A Complete Approach to Wealth Management

Investments
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The Aspen Leaf

Andy McClaflin

Chairman

A letter from Andy

The year I started in the business was 2003.
The Black Eyed Peas had its hit song "Where is the Love."

As most of you know, I started my career as an Investment Advisor Representative with Edward Jones. By the way, I greatly disliked that title. I felt like I always represented you.

In those days before SEO, social media, targeted marketing, etc., the way you built your business was **1. Having a lot of wealthy friends and family 2. Cold calling out of the phone book, or 3. Knocking on doors and introducing yourself.** I'm originally from Kansas and moved to Arvada, literally knowing a handful of people, so 1 was out. Cold calling on the phone seemed like a horrible strategy to me, remembering the telemarketers that would call my grandparent's business regularly, so option 2 was out. I've never been afraid of hard work, so I chose number 3. I estimate in 7 years; I have walked over 2000 miles knocking on doors all over Arvada. Many days, I certainly didn't know where the love was. I never considered that some people didn't like unannounced visitors. However, some of you did- lucky for us.

I knew the math, developed my process and strategies, and executed them regularly. Even though there were hard days, I met some of the warmest, friendliest, kind people I could have ever imagined. I have said many times over the years that I have the best clients in the business. I suppose it had much to do with how we greeted one another when I knocked on your door to introduce myself.

"Hi, I'm Andy McClaflin. I have a local business on Vance Drive, and I was just out and about today and just wanted to drop off a business card."

I mean, who wouldn't want to invest with this guy? I could never thank those early clients enough for helping me build my business.

I thought it might be interesting to share some facts with you. We have built a practice that serves 280 families and over 250 million in assets under care. We have helped 731 people retire. We have done 237 college plans. More importantly, we have fostered relationships that span generations. I am truly blessed with the team I have had for 20 years. *Cont. Page 3*

Capital Gains & Losses: What Are They and Why Are They Important?

Let's begin with the difference between capital gains and losses. Typically, when we discuss capital gains and losses, we are referring to the profit (gain) or loss in non-qualified or "taxable" accounts (i.e., non-IRAs or retirement plans). Trading any investment with a gain or loss in this type of account causes an immediate tax impact, while there is no tax impact in an IRA or retirement plan.

Capital gains occur when a stock has appreciated. For example, if you purchased ABC company at $10 for one share and it's increased to $12; if ABC's share price dropped to $8, there is a $2 capital loss.

While it's important to understand the amount of gain or loss, even more crucial is understanding the classification of the gain or loss: is it short-term or long-term? For investments held less than one year, the gain or loss is considered short-term. For any investments held longer than one year, the gain or loss is considered long-term.

The tax implications of each of these classifications is very different:

- A short-term will be taxed at ordinary income tax rates (just like salary, Traditional IRA distributions, Social Security, etc.)

- A long-term gain will be taxed at more preferential qualified capital gains rates, which have varying thresholds at 0%, 15%, or 20% based on the amount of profit generated

- A loss can actually offset up to $3,000 of ordinary income on your tax return; if you have more losses than that, you can carry them forward to use in future years (the short-term vs long-term classification does matter for "netting" purposes, which we'll cover shortly, but this is just a quick example)

A significant increase in certain investments provides an opportunity to take a profit. While no one enjoys paying taxes which these trades immediately trigger, harvesting gains and rebalancing to maintain the desired asset allocation and risk budget is a prudent strategy. Depending on the specific portfolio and current economic conditions, we may re-deploy that profit to an undervalued security with higher upside potential, another asset class that provides increased diversification, or even to hold in a cash-like position as "dry powder" to use later when we see opportunity.

If you've been in more than a handful of meetings with us, you've likely heard us say that "we don't want the tax tail to wave the dog." While being as tax-efficient as possible is extremely important to us, and we try and minimize taxes where we can, sometimes it is more important over the long run to capture profit and pay the taxes now. Not only to lock in the profit as noted above but also because proper asset allocation and diversification are incredibly important for the long-term health of your portfolio and the success of your financial plan. If we never captured gain because we wanted to avoid taxes, portfolio allocations would become out of balance and that could lead to unwanted levels of risk.

Ultimately, if you're paying capital gains taxes, it's because you made money!

Capital losses play an important role for "netting" purposes. While no one likes to lose money, taking advantage of capital losses can be an incredibly beneficial strategy for taxes and overall portfolio re-balancing. First, harvesting losses allows us to current year gains and, depending on the size of the loss, can help offset future gains as well. Second, harvesting losses allows us to tax-efficiently remove an inefficient portfolio position and replace it with something else.

Short-term shares and long-term shares are netted separately. Then, the short- and long-term items are netted together. If, after netting, there are…

- Short-term gains and long-term gains are then taxed separately – short-term at ordinary income tax rates and long-term as preferential capital gains rates

- Short-term losses and long-term losses can be offset up to $3,000 in ordinary income and the rest is carried forward to future years as a "loss carry forward" where they maintain their characterization (i.e., short- and long-term)

- Short-term gains and long-term losses, it will depend on whether a gain or loss remains:
  - If gains offset losses, the net short-term gain will be taxable as ordinary income

  - If losses offset gains, the net loss will first be offset against ordinary income (up to $3,000) and then carried forward, retaining its character into the next year

- Short-term losses and long-term gains,
  - If gains offset losses, the net long-term capital gain will be taxable at preferential capital gains rates

  - If losses offset gains, the net loss will first be offset against ordinary income (up to $3,000) and then carried forward, retaining its character into the next year

While the classification and taxation of each of these can seem overly complex, be assured that we are aware of the multiple potential implications of these transactions and are always keeping an eye toward taxes when making trades. But, again, we "don't want the tax tail to wave the dog" so when we can accomplish investment allocation goals while also taking advantage of tax opportunities, we want to do so.

