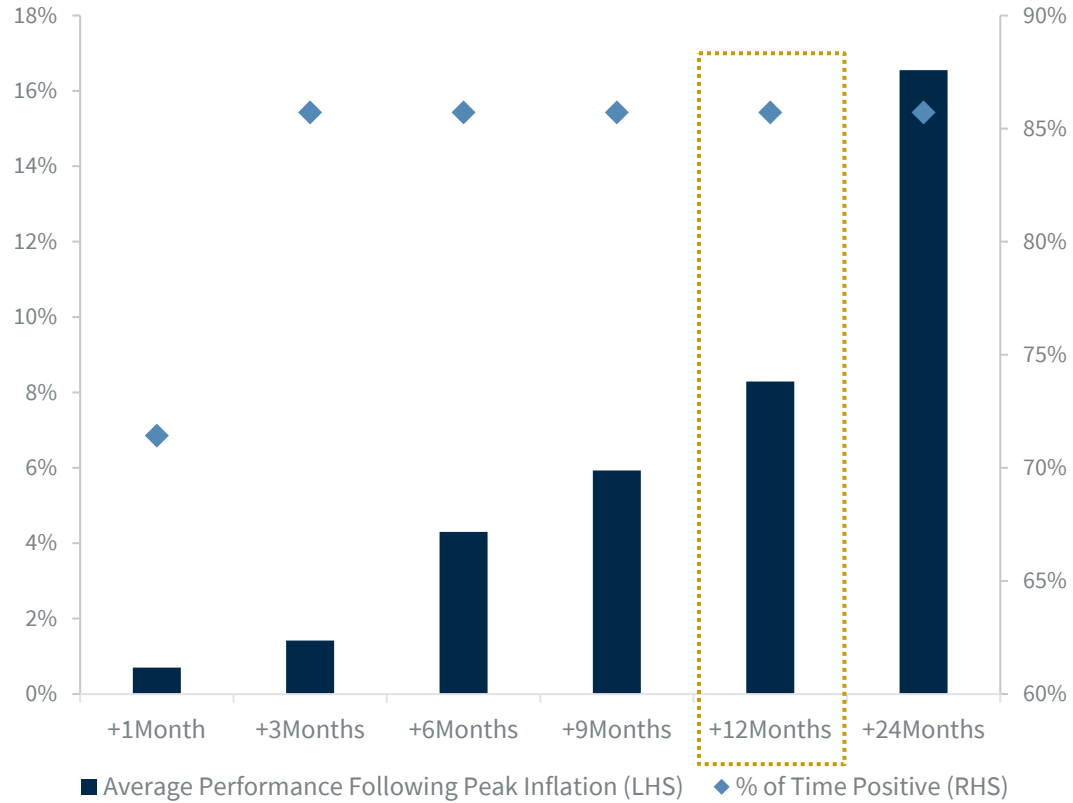


Source: FactSet. Data as of 12/31/2022.

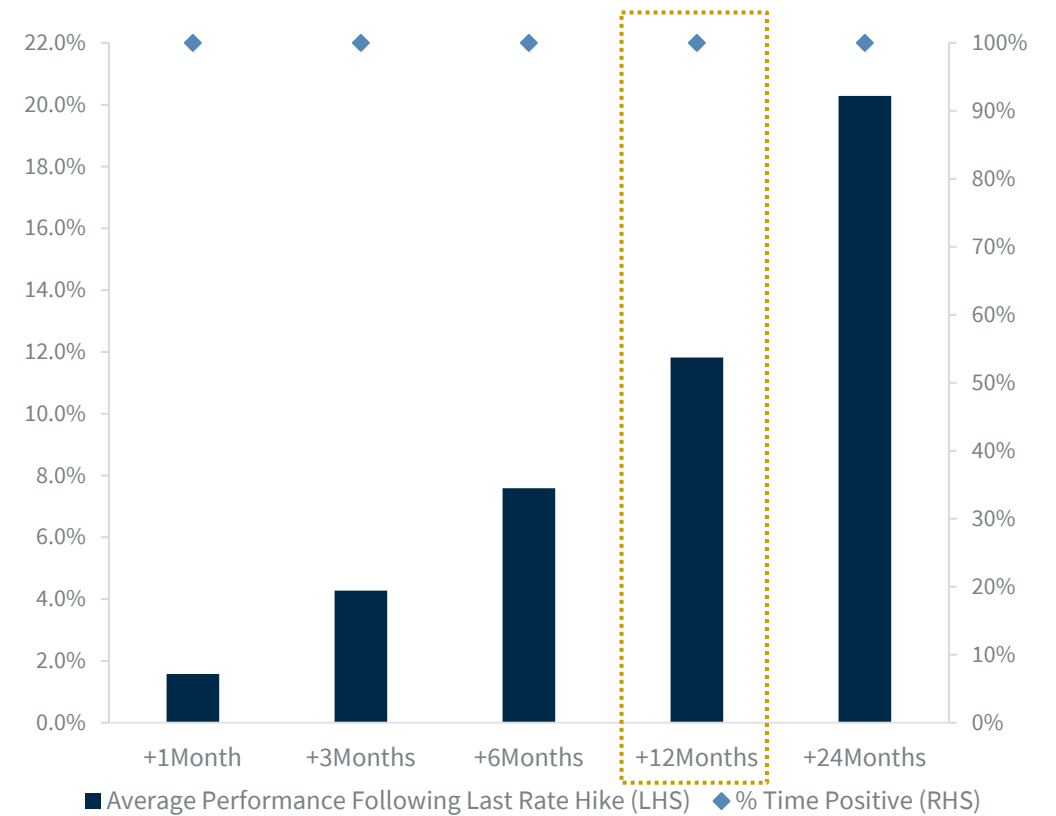
BETTER BOND DAYS ARE AHEAD

LOWER INFLATION AND THE END OF THE FED'S TIGHTENING CYCLE POINT TO BETTER RETURNS AHEAD FOR BONDS

Bonds Perform Well After Inflation Peaks



Bonds Perform Well After Fed Pauses

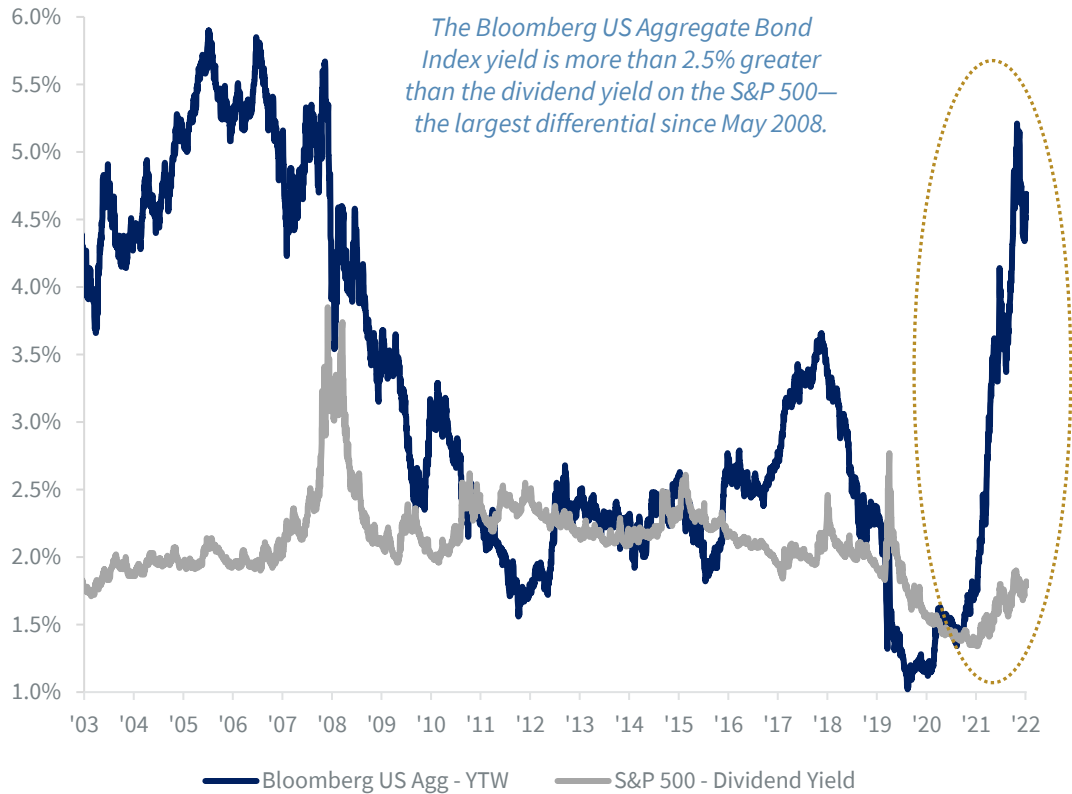


Source: FactSet, Data as 12/31/2022.

THE TIDE HAS TURNED FOR FIXED INCOME

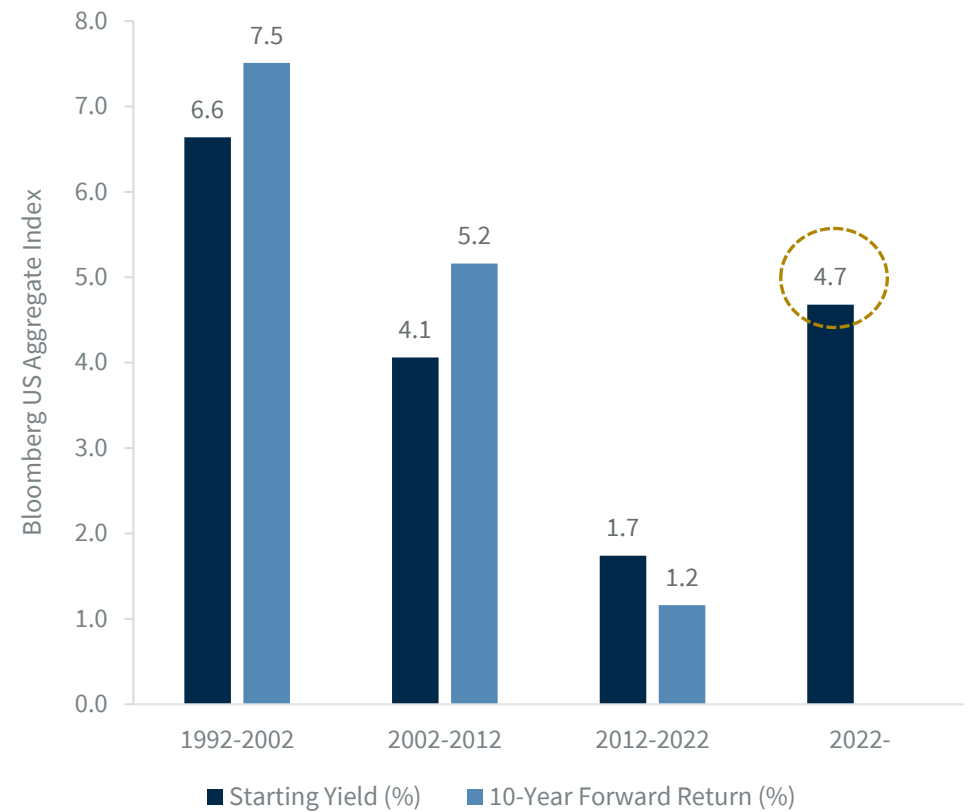
HIGHER YIELDS HAVE BOOSTED THE ATTRACTIVENESS OF BONDS AND THEIR TOTAL RETURN POTENTIAL

Bonds Yields Have Surged Above Dividend Yields



3.0%
2023 10-Year Treasury Yield Target

Starting Point Matters for Forward Returns

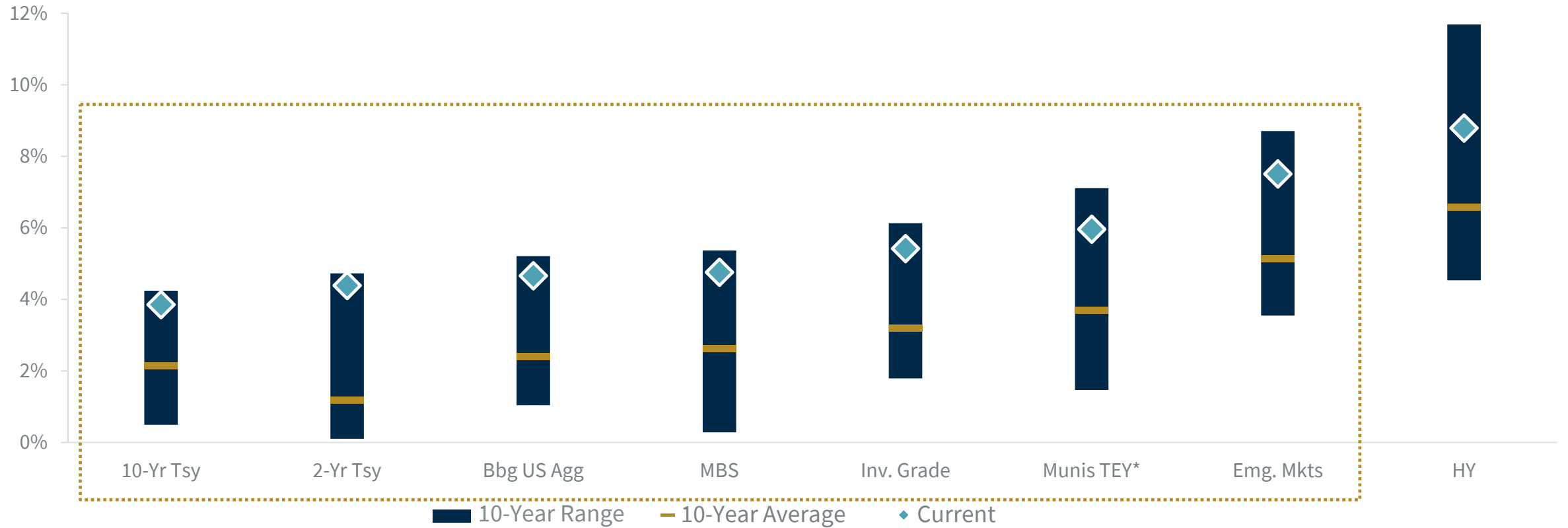


Source: FactSet, Data as 12/31/2022.

