

Monthly Investment Report

May 2023



U.S. stocks rose 1.6% while investment-grade bonds rose 0.6% in April. Globally, developed equity markets outperformed the U.S. markets while China and other emerging markets ended lower. Business activity picked up with the S&P Global U.S. Composite PMI rising to an 11-month high of 53.5. The PCE price index fell to 4.2% from the 5.1% annual rate in February. The core PCE fell marginally to 4.6%, higher than the Fed's target. U.S. Real GDP rose by 1.1% annually in the first quarter of 2023. Building permits for privately-owned housing units fell -8.8% below the February rate. Investors are keeping a close watch on the banking sector as First Republic Bank gets acquired. At the same time, the yield curve inverted further, reflecting fears of a slowdown in the economy.

Markets

Developed equity markets broadly moved higher in April while China and other emerging markets ended negative. U.S. stocks (S&P 500) rose 1.6% higher in April. The Dow Jones Industrial Average rose 2.6% whereas the tech-heavy Nasdaq ended the month flat. Information Technology stocks, which returned 22.4% year-to-date, were largely flat in April while the Communication Services sector continued its outperformance, rising 3.8% in April and 25.0% year-to-date. Consumer Staples, Energy, and Health Care sectors did well, all rising more than 3% in the month. After falling -9.6% in March, the Financial sector rose 3.2% in April, though it is still down -2.6% year-to-date making it the worst-performing sector so far in 2023. Some analysts and experts believe that the acquisition of First Republic Bank by JPMorgan may end the turmoil in the banking sector while others don't see that happening soon. Developments in the banking sector, as well as the Fed's actions, may have a significant impact on the markets in the coming months.

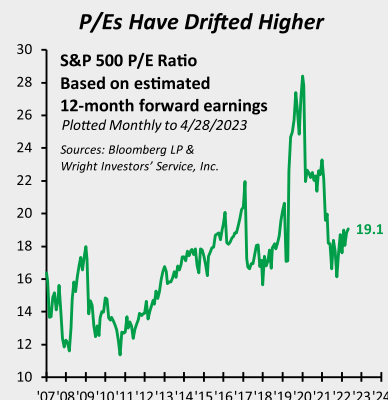
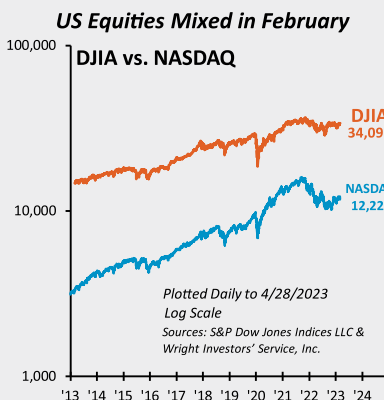
Internationally, other developed markets outperformed the U.S. as well as the emerging markets. The MSCI-Developed World ex-U.S. Index rose 2.8% in April while the MSCI-Emerging Markets Index fell -1.1% in U.S. dollar terms during the month. The MSCI-UK, which underperformed European, Japanese, and Chinese markets in March, outperformed in April. China's market, as represented by the MSCI-China Index, fell -5.2% in April. In the U.S., large-cap stocks outperformed mid- and small-cap stocks during the month. Additionally, large- and small-cap value stocks outperformed growth stocks. Overall, large-cap value stocks outperformed stocks of other sizes and styles, whereas riskier small-cap growth stocks underperformed, indicating investors' cautious outlook for the markets.

The Federal Reserve is widely expected to raise interest rates by a quarter percentage point to a range of 5.00% to 5.25% in its May 2-3 meeting. In April, the yield curve inverted further with the yields on Treasuries with 1-year and shorter maturities largely rising while dropping for bonds with maturities out to 10 years. Yields for bonds with maturities of 20 years and longer rose during the month. The deeper inversion of the yield curve indicates investors' increasing fears that further interest rate hikes may slow down the economy. The Bloomberg U.S. Aggregate Index, a comprehensive index of investment-grade, taxable, dollar-denominated bonds, rose 0.6% for the month, underperforming the U.S. Corporate High Yield index, which was up 1.0%.

Commodities posted a marginal negative performance during the month. Prices of key commodities including wheat, corn, copper, and gasoline saw weakness while natural gas and crude oil prices were up for the month. Gold prices, which soared 7.2% last month, rose 1.5% in April. The U.S. dollar weakened against Euro, Pound Sterling, and Swiss Franc while strengthening against Yen and Renminbi.

U.S. Economy

U.S. business activity accelerated during the month of April. The S&P Global U.S. Composite PMI rose to an 11-month high of 53.5 in April, signaling the quickest upturn in business activity since May 2022. The S&P Global U.S. Services PMI rose to a 12-month high of 53.7 and the Manufacturing PMI increased to an 11-month high of 52.8. Greater consumer confidence, new order growth, and higher output growth drove the increase. The rise in business activity was broad-based, with the service sector recording a higher growth rate.



