Aptus Quarterly Market Update – Q4 2022

Equity Market in Review

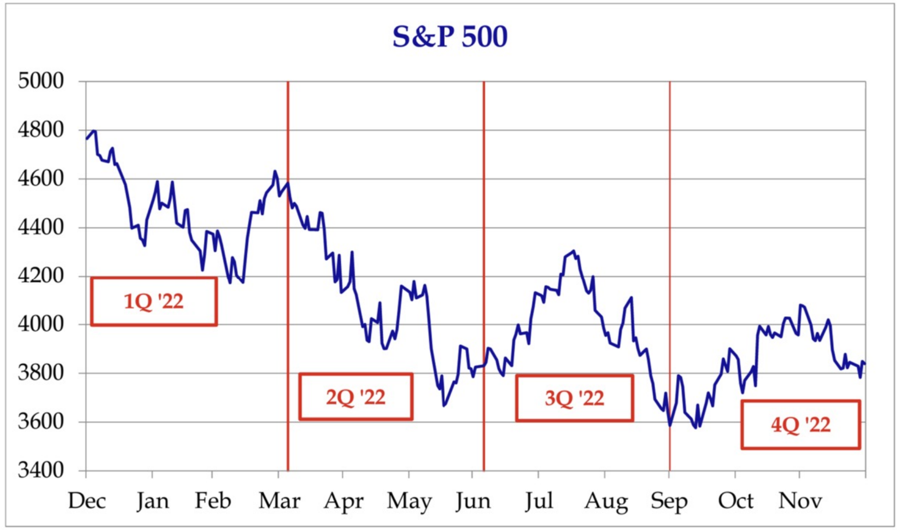
A Market in Review – Q4 2022

Interest Rates Ruled Everything in '22: Since the beginning of QE in '08, investors have learned that lower-for-longer interest rates can mask a lot of problems that linger beneath the market. Now that the Fed has begun QT, and interest rates have been driven higher, the market is starting to recognize a few "sins" in the market, i.e., inflation, interest rates, and growth frustration. The question is whether or not stocks have fully atoned for these "sins".

A Year of Record Tightening: This was a record year in a lot of ways. Most importantly, in our view, is the fact that we quickly seesawed from record easing to record tightening in '22. The Fed raised rates at the fastest clip in decades amidst the most widespread global tightening cycle on record.

What Concerns Us the Most?: In short, what concerns us most about the markets today is:

- Inflation transitions to growth frustration;
- The potential for a Fed policy error;
- A general tendency to think about turns in the economy and stock prices in V-shaped terms;



Source: Strategas, Data as of 12/31/2022

	1M	QTD	YTD	1-YR	3-YR	5-YR	10-YR
S&P 500	-5.77%	7.55%	-18.13%	-18.13%	7.64%	9.41%	12.55%
NASDAQ	-8.66%	-0.78%	-32.51%	-32.51%	6.16%	9.71%	14.50%
Dow Jones Industrial	-4.09%	16.01%	-6.86%	-6.86%	7.32%	8.38%	12.30%
Russell 2000	-6.49%	6.20%	-20.46%	-20.46%	3.07%	4.10%	8.99%
MSCI EAFE	0.11%	17.40%	-13.92%	-13.92%	1.44%	2.13%	5.27%
MSCI EM	-1.51%	9.62%	-19.94%	-19.94%	-2.42%	-1.10%	1.77%
U.S. Barclays Agg.	-0.45%	1.87%	-13.01%	-13.01%	-2.71%	0.02%	1.06%
Investment Grade Bonds	-0.83%	4.16%	-17.92%	-17.92%	-3.45%	0.33%	2.02%
High Yield Bonds	-1.08%	4.31%	-10.74%	-10.74%	-0.80%	1.97%	3.34%

Source: Bloomberg. Data as of 12/31/2022. Returns include Dividends. Returns over 1YR are Annualized.

Composition of Returns

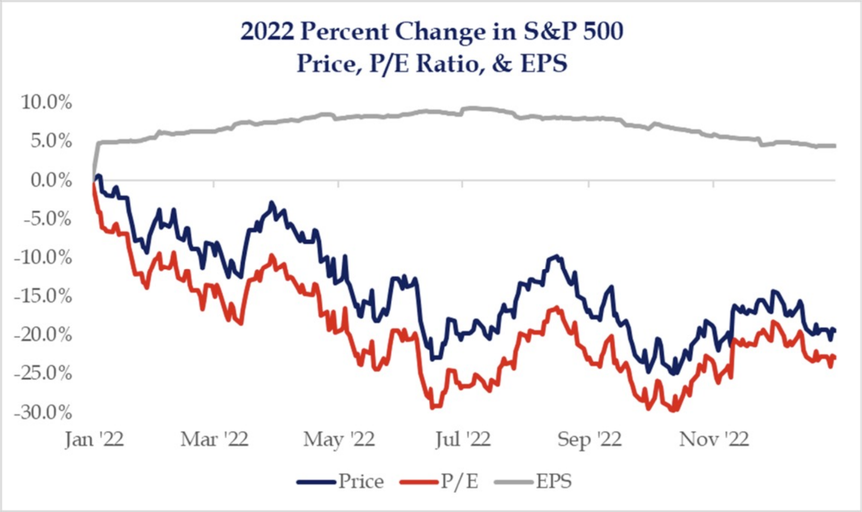
The Current Situation:

The Known: Dividend Yield **+** **The Unknown:** Growth Rate **+/-** **Market Sentiment:** Valuation Change **= TOTAL RETURN**

S&P 500 Dividend Yield: 1.64% **+** S&P 500 '23 EPS Growth: 4.7% **+/-** S&P 500 Valuation 16.5x **= TOTAL RETURN**

Where Did Returns Come From? The decline in the S&P 500 this year has fully been attributable to falling valuations, which in turn have moved in line with rising interest rates. As a result, the equity risk premium is actually below where it started the year. While rotations within the equity market have signaled expectations of slowing growth, index valuation does not appear to be providing a buffer for the uncertainty around the path of future earnings.

Earnings fall about 20% on average during recessions. Oddly, expectations for '23 earnings remain at $231, a 4.7% increase over '22's level. '22 earnings expectations of $220 was a 7.8% increase from '21. What surprises us most, is that '24 earnings are expected to grow by 12.6%.



Source: JPMorgan Guide to the Markets, Data as of 12/31/2022

Source: Strategas, Data as of 12/31/2022

Valuation Update

Valuations is a metric that measures investor sentiment in the market.

What is Valuation Telling the Market?

There are many factors that influence the multiple investors are willing to pay for equities. Let's break down Price-to-Earnings ("P/E") multiple:

- Price: The current market price of the underlying asset.
- Earnings: The amount of net income a company has per the number of stock shares that it has issued.

Valuation is a measure of value expressed by market participants. If the perceived level of risk is high, investors demand a lower multiple in an effort to protect against that risk. Likewise, much like we have seen this year, when interest rates rise, equity multiples tend to contract, as the discounting of future cash flows, or earnings, becomes more expensive.

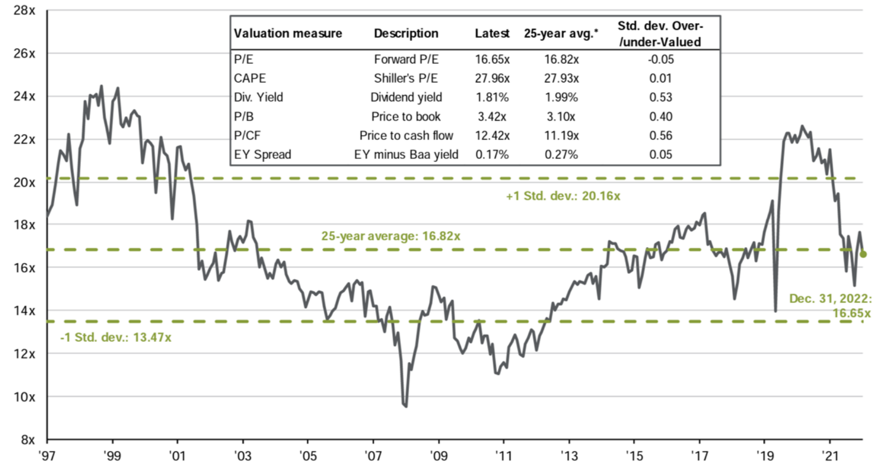
Source: Strategas, Data as of 12/31/2022

Not All Asset Classes are Created Equal:

Where Are Current Valuations?

- ➢ Large Cap Equities Still Historically Expensive, Small And Mid Cap Historically Inexpensive On A P/E Basis.
- ➢ This Is The Result Of ~4 Years Of Global Investors Moving Into U.S. Large Cap Specifically As A Safe Haven Trade In Global Risk Assets.
- ➢ This Should Ultimately Unwind, Causing Underperformance In U.S. Large Cap Vs. Essentially All Other Equity Markets Globally When And If Peace and Prosperity Break Out Around The World.
- ➢ The Valuation Disconnect Between Growth And Value Has Largely Resolved Itself With ~2 Years Of Value Outperformance.

