Q1

Quarterly Market Review

First Quarter 2022

TRINITY
FINANCIAL ADVISORS LLC

Quarterly Market Summary

TOPLINE TAKEAWAYS FOR FIRST QUARTER, 2022

The U.S. economy decelerated in the first quarter with GDP Quarter / Quarter growth declining -1.4 percent. The Russian invasion into Ukraine exacerbated the backdrop as markets grappled with the global implications of a war. Inflation, tightening financial conditions, and ebbing consumer confidence added to uncertainty in the markets.

FIRST QUARTER RETURNS

Global equity markets experienced volatility as global monetary policies began to tighten. Equity markets dropped sharply during the quarter, with U.S. markets down **-5.28** percent. International Developed Countries and Emerging Markets also fell, down **-4.81** percent, and **-6.97** percent respectively.

During the quarter, U.S. large cap value stocks held relatively steady, down **-0.74** percent, while large cap growth stocks led by the technology sector were off **-9.04** percent.

A globally diversified portfolio of 50/50 equities and fixed income declined **-5.60** percent for the quarter.

FIXED INCOME

Interest rates increased across all maturities in the U.S. Treasury market for the quarter as the Federal Reserve embarked on its rate hike campaign, which is expected to deliver multiple rate increases in 2022 and 2023. Increasing rates strengthened the U.S. dollar relative to other currencies.

Interest rates and bond prices have an inverse relationship: when interest rates go up, bond prices decline and vice versa. The longer term the maturity of the bond, the greater the impact of rate changes on that security. As interest rates went up, respectively the Bloomberg U.S. Aggregate Bond Index slumped **-5.93** percent for the quarter. Shorter maturity bonds (one-year notes) were only slightly down **-0.80** percent, whereas 10-year bonds significantly declined **-10.5** percent for the period.

ALTERNATIVE INVESTMENTS

The advance in commodity prices was resuscitated by the crisis in Europe, which saw energy, grain, metals, and natural gas prices surge, somewhat offset by the strengthening U.S. dollar. The Bloomberg Commodity Index surged in the first quarter by **+25.5** percent led by oil and natural gas prices, both of which were up over **+55** percent for the quarter.

After leading all asset classes in 2021, Real Estate Investment Trusts (REITs) cooled off for the period, down **-3.71** percent for the quarter.

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A DEEPER DIVE ON INFLATION AND THE FED

Inflation has been one of the most widely reported and discussed economic factors in the past 18 months. Surging energy, rents, building materials, automotive, food and supply disruptions have boosted the year-over-year rise in the inflation rate to the fastest pace in decades.

The inflation rate jumped from 2.3% in the 12 months ending in December 2019 to 8.5% in the 12 months ending March 2022, the fastest such increase in 40 years.

Most Americans have suffered a substantial fall in their standard of living over the past 12 months. In the latest available 12-month change, 116.2 million American-wage and salary workers suffered a 3.7% decline in their inflation-adjusted paychecks, the largest drop since 1980. This alone more than offsets the gain in income going to the 6.5 million newly employed in the latest 12 months.

As inflation began to surge in late 2020 and throughout 2021, where was the Federal Reserve?

I put them in the "*Often Wrong but Never in Doubt*" camp, as some of their comments last year appear out of touch with what was actually happening:

- April 5, 2021 - "*I am unconcerned with inflation running away from us*."
- May 5, 2021 - "*I'm not worried about inflation getting out of control*."
- May 14, 2021 - "*I'd like to see inflation rise to 2% or higher*."
- Aug 27, 2021 - "*By the end of the year, I expect inflation to be between 3.5% and 4%, with a **drop** in 2022*."
- Sept 24, 2021 - "*Inflation will be little more than 2% next year*."

After more than a year of taking the position that this inflation surge was transitory, at the May meeting, the Federal Open Market Committee (FOMC) finally embraced reality and raised the fed funds rate by 50 basis points, to a range of 0.75% to 1.0%. *It was the largest rate increase since 2000.*

We are already 24 months into this inflationary period. To put this into context, looking at the last eight inflationary shock periods dating back to 1949, none were longer than 28 months and in all but one instance led to a recession.

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Period	Duration (Mos)	Trough CPI	Peak CPI	Chg %	Recession Afterwards
May 2020 - Apr 2022	24	0.30%	8.50%	8.20%	?
Oct 2006 - Jul 2008	25	1.40%	5.50%	4.10%	YES
Mar 1978 - Apr 1980	25	6.40%	14.60%	8.20%	YES
Sep 1972 - Nov 1974	26	3.00%	12.20%	9.20%	YES
Oct 1967 - Feb 1970	28	2.60%	6.40%	3.80%	YES
Aug 1955 - Apr 1957	20	-0.50%	3.70%	4.20%	YES
Aug 1949 - Apr 1951	20	-3.00%	9.60%	12.60%	NO
Average	**24**			**7.19%**	

Data Source: Federal Reserve

Interesting enough, of the 12 regional presidents of the Federal Reserve (all of whom are appointed), only one has ever worked anywhere else outside the Federal Reserve (Barkin).

