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CAPITAL PARTNERS

Outlook 2023

Mid-Year Update

A New Market Regime

Presented by the Investment Policy Committee of
Clearwater Capital Partners

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Introduction

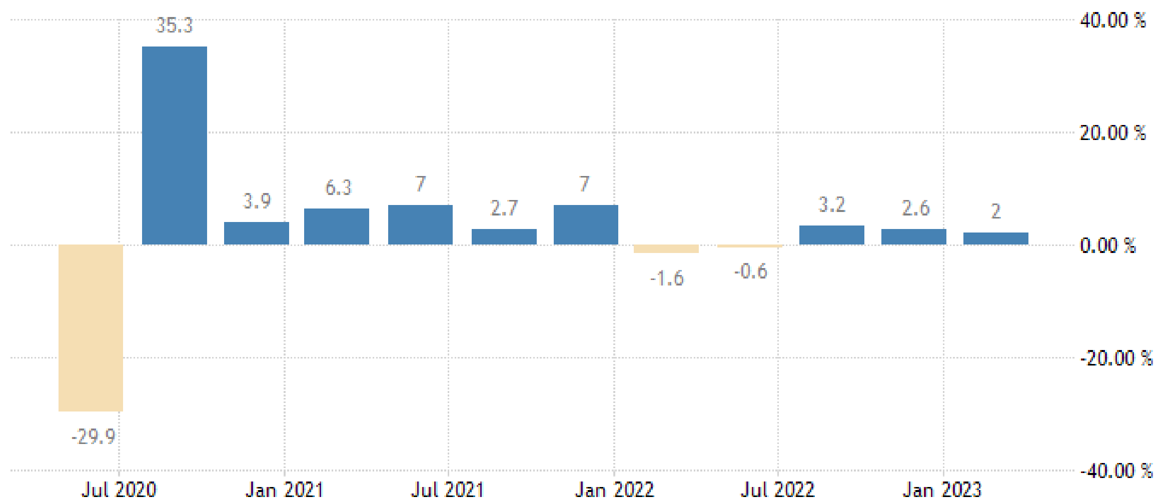
In our original ***Outlook 2023*** report, we assessed economic and market conditions coming into the new year with a cautionary perspective. The macro headwinds in 2022 were very real and generally hostile. We had the highest inflation in 40 years, with the most aggressive monetary tightening campaign in decades. We also had the war in Ukraine, political upheaval, and the collapse of the crypto ecosystem, among many other problems.

Calendar year 2022 was Wall Street's worst year since 2008 with the S&P 500 finishing 2022 down nearly 20%. All three of the major averages suffered their worst year since 2008 and snapped a three-year win streak. The Dow fared the best of the indexes in 2022, down about 8.8%. The S&P 500 sank 19.4%, and is more than 20% below its record high, while the tech-heavy Nasdaq tumbled 33.1%, also marking its first four-quarter losing streak since 2000-2001.

Following simultaneous declines in stocks and bonds, investor sentiment was worse than it was during the 2008 Global Financial Crisis. As 2023 began, the markets were experiencing the most persistent level of bearish sentiment in history. Investors had a decidedly dim view of market prospects heading into the new year. Only 20.5% of respondents to the weekly sentiment survey run by the American Association of Individual Investors (AAII) reported as bullish.

As for the economy, we correctly observed that growth was decelerating and the first quarter of 2023 would go on to drop to an annualized 2.0% on the quarter, following 2.6% in Q4-2022 and 3.2% in Q3-2022.

United States GDP Growth Rate



At mid-year, we believe that the weaknesses emerging in some parts of the economy will intensify and spread over the coming months, leading to a mild recession. While this outlook is associated with numerous factors, we do not expect an economic crisis or a significant downturn. A short and shallow recession would put downward pressure on corporate earnings and equity valuations, but we do not necessarily expect a new bear market. It is now likely the October lows would hold if an equity correction were to develop.

The Conference Board forecasts that real GDP growth will slow to 1.1 percent in Q2-2023, and then fall to -1.2 percent in Q3-2023, -1.9 in Q4-2023, and -1.1 in Q1-2024.

This anemic forecast for economic growth in the U.S. is predicated on the expectation that consumers have largely depleted any excess savings that were associated with government stimulus during the COVID pandemic period. Wages and earnings have not kept pace with inflation and consumers are feeling the pinch.

