Covenant Asset Management, LLC

Fourth Quarter 2022

Investment Perspectives

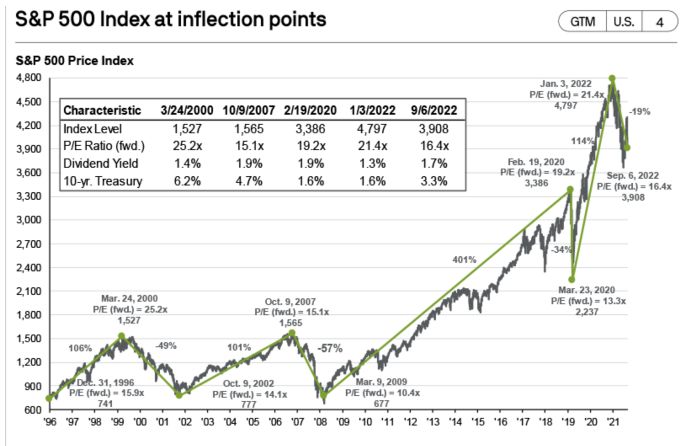
Economic and Financial Markets Review & Outlook

Covenant Asset Management is pleased to offer our latest investment perspectives. In this publication we review third quarter results and highlight key economic, financial and political themes which we expect will drive markets and investment performance in the coming months.

Key Themes

1. Inflation and the Federal Reserve Bank's determination to reign it in continued to weigh on financial markets in the third quarter.
2. Bond yields jumped to their highest levels in more than fifteen years as investors realized the battle to reduce inflation would likely require tighter monetary policy for a longer period of time.
3. Recent economic data has been mixed with clear deterioration in housing and manufacturing but continued strength in the service sector and a still tight labor market.
4. The rapid rise in interest rates has increased the risks to the economy and financial markets of a credit crisis or other systemic market disfunction.

Growing certainty that the Federal Reserve Bank would persist in raising interest rates to combat inflation, despite the risk to economic growth, battered financial markets during the third quarter. Bond yields soared and the bear market in stocks deepened. Virtually all asset classes were down through the first nine months of 2022. Aggregate bond indexes fell 15% and the S&P 500 and Nasdaq declined by 25% and 32%, respectively. Yields on U.S. Treasury Securities jumped above 4% for the first time since before the financial crisis in 2008. The picture is similar outside the United States, with the persistence of high inflation and moves by foreign central banks to tighten monetary policy and raise interest rates. The war in Ukraine and China's intermittent Covid-19 lockdowns have threatened the global economy, and many countries in Europe are now in recession.



Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	9/6/2022
Index Level	1,527	1,565	3,386	4,797	3,908
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	16.4x
Dividend Yield	1.4%	1.9%	1.9%	1.3%	1.7%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	3.3%

Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of September 30, 2022.

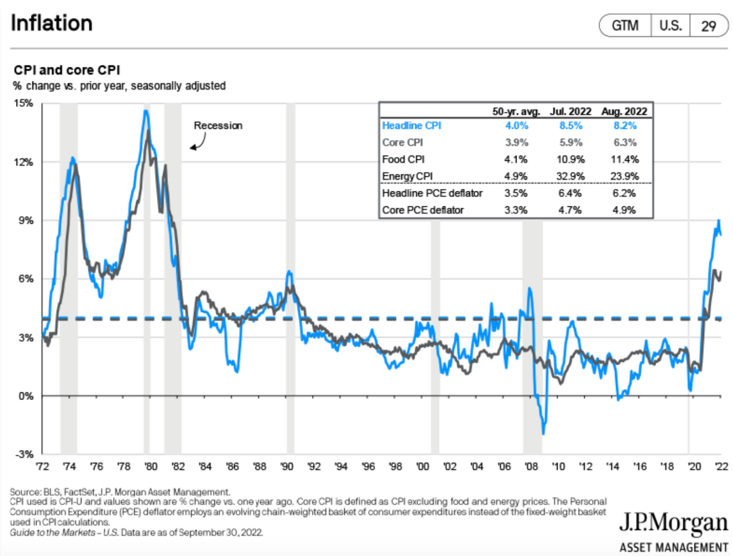
At the end of the third quarter, investor sentiment had fallen to the lowest level since 2009. The VIX, a measure of market volatility, had jumped above 30 and mutual fund cash levels were unusually high. Stock market benchmarks had also declined to near or slightly below their June lows at quarter end. This combination of overly bearish indicators normally portend a near-term bounce is likely. Time will tell whether the recent lows in stock prices and highs in bond yields are durable. There are cases to be made on both sides. Much will depend on how much further the Fed needs to tighten monetary policy before inflation begins to subside toward the Fed's 2% target rate.

