Monthly Newsletter

February 2022

KANDOR GLOBAL

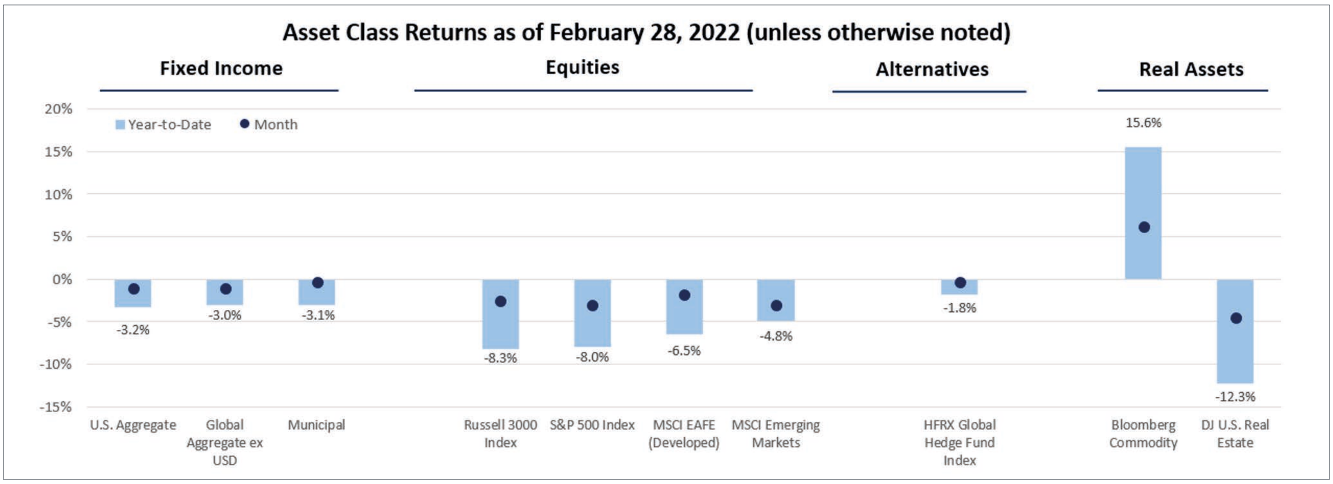
Headlines regarding future Federal Reserve (Fed) policy action and the ensuing path of the pandemic temporarily faded into the background as the escalation of tension in Ukraine quickly stole the world's attention. Russia's decision to invade Ukraine is heartbreaking and represented a dramatic departure from how many experts expected the situation to evolve. Russia's actions and Putin's unpredictability will have long-lasting implications on the balance of power in Europe and the world. Additionally, recent events paired with the implications of the pandemic could further shift the world towards fragmentation, interrupting a multi-decade trend of globalization.

In economic terms, the size of both the Russian and Ukrainian economies is relatively small – accounting for around 1% of global GDP. While it's impossible to predict the full implications of Russia's actions, what's perhaps more apparent is the effect on energy and commodity markets. Russia and Ukraine were collectively significant exporters of important commodities including crude oil, natural gas, metals, and wheat. This is especially true for Europe, which imports a significant amount of its energy supplies from Russia. Brent crude oil futures rocketed past $100 per barrel for the first time since 2014 and European natural gas prices rose by double-digits over the month with little signs of stopping. Higher commodity prices present a new challenge in central banks' fight against inflation coming out of the pandemic.

