

## Current Investment Strategy and Themes

- **Rising uncertainty levels reduce the prices of the riskiest assets.**
- **Investors shorten their horizons, but need to balance increased short-term risk with the longer-term objectives.**
- **Remaining diversified across both bond and stock strategies helps reduce the total portfolio risk.**

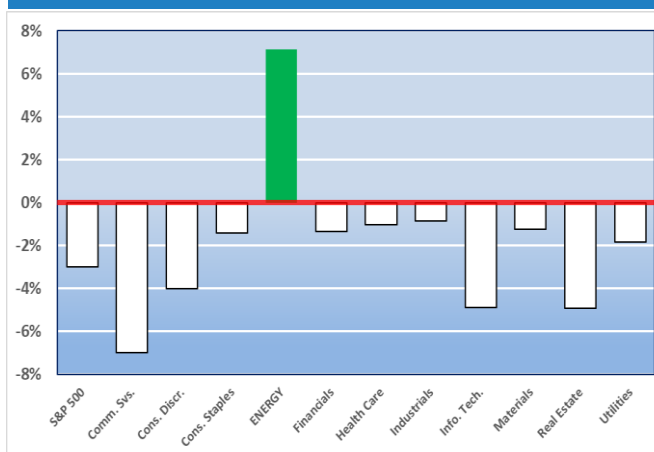
## The Markets in Review: February 2022

- Capital markets across the globe fell again in February. After the -5.19% decline in January, the S&P 500 ended February with a decline of 8.01%. The negative sentiment factor of inflation and its impact on interest rates and economic growth was compounded in February by the threat of Russia's invasion of Ukraine becoming an actuality. A global economy already reeling from rapidly rising agricultural commodity and energy prices faced further disruption in these markets after the invasion. Ukraine's position as a major wheat exporter and the role of Russian oil and gas on the global energy supply are two main reasons commodities rose another 7.09% in February. In just the last three months, the commodity index has risen just short of 25%.
- The S&P 500 had posted a closing price high at least one day every month for the last fifteen months until February. The loss of the momentum factor on equity returns began in November 2021. While aggregate indices did not yet reflect the fading impact of momentum, individual stocks in the Nasdaq and large growth indices began to fade and then fall sharply. It is now common to see many of the previous technology and market leader companies down -33% to -50% from their late 2021 high prices. By February, US large-cap and growth stocks were no longer the market leaders, but now the market laggards. Relatively cheaper sectors of the market like EAFE and US small-cap value performed slightly better. The value stock segment of the US market benefits from having a greater exposure to energy stocks than the growth sector of the market.
- Until the Russian invasion, the expected 2022 course of action of the Federal Reserve on setting interest rates and monetary policy was the primary focus of investor's worries. As the inflation data in 2022 worsened, investor began to forecast that the Fed would raise rates seven times in 2022, up from a forecast of just three times as the year began. The Russia-Ukraine events changed investors to thinking that the Fed cannot raise rates that many times in 2022 to fight inflation, and now has a greater worry of protecting economic growth in the year ahead. Rates fell as the invasion began, but the 10-Year US Treasury Note ended February at a 1.85% yield, up from 1.78% at the end of January, and up sharply from 1.51% at the end of 2021.
- Commodity indices are comprised of three main product groups; Energy, Agricultural, and Metals. There are various commodity indices in the marketplace and the differences in their respective returns is a function of how much each provider assigns to each group. Energy is the largest component and rose over 60% in 2021, and 9.7% in February. Ag products was the largest gainer in February, up almost 11% for the month. Metals rose 7.3% in February, led by Palladium as Russia is the largest producer of the metal.

Key Market Indicators				
Bullish	Favorable	Neutral	Cautious	Bearish
	Feb 2022	Last 3 Months	Year to Date	Current View
<b>Equities</b>				
U.S. Large Cap	-2.99%	-3.89%	-8.01%	Neutral
U.S. Small Cap	1.07%	-6.62%	-8.66%	Cautious
International Developed	-1.77%	-1.73%	-6.52%	Favorable
Emerging Markets Equity	-2.99%	-3.04%	-4.83%	Neutral
<b>Fixed Income</b>				
U.S. Aggregate	-1.12%	-3.49%	-3.25%	Cautious
U.S. Government	-0.66%	-3.01%	-2.52%	Cautious
U.S. Corporate	-1.89%	-5.11%	-5.03%	Neutral
U.S. High Yield	-1.03%	-1.93%	-3.73%	Cautious
Non-U.S. Developed	-1.20%	-4.08%	-3.64%	Cautious
Emerging Market Debt	-3.86%	-2.43%	-3.60%	Bearish
<b>Alternatives</b>				
REITs	-3.13%	-1.79%	-9.76%	Neutral
Commodities	7.09%	23.13%	16.39%	Favorable
Managed Futures	2.90%	4.82%	5.39%	Neutral
Hedge Funds	-0.36%	-1.36%	-1.82%	Favorable

Source: Morningstar, data as of 2/28/2022

## Energy Stocks Only Positive Sector in Feb.



Source: Morningstar

# Important Disclosures

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Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.

“U.S. Small Cap” represented by the Russell 2000 Index.

“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.

“Emerging” represented by the MSCI Emerging Markets Net Return Index.

“U.S. Aggregate” represented by the Bloomberg U.S. Aggregate Bond Index.

“U.S. Government” represented by the Bloomberg U.S. Government Bond Index.

“U.S. Corporate” represented by the Bloomberg U.S. Credit Bond Index.

“U.S. High Yield” represented by the Bloomberg U.S. Corporate High Yield Index.

“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.

“Emerging Market Debt” represented by the JP Morgan GBI-EM Global Core Index

“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.

“Commodities” represented by the Dow Jones Commodity Index .

“Managed Futures” represented by the Credit Suisse Managed Futures Index.

“Global Macro” represented by the Credit Suisse Global Macro Index

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