



Halftime Report 2022

Michael Clark
President

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Agenda

1

2022 So Far

2

Inflation

3

Recession

4

The Fed &
Interest Rates

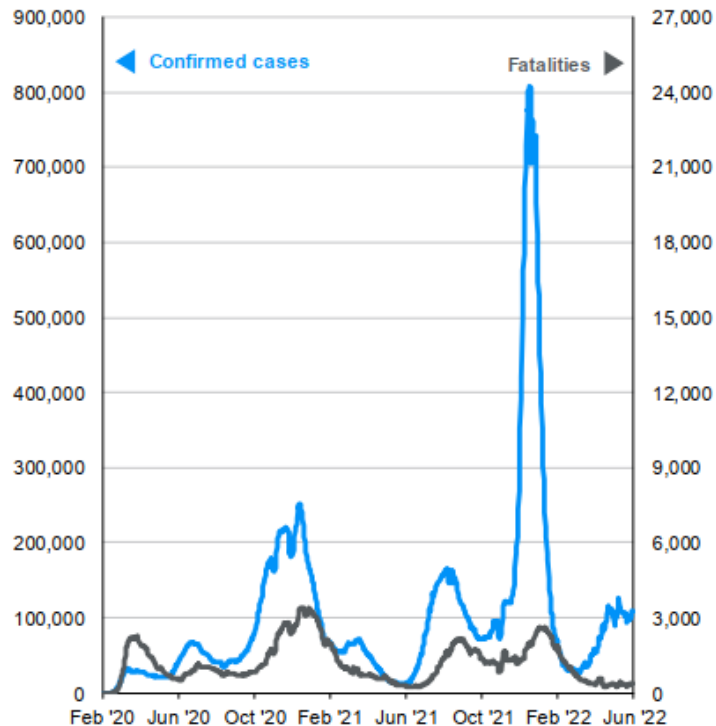
5

Disruptive
Technology

COVID Progress

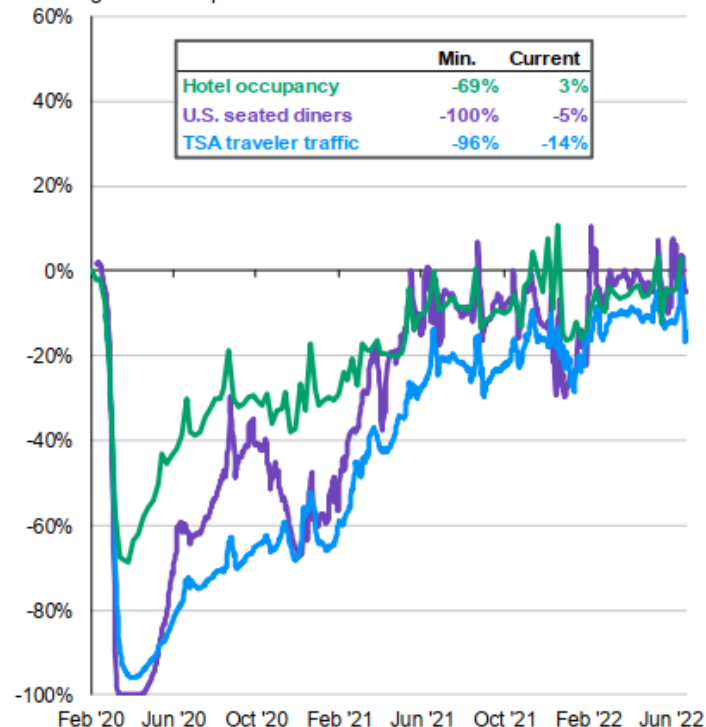
Change in confirmed cases and fatalities in the U.S.

7-day moving average



High-frequency data

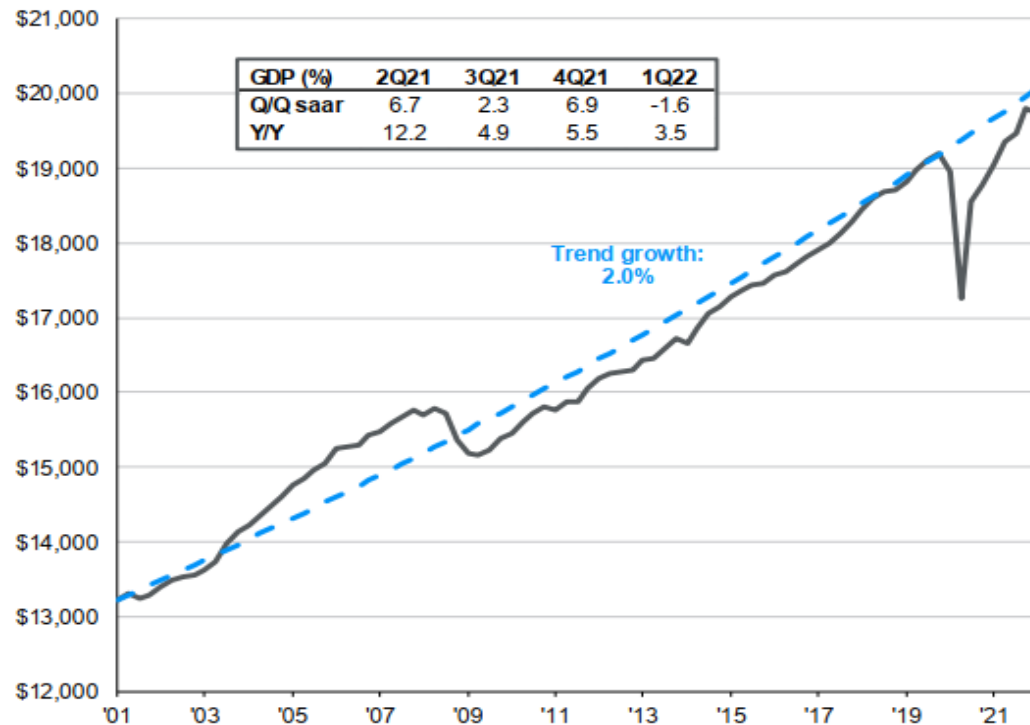
% change from comparable week in 2019



Economic Growth & Its Drivers

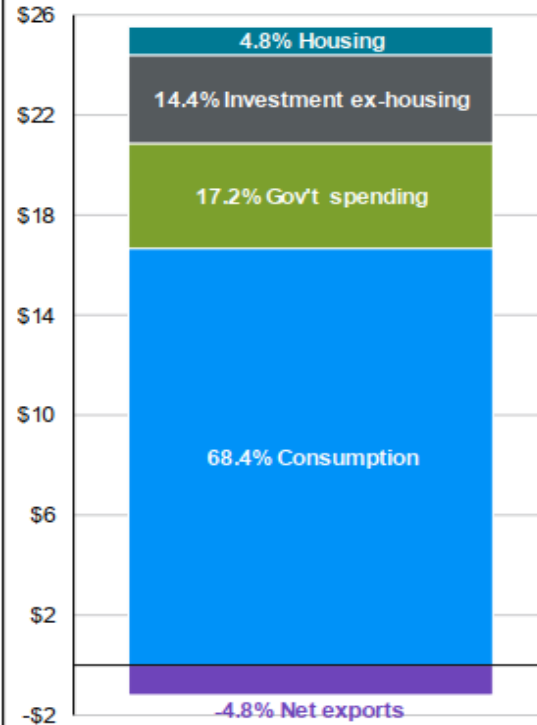
Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates

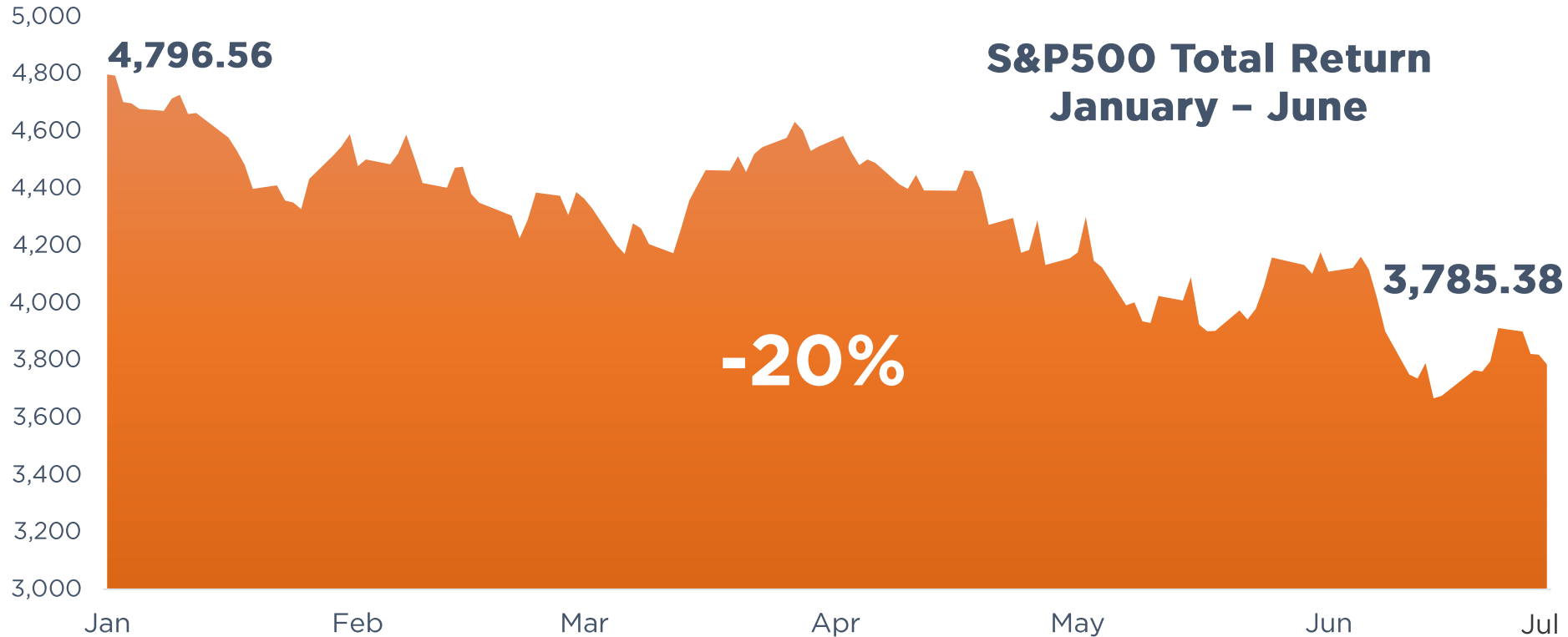


Components of GDP

1Q22 nominal GDP, USD trillions



2022 U.S. Stock Market Return



Sources of Volatility

POLICY RATES

3.38%

Forecasted Fed terminal rate, reached by 1Q 2023

INFLATION

4.0%

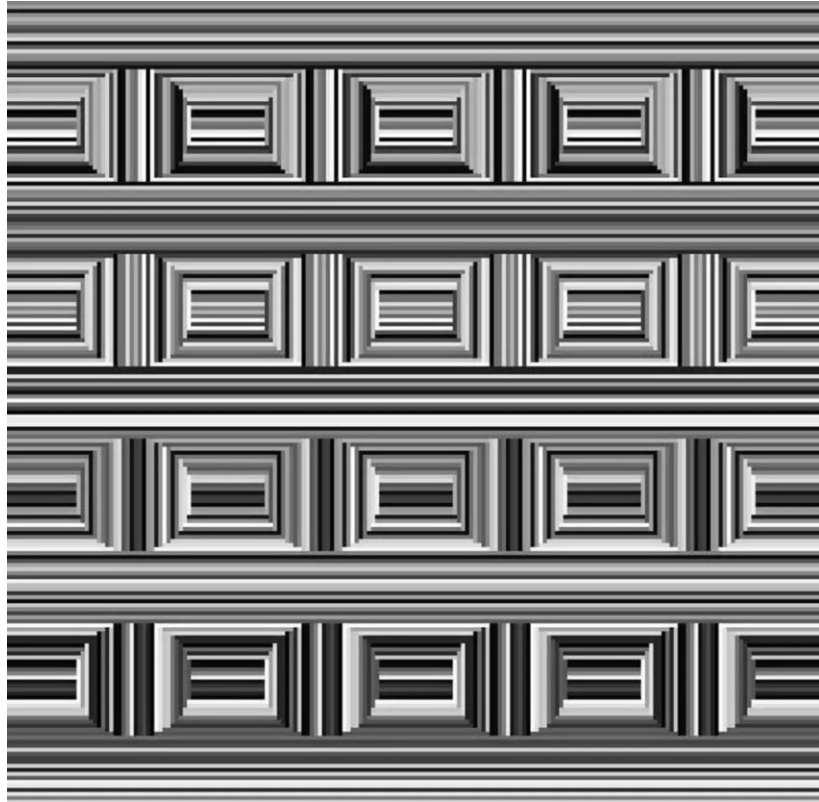
Forecasted YE 2022 Core PCE, accelerating monetary tightening

