Our May-June 2022 Market Update concluded with the following inference:

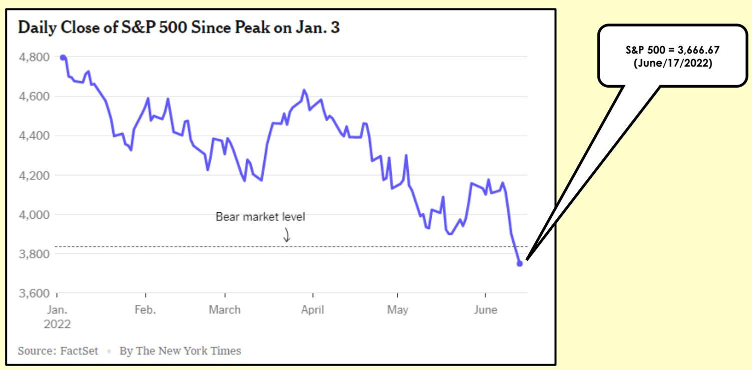
"As Warren Buffett has said many times, "…be fearful when others are greedy, and greedy when others are fearful."

Even though the poor market price action compels us humans to intellectualize a bearish scenario in the near term, we believe that this correction is a great buying opportunity. We do not believe that the US economy will move into a recession, despite the possibility of a short term slowdown.

We believe that 6-12 months from today, investors will be rewarded for their patience."

- Since the last update, markets rallied 4-5% and then fell -10-12%.
- Needless to say, market action continues to shake investor confidence.

Market Correction…



Nasdaq, S&P 500 and Russell 2000 have lost -34%, -24% and -19% respectively…

Indices (June 17th, 2022)	High	Index Value	Gain/Loss (%)
S&P 500	4,818.62	3,666.67	-23.91%
Dow Jones Industrial Avg	36,952.65	29,886.00	-19.12%
NASDAQ	16,212.23	10,763.00	-33.61%

CGAM's Proprietary Market Model…

Our market projection model has helped guide us in understanding the direction of the broader markets. We have used the S&P 500 index as the proxy for the US broad based markets. The model was developed on our belief that investor behavior repeats itself based on a combination of economic fundamentals and investor psychology. This model is dynamic, and changes constantly based on the changes in major economic variables.

The table below is an illustration of the variables used to project the 12 month target on the S&P 500. The model has been refined to use six variables (shown on the extreme left column in the Table below), which attribute to 93% of the movement in the S&P 500.

…Projects that markets could rally 6-7% in the near term.

Fundamental Variables	FY 2022 (Estimate)[1]	Market Projections	As of June 17th, 2022
S&P 500 Earnings	$225.00	S&P 500 (12 Month Projection) =	**3,800.03**
S&P 500 Expected PE Ratio	16.00	S&P 500 (June 17th, 2022) =	**3,674.00**
10 Treasury Bond Rate (%)	3.25%	***S&P 500 Estimated (Gain/Loss) =***	***+3.43%***
Inflation Rate (%)	8.50%	***Standard Error***	**+/- 3.65 %**
Volatility (VIX) Index	30.00		
Unemployment (%)	3.50%		

Assumptions…

The most important and statistically significant variable for the model is the S&P 500 earning's projections. Obviously, corporate earnings are volatile, especially when there is a risk of recession. Having said that, the S&P 500 projections are taken from the average consensus estimates determined by major economists. The disclaimer is that there is little difference between an economist and a palm reader. Again, these are the best estimates available.

It can be observed that the S&P 500 seems to be undervalued relative to the model's 12 month projection by approximately 4%. The model suggests a 4% error rate in it's projections. Even though there are doubts in the accuracy of any statistical projections, the model has served us well over the last 15 years in determining the general direction of the markets in the short and intermediate term.

Conclusion…

We can view the markets tick by tick, hour by hour or day by day. Or we can broaden the time horizon and observe how markets have performed historically, 12-24 months subsequent to severe corrections like the one we are experiencing now.

Based on the optimistic behavior of humans and the uncanny ability to find solutions to move forward, we believe that the next 12-24 months will show in retrospect that the current time was a great buying opportunity. This simple conjecture may be intellectualy unsatisfying, but the belief in capitalism and its ability to find a way to progress should compel us to act now.

We believe that companies with strong cash flow along with the capacity of US consumer, will create strong results in their stock prices over the next 12-24 months.

PLEASE REMEMBER: Each investor is unique and should invest to complement their respective financial conditions and objectives.

[1] *Source: CGAM, LLC's proprietary research.*

20419 Cheryl Ln
Santa Clarita, CA 91350

Manu Walia
Email: manuwalia@cgamadvisor.com
www.cgamadvisor.com

Office: 661-299-1920
Mobile: 661-312-2070

Please review the following disclaimer

20419 Cheryl Ln
Santa Clarita, CA 91350

Manu Walia
Email: manuwalia@cgamadvisor.com
www.cgamadvisor.com

Office: 661-299-1920
Mobile: 661-312-2070