SPECTRUM
INVESTMENT ADVISORS

Spectrum Investor®

Quarterly Newsletter
Q1 2023

Newsletter Summary

- Inflation Cools, Remains Well Above Average
- Stocks and Bonds Advance Off of 2022 Lows
- Key for 2023: Can U.S. Control Inflation Without Recession

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After a very challenging 2022, investors finally got some relief. Stocks and bonds both rose in the 4th quarter and in the month of January to start 2023 on a positive note.

Total Returns	2022	4th Qtr 2022	Jan 2023
U.S. Bonds	-13.0%	1.9%	3.0%
U.S. Stocks	-18.1%	7.6%	6.3%

U.S. Bonds: Bloomberg US Aggregate Bond Index
U.S. Stocks: S&P 500 Index

Long-term perspectives:

2022 was the first calendar year since 1969 that stock and bond indexes fell at the same time. Don't let the pain of last year fool you into thinking this is the new normal. The graphic on the right shows 2022 was extremely unusual. In the last 52 years (1970-2022), stocks and bonds have often provided diversification (when one is down the other is up), and the majority of the time both provided positive total returns. This is why we encourage investors to think long-term and stay invested in a balanced portfolio of stocks and bonds.

Counting the Years
1970-2022

When looking at calendar year performance, U.S. stocks and bonds both produced positive returns in 38 of the last 52 years (77% of the time) compared to just one year where they both lost (2022).

Both Down (1 Year)	Stocks Up Bonds Down (4 Years)	Stocks Down Bonds Up (10 Years)	Both Up (38 Years)
2022	2021	2018	2020
	2013	2008	2019
	1999	2002	2017
	1994	2001	2016
		2000	2015
		1990	2014
		1981	2012
		1977	2011
		1974	2010
		1973	2009
			2007
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			1970

Based on total return performance during each calendar year, January 1 through December 31.
Bonds 1970-1980: Ibbotson SBBI US Intermediate Govt Bond Index
Bonds 1981-2022: Bloomberg US Aggregate Bond Index
Stocks: S&P 500 Index

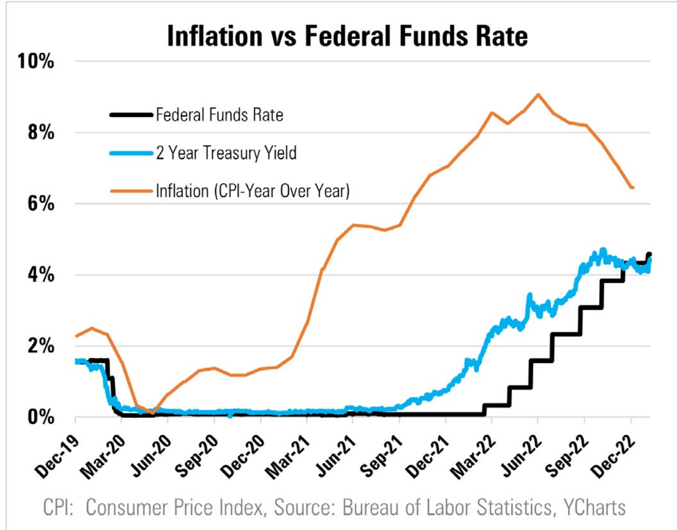
Bonds Yields are Back:

The Federal Reserve's aggressive inflation fighting rate hikes in 2022 spelled trouble for bonds in 2022. That is because bond prices fall when yields/rates rise.

The silver lining is that short-term bond yields are back above 4% for the first time since 2007. Inflation is also cooling as seen in the orange line in the chart to the right. That should allow the Fed to be less aggressive in 2023. The Fed expects to raise rates above 5% (up from 4.5% now) and hold there at least through year-end.

