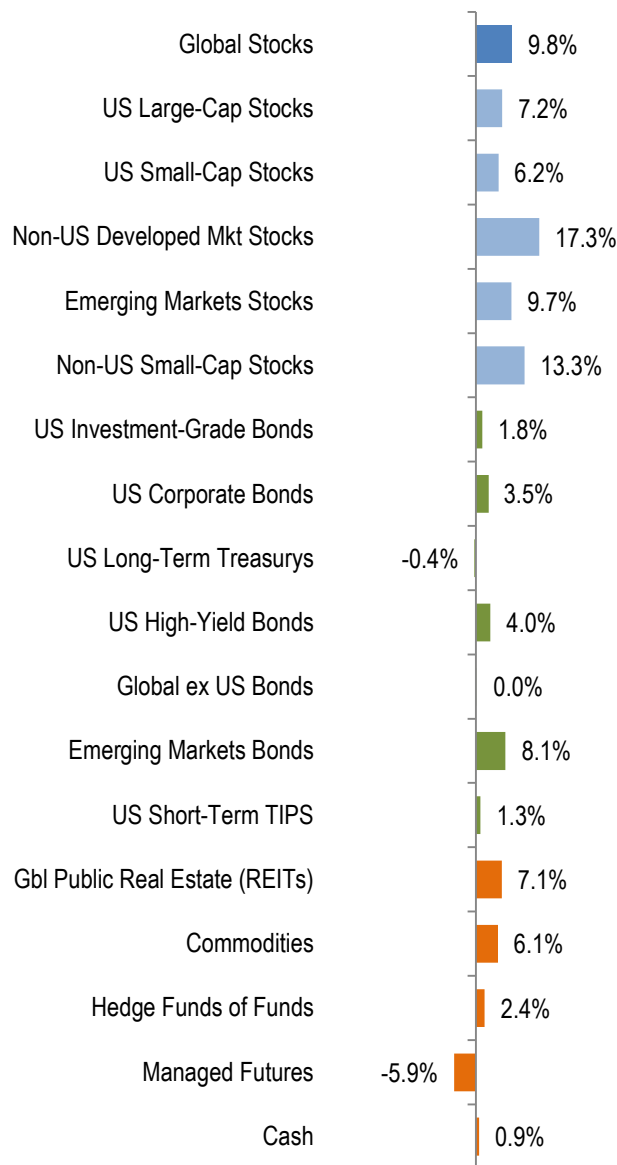


Fourth Quarter 2022



Fourth Quarter 2022: What's Next?

A tepid fourth-quarter rally in both stocks and bonds helped cut losses to close out a frustrating year for investors. For the full year, both global stock and investment-grade bond market indices suffered double-digit losses, as stock/bond diversification failed to meaningfully protect portfolios. A traditionally diversified portfolio of 60% stocks and 40% bonds suffered the fourth worst drawdown in the last century, measured in both real and nominal terms.

After battering markets during much of the calendar year, inflation showed signs that it may in fact have peaked in the fourth quarter. Cooler inflation readings, consumer spending resilience, as well as better-than-expected corporate earnings helped rally shares in the first two months of the quarter before a more worrisome narrative took hold in December to depress the market. Investors, who have now seen the post-COVID enthusiasm fully fade from the markets, have returned their focus to the Federal Reserve, the expected path of future interest rates, and the economic and market implications thereof. The uncertainty surrounding these complex questions has kept markets depressed.

The higher expected returns created by this uncertainty offer opportunity. Just one year ago, with interest rates near their all-time lows and valuation ratios near their highs, investors were left with a menu of unattractive opportunities. Investment options now are much more normalized. Interest rates sit near their 25-year averages, and stocks are priced by various metrics near their 25-year medians. With both stocks and bonds again offering reasonable future returns, we believe that the "T.I.N.A." (there is no alternative) market that helped create SPAC, meme stock, and cryptocurrency mania has ended. While nobody knows what comes next, we are comforted that valuations offer more compensation for the uncertainty today.

