We'll get you there.

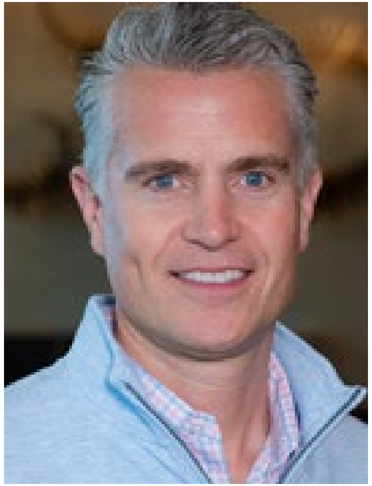
CPAs | CONSULTANTS | WEALTH ADVISORS

CLA Outlook 2023 – Q3 Update

Staying the Course

Updated August 2023

Today's Presenters



Clayton Bland

Chris Dhanraj

Susan Roberts

CLA Outlook 2023 — Staying the Course

CLA's Approach to Economic and Market Analysis

Our outlook uses the mosaic theory to formulate opinions and insights about general economic activity and the relative value of various investment options.

The **big macroeconomic drivers** of our mosaic are defined as:

- **Consumer finances** - Analysis of household spending, borrowing, and saving decisions made over time.
- **Business conditions** — Analysis of profitability, business optimism, inventory management, etc.
- **Labor market** - Analysis of unemployment, wage gains, nonfarm payrolls, and job openings, etc.
- **Federal Reserve policy** — Analysis of the Federal funds rate and the Federal Reserve balance sheet.
- **Fiscal policy** — Analysis of government taxes, spending, and regulation.

When analyzing **financial markets**, our mosaic compares current valuations to **historic values**, tempered by current and expected macroeconomic conditions, specific to:

- **Equity markets** — Publicly-traded equities, large-, mid-, and small cap, as well as developed and emerging international markets.
- **Fixed income markets** — Publicly-traded government, corporate, and mortgage debt.
- **Private markets** — Credit, real estate and equity funds, generally formed as partnerships or LLCs.

Mosaic theory

- *A financial analyst gathers and interprets large quantities of information from many sources.*
- *Analysts seek and use such information to compare and contrast investment alternatives.*
- *Analysts are in the business of formulating opinions and insights that are not obvious to the general investing public about the attractiveness of particular securities.*

Source: Excerpts from *CFA Institute, Standards of Practice Guidance*

Table of Contents

2023 Outlook — Executive Summary

Half full

Economy: Economic growth has proven to be surprisingly resilient.

Industry: Rebound in profitability is forecasted for 2023, while the use of data insights and outsourcing should help alleviate any labor shortages.

Financial markets: Many sectors of the stock market appear undervalued. Interest rates seem to have peaked.

Policy: Recent bipartisan support for raising debt ceiling creates positive momentum heading into budget and tax bill negotiations.

Portfolios: Well-constructed portfolios can participate in market upside while mitigating volatility to help achieve your goals.

Half empty

Economy: The Fed may "overshoot" and keep interest rates too high for too long.

Industry: Tight labor markets and rising cost of capital may challenge unprepared business owners.

Financial markets: Growth stocks have led the market this year but now appear overvalued.

Policy: Detractors within House GOP and election year politics may derail budget talks.

Portfolios: Commercial real estate is feeling the strain of higher interest rates.

Economic Outlook

CLA Outlook 2023

Economic Views — Summary

Half full

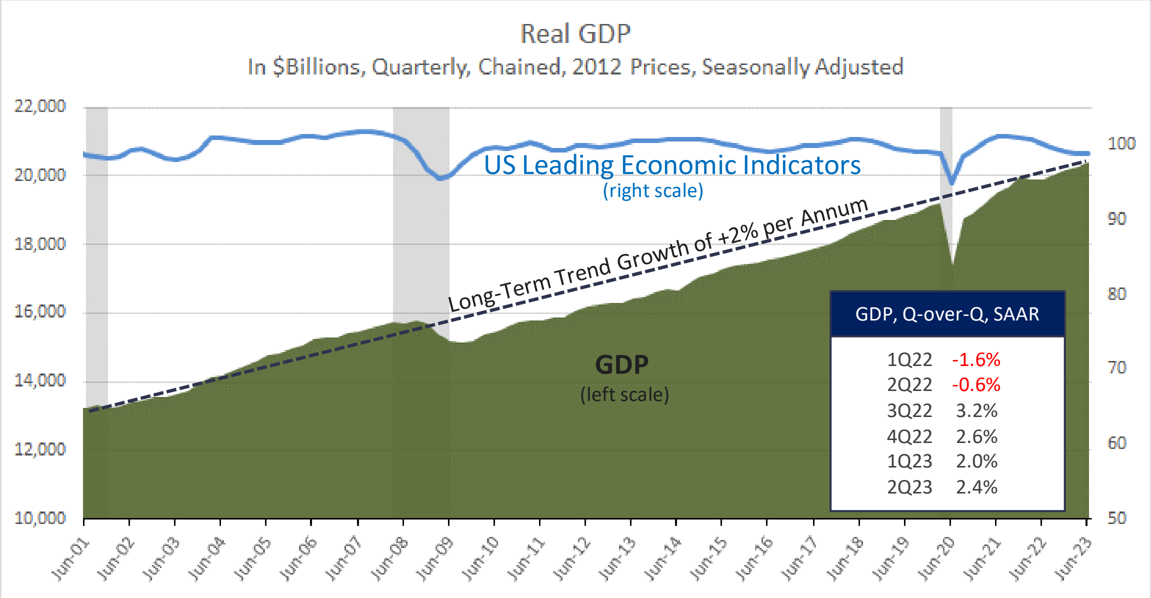
- GDP growth continues
- Inflation continues to fall
- Fed rate hikes nearing an end
- Strong projected company profits
- Consumer spending remains robust

Half empty

- Relatively high interest rates
- Tight labor markets
- Inflation still above the Fed's 2% target
- Real estate is softening
- Falling labor productivity

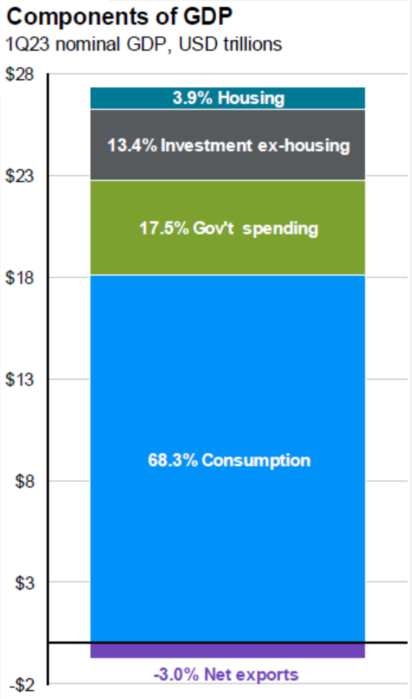
Macroeconomy

GDP



Grey areas denote recessions.

Source GDP: U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, CLA Wealth Advisors
Source LEI: OECD, Main Economic Indicators, Copyright, 2016, OECD. Reprinted with permission.

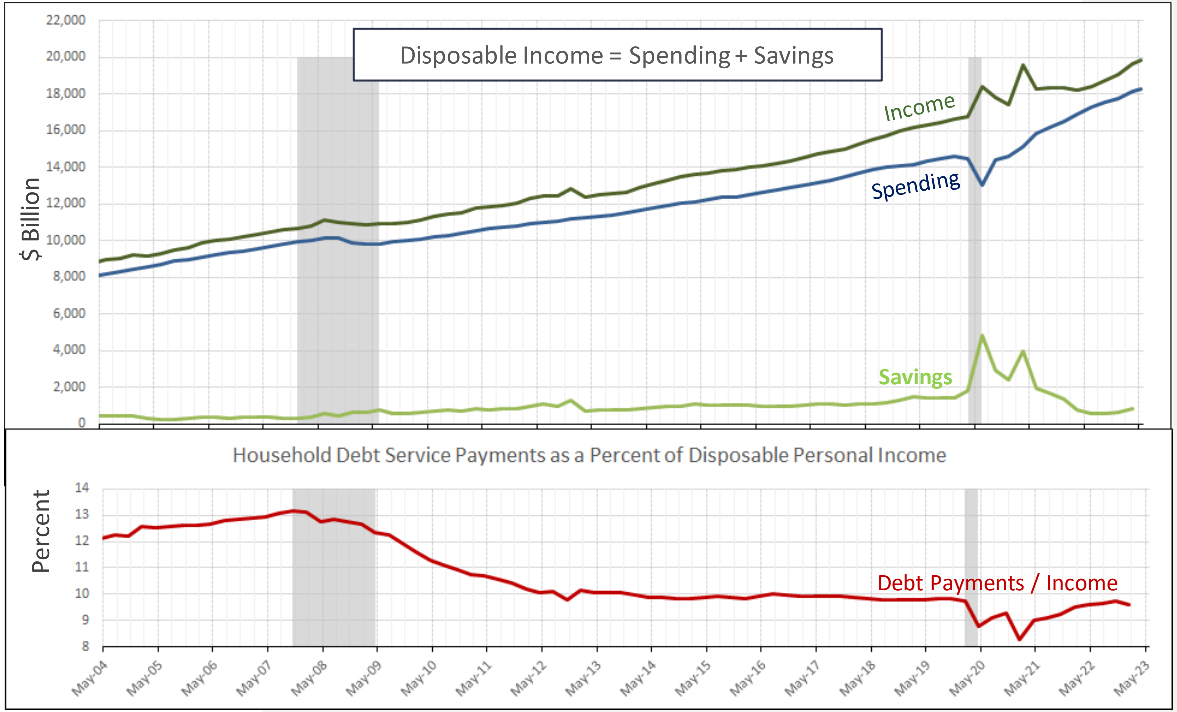


Source: BEA, FactSet, Standard & Poor's, J.P. Morgan Asset Management

Data is based upon availability as of 7/31/2023

Macroeconomy

Consumer finances



Grey areas denote recessions. Source: U.S. Bureau of Economic Analysis, Federal Reserve Bank of St. Louis, Board of Governors of the Federal Reserve System, CLA Wealth Advisors

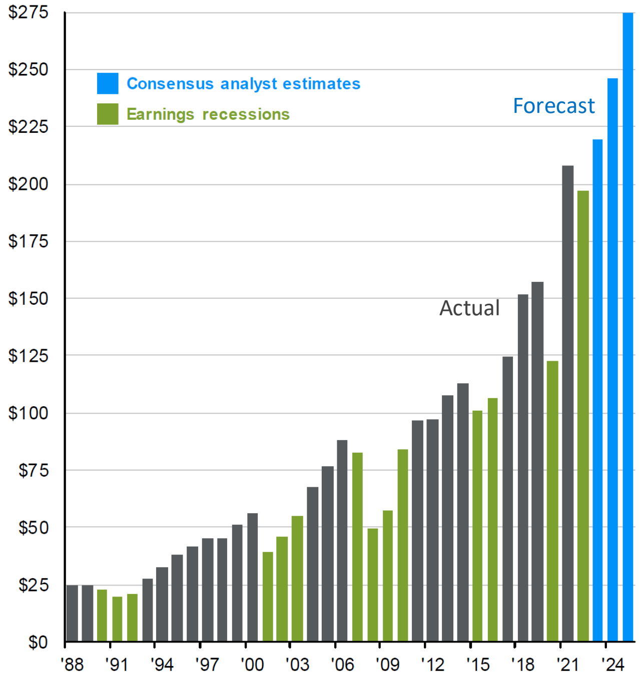
Data is based upon availability as of 7/5/2023.

Macroeconomy

Business conditions

S&P 500 earnings per share

Index annual operating earnings, USD



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management

Manufacturing Inventories-to-Sales Ratio (Monthly)

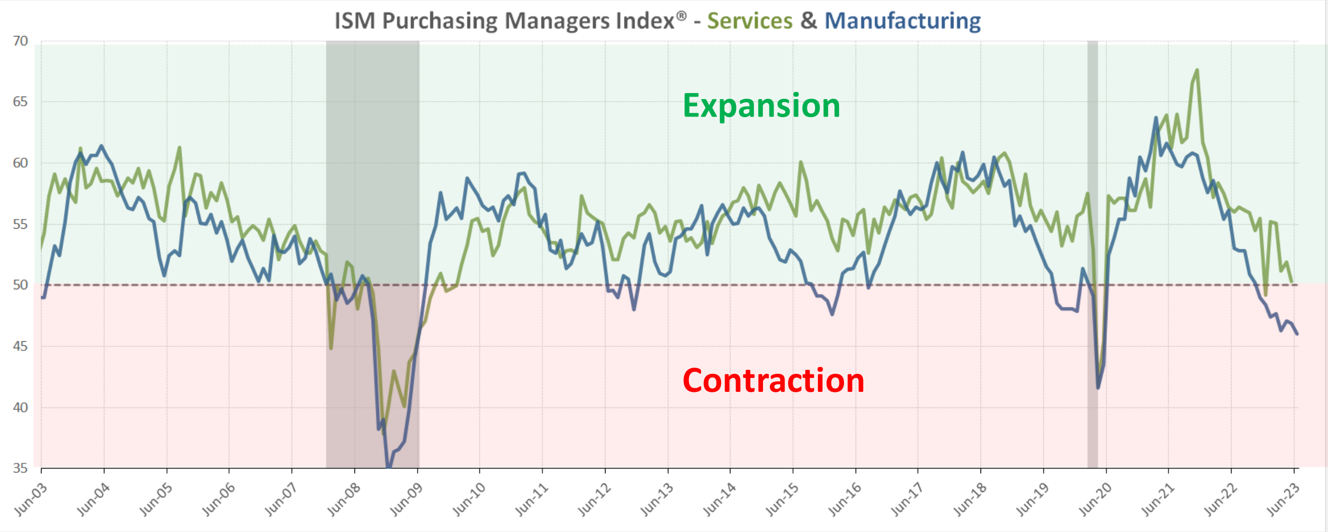
Small Business Optimism Index

Source: Bureau of Economic Analysis, National Federation of Independent Business ("NFIB"), U.S. Census Bureau, Manufacturers: Inventories to Sales Ratio, Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Data is based upon availability as of 7/5/2023. Grey areas denote recessions.

