

Market Commentary¹

NEWS FLASH:

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Nothing Unexpected Here and Always Remember Rule #1

One of the oldest adages on Wall Street is "Don't Fight the Fed". While the media, strategists and the public were all happy to embrace rate cuts in past years, the consensus recently has been to underestimate or talk down rising rates. The Fed has been completely transparent in noting that without lasting price stability we all will be faced with long term financial hardships. They telegraphed rates were coming and to expect continue hikes in the coming months and maybe even into 2023.

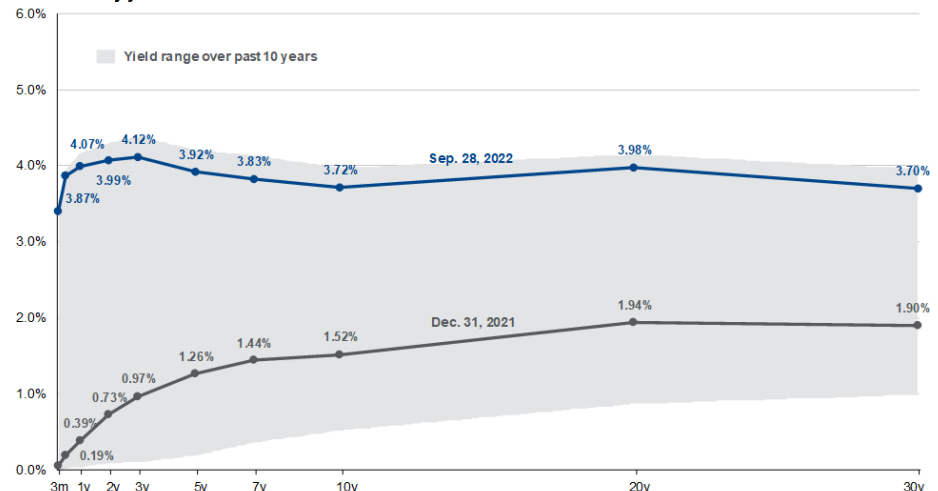
Many of you will remember that we have been very concerned about the potential for inflation in recent years particularly for bond investors, high flying Growth stocks and stocks in general. We have spent recent years working to help you get prepared for rising rates and inflationary pressures. We also caused some major tax bills along the way. While we always strive to be tax efficient, capital preservation and being strategically sound remain our top priorities. While change is often difficult, we have greatly appreciated your willingness to listen and embrace these changes.

(continued)

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Yield curve

U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets - U.S. Data are as of September 28, 2022.

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You work hard for your money.

We'll work hard to help protect it.

The cost of money has been mispriced for years and it is essential that we undergo an adjustment period. This will not happen quickly. We expect the Fed to continue to raise rates and will not be surprised if this causes added volatility. Several sectors of the market still remain overpriced or in speculative territory, and these items need to correct. Others reflect a great deal of bad news, some of which may or may not come to pass.

We have written in the past that the gap between the most expensive stock and cheapest stock remains at a wide level vs. history. When markets correct there are never any sacred cows, and all stocks typically sell off. Currently, we think a cross section of these stocks are creating an opportunity for long term investors. This in no way means that this is the bottom, but it should mean that you are buying companies at prices that offer enduring value for a patient investor.

We also think short US Government bonds and even some CDs offer a fair rate of return. In recent years we advocated excessive cash balances, but we now think investors should limit cash balances to a newly defined cash reserve. We are advising bond investors to create a short ladder with frequent maturities designed to climb the interest rate wall and future Fed hikes. In doing so one will see a material increase in their yield over cash balances while maintaining a defensive posture to the bond market.

