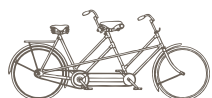


Considering the long and variable lag of interest-rate increases, we believe consensus forecasts may be overly optimistic and that stocks may remain rangebound for the near and medium term.

Equities began 2023 with exuberance, as the worst-performing stocks from 2022 sparked a strong rally in the first two months of the quarter. Concerns regarding regional bank liquidity slowed stocks later in the quarter, and one of the largest bank failures in history led to significant treasury market volatility. The Technology, Communication Services and Consumer Discretionary sectors propelled the S&P 500 and Nasdaq 100 rallies, continuing the recovery that began last October. Seven of the eleven economic sectors produced positive returns, and large-cap growth stocks provided strong leadership: Apple +27%, Microsoft +21%, Nvidia Corp +90%, Tesla +68%, and Meta Platforms +76%. Developed-country stocks outperformed emerging-country stocks and were one of the quarter's best performers. Bonds continued their recovery as longer-term yields fell sharply in anticipation of slower growth and lower inflation down the road, even as the Fed increased short-term rates. Overall, both stocks and bonds earned solid gains in the first quarter.

Index/Instrument	Category	Q1 2023 Total Return	Total Return Trailing 1 Year (as of 3/31/2023)
S&P 500	Large-capitalization stocks	7.48%	-7.75%
S&P MidCap 400	Mid-capitalization stocks	3.79%	-5.17%
S&P SmallCap 600	Small-capitalization stocks	2.54%	-8.88%
NASDAQ 100	Large-capitalization stocks	20.77%	-10.35%
Russell 2000 Index	Small-capitalization stocks	2.73%	-11.63%
MSCI World ex USA	Developed markets international stocks	8.21%	-2.13%
MSCI Emerging Market	Emerging markets international stocks	3.97%	-10.39%
Bloomberg Barclays US Aggregate Bond Index	Investment-grade US bonds	2.96%	-4.78%
Bloomberg Barclays US Treasuries	US government bonds	3.00%	-4.51%
Bloomberg Barclays US Investment Grade Corps	US investment-grade corporate bonds	3.50%	-5.55%
Bloomberg Barclays US Corporate High-Yield Bond Index	US corporate high-yield bonds	3.57%	-3.34%
Bloomberg Barclays US MBS Index	US mortgage-backed securities	2.53%	-4.85%
Bloomberg Barclays Global Aggregate Bond Index	Global investment-grade bonds	3.01%	-8.07%
Bloomberg Barclays Global High-Yield Bond Index	Global high-yield bonds	3.15%	-4.53%
Bloomberg Barclays Investment Grade US Convertibles	US high-grade convertible bonds	-0.06%	-6.00%

