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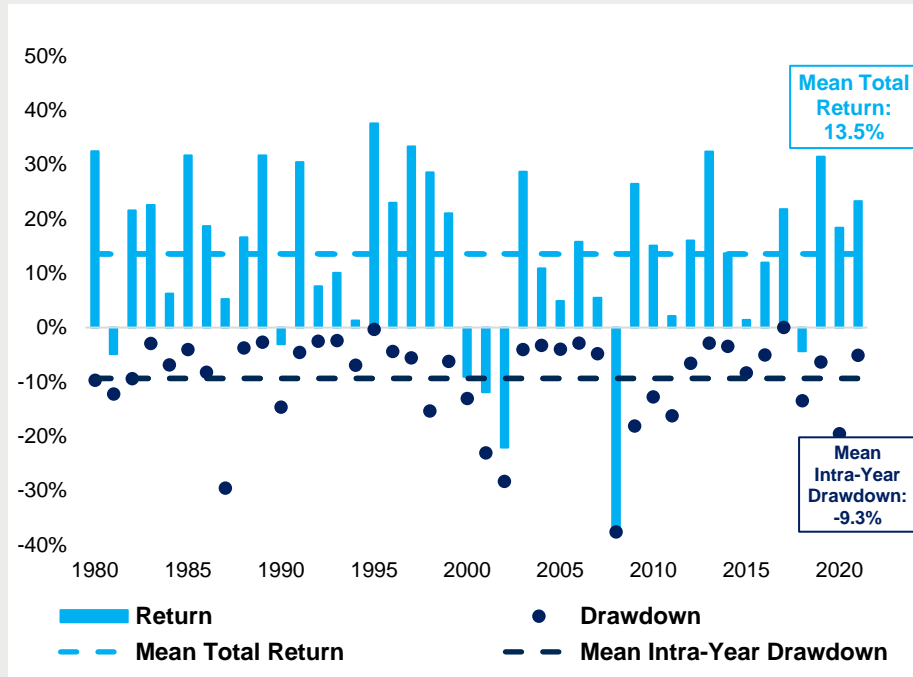
Market Perspectives

March 2022



Volatility Ahead: Be Comfortable with Your Risk Exposure

Volatility is Not Inherently Evil



Volatility is a necessary evil in the investing landscape. However, more volatility is not always a recipe for lower market returns. Since 1983, the mean intra-year drawdown was 9.3 percent. However, the mean calendar year return was 13.5 percent.

Higher volatility means a higher likelihood of making an emotional decision at the wrong time when allocating capital. Reassessing your ability to bear risk ahead of volatility helps stay the course when it arrives.

Source: Morningstar, as of December 20, 2021. Returns represented by S&P 500 Index. Use of Indices and Benchmark Return Indices cannot be invested in directly. Index performance is reported gross of fees and expenses and assumes the reinvest dividends and capital gains. Past performance does not indicate future performance and there is a possibility of a loss. See disclosure page for indices representing each asset class.

Portfolio Impact

Increasing allocations to U.S. equities, diversifying away from concentrated interest rate risks present in fixed income indexes and further **distributing allocations across real assets** can help guard against the potential for higher volatility across global markets and the numerous ways in which it can manifest. However, we continue to remind investors that timing markets rarely proves to be a successful investment strategy. Rather, understanding your ability to bear risk and thoughtfully managing risk exposures can lead to more persistent success over time.



Pullbacks Should Be Expected (over Time)

“What's unusual is not that we've had a 10% correction; what's unusual is how long it's been between corrections.

In February-March 2020, the S&P 500 dropped about 33% before recovering. Prior to that, the last 10% decline was in late 2018, when the Fed talked about raising rates aggressively; that period — from the end of September to just before Christmas — resulted in a decline of 19% for the S&P 500.