S&P 500 Index: Forward P/E ratio



Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	16.65x	16.82x	-0.05
CAPE	Shiller's P/E	27.96x	27.93x	0.01
Div. Yield	Dividend yield	1.81%	1.99%	0.53
P/B	Price to book	3.42x	3.10x	0.40
P/CF	Price to cash flow	12.42x	11.19x	0.56
EY Spread	EY minus Baa yield	0.17%	0.27%	0.05

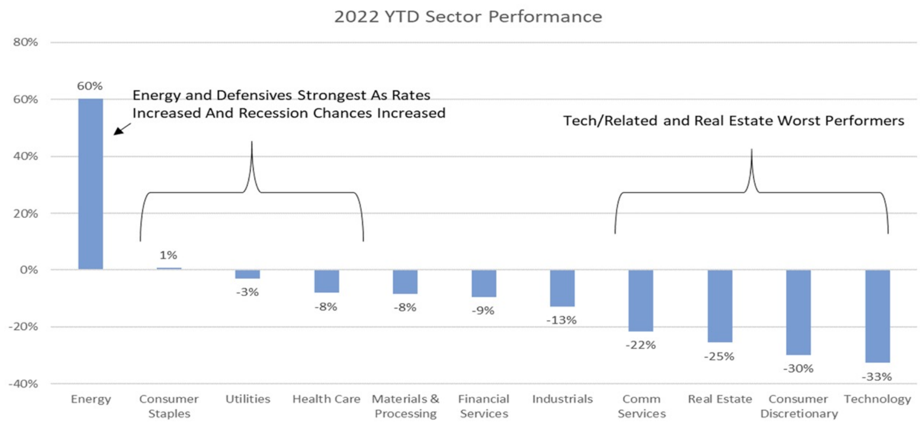
Source: JPMorgan Guide to the Markets, Data as of 12/31/2022

Underneath the Market's Hood

What Worked and What Did Not Work in the Market?

Energy & Defensives Were the Big Winner:

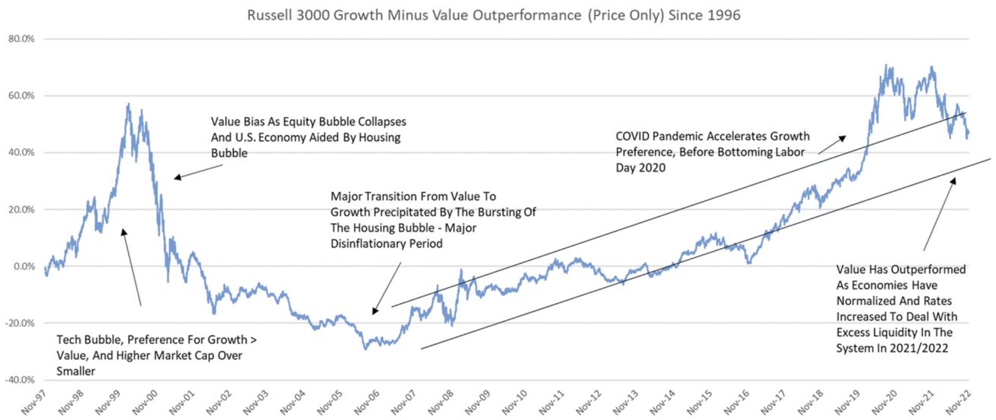
- In terms of sector performance, it's been all about energy this year, with tech-related sectors materially underperforming, funding outperformance of most other sectors.
- Even the higher-valued Staples and Utilities performed well, which is parallel with their historical downside protection narrative.
- The Big Tech cohort (AAPL, MSFT, GOOG, AMZN, TSLA, META & NVDA) has collectively shed ~$4.7 trillion of market cap during the course of '22 – for comparison sake, that amount lost is larger than the current market cap of nearly every S&P GICS sector (Info Tech and Health Care the exceptions) -- poetically, this ~$4.7trn figure roughly matches the amount of value lost by the entire Nasdaq Composite back in the dotcom bubble (~$4.6 trillion of Nasdaq Composite market cap lost peak to trough)



Source: Raymond James, Data as of 12/31/2022

Value Dominated All Year:

- From a performance standpoint large-cap growth is having one of its worst years relative to large-cap value since 2001, when the dot-com bubble was imploding in real-time. With that said, the Russell 1000 growth index is underperforming the Russell 1000 value index by 21.6% in '22. The perceived higher margin of safety embedded in lower multiple value shares and a lesser reliance on capital markets to fund their ongoing operations has been favored by investors more broadly relative to their long duration growth counterparts
- Generally small/mid cap indexes outperformed large cap core indexes modestly, which may seem unusual to those moving into large cap U.S. equities as a bastion of safety, but alas, valuation clearly matters, with the S&P 500 entering the year at >20x, while small/mid cap indexes entered the year at low teens P/Es.



Source: Raymond James, Data as of 12/31/2022

All Eyes on Unanswered Questions

Five Market Questions That Need to Be Answered in 2023:

Where Do '23 EPS Expectations Fall?
As was long expected, estimates for '23 S&P 500 earnings are falling. A year ago, '23 S&P 500 EPS estimates were $245/share. As of year end, these estimates have fallen to $231. This matters to stocks because of valuation. Ultimately, the market's direction tends to be predicated on economic growth, and earnings expectations is one of the best metrics to follow this.

Markets will begin to focus on '24 S&P 500 expected earnings between June and August '23 (because markets are forward looking), so we should expect the question of '23 EPS to be clearer by the end of the Q4 reporting season, and where that consensus expectation lands will help determine whether stocks start '23 with a bang, or a thud.

When Do Global Rates Peak?
We have known for years that the government bond market is global, as (previously) ultra-low rates in Europe (remember they had negative rates for years!) weighed on U.S. Treasury yields for years. Now, the opposite is occurring. In September and October, the U.K. GILT yields exploded following the Truss-o-nomics debacle, and that pulled U.S. Treasury yields higher. In December, the ECB provided a much more hawkish message than was previously expected, and U.S. rates rose along with German bund yields. Then, the Bank of Japan shocked markets by increasing the trading band for the 10-year JGB to 0.00% - 0.50%, an effective 25bp rate hike.

For global stocks to bottom, global bond yields need to peak, because it'll be difficult for Treasury yields to decline with German bund (and possible Japanese government bond) yields rising, as their central banks have started to become more hawkish.

When Does Core CPI Decline?
Fed Chair Powell has spent his last two major speeches clearly identifying the type of inflation the Fed needs to see drop: Services inflation. That is what makes up much of core CPI, so while headline CPI was the key metric in '22, Core CPI will once again become more important because that will tell us, more clearly, when services inflation is declining—and it's that decline that will drive monetary policy. Core CPI was 6.0% YoY in the December CPI report.

Will Unemployment Rise?
Powell also has spent time explaining that the Fed must see the labor market come into better balance before the Fed can be confident inflation is materially declining. "Better balance" is a polite way of saying "more unemployed people." So, markets need to see deterioration in the labor market, and if the unemployment rate can rise above 4% (currently 3.7%) in '22, that will be a clear sign that Fed rate hikes are restoring balance to the labor market.

When Does the Curve Become "Un-Inverted"
The Treasury yield curve will give us concrete insight into when the bond market thinks a Fed pivot has occurred, because we will see 10s-2s (and other parts of the curve) bottom out and begin to move higher. The reason 10s-2s will rise is because the bond market will react to slowing economic growth and/or dropping inflation, and it will begin to forecast: 1) The Fed easing policy (so the 2-year yield will decline) and 2) Growth returning (so the 10-year yield will rise). While it might come at a painful point in the markets, when 10s-2s reverses and begins to move higher that will be a clear sign that a Fed pivot is imminent.

We start 2023 with a lot of unanswered questions, and while that's almost always true of any new year, it's the potential variance of the answers to these questions that's notable. Point being, there's not normally a $50 spread on estimates earnings for next year ($230-$180). Core CPI doesn't normally have to decline a full percentage point to be a market positive. Global yields don't usually heavily influence Treasury yields, and we don't usually have to worry about the yield curve becoming more inverted.

But, in this market, we do. The good news is that if all these questions are answered positively, then the bottom in stocks could be in at one point during next year. Conversely, if they're answered negatively, we would expect volatility to continue.

