Third Quarter 2022 Investment Environment

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Candor Asset Advisors

Agenda

- COVID-19
- Economy and Russia/Ukraine War Fallout
- Government Fiscal and Monetary Activity
- Investment Backdrop

COVID-19

COVID-19 has devastated the world's population

COVID-19 Deaths As of 7/5/22							% of World	
	Officially Reported Deaths	Per 100,000	Estimated Excess Deaths	Per 100,000	Vs Official Estimate	Implied Population	GDP	Population
By Select Area								
United States	1,017,846	305.7	1,250,000	375.4	23%	332,955,839	24.5%	4.2%
European Union	1,104,193	246.9	1,350,000	301.9	22%	447,222,762	21.4%	5.7%
Japan	31,309	24.8	65,500	51.9	109%	126,245,968	5.8%	1.6%
Canada	42,000	110.3	36,500	95.9	-13%	38,077,969	1.9%	0.5%
South Korea	24,570	47.9	41,000	79.9	67%	51,294,363	1.8%	0.7%
China	5,226	0.4	820,000	62.8	15591%	1,306,500,000	16.2%	16.6%
India	525,199	37.7	5,950,000	427.1	1033%	1,393,100,796	3.3%	17.7%
Brazil	671,858	314.0	805,000	376.2	20%	213,967,516	2.1%	2.7%
Russia	373,505	256.0	1,250,000	856.7	235%	145,900,391	1.8%	1.9%
By Continent								
Asia	1,444,726	30.9	11,200,000	239.5	675%	4,675,488,673		59.4%
Africa	255,100	18.6	2,350,000	171.3	821%	1,371,505,376		17.4%
Europe	1,857,929	248.1	3,200,000	427.3	72%	748,862,958		9.5%
Latin America & Caribbean	1,706,657	259.1	2,600,000	394.7	52%	658,686,607		8.4%
North America	1,059,846	285.7	1,300,000	350.4	23%	370,964,648		4.7%
Oceania	14,244	33.0	65,000	150.6	356%	43,163,636		0.5%
Total	6,338,502	80.6	20,715,000	263.3	227%	7,868,671,900		
Change Since 4/5/22	183,614		1,161,500					
% Of Population	0.08%		0.26%					

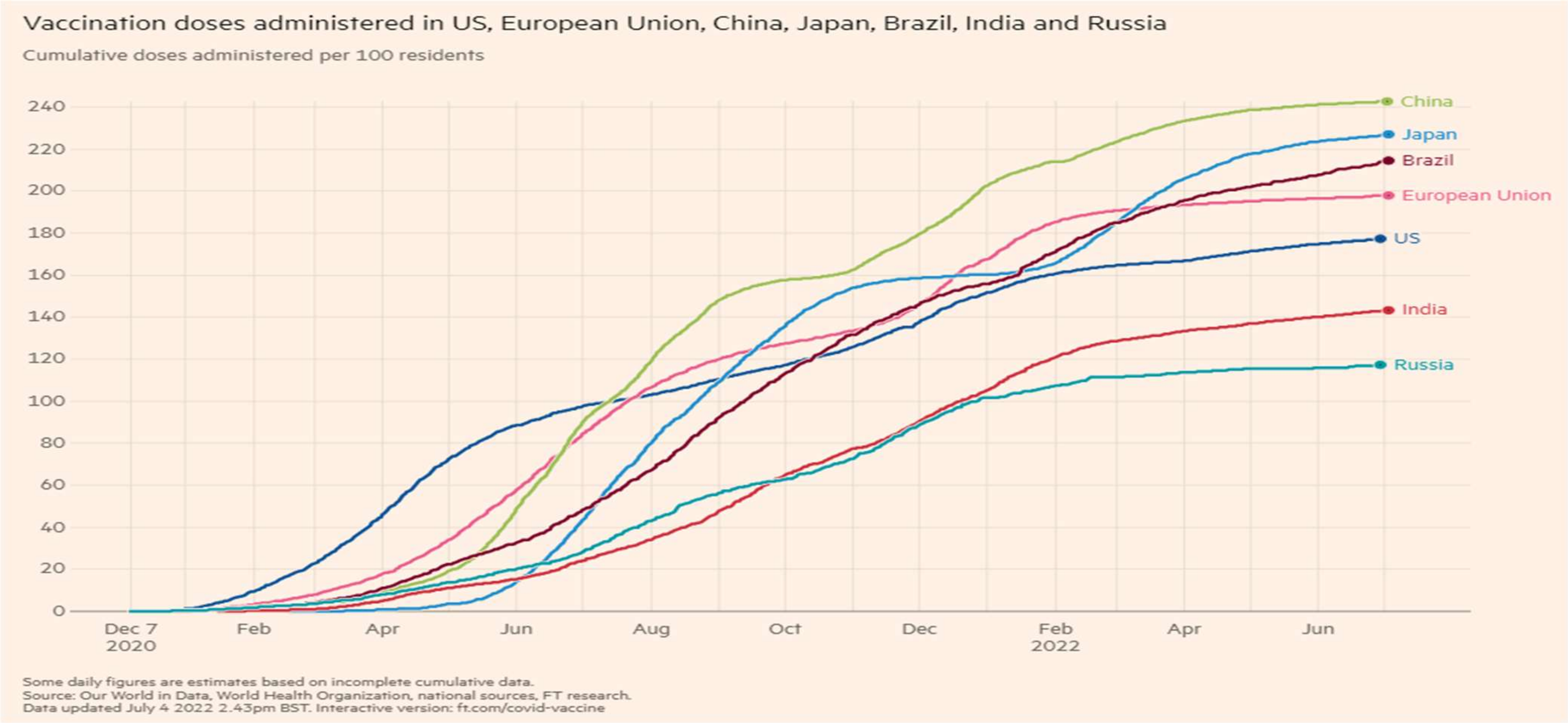
COVID-19 is now the 7th deadliest event in world history!

China, India and Russia are likely under reporting deaths the most.

Excess deaths = The number of people who die from any cause in each time period minus the historical baseline from recent years

