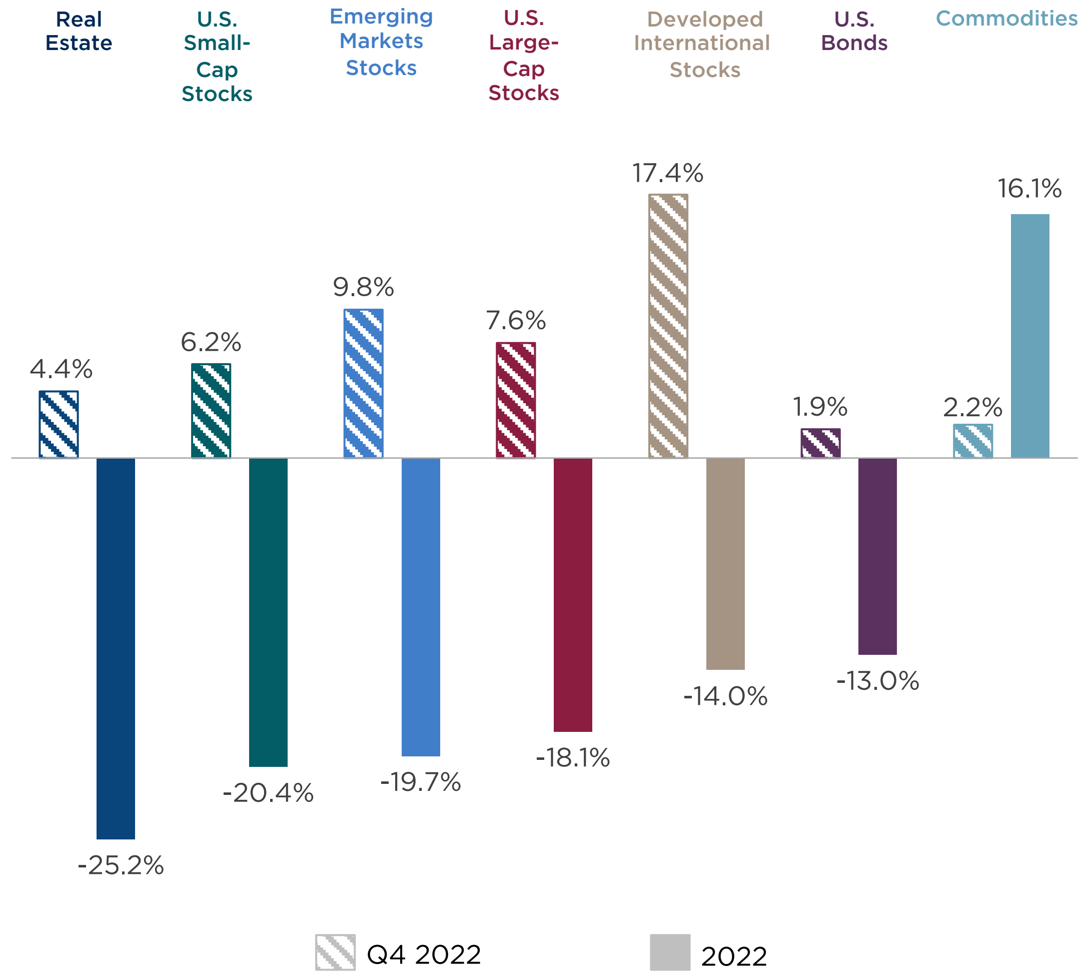
A WELCOME REPRIEVE

Investors grew optimistic over the first half of the fourth quarter, anticipating the Federal Reserve was near the end of its tightening cycle. However, the excitement faded as Chairman Powell cautioned that conditions would need to remain restrictive for some time.

- Gains early in the quarter were more than enough to offset December declines, leading to positive quarterly results across nearly all asset classes.
- U.S. stock market gains were broad based. The energy sector remained at the top of the charts, posting a 25% quarterly return. On the flip side, the mega-cap growth darlings of the last decade lagged.
- Outside the U.S., investors benefited from both rising stock prices and a weakening U.S. dollar.
- Bond yields were volatile, seesawing based on every Fed whisper. Despite these swings, longer-term Treasury yields ended the quarter little changed, enabling bond markets to post a modest return for the quarter.
- Even with a year-end rally, public real estate lost approximately one-quarter of its value in 2022.
- Commodities were the sole bright spot for the year despite rising recession concerns.



