Economic Summary

In the first quarter, with coronavirus fears dissipating, investors turned their attention to concerns about rising prices, labor shortages, supply chain bottlenecks, and the Russian invasion of Ukraine. Rising inflation is a worry that is front and center for individuals and corporations alike, as the latest CPI reading registered a shocking 7.9%, which is well above the Fed's initial 2% target. Against this backdrop, the Federal Reserve (THE FED) ended its asset purchasing program dubbed Quantitative Easing (QE), and increased short term interest rates (THE FED FUNDS RATE) 0.25% during their March meeting. Now in a game of catchup, the Fed is signaling more aggressive tapering going forward, with the expectation of 25-50 bps increases in the Fed Funds rate and Quantitative Tightening (QT) that would top out at $95 billion per month. With negative real interest rates (FED FUNDS RATE MINUS INFLATION), the Fed has ample leeway to continue lifting rates.

Another negative shock for worldwide economies is the fact that Russia is a large exporter of oil, gas, fertilizer, and wheat. These commodities are key inputs for food, fuel, and other products. The full effects of the Russian invasion cannot be easily ascertained, especially while the battle is ongoing. Still, food prices have increased substantially thus far in 2022 (CHART 1). Additionally, while the Omicron variant has been milder than previous strains, it has still been a hurdle for supply chains to overcome. Of note is the zero-COVID policy adopted by China,

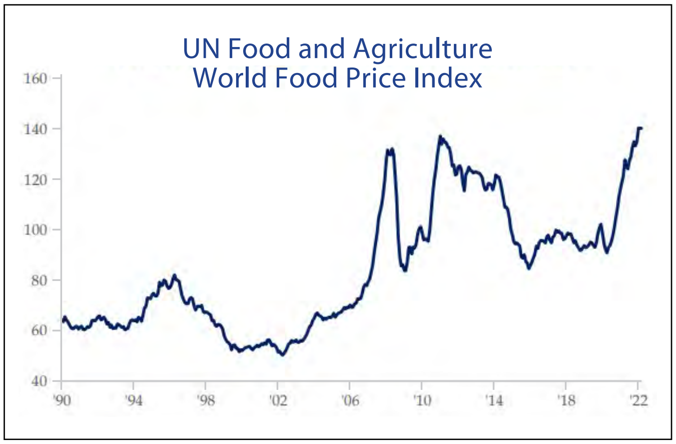

Chart 1

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — APRIL 4, 2022

Past performance does not guarantee future results.

which has hampered manufacturing, as factories were locked down despite relatively low case counts. This may also prolong the impacts of inflation on goods, as supply remains lower than demand for a number of key commodities.

The national unemployment rate is healthy, as it returned to its pre-pandemic level of 3.6%, and job openings totaled 11.3 million at the end of February. In addition, consumer net worth is near all-time highs (CHART 2). On the corporate side, companies have been able to pass on higher prices and maintain high operating margins. This has enabled Wall Street to increase its annual earnings estimates for S&P 500® Companies (CHART 3).

