



Quarterly Investment & Economic Review

Q3 2023 > Q4 2023



Q3 2023 Market Recap

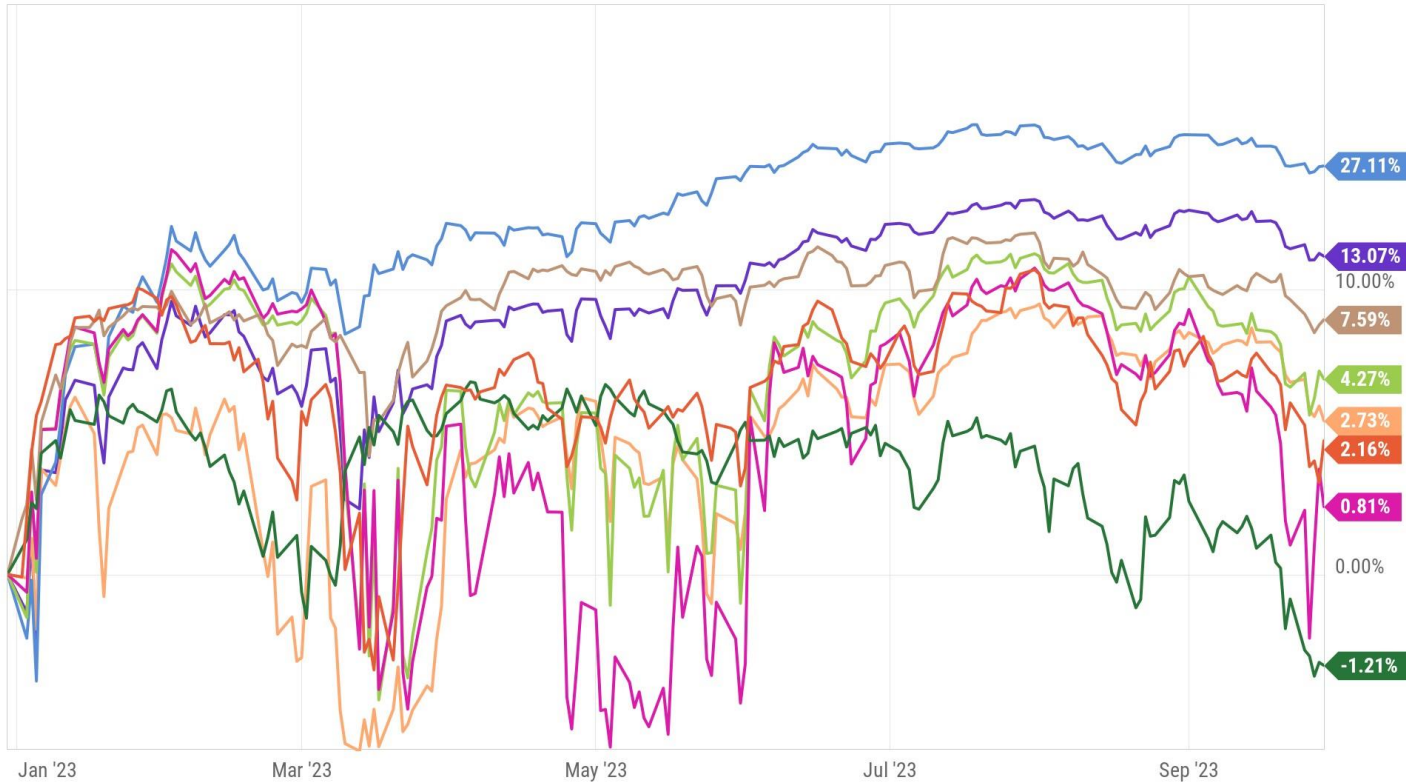


2023 Q3	2023 Q2	2023 Q1	2022 Q4	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	Annualized Return Since 2012 Returns / Standard Deviation	Index
16.0%	12.8%	14.4%	16.3%	26.0%	40.4%	38.5%	36.4%	1.3%	37.8%	21.3%	5.7%	27.2%	38.8%	18.9%	US Growth 14.1% / 17.1%	Russell 1000 Growth Total Return
-2.8%	8.7%	8.2%	12.4%	-7.5%	39.0%	20.0%	31.5%	0.9%	30.2%	17.3%	3.3%	13.7%	33.5%	18.6%	S&P 500 12.6% / 15.4%	S&P 500 Total Return
-3.1%	5.2%	7.5%	9.8%	-8.5%	28.7%	18.7%	28.9%	0.0%	24.8%	12.0%	2.1%	13.5%	32.5%	17.5%	US Value 10.3% / 15.8%	Russell 1000 Value Total Return
-3.1%	4.9%	5.7%	7.6%	-12.5%	27.6%	18.4%	26.5%	-1.5%	21.8%	11.6%	1.4%	13.0%	32.4%	17.0%	US Small Cap 9.0% / 20.7%	Russell 2000 Total Return
-3.2%	4.1%	4.0%	6.2%	-13.0%	25.2%	15.4%	25.5%	-2.3%	14.6%	11.4%	1.2%	10.6%	21.6%	16.3%	60/40 Portfolio 8.1% / 9.7%	60% S&P 500 Total Return 40% Aggregate Bond TR
-3.2%	3.3%	3.0%	5.3%	-13.8%	16.0%	8.1%	23.2%	-4.0%	14.3%	8.2%	0.8%	9.1%	17.7%	16.0%	Real Estate 6.7% / 18.5%	Dow Jones US Real Estate Index Total Return
-3.3%	2.4%	3.0%	4.4%	-15.9%	14.8%	8.0%	22.1%	-4.4%	13.7%	7.6%	0.6%	6.0%	1.8%	15.3%	World ExUSA 5.1% / 16.0%	MSCI World Ex USA Total Return
-3.3%	1.0%	2.8%	4.1%	-18.1%	13.2%	7.5%	18.9%	-8.3%	9.8%	7.1%	-2.6%	5.1%	-1.2%	11.4%	Muni Bonds 2.1% / 4.6%	Barclays Municipal Bond Total Return
-3.9%	-0.1%	2.7%	3.4%	-19.7%	1.5%	5.2%	17.6%	-11.0%	5.8%	3.3%	-3.8%	4.9%	-2.0%	6.8%	Emerging Markets 1.8% / 18.3%	MSCI Emerging Markets Total Return
-4.0%	-0.8%	1.6%	2.2%	-20.4%	-1.5%	2.8%	8.7%	-13.6%	5.4%	2.6%	-4.4%	-1.8%	-2.3%	4.2%	Aggregate Bonds 1.1% / 4.3%	Barclays US Aggregate Total Return
-5.1%	-1.4%	1.0%	1.9%	-25.2%	-2.2%	-5.3%	7.5%	-13.8%	3.5%	1.0%	-14.6%	-3.9%	-2.6%	2.0%	US Treasuries 0.6% / 4.4%	Bloomberg US Treasury
-8.6%	-2.7%	-4.9%	0.7%	-29.1%	-2.3%	-23.7%	6.9%	-14.2%	2.3%	0.2%	-32.9%	-33.1%	-2.7%	0.1%	Commodities -3.3% / 23.5%	S&P GSCI Total Return