The US is not currently in a recession, but we do think the chances of falling into a recession have increased materially. We do not see any excesses but rather painful shortfalls in housing, autos and inventories. The banking system – thanks to the

“Don’t Fight the Fed”:

Don’t Fight the Fed was coined by Martin Zweig in his 1970 book Winning on Wall Street for going risk on (e.g., buying stock) during periods of Fed Rate cuts, but it has been widely embraced to also mean going risk off (e.g., being more conservative) during periods of Fed tightening.

regulatory changes post Credit Crisis – is also on solid footing. As such we do not see any structural excesses that need to be purged. However, we have seen significant growth in the money supply and the Fed’s balance sheet which needs to be adjusted. Higher rates and Quantitative Tightening – over time - should both help lower the market’s overall level of excess liquidity and the speculations this causes; thus, eventually driving price stability. Finally, the recent infrastructure bill, the focus to on-shore US manufacturing capacity post Covid and the backlog in building permits all should help alleviate inflation driven by these capacity shortfalls.

So, while we expect some added pain, we likewise see future opportunity which is all part of the normal economic cycle that historically has played out in more frequent intervals. Easy money pumps the economy and stock valuations up but it does not create enduring value or a solid foundation for the future. For long term investors, the difficult adjustment being made today will help build the footing that we all can rely on for future. It is also worth noting that inflation has been a strong driver of innovation as businesses and individuals look for solutions to high prices. We think you are well prepared and remain here for you and look forward to hearing your concerns.

Tom Foley
Managing Director,
Private Wealth Advisor
10/5/2022

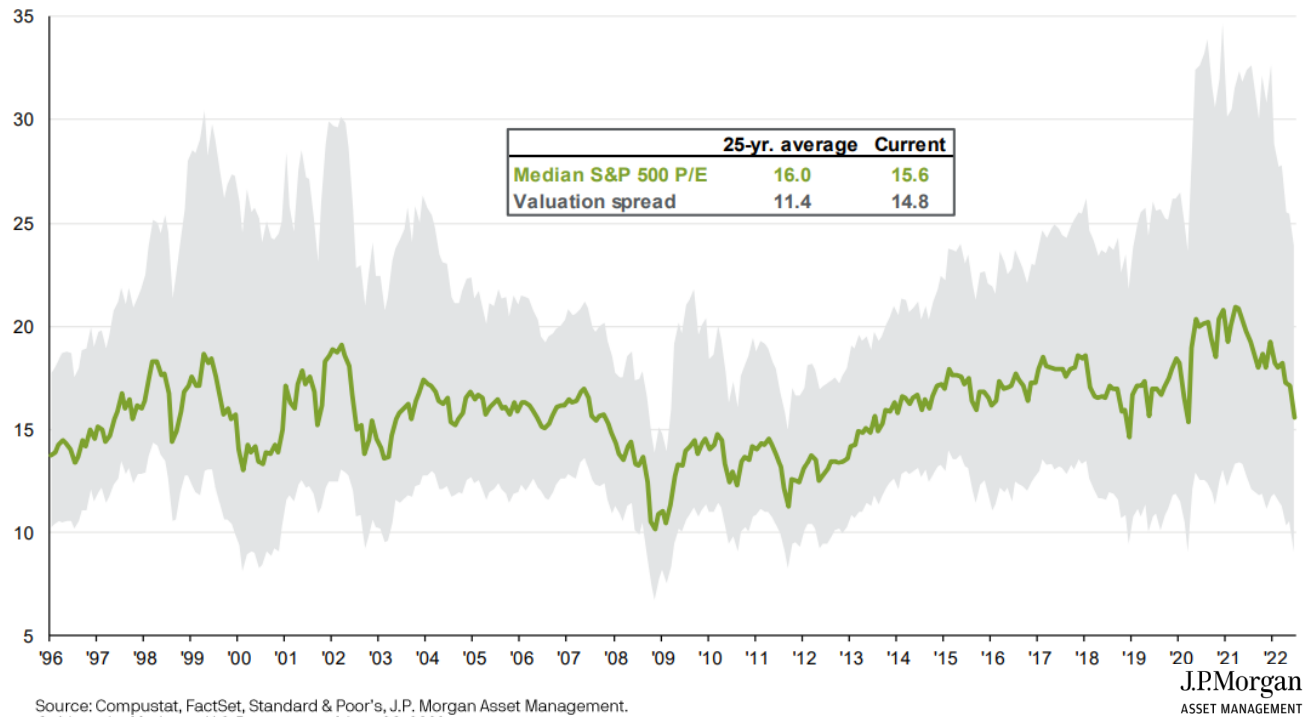
Quantitative Tightening:

Quantitative tightening is the process whereby The Fed sells US Government or Mortgage bonds previously purchased and held to a market participant for cash with the goal of reducing the supply of money circulating in the economy.