Asset class returns are represented by the following indexes: Bloomberg U.S. Aggregate Bond Index (U.S. bonds), S&P 500 Index (U.S. large-cap stocks), Russell 2000® (U.S. small-cap stocks), MSCI EAFE Index (international developed market stocks), MSCI Emerging Market Index (emerging market stocks), Dow Jones U.S. Real Estate Index (real estate), and Bloomberg Commodity Index (commodities).

DIGGING DEEPER: STOCKS AND BONDS

Equities

	Q4 2022	YTD 2022	Last 12 Months
U.S. Stocks	7.5%	-18.1%	-18.1%
• Q4 Best Sector: Energy	22.7%	65.4%	65.4%
• Q4 Worst Sector: Consumer Discretionary	-10.2%	-37.0%	-37.0%
International Stocks	17.4%	-14.0%	-14.0%
Emerging Markets Stocks	9.8%	-19.7%	-19.7%

Fixed Income

	12.31.22	9.30.22	12.31.21
1-Year U.S. Treasury Yield	4.73%	4.05%	0.09%
10-Year U.S. Treasury Yield	3.88%	3.83%	1.52%
	QTD 2022	YTD 2022	Last 12 Months
10-Year U.S. Treasury Total Return	0.62%	-16.33%	-16.33%

Equities – Relative Performance by Market Capitalization and Style

Q4 2022				YTD 2022				Last 12 Months			
	Value	Blend	Growth		Value	Blend	Growth		Value	Blend	Growth
Large	12.4%	7.5%	2.2%	Large	-7.5%	-18.1%	-29.1%	Large	-7.5%	-18.1%	-29.1%
Mid	10.5%	9.2%	6.9%	Mid	-12.0%	-17.3%	-26.7%	Mid	-12.0%	-17.3%	-26.7%
Small	8.4%	6.2%	4.1%	Small	-14.5%	-20.4%	-26.4%	Small	-14.5%	-20.4%	-26.4%

Sources: Bloomberg, U.S. Treasury. Asset class returns are represented by the following indexes: S&P 500 Index (U.S. stocks), MSCI EAFE Index (international developed market stocks), and MSCI Emerging Markets Index (emerging market stocks). Relative performance by market capitalization and style is based upon the Russell US Style Indexes except for large-cap blend, which is based upon the S&P 500 Index.

ECONOMIC OUTLOOK

Though inflation has receded from its 40-year high witnessed earlier in 2022, the Federal Reserve remains committed to lowering inflation to its long-term target. This resolve threatens economic growth, and its impact can already be seen in the housing market. A robust labor market, while cushioning the economy, could prolong Fed tightening, causing investors to focus on the potential depth of an economic slowdown.

HEADWINDS

Learning as We Go

- It is difficult to forecast the market environment in 2023 when everyone, including the Fed, is learning as they go. Ongoing uncertainty about rate hikes is driving volatility.
- Because Fed policy acts with a lag, the economy has yet to feel the impact of 2022's 4.25% rate hikes. The Fed is also expected to shrink its balance sheet this year, with uncertain impact.

Rising Interest Rates

- The financial pain of surging interest rates will transition from the investor to the issuer as coupon payments reset higher.
- Nearly 20% of S&P 500 companies' debt matures in the next 24 months, and $6 trillion of Treasury debt matures in 2023.

Housing Shock

- The doubling of mortgage rates has caused a collapse in residential real estate activity.
- The impact on home prices is unknown, but weakness is unlikely to result in a crisis as both consumers and banks remain in healthier financial positions.

TAILWINDS

Stronger Foundation

- With interest rates near zero for the last decade, investors have been forced to take more risk. With the reestablishment of a positive risk-free rate, investors can approach risk out of conviction.
- While near-term questions remain, this more fundamental approach toward risk-taking should provide a stronger foundation for investment outcomes.

Resilient Labor Market

- While the labor market's strength contributes to inflation pressures, it also protects economic activity in the face of the Fed's tightening programs.
- The Fed's focus is to return inflation to its 2% long-term target. However, lowering inflation below wage growth should be the minimal threshold, allowing positive real income improvement.

Pandemic Effects Reversing

- Subsiding supply-chain constraints, gas prices, COVID-related restrictions in China, and inflation could improve consumer sentiment and spending.

The wide range of future outcomes and an uncertain policy environment limits the ability to create a singular forecast with confidence. Investors should remain vigilant, diversified, and prepared for ongoing volatility.