Macroeconomy

Business conditions – ISM® services and manufacturing



Dark areas denote recessions.

Services include Real Estate, Utilities; Construction; Education; Information; Transportation & Warehousing; Health Care & Social Assistance; Public Administration; Finance & Insurance; Management of Companies & Support Services; Professional, Scientific & Technical Services, Agriculture, Forestry, Fishing & Hunting; and Arts, Entertainment & Recreation; and Other Services.

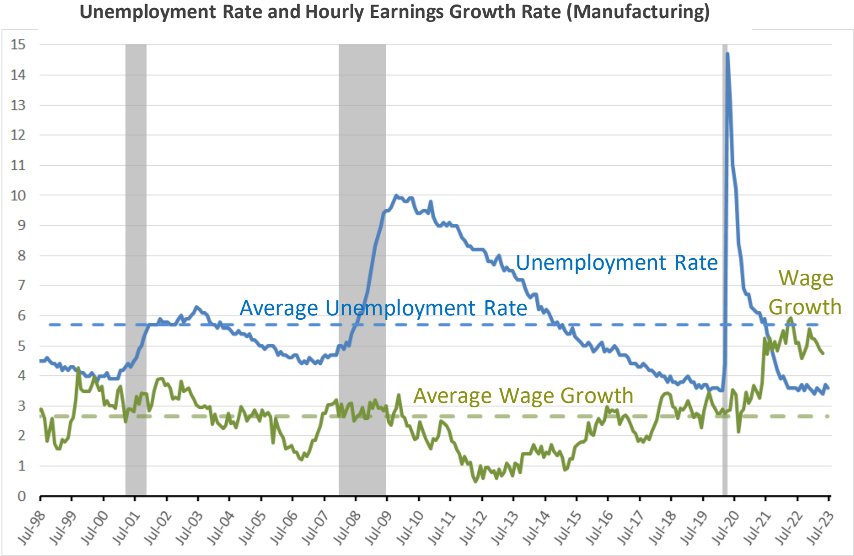
Manufacturing includes Mineral Products; Petroleum & Coal; Transportation Equipment; Computer & Electronic Products; Printing & Related Activities; Plastics & Rubber Products; Primary Metals; Machinery; Food, Beverage & Tobacco Products; Wood Products; Apparel, Leather & Allied Products; Furniture & Related Products; Paper Products; Chemical Products; Fabricated Metal Products; and Electrical Equipment, Appliances & Components.

Source: Institute for Supply Management, CLA Wealth Advisors

Data is based upon availability as of 7/5/2023

Macroeconomy

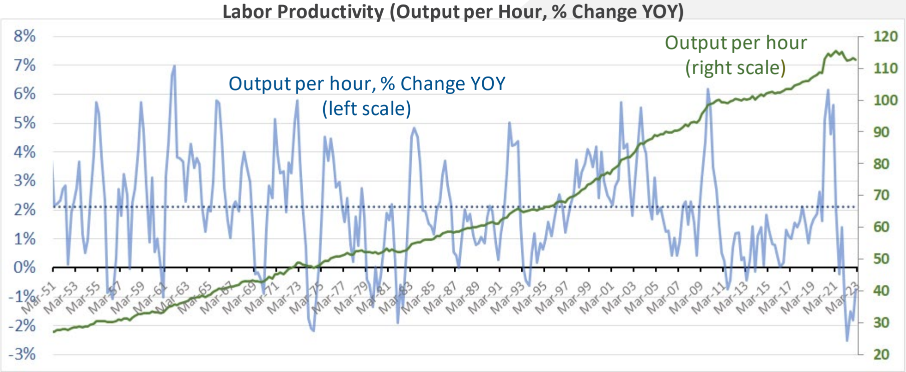
Labor markets

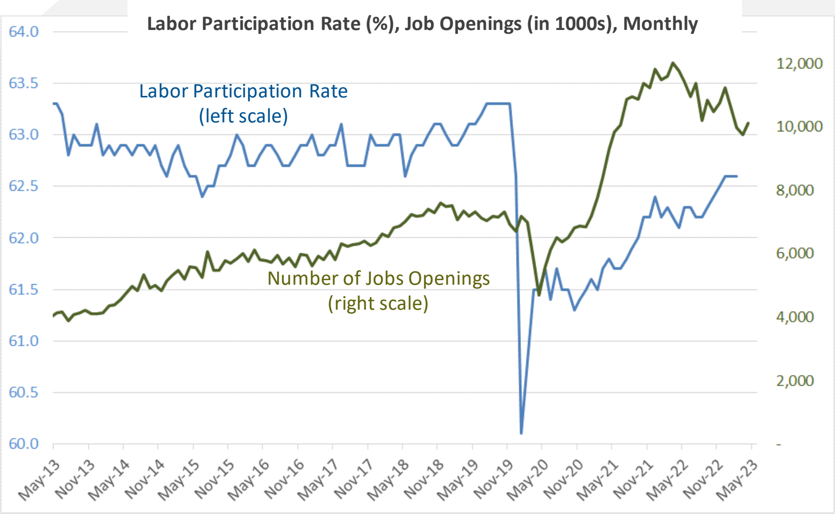


Grey areas denote recessions.

Source: U.S. Department of Labor, U.S. Bureau of Labor Statistics, Atlanta Federal Reserve, Bloomberg , CLA Wealth Advisors

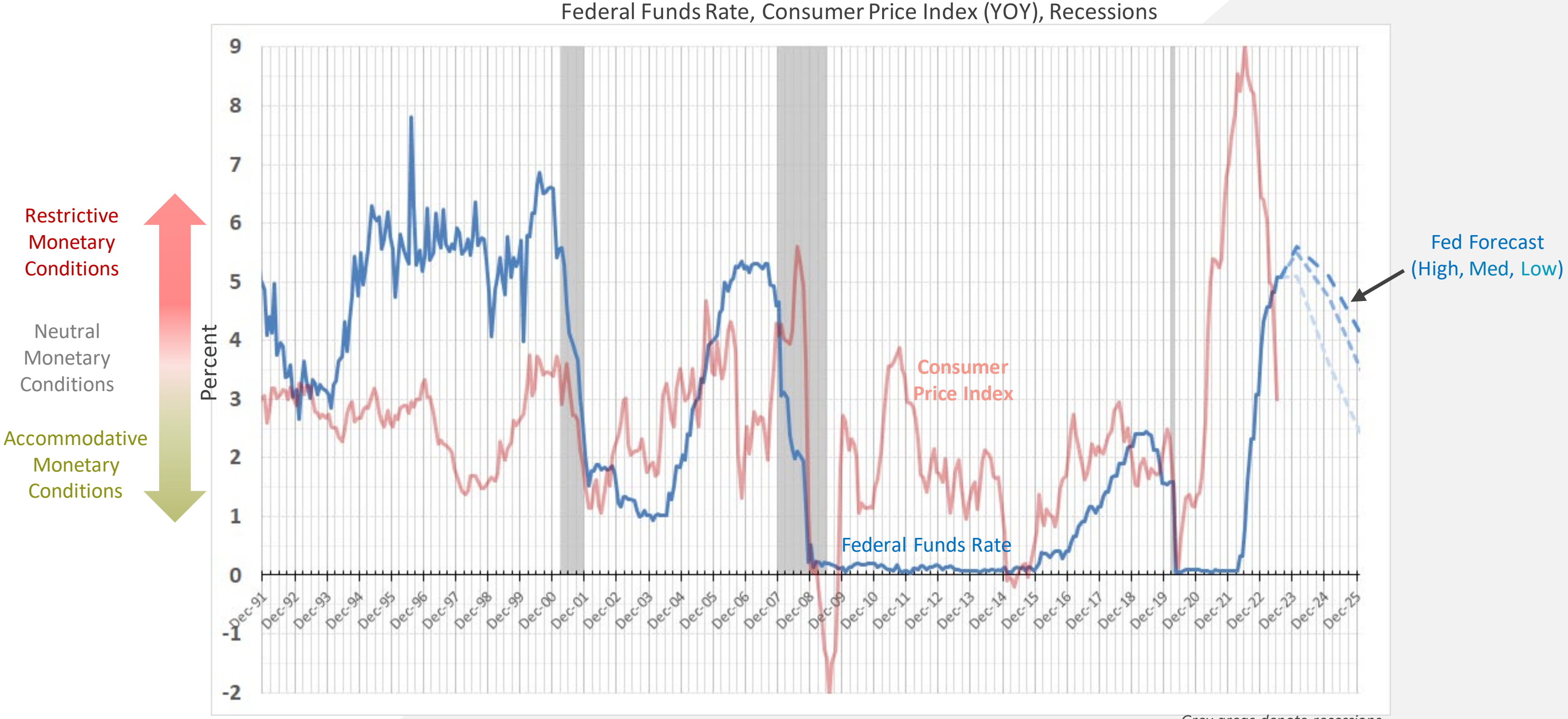
Data is based upon availability as of 7/5/2023





Federal Reserve Policy

Federal funds rate



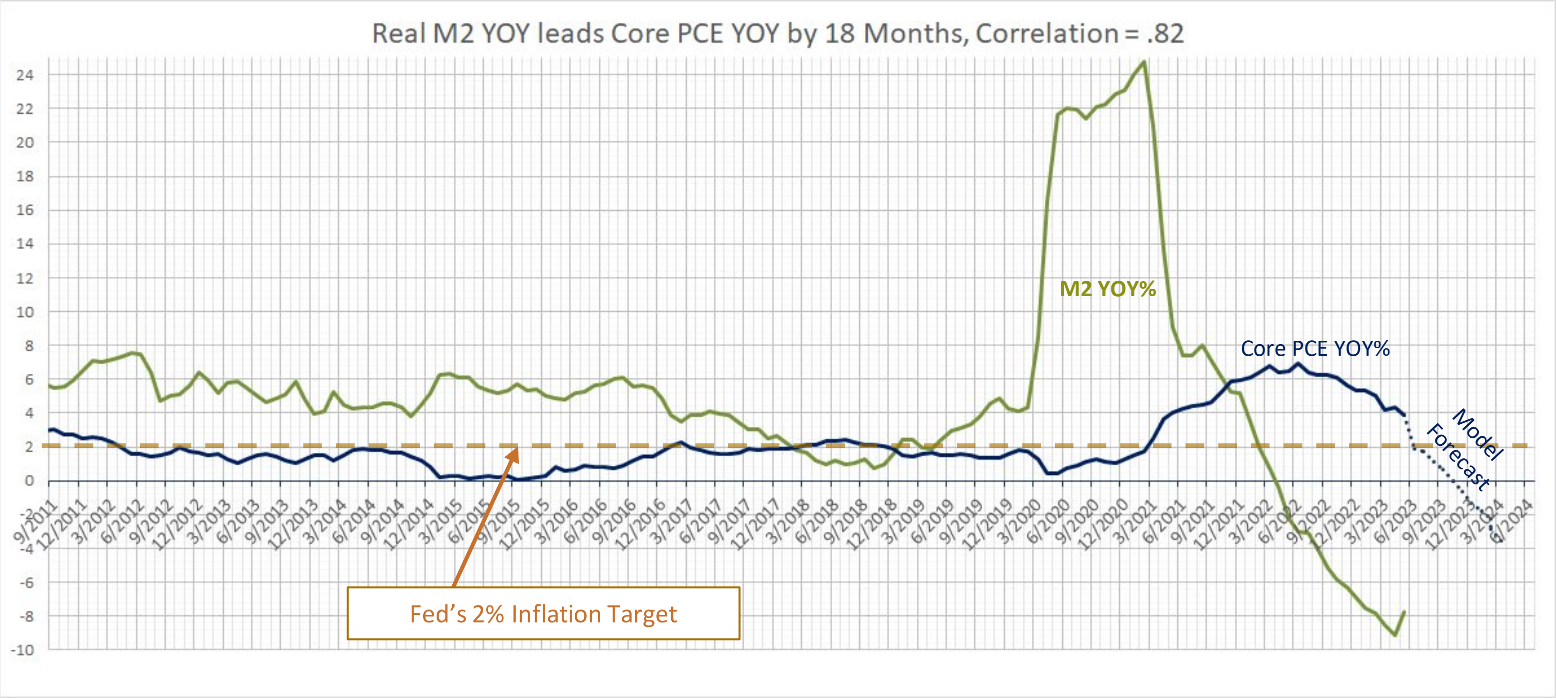
Grey areas denote recessions.

