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RISING RISK AGING BULL MARKET

The S&P 500 rose 3.73% in the Quarter. The small cap Russell 2000 was notably strong rising 9.72%, and the NASDAQ 100 rose a paltry 2.12% over the period. The MSCI World Index ex-US rose 7.17%. I have written frequently about the risks I see in the concentration of capital in the so-called Magnificent 7 which is essentially the same as the NASDAQ 100, so this broadening out of the market might be the beginning of a healthy trend.

Nothing is wrong with any of those widely owned companies. They are at the high end of their historic valuations, but given their growth rates this is not egregious overvaluation, in my opinion. That said, it is very healthy for markets to begin to allocate capital in other areas, and that is what we saw this quarter.

Of course, the pending election is dominating the headlines but while the broadening out of the market is a good sign, there are still things to worry about.

In the first week of August, the Bank of Japan and the Ministry of Finance hiked Japanese interest rates, and the Yen reversed a long period of extreme weakness against, not only the dollar, but also the rest of the developed world. On Monday the 5th, the Nikki lost 12% of its value. Many believed this signaled the end of the Yen carry trade whereby many institutions had borrowed in Yen at near zero cost and invested in other currencies. Despite lots of scary headlines the fear of a carry trade unwinding dissipated quickly. Nevertheless, the dollar began to weaken somewhat against other currencies after a long period of strength. This could bode well for international investing. Many foreign investors are stressed by dollar strength.

A few weeks later on September 18th, the Federal Reserve cut interest rates by half a percentage point. This was a larger cut than the expected 25 basis points. The rate of gain in prices has slowed significantly even though it is still higher than the Fed's stated target.

On the heels of the Fed decision, the Peoples Bank of China announced a wide range of stimulus measures that set off a dramatic rise in Chinese equities. The stimulus measures are unquestionably good for Chinese equity prices, but it is debatable how much it will do for the Chinese economy.

China is burdened by heavy debt and massively over built real estate markets. Andy Kessler, writing in the October 15th Wall Street Journal, offers an interesting perspective:

> *"Is China Japan 2.0? Let's do the math. The average apartment in China is valued at $200,000—970 square feet at $205 a square foot. The 90 million empty apartments might be worth $18 trillion. Construction and purchase loans on these empty apartments are surely in multiple trillions of dollars and underwater. But China's official nonperforming-loan ratio is reported as a meager 1.6%. That's hard to believe. Chinese economic statistics are notoriously fuzzy, but it's hard to hide 90 million empty apartments for long."*

The actions of these three central banks have enormous implications for the world's capital markets. I continue to believe the world's capital markets are being driven by central bank liquidity which is positive, but it is unknowable how sustainable this is given high debt levels. I see three big risks looming in the next few years:

(1) China's 'Red Capitalism' model is structurally broken, and recent policy headlines barely scratch the surface of required change.

(2) US inflation is becoming embedded, and recent dips in the headline CPI index belies a stubborn underlying clip.

(3) The debt 'maturity wall' is fast approaching. This is slated to peak around 2026 and will suck up extra global liquidity as expiring debts are rolled over.

These big issues are problems that will take years, if not decades, to work through, but the perception of their difficulty comes and goes with economic growth and sentiment. So, we remain bullish as we enter year three of the bull market that started in Oct of '22, but caution and awareness of the potential for storm clouds on the horizon is the order of the day.

About Our Team

The Good & Hopper Private Client Group brings extensive expertise in Wealth Management Services together with Portfolio Management and institutional capabilities of Oppenheimer & Co. Inc. Our office is located in the Stony Point section of the City of Richmond with close proximity to Henrico, Chesterfield and surrounding counties.

Our Wealth Planning Process

Our process starts with a comprehensive understanding of our client's unique financial situation. We gather all relevant information regarding your goals, concerns, assets, and estate plans. Next, we conduct a thorough analysis into your current financial condition and then provide a detailed wealth plan of action to help you address your goals. Our plan covers areas such as strategic asset allocation, savings rates, debt repayment, retirement income, charitable giving, and wealth transfer. Once a plan of action has been agreed upon we work with you and your other professional advisors every step.

Ward Good, CFA® CIMA®

Senior Director – Investments
Portfolio Manager, OMEGA Portfolio Management

Ward has advised wealthy individuals, endowments and trusts in Virginia for the past 35 years. The cornerstone of his process consists of valuation using discounted cash flow modeling: nevertheless, he believes that models are, at best, only representations of future events. As a result, he also emphasizes judgment based on qualitative factors. Ward manages individual portfolios using a combination of quantitative and qualitative measurement techniques. He is a firm believer that the value of any asset is the discounted present value of its future cash flows. He also believes in the creative destruction process whereby individual entrepreneurs can find ways to make money regardless, sometimes at the expense of entrenched interest. Risk management also plays a vital role in the investment process.

Ward consults each client regularly and continuously seeks to properly match each client's risk tolerance with his or her goals. He monitors all portfolios in an effort to find the proper balance among asset classes and within equity portfolios. His clients' all-equity portfolios contain a mix of stocks selected across capitalization ranges and growth rates, but always with an eye toward the companies' management and their ability to sustain their growth and replace their productive assets.

Before coming to Oppenheimer, Ward served as First Vice President at Scott & Stringfellow as well as at UBS Wealth Management.

He has been active in the Richmond financial community, serving on various not for profit boards. He is currently a Board Member of the Saint Michael's Episcopal School.

A graduate of Hampden-Sydney College, Ward earned a B.A. in English literature. He holds the Chartered Financial Analyst (CFA) designation from the CFA Institute and received the Certified Investment Management Analyst (CIMA)® designation from the Investment Management Consulting Association through coursework at the Wharton School of Business, the University of Pennsylvania.

