

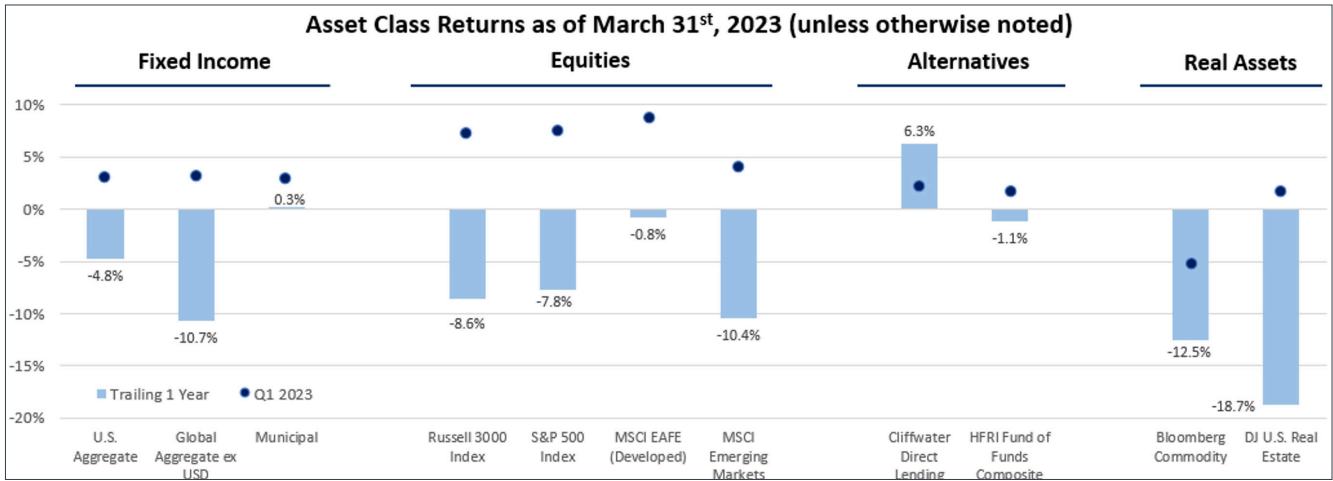
Executive Summary

The first quarter of 2023 saw strong gains for stocks and bonds. Investor sentiment was fickle during the quarter as optimism over the resiliency of the U.S. economy was tempered by concerns that tighter financial conditions could derail economic growth. In early March, the failure of two U.S. banks and the collapse of Credit Suisse, one of Europe's largest and oldest banks, led to a pullback, but the stock market rebounded following aggressive government intervention. The bond markets have been less sanguine about the potential threats to the U.S. economy. The U.S. Treasury yield curve remained sharply inverted, a recessionary signal that suggests investors believe the economy will weaken. Falling bond yields and an attractive level of current income boosted fixed income returns. The retreat in energy prices was a drag on both commodity and stock prices in the sector.

In the U.S., equity sector performance was mixed. U.S. large cap stocks, particularly in the technology and consumer communications sectors, were once again dominant despite mixed earnings results. Technology stocks rose by an astounding 22% for the quarter. On the other hand, sectors with weak earnings growth expectations, notably energy, and health care, declined. Financials, hard hit by the banking crisis, lost 10% during March resulting in a loss for the quarter. The outperformance of European equity markets, which began last October, continued into the new year as fears of an energy crisis in Europe abated and business activity picked up. Emerging markets lagged developed markets in response to tensions between the U.S. and China.

Recent economic data has been unexpectedly robust. U.S. GDP growth in the fourth quarter of last year was an annualized 2.9%. The consumer has remained resilient, supported by a solid labor market but the personal savings rate has declined sharply, and credit balances are rising. Recent jobs data has been more robust than expected although job openings have declined, and wage gains are slowing. Inflation remains much higher than the Federal Reserve would like although it is trending downward. One area that has demonstrated weakness is housing where a recent uptick in mortgage rates is squeezing affordability into the important spring selling season. The dearth of homes for sale will limit transaction volume. The two failed U.S. banks, Silicon Valley Bank and Signature Bank, were vulnerable due to poor risk management and concentrated exposure to speculative investments. Overall U.S. banks are well capitalized with sufficient liquidity, but the risk of financial instability has triggered a contraction in lending activity which likely will lead to a drop in business and consumer confidence.

