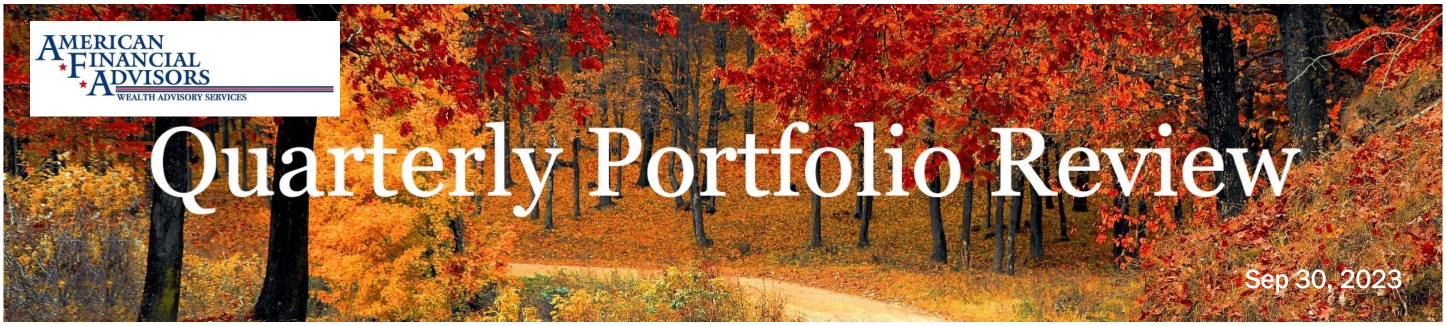

Quarterly Portfolio Review

Sep 30, 2023

"Volatility is the price of admission to the investment world, and patience is the key to long-term success."

- John Bogle

Year in Review

- 30 year mortgage rates have risen to about 7.83% and the 15 year to 6.90%.
- Interest rates continue to be stubborn in their rise. Fortunately, inflation figures are flattening and are on the decline with the exception of food and energy.
- Our client short term cash/Treasury program has yielded over $40mil in deposits over the last year. If you have a low savings rate at your bank or credit union, please contact us. This program carries no cost to our clients.
- Core PCE was announced at the end of September. Here are some figures (rounded): 1 year 3.9%, 6 month 3.0%, 3 month 2.2%, 1 month 0.14% (1.68%) annualized.

BENCHMARKS YTD THROUGH 9/30/2023	
FTSE World Gov't Bond Index 3-7 Yr. Hedged	+1.38%
Russell 2000 (US Small Cap index)	+1.35%
S&P 500 (US Large Cap index)	+11.68%
Wilshire 5000 (US Total Market index)	+13.59%
MSCI EAFE (International Stock index)	+4.49%

Declining Rates in the future?

Bonds and declining interest rates share an intricate relationship that significantly impacts the world of finance and investments. When interest rates decrease, bond prices tend to rise, creating a seesaw effect in the financial markets.

Bonds are essentially debt securities issued by governments, corporations, or other entities to raise capital. They promise periodic interest payments (coupon) to bondholders and return the principal amount upon maturity. Interest rates, often represented by the yield on government bonds, play a pivotal role in determining bond prices.

As interest rates decline, existing bonds with higher coupon rates become more attractive to investors because they offer comparatively higher yields than newly issued bonds. Consequently, the demand for these higher-yielding bonds increases, driving up their prices. This inverse relationship between interest rates and bond prices is known as the interest rate risk.

Declining interest rates also impact the overall investment landscape. Investors seeking income often shift their focus from traditional savings accounts and fixed-income instruments to bonds as they hunt for better returns. This increased demand for bonds can lead to a surge in their prices, potentially resulting in capital gains for bondholders.

However, the downside of this bond market phenomenon is that it makes it more challenging for investors to find attractive yield opportunities. This can push them into riskier assets in search of higher returns, potentially inflating asset bubbles and creating broader economic challenges.

In conclusion, the interplay between bonds and declining interest rates is a complex but essential dynamic in the financial world. Investors need to carefully assess their investment strategies in response to changing interest rate environments, as the bond market's behavior can have significant implications for their portfolios and the broader economy.

Quarterly Client Webinar

Date: Thursday , October 19th, Starting time: 12:00 pm, Eastern Standard Time

Meeting Number: 2631 659 9060 Password is **1234**

Website link: https://afadvisorsevents.webex.com/afadvisorsevents/j.php?MTID=mb3b0df16754f02b026537676b98718f0

To join the teleconference only: US TOLL: +1-415-655-0002 Access code: 2631 659 9060

If you cannot join us for this important webinar, we will post a recording of the entire presentation on our website at www.afadvisors.com.