



PCS  
ADVISORS

Let our independence ignite yours.™

# Market Volatility & Outlook

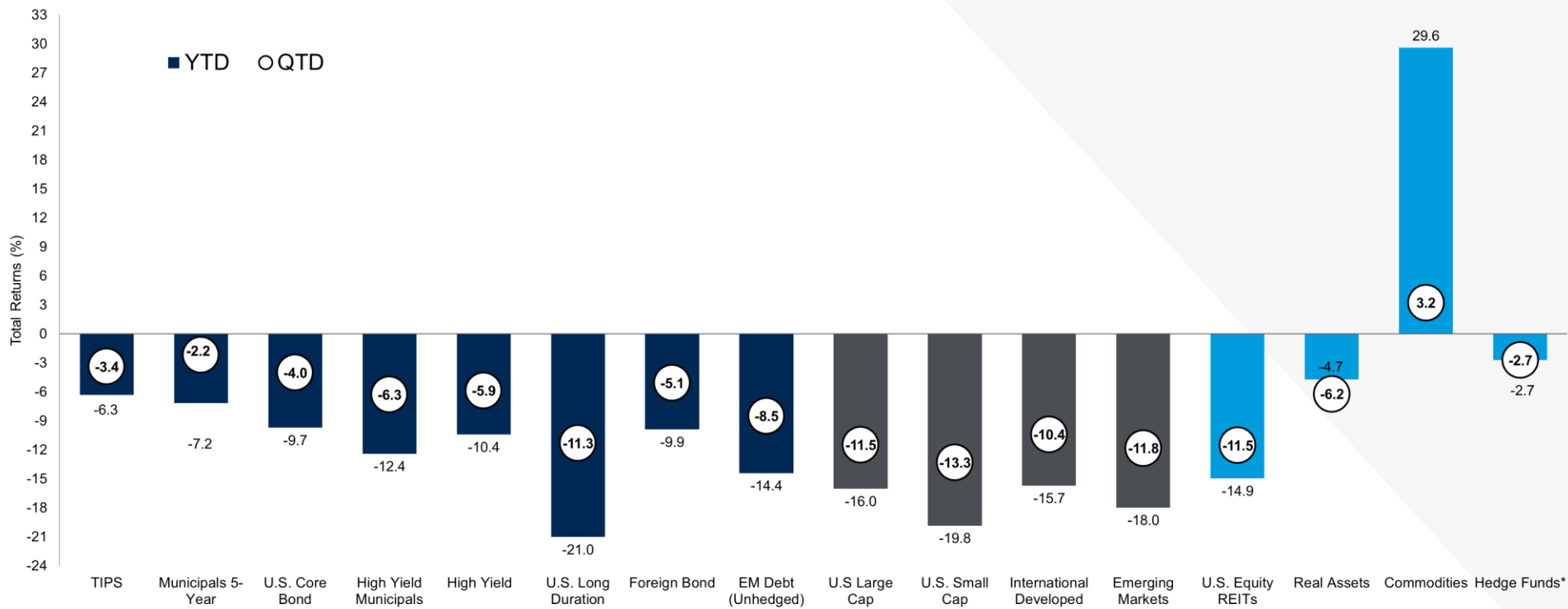
---

May 2022

---

# Market Update

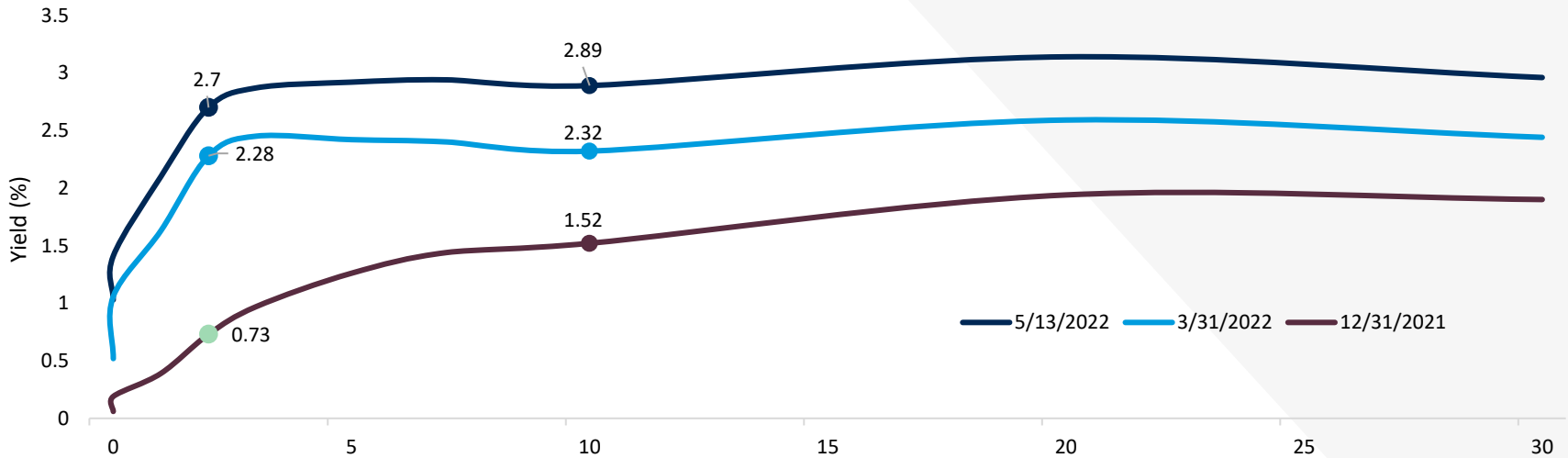
# Asset Class Returns



Source: Morningstar Direct. As of May 13, 2022. \*Hedge fund returns as of March 31, 2022.

# Fixed Income Market Update

## U.S. Treasury Yield Curve



Source: FactSet. As of May 13, 2022.

