MH & ASSOCIATES • SECURITIES MANAGEMENT CORPORATION

INVESTMENT VIEWS

DECEMBER 31, 2022

2022 - A YEAR OF CHANGE

Looking back at 2022, we are very fortunate to be exiting the year on relatively good footing. While most of our portfolios were down slightly, the broader financial market indices are still down solid double digits including bonds, as represented by ETFs.

Index	ETF	2022 Return
S&P 500	SPY	-19%
NASDAQ	QQQ	-34%
Dow Jones	DIA	-8%
Russell 2000	IWM	-22%
Core US Bonds	AGG	-13%

Reflecting on this, we are struck by the dramatic change in the financial markets that occurred during the year. Inflation heralded this change, driving up interest rates and aggressive action by monetary authorities.

Gone are zero interest rates, easy monetary policies and a stock market dominated by tech stocks, cheap commodities and unprofitable startups. The world has crossed over a threshold to a time of supply challenges, inflation and higher interest rates. On that note, we would like to share some of our thoughts and ideas for the coming year.

2023 OUTLOOK

THE ECONOMY

The US economy is definitely slowing but it is not certain that a recession is in the cards. Investors must realize that government spending is taking on a larger role in the economy and the case in point is the recently passed Omnibus Spending bill. The bill provides funding of $1.7 billion through September 2023. For the time being employment continues to be resilient and this will need to continue. Many companies across sectors have announced large scale layoffs or, at best, hiring freezes. This will work its way into the employment picture at some point and thus bring the Fed's dual mandate back into focus.

Nevertheless, we remain vigilant in watching for signs of a deeper slowdown, which may in turn result in changes to our outlook and investments.

BONDS

Bonds were devastated during 2022 and will go down as the worst year on record. However, certain bonds are now attractive alternatives to stocks, especially in the 2 to 5 year range in US Treasuries where yields are closing in on 5%. Cash is no longer a viable alternative as we had been writing about in the past few years. It is still too early venture into other areas such as corporates as the additional credit risk is not accounted for in yields.

INTEREST RATES

While inflation might have peaked, our expectation is for inflation to remain stubbornly elevated. This hints that interest rates will also stay higher. However, at this time we believe that the Fed will have a limit to how high they can sustainably raise rates and they are getting close to that limit. If employment data weakens they will likely be forced to back off their aggressive policies. It is likely that interest rate hikes will at least be halted sometime in 2023.

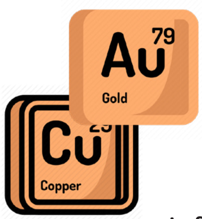
ENERGY

As we have written on numerous occasions, energy - led by oil and gas - has been long neglected and derided by governments over the past decade. This has led to a serious lack of investment in both infrastructure and new discoveries, fostering an energy crisis, which we saw the beginnings of in 2022. Going forward, we believe the price of oil will be determined not by demand, but by supply, or lack thereof.

Authorities need to start to understand that you cannot transition to more climate friendly technologies overnight. Governments still need to encourage and make new, intense investments in fossil fuels in order to effiently move forward. These efforts have been lacking in recent years and are needed to bring balance back into the market.

Therefore, energy investments are expected to be top performers for the year, led by oil service companies who have the "know how" to get supply back on track.

PRECIOUS METALS



As global investors come to grips with a period of higher inflation and the US dollar weakens, gold and silver are expected to have a strong rally in the coming year.

For most of 2022 precious metals did not perform well - most likely because investors believed the Fed would be able to get inflation under control. As we alluded to earlier, inflation will likely remain elevated, though the rate may ebb and flow. Gold and silver are time tested hedges against inflation and will respond to this dynamic once it is recognized by investors.

Additionally, as global monetary authorities make efforts to curtail inflation the US dollar should weaken after a very strong run. It is unclear at this time if this will be a correction or a longer lasting move. A weaker US dollar bodes well for the precious metals sector.

GENERAL STOCK MARKET

The turmoil in the general market has left several indices deep in the red, which also created opportunities in some sectors and individual names. In addition to the sectors discussed above, we believe that industrial names, materials and commodity firms, the defense sector and healthcare provide the best opportunities in the US equity market. Certain international markets look attractive at this point.

There are other sectors, namely consumer discretionary, technology and financials that look vulnerable in the coming year. Even so, within these areas there may be opportunities. 2023 looks like it will be another "stock pickers market."

GEOPOLITICS

We anticipate geopolitics to continue to be hot in 2023, with the situation in Ukraine unlikely to improve. Issues in China also could come into play, as it struggles with a COVID outbreak and seeks to demonstrate it's growing military strength. Again, significant changes in geopolitics will affect our portfolio positioning.

The world is facing many challenges in the coming year. We believe that our clients are positioned in such a manner as to weather the volatility and profit from it.

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