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2023 Second Quarter Review:

Greetings Clients:

In the first half of 2023, U.S. stocks have appreciated 16.9%, world stocks rose 13.9%, and bonds appreciated 2.1%, as represented by the S&P 500 Index, the MSCI All Country World Index, and the Bloomberg Barclays Aggregate Bond Index.

Wow. And doesn't it seem like we've been warned for the last 18 months that a recession is coming in the next 6 months! In addition to these generous returns, the labor market has been adding about twice as many new jobs each month as the Federal Reserve would like to see, and inflation is down to a manageable 4%; feels like Goldilocks to us. But have we seen the full impact of the rate increases? Is this the lag before the drop? And what about external shocks like invasions or bank failures?

Yes, there will be another drop, just like last year when value, quality and international stocks all did better than growth. This year growth has come roaring back, but it has not yet erased last year's losses:

| Name | YTD | 2022 |
|-----------------------------|------------|-------------|
| Vanguard S&P 500 Growth ETF | 21.16 | -29.48 |
| Vanguard S&P 500 Value ETF | 12.11 | -5.39 |

YTD = Year to Date through 6/30/23

That's the goal: do better when the markets falter, give up a little when the markets deliver strong returns, and outperform the benchmark over time.

The next recession will not impact your long-term goals; we will hold enough cash for the surprises and rebalance our way to superior returns. Please keep us updated on your cash needs.

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There is a change coming in the increasingly short run that we cannot avoid: our custodian, TD Ameritrade, is going to be replaced by Charles Schwab & Company on Labor Day. We will do our best to make this as effortless for you as possible. I have tested alternative custodians for years, and I am considering three options in addition to Schwab. Each has compelling strengths, and I expect to have a game plan in place soon. Please contact me if you receive any correspondence from Schwab that requires action or concerns you.

Please contact me if you have any questions about your investments, our strategy, or your financial goals. Our money is invested right alongside yours.

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