That's two 10%+ corrections in the last 3 years and 2 months. That works out to a correction every 19 months. While that sounds like a lot, it is below the historic norm.” (CNBC, January 25, 2022)

Declines in the S&P 500 since 1946

Decline	# Occurrences	Approximate Frequency	Average Time to Recover (in months)
5%-10%	84	~ 1x per year	1
10%-20%	29	~ Every 2.5 years	4
20%-40%	9	~ Every 8.5 years	14
40%+	3	~ Every 25 years	58

Source: Guggenheim; data through 12/31/2021.



Geopolitical Events & Past Market Pullbacks

Research from CFRA showed market upheaval from geopolitical events has generally been fleeting.

The firm analyzed 24 events since World War II and found:

- The S&P 500 fell on average 5.5% from peak to trough in the aftermath of those events.
- The market took at average of 24 days from the start of the event to reach a bottom.
- The market recouped losses an average of 28 days later.

Source – Reuters: “As markets churn over Russia-Ukraine conflict, history shows fleeting impact.” Analysis through 12/31/2021.



Geopolitical Events & Past Market Pullbacks

Historically, market pullbacks have typically been rather short-term following a notable geopolitical event, so long as the geopolitical event didn't coincide with or start a recession. (This is by no means a guarantee, though it does provide valuable historical perspective.)

Date	Select geopolitical/ military events	1- month later	3- months later	6- months later	12- months later
12/7/1941	Pearl Harbor	-3.4%	-12.7%	-9.1%	0.4%
10/31/1956	Suez Canal crisis	-2.8%	-3.8%	-0.1%	-11.5%
10/20/1962	Cuban missile crisis	8.7%	17.7%	25.1%	32.0%
10/17/1973	Arab oil embargo	-7.0%	-13.2%	-14.4%	-36.2%
11/3/1979	Iranian hostage crisis	4.2%	11.6%	3.8%	24.3%
12/25/1979	U.S.S.R. in Afghanistan	5.6%	-7.9%	6.9%	25.7%
8/3/1990	Iraq invades Kuwait	-8.2%	-13.5%	-2.1%	10.1%
1/17/1991	Gulf War	15.2%	23.5%	20.6%	33.1%
8/17/1991	Gorbachev coup	0.0%	3.0%	7.0%	8.9%
2/26/1993	World Trade Center bombing	1.2%	2.5%	4.0%	6.4%
9/11/2001	9/11	-0.2%	2.5%	6.7%	-18.4%
3/20/2003	Iraq War	2.2%	15.6%	17.4%	28.4%
	Average	1.3%	2.1%	5.5%	8.6%
	% Positive	50%	58%	67%	75%

Source: Truist; data through 12/31/2021.



Geopolitical Events & Past Market Pullbacks

Geopolitical / Military Event (Start Date)	S&P 500 Index Price Return (%)				
	3 Months Later	Annualized			
		1 Year Later	3 Years Later	5 Years Later	10 Years Later
US Bombs Cambodia (April 1970)	-4.6	27.1	9.4	0.9	2.6
Arab Oil Embargo (October 1973)	-13.2	-36.2	-2.9	-1.4	4.4
Iranian Hostage Crisis (November 1979)	11.6	25.9	11.4	10.3	12.7
USSR Invades Afghanistan (December 1979)	-8.8	26.2	9.1	9.0	12.4
Beirut Bombing (October 1983)	-0.7	0.7	13.0	11.3	10.8
US Invades Grenada (November 1983)	-1.1	0.7	12.8	11.2	10.8
US Bombs Libya (April 1986)	-0.5	19.9	8.3	9.9	10.5
Invasion of Panama (December 1989)	-2.9	-6.9	7.5	5.6	15.0
Iraq Invades Kuwait (August 1990)	-10.5	10.2	8.6	9.7	15.1
Operation Desert Storm (January 1991)	21.5	32.3	14.5	14.0	15.4
Gorbachev Coup (August 1991)	-1.8	9.3	6.3	11.5	11.9
World Trade Center Bombing (February 1993)	1.5	5.4	13.7	18.7	6.5
9/11 Terrorist Attacks (September 2001)	2.5	-16.7	0.9	3.5	0.6
Iraq War (March 2003)	15.6	27.0	14.3	8.2	5.9
Russia Invades Georgia (August 2008)	-34.3	-22.3	-4.7	5.5	8.1
Russia Invades Crimea (March 2014)	3.9	10.7	8.0	7.9	---
Median	-0.9	9.8	8.9	9.4	10.8
Average	-1.4	7.1	8.1	8.5	9.5
% Positive	38%	75%	88%	94%	100%

