



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

FEBRUARY 2022
Capital Markets Update

Market commentary

U.S. ECONOMICS

- The Consumer Price Index increased 7.9% for the 12-months ended February – the highest headline inflation print in 40 years – and met economist expectations. Rising food and energy costs were the main drivers of headline inflation growth. Excluding the more volatile food and energy prices, inflation was 6.4% year-over-year.
- U.S. non-farm payrolls expanded by 678,000 jobs, exceeding economist expectations (+423,000). The print marked the largest expansion in seven months. Job additions in Leisure and Hospitality (+179,000) led broad employment gains as Covid cases subsided.
- The unemployment rate fell to a post pandemic low of 3.8%. The Fed Chair described the labor market as very tight, but nominal wages grew by less than expected (5.8%), rising just 5.1% year-over-year.

U.S. EQUITIES

- The S&P 500 declined -3.0% and entered a technical correction intra-month. The escalation of Russo-Ukrainian tensions to a full-scale invasion of Ukraine – and the numerous sanctions placed on Russia in response – weighed on equities.
- The U.S. and allies enacted sweeping sanctions against Russia in response to the invasion of Ukraine. The sanctions include a freeze on a majority of the Russian Central Bank's foreign currency reserves, blocking several major Russian banks from SWIFT, and sanctions against Russian oligarchs and politicians who supported the invasion.
- Many corporations, ranging from leisure and hospitality to industrial manufacturers and e-commerce, have suspended or greatly reduced activities in Russia in order to comply with sanctions and public pressure. According to analysis by Yale professor Jeffrey Sonnenfeld, over 330 companies have withdrawn from Russia as of March 10th.

U.S. FIXED INCOME

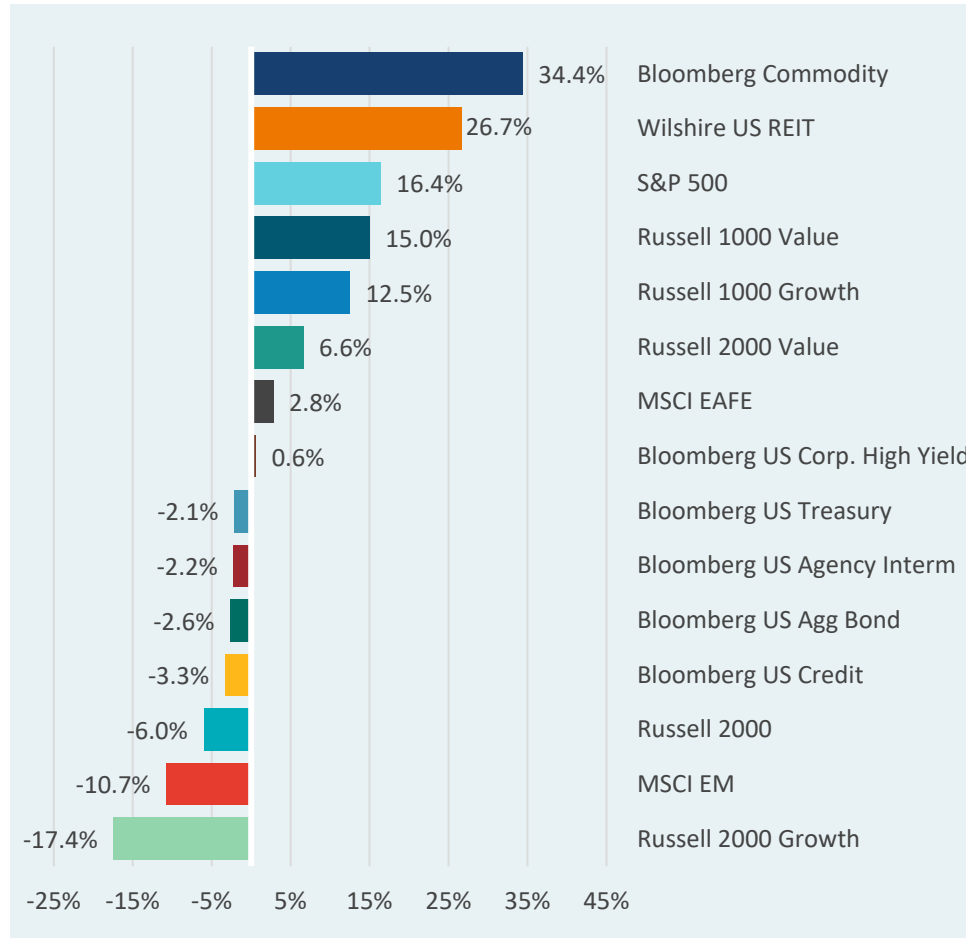
- The 10-year breakeven inflation rate, which represents market expectations for average inflation over the same period, rose 18 basis points to end the month at 2.62%. Many commodities saw sharp price increases in the wake of Russia's invasion of Ukraine, spurring concerns that inflation could prove to be more persistent.
- U.S. Treasury yields initially rose but ended the month well below intra-month highs. The U.S. 10-Year Treasury yield crossed over 2.0% for the first time since July 2019 before falling to end the month at 1.8% as the Russian invasion of Ukraine helped drive a rally in Treasuries in the second half of the month.
- The number of quarter-point rate hikes expected by year end, as implied by fed funds futures, increased from 4.9 to 5.4. At month end, investors had priced in an implied effective federal funds rate of 1.3% by the conclusion of the December Fed Meeting.