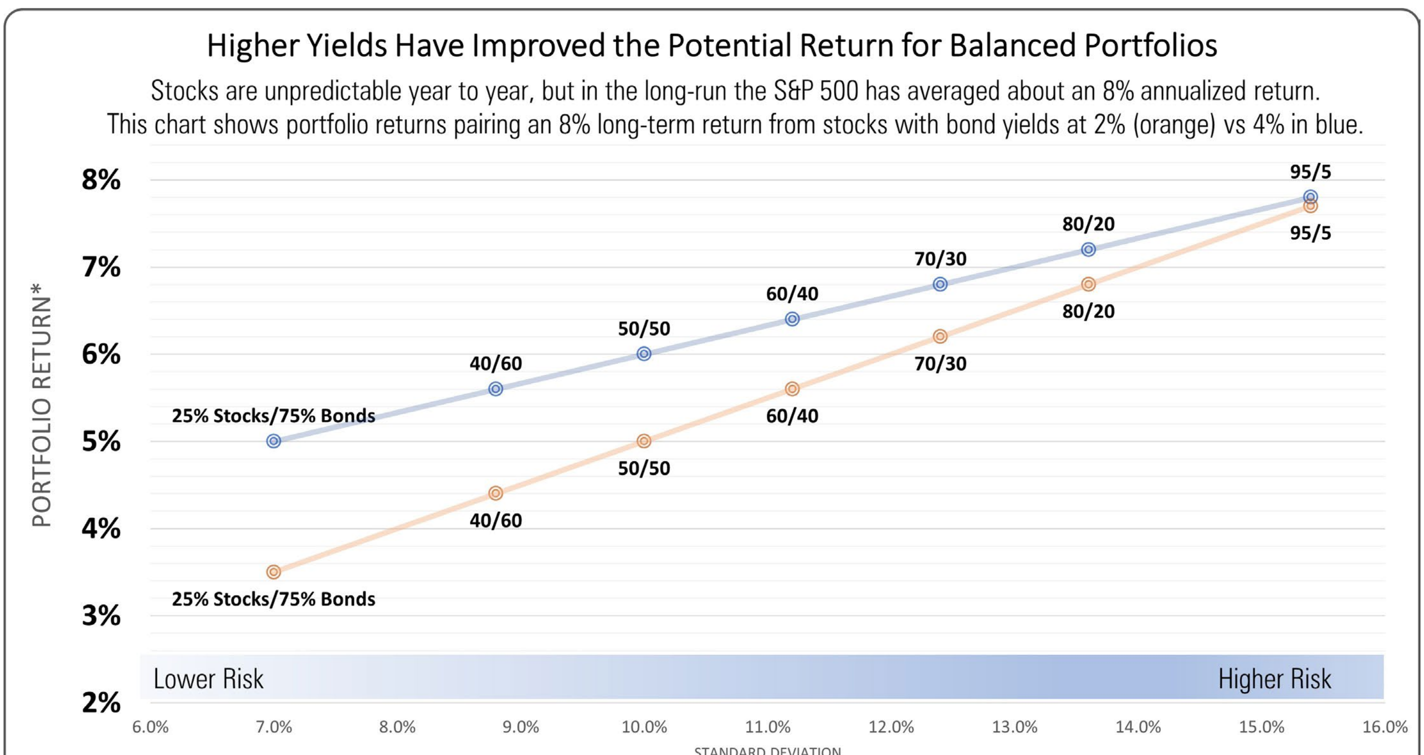
Higher interest rates should translate to higher bond returns. If you have been underweight bonds because of low yields, now may be a good time to reconsider your allocation.

We always encourage investors to think long-term. For those of you who wish to revisit your portfolio, please contact us at 800-242-4735.



Balanced Allocations:

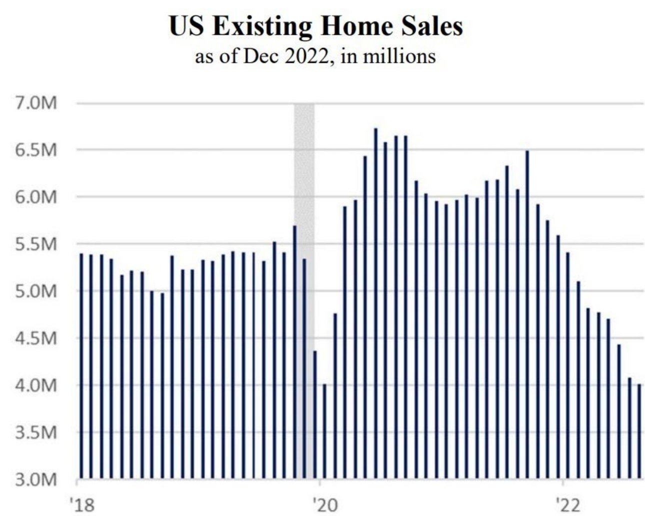
Stocks can be very volatile, but in the long-run the S&P 500 U.S. stock index has averaged about 8% per year. Adding bonds to your allocation can help reduce short-term risk. The benefit of higher bond yields at 4% today (versus 2% a year ago) is that you don't have to give up as much potential return when choosing a lower risk balanced allocation.



***This is a hypothetical illustration of long-term performance.**
It is not a guarantee or forecast of future returns and is not indicative of any investment.

Taking a Closer Look at Inflation:

Inflation will continue to be a key for markets in 2023. The table to the right shows a breakdown of inflation through January, 2023. These categories account for 85% of inflation (CPI). Goods make up 21 % of the Consumer Price Index. Goods inflation has eased to 1.4% from over 12% last February. People have bought less "stuff" since the reopening of the economy after COVID and supply has improved, in some cases so much that retailers have excess inventory. The Russian invasion of Ukraine disrupted food and energy supplies. One year since the invasion, food and electricity prices remain challenged. Shelter (housing) is the largest component of inflation. It includes rent and owners equivalent rent. Higher interest rates have slowed sales volume as seen in the charts below, but has not yet impacted prices or rents. Shelter will need to cool off for overall inflation to move lower.