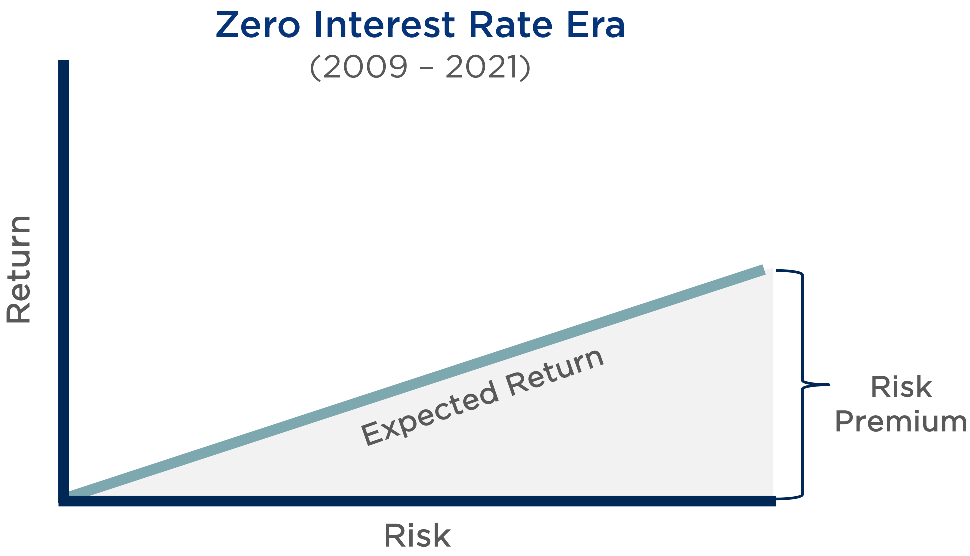
2023 MARKET SCENARIOS

Investors should look forward with a healthy dose of humility as the range of potential outcomes for 2023 remains wider than normal. Below, we outline four different narratives that represent realistic paths for 2023, with each scenario leading to a different investment landscape.

POTENTIAL OUTCOME	**OUTCOME #1** MISSION ACCOMPLISHED	**OUTCOME #2** MILD RECESSION	**OUTCOME #3** OVERSHOOTING TARGET	**OUTCOME #4** STAGFLATION CRISIS
FED POLICY	The Fed achieves a soft landing, and the tightening cycle ends by mid-year	Inflation and a continued tight labor market force the Fed to keep rates higher for longer	The Fed is hesitant to reverse course too early, fearing a repeat of prior inflation-fighting policy errors	Despite aggressive measures, Fed tools prove insufficient to manage supply-side constraints
INFLATION	Inflation subsides as labor market excesses are withdrawn without significant impact to unemployment levels	Inflation is tamed but remains sticky, despite improvements in pandemic-distorted categories	Inflation recedes faster than expected as the Fed's tightening pace proves too aggressive	A warp-speed rate hike cycle slows global economies while rising debt levels and housing weakness weigh on consumer spending
CORPORATIONS	Corporations adeptly manage through the slowing environment	Corporations navigate the slowing environment without significant strain	Profits come under pressure as demand wanes, leading to job cuts and rising unemployment	Corporations are forced to cut jobs amid economic weakness while the Fed is unable to pivot due to inflation
FINANCIAL MARKETS	Markets are noisy early in the year but stabilize and move higher as valuations recover, signaling the start of a new bull market	Markets are choppy with a widening gap between winners and losers	Confused investors capitulate, sending markets lower as it becomes evident the Fed has made a different type of policy error	Markets reach new lows as the severity of an economic slowdown is debated

STRONGER RISK-FREE FOUNDATION

The Capital Market Line principle connects risk with return and is a foundational concept in finance. It begins with the risk-free rate and argues that investors demand higher expected returns for each additional unit of risk. There are two critical variables—the risk-free level where the line starts, and the slope of the line—reflecting the incremental demand for return for each additional unit of risk.



