BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com
Member SIPC

Investment Insights Quarterly

From The Desk of Bill Hornbarger, Chief Investment Officer

January 2023

Predictions for the New Year

As the calendar turns to 2023, investors are left wondering what happens next. As every market participant knows, past performance is no guarantee of future results. And after a very difficult year for the financial markets – including high inflation and aggressive Federal Reserve policy – the general anxiety level remains heightened. The year that just ended featured double-digit losses for both stocks and bonds, with the bond market turning in the worst year on record. At the beginning of last year, we mentioned that while returns over any 12-month period are very difficult – if not impossible – to predict, looking over the longer-term (seven to 10 years) we see an environment featuring low starting bond yields, moderating growth, and elevated valuations across most asset classes that could weigh on portfolio returns. We are currently updating our Capital Market Assumptions and will publish them soon. These projected longer-term asset class returns are an important input in our asset allocation process and help shape our thoughts on the markets.

While it is true that last year was difficult, there are several reasons to be slightly more optimistic about 2023 in terms of potential returns. The weakness of 2022 resulted in more attractive valuations across many asset classes, which increases the prospects for forward returns. For example, one of the best predictors of forward bond returns is starting yields. The 10-year Treasury began 2022 with a yield of 1.51%. Fast forward 12 months and the starting yield is more than twice that at almost 4%, significantly increasing the prospects of future returns for fixed income.

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

With that in mind, the Benjamin F. Edwards Investment Strategy Committee recently went through the exercise of making "predictions" of events that individual members believe have at least a 50% chance of happening over calendar year 2023. These predictions ranged in category from the markets and economy to politics and sports, and a few were tongue-in-cheek. We then compiled those into a list of the predictions that appeared on the most individual lists from the group members.

Before turning to the current outlook, we would point out that we did this same exercise last year and had a batting average that would be the envy of any major leaguer. Last year's five major predictions included:

1. The S&P 500 will have at least a 10% drawdown during 2022.
2. Value will outperform growth during 2022.
3. The 10-year Treasury will climb above 2.25% this year.
4. International (developed and emerging) equities will outperform U.S. equities in 2022.
5. A Republican sweep in the mid-terms and President Biden having the opportunity to nominate a new Supreme Court justice prior to the November mid-term elections will occur.

We were correct on four out of five, although we weren't nearly bearish enough on bonds and, in fairness, emerging markets outperformed the Nasdaq but lagged both the S&P 500 and Dow.

In terms of 2023, the range of outcomes for the markets and the economy featured a higher level of dispersion than last year, but a consensus did form around the following:

- The S&P 500 will revisit the 2022 lows and end the year flat to slightly higher. The committee believes the first half of the year could feature a difficult environment for equities. The Fed has indicated that additional interest rate increases are coming, earnings growth is expected to be minimal to negative, and the possibility of a recession still exists. However, as we work through the year, we are mindful of the fact that stocks tend to bottom in a recession and consecutive negative years for equities are not common.

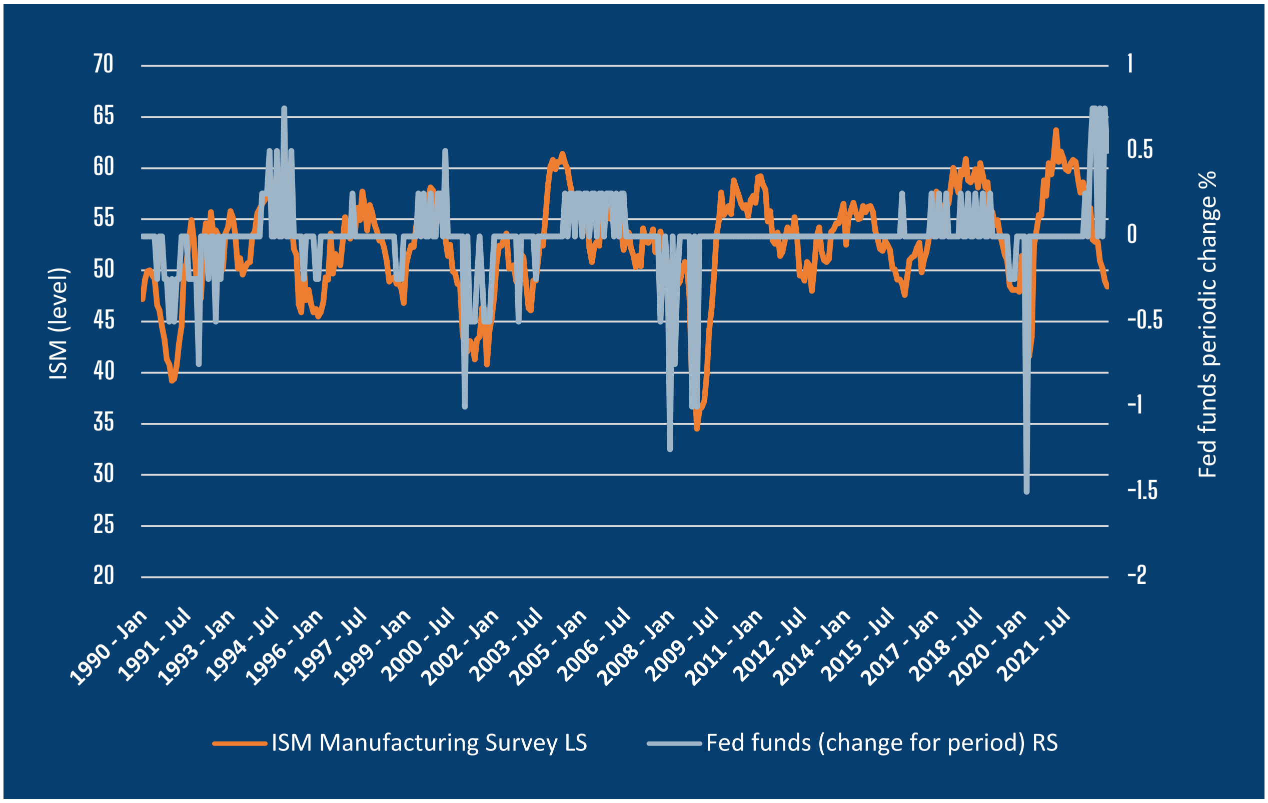
- Inflation will continue to moderate and be a positive surprise. CPI remained elevated in December, with the year-over-year reading at 6.5%. However, over the past six months the month-over-month readings have declined significantly, culminating in a -0.1% change for December. And, both the November and December readings when annualized were negative. That is consistent with data from both Institute for Supply Management Surveys (services and manufacturing) on prices. It is also worth noting that supply chains, a major contributor to the inflation spike, continue to improve. The data suggests that by summer CPI could print with a 3% handle.

- The Fed will finish its tightening cycle in first half of 2023. This is a widely-held view in the market with which we agree. The futures markets are currently priced for an additional 50 basis points in cumulative tightening and a peak Fed funds rate of 5%. With the lag of monetary policy, the cumulative effects are now starting to be felt to their full degree and financial conditions (i.e., credit spreads, the dollar) have tightened significantly along with monetary policy. One indicator we watch is the ISM manufacturing survey. Typically, when it is below 50 (as it has been the last two months) the Fed is easing (see chart). We are of the view the Fed will stop raising rates at the end of Q1 or the beginning of Q2, and the markets will start to focus on the possibility of a Fed pivot later this year.

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Institue for Supply Management Manucaturing Survey

Fed Funds Monthly Change



Source: Haver

- Regarding the economy, the committee stopped short of predicting a recession, (although a couple of individual members did) but the outlook remains for restrained economic activity. There are several indicators that point towards a recession, but low unemployment and declining inflation offset some of those concerns.

In closing, predicting calendar year returns for the markets is relatively impossible to do on a consistent basis. However, the themes of the Fed ending interest rate increases, moderating inflation, and the reset to current valuations – combined with the market's history – do give us some degree of confidence that many of the aforementioned predictions will manifest themselves to some degree. And while these are interesting things to note, our guidance for longer-term focused investors remains unchanged: hold a diversified portfolio, be resistant to panic and euphoria, actively manage risk through disciplined rebalancing, and align your portfolio with your individual goals.

