



Market Environment

JULY 30, 2022

Market Environment 2Q22: U.S. Equity

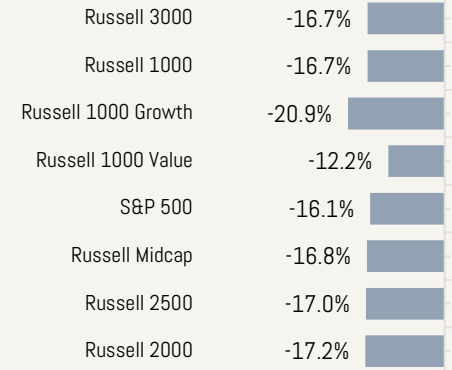
ALL MAJOR INDICES FALL

- The S&P 500 plunged 16.1% in 2Q22; all major U.S. indices across styles and market cap ranges fell in the quarter.
- All sectors posted negative returns in the quarter. Energy continued to be the best-performing sector, and the only sector that has posted a gain year-to-date (YTD).
- Large cap stocks nominally outpaced smaller cap stocks. The performance spread between the Russell 1000 and the Russell 2000 Index was around 50 basis points.
- Value stocks have outperformed growth stocks across the market capitalization spectrum.
- Consumer Discretionary (-26%), Communication Services (-21%), and Information Technology (-20%) were the worst-performing sectors.

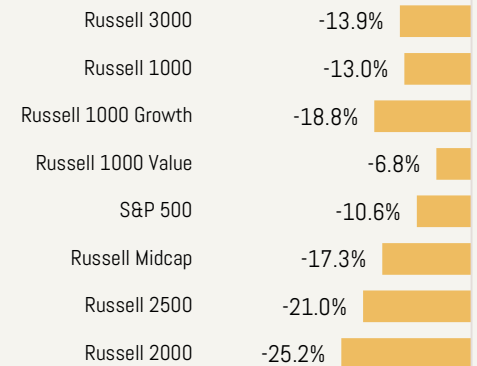
VOLATILE ENVIRONMENT HITS EQUITY MARKETS

- Rising interest rates and inflation along with geopolitical headlines all contributed to a volatile and risk-averse environment.
- Macroeconomic headlines and data releases will continue to impact equity markets.
- Inflation, rising interest rates, and supply-chain disruptions are all headwinds for equity markets.
- Active large cap growth managers have underperformed the Russell 1000 Growth Index meaningfully recently.
- Large tech firms that have sold-off (e.g., Meta) have become an increasingly large proportion of the value index.
- Federal Reserve interest rate hikes may derail the economy, resulting in lower corporate earnings in the near- to intermediate-term.
- With a potential economic slowdown, sell-side analysts have been cutting corporate earnings estimates.
- Longer-duration growth assets, such as growth stocks, are vulnerable during periods of high inflation because of higher interest rates discounting way-out future earnings.

