

Q3 2022

WEALTH SOLUTIONS CAPITAL MARKETS REVIEW

INDEX	PERIOD ENDING SEPTEMBER 30, 2022					
U.S. Equity Markets	Qtr	YTD	1 Yr Return	3 Yr Return	5 Yr Return	10 Yr Return
S&P 500 TR USD	-4.88	-23.87	-15.47	8.16	9.24	11.70
Russell 3000 TR USD	-4.46	-24.62	-17.63	7.70	8.62	11.39
Russell 3000 Value TR USD	-5.56	-17.97	-11.79	4.37	5.11	9.08
Russell 3000 Growth TR USD	-3.37	-30.57	-23.01	10.16	11.57	13.36
Russell 1000 TR USD	-4.61	-24.59	-17.22	7.95	9.00	11.60
Russell 2000 TR USD	-2.19	-25.10	-23.50	4.29	3.55	8.55
Non-U.S. Equity Markets						
MSCI ACWI Ex USA NR USD	-9.91	-26.50	-25.17	-1.52	-0.81	3.01
MSCI EM NR USD	-11.57	-27.16	-28.11	-2.07	-1.81	1.05
Fixed Income						
Bloomberg US Agg Bond TR USD	-4.75	-14.61	-14.60	-3.26	-0.27	0.89
Bloomberg US Treasury US TIPS TR USD	-5.14	-13.61	-11.57	0.79	1.95	0.98
Real Assets/Natural Resources						
DJ US Select REIT TR USD	-10.37	-29.32	-17.15	-3.29	1.95	5.49
S&P North American Natural Resources TR	-2.15	13.37	22.59	11.36	4.80	2.00

Past performance is not a guarantee of future results.



**GDP (LAGGING
INDICATOR)**

Q2 2022 (Third Estimate)

Decreased at annual
rate of 0.6%



**EXISTING
HOME SALES**

Thru August 31, 2022

Decreased by 0.4%



**UNEMPLOYMENT
RATE**

Thru August 31, 2022

Increased to 3.7%
(seasonally adjusted)



**CONSUMER
PRICE INDEX**

August 2022

Increased by 0.1%
(seasonally adjusted)

MARKET COMMENTARY

The U.S. equity market ended the third quarter down 4.5%. Stocks started the quarter strong after comments made by Fed Chair Jerome Powell suggested that interest rate increases may reverse in 2023. These gains were erased by the end of September, demonstrating the Fed's commitment to taming inflation at the expense of economic growth.

Growth stocks outperformed value stocks in the quarter for the first time in 2022. The potential for interest rate cuts in 2023 drove growth stocks higher at the start of the quarter, before retreating by the end of September. Meanwhile, small-cap stocks outperformed both the large- and mid-cap segments of the market. For the year-to-date period, large-cap stocks posted a return of -23.9% which outperformed mid- and small-cap stocks by approximately 0.4% and 1.2%, respectively.

International equities declined 9.9% during the quarter, with developed market stocks outperforming emerging markets stocks by 2.2 percentage points. For U.S.-based investors, every country posted negative returns for the period due, in part, to the continued strengthening of the U.S. dollar. As anticipated, the European Central Bank raised short-term interest rates to combat rising inflation. Rising rates, coupled with worsening economic data, drove developed European stocks to a -10.1% return during the quarter. Japanese equities (-7.7%) outperformed the broad market as several Japanese companies posted better than-anticipated earnings results in the period. China (-14.6%) reversed the positive performance experienced in the previous quarter due to weak economic data, real estate market concerns, and a resurgence in COVID fueled lockdowns. For the trailing 1-year period, Chinese equities were down 35.4%.

Preliminary estimates from a subset of core real estate managers indicate a modest positive return for the quarter. Over the last year, industrial and multi-family properties have performed better than holdings in the office and retail segments of the market.

The investment-grade U.S. fixed income market returned -4.8% in the third quarter. The Fed raised the target Fed Funds range to 3.00% — 3.25% with two 0.75% increases. Fed officials anticipate additional rate increases at upcoming meetings, with the target rate to exceed 4.25% by the end of the year. The 10-year treasury yield ranged from 2.60% to 3.97% during the period but ended at 3.83% — an increase of 0.85 percentage points from the previous quarter. Investment grade credits generated a -4.9% return and non-investment grade corporate bonds returned -0.6% for the period ended September 30.

