

Soltis Wealth Management Conference

October 2023



SOLTIS
Investment Advisors

Aligned with purpose.



Soltis Investment Advisors is proud to be among the first investment advisors globally to successfully complete the independent certification process of CEFEX, Centre for Fiduciary Excellence. CEFEX certification independently analyzes the trustworthiness and best practice processes of investment fiduciaries.

Investor Opportunity Set The Economy After Covid-19 Investment Management Positioning

Investor Opportunity Set

	Ownership	Lender	Derivatives
Asset:	Equity & Stocks	Bonds & Fixed Income	Options, Futures, Swaps & Forward Contracts
Goal:	Primarily Capital Appreciation Secondarily Income	Primarily Income Secondarily Capital Appreciation	Monetize Volatility Hedge Downside Risk

Investment Outcomes

Asset Price
Change

+

Asset Income

=

Total Return

Total Return

-

Inflation

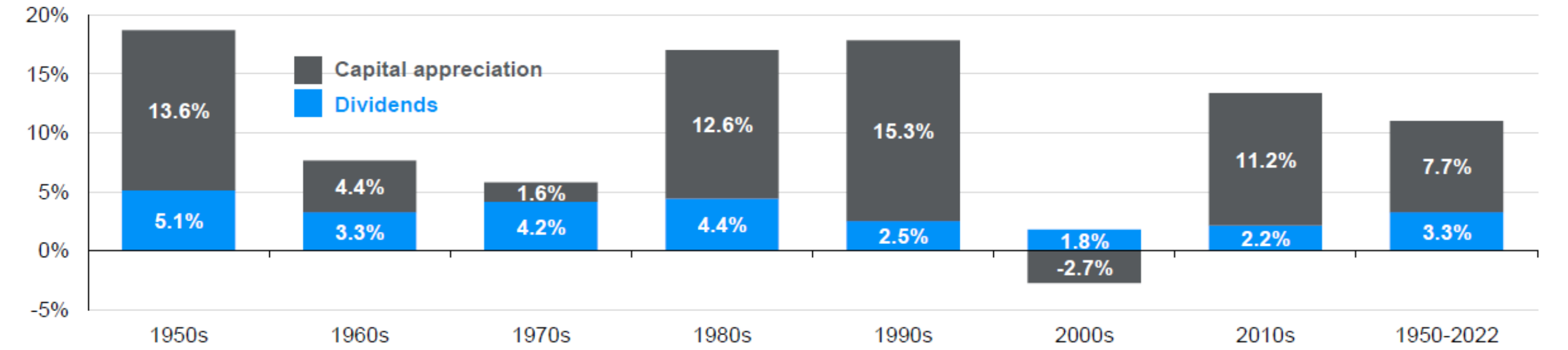
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Real Return

Yield Alternatives: Domestic and Global

S&P 500 total return: Dividends vs. capital appreciation

Average annualized returns

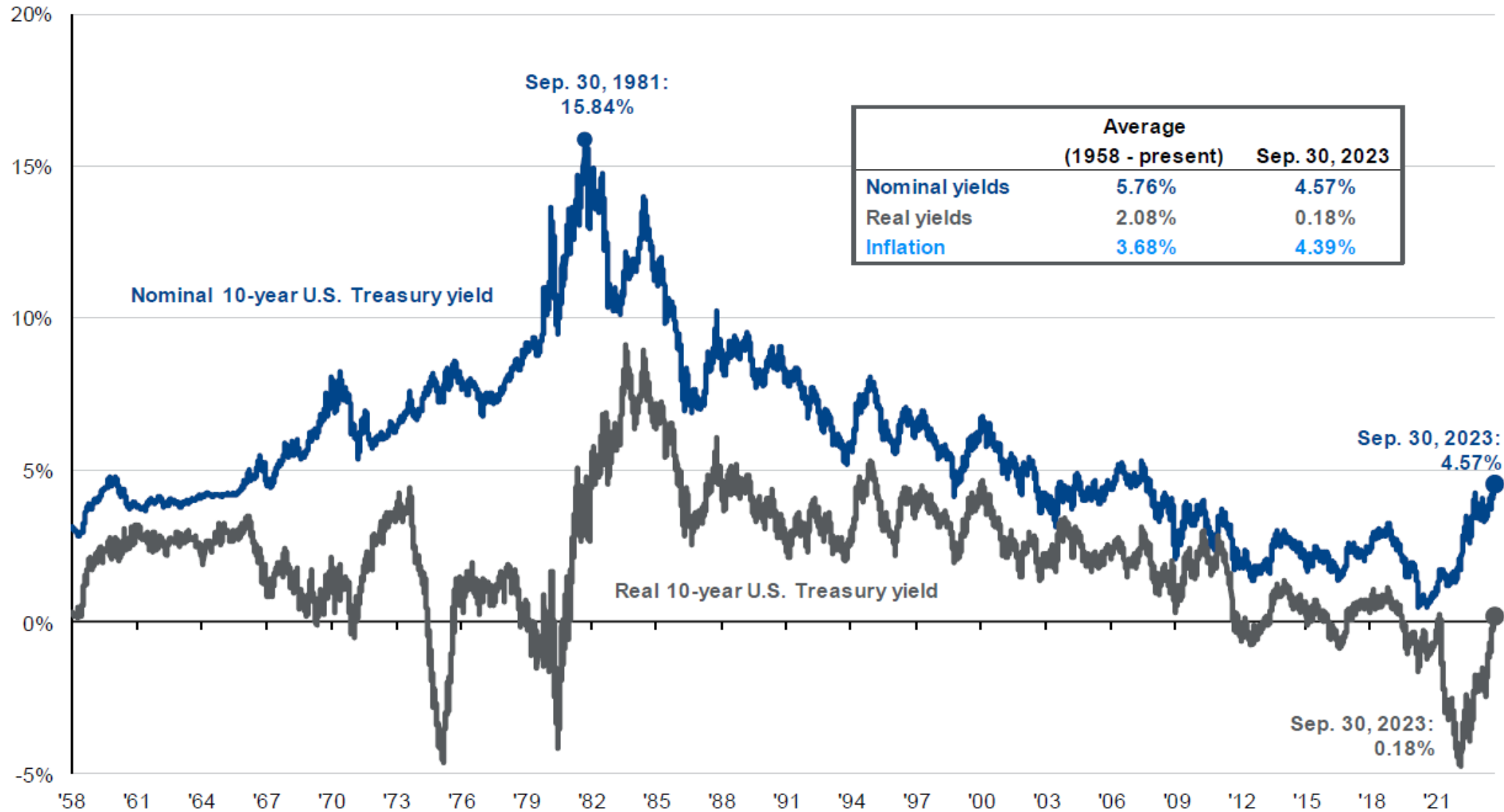


Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management; (Top) Ibbotson; (Bottom) BAML, Bloomberg, Federal Reserve, FTSE, J.P. Morgan, MSCI, NCREIF, Russell. Dividend vs. capital appreciation returns are through 12/31/2022. Yields are most current. Preferreds: BAML Hybrid Preferred Securities; U.S. High Yield: Bloomberg US Corporate High Yield; Global REITs: FTSE NAREIT Global REITs; U.S. Aggregate: Bloomberg US Aggregate; EMD(\$): J.P. Morgan EMBIG Diversified; Convertibles: Bloomberg U.S. Convertibles Composite; International Equity: MSCI AC World ex-U.S.; EM Equity: MSCI Emerging Markets; DM Equity: MSCI EAFE; U.S. Equity: S&P 500; U.S. Growth: Russell 1000 Growth; U.S. Value: Russell 1000 Value; U.S. 10-year: Tullett Prebon. Positive yield does not imply positive return.
Guide to the Markets - U.S. Data are as of June 30, 2023.



Interest Rates and Inflation

Nominal and real U.S. 10-year Treasury yields



Covid-19 Economic Themes

1. Monetary Policy & Fiscal Policy
2. Government Crowding Out of Private Sector
3. Interest Rates now Normalizing
4. Inflation still a Problem

