

Chart Book

AS OF JULY 31, 2023

Please Contact:

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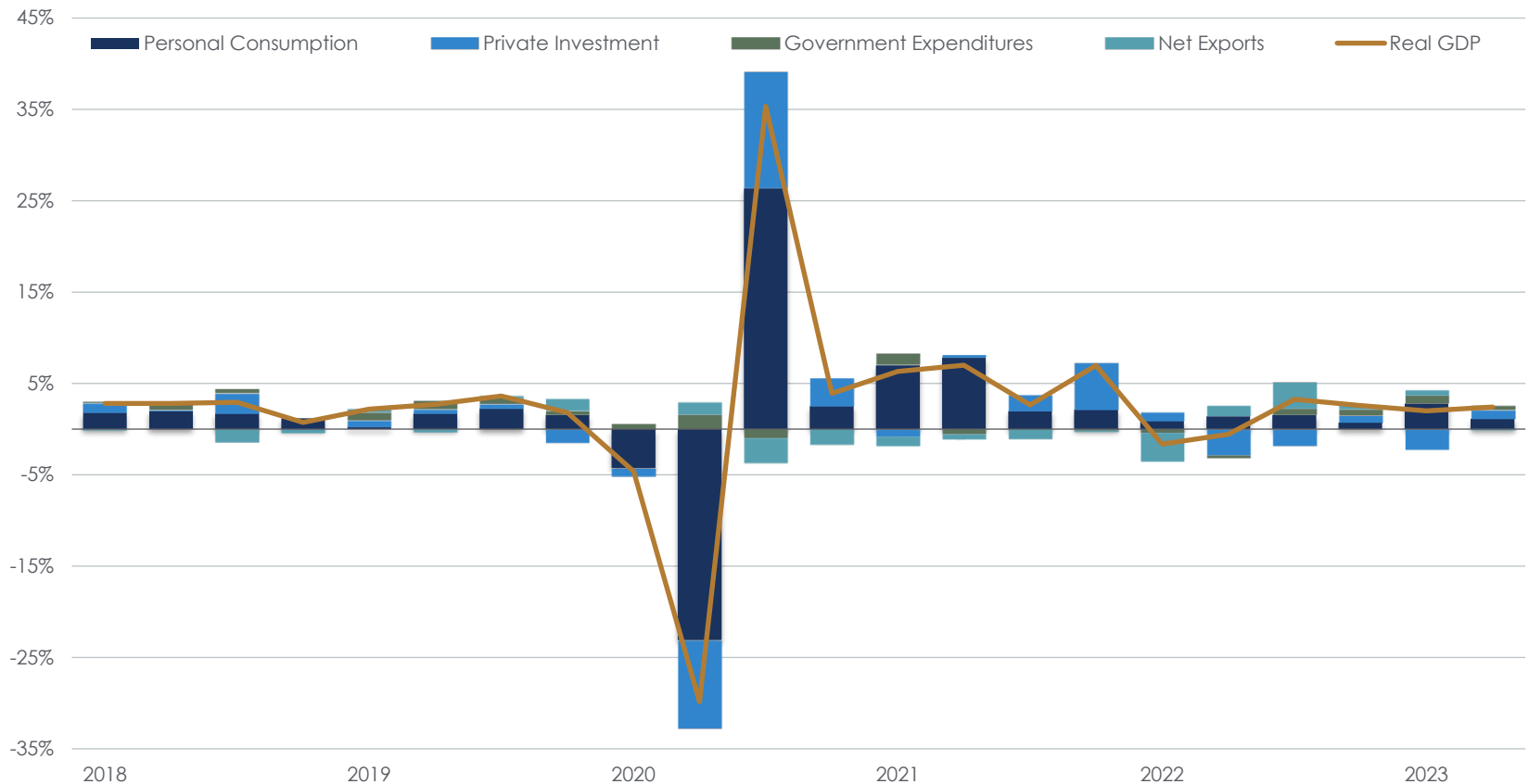


Economic Perspective

According to the Commerce Department, U.S. gross domestic product grew at an annualized rate of 2.4% during Q2, well above the consensus estimate of 1.8%. Increases in consumer spending and nonresidential fixed investment, which includes spending on commercial real estate and equipment, led the growth of the economy in Q2. The economy withstood pressures from recession fears, higher interest rates, the Fed's hawkish policy tilt, and tighter bank lending standards. However, we believe growth will slow in the coming quarters as tighter lending standards and elevated interest rates take their toll.

Economic Growth

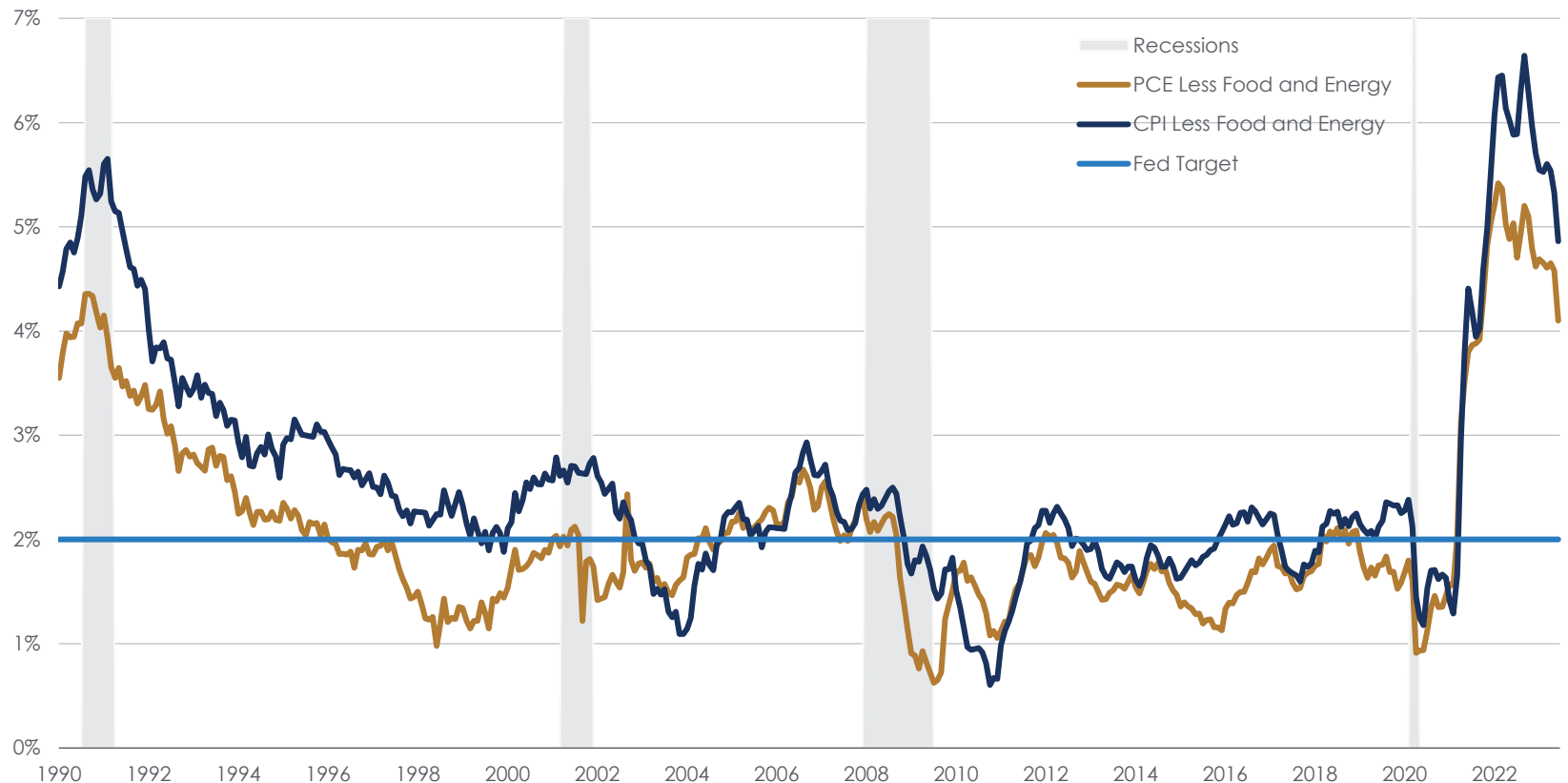
Contributions to Percent Change in Real GDP (Annualized Q/Q % Change)



The latest consumer price index (CPI) figures increased 3% over the last year. Even though inflation has continued to go down, price increases remain higher than the Fed's 2% annual target rate. As has been the case for the last year, the drop in inflation can largely be attributed to a 17% decline in energy prices. Core inflation, ex food and energy, has consistently hovered above CPI and came in at 4.8% in June. This was the lowest core inflation rate since 2021, a sign that overall prices are cooling. Housing prices remain a big driver of both core inflation and core PCE, with housing prices going up 7.8% over the last year.

