



I'LL HAVE THE CASH COW, MEDIUM RARE

As the old saying goes, "Cash is King!", and these days those words are ringing true for the US dollar. The greenback has been on a surge, strengthening against other major currencies despite the gaping hole in our trade deficit (US imports exceed exports). The dollar has benefitted from the ongoing war in Ukraine, as it is perceived as a safe haven, and further outperformance can be attributed to our relatively high interest rates when compared with the rest of the world (Japanese 10-year yields are 0.25%). Unfortunately, while it may feel comforting to have some Benjamin Franklins tucked under the mattress for a rainy day; with inflation running at 8.6% (year over year CPI reading for May), you aren't doing yourself any favors as each day that stack of bills feels a little bit smaller.

Consumers are feeling the pain at the pump and the grocery store, as fuel feeds into everything from fertilizer to packaging, not to mention the 18-wheelers that ship everything from farm to plate and your local Amazon warehouse. Retailers are also feeling the squeeze as patrons have scaled back on pandemic athleisure wear purchases, leaving them with an oversupply of useless inventory combined with margin compression from higher wages and input costs. All of this on top of gyrating markets, and it's enough to make you feel green!

The Fed, however, is not taking this inflation game sitting down and has taken an aggressive stance combatting rising prices with multiple interest rate hikes. The Fed surprised some with a 75 basis point (0.75%) bump at their June meeting. While these moves have resulted in a "balanced" bear market (a period when both stocks and bonds fall in price), one should benefit from slightly higher interest on bank accounts. That is, bank deposits with a true FDIC regulated institution.

On the other end of the "currency" spectrum, cryptos have taken it on the chin. The beloved Bitcoin has fallen 70% from its peak, trading around \$18,000 at quarter end (leaving Elon Musk a little thin on his Twitter purchase), and it's cousin Ether has lost 77%. Overall, the total token market has lost \$2 Trillion of value since last November, cutting the size of the market by more than 2/3rds. Even so-called stable coins like Terra, which were created to maintain a constant value, have broken the buck or completely disappeared. A lot of digital wallets have gone cold, and I don't mean offline.

Crypto banks such as Celsius and other unregulated Defi lenders are finding themselves overleveraged with loans backed by crypto collateral that is plummeting in price, resulting in margin calls and George Bailey-esque runs on digital banks. If all this seems quite confusing...not to worry. Just wait until the first bank in the ephemeral Meta world goes insolvent, and they send out the Meta Feds to unwind the Meta mess. What was that other saying? Oh yeah, always carry cash!

What 2021 hath giveth, 2022 hath taketh away. All major indices are in or have touched bear market territory (-20%). Why you ask? Because markets hate uncertainty and that is what we have a great deal of, currently. There is war, food shortages contributing to civil unrest in parts of Africa and the Middle East (spurring talks of another Arab Spring), ongoing supply chain issues, rampant inflation, upcoming mid-term elections and let's not forget hurricane season; all of which will be sure to cause continued volatility for some time. It is in times like these that bad news can be good news, as sagging economic indicators may force us into a recession sooner rather than later, meaning the Fed may have to pause or reverse course. The yield curve has already inverted several times (a leading indicator of recession), bond spreads have gapped out and consumer sentiment is at its lowest levels since the great financial crisis, all signaling the inevitable.

Unemployment should also be on the rise as many tech companies, and the more recently wounded crypto/defi firms, have all announced layoffs. In addition, participation rates are still below pre-Covid levels due to the many people who have yet to return to the job market. Rising rates are already starting to cool the housing market, and higher gas prices are dampening demand as people return to their "work from home" ritual to save money.

The economy is slowing. The question is, will it be slow enough for a soft landing or will there be rug burns? Already, the market is pricing in rate forecasts below the FOMC forward dot plot, meaning they believe the Fed will have to reverse course and start lowering rates again (the 10-year dipped back below 3.0%, signaling market sentiment). Furthermore, there are signs that inflation is abating (the Bloomberg commodity index is down 18% since its June 9th high), with copper, wheat, corn and even oil on the decline. While supply driven issues are still in effect, these cannot be corrected by the Fed, but instead by long-term investment and restructuring to take control over supply chains. In the short run, we will lose out on the deflationary effects of globalization; however, long-term technology should counteract inflation and increase productivity.

Closing Thoughts

Our view is that a recession is most likely unavoidable; however, it does not spell disaster and will most likely be short and shallow in nature. Generally, stock markets begin recovering prior to the end of a recession, so a recession in itself isn't necessarily an indicator of poor stock market performance. Whatever does transpire, hard or soft, shallow or deep; over the long-run stocks do rise and bonds pay income. The key is staying rational while the markets are acting irrational and committing to a long-term strategic allocation to successfully ride out the ebbs and flows.

Regards,



John P. Ulrich, CFP®
President



Whitney E. Solcher, CFA®
Chief Investment Officer



Equity Markets

The S&P 500 Index sank 16.1% in 2Q on concerns over rising rates and a slowing economy; the Index is down 20.0% YTD. All sectors posted negative returns, but the worst were Consumer Discretionary (-26%), Communication Services (-21%), and Technology (-20%). Energy, Utilities, and Consumer Staples each lost roughly 5%. Value outperformed growth by a substantial margin (Russell 1000 Value: -12.2%; Russell 1000 Growth: -20.9%) and the YTD differential is more than 15 percentage points.

The MSCI ACWI ex USA Index sank 13.7% (Local: -8.3%), bringing its YTD loss to 18.4% (Local: -11.9%). The U.S. dollar continued to strengthen, benefiting from its “safe haven” status as well as attractive interest rates relative to other developed markets. The yen lost 11% versus the greenback, the euro 6%, and the British pound 8%. Across developed market countries, losses were broad-based, with nearly all posting double-digit declines. As in the U.S., Value (MSCI ACWI ex USA Value: -11.9%) outperformed Growth (MSCI ACWI ex USA Growth: -15.7%). Technology (MSCI ACWI ex USA Technology: -23%) fared the worst with Energy (MSCI ACWI ex USA Energy: -5%) being the relative outperformer. Emerging markets (MSCI Emerging Markets: -11.4%; Local: -8.1%) outperformed developed markets for the quarter, led by China (MSCI China: +3%), which was helped by improving data as lockdowns ended as well as promises of government stimulus. Returns were mixed but negative across regions: Latin America (-22%), Emerging Europe (-21%), and Emerging Asia (-9%).

Fixed Income Markets

The Bloomberg US Aggregate Bond Index fell 4.7% in 2Q, bringing its YTD loss to 10.3%. Mortgages and corporates underperformed U.S. Treasuries, and the yield-to-worst of the Aggregate Index climbed to 3.7%. High yield corporates (Bloomberg High Yield: -9.8%) underperformed investment grade, and the Index is down 14.2% YTD. Rates were volatile during the quarter; the 10-year U.S. Treasury hit an intra-quarter high of 3.49% in June, the highest since 2011, before closing the quarter at 2.98%. TIPS (Bloomberg TIPS: -6.1%; -8.9% YTD) sharply underperformed nominal U.S. Treasuries for the quarter as longer-term inflation expectations declined. The 10-year breakeven spread was 2.3% at the end of the quarter, down from 2.8% on 3/31/22.

Interest rates also rose overseas and the U.S. dollar continued to strengthen, hurting unhedged fixed income returns. The Bloomberg Global Aggregate ex USD fell 11.0% (hedged: -4.0%). Losses were broad-based with double-digit declines across Europe, in Japan, and the U.K. Emerging markets performed similarly with the JPM EMBI Global Diversified down 11.4% and the local currency JPM GBI-EM Global Diversified off 8.6%.

The Bloomberg Municipal Bond Index fell 2.9% for the quarter and is down 9.0% YTD. The shorter duration 1-10 Year Blend fell 0.8% for the quarter and 5.6% YTD. The ratio of AAA Municipal yields to the 10-year U.S. Treasury increased to 92%, up from 69% as of year-end. Outflows continued (25 consecutive weeks) and reached \$76 billion, the largest drop since data was first collected (1992). Municipal credit fundamentals remained sound with state and local revenues benefiting from strong employment and property taxes.



Real Assets

Following very strong 1Q results, real assets as a group posted negative returns in 2Q as concerns over slowing global growth mounted. A lone exception was the energy-heavy S&P GSCI Index, which eked out a 2.0% gain during the quarter while the Bloomberg Commodity TR Index fell 5.7%. WTI Crude closed the quarter at \$106/barrel, up from \$100 on 3/31/22 and \$76 at year-end. Gold (S&P Gold Spot Price Index: -7.5%), listed infrastructure (DJB Global Infrastructure: -7.1%), REITs (MSCI US REIT: -16.9%), and TIPS (Bloomberg TIPS: -6.1%) declined.