U.S. Equity: Quarterly Returns

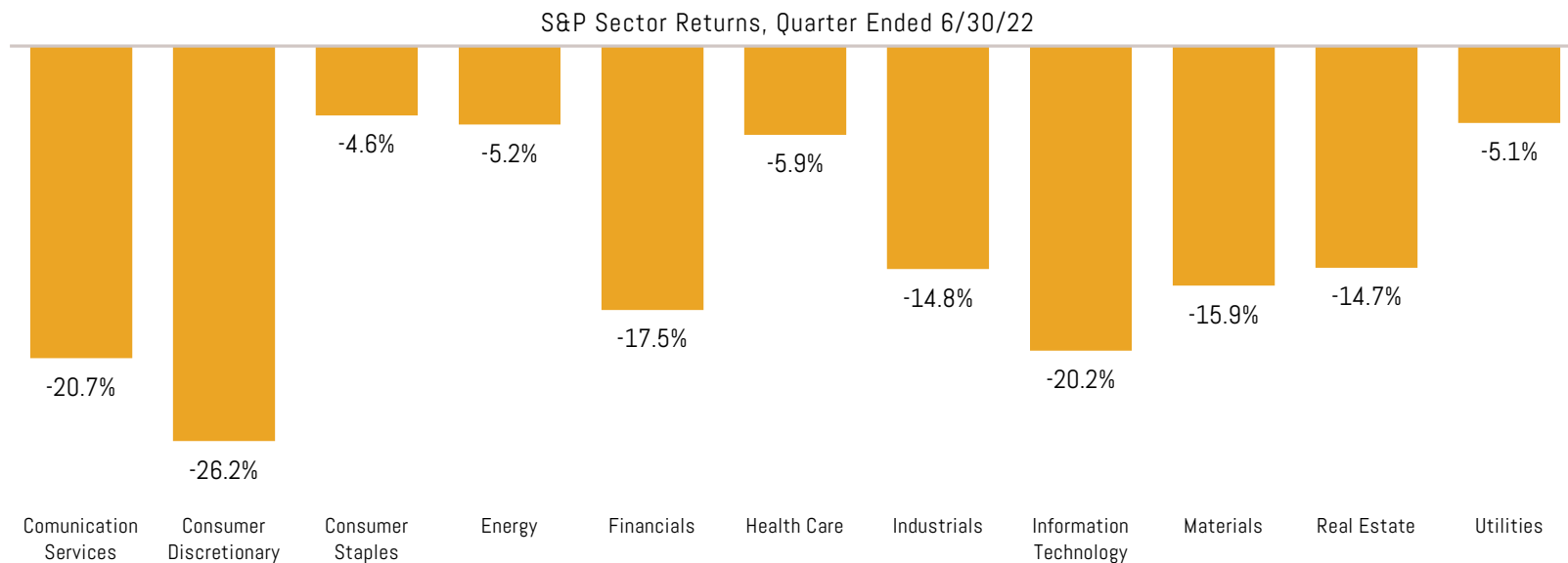


U.S. Equity: One-Year Returns



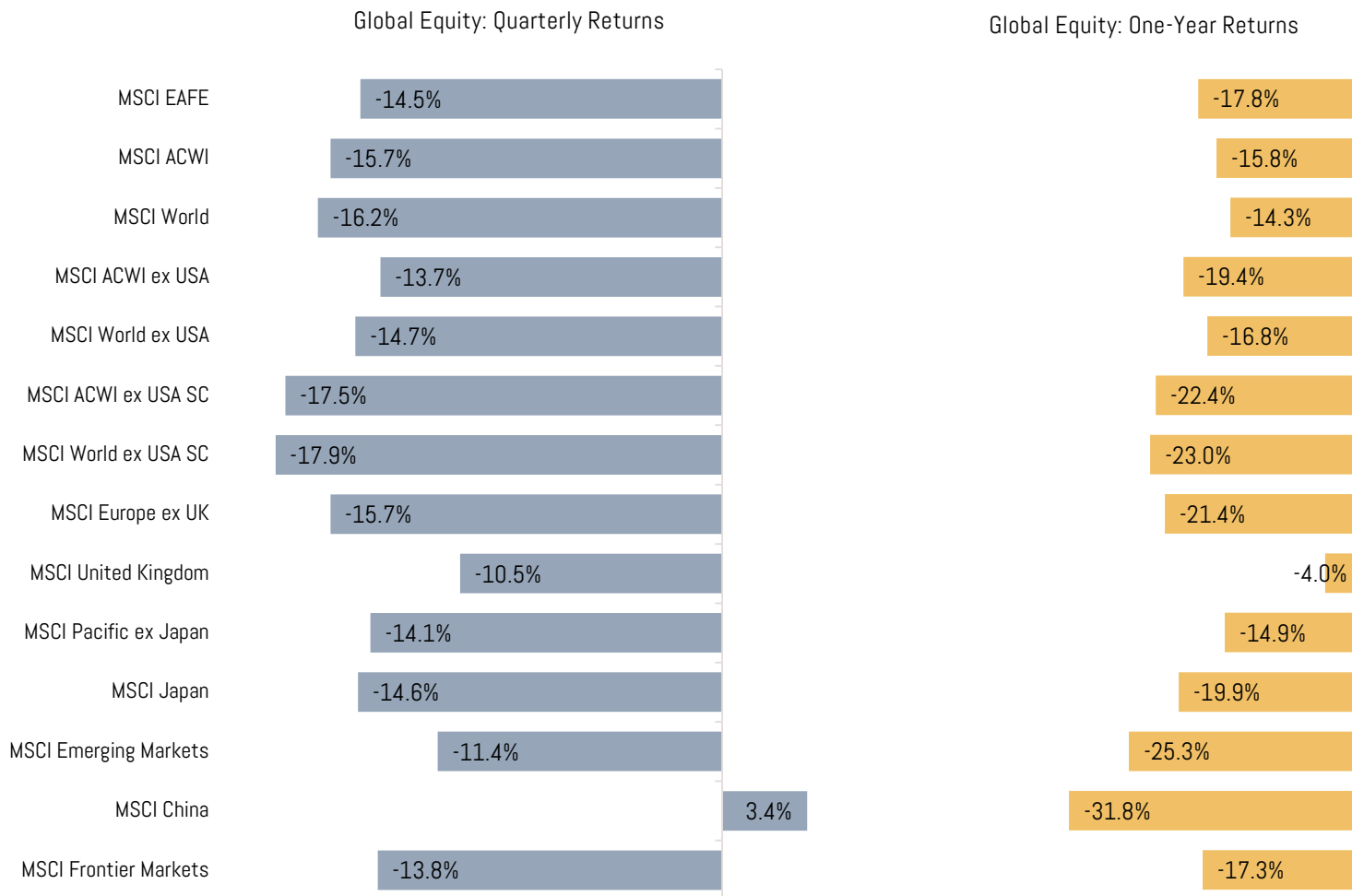
Source: Callan

Market Environment 2Q22: U.S. Equity (cont.)



Source: Callan

Market Environment 2Q22: Global EX-U.S. Equity



Source: Callan

Market Environment 2Q22: Global EX-U.S. Equity

GLOBAL EQUITY

- The war in Ukraine tested an already fragile supply chain, led to energy demand/supply imbalances, and created an inflationary environment that sparked fears of a recession.
- Slowing global growth and recession risk became clearer toward quarter-end, leading investors toward higher-quality and lower-volatility areas of the market to offer protection.

WIDE DIVERGENCE IN COUNTRY RETURNS

- Optimism that the worst is behind China's COVID-19 lockdown buoyed the country to the only gain in 2Q22.
- Japan suffered from a weak yen, slowing growth, and continued supply chain disruptions.

GROWTH VS. VALUE

- Value continues to outperform growth as most monetary policies focus on tightening.
- Energy was the only sector with positive YTD results.
- Information Technology had the worst sector return as interest rate increases dampened long duration growth attractiveness.

U.S. DOLLAR VS. OTHER CURRENCIES

- The U.S. dollar strengthened further against other major currencies given its global dominance and perceived safety.

THE RISE OF THE DOLLAR

