



1Q22 Market Environment

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US Equity Performance – First Quarter

U.S. EQUITY

- The S&P 500 Index fell 4.6% in 1Q22, but was down more than 12% early in March before rallying into quarter-end.
- Value stocks sharply outpaced growth across capitalizations, with the spread exceeding 10% in both mid and small caps and just over 8% in large caps.
- Energy (+39%) was the best-performing sector given a 33% spike in WTI crude oil prices. Commodity-linked Materials and Utilities sectors also performed well on a relative basis.
- Communication Services (-12%), Consumer Discretionary (-9%), and Information Technology (-8%) were the worst-performing sectors.
- Uncertainty over rates, inflation, and geopolitical tensions all contributed to a volatile and risk-averse environment.
- Interestingly, the Russell Dynamic Index (-4.3%) outperformed the Russell Defensive Index (-5.9%) during the 1Q downturn.

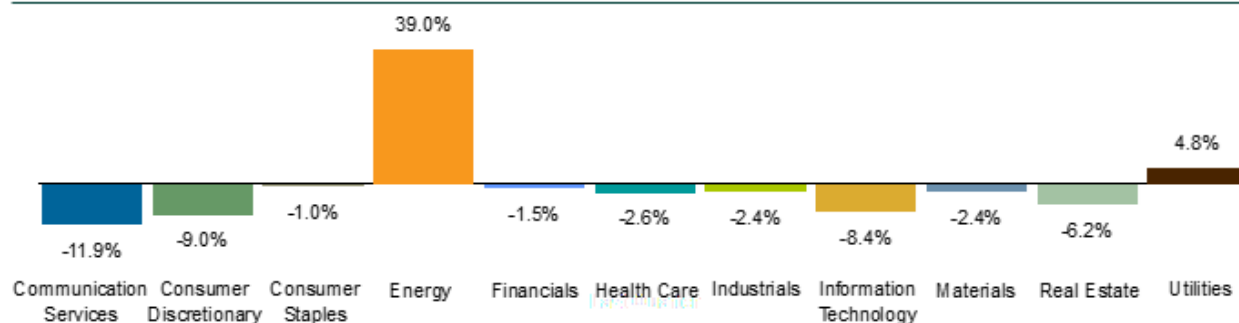
Historical small cap discount relative to large cap

- The Russell 2000 Index continues to underperform the Russell 1000 Index; the small cap index now trails large cap by almost 1,660 basis points cumulatively on a three-year basis and over 2,360 bps on a five-year basis.

Index concentration

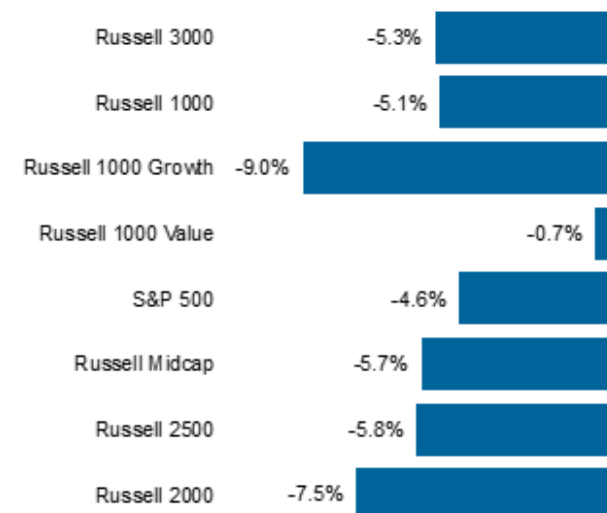
- Index concentration continues despite negative 1Q core index returns and falling earnings contribution.
- Among mega cap tech stocks, Apple and Microsoft now seen as providing downside protection
- Index concentration continues to cause active managers significant headwinds in the large cap growth space—the Russell 1000 Growth Index has nearly 50% of its capitalization in just the top 10 names (Apple and Microsoft are greater than 10% weights).