INTERNATIONAL MARKETS

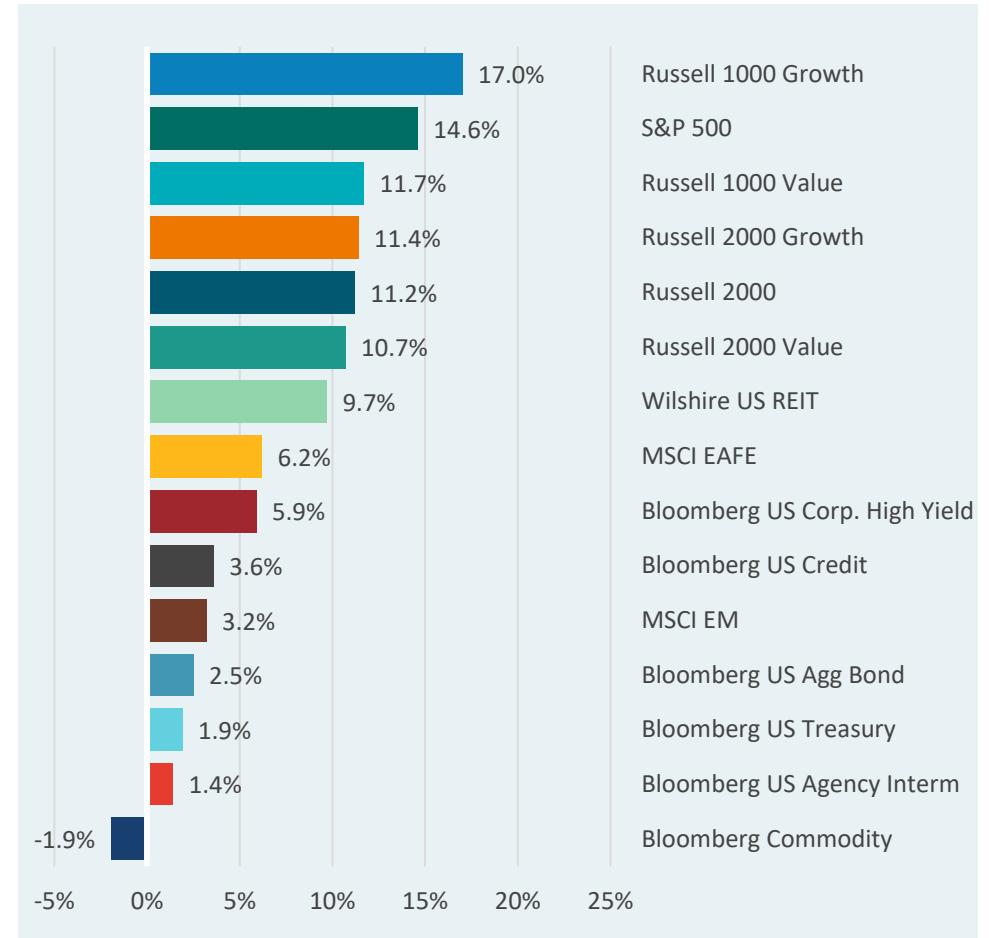
- The broad and harsh sanctions placed on Russia led the Central Bank to take extreme measures in order to defend the Russian ruble. The ruble lost -27.8% of its value relative to the U.S. dollar as investors and corporations pulled out of the currency and Russia was extricated from global financial markets.
- European countries (MSCI Europe -2.8%) have become increasingly reliant on Russia as a source of energy. Sharp moves in European natural gas prices rippled through European markets. European natural gas prices traded two standard deviations higher than the long-term average intra-month.
- Japan (MSCI Japan -1.1%) was one of the top performing countries within developed economies (MSCI EAFE -1.8%).

Major asset class returns

ONE YEAR ENDING FEBRUARY



TEN YEARS ENDING FEBRUARY



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 2/28/22

Source: Morningstar, as of 2/28/22

U.S. large cap equities

- After staging a brief advance to start the month, the S&P 500 Index fell -3.0%. The decline was influenced by investors selling out of risk assets due to concerns over rising geopolitical tensions in eastern Europe.
- The Energy sector (+7.1%) recorded the only positive return of the 11 S&P 500 GICS sectors. The Industrials (-0.8%) and Materials (-1.2%) sectors contributed to the overall index return with the S&P 500 Sub-Index Metals and Mining up +20.3% as a result of supply constraints in commodities. The Communications Services (-7.0%), Real Estate (-4.9%) and Information Technology (-4.9%) sectors led declines for the index.
- The Communications Services sector fell -7.0% and detracted 70 basis points from monthly overall index performance. Meta (-32.6%) was the worst performer within Communication Services, as well as the overall index, as a poor earnings report revealed weak advertising revenues and increased competition.
- The Cboe VIX Index of implied volatility ended the month at an elevated level of 30.1, well above the five-year average level of 18.7. Uncertainty surrounding potential outcomes of the Russian invasion of Ukraine and intermediate effects of sanctions helped drive volatility in the second half of the month.

