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2022 Q1 Economic & Market Update

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Market Performance Recap

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Q1 2022 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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Long-Term Market Summary

Index returns as of 3/31/22

	US Stock Market	International Developed Stocks	Emerging Markets Stocks	Global Real Estate	US Bond Market	Global Bond Market ex US
	STOCKS				BONDS	
1 Year	11.92%	3.04%	-11.37%	18.97%	-4.15%	-3.56%
5 Years	15.40%	7.14%	5.98%	7.10%	2.14%	2.25%
10 Years	14.28%	6.25%	3.36%	7.48%	2.24%	3.20%

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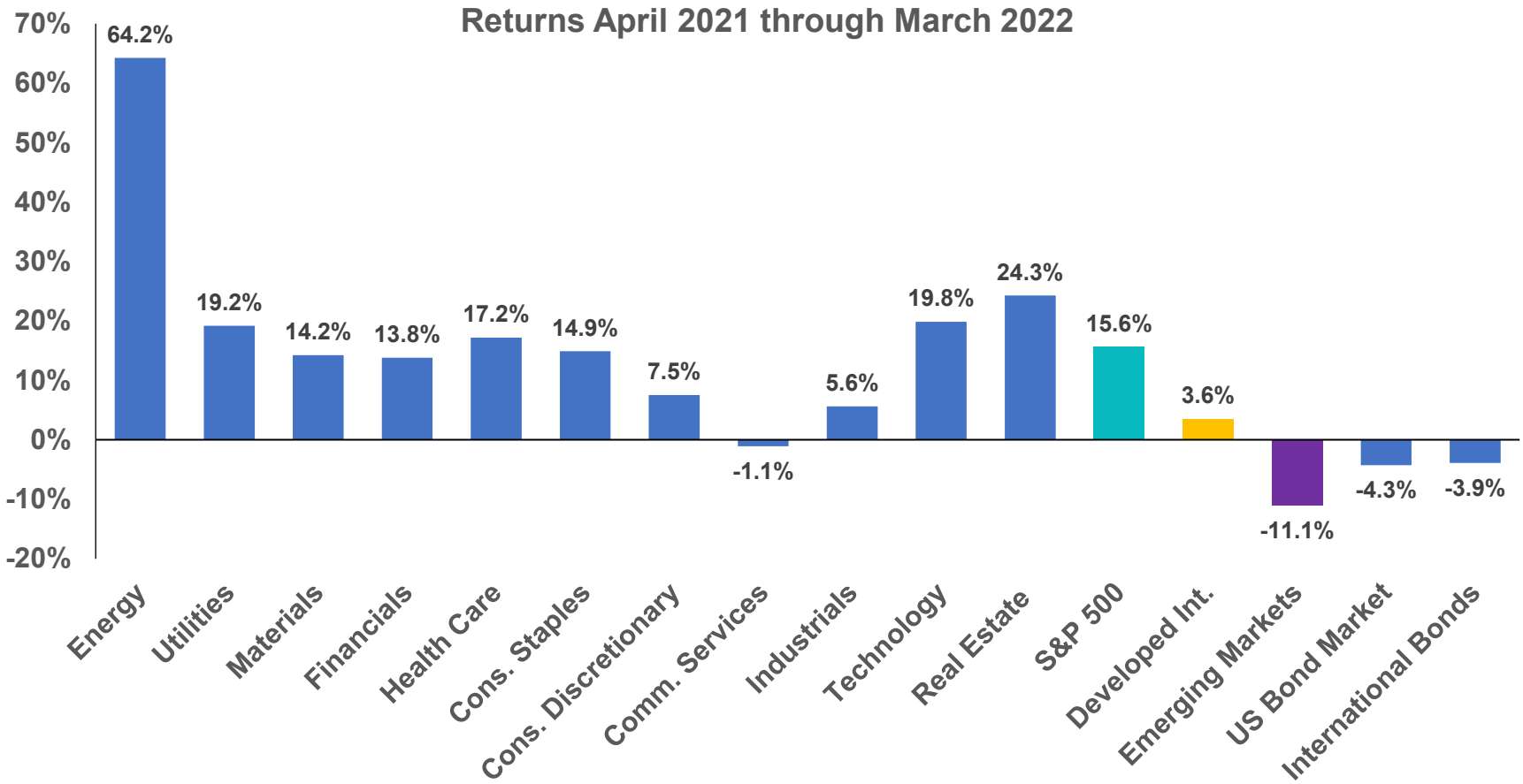
Higher Energy Prices, Bonds & Emerging Markets Weaker



Source is FactSet. Represents YOY returns from 31 March 2021 - 31 March 2022. Sector returns represented by S&P sector composites. US benchmark = S&P 500. Developed benchmark = MSCI World Ex US. Emerging benchmark = MSCI EM.

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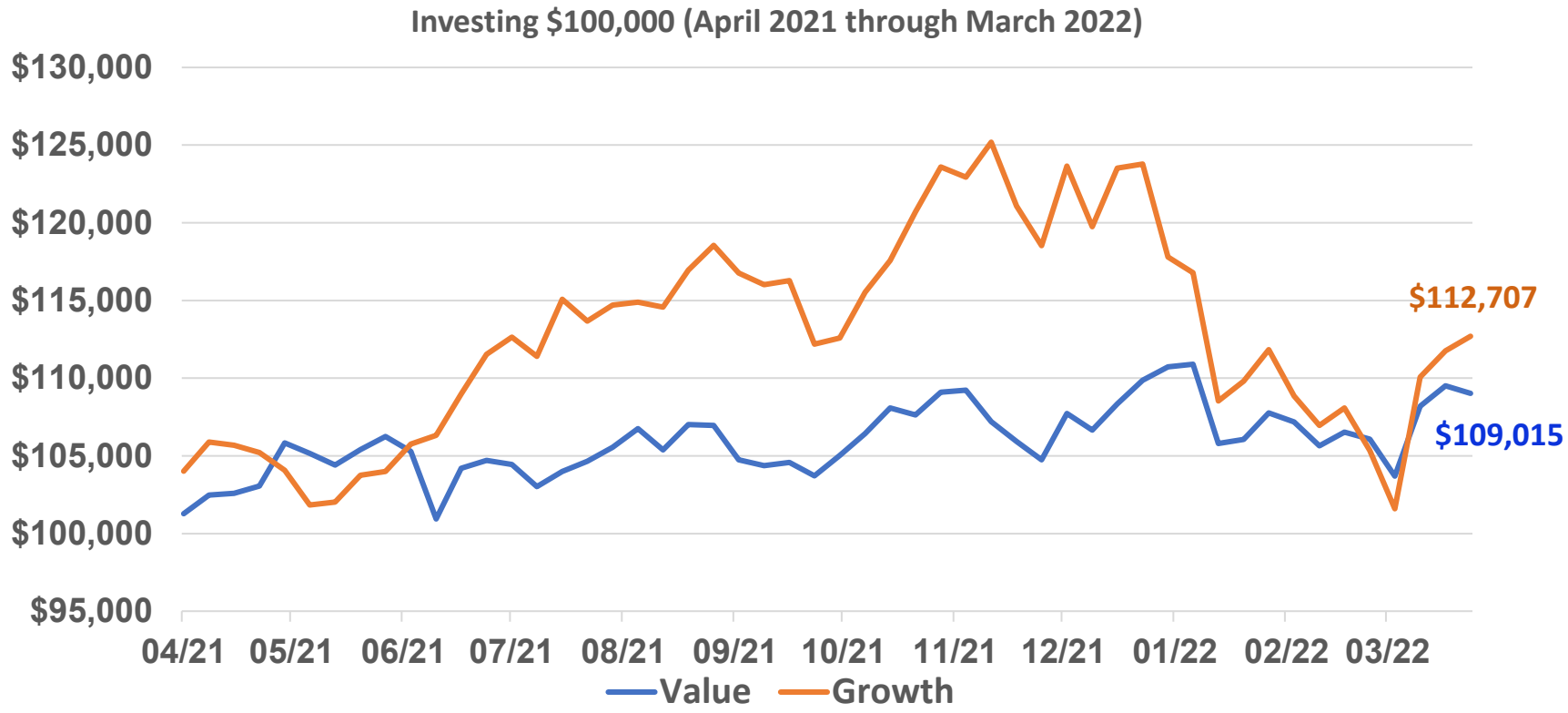
Growth & Value

Over last twelve months:

- **Growth** outperformed **Value**
- **Growth** and **Value** both recorded positive returns



Weekly returns over the past year (Factset). **Value** represented by iShares Russell 1000 Value (IWD) and **Growth** represented by iShares Russell 1000 Growth (IWF).