If we anticipate any major capital gains implications, we will always speak to you and your tax preparer before finalizing any trades.

We appreciate your continued trust in Aspen Wealth and welcome any questions you have on this topic!

A letter from Andy continued....

Like any small business, people come and go.

I can say that the majority have left a lasting fingerprint on the fabric of Aspen Wealth Strategies.

I want to thank my parents, Tom and Donni McClaflin, for their steadfast belief in me, love, and support.

I want to thank all of you. You have recommended family, friends, coworkers, and one mail carrier to our practice. I truly wouldn't be where I am today without you. It is very humbling to me. I truly have the best clients in the business.

Last but not least, I'd like to thank my team. Amber, Cade, Steph, Erin, and Kelli. To all of those who came before you and will come after you. Thank you. You truly are why I love what I do and enjoy coming to the office daily.

I can tell the Black Eyed Peas. I know where the love is. It's Rooted right here at Aspen.

Andy

Steph's VersusCapital Funds Trip

It's been a bit over a year since we purchased VersusCapital funds (specifically, VCCRX and VCMIX) in Aspen portfolios.

As a reminder, these two positions give us an opportunity for a diversified series of cash flows via real estate and real asset exposure.

I recently had the opportunity to visit Oregon for a site visit organized by the folks at Versus Capital. This was meant to give advisors and portfolio managers a live look at what their clients' funds are invested in. Below are a few fun facts about each property along with some pictures.

First up was Raptor Orchards, a Hazelnut farm in Benton County, south of the city of Corvallis

- 1,043 gross acres, with 880 tillable
- This is a sale/lease-back transaction which includes base rent plus a crop share feature
- The tenant is responsible for all future development costs
- Hazelnuts are the only tree nut that doesn't require mechanical shaking; they fall naturally
- The production goal is 4,000 pounds of hazelnuts per acre
- Useful life of trees: 40-50 years compared to almonds (25), walnuts (15), pistachios (indefinite)
- When underwriting a property like this, availability and cost of water is the most important consideration; they look at surface water, aquifers, and rainfall
- Biggest risks are lack of rainfall, lack of sunlight, and filbert worms
- According to one of the farmers, "hazelnuts want to be a bush but you have to train it to be a tree"

The second location was Noble Mountain Christmas Tree Farm in Salem

- 3,635 acres owned and 385 leased
- It is the largest contiguous tree farm in the world
- They sell 450,000-500,000 firs to whole sale and retail clients in Southern California, the largest of which is Home Depot (buying 55% of their trees)
- They plan 550,000 trees per year
- Helicopters are used to harvest the trees (at a cost of 27 cents per second)
- 2,000 trees are felled by each worker per day and are all hand-felled
- They use 12,000-14,000 trucks per season to transport the trees
- There is a 5-year turnaround time from planting to felling
- The major risk mitigation strategy for this farm is that, since fir trees are the lowest value crop in that valley surrounded by much higher value crops if it fails, the land will be incredibly desirable

OFFICE UPDATES

Please join us in welcoming our newest team members, Kellie Beiers & Blake Wilson!

Kellie has been in the financial services industry for 24 years and is excited about her new role of Relationship Coordinator. Her focus is daily administration of client portfolios, correspondence, and client relationship management with a high level of service. Prior to joining Aspen Wealth Strategies, Kellie was with a local Registered Investment Advisor for six years, First Western Trust in Denver for ten years, and Merrill Lynch in Chicago for eight years. She managed the relationships of investment management clients including individuals and foundations.

Kellie moved to Denver in 1999 from Illinois and has never looked back! She is actively involved in her daughter's school and enjoys travel, cooking and hiking.

FAVORITE MOVIE
When Harry Met Sally

FAVORITE BAND
Jazz Standards

FAVORITE BOOK
The Grapes of Wrath

FAVORITE SPORTS TEAM
Chicago Cubs

INTERESTING FACT
Hope to travel to all 50 states, so far, I have been to 32 next up Maine!

BEST PART OF MY JOB
Helping clients achieve their financial goals and developing lasting relationships along the way

Blake has a passion for helping people protect and achieve their dreams. He graduated from Montana State University with a degree in Finance and minor in accounting. Following college, Blake worked for the FDIC for three years making sure that depositor money was safe. He would travel from bank to bank across many states, including Montana, Wyoming, Idaho, Utah, and California doing so.

Blake moved to Arvada in 2023 to be closer to friends and family, and he couldn't be more excited to be with Aspen Wealth Strategies. It doesn't hurt that he's closer to his lifelong team, the Denver Broncos. Outside of the office, he loves to fly fish, camp, golf, and spend quality time with his wife Kyla and two dogs, Smoke and Shiloh.

FAVORITE MOVIE
Shawshank Redemption

FAVORITE BAND
Mt. Joy

FAVORITE BOOK
As a Man Thinketh

FAVORITE SPORTS TEAM
Denver Broncos

INTERESTING FACT
My great grandpa was good friends with Lefty Kreh, one of the pioneers of salt water fly fishing.

BEST PART OF MY JOB
Doing my best to make s ure clients achieve their financial dreams.

Taylor Swift is saving the U.S. economy

It's been a wild start to the year here in the Denver Metro. As of the end of last month, we had outpaced Seattle (!) year to date in rainfall at just over 14", measured at DIA.

If that's not enough to make you scratch your head here's a recent excerpt from the Federal Reserve's Beige Book, their report on economic activity:

Board of Governors of the Federal Reserve System

Sections

Tourism contacts continued to report slight growth – noting that the recovery was slowing. Business travel continued to recover, but leisure travel was flattening. Multiple contacts reported that the amount of money guests spend at their leisure destinations declined modestly in recent months. Despite the slowing recovery in tourism in the region overall, one contact highlighted that May was the strongest month for hotel revenue in Philadelphia since the onset of the pandemic, in large part due to an influx of guests for the Taylor Swift concerts in the city.

