

Q2

Quarterly Market Review
Second Quarter 2023

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This report features world capital market performance and a timeline of events for the past quarter. It begins with our quarterly commentary, followed by the returns of stock, commodities, and bond asset classes in the US and international markets.

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Our Second Annual Taking Stock with SAM

It was an interesting quarter (as it usually is!). Unfortunately, war continues in Ukraine. We lived through an [almost] banking crisis¹ and a debt ceiling standoff. We still have the most anticipated recession ever. At the beginning of the year, almost nobody was predicting the strong markets that we had in the first half of the year. But as Jonathan frequently says, when everyone believes one thing, the exact opposite often happens. Indeed, the S&P 500 was up 8.7% in the second quarter and 16.9% year to date.

Jonathan and I hosted “Taking Stock with SAM,” our second [sort of] annual discussion on where we’ve been, where we are, and where we are going. Rather than regurgitating all that we said in the webinar, I encourage you to watch the recording and take stock with us.

Interesting stories from the quarter.

Despite not writing a long letter this quarter, I couldn’t help but relay a few interesting stories from the quarter. There are always a few good stories about fraud, but this past quarter had a few gems. In one case², a teen named Joseph Garrison was charged with hacking thousands of accounts on the sports betting site, DraftKings, and draining \$600,000 from them to his own bank account. This isn’t the first computer crime we’ve seen. Garrison, however, in various electronic conversations, not only described in detail how he did it, but also how much he enjoyed it saying, “Fraud is fun . . . I’m addicted to seeing money in my account . . . I’m like obsessed with bypassing [stuff].” Although you can understand why a teen would be tempted to brag about their exploits, you wouldn’t expect the COO of the largest crypto exchange, Binance, to text, “We are operating as a fking unlicensed securities exchange in the USA bro.”³ And that was to another compliance officer! Hubris gets you in trouble at any age.

I don’t understand what people take as entertainment these days. A recent article⁴ described how gamblers at slot machines are now live streaming their losses in action. “It’s fun to watch somebody else play with their money while you’re sitting on your couch drinking a beer,” said Wayne Deck, a 60-year-old in Fairfax, VA., who is quoted in the article.



The article goes on to describe how two separate people, each of whom lost over \$300,000 in slots last year, posted a profit overall due to revenue from live streaming their losses. Although I have limited interaction with social media, I at least understand the lure. This one I don’t.

Finally, there was an article⁵ on celebrity crypto sponsors (including Tom Brady, Kim Kardashian, Lindsay Lohan, and Shaquille O’Neal) being sued by FTX (and other exchanges) customers and the SEC for illegally endorsing certain crypto projects. The article also described how Taylor Swift nearly signed a \$100 million endorsement deal with FTX. Most people highlighted how smart she was by asking the right questions during her due diligence. In reality, the article states that she signed the deal; it was FTX that backed out at the last minute. Sometimes it’s better to be lucky than good.

Thanks to all of you for your trust in our partnership.

Avi and the SAM team

¹ We are not making the claim here that the banking crisis is over, but rather the pressure has abated since March.

² Levine, Matt “Fraud Is Fun” Bloomberg Opinion, Money Stuff, May 18, 2023







³ <https://s.wsj.net/public/resources/documents/secbinance060523.pdf>, page 29

⁴ https://www.wsj.com/articles/gambling-watching-slot-machines-online-9bfc1345?mod=hp_featst_pos5

⁵ <https://www.nytimes.com/2023/07/06/technology/tom-brady-crypto-ftx.html>

Quarterly Market Summary



















Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q2 2023	STOCKS				BONDS	
	8.39%	3.03%	0.90%	0.71%	-0.84%	0.73%
						
Since Jan. 2001						
Average Quarterly Return	2.3%	1.5%	2.5%	2.2%	0.9%	0.9%
Best Quarter	22.0%	25.9%	34.7%	32.3%	4.6%	4.6%
	2020 Q2	2009 Q2	2009 Q2	2009 Q3	2001 Q3	2008 Q4
Worst Quarter	-22.8%	-23.3%	-27.6%	-36.1%	-5.9%	-4.1%
	2008 Q4	2020 Q1	2008 Q4	2008 Q4	2022 Q1	2022 Q1

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved. Bloomberg data provided by Bloomberg.