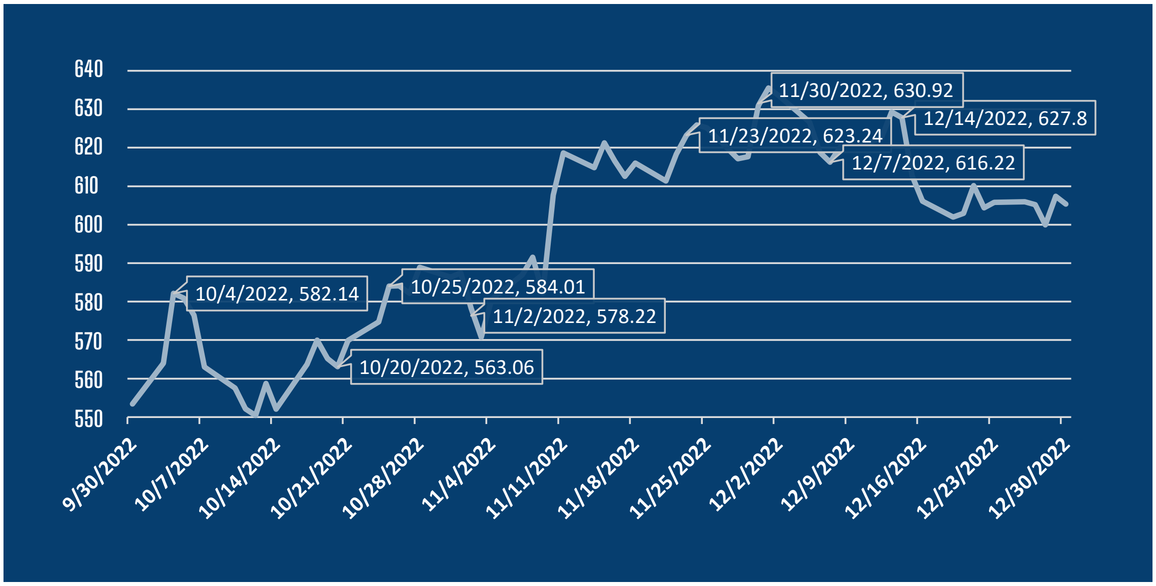
BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Key Q4 Dates

- October 4 - Stocks kickoff the best two-day start to quarter since 1938.
- October 20 - Existing home sales decline to lowest in 10 years amid higher interest rates.
- October 25 - Average 30-Year Mortgage rate tops 7%; highest since 2002.
- November 2 - Federal Reserve hikes benchmark interest rate by 75 bps at November FOMC meeting.
- November 25 - Flash reading on U.S. Manufacturing activity slips into contractionary territory.
- November 30 - Fed Chairman Powell indicates the central bank may begin to "moderate the pace of rate increases."
- December 7 - Beijing's policy shift from zero-Covid provides tailwind to the Hang Seng Index capping its best monthly gain since 2003 (+23.7%).
- December 14 - Fed raises rates 50 bps, the smallest increment of 2022.

Global Stock Market
MSCI ACWI in USD



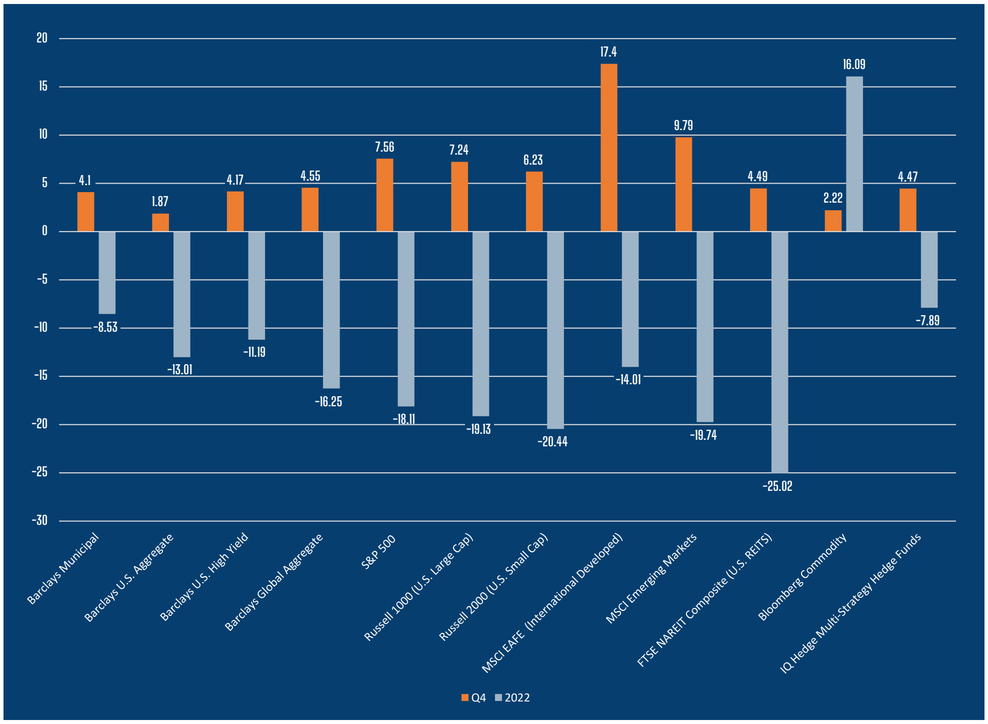
Source: Bloomberg

BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Asset Class Returns

Q4 2022



Source: Conway

Fixed Income

- Yields across the globe moved higher to end 2022. This led to losses in traditional core fixed income for December, although Q4 was a good one for fixed income.
- Municipals bucked the trend due to favorable technical factors coming back into the market.
- High yield lagged while other credit/spread sectors eked out small gains.
- U.S. dollar weakness provided another significant boost for non-U.S. assets.

Equities

- U.S. equities exhibited weakness to end the year, led down by tech/growth stocks and small caps.
- Large caps beat small caps, and value led growth within large caps. There was little dispersion between small cap value and small cap growth last month.
- The S&P 500 ended 2022 down 18.1%.
- Non-U.S. equities provided relative outperformance versus U.S. equities in December. The EAFE Index gained 0.1%.
- Value beat growth across developed market equities.
- Emerging market equities fell slightly last month with broad weakness in Asia and Latin America being offset by the strong rebound in China.
- The weaker U.S. dollar boosted EAFE returns by 310 bps and emerging market returns by 60 bps.

Alternatives

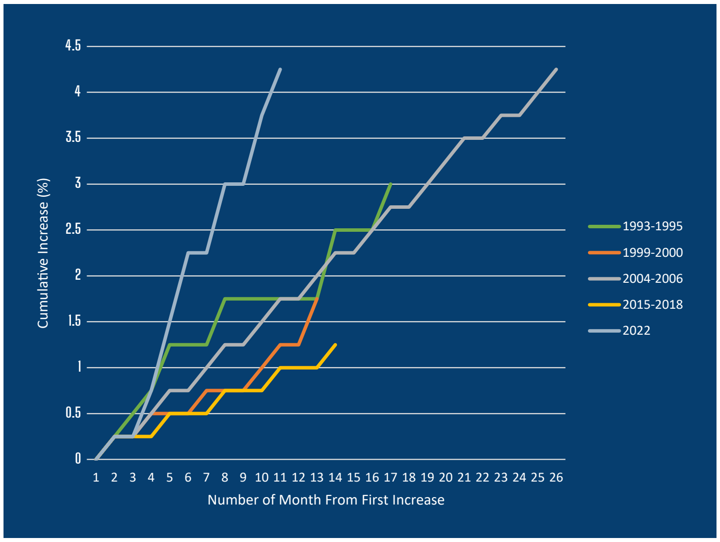
- Real estate was significantly weaker in December but posted positive returns for Q4. Higher interest rates hurt REITs for most of 2022 although they traded more in line with equities last month.
- Commodities were weak last month and continued the gradual decline in place since June of this year.