Just as we've all long suspected, Taylor Swift is carrying the US economy. And things in markets haven't been any less strange. Let's see if I can get all of this right, over the first half of this year:

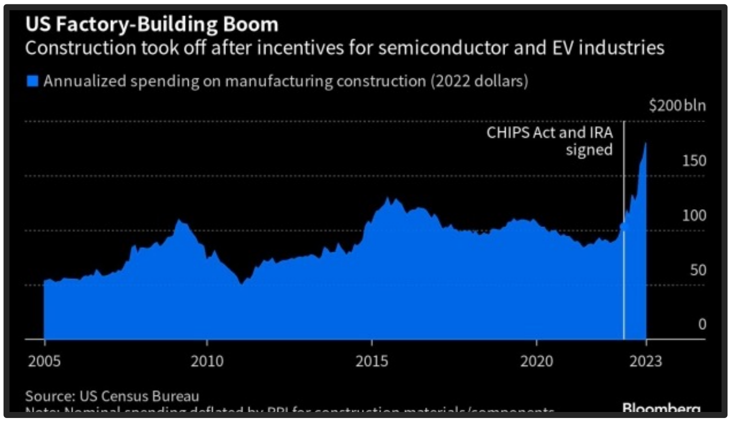
- The Fed hiked the Fed Funds rate another 1.00% to a target of 5.00% - 5.25%.
- We narrowly avoided a debt ceiling debacle and worries of a US debt default.
- Several Regional Banks closed up shop and sparked fears that the issues would spill over into the broader financial system.
- Credit Suisse, a major bank in Europe also was forced to be sold.
- Lending standards tightened, credit creation dropped, and the M2 measure of money supply has actually been shrinking.
- Wagner group attempted a coup in Russia.
- China's long-awaited reopening from their COVID lockdowns disappointed and had a very muted impact on their economy and the globe more broadly.

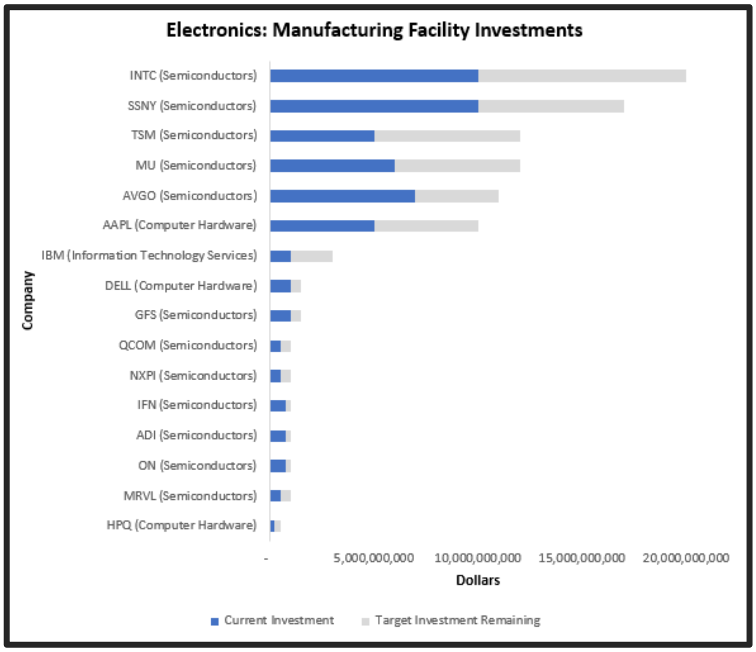
All the while, the US economy grew at a 2% annualized rate in Q1, and is forecasted by the Atlanta Fed to have grown at a 2.3% annualized pace in Q2. And, oh yeah, we added 339,000 jobs in May, and in June we added another 209,000. Although if we look under the hood of the June report, it came in below the consensus estimates and it came with downward revisions to the May headline numbers, which marked the fifth straight month of such revisions.

On the inflation front, we're seeing progress as the headline CPI rate declined to 4.0% Year over Year in May and further down to 3.0% in June. We've also seen a slowing in the Producer Price Index and Manufacturing Prices Paid Index in both of the last monthly reports, which are typically thought of as leading indicators for the Consumer Price Index. Despite nearing their target, the Fed has conveyed a strong hawkish message in their prepared remarks and in interviews. We think the June pause in rate hikes will be short-lived, as the market is expecting another 0.25% hike in July, and one more 0.25% hike later this year.

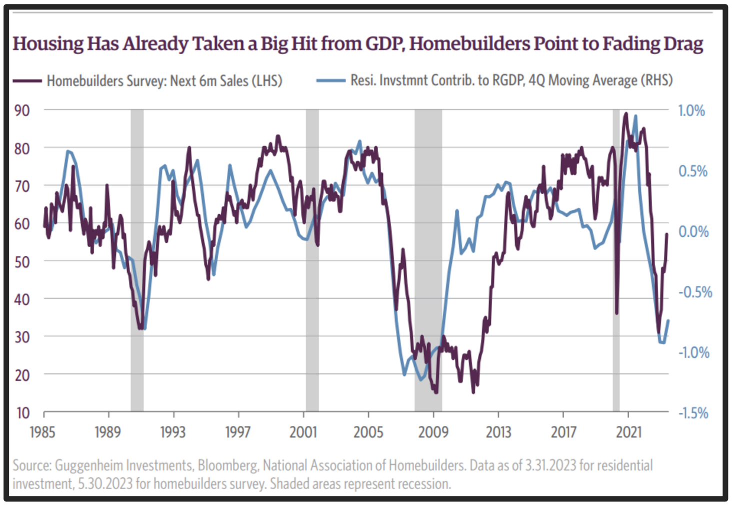
So, what happened to the recession?