Source: Board of Governors of the Federal Reserve System, U.S. Federal Open Market Committee, Federal Reserve Bank of St. Louis, NBER, Organization for Economic Co-operation and Development, CLA Wealth Advisors

Data is based upon availability as of 7/12/2023

Federal Reserve Policy

Inflationary outlook

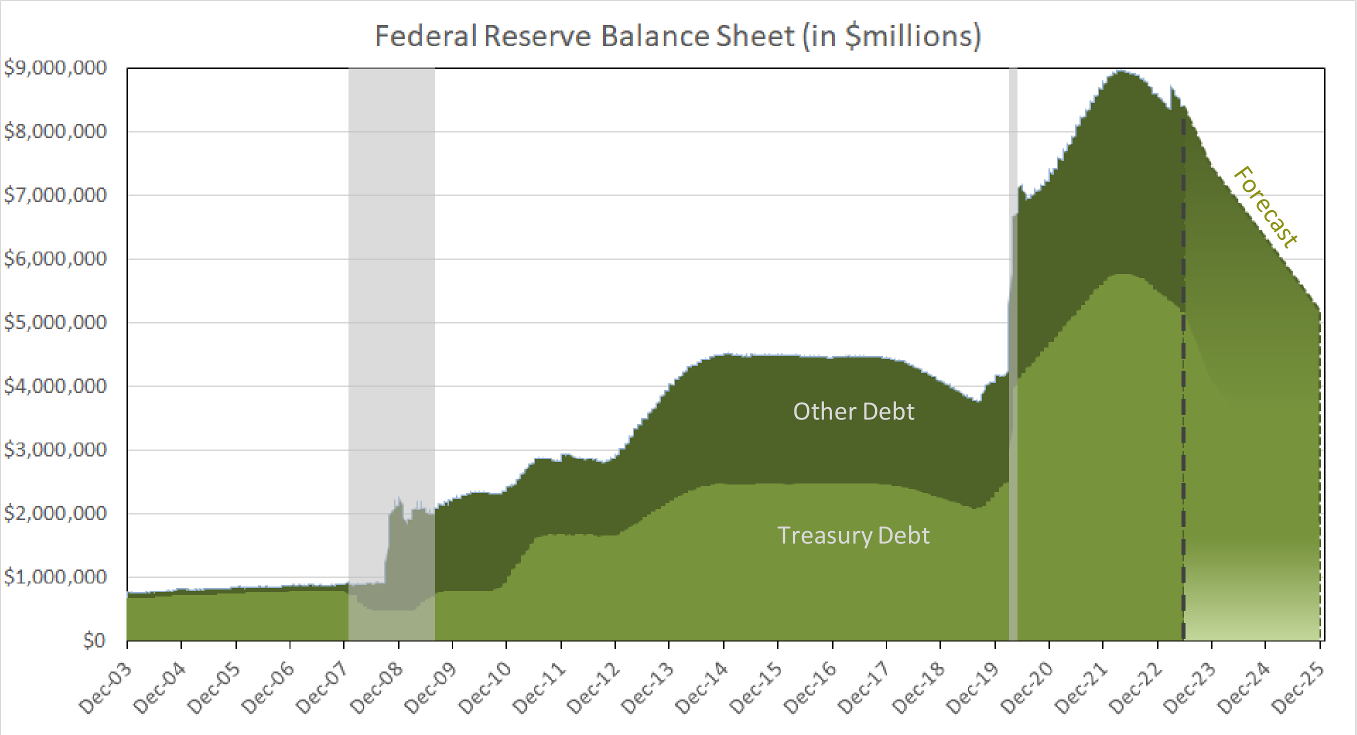


Source: Board of Governors of the Federal Reserve System, U.S. Federal Open Market Committee, Federal Reserve Bank of St. Louis, NBER, CLA Wealth Advisors

Data is based upon availability as of 7/5/2023

Federal Reserve Policy

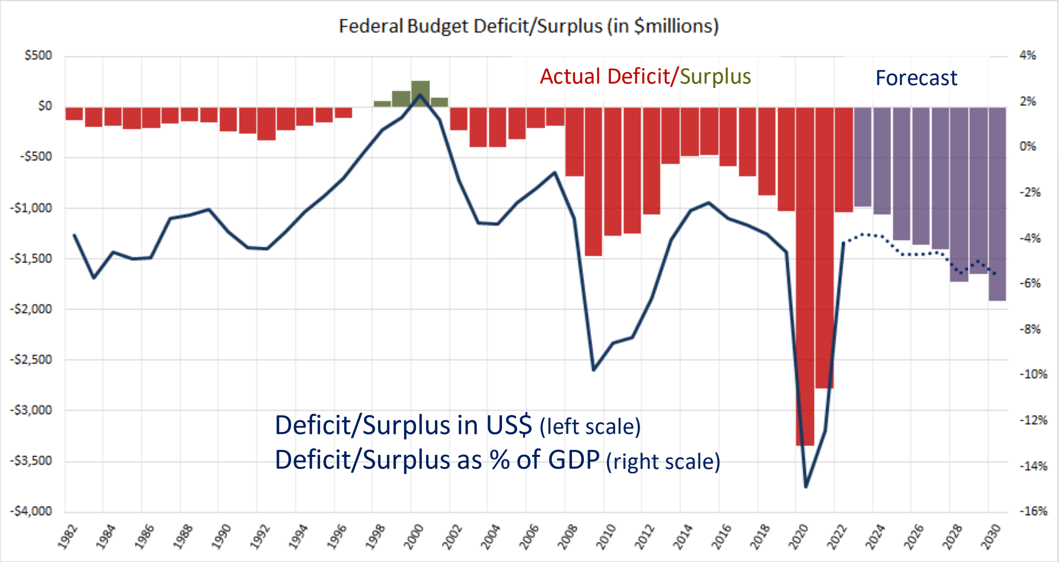
Quantitative tightening

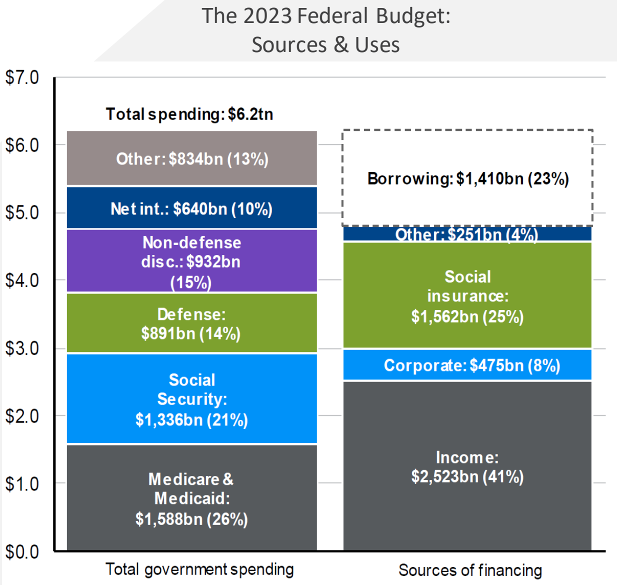


Grey areas denote recessions.
Source: Board of Governors of the Federal Reserve System, Federal Reserve Bank of St. Louis, NBER, CLA Wealth Advisors
Data is based upon availability as of 6/13/2023

Fiscal Policy

Deficit spending



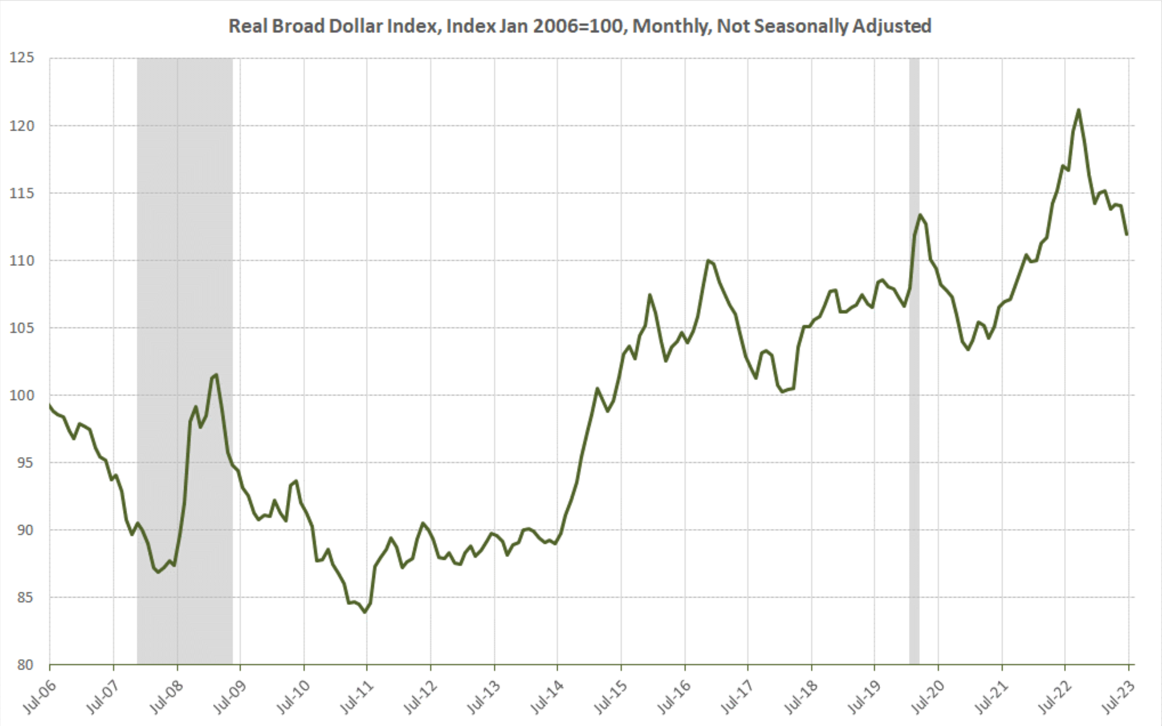


Source: Congressional Budget Office - The Budget and Economic Outlook: 2022-2032, U.S. Office of Management and Budget, Federal Reserve Bank of St. Louis, Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Data is based upon availability as of 7/5/2023

Macroeconomy

Value of the U.S. dollar ($)



Grey areas denote recessions.

Source: Board of Governors of the Federal Reserve System, Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Data is based upon availability as of 7/5/2023

Financial Markets Insights

CLA Outlook 2023

Financial Markets — Equity Takeaways

Half full

It is difficult to "time the market" because equity prices change based upon future expectations, so staying invested is the best course.

Many sectors of the stock market appear relatively cheap (undervalued). Examples include value, small cap, low volatility, and international developed.

Half empty

A handful of growth stocks have generated most of the stock market gains this year. However, those stocks now appear expensive (overvalued).

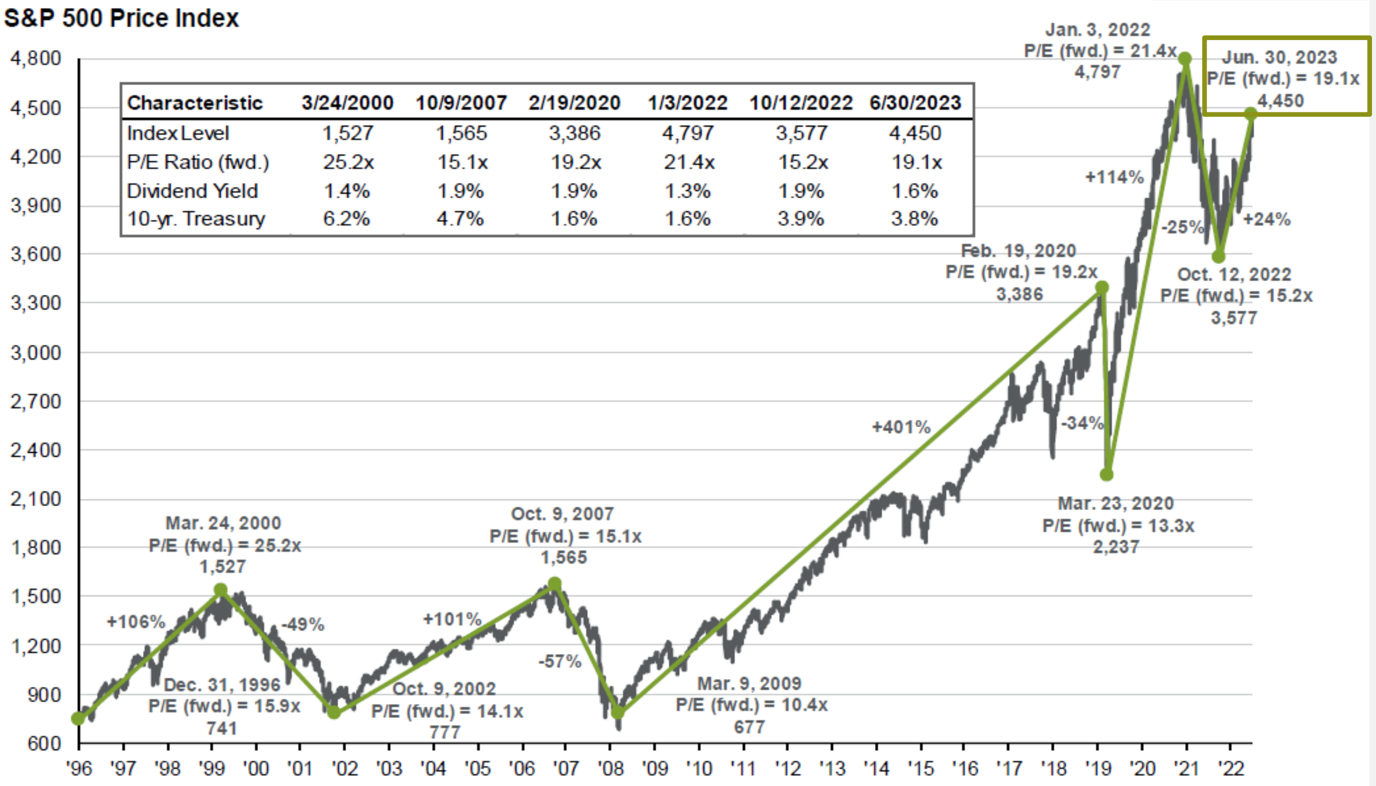
Should a recession ensue, current earnings projections may prove to be too optimistic.

If interest rates have not peaked, then equity prices may struggle to achieve gains.

