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# A Look Back on 10 Years...

Dear Clients, Friends, and Colleagues,

2022 marked the 10 Year Anniversary since I launched Rose Capital Advisors in 2012 (literally in my living room), after many years in corporate wealth management. My dream at the outset was to build a pre-eminent boutique advisory firm, with a high caliber team that felt like family, to each other, and to our clients. Since then, we have helped over one hundred families and individuals envision their goals, plan better, and achieve greater outcomes to secure their financial future. As we reflect on the past decade, a lot has changed. At the time, going independent was considered somewhat of a risk, not only for me, but our clients, as well as our resource partners and service providers. We could not be more grateful that you all chose to take that leap of faith with us and put your trust and confidence in our hands. The industry landscape has shifted significantly over the past decade. The US wealth advisory industry in general, is a large and rapidly growing market (\$25.7 Trillion<sup>1</sup>). Independent RIAs are the fastest growing segment within wealth advisory, in both advisor headcount and assets under management. From 2012 through 2022, RIA assets were up nearly 3x from \$2.3 Trillion up to \$6.6 Trillion<sup>2</sup>. Advisors AND end client investor households are overwhelmingly moving towards independent platforms. During that same period, Rose Capital has grown its assets and employee headcount nearly 10x, or three times faster than the industry. As I look back and take measure of the first 10 years and looking forward, I see one common theme, our Rose Capital community, all of you, our family, team members, resource partners, service providers and of course our clients. All of you have helped create this moment that we now celebrate.

Today, we are advisors, strategists, and architects focused on people above all else. In just the past year we have grown the team +50% so that we can proactively enhance client service and develop new investment solutions. We have continued to add new financial tools and technology through our partners at Dynasty and have expanded the list of custodian partners, recently adding Charles Schwab and Goldman Sachs to our existing custodian Pershing/BNY. Over the past decade, we have proven our ability to consistently provide high-quality service to our clients and we now aim to not just continue that but to improve ourselves. We understand that our clients are our most precious asset, and we take great care in helping them achieve their dreams. We have also extremely been honored to receive numerous awards from leading financial publications for our exceptional service and innovative financial planning strategies. We are very proud of our record of helping our clients meet and exceed their financial expectations, never wavering from our goals of providing high impact advice, authenticity, and personal experience for their most crucial financial decisions.

As we look toward the next decade we do so with great anticipation and confidence. It is a transformative time in the industry, there will be much opportunity for both organic and inorganic growth. We remain laser focused on our client centric approach while embracing change that adds value to your outcomes. We see opportunity to expand on what we have experienced in the private markets as we look to create new, diversified solutions that create scale and combine the best Institutional funds and niche emerging managers that Rose Capital has access to. We see opportunity in expanding the services for clients, their businesses and their charitable foundations through new financial tools and complementary partnerships. Most of all we see that opportunity to leverage all that we have learned over the last decade to achieve even more with you, and for you.

Many Thanks,  
 Michael Rose

<sup>1</sup> The Cerulli Report - U.S. Intermediary Distribution 2021: Leveraging Data to Navigate Change. <sup>2</sup> The Cerulli Report - U.S. RIA Marketplace 2021: Meeting the Demand for Advice. Investment Advisory Services provided through Rose Capital Advisors, LLC. Securities offered through Saxony Securities, Inc. Member FINRA/SIPC

# OFFICE NEWS

- 2022 marked our **10-year anniversary** since launching Rose Capital Advisors! (see pages 7-8 for more details)
- We launched a new [website](#) along with a brand/logo refresh
- Experienced several high-profile client acquisitions and continued AUM growth
- We added 3 new team members: Jamel Gordon, Michael Reardon, and Donovan Ford. Please click [here](#) to read their bios.
- Jonathan Binns was promoted from Investment Associate to Portfolio Manager
- Our office became the first Florida-based investment service provider to receive the WELL Health-Safety Rating (HSR) by the [International WELL Building Institute \(IWBI\)](#). Full press release to follow in the coming weeks
- Michael completed MIT Sloan School of Management’s Advisor-to-CEO program

## TEAM



**Michael Rose, CFP®**  
Managing Partner

Michael Rose is the Founder and Managing Partner of Rose Capital Advisors, and has been providing strategic investment advice and wealth management services for over 24 years. He started the firm to create a culture unlike the typical financial advisor tradition. Michael prioritizes core values above all: a collaborative team-based approach, a client-first focus, and a commitment to a work / life balance, including taking part in high-impact community projects that benefit both the people around him and the clients he serves.



