

Smith + Howard

Your Family's CFO

S+H Wealth
Management

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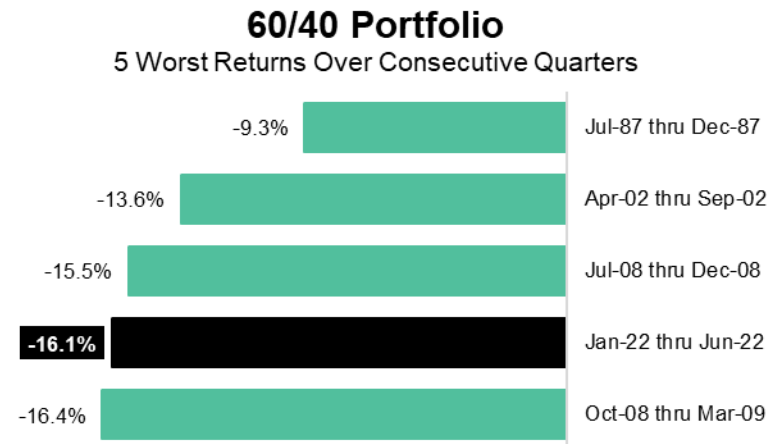
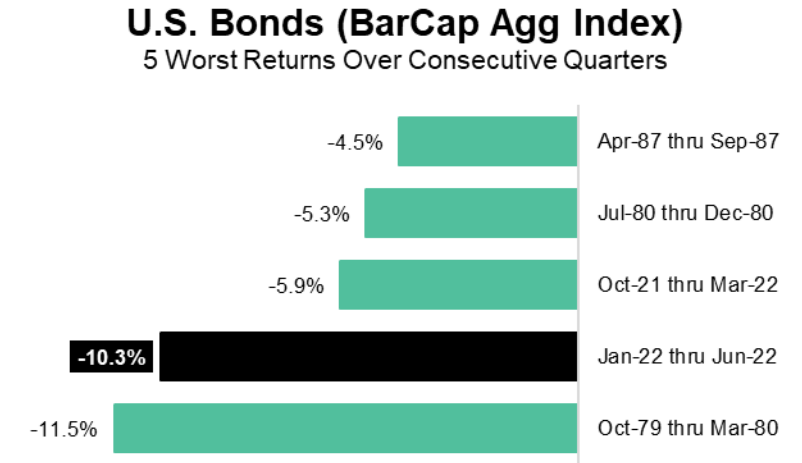
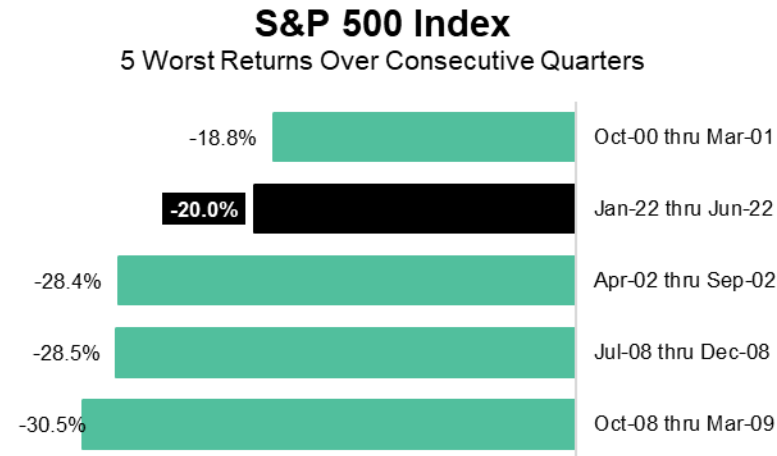


Market Recap



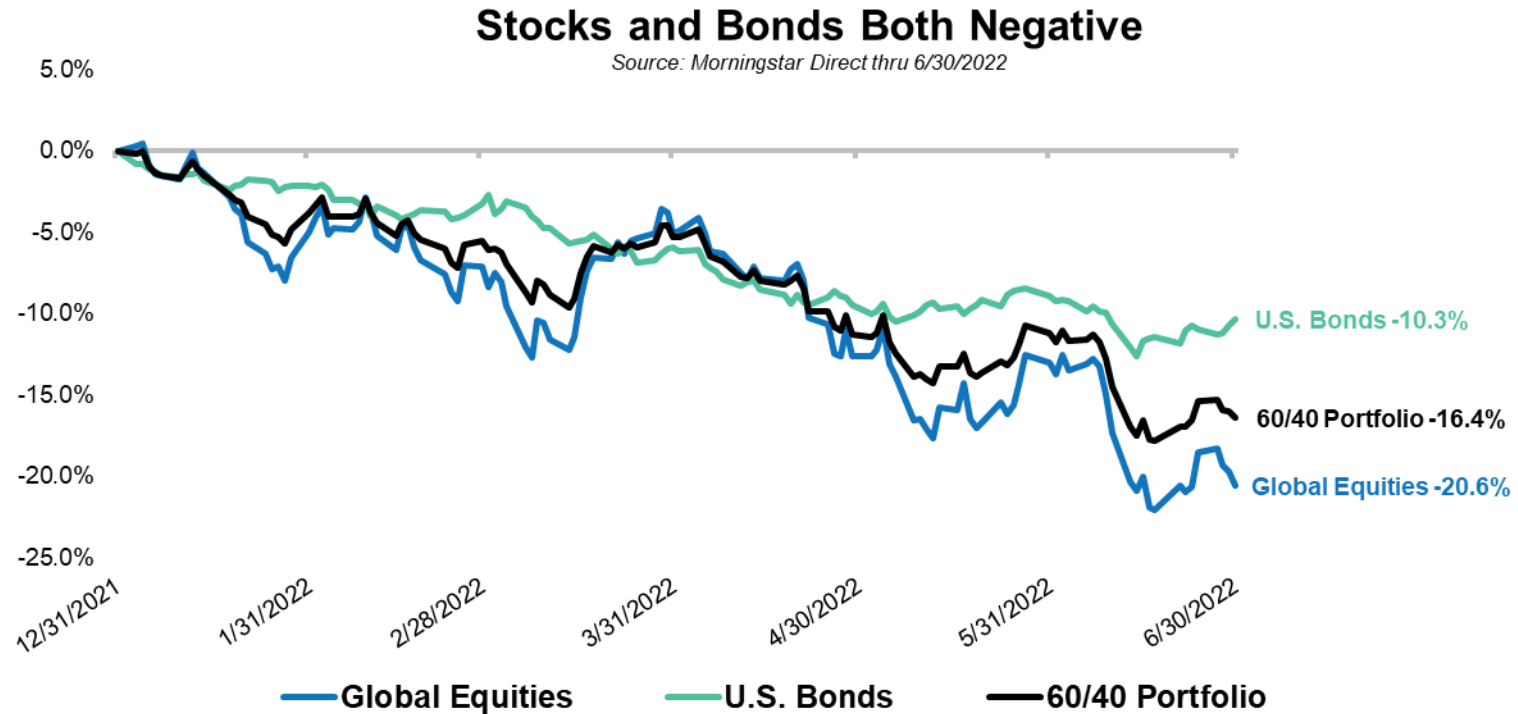
Market Selloff

One of the most difficult things for investors during the recent selloff is the sheer magnitude of losses in *both* stocks and bonds. Returns for each now rank among some of their worst (dating back to 1976) for a six-month timeframe.



Market Selloff

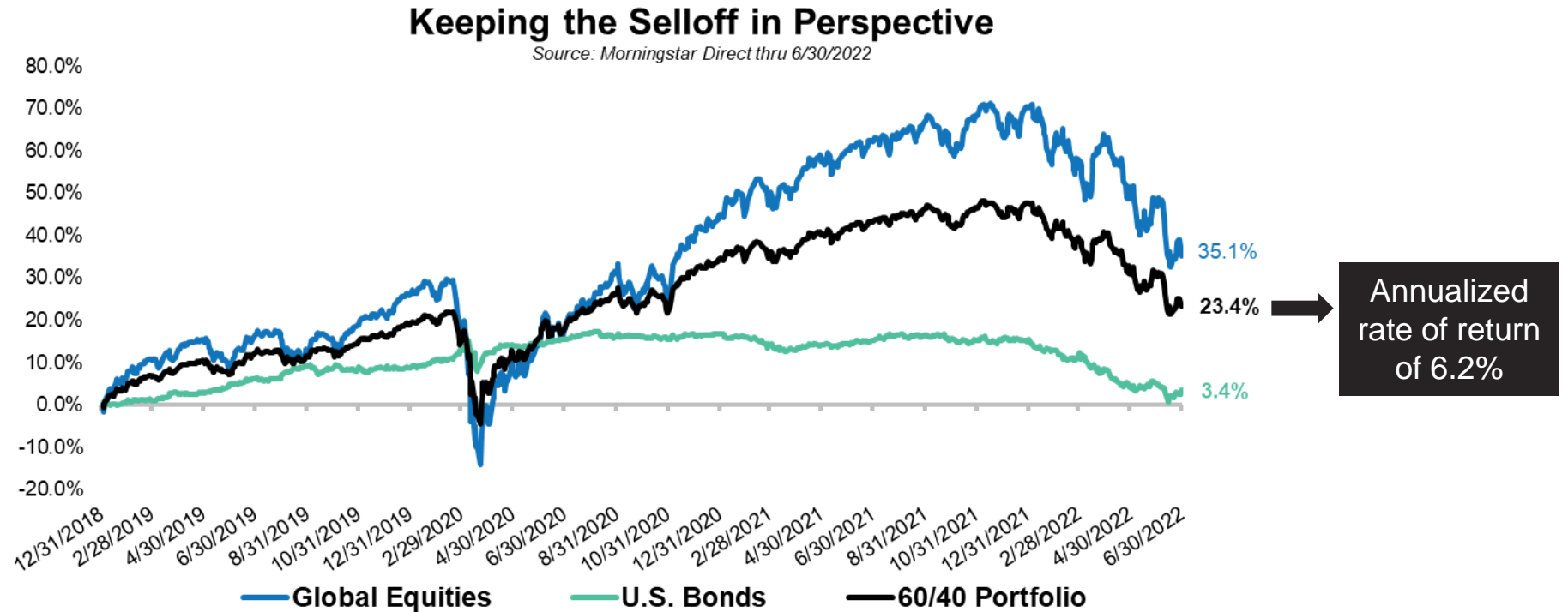
With stocks *and* bonds falling during the 1st half of the year most investors have likely experienced percentage losses well into the mid teens.



