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TEN THEMES FOR 2022

Carrying the Torch

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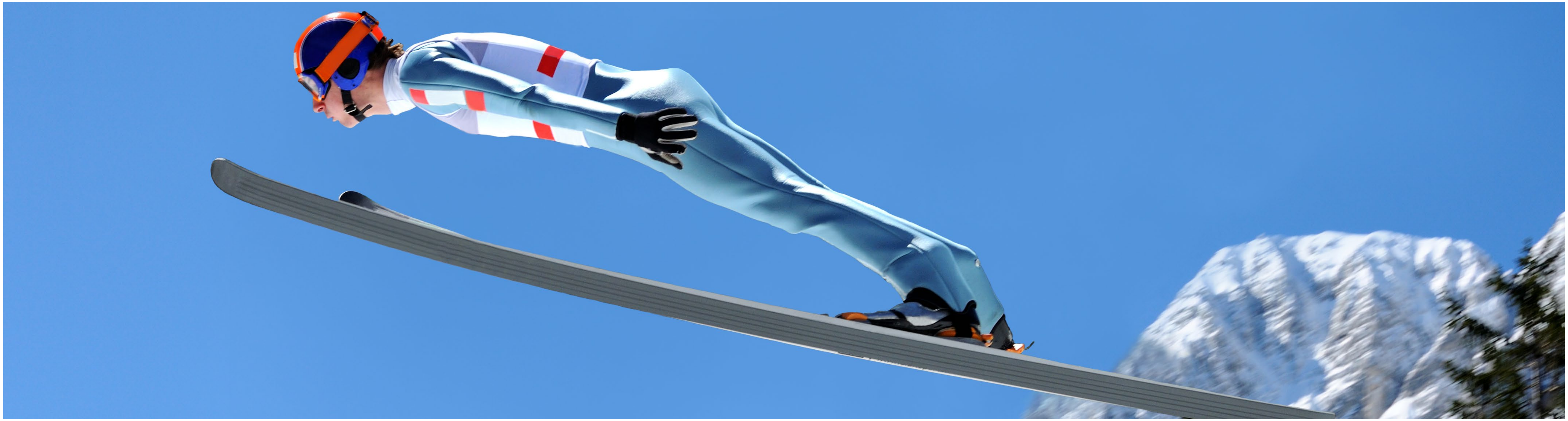
10 THEMES FOR 2022

1. The US Economy Is Ready To Take Off
2. The Fed Must Adeptly Navigate The Fast-Moving Economy
3. Yields Will Swerve Between The Gates
4. The Democratic 'Blue Wave' Is Skating On Thin Ice
5. Equities Transition From Power & Speed To Targeted Precision
6. Sector Exposure Will Steer Small Cap In The Right Direction
7. There Are No 'Bindings' On Technological Re-Invention & Adoption
8. Focusing On US Equities' Consistent Stride
9. Oil Price Dynamics Will Find Their Balance
10. Look Below the Surface For Opportunities



1

Economy

The US Economy Is Ready To Take Off

INSIGHT:

The availability of multiple, effective vaccines allowed for a sustainable reopening, but it was the combination of accommodative monetary policy and unprecedented fiscal stimulus that helped the recovery gain momentum.

BOTTOM LINE:

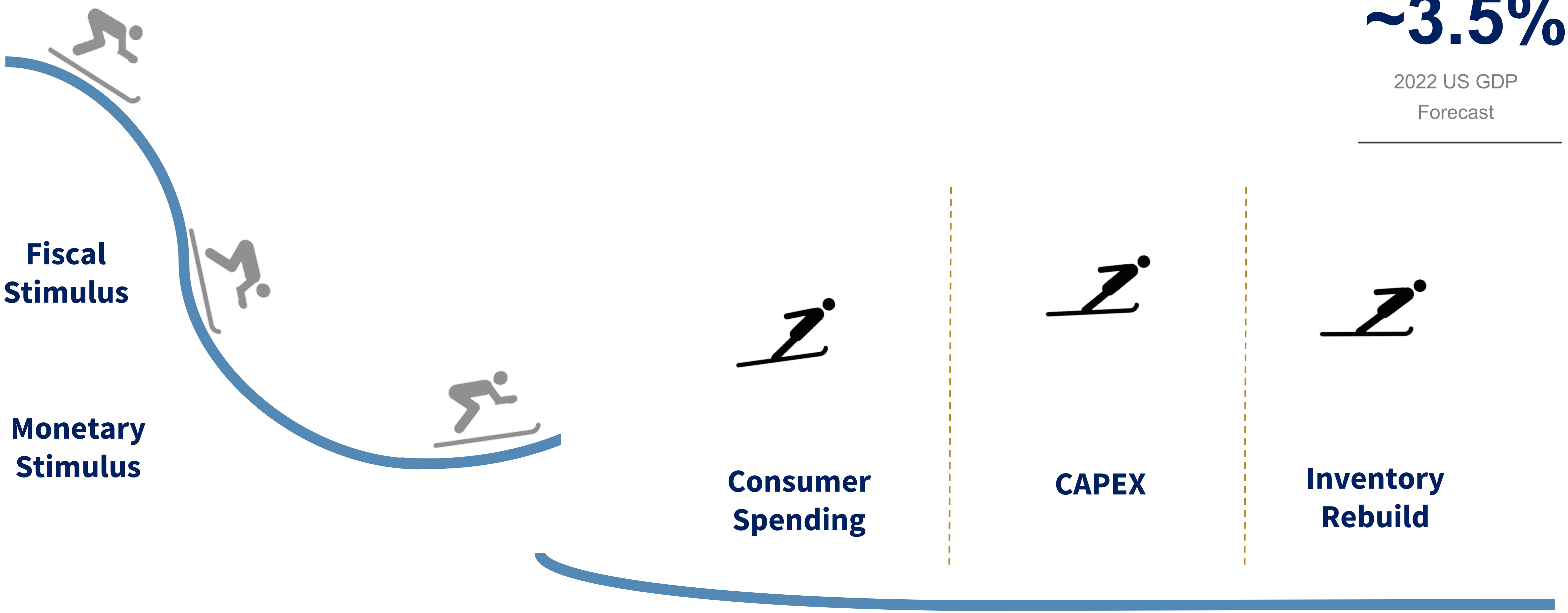
The US economy should post its second consecutive year of above-trend growth as the gradual transition to the endemic state occurs. Healthy consumer cash balances and the steady rebuilding of inventories should also bolster growth.

AFTER STIMULUS-INDUCED RECOVERY, EXPANSION LIFT-OFF ON TARGET

AFTER A STIMULUS-INDUCED RECOVERY, THE US ECONOMY ENTERS THE EXPANSIONARY PHASE

~3.5%

2022 US GDP Forecast

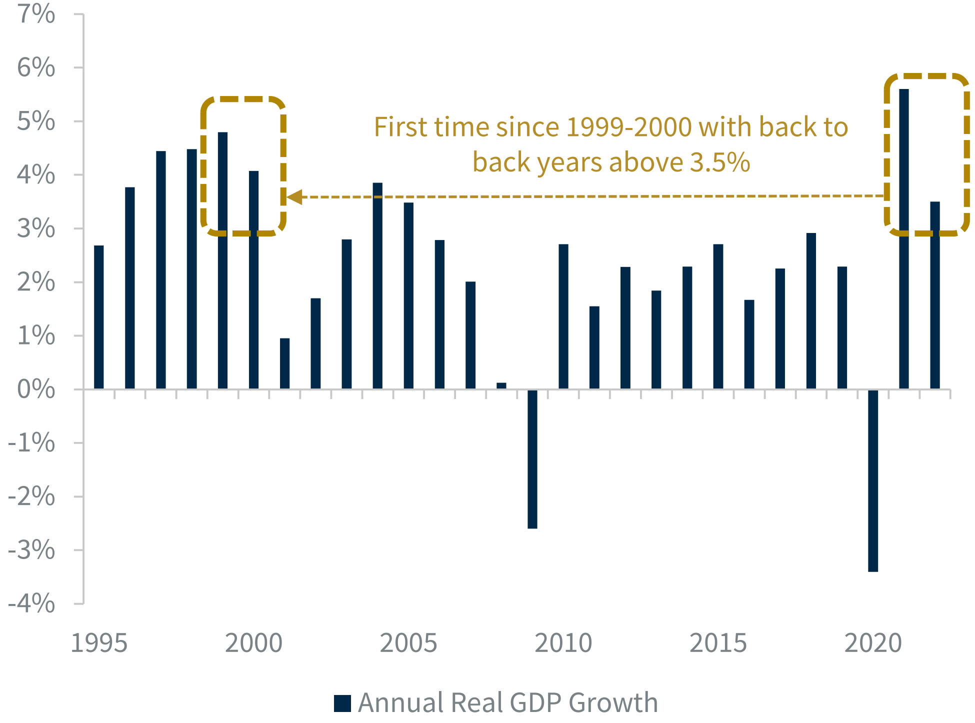


BACK TO BACK ABOVE-TREND GROWTH

WHILE GROWTH IS SET TO DECELERATE IN 2022, IT WILL REMAIN STRONG FROM A HISTORICAL BASIS

- If 2022 GDP growth comes in as forecasted (~3.5%), it will mark the first time since 2000 that growth was above 3.5% in two straight years since 2000.
- Growth should be powered by robust consumer spending, capex spending and inventory rebuilding.

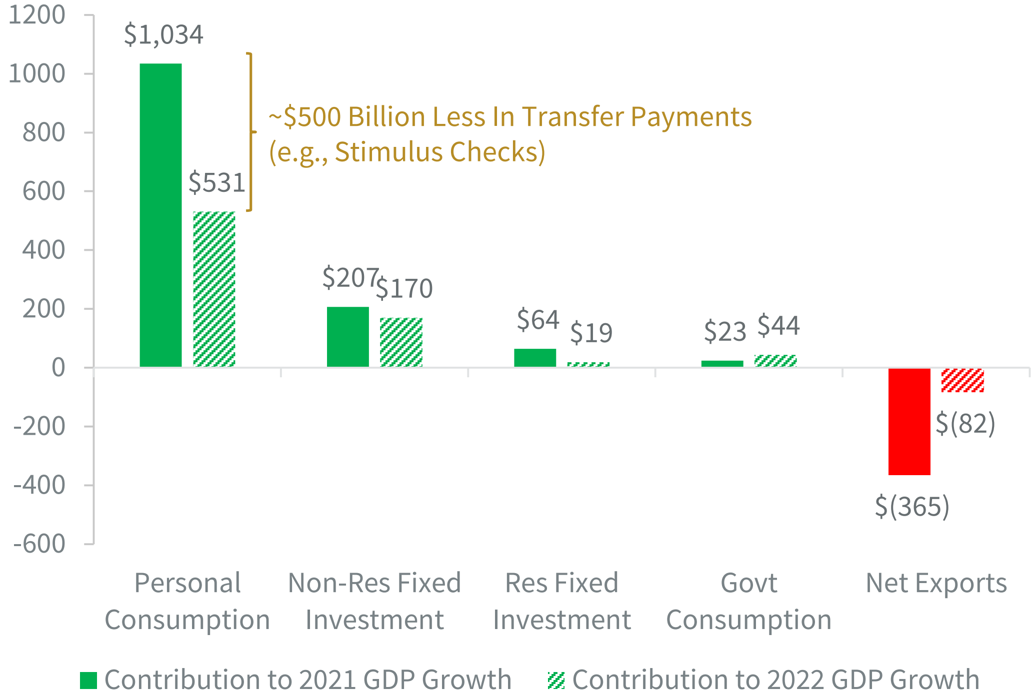
Economic Growth in Unprecedented Territory in Recent Years



87%

of Respondents Will Spend More on Goods and/or Services in 2022

All Components of GDP Strong, Except Government Spending



Source: FactSet. Data as of 12/31/2021. Investment Strategy Sentiment Survey 1Q22.

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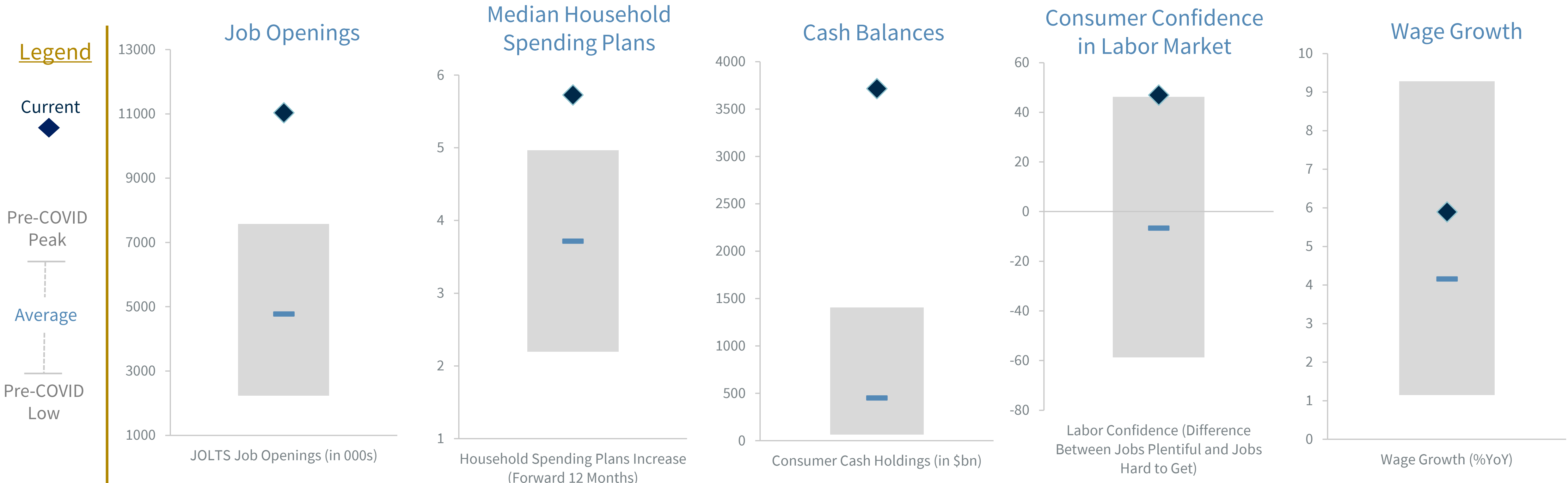
CONSUMERS PRIMED TO SPEND

CONSUMER FUNDAMENTALS REMAIN STRONG HEADING INTO 2022, POINTING TO ROBUST CONSUMER SPENDING

- All consumer fundamentals (labor market, household spending plans, cash balances) are at or above pre-COVID peaks. This should support robust consumer spending throughout 2022.



11 million job openings – a record high

Household spending plans at record high

Average consumer cash balance $10k above average

Labor market confidence at record, quits rate elevated

Nominal wage growth at a 40-year high

Source: FactSet. All data as of 12/31/2021. Confidence, wage growth and cash balance data date back to 1960. Spending plans data began in 2014 and job openings data began in 2000.

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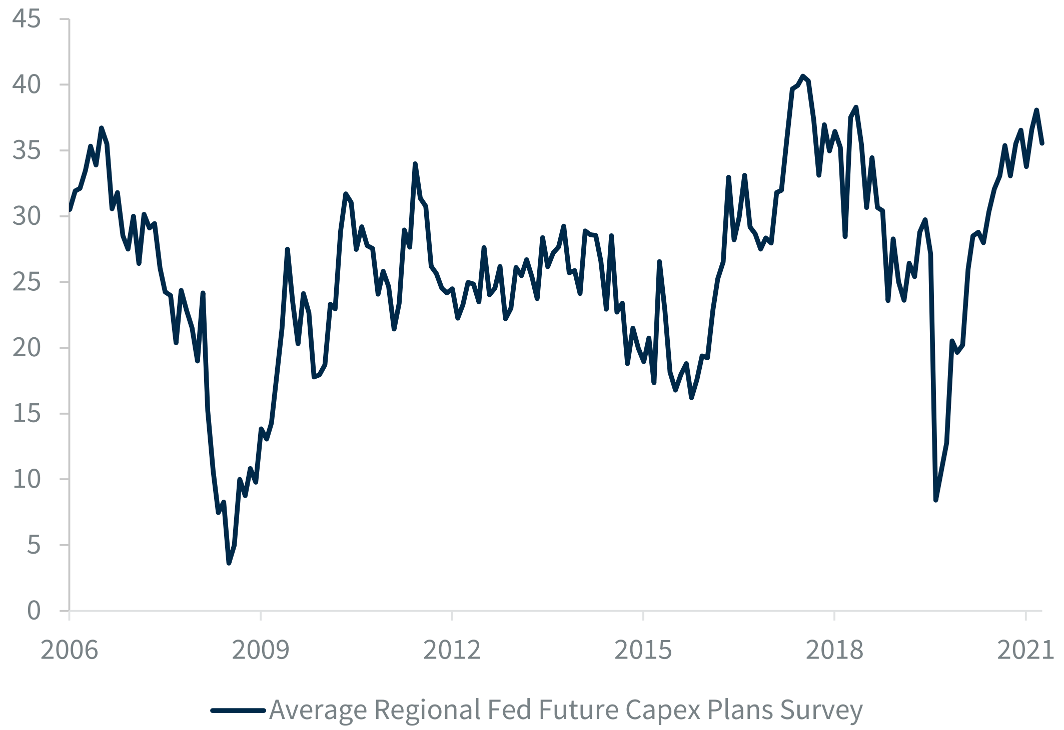
CAPEX AND INVENTORY GROWTH TO SUPPORT GROWTH

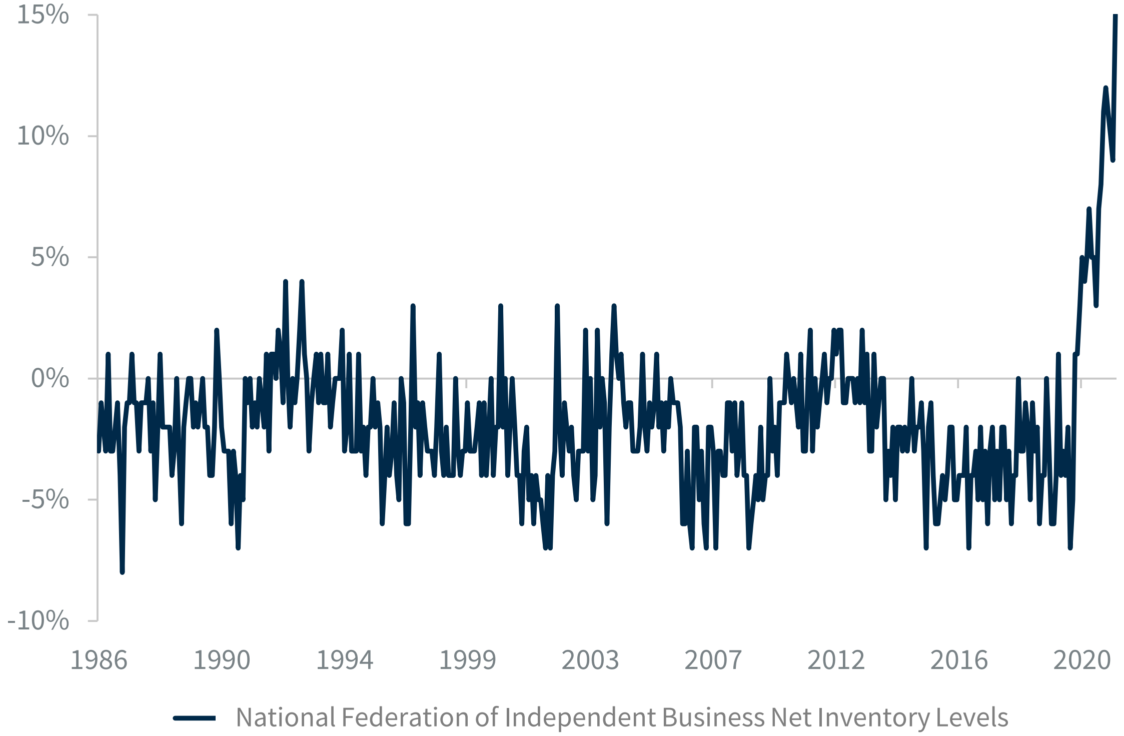
IN ADDITION TO CONSUMER SPENDING, CAPEX AND REBUILDING INVENTORIES WILL ALSO BE SUPPORTIVE OF GROWTH

- Elevated capex spending plans tend to serve as a harbinger of increased business spending while depleted inventories suggest the need for corporations to rebuild inventories. Both should be supportive of economic growth in 2022.

