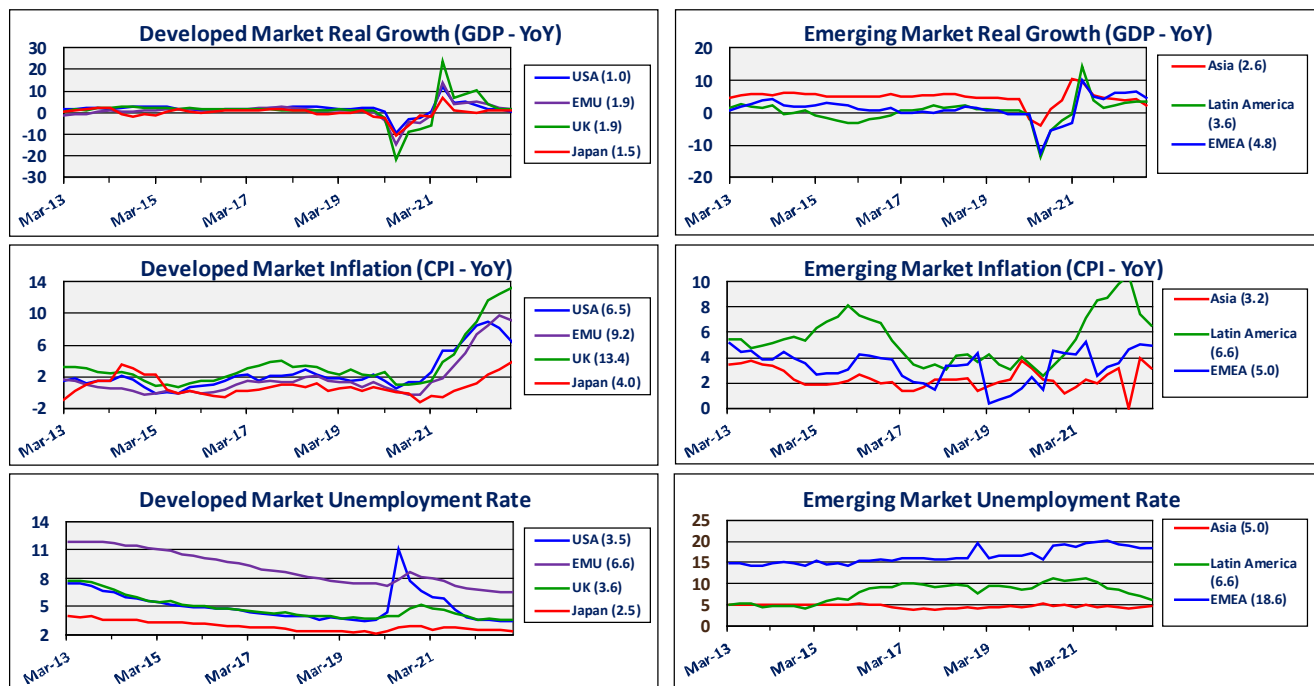


Fourth Quarter 2022

Global Market and Economic Perspective

Global Economic Commentary

- ❖ In the final quarter of 2022, fears of a global recession abated somewhat, as the economic data coming out of many countries was not as weak as expected earlier in the year. GDP growth in the US was positive, reversing the small decline in GDP in the first two quarters of the year. Despite the positive number, several sectors of the economy, such as autos and housing, continued to suffer. Higher mortgage interest rates, combined with elevated house prices, led to a sharp drop in home sales. The labor market stayed strong, with the unemployment rate remaining low and job openings high.
- ❖ Surprisingly, economic growth in continental Europe and the UK was more rapid than in the US. The improved situation in Europe can be attributed in part to mild winter weather, which led to energy prices falling from the highs reached earlier in the year due to Russia's invasion of Ukraine.
- ❖ Price pressures remained elevated in most countries, with year-over-year consumer price rises in October hitting multi-decade highs in the UK and Eurozone (above 11% and 10½%, respectively). Although headline inflation abated somewhat in a number of countries, core inflation in many was still heading in the wrong direction. In the US, while goods price inflation moderated, inflation in services continued to be problematic due to wage pressures resulting from the tight labor market.