- The dollar hit a 20-year high after rising roughly 10% YTD.
- The dollar hit parity with the euro; first time since 2002.
- The yen dipped to a 24-year low against the dollar.

STRONG DOLLAR MAY BURDEN GLOBAL EX-U.S. MARKETS

- Strong currency yields purchasing power.
- Dollar-denominated debt compounded by depreciating local currencies weighs on the economy.
- The dollar and global ex-U.S. equity have exhibited negative correlation over the past four decades.

EM HAS FARED BETTER RELATIVE TO PRIOR DOWNTURNS

- EM historically declined 26% during prior S&P 500 drawdowns greater than 10%.
- As of 2Q22, EM has corrected by 18% YTD.

CHINA PRESENTS UPSIDE OPPORTUNITY

- Although divergence of China and EM ex-China is notable, China may support EM should fears of a U.S. recession fuel further drawdown.
- China offers favorable growth and valuation relative to other emerging markets.

Market Environment 2Q22: U.S. Fixed Income

BONDS HIT HARD AS RATES RISE SHARPLY (AGAIN)

- Bloomberg US Aggregate Bond Index posted its worst six-month return in its history.
- Yield curve flirted with inversion, but 2-year/10-year yield spread was slightly positive at quarter-end.
- TIPS underperformed nominal Treasuries, and 10-year breakeven spreads fell to 2.33% from 2.84% at 3/31/22.
- Fed raised rates by 75 bps, the largest increase since 1994, with further hikes expected.
- Market pricing reflects Fed Funds rate of 3.4% at year-end.