S&P Sector Returns, Quarter Ended 3/31/22

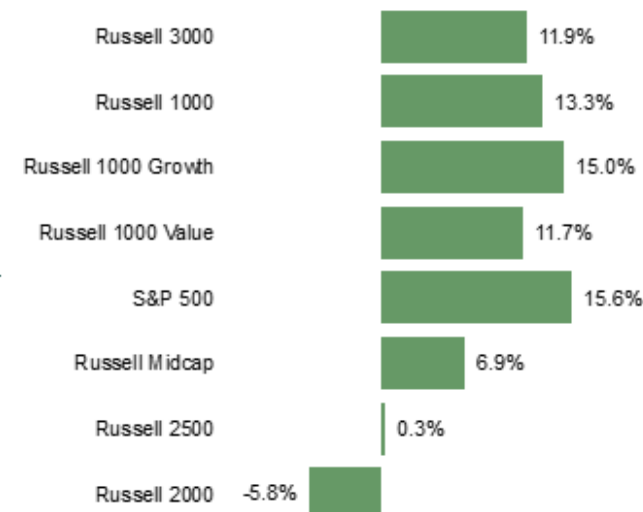


Sources: S&P Dow Jones Indices

U.S. Equity: Quarterly Returns



U.S. Equity: One-Year Returns



Sources: FTSE Russell, S&P Dow Jones Indices

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

GLOBAL EQUITY

War in Ukraine stoked market volatility

- In the aftermath of invading Ukraine, Russia faced condemnation and sanctions that crippled its stocks, bonds, and currency and shocked the global markets.
- The fog of war exacerbated inflationary concerns and led to a surge in energy prices, as Russia is the second-largest natural gas provider and third-largest oil producer in the world.
- Energy exporters notably outperformed importers given the soaring prices.

Fears of COVID-19

- A resurgence of COVID-19 cases in Europe and Asia, specifically in China, weighed on the global recovery.
- China's zero-COVID policy has injected doubt into its 2022 projected GDP growth of 5.5%, which is already its lowest annual target in more than 25 years.

Growth vs. value

- Value sectors such as Energy, Materials, and Financials were in favor relative to growth sectors like Consumer Discretionary and Information Technology, due to recession fears and a tightening monetary cycle.
- However, Energy was the worst performer within emerging markets due to the removal of Russia from indices.

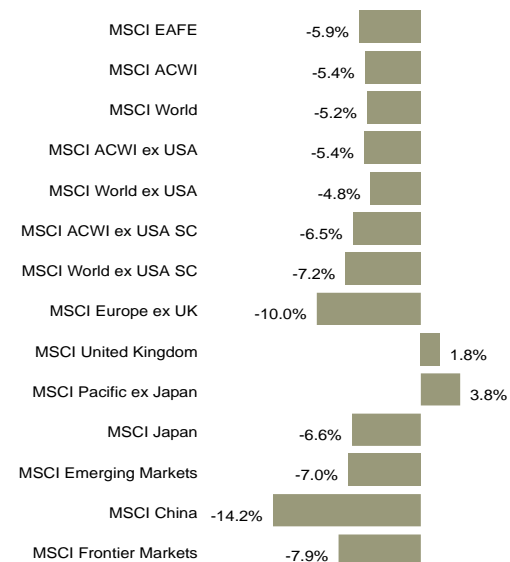
U.S. dollar vs. other currencies

- With the uncertainty of war, the U.S. dollar strengthened against other major currencies, including the yen, as the Bank of Japan maintained an easing policy.

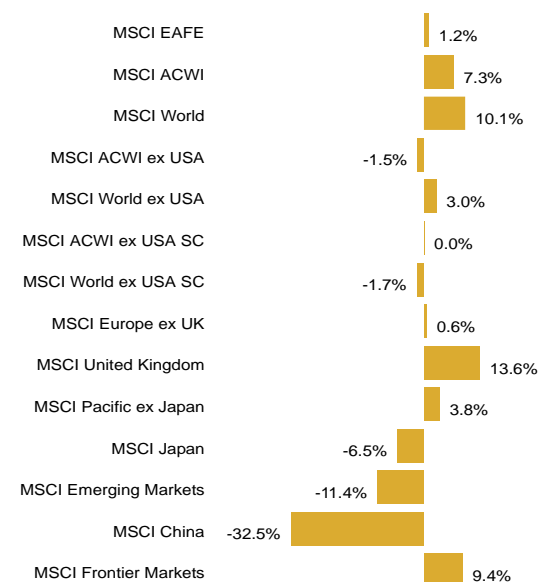
Value is attractive relative to history

- There are attractive valuations in multiple regions.
- Growth relative to value is more vulnerable as interest rates normalize.
- Global recovery from COVID and deficit in Energy should support value.
- Value sectors are underexposed in international indices relative to history.
- Value outperforms in “heating up” inflationary environments.

