



FUND DIRECT ADVISORS

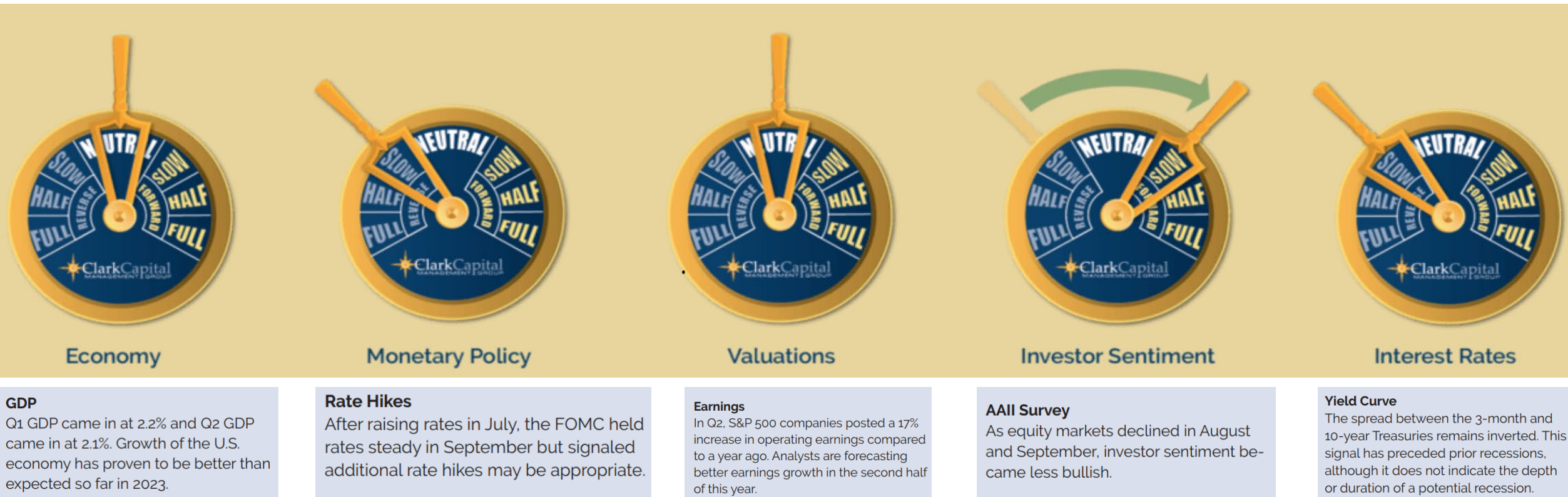
Quarter 3 - 2023 Market Review

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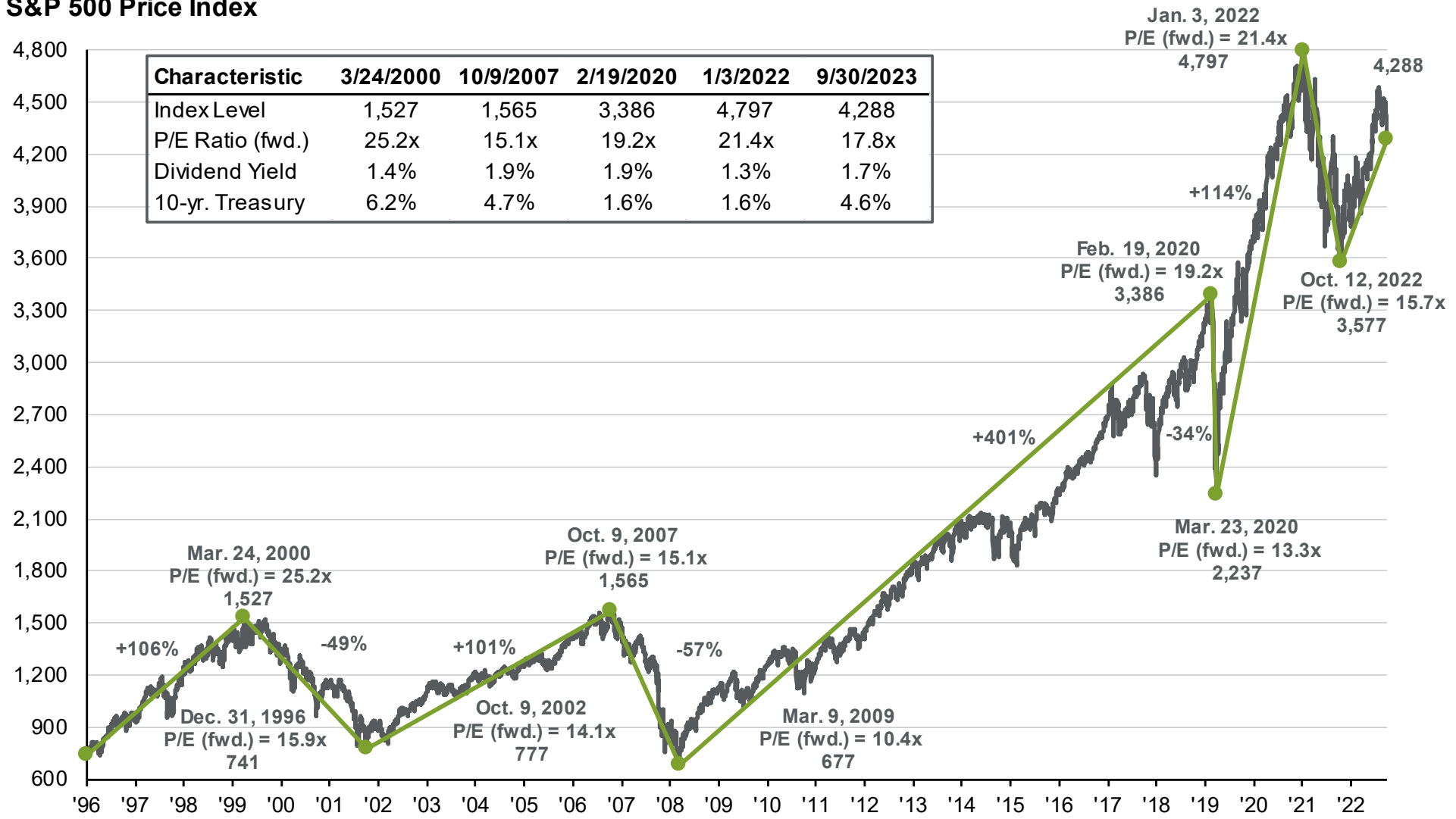
Third Quarter Summary

