



THE CONCORD ADVISORY GROUP, LTD.

Institutional Investment Consulting Services

OCTOBER 2022 MARKET HIGHLIGHTS

“FREE CANDY”

THE CONCORD ADVISORY GROUP, LTD: OCTOBER 2022 MARKET HIGHLIGHTS

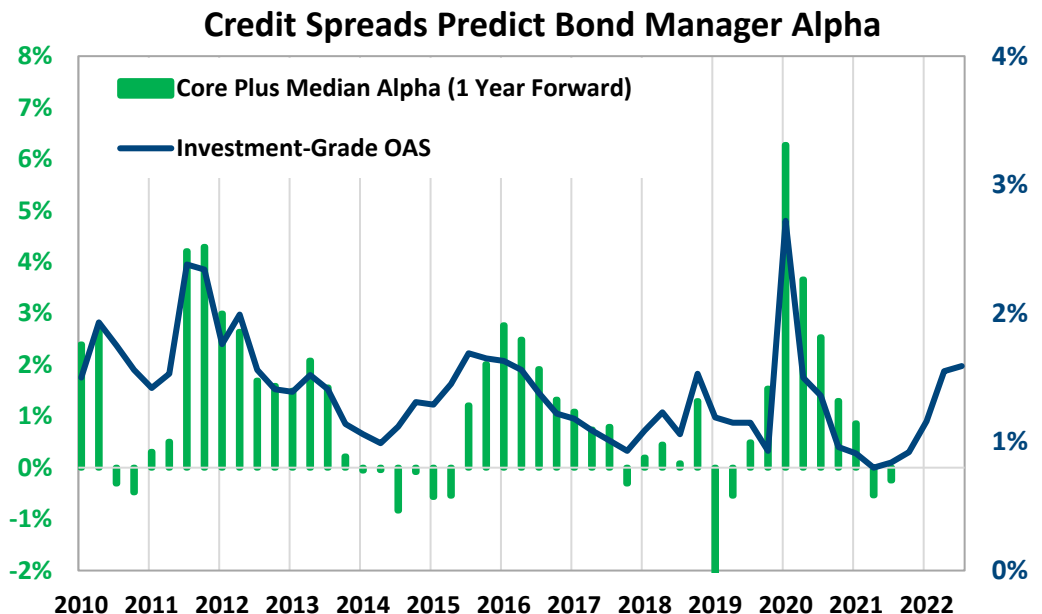
COMMENTARY: “FREE CANDY”

Watching the kids trick-or-treat yesterday showed some impressive economic optimization. Around second grade, the kids start to strategize to maximize their Halloween candy haul. They have a fairly good heuristic on which neighborhoods will yield the most candy. The kids prefer neighborhoods with nice houses on small lots with sidewalks. The kids also know that if the neighborhood has Halloween decorations that means the adults are in the spirit and more likely to give out better candy.

Prior to this year, there had been something much better than free candy for the adults - huge returns with low volatility. The Fed's low-rate policies and asset purchases were the equivalent of giving everybody unlimited full-size chocolate bars. Unfortunately, everyone ate too many, and the market's sugar high turned into an upset stomach.

The low rates made investors dependent on capital gains as opposed to yields for returns. Now that the free candy has run out, some of the traditional ways to generate income and alpha work again. For example, in addition to a higher baseline yield for fixed income, active bond managers have better opportunities to add alpha in periods of wider credit spreads.

