MEEDER PRIVATE WEALTH

Capital Markets Update Q2 2023

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Meeder Private Wealth

Give Your Clients What They Want

80%	84%	90%
of investors want minimal tax obligations	of investors want portfolios tailored to their personal values	of investors want expert support and resources

Investment advisory clients have become increasingly aware of the significant impact taxes can have on their portfolios. As a result, they now expect their advisors to adopt a proactive approach to managing tax implications while maintaining a high level of personalization. Recognizing and understanding client expectations is merely the starting point. The next crucial step is identifying an investment vehicle structured to fulfill these demands—a personalized portfolio.

MANAGING CLIENT EXPECTATIONS

PERSONALIZED PORTFOLIO SOLUTIONS

NEARLY 50 YEARS OF EXPERIENCE

In 2017, Meeder Private Wealth responded to this client-driven need by creating its personalized portfolio solution. Built on a solid foundation of nearly 50 years of investing experience and continuous innovation at Meeder, our Private Wealth division prides itself on prioritizing personalization for each client.

We firmly believe that tailoring strategies to individual needs and goals is fundamental to ensuring a successful financial journey for every investor. One of the standout features of Meeder Private Wealth is that clients enjoy direct ownership of individual stocks within their portfolios. Unlike mutual funds or ETFs, where clients hold the fund or ETF's cost basis, our clients possess the actual cost basis of the individual stock positions. This distinction is a critical component in driving tax efficiency.

Moreover, the flexibility of Meeder Private Wealth allows for seamless transfers of positions in kind. Clients are not required to sell all their existing holdings immediately. Securities are transferred and gradually reduced in a highly tax-efficient manner over time. This adaptability is advantageous in managing outsized holdings and handling significant outside investments, such as real estate.

Our personalized approach extends to managing concentrated positions and tailoring portfolios to include or exclude specific securities or sectors based on individual preferences. This level of customization ensures that portfolios remain aligned with each client's unique financial objectives.

Private Wealth Strategy Line Up

Meeder Private Wealth engages in in-depth conversations to fully comprehend a client's financial picture. The portfolio's flexibility allows us to adapt to clients' changing risks and financial goals. We can adjust the portfolio for life events, significant purchases, or career changes. This adaptability ensures the portfolio remains relevant and aligned with clients' evolving financial needs.

After understanding the client's situation, we begin the portfolio creation process with five foundational building blocks:

01 Core Taxable

The flagship strategy aims to maximize after-tax returns for taxable accounts.

02 Core Tax-Exempt

This portfolio is designed for qualified accounts with no tax consequences, allowing for more active investment management.

03 Dividend Income

This strategy seeks to maximize portfolio-generated income through dividends.

04 Defensive Equity

This approach increases equity exposure during favorable market conditions and reduces exposure to mitigate risk during stressful market conditions.

05 Product Involvement Screens

This offering offers prebuilt or custom screens to align clients' investments with their morals and values.

At Meeder Private Wealth, personalization and tax efficiency are core principles that guide our investment approach. By combining our extensive experience, client-centric philosophy, and unwavering commitment to excellence, we empower investors to confidently navigate the financial landscape and embark on a successful financial journey tailored to their individual needs.

Performance Review and Outlook

This year's positive performance across asset classes has surprised many investors. The prevailing narrative in December had many bracing for a pending recession and a tough first half of 2023, but the reality has been quite different. The anticipated risks of weaker earnings and restrictive Fed policy have had little impact on investment returns, serving as a strong reminder of the importance for investors to stick to their strategic long-term allocation.

