

Snapshot

Global stocks and bonds declined in June and posted another quarterly loss. A backdrop of surging inflation, hawkish central banks, rising interest rates, record-low U.S. consumer confidence and slowing economic growth pressured performance. Most stock indices logged double-digit second-quarter declines, while bond losses varied depending on sector and maturity.

- After declining nearly 5% in the first quarter, the S&P 500 Index slipped into bear market territory and fell more than 16% in the second quarter. With a year-to-date total return of -20%, the index suffered its worst first-half performance since 1970.
- All sectors of the S&P 500 Index declined in June and for the second quarter. The consumer staples sector fared the best for the quarter, dropping almost 5%, while consumer discretionary stocks were the worst, plunging more than 26%.
- U.S. inflation ended the quarter at 8.6% (year over year), a 41-year-high. European inflation rose to a record 8.6%, while U.K. inflation hit a 40-year high of 9.1%.
- Soaring inflation prompted the Fed to raise rates 50 bps in May and 75 bps in June, the first 75-bps hike in 28 years. The Bank of England lifted rates for the fifth time since December. The European Central Bank said its asset-purchase program would end in July, setting the stage for its first rate hike in 11 years.
- U.S. stocks (S&P 500) fared better than their developed markets peers in June. However, U.S. stocks underperformed for the second quarter. Emerging markets stocks outperformed developed markets stocks in June and for the quarter.
- U.S. Treasury yields rose in June and for the quarter overall, leading to widespread losses for bonds.

Returns (%)

| INDEX | 1 MO | 3 MO | YTD | 1 YR | 3 YR | 5 YR | 10 YR |
|--|-------|--------|--------|--------|-------|-------|-------|
| U.S. Large-Cap Equity | | | | | | | |
| S&P 500 | -8.25 | -16.10 | -19.96 | -10.62 | 10.59 | 11.30 | 12.95 |
| U.S. Small-Cap Equity | | | | | | | |
| Russell 2000 | -8.22 | -17.20 | -23.43 | -25.20 | 4.21 | 5.16 | 9.35 |
| Intl. Developed Markets Equity | | | | | | | |
| MSCI World ex USA | -9.41 | -14.66 | -18.76 | -16.76 | 1.70 | 2.66 | 5.37 |
| Emerging Markets Equity | | | | | | | |
| MSCI Emerging Markets | -6.64 | -11.45 | -17.63 | -25.28 | 0.57 | 2.18 | 3.06 |
| Global Real Estate Equity | | | | | | | |
| S&P Global REIT | -8.47 | -17.22 | -20.37 | -10.61 | 0.45 | 2.79 | 5.15 |
| U.S. Fixed Income | | | | | | | |
| Bloomberg U.S. Aggregate Bond | -1.57 | -4.69 | -10.35 | -10.29 | -0.93 | 0.88 | 1.54 |
| Global Fixed Income | | | | | | | |
| Bloomberg Global Aggregate Bond | -3.21 | -8.26 | -13.91 | -15.25 | -3.21 | -0.55 | 0.11 |
| U.S. Cash | | | | | | | |
| Bloomberg U.S. 1-3 Month Treasury Bill | 0.05 | 0.12 | 0.16 | 0.18 | 0.57 | 1.05 | 0.60 |

Data as of 6/30/2022. Performance in USD. Periods greater than one year have been annualized. Past performance is no guarantee of future results. Source: FactSet.

Equity Returns | Size and Style

| | | U.S. | | | |
|-------|--|---------|---------|---------|---------|
| | | QTD | | YTD | |
| | | Value | Growth | Value | Growth |
| Large | | -12.21% | -20.92% | -12.86% | -28.07% |
| | | | | | |
| Small | | -15.28% | -19.25% | -17.31% | -29.45% |
| | | | | | |

| | | Non-U.S. Developed Markets | | | |
|-------|--|----------------------------|---------|---------|---------|
| | | QTD | | YTD | |
| | | Value | Growth | Value | Growth |
| Large | | -11.90% | -16.78% | -9.66% | -25.68% |
| | | | | | |
| Small | | -15.64% | -20.37% | -18.10% | -29.55% |
| | | | | | |

| | | Emerging Markets | | | |
|-------|--|------------------|---------|---------|---------|
| | | QTD | | YTD | |
| | | Value | Growth | Value | Growth |
| Large | | -10.50% | -11.51% | -13.65% | -21.23% |
| | | | | | |
| Small | | -14.62% | -18.21% | -16.04% | -23.85% |
| | | | | | |

- All major size and style categories posted steep losses for the second quarter and year-to-date period.
- Large-cap stocks fared modestly better than small-cap stocks in the quarter. Year to date, the broad large- and small-cap indices were down more than 20%.
- Style performance across capitalizations favored value stocks over growth stocks for the quarter and year to date. Nevertheless, growth and value stocks suffered sharp losses for both periods.

