Quarterly Investment Report

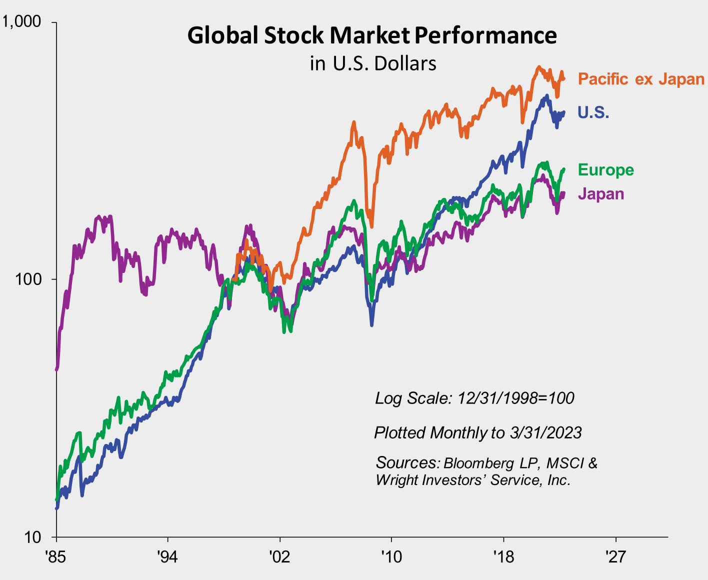
April 2023

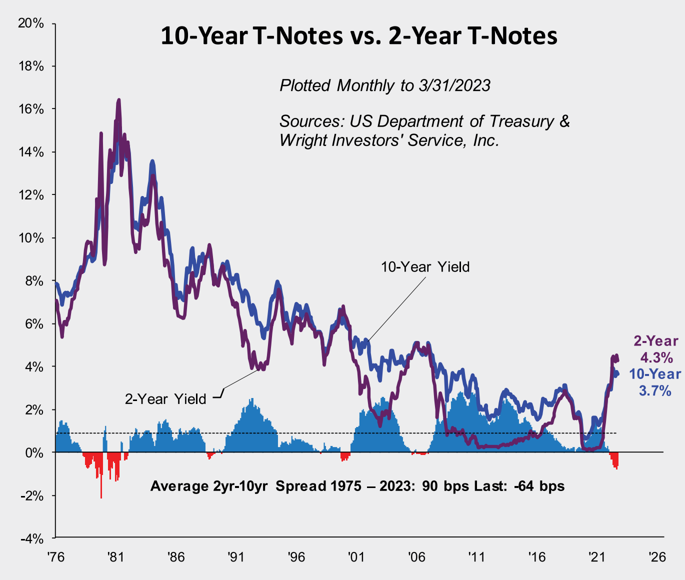
Despite banking instability and uncertain monetary policy expectations, the U.S. economy ended the quarter on a positive note. The S&P 500 Index rose 3.7% in March and 7.5% in the first quarter. The U.S. markets outperformed most major international markets. During the quarter, bond prices moved up, pushing Treasury yields in 1-year and longer maturities lower. Commodities ended negative, predominantly due to dropping energy prices. The U.S. Dollar depreciated against all major currencies except the Japanese Yen. The labor market continues to remain tight with labor demand exceeding supply. Construction activity in the economy picked up as indicated by an increase in building permits and housing starts. During the quarter, the Federal Reserve slowed down its pace of increase in policy rates. The failure of two big U.S. banks, as well as the acquisition of Credit Suisse towards the end of the quarter, has brought the Fed and investors' attention to a potentially more challenging time for banks.

Stock Market

After losing 18.1% in 2022, the S&P 500 Index ended on a positive note with a return of 7.5% in the first quarter of 2023. By month, the Index gained 6.3% in January, fell 2.4% in February, and gained 3.7% in March. The Dow Jones Industrial Average and Nasdaq Composite Index also posted positive returns. The tech-heavy Nasdaq Composite Index performed exceptionally well, with a whopping 17% return during the quarter. Information Technology, Telecom, and Consumer Discretionary sectors stood out as the top gainers, while Financials, Health Care, Energy, and Utilities sectors weighed down the Index's returns. The Financials sector, in particular, recorded a negative return of 9.6% in March after the collapse of two big banks in the U.S. - Silicon Valley Bank and Signature Bank. Further, the failure of Credit Swiss, one of the biggest European banks, has led to a bearish trend in banking stocks.

