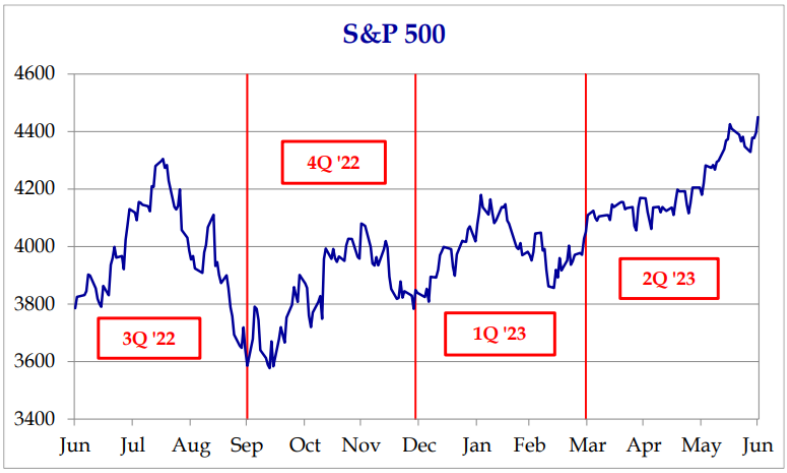
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Wealth Enhancement Group®
KINGS POINT TEAM

First Half of The Year Was Mostly Mega Tech!

Chart I



Source: Strategas Securities, LLC as of 6/30/2023

For most of the first half of the year, mega capitalization tech stocks pulled the overall averages much higher than most equities. This reflects the market weighted impact of these mega capitalization equities.

Chart II

Annual S&P 500 Contribution of 10 Largest Weights During Positive Performance Years

Year	Top 10 as % of Total	S&P 500 % Perf.
2007	78.7%	3.5%
2023 YTD	**76.9%**	**15.9%**
2020	58.9%	16.3%
1999	54.5%	19.5%
2021	45.0%	26.9%
1998	36.8%	26.7%
1996	33.9%	20.3%
2017	33.3%	19.4%
2019	32.8%	28.9%
1991	28.6%	26.3%
2006	27.6%	13.6%
2016	26.6%	9.5%
2003	23.6%	26.4%
1995	22.3%	34.1%
2014	22.2%	11.4%
2004	21.1%	9.0%
2005	20.5%	3.0%
2010	19.6%	12.8%
2012	19.2%	13.4%
1997	19.1%	31.0%
2013	17.6%	29.6%
2009	15.5%	23.5%
1992	14.9%	4.5%
1993	12.2%	7.1%

Source: Strategas Securities, LLC as of 6/30/2023

Advisory services offered through Wealth Enhancement Advisory Services, LLC, a registered investment advisor and affiliate of Wealth Enhancement Group®.

As Chart II demonstrates, 76.9% of equity appreciation in the S&P 500 in the first six months reflected 10 stocks. Indeed, it was the second highest gain on record. The narrowness of the market in the first half can also be seen in the following appreciation trends.

First Half Appreciation – S&P 500

Market Weighted	-	16.8%
Equal Weighted	-	6.9%

Source: Bloomberg, Inc as of 6/30/2023

Clearly the average stock was nowhere near the market weighted gains just reported. Barring a recession this year, we believe the average equity should rise as the market weighted mega capitalization stocks mark time around current levels.

To some extent, the many bearish portfolio strategists and economists kept up their negative forecasts because market gains were only centered in a handful of stocks. We note, however, that calls for a recession, which began in the middle of 2022, have now been moved by some strategists and economists to early-to-mid 2024.

