

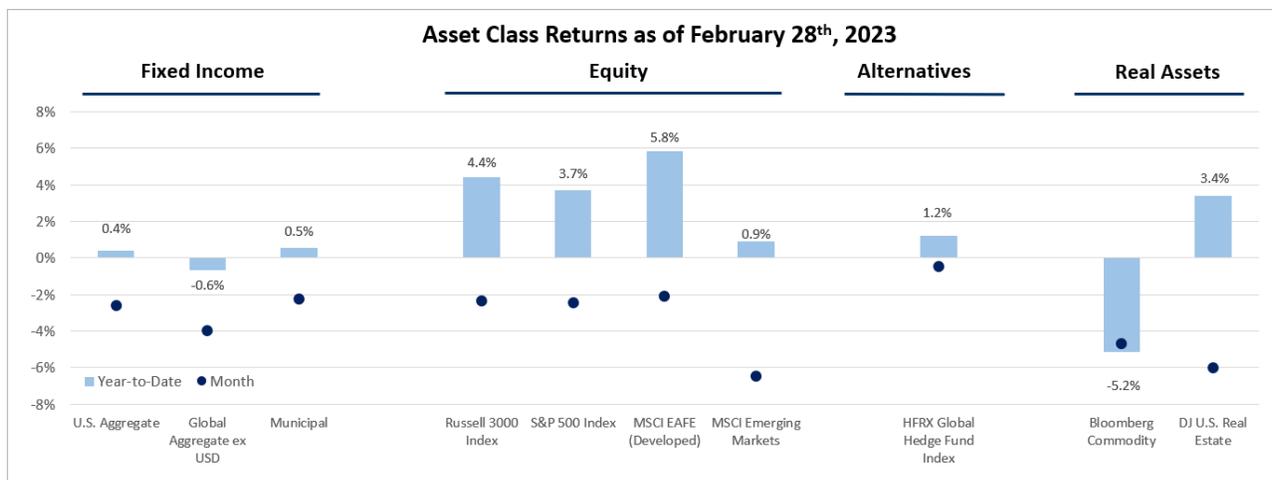
After an exuberant January, investors took a step back as concerns reemerged that inflation and tighter financial conditions could derail economic growth. The S&P 500 declined more than 2% for the month with all sectors other than technology losing ground. Real estate, energy, and utilities suffered the worst drawdowns. Emerging markets underperformed in response to tensions between the U.S. and China as well as the sustained strength of the U.S. dollar. Higher yields led to negative returns across all major bond markets. Sectors with less interest-rate sensitivity outperformed including short-term, taxable high yield and asset-backed securities. The yield curve inverted further, with Treasury bill yields reaching the highest level since the onset of the Global Financial Crisis.

Recent economic data has been unexpectedly robust. U.S. GDP growth in the fourth quarter of last year was an annualized 2.9%. The consumer has remained resilient, supported by a strong labor market and surplus savings remaining from the COVID fiscal stimulus. The January jobs report took economists and investors by surprise. Despite the prominent media coverage of technology sector layoffs, 517,000 new jobs in January and a drop in the unemployment rate to 3.4% indicate the labor market remains stronger than the Fed would like. One area that has demonstrated weakness is housing where a recent uptick in mortgage rates is squeezing affordability into the important spring selling season. While buyers remain more discerning, supply also remains tight which can spark competition for in demand properties.

