Q2

Quarterly Market Review

Second Quarter 2022

TRINITY
FINANCIAL ADVISORS LLC

Quarterly Market Summary

TOP TAKEAWAYS FOR SECOND QUARTER, 2022

Stocks fell for a second consecutive quarter, with the MSCI All Country World IMI Index dropping nearly 16 percent and major indices entering bear market territory in June. Inflation fears dominated headlines as investors seemed to ease their expectations for inflation with the one-year, break-even rate ending the quarter at **+4.3** percent, after peaking at more than 6 percent in late March.

U.S. stocks were particularly hard hit, with international markets, especially emerging markets, faring a bit better. Aside from China, which was up **+3.3** percent or the quarter, all developed and emerging markets posted negative returns. Peru, which had been the best performing market during the first quarter, was the worst performing market during the second quarter, dropping more than **-30** percent.

Value exposure cushioned the blow with the MSCI All Country World IMI Value Index outperforming the growth index by over **+8** percent. Energy was the best performing sector again this quarter, led by Exxon Mobil, which posted a positive **+4.8** percent return. Exxon Mobil, like most of the energy sector, started and ended the quarter in the deepest value quartile of the market.

Strong performances among value stocks were not limited to energy stocks. Merck and Bristol-Myers Squibb, both value companies, were up **+12** percent and **+6** percent, respectively, examples of another bright spot in the healthcare sector.

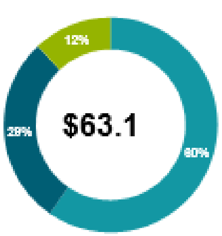
On the growth side of the market, the least profitable names were hit particularly hard with Tesla dropping by nearly **-40** percent and the Canadian e-commerce giant Shopify, another low profitability growth company, falling in excess of **-50** percent..

GLOBAL ASSET CLASS RETURNS *Q2 2022*

STOCKS	US	-16.70%
	Developed ex US	-15.15%
	Emerging Markets	-12.10%
BONDS	US	-4.69%
	Global ex US	-4.01%

GLOBAL MARKET CAPITALIZATION

Q2 2022 (in trillions)



US	$37.6
Developed ex US	$18.1
Emerging Markets	$7.4

GLOBAL SECTOR RETURNS *Q2 2022*

Energy	-5.7%
Consumer Staples	-6.3%
Utilities	-7.0%
Health Care	-8.2%
REITs	-15.4%
Real Estate	-15.4%
Financials	-15.5%
Global	-15.8%
Industrials	-16.1%
Communication Services	-18.0%
Consumer Discretionary	-20.0%
Materials	-20.0%
Information Technology	-21.6%

Quarterly Market Summary

FIXED INCOME

U.S. bond yields surged as inflation remained at multi-decade highs, pulling forward the pace of Federal Reserve rate hikes.

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. Long duration and lower rated bond investments were hit the hardest in the second quarter as credit spreads rose along with Treasury yields.

As interest rates went up, respectively the Bloomberg U.S. Aggregate Bond Index slumped **-4.69** percent for the quarter, now down **-10.35** for the year.

ALTERNATIVE INVESTMENTS

With all the focus on inflation, the Bloomberg Commodity Index actually lost further ground in the second quarter, down **-5.66** percent. Nickel and Aluminum led the declines, down **-29.47** and **-30.58** percent respectively. Oil was the only component that increased in price, up more than **+20** percent for the period.

Despite recent positive performance, over the last 10 years, the U.S. commodities index has had a negative annual return.

Real Estate Investment Trusts (REITs) continued to underperform due to the rise in interest rates, down **-18.1** percent for the quarter.

ECONOMY AND THE MARKETS

By now, you are probably aware that the consumer price index (CPI) rose by **+9.1** percent in a broad-based advance over the past 12 months, representing its largest gain since 1981.

The inflation figures reaffirm that price pressures are rampant and widespread. Data shows real wages (your income after factoring in inflation), are down, and at their worst dating back to 2007. Consumers have pulled back on spending for homes and other durable goods. Retailers are resorting to significantly discounting to move excess inventory.

