



JOHN W. ROSENTHAL CAPITAL MANAGEMENT, INC.

September 2022 Quick Overview Summary:

Summary Results Table: The table below presents our performance by month and YTD as of 9/30/2022; 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%
July	10.3%	7.4%	7.5%	9.8%	9.0%	10.4%
Aug.	-2.4%	-2.0%	-1.5%	-1.9%	-4.0%	-2.2%
Sept.	-6.3%	-6.2%	-5.5%	-5.9%	-9.6%	-9.7%
YTD	-17.9%	-15.0%	-19.4%	-16.9%	-24.8%	-25.9%
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

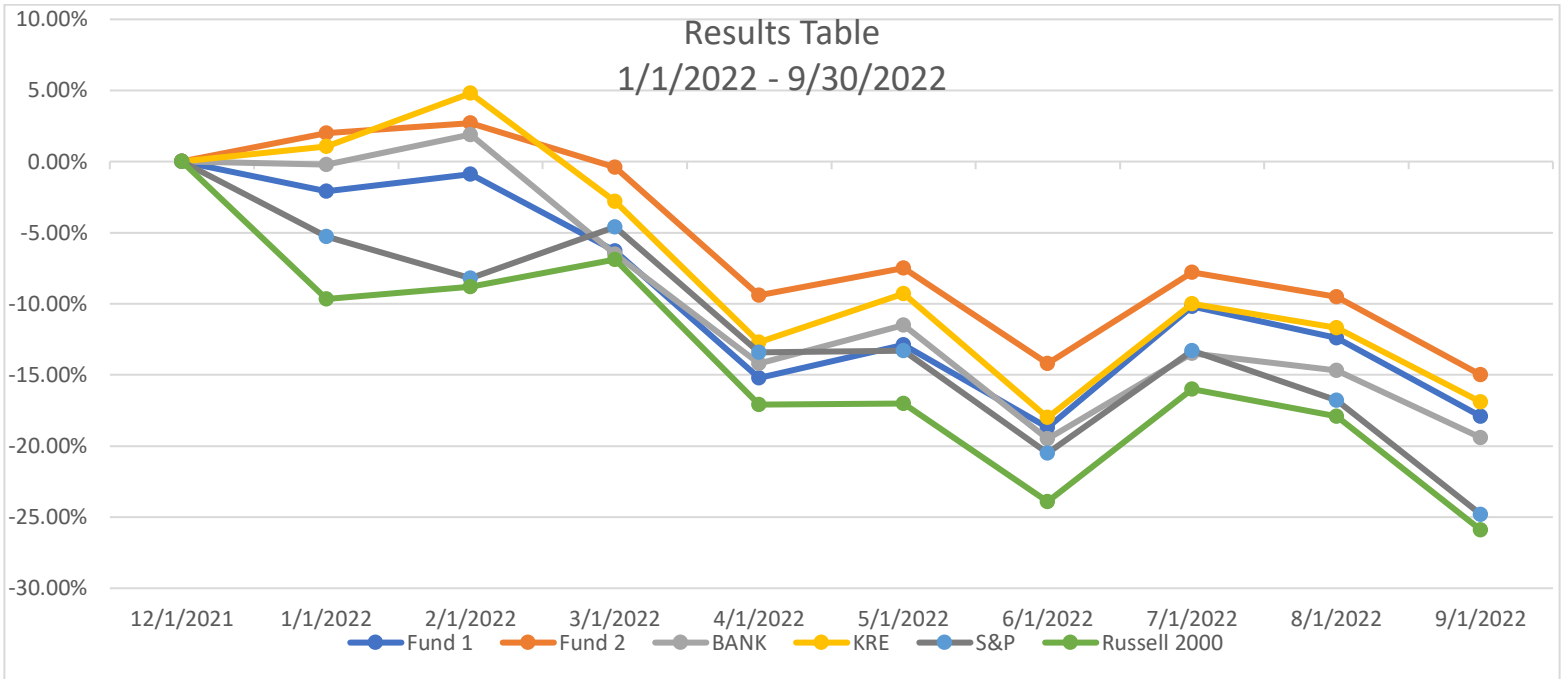
Headlines:

- Fund 1 was up 0.9% in the 3rd Quarter and Fund 2, down 1.2%. YTD, Fund 2 has outperformed Fund 1 and **all** benchmarks – some, very meaningfully. Fund 1 has beaten our benchmarks except KRE, and broader market indices by a lot!
- **Volatility is the biggest headline this month.** The Vix Volatility Index remains high at 33.95 as of 10/12 (up 98% YTD).
- The chart on the following page demonstrates the info in the table above in graphic form. Since quarter end, volatility has continued in October. Banks popped roughly 6% during the first two days of the month – before settling back to “flat” earlier this week. But, as of this writing, **banks are up roughly +6% October MTD (KRE results 10/1-10/13)**. What changed to cause these momentous fluctuations? In our view – virtually nothing. *Our unswerving advice is to hunker down and stay focused on the long-run view of investing. Currently, for banks, market psychology is driving volatility more than fundamentals. The fundamentals are strong!*
- A recession in the coming months has become more likely. Yet employment remains very strong, and borrowers are still paying their bills on time. **IF** a recession occurs, our banks are exceedingly well reserved for the potential uptick in non-performers or charge-offs.
- Interest rates continue to rise – which is good for banks – but not as good for general corporations or broader markets.
- With the increase in rates, we anticipate stellar earnings to be reported from our banks in Q3. We expect this will portend a near-term “tailwind” for bank stock prices. We hope to see an outcome like what happened in July after Q2 earnings were reported. (See table above for July results).
- Yield curve inverts further with the 10-2 UST spread now at -0.50% as of this writing. The clock started ticking when the yield curve inverted in March of this year, and the longer it remains inverted, and/or the steeper the inversion, the more concerned we will be. As of now, bank deposit costs are not rising nearly as much as UST treasuries – primarily due to the excess liquidity in the banking system. This phenomenon of an inverted yield curve may not last forever; but if it persists and forces deposit cost to increase in the future faster than loan yields, we will react appropriately.
- Of course, we will provide our full 3rd Quarter Letter to Investors next month – recapping our Fund’s performance, providing more “color” on the markets, and reviewing banks earnings results after they are announced.

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



As always, past performance may not be indicative of future results. Therefore, no current or prospective client should assume that the future performance of any specific investment, investment strategy (including the investments and/or investment strategies recommended by the advisor), will be profitable or equal to past performance levels