Source: Morningstar Direct as of the dates shown on the graph. Global equities is represented by the MSCI All Country World Index Net Return and U.S. Bonds the Bloomberg BarCap Aggregate Bond Index Total Return. The 60/40 Portfolio is hypothetical and comprised of 60% equities / 40% bonds rebalanced daily and does not account for any taxes or transaction costs. It is not possible to invest directly in an index.

Market Selloff

As long-term investors it's important to keep the recent selloff in perspective. Despite two "bear" markets and one recession (to this point), the last 3 ½ years have been profitable for investors.



Source: Morningstar Direct as of the dates shown on the graph. Global equities is represented by the MSCI All Country World Index Net Return and U.S. Bonds the Bloomberg BarCap Aggregate Bond Index Total Return. The 60/40 Portfolio is hypothetical and comprised of 60% equities / 40% bonds rebalanced daily and does not account for any taxes or transaction costs. It is not possible to invest directly in an index.

Market “Heat Map”

Equity market returns remain relatively high over the longer periods despite the recent selloff. Bond returns, however, have been pulled lower due to the negative results over the last 18 months.

Returns generally line-up with the expectations we’ve had for markets and, more importantly, with what we’ve built into financial plans.

	<u>2022 YTD</u>	<u>Last 12 Months</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
Stocks				
Global	-20.2%	-15.8%	6.2%	7.0%
U.S. Equities	-21.1%	-13.9%	9.8%	10.6%
U.S. Large Cap	-20.0%	-10.6%	10.6%	11.3%
U.S. Mid Cap	-21.6%	-17.3%	6.6%	8.0%
U.S. Small Cap	-23.4%	-25.2%	4.2%	5.2%
International Equities	-18.4%	-19.4%	1.4%	2.5%
Intl Developed	-19.6%	-17.8%	1.1%	2.2%
Emerging Market	-17.6%	-25.3%	0.6%	2.2%
Bonds				
U.S. Aggregate	-10.3%	-10.3%	-0.9%	0.9%
U.S. Treasuries (Intermediate)	-5.8%	-6.4%	-0.3%	0.9%
Municipals (Intermediate)	-7.0%	-6.8%	0.1%	1.5%
Investment Grade Corporate	-9.0%	-9.4%	-0.1%	1.5%
U.S. Corp High Yield	-14.2%	-12.8%	0.2%	2.1%
Emerging Market	-17.1%	-18.0%	-3.5%	-0.3%
Commodities & Real Assets				
Commodities Index	35.8%	45.1%	14.7%	11.7%
Crude Oil	50.2%	59.4%	7.9%	9.4%
Natural Gas	48.4%	41.6%	-4.0%	-11.1%
Precious Metals (Gold/Silver)	-4.4%	-4.8%	7.2%	5.6%
Industrial Metals	-9.6%	0.2%	11.9%	7.5%
Agriculture	13.0%	18.9%	18.8%	6.9%
Energy Pipelines (MLPs)	10.0%	4.3%	0.1%	-0.3%
REITs (Real Estate)	-21.1%	-6.4%	2.5%	4.3%

Source: Morningstar Direct as of 6/30/2022

Year-to-Date “Heat Map”

There have been very few places for investors to “hide” during 2022. The only meaningful market segments with positive returns has been oriented around commodities or specific alternative strategies.

1st Qtr	2nd Qtr		Year-to-Date
Stocks			
-5.4%	-15.7%	Global	-20.2%
-5.3%	-16.7%	U.S. Equities	-21.1%
-4.6%	-16.1%	U.S. Large Cap	-20.0%
-5.7%	-16.8%	U.S. Mid Cap	-21.6%
-7.5%	-17.2%	U.S. Small Cap	-23.4%
-5.4%	-13.7%	International Equities	-18.4%
-5.9%	-14.5%	Intl Developed	-19.6%
-7.0%	-11.4%	Emerging Market	-17.6%
Bonds			
-5.9%	-4.7%	U.S. Aggregate	-10.3%
-4.2%	-1.7%	U.S. Treasuries (Intermediate)	-5.8%
-5.8%	-1.3%	Municipals (Intermediate)	-7.0%
-5.3%	-3.9%	Investment Grade Corporate	-9.0%
-4.8%	-9.8%	U.S. Corp High Yield	-14.2%
-9.2%	-8.7%	Emerging Market	-17.1%
Commodities & Real Assets			
33.1%	2.0%	Commodities Index	35.8%
38.3%	9.0%	Crude Oil	50.8%
58.5%	-6.0%	Natural Gas	48.9%
6.9%	-10.5%	Precious Metals (Gold/Silver)	-4.4%
22.7%	-26.4%	Industrial Metals	-9.6%
19.9%	-5.7%	Agriculture	13.0%
18.8%	-7.4%	Energy Pipelines (MLPs)	10.0%
-3.7%	-18.1%	Real Estate (REITs)	-21.1%

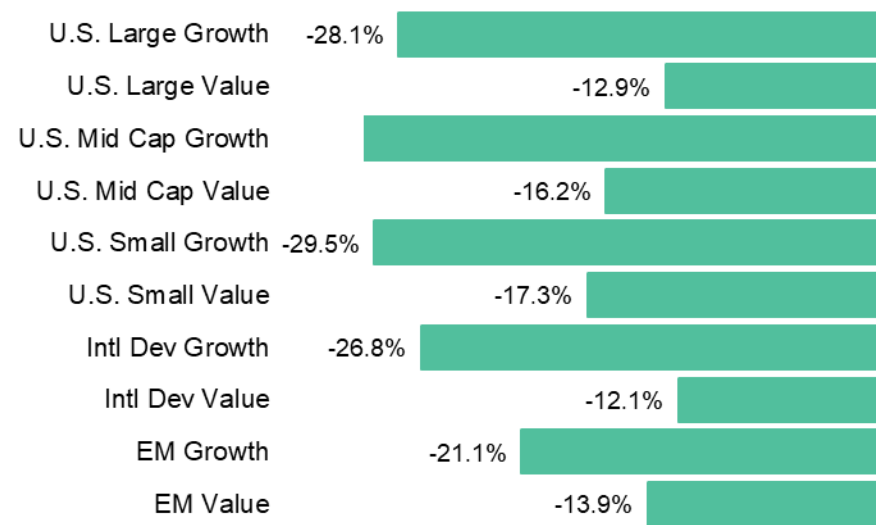
Source: Morningstar Direct thru 6/30/2022

Equity Returns by Style

The most extensive weakness has been felt in growth sectors and stocks. The value stock outperformance that began in 2021 has only accelerated in early 2022.

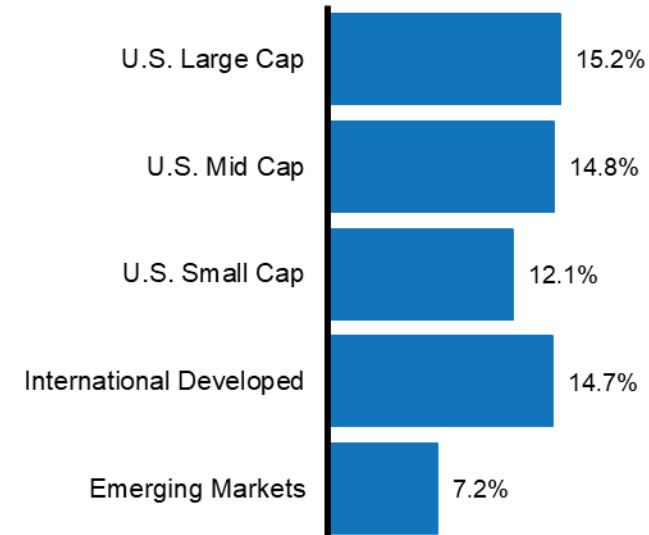
YTD Performance

Source: Morningstar Direct as of 6/30/2022



Value Outperformance

Source: Morningstar Direct as of 6/30/2022



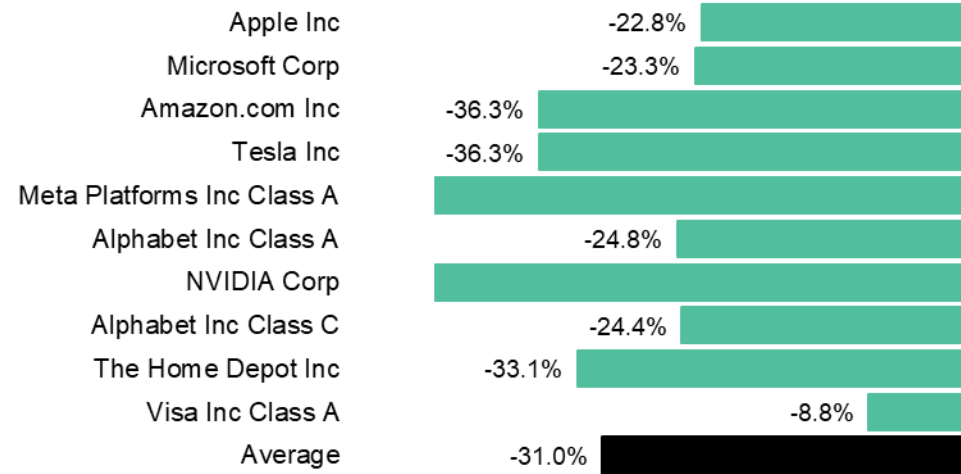
Weakness in Growth

It's not that there hasn't been weakness in value stocks, it's just that the weakness hasn't been as pervasive or widespread. Energy stocks also typically fall within the value style and those securities have done quite well year-to-date (see Exxon Mobil below).

