Webinar Introduction

- Hello and thank you for joining us today.
- Welcome to the Quarterly Market Perspectives Client Webinar for the 2nd quarter of 2022.

10 Market Themes for 2Q 2022

This collection of market insights highlights 10 themes we believe are most likely to shape the investment environment this quarter.

1. S&P 500 Index Performance Timeline Since the Start of 2022
2. Federal Reserve Raises Rates for the First Time Since December 2018 …
3. … Which Has Varying Impacts on Consumer Borrowing Costs
4. Manufacturing Index Highlights Sustained Economic Expansion
5. Oil Prices Are Surging Higher, Which Historically Slows Economic Growth
6. U.S. Labor Market Experiences Strong Growth During 1Q 2022 …
7. … But Workers Take a Step Back as Inflation Outpaces Wage Growth
8. Rising Interest Rates Pressure the Growth Factor's Valuation
9. Market Volatility Increased During 1Q 2022
10. Gold Reclaims Pre-Pandemic Record High from 2011

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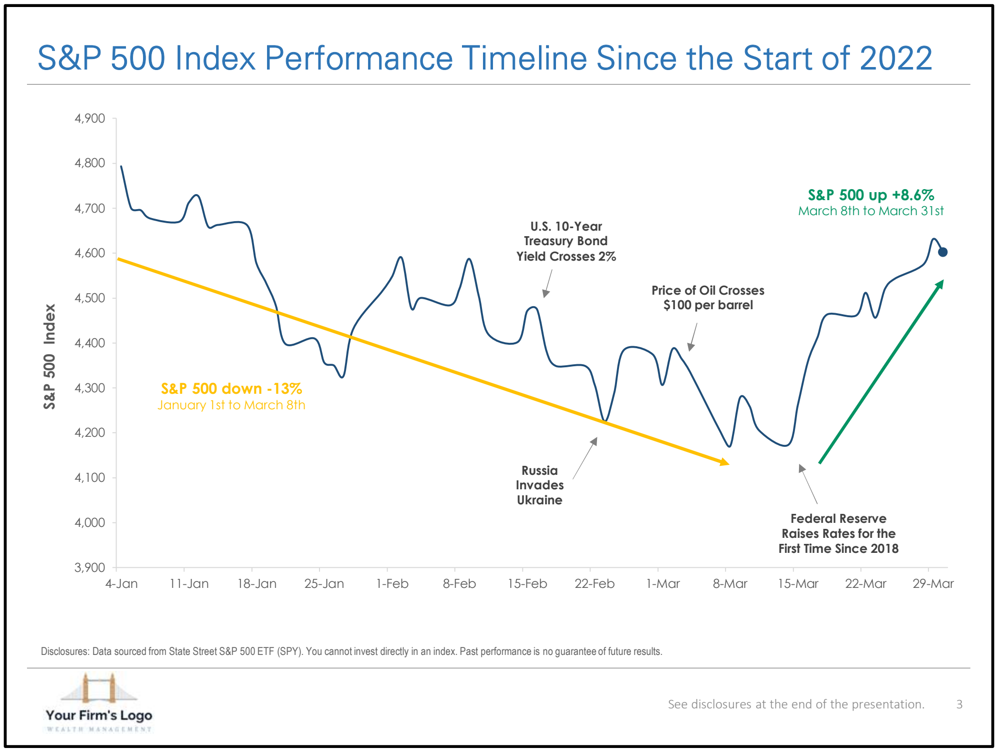
See disclosures at the end of the presentation. 2

Key Talking Points

- Today we will be discussing several market moving topics and how they might impact your portfolio over the coming months.

