WEST SHORE BANK

WEEKLY RECAP - July 24, 2023

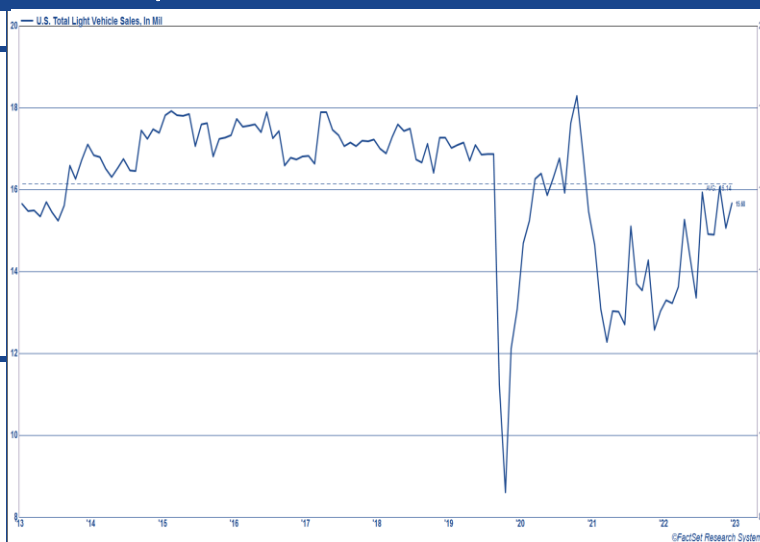
Economic & Market Commentary

In the first part of my investment career, I assisted and managed money for property and casualty insurance companies and was truly fortunate to not only have a good boss and mentor, but also to get hands-on experience to both active and passive investment management. It also afforded the opportunity to gain valuable exposure to many investment management and hedge-fund firms, and their respective active investment philosophies and strategies. Investment firms typically employ a Top-Down or Bottom-Up management approach. A Top-Down approach is when your starting point is looking at macro economy trends, then this flows down to the asset class level, and then to the sector, industry, and security selection levels. A Bottom-Up approach is the exact opposite, starting at the security level and then may work up the chain to the asset class and macroeconomic levels. Hedge funds are a different breed that use leverage employing long-short, arbitrage, market neutral, global macro, distressed debt, quantitative or short strategies to name a few. What is the point of all of this? These are all active investment management strategies and active fund managers do not consistently outperform their passive market benchmarks. In any given calendar, a manager is more likely to outperform their benchmark, but to do so consistently over longer periods of time is quite unlikely. According to the 2022 SPIVA release from S&P Dow Jones Indices, the vast majority of stock fund managers underperformed their respective benchmarks. Over 3yr, 5yr, 10yr, and 20yr time frames, the % of fund managers underperforming their benchmark were 78.7%, 88.0%, 93.1% and 92.1% respectively. Keep in mind the average investor is paying up for this underperformance as the average active mutual fund fee is roughly +1.0% while the average passive stock index mutual fund fee is roughly +0.10%. Think about it a minute, over a 10yr period active fund fees can really add up for a portfolio. On a $1 million portfolio, the fee difference between holding active versus passive stock funds would be $9,000 per year and $90,000 over 10 years.

Index Total Returns - July 21, 2023

	1-Wk	YTD	1-Yr
NASDAQ	-0.57	34.69	17.41
S&P 500	0.70	19.24	15.39
MSCI-Developed	-0.57	14.06	19.00
S&P 400	1.20	12.36	13.87
Russell 2000	1.52	12.23	8.39
MSCI-Emerging	-1.31	7.94	5.36
Dow Jones	2.13	7.54	12.35
Barclay's U.S. Bond Index			
High Yield	0.10	6.53	6.23
Municipal	0.52	3.37	2.38
Aggregate	0.01	2.30	-1.72
Int. Gov. Credit	-0.06	1.87	-0.18
5-year Muni	0.34	1.73	0.87

U.S. Monthly Auto Sales



U.S. Treasury Yields

Treasury Yields	Latest Close	Week Ago	1-Year Ago
U.S. 1-Yr	5.34	5.32	2.99
U.S. 2-Yr	4.85	4.73	3.09
U.S. 3-Yr	4.45	4.35	3.07
U.S. 5-Yr	4.10	4.03	3.00
U.S. 10-Yr	3.85	3.82	2.91
U.S. 30-Yr	3.91	3.93	3.07

Municipal Yields - Bloomberg/Barclays Index

Issue Type	Latest Close	Week Ago	1-Year Ago
U.S. AAA	3.16	3.22	2.66
U.S. AA	3.27	3.35	2.81
U.S. A	3.77	3.85	3.30
U.S. Baa	4.41	4.48	3.77
U.S. Municipal	3.43	3.51	2.98
Michigan	3.59	3.67	3.10

S&P 500 Sector Total Returns - July 21, 2023

Sector	1-Wk	YTD	1-Yr
Info Tech	-0.08	44.56	29.63
Communication Services	-3.01	36.40	11.00
Consumer Discretionary	-2.28	33.90	10.65
Industrials	0.91	12.48	22.96
Materials	0.58	8.84	13.25
Real Estate	-0.63	5.79	-4.84
Financials	2.95	4.05	9.38
Consumer Staples	1.75	3.18	7.60
Health Care	3.48	1.13	6.37
Utilities	2.40	-1.37	3.09
Energy	3.53	-2.23	22.53

Index Characteristics	P/E NTM	P/E NTM 10yr-Avg.	Dividend Yield
S&P 500 - Large Cap	19.62	17.65	1.47
S&P 400 - Mid Cap	14.27	15.49	1.47
S&P 600 - Small Cap	14.21	15.88	1.71

Sources: FactSet, SP Dow Jones Indices