CAPEX Likely to Remain Supportive



Rebuilding Inventories a Tailwind for Growth



Source: FactSet. Data as of 12/31/2021

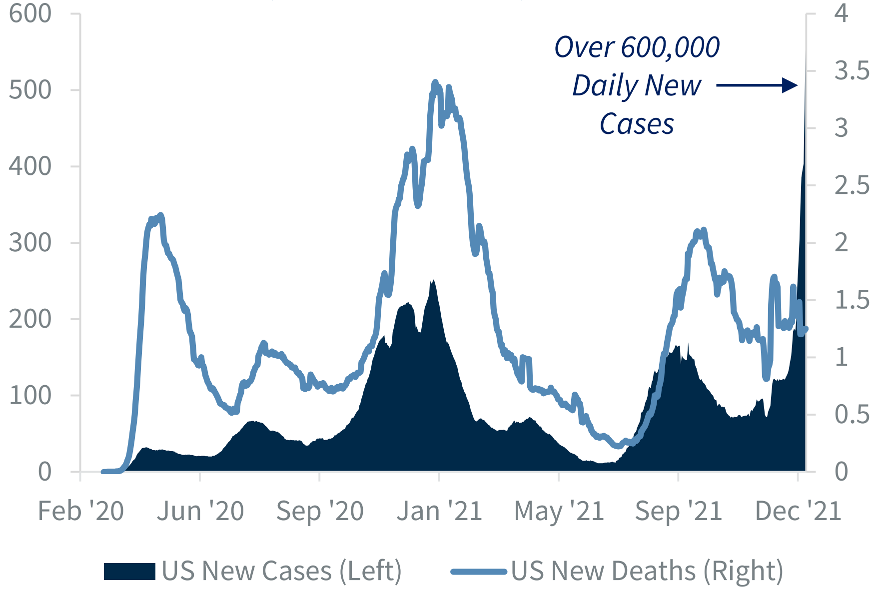
FROM PANDEMIC TO ENDEMIC

THIRD YEAR THE CHARM?

- The COVID-19 pandemic has reached unprecedented levels in 2022, with an average of over two million daily new cases around the world.
- While these numbers are alarming and propelled the US daily new cases to double the previous record high, the Omicron wave peaked rapidly in South Africa (where the virus originated), and it's likely to follow a similar trajectory in the rest of the world, including the US.
- This last wave might be what transitions this pandemic to an endemic.

Daily New Cases and Deaths in the United States

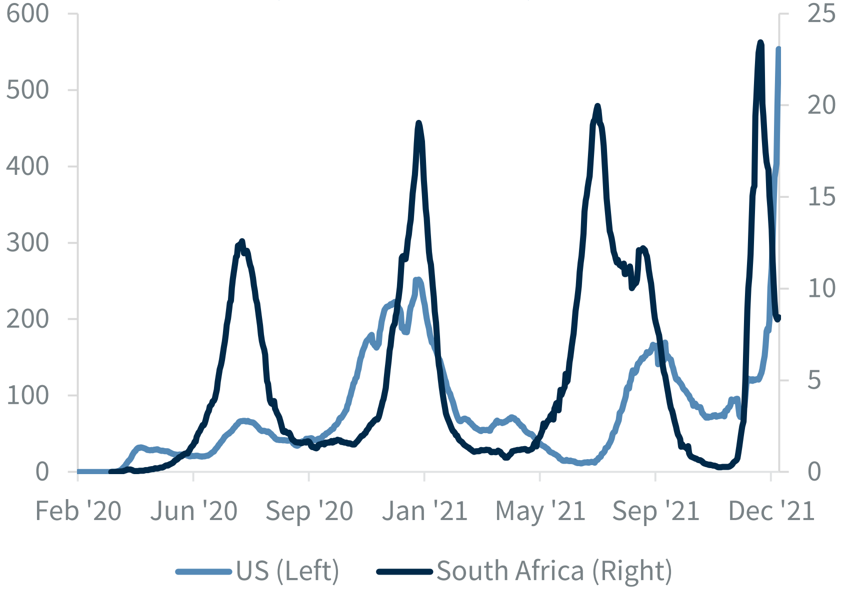
(Data in Thousands)



Source: FactSet, Data as of January 6, 2021

South Africa Peaked Quickly

(Data in Thousands)



Reasons for Endemic State

Mitigation

Social Distancing

Vaccines

Therapeutics

FROM PANDEMIC TO ENDEMIC

RECORD CASES, VERY HIGH HOSPITALIZATIONS, AND YET, COVID-19 IS NOT THE BIGGEST RISK TO THE MARKET

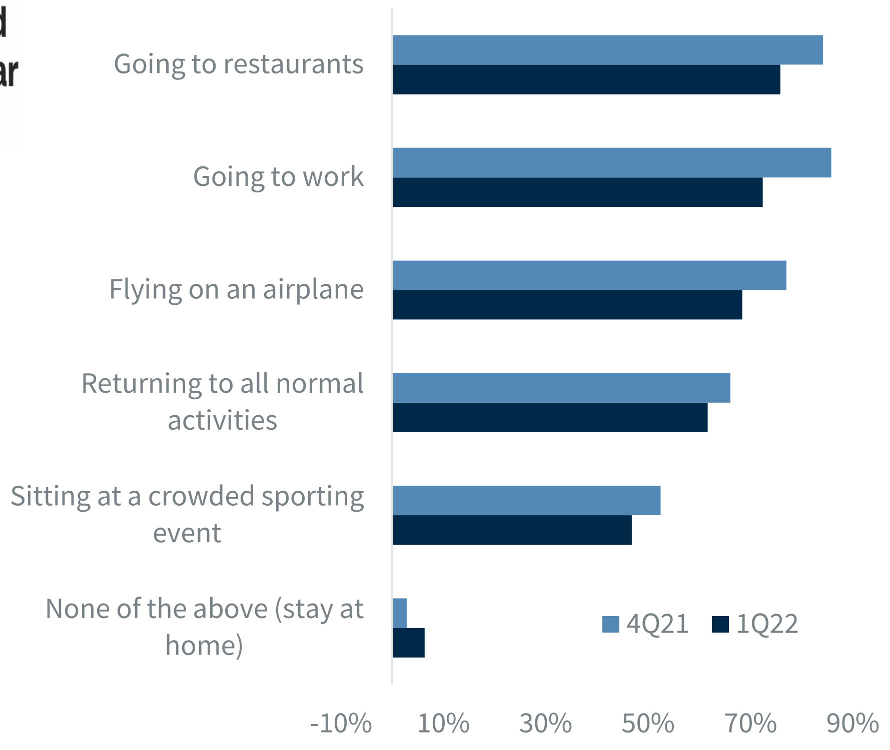
COVID Headlines

A record-high number of kids are getting hospitalized with Covid-19 as overall Covid-19 hospitalizations soar past the Delta peak

More Than 100,000 Hospitalized In U.S. With Covid-19 Amid Omicron Spread

US reports global record of more than 1M daily Covid cases

What Will You Be Comfortable Doing by the End of the Quarter?



What Are the Two Biggest Risks to the Market?

Source: Bloomberg, Investment Strategy Sentiment Survey

2 Monetary Policy

The Fed Must Adeptly Navigate The Fast-Moving Economy

INSIGHT:
The pace of economic growth and inflation has forced the Federal Reserve (Fed) to start debating the details of the impending tightening cycle, with market expectations and the most recent dot plot signaling three interest rate hikes in 2022.

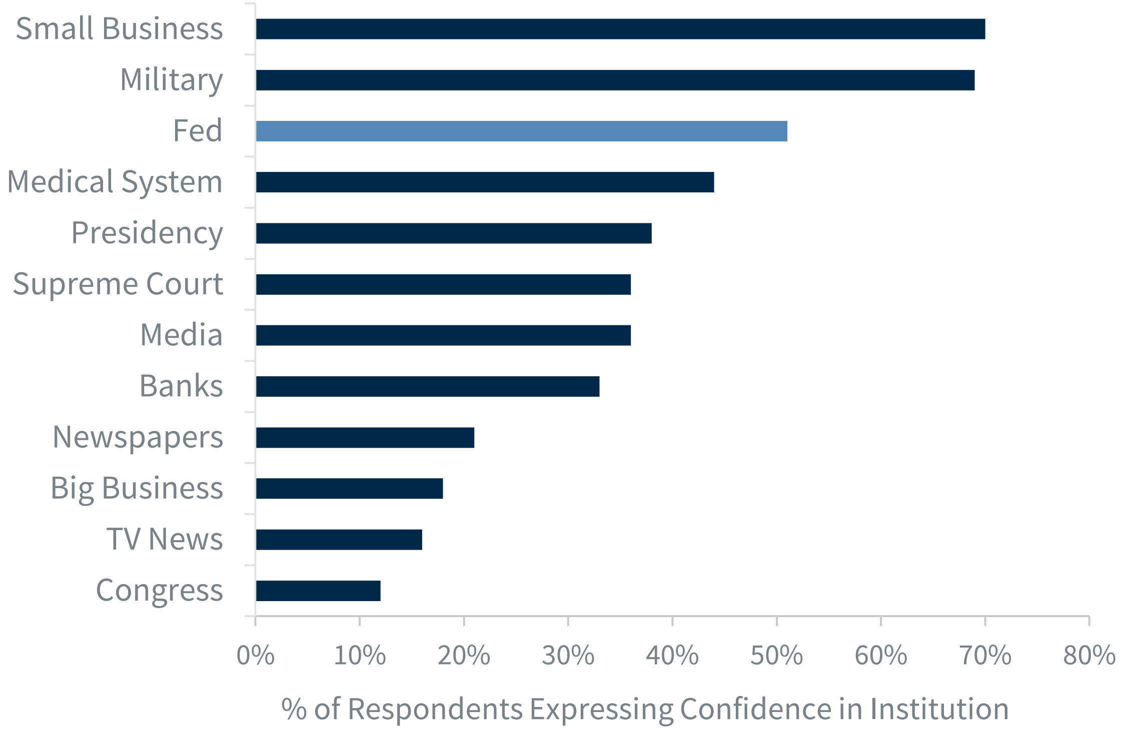
BOTTOM LINE:
We expect slowing economic growth, dissipating inflationary pressures, talk of the yield curve inverting, and the more dovish voter composition to allow for a still patient, relatively accommodative Fed.

CONFIDENCE REMAINS IN THE FED

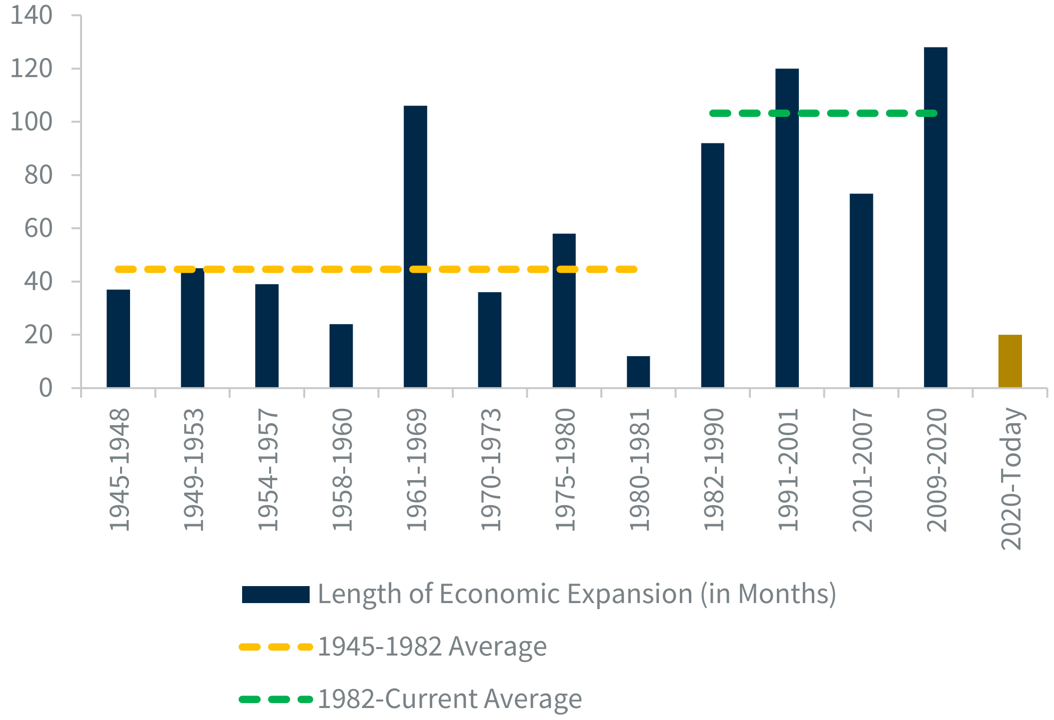
DESPITE RECENT NOISE, OVERALL THE PUBLIC REMAINS CONFIDENT IN THE FED

- Relative to other institutions, the public overall has confidence in the Fed. This is likely because the Fed has done a good job extending economic cycles in recent decades.

Overall, Public Has Trust in Fed Relative to Other Institutions



Recent Business Cycles Lasting Longer



Source: Bloomberg, FactSet. Data as of 12/20/2021

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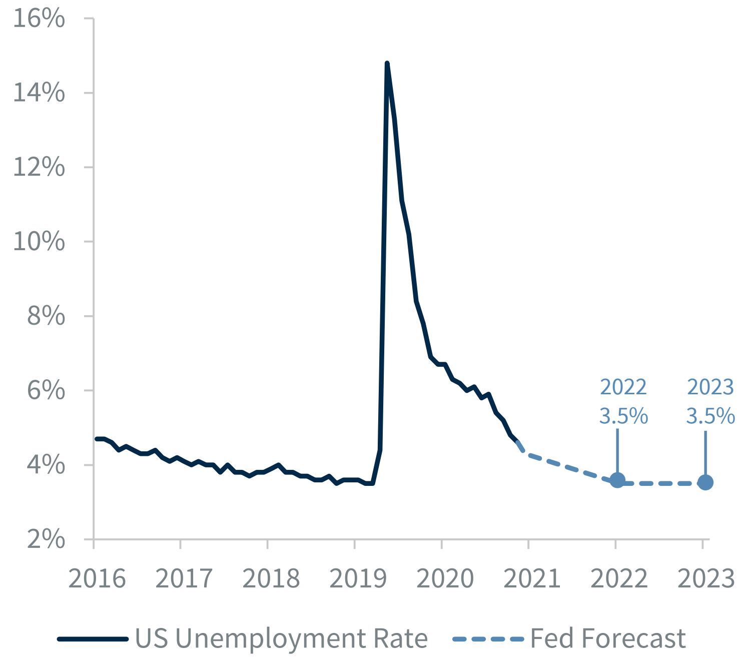
FED FORECASTS CONTINUE TO SUGGEST 'TRANSITORY' STORY

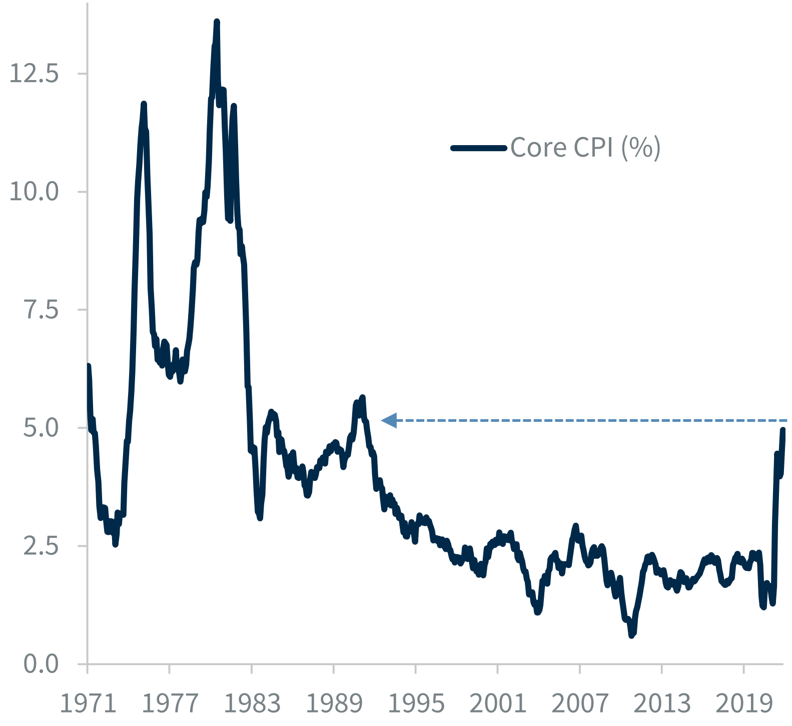
FED FORECASTS CONTINUE TO SUGGEST THAT THE SURGE IN INFLATION WILL BE TRANSITORY

- The Fed forecasts that unemployment will decline to pre-COVID levels (3.5%) in 2022 and that the pace of inflation should moderate toward the Fed's target of ~2% in 2023.