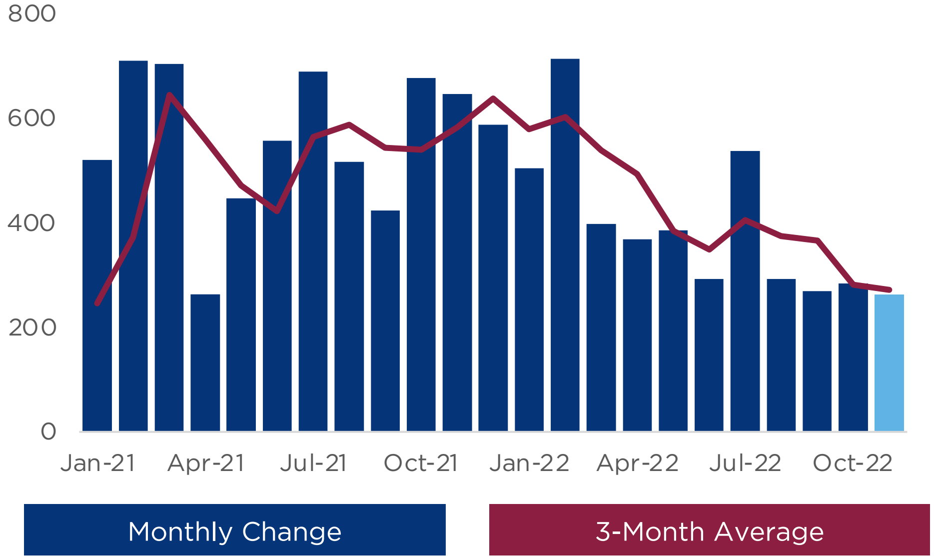
OBSERVATIONS

- For much of the last decade, investors have coped with a near-zero risk-free rate. Central banks made it expensive to maintain a conservative portfolio. Consequently, investors with return requirements were forced to accept higher risk. This capital shift pulled future returns to the present, flattening the slope of the Capital Market Line.
- Normalizing the risk-free rate—a fundamental data point in nearly every business and investment calculation—was always going to be disruptive. The Fed amplified this disruption with the pace of its 2022 rate hikes. Businesses and investors will continue to feel reverberations for much of 2023.
- Despite near-term challenges, these policy actions should create a stronger foundation to support the next decade of investing.

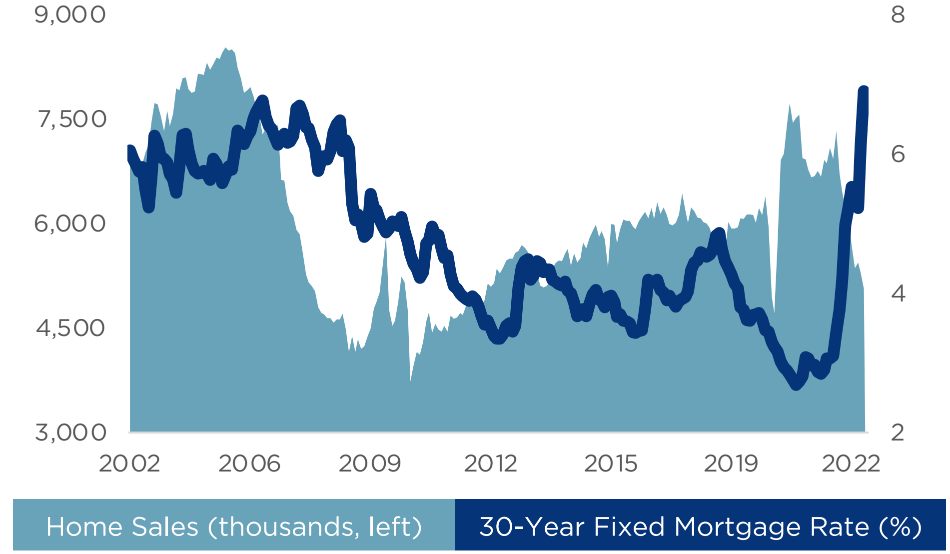
A TALE OF TWO ECONOMIC INDICATORS

The Federal Reserve's efforts to tame inflation are taking effect as the pace of inflation has slowed consistently since June. Two other closely watched indicators are the U.S. labor and housing markets. While rising mortgage rates have cooled red-hot home sales, employment tells a different story. A softer labor market is necessary before the Fed can wind down its fight against inflation.

U.S. Nonfarm Payroll Employment
(in thousands)



