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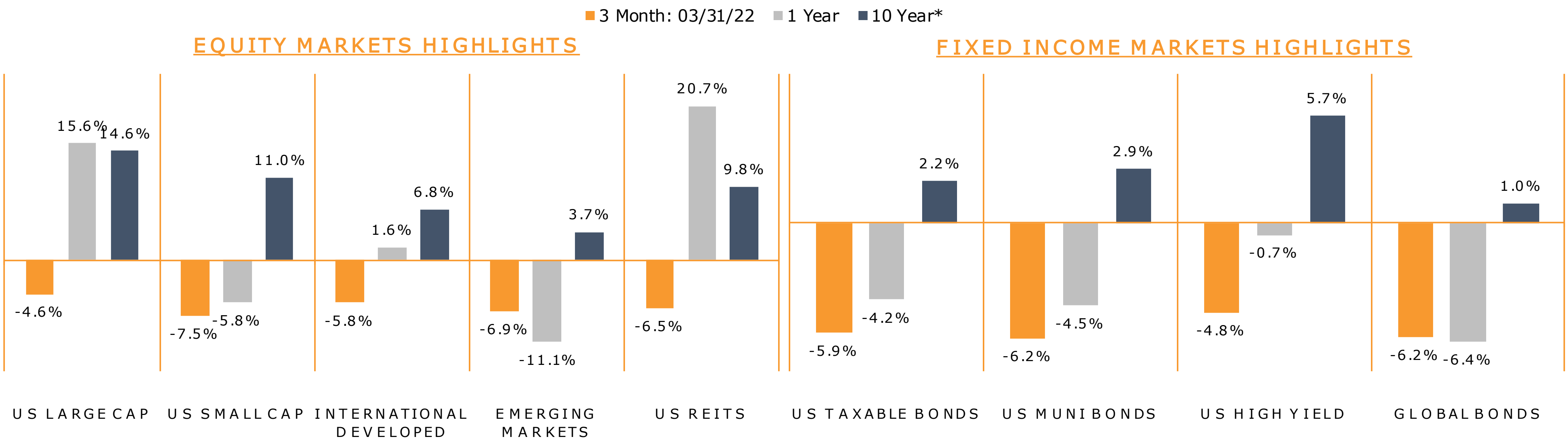
Q1’22 Market Review



- Elevated volatility weighed on risk assets in the first quarter of 2022 as inflation surged to 40-year highs, prompting the Fed to raise rates at a much faster pace than anticipated.
- Investor sentiment waned after Russia surprised the world with a full-scale military invasion of Ukraine on February 24th.
- In the US, the S&P 500 retreated nearly 13% by mid-March as geopolitical tensions and tighter monetary policy took center stage. In the final weeks, the S&P 500 regained ground to finish the quarter down 5%, underscoring the resilience of equity markets. The prospect of higher interest rates put pressure on areas with lofty valuations, specifically growth-oriented tech stocks and small-cap equities.
- International equities declined on geopolitical and pandemic-related fears. Emerging Markets saw greater selling pressure from a strong US dollar.
- The Russia-Ukraine conflict roiled commodity markets with soaring prices of crude oil, wheat, corn, and natural gas. The war added to existing concerns around inflation and potential spillover effects on corporate earnings and consumer spending.

- Bonds were not immune to selling pressure in 1Q as US and Global markets fell sharply on persistent inflation and higher borrowing costs.
- The Fed hiked rates for the first time since 2018, sending US 10-year Treasury yield higher by 80 basis points over the quarter to end at 2.32%.
- Corporate and Municipal bonds lagged safe-haven Treasuries, while Investment Grade corporates trailed High Yield, and Short-Duration outpaced Long-Duration.
- The four-decade bull market in bonds was supported by low interest rates and tame inflation. The rapid spike in yields may signal an end to the bull-run as low real yields are unable to offset capital losses.
- Crippled supply chains, renewed COVID cases, and the Russian invasion amplified recession probability. The rapid “re-pricing” across fixed income underscores a cautious stance for investors.
- Long-duration, fixed-rate bonds may see further downside, while shorter-duration bonds with floating rates may present opportunities.