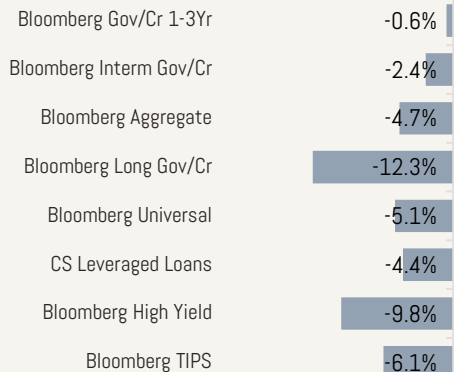
SPREAD SECTORS UNDERPERFORMED

- Investment grade corporates underperformed like-duration U.S. Treasuries by 205 bps; RMBS by 98 bps.
- High yield underperformed as spreads widened; excess return vs. U.S. Treasuries was -792 bps, hurt by equity market performance and worries over the impact of higher rates on the economy
- Leveraged loans held up relatively well with lower-quality credits generally underperforming.

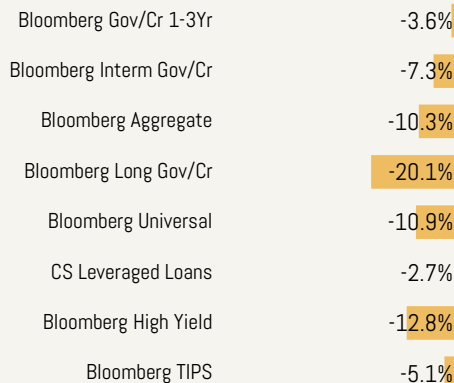
SECURITIZED SECTORS CONTINUE TO HANG IN

- Agency RMBS spreads widened in response to interest rate volatility.
- ABS spreads tightened, led by credit cards.

US Fixed Income: Quarterly Returns



US Fixed Income: One-Year Returns



MUNICIPAL BONDS

RETURNS HURT BY RISING RATES

- Lower quality continued to underperform
- BBB: -4.5%; AAA: -2.5% (YTD BBB: -11.3%; AAA: -8.5%)
- Munis outperformed U.S. Treasuries (Bloomberg US Treasury: -3.8%)

VALUATIONS RELATIVE TO U.S. TREASURIES AT FAIR VALUE

- 10-year AAA Muni/10-year U.S. Treasury yield ratio roughly 90%; in line with 10-year average
- Municipal Bond Index after-tax yield = 5.4% (source: Eaton Vance)

SUPPLY/DEMAND

- Outflows of \$76 billion YTD; highest cycle outflow since data series began in 1992
- YTD supply down 14% vs. last year

Source: Callan

Market Environment 2Q22: Global Non-U.S. Fixed Income

NEGATIVE RETURNS DRIVEN BY BROAD INTEREST RATE INCREASES

- U.S. dollar continued to appreciate vs. yen, euro, and pound.
- Double-digit negative returns were widespread across developed markets.

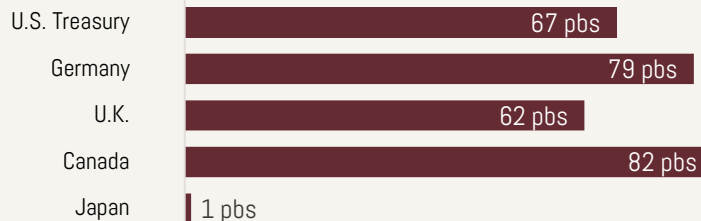
INFLATION AND GLOBAL RECESSION FEARS DRAG ON EMD

- All countries in the USD-denominated JPM EMBI Global Diversified Index posted negative returns, hurt by rising rates in the U.S.
- Local currency markets across the JPM GBI-EM Global Diversified were down only slightly, but USD strength eroded returns for U.S. investors.

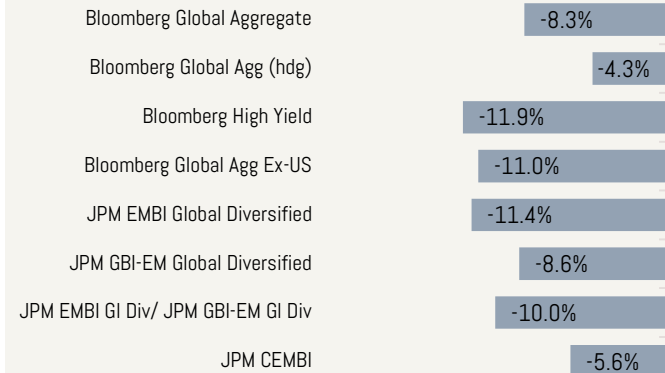
INTEREST RATES SIGNIFICANTLY INCREASED

- First-half returns worst since inflation of 1970s
- Global phenomenon driven by recent inflationary pressure
- All fixed income asset classes negatively impacted
- Developed market duration becoming more compelling after broad repricing

