



JOHN W. ROSENTHAL CAPITAL MANAGEMENT, INC.

November 2022 Quick Overview Summary:

Please allow us to extend our very Best Wishes and Greetings of the Season! We hope you and your loved ones have a wonderful holiday and that all your dreams and wishes come to pass in the coming year.

Summary Results Table: The table below presents our performance by quarter and YTD as of 11/30/2022; and the last 3 years.

Results Table

2022	Fund 1 ¹	Fund 2 ¹	^BANK ²	KRE ²	S&P 500 ³	Russell 2000 ³
Dec. 1 – Dec. 12	-3.9%	-2.9%	-5.2%	-6.1%	-2.2%	-3.6%

2022	Fund 1 ¹	Fund 2 ¹	^BANK ²	KRE ²	S&P 500 ³	Russell 2000 ³
Q1 '22	-2.1%	+2.0%	-0.2%	+1.1%	-5.3%	-9.7%
Q2 '22	-13.4%	-13.9%	-13.9%	-15.7%	-16.6%	-18.3%
Q3 '22	1.0%	-1.2%	0.1%	1.4%	-5.4%	-2.5%
Oct.	10.2%	5.7%	8.4%	8.6%	8.0%	10.9%
Nov.	2.5%	2.0%	0.8%	0.9%	5.4%	2.2%
YTD '22 ⁴	-7.3%	-8.4%	-12.0%	-8.9%	-14.4%	-15.9%
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. BANK is the Nasdaq Small Cap Bank Index and KRE are regional bank stock ETF's
3. Russell 2000 is a small-cap stock market index; S&P 500 tracks performance of 500 large companies
4. Year to date results January 1, 2022 – November 30, 2022

Headlines:

- We covered a great many important topics in our recent [3rd Quarter 2022 Letter to Investors](#) and hope you digested our comments in that communication. You may click the preceding link to review it if you have not done so already.
- Q4 2022 is getting pretty “long in the tooth” and is almost in the books. As you see from the table above, October and November were very good months for our banks. The cumulative Q4 results are also very solid.
- So far, December has not seen the traditional “Santa Claus Rally”. We’ll see what happens in these final days of the year.
- The key new development in December that we wish to share is this: Earlier in the quarter, the “sentiment” was the Fed may be nearing the end of their rate hikes and slowing the magnitude of them. Accordingly, broader markets rallied, and banks followed suit. However, since the stronger-than-expected ISM report in early December, investors have changed their view and now predict a terminal Fed Funds rate closer to 5% than ~4.75%. We believe this to be the main reason for the stock price declines we have seen in December.
- As highlighted all year, higher rates are good for banks (even though they are not so good for borrowers), and net interest income and margins have grown markedly for banks throughout the year. However, we re-emphasize, the rate at which NII and NIM has grown is likely to peak in Q4 2022.
- We will provide a robust/full 2023 forecast in our year-end letter to be sent in February. The short synopsis of our current attitude for 2023 is that we are delighted to have our holdings in highly asset sensitive banks, we’re trimming our holdings in the few banks we own which are not asset sensitive, and we’re holding more cash than usual while we watch the inverted yield curve like a hawk.
- The conclusion you should draw from the above is that we are confident with our investments and our overall long-term value-oriented approach; and continuing to actively steward the resources you’ve entrusted to us (as we have always done).

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