NORTHEAST SEQUOIA
PRIVATE CLIENT GROUP

NORTHEAST PRIVATE CLIENT GROUP

2023 Half-Time Update & Outlook

Christopher Pike, CFA®
chris.pike@northeastprivate.com
973-422-9140

Mark Murphy, CLU®, ChFC®
Adam Schlosberg, CFP ®
Benjamin Bush, CLU®, ChFC®
Michael Millman
Christopher Viola, AIF®

Half-Time Update & Outlook

Topic	Halftime Update & Outlook
Sector Allocation	*We continue to maintain our sector tilts and allocation weight recommendations. We continue to expect a weaker-than-expected economic backdrop to support a more defensive-oriented equity bias while anticipating a more dovish interest rate and inflation backdrop to support longer-duration fixed-income positions.*
Economy	*We expect the US economy will weaken further into 2023, as evidenced by the vast cross-section of data we monitor. As savings is exhausted, and stimulus has been removed, we anticipate discretionary spending will be challenged. Except for employment data, most other economic trends portend a gloomier second-half of 2023.*
Recession	*We still expect a recession to manifest itself over the next 12-months. Yield curve inversion, coupled with induced demand destruction across many facets of the economy may limit any "soft landing."*
Inflation	*We expect inflation will trough through the back half of 2023/early 2024, but may remain higher that the Federal Open Market Committee (FOMC) 2% target, as sticker components of inflation, such as rents, will need more time to subside . But we believe as demand destruction unfolds across the broader economy, supply chains show further improvement and wages spirals evaporate, even the most hawkish inflation proponents will capitulate.*
Performance	*The S&P 500 closed at 4,450 on June 30, 2023, implying a 14.0% price-only (market cap weighted) return and 14.9% total return.* ***This compares to the average and median YTD return for the S&P of 8.6% and 5.0%, respectively. We note that YTD performance has been significantly influenced by Large-Cap Technology names. As of June 30, 2023, the top seven Technology names (AAPL, MSFT, AMZN, NVDA, GOOGL, META and TSLA) are higher by over 60%.*** *We currently maintain our year-end S&P price-only target around 4,200. From our purview, we have difficulty in understanding how multiple expansion and earnings growth could occur simultaneously to push valuations significantly higher from current levels. Add to this, the potential for a recession and a general risk-off backdrop associated with a liquidity drain as the Treasury seeks to replenish its General Account, may combine to pose additional headwinds for equity valuations.*

Half-Time Update & Outlook

Topic	Halftime Update & Outlook
Sector Allocation *We continue to maintain our sector tilts and allocation weight recommendations. We continue to expect a weaker-than-expected economic backdrop to support a more defensive-oriented equity bias while anticipating a more subdued interest rate and inflation backdrop to support longer-duration fixed-income positions.*	• For the first four months of 2023, we recommended clients to Overweight the Technology Sector. This recommendation was driven by our expectations for a more dovish rate environment in 2023 combined with the significant 28% retracement in Technology shares in 2022. In late April 2023, we then adjusted our positioning toward Technology and removed our Overweight bias given our concerns regarding Technology valuations. However, the combination of better-than-expected 1Q23 Large-Cap Technology earnings and the rallying cry for “all things AI” that occurred starting in early May 2023, continues to support demand for the Technology sector. • Since September of 2022, we have recommended that clients become a bit more cautious, and increase exposure to High-Paying Dividend equities, Utilities, Healthcare, and Staples to help offset the near-term impact of higher interest rates (through mid-2023), cushion the impact of broader equity market volatility and prepare portfolios for the potential and subsequent shift from a Bull Flattener to a recessionary-laden Bull Steepener Interest Rate Regime. However, a stronger-than-expected labor market continues to delay a recession, despite the preponderance of economic data which suggest continued economic weakness. Further, the fall-out surrounding the collapse of Silicon Valley Bank, Signature Bank, and First Republic Bank, created a challenging environment for the Regional Banking sector, which is a significant constituent of High Paying Dividend ETFs. To date, the “throwing the baby out with the bathwater” sentiment toward regional banks has yet to reverse, however we believe at some point, investor may seek out value opportunities in this down-trodden sector. • Additionally, in our 2023 Outlook we suggested investors start increasing duration (aka interest rate sensitivity) within fixed-income portfolios, as we felt inflation was more contained than Wall Street was pricing and expecting. At the same time, we felt the Federal Reserve was close to ending the most aggressive rate hiking campaign since the 1970s. These trends are finally manifesting themselves, despite disparate FOMC communication and manic inflation data over the last two months.