Global Equity: Quarterly Returns



Global Equity: One-Year Returns



U.S. Fixed Income Summary – First Quarter

U.S. FIXED INCOME

Bonds hit hard as rates rose sharply

- Bloomberg Aggregate worst quarterly return since 1980
- Curve flattened; as of 3/31 5-year U.S. Treasury yield was 10 bps higher than 10-year UST yield (2.42% vs. 2.32%).
- TIPS topped nominal Treasuries, and 10-year breakeven spread widened to 2.84% from 2.56% at year-end.
- Fed raised rates by 25 bps, with many more hikes expected this year.

Credit sectors underperformed

- Investment-grade corporates underperformed duration-matched U.S. Treasuries by 145 bps, RMBS by 71 bps.
- High yield “benefited” from less interest rate sensitivity and relatively higher exposure to the energy sector; excess return vs. U.S. Treasuries was 92 bps.
- Defaults remain low (less than 1%) and yield breached 6%.

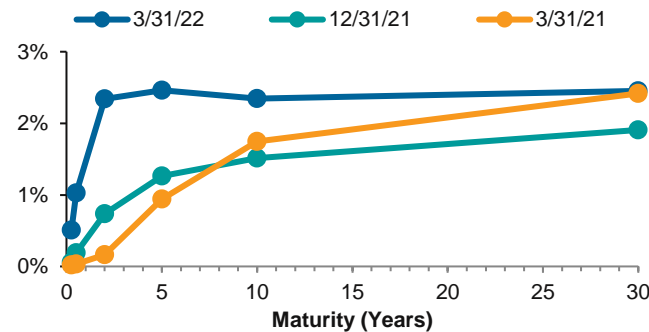
Leveraged loans performed relatively well

- Helped by floating rate coupons/low duration

Securitized sectors also performed well

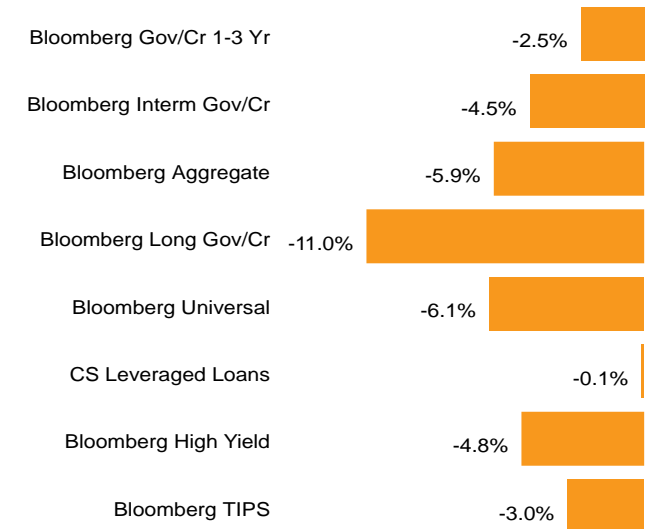
- Consumer ABS was the best within the sector due to its shorter duration profile and solid consumer spending.
- Conduit CMBS traded in line as the economy re-opens.
- Agency MBS saw duration extend by 0.4 year due to higher rates.
- The U.S. yield curve “bear-flattened” as the Fed pivoted to focus on higher-than-expected inflation.
- The U.S. yield curve (2Y/10Y) inverted on the last (intra) day of the quarter, which has not been seen since Aug. 2019.
- Despite rates moving higher this year, could the recent back-up indicate a new regime of higher rates, or is the market simply trading to the higher end of this secular range that has persisted for nearly 40 years?