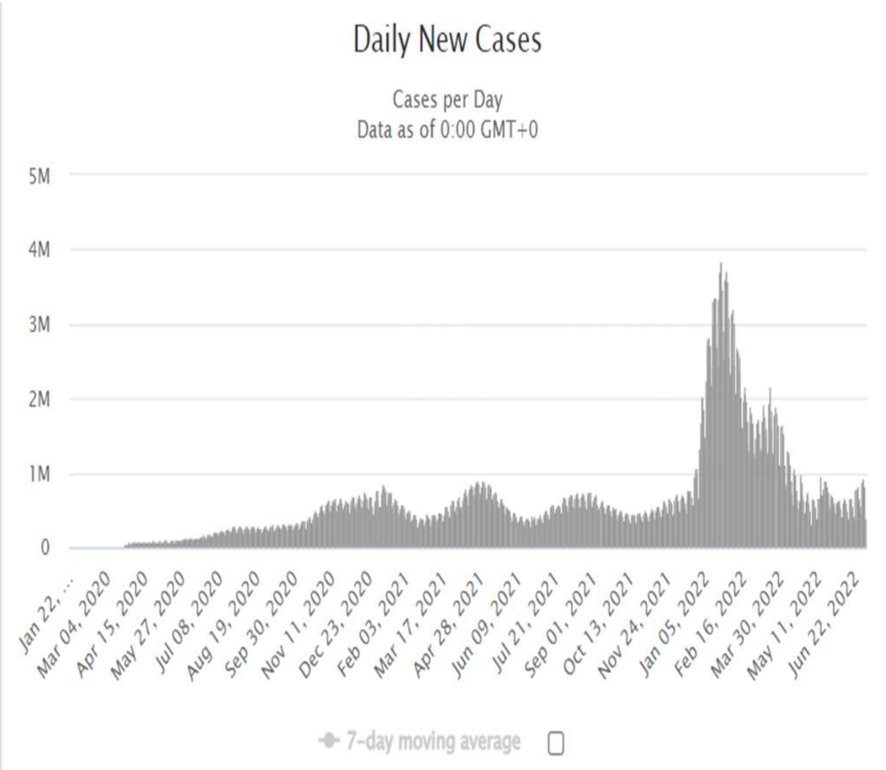
Source: *The Economist*, Wikipedia

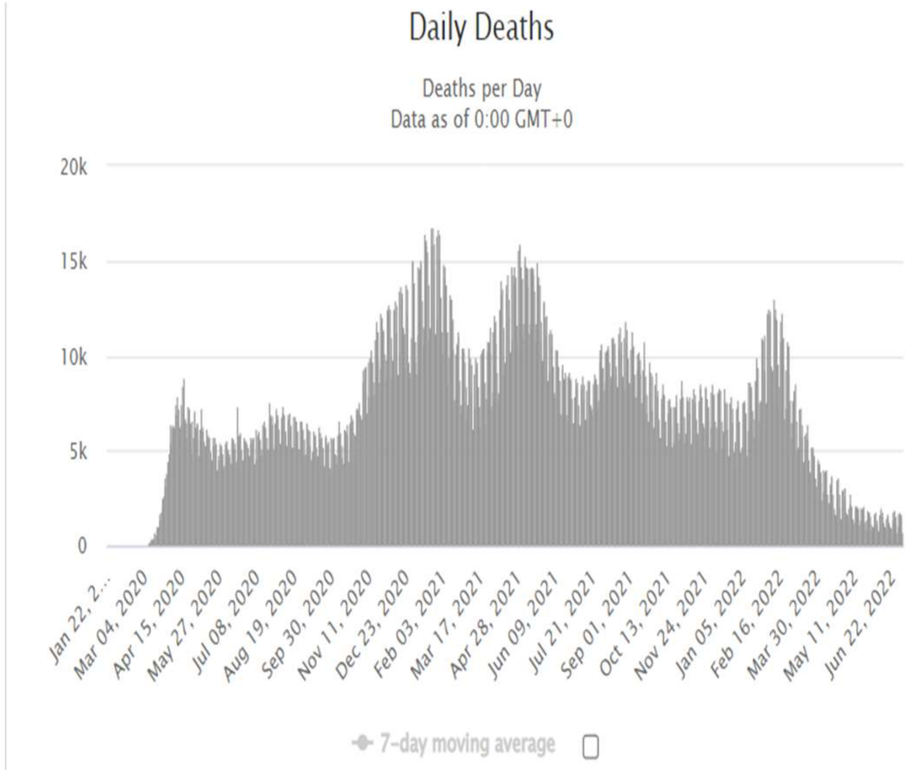
Vaccinations are up versus last summer, but efforts have slowed in the last few months



Source: *Financial Times*

Omicron caused new COVID-19 cases to spike while vaccinations helped suppress the death rate in the first quarter of 2022. Cases and deaths have moderated since then.





Source: Worldometer

Governments implemented lockdowns in early 2020. Most countries have eased government lockdowns in recent months. China is an exception.

Source: FactSet

The Economy and Russia/Ukraine War Fallout

World Economic Snapshot- 1

	Real Year-Over-Year GDP Growth			CPI Growth		
	Latest Available	Previous Quarter	12 Months Ago	1 Month Ago	3 Months Ago	12 Months Ago
United States	#N/A	5.53%	12.23%	8.52%	8.56%	5.34%
Eurozone	#N/A	4.66%	14.65%	8.05%	7.44%	1.90%
United Kingdom	#N/A	6.64%	24.49%	9.08%	7.02%	2.51%
France	#N/A	4.93%	19.16%	5.33%	4.43%	1.49%
Germany	#N/A	1.78%	10.35%	8.03%	7.23%	2.45%
Canada	#N/A	3.23%	11.70%	7.69%	6.61%	3.00%
South Korea	#N/A	4.17%	6.25%	5.40%	4.14%	2.35%
Japan	#N/A	0.41%	7.39%	2.52%	1.20%	-0.40%
China	#N/A	4.00%	7.90%	2.09%	1.49%	1.18%
India	#N/A	5.40%	20.08%	6.97%	5.35%	0.56%
Brazil	#N/A	1.65%	12.30%	11.73%	11.30%	8.35%
Russia	#N/A	#N/A	7.57%	-	-	6.47%

	Short Term Interest Rate			ISM Services		
	Latest Available	3 Months Ago	12 Months Ago	Latest Available	3 Months Ago	12 Months Ago
United States	1.46%	0.43%	0.03%	51.56	58.00	64.59
Eurozone	-0.53%	-0.73%	-0.64%	52.08	56.54	63.37
United Kingdom	1.29%	0.63%	0.05%	52.84	55.22	63.95
France	-0.47%	-0.69%	-0.63%	51.36	54.70	58.97
Germany	-0.53%	-0.72%	-0.64%	52.03	56.86	65.08
Canada	1.84%	0.61%	0.12%	54.65	58.90	56.48
South Korea	2.07%	1.21%	0.65%	51.33	51.15	53.93
Japan	-0.13%	-0.08%	-0.10%	52.69	54.08	52.39
China	1.24%	1.67%	2.19%	51.72	48.08	51.34
India	5.01%	3.77%	3.43%	53.91	54.03	48.12
Brazil	13.76%	13.19%	5.54%	54.08	52.29	56.44
Russia	693.86%	607.11%	5.82%	50.92	44.09	49.22

World GDP has recovered to trend line pre-COVID levels. Real GDP growth is now facing tougher comparisons.

Inflation has been building due to persistent supply chain issues and Russia/Ukraine war commodity pressures

Short term interest rates are low versus history but are starting to rise in most areas. China and Japan remain accommodative.

Services remain expansionary globally. Activity has moderated in developed markets and improved in emerging markets.

Source: FactSet

World Economic Snapshot - 2

	Long Term Rates			Unemployment Rate				Retail Sales Growth			ISM Manufacturing		
	Latest Available	3 Months Ago	12 Months Ago	2 Month Ago	3 Months Ago	12 Months Ago		2 Months Ago	3 Months Ago	12 Months Ago	Latest Available	3 Months Ago	12 Months Ago
United States	3.14%	2.13%	1.51%	3.60%	3.60%	5.90%		6.19%	5.23%	16.60%	52.73	58.85	62.09
Eurozone	1.38%	0.55%	-0.21%	6.70%	6.80%	7.90%	-	11.09%	8.59%	7.35%	52.08	56.54	63.37
United Kingdom	2.36%	1.51%	0.77%	-	3.80%	4.60%		3.89%	10.99%	12.46%	52.84	55.22	63.95
France	2.04%	0.78%	0.15%	-	7.30%	8.00%		16.92%	4.26%	0.29%	51.36	54.70	58.97
Germany	1.49%	0.32%	-0.21%	2.90%	2.90%	3.60%		6.95%	5.02%	7.09%	52.03	56.86	65.08
Canada	3.31%	2.13%	1.43%	5.20%	5.30%	7.60%		9.16%	2.81%	6.31%	54.65	58.90	56.48
South Korea	3.62%	2.77%	2.10%	2.70%	2.70%	3.60%		6.86%	7.67%	5.35%	51.33	51.15	53.93
Japan	0.24%	0.20%	0.06%		2.60%	2.90%		3.29%	0.49%	-0.29%	52.69	54.08	52.39
China	2.84%	2.84%	3.15%	2.50%	5.80%	5.00%		-11.07%	-3.53%	12.11%	51.72	48.08	51.34
India	7.49%	6.60%	6.02%	-	-	4.20%		-	-	-	53.91	54.03	48.12
Brazil	13.14%	12.18%	9.27%	6.10%	11.10%	14.20%		22.65%	19.33%	19.52%	54.08	52.29	56.44
Russia	64.46%	66.12%	7.10%	-	-	4.80%		-	-	19.37%	50.92	44.09	49.22

Long term rates have increased but remain near historic lows in most places. Russia's invasion of Ukraine caused Russia's interest rates to skyrocket.

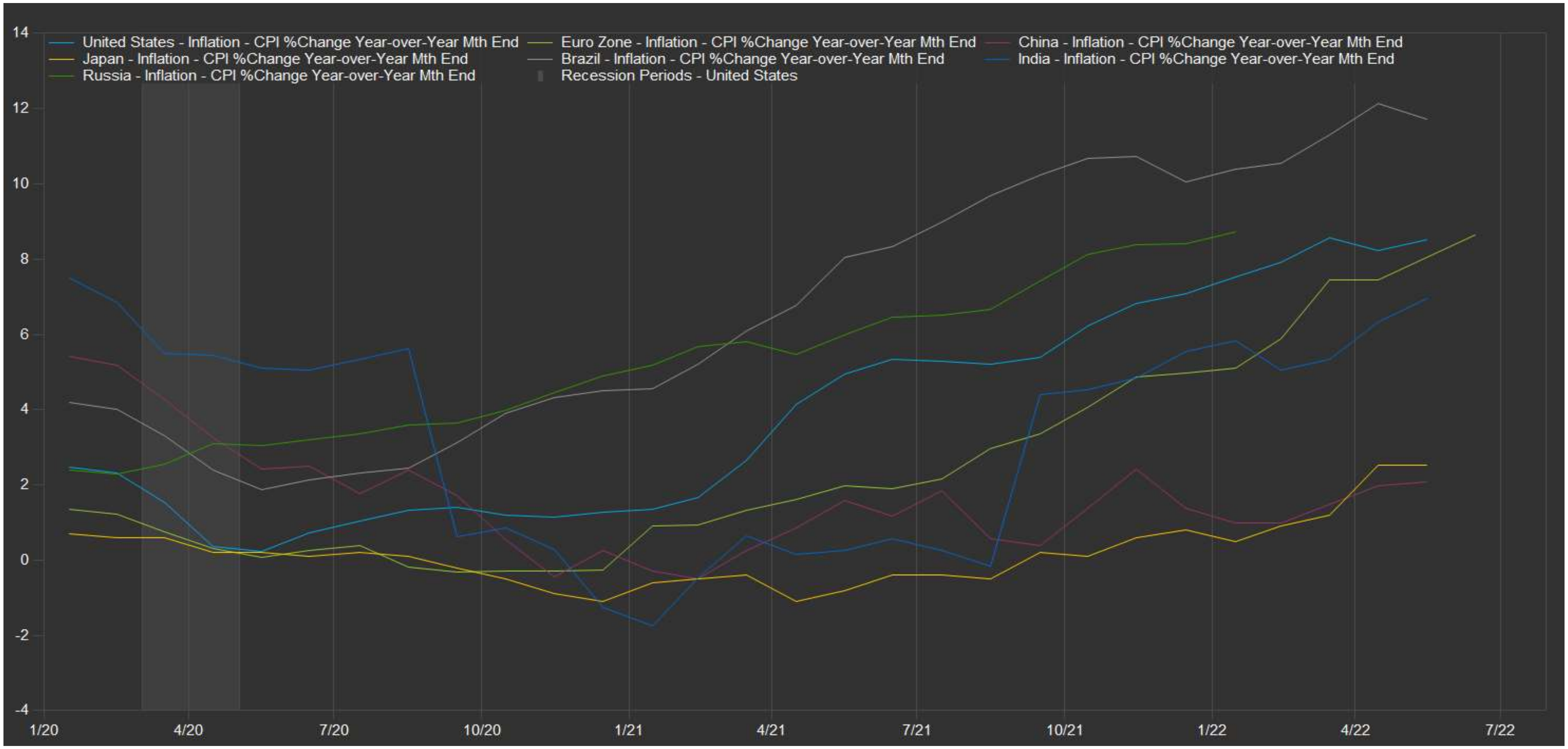
Unemployment remains near historic lows. Most central banks feel they have leeway to raise rates.

