MARKET LETTER

PACIFIC PORTFOLIO CONSULTING, LLC

Second Quarter 2022

THE ANXIOUS INVESTOR'S COMPANION: A SELF-HELP GUIDE FOR CHALLENGING TIMES

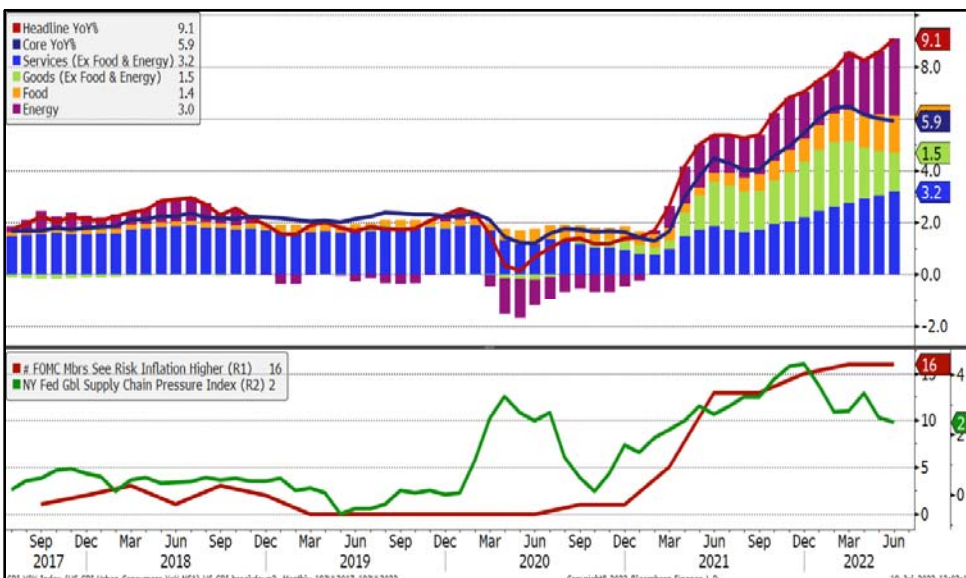
If you're nervous these days, rest assured that you are not alone. In fact, you are in such good company that this lifeboat is starting to look a little bit crowded. Some of the issues investors are being asked to process right now are highly uncertain, while others are simply unprecedented; still others often appear to be defying both historical relationships and just plain common sense. With incoming "information" showing a tendency to either overload investors or straight up contradict itself, we find ourselves navigating a period of tremendous discomfort all around, regardless of whether one is already fully invested or looking to put money to work, pursuing a strategy of capital growth or capital preservation.

Such extreme and unusual times seem to present a prime opportunity to offer some friendly reminders – as well as, hopefully, some insights – that may help to calm the waters enough for you to stay the course and still sleep at night. Not to minimize what is happening, but – ultimately – this, too, shall pass into history for the long-term investor; there is less importance in how we got here than there will be in what we do from here. As a result, this missive retains the usual explicit objective of keeping things tongue-in-cheek wherever possible, although it is my hope that this in no way causes you to discount the wisdom we believe can be found herein.

STEP 1: ADMIT THAT YOU HAVE A PROBLEM

Yes, you really do; it's ok, though, you don't have to be embarrassed: I have one, too. In fact, we all do these days: every single investor – every consumer, for that matter – has a problem and, I'm afraid, it's a big one! Inflation continues to run extraordinarily hot. Even as the CPI looked as though it might have been peaking in March at a scorching 40-year high of +8.5% year-over-year, even as the effect of global bottlenecks appeared finally to begin easing in earnest, the June inflation reading just released showed U.S. pricing pressures kicking up another notch to +9.1%, now a 41-year high (I sense a pattern forming…). What's more, beyond merely moving higher, inflation has also been broadening out: food, energy, new and used vehicles, medical care…the list goes on…all seem to be making a bigger and bigger contribution to inflation with each passing month.

Chart 1: If You Can't Stand the Heat…You've Got Yourself a Problem!



Like a watched pot, the "peak inflation" we are all waiting for continues to taunt us, with the June reading of headline inflation hitting its highest level in over 4 decades, even as the more subdued core inflation reading eased by a hair. At this point, "acyclical" inflation – that portion due to external factors, such as supply disruptions, as opposed to the growth cycle – has been shrinking steadily for several months. At the same time, however, increases in cyclical inflation – the old "too much money chasing too few goods" variety – has more than offset this. We still think a peak in inflation is likely near, though that's not to imply that the problem will just disappear once we get there, as we are going to be grappling with high levels of inflation for some time to come.

