CanterburyConsulting

Global Positioning Statement™

March 31, 2022

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Drivers of the Market

Global Shock Following Russian Invasion of Ukraine

- U.S. equities fell in the first two months of the quarter before rebounding slightly in March. Fed tightening, inflation expectations, and the Russia/Ukraine war weighed on the equity markets. The negative quarter marks the first quarterly decline since the beginning of the pandemic in early 2020.
- European equities and emerging markets (EM) equities fell sharply in the quarter. Russia was removed from the MSCI EM Index, and China equities continued its underperformance as COVID spiked and lockdowns were imposed. U.S. dollar strength in the quarter was an additional headwind to both European and EM equities.
- During the first quarter of 2022, the Fed raised the key interest rate by 25 basis points and signaled further hawkish guidance to combat persistent inflationary pressures. Chairman Powell is prepared to move more quickly to reduce policy support if supply/demand imbalances don't improve. A 50 basis point increase in the federal funds rate is on the table for the next Fed meeting. The Federal Reserve ended its asset purchasing program in early March and is expected to announce a plan for reducing its balance sheet at the next FOMC meeting in May. Balance sheet reduction could reach $95 billion per month.
- The treasury yield curve experienced volatility across maturities. The intermediate-term of the yield curve increased while the long end of the curve flattened, resulting in an inverted yield curve. As a result, bonds are on track for their worst performance in over 40 years. Investment grade (IG) spreads widened by approximately 24 basis points (bps) over the quarter, while high yield (HY) spreads widened by 33 basis points.
- Commodity prices continued to rise due to supply constraints and elevated demand. Energy prices increased as a result of sanctions levied on Russia. Major developed economies are looking for alternative sources of energy outside of Russia. The Case-Shiller Home Price Index remained persistently high as demand for U.S. real estate outpaced supply.

