ECONOMIC STRENGTH MONITOR™

The Economic Strength Monitor™ (ESM) is a proprietary index produced by Saratoga Capital Management, LLC (SCM). The purpose of the index is to understand, in general terms, the relative strength of the US economy. The index has historically helped us to figure out whether, and to what degree, the Federal Reserve (Fed) is likely to adjust the Federal Funds Rate in the near future. ESM is a here-and-now index, meaning that it is best used to help us understand how "hot" or "cold" the current economy is, as opposed to the direction in which the economy is headed (Saratoga's Economic Leading Statistics® index helps us with directional forecasting).

ESM includes 14 underlying metrics, such as Housing Starts and New Home Sales, Retail Sales, a number of Manufacturing data points, Consumer Confidence, key pieces of Employment data and others. Index readings begin in January 1960. The index is calculated as a raw number, with a normal range of 0 to 100. Generally speaking, index moves up or down in the 20-30 point range put us on notice that further examination of index trends is necessary and that the Fed may be ready to adjust rates. When combined with SCM's additional proprietary indices, such as our Economic Leading Statistics® index and our Consumption Modification Index®, ESM may help us to understand if the economy is expanding or contracting, if current economic trends will continue, and what the nature of the economy may mean for various investment strategies or sectors.

THE CURRENT ESM READING

The current ESM reading is 34.60, up from the prior month's 29.91 reading. Readings in this range generally reflect an economy cool enough for the Fed to remain neutral or loose; the Fed tightening would be unprecedented at current ESM levels.

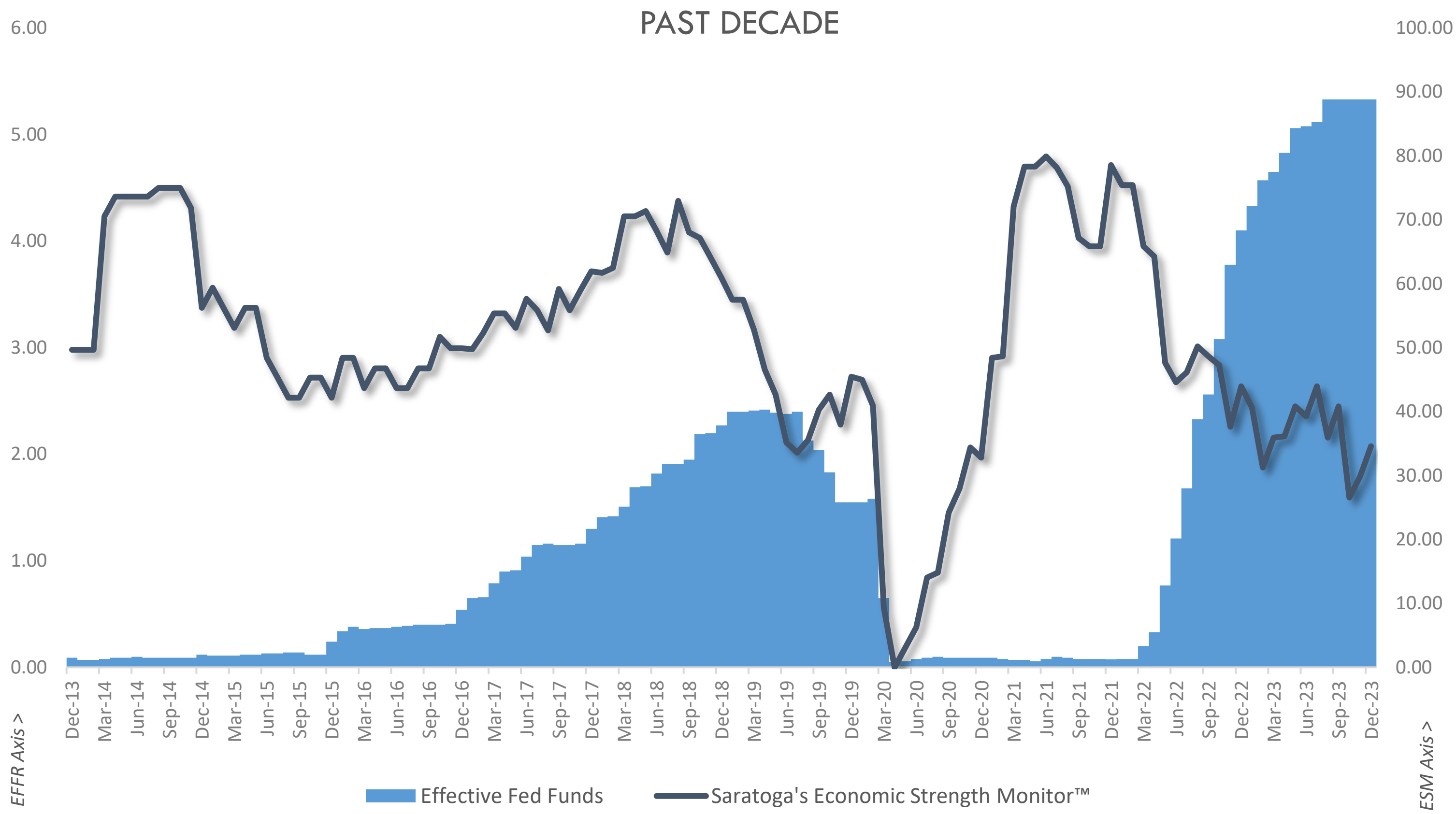
In the spring of 2022, after letting the economy run hot for nine months, the Fed finally pivoted and began removing accommodative policy from the economy. At the time, we had written for months in this report that the Fed had likely been too late to remove the punch bowl from the party, and ensuing inflation seems to have justified that position. Nearly two years later, we find ourselves in quite the opposite position. The Fed has tightened at an incredibly quick pace - unprecedentedly so by some measures. By most key indicators, they have pounded the economy into submission. Inflation has fallen far enough from its cycle-high to signal that it is extremely unlikely to peak again in the current cycle. And, while inflation was the first macro to fall, nearly all others within ESM have come with it. The producer side of the economy has fallen apart. Employment data is mixed, and generally uninspiring. Consumer confidence and consumption data is generally range-bound or at mediocre levels. Though GDP has come in at solid levels, forward-looking data suggests it is cooling significantly.

