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1Q 2022 MARKET UPDATE

F·E·G®
investment advisors

FIRST QUARTER 2022 MARKET SUMMARY

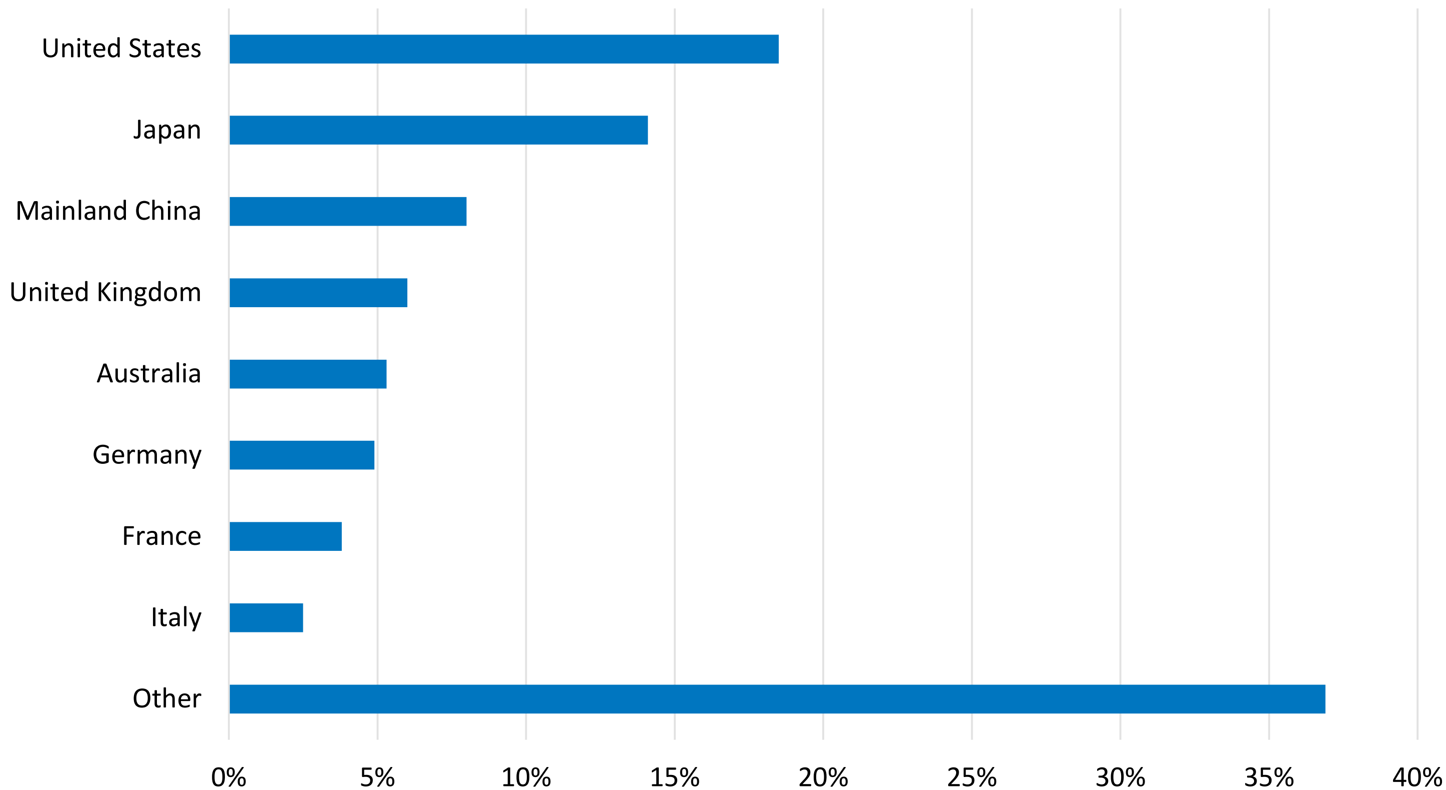
Multi-decade high inflation, the interest rate liftoff by the Federal Reserve (Fed), sharply rising energy prices, and Russia's invasion of Ukraine were a few of the key drivers behind the spike in volatility across markets in the first quarter of 2022. Despite a sense of unease, the month of March presented global asset allocators with gains across most major domestic equity and real assets sectors, while bond returns continued to face headwinds from rising interest rates.

For the quarter, domestic equities outperformed international—particularly emerging markets—and large cap relatively outperformed small cap. Stylistically, value strongly outperformed growth, buoyed by a 39% return for the S&P 500 Energy Sector Total Return Index—the strongest quarterly performance by the sub-index since the index's inception in 1989. Fixed income performance, particularly among rate-sensitive sectors, struggled throughout the quarter as persistent inflationary pressures and an expected steep Fed policy path discounted by the bond market helped send interest rates higher. Performance across real assets continued to appear robust, especially among the energy-related corners of the universe. At the same time, REIT returns were pressured lower by the sharp rise in Treasury rates and the renewed potential for an economic slowdown.