Government Policies Hinder Inflation Goals

There are a myriad of reasons why inflation has persisted at a high level. Foremost is the amount of money the Federal Government and Federal Reserve Bank pushed into the economy to prevent it from collapsing during pandemic-forced shutdowns. After the economy began to reopen, the monetary and fiscal stimulus continued for far too long. Consumers were flush with pandemic relief aid and soaring gains from appreciation in stocks and real estate. But supply chains were

broken as demand for goods, and now services, surged. In a free market economy, demand that is greater than supply pushes prices higher. By the time the Fed acknowledged that much of the inflation was not transitory, inflation had jumped to the highest level since the 1970s. Since May, the Fed has been aggressively raising the Fed Funds rate and is projecting further hikes of 1.0-1.25% points in coming months.

The Fed's job is made more difficult by the Federal Government continuing its spending spree. In the past year, Congress has passed a $1.2 trillion infrastructure spending bill, $280 billion semiconductor subsidy bill and and the mislabeled Inflation Reduction Act worth $739 billion. Additionally, President Biden announced plans to forgive student loans estimated to cost between $500 billion and $1 trillion. The mid-term elections in November may provide some check on the Federal Government's spending, as Republicans are projected to retake control of the House of Representatives and possibly the Senate. In the recent past, Republicans have not shown a willingness to exert fiscal discipline any better than Democrats, but divided government has proven to be best when it comes to controlling federal spending. Divided government typically creates a better backdrop for financial markets as the likelihood of major legislative changes is low.



Russia's war in Ukraine has worsened supplies of agricultural commodities and embargoed Russian oil and natural gas to western economies. To combat high energy prices, the Biden Administration has been releasing 1 million barrels per day of oil from the strategic petroleum reserve (SPR). This emergency reserve has been depleted by about one-third since May and the drawdown is due to end by the end of November. Coupled with OPEC's recent decision to cut petroleum production, oil prices are likely to begin rising again before winter begins.

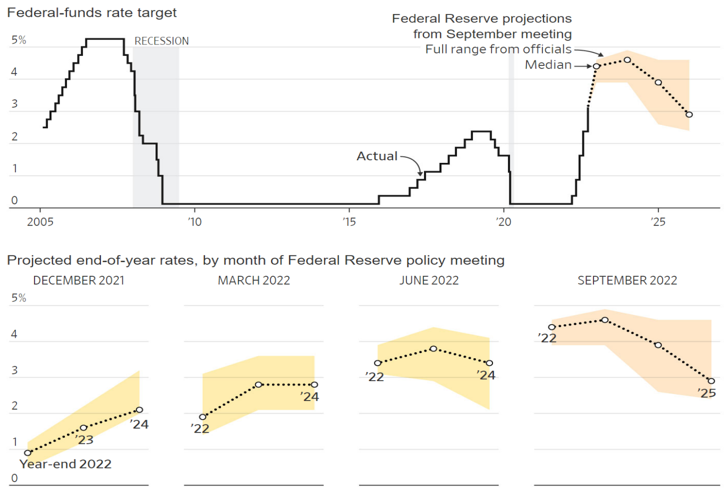
Housing and Consumption Strong, For Now…

At the end of September, the national average on a 30-year fixed-rate mortgage had risen to 6.82%, more than doubling the rate at the beginning of the year. Housing prices have begun to fall modestly as mortgage rates rise. But demographics suggest prices are unlikely to tumble unless mortgage rates jump much higher. Millennials, those born between 1981 and 1996, are the largest population cohort in the U.S. and they are now in their peak home-buying years. Housing supply for these buyers remains tight, limiting the likelihood of price declines. Housing-related costs comprise approximately 40% of the consumer price index (CPI), the widely watched inflation gauge.