Major Stock & Bond Indices Performance - YTD 2023

- S&P 500 Total Return
- Dow Jones Industrial Average Total Return
- Nasdaq Composite Total Return
- S&P 400 Total Return
- S&P 600 Total Return
- MSCI EAFE Total Return
- Bloomberg US Aggregate
- MSCI Emerging Markets Total Return



Date Range: 12/30/2022 - 09/29/2023

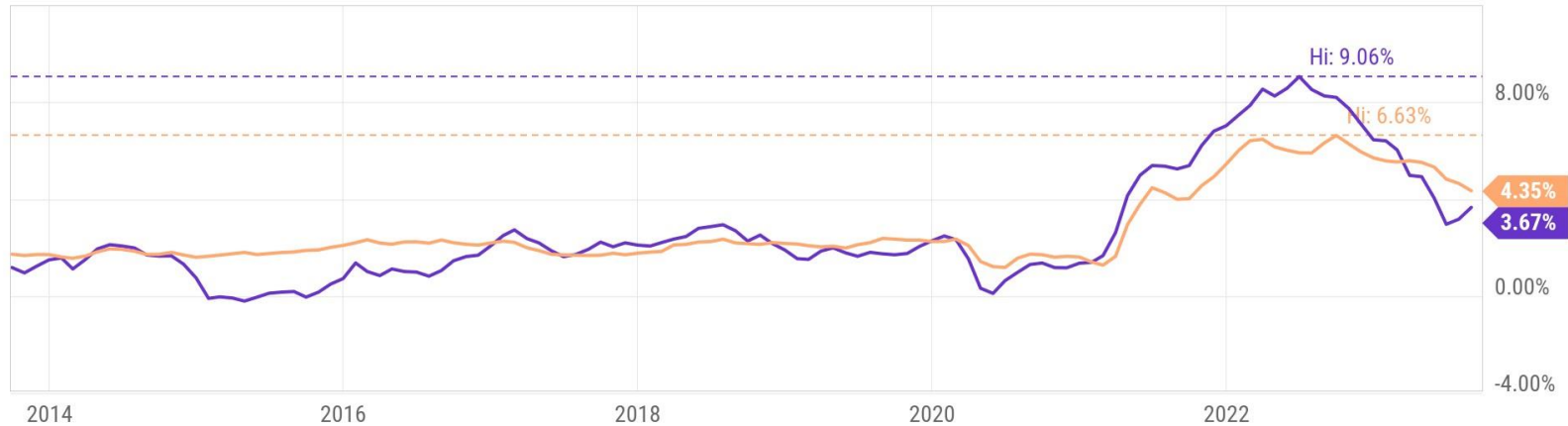
3 Risks We Are Watching

- 1) Inflation & The Fed
- 2.) Recession Potential - Slowing Growth /
Less Consumer Activity
- 3.) Geopolitical Conflicts