Loretta Mester, Cleveland	**John Williams**, New York	**Jim Bullard**, St. Louis
Esther George, Kansas City	**Mary Daly,** San Francisco	**Charles Evans**, Chicago
Raphael Bostic, Atlanta	**Kenneth Montgomery**, Boston	**Meredith Black**, Dallas
Patrick Harker, Philadelphia	**Thomas Barkin**, Richmond	**Neel Kashkari,** Minneapolis

Lastly, prices in core industrial metals have started to top out and decline over the past few months:

- Iron Ore down another **-4.4** percent this week and **-11.1** percent in the last month
- Aluminum down another **-2.0** percent this week and **-13.2** percent in the last month
- Zinc down another **-3.2** percent this week and **-9.0** percent in the last month
- Copper down **-4.2** percent this week and **-6.9** percent in the last month
- Aluminum down **-6.0** percent this week and **-11.6** percent in the last month

Given all that has transpired, this is not the time to be continually raising interest rates, and the markets are telling us they do not believe the Fed will be able to navigate any type of smooth landing.

The challenge in all of this is that the Federal Reserve is constantly trying to apply academic linear theories to the U.S. Economy that is anything but linear. The two are incongruent, thus consistently leading to less-than-ideal outcomes.

Quarterly Market Summary

ECONOMY AND THE MARKETS

A lot has changed over the last 24 months as it relates to the economy and the markets.

The University of Michigan indicates consumer sentiment in the first quarter was worse than during the height of the 2020 pandemic and at the levels of the beginning of the very deep 2008-09 recession. Consumers cut back significantly on their buying plans as expectations for increases in future income slumped. To fund the sharply higher cost of necessities, households have been forced to reduce their personal saving rates.

In addition, there are metrics that tell us the economy and corporate earnings are slowing:

- First Quarter GDP (Year over Year) came in at **-1.4** percent, vs. expectations for +1.0 percent growth
- The National Federation of Independent Businesses (NFIB) had the lowest Forward Outlook in 30 years
- Pending home sales have dropped by 20 percent since October

We have said before -- **risk happens slowly, and then all at once.**

The “all at once” part just happened.

At the time of this writing, both stock and bond markets have sold off massively. Here are yield-to-date results for a few key indices and widely held stocks:

- ⇩ Vanguard Total Stock Market Index (VTI) down 18.9 percent
- ⇩ Total Bond Market Index (BND) down 9.7 percent

Slowing growth expectations have crushed high-performing and so-called FANG stocks + Tesla

- ⇩ Apple (AAPL) down 19.0 percent
- ⇩ Netflix (NFLX) down 70.5 percent
- ⇩ Tesla (TSLA) down 37.5 percent
- ⇩ Amazon (AMZN) down 37.7 percent
- ⇩ Facebook (FB) down 43.6 percent

We have said for some time that just because a company is large and dominant and might stay at the top of the “largest companies” in the world chart for years, it doesn’t necessarily mean it is also a great investment going forward. Rather than chasing performance of today’s top companies, we want to be sure we are well positioned to capture the returns of tomorrow’s top companies. We can do that by holding broadly diversified portfolios that hold a wide array of companies and sectors.

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The above declines are a good reminder to not have all your eggs in one style (growth), sector (technology) or country. Contrasting to the results above, Vanguard Value (VTV) comprised of stable companies such as J&J, JPMorgan, Berkshire Hathaway and United Health Group is only down **-5.8** percent on a year-to-date basis.

LOOKING FORWARD

We expect inflation to continue to be high. However, we believe we are entering a period of disinflation, which is a period of slowing the rate of inflation. That should not be confused with deflation, which is reduction of the general level of prices in an economy.

With the stock market selling off and inflation at a four-decade high, it is human nature to want to take action to protect your shrinking account balances. People tend to act rashly in times of financial stress, and often in their own worst interest.