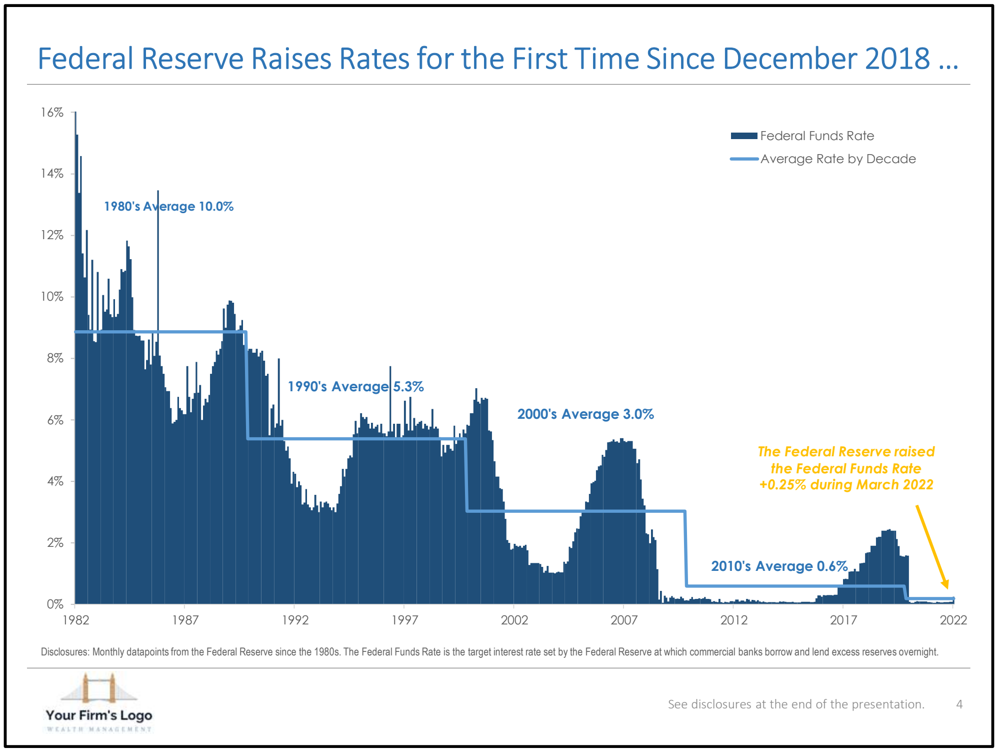


Key Talking Points

- We will start this quarter's webinar with the S&P 500's year-to-date price chart. The S&P 500 ended the first quarter with a -4.6% price return, which was the index's first negative quarterly price return since 1Q 2020.

- While the -4.6% return may seem shallow, it hides the S&P 500's roller coaster ride during the first quarter. U.S. stocks experienced significant selling pressure during January with the S&P 500 suffering its biggest monthly selloff since March 2020. The selling pressure continued into February, and by early-March, the S&P 500 was down -13% since the end of 2021. However, performance turned around during the second half of March with the S&P 500 registering a nearly ~9% price return.

- Along the way, the S&P 500 encountered a variety of events, including rising Treasury yields, Russia's invasion of Ukraine, and the Federal Reserve's first interest rate increase since December 2018. At times, the stock market struggled for direction as investors navigated the growing list of market themes.

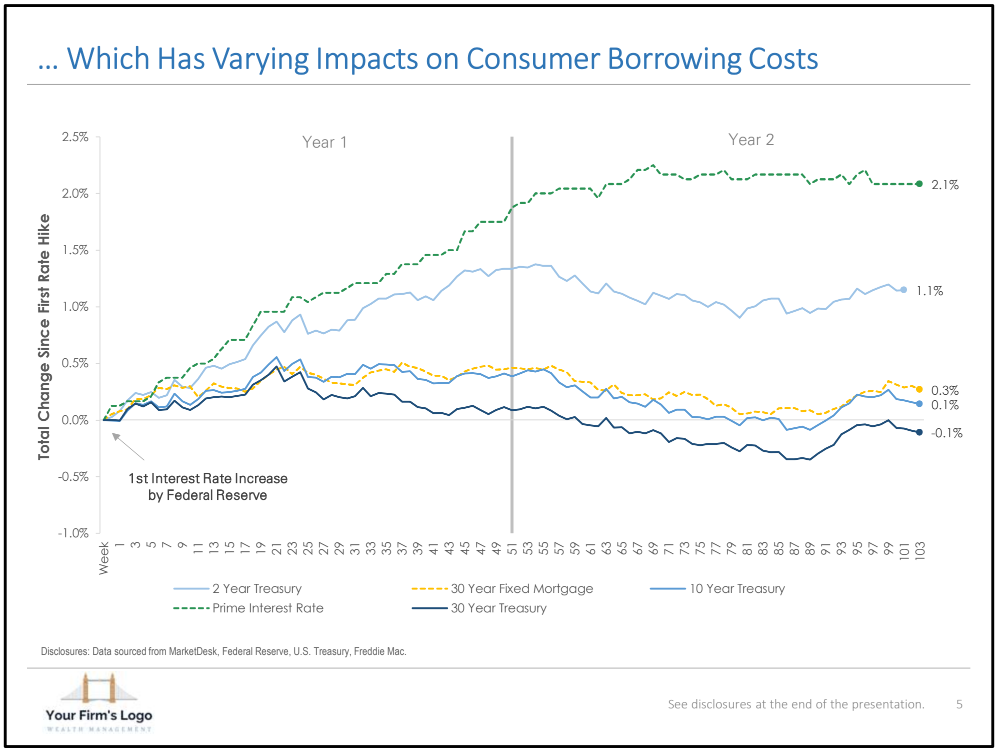


Key Talking Points

- The Federal Reserve officially raised the federal funds rate +0.25% at its mid-March meeting. It was the first increase since December 2018 and signals the start of tighter, or more restrictive, monetary policy.

- Why did the Federal Reserve raise the interest rate? Inflation, as measured by the Consumer Price Index, soared +7.9% year-over-year during February 2022. The Federal Reserve's goal is to ease current inflationary pressures by making borrowing costs more expensive, which it expects to cool demand for goods and services.

- Investors expect the Federal Reserve to keep raising the federal funds rate throughout 2022. In addition, investors expect the Federal Reserve to shrink its balance sheet, which currently sits near $9 trillion after the central bank purchased mortgage-backed securities, corporate bonds, and U.S. Treasuries during the pandemic to keep credit flowing.