Tighter financial conditions have resulted from an extraordinary uptick in interest rates and tighter lending standards. Both of these factors are likely to reduce consumer demand in the months ahead. These factors, along with the reintroduction of mandatory student loan repayment in September (following the Supreme Court's decision to strike down the current Administration's student loan forgiveness program), will further pressure disposable personal income – thus crowding out spending among some households.

Government spending has represented one of the few growth drivers thus far in 2023 as federal non-defense spending benefited from outlays associated with infrastructure investment legislation passed in 2021 and 2022. However, reductions in discretionary outlays ($1.5 Trillion over 10 years) detailed in the Fiscal Responsibility Act, which averted the debt ceiling crisis, will limit overall government spending and act as a drag on growth later this year and early next.

Remarkably Strong Returns for the First Half of 2023 – Sort Of

Despite an economy that continues to show signs of stalling out, U.S. equities as measured by the S&P 500 climbed by over 16% in the first two quarters of the year with the NASDAQ 100 leading the way, increasing 39%.

While these figures are impressive, it is important to note that the first half performance data was incredibly narrow and concentrated in a handful of mega-cap companies that accounted for most of the returns. Through June 29th, just 30 stocks in the S&P had accounted for more than 95% of the S&P 500's gains this year.

Apple (AAPL) accounts for roughly 18% of the S&P's total first half move, while Microsoft (MSFT) is at 14.4% and NVIDIA (NVDA) is at 13%. Including Amazon (AMZN), Tesla (TSLA), Meta (META), and Alphabet (GOOG) as well, this group of seven mega-caps have accounted for roughly three quarters of the S&P's gain (BESPOKE).

The average stock in the Russell 1,000 gained only about 11% in the first half.

Notably, it was the stocks with the highest valuations that did the best in the first half, while many stocks with the highest dividend yields averaged declines thus far in 2023.

S&P 500 Biggest Contributions to First Half Performance

Ticker	Company Name	Sector	Price	Market Cap (bn	YTD % Chg	S&P Contribution	
						Points	Percent
AAPL	Apple	Technology	192.55	2,982.00	49.00	112.87	17.93
MSFT	Microsoft	Technology	341.58	2,491.26	42.39	90.65	14.40
NVDA	NVIDIA	Technology	423.53	1,008.30	190.11	82.03	13.03
AMZN	Amazon.com	Cons. Discret.	130.51	1,312.30	55.04	49.33	7.83
TSLA	Tesla	Cons. Discret.	263.93	816.15	116.66	45.66	7.25
META	Meta Platforms	Comm. Svcs.	287.65	721.49	139.19	44.74	7.11
GOOGL	Alphabet	Comm. Svcs.	120.57	1,517.96	36.31	22.90	3.64
GOOG	Alphabet	Comm. Svcs.	121.51	1,517.96	36.60	20.40	3.24
AVGO	Broadcom	Technology	868.62	355.97	57.68	15.87	2.52
LLY	Eli Lilly & Co	Health Care	467.42	440.93	28.10	9.69	1.54
CRM	Salesforce	Technology	212.94	204.96	60.66	9.61	1.53
AMD	Advanced Micro Devices	Technology	114.12	179.14	76.06	9.50	1.51
ADBE	Adobe	Technology	489.42	220.50	44.98	8.33	1.32
NFLX	Netflix	Comm. Svcs.	440.66	190.37	51.37	7.96	1.26
ORCL	Oracle	Technology	120.21	319.69	48.85	7.25	1.15
BRK/B	Berkshire Hathaway	Financials	339.42	736.73	9.82	6.55	1.04
V	Visa	Financials	237.34	492.19	14.52	5.86	0.93
GE	General Electric	Industrials	109.24	117.32	67.31	5.74	0.91
AMAT	Applied Materials	Technology	144.38	121.12	49.36	4.87	0.77
JPM	JPMorgan Chase	Financials	144.58	419.14	10.19	4.69	0.74
MA	Mastercard	Financials	390.86	367.37	12.61	4.41	0.70
COST	Costco Wholesale	Cons. Staples	536.06	235.62	17.87	4.31	0.68
NOW	ServiceNow	Technology	562.19	111.67	44.21	4.18	0.66
INTC	Intel	Technology	33.33	137.27	29.22	3.72	0.59
LRCX	Lam Research	Technology	641.55	86.03	53.50	3.63	0.58
CMCSA	Comcast	Comm. Svcs.	41.53	172.88	20.31	3.55	0.56
ACN	Accenture	Technology	312.10	205.04	17.22	3.45	0.55
LIN	Linde PLC	Materials	382.24	186.09	16.77	3.25	0.52
BKNG	Booking	Cons. Discret.	2704.92	98.09	35.01	3.24	0.51
ISRG	Intuitive Surgical	Health Care	341.46	118.61	27.51	3.08	0.49
			Top 30 Stocks	17,884.14	48.61	601.30	95.50
			Rest of S&P 500	23,019.33	4.68	28.37	4.50