Don't think for even a moment that all of this has not (finally!) captured the utter fascination of the Federal Reserve. In fact, inflation worries within the Fed's policy-making body appear to skew overwhelmingly to the upside. This has become increasingly apparent in the rhetoric of the Fed's many talking heads, whose dispatches have increasingly sounded in harmony with one another to

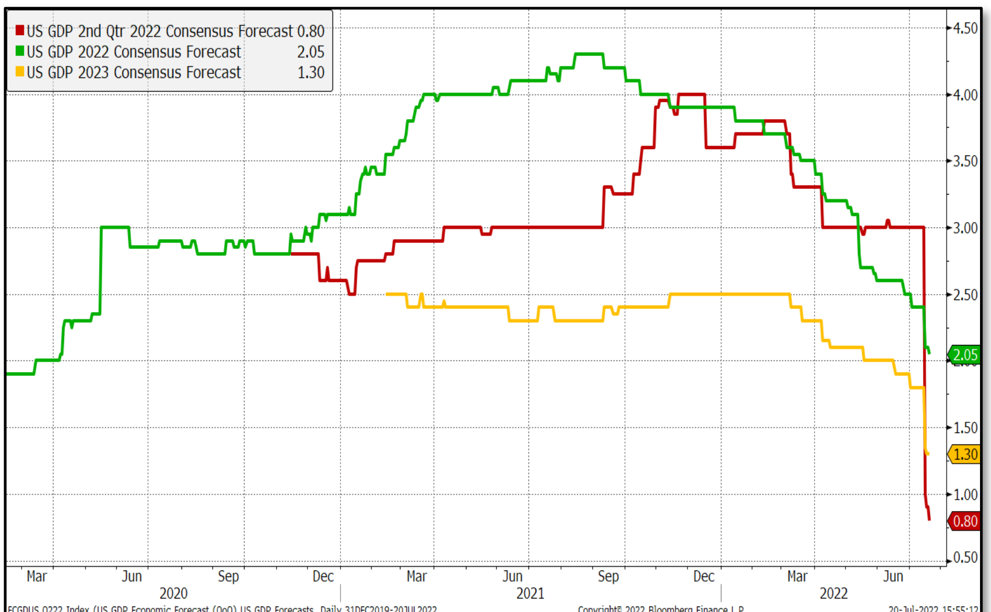
TEL 206 623 6641 701 5TH AVENUE, SUITE 6850, SEATTLE, WA 98104 FAX 206 623 6653

a tune of tightening monetary conditions more and sooner than expected – a so-called "front-loading" of rate hikes – under the guise of then needing to do fewer hikes later on.

There is no question the Fed views its very credibility on the line with respect to its ability to put back in the bottle a large and growing inflation problem that it had a major hand in helping to create. As a result, the monetary tightening cycle in which we now find ourselves up to our eyeballs is shaping up to be unlike anything any of us have seen in a very long time. If the 50 basis point hike in March and 75 basis point hike in June (the largest individual hike since 1994) did not already make that clear, have no fear: what is coming down the chute undoubtedly will, as the Fed seems to have pivoted (they just love to do that!) to a "whatever the market will bear" approach to sizing rate hikes – such was the case with the decision to go with +0.75% in June and this will likely prove to be the case again when they meet in late July. If the Fed looks at markets and sees that investors have priced in a certain degree of tightening, then they are darned well going to give it to them – even if it's more than they were originally planning to go with! Within that framework, you can begin to comprehend why things began to look a little wonky following this last inflation print, after which the market began projecting closer to a +1% hike for the July meeting before, thankfully, easing its expectations back to a mere and, somehow, now strangely more appealing +75 basis points.

