Copperwynd Financial
14256 N. Northsight Blvd
Suite B-115
Scottsdale, AZ 85260

Office: 480-348-2100
Toll Free: 877-658-2100
https://www.copperwyndfinancial.com

David Daughtrey, CFA, CFP®
Erick S. Newton, CFP®
Jake Eggett, CFP®
Corrina Olson, CFP®
Javier Jimenez, CFP®

Your Copperwynd Financial Newsletter: August 2023

Market Commentary

Climbing the Wall of Worry

By Jake Eggertt

If you haven't experienced the heart-pounding adrenaline rush of "Free Solo," you've truly missed out on an awe-inspiring tale of Alex Honnold's death-defying ascent up El Capitan without any safety gear. The entire film grips you with nail-biting tension, your heart racing, as you hold your breath in anticipation of the perilous consequences lurking at every step. It's an astonishing feat that will leave you in both disbelief and wonder, regardless of your thoughts on the audacity of the endeavor.

Similar to Honnold's tenacious climb, the stock market frequently defies uncertainty and skepticism, ascending to new heights when least expected. There is an old saying that markets “climb a wall of worry”. Given the incredibly bizarre nature of today’s investment world, it seems the wall of worry is alive and well. Take a glance at the chart below showing the last 10 years of the S&P 500 and some of the scary headlines that we’ve gone through.

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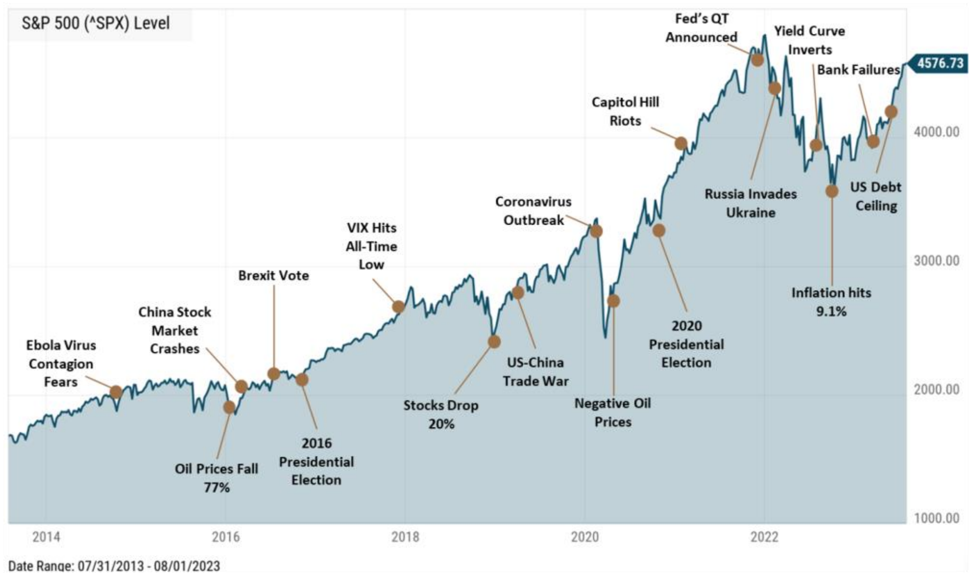

There are always issues to address when investing, but today's environment seems much more bizarre than usual. Most leading economic indicators are pointing towards a recession, and the Fed has raised rates from 0% to 5.5% in a little over a year to combat inflation. Despite mortgage rates surging to nearly 7%, the housing market has shown resilience, likely due to the lack of supply. Don't forget to add that in the last 6 months we had the 3 largest bank failures in history and Fitch just recently downgraded the US credit rating from AAA to AA+. Despite all these uncertainties and risks, the market has recouped a significant portion of last year's decline and is approaching record levels.

Makes perfect sense, right?

