GENERATION CAPITAL MANAGEMENT

QUARTERLY Newsletter

Q1 2023

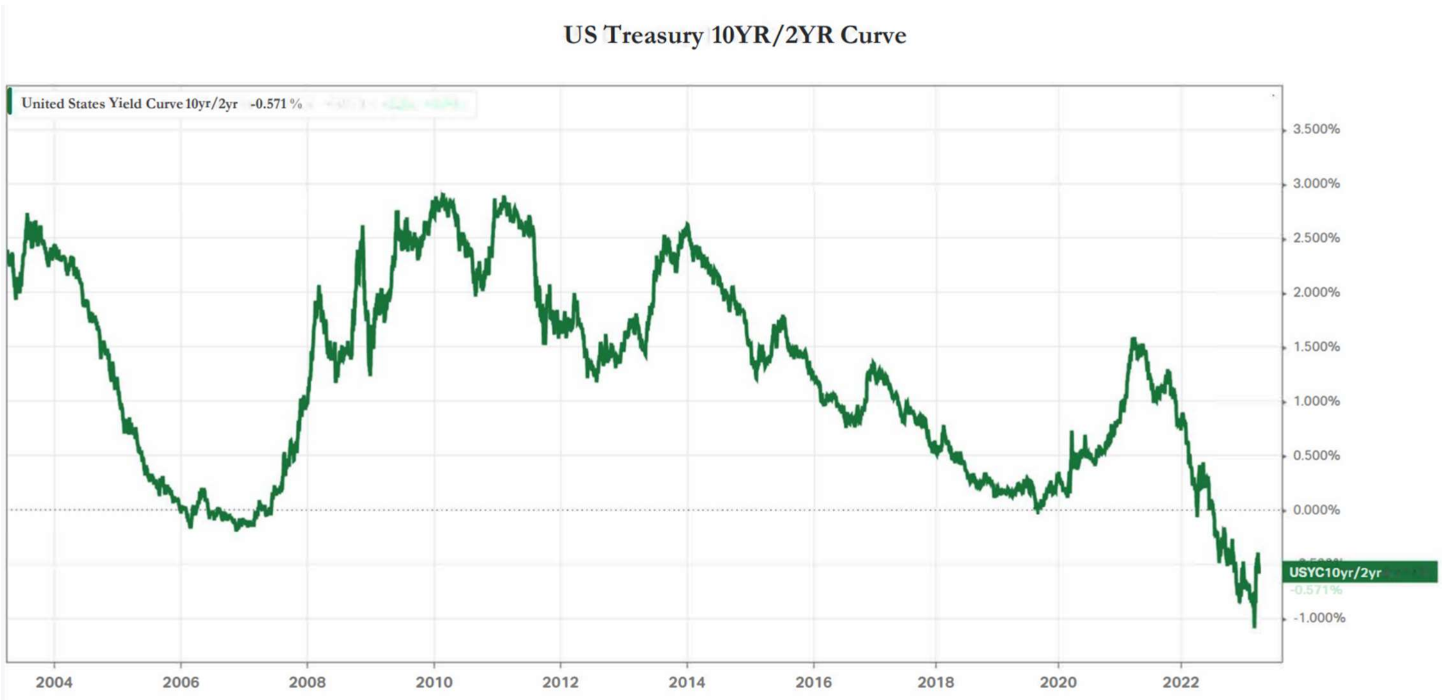
MARKET COMMENTARY

	DECEMBER 31, 2022 VALUATION	MARCH 31, 2023 VALUATION
S&P 500 Index	3,839	4,109
Dow Jones Industrial Average	33,147	33,274
NASDAQ	10,466	12,221
10 Year Treasury (Yield)	3.8%	3.5%

We hope this newsletter finds you well. As we move into the second quarter of 2023, we want to provide you with a more detailed update on the current state of the markets, as well as some insights into our investment strategy.

