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Market Update

MARKET UPDATE

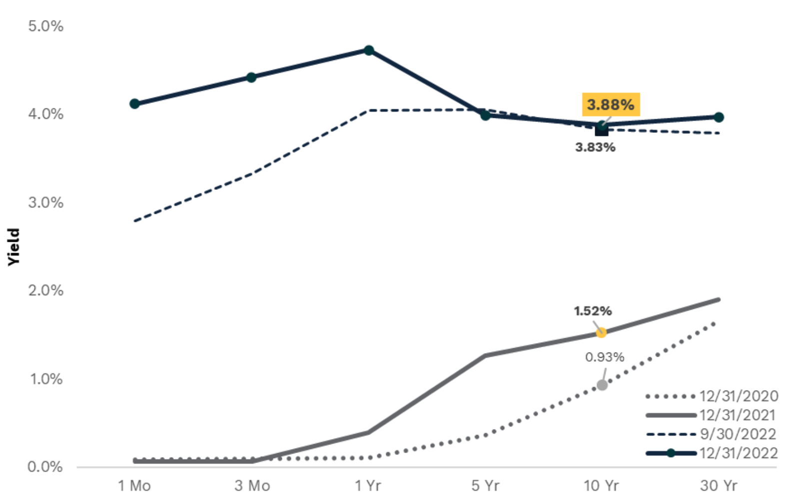
Equity markets got off to a strong start to begin the period as easing inflationary pressures and a resilient US consumer amplified hopes for a soft landing. However, that optimism quickly faded in December as economic data and central banks globally continued to sound the alarm that more trouble lay ahead. During the period, the Federal Reserve, European Central Bank, Bank of England and even the Bank of Japan all raised interest rates. US markets underperformed non-US markets and emerging markets provided middling results as a weaker dollar amplified investor returns overseas. The US equity market, as measured by the S&P 500 Index, posted a 7.6% increase for the period with nine of the eleven sectors pushing higher.

In the end, 2022 was the most difficult year for investors from a return and volatility standpoint since the Global Financial Crisis. Multi-decade highs in inflation combined with historically aggressive Fed rate hikes and growing concerns about economic and earnings recessions to pressure both stocks and bonds. The S&P 500 posted its worst performance since 2008 while major benchmarks for both stocks and bonds declined together for the first time since the 1960s, punctuating just how disappointing the year was for investors. After a historically aggressive rate hiking campaign in 2022, the current Fed hiking cycle is likely nearly complete. In December, the Federal Reserve signaled that it expected the peak interest rate to be just 75 basis points higher than the current rate. That level could easily be reached within the first few months of 2023 and the Fed ending its rate hike campaign will remove a significant headwind from asset prices.

MARKET SUMMARY – Short- and Long-Term Index Returns

Investor sentiment remained fixated on the Federal Reserve with even the smallest hint of a pause causing a significant response. Against that backdrop, the US stock market, as measured by the Russell 3000 Index, added 7.2% in the quarter and is down -19.2% year-to-date. Developed markets outpaced emerging markets, large cap bested small cap and value outperformed their growth brethren.

The Fed has been under pressure to stabilize prices as a result of stubbornly high inflation data. Fixed income investors took note of the Federal Reserve's continued efforts as interest rates moved higher across all maturities during the period. The US yield curve flattened as the 10-Year Treasury Yield ended the quarter at 3.88%, 5 basis points higher. The modest move in interest rates, coupled with tightening credit spreads, pushed bond prices higher. The broad fixed income market, as measured by the Bloomberg U.S. Aggregate Bond Index, increased 1.9%, but did decline -13.0% year-to-date.