Inflation Outlook

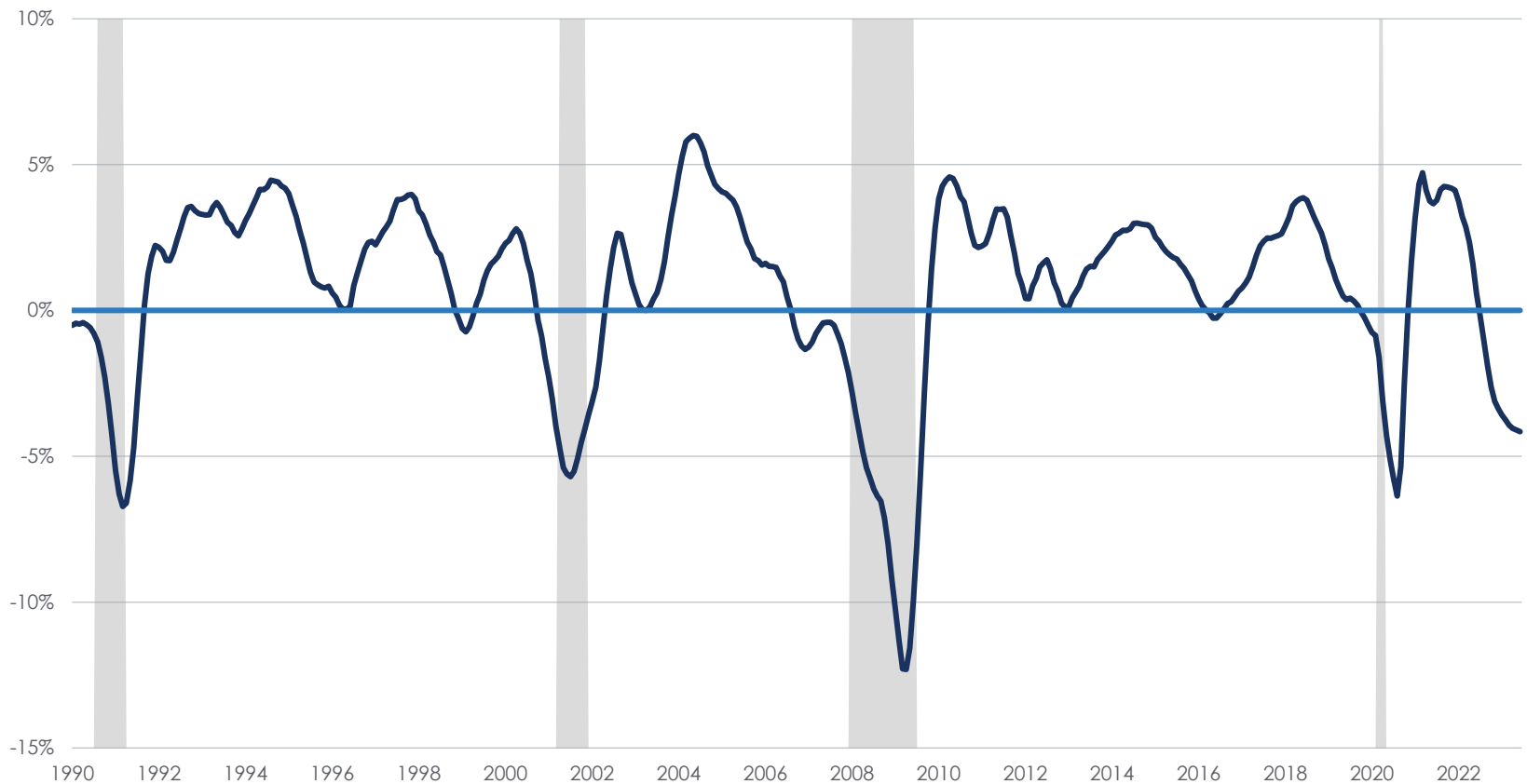
Consumer Price Index (Core) and Personal Consumption Expenditures Price Index (Core) (Y/Y % Change)



According to the Conference Board, the U.S. Leading Economic Index (LEI) fell again in June, fueled by gloomier consumer expectations, weaker new orders, an increased number of initial claims for unemployment, and a reduction in housing construction. The Leading Index has been in decline for fifteen months. The Conference Board forecasts that the U.S. economy is likely to enter a recession prior to the end of 2023 as elevated prices, tighter monetary policy and tighter credit standards are poised to dampen economic growth.

U.S. Economic Outlook

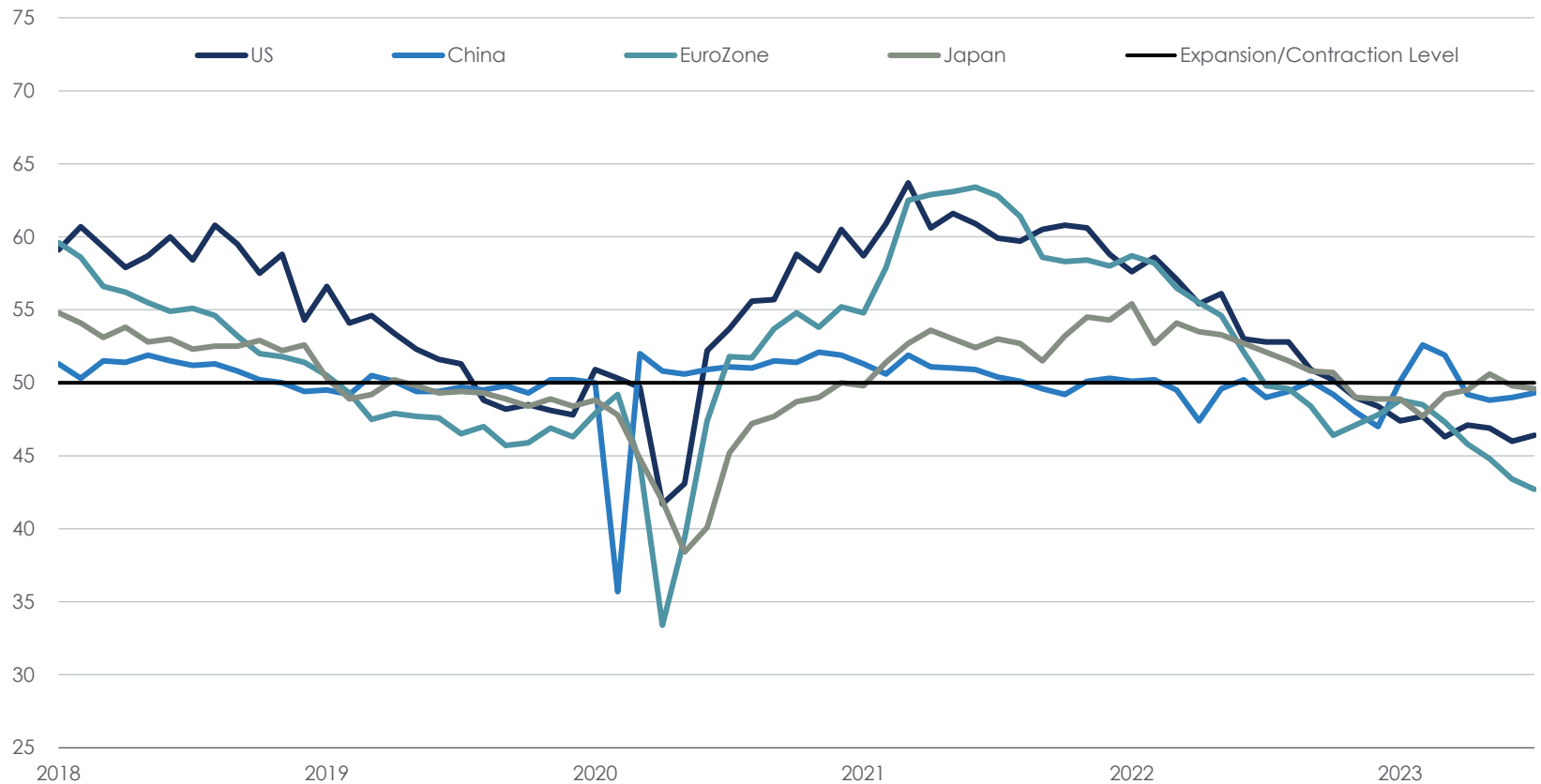
Leading Economic Index (Six-Month Moving Average of the Six-Month Rate of Change)



The July PMIs signaled continued loss of momentum in global manufacturing. Output and new orders moved lower again last month, dragged down by acute weakness in the Euro area and signs of a slowdown in China. Near-term forward-looking indicators also headed lower, most notably the finished goods orders-to-inventory ratio, which fell further below 1.0 from an already contractionary reading. The weak environment is softening inflationary pressures, however, with input and output prices remaining below the 50 mark.

