

Investment Insights

A Quarterly Publication | Forward-Looking Perspectives | July 2023

Our Philosophy A broadly diversified portfolio gives our clients the best chance to achieve their goals while taking as little risk as possible. However, there are fundamental economic realities that warrant consideration as we construct and modify portfolios.

Assumptions & Outlook

- Two large bank failures have put a spotlight on the impact of the Fed's policy to raise interest rates. However, the Treasury Department has moved aggressively to calm depositor's fears and it appears unlikely the failures will trigger a 2008 style financial crisis.
- The Russian invasion of Ukraine continues to create uncertainty in global markets.
- The Federal Reserve appears to have paused raising rates and it is unclear if they will continue as inflation has trended downward over the most recent months.
- The yield on intermediate term bonds has dropped and some bond traders are forecasting interest rate cuts late in 2023 or early 2024.
- As of the end of June 30, 2023, our Circuit Breaker is showing a "Normal" sign, with the closing Index value 10.3% above an "Underweight" signal.
- Inflation has spiked to levels we have not experienced in over 40 years. However, it has moderated recently.
- Most analysts are forecasting a recession in 2023 or sometime in 2024, the only question is how long and how deep.

Portfolio Implications

- For clients in the distribution phase, we will continue to review and manage an appropriate level of reserves (i.e. bank cash, money market funds and high quality bonds).
- One benefit of a rising interest rate environment is cash positions are now paying a meaningful yield of about 4.75%.
- For clients in the accumulation phase, rebalancing your portfolio to ensure you are aligned with your target allocation may have merit.
- For clients in the distribution phase, it may be advantageous to hold a little extra money in their Money Market funds with yields increasing to about 4.75% for these positions.
- Our investment policy provides the framework and discipline for making investment decisions. We continue to invest globally, in both stocks and bonds.
- Rising interest rates will lead to higher bond yields which should help the total return of bond holders in the intermediate and longer term.
- During market corrections, it can be a good idea to consider reducing discretionary spending to help with investment sustainability.

As always, thank you for your trust and confidence.



INDEPENDENT WEALTH MANAGEMENT

Jay Berger, CFP®
jay.berger@iwmusa.com

Steve Fisher, CFP®
steve.fisher@iwmusa.com

Scott Hackney, CFP®
scott.hackney@iwmusa.com

236 1/2 East Front Street
Traverse City, Michigan 49684
231 929 1086 tel
888 929 1086 toll free
231 346 5959 fax
www.iwmusa.com

Disclosure: 1. This presentation may include forward-looking statements. All statements other than statements of historical fact are forward-looking statements (including words such as "believe," "estimate," "anticipate," "may," "will," "should," and "expect"). Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to be correct. Various factors could cause actual results or performance to differ materially from those discussed in such forward-looking statements. 2. Historical performance is not indicative of any specific investment or future results. Views regarding the economy, securities markets or other specialized areas, like all predictors of future events, cannot be guaranteed to be accurate and may result in economic loss to the investor. 3. Investment in securities involves the risk of loss of interest and/or initial investment capital. 4. Nothing in this letter is intended to be or should be construed as individualized investment advice. All content is of a general nature. Individual investors should consult their investment adviser, accountant, and/or attorney for specifically tailored advice. 5. The opinions expressed herein are solely the opinions of the respective authors. Certain material in this work is proprietary to and copyrighted by Forefield and is used by permission. Reproduction or distribution of this material is prohibited and all rights are reserved. Independent Wealth Management, LLC is a Michigan Registered Investment Advisor.