	QTD	YTD	1 Year	3 Years	5 Years	15 Years
Global Stocks	9.8%	(18.4%)	(18.4%)	3.9%	5.0%	5.0%
US Large-Cap Stocks	7.2%	(19.1%)	(19.1%)	7.3%	9.1%	8.8%
US Large-Cap Value	12.4%	(7.5%)	(7.5%)	6.0%	6.7%	7.0%
US Large-Cap Growth	2.2%	(29.1%)	(29.1%)	7.8%	11.0%	10.3%
US Small-Cap Stocks	6.2%	(20.4%)	(20.4%)	3.1%	4.1%	7.2%
US Small-Cap Value	8.4%	(14.5%)	(14.5%)	4.7%	4.1%	6.8%
US Small-Cap Growth	4.1%	(26.4%)	(26.4%)	0.7%	3.5%	7.3%
Non-US Developed Markets (USD)	17.3%	(14.5%)	(14.5%)	0.9%	1.5%	1.8%
Non-US Developed Markets (Local)	8.7%	(7.0%)	(7.0%)	3.6%	3.8%	3.5%
Emerging Markets (USD)	9.7%	(20.1%)	(20.1%)	(2.7%)	(1.4%)	0.7%
Emerging Markets (Local)	6.6%	(15.5%)	(15.5%)	0.1%	1.3%	3.2%
US Investment-Grade Bonds	1.8%	(13.2%)	(13.2%)	(2.8%)	0.0%	2.7%
US Long-Term Treasurys	(0.4%)	(28.2%)	(28.2%)	(7.0%)	(2.0%)	3.6%
Gbl Public Real Estate (REITs)	7.1%	(24.4%)	(24.4%)	(4.1%)	0.7%	2.9%
Hedge Funds of Funds	2.4%	(4.7%)	(4.7%)	3.9%	3.2%	1.8%
Cash	0.9%	1.5%	1.5%	0.8%	1.3%	0.7%

Returns for periods longer than 1 year are annualized.

Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, S&P Dow Jones Indices, MSCI, FTSE Russell, ICE BofA, Credit Suisse, JP Morgan, HFRI

The U.S. Senate passed a roughly \$2 trillion coronavirus response bill intended to provide relief across the American economy.

Labor Department data showed that US job openings reached a record 9.3 million.

The May 2022 inflation report, released by the US Bureau of Labor Statistics showed the Consumer Price Index at +8.6% year over year, the largest 12-month increase since 1981.

President Biden signed a third stimulus bill into law, releasing \$1.9 trillion in emergency relief funds into the US economy.

Federal Reserve Chair Jerome Powell reaffirmed the central bank's plan to begin reversing its easy-money policies sometime in 2022.

US oil futures reached \$130 a barrel as Russia invaded Ukraine.

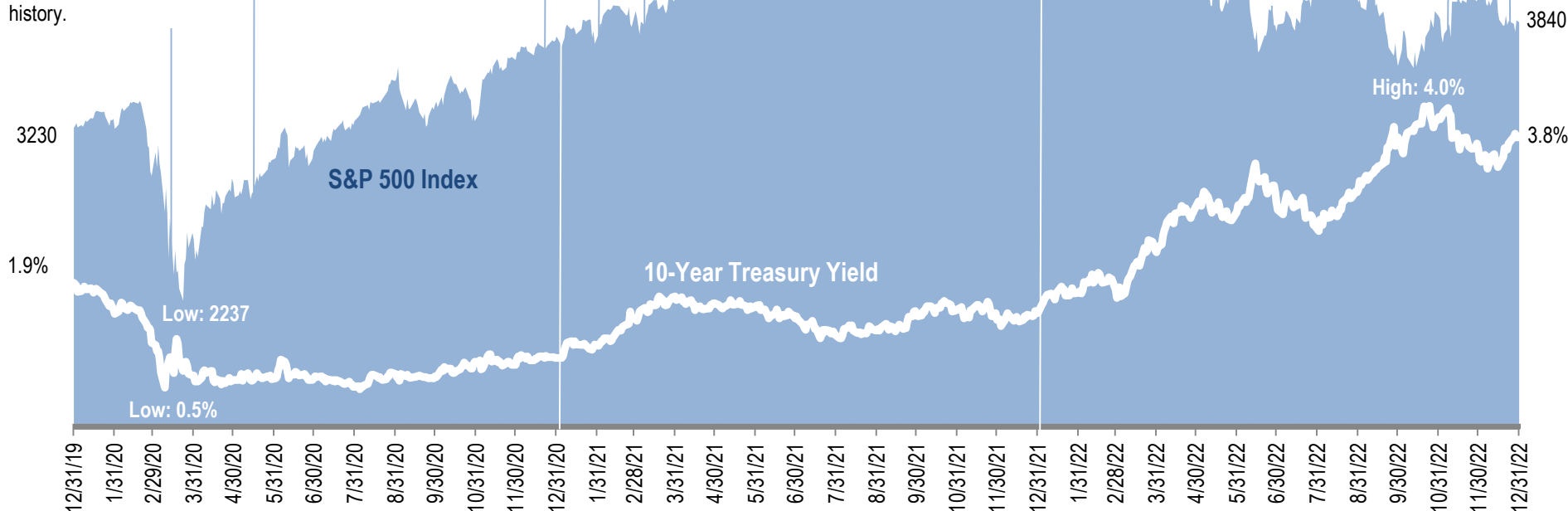
Q3 2022 GDP readings were adjusted upwards highlighting strong growth in exports and consumer spending.