S&P 500 PRICE INDEX



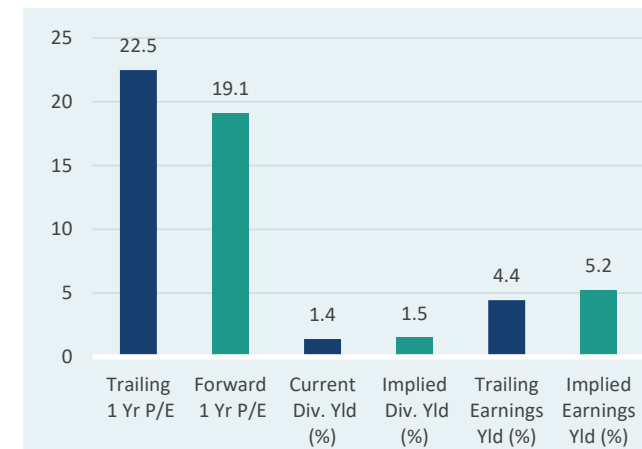
Source: Bloomberg, as of 2/28/22

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 2/28/22

S&P 500 VALUATION SNAPSHOT

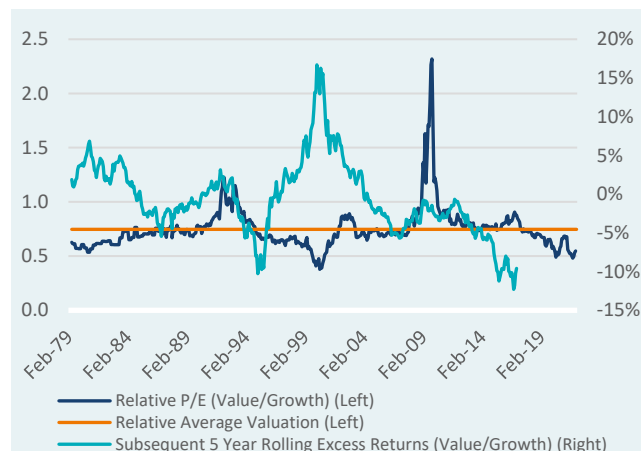


Source: Bloomberg, as of 2/28/22

Domestic equity size and style

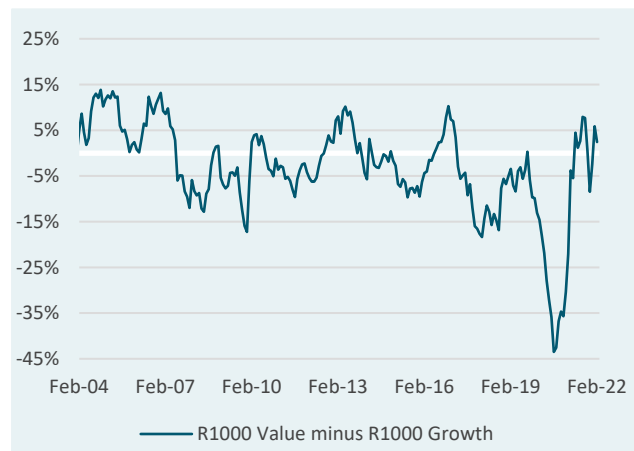
- Value factor stocks (Russell 3000 Value -1.0%) fell less than growth factor stocks (Russell 3000 Growth -4.0%). The outperformance of value stocks for the third consecutive month was helped by the fact that some concentrated growth names saw severe drops following poor earnings.
- Small-cap stocks were a bright spot in domestic equities (Russell 2000 +1.0%) and outperformed large-cap stocks (Russell 1000 -2.7%). Many small-cap stocks are characterized by a greater degree of domestic concentration and were partially shielded from geopolitical tensions abroad.
- In a month of continued risk asset repricing, the S&P 500 Momentum Index (-2.0%) outperformed the S&P 500 Index (-3.0%). Momentum factor investing involves buying recent top performers and selling underperformers. The outperformance is attributable largely to recent trends in the performance of value.
- The Information Technology sector detracted -1.2% from the relative performance of large-caps which hold a 14.2% overweight relative to small-caps. A 3.7% relative overweight to the Energy and Materials sectors within small-caps also added 50 basis points to the relative outperformance of small-cap equities.