ASSET CLASS RETURNS

Data through 6/30/2023

U.S. EQUITY INDICES	Q2	YTD	1-YEAR	5-YEAR
S&P 500	8.7%	16.9%	19.5%	12.3%
Growth	13.6%	33.2%	28.0%	14.5%
Value	3.6%	2.6%	10.9%	9.3%
Small-Cap	5.3%	9.3%	14.9%	6.6%
INT'L EQUITY INDICES	**Q2**	**YTD**	**1-YEAR**	**5-YEAR**
Developed Markets	3.1%	11.1%	16.5%	4.4%
Emerging Markets	1.1%	4.8%	1.2%	2.2%
FIXED INCOME INDICES	**Q2**	**YTD**	**1-YEAR**	**5-YEAR**
Core US Aggregate Bond	–0.8%	2.3%	–0.9%	0.7%
Bloomberg High-Yield	1.5%	5.2%	8.2%	2.4%

SOURCE: MORNINGSTAR DIRECT, MEEDER INVESTMENT RESEARCH.

Indices: S&P 500 Index; CRSP US Large Cap Growth Index; CRSP US Large Cap Value Index; CRSP US Small Cap Index; FTSE Developed All Cap ex US Index; FTSE EMERGING MARKETS ALL CAP CHINA A INCLUSION INDEX; Bloomberg US Aggregate Bond Index; Bloomberg High-Yield Very Liquid Index.

Despite performance challenges in 2022, fixed income bounced back impressively, with investment-grade bonds as represented by the Bloomberg U.S. Aggregate Index growing by over 2%. Additionally, high-yield bonds surged over 5% in just six months. This rebound reaffirms the potential of fixed income as a diversifier, and the current yield points towards favorable long-term prospects. As we move forward, fixed-income opportunities could continue to shine brightly.

DIVERSIFY, DIVERSIFY, DIVERSIFY

10-Years Ending 2012 Annualized	Emerging Markets 16.9%	U.S. Small Cap 9.7%	International Developed 8.7%	U.S. Large Cap 7.1%	U.S. Bonds 5.2%
2013	U.S. Small Cap 38.8%	U.S. Large Cap 32.4%	International Developed 23.3%	U.S. Bonds -2.0%	Emerging Markets -2.3%
2014	U.S. Large Cap 13.7%	U.S. Bonds 6.0%	U.S. Small Cap 4.9%	Emerging Markets -1.8%	International Developed -4.5%
2015	U.S. Large Cap 1.4%	U.S. Bonds 0.6%	International Developed -4.0%	U.S. Small Cap -4.4%	Emerging Markets -14.6%
2016	U.S. Small Cap 21.3%	U.S. Large Cap 12.0%	Emerging Markets 11.6%	U.S. Bonds 2.7%	International Developed 1.5%
2017	Emerging Markets 37.8%	International Developed 25.6%	U.S. Large Cap 21.8%	U.S. Small Cap 14.7%	U.S. Bonds 3.5%
2018	U.S. Bonds 0.0%	U.S. Large Cap -4.4%	U.S. Small Cap -11.0%	International Developed -13.4%	Emerging Markets -14.3%
2019	U.S. Large Cap 31.5%	U.S. Small Cap 25.5%	International Developed 22.7%	Emerging Markets 18.9%	U.S. Bonds 8.7%
2020	U.S. Small Cap 20.0%	Emerging Markets 18.7%	U.S. Large Cap 18.4%	International Developed 8.3%	U.S. Bonds 7.5%
2021	U.S. Large Cap 28.7%	U.S. Small Cap 14.8%	International Developed 11.8%	U.S. Bonds -1.5%	Emerging Markets -2.2%
2022	U.S. Bonds -13.0%	International Developed -14.0%	U.S. Large Cap -18.1%	Emerging Markets -19.7%	U.S. Small Cap -20.4%
10-Years Ending 2022 Annualized	U.S. Large Cap 12.6%	U.S. Small Cap 9.0%	International Developed 5.2%	Emerging Markets 1.8%	U.S. Bonds 1.1%

SOURCE: RUSSELL

The chart above displays asset class returns over the previous decade. As expected, U.S. large-cap was the top performer with nearly a 13% annualized return. When examining each year individually, U.S. large-cap held the top position in four of those ten years. However, that has not always been the case. In the previous decade ending in 2012, emerging markets achieved the highest annualized performance with returns over twice that of U.S. large-cap. Additionally, U.S. large-cap never had the highest performance in any year throughout that decade.

