

Client Update

January 2023

“Don’t forget, what happens in Washington D.C. does NOT determine your investment outcomes.”

A look back at 2022

With inflation reaching a high of 9.1% in June of 2022, and the Federal Funds rate rising from 0.25% to 4.50% during 2022, it certainly was an unprecedented year in certain respects. Below is a chart that we have been covering with many of you in our recent meetings. It shows the full-year performance of both the S&P 500 (“The Stock Market”) and the Barclays Aggregate Bond Index (“The Bond Market”) for the calendar year of 2022 without dividends and interest reinvested.

For the year as a whole, **Large-Cap Stocks were down -18.34%** (including dividends reinvested) **and the bond market was down -12.88%** in 2022 (including dividends/interest reinvested). Many of you who have significant bond investments will notice that your portfolios held up much better than the indices due to the shifts we made for you before rates began to rise. For many clients, our shifting from being over-weight Large growth stocks down -29.14% (see highlighting on attached data chart) to Large-Cap Value/Dividend stocks (down only -7.56%), also helped your portfolios hold up somewhat better as well. This is very good as it should take less time for your portfolio to bounce back when we get to the recovery phase. After the 2008 Downturn, it took only 2-4 years to fully recover all losses, and even less for those with a Balanced Portfolio of both stocks and bonds. Always remember, that you are not invested in “The Market” and turn off the news... it is not helpful :)



The double-digit declines in the bond market marks the worst Calendar Year returns for bonds in over 97 years! Many investors may not have even realized that bonds can lose that much! At this point however, after the decline in prices and rise in yields, bonds have become somewhat attractive again. Historically once the FED stops hiking interest rates, bonds enjoy a period of the steadier positive returns investors desire.

Looking forward to 2023 and Beyond

Kicking off 2023, analysts are not overly optimistic for a stock market rally in the first half year, but many do expect a rebound to begin sometime in the 2nd half. For instance, Barron’s sees stocks continuing to slide in the first half, especially if the Fed continues to hike interest rates and possibly push the economy into a full recession. They project stocks should begin to recover in the 2nd half of the year or early 2024.

In fact, the Economic data will likely get worse before it gets better, and the markets will probably be volatile for another 3-9 months yet. So do not get disheartened if economic data and headlines look bad, especially in the early stages of the year. This is all part of the bottoming process which takes place right before the recovery stage begins. Once stocks hit bottom and begin to turn up, it is often more powerful than investors anticipate; and you do NOT want to miss the first stage of the recovery, as a decent chunk of the losses are recovered fairly quickly. So, it would be fair to describe the beginning of 2023 as enduring some **short-term pain to realize longer-term gains**. Stocks almost always rally during the second half of a recession, as the stock market is looking 9 months ahead of economic data. We are not out of the woods quite yet, but we are getting closer! As always, we recommend that you Stay the Course, Stay Invested, and Stay on the Escalator. This is a normal correction of the markets and staying invested for the recovery is VERY important for your long-term goals and success.

Secure Act 2.0

Signed into law on December 26, 2022, the SECURE Act 2.0 (a follow up to the SECURE Act of 2019) has many provisions that impact individual retirement accounts and employer plans. The first notable change is the age at which you must draw your first Required Minimum Distribution (RMD). It is now moved back to age 73 for those who turn 72 or 73 this year. It will also get pushed to age 75 at a later date, and we will be tracking that for each of you moving forward. For now, those of you that turn 72 in 2023 won't have to draw until next year!

Roth Conversions

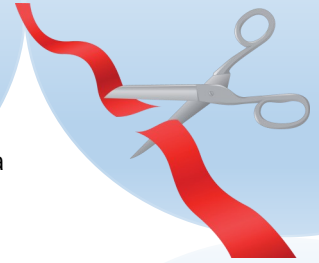
We highly recommend considering a Roth conversion, especially while the markets are down, for your Traditional IRA/401(k) assets if you are in or below the 12% tax bracket. When filing your taxes this spring, please let us know if your taxable income falls in this category and we can discuss this option at our next meeting! Some in the 22% tax bracket may want to consider this as well.

New Limits for IRA and 401(k) Contributions

2023 brings increased contribution limits for IRA and 401(k) accounts. If you are under age 50, the contribution limit for a Traditional or Roth IRA is \$6,500/year, and if you are age 50 or older, it is now \$7,500/year. For those of you that have automated contributions, we'll be reaching out to discuss potential adjustments to meet the new limits. Feel free to contact us with any questions as well. **Call 717-267-1426.** For those of you who contribute to your employer's retirement plan, those limits have increased as well. The limit for 2023 is \$22,500 and the catch up for those over age 50 is an additional \$7,500 (\$30,000 total for the year).

Our Expanding Office

Renovations on our expanded office (combining our current suite with the suite next door) will begin this month. We anticipate that they will be completed by summer. We plan to have a ribbon-cutting and Open House in May or June and look forward to showing you around once everything is fully renovated!



Client Appreciation

Client appreciation will be on **Thursday, September 7th** at the Grant Street Loft for lunch or dinner. We look forward to seeing you all again!



Who do I call?

If you have an investment related question, please email Chris AND Kristin (Chris@truNorthFS.com and Kristin@truNorthFS.com) and one of us will get back to you as soon as we can. For distributions, scheduling, and account maintenance questions you can reach out to both Jen AND Chastity (Jen@truNorthFS.com and Chastity@truNorthFS.com), or call (717) 267-1426.