U.S. equity valuations are elevated for this late stage in the economic cycle when valuation levels typically approach lower points. The concentration of the U.S. stock market in the technology sector and the recent surge in stock prices are also concerning. International equity indexes are more diversified with more favorable valuations and have the potential for currency support if the U.S. dollar continues to trend downward. With taxable bonds yielding 4.4% at quarter-end and municipals yielding 3.3% (tax equivalent yield of 5.5% based on the maximum federal tax rate), high quality public fixed income is for the first time in many years a reliable source of income. The risks from higher interest rates and a potential economic slowdown do not appear to be fully reflected in the bond prices of more vulnerable borrowers. At the same time, the rapidly expanding private credit sector offers yields over 10%, higher than the long-term expected returns on equities, typically with less volatility than public bonds. Tighter financial conditions and geopolitical threats are likely to keep market volatility elevated. Investors would be well-served to position portfolios based on a forward view of asset class returns and risks.



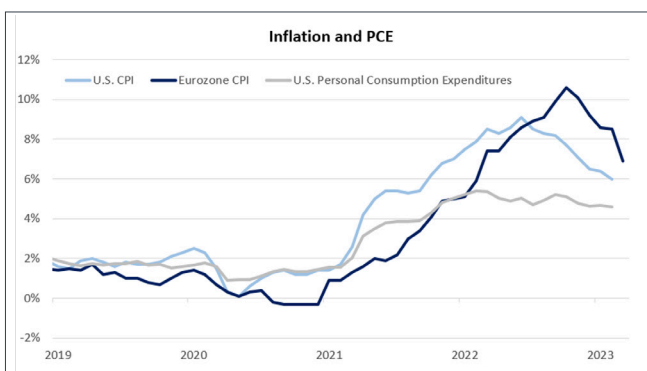
Morningstar & Hedge Fund Research, Inc.; Bond indices from Bloomberg Barclays, * as of 12/31/2022

Economic Growth

Global growth has been more durable than anticipated so far in 2023 but more cracks are emerging. Notably, the U.S. banking sector was jolted when Silicon Valley Bank (SVB) swiftly collapsed in March. The demise of SVB was the second-largest banking failure in U.S. history, only behind Washington Mutual during the depths of the 2008 Financial Crisis. At the same time, the unemployment rate has risen from its post-pandemic low but remains at a historically low level. The resiliency of the labor market has been positive for growth but could push central banks to maintain hawkish policy stances for longer than market participants expect.

Inflation metrics have fallen but are still above target levels. PCE, an important indicator for the Fed, fell to 4.6% in February. This figure was below consensus expectations but still well above the Fed’s 2% target. The inflation narrative has become more nuanced as time has progressed and COVID-related disruptions have fallen off. Falling energy prices have helped lower the headline number but core inflation, which excludes more volatile categories, has stayed elevated. In particular, shelter and services (reflection of higher wages) show few signs of falling extensively in the near term and present an ongoing challenge for the Fed.

Still elevated inflation has placed global central banks in a challenging spot. Higher policy rates are starting to have implications for the broad economy, most notably inciting a banking crisis. At the same time, growth has yet to erode to a point where it fully counteracts inflationary forces. Higher policy rates can also only do so much in eroding demand while offering some stimulatory side effects, such as higher interest rates for deposits and fixed income assets. While there will be outlier readings, inflation will likely stabilize in the coming months or year but might settle at a structurally higher rate than investors were accustomed to during the last cycle.



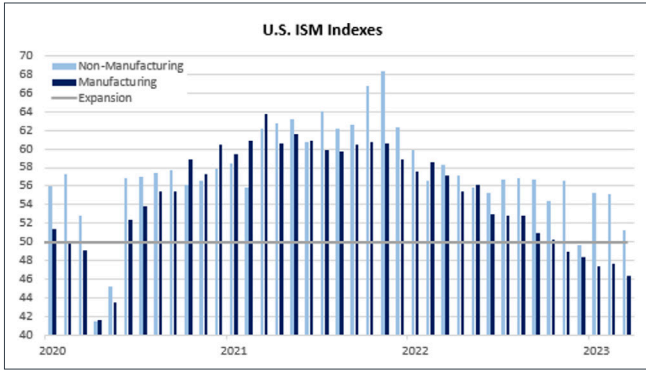
Bureau of Labor Statistics

Inflation has moderated from record highs from in 2022 but continues to be well above target levels. Lower energy prices have helped bring down headline inflation figures, but shelter and wages have yet to fully show signs of falling.

