ADVUS FINANCIAL PARTNERS

MARKET COMMENTARY

Q2 | 2022

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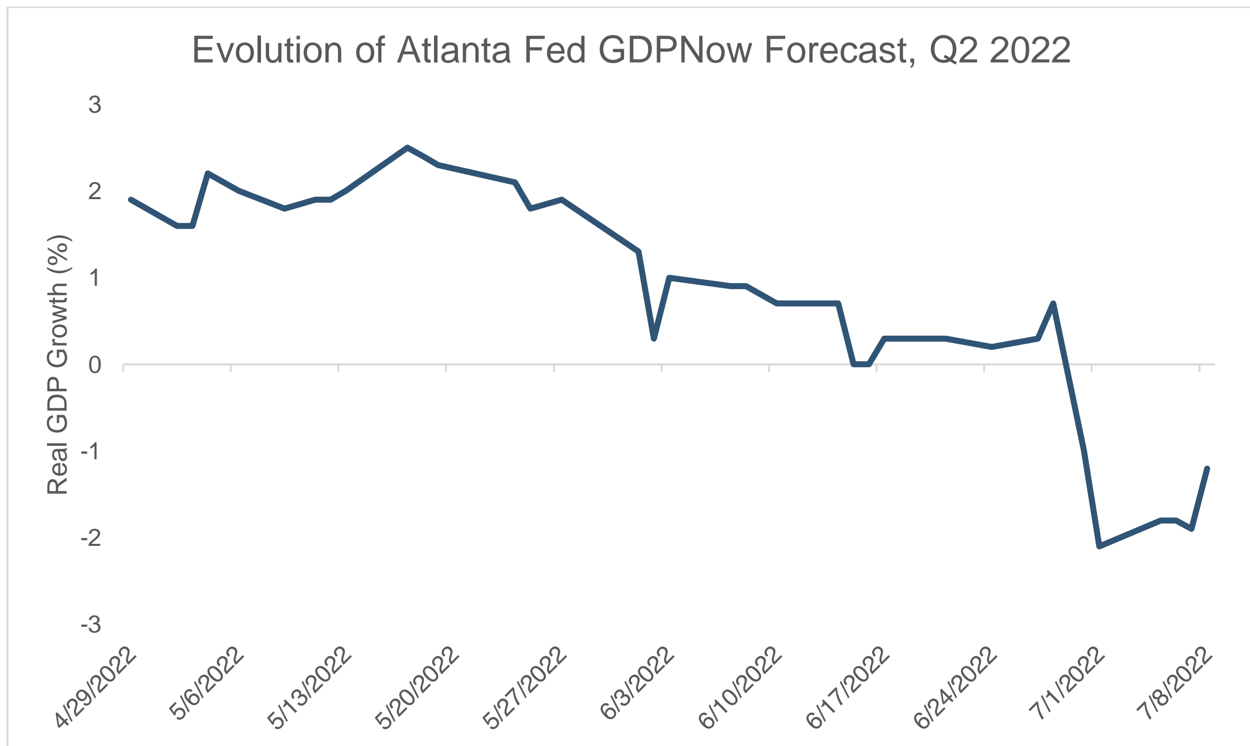
IN REVIEW

Both global equity and fixed income markets continued this year's selloff in the 2nd quarter as investors grappled with slowing economic growth, geopolitical turmoil, and rapidly tightening financial conditions. Broadly, U.S. equities declined -16.1% in the 2nd quarter. Year-to-date, U.S. equities were down roughly 21% marking the worst 1st half of a calendar year since 1970. The Bloomberg Global Aggregate Index fell an additional -8.3% in the 2nd quarter, bringing the year-to-date return to -13.9%. Fixed income markets continue to be hit by both surging yields and widening credit spreads due to expectations for further rate increases and concerns over the global growth outlook. International developed equities slid -20.3% in the 1st half of the year as Europe teeters on the brink of an energy crisis due to the conflict in Ukraine. Investors remain laser-focused on the Federal Reserve as the inflation picture has put them in the undesirable position of having to aggressively hike rates in a slowing growth environment. However, we continue to see signs of meaningful easing in core inflation that may provide some latitude for the Fed to tone down their currently hawkish rhetoric. In that case, investor attention will likely shift in the 2nd half of the year to the economic growth outlook and its implication for corporate earnings. Earnings have been resilient this year, but anecdotal evidence of inventory gluts and hiring freezes are likely to dent earnings growth expectations. Elevated uncertainty will likely create an environment of sustained equity market volatility until there's more clarity on the path forward for inflation, economic growth, and corporate earnings.