## Corporate Market Spreads – Trailing 5 Years

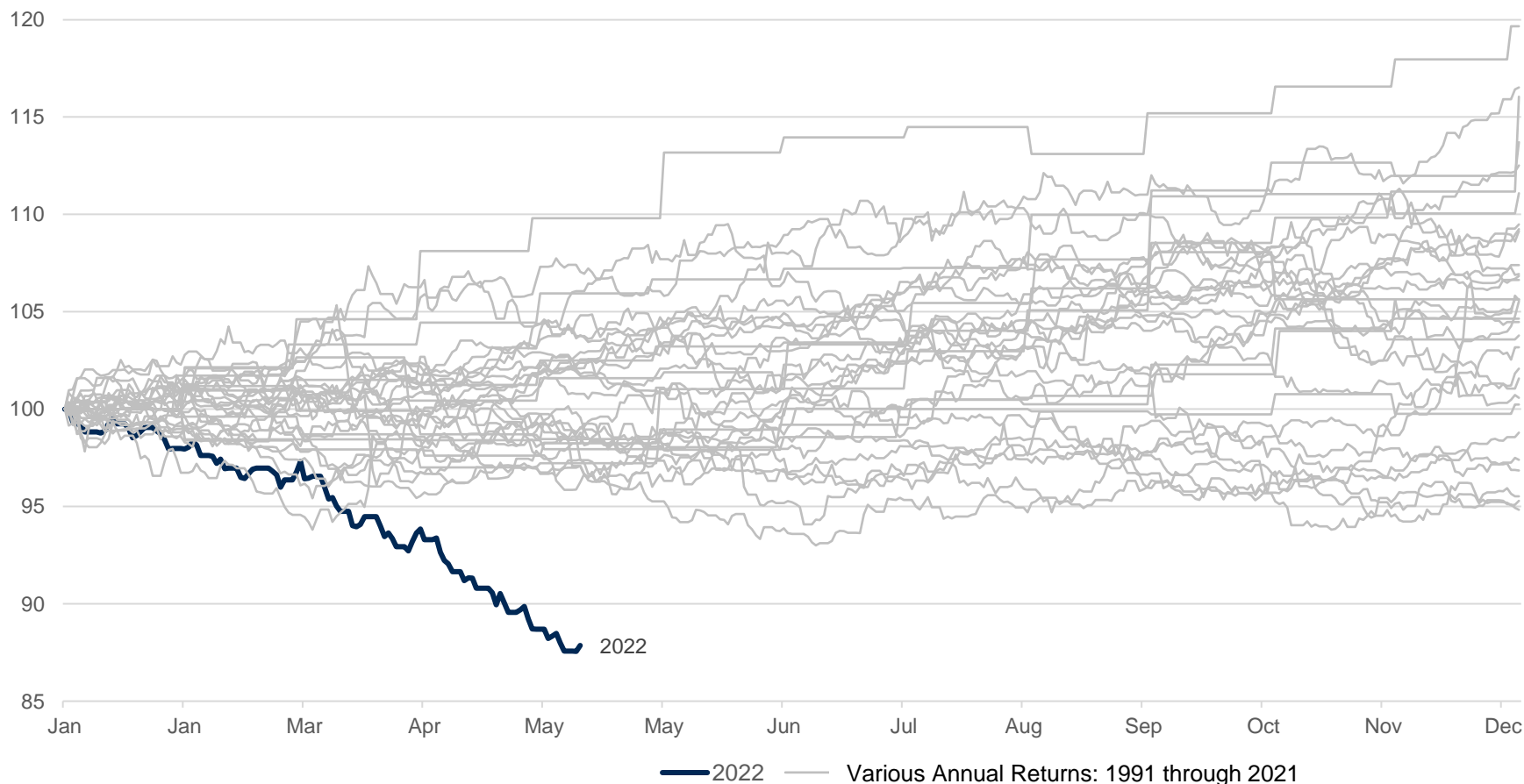


Source: FactSet. As of May 13, 2022.

# Just How Bad of a Start?

*Global Bonds are off to their worst start by a far margin in the last 30 years.*

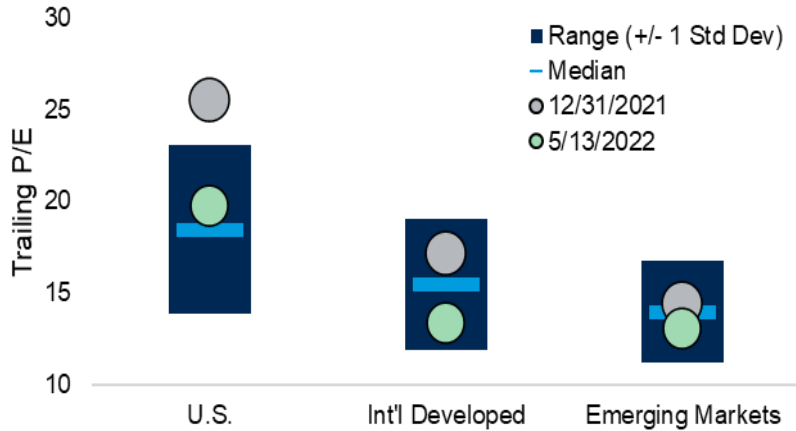
Annual Returns of the Global Aggregate Since 1991



Source: FactSet April 2022

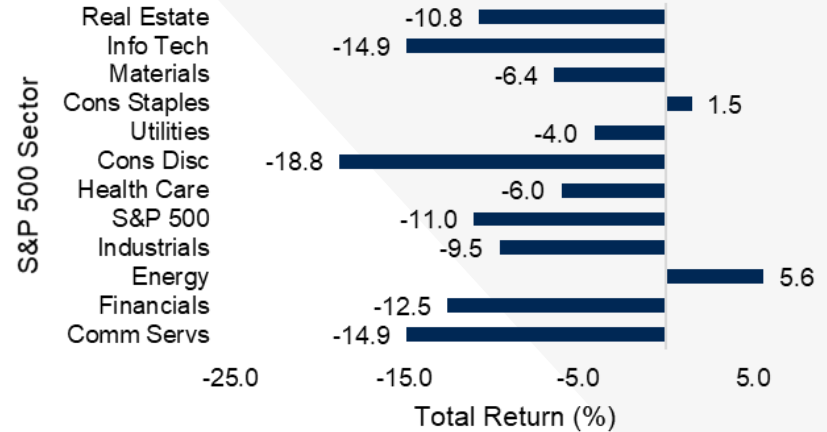
# Equity Market Update

## Equity Valuations (Trailing PE – Last 15 Years)



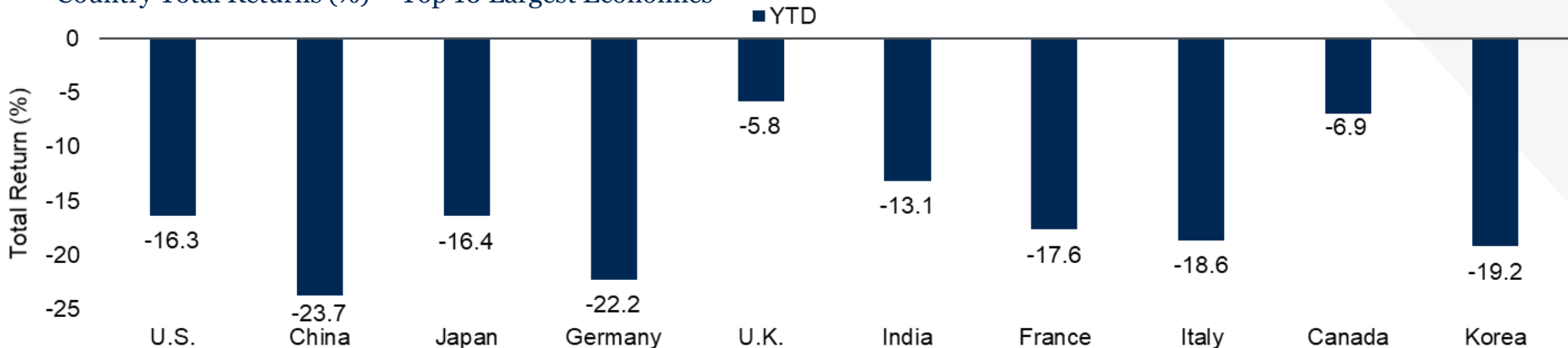
Source: FactSet. As of May 13, 2022.

## U.S. Equities – Return by Sector (1Q 2022)



Source: Morningstar Direct. As of May 13, 2022.

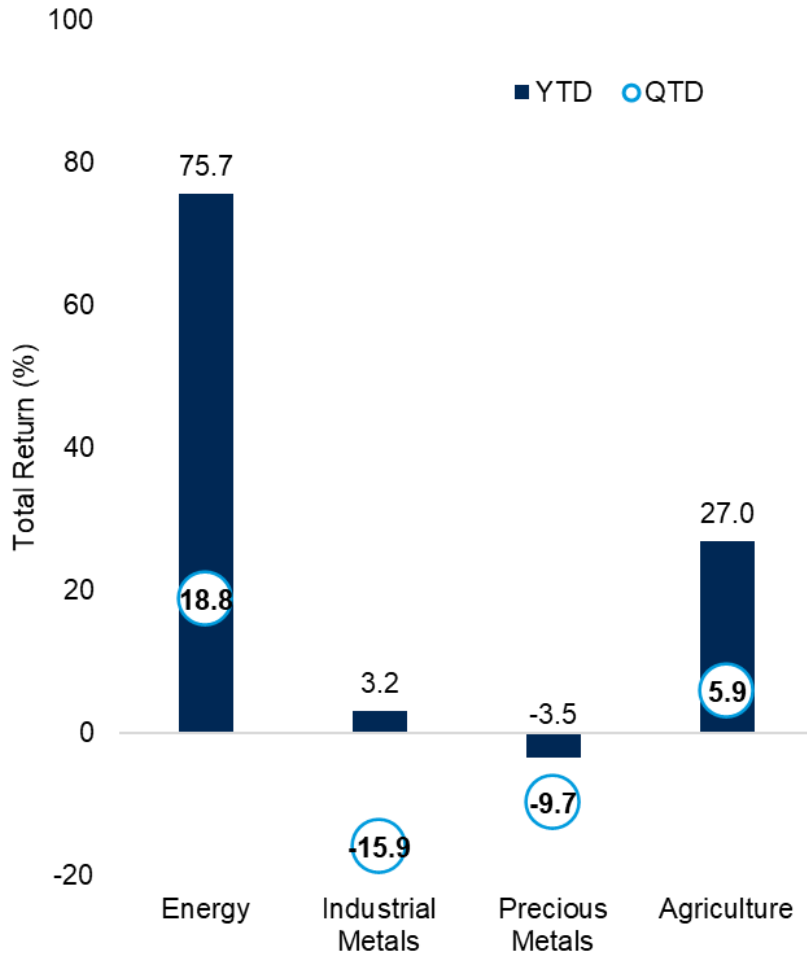
## Country Total Returns (%) – Top 10 Largest Economies



Source: Morningstar Direct. As of May 13, 2022.