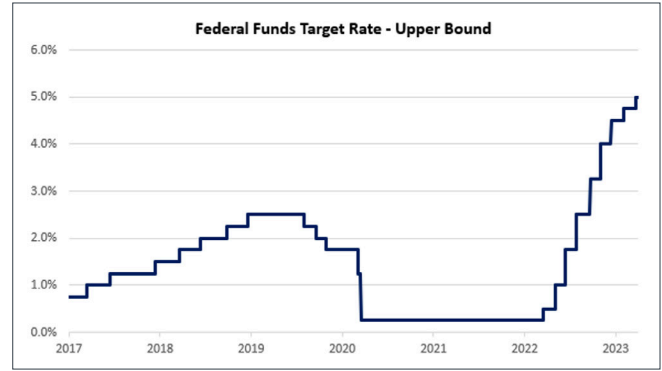


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The U.S. dollar continued its downward trend during the quarter, dragged lower by the banking crisis and a quick reset in rate hike expectations from the Fed. Despite recent weakness and declines from post-COVID highs, it remains well above pre-COVID levels reflecting higher relative interest rates.



Institute for Supply Management



Citigroup

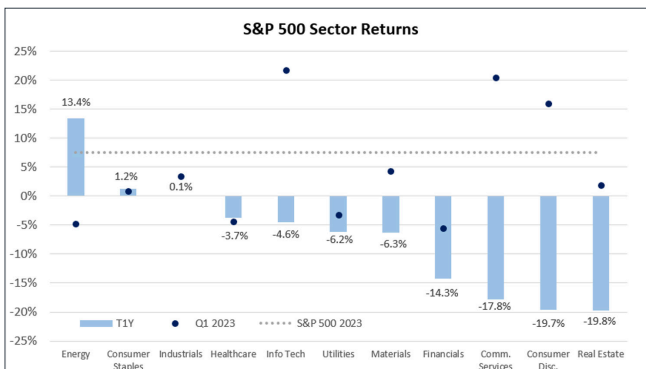
While the manufacturing indicator has been in contraction territory (below 50) since late 2022, the services (non-manufacturing) indicator has also slowed in recent months and is hovering around 50, the level dividing expansion and contraction territory.

Encouraging labor market data initially had futures markets predicting a 50-basis point rate hike at the March FOMC meeting. A rapidly unfolding banking crisis quickly revised expectations for a 0 or 25-basis point raise. Ultimately, another 25-basis point hike was levied with less certainty around even one more hike at the next meeting in May.

Equity Market

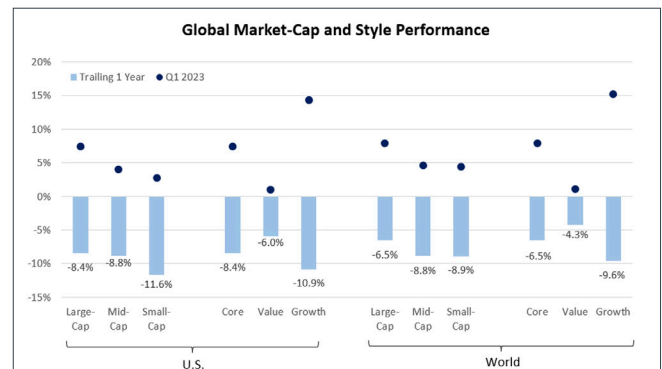
Equity markets had a positive start to 2023, although volatility remained elevated. 2023 kicked off with a broad rally through the end of January. Much of these gains were then given back in February following stronger than expected economic data (good news is bad news) and the anticipation of even more hawkish Fed action. Volatility carried over into March after the collapse of Silicon Valley Bank brought stocks down further while disproportionately weighing on the financial sector. Once the level of contagion was more fully understood and the fallout took some pressure off the Fed, stocks rallied to close out the quarter.

Within U.S. markets, growth stocks made a swift recovery rising more than 14% over Q1 and outpacing value shares by over 13% as measured by respective Russell indexes. Growth's strong performance was supported by the technology and communication services sectors which quickly shifted messaging to show investors that they could demonstrate efficiency around costs to help preserve margins and cash flow during a time of slowing revenue growth. More richly valued portions of the market also benefitted from lower interest rates across much of the curve, which offered some support to falling valuations. Value-oriented sectors, such as energy and financials, which fared the best in 2022 struggled out of the gate in 2023. Both sectors also had idiosyncratic headwinds in the form of declining commodity prices or a banking crisis (SVB, etc.), respectively. Small caps also lagged due to lower concentrations in the sectors that have done the best so far this year (IT, communication services, etc.). International stocks were positive for the quarter, with developed markets leading the way. A falling dollar has turned from a headwind to a tailwind for U.S. investors in international equities. U.S. market valuations are near historical averages, but earnings appear vulnerable to slowing revenue growth and susceptible profit margins. International markets have more compelling valuations but could present more uncertainty. In many cases, the path forward remains unusually hazy and supports maintaining balance in equity portfolios with prudence applied to any outsized allocations.