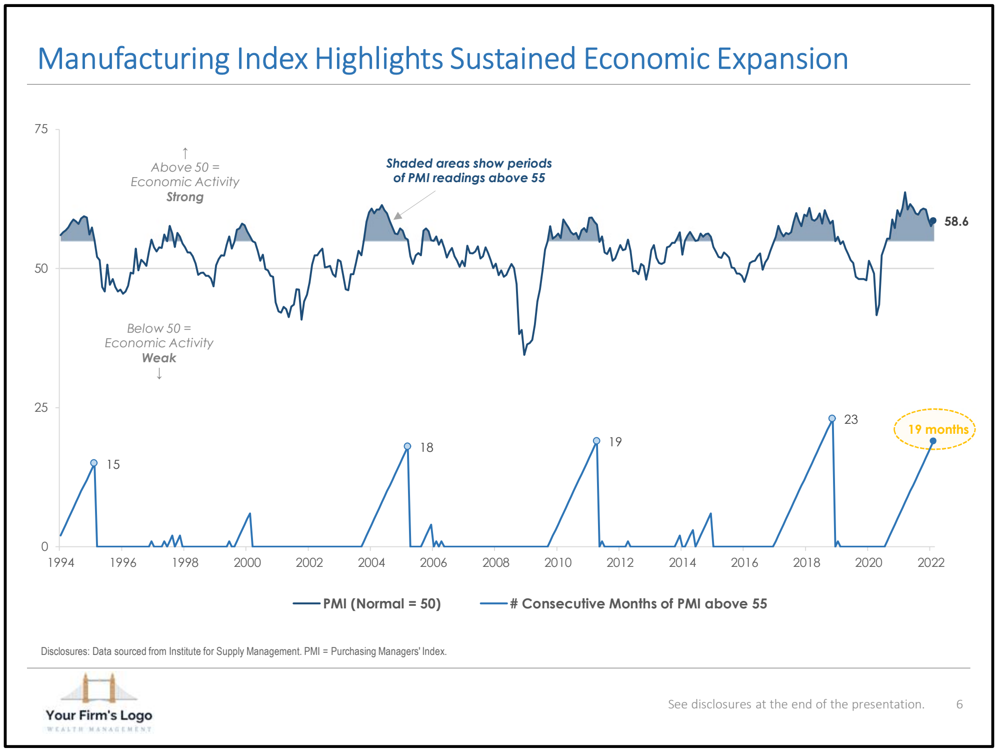
Key Talking Points

- The Federal Reserve's interest rate increase will impact bond yields and lending rates. The federal funds rate is the interest rate banks charge each other to borrow and lend excess reserves overnight, but it also influences the prime interest rate. In turn, the prime rate influences the interest rate on financial products, including credit cards, personal loans, and auto loans.

- The chart on this slide examines how the Federal Reserve's action may impact Treasury yields and lending rates. It graphs the average percentage move across U.S. Treasury yields, the 30Yr fixed rate mortgage, and the prime interest rate during the 24 months after the Federal Reserve first raises the interest rate.

- The chart shows longer maturity Treasury yields, such as the 10Yr and 30Yr, historically rise less than shorter maturity yields, such as the 2Yr. There is a similar dynamic across lending rates — the 30Yr fixed rate mortgage, which has a longer maturity, historically increases less than the prime interest rate, which is typically a benchmark for shorter maturity loans. Why does this occur? The short-end of the Treasury yield curve is more sensitive to Federal Reserve policy, while the long-end of the yield curve is more sensitive to economic conditions.

- How does this impact your personal finances? From a portfolio perspective, higher Treasury yields suggest bonds could produce negative returns. This is because bond prices generally decline as yields rise. Looking at borrowing costs, history indicates interest rates on auto and personal loans could increase significantly over the next 12 months, while mortgage rates could still increase but by a smaller amount. Higher interest rates will increase borrowing costs, which could in turn lead to decreased consumer demand. The Federal Reserve's goal is to raise interest rates to ease inflation pressure, but it could have the added side effect of slower economic growth.