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Fiscal and Monetary Policy Highlights

The Fed Has Moved Fast This Cycle

Last Five Tightening Cycles



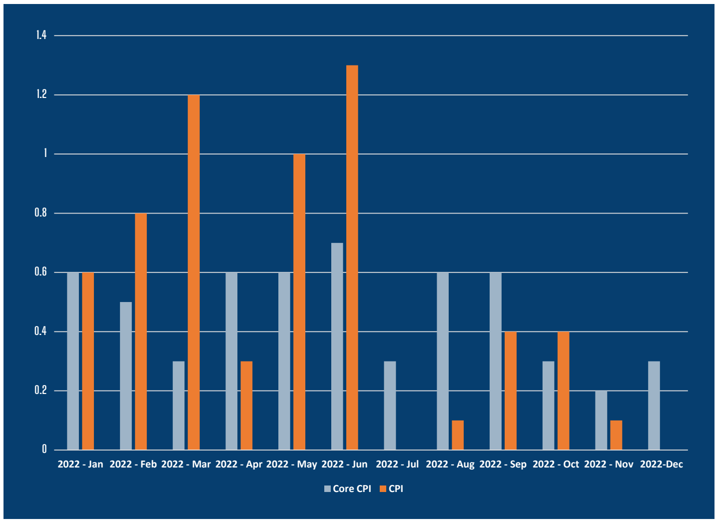
Source: Benjamin F. Edwards

- The Fed raised rates at both meetings in Q4. In December, the Fed raised the target Fed funds rate 50 bps, the smallest increase to date for this tightening cycle.
- To date, this has been one of the fastest tightening cycles on record with the Fed having increased rates a total of 4.25% in just 10 months.
- The Fed's rhetoric remains hawkish, with the summary of economic projections released in September indicating the Fed sees the Fed funds rate rising to a range of 5% to 5.25% in 2023.

Inflation

CPI and Core CPI

Month-over-month % Change



Source: Haver

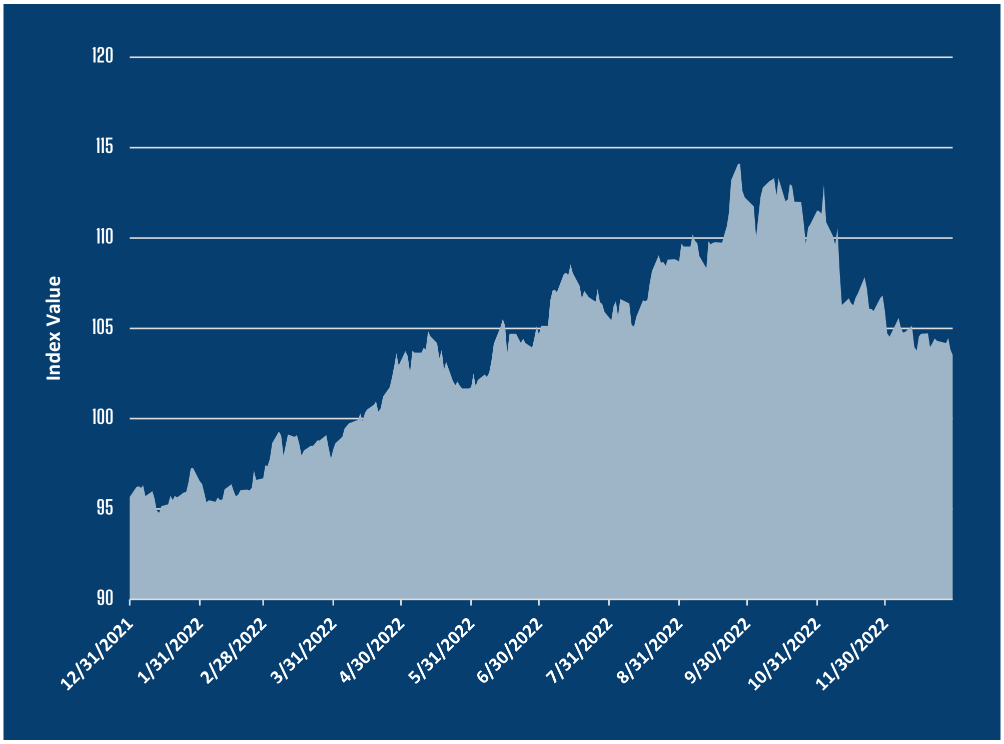
- Inflation has been trending down in the second half of 2022.
- In November, the annualized rate of change for CPI was negative.

BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

U.S. Dollar

U.S. Dollar Index
2022



Source: Bloomberg

- After a period of pronounced strength, the U.S. currency weakened in Q4.
- A weaker dollar is a tailwind for U.S. investors in international markets. The dollar has been generally strong since the Global Financial Crisis, favoring domestic stocks and bonds.
- The U.S. dollar Index tracks the strength of the dollar against a basket of major currencies including the Euro, Japanese yen, British pound sterling, Canadian dollar, Swedish krona, and the Swiss franc.

BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

U.S. Treasury Curve

The U.S. Treasury yield curve inverted more deeply during the quarter. The spread between the two-and ten-year Treasury reached the deepest inversion since early 1980.

Treasury Yield Curve

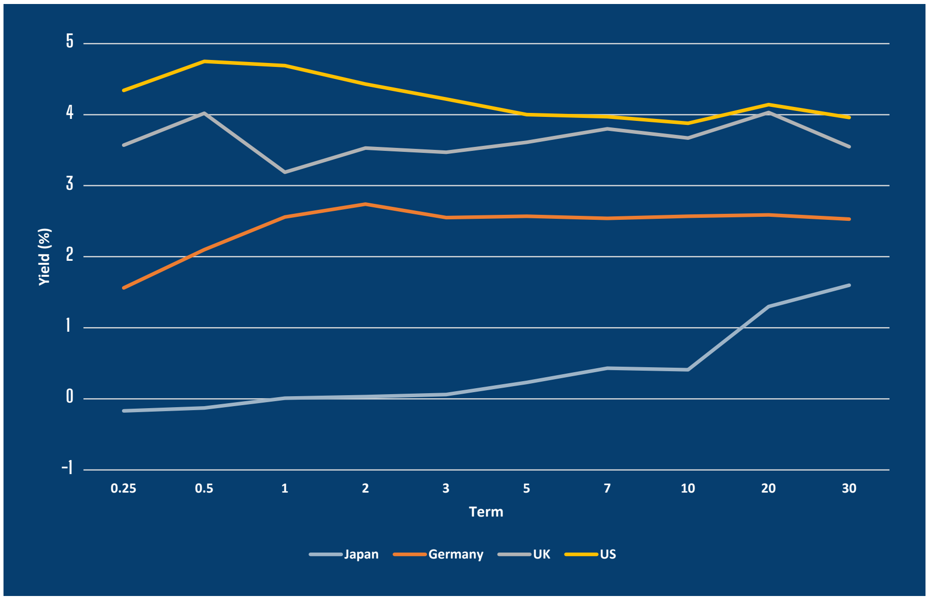
Source: Bloomberg

Government Bond Curves

Global yield curves generally flattened as central banks raised rates to combat inflation.

