

# ATHENA MARKET ROTATION

SMA COMMENTARY | QUARTER 4, 2022



## KEY TAKEAWAYS

- ◆ The portfolio was essentially flat at 0.6% in Q4 versus its Morningstar Global Markets benchmark increase of 10%.
- ◆ The US Large-Cap Barometer remained low and continued to indicate Cash Equivalents as the highest expected return market for now.
- ◆ The portfolio held Cash Equivalents (SHV) for the entire period.

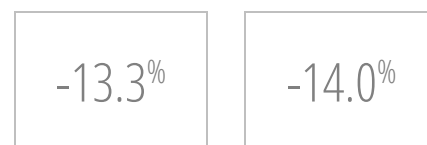
Positive Impacts	Negative Impacts
Down less than the market for full year.	Did not participate in Q4 rally.

## ECONOMIC AND MARKET PERSPECTIVE

- Despite a quarter-long rally, markets remained in Bear Market territory for the year with the US market down -20% for the year. Mid and small-caps fared better but are still down for the year by -16% and -15%, respectively. Value stocks turned in the best relative performers during Q4 and for the year are down -1%. Compounding the situation for investors were similar declines in both stocks and bonds, leading to the worst year in decades for the traditional 60/40 portfolio.
- GDP bounced back by 3.2% in Q3, offsetting the Q1 and Q2 declines, resulting in roughly flat real GDP for the year through Q3. PMI Manufacturing and Services indices are in the high 40's, well above typical recession readings. However, a concern is the recent decline in both measures. The job market is unusually strong with the unemployment rate at a near historic low of 3.5%, while job openings remain above 10 million, nearly twice the number of unemployed.
- Q4 reported corporate earnings are projected to shrink an estimated -4%, the largest decline since Q3 2020 (-5.7%). Forward earnings are consistent with current market prices, as evidenced by a 12-month S&P 500 forward PE of 17.6%, roughly equal to the 5- and 10-year averages.
- Some good news is inflation is coming down, with recent monthly rates approaching the Fed's announced annual target of 2%. This shows that Fed tightening has set the stage for future lower inflation.
- Our market indicators are mixed, as usual, with valuation measures at normal levels, Economic measures normal, technical measures weak, and mixed behavioral measures of poor for the US Large Cap Barometer, excellent for International Developed markets, and normal for small caps.

## PERFORMANCE<sup>A</sup>

Annualized Since Inception (12/1/2021)



Portfolio

Benchmark

△ All performance figures are based on composite portfolio performance on a pre-tax basis with reinvestment of dividends and is net of all trading, custodial, and management fees.

† Portfolio benchmark is the Morningstar Global Markets Index.

## Calendar Year Performance



\* 2021 return is Dec 1 – Dec 31 and is not annualized.

## % ANNUALIZED TRAILING PERFORMANCE AS OF 12/31/2022

	Q4 2022	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS	INCEPT
Market Rotation (Net)	0.6	-15.4	-15.4	N/A	N/A	N/A	-13.3
Morningstar Global Markets NR Index	10.0	-18.3	-18.3	N/A	N/A	N/A	-14.0

*Investment returns presented assume reinvestment of dividends and capital gains and are net of actual management fees. Current performance may be higher or lower than what is shown. Benchmark performance is shown for comparison purposes only and it is not possible to invest directly in an index. Holdings shown and discussed in this analysis should not be deemed as a recommendation to buy or sell securities and the current portfolio holdings may be different than what is presented. There are risks involved in investing in any Athena Portfolio, including loss of principal.*

For complete portfolio performance, risks, and disclosures please refer to [athenainvest.com](http://athenainvest.com).

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Investments involve risk and are not guaranteed.

The opinions expressed in this commentary are as of December 31, 2022.

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