Internationally, developed markets, represented by the MSCI-Developed World ex-US Index, outperformed both the U.S. and emerging markets. The MSCI-Developed World ex-US index rose 8% while the MSCI-Emerging Markets Index gained 4% for the quarter. The European market (excluding the UK) outperformed the Japanese and Chinese equity markets, with the MSCI-Europe ex-UK Index rising by 11.9% in U.S. Dollar terms. In contrast, the MSCI-China and the MSCI-Japan indexes grew only by 4.7% and 6.2%, respectively in U.S. Dollar terms. In the U.S., large-cap growth and value stocks outperformed small- and mid-cap stocks during the quarter. Likewise, medium-sized companies outperformed small companies. Growth stocks largely rebounded, with large and mid-cap growth stocks outperforming value stocks. However, among companies with smaller market capitalizations, value stocks slightly outperformed growth stocks.





Bond Market

The Bloomberg U.S. Aggregate, which is a comprehensive index of investment-grade, taxable, dollar-denominated bonds, rose 3% during the quarter. The Bloomberg U.S. Corporate High Yield index rose 3.6%. The Federal Reserve slowed down its pace of rate hikes this quarter as CPI inflation continued to decelerate. Since the beginning of the year, the Federal Reserve has increased its policy rate by 50 bps. The funds' rate finished the quarter at 4.75%-5.00%, which is its highest level since 2007. With the exception of rates on maturities shorter than one year, Treasury yields have fallen across most maturities from levels at the end of 2022. For example, the 10-year treasury yield has fallen to 3.47% from 3.87% at the start of the year. Conversely, the short-term rates have witnessed an upward trend, with the 3-month treasury bill rate escalating from 4.40% to 4.68% over the same period. The yield curve remains inverted indicating investors' expectations that while the Fed will continue to exert upward pressure on short rates, longer maturity rates remain relatively low, reflecting the likelihood of economic slowdown and even possibly a recession.

Alternatives

Commodities posted a negative performance during the quarter. Natural gas and crude oil prices fell for the quarter, with natural gas prices in the U.S. plunging by 50.5% to $2.22 per MM BTU, marking its lowest point in seven months. Crude oil prices declined 5.7% for the quarter. In contrast, gold and copper prices rose 7.8% and 7.5%, respectively, during the same timeframe. Real Estate Investment Trusts (REITs) posted marginal positive returns for the quarter.

Economy

The S&P Global U.S. Composite Purchasing Managers' Index (PMI) reached a 10-month high of 53.3 in March, indicating an expansion of private sector activity. The S&P Global U.S. Services PMI posted an 11-month high of 53.8 in March, up from 46.6 in January, and solidly in expansionary territory. Services represent approximately 85% of total economic activity in the U.S. The manufacturing sector, representing the remaining approximately 15% of economic activity also witnessed improvement, marking its first upturn since October 2022, but remains in contractionary mode with a reading of 49.3 in March. In 2022, U.S. real GDP increased at an annual rate of 2.1%. However, as we look ahead, both the Federal Open Market Committee (FOMC) and independent economists anticipate that growth will be more subdued. The median forecast of economists for real GDP growth for the years 2023 and 2024 stands at 0.4% and 1.2%, respectively, slower than the long-term estimate of 1.8%.

In terms of job gains, non-farm payrolls increased a healthy 311,000 in February but down from an historically strong 504,000 person rise in January. The service sector continued to drive job growth, with the leisure and hospitality sector accounting for roughly a third of the total job gains. However, despite the sector's strong performance, employment there remains 2.4% below its pre-pandemic level. The information industry experienced a decline in employment, with 54,000 job losses since November. In the first quarter of the year, the industry experienced major tech layoffs, with over 25,000 employees losing their jobs in February alone. The transportation and warehousing sector also experienced job cuts during the same period. In February, the average hourly earnings of all employees in private non-farm payroll