- To sum it up, fiscal support (Inflation Reduction Act and the Chips act). Noting below from a recent Bloomberg Article and a breakdown of manufacturing investment from semiconductor firms.

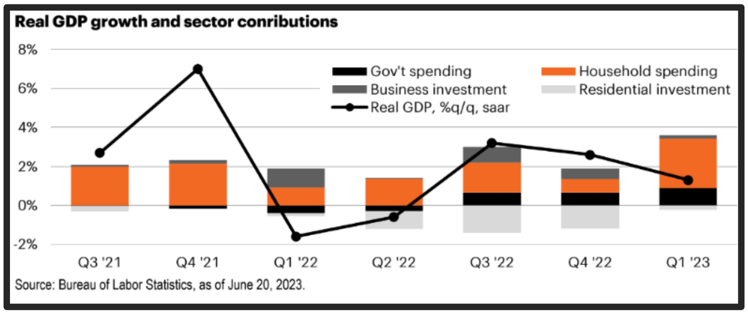




- Homebuilders, who were the biggest detractor to the economy last year, have turned the corner and housing starts have been relatively strong in the first half of the year.



- Meanwhile, consumers continue to power through their pandemic savings and provided the lift the economy needed while the more cyclical housing and manufacturing slowed considerably.



You might remember a piece that we sent out highlighting how the National Bureau of Economic Research calls recessions and how complex that is, kind of blowing up the rule of thumb of two negative quarters of GDP growth.

They look at real personal income less transfers (PILT), nonfarm payroll employment, real personal consumption expenditures, wholesale-retail sales adjusted for price changes, employment as measured by the household survey, and industrial production when calling.

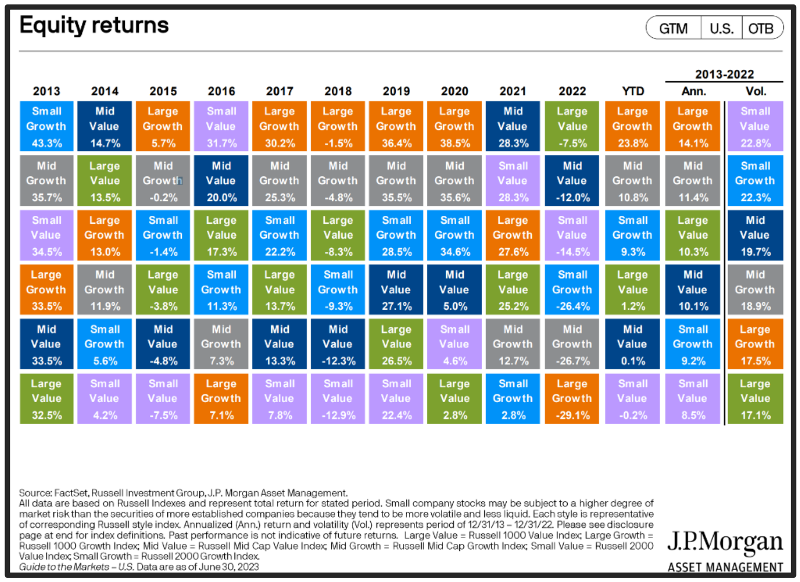
This decoupling has led to what we think of as rolling recessions. Housing and manufacturing were shrinking last year, while real consumer spending was growing.

We think this environment, where the cyclical parts of the economy (think housing or manufacturing) aren't in sync with the more persistent parts of the economy (like consumer spending), is going to persist through the end of this year and potentially into 2024.

This means probably more of these weird rolling "no- a-recession, recessions" that the economy has been experiencing the last 18 months or so.

What has that meant for markets?

- Surprisingly, domestic stock markets have looked at everything up there and mostly just shrugged. However, just looking at broad market returns does not tell you the whole story.
- The market rally this year has been incredibly uneven. Although market breadth (how many stocks are participating in a given rally) has gotten much better the last few weeks, we're still looking at an extremely top-heavy market.