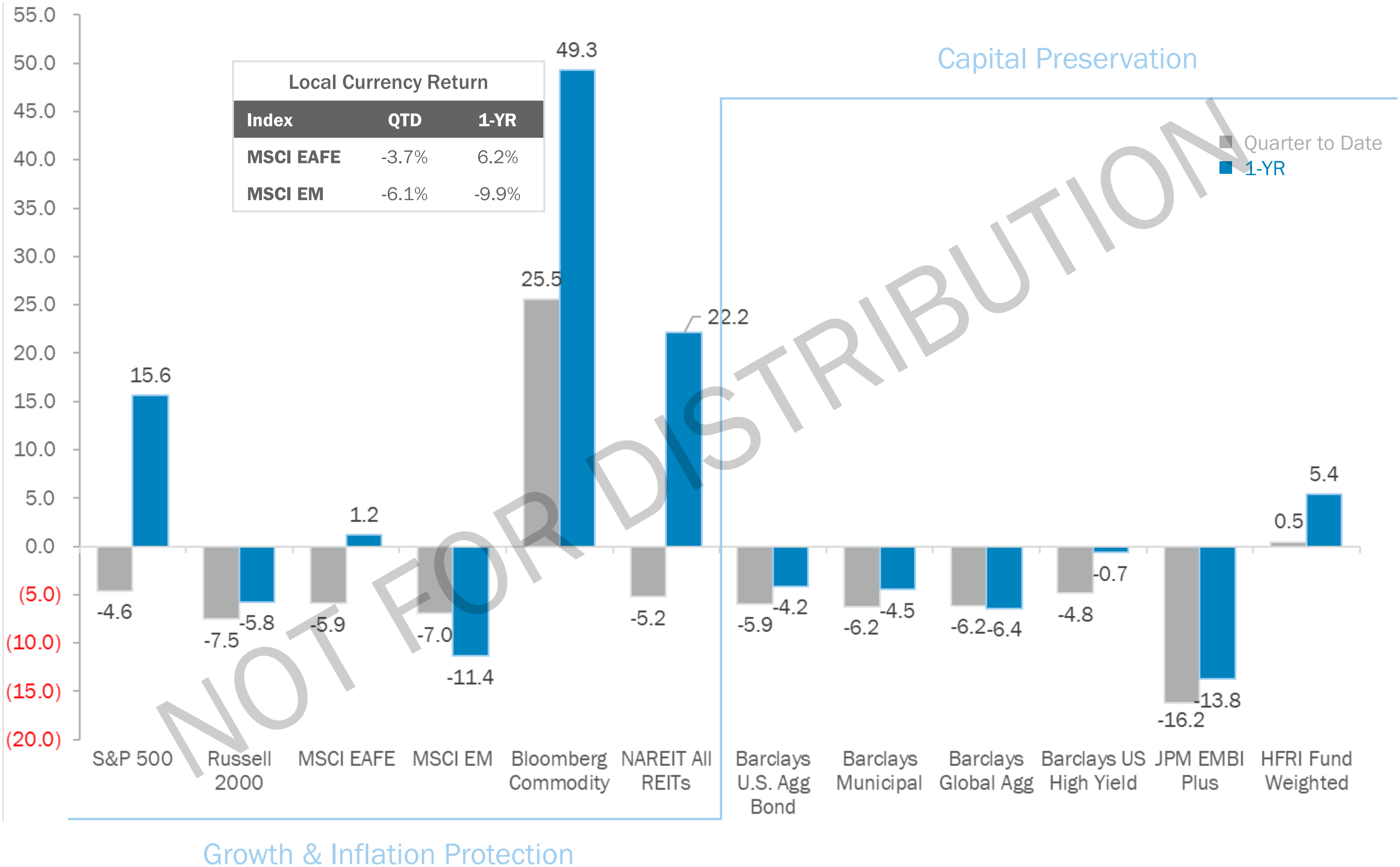
Returns through March 31, 2022

Index	QTD	1-Year
Growth MSCI ACWI	-5.4%	7.3%
Capital Preservation Bloomberg Global Aggregate	-6.2%	-6.4%
Inflation Protection Morningstar U.S. Real Asset*	1.4%	16.2%

**40% TIPS, 30% L/S Commodity, 15% REITs, 10% Global Nat. Resources, 5% MLPs*

Index Returns (%)

Through March 31, 2022



Local Currency Return

Index	QTD	1-YR
MSCI EAFE	-3.7%	6.2%
MSCI EM	-6.1%	-9.9%

Source: Morningstar

Economic Data

First Quarter 2022

Year over Year Statistics[1]

	March 31, 2017	March 30, 2018	March 29, 2019	March 31, 2020	March 31, 2021	March 31, 2022
S&P 500	2,362.72	2,640.87	2,834.40	2,584.59	3,972.89	4,530.41
S&P 500 EPS	112.91	132.62	151.37	143.54	139.06	195.15
P/E of S&P 500	20.93	19.91	18.73	18.01	28.57	23.21
P/E of MSCI EAFE	19.22	16.57	15.68	17.74	28.38	15.47
P/E of MSCI EM	14.94	13.56	13.35	13.65	19.06	13.97
S&P 500 Earnings Yield	4.78	5.02	5.34	5.55	3.50	4.31
Fed Funds Effective Rate	0.54	1.30	2.27	1.55	0.09	0.08
3 Month LIBOR	1.00	1.69	2.81	1.91	0.24	0.21
10 Year Treasury Yield	2.44	2.41	2.68	1.92	0.91	1.51
30 Year Mortgage Rate	4.06	3.85	4.51	3.86	2.87	3.27
Barclays U.S. Agg Yield	2.61	2.71	3.28	2.31	1.12	1.75
Barclays HY Spread	4.09	3.43	5.26	3.36	3.60	2.83
Gold ($/oz)	1,147.50	1,302.80	1,282.49	1,517.27	1,898.36	1,829.20
WTI Crude Oil ($/bbl)	53.72	60.42	45.41	61.06	48.52	76.99
Unemployment Rate	4.70	4.10	3.90	3.60	6.70	3.90
Headline CPI[2]	2.10	2.10	1.90	2.30	1.40	6.80
VIX Index	14.04	11.04	25.42	13.78	22.75	17.22

Forward Looking Forecasts

	Real GDP[3]	CPI[3]	Unemployment[3]	10-Yr Treasury[3]	S&P 500 EPS[4]	Forward P/E[4]	MSCI EAFE EPS[4]	Forward P/E[4]	MSCI EM EPS[4]	Forward P/E[4]
2022	3.3%	6.9%	3.6%	2.70%	$228.29	19.84	$159.30	13.70	$92.73	12.31
2023	2.2%	2.9%	3.5%	2.82%	$247.04	18.34	$164.81	13.24	$102.82	11.10

1) *Source: Bloomberg*
2) *Values are carried forward from the most recent reported value (3/31/2022)*
3) *Forecasts are consensus opinions from 80 forecasting agencies throughout the month of September (Median)*
4) *Index Forecasts - Forward 12-month estimate, Forward 24-month estimate*
Estimate calculated from quarter end (i.e. March 31, 2022 –March 31, 2023). Price in P/E ratio static as of quarter end.

