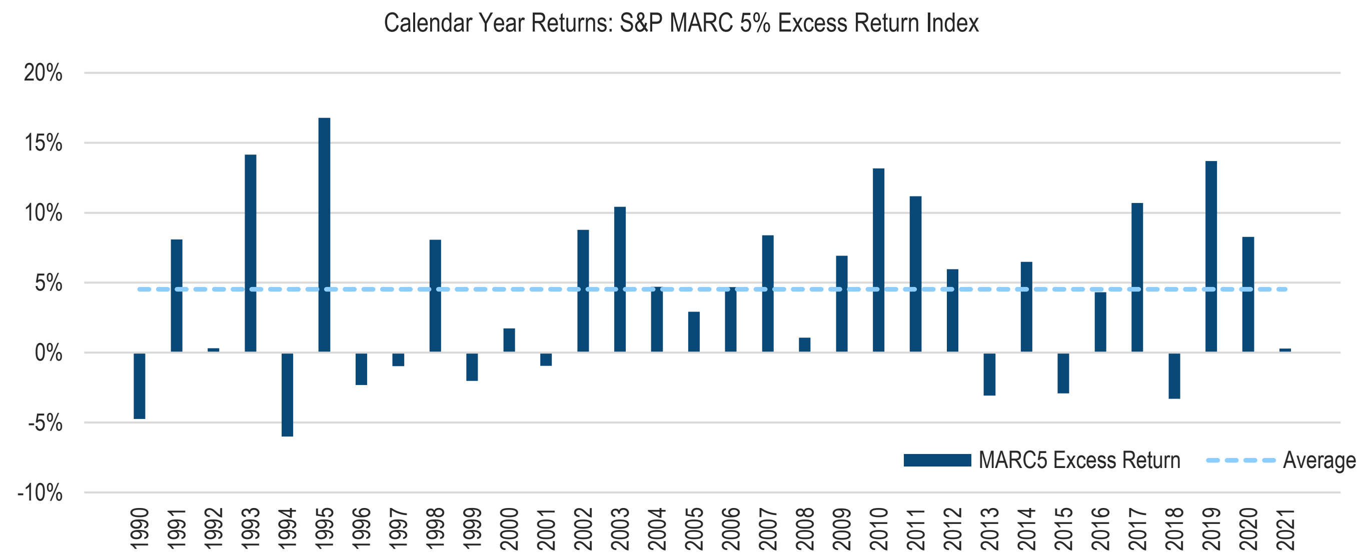
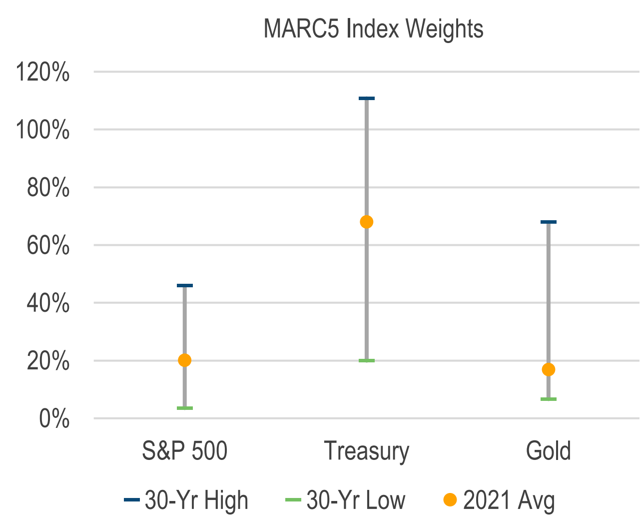
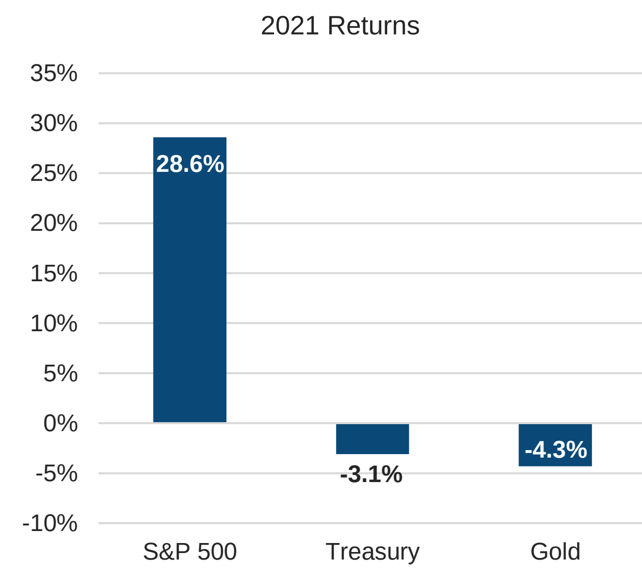
S&P MARC 5% INDEX

2021 Performance Review

- In 2021, despite negative returns from bonds and gold, the S&P MARC 5% Excess Return Index finished the year essentially flat, generating a positive return of 0.3%.
- Out of the 31 calendar years prior to 2021, the index finished the year with a return of 0.50% or lower 10 times. In 9 of those instances, the index earned a positive return in the subsequent year, averaging 9.1%.
- In 2021, the index's average allocation to stocks was on par with previous years.
- The index's average allocation to U.S. Treasuries was greater than its longer-term average. Treasuries endured their worst return since 2013.
- The index's average allocation to gold in 2021 was less than its longer-term average allocation, but gold had its worst year since 2015.

