

MEEDER PRIVATE WEALTH

Capital Markets Update Q1 2023

Private Wealth

Meeder Private Wealth is the solution to deliver the capabilities investors want. Private wealth is a personalized portfolio created in a separately managed account structure tailored to each client's goals and objectives. Those goals and objectives will likely change over time, and this portfolio structure allows adjustments to reflect those changes. As clients move through different lifecycle phases of accumulation, preservation, and distribution, Private Wealth accounts provide the flexibility to adjust the portfolio as needed. For example, the market appreciation that we've experienced over the last decade caused many client positions to become outsized relative to the rest of their portfolio. This is often the case when dealing with large, concentrated holdings or a sizeable outside investment such as real estate.

We can manage around those concentrated positions and tailor the portfolio for the inclusion or exclusion of specific sectors or securities. Clients have direct ownership of the individual stocks inside their portfolio. Therefore, the cost basis of those stock positions is the client's. This structure is unlike a mutual fund or an ETF where they own the fund or ETF's cost basis, not the actual individual stock position basis. Private wealth allows for transferring positions in kind so clients don't have to abruptly sell existing securities. Instead, portfolio managers can transfer those positions by reducing over time as opportunities arise, in a tax efficient manner. Investors understand the consequences of taxes on their portfolio and want their advisor to have a proactive approach to minimize that tax obligation while still maintaining a high level of personalization and expertise.

Performance Review and Outlook

The first quarter was eventful, and now is a critical time to get in front of clients. While we saw very strong market performance, we also witnessed the second and third-largest bank failures in U.S. history. There will likely be negative headlines in the future, with potential rises in unemployment and a slowdown in global growth.

INDEX PERFORMANCE

Data through 3/31/2023

US EQUITY INDICES	YTD	2022	10-YEAR
S&P 500	7.5%	-18.1%	12.2%
US Large Cap Growth	14.4%	-29.1%	14.6%
US Large Cap Value	1.0%	-7.5%	9.1%
US Small Cap	2.7%	-20.4%	8.0%
INTERNATIONAL EQUITY INDICES	YTD	2022	10-YEAR
International Developed	8.5%	-14.5%	5.0%
Emerging Markets	4.0%	-20.1%	2.0%
FIXED INCOME INDICES	YTD	2022	10-YEAR
Bloomberg US Agg Bond	3.0%	-13.0%	1.4%
High Yield	3.7%	-11.2%	4.0%

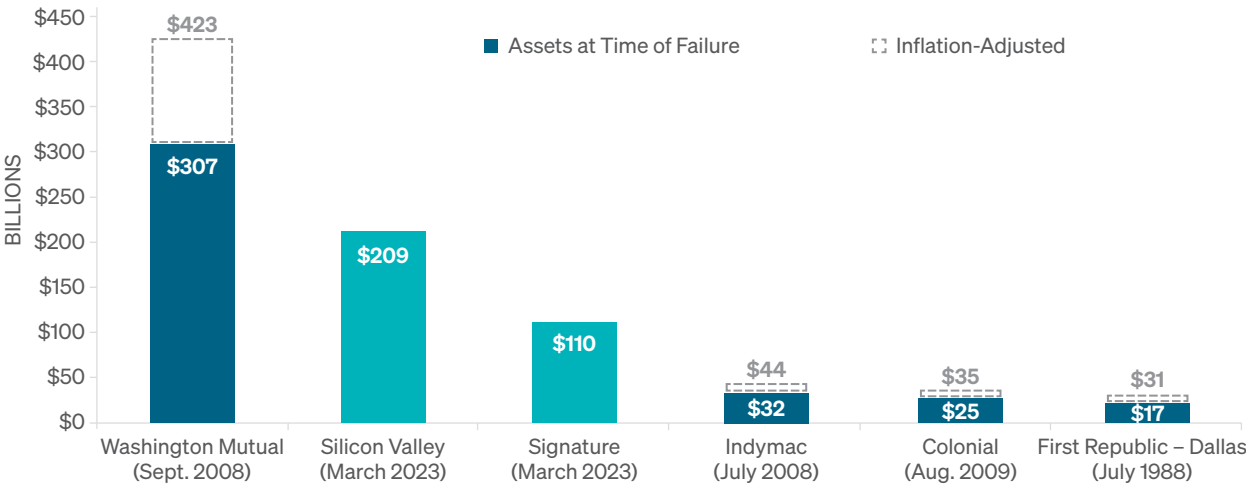
SOURCE: MORNINGSTAR AND MEEDER INVESTMENT RESEARCH; INDEX REPRESENTATION: US LARGE CAP GROWTH- RUSSELL 1000 GROWTH, US LARGE CAP VALUE- RUSSELL 1000 VALUE, US SMALL CAP- RUSSELL 2000, INTERNATIONAL DEVELOPED- MSCI EAFE, EMERGING MARKETS- MSCI EM, HIGH YIELD BONDS- ICE BOFA US HIGH YIELD

Despite the challenges, it's been a fantastic quarter, with strong returns for U.S. equity indices, international markets, and fixed income investments. Specifically, we've seen impressive performance in the U.S. equity market since the end of 2022. Large cap growth outperformed value, narrowing the gap in their respective one-year returns. Developed international markets also performed well, beating the S&P 500 last year and continuing that trend year-to-date. While fixed income had a challenging year in 2022, it is now better positioned to serve its role in the portfolio by providing income and offsetting risk from equity markets.

