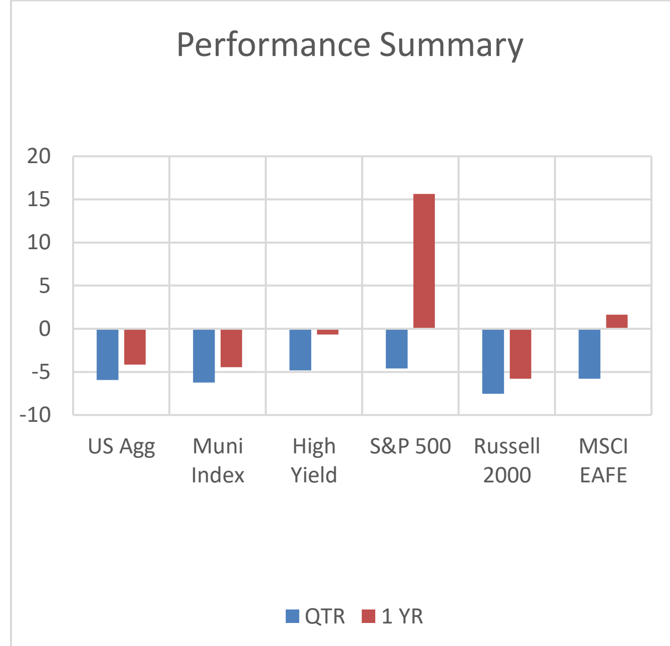
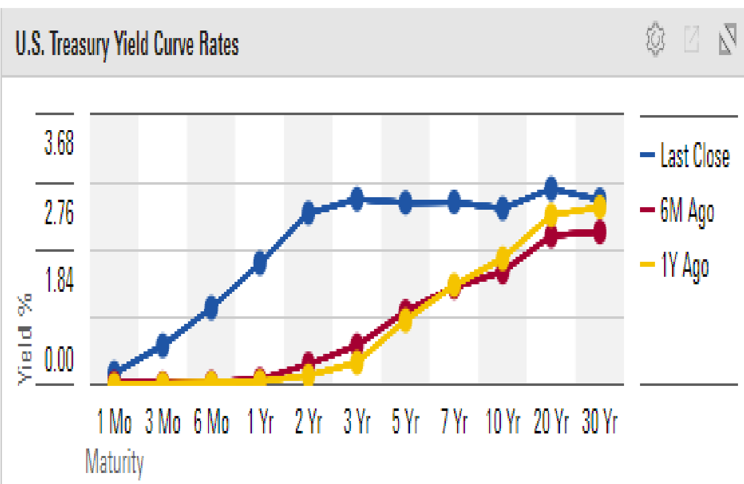
Global stocks and bonds declined in a quarter defined by soaring inflation, surging oil prices, central bank tightening and a war in Ukraine. Despite a March rally, stocks were unable to overcome losses in January and February. While bonds logged their worst quarterly decline since 1980.

- Despite gaining 3.7% in March, the S&P 500 index fell nearly 5% for the first quarter, breaking a seven-quarter winning streak. All sectors had negative returns for the quarter except energy and utilities.
- Oil futures posted their biggest quarterly gain since 2008, leading to the S&P 500 energy sector recording its best quarter in history, up 39%.
- US inflation ended the quarter at 7.9% (year over year), a 40-year-high. Against this backdrop the Fed raised rates for the first time in three years.
- European inflation rose to a record 7.5%. Foreign developed stocks were down over 5% and emerging market stocks were down over 6%.
- US Treasury yields rose for the quarter and led to widespread losses for bonds, down 5.93%.



Below we touch on several topics relevant to investors: How to Read Yield Curve Signals; Visit Our Blog- we highlight some of our recent blog posts.



How to Read Yield Curve Signals

Ever wonder what a yield curve is and why investors talk about it so much? A yield curve is simply a way to keep track of the current yield on US treasury bonds from 1 month to 30 years. The chart to the left is a recent example of what the US treasury yield curve looks like currently and over the past year.

