

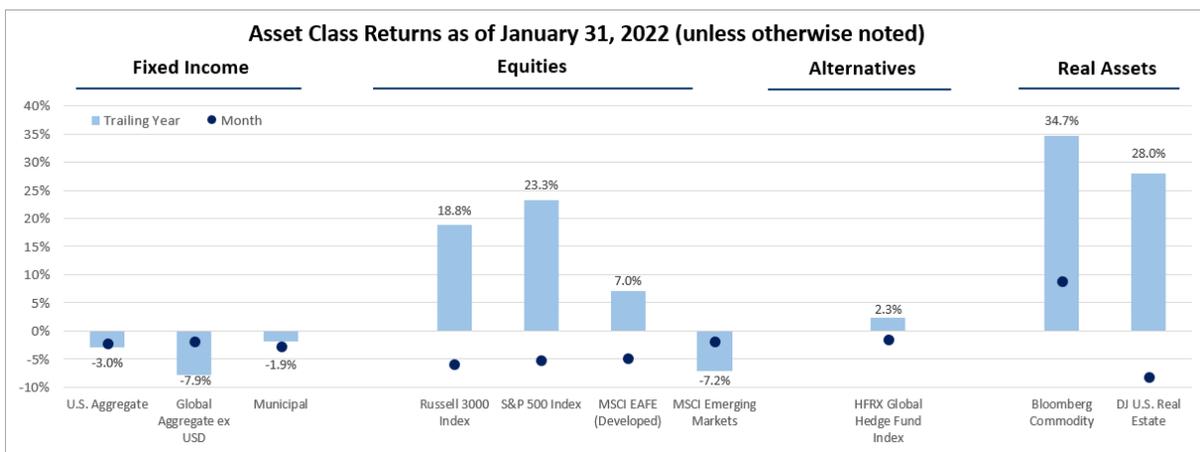
The New Year began inauspiciously, with global equity and bond markets falling in unison. Commodities proved to be a diversifier, benefiting from strong price gains, particularly in energy. The market downturn was driven by signs that major central banks are poised to reverse the monetary stimulus that has supported the global economy and capital markets during the coronavirus pandemic. Political tensions between the U.S. and Russia and rising Omicron rates in some countries also weighed on investors. While economic growth and corporate earnings surpassed expectations in 2021, rising inflation and interest rates, ongoing supply shortages and an antagonistic geopolitical environment portend a more difficult year ahead.

The U.S. economy grew at a 6.9% annual rate in the fourth quarter, driven by a surge in services spending and inventories. The end of COVID-related fiscal spending, the residual drag from the Omicron variant, and potential inventory reductions may cause economic growth to decelerate in 2022. Recent consumer spending and retail sales have been disappointing and consumer sentiment is at its weakest level in over 10 years. While business activity is still expanding, it has fallen in Europe and the U.S. China, which has taken a tough approach to suppress a recent increase in COVID cases, could roil the global economy. However, the recent pick up in construction spending, increase in the labor force, and spending on services as daily life continues to normalize should sustain the economic expansion.

There is growing concern the U.S. Federal Reserve has been too slow to respond to the surge in demand and inflation. The inflation rate is outpacing forecasts, jumping to 7% in December, its highest level since June 1982. The Fed's preferred inflation measure, core PCE, rose 4.9% YoY in December, more than twice the 2% target. While the supply shortages that boosted prices are likely improving, increases in wage costs and housing may be more sustainable. The labor market remains tight and demographic trends limit the supply of new workers. Likewise, shortages of labor, materials and land in some areas, should prolong the housing boom. Recently the Fed has clearly indicated it is poised to take aggressive action to tame inflation including multiple interest rate hikes, the end of asset purchase as well as steps to shrink its balance sheet. Central banks in other countries have already started to tighten their monetary policy or announced their intentions to do so, pushing up global yield curves.