U.S. Treasury Yield Curves

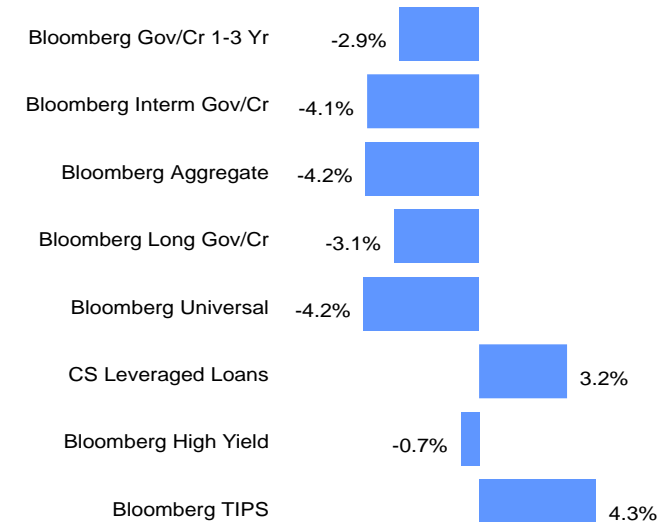


Sources: Bloomberg, Credit Suisse

U.S. Fixed Income: Quarterly Returns



U.S. Fixed Income: One-Year Returns



Sources: Bloomberg, Credit Suisse

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

GLOBAL FIXED INCOME

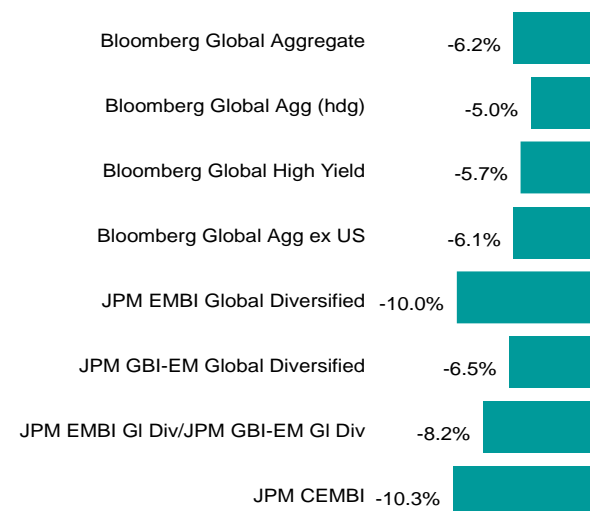
Negative returns driven by broad interest rate increases

- U.S. dollar appreciated against the Japanese yen, euro, and British pound.

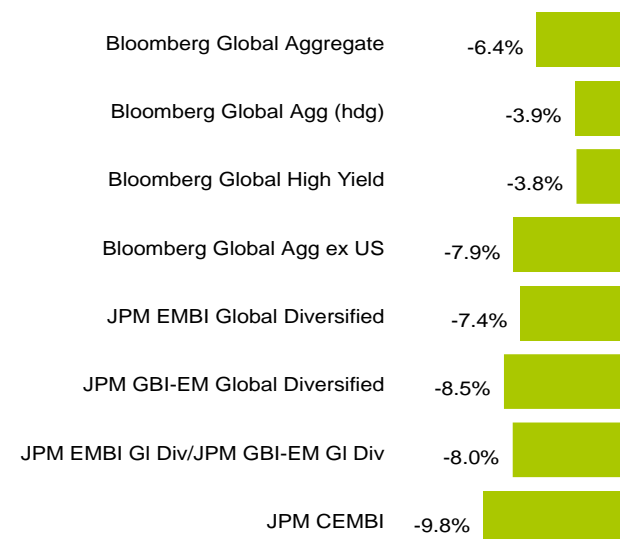
Emerging market debt was not spared

- JPM Global Diversified hurt by rising rates in the U.S.
- GBI-EM hurt by rising local rates, but currency appreciation helped in Latin America and Africa.
- Russia removed from indices at a price of \$0 (-100% return).

