



2Q22 Market Environment

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US Equity Performance – Second Quarter

U.S. EQUITY

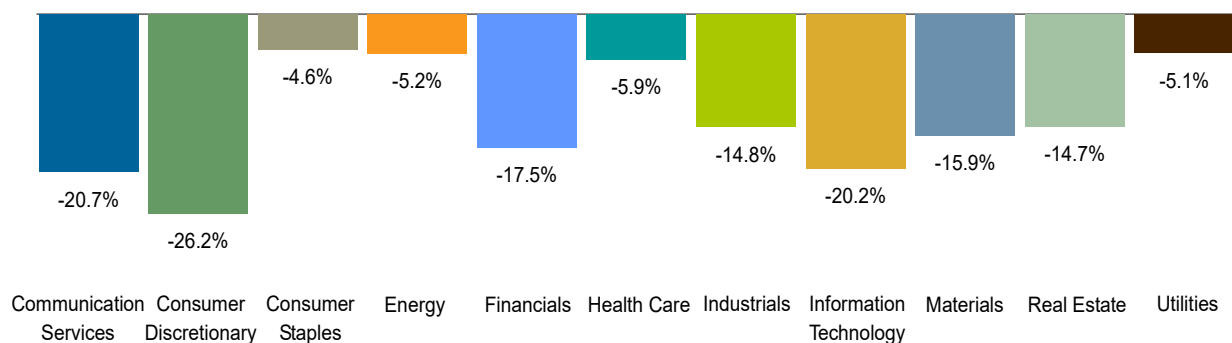
All major indices fall

- The S&P 500 plunged 16.1% in 2Q22; all major U.S. indices across styles and market cap ranges fell in the quarter.
- All sectors posted negative returns in the quarter. Energy continued to be the best-performing sector, and the only sector that has posted a gain year-to-date (YTD).
- Large cap stocks nominally outpaced smaller cap stocks. The performance spread between the Russell 1000 and the Russell 2000 Index was around 50 basis points.
- Value stocks have outperformed growth stocks across the market capitalization spectrum.
- Consumer Discretionary (-26%), Communication Services (-21%), and Information Technology (-20%) were the worst-performing sectors.

Volatile environment hits equity markets

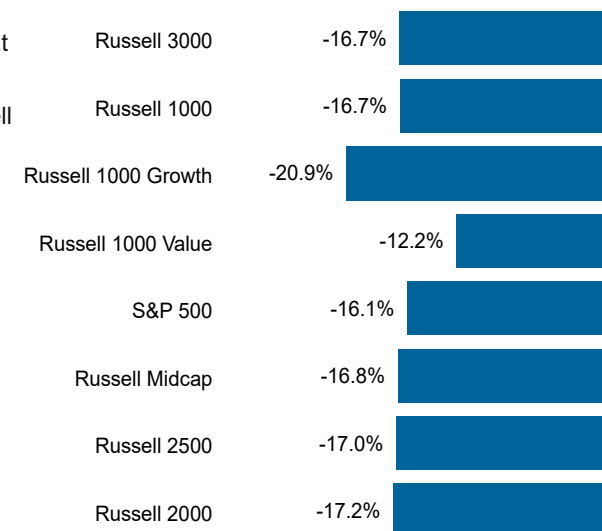
- Rising interest rates and inflation along with geopolitical headlines all contributed to a volatile and risk-averse environment.
- Macroeconomic headlines and data releases will continue to impact equity markets.
- Inflation, rising interest rates, and supply-chain disruptions are all headwinds for equity markets.
- Active large cap growth managers have underperformed the Russell 1000 Growth Index meaningfully recently.
- Large tech firms that have sold-off (e.g., Meta) have become an increasingly large proportion of the value index.
- Federal Reserve interest rate hikes may derail the economy, resulting in lower corporate earnings in the near- to intermediate-term.
- With a potential economic slowdown, sell-side analysts have been cutting corporate earnings estimates.
- Longer-duration growth assets, such as growth stocks, are vulnerable during periods of high inflation because of higher interest rates discounting way-out future earnings.