- The war in Ukraine, global inflation, and Europe's Russian-energy dependency has brought about recessionary concerns in Europe.
- Although the majority of companies in the developed markets are domiciled in Japan, the UK, and France, the revenue sources of the MSCI EAFE Index are globally diversified.

THE DEVELOPED INTERNATIONAL EQUITY MARKET'S REVENUE IS GLOBALLY DIVERSE

MSCI EAFE Index Revenue Exposure By Country

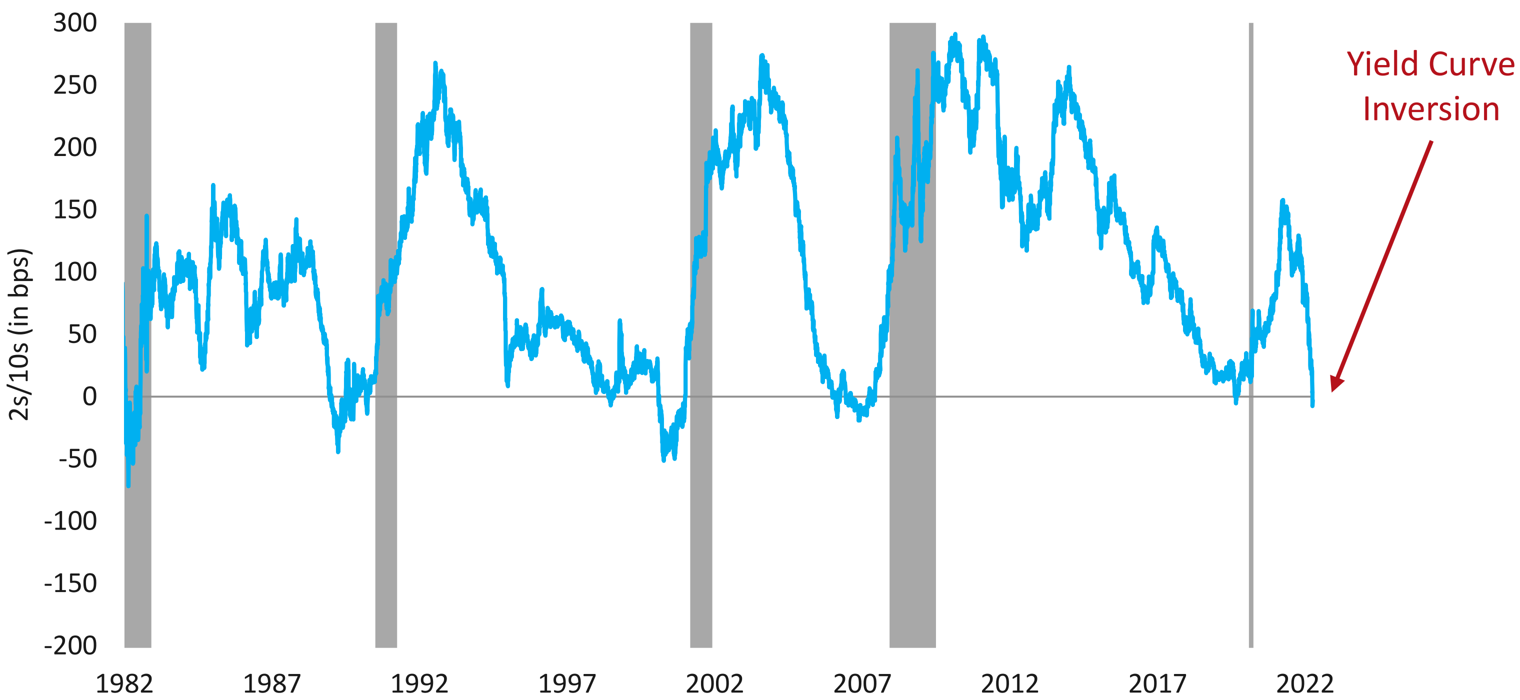


Data source: FactSet

- The Fed has initiated a tightening campaign at a time when much of the Treasury yield curve beyond the 2-year maturity portion appears flat or inverted. The widely referenced spread between 2-year and 10-year Treasury notes inverted at the tail end of the quarter and into the early trading days of April.
- The deliberate tempering of inflationary pressures by the Fed could ease rising cost pressures over the near term, but it might come at the expense of a slowdown in business activity as well as a rise in risk premiums. An inverted yield curve has historically been reflective of conditions that have preceded recessions.