This is clearly a time of uncertainty; however, it can be hard to do nothing when markets are rough. Given what has been happening recently, we always come back to our investing principles:

> **HAVE AN INVESTMENT PLAN**
> An investment philosophy serves as a compass to guide you through turbulent times. When you have a compass, it doesn't take drastic directional changes to find your way. Establishing and adhering to a well thought out investment plan, ideally agreed upon in advance of periods of volatility, you can remain confident and calm during periods of short-term uncertainty.
>
> **ALIGN PORTFOLIO RISK WITH GOALS**
> As investors, our risk appetite often changes based on the market environment we are in. You want to have a plan in place that gives you peace of mind regardless of the market conditions.
>
> **STAY DISCIPLINED / BE PATIENT**
> Financial downturns are unpleasant for all market participants. While no one has a crystal ball, adopting a long-term perspective can help change how you view market volatility.

Remember, we're here to help. This also is where the time invested upfront with each of you shows its value. Formulating a solid and adaptable financial plan together and discussing liquidity, cash flows, and reserves, provides the solid footing needed for times like these with many changing facets.

We appreciate the opportunity to work with each of you. We recognize that each client's situation is unique and incorporates different factors into their investment and financial plan.

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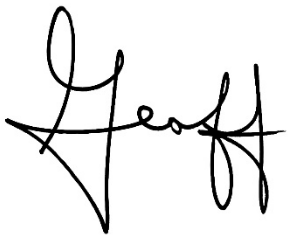
As always, if you have any questions or concerns about current market trends and the impact on your personal situation and plan, please contact us and we would be happy to discuss.

All the best,



Quarterly Market Summary

Index Returns

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Q1 2022	**STOCKS**				**BONDS**	
	-5.28%	**-4.81%**	**-6.97%**	**-3.81%**	**-5.93%**	**-4.05%**
Since Jan. 2001						
Average Quarterly Return	2.4%	1.6%	2.8%	2.6%	1.0%	1.0%
Best Quarter	22.0% **2020 Q2**	25.9% **2009 Q2**	34.7% **2009 Q2**	32.3% **2009 Q3**	4.6% **2001 Q3**	4.6% **2008 Q4**
Worst Quarter	-22.8% **2008 Q4**	-23.3% **2020 Q1**	-27.6% **2008 Q4**	-36.1% **2008 Q4**	-5.9% **2022 Q1**	-4.1% **2022 Q1**

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Market segment (index representation) as follows: US Stock Market (Russell 3000 Index), International Developed Stocks (MSCI World ex USA Index [net dividends]), Emerging Markets (MSCI Emerging Markets Index [net dividends]), Global Real Estate (S&P Global REIT Index [net dividends]), US Bond Market (Bloomberg US Aggregate Bond Index), and Global Bond Market ex US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]). S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved. Bloomberg data provided by Bloomberg.

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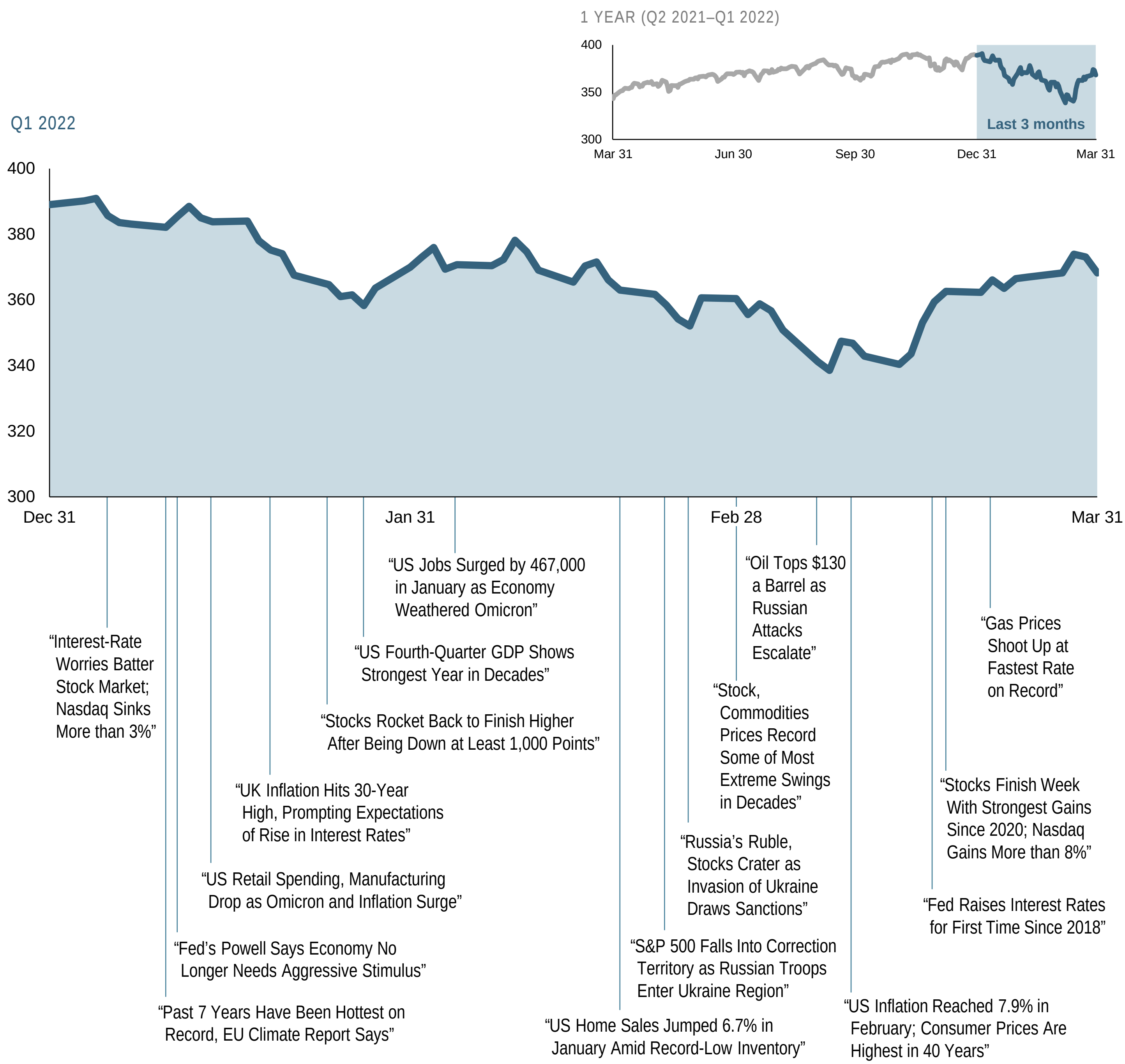
World Stock Market Performance