VALUE VS. GROWTH RELATIVE VALUATIONS



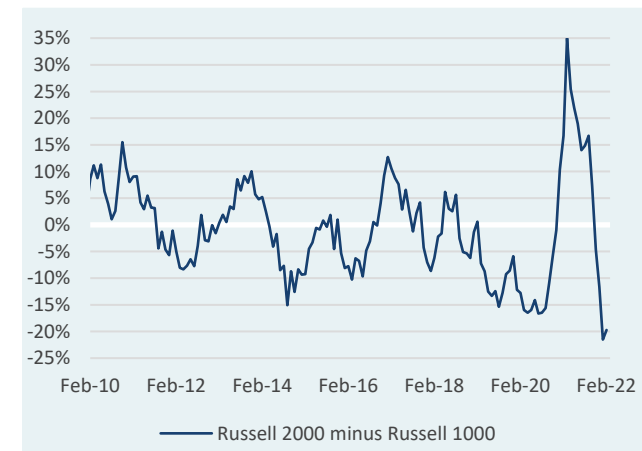
Source: FTSE, Bloomberg, as of 2/28/22

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 2/28/22

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

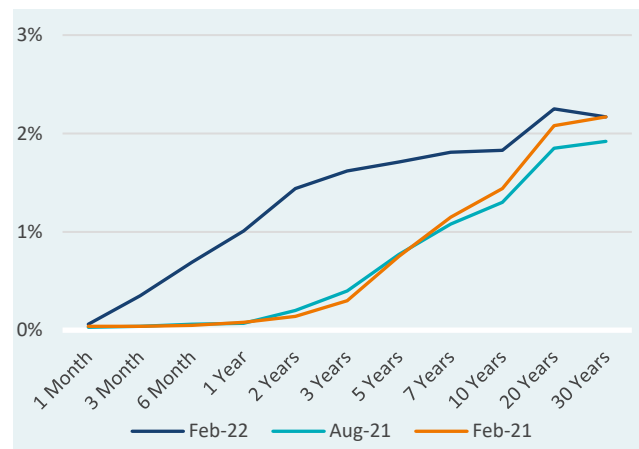


Source: FTSE, Bloomberg, as of 2/28/22

Fixed income

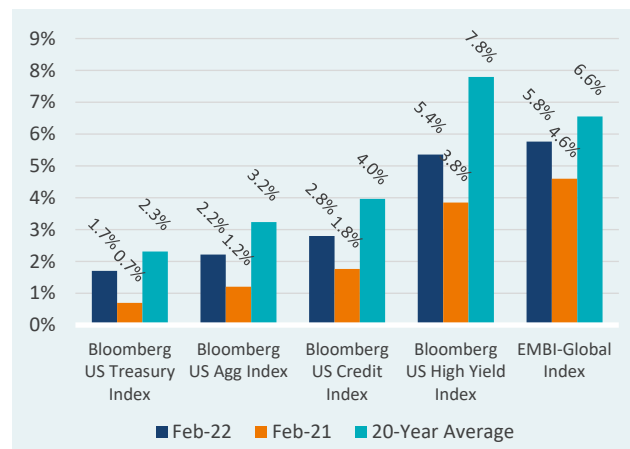
- Yields (Bloomberg US Aggregate -1.1%) pared early gains in the second half of the month as the Russian invasion of Ukraine drove a rotation out of risk assets into generally less-risky fixed income securities.
- Monetary policy at the Bank of England continued to tighten: the Bank Rate was raised for the second time in three months by 25 basis points to a rate of 0.50%. Almost half of the voting members of the Monetary Policy Committee wanted to raise rates by an additional 25 basis points to combat inflation. The meeting minutes cautioned that inflation could soon surpass 7% due to rising energy costs.
- Global risky credit fell as investors set their sights on safer assets. U.S. high yield bonds (Bloomberg US Corp. High Yield -1.0%) sold off less than hard-currency denominated emerging market debt (JPM EMBI Global Diversified) which saw a decline of -6.5%.
- High-yield credit (ICE BofA US High Yield Index) spreads expanded 14 basis points to 3.8%. Continued expectations for tightening of monetary policy and geopolitical risk associated with the Russian invasion of Ukraine likely helped increase the risk premium associated with already-risky credits.

U.S. TREASURY YIELD CURVE



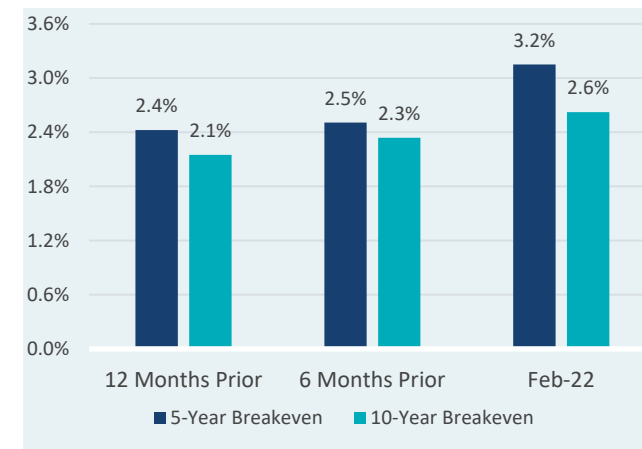
Source: Bloomberg, as of 2/28/22

NOMINAL YIELDS



Source: Morningstar, as of 2/28/22

BREAKEVEN INFLATION RATES

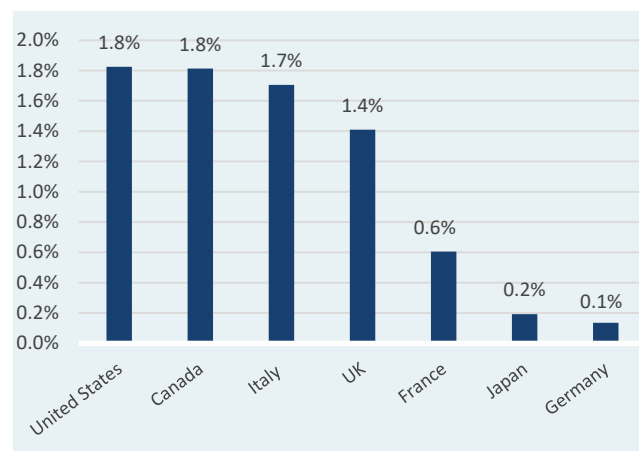


Source: Bloomberg, as of 2/28/22

Global markets

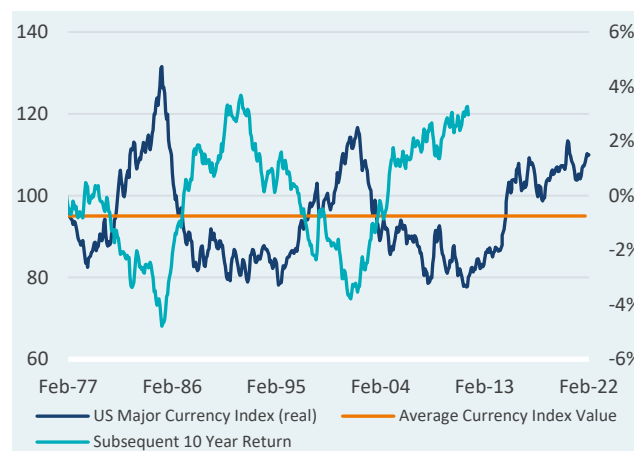
- Global equities (MSCI ACWI -2.6%) fell for the second consecutive month to start the year. Declines in risk assets were mostly led by emerging market (MSCI EM -3.0%) and U.S. (S&P 500 -3.0%) equities. Developed markets (MSCI EAFE -1.8%) held up better than other major world markets, helped by performance in the U.K. (MSCI U.K. +0.8%).
- The United Kingdom (MSCI U.K. +0.8%) was one the top performing regions globally. Equities within the U.K. were led higher from its materials sector (MSCI U.K. Materials +11.1%) likely bolstered by price pressures across nearly all commodities.
- Within the emerging market basket (MSCI EM -3.0%), Latin American equities (MSCI EM Latin American +4.8%) saw gains over the month and partially offset losses from European (MSCI EM Europe -38.8%) and Asian equities (MSCI EM Asia -2.4%). Returns within Latin America were driven by the heavily-weighted Materials (+11.3%) and Energy (+5.7%) sectors.
- German equities (MSCI German -7.3%) weighed on the basket of Euro-area nations (MSCI Euro -5.5%). Germany relies on Russia for more than half of its natural gas and is generally more dependent on Russia for energy than other large Euro-area nations.

