

4Q21 Market Environment

US Equity Performance – Fourth Quarter

Returns grind higher despite mounting concerns

- S&P 500 posted a strong 11.0% gain in 4Q21; large cap growth (Russell 1000 Growth) was the top performer, which contrasted with the worst-performing asset class, small cap growth (Russell 2000 Growth).
- The new Omicron variant, continued supply chain disruptions, and renewed fears of persistent inflation pushed investors into the perceived safety of the largest stocks.
- S&P 500 sector results were mixed, with Real Estate (+17.5%) posting the top returns alongside Technology (+16.7%) and Materials (+15.2%); Communication Services (0.0%) and Financials (+4.6%) lagged broad returns.
- In 2021, small value outperformed small growth by over 2,500 bps (Russell 2000 Value: 28.3% vs. Russell 2000 Growth: 2.8%), a stark reversal from 2020 and a pattern consistent with periods of robust GDP growth.

Index concentration driving positive returns...

- The 10 largest stocks in the S&P 500 comprised 30.5% of the index but accounted for 65% of the 2021 return.
- During 4Q21, top 10 weights accounted for ~40% of return.

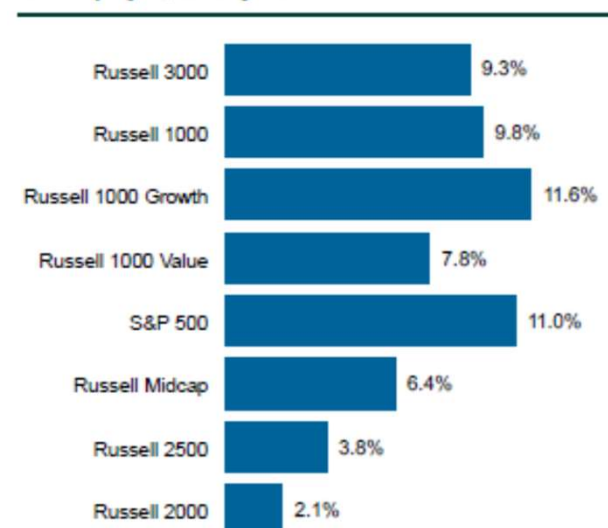
...but this may be hiding underlying weakness

- Nearly 10% of Russell 3000 stocks fell by 35% or more in 2021, which is unusual for a year when market returns were in excess of 25%.

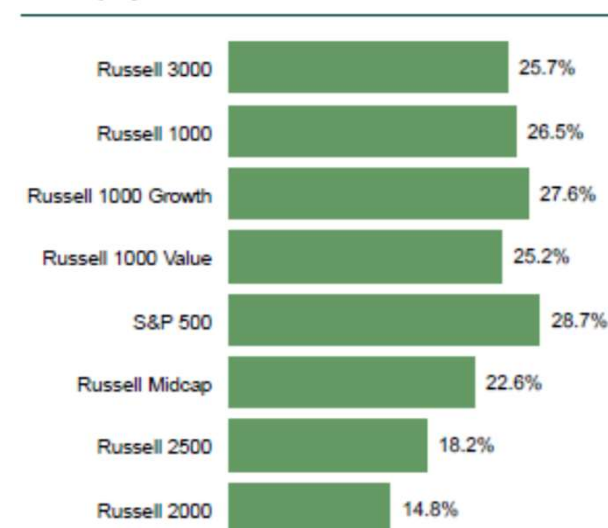
Market capitalization, style driving divergence in returns

- Mega-cap growth (Russell Top 200 Growth) was the strongest performer in both 4Q21 and 2021.
- Growth style returns highly correlated with market capitalization in both 4Q21 and 2021 (higher market capitalization = high return).
- Within micro-, small-, and smid-cap growth, Health Care (especially biotech/pharma) was biggest detractor to returns.
- Value returns correlated with market capitalization in 4Q21; for 2021, value returns did not experience much divergence.