Step 2: Stop Fighting The Last War

Chart 2: US Economy Has That Sinking Feeling

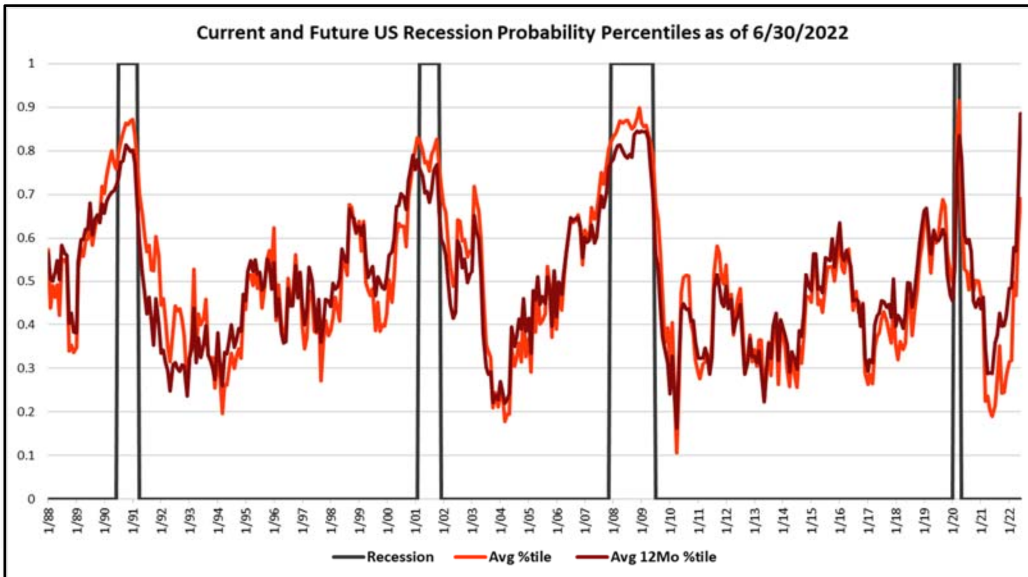


U.S. growth expectations for this year and next came down throughout the 2nd quarter, having been cut roughly in half over the first six months of the year. Meanwhile, expectations for Q2 – which we just closed out – have literally plummeted just in the past few weeks, with the consensus outlook from Wall Street economists just barely managing to stay in positive territory. Although the modest contraction posted in Q1 was due in large part to trade deficit anomalies, make no mistake that if by some chance the Q2 number comes in anywhere in the red, many an "expert" will trumpet that a recession is already upon us. We really don't think we've been in a recession for the past two quarters, but we know we're getting closer to one. That call has, unfortunately, become largely consensus in recent months; much as we hate holding the same view as the majority on the Street, as the crowd rarely makes a profit, that doesn't stop us from thinking it's the right call.

It might seem strange to realize that we're talking about inflation when we refer to the "last war." Even though we are not quite past "peak inflation" at this point, we believe we are close; meanwhile, we are confident that we are, indeed, past "peak inflation freakout" – i.e., the investor stampede into inflation-oriented assets seen over the past year or so. The prices of assets like TIPS, infrastructure, potentially even commodities, now reflect investors' high inflation expectations. As such, the "Great Inflation Trade" is, for all intents and purposes, pretty much played out. Now, this does not mean you will no longer want to hold exposure to assets that may help offset the effects of inflation – inflation is going to remain uncomfortably high for some time to come and not all assets and strategies are equally equipped to deal with that fact. Nonetheless, while these assets can continue to offer some protection and potentially attractive returns while such inflationary conditions prevail, we are unlikely to experience the sort of big repricings seen earlier this year.

So, then, on which front might we find the hostilities posing a threat sufficient to qualify as the "current war?" Well, we told you last quarter that the Fed was breaking up with investors and had decided it did not want to stay friends. Like any good breakup story, this one turned acrimonious fairly quickly. Clearly, Jerome Powell and his cohorts all went off their meds at some point – although, at this rate, investors will be the ones who need antidepressants (or, at very least, some mood stabilizers, given the sheer number of +/- 1% daily swings we have been seeing. "A hawkish Fed? Sell! An even MORE hawkish Fed? BUY!!!") With its sights set squarely on taming the inflation, we are no longer dealing with the kinder, gentler Federal Reserve of years gone by: these folks have something to prove and the size of the chip on their shoulder seems to correlate very closely with just how far behind the curve they allowed themselves to get, sitting on their hands for a full year in the face of record monetary and fiscal accommodation and massive pent-up demand coming out of the COVID recession. As a result, the value of the Fed's forward guidance – which it built up over years and years of painstakingly clear policy communication – has been debased; similarly, the strike price of the infamous "Fed Put" (whereby the Fed has – for the past several decades now – tended to step in to ease its policy stance in order to stabilize markets) has been drastically lowered – trust me when I tell you that you should not be counting on that as your safety net: it's too low to do anyone any good.

Chart 3: And There You Were All Worrying About Inflation!



We have been watching the probability of recession rise fairly steadily over the past year, then seemingly exponentially over the past six months. At this point, we believe tighter policy out of the Fed is literally pushing the U.S. economy across the Rubicon, as our 12-month forward recession risk measure, in the 89th percentile of its history as of June 30, has entered territory that, historically, has represented a point of no return. The near-term probability of recession has risen substantially as well but remains somewhat shy of a "last nail in the coffin" for now (though this will likely play out a similar trajectory over the next several quarters), leading us to retain our view that recession likely remains an issue for 2023.

Now, jawboning is one thing, but does the Fed actually have the resolve it needs to face down inflation? Up until a few months ago, you certainly could have fooled me: after the past thirty(-ish) years of monetary shenanigans, who would have thought the Fed actually had a backbone? A long-winded way of saying, yes, they do appear to have the resolve to tighten until they break the back of inflation (in fact, I'd wager that Jay Powell would love nothing more than to be remembered as the 2nd coming of Paul Volcker!). As a result, "peak tightening" seems somewhat further out on the horizon to us than does "peak inflation"; if the Fed were to shift from tightening to neutral after a July hike, this would go down in history as the shortest tightening cycle ever (there is considerable variation in the duration of such cycles but a length of 4-5 quarters is not uncommon). More to the point, however, is the Fed's indication that they are ready and willing to take short-term interest rates above the "neutral rate", the estimate for which currently stands at 2.5% – i.e., the level they will reach if they go with a 75 bps hike in July – unless and until they begin to see "clear and convincing" evidence that inflation is coming down. This neutral rate of interest represents the Goldilocks of Fed policy rates, one that is neither too loose, so as to prove accommodative and stimulate the economy, nor too tight, so as to cause the economy to contract. By hiking beyond this level, the Fed would explicitly shift from merely decelerating the growth of the U.S. economy to outright shrinking it. Given what now seems an almost blind focus on inflation and belief in its ability to implement soft landings that seems clearly at odds with the historical record, the Fed looks primed to attempt to lead the economy down the garden path… at the end of which, there happens to be a cliff…

