FIT WEALTH MANAGEMENT

FIT Wealth Management, 2nd Quarter 2022 Update

Hello All,

It's summertime and what a great way to start the season as the Colorado Avalanche close out an incredible year with their third Stanley Cup win. Detroit might consider themselves Hockey town U.S.A. but in 2022 the hockey universe has revolved around the Centennial State. It's a hockey trifecta for the state of Colorado. We would be remiss if we didn't send out big congrats to both the University of Denver Pioneers and the Denver East Angels as both won their respective national hockey championships.

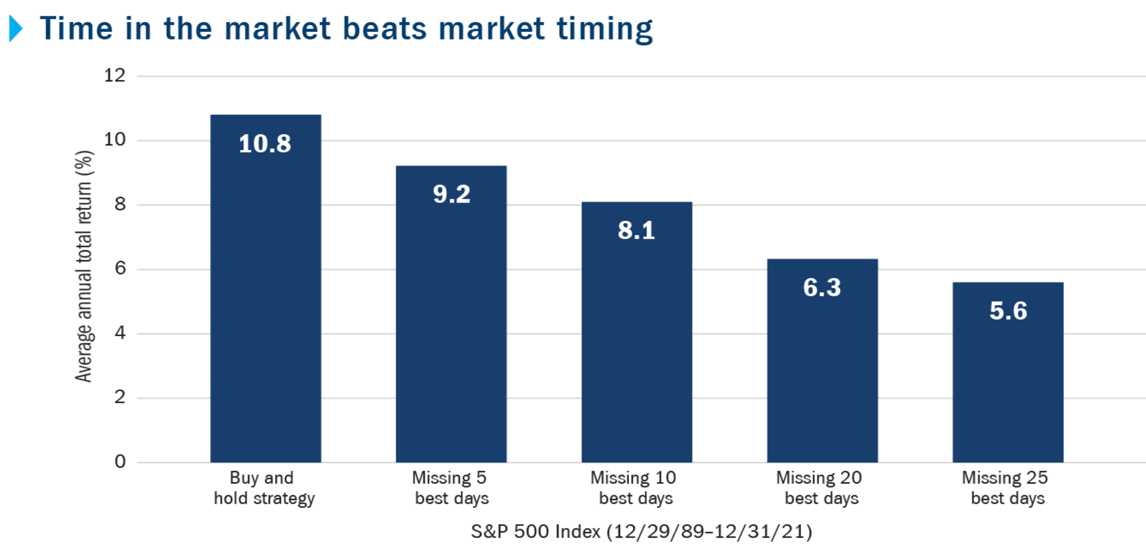
So far 2022 has been fraught with high volatility in the markets. Hiding from the downturn has been tough as most asset classes have pulled back. Regardless of the short-term fluctuations there are time tested rules we apply to our investment process. Common themes for us in times of high volatility include sticking to your long-term plan, not timing the market, adjusting your plan as life events and goals change and staying invested while keeping emotions in check. We have seen our fair share of volatile markets. With over 71+ years of investing experience, we have seen our share of tough markets. Make no mistake…this is a difficult environment.

Here is a chart of negative 5% or more moves the market has had since the low of the Financial Crisis in 2009…