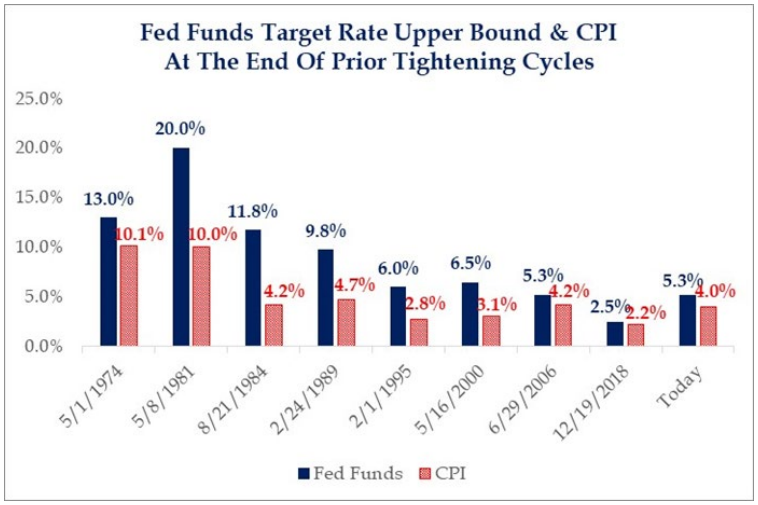
We have never been focused on macro trends as much as on individual stocks. Presently, the negative macro data is beginning to turn the other way. The most often mentioned negative factors include:

- Inverted yield curve,
- Rising unemployment,
- Elimination of government spending on programs aimed at increasing spending power of the consumer,
- Aggressive monetary tightening by the Federal Reserve resulting in sharply higher interest rates,
- Higher than normal inflation.

We have always believed that the Covid economy has caused historical economic trends to no longer be valid in forecasting future trends since the closing down of global economic growth within a three-month period and then restarting it over a 12-18 month period has never occurred in the past. Thus, experts have been bombarded with conflicting economic data as the global economic system slowly returns to a more normal pre-Covid economy.

We tend to stay more focused on our three-legged stool of variables that are the central core of long-term stock market trends. The first is interest rates which rise and fall due to expectations of how strong or weak the economy is trending. It also is manipulated by the Federal Reserve to reflect inflation trends. Within this variable, current inflation trends are declining from the sharp increases of 2022. Many economists are now forecasting inflation to recede to 3-4% or so as the year progresses. Regarding economic growth, the strong job market suggests little likelihood of a recession any time soon and may well also reflect stronger economic growth than current expectations in the second half of the year. Thus, interest rates may trend a little higher, but we are likely to be at or near a peak.

Chart III

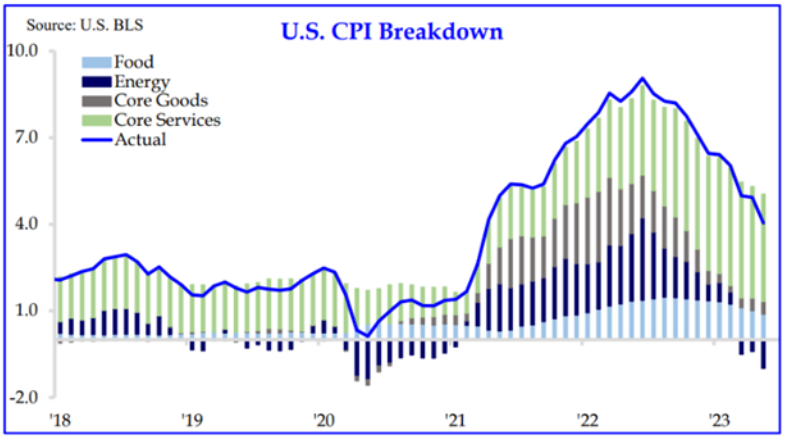


Source: Strategas Securities, LLC as of 6/30/2023

As Chart III indicates, when CPI is below the Fed Funds rate, the Federal Reserve has historically stopped raising rates. If inflation is 3-4% in the second half of 2023, we believe the Fed is likely to stop raising rates by year end at the latest. We came to this conclusion because the U.S. economy is slowing as consumers pull back a bit from their torrid spending spree last year. Thus, if inflation is receding and GDP is slowing, the only reason to continue to raise interest rates would be to slow job growth, the opposite of the Fed's mandate to trend toward full employment while keeping inflation trends subdued.

The second leg of our stock market stool is inflation.