Before you decide to jump off that cliff as well, though, bear in mind that while a cliff implies steep, it does not necessarily need not be terribly deep – perhaps we are staring down into more of a recessionary gully than an outright abyss. There's no question that an economy that was already in the process of slowing is feeling the weight of the bricks being loaded onto its back by the Fed. A higher cost of doing business is causing the level of activity to taper; consumer confidence is in the gutter thanks in no small part to a massively negative wealth effect from the stock market decline.

Even housing – which continues to put on a happy face – is having a harder time masking the pain of nearly 6% rates on 30-year fixed mortgages. Now, the average U.S. recession since WWII has lasted around 11 months and trimmed roughly 2% off of GDP; however, this time around there are no big fundamental imbalances to be resolved, as there were in 2008 when we saw a -4.7% decline in GDP, nor are we about to be told to "shelter in place" any time soon, which led to the staggering -31% decline in GDP at the onset of COVID. As a resDult, provided the Fed is successful in its efforts, we believe we may be looking at an economic contraction on the milder-than-average side, both in terms of depth and duration.

STEP 3: RECOGNIZE WHEN YOU HAVE HIT ROCK BOTTOM

With a growing sense of dread as the quarter wore on, I knew. As I watched the level of the market progressively slip, I sensed that it was coming. No, I'm not referring to the bear market in which we find ourselves; I'm talking about all of those annoying "bear essentials" and "bear necessities" quips all the strategists love to use whenever this stuff happens. Rest assured that we will be keeping that sort of nonsense strictly to a "bear minimum" (thank you, I'm here all week!) If I can be serious for a moment, though (I think I can), we are, indeed, now in a bear market. I say "now" but you knew we were already there: perhaps it hadn't been made "official" yet, as the strength of some of the big holdings in the index had managed to keep the S&P short of the -20% threshold, but you could feel it in your bones nonetheless. You had seen big enough, fast enough, and sustained enough declines in enough names to know that the bull cycle was good and dead long before June 10th. But now, with the Apples and Microsofts of the world having kept the U.S. stock market's head above water for as long as humanly possible, here we are – officially – below that magical -20% decline level (of course, there's nothing special about -20% from a mathematical perspective, though it can carry tremendous significance from a psychological perspective). The average stock in the index, however, is sitting -25% off its 52-week high, as are both the growth stock-laden NASDAQ 100 index and the small-cap Russell 2000 index.

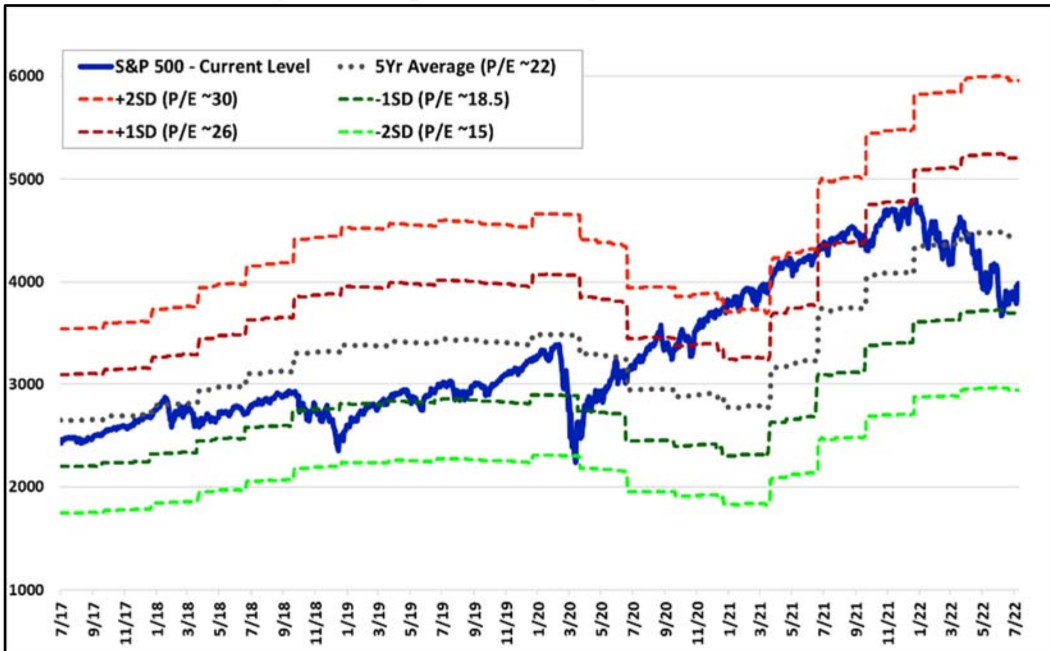
So, is that it, then? Higher inflation is priced in, everyone (except the Fed!) agrees that the Fed is going to overturn the economic applecart, stocks have satisfied the requirements of a bear market…we've "hit rock bottom," right? Well, unlike your personal journey, where you would need to look deep inside yourself to find that answer, within the context of the stock market, there are some signposts we can point to that can help inform this decision. Long story short, we're probably not quite there yet.