GLOBAL SOVEREIGN 10-YEAR YIELDS



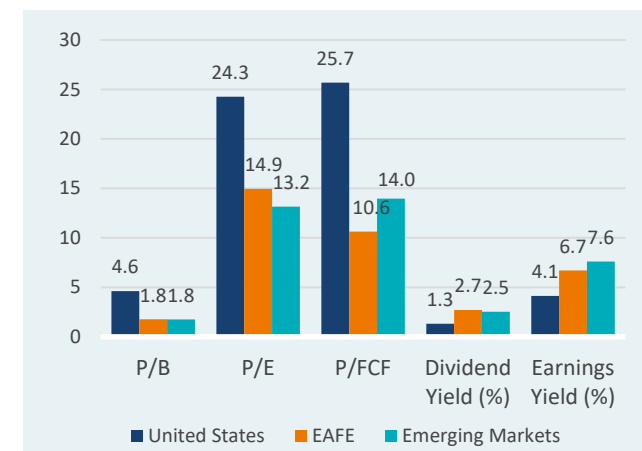
Source: Bloomberg, as of 2/28/22

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 2/28/22

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 2/28/22

Commodities

- The Bloomberg Commodity Index climbed +6.2% as the Russian invasion of Ukraine prompted harsh sanctions and disrupted markets of two commodity powerhouses. Rallies in the price of wheat and corn led to strong returns in grains (+13.2%). Petroleum (+10.6%) also helped the overall commodity index higher.
- Wheat prices rallied +21.6% over the month and reached the highest level since 2015 intra-month. Russia and Ukraine account for roughly 29% of the global supply of wheat. The jump in wheat (+21.6%) and corn (+10.6%) prices helped boost the Bloomberg Grain Sub-Index (+13.2%).

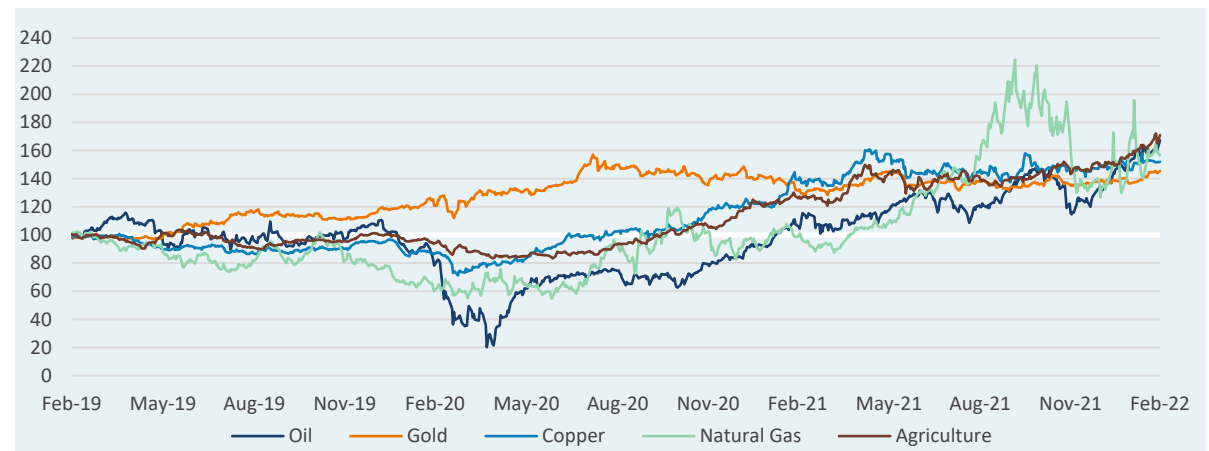
- Brent crude oil prices jumped +12.3% to roughly \$98 per barrel, the highest level since 2014. Prices advanced in part due to concerns that Russian oil – which accounts for around 10% of global supply – could become the target of broad sanctions. Russian oil was largely self-sanctioned by Western energy companies to prevent association with Russia, leading government officials to search for new incremental energy supplies.
- The Industrial Metals Sub-Index (+6.4%) was helped higher by aluminum (+11.4%) – which hit an all-time high intra-month – and Nickel (+8.7%). Russia is the largest producer of aluminum outside of China.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	6.2	15.6	15.6	34.4	12.9	6.6	(1.9)
Bloomberg Agriculture	8.9	15.2	15.2	34.2	20.4	5.9	(0.7)
Bloomberg Energy	4.5	27.4	27.4	59.3	2.5	2.9	(8.3)
Bloomberg Grains	13.2	19.2	19.2	33.1	20.7	6.5	(0.8)
Bloomberg Industrial Metals	6.4	9.5	9.5	29.6	16.7	11.0	1.6
Bloomberg Livestock	1.5	4.5	4.5	8.3	(6.0)	(3.1)	(4.1)
Bloomberg Petroleum	10.6	28.9	28.9	66.7	11.0	9.1	(5.5)
Bloomberg Precious Metals	6.5	4.0	4.0	5.0	12.0	6.6	(1.0)
Bloomberg Softs	(1.7)	1.9	1.9	34.1	15.9	0.5	(4.8)