Wages have risen by about 4.5% annually in the past two years, the highest increase in two decades, but still well below the CPI. To keep up, consumers have dipped into their pandemic-related savings. With sentiment decidedly negative, however, investment portfolios down sharply and house prices beginning to dip, 2023 may see a more challenged consumer environment. Most economists now believe we have either entered a recession or will enter one shortly. The first half of 2022 produced negative real GDP growth and projections call for sluggish growth for the next several quarters. Consequently, the state of the U.S. economy can be defined as stagflation. As we are witnessing, stagflation is not a good environment for financial assets.

Economic and Financial Markets Challenges

The Fed's track record of forecasting is poor. Yet, because they are so powerful, investors hang on every word written in the Fed's post meeting report and every utterance from Chairman Jay Powell and other Federal Reserve Bank officials. It is therefore worth noting that the Fed is signaling it will raise the Fed Funds rate by another 1.0-1.25% points by year-end to 4.40% and to 4.60% by 2023.



Note: Chart shows midpoint of range since 2008. September projections are for 2022, 2023, 2024, and 2025 year-end values.
Source: Federal Reserve

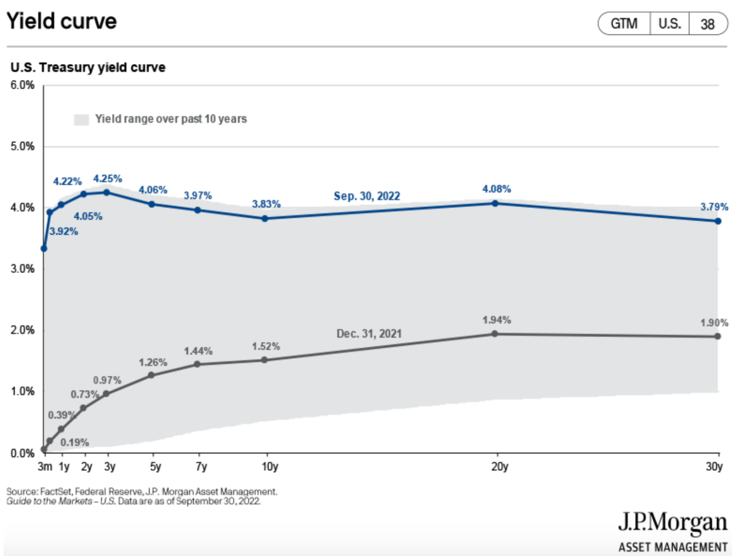
Elevated Risks

Investment strategists believe financial markets will rally once it becomes clear the Fed will begin shifting to a more neutral or accommodative monetary policy. The odds of the Fed knowing exactly when to shift policy are not high. The economic effects of monetary policy work with a significant lag, often 6-12 months long. After spending two years focused almost exclusively on returning the economy to full employment, the Fed abruptly shifted its policy goals to focus on reducing inflation. Just as the Fed erred in prioritizing employment over price stability, the odds are high that they will concentrate on inflation at the expense of employment, jeopardizing economic growth.

Risks of dislocation in the credit or currency markets have risen with the rapid rise in interest rates and a decades long high in the US dollar's value. Concerns over the financial health of Credit Suisse Bank, intervention by the Bank of Japan to support the value of the yen, and the Bank of England's need to provide liquidity to their bond market are warning signs. Continued central bank monetary tightening and lack of coordinating monetary policy with our trading partners, without a pause to assess the effects of the actions already taken, might trigger larger disfunction or crises.

