



JOHN W. ROSENTHAL CAPITAL MANAGEMENT, INC.

June 2022 Quick Overview Summary:

Summary Results Table: The table below presents our performance by month and YTD as of 6/30/2022; and the last 3 years.

Results Table

2022	Fund 1 ¹	Fund 2 ¹	^BANK ³	KRE ³	S&P 500 ²	Russell 2000 ²
Jan.	-2.1%	+2.0%	-0.2%	+1.1%	-5.3%	-9.7%
Feb.	+1.2%	+0.7%	+2.1%	+3.7%	-3.1%	+1.0%
March	-5.4%	-3.0%	-8.3%	-7.2%	+3.9%	+2.1%
April	-9.6%	-9.1%	-8.2%	-10.2%	-9.2%	-11.0%
May	2.7%	2.1%	3.2%	3.9%	0.1%	0.1%
June	-6.7%	-7.3%	-9.1%	-9.6%	-8.2%	-8.4%
YTD	-18.7%	-14.2%	-19.5%	-18.0%	-20.5%	-23.9%
2021	37.7%	32.7%	39.7%	37.0%	26.9%	13.7%
2020	1.9%	-6.1%	-10.6%	-9.0%	16.3%	18.4%
2019	17.4%	22.7%	21.2%	27.1%	28.5%	23.7%

1. Average monthly net rate of return after fees/expenses
2. Russell 2000 is a small-cap stock market index and S&P 500 is an index tracking 500 large public companies in the U.S.
3. BANK is the Nasdaq Small Cap Bank Index and KRE is a regional bank stock ETF

Headlines:

- **Equity Markets Enter Bear Market Territory in June!**
- **Bank Earnings Season Starts in Earnest This Week (Details Forthcoming in our 2nd Quarter Newsletter in Aug.)**
 - **Net Interest Income and Net Interest Margins Will be Up after Fed Rate Hikes**
- **Analysts have Begun Raising EPS Forecast Upward**
- **Loan Growth Continues: Up 3.3% and 3.2% QtD reported as of 7/4/22 at Large and Small Banks Respectively – on the Heels of Being Up 1.9% and 2.0% in Q1 22**
- **Worth repeating, the 75 bp rate hike in May on the Heels of the two Previous Smaller Interest Rate Increases Earlier this Year, will be Positive to nearly all Banks' EPS, but more so for banks with larger concentrations of commercial and industrial loans – like our banks**
- **Additionally, LIBOR rates have started to materially rise in anticipation of multiple hikes. Therefore, some asset sensitive banks will experience a significantly positive increase to net interest income (and NIMs) in 2H22.**
- **Going forward, we expect additional rate hikes, as the current fed funds futures imply a 67% probability that the Fed Funds Target Rate will be at least 250 bp after the July meeting (another 100 bp hike). Also, FOMC participants indicated that they are prepared for ongoing increases of the target range.**
- **Yield Curve Inverts as the 10/2 UST Spread Declined from 0.87% at 1/1/2022 to -0.18% as of 7/14/2022 close – Quantitative Tightening Began June 1st Reducing the Fed's Balance Sheet. This Inversion Hurts Big Banks more Than Community Banks with excess Liquidity, i.e. Deposits left from PPP Loan Program.**
- **U.S. CPI Continues to Run Hotter Than Expected, up 9.1% YoY and 1.4% in June 2022 Reporting**
- **Overall Macro Uncertainty Remains High – and Equity Markets have Remained Volatile so far in July**
- **Goldman Sachs forecasts No Recession as of June 6, 2022 – Only Time Will Tell**
- **July Results for Our Banks Up Slightly as of this Writing**

We may be Close to “Calling a Bottom”! Stand By and We Will Send an Interim Update when we Make the Call!

As always, you may reach us by calling the office at 574-243-6502, John's cell at 574-276-1128, or Adam's cell at 440-667-5974. Or by email: john@rosenthalpartners.net or adam@rosenthalpartners.net

With warmest personal regards,

John and Adam