(Source: The BESPOKE Report)

Several of the mega-cap companies that have rallied so impressively in 2023 (Apple, Microsoft, Amazon, Google, Tesla, NVIDIA and Meta) benefited from a wave of investor enthusiasm surrounding Artificial Intelligence (AI). As a group, these stocks began the year with price/earnings multiples in the high 20s and now trade in the low 40's.

The Tech sector has disproportionately boosted the year-to-date gains of the S&P 500 accounting for nearly 62% of the move this year. This said, the S&P index officially entered a new bull market on June 8th when it first crossed the 20% rally threshold from the Bear market lows last October. The S&P 500 index closed at a record high of 4,796 on January 3, 2022, and as of this writing is only 6% below that threshold. Remarkably, the 25 largest stocks in the S&P 500 as of mid-year 2023 collectively represent just under half of the S&P's total market cap of $39 trillion.

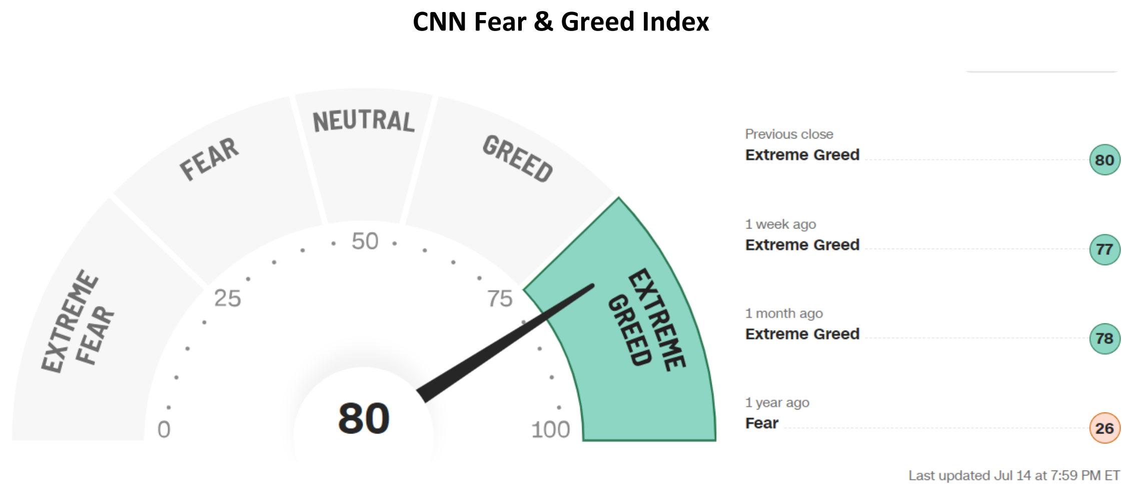
Historically speaking, it is not unusual to see markets rebound following big declines such as those experienced in 2022. The question investors currently face involves the sustainability of extraordinarily narrow price movement in 2023 given the current macro headwinds.

Investor Sentiment Soaring

Just a year ago the capital markets were in the middle of a particularly difficult year and investors were registering "Fear" in CNN's widely followed Fear & Greed Index. By October of 2022, as markets hit their Bear market lows, this reading dropped to "Extreme Fear".

Even as economic growth grinds to a standstill, the markets have bolstered investor confidence. As of July 14, 2023 investors are registering "Extreme Greed" as the market becomes significantly more expensive relative to earnings.

CNN Fear & Greed Index



Investor optimism, as measured by the latest AAII Sentiment Survey, remains above average. Bullish sentiment, expectations that stock prices will rise over the next six months, stands at 41.0% of investors surveyed.

