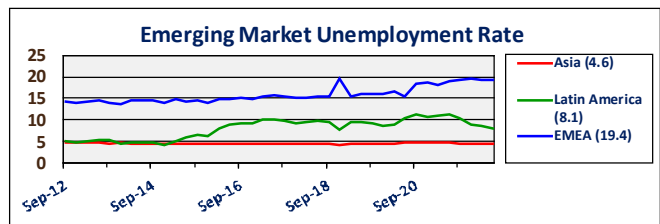
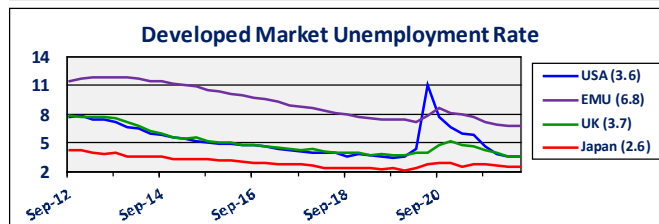
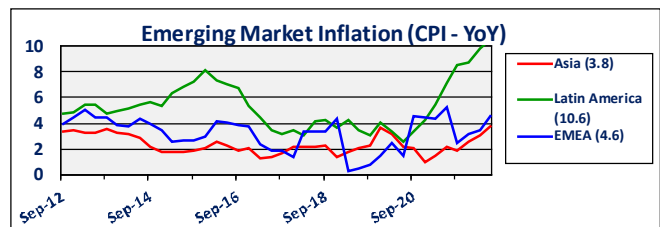
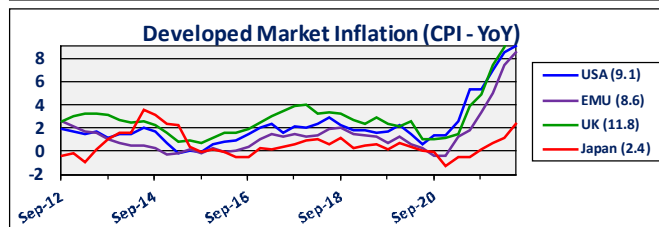
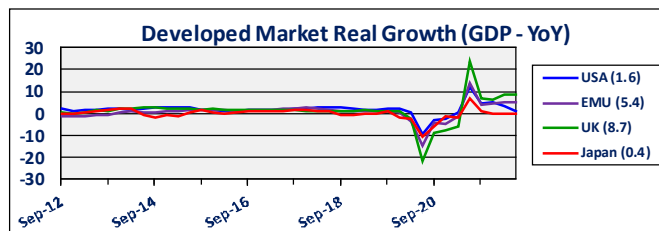


Second Quarter 2022

Global Market and Economic Perspective

Global Economic Commentary

- ❖ During the second quarter of 2022, higher inflation and lower real economic growth continued to worsen throughout developed and emerging countries around the world.
- ❖ Headline CPI inflation again hit multi-decade highs in the US, UK, Germany, and a number of other countries. In Europe and emerging market countries, inflation was largely driven by increases in energy and food costs, as the invasion of Ukraine continued to restrict supplies of natural gas, oil, and grain. In the US, consumer price pressures were more broad-based, as pandemic-related financial support and supply problems exacerbated global energy and food price pressures.
- ❖ Real GDP growth in the US was negative for the second quarter in a row, bringing the economy into what many economists consider a recession. Personal consumption expenditures, the largest component of GDP, showed very weak growth, as spending on goods declined. Investment spending and government expenditures also both detracted from real growth.
- ❖ Growth in China remained subdued, due to the continued lockdowns that are required by the government's zero-Covid policy. A number of other emerging market countries suffered from higher costs to import energy and food, with some drawing close to financial crisis (e.g., Sri Lanka, Pakistan).



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.