Chart 4: The Average Bear: Hold On To Your Pic-a-nic Basket

Date	No Recession	Recession
1957	-21%	-
1962	-28%	-
1966	-22%	-
1970	-	-36%
1973	-	-48%
1977	-28%	-
1981	-	-27%
1987	-33%	-
2001	-	-49%
2008	-	-56%
2020	-	-34%
Average	**-26.4%**	**-41.7%**
Combined Average Bear Market Decline: -34.7%		

On the one hand, let's take a quick look at bear markets in general. The U.S stock market has experienced 11 bear markets since the mid-1950s (excluding the current one), six of which occurred in recession and five of took place during an expansion. Overall, these bear cycles troughed out after a decline of -34% on average – so slightly deeper than the current decline which, at its low point, was down just -23.5%. Meanwhile, if we segregate the bears according to whether or not a recession took place, we can see that the "average bear" doesn't give us the whole story. Within the recessionary bear market camp, the mildest was during the 1981 "double-dip" recession, which saw a decline of "just" -27%, whereas the most severe was – say it with me: the 2008 financial crisis with a decline of -56%; the average for this group works out to a loss of roughly -40%. At the other end of the spectrum, the non-recessionary bears have tended to be considerably less ferocious, ranging anywhere from -21% to -33% and averaging roughly -26%. Regardless of what average we use, however, the current bear seems to come up somewhere between a little to a whole lot short. Now, it's not impossible; there have been two other bear markets in the last 65 years or so in which the maximum drawdown was less than it was at the trough (so far) of the current cycle. Two out of eleven, so not great odds. Meanwhile, we can inform our analysis with our other views, notably that of the high likelihood of entering a recession within the next 12 months. If this does, indeed, turn out to be the case, then the more relevant comparison likely becomes the -40% average. As a result, based strictly on the pattern set by past bear markets – and bearing in mind that the sample size is small and each cycle is different – it looks to us like there could be the potential for an additional -10% to -20% of downside from current levels should the economic and earnings outlook deteriorate. Don't ever let it be said that we are cheerleaders: there is real risk out there, but guess what? That's what investors get paid for; no risk, no return!

Chart 5: Market May Be Cheap But No Bargain



Stocks are certainly a lot more affordable than they were coming into the year. The real question, though, is are they cheap enough? A lot will hinge on what happens to corporate earnings from here. So far, the market multiple has come down due to the price decline; so long as corporate profits hold up, stock valuations look reasonable but not an outright bargain. A big hit to profits would, of course, work to move the multiple higher, likely triggering an offsetting decline in price. Based on our view on the likelihood of recession, a downward revision to earnings would not be surprising, though given we expect a fairly mild recession, any such hit could be manageable.

So much for the technical perspective on the issue; what about the fundamentals? Well, let's turn to valuations to see how richly or cheaply stocks are currently priced. The good news is that the market's price-to-earnings multiple has come down significantly: coming into the year, the S&P 500 was trading at 26 times trailing twelve-month earnings and, as stock prices have come down, currently sits at roughly 20 times, or slightly less than one standard deviation below its five-year average of 18.5 times. What about based on forward earnings? Well, the story looks pretty similar there, too, at least for now: the market came into 2022 at a forward P/E of roughly 23 times forecast earnings – or roughly one standard deviation above its five-year average – and has since come down to 17.5 times, once again approximately one standard deviation below the average. Neither of these is terrible and this pullback certainly has taken a lot of the air out of any valuation argument one might have tried to make against the market. Nonetheless, over the past couple of decades, big market sell-offs have tended to flush out when valuations were closer to two standard deviations below the average, once again hinting at the possibility of a pause as opposed to a definitive end to recently challenging conditions.

