





2023 Halftime Financial Report

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Please Note: If you are a CWP or CAM client, please remember to contact us in writing if there are any changes in your personal/financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services, or if you would like to impose, add, or to modify any reasonable restrictions to our investment advisory services. CWP and CAM shall continue to rely on the accuracy of the information that you have provided. **Please Note:** If you are a CWP or CAM client, please advise us if you have not been receiving account statements (at least quarterly) from the account custodian.

Questions?



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Introduction



Gary Aiken

Chief Investment Officer

Gary joined the CAM team to design, implement, and lead the firm's turnkey investment management program.

With over 21 years of investment experience, Mr. Aiken holds an undergraduate degree in economics from the University of Maryland and an MBA from The George Washington University School of Business. Prior to joining Concord, Gary was Chief Investment Officer for a trust company and Chief Risk Officer for a mutual life insurance company.

We know what's on your mind...



Inflation



Stock & Bonds Market



Recession

Agenda

- The Big Picture
- Sectors and the Cycle
- What May Be Ahead
- Final Thoughts

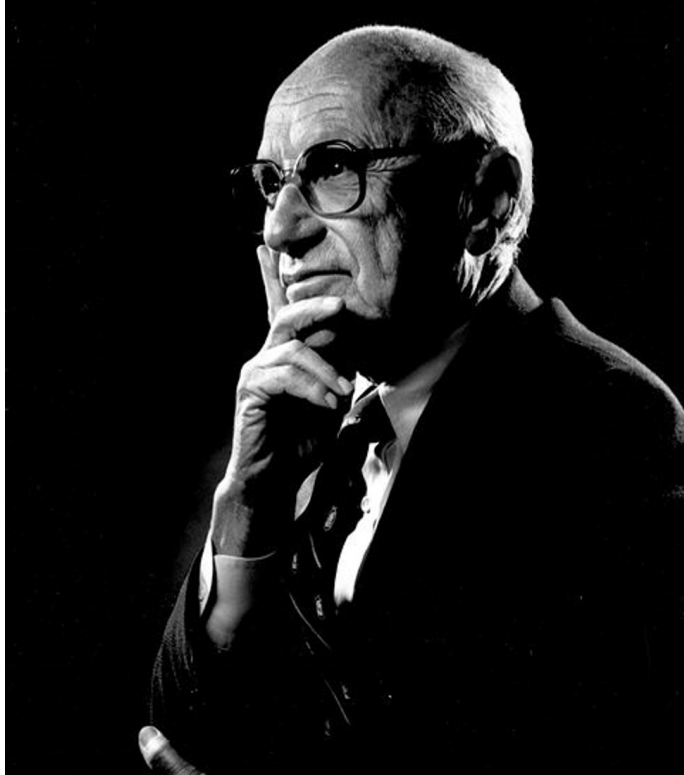




The Big Picture

Fighting Inflation Amid Geopolitical Uncertainty

Inflation Update

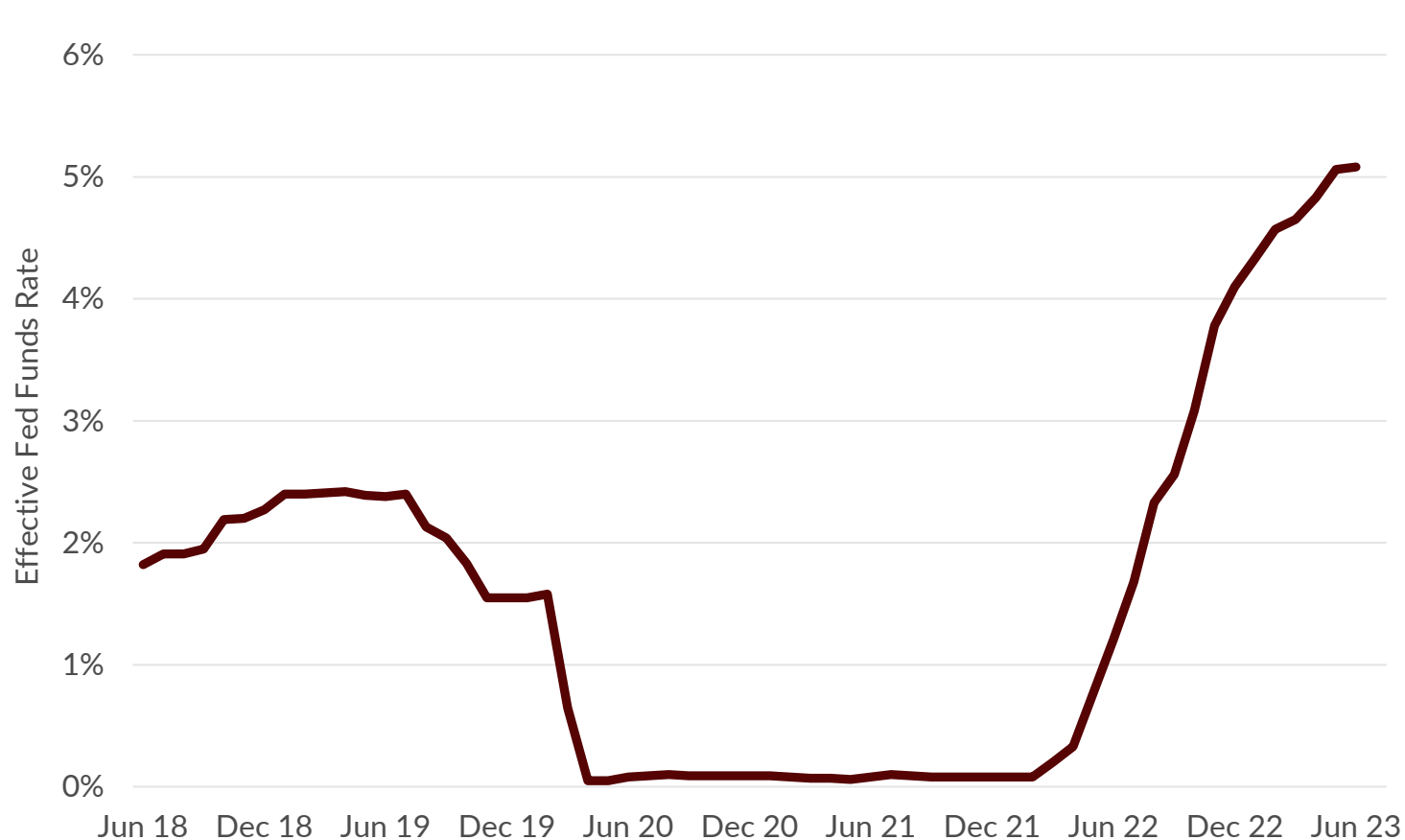


“Inflation is always and everywhere a monetary phenomenon
in the sense that it is and can be produced only by
a more rapid increase in the quantity of money than in output.”