Market Outlook – 2023

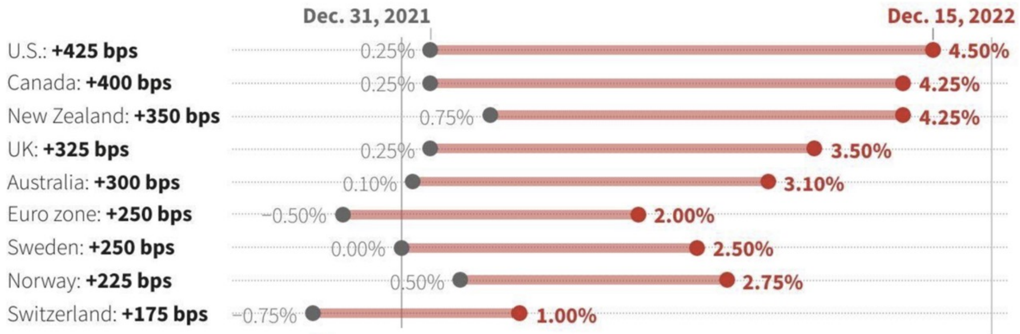
After a year where investors had to "*Curb Their Enthusiasm*", the market continues to grapple with multiple problems, luckily, valuations and interest rates can create an environment where there is a light at the end of the tunnel.

We believe that '23 will see a transition in where the market will focus its attention – *Inflation to Growth Frustration*:

1. The Fed's Success on Anchoring Inflation:

The market is likely coming closer to the final stages of the Fed's tightening move. During this year, there have been nearly 400bps of short rate tightening. Add to that, $95B/per month in Quantitative Tightening, leading the Fed to start watching the long and variable lags associated with this very aggressive tightening.

We believe that a Fed policy pivot will have nothing to do with Wall Street, rather, it will come from successfully anchoring long-run inflation expectations. The timing of this remains unknown, given the stickiness of wage inflation.

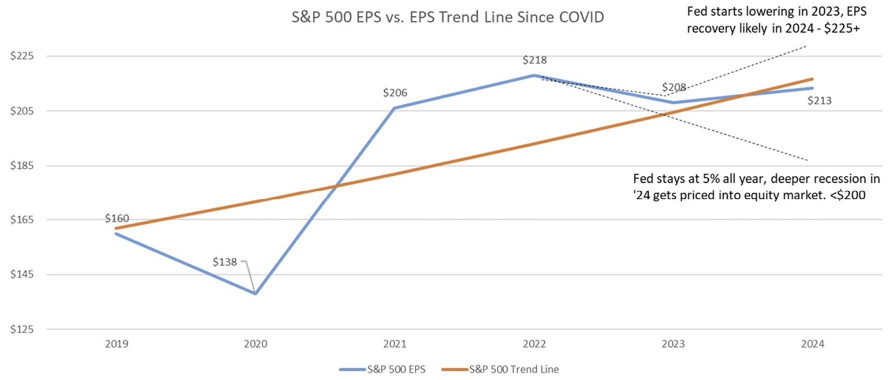


Source: WSJ, Data as of 12/15/2022

2. The Possibility of a Recession:

As the market transitions into the latter half of the next year, and policy from the Fed becomes clearer, we believe that investors will ultimately shift their attention to slowing growth.

We know that a robust economy is fundamental to achieving healthy returns from financial markets –everything from monetary policy, to interest rates to company earnings are linked to this. Ultimately, we believe the market will start to discount the potential for a decline in earnings estimates, as inflation will turn into growth frustration.



Source: Raymond James, Data as of 12/31/2022

We continue to maintain that a market "bottoming" is a process, one that given the degree of imbalance and disequilibrium in the economy could take some time to play out.

The Year(s) of the Yield

Moving forward, given current market dynamics, we believe that dividend yield will contribute more to total return than what is has over the last decade.

Why Do We Like Yield?

- As the market continues to transition into a higher-for-longer interest rate environment, we would put more emphasis on sustainable yield, than earnings growth and valuation expansion.

- Historically, yield has contributed to 36% of total return. Yet, in the 2010s, it only contributed 14%. It's not the fact that we believe yield will be the sole contributor to performance itself, but also because the other two components of total return, growth and valuation, appear to be a difficult area for potential appreciation in the near future.

Decade	Yield +	Earnings Growth +	Valuation Change =	Annual Returns
1900s	3.9%	4.7%	0.9%	9.5%
1920s	4.2%	2.0%	-2.9%	3.4%
1920s	3.7%	5.6%	4.6%	13.9%
1930s	3.1%	-5.7%	1.6%	-1.0%
1940s	4.2%	9.9%	-6.4%	7.8%
1950s	4.1%	3.9%	10.1%	18.1%
1960s	3.1%	5.5%	-1.2%	7.3%
1970s	3.4%	9.9%	-8.0%	5.3%
1980s	3.4%	4.4%	8.6%	16.4%
1990s	1.7%	7.7%	8.2%	17.6%
2000s	1.5%	0.6%	-2.9%	-0.8%
2010s	1.9%	10.6%	0.7%	13.3%
2020s	1.5%	11.1%	-5.1%	7.6%
Avg. Contribution to Return	3.1%	5.4%	0.6%	9.1%
% Contribution to Return	33.6%	59.4%	7.0%	100.0%

Source: Aptus Capital, John Bogle & Robert Shiller, Data as of 12/31/2022

Fixed Income Market in Review

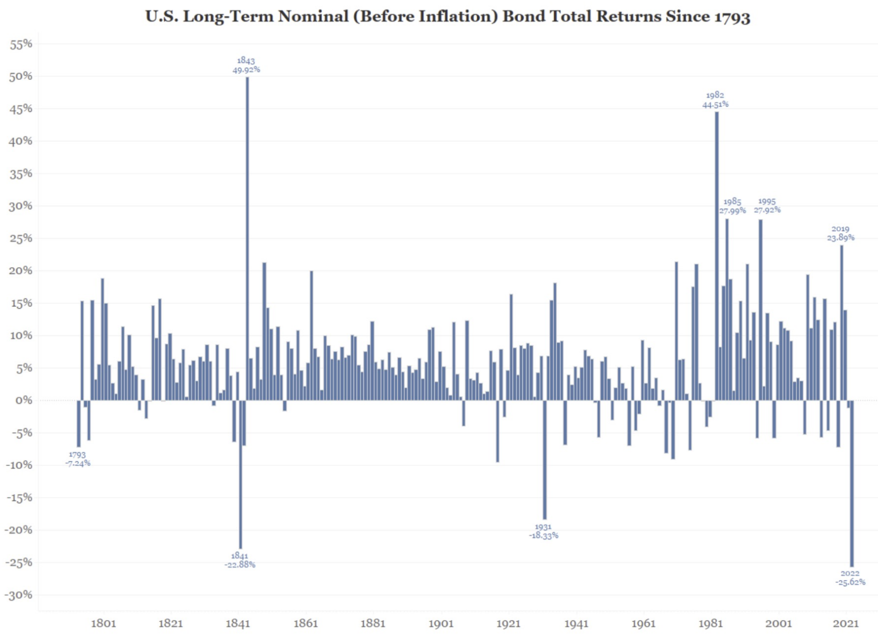
Bonds Have Not Provided Safety

Fixed Income Was Not Additive to Portfolios – This year has been the worst year for traditional 60/40 portfolios since 1937 and the microcosm is – the historically safe haven in the portfolio - bonds. This is the worst year on record for the U.S. Aggregate Bond Index, with a loss of -13.0%. The -2.9% loss in '94 is the largest "official" on record with history on this index going back to 1976.

What Happened? In a nutshell, bonds were affected by:

- Rates up globally as monetary/fiscal stimulus in '20/'21 finally recognized by central banks and bond markets.
- Yield curve increasingly inverted as Fed remains stubborn in its view of 5%ish terminal rate will stay there a long time, while holders of longer-term bonds start pricing in substantial improvement in the inflation outlook.
- Credit markets surprisingly benign all year, though spreads have widened, still well below "recessionary" levels as credit stress has just started increasing from historically low levels.

Long Duration Fixed Assets Continue to Face Headwinds in Inflationary Periods - We believe that bonds, in an inflationary environment, don't serve as a portfolio hedge as most investors expect. We see this trend continuing over the short and medium-term periods. Fixed income remains a difficult place to invest until its yield > inflation.



Source: Strategas, Data as of 12/31/2022

	1M	QTD	YTD	1-YR	2-YR	3-YR	5-YR	10-YR
U.S. Aggregate	-0.45%	1.87%	-13.01%	-13.01%	-7.45%	-2.71%	0.02%	1.06%
U.S. Investment Grade Bonds	-0.83%	4.16%	-17.92%	-17.92%	-10.08%	-3.45%	0.33%	2.02%
U.S. High Yield Bonds	-1.08%	4.31%	-10.74%	-10.74%	-3.43%	-0.80%	1.97%	3.34%
iShares 20+ Year Treasury Bond	-2.63%	-1.89%	-31.24%	-31.24%	-19.01%	-8.15%	-2.74%	0.40%
International Bond Index	-2.89%	-0.06%	-12.92%	-12.92%	-7.73%	-3.81%	-0.23%	
U.S. Treasury TIPS	-0.20%	1.29%	-2.74%	-2.74%	1.22%	2.49%	2.57%	1.37%

Source: Bloomberg. Data as of 12/31/2022. Returns include Dividends. Returns over 1YR are Annualized.

