



# Monthly Investment Commentary

May 2023

## ECONOMIC UPDATE

Financial markets are in a bit of a holding pattern, sandwiched between the recent banking upheaval and the looming debt ceiling negotiations. Recent data suggest a resilient U.S. consumer and persistent inflation pressures. The date at which the Treasury will run out of cash remains fluid, with recent guidance suggesting it could come as soon as June.

### MRM NET COMPOSITE PORTFOLIO RESULTS (As of 4/30/2023)

*MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). Returns are net of fees. For more information visit [www.mrminv.com](http://www.mrminv.com).*

*Please contact MRM Group to obtain a Compliant Presentation and/or MRM's list of Composite descriptions.*

| MRM PLATFORMS VS. BENCHMARK                                       | YTD           | 1-YEAR         | 3 Years Annualized | 5 Years Annualized |
|---|---------------|----------------|--------------------|--------------------|
| <b>Dynamic Overlay</b>  | <b>+5.78%</b> | <b>-0.57%</b>  | <b>+9.37%</b>      | <b>+4.70%</b>      |
| <i>Morningstar Average Tactical Return (fixed &amp; equities)</i> | +3.36%        | -2.77%         | +6.18%             | +3.40%             |
| <b>All Equity</b>   | <b>-1.33%</b> | <b>-11.48%</b> | <b>+0.80%</b>      | <b>+1.47%</b>      |
| <i>S&amp;P 500 Total Return</i>                                   | +9.17%        | +2.66%         | +14.52%            | +11.45%            |
| <b>Dynamic International</b>                                      | <b>+6.51%</b> | <b>-1.35%</b>  | <b>+7.32%</b>      | <b>-1.47%</b>      |
| <i>MSCIEAFE with dividends</i>                                    | +11.80%       | +9.00%         | +12.22%            | +4.14%             |
| <b>Global Strategies</b>  | <b>-0.63%</b> | <b>-9.77%</b>  | <b>+5.22%</b>      | <b>+1.36%</b>      |
| <i>(50%) S&amp;P / (50%) MSCIEAFE</i>                             | +10.49%       | +5.83%         | +13.58%            | +8.04%             |
| <b>Tax-Advantaged Income</b>                                      | <b>+3.64%</b> | <b>+3.63%</b>  | <b>+14.71%</b>     | <b>+8.98%</b>      |
| <i>Dow Jones US Select Dividend</i>                               | -2.69%        | -4.72%         | +13.27%            | +4.01%             |

**Monthly Investment Commentary**

**Where Do We Go From Here?**

Financial markets remain in a mercurial state. While general bank fears have eased in recent weeks, there are still lingering risks. Beyond current banking troubles and the debt ceiling, there are also worries about a shift in the Bank of Japan’s ultra-accommodative policies. Depending on the timing/pace, these could spark a large-scale repatriation of Japanese institutional investments abroad. Could the Fed’s aggressive tightening and consequential volatility cause another shoe to drop in another sector (leveraged loans, CRE, etc.)? To be clear, none of these risks may come to fruition, and the U.S. economy can still theoretically achieve the ideal soft-landing scenario. However, the heightened uncertainty in financial markets right now is palpable, and general risk appetite is subdued.

**General Economic**

Fundamentals remain relatively sound for this point in the business cycle. Unemployment is still holding at nearly a 55-year low, and while GDP growth has fallen below trend in the last year (due in large part to price

pressures), consumer spending has proven resilient. In the first quarter GDP report, overall services and consumer staples effectively showed a reversal of the pandemic trend. In short, rumors of the consumer’s demise were greatly exaggerated

**Debt Ceiling Drama**

The consequences of a U.S. default if the debt ceiling isn’t raised are not pleasant. The Treasury has been utilizing “extraordinary measures” since the debt ceiling of \$31.4 trillion was reached in late January. The date at which these measures would be exhausted and the Treasury runs out of cash, referred to as the x-date, was not known with certainty given unknown tax receipts to be collected in the Spring. Initial estimates of the x-date ranged anywhere from early/mid-June to August or beyond.