HIGH QUALITY BONDS ARE ATTRACTIVE

OPPORTUNITIES FOR INCOME AND CAPITAL GAINS OVER THE NEXT YEAR

High Quality Yields Near Decade Highs



*Muni Tax Equivalent Yield assumes 40.8% tax bracket
Source: FactSet, Data as 12/31/2022.



6 Equities

Corporate Fundamentals Won't Fossilize

INSIGHT:

With a heightened probability for a recession, some speculate that equities are headed for another challenging year. However, the equity market is a forward-looking indicator.

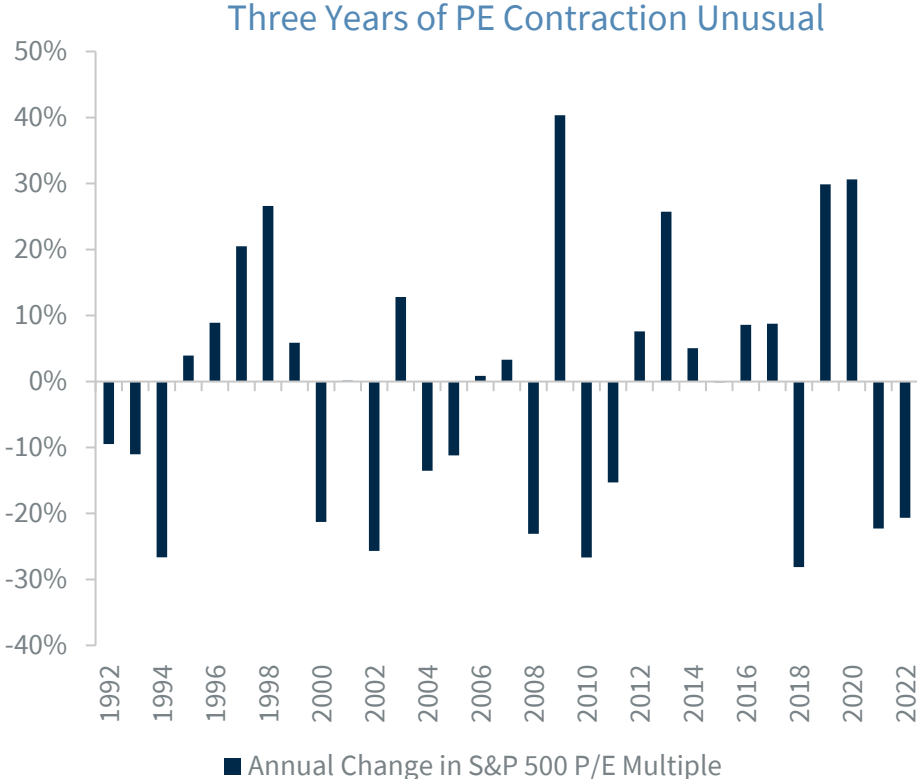
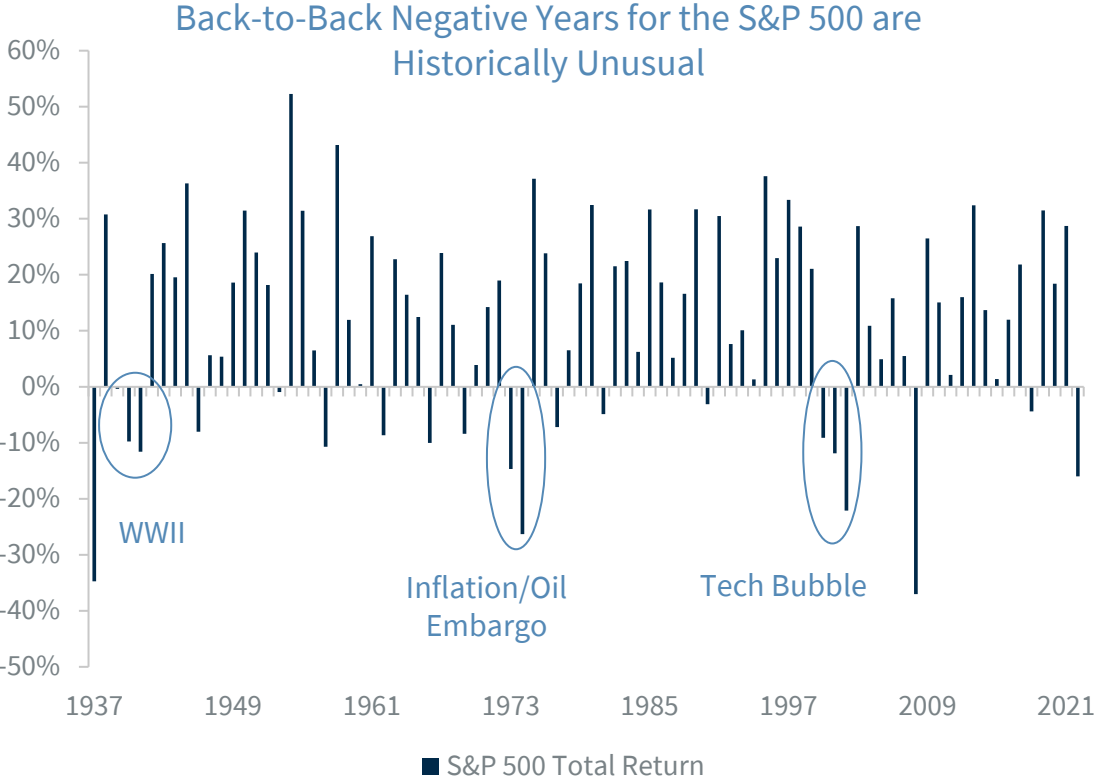
BOTTOM LINE:

Consecutive years of P/E contraction are atypical for the S&P 500, and with businesses already moving to cut costs, margins (and earnings) should hold in better than expected. Continued shareholder-friendly activities should also be a tailwind for equities.

2022 A DIFFICULT YEAR FOR EQUITY INVESTORS

WHILE 2022 WAS CHALLENGING FOR EQUITY MARKETS, HISTORY SUGGESTS MORE FAVORABLE TRENDS MOVING FORWARD

- The equity decline in 2022 was driven by P/E contraction. However, it is rare to get back-to-back-to-back years of declines.



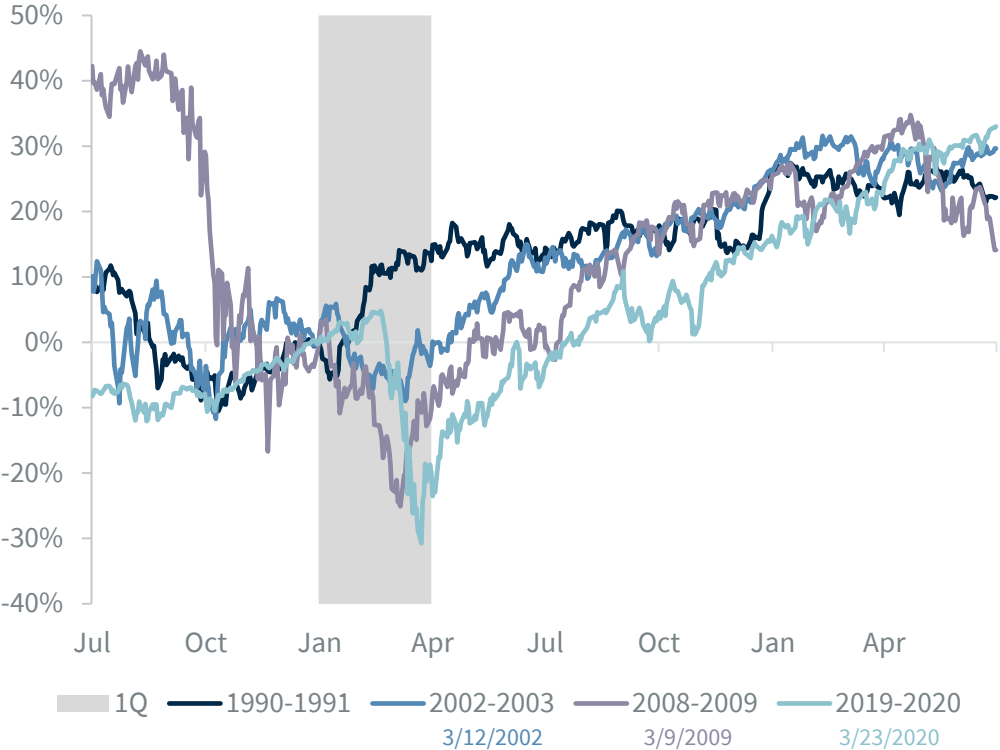
Source: FactSet. Data as of 12/31/2022.

2022 A DIFFICULT YEAR FOR EQUITY INVESTORS

BRIGHTER SIGNS AHEAD FOR THE EQUITY MARKET?

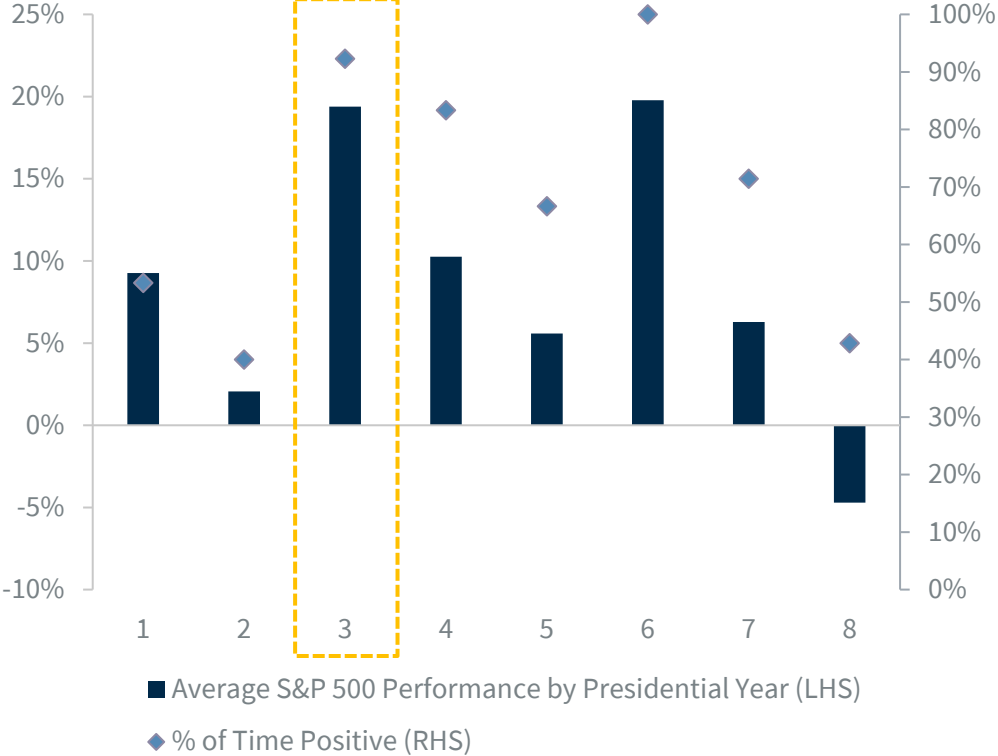
- Following the last four bear markets, the market has bottomed or strongly rallied in the first quarter.