S&P 500: Valuation dispersion

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Valuation dispersion between the 20th and 80th percentile of S&P 500 stocks



Sample NBER U.S. Economic Indicators

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Indicator	Percent Change from Peak	Recessionary Flag
Consumption	-0.4%	No
Manufacturing Sales	-2.7%	???
Payrolls	At Peak	No
Personal Income	At Peak	No

“QUOTABLE”

4

“BOFA’S LATEST GLOBAL FUND MANAGER SURVEY SHOWED CASH LEVELS RISING FROM 5.7% TO 6.1%, A LEVEL ONLY EVER REACHED AFTER 9/11.”

—FACTSET

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FOCUSING TOO INTENTLY ON WHEN A RECESSION MIGHT STRIKE CARRIES RISK. DURING CHALLENGING CONDITIONS, PEOPLE SEEM TO FORGET THAT ECONOMIC CYCLES ARE JUST THAT — CYCLICAL. AND THAT CYCLES HAVE THEIR UPS AND THEIR DOWNS.

—JOE ZIDLE

CHIEF INVESTMENT STRATEGIST,
PRIVATE WEALTH SOLUTIONS

Strength of the Dollar ... Some Thoughts¹⁴

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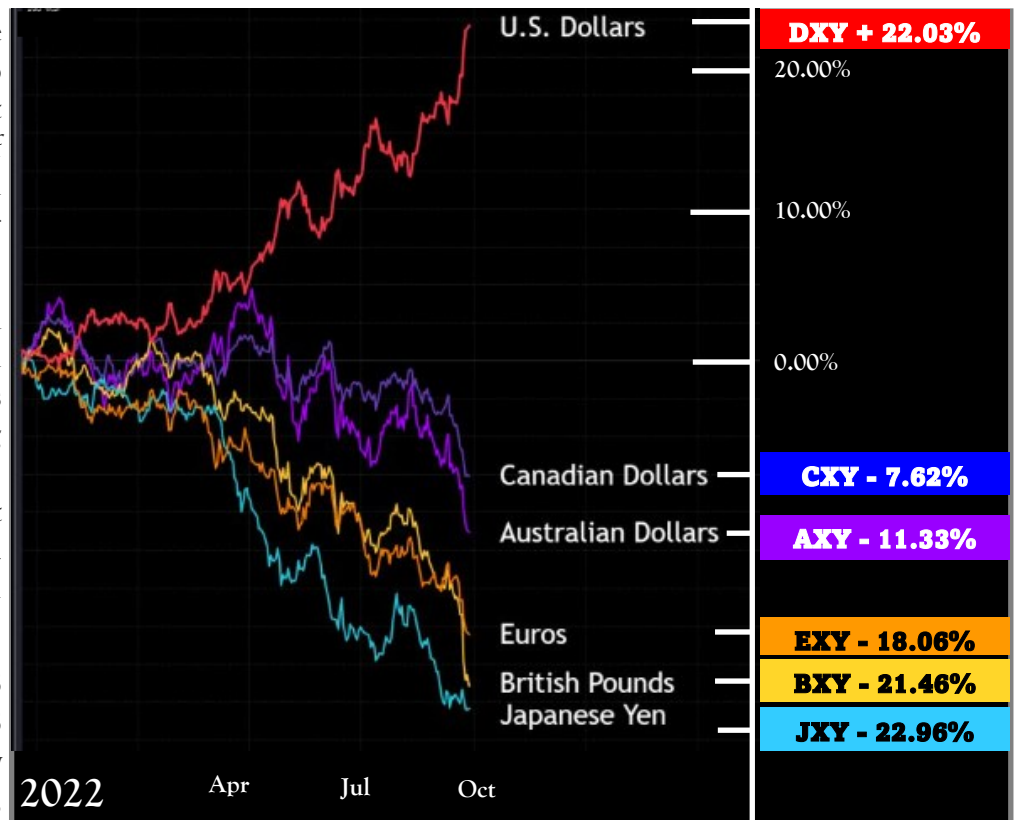
Currently, the USD is the strongest it has been in two decades, and it might become even stronger if trends are to continue. With that being said, is a stronger dollar always better?