- Existing home sales have decreased 10 months in a row.
- Decreasing home sales is a good sign for the fight against inflation, as the Federal Reserve wants to cool the overly hot housing market.

Source: YCharts, National Association of Realtors
Represents the total unit sales of homes that are already built.

Inflation Category	1 Year Change	Relative Importance*
Electricity	11.9%	3%
Food	10.1%	14%
Shelter	7.9%	34%
All Items	**6.4%**	**100%**
Medical Care	3.0%	7%
Consumer Goods*	1.4%	21%
Gasoline	1.5%	3%
Used Cars	-11.6%	3%

*Relative importance is the official waiting of each category in the overall Consumer Price Index (CPI) measurement. ^Consumer goods shown above are representing Commodities, less food and energy CPI category. Source bureau of labor statistics, January 2023.

Adjusted for Inflation:

The government adjusts numbers like retirement savings limits and social security each year based on inflation. With such high inflation, the adjustments were quite large this year. Here are a few examples: The average monthly social security check will increase $146 per month after an 8.7% cost of living adjustment effective in 2023. The annual contribution limit for 401(k) and 403(b) limits has increased from $20,500 in 2022 to $22,500 in 2023. For those over 50, the catch up contribution allows for an additional $7,500 in 2023. In Wisconsin, the state tax deduction for using the state 529 college savings program increased from $3,560 to $3,860 per beneficiary.

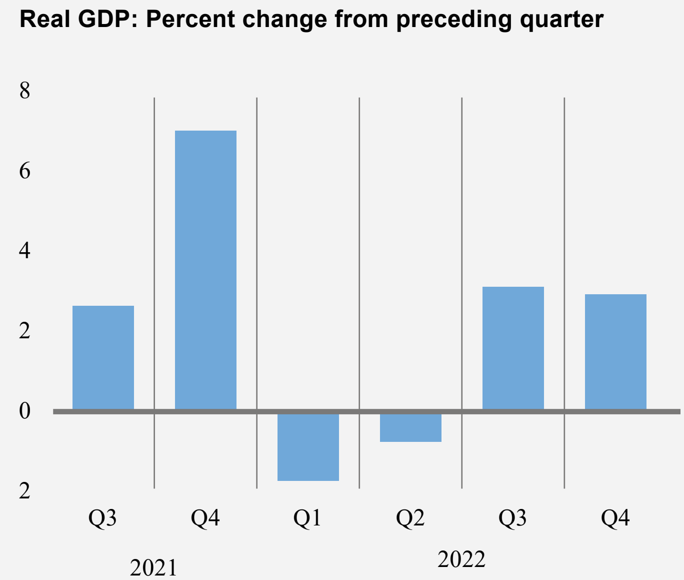
Recession Watch:

There are several indications and forecasts showing that chances of a recession in the U.S. are higher than normal in 2023. The most common forecast is for a "mild recession" with a few quarters of declining economic growth and unemployment rising 1-2%. We already saw declining GDP in 2022 (shown on the right), but unemployment continued falling (shown below).

One example of a mild recession is 1970 (which followed 1969 - the last time stocks and bonds declined in the same year prior to 2022). In 1970, the unemployment rate rose from 3.5% (very close to where it is today) to 6.1 % and U.S. Real GDP declined in two of the four quarters. The S&P 500 finished the year up 4%, but it was a volatile year with the S&P down 19% in the first half of the year.

Cooling inflation and falling interest rates helped spark the recovery in the second half of 1970. This is why inflation and interest rates will remain a key focal point for the stock market in 2023. The more inflation looks to be cooling, the better markets should do and vice versa.

A recession (mild or not) with rising unemployment does not make for an ideal environment for stocks. One thing to keep in mind is that markets are forward looking. The decline stock markets experienced in 2022 has already priced in a lot of recession risk.



U.S. Bureau of Economics. Seasonally Adjusted annual rates.

Stay Diversified & Think Long-Term:

Seeing losses in your portfolio or hearing about recession risk might raise the temptation to make changes. Timing the market is just too difficult.

In many cases, if you're in the right mix, your best option may be to do nothing. The late Jack Bogle, founder of Vanguard investments used to say "Don't just do something, stand there!"

If you feel compelled to make a change, do so in small increments of 5-10%. In some cases, that may be appropriate and we are here to help you walk through your decisions.