Monetary Policy - Expansionary then Contractionary



Inflation

Government policy
drives inflation



Money Supply

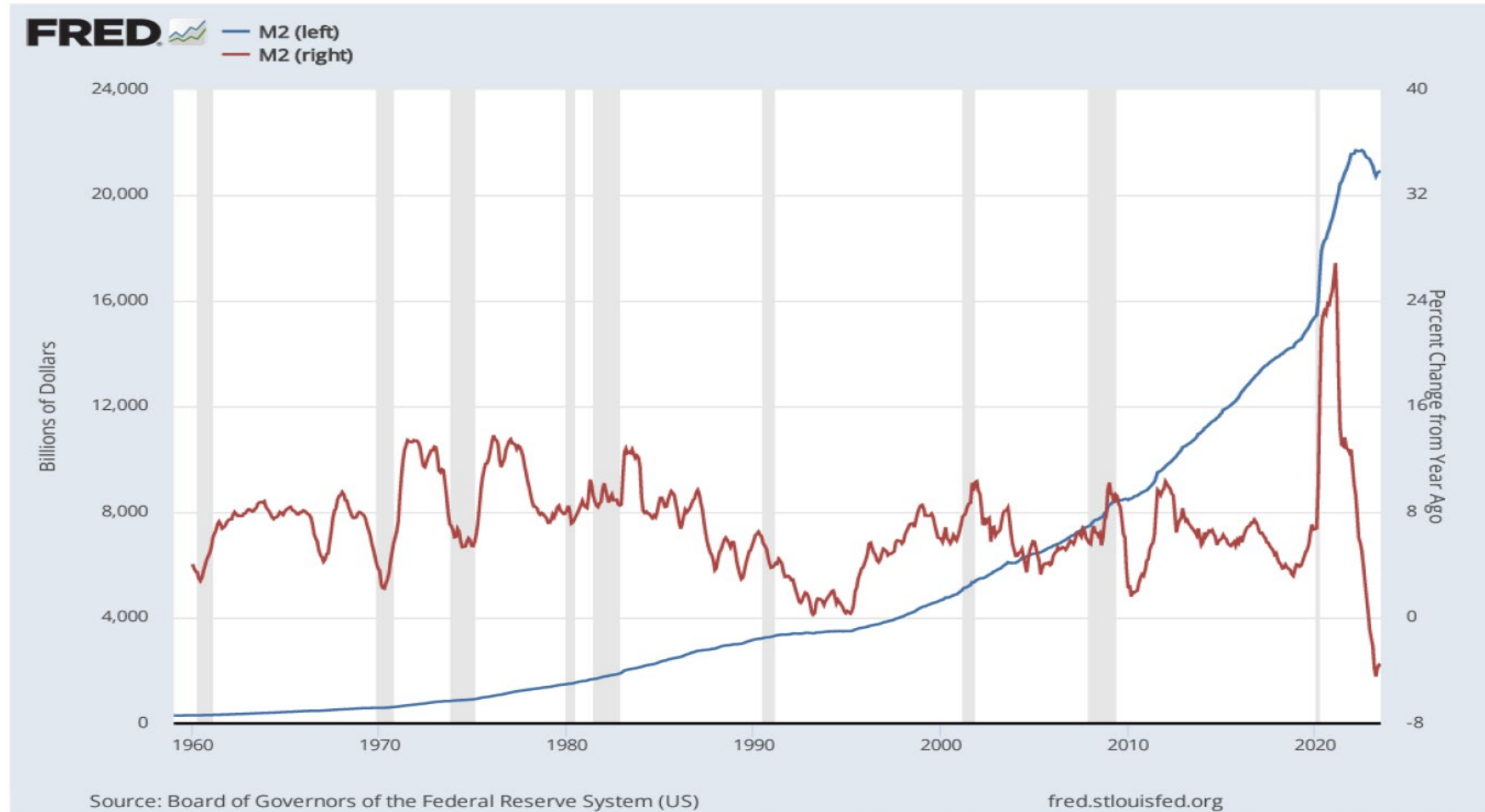
Excessive money supply
growth



Monetizing Debt

Enabling unsustainable
spending

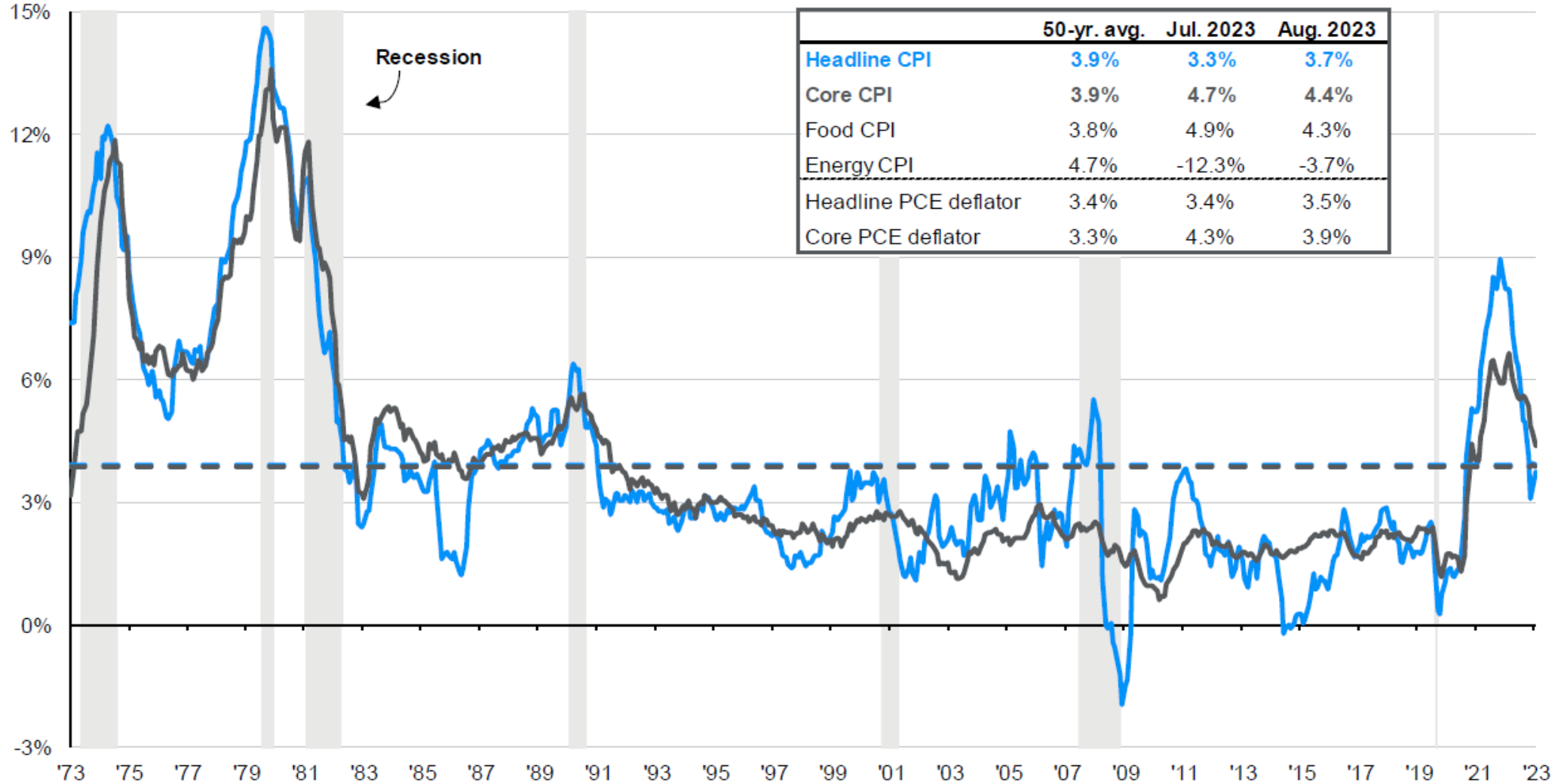
Money Supply



Inflation

CPI and core CPI

% change vs. prior year, seasonally adjusted



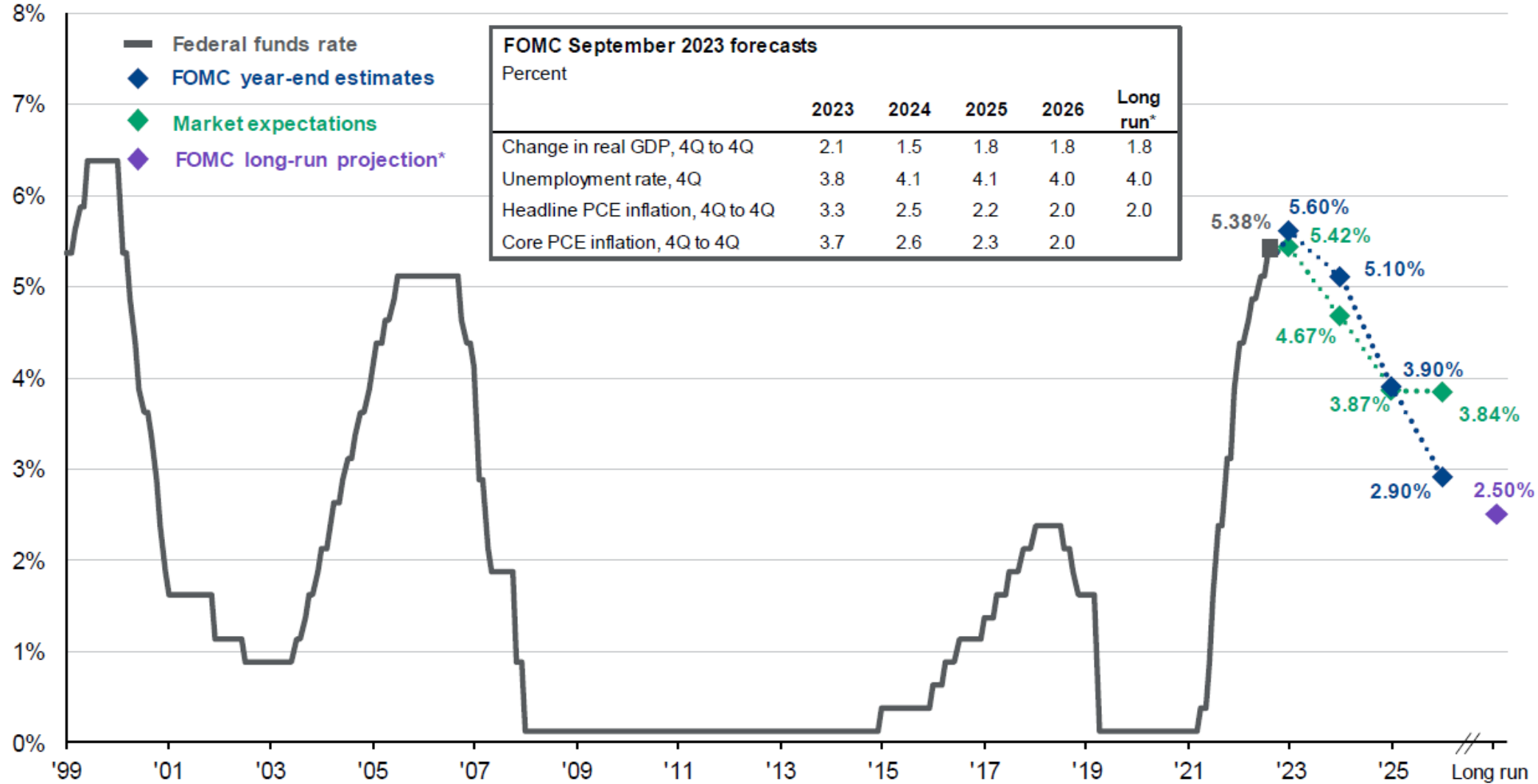
Source: BLS, FactSet, J.P. Morgan Asset Management.
 CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.
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The Fed and Interest Rates

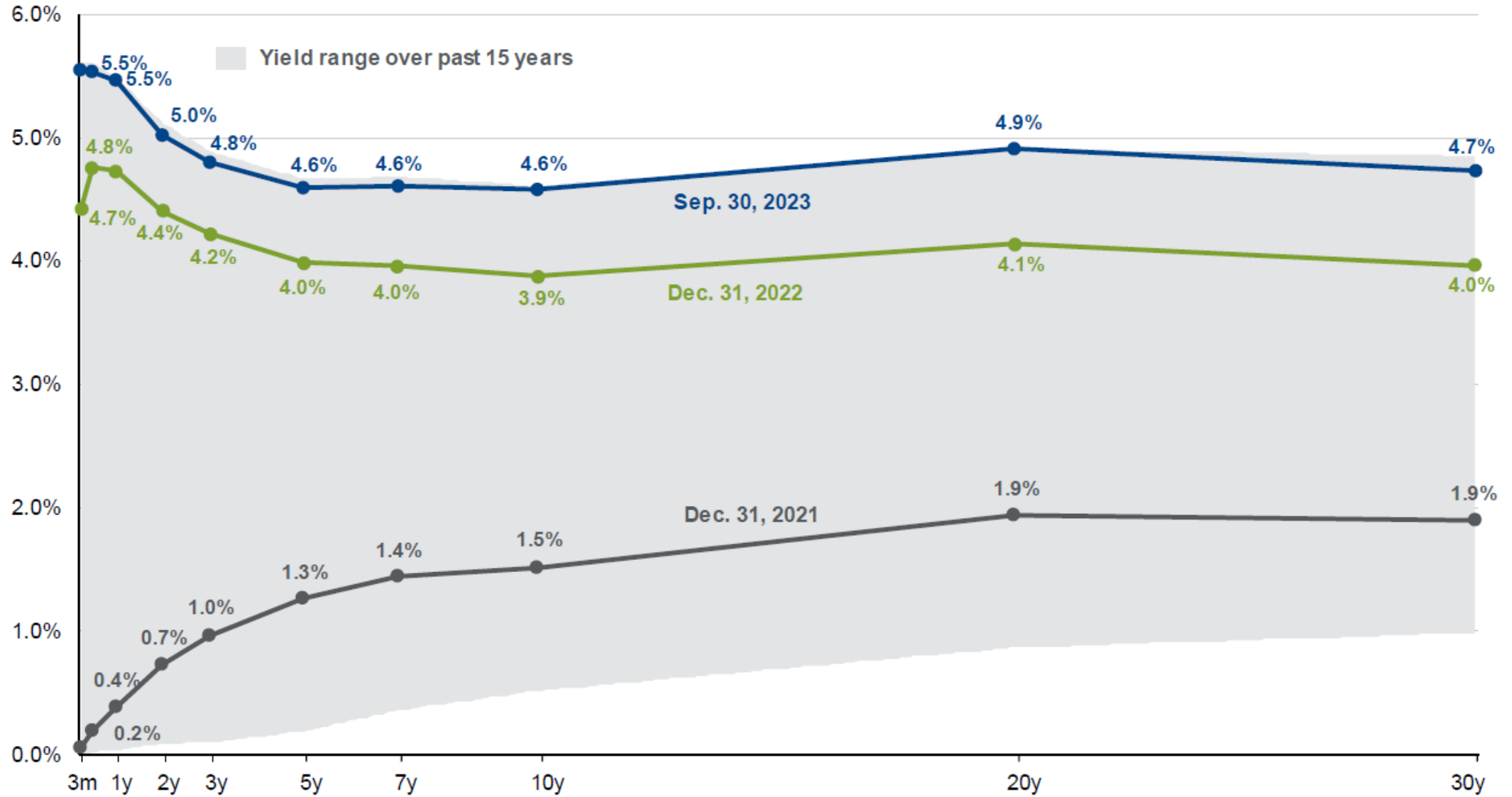
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Yield Curve

