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FIRST QUARTER 2022 MARKET RECAP

Russia-Ukraine, China Lockdowns Re-Stoke Inflation Concerns

Interest Rates Are Set to Rise, What Does That Mean for Stocks and Bonds?

During the quarter, the financial markets were roiled by Russia's invasion of Ukraine and new COVID lockdowns in China. Both events increased inflationary pressures that were just starting to moderate given meaningful improvements in global supply chain constraints. Sanctions placed on Russia and the proximity of supply of key energy, agricultural, and industrial metals to the war in Ukraine has pushed the price of these commodities to levels not seen since 2014,[1] while fresh lockdowns in Shanghai and other major Chinese cities are negatively impacting the supply of a number of manufactured products. These factors have increased expectations that the U.S. Federal Reserve ("Fed") and other central banks outside of the U.S. will take aggressive actions to slow economic activity to contain these new inflationary pressures. We expect more aggressive monetary policy measures over the coming months to slow economic growth in the U.S. and globally but not lead to a recession any time soon given the underlying health of the U.S. economy and the earlier stages of post-COVID economic reopenings outside of the U.S. We also view the recent "yield curve inversion" simply as a reflection of where the U.S. is in its business cycle rather than a trigger for a near-term recession.

We expect to see a rebound in stock prices over the course of this year driven by a recovery in growth stocks, which tend to outperform during environments of slowing economic growth. We are also reducing risk in many client portfolios by diverting some capital away from higher volatile stock sectors and into global large capitalization stocks with defensible cash flows and strong dividend payouts. We expect that most of the increase in high-quality bond yields has taken place, and these assets may experience modest prices rises going forward. We continue to view high-quality bonds as a ballast to portfolio returns rather than as a source of future growth. Investments in real assets and alternative assets also continue to provide viable sources of lower-correlated return streams while providing hedges against inflation.

U.S. Stocks

The Standard & Poor's 500 Index ("S&P 500"), which measures the performance of the 500 largest publicly traded companies in the U.S., declined 4.6% during first quarter 2022. U.S. stock prices were negatively impacted by renewed concerns that the Fed will need to more aggressively tighten financial conditions to reign in persistently high inflationary pressures. Shares of high growth companies and cyclically oriented stocks were hardest hit given the potential for slowing economic growth in response to an expected abrupt rise in interest rates while defensively positioned sectors outpaced the broader market.

Within the S&P 500, energy (+39.0%), utilities (+4.8%), and consumer staples (-1.0%) were the best sectors in the first quarter while information technology (-8.4%), consumer discretionary (-9.0%), and communication services (-11.9%), were the sectors with the poorest results. During the quarter, value

stocks, or shares of defensively oriented companies that have slower growth prospects and higher dividend payouts, fell 0.2% while growth stocks, or shares of companies growing sales and profits faster than the broader market, dropped 8.6%. The Russell 2500 Index, a measure of domestic small and mid-capitalization stocks (U.S. companies with a market capitalization lower than $10 billion) declined 5.8% in 1Q 2022. For 2021, the Russell 2500 Index was up 18.2%.

Foreign Stocks

The MSCI EAFE Index ("Europe, Australia-Asia, and Far East"), which measures the U.S. dollar-denominated ("USD") return of medium-to-large company stocks in developed markets outside of the US and Canada, declined 5.9% during the first quarter. The decline in developed international stock valuations was slightly higher during the quarter relative to U.S. stocks given the greater impact rising energy prices and Russian sanctions will have on the European Union ("EU"). Considering the EU gets 40% of its gas[2], 30% of its crude oil [3], and 15% of other oil products (e.g. diesel, naphtha, kerosene)[3] from Russia, increased embargos and/or phase-out measures on Russian oil and gas imports could push the economic bloc into a recession.

Emerging markets stocks (countries with less than a $25,000 per capita income), as measured by the MSCI Emerging Markets USD Index, declined 7.0% (on a U.S. dollar-denominated basis) in the first quarter. The decline in emerging market stocks was largely attributed to the 14.2% decline in the MSCI China (U.S. dollar) Index (China accounts for 31.8% of the value of the MSCI Emerging Markets Index[4]). The continuation of China's "growth recession" or a period of abnormally low economic growth due to new COVID-related shutdowns was a disappointment for investors anticipating a sharp rebound in activity due to the enactment of several fiscal stimulus measures by the central government.

