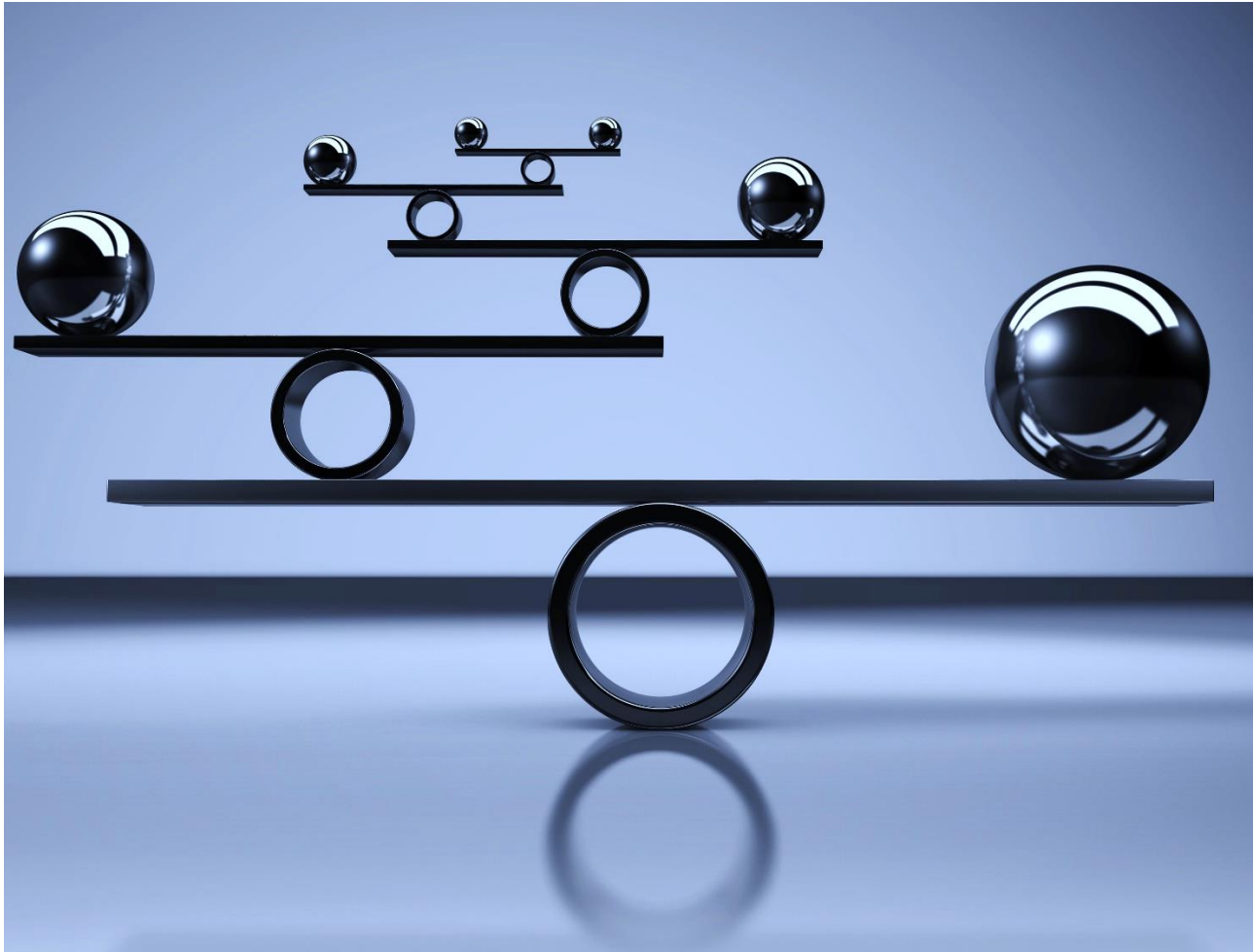


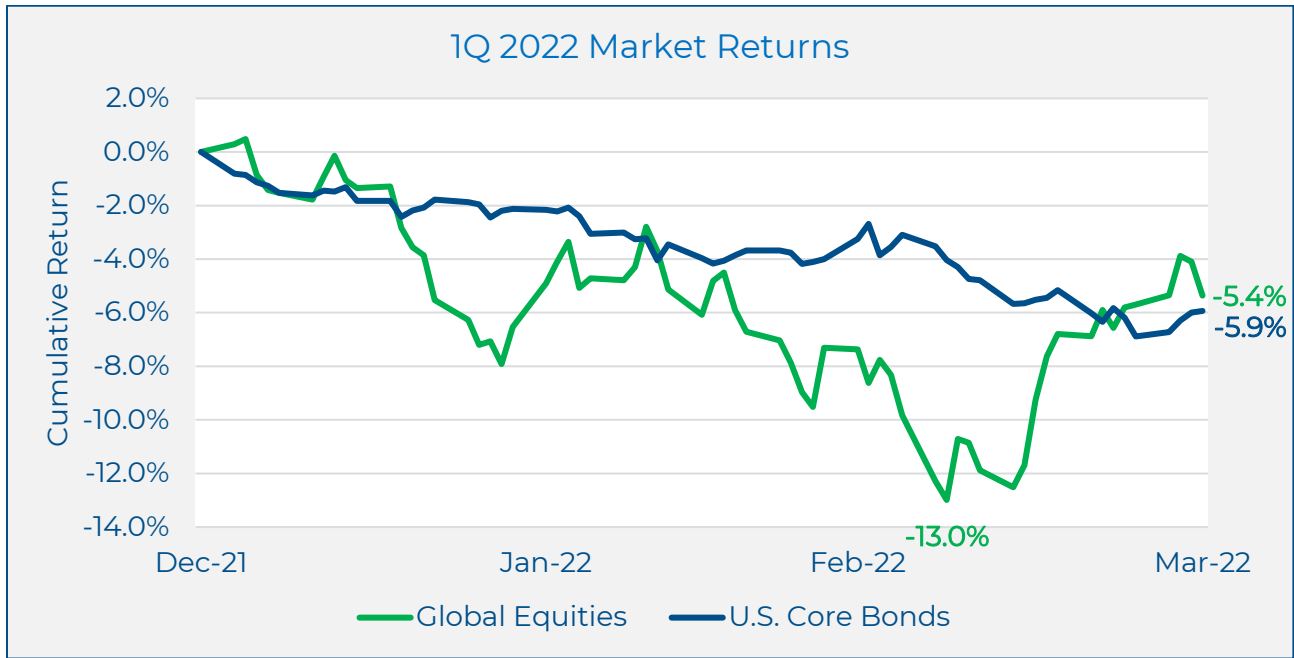
MARKET COMMENTARY - 1Q 2022



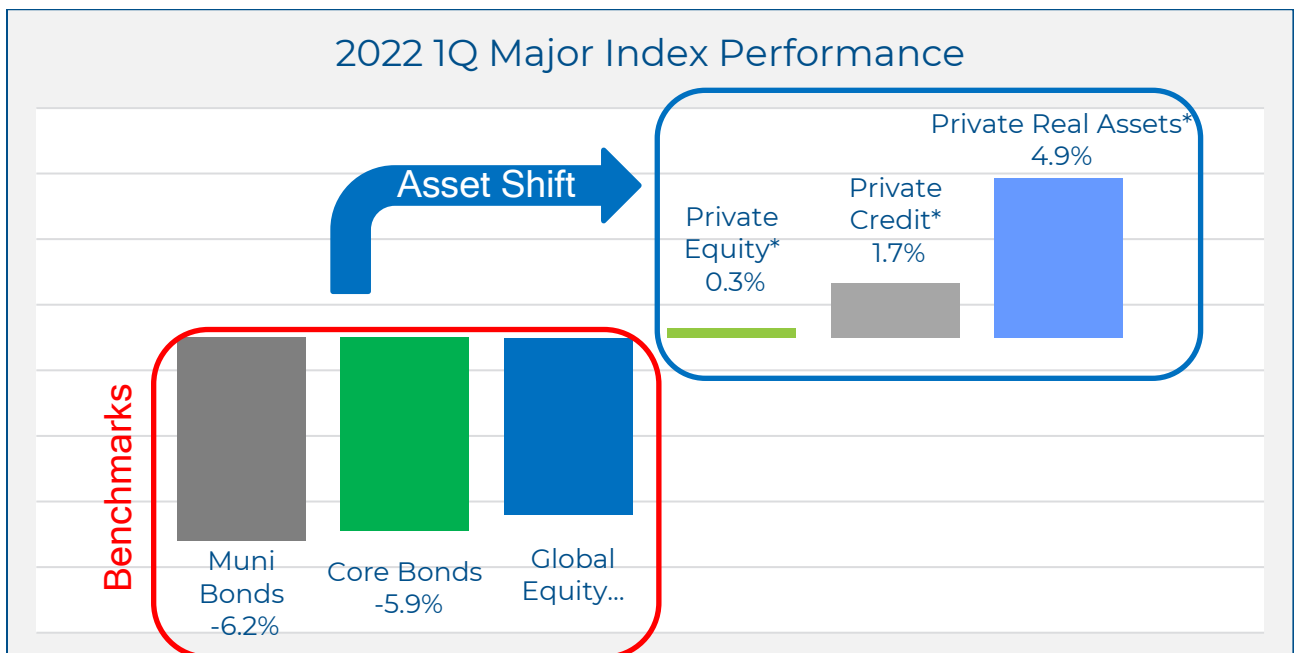
2022 1Q in Review

Volatility Spikes - Central Bank Actions and Geo-Political Events

The market rallied at quarter end despite persistent inflation, Federal Reserve action and most importantly, the Russia-Ukraine conflict. Just a few weeks ago it looked like markets were headed towards one of the worst performance quarters since 1Q 2020 (COVID) as Global Equities declined **-13%** for the year through March 8, 2022. Geo-political events tend to impact short-term market performance but not drive markets in the long-term. The Federal Reserve's policy shift to increase rates and unwind the balance sheet will be a major factor over the next several years.



We remained disciplined to our investment process and maintained policy weight market exposure across the three major asset classes (fixed income, public equities, and private markets). Core Investment Grade bond benchmarks declined **-5.9%** for the Bloomberg U.S. Aggregate index and **-6.2%** for the Bloomberg Municipal Bond index as interest rates rose significantly during the quarter. Global Equities fell **-5.4%** due to the uncertainty around Russia-Ukraine and the impact of the Federal Reserve removing accommodative policies. Private Market returns once again provided significant diversification and downside protection in the face of public market volatility. In semi-liquid Private Markets, Real Assets were the best performer returning **+4.9%**, Credit returned **+1.7%** and Equity was slightly positive at **+0.3%**.



*Private Market Returns reflect the most recent trailing 3 months of valuations for the semi-liquid core strategies which can be lagged 1 month relative to public markets. GSIS Calculations.

GSIS 2022 Allocation Positioning

Our rigorous dynamic asset allocation process generated excess performance for the quarter.