Growth

Ten Largest U.S. Growth Stocks (ticker:IWF)

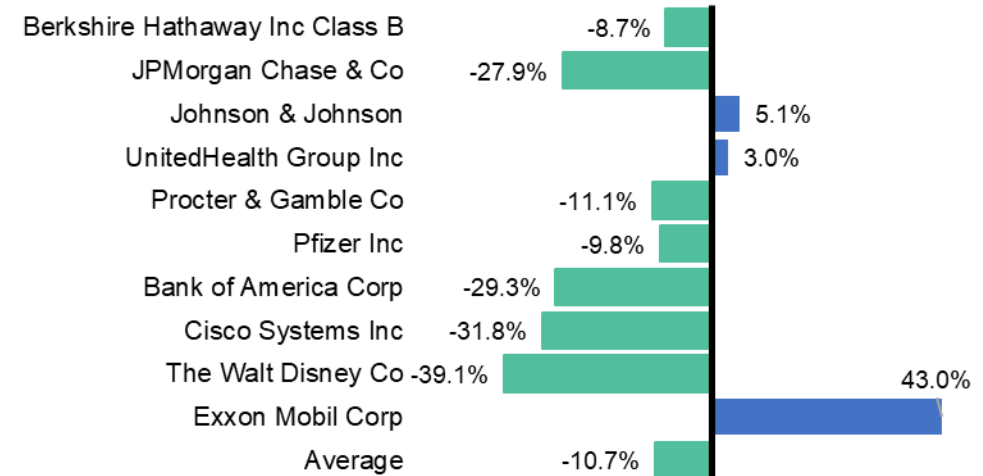
Source: Morningstar Direct as of 6/30/2022



Value

Ten Largest U.S. Value Stocks (ticker:IWD)

Source: Morningstar Direct as of 6/30/2022



Weakness in Growth

As weak as some of the big, well known tech names have been, some of the greatest negativity has been reserved for more speculative segments of the market.

Many of these areas experienced massive gains in 2020/2021, only to give them up (and more) over the last 6-12 months.



	Year-to-Date	Last 12 Months	% Below 52 Week High
Global Equities	-20%	-16%	-20%
Pandemic High-Fliers			
Peloton	-74%	-93%	-93%
Snap	-72%	-81%	-84%
Netflix	-71%	-67%	-74%
Teladoc Health	-64%	-80%	-79%
Robinhood	-54%	NA	-90%
Uber	-51%	-59%	-59%
Blue Apron	-46%	-15%	-68%
Zoom	-41%	-72%	-73%
Innovation Themes			
ARK Fintech Innovation ETF	-62%	-71%	-71%
ARK Innovation ETF	-58%	-69%	-68%
ARK Genomic Revolution ETF	-49%	-66%	-64%
Global X Robotics & AI ETF	-43%	-42%	-49%
The 3D Printing ETF	-38%	-47%	-47%
Metaverse Related			
Unity Software	-51%	-59%	-59%
Roblox	-68%	-63%	-75%
Meta Platforms (aka Facebook)	-52%	-54%	-58%
Horizons Global Metaverse ETF	-33%	NA	-37%
Cryptocurrency Related			
Bitwise Crypto Ind Innovators ETF	-74%	-76%	-84%
Ethereum ETF (Grayscale Tr)	-73%	-54%	-85%
Bitcoin ETF USD	-61%	-46%	-71%
Meme Stocks & SPACs			
GameStop Corp Class A	-18%	-43%	-52%
Avis Budget Group Inc	-29%	89%	-72%
AMC Entertainment	-50%	-76%	-77%
Bed Bath & Beyond Inc	-66%	-85%	-87%
De-SPAC ETF	-68%	-80%	-79%
Defiance Next Gen SPAC Derived ETF	-39%	-50%	-50%
Digital World Acquisition Corp Class A	-53%	NA	-86%

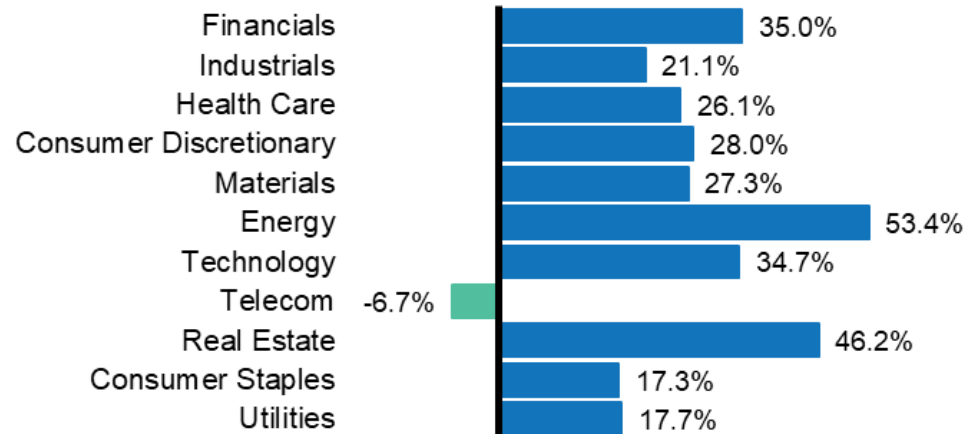
Source: Morningstar Direct. Year-to-Date and Last 12 Months as of 6/30/2022, % Below 52 Week High as of 7/1/2022

U.S. Equity Returns by Sector

Energy stocks are the primary source of strength in value sectors, while Consumer Discretionary and Technology stocks have dragged down growth indices. A very different path of returns when compared with 2021.

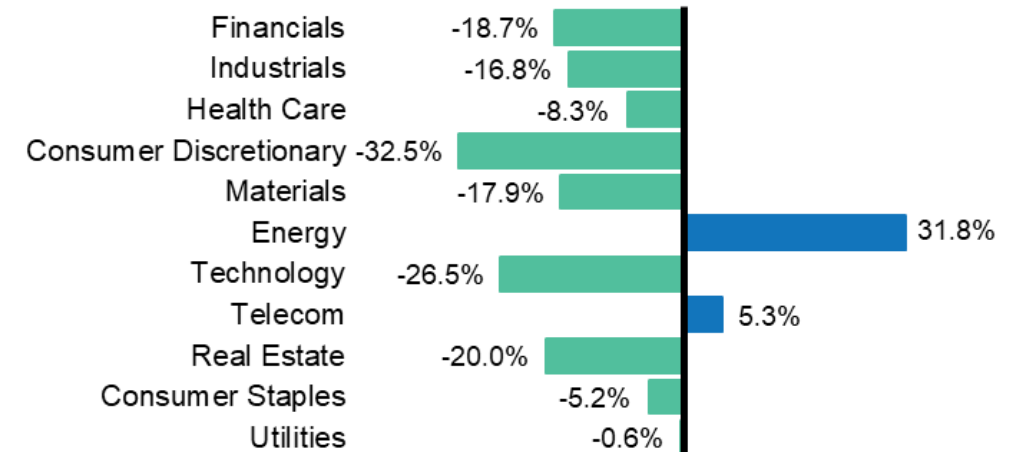
2021

Source: Morningstar Direct



2022 YTD

Source: Morningstar Direct as of 6/30/2022



U.S. Fixed Income Returns

The march higher in bond yields has continued and as a result returns are negative across the bond market.

