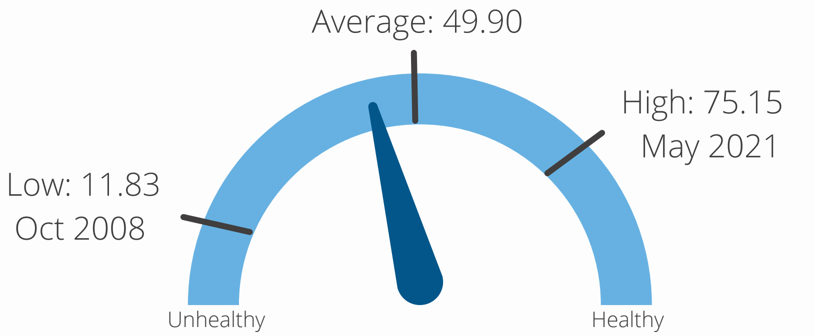
June 2023

Monthly Recap

Market Health Indicator*

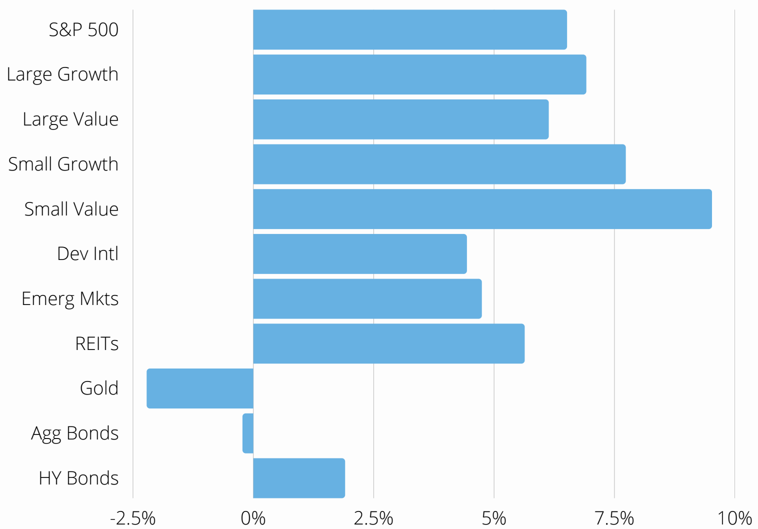


Current Score: 42.53

Up from 35.81 last month, indicating improving conditions amid areas of caution and uncertainty in the markets and economy

Market Data

Monthly Index Performance



Data from Morningstar

Talking Points

Inflation fell from 4.9% to 4%, the lowest level since March 2021, marking 11 consecutive monthly declines

The labor market unexpectedly added 339,000 jobs (vs 190,000 expected), though unemployment rose to 3.7%

US Manufacturing PMI dropped to 46.3, a six-month low for manufacturing health as new orders and output declined

The 10-year Treasury yield rose from 3.64% to 3.81% as the Fed paused in June but is expected to hike 25 bps in July

The NAHB Housing Market Index rose to 55, its highest level since July last year as builder confidence improved

*The Market Health Indicator is a monthly indicator created in September 2021 that is designed to measure market health on a scale of 0 - 100, analyzing various market segments such as economics, technicals, and volatility using data back to January of 2000. Higher scores indicate healthier market conditions.

Model Updates

Dynamic Growth	Increased exposure to small and mid-cap stocks while reducing exposure to equal-weight S&P 500. Also initiated a small position to emerging markets for the first time since late-2021. These shifts point to a broader level of participation as markets continue to recover from last year, resulting in a more diversified style box blend with a slight tilt toward large-cap and growth.
Dynamic Growth PLUS	The model remained fully invested throughout the month as equity markets rallied and volatility subsided in June. Despite some small bumps along the way, the model hasn't seen the need to hedge risk through the halfway point of 2023. Its holdings are inline with the Dynamic Growth model weights while it continues to monitor market conditions on a daily basis.
Tactical Growth	There was a decrease to the bond hedge (from 28.38% to 14.94%) as broad market conditions improved. The model also reduced its exposure to gold while increasing weighting to large-cap, mid-cap, Nasdaq, and developed international holdings. This results in a more risk-on stance. Including gold, the model is approximately 23% hedged, compared to 43% last month.
Tactical Growth PLUS	The model remained fully invested inline with the Tactical Growth model (decrease to bonds, trimming gold, and increasing broad stock exposure). On the equity side, the ranking of the stock categories remained consistent with no changes in the holdings being utilized. The model continues to monitor markets daily, and can act quickly if conditions change.
Dividend Focus	There were no changes in the model from last month. The model remains invested in large-cap blue-chip companies with a focus on quality and stability. The current estimated dividend yield is 3.50% compared to 1.42% for the S&P 500.
Growth Focus	Added Toll Brothers and Asbury Automotive Group, and removed AMN Healthcare Services and MKS Instruments as they fell below the ranking threshold. The model remains overweight in technology, consumer cyclical, and health care for sector exposure. For market cap exposures, the model is somewhat evenly blended among smaller and larger companies.

Quraishi
LAW & WEALTH

Model **Updates**

Sector Rotation	There were no changes in the model for the month. Maintained exposure to technology, health care, financials, and industrials. This results in a somewhat varied risk profile with a blend of growth/value and cyclical/defensive sectors, indicating mixed signals from markets and the economy with the model looking for more definitive momentum to tilt more firmly in one direction.
All Weather	Slightly increased exposure to treasuries, short-term high-yield bonds, and energy stocks while reducing exposure to gold and ultra short-term bonds. Results in a small increase to risk as the shifts increase market exposure. Overall, the model is approximately 43% equity / 10% gold / 47% fixed-income, displaying a somewhat moderate-conservative risk profile.
Dynamic Income	Increased exposure to higher-yielding, convertible, and international bonds while trimming treasuries, mortgage backed securities, and short-term bonds. These shifts result in a slight increase in credit risk. The model continues to move toward a healthy blend of varying credit quality and duration as bond markets look to stabilize from 2022.
Tactical Income	Removed aggregate US bonds and added international bonds. Also increased exposure to high-yield corporate bonds while reducing short-term and corporate investment-grade bond holdings. This results in an increase to credit risk, though the model still holds a modest amount of short-term bonds for stability as well.
Dynamic Short-Term Income	Increased exposure to short-term high-yield bonds while reducing floating rate and short-term treasuries. Also added a small position in high dividend stocks. This shift slightly increases the expected yield, though the model is still overweight ultra short-term bonds to insulate against other potential fixed-income risks. The current estimated yield is 5.91%.
Income Focus	Slightly increased exposure to high dividend financial and emerging market dividend stocks, and reduced exposure to international dividend stocks. These updates didn't create any major shifts in the overall risk profile of the model. The model remains overweight covered-call holdings overall. Estimated yield is 10.90%.

Model **Updates**

Defensive Buffer	Added April and June while removing February and August holdings. Maintained exposure to March and May. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 9.52% and downside buffer of 25.42% compared to a blended cap of 8.13% and buffer of 25.01% for previous holdings).
Aggressive Buffer	Added June and removed November holding. Maintained exposure to April, May, and August. These shifts result in more favorable spreads between the caps and remaining downside buffers (new blended average cap of 13.49% and downside buffer of 9.57% compared to a blended cap of 11.95% and buffer of 9.42% for previous holdings).