Current U.S. Economic Conditions: Panic/Growth

Contraction

U.S. GDP Growth

U.S. Unemployment

U.S. Credit Markets

Volatility (VIX)

Yield Curve

Investor Sentiment

Normal Growth

U.S. GDP Growth

U.S. Unemployment: Below avg. unemployment

U.S. Credit Markets: Below avg. spreads

Volatility (VIX)

Yield Curve

Investor Sentiment

Panic

U.S. GDP Growth

U.S. Unemployment

U.S. Credit Markets

Volatility (VIX): Sig. above average

Yield Curve: Sig. below average

Investor Sentiment: Sig. below average

Manic Growth

U.S. GDP Growth: Sig. above avg. growth

U.S. Unemployment

U.S. Credit Markets

Volatility (VIX)

Yield Curve

Investor Sentiment

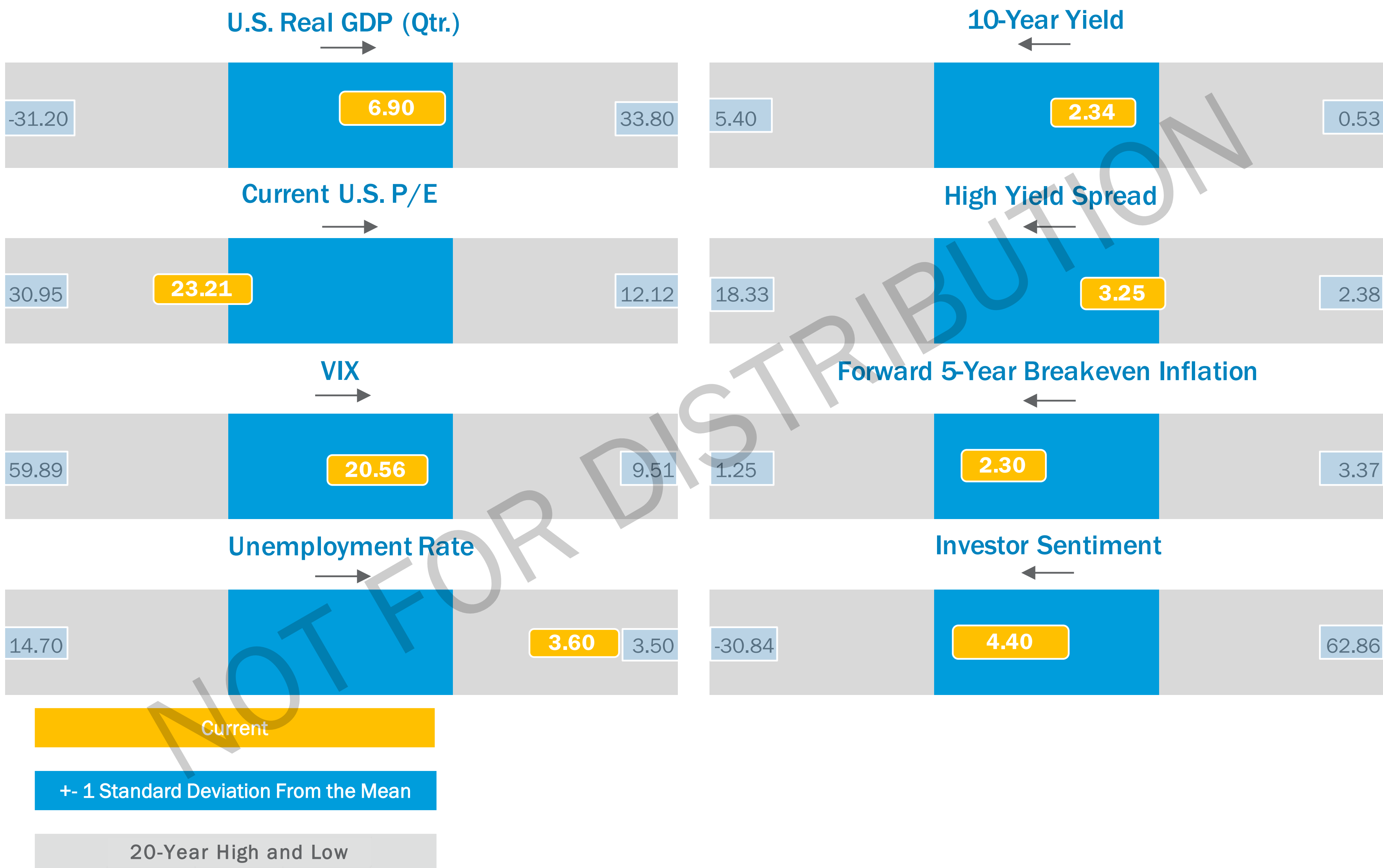
Metrics	Quarter avg.	10-year avg.
U.S. GDP Growth: Prior quarter U.S. Real GDP versus the 10 year U.S. Real GDP average*	6.9%	2.5%
U.S. Unemployment: Quarter avg. unemployment rate versus the 10 year average	4.1%	5.7%
U.S. Credit Markets: Quarter avg. Barclays US Corporate HY Average OAS versus the 10 year average	342	440
Volatility (VIX): Quarter avg. VIX average versus the 10 year VIX average	25.2	17.6
Yield Curve: Quarter avg. 30-year yield minus the quarter avg. 2-year yield versus the 10 year average	59 bps	176 bps
Investor Sentiment: Quarterly Sentiment spread versus the 10 year average spread. Spread measured by difference between Bull Sentiment Index and Bear Sentiment Index.	-18.6	3.9