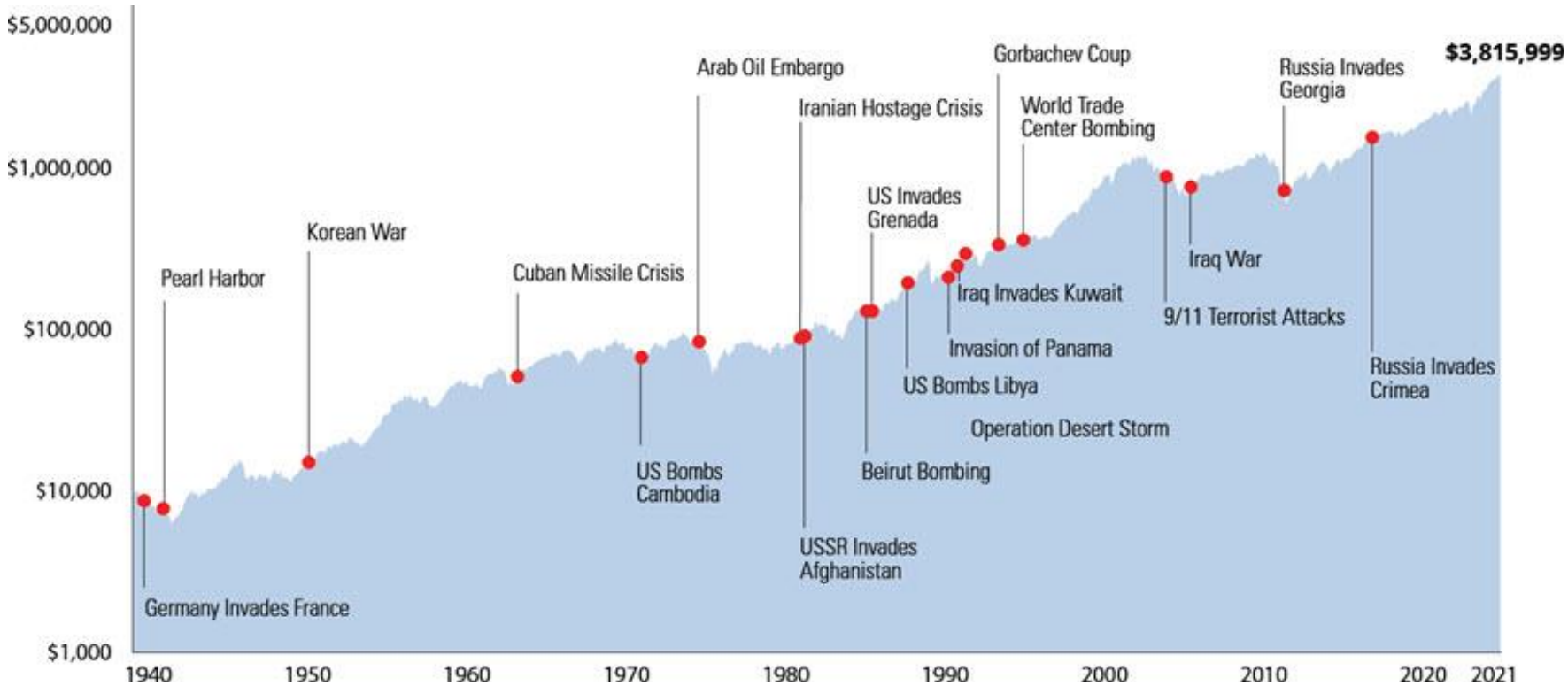
Past performance does not guarantee future results. Indices are unmanaged and not available for direct investment. Data shown is for the S&P 500 Price Index, a market capitalization-weighted price index composed of 500 widely held common stocks and does not include the reinvestment of dividend payments. Data Sources: Morningstar, Ned Davis Research, and Hartford Funds, 2/22