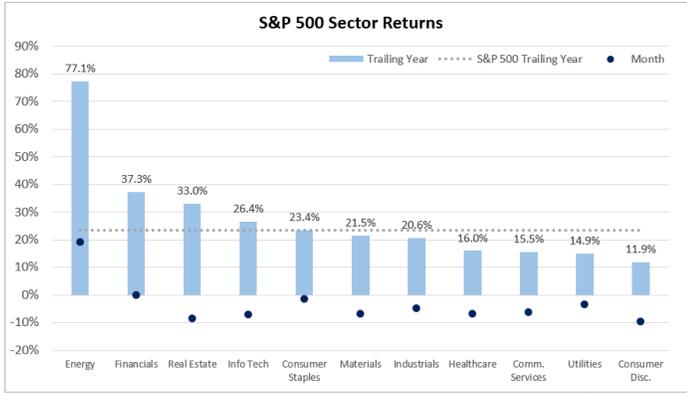
All major bond sectors declined in January due to higher government yields and wider credit spreads. U.S. interest rates increased across all maturities, but the yield curve flattened as short-term yields rose more than long-term equivalents. Treasuries outperformed taxable spread sectors and municipal bonds. Non-U.S. investors searching for yield and safe income have boosted Treasuries, particularly at the long end of the curve. U.S. bonds generally underperformed global bonds although the U.S. dollar gained against most currencies. U.S. corporate investment-grade debt produced the lowest returns, partially due to longer duration and elevated new issue supply. Municipal funds experienced the first net outflow in almost two years which was aggravated by a retrenchment in dealer liquidity and an upswing in new issuance. The pullback in municipal prices has made the sector more attractive relative to Treasuries and the tax-equivalent yield is materially higher than taxable sectors.

Global equity market declines were led by U.S. equities. Emerging markets stocks outperformed developed markets but with wide dispersion across countries. Brazil and Chile posted double-digit gains while China and Russia were thwarted by heightened domestic and political risks. Small-cap stocks have underperformed large-cap stocks for several months. Growth sectors including technology and consumer cyclicals as well as health care saw the steepest declines. Value stocks, which tend to be less impacted by rising interest rates than growth stocks, outperformed. Energy was the only sector with a positive return. Energy-oriented stocks and commodity futures surged amid rising oil prices, strong inflation and potential supply disruption from the Russian/Ukraine conflict. At one point, several major market benchmarks were down over 12%. Technical factors exacerbated price volatility with poor liquidity and heavy selling activity from index-oriented ETFs. A mixed earnings season, with several high-profile misses in consumer and financial stocks, also spooked investors. The end of the month saw some relief, as volatility subsided and technology stocks led a robust bounce back.



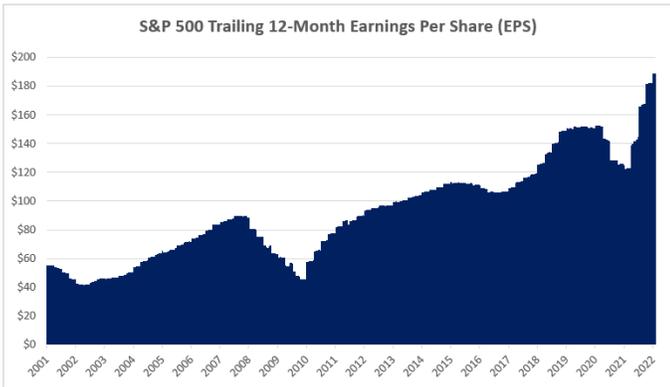
Morningstar & Hedge Fund Research, Inc.; Bond indices from Bloomberg Barclays