**MRM’s View**

For now, the equity markets are holding well. We remain bullish however; this is not the time to fall asleep at the switch.

Source: ALM First

**MRM model holdings as of March 31, 2023**

| MRM Global Strategies                 |       |
|---------------------------------------|-------|
| APPLE INC COM                         | 5.00% |
| AMAZON COM INC                        | 5.00% |
| AMERICAN EXPRESS CO                   | 5.00% |
| BOEING CO                             | 3.00% |
| CATERPILLAR INC DEL                   | 2.00% |
| DEERE & CO                            | 5.00% |
| WISDOMTREE INDIA EARNINGS FUND        | 3.00% |
| GILEAD SCIENCES INC                   | 5.00% |
| ALPHABET INC CAP STK CL C             | 5.00% |
| HUMANA INC                            | 5.00% |
| INTERNATIONAL BUSINESS MACHS          | 5.00% |
| ISHARES S&P INDIA NIFTY 50 INDEX FUND | 3.00% |
| J P MORGAN CHASE & CO                 | 5.00% |
| LILLY ELI & CO                        | 5.00% |
| META PLATFORMS INC CL A               | 5.00% |
| MERCK & CO INC                        | 2.00% |
| MICROSOFT CORP                        | 6.00% |
| OCCIDENTAL PETE CORP DEL              | 5.00% |
| PEPSICO INC                           | 5.00% |
| PHILIP MORRIS INTL INC COM            | 5.00% |
| QUALCOMM INC                          | 5.00% |
| SPDR S&P 500 TRUST                    | 5.00% |
| FDIC CASH NOT COVERED BY SIPC         | 1.00% |

| MRM Dynamic Overlay – ETFs        |        |
|-----------------------------------|--------|
| ISHARES DOW JONES SELECT DIVIDEND | 8.00%  |
| ISHARES DJ US HOME CONSTRUCTION   | 4.00%  |
| ISHARES S&P 500 VALUE INDEX FUND  | 15.00% |
| ISHARES S&P 100 INDEX FUND        | 5.00%  |
| POWERSHARES QQQ TRUST, SERIES 1   | 7.00%  |
| GUGGENHEIM S&P 500 EQUAL WEIGHT   | 5.00%  |
| SPDR S&P 500 TRUST                | 30.00% |
| VANGUARD GROWTH INDEX FUND        | 10.00% |
| HEALTH CARE SELECT SECTOR SPDR    | 15.00% |
| FDIC CASH NOT COVERED BY SIPC     | 1.00%  |

| MRM Dynamic International        |        |
|----------------------------------|--------|
| WISDOMTREE INDIA EARNINGS FUND   | 10.00% |
| ISHARES MSCI CANADA INDEX FUND   | 15.00% |
| ISHARES MSCI NETHERLANDS         | 16.00% |
| ISHARES MSCI TAIWAN INDEX FUND   | 10.00% |
| ISHARES S&P INDIA NIFTY 50 INDEX | 20.00% |
| SPDR S&P 500 TRUST               | 28.00% |
| FDIC CASH NOT COVERED BY SIPC    | 1.00%  |

| MRM All Domestic Equity       |       |
|-------------------------------|-------|
| APPLE INC COM                 | 5.00% |
| AMAZON COM INC                | 5.00% |
| BOEING CO                     | 5.00% |
| CATERPILLAR INC DEL           | 5.00% |
| DEERE & CO                    | 5.00% |
| GILEAD SCIENCES INC           | 6.00% |
| ALPHABET INC CAP STK CL C     | 5.00% |
| HERSHEY CO COM                | 5.00% |
| HUMANA INC                    | 5.00% |
| INTERNATIONAL BUSINESS MACHS  | 5.00% |
| J P MORGAN CHASE & CO         | 5.00% |
| LILLY ELI & CO                | 5.00% |
| META PLATFORMS INC CL A       | 5.00% |
| MERCK & CO INC                | 5.00% |
| MICROSOFT CORP                | 6.00% |
| OCCIDENTAL PETE CORP DEL      | 5.00% |
| PEPSICO INC                   | 5.00% |
| PHILIP MORRIS INTL INC COM    | 5.00% |
| QUALCOMM INC                  | 5.00% |
| FDIC CASH NOT COVERED BY SIPC | 3.00% |