Milton Friedman

- Ph.D., Economics, Columbia University
- 1976 Nobel Prize in Economics
- Work concentrated on consumption, monetary policy

Interest Rates Still Rising



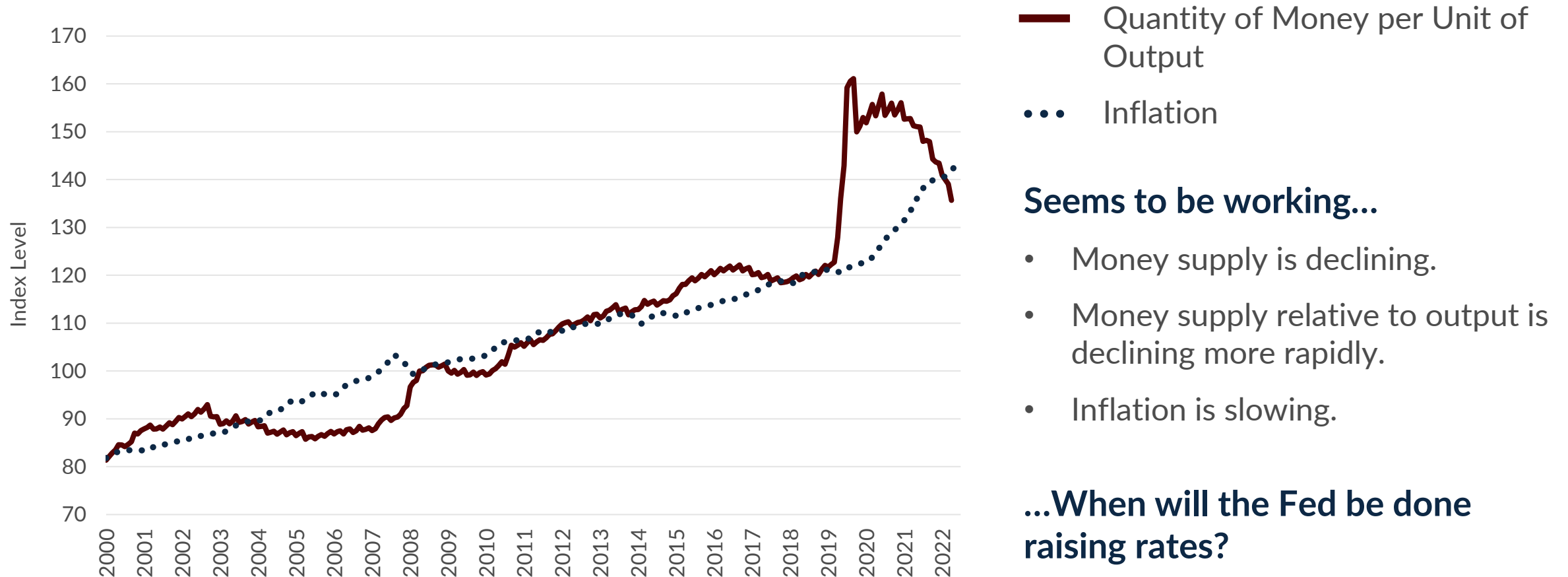
— Effective Fed Funds Rate

Fed Actions

- 0.75% increase in the Fed Funds rate in 2023 so far.
- Fed selling bonds: "Quantitative Tightening."
- Goal: Reduce the money supply to fight inflation.

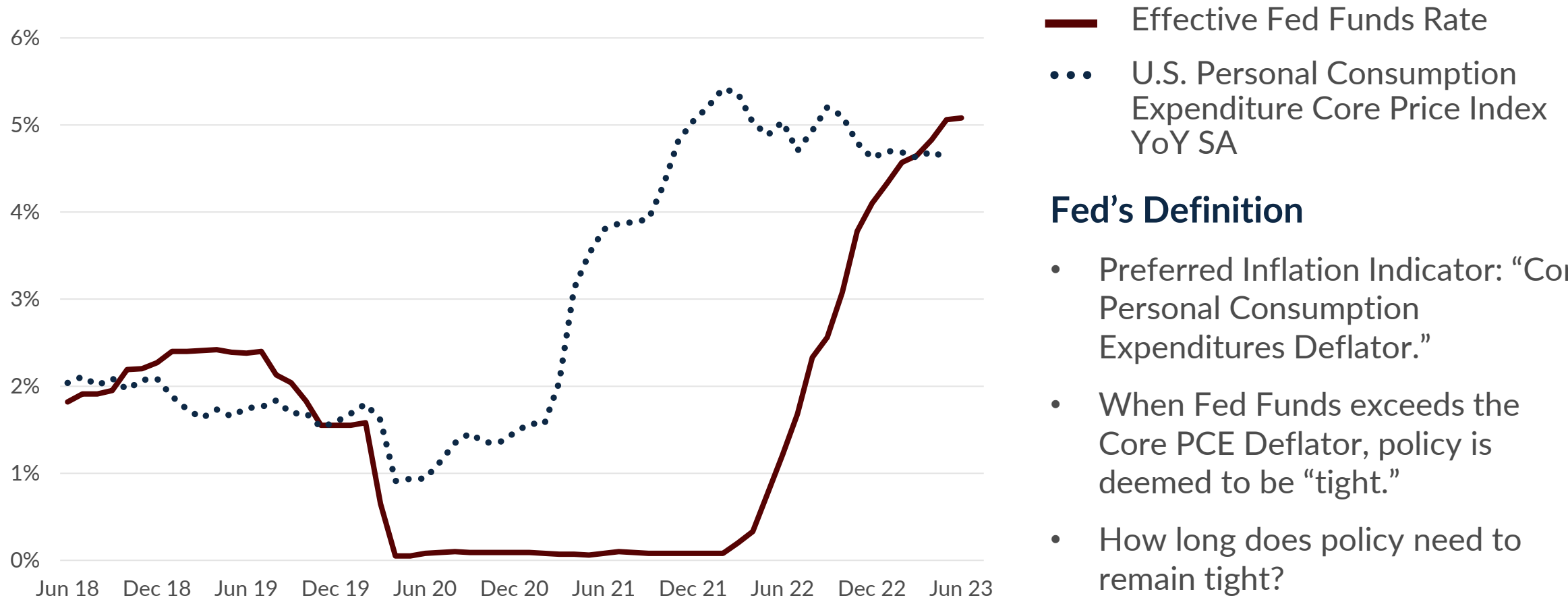
How do we know if it's working?