Equity Markets

Historical context

S&P 500 Price Index

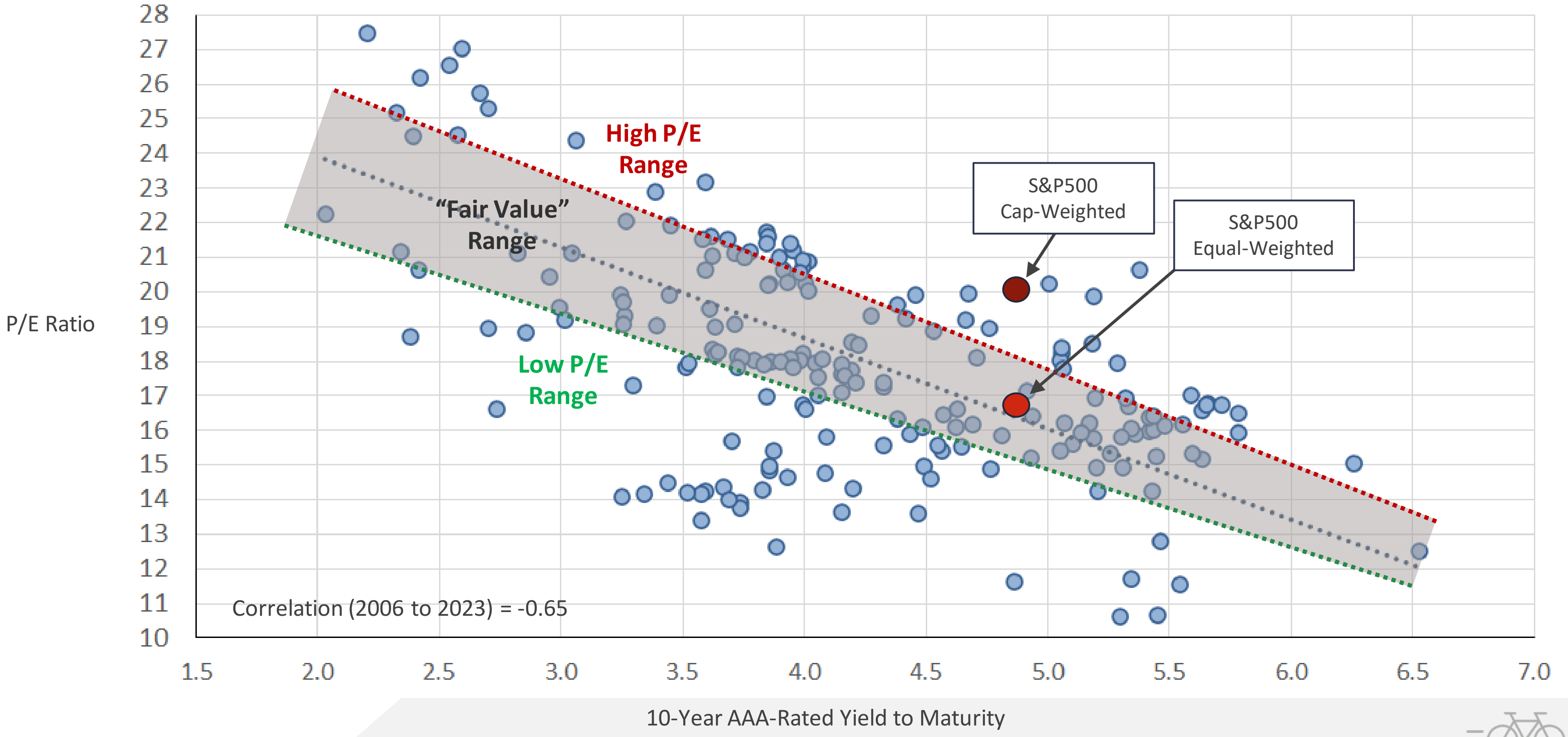


Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	10/12/2022	6/30/2023
Index Level	1,527	1,565	3,386	4,797	3,577	4,450
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	15.2x	19.1x
Dividend Yield	1.4%	1.9%	1.9%	1.3%	1.9%	1.6%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	3.9%	3.8%

Source: Compustat, FactSet, Federal Reserve, Refinitiv Data Stream, Standard & Poor's, J.P. Morgan Asset Management
Data is based upon availability as of 7/5/2023

Equity Markets

S&P500 Index (Cap-Weighted and Equal-Weighted) P/E Ratios vs. 10-year AAA-rated yield



Source: St Louis Federal Reserve, Bloomberg, Barclays, CLA Wealth Advisors
Data is based upon availability as of 7/10/2023

Equity Markets

Style factor analysis

This analysis compares current P/E ratios (denoted by "◆") to their historical norm in order to establish relative value.

Source: Bloomberg, Standard & Poor's, MSCI, Vanguard, CLA Wealth Advisors
Data is based upon availability as of 7/10/2023

Financial Markets — Fixed Income

Financial Markets — Fixed Income Takeaways

Half full

Higher short-term interest rates enable corporations and individuals to earn attractive yields for generating income on excess cash.

Real interest rates have improved considerably since 2020.

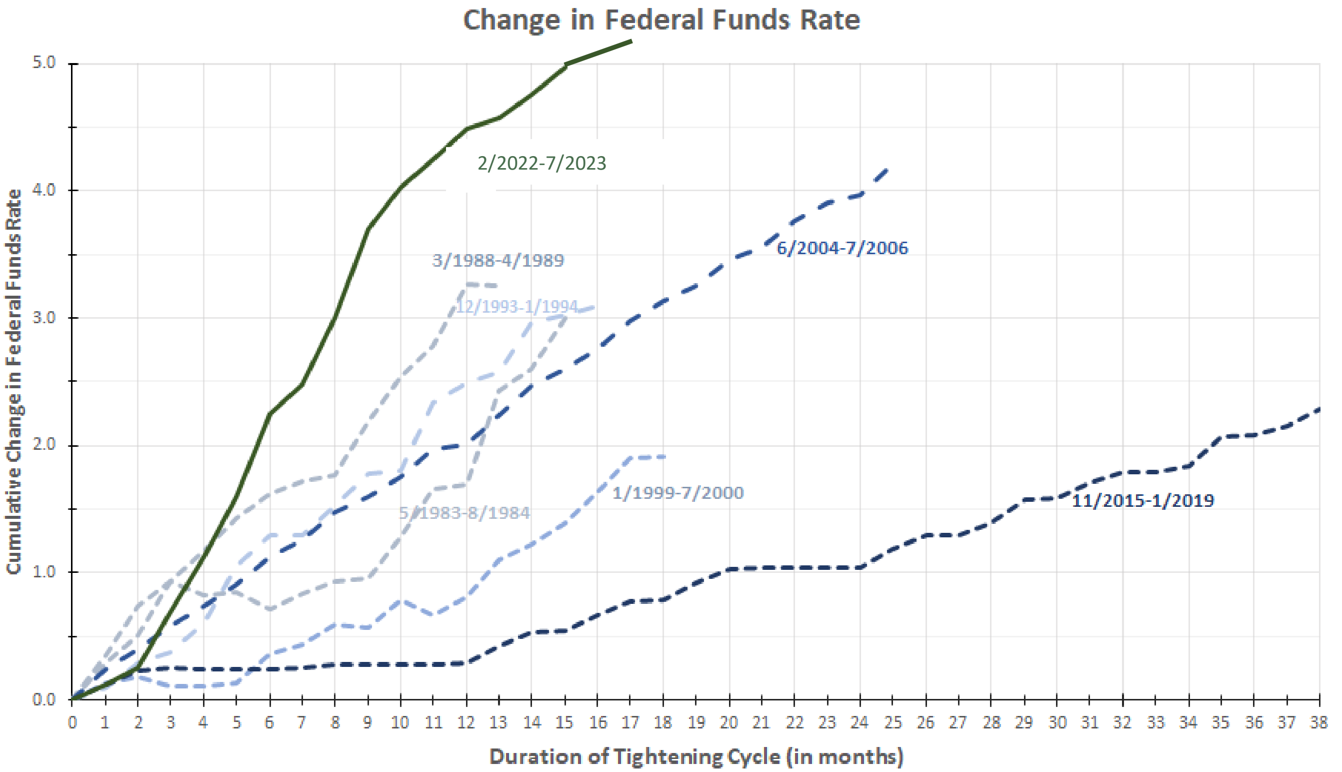
Tight credit spreads means the credit markets are not too concerned about the impact of a potential economic slowdown.

Half empty

The yield curve remains inverted.

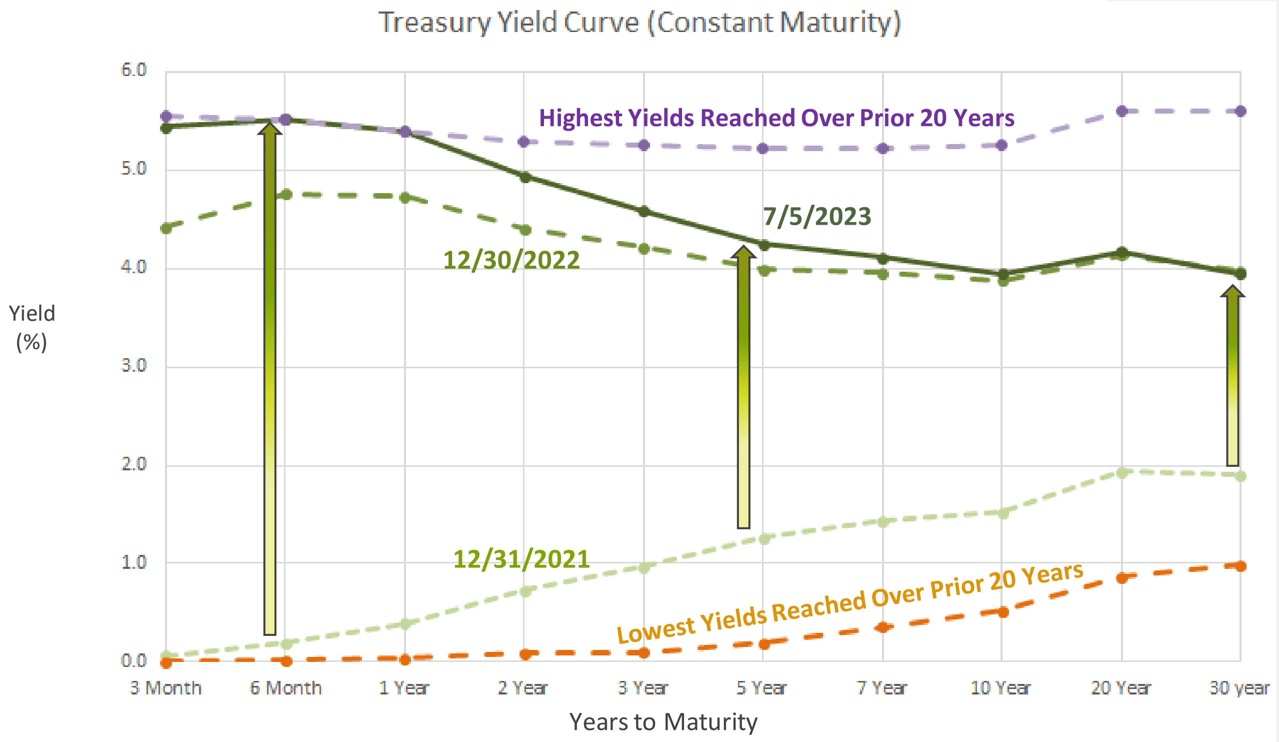
The Federal Reserve has stated its intention to continue tightening credit conditions until inflation returns to its 2% target, which means they could “overshoot” and drain too much liquidity from the economy.

Interest Rates – Fed “Tightening” Cycles



Source: Federal Reserve Bank of St. Louis, CLA Wealth Advisors
Data is based upon availability as of 6/20/2023

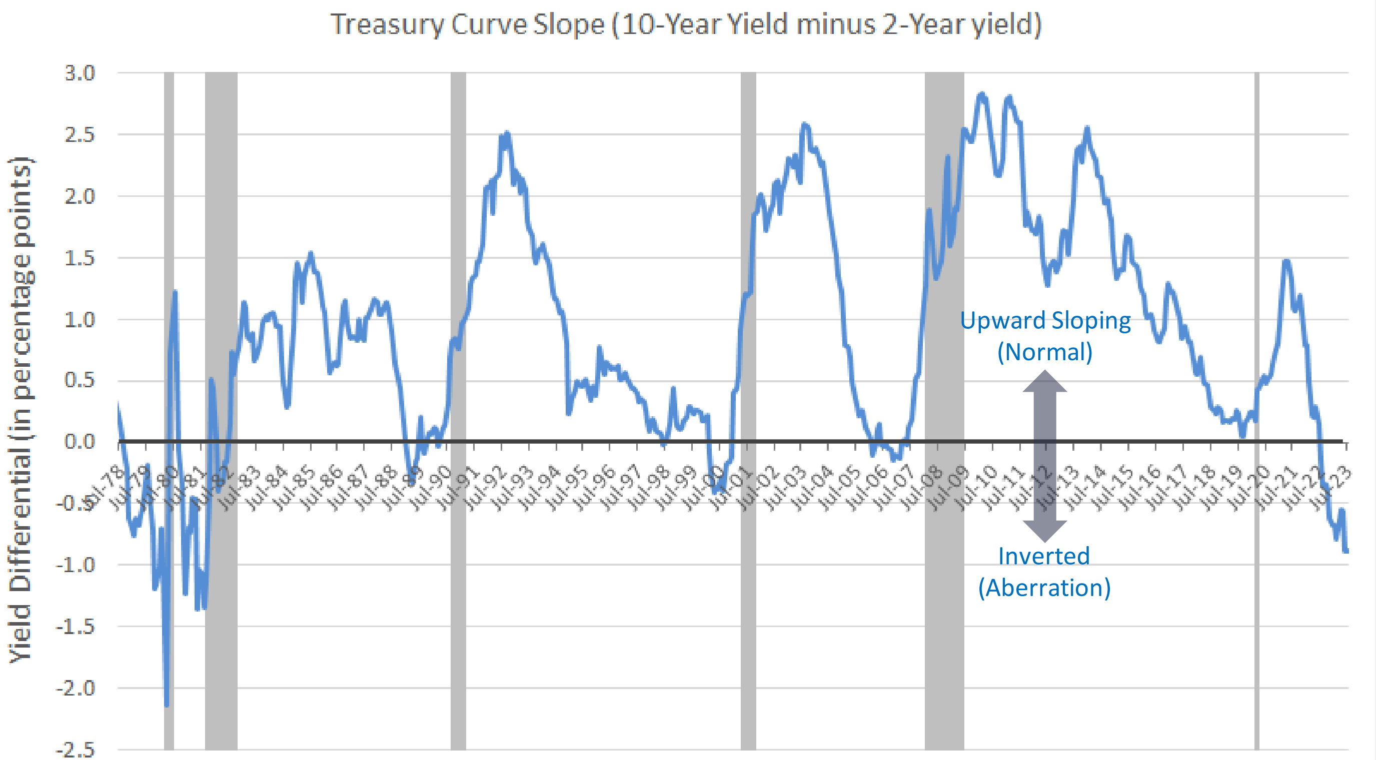
Interest Rates – Yield Curve Changes



Source: Board of Governors of the Federal Reserve System, St Louis Federal Reserve, CLA Wealth Advisors