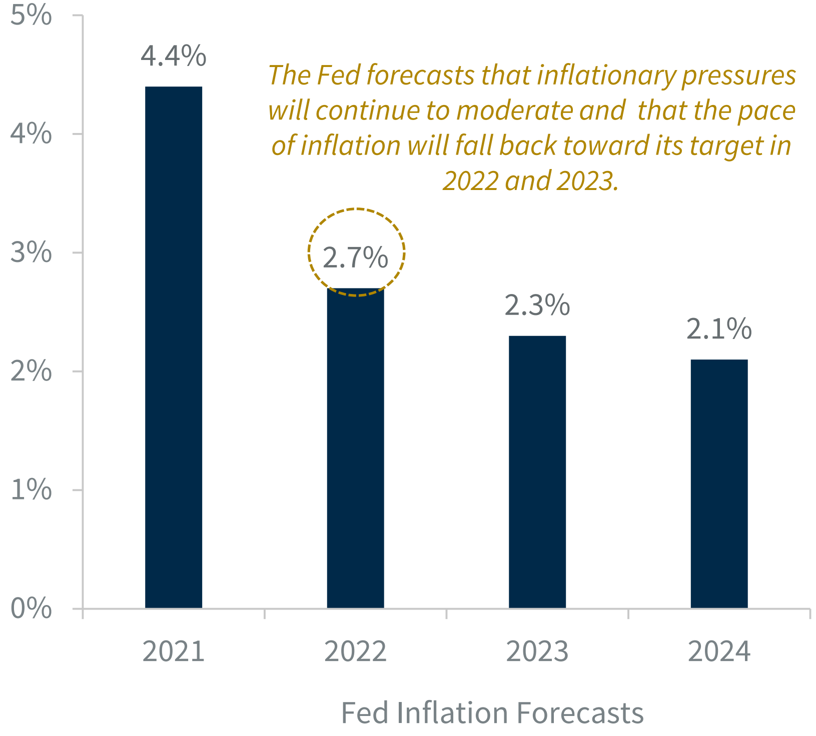
Unemployment to Continue to Improve



Highest Inflation in Nearly 40 Years



Hotter Inflation, But Likely to Moderate



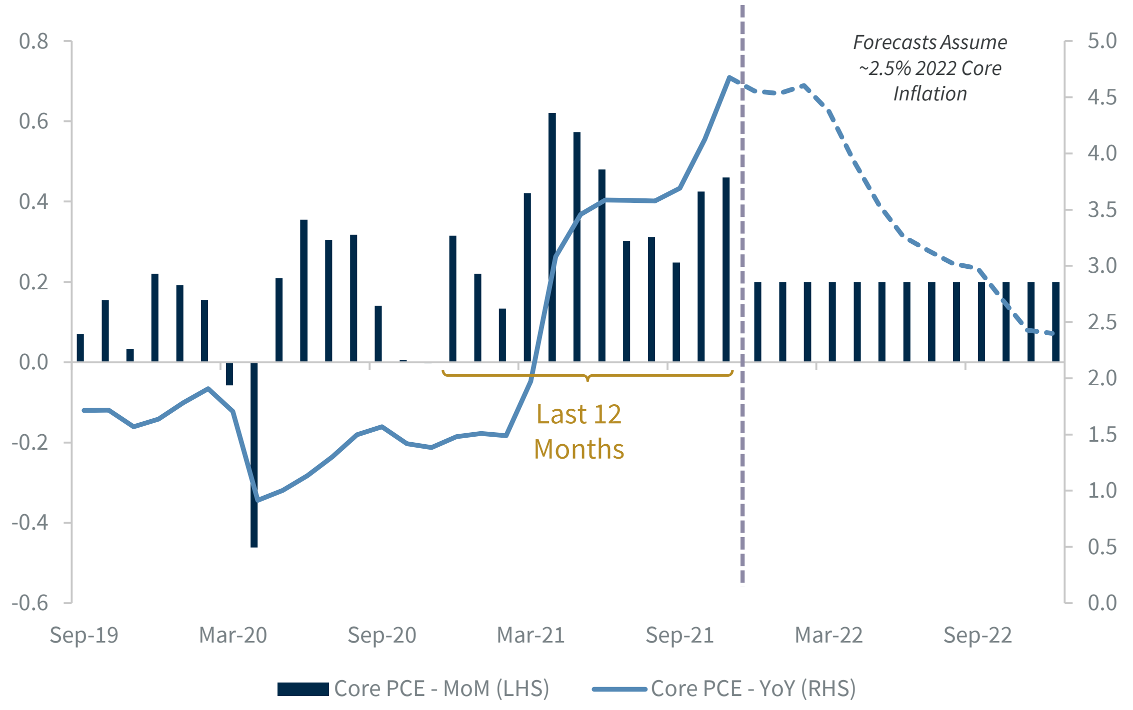
Source: FactSet. Data as of 12/31/2021

WHY WE EXPECT INFLATION TO NORMALIZE

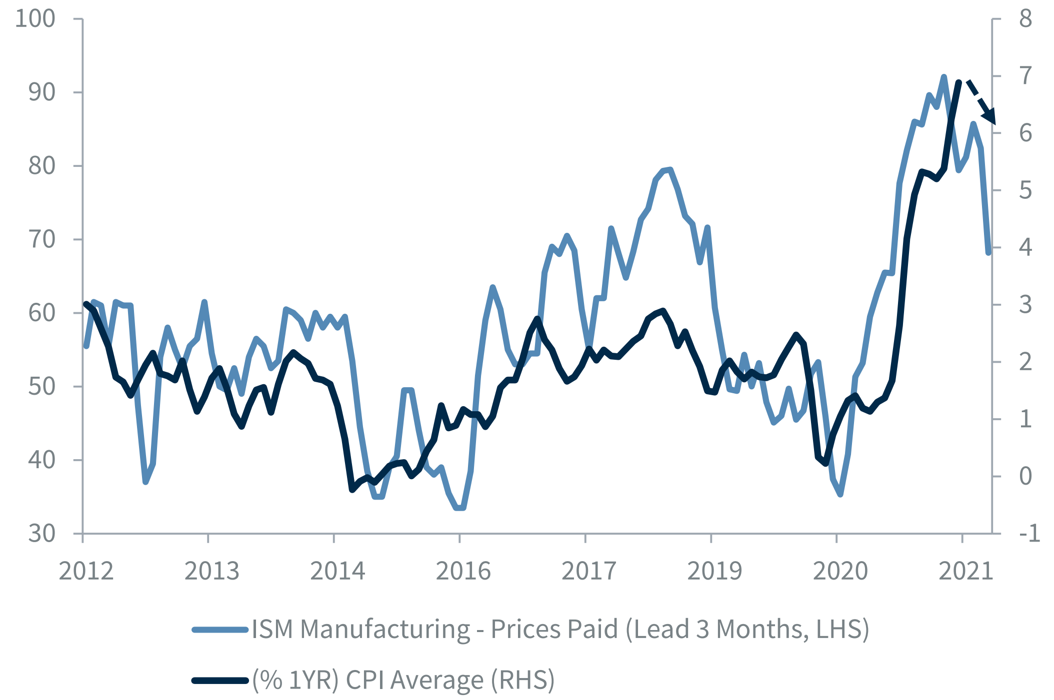
WE EXPECT THE PACE OF INFLATION TO MODERATE THROUGHOUT 2022

- We expect the pace of inflation to moderate in 2022 as we 'anniversary' the hotter inflation prints that we saw in 2021, as mobility normalizes to more normal levels, and as consumer long-term inflation expectations remain tepid.

It's Math! – Rolling Off Hotter Inflation Prints



Prices Paid Subsectors Rolling Over



Source: FactSet, Data as of 12/31/2021

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INFLATION COULD BE THE GIFT THAT KEEPS GIVING

WHILE ELEVATED INFLATION DROVE HEADLINES IN 2022, IT COULD PROVIDE A GIFT IN 2022

- Assuming inflation normalizes in 2022, it could give the markets a gift as it could provide the Fed flexibility in tightening monetary policy, increase consumer confidence and support corporate margins and earnings.

2021: High Inflationary Environment

Record Earnings Growth and Corporate Margins

As strong demand led to pricing power for businesses (and therefore the ability to pass on rising costs) earnings and margins rose to record highs.

Long Awaited Wage Increases

After struggling to sustainably rise above 4% over the last 30 years, nominal wage growth rose at the fastest pace (5.9% YoY) since the mid-1980s

Moderate Dems Take Tax Increases off the Table

With inflation rising above 5% in 2021, Democrats dialed back spending plans. As a result, tax hikes (which would be used as a pay-for) were taken off the table.

2022: Decelerating Inflationary Environment

Provides Fed Flexibility in Removing Accommodation

If inflation moderates in 2022, it would provide the Fed with maximum flexibility removing accommodation (e.g., interest rate hikes and balance sheet run-off).

Consumer Confidence Increases

Rising inflation weighed on consumer confidence in 2021. Moderating inflation in 2022 could boost confidence and thereby spending going forward.

Corporate Profit Margins and Earnings Remain Healthy

After a year of raising prices to maintain margins, corporate profit margins and earnings should continue to remain near record highs as inflation moderates.

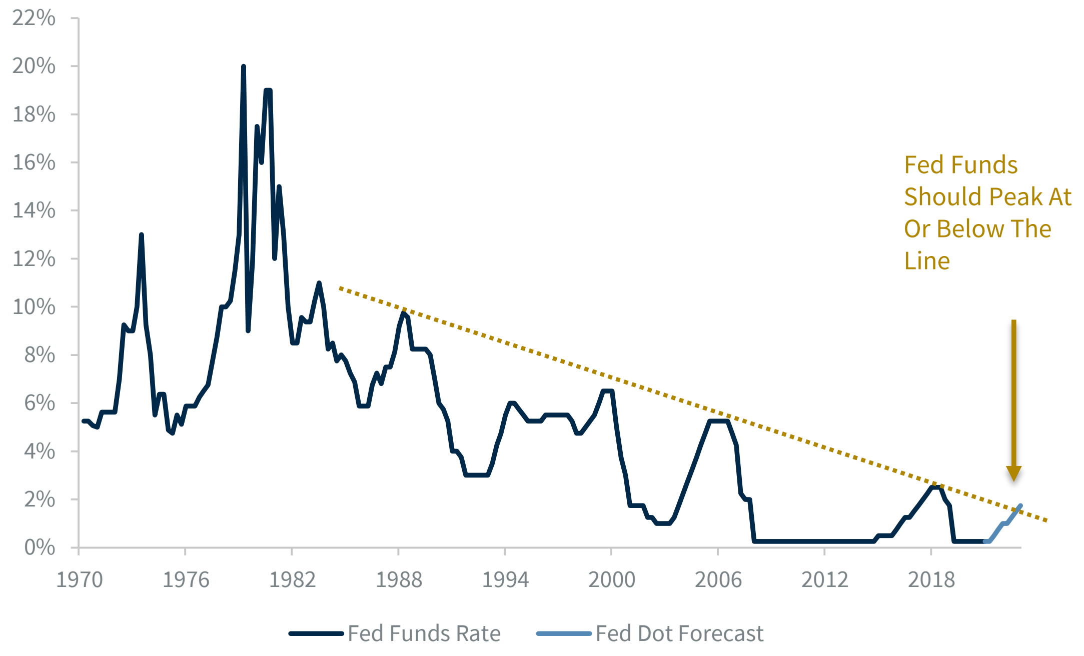
Source: FactSet, Data as of 12/31/21

UPSIDE TO RATE FORECASTS UNLIKELY

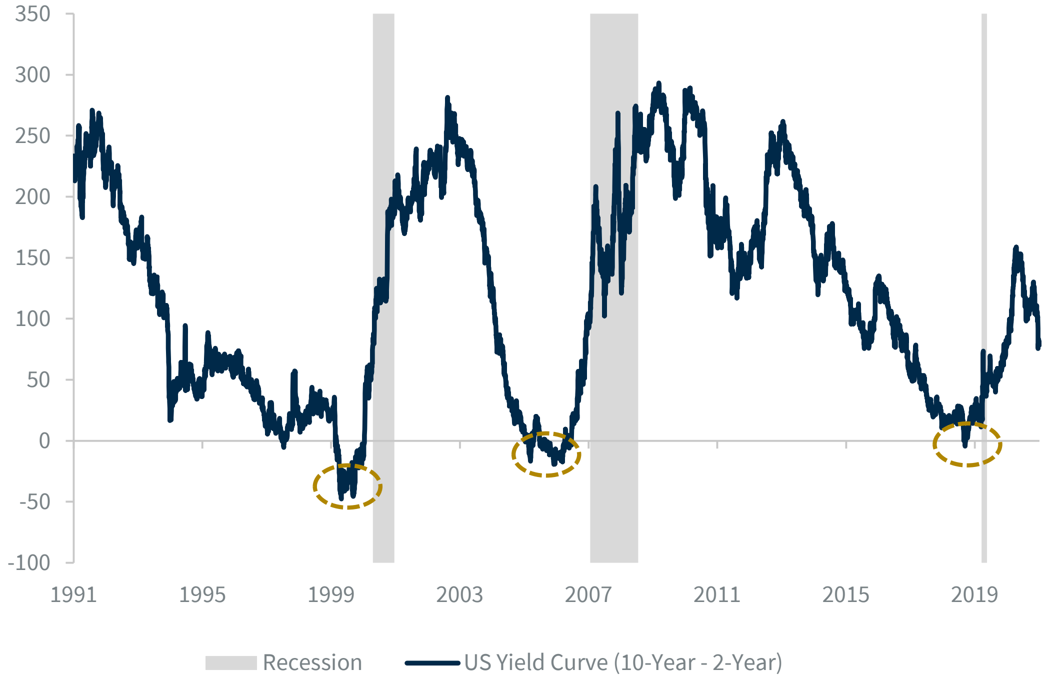
WE SEE LIMITED UPSIDE TO THE FED FORECASTED RATE HIKES IN 2022 AND 2023

- We believe the market can absorb two to three rate hikes in 2022, and that investors should be focused on what the Fed will do in 2023.
- We see limited upside to their current forecast of three rate hikes in 2022 and an additional three in 2023, as the Fed will not want to invert the yield curve or significantly boost the real fed funds rate above the level of previous cycles.

Focus on 2023 Hikes Rather Than 2022



Longer-Run Inflation Forecasts Steady



Source: FactSet, Data as of 12/31/2021

3 Fixed Income

Yields Will Swerve Between The Gates

INSIGHT:
Historically, after each successive tightening cycle, the 10-year Treasury yield failed to reach its previous peak level. While Treasury yields have moved slightly higher, the upside will be capped due to less government issuance, demographics, and globalization trends.

BOTTOM LINE:
As the Fed unwinds accommodative policies, yields should move slightly higher, making for a challenging environment for fixed income returns. Bonds should be used to protect against equity risk, and periodic bouts of volatility could create opportunities in the corporate credit markets.

THE 40-YEAR SECULAR DOWNWARD TREND IN YIELDS

YIELDS ARE EXPECTED TO REMAIN IN A NARROW RANGE AS THEY GO OVER A SERIES OF 'MOGULS'

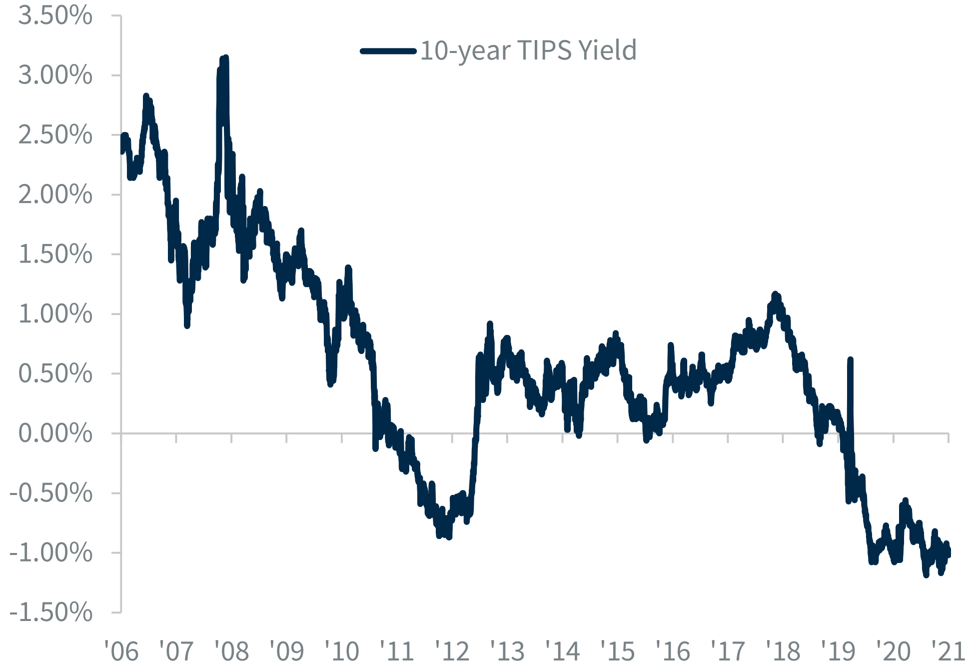
Source: FactSet, Data as of 12/31/2021

INTEREST RATES ARE LIKELY TO RISE... BUT ONLY MODESTLY!

TREASURY YIELDS STILL FACE UPWARD PRESSURE

- The recent surge in inflation has pushed real interest rates to their lowest levels in history. This has been extremely punishing for savers who continue to see their purchasing power diminish over time.
- Real interest rates are likely to rise to attract more investments. This should put modest upward pressure on nominal rates in 2022.

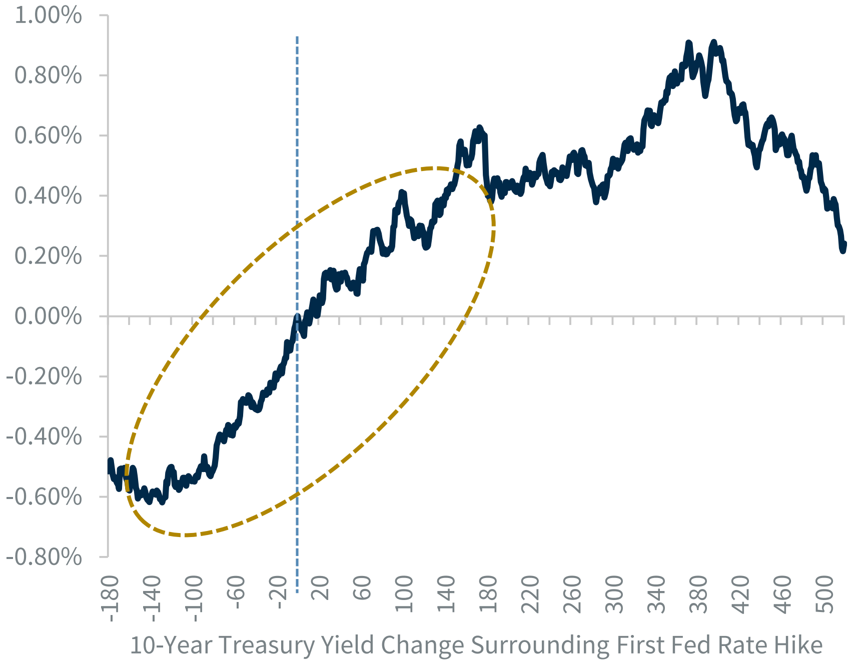
Investors Want/Need to Be Compensated



1.90%

Year-End 10-Year Treasury Yield Forecast

10-Yr Yields Tend to Rise When Tightening Begins



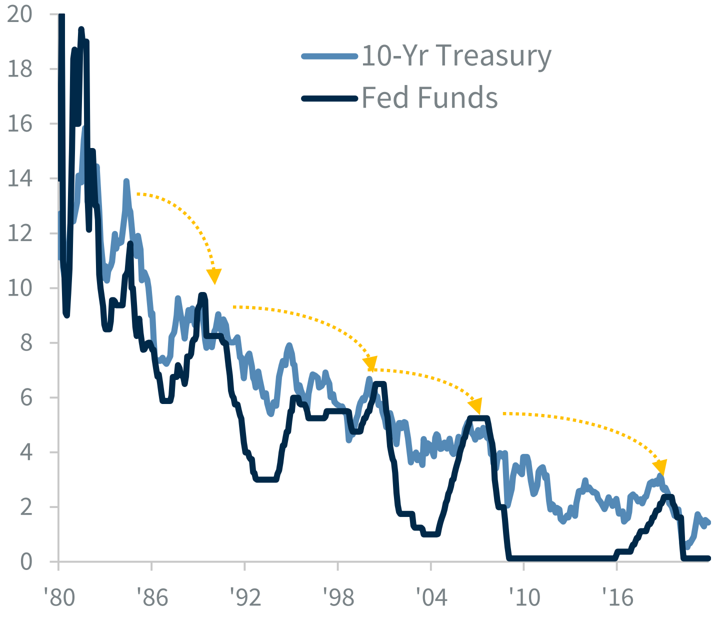
Source: FRED, FactSet as of 12/31/21

FORCES KEEPING THE 10-YEAR BELOW 2%!

