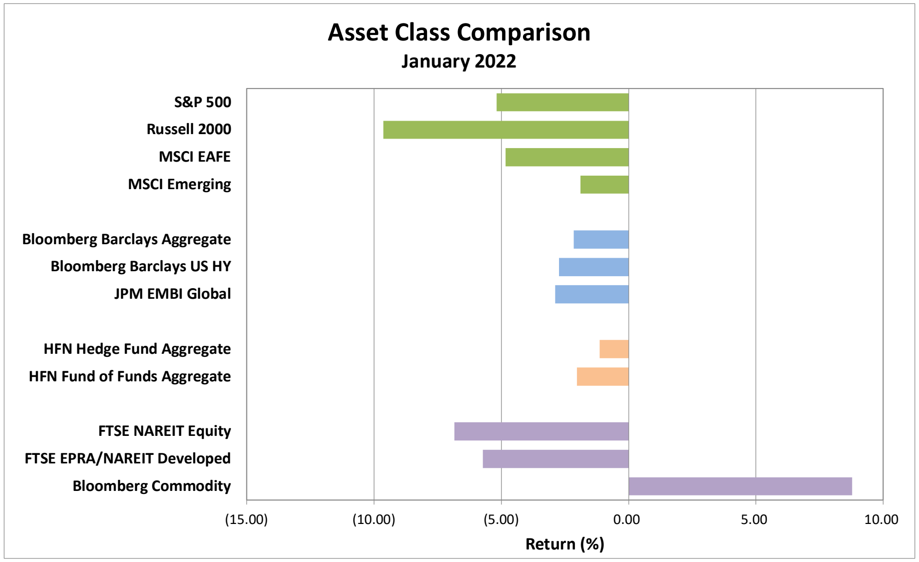

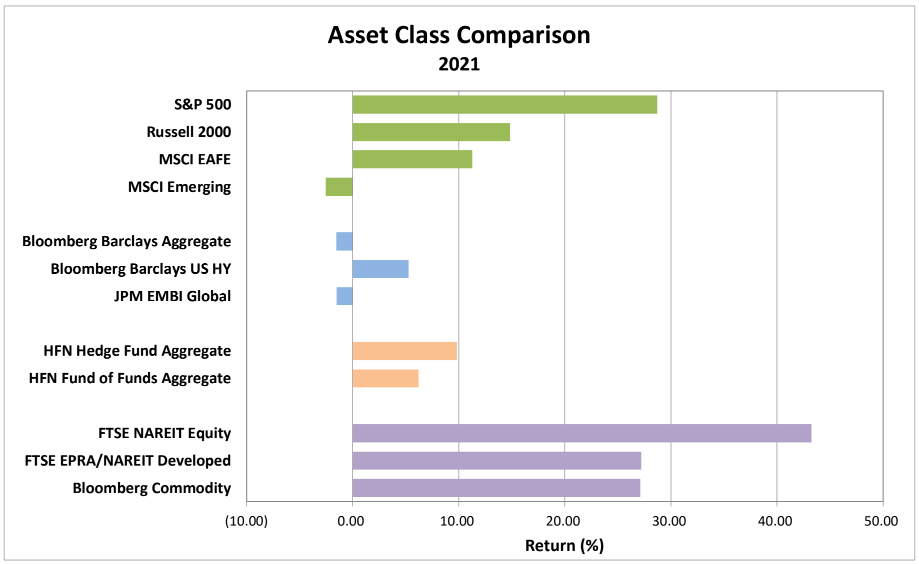

Market Overview

- Global equity markets declined significantly on concerns surrounding inflation, an increasingly hawkish U.S. Federal Reserve as well as risk of slower economic growth given the Omicron variant and supply disruptions. In the U.S., the release of last month's Federal Open Market Committee meeting minutes and comments after the January meeting signaled an increase in rates would happen soon and a reduction in the Fed balance sheet would start sometime thereafter. By month's end, the market was pricing in five rate hikes in 2022, up from three. Exacerbating the market angst was U.S. inflation readings which have impacted more stubborn and consequential areas such as shelter costs with the Consumer Price Index (CPI) increasing by 7.0% year-over-year, the highest since 1982, and Core CPI, ex food & energy, up 5.5%. In Europe, inflation was up 5.0% year-over-year, but despite pressure, the ECB said rate hikes are not yet being considered. While developed market stocks were down significantly, emerging markets outperformed with more modest declines, buoyed by increases in commodity prices.