MSCI All Country World Index with selected headlines from Q1 2022



These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net div.). MSCI data © MSCI 2022, all rights reserved.
It is not possible to invest directly in an index. Performance does not reflect the expenses associated with management of an actual portfolio.
Past performance is not a guarantee of future results.

US Stocks

First quarter 2022 index returns

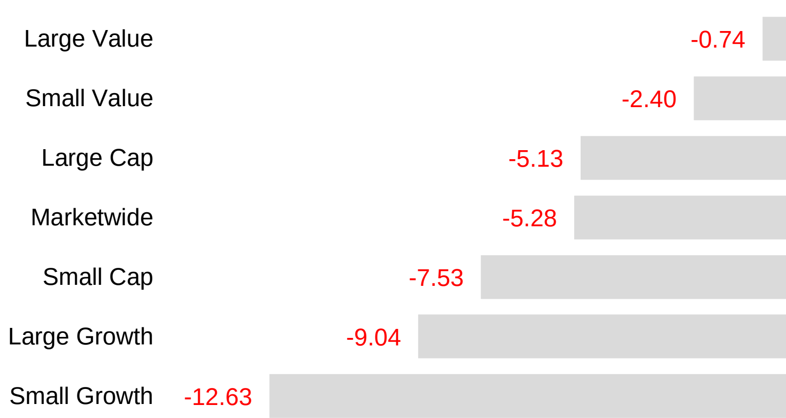
The US equity market posted negative returns for the quarter and underperformed non-US developed markets, but outperformed emerging markets.

Value outperformed growth.

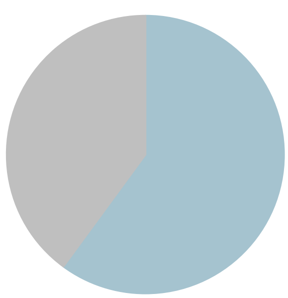
Small caps underperformed large caps.

REIT indices outperformed equity market indices.

Ranked Returns (%)



World Market Capitalization—US



60%

US Market
$44.9 trillion

Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Large Value	-0.74	11.67	13.02	10.29	11.70
Small Value	-2.40	3.32	12.73	8.57	10.54
Large Cap	-5.13	13.27	18.71	15.82	14.53
Marketwide	-5.28	11.92	18.24	15.40	14.28
Small Cap	-7.53	-5.79	11.74	9.74	11.04
Large Growth	-9.04	14.98	23.60	20.88	17.04
Small Growth	-12.63	-14.33	9.88	10.33	11.21

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International Developed Stocks