S&P 500 Has Bottomed/Strongly Rallied in First Quarter Following Each of Last Four Bear Markets



~4,400
Year-End 2023
S&P 500 Target

Third Year of Presidential Cycle Historically Positive



Source: FactSet. Data as of 12/31/2022.

THE EVOLUTION OF EARNINGS GROWTH

The Rebound Reopening

Best Annual Sales
Growth on Record
17%

Peak Level of Excess
Consumer Savings
+\$2 Trillion

Record Net Margins
14%

Best Quarter of Earnings
Growth on Record
89%

2021 EPS Growth: +49.7%

Passing On Pricing Pressures

Highest # of Mentions of
'Inflation' in Transcripts
~2,900

Continued the **7-Quarter**
Streak of Double-Digit
Quarterly Sales Growth

Fastest Pace of Headline
Inflation (Y/Y) Since 1981
9.1%

Margins Remain Near
Record Highs
12.1%

2022 EPS Growth: +6.0%

Navigating A Mild Recession

*Margins Still Above the
10-Year Average*

*Record # of Mentions Related to
'Cost Cutting' in Transcripts*

*Dollar Weakness, Improving
Supply Chains, Lower Commodity
Prices and Slower Hiring Help*

*Sales Growth Slows, Does Not
Plummet*

RJ Forecast 2023 EPS Growth: -3 to 0%

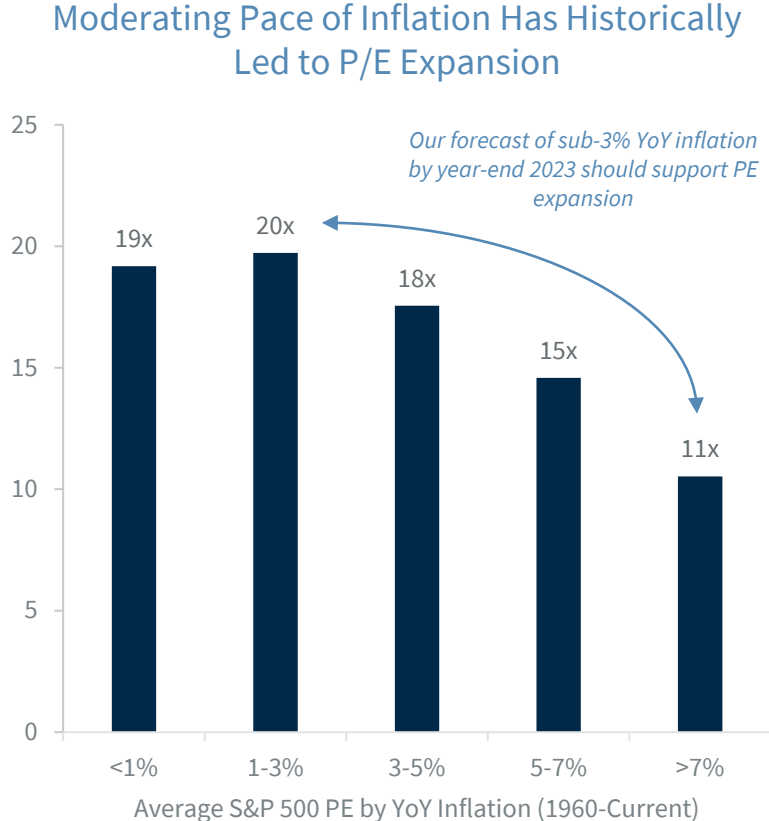
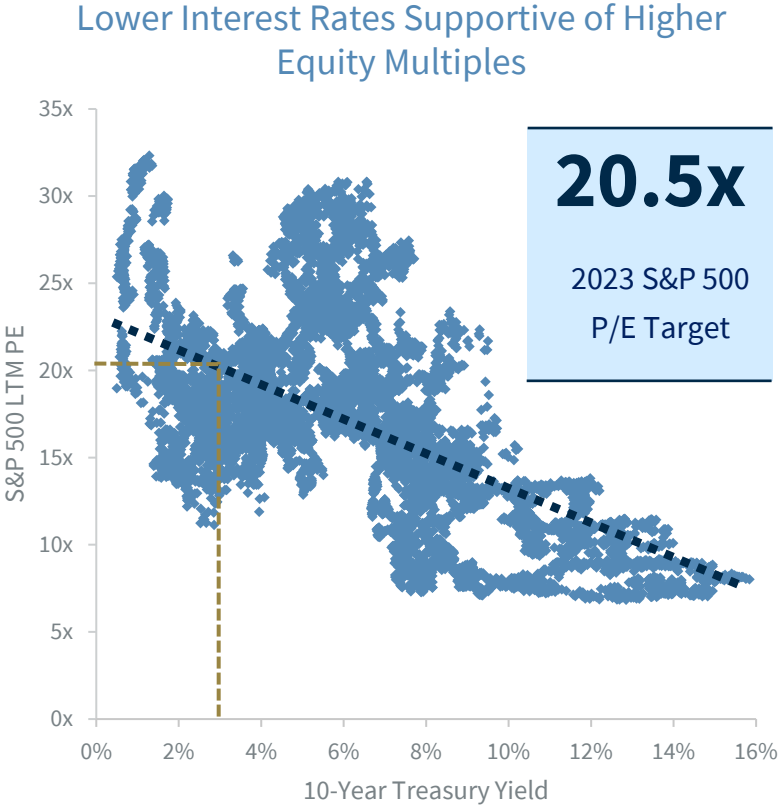
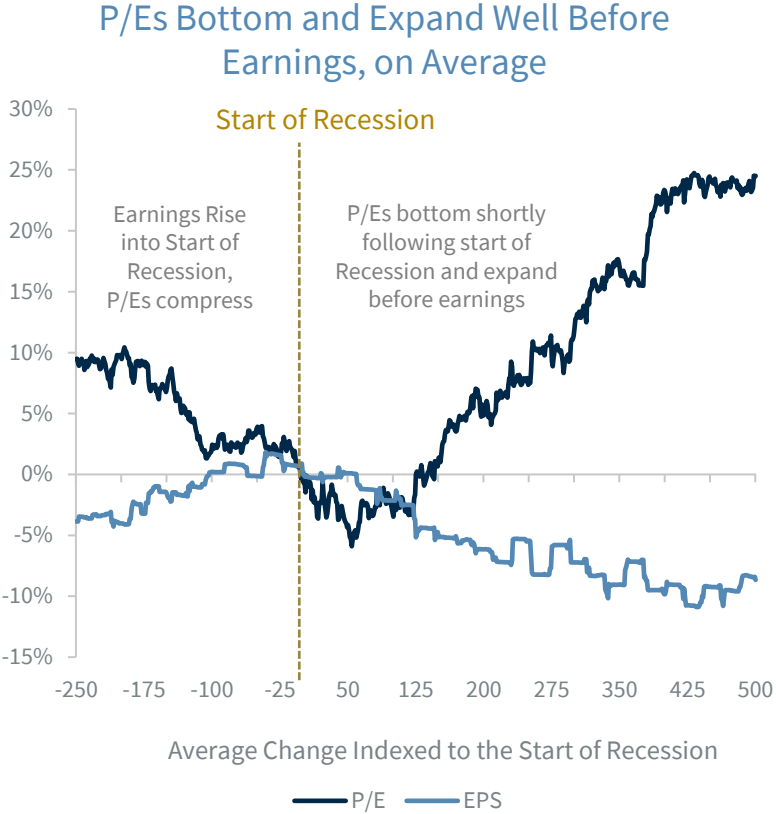
RJ S&P 500 2023's Earnings Estimate: **\$215**

Source: FactSet. All data as of 12/31/2022.

VALUATIONS LIKELY TO EXPAND IN 2023

WE EXPECT P/ES TO EXPAND IN 2023

- P/Es should benefit from a less aggressive Fed, falling interest rates and moderating inflation.



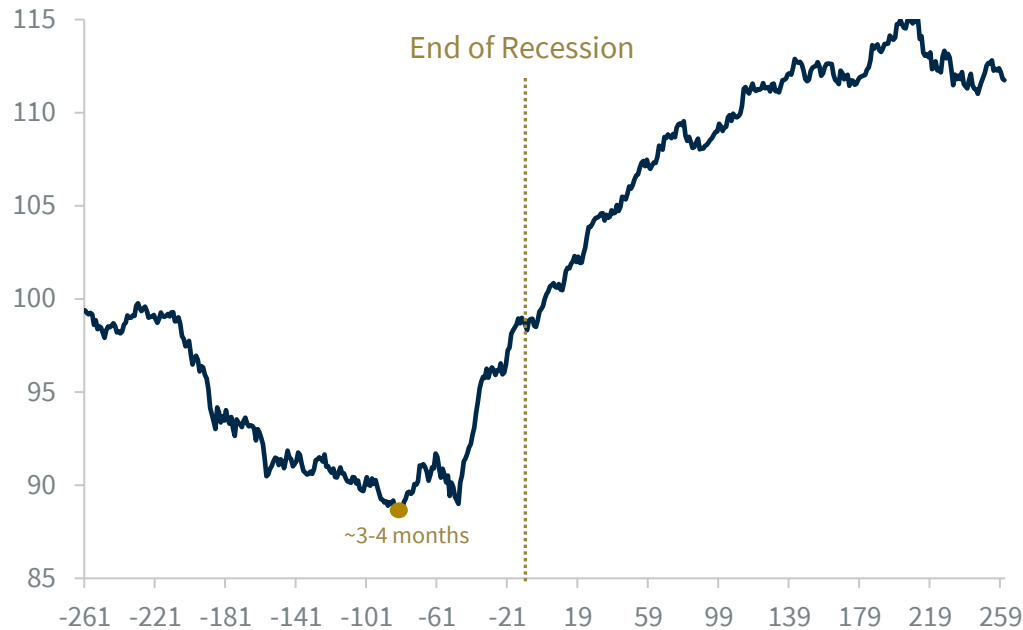
Source: FactSet. Data as of 12/31/2022.

TAILWINDS FOR THE MARKET IN 2023

BUILDING TAILWINDS FOR THE EQUITY MARKET IN 2023

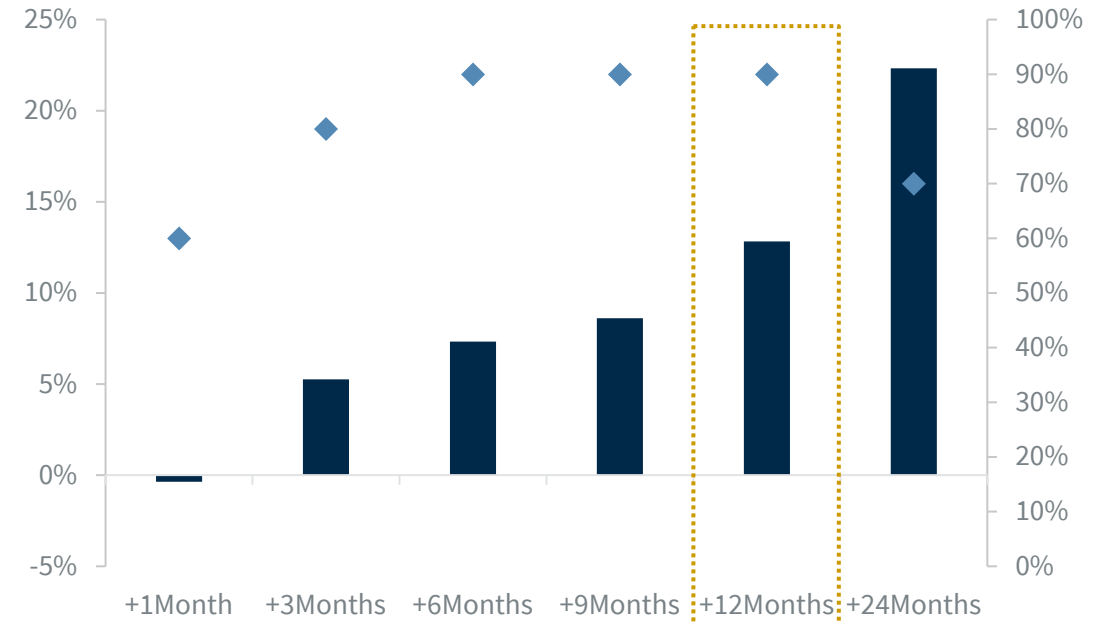
- As the market typically bottoms ~three to four months before the end of the recession, a turnaround in economic activity and the peak in inflation should be supportive of the equity market in 2023.