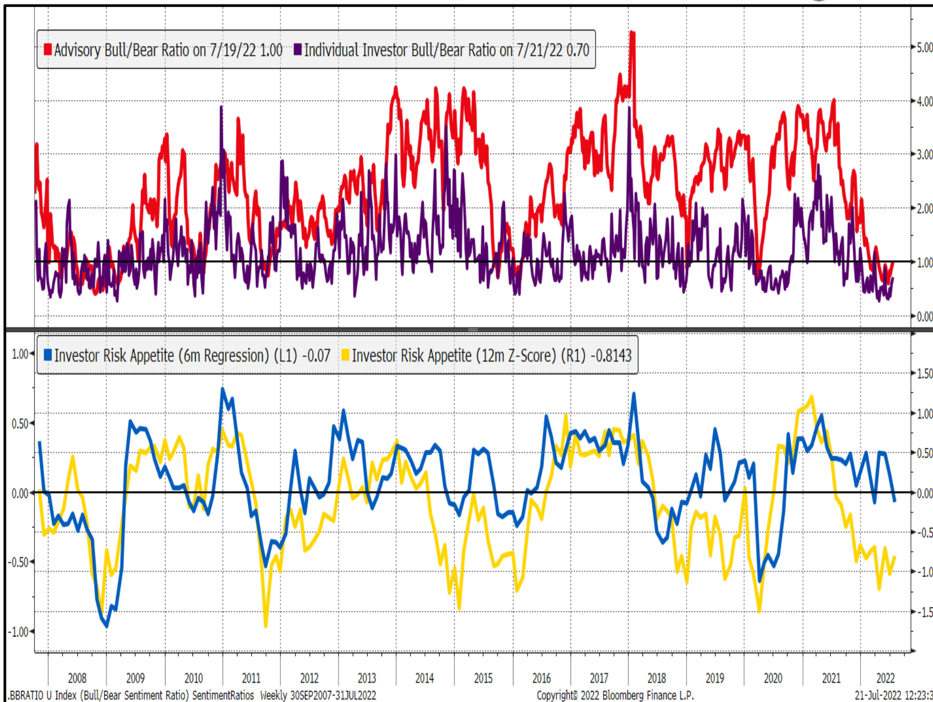
The last component we'll consider here is investor sentiment; those of you who follow us will know we like to watch such measures from more of a contrarian perspective, given the best opportunities will tend to manifest themselves when everyone begins to abandon all hope, while risks tend to be at their highest at times when everyone is backing up the truck. Taking a relatively broad survey of this space, signs of discouragement certainly are accumulating, though investors still appear to have fallen short of any outright capitulation. Both individual and professional investor sentiment has been pretty despondent for much of the past several months – a good start – but investors keep finding ways to quickly turn their frowns upside down, meaning that any flirtation with sheer desperation has been fleeting at best. Based on the historical record, it would be unusual for the market to manage to lift its spirits in any kind of sustainable manner without having negotiated this final phase of the bottoming process. This same dynamic is confirmed by fund flow data, which show investors having contributed a total of roughly $70 billion to equity mutual funds and ETFs so far this year. While that puts them on track to put in only roughly half the amount they put in last year, the weekly data show that other than the massive outflows that occurred during the big market declines in April and June, investors as a whole still seem a little bit too eager to buy the dip.

STEP 4: THINK POSITIVE!

Personally, I get a kick out of this one – I guess maybe there's a reason my nickname around the office used to be "Dr. Doom"! Apparently, however, I am not so far gone as to not perk up when I was reminded in a meeting the other day of an old Wall Street adage that says something along the lines of "Bond market investors are paid to think about what can go wrong, but stock investors get paid by thinking about what can go right!"

Of course, so far in 2022 it hasn't mattered much at all in which camp you counted yourself: nobody has been getting paid in this market! The returns investors have been dealt thus far this year are among the worst seen in quite some time! The 6-month return on the S&P 500 through June ranked in the 4^{th} percentile of all observations since 1940, while the return on a balanced portfolio of stocks and bonds is the worst seen since the Great Financial Crisis, the last time the two core asset classes were down in tandem in any meaningful manner (albeit for a completely different reason).

Chart 5: Sentiment Got Low, Low, Low…But Is It Low Enough?



Apparently, some of those antidepressants are working, albeit only sporadically. Investors gradually slide into the doldrums before abruptly sinking into the depths of despair – only to bounce back with a positive spin and a renewed appetite for risk. These forays into a truly glum state of mind have been briefer than we would like to see – granted, the very extremes of the emotional spectrum rarely last terribly long in the market, but we would feel better if we could see the rug pulled out from under the speculators, as it would help clear the way for a more sustained move higher over time. For the time being, although we like where the mood of the market is hovering – certainly no ebullience out there anymore – we'd love to see the dip-buyers run for shelter for more than a day or two.

Going forward, however, even as stock investors seem to be getting handed more and more to have to deal with, there is, indeed, a "bright side of life" case to be made. The consumer – although in a foul mood – remains in good shape; total U.S. household savings totaled \$2.3 trillion as of year-end, roughly 10% of total GDP, well above the 5%-6% trend in the pre-COVID years. This is yet another tile in the mosaic hinting that the recession we face is likely to be relatively mild. If this is the case, it's possible that the hit to corporate profit – which have held up remarkably well so far in 2022 – will be limited as well. It also opens the door to the possibility that – provided its "front-loading" maneuver is successful at nipping inflation in the bud – the Fed could be in a position to actually cut interest rates some time next year. In the meantime, the bond market has already priced its expectations into in the intermediate- and longer-end of the curve, so rather than a lot more carnage it may be more a matter of the yield curve flattening as the Fed continues to hike the short end. Now take into consideration total money market fund assets of \$4.5 trillion as of the end of June – nearly 20% of GDP sitting in dry powder on the sidelines – and suddenly things don't necessarily look so bleak anymore.

