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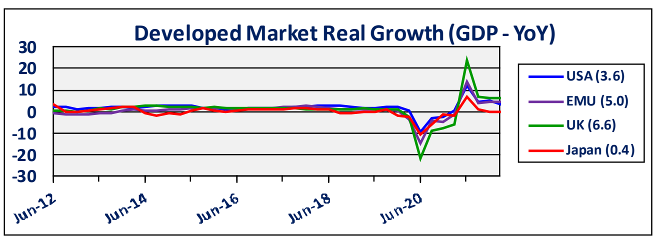
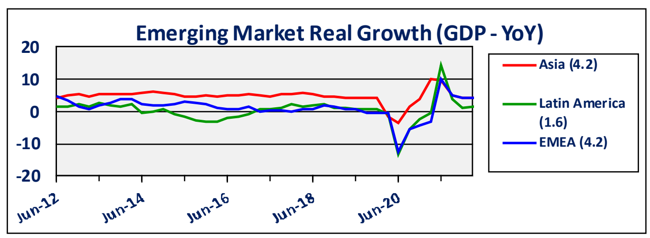
First Quarter 2022

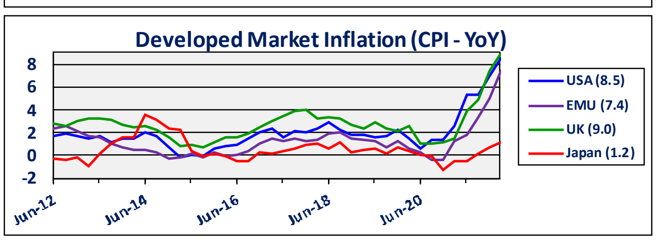
Global Market and Economic Perspective

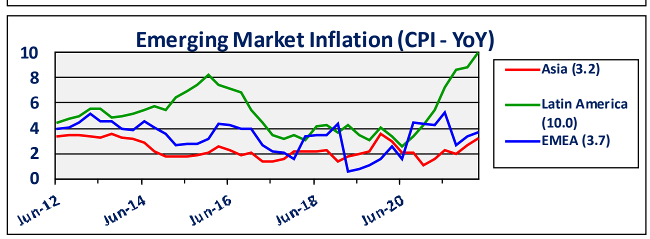
Global Economic Commentary

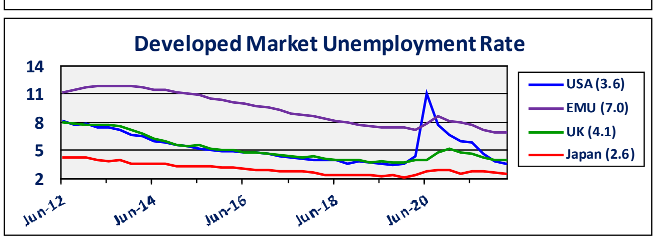
- **Financial markets were hit hard when Russia invaded Ukraine in late February. The war, and the Western sanctions that followed, exacerbated food and energy supply problems. As Russian energy exports were threatened with restrictions, prices jumped and already-high inflation accelerated.**
- **In the US, inflation hit 40-year highs, regardless of which index was being used to measure prices – CPI, core CPI, PCE deflator, etc. Consumers especially took note of gasoline prices rising to $5 and $6 per gallon in parts of the country.**
- **Real GDP in the US declined slightly in the first quarter, which was the first decline since the lockdowns at the beginning of the Covid crisis. However, the fall was not due to weak personal consumption or investment spending. It was instead driven by inventory drawdowns due to continued supply chain issues, and by weak exports.**
- **European economies were hit harder by the energy and production problems, due to their proximity to the Ukrainian conflict. Germany in particular imports a substantial amount of its oil and natural gas from Russia.**
- **In China, Covid-related lockdowns continued to roll through economy, which caused disruptions to manufacturing and exports. In addition, the financial condition of real estate developers deteriorated.**

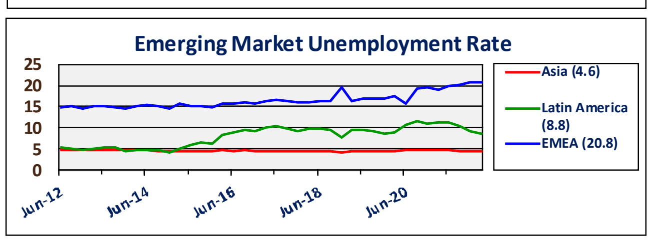












Notes: Emerging market economic statistics are estimated by region using eight countries, which represent roughly 80% of the MSCI Emerging Market Equity Index.
Recent observations may be estimated where reporting lags make official data unavailable at the time of this report.