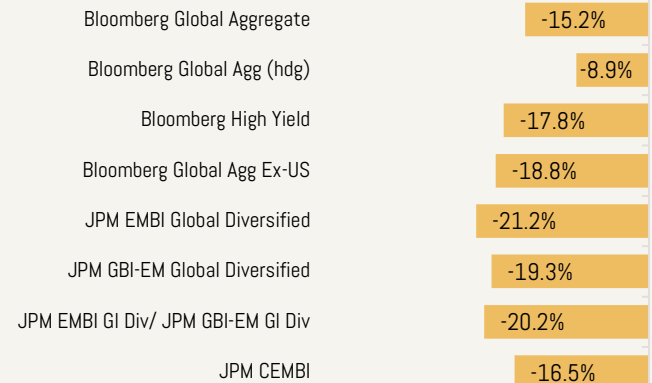
Change In 10-year Global Government Bond Yields 4Q21 to 2Q22



Global Fixed Income: Quarterly Returns



Global Fixed Income: One-Year Returns



Source: Callan

Historical Investment Performance

RETURNS FOR PERIODS ENDED JUNE 30, 2022

	Last Quarter	Year to Date	Last Year	Last 2 Years	Last 3 Years	Last 4 Years	Last 5 Years	Last 7 Years	Last 10 Years	Last 15 Years	Last 20 Years	Last 25 Years	Last 30 Years
Domestic Equity Benchmarks													
Russell:3000 Index	(16.7)	(21.1)	(13.9)	11.4	9.8	9.6	10.6	10.4	12.6	8.4	9.1	8.1	9.8
Russell:1000 Index	(16.7)	(20.9)	(13.0)	11.5	10.2	10.1	11.0	10.8	12.8	8.5	9.2	8.1	9.9
Russell:1000 Value	(12.2)	(12.9)	(6.8)	15.7	6.9	7.3	7.2	7.7	10.5	6.1	7.9	7.6	9.5
Russell:1000 Growth	(20.9)	(28.1)	(18.8)	7.6	12.6	12.3	14.3	13.5	14.8	10.7	10.3	8.1	9.8
Russell:Midcap Index	(16.8)	(21.6)	(17.3)	11.3	6.6	6.9	8.0	8.0	11.3	7.8	9.9	9.4	10.8
Russell:Midcap Value	(14.7)	(16.2)	(10.0)	17.4	6.7	5.9	6.3	7.2	10.6	6.9	9.4	9.3	10.9
Russell:Midcap Growth	(21.1)	(31.0)	(29.6)	0.6	4.3	6.6	8.9	8.3	11.5	8.2	10.0	8.4	9.8
Russell:2000 Index	(17.2)	(23.4)	(25.2)	10.1	4.2	2.3	5.2	5.9	9.4	6.3	8.2	7.4	9.1
Russell:2000 Value	(15.3)	(17.3)	(16.3)	20.4	6.2	2.9	4.9	6.4	9.1	5.6	7.8	8.2	10.1
Russell:2000 Growth	(19.3)	(29.5)	(33.4)	0.4	1.4	0.9	4.8	5.0	9.3	6.8	8.3	6.2	7.6
Non-US Equity Benchmarks													
MSCI:EAFE	(14.5)	(19.6)	(17.8)	4.3	1.1	1.1	2.2	2.7	5.4	1.4	5.3	3.9	5.3
MSCI:ACWI ex US	(13.7)	(18.4)	(19.4)	4.6	1.4	1.3	2.5	2.9	4.8	1.6	5.8	--	--
MSCI:EM	(11.4)	(17.6)	(25.3)	2.6	0.6	0.7	2.2	2.8	3.1	2.0	8.4	--	--
MSCI:EAFE Small Cap	(17.7)	(24.7)	(24.0)	3.5	1.1	(0.8)	1.7	3.7	7.2	2.8	7.8	--	--
MSCI:Frontier Markets	(13.8)	(20.6)	(17.3)	7.0	0.6	1.6	1.6	1.9	5.1	(0.4)	6.5	--	--
Domestic Fixed Income Benchmarks													
Blmbg:Aggregate	(4.7)	(10.3)	(10.3)	(5.4)	(0.9)	1.2	0.9	1.4	1.5	3.3	3.6	4.4	4.8
Blmbg:HY Corp	(9.8)	(14.2)	(12.8)	0.3	0.2	2.0	2.1	3.5	4.5	5.8	7.3	6.0	6.9
Blmbg:Municipal	(2.9)	(9.0)	(8.6)	(2.4)	(0.2)	1.5	1.5	2.1	2.4	3.6	3.8	4.3	4.8
Blmbg:Gov/Cred 1-3 Yr	(0.6)	(3.1)	(3.6)	(1.6)	0.3	1.3	1.1	1.0	1.0	1.9	2.2	3.1	3.5
Blmbg:TIPS	(6.1)	(8.9)	(5.1)	0.5	3.0	3.5	3.2	2.8	1.7	3.9	4.4	5.0	--
Non-US Fixed Income Benchmarks													
Blmbg:Glb Agg xUSD	(11.0)	(16.5)	(18.8)	(7.8)	(5.1)	(2.9)	(1.8)	(0.3)	(1.1)	1.4	3.0	2.8	3.7
Blmbg:Glb Agg xUSD Hdg	(4.0)	(7.9)	(7.7)	(3.9)	(1.4)	0.8	1.3	2.0	2.7	3.4	3.6	4.4	5.2
JPM:EMBI Global Divsfd	(11.4)	(20.3)	(21.2)	(8.0)	(5.2)	(1.1)	(1.2)	1.3	2.2	4.5	6.6	6.7	--
JPM:GBI-EM Global Divsfd	(8.6)	(14.5)	(19.3)	(7.3)	(5.8)	(2.3)	(2.3)	(0.5)	(1.5)	1.8	--	--	--

