

Weekly Update – October 30, 2023

Market Returns Ending 10/27/2023			
Category	1 Week	QTD	YTD
US			
Large Cap	-2.5%	-3.9%	8.6%
Mid Cap Growth	-3.4%	-6.2%	3.0%
Mid Cap Value	-2.4%	-6.4%	-5.9%
Small Cap	-2.6%	-8.2%	-5.9%
International			
Developed	-0.9%	-4.3%	3.0%
Emerging	-1.6%	-4.3%	-2.3%
Bonds			
Aggregate	0.7%	-1.30%	-2.5%
High Yield	0.4%	-1.5%	4.3%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	-2.5	-2.6	-2.6
Mid	-2.4	-2.7	-3.4
Small	-2.3	-2.6	-2.9
	YTD		
	Value	Core	Growth
Large	-3.7	8.2	21.0
Mid	-5.9	-2.7	3.0
Small	-8.0	-5.9	-4.3

Source: Bloomberg

Key Events: Profit margins on the decline

While the US continues to produce strong economic and corporate earnings growth, profit margins continue their decline, contracting for the seventh straight quarter, and corporate guidance trends are worseningⁱ.

The Middle East tension continues as Israel continues its ground invasion of Gaza.

The GOP finally elected a Speaker of the House.

Market review: Geopolitical tensions lead to volatility

Stocks declined further; the S&P 500 entered a correction, down 10% from the summer high, with small and international stocks experiencing greater losses.

The bond market continued to anticipate and end to the Fed's tightening campaign, leading to fixed income gains.

Outlook: Crosscurrents lead to uncertainty

Earnings and economic data continue to be strong, but clouds are on the horizon. Uncertainty – about recession, corporate earnings, and geopolitics - have led to market declines. It is important to put the declines in context. As the below chart illustrates, the S&P 500 is so far experiencing a smaller than average decline.

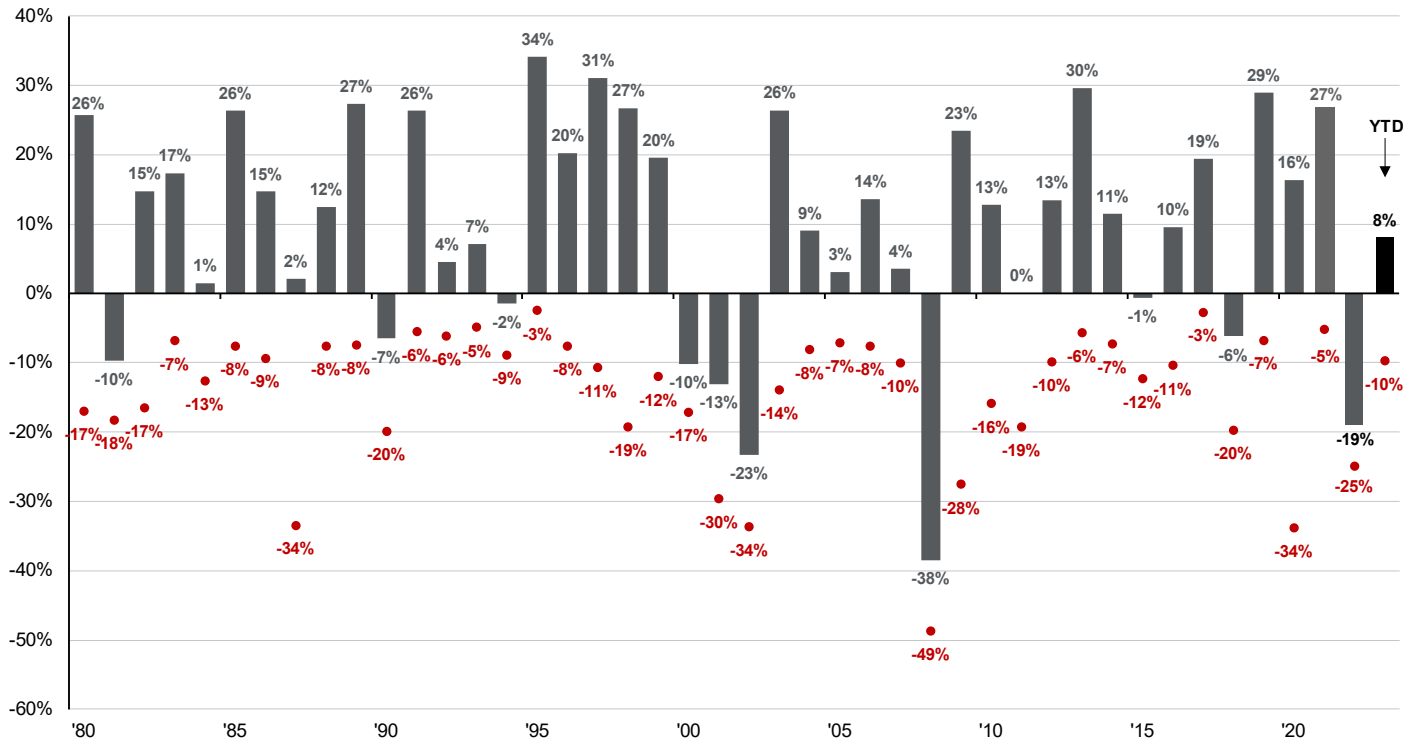
While we are looking for opportunities to manage risk during volatile times, OneAscent continues to be focused on diversification, maintaining exposure to areas of the stock and bond markets where valuations give us a greater margin of safety.