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Sector performance for the first quarter was largely a reversal of 2022. The top performers included growth-oriented sectors such as IT and communication services.

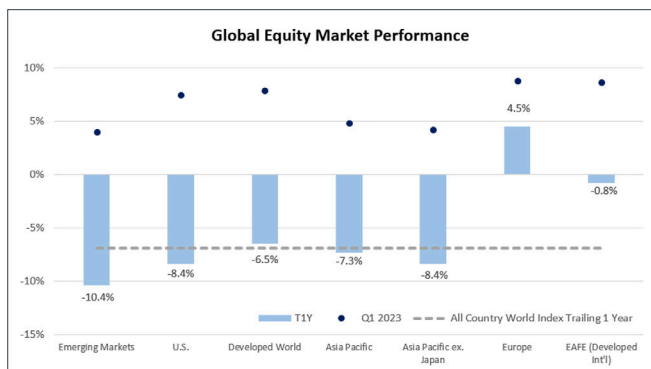


Bloomberg, U.S. indices from Russell and World Indices from MSCI

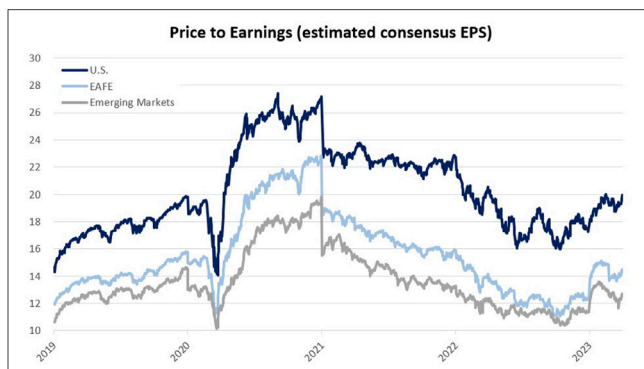
Recovery in many of the U.S. tech platform companies reinforced large-cap performance which well outpaced small-caps. Similar trends also contributed to growth

These sectors benefitted from a greater focus on profitability and cash flow paired with declining interest rates. Bottom performers included the energy and financial sectors.

outpacing value. Similar dynamics were also present within global and international markets.



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



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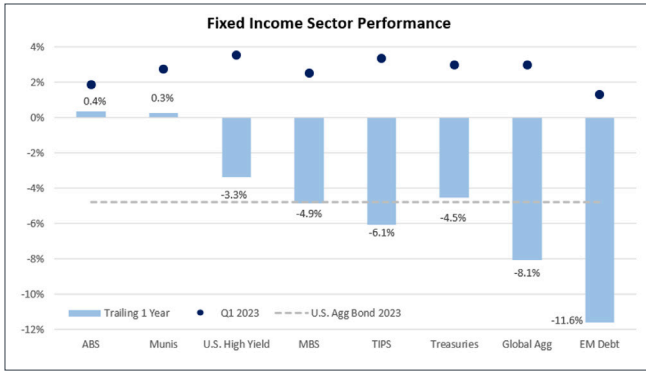
Developed international, and European equities in particular, were the strongest performers out of the gate in 2023. For U.S. investors investing internationally, performance was enhanced by a falling USD. Emerging market equities were positive but continued to lag, largely due to a regulatory overhang over Chinese equities.

Negative equity market performance over 2022 brought valuations lower across the board. While U.S. equities are near historical averages, many international markets are closer to the lower end of recent ranges. Notably, much of the gains so far this year have reflected higher valuations over a rise in earnings.

Fixed Income Markets

All major fixed income sectors were positive for the quarter with returns in the low- to mid-single digits. Although unexpectedly robust inflation data initially pushed bond yields higher, the banking crisis and concerns over financial stability caused yields to sharply retreat, favoring long-duration assets and generating price gains for the quarter. Corporate credit, particularly high yield bonds, and bank loans outperformed despite a pullback in liquidity. Limited credit exposure was a positive for municipal bonds which benefited from their defensive posture as bond market volatility picked up. Credit spreads generally widened, except for corporate high yield, reflecting heightened economic and liquidity risks. Non-agency commercial mortgage-backed securities were hampered by concerns over the moribund office sector and saw the largest increase in spreads.