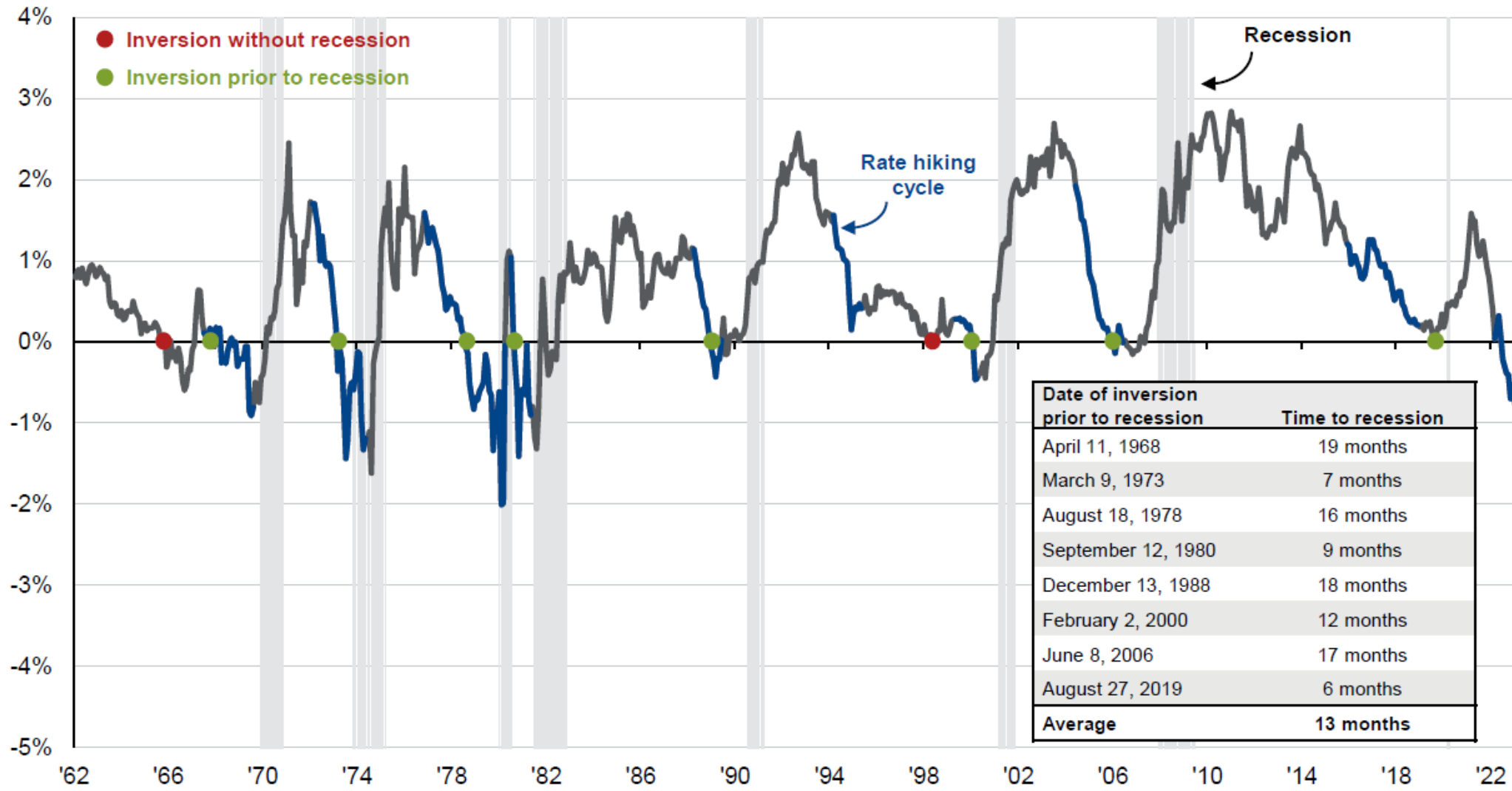
U.S. Treasury yield curve



U.S. Yield Curve Inversion and Recessions

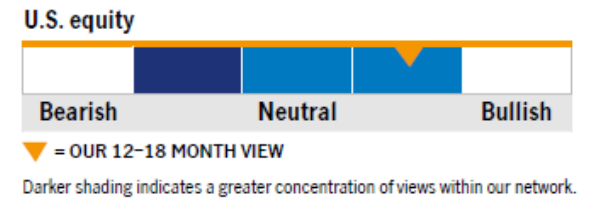
U.S. yield curve steepness

Difference between 10-year and 2-year U.S. Treasuries*

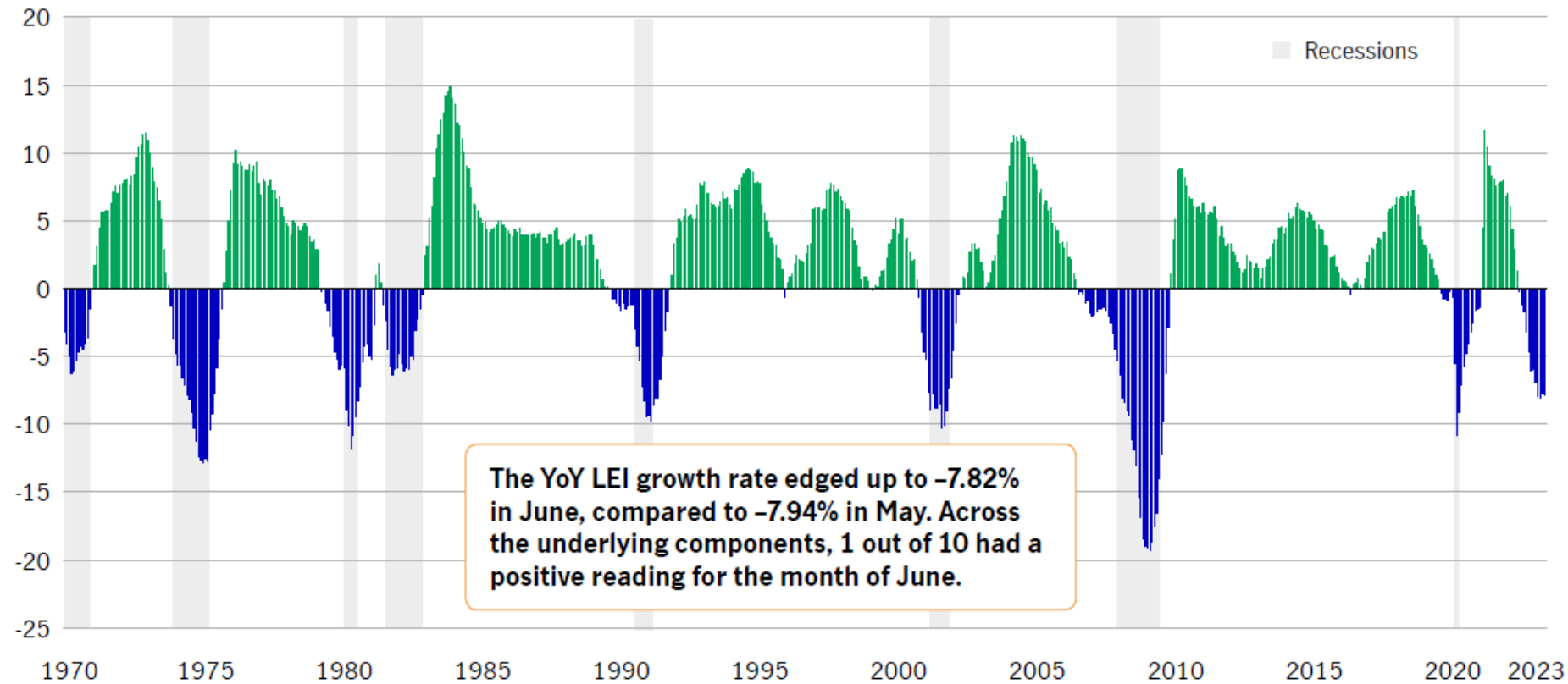


The LEI remains deeply negative, suggesting that a recession could be imminent

“We forecast that the U.S. economy is likely to be in recession from Q3 2023 to Q1 2024. Elevated prices, tighter monetary policy, harder-to-get credit, and reduced government spending are poised to dampen economic growth further.”



YoY change in the LEI (%)



LEI (ranked by weighting in the index)

Weekly manufacturing hours worked	24%	—
ISM index of new orders	17%	▼
Consumer expectations	16%	▼
Yield spread	12%	▼
Leading credit index	9%	▼
New orders of consumer goods and materials	8%	—
New orders of nondefense capital goods	5%	—
Stock prices	4%	▲
Building permits	3%	▼
Weekly unemployment claims (inverted)	2%	▼



Source: The Conference Board, as of 6/30/23. The Composite Index of Leading Indicators (LEI) is published monthly by The Conference Board and tracks 10 economic components whose changes tend to precede changes in the overall economy. It is not possible to invest directly in an index. YoY refers to year over year. Past performance does not guarantee future results.