Inflation & The Fed Funds Rate

- US Inflation Rate
- US Core Inflation Rate



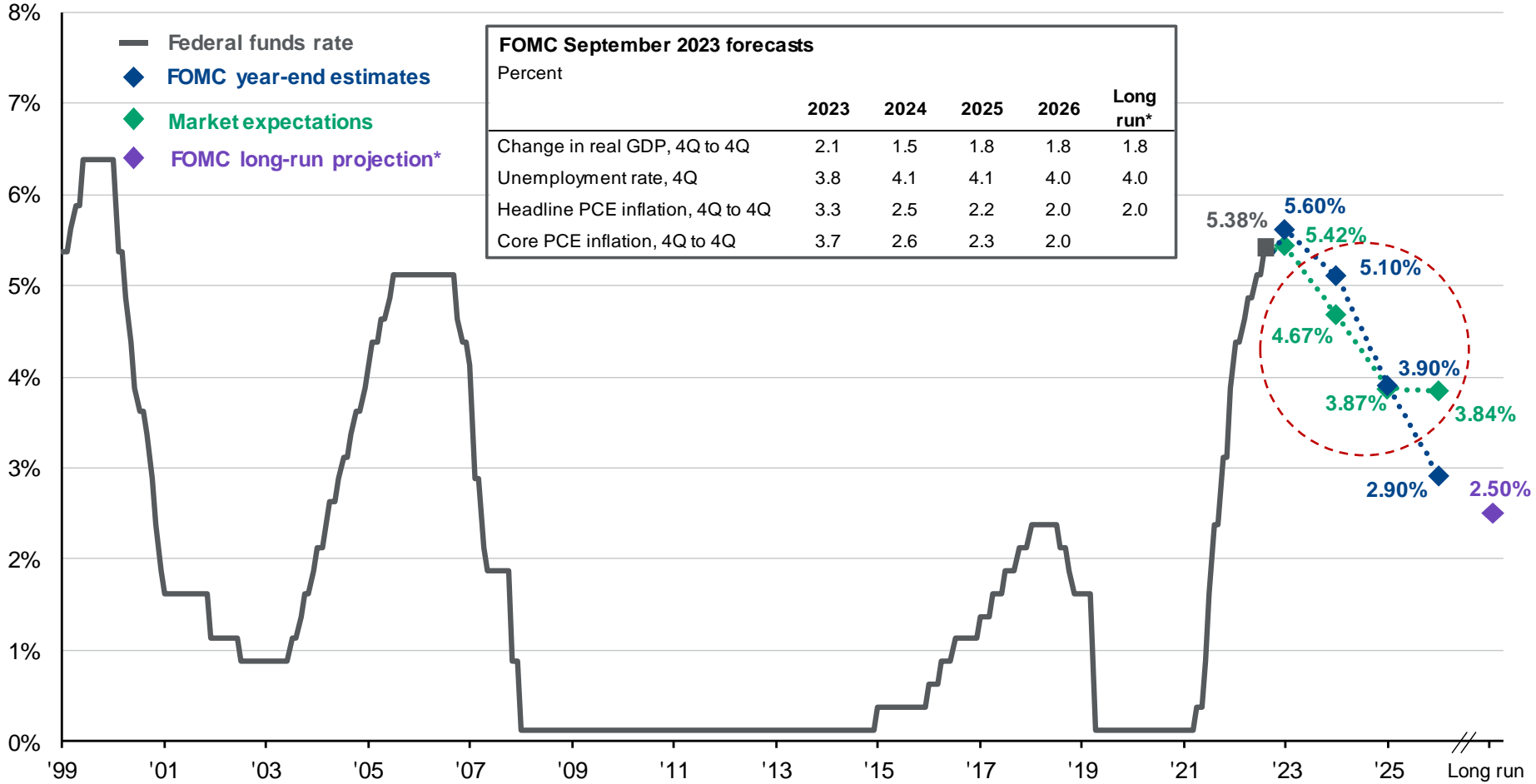
- Effective Federal Funds Rate



Date Range: 09/27/2013 - 09/27/2023

Federal funds rate expectations

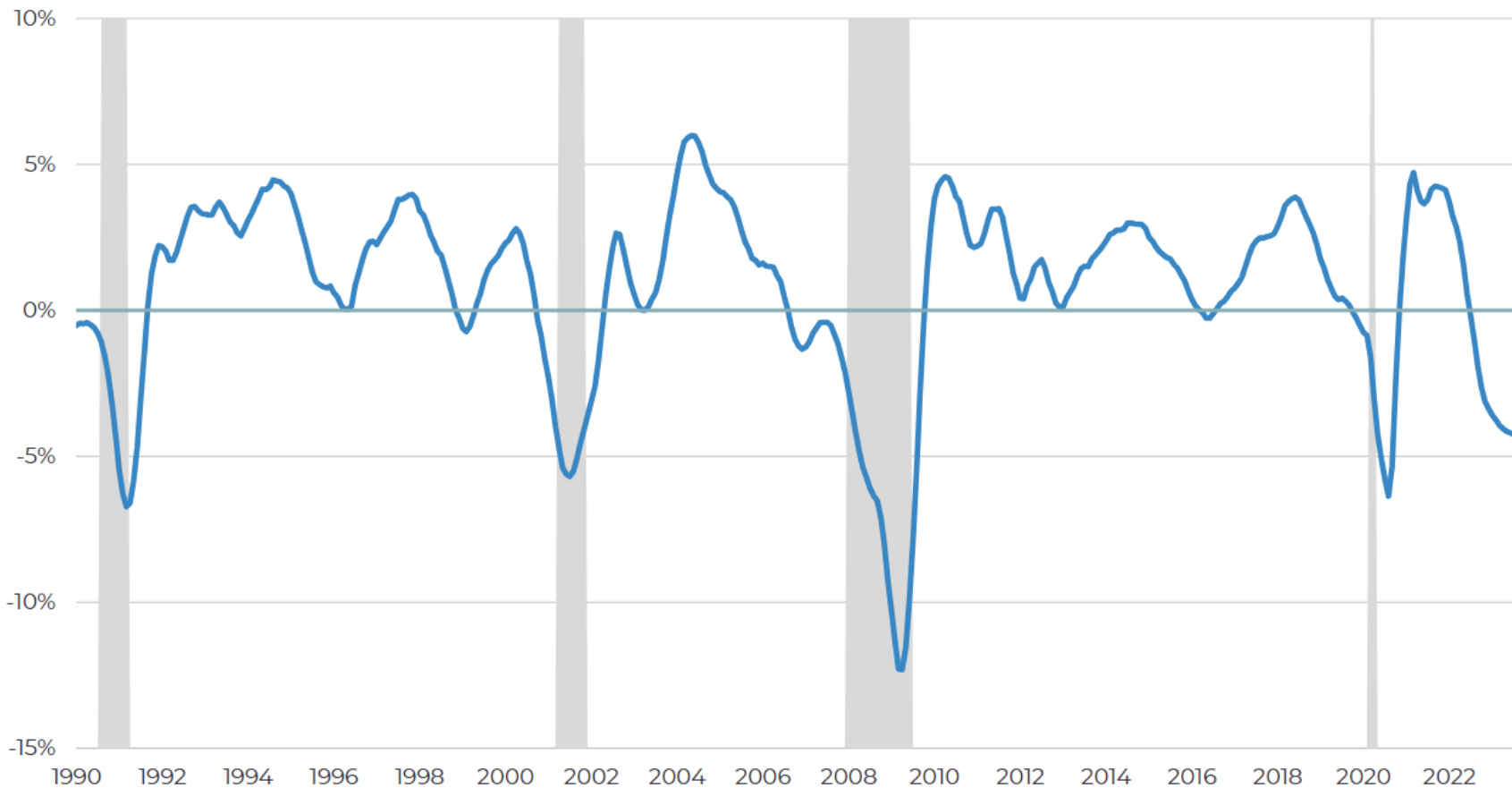
FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management. Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated. Guide to the Markets – U.S. Data as of September 30, 2023.