The Market is a Forward-Looking Indicator



— Average S&P 500 Performance Surrounding End of Recession (indexed to end of recession)

Average Performance Following Peak Inflation



■ Average Performance Following Peak Inflation (LHS)
◆ % of Time Positive (RHS)

Source: FactSet. Data as of 12/31/2022.



7 Industry Perspectives

Carbon Dating The Security Era

INSIGHT:

After a pandemic and war, governments and corporations have learned many lessons about securing critical resources and inputs. As such, enhanced security across a multitude of industries will be at the forefront of 2023 and beyond.

BOTTOM LINE:

Whether it be securing oil and natural gas sources, ensuring that key intellectual property (e.g., chips) and healthcare supplies are readily available, or protecting the power and internet grids from hackers—security will be a top priority for leaders of nations and businesses across the globe.

SECURITY CONCERNS ON THE RADAR

FOLLOWING THE PANDEMIC AND RUSSIA-UKRAINE WAR, SELECT SECURITY INDUSTRIES WILL BE IN FOCUS.

- Given the elevated levels of concern, governments and companies will be more attentive to national security, cyber security, and oil security.

National Defense



Cyber Security



Energy



Reshoring



Industries to Benefit

Aerospace & Defense

Technology, Cyber Security

Energy Producers, Renewable Energy

Tech, Healthcare, Electric Vehicles, Chemicals

Source: Raymond James Investment Strategy

SECURITY IN FOCUS: DEFENSE

NATIONAL SECURITY WILL CONTINUE TO BE IN FOCUS

- ‘Peace through Strength’ Drives Increased Military Preparedness and Planning.

National Defense Spending

“The central, indispensable mission of the Department of Defense is to deter aggression from our enemies and, if required, to fight and win wars to keep America safe.”

-President Biden

Domestic and Global Build-Up of Capabilities

Japan Unveils Biggest Military Buildup Since World War II

Global Military Spending Tops \$2 Trillion for First Time as Europe Boosts Defenses

NATO members Poland, Slovakia to increase defense spending

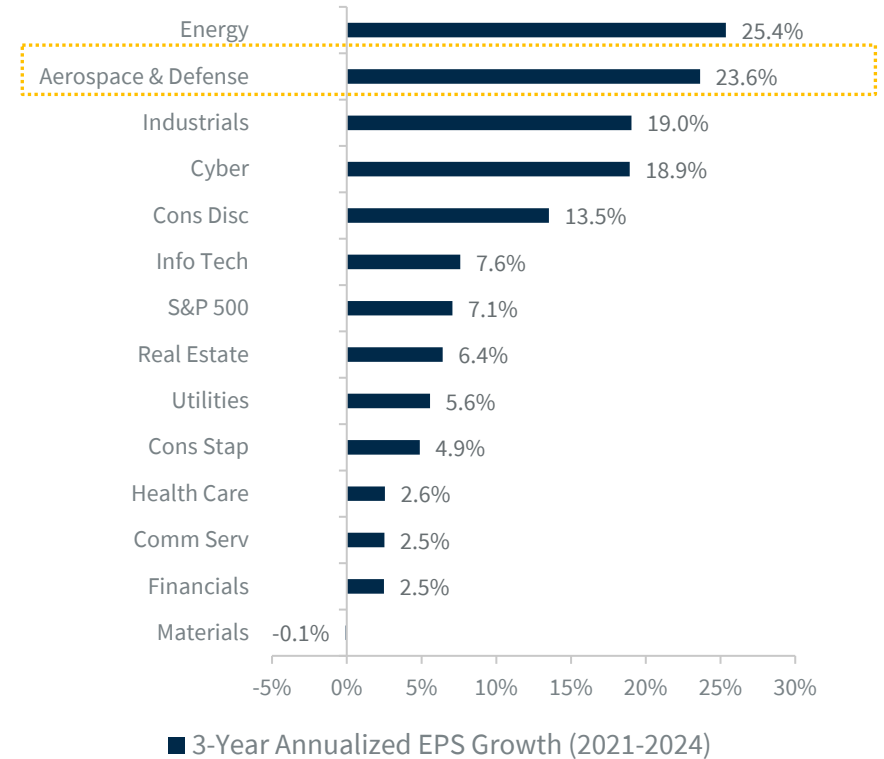
France, UK pledge big increases in defense spending for coming years

German parties reach deal on \$107bn defence spending boost

Sweden boosts defense spending, NATO goal in mind

Australia PM Eyes Biggest Troop Increase Since Vietnam War

Strong EPS Growth in Aerospace



Source: FactSet, Data as of 12/31/2022.

SECURITY IN FOCUS: CYBER

RANSOMWARE A SIGNIFICANT THREAT TO NATIONAL INFRASTRUCTURE & CORPORATE SECURITY

- Frequency and severity of cyber attacks causing concern across the globe.

Constant, Uninterrupted Attacks

A Cyber Attack
Occurs Every

40

Seconds In The US

2021 Cyber Crime
Damages Totaled

\$6T

Equal To The Third
Largest Economy

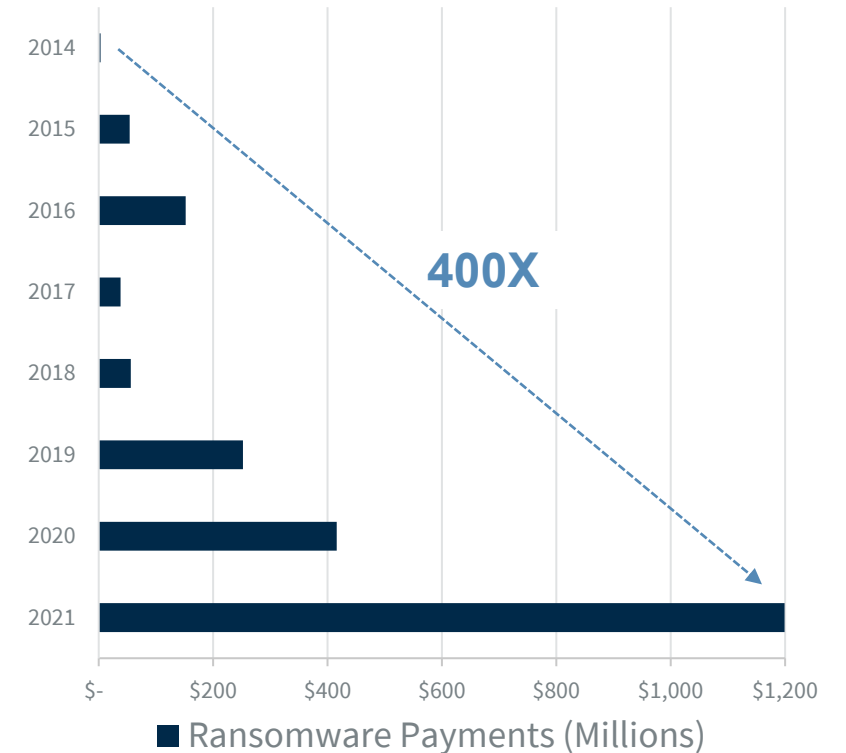
Data Privacy Ranks As
The Largest Risk At

43%

In Audit Forecasts



Cybercrime Comes With A Serious Cost



Cyber Security

“Ransomware continues to pose a significant threat to US critical infrastructure sectors, businesses, and the public.”

-The Financial Crimes Enforcement Network

Source: FactSet, Data as of 12/31/2022.

SECURITY IN FOCUS: ENERGY

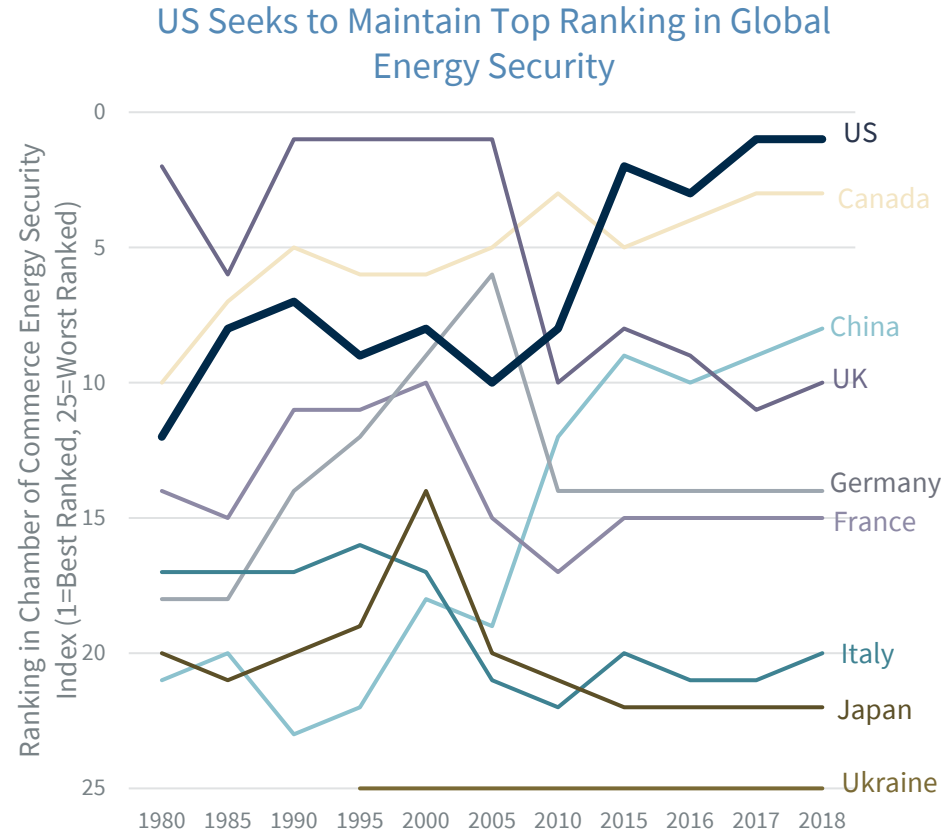
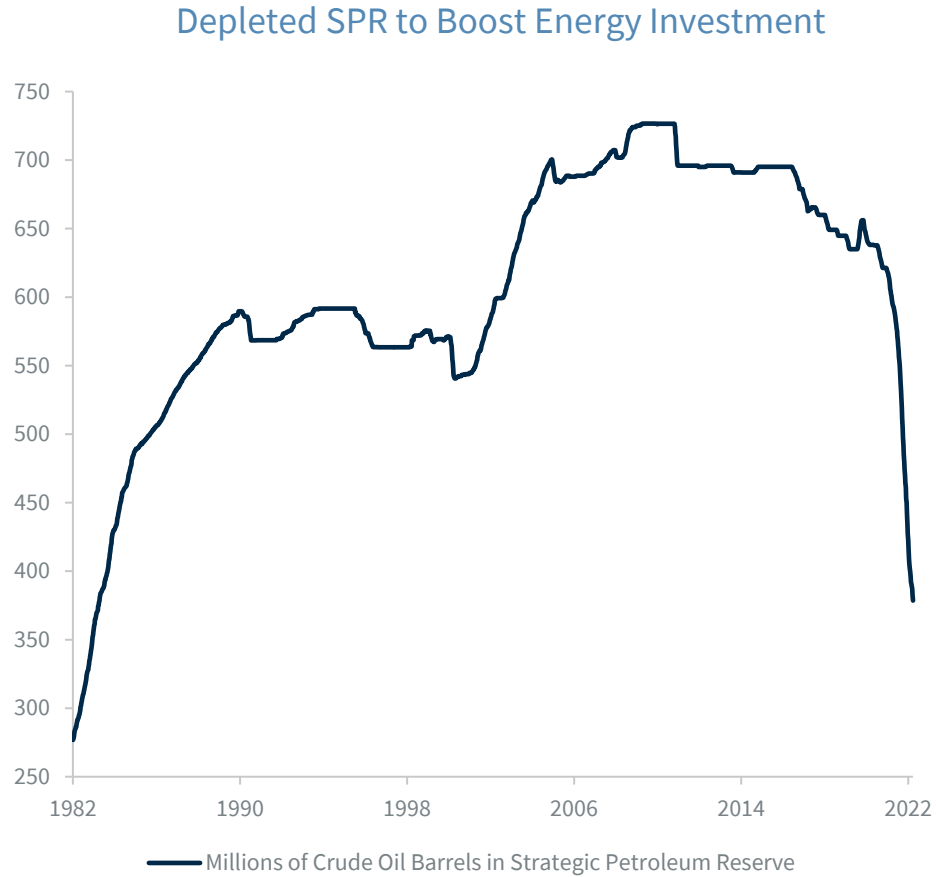
NATIONAL SECURITY WILL CONTINUE TO BE IN FOCUS

- Seeking energy independence amongst allies.

