

Economic Update

A Closer Look at Q1 2022 Data

Released: April 2022

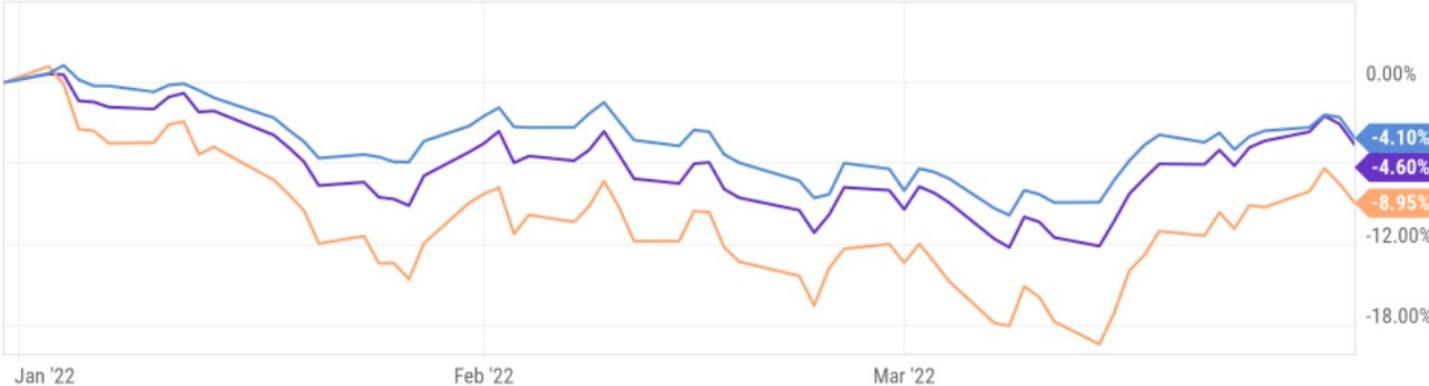


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Stock Market Performance

| | VAL | ANN |
|---|--------|---------|
| S&P 500 Total Return | -4.60% | -17.38% |
| Nasdaq Composite Total Return | -8.95% | -31.62% |
| Dow Jones Industrial Average Total Return | -4.10% | -15.62% |



Outside the U.S., stocks followed a similar move lower. The same major concerns weighed on both the developed international and emerging markets

In general, the global stock markets have had a meaningful move higher over the past few years despite COVID and a list of other ongoing concerns. The coordinated effort by global monetary leaders to keep rates low and ensuring plenty of liquidity in the system has been a major tailwind that will likely moderate over the coming year(s).

During the first quarter the major U.S. indexes came under pressure first from worries surrounding elevated valuations, then inflation concerns, and later fears surrounding the impact from the Russian invasion of Ukraine.

While each of these issues warrants consideration, the general approach of the markets seemed to be sell first and ask questions later. Hopefully, the information included in this presentation highlights what remains a cautiously optimistic outlook.

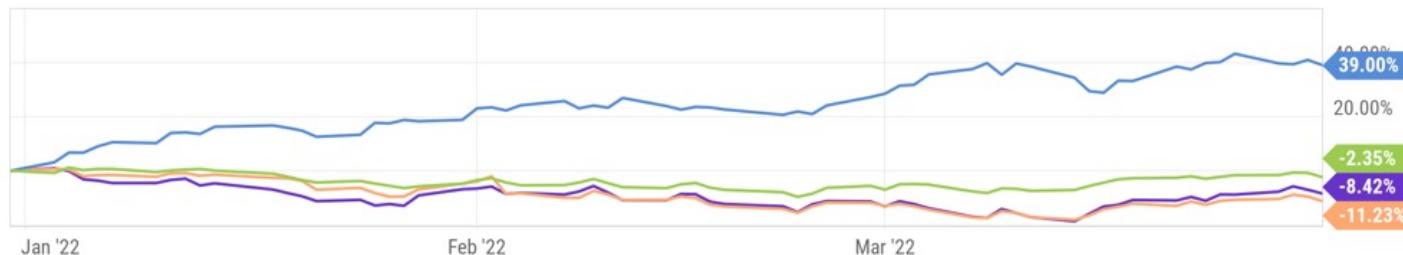




U.S. Sector Performance

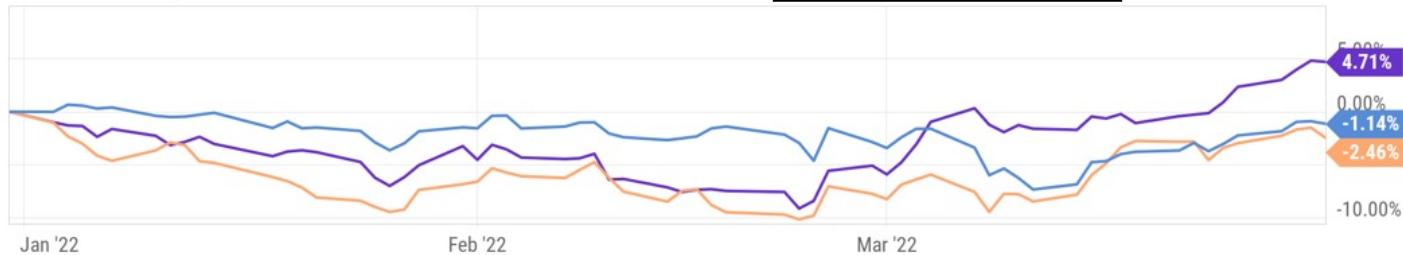
- Technology Select Sector SPDR® ETF Total Return
- Communication Services Sel Sect SPDR®/ETF Total Return
- Energy Select Sector SPDR® ETF Total Return
- Industrial Select Sector SPDR® ETF Total Return