General Economic Conditions

Real U.S. GDP decreased at an annualized rate of -1.6% in the 1st quarter of 2022. The decrease in real GDP reflected decreases in exports, federal government spending, private inventory investment, and state and local government spending. Additionally, imports, which are a subtraction in the calculation of GDP, increased. Core GDP growth drivers including nonresidential fixed investment, personal consumption expenditures, and residential fixed investment were positive contributors to real GDP. The surprisingly weak Q1 2022 GDP figure of -1.6% annualized growth was largely due to factors unrelated to core GDP growth drivers. The inventory valuation adjustment subtracted about 1.3% from 1st quarter GDP. Additionally, net trade was a huge detractor as the U.S. economy grew faster than international economies. Imports into the U.S. surged driven by strong consumer spending, accelerating business investment, and continued inventory restocking. On the other hand, exports where sluggish as international economies didn't fare as well, and the continued strength of the dollar makes U.S. goods purchases relatively more expensive. Consensus estimates for 2nd quarter economic growth have been declining after a series of disappointing economic data points. The Atlanta Fed's GDPNow model estimate for real GDP growth in the 2nd quarter went from 2.5% on May 17th to as low as -2.1% on July 1st. Construction spending and housing starts came in below expectations, reflecting the impact of surging mortgage rates on housing demand. U.S. retail sales unexpectedly tumbled 0.3% as inflation erodes real disposable income. A larger than expected drop in the ISM New Orders index in June also indicates further downside ahead for the manufacturing sector. The economy has been shocked by the rapid and steep tightening of financial conditions this year. Expectedly, economic growth has slowed materially amid surging costs of capital and plummeting consumer confidence.

While back-to-back quarters of negative GDP is often cited as a recession, that isn't necessarily the case. There would have to be a broader decline in economic activity and some degradation in the labor market before a recession can officially be declared. Nevertheless, the pace of the slowdown this year has caught the attention of investors and we expect markets to continue to be fixated on growth trends for the 2nd half of the year.



Data from the manufacturing sector continues to signal an expansion in output, although at a decelerating rate. The Institute for Supply Management's Purchasing Managers Index (PMI) registered 53.0% in June, which is the 25th consecutive expansionary reading (a reading above 50% is considered expansionary). The Services PMI registered 55.3% in June which is the 25th consecutive expansionary reading for services. The U.S. manufacturing sector continues to be powered by demand while held back by supply chain constraints. However, the June report shows both demand and supply chain constraints are cooling. Surprisingly, the New Orders Index fell -5.9% into contractionary territory for the first time since May 2020. Elevated input prices and extended lead times likely weighed on new orders. New orders generally lead the other 80% of the headline PMI Index, so many expect a further decline in the headline index in July. The Employment Index came in at 47.3%, the 2nd consecutive month of contraction. Further output in the manufacturing sector continues to be most impacted by labor shortages all along the supply chain. Delivery times, order backlogs, and prices paid all fell in the June survey. Delivery times and order backlogs have now reversed much of the COVID driven surge, but prices paid remain high because of higher oil prices. Overall, these data points add more weight to the premise that supply constraints are easing rapidly.

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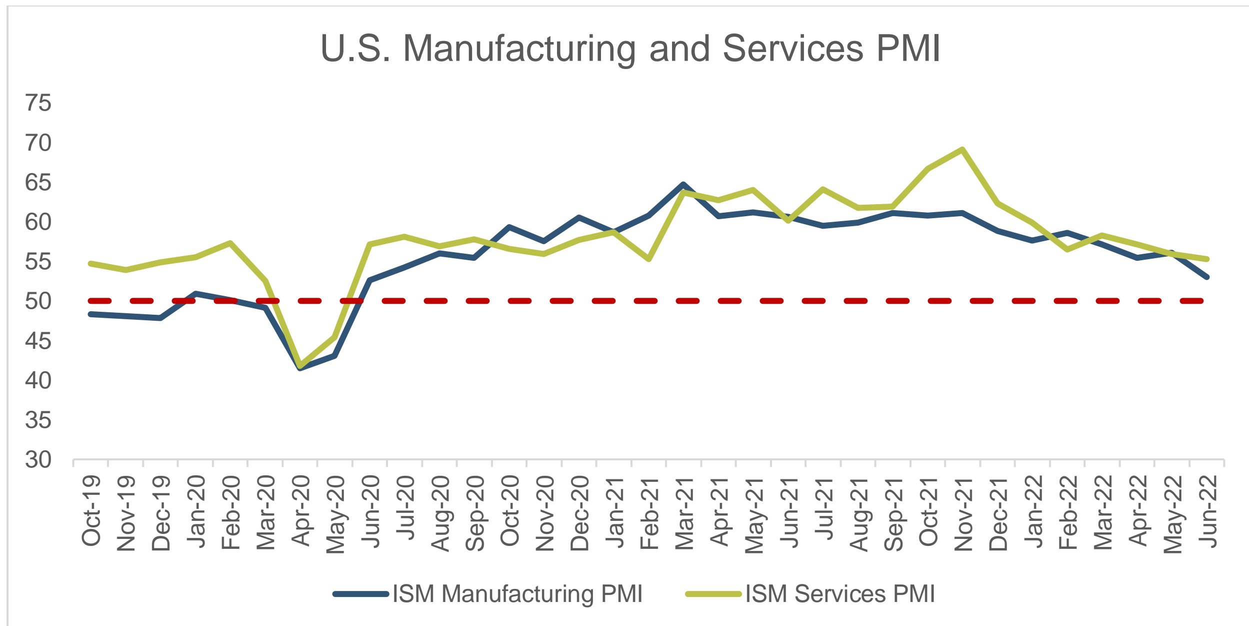
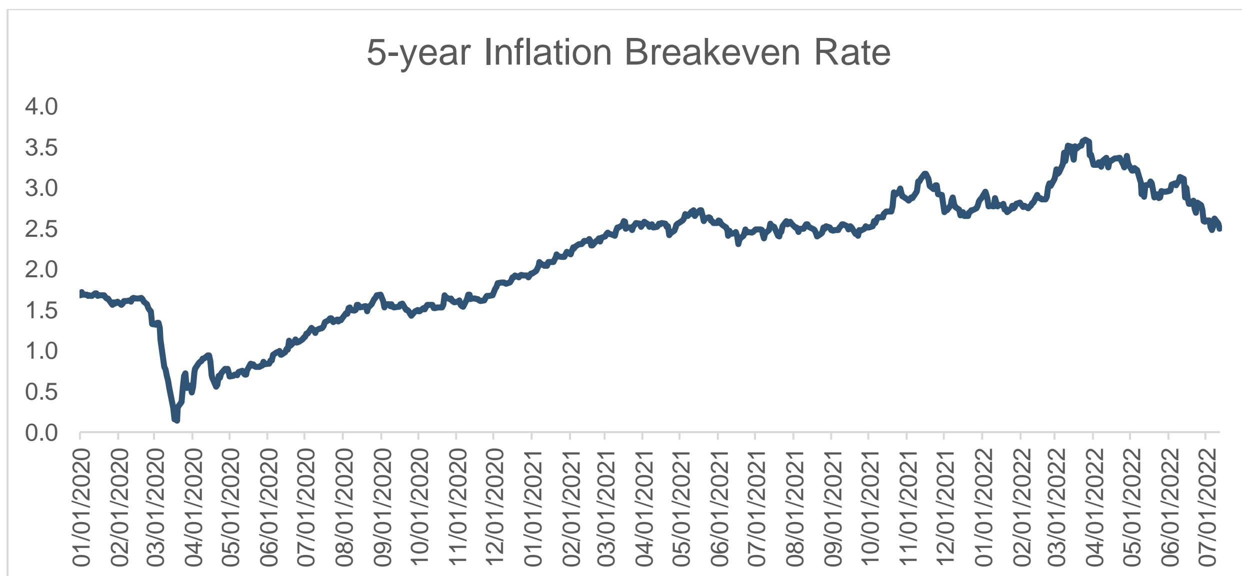