Market Overview

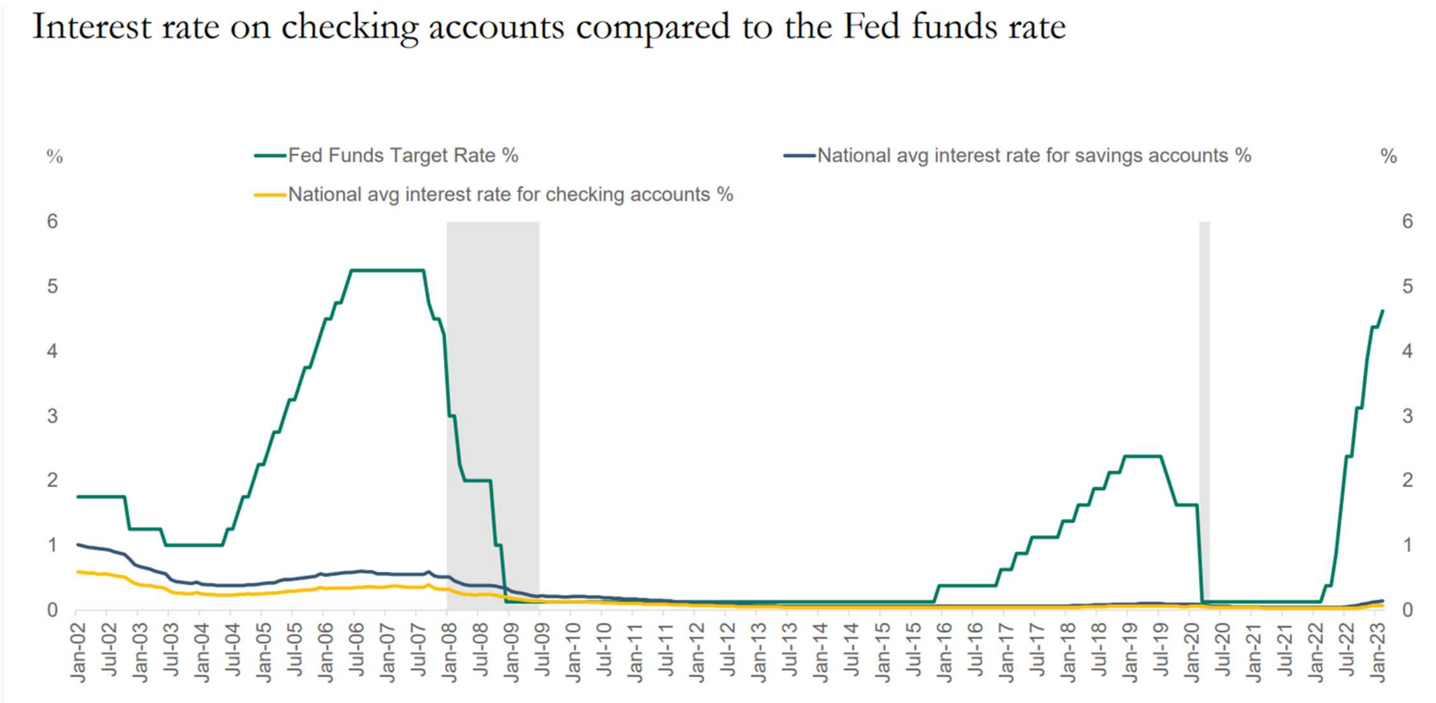
US markets were higher for the first three months with large cap Technology and Communication stocks the driver of these gains. NASDAQ was the top performer followed by the S&P 500. The Dow Jones was barely positive for the quarter as the Financial, Real Estate and Utilities sectors lagged. Bond yields dropped as investors were driven to the safety that fixed income markets provide. The aggressive nature of the Federal Reserve in raising rates on the short end of the yield curve has caused the shape of the curve to stay inverted at much deeper levels than we have seen over the past twenty years. An inverted curve ultimately leads to an economic slowdown or recession, and we are hearing more talk of this happening toward the latter half of 2023.



Source: Bloomberg; Analysis Generation Capital Management

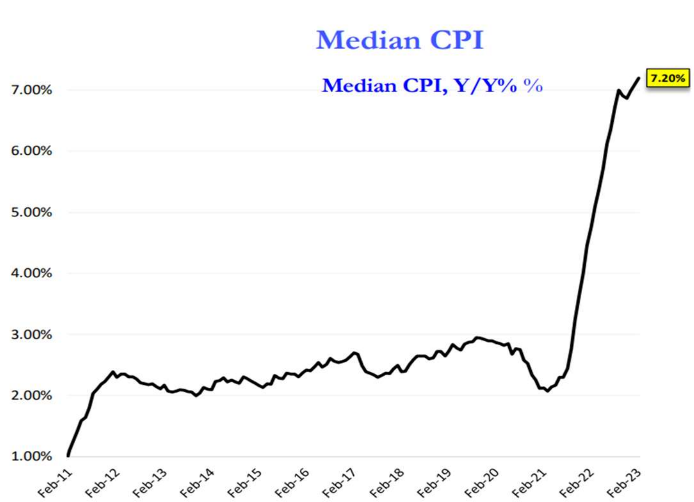
Volatility remained elevated in the first quarter of 2023, which was driven by a number of factors, including rising interest rates, geopolitical tensions, and concerns about inflation. Despite this volatility, however, the global economy continued to move ahead led by China and other emerging markets.