Data is based upon availability as of 7/5/2023

Interest Rates – Shape of the Yield Curve

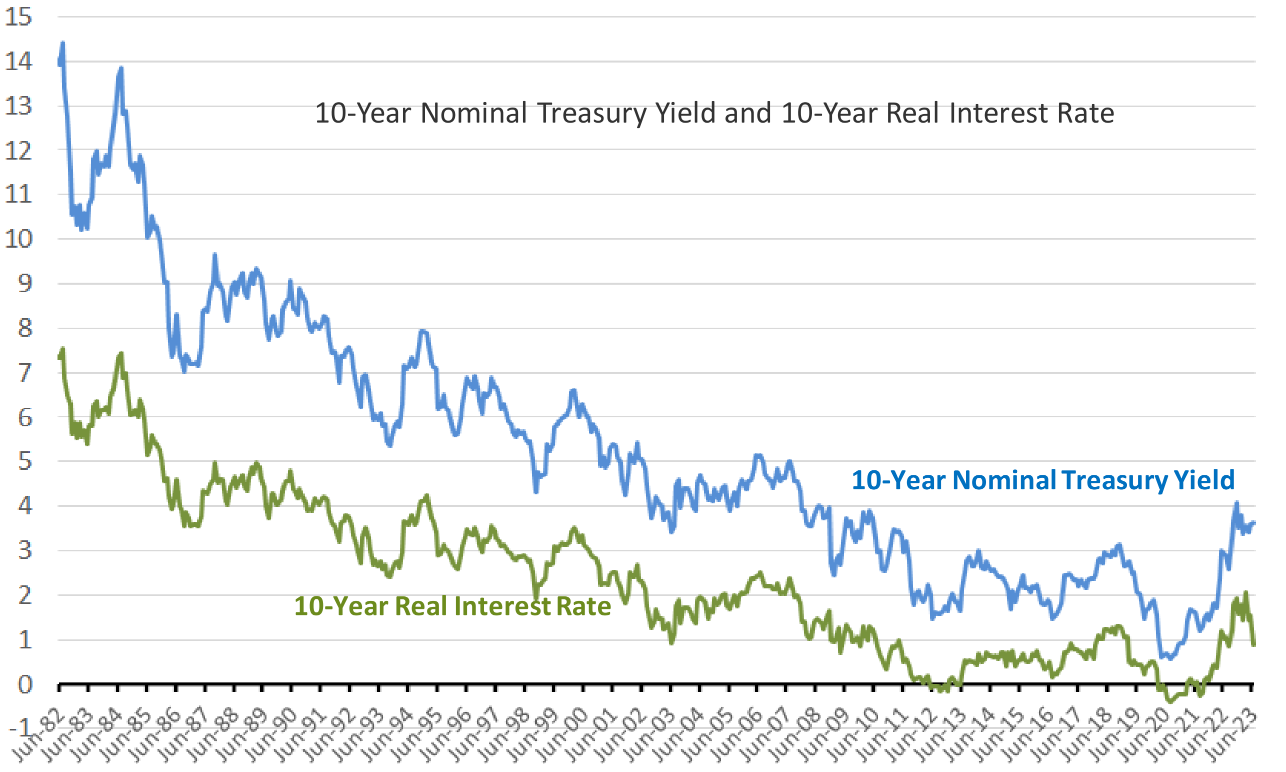


Grey areas denote recessions.

Source: Federal Reserve Bank of St. Louis, NBER, CLA Wealth Advisors

Data is based upon availability as of 7/10/2023

“Real” Interest Rate = Nominal Rate - Inflation



Source: Federal Reserve Bank of Cleveland, Federal Reserve Bank of St. Louis, CLA Wealth Advisors.

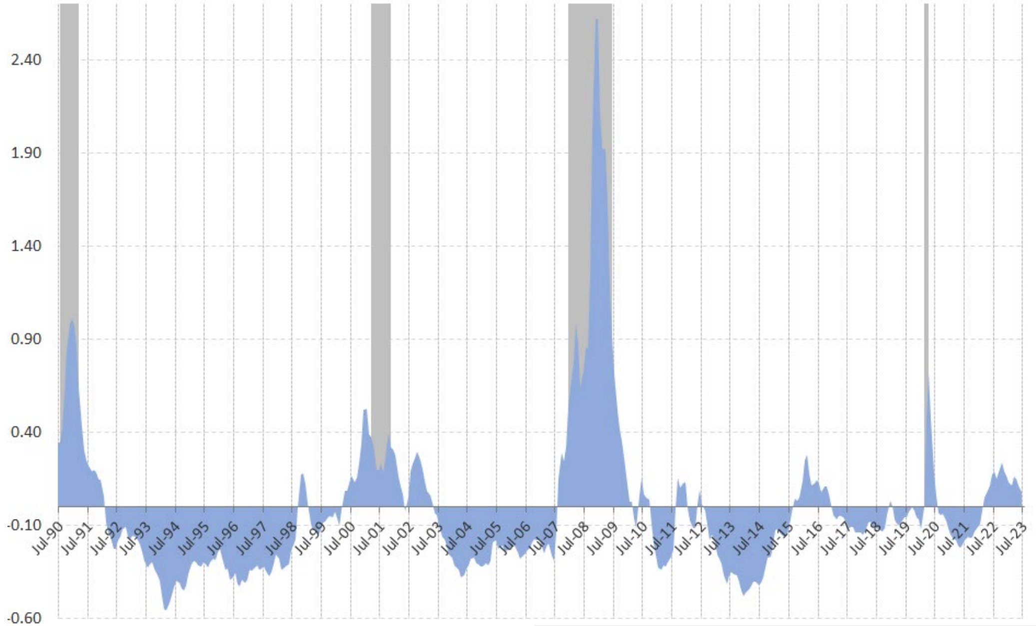
Data is based upon availability as of 6/14/2023

“The Federal Reserve Bank of Cleveland estimates the expected rate of inflation over the next 30 years along with the inflation risk premium, the real risk premium, and the real interest rate. Their estimates are calculated with a model that uses Treasury yields, inflation data, inflation swaps, and survey-based measures of inflation expectations.”

Financial Markets

Interest rates – credit conditions

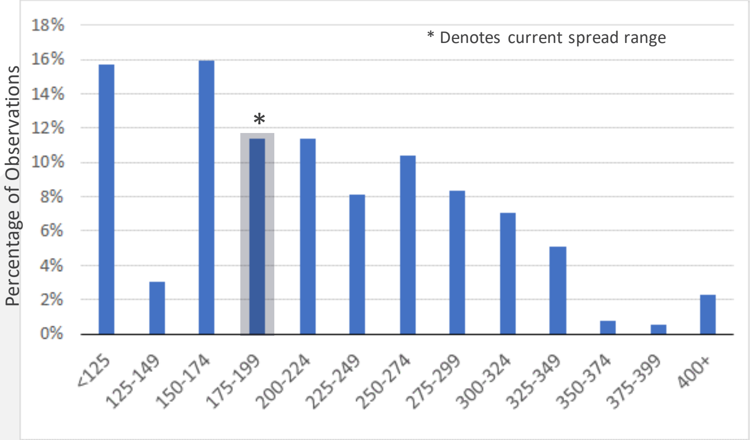
Chicago Fed National Financial Conditions Credit Subindex Index (NFCI), Monthly



Source: Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Histogram

10-Year Baa Spread (in basis points), Monthly, 1990-2023



Source: Moody's, Federal Reserve Bank of St. Louis, CLA Wealth Advisors

Data is based upon availability as of 7/10/2023

Financial Markets — Private Credit, Real Estate, and Equity

Financial Markets — Private Market Takeaways

Half full

Private credit continues to offer an attractive risk/reward profile.

The large and fragmented real estate market creates an almost "perpetual" opportunity to acquire and improve properties.

Tax benefits of real estate are increasingly valued by investors.

Half empty

The Federal Reserve is currently in a "tightening" phase, which has significantly increased the interest expense on many real estate deals.

Transaction volumes in private markets are down across the board.

Private Credit

Should be considered a "core" holding

Projected 12-month Return		
	Prior Period	**Current Period**
3-Month SOFR	3.60%	4.63%
+ Credit Spread	7.00%	8.50%
+ Leverage Spread	1.67%	2.17%
= Interest Income	12.27%	15.30%
- Realized Losses	2.00%	2.00%
- Unrealized Losses	0.00%	0.00%
- Fees & Expenses	3.14%	3.90%
= Net Return	**7.13%**	**9.40%** *

Source: Cliffwater
***IMPORTANT**: There is no guarantee this return will be achieved.*
Data is based upon availability as of 6/13/2023

Private Real Estate

The opportunity set

Commercial real estate has five subsectors:

1. Multifamily — Least risky
2. Industrial
3. Office
4. Retail
5. Hospitality — Most risky

And three primary strategies:

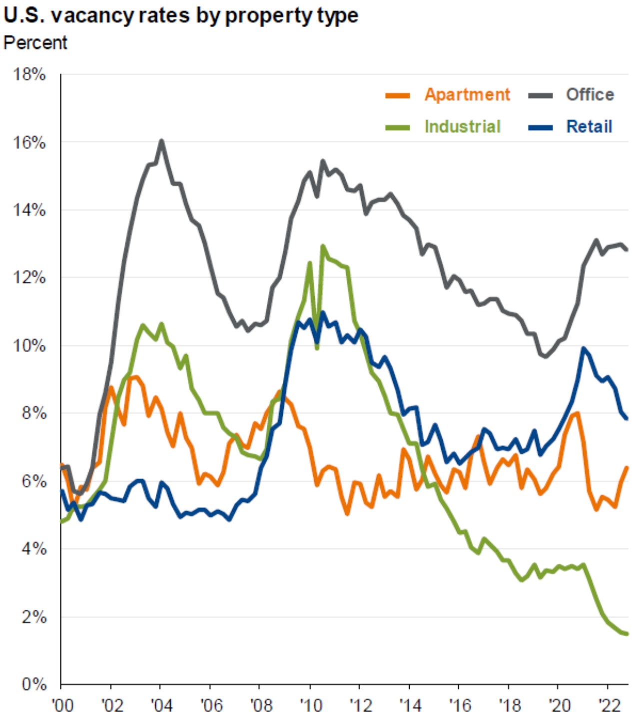
1. Core — Least risky
2. Value-add
3. Opportunistic — Most risky

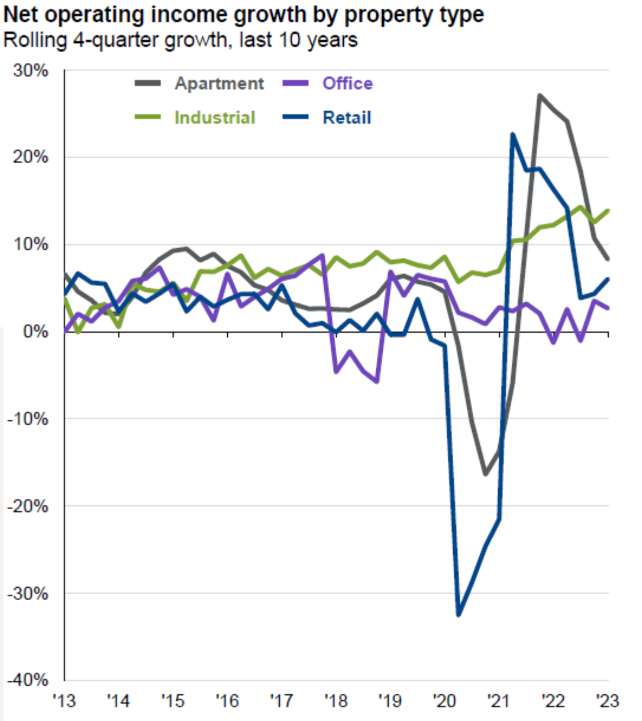
Real estate

- **Core**: Fully functioning properties with high lease rates, high quality tenants, and little leverage.
- **Value-add**: Require redevelopment (e.g., makeover, finding additional tenants, or launching a new marketing effort).
- **Opportunistic**: Require extensive development and generate most of their return through price appreciation.