Inflation once again proved persistent in the 2nd quarter. In June, the Consumer Price Index increased 1.3%, marking a 9.1% increase over the previous 12 months. Increases in the indexes for gasoline, shelter, and food were the largest contributors to the increase. Gasoline accounted for nearly half of the monthly increase for the CPI index. Parsing through the noise of the volatile headline CPI readings, we continue to believe inflation will moderate in the 2nd half of the year. Beyond food and energy prices, the surprisingly high May and June readings were driven by rents, airline fares, and used vehicle prices. Rent growth should weaken in the 2nd half due to the moderation in wage growth in recent months and the softening of the housing market. Airline fares should flatten given that jet fuel prices have declined markedly from their April peak. Vehicle prices should be set to decline as domestic vehicle production has returned to the pre-COVID level, providing a lift to dealer inventories. Commodity prices, including crude oil, have declined significantly from their recent peaks and that should be reflected in future CPI readings.

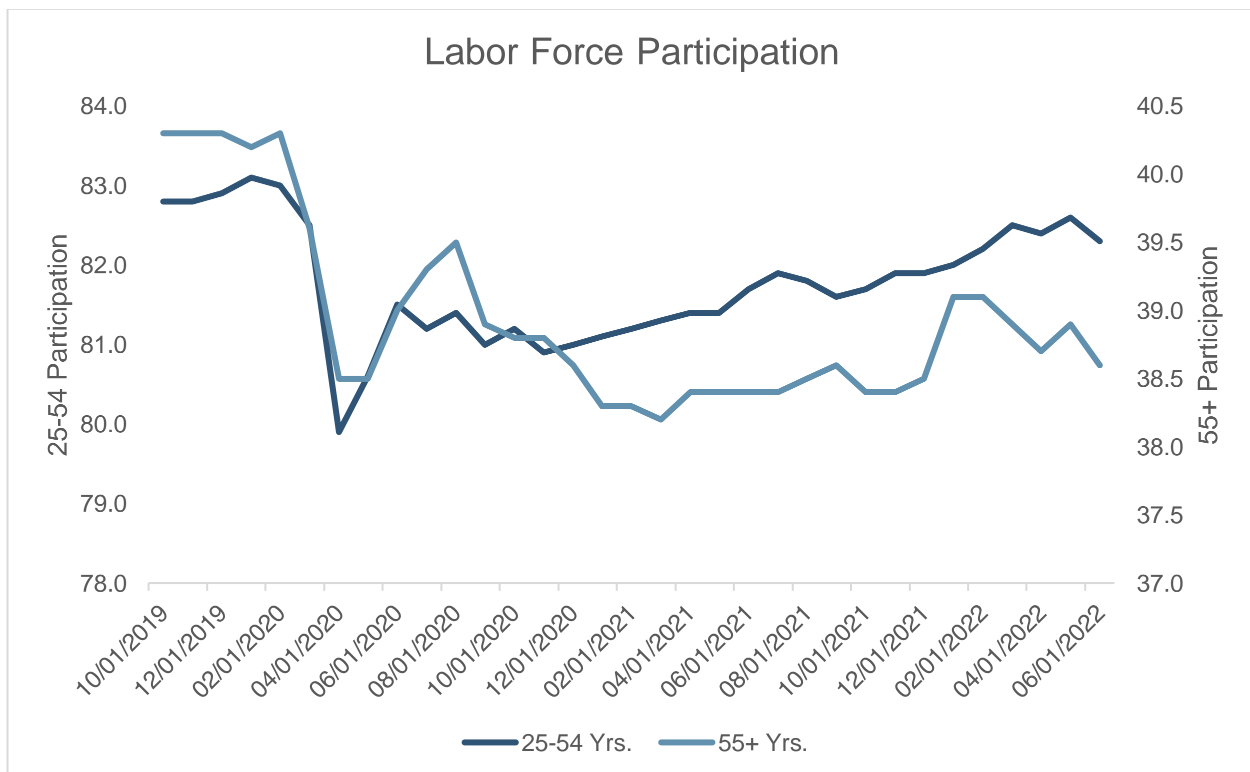
There are numerable macroeconomic trends echoing the narrative of moderating inflation. Growth concerns have translated into substantial declines in commodities prices, mitigating some input costs for manufacturers. Consumer spending continues to shift from goods to services which should alleviate supply chain bottlenecks as inventories recover. This can be seen in slowing delivery times and falling order backlogs in the latest ISM manufacturing report. As supply chain issues continue to ease, retail and wholesale inventories are growing, leading to falling profit margins. The chronic inventory shortage this time last year led retailers to place orders assuming consumer spending would still be there. However, inventory-to-sales ratios have spiked as increased supply has been met with softening consumer demand. In short, firms can’t maintain pandemic-style pricing when pandemic-style supply constraints have gone. The speed of profit margin compression will be a key determinant of how quickly core inflation falls over the coming months. Finally, market expectations for inflation have rolled over as the Fed has maintained its hawkish stance.