The turmoil in the banking industry had broad repercussions for the fixed income markets. While expectations for equity volatility remained modest, implied government bond volatility spiked to the highest level since the Global Financial Crisis. Bond yields fell, sometimes dramatically, as was the case for the 2-year Treasury which experienced its steepest decline since the stock market crash of 1987. Market expectations for central bank policy also shifted. The futures market, which once forecasted additional rate hikes leading to a terminal policy rate of 5.5%, now expects the Fed will cut rates by year-end, soon followed by the ECB and BOE. The unwinding of the Silicon Valley Bank and Signature Bank portfolios, which primarily consist of residential and commercial mortgages, also rattled markets, and caused spreads in these sectors to widen. The FDIC which oversees the failed banks has promised to gradually dispose of the assets to minimize market impact.



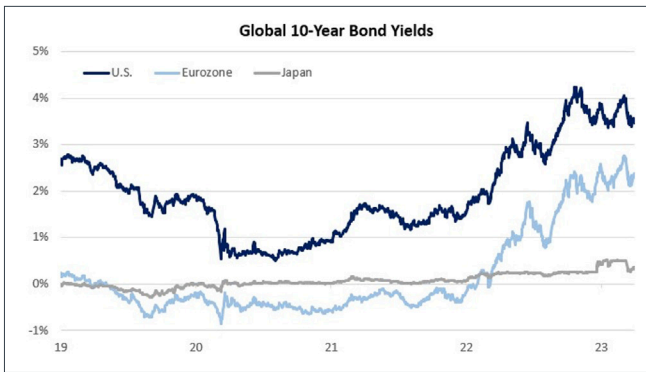
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All major fixed income sectors performed well for the quarter, aided by falling yields and attractive income levels. Credit spreads widened modestly, except for corporate high yield which saw a small decline.



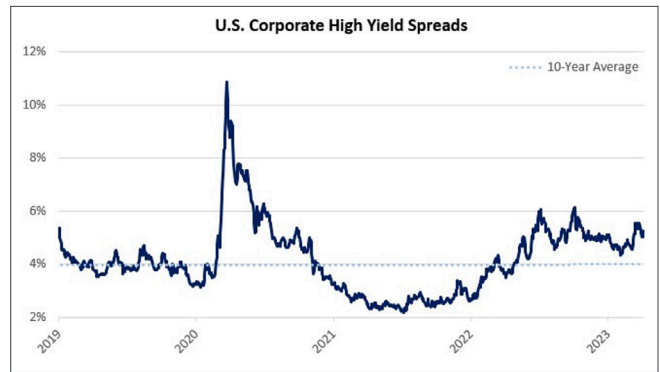
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The MOVE Index (Merrill Lynch Option Volatility Estimate) is a risk measure that reflects expected government bond price volatility. The MOVE Index briefly spiked to 140, the highest level since the GFC, as the banking crisis unfolded and remained elevated at quarter-end.



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Global bond yields declined across most developed nations as the banking crisis unfolded. Inflation levels remained elevated and the Fed and the ECB both chose to move ahead with policy rate hikes in March which impacted short-term yields.



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Credit spreads moved higher across most bond sectors, but corporate high yield bond spreads declined slightly during the quarter. Although default rates remain low, the risk of a recession and tighter liquidity suggest credit spreads have room to increase.

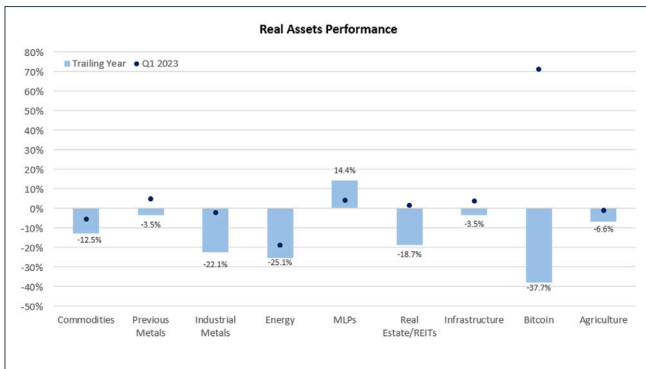
Real Assets

Coming out of a robust 2022 for many real asset categories, 2023 has so far been more mixed. Many energy-oriented commodities have declined reflecting more uncertain forward demand and the potential for a recession. Prices have remained volatile and recently recovered ground after a surprise production cut by OPEC+ of 2 million barrels per day. After reaching decade plus highs last year, an unseasonably warm winter paired with conservation efforts contributed to a collapse in the futures price from close to \$10 per million Btu to \$2 per million Btu. Despite the rapid fall in price, homeowners are unlikely to see too much relief in their gas bills as elevated volatility in spot prices and whipsawing supply and demand dynamics still places upward pressures on utilities' cost structures.