Sensitive Sectors



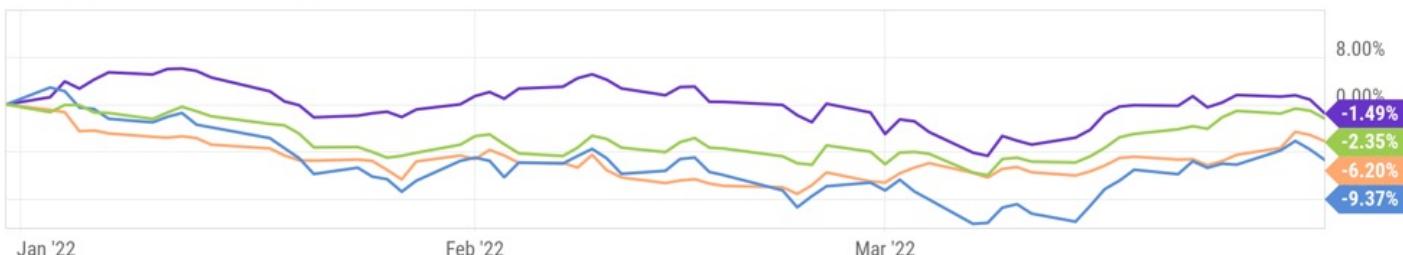
- Utilities Select Sector SPDR® ETF Total Return
- Health Care Select Sector SPDR® ETF Total Return
- Consumer Staples Select Sector SPDR® ETF Total Return

Defensive Sectors



- Financial Select Sector SPDR® ETF Total Return
- Real Estate Select Sector SPDR® Total Return
- Consumer Discret Sel Sect SPDR® ETF Total Return
- Materials Select Sector SPDR® ETF Total Return

Cyclical Sectors



The first quarter saw a fair amount of performance dispersion across U.S. sectors. The one big winner was the Energy sector that benefitted from the significant run up in oil and fuel prices over the past few months.

The Communication Services sector posted the largest decline due mostly to a decline in the extended valuations of some of the largest companies in the index including Meta Platforms (formerly known as Facebook) and Alphabet (better known as Google.)

It appears that as liquidity is removed from the global financial system, the trend of low rates “raising all boats” may be fading. This should result in sectors being driven by their specific fundamentals as opposed to most/all assets just moving higher together.

This will benefit investors that are more thoughtful in their strategy and more nimble in their approach. As opposed to those investors that were simply riding the momentum of a climbing market.



Asset Class Performance – Trailing Periods

| YTD Total Return | 1 month Total Return | 3 month Total Return | 6 month Total Return | 1 year Total Return | 3 year Total Return | 5 year Total Return | 10 year Total Return |
|------------------------|------------------------|------------------------|------------------------|-------------------------|-----------------------|-----------------------|-----------------------|
| Commodities 33.1% | Commodities 9.6% | Commodities 33.1% | Commodities 35.1% | Commodities 64.6% | US Growth 23.6% | US Growth 20.9% | US Growth 17.0% |
| US Value -0.7% | US Real Estate 6.9% | US Value -0.7% | US Real Estate 7.2% | US Real Estate 20.3% | S&P 500 18.9% | S&P 500 16.0% | S&P 500 14.6% |
| S&P 500 -4.6% | US Growth 3.9% | S&P 500 -4.6% | US Value 7.0% | S&P 500 15.6% | Commodities 13.4% | US Value 10.3% | US Value 11.7% |
| World exUSA -4.7% | S&P 500 3.7% | World exUSA -4.7% | S&P 500 5.9% | US Growth 15.0% | US Value 13.0% | Commodities 10.0% | US Small 11.0% |
| US Treasuries -5.6% | US Value 2.8% | US Treasuries -5.6% | US Growth 1.5% | US Value 11.7% | US Small 11.7% | US Real Estate 9.9% | US Real Estate 9.4% |
| Aggregate Bonds -5.9% | World exUSA 1.3% | Aggregate Bonds -5.9% | World exUSA -1.6% | World exUSA 3.6% | US Real Estate 10.5% | US Small 9.7% | World exUSA 6.8% |
| Muni Bonds -6.2% | US Small 1.2% | Muni Bonds -6.2% | US Treasuries -5.4% | US Treasuries -3.7% | World exUSA 9.1% | World exUSA 7.7% | Emerging Markets 3.7% |
| US Real Estate -6.4% | Emerging Markets -2.2% | US Real Estate -6.4% | US Small -5.5% | Aggregate Bonds -4.2% | Emerging Markets 5.3% | Emerging Markets 6.4% | Muni Bonds 2.9% |
| Emerging Markets -6.9% | Aggregate Bonds -2.8% | Emerging Markets -6.9% | Muni Bonds -5.6% | Muni Bonds -4.5% | Aggregate Bonds 1.7% | Muni Bonds 2.5% | Aggregate Bonds 2.2% |
| US Small -7.5% | US Treasuries -3.1% | US Small -7.5% | Aggregate Bonds -5.9% | US Small -5.8% | Muni Bonds 1.5% | Aggregate Bonds 2.1% | US Treasuries 1.7% |
| US Growth -9.0% | Muni Bonds -3.2% | US Growth -9.0% | Emerging Markets -8.1% | Emerging Markets -11.1% | US Treasuries 1.4% | US Treasuries 1.8% | Commodities -3.3% |

This table shows the performance of asset classes over different time frames going back ten years to March 31, 2012.