Global Economic Outlook

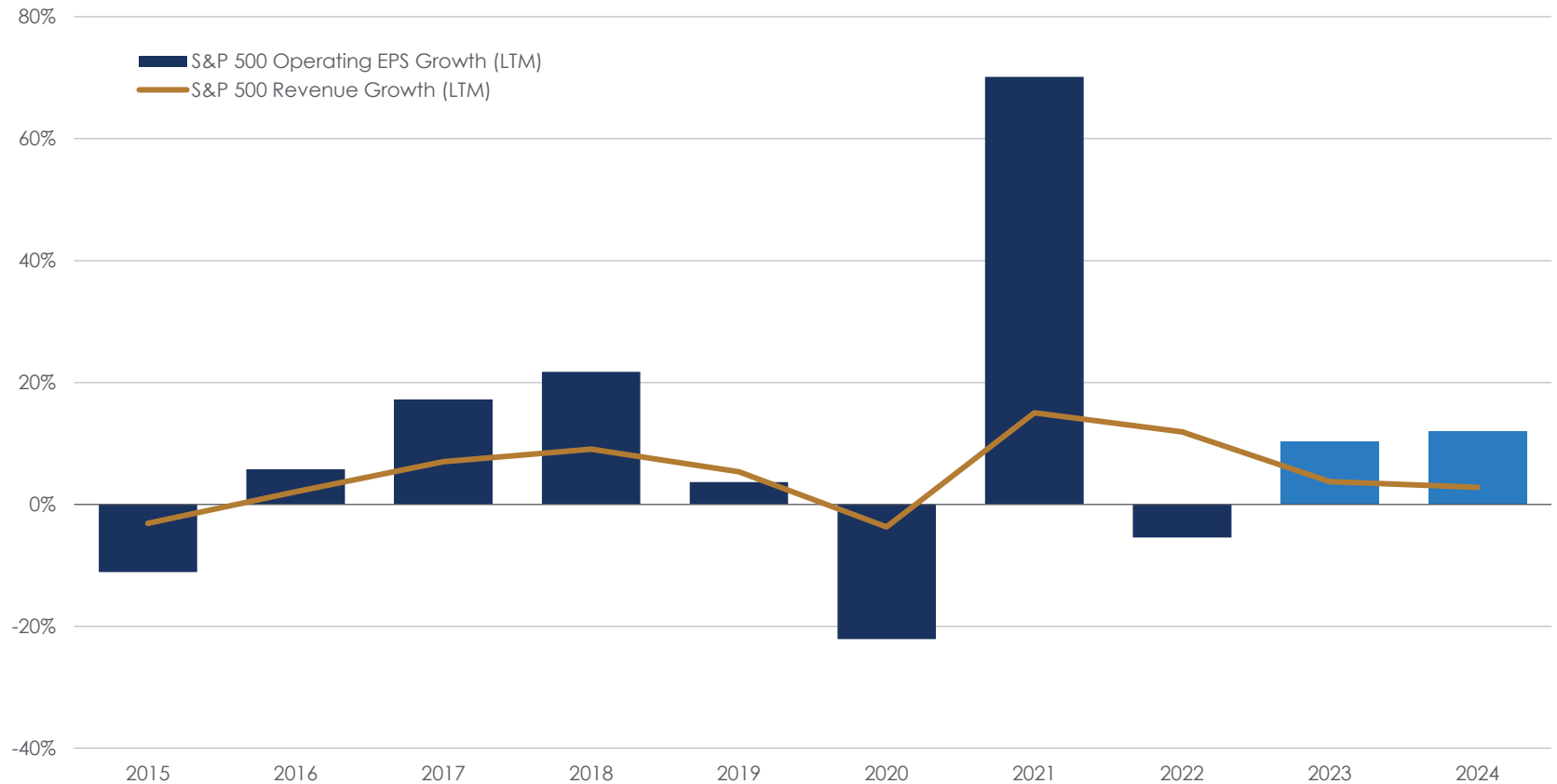
Manufacturing Purchasing Managers Index (PMI) (A PMI over 50 represents growth in manufacturing)



According to FactSet, the bottom-up target price target for the S&P 500 over the next 12 months is 5035 which is 11.8% above the closing price of 4502. At the sector level, the Communication Services (+18.3%) sector is expected to see the largest price increase. On the other hand, the Industrials (+9.1%) sector is expected to see the smallest price increase.

Corporate Profitability

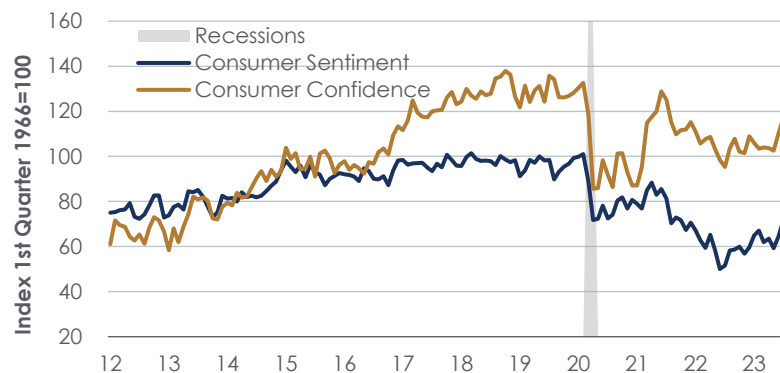
S&P 500 Operating Earnings Per Share and Revenue Per Share Growth (Y/Y % Change)



As reported by the Conference Board, consumer confidence rose in July to its highest level since July 2021. Greater confidence was evident across all age groups, and among both consumers earning incomes less than \$50,000 and those making more than \$100,000. Consumer assessments of the present situation rose in July on brighter views of employment conditions. This likely reflects upbeat feelings about a labor market that continues to outperform. When asked about current family financial conditions, the share of respondents citing a 'good' situation rose, and those citing 'bad' conditions fell, signaling still-healthy family finances.

Consumer Outlook

Consumer Sentiment & Confidence Indexes



Personal Saving Rate (Seasonally Adjusted Annual Rate)



Disposable Personal Income (Y/Y % Change)



Personal Consumption Expenditures (Y/Y % Change)



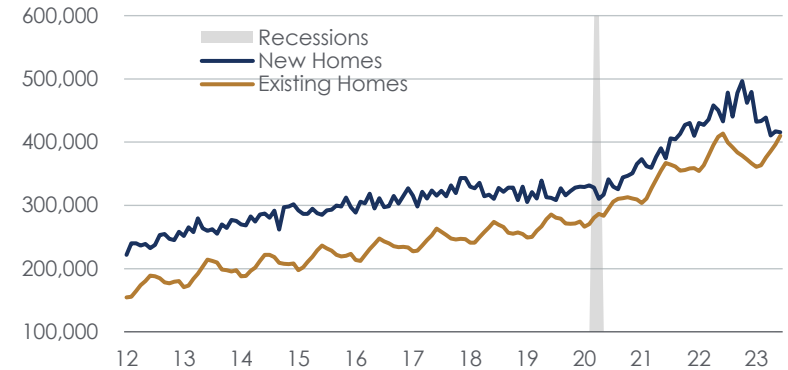
According to Redfin, the median U.S. home-sale price is up 3.2% year over year with inventory posting its biggest drop in 18 months. Home prices are increasing because of the mismatch between supply and demand. High mortgage rates have pushed many would-be sellers out of the market, with current homeowners deciding to hang onto their relatively low mortgage rate. The total number of homes for sale is down 19%, the biggest drop in a year and a half, and new listings are down 21%.

Housing Market Outlook

Housing Affordability (higher = more affordable)



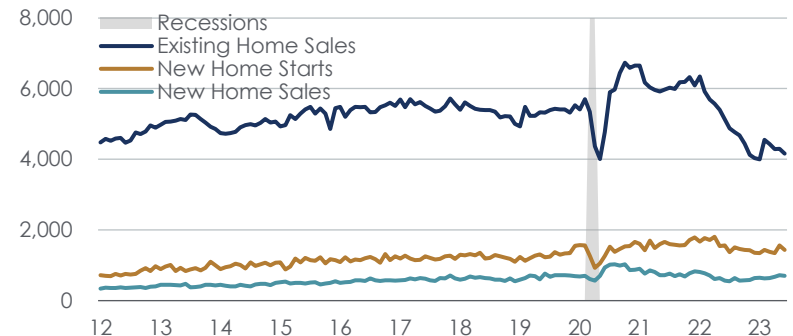
Median Selling Price of New and Existing Homes



Average Fixed Rate Mortgage in the U.S.®



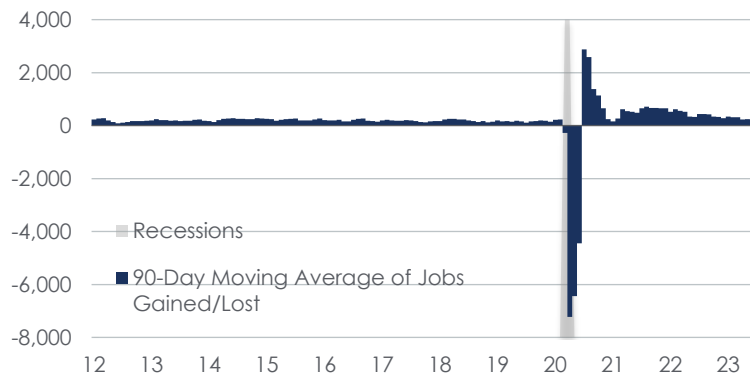
Housing Starts, Existing Home Sales and New Home Sales (000's)



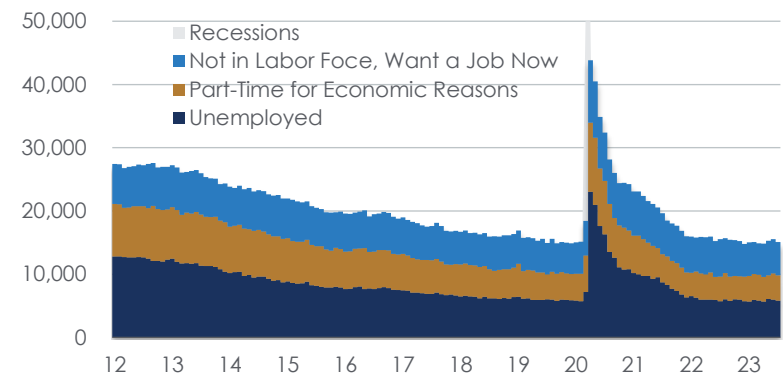
The U.S. economy added fewer jobs than expected in July, but solid wage gains and a decline in the unemployment rate back to 3.5% pointed to continued tightness in labor market conditions. The Labor Department's employment report also showed job gains in May and June were revised lower, potentially suggesting demand for labor was slowing in the wake of the Federal Reserve's interest rate hikes. But with 1.6 job openings for every unemployed person in June, the moderation in hiring may also be the result of companies failing to find qualified workers.