Gold was next to flat last year when CPI averaged close to 8% likely due to a strong dollar and higher yields elsewhere. Both factors have alleviated to a degree converting headwinds into tailwinds for the prominent store of value contributing to a near 10% rise year-to-date. In the digital world, Bitcoin's wild ride continued but took a more positive turn. After declining around 64% last year, the cryptocurrency rose just over 70% through the end of the first quarter of 2023. Although the use cases are still being proven out, shaken confidence after the recent banking crisis seems to have offered some support. Other cryptocurrencies, such as Ethereum, have also recovered from lost ground but often to a lesser degree than the more ubiquitous Bitcoin.

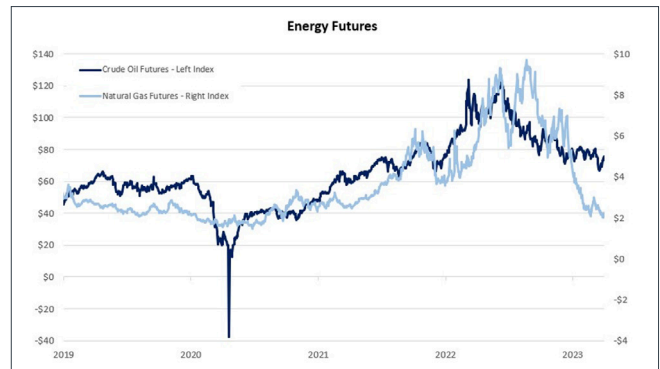
The public real estate market has continued to evolve in a post-COVID world. After a swift recovery earlier in the pandemic, many public REITs' performance faltered during 2022 resulting in many securities trading at

discounts to net asset values (NAVs). Picking up in 2023, REITs with most of their exposure to the more in-demand sectors, including residential and industrial, have continued to hold up well and trade at more expensive cap rates. Lodging and resort focused securities have also maintained their impressive recovery following a roaring back in travel and leisure demand. Office securities have shown little signs of relief reflecting the large levels of uncertainty in future demand.



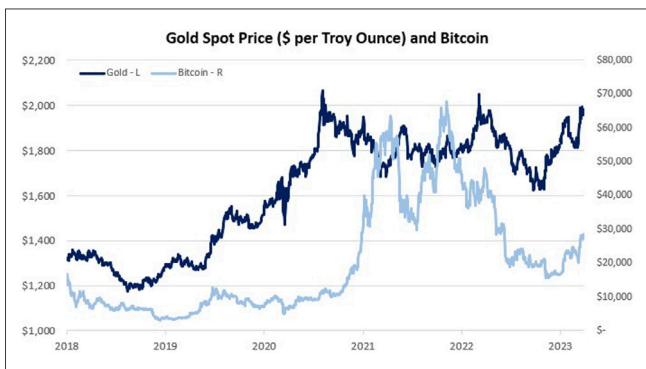
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2023 has so far brought a reversal of trends that occurred in 2022. Energy-oriented commodities, which surged throughout much of last year, have fallen year-to-date based on concerns about future demand. Meanwhile, Bitcoin was more than cut in half last year but has risen more than 70% so far this year.



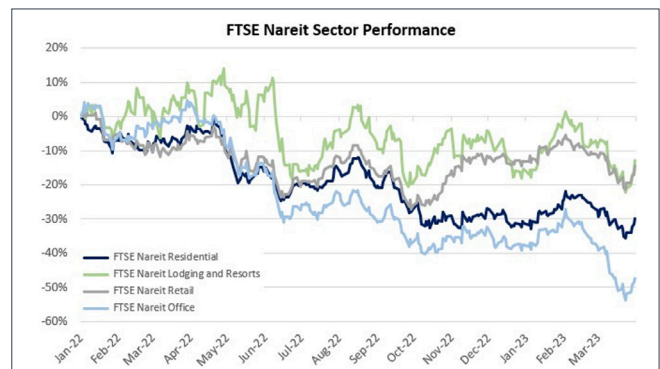
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Swinging supply/demand dynamics paired with an energy transition has kept volatility elevated. Natural gas futures rose to the highest level since the depths of the 2008 financial crisis before retracing back to 2020 lows. Oil briefly eclipsed \$120 per barrel last year but has settled closer to the \$80 per barrel level.