@CharlieBilello	S&P 500 Corrections >5% since March 2009 Low				
Correction Period	# Days	S&P High	S&P Low	% Decline	"Stocks Fall On…"
2022: Jan 4 - June 17	164	4819	3637	-24.5%	Inflation, Rising Rates/Fed Tighening, Russia/Ukraine War, Recession Fears
2021: Nov 22 - Dec 3	11	4744	4495	-5.2%	Covid Omicron Variant, Fed Taper Fears
2021: Sep 2 - Oct 4	32	4546	4279	-5.9%	China Contagion Fears, Fed Taper Fears, Covid Delta Variant
2021: Feb 16 - Mar 4	16	3950	3723	-5.7%	Inflation Fears, Rising Rates
2020: Sep 2 - Sep 24	22	3588	3209	-10.6%	Coronavirus, No New Stimulus Deal, Election Fears
2020: Feb 19 - Mar 23	33	3394	2192	-35.4%	Coronavirus, Global Depression Fears
2019: Jul 26 - Aug 5	10	3028	2822	-6.8%	Trade War, Tariffs, Yuan Devaluation, Recession Fears
2019: May 1 - Jun 3	33	2954	2729	-7.6%	Trade War, Tariffs, Inverted Yield Curve, Global Slowdown/Recession Fears
2018: Sep 21 - Dec 26	96	2941	2347	-20.2%	Rising Rates, China Slowdown, Trade War/Tariffs, Housing Slowdown
2018: Jan 26 - Feb 9	14	2873	2533	-11.8%	Inflation Fears, Rising Rates
2016: Aug 15 - Nov 4	81	2194	2084	-5.0%	Election Fears/Concerns/Jitters
2015/16: May 20 - Feb 11	267	2135	1810	-15.2%	Greece Default, China Stock Crash, EM Currencies, Falling Oil, North Korea
2014/15: Dec 29 - Feb 2	35	2094	1981	-5.4%	Falling Oil, Strong Dollar, Weak Earnings
2014: Dec 5 - Dec 16	11	2079	1973	-5.1%	Falling Oil, Strong Dollar
2014: Sep 19 - Oct 15	26	2019	1821	-9.8%	Ebola, Global Growth Fears, Falling Oil
2014: Jan 15 - Feb 5	21	1851	1738	-6.1%	Fed Taper, European Deflation Fears, EM Currency Turmoil
2013: May 22 - Jun 24	33	1687	1560	-7.5%	Fed Taper Fears
2012: Sep 14 - Nov 16	63	1475	1343	-8.9%	Fiscal Cliff Concerns, Obama's Re-Election
2012: Apr 2 - Jun 4	63	1422	1267	-10.9%	Europe's Debt Crisis
2011: May 2 - Oct 4	155	1371	1075	-21.6%	Europe's Debt Crisis, Double-Dip Recession Fears, US Debt Downgrade
2011: Feb 18 - Mar 16	26	1344	1249	-7.1%	Libyan Civil War, Japan Earthquake/Nuclear Disaster
2010: Apr 26 - Jul 1	66	1220	1011	-17.1%	Europe's Debt Crisis, Flash Crash, Growth Concerns
2010: Jan 19 - Feb 5	17	1150	1045	-9.2%	China's Lending Curbs, Obama Bank Regulation Plan
2009: Oct 21 - Nov 2	12	1101	1029	-6.5%	Worries About The Recovery
2009: Sep 23 - Oct 2	9	1080	1020	-5.6%	Worries About The Recovery
2009: Jun 11 - Jul 7	26	956	869	-9.1%	World Bank Neg Growth Forecast; Fears Market Is Ahead Of Recovery
2009: May 8 - 15	7	930	879	-5.5%	Worries That Market Has Gotten Ahead Of Itself
Median	**26**			**-7.6%**	COMPOUND

In the last 13 years we have seen 26 5% or more moves down, 8 corrections (moves of 10% down or more) and 3 bear markets (moves of 20% down or more). The reasons for the market falling changes but the long-term result is consistent, it recovers.

The adage of "not losing until you've sold" is not lost on us. Getting out of the market can seem like a great way to relieve some short-term stress but the timing of your move can be detrimental to your long-term success.



Sources: Columbia Management Investment Advisers, LLC and Bloomberg as of 12/31/21. Past performance does not guarantee future results. The S&P 500 Index tracks the performance of 500 widely held, large-capitalization U.S. stocks. It is not possible to invest directly in an index.

Just missing the <u>25</u> best days (out of 8030 days) from 1990 to 2022 would have cost you close to half of your returns. The compounding of such an event can be devasting to achieving your long-term goals. We recognize this and know that keeping you engaged is vital.

Please remember that our investment process of Core, Factor, Opportunistic and Fixed Income is designed to participate in the long-term market appreciation (Core & Bonds), buying low and selling high (Factor) and short-term opportunities (Opportunistic). You have probably seen some changes over the last couple of months to your portfolio's. This is our process in motion.