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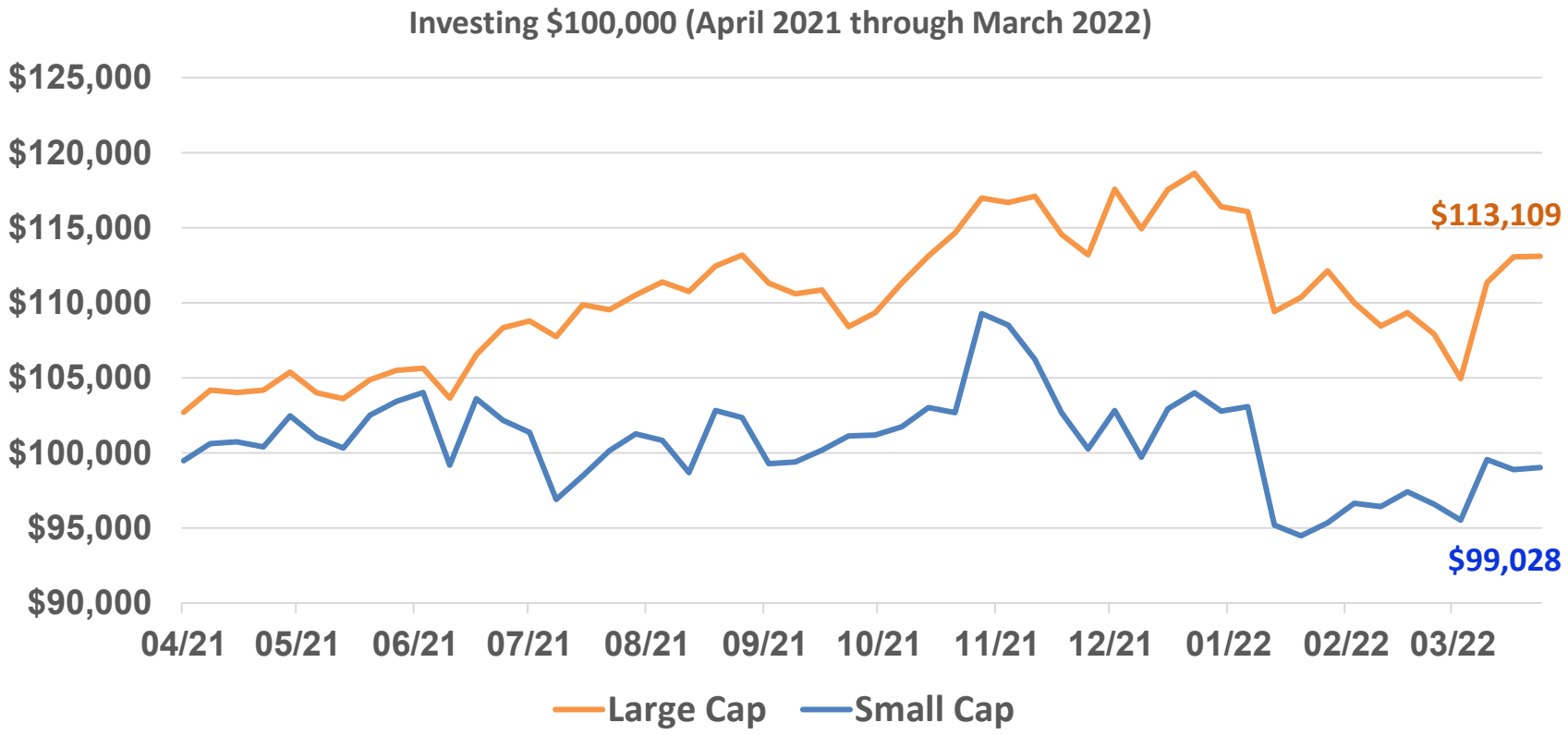
Large Cap & Small Cap

Over last twelve months:

- **Large Cap** outperformed **Small Cap**
- **Large Cap** recorded positive returns, while **Small Cap** recorded negative returns



Weekly returns over the past year (Factset). **Large** represented by iShares Core S&P 500 (IVV) and **Small** represented by iShares Small Cap Core (IJR)

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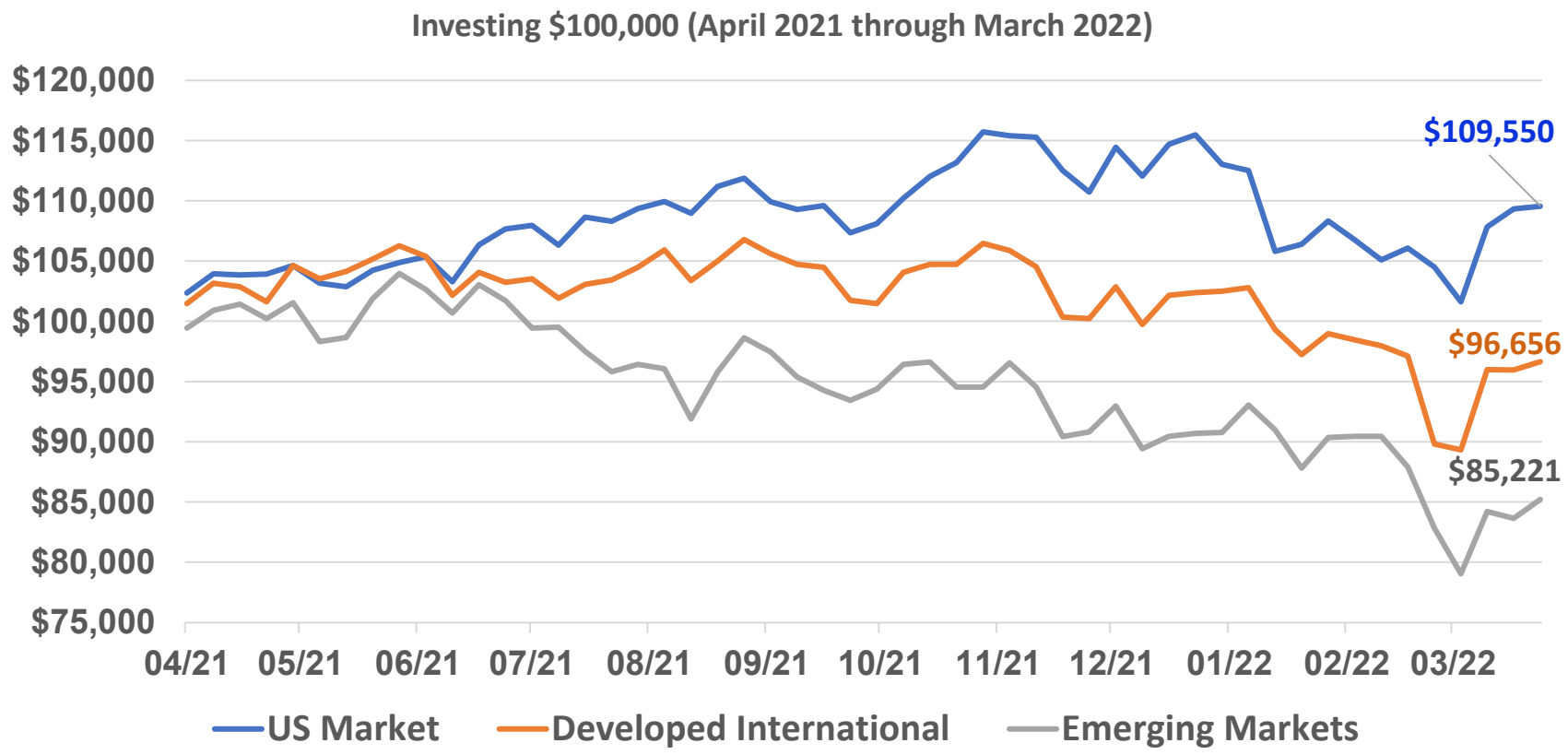
Domestic & International