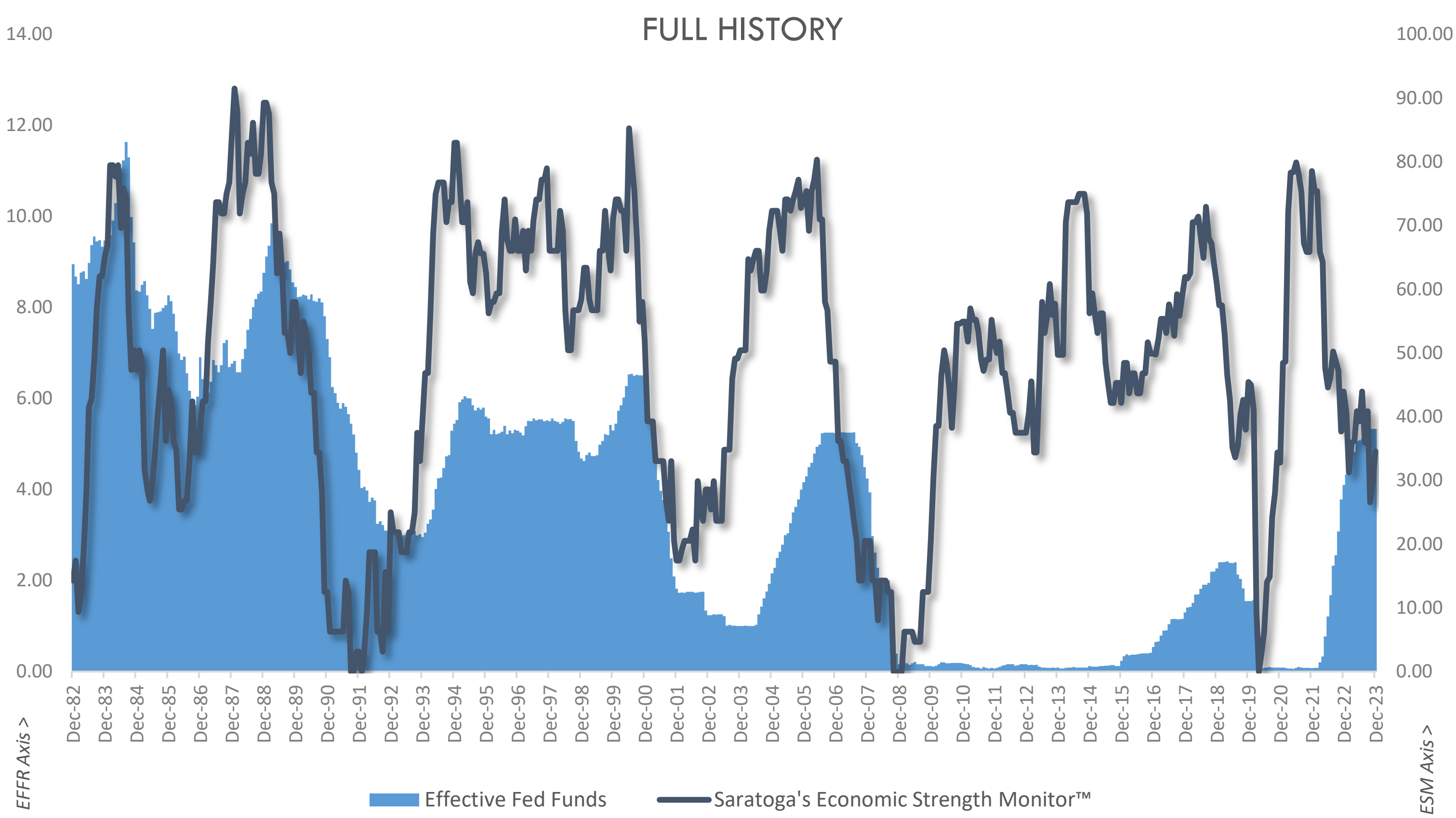
THE CURRENT ESM CHART & COMPONENTS

The charts on the following pages show ESM's component rankings, as well as ESM tracked against the Effective Federal Funds Rate (EFFR) over two periods. After two years of an EFFR near zero, Fed action finally pushed the EFFR meaningfully upwards in May 2022 and in the ensuing months the Fed encouraged rates higher as fast as they ever have. These large jumps are noticeable, especially in the "Past Decade" chart, on the following page. Rates have now crossed 5.00% for the first time in over fifteen years, and continued to creep upwards for 18 months before stalling out in September and remaining at 5.33% currently. We would consider this level restrictive relative to current economic performance.

It has been 20 months since ESM put in what we consider a hot reading, and over a year since the Fed was last feeding the economy with loose policy. ESM's underlying components show little justification for the Fed to continue employing the wide range of tightening tools they have used to tame inflation. As labor and housing data has jumped around a bit, ESM has found itself in a relatively tight range somewhat similarly to the early 2010s, though with what feels like much higher stakes. While headline unemployment is still low, it is also generally a lagging indicator, and certain underlying labor data has begun to roll over. Inflation is no longer contributing positively to ESM's total; CPI trends are no longer in a steep downtrend, however they are still negative after a year of falling precipitously, and are sitting in an absolute range that we consider somewhat of a sweet-spot.

