



**EMERGING WEALTH**  
Investment Management, Inc.®



# **2023 Financial Markets Outlook: Navigating The Pitfalls And Opportunities Ahead**

**Presented By  
William T. Knight (Bill), CFP®, AWMA®, PPC®  
Wealth Advisor  
Legend Financial Advisors, Inc.®**



## **William T. Knight (Bill), CFP®, AWMA®, PPC® Wealth Advisor**

**William T. Knight (Bill), CFP®, AWMA®, PPC® is a Wealth Advisor with Legend Financial Advisors, Inc.® (Legend) and EmergingWealth Investment Management, Inc.® (EmergingWealth). Bill had previously been an intern with Legend from 2007 to 2010 and worked at the firm full-time from 2011 to 2014. Bill returned to Legend in 2020 and has been an integral part of the Advisory Team.**

**As a Wealth Advisor at Legend, Bill assists all types of clients with their financial planning and investment needs. Bill's primary responsibilities include meeting with clients, performing investment research, implementing securities trades, creating financial planning analyses for clients and assisting in training and development of staff members. Bill is a member of the firm's Investment Committee. Bill is also experienced with the Bloomberg Investment Service, Morningstar Workstation, eMoney Advisor, Zacks Investment Research services as well as a number of other investment research and financial planning tools.**

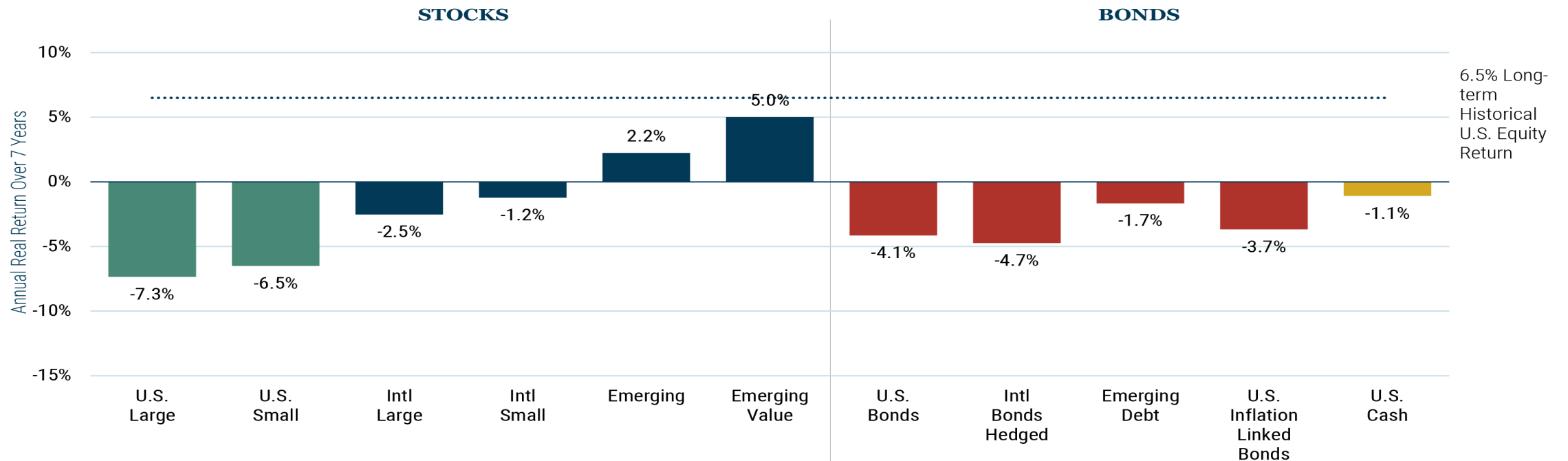
**He graduated from the University of Pittsburgh with a Bachelor's of Science degree in Business Administration with a major in Finance. Bill is a native of Pittsburgh's North Hills.**

# OVERVIEW

- 1. What happened in 2022?**
- 2. Where are we today?**
- 3. What opportunities lie ahead for you?**

# 7-YEAR ASSET CLASS REAL RETURN FORECASTS\*

*As of December 31, 2021*

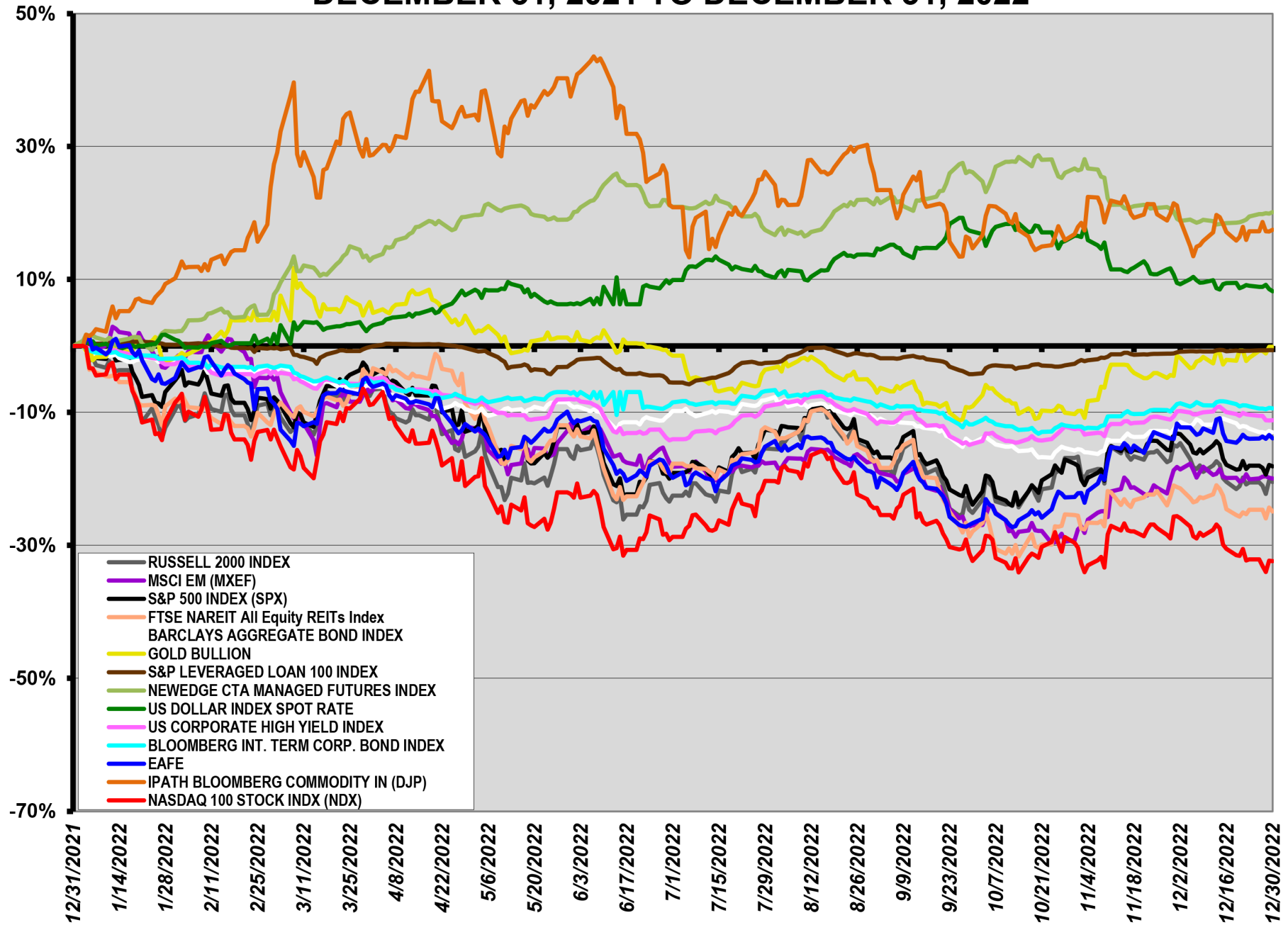


**Source: GMO**

\*The chart represents local, real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