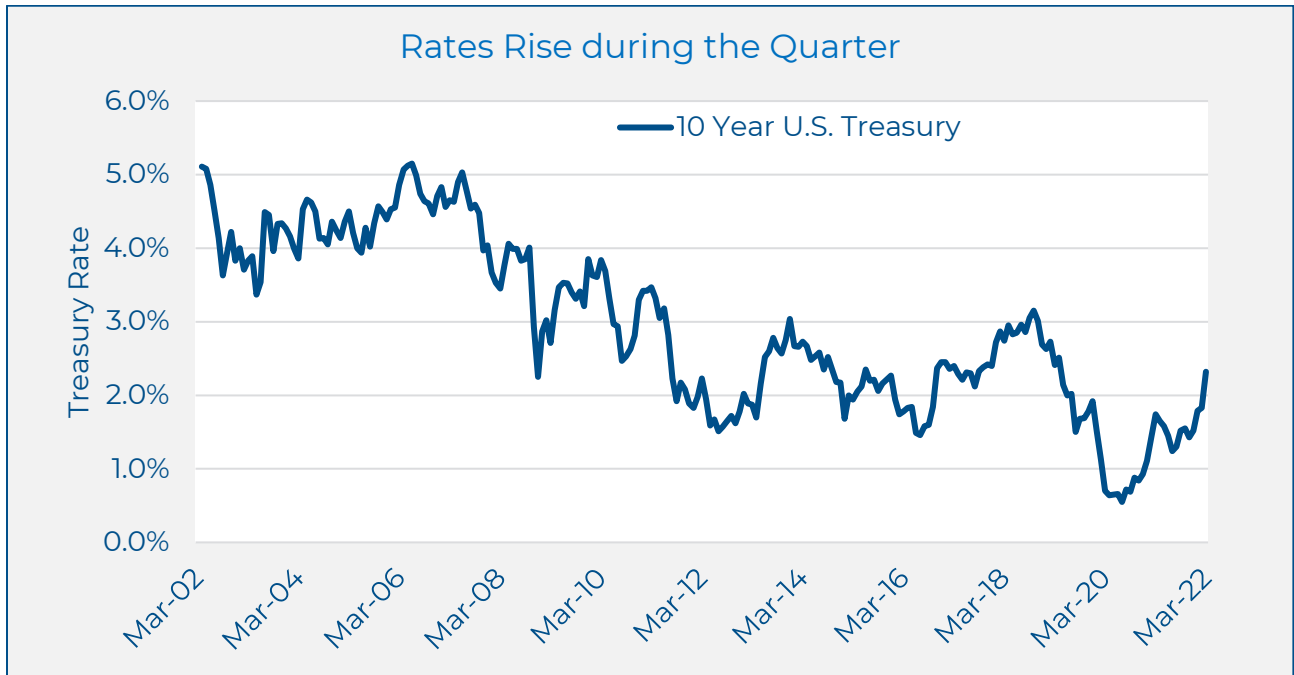
- The **Private Credit** portfolios have lower sensitivity to rising interest rates than traditional core fixed income due to shorter term loans and floating rate characteristics. These features enabled private credit allocations to outperform core bonds during the quarter as the 10-year U.S. Treasury interest rates rose significantly from 1.51% to 2.35%.
- **Private Real Assets** contain built-in inflation escalators on rents directly resulting in higher portfolio returns. In addition, property values are benefitting from higher replacement value driven by supply constraints. This asset class was the best performer in client accounts in 2021 and continued to hold the top spot as best performer in 1Q 2022.
- The **Private Equity** strategies historical performance shows better performance in down markets than public equities. This relationship held in the first quarter as private equity managers outperformed declining public equities in the first quarter.
- Within **Core Public Fixed Income**, we maintained a short duration posture. This posture outperformed traditional core fixed income benchmarks during the quarter.
- In **Global Public Equities**, our modest overweight in U.S. Large Cap Value over U.S. Large Cap Growth worked well during the quarter with the Russell 1000 Value outperforming the Russell 1000 Growth by +8.3%. The modest overweight to non-U.S. equities over U.S. equities worked very well leading up to the Russia-Ukraine conflict but that relationship reversed as Europe and Asia markets sold off due to their close proximity to the conflict.