Returns for Various Periods - June 30, 2022

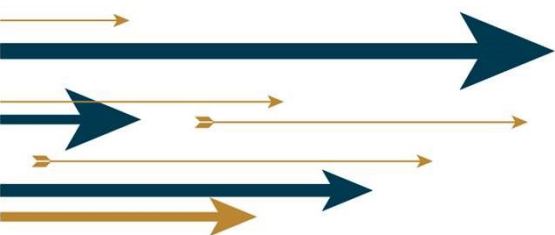
	Last Quarter	Year to Date	Last Year	Last 3 Years	Last 5 Years	Last 10 Years	Last 15 Years
MSCI:ACWI	(15.66)	(20.18)	(15.75)	6.21	7.00	8.76	4.80
Russell:3000 Index	(16.70)	(21.10)	(13.87)	9.77	10.60	12.57	8.36
Russell:3000 Growth Index	(20.83)	(28.15)	(19.78)	11.84	13.63	14.41	10.40
Russell:3000 Value Index	(12.41)	(13.15)	(7.46)	6.82	7.01	10.39	6.06
MegaCap							
Russell:Top 50	(18.12)	(22.10)	(10.98)	13.03	13.23	13.38	8.89
Russell:Top 200	(16.61)	(20.73)	(11.46)	11.50	12.15	13.39	8.79
Russell:Top 200 Growth	(20.89)	(27.45)	(16.17)	14.65	15.64	15.70	11.44
Russell:Top 200 Value	(10.89)	(11.02)	(5.10)	6.92	7.60	10.47	5.78
Large Cap							
S&P:500	(16.10)	(19.96)	(10.62)	10.60	11.31	12.96	8.54
Russell:1000 Index	(16.67)	(20.94)	(13.04)	10.17	11.00	12.82	8.51
Russell:1000 Growth	(20.92)	(28.07)	(18.77)	12.58	14.29	14.80	10.67
Russell:1000 Value	(12.21)	(12.86)	(6.82)	6.87	7.17	10.50	6.10
MidCap							
S&P:400 Mid Cap	(15.42)	(19.54)	(14.64)	6.87	7.02	10.90	8.05
Russell:Midcap Index	(16.85)	(21.57)	(17.30)	6.59	7.96	11.29	7.77
Russell:Midcap Growth	(21.07)	(31.00)	(29.57)	4.25	8.88	11.50	8.21
Russell:Midcap Value	(14.68)	(16.23)	(10.00)	6.70	6.27	10.62	6.91
Small Cap							
S&P:600 Small Cap	(14.11)	(18.94)	(16.81)	7.30	7.20	11.26	8.03
Russell:2000 Index	(17.20)	(23.43)	(25.20)	4.21	5.17	9.35	6.33
Russell:2000 Growth	(19.25)	(29.45)	(33.43)	1.40	4.80	9.30	6.80
Russell:2000 Value	(15.28)	(17.31)	(16.28)	6.18	4.89	9.05	5.58
Russell:Microcap	(18.96)	(25.11)	(30.73)	5.05	4.55	9.04	5.16
Non-US Equity							
MSCI:ACWI ex US	(13.73)	(18.42)	(19.42)	1.35	2.50	4.83	1.58
MSCI:EAFE	(14.51)	(19.57)	(17.77)	1.07	2.20	5.40	1.42
MSCI:EAFE Growth	(16.88)	(26.81)	(23.76)	1.32	3.47	6.29	2.53
MSCI:EAFE Value	(12.41)	(12.12)	(11.95)	0.18	0.52	4.25	0.12
MSCI:EAFE Small Cap	(17.69)	(24.71)	(23.98)	1.12	1.72	7.18	2.84
MSCI:EM	(11.45)	(17.63)	(25.28)	0.57	2.18	3.07	2.00
Fixed Income							
Blmbg:Aggregate	(4.69)	(10.35)	(10.29)	(0.93)	0.88	1.54	3.26
Blmbg:TIPS	(6.08)	(8.92)	(5.14)	3.04	3.21	1.73	3.92
Blmbg:Long Gov/Credit	(12.27)	(21.88)	(20.14)	(2.32)	1.03	2.63	5.35
Blmbg:Long Credit A	(12.34)	(22.06)	(21.17)	(2.66)	0.65	2.93	4.94
Blmbg:HY Corp Cash Pay	(9.84)	(14.20)	(12.79)	0.22	2.11	4.47	5.79
Blmbg:Muni 1-10 Yr	(0.84)	(5.55)	(5.39)	0.21	1.32	1.79	3.05
Blmbg:Glb Agg xUSD	(11.01)	(16.49)	(18.78)	(5.07)	(1.75)	(1.06)	1.42
Blmbg:Glb Agg xUSD Hdg	(4.01)	(7.90)	(7.75)	(1.36)	1.30	2.66	3.40
JPM:EMBI Plus	--	--	--	--	--	--	--
Other Assets							
Blmbg:Commodity TR Idx	(5.66)	18.44	24.27	14.34	8.39	(0.82)	(1.77)
S&P GSCI	2.01	35.80	45.05	14.69	11.67	(1.83)	(3.05)
S&P:Gold Spot Price Ix	(7.51)	(1.16)	2.02	8.53	7.79	1.20	7.05
FTSE:NAREIT Equity Index	(17.00)	(20.20)	(6.27)	4.00	5.30	7.39	5.77
Alerian:MLP Index	(7.38)	10.04	4.33	0.07	(0.29)	0.74	3.69

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CAPITAL MARKETS REVIEW & OUTLOOK

Second Quarter 2022



MAJOR MARKET INDICES (AS OF 6/30/2022)

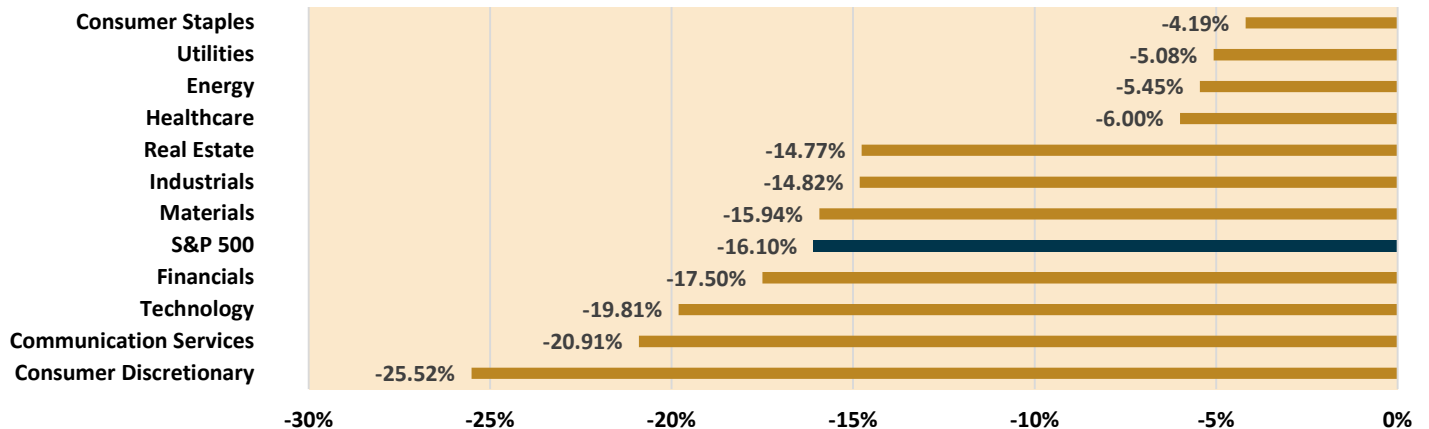
Domestic Equity	2022		1 Year	Annualized		P/E Ratio TTM
	Q2	YTD		5 Year	10 Year	
S&P 500	-16.1%	-20.0%	-10.6%	11.3%	13.0%	18.44
Russell 3000	-16.7%	-21.1%	-13.9%	10.6%	12.6%	17.60
Russell 1000 Value	-12.2%	-12.9%	-6.8%	7.2%	10.5%	14.08
Russell 1000 Growth	-20.9%	-28.1%	-18.8%	14.3%	14.8%	24.98
Russell 1000	-16.7%	-20.9%	-13.0%	11.0%	12.8%	18.01
Russell 2000	-17.2%	-23.4%	-25.2%	5.2%	9.4%	11.79
Russell 2500	-17.0%	-21.8%	-21.0%	7.0%	10.5%	12.48
International Equity	2022		1 Year	Annualized		P/E Ratio TTM
	Q2	YTD		5 Year	10 Year	
MSCI ACWI Ex US	-13.5%	-18.2%	-19.0%	3.0%	5.3%	12.10
MSCI EAFE	-14.3%	-19.3%	-17.3%	2.7%	5.9%	12.65
Emerging Markets	-11.3%	-17.5%	-25.0%	2.5%	3.4%	10.92
Fixed Income	2022		1 Year	Annualized		Yield
	Q2	YTD		5 Year	10 Year	
Barclays Aggregate	-4.7%	-10.3%	-10.3%	0.9%	1.5%	3.7%
Barclays Universal	-5.1%	-10.9%	-10.9%	0.9%	1.8%	4.2%
Other	2022		1 Year	Annualized		Value
	Q2	YTD		5 Year	10 Year	
S&P/LSTA Leveraged Loan	-4.5%	-4.6%	-2.8%	2.9%	3.7%	-
FTSE Nareit Equity REITs	-17.00%	-20.2%	-6.3%	5.3%	7.4%	-
US Dollar	6.5%	9.1%	13.3%	1.8%	2.5%	\$104.69
WTI	23.69%	50.4%	44.0%	18.1%	2.2%	\$105.76
Gold	-29.6%	-2.5%	1.1%	8.1%	1.1%	\$1,807

- Areas with the greatest speculation have been hurt most, including growth stocks and cryptocurrencies.
- All major US indices entered bear territory (-20%) and Value continued to outperform Growth by a significant margin. Meanwhile, international markets fared slightly better and remain at much more attractive valuations.
- A “Balanced Bear” environment persisted with rising rates sending bond prices down further as positive correlations between stocks and bonds increased.
- Energy prices continued to rally as supply is slow to come back online in the US and from OPEC. Meanwhile, India and China continue to purchase cheap Russian oil.
- While typically a safe haven, gold retreated, despite rising inflation.

