Global Economy

March was another volatile month for global markets as investors reacted to the war in Ukraine, the commencement of the rate tightening cycle by the US Fed, and renewed Covid-19 lockdowns in China. Global commodity prices continued to rise given supply risk presented by the war, though oil prices eased late in the month on news of US plans to tap strategic reserves and concerns over Chinese demand. Global bond yields rose on the expectation of more aggressive central bank tightening to fight inflation, with the US Fed raising its policy rate to 0.25% - 0.50% and signaling another hike in each remaining meeting this year. Inflation hit a 40 year high in the US while Eurozone inflation hit a record high in the 23 year history of that economic union, and consumer sentiment has tumbled in both markets. Economic activity remains resilient however, as the US saw payrolls surprise to the upside and unemployment decline to 3.8%. Globally, most major economy Purchasing Managers' Indices held steady or fell only modestly, but remain firmly in expansion territory. The conflict in Ukraine, inflation, and central bank policy will continue to be key market drivers in what is shaping up to remain a volatile market environment in the near-term.

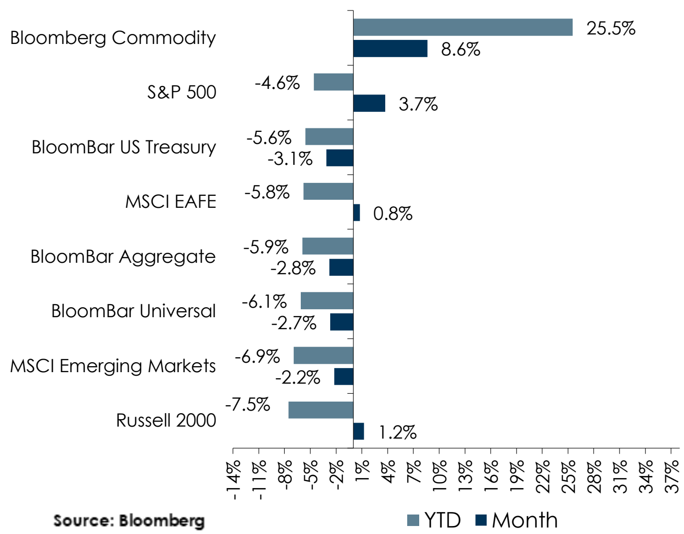
Global Markets

- **Global Equity –** Global equities generally rebounded from February's decline led by US Large Caps, though most major indices ended the first quarter in negative territory. The emerging markets index lagged in March as shutdowns from China's zero-Covid policy added to growth headwinds there. Index level P/E multiples on forward earnings were little changed last month, and valuations in non-US regions and US small caps continue to sit near historic averages while those for US large caps remain elevated. The war in Ukraine will continue to present downside risk as the conflict's impact to global inflation and growth erodes the case for equities, particularly in Europe. For now, the global growth outlook remains above trend relative to recent history, even after some recent downward revisions to growth forecasts.

- **Global Fixed Income –** Fixed income indices were broadly negative to wrap up one of the worst quarters in decades for bond performance. The 10-Yr US Treasury yield soared 51 bps in the month as investors reacted to a more aggressive Fed, sending it close to its average level for the past 15 years. The yield curve has flattened dramatically with some segments inverting, including the 2-yr/10-Yr spread, sending a possible warning signal for a recession. Credit spreads tightened in the month but are still wider for the quarter, with IG credit up 24 bps and High Yield 42 bps wider. Spreads, however, remain compressed overall. Rising rates have sent core fixed income yields to their highest level since 2019, and the more favorable income profile and role as portfolio ballast warrants an upgrade to the asset class. Volatility in rates and currency should provide enhanced opportunities for absolute return strategies, which can also offer downside protection. A cash allocation provides portfolio flexibility while rising front-end yields improve the asset's return potential.