Retail sales growth remains high in most areas

Manufacturing remains expansionary globally. Activity has moderated in developed markets and improved in emerging markets.

Source: FactSet

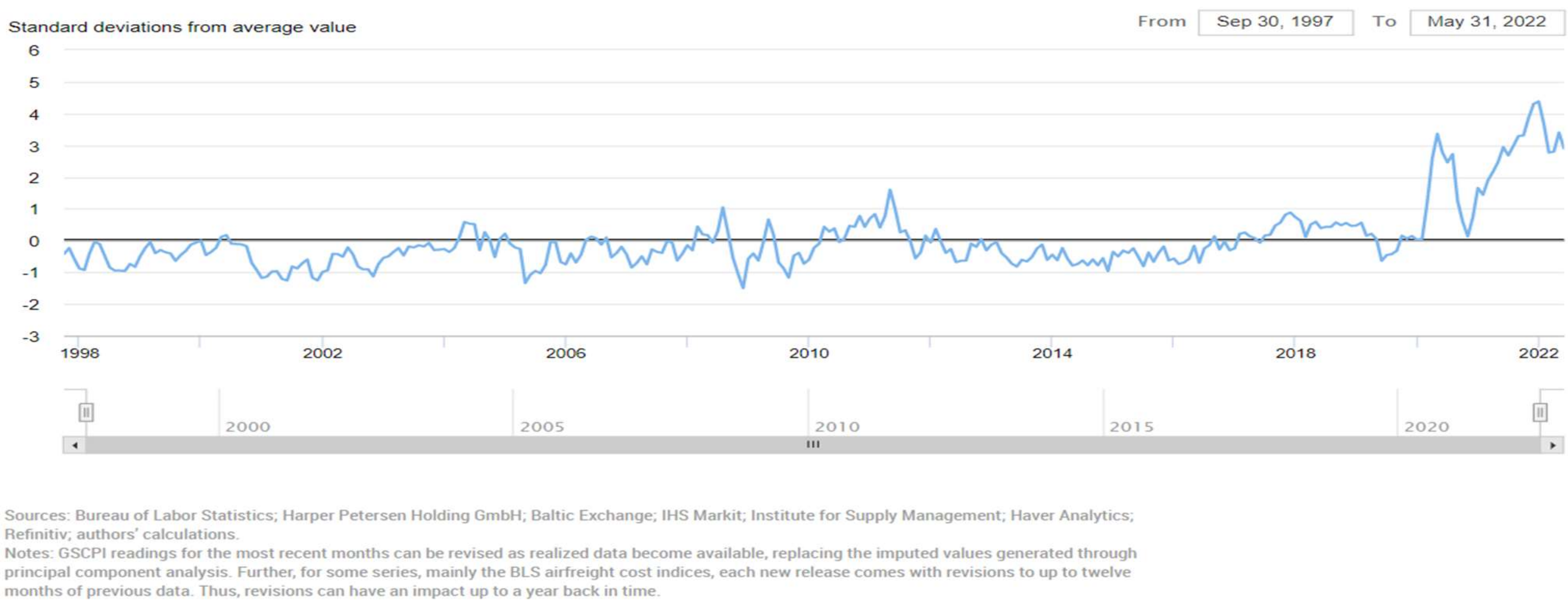
Inflation pressures have escalated



Source: FactSet

Global supply chains have been strained since the start of COVID-19. The Russia/Ukraine war has added pressure.

Global Supply Chain Pressure Index



Source: New York Federal Reserve

Commodity prices are near historic highs although they have started to weaken

	Weighting In Indices			
	Energy	Agriculture	Precious Metals	Industrial Metals
Bloomberg	29.8%	35.2%	19.8%	15.5%
CRB Spot	39.0%	41.0%	7.0%	13.0%

Source: FactSet, Wikipedia

Commodity prices are up 22% YTD with energy prices growing the fastest. Most commodity prices are down over the last one to three months.

Commodities where Russia and Ukraine represent a larger % of global exports have seen greater inflation.

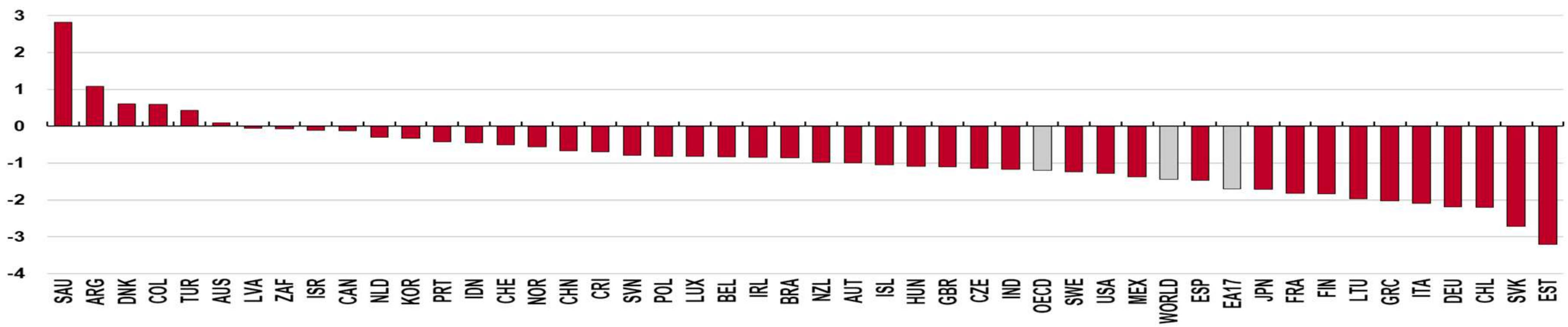
	Commodity Price Changes As of 7/4/22				Share of Pre-War Global Exports		
	1 Month	3 Month	Start of War	Year-To-Date	Russia	Ukraine	Combined
ENERGY							
Natural Gas	-32.3%	5.5%	24.8%	50.0%	13%	0%	13%
Crude Oil	-4.0%	6.9%	15.3%	43.5%	11%	1%	12%
Oil Products	-8.3%	27.9%	41.4%	72.7%	10%	1%	11%
BULKS							
Iron Ore*	-16.4%	-28.4%	-19.9%	1.7%	1%	3%	4%
PRECIOUS METALS							
Gold*	-2.4%	-6.3%	-5.8%	-1.6%	5%	0%	5%
Platinum*	-12.2%	-11.1%	-19.7%	-9.2%	1%	3%	4%
Palladium	-3.1%	-14.8%	-20.8%	1.2%	24%	1%	25%
BASE METALS							
Aluminum	-11.8%	-31.6%	-28.3%	-15.0%	9%	1%	10%
Copper*	-16.4%	-22.7%	-19.2%	-18.8%	4%	0%	4%
Nickel	-21.9%	-34.0%	-13.2%	3.5%	21%	1%	22%
Zinc*	-19.8%	-27.9%	-13.6%	-13.9%	2%	0%	2%
AGRICULTURE							
Fertilizers*	0.0%	1.7%	16.9%	21.3%	12%	1%	13%
Corn	-0.5%	1.2%	8.5%	24.3%	1%	13%	14%
Wheat	-21.2%	-14.9%	-7.9%	1.5%	18%	9%	26%
Simple Averages	**-12.2%**	**-10.6%**	**-3.0%**	**11.5%**	**9%**	**2%**	**12%**
Average where	**-11.4%**	**-5.8%**	**4.1%**	**22.5%**			
Russia & Ukraine represent a combined 10%+ of total exports							