Can Monetarism Rescue Main Street?



Sources: Bloomberg Finance L.P., Bureau of Labor Statistics, Bureau of Economic Analysis, Board of Governors of the Federal Reserve System, Returns data normalized, 03/31/2009 = 100

Fed Can Stop When Policy is “Tight”



Fed's Definition

- Preferred Inflation Indicator: “Core Personal Consumption Expenditures Deflator.”
- When Fed Funds exceeds the Core PCE Deflator, policy is deemed to be “tight.”
- How long does policy need to remain tight?

Disinflationary Pressure From Commodities



— Commodity Research Bureau
BLS/U.S. Spot All Commodities

Some Disinflationary Forces

- Commodity prices are not rising rapidly.
- Strong dollar enhances U.S. purchasing power.
- Anchored consumer inflation expectations.

Inflationary Pressures From Government Spending



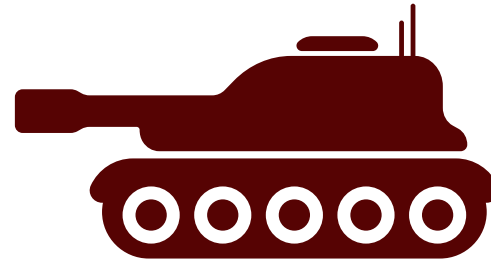
Federal Spending Continues

- CHIPS and Science Act.
- Bi-Partisan Infrastructure Investment and Jobs Act.
- Fiscal Responsibility Act of 2023.

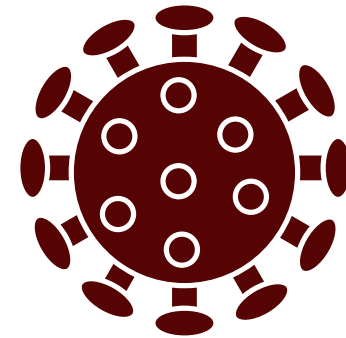
2022 Major Themes Persist in 2023



The Fed is *still* tightening monetary policy.



The War in Ukraine is *still* ongoing.



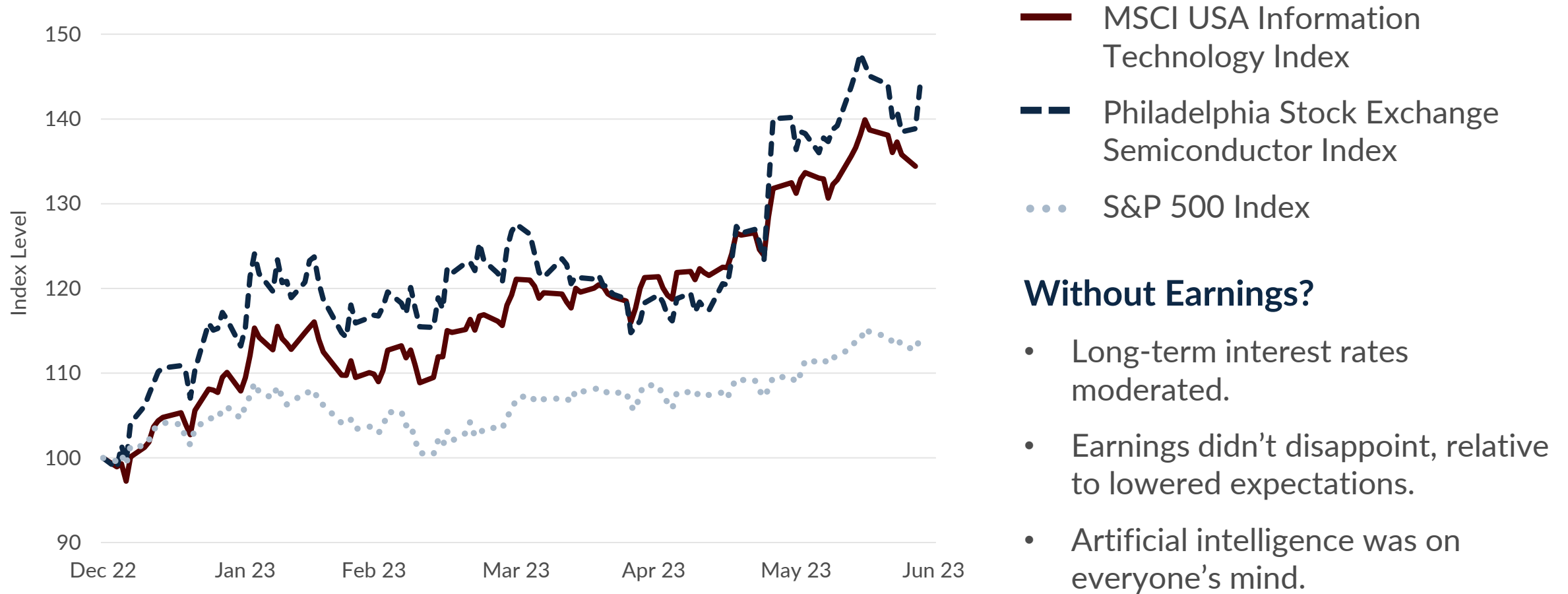
China is *still* emerging from COVID-19 lockdowns.



Sectors and the Cycle

Major Market Themes of the First Half

Technology Takes Off



Source: Bloomberg Finance L.P., Returns data normalized 12/31/22 = 100

What is Artificial Intelligence?