Global Investment Returns In U.S. Dollars

	Q1 2023		Trailing 12 Months	
	Stocks	Bonds	Stocks	Bonds
U.S.	**7.6%**	**3.0%**	**-8.9%**	**-4.8%**
Canada	4.3%	3.0%	-13.1%	-9.2%
Mexico	20.3%	3.2%	8.6%	-6.7%
Japan	**6.2%**	**1.5%**	**-5.2%**	**-10.2%**
Pacific ex Japan	2.2%	2.2%	-7.4%	-5.1%
Australia	2.8%	3.8%	-9.2%	-10.7%
China	4.7%	1.9%	-4.7%	-4.5%
Hong Kong	-2.4%	4.0%	-5.3%	-0.7%
Europe	**10.6%**	**3.9%**	**1.4%**	**-12.7%**
France	14.6%	4.5%	8.8%	-11.2%
Germany	14.7%	3.8%	2.2%	-13.8%
Italy	14.7%	6.7%	9.1%	-8.5%
Netherlands	16.6%	3.8%	2.0%	-15.6%
Spain	15.7%	4.0%	11.9%	-11.9%
Switzerland	6.7%	2.8%	-6.8%	-4.4%
U.K.	6.1%	5.1%	-0.8%	-20.5%
World	**7.7%**	**3.0%**	**-7.0%**	**-8.1%**
World ex U.S.	8.0%	3.1%	-2.7%	-10.7%

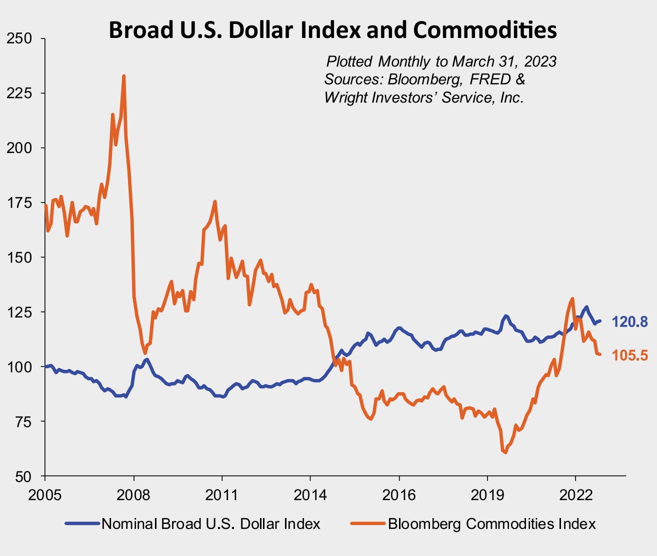
Sources: MSCI Stock & Bloomberg Barclays Bond Indexes as of 3/31/2023

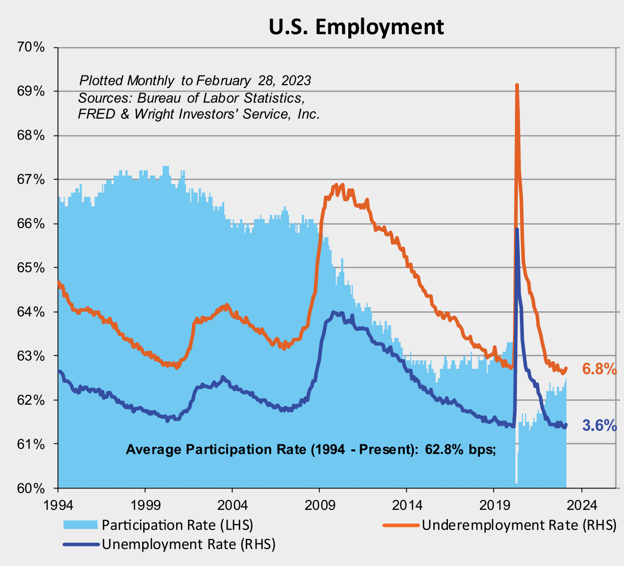
increased by 4.6% year on year. Their earnings were up by 0.5% since December. However, adjusted for inflation, wages are getting squeezed thus impacting consumer spending.