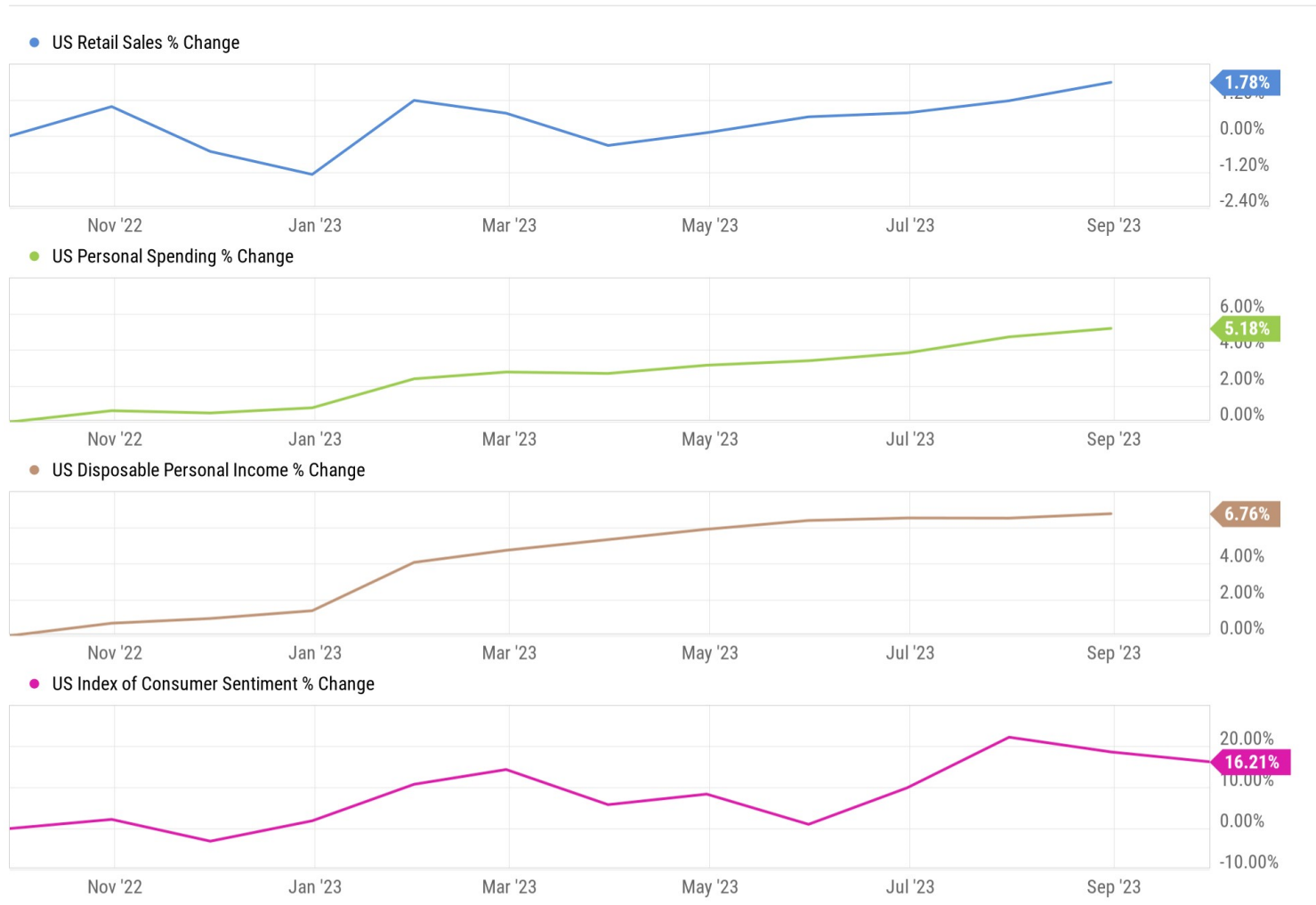
U.S. Economic Outlook

Leading Economic Index (Six-Month Moving Average of the Six-Month Rate of Change)



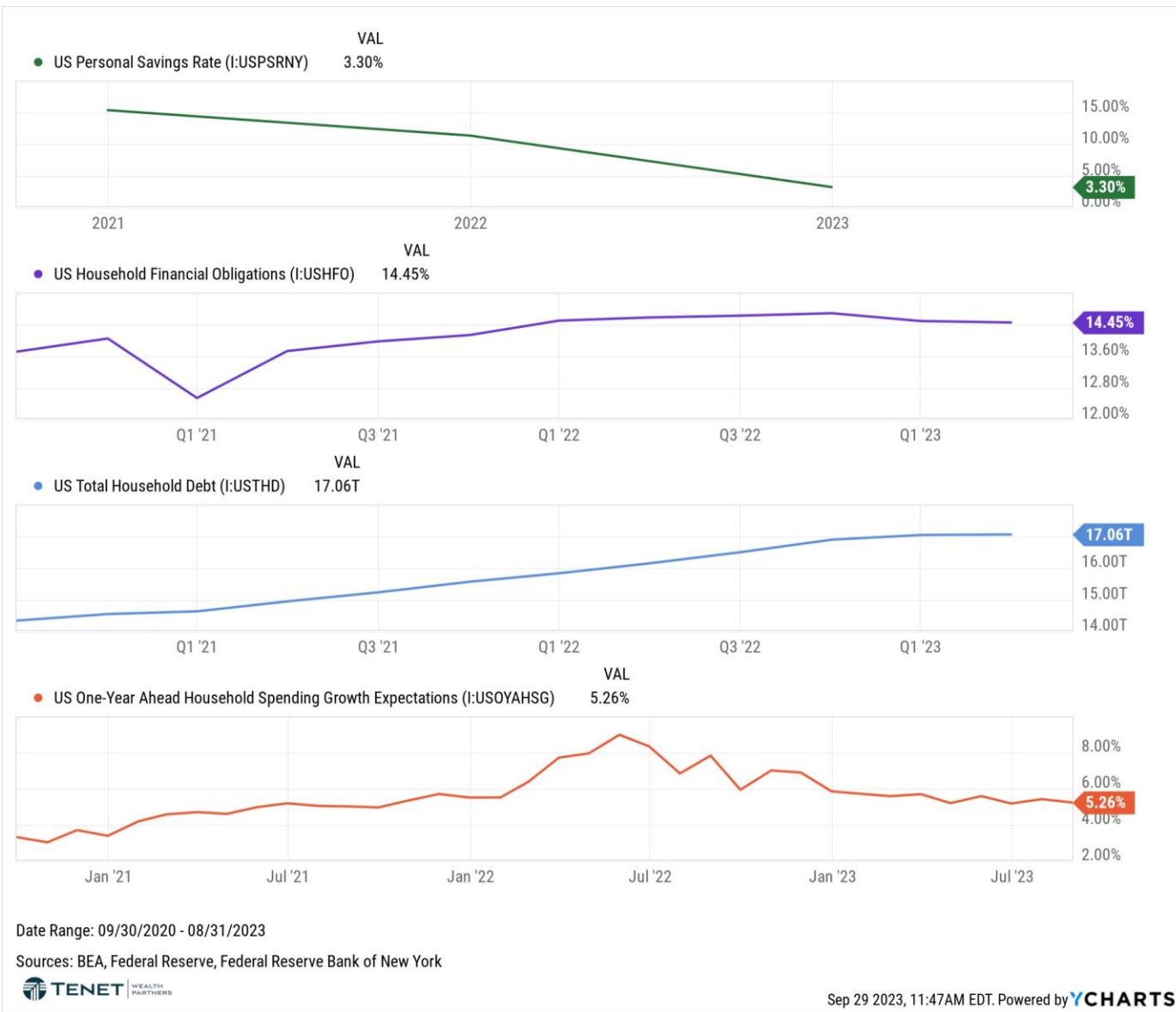
Source: Conference Board, Sanctuary Asset Management Chartbook (October 2023)