- Quarter 3 started strong, with the S&P 500 Index reaching 4,588.96 on July 31st (up 19.99% from its starting point on January 1, 2023). However, the index declined over August and September to 4,288.05 (a 3.65% decline from July 31 highs). (Slide 2 for reference).
- Bond yields rose above their long-term averages causing interest-rate sensitive assets to decline the most (slide 3).
- GDP growth remains near trend; however, there could be some storm clouds on the horizon.
- The likelihood of a recession is still prevalent. However, with the current strength of the labor market, our view is any potential recession would be short and shallow.
- The Federal Reserve raised interest rates by 0.25% (5.25% to 5.50%) in Quarter 3. This was the only interest rate hike that occurred during Quarter 3 (slide 5).
- With inflation trending downward, we are hopeful the Federal Reserve is at or near the end of its current rate hike cycle (slide 6).
- Looking forward, we believe that over the long-term, the market is driven by earnings (company profitability) and what people are willing to pay for those earning (share prices).

Latest Assessment of Key Economic Indicators



S&P 500 Price Index

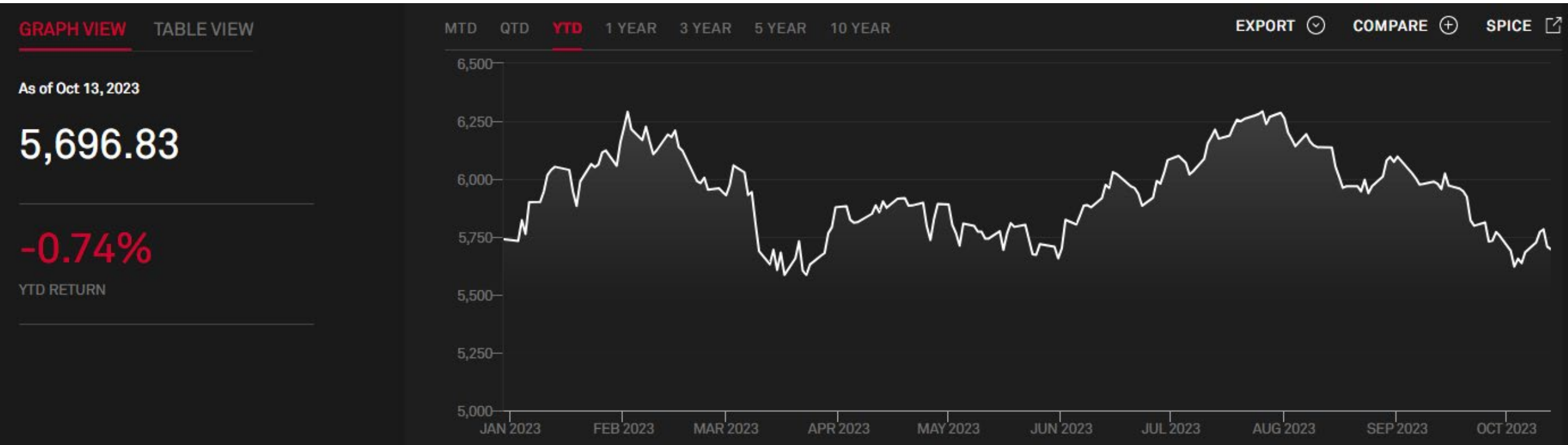


Evaluating the components of the S&P 500 Index

	Energy	Materials	Financials	Industrials	Cons. Disc.	Tech.	Comm. Services*	Real Estate	Health Care	Cons. Staples	Utilities	S&P 500 Index	
S&P weight	4.7%	2.4%	12.8%	8.3%	10.7%	27.5%	8.9%	2.4%	13.4%	6.6%	2.4%	100.0%	Weight
Russell Growth weight	0.6%	0.7%	6.6%	6.0%	16.0%	42.1%	11.6%	0.9%	11.3%	4.3%	0.0%	100.0%	
Russell Value weight	9.1%	4.8%	20.6%	13.2%	5.0%	9.1%	5.0%	4.7%	15.3%	8.3%	4.9%	100.0%	
Russell 2000 weight	8.5%	4.6%	16.1%	17.1%	10.6%	13.3%	2.4%	6.1%	14.9%	3.6%	2.9%	100.0%	
QTD	12.2%	-4.8%	-1.1%	-5.2%	-4.8%	-5.6%	3.1%	-9.5%	-2.7%	-6.0%	-9.2%	-3.3%	Return
YTD	6.0%	2.6%	-1.6%	4.5%	26.7%	34.7%	40.4%	-8.1%	-4.1%	-4.8%	-14.4%	13.1%	
Since market peak (February 2020)	97.9%	40.4%	15.5%	28.7%	24.3%	67.1%	19.1%	-16.6%	31.8%	21.2%	-5.3%	34.3%	
Since market low (March 2020)	348.9%	119.7%	102.4%	120.7%	82.1%	142.7%	66.8%	34.6%	82.8%	59.6%	47.1%	102.8%	
Beta to S&P 500	1.3	1.1	1.1	1.1	1.2	1.1	1.0*	0.8	0.7	0.6	0.5	1.0	β
Correl. To Treas. Yields	-0.1	-0.4	-0.3	-0.4	-0.5	-0.7	-0.8	-0.5	-0.3	-0.3	-0.4	-0.6	ρ
Foreign % of sales	37.8	55.2	20.8	32.3	34.3	57.6	42.8	15.9	35.7	43.1	1.8	39.5	%
NTM earnings growth	-6.7%	-1.7%	5.9%	13.2%	18.0%	13.4%	18.6%	3.4%	5.2%	6.5%	7.8%	9.1%	EPS
20-yr. avg.	99.6%	14.9%	20.6%	14.1%	17.1%	12.9%	10.3%*	6.8%	7.9%	7.7%	4.6%	11.0%	
Forward P/E ratio	11.7x	17.0x	13.1x	17.3x	23.5x	24.3x	16.3x	14.9x	16.8x	18.4x	15.0x	17.8x	P/E
20-yr. avg.	13.6x	14.8x	12.5x	16.3x	19.4x	17.9x	18.7x*	16.9x	15.0x	17.4x	15.6x	15.6x	
Buyback yield	4.5%	1.6%	2.7%	2.0%	1.4%	1.7%	3.7%	-1.7%	1.3%	0.9%	-1.0%	1.9%	Bbk
20-yr. avg.	1.7%	1.0%	0.4%	2.3%	2.5%	3.0%	1.7%	-1.4%	2.0%	1.8%	-0.8%	1.8%	
Dividend yield	3.2%	2.2%	2.1%	1.9%	0.9%	0.9%	0.9%	4.3%	1.8%	2.9%	3.9%	1.7%	Div
20-yr. avg.	2.8%	2.4%	2.3%	2.2%	1.4%	1.2%	1.2%	3.8%	1.9%	2.8%	3.8%	2.1%	