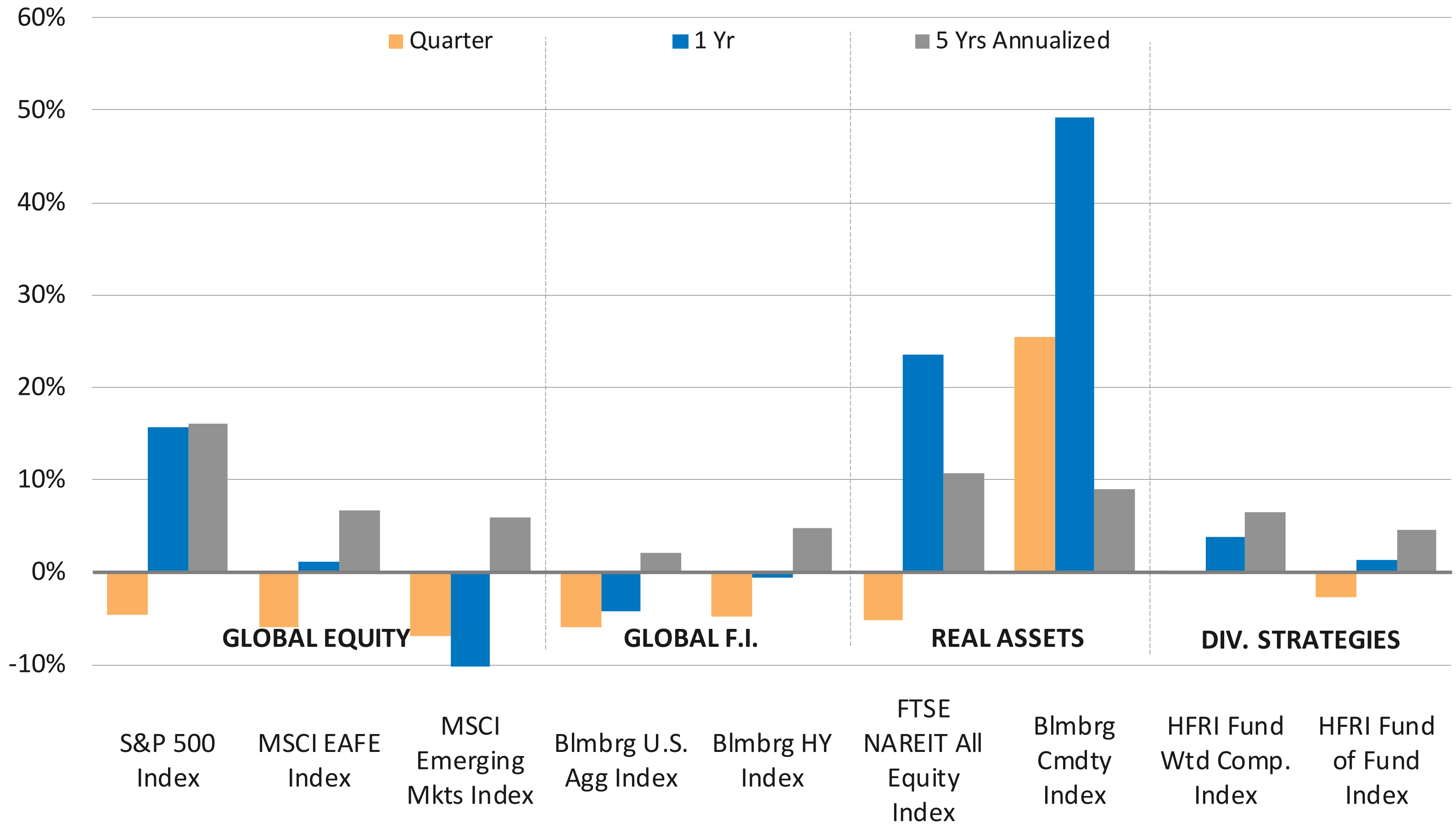
U.S. YIELD CURVE INVERTED BETWEEN THE 2-YEAR AND 10-YEAR TREASURIES

U.S. Yield Curve and Business Cycles



Data sources: BEA, NBER, Bloomberg, L.P.; Data as of April 4, 2022
Note: Shaded areas represent recessionary periods