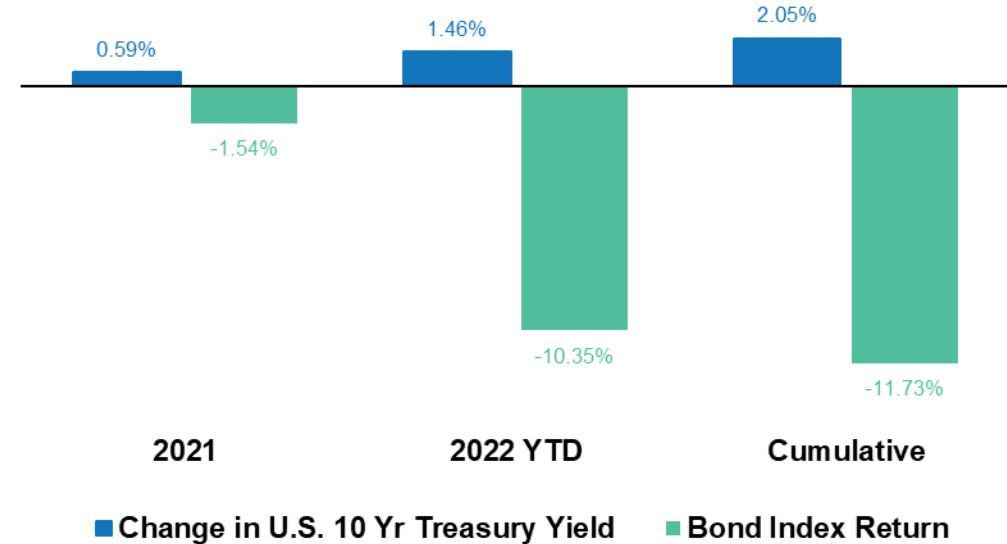
10 Year U.S. Treasury Yield

Source: FRED St. Louis Fed Data, 1/1/2021 to 6/30/2022



Yields & Returns Move in Opposite Directions

Source: FRED Data, Morningstar Direct 1/1/2021 through 6/30/2022



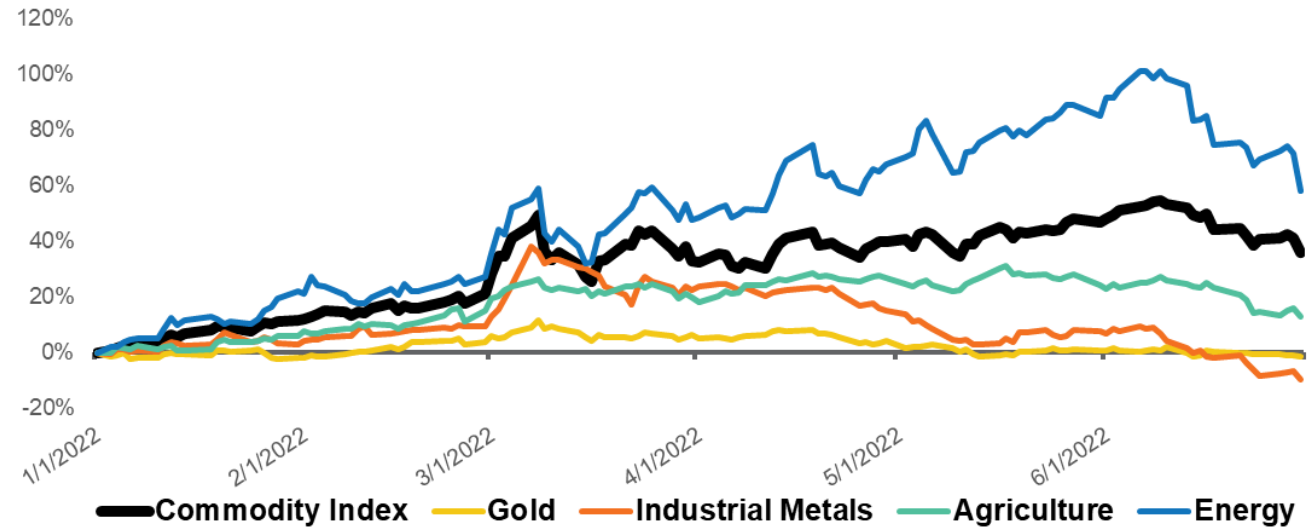
Commodity Markets

The surge higher in commodity prices began to slow and even recede in some areas during the 2nd quarter.

Investors who flocked to commodities expecting protection from inflation learned that there isn't always a correlation.

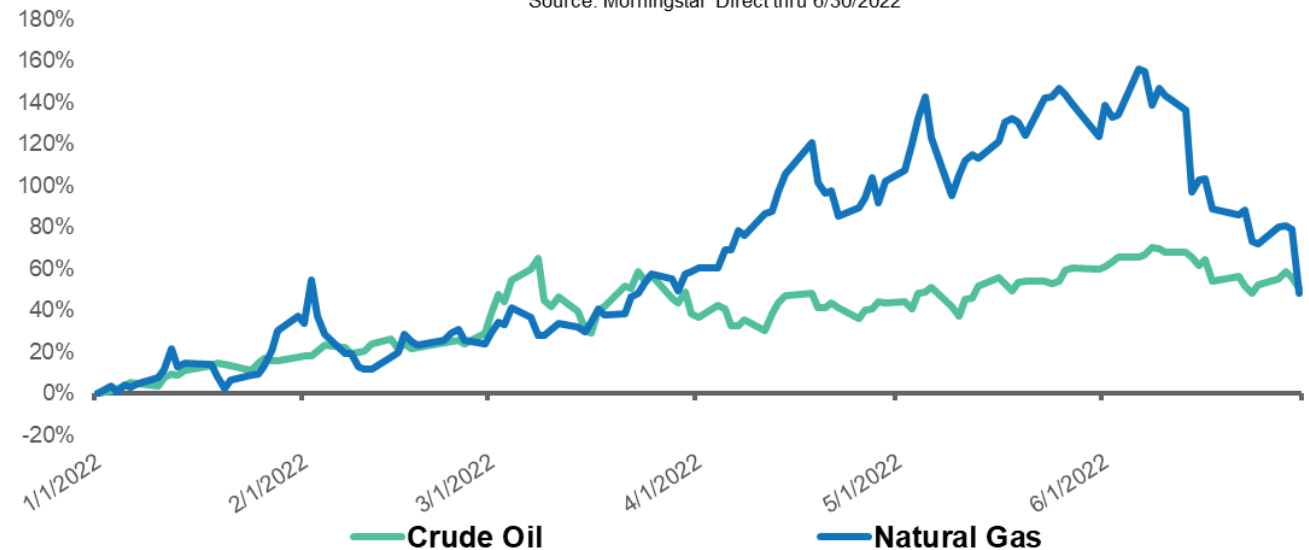
Commodities Move Sideways

Source: Morningstar Direct thru 6/30/2022



Energy Price Surge Fades

Source: Morningstar Direct thru 6/30/2022



Valuations + Positioning

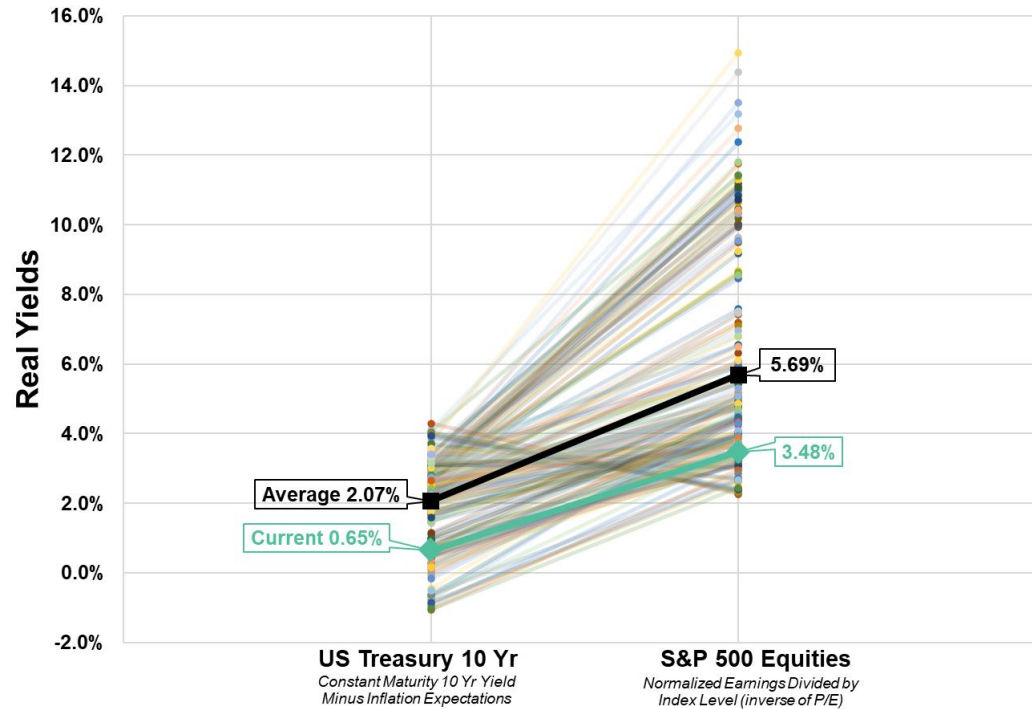


U.S. Market Valuations

Using the 10-Year Treasury and the S&P 500 as proxies for overall U.S. bond and stock market valuations shows that while both have gotten more attractive, they remain relatively expensive when compared to historical levels.

