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Dear Valued Client:

As we prepared commentary on the recent quarter, the theme from the hit Broadway Musical "Annie" kept resonating with a great message about optimism. Tomorrow there will be sun and tomorrow is just a day away! For investors, that message was uniquely appropriate after a tough year in 2022.

The first three months of 2023 illustrated widespread improvement in asset class performance as investors overcame inflation, rising interest rates, and a banking crisis. A resurgence in growth and technology stocks fueled the market rally that benefited the tech-heavy NASDAQ Composite Index and the S&P 500 Index. The NASDAQ outperformed all areas with a robust 17.0% total return and the S&P 500 (large company domestic stocks) posted a solid 7.5% total return. The rising tide from the market rally also boosted returns for international stocks, small company domestic stocks, and real estate. After enduring one of the worst performance years on record, the bond market showed encouraging improvements in the quarter due to lower inflation data and clarity around interest rate direction and pace. The performance of fixed income assets recovered with moderate positive returns across most sectors. Instead of a day away, the sun for stock and bond investors was just a quarter away.

Overall, economic activity during the quarter remained resilient despite multiple headwinds and the evidence of slowing conditions. Gross Domestic Product (GDP) increased at an annual rate of 2.6%; Inflation data eased with the latest Consumer Price Index (all items) reporting an annual increase of 5.0%; Unemployment held steady at 3.5%; Job growth continued to trend upward; Manufacturing contracted for the fifth consecutive month; Housing market data showed weak conditions; Consumer confidence decreased; and personal consumption remained elevated.

The latest Federal Open Market Committee (FOMC) meeting in March confirmed modest growth in spending and production with a pickup in job growth, low unemployment, and lower but still elevated inflation. The meeting minutes also touched on the recent problems related to the banking sector and the actions taken. The Fed's message was a dose of confidence for the U.S. Banking system, but the Committee did state the lasting effects of the events are uncertain, and the most likely result would be tighter credit conditions for households and businesses. The Fed's war on inflation progressed further in 2023 with two additional increases of ¼ percent (0.25%) at the February and March meetings. Interest rates have now increased for more than a year and the federal funds rate stands at a range of 4.75% to 5.00%. In conjunction with the recent meeting, the FOMC published its Summary of Economic Projections which showed officials expect growth to slow in 2023, unemployment to rise, and inflation to decelerate.

Indications from the Summary of Economic Projections also suggested another rate hike at the FOMC's May meeting, but then a greater probability of a pause if conditions follow expectations.

As always, the Committee gave assurances they would consider the cumulative tightening of monetary policy, the lags with which it affects economic activity and inflation, and future developments when determining the appropriate stance for future increases. This is in stark contrast with what the market is pricing in via the fed funds futures (marketplace tool used to measure expectations on future FOMC actions) which show implied rate cuts later this year and into 2024. Either way, the Fed's most aggressive policy rate sequence in history is close to a conclusion.

Our outlook for the economy is cloudy based on the uncertain macro environment of higher interest rates and persistent inflation, and the growing concern of a looming recession. The probability of a "soft landing" is still highly dependent on inflation, the labor market, and economic growth. While a recession may not be imminent, our expectation is for a relatively flat 2023 economy with mild and short-lived recessionary conditions (if they arise). Fallout from the bank crisis will add another layer of difficulty for growth and we expect banks will firm up credit requirements and availability. When it comes to inflation, the battle is far from over but there are positive trends underway. Most importantly, inflation has declined from the 40-year high (9.1%) and has slowed for the ninth consecutive month. We believe improvement on the inflation front will continue, and we are encouraged that some measures, such as goods inflation and core inflation excluding shelter, are already at or near the Fed's target. For investors, better performance across stocks and bonds was a promising start for 2023. We are hopeful the positive momentum continues, and we anticipate the upcoming earnings season will provide insight into how companies, sectors, and the broader economy are truly faring in this environment. Lastly, we expect the Fed to adopt a dovish stance on monetary policy as inflation approaches its long-term target range of 2.0%.

Our international outlook is brighter based on economic improvements in the eurozone, resilience of growth prospects in the U.K., the continued recovery in Japan, and increased activity due to the COVID reopening in China. We expect this will translate into favorable international results for investors that will outpace the 2023 domestic situation.

Although investors are accustomed to a rapid news cycle, we wanted to rewind the tape to briefly address the recent banking crisis. It started with Silicon Valley Bank and Signature Bank who had customers concentrated in specific industries, such as tech and crypto, that made them susceptible to liquidity problems and bank runs. The pace of the Fed's rate increases led to balance sheet issues for those banks due to declining fixed income asset values. These accumulated unrealized losses led to solvency issues which then manifested into fear as the March crisis unfolded. Stability was needed and the Federal Deposit Insurance Corporation (FDIC), Treasury Department, and the Federal Reserve quickly stepped in to secure the banking system. Relative calm was restored, but the aftermath revealed risks and repercussions that will be felt for years to come. The banking crisis didn't stop the Fed from their appointed task as the decision was made to raise rates during the turmoil. From the FOMC's viewpoint, this choice was made to deliver a message about trust in the overall financial system knowing the problems in the banking industry were isolated and will aid to naturally tighten conditions. They also believed a sudden pivot to cut rates as a direct response would be an overreaction that might spark more panic, not less.