Source: Morningstar, as of 2/28/22

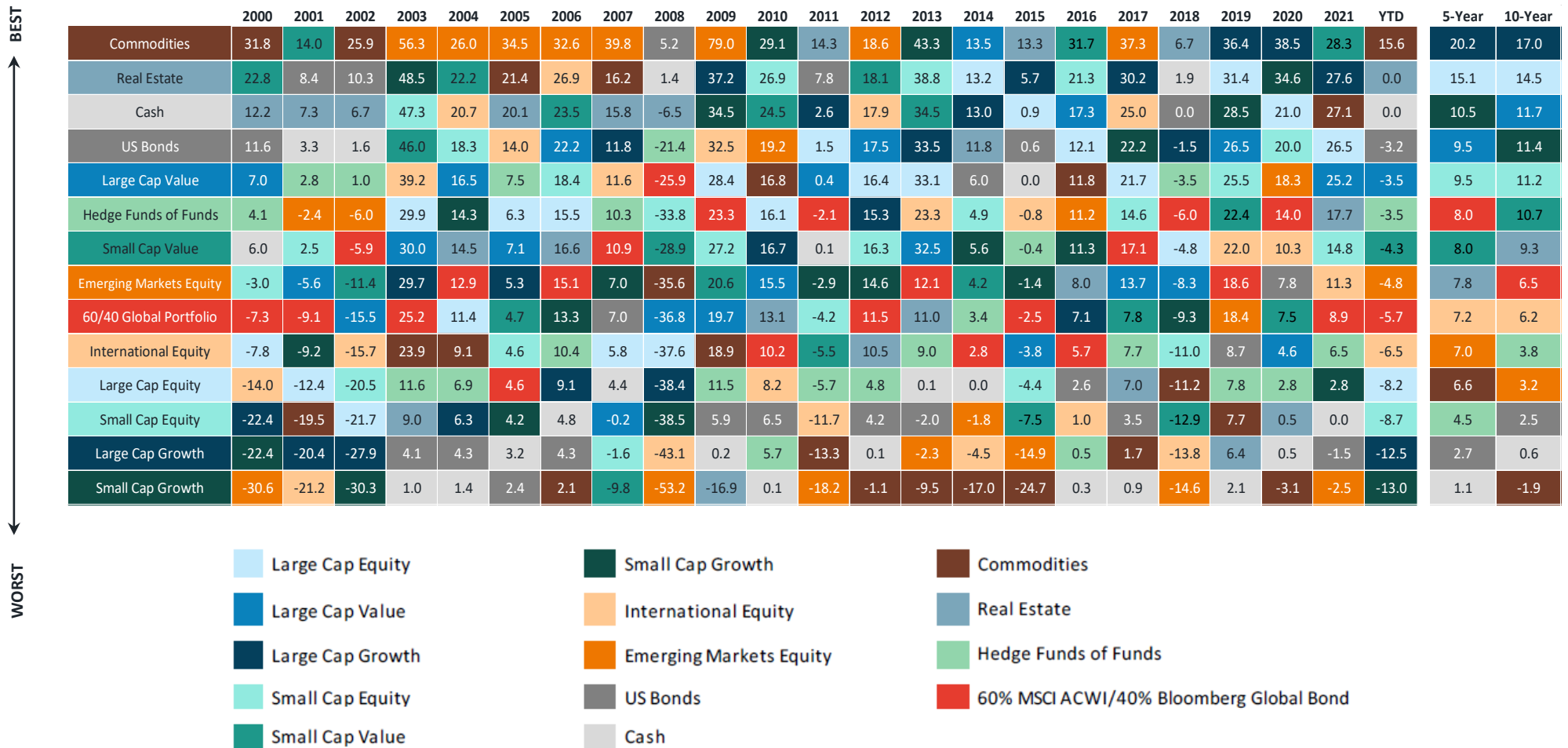
COMMODITY PERFORMANCE



Source: Bloomberg, as of 2/28/22

Appendix

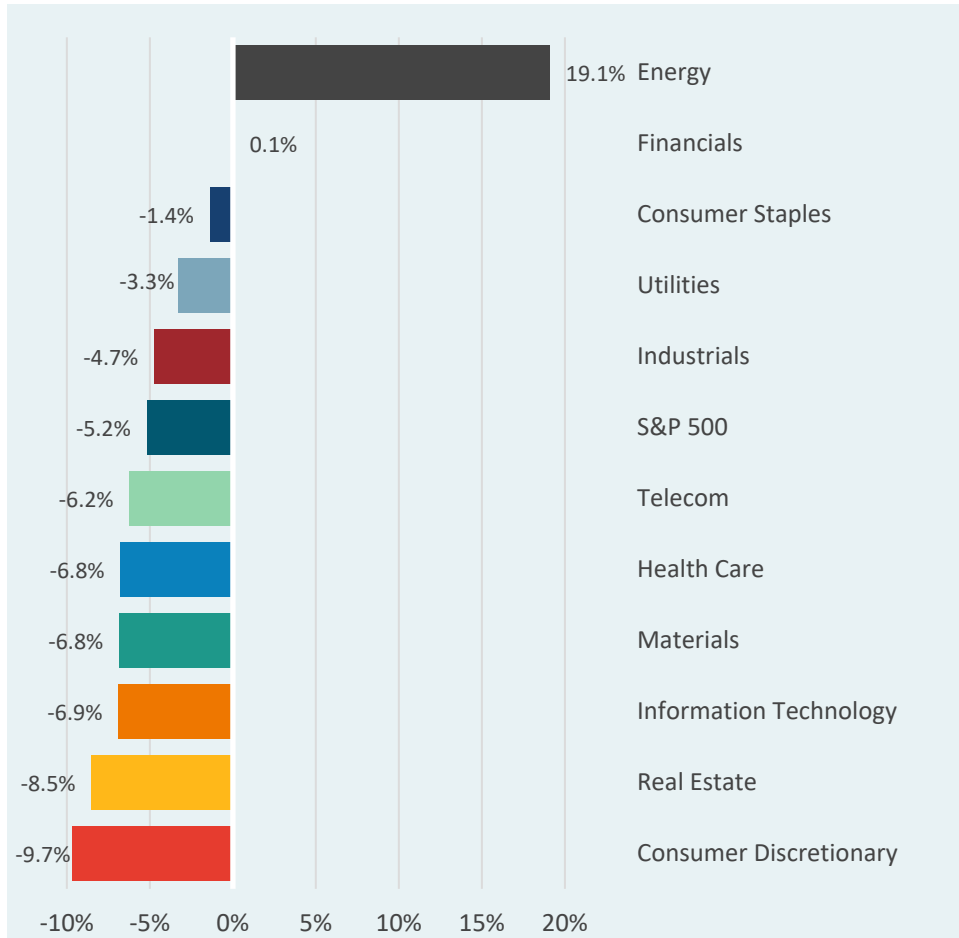
Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 12/31/21.

