

Disappointing revenue and earnings reports from several major retailers helped contribute to another week of losses for U.S. equities. Most dramatically, Target Corp (TGT) missed earnings by roughly 28%, reporting earnings of \$2.19 per share, 88 cents less than analyst expectations of \$3.07 per share. Along with Target, Walmart Inc (WMT) and Lowe's Companies Inc (LOW) also fell short of expectations. A large component to the mentioned reporting misses came from reduced sales of discretionary items, creating fear that inflation may be causing consumers to pull back on discretionary spending, while setting the stage for a coming recession. Ultimately, the S&P 500 Index finished the week -3.00% lower. Crude oil also saw a volatile week due to multiple factors including an unexpected drawdown in U.S. crude inventories, U.S. plans to relax Venezuelan oil sanctions, and the looming possibility of an EU ban on Russian oil imports. Ultimately, Brent and WTI ended the week higher at \$112.55 and \$113.23 per barrel, respectively. Lastly, the U.S. 10-Year Treasury yield ended the week lower at 2.78%. While this year's sell-off has been painful, it is important to remember that it has created an opportunity for investors to rebalance their portfolios. The higher volatility environment has helped the greatest share of large cap core managers to outperform in more than a decade.



Economic Review*

- Retail sales increased 0.90% m/m
- Industrial production increased 1.1% m/m

- Existing home sales decreased to 5,610k

Spotlight:



The Target PLUS models are designed to provide key enhancements to traditional target date investing. The first enhancement is to pair best-in-class equity managers with best-in-class fixed income managers, rather than using the same manager for each as most Target Date Funds do. Another enhancement is, given today's low interest rate environment, to only use fixed income strategies that utilize Tactical management or incorporate Active bond picking in their underlying holdings. We believe these types of strategies have the potential to offer enhanced returns, given the broader fixed income universe they are able to choose from. While the models are constructed with a Strategic, long-term investing horizon in mind, another key enhancement is to provide some Tactical exposure, which can help buffer losses during volatile markets. In addition, the underlying holdings within the models provide both Active management, via individual stock or bond selection, and Passive investing, via lower-cost, passive exposure to a specific index or benchmark. We believe the combination of these Strategic, Tactical, Active and Passive elements can deliver the desired portfolio outcome with greater diversification, improved risk management, and enhanced returns.

Within equities, a tactical business cycle rotation strategy produced the highest benchmark relative returns during the first quarter. The strategy was re-positioned in late January due to heightened indications we are approaching a late-cycle phase. Overweighting within the strategy is in energy, utilities, materials, and healthcare, all of which tend to deliver strong performance during late-cycle environments, as well as periods of higher inflation. Energy and Utilities were one of the few areas of the market to post positive returns during the quarter. Strategic managers with a growth overweight struggled as interest rates rose during the quarter. Growth stocks tend to be more sensitive to interest rates because they are valued based on an expected future stream of cash flows. As interest rates rise, those expected cash flows are discounted, resulting in lower valuations. Within fixed income, a tactical diversifier strategy was the strongest benchmark relative outperformer. The diversifier strategy utilizes a blend of alternative assets alongside traditional fixed income in an effort to outperform bonds during periods of both rising and falling interest rates. An allocation to natural resources within that strategy was the largest contributor to performance. In addition, a tactical income strategy outperformed its benchmark with downside protection provided by tactical high yield strategies.

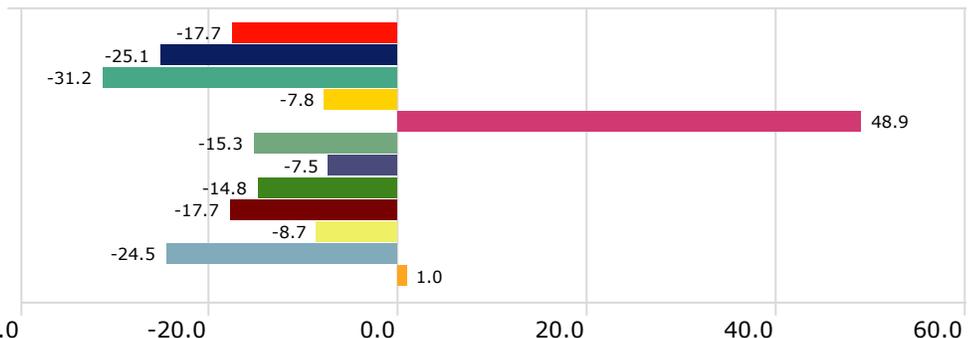
Trailing Major Index Returns

	1 Week	1 Month	3 Month	1 Year
S&P 500	-3.00	-12.38	-9.95	-4.86
S&P MidCap 400 TR	-1.84	-11.62	-9.03	-9.91
S&P SmallCap 600 TR USD	-1.43	-10.64	-9.36	-11.23
MSCI ACWI NR USD	-1.10	-10.48	-11.06	-9.94
MSCI EM NR USD	3.13	-5.37	-15.46	-20.33
Bloomberg US Agg Bond TR USD	0.59	-0.33	-5.71	-8.11

YTD S&P Sector Returns

- S&P 500 TR
- Communication Services
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- Industrials
- Real Estate
- Materials
- Technology
- Utilities

Year to Date





Weekly Manager's Pulse

May 23, 2022

Disclosure

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The indices are presented as broad-based measures of the equity, fixed income and consumer markets. The indices are provided for comparative and illustrative purpose to provide a comparison of the model against the broader based equity, fixed income and consumer market. The indices are not intended to reflect the investment objectives of the model as the securities held within the model will differ in market volatility, concentration, investment objectives and diversification among others from those of the indices. The indices are not managed, and returns do not reflect the deduction of fees, expenses, transaction costs or taxes that actual client accounts are subject to. Investors cannot invest directly in an index. Returns are not annualized for periods less than 1 year.

Trailing Major Index Returns and YTD S&P Sector Returns are sourced from Morningstar Direct.

* Sourced from JPMorgan Asset Management, publicly available at <https://am.jpmorgan.com/us/en/asset-management/adv/insights/market-insights/market-updates/weekly-market-recap/>

All other economic and market data sources may include, and is not limited to:

Edward Jones, publicly available at <https://www.edwardjones.com/us-en/market-news-insights/stock-market-news/stock-market-weekly-update>

Goldman Sachs, publicly available at <https://www.gsam.com/content/gsam/us/en/advisors/market-insights.html>

T. Rowe Price, publicly available at <https://www.troweprice.com/personal-investing/resources/insights/global-markets-weekly-update.html>