During the first quarter every asset class posted negative returns except for commodities that returned 33.1%. This left the top of the table largely unchanged from last quarter.

However, the right-most column showing the trailing 10-year total return indicates Commodities are still below even going back to early 2012.

| Asset | Index |
|------------------|---|
| US Real Estate | Dow Jones US Real Estate Index Total Return |
| US Growth Stocks | Russell 1000 Growth Total Return |
| Commodities | S&P GSCI Total Return |
| US Small Cap | Russell 2000 Total Return |
| S&P 500 | S&P 500 Total Return |
| US Value Stocks | Russell 1000 Value Total Return |
| World ex USA | MSCI World Ex USA Total Return |
| Emerging Markets | MSCI Emerging Markets Total Return |
| Aggregate Bonds | Barclays US Aggregate Total Return |
| Muni Bonds | Barclays Municipal Bond Total Return |
| US Treasuries | Barclays US Treasury Total Return |

The US Growth style of investments were hit the hardest in Q1 2022, finding its performance at the bottom of the list for the quarter with a decline of 9.0%.

Even bonds returns were down with the Aggregate index dropping 5.9% and Municipal Bond index falling 5.6%.



Asset Class Performance – Quarter by Quarter

| 3/31/2022 Qtr Return | 12/31/2021 Qtr Return | 9/30/2021 Qtr Return | 6/30/2021 Qtr Return | 3/31/2021 Qtr Return | 12/31/2020 Qtr Return | 9/30/2020 Qtr Return | 6/30/2020 Qtr Return | 3/31/2020 Qtr Return | 12/31/2019 Qtr Return | 9/30/2019 Qtr Return | 6/30/2019 Qtr Return | 3/31/2019 Qtr Return | 12/31/2018 Qtr Return | 9/30/2018 Qtr Return |
|---------------------------|---------------------------|---------------------------|--------------------------|--------------------------|---------------------------|--------------------------|---------------------------|----------------------------|---------------------------|---------------------------|--------------------------|---------------------------|---------------------------|---------------------------|
| Commodities 33.1% | US Real Estate 14.6% | Commodities 5.2% | Commodities 15.7% | Commodities 13.6% | US Small 31.4% | US Growth 13.2% | US Growth 27.8% | US Treasuries 8.2% | Emerging Markets 11.9% | US Real Estate 7.9% | US Growth 4.6% | US Real Estate 17.0% | US Treasuries 2.6% | US Growth 9.2% |
| US Value -0.7% | US Growth 11.6% | US Growth 1.2% | US Growth 11.9% | US Small 12.7% | Emerging Markets 19.8% | Emerging Markets 9.7% | US Small 25.4% | Aggregate Bonds 3.1% | US Growth 10.6% | US Treasuries 2.4% | S&P 500 4.3% | US Growth 16.1% | Muni Bonds 1.7% | S&P 500 7.7% |
| S&P 500 -4.6% | S&P 500 11.0% | US Real Estate 0.7% | US Real Estate 11.4% | US Value 11.3% | US Value 16.3% | S&P 500 8.9% | S&P 500 20.5% | Muni Bonds -0.6% | US Small 9.9% | Aggregate Bonds 2.3% | World exUSA 4.1% | Commodities 15.0% | Aggregate Bonds 1.6% | US Value 5.7% |
| World exUSA -4.7% | US Value 7.8% | S&P 500 0.6% | S&P 500 8.5% | US Real Estate 7.9% | World exUSA 15.9% | US Value 5.6% | Emerging Markets 18.2% | US Growth -14.1% | S&P 500 9.1% | S&P 500 1.7% | US Value 3.8% | US Small 14.6% | US Real Estate -5.8% | US Small 3.6% |
| US Treasuries -5.6% | World exUSA 3.2% | US Treasuries 0.1% | World exUSA 5.9% | S&P 500 6.2% | Commodities 14.5% | World exUSA 5.0% | World exUSA 15.5% | S&P 500 -19.6% | Commodities 8.3% | Muni Bonds 1.6% | Aggregate Bonds 3.1% | S&P 500 13.6% | Emerging Markets -7.4% | World exUSA 1.4% |
| Aggregate Bonds -5.9% | US Small 2.1% | Aggregate Bonds 0.1% | US Value 5.2% | World exUSA 4.2% | S&P 500 12.1% | US Small 4.9% | US Value 14.3% | World exUSA -23.1% | World exUSA 7.9% | US Growth 1.5% | US Treasuries 3.0% | US Value 11.9% | US Value -11.7% | Commodities 1.3% |
| Muni Bonds -6.2% | Commodities 1.5% | Muni Bonds -0.3% | Emerging Markets 5.1% | Emerging Markets 2.3% | US Growth 11.4% | Commodities 4.6% | US Real Estate 14.0% | Emerging Markets -23.6% | US Value 7.4% | US Value 1.4% | Muni Bonds 2.1% | World exUSA 10.6% | World exUSA -12.7% | US Real Estate 0.3% |
| US Real Estate -6.4% | Muni Bonds 0.7% | World exUSA -0.6% | US Small 4.3% | US Growth 0.9% | US Real Estate 8.1% | US Real Estate 1.9% | Commodities 10.5% | US Real Estate -24.6% | Muni Bonds 0.7% | World exUSA -0.8% | US Small 2.1% | Emerging Markets 10.0% | S&P 500 -13.5% | Aggregate Bonds 0.0% |
| Emerging Markets -6.9% | US Treasuries 0.2% | US Value -0.8% | Aggregate Bonds 1.8% | Muni Bonds -0.4% | Muni Bonds 1.8% | Muni Bonds 1.2% | Aggregate Bonds 2.9% | US Value -26.7% | US Real Estate 0.5% | US Small -2.4% | US Real Estate 1.1% | Aggregate Bonds 2.9% | US Growth -15.9% | Muni Bonds -0.2% |
| US Small -7.5% | Aggregate Bonds 0.0% | US Small -4.4% | US Treasuries 1.7% | Aggregate Bonds -3.4% | Aggregate Bonds 0.7% | Muni Bonds 0.6% | Muni Bonds 2.7% | US Small -30.6% | Aggregate Bonds 0.2% | Emerging Markets -4.1% | Emerging Markets 0.7% | Muni Bonds 2.9% | US Small -20.2% | US Treasuries -0.6% |
| US Growth -9.0% | Emerging Markets -1.2% | Emerging Markets -8.0% | Muni Bonds 1.4% | US Treasuries -4.3% | US Treasuries -0.8% | US Treasuries 0.2% | US Treasuries 0.5% | Commodities -42.3% | US Treasuries -0.8% | Commodities -4.2% | Commodities -1.4% | US Treasuries 2.1% | Commodities -22.9% | Emerging Markets -0.9% |