U.S. Equity: Quarterly Returns

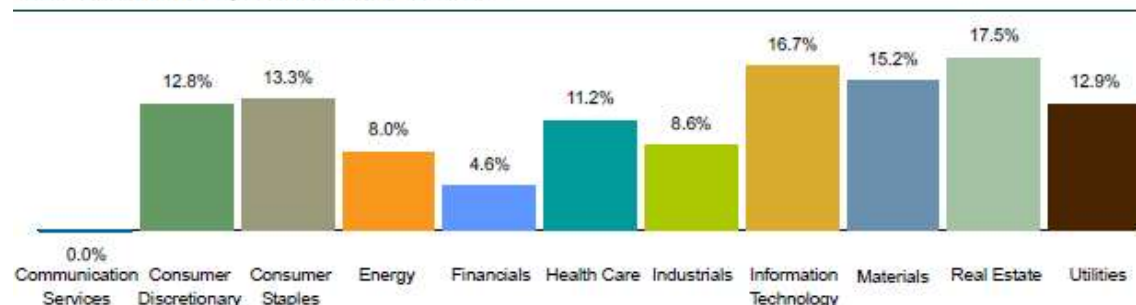


U.S. Equity: One-Year Returns



Sources: FTSE Russell, S&P Dow Jones Indices

S&P Sector Returns, Quarter Ended 12/31/21



Sources: S&P Dow Jones Indices

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

Omicron takes center stage

- A recovery-driven market shifted back to COVID favorites, boosting Information Technology stocks.
- Small cap underperformed large amid global growth concerns.
- Emerging markets struggled relative to developed markets as China experienced significant pressure from an economic slowdown and its regulatory crackdown.

Stalled recovery

- As the new variant took hold, Energy and Communication Services lagged on fear of restrained growth.
- Japan suffered from both supply chain issues and economic constraints from COVID-19.
- Growth and momentum factors outperformed in developed markets but not in emerging markets.

U.S. dollar vs. other currencies

- The U.S. dollar rose against other major currencies as tapering accelerated alongside the expectation for 2022 rate hikes, which notably detracted from global ex-U.S. results.

Growth vs. value

- Inflationary pressures and the ultimate rebound from COVID-19 supported value's leadership for the full year, despite the shift to growth in 4Q21.

Regulation has spooked Chinese market

- Although regulation is not new in China, the duration, scope, and intensity of the current regime are unprecedented.
- Regulations have been centered on antitrust, financial markets, data/national security, and social welfare to enhance sustainability of its economy.
- Regulatory uncertainty should subside as China focuses on implementation.

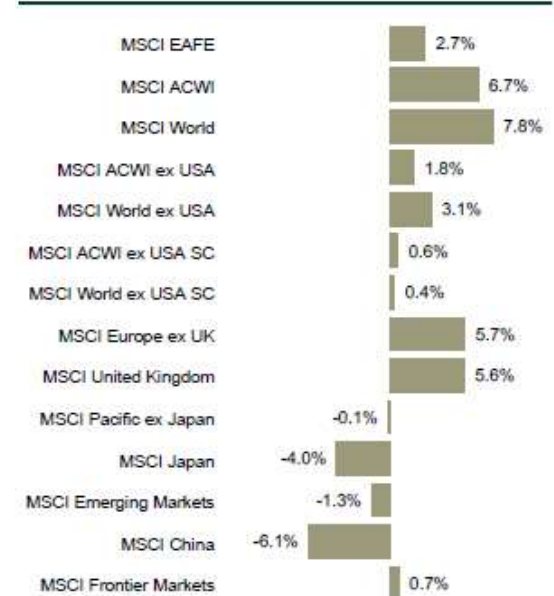
Inflation is expected to normalize in a few years

- Forecasted year-over-year core CPI is expected to reach its peak between 1Q22 and 2Q22.
- Inflationary environment by and large has shifted central banks to contractionary policy.

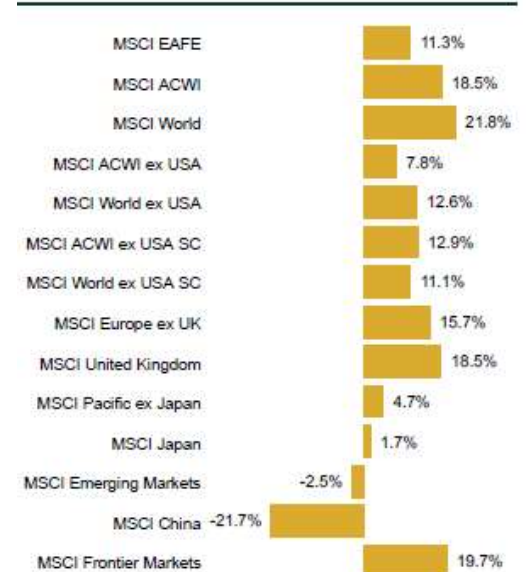
Rise in inflation expectations tends to stoke value

- Correlation between cyclical sectors and inflation/interest rate expectations generally has been positive.
- Growth relative to value is more vulnerable as interest rates normalize.
- Global recovery from COVID and deficit in Energy should support value.

