

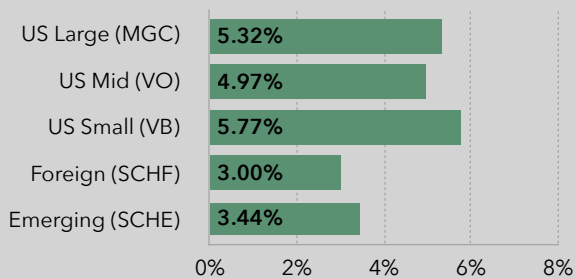
February 2023

Economic Data

- 275,000 jobs were added in February; the unemployment rate increased to 3.9%
- Retail sales were down 0.8% in January with building materials & garden falling 4.1%
- Y/y inflation (CPI) increased to a 3.1% pace in January while the core rate (less food and energy) held at 3.9%
- Existing home sales were up 3.1% in January and are down 1.7% y/y; the median home price fell to \$379,100

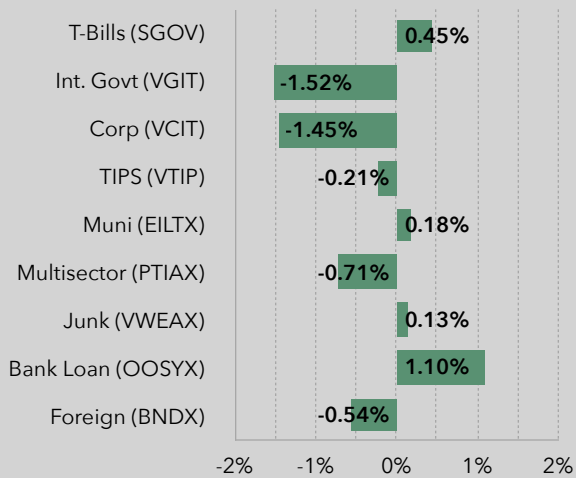
Stocks

February Returns



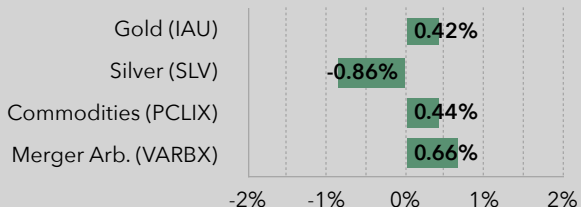
Bonds

February Returns



Alternatives

February Returns



Performance data provided by Morningstar

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and not guided by emotions. It is that second system — type 2 — that we want in control of our investment portfolios.

100th Issue

I was talking with a friend yesterday about not knowing what to write about for this month's newsletter. She asked me what some of the things I've written about recently were. "I don't know—Taylor Swift, Barbie, and something about the Iron Sheik," I responded. "Often it comes easy, but after so many newsletters, sometimes you just run out of ideas." She asked how many I had written, and I had to think about it for a moment. As it happens, this is actually the 100th issue *The Type 2 Investor*.

It would be really nice to have an awesome topic to discuss in honor of this momentous occasion. Should I sift through the landfill of dozens upon dozens of de-SPAC losers like WeWork, Lucid Motors, Allbirds, and Beachbody (of Tony Horton fame)? No, let's not gloat too much. How about more talk about AI and NVIDIA's meteoric rise? No, I need a break from the robots. Should we acknowledge all the crypto bros crawling out of their holes after two years to be obnoxious about bitcoin again now that the new ETFs have pushed the cryptocurrency to all-time highs? I can't say I missed them much. Should I start talking about the Trump vs. Biden rematch? I could give it a catchy title like "Romp in the Swamp"? No, too youthful; "Elder Abuse On the Rise In America" is probably more fitting. Let's put a pin in that for now. Instead, I'm going to talk about something really riveting...taxes.

Death, Taxes, and delayed 1099s

Yay, tax season. Now before I go any further it is incumbent upon me to disclose that I am not a Certified Public Accountant (CPA), and as such I am not qualified to give tax advice. I will only try to give you an investment manager's perspective on the topic. You should always consult an accountant regarding any questions related to taxes.

You might recall that Altruist became a self-clearing broker-dealer in April of last year. These services were migrated in-house from a firm called Apex. **What this means is that clients with taxable accounts will have two 1099 forms for 2023**, both of which are finally available in the documents tab in your Altruist online portal. So make sure to report both as you are filing your taxes.

This is also a good time to remind clients that getting a big tax refund might sound great, but what it really means is that you paid more than you needed to and in doing so gave the government an interest-free loan. Now that we finally have savings accounts yielding 4.5% or so, and t-bills paying 5.4%, it's all the more important to try not to do this. I personally just pay enough in estimated taxes throughout the year to avoid facing a penalty. According to the IRS, "Generally, most taxpayers will avoid a penalty for underpayment if they owe less than \$1,000 in tax after subtracting their withholdings and credits, or if they paid at least 90% of the tax for the current year, or 100% of the tax shown on the return for the prior year, whichever is smaller." To avoid the penalty, I simply pay 100% of my previous year's tax (plus \$1 to be safe). Whatever more I end up owing gets paid on April 15 and not a day earlier.

I'll end this section with my favorite quote about taxes from the late broadcaster, Arthur Godfrey. "I'm proud to be paying taxes in the United States. The only thing is, I could be just as proud for half the money"

Portfolio Positioning

While Bitcoin and tech stocks like NVIDIA are getting all the attention, gold has quietly ascended to new all-time highs a well this month. Gold is often viewed as a safe-haven in times of economic uncertainty, so it's interesting to see it hit these levels while the stock market is, too.

As inflation gets sticky, the bond market is once again realizing that the "higher-for-longer" narrative regarding interest rates is the reality and are surrendering to it. The 10-year US Treasury yield had fallen to 3.87% less than seven weeks ago, but is now up to 4.31%. Welcome back everyone, I missed you.

Thanks for reading. Cheers to the next 100 issues.

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Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Duration	●		●		
Inflation				●	
Credit	●				
Foreign			●		
Equities					
Large Cap	●				
Mid Cap		●			
Small Cap			●		
Developed Intl.	●				
Emerging		●			
Alternatives					
Commodities					●
Hedging					●

Binge Box

Lessons in Chemistry (Apple TV+)

Lessons in Chemistry stars Brie Larson as Elizabeth Zott, a brilliant chemist in the 1950s struggling to do her research in an era and setting that does not value female scientists. She ends up going from a lab technician to—quite improbably—a local TV cooking show host, where her chemistry talents are applied to culinary pursuits. After all, cooking is chemistry. Think Marie Curie meet Julia Childs. The engaging and heartfelt journey between these two points fills most of the eight-episode series. It's nice to see Larson on a project outside of the MCU or Fast & Furious franchises, where she can get back to showcasing her acting talents. Stream all episodes on Apple TV+.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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