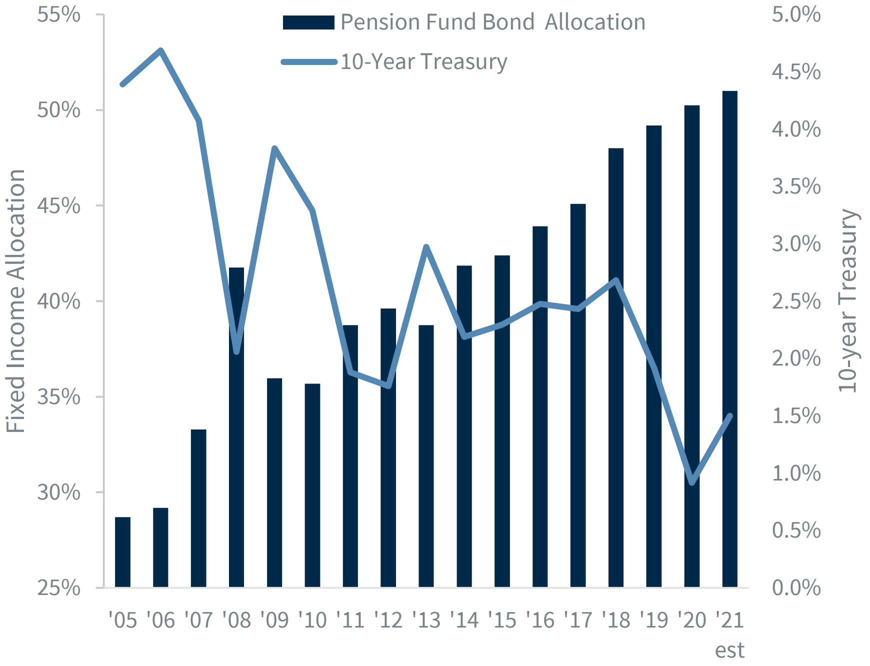
TREASURY YIELDS LIKELY TO ONLY RISE MODESTLY

- While there may be modest pressure on bond yields in 2022, we don't expect 10-year yields to sustainably breach the 2.0% level. Every cycle has seen yields peak at a lower level and this cycle should be no different.
- Pension fund rebalancing flows from equities to fixed income and elevated levels of foreign demand remain powerful forces holding the long-end of the Treasury yield curve down.

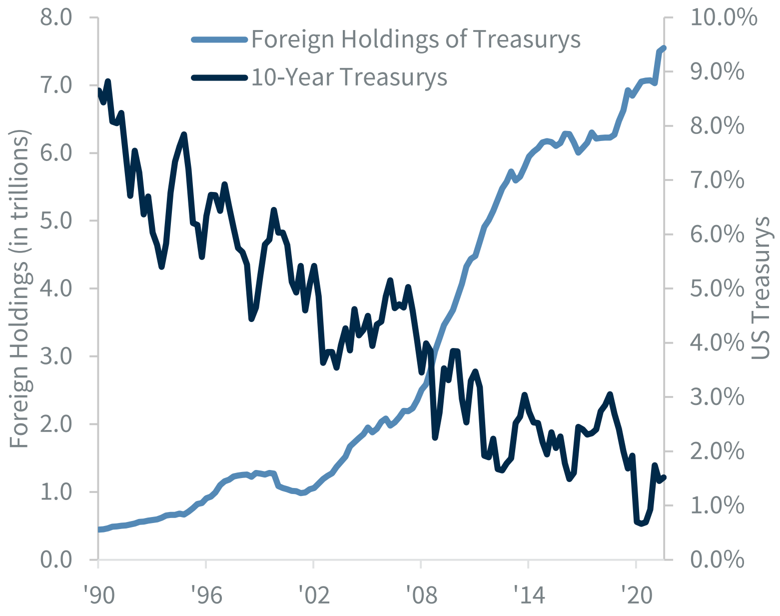
10-Year Yield Peaks Below Previous High



Pension Fund Bond Allocation on the Rise



Foreign Demand Remains Elevated



Source: FRED, FactSet as of 12/31/2021

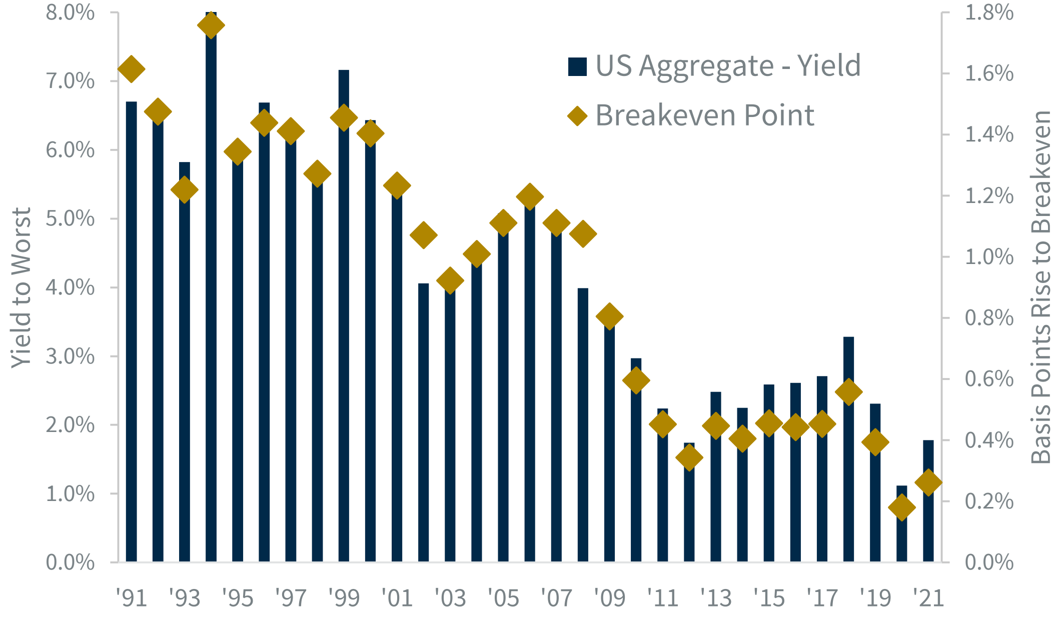
LIMITED CUSHION TO ABSORB RISING INTEREST RATES

LOW INTEREST RATE ENVIRONMENT HAS DIMINISHED BONDS ABILITY TO ABSORB LOSSES WHEN YIELDS RISE

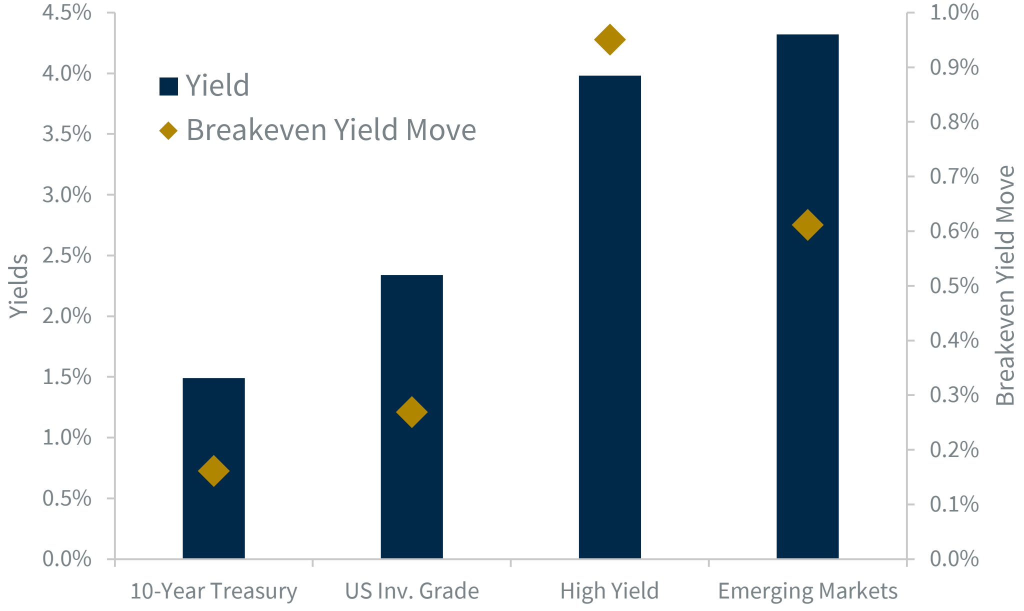
- Government bonds continue to provide ballast against equity risk, but the low interest rate environment has made it more challenging for investors seeking cover from rising rates.
- Heading into prior tightening cycles, yield cushions were a lot higher than they are today. The income available to absorb losses is near the lowest levels in 30 years! While yields continue to hover near historically low levels, corporate credits provide some buffer to absorb losses from rising interest rates.

Declining Yields Have Eroded Yield Cushion

Bloomberg US Aggregate Bond Index



Corporate Credits Offer a Buffer



Source: FRED, FactSet as of 12/31/2021

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4 Politics

The Democratic 'Blue Wave' Is Skating On Thin Ice

INSIGHT:

For all the perceived dysfunction in DC, politics have not hindered the economy or the financial markets, and both parties have been able to secure high-priority policies in recent years (e.g., Republicans—corporate and individual tax cuts, Democrats—COVID-induced stimulus).

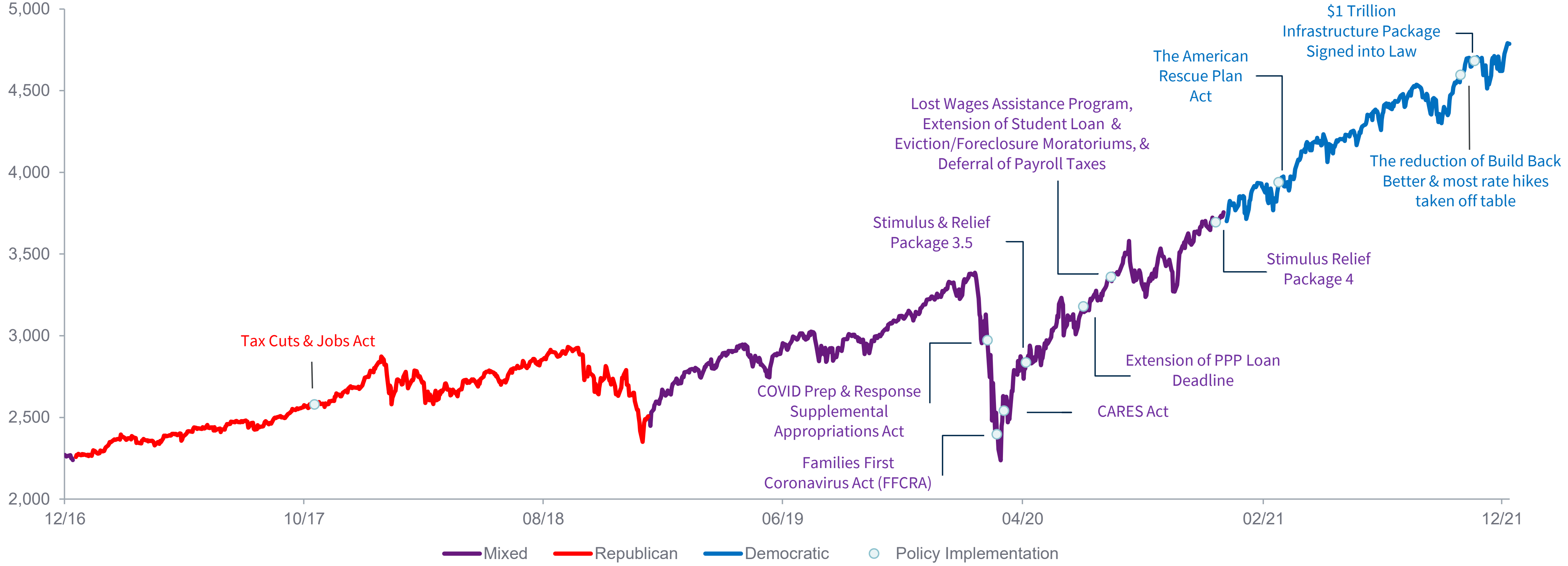
BOTTOM LINE:

History suggests the incumbent party tends to lose seats in the House of Representatives during the midterm elections, making gridlock the anticipated outcome. As such, any major policy shifts are unlikely.

NO SURPRISE THAT THE MARKET WOULD CELEBRATE GRIDLOCK

REGARDLESS OF WHO IS IN POWER, THE TRAJECTORY OF THE MARKET HAS REMAINED UP IN RECENT YEARS

- Regardless of who is in power, the trajectory of the market has been up and earnings and economic fundamentals have supported the market. Going forward, gridlock likely would be supportive of the market as it means pro-growth policies (e.g., tax cuts, spending plans) will not be retracted.



Source: FactSet, Data as of 12/20/21. The market in the chart is represented by the S&P 500.

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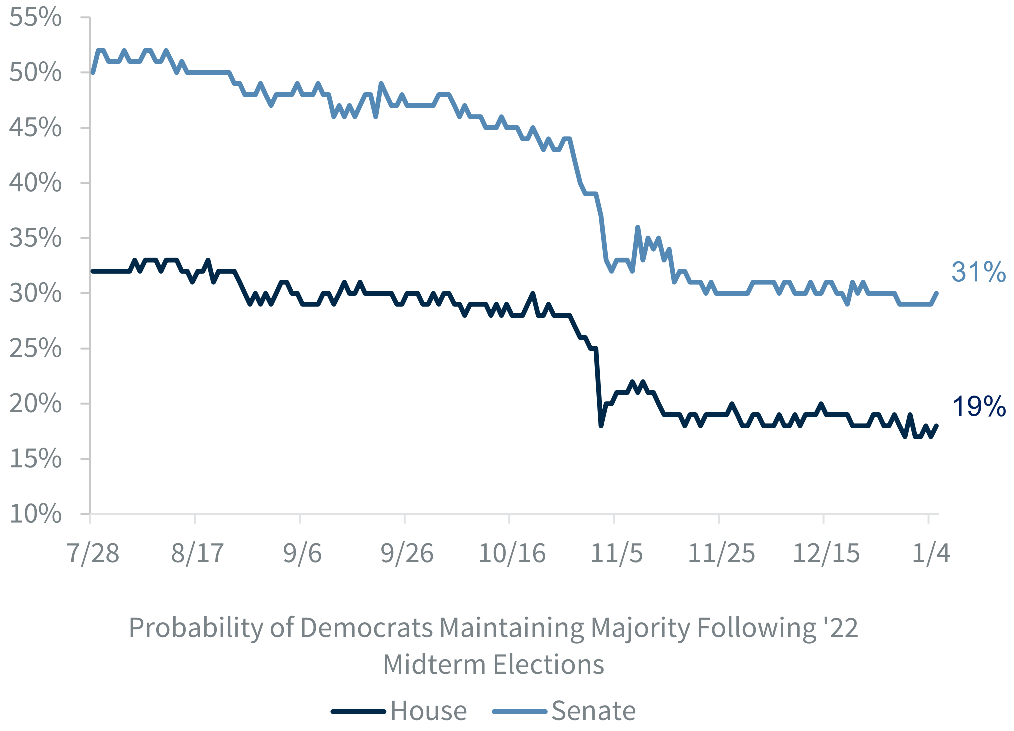
GRIDLOCK THE MOST LIKELY OUTCOME FOLLOWING MIDTERMS

POLLING AND HISTORY SUGGESTS THAT GRIDLOCK IS THE MOST LIKELY OUTCOME FOLLOWING THE 2022 ELECTION

- Betting markets are currently suggesting that Republicans are likely to take the House and Senate, which is consistent with history as approval ratings similar to Biden's current rating have led to significant losses in the House.