Real Assets

The S&P Real Asset Index increased 1.6% in first quarter 2022. The S&P Real Asset Index measures the results of securities tied to physical assets including those that can produce relatively stable income streams, such as real estate and infrastructure assets, and inflation-sensitive real assets (e.g., hard commodities, natural resources, and inflation-linked bonds). The 26.6% rise in commodities and 16.6% increase in natural resources stocks, as measured by the Bloomberg Commodity Index and the S&P Global Natural Resources Index respectively, more than offset weakness in global real estate. Global infrastructure stocks delivered positive results benefiting from the 24.4% rise in the Alerian US Midstream Energy Index, a broad-based composite of U.S. energy infrastructure companies.

Alternatives

The Wilshire Liquid Alternatives Index, which measures the returns of investment assets/strategies that have very low correlation to traditional stocks and bonds (i.e., "alternatives"), fell 1.9% in the first quarter 2022. The positive relative performance for alternatives as compared to traditional stocks during 1Q 2022 was led by event-driven strategies, particularly merger-arbitrage. The Credit Suisse Merger Arbitrage Index increased 0.9% during the first quarter driven by elevated levels of private equity and leveraged buyout ("LBO")-related transaction activity.

U.S. Fixed Income (Domestic Bonds)

The Bloomberg Barclays US Aggregate Bond Index ("Barclays Agg"), a measure of high-quality U.S. bonds of all types (i.e., "core bonds"), fell 5.9% in 1Q 2022. The sharp rise in interest rates due to mounting expectations that the Fed will aggressively raise rates to combat high inflationary pressures negatively impacted all high-quality bond categories. The ICE BofA US Corporate Bond Index (investment grade corporate credit) was hit the hardest, dropping 7.7% in the quarter, while

the Bloomberg Aggregate Treasury Index (U.S. Treasury bonds) and ICE BofA US MBS Index (investment grade mortgage-backed securities issued and/or guaranteed by U.S. government agencies) declined 5.6% and 5.1% respectively.

The S&P National Municipal Bond Index, which is designed to measure the returns of the investment grade, tax-exempt bond market, dropped 5.8% in 1Q 2022. This decline marks the worst quarterly return since 1987[5]. In addition to rising rates, municipal bonds were negatively impacted by net investment outflows during the quarter as prospects for approval of the Build Back Better bill and associated tax reform (e.g. reinstituting the S.A.L.T deduction) has diminished over the near-term.

International Fixed Income (Foreign Bonds)

Outside of the U.S., the Bloomberg Barclays International Aggregate Bond USD ("U.S. Dollar") Index, a measure of international developed markets investment grade bonds of all types, declined (in US dollar terms) 6.2% in 1Q 2022. During the quarter, the S&P International Government Bond Index fell 7.1% while the S&P International Corporate Bond Index dropped 7.8%. International developed market bond results were negatively impacted by weakening currency trends (relative to the U.S. dollar) and increased expectations that major central banks, such as the European Central Bank ("ECB") and the Bank of England ("BoE"), will begin to "normalize" monetary policy over the next two years in response to rising inflation pressures.

The Bloomberg Barclays Emerging Markets Aggregate Bond Index, which measures the results of U.S. dollar-denominated debt of emerging market government and corporate issuers, fell 9.2% in first quarter 2022. Emerging market bonds were impacted by rising expectations for more aggressive interest rate hikes in multiple emerging market economies. The near 100% decline in the value of Russian government bonds due to sanctions placed on the Central Bank of Russia further weighed on emerging market bond prices in the quarter.

The Yield Curve Inverted. Does it Matter?

The financial markets now expect the Fed to aggressively hike short-term interest rates this year back towards "neutral" or the level or rates the agency deems will neither restrict nor spur economic growth. However, doing so in such an abrupt fashion will negatively impact economic growth in the near-term as the U.S. economy adjusts to a higher interest rate regime. This will also negatively impact aggregate demand, which in turn will help to reduce inflation. However, a persistent ceasefire in Ukraine and the ending of COVID lockdowns in China will be needed to suppress commodity price inflation and further ease global supply chain constraints. Until then, we expect inflation to decelerate but remain above historical levels until these supply side issues are resolved.

While a popular anomaly known as a two-year Treasury, 10-year note yield curve (or spread) has "inverted," we do not view this occurrence as indicating a recession is looming. (An inversion occurs when the yield on a two-year Treasury is higher than the yield on a 10-year note. This is an unusual event since longer dated bonds tend to have higher yields to compensate for increased risk of adverse interest rate movements given their longer time horizons. The fact that the yield on a 10-year note is higher than that of a two-year Treasury infers the market prefers to own longer dated bonds because investors expect the Fed to lower interest rates in the future to reinvigorate economic growth due to a potential recession.) Yes, an inverted "two-ten" yield curve has preceded 7 of the past 8 recessions[6], but its occurrence is a byproduct of where an economy is in its economic cycle rather than a trigger of a recession. Think of an inverted yield curve as greying hair, it is a natural occurrence that usually happens at older ages and prior to going bald! In fact, a more reliable indicator, the 3-month Treasury, 10-year yield curve, which preceded all prior 8 recessions [6], has not inverted and remains in a healthy, upward trend.