Natural Gas- Henry Hub NYMEX Spot $/Mmbtu; Crude Oil - ICE Brent $/gal;
Oil Products - NY Conventional Gasoline $/gal; Iron Ore - Iron Ore 62% Fe CFR China Cash $/mt;
Palladium - $/ozt; Gold - NY $/ozt, Platinum - $/ozt;
Aluminum, Nickel, Zinc- LME Cash $/t, Copper - NYMEX Cash $/lb
Fertilizer - Potash and Phosphorus USDA Index, Corn - Central Illinois $/bu; Wheat - CBOT $/bu

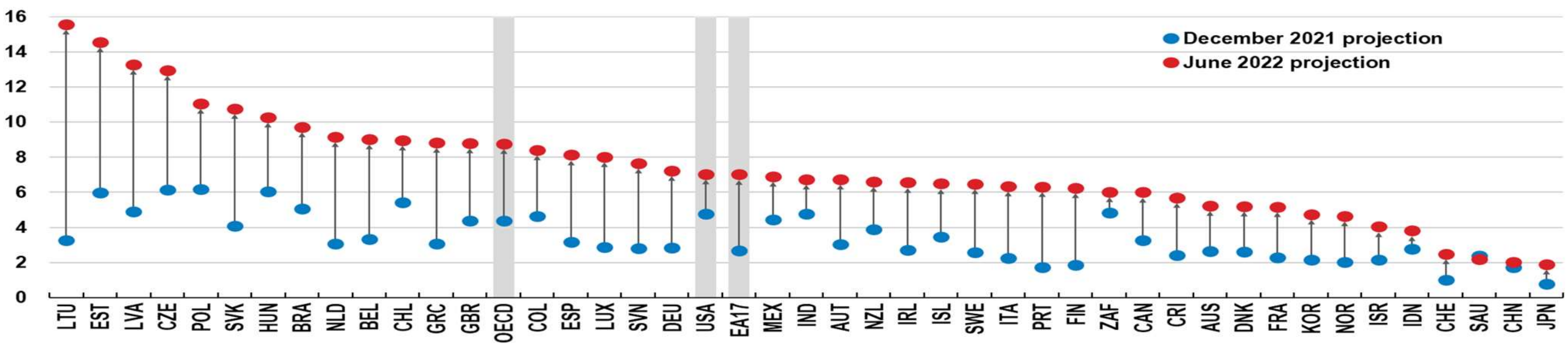
Source: FactSet price changes, Capital Economics/Wall Street Journal export share, OECD* export share before the war

The Russia/Ukraine War and COVID related supply chain bottlenecks are causing economists to lower economic growth projections and raise inflation expectations

Most countries' 2022 GDP projections have fallen from 12/21 to 6/22. GDP growth revisions are shown below.



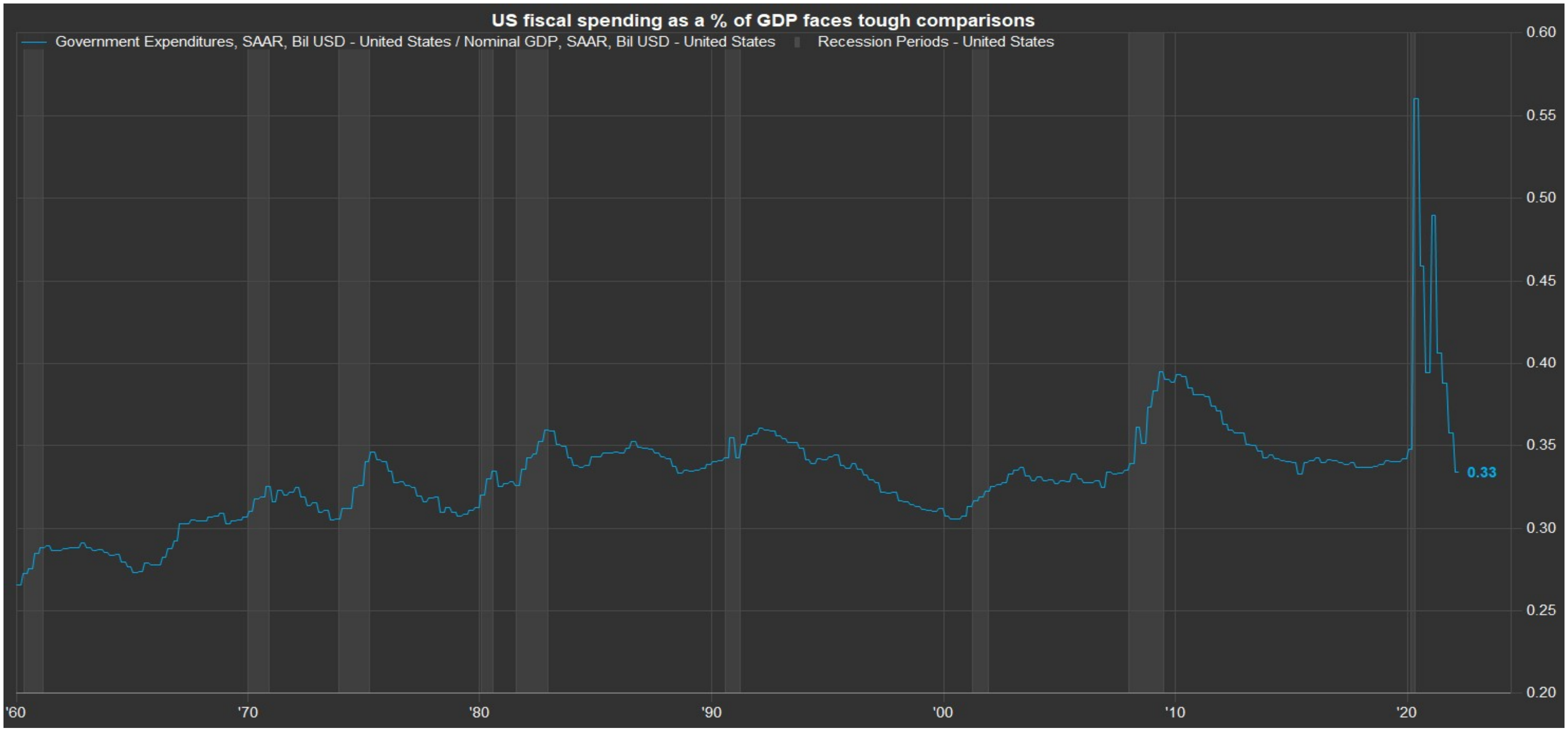
Inflation expectations have mostly increased as well