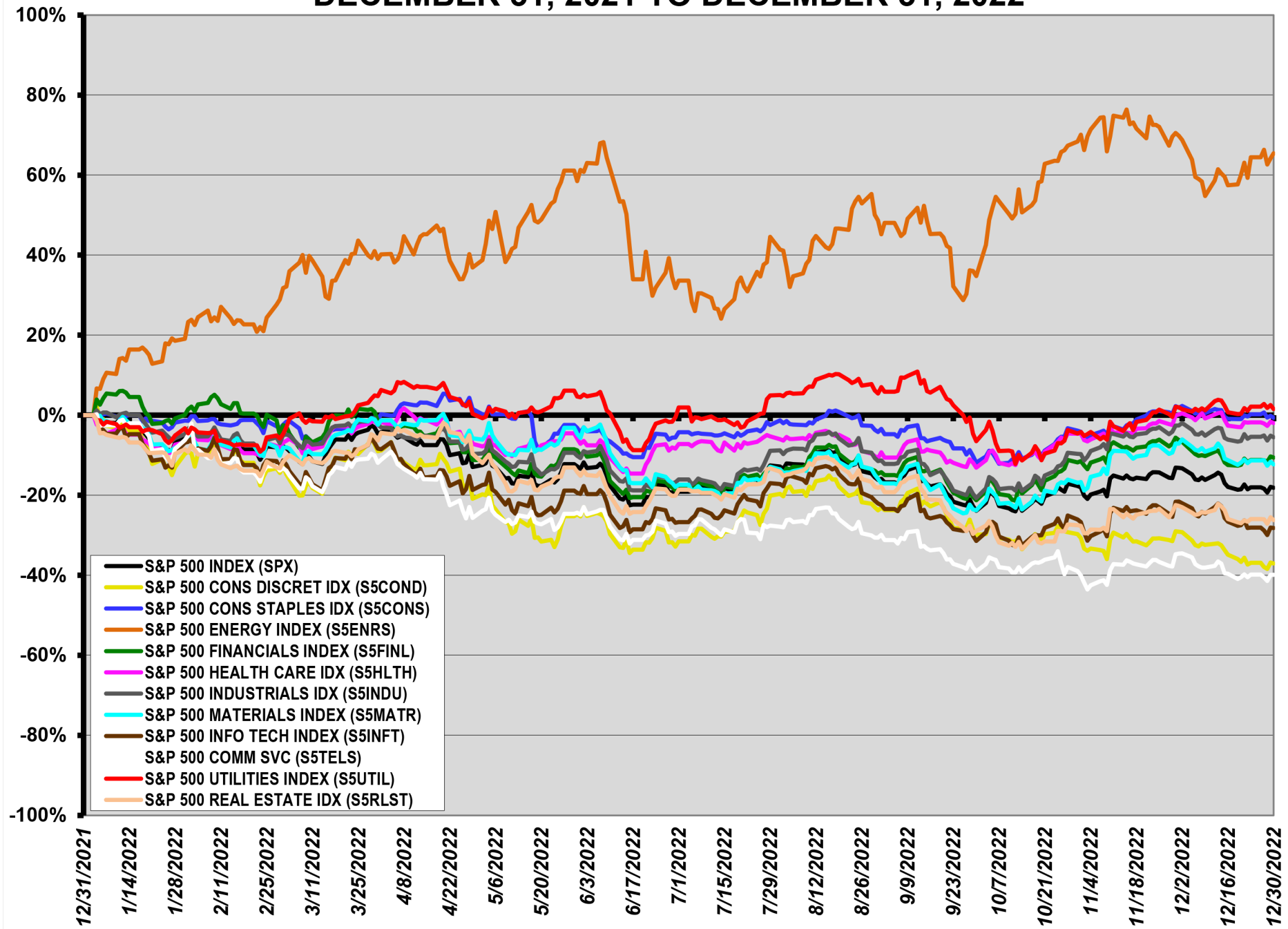
# INDEXES

## DECEMBER 31, 2021 TO DECEMBER 31, 2022



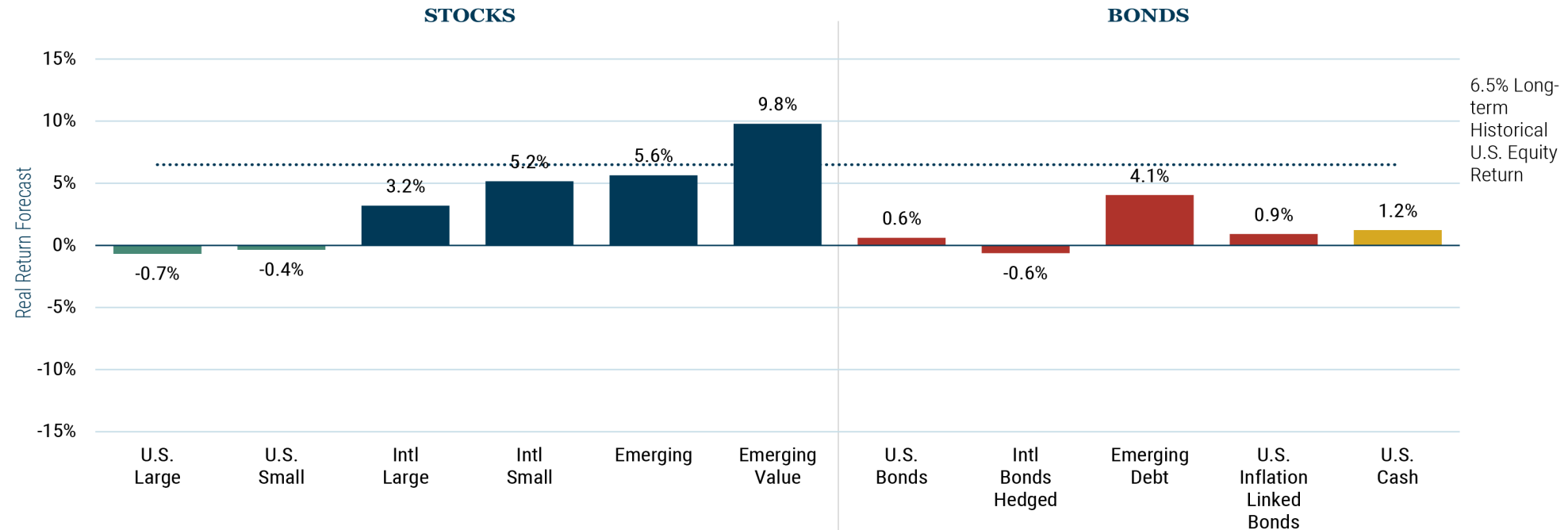
# U.S. SECTORS

## DECEMBER 31, 2021 TO DECEMBER 31, 2022



# 7-YEAR ASSET CLASS