Outlook for Stocks

The U.S. economy remains extremely healthy. Unemployment remains at historical low levels, wages are rising, consumer and corporate balance sheets are healthy, and corporate profit margins continue to expand. Due to this favorable backdrop, we expect the U.S. economy will continue to grow in the face of rising interest rates and elevated inflation pressures. With that said, we do expect economic growth to meaningfully decelerate, which in turn will slow corporate earnings growth. We anticipate this will trigger a recovery in the valuation of growth stocks, which typically occurs during the later stages of an economic cycle and as corporate earnings growth becomes more "scarce." We also still see opportunity in certain value sectors that benefit from a growing economy. Thus, we continue to advocate owning balanced exposure to both growth and value companies. We are mindful, however, that aggressive Fed monetary tightening will negatively impact economic growth and may result in a potential "policy error" or a situation where the Fed increases rates too high and/or too fast, which ultimately pushes the economy into a recession. While this is not our base case view, we are reducing overall risk in many client portfolios by reducing exposure to high volatility stock categories and shifting this capital into income generating, global large cap stocks with defensible cash flows. Doing so will allow our client portfolios to benefit from rising stock prices but in a more stable fashion.

We maintain our positive view on foreign stocks, both international developed and emerging market. Foreign stock valuations are extremely cheap relative to the U.S. and factor in much of the risk of Europe falling into a recession. Since many foreign economies are earlier in their post-COVID re-openings relative to the U.S., we expect foreign economic growth will ultimately overtake the pace of U.S. economic growth thereby enhancing the earnings outlook and attractiveness of foreign stocks relative to U.S. stocks. We still view real assets as a viable means to hedge inflation and continue to recommend using alternatives to reduce overall portfolio volatility without owning more bonds.

Outlook for Bonds

We expect short-term rates to continue trending higher as the Fed tightens monetary policy over the coming quarters to tackle fairly broad-based inflationary pressures. However, we agree with the view of the strategists we work with that most of the increase in longer-term bond yields has taken place. This view is based on the expectation that the Fed will aggressively raise rates over the coming months but start to moderate their rate hikes, if not temporarily end them, as economic growth decelerates and inflation trends lower during the second half of this year. At the same time the Fed will be hiking short-term rates, the agency will be reducing its balance sheet holdings of Treasuries and agency MBS that were purchased since the start of the COVID pandemic. The sales of these bonds will further suppress economic growth by also raising short-and-midterm rates due to the increase supply of short-and-midterm bonds for sale. (The price of a bond is inversely related to its yield. As supply increases, bond yields typically rise to entice investors to purchase the extra supply of bonds.) The slowdown in the pace of Fed rate hikes could occur sooner if a near-term ceasefire in Russian hostilities in Ukraine lead to a lifting of some or all of the sanctions placed on Russia, although this is not our working assumption.

Since our working assumption is that the majority of the rise in longer-term bond yields has taken place, we expect further declines in the value of high-quality bonds to be limited. The fact that longer-term bond yields are substantially higher relative to where they were a year ago, may lead to increases in some high-quality bond prices over the course of this year. Since we anticipate any price increases to be modest, we still view the primary role of our clients' bond holdings is to provide a ballast to portfolios by reducing overall volatility rather than providing a source of future returns. We continue to recommend owning a globally diversified portfolio of predominately high-quality bonds to achieve this goal. For many clients, we recommend complementing their bond holdings with high quality, U.S. dollar-denominated emerging market government bonds and high quality preferred securities issued by real estate investment trusts ("REITs") to increase the expected return profile of their bond holdings. We also

continue to recommend owing diversified, national exposure to municipal bonds for certain clients in higher tax brackets since most are exempt from federal taxes and a portion can be tax-free at the state level as well.

Expect Continued High Stock Market Volatility

We do not expect rising interest rates to push the U.S. economy into recession, but we do expect the abrupt rise in rates over the coming months to lead to continued high stock market volatility as the U.S. economy adjusts to a higher interest rate regime. We are taking steps in many client portfolios to reduce volatility, while still allowing our clients' portfolios to benefit from rising stock prices going forward. If necessary, we will take additional steps to lower risk should rising inflation expectations become more entrenched and/or if rising rates prove more detrimental to economic growth as compared to expectations.