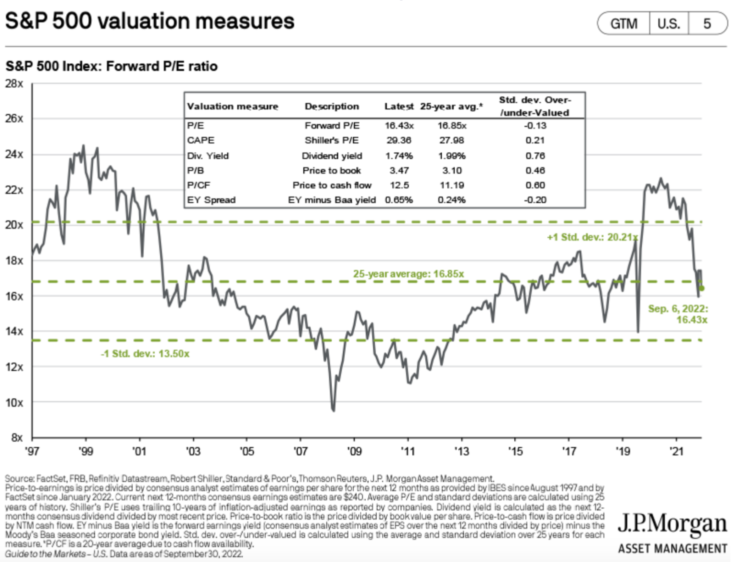
Bond Yields and Equity Valuations Attractive

While further declines in stock prices are possible, we believe much of the damage to financial markets has already occurred. However, until central banks begin to ease monetary policy, volatility is likely to remain high and rapid movements up and down in the markets are likely to continue. To add some perspective, the average bear market during recessions lasts 15 months and results in an S&P 500 loss of 35%. Volatility is likely to remain high and rapid movements up and down are likely to continue, until central banks begin to ease monetary policy. We also believe bond yields are attractive at current levels and advise buying one-to five-year U.S. Treasury securities yielding around 4%. We have also begun shifting selectively out of bond funds into individual bonds as rates have continued to rise.



Economic and Financial Markets Challenges

For longer time horizons, stocks have become more attractive after correcting 25-35%. Valuation levels are in line with long-term averages and corporate earnings are likely to hold up better than during other economic downturns. Rising input costs and wages will squeeze profit margins, but inflation should help buoy revenues, especially for those companies with pricing power.



Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	16.43x	16.85x	-0.13
CAPE	Shiller's P/E	29.36	27.98	0.21
Div. Yield	Dividend yield	1.74%	1.99%	0.76
P/B	Price to book	3.47	3.10	0.46
P/CF	Price to cash flow	12.5	11.19	0.60
EY Spread	EY minus Baa yield	0.65%	0.24%	-0.20

Source: FactSet, FRB, Refinitiv Datastream, Robert Shiller, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management.
Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since August 1997 and by FactSet since January 2022. Current next 12-months consensus earnings estimates are $240. Average P/E and standard deviations are calculated using 25 years of history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-months consensus dividend divided by most recent price. Price-to-book ratio is the price divided by book value per share. Price-to-cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. *P/CF is a 20-year average due to cash flow availability.
Guide to the Markets – U.S. Data are as of September 30, 2022.

Stay Invested!

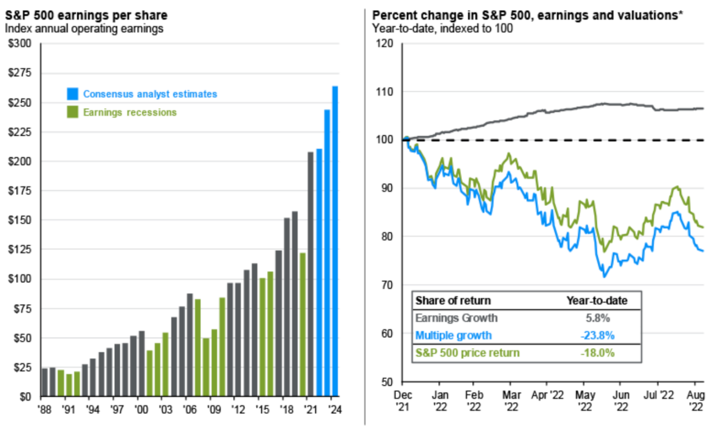
Given uncertainty about the timing of bringing inflation under control, the near-term outlook for stocks continues to be murky. However, with central banks resolved to rein in inflation, it is only a matter of time and the amount of additional monetary tightening that will determine when markets have bottomed and can return to a positive trend. We believe the Fed will likely moderate policy within the next year either by choice or be compelled by market forces to acknowledge and address the economic slowdown. In either scenario, the near term remains cloudy and volatile, but longer-term investors should feel more comfortable investing now.