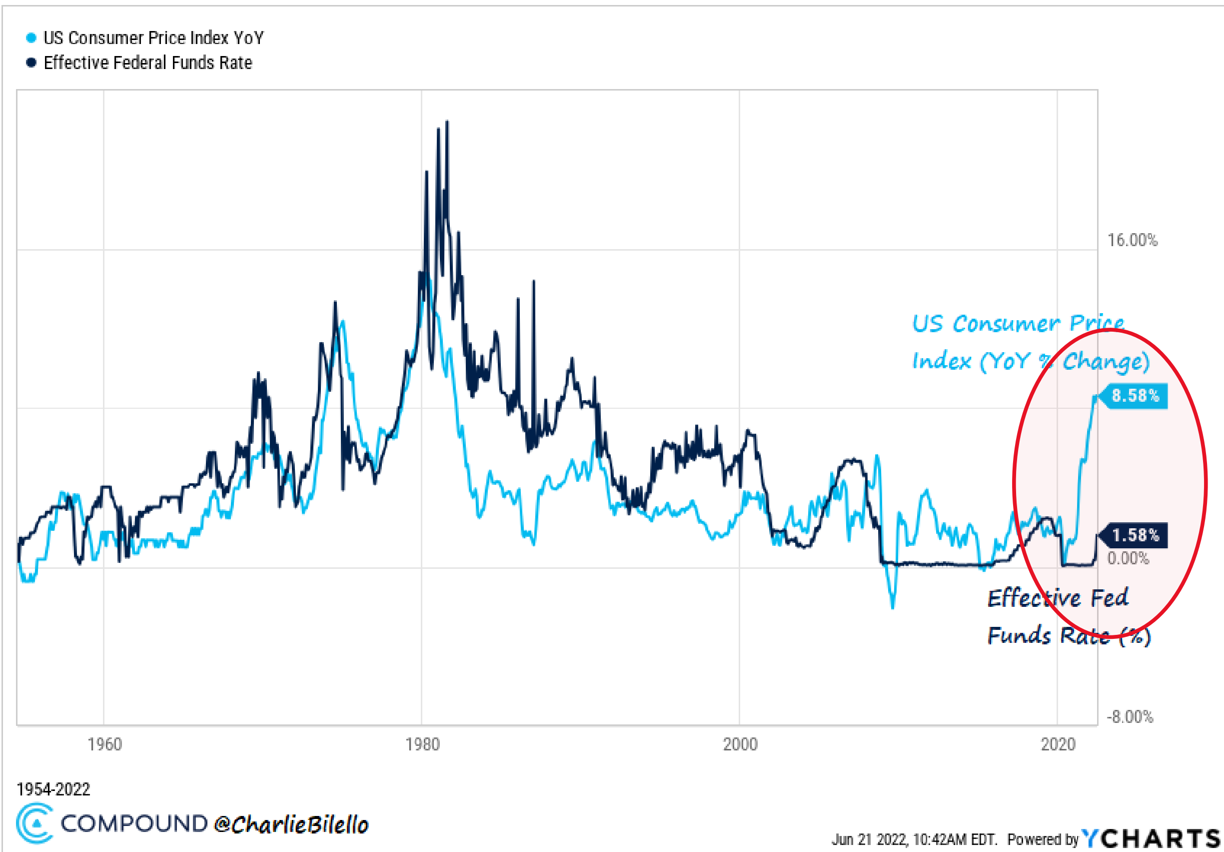
Miller's Musing's

From Brian's desk… A tough year continues with a rough June.