Fiscal Policy – Unsustainable Path



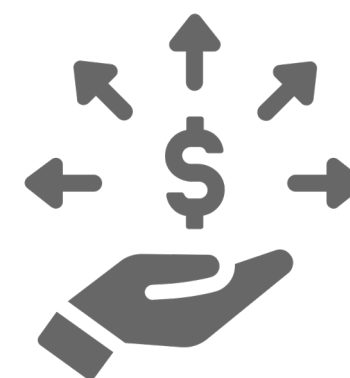
**Excessive
Borrowing**

Debt as percentage of
GDP



**Balanced
Government**

Strong regulatory tilt,
financial crowding out
of private sector



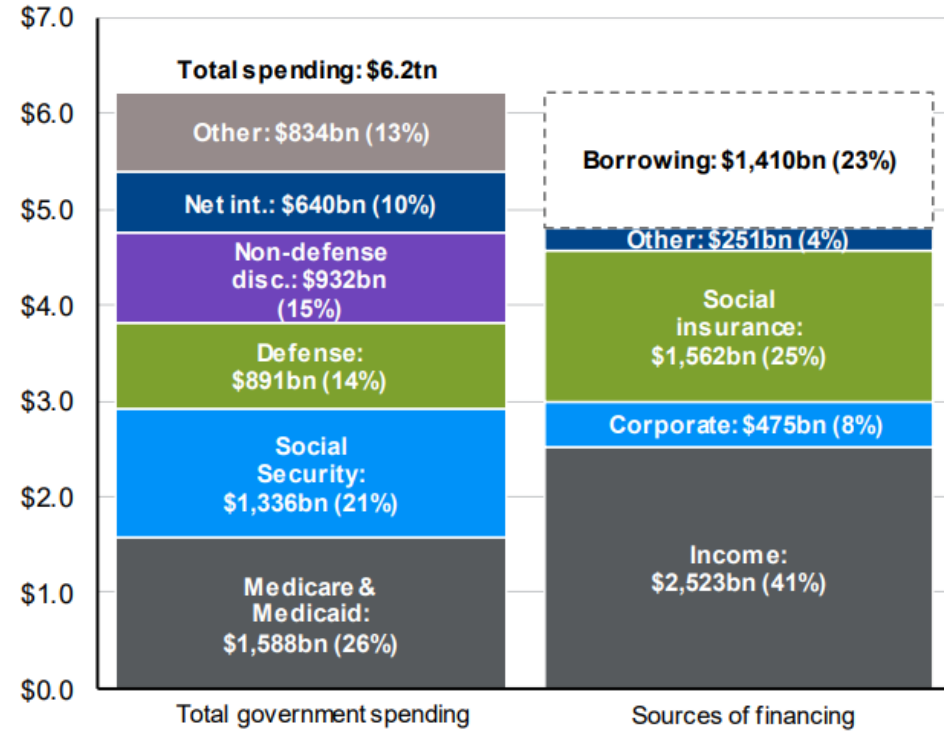
Federal Budget

Spending problem not a
revenue problem

Federal Finances

The 2023 federal budget

CBO Baseline forecast, USD trillions

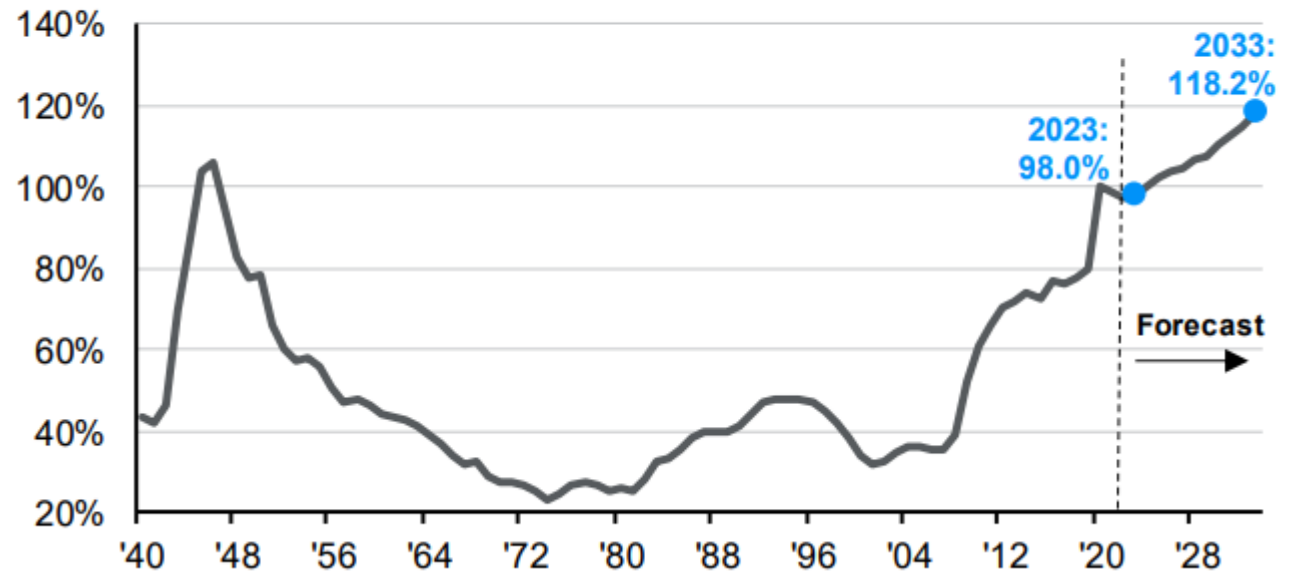


CBO's Baseline economic assumptions

	2023	'24-'25	'26-'27	'28-'33
Real GDP growth	0.9%	2.0%	2.4%	1.9%
10-year Treasury	4.0%	3.8%	3.8%	3.8%
Headline inflation (CPI)	3.3%	2.5%	2.1%	2.2%
Unemployment	4.1%	4.6%	4.5%	4.5%

Federal net debt (accumulated deficits)

% of GDP, 1940 – 2033, CBO Baseline Forecast, end of fiscal year



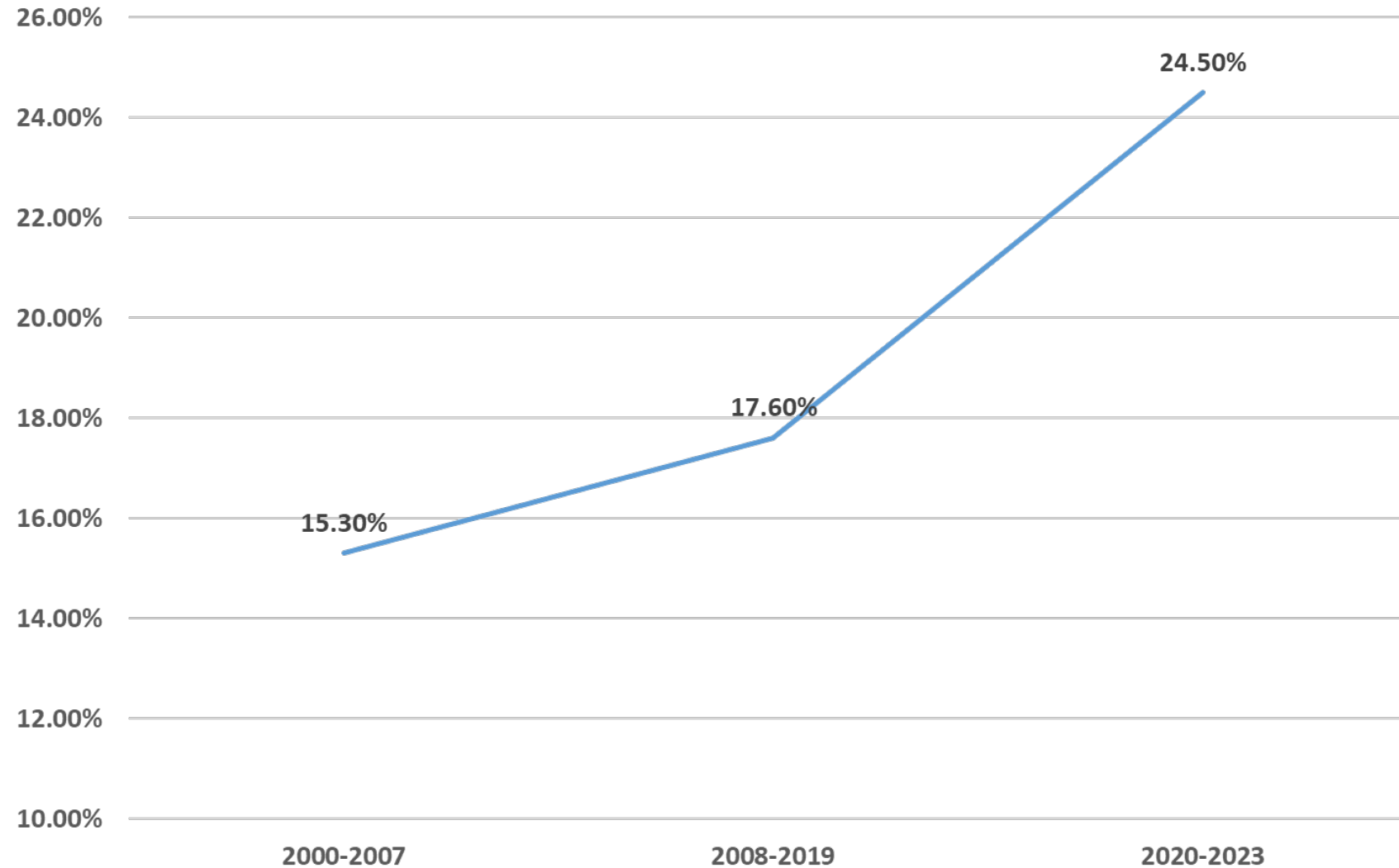
Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department.

Estimates are based on the Congressional Budget Office (CBO) February 2023 The Budget and Economic Outlook, except for baseline economic assumptions, which are based on the July 2023 CBO Update to the Economic Outlook. Other spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Note: Years shown are fiscal years. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

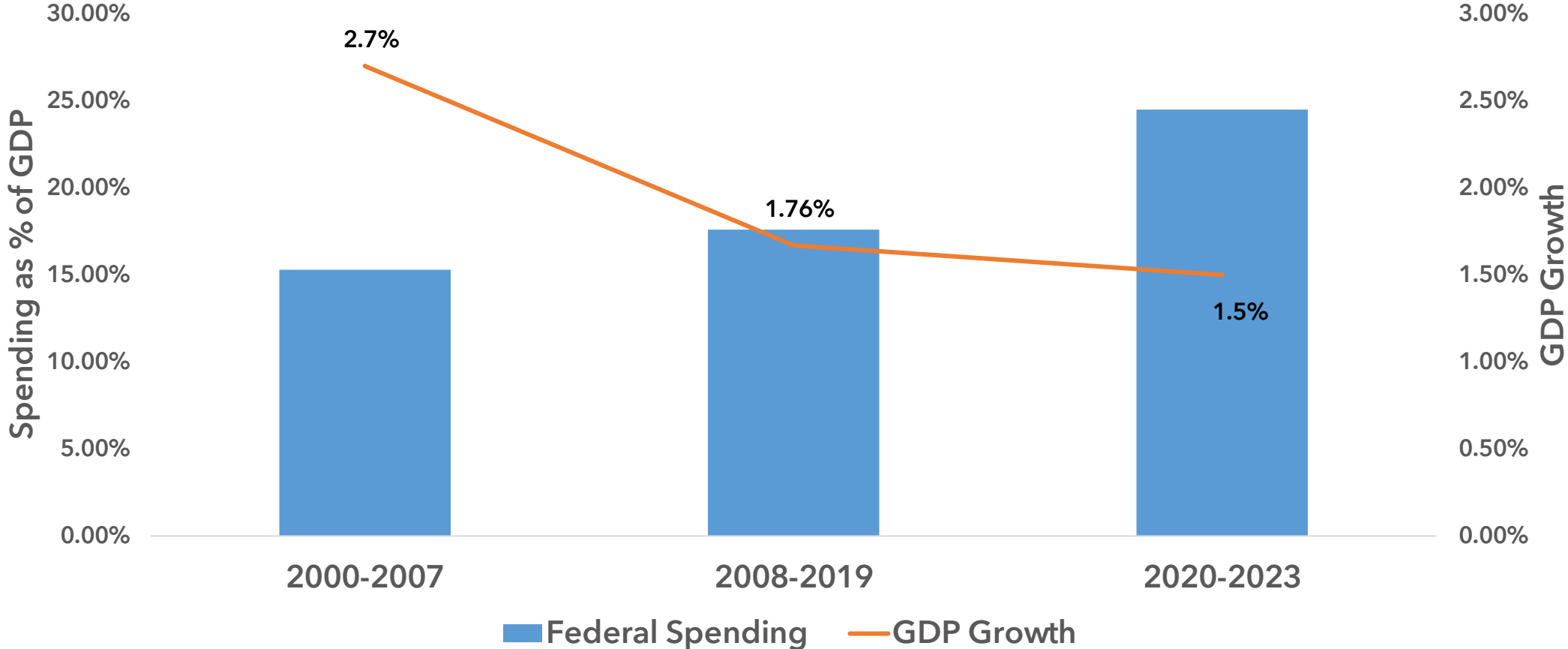
Guide to the Markets – U.S. Data are as of September 30, 2023.