MAJOR ASSET CLASS RETURNS

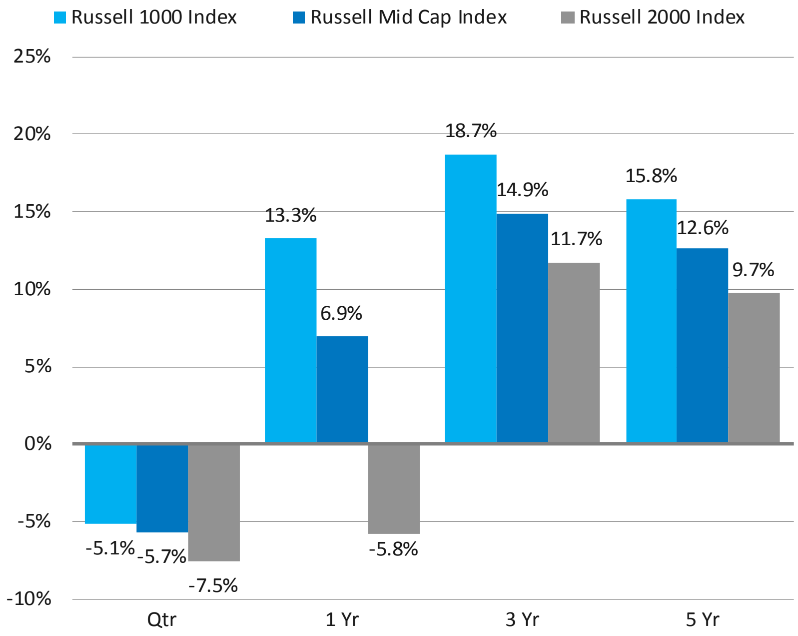


	S&P 500 Index	MSCI EAFE Index	MSCI Emerging Mkts Index	Blmbrg U.S. Agg Index	Blmbrg HY Index	FTSE NAREIT All Equity Index	Blmbrg Cmdty Index	HFRI Fund Wtd Comp. Index	HFRI Fund of Fund Index
Quarter	-4.6%	-5.9%	-7.0%	-5.9%	-4.8%	-5.3%	25.5%	-0.3%	-2.7%
1 Yr	15.6%	1.2%	-11.4%	-4.2%	-0.7%	23.6%	49.3%	3.9%	1.3%
5 Yrs Annualized	16.0%	6.7%	6.0%	2.1%	4.7%	10.7%	9.0%	6.5%	4.6%

Data sources: Lipper and Hedge Fund Research, data as of 5th business day following quarter-end

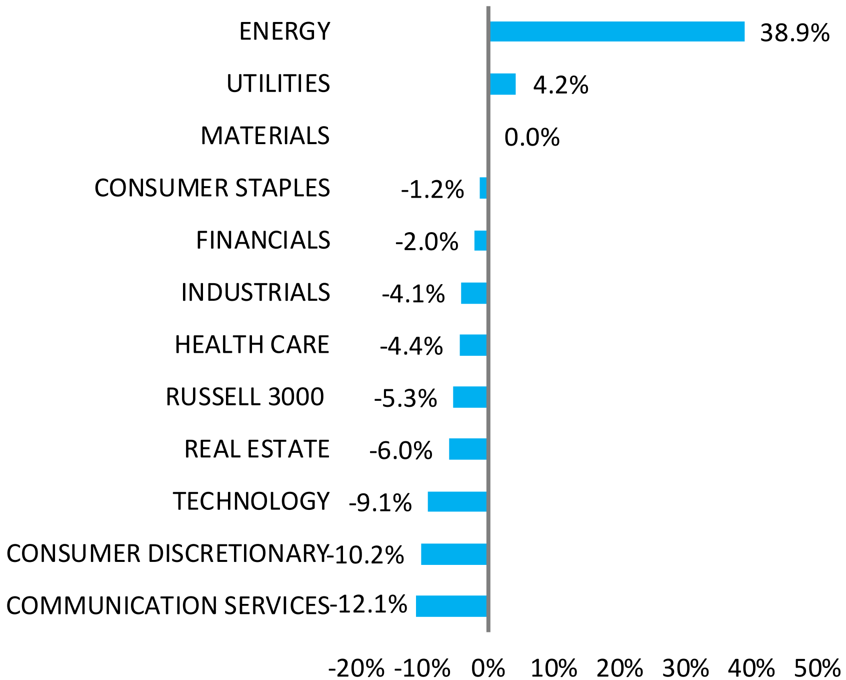
- The first quarter was defined by volatility among most major equity markets. Investors faced headwinds from nearly every facet of global market drivers during the first quarter of 2022 after a solid ending to 2021. Inflation, geopolitical risks due to the war in Ukraine, and central bank action were just a few significant events behind investors' concerns.
- U.S. value equities outperformed growth equities during the quarter as the rising rate environment has put pressure on long-duration assets with historically high valuations. Additionally, Russia's invasion of Ukraine has placed tremendous upward pressure on energy prices, which boosted stocks in the energy sector and aided value indices. Large cap domestic equities outperformed small cap equities during the quarter as investors assessed company fundamentals, potential capital access, and debt servicing risks facing small companies.