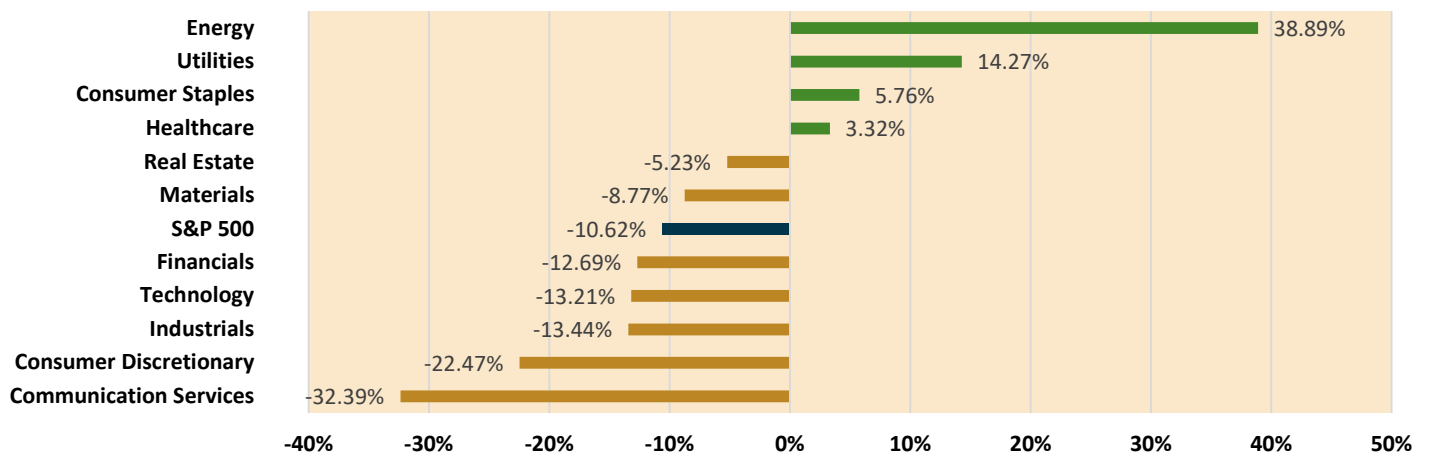
Source: Koyfin, Morningstar Direct, Callan

SECTOR PERFORMANCE

Q2 2022 Sector Performance



TTM Sector Performance



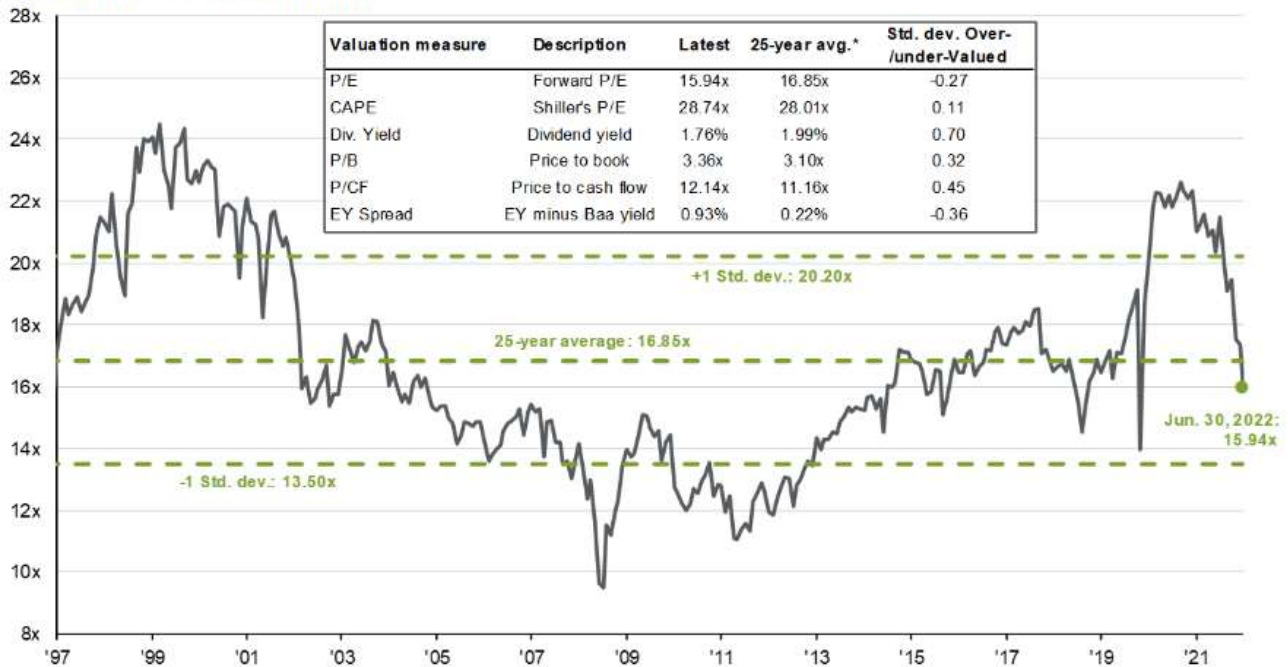
- Every sector was in the red for the quarter with consumer discretionary taking it on the chin, as consumers tightened their belts to compensate for higher gas and grocery prices.
- Communication services also struggled as consumers decreased the number of streaming services they subscribed to, following the pandemic.
- Safe haven sectors, including utilities, healthcare, consumer staples and energy are the only winners over the last 12 months.

Source: Morningstar Direct

MARKET VALUATIONS

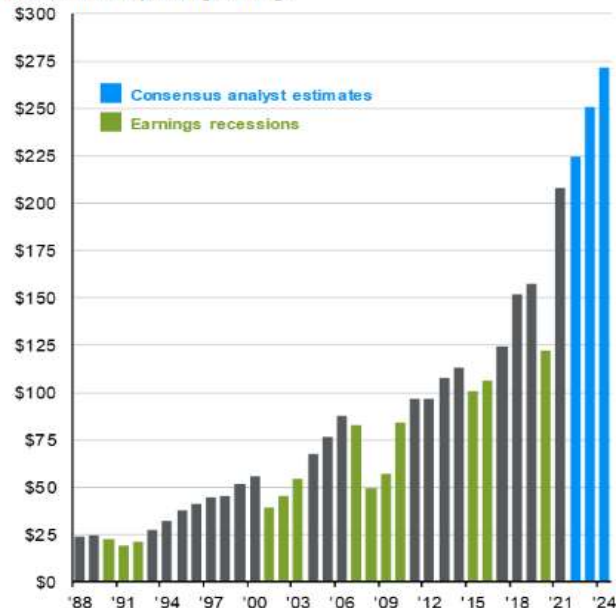
- Multiples and earnings expectations are both dragging down returns, which is unusual and appears overly pessimistic.
- Rising rates and wages, as well as dollar strength (which is negative for exports), should cool off in 2023 and become tail winds for corporate earnings.