2023 truNorth Holidays

If the Stock Market is open, we are open! Below is the NYSE 2023 holiday closing schedule:

Monday, January 2nd - New Years Day (Observed)

Monday, January 16th - Martin Luther King, Jr. Day

Monday, February 20th - Washington's Birthday

Friday, April 7th - Good Friday

Monday, May 29th - Memorial Day

Monday, June 19th - Juneteenth

Tuesday, July 4th - Independence Day * the Stock Market and our office will close at 1pm on Monday, July 3rd

Monday, September 4th - Labor Day

Thursday, November 23 - Thanksgiving * the Stock Market and our office will close at 1pm on Friday, November 24th

Monday, December 25th - Christmas Day



Total Returns (%)	1-WK	YTD	1-Year
Equity			
DJIA	-0.17	-6.86	-7.02
S&P 500	-0.12	-18.13	-18.34
NASDAQ	-0.28	-32.51	-32.93
MSCI World (ex-US)	0.03	-13.74	-13.61
MSCI EM	0.18	-19.94	-19.33
MSCI EAFE	0.07	-13.92	-13.86
MSCI ACWI	-0.03	-17.96	-18.01
MSCI ACWI Small Cap	0.39	-18.67	-18.59

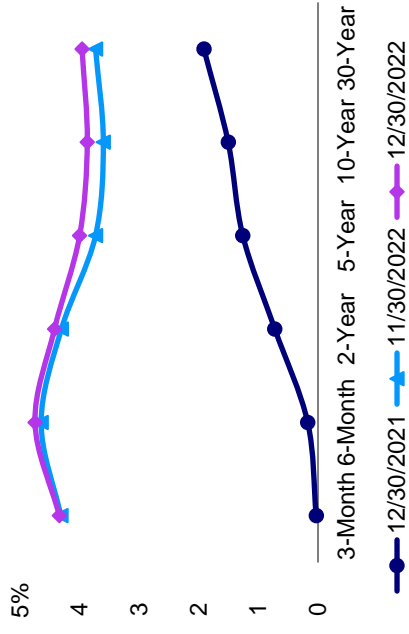
Fixed Income	1-WK	YTD	1-Year
BBG BARC Agg Bond	-0.65	-13.01	-12.88
BBG BARC Agg 1-3 Year	-0.11	-3.72	-3.72
BBG BARC High Yield	-0.93	-11.19	-11.19
BBG BARC Muni Index	-0.26	-8.53	-8.53
BBG BARC HY Muni	-0.79	-13.10	-13.10
FTSE Non-USD WGBI	-0.50	-22.07	-21.84
JPM GB+EM GI. Div. Index	-0.28	-11.39	-11.22
Alternative			
Alerian MLP Index	0.56	30.54	32.72
FTSE Equity REITs Index	-0.35	-24.92	-24.75
Gold	1.69	-0.13	0.67
US Dollar (DXY)	-0.76	8.21	7.87
BBG Commodity Index	0.31	16.09	15.79

Index	P/E	P/E	P/S
Characteristics	Forward 12M (X)	Trailing 12M (X)	Dividend Yield (%)
S&P 500	17.52	18.52	2.22
MSCI EAFE	12.31	13.59	1.28
MSCI EM	11.37	10.70	1.14

US Style Returns-Russell Indices

	1-Week		YTD	
	Value	Growth	Value	Growth
Large	0.16	-0.08	-7.56	-19.14
		-0.33	Large	-29.14
Mid	-0.09	-0.05	Mid	-17.33
		0.02	Mid	-26.71
Small	0.04	0.08	Small	-20.46
		0.12	Small	-26.39

US Treasury Yield Curve



	Close	Prior Week	Year End	Year Ago
Interest Rates (%)	12/30/22	12/23/22	12/31/21	12/30/21
Fed Funds Target	4.50	4.50	0.25	0.25
6-Month US Trsy	4.75	4.63	0.18	0.17
2-Year US Trsy	4.43	4.32	0.73	0.72
10-Year US Trsy	3.87	3.75	1.51	1.51

	12/30/22	12/23/22	12/23/22	5-Yr Avg
Spreads (bps)	12/30/22	12/23/22	12/23/22	5-Yr Avg
BBG BARC Agg Bond	80.58	81.72	81.72	43.74
BBG BARC High Yield	508.10	494.01	494.01	399.84
BBG BARC Muni Index	-32.63	-24.48	-24.48	1.54
BBG BARC HY Muni	195.43	200.10	200.10	238.75
Muni Yield over Trsy (%)	92%	93%	93%	101%

Total Returns (%)	1-WK	YTD	1-Year
US Factor Returns			
Value	0.35	-5.32	-5.39
Quality	0.08	-15.62	-15.63
Size	-0.02	-11.45	-11.41
Low Volatility	-0.57	-4.59	-4.31
Momentum	-0.23	-10.51	-10.64
Yield	-0.37	0.93	1.11
Static Multi-factor	-0.37	-10.92	-10.80
Dynamic Multi-factor	-0.10	-13.57	-13.79

ESG	ESG	S&P 500 ESG Index	MSCI World ESG Leaders	MSCI EM ESG Leaders
S&P 500 ESG Index	-0.21	-17.69	-17.89	-19.25
MSCI World ESG Leaders	-0.08	-19.15	-19.25	-21.99
MSCI EM ESG Leaders	0.31	-22.79	-21.99	-21.99

Y/Y: year-over-year. Q/Q: quarter-over-quarter. M/M: month-over-month. Please see important disclosures on last page. A Basis point (bps) is 1/100 of a percent. Index performance is shown for illustrative purposes only and does not predict or depict the performance of any investment. Each index is unmanaged and cannot be purchased directly by investors. **Past performance does not guarantee future results. Source: Bloomberg.**