## Monthly Investment Commentary

### IMPORTANT DISCLOSURES

MRM Group, Inc. ("MRM") is a state-registered investment advisor and an independent management firm that is not affiliated with any parent organization. Using quantitative selection methods, each MRM strategy searches within a well-defined universe of securities, using consistent investment criteria to identify attractive investments and create diversified portfolios. MRM seeks to provide long-term capital growth.

| STRATEGY              | BENCHMARK  | VEHICLES  | CASH HOLDINGS<br>(When Potential Investments<br>Look Unattractive) |
|-----------------------|--|---|--|
| Dynamic Overlay       | Morningstar Tactical Allocation                  | Domestic Securities                               | Up to 70%  |
| All Domestic Equity   | S&P 500 Total Return                             | Domestic Securities/ADR's                         | Up to 60%  |
| Dynamic International | MSCI EAFE Gross                                  | Exchange-Traded Funds<br>(ETF's)/Other Securities | Up to 25%  |
| Global Strategies     | 50% S&P 500 Total Return/<br>50% MSCI EAFE Gross | Exchange-Traded Funds<br>(ETF's)/Other Securities | Up to 50%  |
| Tax-Advantaged Income | Dow Jones US Select Dividend<br>Index            | Domestic Securities                               | Up to 4%   |

The portfolios do NOT use inverse or leveraged ETFs. Universe vehicles may change, from time to time, when approved by the principal of MRM Asset Allocation Group at its sole discretion.

#### BENCHMARK NOTES

Effective Nov. 1, 2016 the Dynamic Overlay benchmark was changed to Morningstar's Tactical Allocation. The benchmark was applied retroactively to the beginning of the performance period, January 1, 2008. This change had the net effect of placing the Dynamic Overlay Model Portfolio in a more favorable light than would otherwise have been the case if we used the blended benchmark described below. Although this change had a favorable impact on the comparative effect on the model's performance but we believe the change in benchmark more appropriately aligns with our Dynamic Overlay Strategy in that it is designed a tactical allocation rather than a static blended benchmark of 75% S&P 500 Index Total Return and 25% MSCI EAFE. Morningstar's Tactical Allocation Category averages returns for the peer group based on the return of each fund within the group, for the period shown. The S&P 500 Index with dividends is an unmanaged composite of 500 large-capitalization companies whose data is obtained from the Standard & Poor's website. S&P 500 is a registered trademark of McGraw-Hill, Inc. The MSCI EAFE Gross Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada, with data from the MSCI website using price with reinvestment of dividends. The performance of blended benchmarks is shown for comparison because MRM uses securities which track indices related to these products. The Dow Jones US Select Dividend Index comprises 100 stocks and aims to represent the U.S.'s leading stocks by dividend yield. An investment cannot be made directly into an index.

#### DISCLOSURES

MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). MRM has been independently verified for the periods January 1, 2008 through March 31, 2023. The verification report is available upon request. Verification assesses whether (1) MRM has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) MRM's policies and procedures are designed to calculate the present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Valuations are computed and performance is reported in U.S. dollars. Client performance may differ based upon the structure of a particular investment program. For example, some programs are structured as wrap fee programs in which trading costs and brokerage commissions are included in one all-inclusive wrapped fee. As such, these costs may be higher than if the client were to pay trading costs and brokerage commissions separately. The standard management fee is 2.0%. Deviation from the model's diversified structure may result in different risk, return, and diversification characteristics and would therefore not be representative of the models.

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***If you wish to modify or impose reasonable restrictions concerning the management of your account, or if your financial situation, investment objectives, or risk tolerance have changed, please contact your MRM Group investment advisor representative or contact the Manager at (314) 628-1100. We will contact you at least annually to determine if your investment goals, objectives, and risk tolerance have changed.***

**All MRM platforms are suitable for long term investing. Please read the fact sheets and disclosures for each platform carefully before investing.**