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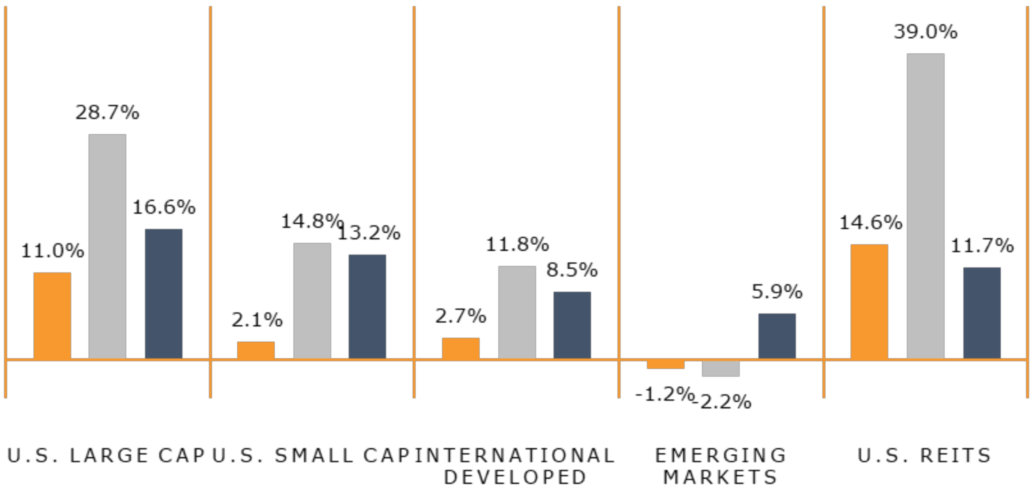
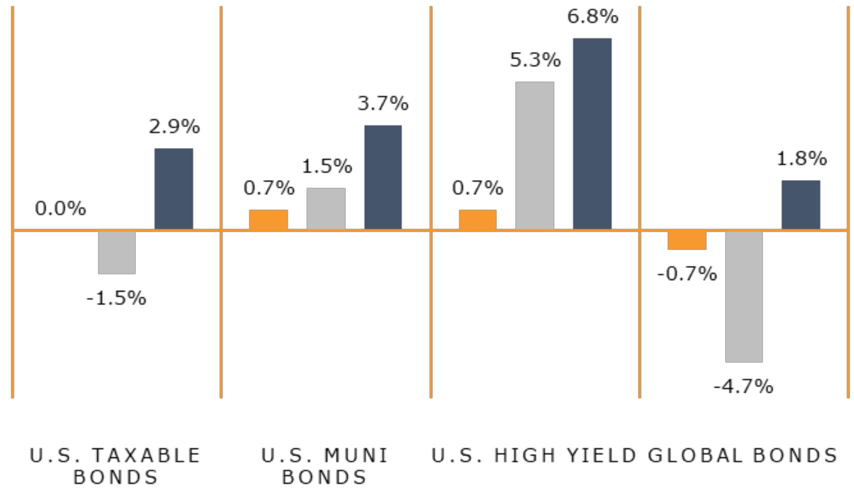
Q4’21 Market Review

■ 3 Month: 12/30/21 ■ 1 Year ■ 10 Year*

EQUITY MARKETS HIGHLIGHTS



FIXED INCOME MARKETS HIGHLIGHTS



- **U.S. Large Cap Stocks** finished 2021 on a solid note, with the S&P 500 Index up +11.0% in Q4 and up +28.7% for the calendar year. Large Cap Growth names lead the way in Q4, while Small Cap Value was the standout for the year.
  - Strong corporate earnings growth provided a boost to performance across major U.S. equity sectors. U.S. large cap technology shares were among the leaders which helped growth outperform value in Q4 and the full year.
- **U.S. Small Cap Stocks** continued to lag U.S. Large Caps as concerns over economic growth and the Fed’s QE tapering schedule weighed more heavily on small-cap companies. The segment finished the quarter up +2.1%.
- **International Developed Stocks** were up +2.7% in Q4 with European equities posting healthy returns while Japanese equities finished the quarter down -3.9%.
- **Emerging Markets Stocks** fell -1.2% in Q4 to finish the year down -2.2% as Chinese stocks significantly lagged global equities. Weakness in Q4 stemmed from a stronger U.S. dollar and concerns over the potential impact from the Omicron variant on the economic recovery.
- **U.S. REITS** outperformed U.S. equities in Q4, up +14.6%. Property stocks finished the year up +39.0% as economic conditions and real estate fundamentals improve.

- **U.S. Taxable Bonds** posted flat returns in Q4 to finish the calendar year down -1.5%. Pressure on bond markets stemmed from potential Fed rate hikes coming in sooner than expected combined with elevated inflation that may prove “stickier” than many investors originally anticipated.
- **U.S. Muni Bonds** were up +0.7% in Q4, outpacing their taxable counterparts. The segment benefited from strong investor demand combined with limited new-issue supply.
- **U.S. High Yield** credit markets were up +0.7% in Q4 and +5.3% for the year as investor preference held steady for higher-yielding, lower-quality corporate bonds amidst low rates, high inflation, and improving economic conditions. Strong corporate balance sheets and earnings should support high yield credit in the near-term.
- **Global Bonds** fell -0.7% in Q4 and -4.7% for the calendar year. Fixed income markets are likely to remain mixed in the near-term as the global economy recovers and central bank policy measures are steadily pared back, pushing interest rates marginally higher.