So how did we get here? Many believe our current inflation situation is the result of central bank policies. There are a number of reasons we are having inflation, but none greater though than printing 50% of all dollars EVER printed in just the last two years:

- First came the $2.2 trillion Cares Act in March of 2020. Given the crisis, this seemed absolutely and completely understandable.

Quarterly Market Summary

- In October 2020, the Federal Reserve confidently asserted that when it came to Congress spending more, the risks of overdoing it seemed, at the time, to be smaller. Implicitly, they promised to print whatever was needed. This led Congress to pass an enormous second rescue stimulus of $900 billion in December 2020.

- In May 2021, Secretary of Treasury (and former head of the Federal Reserve) Janet Yellen outlined "historically low-interest rates mean the government can spend now; debt concern should not keep the government from spending." Even though the peak of the crisis had long since passed, we received the $1.9 trillion American rescue plan in March 2021.

Total "non-recurring, one time" government stimulus $2.2T + $ 900B + $1.9T = $5 TRILLION

To some extent beyond today's immediate market fluctuations, whether the CPI report comes in light or beats expectations, may not matter so much. The reality is it will remain at near generational highs. The problem with high inflation, whether it is decelerating slightly or accelerating slightly, is that it slows growth via lowered purchasing power and tightening financial conditions.

As we've said before, one of the key risks we are facing as investors is the Fed continuing to tighten into a slowdown.

Getting back to today, the challenge with CPI is that certain components of the report enter on a delay, with housing costs being a prime example. As a result, the CPI report may not accurately reflect what is happening on the ground, or in real time, as it relates to inflation. Thus, we have a recurring conundrum: central bankers (the Federal Reserve) over-react to events in the here and now, and instead of smoothing economic cycles they tend to exacerbate them.

We are entering into a period where economic growth is meaningfully starting to slow and corporate earnings face their most challenging comparisons. We continue to monitor metrics that tell us the economy and corporate earnings are slowing:

- 113 of the S&P 500 companies have reported an aggregate Year over Year EPS DECLINE of **-6** percent (consensus was at +5-10% 3 to 6 months ago). The best days for earnings growth are certainly behind us.
- Small Business Employment (< 50 employees) has seen declines in 4 of the last 5 months
- Retail Sales declined Month over Month the last three months
- Consumer confidence surveys are at their lowest in almost 40 years
- Existing home sales have dropped by 30 percent since January

LOOKING FORWARD

Rarely have we seen quarters with both stocks and bonds down at the same time (only 8 percent of the time over the last 80 years).

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Markets do drop. It is an unavoidable part of investing. Yet many people find themselves living in a time of extreme uncertainty and the anxiety that comes along with it.

While these challenges warrant our attention and deep concern, they don't have to be a reason to panic. the most obvious example of overreaction is trying to dump investments when the market is dropping. Let's look back 25 years ago to 1997:

- J.K. Rowling publishes the first Harry Potter book
- General Motors releases the EV1, an electric car with a range of 60 miles
- The internet is in its infancy and the Y2K crisis looms

A stranger tells you what is going to happen over the course of the next 25 years. Here is the question, would you invest in the stock market knowing the following events were going to occur? And could you stay invested?

Asian Flu/Contagion	Russian Default	Dot-com Bubble
9/11	Great Recession	Global Pandemic/COVID

The above are just a few of the global events that happened during that 25-year span. And what happened to the stock market over that period?

From January of 1997 to December of 2021, the U.S. stock market returned, on average, 9.8 percent per year. A dollar invested at the beginning of the period would be worth about $10.25 at the end of the period.

Investing in markets is uncertain. There were a lot of negative surprises over the past 25 years, but there were a lot of positive ones as well. Never before has information about the economy and markets been more readily available and disseminated. As a result, our reaction mechanisms are heightened – but not necessarily to our advantage.

Markets drop, Bear markets arrive. That is an unavoidable part of investing. We cannot control what the Federal Reserve does or what happens to corporate profits. Rather we can control how we ***respond.***

We would never try and predict what might happen over the next 25 years. Unfortunately, there is probably no real reason to believe that "this time is different" hoping the Federal Reserve will be able to navigate a "soft landing" as they are likely to continue to tighten (raise) interest rates into an economic slowdown which will further accentuate market volatility for a period of time.