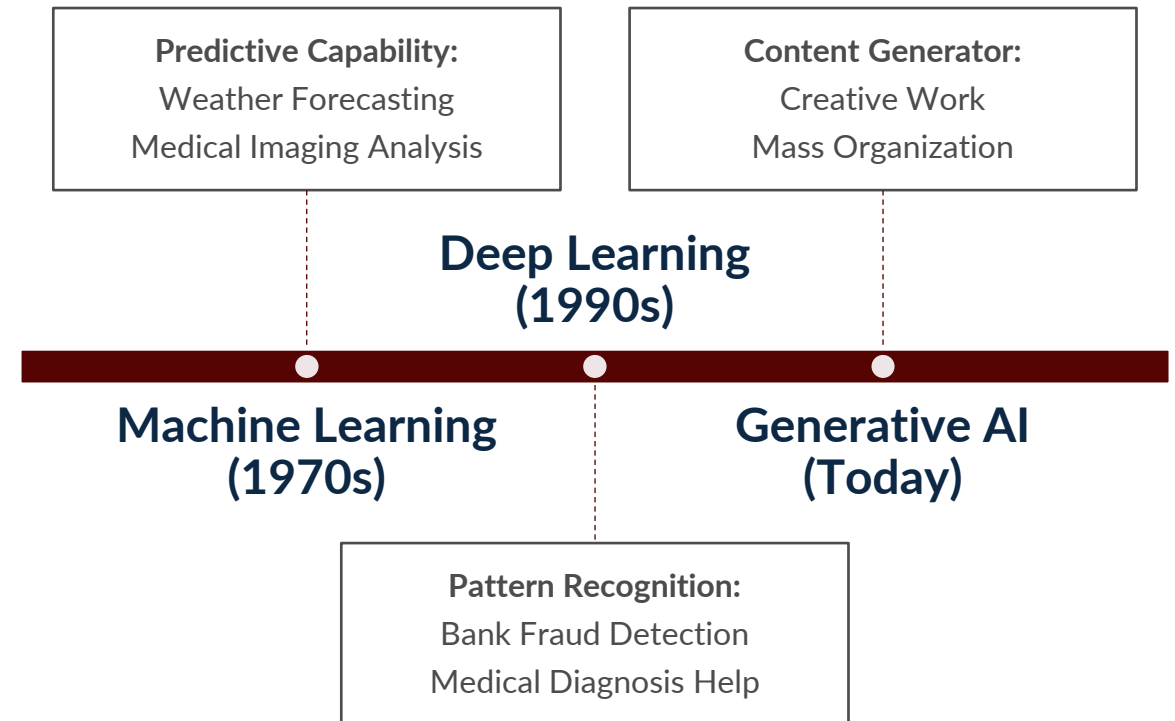
Computers performing tasks that require human intelligence including visual perception, decision-making, and language skills.

A Powerful Combination Makes it Possible

- Moore's Law: Computing Power Growing.
- Big Data: Availability of Digital Data.

Hurdles to Effective Adoption

- "Garbage In, Garbage Out." Our data isn't always accurate.
- "Very Realistic." Can we tell the difference between what's true and false?
- Expensive. Initial large-scale business cases will take time.



AI in Your Portfolio

HARDWARE + SOFTWARE = PRODUCTIVITY + PROFIT

Semiconductor
Manufacturers

Semiconductors

Memory

Networking
Equipment

Semiconductor
Design

Business Software

Implementation
Services

Cloud Services

First: Tech and Tech-Related

Later: Everyone Else

Identify companies that find the most creative and efficient ways to apply artificial intelligence in their business.

Concentration Risk in Top Names?



Microsoft

Alphabet

amazon



nVIDIA

Focus on Valuation

- Valuations are above the 40-year average, but nowhere near the 2021 and 2000 "bubble" peaks.
- The top names have grown their valuations in large part due to increasing profits.
- Past episodes of inflation have deteriorated the valuations of highfliers.

Banking Crisis

Disintermediation Risk: *A risk associated with large changes in interest rates.*



Depositors notice they can get a better rate by buying US Treasury Notes and Bills directly.
Savers pull their deposits.

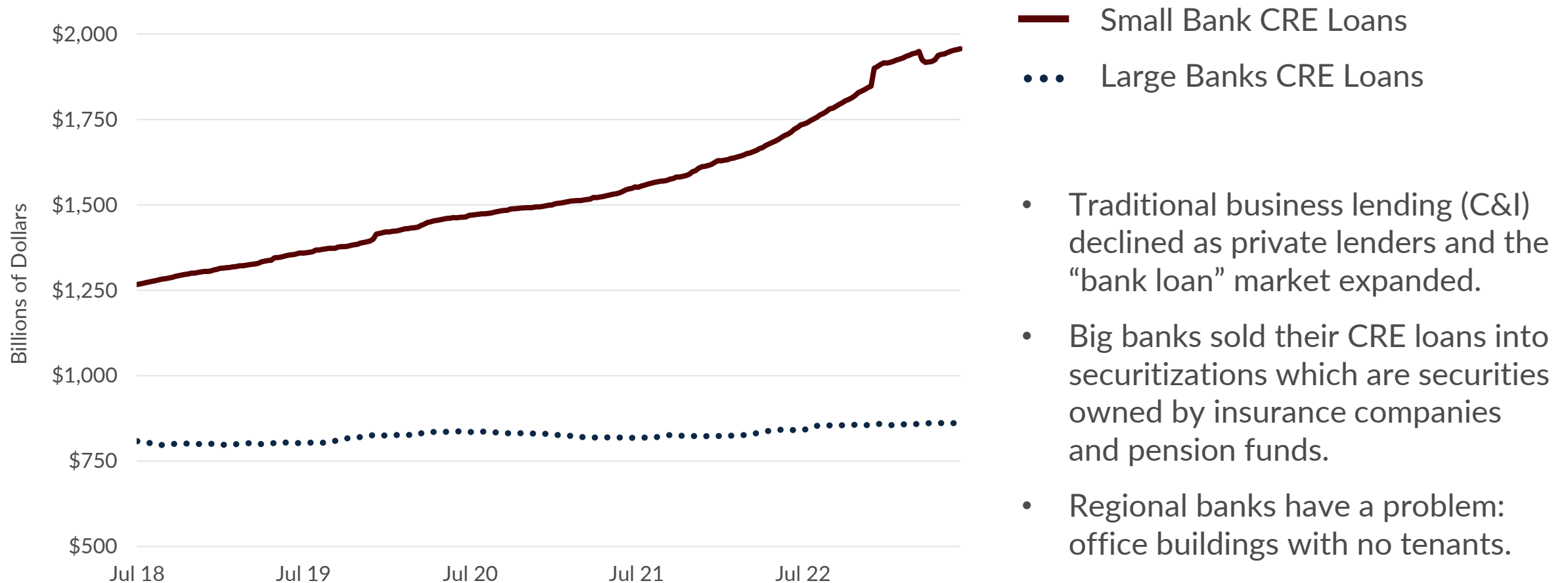


Some banks don't have enough cash on hand.
Banks sell their best assets at whatever price they can get.