This visual shows historical quarterly asset class performance for the last 15 quarters.

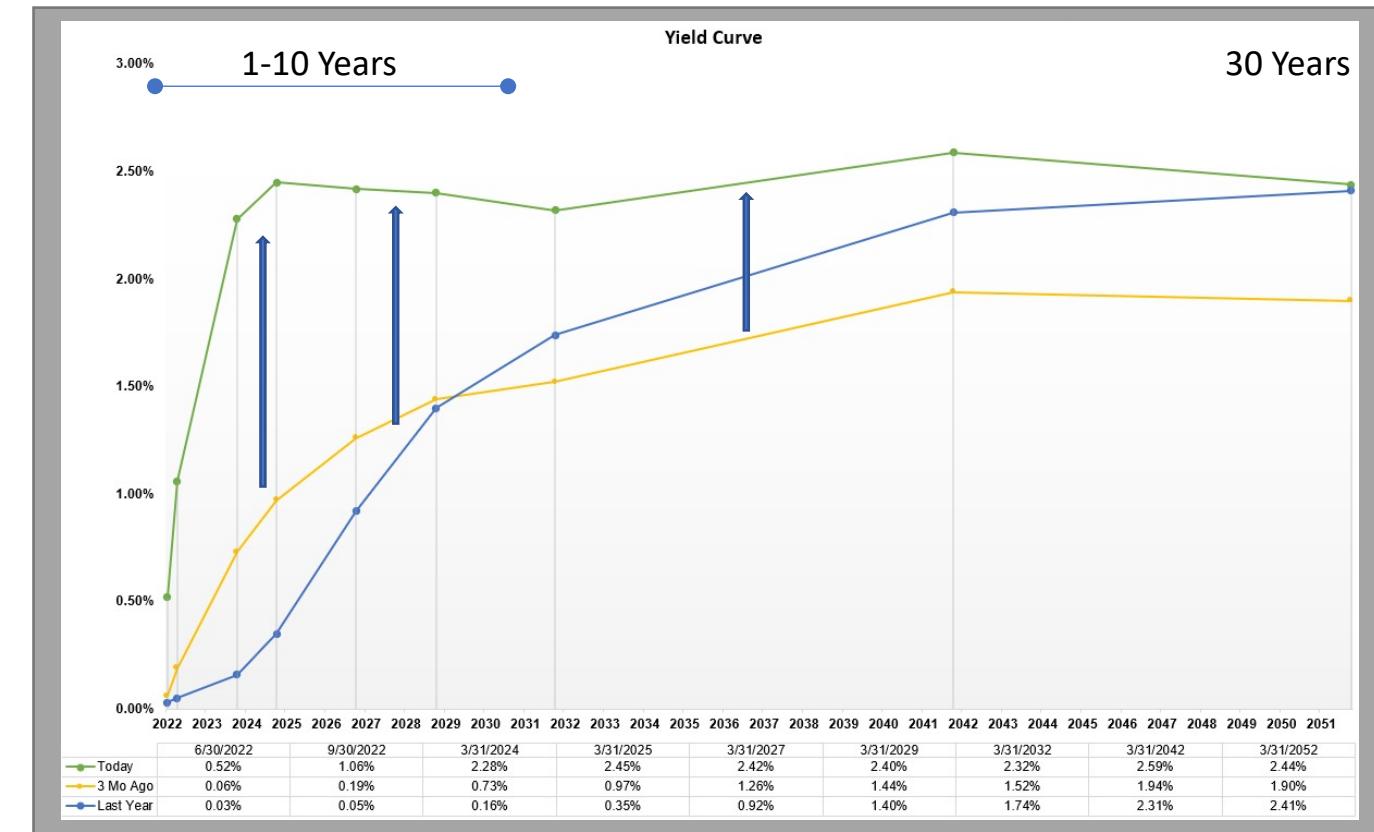
The randomness of the chart makes a strong case for maintaining a well-diversified portfolio. Looking at the arbitrary color patterns, should reinforce the difficulty of timing the market.