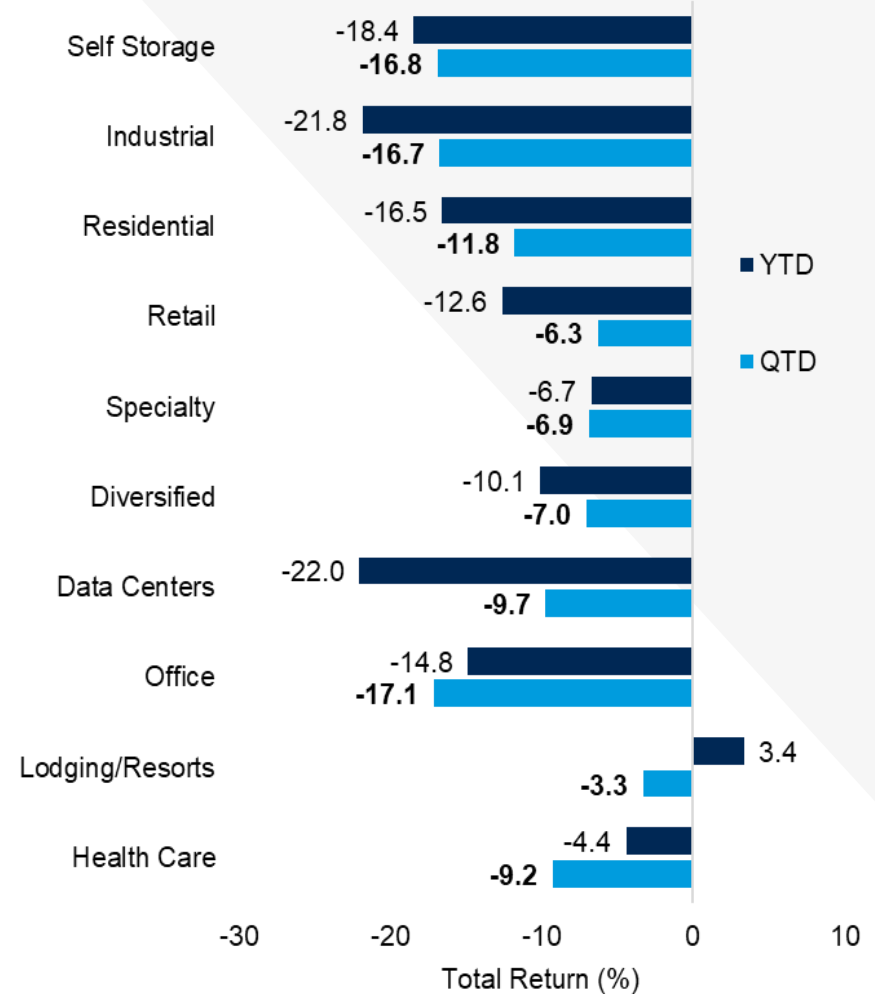
# Real Assets Market Update

## Commodity Performance



Source: Morningstar Direct. As of May 13, 2022.

## REIT Sector Performance



Source: Morningstar Direct. As of May 13, 2022.



---

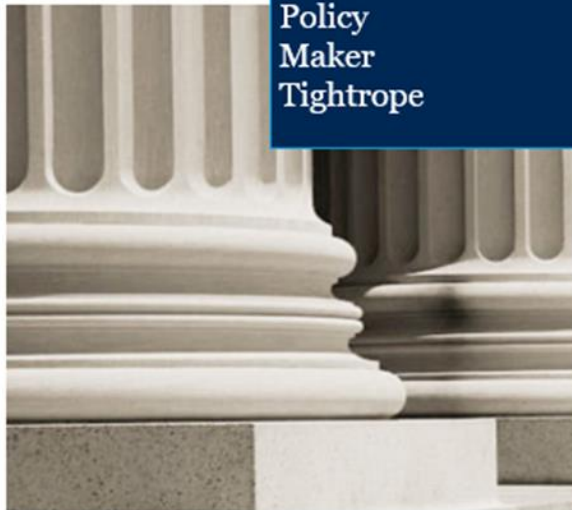
# Themes

# Themes Coming into 2022

From  
Pandemic to  
Endemic



Policy  
Maker  
Tightrope



1

Assess your Risk Posture  
Ahead of Volatility

2

Diversification; Now as  
Much as Ever Before

3

Ready the Rebalancing  
Playbook

4

Healthy Environment  
for Active Fixed Income

5

Manage Interest  
Rate Risks

6

Maintain Exposure to  
Emerging Markets

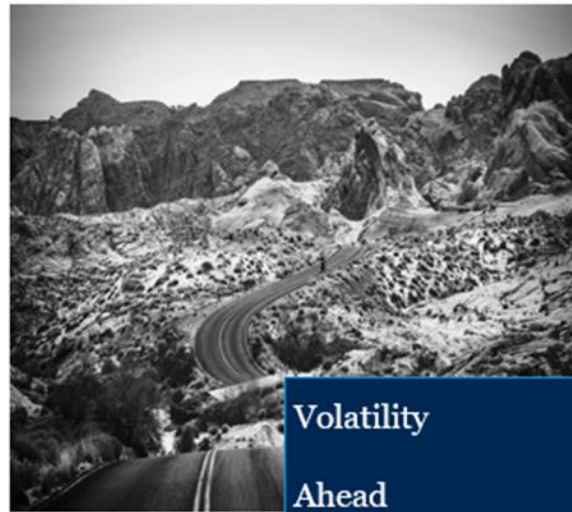
7

Allocate to Broad  
Real Assets

Inflation:  
Coming or  
Going?



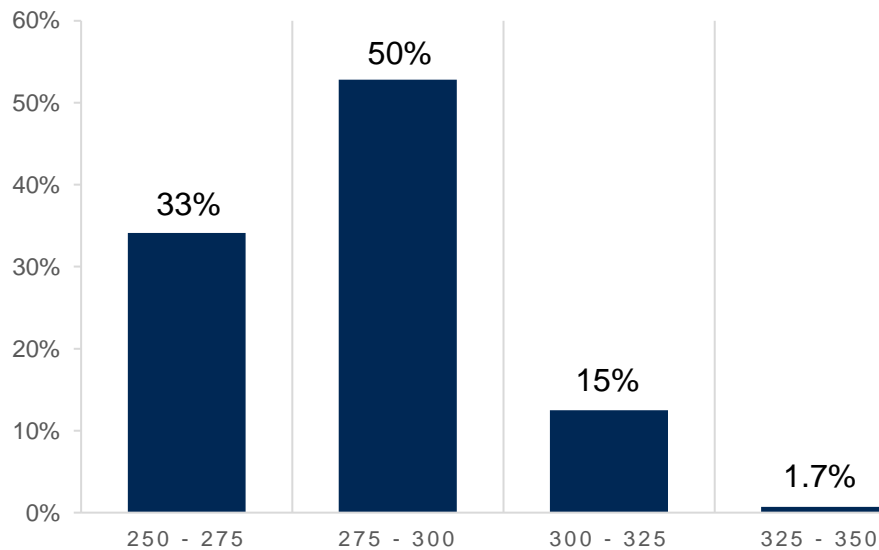
Volatility  
Ahead



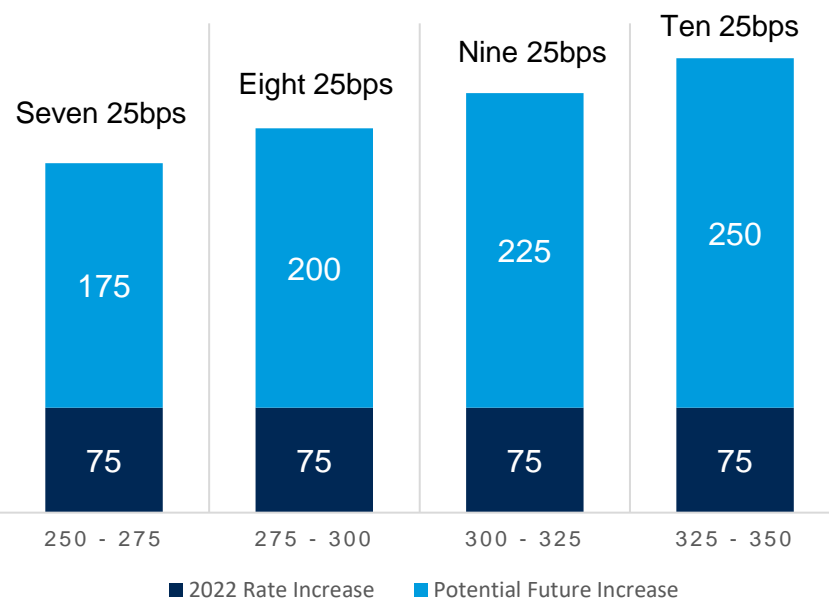
# Policy Maker Tightrope

*The Fed Fund's Rate is currently 75 - 100 basis points. Should predictions become reality, the majority of the Fed's action is ahead of us.*