S&P 500 Index: Forward P/E ratio



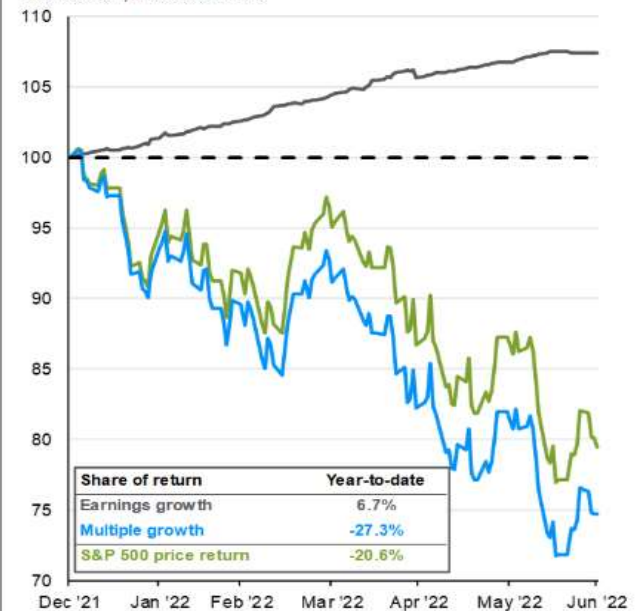
S&P 500 earnings per share

Index annual operating earnings



Percent change in S&P 500, earnings and valuations*

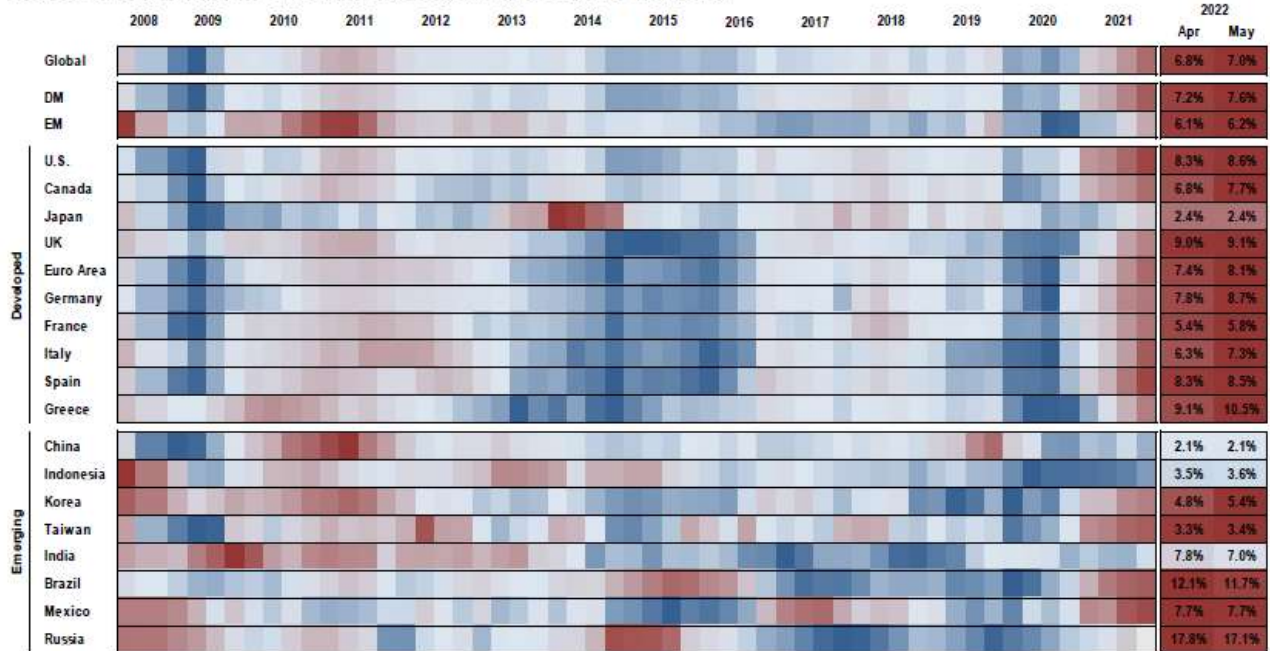
Year-to-date, indexed to 100



Source: JP Morgan

INFLATION & RECESSION

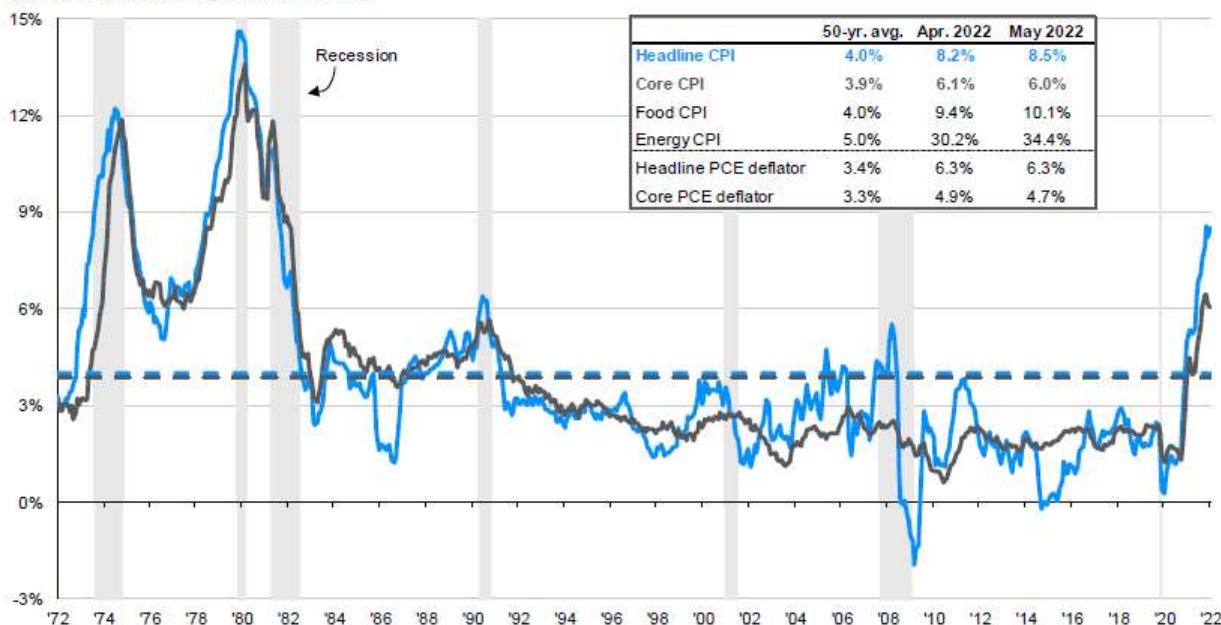
Year-over-year headline inflation by country and region, quarterly



- Inflation is elevated around the globe, excluding China, which has been on lockdown.
- In the US, CPI generally peaks during a recession.
- Central banks are tightening; however, this may not be necessary to combat a supply shock as inflation shouldn't get embedded.

CPI and core CPI

% change vs. prior year, seasonally adjusted

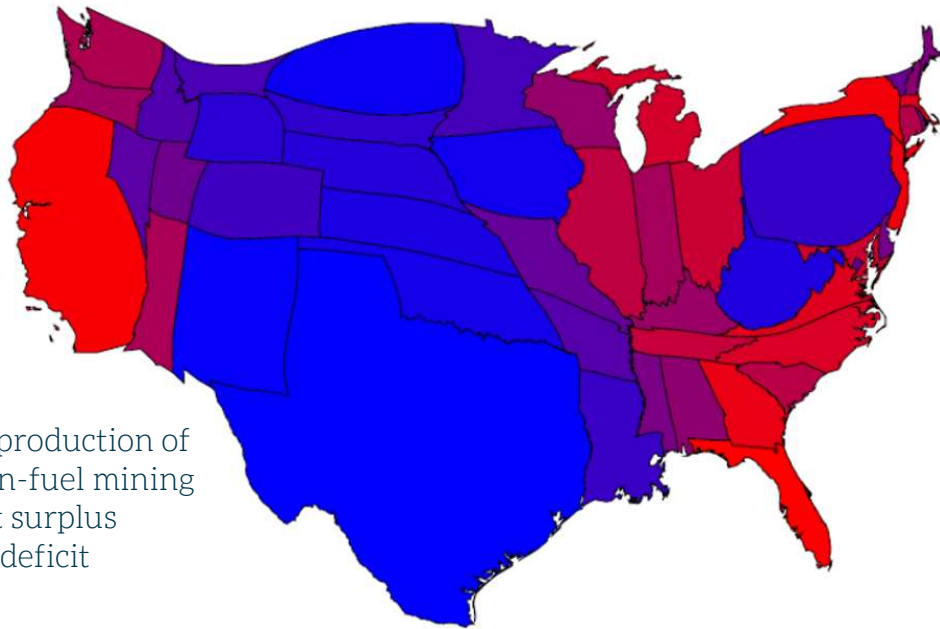


Source: JP Morgan

FOOD & ENERGY DEPENDENCE

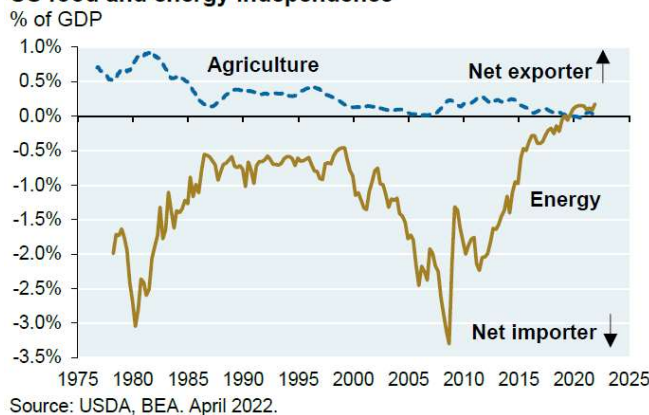
- Due to the pandemic and Russia's invasion of Ukraine, the world is quickly learning that reliance on food and energy imports creates risk associated with supply, price, currency stability and national security.
- In the US, food and energy imports as a percentage of consumption, are the lowest out of all manufactured goods categories, resulting in a degree of food and energy independence uncommon to other countries.