Government Bond Yield Curves

End of Q4 2022



Source: Bloomberg

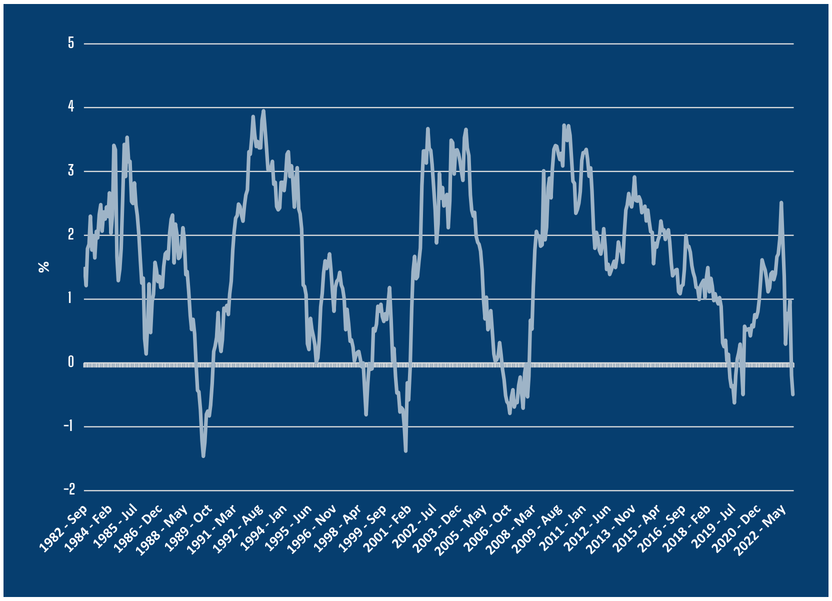
One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Yield Curve

As the Fed continued to aggressively raise interest rates, the inversion of the yield curve deepened. The target Fed funds rate climbed above the 10-year Treasury during Q4.

The Yield Curve

10-Year Treasury less Target Fed Funds



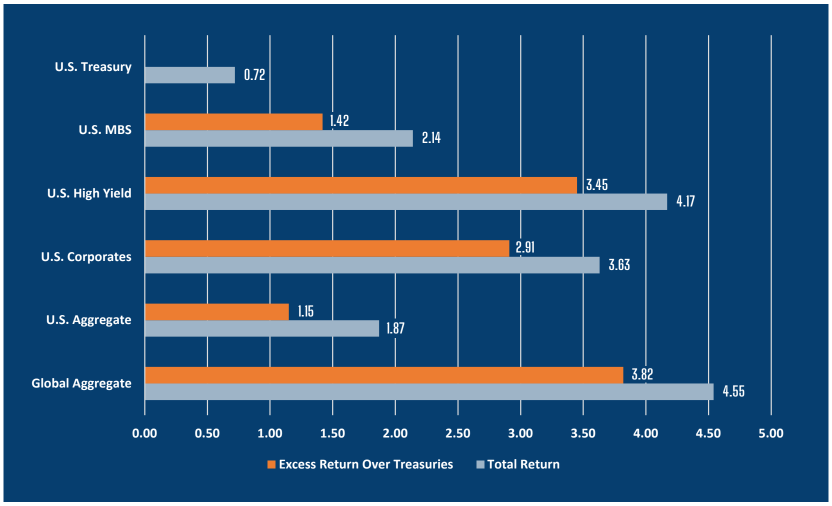
Source: Bloomberg

Fixed Income Performance (Q4)

Fixed income as an asset class posted positive returns in Q4. It has been a difficult year for most fixed income strategies on a combination of higher bond yields and weaker stocks. However, bonds stabilized as yields and credit spreads stabilized during Q4.

Fixed Income Performance

Q4 2022



Source: Bloomberg

BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

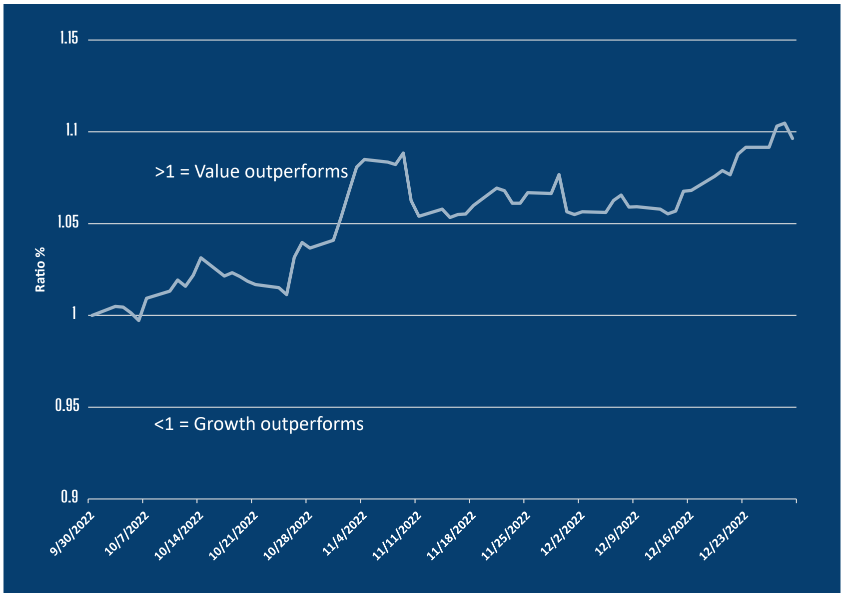
One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Equity – Value vs. Growth

Value outperformed growth during Q4.

Large Cap Value/Large Cap Growth – Q4 2022

Russell 1000 Value/Russell 1000 Growth



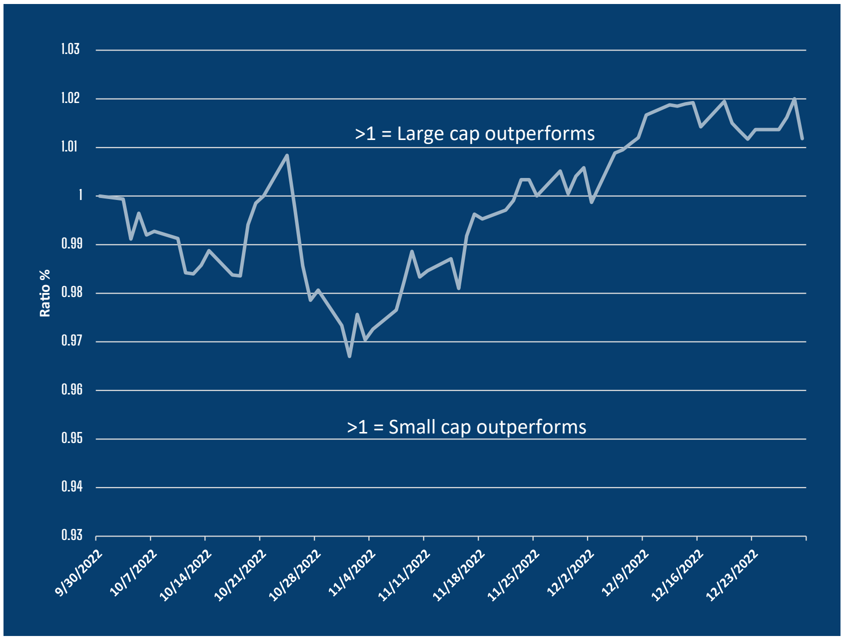
Source: Bloomberg

Equity – Large vs. Small

Large cap slightly outperformed small cap during Q4 particularly in value-oriented stocks.

Large Cap/Small Cap – Q4 2022

S&P 500/Russell 2000



Source: Bloomberg

BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

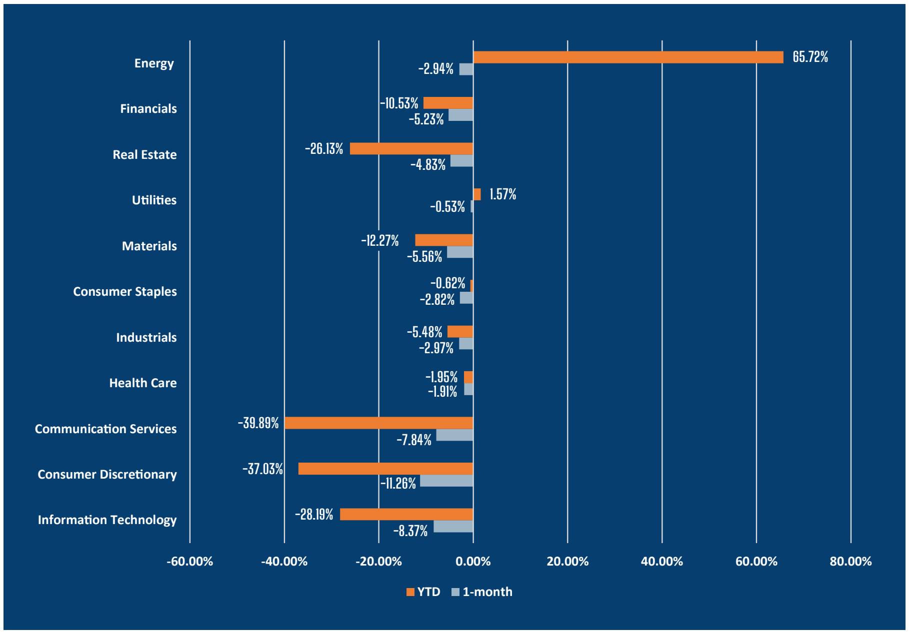
One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

U.S. Equities – Return by Sector

Despite a generally soft December, equities finished the quarter higher. 2022 was tough year with only the energy and utility sectors positive.