Source: OECD June 2022 Forecast

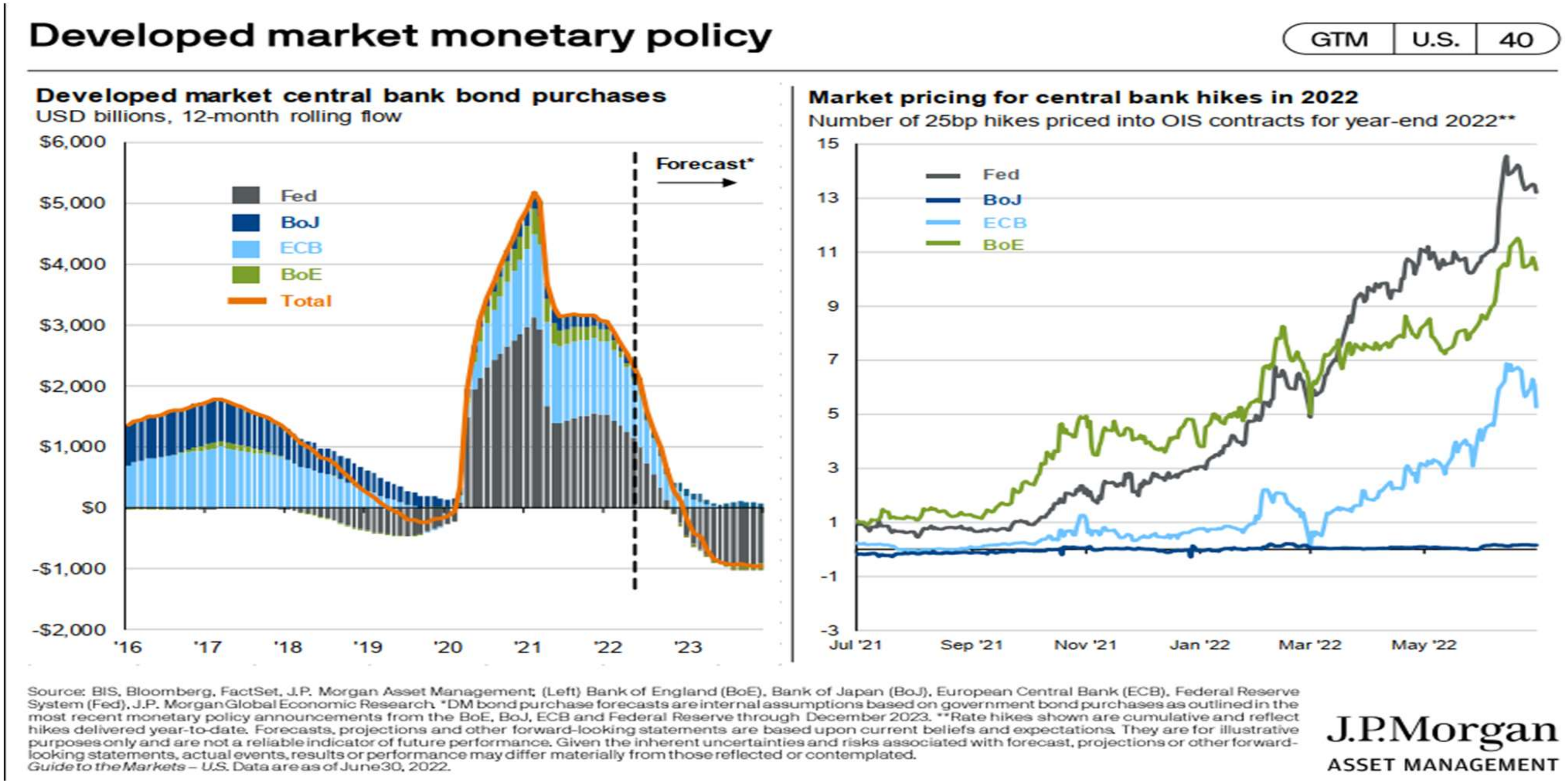
Government Fiscal and Monetary Activity

US fiscal spending reached historic highs during the height of COVID-19. We are now dealing with a government spending hangover.

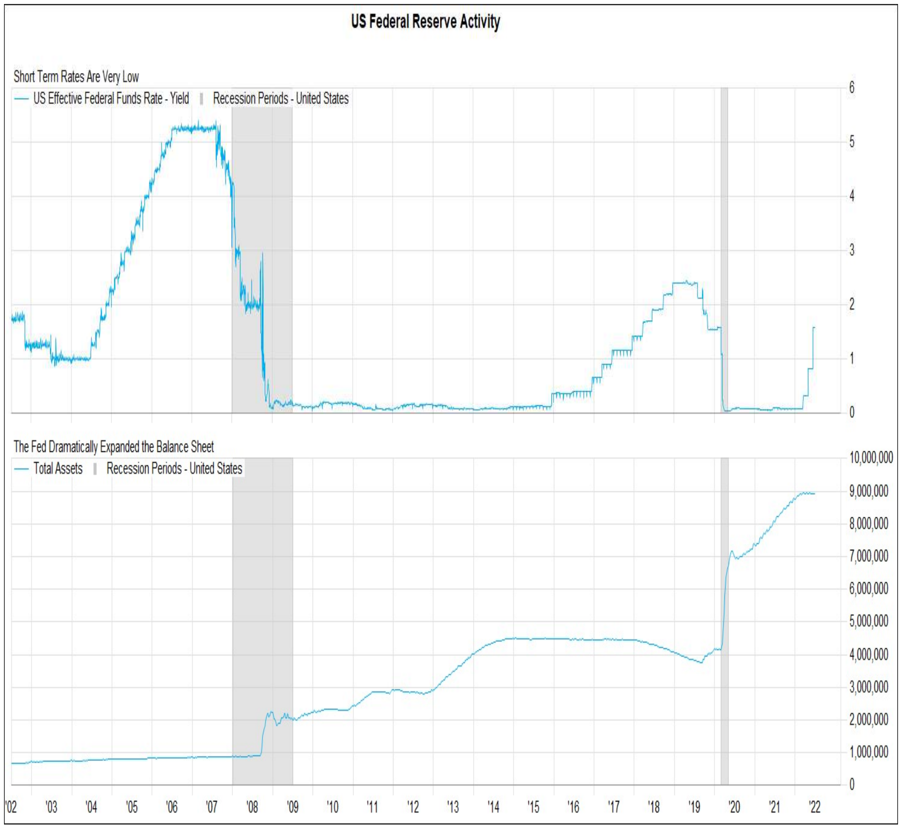


Source: FactSet

Central banks are in the process of transitioning to less monetary support given inflationary pressures. The US and UK are leading the way.



The Federal Reserve is starting to raise rates and shrink the balance sheet to slow down the economy



Source: FactSet, Federal Reserve

Recent FOMC June 2022 economic projections are less promising. The Fed expects inflation to slow noticeably in 2023.

Percent

Variable	Median[1] 2022	2023	2024	Longer run
Change in real GDP	1.7	1.7	1.9	1.8
March projection	2.8	2.2	2.0	1.8
Unemployment rate	3.7	3.9	4.1	4.0
March projection	3.5	3.5	3.6	4.0
PCE inflation	5.2	2.6	2.2	2.0
March projection	4.3	2.7	2.3	2.0
Core PCE inflation[4]	4.3	2.7	2.3	
March projection	4.1	2.6	2.3	
Memo: Projected appropriate policy path				
Federal funds rate	3.4	3.8	3.4	2.5
March projection	1.9	2.8	2.8	2.4

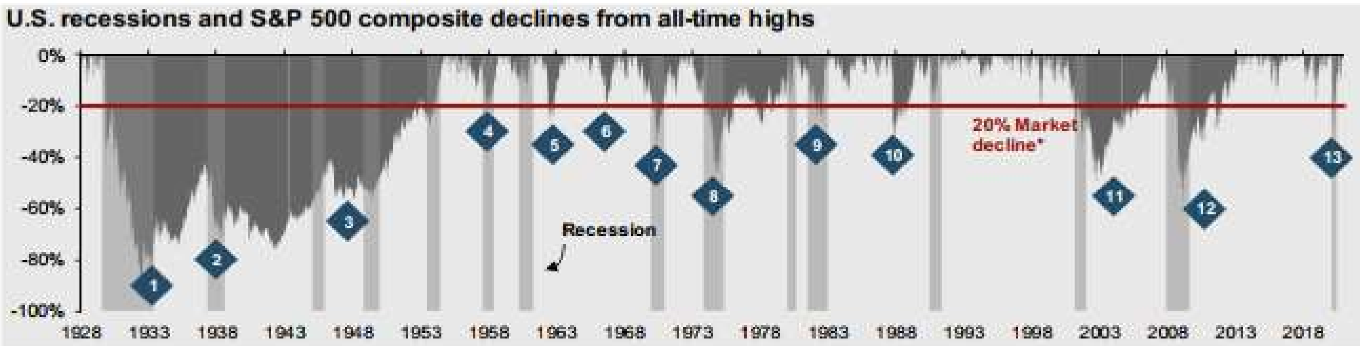
Federal Reserve comments in May 2022 revealed that they plan on shrinking the balance sheet as follows:

Balance Sheet Monthly Reduction Schedule

	Treasury	Agency Debt & Agency MBS	Total
June 2022-August 2022	$30.0	$17.5	$47.5
Thereafter	$60.0	$35.0	$95.0

Investment Backdrop

Stock bear market history- We are dealing with greater risks today with commodity spikes, fed policy changes and higher odds of a recession



Characteristics of bull and bear markets

	Market correction	Bear Market: Market peak	Bear Market: Bear return*	Bear Market: Duration (months)*	Macro environment: Recession	Macro environment: Commodity Spike	Macro environment: Aggressive Fed	Macro environment: Extreme Valuation	Bull markets: Bull begin date	Bull markets: Bull return	Bull markets: Duration (months)
1	Crash of 1929 - Excessive leverage, irrational exuberance	Sep 1929	-86%	32	◆			◆	Jul 1926	152%	37
2	1937 Fed Tightening - Premature policy tightening	Mar 1937	-60%	61	◆		◆		Mar 1935	129%	23
3	Post WWII Crash - Post-war demobilization, recession fears	May 1946	-30%	36	◆			◆	Apr 1942	158%	49
4	Eisenhower Recession - Worldwide recession	Aug 1956	-22%	14	◆		◆	◆	Jun 1949	267%	85
5	Flash Crash of 1962 - Flash crash, Cuban Missile Crisis	Dec 1961	-28%	6				◆	Oct 1960	39%	13
6	1966 Financial Crisis - Credit crunch	Feb 1966	-22%	7			◆	◆	Oct 1962	76%	39
7	Tech Crash of 1970 - Economic overheating, civil unrest	Nov 1968	-36%	17	◆	◆	◆		Oct 1966	48%	25
8	Stagflation - OPEC oil embargo	Jan 1973	-48%	20	◆	◆			May 1970	74%	31
9	Volcker Tightening - Whip Inflation Now	Nov 1980	-27%	20	◆	◆	◆		Mar 1978	62%	32
10	1987 Crash - Program trading, overheating markets	Aug 1987	-34%	3				◆	Aug 1982	229%	60
11	Tech Bubble - Extreme valuations, .com boom/bust	Mar 2000	-49%	30	◆			◆	Oct 1990	417%	113
12	Global Financial Crisis - Leverage/housing, Lehman collapse	Oct 2007	-57%	17	◆	◆	◆		Oct 2002	101%	60
13	Global Slowdown - COVID-19, oil price war	Feb 2020	-34%	1	◆				Mar 2009	401%	141
	Averages	-	-42%	22					-	166%	54

Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
*A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Periods of "Recession" are defined using NBER business cycle dates. "Commodity spikes" are defined as movement in oil prices of over 100% over an 18-month period. Periods of "Extreme Valuations" are those where S&P 500 last 12-months P/E levels were approximately two standard deviations above long-run averages, or time periods where equity market valuations appeared expensive given the broader macroeconomic environment. "Aggressive Fed Tightening" is defined as Federal Reserve monetary tightening that was unexpected and/or significant in magnitude. Bear and bull returns are price returns.
Guide to the Markets – U.S. Data are as of December 31, 2020.