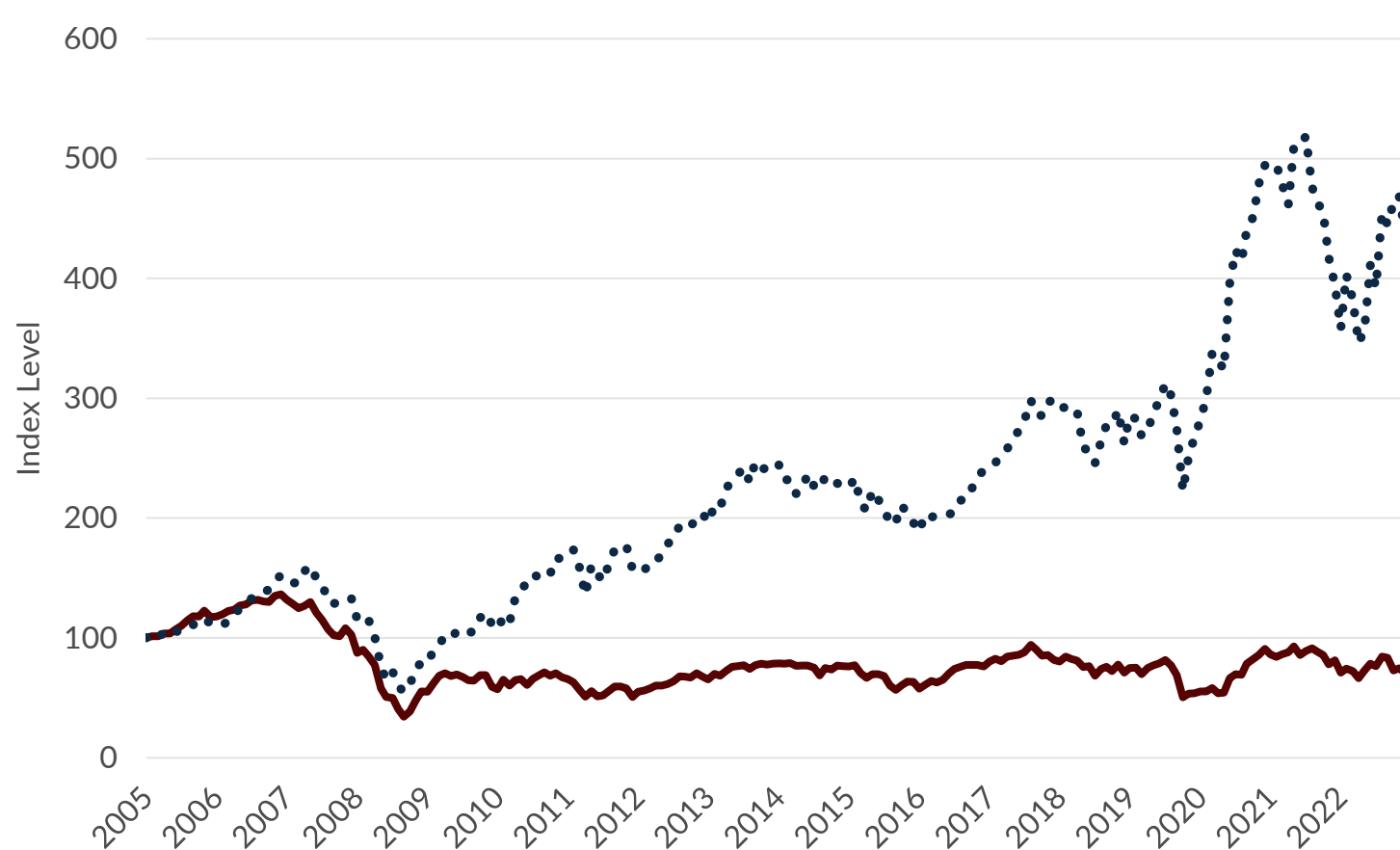
Investors notice. High-quality asset values fall. Equity is wiped out as cash demands rise.
Some banks fail.

Banks and Commercial Real Estate (CRE) Loans



Sources: Bloomberg Finance L.P., Board of Governors of the Federal Reserve System, Small Bank CRE Loans = Small Dom Chartered Comm Banks Commercial Real Estate Loans NSA, Large Bank CRE Loans = Large Dom Chartered Comm Banks Commercial Real Estate Loans NSA

Is Banking a Good Business?



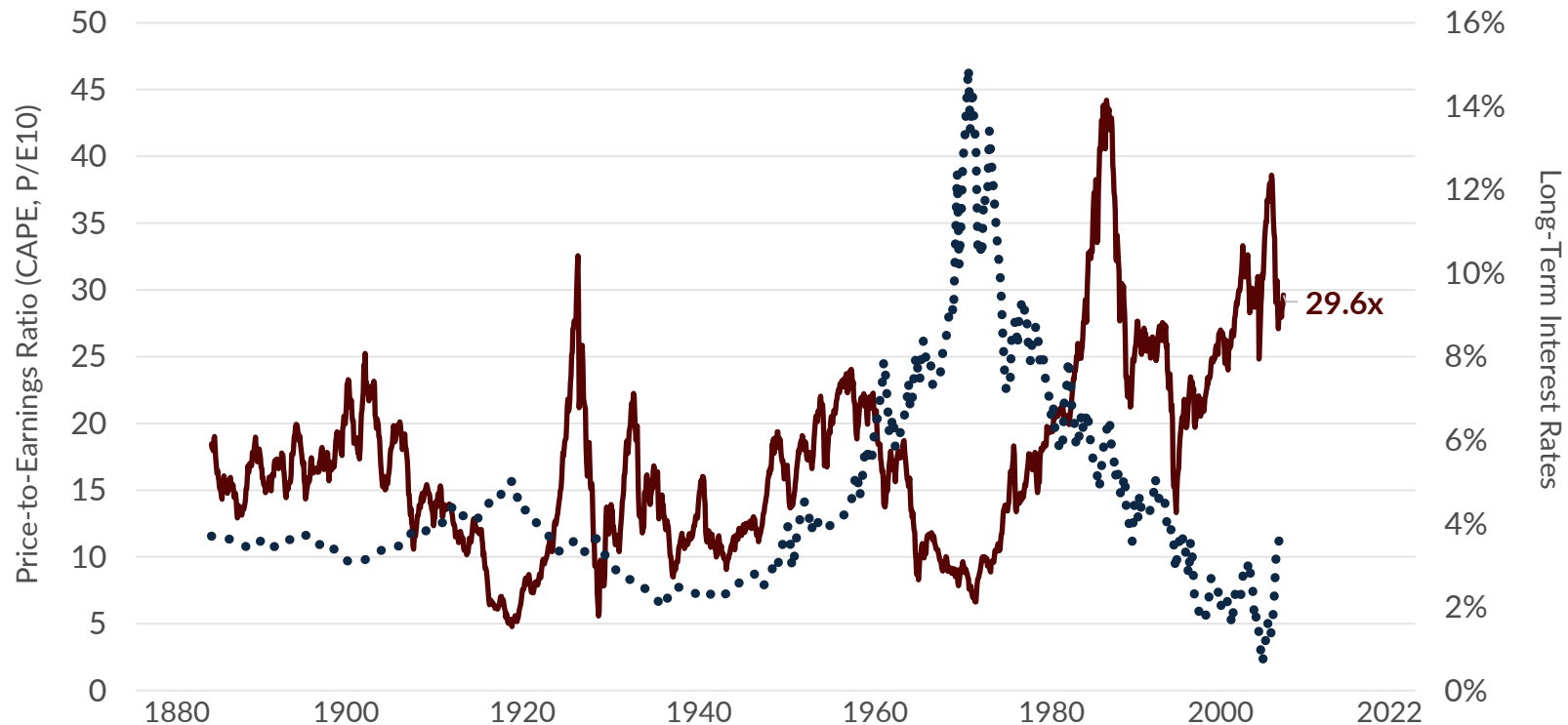
— MSCI World Bank Index
... S&P Global Luxury Index