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

Gold and Bitcoin have once again followed very different paths this year, although they are trending in a similar direction. Fear and volatility in the traditional banking system following the collapse of SVB, Credit Suisse, etc., has been supportive for both assets.



National Association of Real Estate Investment Trusts

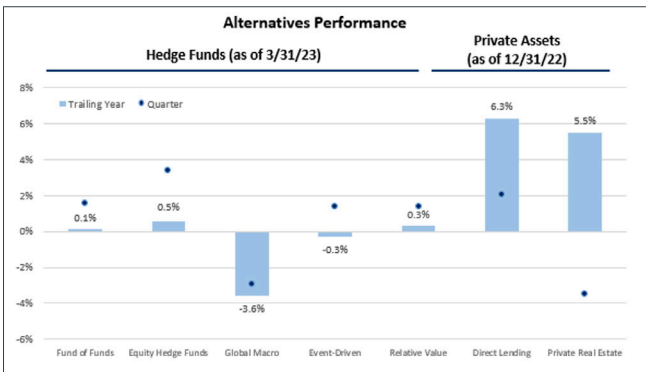
After coming under pressure last year, many areas of the public REIT market have recovered some lost ground over the first quarter. The office sector was an exception as valuations continued to fall and vacancies stayed elevated. Distress is also starting to spread as debt refinancings come due and rates have reset substantially higher.

Alternatives

Private equity valuations are adjusting downward, reflecting price declines in public equity. Higher risk segments, including venture capital and growth equity, have seen the largest corrections. Private equity deal flow and exits have shown signs of life after contracting sharply last year. Secondaries volume declined last year after surging in 2021 but has almost doubled over the past five years as a growing share of general and limited partners seek to meet their strategic and liquidity needs. The percentage of unfunded deals is at a historical low, reflecting a shortage of investment capital. Over the past few quarters, secondaries volume has been fairly balanced between general and limited partners providing diversification across different deal types. Secondaries pricing is down 10% to 20%, with the largest declines in real estate and venture capital, offering attractive return potential for investors. Private real estate has also seen large valuation adjustments as cap rates rose and rental income growth slowed, sometimes resulting in negative performance. Private credit continues to benefit from

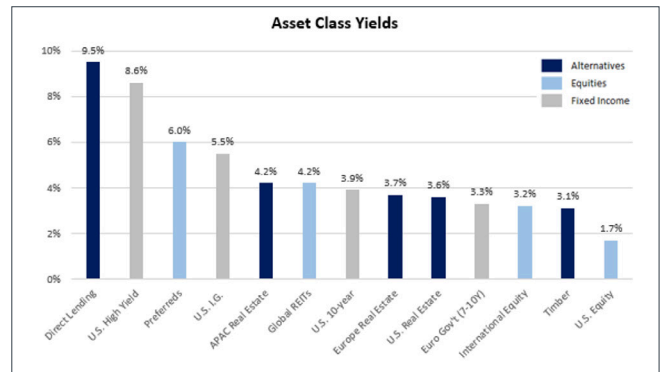
the pullback in bank lending activity and the dislocation in the public debt markets. The banking crisis in the U.S. during the quarter has likely accelerated these trends and will result in further expansion of private credit.

Heightened levels of dispersion paired with more flexible mandates has been a conducive investment backdrop for many hedge fund strategies. After many years of challenged performance, hedge funds have been successful in demonstrating risk-adjusted value add recently. As markets quickly evolve and the dispersion of outcomes stays wide, strategies that have the flexibility to go long and short securities, employ leverage, or invest in more esoteric assets should have an advantage. To kick off 2023, most hedge fund asset classes were positive but rose to a lesser degree than many traditional equity and fixed income asset classes. An exception was global macro which was down, despite being among the top-performing asset classes last. Signs of life in the industry have contributed to several notable launches in late 2022 and early 2023. Within the long/short equity space, funds are increasingly being structured as crossover strategies where they retain the flexibility to invest in both public and private markets.