Private Real Estate

An overall view of real estate





Source: NCREIF, NAREIT, Statista, J.P. Morgan Asset Management

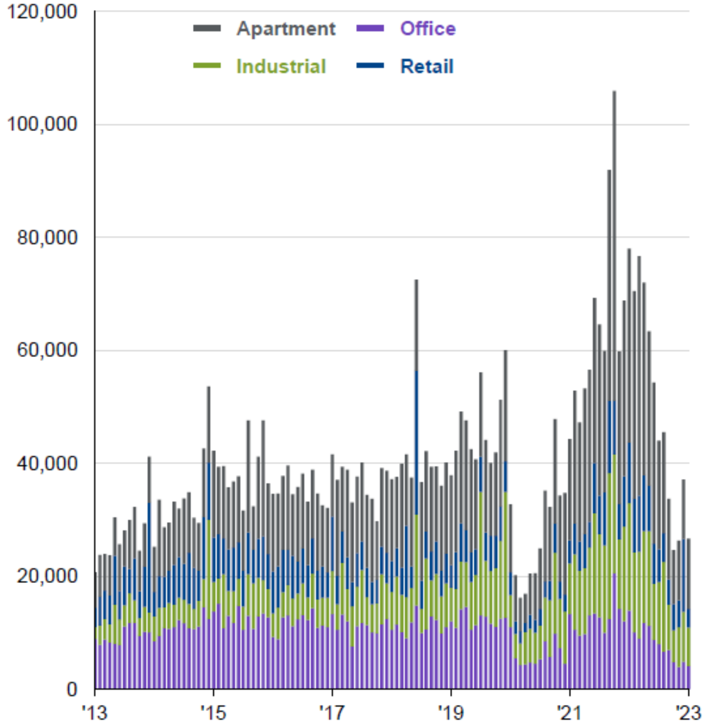
Data is based upon availability as of 7/11/2023

Private Real Estate

An overall view of real estate

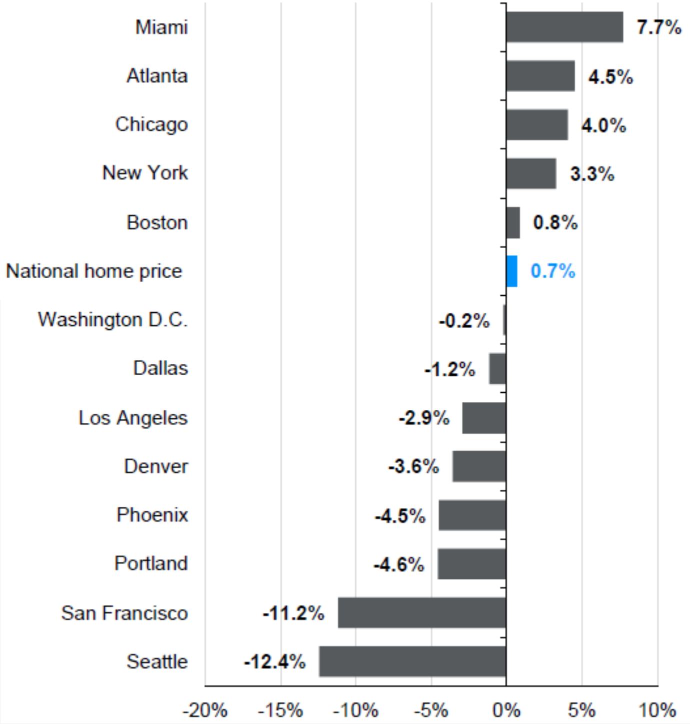
U.S. real estate transaction volumes

USD millions, seasonally adjusted, last 10 years



U.S. home price growth by city

S&P Case-Shiller Home Price Index, March 2023, y/y% change

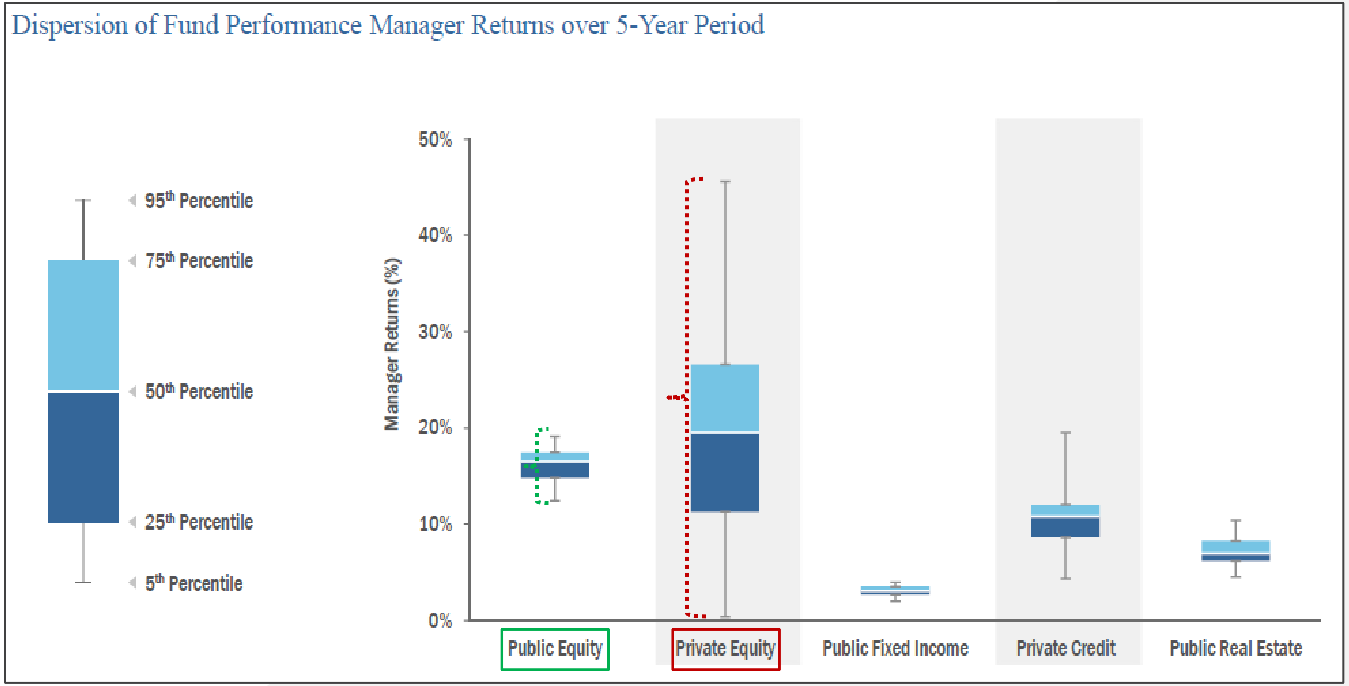


Source: NCREIF, NAREIT, Statista, Robert Shiller, J.P. Morgan Asset Management

Data is based upon availability as of 7/11/2023

Private Equity

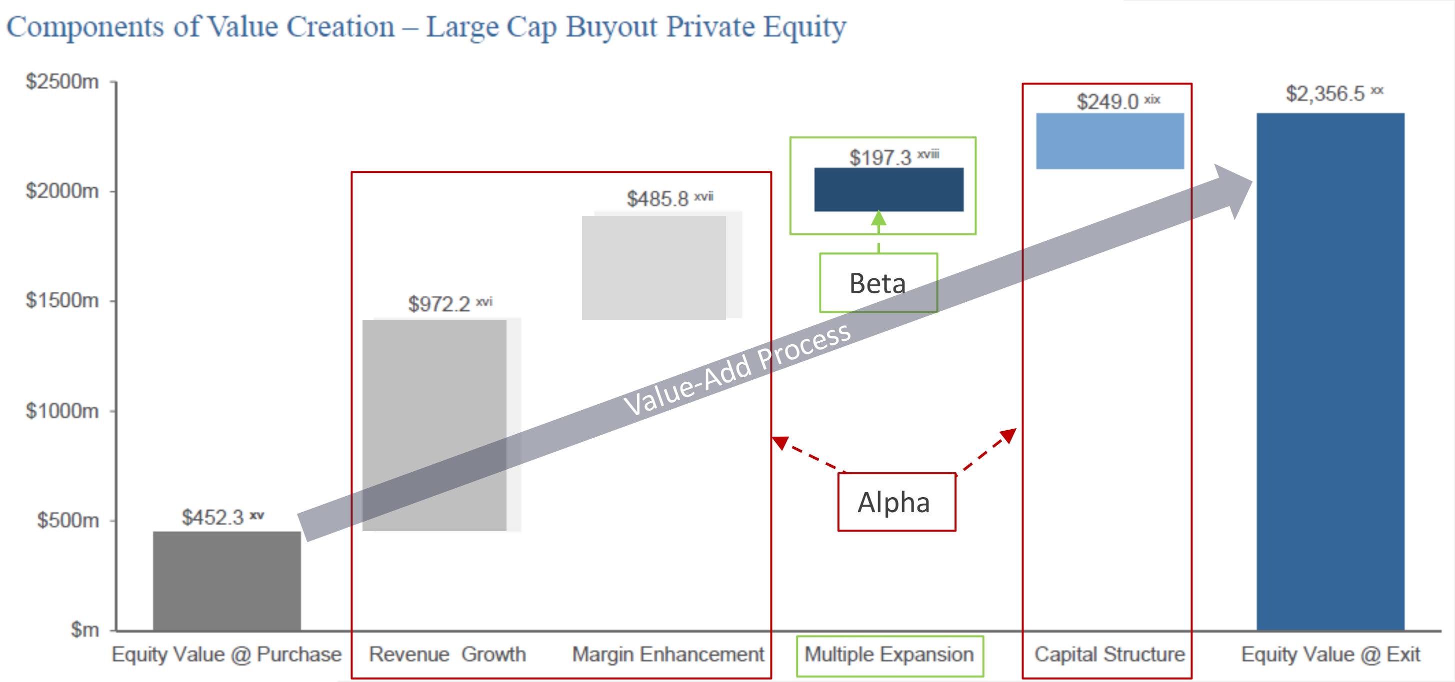
Wide dispersion of returns means **manager selection is critical**



Source: Morningstar, Prequin, Ponoma Capital
Data is based upon availability as of 7/11/2023

Private Equity

Primarily an idiosyncratic "alpha play"



Source: Ponoma Capital

Data is based upon availability as of 7/11/2023

Portfolio Outlook

Market Views — Summary

Half full

Long-term investors tend to enjoy lower overall volatility.

So far in 2023, stock and bond prices have performed well.

CLA builds fully diversified portfolios using a broad range of public and private asset classes.

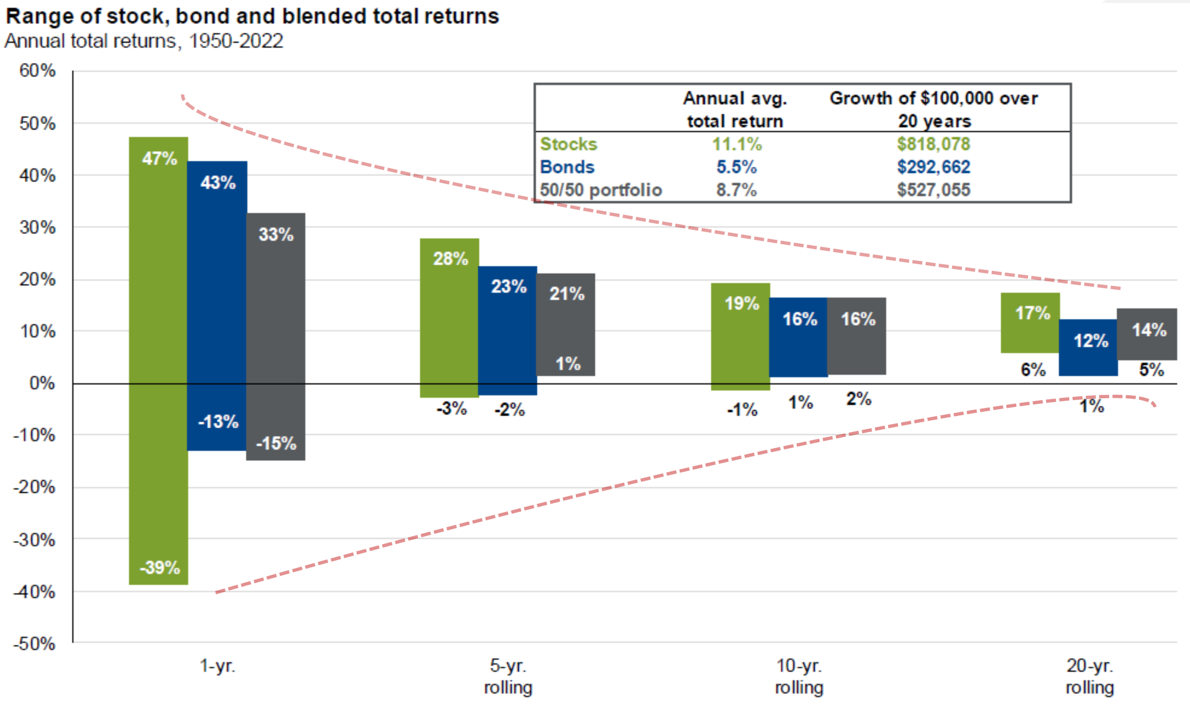
Half empty

Select sectors are seeing financial distress.

The Fed has indicated they will not cut interest rates until inflation has returned to its 2% target.