**Gareth Evans**  
Director of Business Development



**Mitch Romano**  
Director of Operations



**Ashley Kulju**  
Financial Advisor | Brand Strategist



**Jonathan Binns**  
Portfolio Manager



**Jamel Gordon**  
Financial Advisor



**Mike Reardon**  
Director of Client Solutions



**Donovan Ford**  
Business Development – Sports & Entertainment



**Jodi Rose**  
Executive Assistant | Office Manager

# A Review of Our 2022 INVESTMENT OUTLOOK

We conducted an informal straw poll of Investment Committee and Investments Team members, and asked them for their highest conviction “calls” for 2022. First time we have ever called 9 out of 10!

## 2022 TOP 10 THEMES VS WHAT HAPPENED :

1. Inflation to remain elevated, but begins to normalize in the face of improving supply chain conditions, fed tapering, and interest rate hikes. Inflation ran +6.3% through the first half of the year, adding .2% through the second period. The ISM Manufacturing Backlog Index fell 21.4 percentage points, the Fed trimmed its balance sheet by approximately \$200 bn, and the effective Fed Funds rate moved from .07% to 4.33%.
2. Long duration assets (equities and fixed income) to struggle as a result of rising rates, but a positive for fixed income in the long term as reinvestment rates rise. Long duration equities as represented by the Nasdaq Composite Index were -33.10% for the calendar year 2022 and long duration fixed income was -32.82% as represented by the iShares 20+ Year Treasury Bond ETF. Short duration equities as represented by the S&P 500 Value Index were -5.22% for 2022 and short duration fixed income was +1.52% as represented by the Bloomberg US Treasury Bills 1-3 Month Index. ICE BofA AAA US Corporate Index Effective Yield began the year at 2.15% and finished at 4.67%
3. Fundamentals come back into focus, with value, dividend, and quality equities more favorable than speculative growth. Value outperformed with the S&P 500 Value Index finishing -5.22% compared with the market-cap weighted index at -18.11% on the year. Large Cap Value ETF flows were +80.92 bn while Technology ETF flows were -6.21 bn.
4. Expect lower broad market index equity returns in the next decade than in the last, returning to a more normalized historical average return profile. On aggregate, consensus go-forward capital market assumptions for equity returns lower than historical, which would result in a more normalized return profile when compared to post GFC market returns.
5. Valuations outside of the US look attractive, but multiple discounting factors should be considered (geopolitical risk, poorer earnings quality, currency risk). Equities ex-US traded at a discount on an aggregate basis throughout the year. Discounting factors were present with significant geopolitical events and currency volatility.
6. Global GDP growth to remain strong, but less than the rebound off the COVID lows of 2020. In its latest Economic Outlook report (November), the OECD estimates 3.1% global GDP growth in 2022, lower than the ~6% in 2021.
7. Despite rising input costs and wage growth, corporate earnings to remain strong both in the US and abroad. The US Producer Price Index for final demand increased 6.2% in 2022 after rising 10% in 2021. Nominal average hourly wage growth was positive, but real wage growth was negative. S&P actual earnings for the first three quarters of 2022 were respectively higher than 2021.
8. A strong consumer balance sheet and tight labor market result in continued strong personal consumption despite poor sentiment. US household net worth peaked in Q4 of 2021 at \$150 trillion and began to fall starting Q1 of 2022 into Q3. However, at \$143 trillion as of Q3, it is higher than the first two quarters of 2021 and much higher than pre-covid levels. Household checkable deposits and currency came in at just under \$5 trillion in Q3 2022, compared to \$1.03 trillion in Q4 2019 and \$3-4 trillion in 2021. US job openings remained in the 11-10 MM range, almost double the number of unemployed persons. US consumer sentiment weakened significantly, falling from 70.6 to 59.7 – hitting levels lower than the GFC.
9. M&A, PE, and IPO activity to remain elevated, but lower than the record numbers that 2021 produced. Total annual M&A aggregate deal value for all types was \$3.63 trillion, below the 2021 \$5+ trillion record, but still above 2017 and 2020 levels. Private equity M&A aggregate deal value fell to \$1.3 trillion, down from \$2.1 trillion in 2021, but in line with previous years. 1,671 IPOs launched globally in 2022, compared to 3,260 in 2021. The aggregate offered in those IPOs fell to \$179.73 billion, from \$626.56 billion in 2021.
10. Geopolitical uncertainty increases throughout the world on multiple fronts. The Russian invasion of Ukraine, heightened US-China tensions, protests in Iran, and a governmental crisis in the UK were causes of notable geopolitical uncertainty.

# ALTERNATIVE INVESTMENTS

## Real Estate

### CASTELLAN

REAL ESTATE PARTNERS

Over **\$2.3 Billion** of equity and debt across **295 transactions** since 2009.

**30 bridge loans** were paid off in 2022, representing a total value of **\$191 million** with a weighted average **12% IRR**.

Funded **38 bridge loans** in 2022, representing **\$253 million** with a **41.58%** weighted average loan to value (LTV) and **9.8%** weighted average interest rate.