GEOPOLITICS

137

Elevated Geopolitical Risk index, well above long-term average of 100

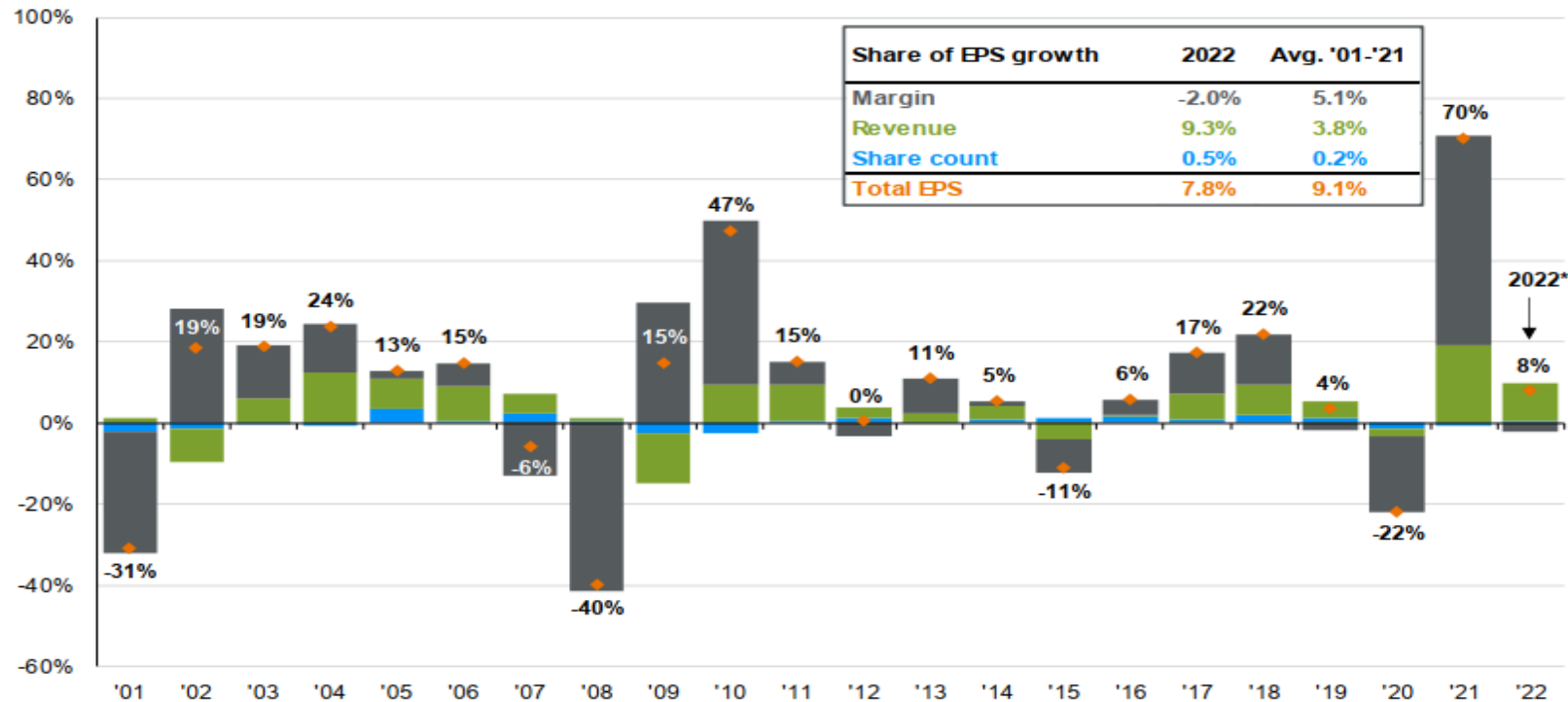
What do you see?



Corporate Earnings Growth

S&P 500 year-over-year operating EPS growth

Annual growth broken into revenue, changes in profit margin & changes in share count



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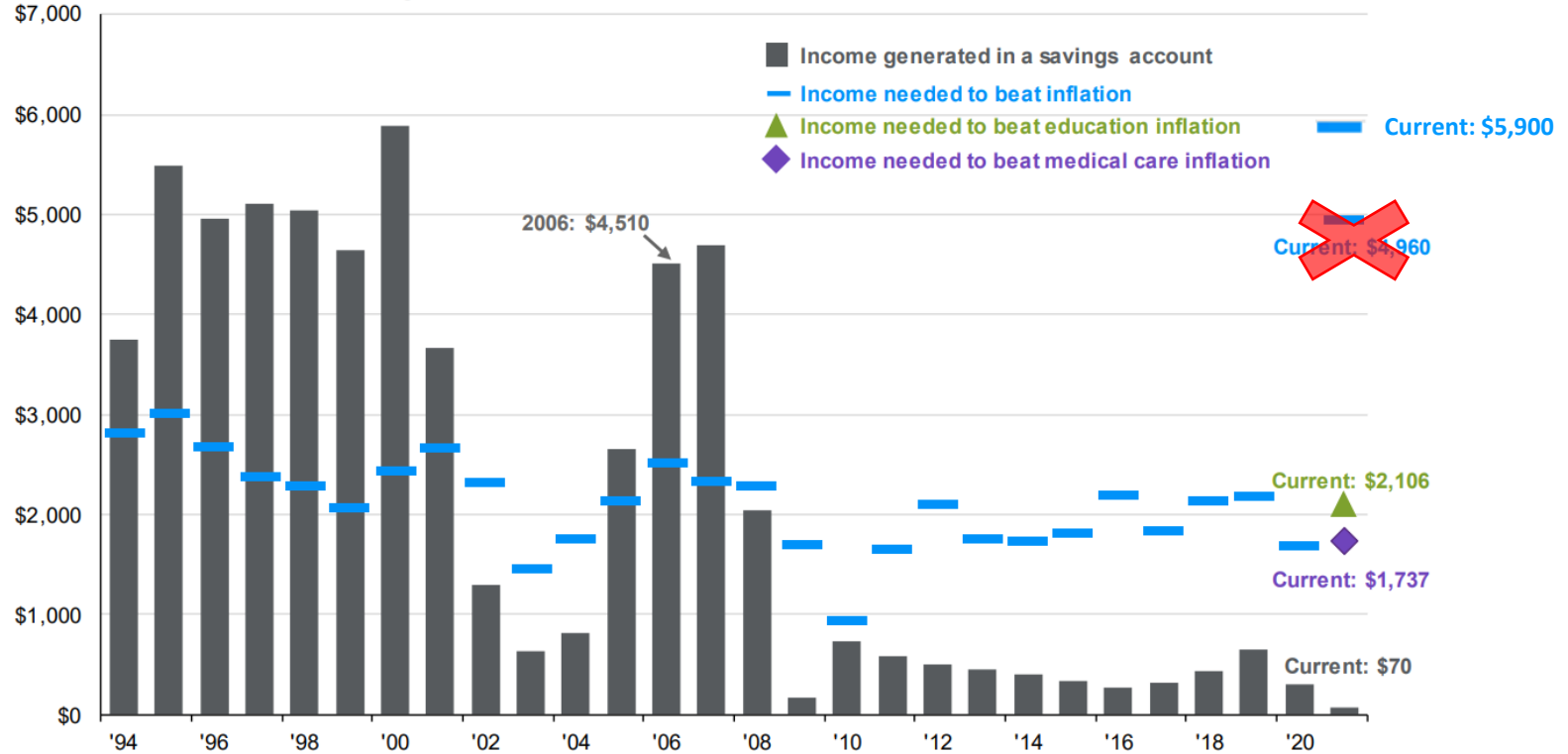
The Fed &
Interest Rates