Geopolitical Events & Past Market Pullbacks

Geopolitical conflicts have, historically, had a minimal impact on long-term equity performance.

Growth of \$10,000 in the S&P 500 Price Index (1940–2021)



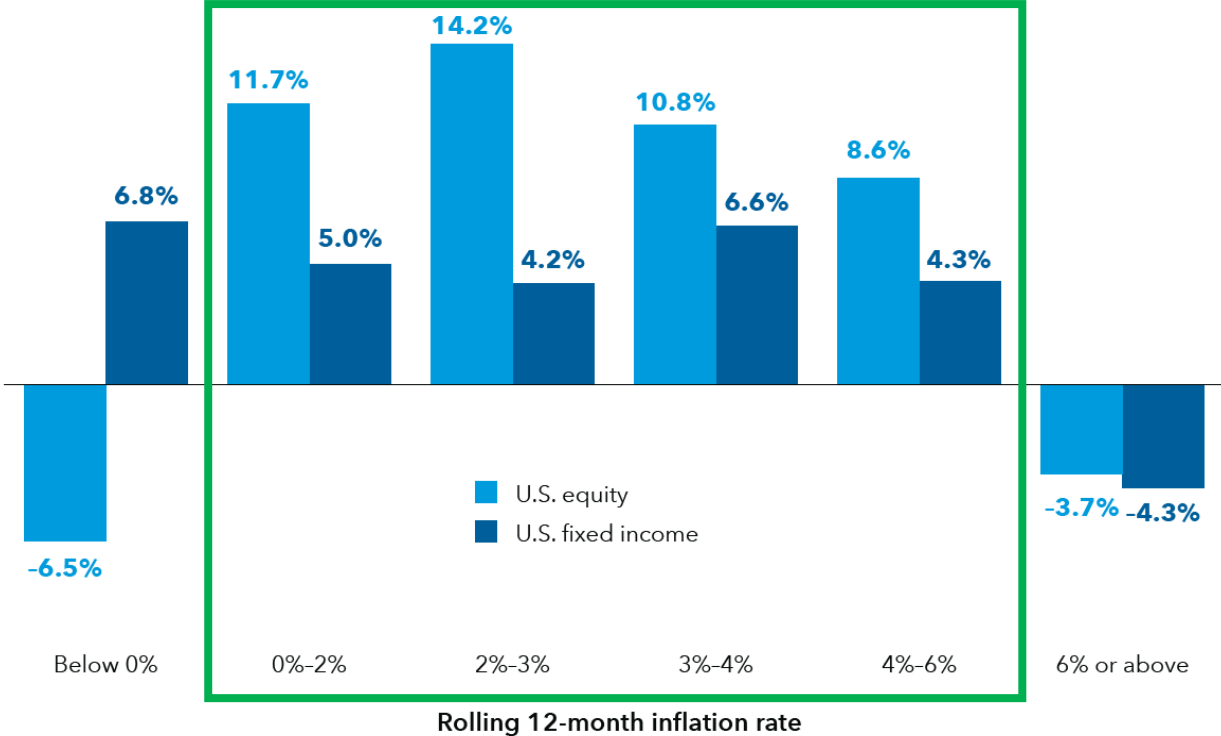
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Stock & Bond Returns during Different Inflationary Environments

“...even during times of higher inflation, stocks and bonds have generally provided solid returns as shown in the chart. **It’s mostly at the extremes — when inflation is above 6% or negative — that financial assets have tended to struggle.** And sustained periods of elevated inflation are rare.”