**Affordable Housing Fund**  
Robust pipeline of **17 properties**, representing **1,888 units** and approximately **\$1.2 Billion** in total project costs. Successfully syndicated **4 properties** in 2022 where construction commenced for 3 projects. Secured federal tax credits and bonds for **4 properties**.

## Private Credit



Rose Capital Advisors has been investing in the private credit asset class for over seven years. Coming out of the great financial crisis lows, risk assets (particularly growth equity) seemed to produce never ending streams of high double-digit returns with muted volatility. Private credit during this same timeframe (as represented by the CDLI) produced strong non-correlated returns in the high single/low double-digit range, but more times than not, actually served as a performance drag for investors when compared to risk-on assets. Markets can be extremely sobering, and it is during environments like 2022 investors are reminded it is important to implement a top-down portfolio construction framework that has components able to perform in various cycles and market characteristics. This all-weather framework is what Rose Capital Advisors seeks to implement on behalf of clients and private credit was an allocation in 2022 that outperformed nearly every asset class both absolutely and relatively.

- Private Credit (CDLI) produced mid-single digit returns in 2022
- Floating rate nature neutralized duration risk
- EBITDA and asset value inflation provide more security for lenders
- Unwinding of unrealized losses and work through of higher rates into loans should provide a tailwind to returns

- Private Credit (unlevered) 10-year annualized expected return<sup>1</sup> (7.05%) / risk (4%)
- Manager selection and portfolio composition are paramount
- Focus on senior, covenant heavy, low EBITDA leverage loans
- Expect higher than historical reference rates and wider spreads

## Private Equity | Venture Capital Multi-Manager Vintage Series Sleeve (launching in 2023)

Since our first commitments back in 2012, Rose Capital Advisors has allocated over \$250MM across various alternative investment strategies. We have embraced alternative investments for non-correlated return potential, portfolio diversification, tax efficiency reasons. We firmly believe that private markets are less efficient than most public market asset classes. Significant alpha above public market benchmarks can be generated by investment managers and investors alike. Roughly 60% of those committed dollars has been to traditional private equity and real estate strategies, while the remaining 40% to venture capital and private credit strategies.

Our approach to investing in private equity is taking an important leap forward by thoughtfully combining multiple fund commitments into vintage year series structures (or private equity sleeves) for our clients. This offers many benefits, most notably, diversification across managers, strategies, and vintage years in one vehicle. It will also allow for lower minimums and reduced administrative complexities. From investments in growth equity, middle market buyout, venture capital, special situations strategies, co-investments, secondaries and more, we recognize the value of the asset class to successfully generate a premium to the performance of liquid public equity markets<sup>1</sup> and increase portfolio diversification.

Our core program will include 10-15 managers (both established and emerging), leveraging our due diligence capabilities and manager access to often closed or over-subscribed funds. In any given sleeve, there may be a tilt toward a certain strategy or style, depending on which managers are raising new funds. Each sleeve in isolation is designed to be a building block to fully diversified program, a deliberate, steady approach of commitments over multiple years intended to result in diversification at the vintage year, strategy, geography, sector, and life-cycle level.

Our first private equity sleeve vehicle will be launched this year and we plan to deploy a vintage year sleeve approximately every 2-3 years after the first launch. Each vintage sleeve will contain 3-7 fund commitments across various managers.

The long-term outlook for private equity is strong<sup>1</sup> and we believe the asset class to be a core component of any portfolio given the appropriate liquidity needs and time horizon of the investor. The private equity model, when well executed, has shown that it can outperform public equity markets in a variety of economic and capital market conditions.

Over the next decade, we are excited to see our private equity sleeves mature and evolve to be more structured, formalized and diversified with the goal of producing superior risk-adjusted performance in the years ahead.

<sup>1</sup> Cliffwater 2023 Asset Allocation Report



# SOCIAL MEDIA



Click on the icons to follow us on social media

rosecapitaladv  
New York Stock Exchange



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rosecapitaladv Always great catching up with our friends Procyon Partners to discuss strategy and ways to collaborate more in 2023 and beyond! Lots more to come!  
#rosecapitaladvisors #procyonpartners #friends #colleagues #401ks #retirementplans #wealthmanagement

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rosecapitaladv Congratulations to our friends @serena.ventures 🎉🚀 on ringing the opening 🔔 at the @nyse 📈. Fun fact, the NYSE didn't even have a... more

rosecapitaladv  
The Diplomat Beach Resort



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rosecapitaladv It was an honor moderating the hot topic discussion "ETFs vs Direct Indexing" with a panel of incredible industry colleagues at the WealthManagementEdge #InsideETFs conference @diplomatbeachresort. Great insight and perspective! Also shoutout to our @bnymellon partner and friend @lcrafford for moderating the RIA CEO Allstar Panel! #WMedge #insideetfs #conference #industryconference #finance #wealthmanagement #financialadvisors #knowledge #perspective #directindexing #etfs #alwayslearning #moderating #panel #miamibeach #florida #southbeach

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rosecapitaladv Day 2 of @thedynastyfp 2022 Partners Summit: #BillyBeane (EVP of @athletics) & #KevinCash (Manager of @raysbaseball) discussed how to build a winning culture. Then we went to the Dynasty Grand Prix and raced 50mph go karts with IndyCar champion @sbourdais! Then dinner & show from @southwestfloridasymphonyand followed by Barcade at the #dancesa...