Total Investment Returns—4.30.2023

	April	Last 12 Mos.
Dow Jones Industrial Average	2.6%	5.6%
Nasdaq Composite	0.1%	0.0%
S&P 500 Composite	1.6%	2.7%
S&P MidCap 400	-0.8%	1.3%
S&P SmallCap 600	-2.8%	-3.8%
MSCI World (\$)	1.8%	3.2%
MSCI World ex U.S. (\$)	2.8%	7.1%
Bloomberg U.S. Aggregate	0.6%	-0.4%
90-Day Treasury Bills	0.3%	2.9%
Consumer Price Index NSA* (Mar 2023)	0.1%	5.0%

*NSA: Not Seasonally Adjusted
Sources: Bloomberg LP & Wright Investors' Service, Inc.

Domestic new orders increased at the sharpest rate in 11 months, with the service sector mostly driving the expansion. In contrast, net export orders continued to contract in April due to subdued foreign demand.

The PCE price index fell to 4.2% from the 5.1% annual rate in February.

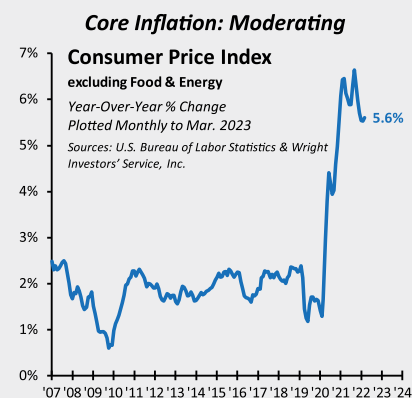
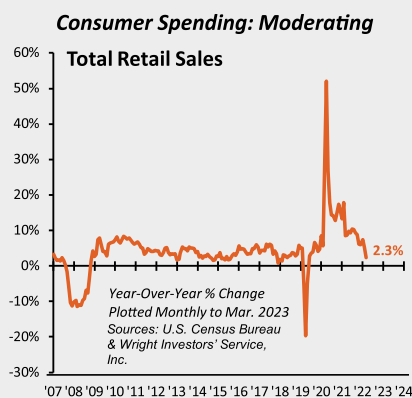
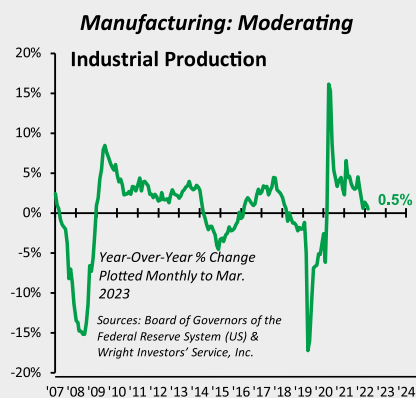
The core PCE inflation, an indicator closely followed by the Federal Reserve, fell marginally to 4.6%, compared with 4.7% in February. Disposable personal income increased during the first quarter as a result of higher personal income—reflecting increases in private compensation and government social benefits—and lower taxes. The personal saving rate rose to 4.8% from 4.0% in the previous quarter. According to the advance estimate, U.S. Real GDP rose by 1.1% annually in the first quarter of 2023, driven by higher consumer spending, exports, and government spending, partly offset by decreases in private inventory investment and residential fixed investment. The unemployment rate, at 3.5%, has shown very little net movement since early 2022. In terms of job gains, non-farm payrolls increased by 236,000 in March, at a slower pace compared to last month. Employment in retail trade, construction, manufacturing, and financial services fell, while hirings in leisure, healthcare, government, professional and business

services, transportation, and warehousing grew. Employment in other industries such as mining, quarrying, oil and gas extraction, wholesale trade, information, and other services changed little. The labor participation rate continues to rise, although it remains lower than prior to the pandemic.

Construction activity in the U.S. slowed down as indicated by falling building permits and flat housing completions. Building permits for privately-owned housing units fell at a seasonally adjusted annual rate of 1,413,000, -8.8% below the February rate and -24.8% below the March 2022 rate. New houses sold increased 9.6% month-over-month, primarily driven by East Coast sales but remained -3.4% below March 2022. Sales of new privately owned houses picked up despite a rise in property prices in February. The median sales price of houses sold during the month ended 3.8% higher compared to the last month.

Investment Outlook

Pressure is mounting on the U.S. banking sector as the country experienced its third bank failure since March. Meanwhile, the market anticipates that the Federal Reserve will raise the policy rate in the upcoming FOMC meeting to combat inflation that remains above its target rate. Further inversion of the yield curve reflects investors' outlook for slower economic growth. On the positive side, business activity has picked up, inflation is moving in the right direction (though still higher than the target), and some experts believe that the acquisition of First Republic Bank by JPMorgan may end the turmoil in the banking sector. It is especially in times such as this that we believe that reliable returns can be generated by investing in a diversified portfolio of high-quality securities held for the long term.



Source: Bloomberg Index Services Limited. "Bloomberg", "Bloomberg Commodity Index" and the Bloomberg Bond Indices are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Wright Investors' Service, Inc. Bloomberg is not affiliated with Wright Investors' Service, Inc. and Bloomberg does not approve, endorse, review, or recommend Wright Products. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Wright Products.

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