Asset class diversification has not helped much this year, as all asset classes have declined. Yet time-tested investment success includes proper assessment of objectives and setting of asset allocation, coupled with disciplined periodic rebalancing, and avoidance of market-timing. This has been the most difficult period since the 2008-2009 financial crisis, but, just as then, financial markets will bottom and eventually recover. It is important to remain invested properly to take advantage of the recovery when it happens successfully. Your Covenant financial advisor is available to help guide you through the recovery successfully.

Economic and Financial Markets Charts

Corporate profits and sources of total return

GTM | U.S. | 7



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Historical EPS levels are based on annual operating earnings per share. Earnings estimates are based on estimates from Standard & Poor's and FactSet Market Aggregates. *Earnings and multiple growth are both year-to-date percent changes of next twelve-month estimates. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of September 30, 2022.

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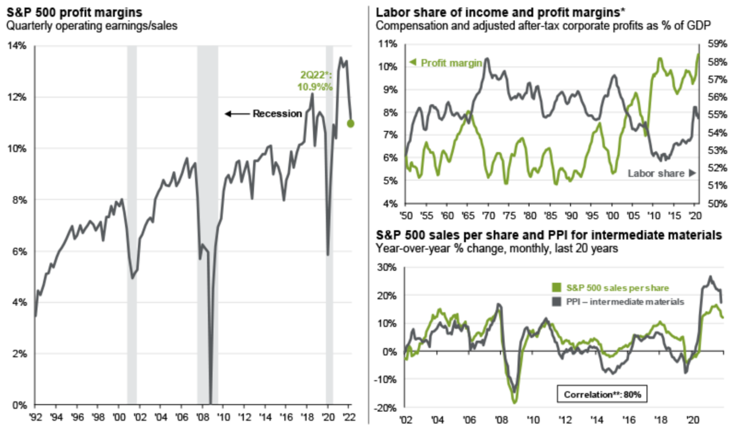
Profit margins and input costs

GTM | U.S. | 9



Source: BEA, Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Past performance is not indicative of future returns. (Left)* 2Q22 operating margins are based on 98.7% of S&P 500 companies having reported earnings. (Right)*Labor share of income and profit margins are shown on a 4-quarter moving average basis. Compensation and adjusted after-tax corporate profits are shown as a percentage of real GDP, SAAR. **Correlation is calculated using monthly y/y percent changes over the last 20 years between S&P 500 sales per share and PPI for intermediate materials.
Guide to the Markets – U.S. Data are as of September 30, 2022.

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Unemployment and wages

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Source: BLS, FactSet, J.P. Morgan Asset Management.
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Home prices and affordability

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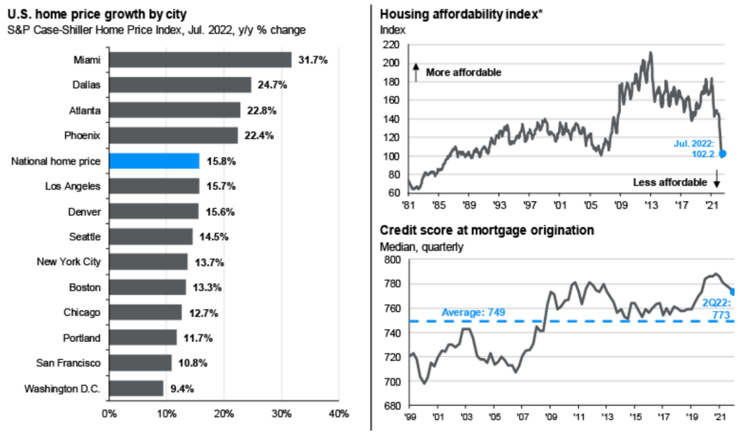