Rising Mortgage Rates Pressuring Home Sales



OBSERVATIONS

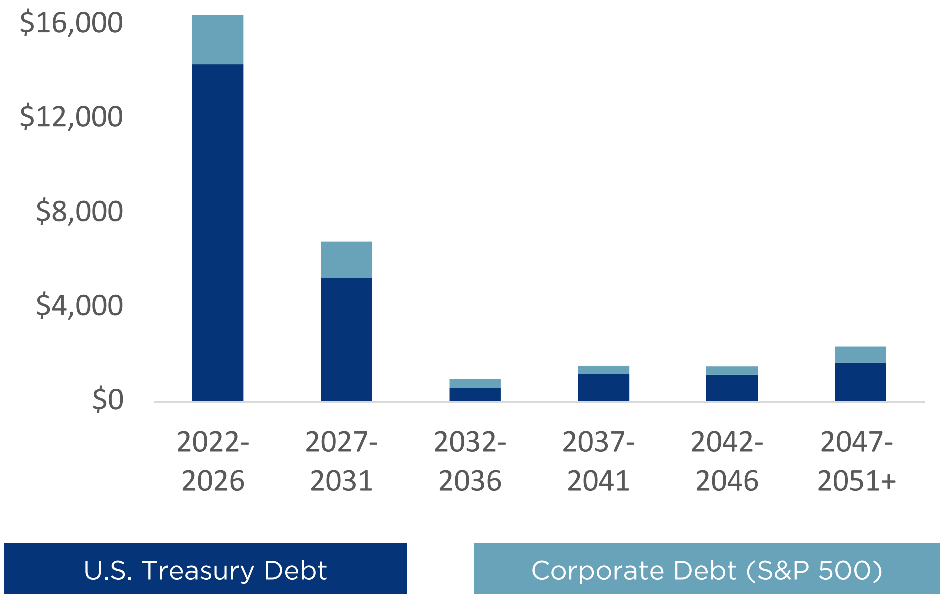
- The economy continues to add 200,000+ jobs each month. Early retirements and shifting demographics have lowered labor force participation. Surging demand and dwindling supply of workers have increased wage pressures, contributing to inflation woes.
- Demand for housing has fallen precipitously since the Fed began raising rates in March. New and existing home sales have declined 31% since January 2022. Housing permits, a leading indicator of housing demand, have also dropped 11%, indicating the Fed's campaign has all but paralyzed the housing market.

Sources: U.S. Bureau of Labor Statistics, U.S. Census Bureau, Freddie Mac, National Association of Realtors, CAPTRUST Research

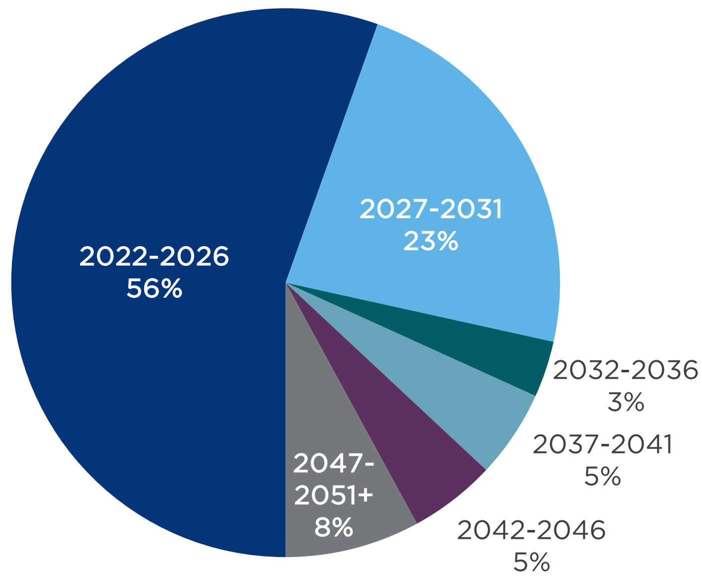
REFINANCING AT HIGHER RATES

As interest rates rise from near-zero level and debt matures in both the U.S. Treasury and corporate markets, the government and companies will be forced to refinance at notably higher rates.

U.S. Treasury & Corporate Debt Maturity Schedule
(in billions)



Percent of Treasury & Corporate Debt Maturing



OBSERVATIONS

- More than 50% of debt for the U.S. Treasury and corporate markets (represented by S&P 500 constituents) will mature by 2026.
- Nearly 60% of U.S. Treasury bonds mature in the next five years, including more than $6 trillion in 2023. As this debt is refinanced at higher rates, the U.S. government's interest payments will also rise, potentially driving up national debt and budget deficits.
- Over $1 trillion of corporate debt, or approximately 20%, matures in the next 24 months.