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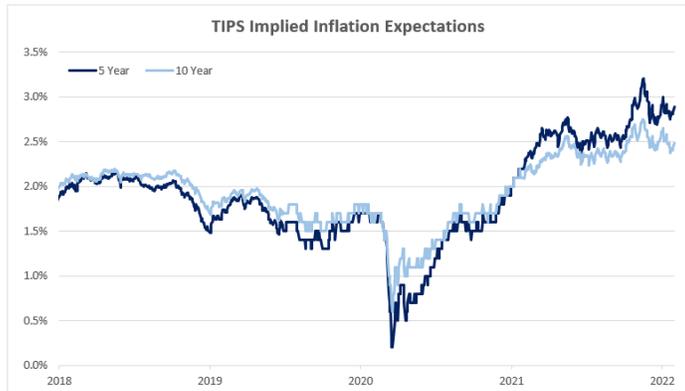
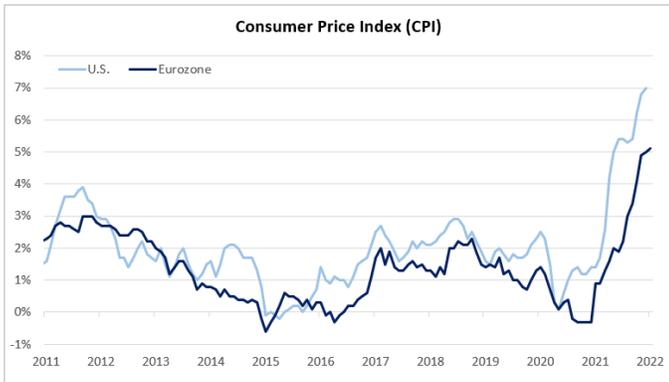
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Bloomberg; U.S. indices from Russell and world indices from MSCI



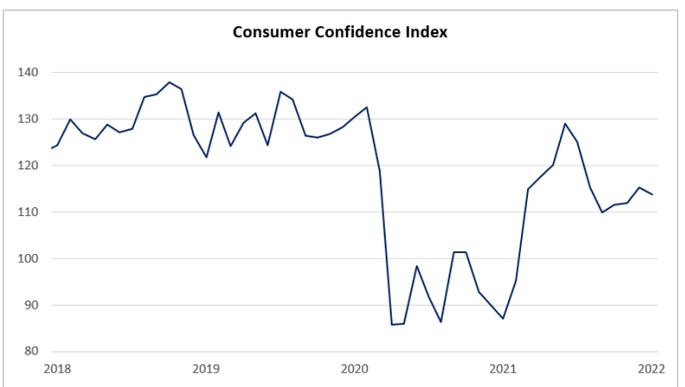
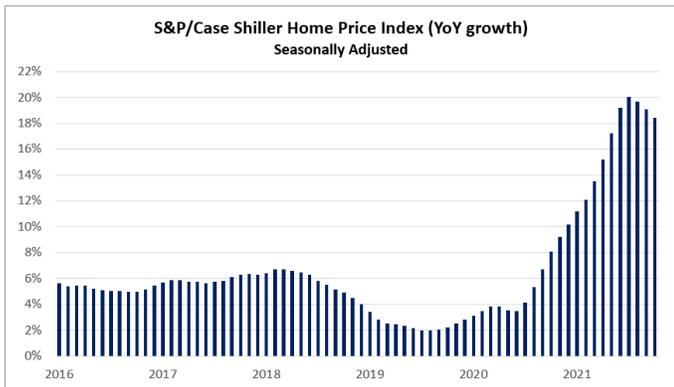
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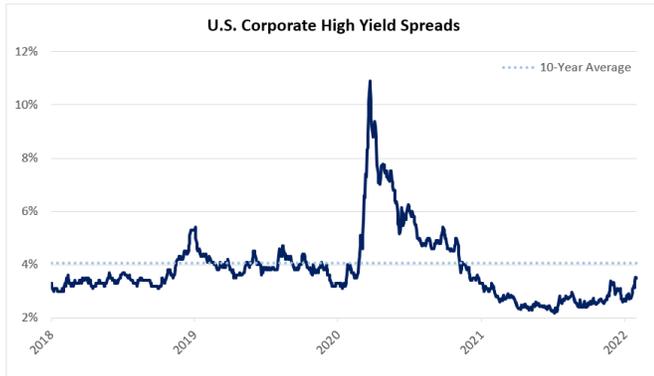
U.S. Bureau of Labor Statistics