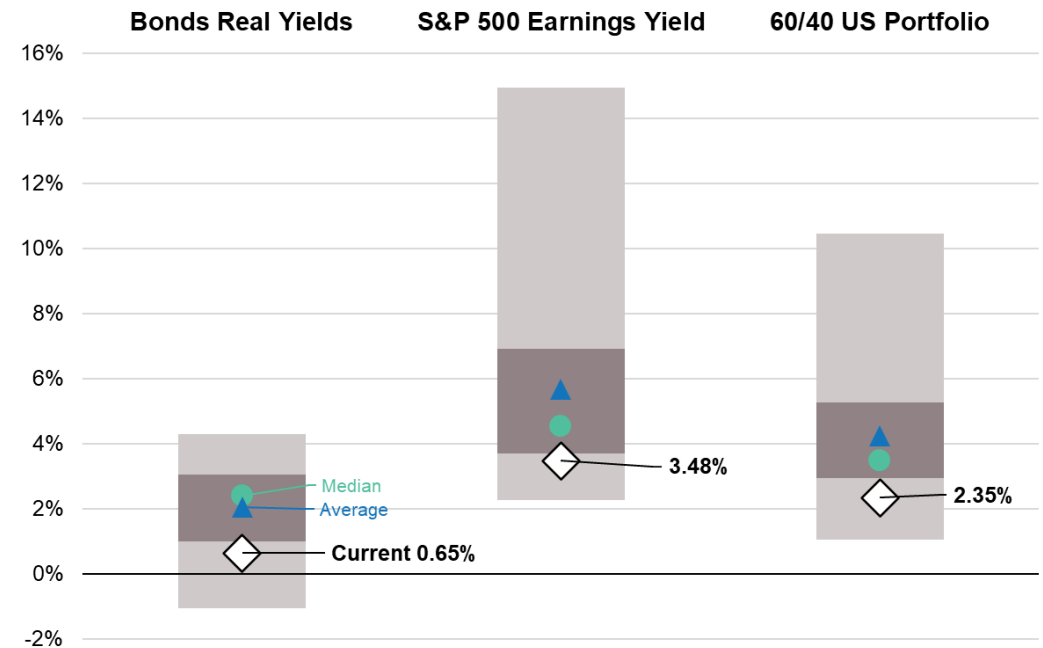
US Real Yields Over Time (1976-Present)

Quarterly Observations



Historical Real Yields

Range, Average, Median, Current
1976 to Current, Quarterly Observations

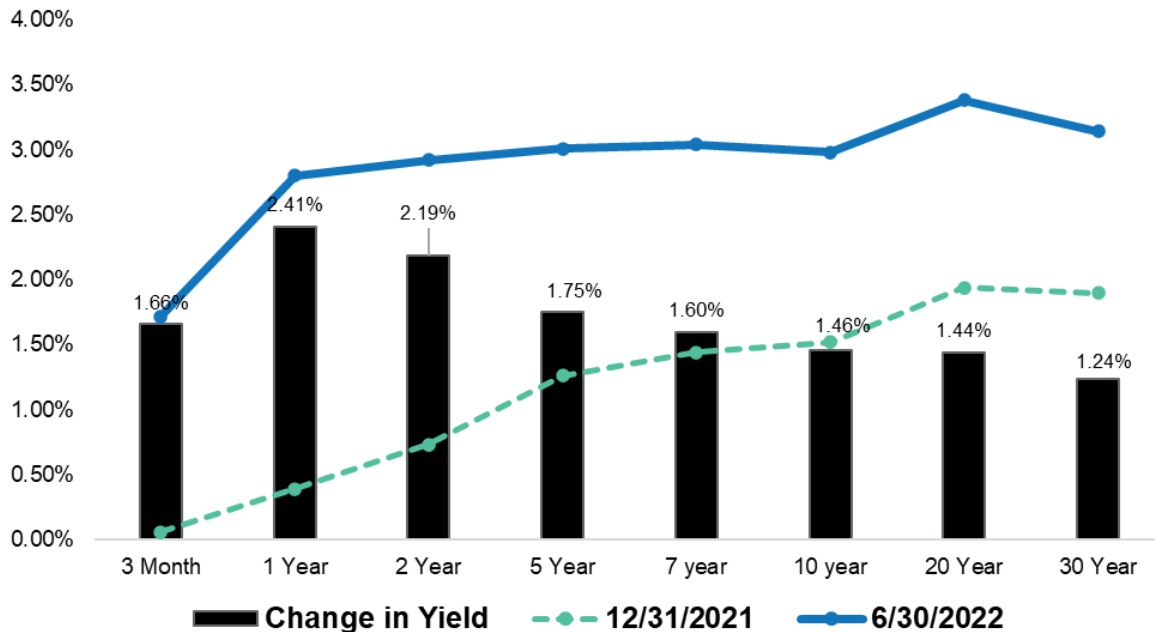


U.S. Treasuries

Investors continue to watch the yield curve for signs of any “inversion”. In particular, the much-watched spread between the 10-Year Treasury and the 2-Year Treasury.

Change in Treasury Yield Curve

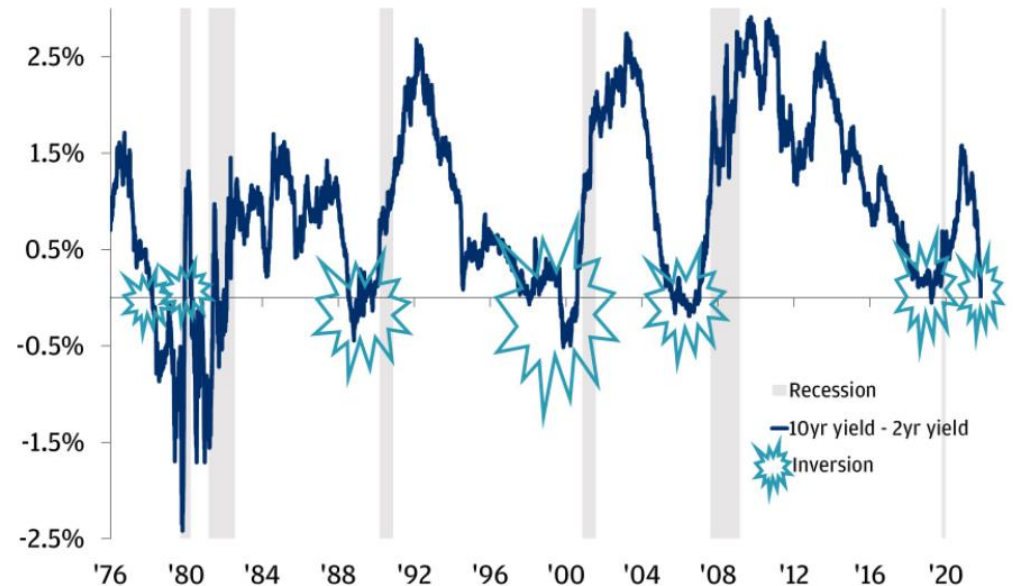
Source: Morningstar Direct



HIGHWAY TO THE DANGER ZONE? YIELD CURVE INVERSIONS

TYPICALLY PRECEDE RECESSIONS

Spread between 10-year Treasury and 2-year Treasury yield, ppt



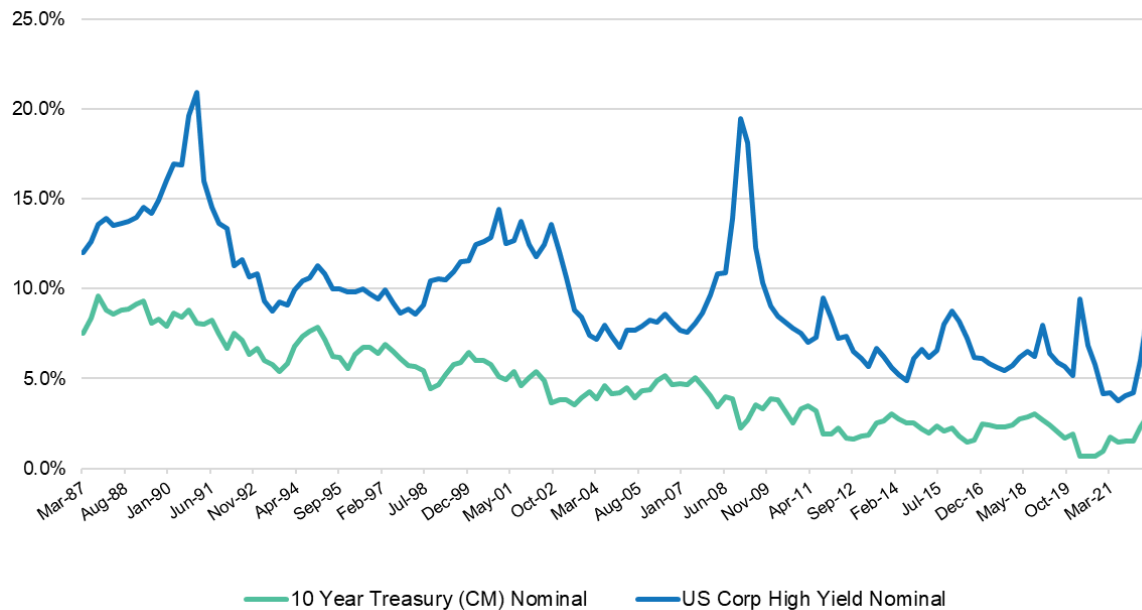
Source: Bloomberg Finance L.P. Data as of March 29, 2022.

U.S. Credit Spreads

Bonds of lower credit quality issuers typically come with higher yields and potential returns. “How much” higher varies based on investor risk appetites and desire for yield. Current credit spreads now slightly exceed longer term average levels.

