

January 31, 2022

# MATRIX

PRIVATE  
CAPITAL  
GROUP

Economic & Market Review

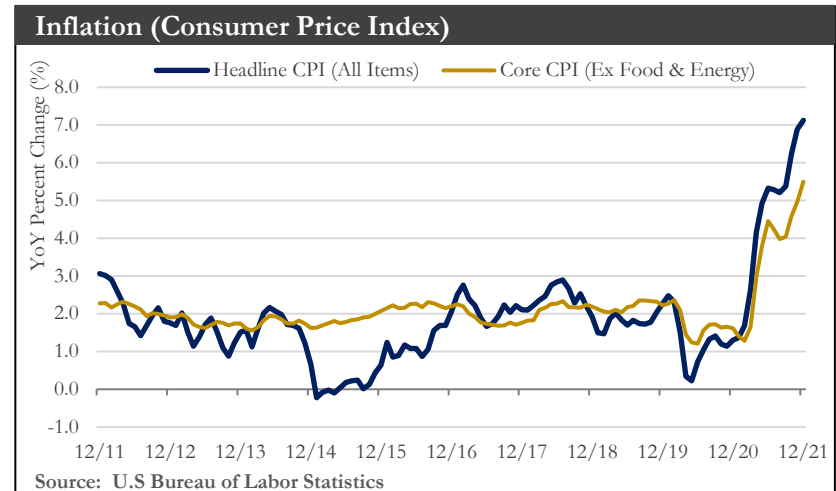
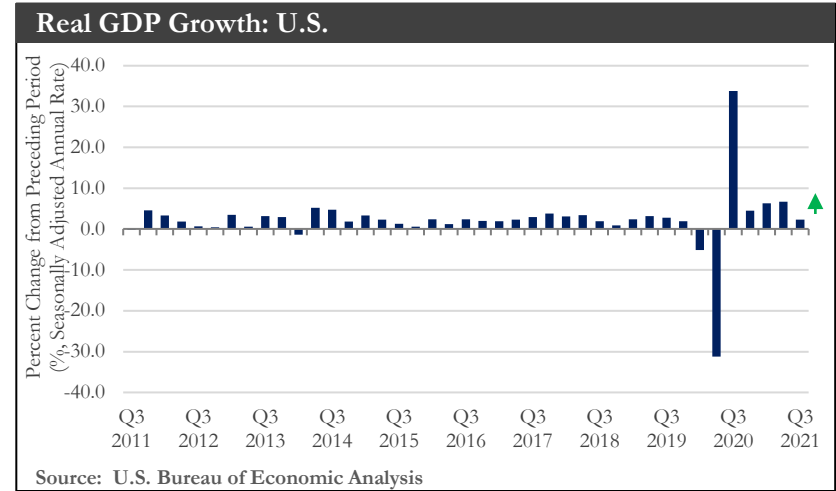
# Capital Market Performance