5

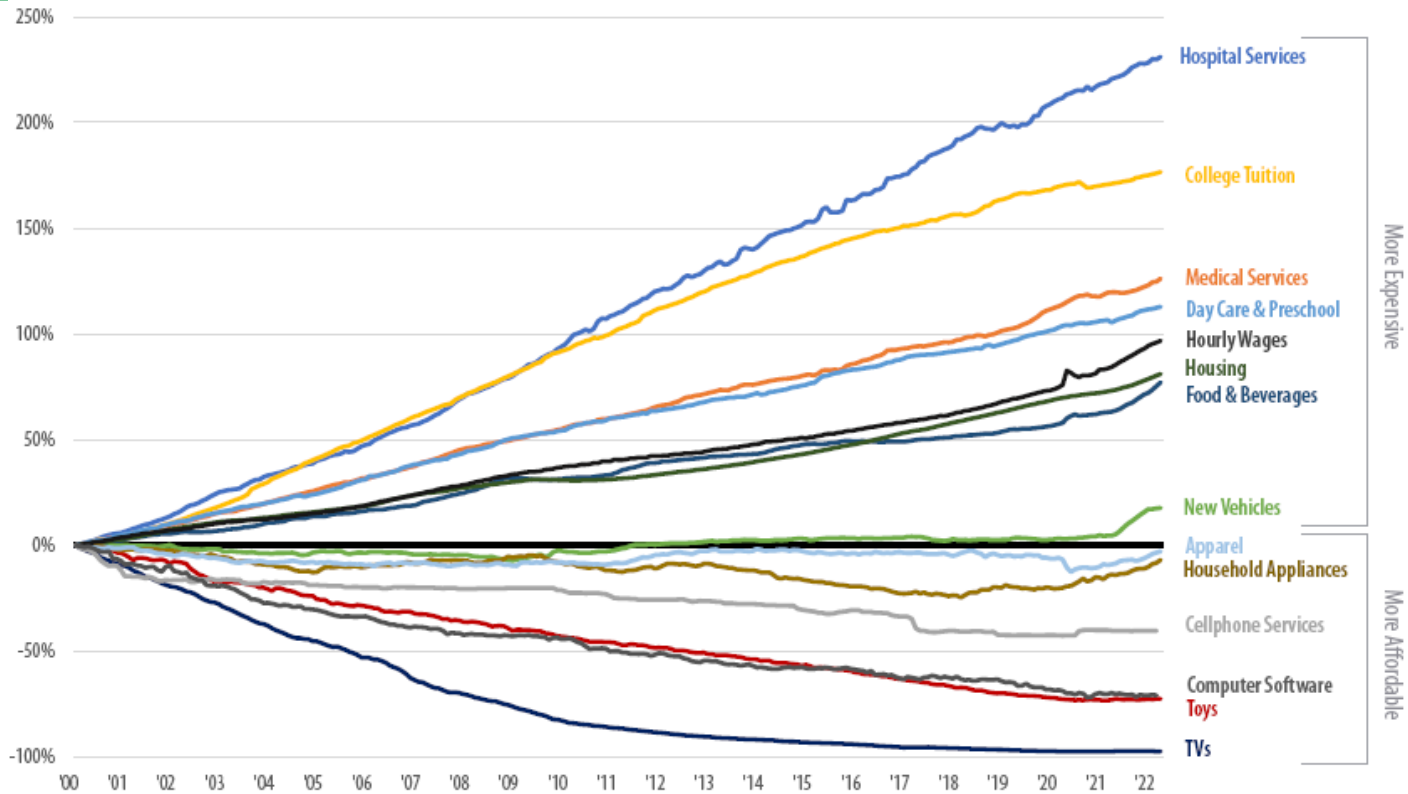
Disruptive
Technology

Savings Account Returns – 6 months ago

Income earned on \$100,000 in savings accounts*

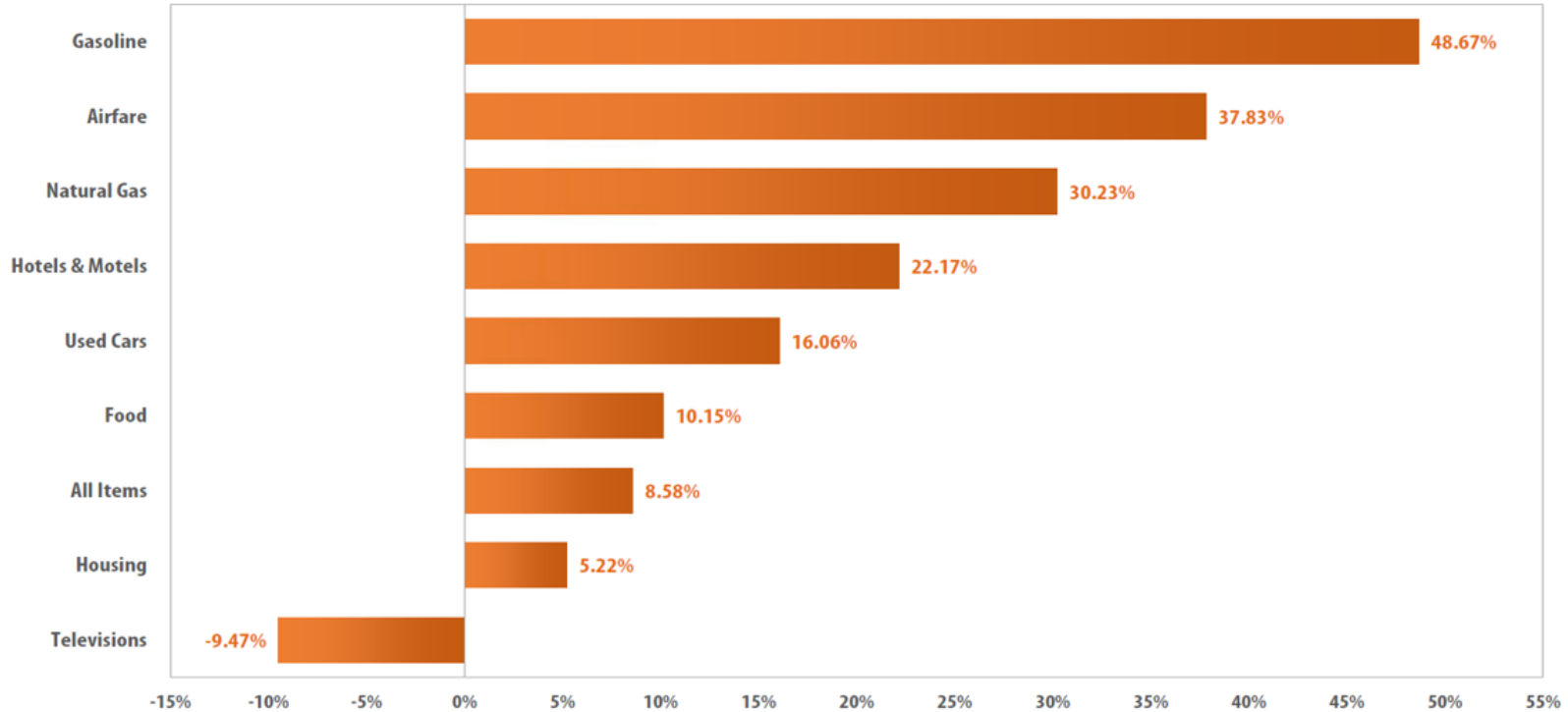


Price Changes in Goods, Services & Wages



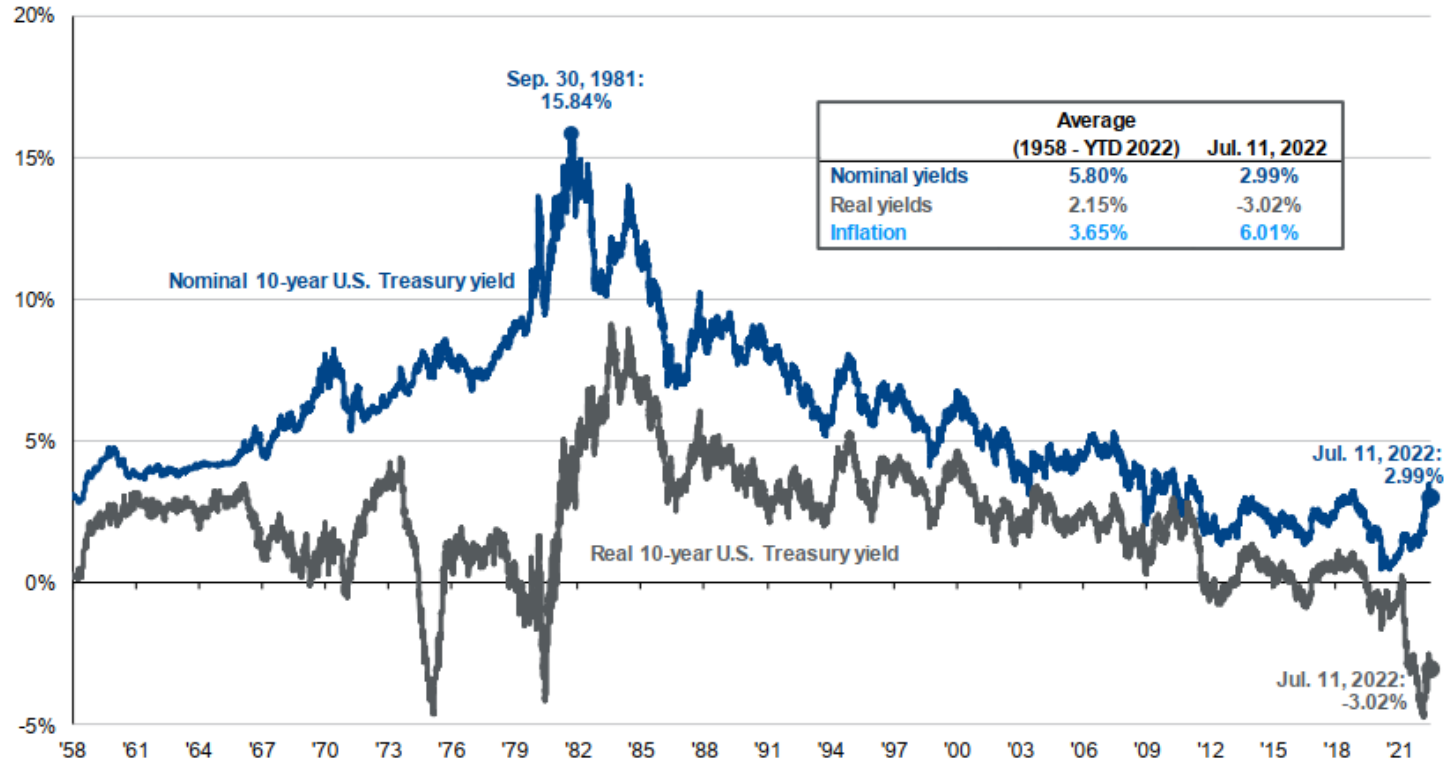
Cost of Living

YEAR-OVER-YEAR CHANGE IN PRICE INDEX OF SELECTED ITEMS ON THE CONSUMER PRICE INDEX



Interest Rates and Inflation

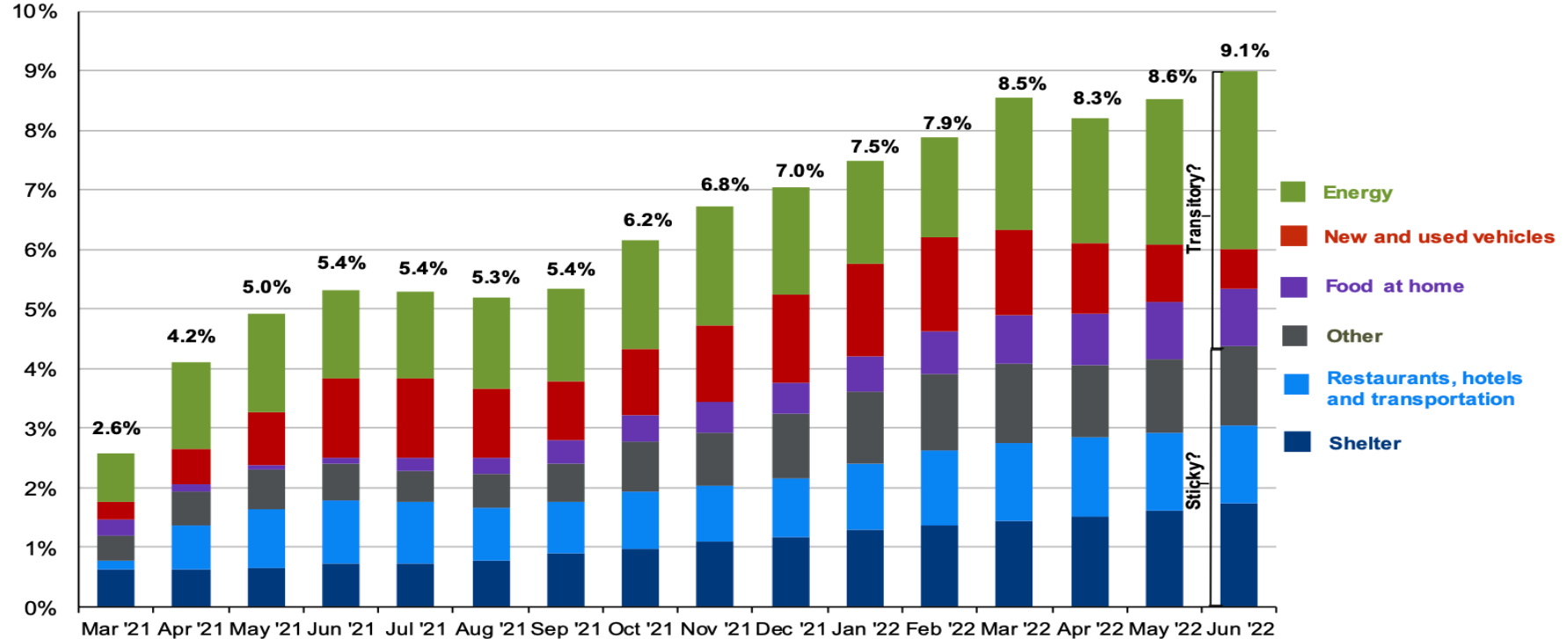
Nominal and real U.S. 10-year Treasury yields



Components of Inflation

Contributors to headline inflation

Contribution to y/y % change in CPI, non seasonally adjusted



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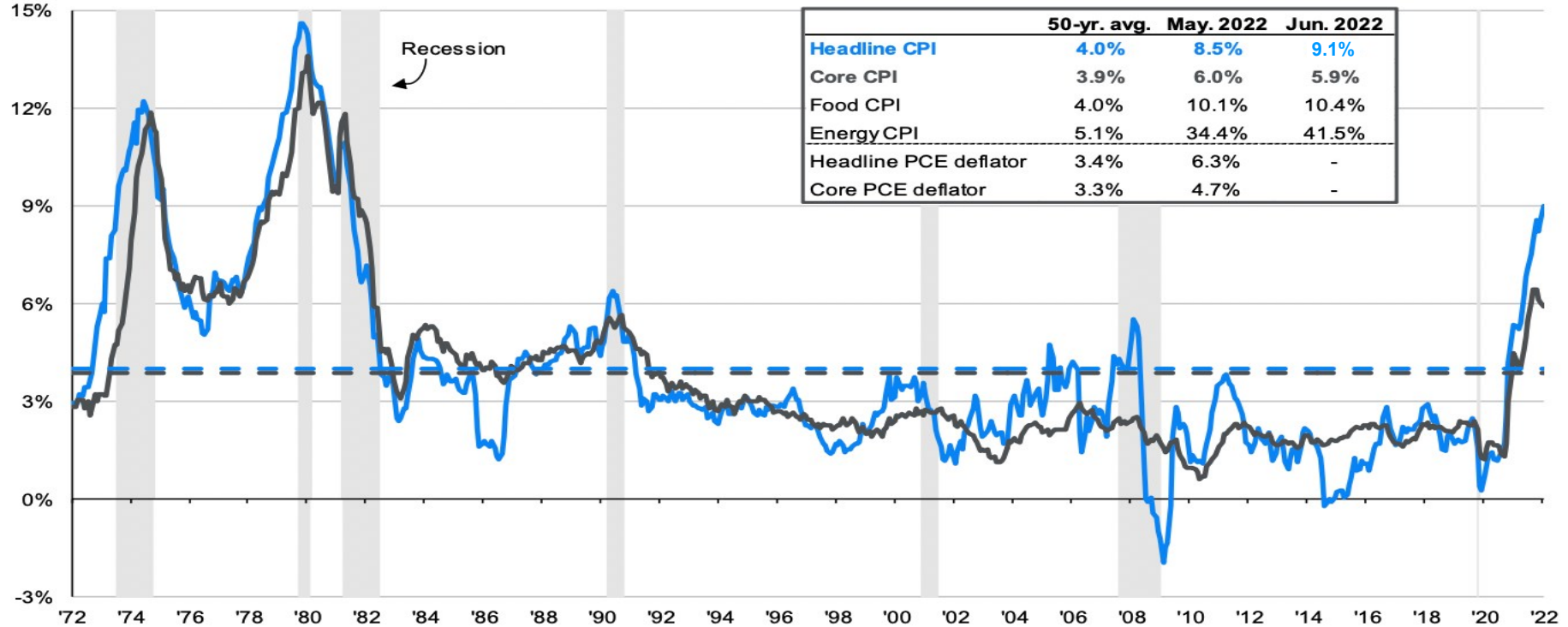
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Inflation – The Last 50 Years