Over last twelve months:

- **US** returns outperformed both **Developed** and **Emerging**
- **US** recorded positive returns



Weekly returns over the past year (Factset). **US** represented by iShares Russell 3000 (IWV). **Developed** represented by iShares EAFE (EFA) and **Emerging** represented by iShares EM (EEM)

Conflict in Ukraine: Considerations & Impact on your Portfolio

Russia's Conflict in Ukraine

- Important to remember the humanitarian crisis first when considering the impact on global investors
- Client portfolios have minimal exposure to revenues in Russia:
  - Your mutual funds & ETFs derive no greater than 1% of sales from Russia
  - Parsec's universe of individual stocks on average derives <1% revenues from Russia
- Sanctions imposed on Russia suggest an economic fallout far greater for Russia than for US investors
- Funds will continue to close out Russian holdings & mark to zero as appropriate and logistics permit

Revenue exposure breakdowns obtained using Factset

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Russia Relies Heavily on Commodity Exports

Export data on Russia by Product. Source: Observatory of Economic Complexity. https://oec.world/en/profile/country/rus?subnationalFlowSelector=flow1

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US Core Stock Market Returns since Russian Invasion Officially Announced on February 24

- In less than 2 months since, S&P fell by at most 3% on 2 days in early March
- Every $100,000 invested on Feb 24th is now worth approximately $104,000

FactSet returns for iShares Core S&P 500 from February 24th through April 19th

Inflationary Factors and Supply Chain Constraints: Are They Transitory?

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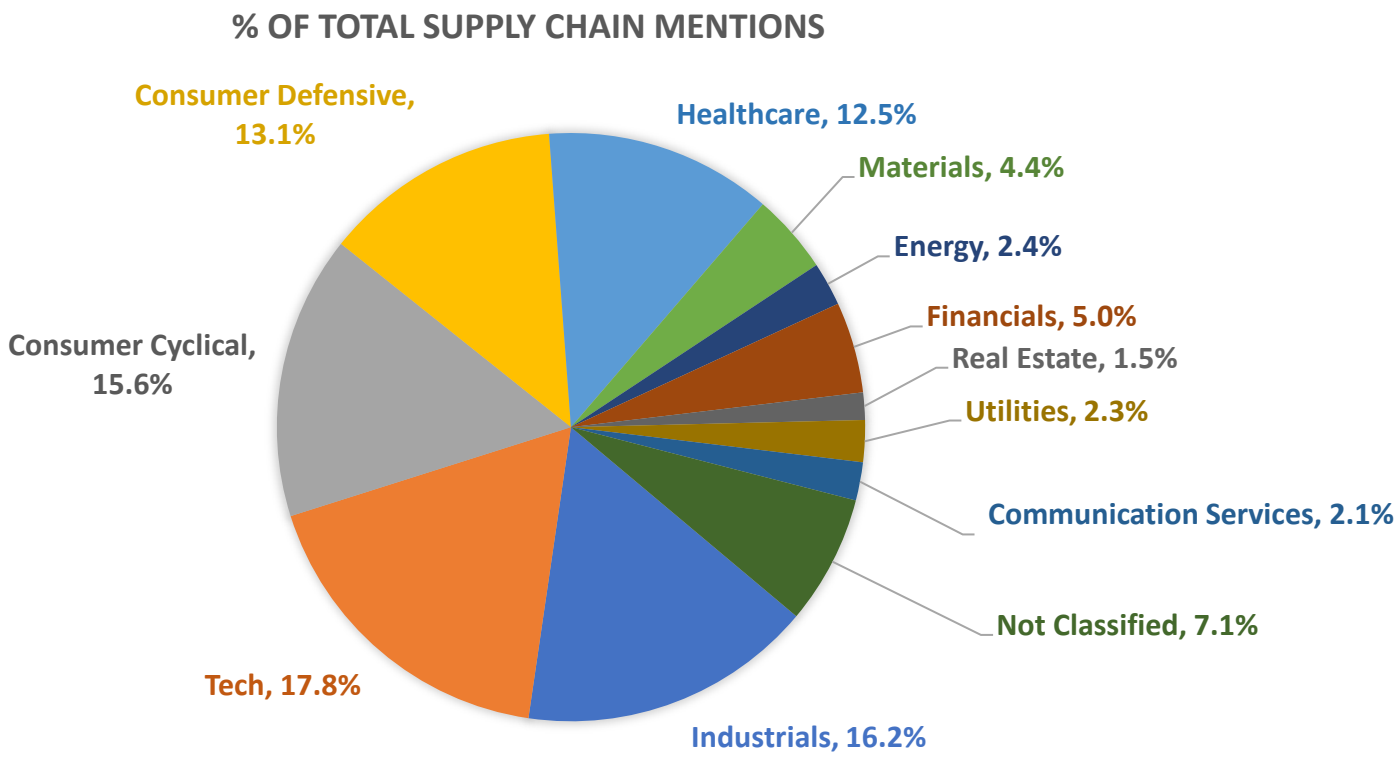
S&P Mentions of Supply Chain by Sector

- 11,700 mentions as of April 2022 (+78% higher than last year)
- 6,560+ mentions last year, higher in turn than Oct. 2020 high of ~6,165
- Nearly 3x pre-pandemic levels in 2018-2019



Source: Factset as of 4/7/22. Number of mentions of "supply chain" for S&P companies irrespective of data type.

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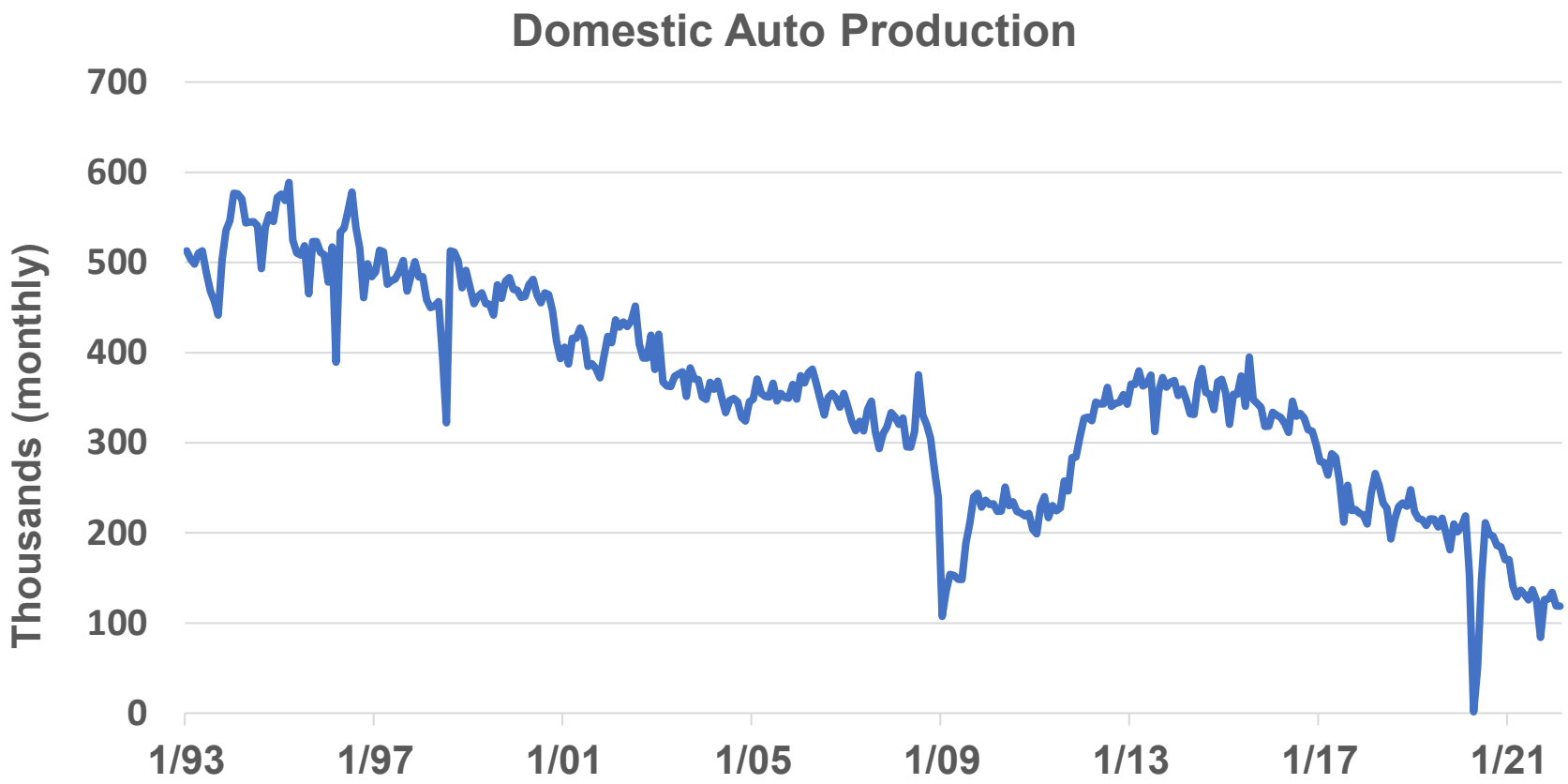
US Car Manufacturing