*Annualized daily returns as of 3/31/2022

Source: YCharts, Inc.; underlying indices are S&P 500® TR Index, Russell 2000® TR Index, MSCI EAFE TR, MSCI Emerging Markets Index TR, Dow Jones US Real Estate Index TR, Barclays Municipal Bond Index, Barclays U.S. Aggregate Bond Index, Barclays U.S. Corporate High Yield Bond Index and the Barclays Global Aggregate Bond Index.

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Q1'22 U.S. Market Snapshot

US Equity Market Snapshot	3/31/22
Sector	3 Month Return
Energy	39.0%
Utilities	4.7%
Consumer Defensive	-1.1%
Financials	-1.5%
Industrials	-2.4%
Materials	-2.4%
Health Care	-2.5%
Real Estate	-6.2%
Technology	-8.4%
Consumer Cyclical	-9.4%
Comm. Services	-11.2%

CRSP Equity Style Snapshot			3/31/22
3 Month	Value	Blend	Growth
Large	1.0%	-5.3%	-10.3%
Mid	0.1%	-6.3%	-12.3%
Small	-1.2%	-5.7%	-11.9%

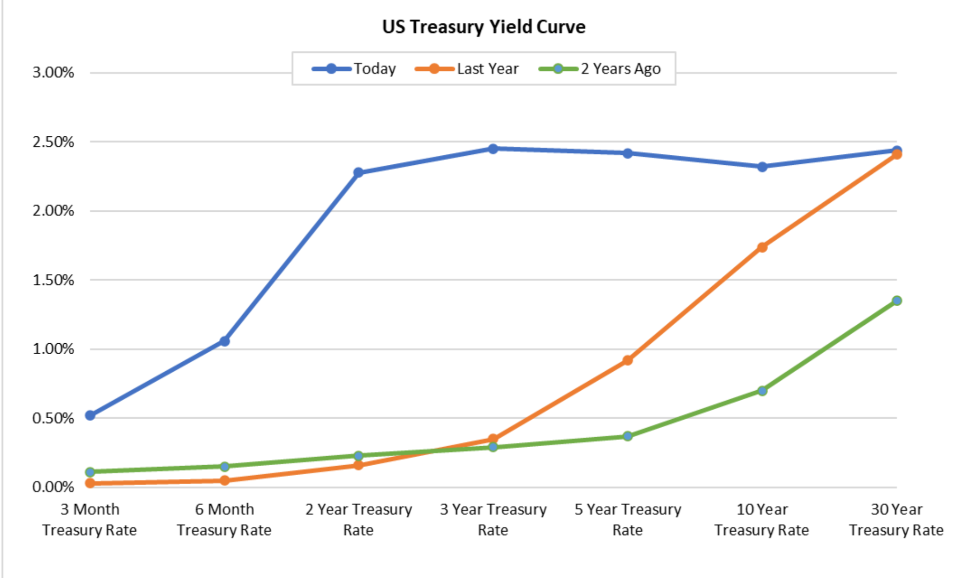
Market Indicators							
Name	As of	Last Month**	1 Month Ago	1 Mo. % Change	1 Year Ago	1 Year % Change	Freq.
Key Interest Rates							
1 Month Treasury	3/31/22	0.17%	0.06%	▲ 183.3%	0.01%	▲ 1600.0%	Daily
2 Year Treasury	3/31/22	2.28%	1.44%	▲ 58.3%	0.16%	▲ 1325.0%	Daily
10 Year Treasury	3/31/22	2.32%	1.83%	▲ 26.8%	1.74%	▲ 33.3%	Daily
30 Year Mortgage	3/31/22	4.67%	3.89%	▲ 20.1%	3.17%	▲ 47.3%	Weekly
US Corporate AAA	3/31/22	3.01%	2.61%	▲ 15.3%	2.11%	▲ 42.7%	Daily
US Corporate BBB	3/31/22	3.89%	3.43%	▲ 13.4%	2.55%	▲ 52.5%	Daily
US Corporate CCC	3/31/22	9.67%	9.41%	▲ 2.8%	7.41%	▲ 30.5%	Daily
Effective Federal Funds	3/31/22	0.33%	0.08%	▲ 312.5%	0.06%	▲ 450.0%	Daily
U.S. Economy							
Consumer Sentiment	3/31/22	59.40	62.80	▼ -5.4%	84.90	▼ -30.0%	Monthly
Unemployment Rate	3/31/22	3.60%	3.80%	▼ -5.3%	6.00%	▼ -40.0%	Monthly
Inflation Rate	3/31/22	8.54%	7.87%	▲ 8.5%	2.62%	▲ 226.1%	Monthly
Manufacturing PMI	3/31/22	57.10	58.60	▼ -2.6%	64.70	▼ -11.7%	Monthly
Non Manufacturing PMI	3/31/22	58.30	56.50	▲ 3.2%	63.70	▼ -8.5%	Monthly
Retail Sales	3/31/22	590,365	587,808	▲ 0.4%	559,772	▲ 5.5%	Monthly
Building Permits	2/28/22	1,859	1,885	▼ -1.4%	1,726	▲ 7.7%	Monthly