Energy

“We can strengthen our energy security now, and we can build a clean energy economy for the future at the same time. This is totally within our capacity.”

-President Biden



Source: FactSet, Data as of 12/31/2022.

SECURITY IN FOCUS: RESHORING

GLOBALIZATION WILL CONTINUE, BUT US WILL LOOK TO ‘RESHORE’ AREAS OF SECURITY

- Reshoring will be supportive of the US in key security industries, and those sectors are likely to benefit.

Key Investments in Areas of Security

Reshoring

“China’s reprioritization away from economic growth toward national security and its assertive military behavior means that we have to rethink how we protect our national security interests while also promoting our interests in trade and investment.”

-US Commerce Secretary Gina Raimondo

CHIPS Act

The CHIPS Act Has Already Sparked \$200 Billion in Private Investments for U.S. Semiconductor Production

Micron Announces Historic Investment of up to \$100 Billion to Build Megafab in Central New York

Intel investing \$20 billion to bring chip manufacturing to Ohio amid global shortage

TSMC to up Arizona investment to \$40 billion with second semiconductor chip plant

Apple Will Buy Chips Produced at Arizona Factory

Inflation Reduction Act

Rivian confirms \$5B Georgia manufacturing facility, to bring 7,500 jobs

BMW invests \$1.7 bln to build electric vehicles in U.S.

Companies already pivoting from Europe to US for new lithium battery gigafactory projects

Hyundai breaks ground on \$5.5 bln U.S. EV, battery plant

ONE to invest \$1.6B in Michigan battery plant

New clean energy investments have topped \$40B since the IRA passed, report says

Mystery company revealed as Health Supply US plans to make major investment in Greenville

Long-Term Industry Beneficiaries

Industry	Essential Products
Electrical Equipment & Components	EV Batteries, Charging Stations
Computer & Electronic Products	Semiconductors, Chips, Solar Panels
Chemicals	Pharma, Hydrogen fuel, chemicals for batteries
Transportation Equipment	EV's, Aerospace/Defense
Medical Equipment & Supplies	PPE and Medical Devices

Source: FactSet, Data as of 12/31/2022.



8

International

Excavating Opportunities In The Emerging Markets

INSIGHT:

Between the stronger dollar, Fed tightening, and weaker global growth, emerging market opportunities were few and far between in 2022.

BOTTOM LINE:

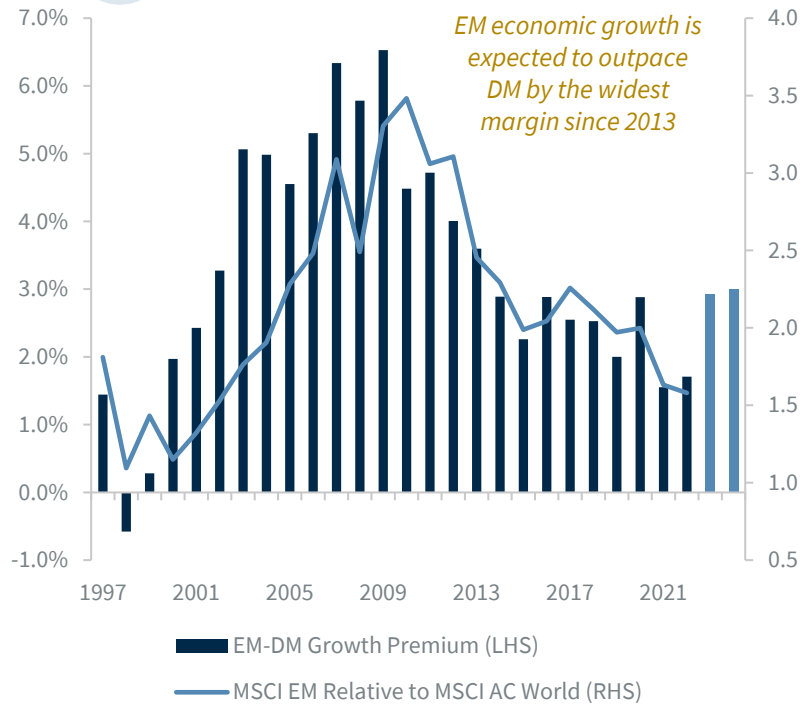
As many of last year's headwinds reverse, and with many emerging economies in a stronger position on a relative basis (e.g., China reopening, India's resiliency), opportunities will develop for both equities and bonds in the emerging market space this year.

2023 A TURN AROUND FOR EMERGING MARKETS?

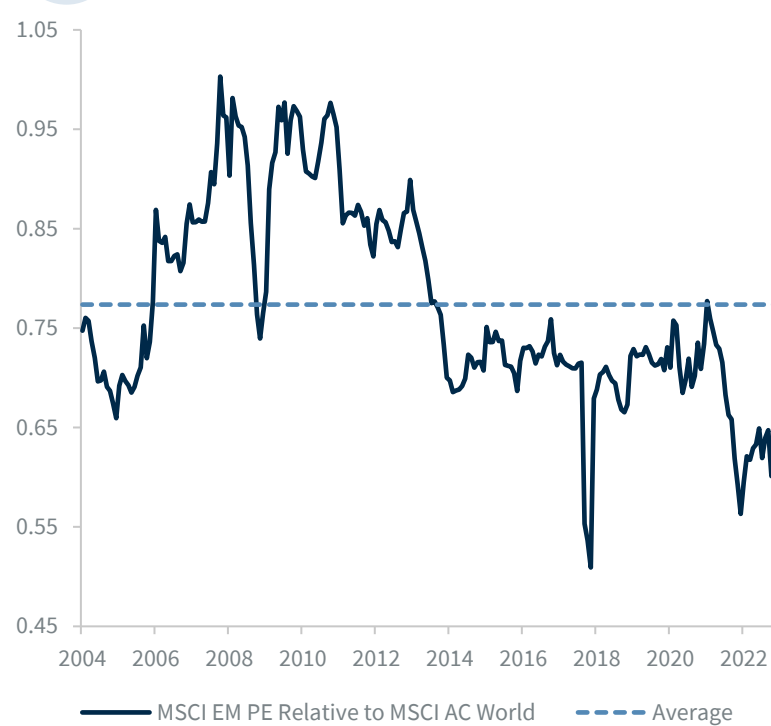
2022 HEADWINDS COULD TURN TO TAILWINDS FOR THE EMERGING MARKETS

- There are a number of supportive fundamental factors for emerging markets heading into 2023.

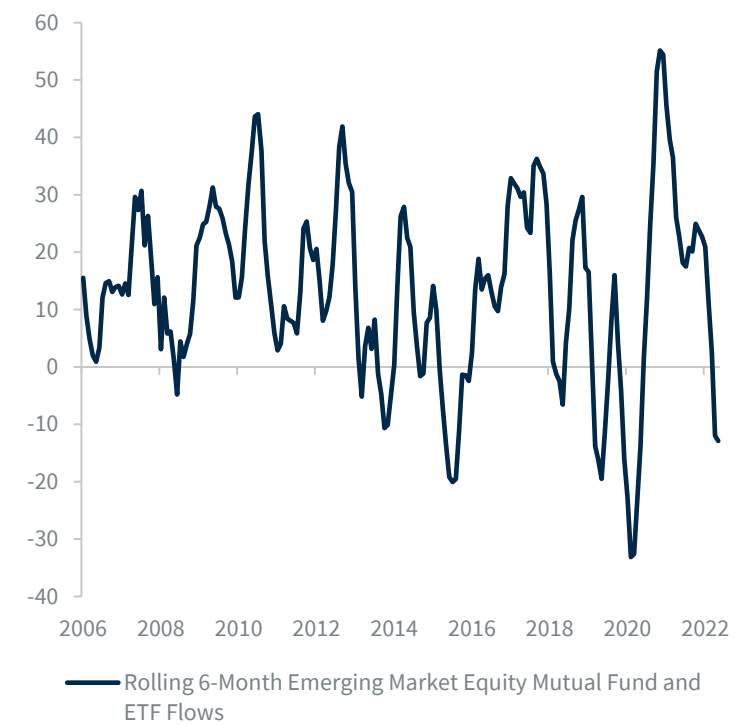
1 EM Growth Premium to Improve



2 Attractive EM Valuations



3 Emerging Markets Turn Out of Favor



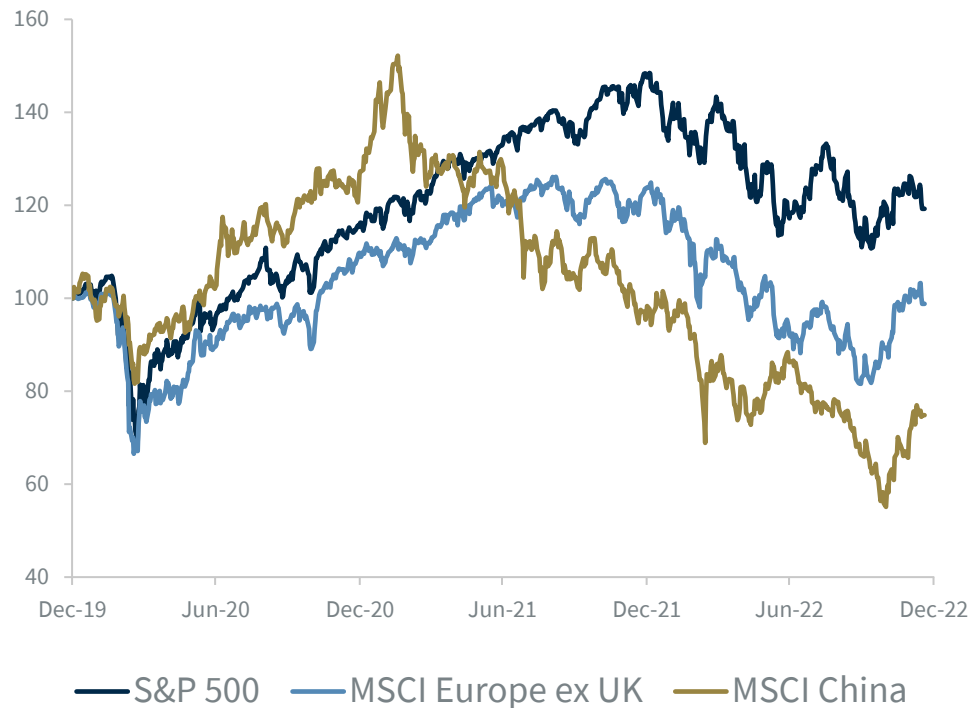
Source: FactSet. Data as of 12/31/2022.

ASIAN EM EQUITY REBOUND DEPENDENT ON CHINA

CHINA REMAINS THE VITAL CATALYST TO DRIVE GROWTH IN REGION

- China to benefit from sustainable reopening of economy, monetary easing, fiscal stimulus and less stringent regulation.