We Want to Help You Attain Your Financial and Personal Goals!

The general information in this report is not intended to reflect our specific recommendations for any client portfolio. Please contact us with any questions to discuss your personal goals and your investment portfolio.

We invite you to visit our website at www.ginsburgadvisors.com. Here you will learn more about our services, client value proposition, and our team. The site also has a useful "Resources" section where you can access our previous market commentaries, watch informative videos, download our latest staff contact list, and access useful financial calculators and web links. Please be sure to check our website periodically, as we will be updating the functionality of the site to include a client portal and other useful applications.

We welcome the opportunity to discuss your goals and the most appropriate strategy to attain them. We are also honored to speak to any of your friends, associates, or relatives should they have an interest in our financial planning or investment management services.

Please stay healthy and safe!

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This information was compiled by Ginsburg Financial Advisors.

Unless otherwise noted, financial data are as of March 31, 2022

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

The return and principal value of bonds fluctuate with changes in market conditions. If bonds are not held to maturity, they may be worth more or less than their original value.

Index descriptions:

-Alerian Midstream Energy Index. The capped, float-adjusted, capitalization-weighted index, whose constituents earn the majority of their cash flow from midstream activities involving energy commodities, is disseminated real-time on a price-return basis (AMNA) and on a total-return basis (AMNAX).

-Bank of America Merrill Lynch U.S. Corporate Bond Index- BofA Merrill Lynch US Corporate Index – ETF Tracker. The Index is an unmanaged index comprised of U.S. dollar denominated investment grade corporate debt securities publicly issued in the U.S. domestic market with at least one-year remaining term to final maturity.

-Bloomberg Barclays Emerging Markets Aggregate Bond Index- The emerging markets bond index (EMBI) is a benchmark index for measuring the total return performance of international government and corporate bonds issued by emerging market countries that meet specific liquidity and structural requirements. Despite their increased riskiness relative to developed markets, emerging market bonds offer several potential benefits such as portfolio diversity as their returns are not closely correlated to traditional asset classes.

-Bloomberg Barclays International Aggregate Bond USD ("U.S. Dollar") Index- The Bloomberg Barclays US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

-Bloomberg Barclays US Aggregate Bond Index, or the Agg, is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

-Bloomberg Commodity Index is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.

-Credit Suisse Liquid Alternatives Index- The Credit Suisse Liquid Alternative Beta Index (CSLAB), which aims to reflect the performance of the global hedge fund industry, finished up 0.58% in August. The Event Driven strategy was the strongest performer for the month, and finished up 1.39% in August, and up 7.87% year-to-date

-Credit Suisse Merger Arbitrage Index seeks to gain broad exposure to the Merger Arbitrage strategy using a pre-defined quantitative methodology to invest in a liquid, diversified and broadly representative set of announced merger deals.

-MSCI China (U.S. dollar) Index- The MSCI China Index captures large and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g., ADRs). With 711 constituents, the index covers about 85% of this China equity universe.

-MSCI EAFE Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada.

-MSCI EAFE SMID Cap Index captures mid and small cap representation across Developed Markets countries around the world, excluding the US and Canada. With 2,865 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country*

-MSCI Emerging Markets Index stands for Morgan Stanley Capital International (MSCI), and is an index used to measure equity market performance in global emerging markets.

-Russell 2500 Index is a broad index, featuring 2,500 stocks that cover the small- and mid-cap market capitalizations.

-S&P (Standard & Poor's) 500. A market capitalization-weighted index of 500 widely held stocks often used as a proxy for the US stock market. It measures the movement of the largest issues. Standard and Poor's chooses the member companies for the 500 based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid-1989, this composition has been more flexible and the number of issues in each sector has varied.

-S&P International Corporate Bond Index- S&P International Corporate Bond Index is an investable index of non-U.S. Dollar corporate bonds issued by non-U.S. investment grade issuers. The index seeks to measure the performance of corporate bonds issued in the non-U.S. Dollar G10 currencies

-S&P Global Natural Resources Index includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across 3 primary commodity-related sectors: agribusiness, energy, and metals & mining.

-S&P National AMT-Free Municipal Bond Index is a broad, comprehensive, market value-weighted index designed to measure the performance of the investment-grade tax-exempt U.S. municipal bond market. Bonds issued by U.S. territories, including Puerto Rico, are excluded from this index.

-S&P Real Assets Index is the first index of its kind designed to measure global property, infrastructure, commodities, and inflation-linked bonds using liquid and investable component indices that track public equities, fixed income, and futures.