Long-Term Market Summary

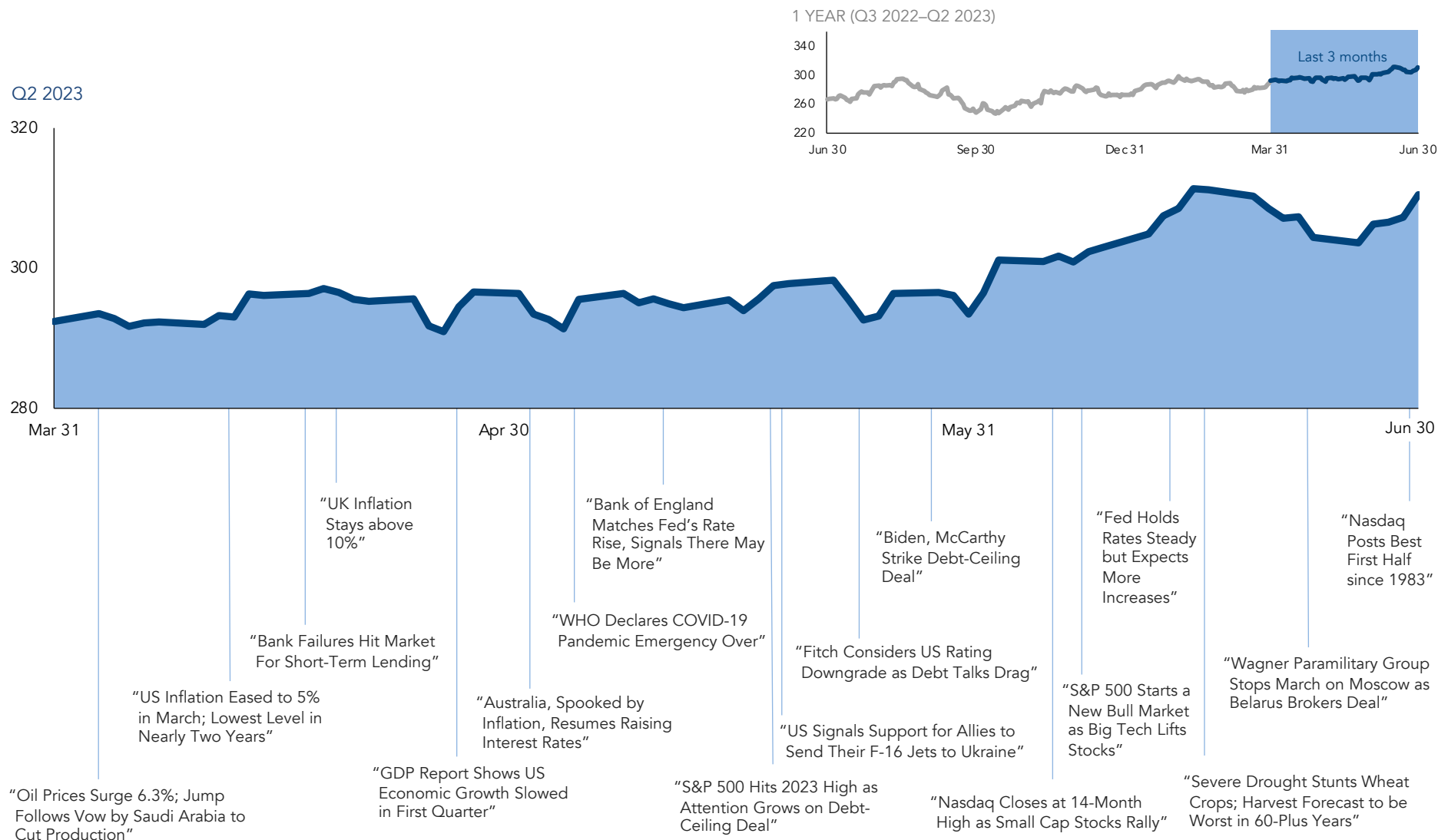
Index returns as of June 30, 2023

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
1 Year	STOCKS				BONDS	
	18.95%	17.41%	1.75%	-3.02%	-0.94%	1.51%
						
5 Years						
	11.39%	4.58%	0.93%	1.35%	0.77%	0.95%
						
10 Years						
	12.34%	5.40%	2.95%	3.80%	1.52%	2.48%
						

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved. Bloomberg data provided by Bloomberg.