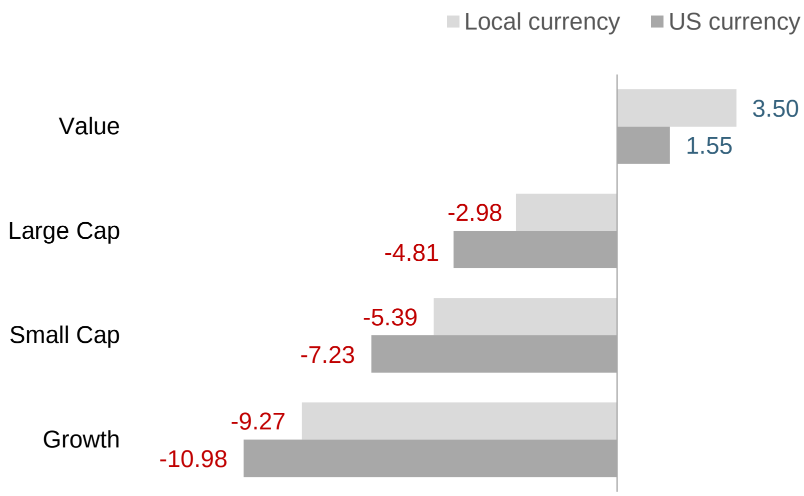
First quarter 2022 index returns

Developed markets outside of the US posted negative returns for the quarter and outperformed both US equities and emerging markets.

Value outperformed growth.

Small caps underperformed large caps.

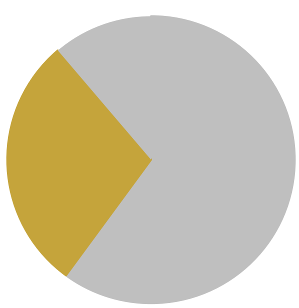
Ranked Returns (%)



World Market Capitalization—International Developed

29%

International Developed Market
$21.5 trillion



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Value	1.55	6.18	6.29	4.86	5.02
Large Cap	-4.81	3.04	8.55	7.14	6.25
Small Cap	-7.23	-1.69	9.55	7.79	7.78
Grow th	-10.98	-0.32	10.20	9.07	7.26

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Emerging Markets Stocks

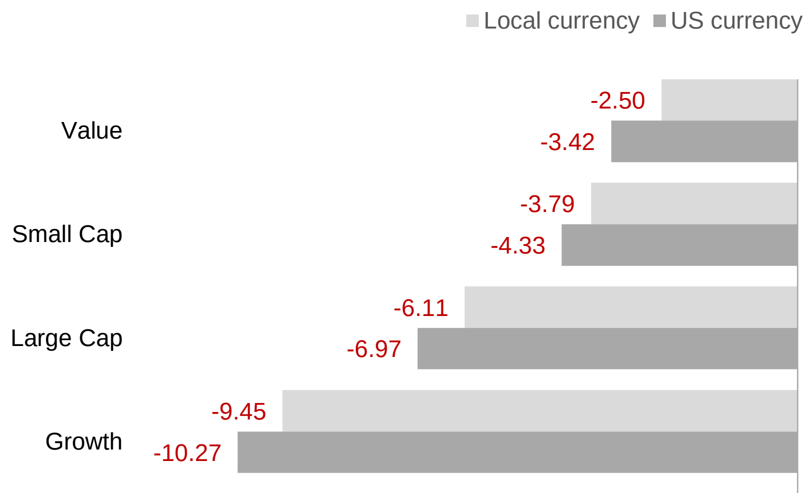
First quarter 2022 index returns

Emerging markets posted negative returns for the quarter, underperforming the US and non-US developed equity markets.

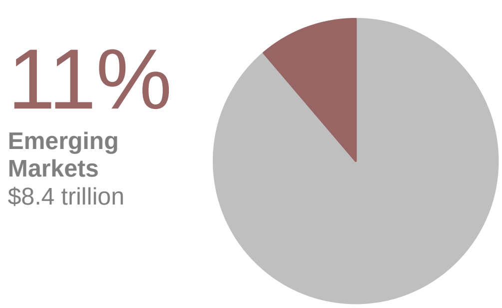
Value outperformed growth.