Attempting to determine with any consistency which asset class will outperform or underperform in any given quarter remains as difficult now as ever.



Interest Rates

| Name | 3/31/22 | 12/31/21 | 9/30/21 | 6/30/21 |
|-----------------------------------|--|---|--|---------|
| US High Yield CCC Effective Yield | 9.67% ▲ | 7.96% ▲ | 7.48% ▲ | 6.64% |
| US High Yield B Effective Yield | 6.11% ▲ | 4.75% ▲ | 4.65% ▲ | 4.42% |
| US High Yield BB Effective Yield | 4.74% ▲ | 3.40% ▲ | 3.30% ▲ | 3.20% |
| US Corporate BBB Effective Yield | 3.89% ▲ | 2.60% ▲ | 2.38% ▲ | 2.28% |
| 30 Year Treasury Rate | 2.44% ▲ | 1.93% ▼ | 2.08% ▲ | 2.06% |
| US Corporate AAA Effective Yield | 3.01% ▲ | 2.03% ▲ | 1.94% ▲ | 1.88% |
| US Corporate AAA Effective Yield | 3.01% ▲ | 2.03% ▲ | 1.94% ▲ | 1.88% |
| US Corporate A Effective Yield | 3.34% ▲ | 2.11% ▲ | 1.91% ▲ | 1.82% |
| 10 Year Treasury Rate | 2.32% ▲ | 1.52% ▬ | 1.52% ▲ | 1.45% |
| 5 Year Treasury Rate | 2.42% ▲ | 1.27% ▲ | 0.98% ▲ | 0.87% |
| 2 Year Treasury Rate | 2.28% ▲ | 0.73% ▲ | 0.28% ▲ | 0.25% |
| 1 Year Treasury Rate | 1.63% ▲ | 0.38% ▲ | 0.09% ▲ | 0.07% |
| 6 Month Treasury Rate | 1.06% ▲ | 0.19% ▲ | 0.05% ▼ | 0.06% |
| 3 Month Treasury Rate | 0.52% ▲ | 0.05% ▲ | 0.04% ▼ | 0.05% |
| Effective Federal Funds Rate | 0.33% ▲ | 0.07% ▲ | 0.06% ▼ | 0.08% |



The first quarter of 2022 brought a lot of action in the yield curve. Treasury rates rose across the board, and by so much in the short-end that the yield curve has flattened to the point of inversion.

The 5-Year Treasury rate ended Q1 at 2.42%, greater than the 10-Year rate's 2.32% yield and just shy of the 30-Year's 2.44%. An inverted, and flatter, yield curve can indicate uncertainty about economic growth in the long term. (Update: The 10-2 Year Treasury Yield Spread inverted shortly after the quarter-end.)



Inflation



The chart to the left shows the year-over-year Consumer Price Index (blue) reaching levels last seen in the early 1980's. The same is true for the Core Consumer Price Index (orange) that excludes certain more volatile data points like energy prices. This recent bout of inflation is real and meaningful, especially to investors with fixed levels of income.

The chart to the right reflects the impact of inflation on the purchasing power of the U.S. Dollar. Going back just 3 years. You can see that the purchasing power has declined by over 11%! While alarming it is a continuation of a long-term trend. Going back to 1913, the Dollar has declined by over 96%.

The question investors and the Fed are grappling with now is whether inflation will remain at these elevated levels or if it will moderate back towards the 2% level of the last decade or so. Consensus seems to be predicting a moderation but only back to around 4-5%, not the unusually low levels of the past decade.