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 2023



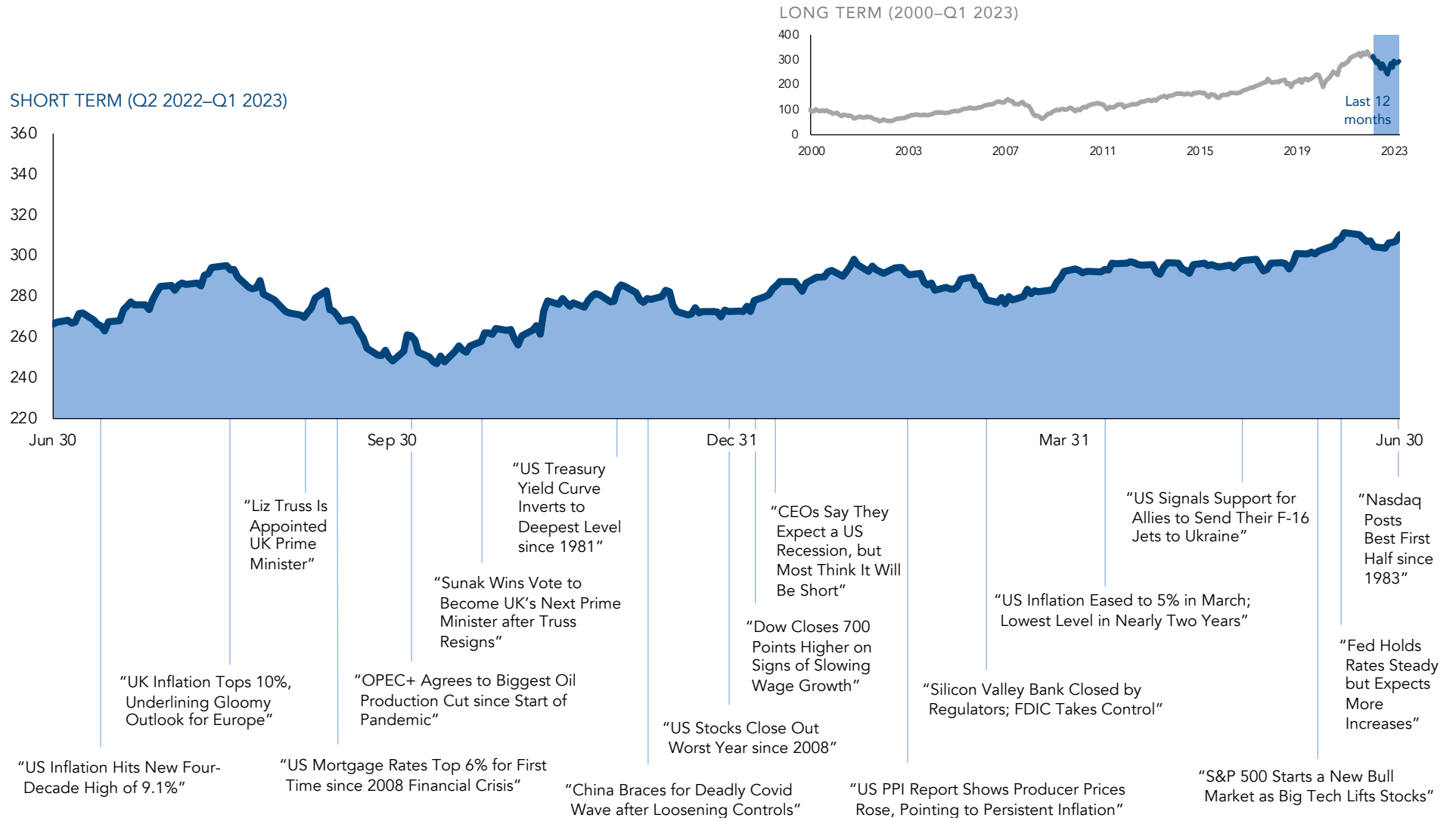
These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2023, all rights reserved. Index level based at 100 starting January 2001.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2023, all rights reserved. Index level based at 100 starting January 2000.

It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio. Past performance is not a guarantee of future results.

US Stocks

Second Quarter 2023 Index Returns

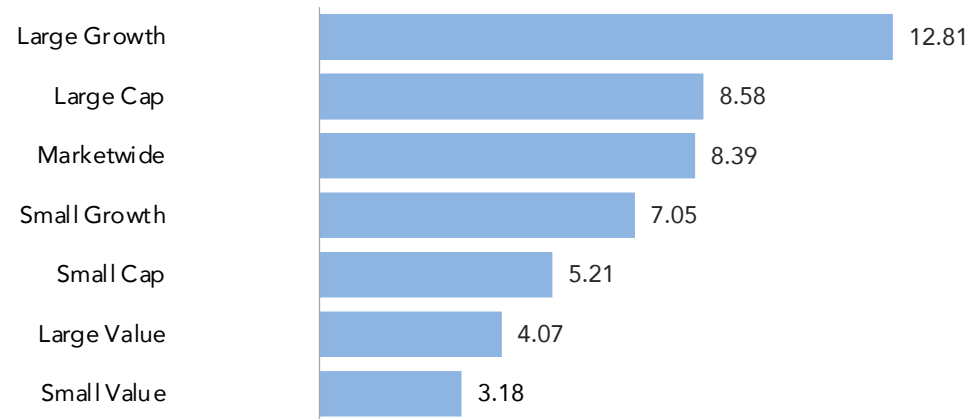
The US equity market posted positive returns for the quarter and outperformed both non-US developed and emerging markets.

Value underperformed growth.

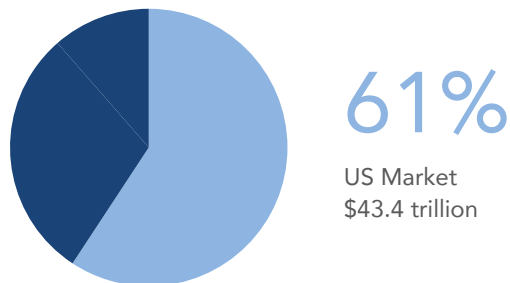
Small caps underperformed large caps.