J.P.Morgan Asset Management

Sources of bear markets:

% of the time
- 77% recessions
- 54% extreme valuations
- 46% aggressive fed actions
- 31% commodity spikes

The % of time a recession occurs due to
- 23% one factor
- 46% two factors
- 31% three factors

Source: JP Morgan Asset Management
Past performance is not a guarantee or predictor of future performance.

Consumer price inflation registered 8.5% year-over-year in the most recent period. How much and how fast it falls will be a key thing to watch.

The chart below highlights how various asset classes have performed in different inflation environments. Annual total returns since 1926 are cited.

	US Large Cap Stocks	US Small Cap Stocks	20 year Corporate Fixed Income	20 year Govt. Fixed Income	5 year Govt. Fixed Income	30 Day T-Bills	Inflation
Average	12.3%	16.3%	6.4%	6.0%	5.2%	3.3%	3.0%
Median	14.7%	17.9%	4.8%	3.7%	3.7%	2.8%	2.7%
Average Since 1950	13.1%	16.0%	6.9%	6.5%	5.8%	4.1%	3.5%
Median Since 1950	15.4%	17.9%	5.6%	3.7%	4.3%	3.8%	2.9%
When Inflation							
Is Negative	13.2%	9.1%	5.5%	5.8%	3.9%	1.8%	-4.0%
0-5%	13.4%	18.5%	7.7%	7.3%	5.6%	3.0%	2.3%
5-10%	7.7%	9.8%	2.4%	1.0%	3.8%	4.6%	7.5%
10%+	4.1%	12.9%	-2.1%	-0.2%	3.7%	7.5%	14.1%

Source: CFA Institute, Ibbotson, and Candor Asset Advisors

- Conclusions
  - All asset real returns are negative when inflation is 10%+.
  - When annual inflation is 5-10%, stock real returns are positive while fixed income returns are negative.
  - Stock and fixed income returns are often stronger when annual inflation is between 0% and 5%.

Past performance is not a guarantee or predictor of future performance. Stocks are not guaranteed and have been more volatile than other asset classes. Government bonds and Treasury bills are guaranteed by the full faith and credit of the United States government as to the timely payment of principal and interest. Diversification does not eliminate the risk of experiencing investment losses.

The Federal Reserve expects to raise rates by 3-3.5% this year.
History suggests this should serve as an investment return headwind.

	US Large Cap Stocks	US Small Cap Stocks	US 20 Year Corporate Bonds	US 20 Year Govt. Bonds	US 5 Year Govt. Bonds	US 30 Day T-Bills	US Inflation
Since 1954							
Average Monthly Returns	0.98%	1.24%	0.56%	0.54%	0.48%	0.34%	0.29%
Median Monthly Returns	1.28%	1.50%	0.45%	0.32%	0.34%	0.32%	0.28%
Fed Tightening Periods Average Monthly Returns	0.76%	1.03%	0.17%	0.15%	0.23%	0.47%	0.42%
Fed Tightening Periods Median Monthly Returns	0.78%	0.84%	0.15%	0.07%	0.14%	0.42%	0.40%

- Conclusions:
  - Significant fed hikes often depress investment returns
  - When the Fed hiked significantly
    - In 10 of 13 instances a recession occurred within 12 months of fed actions
    - In 3 of 13 instances a bear market occurred within 12 months of fed actions

Source: CFA Institute, Ibbotson, Candor Asset Advisors

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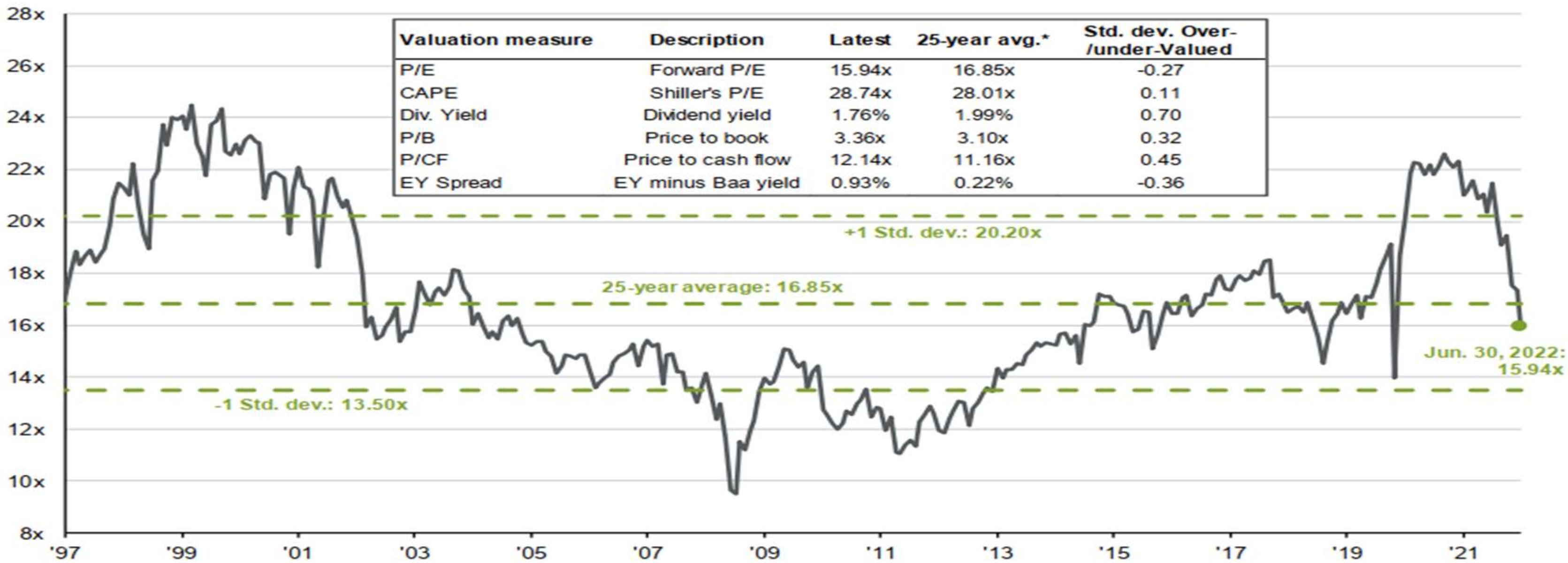
US stock valuations are near historic averages

