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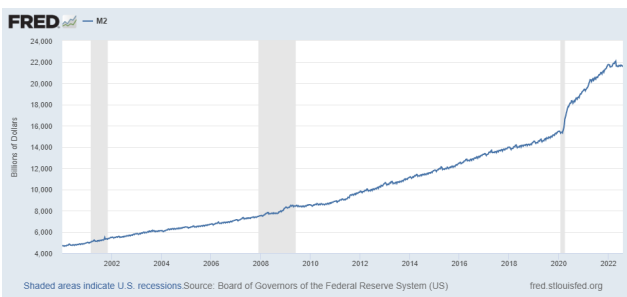
Greetings

In the first 9 months of 2022, the economy went from riches to rags as international geopolitics and domestic fiscal policy combined to reduce supplies and raise demand. The invasion of Ukraine caused energy and food costs to skyrocket while monies spent to address the COVID pandemic pushed US consumers to buy more goods and services. The result was an overheated business environment and inflation levels not seen since the 1970's.

The Fed responded belatedly by increasing interest rates starting in March and allowing its \$9 billion of Treasury and mortgage assets to go into runoff mode. Although Nominal GDP increased in Q1 and Q2, Real GDP showed declines in both quarters, prompting many to question whether the US was in a recession or if a recession could be avoided. As interest rates increased, and mortgage rates approached 6%, housing starts dropped precipitously, falling 9.6% in July while existing home sales fell 5.9%, the sixth monthly decline. Auto sales have also fallen and 2022 new vehicle sales are projected to decline to 14.4 million units, a drop of 17% from 2021. Consumer sentiment indexes have been in a multi-month decline although they ticked upward in July and August.

With US corporations holding over \$250 billion in cash, strong company earnings, and jobs plentiful, a recession is still far from a forgone conclusion.

Money Supply Levels Off

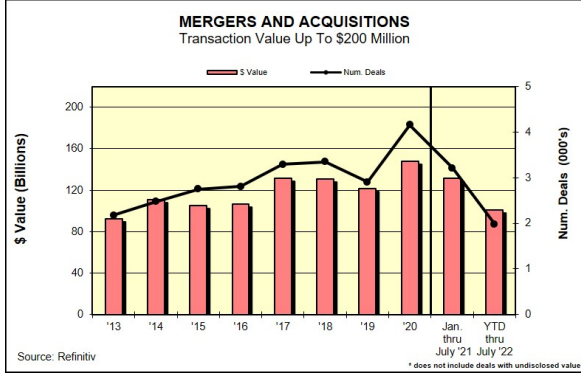


As seen on the graph at left, Money Supply began to level off in 2022, as the Fed put in place policies to tame inflation.

However, the tsunami of money injected into the economy since 2020 with continued spending by Congress, will make bringing inflation under control a challenging undertaking. Stay tuned.

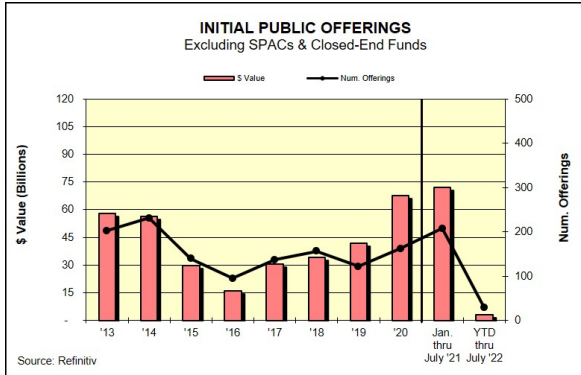
M&A Market Activity

In the first seven months of 2022, middle-market M&A transactions dropped relative to the strong market experienced in 2021. Deal flow remains strong, however, and is on track for a solid performance in 2022.



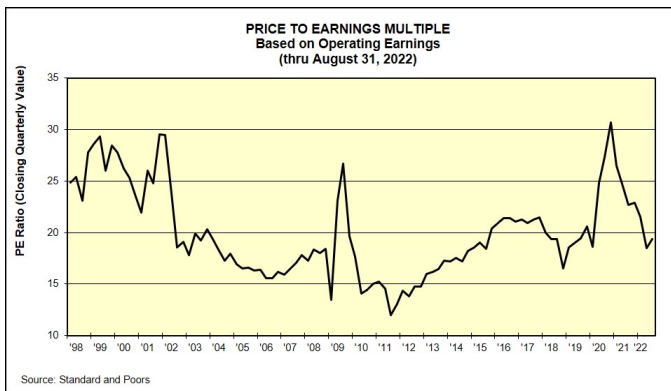
CoView's gauge of the market clearly indicates that there has been no decline in buyers seeking to make acquisitions. Rather, sellers are deciding to stay on the sidelines as profits were hurt by supply chain disruptions and rising costs.

IPO Activity



IPO activity in the first seven months of 2022 dropped precipitously, as investor appetite for investments cooled in light of the high valuations expected by issuers.

Valuation Perspective: PE Ratios



The chart on the left shows historical P/E ratios declining in 2022 as earnings caught up with valuations. Current operating P/E ratios are in the neighborhood of 20x, slightly above the 30-year average of 19.4x.

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