- After the Great Financial Crisis, regulation has made banks more like utilities.
- Banks face incentive issues, regulatory hurdles, and are cyclical.
- There are times to buy banks, but we think a general underweight is appropriate.

Buy what bankers buy?!

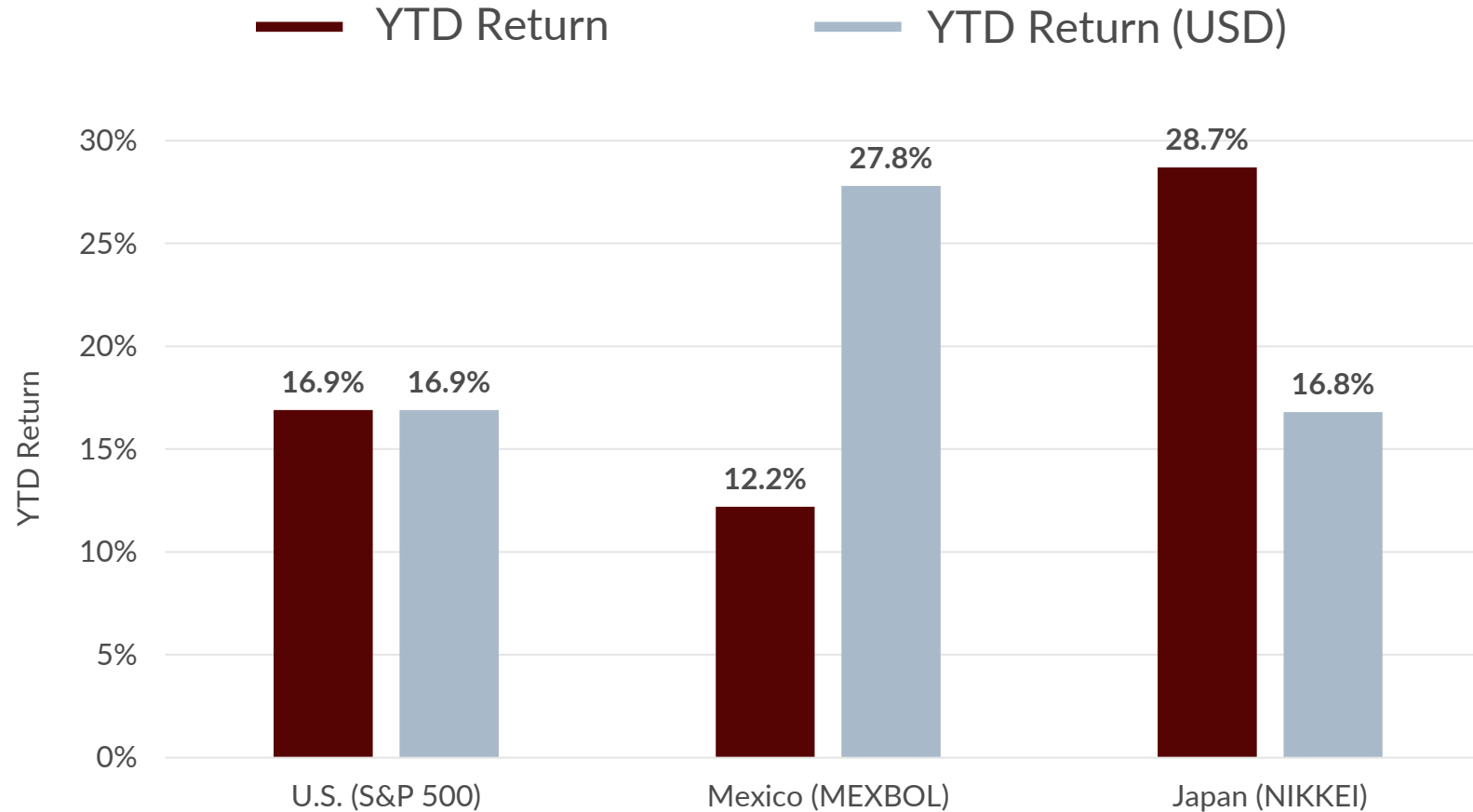
Valuation — Still Reasonable Compared to 2021