The Fundamental Bond Backdrop

Bond Market Volatility:

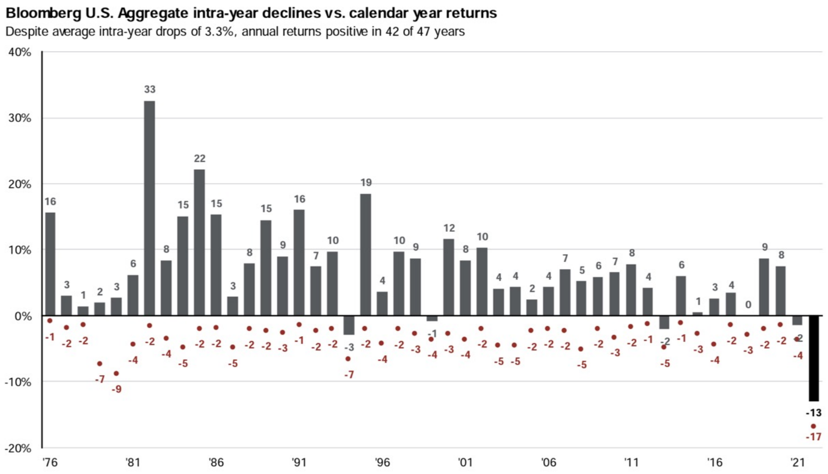
The pain in the bond market continued all year, as the U.S. Bond Index is down 13% year-to-date. Since the late 1970s, no other year has come close to experiencing similar pain. This year's drawdown is almost twice as large as the next biggest. Global bonds have faired even worse.

Is a Fed Put in the Future?

We continue to believe that the Fed Put is much lower right now, as FOMC Chairman Jerome Powell, has stated that the Fed's main goal is to keep inflation anchored.

What Are Credit Spreads Telling Us?

Spreads have continued to widen during the quarter and year, as the market took a risk off perspective. The widening was even more draconian in the more cyclical areas of the market but are not at recessionary levels yet.



Source: JPMorgan Guide to the Markets, Data as of 12/31/2022

What is the Yield Curve Telling Us?

The slope of the yield curve tells us how the bond market expects short-term interest rates to move in the future based on expectations about economic activity and inflation. An inverted yield curve, like we are currently witnessing, suggests that short-term interest rates to move lower over the next two years. Put simply, they expect a slowdown in the U.S. economy caused by continued near-term tightening expectations.

Bottom line, the yield curve, which is currently inverted, can tell us a lot about economics and market cycles, and right now, the bond market is not only signaling a recession in the quarters ahead, but it also is beginning to forecast Fed rate cuts in the coming nine months. This contradicts the widely held expectations that the Fed is going to hold rates steady somewhere in the 5% range for a considerable amount of time.

Source: Raymond James, Data as of 12/31/2022

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Bond Outlook – 2023

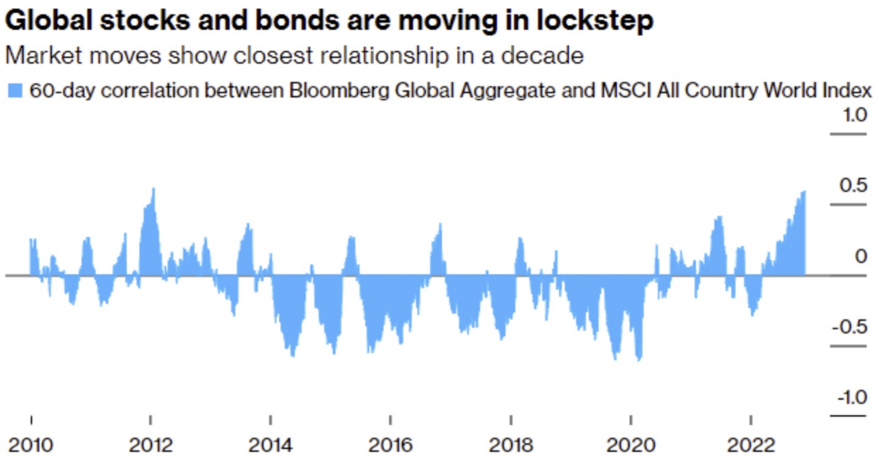
When Do Bonds Begin to Look Attractive?

Until bonds can yield a higher rate than Inflation, the asset class will continue to lose money safely. We believe that the bond outlook will remain bleak, until yields increase, or inflation decreases.

More recently, we've seen rates tick up, sparking the conversation of fixed income's positioning in asset allocations.

Bond Volatility & Correlation to Equities Can Continue:

- The market continuing to digest the ever-changing terminal rate, and
- The transition into a Quantitative Tightening environment which has decreased the liquidity in the Treasury market.
- Stock Bond correlation continues to breakdown as inflation remains high. Don't expect bonds to hedge your risky stocks



Source: Bloomberg, Barchart, Data as of 12/31/2022

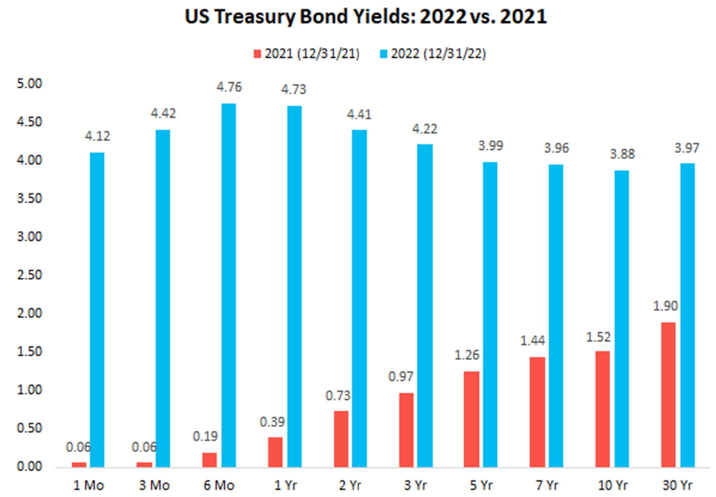
Areas of Potential Opportunity:

For the first time in a long time, the treasury market is giving investors some sort of yield. In fact, we believe that there is going to be a competition for capital, as the percentage of stocks with yields greater than the 10YR Treasury is returning to it's pre-GFC levels. Less than 20% of the stocks in the S&P 500 have a yield > 10YR Treasury.

Any Area That Worries Us?

Given the cracks showing up in economic data and the Fed's stated intent is to crush inflation by tightening financial conditions, we believe the credit sensitive side may be a difficult place to hide.

Understanding that credit spreads are wider than where we started the year, we believe that there could be more pain to come, as the slightly higher juice (coupon) being paid won't be worth the squeeze.



Source: Charlie Bilello, Compounding Capital, Data as of 12/31/2022

Macroeconomics

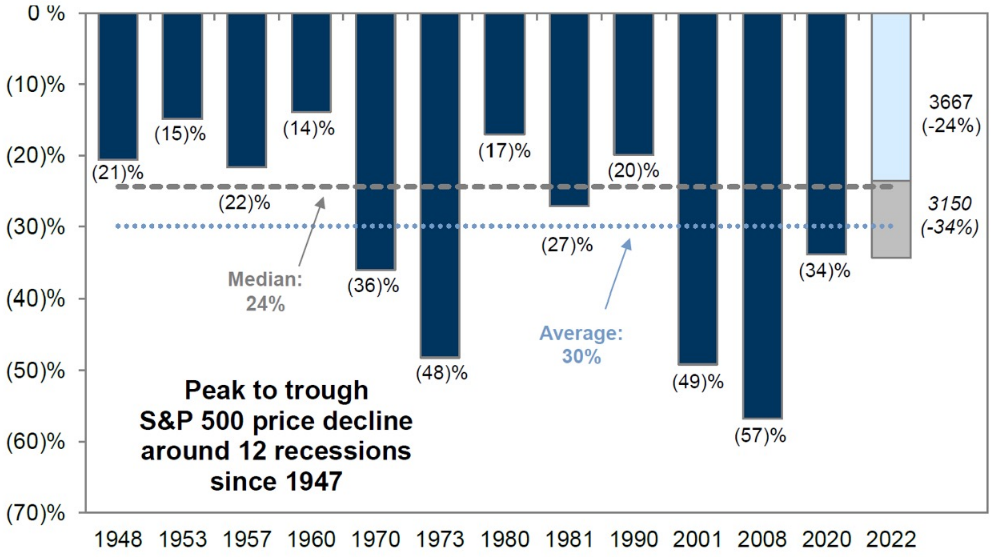
What Does a Recession Mean?