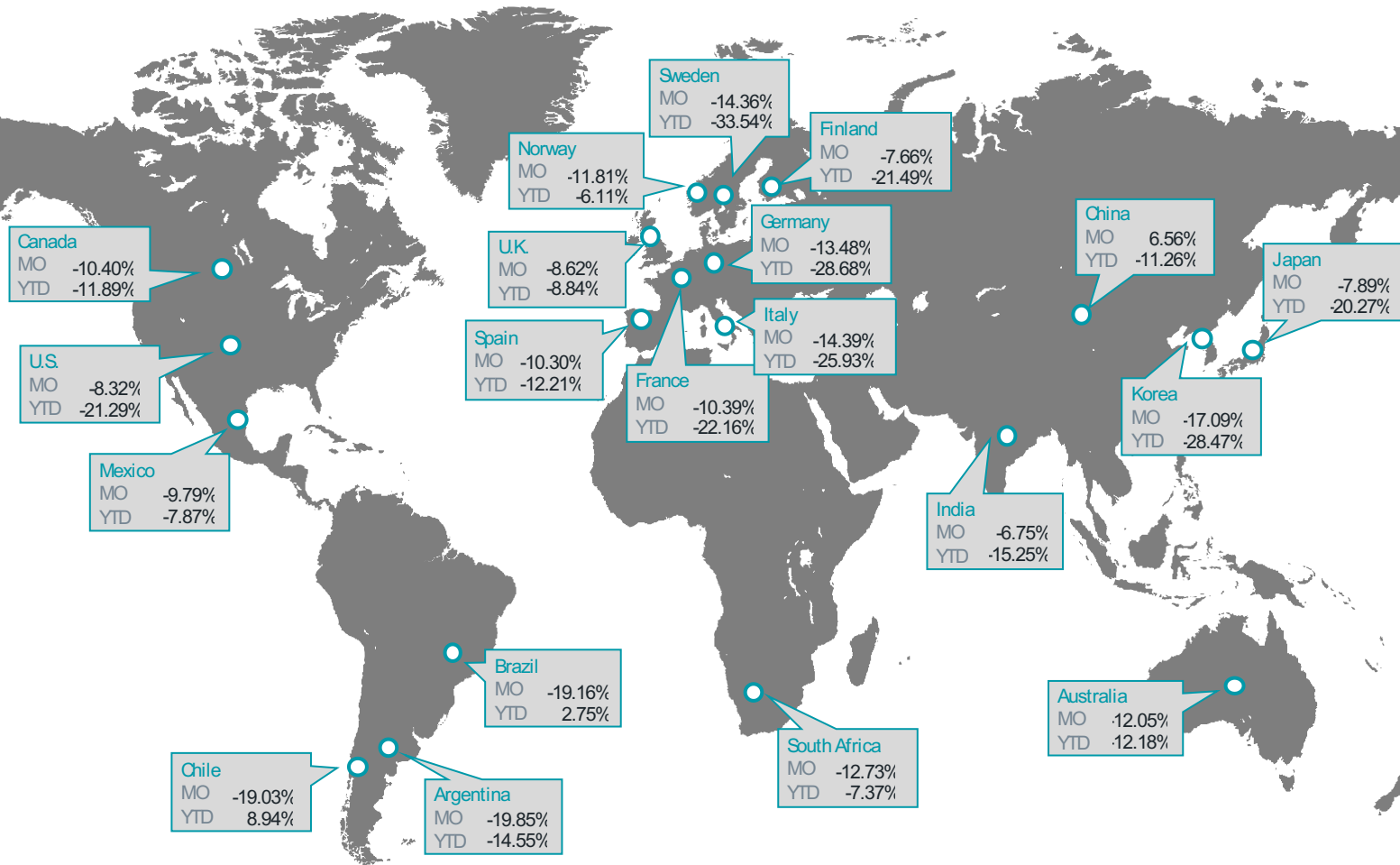
- International developed markets stocks declined for the second quarter and the year-to-date period.
- Similar to performance among U.S. stocks, large caps outperformed small caps in the second quarter and for the six-month period.
- Value stocks generally fared better than growth stocks in the second quarter and year to date. For the year-to-date period, large-cap value stocks declined nearly 10%, while small-cap growth stocks plunged almost 30%.