Labor Market Outlook

Jobs Gained/Lost (000's) with 12-Month Moving Average



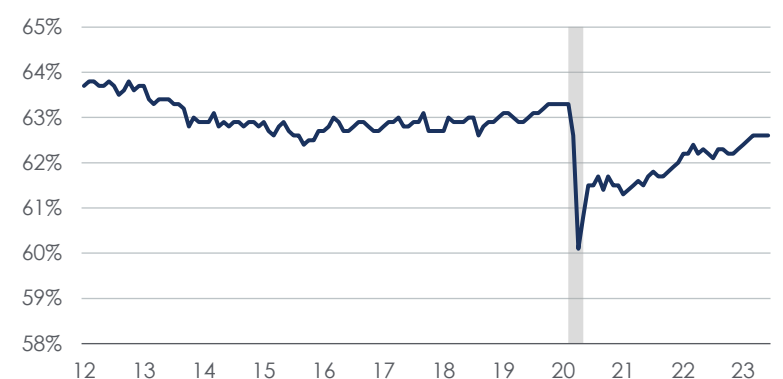
Labor Market Slack (000's)



Wage Growth (Y/Y % Change)



Labor Force Participation Rate



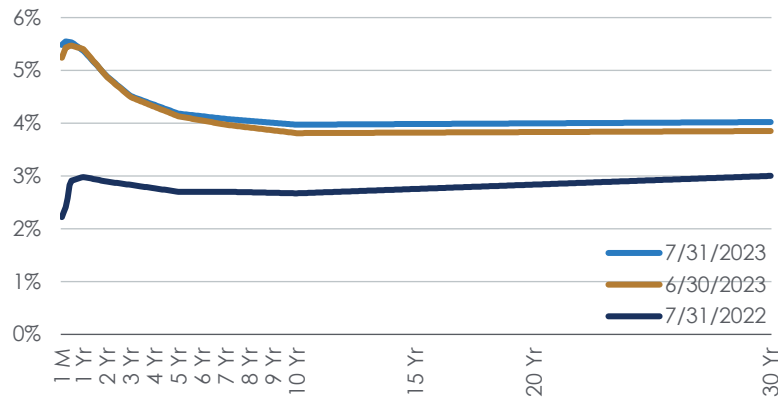


Bond Market Perspective

Both the U.S. Fed and European Central Bank (ECB) raised policy rates 0.25% in July. The offsetting impacts of tightening monetary policy vs. strong investor risk appetite may create opportunities across fixed income markets. Return opportunities in high-quality bonds have improved meaningfully, with yields around 5%, and price headwinds may start to fade as central banks contemplate pausing rate hikes. High yield corporate and municipal bond yields are below historical averages relative to Treasuries and now offer less protection from price swings going forward. Corporations and municipalities generally have strong credit fundamentals but face ongoing headwinds from high borrowing costs.