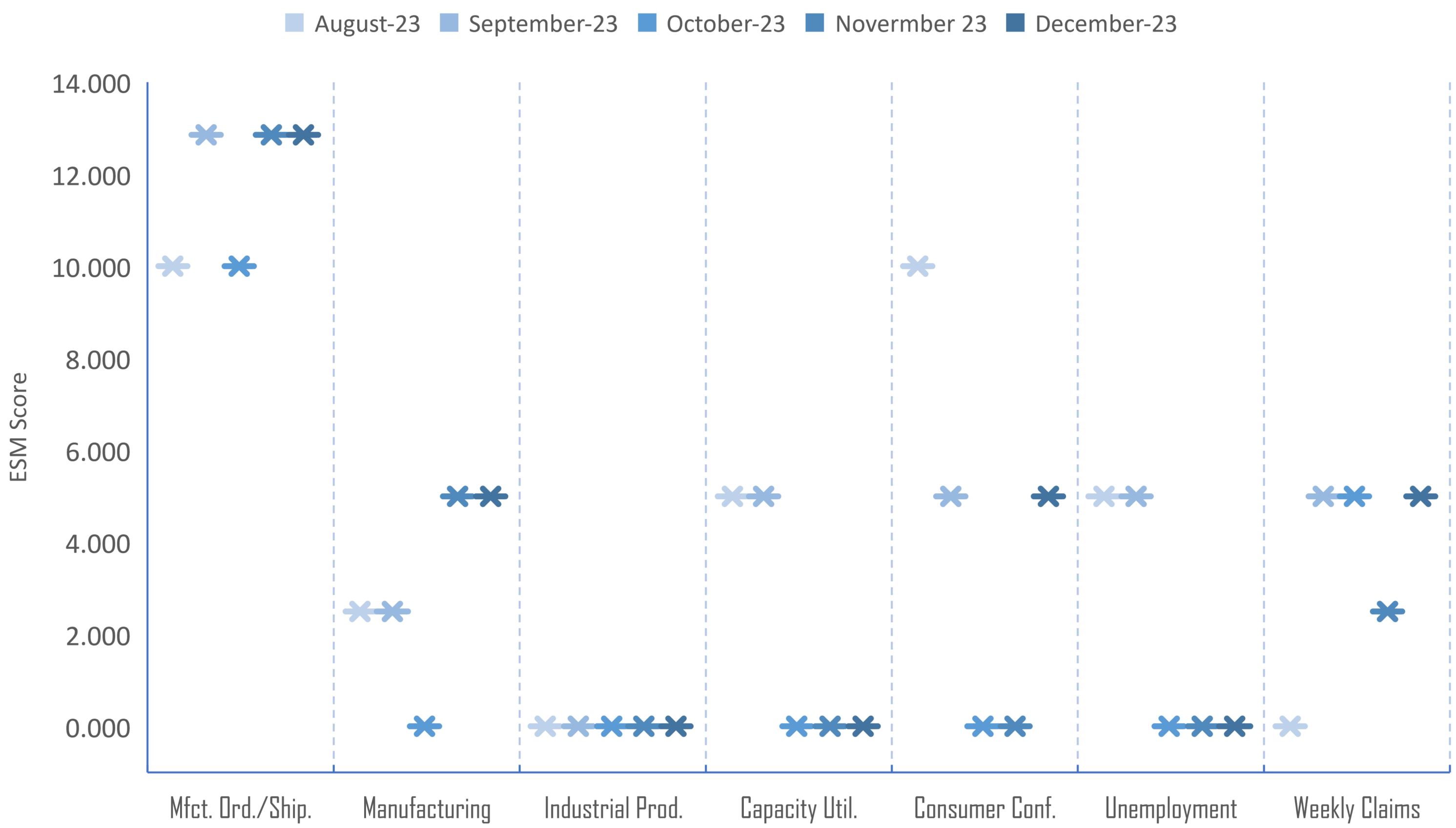
ESM CHARTS

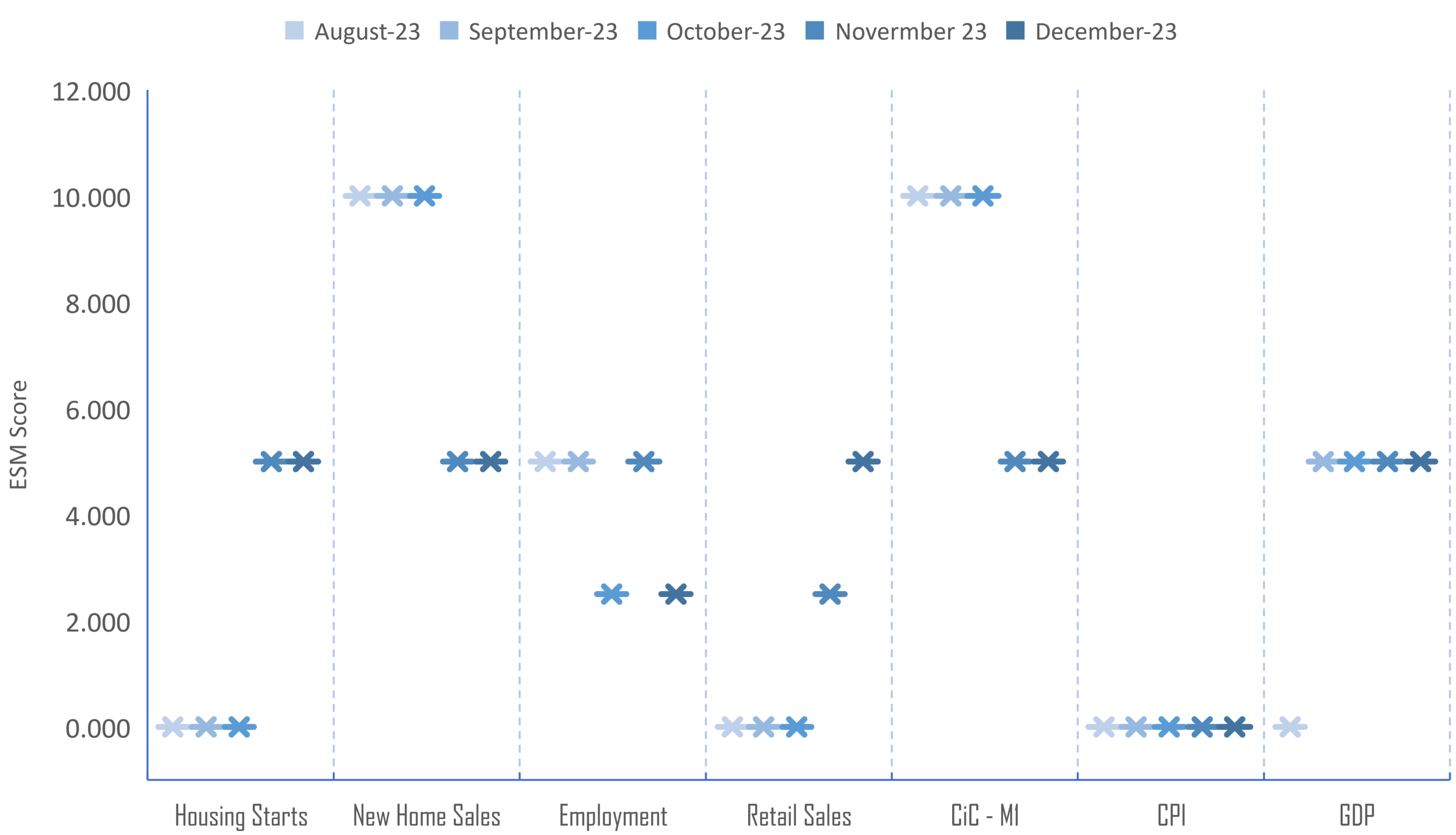




Definitions: The daily Effective Federal Funds Rate (EFFR) is a volume-weighted median of transaction-level data collected from depository institutions in the Report of Selected Money Market Rates (FR 2420) annualized using a 360-day year or bank interest.

ESM COMPONENTS, PAST 5 MONTHS CHART





SARATOGA CAPITAL MANAGEMENT, LLC

THE ASSET ALLOCATION SPECIALISTS©

SARATOGA

CAPITAL MANAGEMENT

The Asset Allocation Specialists©

Founded 1994

800-ALLOCATE (255-6228)

www.saratogacap.com