Global Market and Economic Perspective – Q1 2022

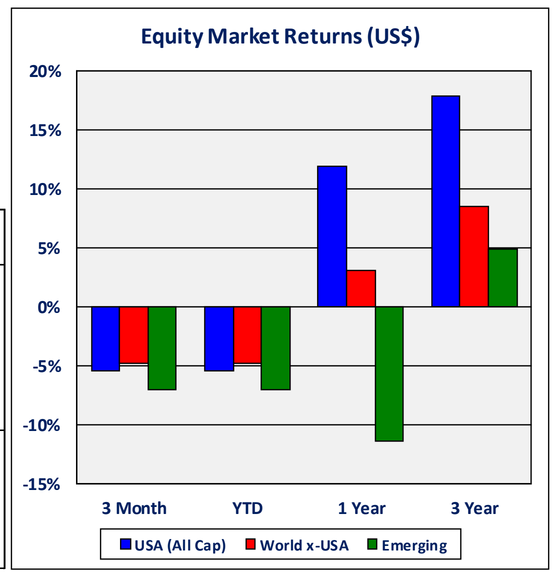
Global Equity and Currency Commentary

- **Equities produced losses across the board – US, non-US developed, and emerging. In the US market, tech-related and other growth stocks were hit especially hard. This can be attributed in part to lofty valuations and rising interest rates. Higher interest rates increase the discount rate used to put a current value on future cash flows. Because growth stocks generally pay less out in the form of dividends, their cash flows are much further in future, and therefore their values tend to fall more sharply as the discount rate rises.**
- **Returns in non-US equities were negative, due to both declining share prices and a stronger US dollar. The dollar strengthened as expectations grew that the Fed would be more aggressive than many other central banks in raising interest rates. This improvement in the prospective return to holding dollars caused the currency to move higher.**

Global Equity Market Returns (MSCI)

	Returns (US$)				Returns (Local)			
3/31/2022	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	**-5.4%**	**-5.4%**	**11.9%**	**17.9%**				
USA Growth	-9.0%	-9.0%	14.1%	24.6%				
USA Value	-1.6%	-1.6%	12.7%	11.7%				
USA SC Growth	-10.8%	-10.8%	-8.4%	14.0%				
USA SC Value	-1.4%	-1.4%	7.0%	11.4%				
Foreign Developed								
World x-USA	**-4.8%**	**-4.8%**	**3.0%**	**8.6%**	**-3.0%**	**-3.0%**	**7.5%**	**8.7%**
Europe	-7.4%	-7.4%	3.5%	8.2%	-5.4%	-5.4%	7.9%	8.0%
Far East	-5.9%	-5.9%	-7.0%	5.5%	-1.6%	-1.6%	0.7%	8.3%
Australia	7.3%	7.3%	13.5%	12.1%	3.8%	3.8%	15.1%	10.0%
Canada	4.6%	4.6%	20.2%	15.3%	3.4%	3.4%	19.5%	12.8%
Emerging Markets								
Emerging	**-7.0%**	**-7.0%**	**-11.4%**	**4.9%**	**-6.1%**	**-6.1%**	**-9.9%**	**6.3%**
Asia	-8.7%	-8.7%	-15.2%	6.1%	-7.3%	-7.3%	-13.4%	6.4%
Latin America	27.3%	27.3%	23.5%	3.2%	13.7%	13.7%	10.6%	8.2%
EMEA	-13.7%	-13.7%	-5.7%	1.3%	-9.5%	-9.5%	1.4%	5.6%

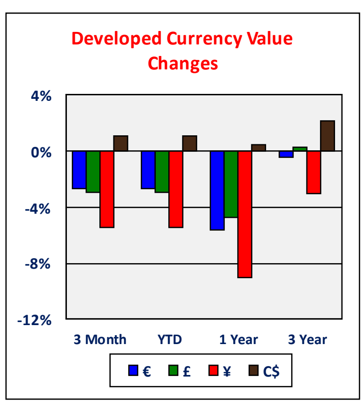
Annualized if greater than one year

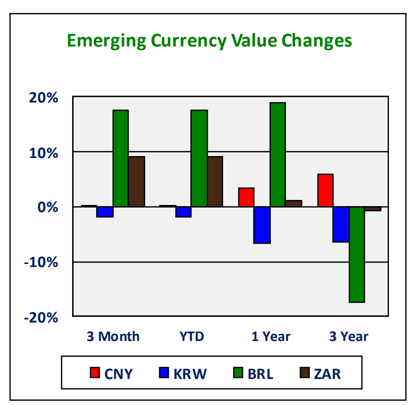


Foreign Exchange Rate History (Bloomberg)