REIT indices underperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



Period Returns (%)

Asset Class	QTR	YTD	1 Year	* Annualized		
				3 Years*	5 Years*	10 Years*
Large Growth	12.81	29.02	27.11	13.73	15.14	15.74
Large Cap	8.58	16.68	19.36	14.09	11.92	12.64
Marketwide	8.39	16.17	18.95	13.89	11.39	12.34
Small Growth	7.05	13.55	18.53	6.10	4.22	8.83
Small Cap	5.21	8.09	12.31	10.82	4.21	8.26
Large Value	4.07	5.12	11.54	14.30	8.11	9.22
Small Value	3.18	2.50	6.01	15.43	3.54	7.29

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: Marketwide (Russell 3000 Index), Large Cap (Russell 1000 Index), Large Value (Russell 1000 Value Index), Large Growth (Russell 1000 Growth Index), Small Cap (Russell 2000 Index), Small Value (Russell 2000 Value Index), and Small Growth (Russell 2000 Growth Index). World Market Cap represented by Russell 3000 Index, MSCI World ex USA IMI Index, and MSCI Emerging Markets IMI Index. Russell 3000 Index is used as the proxy for the US market. Dow Jones US Select REIT Index used as proxy for the US REIT market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved.

International Developed Stocks

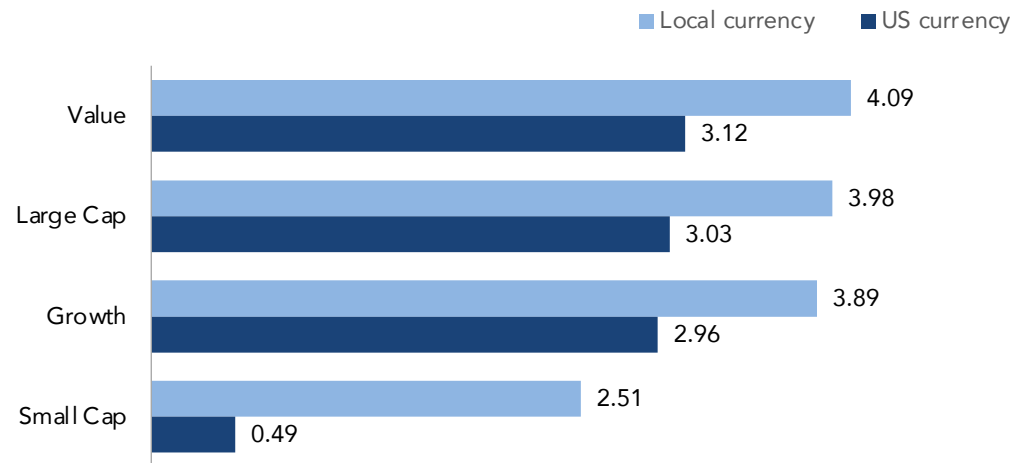
Second Quarter 2023 Index Returns

Developed markets outside of the US posted positive returns for the quarter and underperformed the US market, but outperformed emerging markets.

Value outperformed growth.

Small caps underperformed large caps.

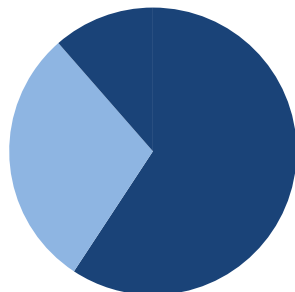
Ranked Returns (%)



World Market Capitalization—International Developed

28%

International Developed Market
\$20.0 trillion



Period Returns (%)

Asset Class	QTR	YTD	1 Year	* Annualized		
				3 Years*	5 Years*	10 Years*
Value	3.12	8.92	15.49	12.07	3.24	4.25
Large Cap	3.03	11.29	17.41	9.3	4.58	5.4
Growth	2.96	13.76	19.4	6.24	5.46	6.28
Small Cap	0.49	5.5	10.05	6.42	1.83	5.97

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Emerging Markets Stocks

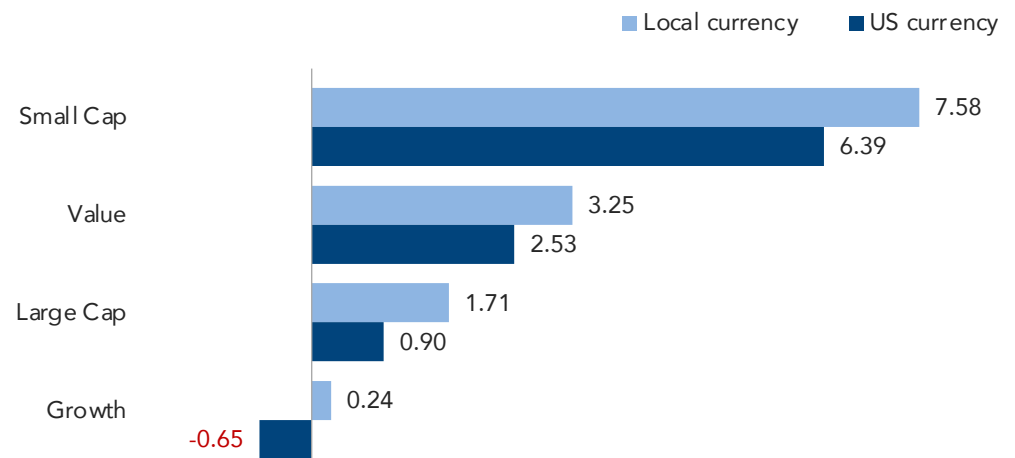
Second Quarter 2023 Index Returns

Emerging markets posted positive returns for the quarter and underperformed both US and non-US developed markets.