What is a Recession?
Broadly speaking, a recession is popularly defined as two consecutive quarters of negative GDP growth, but that is not a hard and fast rule.

What Can Cause a Recession?
In our opinion, it's important to remember that recessions are the ultimate end result of government or Fed policy mistakes. Either the Fed tightens rates too quickly or too much and/or we get some Federal policy change that causes economic catastrophe.

...Are Recessions Bad for Stocks?
Recessions themselves are arbitrary designations, and the economy slows well ahead of any official recession. More importantly, market declines occur long before recessions are even declared.

That's at least partially why stocks are down so much YTD, so to a point, at least some potential for a recession is already being priced in. By the time the economy is in "recession" stocks may well have bottomed and will be looking towards the recovery. March 2020 is a perfect example of this.



Source: Goldman Sachs, Data as of 12/31/2022

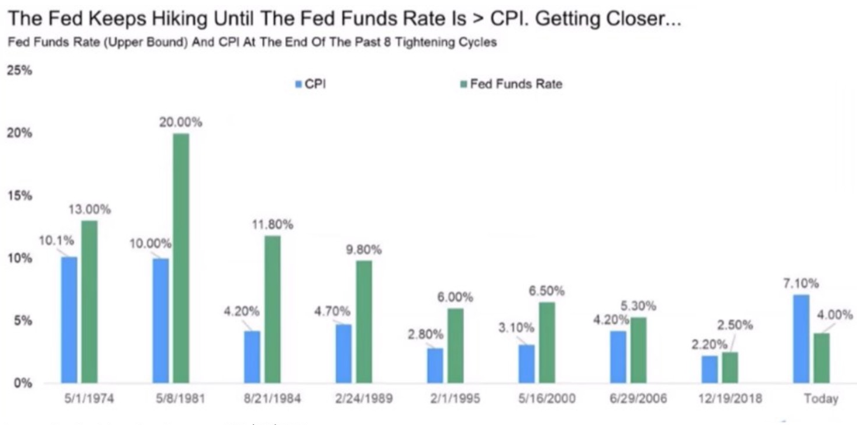
Fed Up With Low Rates

What are the Actions of the Fed?

1. *Removing Easing Policy:* Global central banks are in the process of removing extraordinary monetary policy measures that were put in place during the pandemic.

2. *Initiating Quantitative Tightening*: The Fed is heading into uncharted waters - policy makers have already begun raising rates at a historical pace while implementing quantitative tightening (QT) at the same time, all while stocks are in a technical bear market.

3. *Increasing Rates*: We believe that the Fed will continue being hawkish, i.e., increasing and holding rates steady. Historically speaking, the Fed has only stopped tightening after the Fed Funds rate > inflation. With the Fed Funds rate at 4.25% and the CPI currently running at 7.10%, we may have a long way to go.



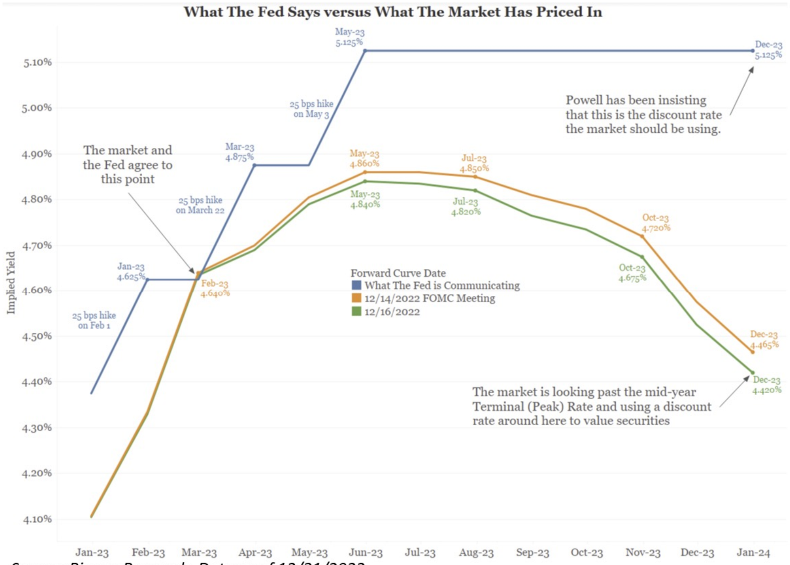
Source: Bank of America, Data as of 12/31/2022

Soft vs. Hard Landing Narrative – What is the Difference?

- *Soft Landing:* Fed tightens Monetary policy without a recession or a mild recession.
- *Hard Landing:* Fed tightens Monetary policy with a recession.

What Are the Chances of a Hard Landing?

- Fed officials remain unanimously optimistic about the prospects for the US economy. No surprise there. It would be extraordinary if the central bank openly admitted that a downturn is coming.
- Historically, there has been only one instance when Fed tightening above neutral did not result in a recession—the 1994-95 episode, which was accompanied by a large increase in productivity.
- A piece of good news coming from markets is the recent decline in market expectations of inflation alongside the actual reports themselves.



Source: Bianco Research, Data as of 12/31/2022

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What is Quantitative Tightening?

What Is It? Quantitative Tightening is a process where the Federal Reserve reduces its balance sheet to reverse the economic impact of "Quantitative Easing," or "QE," where global central banks pump liquidity into the financial system to provide liquidity during periods of economic stress like the Great Financial Crisis, or more recently, the COVID-19 pandemic.

What Are the Characteristics of QT?

- The Fed began the QT process in June reducing the reinvestments of principal payments in Treasuries and Mortgage-Backed Securities.
- Alongside QT, the Federal Open Market Committee (FOMC) will be raising interest rates (Fed Funds Rates).

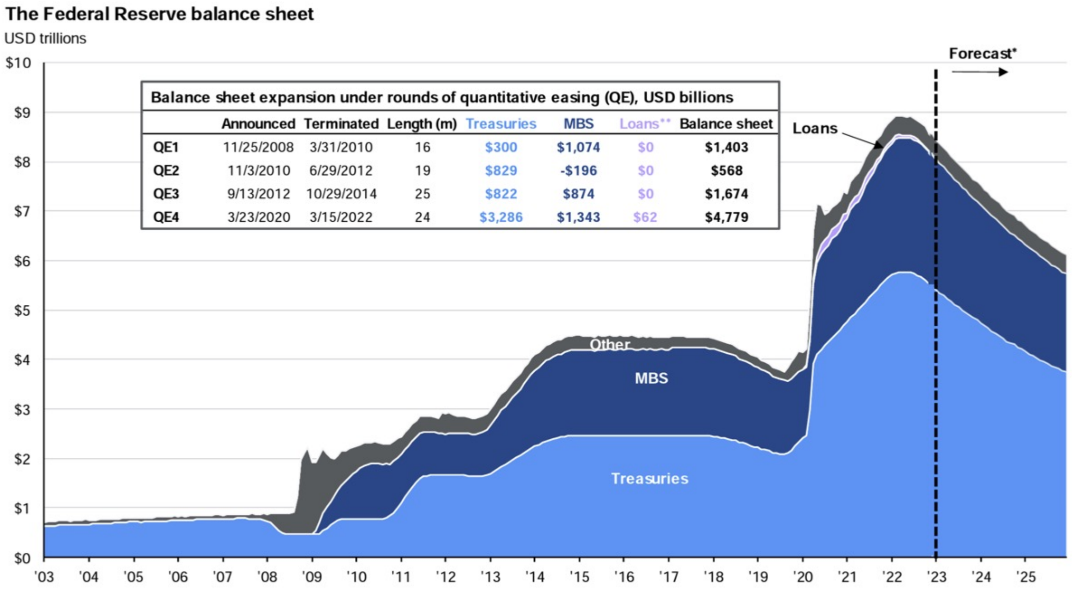
How Does the Withdrawal of Liquidity Work?

At its core, QT is when the Fed receives principal repayments from its security holdings, and rather than use those proceeds to purchase new securities, it extinguishes it and reduces the amount of reserves in the system.

What Will the Market Impact Be?

Quantitative easing (QE) pumped a massive amount of liquidity into the system, and now there is too much. Therefore, the initial reduction in the balance sheet shouldn't be a cause for concern.

The massive increase in yields and decline in bond prices, has already occurred. As a result, the tightening in financial conditions and expected liquidity removal, to some extent, has already been priced into markets.