Small caps outperformed large caps.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Value	-3.42	-3.53	3.22	4.24	1.58
Small Cap	-4.33	5.52	11.93	7.81	5.31
Large Cap	-6.97	-11.37	4.94	5.98	3.36
Growth	-10.27	-18.29	6.42	7.51	5.00

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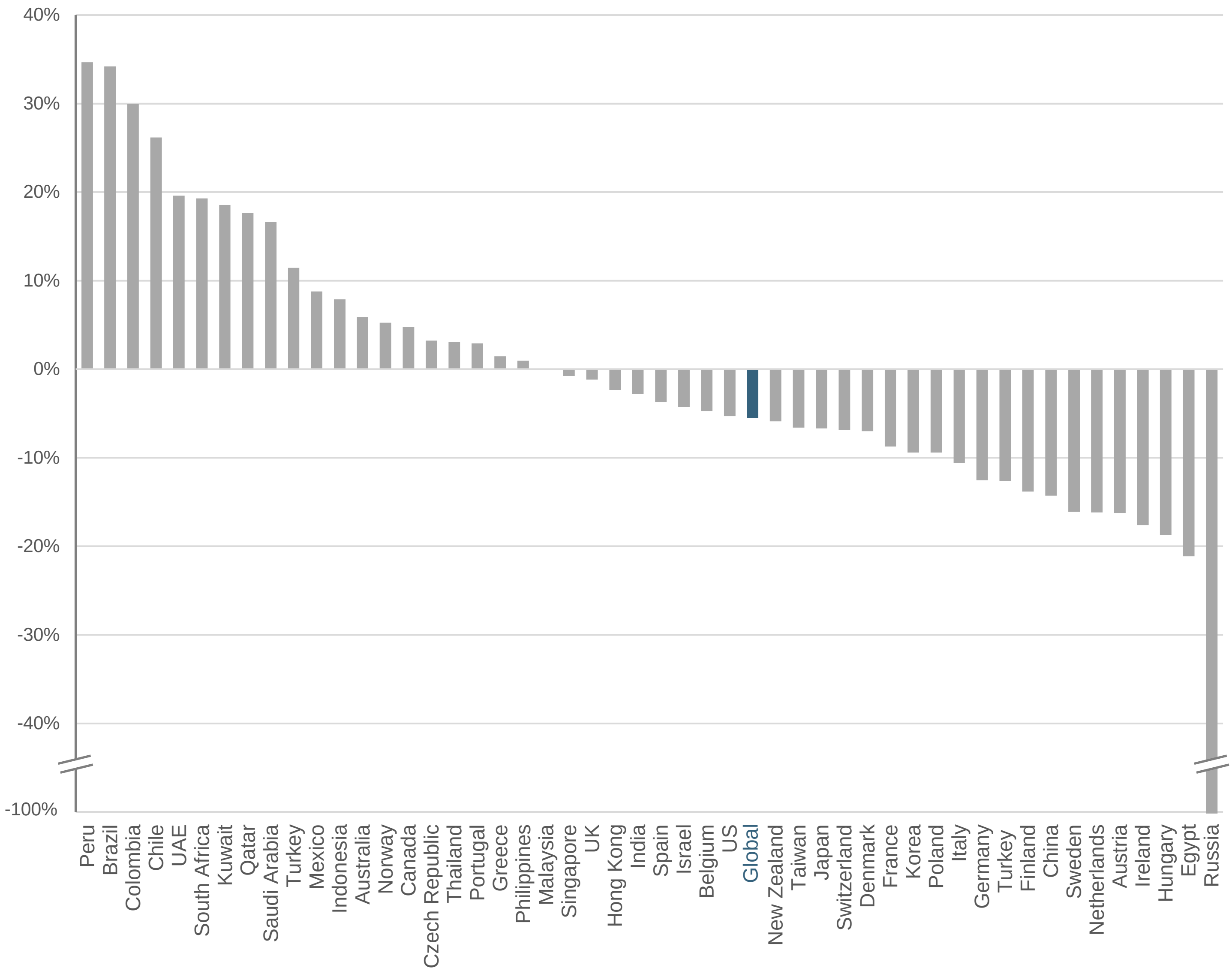
Country Returns

First quarter 2022 index returns



Past performance is no guarantee of future results.

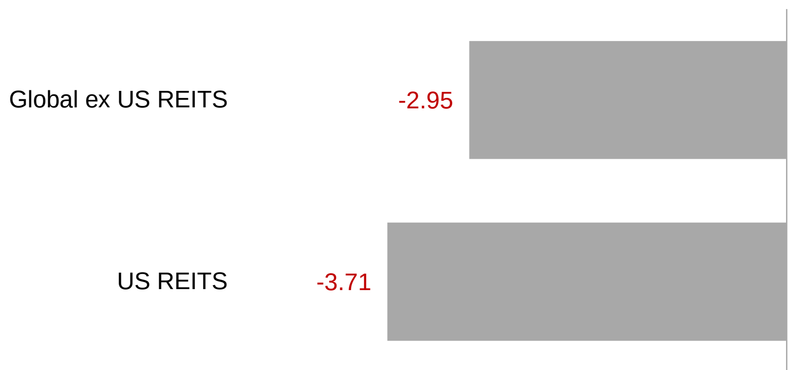
Country returns are the country component indices of the MSCI All Country World IMI Index for all countries except the United States, where the Russell 3000 Index is used instead. Global is the return of the MSCI All Country World IMI Index. MSCI index returns are net dividend. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Frank Russell Company is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. MSCI data © MSCI 2022, all rights reserved.