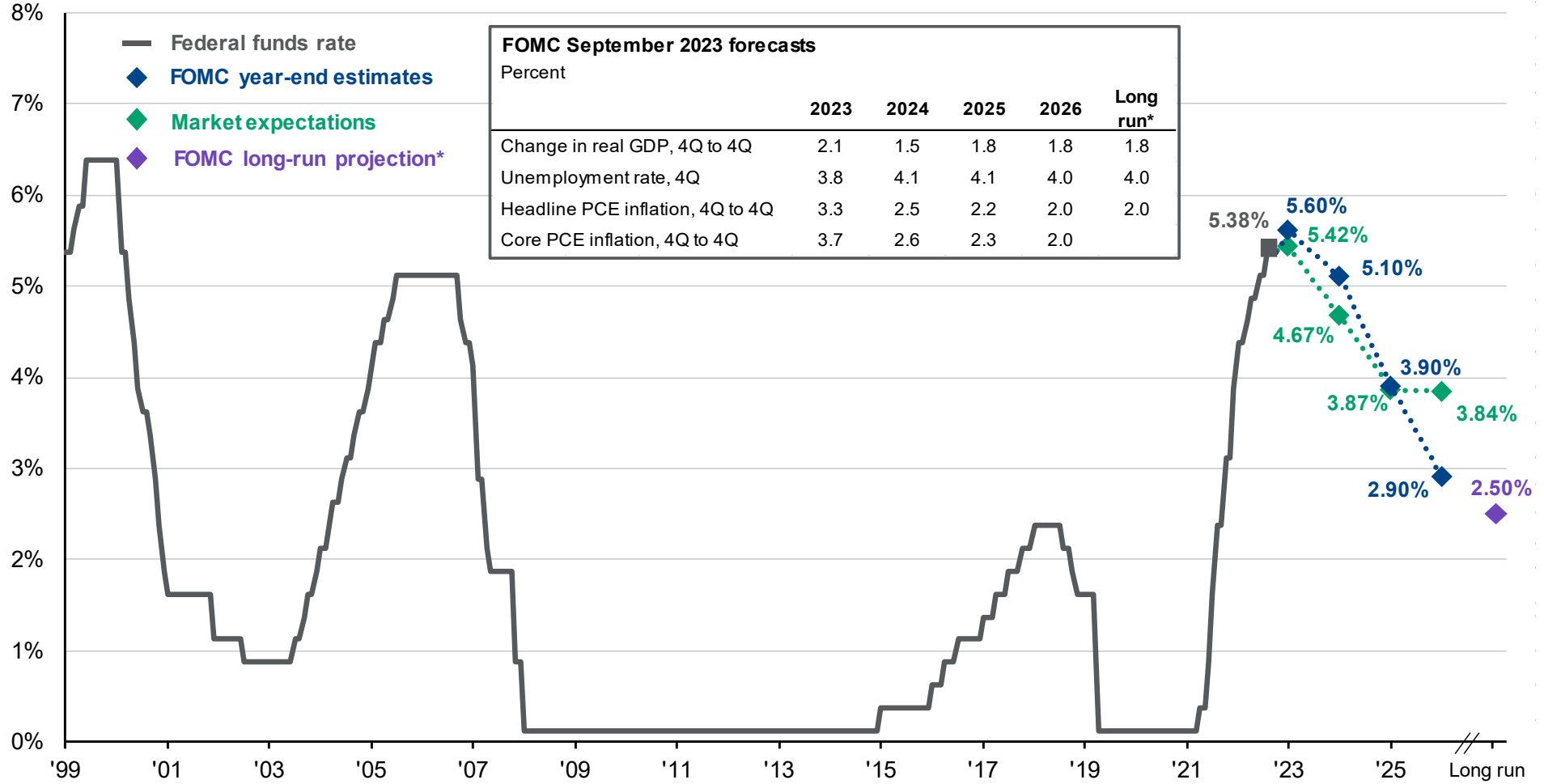
Removing concentration out of the S&P 500 Index (or 'diversifying')

Year-to-Date Return for