# 10 Year Anniversary Party



We celebrated our *Ten Year Anniversary* on Tuesday, November 8th, 2022, and even tropical storm Nicole couldn't dampen the party atmosphere! Guests braved the rain and wind to come mingle, sip, nosh, and dance in our loft-style office that was transformed into a tropical oasis, complete with a Miami Vice vibe. The gathering included clients, friends and family members, and we loved seeing them all come together — some meeting for the first time, and others warmly reconnecting following the last few years of the pandemic divide. Notable guests included Venus Williams, Alonzo Mourning, and Sir Martin Franklin. We feel a deep sense of gratitude to have so many wonderful people who have supported us over the last ten years. Photography and videography by [World Red Eye](#) captured the celebration.



# 10 Year Anniversary Party

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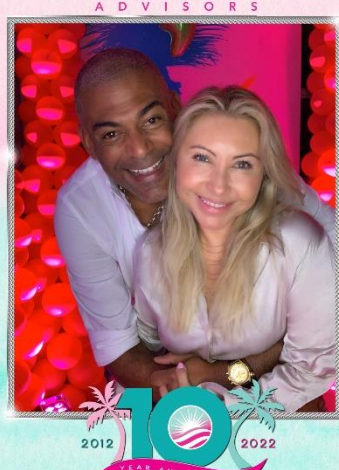


As part of the celebration and our commitment to the community, Managing Partner, Michael Rose, pledged a 10 year commitment to [Overtown Youth Center](#) to sponsor a classroom, dedicated to financial literacy in order to help bridge the economic gaps for those who reside in underprivileged areas. Speeches of appreciation were given by [The Mourning Family Foundation's](#) founders, Tracy and Alonzo Mourning.

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# ROSE CAPITAL ON THE SCENE



**Inaugural Formula 1 in Miami**



**Beyond the Ultimate Marathon Kenya, Africa**



**DJ Irie Charity Golf Tournament  
Miami Beach Golf Course**



**MIT Sloan Advisor To CEO Program**



**Miami Dolphins Cancer Challenge**



**2022 Team Picture**



**Miami Art Basel & Fuel VC Annual Meeting**



**Zo's Golf Celebrity Golf Classic  
Turnberry Golf Course**



**Crossover VC Annual Family Get Together  
Los Angeles, CA**

# 2023 INVESTMENT OUTLOOK

We conducted an informal straw poll of Investment Committee and Investments Team members, and asked them for their highest conviction “calls” for 2023.

1. Long-term global central bank quantitative tightening regime change with higher rates and balance sheet wind-downs.
2. Although inflation should continue its decline as 2022 tightening dynamics work through the economy; stubborn pockets will remain.
3. Fed may be forced with the decision to live with higher inflation or send the economy into a deep recession.
4. General fixed income finally becoming attractive, favor credit risk over duration risk.
5. Private credit offers a highly attractive risk/reward profile, but manager selection and portfolio construction are paramount.
6. The transition to new leadership in equities has begun; growth and value are part of the same equation.
7. Regulatory scrutiny, lower multiples, and slower growth will put continued pressure on mega-cap technology resulting in extended outperformance of the S&P 500 Equal-Weighted Index vs. the Cap-Weighted Index.
8. Jobs-workers gap to narrow, wage growth to moderate, and unemployment to tick up.
9. Corporate earnings begin to drip down, but the overall economy proves to be resilient.
10. Secondary transactions in private equity set to swell as the IPO market stays challenged alongside weaker strategic buyer demand.

The overall outlook continues to suggest that investors and advisors focus on diversification, patience, and an appropriate management of expectations.

We believe our client portfolios are appropriately allocated to take advantage of these themes, while remaining prudently diversified in the event that market conditions take an unexpected path.

#### Additional Investment Outlooks:

- ❖ [Rose Capital Advisors: 2022 Review 2023 Outlook](#)
- ❖ [The Bespoke Report 2023 Outlook](#)
- ❖ [J.P.Morgan: Guide to the Markets 1Q23](#)
- ❖ [WisdomTree: 2023 Economic & Market Outlook](#)
- ❖ [Byron Wein Top 10 Surprises for 2023](#)

**If you are interested in any other market commentaries, please inquire.**

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