— Price-to-Earnings Ratio (CAPE, P/E10) Long-Term Interest Rates



Source: Robert J. Shiller, <http://www.econ.yale.edu/~shiller/data.htm>

International – Currency Matters

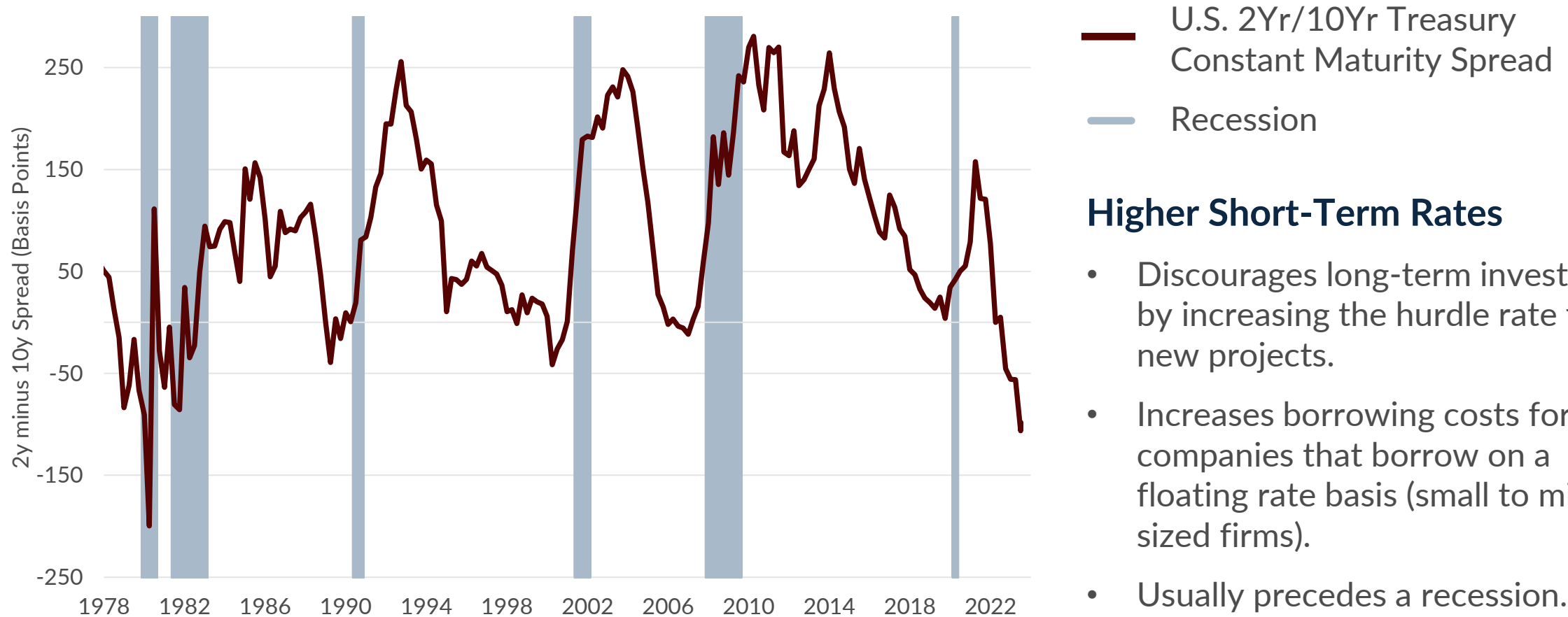


Source: Bloomberg Finance L.P.

What May Be Ahead

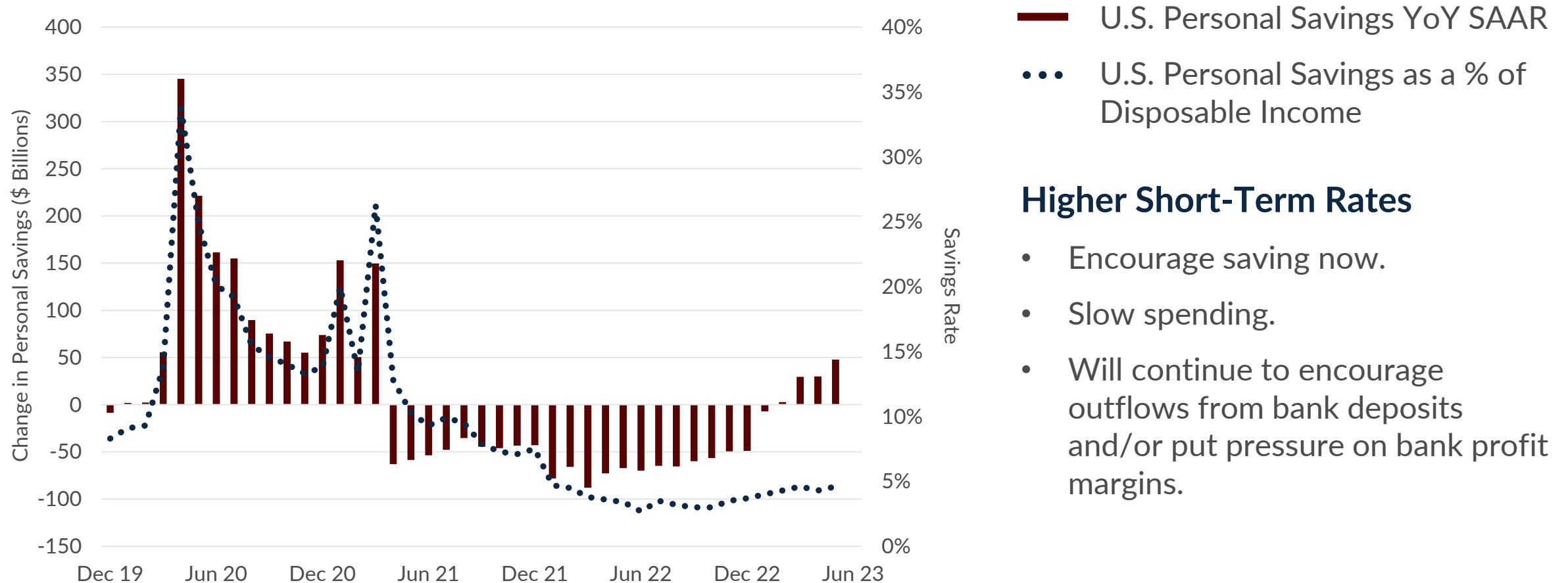
Can a Recession Be Averted?

Yield Curve Inversions



Sources: Bloomberg Finance L.P., National Bureau of Economic Research

Consumers Are Responding to Incentives



Higher Short-Term Rates

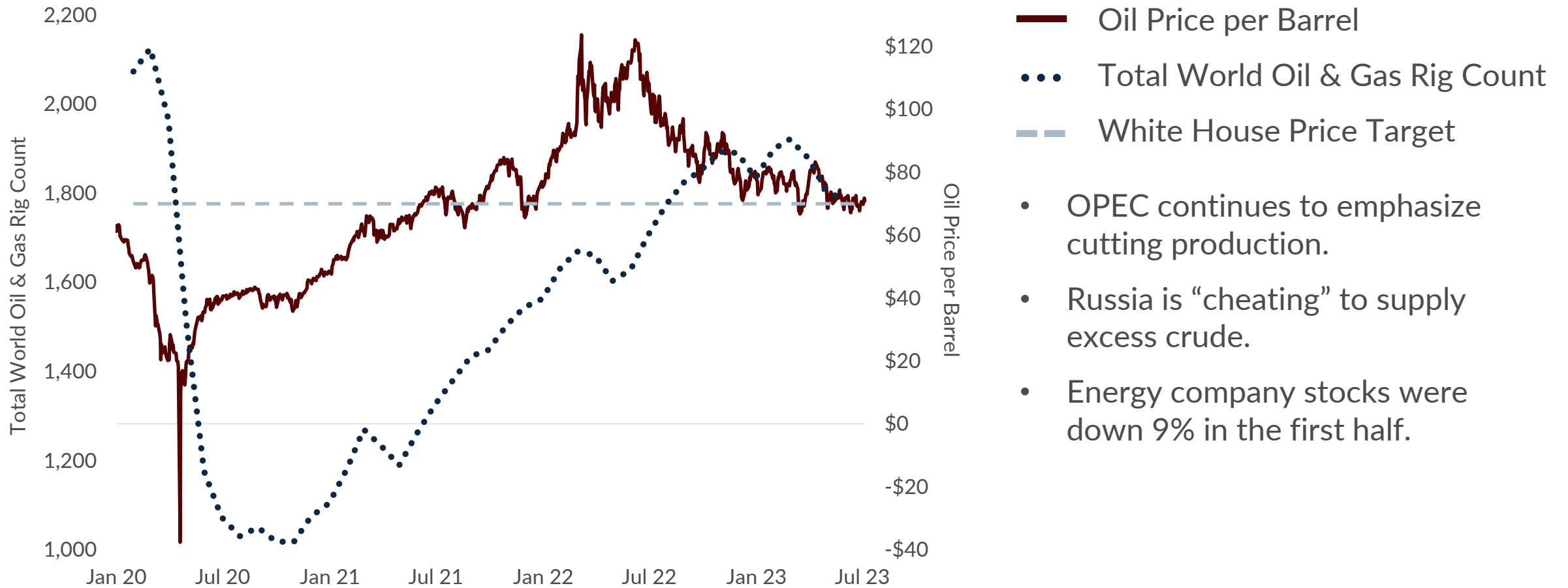
- Encourage saving now.
- Slow spending.
- Will continue to encourage outflows from bank deposits and/or put pressure on bank profit margins.