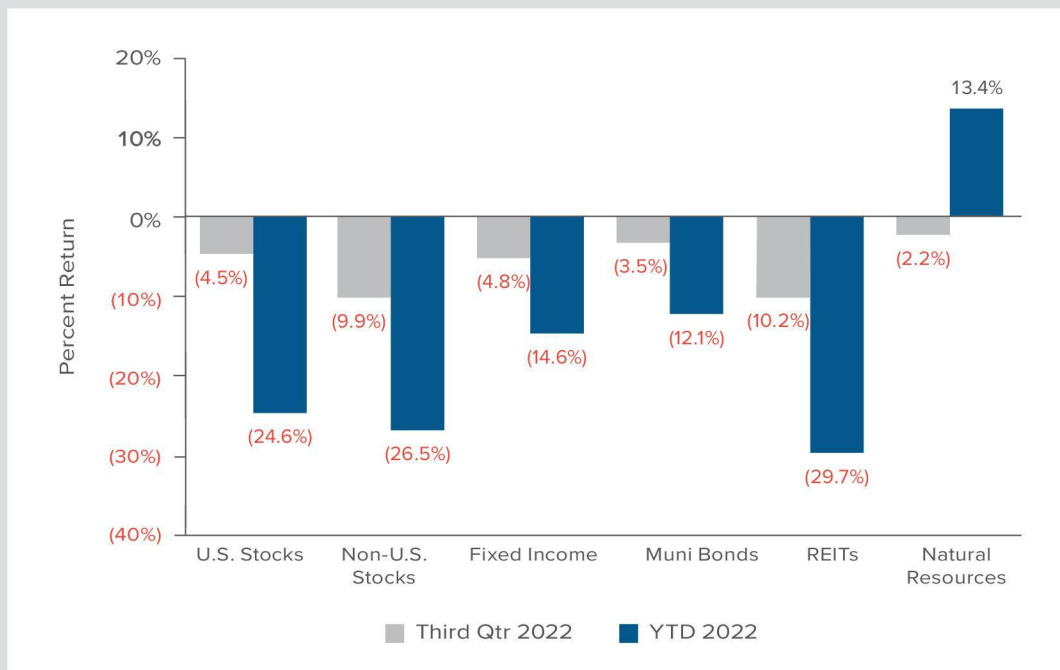
“With a good perspective on history, we can have a better understanding of the past and present, and thus a clear vision of the future.”