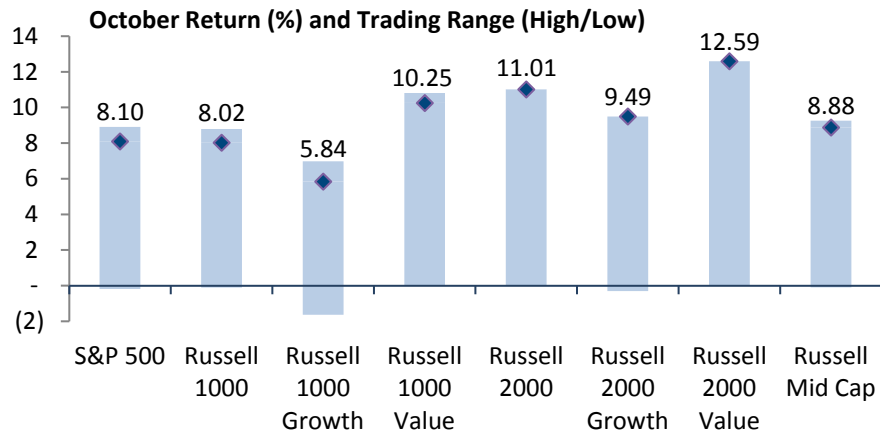
In the attached chart, the bars represent the forward one-year alpha of the median core plus bond manager. Based on a regression of this data, at the current 160 bps level of investment-grade spreads, the expected median core plus manager's alpha is 1%, a figure that seems conservative, as there are also active opportunities beyond credit. For example, many bond managers are rotating from Treasuries to mortgages to increase income without materially increasing credit risk. In setting expectations for future core plus returns, a sound starting point may be the current yield on the Bloomberg Aggregate (5%) plus 1% alpha.



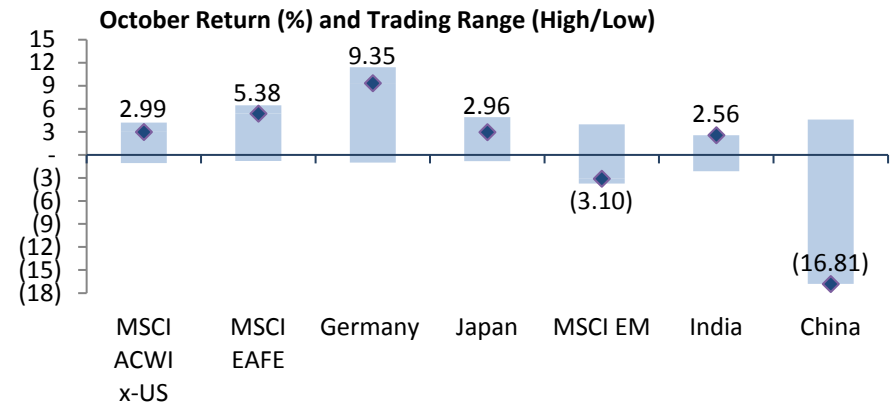
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MONTHLY CHARTS

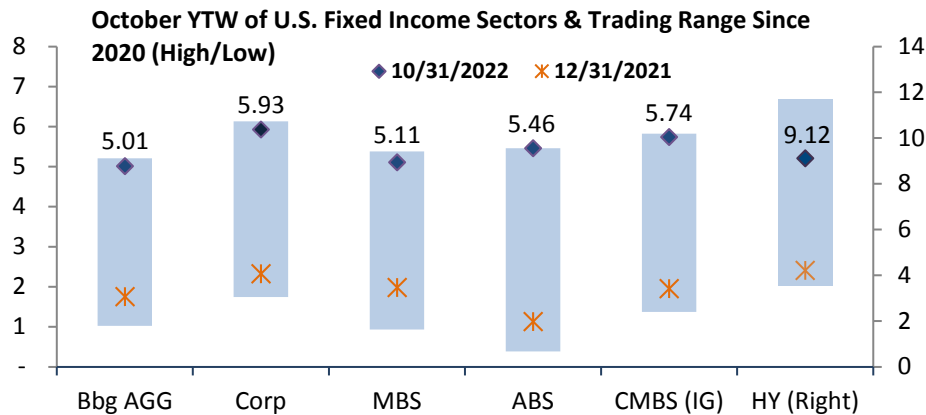
U.S. Equities: U.S. equities posted gains in October. Better-than-expected earnings reports, across most sectors, and a positive GDP print contributed to the results.