Historical Investment Performance

RETURNS FOR PERIODS ENDED JUNE 30, 2022

1Qtr.

2022 2021 2020 2019 2018 2017 2016 2015 2014 2013 2012 2011 2010 2009 2008 2007 2006 2005 2004 2003 2002

Domestic Equity Benchmarks

Russell:3000 Index	(21.1)	25.7	20.9	31.0	(5.2)	21.1	12.7	0.5	12.6	33.6	16.4	1.0	16.9	28.3	(37.3)	5.1	15.7	6.1	11.9	31.1	(21.5)
Russell:1000 Index	(20.9)	26.5	21.0	31.4	(4.8)	21.7	12.1	0.9	13.2	33.1	16.4	1.5	16.1	28.4	(37.6)	5.8	15.5	6.3	11.4	29.9	(21.7)
Russell:1000 Value	(12.9)	25.2	2.8	26.5	(8.3)	13.7	17.3	(3.8)	13.5	32.5	17.5	0.4	15.5	19.7	(36.8)	(0.2)	22.2	7.1	16.5	30.0	(15.5)
Russell:1000 Growth	(28.1)	27.6	38.5	36.4	(1.5)	30.2	7.1	5.7	13.0	33.5	15.3	2.6	16.7	37.2	(38.4)	11.8	9.1	5.3	6.3	29.7	(27.9)
Russell:Midcap Index	(21.6)	22.6	17.1	30.5	(9.1)	18.5	13.8	(2.4)	13.2	34.8	17.3	(1.5)	25.5	40.5	(41.5)	5.6	15.3	12.7	20.2	40.1	(16.2)
Russell:Midcap Value	(16.2)	28.3	5.0	27.1	(12.3)	13.3	20.0	(4.8)	14.7	33.5	18.5	(1.4)	24.8	34.2	(38.4)	(1.4)	20.2	12.6	23.7	38.1	(9.6)
Russell:Midcap Growth	(31.0)	12.7	35.6	35.5	(4.8)	25.3	7.3	(0.2)	11.9	35.7	15.8	(1.7)	26.4	46.3	(44.3)	11.4	10.7	12.1	15.5	42.7	(27.4)
Russell:2000 Index	(23.4)	14.8	20.0	25.5	(11.0)	14.6	21.3	(4.4)	4.9	38.8	16.3	(4.2)	26.9	27.2	(33.8)	(1.6)	18.4	4.6	18.3	47.3	(20.5)
Russell:2000 Value	(17.3)	28.3	4.6	22.4	(12.9)	7.8	31.7	(7.5)	4.2	34.5	18.1	(5.5)	24.5	20.6	(28.9)	(9.8)	23.5	4.7	22.2	46.0	(11.4)
Russell:2000 Growth	(29.5)	2.8	34.6	28.5	(9.3)	22.2	11.3	(1.4)	5.6	43.3	14.6	(2.9)	29.1	34.5	(38.5)	7.0	13.3	4.2	14.3	48.5	(30.3)