CME Group Fed Funds Rate Probabilities December 2022



Necessary Rate Increases in 2022 to Meet Ranges



Source: CME Group FedWatch as of May 17, 2022

# Rates & Growth Stocks

High costs stocks have felt the impact more. Here is why;

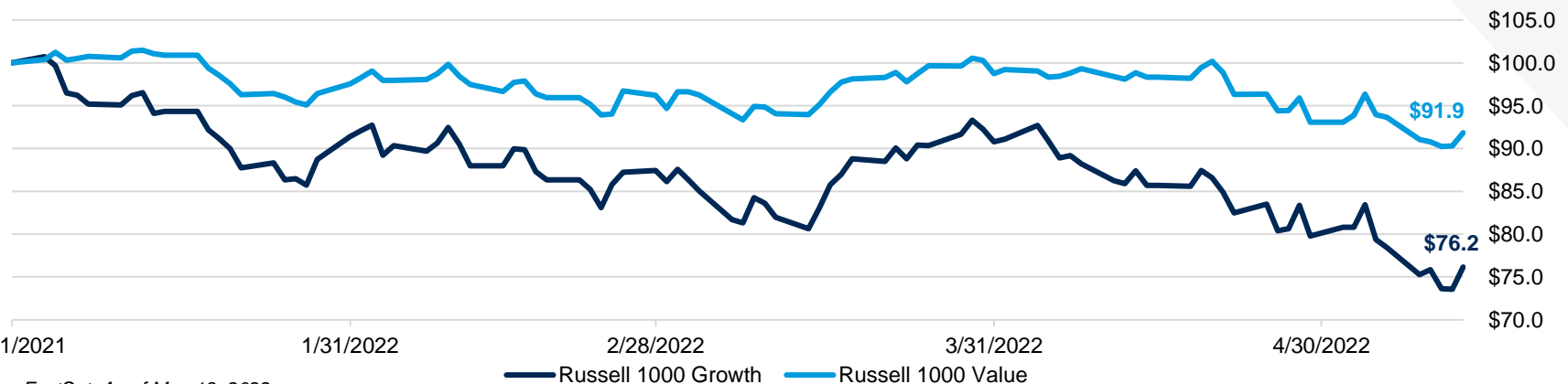
- Often when valuing a stock an investor will look at the future earnings power of a business.
- To value those future earnings in today's dollars they will use a discount rate.
- The Higher the discount rate, the lower the value of the stock.

More  
Expensive



Less  
Expensive

P/E Quintile	May Return	QTD Return	YTD Return
Quintile 1 (Highest)	-7.3%	-22.1%	-31.0%
Quintile 2	-3.5%	-11.5%	-17.5%
Quintile 3	-0.3%	-6.9%	-10.9%
Quintile 4	-0.9%	-6.5%	-5.7%
Quintile 5 (Lowest)	2.0%	-2.4%	2.7%



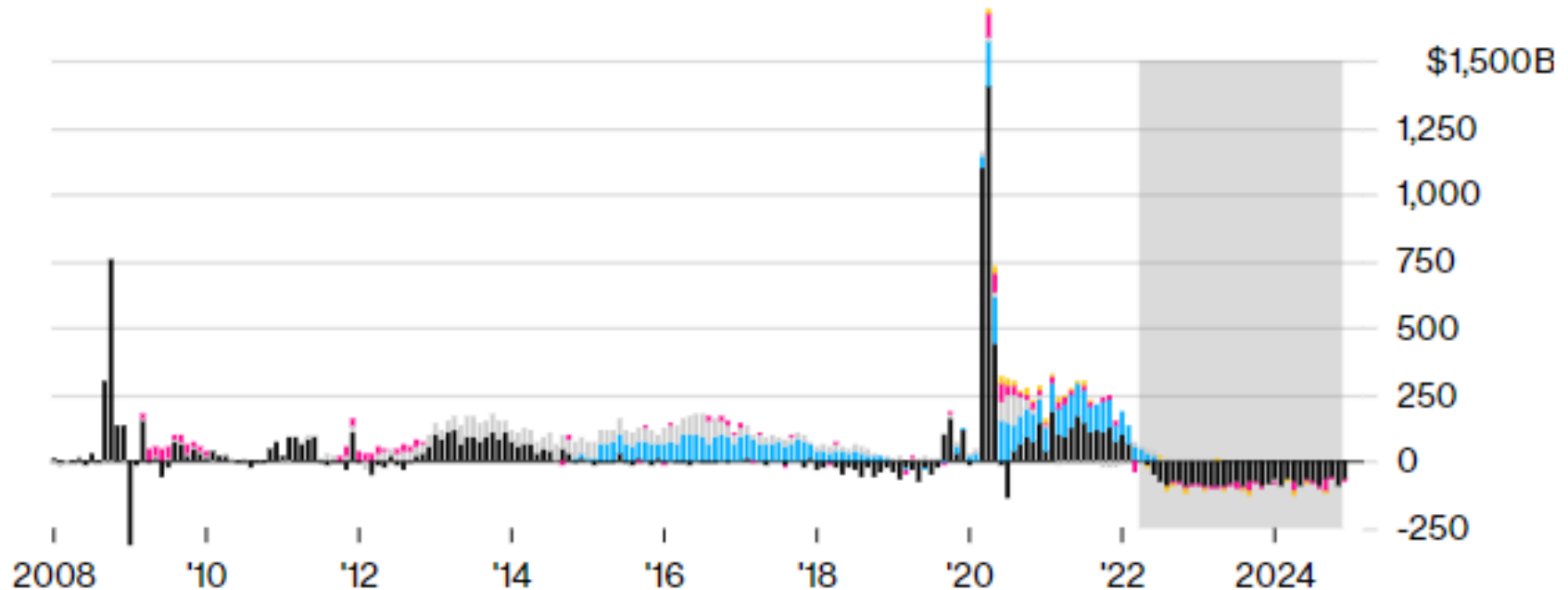
Source: FactSet. As of May 13, 2022.

# Policy Maker Tightrope

*Last year G-7 economies added \$2.8 trillion in assets to their balance sheets, bringing the total to \$8 trillion since COVID began. Governments will begin to shrink these balances and markets should prepare.*