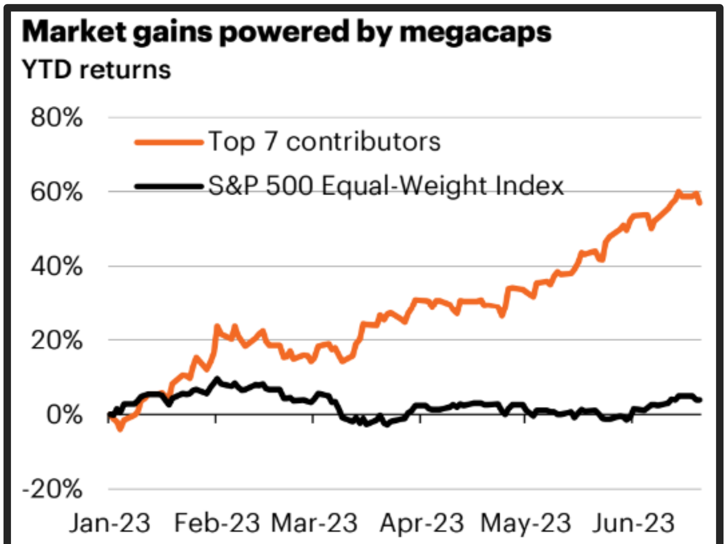


Equity returns GTM | U.S. | OTB

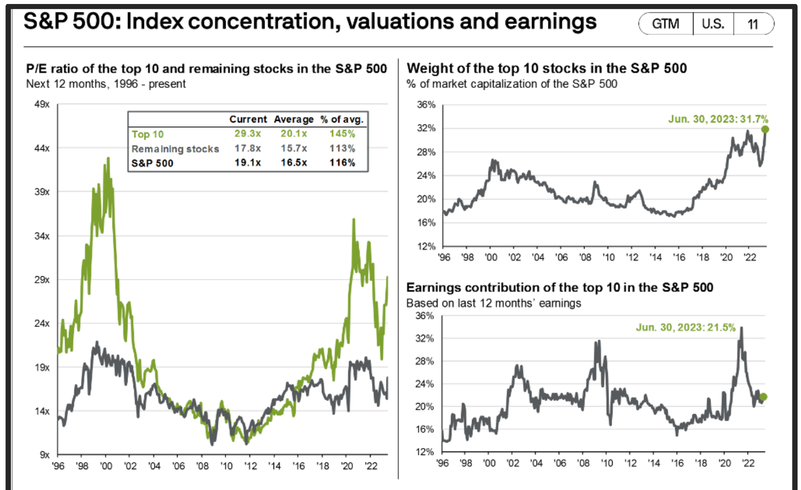
2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	2013-2022 Ann.	2013-2022 Vol.
Small Growth 43.3%	Mid Value 14.7%	Large Growth 5.7%	Small Value 31.7%	Large Growth 30.2%	Large Growth -1.5%	Large Growth 36.4%	Large Growth 38.5%	Mid Value 28.3%	Large Value -7.5%	Large Growth 23.8%	Large Growth 14.1%	Small Value 22.8%
Mid Growth 35.7%	Large Value 13.5%	Mid Growth -0.2%	Mid Value 20.0%	Mid Growth 25.3%	Mid Growth -4.8%	Mid Growth 35.5%	Mid Growth 35.6%	Small Value 28.3%	Mid Value -12.0%	Mid Growth 10.8%	Mid Growth 11.4%	Small Growth 22.3%
Small Value 34.5%	Large Growth 13.0%	Small Growth -1.4%	Large Value 17.3%	Small Growth 22.2%	Large Value -8.3%	Small Growth 28.5%	Small Growth 34.6%	Large Growth 27.6%	Small Value -14.5%	Small Growth 9.3%	Large Value 10.3%	Mid Value 19.7%
Large Growth 33.5%	Mid Growth 11.9%	Large Value -3.8%	Small Growth 11.3%	Large Value 13.7%	Small Growth -9.3%	Mid Value 27.1%	Mid Value 5.0%	Large Value 25.2%	Small Growth -26.4%	Large Value 1.2%	Mid Value 10.1%	Mid Growth 18.9%
Mid Value 33.5%	Small Growth 5.6%	Mid Value -4.8%	Mid Growth 7.3%	Mid Value 13.3%	Mid Value -12.3%	Large Value 26.5%	Small Value 4.6%	Mid Growth 12.7%	Mid Growth -26.7%	Mid Value 0.1%	Small Growth 9.2%	Large Growth 17.5%
Large Value 32.5%	Small Value 4.2%	Small Value -7.5%	Large Growth 7.1%	Small Value 7.8%	Small Value -12.9%	Small Value 22.4%	Large Value 2.8%	Small Growth 2.8%	Large Growth -29.1%	Small Value -0.2%	Small Value 8.5%	Large Value 17.1%

Source: FactSet, Russell Investment Group, J.P. Morgan Asset Management.
All data are based on Russell Indexes and represent total return for stated period. Small company stocks may be subject to a higher degree of market risk than the securities of more established companies because they tend to be more volatile and less liquid. Each style is representative of corresponding Russell style index. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/13 – 12/31/22. Please see disclosure page at end for index definitions. Past performance is not indicative of future returns. Large Value = Russell 1000 Value Index; Large Growth = Russell 1000 Growth Index; Mid Value = Russell Mid Cap Value Index; Mid Growth = Russell Mid Cap Growth Index; Small Value = Russell 2000 Value Index; Small Growth = Russell 2000 Growth Index.
Guide to the Markets – U.S. Data are as of June 30, 2023

J.P.Morgan ASSET MANAGEMENT



Source: Bloomberg Finance, L.P., as of June 9, 2023. Top seven contributors to return in 2023 through May 19 are AAPL, MSFT, NVDA, GOOG, AMZN, META, and TSLA. The above is a market-cap-weighted index of those seven stocks.



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
The top 10 S&P 500 companies are based on the 10 largest index constituents at the beginning of each month. As of 6/30/2023, the top 10 companies in the index were AAPL (7.7%), MSFT (6.8%), AMZN (3.1%), NVDA (2.8%), GOOGL (1.9%), TSLA (1.9%), Meta (1.7%), GOOG (1.7%), BRK.B (1.6%), UNH (1.2%) and XOM (1.2%). The remaining stocks represent the rest of the 494 companies in the S&P 500.
Guide to the Markets – U.S. Data are as of June 30, 2023.

Much of this dispersion has been created by hype surrounding Artificial Intelligence and any company that has whispered AI on their earnings calls. You can see that it has led to valuations looking stretched from a broad market basis, but if we focus on the ten largest companies (think Microsoft, Apple, Nvidia, Meta) things look pretty expensive.

We believe the benefits from AI will be (and already are) widespread, helping to create time and cost savings for existing companies, and opening up new doors for companies no one has even thought of yet, a la the internet. Imagine explaining a social media influencer to 2001 You. And while 2001 You might have a really hard time wrapping your head around Jake Paul, 2001 You would take a look at valuations in the tech sector and see something very familiar. I don't mean to imply that what we're seeing is tech bubble 2.0 and that we're on the edge of a massive collapse in the prices of tech companies. But when 2000 levels are really your only comparison to what we're seeing today, it's probably appropriate to tread very carefully.

Sprinkle on top of a very precarious geopolitical situation, a Fed that remains resolute in crushing inflation, and recessionary indicators blinking red, we think caution is appropriate.

And we would also caution that right before most recessions, things are just fine until they aren't.