Rather than always betting on up, our goal is to diversify portfolios to have some investments that go up when others go down, which historically reduces risks more than it reduces returns. While there are times, such as the last few quarters, when even a well-diversified portfolio of assets will go down, typically it will not go down or stay down nearly as much as the overall market.

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The future is uncertain. Fortunately, lessons from the past can provide guidance. We remain unwavering and confident that the best strategies are the ones we outline and continue to reinforce with each of you:

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.

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,

Geoff

Quarterly Market Summary

Index Returns

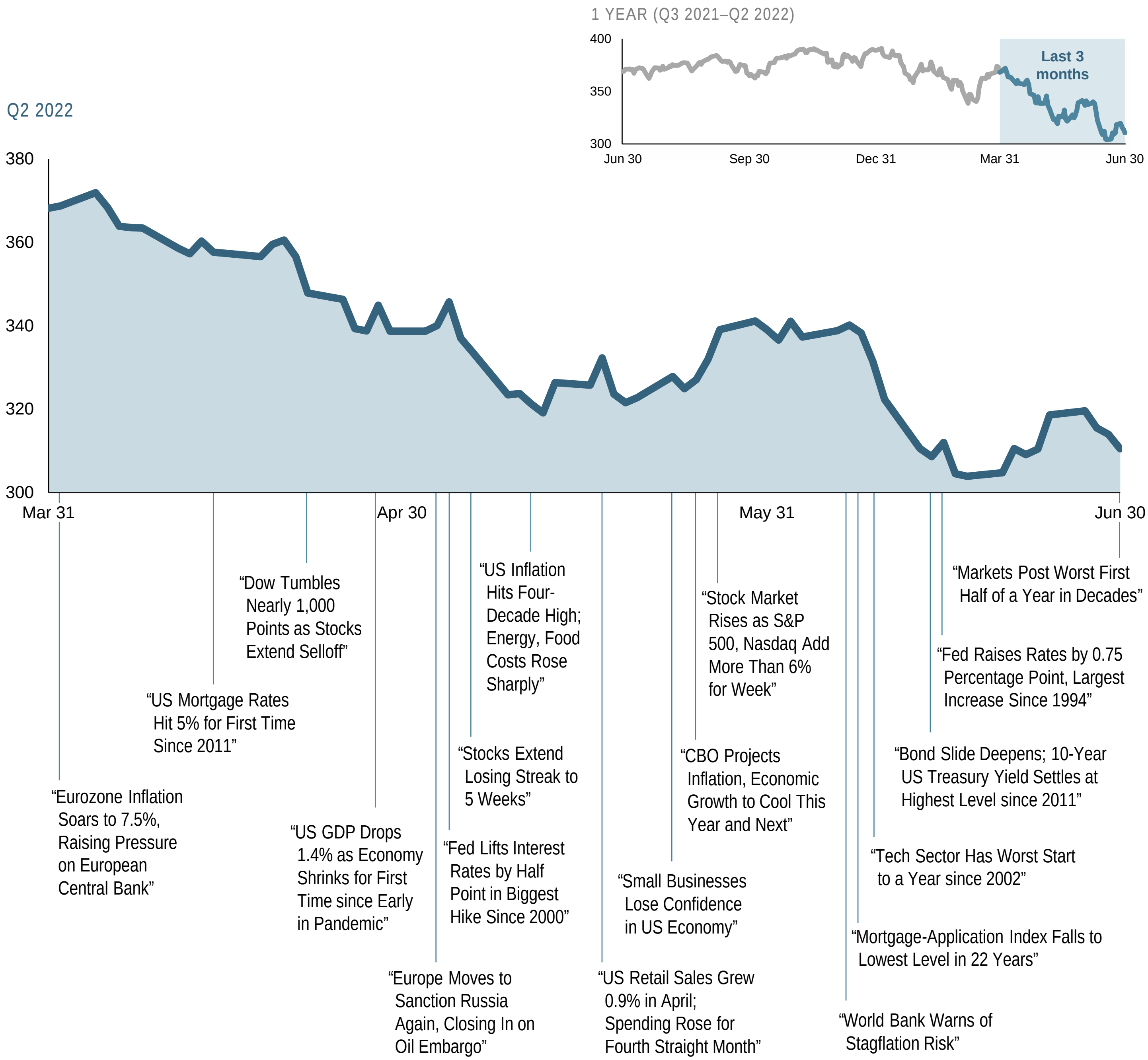
Q2 2022	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
	-16.70%	-14.66%	-11.45%	-17.22%	-4.69%	-4.01%

Since Jan. 2001	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
Average Quarterly Return	2.2%	1.4%	2.6%	2.3%	1.0%	0.9%
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]).

