Vertex Planning Partners LLC

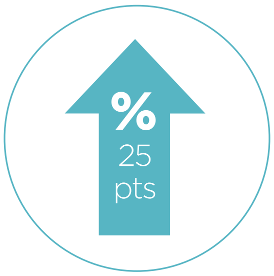
Quarterly Market Review

Q1

First Quarter 2022

Economy

Monetary Policy



What's Happening?

In March the Fed approved its first rate-hike in three years, raising short term interest rates by 25 basis points or .25% (1). Officials have indicated they plan to raise interest rates at each subsequent meeting to help curb inflation with rising short-term rates along with reversing their asset purchasing program known as Quantitative Easing through shrinking their balance sheet and increasing longer term rates (2).

What does this mean?

As demand increased from its Covid induced lows in 2020 with growing economic activity, and supply issues continue due to supply chains and scarcity, inflation has reached multi decade highs. To limit the impact of rising costs, the Federal Reserve is reversing ultra-accommodative policies. The risks, as with all prior Fed tightening cycles, is ultimately this can cause a recession. In today's service economy, the hope is that these pressures are mild and transitory.

Fiscal Policy

What's Happening?

Attention in Washington has shifted away from domestic agenda to the impact of Russia's war with Ukraine, with economic sanctions against Moscow and financial aid to Ukraine.

What does this mean?

The domestic impact of sanctions has exacerbated the trend towards higher inflation. In response, the Biden administration has released oil from the Strategic Oil Reserve to help alleviate price pressures (3).

Economy

Geopolitics

What's Happening?

The February 24th invasion of Ukraine by Russia has dominated international news, and has had rippling effects on economies, markets, trade. Intended as a quick strike operation by Putin, as of this writing the war has lasted over a month with no quick resolution in sight.

What does this mean?

This is not the first provocation by Russia in Ukraine, which invaded and annexed Crimea in 2014. However, Ukrainian forces were better prepared with Western military resources along with a coordinated effort by NATO countries in sanctioning Russia (4). However not all world leaders have condemned Russian actions, with India, Israel, and China notable exceptions.

GDP

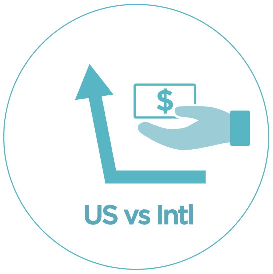
What's Happening?

GDP growth in Q4 2021 rose to 6.9% after slowing to 2.3% in the third quarter (5), with estimates for Q1 lowering to 1.5% (6).

What does this mean?

Economic growth accelerated into the fourth quarter, but due to higher costs, supply constraints and economic sanctions GDP is expected to dip at the start of 2022.

Markets



Equity

US Equity performed slightly better than international markets in the first quarter, with the S&P 500 falling 4.6% after a 28.71% return in 2021. European and Japanese markets performed slightly worse due to Europe's exposure to Russian sanctions, falling 5.33%.   Emerging markets fell 6.92% (7).

Fixed Income

Bond markets had one of the first quarters in history, falling 5.93% for US Bloomberg Aggregate Index and 6.23% for Municipal Bonds (7). A combination of rate hike expectations and high inflation provided an exceptionally poor environment for fixed rate instruments.

Real Assets

One of the few asset classes providing positive returns year to date were commodities. The Bloomberg Commodity Index rose 25.55% in the first quarter (7), primarily due to rising oil, metal, and agricultural prices.

Current Strategy

Reasons To Be Optimistic

Historically periods of scarcity, such as those imposed by pandemics, have driven innovation and future productivity. Over the past few years research and development, in areas like health care and technology, provided rapid transformation in combating the COVID virus and adapting to remote working environments. Energy scarcity will further motivate alternative energy use or sourcing, providing a more resilient platform for our future economy.

Reasons To Be Cautious

Aggressive policies from the Federal Reserve to tighten financial conditions and lower inflation have rarely been positive for asset prices, at least in the short term. With interest rates at historical lows, and asset prices within certain sectors at historically high levels, investors should be thoughtful on their investment allocations.

Strategy

During periods of uncertainty with a broad range of potential outcomes, we have looked to balance our portfolios. As a response to the threat of inflation and rising interest rates from Fed, we have reduced our exposure to fixed rate instruments. We focused on adding equities from value sectors like energy and materials, which benefit from rising rate and inflation, and adding further to commodities by broadening our allocations to agriculture and soft commodities. To help dampen the impact of market selloffs, we included trend strategies which allocate to investments focused on changing currency values, interest rates and commodity prices along with fixed income and equity.

In 2022 we continue to favor tax managed strategies for taxable accounts to take advantage of increased market volatility and to help offset potential higher capital gains rates.

Source

1) https://www.cnbc.com/2022/03/16/federal-reserve-meeting.html

2) https://www.bloomberg.com/news/articles/2022-03-24/treasury-market-roiled-by-powell-on-rates-now-girds-for-fed-s-qt

3) https://www.washingtonpost.com/climate-environment/2022/03/31/strategic-petroleum-reserve-release-biden/

4) https://www.nato.int/cps/en/natohq/official_texts_192489.htm

5) https://www.bea.gov/news/2022/gross-domestic-product-third-estimate-corporate-profits-and-gdp-industry-fourth-quarter

6) https://www.atlantafed.org/cqer/research/gdpnow

7)

	Q1 2022	2022 TR	Q4 2021	Q3 2021	Q2 2021	Q1 2021
S&P 500 Total Return	-4.60%	28.71%	11.03%	0.58%	8.55%	6.18%
MSCI ACWI Ex USA Total Return	-5.33%	8.29%	1.88%	-2.88%	5.64%	3.60%
MSCI Emerging Markets Total Return	-6.92%	-2.22%	-1.24%	-7.97%	5.12%	2.34%
Bloomberg Municipal Bond	-6.23%	1.52%	0.72%	-0.27%	1.42%	-0.35%
Bloomberg US Aggregate	-5.93%	-1.54%	0.01%	0.05%	1.83%	-3.37%
Bloomberg Commodity Index Total Return	25.55%	27.11%	-1.56%	6.59%	13.30%	6.92%