Drawdowns – a normal part of the yearⁱⁱ



S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



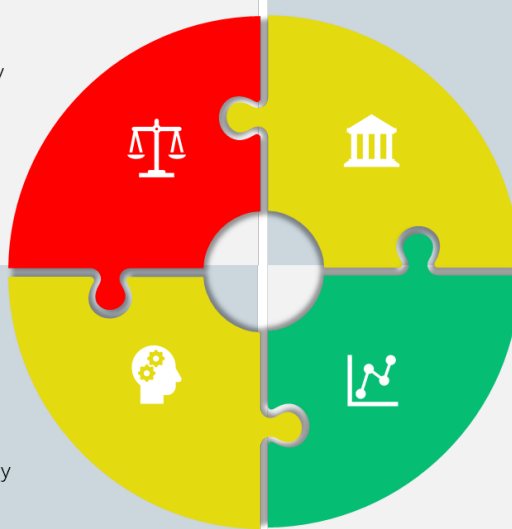
OneAscent Navigator Outlook: October 2023

VALUATION

- Bond interest payments are higher than equity earnings yield for the first time since 2002
- Bond yields continue their across-the-board increases; yields suggest solid returns
- While AI hype has driven technology stock valuations up, the broad market remains in the middle of its long-term range

SENTIMENT

- Investor sentiment has dipped, with bullish % dropping to the lowest level since May.
- Consumer sentiment dropped, with both current situation and expectations failing to follow through on recent strength
- A bullish investor sentiment reading is offset by weakness in the consumer this month



ECONOMY

- Oil prices – and inflation – may remain high due to OPEC cuts and a depleted SPR.
- Earnings estimates continue their recovery
- Increased interest expense will pressure corporations
- Increased bankruptcy filings indicate stress in the corporate sector.

TECHNICAL

- Tech stocks remain above trend but have failed to break through their 2021 high water mark.
- Market breadth broke down in September during the stock market's pullback.
- Stocks often rally during the fourth quarter. 2024 is the 4th year of the presidential cycle, typically a strong year for stock returns.



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class, security, or technical aspect of any security for the purpose of allowing a reader to use the approach on their own. Before participating in any investment program or making any investment, clients as well as all other readers are encouraged to consult with their own professional advisers, including investment advisers and tax advisors. OneAscent can assist in determining a suitable investment approach for a given individual, which may or may not closely resemble the strategies outlined herein.

ⁱ Source: FactSet – year over year profit margins are declining for the 7th straight quarter. So far, 28 companies have issued negative forward EPS guidance and 14 have issued positive guidance.

ⁱⁱ Source : JPMorgan Guide to the Markets

ⁱⁱⁱ Market Returns reference the following indices: Large Cap – S&P 500, Mid Cap Growth – Russell Midcap growth, Mid Cap Value – Russell Midcap Value, Small Cap – Russell 2000, Developed – MSCI EAFE, Emerging – MSCI Emerging Markets, Aggregate – Bloomberg US Aggregate, High Yield – Bloomberg High Yield