Average annual returns at different inflation rates (1970-2021)



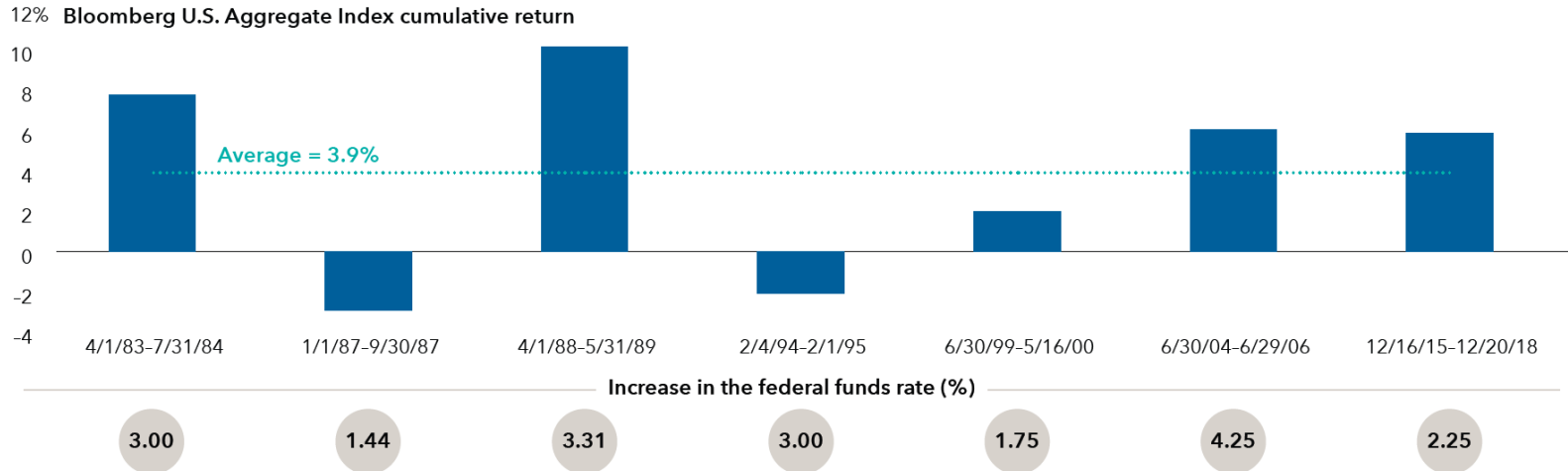
Sources: Capital Group, Bloomberg Index Services Ltd., Morningstar, Standard & Poor’s. As of 11/30/21. All returns are inflation-adjusted real returns. U.S. equity returns represented by the Standard & Poor’s 500 Composite Index. U.S. fixed income represented by Ibbotson Associates SBBI U.S. Intermediate-Term Government Bond Index from 1/1/70–12/31/75, and Bloomberg U.S. Aggregate Bond Index from 1/1/76–11/30/21. Inflation rates are defined by the rolling 12-month returns of the Ibbotson Associates SBBI U.S. Inflation Index.



Bond Returns during Tightening Cycles

“.....what do rising rates mean for bonds? **Consider the last seven hiking periods. The core bond benchmark, the Bloomberg U.S. Aggregate Index, declined in only two of those periods and averaged a nearly 4% return.** Those two periods, with low single-digit losses, were also a far cry from the double-digit corrections stocks often experience.”

Bonds can still do well in rising rate environments



Sources: Capital Group, Bloomberg Index Services Ltd., Morningstar. As of 11/30/21. Daily results for the index are not available prior to 1994. For those earlier periods, returns were calculated from the closest month-end to the day of the first hike through the closest month-end to the day of the final hike.