Inflation breakeven rates trended lower over the quarter ultimately signaling that market participants believe the Fed will be able to deal with inflation. Inflation expectations play an important role in realized inflation because a mindset of higher inflation can become engrained. In that case, demand may be pulled forward in anticipation of future higher prices. Pulling forward future demand supports prices in the short-term. Additionally, workers begin to demand wage increases in anticipation of higher prices. Employers then raise prices to offset their higher labor costs. Through these mechanisms, inflation expectations become self-fulfilling. The FOMC is acutely aware of this dynamic as Chairman Powell cited an uptick in inflation expectations as a driving force for surprising markets with a 75-basis point rate hike in June. As inflation trends toward more normal levels markets will begin to focus on how committed the Fed is to their 2% inflation mandate. Labor supply constraints, underinvestment in oil & gas production, and onshoring of supply chains are more structural trends that could keep core inflation stubbornly above 2%. In this case, the Fed may have to be restrictive for longer to ultimately achieve their 2% goal or move the goalposts in recognition of their inability to directly address these issues.



The labor market continues to exhibit unprecedented strength amidst a slowing economy. Total nonfarm payrolls rose by 372,000 in June, well above the consensus estimate of 250,000. While monthly payroll growth has trended lower since its peak rate of last February, the absolute monthly payroll gains are miles away from anything considered recessionary. Weekly initial jobless claims are trending higher but remain well below their historical average. The demand for labor is still imbalanced with labor supply, evidenced by the 5.5 million more job openings than unemployed workers. The prime age labor force participation rate has largely recovered from its pandemic low but the 55+ participation rate remains below its pre-pandemic peak. This is likely being driven by a wave of retirements amongst older workers. With the steep drop in 401(k) balances during the 1st half of the year, participation amongst this cohort could increase over the coming months, providing a lift to labor supply. Even still, wage growth likely won't fall off a cliff unless hiring demand slows substantially.

This should support continued consumer spending, hamper corporate profit margins, and apply upward inflationary pressure. Anecdotally, there have been mentions of layoffs and hiring freezes, but these stories have yet to manifest in the data. We would expect to see a meaningful uptick in jobless claims and the unemployment rate if the economy were heading into a recessionary environment. It's hard to envision a rapid deterioration of labor market conditions with 5.5 million more job openings than unemployed workers and a 3.6% unemployment rate. The strength of the labor market has been the area that forecasters continue to point to as evidence that the economy is not currently in a recession. Additionally, labor market resilience has allowed the Fed to feel confident they can address inflation with large rate hikes without tipping the economy into a steep recession.



Monetary Policy

The Federal Reserve amplified their policy tightening over the 2nd quarter, raising rates by 50 basis points at the May FOMC meeting and 75 basis points in June to a range of 1.50%-1.75%. Markets had largely expected 50 basis points in June, but a surprisingly high May CPI reading, and some signs of rising inflation expectations among market participants led the Fed to tighten more aggressively. The median FOMC expectation for rates at the end of this year is now 3.25%-3.50%, signaling an additional 175 basis points of tightening. Market expectations for future rate hikes are largely in line with the FOMC's projections for this year. However, the market has begun to price in rate cuts next spring, reflecting the risk that an overly aggressive Fed will tip the economy into recession.

On top of rate increases, the Fed officially began quantitative tightening on June 1st. They let $47.5B of securities run off their balance sheet, $30B of Treasuries and $17.5B of mortgage-backed securities.