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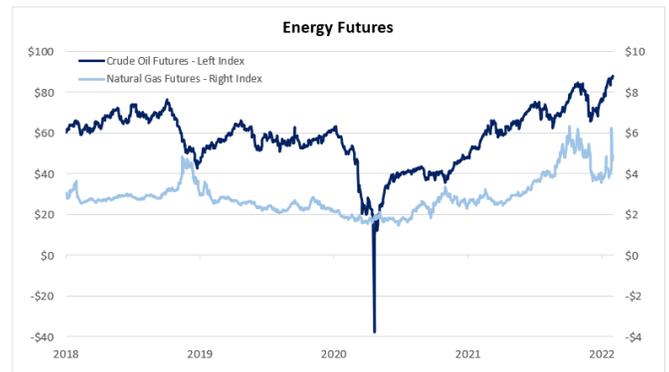


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The Russell 3000 Index is constructed to provide a comprehensive, unbiased and stable barometer of the broad market and is completely reconstituted annually to ensure new and growing equities are reflected; The Russell 2000 Index measures the performance of the small cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership; The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe. It is a subset of the Russell 3000 Index representing approximately 90% of the total market capitalization of that index. It includes approximately 1,000 of the largest securities based on a combination of their market-cap and current index membership; The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. The Russell Midcap Index is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap Index represents approximately 31% of the total market capitalization of the Russell 1000 companies; the S&P 500 Index is a market capitalization-weighted Index of 500 widely held stocks often used as a proxy for the stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of eleven different sectors; the MSCI EAFE Index (Europe, Australasia, Far East) captures large- and mid-cap representation across developed markets countries around the world excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the MSCI Emerging Markets Index captures large- and mid-cap representation across emerging markets countries across the world. The index covers approximately 85% of the free float-adjusted market capitalization in each country; The MSCI World Index captures large- and mid-cap representation across developed markets countries. The index covers approximately 85% of the free float-adjusted market capitalization in each country; the Bloomberg Commodity Index reflects commodity futures price movements and is calculated on an excess return basis. The index rebalances annually weighted 2/3 by trading volume and 1/3 by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from the 6th-10th business day based on the roll schedule; the Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency); the Bloomberg Barclays Global Aggregate Ex U.S. Index is a measure of investment grade debt from twenty-four local currency markets. This multi-currency benchmark includes Treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. Bonds issued in U.S. dollars are excluded; the Bloomberg Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds; the Dow Jones U.S. Real Estate Index measures the performance of real estate investment trusts (REITs) and other companies that invest directly or indirectly in U.S. real estate through development, management, or ownership, including property agencies; The Bloomberg Barclays U.S. Corporate High-Yield Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded; The HFRX Global Hedge Fund Index is comprised of funds representing the overall hedge fund universe. Constituent funds include but are not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, even driven, macro, merger arbitrage, and relative value arbitrage. The underlying strategies are asset weighted based on the distribution of assets in the hedge fund industry; The S&P Case-Shiller Home Price Index measures the value of single-family housing within the U.S. The index is a composite of single-family home price indices for the nine U.S. Census divisions. Leading economic indicators (LEI) are statistics that precede economic events. They predict the next phase of the business cycle. The OECD Composite leading indicators (CLIs), designed to anticipate turning points in economic activity relative to trend, continue to strengthen in most major economies. The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. The Consumer Confidence Index is a measure based on a survey administered by The Conference Board that reflects prevailing business conditions and likely developments for the months ahead. This monthly report details consumer attitude, buying intentions, vacation plans and consumer expectations for inflation, stock prices and interest rates. A Treasury Bill (T-Bill) is a short-term U.S. government debt obligation backed by the Treasury Department with a maturity of one year or less. The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the manufacturing sector. The ISM Non-Manufacturing Index is a monthly indicator of U.S. economic activity based on a survey of executives covering all North American Industry Classification System's businesses in the services (or non-manufacturing) sector. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. 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