S&P 500 Sector Returns

Year to Date and 1-month

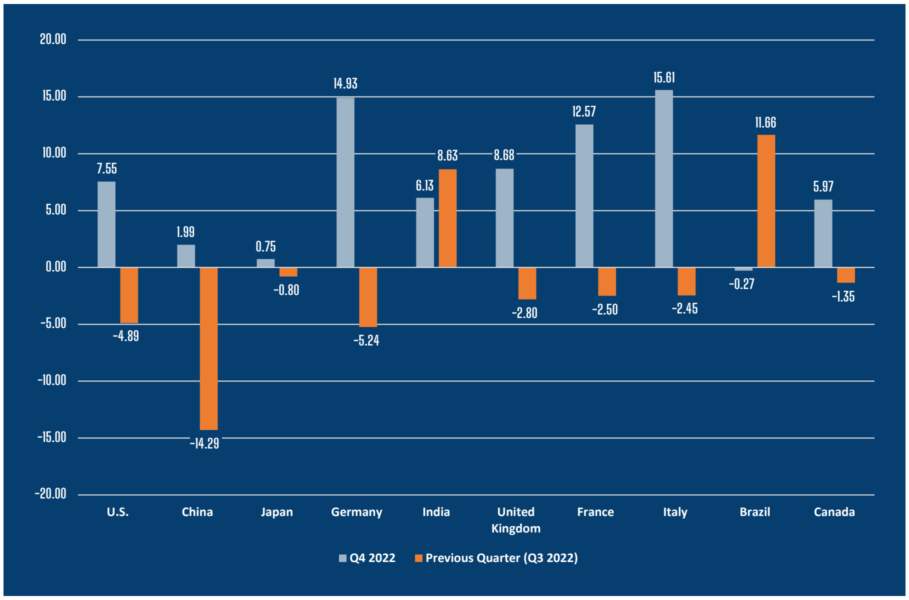


Source: Conway

Country Total Returns (%) – 10 Largest Economies

Global equities generally rebounded in Q4. U.S. investors in international equities benefitted from the tailwind of a weaker dollar during the quarter.

Country Total Equity Market Returns



Source: Bloomberg

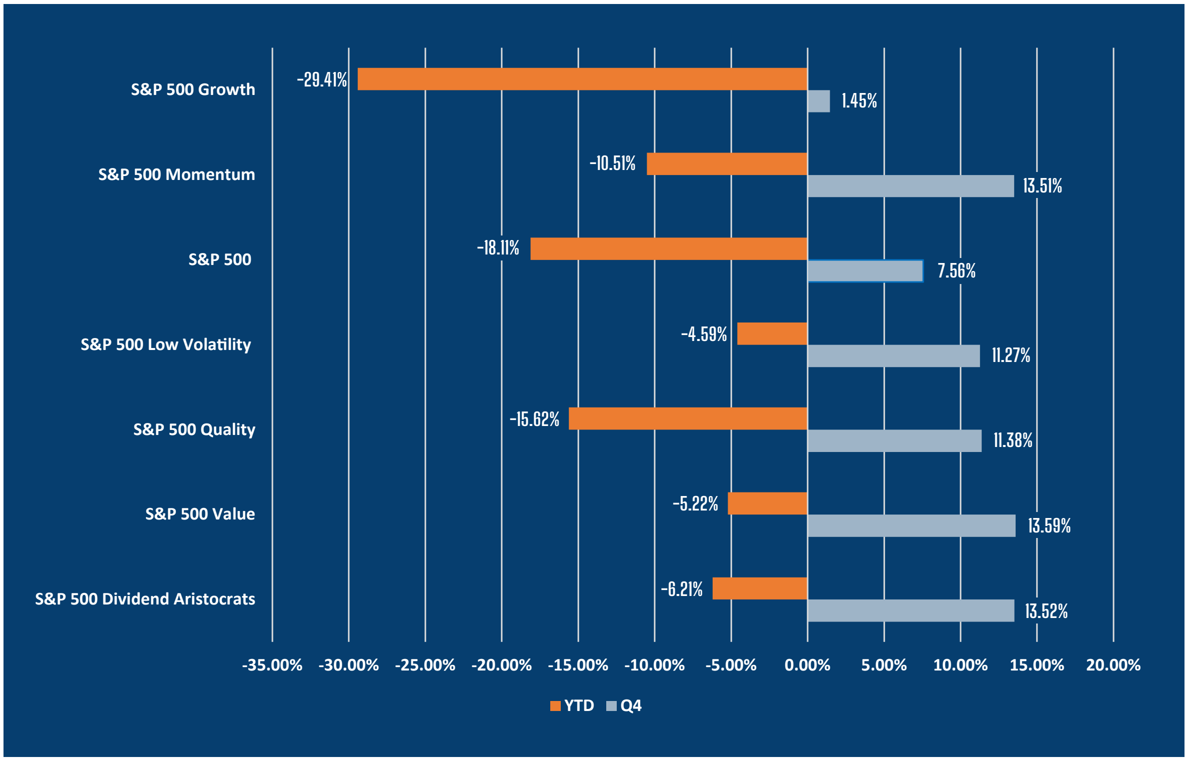
BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

U.S. Equity Factors – Total Return Q4

All the core factors were higher for the quarter and value-oriented factors continued to outperform, as has been the case all year.

Total Return: Core Factors
Q4 and YTD 2022



Source: S&P

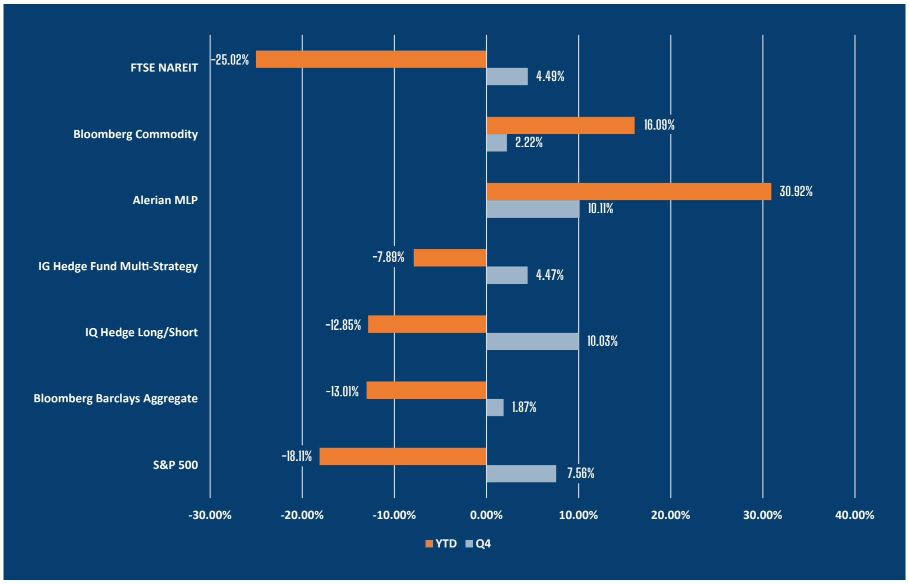
BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Alternative Returns

Consistent with most other traditional asset classes, alternative strategies were generally higher in Q4 as the markets rebounded.