World Stock Market Performance

MSCI All Country World Index with selected headlines from Q2 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.
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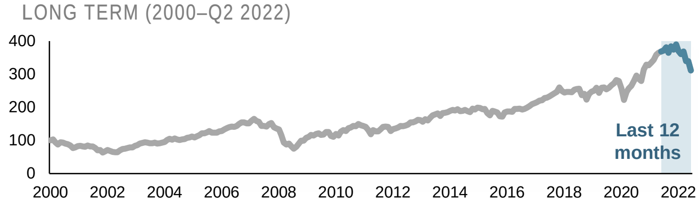
World Stock Market Performance

MSCI All Country World Index with selected headlines from past 12 months

LONG TERM (2000–Q2 2022)



SHORT TERM (Q3 2021–Q2 2022)

"US Oil Tops $75 for First Time since 2018"

"Eurozone Inflation Hits Decade High as Bottlenecks Bite"

"US Orders for Durable Goods Hit a Record"

"Nasdaq Drops 2% as Investors Flee Shares of High-flying Stocks and Bond Yields Lurch Higher"

"Biden to Nominate Jerome Powell for Second Term as Fed Chairman"

"In a Wild Year for Markets, Stocks Pull Off Big Gains"

"Fed's Powell Says Economy No Longer Needs Aggressive Stimulus"

"Stocks Rocket Back to Finish Higher After Being Down at Least 1,000 Points"

"S&P 500 Falls Into Correction Territory as Russian Troops Enter Ukraine Region"

"US Inflation Reached 7.9% in February; Consumer Prices Are Highest in 40 Years"

"Fed Raises Interest Rates for First Time Since 2018"

"Gas Prices Shoot Up at Fastest Rate on Record"

"US Mortgage Rates Hit 5% for First Time Since 2011"

"Stocks Extend Losing Streak to 5 Weeks"

"CBO Projects Inflation, Economic Growth to Cool This Year and Next"

"Mortgage-Application Index Falls to Lowest Level in 22 Years"

"Bond Slide Deepens; 10-Year US Treasury Yield Settles at Highest Level since 2011"

"Fed Raises Rates by 0.75 Percentage Point, Largest Increase Since 1994"

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International Developed Stocks

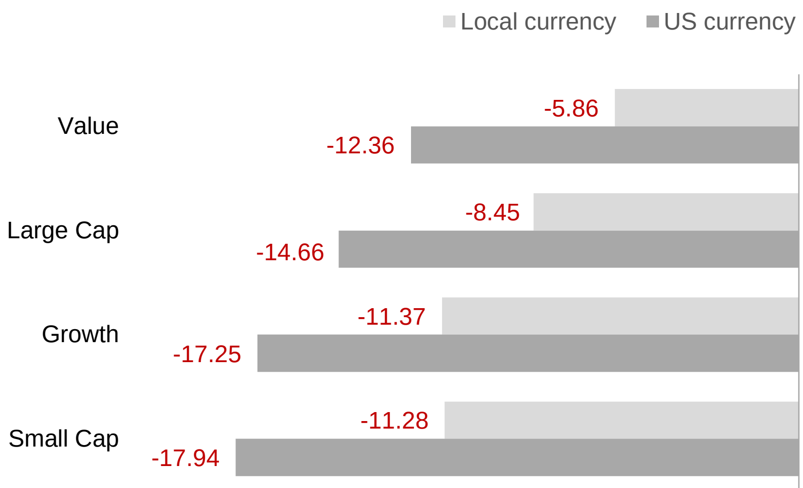
Second quarter 2022 index returns

Developed markets outside of the US posted negative returns for the quarter, outperforming the US and underperforming emerging markets.

