NEWSLETTER – JULY 2022

MARKET TRENDS 6/30/22

Asset Class	3 Mo	YTD
Global Stocks		
MSCI World	-15.8%	-20.3%
US Stocks		
S&P 500	-16.1%	-20.0%
Large Cap Value	-12.2%	-12.9%
Large Cap Growth	-21.0%	-28.1%
Mid Cap	-15.4%	-19.6%
Small Cap	-17.2%	-23.5%
International Stocks		
Developed Markets	-13.2%	-19.0%
Emerging Markets	-10.4%	-17.4%
Fixed Income		
Taxable Bonds	-4.7%	-10.3%
International Bonds	-5.2%	-9.9%
Municipal Bonds	-2.5%	-8.0%
Alternatives		
Emerging Markets Bonds	-12.2%	-20.2%
Floating Rate	-0.4%	-0.7%
Preferred	-8.8%	-15.1%
Gold	-6.5%	-0.4%
Real Estate	-14.5%	-20.2%

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Shorepoint
Capital Partners

NEW ADDITIONS TO SHOREPOINT

Chris Stuart, CFA has joined our management team as a Portfolio Manager after spending the last seven years at Commonwealth Financial Network, an independent broker-dealer serving over 2000 financial advisors with over $200 billion in assets under management. At Commonwealth, Chris served as a portfolio manager on several internally managed equity portfolios while providing in-depth fundamental equity analysis and tailored asset allocation advice to Commonwealth's advisors.

Chris began his career as a Financial Advisor with HR Block Financial Advisors. Chris then moved to Bank of America, Merrill Lynch, where he worked as a Senior Investment Analyst evaluating individual domestic equity and alternative strategies. Chris also spent time as a Director of Research for TheStreet Ratings and as a Director of Platform Distribution at Columbia Management.

Chris is a CFA charter holder and member of the CFA Institute and the CFA Society Boston. He earned his BA in Finance from the Isenberg School of Management at the University of Massachusetts Amherst. Chris lives in Braintree, MA, with his wife, Liz, their two daughters, and dog Jazz. Chris enjoys coaching his daughter's soccer teams, traveling, running, going to concerts, and playing guitar.

Alexis Shaftel has joined Shorepoint Capital Partners as a Client Service Associate and will be responsible for providing administrative and operational support for our firm. She works with our clients responding to their requests and inquiries, as well as assisting our senior team in meeting preparations.

Alexis has several years of experience working in the financial services industry, specifically working with automotive and home insurance and warranties. She also worked as a research assistant at her alma mater, Suffolk University.

Alexis is a recent graduate of Suffolk University's MBA program and received her BSBA from Suffolk in Financial Wealth Management and Business Management. Additionally, Alexis studied Business Analytics and Entrepreneurship through Harvard Business School's Online program.

Alexis lives in Revere, MA and loves to run the beach daily. Her favorite hobby is plane spotting, and she aspires to work as a CFO for one of the major airlines.

FEARFUL MARKETS

The selloff that began in the first quarter of 2022 worsened over the last three months. Equity markets went down considerably even as bonds continued to be weak. The 10-year Treasury yielded 3%, a stunning move, the likes of which we have not seen in decades, if ever. It was less than 18 months ago that the 10-year Treasury was yielding 1.4%!

The global backdrop remained dour. Russia remained bogged down in Ukraine, seemingly digging its proverbial boots into a long, brutal, and unjust war that destabilizes Europe and does significant damage to the entire world via trade conflicts and further price increases on everything from energy to fertilizer and food.

Figure 1-Consumer Stress Indicator (Baird Research)

Domestically, fears of the Federal Reserve ("Fed") persisted, a difficult overhang for most assets to perform well in the short-term. The Fed went higher than they had initially indicated on a rate hike, raising by 0.75% for the quarter, while promising another similar rate increase at the next Fed meeting. Mortgage rates soared in response, at least in the short-term, and there were signs that some cooling in the searingly hot housing market had commenced. Mortgage applications dropped off precipitously as home buyers digested the higher financing costs.