Source: J.P. Morgan Asset Management. (Left) FactSet, Robert Shiller, Standard & Poor's; (Top right) U.S. National Association of Realtors; (Bottom right) New York Fed Consumer Credit Panel/Equifax. *Based on the National Association of Realtors methodology, an index value above 100 signifies that a family earning the median income has more than enough income to qualify for a mortgage loan on a median-priced home. The calculation assumes a down payment of 20% of the home price and it assumes a qualifying ratio of 25%.
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Economic and Financial Markets Charts

Annual returns and intra-year declines

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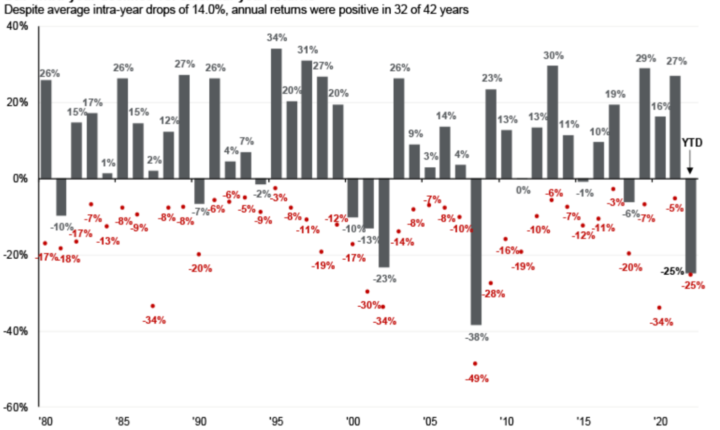
S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.0%, annual returns were positive in 32 of 42 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2021, over which time period the average annual return was 9.4%.
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Fixed income market dynamics

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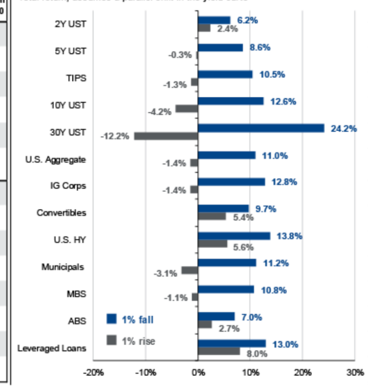
U.S. Treasuries	Yield 9/30/2022	Yield 12/31/2021	Return 2022 YTD	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	4.22%	0.73%	-4.59%	2 years	0.71	-0.25
5-Year	4.06%	1.26%	-10.79%	5	0.93	-0.21
TIPS	1.68%	-1.04%	-13.61%	10	0.61	0.30
10-Year	3.83%	1.52%	-16.85%	10	1.00	-0.19
30-Year	3.79%	1.90%	-31.49%	30	0.93	-0.20
Sector						
U.S. Aggregate	4.75%	1.75%	-14.61%	8.5	0.85	0.18
IG Corps	5.69%	2.33%	-18.72%	11.0	0.50	0.46
Convertibles	7.14%	3.66%	-19.85%	-	-0.20	0.87
U.S. HY	9.68%	4.21%	-14.74%	5.7	-0.14	0.75
Municipals	4.04%	1.11%	-12.13%	12.8	0.47	0.20
MBS	4.83%	1.98%	-13.66%	8.1	0.78	0.09
ABS	5.50%	1.96%	-3.66%	2.3	0.11	-0.03
Leveraged Loans	10.52%	4.60%	-2.66%	2.5	-0.04	0.24