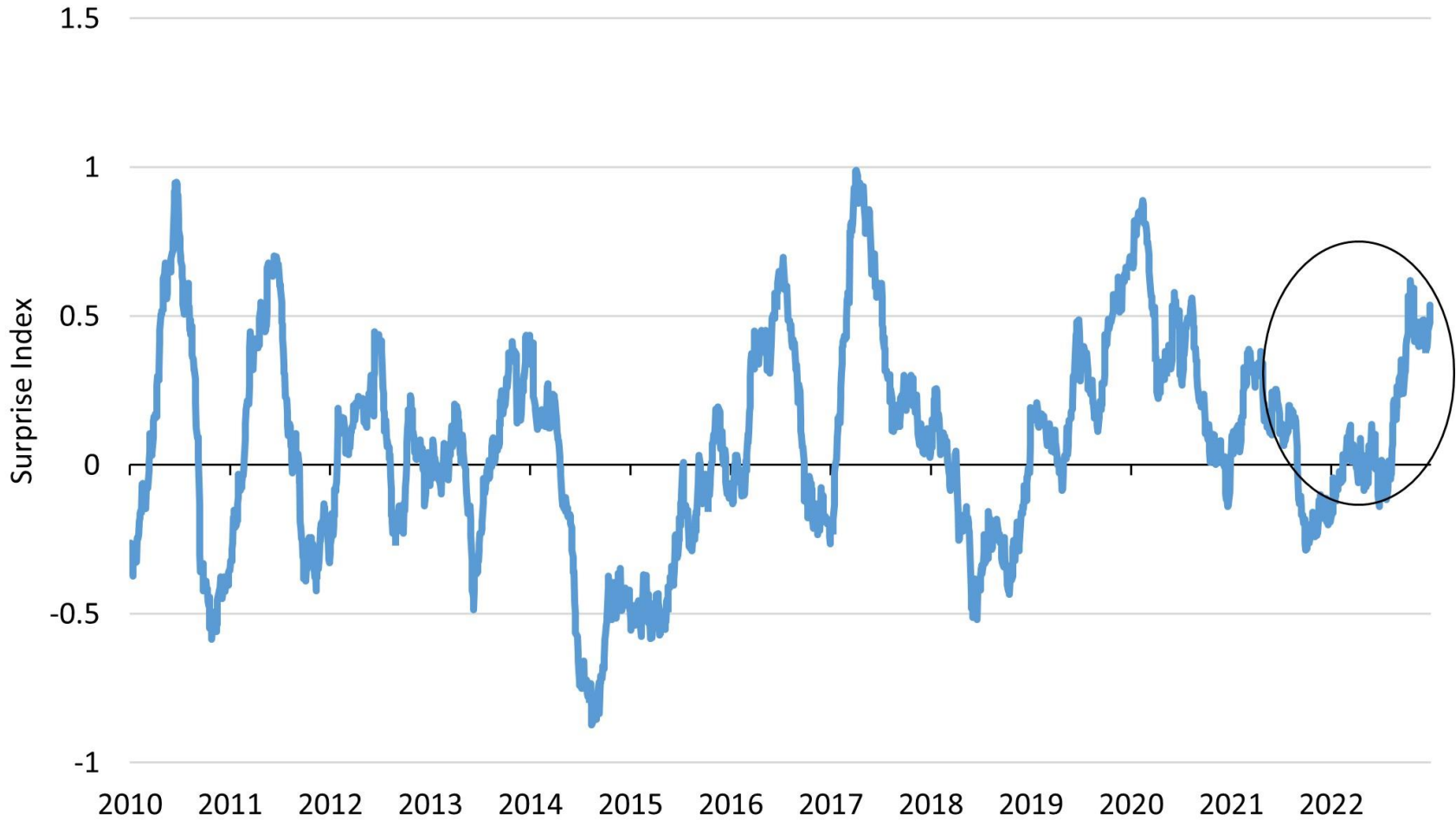
US Consumer Health & Confidence



Date Range: 09/30/2022 - 09/30/2023

Sources: Census Bureau, BEA, University of Michigan





Source: BlackRock, Bloomberg. Index as represented by Bloomberg ECO US Surprise Index. As of September 15, 2023.