Stock Returns during Tightening Cycles

“History indicates that 2022 is likely to end on a better foot than it started. U.S. stocks have historically performed well during periods when the Fed raised rates, as a growing economy tends to support corporate profit growth and the stock market. **In fact, stocks have risen at an average annualized rate of 9% during the 12 Fed rate hike cycles since the 1950s and delivered positive returns in 11 of those instances**, according to Keith Lerner, Truist’s co-chief investment officer. The one exception was during the 1972-1974 period, which coincided with the 1973-1975 recession.”

Tightening Without Turmoil

How the S&P 500 performs in Fed rate-hike cycles



Source: Truist Advisory Services

Additional Source: Bloomberg, “U.S. Stocks Historically Deliver Strong Gains in Fed Hike Cycles”

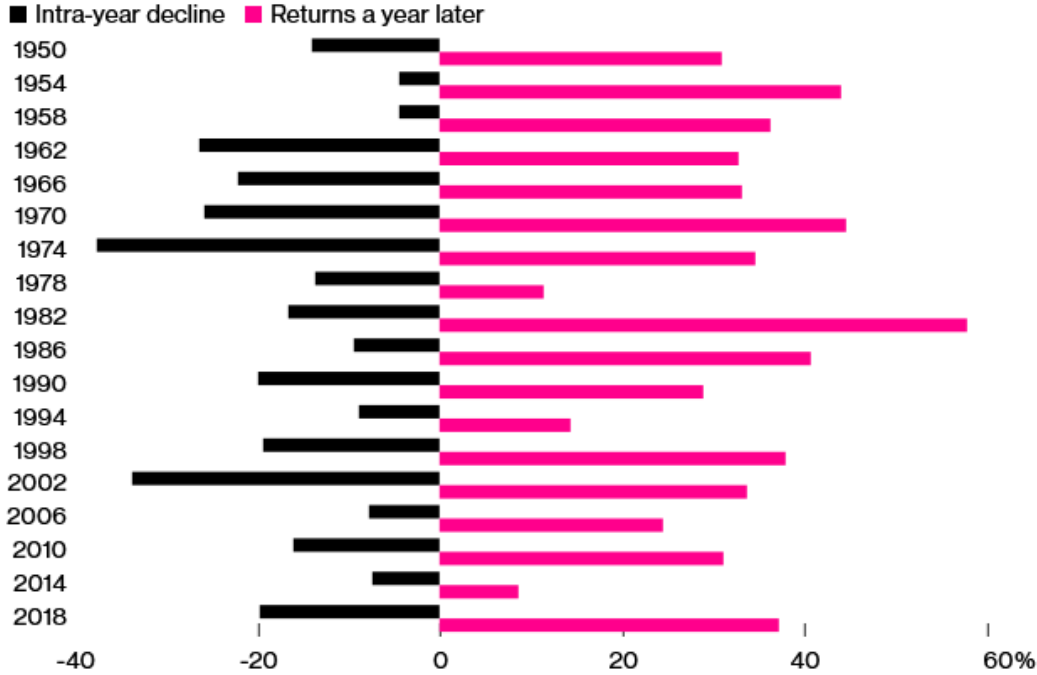


Stock Market Volatility during Mid-Term Election Years

“Since 1950, the S&P 500 has averaged an intra-year pullback of 17.1% in midterm years, according to LPL Financial. **But the final three months of a midterm year and the first two quarters of the following year, known as the pre-election year, have been some of the strongest quarters for stocks over the four-year U.S. presidential cycle.** In pre-election years going back to 1950, the benchmark index has notched an average return of 32.3%.”