Value outperformed growth.

Small caps outperformed large caps.

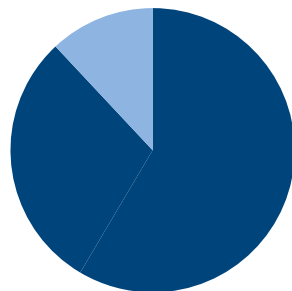
Ranked Returns (%)



World Market Capitalization—Emerging Markets

11%

Emerging Markets
\$7.8 trillion



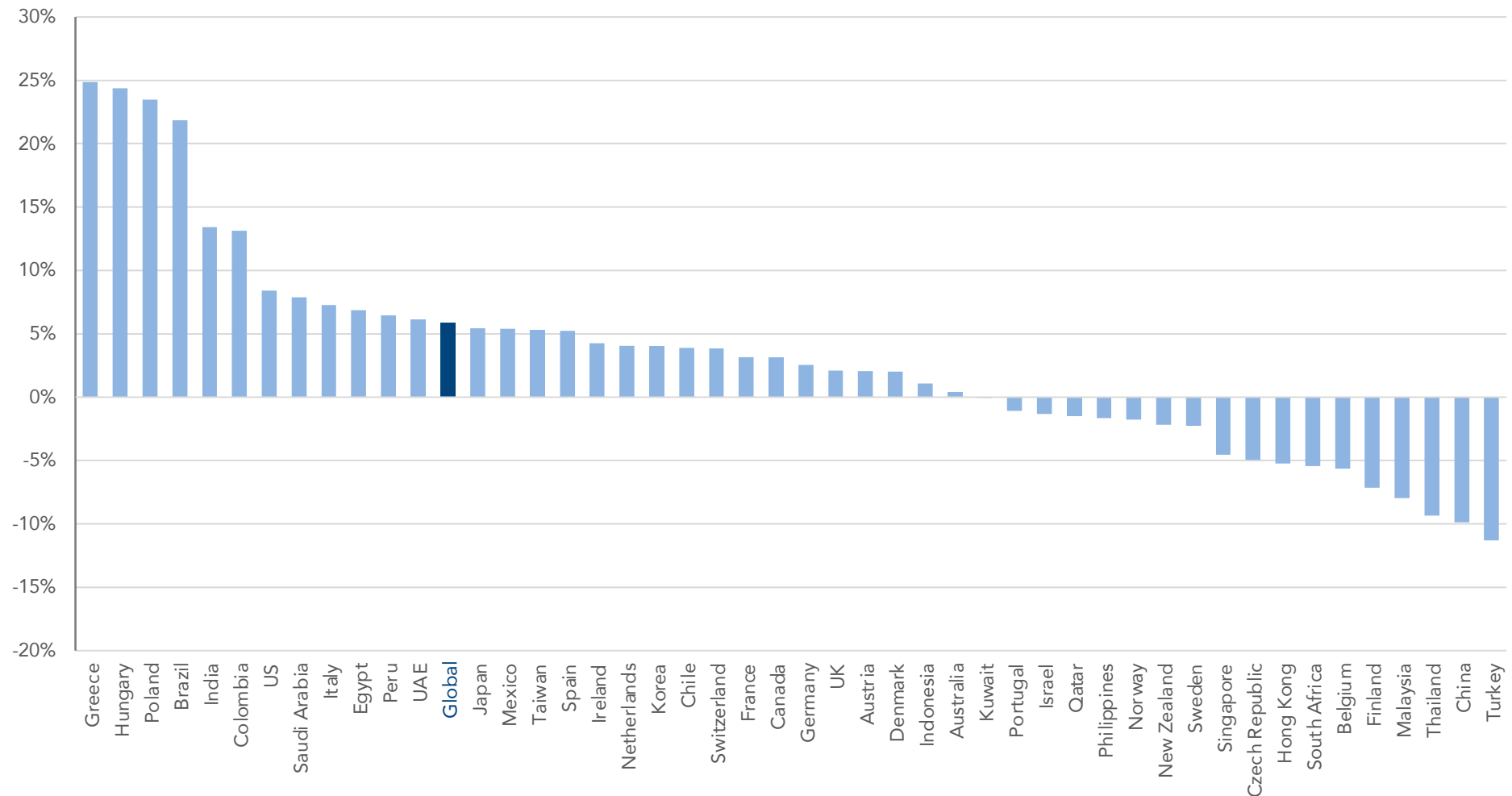
Period Returns (%)

Asset Class	QTR	YTD	1 Year	* Annualized		
				3 Years*	5 Years*	10 Years*
Small Cap	6.39	10.5	13.28	13.72	4.93	4.63
Value	2.53	6.53	4.13	6.27	1.22	1.99
Large Cap	0.9	4.89	1.75	2.23	0.93	2.95
Growth	-0.65	3.32	-0.45	-1.36	0.53	3.79

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Country Returns

Second Quarter 2023 Index Returns



Past performance is no guarantee of future results.