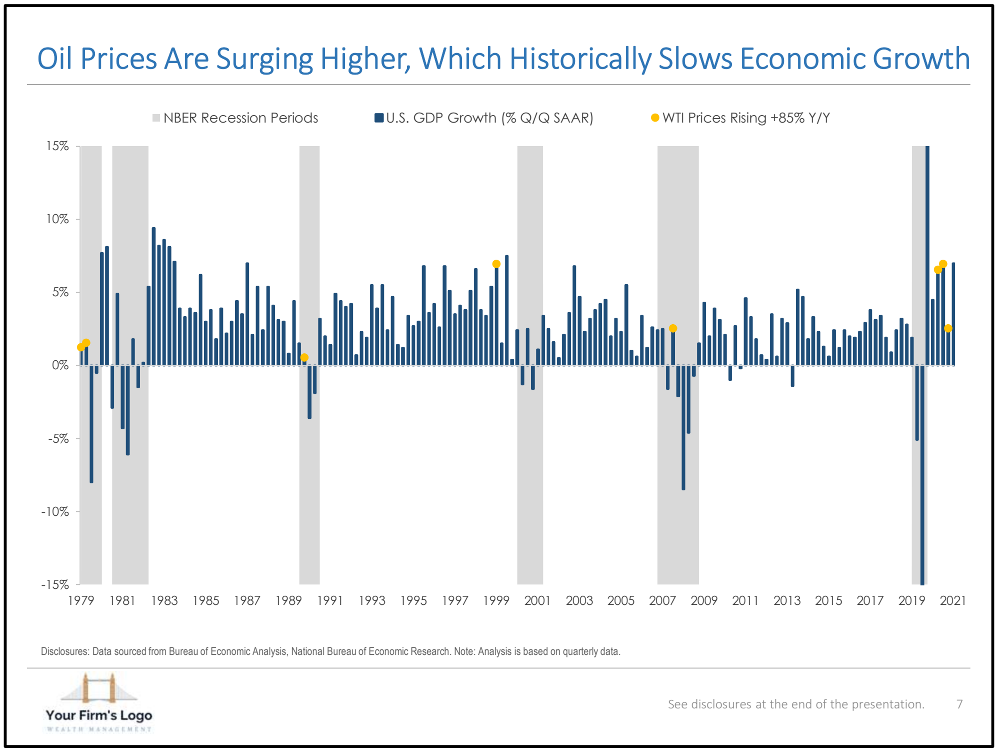
Key Talking Points

- The two charts on this slide examine the manufacturing industry to gain a better understanding of the current stage of the economic cycle.

- The top chart graphs the ISM Manufacturing PMI Index, which is based on a monthly survey of purchasing managers at more than 300 manufacturing firms. The survey is viewed as a key indicator for the state of the U.S. economy. Readings above 50 signal expansion, while readings below 50 signal contraction.

- The bottom chart graphs the number of consecutive months the Manufacturing PMI was above 55. The February 2022 reading was the 19th consecutive month above 55, which is only the fifth sustained period the Manufacturing PMI has been above 55 for more than 15 consecutive months.

- While the survey is not a scientific datapoint, it does provide a useful measuring stick to gauge the current manufacturing expansion, including its strength and length. The chart and survey show the U.S. manufacturing's strength, but they also suggest the U.S. economy is in the later stages of the economic cycle.

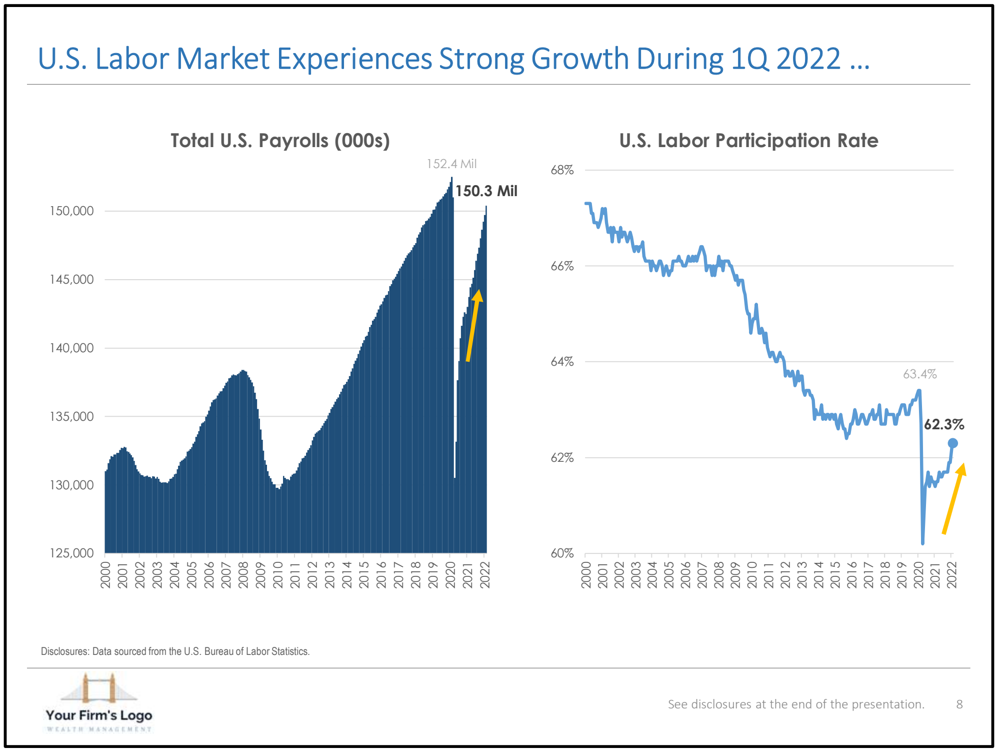


Key Talking Points

- WTI Crude prices rose +85% over the past 12 months. The surge in oil prices occurred as demand grew faster than supply, the transition to renewable fuels raised fears of a supply shortage, and geopolitical tensions intensified as Russia invaded Ukraine. WTI rose above the $130/barrel threshold in early March 2022, the highest level since 2008.