Real Estate Investment Trusts (REITs)

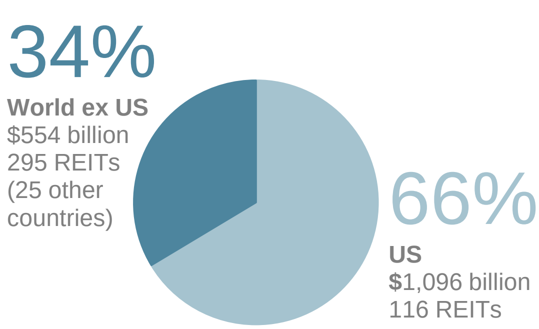
First quarter 2022 index returns

US real estate investment trusts underperformed non-US REITs during the quarter.

Ranked Returns (%)



Total Value of REIT Stocks



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITS	-2.95	7.00	2.85	4.66	5.72
US REITS	-3.71	27.72	9.90	8.89	9.17

Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Number of REIT stocks and total value based on the two indices. All index returns are net of withholding tax on dividends. Total value of REIT stocks represented by Dow Jones US Select REIT Index and the S&P Global ex US REIT Index. Dow Jones US Select REIT Index used as proxy for the US market, and S&P Global ex US REIT Index used as proxy for the World ex US market. Dow Jones and S&P data

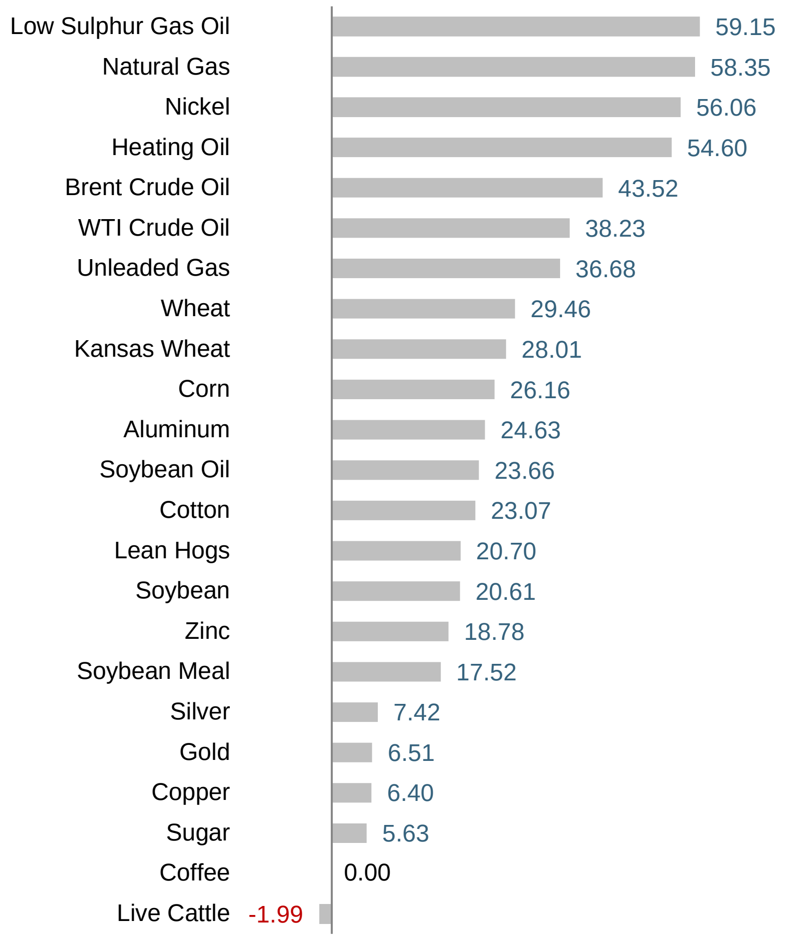
Commodities

First quarter 2022 index returns

The Bloomberg Commodity Index Total Return returned +25.55% for the first quarter of 2022.

Low Sulphur Gas Oil and Natural Gas were the best performers, returning +59.15% and +58.35% during the quarter, respectively. Live Cattle and Coffee were the worst performers, returning -1.99% and 0.00% during the quarter, respectively.