U.S. Treasury Market

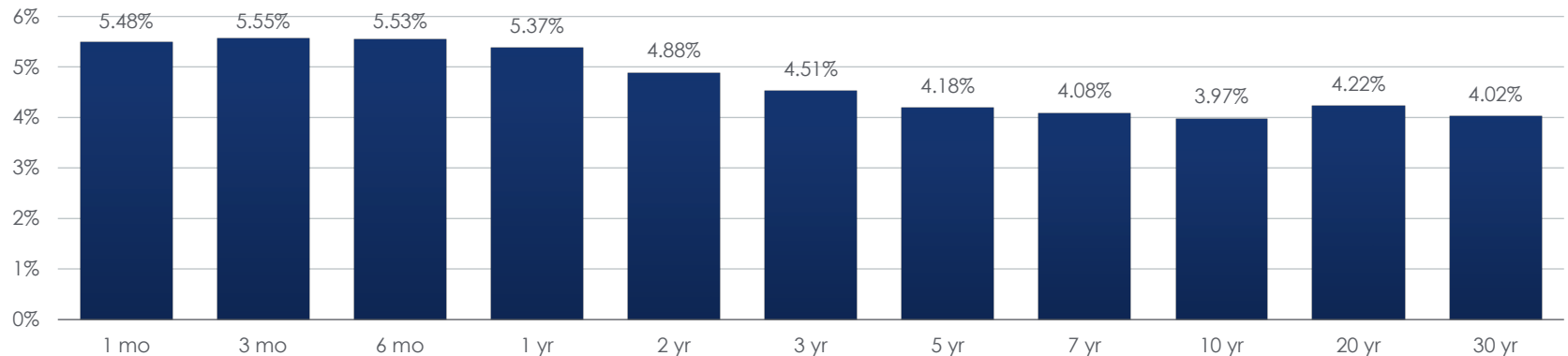
U.S Treasury Yield Curve



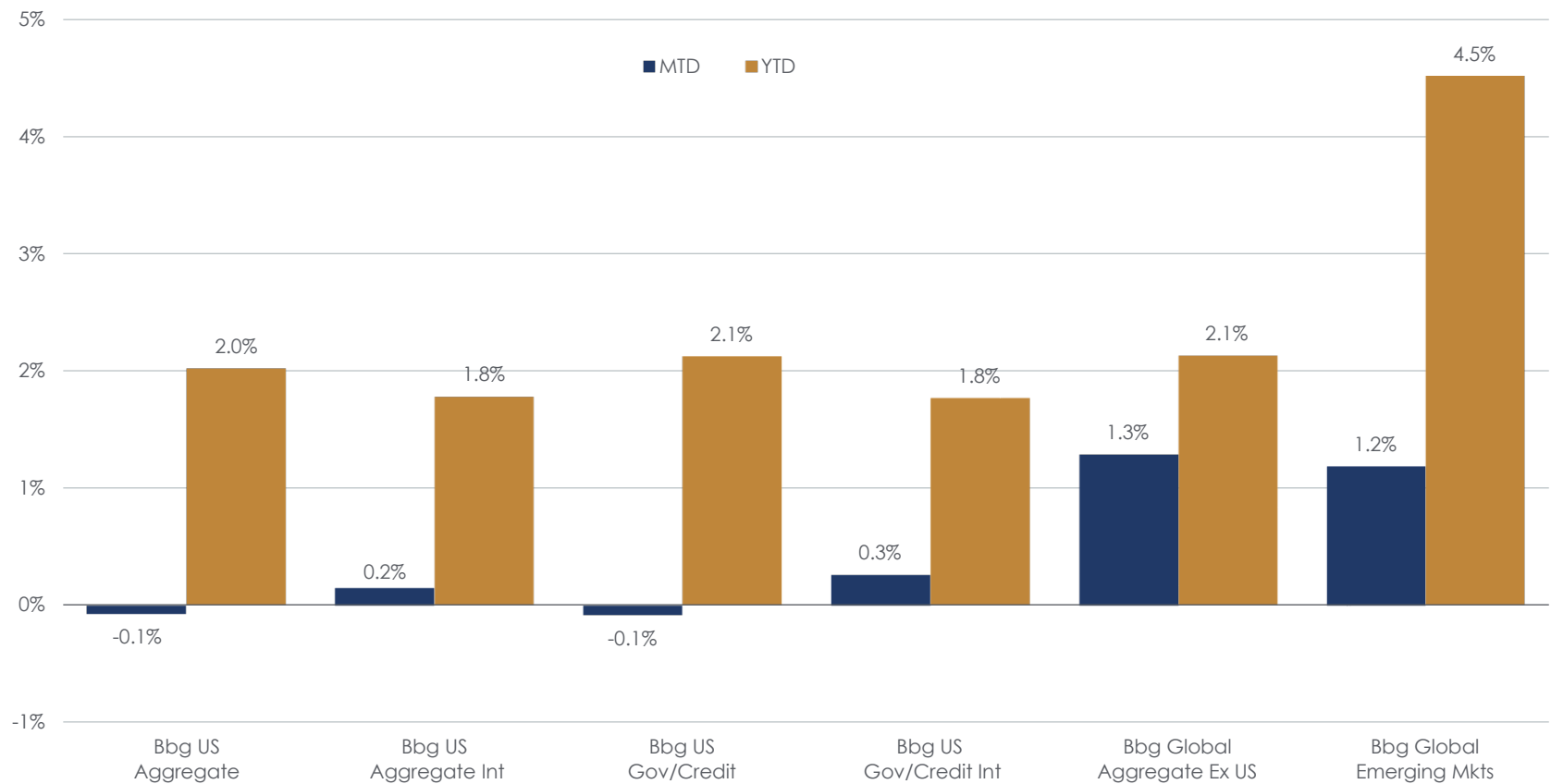
Historical U.S. 10-Year Treasury Rate



Current U.S. Treasury Yields by Maturity

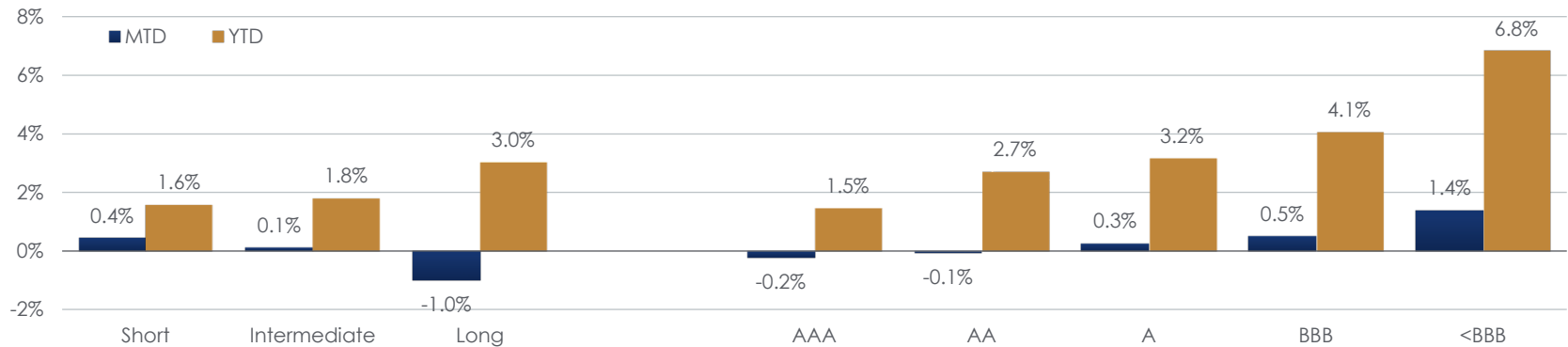


Global Fixed Income Returns by Bellwether Index

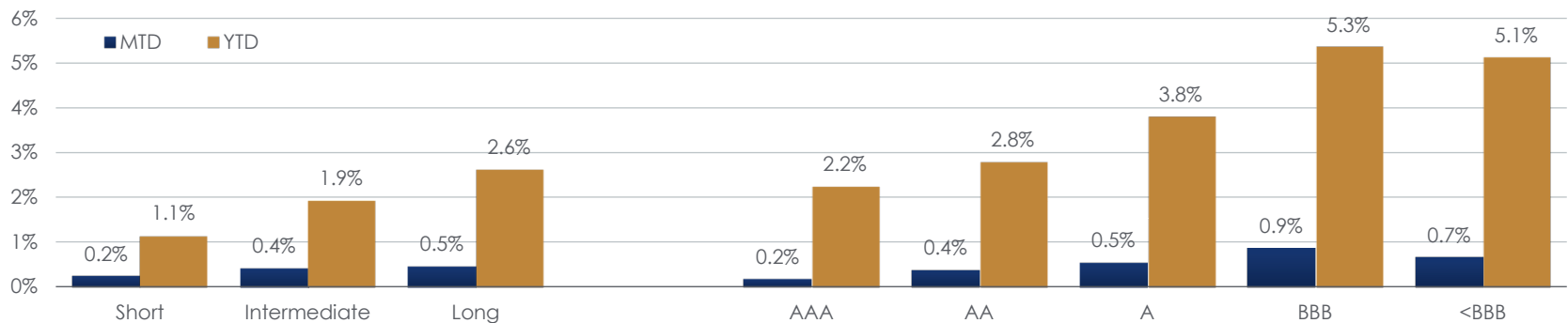


Domestic Fixed Income Returns by Maturity and Credit Quality

Domestic Bond Market - Taxable



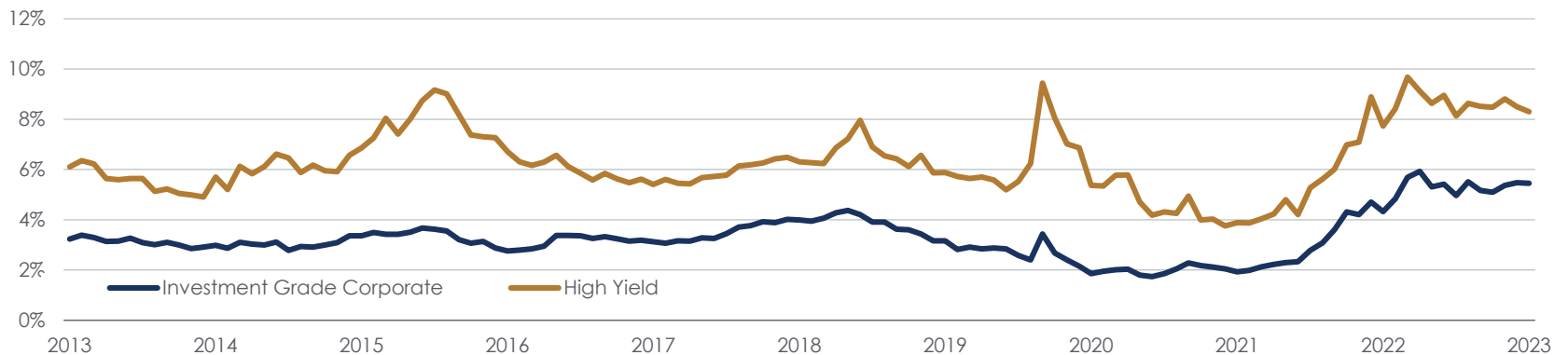
Domestic Bond Market - Municipal



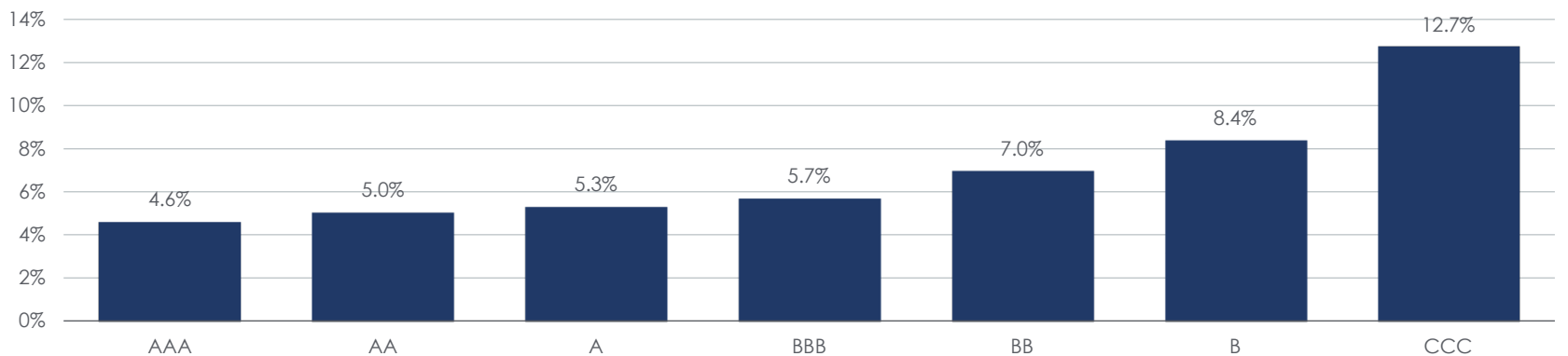
Short is defined as 1-3 years for taxable and 3 years for municipal, Intermediate is 5-7 years for taxable and 6-8 years for municipal, Long is 10+ years for taxable and 8-12 years for municipal. Source: Bloomberg Barclays Aggregate Bond Index (taxable bond market) and Bloomberg Barclays Municipal Index (municipal bond market).