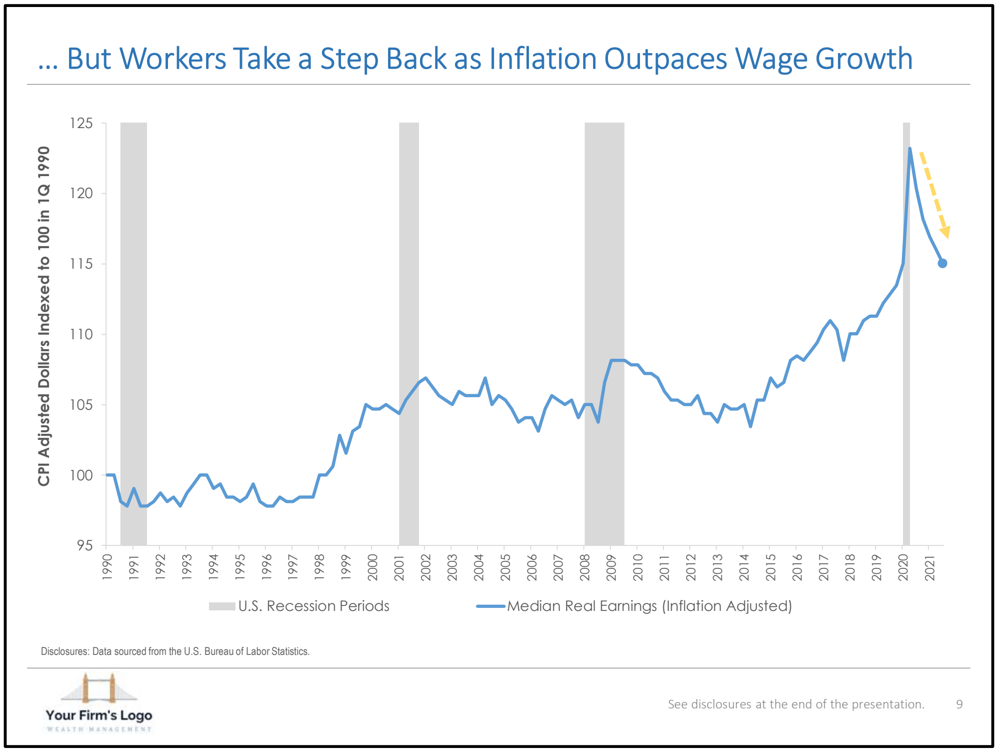
- How do rising oil prices impact economic growth? This slide charts quarter-over-quarter U.S. economic growth (navy line) during prior periods when oil prices rose more than +85% y/y (yellow dots). The number of instances is limited, but the chart shows soaring oil prices historically occur around recessions. Some instances occurred during recessions, such as 3Q 1990 & 2Q 2008, and others occurred ahead of recessions, such as Q4 1999, but the overarching theme is the rate of economic growth historically slows after oil prices soar higher.

- While surging oil prices don't necessarily indicate the U.S. economy is headed for an imminent recession, higher energy costs could be another headwind for economic growth. Oil's use as a transportation fuel means it touches nearly every aspect of the economy, and oil is used as a feedstock to make various petroleum-based products, including chemicals, plastics, and synthetic materials. Higher oil prices increase costs, which in turn pressures economic activity. As an example, a family may decide not to take a long road trip vacation due to high gasoline prices, meaning less lodging demand, dining out, excursions, and a related drop in local tax dollars. It all adds up.



Key Talking Points

- This slide looks at two positive labor market developments this year.
- The chart on the left graphs the total number of workers in the U.S. It shows the labor market continues to expand with strong monthly gains from the second half of 2021 carrying forward into 2022. Despite the strong job growth, U.S. payrolls at the end of February 2022 were still -2.1 million below the February 2020 level at the start of the pandemic.
- What drove the job growth? The chart on the right indicates more individuals are joining the labor market. It shows the labor force participation rate rose to a new post-pandemic high of 62.3% during February 2022 from 61.9% at the end of 2021. While February 2022's labor participation rate is still below February 2020's 63.4% rate, the recent uptick is a welcome development for companies.
- Together, the two labor market indicators show employees are gradually returning to the U.S. labor market. This is a positive development, because the U.S. labor market remains extremely tight as companies search for employees.