Alternative Returns
Q4 and YTD 2022

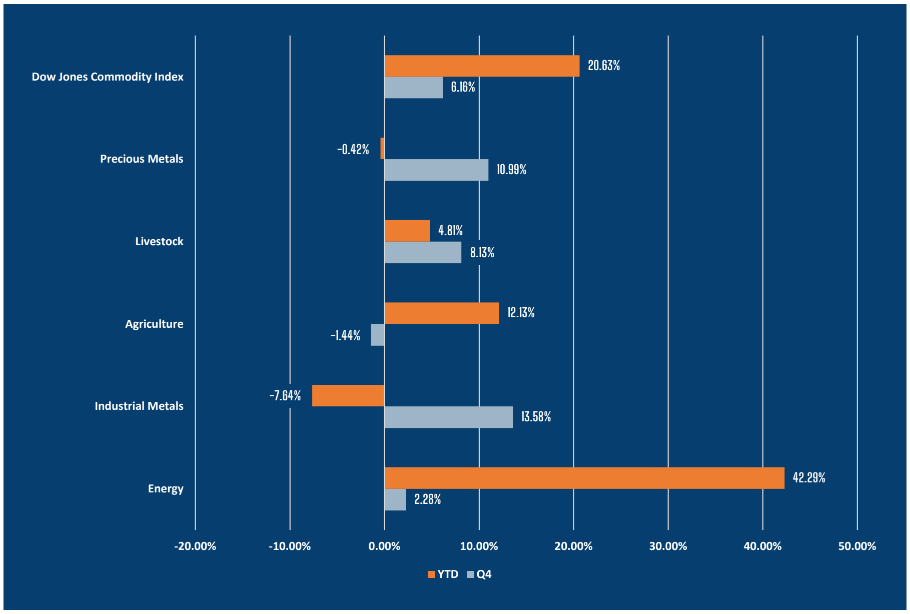


Source: Conway

Commodities

Commodities were generally higher in Q4 and broadly higher for the year.

Commodity Performance
Q4 and YTD 2022



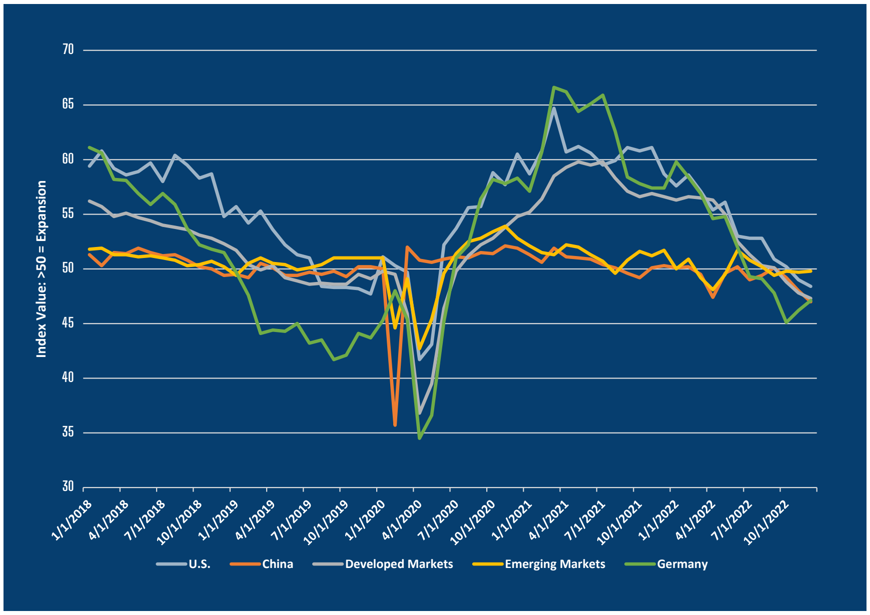
Source: S&P

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

PMI Composites

The Purchasing Managers Index (PMI) is a survey-based measure of the prevailing direction of trends in the manufacturing sector. Readings >50 equal expansion and <50 contraction. By this measure, the global economy continued to soften during Q4.

Global Manufacturing Surveys



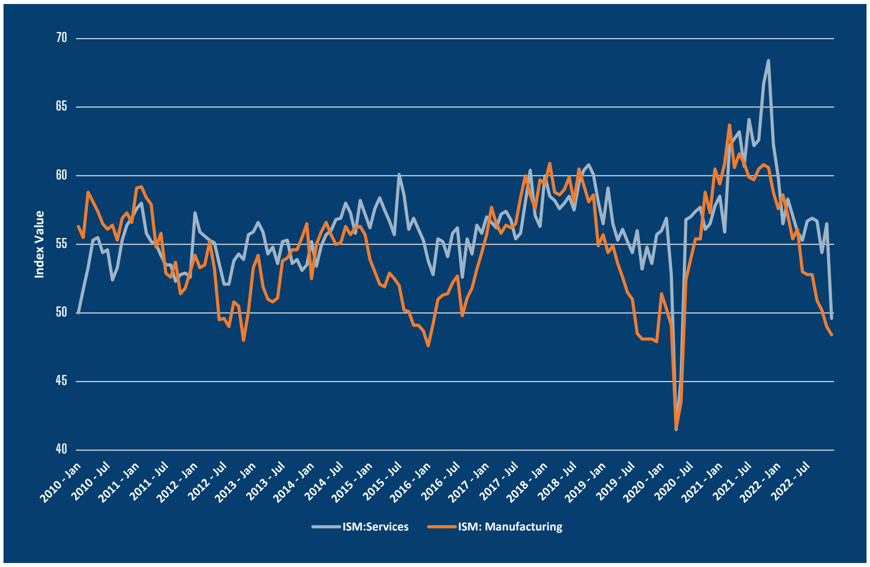
Source: Bloomberg, Haver

Surveys

Both domestic ISM surveys (manufacturing and services) dipped into contractionary readings at the end of Q4. Survey data can be misleading at inflection points, but still a concern.

Institute for Supply Management Service and Manufacturing Surveys

>50=Expansion, <50=Contraction



Source: Haver

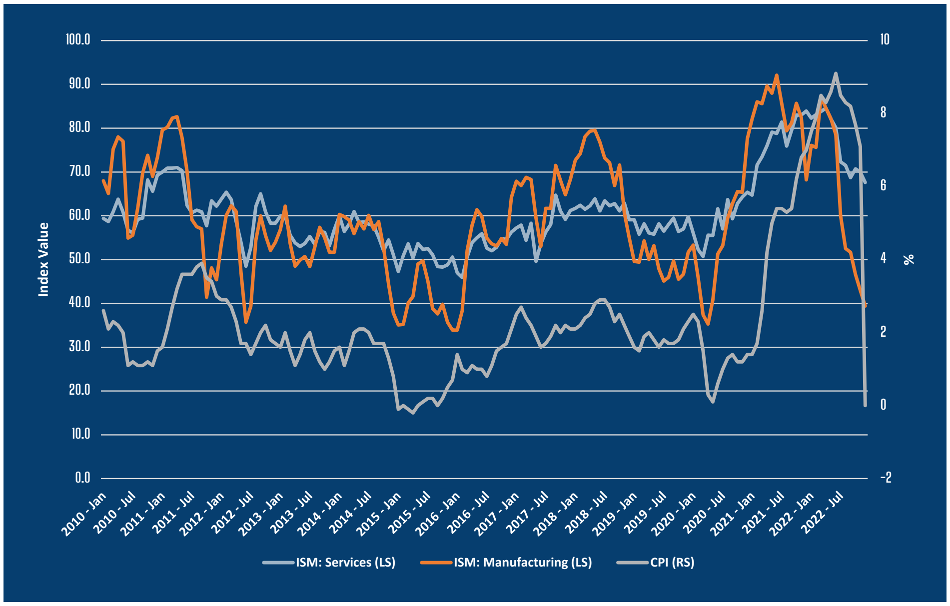
BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Inflation

The CPI index is declining from levels seen in early 2022. This is consistent with survey-based price indicators.

