



July 11, 2023

Dear Money Management Client:

Just eight stocks are responsible for 80% of the S&P 500's robust performance in the first half of 2023! Lucky for us, we maintained overweight positions in four of those winners which made for enjoyable performance reports enclosed. AI or artificial intelligence usage was the common denominator driving speculation or fad-based investing during the quarter. Every corporate conference call we listened to mentioned AI and the abundance of opportunities for a new technology-powered cycle of growth. We are certain AI, which is intelligence demonstrated by a computer, will meaningfully improve people's lives. But just like the internet adopting dot-com bubble during the late 1990's, it will take time and there will be plenty of losers.

AI excitement probably helped investor sentiment during the quarter because there remain a multitude of things to worry about. The inverted yield curve continues while credit card and auto loan delinquencies rise. The labor market remains tight but shows signs of cooling while the Fed rate hikes are starting to negatively impact consumer spending. None of this should be surprising because the whole idea from the Fed raising interest rates is to slow down growth and ultimately inflation. But the core inflation rate remains too high and sticky at 5%, so the Fed's meeting in July will likely result in another quarter point interest rate hike.

Why is it taking so long for the economy to slow? Basically, it's been a tug of war between monetary and fiscal policy. Monetary tightening by the Fed (raising interest rates) has been offset by our government's fiscal initiatives; the CHIPS Act providing funding and incentives for semiconductor production and the Inflation Reduction Act offering subsidies for electric vehicles and green energy technologies. Then for a kicker, add high residual savings in the household sector and post-Covid demand for air travel, hotels, and restaurants.

Just a FYI, we're moving to new offices this month 7301 SW 57th CT, Suite 540, South Miami.

As always, we remain committed to a conservative investment philosophy, which emphasizes the preservation of capital. If you have any questions or would like to discuss your portfolio, please do not hesitate to call.

Very truly yours,

Clay Campbell

Kyle Campbell