CPI and core CPI

% change vs. prior year, seasonally adjusted



History of U.S. Bull & Bear Markets



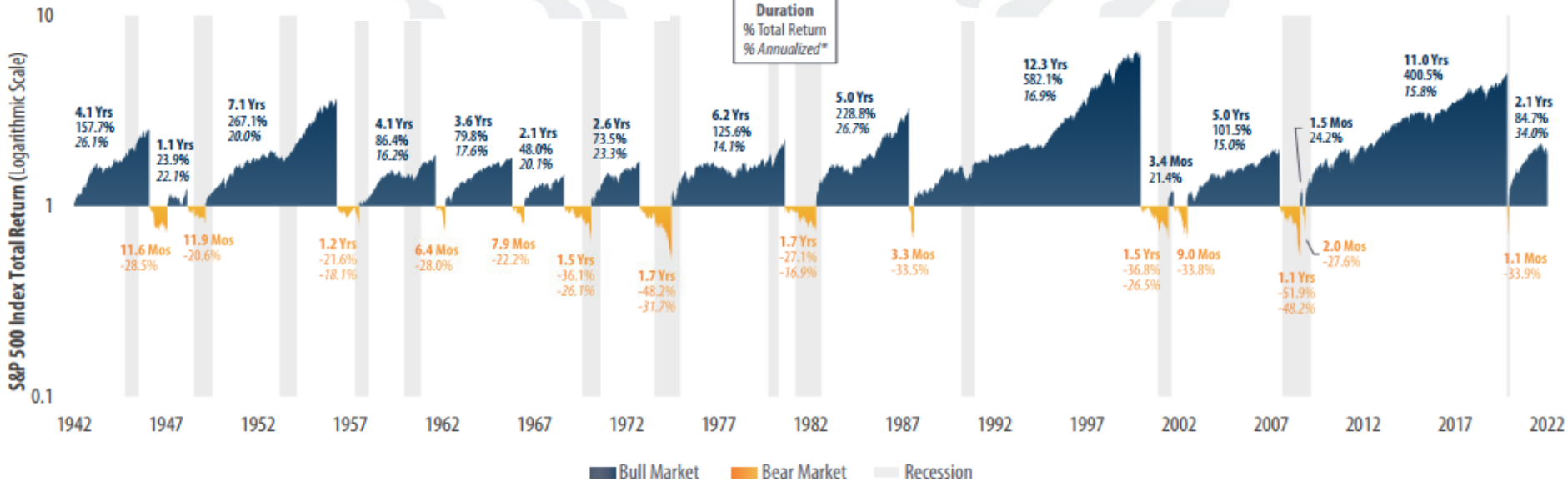
BULL

From the lowest close reached after the market has fallen 20% or more, to the next market high.



BEAR

When the index closes at least 20% down from its previous high close, through the lowest close reached after it has fallen 20% or more.

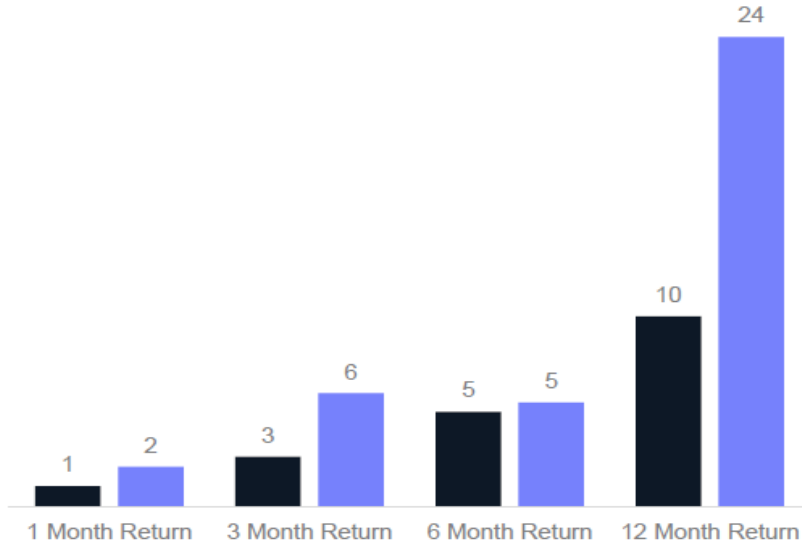


Perspectives on Volatility

EARLY IS ON TIME AND ON TIME IS LATE

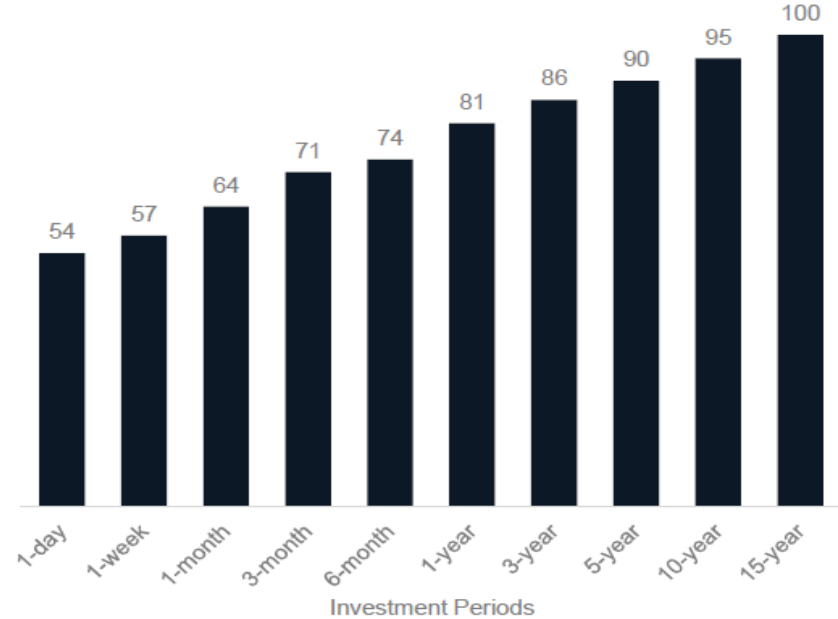
Median S&P 500 Price Return since World War II (%)

■ Unconditional ■ Following Start of Bear Market



STICKING TO IT

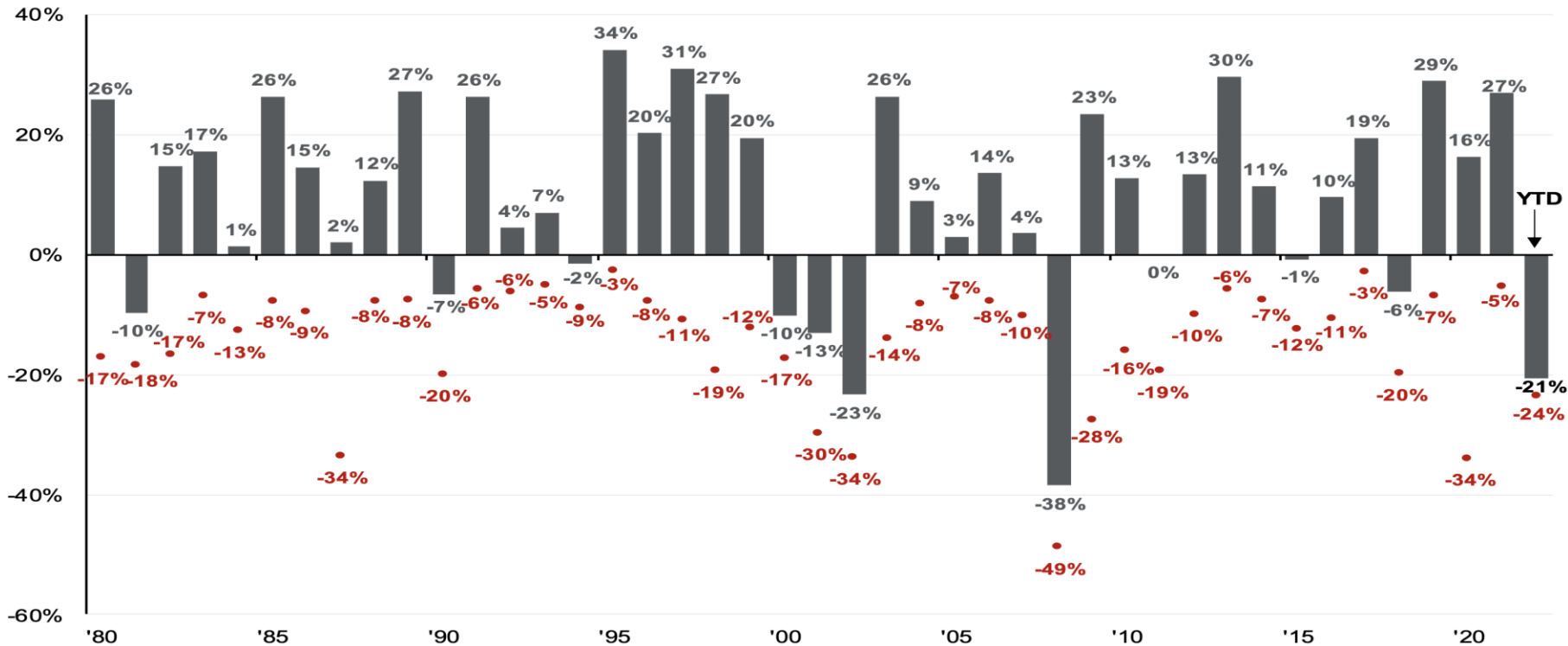
Frequency of S&P 500 Rolling Periods with Positive Returns (%)



Market Volatility

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

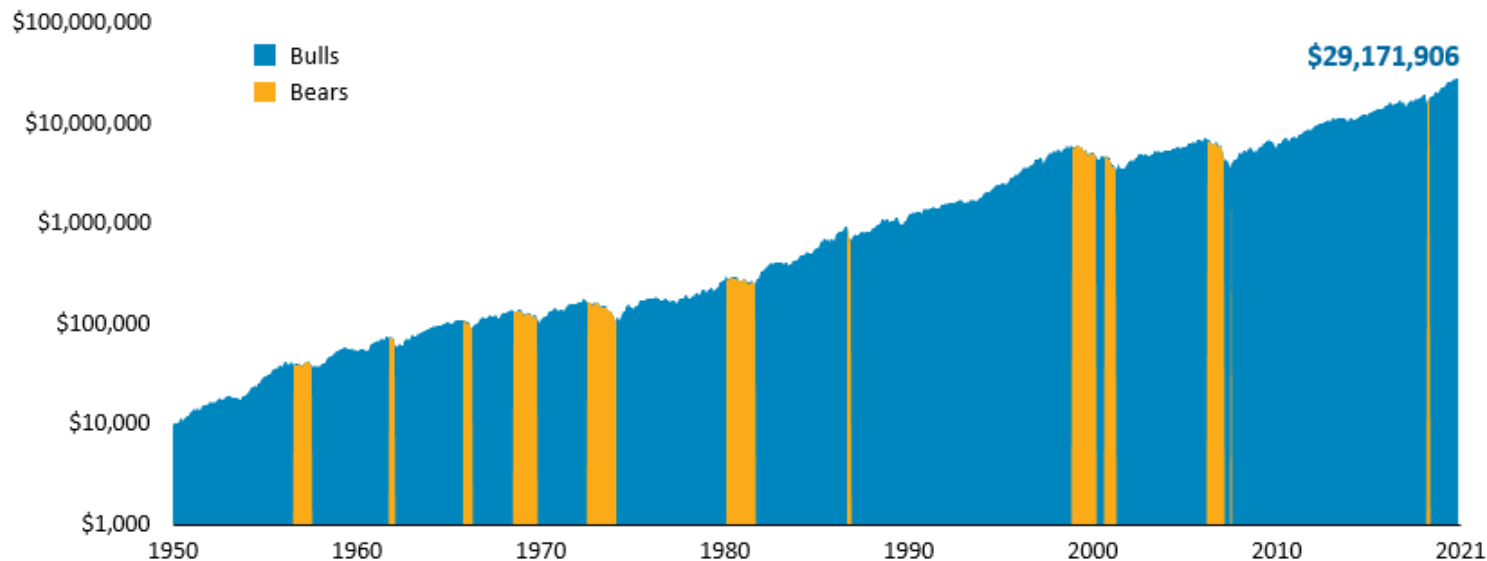
Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years



Bull & Bear Market Cumulative Results

Bulls and Bears Are Predictable

Market Cycles: Hypothetical Growth of \$10,000 Invested in S&P 500 Index (1950–2021)



Are we actually in a Recession?

Reasons to believe so:

- Fed has raised rates rapidly
- Homeowners with ARMs may have to make higher payments, so less to spend on other goods/services
- Supply Chain Shortages continue
- Oil prices may go much higher

What About Adjustable Rate Mortgages?