CPI vs. Survey-Based price Indices



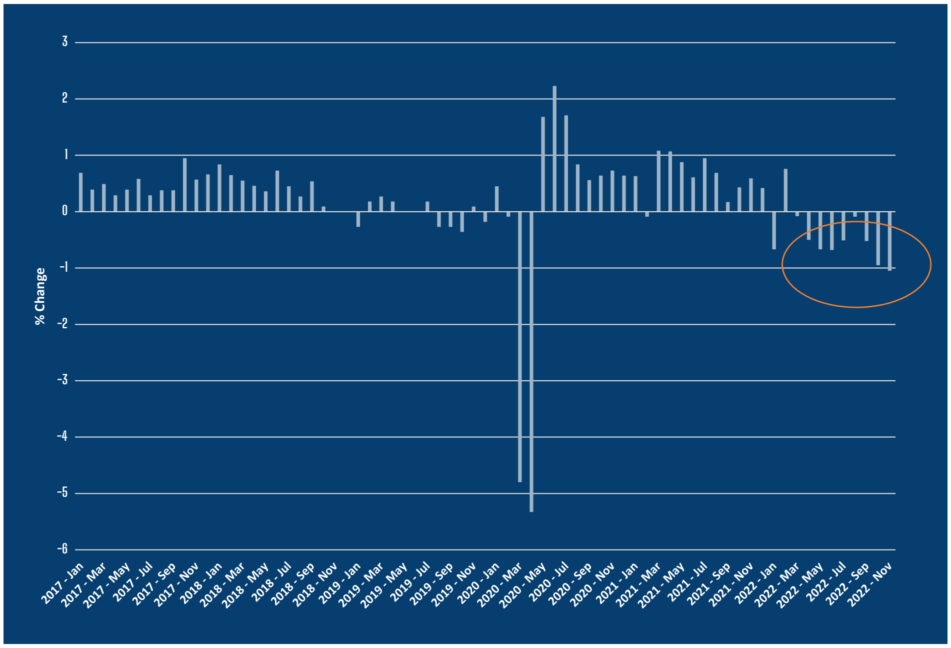
Source: Haver

Leading Economic Indicators

The leading economic indicator index has fallen nine consecutive months through November. This has signaled a recession with 100% accuracy since 1959.

Leading Economic Indicators

Month over Month % change



Source: Haver

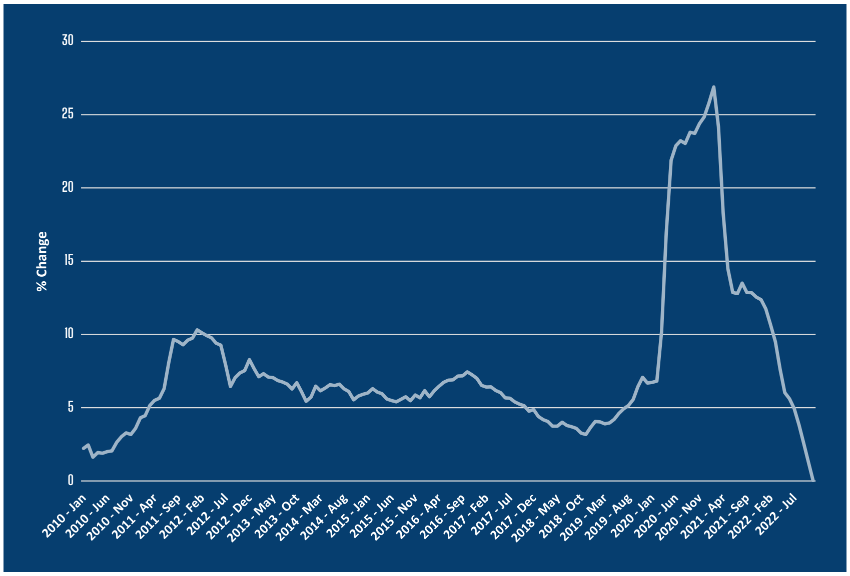
BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Liquidity

M2 money supply has collapsed as quickly as it surged.

U.S. M2 Money Supply
Year over Year % Change

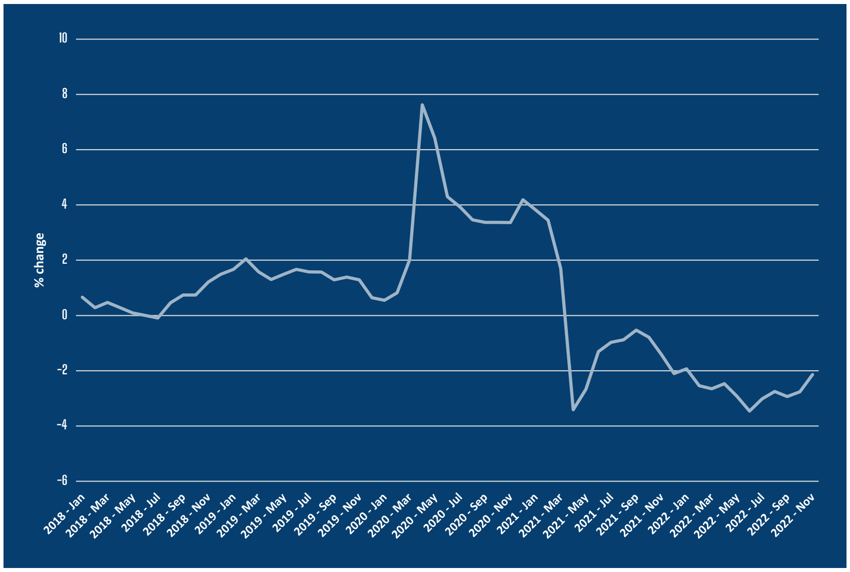


Source: Haver

Wages

High inflation has resulted in negative real (inflation adjusted) wages, negatively impacting consumer spending and the economy.

Real Wages
Year over Year Change



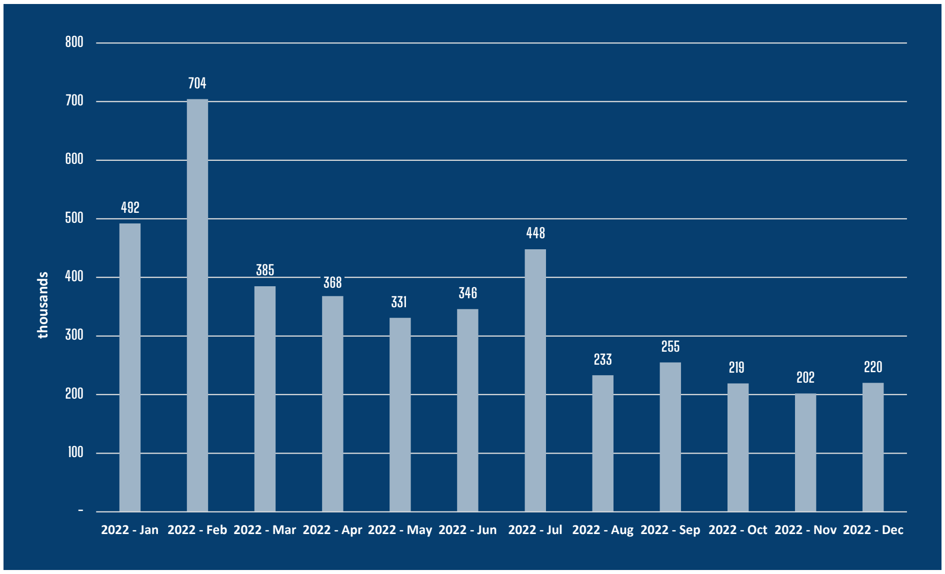
Source: Haver

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

Employment

The economy added in excess of 4.2 million workers to private industry payrolls in 2022.

All Employees: Total Private Industries Change - Period to Period



Source: Haver

Recession

The probability of a recession in 2023 has increased by most measures.