The dollar has increased because other investors and countries save their reserves in US dollars during challenging times - like war. Additionally, The Fed's fight against inflation has led to a significant increase in interest rates.

A strong dollar helps US overseas travelers and US importers who can now buy goods cheaper; however, there are also some losers.

Foreign earnings of US corporations are being materially discounted, US Exporters now face significant headwinds to sales, Global Commodities are often priced in US dollars and the increased commodity costs can devastate world buyers, foreign demand for US Tourism is dropping materially and finally, foreign financing often done in US dollars will create significant challenge to debt holders.

Like most things in life, you can have too much of a good thing. Ideally, we want a strong dollar but not so strong as to create additional challenges in world and US economies.



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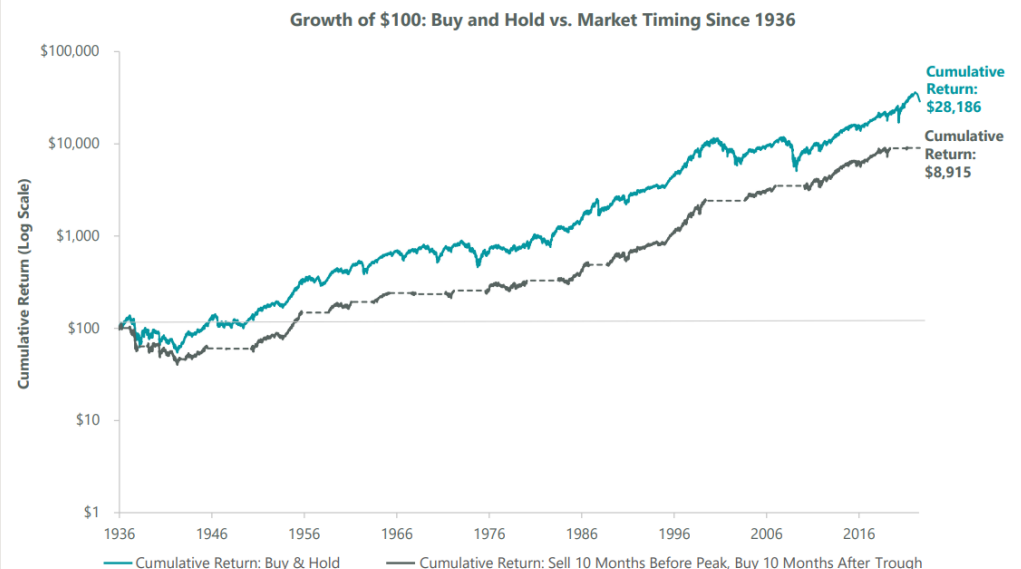
“QUOTABLE”

“SHORT-TERM RATES ARE AT 3.125%, THE FIRST TIME THEY’VE BEEN NORTH OF 3.0% SINCE EARLY 2008.”

BRIAN WESBURY
CHIEF ECONOMIST
FIRST TRUST ADVISORS L.P.

Can You Time the Market?

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Inflation Reduction Act—What You Need to Know

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President Joe Biden signed the Inflation Reduction Act of 2022 into law on August 16, 2022. The legislation's stated effort is to combat inflation and includes the following key items:

- The Bill's goal is to protect Medicare recipients from catastrophic drug costs by phasing out-of-pocket costs and establishing a \$35 cap for a month's supply of insulin.
- The Bill proposes an extension to health insurance subsidies through 2025, originally set to expire at the end of this year.
- This Bill proposes a revitalization in green energy and American manufacturing by incentivizing companies with tax credits for manufacturing in clean energy technologies like solar, wind, carbon capture and clean hydrogen.
- Families are also incentivized by granting tax credits for the following:
 - New electric vehicle credit up to \$7,500
 - Used electric vehicle credit of up to \$4,000
 - 30% tax credit for solar roof panels
- Domestic corporations that exceed \$1 billion on their income statement over a three-year period will now be subject to a minimum corporate tax of 15% and all corporations are subject to a 1% excise tax on stock buybacks.

