SWS Capital Management

A SHANK WILLIAMS CISNEROS COMPANY

Quarterly Commentary – Q2 2023

The quarter began with the second largest U.S. bank failure as regulators seized First Republic Bank and engineered a sale to JPMorgan. The failure followed the collapse of Silicon Valley Bank and Signature Bank in the first quarter. The sale ended a period of initial panic due to a banking crisis that threatened the economy, but was largely contained to regional banks.

The second major concern in the quarter was the uncertainty pertaining to the U.S. debt ceiling. However, with "time running out", Congress approved a deal, which raised the debt ceiling and included spending concessions, avoiding a default.

The Federal Reserve raised the Federal Funds Overnight Rate 25 basis points in May, but did not raise the reference rate in June. The "Hawkish Pause" did not signal an end to the rising rate cycle. Current Fed Dot Plot projections indicate that rates will likely close 2023 50 basis points higher than the current target range of 5.00% to 5.25%.

Economic growth surprised to the upside as GDP was revised to 2% for the first quarter annually from the prior estimate of 1.3% growth. Inflation continued to moderate as CPI continues to trend down. The unemployment rate for May was 3.7%, which historically is considered full employment.

The fixed income markets have continued to accept that rates will likely remain higher for longer and the inverted yield curve continues to reward higher yields toward shorter maturity investments over longer maturity investments.

SWS Capital Management's [SWSCM] philosophy is based on a value-oriented, active management style which emphasizes liquidity and risk management. This philosophy is woven into all our strategies. Security selection, sector allocation, and yield curve positioning are based upon interest rate anticipation as well as our fundamental economic outlook.

SWSCM continues to position strategies shorter duration to benchmark. This quarter we increased portfolio duration closer to benchmark. Opportunistically, we continue to add credit exposure to many of our strategies.

As always, we are available to answer any questions on the economy or your portfolios, and we thank you for your business.

SWS CAPITAL MANAGEMENT

100 Wall Street, 18th Floor, New York, NY 10005 Telephone 212-461-6500
www.swscapitalmanagement.com