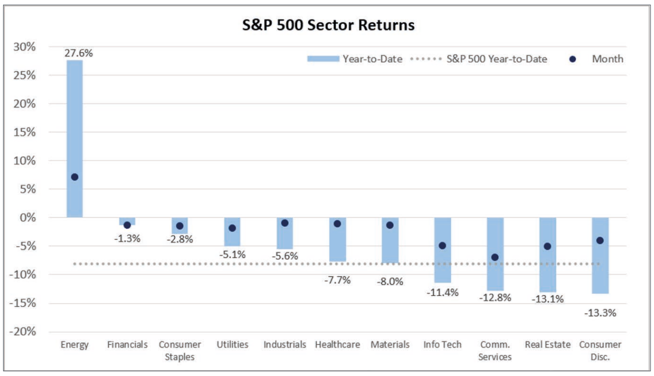
Outside of the Russia/Ukraine conflict, growth has been robust in many developed areas of the world as the economy recovered from an
Omicron-induced lull. The labor market remained a strong suit with wages rising for many employees. Strong wage increases have also fueled healthy consumer spending helping support GDP growth. Although elevated consumer spending has been supportive for growth, higher wages and further supply-chain disruptions also had the adverse impact of fueling hotter than desired inflation. Central banks have been keen to take action to combat higher prices. While consensus expectations had the Fed raising rates six times by the end of 2022, the ensuing Russian military conflict and its impact on global growth could take some pressure off the Fed and other major central banks to raise rates as quickly as expected.

February proved to be a challenging month for risk assets. At its start, markets started to more aggressively price in multiple rate hikes by global central banks. Around mid-month, the focus quickly shifted to the conflict in Ukraine and a bearish sentiment more fully took hold. Investors shed risk from their portfolios resulting in declining equity markets, widening credit spreads, and receding sovereign bond yields. Within equities, higher earnings paired with negative price performance have brought down valuations, although this reflects the current geopolitical environment. Lower starting valuations could present a higher upside case were the current crisis to de-escalate while also providing central banks more latitude to normalize rates to fend off inflation. Most bond markets generated modest losses but still offered diversified portfolios some stability relative to equities. Municipal yields rose for much of the month but then retraced after the news of the Russian invasion broke. After a record period of fund inflows, municipals have had several consecutive weeks of redemptions. Despite recent outflows, the fundamental landscape for municipals remains supportive and the asset class should continue to offer investors stability during the current bout of volatility.

The swift recovery of risk assets since the start of the pandemic has made markets susceptible to a wide variety of risk factors. Although the catalyst is rarely what's anticipated, we again find ourselves in a period of elevated volatility. We had long been advising that it was a better time to be cautious rather than aggressive and maintain that belief today, at least in the short term. Higher levels of uncertainty in the near term should perpetuate volatility but ultimately, a new equilibrium will be reached. As the the Ukraine Crisis unfolds and valuations reset, there will likely be select opportunities to take advantage of others' fear. As a result, we encourage investors to maintain a focus on long-term goals while attempting to selectively take advantage of compelling investment opportunities as they arise.



Morningstar & Hedge Fund Research, Inc.; Bond indices from Bloomberg Barclays



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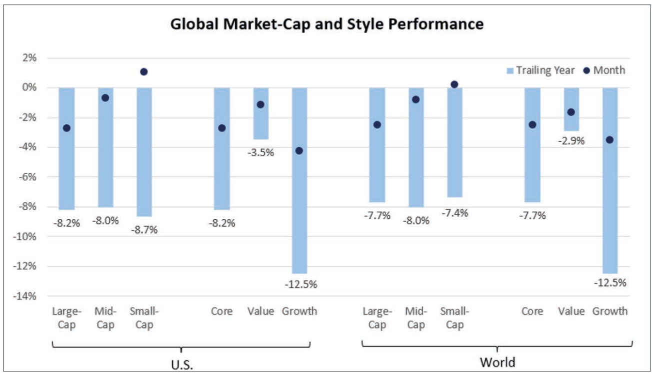

Bloomberg; U.S. indices from Russell and World indices from MSCI

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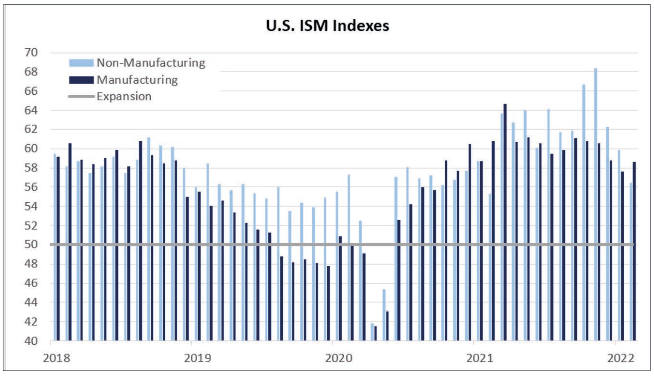

