

Market Perspective

March 2023



This is not the next Global Financial Crisis

As with any crisis like a bank failure, the talking heads will share their opinions about what all of this means until the next news item takes center stage. Some of you may have already seen the Bank of New Hampshire's statement about the events of the weekend; if not here is the link <https://www.banknh.com/about/news-room/industry-update>. We share some additional thoughts below.

For historical perspective, The Federal Reserve was chartered in 1913 as a direct response to multiple bank failures due to counterparty risk, inadequate liquidity and a wave of deposit account withdrawals during the panic of 1907. The actions of the Fed and FDIC over the weekend to honor all deposits of the affected banks, via FDIC insurance, stemmed anxiety and mitigated potential contagion from spreading to other banking institutions that are healthy and not capital constrained. In so doing, the Fed fulfilled its primary mandate to ensure normal banking and credit functions.

The Fed actions over the weekend to honor all deposits of affected banks has reduced the probability of further contagion.



The banking system in 2023 is more regulated than in 2008, this should prove to alleviate concerns of another financial crisis developing.

The post-mortem on Silicon Valley Bank has already revealed an institution that was taking undue risk on its loan portfolio as well as the long-dated bonds it was purchasing in an effort to generate higher income, even while internal staff made cautionary recommendations otherwise. As the 16th largest lender in the U.S., SVB was too large to fall into the category of "overlooked community bank". Perhaps the deficiency was not a matter of lack of statutory regulation, but rather the failure of the San Francisco Federal Reserve Bank to fulfill its duty and exercise proper oversight of a large bank in its district. This point may be overlooked as it does not fall into the political narrative of the blame-game that is sure to follow in the weeks ahead.

The failed institutions were already taking on undue risk in their loan portfolios, which was exacerbated by losses in their investment portfolios.

As for the broader market, while a potential financial crisis has been averted, we anticipate the volatility experienced throughout 2022 will continue for the foreseeable future based on the diminution of monetary and fiscal stimulus which supported financial asset price levels during and after the economic dislocations brought about during the pandemic. In this context we will continue to adhere to our discipline of emphasizing strong fundamentals and managing portfolio risk through security selection and diversification, in accordance with each client's investment objective.

We anticipate continued volatility for the foreseeable future as markets take time to digest this event.

We have also taken the time to review our holdings and clients had no direct exposure to any of the shuttered banks in the news over the weekend. While there may be small exposures in some ETFs like S&P 500 funds, this is mitigated by the fact that these funds are well diversified.

Clients had no direct exposure to any of the shuttered Banks.

We also take this opportunity to remind our clients that assets administered by Bank of New Hampshire Wealth Management are held in segregated accounts by a custody agent and are not included in the assets of the bank.

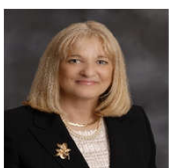
If you have questions or would like to discuss any other matters, please contact us.



Robert Magan, CFA
 SENIOR VICE PRESIDENT
 INVESTMENT OFFICER
 603.527.4219
Magan@banknh.com



Stephen Smith, CFA
 SENIOR VICE PRESIDENT
 INVESTMENT STRATEGIST
 603.527.3912
Smiths@banknh.com



Dona Murray
 SENIOR VICE PRESIDENT
 INVESTMENT OFFICER
 603.527.3936
Murray@banknh.com



Michael St. Onge, CIMA
 SENIOR VICE PRESIDENT
 INVESTMENT OFFICER
 603.527.3234
Stonge@banknh.com

| | | | | |
|---------------------|------------------------|-------------------|------------------|---|
| Not FDIC Insured | Not Bank Guaranteed | May Lose Value | Not a Deposit | Not Insured by any Federal Government Agency |
|---------------------|------------------------|-------------------|------------------|---|