the S&P 500 Equal Weight Index



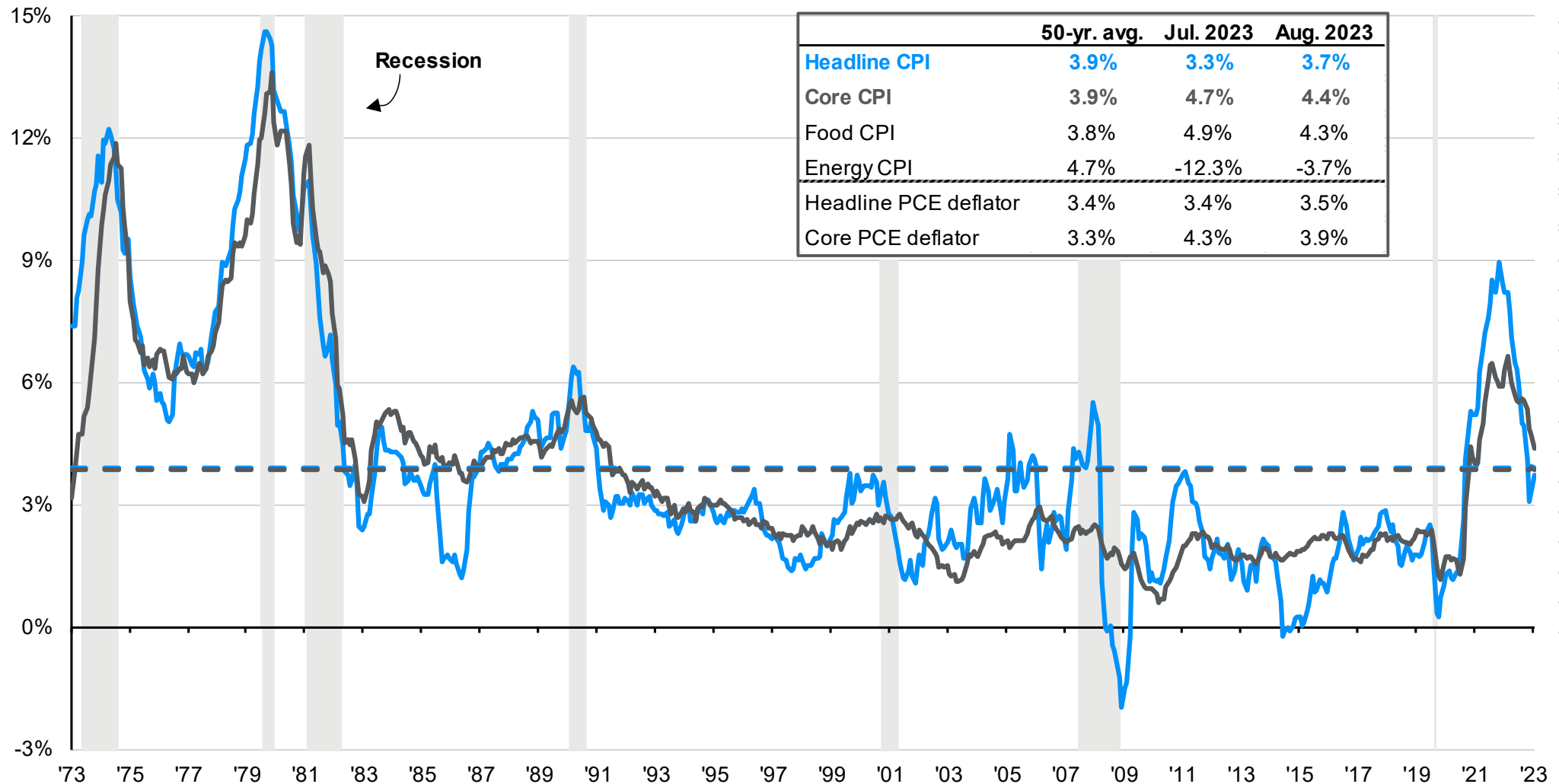
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