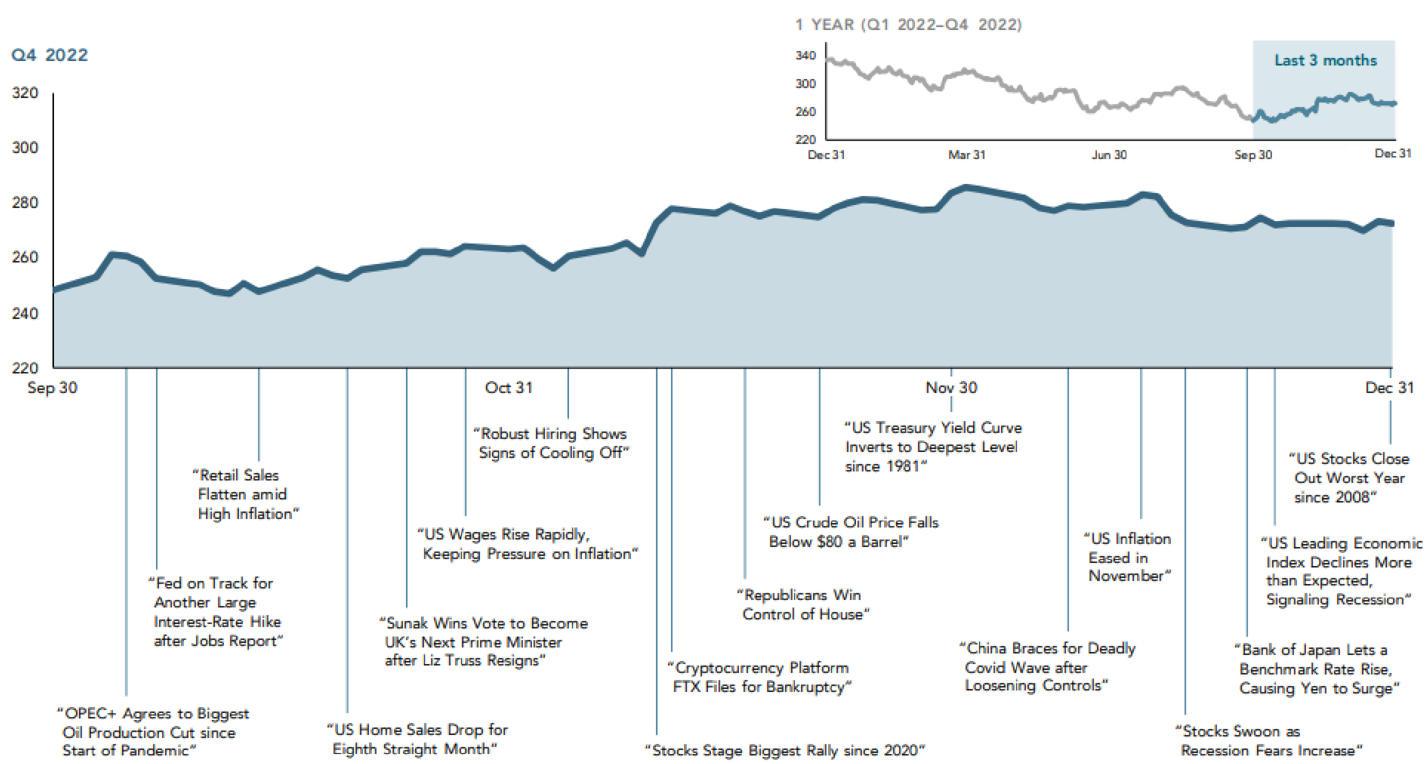


PERFORMANCE SNAPSHOT

	US Stock Market	International Developed Stocks	Emerging Market Stocks	Global Real Estate	US Bond Market	Global Bond Market ex-US
Q4 2022	7.18%	16.18%	9.70%	6.88%	1.87%	6.81%
YTD	-19.21%	-14.29%	-20.09%	-24.36%	-13.07%	-18.70%
3 Year	7.07%	1.27%	-2.69%	-3.33%	-2.71%	-5.94%
5 Year	8.79%	1.79%	-1.40%	0.92%	0.02%	-3.07%
10 Year	12.13%	4.59%	1.44%	3.88%	1.06%	-1.64%