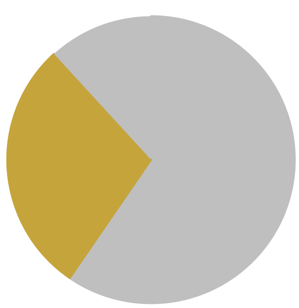
Value outperformed growth.

Small caps underperformed large caps.

Ranked Returns (%)



World Market Capitalization—International Developed



29%

International Developed Market

$18.1 trillion

Period Returns (%)

** Annualized*

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Value	-12.36	-11.00	-10.28	1.13	1.26	4.42
Large Cap	-14.66	-18.76	-16.76	1.70	2.66	5.37
Growth	-17.25	-26.33	-23.37	1.55	3.61	6.04
Small Cap	-17.94	-23.87	-23.02	1.97	2.16	6.70

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Emerging Markets Stocks

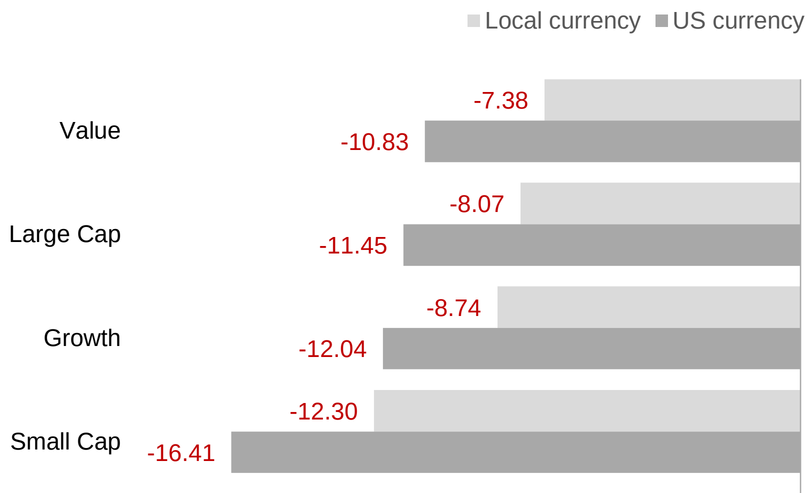
Second quarter 2022 index returns

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

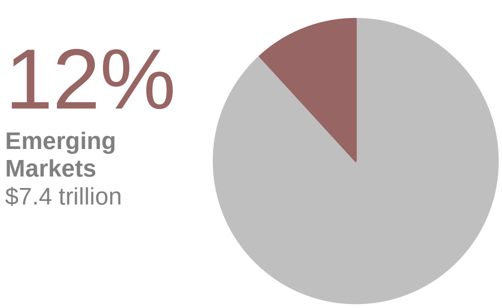
Value outperformed growth.

Small caps underperformed large caps.

Ranked Returns (%)



World Market Capitalization—Emerging Markets



Period Returns (%)

** Annualized*

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Value	-10.83	-13.89	-18.59	-0.97	1.25	1.46
Large Cap	-11.45	-17.63	-25.28	0.57	2.18	3.06
Grow th	-12.04	-21.07	-31.18	1.88	2.92	4.54
Small Cap	-16.41	-20.03	-20.72	5.78	3.48	4.31

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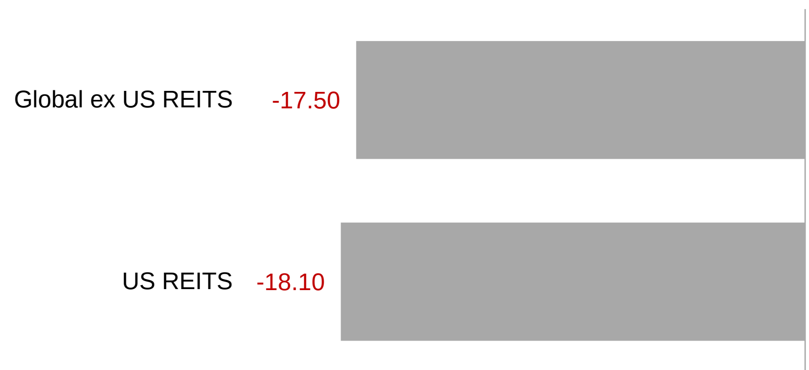
Real Estate Investment Trusts (REITs)