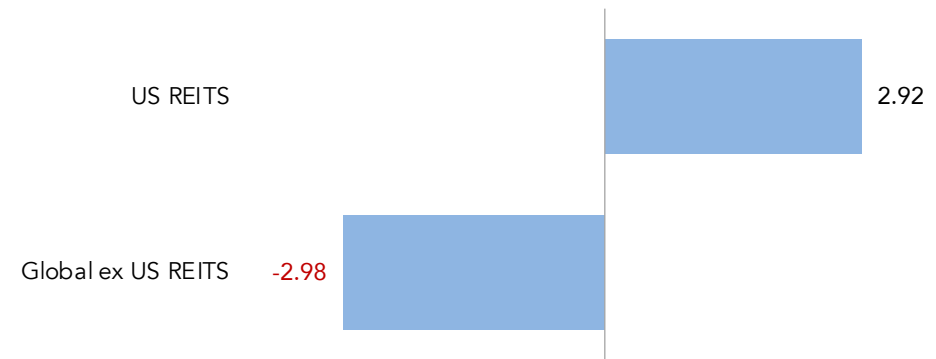
Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2023, all rights reserved.

Real Estate Investment Trusts (REITs)

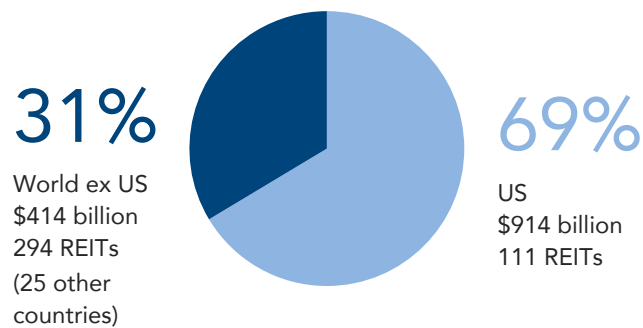
Second Quarter 2023 Index Returns

US real estate investment trusts outperformed non-US REITs during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

Asset Class	QTR	YTD	1 Year	* Annualized		
				3 Years*	5 Years*	10 Years*
US REITS	2.92	5.77	-0.69	9.17	3.28	5.75
Global ex US REITS	-2.98	-3.85	-7.02	0.31	-2.61	1.36

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Commodities

Second Quarter 2023 Index Returns

The Bloomberg Commodity Total Return Index returned -2.56% for the second quarter of 2023.

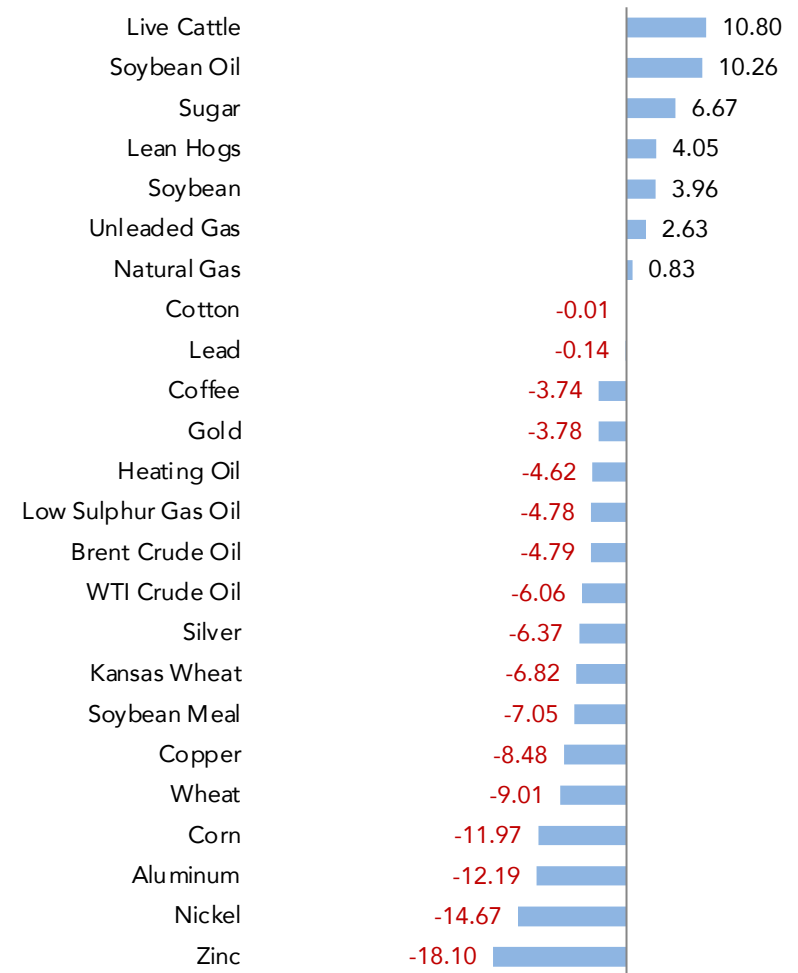
Zinc and Nickel were the worst performers, returning -18.10% and -14.67% during the quarter, respectively. Live Cattle and Soybean Oil were the best performers, returning +10.80% and +10.26% during the quarter, respectively.