Half-Time Update & Outlook

<table>
<tr><th>Topic</th><th>Halftime Update & Outlook</th></tr>
<tr><td>Economy

We expect the US economy will weaken further into 2023, as evidenced by the vast cross-section of data we monitor. As savings is exhausted, and stimulus has been removed, we anticipate discretionary spending will be challenged. Except for employment data, most other economic trends portent a gloomier second-half of 2023.</td><td>• We continue to monitor a vast cross-section of economic data and remain steadfast in our recession expectations.
• The Index of Leading Economic Indicators has exhibited contraction since March 2022. Purchasing Manager's Indices remain in recession territory, while Small Business Confidence Indices remain challenged. Corporate profits are rolling over, and the Bureau of Labor Statistics' JOLT Survey shows softening both in Opening and Quit trends. Consumer Sentiment (UofM) remains in contraction territory, the US Savings Rate is trending below average, the student loan moratorium will be lifted come late Fall '23, and unemployment claims are beginning to tick higher. The Fed's Senior Loan Officer Survey is signaling weakness, and CFO and other survey data is suggesting a slow down in hiring.
• Both the Conference Board and the Federal Reserve's recession probability measures are signaling recession.
• While economic (GDP) growth remains positive, we remind investors and clients that growth remained positive in the three quarters before the '90, '01 and '07 recessions.
• Supporting our prognostication is the potential duration at which the FOMC may leave rates elevated, given their refusal to recognize the long and variable lags which accompanies the significant monetary policy that has been enacted over the last 36 months. This may further stress the economy through year-end 2023.</td></tr>
</table>

Half-Time Update & Outlook

Topic	Halftime Update & Outlook
Recession *We still expect a recession to manifest itself over the next 12-months. Yield curve inversion, coupled with induced demand destruction across many facets of the economy may limit any "soft landing."*	• We began 2023 believing that a recession in 2023 was unavoidable. Our expectation was that a recession would commence by mid-2023. In our opinion, this recession, however, would prove to be shorter and less severe than prior downturns. Both the Conference Board and the Federal Reserve's recession probability measures are signaling recession. While GDP growth remains positive, we remind investors and clients that GDP growth remained positive in the three quarters before the '90, '01 and '07 recessions. • Still we note that our recession call may be "early" given that prior recessions didn't occur until 12-18 months prior to yield curve (10yr less Fed Funds) inversion. In the current episode, the yield curve first inverted in November of 2022, so we are still about 4 months away from the 12-month mark. And although we are staunch believers in the "**it is NEVER different this time**," like all things post-pandemic, it would not be inconceivable for the culmination of quantitative tightening and the greatest vector in rate increases to combine with a weaker than anticipated economic back drop and usher in a recession on an accelerated timeline.

Half-Time Update & Outlook

<table>
<tr><th>Topic</th><th>Halftime Update & Outlook</th></tr>
<tr><td>Inflation

We expect inflation will trough through the back half of 2023/early 2024, but may remaining higher that the FOMC's 2% target, as sticker components of inflation, such as rents, will need more time to subside . But we believe as demand destruction unfolds across the broader economy, supply chain show further improvement and wages spirals evaporate, even the most hawkish inflation proponents will capitulate.</td><td>• In our opinion, inflation peaked in the Summer of 2022. We continue to believe inflation will soften throughout 2023 at levels greater than most, despite the "stickiness" of housing and certain service-related factors.
• While the Core CPI Index remains higher than acceptable for many FOMC voting members, we believe by late-Fall 2023, even the most hawkish inflation proponents will be supporting calls for more dovish Fed positioning.
• According the New York Federal Reserve, consumer inflation expectations continue to dissipate, and inflation pressure globally are softening. Money aggregates (M2) are now exhibiting negative growth, and commodities are displaying weakness.
• Combined with softening wage gains, base effects and other economic trend data, we believe inflation has purchased a one-way ticket to the downside. Even the FOMC's preferred gauge of inflation, Core Service ex-Housing, is showing capitulation.
• We believe now, as we did when drafting our 2023 Outlook, that the FOMC continues to suffer from a credibility problem and fears that doing too little in terms of combatting inflation outweighs the negative impact that constrictive rates have on the economy. Based on data from the CME Group, there currently remains an 80% chance of an additional 25 basis point rate hike in late-July, but we feel the FOMC may move to the sideline in subsequent meetings.</td></tr>
</table>