Sources: Bloomberg, Strategas, CAPTRUST Research

ASSET CLASS RETURNS

2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
International Equities 42.14%	Real Estate 28.48%	Real Estate 8.69%	Real Estate 17.77%	Small-Cap Stocks 38.82%	Real Estate 30.38%	Strategic Opportunities 2.86%	Small-Cap Stocks 21.31%	International Equities 27.77%	Cash 1.87%	Large-Cap Stocks 31.43%	Large-Cap Stocks 20.96%	Real Estate 38.99%	Cash 1.46%
Mid-Cap Stocks 40.48%	Small-Cap Stocks 26.85%	Fixed Income 7.84%	International Equities 17.39%	Mid-Cap Stocks 34.76%	Large-Cap Stocks 13.24%	Real Estate 2.14%	Mid-Cap Stocks 13.80%	Large-Cap Stocks 21.69%	Fixed Income 0.01%	Mid-Cap Stocks 30.54%	Small-Cap Stocks 19.96%	Large-Cap Stocks 26.45%	Strategic Opportunities 0.85%
Real Estate 28.61%	Mid-Cap Stocks 25.48%	Large-Cap Stocks 1.50%	Mid-Cap Stocks 17.28%	Large-Cap Stocks 33.11%	Mid-Cap Stocks 13.22%	Large-Cap Stocks 0.92%	Large-Cap Stocks 12.05%	Mid-Cap Stocks 18.52%	Strategic Opportunities -0.49%	Real Estate 28.92%	Mid-Cap Stocks 17.10%	Mid-Cap Stocks 22.58%	Fixed Income -13.01%
Large-Cap Stocks 28.43%	Large-Cap Stocks 16.10%	Cash 0.10%	Large-Cap Stocks 16.42%	International Equities 15.78%	Fixed Income 5.97%	Fixed Income 0.55%	Real Estate 7.56%	Small-Cap Stocks 14.65%	Real Estate -4.03%	Small-Cap Stocks 25.52%	International Equities 11.13%	Small-Cap Stocks 14.82%	International Equities -15.57%
Small-Cap Stocks 27.17%	International Equities 11.60%	Mid-Cap Stocks -1.55%	Small-Cap Stocks 16.35%	Strategic Opportunities 3.58%	Small-Cap Stocks 4.89%	Cash 0.05%	International Equities 5.01%	Real Estate 9.84%	Large-Cap Stocks -4.78%	International Equities 22.13%	Fixed Income 7.51%	International Equities 8.29%	Mid-Cap Stocks -17.32%
Fixed Income 5.93%	Fixed Income 6.54%	Strategic Opportunities -3.71%	Fixed Income 4.22%	Real Estate 2.47%	Strategic Opportunities 0.79%	Mid-Cap Stocks -2.44%	Fixed Income 2.65%	Fixed Income 3.54%	Mid-Cap Stocks -9.06%	Fixed Income 8.72%	Strategic Opportunities 2.72%	Strategic Opportunities 2.10%	Large-Cap Stocks -19.13%
Cash 0.21%	Cash 0.13%	Small-Cap Stocks -4.18%	Strategic Opportunities 0.88%	Cash 0.07%	Cash 0.03%	Small-Cap Stocks -4.41%	Cash 0.33%	Strategic Opportunities 3.40%	Small-Cap Stocks -11.01%	Strategic Opportunities 4.37%	Cash 0.67%	Cash 0.05%	Small-Cap Stocks -20.44%
Strategic Opportunities -3.58%	Strategic Opportunities -0.12%	International Equities -13.33%	Cash 0.11%	Fixed Income -2.02%	International Equities -3.44%	International Equities -5.25%	Strategic Opportunities 0.31%	Cash 0.86%	International Equities -13.78%	Cash 2.28%	Real Estate -5.29%	Fixed Income -1.54%	Real Estate -25.17%

Source: Markov Processes, Inc., Bloomberg, Mobius

- Small-Cap Stocks (Russell 2000 Index)
- Mid-Cap Stocks (Russell Mid-Cap Index)
- Large-Cap Stocks (Russell 1000 Index)
- Real Estate (Dow Jones U.S. Real Estate Index)
- Strategic Opportunities (HFRX Absolute Return Index)
- Cash (Merrill Lynch 3-Month Treasury Bill)
- International Equities (ACWI Ex-U.S. Index)
- Fixed Income (Bloomberg U.S. Aggregate Bond Index)

2023 TAX FACTS

Federal Tax Brackets—Married Filing Jointly

Taxable Income	Tax Rate	Effective Tax Rate at Bracket Max
$0 – $22,000	10%	10.0%
$22,001 – $89,450	12%	11.5%
$89,451 – $190,750	22%	17.1%
$190,751 – $364,200	24%	20.4%
$364,201 – $462,500	32%	22.8%
$462,501 – $693,750	35%	26.9%
$693,751 and Over	37%	27.7% (at $750,000)