S&P Sector Returns, Quarter Ended 6/30/22

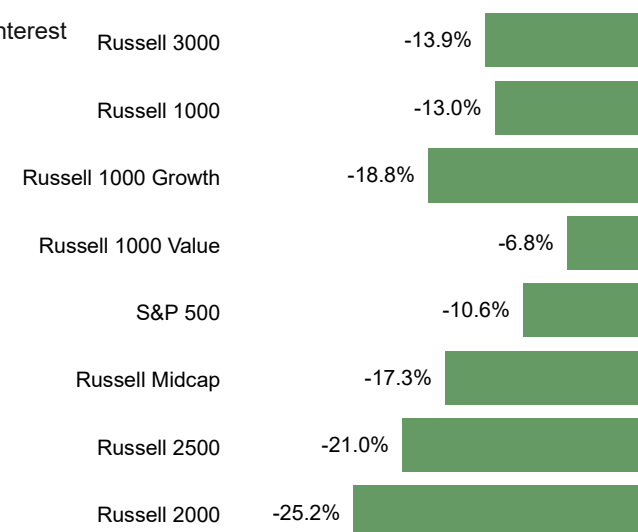


Source: Callan Associates

U.S. Equity: Quarterly Returns



U.S. Equity: One-Year Returns



Global ex-U.S. Equity Performance – Second Quarter

GLOBAL EQUITY

- The war in Ukraine tested an already fragile supply chain, led to energy demand/supply imbalances, and created an inflationary environment that sparked fears of a recession.
- Slowing global growth and recession risk became clearer toward quarter-end, leading investors toward higher-quality and lower-volatility areas of the market to offer protection.

Wide divergence in country returns

- Optimism that the worst is behind China's COVID-19 lockdown buoyed the country to the only gain in 2Q22.
- Japan suffered from a weak yen, slowing growth, and continued supply chain disruptions.

Growth vs. value

- Value continues to outperform growth as most monetary policies focus on tightening.
- Energy was the only sector with positive YTD results.
- Information Technology had the worst sector return as interest rate increases dampened long duration growth attractiveness.

U.S. dollar vs. other currencies

- The U.S. dollar strengthened further against other major currencies given its global dominance and perceived safety.

The rise of the dollar

- The dollar hit a 20-year high after rising roughly 10% YTD.
- The dollar hit parity with the euro; first time since 2002.
- The yen dipped to a 24-year low against the dollar.

Strong dollar may burden global ex-U.S. markets

- Strong currency yields purchasing power.
- Dollar-denominated debt compounded by depreciating local currencies weighs on the economy.
- The dollar and global ex-U.S. equity have exhibited negative correlation over the past four decades.

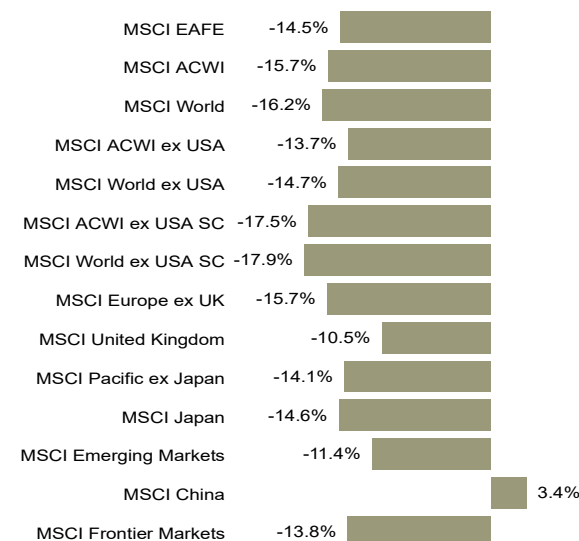
EM has fared better relative to prior downturns

- EM historically declined 26% during prior S&P 500 drawdowns greater than 10%.
- As of 2Q22, EM has corrected by 18% YTD.

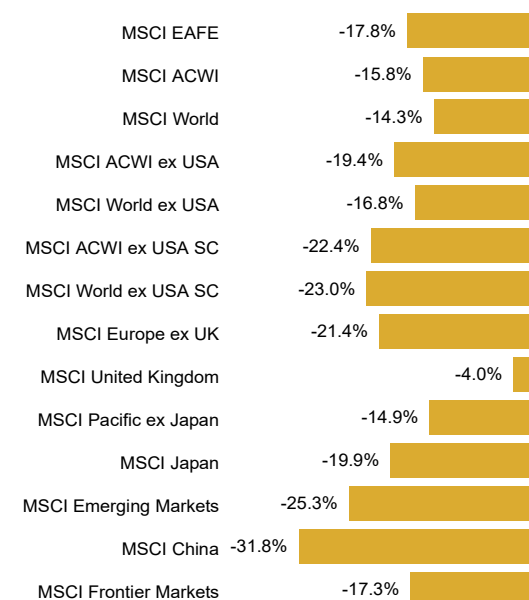
China presents upside opportunity

- Although divergence of China and EM ex-China is notable, China may support EM should fears of a U.S. recession fuel further drawdown.
- China offers favorable growth and valuation relative to other emerging markets.