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Global Market and Economic Perspective – Q2 2022

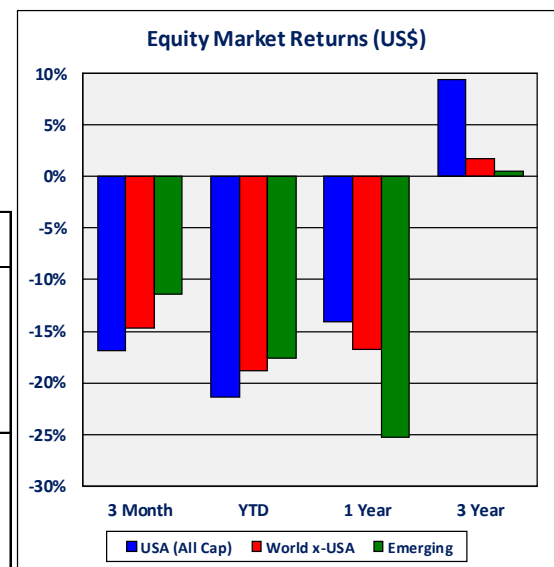
Global Equity and Currency Commentary

- ❖ With very few exceptions, equity markets across the globe delivered substantial losses during the second quarter. When coupled with the market declines in the first quarter, the result was one of the worst first halves in many years. Investors' negative sentiment was largely the result of increased inflation, policy interest rate increases from central banks, and anticipated future economic weakness.
- ❖ Value-oriented stocks in the US again outperformed growth stocks in the second quarter. Because value stocks tend to have higher dividends, their cash flows are received sooner and rising interest rates have less of a negative impact.
- ❖ Outside the US, returns in developed and emerging equity markets were much better than in the US market, although they were still negative. However, the strength of the US dollar significantly reduced foreign equity market returns to US investors. In total, developed foreign markets produced US-like returns, whereas emerging markets outperformed in the second quarter. Dollar strength was likely the result of rising domestic interest rates, which make US cash and fixed income investments more attractive relative to non-US alternatives.

Global Equity Market Returns (MSCI)

6/30/2022	Returns (US\$)				Returns (Local)			
	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	-16.9%	-21.3%	-14.1%	9.4%				
USA Growth	-23.0%	-29.9%	-21.9%	12.2%				
USA Value	-11.2%	-12.7%	-4.9%	6.3%				
USA SC Growth	-19.6%	-28.3%	-30.0%	4.5%				
USA SC Value	-14.1%	-15.3%	-12.3%	5.9%				
Foreign Developed								
World x-USA	-14.7%	-18.8%	-16.8%	1.7%	-8.5%	-11.2%	-6.4%	4.6%
Europe	-14.5%	-20.8%	-17.6%	1.2%	-8.7%	-13.6%	-7.5%	3.4%
Far East	-13.3%	-18.4%	-19.4%	0.2%	-4.6%	-6.1%	-4.3%	7.0%
Australia	-18.1%	-12.2%	-13.0%	2.4%	-10.6%	-7.2%	-5.1%	3.1%
Canada	-15.7%	-11.9%	-8.0%	7.2%	-13.0%	-10.0%	-4.1%	6.7%
Emerging Markets								
Emerging	-11.4%	-17.6%	-25.3%	0.6%	-8.1%	-13.7%	-20.2%	3.3%
Asia	-9.3%	-17.2%	-25.9%	3.1%	-6.3%	-13.1%	-21.6%	4.5%
Latin America	-21.9%	-0.6%	-16.1%	-6.3%	-15.7%	-4.1%	-12.1%	1.2%
EMEA	-17.1%	-28.4%	-27.2%	-7.0%	-13.4%	-21.6%	-16.6%	-1.0%

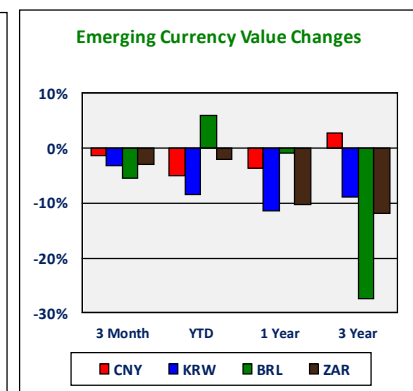
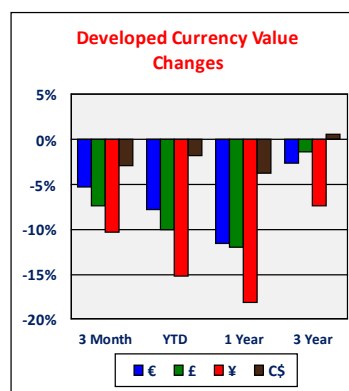
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