REAL RETURN FORECASTS\*

*As of December 31, 2022*

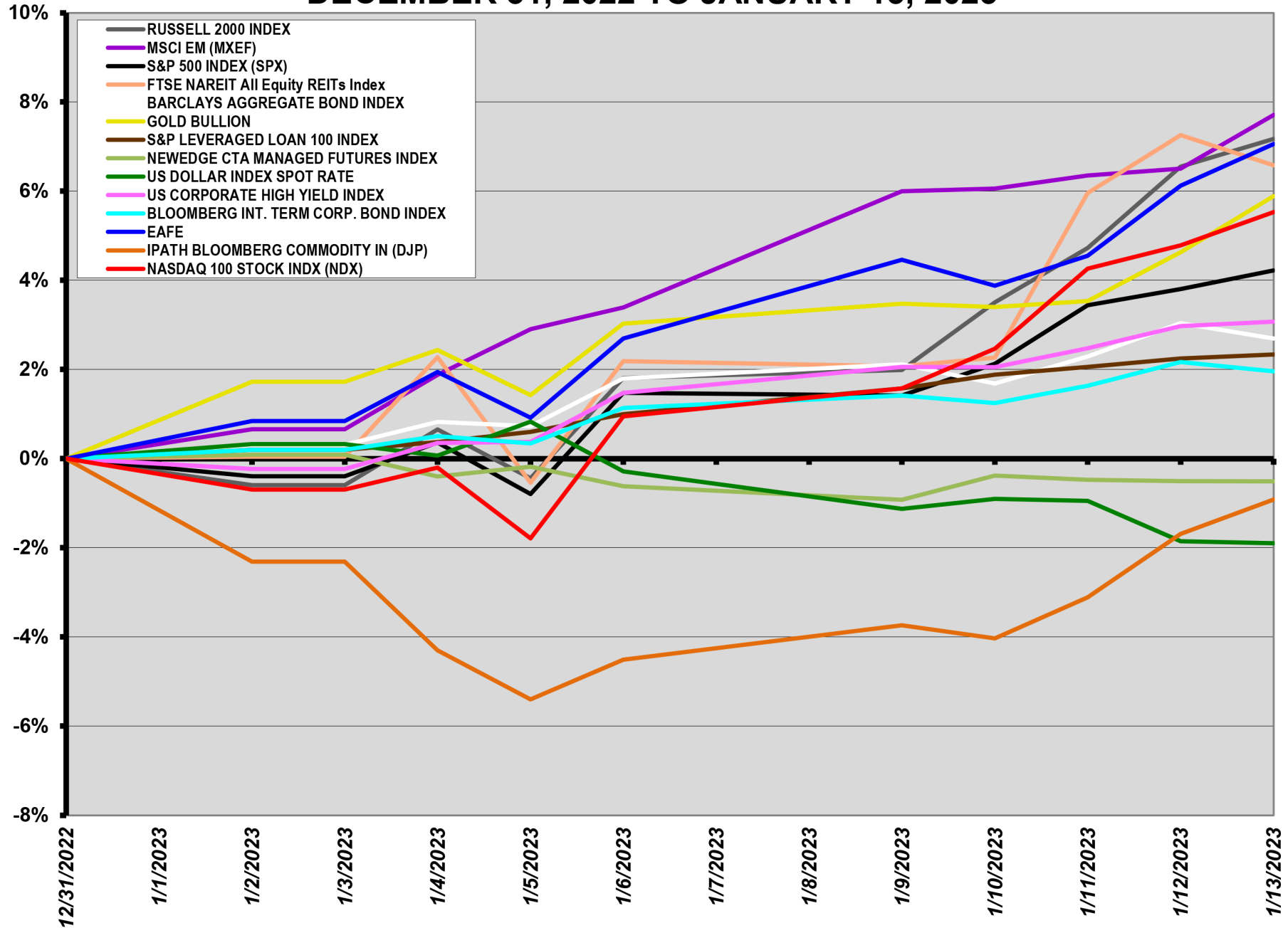


**Source: GMO**

\*The chart represents local, real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.3% over 15 years.