Considering such a scary looking backdrop, one might expect that the market would be discounting prices more. Truth is there are always reasons to be fearful, just as there are always reasons to be optimistic which is why we rely on quantitative models. By removing emotions, we can focus on data-driven indicators that have historically provided an edge. Although these rules-based models aren't flawless or predictive, they offer a disciplined approach to investment decisions. Our goal is to mitigate life-changing losses in unfavorable markets and participate in the recovery of good markets so that you can reach your financial goals. While risk can't be eliminated entirely, these models act as invaluable guides through the market's complexities.

Market Performance

The themes that have driven the market over the last quarter continued in the month of July. Upbeat earnings by two of the largest tech stocks and a Fed meeting that ended with no surprises, kept markets moving in the right direction. Adding to the positive tone were stronger than expected economic reports, with gross domestic product (GDP) rising to a higher-than-expected annualized rate of 2.4%, reducing the likelihood of an immediate recession. Additionally, inflation pressures eased, as the Personal Consumption Index (PCE) came in lower than anticipated. The market's response to this positive news have been favorable, with both the overall stock market and economically sensitive bond groups showing steady, intermediate-term uptrends. improving economic conditions.

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While Big Tech US Large Caps are still widely outperforming in 2023, the rally for the rest of the market has been picking up steam. We've seen an increase in breadth and more companies have joined the party, which adds to the strength of this trend. Nearly all the major assets classes finished July with a strong positive return, and it was encouraging to see both US Small Cap and Emerging Markets have a solid month. The lone detractor was the Aggregate Bond Index which was down slightly. The continued rise in rates was the main reason for the decline in higher quality bonds; however, junk bonds showed strength with improving economic conditions.

Equities	July	YTD 2023
S&P 500	3.27%	20.62%
Dow Jones	3.49%	8.49%
Nasdaq	3.86%	44.51%
Mid Cap	4.18%	13.40%
Small Cap	6.11%	14.70%
International Developed	2.70%	15.54%
Emerging Markets	5.88%	11.18%

Fixed Income	July	YTD 2023
Bloomberg Aggregate Bond Index	-0.02%	2.24%
High Yield Corporates	1.33%	6.43%

Source: *YCharts, 6/30/2023 - 7/31/2023, Total Return Data using SPY, DIA, IJH, IWM, QQQ, EFA, VWO, AGG, and JNK. YTD returns as of 7/31/2023.*

The Bottom Line

Looking ahead, upcoming economic reports and the remaining earnings season will play a crucial role in determining the market's trajectory. This Friday, we anticipate the release of the July jobs report, with economists predicting an addition of 200,000 jobs for the economy. Surprisingly, fewer jobs added might be viewed positively by investors, indicating a potential decline in inflation and a market boost. Conversely, stronger job numbers could increase volatility in the opposite direction. As for earnings, approximately half of the S&P500 companies have already reported, and an impressive 81% of these companies have surpassed estimates.

The current market behavior suggests a Fed pause, ongoing decline in inflation, and sustained economic strength. However, if any of these assumptions prove to be incorrect, the market could experience another sell-off. Given the favorable market environment, our models have us fully invested in both our stock and bond portfolios; however, we acknowledge the presence of significant fundamental headwinds. We believe the key is to remain nimble so that we can navigate an ever-changing landscape in which longer-term fundamentals are in contrast with shorter-term market movements.

As always, if you are concerned about your risk level, please reach out to us, and schedule a time to review your allocation and financial plan.

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Upcoming Events

Q3 Economic & Market Update

For additional insight into our thoughts on the market and the economy, please join Copperwynd for our upcoming Q3 Economic and Market Update on Wednesday, August 16th at 7:00pm Mountain Time (6pm AZ time). Register in advance for this webinar: https://us02web.zoom.us/webinar/register/WN_og9e8fImTqaELDA8ama8jA

Client Appreciation Event – Soccer Game

Copperwynd Financial is excited to announce our Summer Client Appreciation Event in Salt Lake City, Utah! We will be hosting this event at Rio Tinto Stadium, home of Real Salt Lake Soccer team on Saturday, August 26th. Real Salt Lake is always at the top of the league and will be facing another one of the top teams in the MLS, the Houston Dynamo.