Global Equity: Quarterly Returns



Global Equity: One-Year Returns



Source: Callan Associates



U.S. Fixed Income Summary – Second Quarter

U.S. FIXED INCOME

Bonds hit hard as rates rise sharply (again)

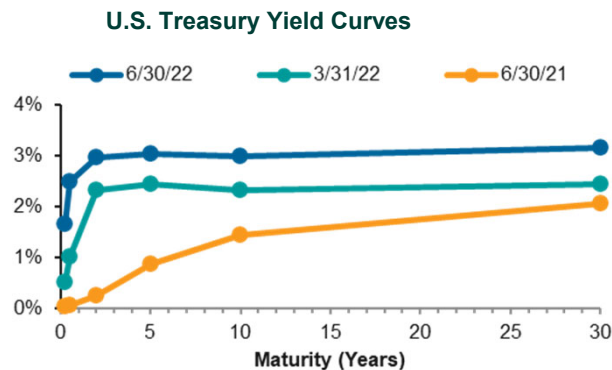
- Bloomberg US Aggregate Bond Index posted its worst six-month return in its history.
- Yield curve flirted with inversion, but 2-year/10-year yield spread was slightly positive at quarter-end.
- TIPS underperformed nominal Treasuries, and 10-year breakeven spreads fell to 2.33% from 2.84% at 3/31/22.
- Fed raised rates by 75 bps, the largest increase since 1994, with further hikes expected.
- Market pricing reflects Fed Funds rate of 3.4% at year-end.

Spread sectors underperformed

- Investment grade corporates underperformed like-duration U.S. Treasuries by 205 bps; RMBS by 98 bps.
- High yield underperformed as spreads widened; excess return vs. U.S. Treasuries was -792 bps, hurt by equity market performance and worries over the impact of higher rates on the economy
- Leveraged loans held up relatively well with lower-quality credits generally underperforming.

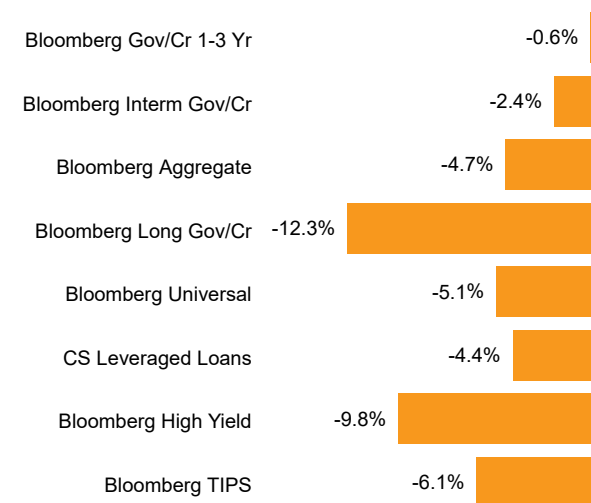
Securitized sectors continue to hang in

- Agency RMBS spreads widened in response to interest rate volatility.
- ABS spreads tightened, led by credit cards.

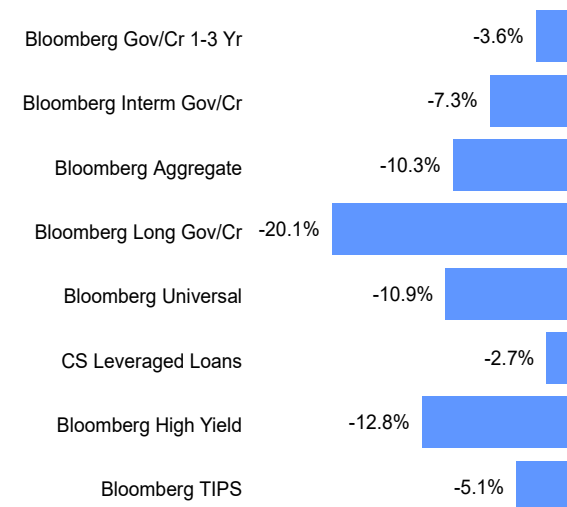


Sources: Callan Associates

U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: One-Year Returns



Source: Callan Associates



Non-U.S. Fixed Income Performance – Second Quarter

GLOBAL FIXED INCOME

Negative returns driven by broad interest rate increases

- U.S. dollar continued to appreciate vs. yen, euro, and pound.
- Double-digit negative returns were widespread across developed markets.