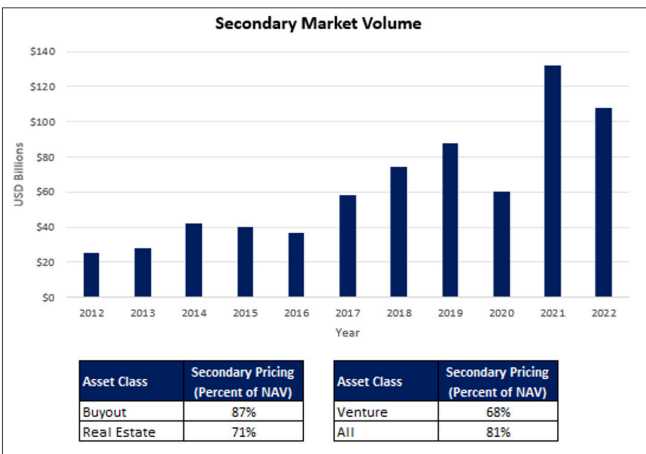
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After a stellar 2022, alternative asset classes generally had another strong quarter. Within hedge funds, more directional strategies produced positive returns, capitalizing somewhat on beta. Private assets, as a group, also produced positive results. Direct lending’s orientation towards floating rate loans allowed investors to benefit from rising yields.



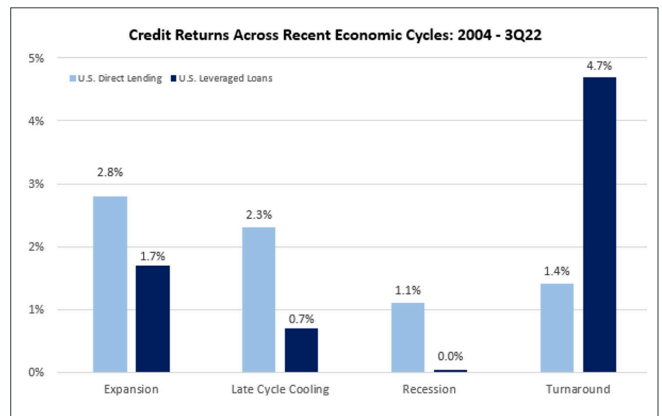
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Yields across nearly all private asset classes are at the most attractive levels in years both in absolute terms and relative to public equity. Direct lending strategies offer yields that rival expected equity returns. Real estate yields are tax-advantaged and are supported by healthy rental growth.



JPMorgan Asset Management as of 2/28/2023

Secondaries volume has almost doubled over the past five years as a growing share of general and limited partners seek to meet their strategic and liquidity needs. Strong demand and lower primary market valuations have dramatically widened discounts.



JPMorgan Asset Management as of 2/28/2023. Returns are through 9/30/2022

Direct lending has demonstrated an all-weather resilience across most parts of the economic cycle, but particularly shine at the tail-end – where we may be today. Leveraged loans tend to do well coming out of a recession and can be utilized as a more tactical allocation.

Capital Market Returns

	Q1 2023	Trailing 1 Year
Cash and Fixed Income		
U.S. Treasury Bills	1.1%	2.6%
Bloomberg Barclays U.S. Aggregate Bond	3.0%	-4.8%
Bloomberg Barclays Municipal Bond	2.8%	0.3%
Bloomberg U.S. Treasury Inflation-Link Bond	3.3%	-6.1%
Bloomberg Barclays Global Aggregate ex. USD	3.1%	-10.7%
Bloomberg Emerging Markets Tradeable Debt	1.3%	-11.6%
Real Assets		
Bloomberg Commodity	-5.4%	12.5%
DJ U.S. Real Estate	1.6%	-18.7%
S&P Global Infrastructure Index	3.9%	-3.5%

	Q1 2023	Trailing 1 Year
U.S. Equity		
S&P 500	7.5%	-7.7%
Russell 3000	7.2%	-8.6%
Russell 2000	2.7%	-11.6%
International Equity		
MSCI ACWI ex. U.S.	6.6%	-5.8%
MSCI EAFE (Developed)	8.5%	-1.4%
MSCI Emerging Markets	4.0%	-10.7%
Alternatives		
HFRI Fund of Funds Composite	1.6%	-1.1%
Cliffwater Direct Lending Index*	2.1%	6.3%
NCREIF Property Index*	-3.5%	5.5%

Morningstar, Bloomberg, and Hedge Fund Research, Inc. (HFRI), * trailing quarter and year as of 12/31/2022

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