Spectrum Investor® Update

as of January 31, 2023

Morningstar Category Averages	Jan '23	1 Year	3 Year
Intermediate-Core Bond	3.12%	-8.75%	-2.33%
Allocation 50%-70% Equity	4.67%	-6.25%	4.55%
Large Cap Value	5.06%	0.27%	9.74%
Large Cap Blend	6.03%	-7.00%	9.18%
Large Cap Growth	8.54%	-16.08%	6.98%
Mid Cap Value	8.25%	2.28%	10.91%
Mid Cap Blend	8.18%	-1.07%	9.53%
Mid Cap Growth	8.63%	-10.97%	6.50%
Small Cap Value	9.47%	2.55%	12.46%
Small Cap Blend	9.18%	-1.27%	9.52%
Small Cap Growth	9.52%	-9.35%	7.22%
Foreign Large Cap Blend	8.29%	-5.32%	4.17%
Real Estate	10.40%	-11.60%	1.99%
Natural Resources	9.09%	8.58%	19.47%

Source: Morningstar, 3 yr return is annualized. Morningstar classifies categories by underlying holdings and then calculates the average performance of the category. Past performance is not an indication of future results. Returns in Blue = Best, Returns in Red = Worst. Please see Benchmark Disclosures on pg. 5

DOW: 34,086

NASDAQ: 11,584

S&P 500: 3,586

Barrel of Oil: $78.87

10 Yr T-Note: 3.52%

Inflation Rate: 6.4%

Unemployment Rate: 3.4%

Source: Yahoo Finance, bls.gov, ela.gov

In closing, we always encourage investors to think long-term. The chart to the left shows most categories are still up over the last three years despite the recent downturn. For those of you who wish to revisit your portfolio, please contact us at 800-242-4735. For more on the markets, click on the resources tab on our website www.spectruminvestor.com.

Data as of 1/31/23 unless otherwise noted. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors. The S&P 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. Barrel of Oil: West Texas Intermediate. Inflation Rate: CPI. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. Indices cannot be invested into directly.

To determine which investment(s)may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

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Benchmark Disclosures: Morningstar Category Averages: Morningstar classifies mutual funds into peer groups based on their holdings. The Category Average calculates the average return of mutual funds that fall within the category during the given time period. The following indexes and their definitions provide an approximate description of the type of investments held by mutual funds in each respective Morningstar Category. One cannot invest directly in an index or category average. Intermediate-Term Bonds: Bloomberg US Agg Bond Index–Measures the performance of investment grade, US dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS, ABS and CMBS. Allocation 50%-70% Equity–These funds invest in both stocks and bonds and maintain a relatively higher position in stocks. These funds typically have 50%-70% of assets in equities and the remainder in fixed income and cash. Large Cap Value: S&P 500 Value Index–Measures the performance of value stocks of the S&P 500 index by dividing into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Large Cap Blend: S&P 500 Index–A market capitalization-weighted index composed of the 500 most widely held stocks whose assets and/or revenue are based in the US. Large Cap Growth: S&P 500 Growth Index–Measures the performance of growth stocks drawn from the S&P 500 index by dividing it into growth and value segments by using three factors: sales growth, the ratio of earnings change to price and momentum. Mid Cap Value/Mid Cap Growth: S&P MidCap 400 Index–A market cap weighted index that covers the complete market cap for the S&P 400 Index. All S&P 400 index stocks are represented in both and/or each Growth and Value index. Mid Cap Blend: S&P MidCap 400 Index–Measures the performance of mid-sized US companies, reflecting the distinctive risk and return characteristics of this market segment. Small Cap Value: Russell 2000 Value Index–Measures the performance of small-cap value segment of Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values. Small Cap Blend: Russell 2000 Index–Measures the performance of the small-cap segment of the US equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. Foreign Large Cap Blend: MSCI EAFE NR Index–This Europe, Australasia, and Far East index is a market-capitalization-weighted index of 21 non-US, developed country indexes. Small Cap Growth: Russell 2000 Growth Index–Measures the performance of small-cap growth segment of Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. Real Estate: DJ US Select REIT Index–Measures the performance of publicly traded real estate trusts (REITs) and REIT-like securities to serve as proxy for direct real estate investment. Natural Resources: S&P North American Natural Resources Index– Measures the performance of US traded securities classified by the Global Industry Classification Standard (GICS) as energy and materials excluding the chemicals industry and steel but including energy companies, forestry services, producers of pulp and paper and plantations. Past performance is no guarantee of future results. This report is for informational purposes only and should not be construed as a recommendation or solicitation to buy or sell any security, policy or investment. PE Ratio is the measure of the share price relative to the annual net income earned by the firm per share. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Gross Domestic Product (GDP) is a comprehensive measure of U.S. economic activity. GDP measures the value of the final goods and services produced in the United States (without double counting the intermediate goods and services used up to produce them).