S&P 500 valuation measures

GTM | U.S. | 5

S&P 500 Index: Forward P/E ratio



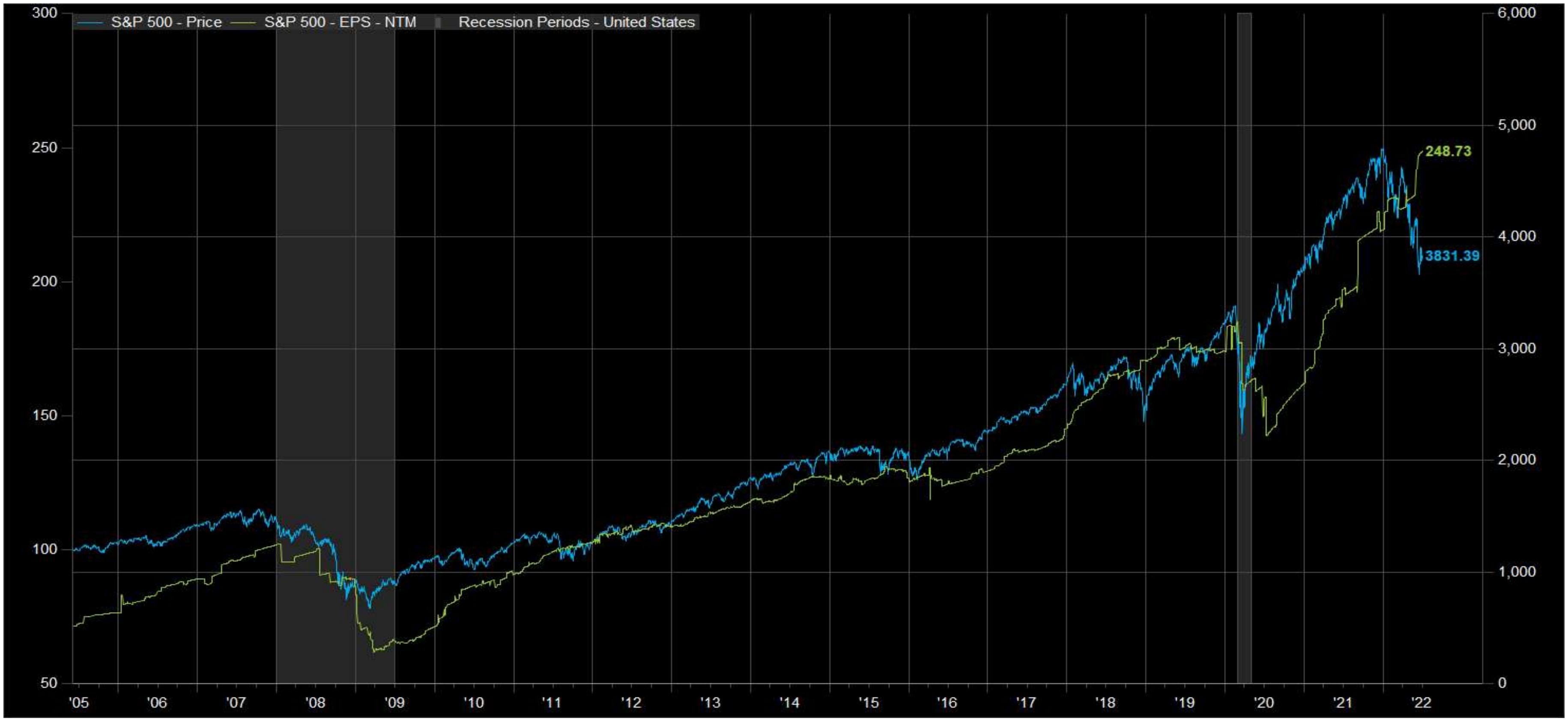
Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	15.94x	16.85x	-0.27
CAPE	Shiller's P/E	28.74x	28.01x	0.11
Div. Yield	Dividend yield	1.76%	1.99%	0.70
P/B	Price to book	3.36x	3.10x	0.32
P/CF	Price to cash flow	12.14x	11.16x	0.45
EY Spread	EY minus Baa yield	0.93%	0.22%	-0.36

Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since June 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $240. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability.
Guide to the Markets – U.S. Data are as of June 30, 2022.

J.P.Morgan
ASSET MANAGEMENT

Past performance is not a guarantee or predictor of future performance. Stocks are not guaranteed and have been more volatile than other asset classes.

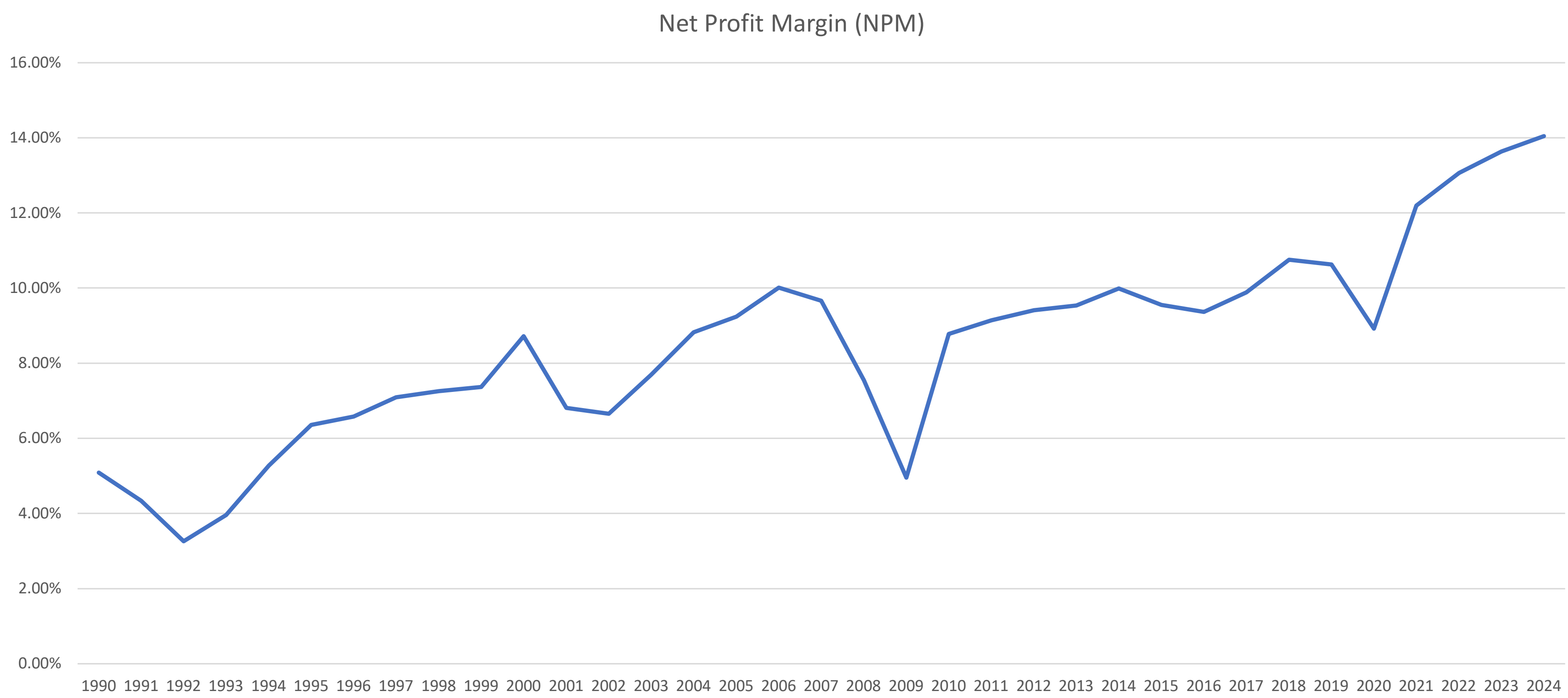
The stock market generally follows earnings over time. The market's recent weakness suggests earnings estimates are too high if a recession occurs.



Source: FactSet

Past performance is not a guarantee or predictor of future performance.

S&P profit margins will be a key factor to watch. Margins are near historic highs and consensus expects margins to hold up.



Source: FactSet

Consensus estimates appear vulnerable if a recession occurs

	Consensus Estimates			Past Recessions	If Recession Starts in	Implied
	2021A	2022E	2023E	Since 1990	2023E	Revision
Sales Per Share	$1,530.38	$1,738.89	$1,822.44		$1,743.76	-4.3%
Annual Growth	13.9%	13.6%	29.5%	0.3%		
EPS	$186.65	$227.07	$248.40		$186.07	-25.1%
Annual Growth	55.8%	21.7%	9.4%	-18.1%		
Dividend Per Share	$57.57	$64.51	$68.33		$64.57	-5.5%
Annual Growth	2.3%	12.1%	5.9%	0.1%		

Source: Candor Asset Advisors and FactSet

Most recessions last 6-18 months and cause a 1-10% decline in GDP.

Notice how expansions exceed recessions in duration.

Business Cycle Reference Dates						Contraction	Expansion	Cycle	
Peak Month	Peak Year	Peak Quarter	Trough Month	Trough Year	Trough Quarter	Peak to Trough (Months)	Previous Trough to this Peak (Months)	Trough from Previous Trough (Months)	Peak from Previous Peak (Months)
-	-	-	December	1854	4	-	-	-	-
June	1857	2	December	1858	4	18	30	48	-
*October	1860	3	*June	1861	3	8	22	30	40
*April	1865	1	*December	1867	Trough occurred 1868Q1	32	46	78	54
June	1869	2	December	1870	4	18	18	36	50
*October	1873	3	March	1879	1	65	34	99	52
March	1882	1	May	1885	2	38	36	74	101
*March	1887	2	*April	1888	1	13	22	35	60
July	1890	3	May	1891	2	10	27	37	40
January	1893	1	June	1894	2	17	20	37	30
December	1895	4	June	1897	2	18	18	36	35
*June	1899	3	December	1900	4	18	24	42	42
*September	1902	4	August	1904	3	23	21	44	39
May	1907	2	June	1908	2	13	33	46	56
January	1910	1	*January	1912	Trough o ccurred 1911Q4	24	19	43	32
January	1913	1	December	1914	4	23	12	35	36
August	1918	3	March	1919	1	7	44	51	67
January	1920	1	July	1921	3	18	10	28	17
May	1923	2	July	1924	3	14	22	36	40
*October	1926	3	November	1927	4	13	27	40	41
August	1929	3	March	1933	1	43	21	64	34
May	1937	2	June	1938	2	13	50	63	93
February	1945	1	October	1945	4	8	80	88	93
November	1948	4	October	1949	4	11	37	48	45
*July	1953	2	May	1954	2	10	45	55	56
August	1957	3	April	1958	2	8	39	47	49
April	1960	2	February	1961	1	10	24	34	32
December	1969	4	November	1970	4	11	106	117	116
November	1973	4	March	1975	1	16	36	52	47
January	1980	1	July	1980	3	6	58	64	74
July	1981	3	November	1982	4	16	12	28	18
July	1990	3	March	1991	1	8	92	100	108
March	2001	1	November	2001	4	8	120	128	128
December	2007	4	June	2009	2	18	73	91	81
*February	2020	Peak occurred 2019Q4	April	2020	2	2	128	130	146
Average Since 1854						**17**	**41**	**56**	**59**
Average Since 1945						**11**	**65**	**71**	**76**
Median Since 1854						**14**	**32**	**47**	**49**
Median Since 1945						**10**	**58**	**60**	**74**

The *red highlights indicate when the peak or trough month has been outside the peak or trough quarter.