- About 2/3rds fewer cars currently being produced compared to rate in 2012-2016.
- Represents ~2.5 million fewer on an annualized basis.



Domestic Auto Protection Series (DAUPSA) from FRED. 1993 through 02/2022

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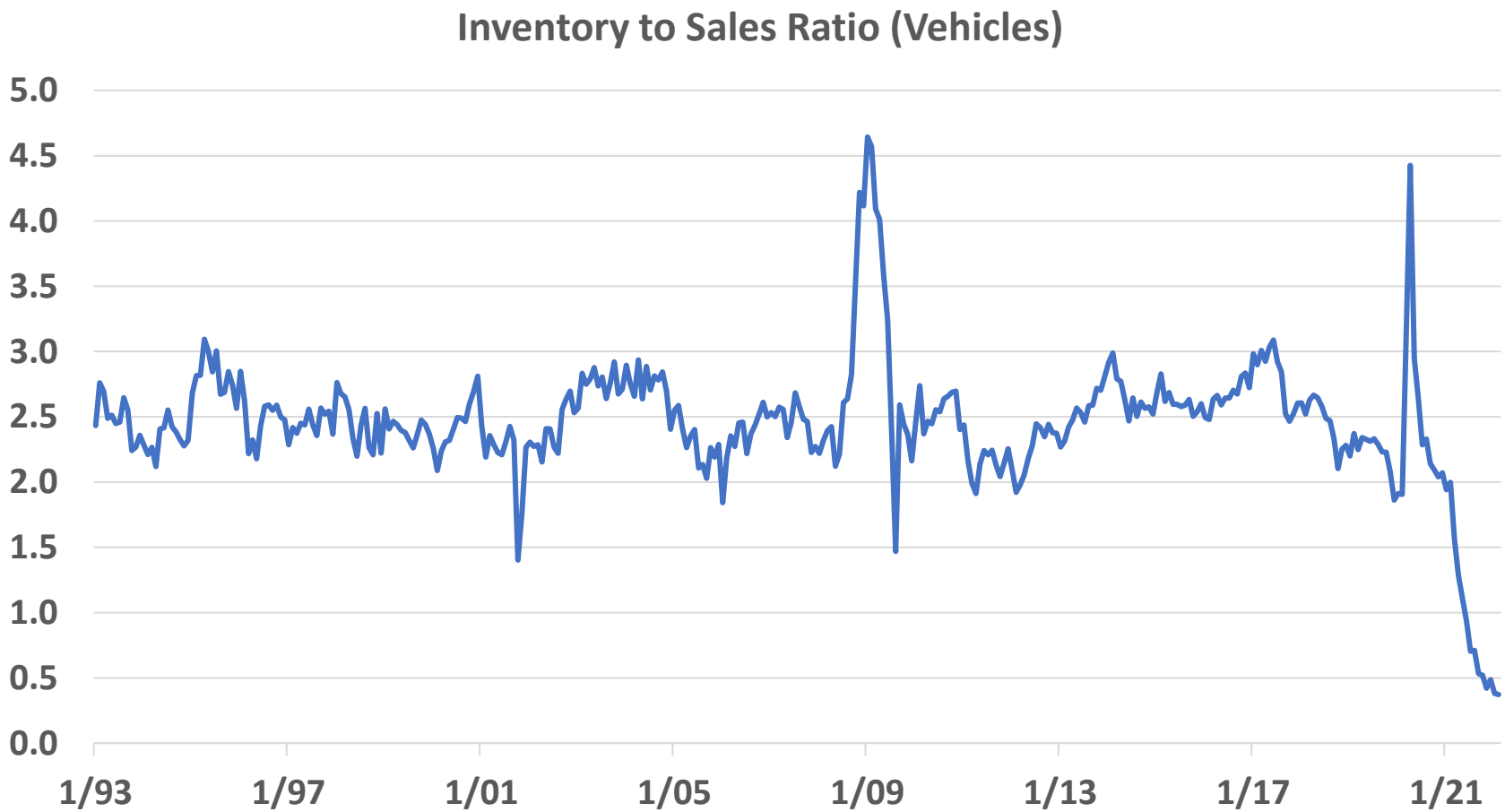
There is no inventory!

- Ratio of **US Auto Inventory per Sale** has declined dramatically



Auto Inventory/Sales Ratio AISRSA from FRED. Jan 1993 through Feb 2022.

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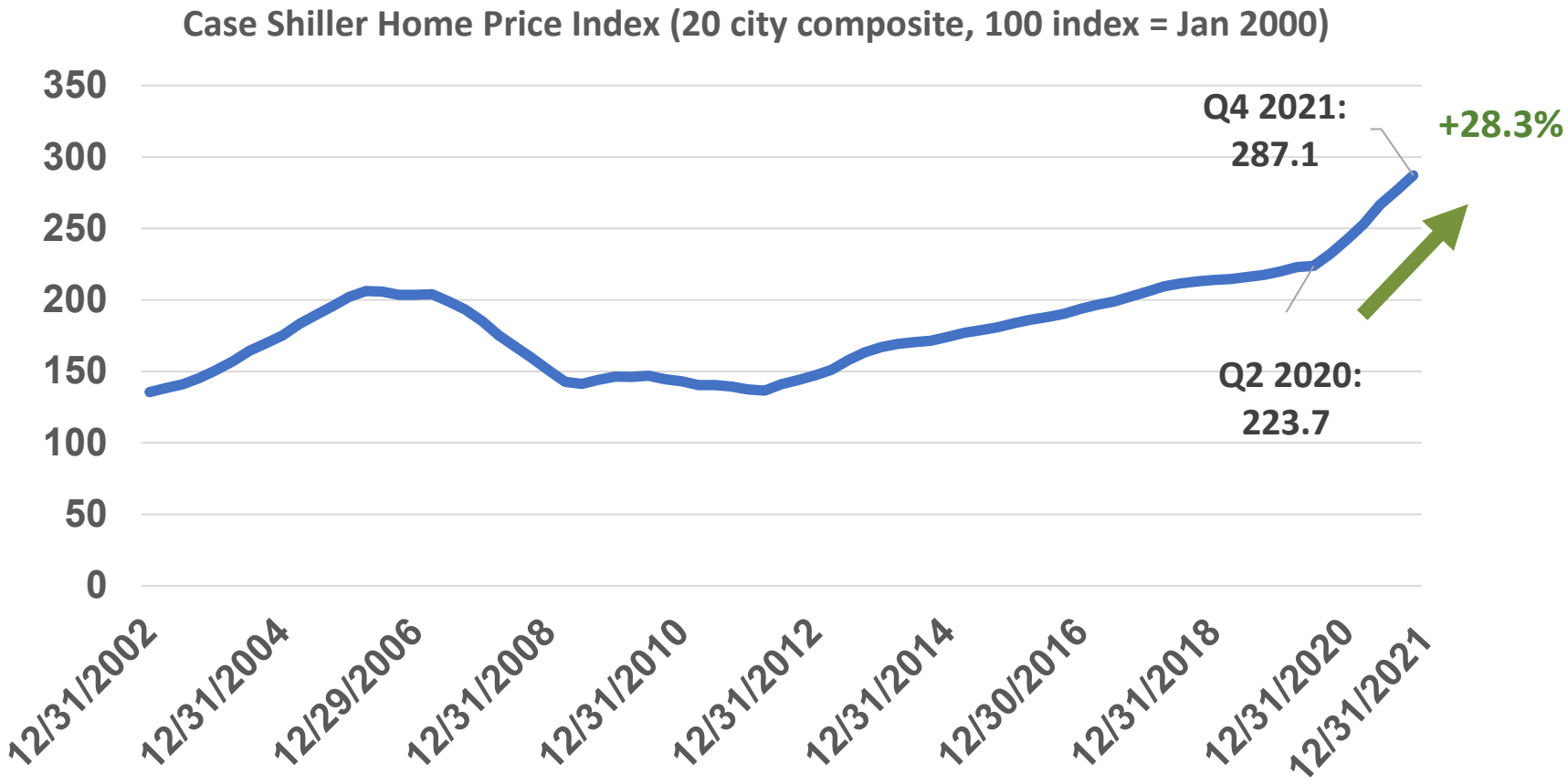
Home Price Composite Across 20 Large Metropolitan Areas