Balance sheet expansion under rounds of quantitative easing (QE), USD billions

	Announced	Terminated	Length (m)	Treasuries	MBS	Loans**	Balance sheet
QE1	11/25/2008	3/31/2010	16	$300	$1,074	$0	$1,403
QE2	11/3/2010	6/29/2012	19	$829	-$196	$0	$568
QE3	9/13/2012	10/29/2014	25	$822	$874	$0	$1,674
QE4	3/23/2020	3/15/2022	24	$3,286	$1,343	$62	$4,779

Source: JPMorgan Guide to the Markets, Data as of 12/31/2022

Inflation Continues to be a Focus

Inflation Remains the *CORE* Problem:

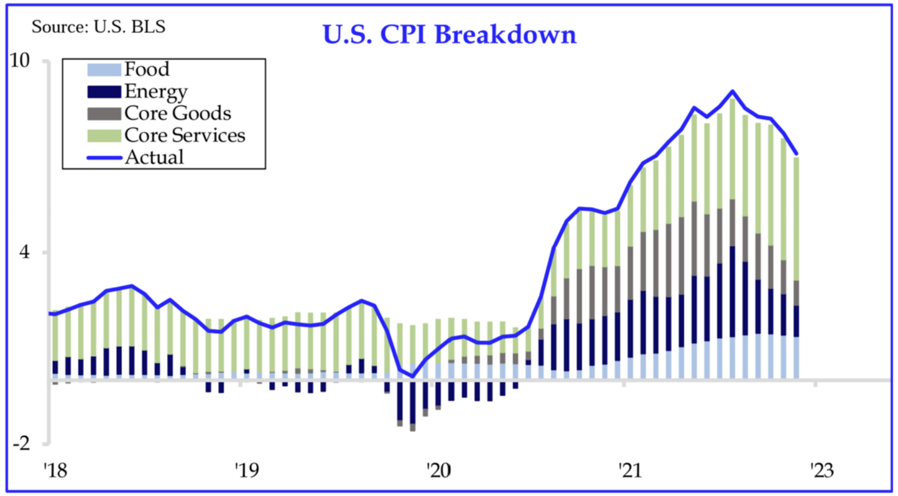
- Bottom line, from a near- and medium-term standpoint, inflation remains one of, if not the, most important variables in the market. If inflation statistics and inflation expectations do not show signs of weakening, the Fed will need to continue being aggressive, hence the recent fed hikes. Otherwise, the Fed could lose its credibility if inflation becomes unanchored.
- The ramification of this would be an increased chance that the Fed makes a policy error, i.e., raising rates so fast that it would push the economy into a recession.

Where is Inflation Heading?

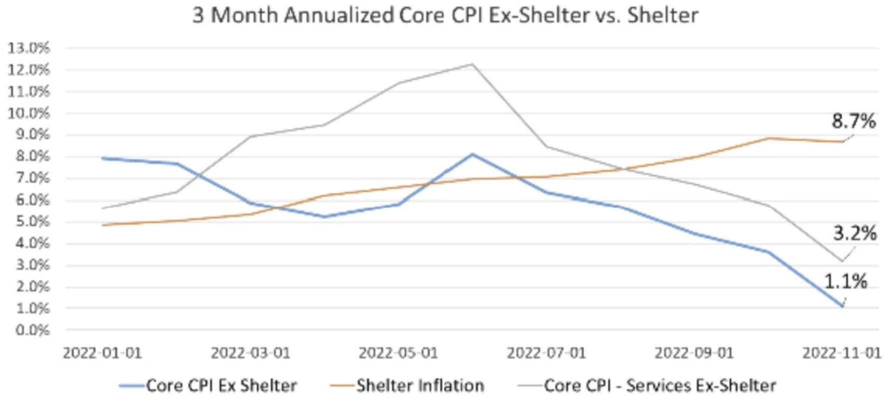
- In December, rates have continued to come down even as the Fed has promised that they are getting to 5%+ on short term rates and will stay there through '23. The reason is because the market believes that the near-term trend on CPI ex-shelter and CPI services should come down. There are caveats, and this 3-month annualized data can be volatile, but the bond market is increasingly convinced longer term inflation is just not a likely risk.

Inflation is a Regressive Tax on Main Street America:

- The biggest question facing investors is: can the Fed get inflation under control without inducing a recession along the way?
- With inflation consistently running over 7%, the Fed believes it has more of a duty to protect ordinary Americans from the regressive tax of inflation than bailing out investors with continued accommodative policy (Quantitative Easing).



Source: Strategas, Data as of 12/31/2022



Source: Raymond James, Data as of 12/31/2022

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What is the State of the Consumer?

The Market and Economy Are Not the Same Thing:

- What's the Difference?
  - The Market: The market tends to be a more volatile vehicle predisposed to investor sentiment on the perceived current environment.
  - The Economy: The economy is based off the health of the consumer and their propensity to spend over longer periods of time.

The Consumer's Wallet Doesn't Jiggle, Jiggle – It Folds:

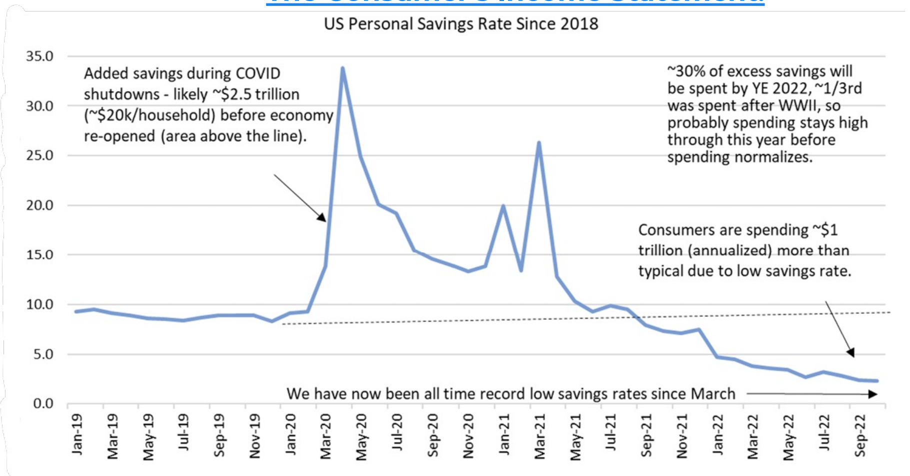
The market invests in the *Change* in the near-term (i.e., Savings Rate), and the *Level* in the long-term (i.e., Total Net Worth).

The Short-Term Problem: It's no secret that the Consumer is flush with capital. BUT, the strength of the consumer isn't a saving grace in the face of multi-decade high inflation, especially in the short-term. The *Savings Rate* has been declining, as people spend more capital, given the increased cost of basic goods. The big question is: *will record retail spending levels persist the longer inflation sticks around*?

The Long-Term Solution: Any way one slices it, the consumer continues to be flush with capital, which should drive economic benefits over a full business cycle.

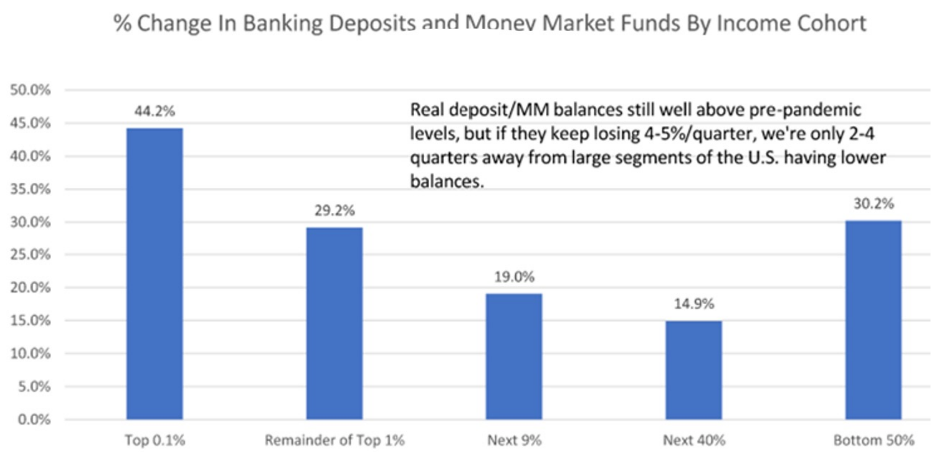
The *income statement* is your capital intake minus the expenses. If the expenses > capital intake, you must tap your savings account, i.e., balance sheet. If one starts the see their *balance sheet* completely deplete, then it becomes worrisome – we are no where close to that.

The Consumer's Income Statement:



Source: Raymond James, Data as of 12/31/2022

The Consumer's Balance Sheet:



Source: Raymond James, Data as of 12/31/2022

The Good, The Bad & The Ugly

The GOOD / The BAD / The UGLY

The Good

The U.S. Consumer Continues to be Resilient

We believe the aggregate consumer is flush with cash, and once pent-up demand can safely be unleashed, the U.S. economy can continue being resilient. The average U.S. Household are worth ~30% more. Consumer balance sheets are well fortified and flush with cash.