Global Fixed Income: Quarterly Returns



Global Fixed Income: One-Year Returns



Returns for Various Periods – March 31, 2022

	January	February	March	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
1 Russell:3000 Index	(5.88)	(2.52)	3.24	(5.28)	(5.28)	11.92	18.24	15.40	14.28	10.10
2 Russell:1000 Index	(5.64)	(2.74)	3.37	(5.13)	(5.13)	13.27	18.71	15.82	14.53	10.26
3 Russell:1000 Growth	(8.58)	(4.25)	3.91	(9.04)	(9.04)	14.98	23.60	20.88	17.04	12.92
4 Russell:1000 Value	(2.33)	(1.16)	2.82	(0.74)	(0.74)	11.67	13.02	10.29	11.70	7.36
5 Russell:Midcap Index	(7.37)	(0.72)	2.56	(5.68)	(5.68)	6.92	14.89	12.62	12.85	9.48
6 Russell:Midcap Growth	(12.90)	(1.21)	1.61	(12.58)	(12.58)	(0.89)	14.81	15.10	13.52	10.41
7 Russell:Midcap Value	(4.27)	(0.47)	3.04	(1.82)	(1.82)	11.45	13.69	9.99	12.01	8.31
8 Russell:2500 Index	(8.32)	1.13	1.59	(5.82)	(5.82)	0.34	13.79	11.57	12.09	8.98
9 Russell:2500 Growth	(13.19)	0.30	0.72	(12.30)	(12.30)	(10.12)	12.99	13.22	12.69	10.03
10 Russell:2500 Value	(5.08)	1.63	2.11	(1.50)	(1.50)	7.73	12.98	9.19	11.04	7.59
11 Russell:2000 Index	(9.63)	1.07	1.24	(7.53)	(7.53)	(5.79)	11.74	9.74	11.04	7.99
12 Russell:2000 Growth	(13.40)	0.44	0.46	(12.63)	(12.63)	(14.33)	9.88	10.33	11.21	8.81
13 Russell:2000 Value	(5.83)	1.65	1.96	(2.40)	(2.40)	3.32	12.73	8.57	10.54	6.91
14 S&P:500	(5.17)	(2.99)	3.71	(4.60)	(4.60)	15.65	18.92	15.99	14.64	10.26
15 S&P:400 Mid Cap	(7.21)	1.11	1.38	(4.88)	(4.88)	4.59	14.14	11.10	12.20	9.67
16 S&P:600 Small Cap	(7.27)	1.40	0.37	(5.62)	(5.62)	1.23	13.58	10.89	12.56	9.50
17 MSCI:ACWI ex US	(3.69)	(1.98)	0.16	(5.44)	(5.44)	(1.48)	7.51	6.76	5.55	3.13
18 MSCI:EAFE	(4.83)	(1.77)	0.64	(5.91)	(5.91)	1.16	7.78	6.72	6.27	2.91
19 MSCI:EM	(1.89)	(2.99)	(2.26)	(6.97)	(6.97)	(11.37)	4.94	5.98	3.36	3.79
20 MSCI:ACWI	(4.91)	(2.58)	2.17	(5.36)	(5.36)	7.28	13.75	11.64	10.00	6.49
21 Blmbg:Aggregate	(2.15)	(1.12)	(2.78)	(5.93)	(5.93)	(4.15)	1.69	2.14	2.24	3.56
22 Blmbg:Gov/Credit	(2.44)	(1.17)	(2.85)	(6.33)	(6.33)	(3.85)	2.12	2.44	2.45	3.71
23 Blmbg:Credit	(3.21)	(1.89)	(2.51)	(7.42)	(7.42)	(4.16)	2.81	3.18	3.44	4.58
24 Blmbg:Corporate High Yld	(2.73)	(1.03)	(1.15)	(4.84)	(4.84)	(0.66)	4.58	4.69	5.75	6.53
25 Blmbg:Municipal Bond	(2.74)	(0.36)	(3.24)	(6.23)	(6.23)	(4.47)	1.53	2.52	2.88	3.72
26 Blmbg:US TIPS	(2.02)	0.85	(1.86)	(3.02)	(3.02)	4.29	6.22	4.43	2.69	4.30
27 Blmbg:Glob Agg ex USD	(1.96)	(1.11)	(3.20)	(6.15)	(6.15)	(7.89)	(0.19)	1.27	0.06	2.14
28 S&P:LSTA Levg Loan	0.36	(0.51)	0.05	(0.10)	(0.10)	3.25	4.22	4.01	4.30	4.37
29 ML:US Treasuries 1-3 Yrs	(0.65)	(0.37)	(1.33)	(2.34)	(2.34)	(2.84)	0.88	1.08	0.86	1.69
30 LIBOR - 3 Month	0.03	0.04	0.08	0.15	0.15	0.26	0.87	1.33	0.87	1.17
31 3 Month T-Bill	0.00	0.01	0.03	0.04	0.04	0.06	0.81	1.13	0.63	0.83
32 S&P GSCI	8.78	6.23	8.65	25.55	25.55	49.25	16.12	9.00	(0.70)	(1.40)
33 MSCI:US REIT Index	11.63	8.77	9.63	33.13	33.13	64.55	13.40	9.98	(3.31)	(3.10)
34 Alerian:MLP Index	(6.93)	(3.19)	6.49	(4.06)	(4.06)	26.20	11.14	9.65	9.74	6.33
35 DJB:Gbl Infrastructure	11.07	4.82	2.05	18.81	18.81	36.56	2.70	(0.07)	1.28	4.69
36 US DOL:CPI All Urban Cons	(2.93)	(0.40)	6.74	3.20	3.20	17.45	8.57	8.01	8.56	7.26
Data Source: Callan Associates										