The Fed plans to maintain that pace of balance sheet shrinkage until September when they will ramp up to $95B per month. Quantitative tightening is uncharted territory for market participants, but Fed officials estimate $1T in balance sheet shrinkage is roughly equivalent to a 25-basis point increase in interest rates. At this point, the Fed has clearly decided that the risks posed by persistently high inflation are greater than the risks of greater economic slowing from aggressively raising rates. The selloff in equity markets to start this year was due in large part to rapidly changing expectations for how much the Fed would have to tighten this year. Low interest rates and massive liquidity injections allowed equity valuations to soar well above long-term averages. The current inflation regime has turned both of those dynamics on their head as the Fed raises rates and removes liquidity from the financial system.

Investment Performance

Markets sold off across all major asset classes in the 2nd quarter. Recession fears have risen globally as consumers are squeezed by higher prices and higher borrowing costs. Slowing economic growth has also raised concerns that corporate earnings will come in below expectations. The S&P 500 returned -16.1%, while European equities fell -10.0% during the quarter. The war in Ukraine continues to disproportionately impact European markets amid concerns over potential energy shortages. Global credit markets fell -8.3% as markets moved to price in significant further increases in interest rates. The positive correlation between stocks and bonds this year has been acutely painful for investors as fixed income hasn't provided the ballast against equity market drawdowns investors are accustomed to. As economic growth fears become the dominant market narrative, we would expect the negative stock bond correlation to reassert itself. Going into the 2nd half of the year, markets will be keenly focused on corporate earnings resilience. Expected earnings growth is still in positive territory and it's rare for both earnings growth and valuations to fall in the same calendar year. However, current earnings estimates look optimistic given softening consumer spending and profit margin compression.

- **Value outperformed growth in the 1st half –** Year-to-date value equities returned -11.8% compared to -28.7% for growth equities. Value equities continue to benefit from their lower starting valuations relative to growth equities as further interest rate increases were priced in during the 2nd quarter. Growth stocks carried much higher valuations coming into the year and have been punished by multiple compression. Despite this year's outperformance, value still looks cheap relative to growth historically. A dovish pivot from the Fed in reaction to softer than expected economic data would likely provide a boost to growth equities.

- **Traditional fixed income continues to struggle –** Globally, central banks continued tightening monetary policy by raising interest rates and shrinking balance sheets. The subsequent rise in bond yields led to a rout in the bond market in the 1st half of the year. The weakness in fixed income markets this year has presented some opportunities for investors. Yields are sitting near the high end of their 10-year range.

Revenue and earnings growth are still positive, debt service ratios are strong, and firms have a lot of cash on their balance sheets. Default rates likely won't spike significantly even if growth is softer than expected.

- **Foreign equities outperformed U.S. equities in the 1st half –** The U.S. underperformed all major foreign markets in the 1st half of the year as the Fed has moved more aggressively than other central banks to tame inflation. Foreign equities benefited from cheaper valuations coming into the year and corporate earnings have been surprisingly resilient. Headwinds in the space remain, as Europeans equities are vulnerable to the cloudy economic growth outlook and emerging markets are hurt by outsized dollar strength.

LOOKING FORWARD

The Federal Reserve's campaign against inflation was the dominant driver of global market returns in the 1st half of the year. With inflation remaining near decade-highs and a tight labor market, tighter monetary policy is necessary. Coming into the year, tightening financial conditions and moderating economic growth was the base case for many. While that has come to pass, the speed and magnitude of tightening to this point is unprecedented. Surging interest rates drove fixed income lower while the end of easy money drove a re-rating of equity market valuations. Consumer spending is softening as pandemic savings are drawn down and residential fixed investment will be hampered by higher mortgage rates. Additionally, relative dollar strength will continue to pressure U.S. net exports. At this point, it seems likely that headline GDP contracted again in the 2nd quarter. While the financial media will rush to declare a recession based on back-to-back negative GDP prints, that's not necessarily accurate. The National Bureau of Economic Research is responsible for labeling recessions, and they require a broad decline in economic activity to do so. With payroll growth averaging more than 400k per month and positive consumption growth in the 1st two quarters it's hard to imagine that test has been met. The foreign trade hit to GDP in the 1st quarter and the probable inventory hit in the 2nd quarter are unlikely to be repeated in the 2nd half of the year. With that backdrop, the market narrative will likely shift from inflation concerns to growth concerns. Further hawkish surprises from the Fed are not in our base case as it should become increasingly clear that core inflation has peaked and rolled over. Corporate earnings will be in focus as an earnings recession is not reflected in current market prices and would likely lead to another leg down in equity markets. We continue to emphasize quality, investment-grade fixed income to protect against slowing growth and further equity market downside. With yields near 10-year highs, investors are getting paid an adequate return and getting portfolio protection should a recession occur. While we don't expect widespread credit issues, we're underweight riskier credit issues because of their higher correlation to equity markets. Within equity, the emphasis remains owning quality businesses that provide near-term earnings stability. We think a balanced, measured exposure to both value and growth makes sense. Ensuring portfolios remain exposed to both cyclical companies that can benefit from continued economic growth and secular growth companies at reasonable valuations, accounts for both upside and downside risks. Today's investing environment can be very uncomfortable, but at current levels the entry point in stocks and bonds looks to be compelling for long-term investors. As uncertainty remains, elevated volatility will likely persist into the 2nd half of the year.