This reading marks the sixth consecutive week of being above its historical average of 37.5% and represents the longest above-average streak since a six-week streak in June and July 2021. Nearly 57% of respondents currently believe stocks, as an asset class, will realize the highest returns over the second half of the year.

Leading Indicators Signaling Recession

The Conference Board publishes the Leading Economic Index (LEI) each month with the intent of providing an early indication of significant turning points in the business cycle and where the economy is heading in the near term. The LEI is believed to have predictive value that anticipates (or "leads") turning points in the business cycle by around 7 months.

The Conference Board Leading Economic Index®

The LEI continued to fall in May and has declined in each of the last fourteen months, pointing to weaker economic activity ahead. Rising interest rates paired with persistent inflation will continue to further dampen economic activity. Given the relatively low level of current economic growth, it appears likely that a recession will eventually arrive.

There are ten components of index for the U.S. including:

1) Average weekly hours in manufacturing;
2) Average weekly initial claims for unemployment insurance;
3) Manufacturers' new orders for consumer goods and materials;
4) ISM® Index of New Orders;
5) Manufacturers' new orders for nondefense capital goods excluding aircraft orders;
6) Building permits for new private housing units;
7) S&P 500® Index of Stock Prices;
8) Leading Credit Index™;
9) Interest rate spread (10-year Treasury bonds less federal funds rate);
10) Average consumer expectations for business conditions.

The composite economic indexes are the key elements in an analytic system designed to signal peaks and

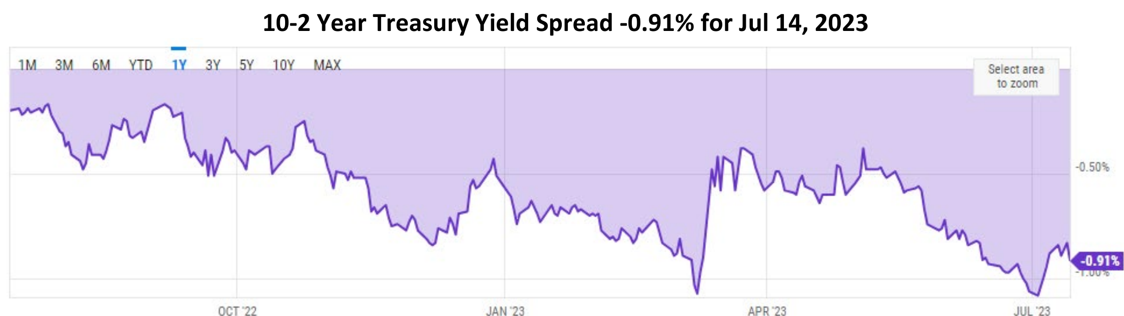
troughs in the business cycle. The indexes are constructed to summarize and reveal common turning points in the economy in a clearer and more convincing manner than any individual component.

An Inverted Yield Curve

The 10-2 Treasury Yield Spread is the difference between the 10-year treasury rate and the 2-year treasury rate. Investors look to the Treasury Yield Spread (also referred to as the yield curve) as a gauge of economic health. A negative 10-2 yield spread has historically been viewed as a precursor to a recessionary period.

A year ago, the yield spread went negative and began flashing a recession signal. On July 3, 2023, the 10-year Treasury note dropped to 1.08 percentage points below that of the 2-year yield (i.e., an inverted yield curve). This marked the steepest negative gap since 1981.

10-2 Year Treasury Yield Spread -0.91% for Jul 14, 2023



When the curve inverts, investors are expecting that Federal Reserve officials will be keeping interest rates high in the near term to fight inflation but will then need to cut them later to resuscitate a faltering economy. This phenomenon was evident in July as Treasury yields dropped among longer duration maturities, as the pace of inflation continued to drop. Following the better-than-expected Consumer Price Index report, Treasury yields dropped significantly among all maturity levels.

Job Growth Moderating

U.S. employers added 209,000 workers in June, down from May's revised 306,000 and below expectations. In the first half of this year, payrolls grew by an average of 278,000 a month, down from nearly 400,000 last year. Employment grew each month for 2½ years, but June's gain was the smallest during that time. The unemployment rate fell to 3.6% in June and employers ramped up wages as they competed for a limited pool of workers.