LARGE CAP, MID CAP, AND SMALL CAP



Data source: Russell

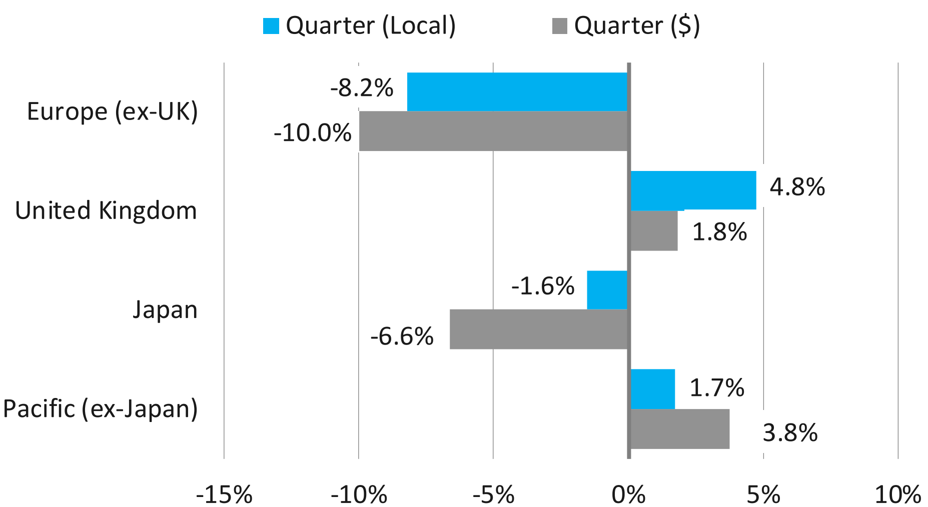
RUSSELL 3000 SECTOR PERFORMANCE



Data source: Russell

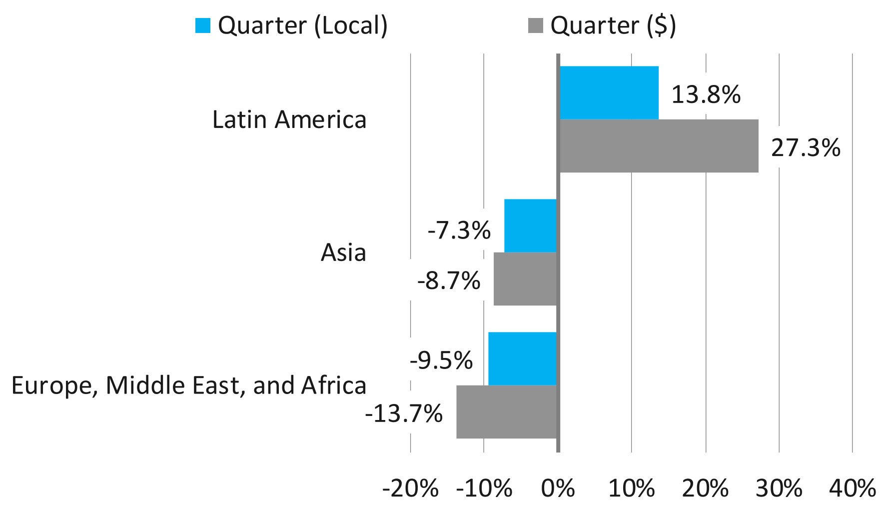
- Although returns were negative, developed market equities outperformed emerging market equities during the quarter. In addition to Russia's attack on Ukraine weighing on the emerging market index, a resurgence of COVID-19 in China and the nation's lockdown and quarantine response increased concerns of reduced economic activity in the country and further supply chain delays globally.
- Energy price spikes were felt heavily throughout Europe, serving as a headwind to economic growth. European economic data has been generally positive—e.g., a strong labor market, fiscal stimulus, and accumulated personal savings during COVID-19 lockdowns—which could help mitigate the impact of increased energy prices and possible rationing. The United Kingdom is less reliant on Russian energy than many of its continental neighbors but has higher gas and oil consumption. As such, the UK announced a rebate program to provide support to households facing increased energy prices.
- Latin America was among the best-performing regions within emerging markets, predominately driven by the performance of the Brazilian and Mexican markets, which have both seen tailwinds due to increased energy demand and the nearshoring of production (i.e., keeping the means of production in close geographic proximity).

MSCI EAFE REGIONAL QUARTERLY RETURNS



Data source: MSCI Barra

MSCI EM REGIONAL QUARTERLY RETURNS

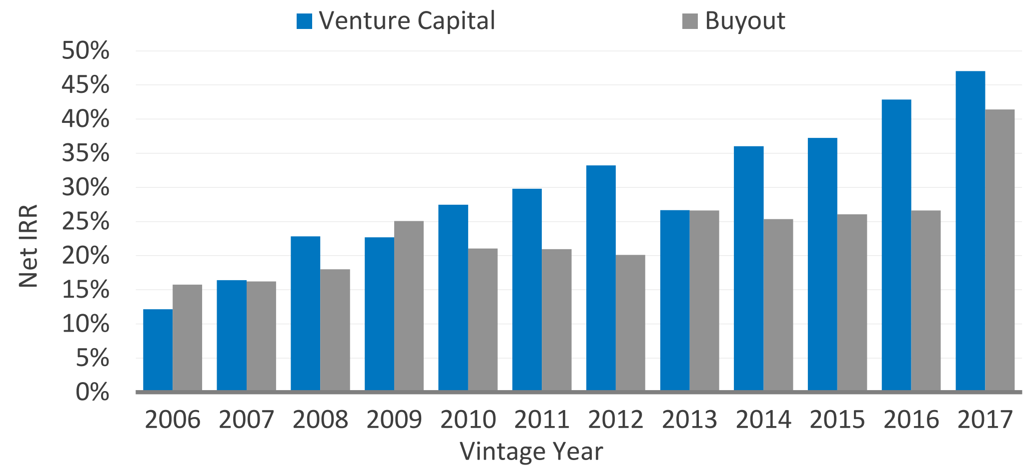


Data source: MSCI Barra

- Private equity reports performance on a lag, and the latest data available are through September 30, 2021.
- Median private equity returns for both venture capital and buyout funds have generally been 20% or better since the 2010 vintage year, with venture returns in recent years over 35%.
- Median buyout fund performance exceeded that of venture funds for most of the 2000s through the 2009 vintage year. This dynamic reversed in the subsequent decade's vintage years, with venture funds generally performing better than buyout funds. Recent vintage years for venture capital funds benefitted from a robust initial public offering (IPO) market and continued interest from investors.
- Fundraising activity for venture capital and buyout funds was robust in 2021 and at or near record levels. Fundraising can be volatile on a quarterly basis and was off to a slower start in the first quarter of 2022.