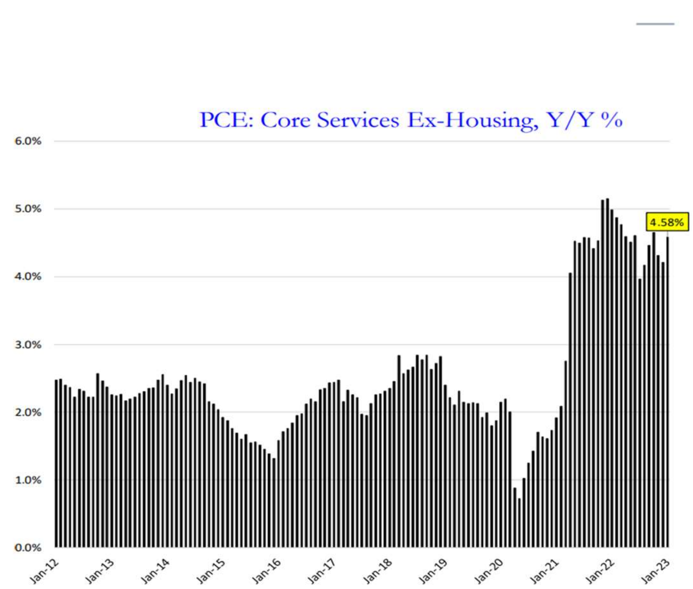
The US economy has remained resilient for the time being as data continues to show signs of growth. Gross domestic product (GDP) continues to move higher, and the unemployment rate is at a historically low level of 3.8% (BLS Statistics). Additionally, consumer confidence remains high, and corporate earnings are forecasted to continue to grow albeit at a slower pace. One area of concern is the stability of the Financial sector, as there were some cracks starting to show in the regional banks as Silicon Valley and Signature Bank both were shut down and customers needed governmental support to backstop deposits over FDIC insured levels. This strain will remain for the near future as customers move money from smaller banks into larger ones. In addition, excess funds are also moving over to money market funds and US Treasuries as the rates both of these instruments are paying become much larger than what the banks are paying as the chart below shows.



Source: FRB, RateWatch; Analysis Generation Capital Management

One area of concern is the potential for inflation to remain at inflated levels. As the charts below show, inflationary pressures have been stubbornly high for the past year, driven by factors such as higher commodity prices, supply chain disruptions and continued excess liquidity in the financial markets. The Median CPI currently stands at 7.20% and the PCE core services ex-housing remains elevated at 4.6%. The Federal Reserve continues to raise interest rates in response to these inflationary pressures, which has led to further market volatility.





Source: Bureau of Labor Statistics; Analysis Generation Capital Management

Investment Strategy

At GCM, we remain committed to providing our clients with a diversified portfolio that aligns with their individual risk profiles. As always, we believe that a combination of stocks and bonds is the best way to achieve this diversification, and we continue to monitor the markets closely to ensure that all portfolios are well-positioned for success.

In light of the market conditions over the past year, we have adjusted our investment strategy. We have been taking a more cautious approach with respect to equities, given the potential for further volatility and have lowered overall weightings. We have allocated higher percentages to fixed income securities, which we believe will provide our clients with a stable source of income, while also providing some protection against market downturns. Treasuries have been an area that has had attractive risk/return characteristics and we especially like the maturities in the shorter end of the yield curve (under three years). We also have increased our allocations to Gold and are looking to deploy additional investments in other precious metals as opportunities arise.

In conclusion, we remain committed to providing our clients with the highest level of service and expertise. We believe that our current investment strategy is well positioned to navigate the current market conditions, while also taking advantage of new opportunities as they arise. As always, we welcome your feedback and input, and we look forward to continuing to work with you in the years ahead.

Thank you for your continued trust and support.

GCM NEWS

For those of you who are TD Ameritrade clients, you may recall that Schwab acquired TD Ameritrade (“TD”) in 2020. They’ve been operating as two separate custodians, but soon they are becoming one. For now, there is nothing you need to do, but know that your TD Ameritrade account will transfer to the Schwab platform in early September.

You will start to receive some communications from Schwab over the spring and summer regarding this upcoming transition, but please note that Schwab will automatically transfer your assets and holdings – there’s nothing you need to do. We want you to know that we are on top of this transition and will proactively reach out to you as we near the transition date if there is something that requires your attention. In that regard, we anticipate reaching out to those of you who have not established a login to AdvisorClient with TD in the near-term, as having such a login can help create a smoother transition.

In the meantime, if you’d like to review some information and learn more about the transition on your own, here is a link for you: https://welcome.schwab.com/alliance. Here you will find a transition timeline with a look at what’s happening and when. You can also view the answers to some Frequently Asked Questions, which you may find helpful.

As always, we are here for you, and you should feel free to reach out to us directly with any questions you may have.

We appreciate the continued confidence and trust from our valued clients and friends. As always, please contact us if there have been any changes to your financial situation, investment objectives or if you wish to discuss any issues that might have an impact on your portfolio allocation.

Thank you,

Scott Nasca

Scott Nasca, CFA

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the team at Generation Capital Management