"Inflation is taxation without legislation" Milton Friedman

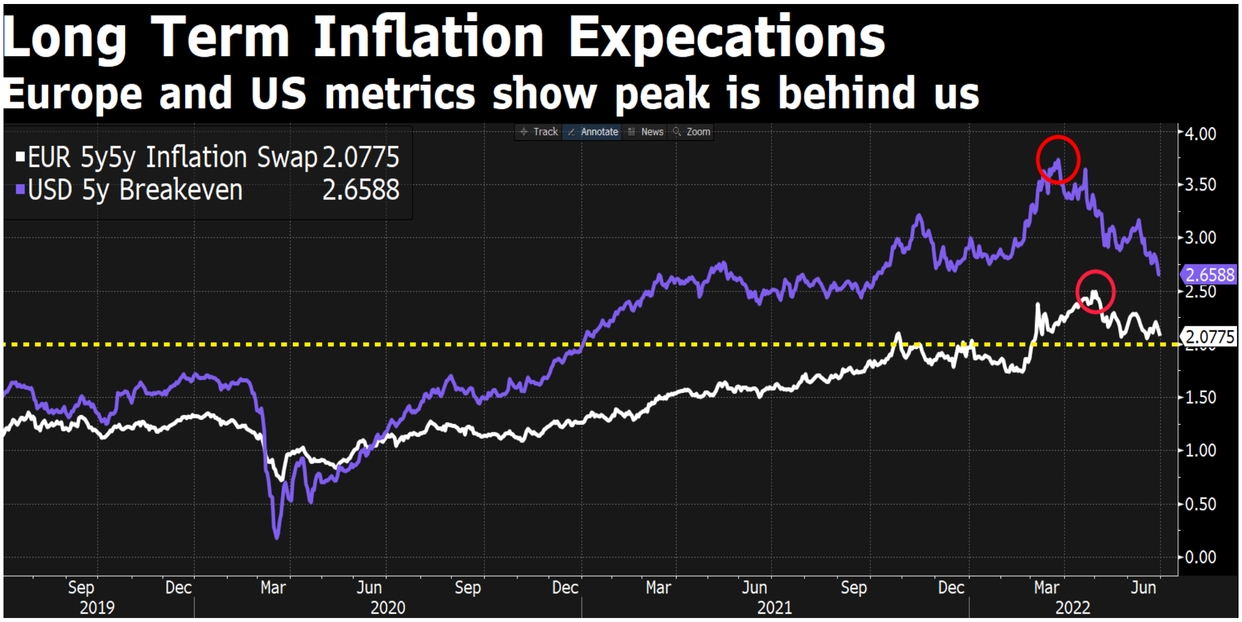
The markets continue to grapple with inflation and the ability of the Federal Reserve to not only control inflation but to avoid a recession. We believe that the Federal Reserve (The Fed) has been "behind the curve" with respect to inflation. The Fed raised rates in mid-June by .75% (75 basis points). This was The Feds first .75% increase since November 1994.

The chart below makes our base case on why we think the Fed is behind the curve. It shows the U.S. Consumer Price Index (CPI-our best measure of inflation) in relation to the Fed Funds rate. The Effective Fed Funds Rate usually tracks closely with CPI. This chart reflects how the CPI (Inflation) has exploded higher while the Fed Funds rate is just starting to move higher.



Because the Fed raised rates by .75% in June, the market is starting to believe the Fed is appropriately addressing the situation.

The next graph below shows the U.S. and Europe 5-year breakeven rates. The breakeven inflation rate represents a measure of expected inflation in the future. This will be important to watch. We expect the Fed to raise interest rates again at their meeting on July 27, 2022. After that, we expect inflation figures to start to decline rapidly thus allowing the Fed to take their foot off the gas.



Source: Bloomberg / St. Louis Fed

As of June 30, 2022, here's how the markets have performed.

Index	1-month (%)	3-month (%)	YTD (%)
S&P 500	-8.39%	-16.45%	-20.58%
Dow Jones	-6.71%	-11.25%	-15.31%
S&P Midcap 400	-9.78%	-15.77%	-20.16%
S&P SmallCap 600	-8.71%	-14.45%	-19.53%
Nasdaq 100	-8.05%	-22.49%	-29.22%
Bonds (Barclays Agg Index)	-1.23%	-4.60%	-10.30%

Source: S&P Dow Jones Indices LLC

This pullback has caused our internal market indicators to hit levels that we do not see very often. Our indicators have a range of 0 -100 with 0 being the lowest and 100 being the highest. Going back to 1997 the indicators have been below 20 only 9 times. Notably, these declines appeared in March of 2020 (COVID) and 2008/2009 (the financial crisis).

In June of this year, we once again find ourselves at a level below 20. Typically, when the indicators hit 20 and then turn positive, we often see a rally in the coming months. In the last week, our main market indicator turned positive. While nothing is 100% guaranteed, we view this as an indication that things could improve in the coming months.

We fully understand the challenges the first half of 2022 has brought to everyone. While it would be nice if the markets went up in a straight-line year-over-year, they do not. As you can see from the graph on page 1, there are always reasons for the markets to pull back. We believe that sticking to the process and adhering to your long-term goals and not emotionally selling is critical in these times.

All of us at FIT remain available to answer questions and concerns.

-Brian, Aaron & Bill