Inflation and global recession fears drag on EMD

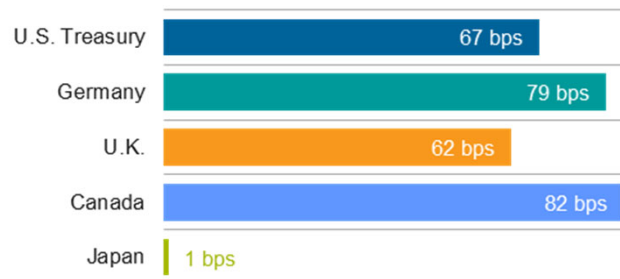
- All countries in the USD-denominated JPM EMBI Global Diversified Index posted negative returns, hurt by rising rates in the U.S.
- Local currency markets across the JPM GBI-EM Global Diversified were down only slightly, but USD strength eroded returns for U.S. investors.

Interest rates significantly increased

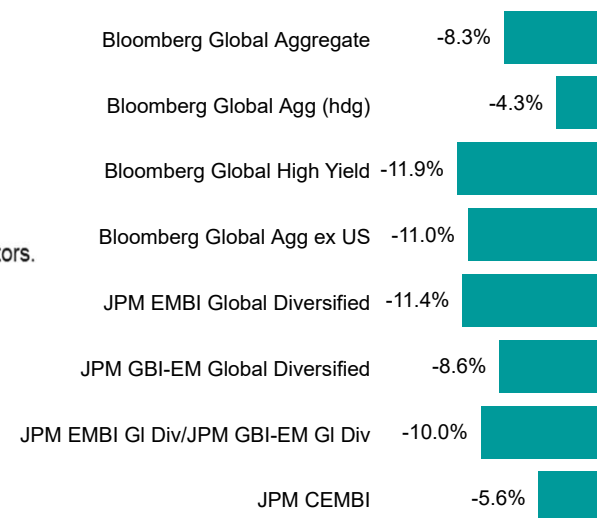
- First-half returns worst since inflation of 1970s
- Global phenomenon driven by recent inflationary pressure
- All fixed income asset classes negatively impacted
- Developed market duration becoming more compelling after broad repricing