He has four children and, in his spare time, exercise and reading historical fiction.

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John Hopper

Financial Advisor

John Hopper is a Financial Advisor at Oppenheimer & Co. Inc. (Oppenheimer) in the Richmond, Virginia office. John's clients include high-net-worth individuals, families, and their closely-held businesses. With over twenty years of experience, he works closely with CPAs, estate attorneys, business brokers, and others to address each client's unique needs, and prides himself on consistently delivering exceptional service.

He provides a comprehensive approach, which begins with listening to his clients 'needs and goals, and he aligns strategies with their objectives and risk tolerance. John's holistic, goals-based method is essential to the client-advisor relationship, which he deems essential for trust and success. He strongly believes in investing with a purpose to provide practical results. Additionally, John's team approach combines collaboration, knowledge, and adaptable investment strategies.

John graduated from Hampden-Sydney College with degrees in Economics and History. He holds FINRA Series 7 and 66 registrations, and he is licensed for life and health insurance in the state of Virginia. John is also a graduate of Lead Virginia, a renowned leadership program.

Drawing on his previous career as a banker, John is passionate about his service as a Board Member for Peter Paul, a non-profit, after-school enrichment program focused on Richmond's East End families. John is a past president of his college's national alumni association and is also a certified Virginia High School League lacrosse referee. In his spare time, John enjoys golfing, snow skiing, and all things lacrosse. John grew up in the rural Tidewater area of Virginia and resides in Richmond with his wife and three children.

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The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index. Frank Russell Co. ranks the US common stocks from largest to smallest market capitalization at each annual reconstitution period. The Russell 2000 Index represents a very small percentage of the total market capitalization of the Russell 3000 Index. It is considered to be generally representative of US Equity Small and Mid Cap performance.

MSCI World ex-US Index (World ex-US): An Index in US dollars based on the share price of companies listed on stock exchanges in 21 developed countries excluding the US. This Index is created by aggregating the 21 different country Indices, all of which are created separately. It is considered to be generally representative of overseas stocks markets.

The NASDAQ-100 Index includes 100 of the largest domestic and international non-financial securities listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies. The NASDAQ-100 Index is calculated under a modified capitalization-weighted methodology.

Risk Factors: Special Risks of Foreign Securities - Investments in foreign securities are affected by risk factors generally not thought to be present in the US. The factors include, but are not limited to,the following: less public information about issuers of foreign securities and less governmental regulation and supervision over the issuance and trading of securities.

Special Risks of Small and Mid Capitalization Companies may include being: 1) more recently formed than larger companies and may have limited product lines, distribution channels and financial and managerial resources. 2) may not be well known to the investing public 3)may not have significant institutional ownership and 4) may have cyclical, static or moderate growth prospects. 5) often less publicly available information, making it more difficult for the Portfolio Manager to analyze the value of the company.The equity securities of small and mid capitalization companies may be subject to liquidity risk, or narrow trading consequently, the Portfolio Manager may be required to sell these securities over a longer period of time (and potentially at less favorable prices and under volatile conditions)

Special Risks of Fixed Income Securities include risk that the price of these securities will go down as interest rates rise,and credit risk, which is the risk that an issuer of a bond will not be able to make principal and interest payments on time.

Exchange Traded Funds: Exchange Traded Funds (ETFs) are baskets of securities that are traded like a stock on an exchange, and may come concentrated in various styles or sectors, subject to similar risks that the underlying securities would normally face as individual stocks. . Returns may fluctuate and are subject to volatility Foreign investments have unique and greater risks than domestic investments. All ETFs are passively managed and generally have lower management fees and operating expenses than actively managed funds. ETF returns are adjusted to reflect all actual ongoing ETF fund expenses and assume reinvestment of dividends and capital gains.

INVESTORS SHOULD CAREFULLY CONSIDER THE INVESTMENT OBJECTIVES, RISKS AND CHARGES AND EXPENSES OF A FUND OR ETF BEFORE INVESTING; THE PROSPECTUS FOR A FUND OR ETF, WHICH MAY BE OBTAINED FROM YOUR FINANCIAL ADVISOR, CONTAINS THIS AND OTHER INFORMATION. PLEASE READ THE PROSPECTUS CAREFULLY BEFORE INVESTING.

High Yield Funds: Generally, investments offering potential for higher returns are accompanied by a higher degree of risk. High yield, lower-rated (junk) bonds generally have greater price swings and higher default risks.

The Omega Group is a program through Oppenheimer & Co.Inc. It offers a managed money program in which experienced Financial Advisors act as portfolio managers for their clients. Clients will pay an advisory fee on a quarterly basis and will pay no commissions or additional charges for transactions. Adopting a fee based account program may not be suitable for all investors; anticipated commission costs should be compared with anticipated annual fees. Please refer to the Oppenheimer ADV Part II for information about the advisory program described herein, including program fee schedules and other fees that may apply. The Oppenheimer ADV Part II is available from your Oppenheimer Financial Advisor. Oppenheimer & Co. Inc. and its affiliates does not provide legal or tax advice.

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The Standard and Poor's (S&P) 500 Index is an unmanaged index that tracks the performance of 500 widely held, large-capitalization U.S. stocks. Individuals cannot invest directly in an index.

The Relative Strength Index (RSI), developed by J. Welles Wilder, is a momentum oscillator that measures the speed and change of price movements. The RSI oscillates between zero and 100. Traditionally the RSI is considered overbought when above 70 and oversold when below 30. Signals can be generated by looking for divergences and failure swings. RSI can also be used to identify the general trend.

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