## G-7 Central Bank Asset Purchases

■ Fed ■ ECB ■ BOJ ■ BOE ■ BOC ■ BE forecast

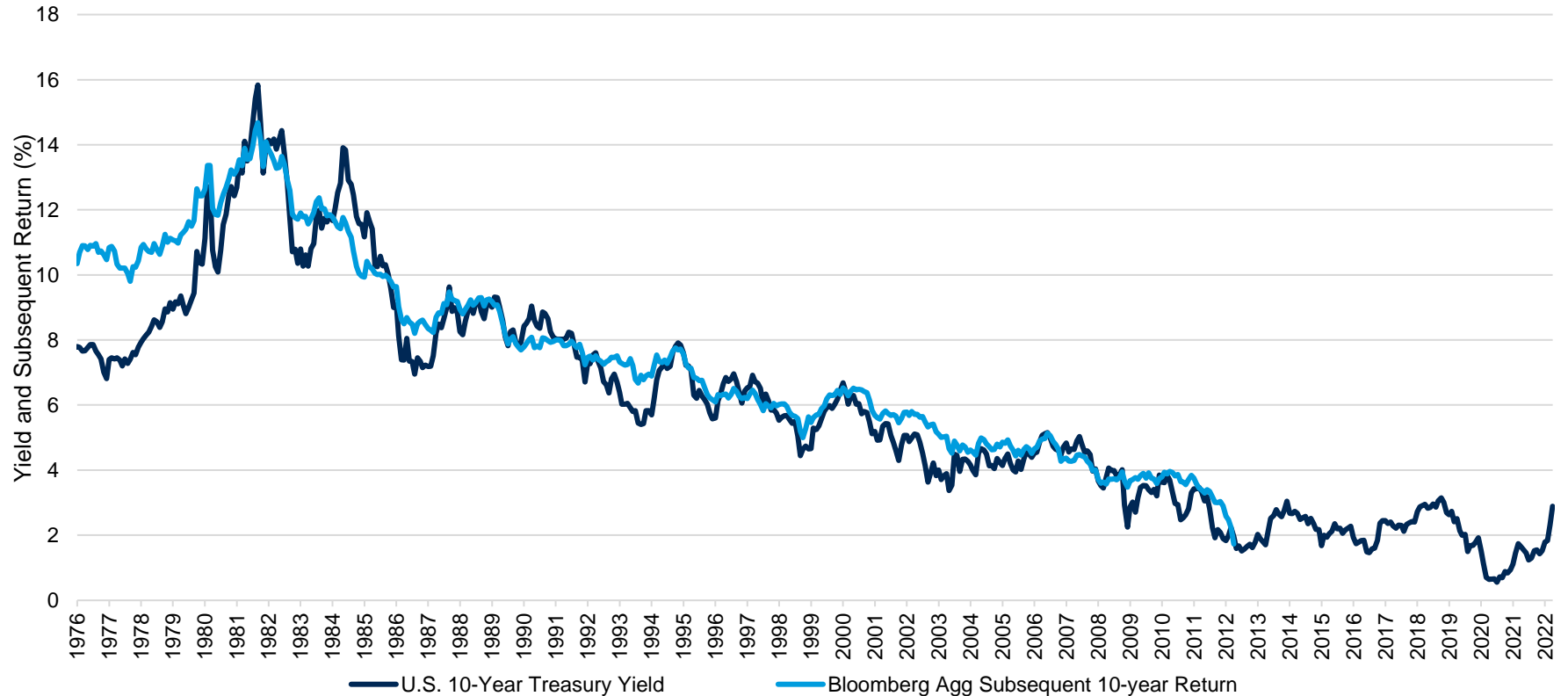


Source: Federal Reserve, ECB, BOJ, BOE, BOC, Bloomberg Economics. As of May 1, 2022.

# Short-Term Pain, Long-Term Gain?

*While painful in the short-term, over the long-term higher yields are likely a source of higher returns in fixed income.*

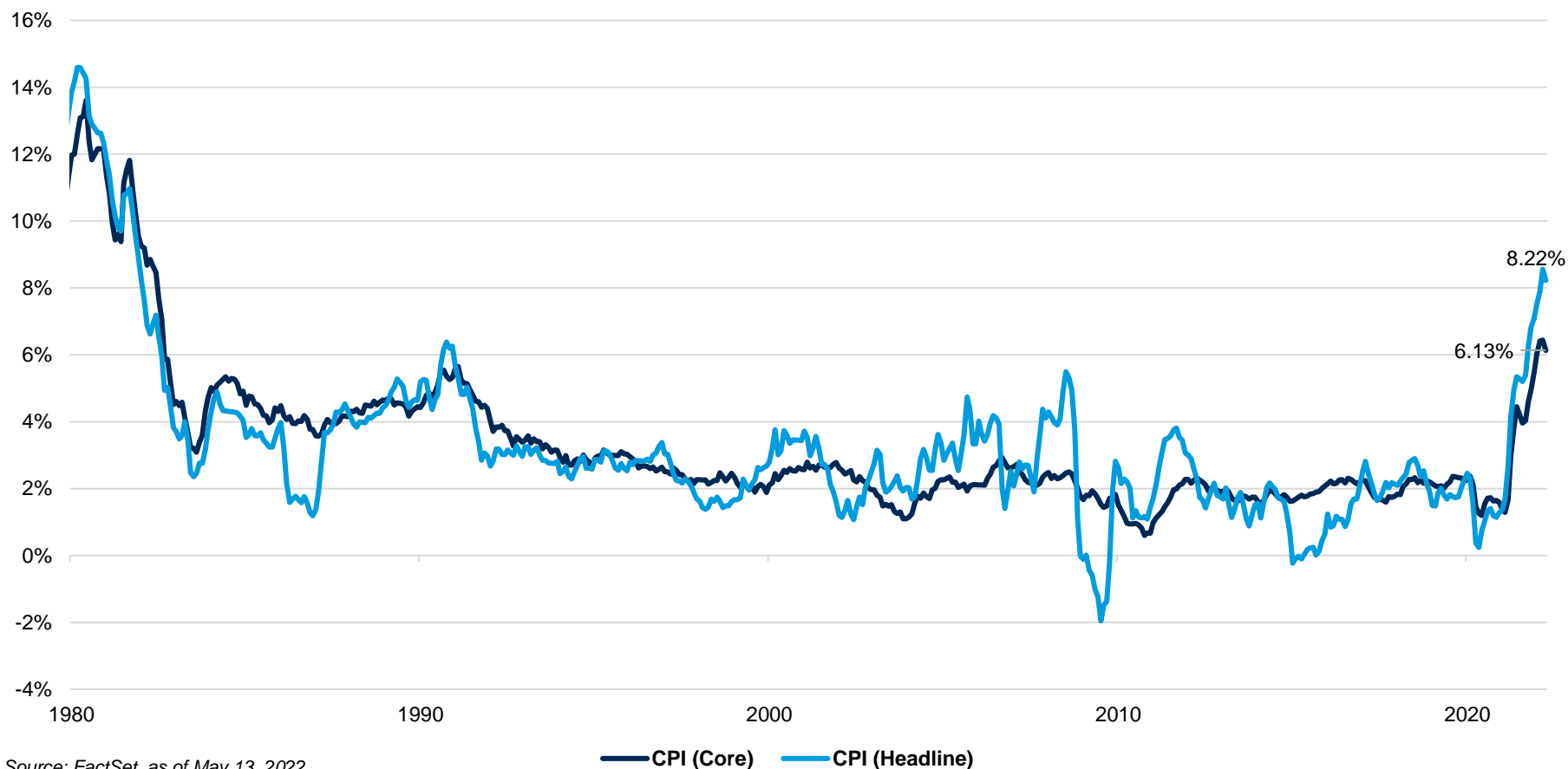
## Treasury Yields & Subsequent Fixed Income Performance



FactSet, Morningstar Direct, Fiducient Advisors. For the time period January 1, 1976 to April 30, 2022.

# Inflation Still on the Move

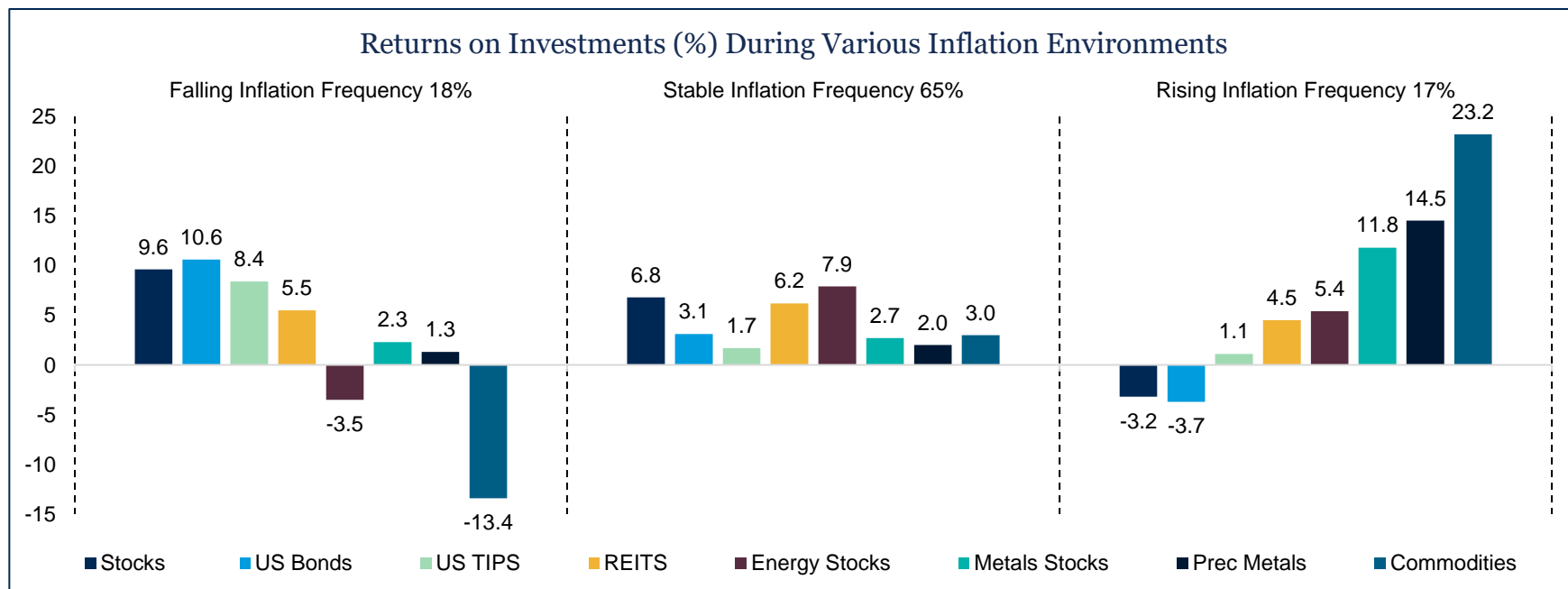
*CPI remains near 40-year highs, however, April gave the first glimpse at potential moderation.*