As we add the banking crisis fallout to our list of current economic risks, we try to maintain some perspective on this situation and the fragile state of the global economy. History teaches us repeatedly that there are always reasons to worry and be on the edge of one's seat. Events may be different, but uncertainty is constant. Moving further into 2023, we are proceeding with a watchful eye and optimism for the global economy and financial markets.

When markets are challenging, we are reminded that a key principle for the prudent investor is to stay invested. Investors don't purchase risk assets with the goal of losing money, and the fear of losing everything can drive any investor out of the market during times of turmoil. A market timing strategy (improving portfolio returns by avoiding periods of poor performance) can be appealing,

but executing the timing consistently is extremely difficult. Investors that wait for the right time to invest often find themselves missing out on the best performing days the market has to offer.

Cost of Market Timing S&P 500 Index 1998-2023		
Fully Invested	$3,316	**Staying invested through ups and downs is the key to long-term success.**
Missed Days		
Best One	$2,971	**Missing out on the best performing days can have a devastating outcome.**
Best 5	$2,095	
Best 10	$1,521	Data as of 3/31/2023. Source: Clearnomics and Standard & Poor's. Based on an initial $1,000 investment excluding all transaction costs. **Past performance may not be indicative of future results. Indexes are not available for direct investment.**
Best 20	$895	
Best 30	$573	
Best 40	$382	

The example above illustrates the impact of missing the best performing days for an initial $1,000 investment in the S&P 500 Index over the last 25 years. Investors who stayed the course were rewarded as their $1,000 investment grew to $3,316. Investors who missed the best 40 performing days experienced a loss as their $1,000 investment declined to end the period at $382.

Our investment philosophy remains based on the fundamentals. ***We believe it is time---not timing---that matters most.*** History shows that markets often turn around when investors least expect it, and long-term investors are often rewarded precisely because they are willing to accept and manage risk when others are not. Preparation and discipline do not prevent volatile events, but it certainly helps investors get through them more smoothly and recover more productively.

If you would like to discuss changes to your financial situation, schedule a meeting, or have any questions, please contact our office.

In closing, I want to thank you for the opportunity of working with you and for your continued confidence and trust. I wish you and your family good health.

With kindest personal regards, I am

Very truly yours,

WILLIAM HOWARD & CO. FINANCIAL ADVISORS, INC.

William B. Howard, Jr., ChFC®, CFP®

Enclosure: Index Performance and U.S. Economic Data

2023 Total Return Index Performance		
Asset Class	**Index**	**1st Qtr.**
Cash	BofA/ML Three-Month U.S. Treasury	1.07%
U.S. Bonds	Barclays Intermediate-Term Treasury	2.27%
U.S. Large Co. Stocks	S&P 500	7.50%
U.S. Small Co. Stocks	Russell 2000	2.74%
International Stocks	MSCI EAFE (net div.)	8.47%
Real Estate	DJ Select Real Estate Securities Total Return	2.77%
Source: Morningstar		

U.S. Economic Data	
GDP	2.6% increase (annual rate) – 4th Quarter 2022
Inflation	5.6% CPI (less food and energy) and 5.0% CPI (all items) over last 12-months ending March. (Energy index decreased 6.4%)
Interest rates	Federal Funds Rate range = 4.75 – 5.00%. Two rate hikes of 0.25% in February and March 2023
Jobs	March 2023 data - Unemployment at 3.5%; non-farm payroll employment rose by 236,000 jobs; Labor force participation rate 62.6%; Employment continued to trend up in leisure and hospitality, government, professional and business services, and health care.
Manufacturing	Manufacturing activity contracted for the fifth consecutive month; March ISM Manufacturing Index registered at 46.3; Continuation of a downward trend that began in June 2022 and the lowest reading since May 2020.
Business Spending	Private non-residential investment remained at a high level; New durable goods orders decreased by 1%. Down three out of the last four months.
Corporate Profits	4th Quarter 2022 - U.S. corporate profits decreased 2.0%. S&P 500 Earnings per share = $50.37 (one-year decrease of 11.21%).
Housing	February 2023 year-over year data - New home sales were down 19.0%; Existing home sales fell 22.6%; Median sales price of existing homes declined 0.2% ($363,000); Housing starts fell 18.4%; Building permits dropped 17.9%; Housing inventory increased 15.3% from last year; Unsold inventory = 2.6 month supply; MBA fixed 30-yr mortgage rates = 6.45% ending 3/29/2023.
Consumer Spending	Disposable income remained weak; Consumer Confidence Index was slightly higher in March of 2023; Retail and food services sales increased; Total vehicle sales declined during the recent quarter; Personal durable and nondurable spending remained elevated; Personal savings rate remained low at 4.6%.
Energy	Oil price (West Texas Intermediate) = $75.68/bbl – 03/31/2022 (1st QT decrease of 5.59%); Gas price (U.S. average regular unleaded) = $3.421/gal – 03/27/2022 (1st QT increase of 10.68%)