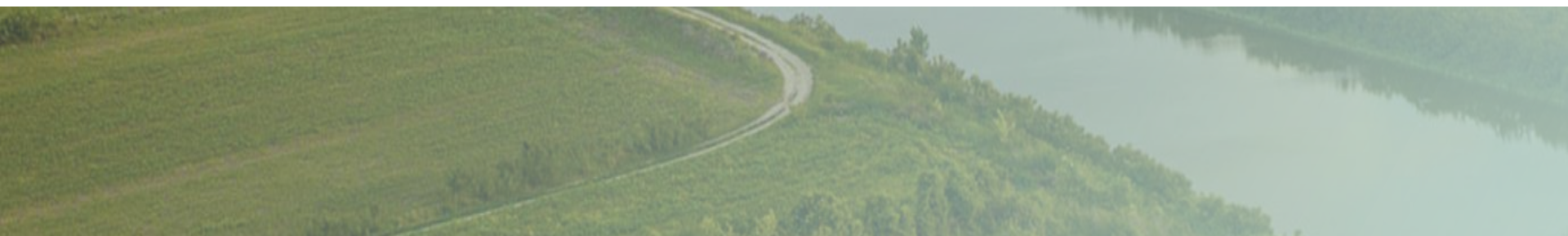


3 Opportunities

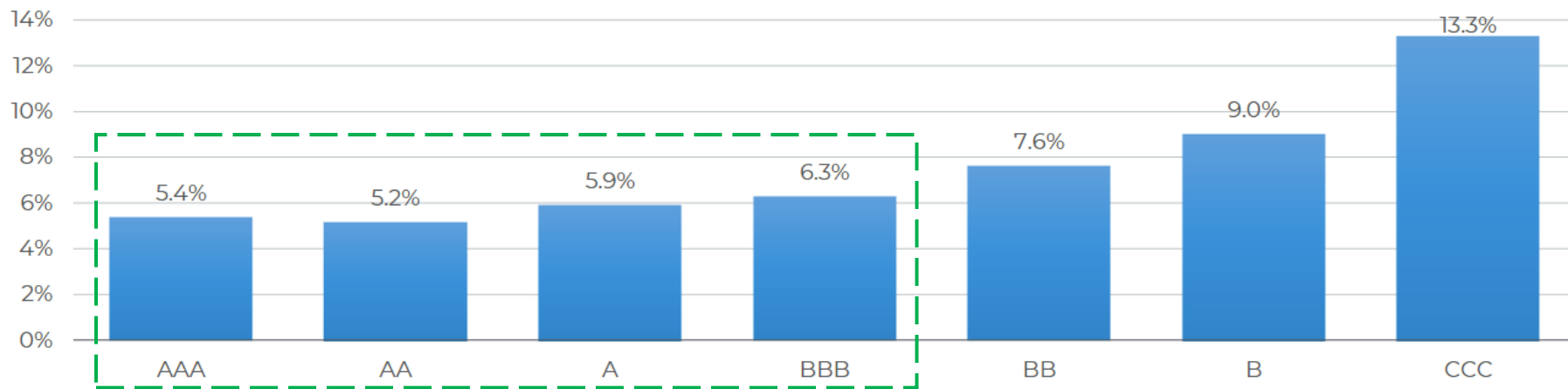
1) Investment Grade Bonds / Duration

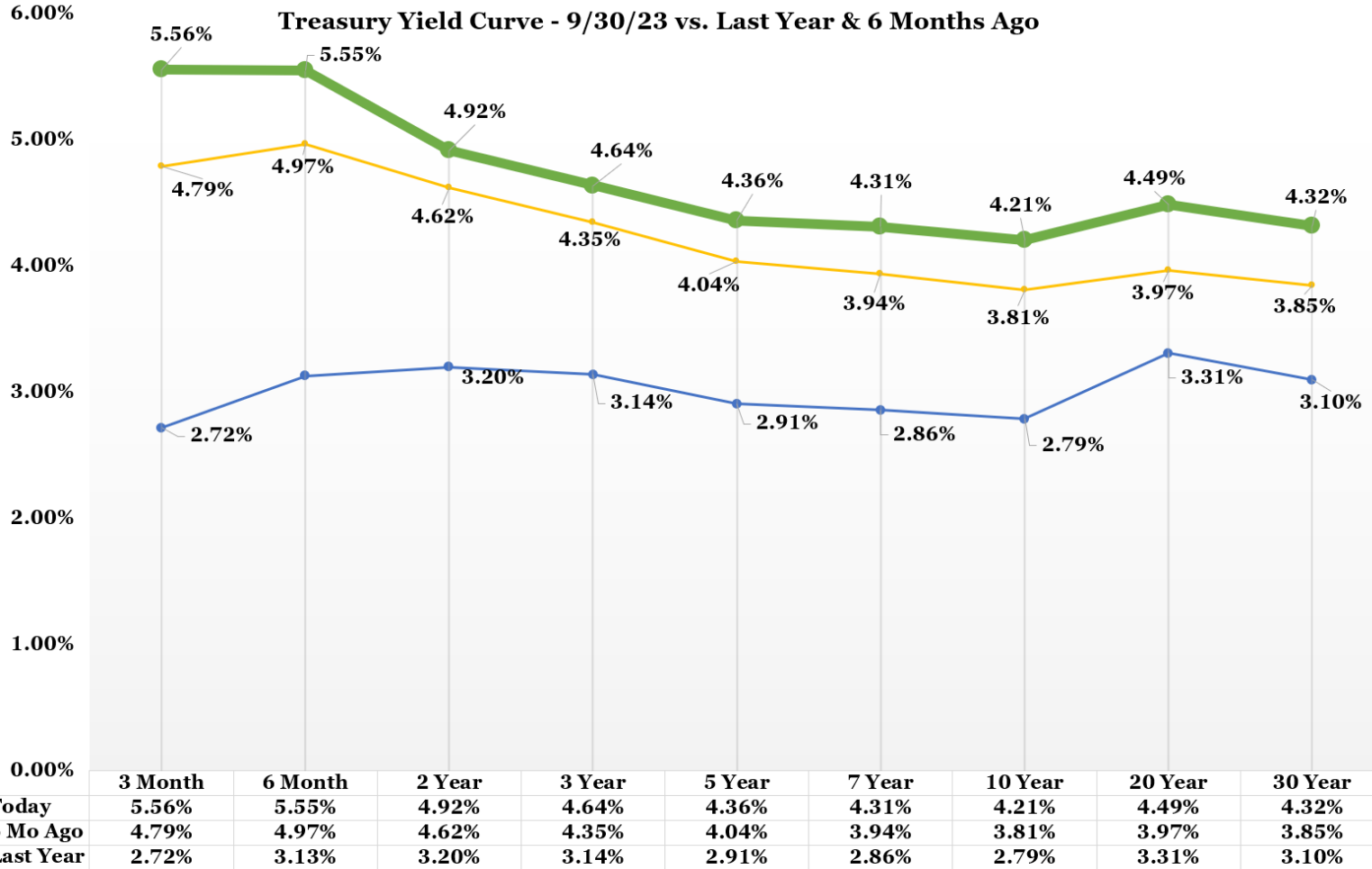
2.) Small & Mid Cap Equity

3.) Private Credit



Current Corporate Bond Market Yields by Credit Quality





Returns

Valuations

10-year annualized				YTD			
	Value	Blend	Growth		Value	Blend	Growth
Large	8.4%	11.8%	14.4%	Large	1.8%	13.1%	25.0%
Mid	7.9%	9.0%	9.9%	Mid	0.5%	3.9%	9.9%
Small	6.2%	6.6%	6.7%	Small	-0.5%	2.5%	5.2%
Since market peak (February 2020)				Since market low (March 2020)			
	Value	Blend	Growth		Value	Blend	Growth
Large	19.6%	34.3%	43.2%	Large	93.5%	102.8%	109.0%
Mid	17.1%	18.8%	15.1%	Mid	107.0%	98.9%	78.9%
Small	16.6%	10.6%	2.1%	Small	105.1%	86.5%	65.9%

Current P/E vs. 20-year avg. P/E			
	Value	Blend	Growth
Large	13.7 / 13.7	17.8 / 15.6	24.4 / 18.8
Mid	13.3 / 14.5	15.2 / 16.4	23.7 / 20.5
Small	14.1 / 16.8	19.2 / 21.4	31.1 / 33.1
Current P/E as % of 20-year avg. P/E			
	Value	Blend	Growth
Large	100.0%	114.6%	129.8%
Mid	91.8%	93.1%	115.8%
Small	84.0%	89.8%	93.8%

Source: FactSet, Refinitiv Datastream, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.