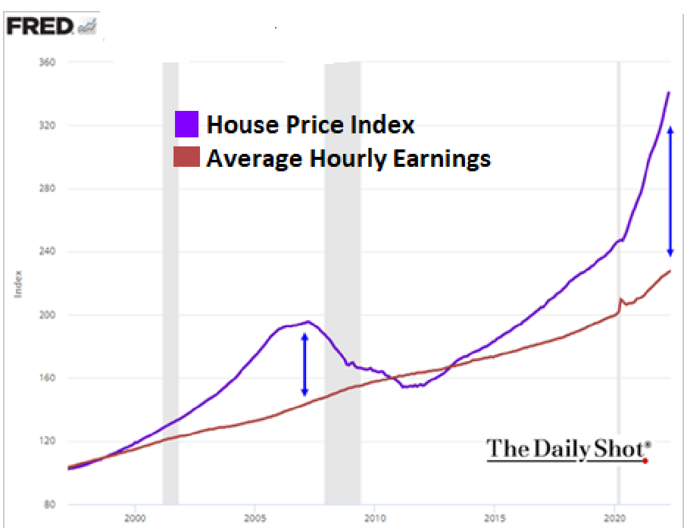
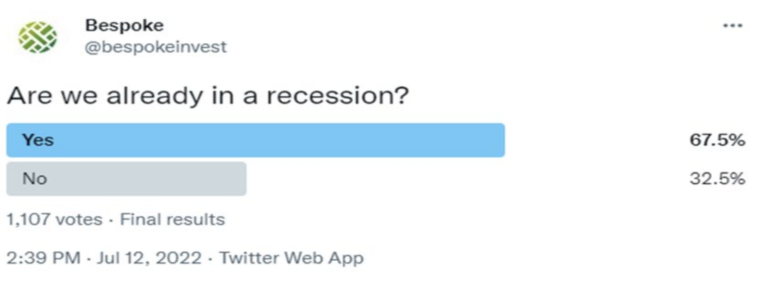


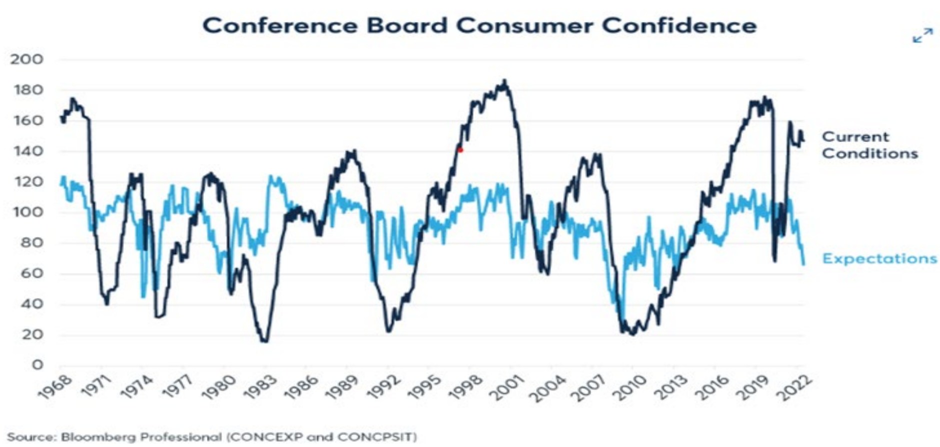
Figure 2-The Difference Between Wages and Housing Affordability Continues To Widen - How Long Can This Last?

War. Shortages. Fed interest rate increases. Oh, and let's add in the Jan. 6th Committee Hearings in Congress, and the Supreme Court overturning of Roe v. Wade after 50 years. These topics don't make for a secure feeling for citizens, let alone investors. We are likely on our way to recession or in one already. The question is not if but how severe a recession?