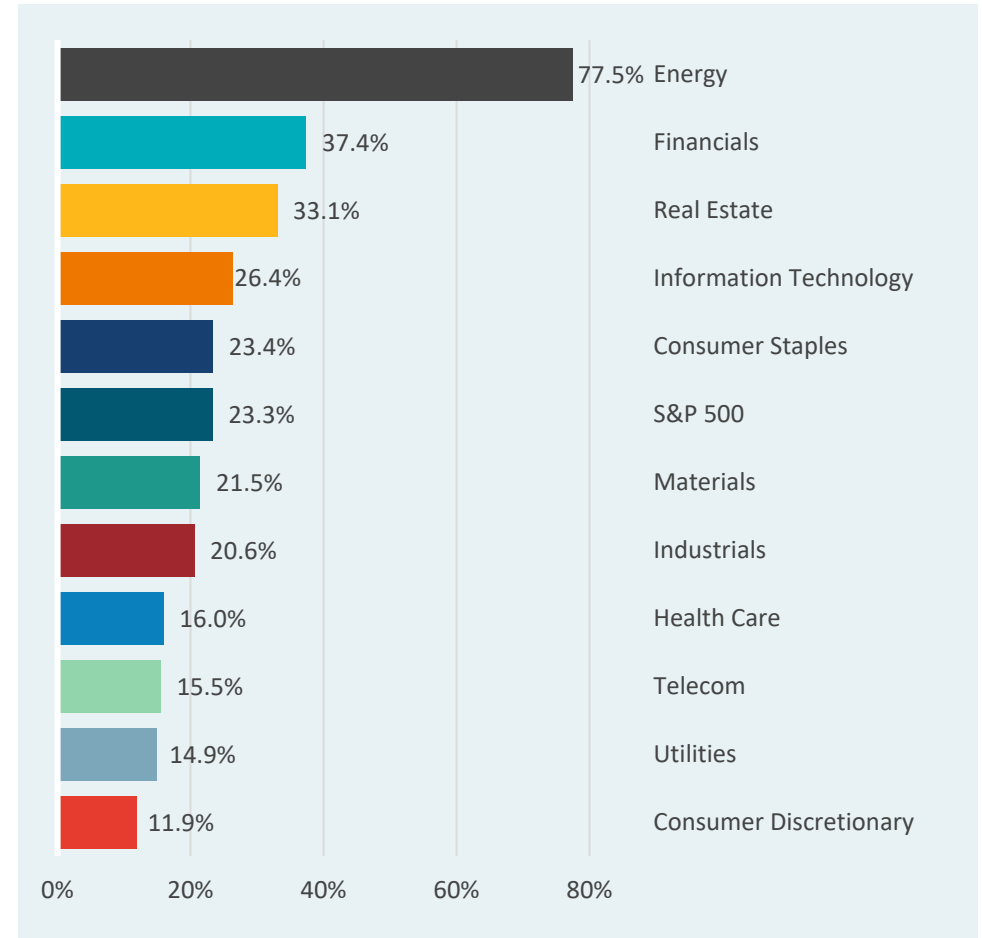
S&P 500 sector returns

QTD



Source: Morningstar, as of 2/28/22

ONE YEAR ENDING FEBRUARY



Source: Morningstar, as of 2/28/22

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(3.0)	(8.0)	(8.0)	16.4	18.2	15.2	14.6
S&P 500 Equal Weighted	(0.9)	(5.2)	(5.2)	16.8	16.3	13.3	13.9
DJ Industrial Average	(3.3)	(6.4)	(6.4)	11.6	11.7	12.7	12.7
Russell Top 200	(3.4)	(8.3)	(8.3)	16.3	19.5	16.2	15.1
Russell 1000	(2.7)	(8.2)	(8.2)	13.7	18.1	15.1	14.5
Russell 2000	1.1	(8.7)	(8.7)	(6.0)	10.5	9.5	11.2
Russell 3000	(2.5)	(8.3)	(8.3)	12.3	17.6	14.7	14.3
Russell Mid Cap	(0.7)	(8.0)	(8.0)	7.1	14.3	12.0	12.8
Style Index							
Russell 1000 Growth	(4.2)	(12.5)	(12.5)	12.5	23.2	20.2	17.0
Russell 1000 Value	(1.2)	(3.5)	(3.5)	15.0	12.2	9.5	11.7
Russell 2000 Growth	0.4	(13.0)	(13.0)	(17.4)	9.2	10.5	11.4
Russell 2000 Value	1.7	(4.3)	(4.3)	6.6	10.9	8.0	10.7