October 2022 inflation came in below expectations at a 7.7% annual increase versus a 8.0% rate that was expected - a possible signal that inflation is starting to slow down.

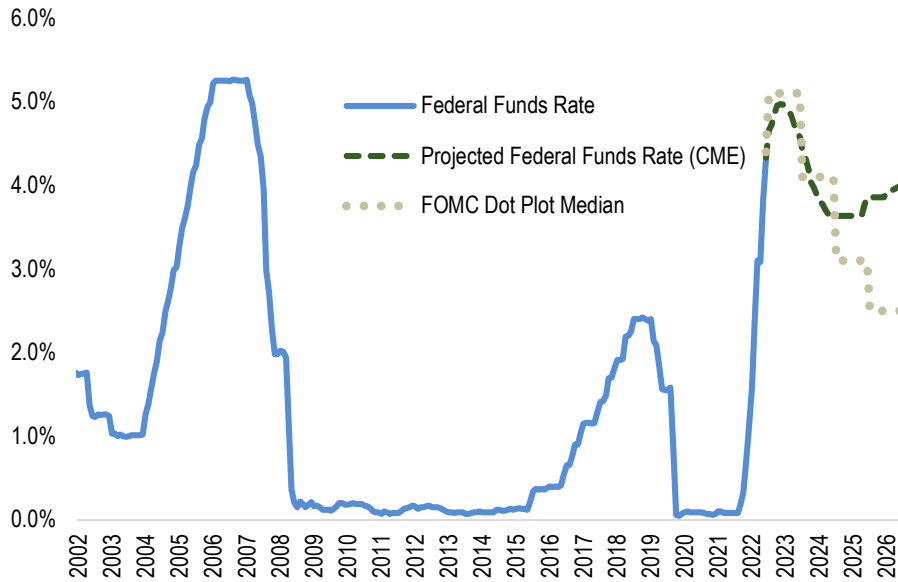
In response to the market crisis started by the outbreak of COVID-19, the Federal Reserve made an emergency cut to interest rates, the largest emergency reduction in the Fed's more than 100-year history.

President Trump signed a stimulus bill into law, releasing \$900 billion in emergency relief funds into the US economy.

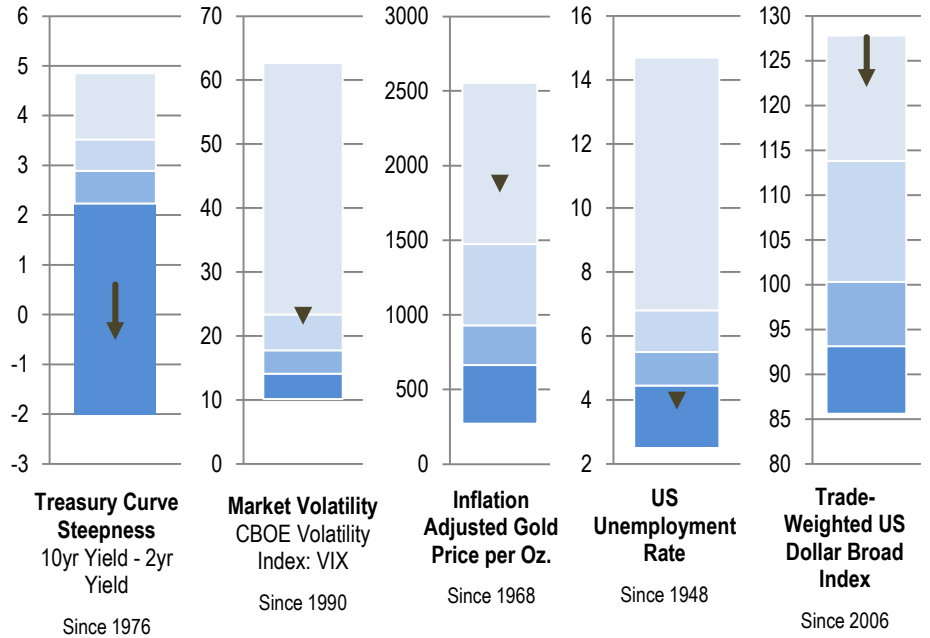
In May 2021, home prices topped \$350,000 for the first time according to the National Association of Realtors, a 23.6% rise from the previous year.