Impact of a 1% rise or fall in interest rates

Total return, assumes a parallel shift in the yield curve



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Global commodities

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Bloomberg Commodity Index

Since index inception, total returns

Commodity prices

Bloomberg commodity index constituents

Bloomberg Commodity Index			
Constituents	Current price level	YTD change	Change since 6/9/2022*
Sub-indices			
Energy	**$45.81**	**48.3%**	**-26.1%**
WTI crude oil	$84.53	17.9%	-30.4%
Natural gas	$0.29	85.1%	-25.0%
Brent crude	$459.25	30.9%	-24.3%
Low sulphur gas oil	$296.33	70.4%	-22.3%
RBOB gasoline	$423.18	30.5%	-30.9%
ULS diesel	$4.89	35.2%	-11.7%
Grains	**$49.30**	**17.2%**	**-12.4%**
Corn	$13.76	21.4%	-7.1%
Soybeans	$75.78	17.4%	-21.1%
Soybean meal	$775.95	8.1%	0.2%
Wheat	$45.81	12.4%	-16.9%
Soybean oil	$94.26	25.5%	-15.5%
HRW wheat	$130.02	7.3%	-22.3%
Industrial metals	**$143.44**	**-17.0%**	**-22.1%**
Copper	$305.35	-24.3%	-22.6%
Aluminum	$30.47	-23.5%	-21.7%
Zinc	$96.19	-12.9%	-18.5%
Nickel	$200.98	1.8%	-25.1%
Precious metals	**$473.06**	**-10.9%**	**-10.5%**
Gold	$180.72	-10.2%	-10.8%
Silver	$169.75	-19.8%	-13.7%
Softs	**$47.18**	**-1.7%**	**-11.5%**
Sugar	$91.08	-3.0%	-7.6%
Coffee	$13.70	-0.4%	-3.9%
Cotton	$30.51	-8.6%	-31.4%
Livestock	**$21.98**	**-2.0%**	**-0.6%**
Live cattle	$54.50	-3.2%	-0.1%
Lean hogs	$3.96	0.1%	-3.3%

Guide to the Markets – U.S. Data are as of September 30, 2022.

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Diversification and the average investor

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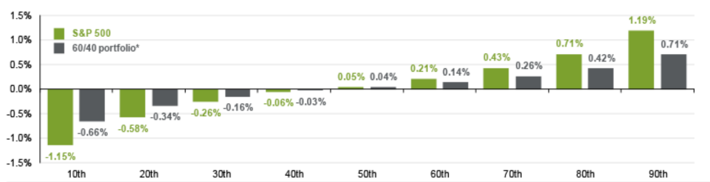
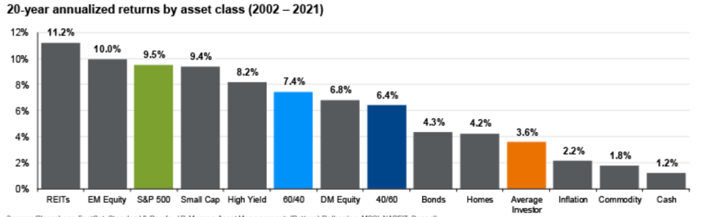
Equities vs. 60/40 portfolio: Last 20 years' daily market performance by decile



20-year annualized returns by asset class (2002 – 2021)



Guide to the Markets – U.S. Data are as of September 30, 2022.

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Economic and Financial Markets Charts

Asset class returns

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																2007 - 2021	
2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	YTD	Ann.	Vol.
EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 13.6%	Large Cap 10.6%	REITs 23.2%
Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 0.6%	Small Cap 8.7%	EM Equity 22.9%
DM Equity 11.6%	Asset Alloc. 25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	Fixed Income -14.6%	REITs 7.5%	Small Cap 22.5%
Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Asset Alloc. -19.1%	High Yield 6.6%	Comdty. 19.1%
Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	High Yield -19.1%	Asset Alloc. 6.1%	DM Equity 18.9%
Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	Large Cap -23.9%	EM Equity 4.8%	Large Cap 16.9%
Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Small Cap -25.1%	DM Equity 4.1%	High Yield 12.2%
High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	DM Equity -26.8%	Fixed Income 4.1%	Asset Alloc. 11.7%
Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	EM Equity -26.9%	Cash 0.8%	Fixed Income 3.3%
REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -27.9%	Comdty. -2.6%	Cash 0.7%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg US Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2006 to 12/31/2021. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of September 30, 2022.

J.P.Morgan
ASSET MANAGEMENT

Covenant Asset Management, LLC

125 Maple Avenue,
Chester, NJ 07930

Main: (908) 879-4090
Fax: (908) 879-6468

www.covasset.com