- **Global Real Assets & Private Markets –** The fourth quarter was the best for US core real estate since the 1970s. All property sectors generated positive returns, with the industrial sector again significantly outperforming. Global PE activity set a new record in 2021 as managers deployed cash accumulated during the pandemic. The broad commodities index performed well again in March as the Ukraine war continued to present supply risk, sending its one-year return to +49%. CPI (+7.9%) and Core CPI (+6.4%) both rose from the prior month and continue to sit at multi-decade highs. Measures of future inflation expectations also rose with the 10-year inflation breakeven up 21 bps to 2.83%.

Key Market Indices



Source: Bloomberg

	Current	21-Dec
US GDP (%)	6.90	2.30
US Unemployment (%) *	3.80	4.20
CPI (Core) (%)	6.40	4.90
Fed Funds (%)	0.25 – 0.50	0.00 – 0.25
10 Year UST Yld (%)	2.34	1.51
S&P 500 Div Yld (%)	1.37	1.27
S&P 500 P/E (Trailing)	23.30	26.21
Gold/oz.	$1,949.20	$1,828.60
Oil (Crude)	$100.28	$75.21
Gasoline (Natl Avg)	$4.33	$3.38
USD/Euro	$1.11	$1.14
USD/GBP	$1.31	$1.35
Yen/USD	¥121.7	¥115.08

* Data as of March 31, 2022

Source: Bloomberg

Disclosures and Legal Notice

The views expressed herein are those of Asset Consulting Group (ACG). They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.

This report was prepared by ACG for you at your request. Although the information presented herein has been obtained from and is based upon sources ACG believes to be reliable, no representation or warranty, express or implied, is made as to the accuracy or completeness of that information. Accordingly, ACG does not itself endorse or guarantee, and does not itself assume liability whatsoever for, the accuracy or reliability of any third-party data or the financial information contained herein.

Certain information herein constitutes forward-looking statements, which can be identified by the use of terms such as “may”, “will”, “expect”, “anticipate”, “project”, “estimate”, or any variations thereof. As a result of various uncertainties and actual events, including those discussed herein, actual results or performance of a particular investment strategy may differ materially from those reflected or contemplated in such forward-looking statements. As a result, you should not rely on such forward-looking statements in making investment decisions. ACG has no duty to update or amend such forward-looking statements.

The information presented herein is for informational purposes only and is not intended as an offer to sell or the solicitation of an offer to purchase a security.

Please be aware that there are inherent limitations to all financial models, including Monte Carlo Simulations. Monte Carlo Simulations are a tool used to analyze a range of possible outcomes and assist in making educated asset allocation decisions. Monte Carlo Simulations cannot predict the future or eliminate investment risk. The output of the Monte Carlo Simulation is based on ACG’s capital market assumptions that are derived from proprietary models based upon well-recognized financial principles and reasonable estimates about relevant future market conditions. Capital market assumptions based on other models or different estimates may yield different results. ACG expressly disclaims any responsibility for (i) the accuracy of the simulated probability distributions or the assumptions used in deriving the probability distributions, (ii) any errors or omissions in computing or disseminating the probability distributions and (iii) and any reliance on or uses to which the probability distributions are put.

The projections or other information generated by ACG regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results and are not guarantees of future results. Judgments and approximations are a necessary and integral part of constructing projected returns. Any estimate of what could have been an investment strategy’s performance is likely to differ from what the strategy would actually have yielded had it been in existence during the relevant period. The source and use of data and the arithmetic operations used for calculating projected returns may be incorrect, inappropriate, flawed or otherwise deficient.

Past performance is not indicative of future results. Given the inherent volatility of the securities markets, you should not assume that your investments will experience returns comparable to those shown in the analysis contained in this report. For example, market and economic conditions may change in the future producing materially different results than those shown included in the analysis contained in this report. Any comparison to an index is for comparative purposes only. An investment cannot be made directly into an index. Indices are unmanaged and do not reflect the deduction of advisory fees.

This report is distributed with the understanding that it is not rendering accounting, legal or tax advice. Please consult your legal or tax advisor concerning such matters. No assurance can be given that the investment objectives described herein will be achieved and investment results may vary substantially on a quarterly, annual or other periodic basis. There is no representation or warranty as to the current accuracy of, nor liability for, decisions based on such information.