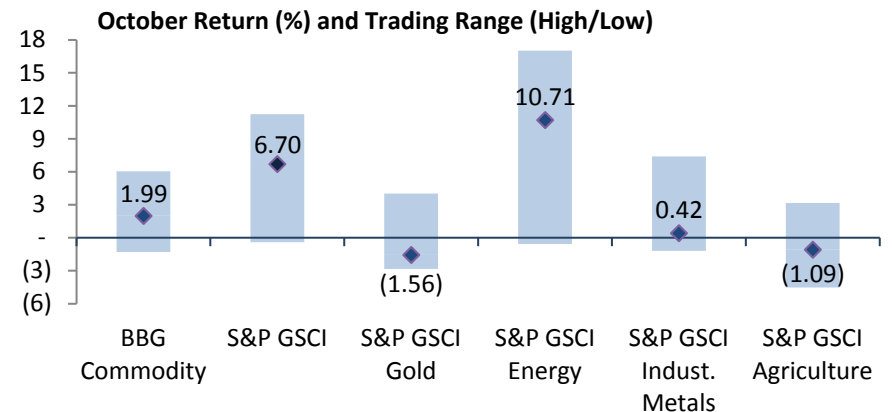
International Equities: Developed non-U.S. equities also advanced during the month, led by Europe. Emerging markets declined against notably weak returns from China.



Fixed Income: Yields continued to rise in the period, weighing on fixed income returns. High yield bonds outperformed.



Commodities: Commodities prices were mostly flat, except for energy. OPEC+'s announcement of a two million barrels per day production cut pushed energy prices higher.

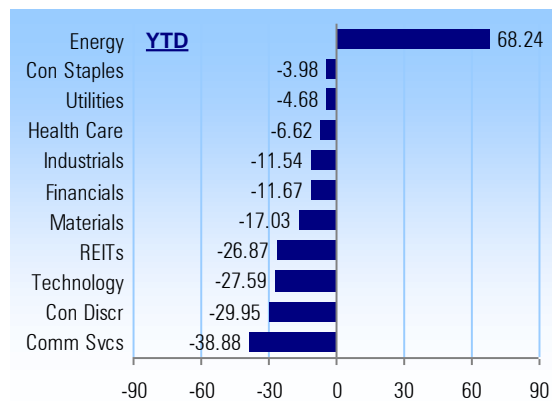
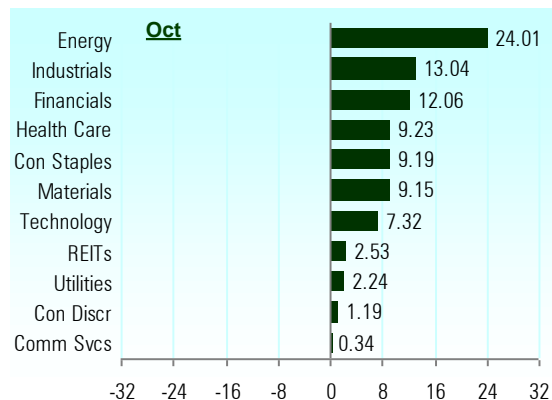


Market Performance - October 2022

Equity Markets

	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
S&P 500	8.10%	-5.86%	-17.71%	-14.61%	10.21%	10.44%
Russell 1000	8.02%	-5.74%	-18.54%	-16.38%	9.98%	10.19%
Russell 1000 Growth	5.84%	-8.90%	-26.61%	-24.60%	11.75%	12.59%
Russell 1000 Value	10.25%	-2.41%	-9.32%	-7.00%	7.31%	7.21%
Russell MidCap	8.88%	-4.31%	-17.55%	-17.17%	7.84%	7.95%
Russell 2000	11.01%	-1.68%	-16.86%	-18.54%	7.05%	5.56%
Russell 2000 Growth	9.49%	-1.29%	-22.56%	-26.02%	5.11%	5.17%
Russell 2000 Value	12.59%	-2.08%	-11.19%	-10.72%	8.08%	5.32%
MSCI ACWI	6.03%	-7.65%	-21.13%	-19.95%	4.85%	5.24%
MSCI World	7.18%	-6.85%	-20.07%	-18.48%	6.11%	6.37%
MSCI ACWI Ex-US	2.99%	-10.28%	-24.31%	-24.73%	-1.68%	-0.60%
MSCI EAFE	5.38%	-9.02%	-23.18%	-23.00%	-1.27%	-0.09%
MSCI EM	-3.10%	-14.11%	-29.42%	-31.03%	-4.42%	-3.09%
Bloomberg Commodity	1.99%	-6.20%	15.84%	11.15%	13.44%	6.92%