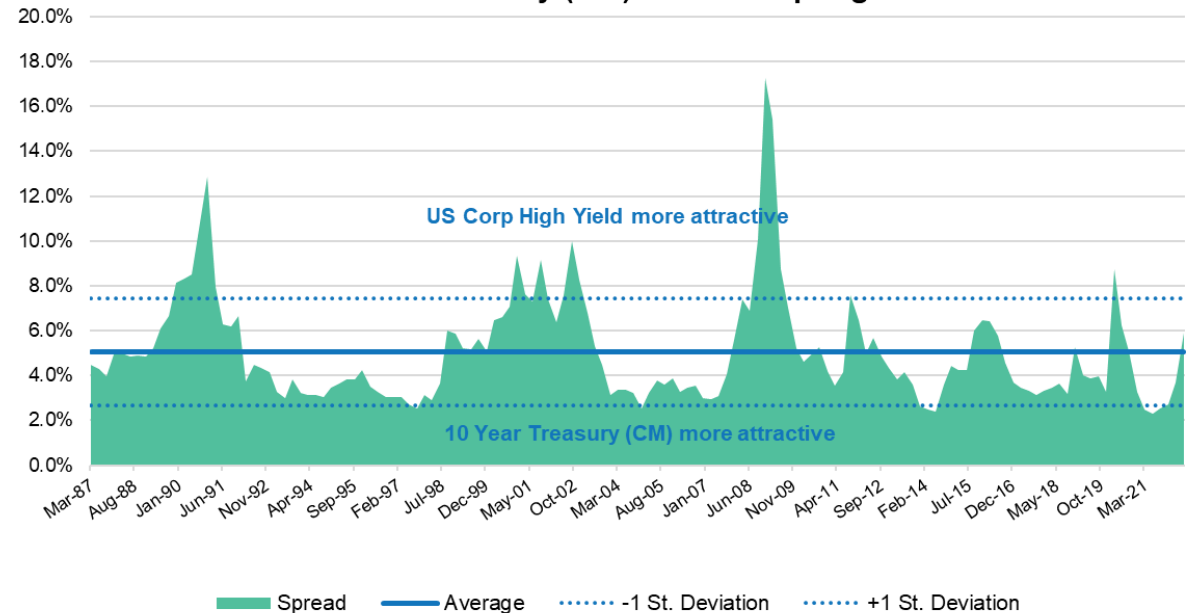
Nominal Yields

10 Year Treasury (CM) vs. US Corp High Yield



Spread

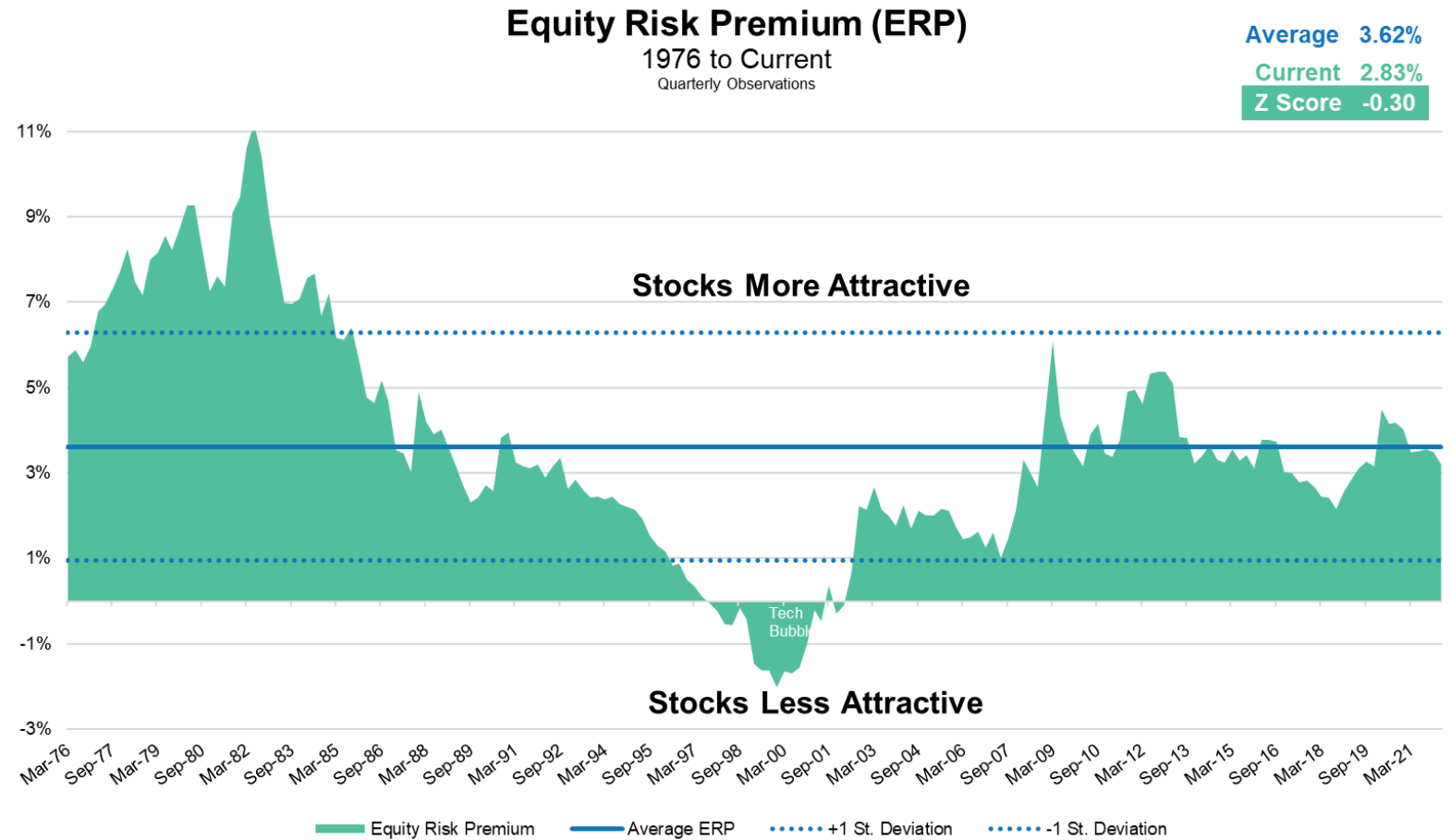
10 Year Treasury (CM) vs. US Corp High Yield



U.S. Equity Valuations

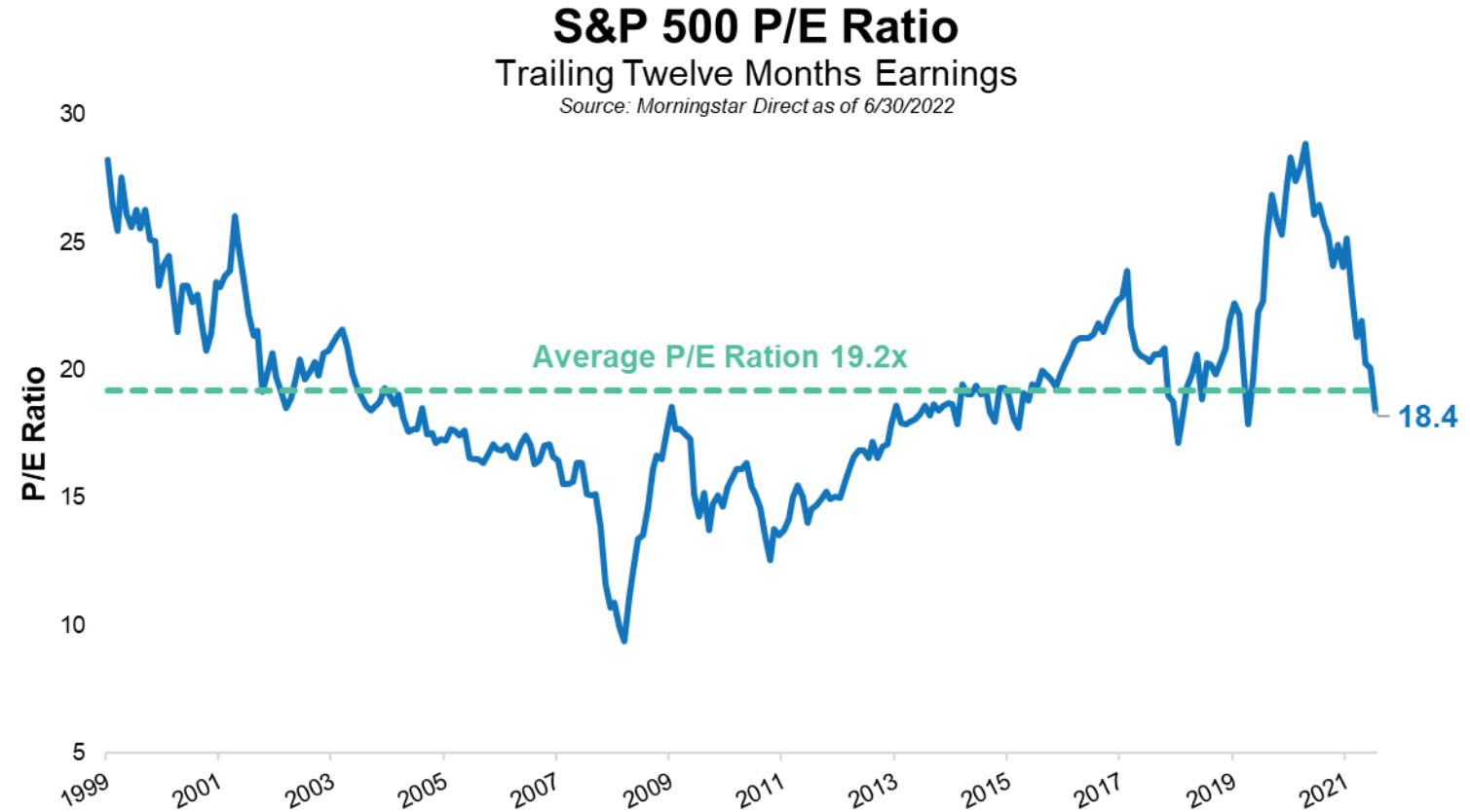
Looking specifically at the Equity Risk Premium (ERP), which incorporates the impact of lower interest rates on asset prices, shows that equities are reasonably valued.