The Bad

Inflation is Persistent, Though Peaking?

The magnitude of the policy actions used to counteract deflation may, in the end, be hugely inflationary. Higher-than-expected inflation tends to be a major headwind to equity valuations, but it appears that inflation has peaked for now. For markets, how the Fed chooses to address inflation is as important as the inflation itself. The battle isn't over, as services and wage inflation continue to be "sticky".

Fed Tightening Misstep

The yield curve officially inverted in '22 creating speculation of a recession. This means caution in communication by the Fed to avoid the mistakes of the Yellen Fed, namely slowing the flow of liquidity to main street by redirecting said liquidity towards Wall Street, i.e., pivoting. The Fed's number one goal in to anchor inflation, even if it puts the economy into a recession.

The Ugly

Inflation Transitioning to Growth Frustration

Earnings Expectations for the S&P 500 have only come down 9.1% in '23. Anecdotally, margins continue to compress at the corporate level, but have not yet been represented in overall analyst's earnings expectations. We believe that if earnings were to significantly drop, which they tend to fall ~20% during a recession, the market could follow, as lower inflation could mean lower earnings.

Asset Allocation Performance

Asset Allocation Woes

Portfolio Volatility as Correlations Rise:

- The current tightening cycle that we find ourselves in today is unique. Unlike prior tightening cycles, both stocks and bonds have been positively correlated which is in stark contrast to the negative correlation we've grown accustomed to for more than 20 years. In fact, for the first time ever, the first three quarters of the year, both stocks and bonds were negative for three consecutive quarters.
- *Why*? This is due to the nature of the counter cyclical inflation (supply side driven) as opposed to pro cyclical inflation (uptick in aggregate demand) that's been plaguing developed economies for the latter part of 2 years now.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2008 - 2022 Ann.	2008 - 2022 Vol.
Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 8.8%	REITs 23.4%
Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	Small Cap 7.2%	Small Cap 23.2%
Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	REITs 6.6%	EM Equity 23.0%
High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 6.1%	Comdty. 20.2%
Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 5.4%	DM Equity 20.0%
Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	Fixed Income 2.7%	Large Cap 17.7%
Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	DM Equity 2.3%	High Yield 13.0%
REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	EM Equity 1.0%	Asset Alloc. 12.4%
DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 0.6%	Fixed Income 4.2%
EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -2.6%	Cash 0.4%

Source: JPMorgan Guide to the Markets, Data as of 12/31/2022

Traditional 60 / 40 Portfolio Woes:

- This year has offered no shortage of headaches, but the most acute source of pain for most traditional portfolios has been the positive correlation between falling stock and bond prices.
- There is historical precedent for balanced 60/40 portfolios experiencing negative calendar year returns. What makes '22 so uniquely challenging? So far, it is the first time in recent history when both stocks and bonds have had steep, simultaneous declines.

60/40 Portfolio: S&P 500/US 10-Year Treasury (Total Returns, 1928 - 2022)

Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	26.6%	1947	3.5%	1966	-4.8%	1985	29.0%	2004	8.2%
1929	-3.3%	1948	4.2%	1967	13.6%	1986	20.8%	2005	4.0%
1930	-13.3%	1949	12.8%	1968	7.8%	1987	1.5%	2006	10.2%
1931	-27.3%	1950	18.7%	1969	-7.0%	1988	13.2%	2007	7.4%
1932	-1.7%	1951	4.1%	1970	8.8%	1989	26.0%	2008	-13.9%
1933	30.7%	1952	11.8%	1971	12.4%	1990	0.7%	2009	11.1%
1934	2.5%	1953	0.9%	1972	12.4%	1991	24.1%	2010	12.3%
1935	29.8%	1954	32.9%	1973	-7.1%	1992	8.2%	2011	7.7%
1936	21.2%	1955	19.0%	1974	-14.7%	1993	11.7%	2012	10.7%
1937	-20.7%	1956	3.6%	1975	23.6%	1994	-2.4%	2013	15.6%
1938	19.3%	1957	-3.6%	1976	20.7%	1995	31.7%	2014	12.4%
1939	1.1%	1958	25.4%	1977	-3.7%	1996	14.2%	2015	1.3%
1940	-4.2%	1959	6.2%	1978	3.6%	1997	23.8%	2016	7.3%
1941	-8.5%	1960	4.9%	1979	11.4%	1998	23.0%	2017	14.1%
1942	12.4%	1961	16.8%	1980	17.8%	1999	9.2%	2018	-2.5%
1943	16.0%	1962	-3.0%	1981	0.5%	2000	1.2%	2019	22.6%
1944	12.4%	1963	14.2%	1982	25.4%	2001	-4.9%	2020	15.3%
1945	23.0%	1964	11.3%	1983	14.7%	2002	-7.1%	2021	15.3%
1946	-3.8%	1965	7.7%	1984	9.2%	2003	17.2%	2022	-17.5%

Source: Aptus, Compound Capital, Data as of 12/31/2022

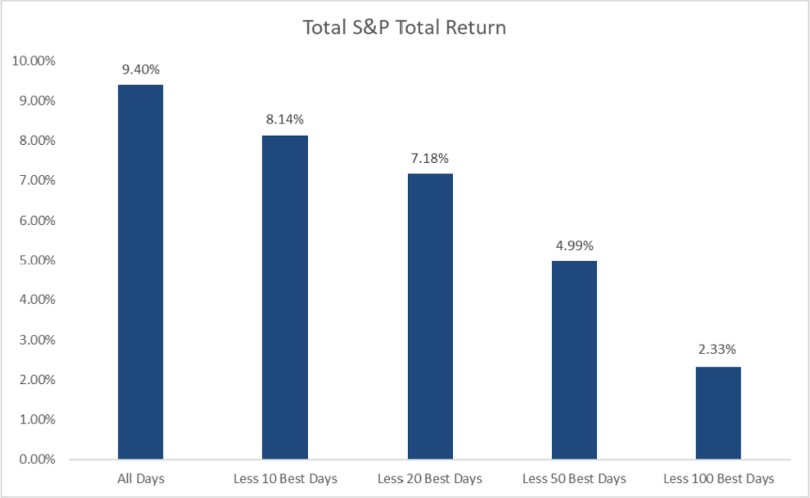
Consistent Behavior Breeds Winners

Failure to Stay Invested:

- *It Pays to Stay Invested* - The US stock market has been resilient through its history. Stocks routinely recovered from short-term crisis events to move higher over longer time periods.

- *Timing the Market* - By trying to predict the best time to buy and sell, you may miss the markets biggest gains. Attempting to guess short-term swings make it very difficult to produce consistent results. The best method for loss avoidance is to expand your time horizon.

- *Behavior Gap* - We have found the shorter time frame you choose the more apt you are to get whiplash and trade excessively. This behavior challenge often leads to emotions driving decisions over your goals.



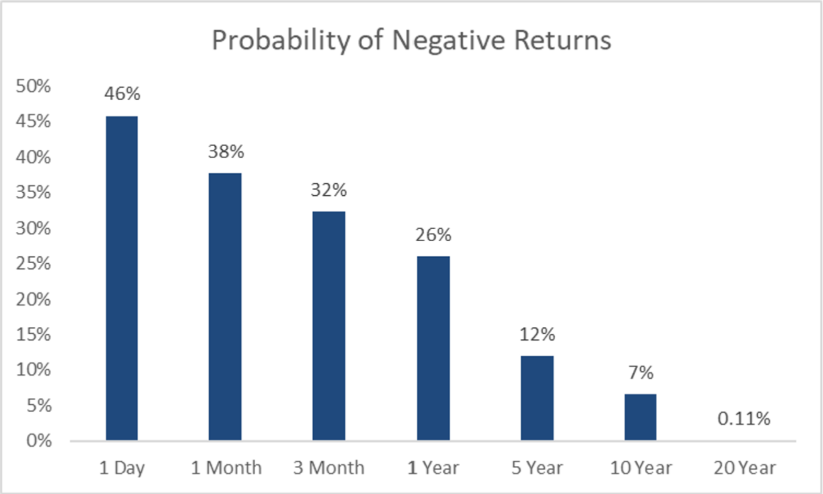
Source: Aptus Capital, Data as of 12/31/2022

Remember to Expand Your Time Horizon:

- No one ever knows that the market is going to do – especially on a daily basis – we know that volatility tends to breed more volatility – whether it's up or down.

- In our view, investors also tend to focus too much on the short-term "noise" in the market. There is usually great deal of variability in the day-to-day, with different economic, geopolitical, and company-specific news constantly moving markets.

- We believe the best method for loss avoidance is to expand your time horizon.