Non-US Equity Benchmarks

MSCI:EAFE	(19.6)	11.3	7.8	22.0	(13.8)	25.0	1.0	(0.8)	(4.9)	22.8	17.3	(12.1)	7.8	31.8	(43.4)	11.2	26.3	13.5	20.2	38.6	(15.9)
MSCI:ACWI ex US	(18.4)	7.8	10.7	21.5	(14.2)	27.2	4.5	(5.7)	(3.9)	15.3	16.8	(13.7)	11.2	41.4	(45.5)	16.7	26.7	16.6	20.9	40.8	(14.9)
MSCI:EM	(17.6)	(2.5)	18.3	18.4	(14.6)	37.3	11.2	(14.9)	(2.2)	(2.6)	18.2	(18.4)	18.9	78.5	(53.3)	39.4	32.2	34.0	25.6	55.8	(6.2)
MSCI:EAFE Small Cap	(24.7)	10.1	12.3	25.0	(17.9)	33.0	2.2	9.6	(4.9)	29.3	20.0	(15.9)	22.0	46.8	(47.0)	1.4	19.3	26.2	30.8	61.3	(7.8)
MSCI:Frontier Markets	(20.6)	19.7	1.4	18.0	(16.4)	31.9	2.7	(14.5)	6.8	25.9	8.9	(18.7)	23.7	11.6	(54.1)	41.9	(8.9)	72.7	22.6	43.5	--

Domestic Fixed Income Benchmarks

Blmbg:Aggregate	(10.3)	(1.5)	7.5	8.7	0.0	3.5	2.6	0.5	6.0	(2.0)	4.2	7.8	6.5	5.9	5.2	7.0	4.3	2.4	4.3	4.1	10.3
Blmbg:HY Corp	(14.2)	5.3	7.1	14.3	(2.1)	7.5	17.1	(4.5)	2.5	7.4	15.8	5.0	15.1	58.2	(26.2)	1.9	11.8	2.7	11.1	29.0	(1.4)
Blmbg:Municipal	(9.0)	1.5	5.2	7.5	1.3	5.4	0.2	3.3	9.1	(2.6)	6.8	10.7	2.4	12.9	(2.5)	3.4	4.8	3.5	4.5	5.3	9.6
Blmbg:Gov/Cred 1-3 Yr	(3.1)	(0.5)	3.3	4.0	1.6	0.8	1.3	0.7	0.8	0.6	1.3	1.6	2.8	3.8	5.0	6.8	4.3	1.8	1.3	2.8	6.3
Blmbg:TIPS	(8.9)	6.0	11.0	8.4	(1.3)	3.0	4.7	(1.4)	3.6	(8.6)	7.0	13.6	6.3	11.4	(2.4)	11.6	0.4	2.8	8.5	8.4	16.6

Non-US Fixed Income Benchmarks

Blmbg:Glb Agg xUSD	(16.5)	(7.0)	10.1	5.1	(2.1)	10.5	1.5	(6.0)	(3.1)	(3.1)	4.1	4.4	4.9	7.5	4.4	11.0	8.2	(8.6)	12.5	19.4	22.4
Blmbg:Glb Agg xUSD Hdq	(7.9)	(1.4)	3.9	7.6	3.2	2.5	4.9	1.4	8.8	1.2	6.5	3.9	3.3	4.4	5.7	4.3	3.2	5.4	5.3	2.4	6.8
JPM:EMBI Global Divsfd	(20.3)	(1.8)	5.3	15.0	(4.3)	10.3	10.2	1.2	7.4	(5.2)	17.4	7.3	12.2	29.8	(12.0)	6.2	9.9	10.2	11.6	22.2	13.7
JPM:GBI-EM Global Divsfd	(14.5)	(8.7)	2.7	13.5	(6.2)	15.2	9.9	(14.9)	(5.7)	(9.0)	16.8	(1.8)	15.7	22.0	(5.2)	18.1	15.2	6.3	23.0	16.9	--