Source: FactSet, as of May 13, 2022

# Diverse Sources of Inflation Protection

*The drivers of inflation remain fluid. A narrow allocation to inflation-related assets may not protect as hoped during periods of change.*



Period analyzed is January 1973 through December 2020. Real Estate: MSCI World Real Estate Index since January 1993 | Energy: MSCI World Energy Index since January 1995; DataStream World Energy Index from January 1973 to December 1994 | Metals & Mining: MSCI World Metals & Mining Index since January 1995; DataStream World Metals & Mining Index from January 1973 to December 1994 | Commodities: Equal Sector Weighted S&P Goldman Sachs Commodities Index | Precious Metals: 70% MSCI World Gold Mining Equity Index/30% S&P GSCI Precious Metals Commodities Total Return Index since January 2005; 70% DataStream World Gold Mining Index/30% S&P GSCI Precious Metals from January 1973 to December 2004 | Rising inflation: any month when Y/Y US CPI rose by +0.3% or more relative to the previous month; Stable inflation period is defined as any month when Y/Y US CPI was between -0.3% and +0.3% relative to the previous month; Falling inflation: any month when Y/Y US CPI fell by -0.3% or more relative to the previous month. Past performance does not indicate future performance and there is a possibility of a loss.

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.

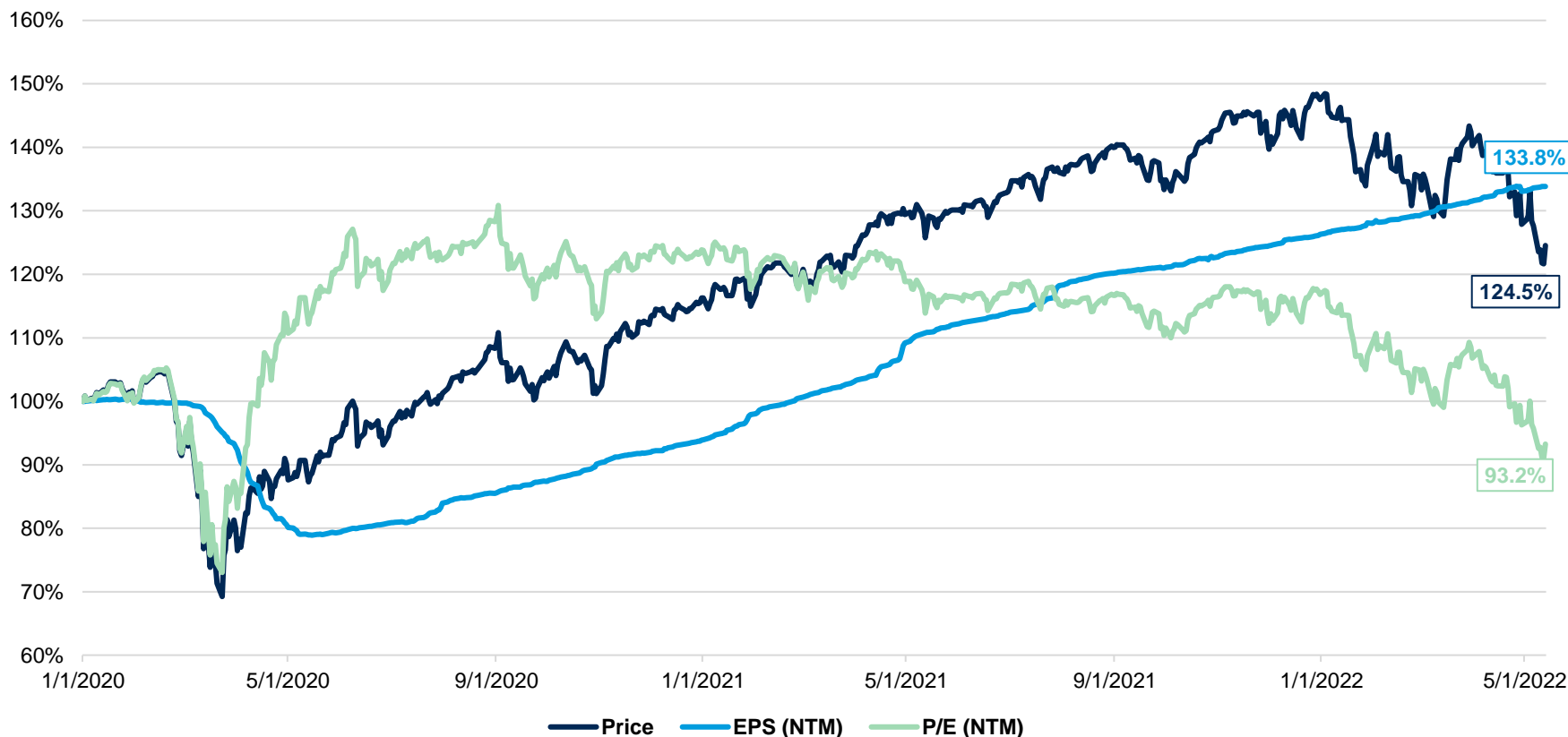


---

# Market Volatility

# Market Focused on Earnings

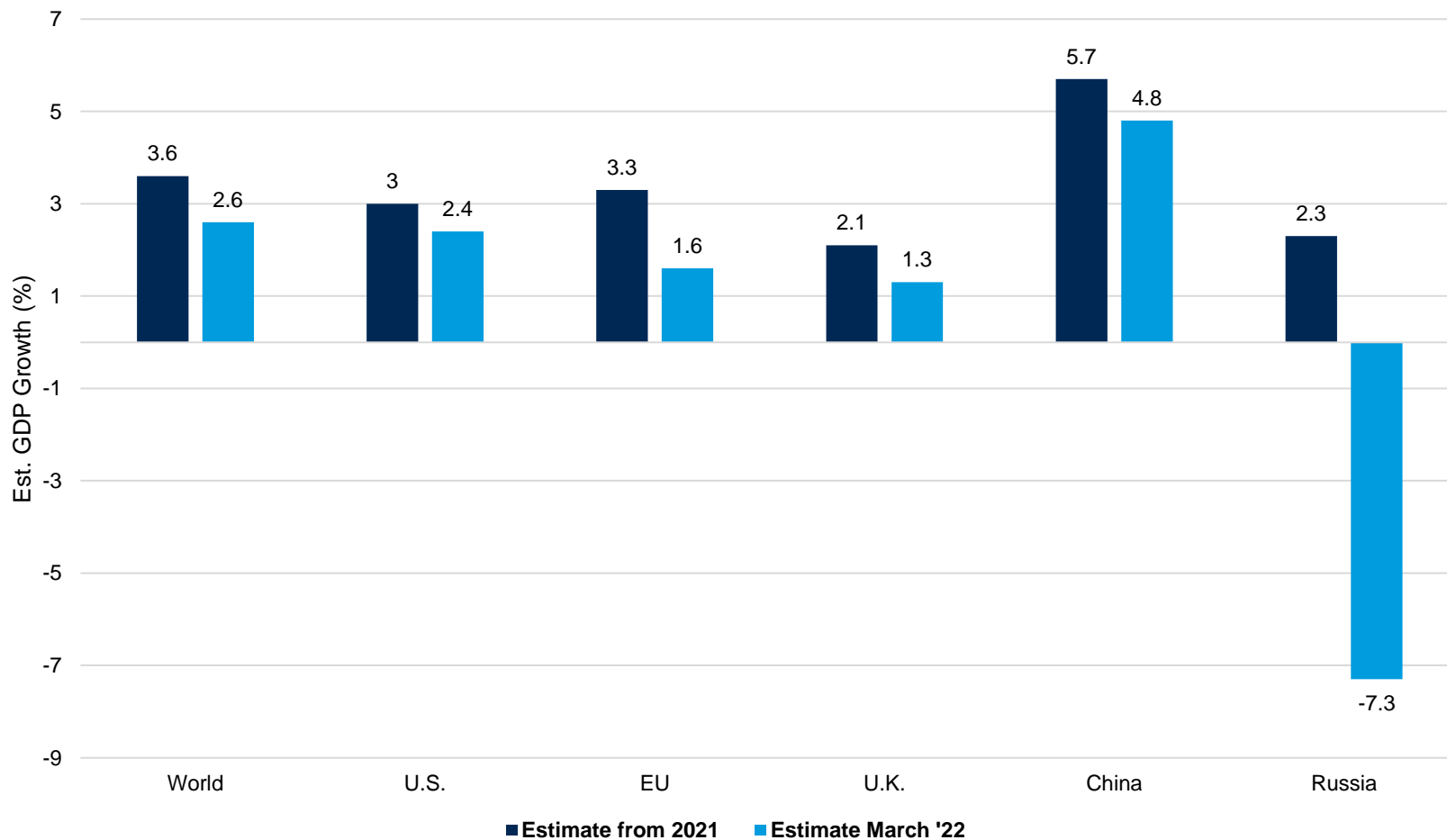
*With multiples seemingly capped with the Fed increasing rates, the market is focused on earnings. Earnings remain positive overall, but misses are penalized by the market.*