Energy, Mineral and Food Weighted Map of the US

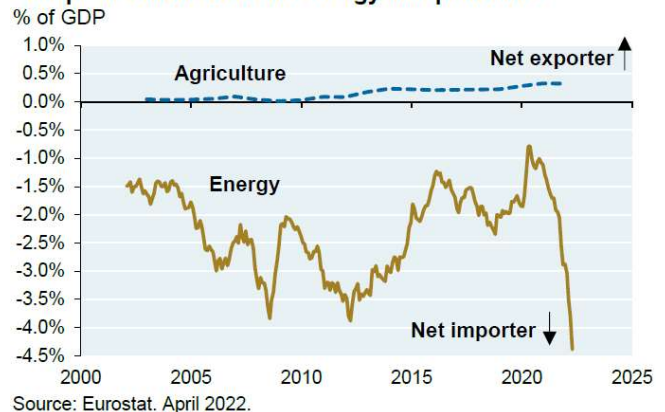


States sized by 2021 production of energy, food, and non-fuel mining
Blue = largest output surplus
Red = largest output deficit

US food and energy independence



European Union food and energy independence



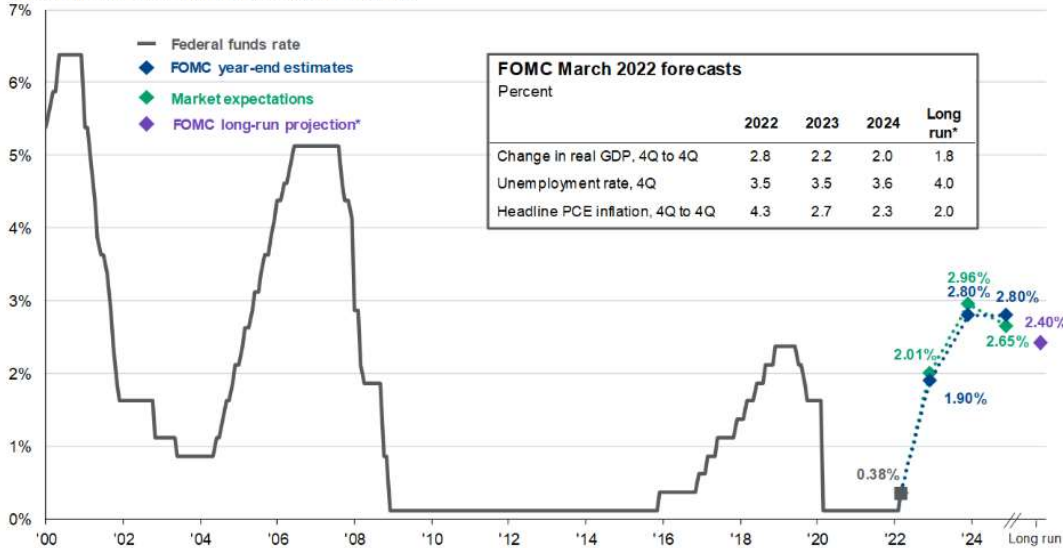
- Russia is cutting gas supplies to Europe, which predominately affects Germany whose industrial furnaces require 75% gas inputs, including BASF, the largest integrated chemical complex that is vital to industrial supply chains, including fertilizer.

Source: JP Morgan

INTEREST RATES AND THE FED

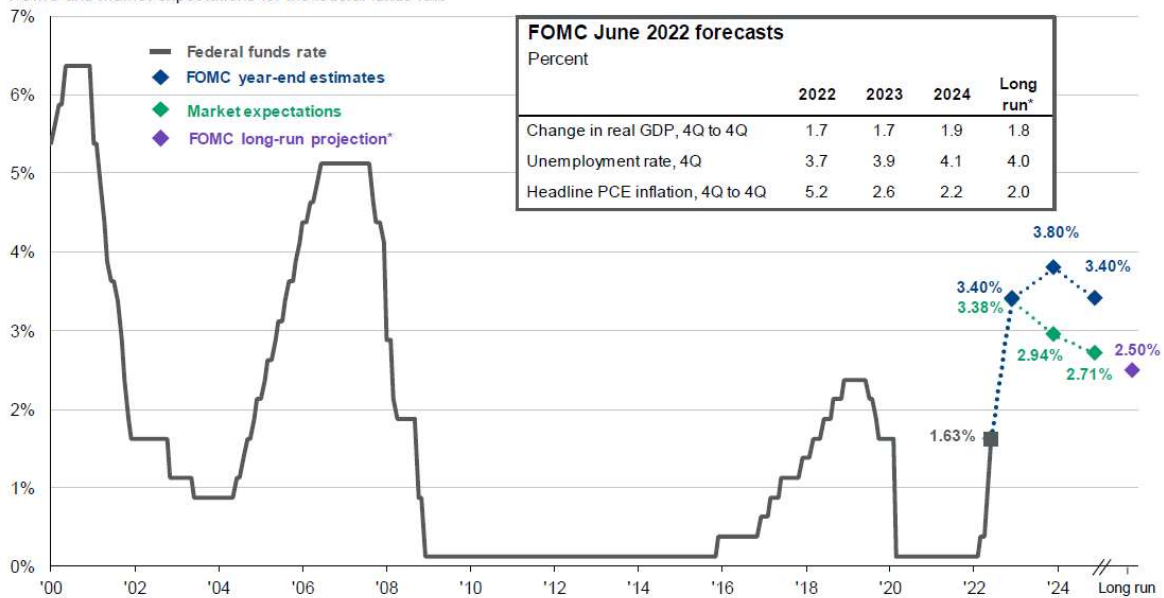
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Federal funds rate expectations

FOMC and market expectations for the federal funds rate



- Inflation remained hotter for longer than the Fed and the markets anticipated, and the Fed tightened more aggressively than the markets expected, leading to a sell-off in the bond market.
- The Fed's aggressive stance has shifted the dot plot sharply higher.
- Meanwhile, current market expectations have caught up with the Fed but as chances of a recession become more apparent, the market is pricing in a decrease in future funds rates in 2023 and 2024.

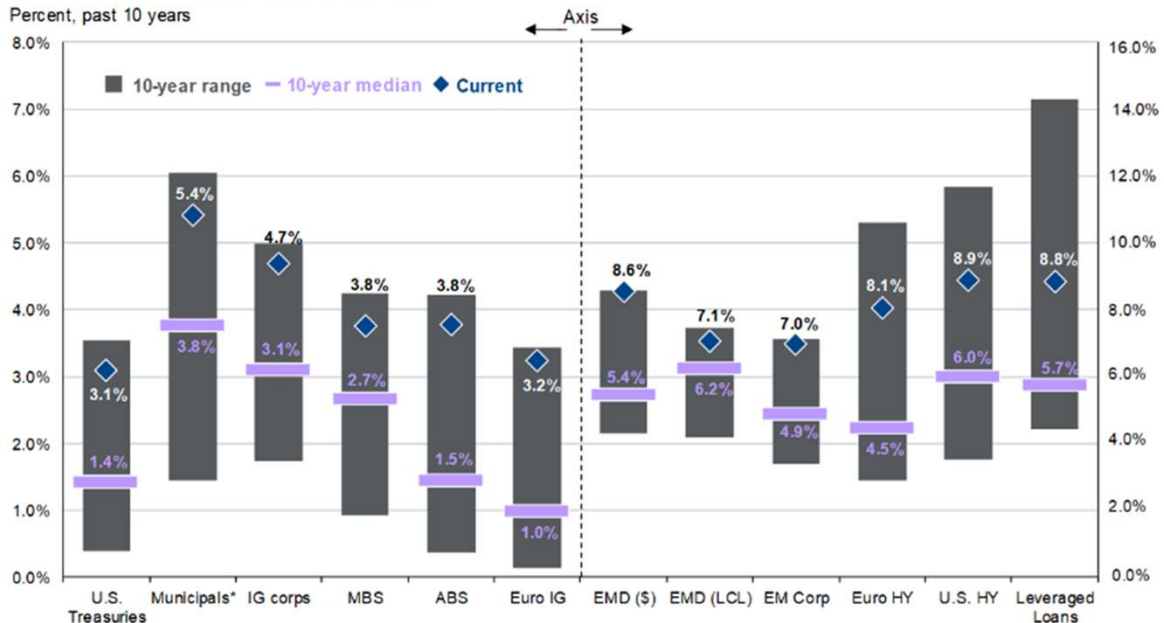
Source: JP Morgan

FED MOVES



- Bond markets responded quickly to the Fed hikes and yields may be peaking; however, earnings announcements and guidance will be an important driver.
- Plenty of tightening is still to come as the Fed drains its inflated balance sheet.