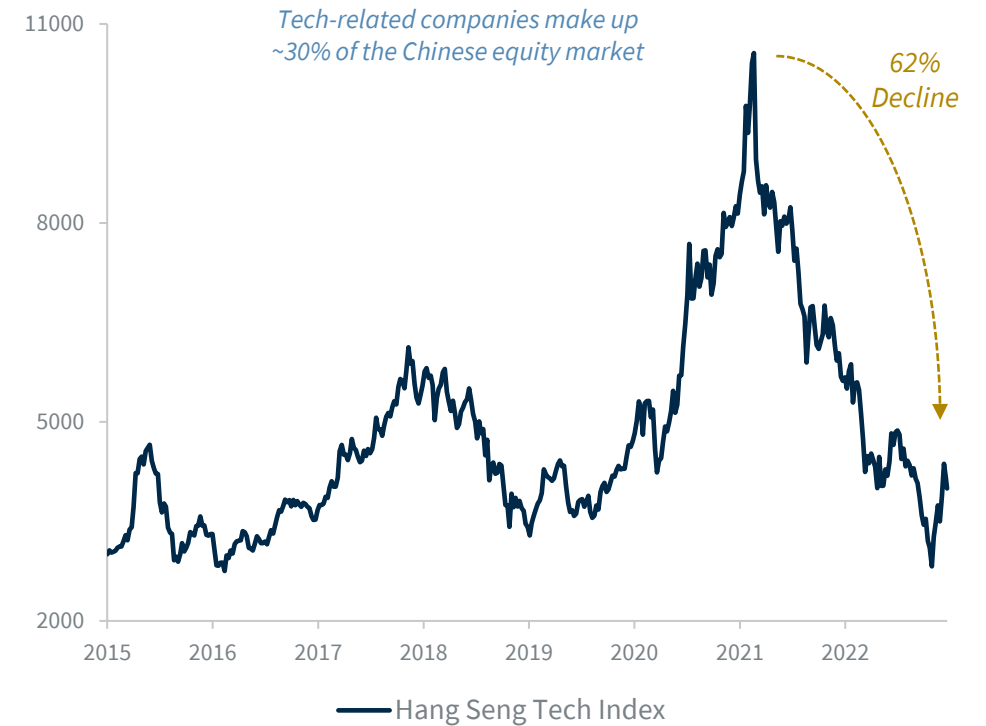
China Reopening (Has Yet to Rally Like Europe and US)



32%

Of MSCI Emerging Market Revenues Come from China—Most of Any Country

Reduction in Tech Crackdown a Boost



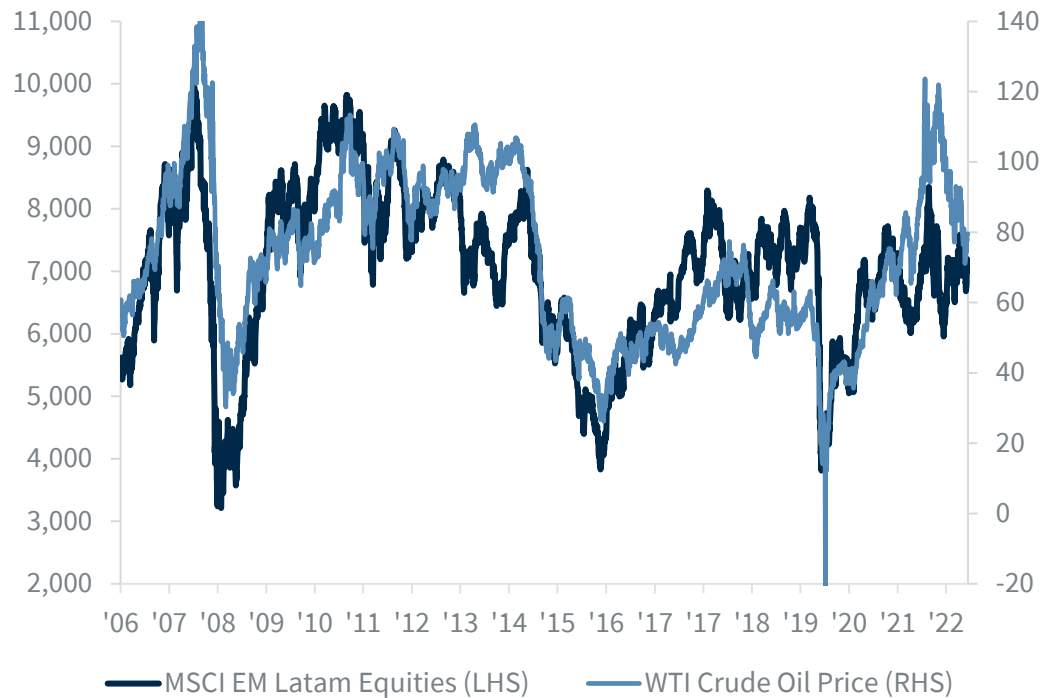
Source: FactSet. Data as of 12/31/2022.

LATAM EM EQUITY REBOUND DEPENDENT ON OIL PRICES MOVING HIGHER

OIL PRICES TEND TO DRIVE LATAM EQUITY MARKETS

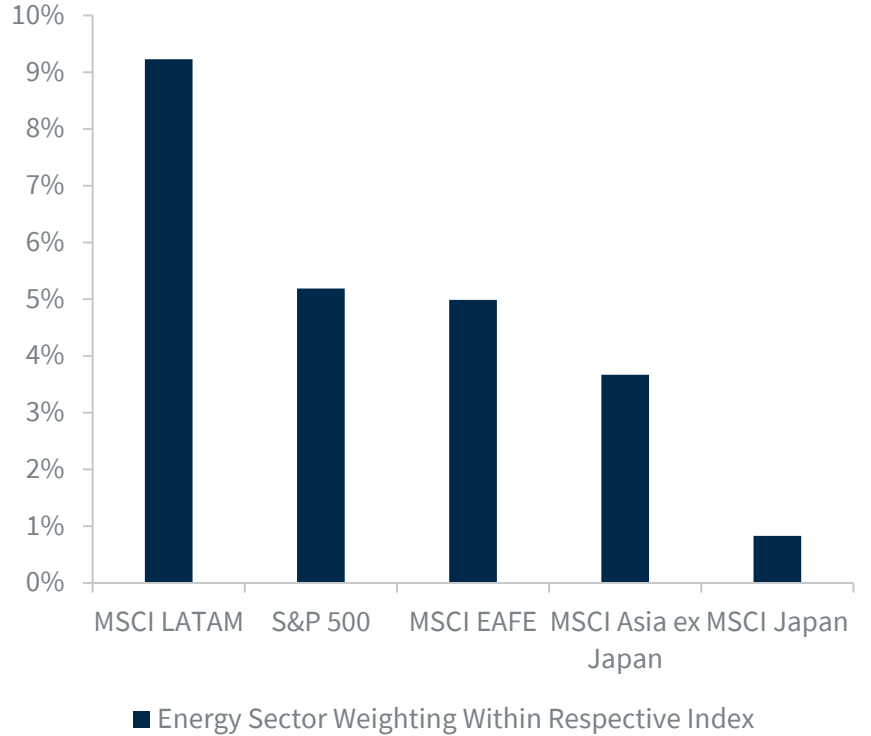
- As LATAM has a high correlation to oil prices, higher oil prices should benefit these markets.

LATAM Equity Markets Have An Elevated Correlation to Oil Prices



\$100
Year-End Target
for WTI Oil

LATAM has Higher Allocation To Energy Sector



Source: FactSet. Data as of 12/31/2022.



9 Investment Principles: Back to Basics

Dispersion & Diversion To Keep Your Portfolio From Erupting

INSIGHT:

As more speculative investments gain traction and interest (e.g., meme stocks), investors may lose sight of their time horizon or investment goals.

BOTTOM LINE:

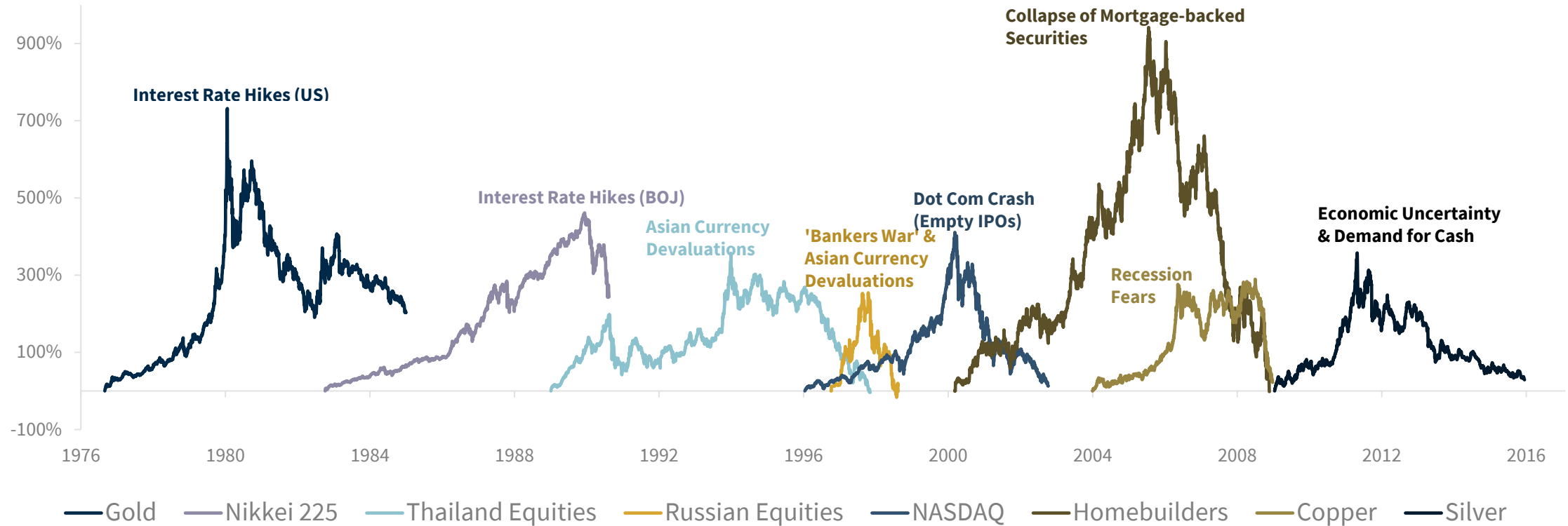
Investors should let fundamentals drive portfolio decisions. Active managers could have superior performance due to the expectation for elevated dispersion across regions, sectors, industries, and even at the company-specific level.

BACK TO BASICS

BURSTING OF BUBBLES NOT UNUSUAL FROM HISTORICAL CONTEXT

- There have been a number of bubbles throughout history.

Bubbles Throughout History

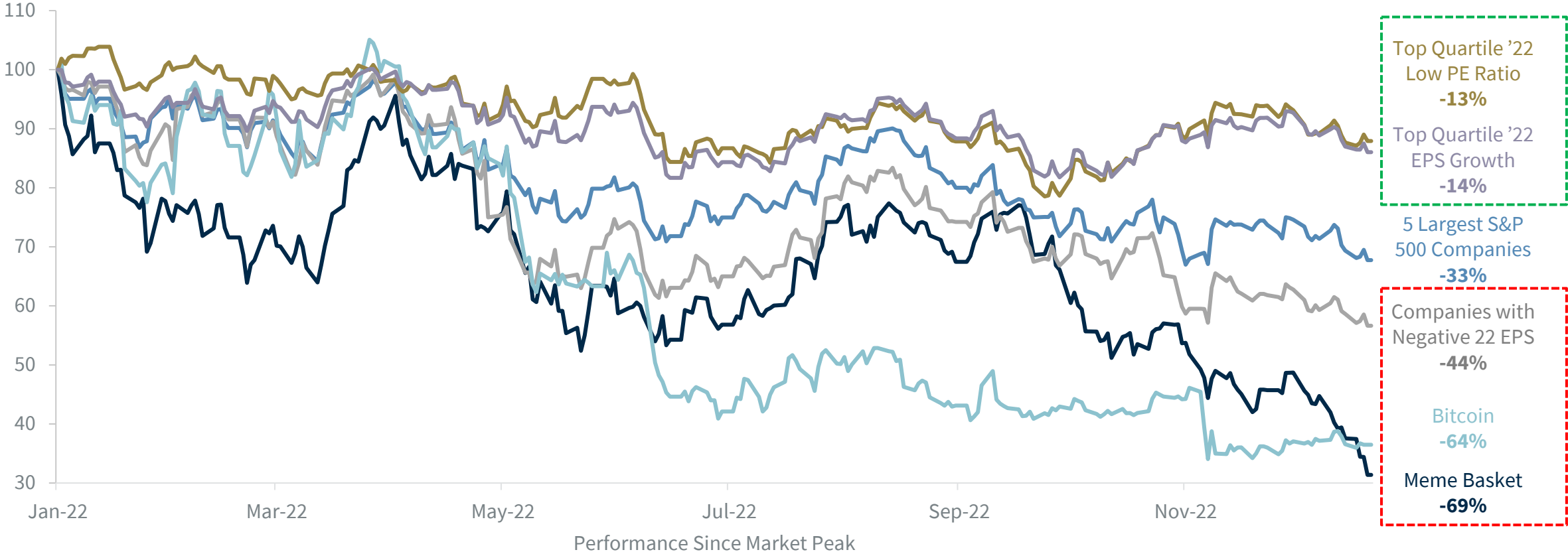


Source: FactSet. Data as of 12/31/2022.

FUNDAMENTALS ARE BACK IN FOCUS

BETTER FUNDAMENTAL COMPANIES OUTPERFORMED IN 2022

- More speculative areas of the market were hit in 2022.