Ranked Returns (%)



Period Returns (%)

** Annualized*

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
Commodities	25.55	49.25	16.12	9.00	-0.70

Past performance is not a guarantee of future results. Index is not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Commodities returns represent the return of the Bloomberg Commodity Total Return Index. Individual commodities are sub-index values of the Bloomberg Commodity Total Return Index. Data provided by Bloomberg.

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Fixed Income

First quarter 2022 index returns

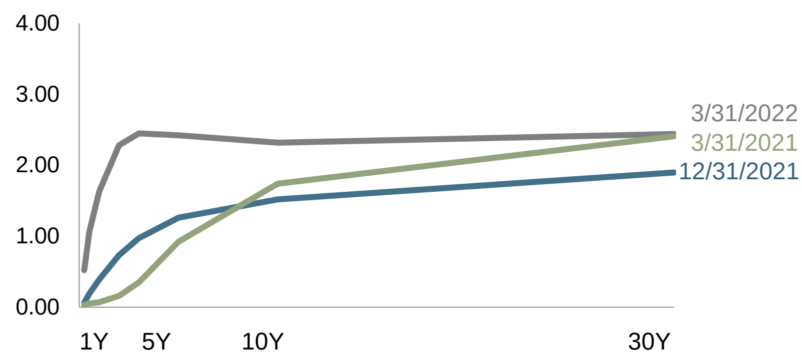
Interest rates increased across all maturities in the US Treasury market for the quarter.

The yield on the 5-Year US Treasury Note increased 116 basis points (bps) to 2.42%. The yield on the 10-Year US Treasury Note increased 80 bps to 2.32%. The yield on the 30-Year US Treasury Bond increased 54 bps to 2.44%. On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 11 bps to 0.17%, while the 1-Year US Treasury Bill yield increased 124 bps to 1.63%. The yield on the 2-Year US Treasury Note increased 155 bps to 2.28%.

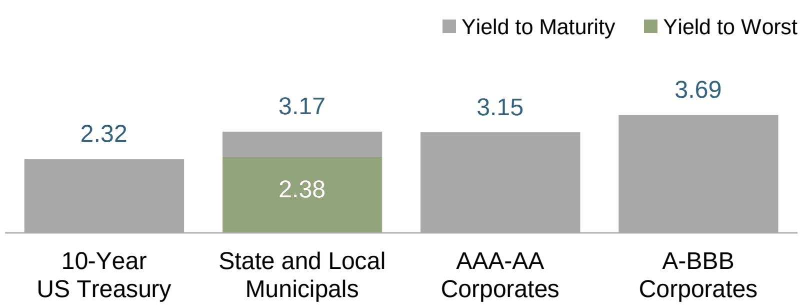
In terms of total returns, short-term corporate bonds returned -3.73% and intermediate-term corporate bonds returned -5.25%.[1]

The total return for short-term municipal bonds was -3.33% and -5.77% for intermediate-term municipal bonds. Within the municipal fixed income market, general obligation bonds outperformed revenue bonds, returning -6.07% versus -6.54%, respectively.[2]

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Period Returns (%)

*Annualized

Asset Class	QTR	1 Year	3 Years*	5 Years*	10 Years*
ICE BofA US 3-Month Treasury Bill Index	0.04	0.06	0.81	1.13	0.63
ICE BofA 1-Year US Treasury Note Index	-0.80	-0.94	1.01	1.22	0.78
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-2.38	-2.81	0.86	1.34	1.36
Bloomberg U.S. TIPS Index	-3.02	4.29	6.22	4.43	2.69
FTSE World Government Bond Index 1-5 Years	-3.56	-5.58	0.05	0.74	-0.64
Bloomberg U.S. High Yield Corporate Bond Index	-4.84	-0.66	4.58	4.69	5.75
Bloomberg U.S. Aggregate Bond Index	-5.93	-4.15	1.69	2.14	2.24
Bloomberg Municipal Bond Index	-6.23	-4.47	1.53	2.52	2.88
Bloomberg U.S. Government Bond Index Long	-10.57	-1.46	3.23	3.88	3.96

1. Bloomberg US Corporate Bond Index.
2. Bloomberg Municipal Bond Index.

One basis point (bps) equals 0.01%. Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Yield curve data from Federal Reserve. State and local bonds, and the Yield to Worst are from the S&P National AMT-Free Municipal Bond Index. AAA-AA Corporates represent the ICE BofA US Corporates, AA-AAA rated. A-BBB Corporates represent the ICE BofA Corporates, BBB-A rated. Bloomberg data provided by Bloomberg. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation (SBBI) Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefield). FTSE fixed income indices © 2022 FTSE Fixed Income LLC, all rights reserved. ICE BofA index data © 2022 ICE Data Indices, LLC. S&P data © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.