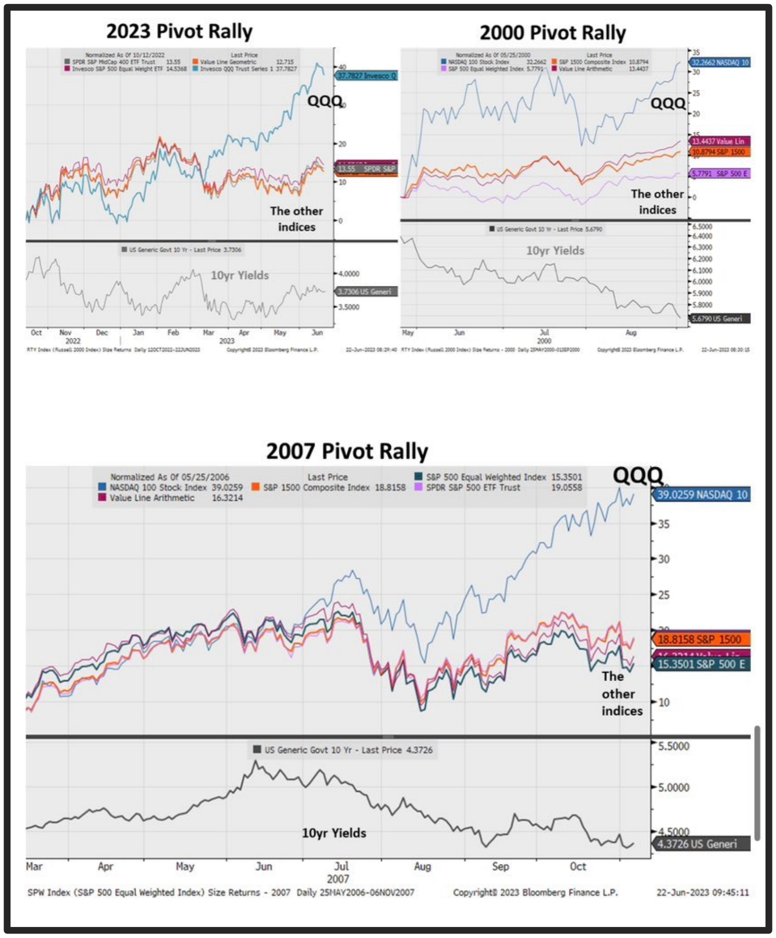
Sprinkle on top of a very precarious geopolitical situation, a Fed that remains resolute in crushing inflation, and recessionary indicators blinking red, we think caution is appropriate.

And we would also caution that right before most recessions, things are just fine until they aren't.

It's OK Until It Isn't

In the three quarters before the last three recessions started, real GDP growth averaged +2.7%.

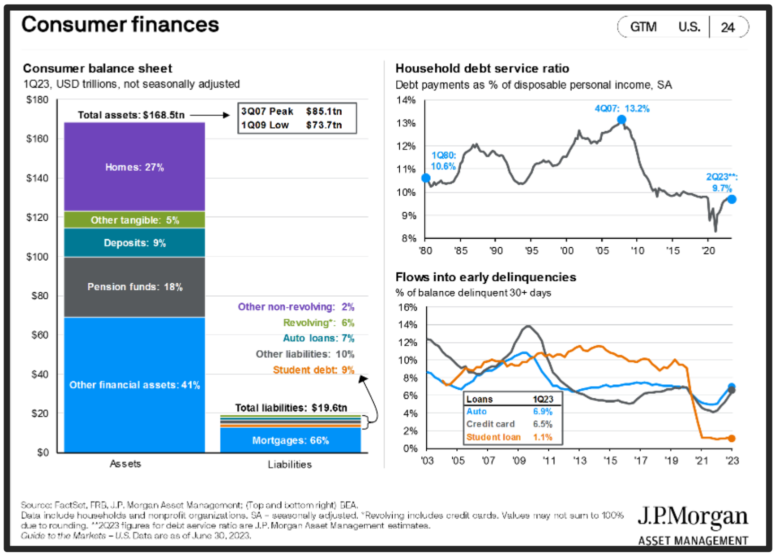
Real GDP	Q/Q A.R.		
1989:4Q	+0.8%		
1990:1Q	+4.5%	+2.3%	
1990:2Q	+1.5%		
1990 Recession Begins			
2000:2Q	+7.5%		
2000:3Q	+0.4%	+3.4%	+2.7%
2000:4Q	+2.4%		
2001 Recession Begins			
2007:2Q	+2.6%		
2007:3Q	+2.4%	+2.5%	
2007:4Q	+2.5%		
2008 Recession Begins			

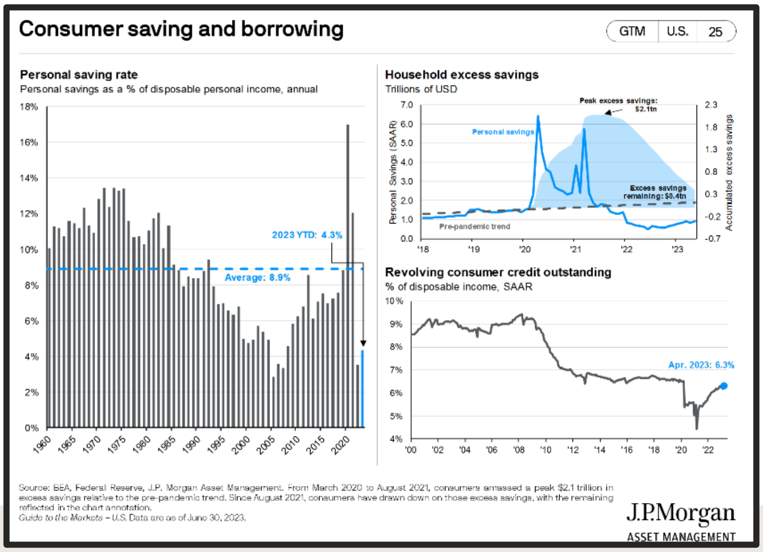


What we're watching:

Initial unemployment claims are always important but in this disjointed cycle, we are paying close attention to that piece of the employment puzzle.