Indicator	Recession Probability
*FRB of New York Treasury spread 12 months ahead	38%
FRB implied recession risk	22%
Bloomberg survey	65%

*FRB – Federal Reserve Board

Source: Haver, Bloomberg

BENJAMIN F. EDWARDS®
INVESTMENTS for GENERATIONS®

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

December 30, 2022	MTD	QTD	YTD	1-Year	3-Year	5-Year	10-Year
Fixed Income Indices							
Barclays U.S. Treasury Bill 1-3 Month	0.35%	0.89%	1.52%	1.52%	0.70%	1.22%	0.73%
Barclays Municipal	0.29%	4.10%	-8.53%	-8.53%	-0.77%	1.25%	2.13%
BBgBarc U.S. Govt/Credit Intermediate	-0.45%	1.87%	-13.01%	-12.88%	-2.74%	0.02%	1.05%
Barclays U.S. Aggregate	-0.62%	4.17%	-11.19%	-11.19%	0.05%	2.31%	4.03%
Barclays U.S. High Yield	0.42%	2.71%	-0.63%	-0.60%	2.55%	3.31%	3.67%
S&P/LSTA Leveraged Loan	0.54%	4.55%	-16.25%	-16.06%	-4.43%	-1.66%	-0.45%
Barclays Global Aggregate	2.16%	8.45%	-11.69%	-11.53%	-6.04%	-2.51%	-2.04%
JPM GBI EM Global Diversified	-4.87%	-4.73%	-18.57%	-20.63%	-7.06%	-3.92%	-2.43%
U.S. Equity Indices							
DJ Industrial Average	-4.09%	16.01%	-6.86%	-7.02%	7.41%	8.38%	12.45%
S&P 500	-5.76%	7.56%	-18.11%	-18.32%	7.77%	9.43%	12.75%
NASDAQ Composite (Price)	-8.73%	-1.03%	-33.10%	-33.51%	5.37%	8.68%	13.46%
Russell 1000	-5.81%	7.24%	-19.13%	-19.35%	7.46%	9.13%	12.56%
Russell 1000 Growth	-7.66%	2.20%	-29.14%	-29.51%	7.87%	10.96%	14.30%
Russell 1000 Value	-4.03%	12.42%	-7.54%	-7.54%	6.09%	6.67%	10.47%
Russell Mid Cap	-5.40%	9.18%	-17.32%	-17.36%	6.01%	7.10%	11.15%
Russell 2500	-5.95%	7.43%	-18.37%	-18.41%	5.11%	5.89%	10.24%
Russell 2000	-6.49%	6.23%	-20.44%	-20.56%	3.19%	4.13%	9.24%
Russell 2000 Growth	-6.42%	4.13%	-26.36%	-26.59%	0.73%	3.51%	9.43%
Russell 2000 Value	-6.56%	8.42%	-14.48%	-14.47%	4.80%	4.13%	8.70%
Non-U.S. Equity Indices							
MSCI World	-4.21%	9.89%	-17.73%	-17.86%	5.53%	6.69%	9.53%
MSCI ACWI	-3.90%	9.88%	-17.96%	-18.01%	4.54%	5.75%	8.62%
MSCI ACWI Ex-U.S.	-0.71%	14.37%	-15.57%	-15.30%	0.52%	1.36%	4.28%
MSCI EAFE	0.11%	17.40%	-14.01%	-13.96%	1.35%	2.03%	5.15%
MSCI EAFE Growth	-1.11%	15.08%	-22.69%	-22.64%	0.79%	2.85%	5.95%
MSCI EAFE Value	1.31%	19.73%	-4.95%	-4.89%	1.29%	0.79%	4.09%
MSCI Europe	0.04%	19.42%	-14.53%	-14.37%	1.97%	2.48%	5.20%
MSCI Japan	0.29%	13.26%	-16.31%	-16.31%	-0.53%	0.60%	5.85%
MSCI AC Asia	0.02%	12.08%	-18.28%	-17.83%	-1.07%	0.01%	4.76%
MSCI EAFE Small Cap	1.10%	15.85%	-21.02%	-20.95%	-0.50%	0.35%	6.60%
MSCI ACWI Ex-U.S. Small Cap	0.21%	13.39%	-19.57%	-19.35%	1.55%	1.08%	5.67%
MSCI Emerging Markets	-1.35%	9.79%	-19.74%	-19.13%	-2.45%	-1.03%	1.81%
MSCI EM Asia	-0.77%	10.92%	-20.76%	-19.99%	-1.09%	-0.28%	3.92%
MSCI China	5.21%	13.53%	-21.80%	-20.27%	-7.51%	-4.40%	2.65%
MSCI EM Eastern Europe	5.16%	38.56%	-82.06%	-82.06%	-42.65%	-24.37%	-13.03%
MSCI EM Latin America	-3.92%	5.95%	9.51%	9.54%	-4.44%	-0.69%	-1.82%
MSCI EM Small Cap	-0.96%	8.33%	-17.54%	-17.13%	5.65%	1.49%	3.60%
MSCI Frontier Markets	-1.47%	-0.75%	-26.05%	-25.48%	-3.25%	-2.19%	3.60%
Hedge Fund Indices							
IQ Hedge Long/Short	-2.69%	10.03%	-12.85%	-12.93%	5.58%	11.64%	--
IQ Hedge Multi-Strategy	-0.97%	4.47%	-7.89%	-7.88%	-0.62%	0.76%	2.20%
Real Assets Indices							
FTSE NAREIT Composite	-5.04%	4.49%	-25.02%	-24.89%	-0.19%	3.98%	6.92%
Alerian MLP	-4.69%	10.11%	30.92%	33.10%	9.65%	4.08%	2.16%
Bloomberg Commodity	-2.45%	2.22%	16.09%	15.79%	12.42%	6.44%	-1.29%
S&P Global Infrastructure	-2.20%	11.04%	-0.17%	0.25%	1.75%	3.88%	6.56%
Other							
Oil Price Brent Crude	0.56%	-2.33%	10.45%	8.31%	7.87%	5.14%	-2.44%
CBOE Market Volitility (VIX)	5.30%	-31.47%	25.84%	25.04%	13.50%	14.44%	-0.47%

Source: Morningstar

One North Brentwood Boulevard, Suite 850
St. Louis, Missouri 63105
TF (855) 382-1600
www.benjaminfedwards.com

The information provided is based on internal and external sources that are considered reliable; however, the accuracy of this information is not guaranteed. This piece is intended to provide accurate information regarding the subject matter discussed. Investing involves risk including the potential loss of principal. No investment strategy, including asset allocation and diversification, can guarantee a profit or protect against loss in periods of declining values. Past performance is no guarantee of future results. Indexes are unmanaged and investors are not able to invest directly into any index. This information does not constitute a solicitation or an offer to buy or sell any security mentioned.

Equity investments refer to buying stocks of U.S. companies as well as companies outside of the U.S. The market capitalization of U.S. companies is used to group large, medium (mid) and small companies. The investment return to the owner of stock (shareholder) is in the form of dividends and/or capital appreciation. Shareholders share in both the upside potential and the downside risk. Dividends are not guaranteed and are subject to change or elimination.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions. Distributions from REIT investments are taxed at the owner's tax bracket.

The return of principal for bond funds and funds with significant underlying bond holdings is not guaranteed. Fund shares are subject to the same interest rate, inflation and credit risks associated with the underlying bond holdings. Lower rated bonds are subject to greater fluctuations in value and risk of loss of income and principal than higher rated bonds. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline of the value in your investment.

Benjamin F. Edwards® & Co. (BFE) is a dually-registered broker-dealer and investment adviser and member of FINRA and SIPC, and its affiliate Benjamin F. Edwards Wealth Management℠ LLC, d/b/a Edwards Wealth Management℠ (EWM) is an SEC-registered investment adviser. BFE and EWM are affiliates through their common ownership by Benjamin Edwards, Inc. Depending on the context, the name Benjamin F. Edwards® refers to either EWM, BFE or both.