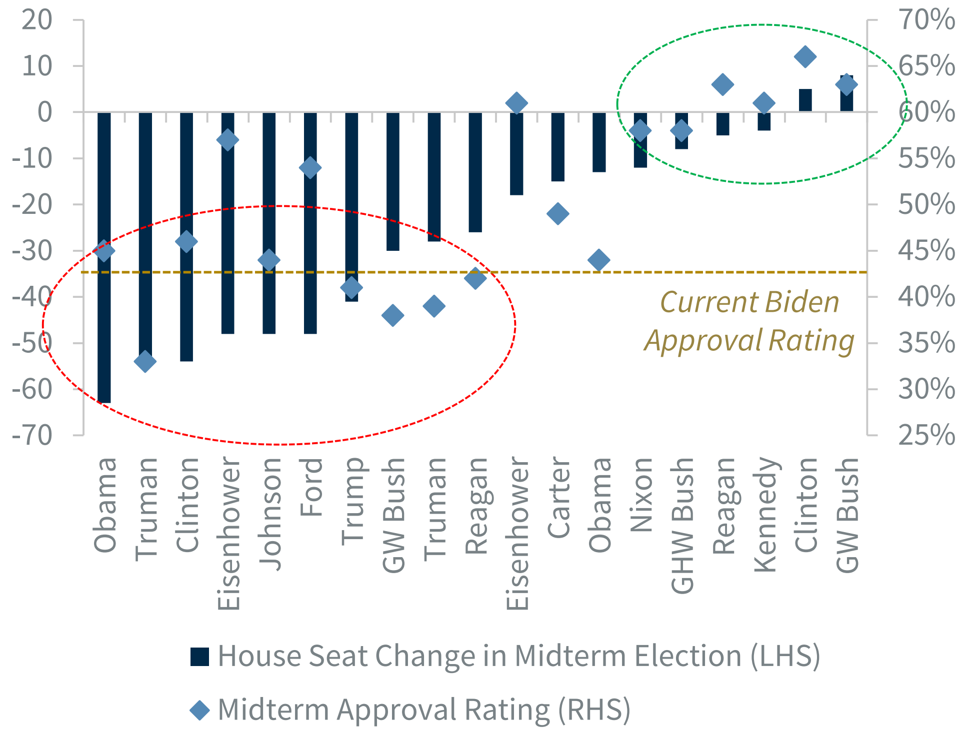
Betting Markets Suggesting Red Wave



4%

of Respondents Believe Democrats Will Hold on to Both House and Senate

Biden's Approval Rating Suggests House Losses



Source: Bloomberg, FactSet. Investment Strategy Sentiment Survey. Data as of 12/31/2021

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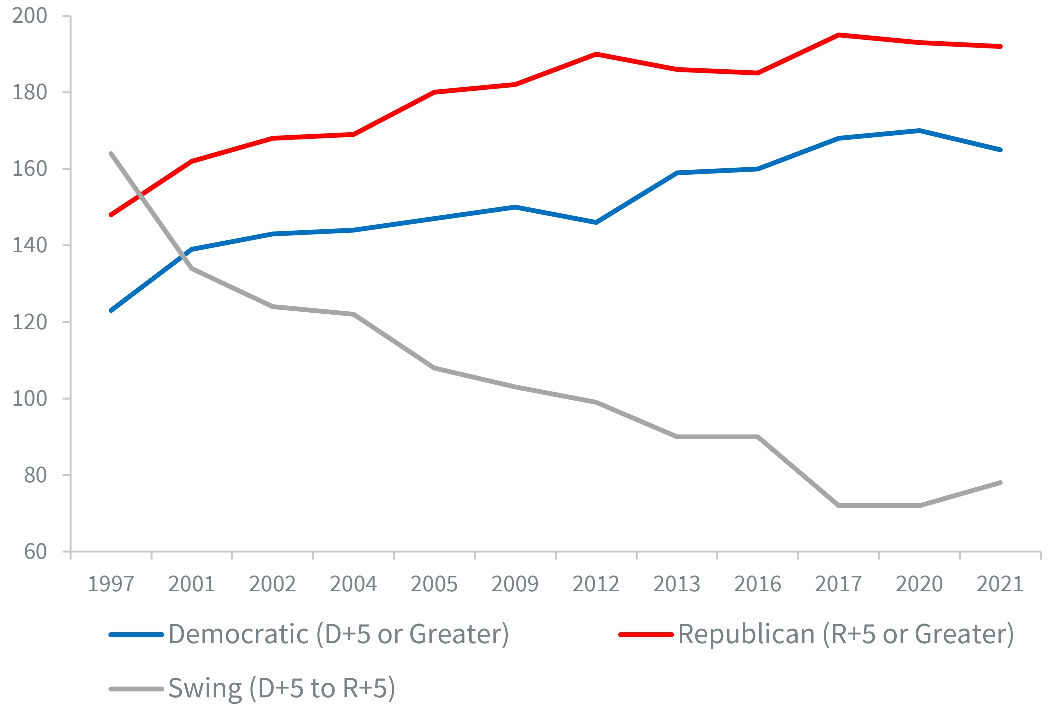
GRIDLOCK THE MOST LIKELY OUTCOME FOLLOWING MIDTERMS

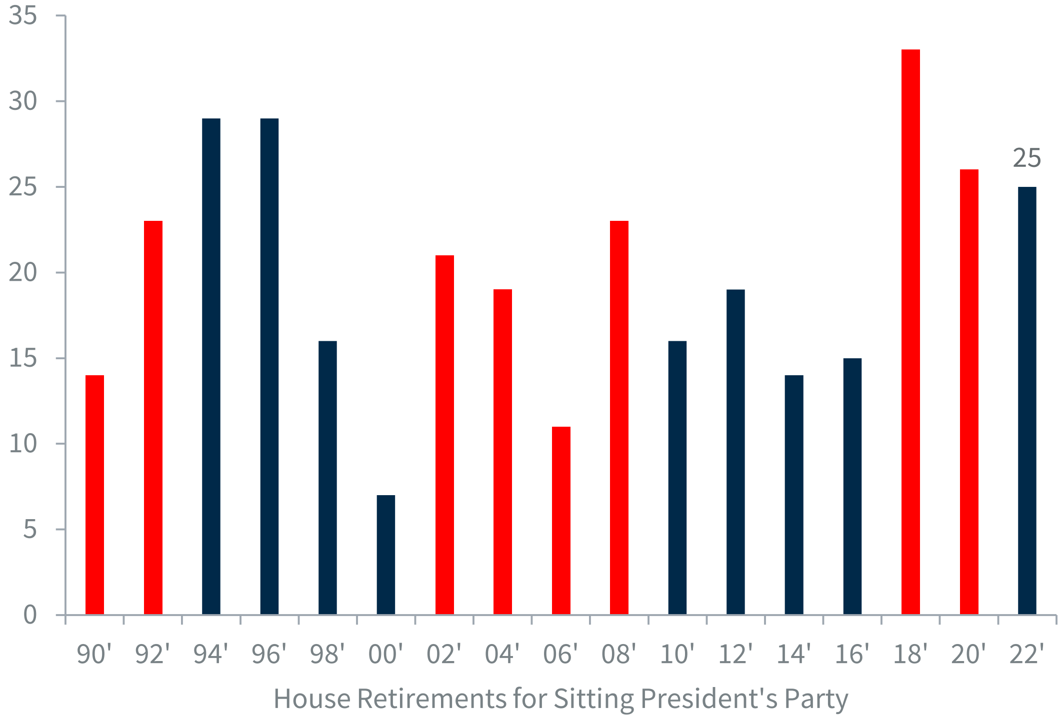
APPROVAL RATINGS AND STRUCTURAL CHANGES IN THE HOUSE MAKE IT UNLIKELY THAT DEMOCRATS MAINTAIN CONTROL

- Between President Biden's depressed approval rating, structural changes in the House as a result of redistricting and election changes (cutting the number of swing districts in half) and elevated retirements, it is unlikely that Democrats maintain control of the House following the 2022 midterms.

Structural Changes in the House



Elevated Retirements in 2022



Source: Bloomberg, FactSet as of 1/5/2022

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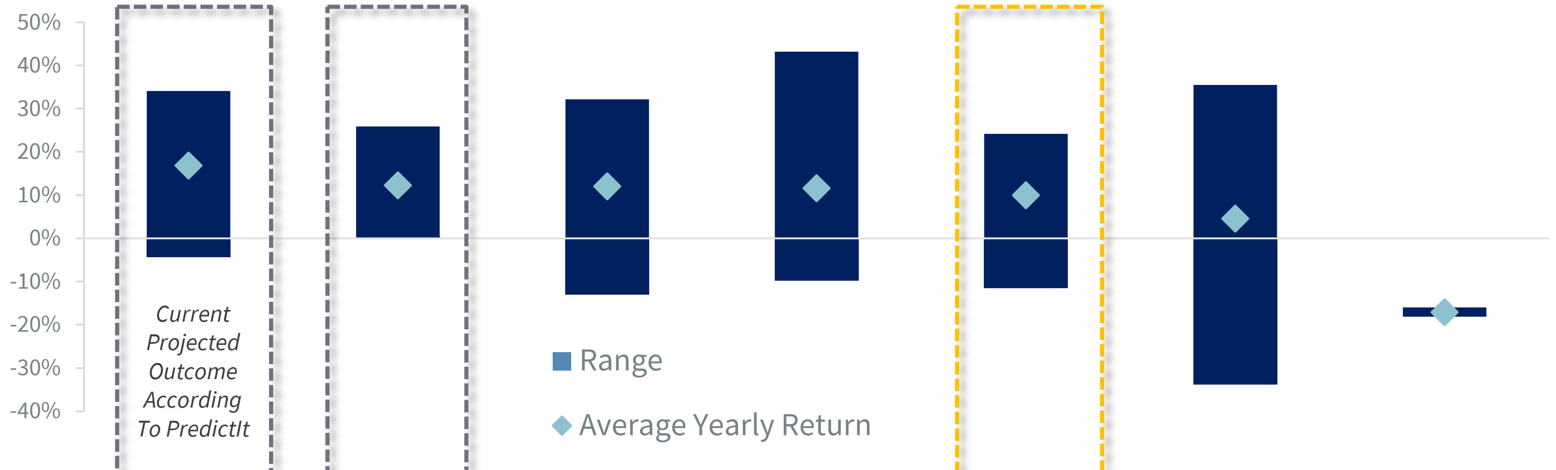
MARKETS HAVE HISTORICALLY CELEBRATED GRIDLOCK

EQUITY MARKETS HAVE TYPICALLY PERFORMED WELL IN PERIODS OF GRIDLOCK

- While the composition of Washington is important, it is only one factor in our analysis. Other important factors include the business cycle, Fed policy, earnings growth, trends and valuations.

S&P 500 Performance Under Various Government Compositions



President	D	D	R	R	D	R	R
Senate	R	D	R	R	D	D	D
House	R	R	D	R	D	D	R
Occurrence	11%	6%	11%	11%	28%	30%	3%

Source: FactSet. Data as of 12/31/2021; dates back to 1945.

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5 Equities

Equities Transition From Power & Speed To Targeted Precision

INSIGHT:
The equity market rally has been fast paced and powerful, but as the bull market enters its third year, precision will be necessary. With valuations at elevated levels, it will be earnings growth rather than multiple expansion that continues to drive equities higher.

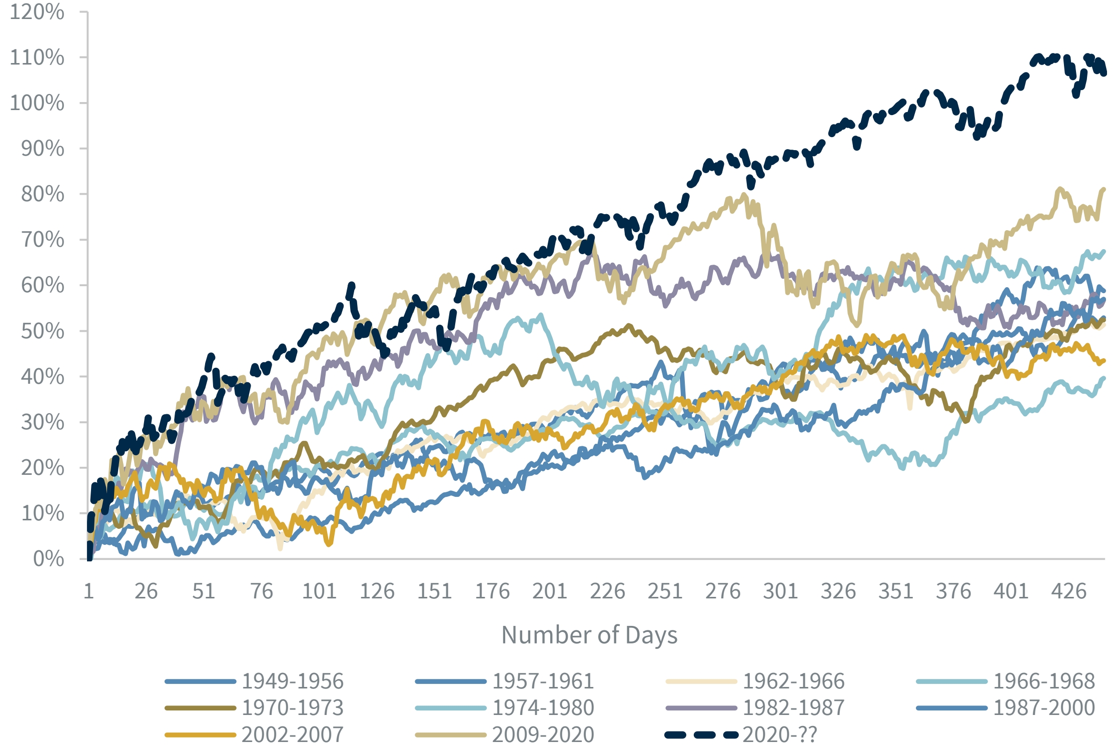
BOTTOM LINE:
Earnings should move higher in the midst of robust economic growth and still healthy margins. The continuation of shareholder-friendly actions and a still low interest rate environment should also help the S&P 500 reach the 5,000 level for the first time.

THE SLEDDING GETS TOUGHER FOR THE EQUITY MARKET

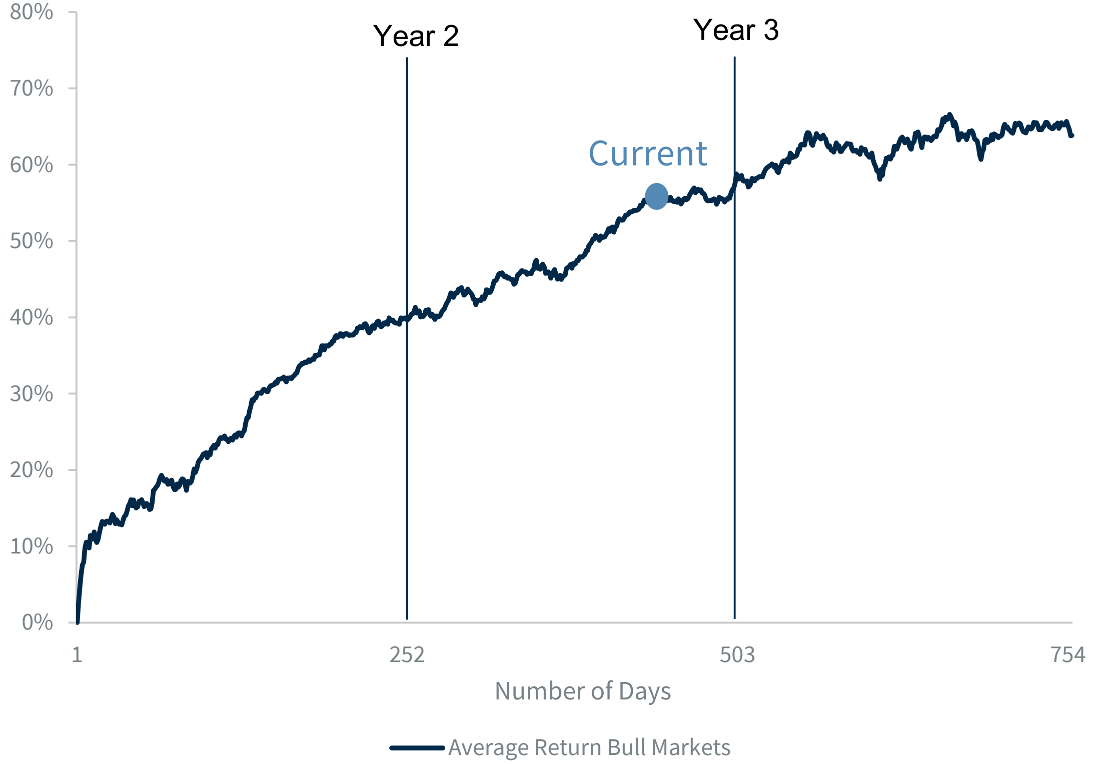
THE CURRENT BULL MARKET HAS REGISTERED THE STRONGEST START ON RECORD

- Despite the strong start to the bull market, the sledding is likely to get tougher going forward, as returns in the third year of a bull market are historically more muted relative to the first and second year on average.

Strongest Start to a Bull Market on Record



Returns Typically Slow In Year Three of Bull Market



Source: FactSet. Data as of 12/31/2021

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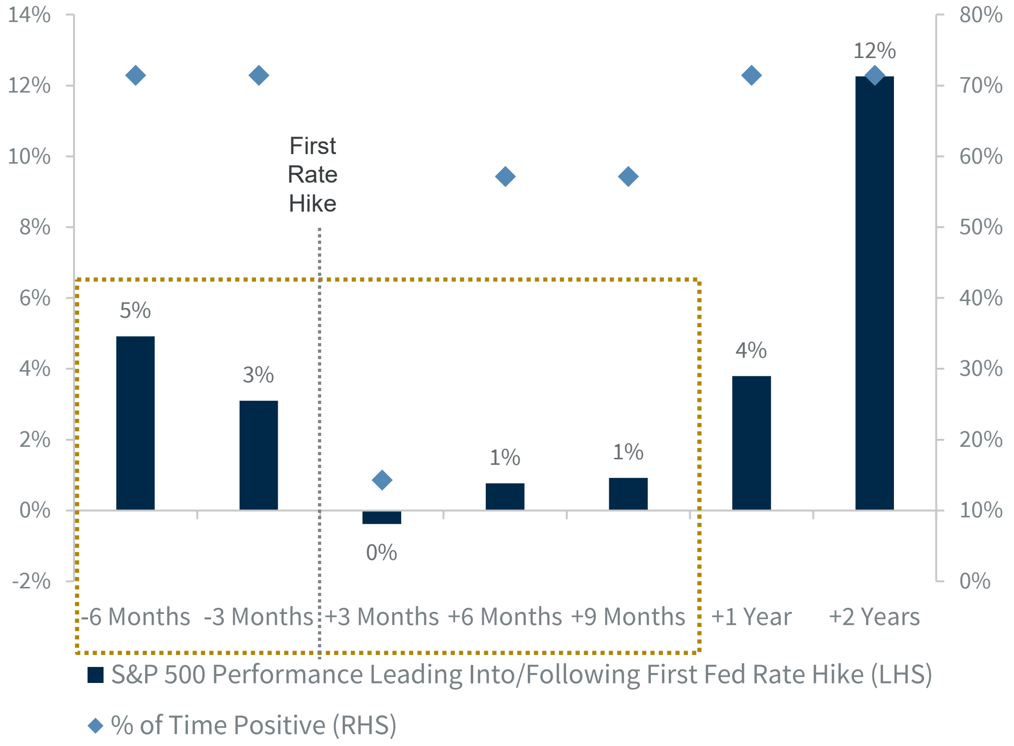
THE SLEDDING GETS TOUGHER FOR THE EQUITY MARKET

THE FIRST FED RATE HIKE AND MIDTERM ELECTIONS WILL ALSO WEIGH ON RETURNS GOING FORWARD

- While returns have been positive following the first Fed rate hike and leading into midterm elections, these events have led to increased volatility and more muted gains in the equity market.