	Current	Change (Foreign Currency versus $)			
3/31/2022	Level	3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	**1.11**	-2.7%	-2.7%	-5.7%	-0.5%
British Pound (£)	**1.31**	-2.9%	-2.9%	-4.7%	0.3%
Japanese Yen (¥)	**122**	-5.4%	-5.4%	-9.0%	-3.1%
Canadian Dollar (C$)	**1.25**	1.1%	1.1%	0.5%	2.2%
Emerging					
Chinese Renminbi (CNY)	**6.34**	0.3%	0.3%	3.4%	5.9%
Korean Won (KRW)	**1212**	-1.8%	-1.8%	-6.6%	-6.3%
Brazilian Real (BRL)	**4.74**	17.5%	17.5%	18.8%	-17.3%
South African Rand (ZAR)	**14.61**	9.1%	9.1%	1.1%	-0.8%

Annualized if greater than one year





Global Market and Economic Perspective – Q1 2022

US Fixed Income and Fed Commentary

- **Because higher inflation and rising cash rates negatively impact both stocks and bonds, we have seen a return to a positive correlation between stock and bond market returns. This correlation was fairly high in the 1970s and 1980s; bond prices fell and stocks did not perform well during the stagflation of the '70s. Then, bonds and stocks both provided outstanding returns in the '80s, as inflation and yields fell sharply.**
- **There was nowhere to hide in the bond market during the quarter. Even "low-risk" US Treasury securities showed negative returns; corporate bonds performed even worse, due to the stock market's weakness; and, more surprisingly, cash returns fell below zero as the low level of income was insufficient to overcome the small price declines from rising short-term interest rates.**
- **The carnage in the bond market was due in part to investors finally recognizing that the inflation acceleration that started a year ago is likely to be neither "transitory" nor short-lived.**
- **The Fed signaled that their policy was changing in order to more aggressively address the threat of continued high inflation. Market expectations moved sharply higher toward multiple 50 basis point increases in 2022. The Fed also announced the removal of their massive bond buying program that has been in place for several years. This program continued to quietly grow, despite public comments that suggested that the Fed was already decreasing the size of their balance sheet.**

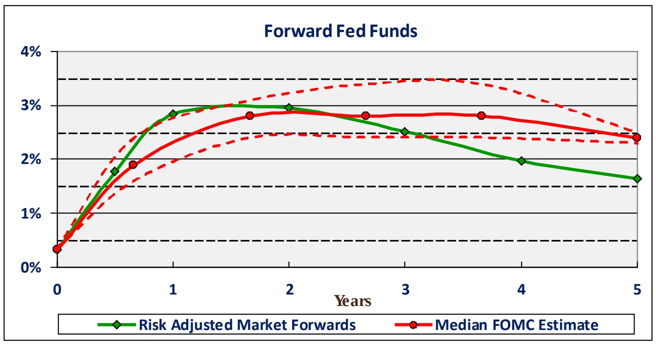
FOMC Fed Funds Rate Projections as of March 2022 Meeting

	Current	Dec-22	Dec-23	Dec-24	Dec-25	Long Run
Lower	0.33%	1.60%	2.40%	2.40%	2.40%	2.30%
Median	**0.33%**	**1.90%**	**2.80%**	**2.80%**	**2.80%**	**2.40%**
Upper	0.33%	2.40%	3.10%	3.40%	3.40%	2.50%

Market Implied Fed Funds Rate as of Apr 01, 2022

Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
0.33%	1.77%	2.84%	2.95%	2.51%	1.97%	1.64%

Notes
Upper and lower bands show central tendency for FOMC projections.
Market implied Fed Funds rates are risk adjusted.



US Bond Yield and Spread History (Bloomberg)

	Current Level	Change Through April 2022 3 Month	YTD	1 Year	3 Year
US Treasury					
Short	2.37%	1.07%	1.48%	2.01%	0.09%
Intermediate	2.42%	0.69%	1.02%	1.15%	0.02%
Long	2.55%	0.41%	0.66%	0.33%	-0.33%
US High Yield					
Yield	6.01%	0.75%	1.80%	2.02%	-0.10%
Spread	*3.21%*	*-0.18%*	*0.38%*	*0.31%*	*-0.37%*
Tax-Exempt Muni.					
Short	1.99%	0.87%	1.53%	1.70%	0.36%
Intermediate	2.33%	0.80%	1.42%	1.53%	0.39%
Long	2.84%	0.83%	1.44%	1.44%	0.37%