The shape of the yield curve is important because it can reveal a lot about investor expectations for the economy and interest rates. For example, when the yield curve is very steep (longer rates are higher than shorter rates) it is usually a signal the economy is expected to grow rapidly and investors expect higher interest rates in the future. Conversely, when the yield curve is flat or inverted (short-term rates are higher than long-term rates) it can be a signal the economy will slow in the future. Yield curve inversions, usually considered when the 2-year treasury yield is higher than the 10-year yield, have been a reliable predictor of economic recessions. In fact, every US recession in the past 50-60 years has been preceded by a yield curve inversion. However, it's also important to note an inversion is not an imminent signal to prepare for an economic downturn. Rather, the table to the right, shows recessions only started on average 16 months after the inversion, and never before. Surprisingly, stocks usually continue to perform well and tend to peak 11 months after the curve inverts. On average, the S&P 500 would rally by 15% after the curve inversion, until the eventual peak of the cycle. We want to highlight that although the current yield curve has briefly inverted as soon as the Fed announced it was going to reduce its balance sheet the yield curve steepened again. The takeaway from this section is that if the yield curve does invert it is not an automatic time to panic and sell all of your stocks. Rather, we'll continue to monitor the yield curve and economy closely and will update our thinking in future commentaries.

Table 2: SPX move from yield curve inversion to the market peak

	# months between			
Yield Curve inversion date (10-2Y)	Yield curve inversion & SPX peak	SPX peak & recession	Yield curve inversion & recession	SPX move from YC inversion to SPX peak*
Dec-67	11	13	24	14%
Mar-73	-2	10	8	-4%
Aug-78	18	-1	17	13%
Dec-88	19	0	19	34%
Feb-00	2	12	13	8%
Jan-06	20	2	23	22%
Aug-19	6	0	6	18%
Median	11	2	17	14%
Average	11	5	16	15%

Source: JPMorgan, Bloomberg Finance L.P., *for dates when SPX peak was before inversion date, market fall has been considered

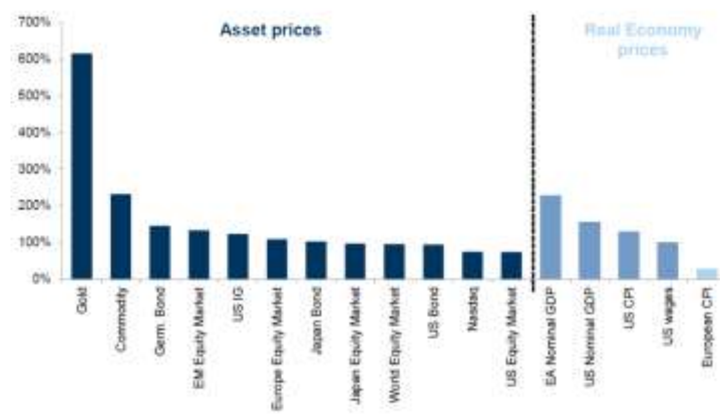
Visit Our Blog!

Given how quickly market events seem to be changing we plan to be more active in posting our investment thoughts and ideas to our blog at www.accreditedwm.com/blog. Here is a sample of some of our recent posts, the full commentaries can be read at our website:

Looking to History for Clues (February 11th):

Mark Twain famously said, *"History doesn't repeat itself, but it often rhymes."* From our perspective, we couldn't agree more with this quote. We don't expect history to repeat in the same fashion but do believe that it can provide insightful clues as to what may happen in the future.

Exhibit 17: Asset price inflation and 'real economy' inflation during the 1973-1983 decade
Total return performance in local currency



Source: Datastream, STOXX, Haver Analytics, FRED, Goldman Sachs Global Investment Research

Even though we don't expect to see hyperinflation in the U.S. as we experienced in the 1970s, we believe studying that period can provide some insights as to which different asset classes may perform better in inflationary times. The chart, to the right, shows how different asset classes performed in the inflationary period from 1973 to 1983 and shows the clear winners were real assets (commodities, gold, etc.). We suggest investors have some exposure to real asset classes in their portfolios! We also discussed which sectors tend to perform the best in inflationary times (financial services, energy, industrials, etc.) you can see all of our findings on our website under the blog tab.

Event	Start of sell-off	Duration of sell-off (trading days)	Duration to recover to prior level (trading days)	Size of sell-off
Israel Arab war / oil embargo	29-Oct-73	27	1475	-17.1%
Shah of Iran exiled	26-Jan-79	9	34	-4.6%
Iranian hostage crisis	5-Oct-79	24	51	-10.2%
Soviet invasion of Afghanistan	17-Dec-79	12	6	-3.8%
Libya bombing	21-Apr-86	20	7	-4.9%
First Gulf War	1-Jan-91	6	8	-5.7%
Kosovo bombing	18-Mar-99	4	9	-4.1%
9/11 attacks	10-Sep-01	6	15	-11.6%
Iraq war	21-Mar-03	7	16	-5.3%
Arab spring (Egypt)	27-Jan-11	2	3	-1.8%
Ukraine conflict	7-Mar-14	6	13	-2.0%
Intervention in Syria	18-Sep-14	21	12	-7.4%
Average	1973-2014	12	137	-6.5%