Federal Funds Rate

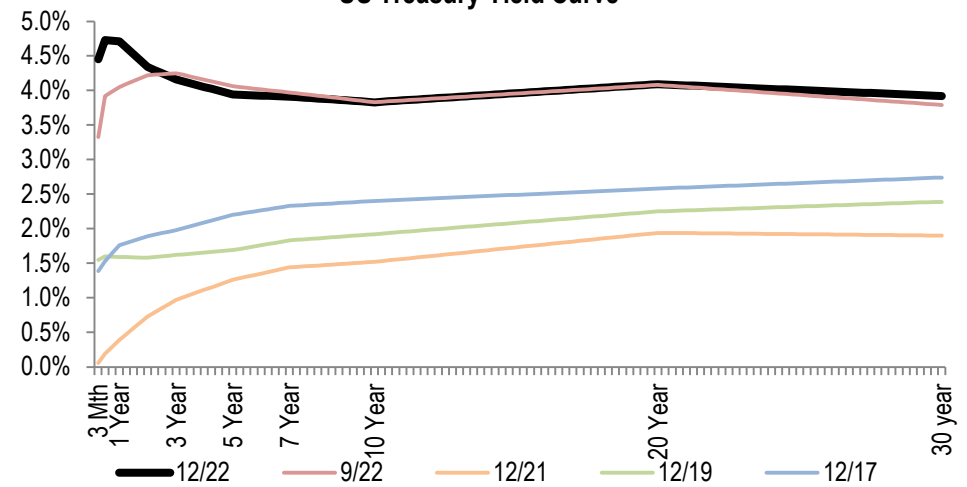


As of December 31, 2022



	<u>12/2022</u>	<u>9/2022</u>	<u>12/2021</u>	<u>12/2019</u>	<u>12/2017</u>
Market Inflation Expectations					
5 Year	2.3	2.1	2.9	1.7	1.9
10 Year	2.3	2.2	2.6	1.8	2.0
20 Year	2.5	2.4	2.6	1.9	2.0
CPI Year-over-Year	6.4	8.2	7.1	2.3	2.1
West Texas Crude Oil	80.2	79.9	75.3	61.1	60.5
Consumer Sentiment Index	59.7	58.6	70.6	99.3	95.9
S&P 500 Operating EPS	53.5*	50.4	56.7	39.2	33.9
Real GDP Growth YoY	---	3.2	7.0	1.8	4.1
Federal Funds Rate	4.33	2.56	0.08	1.55	1.30