Average hourly earnings grew 4.4% in June from a year earlier, matching gains in the preceding two months and remaining well below the core CPI rate of inflation at 5.3%.

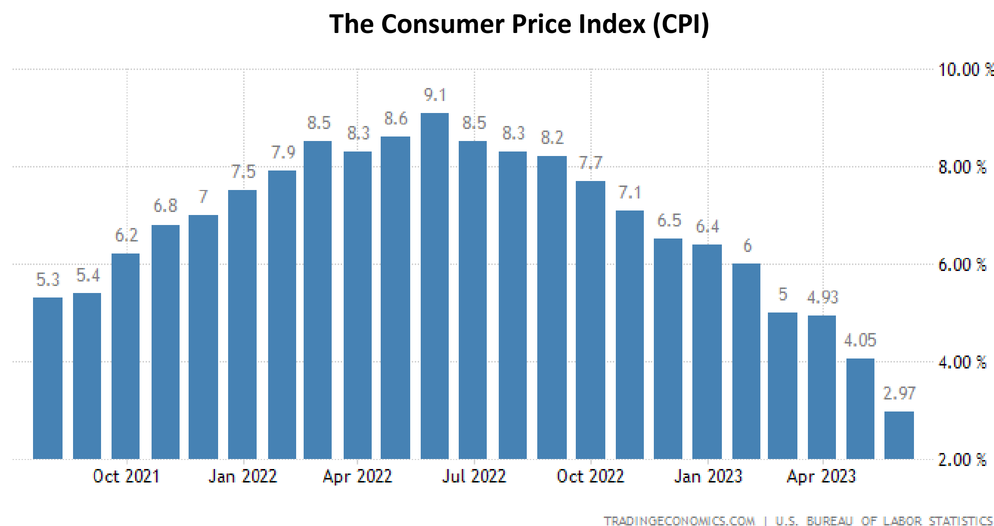
The details of the report underscore just how tepid recent employment gains have become. Private payrolls increased by only 149,000, but 98,000 private jobs were revised lower for the months of May and April. Over the entire past year, manufacturing jobs have only increased by 14,000 as manufacturing production has turned negative over the past three months.

Inflationary Pressures Decreasing

The annual rate of inflation, as measured by the Consumer Price Index (CPI), slowed to 3% in June of 2023, the lowest since March of 2021 and compared to 4% in May and expectations of 3.1%. While generally good news, it is important to note that the slowdown is partly due to a high base effect from last year when a surge in energy and food prices pushed the headline inflation rate to 1981-highs of 9.1%.

In other words, because the highest readings for inflation in 2022 are now beginning to roll off in the year-over-year comparisons, we are likely to see the twelve-month inflation readings re-accelerate in the next several months.

The Consumer Price Index (CPI)



Inflation data has improved, but the easy year-over-year comparables are now behind us and it only gets tougher from here. The labor market remains tight and geopolitical flashpoints could easily disrupt commodity prices and certain supply chains. The Fed has not budged from its 2% target rate for inflation, and it is not likely we will see that level any time before the end of 2024.

This suggests investors should expect a "higher for longer" scenario for interest rates.

Tight Monetary Policy Could Have Unintended Consequences

Fed officials are signaling further rate increases in the second half of the year. Federal Reserve Governor Christopher Waller stated that he is not ready to declare success over inflation concerns and supports additional interest rate increases this year. He asserted that the forthcoming July meeting should result in a rate hike, given the strong condition of the labor market and the overall performance of the U.S. economy.

Over recent weeks other officials such as Chairman Jerome Powell and New York Fed leader John Williams have also signaled the prospect of more increases even as the Fed held rates steady in June to access the impact of its past actions.

We believe the Fed will raise the Fed funds rate at their next meeting on July 26th as the economy and inflation have not slowed as much as policy makers had expected. The market's implied expectation for a rate hike at this meeting currently stands at 92%.

Our concerns over unintended consequences resulting from the most aggressive tightening cycle in decades remain high. The Fed's forceful tightening has already caused strains in the banking system with the collapse of three midsized institutions a few months ago.

At the time, bank supervisors failed to recognize how rising interest rates had created a precarious gap between some institution's assets and their liabilities. While the Fed stepped in to backstop the uninsured deposits of Silicon Valley Bank and others, they also had to invent new lending facilities for troubled banks that effectively put more money back into the economy.