| Index Performance as of: 1/31/2022 |                |                |            |               |               |               |                |  |                |                |            |               |               |               |                |
|------------------------------------|----------------|----------------|------------|---------------|---------------|---------------|----------------|--|----------------|----------------|------------|---------------|---------------|---------------|----------------|
|                                    | <u>1 Month</u> | <u>3 Month</u> | <u>YTD</u> | <u>1 Year</u> | <u>3 Year</u> | <u>5 Year</u> | <u>10 Year</u> |  | <u>1 Month</u> | <u>3 Month</u> | <u>YTD</u> | <u>1 Year</u> | <u>3 Year</u> | <u>5 Year</u> | <u>10 Year</u> |
| <b>Russell</b>                     |                |                |            |               |               |               |                | <b>International Equity - Broad Market</b>   |                |                |            |               |               |               |                |
| 3000 Value                         | -2.56          | -0.19          | -2.56      | 22.82         | 13.68         | 10.30         | 12.16          | MSCI EAFE                                    | -4.83          | -4.62          | -4.83      | 7.03          | 9.33          | 7.85          | 6.94           |
| 3000                               | -5.88          | -3.67          | -5.88      | 18.81         | 19.93         | 16.11         | 15.03          | MSCI EM                                      | -1.89          | -4.13          | -1.89      | -7.24         | 7.19          | 8.30          | 4.16           |
| 3000 Growth                        | -8.86          | -6.78          | -8.86      | 15.14         | 25.42         | 21.49         | 17.59          | MSCI Frontier Markets                        | -3.53          | -6.60          | -3.53      | 15.09         | 9.68          | 7.39          | 6.90           |
| 1000 Value                         | -2.33          | 0.17           | -2.33      | 23.39         | 13.84         | 10.49         | 12.28          | MSCI ACWI                                    | -4.91          | -3.49          | -4.91      | 13.24         | 15.41         | 12.64         | 10.66          |
| 1000                               | -5.64          | -3.13          | -5.64      | 20.33         | 20.51         | 16.60         | 15.32          | MSCI ACWI Ex USA                             | -3.69          | -4.22          | -3.69      | 3.63          | 9.09          | 8.04          | 6.18           |
| 1000 Growth                        | -8.58          | -6.08          | -8.58      | 17.53         | 26.44         | 22.28         | 18.03          | MSCI AC Asia Ex Japan                        | -3.10          | -5.58          | -3.10      | -11.30        | 8.32          | 9.28          | 6.58           |
| Mid Cap Value                      | -4.27          | -1.35          | -4.27      | 23.16         | 14.10         | 9.89          | 12.40          | <b>International Equity - Country Region</b> |                |                |            |               |               |               |                |
| Mid Cap                            | -7.37          | -6.94          | -7.37      | 13.86         | 16.14         | 12.81         | 13.36          | MSCI Brazil                                  | 13.02          | 16.21          | 13.02      | 1.28          | -6.75         | 1.27          | -3.22          |
| Mid Cap Growth                     | -12.90         | -16.29         | -12.90     | -1.49         | 17.38         | 15.80         | 14.22          | MSCI BRIC                                    | -1.75          | -7.94          | -1.75      | -16.03        | 4.67          | 7.78          | 3.50           |
| 2000 Value                         | -5.83          | -5.34          | -5.83      | 14.77         | 11.72         | 7.92          | 10.64          | MSCI China                                   | -2.95          | -11.62         | -2.95      | -29.26        | 3.03          | 7.29          | 5.75           |
| 2000                               | -9.63          | -11.46         | -9.63      | -1.21         | 11.99         | 9.69          | 11.33          | MSCI Europe                                  | -4.58          | -3.52          | -4.58      | 12.62         | 10.74         | 8.67          | 7.18           |
| 2000 Growth                        | -13.40         | -17.27         | -13.40     | -15.05        | 11.36         | 10.93         | 11.70          | MSCI India                                   | -1.37          | -0.79          | -1.37      | 27.50         | 16.42         | 13.79         | 8.61           |
| <b>Standard &amp; Poors</b>        |                |                |            |               |               |               |                | MSCI Japan                                   | -5.07          | -5.66          | -5.07      | -2.48         | 7.61          | 6.61          | 7.30           |
| S&P 500                            | -5.17          | -1.61          | -5.17      | 23.31         | 20.71         | 16.78         | 15.43          | MSCI EM Latin America                        | 7.38           | 10.37          | 7.38       | 5.80          | -4.56         | 1.43          | -2.64          |
| Consumer Disc                      | -9.68          | -8.13          | -9.68      | 11.95         | 20.22         | 17.92         | 17.68          | MSCI Russia                                  | -8.72          | -20.51         | -8.72      | 11.68         | 8.11          | 8.56          | 2.66           |