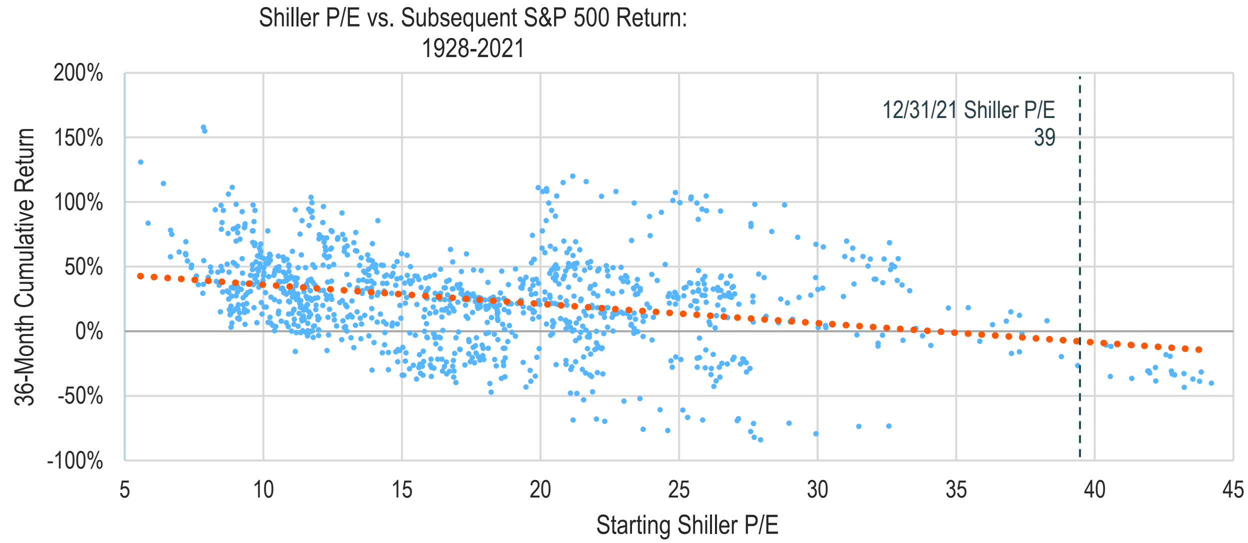


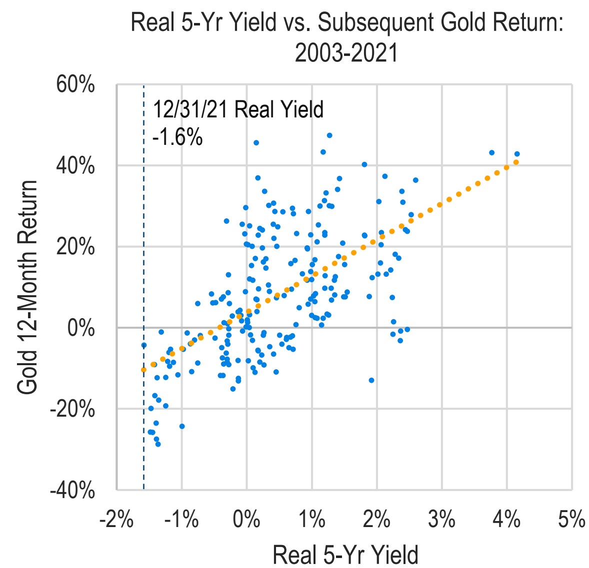


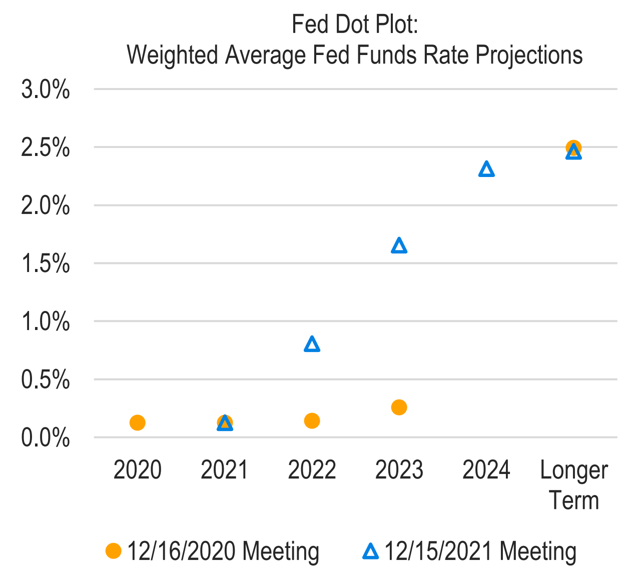


ASSET CLASS PERFORMANCE

- **Equities:** In 2021, the S&P 500 generated its third consecutive positive calendar year return and its 12th out of the last 13.
- The rise in equity prices has pushed their valuation to the high end of their historical range. As indicated in the Shiller P/E Chart, higher starting valuations have historically been associated with lower future returns.
- The expectations for tighter monetary policy and higher rates in the months ahead echo the sentiment in 2013. When rates started to rise, the S&P 500 briefly stalled, but went on to finish the year up 30%. The following year in 2014, equities were up 13.6% and MARC 5 was up 6.5%
- **Treasury:** The 10-yr UST also generated its first negative return after two consecutive years of positive returns.
- Changes in the yield have been a function of changing inflation expectations and of the Fed's response to them.
- After more than doubling the size of its balance sheet since early 2020, the Fed has more recently indicated its intention to slow the pace of asset purchases. It also increased its projections for the number of rate hikes in the coming years. The long-term policy rate expectation has remained unchanged.
- **Gold:** After two consecutive years of double-digit returns, gold in 2021 earned its lowest return since 2015. The decline in the price of gold runs counter to conventional thinking surrounding gold as an inflation hedge.
- Amidst record levels of growth in the money supply, inflation crept steadily higher in 2021, rising from 1.4% at the start of the year to 6.8% by year end.







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