Scenario Updates

Upside Scenario	10% Probability

Factors that could influence the Upside Scenario:

- The conflict in Ukraine has a swifter resolution than currently expected. Sanctions currently imposed on Russia don't escalate and possibly lessen.
- GDP growth rates exceed expectations due to a sharper than expected decrease in inflation and sustained consumer demand. Transitory labor supply shortages and supply chain disruptions resolve themselves by the end of 2022.
- The Fed is patient and able to tone down some of their hawkishness as inflation somewhat resolves itself. Bond yields retreat as a result, providing relief for both bond and equity markets.
- Corporate earnings beat expectations, driven by sustained record-high margins and better than expected top-line growth. The yield curve steepens, real yields stay low, and risk assets thrive.
- The economic effects of the pandemic essentially cease as the majority of Americans have some immunity and businesses have learned to adapt. Future COVID-19 variants don't have a viral load that surpasses that of the Delta variant, so mortality rates remain low and declining.

Base Scenario	60% Probability

The conflict in Ukraine drags along as a diplomatic solution remains unattainable but the conflict is contained to Ukraine. Sanctions currently imposed on Russia remain in place and escalate in response to further Russian aggression. The economic effects of the pandemic are minimal as most Americans have some immunity and businesses have learned to adapt. GDP growth rates are in-line with expectations as the economy reaches capacity limits and consumers adapt to a structurally higher inflation environment. Labor supply shortages and supply chain disruptions continue to improve throughout 2022. The Fed responds to high inflation and a tight labor market accordingly, embarking on a true tightening cycle. Bond yields continue to increase, though at a more measured pace, in response to Fed tightening. Corporate earnings expectations come down but remain positive, as spending slows and margins compress. The yield curve remains flattish as the Fed pushes up the front end and growth concerns keep a cap on the long end.

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Downside Scenario	30% Probability

Factors that could influence the Downside Scenario:

- The conflict in Ukraine drags along as a diplomatic solution remains unattainable and the threat of NATO involvement increases meaningfully. Harsh sanctions are imposed on Russia, potentially eliciting an escalatory response from Moscow.
- Consumers are unwilling to draw down on built up pandemic savings to sustain consumption, growth falls quicker than expected as a result.
- The Fed responds too quickly and too drastically to high inflation and a tight labor market. The policy misstep sends the U.S. economy into recession amid contracting growth and continued high inflation. Bond yields continue to increase at a sharp pace creating a risk off environment for both equities and fixed income. The yield curve inverts substantially for a meaningful amount of time, denting consumer sentiment further.
- Corporate earnings are well below expectations creating an environment of both falling earnings and compressing valuations leading to sharp equity market selloffs.

ECONOMIC STATISTICS	Current	One Year Ago
Real GDP Growth (Annl. % Change From Prior Qtr.)	3.53%	-2.26%
Unemployment Rate	3.60%	6.00%
Labor Force Participation Rate	62.20%	61.50%
Core CPI (Year-Over-Year)	6.44%	1.66%
Real Personal Income Growth (Year-over-Year)	-0.97%	3.31%
10-Year Treasury Rate	3.14%	1.61%

US EQUITY MARKET

Major US Market

	Q2 2022	YTD	1 Year	3 Year	5 Year	2020	2019	2018
Russell 3000 Index	-16.7%	-21.1%	-13.9%	9.8%	10.6%	25.7%	20.9%	31.0%
FTSE RAFI US 3000 Index	-12.9%	-13.1%	-6.3%	10.9%	10.0%	31.5%	8.3%	27.7%
Russell 3000 Equal Weighted	-17.9%	-24.8%	-26.9%	6.5%	6.3%	19.5%	24.5%	24.7%
S&P 500 Index	-16.1%	-20.0%	-10.6%	10.6%	11.3%	28.7%	18.4%	31.5%
Russell Mid Cap Index	-16.8%	-21.6%	-17.3%	6.6%	8.0%	22.6%	17.1%	30.5%
Russell 2000 Index	-17.2%	-23.4%	-25.2%	4.2%	5.2%	14.8%	20.0%	25.5%
NASDAQ 100	-22.3%	-29.2%	-20.4%	15.4%	16.4%	27.5%	48.9%	39.5%

Data Source: Federal Reserve, Advus

Russell 3000 Style & Cap Summary

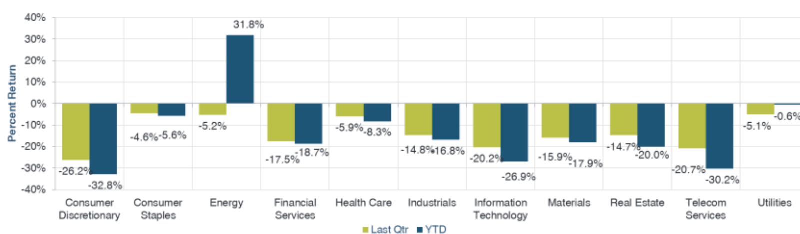
Second Quarter Results

	Mo.	Qtr	Value		Core		Growth	
Large	Jul		-5.48%		-9.33%		-12.24%	
	Aug	Q2	1.96%	-10.89%	-0.23%	-16.61%	-2.01%	-20.89%
	Sep		-7.54%		-7.81%		-8.00%	
Mid	Jul		-5.94%		-7.70%		-11.26%	
	Aug	Q2	1.92%	-14.68%	0.08%	-16.85%	-3.87%	-21.07%
	Sep		-10.99%		-9.98%		-7.48%	
Small	Jul		-7.76%		-9.91%		-12.27%	
	Aug	Q2	1.92%	-15.28%	0.15%	-17.20%	-1.89%	-19.25%
	Sep		-9.88%		-8.22%		-6.19%	

