

ATHENA MARKET ROTATION

SMA COMMENTARY | QUARTER I, 2023



KEY TAKEAWAYS

- ◆ The portfolio was essentially flat at 0.8% in Q4 versus its Morningstar Global Markets benchmark increase of 6.9%.
- ◆ 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.

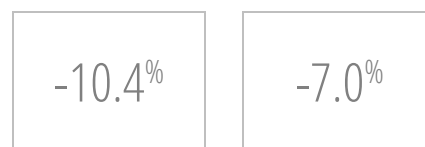
| Positive Impacts | Negative Impacts |
|-----------------------------------|----------------------------------|
| Stable value and attractive yield | Did not participate in Q1 rally. |

ECONOMIC AND MARKET PERSPECTIVE

- After a quarter-long rally, markets remained in Bear Market territory during Q1, with the US market down -14% since the beginning of 2022. Growth stocks bounced back nicely in Q1 with a 15% return.
- GDP grew by 2.6% in Q4 2022, slightly lower than the 3.2% growth in Q3, offsetting the Q1 and Q2 declines, resulting in 2.1% growth for 2022. PMI Manufacturing and Services indices are in the high 40's and low 50's, above recession levels but recent declines may be a concern. The labor market remains strong with the March unemployment rate at a near historic low of 3.5%.
- Q1 reported corporate earnings are projected to shrink an estimated -6.8%, the largest decline since Q2 2020. Forward earnings and prices reflect a 12-month S&P 500 forward PE of 19, a bit higher than the 5- and 10-year averages.
- Inflation remains stubbornly high with recent monthly rates over twice the Fed's annual target of 2%. Fed tightening has lowered inflation but not sufficiently to meet its long-term goal.
- Behavioral market indicators are mixed with valuation and economic measures normal, technical measures positive. Behavioral measures remain poor for US Large Cap, driving our defensive positioning, with normal readings for International Developed markets and US Small Caps.
- While there are some positive signs, uncertainty remains elevated. In the meantime, we are getting paid for our patience with an attractive yield.

PERFORMANCE^A

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 3/31/2023

| | Q1 2023 | YTD | 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS | INCEPT |
|-------------------------------------|---------|-----|--------|---------|---------|----------|--------|
| Market Rotation (Net) | 0.8 | 0.8 | -9.0 | N/A | N/A | N/A | -10.4 |
| Morningstar Global Markets NR Index | 6.9 | 6.9 | -7.7 | N/A | N/A | N/A | -7.0 |

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.

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The opinions expressed in this commentary are as of March 31, 2023.

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