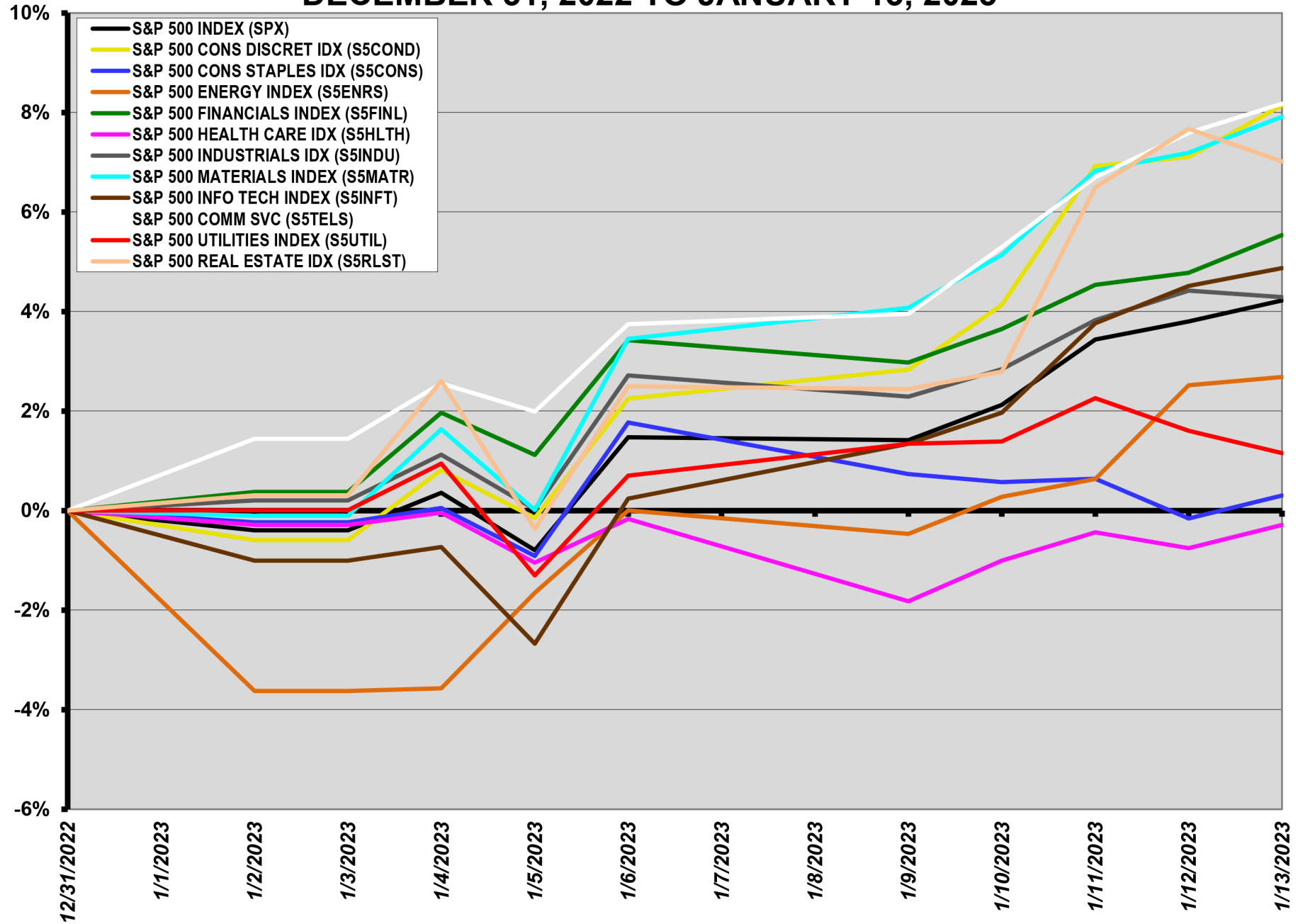
# INDEXES

## DECEMBER 31, 2022 TO JANUARY 13, 2023



# U.S. SECTORS

## DECEMBER 31, 2022 TO JANUARY 13, 2023

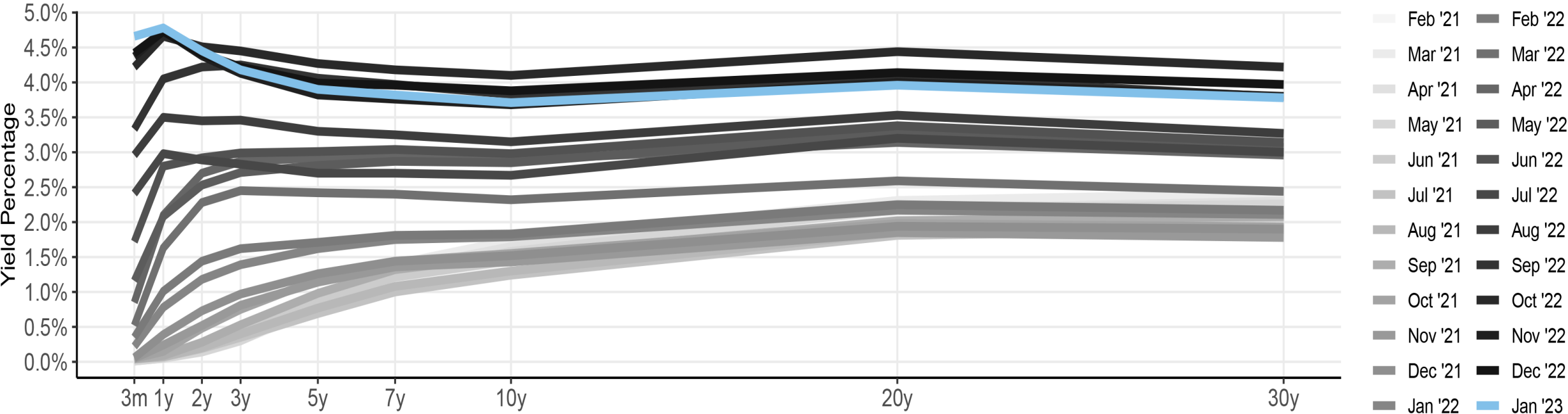


# **DANGERS:**

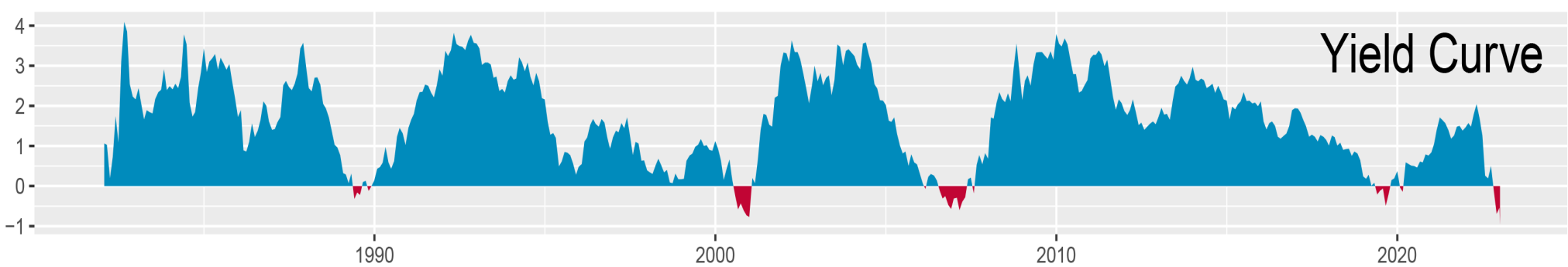
- 1. Yield Curve Inversion predicts recessions**
- 2. High and rising interest rates slow the economy**
- 3. Housing is in a recession, and the savings rate is low**

# Yield Curve – Trailing Two Years

U.S. Treasury Yield Curve



10-Year Minus 3-Month



# **OPPORTUNITIES:**

- 1. Fixed Income: Risk/Reward is more attractive**
- 2. Equities: Value, Emerging Markets, Small Cap**
- 3. Other: Managed Futures, Merger/Arb, and Commodities**