Increased Government Spending

Non-Defense Government Spending as % of GDP



Increased Government Spending → Slower Growth

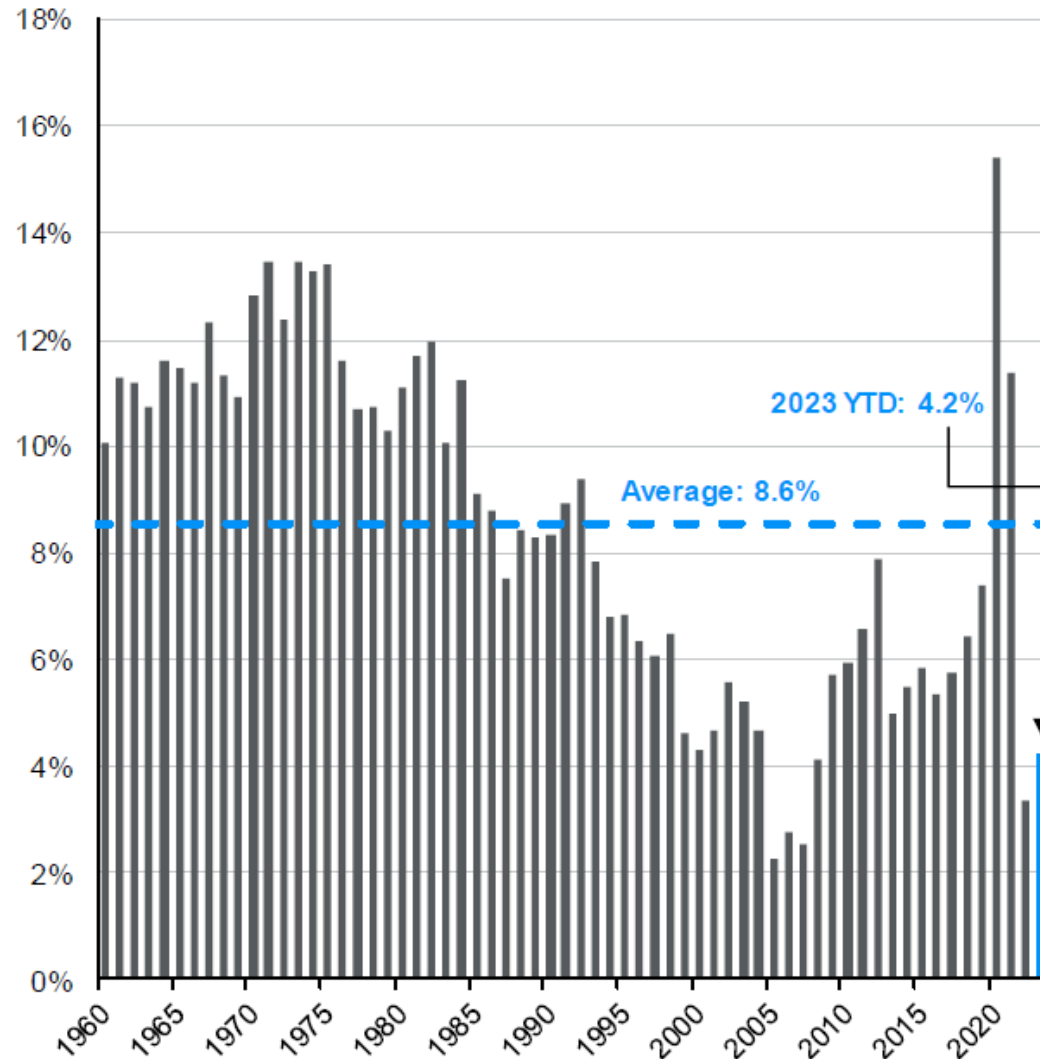


SOURCE: Brian Wesbury, "Crisis Management Government Leads to No Good" 10/9/2023

Consumer Saving and Borrowing

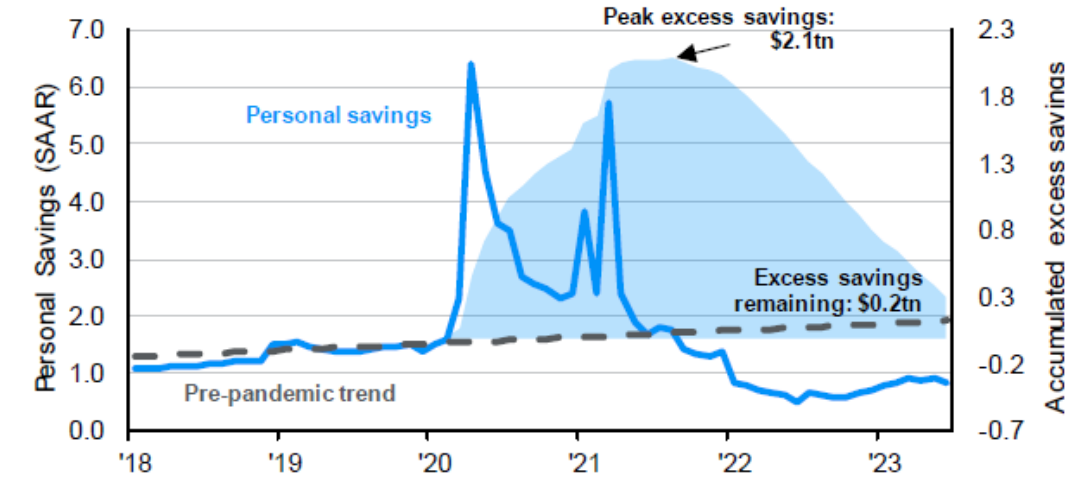
Personal saving rate

Personal savings as a % of disposable personal income, annual



Household excess savings

Trillions of USD



Revolving consumer credit outstanding

% of disposable income, SAAR



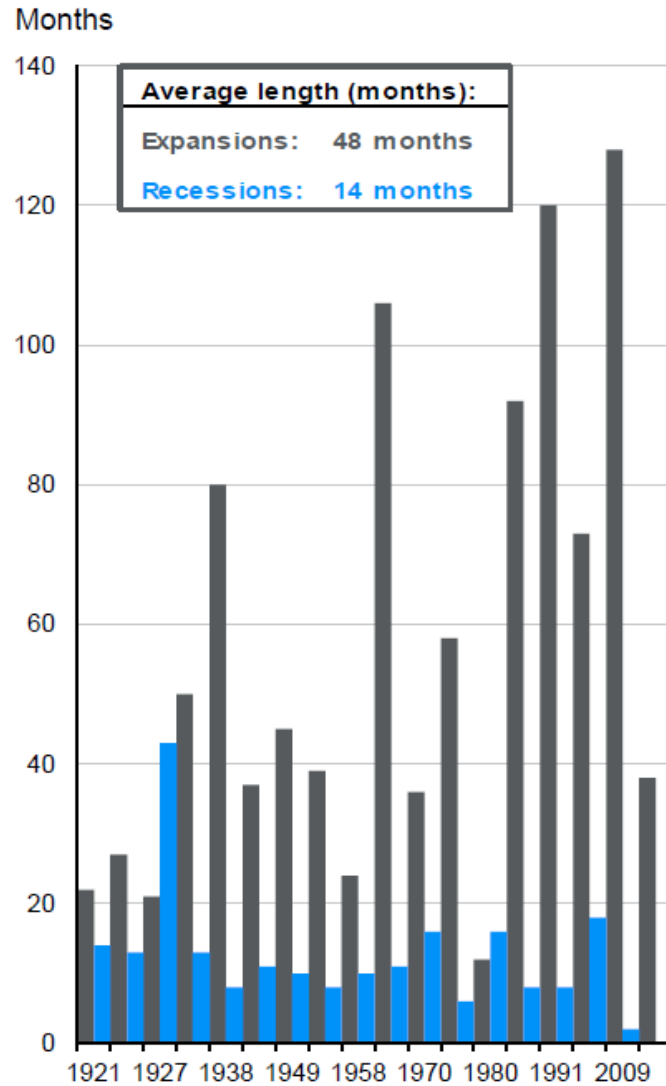
Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department.