- The broad emerging markets stock index declined but outperformed developed markets indices for the quarter and the year-to-date period.
- Tracking performance trends in developed markets, large-cap stocks outperformed small-cap stocks for the second quarter and year to date.
- Large- and small-cap value stocks declined but outperformed their growth stock peers for both time periods. Small-cap growth stocks delivered the worst relative performance in the second quarter and year to date.

Data as of 6/30/2022. Performance in USD. Past performance is no guarantee of future results. Source: FactSet.

U.S. Equity, International Developed Markets and Emerging Markets Equity style boxes are represented by Russell, MSCI World ex USA and MSCI Emerging Markets indices, respectively.

Equity Returns | Country



Data as of 6/30/2022. Performance in USD. Past performance is no guarantee of future results. Source: FactSet. Countries are represented by MSCI country indices.

Fixed-Income Returns

Persistently high inflation and aggressive tightening from the Fed drove U.S. Treasury yields higher. U.S. bonds posted negative returns for June and the second quarter, led by corporate bonds.

- The Bloomberg U.S. Aggregate Bond Index declined 1.6% in June, leading to a loss of 4.7% for the second quarter. Corporate bonds, mortgage-backed securities and Treasuries retreated for the month and quarter.
- The yield on the 10-year U.S. Treasury note soared to 3.5% by mid-June before retreating by month-end due to weaker economic data. Overall, the 10-year yield rose from 2.35% on March 31 to 3.01% on June 30. The two-year Treasury yield rose 62 bps to 2.96%, and the yield curve steepened modestly.
- Annual headline inflation jumped to 8.6% in May, the highest rate since December 1981. Rising energy costs, including record-high gasoline prices, were significant contributors to inflation's surge.
- After raising rates 50 bps in May, the Fed lifted rates 75 bps in June, the first rate hike of 75 bps since 1994. At quarter-end, Fed futures contracts signaled an 81% chance of another 75 bps Fed rate hike in July.
- Municipal bond (muni) yields also rose, and munis underperformed Treasuries in June. However, a rally in May helped munis outperform Treasuries for the second quarter.
- Five- and 10-year inflation breakeven rates eased in the quarter as growth expectations softened. TIPS were among the worst-performing fixed-income sectors for the three-month period.

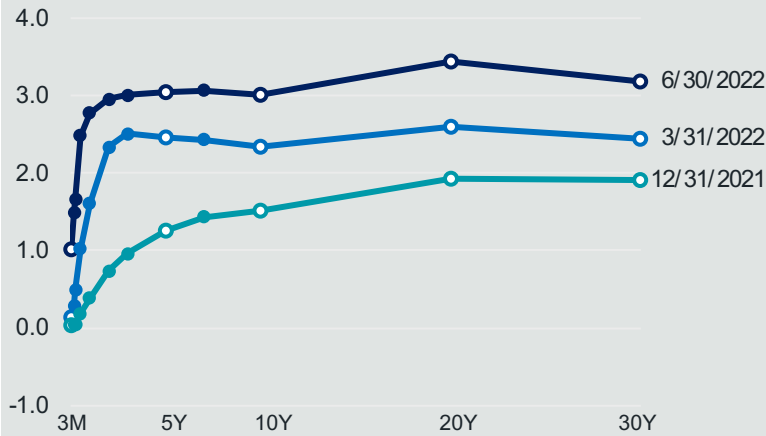
Returns (%)

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|--|-------|-------|--------|--------|-------|-------|-------|
| Global Fixed Income | | | | | | | |
| Bloomberg Global Aggregate Bond | -3.21 | -8.26 | -13.91 | -15.25 | -3.21 | -0.55 | 0.11 |
| U.S. Fixed Income | | | | | | | |
| Bloomberg U.S. Aggregate Bond | -1.57 | -4.69 | -10.35 | -10.29 | -0.93 | 0.88 | 1.54 |
| U.S. High Yield Corporate | | | | | | | |
| Bloomberg U.S. Corporate High-Yield Bond | -6.73 | -9.83 | -14.19 | -12.81 | 0.21 | 2.10 | 4.47 |
| U.S. Investment Grade | | | | | | | |
| Bloomberg U.S. Corporate Bond | -2.80 | -7.26 | -14.39 | -14.19 | -0.99 | 1.28 | 2.61 |
| Municipals | | | | | | | |
| Bloomberg Municipal Bond | -1.64 | -2.94 | -8.98 | -8.57 | -0.18 | 1.51 | 2.38 |
| U.S. TIPS | | | | | | | |
| Bloomberg U.S. Treasury - U.S. TIPS | -3.16 | -6.08 | -8.92 | -5.14 | 3.04 | 3.21 | 1.73 |
| U.S. Treasuries | | | | | | | |
| Bloomberg U.S. Treasury Bond | -0.88 | -3.78 | -9.14 | -8.90 | -0.88 | 0.74 | 1.01 |
| U.S. Cash | | | | | | | |
| Bloomberg U.S. 1-3 Month Treasury Bill | 0.05 | 0.12 | 0.16 | 0.18 | 0.57 | 1.05 | 0.60 |