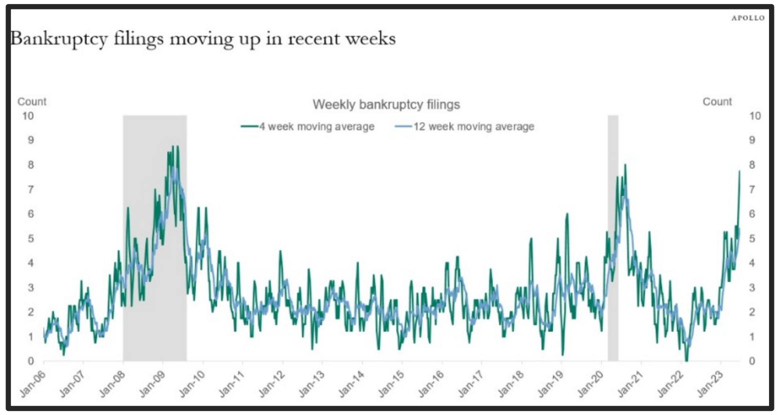
The well-documented surplus consumer savings coming out of the pandemic are quickly being spent down, and further pressure could be added when student loan payments are turned back on.

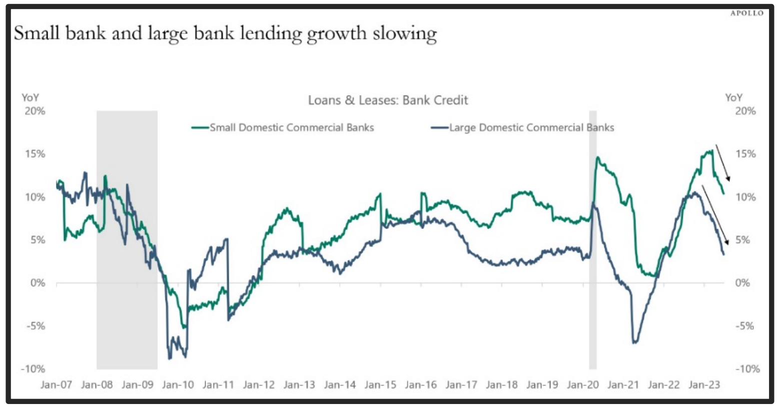




We are also closely watching credit spreads, bank lending standards, and credit creation. Credit is one of the driving forces of the economy and as access to credit and capital dries up, so do new projects that help drive GDP.

Bankruptcies and bond defaults round out the priorities for us here in the late part of the business cycle.

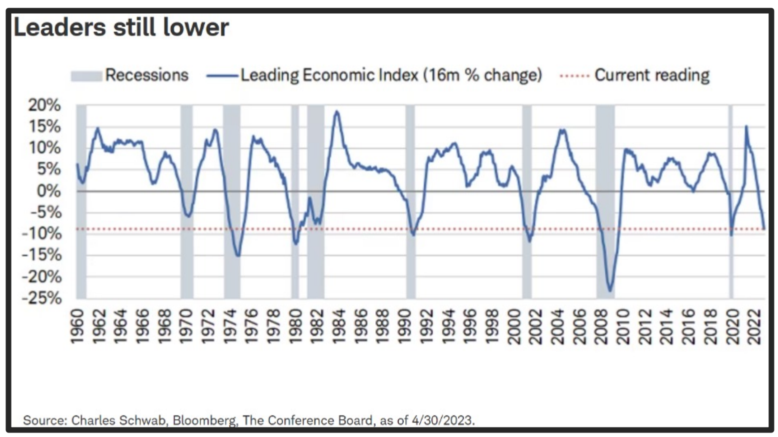




We care about the economy because it's the best predictor of earnings, and earnings are what drive markets over time. Given the unevenness in the current rally and the valuation concerns that we noted above, we think this earnings season we are coming into has the potential to start to kick off some more volatility. Beyond the ever-important earnings calendar, we want to closely watch the behavior of some of the categories that have been left behind, like small caps, and dividend-paying stocks.

Bottom Line

The economy is on uneven ground and recession indicators are blinking, but equity markets are looking past that right now. Stocks are pricing in robust earnings growth, but we think that may be putting the cart before the horse. Given some of the potential potholes we're seeing across consumers and credit markets, maintaining a cautious posture makes sense to us. We do think there are pockets of value, particularly in smaller companies and companies that fall into the value category. We also like high-quality fixed income at these yields and are adding to longer-dated maturities.



