Market Review Commentary

November 2022

Kayne Anderson Rudnick Investment Management

SECOND STRAIGHT MONTH OF EQUITY GAINS AS PACE OF INTEREST RATE HIKES EXPECTED TO EASE

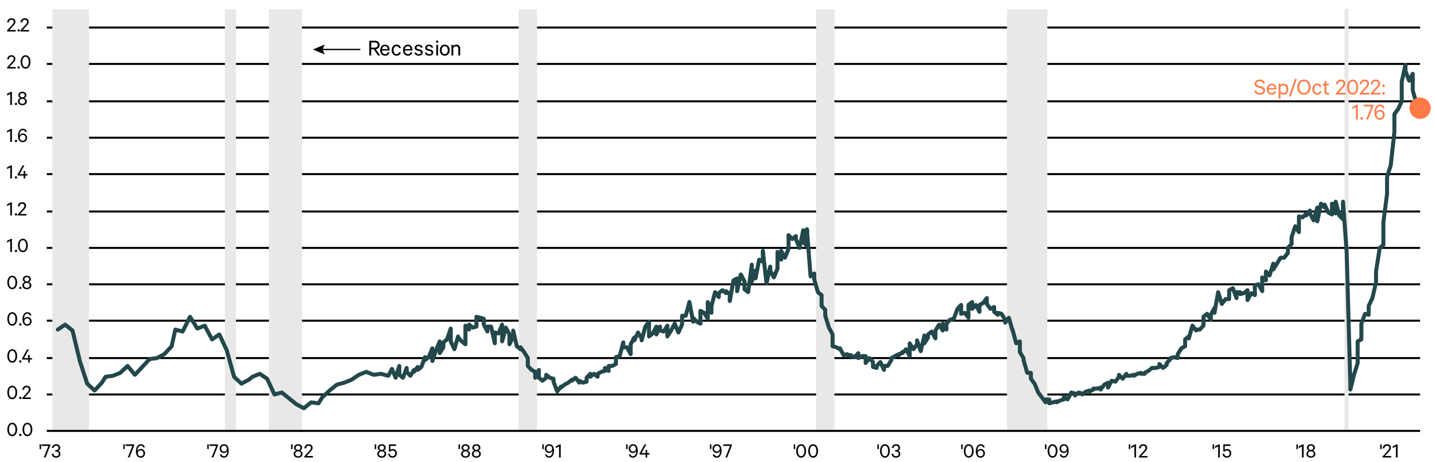
Stocks rallied to close out the month of November providing investors with two consecutive months of equity gains. Federal Reserve Chairman Jerome Powell's comments indicating the central bank would ease the pace of interest rate increases gave investors the Fed "pivot" they had been debating for months. On the final trading day in November, the major indexes soared and pushed the Dow Jones Industrial Average into bull market territory, defined as a 20% increase from the last recorded low. The S&P 500 Index returned 5.59% in the month, while the Russell 2000 Index of small capitalization stocks rose 2.34%. Growth stocks, as represented by the Russell 1000 Growth Index, returned 4.56%. Value stocks continued to outpace growth stocks with a return of 6.25%, as represented by the Russell 1000 Value Index.

The Fed is set to meet in December and is widely expected to announce a 50 basis point increase, which is a step down from the previous four increases of 75 basis points. The Fed is still committed to a federal funds rate of around 5%, with the current range at 3.75% to 4.00%, which indicates we are not out of the woods and more increases are ahead, albeit likely smaller and less frequent. Powell explained that since the Fed raised rates rapidly, it may take time for the impact of the increases to filter across the economy. In his remarks at an event at the Brookings Institute on November 30, he said it would make sense for officials to slow rate increases. "My colleagues and I do not want to overtighten because…cutting rates is not something we want to do soon," he said. "That's why we're slowing down and going to try to find our way to what the right level is."[1]

While there have been signs of inflation slowing across sectors of the economy, which contributed to pushing stocks higher this month, strong employment continues to be the Fed's Achilles heel. It seems counterintuitive to root against stronger employment, but with labor supply so resilient and wage growth above levels the Fed says is consistent with its 2% inflation goal, employment statistics will continue to be the bellwether guiding Fed policy. Any reduction of labor demand growth will be seen by the Fed as a positive indicator to slowing the economy.