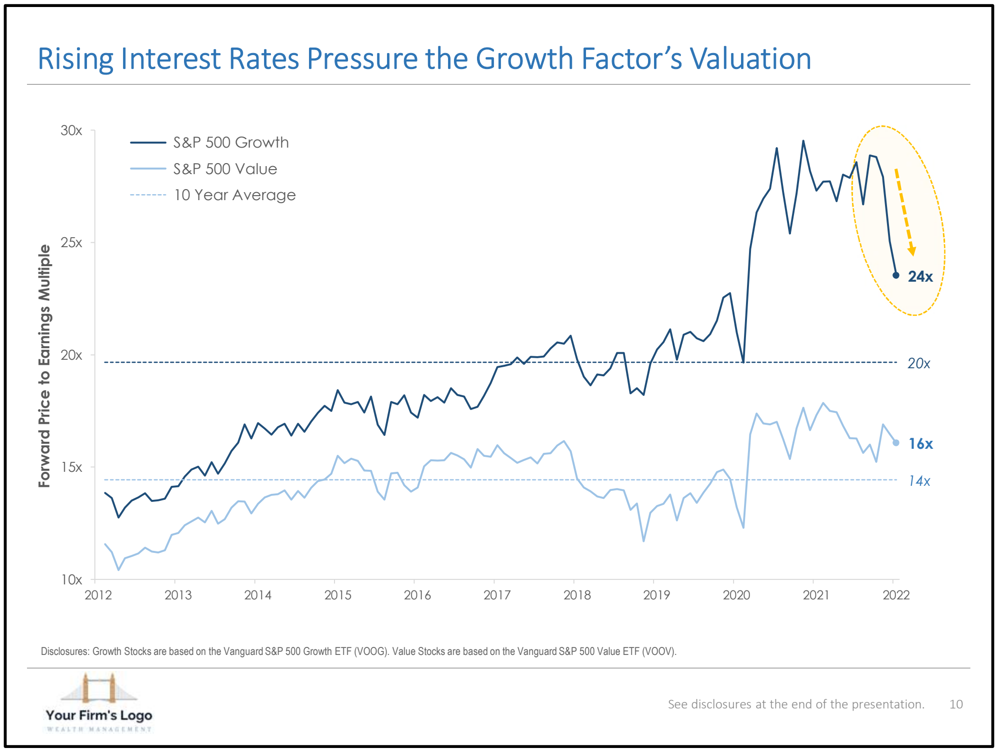
Key Talking Points

- Workers continue to see strong wage growth, but soaring inflation is eating up the wage growth and more.

- This slide graphs the median real wage (i.e., after inflation wage) that workers +16 years and older earn each week. For comparability purposes, the weekly real wage is indexed to 100 during the first quarter of 1990.

- The chart shows employees' real wages increased starting around 2015 and continued rising during the following years. Real wages spike during the Covid pandemic as the labor market tightened and companies increased pay to attract workers. However, the wage gains from early in the pandemic steadily reversed over the past few quarters as inflation accelerated. As a result, workers essentially took a pay cut on inflation-adjusted terms despite strong wage growth.

- It remains to be seen whether workers can negotiate additional wage increases and/or whether inflation pressures will ease as supply chains normalize and the Federal Reserve raises interest rates. However, soaring inflation could hurt consumer demand near-term as workers try to stretch each dollar further.



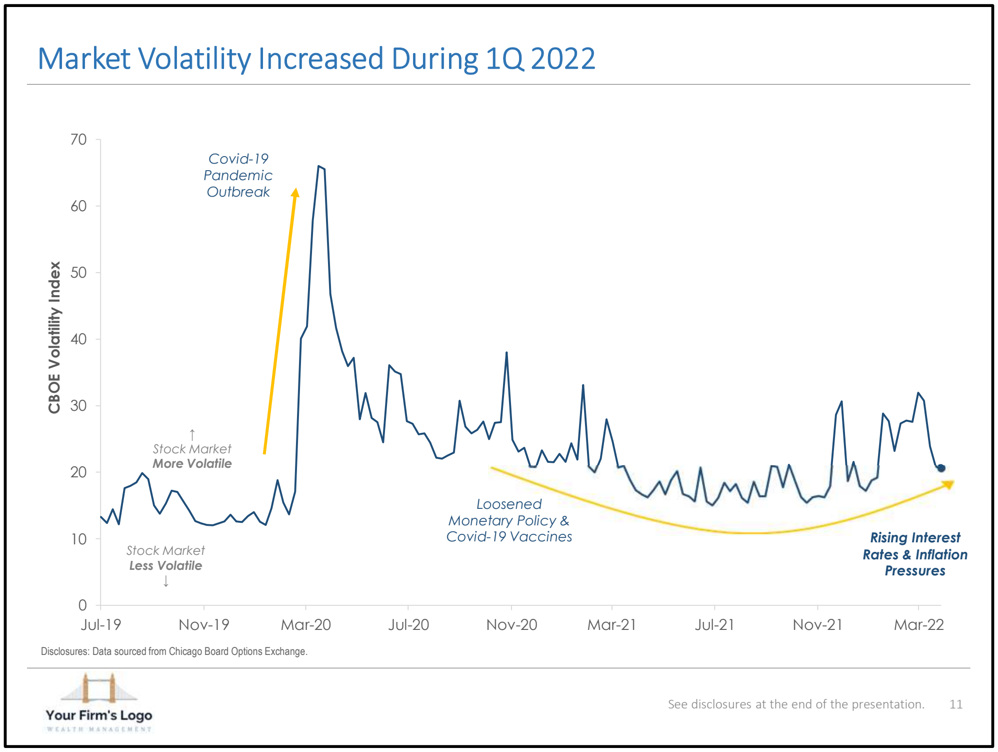
Key Talking Points

- The Federal Reserve's decision to raise the federal funds rate and the market's expectation of additional interest rate increases are already impacting the stock market.