This disparity illustrates that markets are cyclical, and some cycles are longer-term. We advise our clients to monitor the risk within their portfolios, diversify their allocations, and prepare for the future decade. We recognize that it may differ significantly from the one we just experienced.

Inflation

This chart displays the projected paths of CPI. Year-over-year inflation peaked at 9.1% in June 2022 and has declined for 12 consecutive months. In June of this year, the month-over-month change in inflation was 0.2%, resulting in a year-over-year change of 2.97%. Looking ahead, if we observe another 0.2% month-over-month change in July, inflation will increase to 3.2%!

THE PATH TO LOWER INFLATION?

Projected CPI YOY %

MONTH	+0.0% MOM	+0.1% MOM	+0.2% MOM	+0.3% MOM	+0.4% MOM
Jun-23			2.97% YOY		
Jul-23	3.0%	3.1%	3.2%	3.3%	3.4%
Aug-23	3.0%	3.2%	3.4%	3.6%	3.8%
Sep-23	2.8%	3.1%	3.4%	3.7%	4.0%
Oct-23	2.4%	2.8%	3.2%	3.6%	4.0%
Nov-23	2.5%	3.0%	3.5%	4.0%	4.6%
Dec-23	2.8%	3.4%	4.0%	4.7%	5.3%

SOURCE: BESPOKE

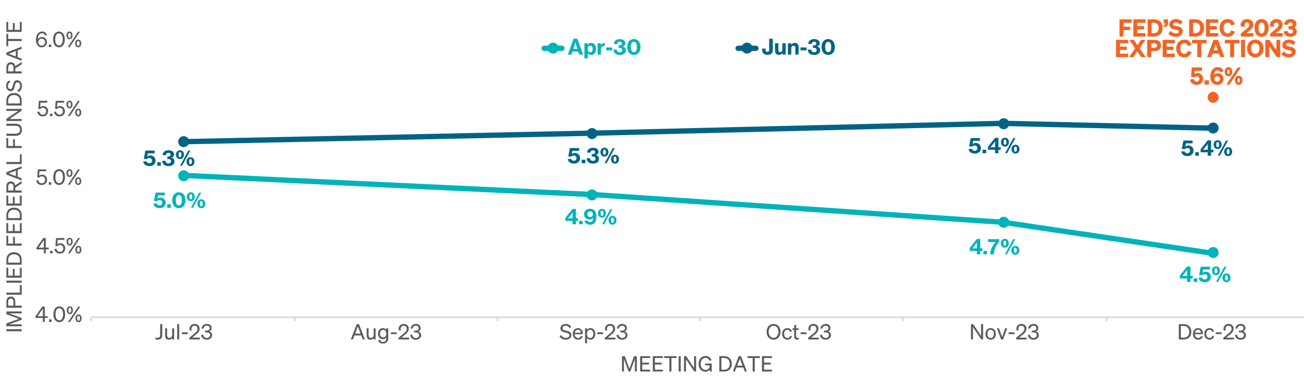
As we move into the fourth quarter, inflation is likely to range between 2% to 4%, which is slightly above the Fed's target. We want to inform our clients that the pace of declining inflation may moderate, or year-over-year inflation may rise in the months ahead.

Interest Rates

Let's look at the market expectations of the implied Federal Funds rate. As of April 30th, the market anticipated economic weakness or a potential recession, leading the Fed to cut interest rates twice this year. However, in a matter of weeks, this outlook shifted dramatically, and the current expectation is for interest rate increases to moderate, with a possibility of a final rate hike towards the end of this year.