*Annualized daily returns as of 12/31/2021

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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Q4’21 U.S. Market Snapshot

US Equity Market Snapshot	12/31/21
Sector	**3 Month Return**
Real Estate	17.6%
Technology	16.7%
Materials	15.1%
Consumer Cyclical	14.1%
Utilities	12.9%
Consumer Defensive	12.8%
Health Care	11.1%
Industrials	8.6%
Energy	7.9%
Financials	4.6%
Comm. Services	-2.8%

CRSP Equity Style Snapshot			12/31/21
3 Month	**Value**	**Blend**	**Growth**
Large	9.3%	10.1%	10.7%
Mid	8.2%	8.0%	7.8%
Small	6.4%	3.9%	0.6%

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	12/30/21	0.06%	0.11%	▼ -45.5%	0.06%	▲ 0.0%	Daily
2 Year Treasury	12/30/21	0.73%	0.52%	▲ 40.4%	0.12%	▲ 508.3%	Daily
10 Year Treasury	12/30/21	1.52%	1.43%	▲ 6.3%	0.93%	▲ 63.4%	Daily
30 Year Mortgage	12/30/21	3.11%	3.10%	▲ 0.3%	2.66%	▲ 16.9%	Weekly
US Corporate AAA	12/31/21	2.03%	2.00%	▲ 1.5%	1.55%	▲ 31.0%	Daily
US Corporate BBB	12/31/21	2.60%	2.55%	▲ 2.0%	2.06%	▲ 26.2%	Daily
US Corporate CCC	12/31/21	7.96%	8.32%	▼ -4.3%	8.36%	▼ -4.8%	Daily
Effective Federal Funds	12/31/21	0.07%	0.07%	▲ 0.0%	0.09%	▼ -22.2%	Daily
U.S. Economy							
Consumer Sentiment	12/31/21	70.60	67.40	▲ 4.7%	80.70	▼ -12.5%	Monthly
Unemployment Rate	11/30/21	4.20%	4.80%	▼ -12.5%	6.70%	▼ -37.3%	Monthly
Inflation Rate	11/30/21	6.81%	5.39%	▲ 26.3%	1.17%	▲ 479.7%	Monthly
Manufacturing PMI	12/31/21	58.70	61.10	▼ -3.9%	60.50	▼ -3.0%	Monthly
Non Manufacturing PMI	12/31/21	62.00	69.10	▼ -10.3%	57.70	▲ 7.5%	Monthly
Retail Sales	11/30/21	566,098	554,233	▲ 2.1%	487,600	▲ 16.1%	Monthly
Building Permits	11/30/21	1,712	1,586	▲ 7.9%	1,696	▲ 0.9%	Monthly

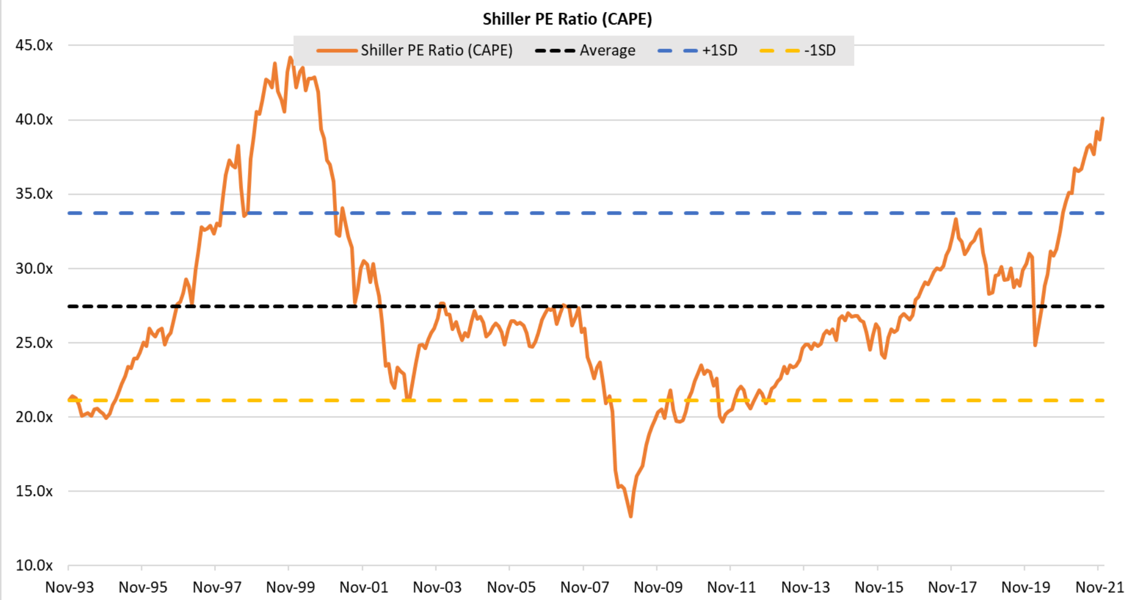
Source: YCharts, Inc.