- This slide compares the forward 12-month price-to-earnings (P/E) multiple investors place on Growth and Value stocks. It shows Growth stocks' P/E multiple rose significantly more than Value stocks' P/E multiple during the pandemic.

- As markets moved to price in tighter monetary policy conditions this year, Growth stocks' P/E multiple dropped from 28x at the end of 2021 to 25x at the end of February 2022. In contrast, Value stocks' P/E multiple increased slightly from 16.9x to 17.7x over the same period. Why? Growth stocks are valued based on their future earnings, and rising interest rates tend to decrease the P/E multiple markets place on those earnings.

- Valuation changes caused Growth and Value stocks to diverge during 2022. The S&P 500 Growth Index produced a -9% YTD price return since 12/31/2021, underperforming Value stocks' -0.7% price return. Growth's stocks YTD underperformance is not a statement on Growth businesses, which are tied to secular trends and generate high returns on capital. Rather, the underperformance is largely due to the negative valuation impact from rising real yields.

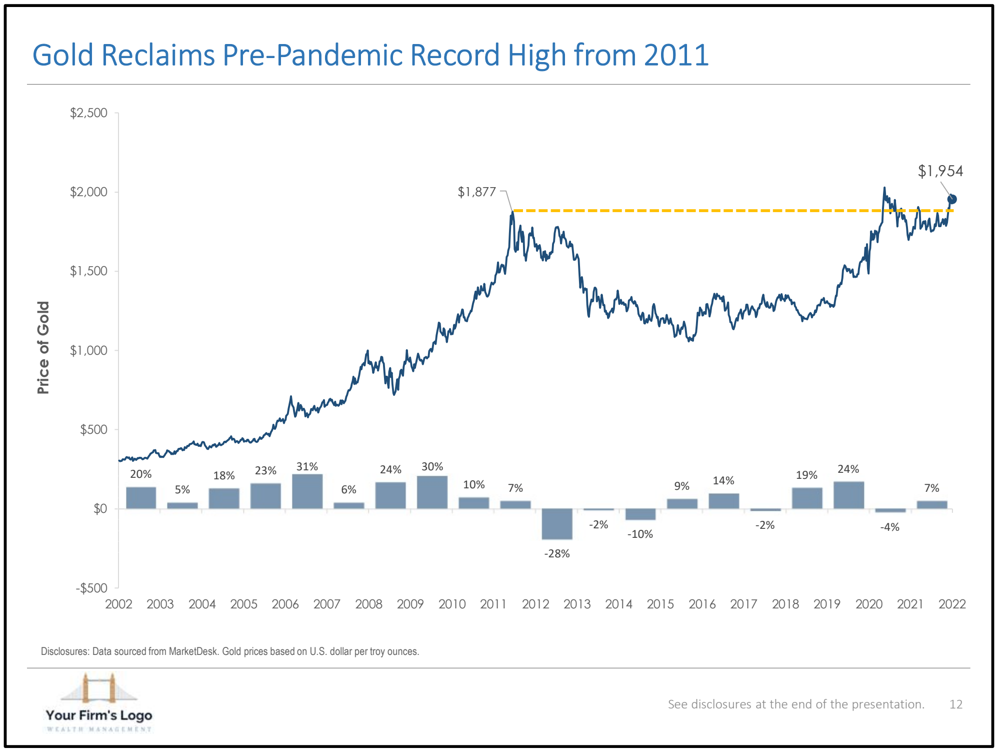


Key Talking Points

- This slide graphs the CBOE Volatility Index, which is also known as the VIX Index. It is derived from the prices of options on the S&P 500 Index and is viewed as indicator of market volatility over the next 30 days.

- The chart captures the volatility spike in early 2020 at the start of the Covid pandemic. It shows volatility declined during the second half of 2020 and throughout 2021 as the Federal Reserve loosened monetary policy and investors gained clarity on the pandemic's economic impact.

- As we showed on the S&P 500 performance timeline slide, stock market volatility increased during the first quarter of 2022 as investors prepared for the Federal Reserve to raise interest rates and Russia invaded Ukraine. You can see a smiley face in the VIX chart, which confirms the recent volatility increase. Volatility could remain elevated near-term, which brings up an important point. While experiencing market volatility is unpleasant, it is important to remember volatility is the price of admission to investing. Trying to time the market is a difficult prospect.