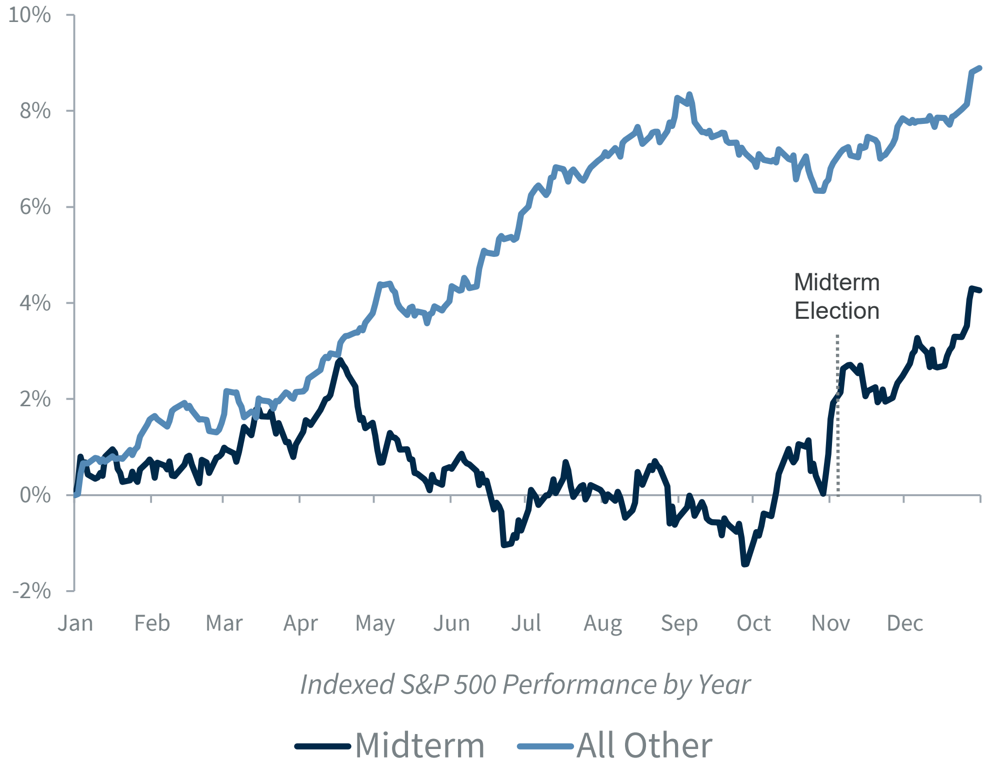
Returns Following First Fed Rate Hike



5,050

Year-End 2022 S&P 500 Target

Muted Returns into Midterm Election

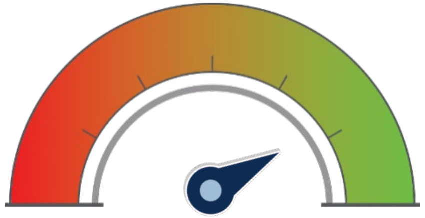


Source: FactSet. Data as of 12/31/2021

TRANSITIONING FROM POWER TO PRECISION

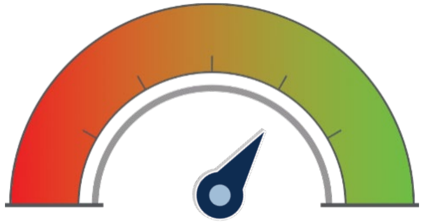
Bull Market Checklist

Economy



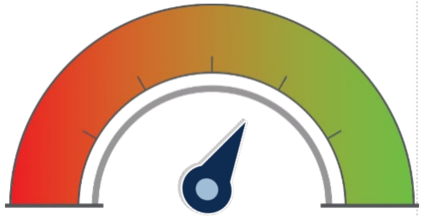
Above-trend economic growth is supportive of earnings growth and equities moving higher. Historically, the average annual return for the S&P 500 has been 12% when GDP falls into our expected range (2% to 4%), and the index is positive 80% of the time.

Earnings



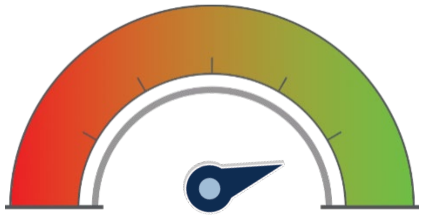
Our above-consensus forecast of $235 in 2022 (14% YoY EPS growth) should continue to drive the equity market higher. The macroeconomic backdrop should be particularly supportive of the cyclical sectors.

Valuations



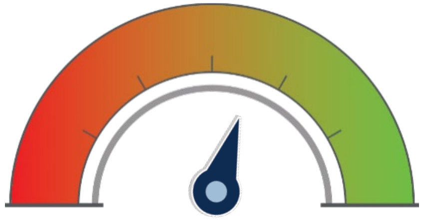
While less expensive than the start of 2021, valuations appear elevated at the headline level from a historical basis. However, they look attractive relative to other asset classes such as corporate bonds. We expect modest P/E compression over the next 12 months.

Corporate Activity



With near record levels of cash on balance sheets, corporations continue to enact shareholder-friendly actions. The anticipated growth in dividends and buybacks should continue to be a support for the equity market.

Seasonality



Despite the ~120% rally, the bull market is still relatively young. If history proves prescient, returns may be more muted in the months ahead, as Fed interest rate hikes, midterm elections and the third year of a bull market have typically subdued equity upside.

FAVOR CYCLICAL OVER DEFENSIVE SECTORS

WE FAVOR CYCLICAL OVER DEFENSIVE SECTORS AS THE ECONOMIC EXPANSION CONTINUES

- Due to strong earnings growth and above-trend economic activity, we favor cyclical over defensive sectors.
- We are currently overweight Industrials, Communication Services, Financials, Consumer Discretionary and Energy.

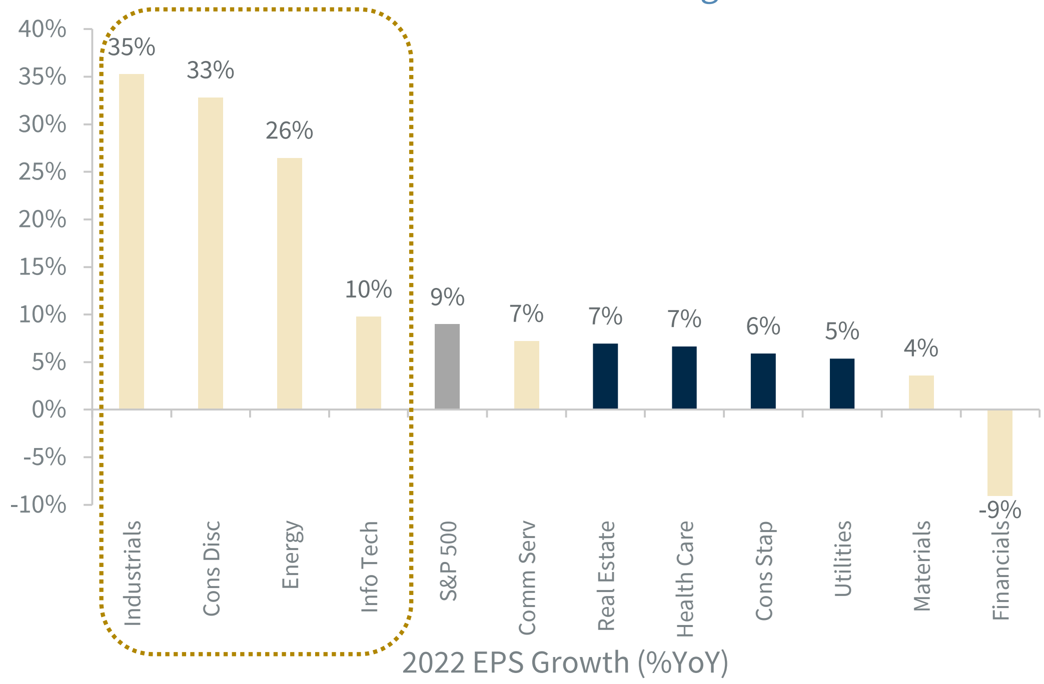
Overweight Cyclical Sectors

Overweight	Equal Weight	Underweight
Consumer Discretionary	Health Care	Consumer Staples
Financials	Materials	Utilities
Communication Services	Information Technology	Real Estate
Energy		
Industrials		

Cyclical Sector: Consumer Discretionary, Financials, Communication Services, Energy, Industrials, Materials, Information Technology
Defensive Sector: Health Care, Consumer Staples, Utilities, Real Estate

Source: Raymond James Equity Portfolio & Technical Strategy

More Balanced EPS Growth Going Forward



Source: FactSet. Data as of 12/29/2021

AIMING FOR THE CYCLICAL SECTORS

Streaming & Advertising	E-Commerce Presence	Logistics Network	Rising Rate Environment	Higher Oil Prices
Communication Services	Consumer Discretionary	Industrials	Financials	Energy

6 Market Capitalization

Sector Exposure Will Steer Small Cap In The Right Direction

INSIGHT:

Our economic growth expectations for this year, more specifically the uptick in services spending, should be supportive of small-cap equities. From a sector composition perspective, small-cap equities are exposed to our preferred cyclical areas of the economy.

BOTTOM LINE:

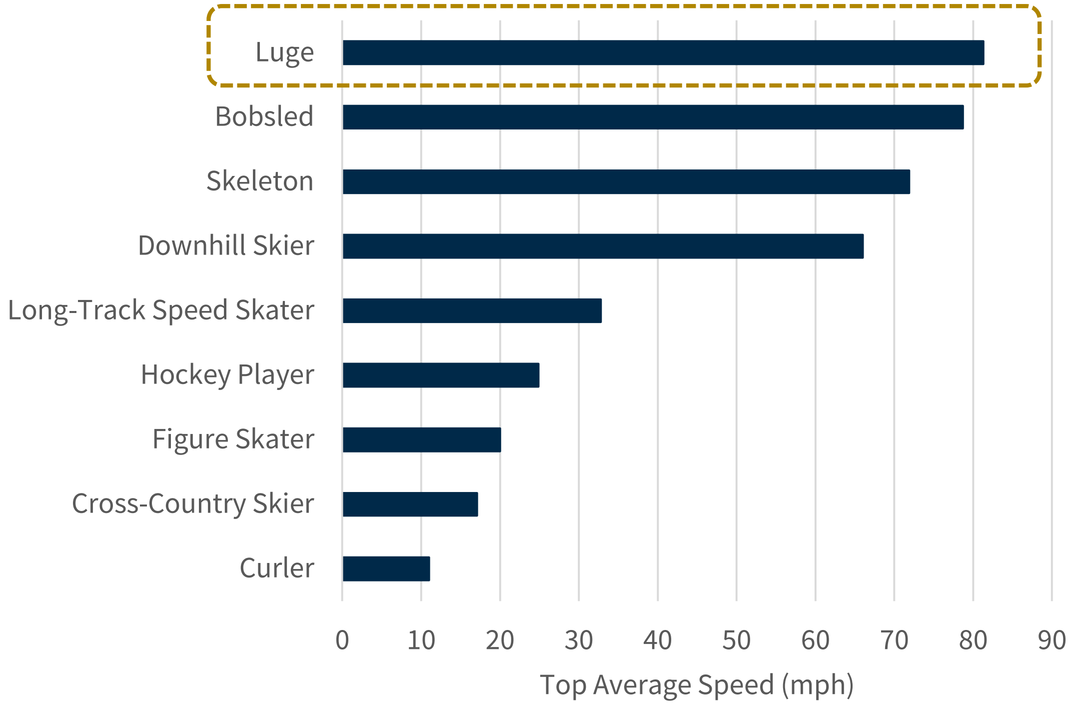
Relative to the S&P 500, valuations are trading at the lowest level on record. Combined with strong earnings growth expectations, small-cap equities should present an opportunity for investors.

SMALL CAP AN UNDERPERFORMER IN RECENT YEARS

SMALL CAP HAS BEEN A SIGNIFICANT UNDERPERFORMER TO LARGE CAP OVER RECENT YEARS

- Longer term, while small-cap equities have brought stronger returns, they have also brought additional risk.

Luge Is The Fastest, Arguably Riskiest Winter Games Sport



Higher Beta Has Not Been Rewarded in Recent Years

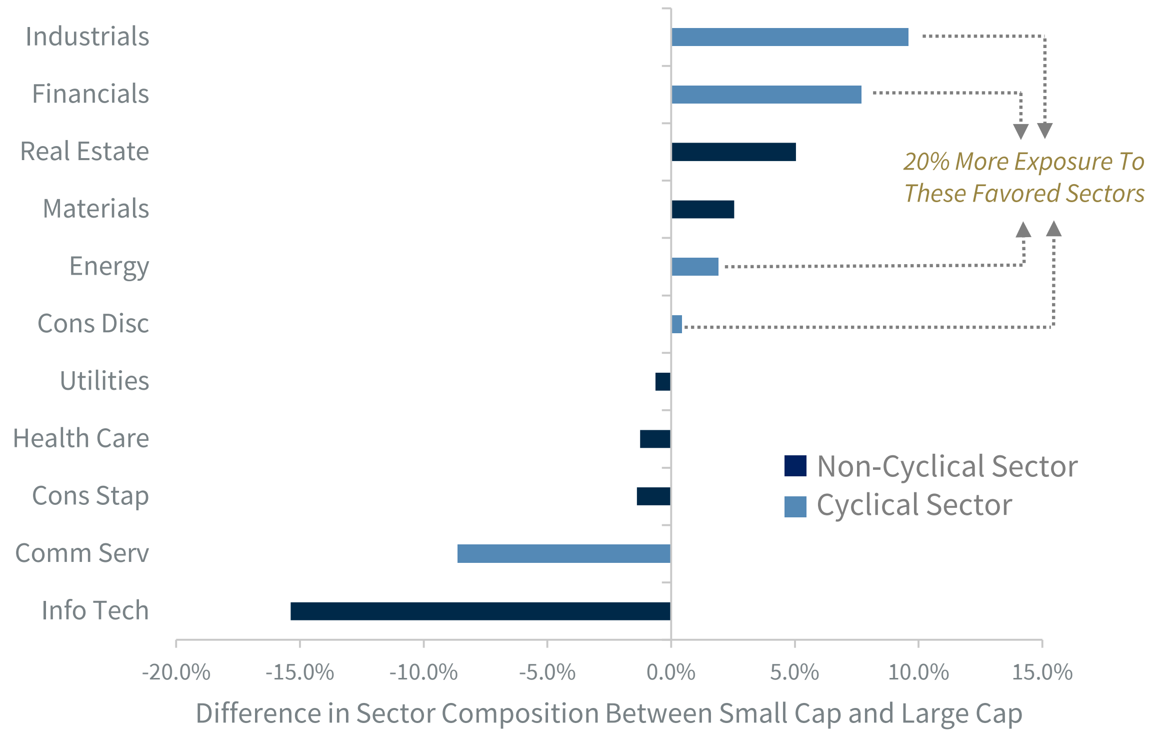
Source: FactSet. Data as of 12/31/2021. Small cap represented by the S&P 600 Index, Large cap represented by the S&P 500 Index.

SMALL CAP TO TURN THE CORNER IN 2022

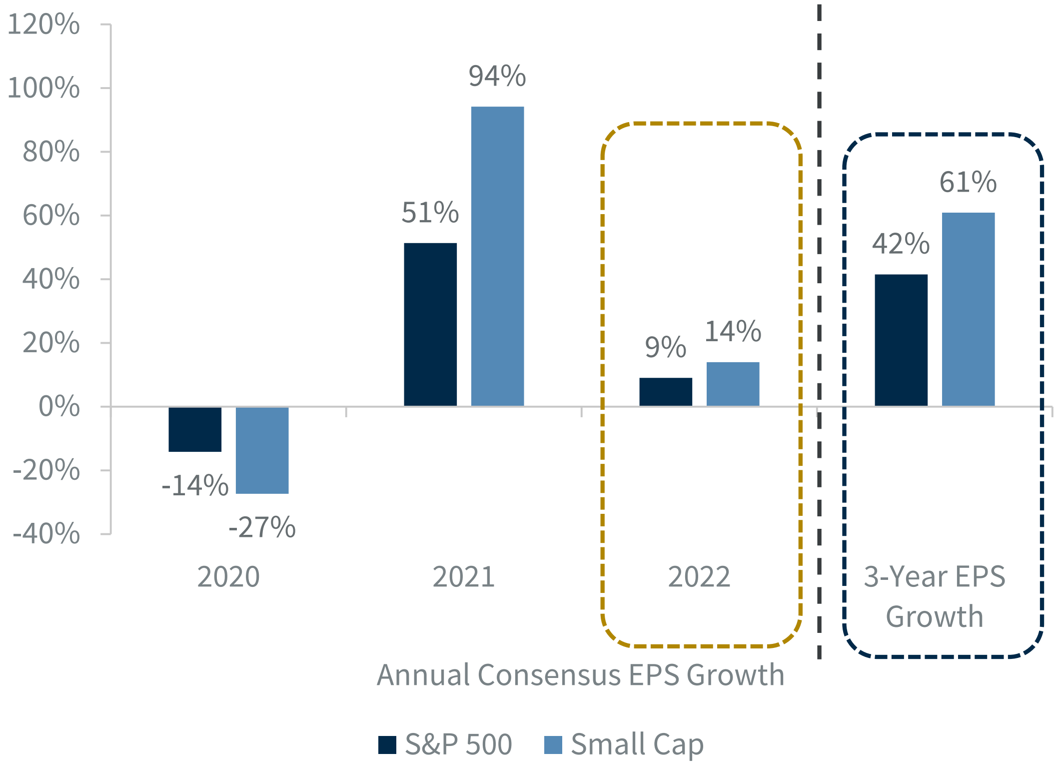
DESPITE UNDERPERFORMING IN RECENT YEARS, 2022 MAY BE THE YEAR FOR SMALL CAP TO TURN THE CORNER

- We expect small cap to outperform in 2022 as it has more cyclical exposure and is also expected to see stronger earnings growth than large-cap stocks.

Small Cap Has More Cyclical Exposure



Small Cap Seeing Stronger EPS Growth



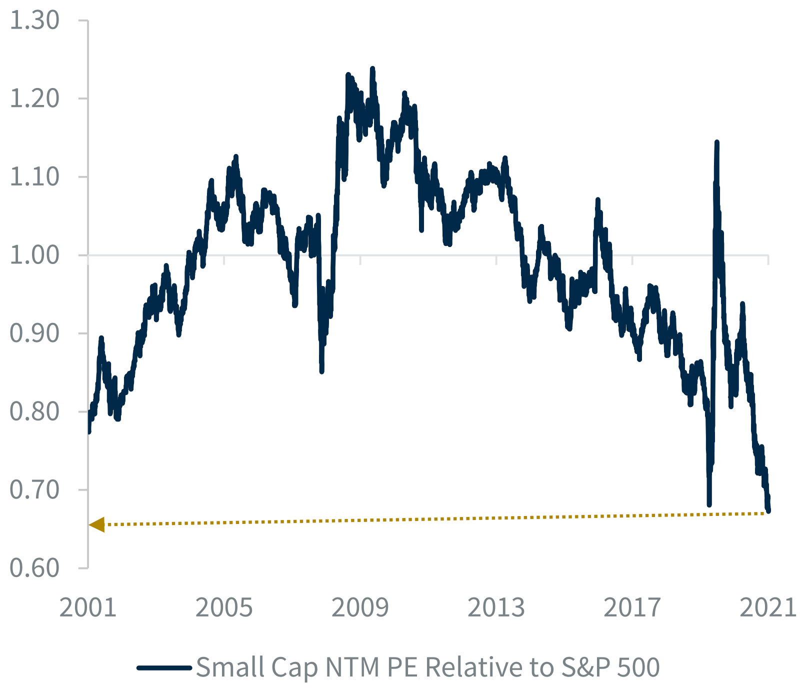
Source: FactSet. Data as of 12/31/2021

SMALL CAP TO TURN THE CORNER IN 2022

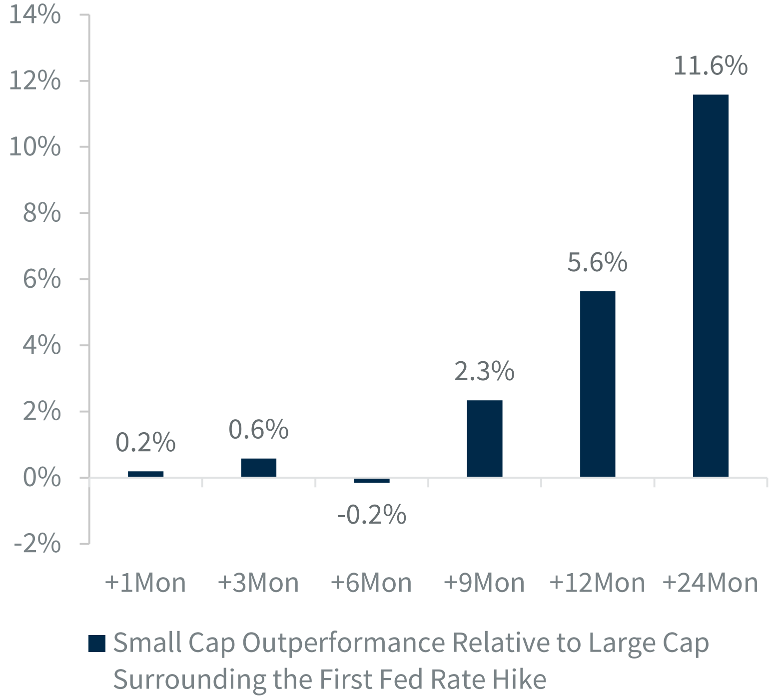
DESPITE UNDERPERFORMING IN RECENT YEARS, 2022 MAY BE THE YEAR FOR SMALL CAP TO TURN THE CORNER

- Small cap should also outperform in 2022 as it has more attractive valuations, has historically outperformed large cap during Fed tightening cycles and should also benefit in an uptick in services spending.