Portfolio Name  
Client List Debt

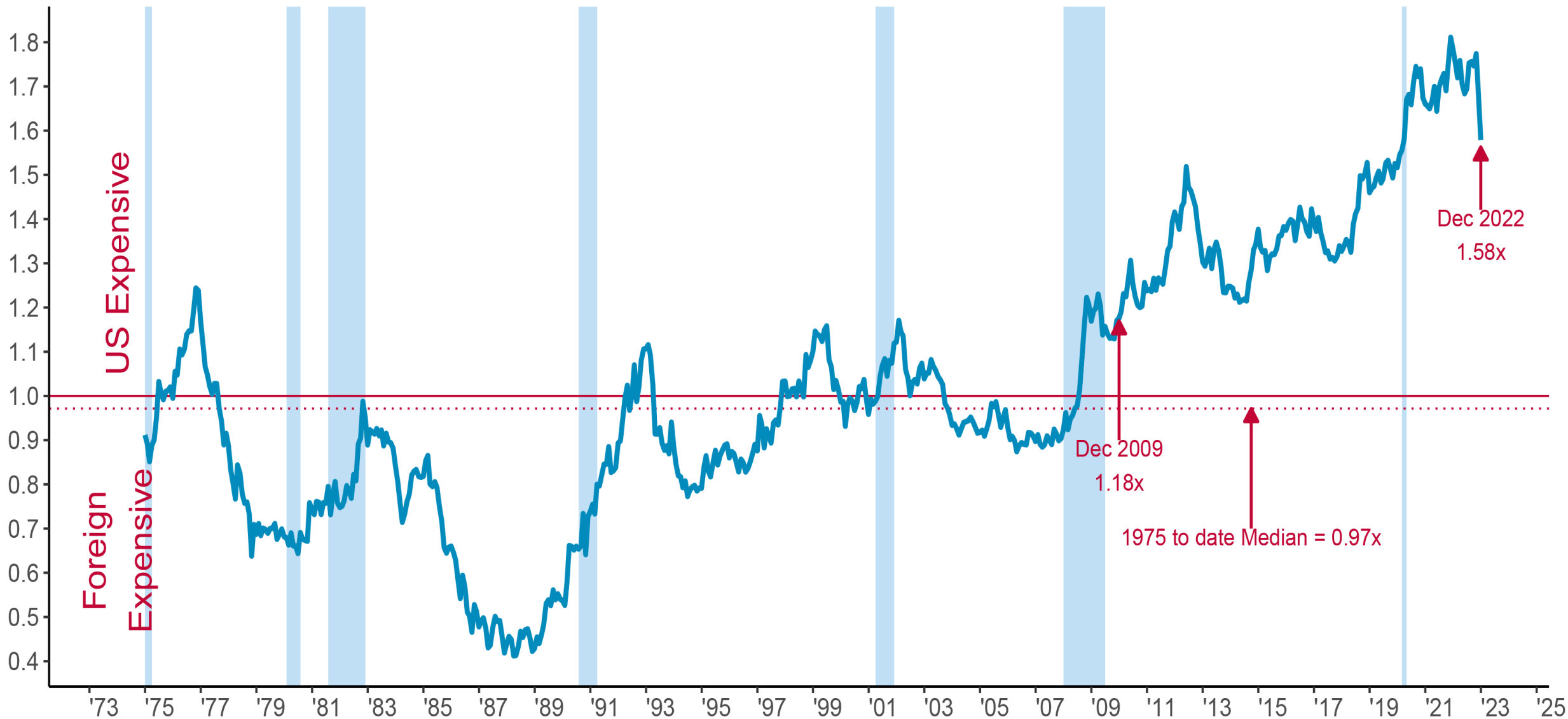
Date  
1/18/2023 at 7:28 AM

Current Value  
1,421.02

Name	Ticker	Equity Style Box	% Change	% Total Return YTD	% Total Return 1 Week	% Total Return 1 Month	% Total Return 3 Month	Total Return 2018	Total Return 2019	Total Return 2020	Total Return 2021	Total Return 2022	% Expense Ratio	% SEC Dividend Yield	Duration	Average Daily Volume
AlphaCentric Income Opportunities I	IOFIX		0.11	0.77	0.88	0.55	0.45	4.45	11.93	-10.58	14.92	-21.68	1.50	5.21	---	---
Amplify BlackSwan Gr & Trsry Cor ETF	SWAN		-0.12	4.25	1.65	0.88	4.96	---	22.04	16.17	10.57	-27.78	0.49	---	---	62,900.00
Angel Oak Multi-Strategy Income Instl	ANGIX	▣▣	0.00	1.12	0.59	0.57	-1.35	2.85	4.98	-1.77	4.22	-12.42	1.04	6.19	2.98	---
BlackRock GNMA Instl	BGNIX		-0.25	3.04	0.92	0.37	6.54	0.46	6.46	4.19	-1.14	-12.54	0.42	2.72	7.36	---
BNY Mellon Income Stock Inv	MIISX	▣▣	-0.63	2.99	0.38	4.63	12.59	-8.58	28.00	-2.05	30.26	4.29	1.08	1.66	---	---
DoubleLine Opportunistic Bond ETF	DBND		-0.13	3.00	0.93	0.51	5.25	---	---	---	---	---	0.50	---	5.92	23,200.00
Doubleline Selective Credit I	DBSCX		-0.14	1.65	0.54	1.03	1.09	3.02	5.68	1.82	4.13	-8.10	0.64	6.67	---	---
DoubleLine Total Return Bond I	DBLTX		-0.11	2.96	1.01	0.57	4.50	1.75	5.81	4.12	0.24	-12.56	0.48	5.19	5.96	---
Eaton Vance Floating Rate I	EIBLX	▣▣	0.24	2.03	0.75	1.93	4.35	0.79	7.06	2.36	4.31	-2.36	0.78	7.63	0.37	---
Guggenheim Floating Rate Strats Instl	GIFIX		0.08	2.10	0.73	2.25	4.60	-0.08	7.12	1.66	5.12	-0.82	0.84	8.59	0.09	---
Guggenheim High Yield Inst	SHYIX		0.13	3.54	1.14	2.22	6.90	-3.02	12.02	5.19	5.42	-9.07	0.85	7.88	3.67	---
Guggenheim Macro Opportunities Instl	GIOIX	▣▣	0.08	2.57	0.94	1.57	6.14	0.53	2.24	11.56	2.50	-8.38	1.00	6.89	3.65	---
Guggenheim Total Return Bond Instl	GIBIX		-0.04	3.49	1.17	1.00	6.84	0.93	4.69	15.24	-0.14	-15.54	0.50	5.38	7.40	---
iShares 10-20 Year Treasury Bond ETF	TLH		-0.33	5.37	1.68	-0.22	8.97	0.37	10.11	13.79	-5.38	-25.25	0.15	3.74	13.67	681,800.00
iShares 1-3 Year Treasury Bond ETF	SHY		0.06	0.64	0.20	0.32	1.55	1.46	3.38	3.03	-0.71	-3.88	0.15	4.24	1.88	5,723,300.00
iShares 20+ Year Treasury Bond ETF	TLT		-0.65	6.53	1.99	-0.98	8.90	-1.61	14.12	18.15	-4.60	-31.24	0.15	3.64	17.40	22,349,900.00
iShares 7-10 Year Treasury Bond ETF	IEF		-0.31	3.03	0.68	0.07	5.19	0.99	8.03	10.01	-3.33	-15.16	0.15	3.47	7.70	5,470,300.00
iShares Core US Aggregate Bond ETF	AGG		-0.18	2.84	0.79	0.39	5.86	0.10	8.46	7.48	-1.77	-13.02	0.03	3.84	6.32	8,167,000.00
iShares iBoxx \$ Invmt Grade Corp Bd ETF	LQD		-0.36	4.40	1.30	0.93	10.14	-3.79	17.37	10.97	-1.84	-17.93	0.14	4.98	8.31	18,404,700.00
JPMorgan Mortgage-Backed Securities I	OMBIX		-0.10	2.62	0.79	0.66	5.09	1.82	6.62	5.59	-0.38	-10.27	0.40	3.11	5.58	---
Loomis Sayles Bond Instl	LSBDX	▣▣	0.00	3.61	1.12	1.63	6.98	-2.87	11.57	2.14	3.23	-12.49	0.67	5.65	5.40	---