US Treasury Yield Curve

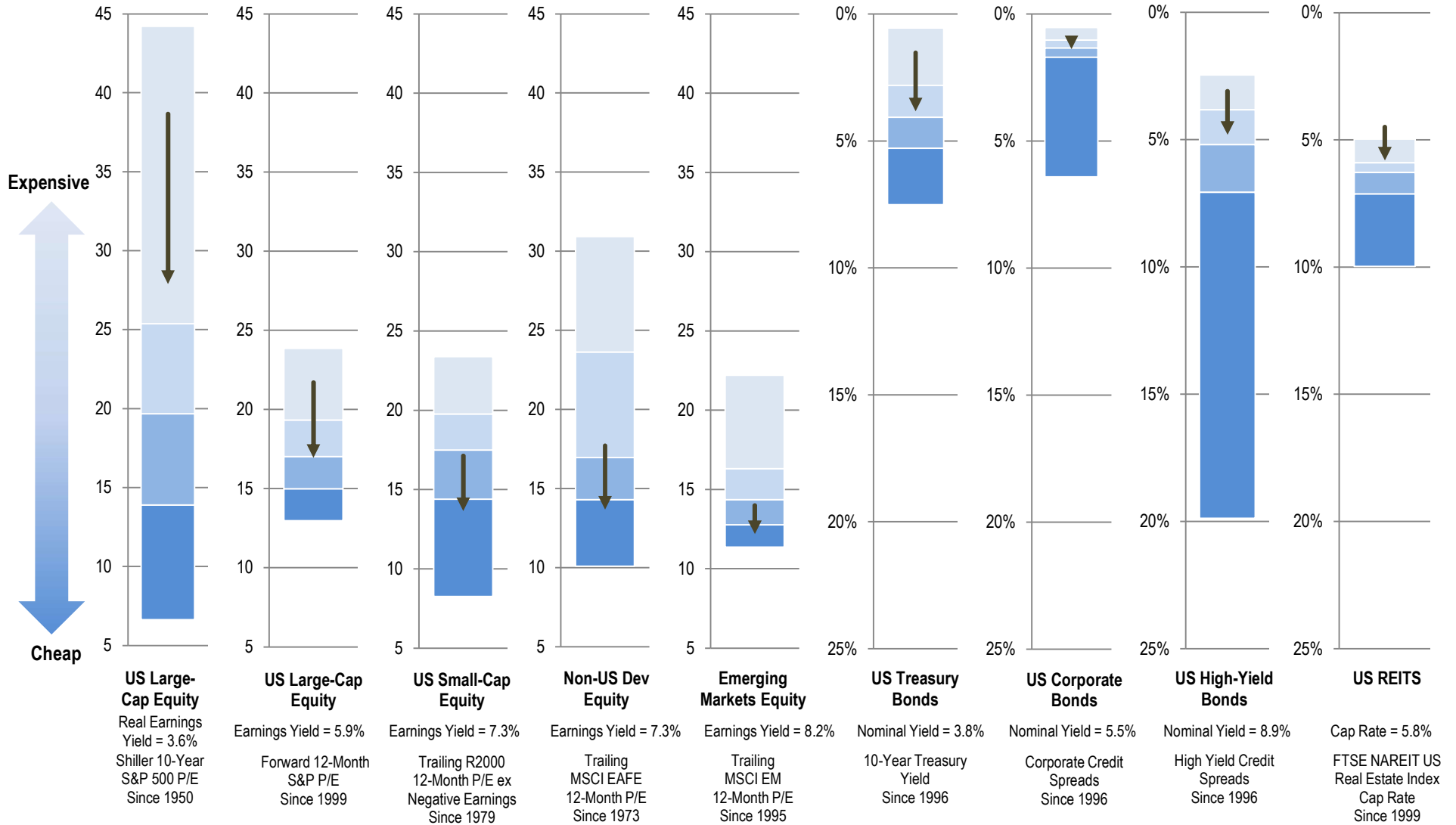


Sources: Sellwood Consulting LLC, Morningstar, Federal Reserve Economic Data, CME Group, S&P Dow Jones Indices

Arrows in the top-right charts represent year on year change.

*Estimate provided by S&P Dow Jones Indices.