Supply Chain Woes

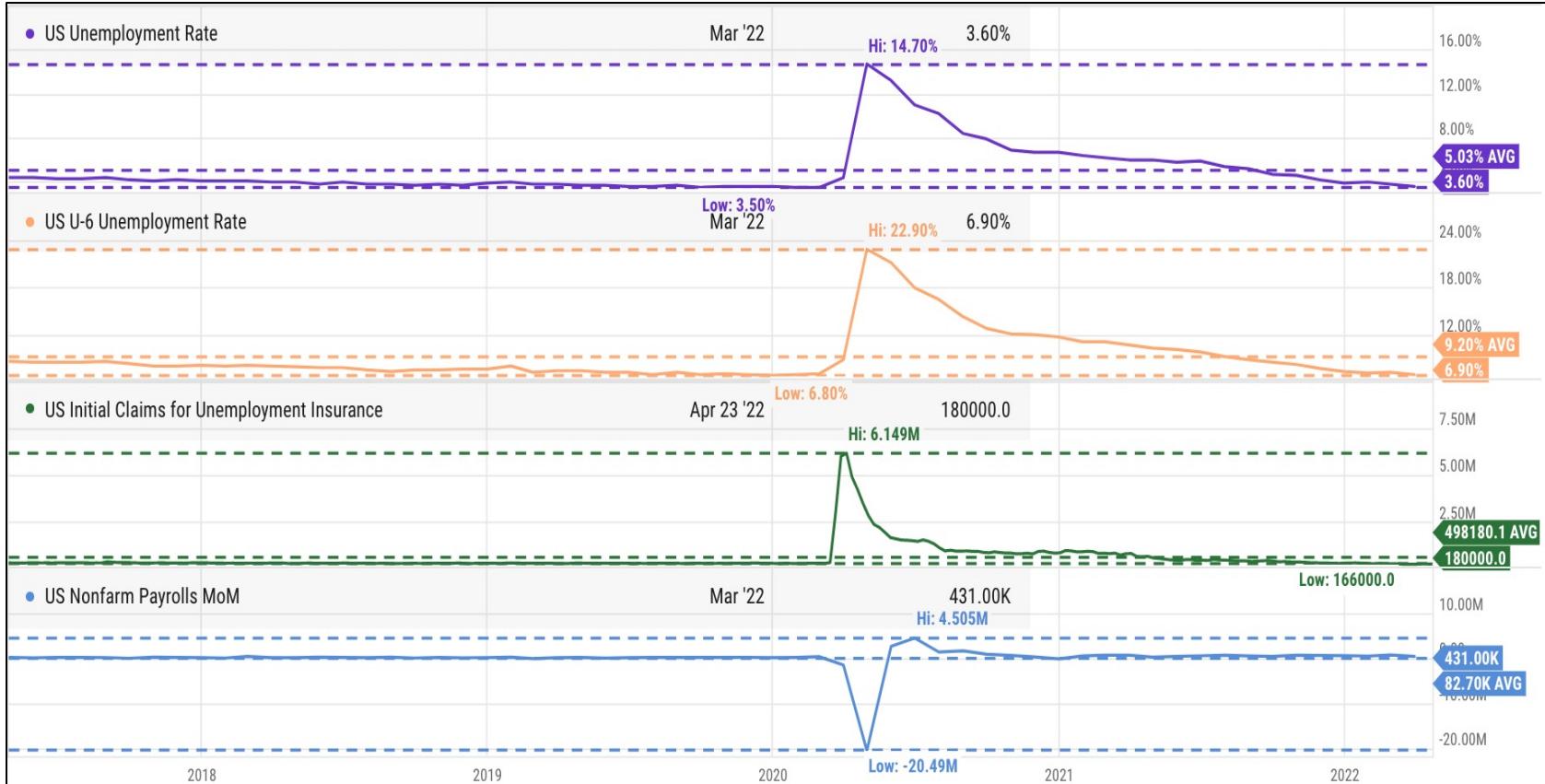
By now we are all aware of the issues facing the supply chain. When the global economy was shutdown during the initial COVID-19 outbreak many segments of supply, manufacturing and transportation were suddenly interrupted. This was quickly recognized by consumers, the businesses and investors. What was not as readily apparent was that starting the supply chain back up, once lockdowns were eased, would be as challenging as it was.

Following a sharp decline in late 2021, vendor lead times have begun to trend higher again following the scramble to restock mid-to-late last year.





Employment Situation



The employment situation has been a topic of much debate since early 2020. However, by most measures, employment appears to have rebounded following the COVID-19 shutdowns.