Note: families and small businesses making \$400,000 or less per year will not see a rise in taxes.

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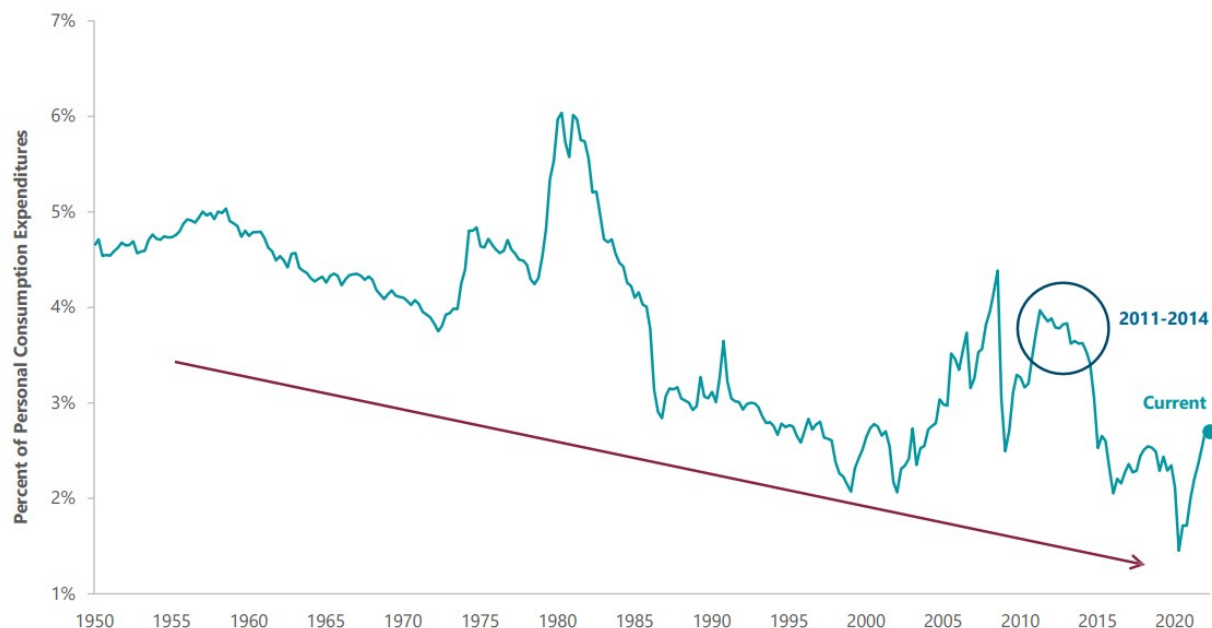
“QUOTABLE”

“OVERALL PRICES ARE UP 8.3% FROM A YEAR AGO.”

BRIAN WESBURY

U.S. Consumer Less Susceptible to Energy Spikes

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Consumer Sentiment at an All-Time Low ¹¹