The labor force participation ratio was little changed at 62.5% in February. This ratio was the highest since March 2020 but is still below its pre-pandemic February 2020 level of 63.3%. Although the labor participation ratio has improved and wage growth is slowing, the labor market remains tight with labor demand exceeding supply. The unemployment rate increased to 3.6% and the number of unemployed people increased to 5.9 million in February. Additionally, according to the FOMC's Summary of Economic Projection (SEP), participants predict the median unemployment rate for 2023 and 2024 at 4.5% and 4.6%, respectively, surpassing the long-run median estimate of 4%. The index that measures the price changes of goods and services imported into the U.S. showed a -0.1% decline in February. This marks a continuation of the decreasing trend in import prices observed since June 2022, with only a minor increase of 0.1% in December 2022. Looking at the bigger picture, U.S. import prices dropped by -1.1%between February 2022 and February 2023. Prices of fuel imports declined, while prices of non-fuel imports increased during the quarter. On the other hand, prices for U.S. exports increased by 0.2% in February, following a 0.5% rise in January. These are the first monthly increases in export prices since June 2022. However, despite these recent gains, U.S. export prices have decreased by -0.8% over the past 12 months.

During the quarter, building permits in the U.S. rose. In February, there was a notable increase in permits, reaching a seasonally adjusted annual rate of 1.5 million, which was the highest in the last five months. While housing starts in the U.S. declined in January, there was an improvement in February, when starts recorded a robust increase of 9.8%month-over-month. Specifically, starts for both single-family units and buildings with five or more units surged by 1.1% and 24.1%, respectively, compared to the previous month. The average 30-year mortgage rate and 15-year mortgage rate were 6.42% and 5.68%, respectively, which remain on the higher side compared to the same quarter of the previous year. Nevertheless, the 30-year mortgage rate declined during the quarter, resulting in an increase in mortgage applications. Furthermore, sales of new houses witnessed growth with 114,000 housing units sold since the beginning of the year. Notably, the majority of these properties were sold in the southern and western parts of the United States, with sales surging 8.3% and 9%, respectively, in February. However, this positive trend was overshadowed by a significant decline of -33% in sales in the northeastern region of the country. Additionally, the median sales price of houses sold in February was $438,200. The price growth for homes slowed down since the beginning of the year, helping buyers.

During the last month of the quarter, two big U.S. banks, Silicon Valley Bank (SVB) and Signature Bank, collapsed, while in Europe, Credit Suisse, Switzerland's second-largest bank by assets, was acquired by UBS in a government-brokered deal. The failure of these banks raised concerns among industry analysts and investors regarding the potential for another banking crisis perhaps on a scale similar to the one experienced in 2008, as SVB's failure is the largest bank failure in the U.S. since the collapse of Washington Mutual in 2008. However, it is important to note that the proximate cause of the challenges facing banks today is closely related to the large increase in interest rates over the last 12 months, whereas those experienced in 2008 were due to weak underwriting standards and excessive leverage. Today underwriting standards are much more stringent and banks have far less leverage than in 2008. Although there was some speculation that the Fed may halt interest rate hikes in light of the mounting pressures in the banking sector, the Fed made clear that controlling inflation is their key focus. Separately, the Fed noted that the U.S. banking system is much more resilient today than in 2008 and unlikely to cause a crisis similar to the one experienced then.





The Consumer Price Index (CPI) rose 0.4% in February, following a 0.5% increase in January. Over the last 12 months the Index rose 6%, the smallest year-over-year increase since September 2021. The food index saw an increase in both January and February. The energy index fell 0.6% in February, after increasing 2% in January while the gasoline index rose in both months. Additionally, over the 12 months ending February, PCE prices and Core PCE prices rose 5% and 4.6%, respectively. The Fed targets a Core PCE inflation of 2%. Nominal wages and compensation of employees remained high during the quarter. Although customer spending saw a substantial increase in January following the holiday season, spending since then has declined. Indeed, the month-over-month increase in savings remained low compared to last December. According to the SEP report, participants forecast median PCE inflation to come down to 3.1% in 2023 and 2.5%in 2024.

Investment Outlook

Mounting pressures in the banking sector added to investors' list of concerns about the effects of massive increases in interest rates and the implications for a possible recession. Fed Chair Jerome Powell said earlier in March that the Fed may need to remain aggressive in order to keep inflation under control. Although the Fed went ahead with a rate hike in March, it toned down its language from "ongoing increases" in rates to "some additional policy firming" needed to tame inflation.