Loomis Sayles Core Plus Bond Y	NERYX		-0.08	3.32	1.11	0.77	7.31	-0.69	8.96	10.63	-1.42	-12.75	0.46	4.10	6.84	---
Loomis Sayles Sr Floating Rate and F/I Y	LSFYX		0.12	2.14	0.88	2.21	3.33	0.39	5.41	1.42	4.86	-4.69	0.81	8.86	0.31	---
MainStay MacKay Short Dur Hi Yld I	MDHIX	▣▣	0.11	1.97	0.54	1.74	4.42	0.15	9.37	3.25	4.74	-2.49	0.76	6.38	1.96	---
Metropolitan West Total Return Bd M	MWTRX		-0.11	3.11	1.05	0.61	6.60	-0.06	8.94	8.78	-1.34	-14.87	0.65	4.27	6.82	---
Natixis Vaughan Nelson Select A	VNSAX	▣▣	0.18	5.45	2.71	4.80	11.24	-4.80	27.47	18.30	39.20	-16.86	1.10	---	---	---
Nuveen Flexible Income I	NWQIX	▣▣	0.11	3.96	1.34	2.52	8.28	-4.10	18.52	5.52	5.14	-13.89	0.70	5.65	4.27	---
Nuveen Floating Rate Income I	NFRIX		0.06	1.87	0.59	1.94	3.67	-0.02	8.00	1.89	7.08	-1.63	0.71	7.37	0.15	---
Osterweis Strategic Income	OSTIX		0.00	2.61	0.76	2.02	6.30	-0.66	5.35	9.02	5.48	-5.94	0.84	---	2.92	---
Performance Trust Strategic Bond	PTIAX		0.05	2.53	0.99	0.89	4.84	2.01	7.36	5.73	1.73	-12.84	0.75	6.36	---	---
PIMCO Emerging Mkts Lcl Ccy and Bd Instl	PELBX		-0.52	4.34	1.85	5.89	16.22	-7.52	17.18	2.15	-7.78	-6.39	1.22	6.01	5.05	---
PIMCO Enhanced Short Maturity Active ETF	MINT		0.06	0.50	0.18	0.58	1.49	1.72	3.33	1.62	-0.03	-1.01	0.36	4.64	0.44	1,272,400.00
PIMCO GNMA and Government Secs Instl	PDMIX		-0.21	3.42	1.25	0.87	6.51	0.82	6.56	5.76	-0.65	-12.95	0.52	2.85	6.31	---
PIMCO Income Instl	PIMIX	▣▣	-0.09	2.88	1.17	2.10	6.62	0.58	8.05	5.80	2.61	-7.81	0.51	5.25	3.22	---
PIMCO International Bond (USD-Hdg) Instl	PFORX	▣▣	0.32	2.37	1.23	0.89	4.02	2.63	7.34	6.15	-1.67	-9.84	0.51	2.98	6.16	---
PIMCO Investment Grade Credit Bond Instl	PIGIX	▣▣	-0.11	3.49	1.20	1.30	8.26	-2.02	14.72	7.50	-1.03	-15.83	0.51	5.32	6.59	---
PIMCO Low Duration Credit Instl	PSRIX		0.00	2.15	0.60	1.85	4.56	-0.61	9.38	-1.40	3.37	-2.00	0.73	7.32	0.82	---
PIMCO Real Return Instl	PRRIX		-0.39	1.14	0.22	0.44	2.69	-1.97	8.52	12.09	5.67	-11.86	0.47	7.94	6.48	---
PIMCO Total Return Instl	PTTRX		-0.23	2.83	0.99	0.84	6.13	-0.26	8.26	8.88	-0.84	-14.09	0.46	4.43	5.87	---
ProShares Inflation Expectations	RINF		-0.32	-4.46	-3.43	1.48	-7.57	-0.81	1.82	1.99	16.20	8.79	0.30	---	---	49,200.00
ProShares UltraShort 20+ Year Treasury	TBT		1.27	-12.00	-3.87	1.84	-16.99	4.98	-22.91	-37.94	2.86	93.29	0.89	---	---	4,319,500.00
ProShares UltraShort 7-10 Year Treasury	PST		0.72	-5.36	-1.15	0.51	-8.29	1.70	-11.04	-18.66	4.01	38.55	0.95	---	---	91,000.00
SPDR Blackstone Senior Loan ETF	SRLN		0.02	2.62	0.65	2.49	4.29	-0.66	10.02	3.14	4.48	-5.31	0.70	1.12	0.30	2,500,900.00
VanEck Fallen Angel HiYld Bd ETF	ANGL		-0.25	3.52	0.83	2.23	7.44	-5.84	18.07	13.20	6.84	-14.26	0.35	7.01	5.43	1,700,000.00

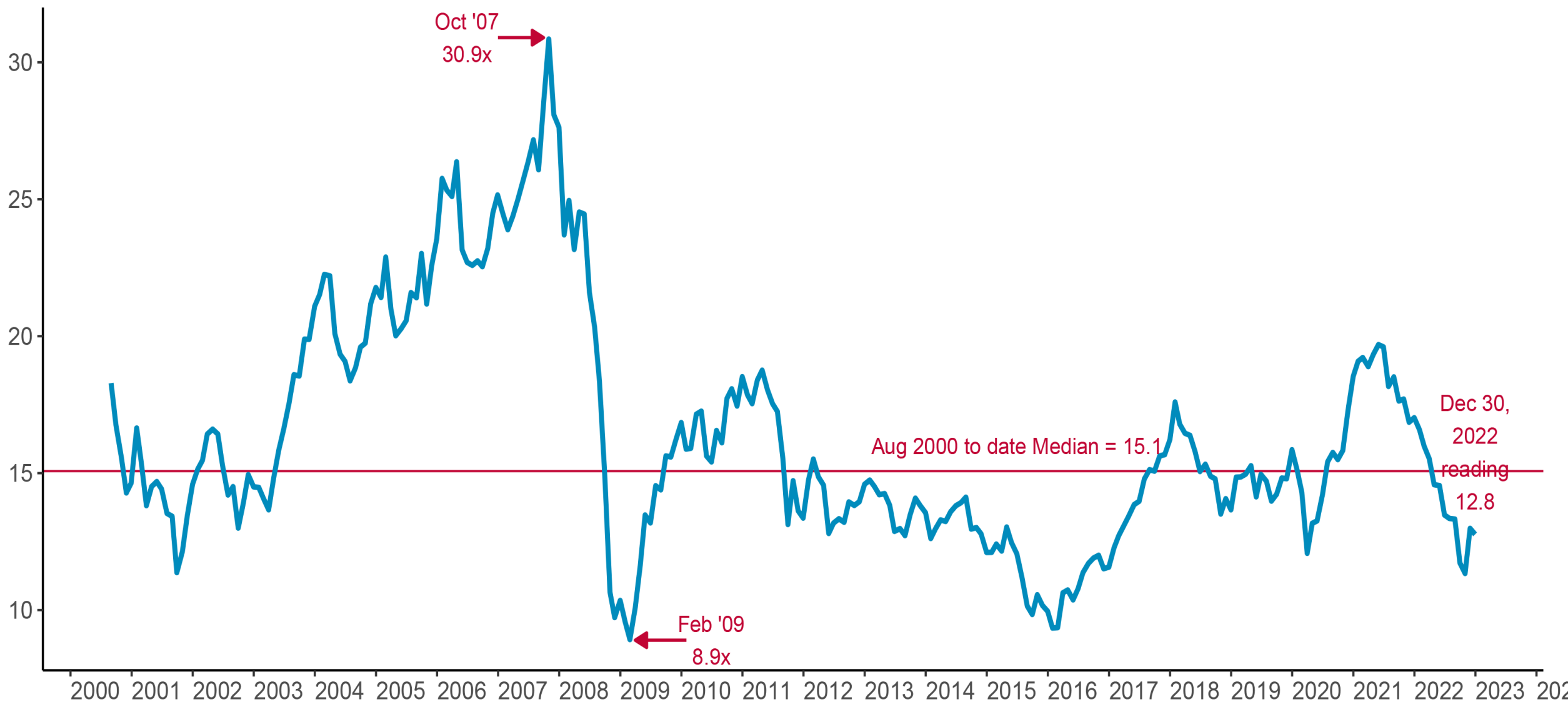
# U.S./Foreign Relative P/E Ratio (Using Normalized EPS)