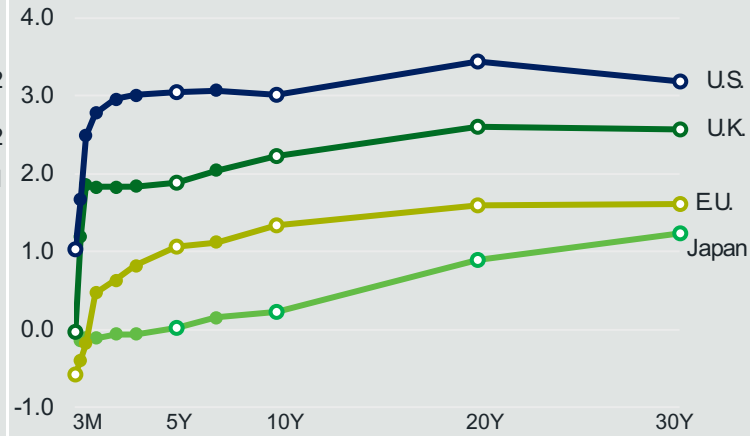
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Global Yield Curves

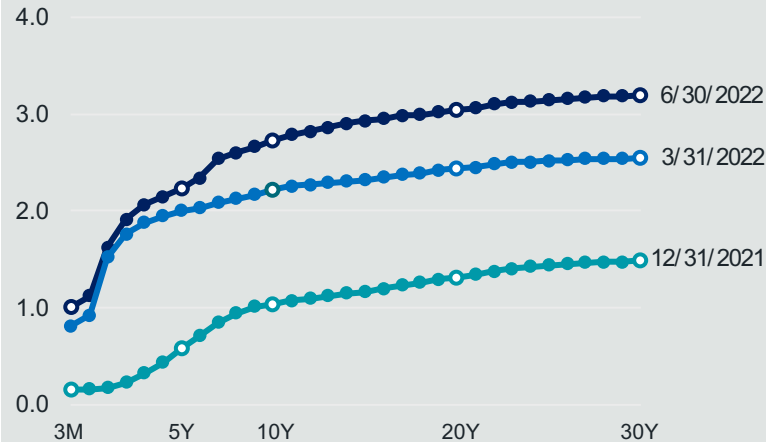
U.S. Treasury Yield Curve Over Time



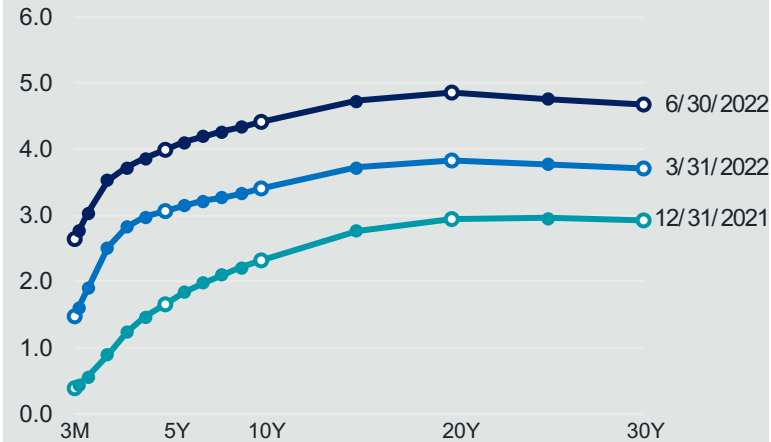
Country/Region Yield Curves as of Latest Month



AAA U.S. Municipal Yield Curve Over Time



A-Rated U.S. Corporate Credit Yield Curve Over Time



Data as of 6/30/2022

Source: Bloomberg.

Yield is a rate of return for bonds and other fixed-income securities. A yield curve is a line graph that shows yields of fixed-income securities from a single sector (e.g., Treasuries) over various maturities (e.g., five and 10 years) at a single point in time (e.g., 12/31/2020).