Half-Time Update & Outlook

Topic	Halftime Update & Outlook
Performance *We maintain our call for a S&P price-only target in and around $4,200. From our purview, we have difficulty in understanding how multiple expansion and earnings growth could occur simultaneously to push valuations significantly higher from current levels. Add to this, the potential for a recession and a general risk-off backdrop associated with a liquidity drain as the Treasury seeks to replenish its General Account, may combine to pose additional headwinds for equity valuations.*	• Our 2023 Outlook entitled, "Great Expectations," set a price target range for the S&P 500 between 4,100 and 4,200, or roughly as much as an 11% total return from the year-end 2022 closing price of 3,839. • Our expectation was derived through our earnings yield construct, which assumed a 12-month price-to-earnings multiple of approximately 17x and forward 12-month S&P earnings per share of between $240 and $250. • The S&P 500 closed at 4,450 on June 30, 2023, implying a 14.0% price-only return and 14.9% total return. • As we have pointed out herein, we continue to maintain a recession will unfold at some point in late 2023. Based on our analysis, the earning multiple for the S&P 500 has contracted by 10-20% leading up and through a recession. Currently (as of 7-5-2023), the S&P is trading at a **forward** 12-month price-to-earnings ratio of 19.2x, which implies only a 10% contraction to our original 2023 expectations of roughly 17.0x. Further, the actual earning for the S&P 500 has fallen by 20-40% during prior recession, whilst the current consensus estimate for S&P earnings growth over the next 12 months is only in the low negative single digits. • Despite returning roughly 4% in excess of our expectation YTD in 2023, we continue to anticipate the S&P 500 to finish 2023 closer to 4,200 mark.

Disclosures

The information in this publication and references to specific securities, asset classes, and financial markets are provided for illustrative purposes and do not constitute an offer to sell or solicitation of an offer to purchase any securities, nor does they constitute an endorsement with respect to any investment area or vehicle. This material serves to provide general information to clients and is not meant to be legal or tax advice for any particular investor, which can only be provided by qualified tax and legal counsel.

Certain information contained herein is based on outside sources believed to be reliable, but its accuracy is not guaranteed. Investment products (other than deposit products) referenced in this material are not insured by the FDIC (or any other state or federal agency), are not deposits of or guaranteed by Northeast Private Client Group, and are subject to investment risk, including the loss of principal amount invested. Portfolios are subject to investment risks, including possible loss of the principal amount invested. In addition, foreign investments may be less liquid, more volatile and less subject to governmental supervision than in the United States. The values of foreign securities can be affected by changes in currency rates, application of foreign tax laws, changes in governmental administration and economic and monetary policy.

Investors should consider the investment objectives, risks, charges, and expenses of ETFs carefully before investing. This and other information are contained in the fund's prospectus, which may be obtained from your investment professional. Please read it before you invest. Investments in ETFs are subject to risk, including possible loss of the principal amount invested. This information is being provided to current Northeast Private Client Group clients and should not be further distributed without Northeast Private Client Group's approval.

S&P 500 Index is a market index generally considered representative of the stock market as a whole. The index focuses on the large-cap segment of the U.S. equities market. Dow Jones Industrial Average is a widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue-chip stocks, primarily industrials, but also includes financial, leisure, and other service-oriented firms. Russell 2000 Index measures the performance of the smallest 2,000 companies in the Russell 3000 Index of the 3,000 largest U.S. companies in terms of market capitalization. NASDAQ Composite Index is a market value-weighted index that measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ stock market. Each company's security affects the index in proportion to its market value.

This commentary contains forward-looking statements and projections. Actual results may differ from current expectations based on several factors, including but not limited to changing market conditions, leverage, and underlying asset performance. Northeast Private Client Group makes no representation or warranty, express or implied that this information should be relied upon as a promise or representation regarding past or future performance. This material contains the current opinions of the author but not necessarily those of Guardian or its subsidiaries and such opinions are subject to change without notice.

Past performance is not a guarantee of future results. Indices are unmanaged, and one cannot invest directly in an index. Data and rates used were indicative of market conditions as of the date shown. Opinions, estimates, forecasts, and statements of financial market trends are based on current market conditions and are subject to change without notice. Securities products and advisory services offered through Park Avenue Securities LLC (PAS), member FINRA, SIPC. OSJ: 200 Broadhollow Road Suite 405, Melville, NY 11747, 631-589-5400. PAS is an indirect, wholly-owned subsidiary of The Guardian Life Insurance Company of America® (Guardian), New York, NY. Northeast Private Client Group is not an affiliate or subsidiary of PAS or Guardian. Pinpoint: 2023-157910. Exp 7/2025