- Adjustable Rate Mortgage (ARM) Fears
 - Borrowers can spend less but lenders can spend more
 - Even if all \$450 billion in ARMs reset upward by 2% this year, it will reduce consumer spending by only 0.05%



Sources of Stability

BANKING

57%

Loan-to-deposit ratio near record lows

CORPORATES

4%

Of US high yield debt maturing in 2022 or 2023

CONSUMER

714

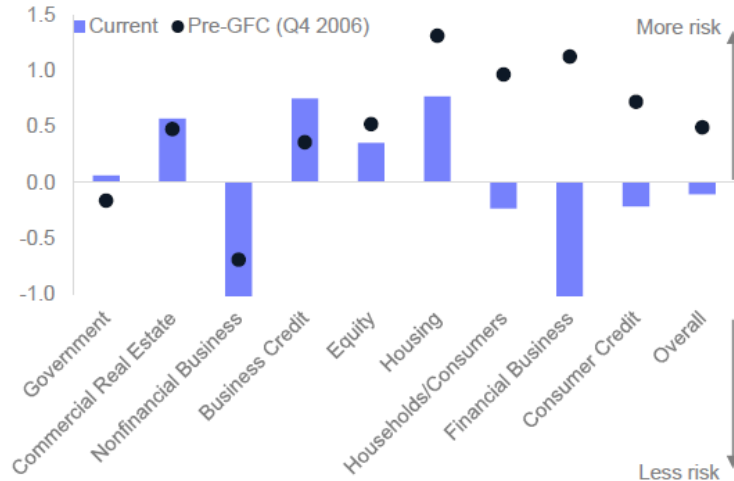
Average FICO score is near highest on record

CASH BALANCES

\$5.4tn

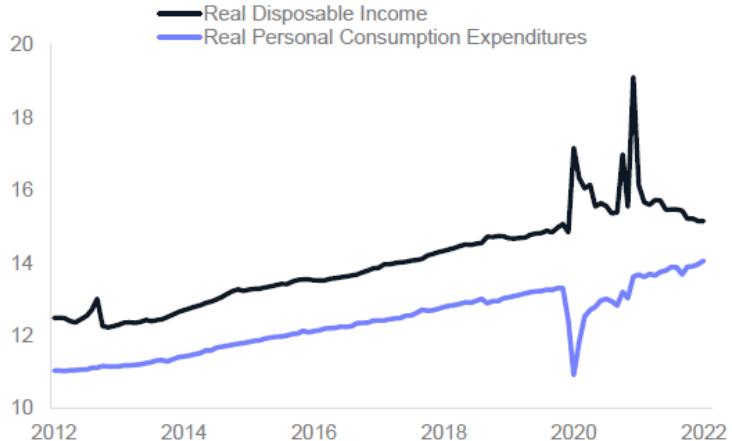
Cash on the sidelines in US Money Markets

FINANCIAL EXCESS (Z-SCORE)



INCOME BUFFER

Disposable Income and Consumption (Annualized, \$ tn)



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The Fed,
Rates, &
Midterms

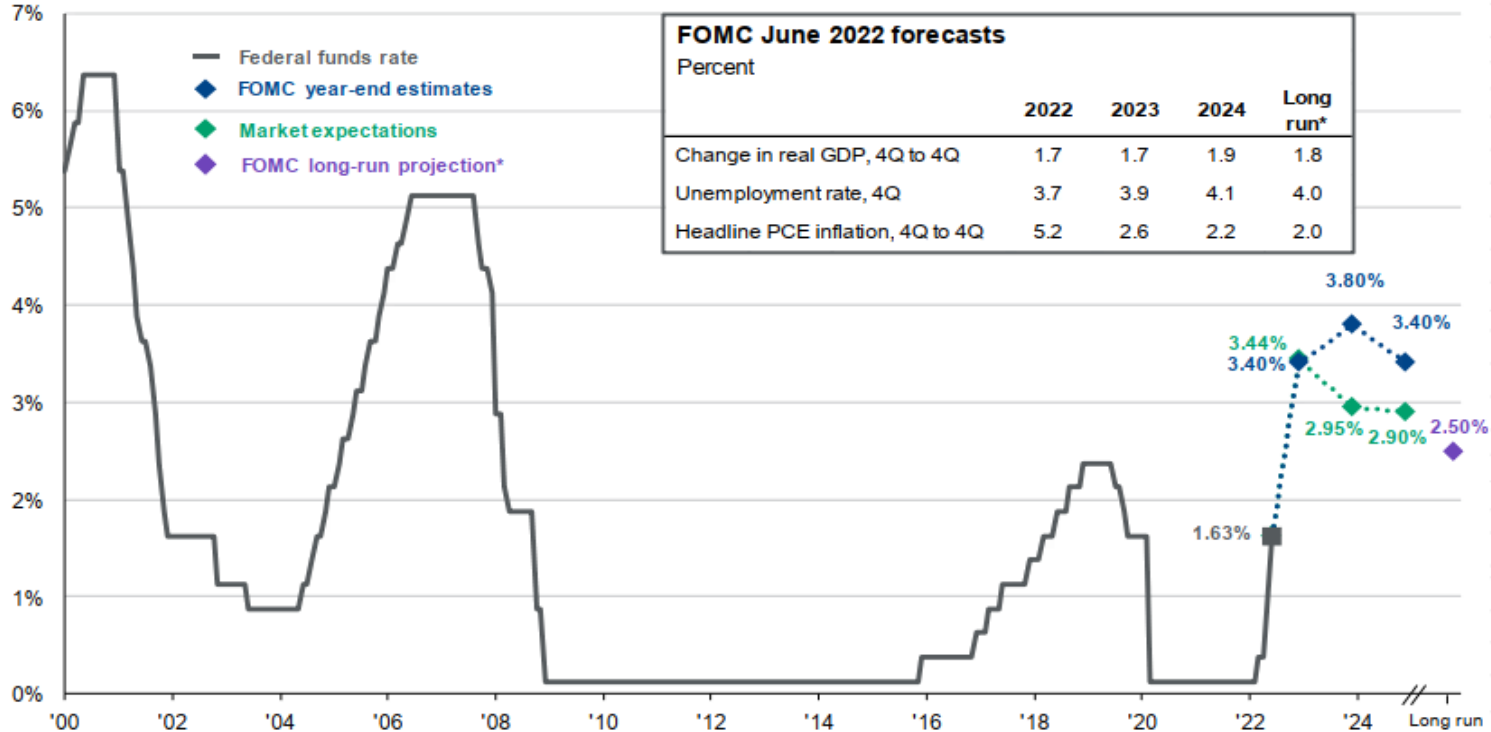
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Federal Funds Rate Expectations

Federal funds rate expectations

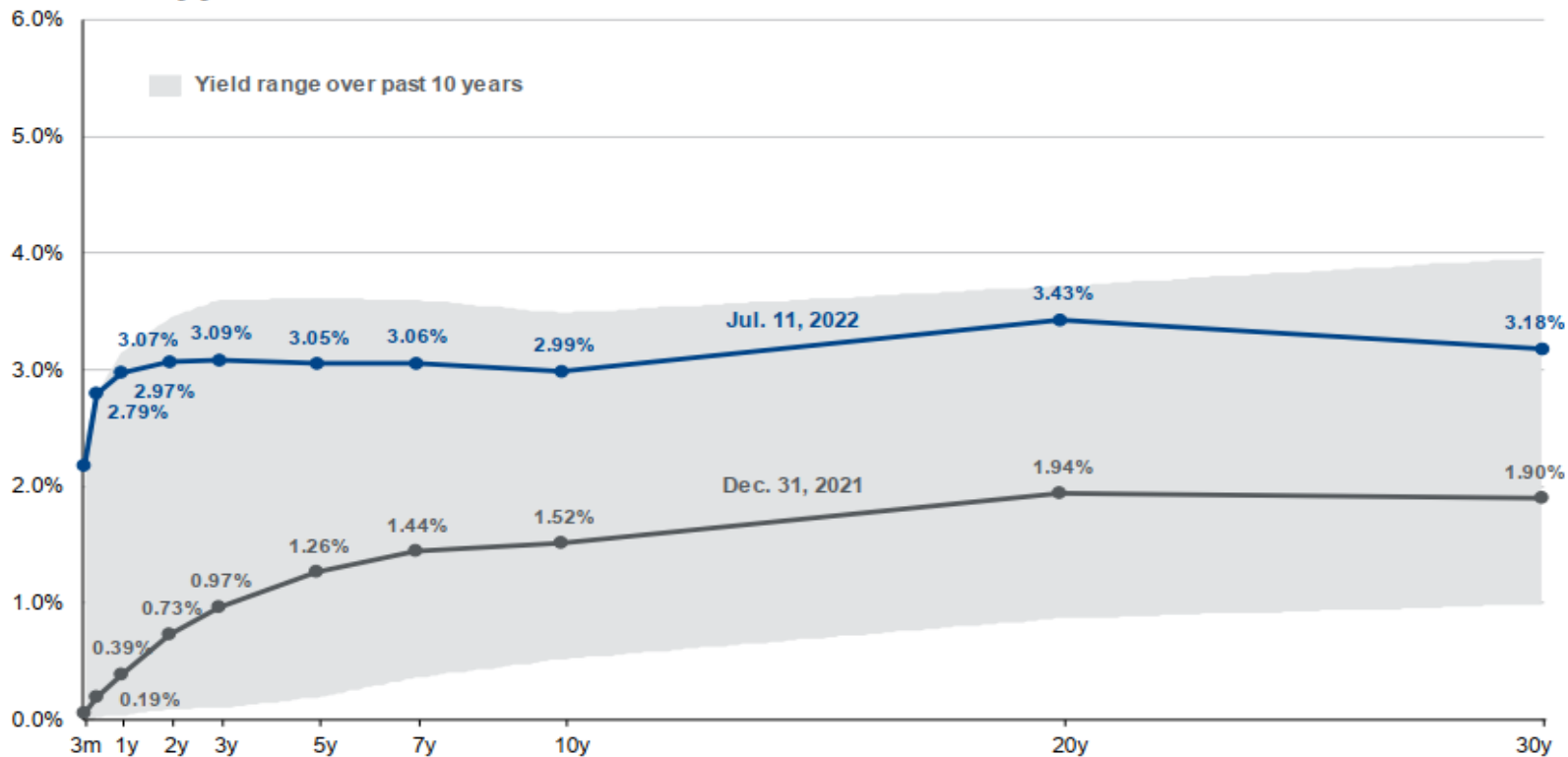
FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management
Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guideto the Markets - U.S. Data areas of July 11, 2022.

U.S. Treasury Yield Curve

U.S. Treasury yield curve



Midterm Election

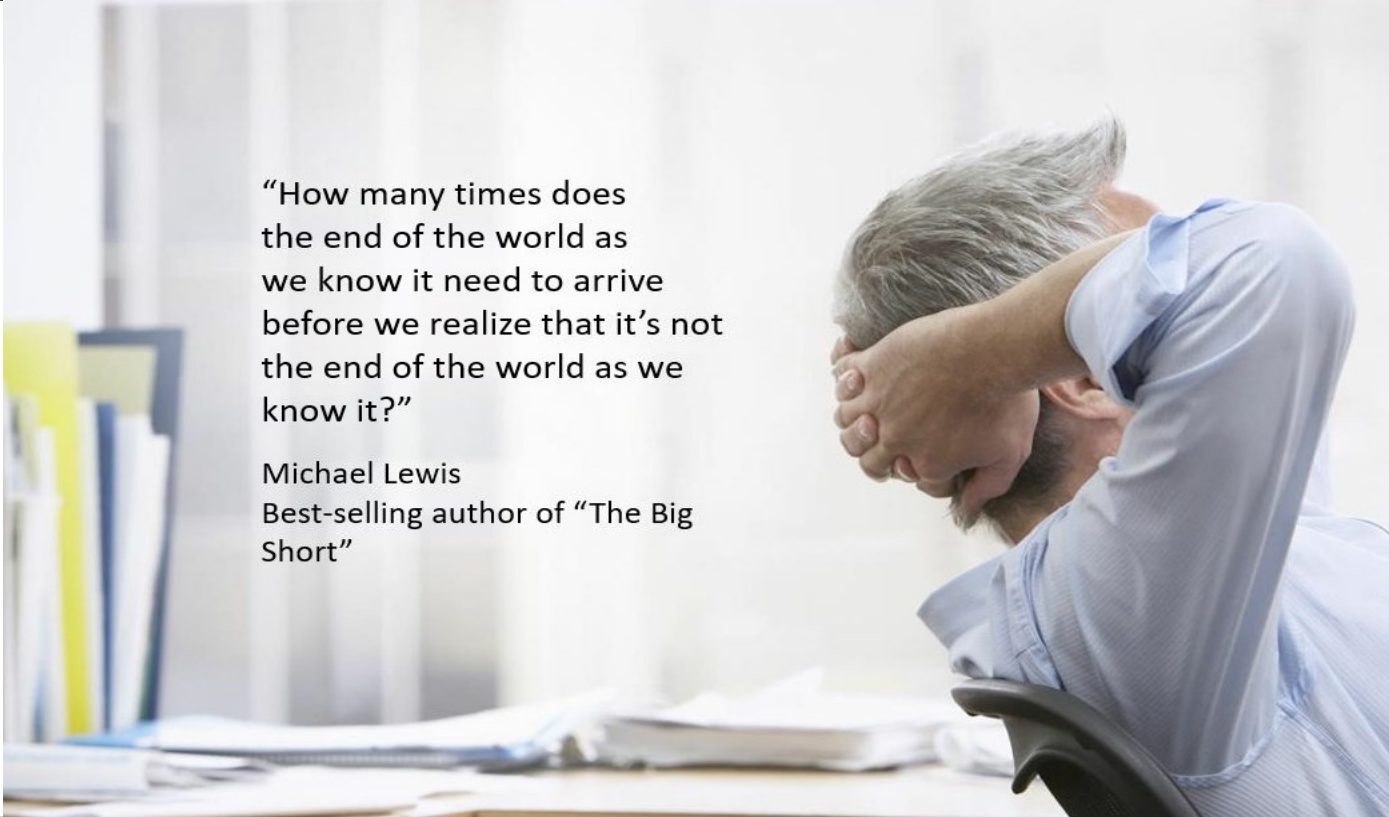
- Election day is November 8, 2022
- A total of 469 seats in Congress are up for election:
 - 35 Senate seats
 - 14 Democrat
 - 21 Republican
 - All 435 House seats
 - 36 states will elect governors (including Texas...)