Perhaps more potent still than any of these "what if" scenarios, however, is the signal that can be derived from the market data itself at similar times in the past. As most of you will sense intuitively, when the market finds itself down this much, it generally has set the stage for some decent returns going forward. Market data confirms this, showing that, historically, when the S&P has been trading down in this neighborhood, the median return over the next 12 months has been +11.4%, a far cry perhaps from the nearly +29% it returned in 2021 but certainly head and shoulders over the performance it has delivered year to date.

TEL 206 623 6641 701 5TH AVENUE, SUITE 6850, SEATTLE, WA 98104 FAX 206 623 6653

Step 5: Learn to Accept the Things You Cannot Change

Unlike many self-help books, I am not going to sit here and tell you that your fate is in your own hands. The truth is there is precious little – aka nothing – that you can do that will influence the outcome on the economic front: this is not a question of needing to pull yourself up by your bootstraps, of being honest with yourself, of changing your habits (unless you were to change your habits – and net worth! – to allow you to go out and "consume mass quantities" of goods, services, and financial assets). The Federal Reserve holds all the cards here and they have somehow convinced themselves that the best way to make up for having let inflation catch fire in the first place is to take a flamethrower to it, even at the risk of burning down the house. Not to be fatalistic, but their record of killing economic expansions is nearly perfect: with the exception of 1994, every tightening cycle undertaken by the Fed since the mid-1950s has culminated with the economy tipping into recession; even if it were not for the Fed's current zeal, there would be no reason to expect the outcome this time to be any different. Similarly, financial markets – although made up of individuals – take on an identity and behavior of their own, reflecting the hopes and fears of the collective without paying any heed to those of any specific individual investor. As such, while we may all be more than ready for this bear market to be over, the market will bottom in its own time, once the last of the weak hands has finally thrown in its towel and screamed "I'm never buying stocks again!"

There is, however, another side to this coin, one made up of those things that you CAN control. I had toyed with calling this section "Seven Habits of Highly Effective Investors" but didn't want to discourage anyone with the thought that we were actually going to try to instill seven new habits into you in what little space we have left. We probably could have, mind you, as we don't need to go all the way to seven – the goal is to stick with the cardinal "investor rules to live by" – but also because, if you've been with us for any length of time, these will not actually be new to you. Not only will they be familiar, but you will likely be tired of hearing us recite them every time we meet. Times like these are why we do that!

Let's start with a big one, because if you can embrace this one, a lot of the others will fall into place: remember that discipline will always trump emotion. Sounds simple enough but far easier said than done; investors – being human – tend to wear their heart on their sleeve and allow their emotions to influence – and often dominate – the financial decision making process. So much so that, as noted earlier, we actually look to investor sentiment to provide a contrary signal, for indications of "irrational exuberance" or "blood in the streets" to direct us squarely in the opposite direction.

This discipline should allow you to stick with your strategy over the long run. Notice that I said "your" strategy, not just "a" strategy, because it is truly unique to you, designed to accomplish the goals and objectives you have laid out for it within the risk parameters suited to your tolerance and accommodating cashflows specific to your circumstances. Don't start picking apart your portfolio; sit down and go over your financial plan – chances are that, despite the near-term ruckus, your long-term picture is still on track! If your situation has changed, talk to your advisor – he or she can suggest a strategy more appropriate to your new circumstances if necessary or, if not, can simply help talk you through this. Be patient; jumping ship on your strategy in response to fear almost ensures that you'll pick exactly the wrong time.

Chart 6: A Simple Change in Perspective Can Work Wonders

Speaking of time, remember the trite-but-true adage of "Time in the market, not timing the market." Our Investment Committee has been making a series of modest tactical changes over the past year intended to mitigate some of the larger risks we saw looming (such as interest rate risk within fixed income), while also seeking to take advantage of what looked like some of the most promising opportunities (such as tilting towards value stocks instead of growth stocks). Meanwhile, we're creating something magical called "tax alpha" by harvesting tax losses on positions in your portfolio that currently show a loss, all while keeping your overall positioning intact to ensure that your strategy remains on track. Leave this kind of thing to us; your mantra should be to stay invested and stay diversified. Attempting to time the market and move to the sidelines is notoriously difficult to get right but remember that you also have to be just as successful when you perform those same acrobatics in reverse to get back in.