Source: Bloomberg

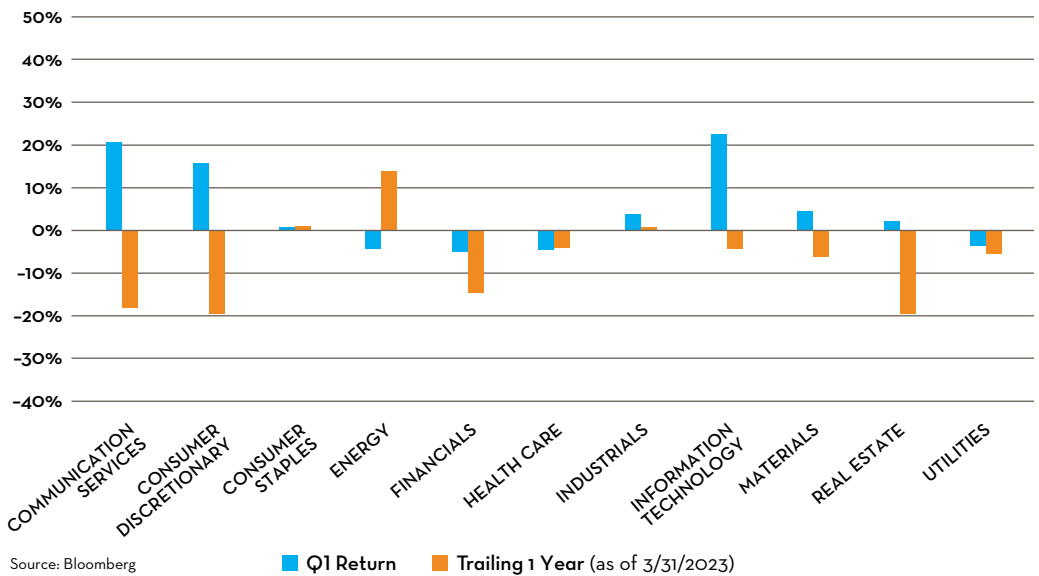


# Quarterly Outlook

APRIL 2023

The Fed raised rates twice during the quarter for a total of nine increases since March of 2022. Inflation appears to have peaked last summer, with the Consumer Price Index (CPI) subsiding from a 9% annual rate to 5% currently. Progress has been made, but the process has been slow, and inflation remains far above the Fed's stated 2% target. The manufacturing economy and housing sector have been contracting for over a year. Excessive savings have been reduced. Confidence among consumers, homebuilders, and small business is depressed. The aggressive rate-hiking cycle also exposed poorly managed banks and sparked fears of bank runs at regional banks. Bank turmoil is consistent with the idea that weak links are exposed by significantly higher interest rates.

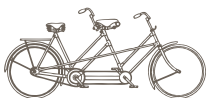
## S&P 500 Sector Returns



The job market is still robust, especially within the service sector, with one of the lowest unemployment rates since the 1960's at 3.5%. Consequently, the US consumer remains resilient in opposition to the Fed's inflation fight. Evidence is rising though that wages are starting to moderate, with both Average Hourly Earnings (AHE) and Unit Labor Costs (ULC) showing a clear downward trend for about a year.

Expectations for Fed policy are varied and wide-ranging among both investors and economists. In the short term, most expect the year-end federal funds rate to range from 4.75 to 6%, but there is more variability in longer-term forecasts. The Fed's 2025 forecast ranges from 2.5% to 5.5%, revealing quite a bit of uncertainty within the Federal Open Market Committee. Investors expect the Fed to increase rates by 0.25% in May before reversing course in July. Fed Chairman Powell insists otherwise, with a singular focus on driving inflation down towards 2%. In sum, we expect Treasury volatility to remain high and the Fed to remain data dependent, focusing on monthly continuing jobless claims and various service inflation indicators.

One year into the Fed's rate-hiking cycle, tighter financial conditions have finally caught up with the economy and stocks. Profitability, while robust for S&P 500 companies, has been falling for a year after peaking in the first quarter of 2022.



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# Quarterly Outlook

APRIL 2023

Overall pricing power is expected to fade, and earnings are expected to contract for the next two quarters before recovering later in the year. Considering the long and variable lag of interest-rate increases, we believe consensus forecasts may be overly optimistic and that stocks may remain rangebound for the near and medium term. Expectations for bond returns are more favorable as the end of the rate-hiking cycle begins to come into view. Investor patience and a focus on long-term objectives remains paramount as GDP growth slows and we evolve through the later stages of the business cycle.

## Disclosures

Tandem Wealth Advisors LLC ("Tandem") is an SEC-registered investment adviser.

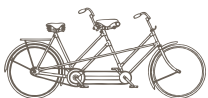
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## Index Definitions

The S&P 500 Index measures the performance of the large-cap segment of the US equity market. The S&P MidCap 400 Index measures the performance of the mid-cap segment of the US equity market. The S&P SmallCap 600 Index measures the performance of the small-cap segment of the US equity market. The Nasdaq 100 is a basket of the 100 largest, most actively traded US companies listed on the Nasdaq stock exchange. The Russell 2000 Index measures the performance of the small-cap segment of the US equity market. The MSCI World Ex USA Index captures large- and mid-cap representation across 22 of 23 developed markets countries, excluding the US. The MSCI Emerging Markets Index captures more than 1,400 large- and mid-cap securities in 24 countries spanning across five regions. The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The Bloomberg Barclays US Treasuries Index includes public obligations of the US Treasury, i.e., US government bonds. The Bloomberg Barclays Investment Grade Corporates index measures the investment-grade, fixed-rate, taxable corporate bond market. The Bloomberg Barclays Corporate High Yield Index measures the USD-denominated, high-yield, fixed-rate corporate bond market. The Bloomberg Barclays US MBS Index measures the performance of US mortgage-backed fixed income securities. The Bloomberg Barclays Global Aggregate Bond Index tracks the performance of global investment-grade, fixed-rate bond markets. The Bloomberg Barclays Global High Yield Bond Index is a multi-currency measure of the global high yield corporate debt market. The Bloomberg Barclays Investment Grade US Convertibles Index tracks the performance of investment-grade, USD-denominated convertible securities. S&P 500 Sectors measure segments of the US stock market as defined by GICS®. All index performance data sourced from Bloomberg.



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