The Bottom Line

“How many times does the end of the world as we know it need to arrive before we realize that it’s not the end of the world as we know it?”

Michael Lewis
Best-selling author of “The Big Short”



Perception vs Reality

Perception

- Recession imminent
- The Stock Market will fall much further
- Everything's only going to get worse

Reality¹

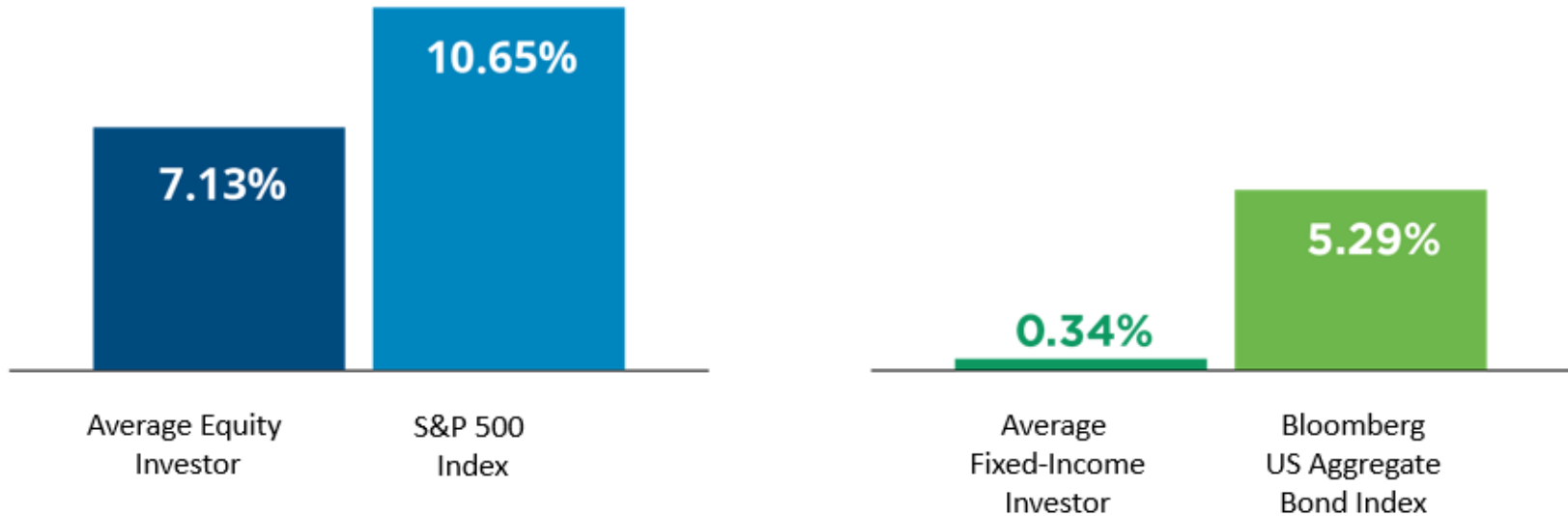
- Industrial production is up
- Payrolls expanded by 457,000/mo
- Unemployment down to 3.6%
- Real GDI was up 1.8% in Q1
- Earnings should grow again this year

“If we are in a recession, then we could use more recessions.”
– Brian Wesbury, Chief Economist, First Trust



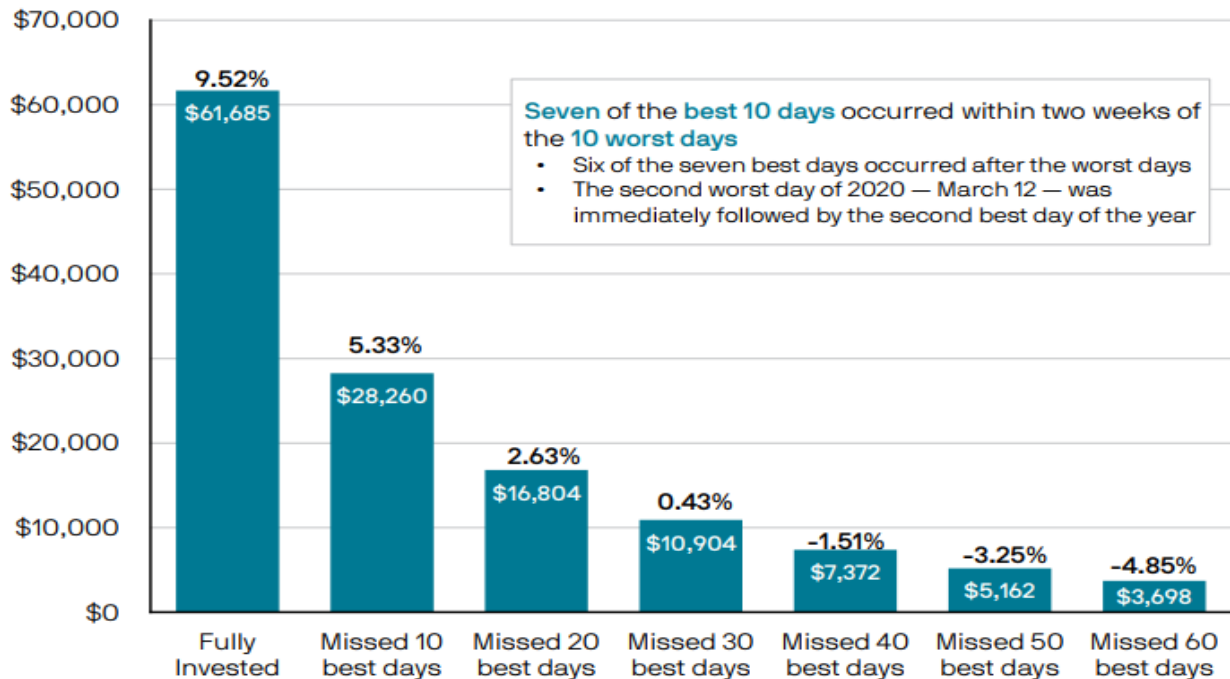
Individual Investors Have Underperformed

Average Annual Returns for the 30-Year Period Ending 12/31/2021



Returns of the S&P 500

Performance of a \$10,000 investment between January 1, 2002 and December 31, 2021



Investing In Winners Can Seem Easy

Winning Asset Classes as of 2007-2021

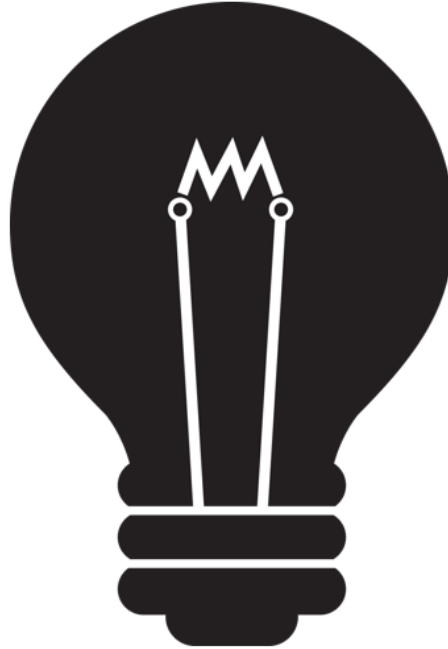
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Large-Cap Growth 11.81	Bonds 5.24	Mid-Cap Growth 46.29	Small-Cap Growth 29.09	Bonds 7.84	Mid-Cap Value 18.51	Small-Cap Growth 43.30	Mid-Cap Value 14.75	Large-Cap Growth 5.67	Small-Cap Value 31.74	Large-Cap Growth 30.21	Cash 1.82	Large-Cap Growth 36.39	Large-Cap Growth 38.49	Mid-Cap Value 28.34

Diversification is the Key

Annual Returns of Asset Classes (2007-2021)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Best ↑ ↓ Worst	Large-Cap Growth 11.81	Bonds 5.24	Mid-Cap Growth 46.29	Small-Cap Growth 29.09	Bonds 7.84	Mid-Cap Value 18.51	Small-Cap Growth 43.30	Mid-Cap Value 14.75	Large-Cap Growth 5.67	Small-Cap Value 31.74	Large-Cap Growth 30.21	Cash 1.82	Large-Cap Growth 36.39	Large-Cap Growth 38.49	Mid-Cap Value 28.34
	Int'l 11.63	Cash 1.77	Large-Cap Growth 37.21	Mid-Cap Growth 26.38	Large-Cap Growth 2.64	Small-Cap Value 18.05	Mid-Cap Growth 35.74	Large-Cap Value 13.45	Bonds 0.55	Mid-Cap Value 20.00	Int'l 25.62	Bonds 0.01	Mid-Cap Growth 35.47	Mid-Cap Growth 35.59	Small-Cap Value 28.27
	Mid-Cap Growth 11.43	Small-Cap Value -28.92	Small-Cap Growth 34.47	Mid-Cap Value 24.75	Large-Cap Value 0.39	Int'l 17.90	Small-Cap Value 34.52	Large-Cap Growth 13.05	Cash 0.03	Large-Cap Value 17.34	Mid-Cap Growth 25.27	Large-Cap Growth -1.51	Small-Cap Growth 28.48	Small-Cap Growth 34.63	Large-Cap Growth 27.60
	Small-Cap Growth 7.05	Diversified Portfolio -33.45	Mid-Cap Value 34.21	Small-Cap Value 24.50	Cash 0.07	Large-Cap Value 17.51	Large-Cap Growth 33.48	Mid-Cap Growth 11.90	Mid-Cap Growth -0.20	Diversified Portfolio 12.21	Small-Cap Growth 22.17	Mid-Cap Growth -4.75	Mid-Cap Value 27.06	Diversified Portfolio 18.11	Large-Cap Value 25.16
	Bonds 6.97	Large-Cap Value -36.85	Int'l 32.46	Diversified Portfolio 19.13	Diversified Portfolio -1.15	Mid-Cap Growth 15.81	Mid-Cap Value 33.46	Diversified Portfolio 8.05	Int'l -0.39	Small-Cap Growth 11.32	Diversified Portfolio 17.48	Diversified Portfolio -7.57	Large-Cap Value 26.54	Int'l 8.28	Diversified Portfolio 16.79
	Cash 4.78	Large-Cap Growth -38.44	Diversified Portfolio 29.07	Large-Cap Growth 16.71	Mid-Cap Value -1.38	Diversified Portfolio 15.31	Large-Cap Value 32.53	Bonds 5.97	Small-Cap Growth -1.38	Mid-Cap Growth 7.33	Large-Cap Value 13.66	Large-Cap Value -8.27	Diversified Portfolio 25.90	Bonds 7.51	Mid-Cap Growth 12.73
	Diversified Portfolio 4.58	Mid-Cap Value -38.44	Small-Cap Value 20.58	Large-Cap Value 15.51	Mid-Cap Growth -1.65	Large-Cap Growth 15.26	Diversified Portfolio 28.84	Small-Cap Growth 5.60	Diversified Portfolio -1.40	Large-Cap Growth 7.08	Mid-Cap Value 13.34	Small-Cap Growth -9.31	Int'l 22.66	Mid-Cap Value 4.96	Int'l 11.78
	Large-Cap Value -0.17	Small-Cap Growth -38.54	Large-Cap Value 19.69	Int'l 8.21	Small-Cap Growth -2.91	Small-Cap Growth 14.59	Int'l 23.29	Small-Cap Value 4.22	Large-Cap Value -3.83	Bonds 2.65	Small-Cap Value 7.84	Mid-Cap Value -12.29	Small-Cap Value 22.39	Small-Cap Value 4.63	Small-Cap Growth 2.83
	Mid-Cap Value -1.42	Int'l -43.06	Bonds 5.93	Bonds 6.54	Small-Cap Value -5.50	Bonds 4.21	Cash 0.05	Cash 0.02	Mid-Cap Value -4.78	Int'l 1.51	Bonds 3.54	Small-Cap Value -12.86	Bonds 8.72	Large-Cap Value 2.80	Cash 0.04
	Small-Cap Value -9.78	Mid-Cap Growth -44.32	Cash 0.15	Cash 0.13	Int'l -11.73	Cash 0.08	Bonds -2.02	Int'l -4.48	Small-Cap Value -7.47	Cash 0.26	Cash 0.82	Int'l -13.36	Cash 2.21	Cash 0.54	Bonds -1.54