This makes it hard to be too negative on stocks.



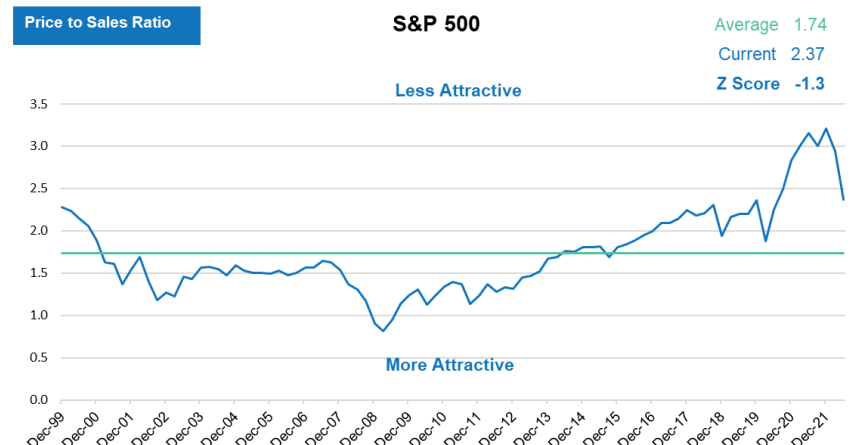
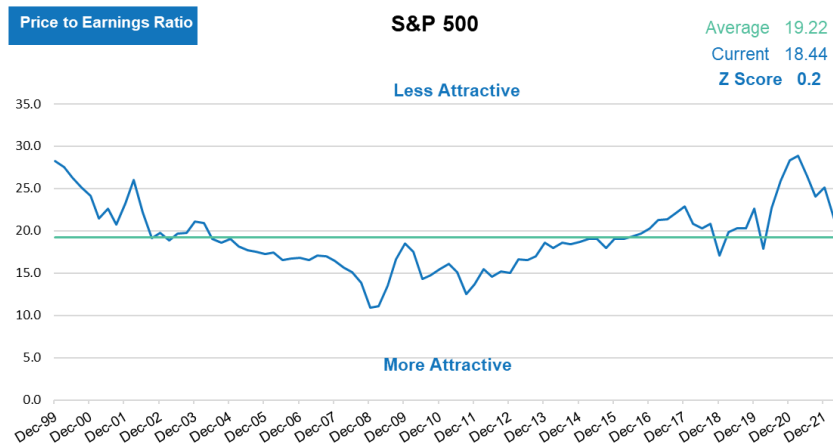
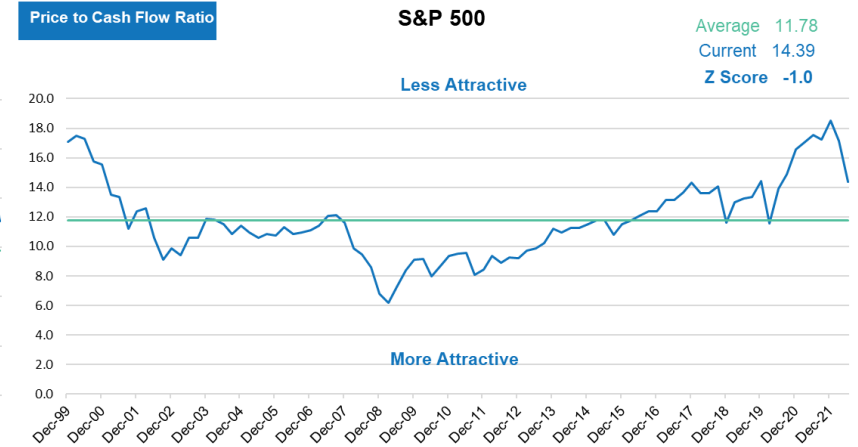
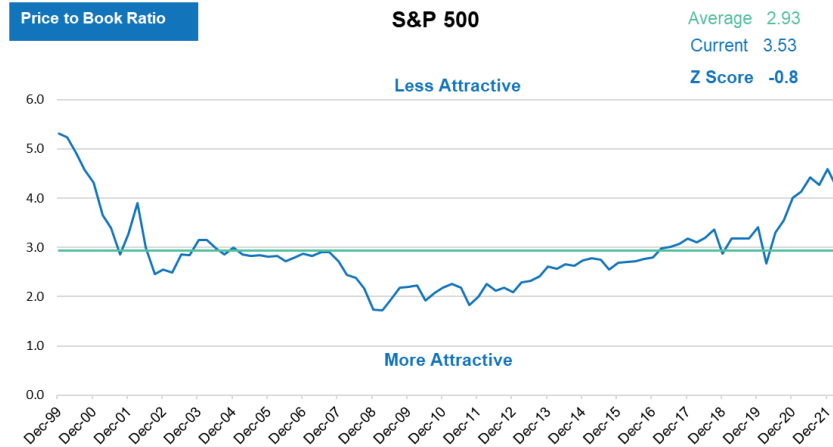
Equity Valuations

The Price to Earnings ratio of the S&P 500 has dropped considerably and is now slightly below it's average level dating back to the end of 1999.



U.S. Large Cap Valuations

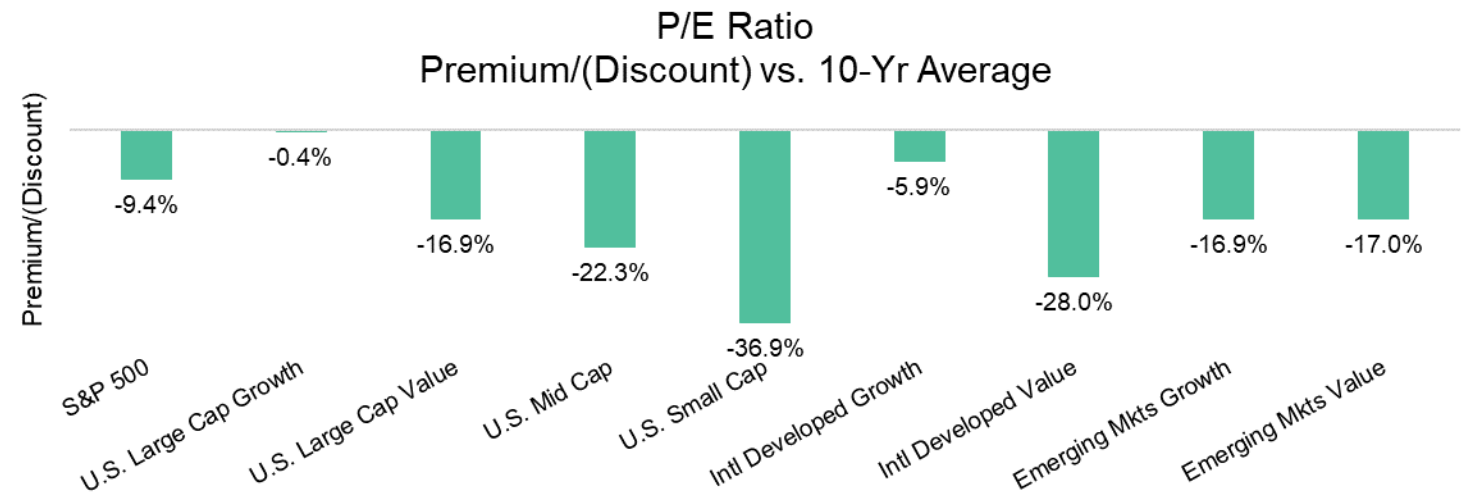
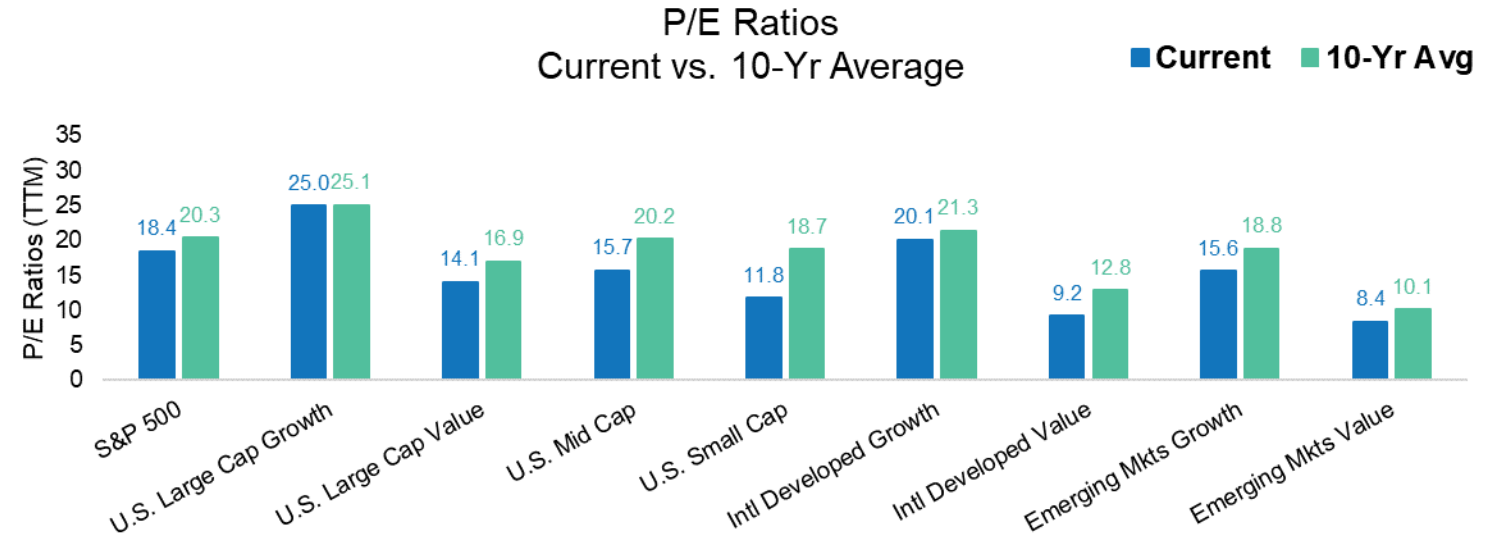
Investors typically look to Price to Earnings multiples to judge valuations, but we look at several different ratios. For the S&P 500, and many market segments in 2022, they all tell a similar story – vastly improved valuation levels from just a few months ago.