MSCI USA 5-Yr. Normalized P/E Divided by MSCI World Ex USA 5-Yr. Normalized P/E



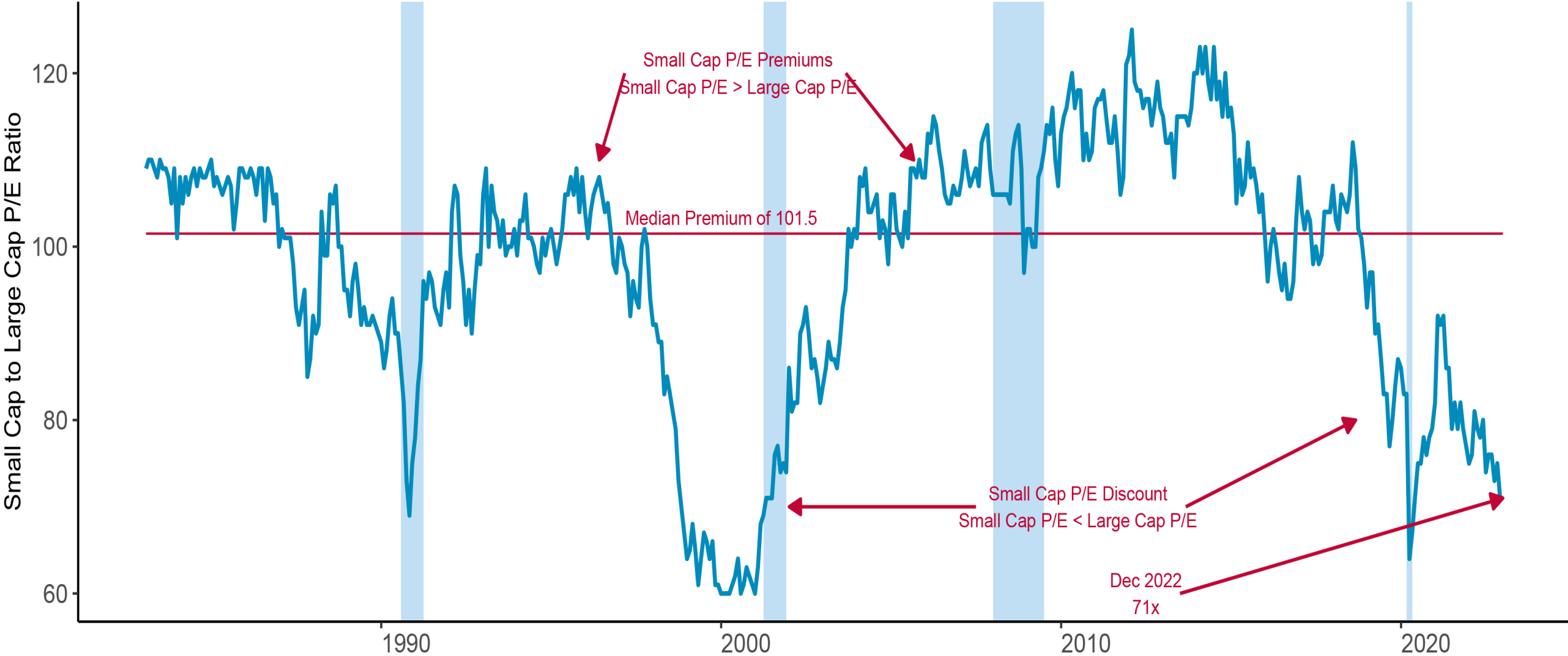
# Emerging Markets P/E on 5-Yr Normalized EPS

Normalized EPS Based on 5-Yr. Moving Average of 12-Mo. Trailing EPS



# Small Cap to Large Cap Historical P/E Ratio (x100)

Based on Non-normalized trailing operating earnings  
Small Cap: Leuthold 3000 Small Cap: 16.18x  
Large Cap: Leuthold 3000 Large Cap: 22.63x  
Vertical bars represent recessions.



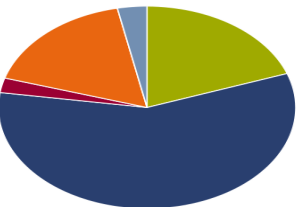
# TOOLS TO NAVIGATE 2023:

**What does this mean for you?**



Portfolio X-Ray®:

Asset Allocation 12-31-2022



Asset Allocation	Portfolio %	Bmark (%)
Cash	19.56	19.56
US Stocks	57.80	60.33
Non-US Stocks	2.34	3.00
Bonds	17.10	17.10
Other/Not Clsfd	3.20	0.01

Bond Analysis 12-31-2022

Fixed-Income Sectors	Portfolio (%)	Bmark (%)	Portfolio	Bmark
Government	100.00	46.39	<div></div>	<div></div>
Municipal	0.00	0.64	<div></div>	<div></div>
Corporate	0.00	23.83	<div></div>	<div></div>
Securitized	0.00	29.14	<div></div>	<div></div>
Cash & Equivalents	0.00	0.00	<div></div>	<div></div>
Derivative	0.00	0.00	<div></div>	<div></div>

Maturity Breakdown

Effective Maturity	Portfolio (%)	Credit Quality	Portfolio (%)
1-3	100.00	AAA	100.00
3-5	0.00	AA	0.00
5-7	0.00	A	0.00
7-10	0.00	BBB	0.00
10-15	0.00	BB	0.00
15-20	0.00	B	0.00
20-30	0.00	Below B	0.00
>30	0.00	NR	0.00