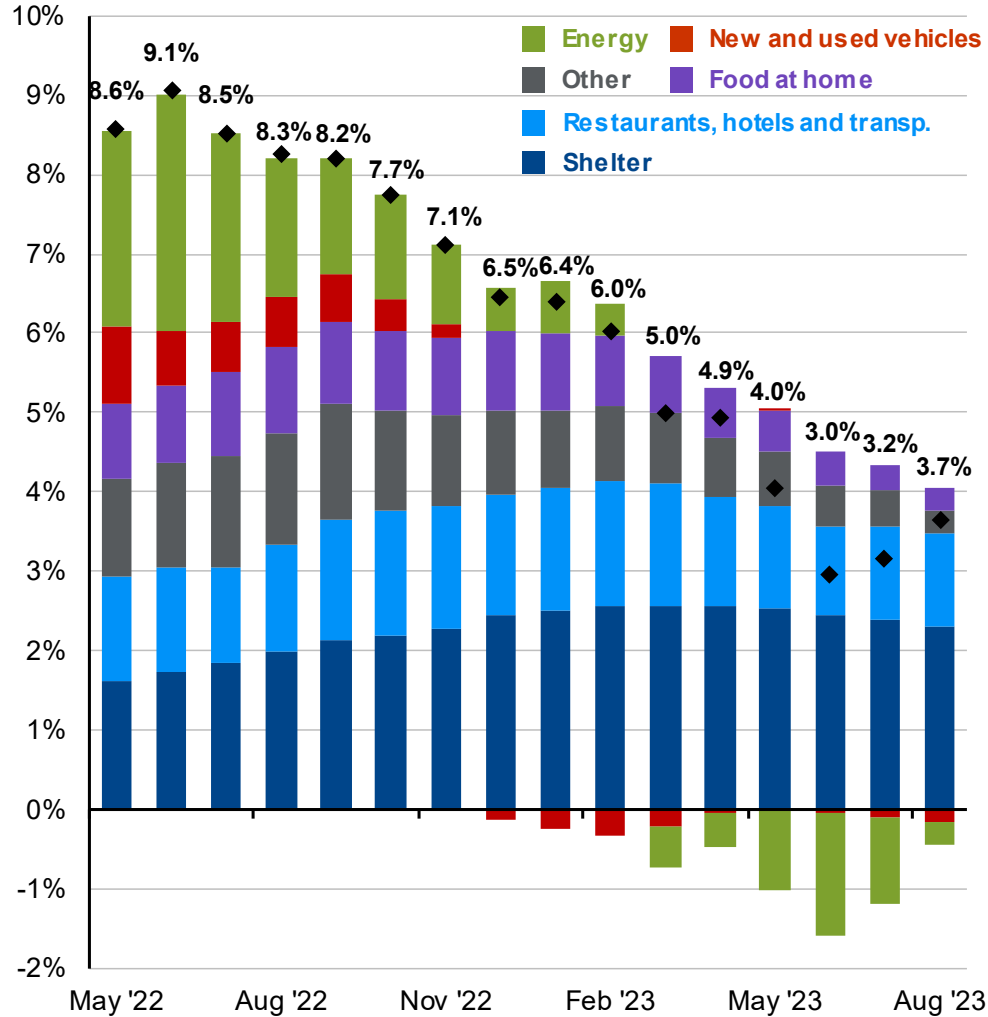
CPI and core CPI

% change vs. prior year, seasonally adjusted



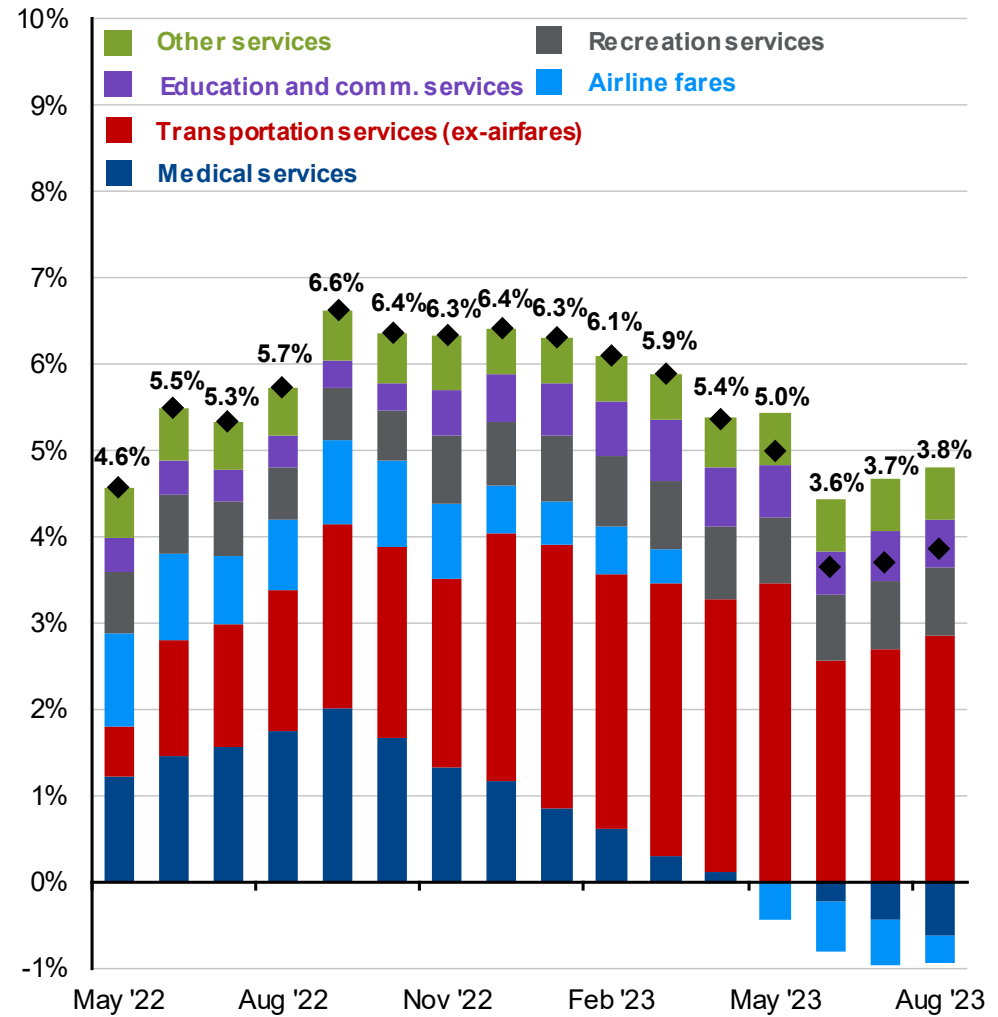
Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