| Consumer Staples                   | -1.37          | 7.58           | -1.37      | 23.39         | 16.27         | 11.09         | 12.25          | <b>Fixed Income-Taxable</b>                  |                |                |            |               |               |               |                |
| Energy                             | 19.10          | 16.52          | 19.10      | 77.54         | 7.12          | 2.81          | 2.83           | Barclays U.S. Aggregate                      | -2.15          | -2.12          | -2.15      | -2.97         | 3.67          | 3.08          | 2.59           |
| Financials                         | 0.06           | -2.49          | 0.06       | 37.44         | 17.26         | 13.22         | 15.42          | Barclays US Aggregate 1-3                    | -0.72          | -0.95          | -0.72      | -1.25         | 1.81          | 1.62          | 1.27           |
| Health Care                        | -6.76          | -1.43          | -6.76      | 15.97         | 15.42         | 15.43         | 16.02          | Barclays US Aggregate 3-5                    | -1.31          | -1.50          | -1.31      | -2.82         | 2.64          | 2.26          | 2.01           |
| Industrials                        | -4.73          | -3.15          | -4.73      | 20.59         | 14.16         | 11.40         | 12.88          | Barclays US Aggregate 5-7                    | -1.60          | -1.70          | -1.60      | -3.56         | 3.29          | 2.83          | 2.45           |
| Information Technology             | -6.89          | 0.45           | -6.89      | 26.45         | 36.30         | 29.14         | 22.23          | ICE BofAML US 3M Trsy Bil                    | 0.00           | 0.01           | 0.00       | 0.04          | 0.93          | 1.13          | 0.63           |
| Materials                          | -6.84          | -0.28          | -6.84      | 21.49         | 19.12         | 12.48         | 10.83          | Barclays U.S. Gov't                          | -1.87          | -1.64          | -1.87      | -3.21         | 3.25          | 2.63          | 1.90           |
| Real Estate                        | -8.50          | 0.00           | -8.50      | 33.09         | 15.07         | 12.86         | 11.44          | Barclays U.S. Credit                         | -3.21          | -3.20          | -3.21      | -3.10         | 5.26          | 4.30          | 3.89           |
| Communication Services             | -6.21          | -8.80          | -6.21      | 15.53         | 19.22         | 10.62         | 11.16          | Barclays High Yield Corp.                    | -2.73          | -1.87          | -2.73      | 2.06          | 6.25          | 5.40          | 6.21           |
| Utilities                          | -3.27          | 4.30           | -3.27      | 14.88         | 11.79         | 10.75         | 11.10          | Barclays TIPS                                | -2.02          | -0.83          | -2.02      | 3.47          | 7.22          | 4.73          | 2.65           |
| <b>Other U.S. Equity</b>           |                |                |            |               |               |               |                | Barclays Global Aggregate                    | -2.05          | -2.47          | -2.05      | -5.83         | 2.36          | 2.70          | 1.39           |
| Dow Jones Industrial Avg.          | -3.24          | -1.47          | -3.24      | 19.37         | 14.47         | 14.62         | 13.44          | Barclays Gbl Agg Ex USD                      | -1.96          | -2.73          | -1.96      | -7.93         | 1.16          | 2.28          | 0.40           |
| NASDAQ 100                         | -8.49          | -5.66          | -8.49      | 16.32         | 30.43         | 25.09         | 21.08          | JPM EMBI Global Div                          | -2.85          | -3.30          | -2.85      | -3.54         | 3.43          | 3.75          | 4.81           |
| <b>Alternative Investments</b>     |                |                |            |               |               |               |                | <b>Fixed Income-Tax Exempt</b>               |                |                |            |               |               |               |                |
| Alerian MLP                        | 11.07          | 6.38           | 11.07      | 47.13         | 1.65          | -1.58         | 0.60           | Barclays Municipal                           | -2.74          | -1.75          | -2.74      | -1.89         | 3.50          | 3.46          | 3.20           |
| Bloomberg Commodity                | 8.78           | 4.38           | 8.78       | 34.76         | 11.01         | 5.39          | -2.27          | Barclays Municipal 3 Yr                      | -1.65          | -1.60          | -1.65      | -1.50         | 1.58          | 1.58          | 1.37           |
| FTSE NAREIT Equity REIT            | -6.85          | 0.70           | -6.85      | 33.32         | 11.44         | 9.17          | 9.90           | Barclays Municipal 5 Yr                      | -2.42          | -2.10          | -2.42      | -2.42         | 2.19          | 2.25          | 2.02           |
| S&P Global Natural Res.            | 3.84           | 6.33           | 3.84       | 29.54         | 11.85         | 9.51          | 4.14           | Barclays Municipal 7 Yr                      | -2.72          | -2.12          | -2.72      | -2.79         | 2.69          | 2.88          | 2.62           |
| S&P N. Amer Natural Res.           | 10.48          | 9.68           | 10.48      | 52.71         | 9.30          | 3.45          | 1.76           | Barclays HY Muni                             | -2.80          | -1.27          | -2.80      | 2.61          | 6.50          | 6.62          | 6.03           |