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(2.6)	(7.4)	(7.4)	7.8	13.4	11.4	9.8
MSCI ACWI ex US	(2.0)	(5.6)	(5.6)	(0.4)	7.7	7.3	5.4
MSCI EAFE	(1.8)	(6.5)	(6.5)	2.8	7.8	7.2	6.2
MSCI EM	(3.0)	(4.8)	(4.8)	(10.7)	6.0	7.0	3.2
MSCI EAFE Small Cap	(1.3)	(8.5)	(8.5)	(1.5)	8.6	7.9	8.3
Style Index							
MSCI EAFE Growth	(2.2)	(12.5)	(12.5)	(1.0)	10.2	9.4	7.4
MSCI EAFE Value	(1.4)	(0.3)	(0.3)	6.3	4.8	4.6	4.7
Regional Index							
MSCI UK	0.8	1.7	1.7	16.6	5.7	5.8	4.3
MSCI Japan	(1.1)	(6.1)	(6.1)	(5.0)	7.2	6.1	6.7
MSCI Euro	(5.5)	(9.6)	(9.6)	2.0	7.4	7.1	6.0
MSCI EM Asia	(2.4)	(5.8)	(5.8)	(15.1)	7.9	8.6	5.8
MSCI EM Latin American	4.8	12.6	12.6	14.3	(1.8)	1.7	(2.7)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	0.9	(1.2)	(1.2)	6.1	7.5	4.8	2.8
Bloomberg US Treasury Bills	0.0	(0.0)	(0.0)	(0.0)	0.9	1.1	0.6
Bloomberg US Agg Bond	(1.1)	(3.2)	(3.2)	(2.6)	3.3	2.7	2.5
Bloomberg US Universal	(1.4)	(3.5)	(3.5)	(2.7)	3.4	2.9	2.8
Duration							
Bloomberg US Treasury 1-3 Yr	(0.4)	(1.1)	(1.1)	(1.7)	1.5	1.3	1.0
Bloomberg US Treasury Long	(1.5)	(5.5)	(5.5)	(1.0)	7.0	4.9	4.1
Bloomberg US Treasury	(0.7)	(2.5)	(2.5)	(2.1)	3.1	2.4	1.9
Issuer							
Bloomberg US MBS	(1.0)	(2.4)	(2.4)	(2.9)	1.9	1.9	2.0
Bloomberg US Corp. High Yield	(1.0)	(3.7)	(3.7)	0.6	5.3	4.9	5.9
Bloomberg US Agency Interm	(0.6)	(1.7)	(1.7)	(2.2)	1.7	1.6	1.4
Bloomberg US Credit	(1.9)	(5.0)	(5.0)	(3.3)	4.5	3.7	3.6

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	6.2	15.6	15.6	34.4	12.9	6.6	(1.9)
Wilshire US REIT	(3.3)	(10.0)	(10.0)	26.7	10.7	8.0	9.7
CS Leveraged Loans	(0.5)	(0.1)	(0.1)	3.2	4.0	4.1	4.5
S&P Global Infrastructure	6.6	4.6	11.9	11.9	10.2	7.8	7.7
Alerian MLP	4.8	16.5	16.5	44.1	2.0	(1.8)	0.6
Regional Index							
JPM EMBI Global Div	(6.5)	(9.2)	(9.2)	(7.5)	0.8	2.0	3.9
JPM GBI-EM Global Div	(5.0)	(5.0)	(5.0)	(10.0)	(1.1)	1.0	(0.8)
Hedge Funds							
HFRI Composite	0.6	(1.4)	(1.4)	3.5	8.6	6.3	5.1
HFRI FOF Composite	(0.7)	(3.5)	(3.5)	0.3	5.9	4.5	3.8
Currency (Spot)							
Euro	0.2	(1.2)	(1.2)	(7.5)	(0.5)	1.1	(1.7)
Pound Sterling	0.0	(0.9)	(0.9)	(4.0)	0.3	1.5	(1.7)
Yen	0.0	(0.0)	(0.0)	(7.5)	(1.1)	(0.6)	(3.5)

Source: Morningstar, HFRI, as of 2/28/22.

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	58.6	23.9	19.8	14.2
Global Private Equity Direct Funds *	52.3	26.6	22.7	17.4
U.S. Private Equity Direct Funds *	58.4	29.2	24.2	18.9
Europe Private Equity Direct Funds *	52.1	26.2	23.7	15.4
Asia Private Equity Direct Funds *	31.4	19.0	17.6	15.5

Public Index Time-weighted Returns				
MSCI World	28.8	13.1	13.7	12.7
S&P 500	30.0	16.0	16.9	16.6
MSCI Europe	27.3	7.8	8.8	8.2
MSCI AC Asia Pacific	18.3	8.5	9.6	8.3

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	25.3	10.7	10.6	12.6

Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	37.4	10.0	6.8	11.3

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	33.5	13.7	13.0	12.6

Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	6.7	3.9	4.3	4.7

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	30.6	(2.4)	2.7	2.1
Global Infrastructure	14.8	10.4	11.2	10.4

Public Index Time-weighted Returns				
S&P Global Natural Resources	42.2	4.6	9.5	4.6
S&P Global Infrastructure	23.0	6.7	6.0	7.8

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of September 30th, 2021. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

** Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

*** Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

Notices & disclosures

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