

MONTHLY FLASH REPORT

EQUITY INCOME | JUNE 2023

This monthly report is intended only for CAPTRUST clients who have given us discretionary trading authority over their investment portfolios. This report highlights market activity and strategy performance, along with any portfolio actions taken as a result of our forward-looking tactical views. The opinions expressed in this report are subject to change without notice.

MARKET REWIND

So far in 2023, recession predictions have failed to materialize, with labor markets and consumer strength expanding the economy instead. In June, both large- and small-cap stocks rose sharply, bolstered by artificial intelligence enthusiasm. With interest rate hikes on hold, bond prices dipped modestly. Real estate rose, although uncertainty remains high. Despite year-to-date declines in oil and precious metals prices, commodities posted a gain this month.

Outside the U.S., international developed markets rallied. Their emerging market counterparts lagged, weighed down by disappointing economic activity in China.

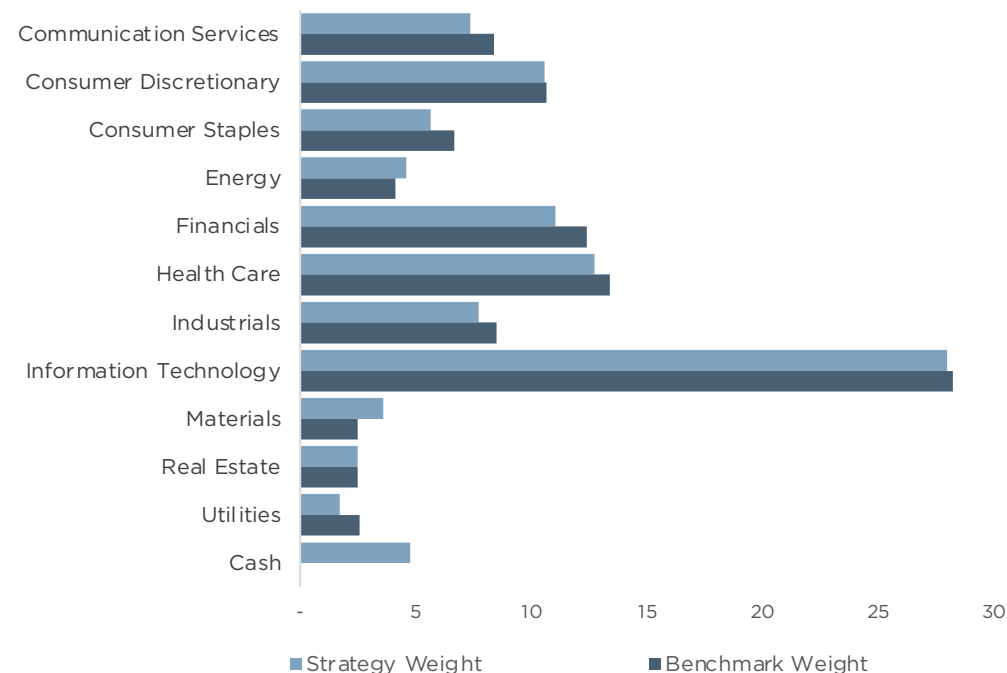
LOOKING FORWARD

We expect short-term market volatility as higher debt burden for consumers, corporations, and the government may impact economic growth. Tighter lending standards and the Fed's commitment to lowering inflation to 2 percent will likely add pressure. Also, geopolitical challenges persist, including war in Ukraine and slower-than-expected post-pandemic recovery in China. Given these uncertainties, we remain cautious in our portfolio positioning.

Index Performance Numbers as of 06.30.2023

	June	YTD	1 Year	3 Years	5 Years
S&P 500	6.61%	16.89%	19.59%	14.62%	12.33%
Russell 2000	8.13%	8.09%	12.31%	10.84%	4.22%
MSCI ACWI ex U.S.	4.34%	9.10%	12.47%	7.34%	3.39%
Bloomberg Barclays Aggregate Bond Index	-0.36%	2.09%	-0.94%	-3.97%	0.77%

Strategy Sector Weightings (%)



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Strategy Top Contributors and Detractors

	JUNE	
	Return	Contribution
Apple Inc.	9.43%	0.78%
Nucor Corporation	24.56%	0.53%
Palo Alto Networks, Inc.	19.74%	0.46%
Adobe Incorporated	17.04%	0.46%
Lamar Advertising Company Class A	11.87%	0.28%
UnitedHealth Group Incorporated	-0.96%	-0.01%
AbbVie, Inc.	-2.34%	-0.05%
Alphabet Inc. Class A	-2.58%	-0.06%
Pfizer Inc.	-3.52%	-0.12%

Strategy Changes

New Positions	Ticker	Sector
No Trades	--	--

Eliminated Positions	Ticker	Sector
No Trades	--	--

STRATEGY UPDATE

Equity Income gained 6.5% in June, approximately in line with its benchmark.

Dividend Aristocrats stocks, in which the strategy invests heavily, have experienced their worst relative performance year since 1999. Typically, this cohort outperforms more often than not. Following this trend, most of our top contributors for the month came from our holdings that have minimal or no dividends. The steelmaker Nucor gained nearly 25% as construction activity remained stronger than expected. Palo Alto Networks gained 20% as its cybersecurity suite stands to see improved performance from artificial intelligence (AI) integration. Adobe gained 17% after demonstrating impressive new AI-enabled photo editing tools.

Our detractors for the month were modest. Pfizer continued its recent underperformance from the waning use of its COVID vaccines. Google’s parent, Alphabet, slipped less than 3% after strong gains in May. And AbbVie finished marginally lower as fears of coming biosimilar competition weighed on its shares.

Our only trades this month were an addition to Pfizer and a trimming of Palo Alto Networks. We believe the market has more than fully priced in Pfizer’s COVID vaccine declines. We trimmed Palo Alto after its more than 80% gain so far in 2023.

Equity Income ended the month with a forecast yield of 2.1%, 37% better than the S&P 500 Index.

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