**U.S. GDP Growth is the current, end of previous quarter reading*

Source: Bloomberg

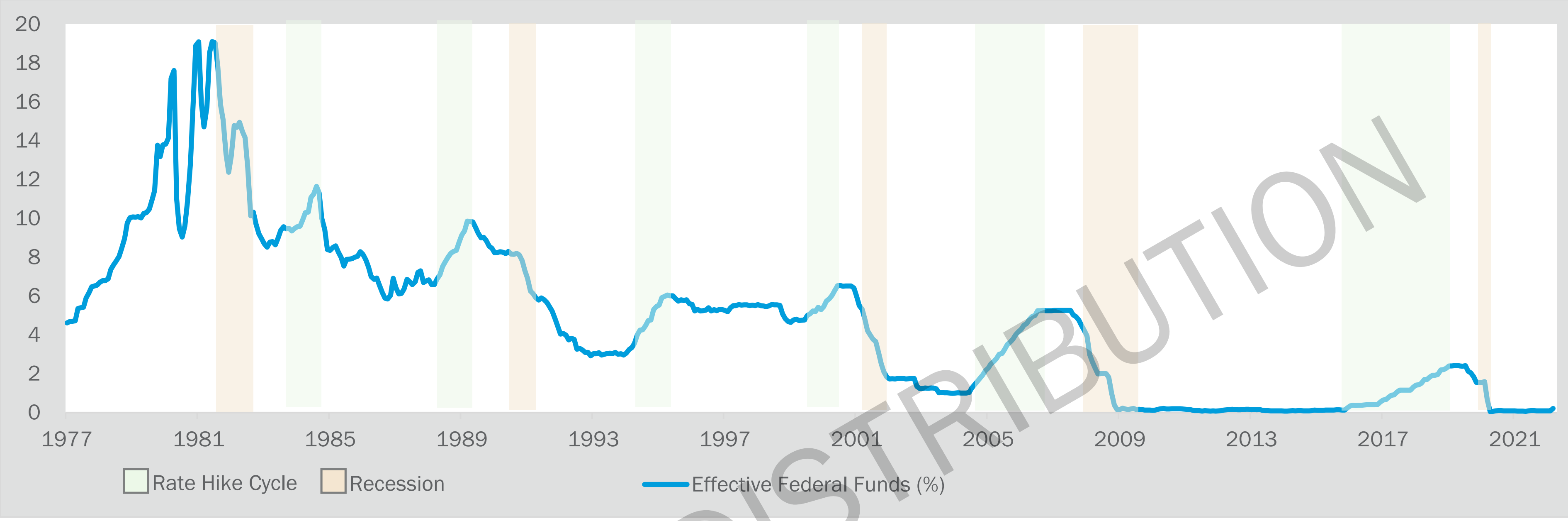
Global Positioning Indicators

Through March 31, 2022



Source: Bloomberg

Effective Fed Funds Rate (historical)



Hiking Cycles & Recessions (last 40 years)	**Rate Hike** May 1983 (14 mo.)	**Rate Hike** Mar. 1988 (11 mo.)	**Rate Hike** Feb. 1994 (12 mo.)	**Rate Hike** Jun. 1999 (11 mo.)	**Rate Hike** Jun. 2004 (24 mo.)	**Rate Hike** Dec. 2015 (36 mo.)
Date U.S. Agg Return Bottomed	Jul. 1983	Aug. 1987	Jun. 1994	Jul. 1999	Apr. 2004	Nov. 2016
U.S. Agg Return	**0.3%**	**4.5%**	**-2.3%**	**2.2%**	**3.1%**	**1.3%**
US Agg Return (1 year after)	**29.9%**	**11.6%**	**16.9%**	**12.4%**	**6.7%**	**10.8%**

