Raymond Capital Advisors, LLC

July 29, 2023

Stock & Bond Benchmark Total Returns (%) For Periods Ending June 30, 2023					
	QTR	1-Year	3-Years	5-Years	10-Years
Standard & Poor's 500	8.74	19.59	14.60	12.31	12.86
Bloomberg Barclays U.S. Aggregate Bond	-0.84	-0.94	-3.97	0.77	1.52
60% Stocks / 40% Bonds TAA Composite Index	4.86	11.24	7.09	7.94	8.45
3-month Treasury Bills	1.16	3.86	1.41	1.52	0.98
Inflation (CPI)	1.08	2.97	5.78	3.90	2.71

Returns (%) include capital gains, dividends and interest. All data **annualized** for periods greater than one year.

60% Stocks / 40% Bonds TAA Composite Index is rebalanced monthly. Sources: S&P Dow Jones Indices, Morningstar, Federal Reserve.

Market Review: Overcoming Crises and Restoring Confidence

As we reflect on the recent financial landscape, it is evident that the banking crisis, which emerged in March, did not lead to widespread bank failures. Thanks to the collaborative efforts between the FDIC, Treasury, and the Federal Reserve, confidence was restored, and measures were implemented to contain further contagion. Additionally, a last-minute deal to raise the debt limit prevented a default on the federal debt. These collective actions have had a positive impact on consumer spending, economic growth, and corporate earnings, exceeding the expectations of many in the Wall Street community.

With the risks of a recession significantly diminished, the growing confidence in the economy has propelled the stock market forward. Over the quarter, stocks gained 8.74%, resulting in a year-to-date return of 16.89% for the Standard & Poor's 500 Total Return Stock Index. Conversely, bonds returned -0.84% for the quarter but have still managed to gain 2.09% year-to-date, according to the Bloomberg Barclays U.S. Aggregate Bond Total Return.

Moreover, the introduction of OpenAI's ChatGPT has sparked enthusiasm for artificial intelligence and mega-cap technology-oriented stocks. These advancements hold the potential to increase productivity, reduce inflation, and enhance economic growth. However, it is crucial to note that this tech rally has resulted in extremely narrow leadership within the stock market. Astonishingly, only seven tech-oriented stocks have accounted for 79% of the S&P 500's year-to-date return. This concentration of gains is unprecedented, with the percentage of stocks outperforming the Standard & Poor's 500 Index falling to a record low of 20% during the past quarter, a trend that hasn't been observed since 1972.

Throughout the quarter, RCA has taken a prudent approach to rebalancing portfolios. We have maintained overweight exposures to the Technology sector while increasing our overweights to Industrials and reducing our exposure to Financials. Furthermore, we have added exposure to mid-cap and small-cap Value stocks, as well as international stocks through Exchange Traded Funds, in our Multi-Cap Core Equity strategy. Balanced strategies have also adjusted their fixed income portfolios by lengthening maturities. Exposure to inflation-protected bonds via an Exchange Traded Fund was also recently removed.

Outlook: Striving for a Soft Economic Landing

While the economy has displayed remarkable resilience, inflation remains a primary concern for the Federal Reserve. They have acknowledged the receding inflation and slowed down the pace of rate hikes. However, the Fed also plans to maintain higher rates for a longer duration to reach their 2% inflation target. Notably, the current Fed Funds target rate, ranging from 5.25% to 5.50%, exceeds inflation levels (CPI year-to-year = 3.0%, Core PCE Price Index Y/Y = 4.8%). This places the rates in what is known as "restrictive territory," where higher rates could impact the economy and earnings. Furthermore, higher yielding fixed income instruments pose competitive risks for stocks.

Looking ahead, it is important to recognize that stock prices have already incorporated a significant amount of positive news regarding the economy and inflation since reaching their lows last October. While it is common for valuation multiples and investor sentiment to lean towards high optimism in the early phases of new bull moves, they also pose potential risks for moderate stock market pullbacks. **Nevertheless, with the economy improving and inflation receding, our long-term fundamental outlook carries a positive bias.**

Additionally, historical evidence suggests that rare periods of narrow stock market leadership, such as the recent AI frenzy, have often been followed by favorable outperformance from smaller-cap stocks in five out of five cases, and Value-style stocks three of four cases since 1980. These areas appear to be promising opportunities for outperformance in the quarters ahead. For those interested, the studies below from Ned Davis Research, Inc. provide further detail.

Small > large after periods of narrow leadership

Russell 2000/1000 Ratio Performance After Percent of S&P 500 Stocks Outperforming Index in Last Three Months Falls Below 30%

Date	21 Days Later (%)	63 Days Later (%)	126 Days Later (%)	252 Days Later (%)
3/27/80	3.2	6.6	20.0	26.2
12/11/80	1.6	5.5	15.5	7.6
9/10/99	-1.3	-0.2	27.6	6.3
3/21/00	-7.5	-3.8	-4.0	5.8
8/31/20	0.3	11.3	27.3	11.7
4/5/23	-0.6	N/A	N/A	N/A
Mean	-0.7	3.9	17.3	11.5
Median	-0.1	5.5	20.0	7.6
% Positive	50.0	60.0	80.0	100.0
All Periods Mean	0.0	0.1	0.2	0.4

Three months = 63 trading days. Repeat signals over 126 trading days screened out.
Sources: S&P Dow Jones Indices, FTSE Russell.

Ned Davis Research T_SSF23_202

Value > Growth after periods of narrow leadership

NDR Multi-Cap Growth/Value Ratio Performance After Percent of S&P 500 Stocks Outperforming Index in Last Three Months Falls Below 30%

Date	21 Days Later (%)	63 Days Later (%)	126 Days Later (%)	252 Days Later (%)
12/11/80	-4.8	-7.1	-12.0	-11.9
9/10/99	4.5	21.2	74.6	27.6
3/21/00	-20.6	-16.2	-20.7	-63.1
8/31/20	-1.2	-5.8	-12.9	-3.0
4/5/23	4.9	N/A	N/A	N/A
Mean	-3.4	-2.0	7.3	-12.6
Median	-1.2	-6.4	-12.4	-7.4
% Positive	40.0	25.0	25.0	25.0
All Periods Mean	0.2	0.6	1.1	2.6

Three months = 63 trading days. Repeat signals over 126 trading days screened out.
Source: S&P Dow Jones Indices.

Ned Davis Research T_SSF23_203

We encourage you to carefully consider these insights and consult with us to make informed investment decisions. We will continue to diligently monitor the market and provide you with timely updates.

Warm regards,
Geoff & Lance

Raymond Capital Advisors, LLC
A Retirement Wealth Advisor

This market commentary is for informational purposes only and does not constitute a solicitation or offer to buy or sell any security, future, option or other financial instrument or to offer or provide any investment advisory or other services to any person in any jurisdiction by Geoffrey P. Raymond, CFA®, Lance J. Stonecypher CFA®, RMA® or Raymond Capital Advisors, LLC. Nothing contained in this market commentary constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed in this commentary should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this commentary, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information. Any views expressed by us were prepared based upon the information available at the time and we are under no obligation to review or update our views. Changed or additional information could cause such views to change. Information may quickly become unreliable for various reasons, including changes in market conditions or economic circumstances. Investors should carefully consider the investment objectives, risks, charges and expenses of Raymond Capital Advisors strategies. This and other important information about our Strategies are contained in our brochure, which can be obtained by calling (941) 504-1842 or emailing us at raymondcapitaladvisors@gmail.com.