Equity Sector Returns (%)



Equity Style Returns (%)

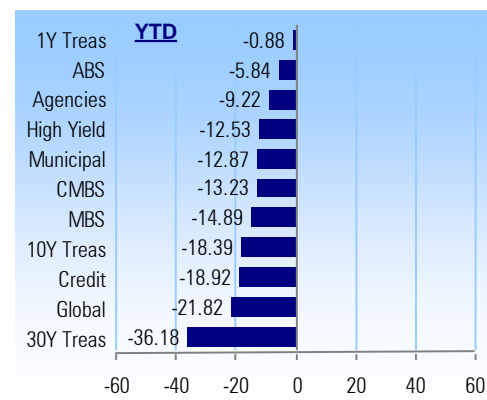
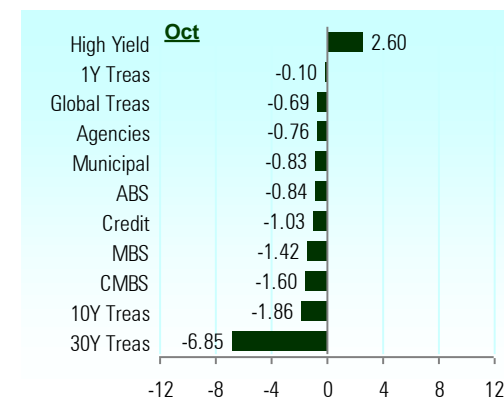
	Value	Core	Growth
Large	10.25	8.02	5.84
Mid	9.45	8.88	7.86
Small	12.59	11.01	9.49

	Value	Core	Growth
Large	-9.32	-18.54	-26.61
Mid	-12.83	-17.55	-26.06
Small	-11.19	-16.86	-22.56

Fixed Income Markets

	Past Month	Past 3 Months	YTD	1 Yr	3 Yrs	5 Yrs
Bloomberg Aggregate	-1.30%	-8.23%	-15.72%	-15.68%	-3.77%	-0.54%
Bloomberg Global Aggregate	-0.69%	-9.51%	-20.45%	-20.79%	-6.16%	-2.38%
Bloomberg Intermediate Aggregate	-0.80%	-6.63%	-11.75%	-11.82%	-2.71%	-0.21%
Bloomberg Universal	-1.10%	-7.82%	-15.83%	-15.79%	-3.57%	-0.43%
Bloomberg Government	-1.37%	-7.08%	-14.14%	-13.94%	-3.52%	-0.45%
Bloomberg Credit	-1.03%	-8.70%	-18.92%	-18.91%	-4.12%	-0.32%
Bloomberg Municipal	-0.83%	-6.73%	-12.86%	-11.98%	-2.18%	0.38%
Bloomberg High Yield	2.60%	-3.75%	-12.53%	-11.76%	0.31%	2.01%
Bloomberg Mortgage	-1.42%	-9.60%	-14.89%	-15.04%	-4.24%	-1.20%
Bloomberg 1-3 Yr Gov/Credit	-0.13%	-2.11%	-4.66%	-4.88%	-0.57%	0.68%
FTSE 3-Month Treasury Bill	0.25%	0.59%	0.88%	0.88%	0.60%	1.16%
FTSE World Govt Bond	-0.52%	-9.70%	-21.68%	-22.23%	-7.36%	-3.07%
Bloomberg U.S. TIPS	1.24%	-7.97%	-12.54%	-11.47%	1.12%	2.16%
BofAML Invest Grade Convertible	3.45%	-3.47%	-7.79%	-6.13%	3.43%	6.39%

Fixed Income Sector Returns (%)



Treasury Yield Curve