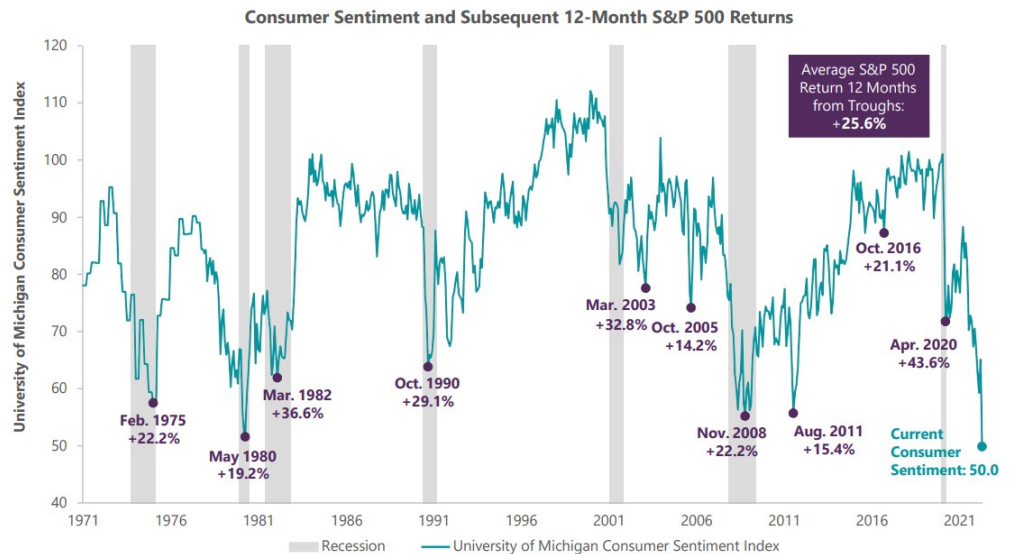
It's not always easy to look on the bright side of life. Political tension, economic uncertainty, and the stress of everyday life can take its toll on even the happiest person. More often than not, however, viewing the challenges of life with optimism can make all the difference.

Optimists see life as one opportunity after another and expect the best out of life. Optimism is based on three basic tenants, according to Mary Kay Mueller in her book "Taking Care of Me: The Habits of Happiness":

1. Bad things do happen in life, but they are temporary.
2. Bad things in life are limited in scope and tend to be small or insignificant.
3. People have control over their environments.

Optimism can give you the motivation to make plans to get to where you want to go. One of our core principles is the belief in a solid financial plan. We plan for the good and the bad, making our decisions proactive rather than reactive. Markets have always been volatile and will continue to be so. Despite that, by being thoughtful in your approach to the market and with resilience, we can not only overcome the hard times, but also thrive in the good times.

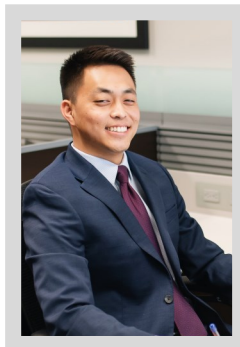
Confidence: The Contra-Indicator ¹²



Spotlight On...

SEAN SONG

Associate - Financial Planning & Analytics



1. Where is your favorite place to be? **San Diego, California**
2. What is your greatest fear? **Scoring 90 in a round of golf**
3. Favorite food? **Ribeye steak**
4. Least favorite food? **Indian cuisine**
5. What's your favorite indoor/outdoor activity? **Reading on my front porch with my cats / Golf and my morning run**
6. What would you do (for a career) if you weren't doing this? **I would be a Professional Golfer or an Engineer**
7. What's something that might surprise us about you? **I'm extremely allergic to the Nebraska pollen, so I thrive in the mountains or on the coast**

WHERE DOES THAT PHRASE COME FROM?

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In the Nick of Time

You probably know it means "at the critical or precise moment." However, you may not have known the expression is about three centuries old, formed when someone added the redundant "of time" to the older expression "in the nick," which meant the same thing. A nick is a groove, a notch, as made with a sharp knife when one cuts a V in a stick of wood. Nothing could express precision more accurately than a notch so formed, especially when applied to time.

Help Wanted!

Keep Your Information Safe!

As we are all aware—and as most of us have experienced firsthand—cyber criminals are relentless, continually evolving their techniques to steal sensitive data and commit crimes. And while no industry is immune to these threats, financial services is a particularly attractive target, given the exchange of personal identifiable information that is necessary to open and manage accounts.

To help protect you and your data against these increasingly sophisticated threats, Hightower is instituting a new best practice for exchanging sensitive information over email. In the future, any emails containing sensitive material or documents will route through a secure email gateway that encrypts the email's content, further preventing unauthorized individuals from reading it.