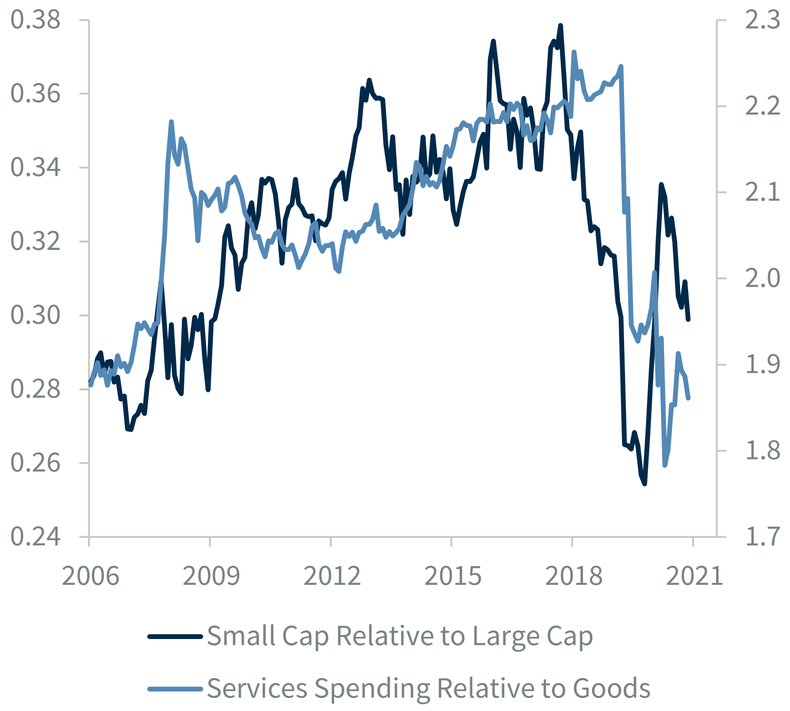
Small Cap Valuation Attractive Relative to Large Cap



Small Cap Outperforms in Fed Tightening Cycle



Shift to Services Spending Supportive



Source: FactSet. Data as of 12/31/2021

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7 Information Technology Sector

There Are No ‘Bindings’ On Technological Re-Invention & Adoption

INSIGHT:

Technology has had to reinvent itself in order to continue its incessant revolution and contributions to productivity. Between veteran catalysts such as cloud computing and 5G and newcomers such as artificial intelligence and the Metaverse, the digital age seems limitless.

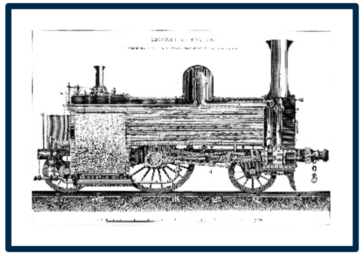
BOTTOM LINE:

The seemingly expensive tech valuations are justified by the continued strength in earnings and the fact that business plans for future tech spending are near record highs.

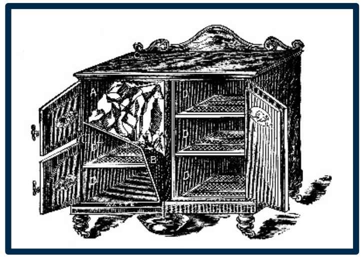
PROBLEMS CREATE REVOLUTIONS

Revolution 1.0 *(1750 – 1850)*

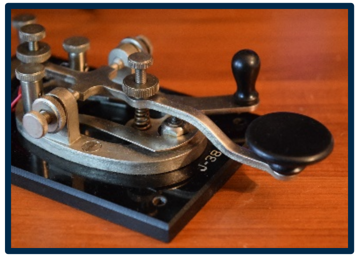
Locomotive



Ice Box



Telegraph

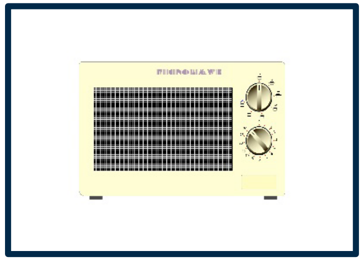


Revolution 2.0 *(1900– 1950)*

Model T

Airplane

Microwave Oven



Revolution 3.0 *(1970 – 2000)*

Internet

Personal Computer

Cell Phone & Email

Source: Raymond James Investment Strategy, Data as of 12/31/2021

PROBLEMS CREATE REVOLUTIONS

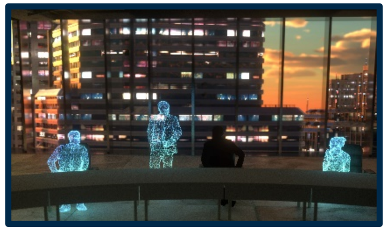
Revolution 1.0 *(1750 – 1850)*	Revolution 2.0 *(1900– 1950)*	Revolution 3.0 *(1970 – 2000)*
Inefficient transportation of goods	Inefficient travel by horse & buggy	Lack of access to information
Perishable foods spoiled easily in heat	Barriers of land travel	Reliance on libraries & newspapers for information
Slow communication over long distances	Limitations in cooking speed	Limited modes of fast & reliable communication

Source: Raymond James Investment Strategy, Data as of 12/31/2021

REVOLUTION 4.0

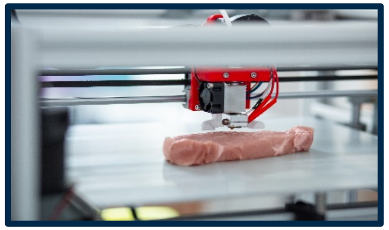
Problems
Communication
Labor Shortages
Climate change
Speed

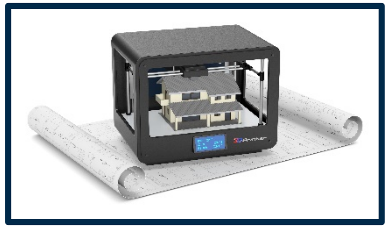
Revolution 4.0 *(2001 – Present)*








When it comes to technology investments, drag the words in three buckets: very important, important, not important.

The larger the font size, the most important the word.

Source: Investment Strategy Sentiment Survey

SURVEY RESULT | WORD CLOUD

Source: Investment Strategy Sentiment Survey

8 International

Focusing On US Equities' Consistent Stride

INSIGHT:

With supply chain bottlenecks, COVID surges causing temporary economic setbacks, and varying policy responses, it is difficult to select a favored equity region for the short term.

BOTTOM LINE:

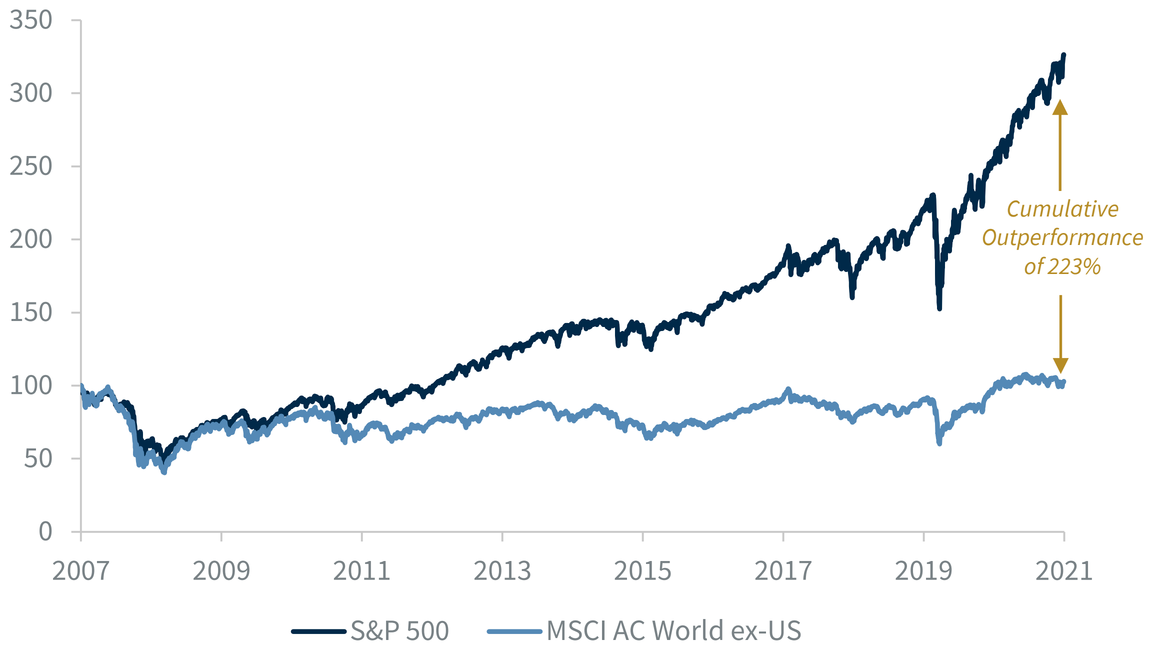
In the long run, profitability ratios favor domestic equities. However, attractive valuations, involvement in high-growth tech-oriented industries, and the scope for additional fiscal stimulus measures could make the Asian emerging markets an area of opportunity.

LONG-TERM BIAS TOWARD DOMESTIC EQUITIES STILL INTACT

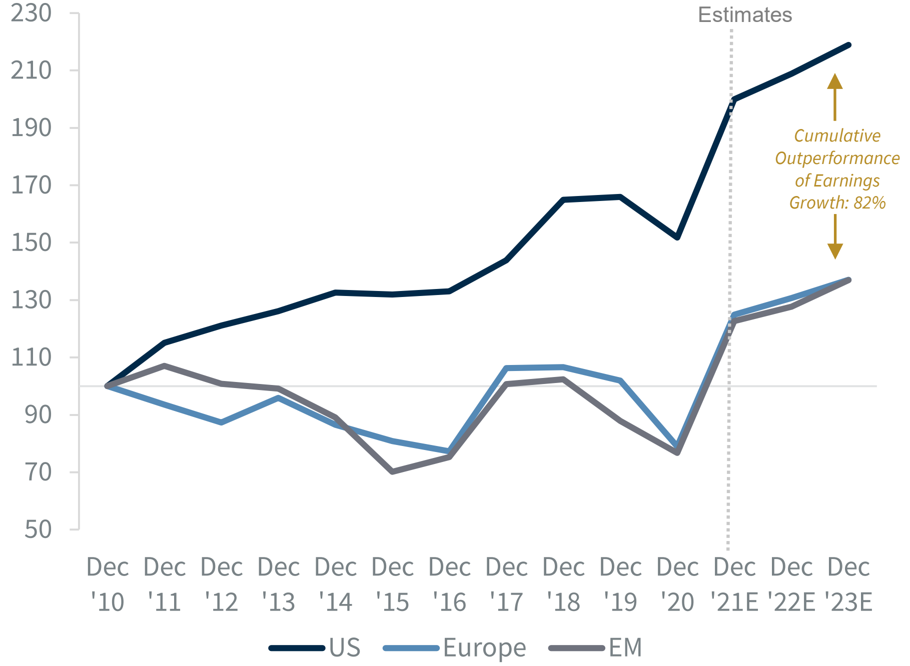
SECTOR COMPOSITION, SUPPLY CHAIN BOTTLENECKS, AND COVID-19 MAKE IT DIFFICULT TO DISCERN A PREFERRED REGION IN THE SHORT TERM, BUT THE FUNDAMENTALS FAVOR DOMESTIC EQUITIES FOR LONG-TERM INVESTORS

- The US stock market outperformed the World ex US since the bottom of the Great Recession by 223%.

Performance of the World versus US



US Economic Growth Leading to Stronger EPS Revisions



Source: FactSet. Data as of 12/31/2021

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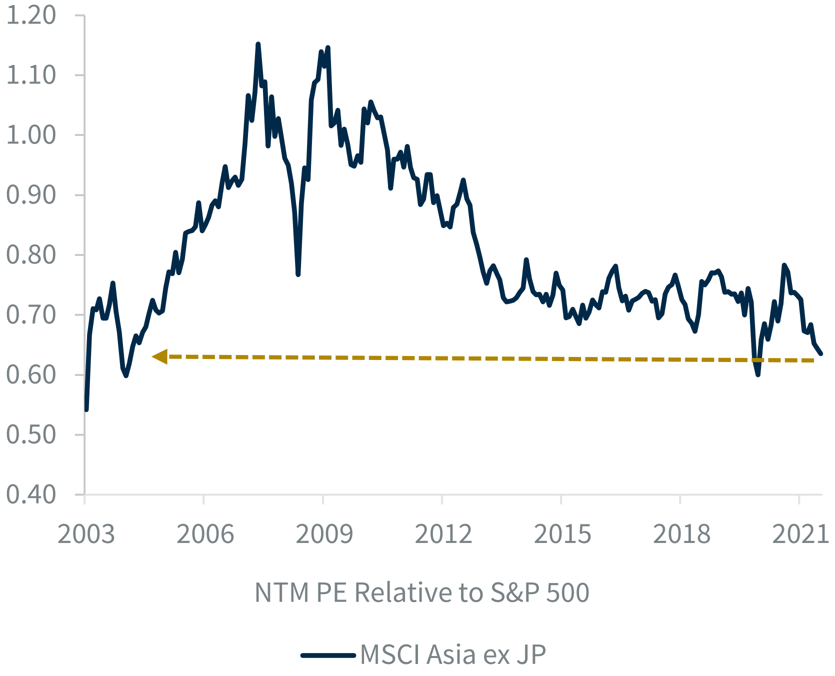
ASIAN EM AN AREA OF OPPORTUNITY

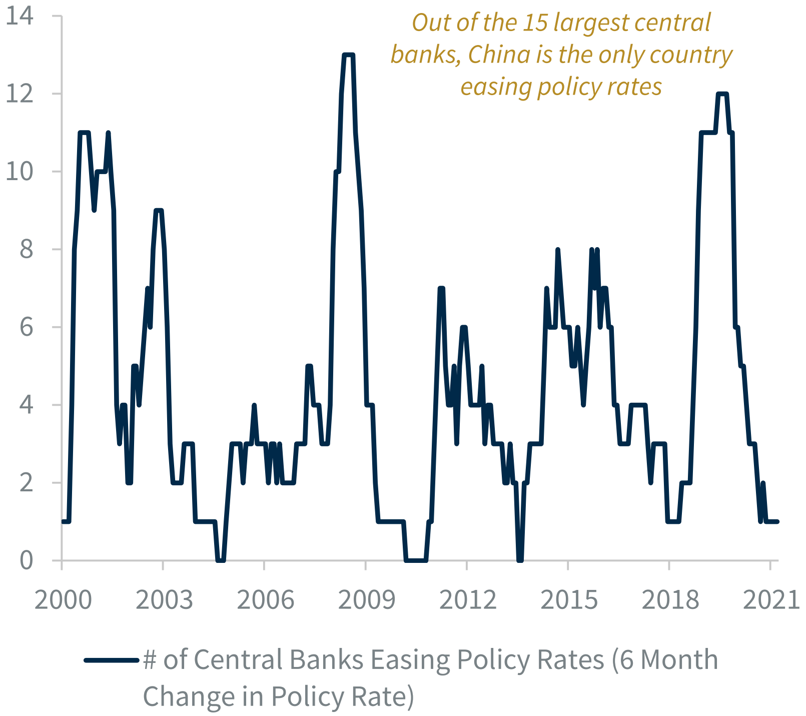
ASIAN EMERGING MARKETS DISPLAY ROBUST LONG-TERM FUNDAMENTALS

- Not only does EM Asia have attractive valuations, it has more policy flexibility.