Period Returns (%)

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-2.56	-7.79	-9.61	17.82	4.73	-0.99

* Annualized

Ranked Returns (%)



Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio.

Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

Fixed Income

Second Quarter 2023 Index Returns

Interest rates increased across all bond maturities in the US Treasury market for the quarter.

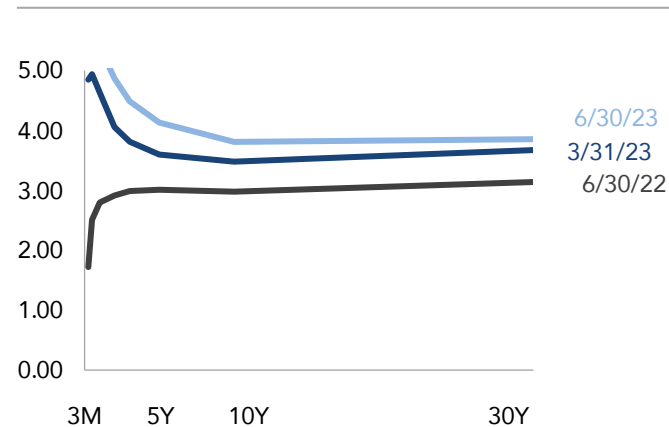
On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 50 basis points (bps) to 5.24%, while the 1-Year US Treasury Bill yield increased 76 bps to 5.40%. The yield on the 2-Year US Treasury Note increased 81 bps to 4.87%.

The yield on the 5-Year US Treasury Note increased 53 bps to 4.13%. The yield on the 10-Year US Treasury Note increased 33 bps to 3.81%. The yield on the 30-Year US Treasury Bond increased 18 bps to 3.85%.

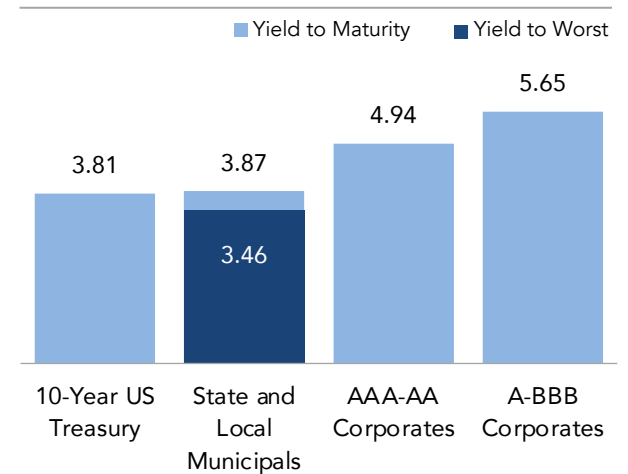
In terms of total returns, short-term US treasury bonds returned -0.90% while intermediate-term US treasury bonds returned -1.15%. Short-term corporate bonds returned +0.07% and intermediate-term corporate bonds returned -0.16%.¹

The total returns for short- and intermediate-term municipal bonds were -0.37% and -0.72%, respectively. Within the municipal fixed income market, general obligation bonds returned -0.41% while revenue bonds returned +0.04%.²

US Treasury Yield Curve (%)



Bond Yield Across Issuers (%)



Period Returns (%)

Asset Class	QTR	YTD	1 Year	*Annualized		
				3 Years*	5 Years*	10 Years*
Bloomberg U.S. High Yield Corporate Bond Index	1.75	5.38	9.06	3.13	3.36	4.43
ICE BofA US 3-Month Treasury Bill Index	1.17	2.25	3.59	1.27	1.55	0.98
ICE BofA 1-Year US Treasury Note Index	0.42	1.67	1.93	0.23	1.3	0.89
Bloomberg Municipal Bond Index	-0.1	2.67	3.19	-0.58	1.84	2.68
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.27	1.53	0.28	-1.15	0.95	1.14
Bloomberg U.S. Aggregate Bond Index	-0.84	2.09	-0.94	-3.96	0.77	1.52
FTSE World Government Bond Index 1-5 Years	-1.19	0.87	-0.27	-2.84	-0.77	-0.67
Bloomberg U.S. TIPS Index	-1.42	1.87	-1.4	-0.12	2.49	2.08
Bloomberg U.S. Government Bond Index Long	-2.29	3.73	-6.79	-12.02	-0.88	1.81

1. Bloomberg US Treasury and US Corporate Bond Indices

2. Bloomberg Municipal Bond Index

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (S&P) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld). FTSE fixed income indices © 2023 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2023 ICE Data Indices, LLC. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

Bloomberg data provided by Bloomberg.