HIGHER FOR LONGER

Interest Rate Expectations



SOURCE: BLOOMBERG

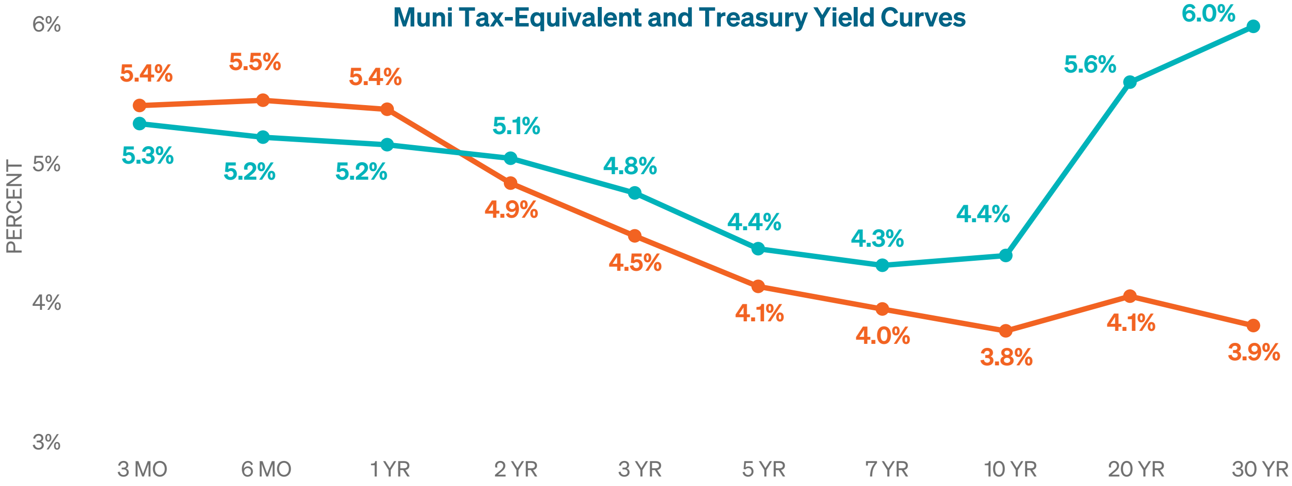
Currently, market expectations align more closely with the Fed's projections. The Fed expects two rate hikes, one in July and another later this year. Previously, the market had foreseen economic weakness or a recession prompting rate cuts. Now, the projection for economic weakness has been pushed out into 2024, and the current expectation for the Fed funds rate is to remain higher for an extended period.

Trade Update

Given our analysis of inflation and potential Fed policy, we recently made a trade in our taxable portfolios. Our portfolio management approach is simple. We aim to maximize after-tax returns by favoring asset classes with a higher reward relative to risk. The chart above compares U.S. Treasury yields and AAA municipal tax-equivalent yields.

RECENT TRADE: SHORT-TERM TREASURIES

Data through 6/30/2023



SOURCE: J.P. MORGAN ASSET MANAGEMENT

Shorter maturities of U.S. Treasuries now have higher yields even after considering taxes. We recently implemented this trade by shifting short-term municipals to taxable securities. There's likely still potential for this trade to add value, and we will continue to monitor it closely to ensure that we appropriately adjust allocations for clients and optimize their after-tax returns.

Key Takeaways

Growth was the primary driver of returns year-to-date, vastly outperforming other asset classes. This trend has been consistent throughout the previous decade, potentially leading clients' accounts to have much higher exposures to growth than in previous years. We recommend reviewing clients' portfolios and potentially rebalancing or tilting towards other asset classes that haven't participated as much in the recent rally.

Regarding interest rates, our team is closely monitoring Fed policy, the labor market, and inflation conditions. The expectation is that we are approaching the end of the cycle, and rates are likely to remain elevated. Considering this situation, we recommend focusing on defense rather than offense by maintaining exposure to higher-quality fixed-income and equity investments. This approach offers the opportunity for a higher yield in the future while minimizing risk in the near term.

Finally, diversification is a fundamental strategy that works well over long-term market cycles. Each market cycle is unique, making diversification crucial to a portfolio's success. The aim is not necessarily to achieve the target allocation immediately but rather to gradually shift the portfolio towards areas of the market that appear attractive over time.

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