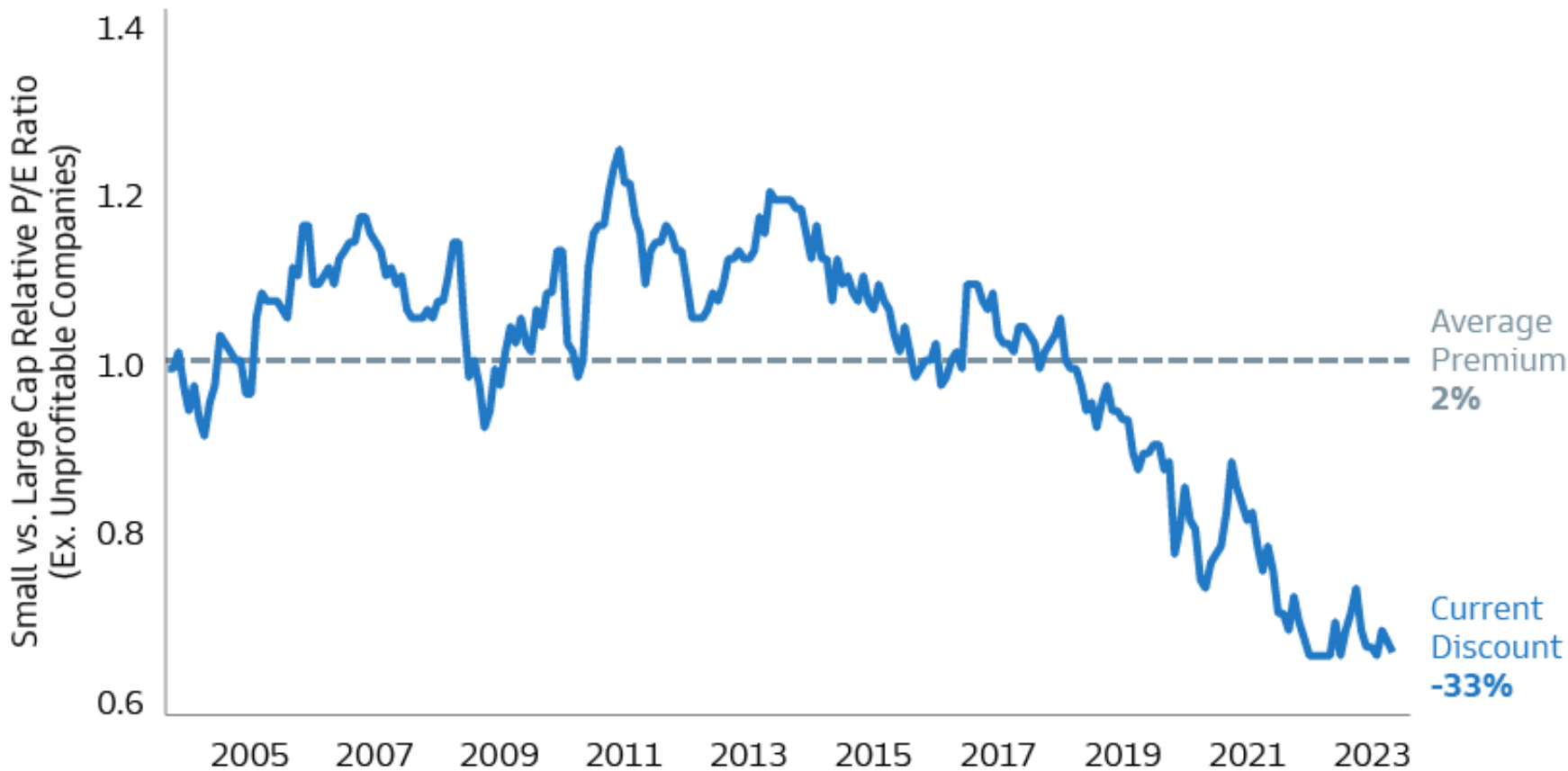
All calculations are cumulative total return, including dividends reinvested for the stated period. Since market peak represents period from 2/19/2020 to 9/30/2023. Since market low represents period from 3/23/2020 to 9/30/2023. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices except for the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price-to-earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM) and is provided by FactSet Market Aggregates and J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of September 30, 2023.

Image Sources: JP Morgan Guide to the Markets (9/30/23)



U.S. Small Cap Appears to Be a Bargain vs. Large Cap

Profitable Russell 2000 Companies Trading at 33% Discount to S&P 500



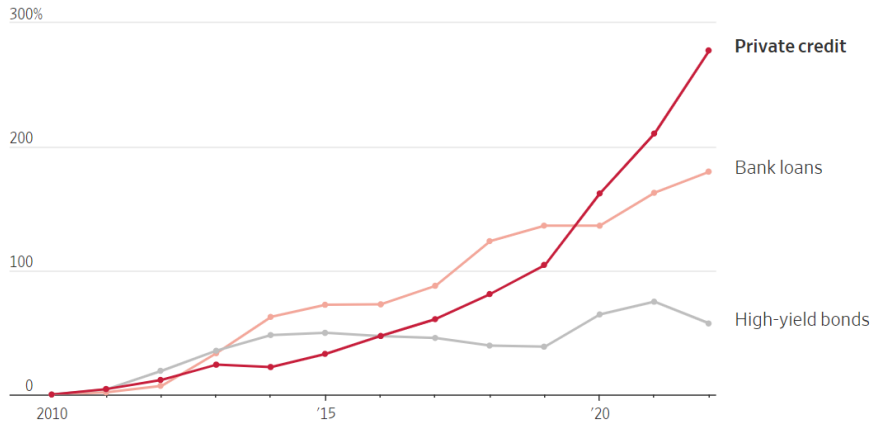
THE WALL STREET JOURNAL.

FINANCE

The New Kings of Wall Street Aren't Banks. Private Funds Fuel Corporate America.

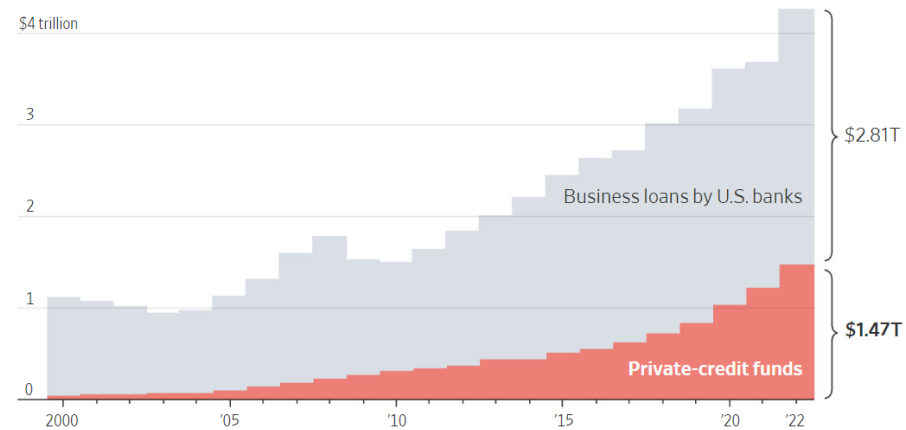
With interest rates at multiyear highs, hedge funds and private equity are taking over lending