Recency Bias



Recency Bias

Headlines That Don't Get Much Attention



Health Monitoring Lightbulb



Controlling Devices With Thoughts



Stacked Wind Turbines



Welcome to the Metaverse



Plastic Two Times Stronger Than Steel



Electric, Self-Driving Trucking

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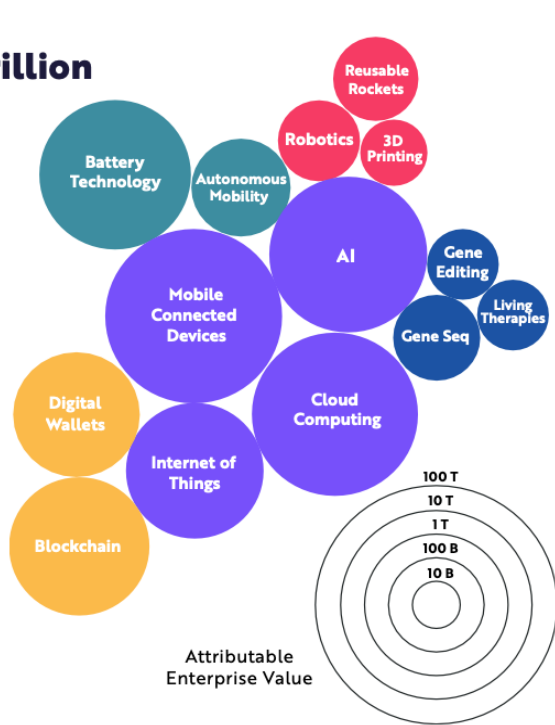
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Disruptive
Technology

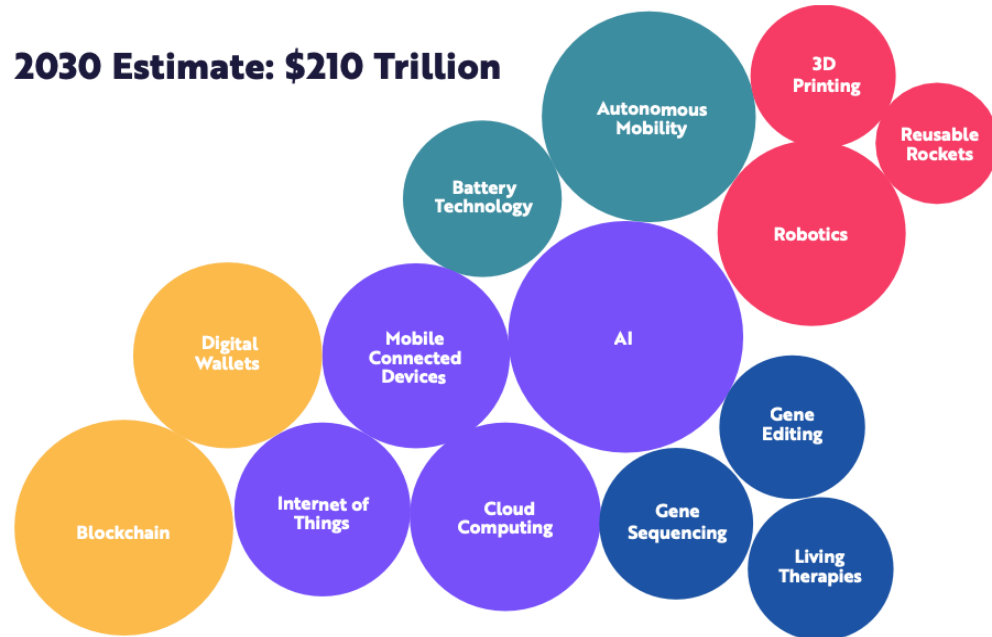
Disruptive Tech

We Believe Disruptive Innovation Technologies Are Ready For Prime Time

2020: \$14 Trillion

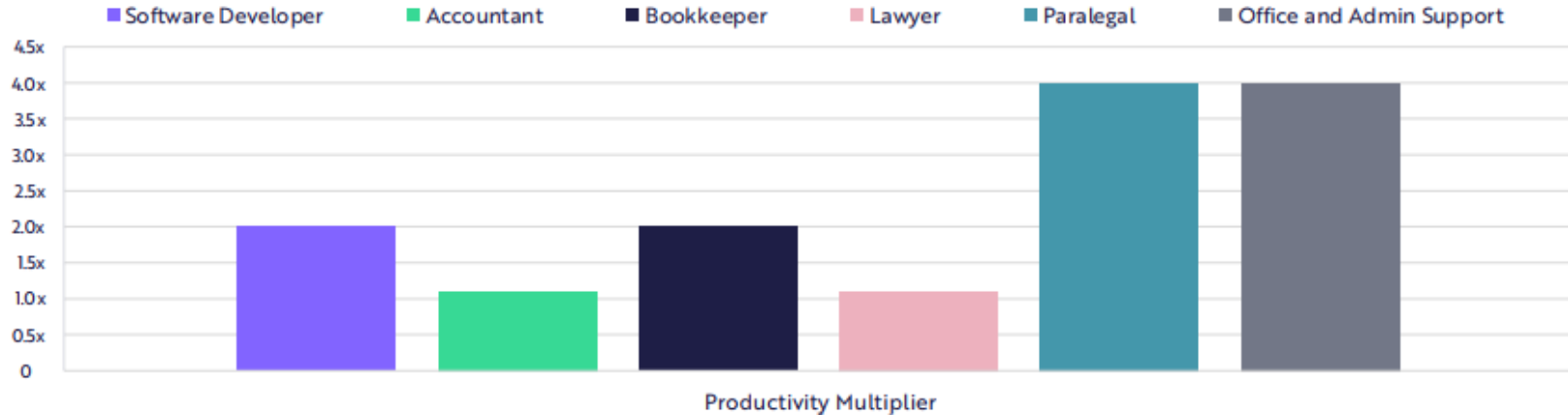


2030 Estimate: \$210 Trillion



Artificial Intelligence

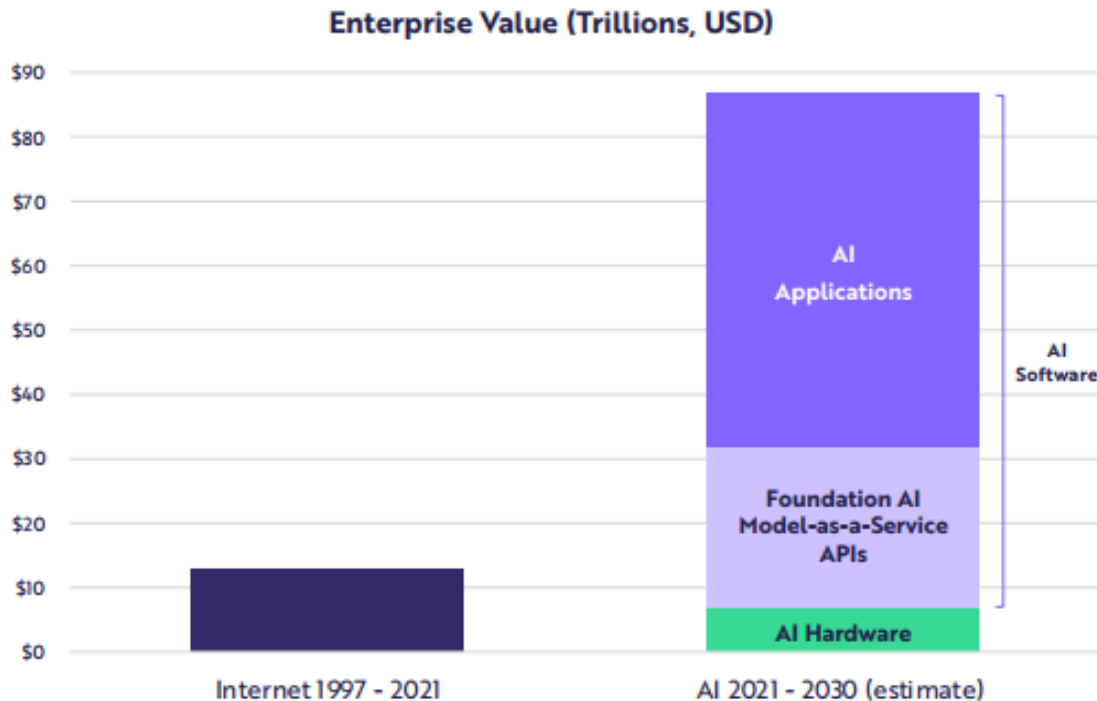
Output of AI-Assisted Knowledge Workers 2021 to 2030



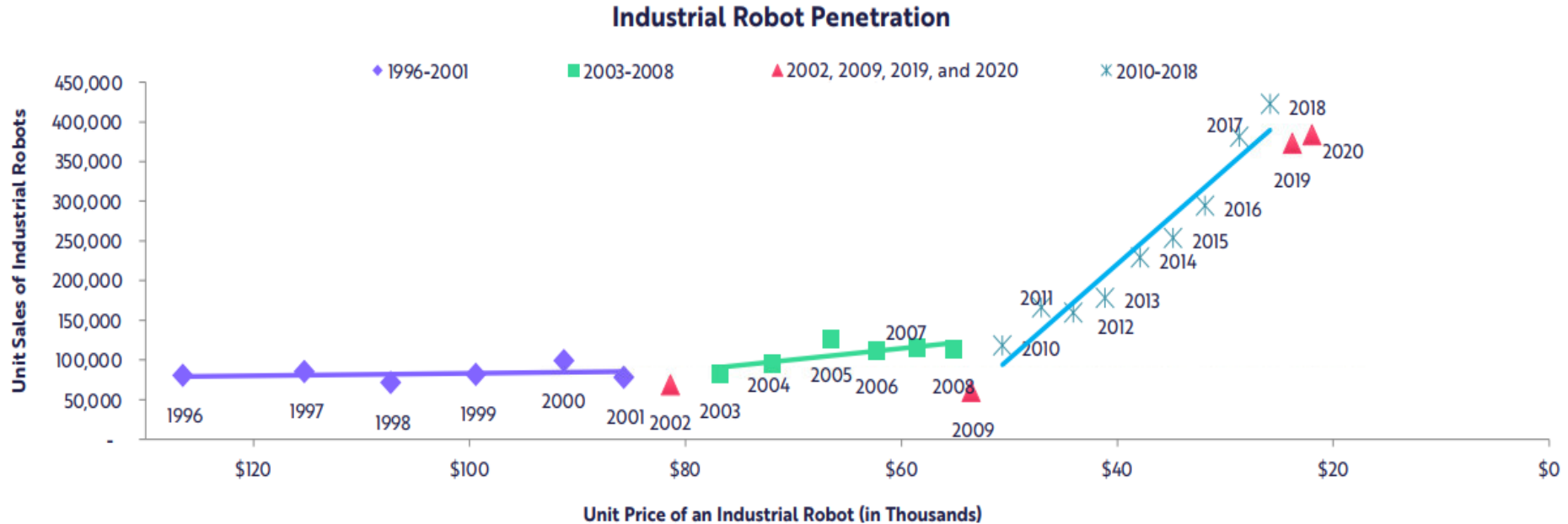
AI could increase the output of knowledge workers and boost productivity significantly

Artificial Intelligence

- AI could increase from \$2.5 Trillion to \$87 Trillion in Enterprise Value by 2030
- By 2030, AI software companies could produce \$14 trillion in total annual revenue.