Source: Aptus Capital, Data as of 12/31/2022

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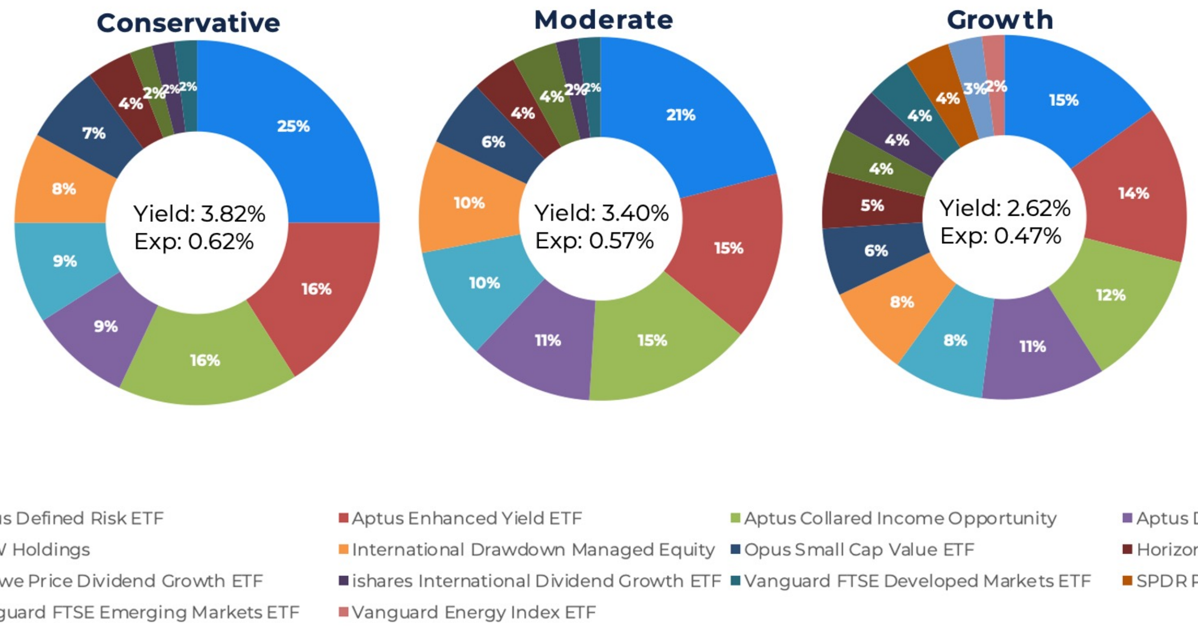
Client-Specific Growth & Income Targets

Conservative Allocation: Designed with the primary objective of stability and protection, plus opportunity for appreciation. Reducing drawdown is the foundation, with lower exposure to traditional equities.

Moderate Allocation: Designed with flexibility to dynamically adjust exposure as risks & opportunities change. Balancing the reduction of both drawdown and longevity risk is the goal, designed to capture market returns while mitigating significant declines. Nearly half of the equity exposure contains some form of explicit hedging.

Growth Allocation: Designed to accumulate wealth through equities. Reduced drawdown remains a feature, but with a greater emphasis on reducing longevity risk by harnessing the compounding power of stocks.



Equity Sleeve

ADBE	JPM
AMT	MSFT
BR	PHM
CHE	PXD
CPRT	NVDA
DG	ROP
GOOGL	UNH
	V

Holdings as of 12/31/2022 Please see attached disclosures.

Portfolio Performance

Impact Series Performance (as of 12/31/22)	Dec	Q4	1Yr	3 Yr	5 Yr	Inception 1/1/2017	Equities	Fixed	Hedged Eq.
iShares Allocation ETF 30:70	-2.33%	3.97%	-14.28%	-0.61%	1.59%	2.90%	30%	70%	0%
Apus Impact Series : Conservative	**-2.75%**	**3.59%**	**-13.38%**	**1.64%**	**2.51%**	**4.08%**	**30%**	**40%**	**30%**
iShares Allocation ETF 40:60	-2.40%	5.13%	-14.54%	0.18%	2.24%	3.75%	40%	60%	0%
Aptus Impact Series: Moderate	**-3.26%**	**5.09%**	**-13.89%**	**2.88%**	**3.61%**	**5.77%**	**40%**	**30%**	**30%**
iShares Allocation ETF 60:40	-3.50%	6.44%	-15.64%	1.48%	3.20%	5.20%	60%	40%	0%
Aptus Impact Series: Growth	**-4.03%**	**6.63%**	**-15.37%**	**3.25%**	**4.32%**	**6.78%**	**50%**	**20%**	**30%**
iShares Allocation ETF 80:20	-3.55%	8.81%	-16.23%	2.94%	4.27%	6.75%	80%	20%	0%

The performance data represents past performance & does not guarantee future results. Investment return & principal value of an investment will fluctuate, so an investor's shares may be worth more or less than original cost when sold. Current performance may be higher or lower than quoted performance. Returns are expressed in US dollars, & periods >1 year are annualized. Returns are calculated net of all fund fees and expenses. Net returns shown include the deduction of the highest sub-advisory fee charged to our clients in sub-advisory arrangements, 0.15%. This is the maximum subadvisory fee paid during the time periods presented, and individual accounts may pay a lower effective fee. For our fee schedule please refer to Form ADV 2A, which is available upon request . Actual client results may be lower based on imposition of additional advisory fees, platform fees, & custodial fees charged by firms. iShares Core Allocation ETFs are designed as diversified core portfolios based on the specific risk consideration of the investor. For performance through most recent month end, please call (251) 517-7198 or visit www.impact-series.com/fact-sheets.

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The 2 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 2 year.

The 10 Year Treasury Rate is the yield received for investing in a US government issued treasury security that has a maturity of 10 year. The 10 year treasury yield is included on the longer end of the yield curve. Many analysts will use the 10 year yield as the "risk free" rate when valuing the markets or an individual security.

This is not a recommendation to buy, sell, or hold any particular security. The holdings shown above are target portfolio weights and do not reflect the entire portfolio. The holdings are sorted by target portfolio percentage weight then alphabetized within each asset range. Actual portfolio investments will vary when invested. A complete list of holdings is available upon request.

Information presented on this presentation is for educational purposes only and offers generalized speech. It is for informational purposes only and does not constitute a complete description of our investment services or performance. Information specific to the underlying securities making up the portfolios can be found in the Funds' prospectuses. Please carefully read the prospectus before making an investment decision. All investments involve risk and unless otherwise stated, are not guaranteed. Be sure to consult with an investment & tax professional before implementing any investment strategy.

The Nasdaq Composite Index measures all Nasdaq domestic and international based common type stocks listed on The Nasdaq Stock Market. To be eligible for inclusion in the Index, the security's U.S. listing must be exclusively on The Nasdaq Stock Market (unless the security was dually listed on another U.S. market prior to January 1, 2004 and has continuously maintained such listing). The security types eligible for the Index include common stocks, ordinary shares, ADRs, shares of beneficial interest or limited partnership interests and tracking stocks. Security types not included in the Index are closed-end funds, convertible debentures, exchange traded funds, preferred stocks, rights, warrants, units and other derivative securities.

The Consumer Price Index (CPI) measures the change in prices paid by consumers for goods and services. The CPI reflects spending patterns for each of two population groups: all urban consumers and urban wage earners and clerical workers.

The Dow Jones Industrial Average is the most widely used indicator of the overall condition of the stock market, a price-weighted average of 30 actively traded blue chip stocks, primarily industrials. The 30 stocks are chosen by the editors of the Wall Street Journal (which is published by Dow Jones & Company), a practice that dates back+A70 to the beginning of the century. The Dow is computed using a priceweighted indexing system, rather than the more common market cap-weighted indexing system.

Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Derived from the price inputs of the S&P 500 index options, it provides a measure of market risk and investors' sentiments.

The Russell 2000® Index measures the performance of the small cap segment of the U.S. equity universe. The Russell 2000 Index is a subset of the Russell 3000® Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

Treasury Inflation-Protected Securities, or TIPS, provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index.

The Bloomberg US Mortgage Backed Securities (MBS) Index tracks fixed-rate agency mortgage backed pass-through securities guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage.

The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. The MSCI EAFE Index consists of the following 21 developed market countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization-weighted index that is designed to measure equity market performance of emerging markets. The MSCI Emerging Markets Index consists of the following 26 emerging market country indices: Argentina, Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

Non-investment-grade debt securities (high-yield/junk bonds) may be subject to greater market fluctuations, risk of default or loss of income and principal than higher-rated securities.

Investment-grade Bond (or High-grade Bond) are believed to have a lower risk of default and receive higher ratings by the credit rating agencies. These bonds tend to be issued at lower yields than less creditworthy bonds.

The S&P 500® Index is the Standard & Poor's Composite Index and is widely regarded as a single gauge of large cap U.S. equities. It is market cap weighted and includes 500 leading companies, capturing approximately 80% coverage of available market capitalization.

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