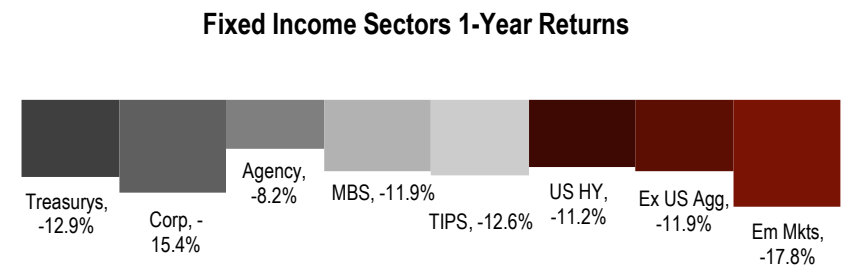
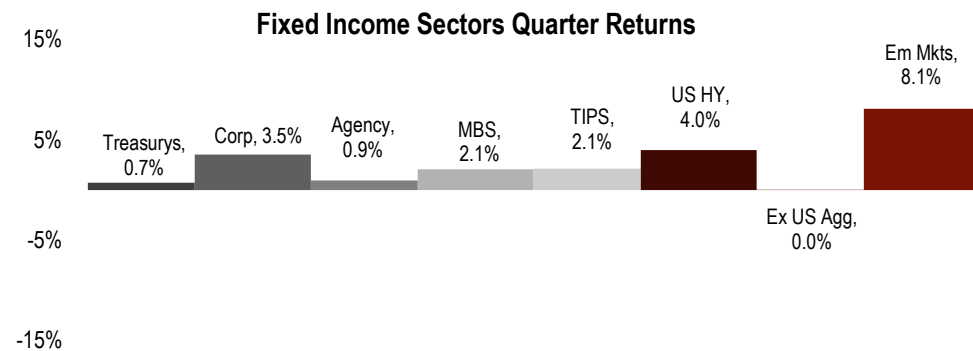
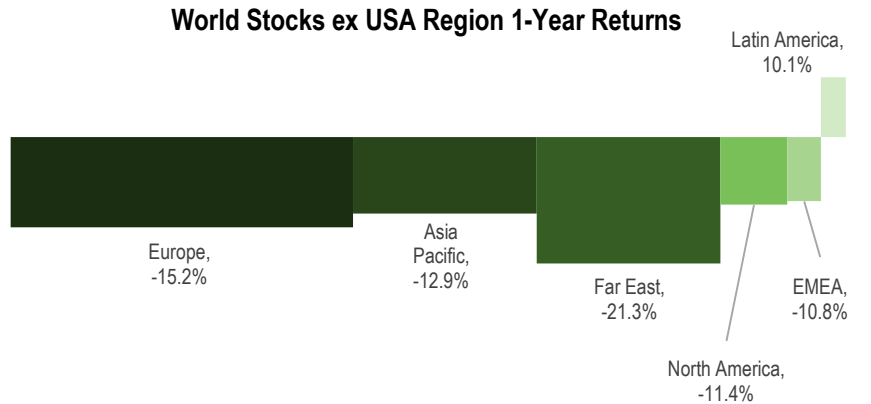
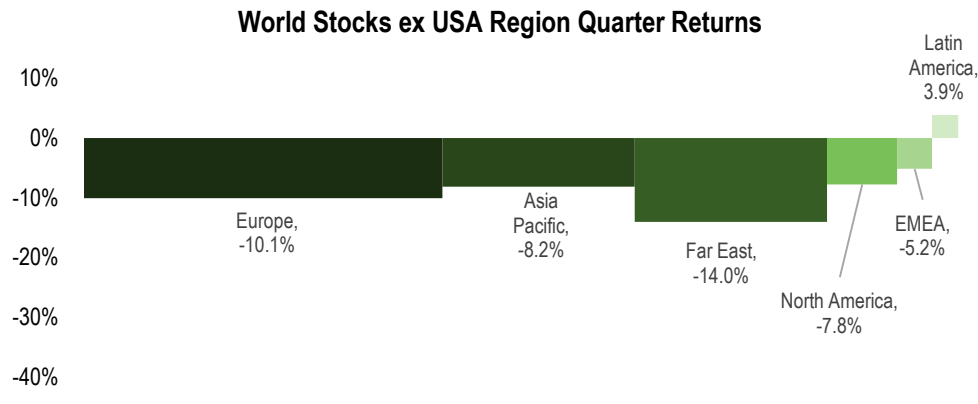
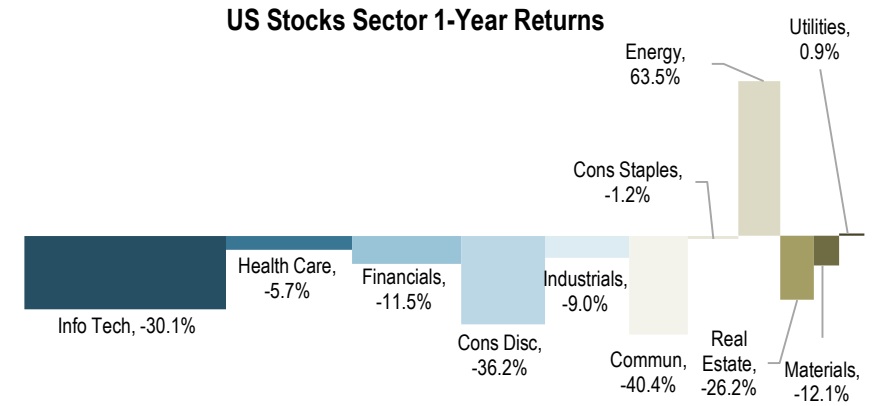
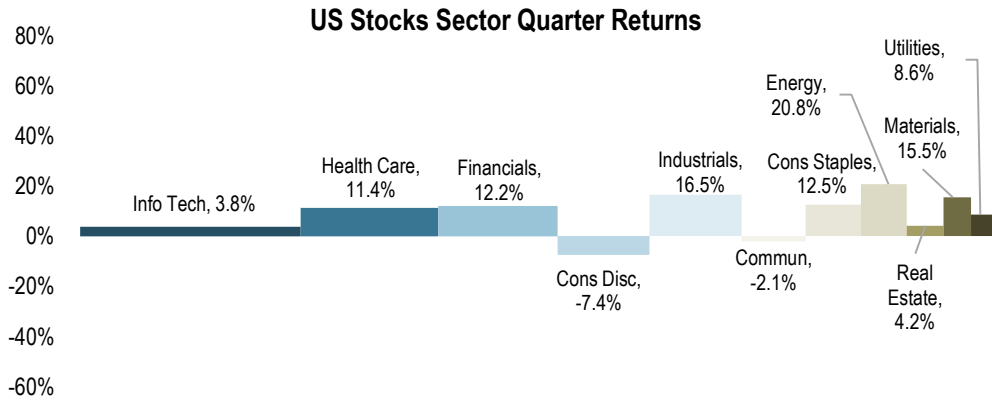
As of December 31, 2022