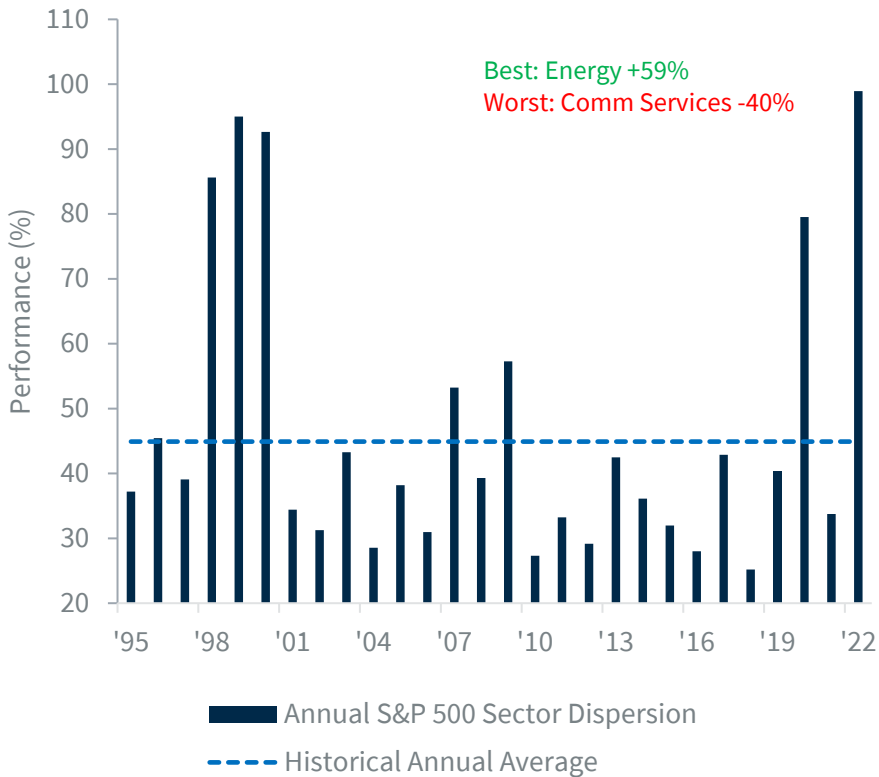
Source: FactSet, Data as of 12/22/2022.

DISPERSION IS ELEVATED

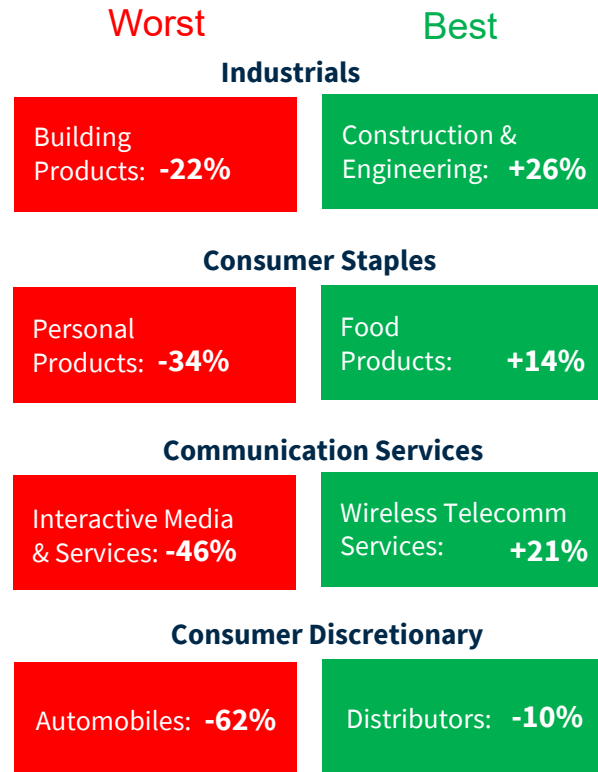
SELECTIVITY WAS CRITICAL IN 2022

- Dispersion was elevated from a sector, industry and stock perspective in 2022.

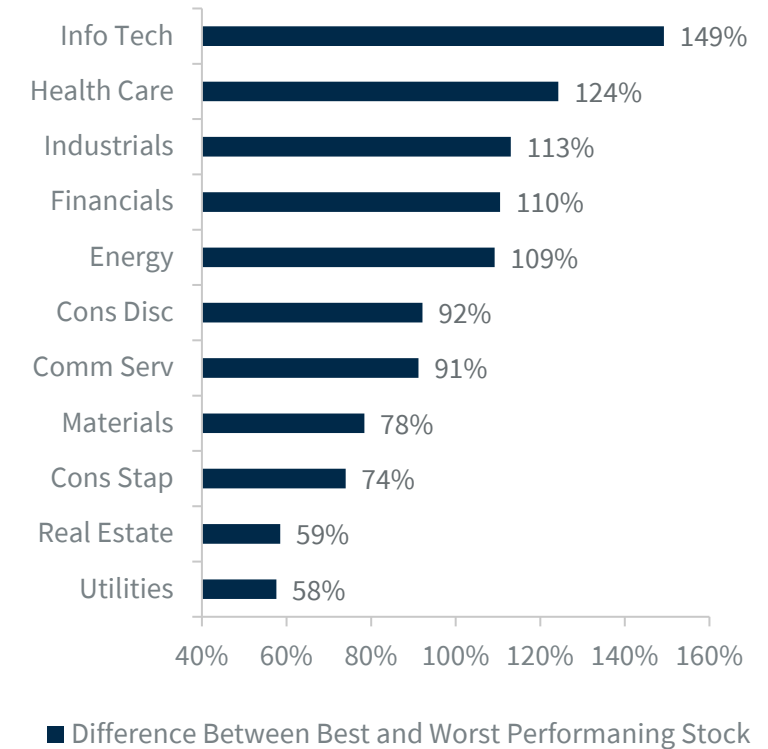
Annual Sector Dispersion



Industry Dispersion Amongst Sectors



Opportunities Intra-Sector



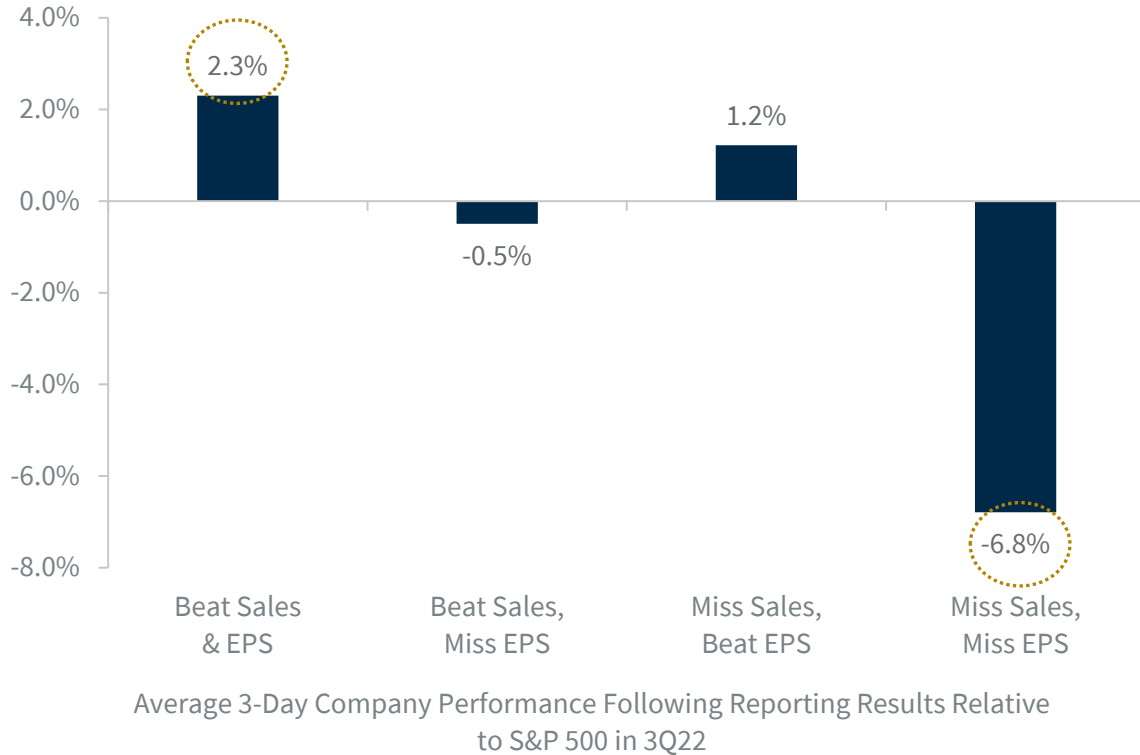
Source: FactSet, Data as of 12/31/2022.

DISPERSION LEADS TO OPPORTUNITIES IN EQUITY MARKET

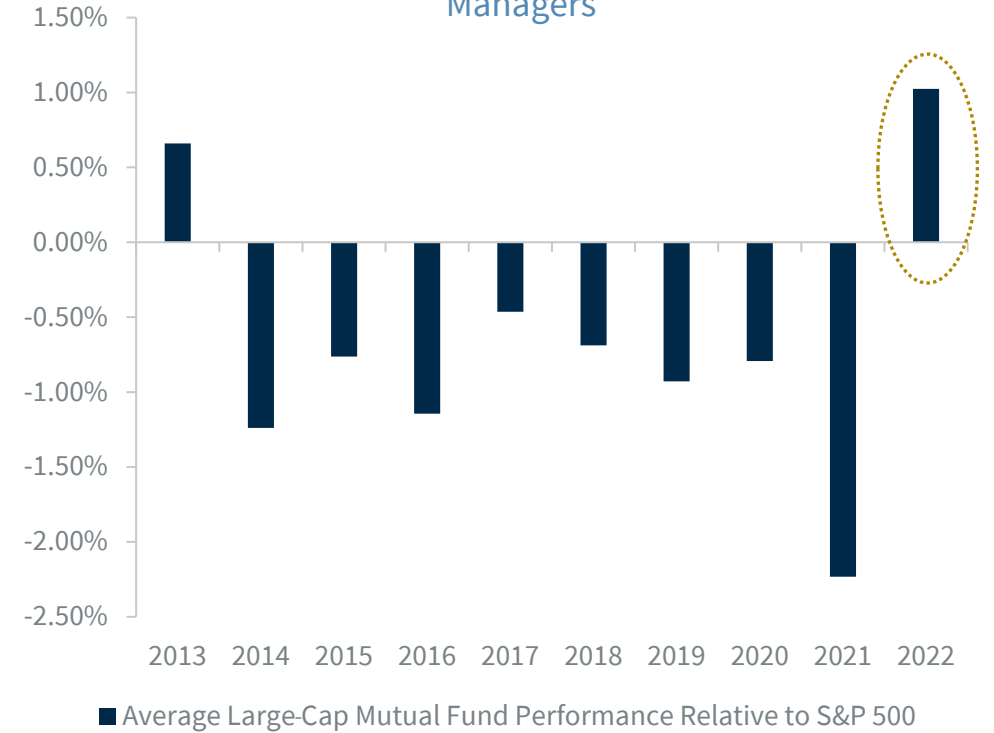
ELEVATED LEVELS OF DISPERSION LEAD TO OPPORTUNITIES

- Active money managers outperformed their benchmark for the first time since 2013 in 2022.

Discerning Market Following Earnings Results



Dispersion Leads to Outperformance for Active Money Managers



Source: FactSet. Data as of 12/31/2022.



10

Psychological Dynamics

Don't Follow The Herd's Footprints

INSIGHT:

Investors may find comfort in following consensus expectations, but recent history shows that the most popular call is not always correct (e.g., the expectation for the new age Roaring 20s).

BOTTOM LINE:

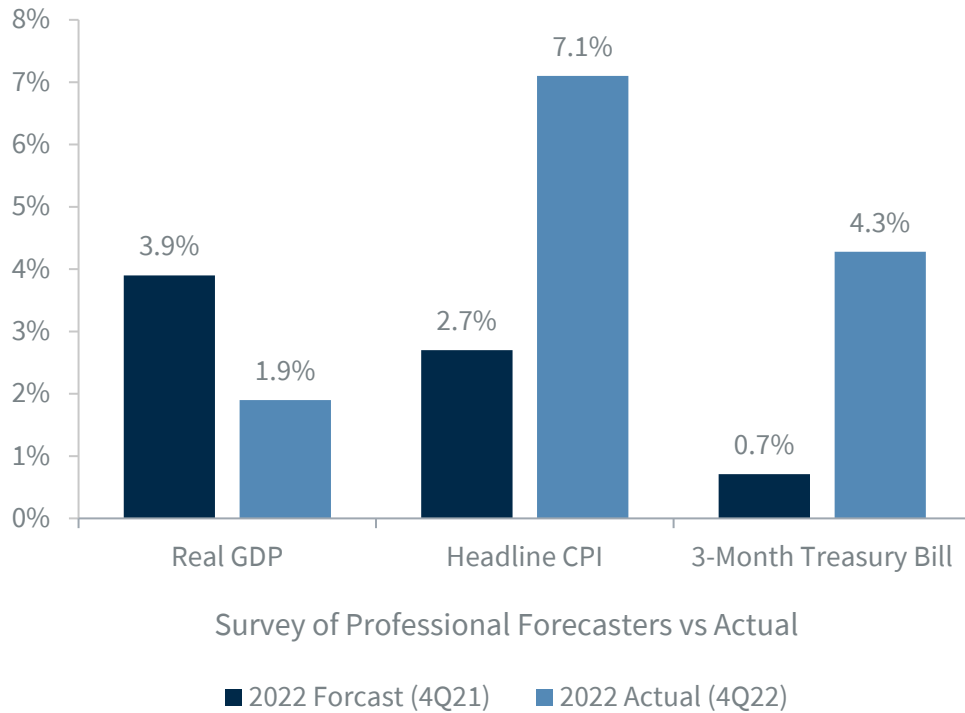
Some of the best opportunities in 2023 may require moving in isolation. A few of the more out of favor investments such as REITs and the Tech sector have more favorable valuations and fundamentals and may prove to be areas of opportunity in the year ahead.