Federal Tax Brackets—Single Filer

Taxable Income	Tax Rate	Effective Tax Rate at Bracket Max
$0 – $11,000	10%	10.0%
$11,001 – $44,725	12%	11.5%
$44,726 – $95,375	22%	17.1%
$95,376 – $182,100	24%	20.4%
$182,101 – $231,250	32%	22.8%
$231,251 – $578,125	35%	30.1%
$578,126 and Over	37%	31.7% (at $750,000)

Standard Deduction Amounts

Single	$13,850
Married	$27,700

Estate and Gift Tax

Lifetime Exemption	$12,920,000
Gift Tax Annual Exclusion	$17,000

Estate and Trust Tax Brackets

Taxable Income	Tax Rate
$0 – $2,900	10%
$2,901 – $10,550	24%
$10,551 – $14,450	35%
$14,450 and Over	37%

Net Investment Income Tax (NIIT) and Additional Medicare Tax

3.8% NIIT applies to the lesser of net investment income or excess of modified adjusted gross income (MAGI) over the threshold limits below
0.9% additional Medicare tax on earned income that exceed the limits below

MAGI Threshold—Single	$200,000
MAGI Threshold—Married	$250,000

Long-Term Capital Gains and Qualified Dividend Tax Rates

Tax Rate	Single	Married Filing Jointly
0%	Up to $44,625	Up to $89,250
15%	$44,626 – $492,300	$89,251 – $553,850
20%	$492,301 and Over	$553,851 and Over

Required Minimum Distributions - Uniform Life (% of Year-End Account Balance & Divisor)

Age	%	/	Age	%	/	Age	%	/
72	3.6%	27.4	82	5.4%	18.5	92	9.3%	10.8
73	3.8%	26.5	83	5.6%	17.7	93	9.9%	10.1
74	3.9%	25.5	84	6.0%	16.8	94	10.5%	9.5
75	4.1%	24.6	85	6.3%	16.0	95	11.2%	8.9
76	4.2%	23.7	86	6.6%	15.2	96	11.9%	8.4
77	4.4%	22.9	87	6.9%	14.4	97	12.8%	7.8
78	4.6%	22.0	88	7.3%	13.7	98	13.7%	7.3
79	4.7%	21.1	89	7.8%	12.9	99	14.7%	6.8
80	5.0%	20.2	90	8.2%	12.2			
81	5.2%	19.4	91	8.7%	11.5			

Sources: Internal Revenue Service; Social Security Administration

2023 TAX FACTS

Account Contribution Limits	
401(k), 403(b), and 457 Plan Employee Deferral (Pre-Tax & Roth)	$22,500
Catch-Up—Age 50 or Older	$7,500
Defined Contribution Maximum	$66,000
Traditional or Roth IRA	$6,500
Catch-Up—Age 50 or Older	$1,000
SEP IRA (25% Limit on Compensation)	$66,000
SIMPLE IRA	$15,500
Catch-Up—Age 50 or Older	$3,500
Covered Compensation Limit 401(a)	$330,000
Flex Spending Account (FSA)	$3,050
Health Saving Account (HSA) - Single	$3,850
HSA – Family	$7,750
529 Plan Annual Gift-Tax Free Limit	$17,000

Phaseouts for IRA Deductibility and Roth Eligibility	
IRA—Single	$73,000–$83,000
IRA—Married Filing Jointly	$116,000–$136,000
IRA with non-Participant Spouse	$218,000–$228,000
Roth—Single	$138,000–$153,000
Roth—Married Filing Jointly	$218,000–$228,000