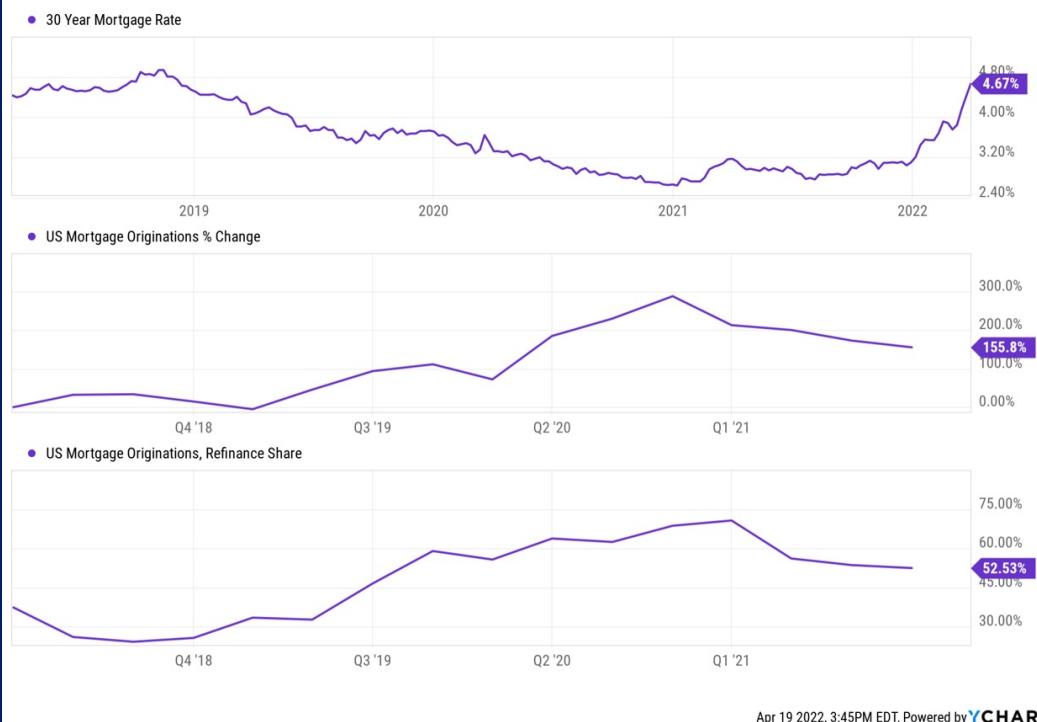
One unusual side effect that many did not foresee was an ongoing labor shortage across the country. While the headline numbers are much better than over past few years, the total non-farm farm employment number is still 1.6 million below February 2020.

The Federal Open Market Committee ("The Fed") takes many factors into consideration when evaluating potential policy changes. However, with the ongoing improvement in most economic reports, it appears the Fed has a green light to continue raising rates in 2022.



Housing Indicators

Mortgage Rates and Originations



The average 30-year mortgage rate jumped 50% in the first quarter! Moving from 3.11% up to 4.67%. As a result, originations and refinances have begun to decline. However, in most markets real estate prices remain quite strong.

It will be worth monitoring housing prices over the coming quarters as interest rates may continue to climb. At some point one would expect that higher mortgage rates will begin to impact the price home buyers will be willing to offer. The stories of offerings above list and “sight unseen” will fade and home price increases will moderate if not begin to decline slightly.

The impact of institutional home buyers, including large private equity firms, remains to be seen. They have been buying thousands of homes across the country the past 5-10 years and converting them into rental properties. Will their strategy change as home prices begin to stall? What happens in a few years if their returns drop and investors pull their money? Will a decline in investment funds trigger liquidations? Are these institutions playing the role of speculative buyers with “liar loans” in 2006-2008?

Housing Indicator Review

| Overall | Indicator Name | Last Release Date | Frequency | Value | 1 Mo. Ago | | 3 Mo. Ago | | 1 Yr. Ago | |
|---------|---|-------------------|-----------|---------|-----------|----------|-----------|-----------|-----------|----------|
| | | | | | 1 Mo. Ago | % Change | 3 Mo. Ago | % Change | 1 Yr. Ago | % Change |
| ▲ | Case-Shiller Home Price Index: National | 3/31/2022 | monthly | 284.3 | 280 | ▲ 1.56% | 273 | ▲ 4.05% | 239 | ▲ 19.16% |
| ▲ | US Housing Starts | 4/19/2022 | monthly | 1,793 | 1,788 | ▲ 0.28% | 1,754 | ▲ 2.22% | 1,725 | ▲ 3.94% |
| ▲ | US Building Permits | 4/19/2022 | monthly | 1,873 | 1,865 | ▲ 0.43% | 1,885 | ▼ -0.64% | 1,755 | ▲ 6.72% |
| ▼ | US New Single Family Houses Sold | 3/23/2022 | monthly | 772 | 788 | ▼ -2.03% | 753 | ▲ 2.52% | 823 | ▼ -6.20% |
| ▼ | US Pending Home Sales Index | 3/25/2022 | monthly | 105 | 109 | ▼ -4.11% | 119 | ▼ -11.70% | 111 | ▼ -5.41% |
| ▲ | 30 Year Mortgage Rate | 4/14/2022 | weekly | 4.67% | 3.89% | ▲ 20.05% | 3.11% | ▲ 50.16% | 3.17% | ▲ 47.32% |
| ▲ | US Households | 2/3/2022 | monthly | 127,549 | 127,357 | ▲ 0.15% | 127,445 | ▲ 0.08% | 125,913 | ▲ 1.30% |