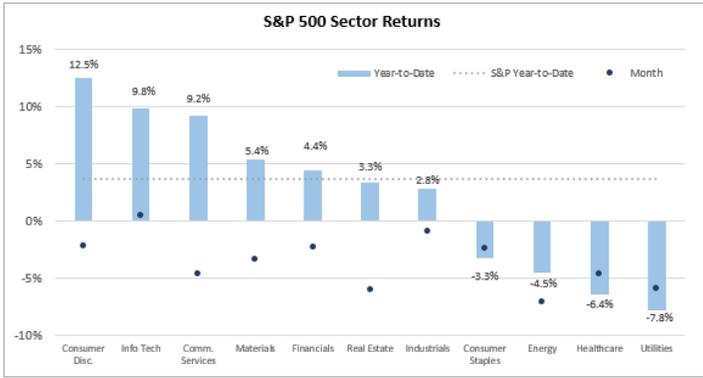
The Federal Reserve has been following through on its policy guidance. As expected, the Fed announced a 0.25% hike in February leaving the policy rate in the 4.50%-4.75% range. Although Fed Chair Powell's January press conference had a favorable tone for investors suggesting that the Fed was seeing clear signs that inflation was trending lower, more recent comments have been more hawkish. The downward trajectory of inflation will be hard to maintain. The prices of goods such as cars and smartphones have sharply pulled back as pandemic-related supply side disruptions cleared up but are likely to stabilize and inflation in the services sector remains entrenched. In aggregate, the data suggests the Federal Reserve has more work to do and additional rate hikes are likely coming. The bond markets now expect three more rate hikes of 0.25% with the Fed funds rate reaching 5.5%.

The January rally in equities, while welcomed by investors, did not set the stock markets up for very attractive forward returns so the February pullback was not surprising. U.S. equities are not particularly cheap. Valuation measures based on forecasted earnings are somewhat above average and are elevated for this late stage in the economic cycle when valuation levels typically approach lower points. There has been much speculation that earnings estimates are too high. So far, the level of earnings surprise for the fourth quarter has been typical with roughly half of companies beating expectations. With the U.S. economy and consumer spending holding up better than expected, corporate earnings may surprise on the upside in the near-term. However, higher interest rates, unappealing valuations, and the potential for a sentiment driven market correction are still risks for stock prices.

Equity and bond market volatility has subsided but remains well above historical averages. While the guidance of the Fed will continue to be anxiously monitored by investors, there are other concerns. The U.S. debt ceiling, which is controlled by Congress, is likely to be a source of volatility until it is resolved. Heightened tensions between the U.S. and China and the ongoing Russia-Ukraine war are potential sources of global instability. Going forward, investors face an investment regime marked by higher inflation, interest rates, and volatility that is likely to extend much longer than had been anticipated a few weeks ago. In this scenario, it is imperative to think about portfolio positioning with a forward view. Elevated volatility makes high quality assets with reliable cash flows more attractive versus highly leveraged assets and unleashes dislocations that can be exploited when credit and liquidity are difficult to access.



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



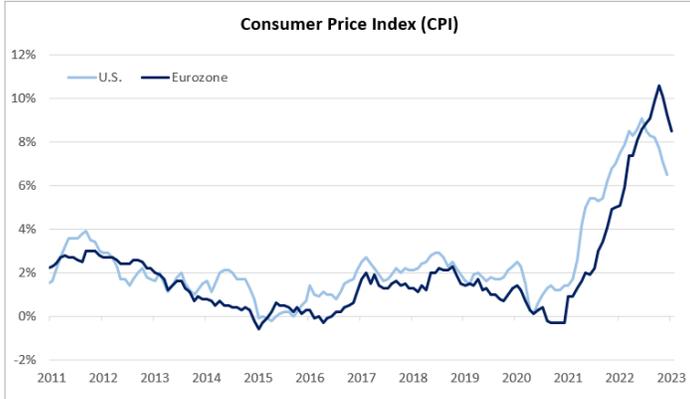
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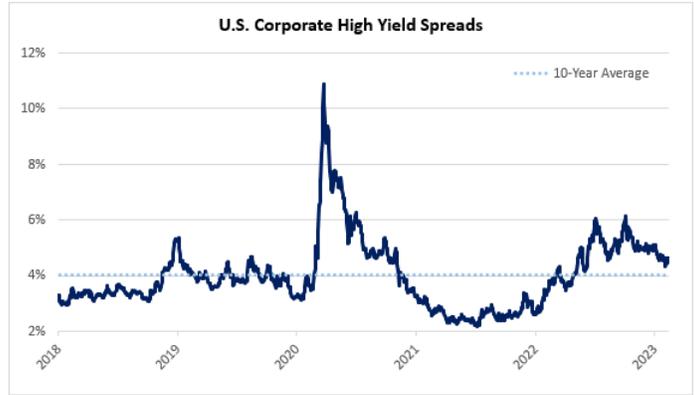
Bloomberg; U.S. indices from Russell and world indices from MSCI