Looking ahead, diversification will likely be far more valuable than in the previous 10 years, which was a period of a rising U.S. dollar, low interest rates, and low inflation. While it's important to note that we shouldn't rely solely on the year-to-date returns to predict future performance, we are keeping an eye out for future opportunities and specifically we are looking at international and small-cap equities.

The first quarter saw several large bank failures. However, it's important to note that this is not 2008. Unlike the global financial crisis, which was driven by price declines in low-quality assets, the recent bank issues stemmed from concentrated deposits and poor interest rate risk management, not bad loans. The current crisis may result in a tightening of financial conditions, with Goldman Sachs estimating that it is equivalent to a 50 basis point interest rate hike. It's worth noting that banks are well-capitalized, and the Fed and Treasury are committed to protecting the solvency of the banking sector, thereby reducing the risk of a global event.

LARGEST BANK FAILURES IN US HISTORY



SOURCE: CLEARBRIDGE

The above chart illustrates the largest bank failures in U.S. history. The dotted line represents the inflation-adjusted volume, given that most of these failures occurred roughly 15 years ago. It highlights that many of these bank failures occurred during the 2008 global financial crisis, while the second and third-largest failures occurred during the first quarter. The recent crisis is primarily a liquidity issue resulting from price declines in high-quality assets, such as U.S. Treasuries. However, unlike in 2008, this can be solved, and the banking sector may be better positioned as a whole to weather the storm.

The Fed closely monitors unemployment and inflation to assess whether they need to change course. While inflation peaked at 9.1% in June of 2022 and has since declined for nine months, employment remains tight. The chart below shows the unemployment rate dating back to 1960, with recessions shaded in grey. As of the latest data, the current unemployment rate stands at 3.5%, which is close to a 50-year low.

UNEMPLOYMENT WILL LIKELY RISE

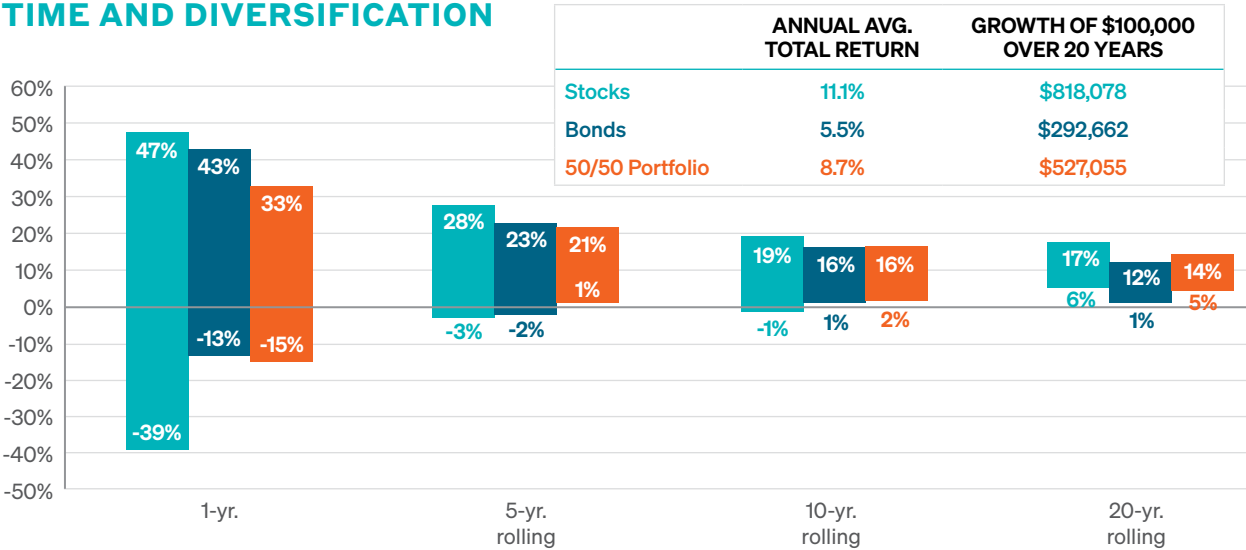


SOURCE: BLOOMBERG

Starting in March of last year, the Fed has been aggressively tightening interest rates. There's typically a lag from the tightening of rates to its impact on the economy, and we may start seeing the effects on the economy and labor market throughout the year. The Fed's projections are for unemployment to rise to 4.5% by year-end and to 4.6% over the next two years. However, the Fed tends to underestimate the impact of rising interest rates on the economy, and unemployment may end up higher than their projections.

