Current Investment Strategy and Themes

- ***After the 20% equity decline, July's upward bounce does NOT indicate its all-clear to re-risk portfolios. Whether an equity or bond position, the portfolio guideline is lower volatility, higher quality characteristics.***

The Markets in Review: July 2022

- With pessimism consistent across investors about the economy, interest-rates and inflation, the markets rebounded sharply in July. Domestic equities surged over 9%, and the NASDAQ recovered more than that. The big question is whether this a bear market rally bouncing off extreme negative sentiment, or is the bear market truly behind us?
- The governors of the Federal Reserve Board are consistent with their public pronouncements that higher inflation is locked into the system for the foreseeable future. They are debating what level of interest rate increases will decrease aggregate demand to lower inflation. Decreasing aggregate demand is generally the code for recession. Policy makers always believe they have the skills, tools, and flexibility to engineer a "soft-landing" recession. Policy makers have not found a way to attack the supply side issue of this economy, particularly global energy and natural resource supply as political leaders across the globe (except China and India) try to transition to a clean energy economy.
- Fighting inflation successfully means regaining control over monetary policy growth, plus understanding the root causes and changes within the inflation rates within the sectors of the economy. Investors are most familiar with this through the variety of statistics released from Producer Price Index, Consumer Price Index, Core CPI (ex food and energy), Service Sector Inflation, plus many others. All attempt to measure price changes along the production to consumption cycle. Mostly through the initial raw food inputs and energy price rises in the production cycle, consumers first felt inflation at the gas pump and grocery store. Prices have stabilized in the short-term in this part of the cycle, but the data indicates further food inflation ahead. The services side of the economy is now experiencing an uptick in inflation. Fighting and declaring victory in the war on inflation is, in our opinion usually wrong and perilous. It has always been a multi-year problem with multiple proposals over things such as tax-policy, government regulations and price controls, and interest-rate decisions.
- Our portfolios are designed to handle what we believe to be more of a multi-year trading range, increased volatility within that range, less likely that a new bull market has started, and more likely future sharp downturns could occur. To handle this volatile period, equities are positioned with a greater emphasis on low-vol, higher-quality companies, plus an exposure to higher growth and beta to take advantage of bounces up in the market. We remain committed on the fixed portion in shorter duration, higher quality bonds. Some exposure to TIPS and commodities are part of the portfolio at this juncture of the interest rate, inflation, and economic cycle.
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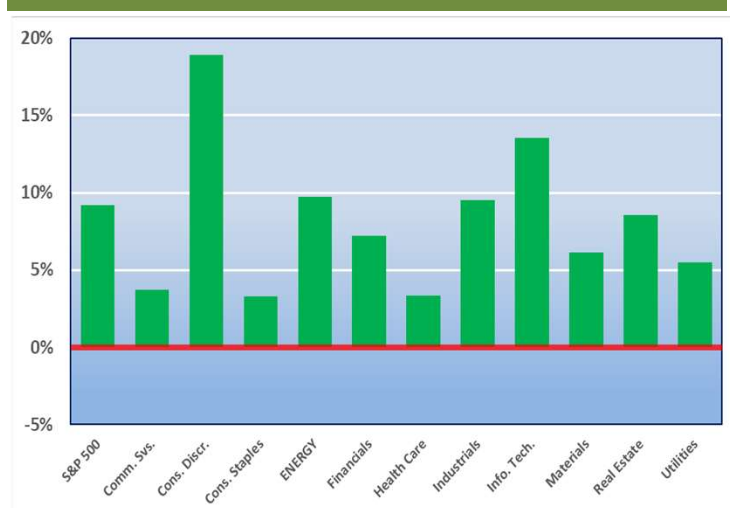
Key Market Indicators

Bullish	Favorable	Neutral	Cautious	Bearish

Equities	July 2022	Year to Date	Last 12 Months	Current View
U.S. Large Cap	9.22%	-12.58%	-4.64%	Cautious
U.S. Small Cap	10.44%	-15.43%	-14.29%	Cautious
International Developed	4.98%	-15.56%	-14.32%	Cautious
Emerging Markets Equity	-0.25%	-17.83%	-20.09%	Cautious
Fixed Income				
U.S. Aggregate	2.44%	-8.16%	-9.12%	Bearish
U.S. Government	1.58%	-7.60%	-8.60%	Cautious
U.S. Corporate	3.04%	-11.19%	-12.15%	Neutral
U.S. High Yield	5.90%	-9.12%	-8.02%	Cautious
Non-U.S. Developed	2.45%	-16.74%	-21.20%	Cautious
Emerging Market Debt	0.02%	-12.94%	-17.92%	Bearish
Alternatives				
REITs	9.06%	-12.97%	-2.47%	Neutral
Commodities	1.04%	22.48%	28.12%	Favorable
Managed Futures	-3.05%	16.46%	13.47%	Favorable
Hedge Funds	0.54%	-4.53%	-4.19%	Favorable

Source: Morningstar, data as of 7/31/2022

S&P 500 Sector Returns July 2022



Source: Morningstar

Important Disclosures

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Genesis and Palladiem have discretion to change allocations to styles and vehicles at any time.

Index definitions:

“U.S. Large Cap” represented by the S&P 500 Index.
“U.S. Small Cap” represented by the Russell 2000 Index.
“International” represented by the MSCI Europe, Australasia, Far East (EAFE) Net Return Index.
“Emerging” represented by the MSCI Emerging Markets Net Return Index.
“U.S. Aggregate” represented by the Bloomberg Barclays U.S. Aggregate Bond Index.
“U.S. Government” represented by the Bloomberg Barclays U.S. Government Bond Index.
“U.S. Corporate” represented by the Bloomberg Barclays U.S. Credit Bond Index.
“U.S. High Yield” represented by the Bloomberg Barclays U.S. Corporate High Yield Index.
“Non-U.S. Developed” represented by the S&P International Treasury ex U.S. Index.
“Emerging Market Debt” represented by the JP Morgan GBI-EM Global Core Index
“REITs” represented by the FTSE North American Real Estate Investment Trust (REIT) Equity REITs Index.
“Commodities” represented by the Dow Jones Commodity Index .
“Managed Futures” represented by the Credit Suisse Managed Futures Index.
“Global Macro” represented by the Credit Suisse Global Macro Index

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