S&P/Case Shiller Home Price Indexes (S&P) sourced using FactSet

Housing and Transportation

- Inflation varies for each household
- **Housing** and **Transportation** are two principal spending categories for most families
- Factors driving both differ; inventory [supply] shortage common denominator
- Housing builds have not kept up with Millennial (& other younger generation) demand & household formation
- Supply picture slow to adjust (construction material shortages, labor shortages, long lead times to increase manufacturing output/bring factories online)

Positioning for a Period of Higher Inflation

- Many companies have raised prices this year as they have been able to pass on higher costs to consumers
- Retain exposure to higher earnings & dividends over time; owning company shares today benefits you when they charge consumers higher prices tomorrow
- Demand has thus far remained strong across most industries
- Reassessing exposure to fixed or locked in rate industries with higher regulation
- Within Fixed Income, maintain an above-benchmark weight in TIPS (Treasury Inflation Protected Securities)

International

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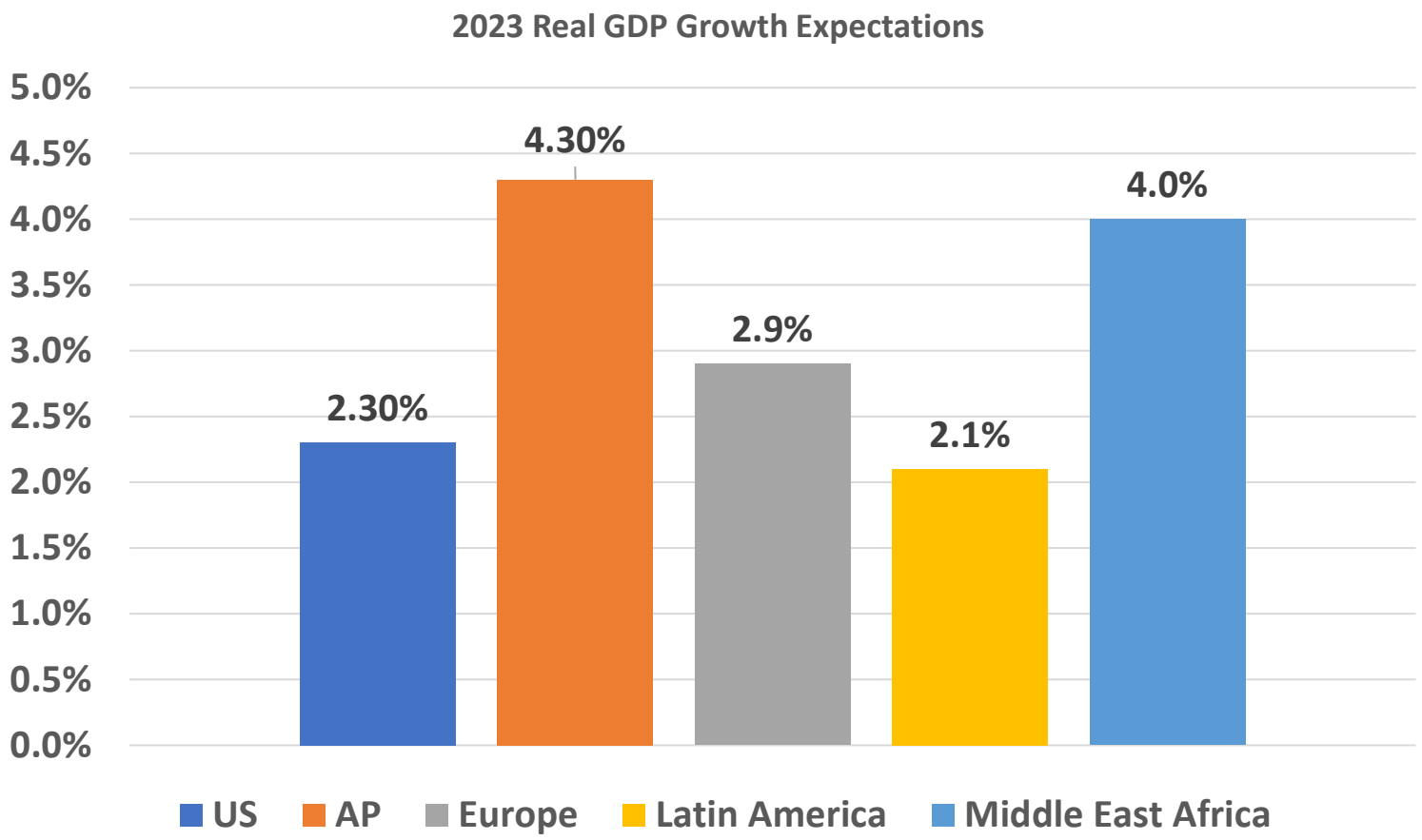
2023 International Productivity & Consumption Outlook



Economic Estimates for Real GDP Growth, sourced using FactSet. AP is short for the Asia Pacific region

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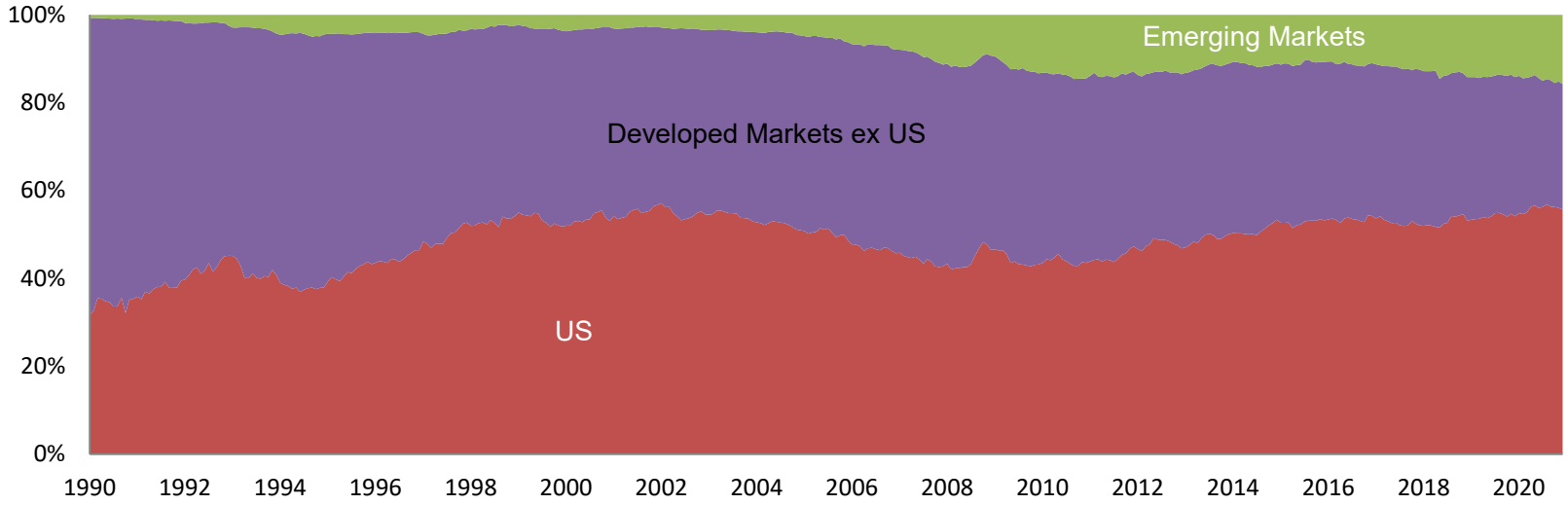
Market Capitalization of Global Stock Markets