Domestic Corporate Bond Yields

Historical Corporate Bond Market Yield to Worst



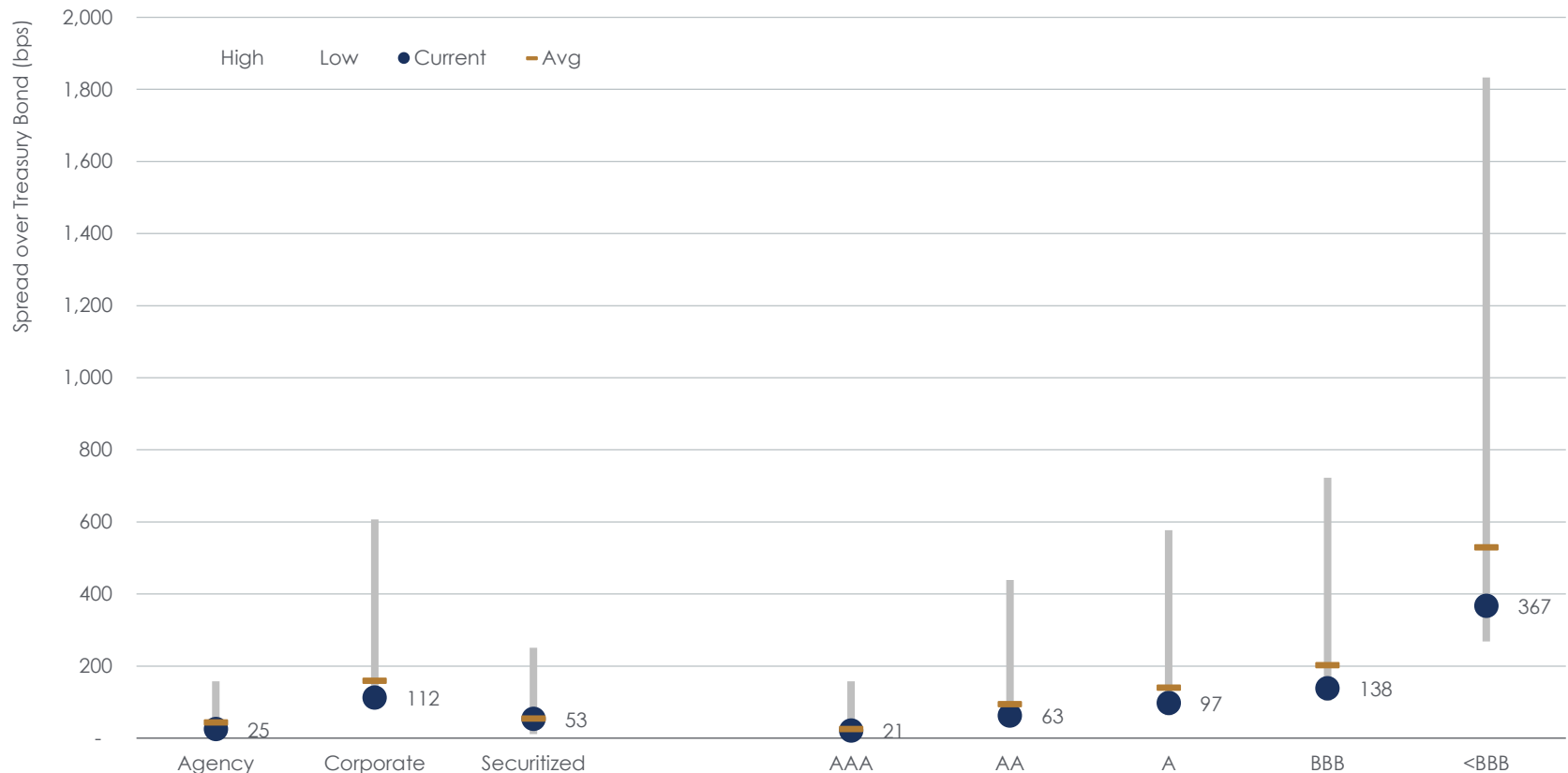
Current Corporate Bond Market Yields by Credit Quality



Investment Grade Corporate bonds are represented by the Bloomberg Barclays U.S. Corporate Investment Grade index. High Yield bonds are represented by the Bloomberg Barclays U.S. Corporate High Yield index. Source: Bloomberg Barclays

Domestic Taxable Bond Spreads

Current Bond Spreads Compared to 15-Year Range and 15-Year Average



The length of each bar represents the Range of the highest and lowest spread to the Treasury benchmark over the past 15 years. Average represents the average spread over the past 15 years. Current represents the most recent month. Source: Bloomberg Barclays

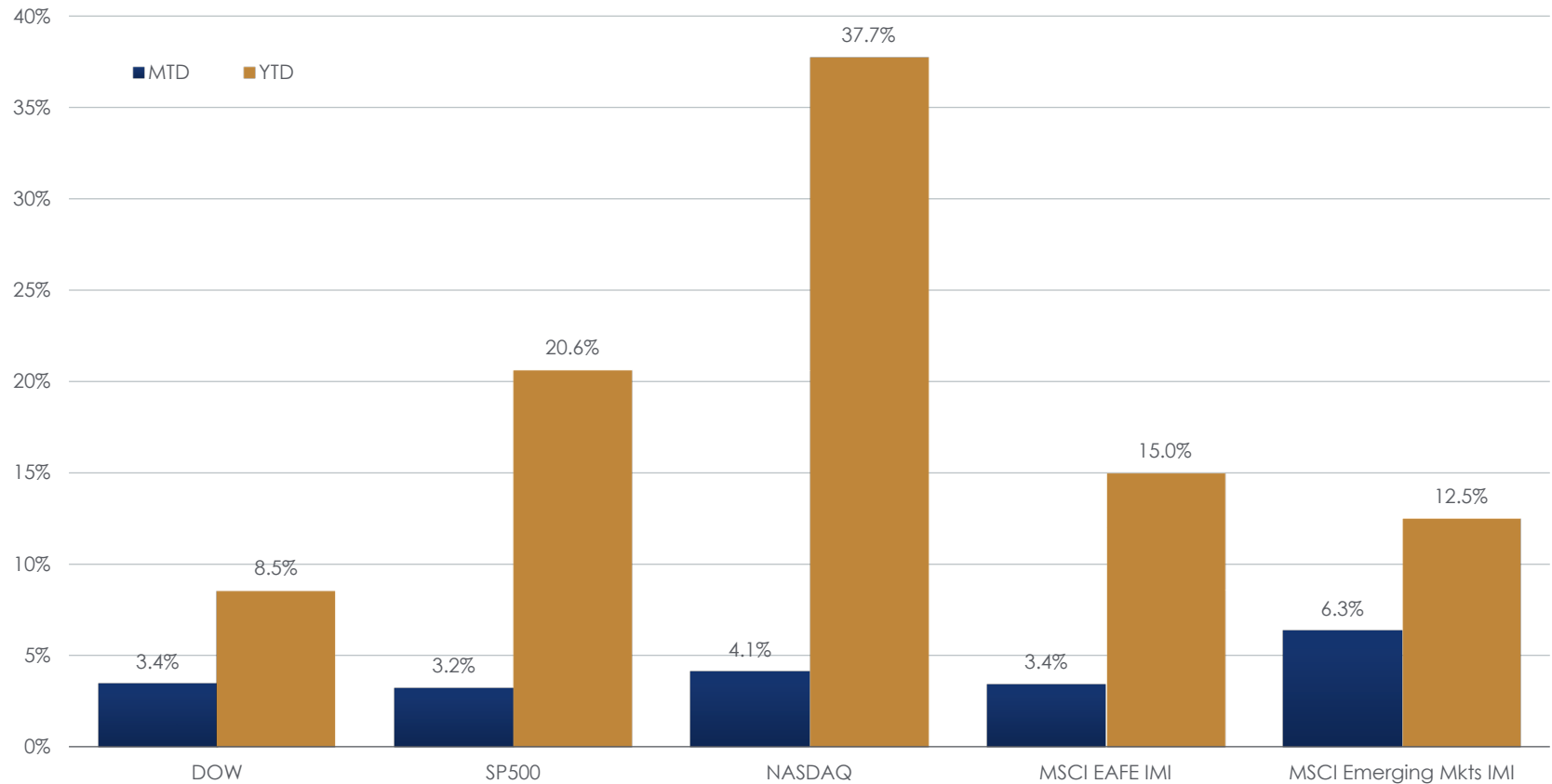


Equity Market Perspective

Strong second quarter U.S. GDP growth, moderating inflation trends and robust earnings reports continued to support equity market performance in July. Equity returns were positive across the spectrum in July as investors raised expectations for a soft-landing for the U.S. economy. Against this backdrop, small-cap stocks (Russell 2000 Index) outperformed large-cap stocks (S&P 500 Index) for the 2nd month in a row as lower inflation and widening market strength served as a tailwind for smaller stocks. In addition, more economically sensitive and value-oriented sectors such as Energy and Materials outperformed in July and could be signaling a rotation and the potential for new market leadership.