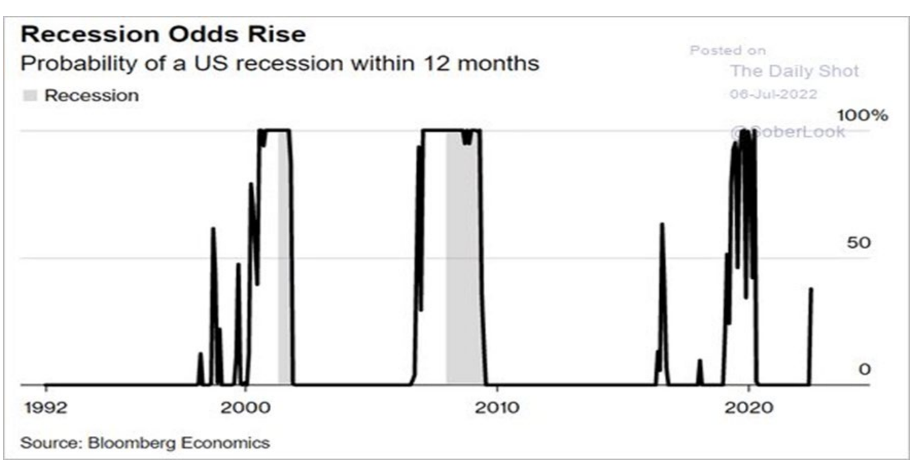
The majority of financial professionals surveyed in the following Bespoke survey already think we are in a recession!



Even most consumers are preparing for the worst, with recent consumer confidence surveys showing increasing concerns about the future.



As the Fed tries to steer this economic ship to a soft landing, the data (specifically as noted by higher inflation, weakening consumer sentiment and potential for corporate profit margin erosion) tells us that there is a high probability that we might fall into a recession sooner rather than later.



The real question at this point is what will be the nature of this downturn and how will we prepare ourselves to capitalize on the eventual upturn in the business cycle?

SOBER REFLECTIONS

By way of review, Shorepoint did come into this sell off in a very defensive position:

1. Our portfolio cash positions were higher by 2.5-5x the usual amount we suggest
2. We reduced bonds by several percentage points in 2021 and 2022
3. For those eligible and interested, we moved some assets from bonds to private securities in 2019
4. We entered 2022 underweighted to equities and have slowly added to equities during 2022 as valuations have grown more attractive

As discouraging as the current market environment is, positive signs have been cropping up. We are likely to have a divided government after November elections which has historically been great for the market. Equity valuations on dividend and tech stocks seem attractive. Bond yields are finally back, making it easier to generate steady income. Bear market rallies suggest that the market may be in the early stages of the bottoming process. Even as we're on our way to or in a recession, we can see more than just uncertainty and fear ahead.

THOUGHTS ON THE FUTURE

We believe in the resilience of capitalism and the ability for well-run companies to adjust and manage through times like this. So, we look at the next 6-8 months as a time to be picky, to diversify, and to avoid big calls or undue risks, especially after the powerful multiyear run we have enjoyed in the equity markets. Hopefully things turn out better AND sooner, but let's not expect that. This year will be one to build portfolios for the next leg in the economic cycle.

Over the long-term equities have produced positive returns even when we have encountered periods of high inflation. Dividend-paying companies (value stocks) have navigated these periods fairly well and emerged with positive returns. Slow and steady wins the race!

We would expect to add to equities on any further major pullback and are maintaining a high level of cash in the interim. We have been aggressively performing tax loss harvesting on stocks, mutual funds and bond investments. We can't escape volatility but will make the most of it to harvest losses for the future – tax losses can be a valuable asset to minimize and/or eliminate future taxes.

Shorepoint's process is thoughtful, disciplined, and flexible. Please know that our team is working diligently to manage risk and returns as well as position your portfolio for the long term. There are always reasons not to invest, but staying the course usually wins out. We believe that appropriate portfolio diversification amongst asset classes can help buffer your portfolio from the ups and downs of market volatility. We will continue to monitor the risk/rewards of both asset classes and sectors to rebalance appropriately.

Team Shorepoint