Big Midterm Swings

S&P 500 pullbacks in U.S. midterm election years



Source: LPL Research

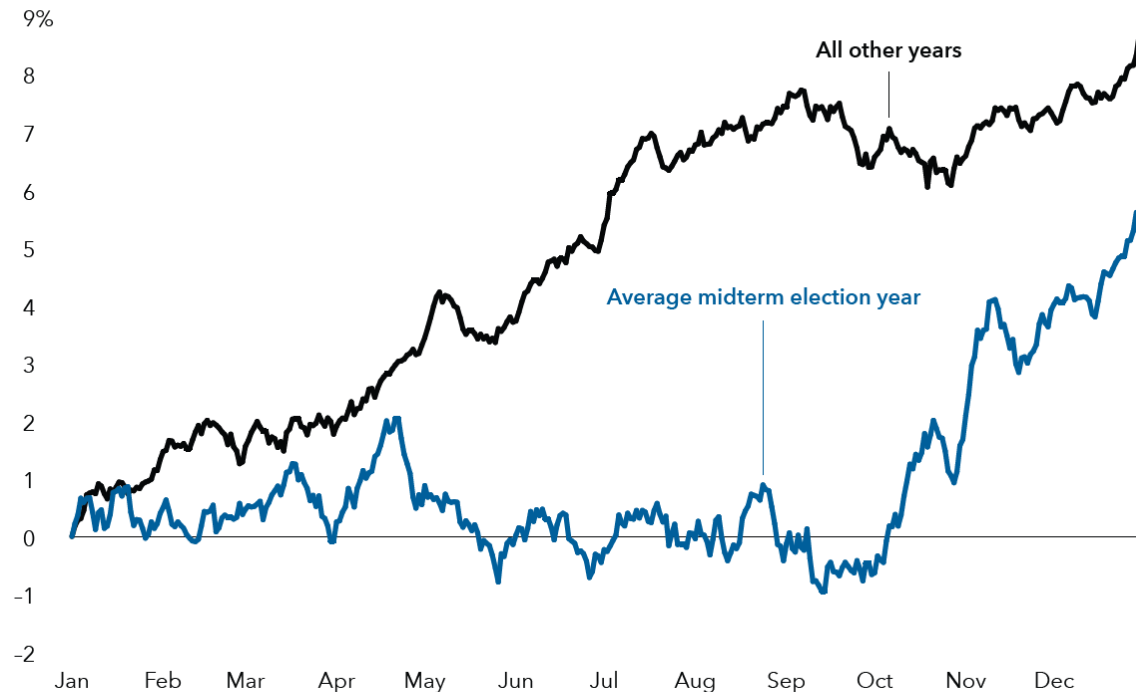
Additional Source: Bloomberg, “U.S. Stocks Historically Deliver Strong Gains in Fed Hike Cycles”



Stock Market Volatility during Mid-Term Election Years

“...political uncertainty often has a noticeable short-term effect on markets. An analysis of more than 90 years of equity returns reveals that **stocks tend to have lower average returns and higher volatility for the first several months of midterm election years.** As results at the polls become more predictable, this trend often reverses and markets have tended to return to their normal upward trajectory. But these are just averages, so investors shouldn't try to time an entry point into the market.”

S&P 500 Index average returns since 1931



Sources: Capital Group, RIMES, Standard & Poor's. The chart shows the average trajectory of equity returns throughout midterm election years compared to non-midterm election years. Each point on the lines represents the average year-to-date return as of that particular month and day, and is calculated using daily price returns from 1/1/31–11/30/21.



Disclosures

The performance information presented in charts, tables, or graphs represent simulated historical performance, which has been derived by retroactively applying The Frontier Engineer™ process in its most recently developed form with its most recently derived ten-year (forward-looking) capital market assumptions. Such historical return simulations (or back testing) was performed by simulating the combination of actual index returns for the historical period with a buy and hold strategy effective January 1, 1988 through the most recently available month-end date with simulated rebalancing occurring every month-end (with the reinvestment of dividends and capital gains from each index).

Back tested performance is hypothetical and does not reflect actual trades or actual performance. As with all models, there are inherent limitations which are derived from the retroactive application developed with the possible benefit of hindsight, including the risk that certain factors such as material economic and market conditions could have contributed to materially different (either higher or lower) performance results than those depicted, or that certain material factors may have been included or excluded from consideration. As such, actual results during the applicable back tested period would have been different than those depicted.

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