Banks have been tightening credit standards. A severe slowdown in credit growth could easily get out of control and once the weakening effect this would have on the economy kicks in, it could come fast. Existing loans on commercial real estate, particularly office buildings, could make matters worse. The value of these properties has decreased noticeably as remote work policies have reduced demand and vacancy rates have soared.

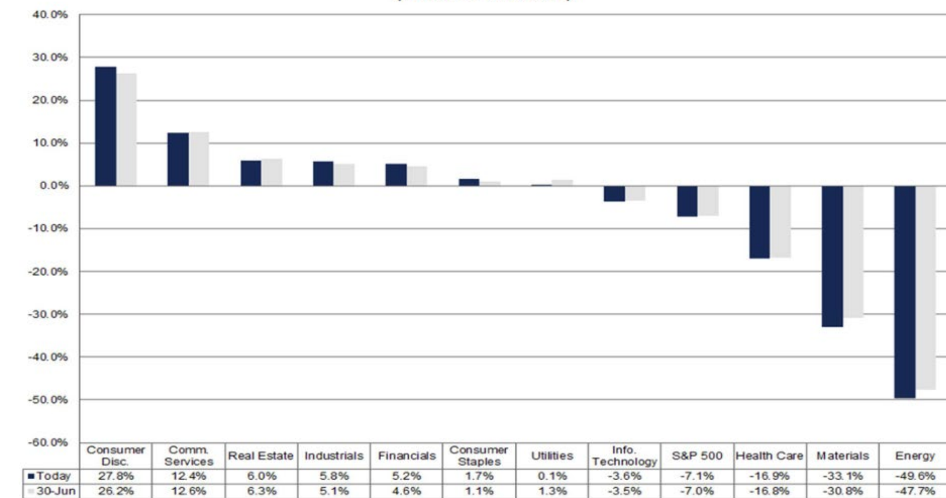
Over the next several years the financing on a large portion of commercial real estate will come due and will need to be refinanced at higher rates. Accordingly, default rates could begin to soar as employers do not renew leases. It is estimated that 80% of this debt is held by regional banks, the very banks hardest hit by higher rates. It is not difficult to imagine a scenario in which banking complications soar.

Fed officials have stated that they are not concerned about an escalation of stress in the banking system, but if they have misjudged the situation, they will be forced to choose between focusing on high inflation or failing banks.

We have long believed that there are elements of this inflationary cycle that will prove to be stickier than many expect, leading the Fed to hold short-term interest rates higher for longer. If inflation proves to be entrenched, it is likely turmoil in the banking system will become more dangerous.

Corporate Earnings Slowing

The net effect of tighter financial conditions, lower consumer demand, higher input costs (inflation) and slowing economic activity will create a downward pressure on corporate earnings.



As of Friday, July 14, 2023, the S&P 500 is reporting a year-over-year decline in earnings of -7.1% for the second quarter, which would mark the third straight quarter the index has reported a decline in earnings (FactSet). Looking ahead, analysts are still expecting earnings growth for the second half of 2023, but for all of calendar year 2023, analysts predict earnings growth of only 0.6%.

As is normally the case, some sectors are faring better than others in this environment. The Consumer Discretionary sector and the Communication Services sector are expected to report the largest (year-over-year) earnings growth rates of all eleven sectors (27% and 12% respectively).

The Energy sector, however, is expected to report the largest (year-over-year) earnings decline of all eleven sectors at -49.6%. Lower year-over-year oil prices are contributing to the year-over-year decrease in earnings for this sector, as the average price of oil in Q2 2023 ($73.56) was 32% below the average price for oil in Q2 2022 ($108.52). The Materials sector and the Health Care Sector are also both experiencing significant declines in profitability (33% and 16% respectively).

Given the current pace of deceleration of economic activity, analysts are currently projecting overall earnings growth for the S&P 500 of just 0.1% in the third quarter, but they do expect profitability to rebound in the fourth quarter.

Conclusion - Clearwater Capital's Base Case

The issues that formed our original cautious view of 2023 are largely still intact. We continue to believe that we will see a short and shallow recession later this year, or early in 2024. This said, our strategies overall are currently more defensive than at any time since the pandemic given our expectation of a downturn.