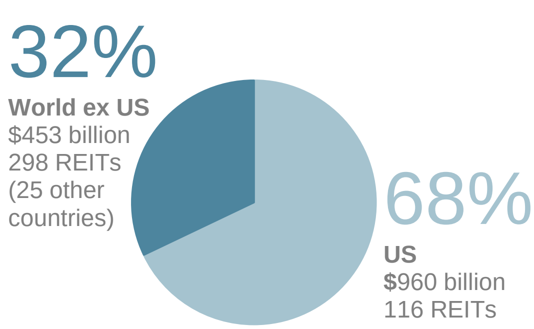
Second quarter 2022 index returns

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	YTD	1 Year	3 Years*	5 Years*	10 Years*
Global ex US REITS	-17.50	-19.93	-17.73	-4.38	0.20	3.47
US REITS	-18.10	-21.14	-6.41	2.54	4.28	6.61

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 © 2022 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved.

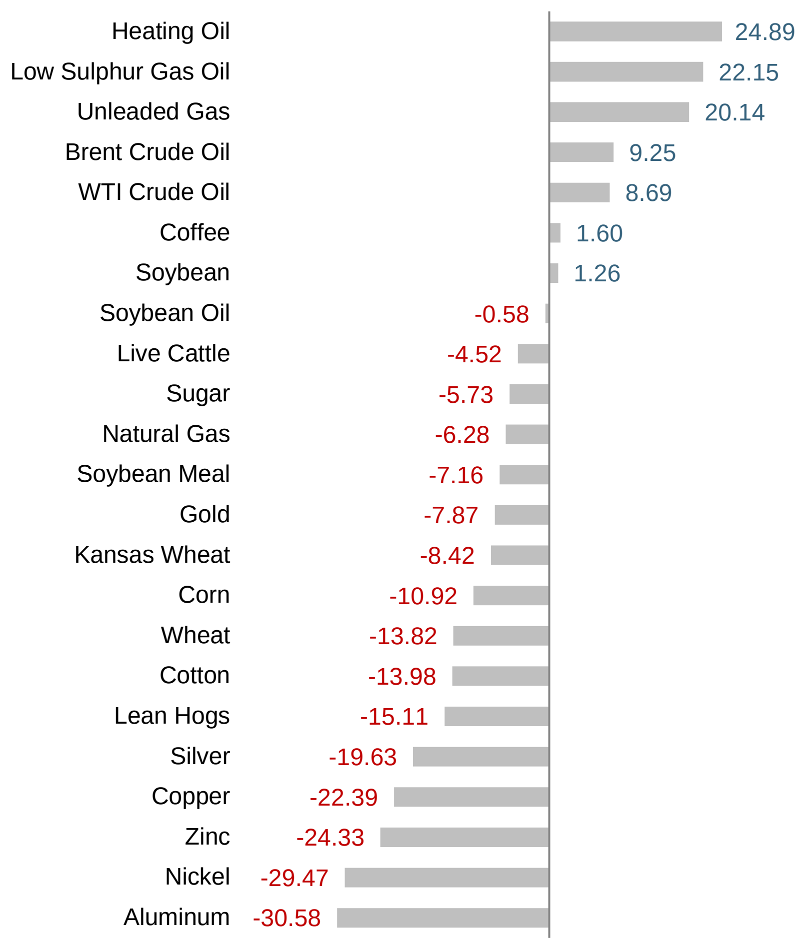
Commodities

Second quarter 2022 index returns

The Bloomberg Commodity Index Total Return returned -5.66% for the second quarter of 2022.

Aluminum and Nickel were the worst performers, returning -30.58% and -29.47% during the quarter, respectively. Heating Oil and Low Sulphur Gas Oil were the best performers, returning +24.89% and +22.15% during the quarter, respectively.

Ranked Returns (%)



Period Returns (%)

** Annualized*

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
Commodities	-5.66	18.44	24.27	14.34	8.39	-0.82

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.