2022 Headlines – Russia/Ukraine, COVID, Inflation and the Federal Reserve

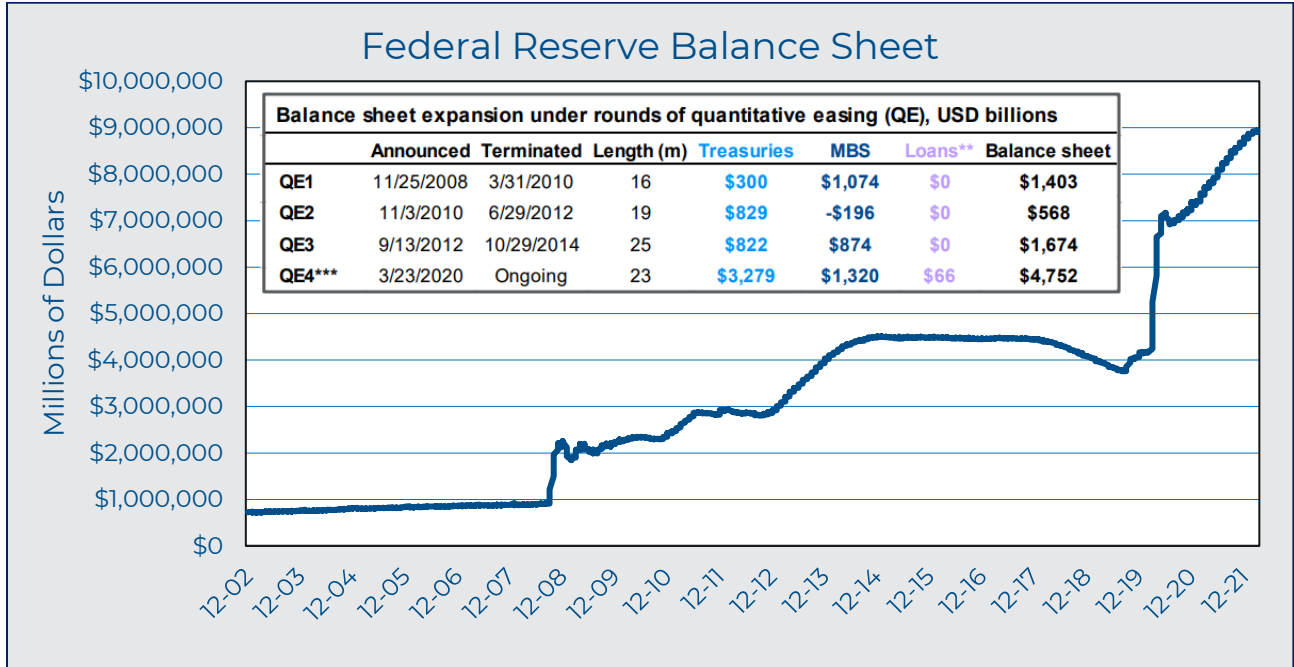
A meaningful portion of stock market losses related to the **Russia – Ukraine Conflict** have been recovered. This geo-political risk will continue to be a focus of markets as uncertainty around a resolution and the results of Developed Market sanctions and boycotts are realized.

COVID-19 has faded from the headlines recently except for some news regarding a resurgence of a new Omicron variant in China. COVID's impact on the markets has diminished.

High **inflation** continues to persist in 2022. In response, the **Federal Reserve** approved 0.25% rate hike on March 16, 2022. The Fed communicated its intent to potentially increase rates several times to cool down the economy and reduce inflationary pressures. Their comments post the March 16th meeting indicated that further rate increases will be dependent on the most current economic data and that the Russian/Ukraine conflict will be considered. The markets rallied following the less hawkish statement. As we discussed over the last 12 months and in our year-end letter, the expected net result of a reduction in Fed accommodative policy is higher interest rates.



The Federal Reserve balance sheet has roughly doubled since the COVID-19 stimulus was implemented, which positively impacted credit and equity markets. As the Fed reduces its balance sheet markets may have a negative reaction as excess liquidity is removed.



The risks of higher interest rates and persistent higher inflation continue to be pronounced in 2022. The active strategic allocation shifts from traditional fixed income and a small portion from public equities into private credit and private real assets have significantly improved absolute and relative performance. These investments are well positioned to capitalize on the current rate environment versus public markets.

Thank you for your Trust and Confidence.



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