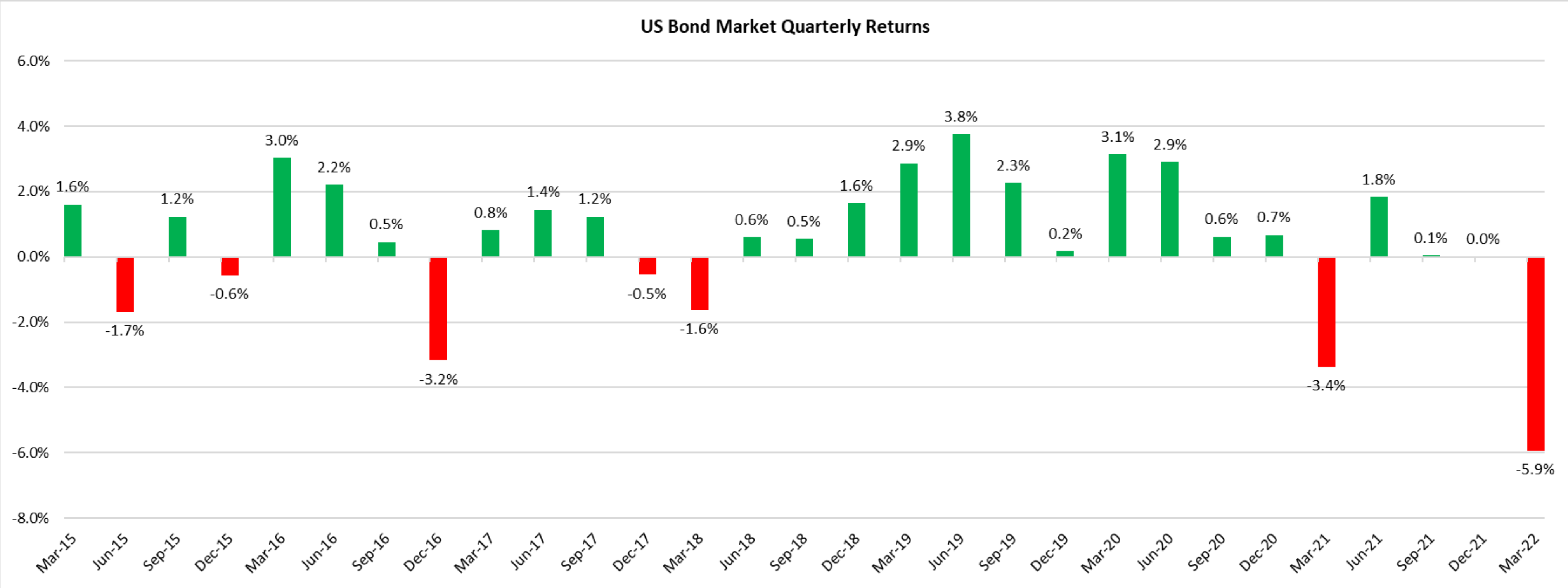
Source: YCharts, Inc.

Market conditions and trends will vary. Past performance is no guarantee of future results. Investments cannot be made in an index.

Q1'22 TOI: A New Chapter for Bond Investing

- US bond markets posted its worst quarterly return since 1980, with the Barclays US Aggregate Bond Index falling nearly 6%.
- Rising bond yields against a backdrop of decelerating economic growth may pose long-term headwinds for fixed income returns.
- Structural, supply-led inflation dynamics may push borrowing costs higher in the near-term, which suggests bond volatility could continue.
- The right-hand chart highlights the rapid "re-pricing" across the US Treasury curve as investors brace for persistent inflation and central bank policy errors.
- The spread between 2-year and 10-year Treasuries inverted for the first time since 2019, a potential recession indicator.





Source: YCharts, Inc.