Global Equity: Quarterly Returns



Global Equity: One-Year Returns



Source: MSCI

U.S. Fixed Income Summary – Fourth Quarter

Treasury yields again unchanged

- 10-year at 1.52% at 9/30 and 12/31, up slightly from 1.45% on 6/30.
- TIPS outperformed nominal Treasuries and 10-year breakeven spreads widened to 2.56%.
- Real yields remain solidly in negative territory.

Bloomberg Aggregate was flat, literally

- Spread sectors (Agencies, ABS, CMBS, MBS, and Credit) all underperformed UST by a modest amount (but positive YTD).
- Yield curve flattened; curve positioning had a meaningful impact on returns in 4Q.

High yield and leveraged performed relatively well

- Spreads remain near historic tights.
- High yield issuers' default rate declined to a record low in December (J.P. Morgan).
- New issuance hit a record for the second year in a row as issuers looked to finance at relatively low rates.

Munis outperformed Treasuries

- Lower-quality bonds continued their trend of outperformance as investors sought yield.

Inflation is being felt, indicated by several measures

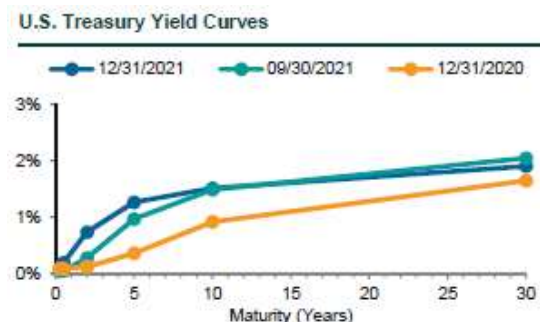
- Annual CPI jumped to 7.0% in December—its eighth consecutive reading above 5% and the largest 12-month increase since the period ending June 1982.
- Increases for shelter and for used cars/trucks were the largest contributors to the seasonally adjusted all-items increase.
- Even service inflation, which had declined initially, has since recovered and is on an upward trend.

Fed has turned more hawkish than expected

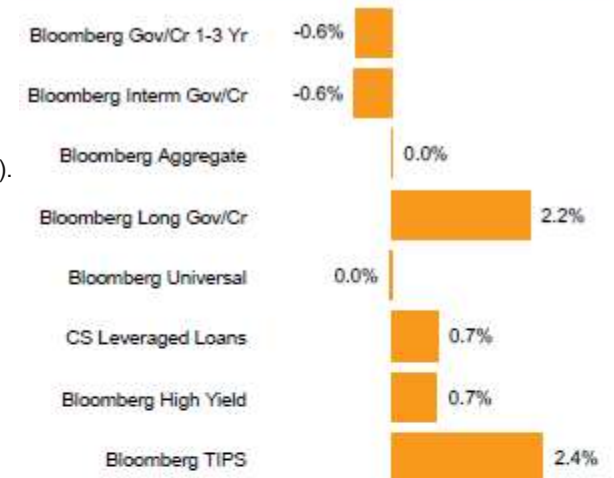
- Fed announced a doubling of the pace of tapering and an upward revision to the anticipated path of rate hikes.
- FOMC participants now expect three rate hikes in 2022 to bring the targeted range to 0.75%-1.0% by year-end.

Spreads have returned to tights

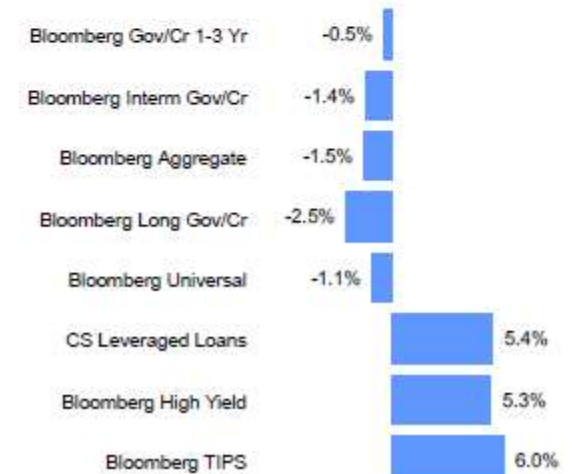
- Fundamentals remain strong and default expectations low.
- Revenue, profits, and free cash flow at or near cycle highs.
- Gross and net leverage trending lower while interest coverage trends higher.