Fixed Income

Second quarter 2022 index returns

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

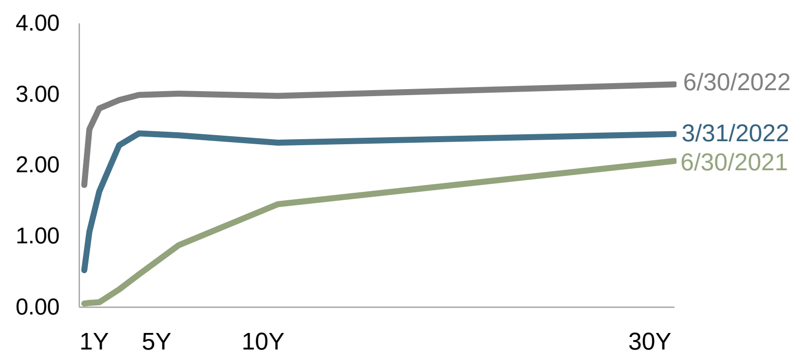
The yield on the 5-Year US Treasury Note increased 59 basis points (bps) to 3.01%. The yield on the 10-Year US Treasury Note increased 66 bps to 2.98%. The yield on the 30-Year US Treasury Bond increased 70 bps to 3.14%.

On the short end of the yield curve, the 1-Month US Treasury Bill yield increased 111 bps to 1.28%, while the 1-Year US Treasury Bill yield increased 117 bps to 2.80%. The yield on the 2-Year US Treasury Note increased 64 bps to 2.92%.

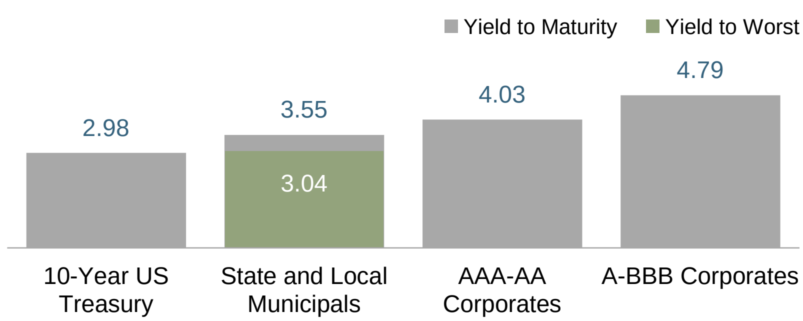
In terms of total returns, short-term corporate bonds returned -1.94% and intermediate-term corporate bonds returned -3.92%.[1]

The total return for short-term municipal bonds was +0.08% and -1.30% for intermediate-term municipal bonds. Within the municipal fixed income market, general obligation bonds outperformed revenue bonds, returning -2.51% vs. -3.37%, respectively.[2]

US Treasury Yield Curve (%)



Bond Yields Across Issuers (%)



Period Returns (%)

*Annualized

Asset Class	QTR	YTD	1 Year	3 Years*	5 Years*	10 Years*
ICE BofA US 3-Month Treasury Bill Index	0.10	0.14	0.17	0.63	1.11	0.64
ICE BofA 1-Year US Treasury Note Index	-0.48	-1.27	-1.44	0.53	1.10	0.73
FTSE World Government Bond Index 1-5 Years (hedged to USD)	-0.95	-3.30	-3.79	0.04	1.08	1.22
Bloomberg Municipal Bond Index	-2.94	-8.98	-8.57	-0.18	1.51	2.38
FTSE World Government Bond Index 1-5 Years	-4.28	-7.69	-9.90	-2.02	-0.57	-1.05
Bloomberg U.S. Aggregate Bond Index	-4.69	-10.35	-10.29	-0.93	0.88	1.54
Bloomberg U.S. TIPS Index	-6.08	-8.92	-5.14	3.04	3.21	1.73
Bloomberg U.S. High Yield Corporate Bond Index	-9.83	-14.19	-12.81	0.21	2.10	4.47
Bloomberg U.S. Government Bond Index Long	-11.89	-21.20	-18.42	-2.94	0.50	1.65

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.