To begin using the portal to communicate with you, we need your help. The next time we send you an email containing sensitive information (i.e. driver's license number, account numbers, etc.), you will receive an invitation to register for a secure email account before accessing the content of the email through the encryption portal. The registration process is simple and should not take you more than a couple of minutes.

We would like to thank you in advance for your help registering and using the secure email platform to communicate with us as needed. While defending against cyber fraud is no easy feat, please know that we are continually assessing the cyber risk environment and evolving our defenses—with encrypted email being an important step toward staying ahead of threats.

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Planning for Your Success

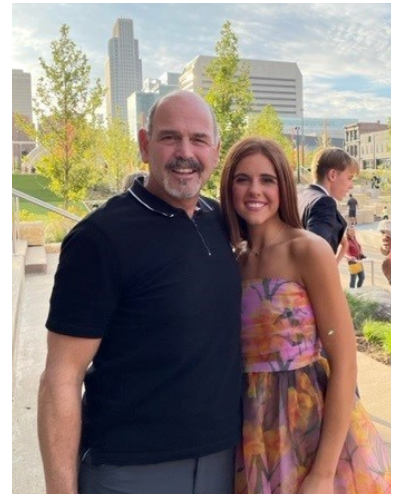
Our goal is to help each of you achieve your personal investment goals. For some, it's funding a certain retirement lifestyle or creating a college fund for your kids or grandkids. For others, it's creating a legacy to pass along to family or charity. Others are in the building and accumulation phase of life. We believe we can help each of you accomplish your long term goals by establishing and adhering to a comprehensive financial plan, and we believe this because daily we bear witness to a lifetime of efforts coming to fruition. It is also why we look forward to each and every day.

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The Foley Crew

The Foley Family – Between her 5 am Ultimate work out, babysitting, Senior year at Marian and hunting for colleges, Georgia is busy. Paige was asked to join the business fraternity at Loyola and continues to work for the Athletic Dept. Cal is thrilled to be back driving a pick-up. Tamara continues to manage Foley Inc as well as the support functions for Hightower Omaha. Tom is working hard to break in his new hip.



The Hier Family — This year has been a new chapter for the Hiers. The Twins (August and Azalea) are now in kindergarten and enjoying it. Crosby, the oldest, had a great soccer season and loves middle school. The ever fun Poppy has 2nd grade in stitches (all girl and polling indicates she's the most funny again). Keith's wife MJ started her first year as an elementary counselor at the new South Omaha public school. It has been eye opening so far and we're all very proud of her work. Keith is helping out now as the President of the Children's Home Society. (Please ask him about their latest projects and efforts!)

Justin — The Kaufman family had another memorable summer this year. Justin and his wife, Carrie, celebrated 10 years of marriage. Carter and Lillian had their very first horseback rides, and Justin learned just how slow he's become after joining a summer basketball league after a ten year hiatus.



The Foley Crew

Christina - The Three Muskateers had a busy but relaxing summer. Pool days and trips to see Grandma and Grandpa at their farm in West Point were how most free weekends were spent. Julian is now in 3rd grade and Lena started middle school as a 6th grader; their social calendars continue to keep Christina busy when she's not working! All three are looking forward to the middle of October when they're taking a short trip to Disney and Universal in Orlando.



Harry- Harry had a great summer and has had the chance to spend his time between Chicago, Omaha, and St. Joseph (where his family is from). While the weather is starting to cool off, Harry is looking forward to catching a couple more concerts with friends before it starts snowing! Outside of spending time with friends and family, he is excited about being able to catch up on his reading list- *Atlas Shrugged* has been on his bookshelf for far too long. More than anything he is elated to continue working with each of you.

Sean- Sean has kept busy since our last newsletter with being newly engaged in June, attending his sister's wedding in San Diego, and connecting with old friends. Outside of herding his cats, Sean has been doubling down on his studies and spending quality time with his Family and new Fiancé. And as the old saying goes, "Time spent with cats is never time wasted."