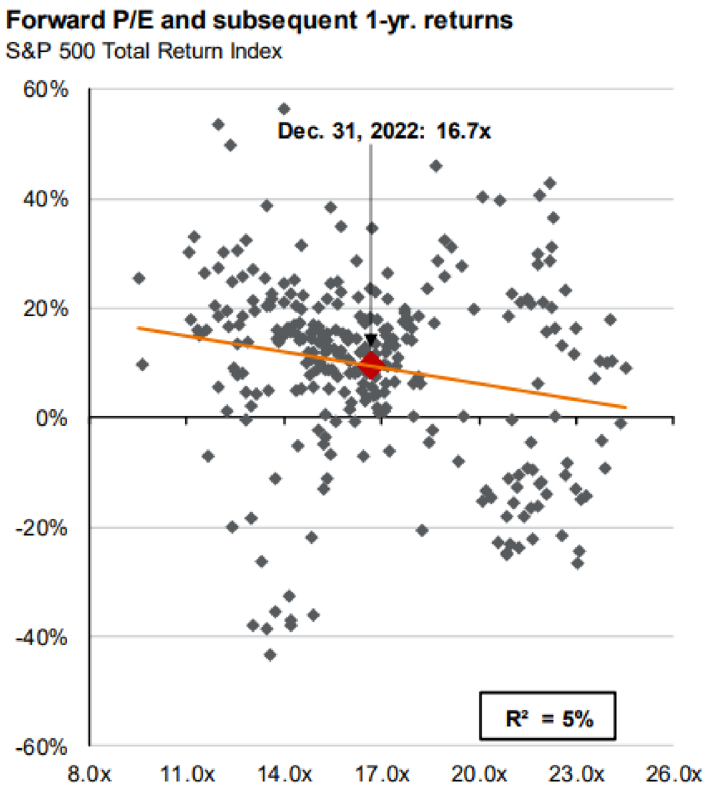
Index performance is provided as a benchmark. It is not illustrative of any particular investment. An investment cannot be made in an index. Past performance is not an indication of future results. Russell 3000 Index, MSCI World ex USA Index, MSCI Emerging Markets Index, S&P Global REIT Index, Bloomberg Aggregate Bond Index and Bloomberg Global Aggregate Bond Index ex-US. Returns as of 12/31/2022

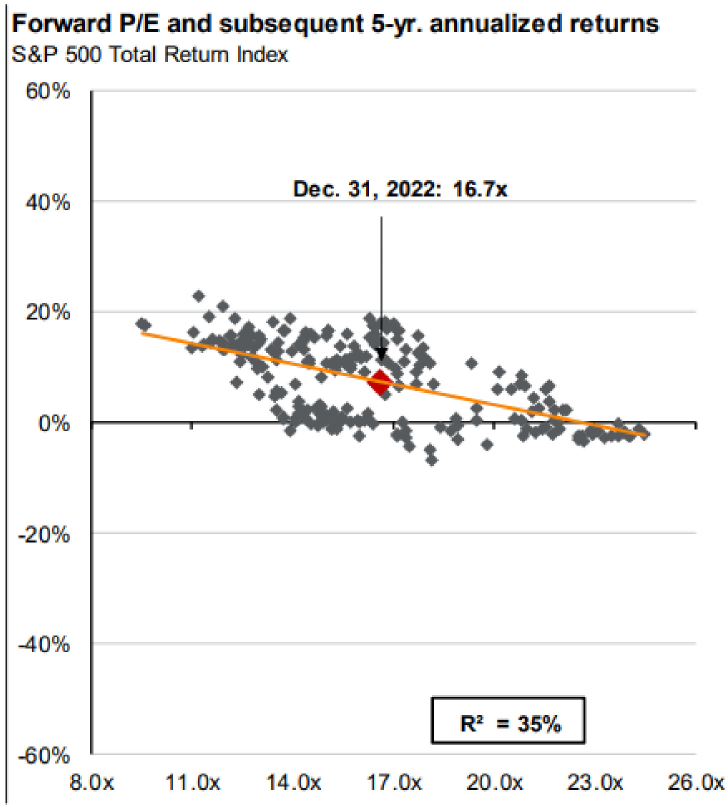
WORLD STOCK MARKET PERFORMANCE – Selected headlines from the past 3 months



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.