Consumers Are Leaning on Their Credit Cards



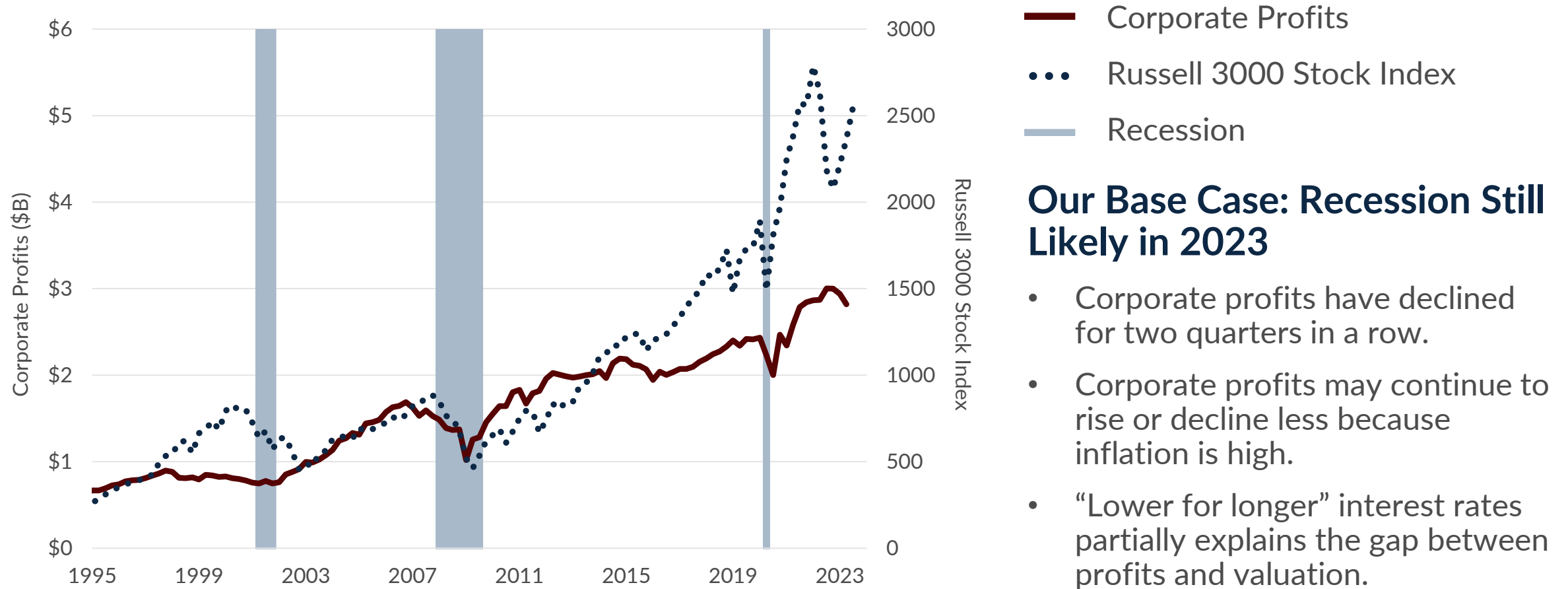
- Credit card balances are 13% higher than pre-pandemic.
- Total non-mortgage debt is 14% higher than pre-pandemic.
- Consumers have added to their balances for 25 straight months.
- Student loan repayments resume in August.

The Biden Administration as Oil Traders?



Sources: Bloomberg Finance L.P., Baker Hughes, The White House “Fact Sheet” / Press Release, October 2022,
Oil Price per Barrel is the Generic First Month WTI Future Price

What Happens to Corporate Profits?



Sources: Bloomberg Finance L.P., Bureau of Economic Analysis (Corporate Profits: US Corporate Profits with IVA and CCA Total SAAR), National Bureau of Economic Research

Bond Portfolio Positioning



- 10-year Constant Maturity Treasury Yield to Maturity
- ... 7-Year Rolling Average Yield

We Eat Past Returns in Bonds

- Bond indexes and portfolios consist of bonds purchased in the past at the yields available at that time.
- It will take time for average coupons to be attractive.

Foreign Market Investments



Structural changes in the U.S. and abroad that favor non-U.S.



Dollar weakness.



Political instability, capitalism, and rule of law must reign supreme.

Second Half Defense



Businesses & Consumers Have Different Views

- Small Business Optimism slowly returning one year after inflation rate peaked in June 2022.
- Consumer Sentiment has been rising steadily since inflation started to moderate.
- An uneasiness among market participants viewing competing signals makes predictions difficult.
- View opportunities from a probabilistic framework.

Caution May Be Rewarded in the Second Half



Final Thoughts

Commentary From Our Leadership

“Nothing like price to change sentiment.”

Helene Meisler

Market Technician & Financial Analyst

What Should We Do Now?

1. Asset Allocation
2. US vs. International
3. Value vs. Growth
4. Short Duration & High-Quality vs. Long Duration & Low-Quality
5. Have a Plan



What's New With You?

There may never be a more important time to work with a financial professional.

- New family member
- Wedding coming up
- Job transition



ZANDER TURNED TWO!

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