Contributors to core services ex-shelter CPI inflation*

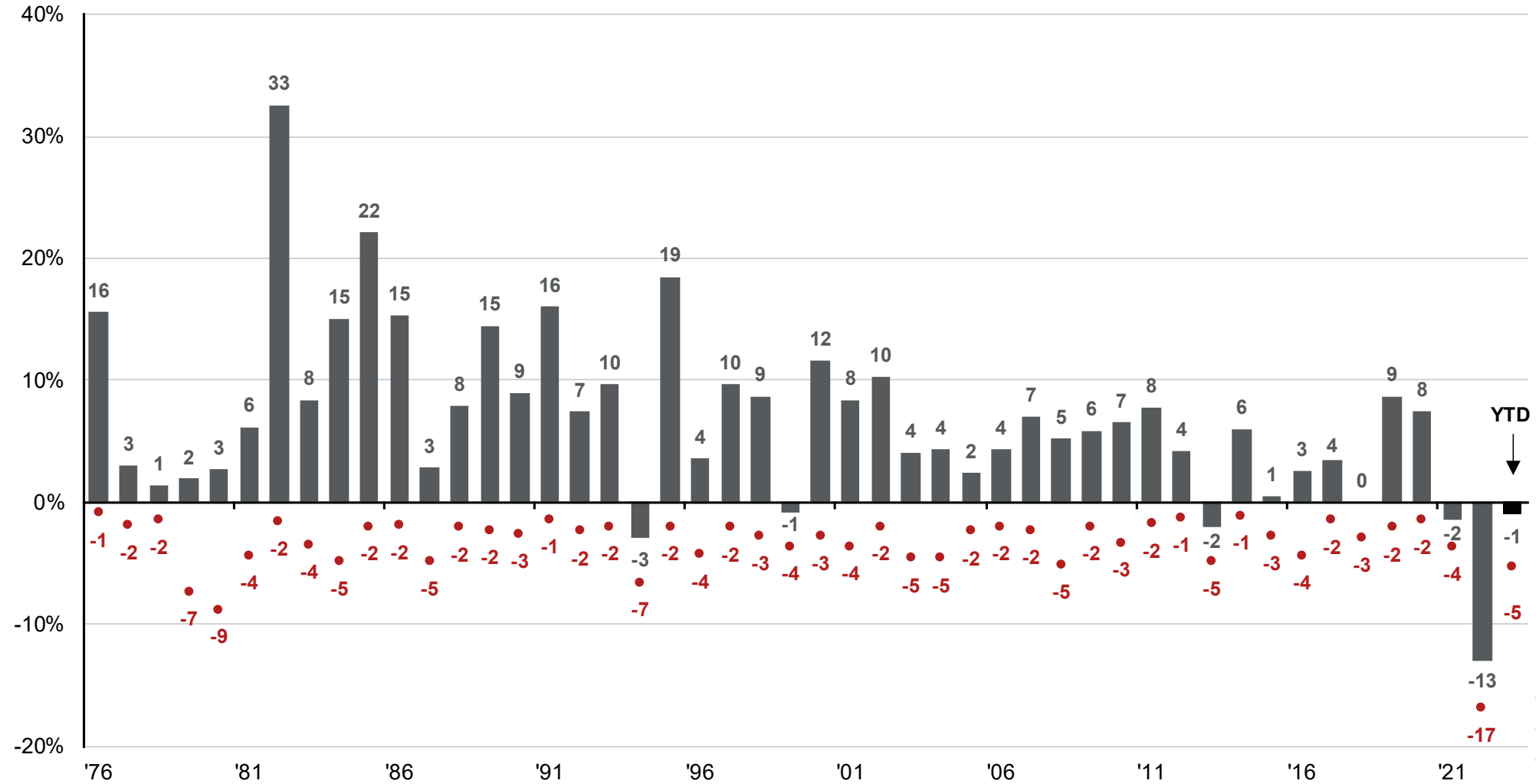
Contribution to y/y % change in custom CPI index, non-seasonally adj.