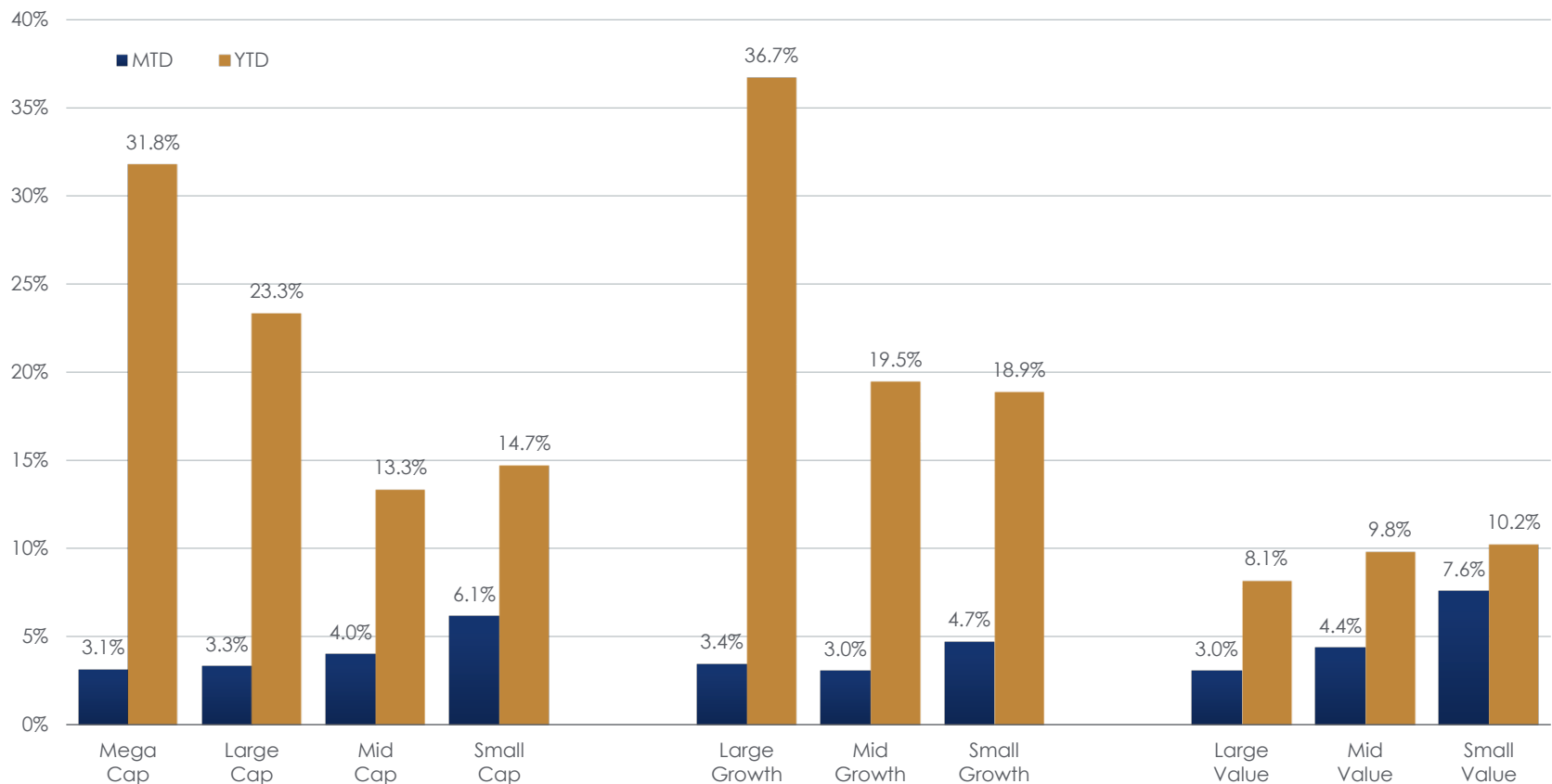
Global Equity Returns by Bellwether Index

Global Equity Markets



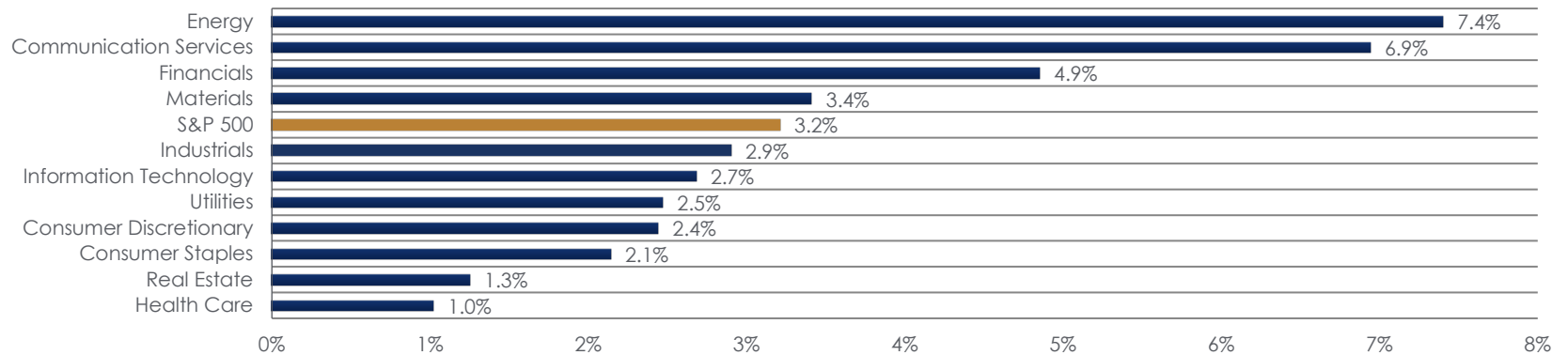
Domestic Equity Returns by Market Cap & Style