6/30/2022	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.05	-5.3%	-7.8%	-11.6%	-2.7%
British Pound (£)	1.22	-7.3%	-10.0%	-12.0%	-1.4%
Japanese Yen (¥)	136	-10.3%	-15.2%	-18.1%	-7.4%
Canadian Dollar (C\$)	1.29	-2.9%	-1.8%	-3.7%	0.6%
Emerging					
Chinese Renminbi (CNY)	6.70	-1.4%	-5.1%	-3.6%	2.7%
Korean Won (KRW)	1299	-3.3%	-8.4%	-11.5%	-8.9%
Brazilian Real (BRL)	5.26	-5.4%	6.0%	-0.8%	-27.5%
South African Rand (ZAR)	16.28	-3.0%	-2.1%	-10.3%	-11.9%

Annualized if greater than one year



Global Market and Economic Perspective – Q2 2022

US Fixed Income and Fed Commentary

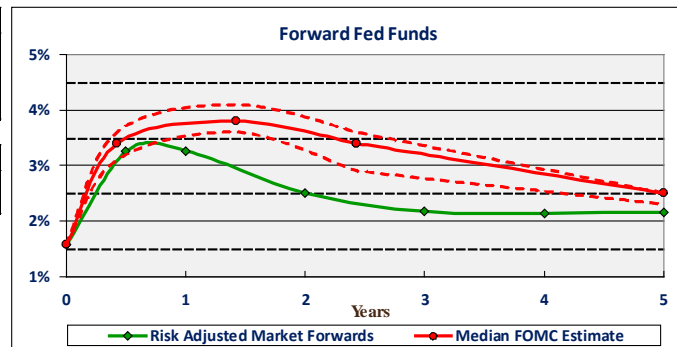
- ❖ After cutting their policy interest rate to near zero in March of 2020, the Federal Reserve raised rates at an aggressive pace in the first half of 2022. During the second quarter, after admitting that inflation was not going to be transitory, the Fed began to raise rates in larger and more frequent moves: 50 bps in May and another 75 bps in June, which was the largest increase in nearly 30 years. Forward projections indicate that more tightening is likely in the second half of 2022 and beyond.
- ❖ Bond market participants sent fixed income prices sharply lower again in the quarter. Similar to the equity market's poor performance in the first half of the year, bond market returns were negative for Treasuries, municipal bonds, and both investment-grade and high yield corporate bonds.
- ❖ Even at the short-term end of the Treasury market where interest rate sensitivity is low, the yield increase was sufficiently large to produce losses. As a result of low starting yields and large yield increases, the overall Treasury market lost almost 3.8% in the second quarter, which brought the sector's loss to more than 9.1% for the first six months of the year.
- ❖ Credit spreads in the investment-grade and high yield bond markets widened in the second quarter. The combination of higher underlying Treasury rates and wider spreads caused significant losses in corporate bonds in the quarter: more than 7.2% and 9.8% for investment grade and high yield, respectively.

FOMC Fed Funds Rate Projections as of June 2022 Meeting						
	Current	Dec-22	Dec-23	Dec-24	Dec-24	Long Run
Lower	1.58%	3.10%	3.60%	2.90%	2.90%	2.30%
Median	1.58%	3.40%	3.80%	3.40%	3.40%	2.50%
Upper	1.58%	3.60%	4.10%	3.60%	3.60%	2.50%

Market Implied Fed Funds Rate as of Jul 01, 2022							
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year	
1.58%	3.25%	3.26%	2.50%	2.17%	2.15%	2.16%	

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 June 2022			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	3.03%	0.65%	2.13%	2.58%	1.26%
Intermediate	3.06%	0.64%	1.66%	1.86%	1.18%
Long	3.33%	0.78%	1.44%	1.31%	0.87%
US High Yield					
Yield	8.89%	2.88%	4.68%	5.15%	3.02%
Spread	5.69%	2.48%	2.86%	3.02%	1.92%
Tax-Exempt Muni.					
Short	2.15%	0.17%	1.69%	1.81%	0.85%
Intermediate	2.80%	0.47%	1.89%	1.99%	1.13%
Long	3.68%	0.84%	2.27%	2.35%	1.45%