Source: Morningstar Direct

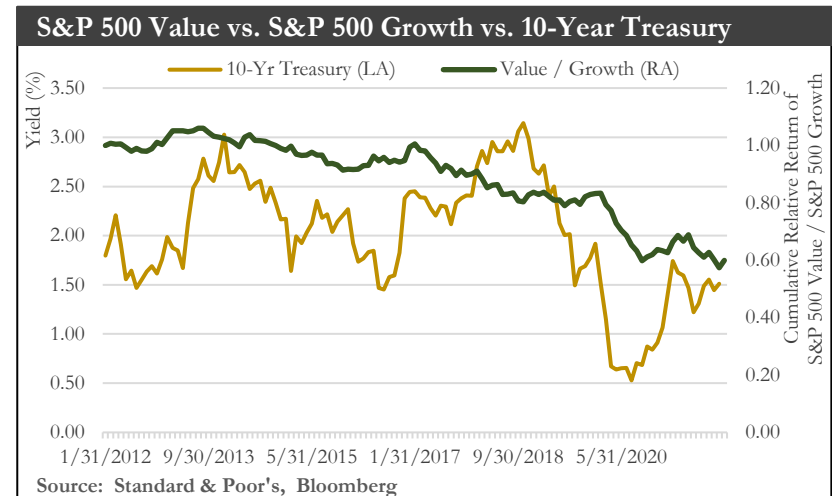
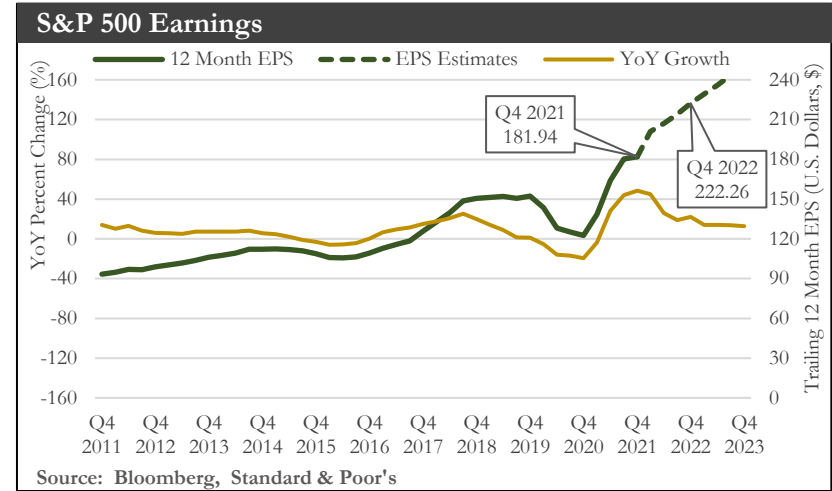
# Economic & Market Overview

- **Economic Growth Forecast.** Expectations for global economic growth have been dampened as a result of supply chain disruptions, rising price pressure, and the evolving pandemic. We expect 5.9% real global GDP growth with 5.5% for U.S, about 8% for China, 3.9% for the Eurozone, 4% for Japan, and 6.4% for emerging market economies.
- **Surprise Report.** The US economy grew at a 6.9% annual rate in 4Q21 from sizeable boosts from inventory restocking and consumer spending. This is the 6<sup>th</sup> consecutive quarter of growth since the pandemic caused a severe recession in the Spring of 2020. Output grew as the Delta variant faded, schools and businesses more fully reopened, vaccinations rose, and consumers spent savings.
- **Strong Inflation Signal.** U.S. CPI inflation closed out 2021 at 7% year-over-year. This is the highest level of inflation since 1982. It marked the third month in a row in which inflation exceeded 6%. We expect price pressures to ease somewhat this year from their current high levels as supply chain disruptions begin to normalize. Inflation however will remain above The Fed's 2% target and their comfort zone.