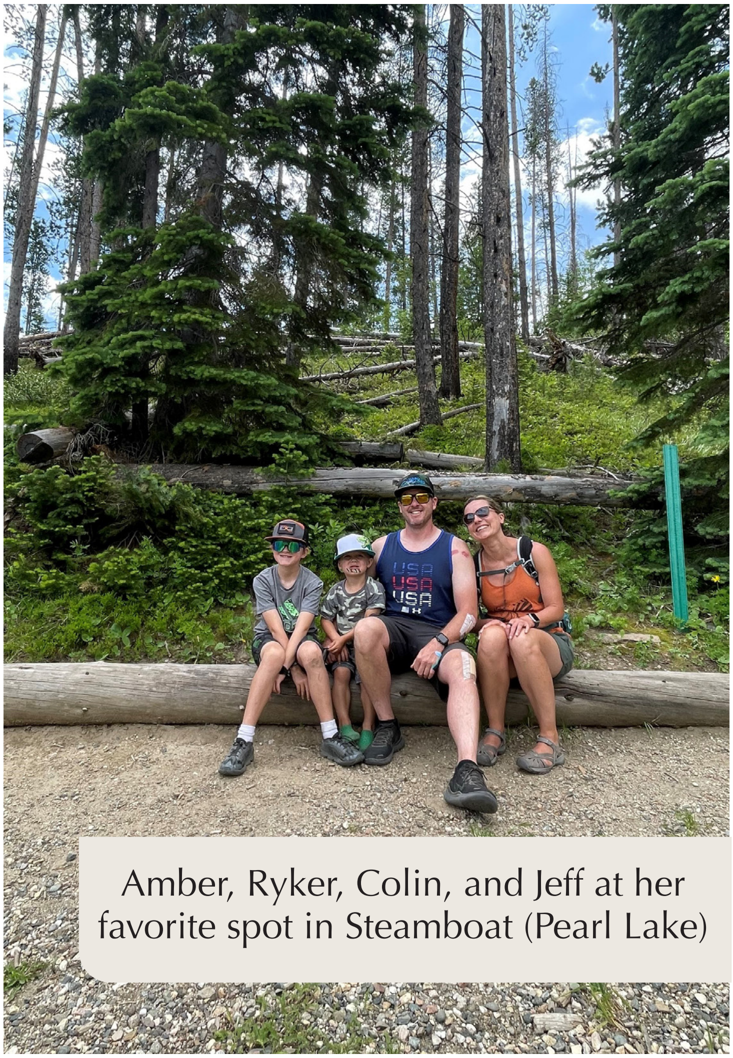
Staying invested and maintaining diversification across asset classes and within asset classes is key to navigating these markets.

We hope you're having a great summer, please let us know if you have any questions!

The Aspen Teams' Favorite Moments of their Summer

Andy and Ari at CU Soccer Camp

Steph and Steve at the first ever Nuggets NBA Finals game



Amber, Ryker, Colin, and Jeff at her favorite spot in Steamboat (Pearl Lake)

Cade and Denali at Palazzo Massanini in Val d'Orcia (Tuscany, Italy)

Aspen Wealth Strategies
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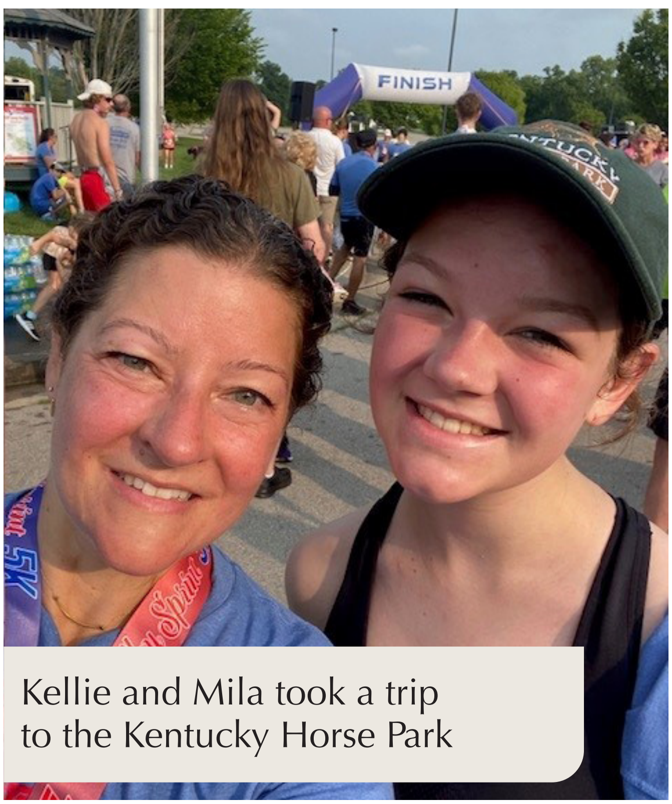
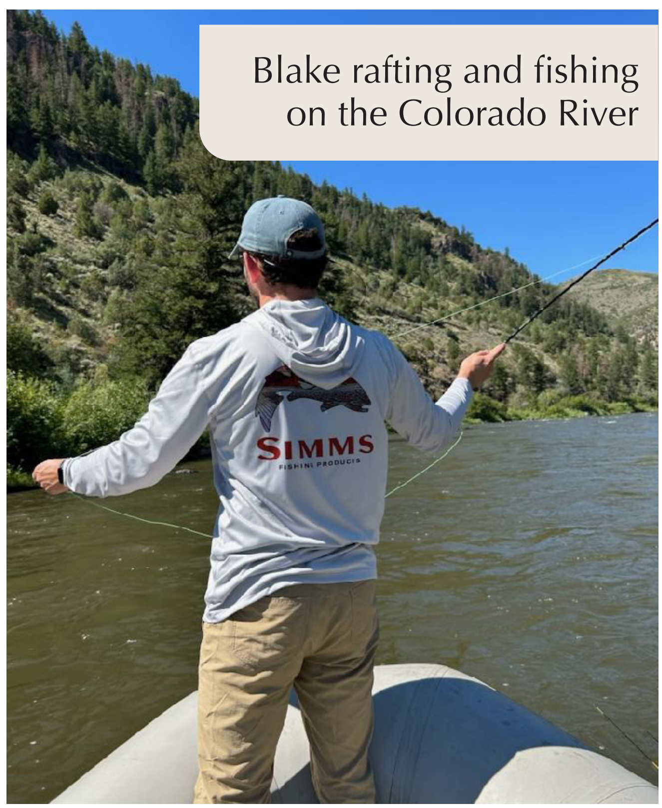
Erin taking pictures of grizzly bears in Alaska



Kellie and Mila took a trip to the Kentucky Horse Park



Blake rafting and fishing on the Colorado River