An all included Pacific Island Luau dinner will be served prior to kick off at the AFCU Pavilion at 5:30pm and game kick off starts at 7:30pm.

If you are interested in attending this event with us, please call the office or email Kim Costlow at kcostlow@copperwyndfinancial.com with the following information:

- Number of tickets
- Names of those attending

Reservations are on a first come basis – so register now, as these events fill quickly. We welcome you to invite friends and/or family.

PLEASE note that each household will be limited to four tickets. Requests for more will be placed on a standby list.

*** There will be more information sent to attendees regarding when and where to meet and to receive your tickets. ***

Schwab Transition

You may remember back in 2020 Charles Schwab & Co., Inc. bought TD Ameritrade. In 2023, Schwab and TD Ameritrade will become one company solely under the Schwab brand. Your relationship with Copperwynd Financial will not change. Schwab will automatically transfer your assets and holdings over Labor Day weekend 2023.

In preparation for this change, you must have access to all your accounts online at TD Ameritrade using the portal www.advisorclient.com. Using your existing login ID and password will help ensure a smooth transition to the Schwab platform. This is the first critical step to take if you haven't done so already. For more information about the transition, please visit https://welcome.schwab.com/. If you have any questions, please do not hesitate to contact our office at 480-348-2100.

If you have questions, please **contact us**.

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529 Plan Update

By: Myra Alport

Of the many SECURE Act 2.0 changes signed into law on December 29, 2022, there's been less attention paid to the expansion of 529 savings plans. Beginning January 2024, funds from an existing 529 account can be transferred tax-free to a Roth IRA for the same beneficiary. This new provision is touted as another way to provide tax-free growth and tax-free withdrawals in retirement.

On the bright side, any unused 529 plan funds have the potential to kickstart a beneficiary's Roth IRA savings. This situation may occur in the case of account overfunding, a student who receives a sizeable scholarship or opts out of attending college altogether.

Sounds encouraging, right? There are caveats.

- The 529 account has to have been open for at least 15 years. This timeframe is easily met if accounts are opened when children are very young.
- The beneficiary of both the 529 account and the Roth IRA must be the same person.
- Annual rollovers are subject to the maximum yearly IRA contribution limits ($6,500 for 2023 as for example), minus any other IRA contributions that have already been made.
- The maximum lifetime rollover limit is $35,000 per beneficiary.
- Rollovers may not include contributions (or earnings) made in the last 5 years.

Please reach out to your advisor for further clarification of this new rule.

References: https://my529.org/secure-act-2-0/
https://wealthtender.com/insights/financial-planning/secure-act-529-plans/

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Beware of Scams Targeting College and Graduate Student

It is back to school season! Many college students will be starting a new chapter in their lives in the upcoming weeks. With this new chapter comes responsibility and the freedom to make choices on their own. College students and their parents need to be on the lookout for potential scams that are targeting these young adults as they start to explore this new freedom!

Here are some of the scams to look out for:

- Student Financial Service Scam: There are many types of scams that pose as legitimate offers for scholarships, grants, and financial aid services. The student is contacted by telephone, mail, or email with a great offer. Then, the student is asked to provide personal information or pay upfront fees to proceed. These fees are usually paid by gift card or money wire.
- The Unpaid Tuition Scam: The scammer contacts the student or the parents claiming that the tuition bill has been unpaid, and that payment needs to be made immediately without affecting the student’s enrollment. Before you run off and make a payment, call the school’s financial aid office, and verify if this is true. The school would most likely send a paper bill before calling and threatening immediate payment.
- Online Income Scam: Scammers prey on college students promising them a job online and ways for them to make quick and easy money. The company will either ask the students for money upfront or send them a check for their work and ask them to send a portion back to the company.
- Buying Books Online Scam: Scam artists set up fake websites and offer great deals on expensive textbooks only to never deliver the textbook and leaving the victims out of money as well as not getting the textbook they ordered.
- Roommate/Rental Scam: The scammers normally pose as an individual renting a property or as a property management business. Potential renters are then solicited for money in exchange for promises that the homes will be rented to them upon completion of their payment. Then, once the payment is received, it becomes clear that there is in fact no home for rent or that the property is already occupied.