Stay the Course as a Long-Term Investor

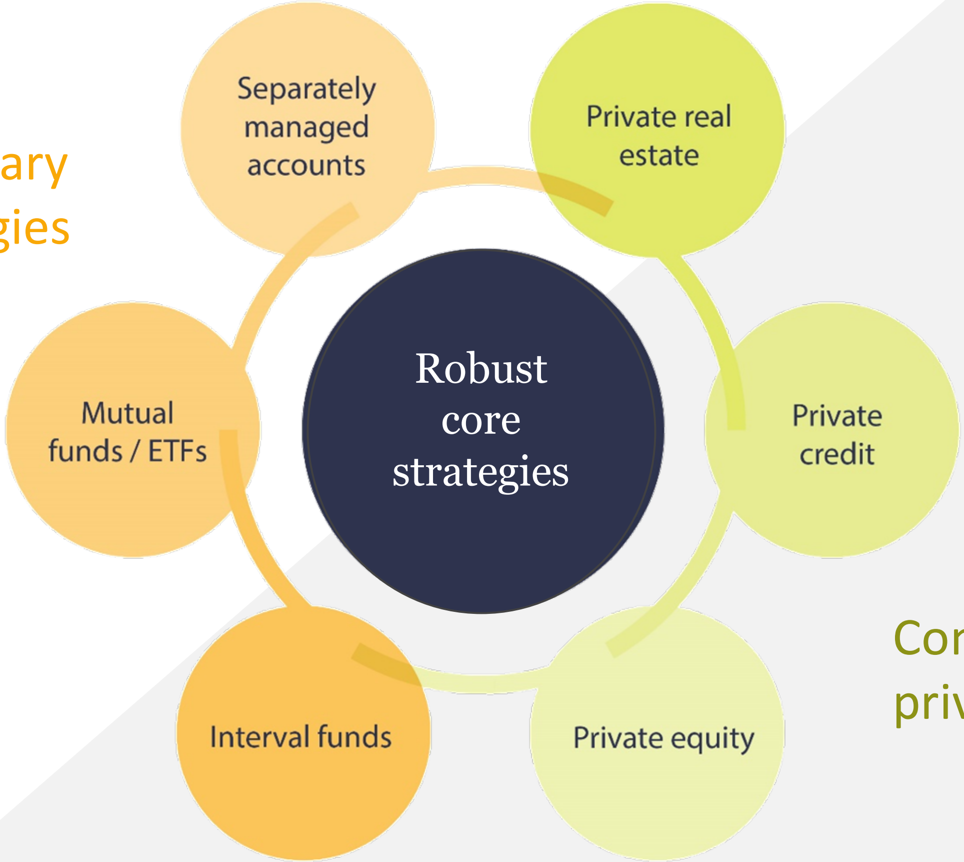
Align your risk/return targets with your financial plan



Source: Bloomberg, FactSet, Federal Reserve, Robert Shiller, Strategas/Ibbotson, J.P. Morgan Asset Management.
Data is based upon availability as of 7/11/2022

How We Construct Portfolios at CLA

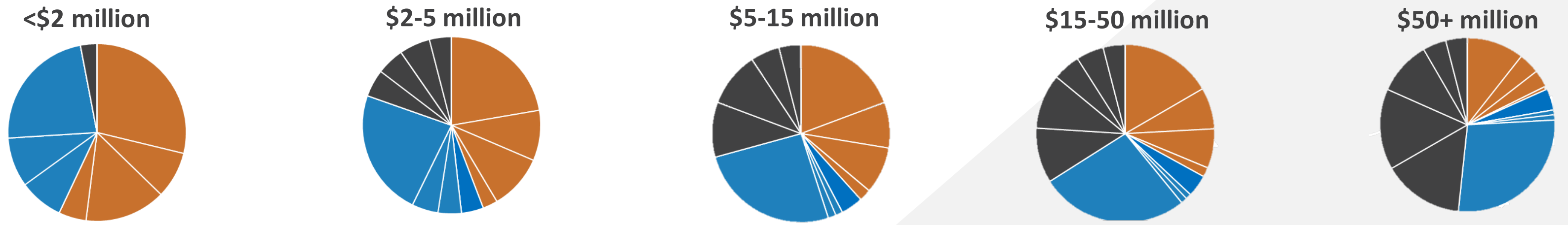
Complementary public strategies



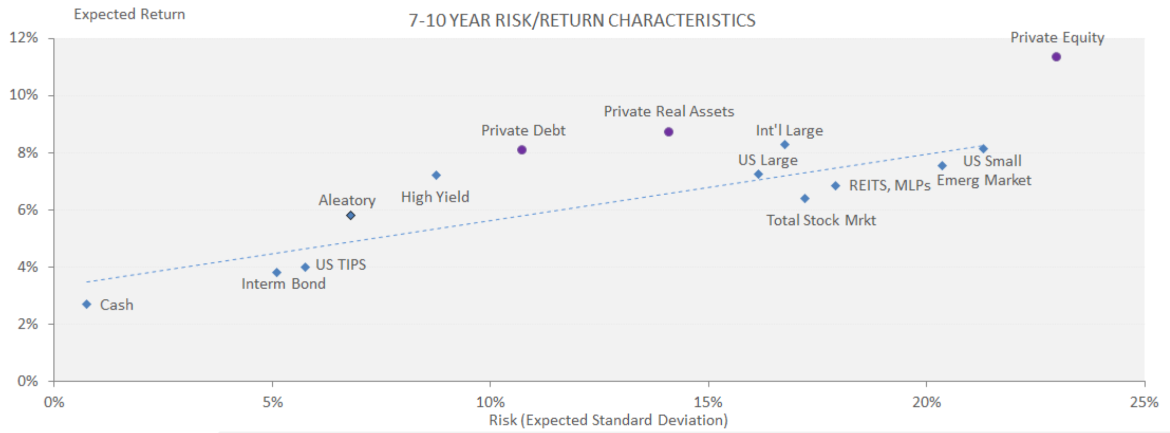
Complementary private strategies

Diversification of Portfolios is Key

Sample balanced "60/40" accounts



Account size	Return target	Risk budget
<$2 million	6.1%	10.3%
$2-5 million	6.7%	10.2%
$5-15 million	6.9%	10.3%
$15-50 million	7.1%	10.3%
$50+ million	7.2%	10.3%



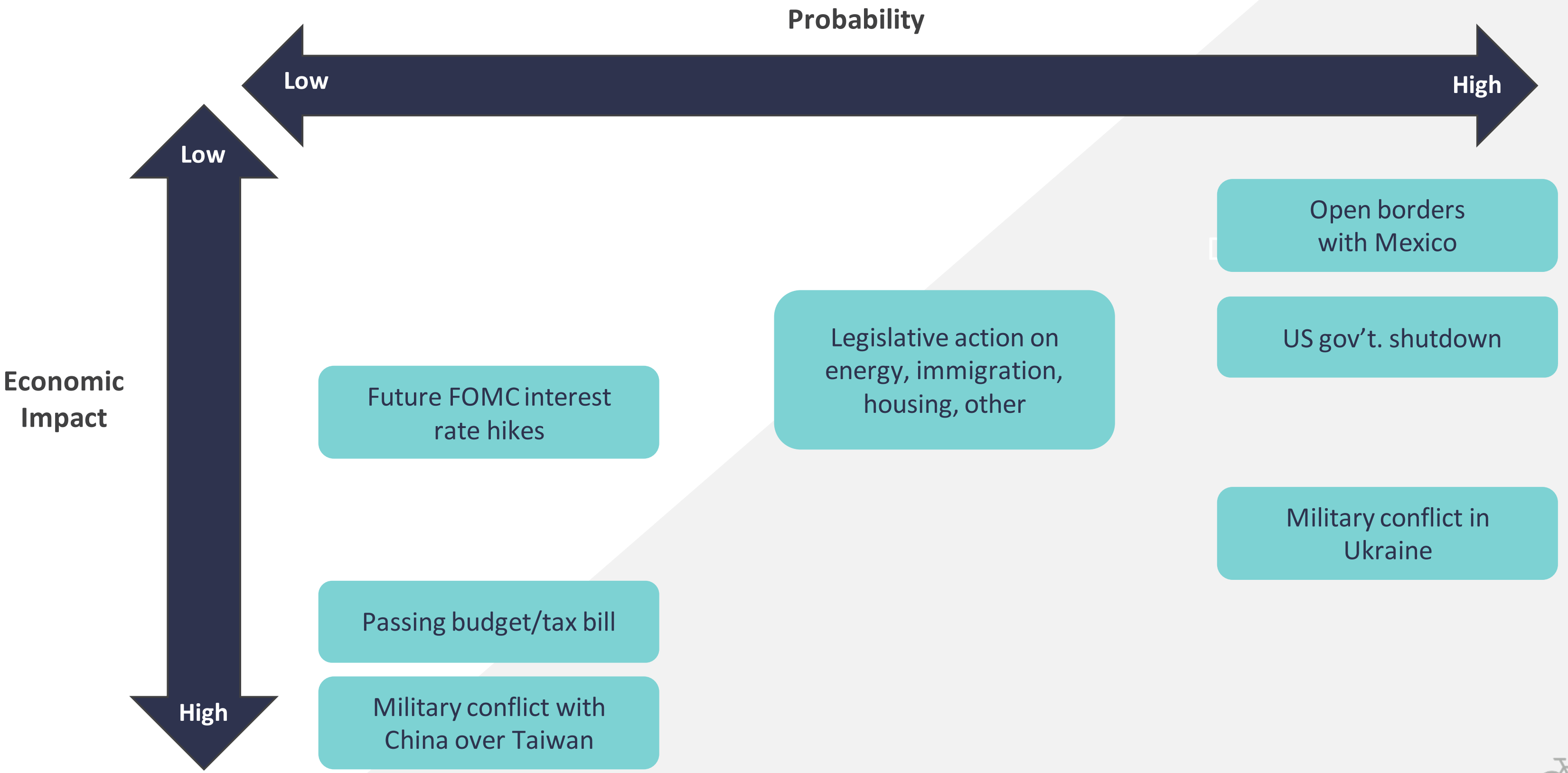
Key

- Equities
- Fixed income
- Alternative

Policy Update

CLA Outlook 2023

Policy Outlook – What Has Our Attention?



Government Shutdown?

Timeline for making a budget deal after the July 4 recess…

July 10 → **In Session** → **July 29** → **Recess** → **Sept 5** → **In Session** → **Sept 30 fiscal year ends**

The process from here…

House and Senate appropriations committees → House and Senate floor considerations → Final passage or continuing resolution

Highlights of Fiscal Responsibility Act (FRA)

FRA prevents the U.S. government from defaulting on its debt and will reduce the federal budget deficits by $1.5T over the next 10 years. ***Notable for lack of new tax laws.***

- Debt ceiling – Suspended until January 1, 2025
- Spending limits
  - Nondefense spending, FY24 = $704B, FY25 = $711B
  - Defense spending, FY24 = $886B, FY25 = $895B
- IRS funding – The $80B of funds appropriated under the Inflation Reduction Act is reduced by $1.39B and $20B is reallocated to other spending (Biden-McCarthy handshake deal).
- Rescinds COVID-19 funds
- Expands work requirements for government assistance programs (SNAP, TANF)
- Terminates student loan waivers effective 8/29/23
- Administrative PAYGO
- Energy provisions - streamline permitting

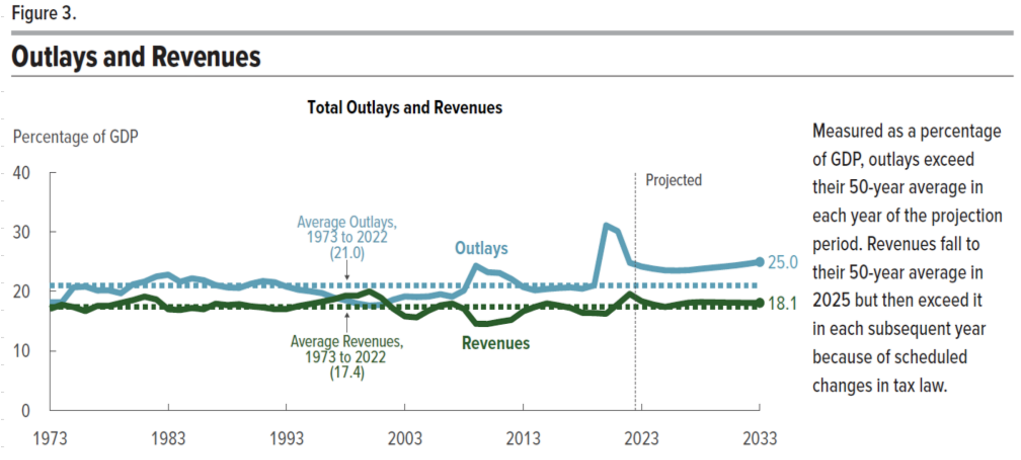
Longer-term Tax Policy – View from House GOP

Creating opportunity through tax reform

- Make permanent individual tax provisions of TCJA
- ALIGN Act – permanent 100% depreciation and full R&E expensing
- Shorten depreciable lives on residential and nonresidential construction and adopt Neutral Cost Recovery System (inflation adjusting)
- Provide for Universal Savings Accounts
- Raise long-term capital gains tax bracket
- Index capital gains taxes to inflation
- Eliminate death taxes
- Make permanent the EBITDA base for computing Section 163(j) interest expense limitations
- Implement net operating loss reforms (indexing; unlimited carrybacks & carryforwards)

Source: Republican Study Committee, "Protecting America's Economic Security, Fiscal Year 2024 Budget" (202306141135 FY24 RSC BUDGET PRINT FINAL (house.gov)).

Election 2024 Menu: Will the Candidates Discuss Tax Increases?



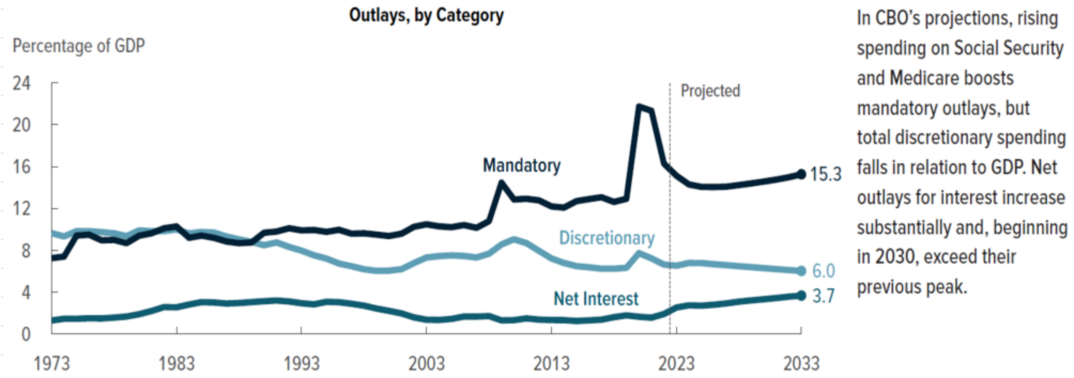
Federal Outlays vs Revenues as % GDP

- Outlays
  - 1973-2022 avg = 21%
  - Projected 2033 = 25%
- Revenues
  - 1973-2022 avg = 17.4%
  - Projected 2033 = 18.1%
- Outlays-revenue differential
  - 1973-2022 avg = 3.6%
  - Projected 2033 = 6.9%

Observation: The federal outlays in excess of revenues differential as a percentage of GDP is expected to be almost twice the historic average by 2033.