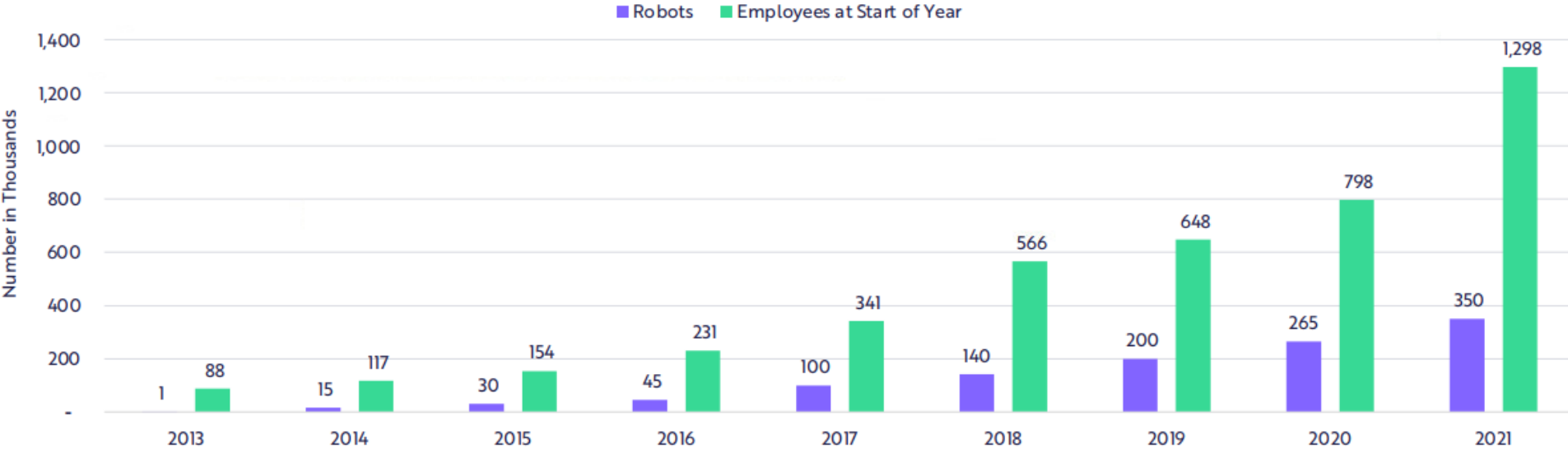
Robotics & Automation



Robotics & Automation

“Doesn’t automation eliminate jobs?” Not always...

Number of Amazon Employees and Robots



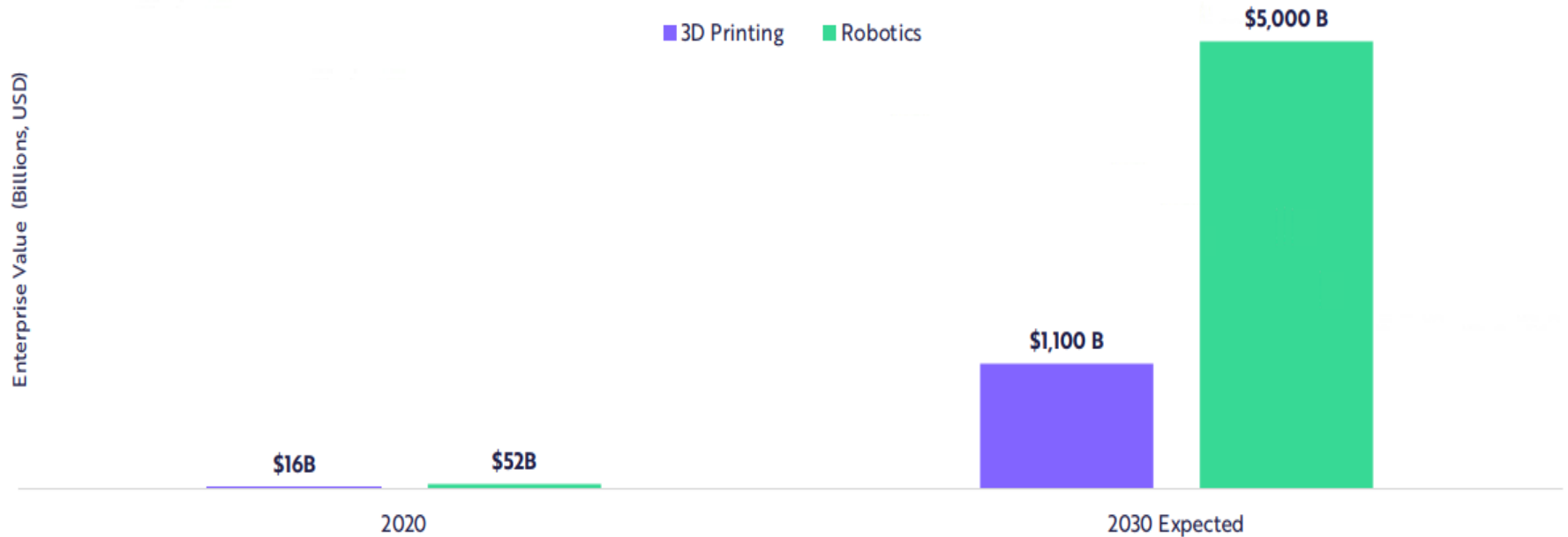
Robotics & Automation

- 3D printing allows manufacturers:
 - To print parts on demand, reducing or eliminating physical inventory
 - To use “digital inventory” and shrink the warehouse footprint
 - To be less dependent on outside suppliers: “just-in-time” inventory



Robotics & Automation

Enterprise Value for Next Generation Manufacturing

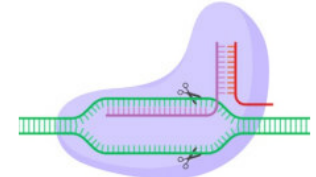
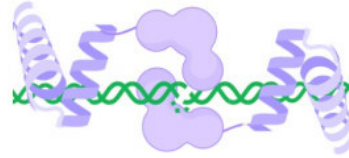
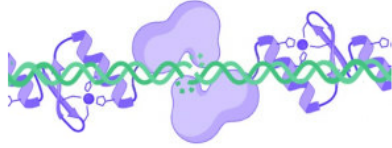


The Human Genome – Gene Editing

- What is Gene Editing?
 - It is the process of modifying cells in the body to not just mask symptoms of disease, but to eliminate disease entirely.
- What could Gene Editing cure?
 - Cancer
 - Sickle-Cell Anemia
 - Blindness
 - HIV/AIDS
 - Cystic Fibrosis
 - Muscular Dystrophy
 - ...any disease with a genetic origin



Leader in Gene Editing



ZFNs

TALENs

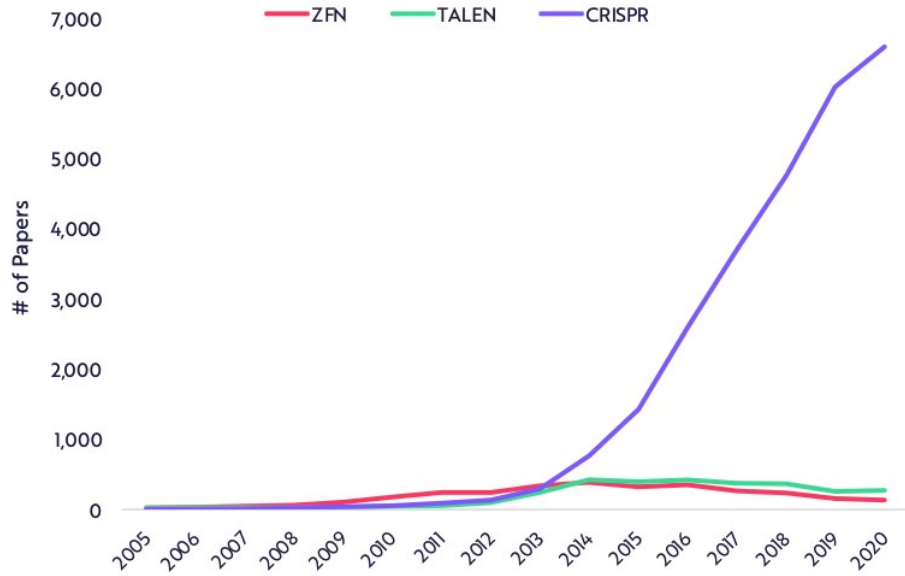
CRISPR

	ZFNs	TALENs	CRISPR
Cost	High	Low	Very Low
Time	Months	Weeks	Days
Technical Difficulty	High	Medium	Low
Targeting Mechanism	Protein-DNA interaction	Protein-DNA interaction	RNA/DNA interaction
Delivery	Two proteins around the target	Two proteins around the target	Guide RNA and Cas protein
Multiplex Editing	Very Difficult	Difficult	Not Difficult

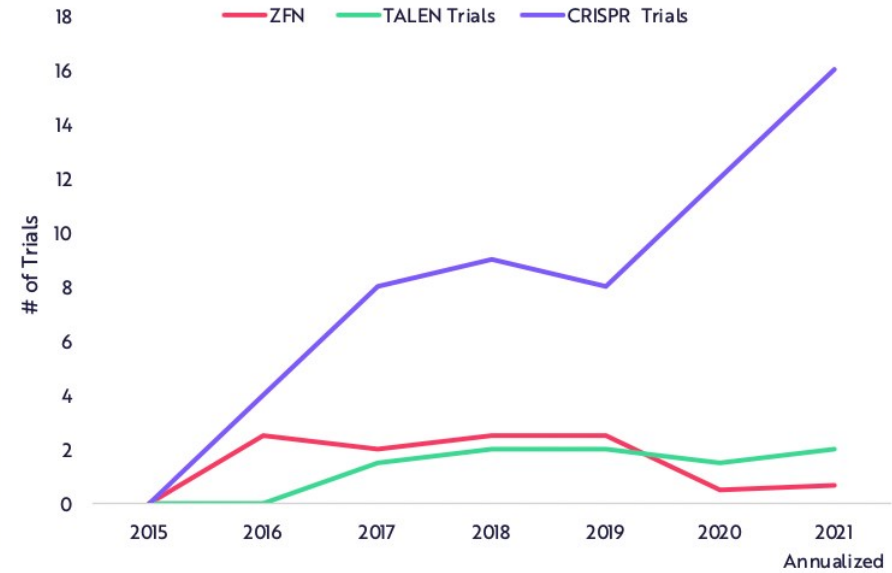
Future of Gene Editing

CRISPR Is Dominating Academic Research And Clinical Trials

ZFN, TALEN & CRISPR Papers



ZFN, TALEN & CRISPR Clinical Trials



In Summary...

- It's been a rough year - high prices & low supplies
- Government policy directly impacts our quality of life
– elections allow for course corrections
- Research & innovation is increasing dramatically
- Things are never quite as bad as they appear
- As investors, time is on our side
- Vote early & often!

The Proper Perspective

- Stay the course through difficult markets
- Probability is high the stock market will rise from here
- Active diversification pays off in the long run
- 2022 - A bumpy ride...buckle up and consider adding funds to your portfolio
- Elections matter – vote!

Closing Message

***USA - Even with all its troubles, it's
the envy of the world.***



Aspect Wealth Management

Investment Management

Active Management

Investment Research

Tax Efficiency

Education Funding

Financial Planning

Goals-based Planning

Benefit Coordination

Income Optimization

Social Security Analysis

Risk Management

Asset Protection

Liability Insurance

Long Term Care Insurance

Life/Disability Insurance

Estate Planning

Document Review

Beneficiary Review

Proper Use of Trusts

Charitable Planning

Tax Planning

Deferral Techniques

Roth Conversions

CPA/Attorney Coordination

Loss Harvesting

Business Planning

401(k) Plan Design

Non-Purpose Lending

Succession Planning

Executive Retention

Our Team!



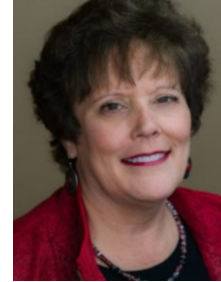
**Michael
Clark** CIMA®,
CRC®**



**Zachary
Clark**
CFP®**



**Jane
Weekley**
MBA**



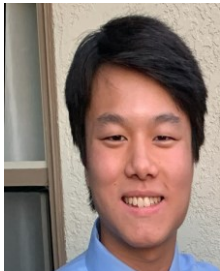
**Denise
Salzman**
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**Evita Hernandez
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**Jalisa Murphy
Client Services**



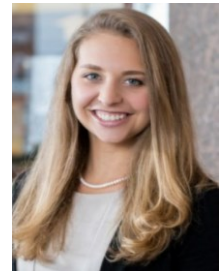
**Chansen Saw
Client Services**



**Janet McMillan
Office
Administrator**



**Chip Tencza
Operations
Analyst**



**Jacqueline Clark
Event ⁵²
Coordinator**

Thank You!