This development has shifted market perception increasingly to the issue of timing when the Fed may start cutting rates. Presently the market is pricing in a Fed "pivot" to lower rates sometime during this year's third quarter, but statements from Fed officials suggest they will maintain interest rates at higher levels for longer than that. The key question is, what will the Fed do if the economy slips into recession before the target inflation rate has been achieved? For now, investors seem to think that given the resilience of the labor market the Fed can engineer a "soft landing" for the economy. That's possibly why, despite banking instability and unpredictable monetary policy expectations, the markets ended the quarter on a positive note.

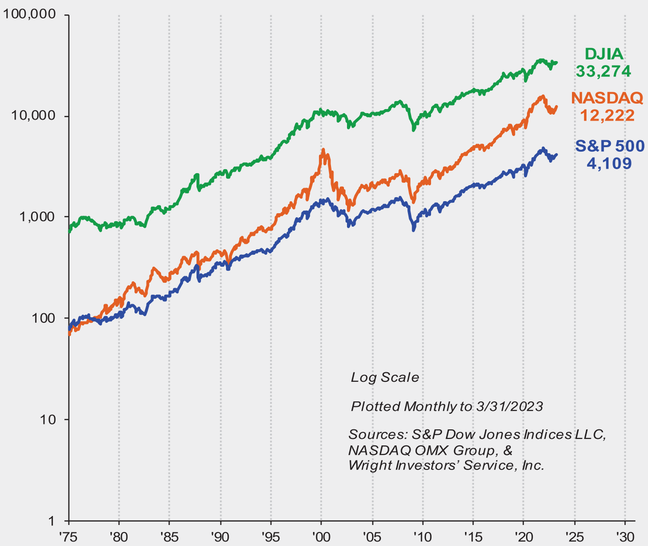
While a tight U.S. labor market, improvements in manufacturing, service activity, building permits, and housing starts signal some strength in the economy, an examination of history shows that monetary tightening cycles have usually resulted in economic recessions. With that in mind, it is evident that risks are rising which could spill into higher market volatility. It is especially in times such as this that we believe it is vital to invest in a diversified portfolio of high-quality stocks and bonds for the long term while seeking to further diversify through alternative investments.

The U.S. Economy 2021–2024

			% Change In			End of Period Rates	
			Real GDP*	PCE Core Deflator*	Profits from Operations#	90-Day T-Bills	10-Year T-Notes
2021	Q1		**6.3%**	**3.2%**	**-12.6%**	**0.0%**	**1.7%**
	Q2		7.0%	6.0%	-0.1%	0.0%	1.5%
	Q3		2.7%	4.8%	25.4%	0.0%	1.5%
	Q4		7.0%	4.8%	38.4%	0.0%	1.5%
2022	Q1		**-1.6%**	**5.6%**	**46.6%**	**0.5%**	**2.3%**
	Q2		-0.6%	4.7%	35.8%	1.6%	3.0%
	Q3		3.2%	4.7%	20.4%	3.2%	3.8%
	Q4		2.6%	4.7%	12.2%	4.3%	3.9%
2023	Q1	e	**1.3%**	**4.6%**	**5.2%**	**4.7%**	**3.5%**
	Q2	e	0.2%	4.4%	1.2%	5.1%	3.7%
	Q3	e	-0.5%	3.9%	-2.8%	5.1%	3.6%
	Q4	e	0.4%	3.5%	-3.3%	4.9%	3.5%
2024	Q1	e	**1.0%**	**3.0%**	**-1.5%**	**4.5%**	**3.4%**
	Q2	e	1.6%	2.6%	2.6%	4.1%	3.3%
	Q3	e	1.8%	2.5%	6.8%	3.6%	3.3%
	Q4	e	2.4%	N/A	8.9%	3.4%	3.2%

e: Bloomberg Consensus Estimates; *: Annual Rates; #: Year-Over-Year Change in S&P500 EPS
Sources: Bloomberg LP, Wright Investors' Service, Inc.

U.S. Stock Market



Source: Bloomberg Index Services Limited. "Bloomberg®", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.

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