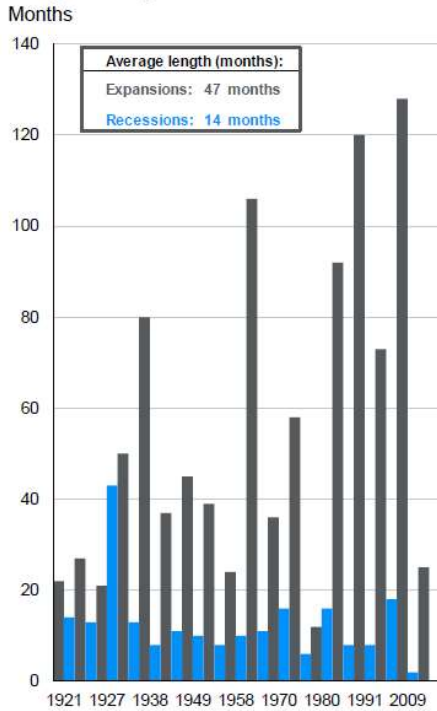
Yield-to-worst across fixed income sectors
Percent, past 10 years



Source: JP Morgan, Federal Reserve Economic Data St. Louis, U.S. Department of the Treasury

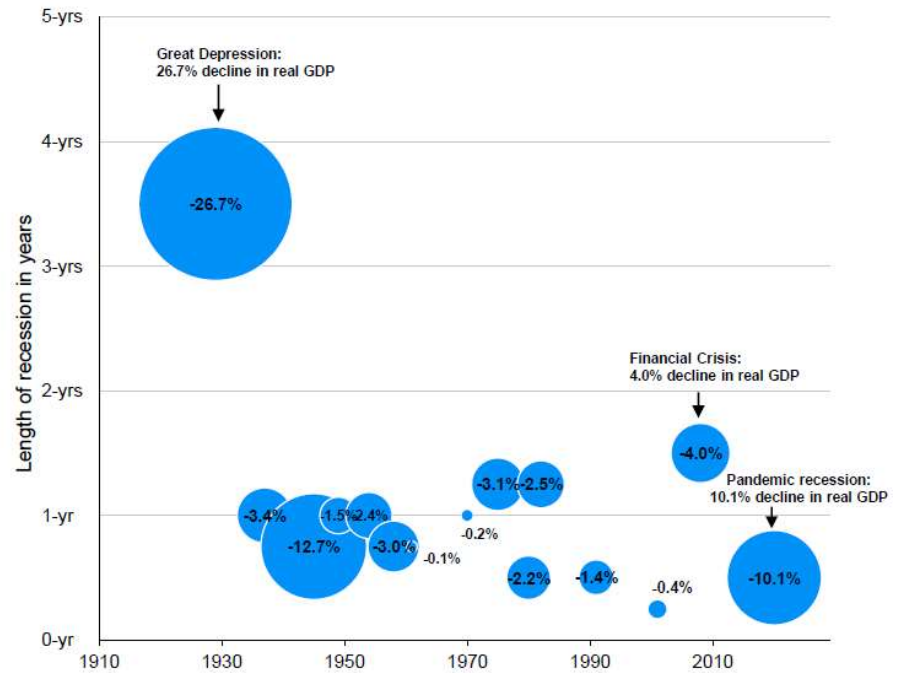
EXPANSIONS AND RECESSIONS

Length of expansions and recessions



The Great Depression and post-war recessions

Length and severity of recession

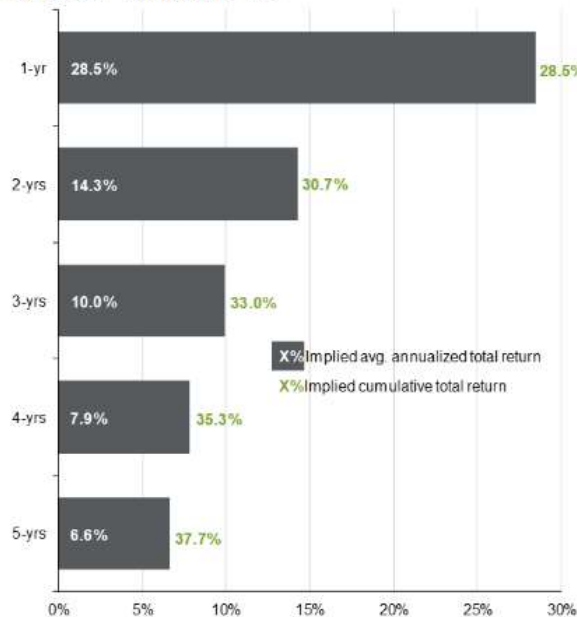


- The Fed has stated that they would sacrifice labor (employment) and risk entering recession in order to combat inflation.
- However, the Fed can not fight supply driven inflation; they can only counteract demand.
- Last December, the Fed believed that vaccines and the re-opening of the economy would lead to lower inflation, but this was delayed by further supply disruptions:
 - Russia invading Ukraine
 - China re-entering lock-down
- The monetary and fiscal stimulus during the pandemic created false demand for goods over services while consumers were in lock-down. This demand is dissipating, and should be transitory, but supply chain restructuring will take time.
- Already we are seeing commodity prices fall (wheat, corn, copper). The Bloomberg Commodity index is down 18% from its June 9th high and semiconductor prices are also retreating.
- This is not your dad's or grandad's recession; banks are too well capitalized and employment is too strong.

Source: JP Morgan

BULL, BEAR AND IN BETWEEN

Return needed to reach January 2022 peak
Current S&P 500 peak is 4797

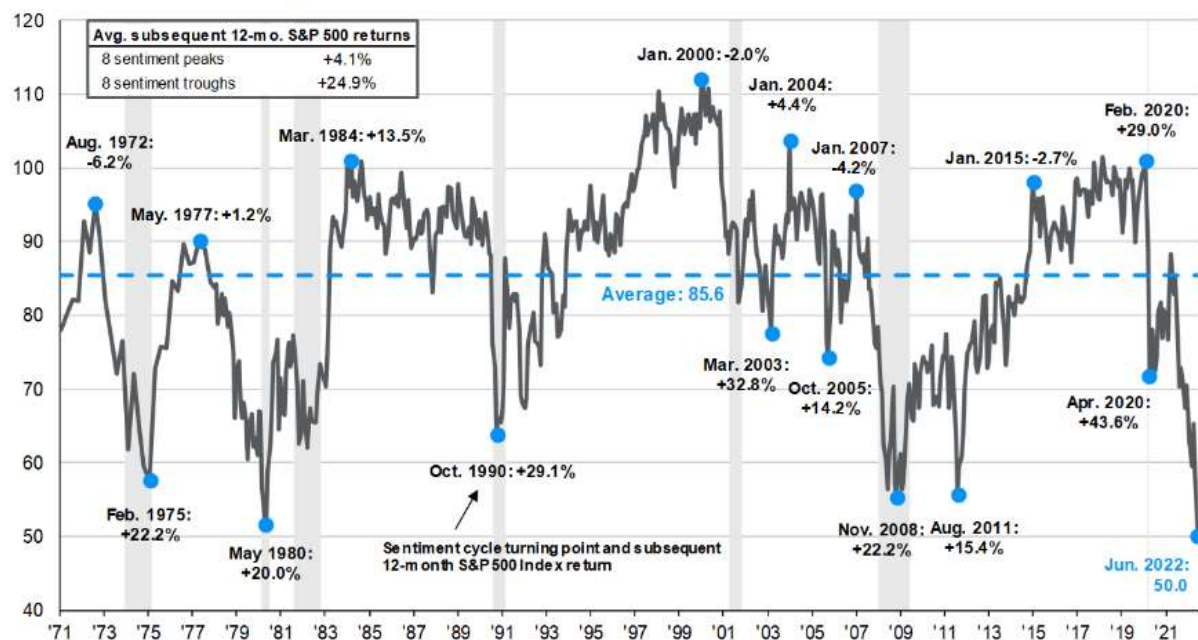


Bull and bear markets

Bull markets			Bear markets		
Bull begin date	Bull return	Duration (months)	Market peak	Bear return*	Duration (months)*
Jul 1926	152%	37	Sep 1929	-86%	32
Mar 1935	129%	23	Mar 1937	-60%	61
Apr 1942	158%	49	May 1946	-30%	36
Jun 1949	267%	85	Aug 1956	-22%	14
Oct 1960	39%	13	Dec 1961	-28%	6
Oct 1962	76%	39	Feb 1966	-22%	7
Oct 1966	48%	25	Nov 1968	-36%	17
May 1970	74%	31	Jan 1973	-48%	20
Mar 1978	62%	32	Nov 1980	-27%	20
Aug 1982	229%	60	Aug 1987	-34%	3
Oct 1990	417%	113	Mar 2000	-49%	30
Oct 2002	101%	60	Oct 2007	-57%	17
Mar 2009	401%	131	Feb 2020	-34%	1
Mar 2020	114%	21	Jan. 2022**	-24%	5
Averages	162%	51	-	-41%	20

- Consumer sentiment is driven by inflation, unemployment, stock prices, home prices and gasoline prices - Pandemic overhang is hurting the public mood.
- Investors tend to be rewarded for being greedy when people are fearful, returns tend to be attractive when consumer sentiment is at its worst – Does this really feel worse than 2008?