Source: National Bureau of Economic Research

Stock returns are often depressed right before and during recessions. Fixed income often outperforms during recessions. Recessions raise the risk of stock bear markets.

Since 1926	US Large Cap Stocks	US Small Cap Stocks	US 20 Year Corporate Bonds	US 20 Year Govt. Bonds	US 5 Year Govt. Bonds	US 30 Day T-Bills	US Inflation
Average Monthly Returns	0.97%	1.26%	0.51%	0.47%	0.41%	0.27%	0.24%
Median Monthly Returns	1.31%	1.48%	0.40%	0.31%	0.27%	0.22%	0.24%
Average Monthly Return 6 Months Prior to Recession	0.47%	0.62%	0.13%	0.23%	0.33%	0.38%	0.33%
Average Monthly Return 12 Months Prior to Recession	0.94%	0.96%	0.16%	0.14%	0.28%	0.35%	0.35%
Average Recession Monthly Returns	-0.25%	-0.59%	0.71%	0.79%	0.68%	0.29%	0.03%
Median Recession Monthly Returns	0.17%	-0.79%	0.53%	0.55%	0.49%	0.18%	0.00%

- Conclusions
  - Stock and fixed income returns generally moderate 6 to 12 months before a recession.
  - Fixed income returns are relatively flat 0 to 6 months prior to a recession.
  - During recessions fixed income and particularly long-term debt outperform stocks.
  - 54% of the time there has been a recession, a bear market has occurred at the same time or soon after.
  - 70% of stock bear markets occur around the same time or soon after a recession.

Source: CFA Institute, Ibbotson, Candor Asset Advisors

Stock market declines regularly occur

A history of market declines

Standard & Poor's 500 Composite Index (1951-2021)

Size of decline	-5% or more	-10% or more	-15% or more	-20% or more
Average frequency*	About three times per year	About once per year	About once every three years	About once every six years
Average length†	43 days	110 days	251 days	370 days
Last occurrence	October 2021	September 2020	March 2020	March 2020

* Assumes 50% recovery of lost value.

† Measures market high to market low.

Sources: Capital Group, RIMES, Standard & Poor's. As of 12/31/21.

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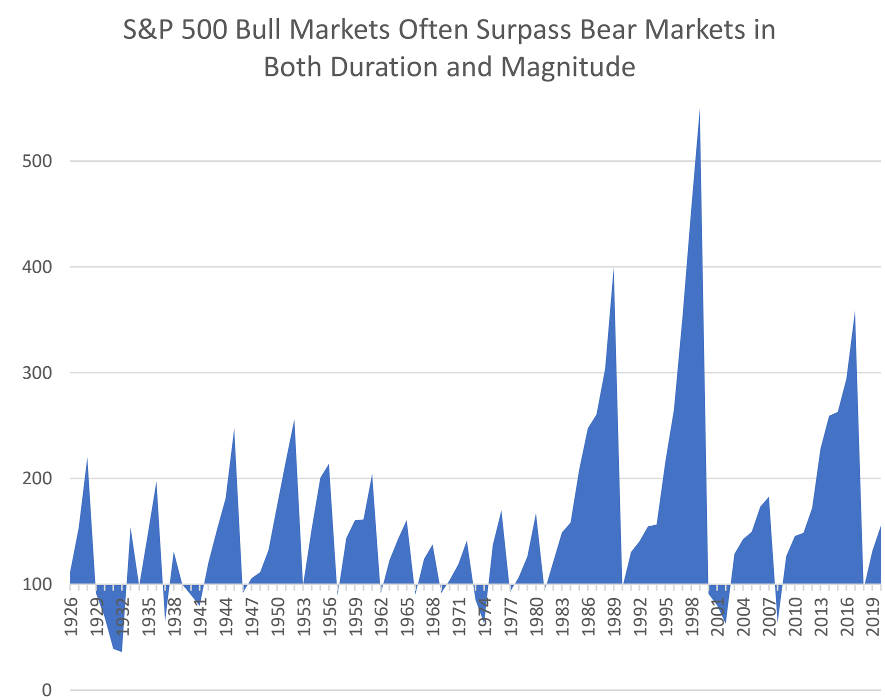
With the S&P down 21% from recent highs through 6/30/22 and the average bear market decline registering 30-40%, it is fair to say at least some of the current risks are priced in. Riding out the current rough patch is usually the best advice for most stock investors.

		10 Year Compound Annual Growth Rate From Start Date		
Month Where US Large Cap Stocks Total Return Cumulative Decline Surpassed 20%	10 years Hence	Ride it Out	Sell out and Invest 3 years Later	Sell Out and Invest 5 Years Later
October-29	October-39	-1.0%	10.1%	6.4%
May-31	May-41	2.3%	3.5%	-1.5%
September-31	September-41	6.3%	5.0%	-1.7%
December-31	December-41	6.4%	3.0%	-3.8%
April-32	April-42	8.7%	2.0%	-4.5%
May-32	May-42	12.3%	2.3%	-3.8%
November-32	November-42	9.4%	0.7%	1.3%
October-37	October-47	8.1%	7.4%	7.7%
March-38	March-48	11.9%	6.9%	11.9%
May-40	May-50	13.8%	8.6%	5.2%
September-46	September-56	18.4%	15.8%	9.7%
June-62	June-72	10.5%	4.8%	3.3%
August-74	August-84	14.2%	9.1%	6.0%
October-87	October-97	17.2%	13.8%	9.5%
July-02	July-12	6.3%	2.6%	0.6%
October-08	October-18	13.2%	14.3%	5.5%
March-20	March-21	?	?	?
Averages		**9.9%**	**6.9%**	**3.2%**
Pre 1950 Averages		**7.2%**	**4.5%**	**1.3%**
Since 1950 Averages		**13.4%**	**9.9%**	**5.7%**



Source: CFA Institute, Ibbotson, Candor Asset Advisors

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For more information

- Check out our website at:

www.candorassetadvisors.com

- We discuss where we see opportunities in stocks, fixed income and other asset classes in our investment strategy commentaries
- Sign up to receive our insights by emailing us @:
  - info@candorassetadvisors.com
- To schedule a conversation, use the following link:
  - https://calendly.com/bhawes-1/brief_conversation

William E. Hawes, CFA, CFP®
President & Chief Investment Officer

With over 22 years of industry experience, Bill brings a wealth of knowledge in investment management. Prior to earning his MBA, Bill worked in mortgage banking and insurance, and the insights gained provided him with a broader perspective of the financial issues facing clients.

Bill has been a Chartered Financial Analyst since 2000 and is a member of the CFA Society of Austin. Bill also enjoys golf, travel, studying history, watching his favorite sports teams and spending time with family.

Before founding Candor Asset Advisors, LLC, Bill co-created and managed Century Management's Large Cap Absolute Value and Large Cap Value strategies. Bill also analyzed companies in a variety of industries for the firm's all cap value strategy.

Prior to moving back to Texas, Bill served as an equity analyst for Engemann Asset Management in Southern California. He co-managed a mid-cap growth fund and served as an multi-sector analyst for the mid cap and large cap growth team.

After graduate school, Bill served as co-portfolio manager and equity analyst at Franklin Templeton. While there he served as portfolio manager on All Cap, Large Cap Core and Consumer Sector portfolios. Notable institutional clients included CalPers, Mitsui Trust, Norges Bank and Penn Mutual. He also spent considerable time analyzing auto, transportation and consumer stocks.

Bill earned his Master in Business Administration from the University of Southern California. While there he also served on USC's MBA student investment fund.

Between his graduate and undergraduate studies, Bill worked at North American Mortgage Company in California as a management trainee and later as a financial analyst and marketing coordinator. The experience gave him a better understanding of the mortgage and real estate markets which he leverages to this day.

Bill earned his Bachelor of Business Administration from the University of Texas at Austin. While a student, he also served as a special agent for Northwestern Mutual. The experience gave him an understanding of life and disability insurance and the work ethic, tools and temperament needed to grow a financial services practice.

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