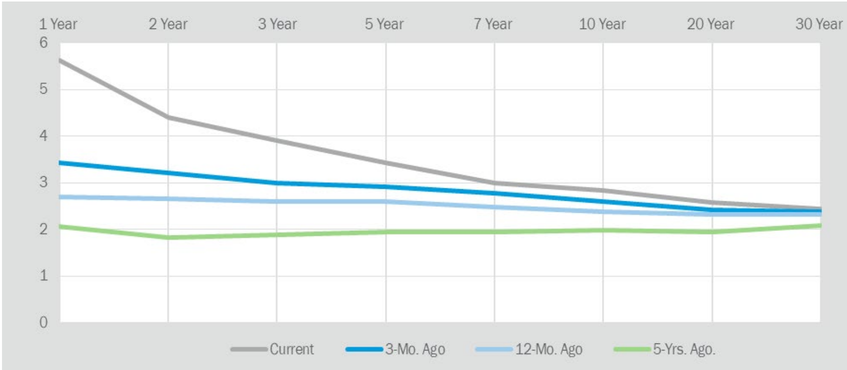
Recession and rate hike time periods are peak-to-trough
"Date U.S. Agg Return Bottomed" is an approximate low point for a given cycle

Takeaways

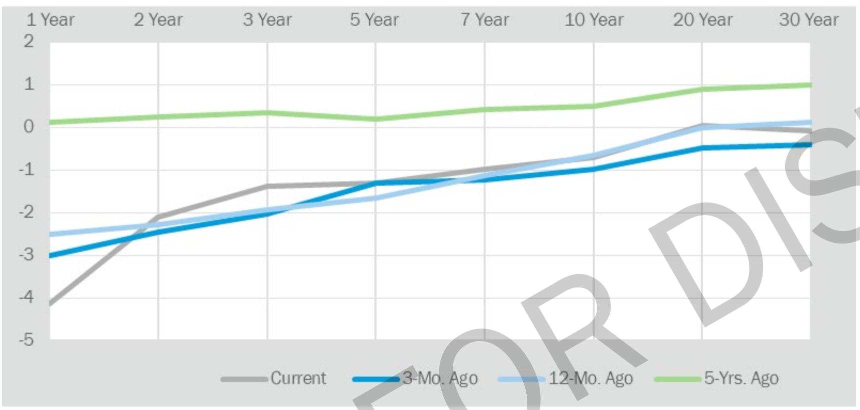
— Bond returns were positive in five out of the last six rate hiking cycles
— Bonds in recessions outperformed bonds in hiking cycles
— Core bonds performed better one year after rate hiking cycles concluded
— Falling interest rates over the last 40 years benefited bond returns

Inflation Rates & Metrics

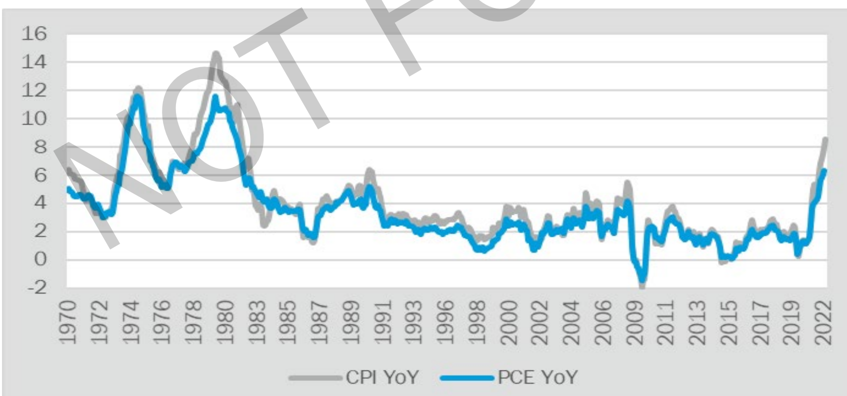
Breakeven Rates



Real Yields



Inflation Rates



- Breakeven inflation rates have persistently moved higher across all time periods. The breakeven rate is the implied inflation rate for a given maturity and is calculated by subtracting the real yield of a treasury bond from the nominal yield.
- Current long-term breakeven rates imply that inflation should trend above the Fed's original inflation target of 2% in the long-run.
- As inflation rose, short-term real yields moved further into negative territory as the market assessed the Fed's rate hike path.
- Inflation is being driven by supply/demand imbalances, the Ukraine/Russia war, a tight labor market, high wage growth, and various supply chain disruptions across the globe.

Source: Bloomberg. FRED. CPI & PCE Data. U.S. Breakeven Rates. U.S. Treasury Inflation-Indexed Rates. Data as of 3/31/2022