VALUATIONS MATTER – Short-term and longer-term outlook encouraging. At current valuations, the typical go-forward result is positive, especially over longer time periods.

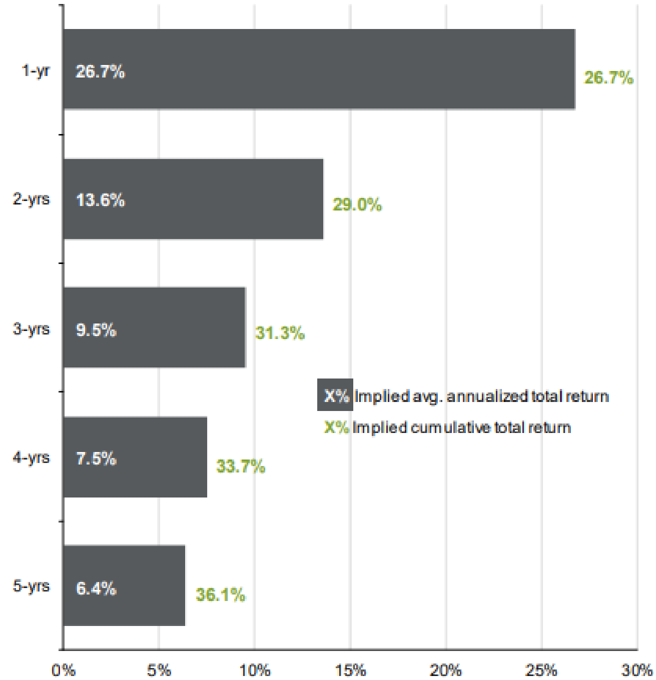




Source: FactSet, Refinitiv Datastream, Standard & Poor's, Thomson Reuters, J.P. Morgan Asset Management. Returns are 12-month and 60-month annualized total returns, measured monthly, beginning 11/30/97. R² represents the percent of total variation in total returns that can be explained by forward price-to-earnings ratios. Price-to-earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since January 1997 and by FactSet since January 2022. Guide to the Markets – U.S. Data are as of December 31st, 2022.

SCENARIO – Now what? With the market officially falling into a Bear market, it's important to put the returns needed to recover and the typical duration of these market wobbles into context.

Return needed to reach January 2022 peak
Current S&P 500 peak is 4797



Bull markets			Bear markets		
Bull begin date	**Bull return**	**Duration (months)**	**Market peak**	**Bear return***	**Duration (months)***
Jul 1926	152%	37	Sep 1929	-86%	32
Mar 1935	129%	23	Mar 1937	-60%	61
Apr 1942	158%	49	May 1946	-30%	36
Jun 1949	267%	85	Aug 1956	-22%	14
Oct 1960	39%	13	Dec 1961	-28%	6
Oct 1962	76%	39	Feb 1966	-22%	7
Oct 1966	48%	25	Nov 1968	-36%	17
May 1970	74%	31	Jan 1973	-48%	20
Mar 1978	62%	32	Nov 1980	-27%	20
Aug 1982	229%	60	Aug 1987	-34%	3
Oct 1990	417%	113	Mar 2000	-49%	30
Oct 2002	101%	60	Oct 2007	-57%	17
Mar 2009	401%	131	Feb 2020	-34%	1
Mar 2020	114%	21	Jan. 2022**	-25%	9
Averages	**162%**	**51**	**-**	**-41%**	**20**

*Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management. (Right) The current peak of 4797 was observed on January 3, 2022. The current market level as of December 31st, 2022 is 3840. (Left) *A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Bear and bull returns are price returns. **The bear market beginning in January 2022 is currently ongoing. The "bear return" for this period is from the January 2022 market peak through the current trough. Averages for the bear market return and duration do not include figures from the current cycle. Guide to the Markets – U.S. Data are as of December 31st, 2022*

SCENARIO – Feeling gloomy about the go-forward? You are not alone. Fortunately, that general sentiment doesn't stay at these lower levels for very long. Moreover, the market returns subsequent to a trough in sentiment have been remarkably strong.

Consumer Sentiment Index and subsequent 12-month S&P 500 returns