Arrows represent year on year change. Trailing 12 month P/E and cap rate metrics exclude the top and bottom 5%. P/E metrics calculated by Investment Metrics and Morningstar may use different methodology.

Sources: Sellwood Consulting LLC, Robert Shiller Data, S&P Dow Jones Indices, FTSE Russell, MCSI, Federal Reserve Economic Data, NAREIT

As of December 31, 2022



The equity bar widths depict end of the quarter region and sector weights. Fixed income bar widths do not depict specific sector weights. The Far East includes Hong Kong, Japan and Singapore.

Sources: Sellwood Consulting LLC, Morningstar, S&P Dow Jones Indices, MSCI, ICE BofA

As of December 31, 2022

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	1/1/2013 - 12/31/2022	Legend
39%	24%	4%	21%	37%	2%	31%	20%	43%	25%	8%	Global Stocks
32%	16%	1%	17%	25%	0%	26%	18%	29%	22%	13%	US Large-Cap Stocks
24%	16%	1%	16%	24%	0%	26%	18%	27%	1%	9%	US Small-Cap Stocks
23%	14%	0%	12%	22%	-2%	23%	17%	18%	-4%	5%	Non-US Developed Market Stocks
9%	6%	0%	11%	15%	-2%	22%	16%	15%	-5%	1%	Emerging Market Stocks
7%	5%	0%	8%	11%	-4%	19%	11%	11%	-11%	1%	US Investment-Grade Bonds
7%	4%	0%	5%	8%	-4%	18%	8%	8%	-13%	1%	US Long-Term Treasuries
4%	3%	-1%	4%	8%	-4%	14%	8%	6%	-14%	4%	US High-Yield Bonds
0%	3%	-1%	3%	8%	-5%	14%	6%	6%	-18%	1%	US Short-Term TIPS
-2%	0%	-2%	3%	7%	-10%	9%	6%	5%	-18%	4%	Public Real Estate (REITs)
-2%	-1%	-4%	1%	4%	-11%	8%	2%	0%	-20%	5%	Managed Futures
-2%	-2%	-5%	1%	1%	-11%	5%	1%	-2%	-20%	4%	Hedge Funds of Funds
-3%	-5%	-15%	1%	1%	-14%	2%	-8%	-3%	-24%	1%	Commodities
-12%	-26%	-29%	0%	-2%	-15%	-5%	-8%	-5%	-28%	1%	Cash

Returns for the period from 1/1/2013 - 12/31/2022 are annualized.

Sources: Sellwood Consulting LLC, Morningstar, S&P Dow Jones Indices, MSCI, FTSE Russell, ICE BofA, Credit Suisse, JP Morgan, HFRI