Year To Date Results

	Value	Core	Growth
Large	-11.02%	-20.73%	-27.45%
Mid	-16.23%	-21.57%	-31.00%
Small	-17.31%	-23.43%	-29.45%

S&P 500 Sector Performance



Top Weights [a]

	Weight	Return	Contribution
Apple Inc	6.74%	-21.59%	-1.52%
Microsoft Corp	5.85%	-16.49%	-0.99%
Amazon.com Inc	3.15%	-34.84%	-1.30%
Alphabet Inc Class A	2.04%	-21.65%	-0.47%
Tesla Inc	1.97%	-37.51%	-0.88%
Alphabet Inc Class C	1.89%	-21.68%	-0.44%
Berkshire Hathaway Inc Class B	1.65%	-22.64%	-0.38%
NVIDIA Corp	1.36%	-44.43%	-0.79%
UnitedHealth Group Inc	1.36%	1.08%	0.01%
Johnson & Johnson	1.35%	0.79%	0.01%

Top Contributors [a]

	Weight	Return	Contribution
Eli Lilly and Co	0.68%	13.60%	0.08%
Merck & Co Inc	0.64%	12.02%	0.06%
Exxon Mobil Corp	1.10%	4.75%	0.04%
AT&T Inc	0.42%	10.64%	0.04%
Bristol-Myers Squibb Co	0.48%	6.18%	0.03%
International Business Machines Corp	0.35%	9.92%	0.03%
Pfizer Inc	0.82%	2.08%	0.02%
Philip Morris International Inc	0.45%	6.44%	0.02%
Cigna Corp	0.24%	10.45%	0.02%
UnitedHealth Group Inc	1.36%	1.08%	0.01%

Top Detractors [a]

	Weight	Return	Contribution
Apple Inc	6.74%	-21.59%	-1.52%
Apple Inc	3.15%	-34.84%	-1.30%
Amazon.com Inc	5.85%	-16.49%	-0.99%
Microsoft Corp	1.97%	-37.51%	-0.88%
Tesla Inc	1.36%	-44.43%	-0.79%
NVIDIA Corp	2.04%	-21.65%	-0.47%
Alphabet Inc Class A	1.89%	-21.68%	-0.44%
Alphabet Inc Class C	1.65%	-22.64%	-0.38%
Berkshire Hathaway Inc Class B	1.28%	-27.48%	-0.37%
Meta Platforms Inc Class A	0.28%	-53.32%	-0.23%

INTERNATIONAL EQUITY

International Equity Market Performance	Q2 2022	YTD	1 Year	3 Year	5 Year
MSCI EAFE	-14.29%	-19.25%	-17.33%	1.54%	2.69%
MSCI EAFE Value	-12.11%	-11.67%	-11.29%	0.79%	1.13%
MSCI EAFE Growth	-16.74%	-26.62%	-23.53%	1.64%	3.84%
MSCI EM	-11.34%	-17.47%	-25.00%	0.92%	2.55%
MSCI ACWI Ex. USA.	-13.54%	-18.15%	-19.01%	1.81%	2.98%

Data Source for all data in tables: Morningstar Direct

(a) = SPDR S&P 500 ETF

INTERNATIONAL EQUITY (continued)

International Equity Market Performance

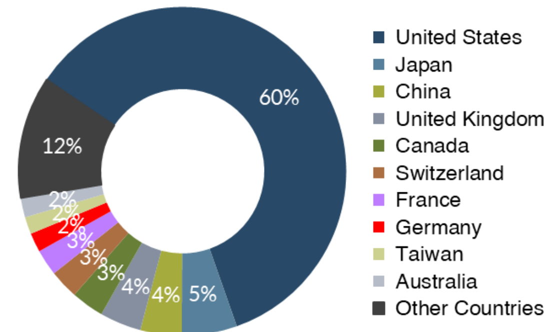
	Last Quarter			Year To Date		
	Local	USD	Impact of US Dollar (a)	Local	USD	Impact Of US Dollar (a)
MSCI ACWI Ex USA	-8.13%	-13.54%	-5.41%	-11.62%	-18.15%	-6.54%
MSCI Europe	-8.34%	-14.17%	-5.83%	-13.12%	-20.38%	-7.25%
MSCI Europe Ex UK	-10.02%	-15.32%	-5.30%	-17.27%	-23.63%	-6.36%
MSCI United Kingdom	-2.94%	-10.47%	-7.53%	1.67%	-8.83%	-10.51%
MSCI Pacific Ex Japan	-8.65%	-14.07%	-5.42%	-7.05%	-10.81%	-3.76%
MSCI Japan	-4.41%	-14.60%	-10.19%	-5.74%	-20.10%	-14.36%
MSCI France	-8.77%	-14.28%	-5.51%	-14.81%	-21.68%	-6.87%
MSCI Switzerland	-10.65%	-14.12%	-3.46%	-15.24%	-19.33%	-4.09%
MSCI Germany	-12.22%	-17.52%	-5.30%	-21.78%	-28.09%	-6.31%
MSCI Canada	-12.82%	-15.58%	-2.76%	-9.69%	-11.57%	-1.88%
MSCI China	4.60%	3.50%	-1.10%	-9.94%	-11.19%	-1.25%
MSCI India	-9.87%	-13.52%	-3.65%	-9.79%	-15.08%	-5.30%
MSCI Brazil	-16.74%	-24.35%	-7.60%	-3.42%	2.87%	6.29%
MSCI Russia	0.00%	50.00%	50.00%	-100.00%	-100.00%	0.00%