Global Fixed Income

Second Quarter 2023 Yield Curves

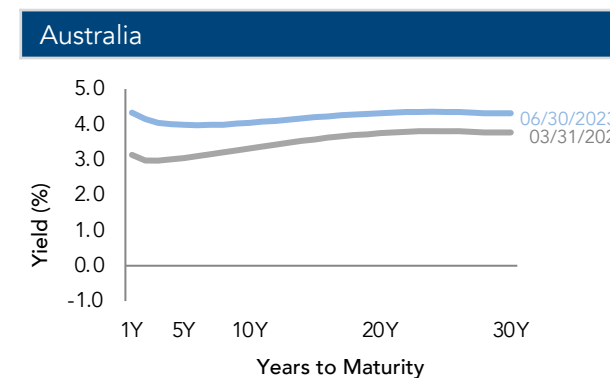
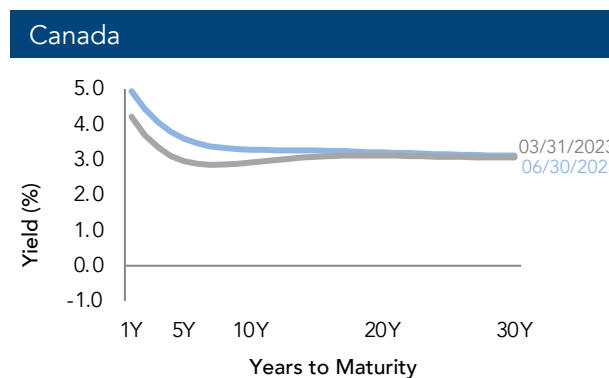
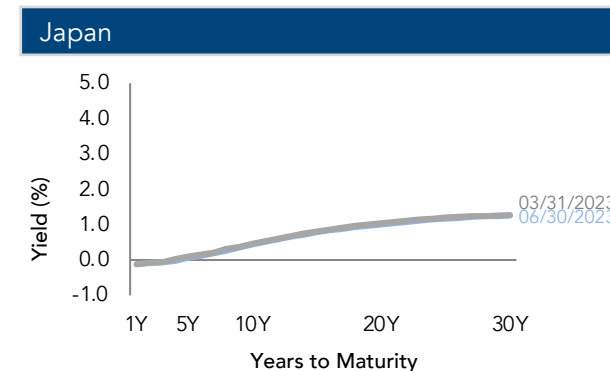
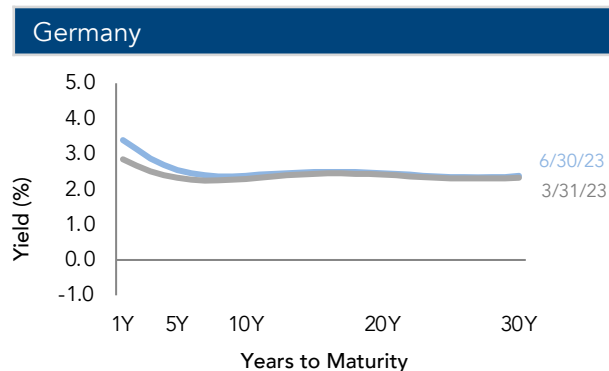
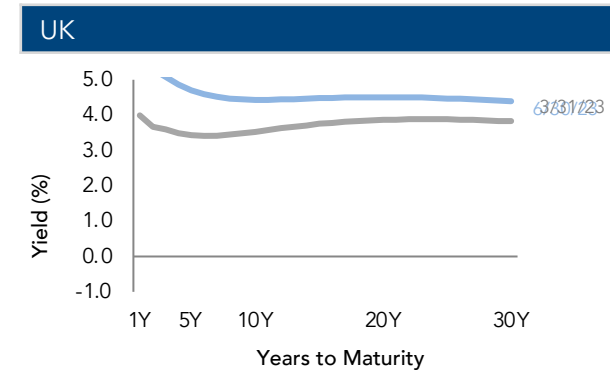
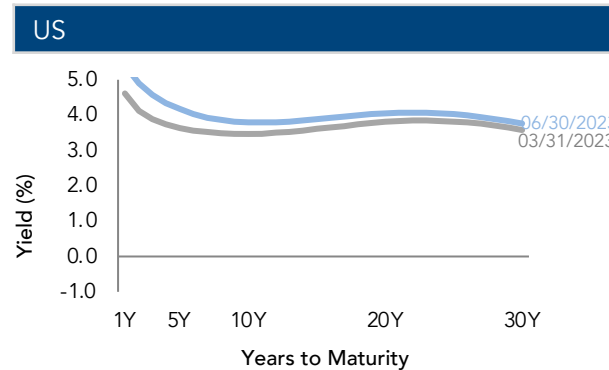
With the exception of Japan, interest rates generally increased across global developed markets for the quarter.

Realized term premiums were broadly negative across global developed markets.

In Japan, ultrashort-term nominal interest rates were negative. In the UK, Germany, Canada, and Australia, the short-term segment of the yield curve was inverted.

Changes in Yields (bps) since 03/31/2023

	1Y	5Y	10Y	20Y	30Y
US	79.6	53.1	32.5	23.9	18.1
UK	138.7	127	90.6	64.2	56.6
Germany	54.3	222	9.4	4	3.8
Japan	-1	-3	-1.8	-3.3	-1.3
Canada	72.1	63.3	36.3	8.9	6.1
Australia	118.9	92.6	72.3	57.1	54.9



Important Disclosures

July 2023

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Phone: 212.584.1900
webinquiry@satovsky.com

Satovsky Asset Management, LLC
232 Madison Avenue, Suite 400
New York, NY 10016
satovsky.com