Source: FactSet, as of May 13, 2022. Index S&P 500

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.

# The “R” Word is Showing Up



Source: UNCTAD Trade and Development Report, March 2022.

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.

# Correction & Bear Markets

*Since 1950 there have been 20 drawdowns of 10% or more. The most common by far (73%) are drawdowns between -10% and -20%. They occur on average every three years.*

Drawdown	Approximate Frequency	Average Drawdown	Average Length (Months)
-10% and -20%	~ Every 3 Years	-14%	7
-20% to -40%	~Every 14 Years	-30%	9
-40% or worse	~Every 23 Years	-51%	23

*Source: Index S&P 500 since 1950 through December 2021*

# Correction & Bear Markets

*Corrections (defined as a drawdown of -10% to -20%) are more frequent, shorter, and less likely to be accompanied by a recession than their more impactful cousin, the Bear Market (-20% or more).*

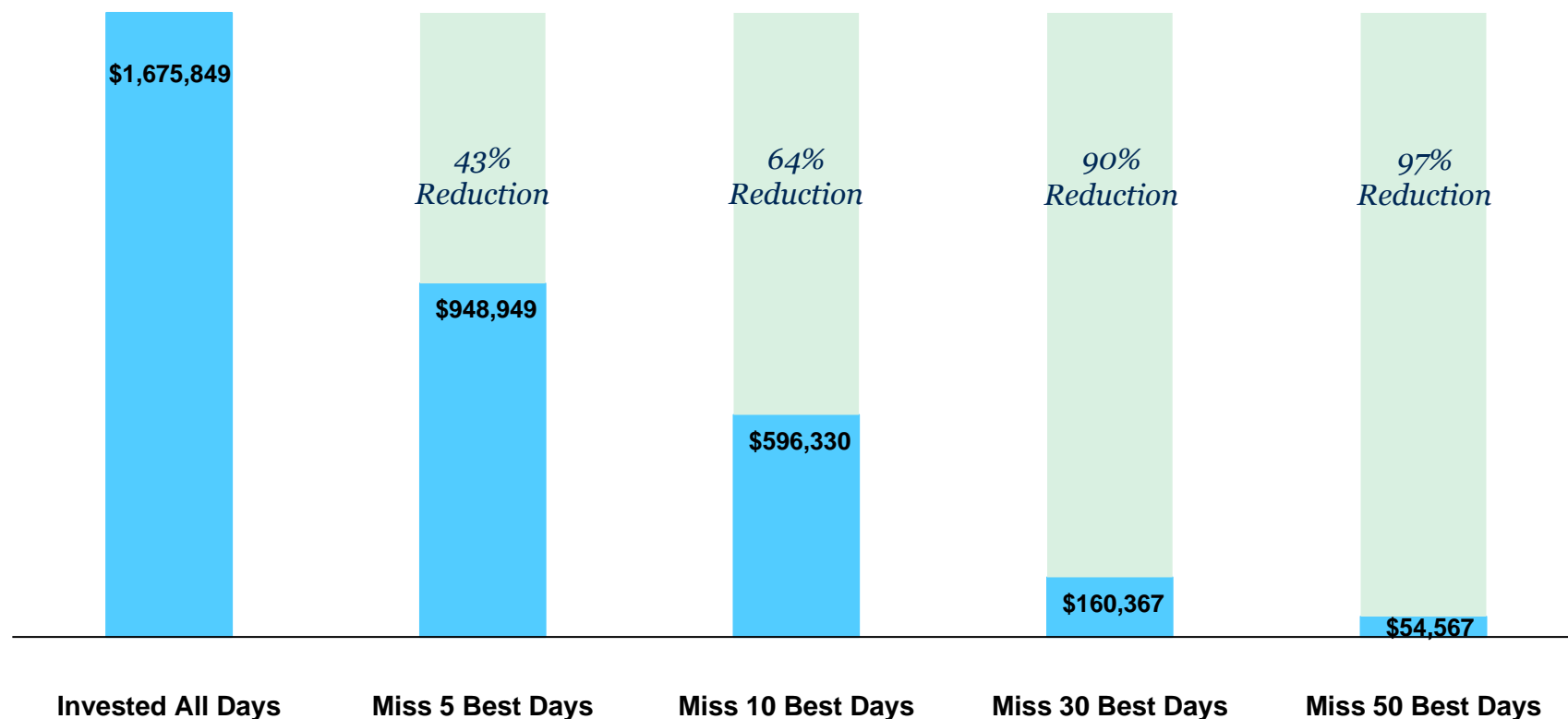
## Pullbacks of 10% or More Since 1950



Source: Index S&P 500 since 1950 through December 2021. Correction defined at a drawdown of more than 10% but less than 20%. Bear Market is a drawdown of more than 20%  
 \*Frequency refers to the percentage of all pullbacks that are 10% or more than are a correction vs a bear market since 1950

# The Risk of Missing the Best Days in the Market

Since 1980, the S&P has had over 10,000 trading days. However, if you only miss a small fraction of the best days the impact can be material. Said another way, the cost of trying to time the market can be high.