How can Interest Rates help my investment portfolio?

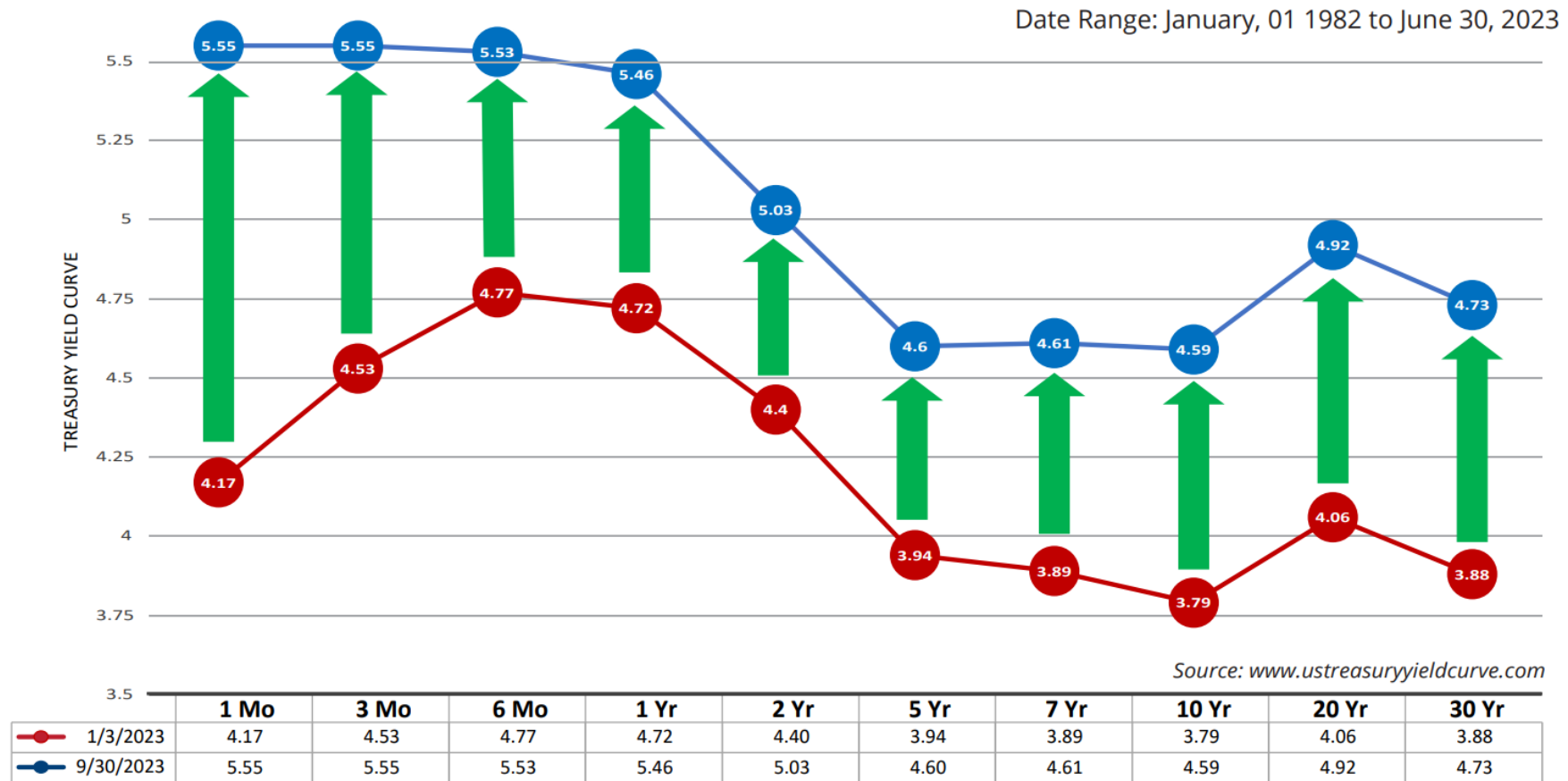
Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.3%, annual returns positive in 42 of 47 years