While remaining cautious, our outlook for the U.S. economy and the capital markets has actually improved somewhat as inflation has come down, the labor market remains strong, and declines in corporate earnings have generally been "less than feared." Still, we are not out of the woods when it comes to important risks that linger.

The COVID pandemic and the government's various policy responses have little in the way of historic precedent. We are living inside a unique business cycle with many distortions that are extraordinarily difficult to reconcile.

Equity markets in the U.S. have already exceeded our best-case scenario for the full year and have done so with little improvement in the fundamentals. This leads us to the conclusion that equity valuations feel stretched and the risks for investors are asymmetrical to the downside. This simply means that there are more opportunities for negative surprises than positive ones in the near term.

Historically speaking, the equity markets are currently in the slowest period of the year when it comes to market volatility. Additionally, volatility in general has been much lower in 2023 than it was in 2022. In 2022, nearly 50% of all trading days saw the S&P rise or fall more than 1%. That was the third highest percentage of any year behind only 2008 and 2002. So far this year, just over 30% of trading days have seen the S&P gain or fall more than 1%, with 18.8% of days seeing 1%+ gains and 12% of days seeing 1%+ declines. (BESPOKE)

Right now, the services industries are supporting overall economic activity as consumers are out traveling and enjoying life following several years of COVID related disruptions. As consumers use up any remaining excess savings from past stimulus programs, this spending could dry up as the summer winds down. Soon, our kids will be heading back to school and difficult realities could set in. Investors might be wise to remember that September and October have historically been challenging months for equity markets.

We remain concerned about the "varied and lagged" impact tighter monetary policy is likely to have on economic activity. We believe that it takes anywhere from 12 to 18 months for the effects to play out. Accordingly, the outlook for the U.S. economy may be more challenging in the months ahead. Currently, growing profit warnings and mixed indicators may be signaling that the worst of the economic damage is still ahead.

How the Fed will respond if and when a recession appears is very much an open question. It remains to be seen if the Fed can effectively bring down inflation through tighter monetary conditions without triggering problems in the banking sector and simultaneously leaving the economic expansion unbroken. The Fed's failures in the 1970s should be a stark reminder of the painful results stemming from policy mistakes.

John E. Chapman
Chief Executive Officer
Chief Investment Strategist
Clearwater Capital Partners, July 2023

PS. Be sure to check out our new podcast series Clear Conversations – Entrepreneurial Legacies with host John Sleeting. This new channel of communication gives platform to the stories and experiences of entrepreneurial families. John intuitively engages his guests to provide inspirational stories of success, setbacks, and the nature of pivotal decision-making processes.

Thank You

Proper wealth management demands a sound framework for decision-making. As new information becomes available, our thesis will be adjusted. Please know we will work tirelessly to maintain relevant perspectives, effective strategies, and favorable outcomes.

Here is how we describe our responsibility to you:

> *"There is no substitute for hard work, insight, planning, and action in pursuit of unambiguous goals. By establishing a working thesis for the economy and markets, we have confidence that we will be better equipped to respond to the various twists and turns coming our way. We take nothing for granted, and we strive to construct judgments that are supported by data and logic."*

Thank you for taking the time to review our perspectives and forecasts in this report. We look forward to continuing this journey together and are deeply grateful for your continued confidence in us.

Staying Connected

Our office has been fully open for over a year now and our team is thriving together at our headquarters. We continue to accept in-person meetings and have developed a robust digital communications platform for those who find virtual meetings more convenient. Our goal is to offer our clients multiple points of contact and a variety of communication channels that meet their preferences.

Over the past two years the Clearwater Capital Partner's online ***Thought Leadership*** initiative has received tremendous feedback from our clients. This monthly package of market commentary and white papers on a wide range of wealth management topics has become an important platform to better share information with you.

Client engagement through the Clearwater Capital Portal and mobile app has grown steadily and we continue to develop these tools so that clients may customize how and when they receive information. All-the-while, we are working hard to maintain best-in-class cybersecurity as we expand our digital asset suite and channels of communication.

Please do not hesitate to reach out to us to schedule time together (virtual or in-person). We welcome the opportunity review the details of your case with you and help you better utilize the resources we have positioned to support you.

Liza Alexian is an amazing Clearwater team member and, among many other things, Liza oversees the Clearwater Capital calendar. If you would like to schedule time with your advisor, or with one of our very capable Operations Specialists, please contact Liza.