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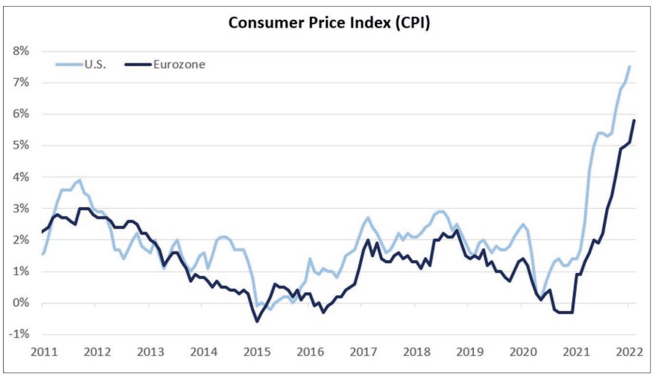
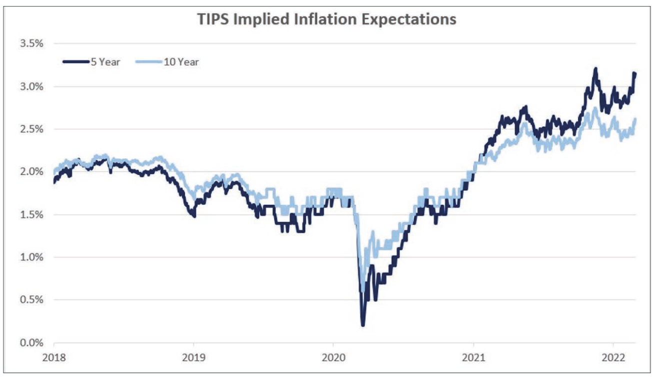


U.S. Bureau of Labor Statistics



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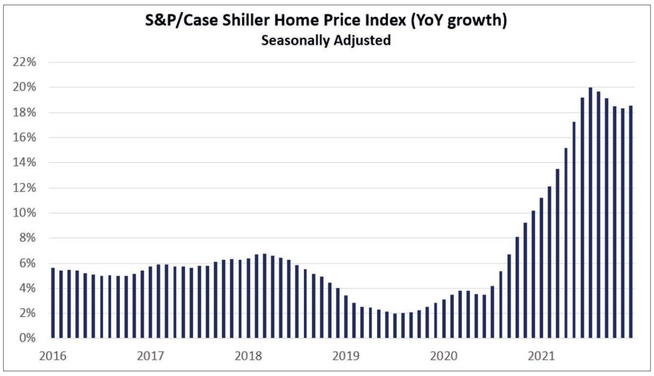
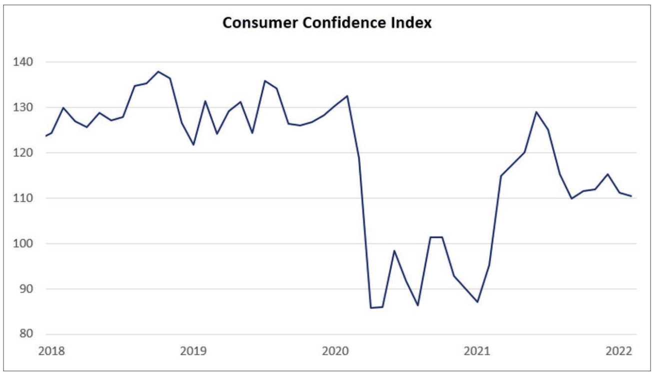


S&P/Case Shiller



Conference Board

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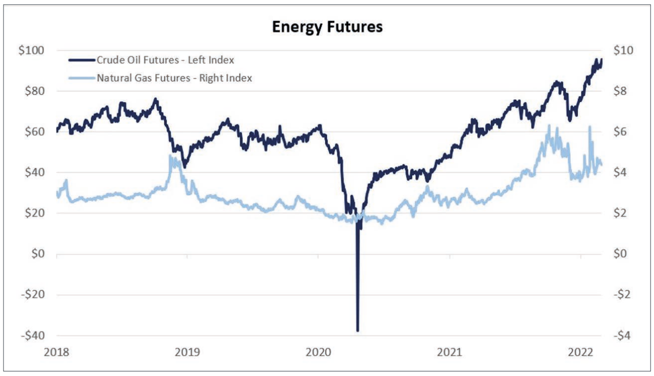

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This commentary was written by Craig Amico, CFA®, CIPM®, Senior Investment Analyst, Noreen Brown, CFA®, Director of Portfolio Management and Steven Melnick, CFA®, Senior Investment Analyst at Summit Financial, LLC., an SEC Registered Investment Adviser ("Summit"), headquartered at 4 Campus Drive, Parsippany, NJ 07054, Tel. 973-285-3600. It is provided for your information and guidance and is not intended as specific advice and does not constitute an offer to sell securities. Summit is an investment adviser and offers asset management and financial planning services. Indices are unmanaged and cannot be invested into directly. The Sustainable Spotlight portion of this report is written and provided by Seeds Investor LLC ("Seeds"). Seeds is an SEC Registered Investment Advisor which is not affiliated with Summit. The market return chart returns are represented by the following indices: large cap value by Russell 1000 Value TR Index, large cap blend by Russell 1000 TR Index, large cap growth by Russell 1000 Growth TR Index, mid cap value by Russell Mid Cap Value TR Index, mid cap blend by Russell Mid Cap TR Index, mid cap growth by Russell Mid Cap Growth TR Index, small cap value by Russell 2000 Value TR Index, small cap blend by Russell 2000 TR Index, and small cap growth by Russell 2000 Growth TR Index, international developed by the MSCI EAFE NR USD Index, Emerging Markets by the MSCI EM NR USD Index, U.S. Aggregate Bond by the BBgBarc US Agg Bond TR USD Index, U.S. Municipals by the BBgBarc Municipal TR USD Index, and Corporate High Yield by the BBgBarc US Corporate High Yield TR USD Index. The Wilshire 5000 Total Market Index measures the performance of all U.S.-headquartered equity securities with readily available price data. The Standard & Poor's 500 Index (S&P 500) is an unmanaged group of securities considered to be representative of the stock market. The Russell 2000 Index is a market-cap weighted index comprised of the smallest 2,000 companies within the Russell 3000 Index, a larger market-cap index made up of the largest 3,000 publicly traded companies in the U.S., nearly 98% of the investable U.S. stock market. The MSCI EAFE Index (Europe, Australasia, Far East) is a free float-adjusted market capitalization index designed to measure the equity market performance of developed markets, excluding the U.S. and Canada. The MSCI Europe Index captures large- and mid-cap representation across 15 Developed Markets countries in Europe, covering approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe. The MSCI Emerging Markets (EM) Index captures large- and mid-cap representation across 26 Emerging Markets countries, covering approximately 85% of the free float-adjusted market capitalization in each country. The MSCI Japan Index captures large- and mid-cap representation of the Japanese market, covering approximately 85% of the free float-adjusted market capitalization in Japan. The Bloomberg Barclays U.S. Aggregate Bond Index is a market capitalization-weighted index comprising Treasury securities, Government agency bonds, mortgage backed bonds, corporate bonds, and some foreign bonds traded in the U.S. The Bloomberg Barclays Global Aggregate Ex U.S. Index measures the performance of global investment grade fixed-rate debt markets that excludes USD-denominated securities. The Bloomberg Barclays Municipal Bond Index covers the U.S. dollar-denominated long-term tax-exempt bond market. Created by the Chicago Board Options Exchange (CBOE), the Volatility Index, or VIX, is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Data in this newsletter is obtained from sources which we, and our suppliers believe to be reliable, but we do not warrant or guarantee the timeliness or accuracy of this information. Consult your financial professional before making any investment decision. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss.

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