January 1990–December 2020

	Number of Countries	Number of Stocks	Total Value	Weights: December 31, 2020	Weights: Change from Previous Year	Weights: 01/90–12/20 Average
US	1	3,655	41.93 Trillion	55.69%	▲ 1.38%	48.29%
Developed Markets ex US	22	7,418	21.53 Trillion	28.60%	▼ -2.86%	44.22%
Emerging Markets	26	8,828	11.83 Trillion	15.72%	▲ 1.48%	7.50%
Total	49	19,901	75.29 Trillion	100.00%		



In US dollars. Market cap data is free-float adjusted and meets minimum liquidity and listing requirements. Data provided by Bloomberg.

Equity Returns of Developed Markets

Annual return (%)

Boxed Return is highest return for the year.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Australia	-1.3	49.5	30.3	16.0	30.9	28.3	-50.7	76.4	14.5	-11.0	22.1	4.2	-3.4	-10.0	11.4	19.9	-12.0	22.9	8.7	9.4
Austria	16.5	57.0	**71.5**	24.6	36.5	2.2	-68.4	43.2	9.9	-36.4	25.9	13.4	-29.8	3.5	11.3	**58.3**	-27.4	14.5	-3.3	**41.5**
Belgium	-15.0	35.3	43.5	9.0	36.7	-2.7	-66.5	57.5	-0.4	-10.6	**39.6**	27.6	4.1	12.1	-7.6	18.6	-26.9	20.3	-8.1	2.2
Canada	-13.2	54.6	22.2	**28.3**	17.8	29.6	-45.5	56.2	20.5	-12.7	9.1	5.6	1.5	-24.2	**24.6**	16.1	-17.2	27.5	5.3	26.0
Denmark	-16.0	49.3	30.8	24.5	38.8	25.6	-47.6	36.6	30.7	-16.0	31.3	25.2	6.2	**23.4**	-15.8	34.7	-15.4	28.2	**43.7**	19.0
Finland	-30.3	19.4	6.1	16.7	29.9	**48.7**	-55.2	11.1	10.3	-31.9	14.6	**46.0**	-0.7	2.0	-4.7	22.5	**-3.4**	9.5	20.4	9.0
France	-21.2	40.2	18.5	9.9	34.5	13.2	-43.3	31.8	-4.1	-16.9	21.3	26.3	-9.9	-0.1	4.9	28.7	-12.8	25.7	4.1	19.5
Germany	-33.2	63.8	16.2	9.9	36.0	35.2	-45.9	25.2	8.4	-18.1	30.9	31.4	-10.4	-1.9	2.8	27.7	-22.2	20.8	11.5	5.3
Hong Kong	-17.8	38.1	25.0	8.4	30.4	41.2	-51.2	60.2	23.2	-16.0	28.3	11.1	5.1	-0.5	2.3	36.2	-7.8	10.3	5.8	-3.9
Ireland	-26.2	43.8	43.1	-2.3	46.8	-20.1	-71.9	12.3	-18.1	**13.7**	5.7	41.2	2.3	16.5	-7.1	18.1	-25.3	37.5	15.1	8.5
Italy	-7.3	37.8	32.5	1.9	32.5	6.1	-50.0	26.6	-15.0	-23.2	12.5	20.4	-9.5	2.3	-10.5	28.4	-17.8	27.3	1.8	15.0
Japan	-10.3	35.9	15.9	25.5	6.2	-4.2	**-29.2**	6.3	15.4	-14.3	8.2	27.2	-4.0	9.6	2.4	24.0	-12.9	19.6	14.5	1.7
Netherlands	-20.8	28.1	12.2	13.9	31.4	20.6	-48.2	42.3	1.7	-12.1	20.6	31.3	-3.5	1.3	4.8	32.2	-13.1	32.1	24.1	27.6
New Zealand	**24.2**	55.4	35.2	1.7	16.6	8.9	-53.8	50.4	8.3	5.5	29.3	11.3	7.3	-6.3	18.4	11.7	-4.0	**38.2**	19.9	-17.1
Norway	-7.3	48.1	53.3	24.3	45.1	31.4	-64.2	**87.1**	10.9	-10.0	18.7	9.4	-22.0	-15.0	13.3	28.3	-8.6	10.4	-1.8	22.0
Portugal	-13.8	43.0	24.7	-1.9	47.4	24.0	-52.2	40.4	-11.3	-23.1	3.5	11.0	-38.2	0.9	3.6	23.8	-11.1	23.7	14.4	0.2
Singapore	-11.0	37.6	22.3	14.4	46.7	28.4	-47.4	74.0	22.1	-17.9	31.0	1.7	3.0	-17.7	1.4	35.6	-9.4	15.0	-7.5	5.7
Spain	-15.3	58.5	28.9	4.4	**49.4**	24.0	-40.6	43.5	-22.0	-12.3	3.0	31.3	-4.7	-15.6	-1.0	27.0	-16.2	12.0	-4.8	1.4
Sweden	-30.5	**64.5**	36.3	10.3	43.4	0.6	-49.9	64.2	**33.8**	-16.0	22.0	24.5	-7.5	-5.0	0.6	20.6	-13.7	21.2	23.9	21.9
Switzerland	-10.3	34.1	15.0	16.3	27.4	5.3	-30.5	25.3	11.8	-6.8	20.4	26.6	-0.1	0.4	-4.9	22.5	-9.1	32.3	11.6	19.3
United Kingdom	-15.2	32.1	19.6	7.4	30.6	8.4	-48.3	43.3	8.8	-2.6	15.3	20.7	-5.4	-7.6	-0.1	22.3	-14.2	21.0	-10.5	18.5
USA	-23.1	28.4	10.1	5.1	14.7	5.4	-37.6	26.3	14.8	1.4	15.3	31.8	**12.7**	0.7	10.9	21.2	-5.0	30.9	20.7	26.5

In US dollars. MSCI country indices (net dividends) for each country listed. Does not include Israel, which MSCI classified as an emerging market prior to May 2010. MSCI data © MSCI 2022, all rights reserved.
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Equity Returns of Emerging Markets

Annual return (%)