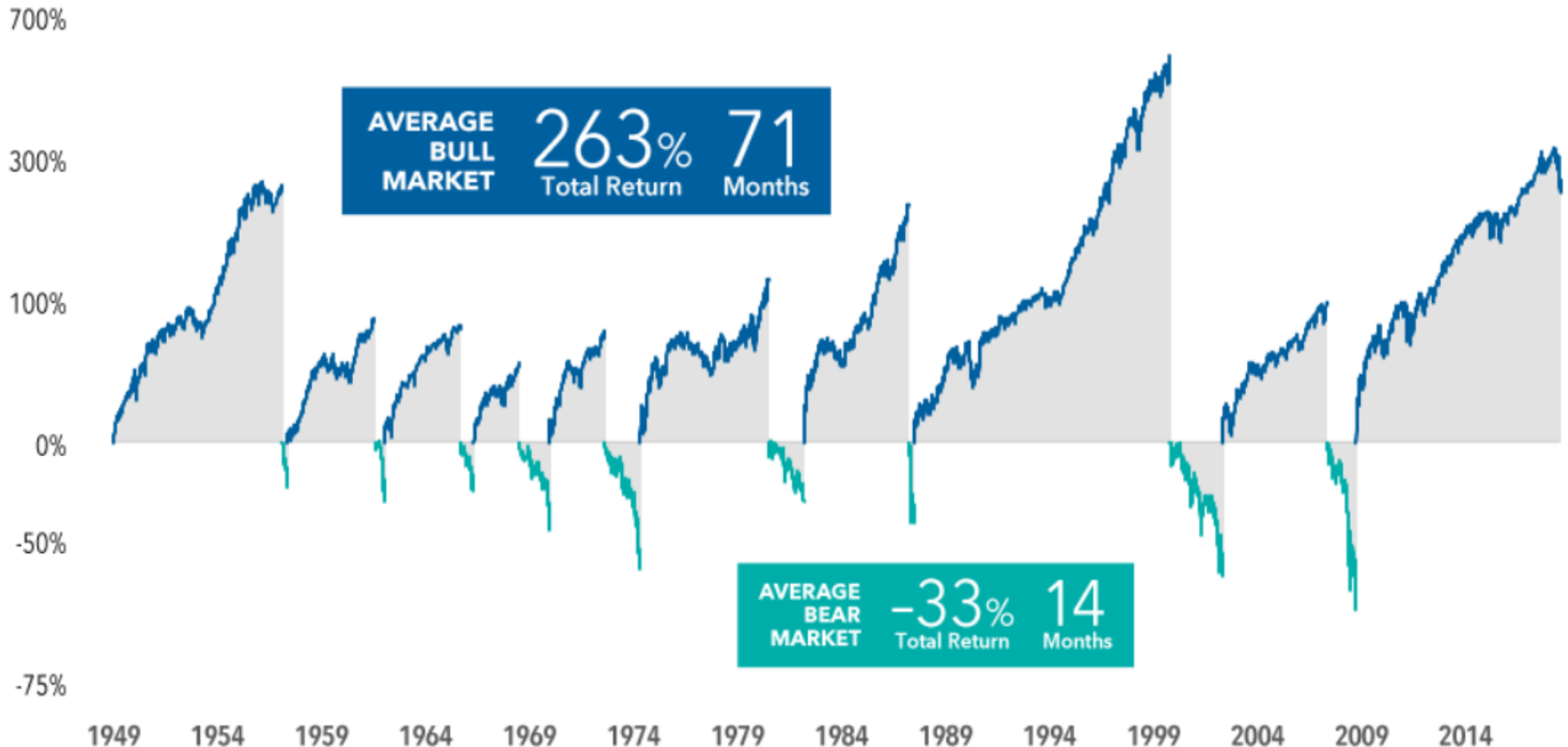
Source: Morningstar. Hypothetical Growth of \$10,000 Invested in the S&P 500 Index (TR) from January 1, 1980 to December 31, 2021

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.

# Bear vs Bull Lifespan

*Bear markets tend to be points in time while Bull markets tend to be over time. Investors have been rewarded for having a long-term perspective.*

## Cumulative Price Return for Bull & Bear Markets



Source: Capital Group, RIMES, Standard & Poor's. As of December 31, 2018. Bear markets are peak-to-trough price declines of 20% or more in the S&P 500. Bull markets are all other periods. Returns shown on a logarithmic scale.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss.

# Outlook



1

Continued Potential for a Rocky Road Ahead

2

Fixed Income Outlook has Improved, but Not Without Risks

3

Inflation May Have Peaked, but It is Not Going Away

4

Now Is Not The Time to Change the Game Plan

5

Be Patient & Stay Diversified

---



# Disclosures and Definitions

All material and information is intended for Fiducient Advisors business only. Any use or public dissemination outside firm business is prohibited. Information is obtained from a variety of sources which are believed though not guaranteed to be accurate. Any forecast represents future expectations and actual returns, volatilities and correlations will differ from forecasts. Past performance does not indicate future performance. This presentation does not represent a specific investment recommendation. Please consult with your advisor, attorney and accountant, as appropriate, regarding specific advice.

Comparisons to any indices referenced herein are for illustrative purposes only and are not meant to imply that actual returns or volatility will be similar to the indices. Indices cannot be invested in directly. Unmanaged index returns assume reinvestment of any and all distributions and do not reflect our fees or expenses.

When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise notes. Each index is unmanaged, and investors can not actually invest directly into an index:

TIPS: Bloomberg Global Inflation-Linked: U.S. TIPS Total Return Index Unhedged  
Municipals 5-Year: Bloomberg Municipal Bond 5 Year (4-6) Total Return Index Unhedged USD  
Core Bond: Bloomberg US Aggregate Total Return Index USD  
High Yield Municipals: Bloomberg Muni High Yield Total Return Index Value Unhedged USD  
High Yield: Bloomberg US Corporate High Yield Total Return Index USD  
U.S. Long Duration: Bloomberg US Aggregate Government & Credit - Long  
Foreign Bond: Bloomberg Global Aggregate ex-USD Total Return Index Value USD  
(50/50 blend of hedged and unhedged)  
Real Assets: S&P Real Assets  
U.S. Large Cap: Russell 1000 Total Return Index  
U.S. Small Cap : Russell 2000 Total Return Index  
International Developed: MSCI EAFE Net Total Return USD Index  
Emerging Markets: MSCI Emerging Markets Net Total Return USD Index  
U.S. Equity REITs: FTSE Nareit Equity REITs Total Return Index USD  
Commodities: Bloomberg Commodity Total Return Index  
Hedge Funds: Hedge Fund Research HFRI Fund of Funds Composite Index  
Foreign Bond: Bloomberg Global Aggregate x USD Total Return Unhedged  
U.S. Core Bond: Bloomberg U.S. Aggregate Total Return Index USD  
U.S. High Yield: Bloomberg US Corporate High Yield Total Return Index USD  
U.S. MBS: Bloomberg U.S. MBS (30Y) Total Return Index  
U.S. All Cap: Russell 3000 Total Return Index  
U.S. Large Cap: Russell 1000 Total Return Index  
U.S. Small Cap: Russell 2000 Total Return Index  
US Value: Russell 3000 Value Total Return Index  
US Growth: Russell 3000 Growth Total Return Index

International Developed All Cap: MSCI EAFE IMI Net Total Return USD Index  
International Developed Large Cap: MSCI EAFE Large Cap Net Total Return USD Index  
International Developed Small Cap: MSCI EAFE Small Cap Net Total Return USD Index  
International Developed Value: MSCI EAFE Value Net Total Return USD Index  
International Developed Growth: MSCI EAFE Growth Net Total Return USD Index  
Emerging Markets All Cap: MSCI Emerging Markets IMI Net Total Return USD Index  
Emerging Markets Large Cap: MSCI Emerging Markets Large Cap Net Total Return USD Index  
Emerging Markets Small Cap: MSCI Emerging Markets Small Cap Net Total Return USD Index  
Emerging Markets Value: MSCI Emerging Markets Value Net Total Return USD Index  
Emerging Markets Growth: MSCI Emerging Markets Growth Net Total Return USD Index  
Real Estate: MSCI World Real Estate Index  
Energy: MSCI World Energy Index  
DataStream World Energy Index  
Metals & Mining: MSCI World Metals & Mining Index  
DataStream World Metals & Mining Index  
Commodities: Equal Sector Weighted S&P Goldman Sachs Commodities Index  
MSCI World Gold Mining Equity Index  
S&P GSCI Precious Metals Commodities Total Return Index  
DataStream World Gold Mining Index  
S&P GSCI Precious Metals

# Disclosures

---

This document is intended for the exclusive use of clients or prospective clients of PCS Advisors. Any additional dissemination or distribution is strictly prohibited. Information provided in this document is for informational and/or educational purposes only and is not, in any way, to be considered investment advice nor a recommendation of any investment product or service. Advice may only be provided after entering into an engagement agreement and providing PCS Advisors with all requested background and account information.

In partnership with Fiducient Advisors, the included information has been obtained from a variety of sources believed to be reliable though not independently verified. Any forecasts represent future expectations and actual returns, volatilities and correlations will differ from forecasts. Past performance does not indicate future performance and there is a possibility of a loss.

Please visit [www.pcsbd.net/disclosures](http://www.pcsbd.net/disclosures) for other important disclosures. Private Client Services is an SEC Registered Investment Advisor doing business as PCS Advisors. For information about Fiducient Advisors please visit [www.fiducientadvisors.com](http://www.fiducientadvisors.com).