Domestic Equity Markets

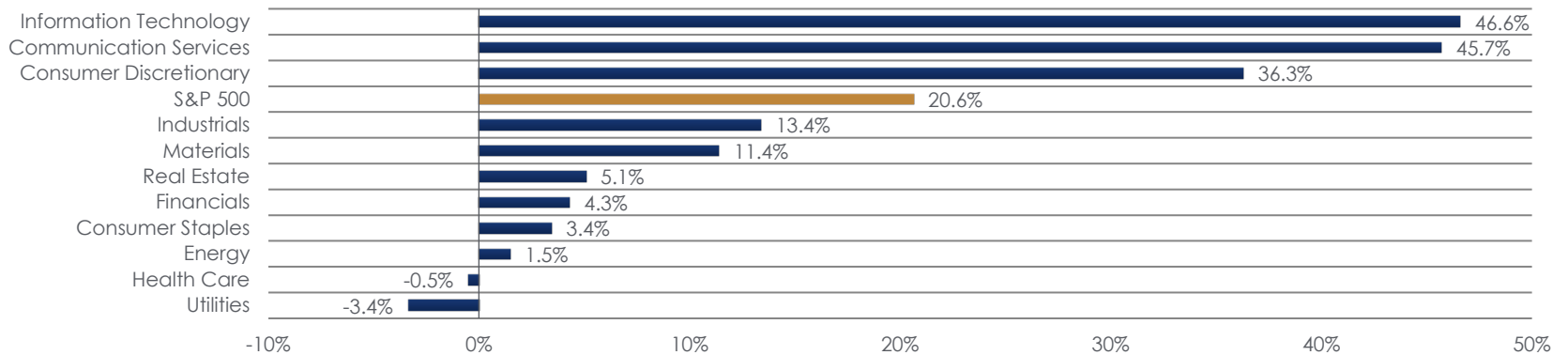


Domestic Equity Returns by Sector

MTD S&P 500 Returns by Sector

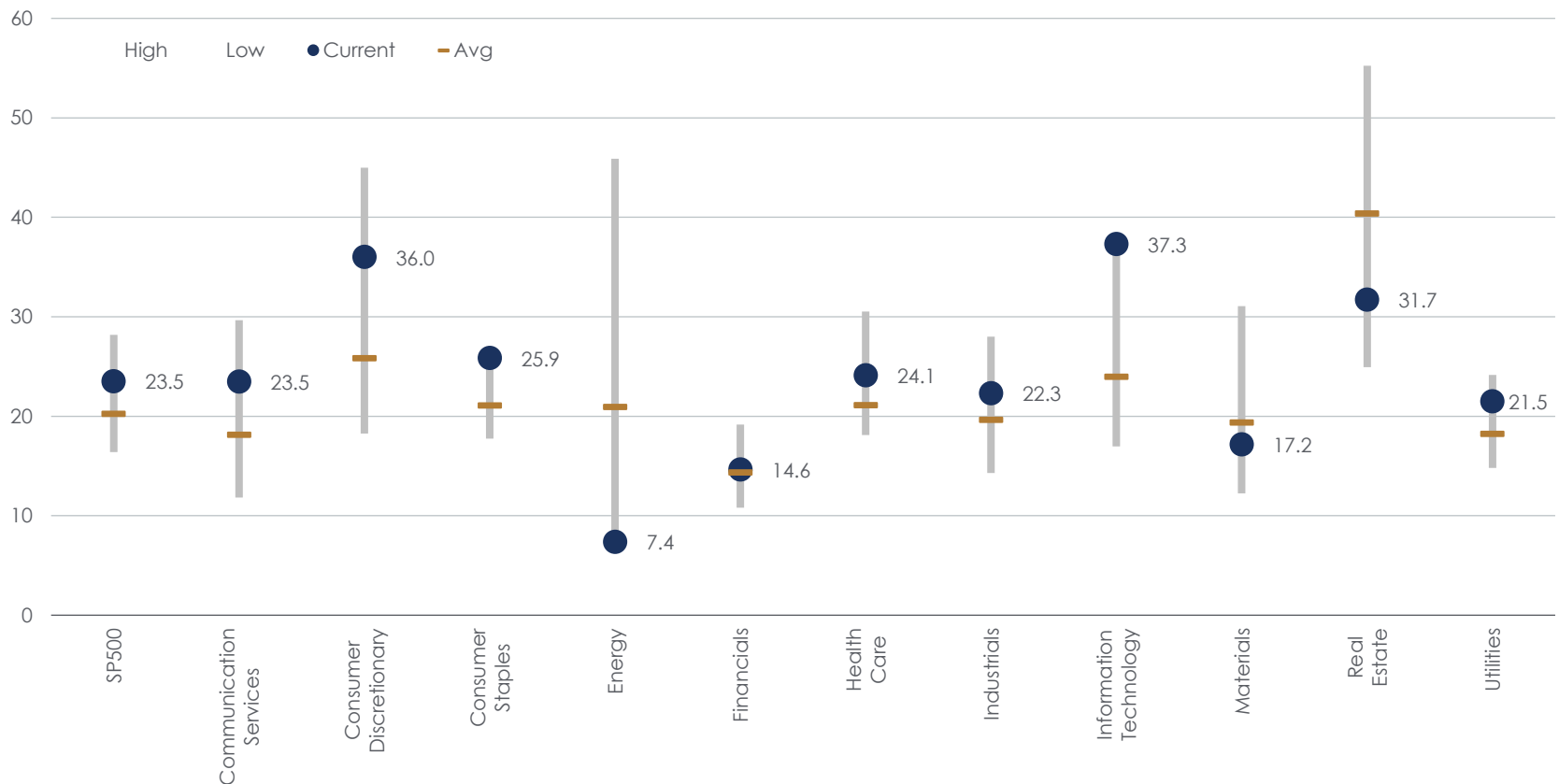


YTD S&P 500 Returns by Sector



Domestic Equity Valuations by Sector

Trailing 12 Month P/E Ratio Compared to 10-Year Range and 10-Year Average



P/E ratios are based on trailing 12 months earnings (LTM) excluding negative earnings. The length of each bar represents the Range of the highest and lowest P/E ratio over the past 10 years. Average represents the average P/E ratio over the past 10 years. Current represents the most recent month. Source: Bloomberg

Economic Indicator Descriptions

Real Gross Domestic Product (GDP): GDP is a basic measure of U.S. economic output adjusted for inflation. Alternatively, it can be thought of as the final value of all goods and services produced within the U.S. Positive GDP growth signals an expanding economy.

Consumer Price Index (CPI): Measuring the change in the CPI provides an estimate for inflation. The CPI tracks the price of a basket of consumer goods and services. High inflation or deflation (negative inflation) can be signs of economic worry. CPI is typically reported in two ways: headline and core CPI. Headline CPI includes all categories that comprise the CPI basket of goods and services.

Personal Consumption Expenditure Chain-type Price Index (PCEPI): Measuring the change in the PCEPI provides an estimate for inflation. In comparison to CPI, which uses one set of expenditure weights for several years, this index uses expenditure data from the current period and the preceding period. This price index method assumes that the consumer has substituted from goods whose prices are rising to goods whose prices are stable or falling. Core PCEPI, which is closely monitored by the Fed, strips out the more volatile Food and Energy categories.

Conference Board Index of Leading Economic Indicators (LEI): The LEI is designed to signal peaks and troughs in the business cycle. The ten components include: average weekly manufacturing hours; average weekly initial claims for unemployment insurance; manufacturers' new orders for consumer goods and materials; ISM® Index of New Orders; manufacturers' new orders for nondefense capital goods excluding aircraft orders; building permits for new private housing units; stock prices of 500 common stocks; Leading Credit Index™; interest rate spread on 10-year Treasury bonds less federal funds and average consumer expectations for business conditions.

The Institute for Supply Management (ISM) PMI Index: The PMI is a composite index of five "sub-indicators", which are extracted through surveys to purchasing managers from around the country. The five sub-indexes are: Production, New orders, Supplier deliveries, Inventories and Employment level. An Index value over 50 indicates expansion; below 50 indicates contraction.

The Institute for Supply Management (ISM) Non-manufacturing Index (NMI): The NMI is a composite index of four "sub-indicators", which are extracted through surveys to purchasing managers. The four sub-indexes: Business activity, New orders, Employment, Supplier deliveries. An Index value over 50 indicates expansion; below 50 indicates contraction.

Consumer Confidence Index (CCI): The Consumer Confidence Index is a well-known proxy for the attitudes of U.S. consumer towards the business climate, personal finances and spending. This index attempts to measure the confidence that consumers have in the overall economy. This is important because consumer spending accounts for a large portion of U.S. GDP.

Consumer Sentiment Index (MCSI): The MCSI uses telephone surveys to gather information on consumer expectations regarding the overall economy. The MCSI is becoming more useful for investors because it gives a monthly snapshot of whether consumers feel like spending money by accessing their views on the business climate, personal finance, and spending in order to judge their level of optimism/pessimism. This is important because consumer spending accounts for a large portion of U.S. GDP.

Disposable Personal Income per Capita (DPI): DPI is the amount of money that households have available for spending and saving after income taxes have been accounted for. DPI is monitored to gauge the overall state of the economy.

Personal Consumption Expenditures (PCE): PCE consists of the actual and imputed expenditures of households including durables, non-durables and services.

Retail Sales: The retail sales report captures in-store sales as well as catalog and other out-of-store sales. The report also breaks down sales figures into groups such as food and beverages, clothing, and autos. The results are often presented two ways: with and without auto sales being counted, because their high sticker price can add extra volatility to the data.

Housing Affordability Index (HAI): Published monthly by the National Association of Realtors, the HAI index has a value of 100 when the median-income family has sufficient income to purchase a median-priced existing home. A higher index number indicates that more households can afford to purchase a home.

Unemployment Rate: Calculated monthly by the Bureau of Labor Statistics, the unemployment rate is a gauge of the health of the U.S. labor market. High unemployment can stifle the growth of the economy.

Wage Growth: Calculated quarterly by the Bureau of Labor Statistics, the employment cost index measures the growth of employee compensation (wages and benefits). The index is based on a survey of employer payrolls in the final month of each quarter. The index tracks movement in the cost of labor, including wages, fringe benefits and bonuses for employees at all levels of a company. We are using the wage component of this index.

Benchmark Descriptions

U.S. Aggregate Bond: The Barclays U.S. Aggregate Bond Index measures the performance of USD-denominated, SEC-registered, investment-grade, fixed-rate or step up, taxable bonds. The index includes bonds from the Treasury, Government-Related, Corporate and MBS, ABS, and CMBS sectors. Securities included in the index must have at least one year until final maturity.

U.S. Treasury: The Barclays Capital U.S. Treasury Index measures the performance of public obligations of the U.S. Treasury with a remaining maturity of one year or more.

U.S. Agency: The Barclays Capital U.S. Agency Bond Index measures the performance of the agency sector of the U.S. government bond market and is comprised of investment-grade USD-denominated debentures issued by government and government-related agencies, including FNMA. The index includes both callable and non-callable securities that are publicly issued by U.S. government agencies, quasi-federal corporations, and corporate and foreign debt guaranteed by the U.S. government.

U.S. Corporate: The Barclays Capital U.S. Corporate Bond Index measures the performance of publicly issued USD-denominated corporate and Yankee debentures and secured notes that meet specified maturity, liquidity, and quality requirements.

U.S. MBS: The Barclays Capital U.S. Mortgage Backed Securities Index measures the performance of mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC).

U.S. Municipal Bond: The Barclays Capital Municipal Bond Index measures the performance of the USD-denominated, investment grade, fixed-rate tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds and pre-refunded bonds. Securities included in the index must have at least one year until final maturity.

General Obligation Bond Index: The Barclays General Obligation Bond Index measures the average market-weighted performance of general obligations securities that have been issued in the last five years with maturities greater than one year.

Revenue Bond Index: The Barclays Revenue Bond Index measures the average market-weighted performance of revenue backed securities that have been issued in the last five years with maturities greater than one year.

Investment Style: Performance of different types of stocks will vary over time. A common way to characterize a stock is by market capitalization (e.g., large cap or small cap) or style (e.g., value or growth).

Large Cap vs. Small Cap: Large companies tend to be more established companies and therefore exhibit lower volatility. Over an extended period of time, expected returns of small cap companies are often higher due to the risks associated with smaller, less established companies.

Value vs. Growth: Value companies typically trade at discount valuations and may pay a dividend. Growth companies are those that are experiencing greater earnings growth prospects.

Mega Cap: The Russell Top 50 Index measures the performance of the top 50 largest companies in the Russell 1000 Index, which represents approximately 40% of the total market capitalization of the Russell 1000 index.

Large Cap: The Russell Top 200 Index measures the performance of the 200 largest companies in the Russell 1000 Index, which represents approximately 68% of the total market capitalization of the Russell 1000 index.

Mid Cap: The Russell Midcap Index measures the performance of the 800 smallest companies in the Russell 1000 Index, which represent approximately 36% of the total market capitalization of the Russell 1000 Index.

Small Cap: The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market capitalization of the Russell 3000 Index.

Large Cap Growth: The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

Large Cap Value: The Russell 1000 Value Index measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Mid Cap Growth: The Russell Midcap Growth Index measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values.

Mid Cap Value: The Russell Midcap Value Index measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values.

Small Cap Growth: The Russell 2000 Growth Index measures the performance of those Russell 2000 Index companies with higher price-to-value ratios and higher forecasted growth values.

Small Cap Value: The Russell 2000 Value Index measures the performance of those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth values.

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