Consumer Sentiment Index and subsequent 12-month S&P 500 returns

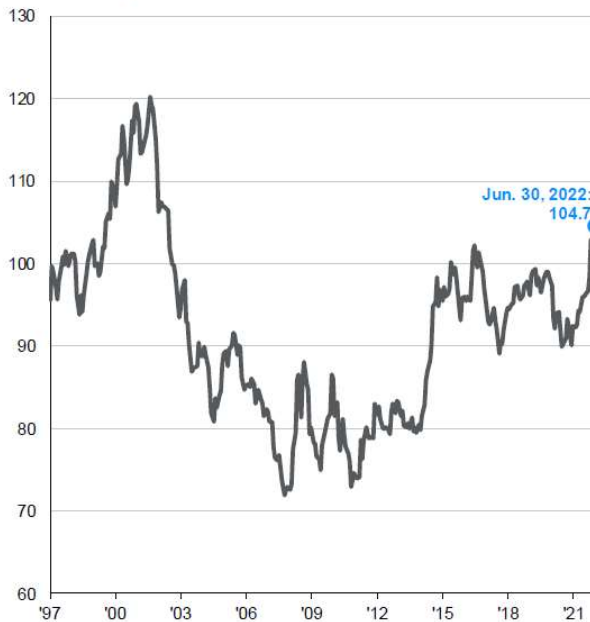


Source: JP Morgan

U.S. DOLLAR & INTERNATIONAL MARKETS

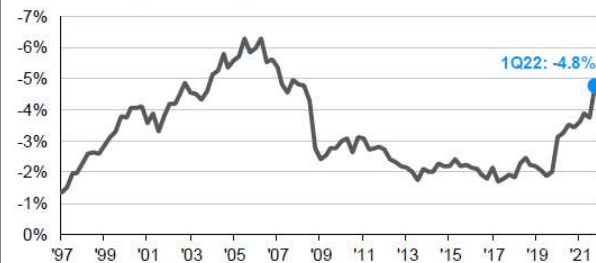
The U.S. dollar

U.S. Dollar Index



The U.S. trade balance

Current account balance, % of GDP



Developed markets interest rate differentials

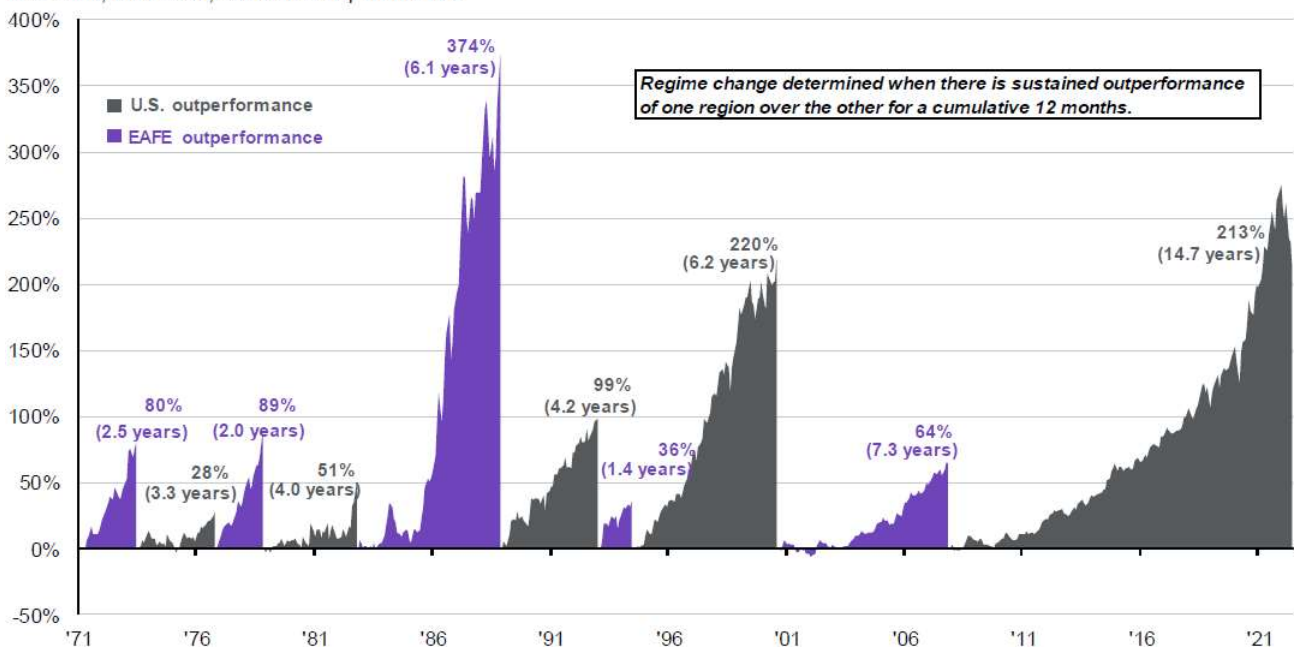
Difference between U.S. and international 10-year yields*



- Despite a large trade deficit, the dollar has been strengthening.
- A reversal in dollar strength caused by a cease fire in Ukraine, lower oil prices, further deregulation in China, along with a larger exposure to cyclical sectors, could provide a tailwind to international.

MSCI EAFE and MSCI USA relative performance

U.S. dollar, total return, cumulative outperformance*



Source: JP Morgan

CRYPTO MELT DOWN



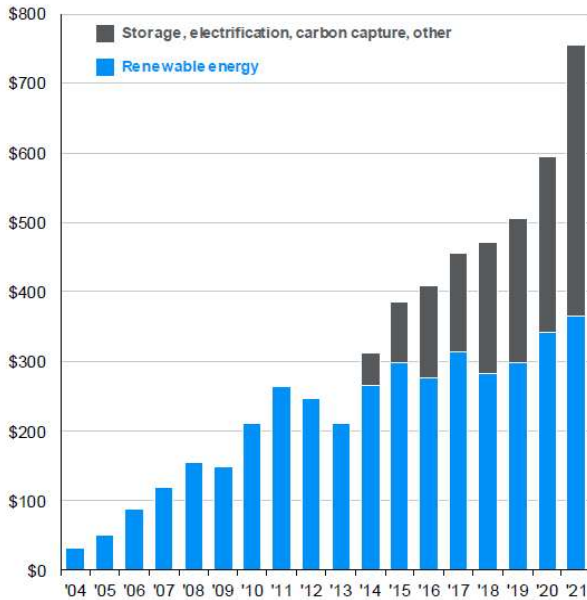
- Cryptocurrencies have experienced a harsh reversal after several stable coins, designed to maintain a constant value, such as Terra, broke the buck.
- Bitcoin fell 70% from its peak, trading around \$18,000 at quarter end, while Ether lost 77%.
- Overall, the total token market lost \$2 Trillion of value since last November, cutting the size of the market by more than 2/3rds.
- Crypto banks such as Celsius and other unregulated Defi lenders are finding themselves overleveraged with loans backed by crypto collateral that is plummeting in price, resulting in margin calls.
- The argument for crypto as a diversifier has not proven itself as volatility and correlations increase.

Source: Tradingview.com

ENERGY TRANSITION

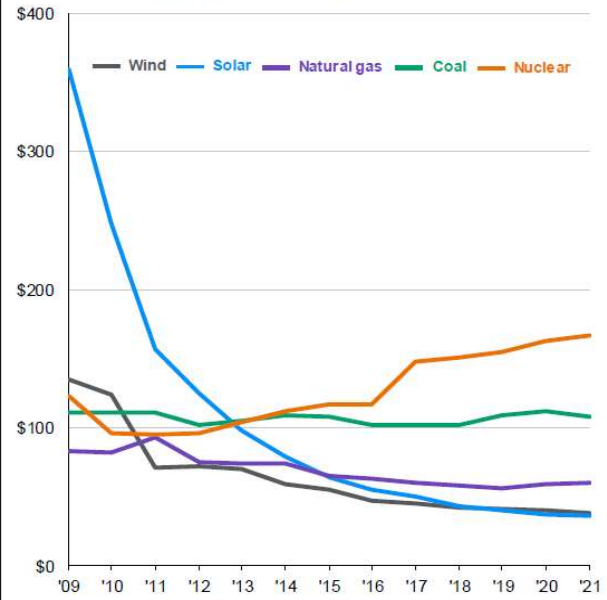
Global investment in energy transition

Billions USD, nominal



Cost of wind, solar, natural gas, nuclear and coal

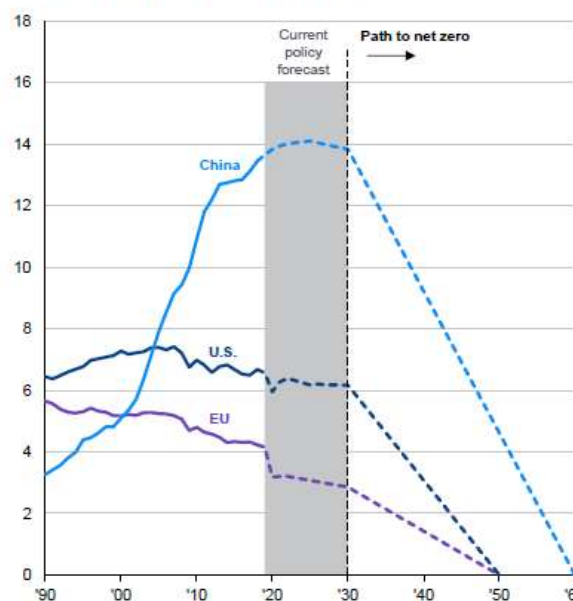
Mean LCOE*, 2021, dollar per megawatt hour



- Controlling energy supply is becoming a geopolitical and national security issue, increasing the need for energy transition strategies alongside traditional sources.
- Battery storage and carbon capture are becoming a bigger focus of investment.
- In the future, US energy independence will decline, as China is the largest producer of wind turbines, lithium batteries and other EV related inputs.