Boxed Return is highest return for the year.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Brazil	-30.7	114.4	35.9	56.4	45.3	79.6	-56.2	**128.1**	6.5	-21.8	0.0	-16.0	-14.0	-41.4	**66.2**	24.1	-0.5	26.3	-19.0	-17.4
Chile	-20.3	83.3	28.0	20.9	28.7	23.0	-35.8	85.6	44.2	-20.4	7.8	-22.0	-13.0	-17.7	15.6	42.2	-19.7	-16.9	-5.6	-17.3
China	-14.0	87.6	1.9	19.8	**82.9**	66.2	-50.8	62.3	4.6	-18.4	22.7	3.6	8.0	-7.8	0.9	54.1	-18.9	23.5	29.5	-21.7
Colombia	24.8	66.4	**132.4**	107.2	13.6	15.0	**-25.1**	84.3	43.4	-5.0	35.9	-21.1	-19.8	-41.8	26.5	16.3	-11.5	30.8	-19.0	-13.8
Czech Republic	**43.7**	64.4	85.6	45.8	33.9	55.3	-43.1	26.5	-2.5	-6.0	2.5	-10.5	-4.4	-18.4	-5.0	35.5	-4.4	4.2	-4.0	**55.0**
Egypt	1.6	91.8	126.2	**161.6**	17.1	58.4	-52.4	39.7	12.4	-46.9	47.1	8.2	**29.3**	-23.7	-11.5	5.1	-14.0	41.8	-22.5	7.5
Hungary	30.3	32.0	91.5	17.9	33.7	16.8	-61.5	77.6	-9.6	-33.6	22.8	-5.8	-27.4	**36.3**	35.4	39.9	-6.1	19.4	-11.7	12.1
India	7.9	78.3	19.1	37.6	51.0	73.1	-64.6	102.8	20.9	-37.2	26.0	-3.8	23.9	-6.1	-1.4	38.8	-7.3	7.6	15.6	26.2
Indonesia	41.9	76.5	50.6	15.1	73.8	54.2	-56.5	126.2	33.9	**6.0**	4.6	-23.5	26.6	-19.5	17.0	24.2	-9.2	9.1	-8.1	2.1
Korea	8.3	35.0	22.1	57.0	12.6	31.9	-55.3	71.3	26.7	-12.0	21.2	3.9	-11.1	-6.7	8.7	47.3	-20.9	12.5	**44.6**	-8.4
Malaysia	-0.7	26.6	15.2	2.3	37.1	46.1	-41.2	52.1	37.0	0.1	14.3	7.7	-10.7	-20.1	-3.9	25.1	-6.0	-2.0	3.7	-6.2
Mexico	-13.3	32.8	48.3	49.1	41.4	12.2	-42.9	56.6	27.6	-12.1	29.1	0.2	-9.3	-14.4	-9.2	16.0	-15.5	11.4	-1.9	22.5
Peru	30.5	94.1	3.0	34.7	62.1	**94.4**	-40.2	71.9	53.3	-21.4	20.2	-29.8	10.5	-31.7	55.6	38.4	**1.6**	4.8	-4.7	-19.9
Philippines	-29.5	41.5	25.8	22.6	58.2	40.4	-52.6	65.6	33.9	-0.9	46.4	-2.7	25.6	-6.8	-6.6	24.6	-16.5	10.5	-3.4	-3.9
Poland	1.0	35.1	61.1	24.2	40.7	25.2	-54.8	41.5	15.2	-30.1	39.2	2.6	-14.2	-25.4	0.1	**54.7**	-12.9	-5.9	-11.4	8.5
Russia	15.4	75.1	5.5	73.1	55.6	24.5	-73.9	104.2	19.1	-19.6	13.7	0.8	-46.3	4.2	54.8	5.2	-0.4	**50.9**	-12.5	19.0
South Africa	28.0	45.9	44.9	28.3	20.5	18.1	-37.9	57.8	34.2	-14.4	18.7	-6.2	5.2	-25.5	17.9	36.1	-24.8	10.0	-4.0	3.6
Taiwan	-24.7	41.9	9.0	6.4	20.0	8.4	-46.5	79.2	21.8	-20.9	16.7	**9.1**	9.4	-11.7	18.5	27.5	-8.9	36.4	41.0	26.1
Thailand	27.3	**143.5**	-1.2	8.7	11.1	46.0	-48.5	76.6	**55.7**	-2.7	34.5	-14.6	16.5	-23.5	26.6	34.5	-5.5	9.5	-11.7	-1.4
Turkey	-35.8	125.3	41.4	56.1	-7.2	74.1	-62.3	97.5	20.8	-35.4	**64.2**	-26.8	18.7	-31.9	-8.5	38.4	-41.4	11.1	-8.8	-28.4

In US dollars. MSCI country indices (net dividends) for each country listed. Does not include Greece, which MSCI classified as a developed market prior to November 2013. Additional countries excluded due to data availability or due to downgrades by MSCI from emerging to frontier market. MSCI data © MSCI 2022, all rights reserved. Past performance is no guarantee of future results. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.

Interest Rates

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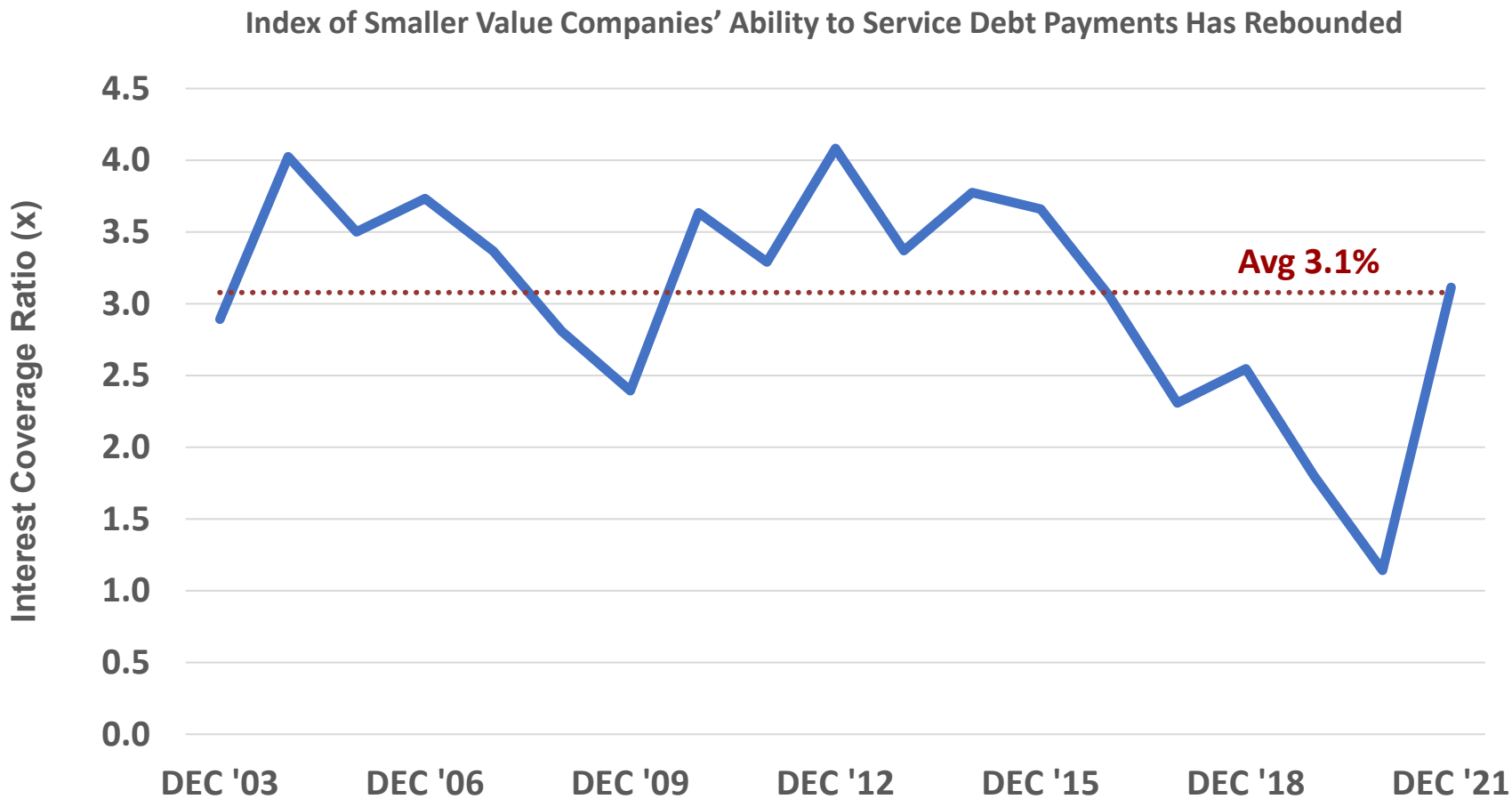
Higher Ability to Service Debt



Interest coverage ratio [Earnings Before Interest & Taxes / Interest Expense] for iShares Small Cap 600 Value. Data from Dec 2003 through Dec 2021. Data regarding the iShares S&P Small Cap 600 Value Index.