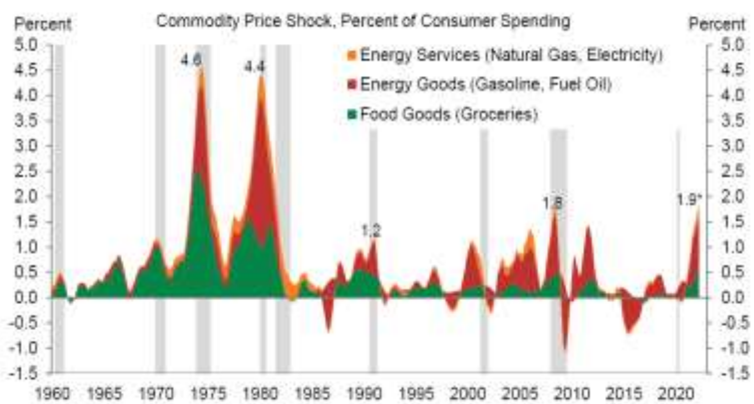
Source: Deutsche Bank, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management. Past performance is not a reliable indicator of current and future results.

Thoughts on the Tragedy in Ukraine (March 1st):

Amid the ongoing tragedy happening in Ukraine we wanted to share some thoughts. First, our hearts go out to the people of Ukraine and the hardships they are facing, which are heartbreaking and senseless. It seems callous to focus on the financial impacts, however, it's our role and responsibility as advisors to think through how these events can impact our client's financial well being, so here goes:

The near-term uncertainty surrounding the Russia-Ukraine war is significant, still unfolding, and difficult to predict. It is reasonable to assume things will get worse before they get better. But ultimately, we are cautiously optimistic that a diplomatic solution/cessation of the fighting will be achieved. In the meantime, markets are likely to remain volatile and there may be further downside. A good starting place is to look at how financial markets have performed during past geopolitical war events. The table to the left illustrates that markets typically sell off quickly but also often recover quickly. (Please note the table was produced on 2/25/22 by Litman Gregory so the return data for the current crisis is not updated). In the rest of the blog post on our website we detailed the actions we were taking in portfolios, and a showed a chart of the S&P 500's performance during past market crisis events.

Commodity Shock on Consumers Similar to Those During the 1990 and 2008 Recessions; Much Smaller than in the 1970s



*GS tracking estimate for June 2022 based on current commodity futures prices. Compares to 1.8% in Feb/Mar.
Note: Calculated as the 12-month-average consumer spending shares of food goods, energy goods, and energy services, multiplied by their respective year-on-year inflation rates (smoothed via 3-quarter centered moving average). Does not reflect second-round effects of higher commodity prices on core consumer prices (e.g. on restaurant prices, airfares), nor potentially offsetting effects from excess savings or elevated savings rates. NBER Recessions shaded.

Source: Bureau of Economic Analysis, Goldman Sachs Global Investment Research

Commodity Price Shocks and Recession Risk (March 24th):

Recent geopolitical turmoil, rising commodity prices, and monetary tightening have increased US recessions risks. Goldman Sachs recently did a study on the impact of commodity price shocks and recessions. First, they highlighted the impact higher oil prices, natural gas, and agriculture prices have had on US consumer spending, they estimate consumer spending increased by 1.9%. The chart to the left shows this increase is in-line with the commodity shocks and recessions experienced in 1990 and 2008, but much lower than the price shocks of the 1970s. On our website we also detail how real incomes today have continued to grow compared to prior periods and highlight some of the differences today compared to prior commodity price shocks. The main takeaway is today's environment (stronger balance sheets, excess savings, etc.) is different than prior periods and a recession will likely be avoided. Please read the rest at www.accreditedwm.com/blog

Asset Class		* ↔ Neutral weight ↓ Underweight ↑ Overweight
Equities	***View****	***Comments***
U.S. Large Cap	↓	We remain optimistic about stocks relative to cash and bonds. We are underweight large-cap stocks and favor small-cap and foreign stocks due to more attractive valuations. We also favor cyclical and value stocks over growth stocks; secular themes like quality-at- a-reasonable-price (QARP), cyber security and the transition to clean energy.
U.S. Small/Mid Cap	↑	We are overweight small/mid-cap stocks. Economic growth may have peaked but is still above potential. Valuations are relatively attractive and continued economic growth should provide a tailwind.
International Developed	↑	Valuations are attractive relative to U.S. stocks, and they are a little behind the U.S. in the economic cycle. We like broad exposure to the foreign markets and would overweight dividend-paying and value stocks in this environment. Continued economic growth and a weaker dollar would be a tailwind, while the war in Ukraine and upcoming elections pose a risk.
Emerging Markets	↔	Valuations are attractive for the long term. Emerging markets tend to be volatile and are always susceptible to further selloffs, but over a multi year time-frame they should outperform.