Volatility in equity markets can be expected, with an average annual drop of 10%. Clients should maintain a longer-term perspective and recognize that interest rates may decrease looking forward. It is crucial to stick to your plan and maintain a longer time horizon. The graph below illustrates the returns of stocks, bonds, and a balanced 50/50 portfolio over a one-year period, with green representing the S&P 500 Index and blue representing the Bloomberg U.S. Aggregate Bond Index. The grey bars represent a balanced portfolio. Returns vary significantly over one year, but over five, ten, and twenty years, the range of outcomes is substantially reduced. For instance, a balanced portfolio over five years has never had a negative return over the analysis period. Clients must have a long-term investment horizon and ensure they are in the appropriate risk profile. While there may be increased volatility over one year, this can also create investment opportunities.

TIME AND DIVERSIFICATION

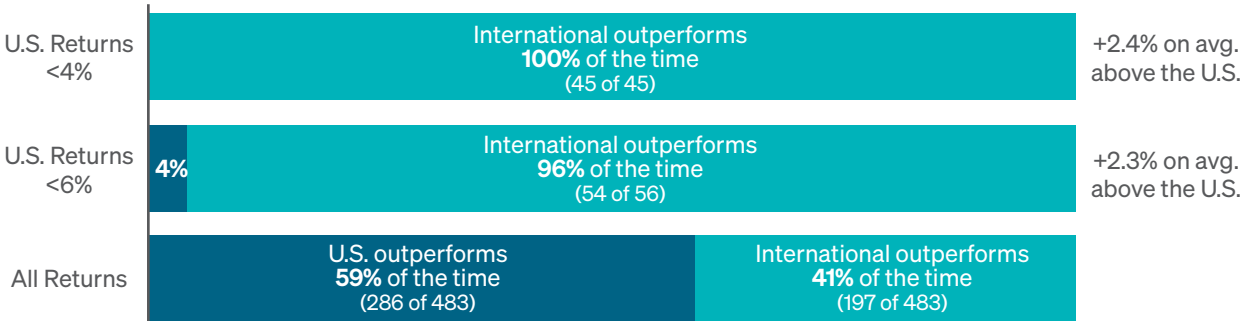


SOURCE: JPMORGAN; RETURNS ARE BASED ON CALENDAR YEAR RETURNS FROM 1950 TO 2022; STOCKS REPRESENT THE S&P 500 SHILLER COMPOSITE, BONDS REPRESENT STRATEGAS/IBBOTSON FOR PERIODS FROM 1950 TO 2010 AND BLOOMBERG AGGREGATE THEREAFTER

During recent conversations with clients, it became clear that many believe international markets will perform worse than the U.S. market in the event of a downturn. However, historical data suggests otherwise. The chart below illustrates that in 10-year rolling periods since 1970, international markets have outperformed the U.S. market 100% of the time when the U.S. returned less than 4%, and 96% of the time when the U.S. returned less than 6%. The outperformance during those periods has typically been between 2%-3%. This highlights that international equity presents an excellent long-term strategic opportunity within portfolios, especially given the current growth tilt of large cap U.S. indices.

INTERNATIONAL VS US RETURNS

Rolling 10-year returns through 2/2023



International has outperformed when U.S. stock returns were low

SOURCE: BLACKROCK, 10 YEAR MONTHLY ROLLING PERIODS FROM 1973-2/2023

We Are Here. With You. For You.

Thank you for the trust that you've placed with Meeder. We recognize how challenging the current markets are and how confusing it can be for clients. We are happy to assist you in client or prospect meetings and provide the rationale for our portfolio positioning and expectations around current markets.

What is Meeder Private Wealth?

Meeder Private Wealth is our customized separately managed account (SMA) which is managed with a strategic investment discipline. As we look at the core components of private wealth, it is important to note that we have a vast ability to personalize. This is not a one-size-fits-all approach. Each client is unique with individual goals and objectives, so each portfolio is built specifically to match that client's unique situation. Additionally, as we move through time and the client's goals and objectives change, Private Wealth accounts allow us to adjust and change as needed.

We take a holistic approach to risk management, as we want to know as much about each client's financial situation as possible. The more information we have about their entire financial picture the more effectively we can manage their investments and ensure we are maintaining their specific risk profile. We can manage accounts around concentrated positions—excluding stocks, sectors, or industries. All this information can be considered and allows our team to build the portfolio to be as effective and efficient as possible while maintaining the agreed-upon risk profile.

Tax management is an area we consider to be one of the most underserved from a portfolio management standpoint. Tax management represents a large portion of our conversations with advisors and clients. We implement active and ongoing tax-loss harvesting and gain deferral when needed. This active tax management allows us to maximize after-tax wealth for our clients and generate tax alpha. The tax loss harvesting approach isn't simply selling stocks that are down at the end of the quarter or the end of the year. This is a more thoughtful approach where we review every account daily to determine whether there are opportunities within the portfolio to harvest losses.

Finally, this is a transparent and unbiased approach. While Meeder offers a full suite of mutual funds, we do not use proprietary products inside private wealth accounts. Clients can always see the positions held in the account in real time and gain access to our investment team as needed to answer any questions.

**REACH OUT TO YOUR MEEDER PRIVATE WEALTH PROFESSIONAL
TODAY TO LEARN MORE.**



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