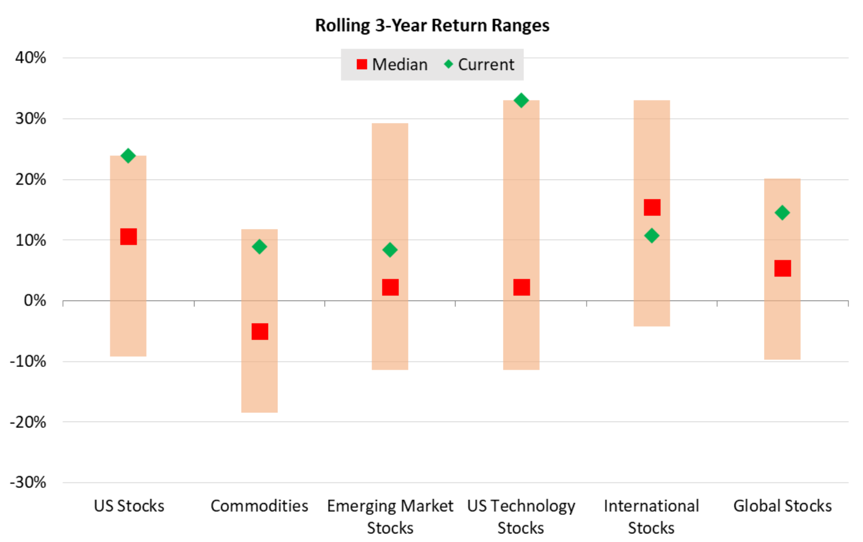
Q4’21 TOI: Near-term Headwinds in Mixed Backdrop

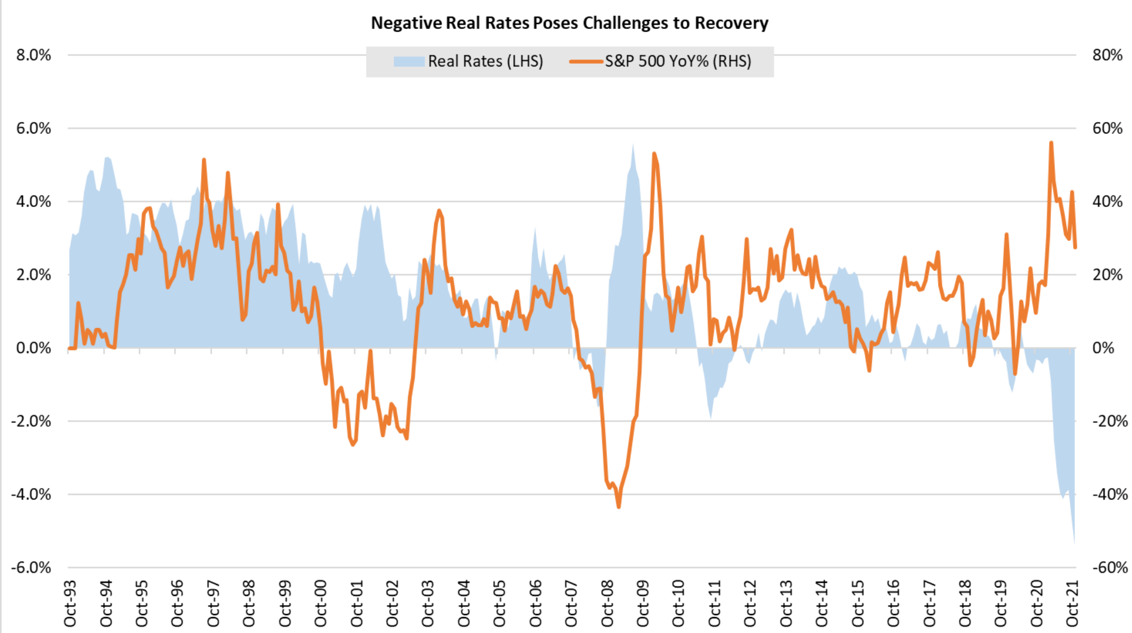
Central bank liquidity has fueled the equity rally since pandemic lows in March 2020. The market will likely reach an inflection point where the focus shifts to fundamentals.

- **US Stock Valuations** – CAPE ratio roughly +2 standard deviations above long-term average of 27.4x at 40.1x
- **Bond Market Valuations** – “Yield chasing” theme in low-rate market has driven credit spreads to 30-year lows
- **Inflation** – Accelerating inflation poses risks to the consumer and corporate balance sheets. Negative real rates may challenge near-term growth.
- **Stock Selection** – We expect performance dispersion across asset classes to increase. Fundamentals are likely to have a greater influence on pricing.

Overall, mixed economic growth, rich valuations and accelerating inflation will require selective and diversified exposure across risk assets.







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

Sources: YCharts, Inc.