Fixed Income		
Investment Grade	↓	Yields increased sharply in the quarter and value has improved, however we remain under weight core bonds. We recommend keeping some exposure for disciplined risk management and diversification purposes. We are adding the difference to alternative asset classes.
High-Yield Bonds	↓	Investors should recognize valuations are high, and risk may be more like stocks if the economy slows. With credit spreads still at low levels, we remain cautious and prefer to take risk in stocks and other asset alternative asset classes.
Municipal Bonds	↔	We are neutral on municipal bonds relative to Treasury bonds; however, they remain attractive for high tax bracket investors.
TIPS	↔	TIPs are a hedge for higher inflation, we would hold positions in tax-deferred accounts as a long-term hedge against inflation and would favor them over traditional treasury bonds.
Floating-Rate Loans	↔	Similar to HY bonds, FRLs are likely to outperform core bonds in a strong economy. However, in a weak economic environment, there is downside risk, we like small positions as a hedge against higher rates.
Emerging Markets	↔	This asset class can be volatile but also provides opportunity. Interest rates in many EM markets are higher than in the U.S.; we get some exposure thru our core bond managers and don't anticipate buying any direct positions.

Alternatives		
Absolute-Return/Alternatives	↑	We like this asset class and keep our rating at overweight in 2022. We like alternative funds as a way to hedge volatility, provide real returns, and improve the risk vs reward in portfolios. We favor simple and low-cost strategies like hedged equity, real return, clean energy transition and global macro. Performance has been very good compared to bonds and stocks in '22.
REITs	↔	We are neutral on REITs. There are diversification benefits from owning REITs, however, we recognize REITs may be structurally impaired in the future as a result of shifts in work habits and technology caused by the pandemic.
Commodities/Gold	↔	We view exposure in this area as an effective way for long-term investors to diversify their portfolios and hedge against higher inflation. Commodities have performed very well since early 2020 and we have reduced our weighting to neutral. Gold and silver have underperformed crypto assets, however, we would favor them looking forward as a portfolio hedge.

U.S. Stocks
Market Performance, First Quarter 2022

Index	Q1 2022	1 YR
S&P 500	(4.60%)	14.03%
Russell 1000	(5.13%)	13.27%
Russell 1000 Value	(0.74%)	11.67%
Russell 1000 Growth	(9.04%)	14.98%
Russell Midcap	(5.68%)	6.92%
Russell 2000	(7.53%)	(5.79%)

Source: Morningstar

- Stocks rallied in March but finished the quarter with negative returns due to large selloffs in January and February.
- The biggest losers in the first quarter have been unprofitable tech and meme stocks, we would continue to avoid these areas. Energy has been the biggest winner and can be a reasonable hedge against inflation
- Small-cap stocks lagged during the quarter; however, valuations are attractive, and we expect relative performance to improve going forward as the economic recovery continues.

International Stocks
Market Performance, First Quarter 2022

Index	Q1 2022	1 YR
MSCI EAFE	(5.79%)	1.65%
MCSI EME	(5.92%)	(11.08%)
MSCI BRIC	(13.26%)	(22.80%)

Source: Morningstar

- Foreign developed markets were down over 5% for the quarter. Longer-term valuations look more attractive than US stocks, and investors should maintain an overweight.
- Emerging market stocks were down for the quarter as investors worried about the impact of the war in Ukraine, supply chain disruptions, inflation and a slowdown in China. Valuations are relatively attractive, and investors should add to positions in the face of volatility.

Fixed Income
Market Performance, First Quarter 2022

Index	Q1 2022	1 YR
Vanguard Total Bond Index	(6.01%)	(4.18%)
Bloomberg Muni Bond	(6.23%)	(4.47%)
Bloomberg US High-Yield	(4.84%)	(066%)
JPM GBI- EM Global Diversified	(6.46%)	(8.53%)
iShares TIPS Bond	(3.03%)	4.07%
BofA Merrill Lynch 3-month Treasury Note	0.01%	0.05%

Source: Morningstar

- Core bonds had their worst quarter since 1980. We expect core bond returns to be low, but they still play a role in providing diversification and risk management.
- High-yield bonds were negative for the quarter as credit spreads widened. We remain cautious on HY bonds and believe their risk is more comparable to stocks than bonds and the upside is limited compared to stocks.