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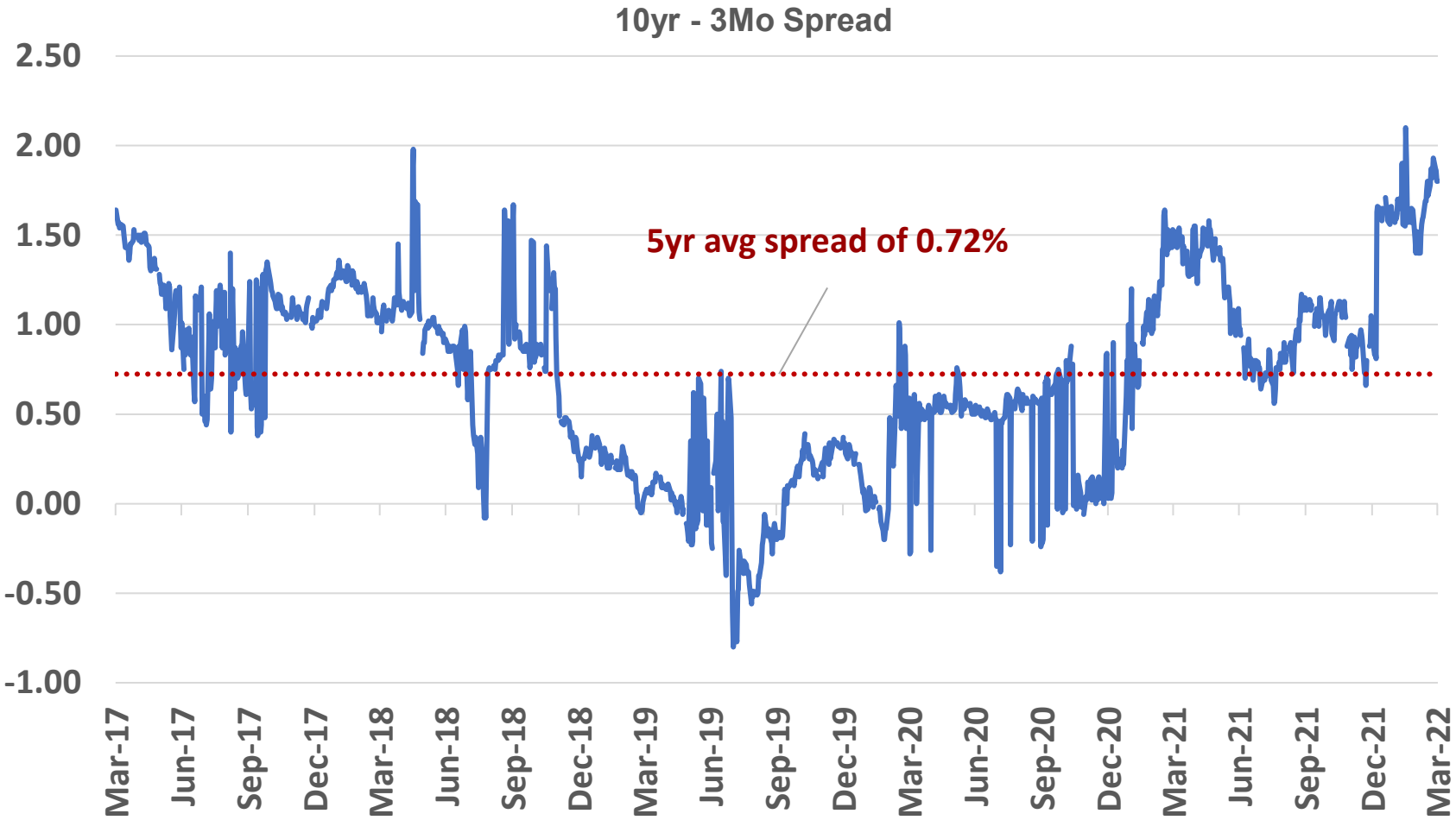
Yield Difference Between Long Term & Short-Term Bonds

- 10yr-3mo spread far wider than during 2020* & near 2018 highs



Market Yield for 10 year Treasury – Market Yield for 3-month Treasury. FRED Data. 03/31/17 through 03/31/22

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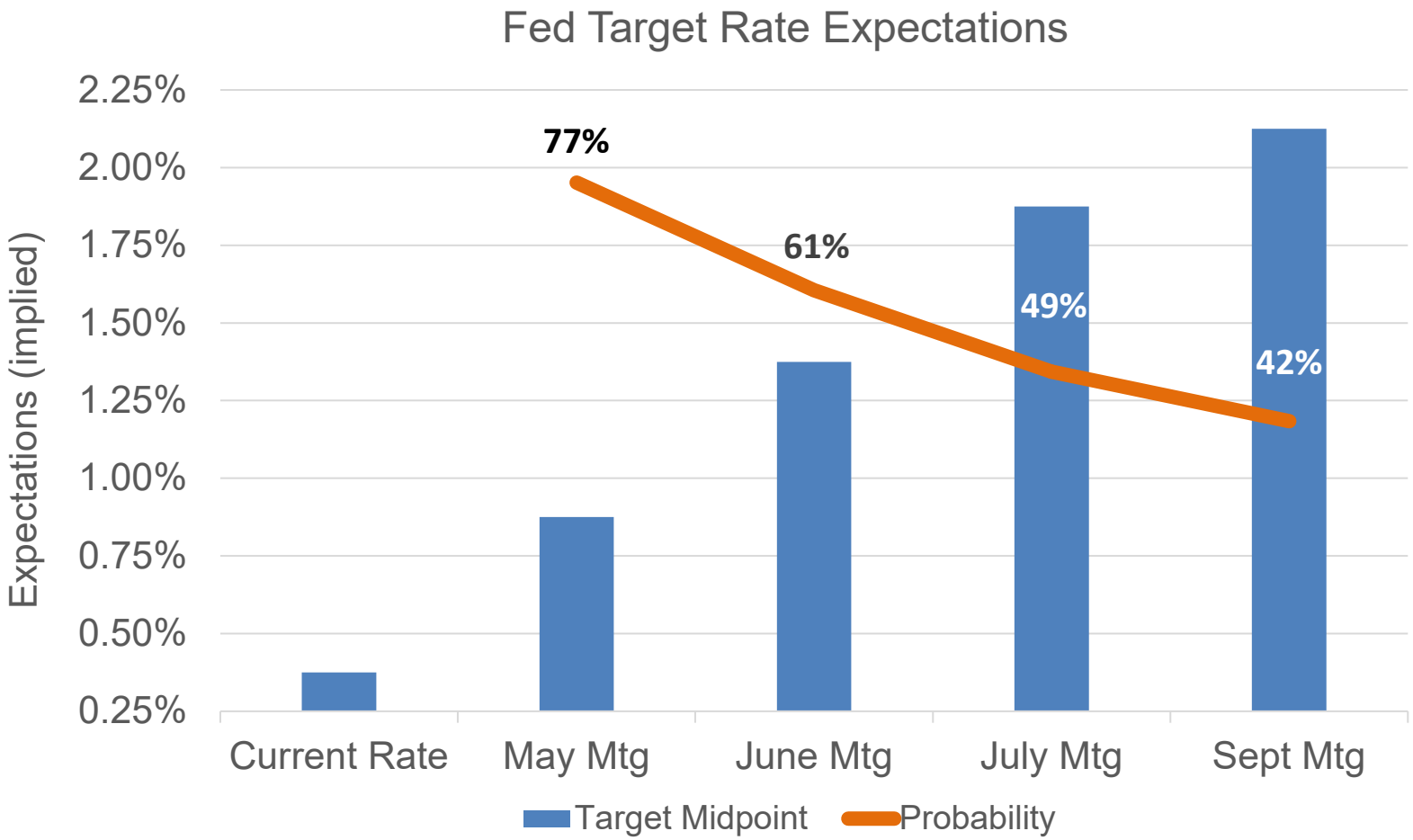
Higher Interest Rates on the Horizon



Source: Data and implied market expectations from CME FedWatch tool as of 6 April 2022. Current Rate probability omitted as it is 100%.

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Series I Savings Bonds

- Current interest rate of 7.12%
- Up to $10,000 per Taxpayer Identification Number
- Interest compounded semiannually
- Interest rate likely to change as CPI changes over time
- Must be held 1 year
- If held for less than 5 years, investor cedes 3 months of interest

More information can be found at parsecfinancial.com/i-bonds

Q&A

Near-Term Outlook

- More people seem to think we might be due for less attractive or negative returns. If so, what do we need to do to weather the storm immediately and long-term?

- Do you think the US economy is headed for a recession? If so, when and how long do you think it will last?

- What is the worst-case scenario on how much the stock market will decrease in value?

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