MEDIAN VENTURE CAPITAL AND BUYOUT VINTAGE YEAR IRR

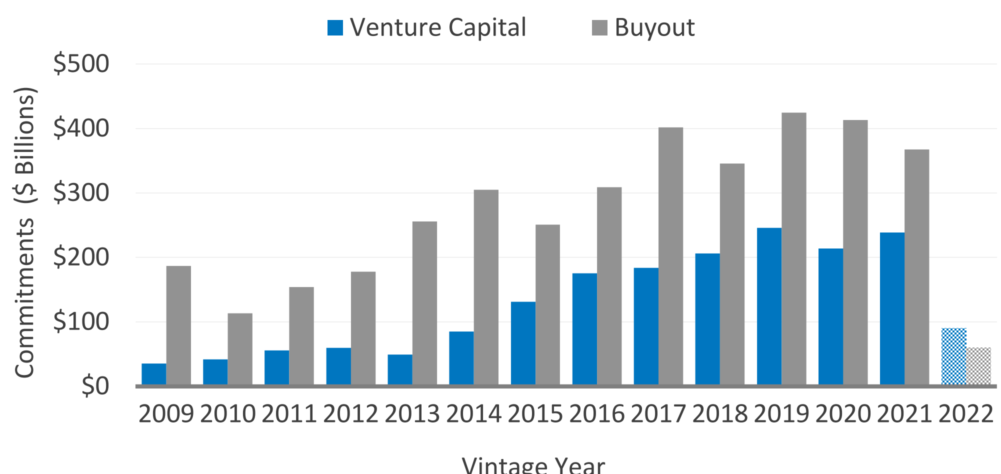
As of September 30, 2021



Data source: Thomson One; The most recent private equity return information available is through September 30, 2021