Change in 10-Year Global Government Bond Yields

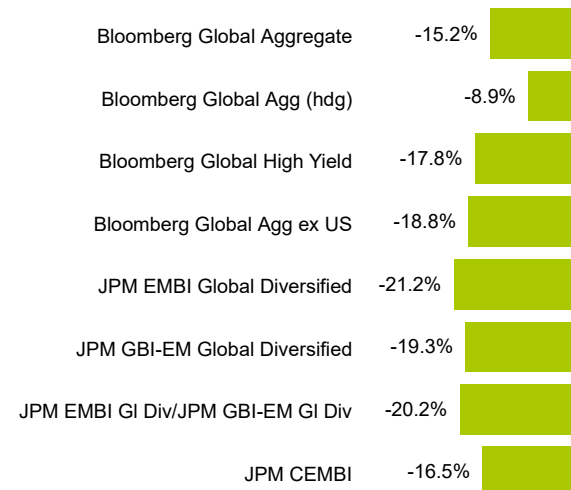
1Q22 to 2Q22



Global Fixed Income: Quarterly Returns



Global Fixed Income: One-Year Returns



Source: Callan Associates



Returns for Various Periods – June 30, 2022

	April	May	June	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years	
EQUITY	1 Russell:3000 Index	(8.97)	(0.13)	(8.37)	(16.70)	(21.10)	(13.87)	9.77	10.60	12.57	8.36
	2 Russell:1000 Index	(8.91)	(0.15)	(8.38)	(16.67)	(20.94)	(13.04)	10.17	11.00	12.82	8.51
	3 Russell:1000 Growth	(12.08)	(2.32)	(7.92)	(20.92)	(28.07)	(18.77)	12.58	14.29	14.80	10.67
	4 Russell:1000 Value	(5.64)	1.94	(8.74)	(12.21)	(12.86)	(6.82)	6.87	7.17	10.50	6.10
	5 Russell:Midcap Index	(7.70)	0.08	(9.98)	(16.85)	(21.57)	(17.30)	6.59	7.96	11.29	7.77
	6 Russell:Midcap Growth	(11.26)	(3.87)	(7.48)	(21.07)	(31.00)	(29.57)	4.25	8.88	11.50	8.21
	7 Russell:Midcap Value	(5.94)	1.92	(10.99)	(14.68)	(16.23)	(10.00)	6.70	6.27	10.62	6.91
	8 Russell:2500 Index	(8.52)	0.34	(9.55)	(16.98)	(21.81)	(21.00)	5.91	7.04	10.49	7.29
	9 Russell:2500 Growth	(11.42)	(2.43)	(6.92)	(19.55)	(29.45)	(31.81)	3.68	7.53	10.88	7.96
	10 Russell:2500 Value	(6.78)	1.91	(10.95)	(15.39)	(16.66)	(13.19)	6.19	5.54	9.54	6.19
	11 Russell:2000 Index	(9.91)	0.15	(8.22)	(17.20)	(23.43)	(25.20)	4.21	5.17	9.35	6.33
	12 Russell:2000 Growth	(12.27)	(1.89)	(6.19)	(19.25)	(29.45)	(33.43)	1.40	4.80	9.30	6.80
	13 Russell:2000 Value	(7.76)	1.92	(9.88)	(15.28)	(17.31)	(16.28)	6.18	4.89	9.05	5.58
	14 S&P:500	(8.72)	0.18	(8.25)	(16.10)	(19.96)	(10.62)	10.60	11.31	12.96	8.54
	15 S&P:400 Mid Cap	(7.11)	0.75	(9.62)	(15.42)	(19.54)	(14.64)	6.87	7.02	10.90	8.05
	16 S&P:600 Small Cap	(7.81)	1.86	(8.55)	(14.11)	(18.94)	(16.81)	7.30	7.20	11.26	8.03
	17 MSCI:ACWI ex US	(6.28)	0.72	(8.60)	(13.73)	(18.42)	(19.42)	1.35	2.50	4.83	1.58
	18 MSCI:EAFE	(6.47)	0.75	(9.28)	(14.51)	(19.57)	(17.77)	1.07	2.20	5.40	1.42
	19 MSCI:EM	(5.56)	0.44	(6.64)	(11.45)	(17.63)	(25.28)	0.57	2.18	3.07	2.00
	20 MSCI:ACWI	(8.00)	0.12	(8.43)	(15.66)	(20.18)	(15.75)	6.21	7.00	8.76	4.80
FIXED INCOME	21 Blmbg:Aggregate	(3.79)	0.64	(1.57)	(4.69)	(10.35)	(10.29)	(0.93)	0.88	1.54	3.26
	22 Blmbg:Gov/Credit	(3.96)	0.48	(1.58)	(5.03)	(11.05)	(10.85)	(0.77)	1.05	1.67	3.38
	23 Blmbg:Credit	(5.24)	0.89	(2.61)	(6.90)	(13.81)	(13.64)	(1.00)	1.24	2.45	4.14
	24 Blmbg:Corporate High Yld	(3.56)	0.25	(6.73)	(9.83)	(14.19)	(12.81)	0.21	2.10	4.47	5.78
	25 Blmbg:Municipal Bond	(2.77)	1.49	(1.64)	(2.94)	(8.98)	(8.57)	(0.18)	1.51	2.38	3.56
	26 Blmbg:US TIPS	(2.04)	(0.99)	(3.16)	(6.08)	(8.92)	(5.14)	3.04	3.21	1.73	3.92
	27 Blmbg:Glob Agg ex USD	(6.83)	0.01	(4.50)	(11.01)	(16.49)	(18.78)	(5.07)	(1.75)	(1.06)	1.42
	28 S&P:LSTA Levlg Loan	0.22	(2.56)	(2.16)	(4.45)	(4.55)	(2.78)	2.09	2.91	3.74	3.95
	29 ML:US Treasuries 1-3 Yrs	(0.48)	0.55	(0.58)	(0.50)	(2.84)	(3.30)	0.24	0.94	0.79	1.61
	30 LIBOR - 3 Month	0.11	0.14	0.19	0.43	0.59	0.66	0.81	1.35	0.91	1.11
	31 3 Month T-Bill	0.01	0.07	0.02	0.10	0.14	0.17	0.63	1.11	0.64	0.75
	33 S&P GSCI	5.12	5.07	(7.64)	2.01	35.80	45.05	14.69	11.67	(1.83)	(3.05)
	34 MSCI:US REIT Index	(4.46)	(6.15)	(7.37)	(16.95)	(20.32)	(6.41)	4.03	5.30	7.32	5.73
	35 Alerian:MLP Index	(0.09)	7.73	(13.95)	(7.38)	10.04	4.33	0.07	(0.29)	0.74	3.69
	36 DJB:Gbl Infrastructure	(2.83)	3.23	(7.41)	(7.11)	(4.14)	2.07	4.45	5.65	7.59	6.54
	37 US DOL:CPI All Urban Cons	0.56	1.10	1.37	3.06	6.28	9.06	4.98	3.88	2.59	2.38
	Data Source: Callan Associates										