Credit Quality Breakdown

Investment Style 12-31-2022

100	0	0
0	0	0
0	0	0
Ltd	Mod	Ext

Fixed-Income Style	Portfolio	Bmark
Effective Duration	0.02	—
Effective Maturity	—	—

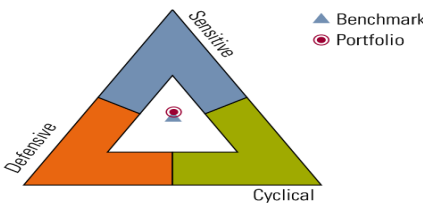


Benchmark  
Custom

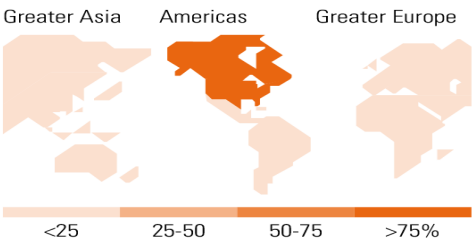
Market Value  
\$1,026,608.00

Stock Analysis 12-31-2022

Stock Sectors



World Regions



	Portfolio (%)	Bmark (%)
<b>Cyclical</b>	<b>25.38</b>	<b>29.12</b>
Basic Matls	0.00	2.65
Consumer Cycl	13.14	9.59
Financial Svs	12.20	14.07
Real Estate	0.04	2.81
<b>Sensitive</b>	<b>52.32</b>	<b>44.16</b>
Commun Svs	7.09	7.19
Energy	0.00	5.22
Industrials	3.10	9.28
Technology	42.13	22.47
<b>Defensive</b>	<b>22.30</b>	<b>26.72</b>
Consumer Def	8.81	7.71
Healthcare	13.49	15.82
Utilities	0.00	3.19
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

	Portfolio (%)	Bmark (%)
<b>Americas</b>	<b>96.18</b>	<b>95.26</b>
North America	96.15	95.26
Latin America	0.03	0.00
<b>Greater Europe</b>	<b>3.38</b>	<b>3.43</b>
United Kingdom	2.90	1.11
Europe-Developed	0.46	2.29
Europe-Emerging	0.00	0.00
Africa/Middle East	0.02	0.03
<b>Greater Asia</b>	<b>0.44</b>	<b>1.31</b>
Japan	0.09	0.81
Australasia	0.00	0.30
Asia-Developed	0.05	0.20
Asia-Emerging	0.30	0.00
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

Equity Style	Portfolio	Bmark
Average Market Cap (\$mil)	446,148.45	153,606.71
Price/Earnings	23.19	18.69
Price/Book	6.56	3.43
Price/Sales	3.05	2.20
Price/Cash Flow	15.81	13.89

6	27	60
0	1	6
0	0	0
Value	Blend	Growth

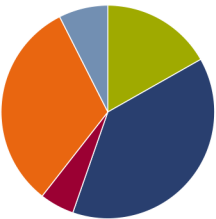


Portfolio X-Ray®: 60% Equity / 40% Debt

Benchmark  
Custom

Market Value  
\$120,000.00

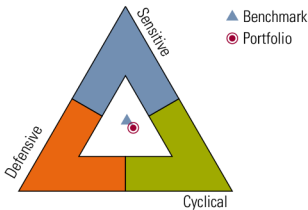
Asset Allocation 12-31-2022



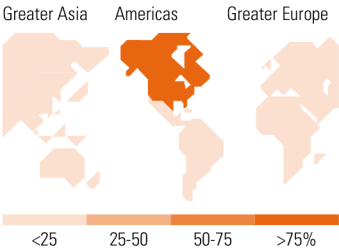
Asset Allocation	Portfolio %	Bmark (%)
Cash	16.79	16.79
US Stocks	38.53	45.54
Non-US Stocks	5.23	5.67
Bonds	31.99	31.99
Other/Not Clsfd	7.46	0.02

Stock Analysis 12-31-2022

Stock Sectors



World Regions



Bond Analysis 12-31-2022

Fixed-Income Sectors	Portfolio (%)	Bmark (%)	Portfolio	Bmark
Government	16.34	46.19		
Municipal	0.04	0.64		
Corporate	45.65	24.02		
Securitized	23.31	29.14		
Cash & Equivalents	10.19	0.00		
Derivative	4.48	0.00		

Maturity Breakdown

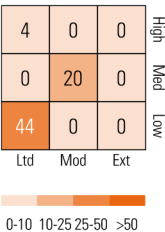
Effective Maturity	Portfolio (%)	Credit Quality	Portfolio (%)
1-3	15.62	AAA	32.07
3-5	15.80	AA	2.49
5-7	30.14	A	2.85
7-10	6.37	BBB	7.03
10-15	7.45	BB	16.25
15-20	4.01	B	29.49
20-30	15.43	Below B	3.95
>30	5.18	NR	5.87

Credit Quality Breakdown

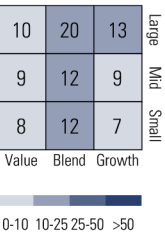
	Portfolio (%)	Bmark (%)
<b>Cyclical</b>	<b>41.49</b>	<b>30.17</b>
Basic Matls	12.88	2.95
Consumer Cycl	11.01	10.22
Financial Svs	15.17	14.23
Real Estate	2.43	2.77
<b>Sensitive</b>	<b>35.44</b>	<b>43.98</b>
Commun Svs	3.99	7.20
Energy	3.79	5.14
Industrials	6.75	9.48
Technology	20.91	22.16
<b>Defensive</b>	<b>23.07</b>	<b>25.85</b>
Consumer Def	3.82	7.71
Healthcare	17.73	15.13
Utilities	1.52	3.01
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

	Portfolio (%)	Bmark (%)
<b>Americas</b>	<b>90.74</b>	<b>88.94</b>
North America	90.31	88.93
Latin America	0.43	0.01
<b>Greater Europe</b>	<b>5.99</b>	<b>7.51</b>
United Kingdom	1.80	2.03
Europe-Developed	3.71	5.41
Europe-Emerging	0.44	0.00
Africa/Middle East	0.04	0.07
<b>Greater Asia</b>	<b>3.27</b>	<b>3.55</b>
Japan	0.77	2.23
Australasia	0.87	0.84
Asia-Developed	0.59	0.47
Asia-Emerging	1.04	0.01
<b>Not Classified</b>	<b>0.00</b>	<b>0.00</b>

Investment Style 12-31-2022



Fixed-Income Style	Portfolio	Bmark
Effective Duration	3.04	—
Effective Maturity	6.23	—



Equity Style	Portfolio	Bmark
Average Market Cap (\$mil)	21,457.08	152,397.92
Price/Earnings	14.14	19.09
Price/Book	2.56	3.35
Price/Sales	1.39	2.20
Price/Cash Flow	10.80	14.12

# **SUMMARY:**

- 1. Fixed Income: Attractive Risk/Reward**
- 2. Equities: Valuations have improved**
- 3. Other: Diversification among alternative assets classes likely to offer a better risk-adjusted return**

# QUESTIONS AND ANSWERS



# CONTACT INFORMATION



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