Sources: Internal Revenue Service; Social Security Administration

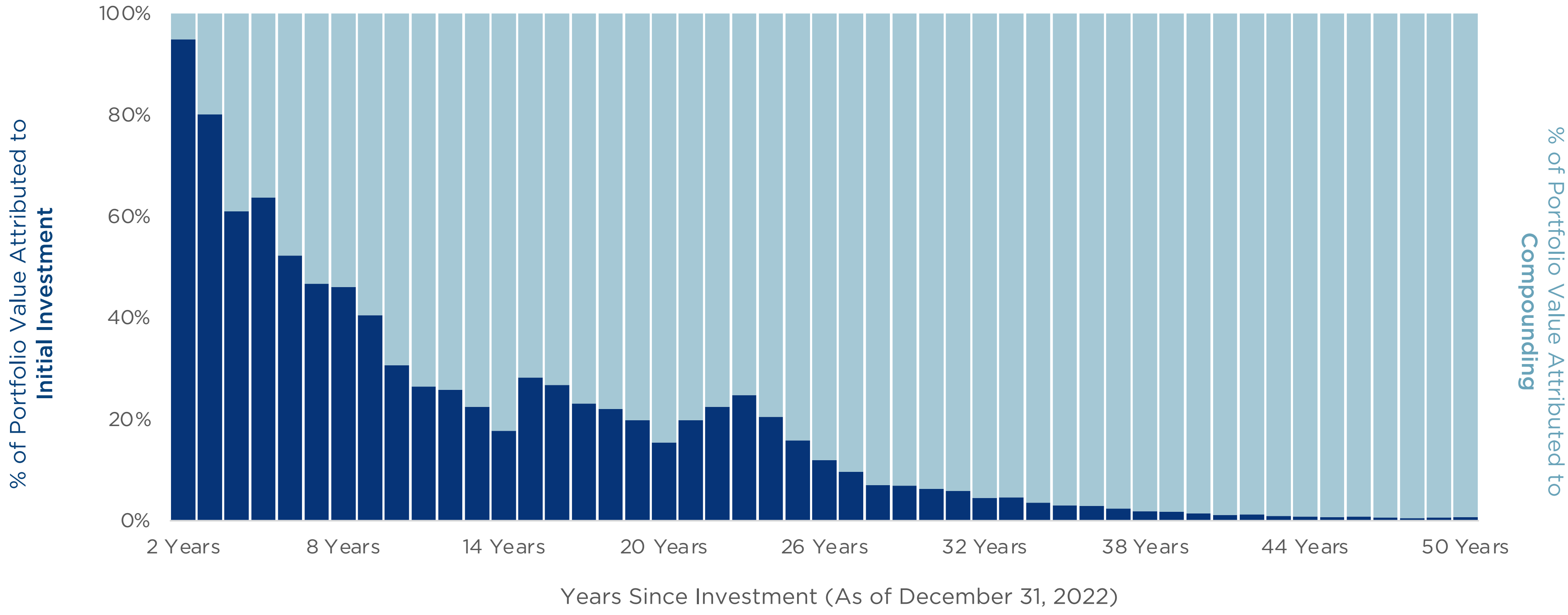
Social Security	
Full Retirement Age (FRA) in 2023	66 and 6 months (born in 1957)
FRA if Born in 1960 or Later	67
Maximum Monthly Benefit at FRA (8.7% COLA from 2022)	$3,627
Portion of FRA Benefit Paid at Age 62 / 70 (estimated)	70% / 124%
Earning Limit Before Benefits Are Reduced—Years Prior to FRA (Lose $1 for Every $2 of Earnings)	$21,240
Earning Limit Before Benefits Are Reduced—Year of FRA Up to Retirement Month (Lose $1 for Every $3 of Earnings)	$56,520
Earning Limit Before Benefits Are Reduced—FRA or Later	No Limit
Modified AGI Limit Before Benefits Are Taxable (Single)	$25,000–$34,000 (50% Taxable) $34,000+ (85% Taxable)
Modified AGI Limit Before Benefits Are Taxable (Married Filing Jointly)	$32,000–$44,000 (50% Taxable) $44,000+ (85% Taxable)

Medicare Monthly Premiums and IRMAA Surcharges			
Part A	Less than 30 credits: $506	30 – 39 credits: $278	
Part B and Part D Surcharge (based on 2021 income)			
Single Filer	Married Filing Jointly	Part B	Part D Surcharge
$97,000 or less	$194,000 or less	$164.90	-
$97,001 - $123,000	$194,001 - $246,000	$230.80	$12.20
$123,001 - $153,000	$246,001 - $306,000	$329.70	$31.50
$153,001 - $183,000	$306,001 - $366,000	$428.60	$50.70
$183,001 - $500,000	$366,001 - $750,000	$527.50	$70.00
$500,001+	$750,001+	$560.50	$76.40

POWER OF COMPOUNDING RETURNS

2022 was a difficult year for capital markets; however, investors should remember the long-term importance of compounding. The hypothetical illustration below assumes a single, one-time investment in U.S. stocks based on historical performance. As time elapses, the percentage of a portfolio's value attributable to growth via capital appreciation increases.

For example, 36% of the value of an investment made five years ago (with an ending time period of December 2022—the current bear market) is from compounding returns, while 64% is from the initial lump-sum investment. For an investment made 25 years ago, 84% of today's value is from compounding. The behavioral component of disciplined and systematic investing—during both bull and bear markets—is key to achieving positive long-term investment outcomes.



Sources: Morningstar Direct; CAPTRUST Research. S&P 500 Index total returns based on trailing monthly annualized performance for all month-end time periods from 1972 through December 2022. Past performance is not a guarantee of future results.