Assumes Gross Reinvestment of Dividends

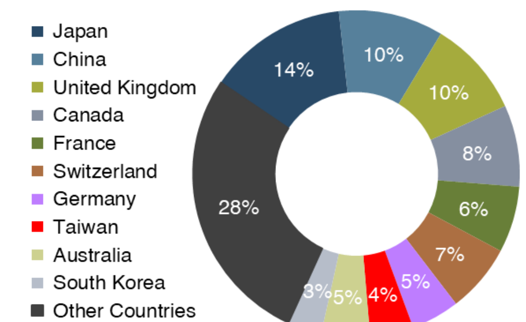
(a) Impact of Dollar: For a US investor, a strengthening dollar has a negative impact on non-US asset returns when converted to US dollars since the conversion requires more of a foreign currency to purchase the more expensive US dollar. A weakening dollar has the opposite effect; the foreign currency can buy more US dollars.

Country Weights

MSCI All Country World Index (Ex. USA)



MSCI All Country World Index



Data Source: Morningstar and iShares ETFs as the representative index proxies. Weights are average for Q2.

FIXED INCOME

Major Market Averages

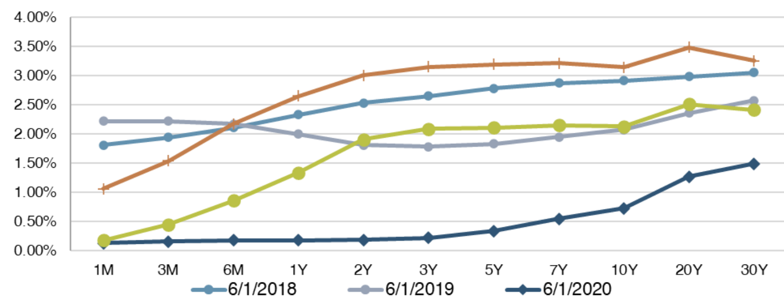
	Q2 2022	YTD	1 Year	3 Year
ICE BofAML US 3M Treasury Bill	0.10%	0.14%	0.17%	0.63%
Bloomberg Barclays US Govt/Credit 1-3 Yr	-0.63%	-3.11%	-3.56%	0.31%
Bloomberg Barclays US Govt Interm	-1.65%	-5.77%	-6.32%	-0.30%
Bloomberg Barclays US Govt/Credit Interm	-2.37%	-6.77%	-7.28%	-0.16%
Bloomberg Barclays US Govt/Credit	-5.03%	-11.05%	-10.85%	-0.77%
Bloomberg Barclays US Agg Interm	-2.93%	-7.48%	-7.91%	-0.60%
Bloomberg Barclays US Agg Bond	-4.69%	-10.35%	-10.29%	-0.93%
Bloomberg Barclays Global Agg Bond	-8.26%	-13.91%	-15.25%	-3.22%
Bloomberg Barclays US Treasury	-3.78%	-9.14%	-8.90%	-0.88%
Bloomberg Barclays US Treasury US TIPS	-6.08%	-8.92%	-5.14%	3.04%
Bloomberg Barclays US Corporate IG	-7.26%	-14.39%	-14.19%	-0.99%
Bloomberg Barclays High Yield Corporate	-9.83%	-14.19%	-12.81%	0.21%
Bloomberg Barclays Municipal	-2.94%	-8.98%	-8.57%	-0.18%
Bloomberg Barclays Municipal 7 Yr 6-8	-1.18%	-6.81%	-6.65%	0.07%

Credit Quality

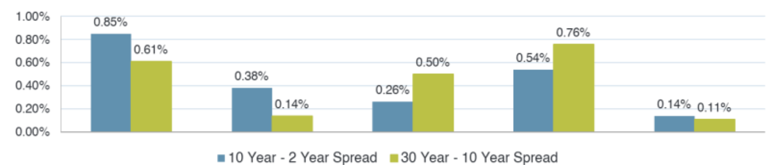
	Q2 2022	YTD	1 Year	3 Year
B of A/Merril Lynch US Corporate AAA	-7.35%	-15.22%	-14.76%	-1.18%
B of A/Merril Lynch US Corporate AA	-6.36%	-13.38%	-13.10%	-1.21%
B of A/Merril Lynch US Corporate A	-6.01%	-12.75%	-12.80%	-0.81%
B of A/Merril Lynch US Corporate BBB	-7.32%	-14.92%	-14.76%	-0.75%
B of A/Merril Lynch US Corporate BB	-8.62%	-13.53%	-11.97%	0.85%
B of A/Merril Lynch US Corporate B	-10.70%	-13.79%	-12.48%	-0.82%
B of A/Merril Lynch US Corp. CCC & Lower	-13.91%	-17.12%	-16.43%	-1.84%

Data Source: Morningstar

Yield Curve



Spread Analysis



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