U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: One-Year Returns



Sources: Bloomberg, Credit Suisse

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

Global fixed income flat on a hedged basis

- Returns were muted and U.S. dollar strength eroded returns for unhedged U.S. investors in both 4Q and 2021.
- Yen was a notable underperformer in developed markets, falling 10% for the year.

Emerging market debt posted negative returns

- Emerging market debt indices underperformed most other fixed income sectors in 2021.
- Currencies fared the worst vs. the U.S. dollar; the Turkish lira sank 44% on spiking inflation.

Global outlook may shift lower with regional variance

- Moderating and differentiated outlook for various regions reflects certain DM and EM economies shifting to tightening balanced by others managing legacy issues.

Central bank policy is mixed

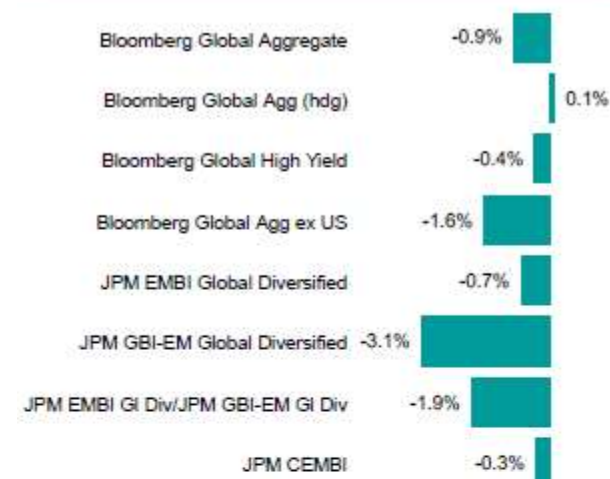
- The U.K. has led the way with interest rate hikes as the BOE expects inflation to peak in April 2022.
- Europe and Japan continue to have below-target inflation and are expected to maintain relatively accommodating monetary policy.
- EM central banks, having moved early to battle inflation, may be moving to a more late-cycle posture.