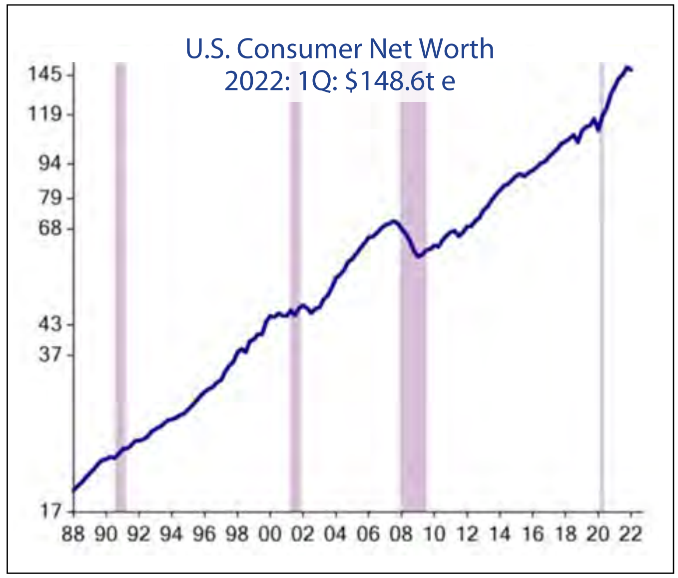

Chart 2

SOURCE: EVERCORE ISI
"WEEKLY ECONOMIC REPORT" — JANUARY 2, 2022

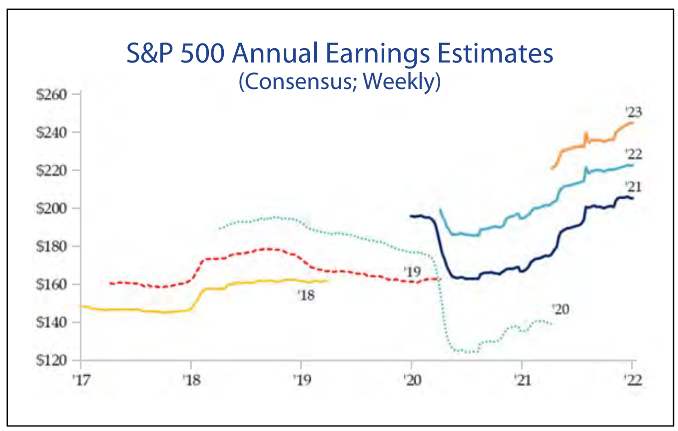

Chart 3

SOURCE: STRATEGAS RESEARCH PARTNERS
"10 CHARTS FOR THE SKITTISH INVESTOR" — MARCH 25, 2022

Past performance does not guarantee future results.

The Stock Market

It was a volatile quarter for equity markets as the S&P 500® was down over 12% in early March and then rallied to finish down nearly 5% by quarter-end. Value stocks outperformed Growth stocks in the quarter, driven by strong performance of the Energy Sector, which was up nearly 40%. Additionally, the index had significantly less exposure to the underperforming Information Technology Sector. The Russell 1000® Value index had a total return of -0.74%, which handily bested the Russell 1000® Growth Index's return of -9.04% (CHART 4). When looking at performance by market cap, the small cap Russell 2000® Index's return year-to-date was -7.53%. The large cap S&P 500® and Dow Jones Industrial Average were down -4.60% and -4.10%, respectively (CHART 5).

In our opinion, well-run businesses with sound financials and strong competitive advantages should outperform the market in the long run, regardless of the various labels placed upon them (GROWTH OR VALUE, SMALL OR LARGE MARKET CAP, ETC.), as they may be best equipped to weather any market conditions.