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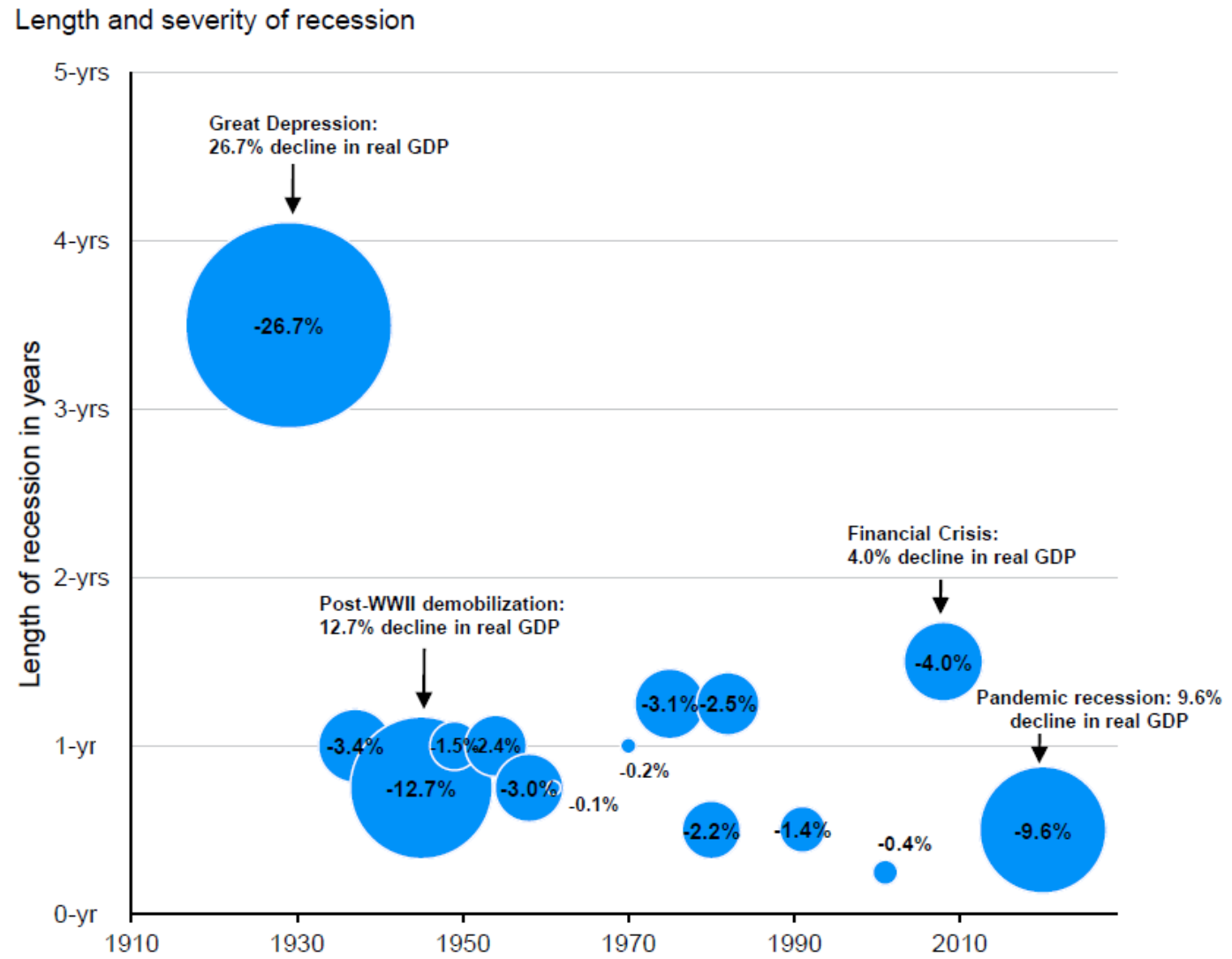
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U.S. Expansions and Recessions

Length of expansions and recessions



The Great Depression and post-war recessions



Source: BEA, NBER, J.P. Morgan Asset Management.
 (Left) Chart assumes the current expansion lasted until at least June 2023. (Right) Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression, where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data. Data for length of economic expansions and recessions obtained from the National Bureau of Economic Research (NBER). Past performance is not a reliable indicator of current and future results.
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COVID-19 Economic Experience



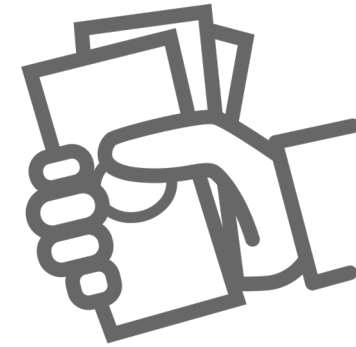
V-Shaped Recovery

Economic recovery happened quickly



Labor Force

More dynamic but lower participation rate



Unintended Consequences

Cost/benefit analysis lacking

Unintended Consequences



Deglobalization
Increased trade restrictions



Supply Chain Broadened
Decreased global dependencies



Pressure on Regional Banks
Incentivized Risk Taking



Inflation
*Repercussion of Monetary
& Fiscal Policy*

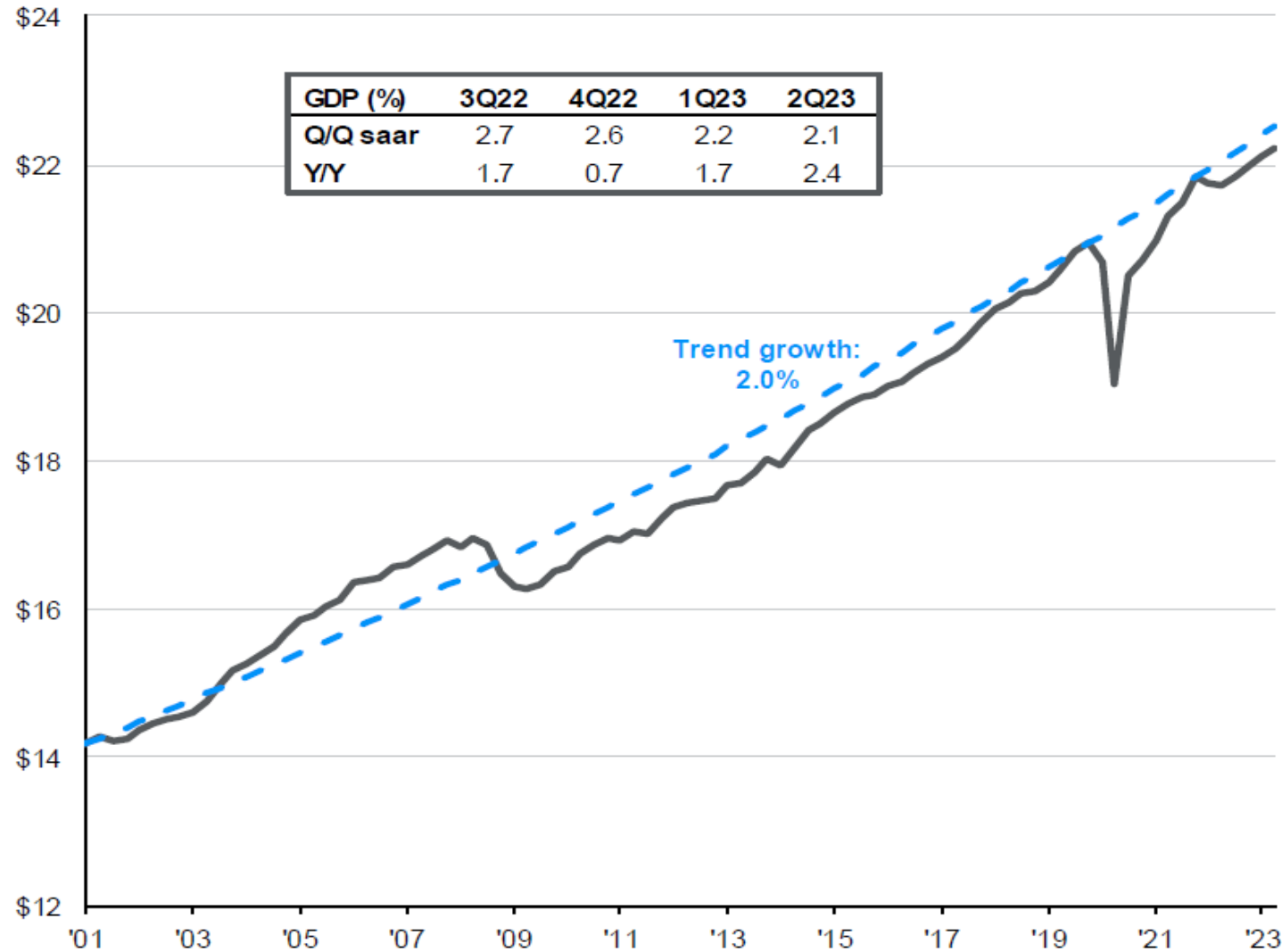


Remote Work
Disruption to Office Real Estate

V-Shaped Recovery

Real GDP

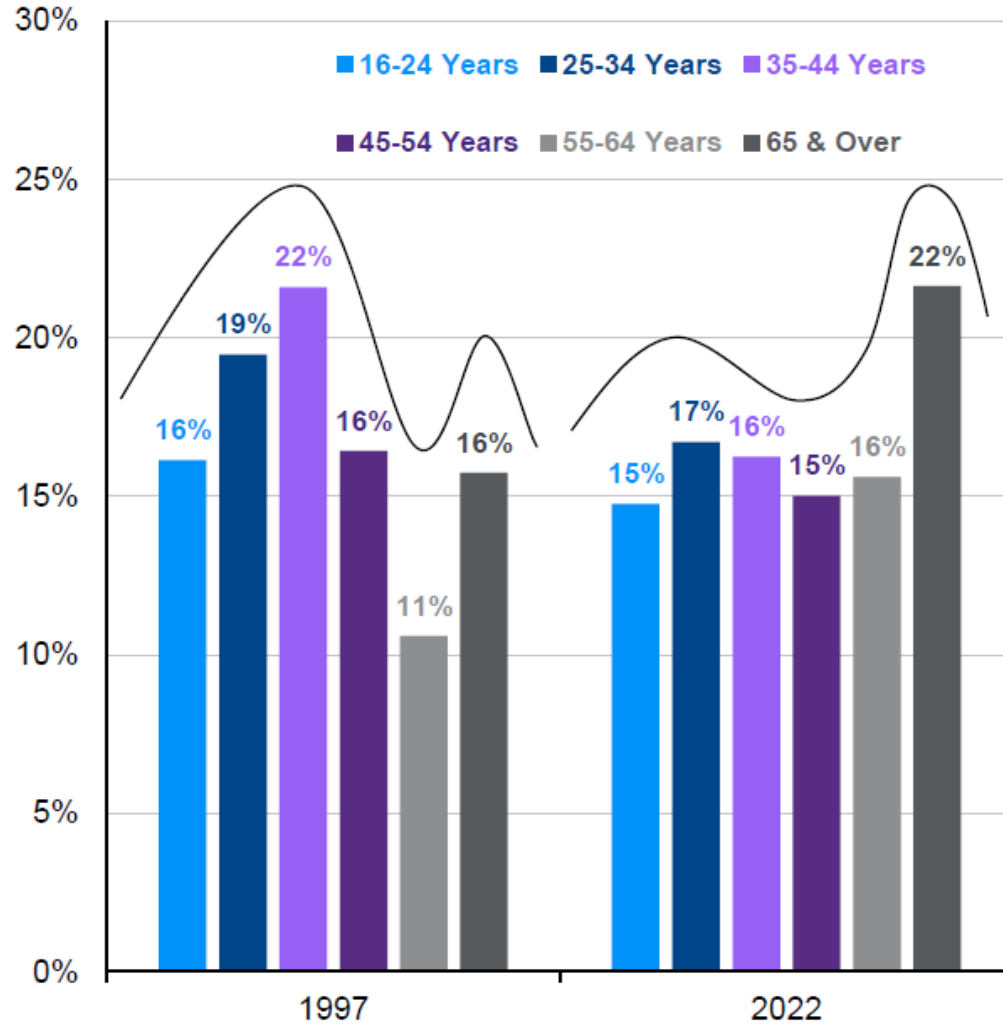
Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Labor Force Participation and Demographics