VENTURE CAPITAL AND BUYOUT FUNDRAISING ACTIVITY

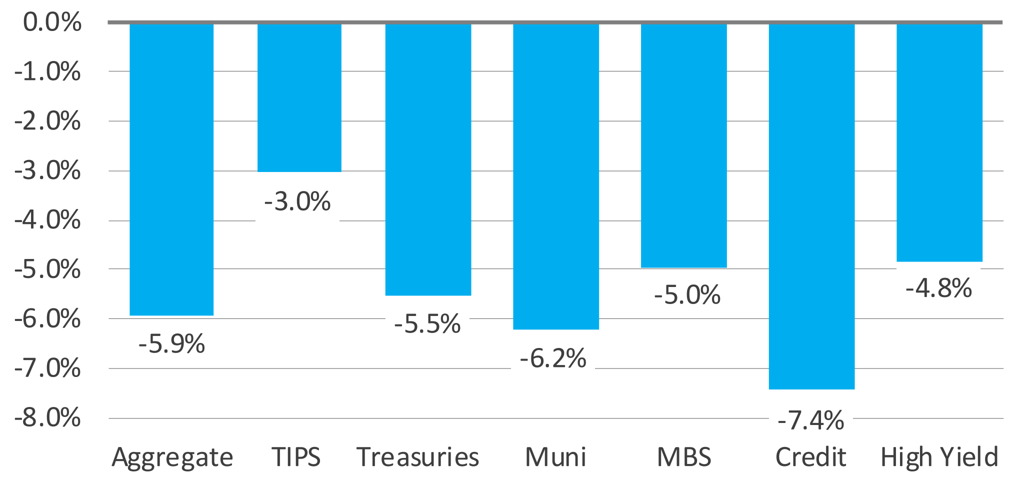
As of March 31, 2022



Data source: Pitchbook

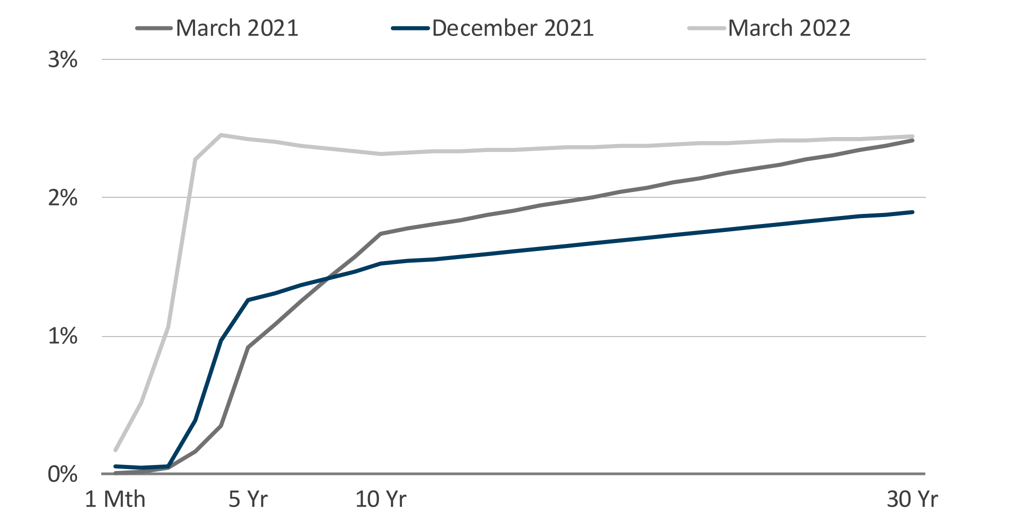
- Interest rates reset as the market priced in a more hawkish Fed.
- The 2-year U.S. Treasury yield rose a staggering 155 bps to 2.28% during the quarter, nearly overtaking the 10-year U.S. Treasury yield, which rose 80 bps to 2.32%. The yield curve inverted on an intraday basis, as measured by the 10-year/2-year Treasury spread, which fell 0.75% to end at 0.04%.
- Corporate credit came under pressure as spreads widened and rates rose. Spreads reached their widest levels in over a year before retreating as risk appetite reentered the bond market.
- March's Summary of Economic Projections saw the Fed revise their 2022 policy rate forecast upwards of a full percentage point to 1.9%. However, some market-based expectations are pointing upwards of 9 total rate hikes for 2022, including several 0.5% hikes. The report saw a simultaneous downward revision of GDP estimates from 4.0% to 2.8% as whispers of stagflation grew in prominence.

BLOOMBERG U.S. FIXED INCOME INDEX RETURNS



Data source: Bloomberg, L.P.

U.S. TREASURY YIELD CURVE

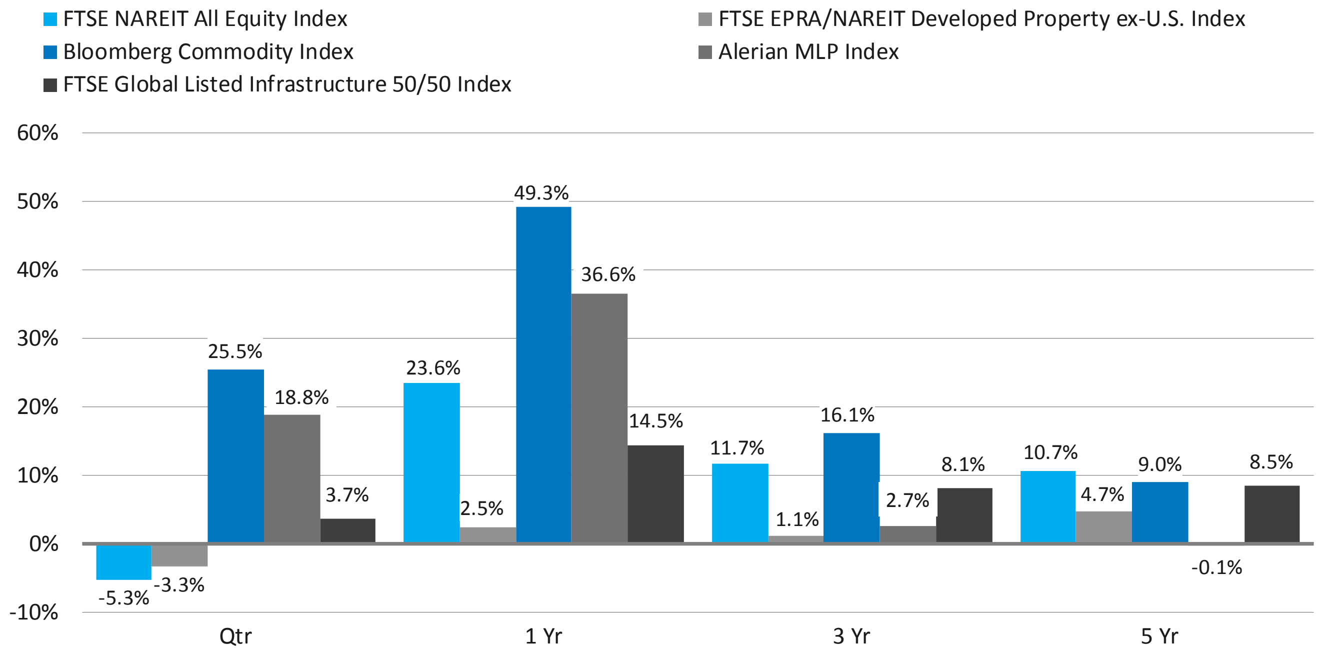


Data source: Bloomberg, L.P.