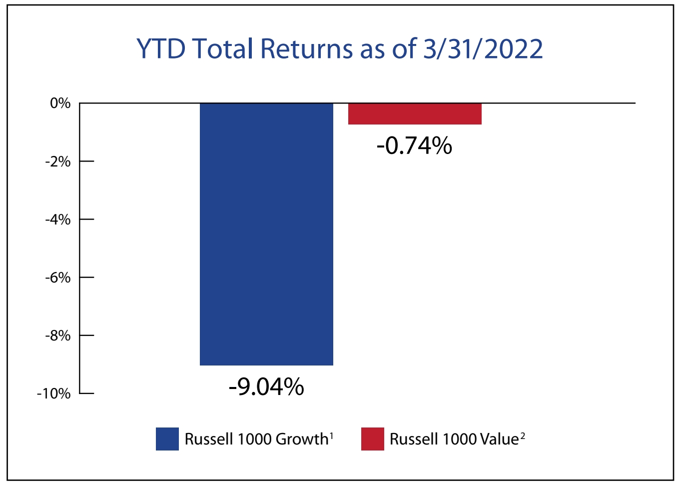

Chart 4

SOURCE: MORNINGSTAR DIRECT

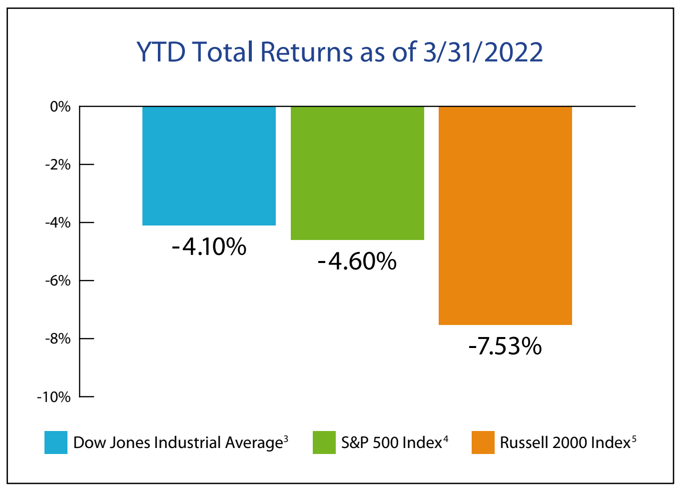

Chart 5

SOURCE: MORNINGSTAR DIRECT

Past performance does not guarantee future results. You cannot invest directly in an index.

[1] The Russell 1000® Growth Index measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000® companies with higher price-to-book ratios and higher forecasted growth values.

[2] The Russell 1000® Value Index Measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000® companies with lower price-to-book ratios and lower expected growth values.

[3] The S&P 500® Index is a capitalization weighted unmanaged index of 500 widely traded stocks, created by Standard & Poor's. The index is considered to represent the performance of the stock market in general.

[4] The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

[5] The Russell 2000® Index is an unmanaged index of the smallest 2,000 stocks in the Russell 3000® Index.

The Bond Market

U.S. Government bond yields jumped during the quarter, with an outsized increase coming from the short end of the yield curve. Both the 2-year Treasury Note and 10-year Treasury Note yields reached 2.5%, an increase of roughly 1.8% and 1.1%, respectively, from the beginning of the year. The inversion of these two key rates changes the shape of the yield curve, which is normally upward sloping. This change is an anomaly called 'yield curve inversion,' which traditionally has served as a leading indicator of an economic slowdown (CHART 6). However, with the extreme amount of monetary policy manipulation implemented in the past few years, many question how relevant this indicator is in this environment.

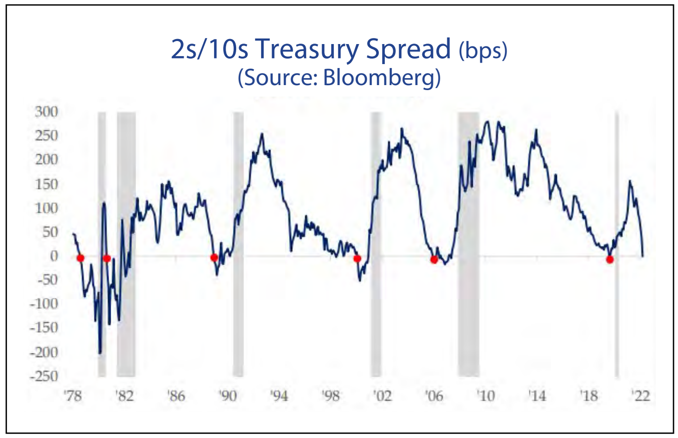

Chart 6

SOURCE: STRATEGAS RESEARCH PARTNERS
"QUARTERLY REVIEW IN CHARTS" — APRIL 4, 2022

As market turmoil bubbled, corporate credit spreads widened from multi-year lows and finished the quarter near 10-year averages. With the Fed raising interest rates and inflation running high, we believe investors should be conservative by keeping maturities short and credit quality high.