INVESTMENT UPDATE

First Quarter 2022

MITTELMAN WEALTH MANAGEMENT

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MARKET REVIEW

Global investment markets were pressured for much of the quarter as early profit-taking and portfolio rotation gave way to broad-based selling amid the Russian invasion of Ukraine and intensifying inflation concerns. Notably, while gold and the dollar found support amid this flight-to-safety environment, high quality Fixed Income suffered its worst losses in two decades as the 10-year US Treasury yield spiked to 2.5%.

Non-US outperformed US Equities for the first half of the quarter, with Emerging Markets the lone asset class "in the green," before a sharp sell-off in late February saw investor appetite for risk wane. For the quarter, US Equities posted their first loss in two years, with Large Cap outperforming Small Cap and Value outperforming Growth. The quarter's events caused a big spread in sector performance, with Energy finishing up 39%, while Communication Services and Technology fell 12% and 8%, respectively, with the former dragged lower by Meta/Facebook and Netflix losing one-third of their value and the tech-heavy NASDAQ flirting with bear market territory.

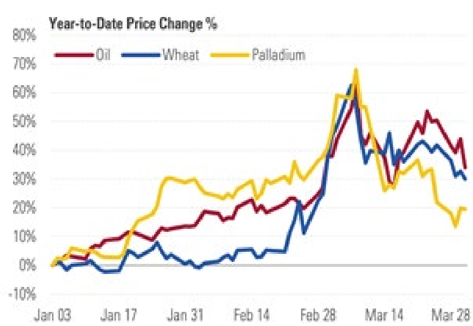
Despite the oft-cited inverse relationship between stocks and bonds, Fixed Income markets sold off in concert with Equities, with virtually all US sectors lower. Understandably amid rising rates, duration exposure was punished, with the 10-year and 30-year Treasuries falling 7% and 11%, respectively, while inflation-hedged TIPS fell only 3%. Yet, more confounding was the outsized negative performance of Investment Grade, as investors struggled to justify owning these bonds, perhaps reasoning they could more favorably obtain desired attributes elsewhere (e.g., safety in cash, and income and economic exposure in High-Yield and even dividend-oriented Large Cap stocks).

The U.S. economy is uniquely positioned for near-term relative strength.

ECONOMIC OUTLOOK

Although expectations for interest rates, inflation, and markets weighed on investors at the start of the year, negative sentiment intensified following Russia's military assault. While nobody can predict when and how the war will end, the significant geopolitical and economic changes that are likely to persist can be more productively analyzed for investment implications. Moreover, also constructive can be the potential to identify opportunities arising from investor fears and overreactions.

While global recession risks have increased, the US economy is uniquely positioned for near-term relative strength. The US boasts a highly diverse economy, strong company balance sheets, and consumers with low debt and high pent-up demand. Moreover, corporate earnings are growing, the dollar has rallied, and the Fed will now be less aggressive in fighting inflation than would



be the case otherwise. Finally, the ability to be energy independent is a significant strategic advantage, creating supply stability and economic offsets when most needed.

Europe, on the other hand, is less fortunate. It is a net importer of natural gas and oil, a significant share of which comes from Russia. Furthermore, its economy was not enjoying the same accelerating momentum as other Developed Markets, making it more difficult to absorb the commodity shock.

The outlook for Emerging Markets is more nuanced. Many countries are net exporters of commodities such as energy and agricultural products and will increasingly benefit from elevated prices concurrent with higher demand, especially in areas where Russia and/or Ukraine accounted for a significant share of global supply. Conversely, China and India have been unsettlingly less vocal about condemning the attack on Ukraine, as they opportunistically continue to assess how economic dislocations may benefit their long-term financial and political interests.

Ironically, recent events will both help and hurt progress toward fossil fuel reduction. On the one hand, it is likely to accelerate research and development of alternative energy sources that can be obtained domestically; on the other hand, it has highlighted the more immediate need for increased investment in local exploration, production, and storage of oil and gas.

Finally, despite the elevated levels of uncertainty, investors would be well served to focus on proven investment principles — most notably an orientation toward the long term and a disciplined adherence to one's pre-established investment policy.

Q1 Performance

US Large Cap	-4.6%
US Small Cap	-7.5%
International	-5.8%
Emerging Markets	-6.9%
Treasuries	-5.5%
Investment Grade	-7.7%
High-Yield	-4.8%
Oil	33.3%
Gold	5.9%