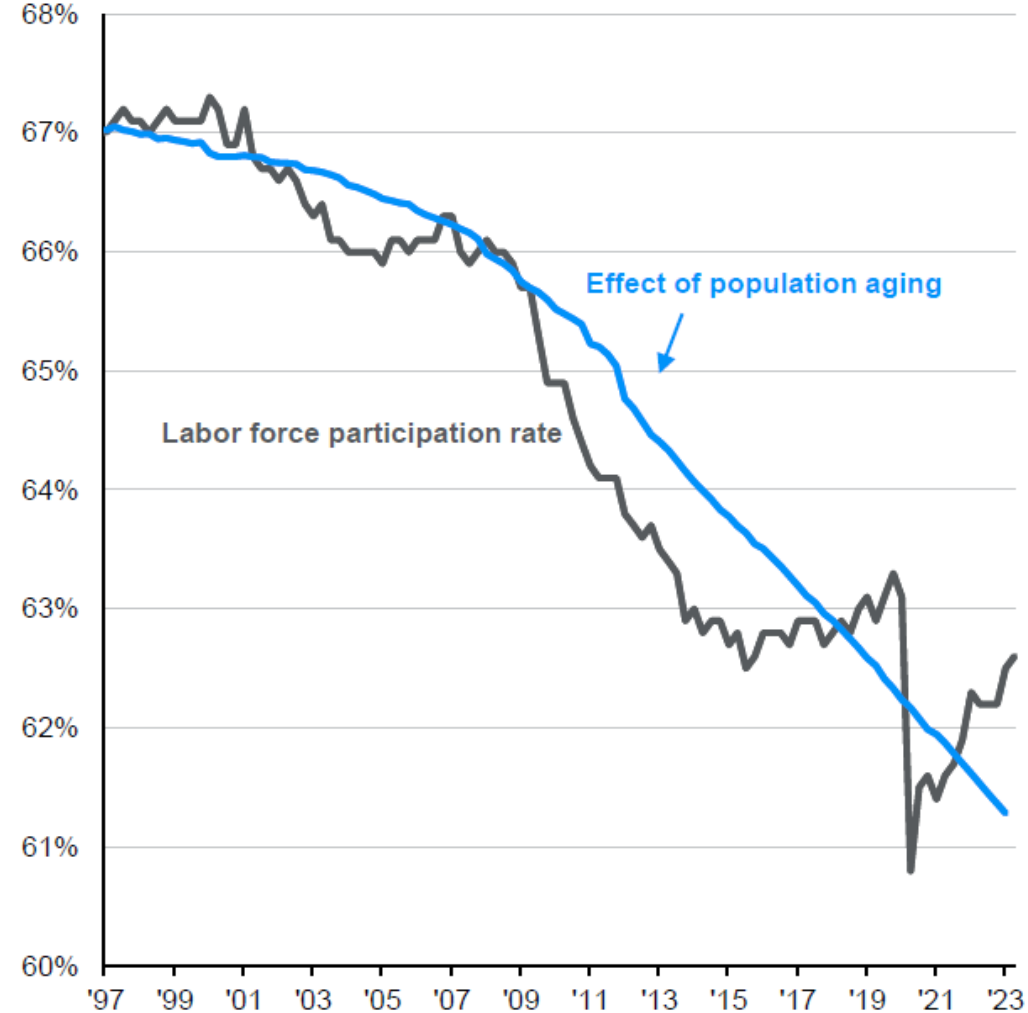
Aging population distribution

%, age group share of total civilian non-institutional population



Impact of aging on labor force participation

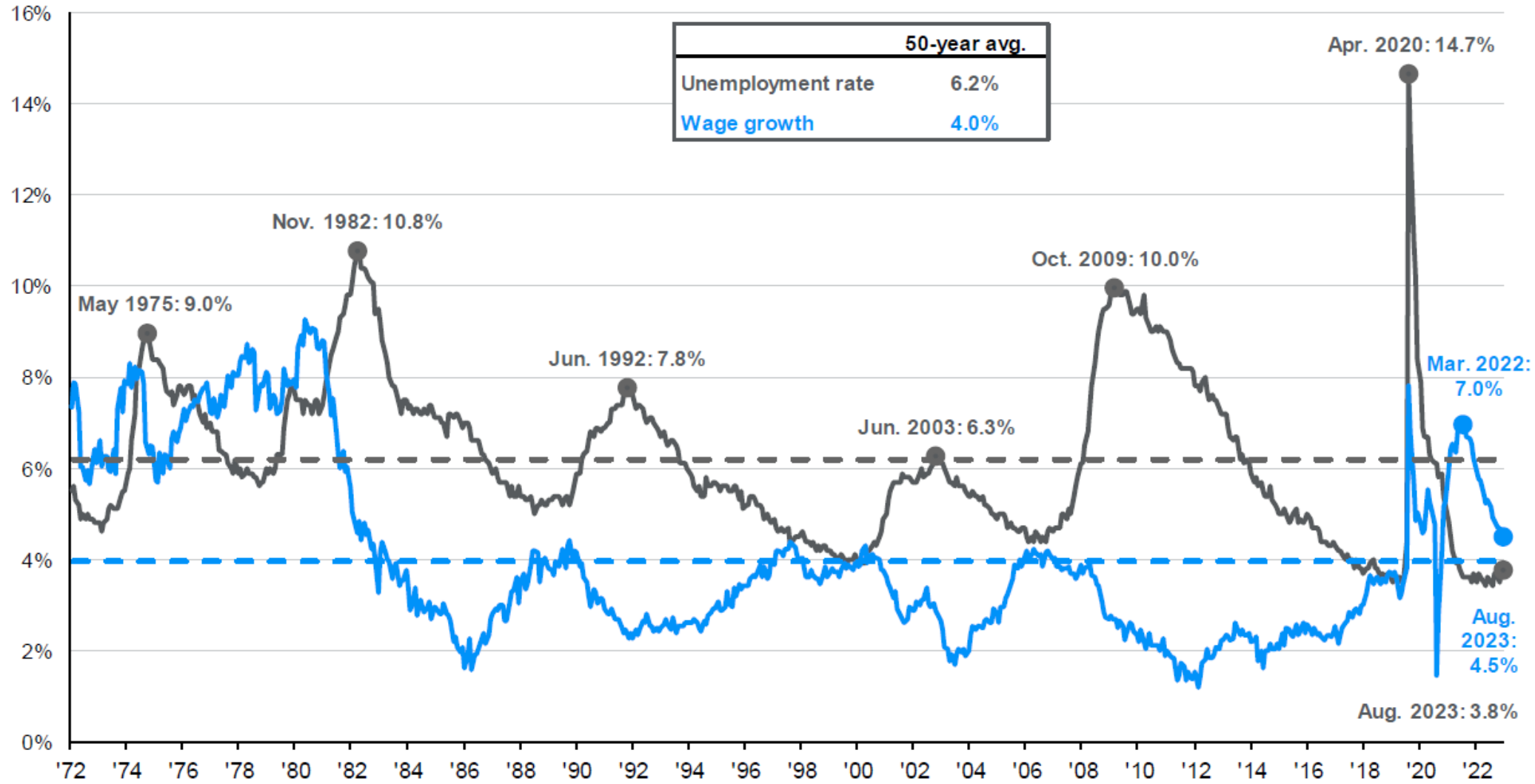
%, grey line fixes LFPR for age groups at 1997 levels, quarterly



Unemployment and Wages

Civilian unemployment rate and year-over-year wage growth

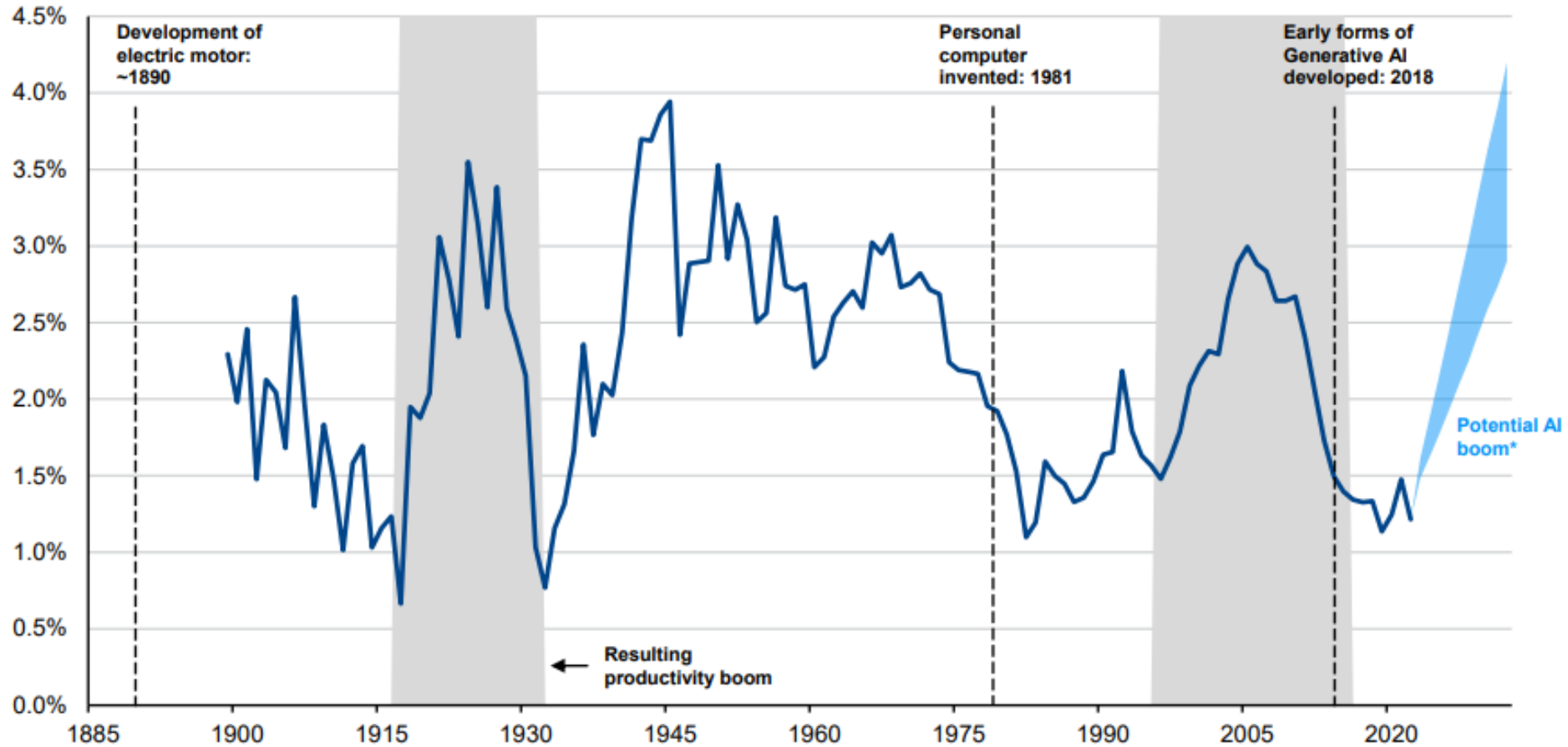
Private production and non-supervisory workers, seasonally adjusted, percent