Periodic Table of Investment Returns

2013	2014	2015	2016	2017	2018	2019	2020	2021	2 Qtrs. 2022
Russell 2000 Index 38.82%	S&P 500 13.69%	S&P 500 1.38%	Russell 2000 Index 21.31%	MSCI Emerging Markets 37.28%	3 Month T-Bill 1.87%	S&P 500 31.49%	Russell 2000 Index 19.96%	S&P 500 28.71%	3 Month T-Bill 0.14%
S&P 500 32.39%	JPM EMBI Global Dvsfd 7.43%	JPM EMBI Global Dvsfd 1.18%	Blmbg Barclays Corp High Yield 17.13%	MSCI ACWI ex US 27.19%	Blmbg Barclays Aggregate 0.01%	Russell 2000 Index 25.52%	S&P 500 18.40%	Russell 2000 Index 14.82%	Blmbg Barclays Aggregate -10.35%
MSCI ACWI ex US 15.29%	Blmbg Barclays Aggregate 5.97%	Blmbg Barclays Aggregate 0.55%	S&P 500 11.96%	S&P 500 21.83%	Blmbg Barclays Corp High Yield -2.08%	MSCI ACWI ex US 21.51%	MSCI Emerging Markets 18.31%	MSCI ACWI ex US 7.82%	Blmbg Barclays Corp High Yield -14.19%
Blmbg Barclays Corp High Yield 7.44%	Russell 2000 Index 4.89%	3 Month T-Bill 0.05%	MSCI Emerging Markets 11.19%	Russell 2000 Index 14.65%	Blmbg Barclays Global Agg ex US -2.15%	MSCI Emerging Markets 18.44%	MSCI ACWI ex US 10.65%	Blmbg Barclays Corp High Yield 5.28%	Blmbg Barclays Global Agg ex US -16.49%
3 Month T-Bill 0.07%	Blmbg Barclays Corp High Yield 2.45%	Russell 2000 Index -4.41%	JPM EMBI Global Dvsfd 10.15%	Blmbg Barclays Global Agg ex US 10.51%	JPM EMBI Global Dvsfd -4.26%	JPM EMBI Global Dvsfd 15.04%	Blmbg Barclays Global Agg ex US 10.11%	3 Month T-Bill 0.05%	MSCI Emerging Markets -17.63%
Blmbg Barclays Aggregate -2.02%	3 Month T-Bill 0.03%	Blmbg Barclays Corp High Yield -4.47%	MSCI ACWI ex US 4.50%	JPM EMBI Global Dvsfd 10.26%	S&P 500 -4.38%	Blmbg Barclays Corp High Yield 14.32%	Blmbg Barclays Aggregate 7.51%	Blmbg Barclays Aggregate -1.54%	MSCI ACWI ex US -18.42%
MSCI Emerging Markets -2.60%	MSCI Emerging Markets -2.19%	MSCI ACWI ex US -5.66%	Blmbg Barclays Aggregate 2.65%	Blmbg Barclays Corp High Yield 7.50%	Russell 2000 Index -11.01%	Blmbg Barclays Aggregate 8.72%	Blmbg Barclays Corp High Yield 7.11%	JPM EMBI Global Dvsfd -1.80%	S&P 500 -19.96%
Blmbg Barclays Global Agg ex US -3.08%	Blmbg Barclays Global Agg ex US -3.09%	Blmbg Barclays Global Agg ex US -6.02%	Blmbg Barclays Global Agg ex US 1.49%	Blmbg Barclays Aggregate 3.54%	MSCI ACWI ex US -14.20%	Blmbg Barclays Global Agg ex US 5.09%	JPM EMBI Global Dvsfd 5.26%	MSCI Emerging Markets -2.54%	JPM EMBI Global Dvsfd -20.31%
JPM EMBI Global Dvsfd -5.24%	MSCI ACWI ex US -3.87%	MSCI Emerging Markets -14.92%	3 Month T-Bill 0.33%	3 Month T-Bill 0.86%	MSCI Emerging Markets -14.57%	3 Month T-Bill 2.28%	3 Month T-Bill 0.67%	Blmbg Barclays Global Agg ex US -7.05%	Russell 2000 Index -23.43%

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