THE MARKET HAS NOT GONE WAY OF CONSENSUS OF LATE

CONSENSUS HAS NOT BEEN RIGHT THE LAST FEW YEARS

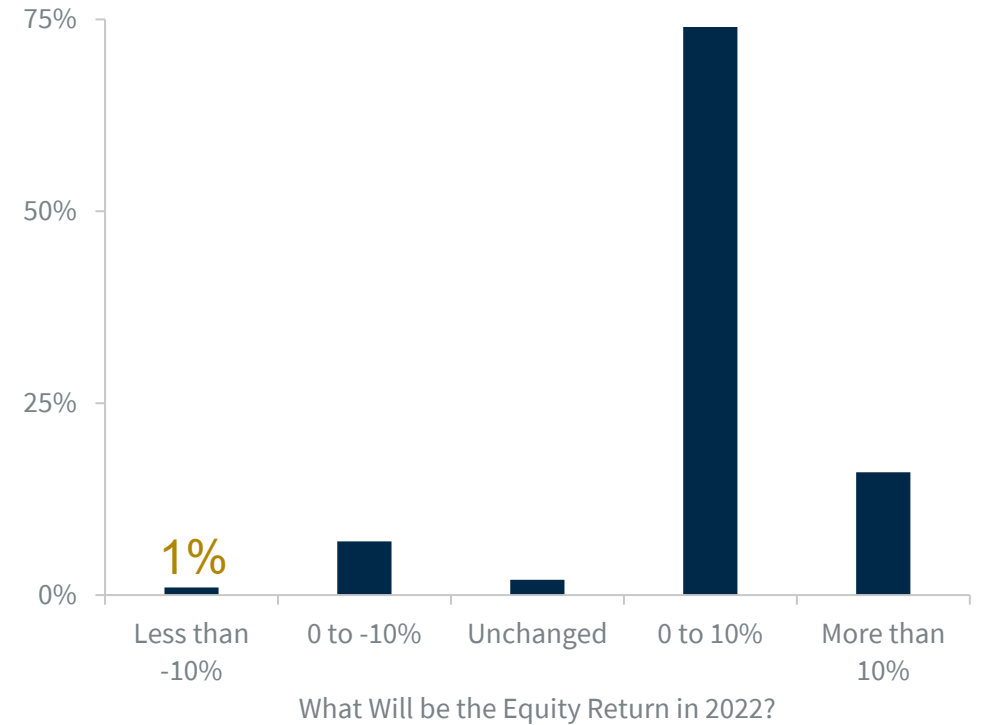
- Looking at 2022 in particular, 90% of investors expected positive performance for the year. While only 1% forecast declines of <-10%.

Professional Forecasts Way Off for 2022



3 vs 17
of 0.25% Fed increases forecasted versus 'Actual Equivalent'

2022 Was Expected to See Positive Equity Returns



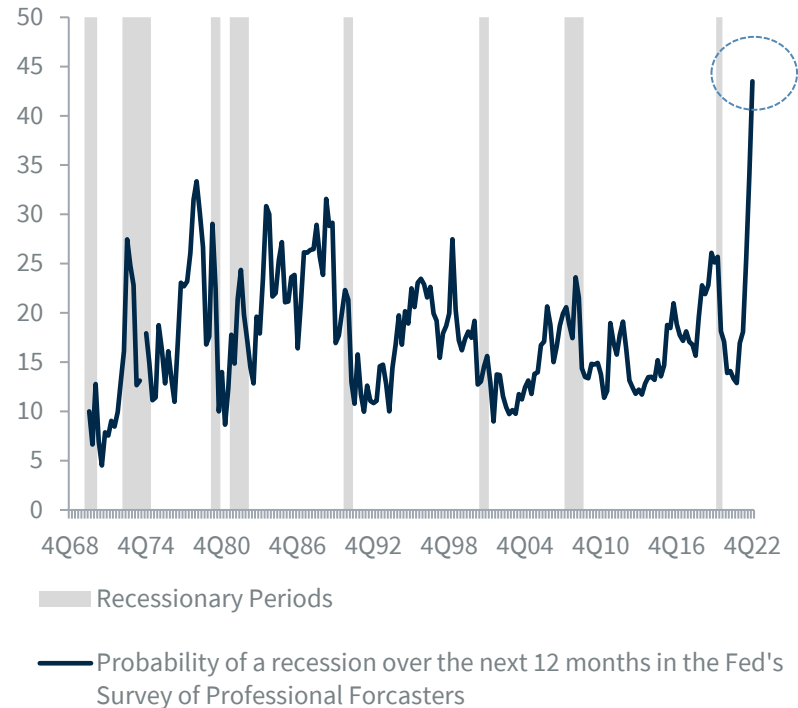
Source: FactSet. Data as of 12/31/2022.

CAREFUL FOLLOWING THE HERD

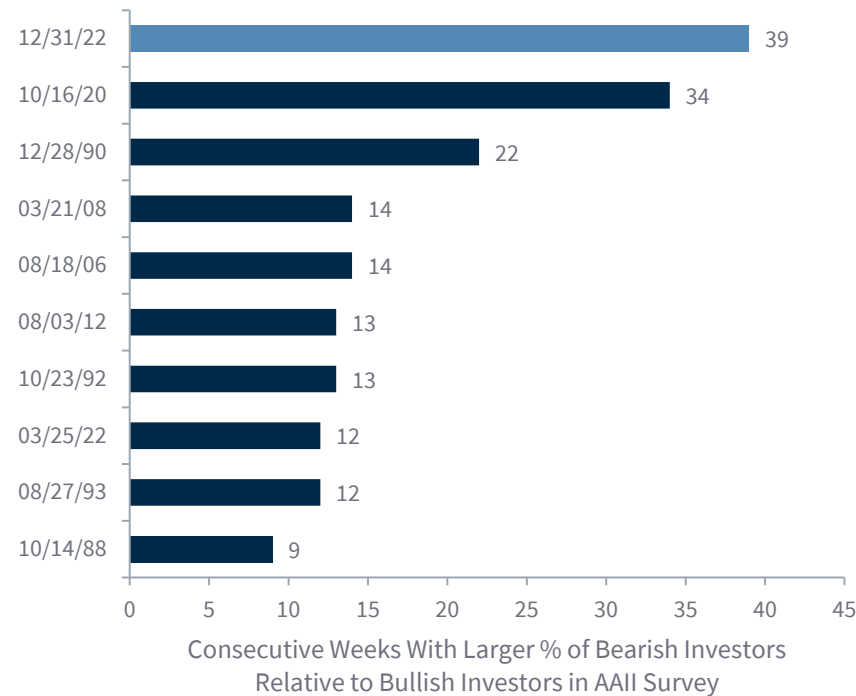
MARKETS PRICING IN A DIFFICULT YEAR FOR THE ECONOMY AND MARKETS

- Consensus has priced in a recession in 2023, and a weak year for equity markets.

Record Number of Economists are Forecasting a Recession



More Bearish than Bullish Investors for Record Amount of Time



"You are neither right nor wrong because the crowd disagrees with you. You are right because your data and reasoning are right."
-Warren Buffet

"If you want to have better performance than the crowd, you must do things differently from the crowd."
-John Templeton

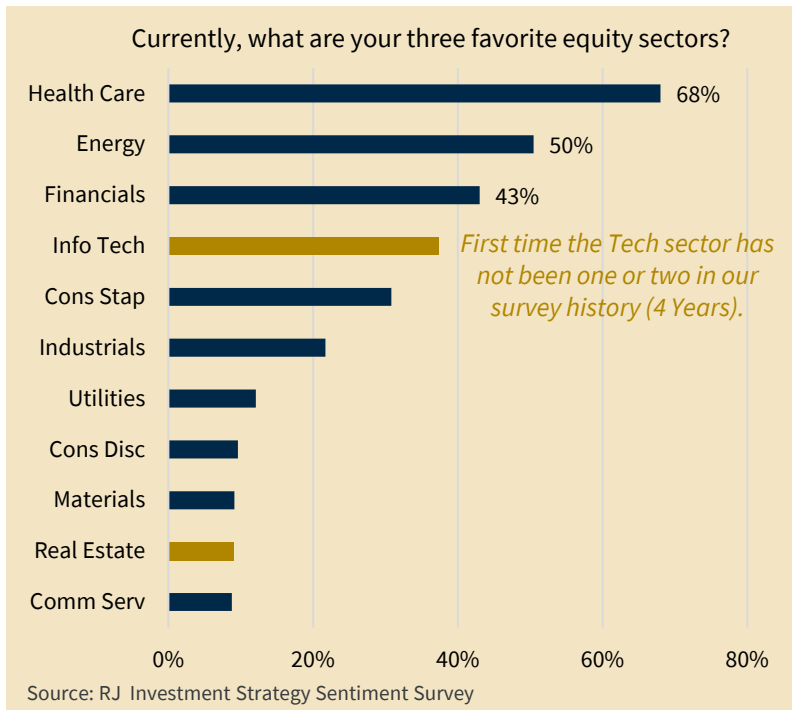
Source: FactSet. Data as of 12/31/2022.

THREE CONTRARIAN IDEAS FOR 2023

AREAS AWAY FROM THE HERD

- Real estate and technology are two areas that could benefit in 2023 as a result of being out of favor.

Preferred Sectors In Our Poll



Time to Look at Real Estate?

	2022 EPS Growth	2022 Price Return	Spread Between 2022 EPS Growth and Price Return
Energy	156.5%	59.0%	97.5%
Real Estate	10.7%	-28.4%	39.1%
Industrials	29.8%	-7.1%	36.9%
Info Tech	4.4%	-28.9%	33.3%
Cons Disc	-11.0%	-37.6%	26.6%
S&P 500	5.7%	-19.4%	25.2%
Comm Serv	-16.5%	-40.4%	23.9%
Materials	5.2%	-14.1%	19.3%
Health Care	3.9%	-3.6%	7.5%
Cons Stap	2.4%	-3.2%	5.6%
Utilities	1.4%	-1.4%	2.9%
Financials	-15.0%	-12.4%	-2.6%

Tech Cost Mitigation to Benefit Investors?

Google's parent company Alphabet prepares to lay off 10,000 employees

Amazon Layoffs to Hit Over 18,000 Workers, the Most in Recent Tech Wave

Cisco starts laying off over 4,000 employees

Salesforce lays off around 8,000 in one of tech's biggest cuts in years

Amazon Layoffs to Hit Over 18,000 Workers, the Most in Recent Tech Wave

Facebook parent company Meta sheds 11,000 jobs in latest sign of tech slowdown

Microsoft lays off nearly 1,000 employees

HP Layoffs Will Cut Up To 6,000 Jobs Over Three Years

Source: FactSet. Data as of 12/31/2022.

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Investing in emerging markets can be riskier than investing in well-established foreign markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

WEST TEXAS INTERMEDIATE | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

CAPEX | CAPEX Capital Expenditures are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

US DOLLAR | The U.S. Dollar Index is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

200 DAY MOVING AVERAGE | The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days

US INDEXES AND EQUITY SECTORS DEFINITION

S&P 500 | The **S&P 500 Total Return Index**: The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

RUSSELL 2000 | **Russell 2000 Total Return Index**: This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index**: The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index**: This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

GERMAN BUND | A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond.

SMALL CAP | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

LARGE-CAP STOCK | also known as big caps are shares that trade for corporations with a market capitalization of \$10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

MSCI AC WORLD EX-US | **The MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

LATAM | **MSCI EM Latin America Net Return Index**: The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

ASIA EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index**: The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index**: The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

COMMODITIES DEFINITION

BLOOMBERG COMMODITY INDEX | Bloomberg Commodity Index is a commodity group sub index of the Bloomberg CTR. The index is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return on fully collateralized futures positions and is quoted in USD.

WTI | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

BLOOMBERG EMERGING MARKETS AGGREGATE BOND INDEX | The Bloomberg s Emerging Markets Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

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