Equity Valuations

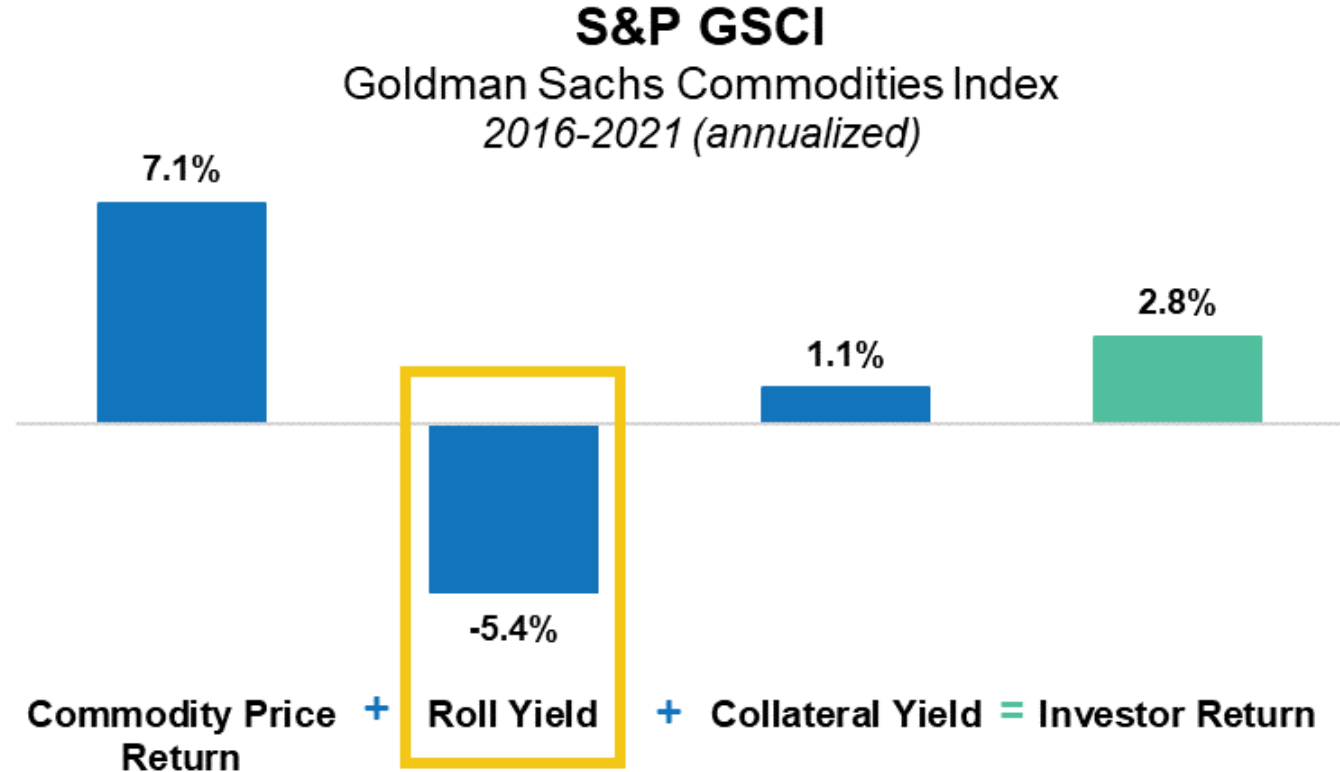
What a difference a few months can make. While there were a few segments at modest discounts in prior quarters, they were outnumbered by those at premiums.

Not the case today as multiples have dropped across the board and are now at or below 10-year average levels.



Commodity Investing

Investing in commodity strategies is meaningfully different from buying stocks or bonds. Not only will an investor's return be driven by commodity price moves, but also things like Roll Yields and Collateral Yields. Those components are not well understood by the average investor (and some professionals) and can have a large impact on returns.

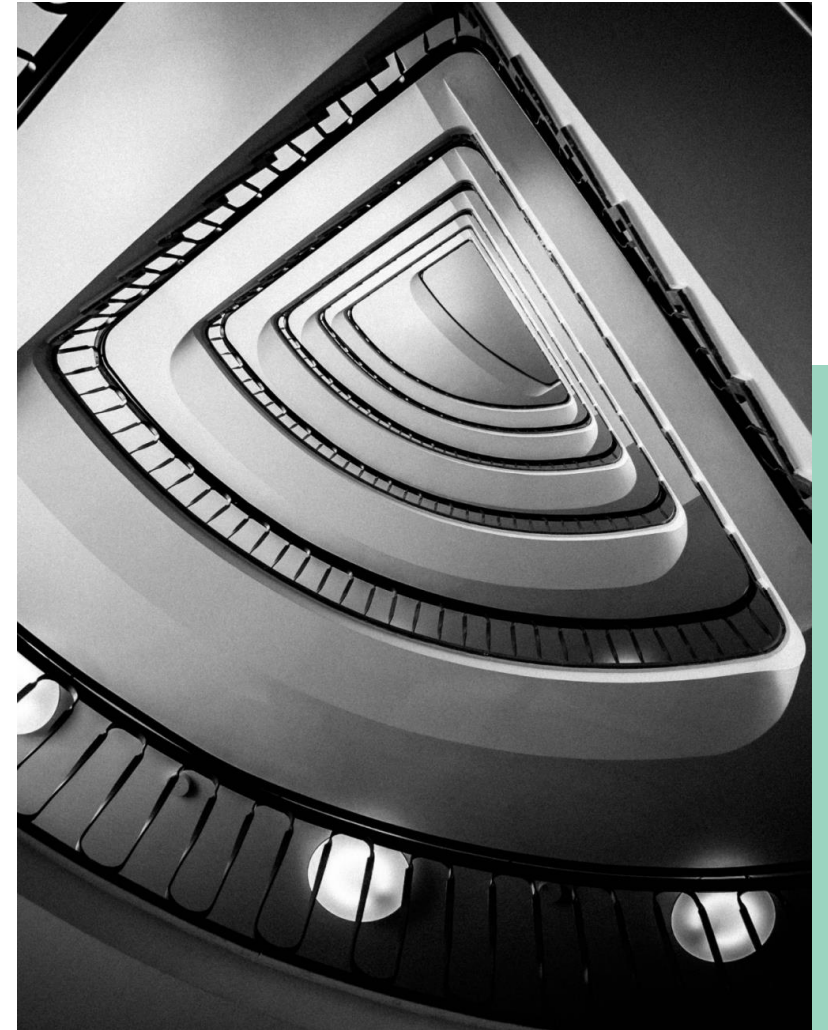


Portfolio Positioning

Portfolio positioning continues to be fluid as markets move and valuations shift. We have become incrementally more positive on risk-oriented assets like equities and opportunistic fixed income.

	Underweight	Neutral	Overweight
Stocks vs. Bonds			
Stocks	○	●	○
Bonds	○	●	○
Fixed Income Components			
Core / Investment Grade	○	○	●
Opportunistic / Non Inv Grade	○	●	○
Maturity / Duration	●	○	○
Equity Components			
U.S. Large Cap	●	○	○
U.S. Mid + Small Cap	○	○	●
International Developed	○	○	●
Emerging Markets	○	○	●
Alternative Components			
Equity Alternatives	○	●	○
Fixed Income Alternatives	○	○	●

Thank you



Disclaimer

Unless stated otherwise, any estimates or projections (including performance and risk) given in this presentation are intended to be forward looking statements. Such estimates are subject to actual known and unknown risks, uncertainties, and other factors that could cause actual results to differ materially from those projected. The securities described within this presentation do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in such securities was or will be profitable. Past performance does not indicate future results.

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