An Update to the Budget Outlook: 2023 to 2033 (cbo.gov)

Election 2024, cont'd.



Observation: The growth in federal outlays between 2003 and 2033 is overwhelmingly attributable to mandatory spending (e.g., Medicare, Medicaid, Social Security) and debt service.

Outlays as a % GDP

Mandatory outlays

- 2003 = 10.5% vs. 2033 = 15.3%
    - *46% increase*

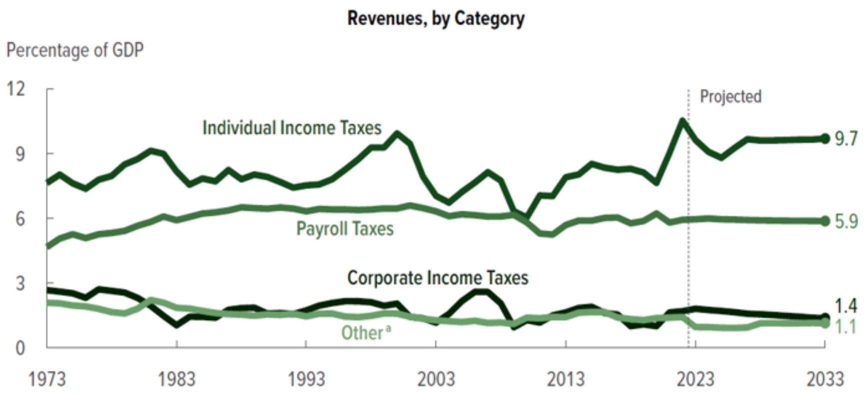
Discretionary outlays

- 2003 = 7.3% vs. 2033 = 6.0%
    - *18% decrease*

Net interest outlays

- 2003 = 1.4% vs. 2033 = 3.7%
    - *264% increase*

Election 2024, cont'd.



Receipts from individual income taxes are projected to fall in 2023 because collections from taxes on capital gains realizations and other sources, which have been strong in recent years, fall in CBO's projections. Projected receipts rise after 2025 because of the scheduled expiration of certain provisions of the 2017 tax act.

Data source: Congressional Budget Office. See www.cbo.gov/publication/59096#data.

When October 1 (the first day of the fiscal year) falls on a weekend, certain payments that would have ordinarily been made on that day are instead made at the end of September and thus are shifted into the previous fiscal year. All projections of outlays presented here have been adjusted to exclude the effects of those timing shifts. Historical amounts have been adjusted as far back as the available data allow.

GDP = gross domestic product.

a. Consists of excise taxes, remittances from the Federal Reserve System to the Treasury, customs duties, estate and gift taxes, and miscellaneous fees and fines.

Observation: Over the past 30 years, individual income taxes have become a more prominent source of federal revenues than any other revenue source.

Revenues as a % GDP

- Individual income taxes
  - 2003 = 7.0% vs 2033 = 9.7%
- Payroll taxes
  - 2003 = 6.3% vs 2033 = 5.9%
- Corporate income taxes
  - 2003 = 1.2% vs 2033 = 1.4%
- Other (excise, gift, estate, etc.)
  - 2003 = 1.3% vs 2033 = 1.1%

Election 2024, cont'd.

What does our crystal ball tell us?

- A Washington, D.C. controlled by Democrats likely will result in income tax increases.
  - Recent history suggests that federal revenues most likely will be raised from individual income taxes.
- Entitlement reform is less palatable to both parties but perhaps marginally more likely under GOP control.
  - External factors such as interest rate increases, GDP stagnation, or decrease in buyers of U.S. government may force more aggressive entitlement reform.

Alternatives	Party in control of White House & Congress		
	Dems	GOP	SPLIT
Increase taxes	POSSIBLE	UNLIKELY	UNLIKELY
Entitlement reform	UNLIKELY	POSSIBLE	UNLIKELY
Continued deficit spending	LIKELY	LIKELY	LIKELY

Industry Outlook

CLA Outlook 2023

Deep Industry Specialization

Industrials	Manufacturing	Agribusiness	Construction	
Service industries	Retail	Logistics	Technology	Professional service organizations
Financial services and real estate	Financial services	Real estate	Private equity	
Health care	Health care	Life science		
Public sector	State and local government	Federal government	Nonprofit	Higher education

Industry: Macroeconomic Focus Areas

ESG Investing

Interest rates

Business profitability

Labor costs

Finding/retaining talent

Industry Priorities in Next 12 – 24 Months

Contain labor costs (Use digital solutions?)

Recruit talent

International trade

IRA funding for green programs

Sell off excess inventory

Diversify customer base

Succession planning

Challenges = Opportunities

- Cash flow
- Labor costs
- Talent
- Productivity
- Succession
- Profitability

- ERC, WOTC, FEZ, IRA, 179D, etc.
- Outsourced solutions
- Executive search
- Digital strategy and business modeling
- Owner transition planning
- Business planning/industry consulting

Industry Views — Summary

Half full

Hiring is becoming slightly easier

Moving inventory from “just in case” to “just in time”

More industry investment into high school students/future workforce

Strong balance sheets and focus on cash management

Dedicated focus on margins and profitability is paying off

Half empty

Labor costs continue to be high

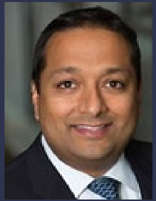
Inflation is still impacting equipment and land purchases

Tightened lending conditions for companies

New construction and development slowing with higher rates

Contact us to discuss how we can serve you and help you achieve your goals

Clayton Bland
Chief Wealth Advisory Officer
clayton.bland@CLAconnect.com
425-250-6034



Chris Dhanraj
Managing Principal - Investments
chris.dhanraj@CLAconnect.com
203-644-0709

Susan Roberts
Managing Principal,
Manufacturing and Distribution
susan.roberts@CLAconnect.com
817-882-2232

CLAconnect.com

CPAs | CONSULTANTS | WEALTH ADVISORS

Appendix

Agribusiness and Cooperatives

Trends	Actions
Rising interest rates	Interest rates are starting to impact equipment and land sales. Eroding equity and negative impact on operating loans and bank covenants.
Commodity prices	Commodity prices have been in decline. Resulting in lower income expectations and greater need for marketing.
Labor costs	Labor costs have impacted growth and profitability in multiple sectors. Labor continues to be a serious issue.

Construction

Trends	Actions
Talent	Evaluate employee compensation and benefits packages to offer best in class and to retain and attract talent.
Digital	Build culture around cutting edge technology. Perform digital transformation assessment to improve efficiencies and identify critical issues.
Rising interest rates/inflation	Focus on projects with higher risk of delays to avoid cost overruns, diversify revenue/customer base. Review and update contract language to shift risk of cost increases to owner.

Financial Services

Trends	Actions
Rising interest rates	Closely monitor net interest margin compression and credit risk in loan portfolios.
Select banks and credit unions under stress	Liquidity and interest rate risk management is key – experienced talent is critical.
Regulatory scrutiny heightened	Expect new requirements from regulatory agencies in the areas of liquidity and interest rate risk.

Health Care and Life Sciences

Trends	Actions
Workforce struggles	- Reassess pay structures, benefits - Employee engagement surveys - Think creatively about workflows, use of digital, AI - Use of digital services, outsourcing
Looking beyond public health emergency	- Significant disruptions during pandemic led to many changes - A lot of flexibilities, funding are going away - Reassess and reposition for future - Review financial models, service lines, potential growth, etc.
Shrinking profitability	- Health care costs continue to increase but this is not sustainable, especially with government insurance (Medicare/Medicaid) a main payer. Many shifts occurring in market. - Consider ACOs/VBP, shifting sites of services, M&A options, new/better uses of technology/digital, efficiencies, supply chain

Higher Education

Trends	Actions
Declining enrollment growth	Managing enrollment and retention trends; projecting future high school graduates; evaluating existing programs and offerings.
Per student operational cost increases	Monitoring the student experience and top line revenue to address the increase cost to attract and retain students.
The new higher education institution of the future	Post pandemic higher education value propositions and online/hybrid program surge.

Manufacturing

Trends	Actions
Working capital	Balance sheet optimization will help weather any segment slowdown.
Concerns on potential Q3'23 slowdown	Analyze inventory and staffing levels.
Staffing shortages	Community outreach to promote manufacturing career path.

Nonprofit

Trends	Actions
Government spending and debt ceiling debate	Government funded programs and related federal and state granting opportunities have a large impact on the nonprofit industry – monitor changes closely.
Labor market challenges	Nonprofit industry talent is being offered attractive opportunities elsewhere – focus on compensation, benefit packages, and employee retention, while simultaneously considering automation and operational optimization as alternatives.
Philanthropy	Many nonprofit organizations survive on charitable giving – monitor charitable giving tax policy changes as well as understand how inflation, the ongoing generational wealth transfer, and changes in societal demographics and priorities impact the organization's donor base and philanthropic efforts.

Private Equity

Trends	Actions
Interest rate impact	Evaluate investment decisions, enhance capital structure, focus on cash flow generation, monitor debt maturities.
ESG investing	Evaluate investment decisions, enhance impact on environment and society, focus long-term financial performance.
Capital efficiency	Help improve net working capital management, cash flow management, margin management, effective tax planning, and liquidity.

Professional Services Organizations

Trends	Actions
Closely monitor fixed costs	With salaries as highest fixed costs, use compensation benchmarking, digital, and outsourcing strategies. Also look at other revenue streams (shared office space, structure, ERC, trim overhead costs).
Downturn concerns and managing sensitivity to GDP	Law, accounting, and engineering firms have started to lay off employees – their client base scaling back on hiring advisory services – important to find right talent.
Policy impact	Government spending has a large impact on this industry – monitor changes closely.

Real Estate

Trends	Actions
Tightened lending conditions	An estimated $1.5 trillion worth of CRE loans are due to mature over the new two years; loans refinanced at higher rates could stifle construction and new development; office sector, specifically the B- and C-class buildings, may be in significant trouble with rising vacancy rates and declining property values due to continued remote working conditions. Recommendation: Be proactive with your lenders and start having meaningful conversations with them sooner rather than later.
Rent growth is cooling	Rising vacancy and new supply mean today's renters will have far more options than they did in 2021 and early 2022 – which puts further downward pressure on rent growth. Peak rent growth is behind us, not in front of us. Recommendation: Don't be greedy with your rent increases.
Government policy not as supportive of real estate as it was in the past (absent energy efficient initiatives)	Potential repeal of Section 1031 exchanges and carried interest; no added legislation/expansion to the Opportunity Zone program; looming sunsetting of Tax Cuts and Jobs Act in 2025; without meaningful immigration reform, some construction and real estate sectors will continue to struggle with workforce. Recommendation: Highly encourage industry professionals to connect with policymakers in Congress and the White House to make voice heard.

Retail

Trends	Actions
Inventory	Dealership – allocation issues, opportunity - LIFO/UVWD, increased EV Restaurant – flux in pricing, opportunity to adjust menu pricing.
Restrictive monetary policy	Increased interest rates impact consumer buying power and 163j impact Dealership – carrying costs and reduced margins.
Talent retention	Reduced labor market availability/skillset Opportunity to utilize WOTC/FEZ credits.

State and Local Government

Trends	Actions
Labor shortage	Review compensation and benefit packages. Conduct succession planning and opportunities for automation.
Regulatory compliance	Monitor federal legislation (COVID related funding, IRA, TCJA, etc.) for potential opportunities.
Risks, uncertainty, and reserves	Update risk assessment and review fund balance policies and reserves.

Technology

Trends	Actions
Labor shortage abating	Certain SMBs can hire high quality talent given layoffs at other large tech firms.
Higher interest rates affecting funding	Focus on incentive-based compensation structures rather than fixed salaries.
Clients demanding increased value for price	Subscription-based services mean customers expect new features or they will consider switching.

Transportation and Logistics

Trends	Actions
Inflation and economic concerns	With the ability to push rates limited and rising equipment costs, review expenses for opportunities to increase profitability.
Driver shortage	Differentiate recruiting efforts, analyze Improve benefits/compensation packages.
Interest rates in a high leverage industry	Strengthen the balance sheet and banking relationships, increase working capital.

Disclosures

CliftonLarsonAllen Wealth Advisors, LLC ("CLA Wealth Advisors") is an SEC-registered investment advisor that offers a wide array of private wealth advisory services. For more information about CLA Wealth Advisors' business practices, fees, and services, please refer to our Form CRS and the ADV Part 2A (the "Disclosure Brochure"). Your investment professional must provide you with a copy of Form CRS and the Disclosure Brochure before or at the time when you enter into a legal agreement with us.

Performance can not be guaranteed and any references to past specific performance should not be interpreted as a promise to achieve results. Investing involves various degrees of risk. You may lose money, including the principal of your investment. This presentation is intended for your consideration of the services discussed. The content is purely educational and any product mentioned herein are meant to be examples of how these funds may work and not as a solicitation which can only be done via prospectus and a recommendation after a review of individualized circumstances.

Before deciding whether to engage CLA Wealth Advisors to manage any investment assets, you should review CLA Wealth Advisors' Form CRS (CRS) and Form ADV Part 2A (the "Disclosure Brochure"). Our CRS and Disclosure Brochure provide detailed descriptions of CLA Wealth Advisors, its services, fees, and other important information including explanation of conflicts of interest. CliftonLarsonAllen Wealth Advisors, LLC is a wholly owned company of CliftonLarsonAllen LLP.