Chart IV



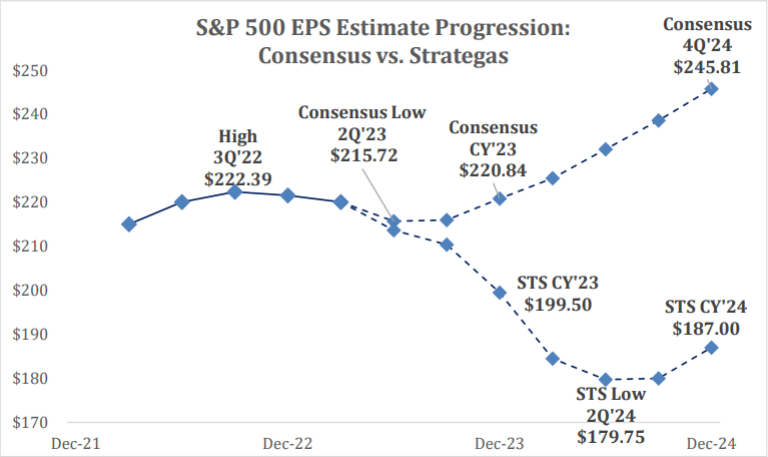
Source: Strategas Securities, LLC as of 6/30/2023

The rapid rise in inflation globally reflected the reopening of the global economy. This created uniquely strong consumer and industrial demand in a very short span of time. Production of needed commodities recovered at a

much slower pace reflecting in large part the difficulty in rehiring the workforce. This slow recovery in supply was exacerbated by the lockdown of the Chinese economy because of Covid for two plus years. Most supply chain problems currently reflect a continued slow recovery in the global workforce. As supply has improved, commodity costs have declined. While shelter and wages still pressure overall inflation data, the rate of change appears to be slowing. Labor costs and shelter (which are major components of core CPI) have been much more difficult to bring down than other parts of the CPI index. The Federal Reserve will likely be more focused on core CPI than total CPI in determining any rate changes. This bears watching since it can change the equity market outlook very quickly. At this juncture, we continue to anticipate a slowing trend in all key CPI variables as the year progresses. Overall, inflation trends (as measured by the CPI) should continue to moderate as the year progresses.

The last variable in our three-legged stool is corporate profits.

Chart V



Source: Strategas Securities, LLC as of 6/30/2023

Current consensus estimates are about $220 a share for the S&P 500 in 2023. This is about flat with the $223 reported in 2022. Strategists and economists that are bearish on the economy (such as Strategas) this year are more in the area of $200-210 a share. Importantly, second-quarter earnings should start to be reported by the second and third week of July. By mid-August, the financial community should have a strong sense of corporate profits expectations for the full year. We are cautiously optimistic that profitability will improve or remain stable by year end.

Valuation of the above trends will ultimately determine the direction of the market over the next 6-12 months. Based on historical patterns, market valuations are at the higher end of the range. Thus, a sharp move upwards in interest rates, inflation or a disappointment in earnings expectations should have an immediate negative impact on equity prices. At this juncture, we believe the market may consolidate its first half gains in the next few months.

PORTFOLIO CHANGES:

We recently added Gartner Inc. to our core portfolio. Gartner is the leading technology research resource for the tech industry, as well as commercial and government organizations. Its well-respected analysts generate huge amounts of data on the broad technology space. We believe its intensive analysis of AI will help it add to its growth rate in the next few years. We also took profits in our position in Parker-Hannifin, a well-positioned industrial parts manufacturer. Its valuation reached levels we believe may be at peak.

SUMMARY

We continue to stay focused on individual stocks and supplement this exposure with more and more attractive fixed income structures as well as private investment alternatives. Our emphasis remains on balanced growth and capital preservation while delivering high-quality service to our client base.

The opinions voiced in this material are for general information only, are subject to change at any time without notice, and are not intended to provide specific investment advice to any individual. Index returns reflect reinvestment of dividends and other income but do not reflect fees or other expenses of investing. Indices are unmanaged and are not available for direct investment. Past performance is not a guarantee of future results. Investing involves risk, including the possible loss of principal.