Change in 10-Year Global Government Bond Yields

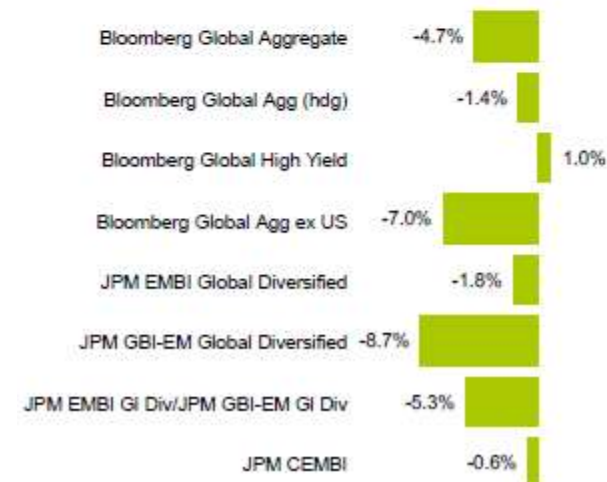
3Q21 to 4Q21



Global Fixed Income: Quarterly Returns



Global Fixed Income: One-Year Returns



Sources: Bloomberg, JP Morgan

Returns for Various Periods – December 31, 2021

		October	November	December	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
EQUITY	1 Russell:3000 Index	6.76	(1.52)	3.94	9.28	25.66	25.66	25.79	17.97	16.30	10.59
	2 Russell:1000 Index	6.94	(1.34)	4.05	9.78	26.45	26.45	26.21	18.43	16.54	10.74
	3 Russell:1000 Growth	8.66	0.61	2.11	11.64	27.60	27.60	34.08	25.32	19.79	13.72
	4 Russell:1000 Value	5.08	(3.52)	6.31	7.77	25.16	25.16	17.64	11.16	12.97	7.51
	5 Russell:Midcap Index	5.95	(3.48)	4.08	6.44	22.58	22.58	23.29	15.10	14.91	10.22
	6 Russell:Midcap Growth	7.01	(4.23)	0.35	2.85	12.73	12.73	27.46	19.83	16.63	11.69
	7 Russell:Midcap Value	5.32	(3.04)	6.28	8.54	28.34	28.34	19.62	11.22	13.44	8.78
	8 Russell:2500 Index	4.90	(4.17)	3.28	3.82	18.18	18.18	21.91	13.75	14.15	9.67
	9 Russell:2500 Growth	5.13	(5.15)	0.49	0.20	5.04	5.04	25.09	17.65	15.75	11.29
	10 Russell:2500 Value	4.75	(3.48)	5.20	6.36	27.78	27.78	18.31	9.88	12.43	7.91
	11 Russell:2000 Index	4.25	(4.17)	2.23	2.14	14.82	14.82	20.02	12.02	13.23	8.69
	12 Russell:2000 Growth	4.68	(4.88)	0.44	0.01	2.83	2.83	21.17	14.53	14.14	9.97
	13 Russell:2000 Value	3.81	(3.42)	4.08	4.36	28.27	28.27	17.99	9.07	12.03	7.19
	14 S&P:500	7.01	(0.69)	4.48	11.03	28.71	28.71	26.07	18.47	16.55	10.66
	15 S&P:400 Mid Cap	5.89	(2.94)	5.08	8.00	24.76	24.76	21.41	13.09	14.20	10.45
	16 S&P:600 Small Cap	3.43	(2.29)	4.53	5.64	26.82	26.82	20.11	12.42	14.50	10.15
	17 MSCI:ACWI ex US	2.39	(4.50)	4.13	1.82	7.82	7.82	13.18	9.61	7.28	3.77
	18 MSCI:EAFE	2.46	(4.65)	5.12	2.69	11.26	11.26	13.54	9.55	8.03	3.60
	19 MSCI:EM	0.99	(4.08)	1.88	(1.31)	(2.54)	(2.54)	10.94	9.88	5.49	4.45
	20 MSCI:ACWI	5.10	(2.41)	4.00	6.68	18.54	18.54	20.38	14.40	11.85	7.05
FIXED INCOME	21 Blmbg:Aggregate	(0.03)	0.30	(0.26)	0.01	(1.54)	(1.54)	4.79	3.57	2.90	4.09
	22 Blmbg:Gov/Credit	0.05	0.46	(0.32)	0.18	(1.75)	(1.75)	5.50	3.99	3.13	4.26
	23 Blmbg:Credit	0.22	0.08	(0.08)	0.22	(1.08)	(1.08)	7.17	5.05	4.45	5.23
	24 Blmbg:Corporate High Yld	(0.17)	(0.97)	1.87	0.71	5.28	5.28	8.83	6.30	6.83	7.07
	25 Blmbg:Municipal Bond	(0.29)	0.85	0.16	0.72	1.52	1.52	4.73	4.17	3.72	4.22
	26 Blmbg:US TIPS	1.13	0.89	0.32	2.36	5.96	5.96	8.44	5.34	3.09	4.69
	27 Blmbg:Glob Agg ex USD	(0.39)	(0.72)	(0.07)	(1.18)	(7.05)	(7.05)	2.46	3.07	0.82	2.65
	28 S&P:LSTA LevG Loan	0.27	(0.16)	0.64	0.75	5.20	5.20	5.63	4.27	4.69	4.51
	29 ML:US Treasuries 1-3 Yrs	(0.30)	0.02	(0.25)	(0.53)	(0.55)	(0.55)	2.02	1.61	1.09	1.95
	30 LIBOR - 3 Month	0.01	0.01	0.02	0.04	0.16	0.16	1.05	1.35	0.88	1.25
	31 3 Month T-Bill	0.00	0.01	0.01	0.01	0.05	0.05	0.99	1.14	0.63	0.91
REAL ASSETS	32 Blmbg:Commodity TR Idx	2.58	(7.31)	3.53	(1.56)	27.11	27.11	9.86	3.66	(2.85)	(2.59)
	33 GS Commodity Index	5.80	(10.82)	7.59	1.51	40.35	40.35	7.99	2.80	(5.50)	(4.60)
	34 MSCI:US REIT Index	7.74	(0.72)	8.74	16.32	43.06	43.06	18.50	10.78	11.32	6.87
	35 Alerian:MLP Index	4.98	(7.51)	3.56	0.55	40.17	40.17	2.12	(2.70)	(0.26)	4.34
	36 DJB:Gbl Infrastructure	4.16	(4.10)	7.60	7.49	19.87	19.87	12.80	8.90	8.72	7.43
	37 US DOL:CPI All Urban Cons	0.83	0.49	--	--	--	--	--	--	--	--