In fact, the only way it makes any sense for you to be in cash at this point, frankly, is if you believed that we will NEVER get back to the highs we set in early January…like ever! As extreme as that may sound, let's pick apart the numbers behind that kind of statement in an update to an analysis prepared by our colleagues at JP Morgan. The S&P 500 closed at a level of 4,797 on January 3rd, the index's all-time high; after today's close, we find ourselves at 3,999, so off roughly 20%. If the market were to move back to its highs in one year, you would make – obviously 20% in price appreciation, to which we will add the roughly +1.6% current dividend yield on the index. Now, let's say it takes two years to get back there; you're now looking at an annualized return for each of those two years of just over +11% (essentially, +9.5% annualized price appreciation and +1.6% per year in dividends). Not bad. Want to keep playing? For three years, you're still looking at nearly 8% per year! The point is that even though we don't know exactly how long the market will take to work through its issues, it's not that hard to paint a relatively favorable scenario for the equity market provided we're willing to look out over a reasonable timeline. So instead of driving yourself mad trying to figure out the exact right time to bail on the market, perhaps you should be "looking between the couch cushions" for any idle cash you could be using to take advantage of this opportunity to gradually leg into market positions at what are very likely to be attractive entry points over an investor's (as opposed to a speculator's) timeline, without any need to call the "bottom".

I'm running considerably more longwinded than usual this quarter, but you should be proud of yourself: we've covered a lot of ground. Wrapping up right back where we started, these are unusual – and, often, unnerving – times; don't hesitate to call me, our CEO Larry Hood, or your advisor with any questions or concerns you may have. That's why we're here; you don't have to rely entirely on "self"-help!

-Jim Ayres, CIO

2ND QUARTER 2022 CAPITAL MARKET PERFORMANCE

Index (as of 6/30/2022)[1]	1 Qtr	YTD	1 Year	3 Year	5 Year	10 Years
FTSE 3-month T-Bills	0.14%	0.17%	0.19%	0.61%	1.09%	0.62%
Bloomberg Barclays Gov't/Credit Int.	-2.37%	-6.77%	-7.28%	-0.16%	1.13%	1.45%
ICE BofAML US High Yield	-9.92%	-13.99%	-12.58%	-0.04%	1.95%	4.39%
Bloomberg Barclays Multiverse	-8.43%	-13.97%	-15.35%	-3.20%	-0.52%	0.27%
S&P 500	-16.10%	-19.96%	-10.62%	10.60%	11.31%	12.96%
Russell 1000 Value	-12.21%	-12.86%	-6.82%	6.87%	7.17%	10.50%
Russell 1000 Growth	-20.92%	-28.07%	-18.77%	12.58%	14.29%	14.80%
Russell Mid Cap	-16.85%	-21.57%	-17.30%	6.59%	7.96%	11.29%
Russell 2000	-17.20%	-23.43%	-25.20%	4.21%	5.17%	9.35%
Russell 2000 Value	-15.28%	-17.31%	-16.28%	6.18%	4.89%	9.05%
Russell 2000 Growth	-19.25%	-29.45%	-33.43%	1.40%	4.80%	9.30%
MSCI EAFE	-14.29%	-19.25%	-17.33%	1.54%	2.69%	5.89%
MSCI EAFE Small Cap	-17.50%	-24.46%	-23.64%	1.51%	2.11%	7.57%
MSCI Emerging Markets	-11.34%	-17.47%	-25.00%	0.92%	2.55%	3.43%
MSCI Frontier Markets	-13.70%	-20.45%	-17.06%	0.82%	1.92%	5.41%
Wilshire US REIT	-18.48%	-21.64%	-6.70%	4.01%	5.26%	7.28%
DJ Global Select RESI	-17.81%	-20.65%	-11.30%	-0.02%	2.58%	5.39%
Bloomberg Commodity Index	-5.66%	18.44%	24.27%	14.34%	8.39%	-0.82%
IQ Hedge Multi-Strategy	-7.05%	-9.23%	-10.55%	-0.02%	1.23%	2.33%
60-40 Balanced EQ/FI – US Only	-10.74%	-14.75%	-9.00%	6.58%	7.49%	8.46%
60-40 Balanced EQ/FI – Global	-10.39%	-14.79%	-12.00%	4.28%	5.25%	6.33%

[1] The Bloomberg Barclays U.S. Government Credit Intermediate and Multiverse indices are registered service marks of Bloomberg Finance LP. Barclays is a service mark of Barclays Bank Plc, used under license; the ICE BofAML US High Yield index is a registered service mark of Intercontinental Exchange; BofAML is a service mark of BofA Merrill Lynch, used under license; the S&P 500 Index is a registered trademark of the McGraw-Hill Companies, Inc.; the Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell Mid Cap, Russell 2000, Russell 2000 Value, and Russell 2000 Growth indices are registered trademarks of the Frank Russell Company; the MSCI EAFE and MSCI Emerging Markets indices are registered trademarks of MSCI or its subsidiaries; the Wilshire REIT index is a registered trademark of Wilshire Associates Incorporated; the DJ global Select RESI index is a registered trademark of Dow Jones Trademark Holdings LLC; the Bloomberg Commodity Index is a service mark of Bloomberg Finance L.P.; the IQ Hedge Multi-Strategy index is a trademark of New York Life Investment Management LLC.