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 – Q4 2022

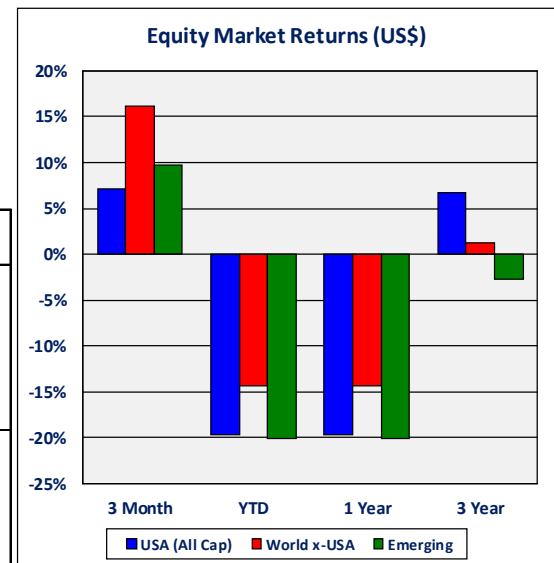
Global Equity and Currency Commentary

- ❖ Equity markets globally produced good returns in the fourth quarter, although the positive performance fell far short of offsetting the enormous declines from earlier in 2022. As economic growth outperformed expectations of recession, earnings growth continued to defy expectations earlier in the year of a sharp slowdown.
- ❖ Within US equities, value stocks continued their run of strong performance relative to growth, especially in larger capitalization shares. The large tech companies had outperformed for many years prior to last year's reversal of fortunes when equity discount rates increased as the Fed raised cash rates.
- ❖ Returns in non-US equities, particularly in developed markets, were better than in the US in the fourth quarter. This was largely due to a weakening of the US dollar against foreign currencies, which boosted the returns for US investors in foreign equity markets. The dollar, which had been very strong earlier in 2022 due to rising US interest rates, reversed course as investors anticipated that the Fed was likely to moderate the pace and magnitude of future interest rate hikes. At the same time, foreign central banks were still much earlier on their path of rate increases, indicating that the US dollar's interest differential would be narrowing over time.

Global Equity Market Returns (MSCI)

12/31/2022	Returns (US\$)				Returns (Local)			
	3 Month	YTD	1 Year	3 Year	3 Month	YTD	1 Year	3 Year
United States								
USA (All Cap)	7.1%	-19.6%	-19.6%	6.8%				
USA Growth	0.5%	-32.1%	-32.1%	6.9%				
USA Value	13.3%	-7.0%	-7.0%	5.5%				
USA SC Growth	5.8%	-25.0%	-25.0%	3.7%				
USA SC Value	9.9%	-10.4%	-10.4%	5.4%				
Foreign Developed								
World x-USA	16.2%	-14.3%	-14.3%	1.3%	8.4%	-7.0%	-7.0%	3.9%
Europe	19.3%	-15.1%	-15.1%	1.3%	10.4%	-8.5%	-8.5%	3.1%
Far East	13.6%	-15.1%	-15.1%	-1.1%	4.7%	-5.0%	-5.0%	4.3%
Australia	15.7%	-5.3%	-5.3%	4.1%	9.7%	1.6%	1.6%	5.3%
Canada	7.4%	-12.9%	-12.9%	5.0%	5.9%	-6.5%	-6.5%	6.5%
Emerging Markets								
Emerging	9.7%	-20.1%	-20.1%	-2.7%	6.6%	-15.5%	-15.5%	0.1%
Asia	10.8%	-21.1%	-21.1%	-1.3%	7.7%	-16.3%	-16.3%	0.5%
Latin America	5.7%	8.9%	8.9%	-4.8%	2.5%	4.2%	4.2%	1.4%
EMEA	5.8%	-28.3%	-28.3%	-7.7%	3.2%	-20.6%	-20.6%	-1.4%

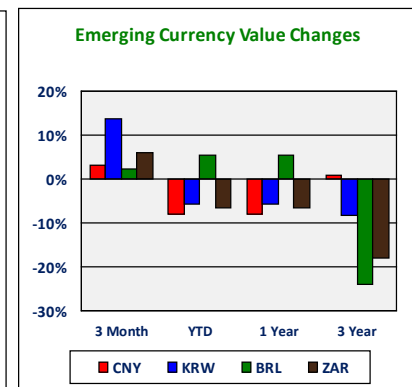
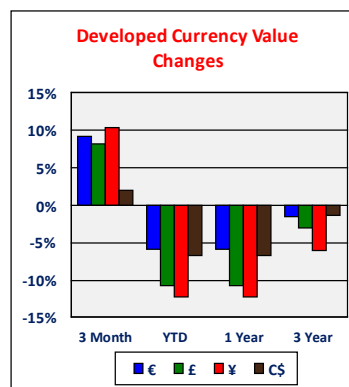
Annualized if greater than one year