REAL ASSETS

- Publicly traded real estate securities (REITs) declined in the first quarter on concerns related to the impact of higher interest rates on real estate values. Nearly all REIT sectors posted negative returns for the quarter, with data centers, infrastructure (cell towers), and regional malls underperforming the benchmark. Lodging, health care, and office REITs were the lone sectors to post positive performance. As of the end of the first quarter, the yield on REITs stood at 2.9%.
- Oil and natural gas prices rose to multi-year highs during the first quarter; energy was the top-performing sector in the S&P 500 with a gain of 39%. Oil ended the quarter at $100/barrel, up 33% from year-end 2021, driven by tighter supplies, recovering demand, and U.S. sanctions against Russian oil following Russia's invasion of Ukraine.
- Midstream energy infrastructure, as measured by the Alerian MLP Index, significantly outperformed the broader market, benefiting from strength in energy-related commodity prices through the first quarter of 2022. Growing demand from Europe for U.S. liquified natural gas contributed to gains in midstream energy, as U.S. natural gas has quickly become recognized as a global commodity.

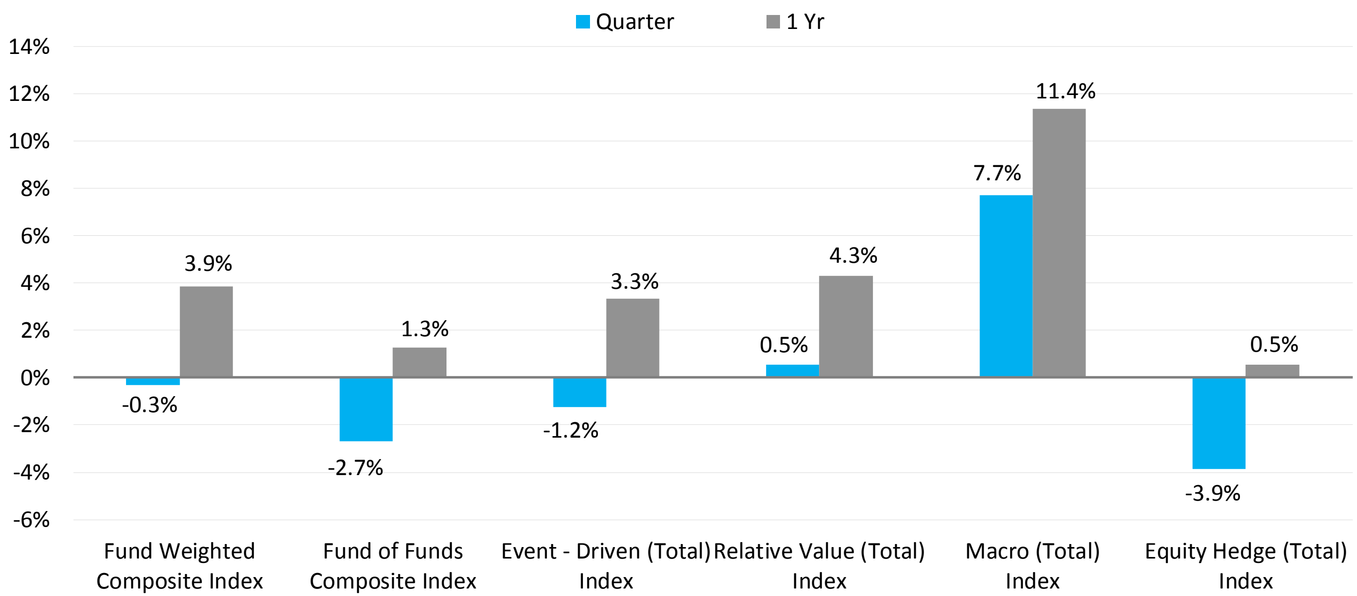
PUBLIC REAL ASSETS – REAL ESTATE, COMMODITIES, MLPs, AND INFRASTRUCTURE



Data sources: NAREIT, Bloomberg, L.P., and Alerian

- Hedge funds continued to perform relatively well in the first quarter amid market volatility. Outside of hedged equity, most underlying strategies' returns were positive, with a few exceptions.
- Global macro funds enjoyed strong performance throughout the first quarter. Commodities were the underlying story within global macro as several market trends held steady, notably surging energy prices. Short positions within fixed income markets were also positive contributors to performance.
- Hedged equity managers bounced back from a rocky start at the beginning of the quarter to end on a positive note. Technology and healthcare specialists endured significant losses in January. The health care sector broadly ended the quarter with a gain while the technology side declined.
- Event-driven and relative value managers tended to generate slight gains or relatively modest losses. Both strategies finished the quarter strong. The most significant declines occurred within the relative value sector in sovereign fixed income due to the Russia-Ukraine conflict.

HFRI INDICES PERFORMANCE RETURNS IN U.S. DOLLARS



Data source: HFRI

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All shown returns greater than one year are annualized.

All data as of March 31, 2022, unless otherwise specified.