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Why Clearwater Capital Partners

Clearwater Capital Partners (CCP) is an independent Registered Investment Advisor registered with the Securities and Exchange Commission (SEC). The firm was founded in 2006, by John Chapman, as a locally owned, privately held professional services firm.

The firm provides comprehensive wealth management services to successful individuals and families through its Private Client Practice. The firm's Institutional Advisory Group offers a suite of professional services to businesses, non-profit organizations, foundations, and ERISA governed retirement plans.

Our services are designed to help simplify the increasing demands and complexities related to making sound financial decisions.

As an independent advisory firm, we embrace the fiduciary responsibilities we have for our clients and are at liberty to deliver solutions we believe best reflect their unique needs.

We believe that our firm's only allegiance is to our client.

We do not represent the interests of any financial institution, brokerage firm or portfolio manager. We believe that the only valid wealth management strategy is one that accurately and objectively reflects the needs, preferences, and goals of the individual client.

Wealth management is a process; one that takes place over long spans of time, and one that is best served through dedicated expertise, meticulous evaluations, and disciplined judgment. Our process adheres to these precepts and seeks to create an intelligent framework for consistent and rational decision making.

Our process, named Clearwater C^3, is a consistent system for prioritizing goals and setting forth a course of deliberate action with deep commitment. Our methods are focused on each client's most critical objectives and are designed to achieve congruity between values and actions.

Wealth management firms vary widely in their philosophies and in the services they offer. Clearwater Capital is dedicated to a well-organized process that places the client at the center of our business model. We are uniquely qualified in the disciplines of wealth management, and our clients have entrusted us with the care of their most cherished ambitions. In return, we endeavor to meet this privilege with diligence and accountability.

We place a premium on commitment, objectivity and transparency. We embrace the fiduciary duty we have for our clients, putting their objectives before all else. Our independence allows us the freedom to develop world-class solutions - without interference or a proprietary product bias.

We serve in accordance with our core beliefs, and always with the utmost discretion and confidentiality.

What can we do for your family?

IMPORTANT DISCLOSURES

The opinions presented are those of Clearwater Capital Partners and John Chapman, Chief Executive Officer and Chief Investment Officer, as of July 2023 and may change, without notice, as subsequent economic and market conditions vary.

This material is presented as opinion and commentary. It is not intended to be relied upon as a forecast, research, or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. It is strictly intended for educational purposes only.

The information and opinions contained in this material are derived from proprietary and nonproprietary sources deemed by Clearwater Capital Partners to be reliable, are not necessarily all inclusive and are not guaranteed as to accuracy. Past performance does not guarantee future results. There is no guarantee that any forecasts made will come to pass. Reliance upon information in this material is at the sole discretion of the reader. No investment or investment strategy is risk free.

International investing involves additional risks, including risks related to foreign currency, limited liquidity, less government regulation, and the possibility of substantial volatility due to adverse political, economic or other developments.

The two main risks related to fixed-income investing are interest rate risk and credit risk. Typically, when interest rates rise, there is a corresponding decline in the market value of bonds. Credit risk refers to the possibility that the issuer of the bond will not be able to make principal and interest payments.

Index performance is referenced for illustrative purposes only. You cannot invest directly in an index. The Dow Jones Industrial Average is owned by S&P Global, the S&P 500 is a registered trademark of The McGraw-Hill Companies, and The Russell 3,000 Index is maintained by FTSE Russell. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

High yield/junk bonds (grade BB or below) are not investment grade securities, and are subject to higher interest rate, credit, and liquidity risks than those graded BBB and above. They generally should be part of a diversified portfolio for sophisticated investors.

Municipal bonds are subject to availability and change in price. They are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise. Interest income may be subject to the alternative minimum tax. Municipal bonds are federally tax-free but other state and local taxes may apply.

Government bonds and Treasury bills are guaranteed by the US government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value.

The payment of dividends is not guaranteed. Companies may reduce or eliminate the payment of dividends at any given time.

Nothing contained herein is offered as tax advice. Please consult qualified professionals with any tax planning needs or tax questions you may have.

Investment Advice offered through Clearwater Capital Partners a registered Investment Advisor. Please consult with a qualified investment professional before investing.

NOTES: