Quarterly Update

First Quarter 2022

KANDOR GLOBAL

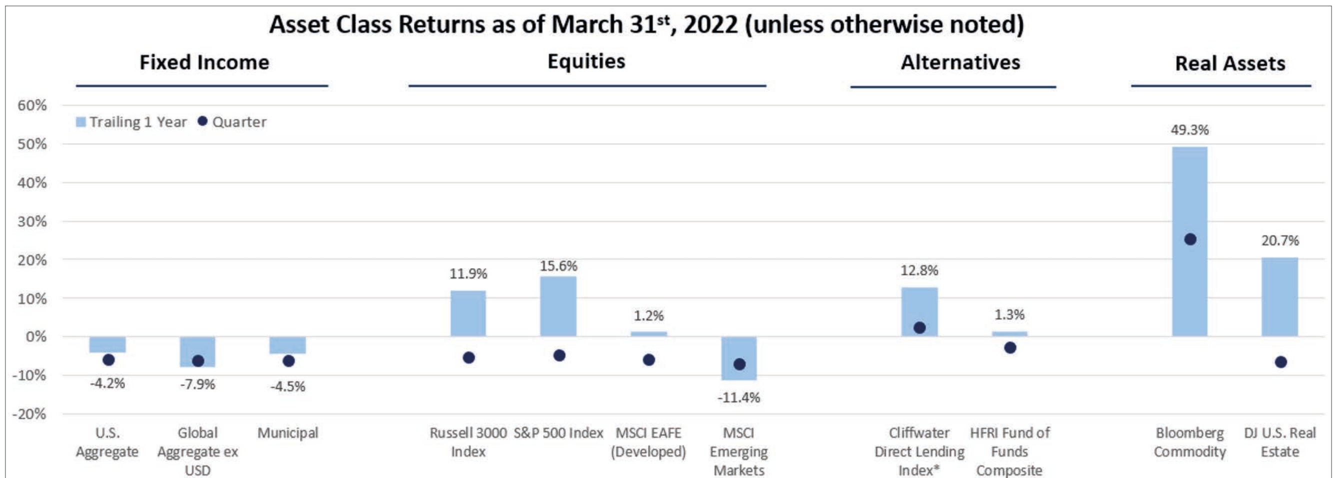
Executive Summary

Although many hoped for calmer times in 2022, the year has so far continued to keep investors on their toes. Entering the year, the impact of the pandemic was quickly fading in most parts of the world, and many were looking forward to resuming some level of normalcy. Higher than expected inflation and monetary policy normalization were risks but supply chains had shown some signs of stabilization and global central banks were gearing up to raise policy rates and reduce balance sheets. The state of the world changed suddenly in late February when Russia's invasion of Ukraine triggered the breakout of the most significant military conflict in Europe since World War II. First, it is important to acknowledge the atrocities occurring in the region and the unnecessary loss of human life. The conflict also introduced significant instability into the world, but the greatest immediate impact was the shock to energy and commodity prices. Although Russia and Ukraine account for a relatively small portion of global GDP, they represent a disproportionate amount of the energy and grain exports thus threatening the energy and food supply for much of Europe, and to a lesser extent, the world. This pushed prices in the impacted areas substantially higher and could contribute to shortages.

Amidst all this uncertainty, the Federal Reserve (Fed) along with other global central banks have shifted to more hawkish stances seeking to combat uncomfortably high inflation. In the U.S., the Fed lifted its policy rate range by 0.25% during the quarter and has indicated that higher magnitude rate hikes are now on the table. The Fed has also indicated an intention to raise rates at each of the remaining six policy meetings in 2022 – a stance that could also extend into 2023. The impact of higher rates has quickly reverberated throughout many areas of the economy. Although the absolute level of rates remains low in a historical context, the pace and size of the move up was significant. 30-year fixed mortgage rates topped 5% for the first time since 2010, the 10-year Treasury yield shot up from 1.5% to closer to 2.5% by quarter-end, and duration sensitive investment assets were quickly repriced. The impact to high duration assets, such as long-dated bonds and high growth equities, was substantial and caught investors off guard in many cases. All these factors contributed to a tough period for investment assets.

Bonds had their worst quarter in decades after low starting yields intersected with substantially higher rates. Credit spreads also widened but remain at reasonable levels reflecting the robust nature of the economy. Equities had a choppy start and the S&P 500 Index fell nearly 15% before making up some lost ground ahead of closing the quarter. Although non-U.S. equity markets started the year out strong, a less direct impact from the conflict in Ukraine allowed U.S. markets to regain leadership. Contrasting with much of the past decade, the performance of value stocks well outpaced growth portions of the market. Given the risk-off stance, more defensive sectors were generally the best performers. Highly valued and fast-growing sectors, such as IT and communication services, were key laggards. Real assets were a select area of strength in an otherwise negative market. Energy and commodity prices soared leading to strong absolute performance for investment assets that directly or indirectly derived their value from these areas of the economy.

Relative to much of the past decade, it's a difficult environment for investors to navigate. Increased government intervention paired with falling interest rates over recent history has served as an important tailwind for many investments. Today, those tailwinds have been converted to headwinds at a time when uncertainty is high. Perhaps more so than in much of the recent past, the economy and markets are amid a significant shift. This change serves as an opportune time to review allocations and ensure that your portfolio is well aligned with long-term goals and opportunities.

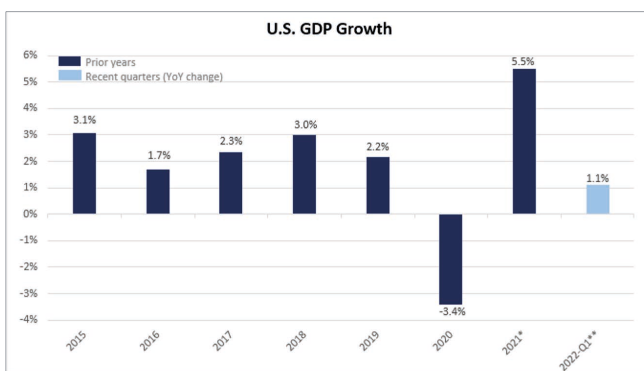


*Morningstar & Hedge Fund Research, Inc.; Bond indices from Bloomberg Barclays, * as of 12/31/2021*

Economic Growth

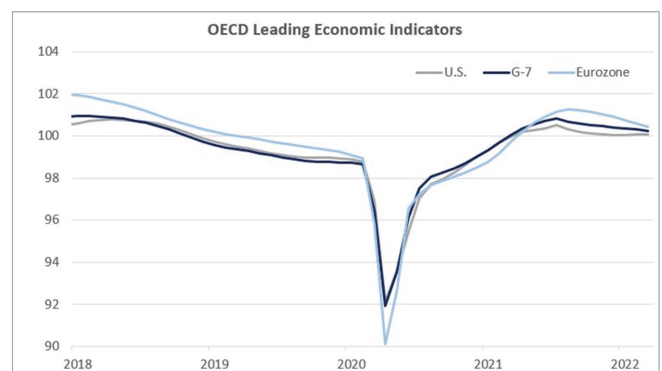
The post-pandemic recovery could be characterized by following a two steps forward, one step-back progression. Two-steps forward in further alleviation from the pandemic and robust economic growth from the world reopening but one big step back in the form of hotter than desired inflation. The conflict in Ukraine introduces additional challenges in combating inflation and creates further instability globally and in many facets of the economy. While the labor market is extremely tight and the economy is robust, the path forward appears more challenging.

The quarter marked an important turning point for the pandemic as the most dramatic impact of the Omicron strain faded and many Americans resumed their normal lifestyles. Each new strain also appears to have a lesser economic impact aided by a high level of immunity from either vaccinations or prior infection. Much of the economy has also adopted a more flexible approach whereby things like work and shopping could more easily toggle to online. The waning impact of the pandemic is set to serve as a continued tailwind to some of the most beaten-down industries during lockdowns, including travel, leisure, and certain service sectors. Datapoints including TSA airport screenings, hotel occupancy rates, and restaurant reservations continue to demonstrate strength and should support portions of the economy for the foreseeable future. Also on the positive end, the pandemic has unlocked productivity gains that might have otherwise been spread out over a much longer period. The recovery over the past two years has translated to the U.S. now exceeding its pre-pandemic output by several percent. While these trends are likely to continue and offer support to growth, there are large headwinds on the horizon including capacity limits in the form of labor shortages, higher interest rates, and more restrictive levels of government intervention. This could result in a lower level of growth into 2023 and 2024 than previously anticipated.



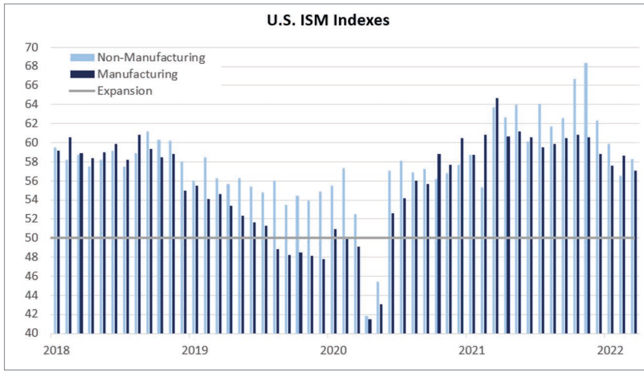
*U.S. Department of Commerce, * Estimate, **Atlanta Fed GDP Now Estimate SAAR*

Robust GDP growth coming out of the depths of the pandemic helped the U.S. surpass pre-pandemic growth levels in late 2021. Important productivity gains were pulled forward as the world embraced greater use of technology in their everyday work and personal lives.



Organization for Economic Cooperation and Development

Leading economic indicators have started to fall modestly from elevated levels coming out of the depths of the pandemic. The decline represents the economic impact of the Omicron variant but likely doesn't account for the toll of the conflict in Ukraine which could contribute to a greater slowdown in the future.



Institute for Supply Management

The ISM Indexes for both manufacturing and non-manufacturing (services) have come down from historic highs but continue to be well into expansionary territory (above 50). Manufacturing has been hampered by increased input costs while services are showing more momentum as they were harder hit during the pandemic.

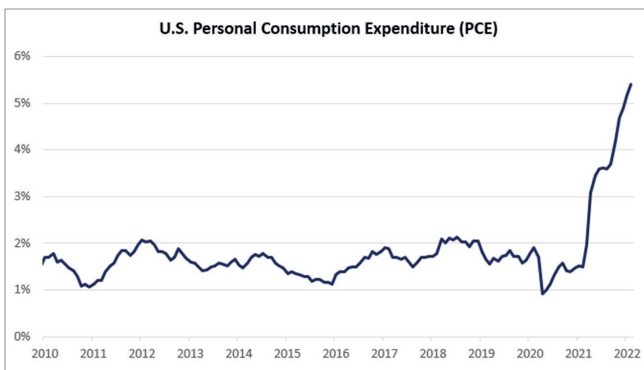
Citigroup

Economic Surprise Indexes have recently shown strength, suggesting that the economy could be in better shape than the headlines indicate. Notably, economic data has been coming in ahead of expectations across all three major geographic regions shown.

Consumer

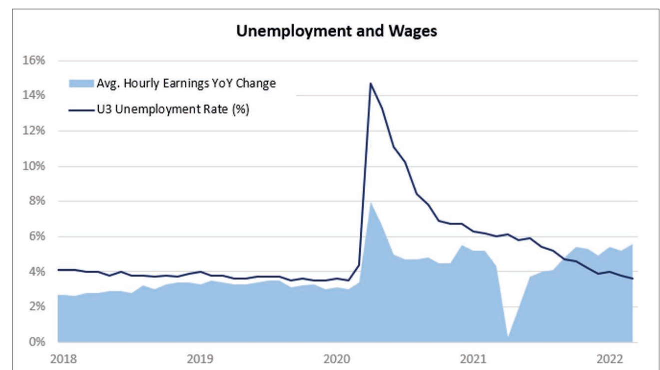
The labor market continued to improve and serve as a key source of strength within the economy. It's almost hard to believe that just under two years ago, unemployment reached an all-time high of nearly 15%. At the end of March 2022, the unemployment rate stood at 3.6% - just slightly above multi-decade lows from before the pandemic. Even with the robust level of employment, there is still a dramatic shortage of labor leaving about 5 million more job openings than unemployed workers. The heightened demand for labor has continued to prop up wages and aid consumers transitioning off from government assistance. Additionally, an aging baby-boomer population paired with limited immigration could sustain the supply-demand mismatch in the labor force for the foreseeable future keeping wages elevated.

A rosy employment backdrop has fostered a strong consumer, helping carry much of the recovery to this point. While the consumer generally remains in favorable shape, several significant headwinds have emerged outside of the pandemic. Two factors are most top of mind and have likely contributed to sinking consumer confidence. First, the brutal conflict in Ukraine has introduced considerable uncertainty into the world and has the potential to have long-term implications for the balance of powers globally. Second, and more tangibly, inflation has continued to heat up and is reaching a degree where it's starting to curb demand. What started early in the pandemic as increases in physical and durable goods prices, such as appliances, cars, and homes has extended throughout the economy. Most recently, extensive pent-up demand for travel and experiences has pushed up rates for things like hotels, airfare, and dining. Additionally, supply chain problems still persist and are likely to be exacerbated by future COVID-19 spikes in places like China paired with the implications of the conflict in Ukraine. The rise of these prominent headwinds could slow growth considerably in the future.



Bureau of Economic Analysis

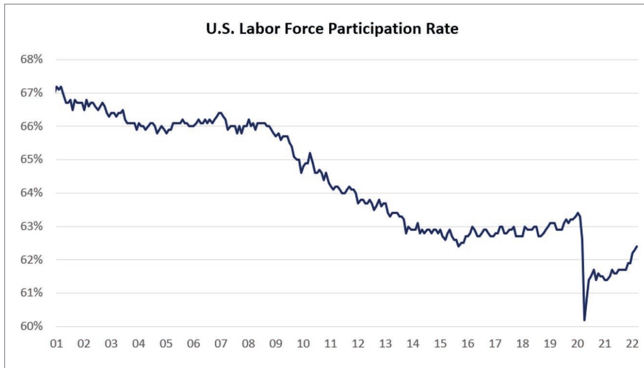
The Personal Consumption Index (PCE) rose 5.4% in February. February's reading is the highest level since the early 80s and remains well above the Fed's target



Bureau of Labor Statistics

The unemployment rate fell to 3.6% in March, just slightly above the multi-decade low reached right before the start of the pandemic. Low levels of unemployment

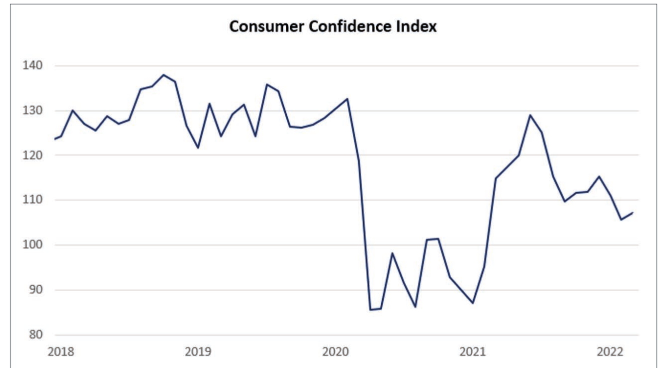
level of 2%. Although supply-chain disruptions will likely abate helping bring inflation lower, other more structural forces, like higher wages, could prolong the trend.



Bureau of Labor Statistics

Higher wages have started to attract workers to return to the workforce, although the labor participation rate continues to be well below pre-pandemic levels. In some cases, higher inflation is causing potential retirees to delay their timelines. These types of trends could help partially offset the shortage in labor.

and elevated demand for labor have produced high wage growth which shows little signs of slowing in the near term.



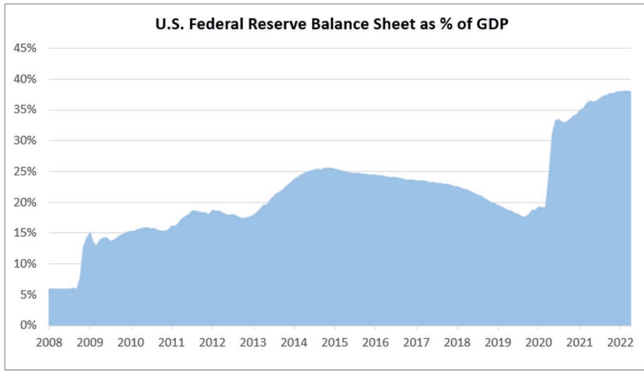
Conference Board

Consumer confidence has wavered of late, despite the record-breaking job market. Historically elevated inflation and the conflict in Ukraine are both to blame for the diminished outlook. Fading consumer confidence is also likely to blame for the shedding of risk assets across equity and fixed income markets.

Government Policy

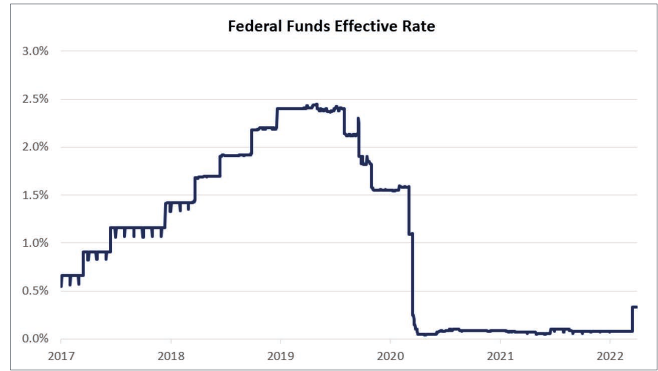
The world's grand experiment with monetary and fiscal policy appears to be reaching a new stage. Prior years of dovish policies with historical levels of monetary intervention had served to curb downturns and had seemingly little impact on inflation. The magnitude and sequence of events through the COVID-19 pandemic have changed this. An amalgamation of factors including an exceptionally tight labor force, supply-chain disruptions, and excess money supply have brought most inflation metrics (CPI, PCE, etc.) to multi-decade highs. In the U.S., March's year-over-year CPI reading came in at 8.5% - a level that was last seen in 1981. While there are some signs that inflation is cooling for things like autos, it's also accelerating in other areas of the economy including travel and leisure. Higher commodity and labor costs could also end up being more structural leading to a longer period where CPI is above trend.

Recent inflationary forces have pushed many global central banks, including the Fed, to turn hawkish. This has so far translated to the first federal funds rate increase in March since late 2018. What's more impactful is that the Fed plans to continue raising rates at each of the remaining six policy meetings this year and that 0.50% hikes are on the table. Additionally, the Fed is planning to reduce its historically large balance sheet over the remainder of the year. Much of these changes have already been absorbed by the market pushing the 10-year Treasury yield up more than 50% since the start of the year and contributing to 30-year fixed mortgage rates over 5%. These shifts are likely to help tame some animal spirits within the economy and have already vastly reduced the valuations for duration-sensitive assets. Policy changes have also impacted the U.S. Dollar (USD), generally contributing to relative strength compared to other currencies in the short term. Longer-term, a more important question regarding the USD will be its ability to retain its status as the global reserve currency after policymakers made an unprecedented move in freezing Russian reserves.



Bloomberg

After years of historic growth, the Fed has indicated its intent to shrink its balance sheet to curb inflation. Fed officials have already stated that they are considering cutting their bond holdings at a pace of $95 billion a month which could start as soon as May.

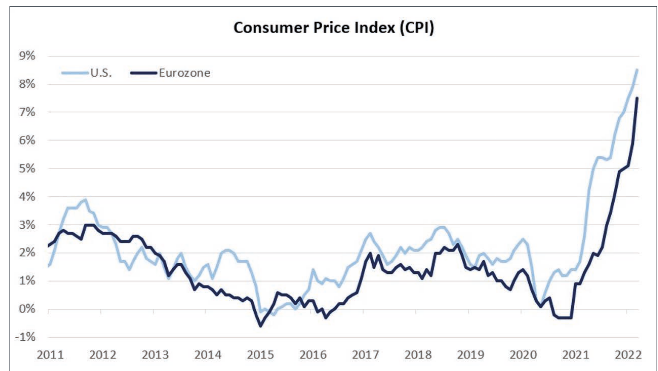


Board of Governors of the Federal Reserve System

As widely expected, the Fed began its hiking cycle in March, raising its fed funds target rate range to 0.25% to 0.50%. The Fed also signaled its intent to continue raising rates at each meeting throughout 2022. 50 basis point increases are also on the table depending on how things progress.

Bloomberg

The USD has been on an extended upward trajectory since mid last year and is near pre-pandemic levels. Despite recent strength, policymakers' freezing of Russian USD reserves could translate to long-term implications for the currency's global reserve status.



Bureau of Labor Statistics

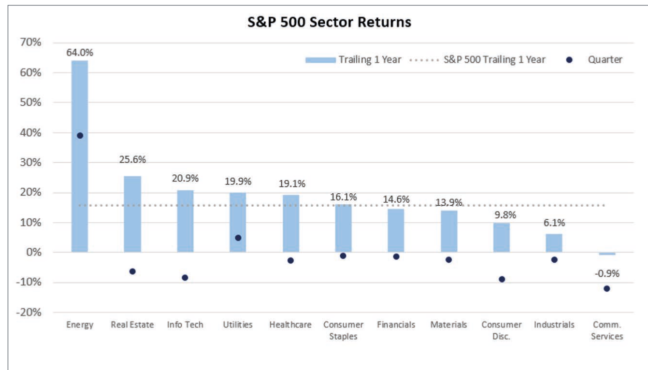
CPI readings in the U.S. and Europe continue to reach fresh highs as price increases have been pervasive throughout the economy. The Fed and other global central banks have started taking greater action by raising policy rates and reducing balance sheets which should help curb inflation going forward.

Equity Markets

U.S. stocks experienced elevated volatility during the first quarter as the S&P 500 Index ended about 4.6% lower. Amazingly, this was after a brief stock market correction in early March following the Russian invasion of Ukraine that left the S&P 500 briefly off by low double-digits. Although 2022 began with Omicron- and inflation-induced concerns, the pandemic has shown dramatic signs of improvement domestically and the Fed has started acting to combat inflation. Investor sentiment was subsequently impacted by geopolitical turmoil through Russia's actions against Ukraine. In the U.S., the market pullback resulted in overall equity valuations moving closer to their long-term averages. Strong company earnings expectations flourished at the start of the year but have since been clouded by rising interest rates making it difficult to justify higher valuations. This has emphasized the importance of appropriately sizing and selecting equity exposure. Value outperformed growth and a shifting regime could pave the way for continued outperformance. Looking at the past decade, value-oriented, dividend-yielding sectors including financials, energy, and industrials have displayed a relatively higher correlation to interest rate moves which would serve to aid value-indexes.

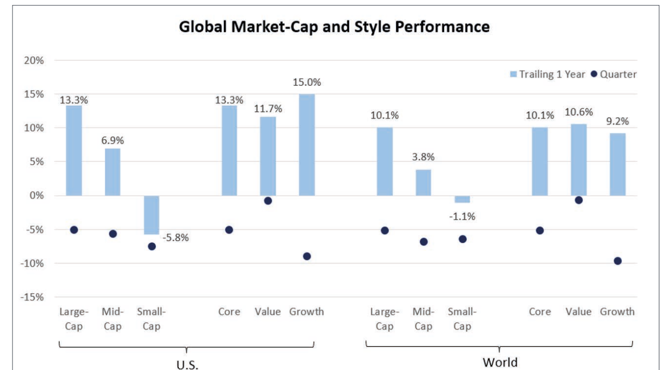
International equity market performance was varied. Brazilian stocks rose 36% in USD terms as investors increased allocations lured by the country's higher interest rates and exposure to commodities while Chinese equities plummeted about 14% due to slowing growth and renewed COVID-19 lockdowns. Both emerging and developed international markets lagged U.S. equites over another quarter. Looking forward, lower starting valuations and the potential for robust earnings growth could be a catalyst for international markets.

This, along with potentially lower trade tensions and the prospect of a lower U.S. dollar in the long run substantiate maintaining an allocation to international equities.



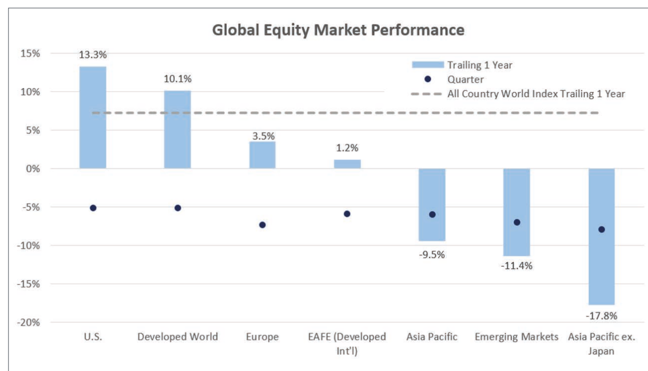
Bloomberg

Within sectors of the S&P 500, nine of the eleven were negative for the quarter. Energy dominated them all after rising 39% given the supply concerns stirred up by the Russian invasion. Technology, consumer discretionary, and communication services were among the weakest.



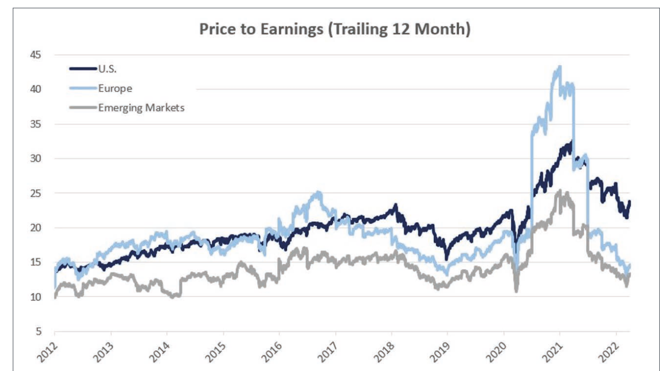
Bloomberg, U.S. indices from Russelll and World Indices from MSCI

Within the U.S. and globally, the trends were consistent. All market capitalizations and styles declined. Large-caps marginally led mid- and small-caps, while a long overdue style rotation from growth to value emerged.



Bloomberg, U.S. indices from Russelll and World Indices from MSCI

Equities around the world felt the effects brought on by lingering COVID-19 fears, the highest levels of inflation in more than 40 years, and the Russian invasion of Ukraine. While all major markets fell over the quarter, European and emerging market equities were among the worst performers.



Bloomberg

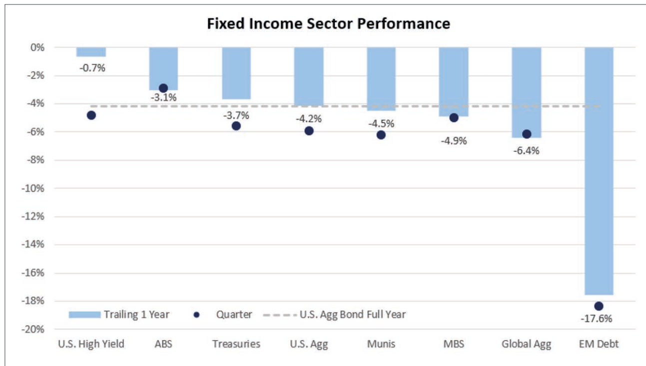
Equity valuations were dragged lower last quarter as stock prices declined. U.S., European, and emerging markets were all brought closer to their long-term averages. That said, U.S. equities remain the most expensive within the group relative to their history.

Fixed Income Markets

Fixed income assets struggled last quarter as low starting yields were met with rapidly rising rates. A 6% decline in the Bloomberg U.S. Aggregate Bond Index made it the worst quarterly result in over 40 years. Yields at all maturities sharply rose and the yield curve flattened so much so that inversions between different maturity levels formed. Historically, yield curve flattenings or inversions can lead to recessions although this isn't always the case. If inflation remains high and the unemployment rate continues to fall, the Fed will have little choice but to maintain its tightening path causing rates to continue rising. Importantly, a large portion of the upward pressure on rates has already been priced into the market. While rising yields are painful to asset values in the short term, it will likely lead to greater total returns in the long term through higher income. This would create a more compelling return environment for bonds in the future.

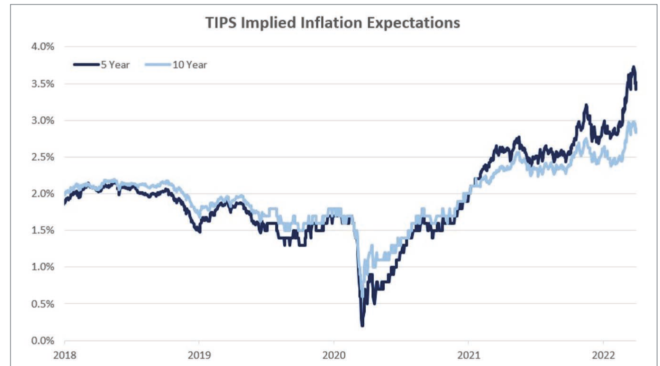
Option-adjusted spreads are still relatively tight compared to the past but slightly widened last quarter across most sectors. High yield spreads widened more than investment grade spreads, although high yield had higher total returns due to greater income generation. Emerging market bond returns were disappointing given the uncertainty created by the conflict in Ukraine. Offsetting last year's record-setting inflows, 2022 has started quite the opposite trend as more than $57 billion of outflows came from taxable fixed income mutual funds

funds and ETFs according to the Investment Company Institute. Sharply higher yields across the curve led to the worst quarterly return for the Bloomberg Municipal Bond Index since 1980. Even though short-term rates rose more than long-term equivalents, longer maturity bonds suffered their largest price declines of any curve segment given the extended duration. Municipal bond funds also saw more than $26 billion worth of outflows. Many states have begun cutting taxes, suspending gas taxes, or reducing lower income tax rates which may impact the demand for municipal bonds in the future.



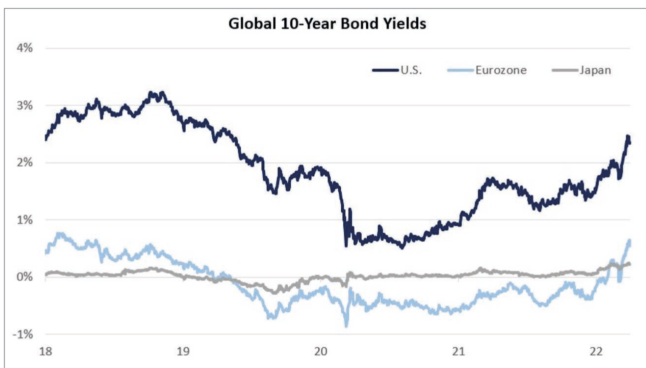
Bloomberg

Fixed income markets declined as bond yields rose sharply (bond prices and yields move in opposite directions). Further pain is expected as the Fed is on track for multiple rate increases this year. Emerging market debt was by far the poorest performer stemming from instability within constituent countries.



Bloomberg

Inflation expectations spiked following years of accommodative government policies and supply-chain bottlenecks brought on by COVID-19. In the short-term, inflation may soon peak although long-term expectations call for inflation to moderate lower to around 3% (still above the Fed's target of 2%).



Bloomberg

Bond yields in the U.S. and Eurozone have spiked this year, leading to a sharp decline in fixed income performance. However, Japan has sustained a more gradual increase as its central bank pledged to maintain a more accommodative monetary policy in the near term.

Barclays Capital

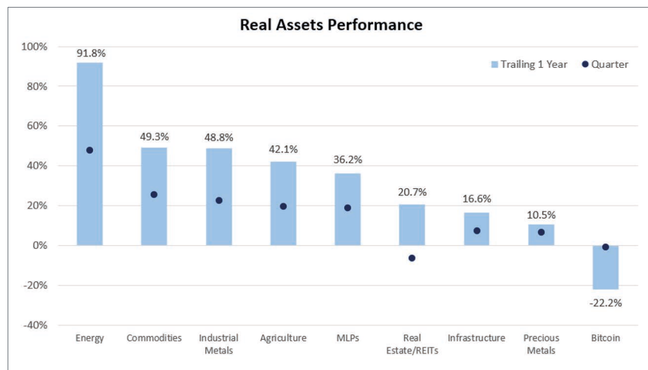
Corporate high yield spreads increased over the quarter reflecting the uncertainty created by high inflation and geopolitical conflicts. Spreads are now hovering around their 10-year average of 4% and remain dramatically below prior periods of stress. This is an indication that corporate fundamentals are in solid shape.

Real Assets

The resurgence of real assets continued as the Russian invasion of Ukraine sparked widespread concerns about future supply constraints across many commodities. Oil prices have been on a roller-coaster ride since the invasion. West Texas Intermediate briefly hit $130 per barrel on March 7th, the highest level since July 2008, although prices have since settled closer to the $100 per barrel level. Many nations, including the U.S., have imposed impactful sanctions on Russian commodity imports, leading to supply uncertainty of key Russian/Ukraine exports including oil and natural gas. Although many in the U.S. are burdened with higher prices, many Europeans are faced with even higher prices and the potential for near-term shortages and/or rationing related to their energy supply. Other areas that have been impacted by the invasion include wheat (agriculture) and industrial metals. Russia and Ukraine together account for around 30% of global wheat exports, so the impact of sanctions weighed significantly on this sector.

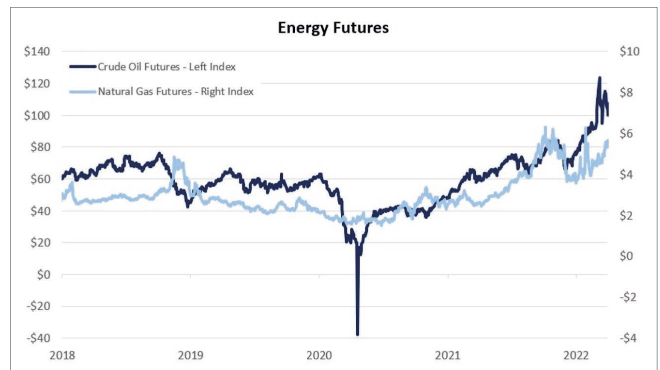
From a performance perspective, commodities were a select bright spot with the Bloomberg Commodity Index surging by more than 25% for the quarter. Real estate had a challenging quarter and is showing some signs of cooling after an extraordinary run and in response to the dramatic rise in borrowing costs. At the start of the year, the average 30-year mortgage rate was around 3.1% which increased to about 4.7% at quarter-end according to Freddie Mac. Higher rates have both hindered home affordability and pushed cap rates higher which could contribute to lower valuations.

Cryptocurrencies' performance varied greatly within the asset class. The largest market capitalization and most well-known, Bitcoin, was relatively flat over the quarter despite heightened volatility. The recent performance of many cryptocurrencies has demonstrated that they might not be as uncorrelated to traditional asset classes as previously thought.



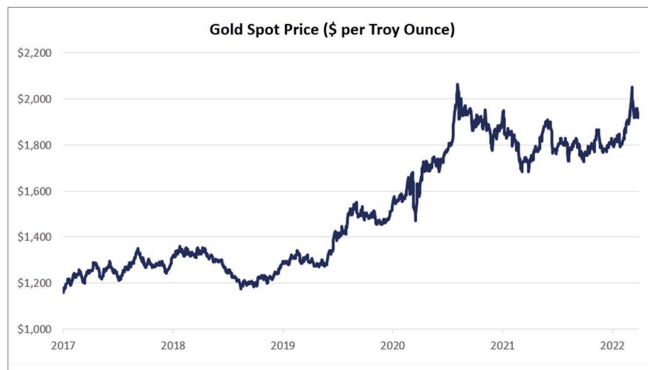
Bloomberg

Most real assets, outside of real estate (REITs), performed exceptionally well - reflecting higher commodity prices in many cases. In energy's case, supply is unlikely to be as responsive as in the past based on political objectives and ESG-mandates that limit the flow of capital to the hydrocarbon space.



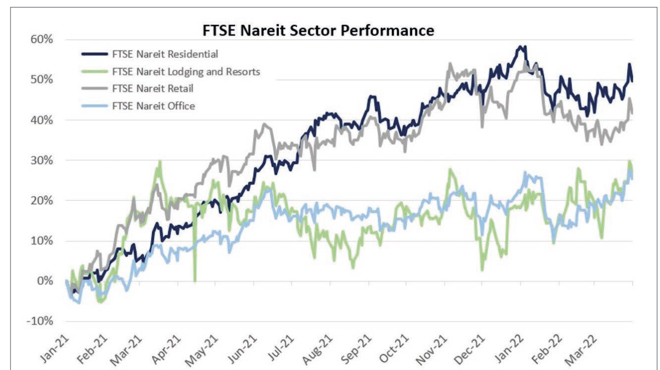
Bloomberg

Consumers have resumed traveling for business and leisure, increasing demand for fossil fuels aside from supply concerns. On average, the U.S. Energy Information Administration predicts natural gas heating bills to increase by 30% and other fossil fuel heating sources like propane and oil will increase even more.



Bloomberg

The price of gold rebounded some during the quarter as it served as a valuable hedge to elevated inflation. It briefly surpassed $2,000 an ounce in early March for only the second time in the precious metal's history.



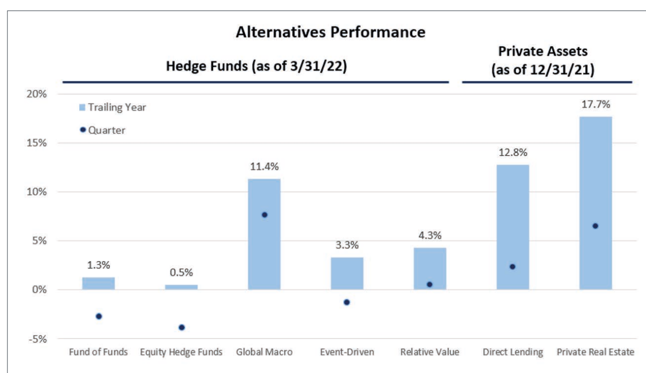
Nareit

Residential and retail real estate sectors lagged during the quarter according to FTSE Nareit. However, the hospitality sector performed well as people have resumed traveling following COVID-19 lockdowns. Return to work in office buildings has also begun to take shape as well.

Alternatives

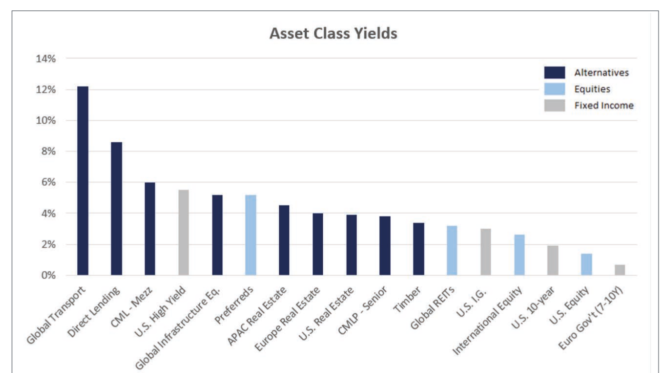
The alternative investment space continues to grow as investors seek to both diversify and enhance traditional, public markets exposure. While conventional 60/40 balanced portfolios were hard to beat over the last cycle, high starting valuations and rising interest rates could make the road forward more challenging. Additionally, private market investors are crossing over into public markets, and vice versa, as investment managers seek to be more market agnostic and opportunity set focused. In many cases, the evolution within the space has made alternative investments more accessible than ever, although there remains a wide dispersion between manager performance requiring judicious deployment of these strategies.

Hedge funds (as represented by the HFRI Fund of Funds Composite) were negative during the quarter but still outpaced broad stock and bond indexes. Looking at the past year, hedge funds have managed to produce modestly positive returns but meaningfully lagged long-only equity markets. Across the various sub-strategies, global macro was a standout performer as it benefitted from a fruitful investing environment with higher rates and greater levels of asset class dispersion. Equity hedge funds struggled over the quarter but were closer to flat over the past 12 months, driven by higher levels of market directionality. Event-driven funds also had a tough quarter but had better trailing year results, boosted by a robust issuance market and heightened levels of M&A. Private markets have been experiencing tremendous change over the past several years. Historically, private equity served as a single round capital source at a point of transition or early in the company's lifecycle, in the case of venture capital. Fast forward and many companies can expect multiple rounds of funding with larger commitments at various stages of their evolution. This has allowed companies to remain private for longer and in some cases, transition to a non-public permanent funding strategy. In addition to private equity, private credit has greatly expanded in assets under management as investors looked for greater fixed income return opportunities in a near-0% interest rate environment. Private credit funds have now surpassed $1 trillion in assets, a twenty-fold increase over the past two decades, according to Preqin.



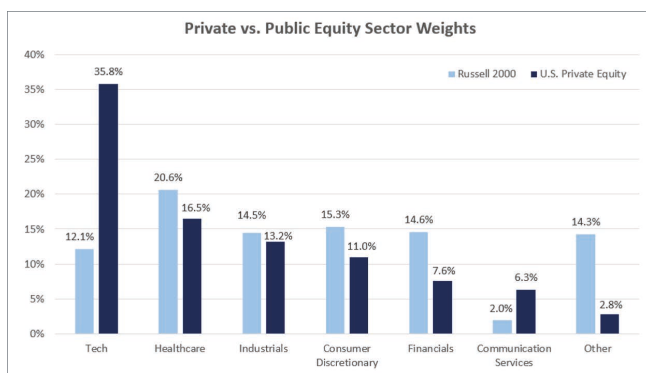
Bloomberg and Hedge Fund Research, Inc. (HFRI)

Hedge funds struggled over the quarter but generally outperformed traditional stock and bond markets. The floating rate nature of most direct lending strategies helped the asset class dramatically outperform duration-sensitive fixed income. Private real estate also performed well benefitting from continued strength in fundamental demand drivers across many sectors.



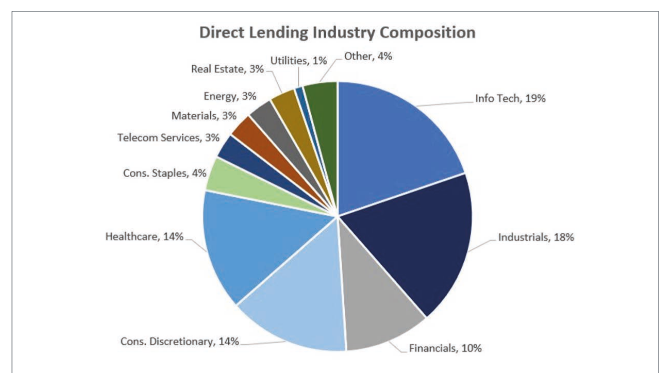
JPMorgan Asset Management as of 2/28/2022

Although yields have moved higher in traditional fixed income markets, many of the higher-yielding opportunities are in private asset classes. Larger portions of the market – such as direct lending – often invest in floating-rate loans that can adjust interest rates relative to the market and have asset values less sensitive to changes in rates.



JPMorgan Asset Management as of 2/28/2022

Private markets have considerably more exposure to growth-oriented sectors such as technology that are benefiting from long-term trends and disruption. Emerging industries such as clean energy are also benefiting from access to private capital. Combining strategies in both public and private markets can enhance diversification to different portions of the economy.



JPMorgan Asset Management as of 2/28/2022

The direct lending industry has realized tremendous growth within private markets as it continues to fill the void left by bank lending post the Great Financial Crisis. Private loans are well diversified across most sectors and offer exposure to more cyclical exposures, such as financials, relative to traditional private equity.

Capital Market Returns

	Quarter	Trailing Year
U.S. Equity		
S&P 500	-4.6%	15.6%
Russell 3000	-5.3%	11.9%
Russell 2000	-7.5%	-5.8%
International Equity		
MSCI ACWI ex. U.S.	-5.6%	-1.3%
MSCI EAFE (Developed)	-5.9%	1.2%
MSCI Emerging Markets	-7.0%	-11.4%
Alternatives		
HFRI Fund of Funds Composite	-2.7%	1.3%
Cliffwater Direct Lending Index*	2.3%	12.8%
NCREIF Property Index*	6.5%	17.7%

	Quarter	Trailing 1 Year
Cash and Fixed Income		
U.S. Treasury Bills	0.0%	0.1%
Bloomberg Barclays U.S. Aggregate Bond	-5.9%	-4.2%
Bloomberg Barclays Municipal Bond	-6.2%	-4.5%
Bloomberg U.S. Treasury Inflation-Link Bond	-3.0%	4.3%
Bloomberg Barclays Global Aggregate ex. USD	-6.1%	-7.9%
Bloomberg Emerging Markets Tradeable Debt	-18.3%	-17.6%
Real Assets		
Bloomberg Commdity	25.5%	49.3%
DJ U.S. Real Estate	-6.5%	20.7%
S&P Global Infrastructure Index	7.5%	16.6%

*Morningstar and Hedge Fund Research, Inc. (HFRI), * as of 12/31/2021*

Disclaimer

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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