— Carlos Slim Helu

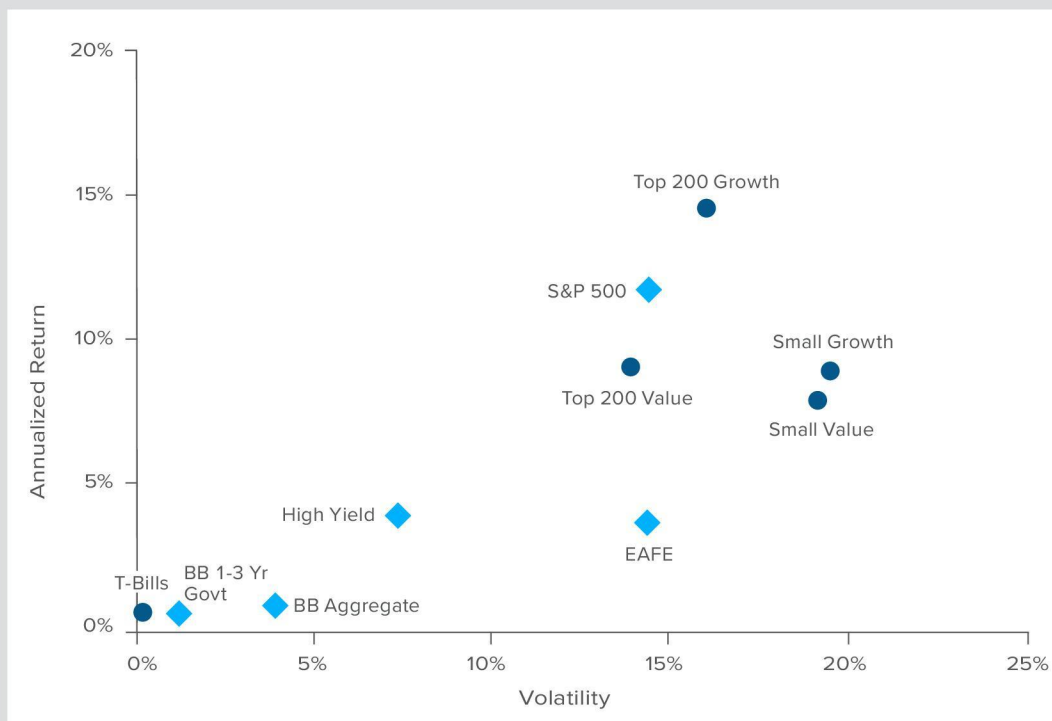
TIPS returned -5.1%, which underperformed nominal treasuries in the quarter. Fed action caused inflation expectations to decrease as indicated by the breakeven future inflation rate implied in 10-year U.S. TIPS, which ended the quarter at 2.15% versus 2.33% at the end of the second quarter. Municipal bonds declined 3.5% as rates rose across the yield curve. Developed market non-U.S. government bonds returned -3.3% on a local currency basis but declined 10.2% for U.S.-based investors due to the strengthening U.S. dollar. Emerging market bonds were down 4.6% at quarter-end.

MAJOR CAPITAL MARKET RETURNS

U.S. Stocks—Russell 3000, Non-U.S. Stocks—MSCI AC World ex U.S.,
Fixed Income—Barclays Aggregate, and U.S. Treasury Bills



RISK/RETURN – TRAILING 10 YEARS



Source of statistics not otherwise specifically cited within this newsletter: Strategic Capital Investment Advisors.

Definitions of the indexes shown here can be found at <https://mfinwealth.com/index-definitions>.

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The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy.

The Russell 3000 index measures the performance of the largest 3000 US companies representing approximately 98% of the investable US equity market. It is market-capitalization weighted.

The Russell 3000 Value index measures the performance of the broad value segment of US equity value universe. It includes Russell 3000 index companies with lower price-to-book ratios and lower forecasted growth values. It is market-capitalization weighted.

The Russell 3000 Growth index measures the performance of the broad growth segment of the US equity universe. It includes Russell 3000 index companies with higher price-to-book ratios and higher forecasted growth values. It is market-capitalization weighted.

The Russell 2000 Index measures the performance of the small-cap segment of the US equity universe. It is a subset of the Russell 3000 and includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The Russell 1000 Index measures the performance of the large-cap segment of the US equity securities. It is a subset of the Russell 3000 index and includes approximately 1000 of the largest securities based on a combination of their market cap and current index membership.

The MSCI ACWI Ex USA Index captures large and mid-cap securities exhibiting overall growth style characteristics across 22 of 23 Developed Markets countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI Emerging Markets index measures the performance of the large and mid-cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

The Barclays Aggregate Bond index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

The Barclays US TIPS index measures the performance of rules-based, market value-weighted inflation-protected securities issued by the U.S. Treasury. It is a subset of the Global Inflation-Linked Index (Series-L).

The DJ US Select REIT index measures the performance of publicly traded real estate investment trusts (REITs) and REIT-like securities. The index is a subset of the Dow Jones US Select Real Estate Securities Index (RESI). The index is designed to serve as proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate.

The S&P North American Natural Resources index measures the performance of US traded securities that are classified under the Global Industry Classification Standard (GICS) energy and materials (sector) excluding the chemicals (industry) and steel (sub-industry).

SOURCES

GDP

› <https://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

Existing

› <https://www.nar.realtor/research-and-statistics/housing-statistics/existing-home-sales>

Unemployment

› <https://www.bls.gov/news.release/empstoc.htm>

Consumer Price Index

› <https://www.bls.gov/news.release/cpi.toc.htm>

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