Leading Indicator Summary & Trends

| Indicator | Q1 2022 | Q4 2021 | Q3 2021 | Q2 2021 | Q1 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 |
|--|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|---------|----------|----------|-----------|
| 10-2 Year Treasury Yield Spread | ▼ 0.04% | ▼ 0.79% | ▲ 1.24% | ▼ 1.20% | ▲ 1.58% | ▲ 0.80% | ▲ 0.34% | ▼ 0.21% | ▼ 0.51% | ▲ 1.25% | ▼ 1.21% | ▼ 1.50% | ▲ 2.66% | ▼ 1.53% | ▼ 1.64% | ▼ 2.69% | ▲ 2.71% | ▲ 1.49% |
| NY Fed Business Leaders Survey Current Business Activity | ▲ 18.3 | — 14.4 | ▼ 14.4 | ▲ 43.2 | ▲ -4.8 | ▼ -26.9 | ▼ 3.0 | ▼ 5.6 | ▲ 16.7 | ▼ -0.6 | ▼ 2.0 | ▼ 7.8 | ▲ 7.89 | ▼ -6.41 | ▼ -2.5 | ▲ 12.24 | ▲ 11.9 | ▼ -44.0 |
| Philly Fed Manufacturing Activity Index | ▲ 27.4 | ▼ 15.4 | — 30.7 | ▼ 30.7 | ▲ 44.5 | ▲ 11.1 | ▼ 2.4 | ▼ 10.9 | ▲ 29.3 | ▲ 22.6 | ▼ -9 | ▲ 21.6 | ▲ 3.8 | — 2.4 | ▼ 2.4 | ▼ 15.4 | ▲ 16.5 | ▼ -37.6 |
| S&P 500 Return | ▼ -4.60% | ▲ 11.03% | ▼ 0.58% | ▲ 8.55% | ▼ 6.18% | ▼ 18.40% | ▲ 31.49% | ▼ -4.38% | ▲ 21.83% | ▲ 11.96% | ▼ 1.38% | ▼ 13.69% | ▲ 32.39% | ▲ 16.00% | ▼ 2.11% | ▼ 15.06% | ▲ 26.46% | ▼ -37.00% |
| US Index of Consumer Sentiment | ▼ 59.4 | ▼ 70.6 | ▼ 72.8 | ▲ 85.5 | ▲ 84.9 | ▼ 80.7 | ▲ 99.3 | ▲ 98.3 | ▼ 95.9 | ▲ 98.2 | ▼ 92.6 | ▲ 93.6 | ▲ 82.5 | ▼ 72.9 | ▼ 69.9 | ▲ 74.5 | ▲ 72.5 | ▼ 60.1 |
| US Change in Business Inventories (YoY) | ▲ 12.26% | ▲ 10.81% | ▲ 7.53% | ▲ 6.67% | ▲ 0.06% | ▼ -2.64% | ▼ 3.03% | ▲ 4.77% | ▲ 3.31% | ▲ 2.00% | ▼ 1.42% | ▼ 3.68% | ▼ 3.93% | ▼ 5.67% | ▼ 7.84% | ▲ 8.90% | ▼ -9.21% | ▼ -1.46% |
| US Housing Starts (Latest TTM) | ▲ 19,719 | ▲ 19,256 | ▲ 18,973 | ▲ 18,609 | ▲ 17,101 | ▲ 16,759 | ▲ 15,506 | ▲ 14,968 | ▲ 14,460 | ▲ 14,125 | ▲ 13,281 | ▲ 12,003 | ▲ 11,138 | ▲ 9,405 | ▲ 7,343 | ▼ 7,026 | ▼ 6,648 | ▼ 10,800 |
| US Building Permits (Latest TTM) | ▲ 20,835 | ▲ 20,566 | ▲ 20,360 | ▲ 20,076 | ▲ 18,702 | ▲ 17,748 | ▲ 16,623 | ▲ 15,945 | ▲ 15,414 | ▲ 14,465 | ▲ 14,130 | ▲ 12,625 | ▲ 11,856 | ▲ 9,942 | ▲ 7,488 | ▼ 7,244 | ▼ 6,984 | ▼ 10,750 |
| US Change in Retail Sales (YoY) | ▼ 5.47% | ▲ 13.82% | ▼ 12.33% | ▼ 16.54% | ▲ 28.90% | ▲ 6.00% | ▲ 5.35% | ▼ 0.35% | ▲ 5.01% | ▲ 3.92% | ▼ 2.18% | ▼ 3.06% | ▼ 3.44% | ▼ 4.22% | ▼ 6.10% | ▲ 6.88% | ▲ 4.89% | ▼ -12.54% |

This table is a heatmap of various important economic indicators, showing the trends over time. The first 4 columns show a quarter-by-quarter change in each indicator, whereas the remaining columns show annual changes in the data.

The US stock market fell 4.6% in Q1, its worst annual return since 2008. Consumer sentiment dropped to 59.4, the lowest measurement over the previous ten years. The 10-2 Year Treasury Yield Spread decreased further to 0.04% and inverted shortly after the quarter-end. These could be interpreted as negative indicators but at least for the time being, there is a bullish argument that this is a market adjustment and that many of the risks will fade in the coming quarters.



Where Do Things Go From Here?



At the end of the quarter the S&P 500 Index P/E ratio was around 24x and following the past few weeks has declined further to slightly below 22. This leaves the broad market index trading below its 3, 5, and 10 year averages.

What do future earnings estimates look like? The orange line on the chart to the right shows the consensus estimates for earnings over the next 12 months. Wall Street projects the S&P 500 to grow 8-10% this year putting the forward P/E closer to 19.5x. As is often the case, what happens in the market over longer periods of time will ultimately depend on earnings growth, changes in interest rates and the Fed's monetary policy. Given the current situation and consensus outlook, signs seem to be pointing towards the upward trends continuing. However, as we experienced during the first quarter, volatility will likely be higher in 2022 than over the past few years, especially if the Fed ramps up their efforts to remove the current (overly) accommodative policy.

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Q1 2022

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