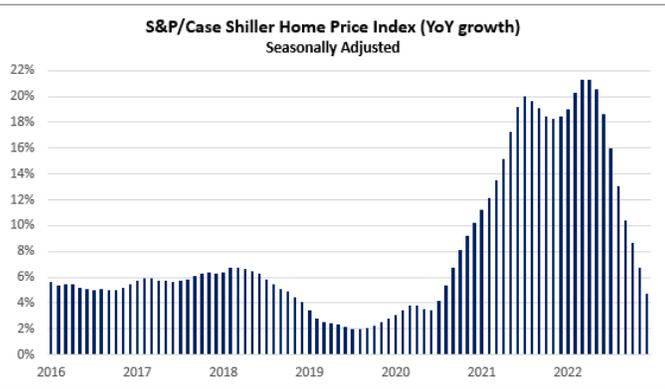
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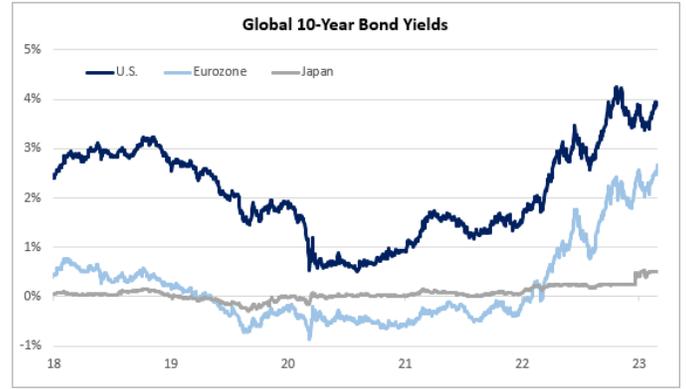


U.S. Bureau of Labor Statistics

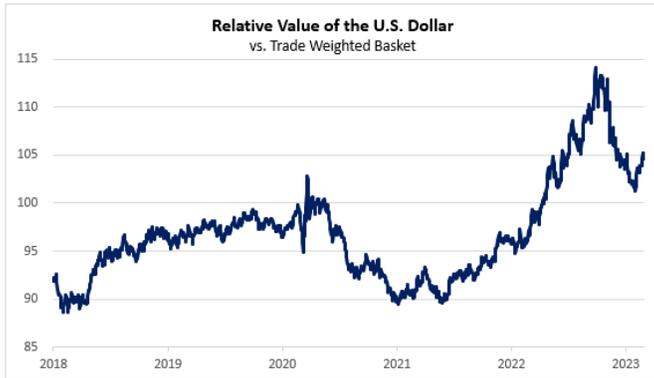


S&P / Case Shiller

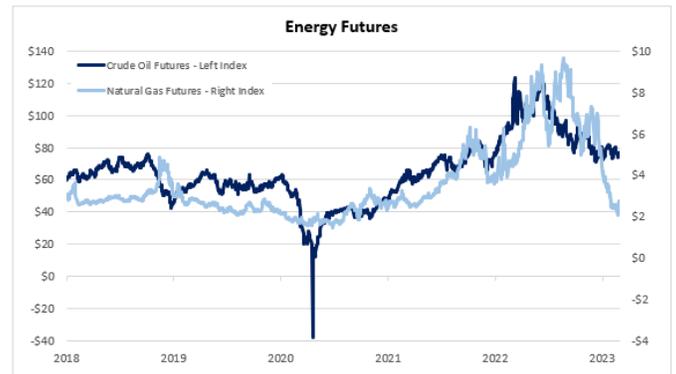
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It is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2,000 of the smallest securities based on a combination of their market cap and current index membership; 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. 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