- Global interest rates increased with the U.S. leading the way. The Bloomberg Barclays Capital (BBC) U.S. Aggregate Bond Index shed 2.15% for the month as prices on Treasury securities and corporate credit declined. Corporate credit lost ground as valuations were already stretched going into initial Q4 earnings reports, which were mixed on higher corporate expenses. Treasury Inflation Protected Securities (TIPS) declined 2.0% for the month as real yields increased on an abrupt rise in nominal rates given hawkish Fed comments. High yield was down 2.8% while emerging market debt was down 2.9%.

- REITS pulled back after being the top performing sector in 2021 on an abrupt rise in rates and overall decline in equity markets. Commodities were up 8.8% in January driven by energy which surged 22%. Natural gas was up 37% while WTI crude was up 17.8%. Hedge funds provided some protection, particularly macro and CTA/managed futures strategies.

Equity Markets

The S&P 500 Index returned -5.2% in January with value stocks outperforming growth by 680 bps. Energy (+19.1%) and financials (+0.1%) were the only industries with positive performance given moves in oil prices and rates. Laggards included last year's top performers - consumer discretionary (-9.7%), real estate (-8.5%) and IT (-7.0%). Economically sensitive small cap stocks underperformed large caps. International developed market stocks outperformed the U.S. with the U.K. being one the better performers given more exposure to financial and resource stocks. The U.S. Dollar was stronger versus developed market currencies but was weaker against emerging markets, particularly Latin American currencies. In emerging countries, markets were mixed with China and Russia declining while stocks in the Middle East and Latin America, namely the oil exporters, rose in January.

Fixed Income Markets

Global government bond markets pulled back as the U.S. Fed became more hawkish in its comments. In the U.S., interest rates increased, and the yield curve flattened with the yield on the 2-year Treasury increasing by 45 bps to 1.18% and the 10-year yield increasing by 27 bps to 1.78%. Corporate credit spreads widened with investment grade corporates underperforming comparable duration Treasuries by 115 bps. Securitized sectors held in much better with mortgage-backed securities underperforming like-duration Treasuries by 12 bps and asset backed securities outperforming by 20 bps. High yield pulled back with spreads widening 59 bps to 342 bps with losses of -2.7%. Other government bond sectors such as emerging and developed markets were all down on an abrupt rise in rates. The only sector with positive absolute returns for the month was floating rate leveraged loans (aka bank loans).

Alternative Strategies

Hedge funds in aggregate posted more modest negative returns overall (-1.1%) with the best performers including CTA/managed futures, relative value, and global macro with directional equity and credit strategies lagging. The fund of funds composite index returned -2.0% in January.

Developed Market Returns (%)

	Month	Year to Date
S&P 500	(5.17)	(5.17)
Russell 2000	(9.63)	(9.63)
MSCI EAFE ($)	(4.83)	(4.83)
MSCI Europe ($)	(4.58)	(4.58)
MSCI UK ($)	0.90	0.90
MSCI Japan ($)	(5.07)	(5.07)
MSCI Pacific ex Japan ($)	(5.60)	(5.60)

Source: eVestment Alliance, MSCI, S&P, Russell

Emerging Market Returns (%)

	Month	Year to Date
MSCI EM ($)	(1.89)	(1.89)
MSCI EM Asia ($)	(3.48)	(3.48)
MSCI EM EMEA ($)	2.56	2.56
MSCI EM Latin America ($)	7.38	7.38

Source: eVestment Alliance, MSCI

U.S. Fixed Income Returns (%)

	Month	Year to Date
Bloomberg Barclays Aggregate	(2.15)	(2.15)
Bloomberg Barclays Government	(1.87)	(1.87)
Bloomberg Barclays U.S. TIPS	(2.02)	(2.02)
Bloomberg Barclays U.S. Inv. Grade Corp	(3.37)	(3.37)
Bloomberg Barclays U.S. Mort. Backed	(1.48)	(1.48)
Bloomberg Barclays U.S. High Yield	(2.73)	(2.73)
Credit Suisse Leveraged Loan	0.36	0.36

Source: eVestment Alliance, Bloomberg Barclays, Credit Suisse

Non-U.S. Fixed Income Returns (%)

	Month	Year to Date
FTSE Non-U.S. WGBI Hedged	(1.25)	(1.25)
FTSE Non-U.S. WGBI Unhedged	(2.29)	(2.29)
JP Morgan EMBI Global	(2.89)	(2.89)

Source: eVestment Alliance, FTSE, JP Morgan