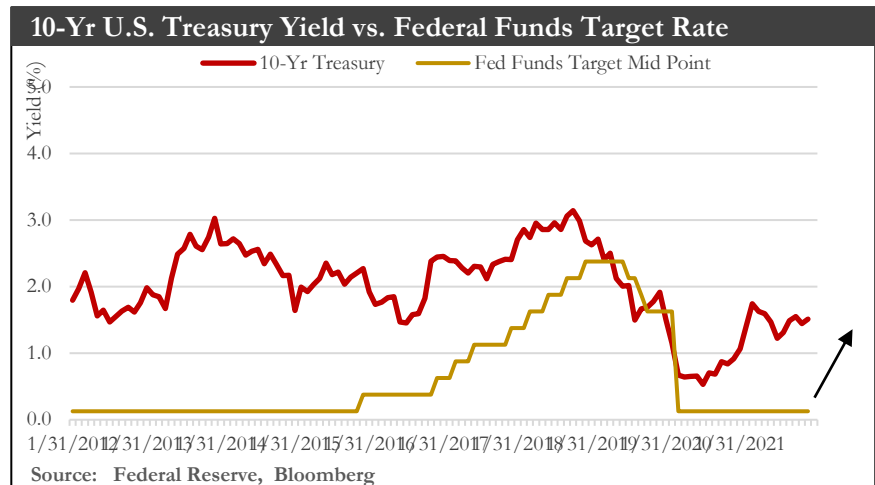
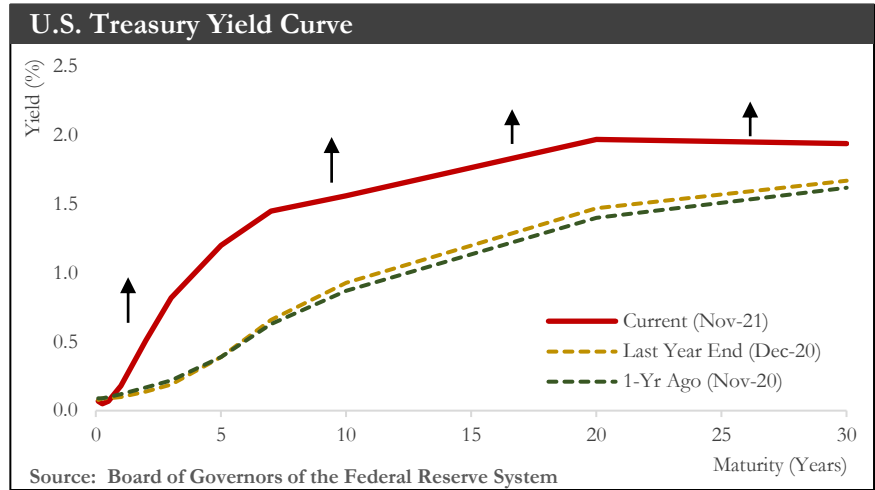
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- PE Ratios Continue To Decline As Earnings Growth Posts Strong Year-Over-Year Comparisons.** As of January 31, 2022, the S&P 500 was trading at 24.1 times trailing earnings and 20.2 times forward earnings. One year ago, the index was trading at 30.8 times trailing earnings (source: Bloomberg). The blended earnings growth rate for the S&P 500 in 4Q21 was 24.3%, the fourth quarter in a row of above 20% earnings growth (Factset).
- Course Reversal.** U.S. stocks posted a negative total return for January. The declines were led by the familiar Mega-Cap Growth stock names which have been market leaders for years. The NASDAQ 100 posted a -8.5% return for the month. Formerly leading equity investment characteristics like momentum, volatility, and high trading volume were detractors to performance in January.
- Change in Leadership?** Value and growth stocks may be changing roles. With ultra low interest rates, growth stocks led the market. Now that the Fed has committed to raise rates this year and next, ending its easy money policies, the market has begun to recalibrate valuations for long-duration growth equities as well as stocks that benefit from higher interest rates (like Financials)



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- **Fixed Income Rates Creeping Up Again.** The bond market environment remains challenging for income-oriented investors with rates still low. Yields have been edging higher in recent days as the yield curve has begun to steepen reflecting a more understandable posture on both growth and inflation. Interest rates on the 10-year Treasury Bond have been hovering around 1.7%-1.8%.
- **Bond Returns in January Negative.** The bond market posted negative total returns in January as prospects of more persistent inflation and a hawkish change in Fed monetary policy weighed on fixed income investment vehicles. Leading the way lower were domestic corporate bonds and Emerging Market debt.
- **Time Will Tell.** There is wide divergence of opinion about what the course of interest rates and inflation will be in the quarters ahead. One camp contends that rates will go higher than most people believe because inflation will be stickier than expected while the other camp expects inflation to settle back down into the Fed comfort zone late this year and next.



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