Growth in debt outstanding since 2010



Source: Barclays

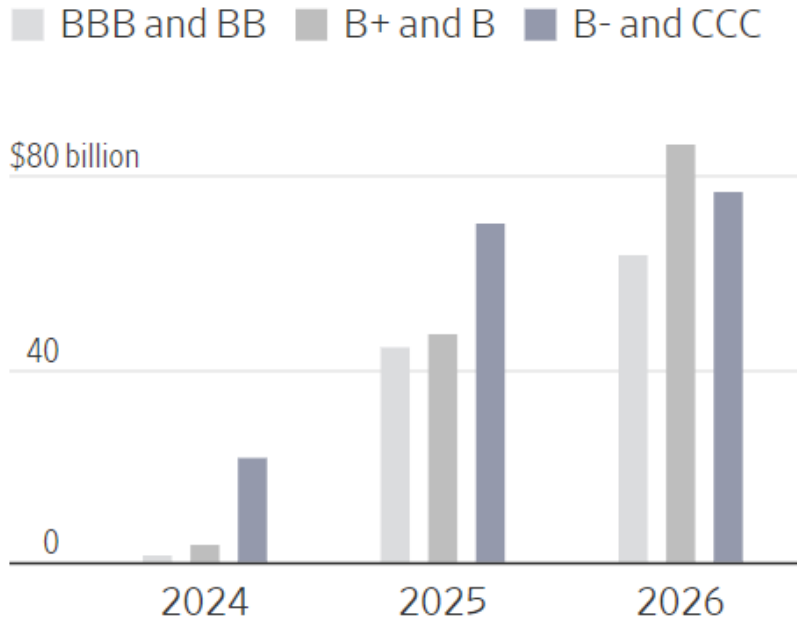
Private-credit assets under management compared with corporate loans by banks



Sources: Prequin (private credit); Federal Reserve (bank loans)

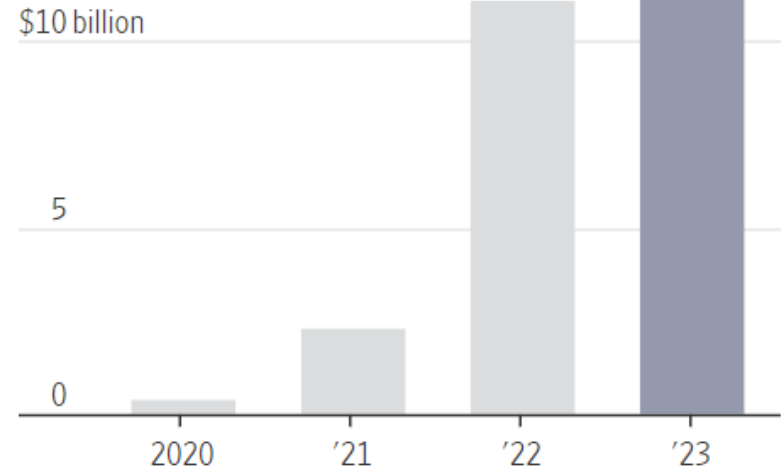


Bank loans coming due, by rating



Source: Fitch Ratings

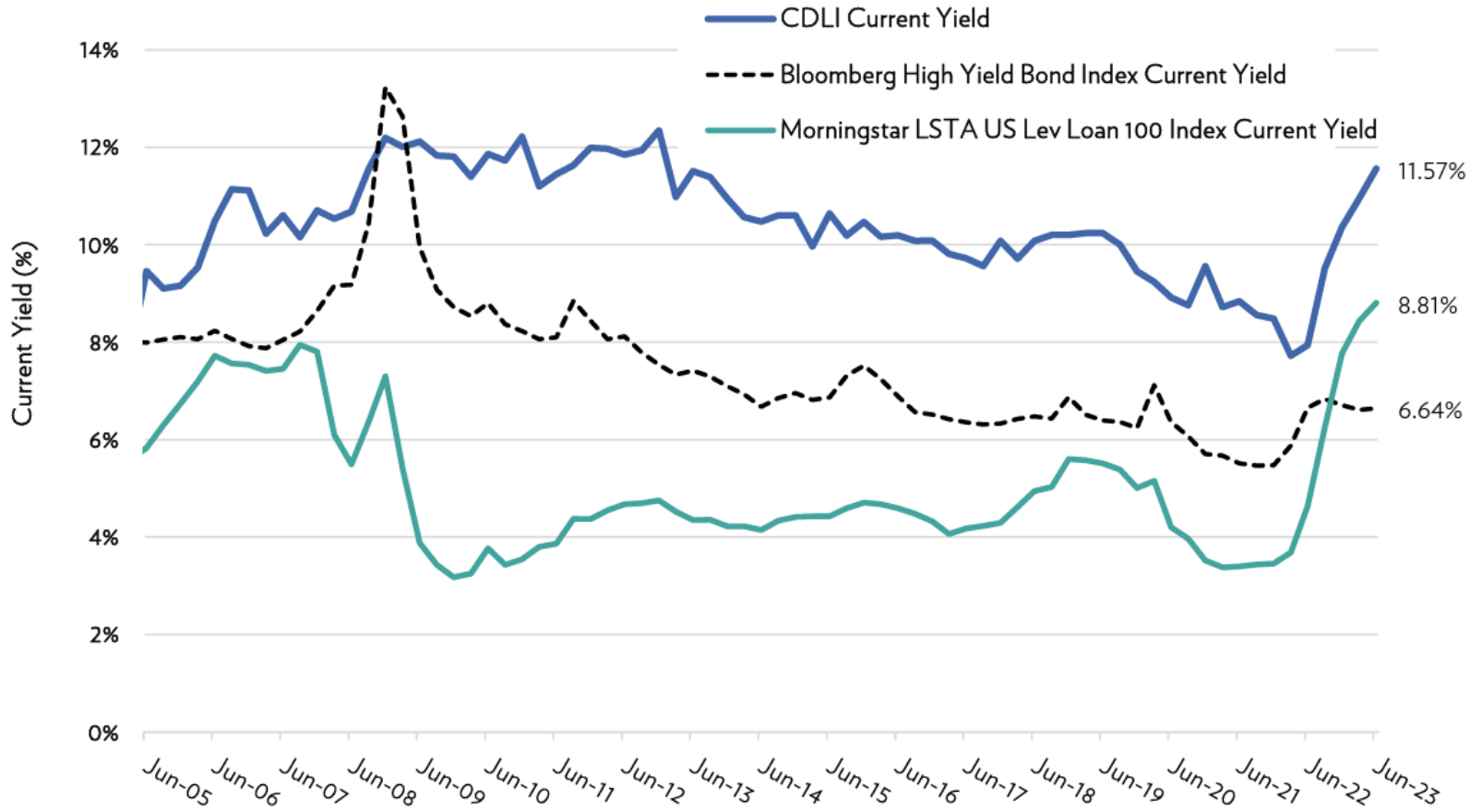
Bank loans converted into private debt



Note: Figure for 2023 includes announced deals through Sept. 20.

Source: LevFin Insights





Thank you!

Reach out to our team with any questions!

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