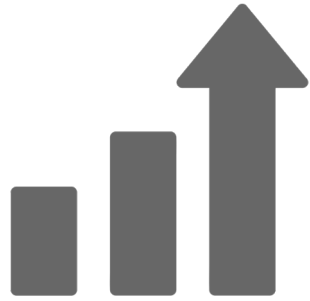
The Potential for Upside

U.S. labor productivity growth

Rolling 10-year annualized rate

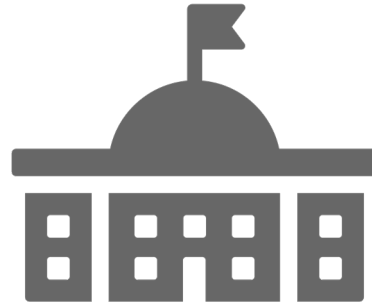


Notable Economic Themes



Economic Growth

Current Fiscal & Monetary policy likely to produce slower growth



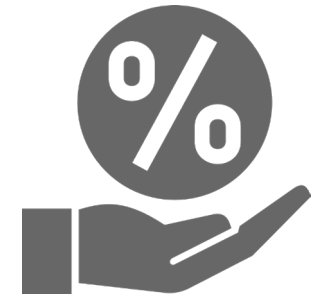
Government Crowding Out

Government crowding out of private sector dampens growth



Inflation

Remains an issue in current environment

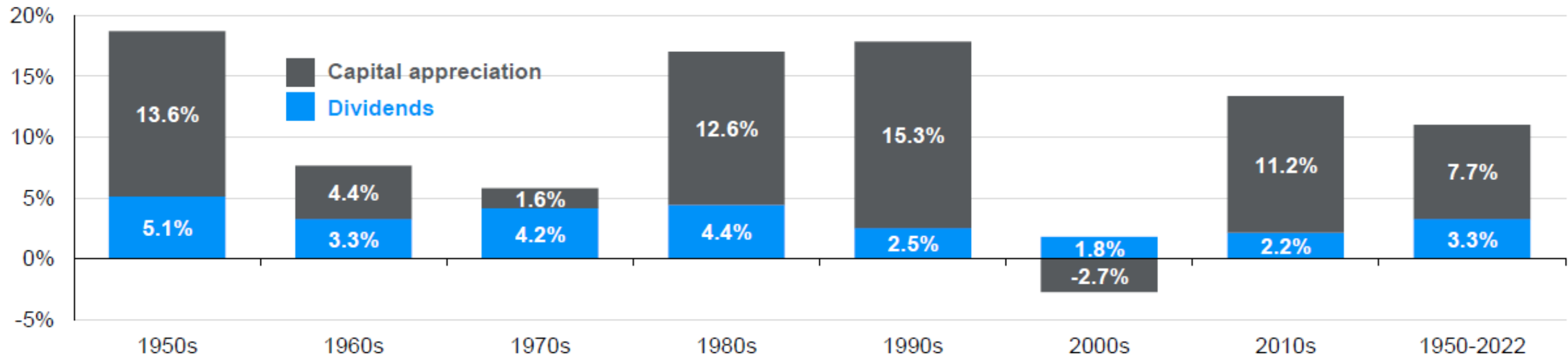


Interest Rates

Beginning to normalize

Investment Management Positioning

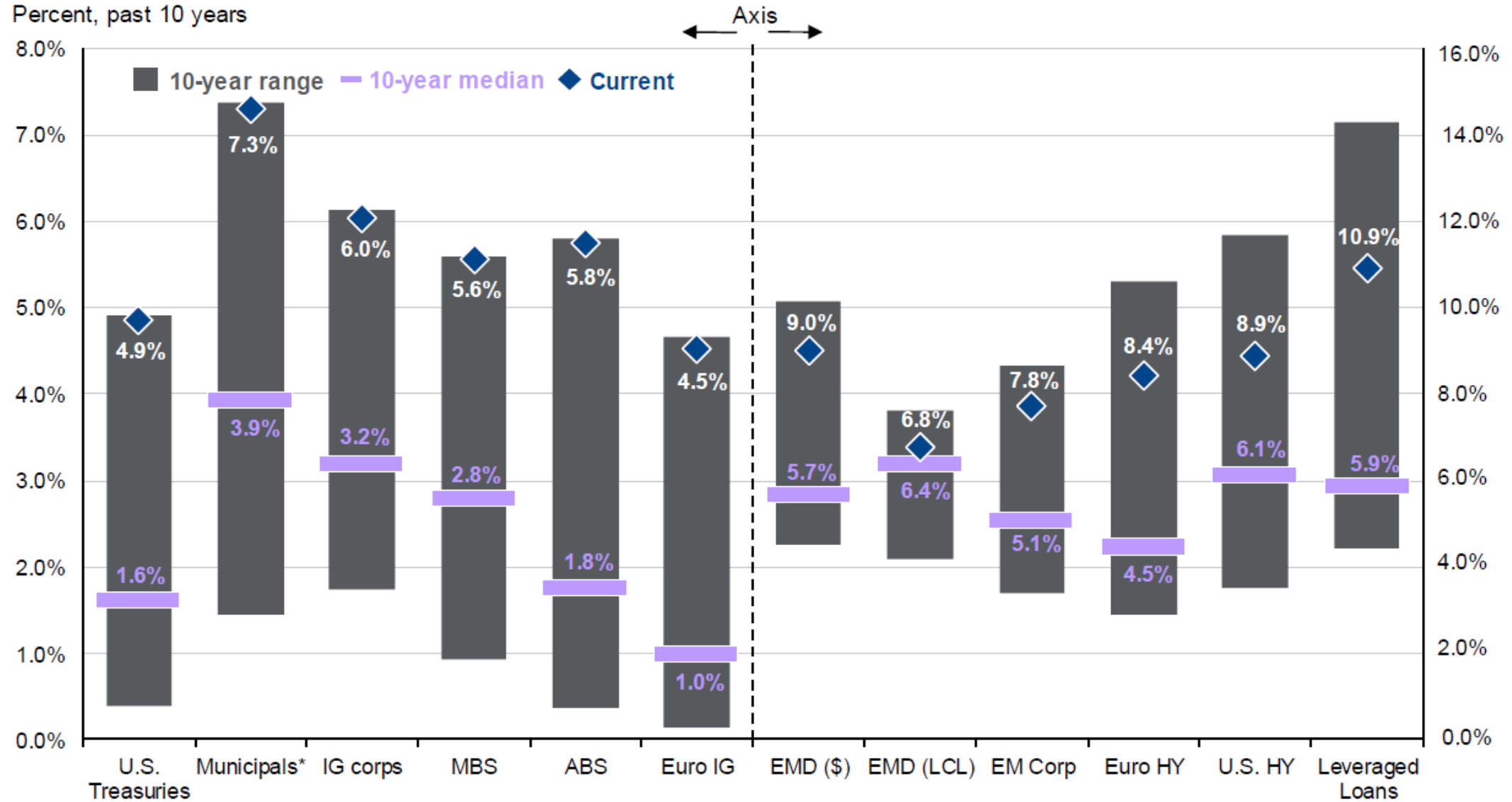
S&P 500 total return: Dividends vs. capital appreciation
Average annualized returns



Fixed Income Valuations

Yield-to-worst across fixed income sectors

Percent, past 10 years



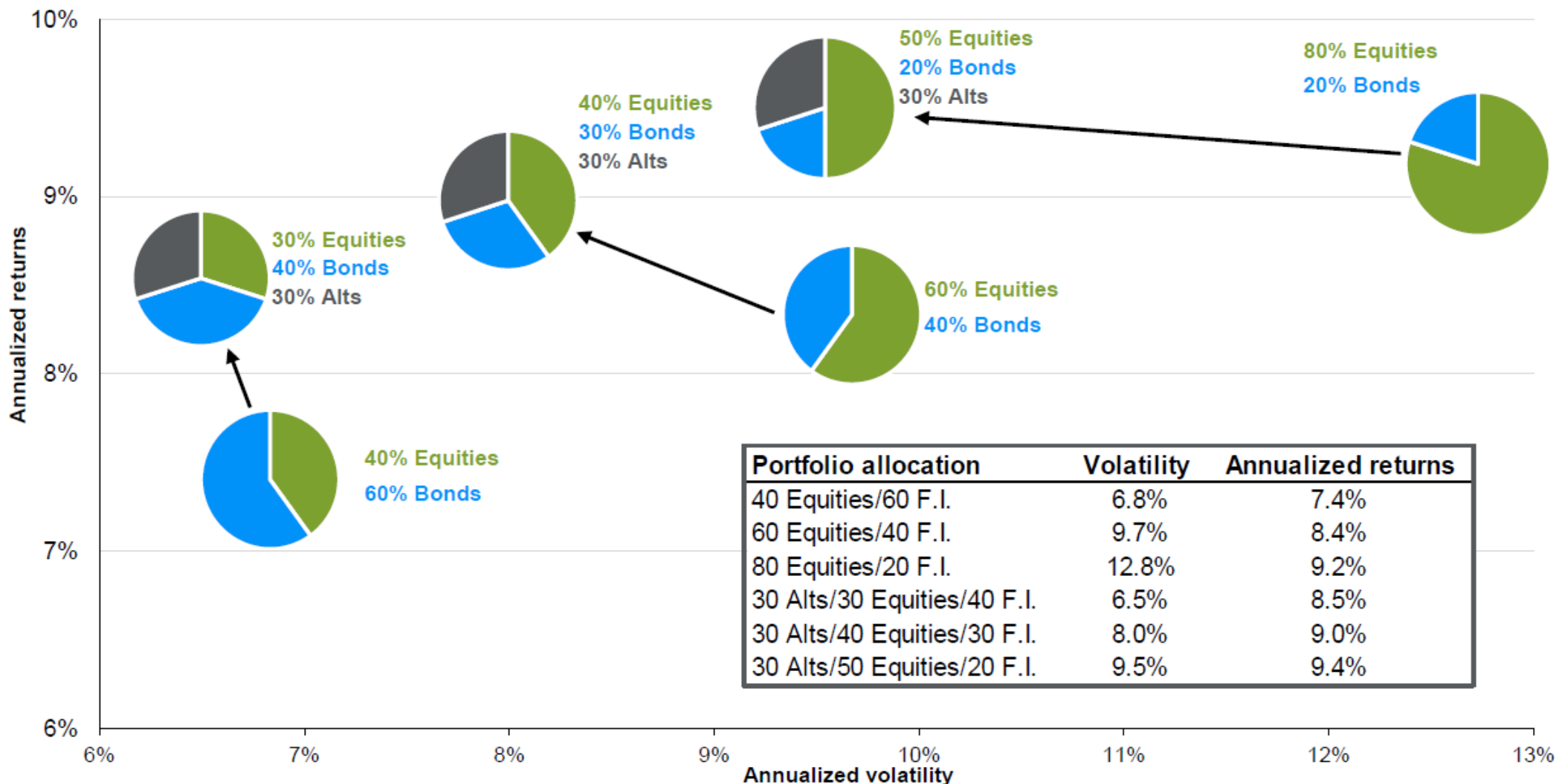
Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.
 Indices used are Bloomberg except for emerging market debt and leveraged loans: EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting. *All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%.
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Dividend Stocks Have One Of Largest Discrepancies in Value From Wall Street's Estimated Fair Value Within



Portfolio Diversification

Alternatives and portfolio risk/return
Annualized volatility and returns, 1989 – 1Q23



Expanded Investment Capabilities

Individual Equity & Bond Strategies

Equity Income Portfolio

Growth Equity Portfolio

Customized Bond Ladder

Options (Derivative) Strategies

Premium Income

Options Overlay on Equity Income

Customized Covered Calls

Structured Notes

A credit & derivative strategy producing income, growth and hedging

Alternative Investments

Primarily debt & equity

Notable Investment Themes

1. Growing Importance of Current Income
2. Fixed Income Investments Attractive
3. Allocation to Alternative Investments
4. Equity Investments still provide growth
5. Options & Structured Notes Solutions