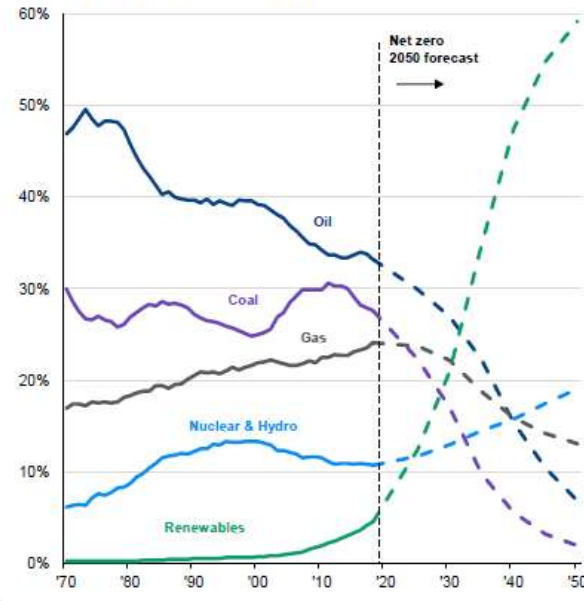
Greenhouse gas emissions targets

Billions of tons per year, CO2 equivalent



Global energy mix

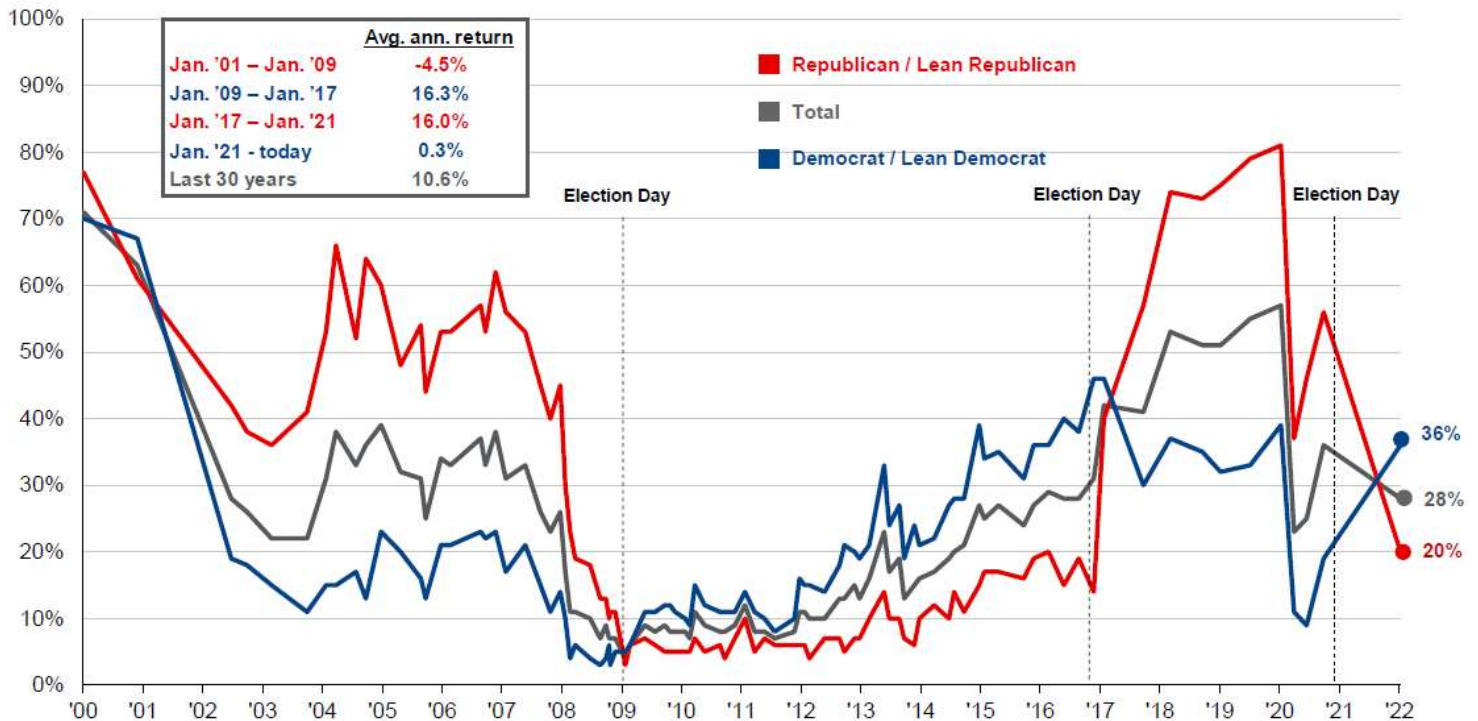
% of primary energy consumption



Source: JP Morgan

ELECTION OUTLOOK

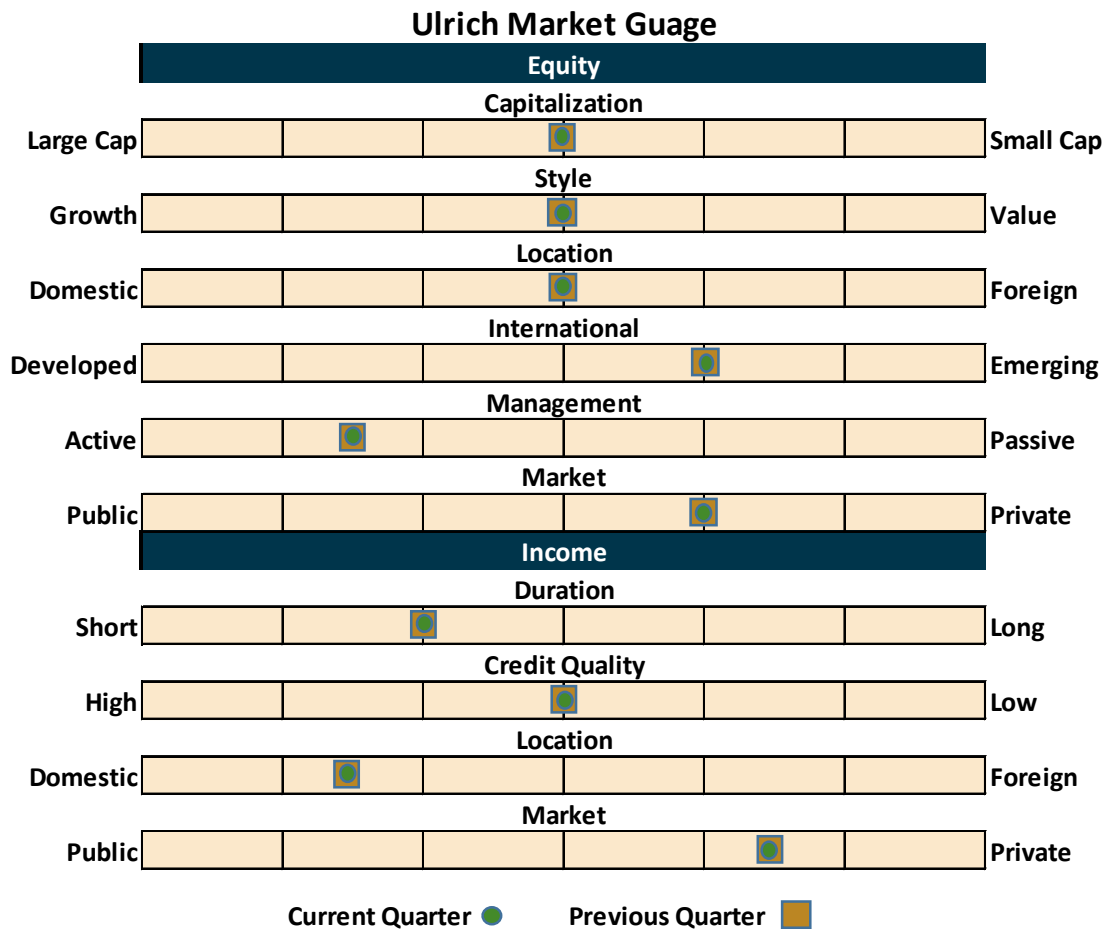
Percent of Republicans and Democrats who rate national economic conditions as excellent or good
Percent



- With less than five months to go before voters elect all members of the House of Representatives and one-third of the Senate, the current Democratic congressional majority is facing an extremely unfavorable election environment.
- The party of the president typically loses U.S. House seats in midterm elections -- an average of 23 since 1974.
- Gallup's latest data from a May 2, 2022 survey, finds 41% of Americans approving of the job President Joe Biden is doing, 18% approving of the job Congress is doing, and 16% satisfied with the way things are going in the U.S.
- Each of those metrics is at least 10 points lower than the historical average at the time of past midterm elections, and most are on pace to be the worst of such readings.
- Democrats may benefit politically from the Supreme Court overturning *Roe v. Wade* and Republican opposition to gun control measures in the wake of a series of mass shootings, as these will be important voting factors.

Source: JP Morgan and Gallup

SUMMARY AND OUTLOOK



- Currently, markets are not pricing in any positive news, a ceasefire, lower inflation data, or a Fed pause. Any changes to this could provide tailwinds to stock prices.
- International equity poses risks in the near-term; however, longer-term valuations are compelling and should benefit from their more cyclical nature and rising middle classes in emerging markets. Also, a reversal in dollar strength could provide additional return.
- We continue to diversify our income producing assets to provide a more attractive risk/return profile, including non-traditional real estate, infrastructure, transportation and direct lending. These hard assets also have built in inflation protection.
- We do see the need and desire for improving the energy grid and infrastructure, as well as the restructuring of supply chains and continue to look for opportunities to capitalize on what should be bi-partisan initiatives.
- We believe portfolios will benefit from the addition of Alternative Investments such as private equity, credit and real estate and the opportunity set is greater than it's ever been for accessing these types of strategies in an efficient manner.