Foreign Exchange Rate History (Bloomberg)

12/31/2022	Current Level	Change (Foreign Currency versus \$)			
		3 Month	YTD	1 Year	3 Year
Developed					
Euro (€)	1.07	9.2%	-5.8%	-5.8%	-1.5%
British Pound (£)	1.21	8.2%	-10.7%	-10.7%	-3.0%
Japanese Yen (¥)	131	10.4%	-12.2%	-12.2%	-6.1%
Canadian Dollar (C\$)	1.36	2.0%	-6.8%	-6.8%	-1.4%
Emerging					
Chinese Renminbi (CNY)	6.90	3.1%	-7.9%	-7.9%	0.9%
Korean Won (KRW)	1260	13.6%	-5.6%	-5.6%	-8.3%
Brazilian Real (BRL)	5.29	2.4%	5.4%	5.4%	-23.9%
South African Rand (ZAR)	17.04	6.2%	-6.5%	-6.5%	-17.8%

Annualized if greater than one year



Global Market and Economic Perspective – Q4 2022

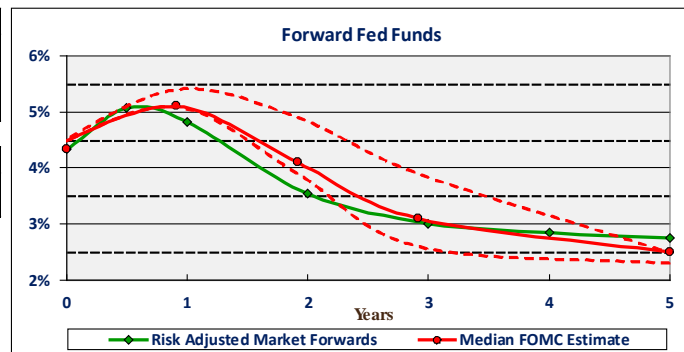
US Fixed Income and Fed Commentary

- ❖ During the fourth quarter of 2022, the Federal Reserve continued raising their policy Fed funds interest rate. At the early November FOMC meeting, they hiked another three-quarters of a percentage point, which was the fourth 75 basis point increase in a row. The Fed raised rates again at their December meeting, but only by 50 basis points. The latest increase resulted in a Fed funds policy range of 4.25% to 4.50%, a substantial increase from the 0% to 0.25% range at the start of 2022. The smaller increase in December indicated that the pace and size of future rate hikes would be diminishing, and led some investors to anticipate that the Fed will actually start cutting rates in 2023.
- ❖ In contrast to earlier in the year, the fourth-quarter increases in the Fed funds rate did not result in widespread increases in bond yields. In fact, many fixed income sectors – munis, investment-grade credit, and high yield – experienced falling rather than rising credit spreads and yields.
- ❖ Declining yields in these sectors produced higher bond prices, and thus strong returns. However, the good performance of the fourth quarter was nowhere near sufficient to offset the substantial losses that fixed income produced in the first three quarters of the year.

FOMC Fed Funds Rate Projections as of December 2022 Meeting						
	Current	Dec-22	Dec-23	Dec-24	Dec-25	Long Run
Lower	4.33%	4.40%	5.10%	3.90%	2.60%	2.30%
Median	4.33%	4.40%	5.10%	4.10%	3.10%	2.50%
Upper	4.33%	4.40%	5.40%	4.90%	3.90%	2.50%

Market Implied Fed Funds Rate as of Jan 03, 2023						
Current	6 Month	1 Year	2 Year	3 Year	4 Year	5 Year
4.33%	5.08%	4.83%	3.54%	3.01%	2.84%	2.75%

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 December 2022			
		3 Month	YTD	1 Year	3 Year
US Treasury					
Short	4.33%	0.08%	3.43%	3.43%	2.71%
Intermediate	3.92%	-0.05%	2.52%	2.52%	2.11%
Long	4.08%	0.09%	2.19%	2.19%	1.74%
US High Yield					
Yield	8.96%	-0.72%	4.74%	4.74%	3.76%
Spread	4.68%	-0.83%	1.85%	1.85%	1.32%
Tax-Exempt Muni.					
Short	2.70%	-0.52%	2.24%	2.24%	1.59%
Intermediate	2.98%	-0.60%	2.07%	2.07%	1.52%
Long	3.83%	-0.51%	2.42%	2.42%	1.83%