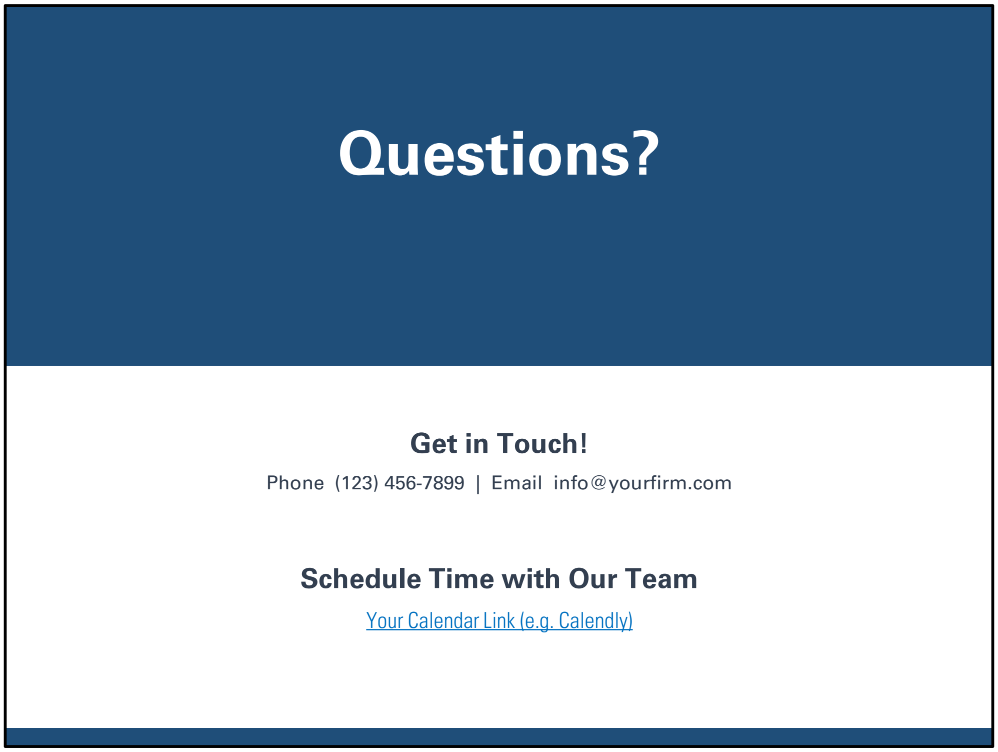
Key Talking Points

- With all of the market volatility during the first quarter, safe haven assets attracted investors' attention. This slide charts the price of gold over the past two decades. It shows the price of gold declined significantly during the first half of the 2010s before finding support and trading higher since 2018.

- After underperforming and going nowhere for a decade, Gold broke above a key 2011 level, its pre-pandemic record high, during the first quarter of 2022. Gold has gained+7% YTD in 2022, outperforming the S&P 500's -4.6% YTD price return.

- Gold's breakout is a significant trend change from 2021 when the precious metal underperformed despite inflation accelerating at the fastest pace in 40 years and real yields touching a record low.

- Increased geopolitical tensions in eastern Europe may be adding fuel to Gold's rally, but macro conditions could be shifting in Gold's favor. The U.S. economy is entering a later stage of the economic cycle, the bull market is ageing, and Federal Reserve tightening could slow economic activity. Gold will be an important chart to watch during the second quarter.



Closing Thoughts

- Thank you everyone for joining us today as we hope this webinar has been insightful into the market themes our team is following as we work hard to manage your family's wealth alongside ours.

Open your webinar to questions … OR End it with a call-to-action like below …

- For our current clients, you can always get in touch with the team by contacting ______ and we look forward to seeing you soon.

- For prospective clients that tuned in today, thank you for joining us. Please feel free to schedule time directly on our calendar to discuss your financial planning needs. We would love the opportunity to earn your business.

Definitions

2Y / 10Y / 30-Year Treasury Bonds: Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government.

CBOE Market Volatility Index (VIX): Measures the market's expectations of future volatility and is based on S&P 500 options activity

Consumer Price Index (CPI): Measures the changes in the price level of a basket of consumer goods and services purchased by households.

Federal Fund's Rate: The target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.

Federal Reserve: The Federal Reserve System is the central bank of the United States. It was founded by Congress in 1913 to provide the nation with a safer, more flexible, and more stable monetary and financial system.

Growth Stocks: Growth stocks are companies expected to grow sales and earnings at a faster rate than the market average.

Inflation: A general rise in price level relative to available goods and services.

ISM Purchasing Managers Index (PMI): 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 purchasing managers at more than 300 manufacturing firms. It is considered to be a key indicator of the state of the U.S. economy.

Price Return: The rate of return on an investment portfolio, where the return measure takes into account only the capital appreciation of the portfolio, not including income generated in the form of interest or dividends.

Prime Interest Rate: A base rate used by banks to price short-term consumer and business loans.

Real Earnings: Usual weekly earnings represent earnings before taxes and other deductions and include any overtime pay, commissions, or tips usually received. Real Earnings adjust these dollar amounts the Consumer Price Index.

Real Yield: The interest rate earned on a fixed income investment after factoring in the impact of inflation as measured by the Consumer Price Index (CPI).

Total Return: Return on a portfolio of investments including capital appreciation and income received on the portfolio.

U.S. Labor Participation Rate: The percentage of the population that is either working or actively looking for work

U.S. Total Payrolls: A measure of the number of U.S. workers in the economy that excludes proprietors, private household employees, unpaid volunteers, farm employees, and the unincorporated self-employed. This measure accounts for approximately 80 percent of the workers who contribute to Gross Domestic Product (GDP).

Unemployment Rate: A lagging economic indicator which is calculated as the percent of the labor force that is jobless.

Value Stocks: Stocks that are inexpensive relative to the broad market based on measures of fundamental value (e.g., price to earnings or price to book).

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