Quarterly Outlook

JANUARY 2023

Tandem Collective Funds®
Tandem ETF Portfolios®

Fourth Quarter 2022

After declining for most of the year, both bond and stock markets produced positive returns in the final quarter of 2022. Almost all asset classes contributed positively in the fourth quarter. Nevertheless, the year overall was one of the worst on record for investors as the Fed continued to withdraw large amounts of liquidity from the system in the most aggressive tightening cycle since the 1980s.

A bullish narrative fueled stocks in the fourth quarter as inflation slowed and investors sensed a Fed pivot on the horizon. However, that notion faded as it became apparent that the Fed will likely remain hawkish into 2023 as some pockets of inflation remain sticky—specifically within the service sector.

Almost all asset classes contributed positively in the fourth quarter.

Index/Instrument	Category	Q4 2022 Total Return	2022 YTD Total Return (as of 12/31/2022)
S&P 500	Large-capitalization stocks	7.55%	-18.13%
S&P MidCap 400	Mid-capitalization stocks	10.76%	-13.10%
S&P MidCap 600	Small-capitalization stocks	9.16%	-16.15%
NASDAQ 100	Large-capitalization stocks	-0.04%	-32.38%
Russell 2000 Index	Small-capitalization stocks	6.20%	-20.46%
MSCI World ex USA	Developed markets international stocks	16.27%	-13.74%
MSCI Emerging Market	Emerging markets international stocks	9.62%	-19.94%
Bloomberg Barclays US Aggregate Bond Index	Investment-grade US bonds	1.87%	-13.01%
Bloomberg Barclays US Treasuries	US government bonds	0.72%	-12.46%
Bloomberg Barclays US Investment Grade Corps	US investment-grade corporate bonds	3.63%	-15.76%
Bloomberg Barclays US Corporate High-Yield Bond Index	US corporate high-yield bonds	4.17%	-11.19%
Bloomberg Barclays US MBS Index	US mortgage-backed securities	2.14%	-11.81%
Bloomberg Barclays Global Aggregate Bond Index	Global investment-grade bonds	4.55%	-16.25%
Bloomberg Barclays Global High-Yield Bond Index	Global high-yield bonds	7.97%	-12.71%
Bloomberg Barclays Investment Grade US Convertibles	US high-grade convertible bonds	5.13%	-7.11%

Source: Bloomberg

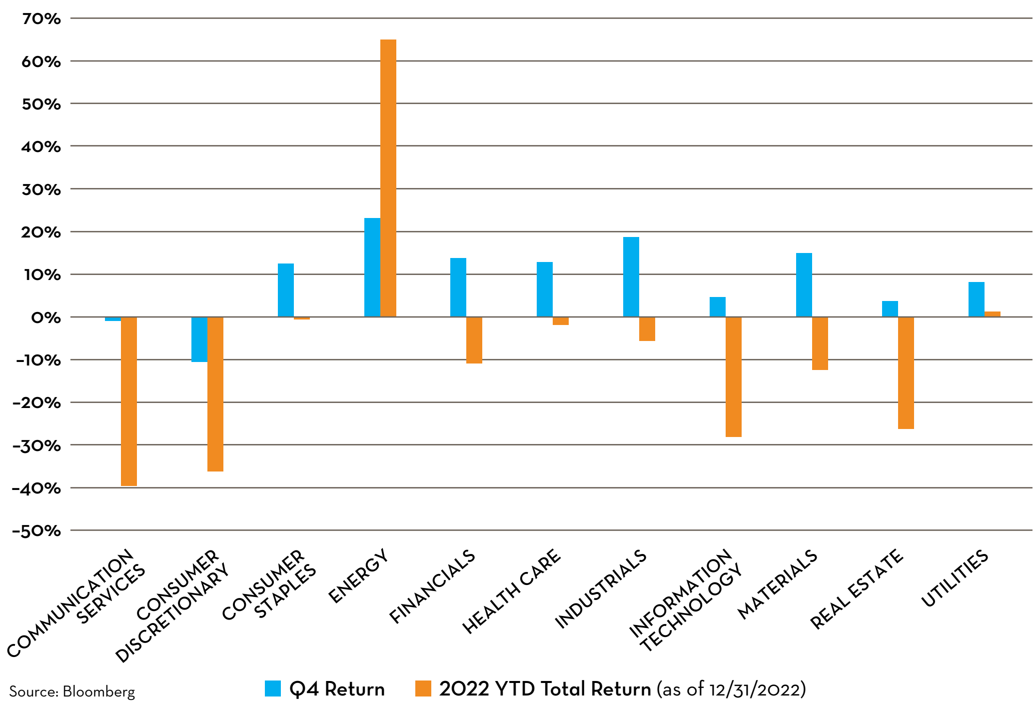
Throughout 2022, stocks lost value even with five separate bear-market rallies. Energy was the only sector solidly in positive territory, while the utility sector managed a small positive return. There was a huge spread in sector leadership, with energy up 65% and the next-best sector, utilities, up 1.5%. Other defensive sectors did relatively well, including health care and consumer staples. Growth sectors including technology, communication services and consumer discretionary underperformed drastically amidst higher rates and the popping of the stay-at-

TANDEM INSTITUTIONAL™

home bubble. Emerging markets were hurt by a strong dollar. Finally, bonds were unable to provide their usual shelter from equity volatility amidst a backdrop of seven interest rate increases.