FIGURE 1: RATIO OF JOB OPENINGS TO JOB SEEKERS

Job Openings* Lagged 1 Month Divided by Unemployed Persons, Seasonally Adjusted

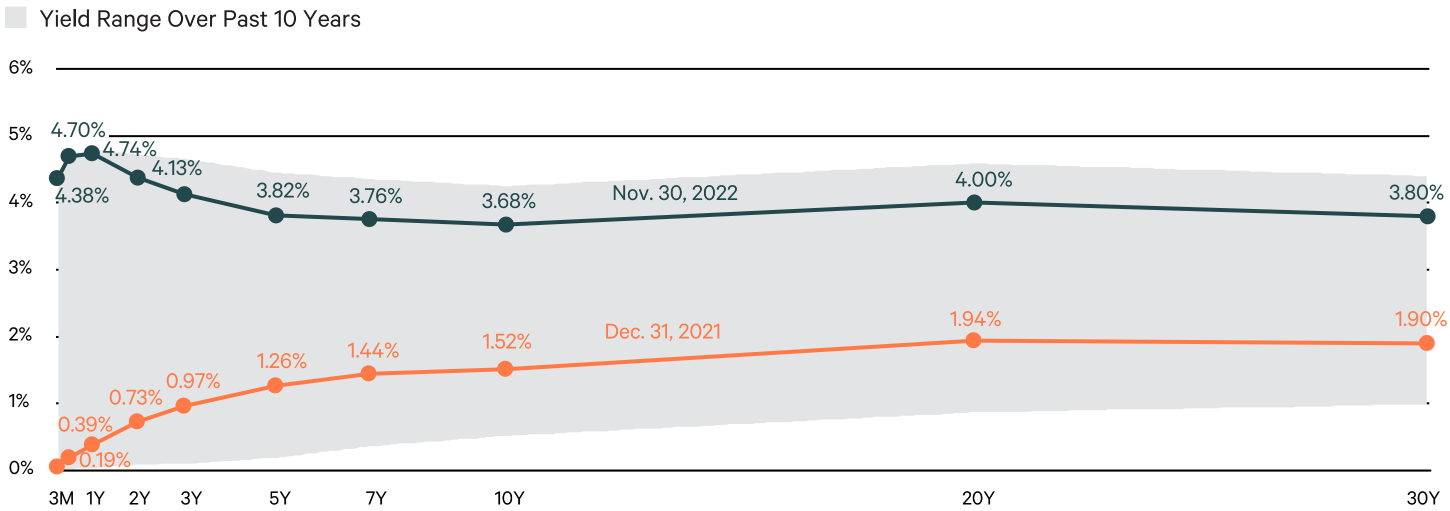


**JOLTS job openings from February 1974 to November 2000 are J.P. Morgan Asset Management estimates.*
Data is as of November 30, 2022 and is obtained from the U.S. Department of Labor, and J.P. Morgan Asset Management and is assumed to be reliable. ***Past performance is no guarantee of future results.***

1. *Wall St. Journal. Jerome Powell Signals Fed Prepared to Slow Rate-Rise Pace in December. November 30, 2022.*

U.S. Treasury yields continued to invert during the month with the two-year Treasury yield higher than the 10-year Treasury yield. An inverted yield curve is a classic warning sign of recessionary pressures.

FIGURE 2: U.S. TREASURY YIELD CURVE



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While we are not in the business of predicting where the markets may head in the coming months, we believe the silver lining to this year's market decline is that the number of potentially attractive investment opportunities has grown. In our view, our job is to be prepared to purchase good businesses when they become attractively priced.

Douglas S. Foreman, CFA
Chief Investment Officer

Douglas S. Foreman, CFA is Chief Investment Officer, Portfolio Manager, and a member of the Executive Management Committee. He has approximately 36 years of investment experience.

Large-capitalization stocks are represented by the S&P 500® Index which is a market capitalization weighted index which includes 500 of the largest companies in leading industries of the U.S. economy. Growth stocks are represented by the Russell 1000® Growth Index which is a market capitalization-weighted index of growth-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. Value stocks are represented by the Russell 1000® Value Index which is a market capitalization-weighted index of value-oriented stocks of the 1,000 largest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. Small-capitalization stocks are represented by the Russell 2000® Index which is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should not be considered a recommendation or solicitation to purchase securities. ***Past performance is no guarantee of future results.***