These scams can be prevented. Here are some tips to remember:

- Be sure to speak with someone from your school before making payments on a supposed unpaid bill or offering information on a loan, grant, scholarship that is being offered.
- Completing financial aid forms, especially a FASFA form, does not cost anything to fill out.
- Research thoroughly into any business before providing personal financial information or credit card information. Make sure that the website is a secure website (https://).
- Do research, talk to friends/family and school officials to learn more about how to protect yourself or your loved one from a scam.
- Never give your personal information to anyone who contacts you out of the blue.

If you believe you have been a victim of a scam, report it to your local police immediately, contact your bank or credit card company, and file a complaint with the Bureau of Consumer Protection

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401(k) Allocation

By: Jake Eggett

There are some minor tweaks.

The current market behavior suggests a Fed pause, ongoing decline in inflation, and sustained economic strength. However, if any of these assumptions prove to be incorrect, the market could experience another sell-off. Given the favorable market environment, our models have us fully invested in both our stock and bond portfolios; however, we acknowledge the presence of significant fundamental headwinds. We believe the key is to remain nimble so that we can navigate an ever-changing landscape in which longer-term fundamentals are in contrast with shorter-term market movements.

We made some minor tweaks to the Growth and Conservative allocations. The rest of the allocations stayed the same. Given that we have had two very strong months in a row, we wouldn't be surprised to see the market take a breather as the current slope of the trend usually isn't sustainable. As we cannot predict the future, our approach remains aligned with market dynamics, adjusting the allocations as conditions evolve.

As always, if you have any questions about how to rebalance your 401K, we encourage you to reach out to us!

Aug 2023

Asset Class	Description	Agg. Growth 100% Equity	Growth	Moderate Growth	Balanced	Conservative
Bonds / Cash		**0%**	**20%**	**40%**	**50%**	**70%**
	Stable Asset - OR - Short Term Bond	*0%*	*0%*	*10%*	*10%*	*15%*
	Bond Index	*0%*	*5%*	*10%*	*20%*	*30%*
	*Floating Rate Loans***	*0%*	*10%*	*10%*	*10%*	*15%*
	*High Yield Bonds***	*0%*	*5%*	*10%*	*10%*	*10%*
	Inflation Protected Bonds	*0%*	*0%*	*0%*	*0%*	*0%*
Large Cap:		**65%**	**55%**	**45%**	**35%**	**20%**
	Large Cap Growth	*35%*	*30%*	*25%*	*20%*	*10%*
	Large Cap Value	*30%*	*25%*	*20%*	*15%*	*10%*
Mid Cap:		**25%**	**15%**	**10%**	**10%**	**10%**
	Mid Cap Growth	*15%*	*10%*	*5%*	*5%*	*5%*
	Mid Cap Value	*10%*	*5%*	*5%*	*5%*	*5%*
Small Cap:		**10%**	**10%**	**5%**	**5%**	**0%**
	Small Cap Growth	*5%*	*5%*	*5%*	*5%*	*0%*
	Small Cap Value	*5%*	*5%*	*0%*	*0%*	*0%*
International:		**0%**	**0%**	**0%**	**0%**	**0%**
	Developed International	*0%*	*0%*	*0%*	*0%*	*0%*
	Emerging Markets	*0%*	*0%*	*0%*	*0%*	*0%*
		100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**

** If High Yield Bonds or Floating Rate Loans are not an option in your 401k, you can allocate that portion to either your Bond Index or Short Term bond fund

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