The year was characterized by increased market volatility and GDP growth slowing from the white-hot economy of 2021. In the US and abroad central banks continue to raise short-term interest rates to slow consumption and inflation. Growth in the US was supported by private fixed investment, despite the slowing housing market and decreased government outlays. Consumers contributed handily by driving the savings rate down from 7.5% at the beginning of the year to 2.4%—its lowest level since 2005. The labor market added over 4 million jobs, pushing the total number of jobs past the pre-pandemic high. But 10 million job openings remain, supporting higher wages—in direct opposition to the Fed's tightening campaign.

S&P 500 Sector Returns



Source: Bloomberg

Going forward, most economists expect GDP to stall or decline slightly in the coming year as consumer firepower wanes and corporations lose the top-line pricing power that has been driving revenue growth. Additionally, housing and its huge multiplier effect on economic growth is expected to continue to contract due to a lack of affordability.

The Fed remains resolute in their campaign to crush inflation at the expense of the labor market, meaning they will allow unemployment to rise while trying to get prices under control. The discrepancy between market expectations for Fed policy and the Fed's own guidance has never been more pronounced, with the market expecting rate cuts in 2023 despite Fed officials' persistent message of "higher rates for longer." The majority of Fed members currently see the peak Federal Funds rate for this cycle between 0.50% and 0.75% north of its current rate of 4.5%.

TANDEM INSTITUTIONAL™

Quarterly Outlook

JANUARY 2023

Over the past 12 months, stock valuations have adjusted downward and are now trading at more reasonable values for the current environment, yet they remain unsettled. Corporate earnings and margins are likely to deteriorate as the lagged effect of higher rates filter into the economy. The effect of tightening takes times to impact economic growth, a slow grind, and we expect that to play out in 2023 through reduced earnings growth. The outlook for bonds is much more promising, offering investors substantially higher income along with depressed prices.

Tandem constructs portfolios by adhering to a structured investment management process, continually monitoring for risks. Success for clients results from a disciplined approach to investing in all markets. While the current environment is challenging for investors, a long-term focus remains essential.

Disclosures

Tandem Wealth Advisors LLC ("Tandem") is an SEC-registered investment adviser.

The information published herein is provided for informational purposes only and does not constitute an offer of investment advisory services. All information is subject to change without notice. Nothing contained herein constitutes financial, legal, tax, or other advice. No investment process is free of risk, and investors may lose all their investments. Past performance is not indicative of current or future performance and is not a guarantee. The opinions expressed in this document may not fit your risk and return preferences. The information provided is obtained from sources believed to be reliable, but we cannot attest to its accuracy. Past performance is not necessarily indicative of future returns.

Certain information contained herein constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "project," "estimate," "intend," "continue," or "believe," or the negatives thereof or other variations or comparable terminology. Due to various risks and uncertainties, actual events, results, or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance, or a representation of future events or conditions.

Additional copies of Tandem's ADV Part 2A and/or Privacy Policy are available upon request by phone at 602-297-8600 or by email at info@tandemwealth.com.

Index Definitions

The S&P 500 Index measures the performance of the large-cap segment of the US equity market. The S&P MidCap 400 Index measures the performance of the mid-cap segment of the US equity market. The S&P SmallCap 600 Index measures the performance of the small-cap segment of the US equity market. The Nasdaq 100 is a basket of the 100 largest, most actively traded US companies listed on the Nasdaq stock exchange. The Russell 2000 Index measures the performance of the small-cap segment of the US equity market. The MSCI World Ex USA Index captures large- and mid-cap representation across 22 of 23 developed markets countries, excluding the US. The MSCI Emerging Markets Index captures more than 1,400 large- and mid-cap securities in 24 countries spanning across five regions. The Bloomberg Barclays US Aggregate Bond Index is a broad-based benchmark that measures the investment-grade, US dollar-denominated, fixed-rate taxable bond market. The Bloomberg Barclays US Treasuries Index includes public obligations of the US Treasury, i.e., US government bonds. The Bloomberg Barclays Investment Grade Corporates index measures the investment-grade, fixed-rate, taxable corporate bond market. The Bloomberg Barclays Corporate High Yield Index measures the USD-denominated, high-yield, fixed-rate corporate bond market. The Bloomberg Barclays US MBS Index measures the performance of US mortgage-backed fixed income securities. The Bloomberg Barclays Global Aggregate Bond Index tracks the performance of global investment-grade, fixed-rate bond markets. The Bloomberg Barclays Global High Yield Bond Index is a multi-currency measure of the global high yield corporate debt market. The Bloomberg Barclays Investment Grade US Convertibles Index tracks the performance of investment-grade, USD-denominated convertible securities. S&P 500 Sectors measure segments of the US stock market as defined by GICS®. All index performance data sourced from Bloomberg.

TANDEM INSTITUTIONAL™