Alternative Assets
Market Performance, First Quarter 2022

Strategies	Q1 2022	1 YR
AQR Diversified Arbitrage	(0.74%)	(0.02%)
BNY Mellon Global Real Return	(4.82%)	0.50%
JPMorgan Hedged Equity	(4.60%)	3.52%
PIMCO All Asset	(2.16%)	6.49%
Vanguard REIT	(5.97%)	21.45%

Source: Morningstar

- Alternatives make a lot of sense in this environment of low-interest rates and rising inflation. We are selectively bullish on alternatives and believe they can add substantial value to portfolios. We view bonds as a source of funds. Commodities and real return assets were the biggest winners for the quarter.
- We like alternative assets as a strategic way to reduce risk and increase absolute returns in portfolios. We expect alternatives to significantly outperform bonds over the full market cycle. We view real return, commodity, precious metal, and alternative strategies in general as an effective way to hedge against higher inflation.

Appendix:

Benchmark Definitions

U.S. Equity		Description
S&P 500	Index	The index includes 500 leading US companies and captures approximately 80% coverage of available market capitalization.
Russell 1000	Index	The Russell 1000 Index measures the performance of the large-cap segment of the U.S. equity universe and includes approximately 1000 of the largest securities. The Russell 1000 represents approximately 92% of the U.S. market.
Russell 1000 Value	Index	The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.
Russell 1000 Growth	Index	The Russell 1000 Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.
Russell Midcap	Index	The Russell Midcap Index measures the performance of the mid-cap segment of the U.S. equity universe. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership.
Russell 2000	Index	The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.
International Equity		**Description**
MSCI EAFE	Index	The EAFE (Europe, Australasia, Far East) index consists of 21 developed market country indexes, excluding the US & Canada. It is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets.
MCSI EME	Index	The index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets and includes 23 emerging market countries in the index.
MSCI BRIC	Index	The index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of the following four emerging market country indexes: Brazil, Russia, India, and China.

Fixed Income		Description
Vanguard Total Bond Index	Index Fund	This index measures a wide spectrum of public, investment-grade, taxable, fixed income securities in the United States—including government, corporate, and international dollar-denominated bonds, as well as mortgage-backed and asset-backed securities, all with maturities of more than 1 year.
Barclays Aggregate Bond	Index	The U.S. Aggregate Index covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-through bonds), ABS, and CMBS sectors.
Barclays Muni Bond	Index	The U.S. Municipal Indices cover the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.
Barclays US Corp High-Yield	Index	The index covers the USD-denominated, non-investment grade, fixed-rate, taxable corporate bond market and excludes Emerging Markets debt.
JPM GBI- EM Global Divers	Index	The index tracks returns for actively traded external debt instruments in emerging markets. Included in the index are US-dollar denominated Brady bonds, Eurobonds, and traded loans issued by sovereign entities.
iShares TIPS Bond	ETF	The iShares TIPS Bond ETF seeks to track the investment results of an index composed of inflation-protected U.S. Treasury bonds.
BofA Merrill Lynch 3-month Treasury Note	Index	The 3-month US Treasury Note Index is comprised of a single issue purchased at the beginning of the month and held for a full month. At the end of the month, that issue is sold and rolled into a newly selected issue.
Alternative Assets		**Description**
PIMCO All Asset All Authority	Mutual Fund	The investment seeks maximum real return, consistent with preservation of real capital and prudent investment management. The primary benchmark for the fund is the S&P 500, with a secondary objective of Consumer Price Index +650 basis points.
AQR Diversified Arbitrage	Mutual Fund	The investment seeks long-term absolute (positive) returns. It invests in a diversified portfolio of instruments, including equities, convertible securities, debt securities, loans, warrants, options, other types of derivative instruments.
JPMorgan Hedged Equity	Mutual Fund	The investment seeks to capture the majority of the returns associated with equity market investments while exposing investors to less risk than other equity investments. The fund invests in a broadly diversified portfolio of common stocks, while also selling index call options and purchasing index put options.

Alternative Assets		Description
Vanguard REIT	ETF	The investment seeks to provide a high level of income and moderate long-term capital appreciation by tracking the performance of a benchmark index that measures the performance of publicly traded equity REITs.
BNY Mellon Global Real Return	Mutual Fund	The fund allocates its investments among global equities, bonds, and cash; and generally, to a lesser extent, other asset classes, including real estate, commodities, currencies, and alternative or non-traditional asset classes and strategies, primarily those accessed through derivative instruments.