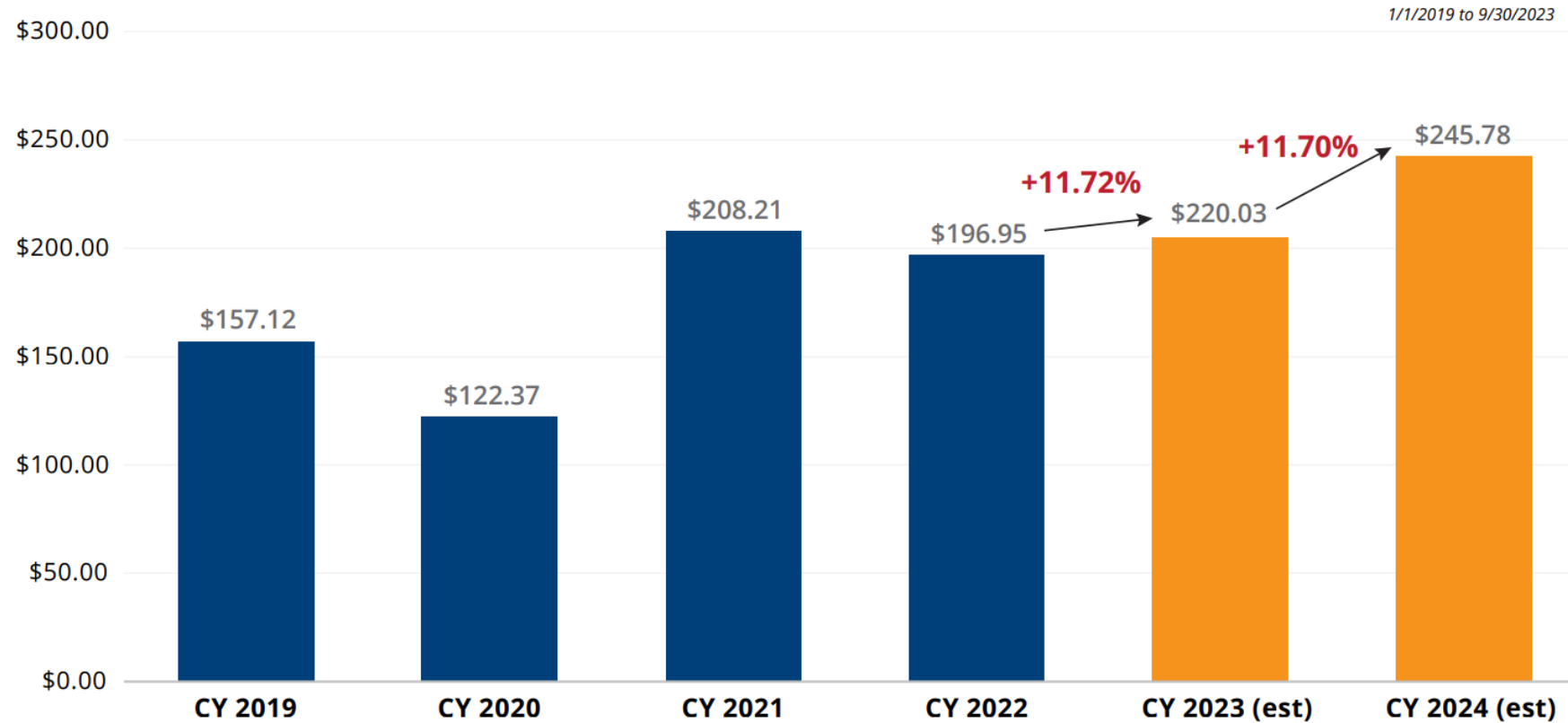
U.S. Treasuries Yield Curve

The entire yield curve has moved higher since the beginning of the year as the Fed has signaled "higher for longer."



S&P 500 Calendar Year Operating EPS Actuals & Estimates

In 2022, S&P 500 operating EPS declined by 5%, albeit from a record level in 2021. For 2023 and 2024, the consensus of Wall Street analysts are for earnings growth of approximately 12% each year. However, we acknowledge the possibility of revisions to those estimates.



The logo for Fund Direct Advisors features a stylized triangle on the left composed of three stacked sections: a small black triangle at the top, a medium green triangle in the middle, and a large black triangle at the bottom. A horizontal green arrow extends from the right side of the middle green section. To the right of the triangle, the words "FUND DIRECT" are stacked above "ADVISORS" in a large, black, serif font.

FUND DIRECT ADVISORS

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