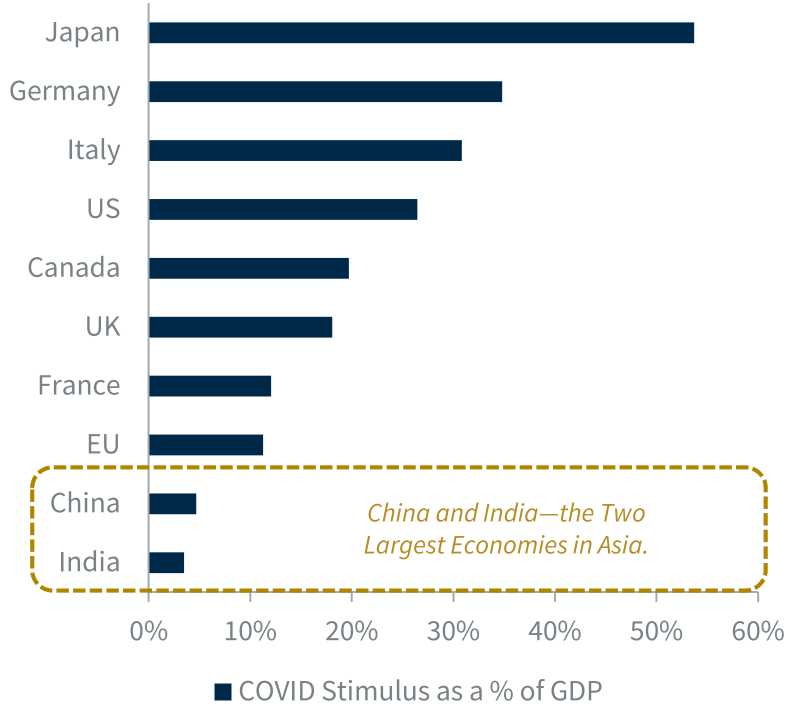
Inexpensive Relative Valuations



China Easing Policy Rates



More Scope For Further Stimulus



Source: FactSet, Data as of 12/31/ 2021

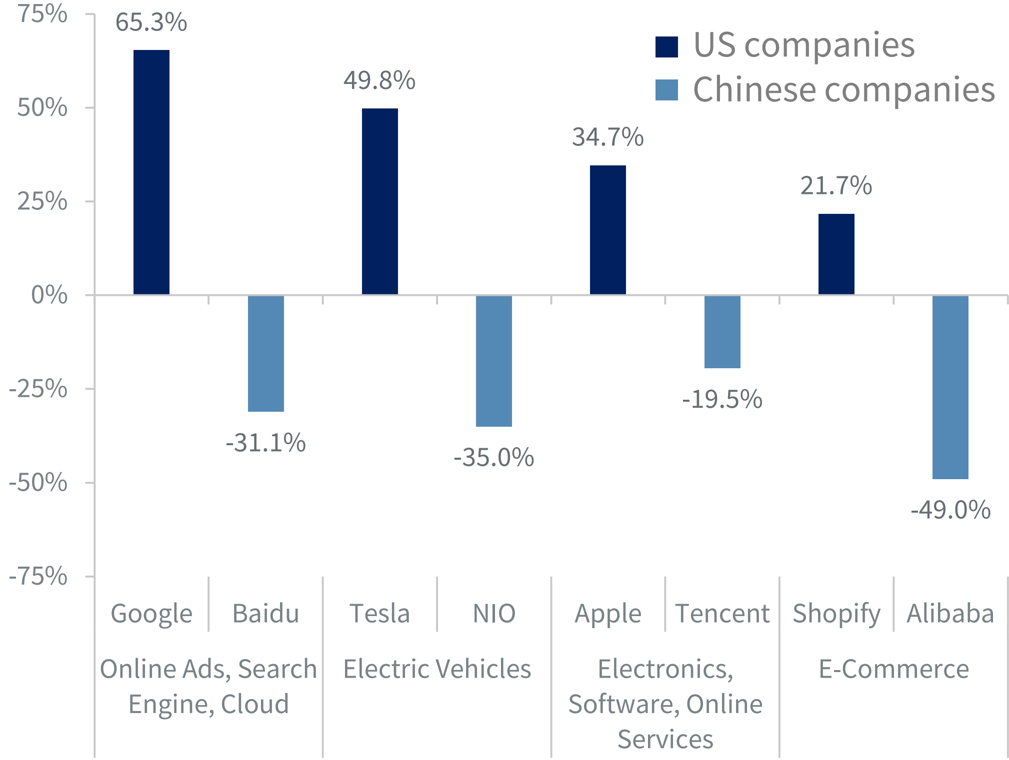
CHINA WEIGHING ON EMERGING MARKETS' PERFORMANCE

THE US HAS OUTPERFORMED THE WORLD SINCE THE LOWS OF MARCH 2020

- Emerging markets have underperformed the US in 2021, and this drag is mostly due to China's underperformance of over 96%.
- In fact, comparable companies in the same industry have performed incredibly differently, with spreads reaching close to 100%.

China Has Drastically Underperformed the US

US Versus China: The Tech Juggernauts*



Source: FactSet, Data as of 12/31/2021.
*Largest companies within that sub-sector.

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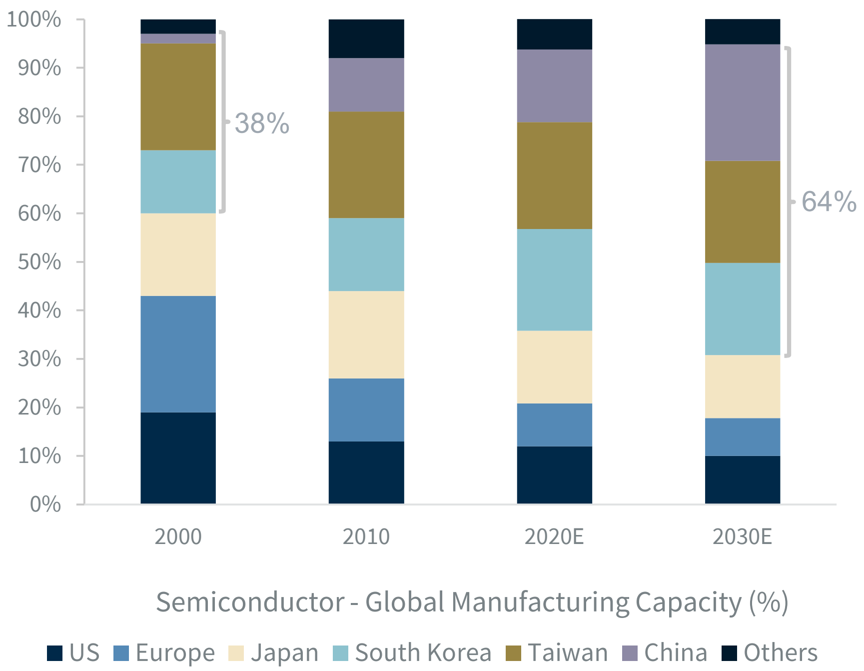
A CONTRARIAN VIEW ON CHINA

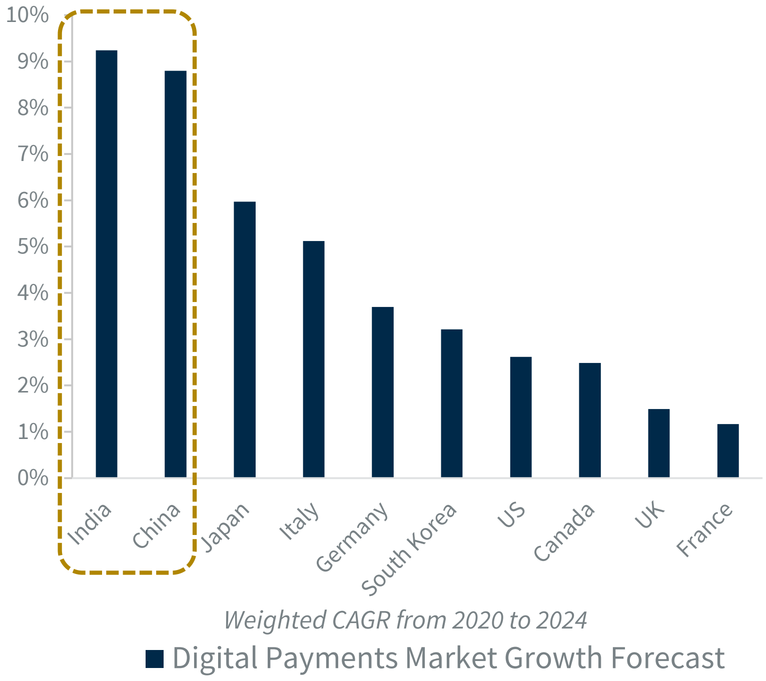
CHINA CONTINUES TO BE A GLOBAL PLAYER IN TECHNOLOGY

- China is embracing and growing its market share in old, new and evolving technology.

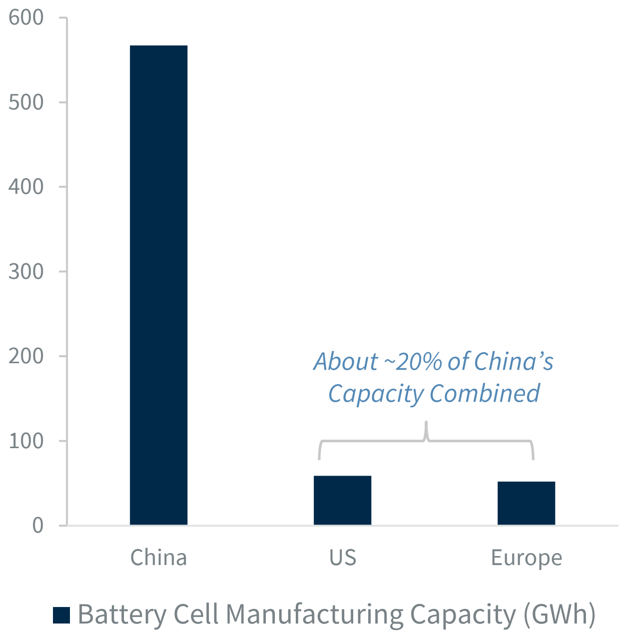
Old Technology



New Technology



Evolving Technology



Source: FactSet. Data as of 12/31/2021

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9 Commodities

Oil Price Dynamics Will Find Their Balance

INSIGHT:

The trajectory of the energy market has been tumultuous, with COVID case surges, inventory releases, and natural disasters complicating supply and demand dynamics.

BOTTOM LINE:

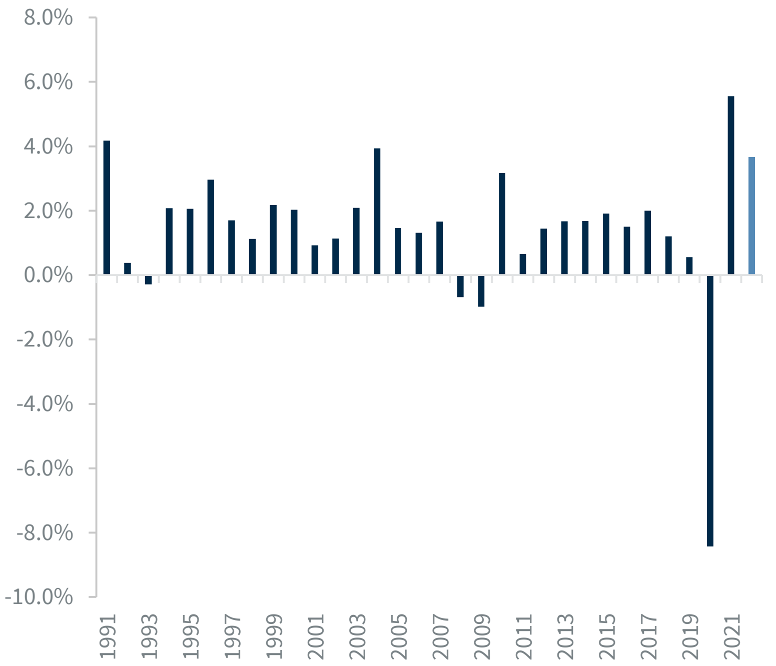
As supply and demand continue to normalize, especially as the world transitions to the endemic state, oil prices above the $80 per barrel threshold will be short-lived. With oil prices no longer below breakeven levels, further investment in the renewable energy space is likely to occur.

2021 A GREAT YEAR FOR OIL

2021 BROUGHT A GREAT YEAR FOR COMMODITIES, PARTICULARLY CRUDE OIL

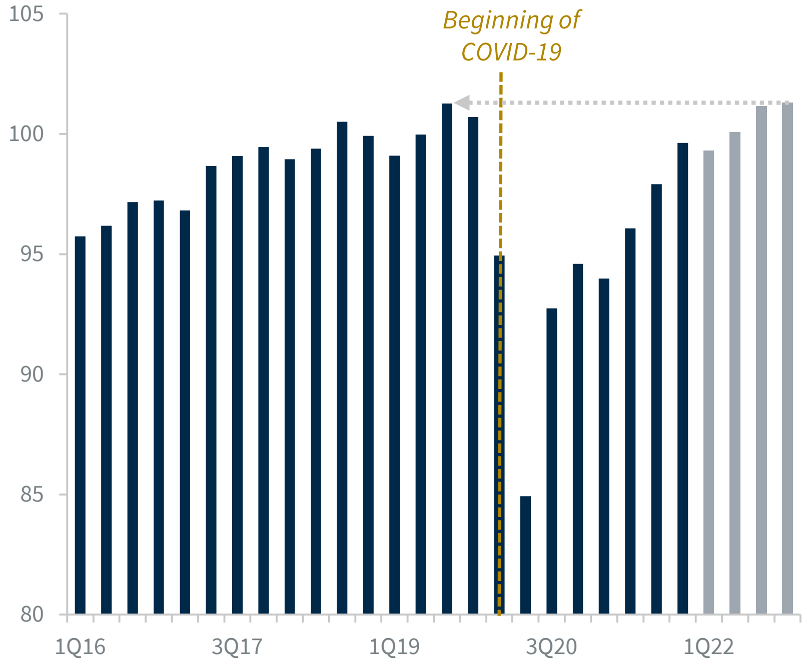
- Crude oil saw the strongest annual demand growth on record in 2021, and is expected to remain elevated throughout 2022. This should continue to provide upward pressure to crude oil prices in 2022.

Demand to Remain Elevated in 2022



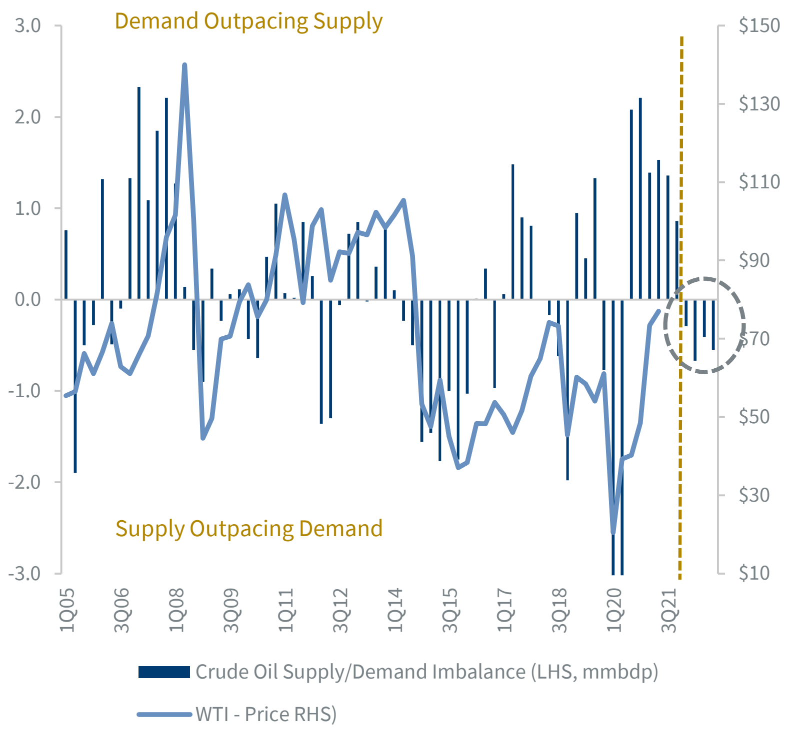
Annual Crude Oil Demand Growth

Demand to Hit Pre-COVID Levels in 4Q22



Global Crude Oil Demand (mmbpd)

Elevated Demand Supported Rise in 2021



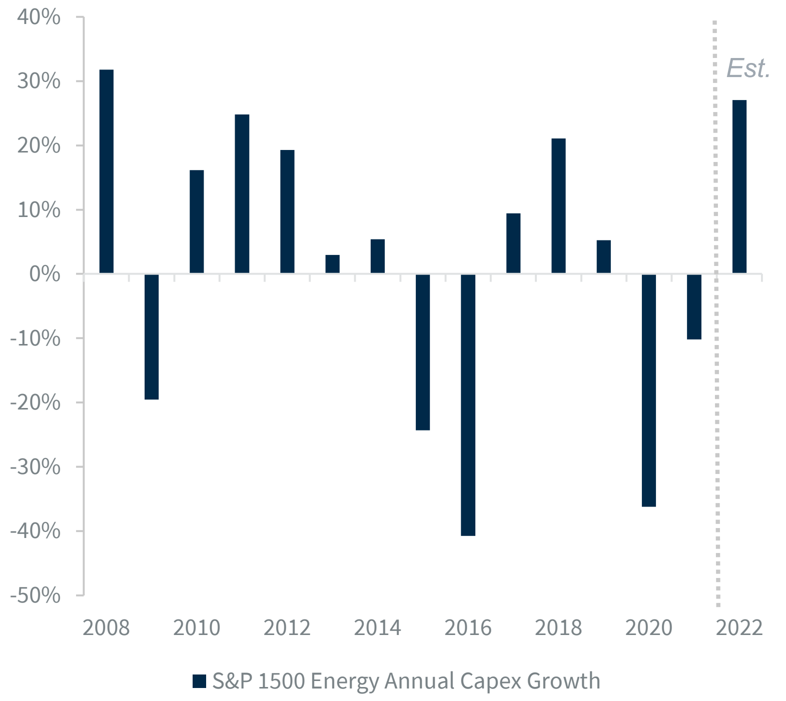
Source: Morning Consult. Data as of 9/25/2021

UPSIDE FOR CRUDE OIL IS LIMITED

WHILE WE EXPECT OIL PRICES WILL RISE IN 2022, WE THINK THE UPSIDE IS LIMITED

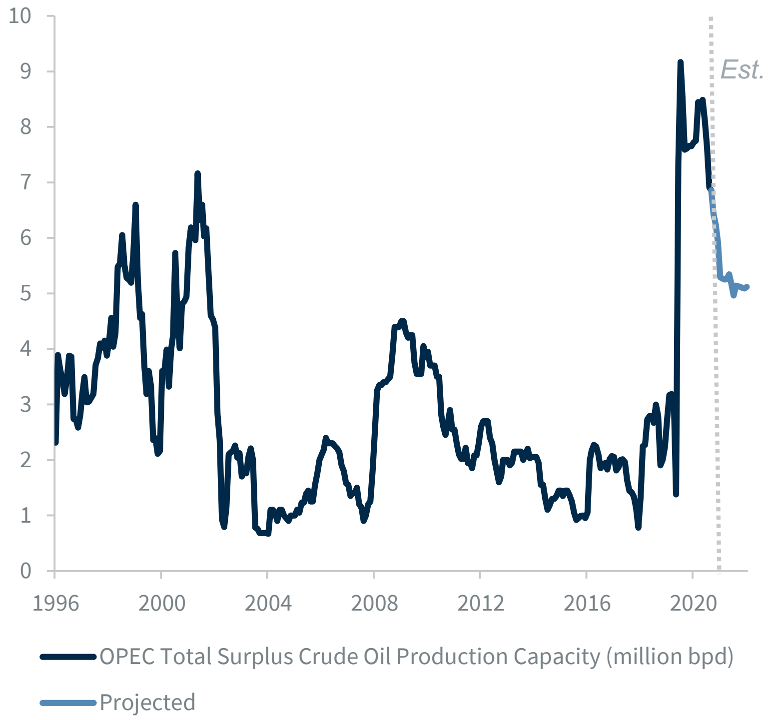
- While we expect crude oil prices to rise to ~$80/bbl by year-end 2022, we think the upside for prices in limited due to increased capex in the US and rising OPEC+ production (back to pre-COVID levels).

Capex Growth Expected to Pick Up in 2022



Oil Rigs to Pick Up on Increased CAPEX

OPEC+ to Increase Production



Source: FactSet. Data as of 12/31/2021

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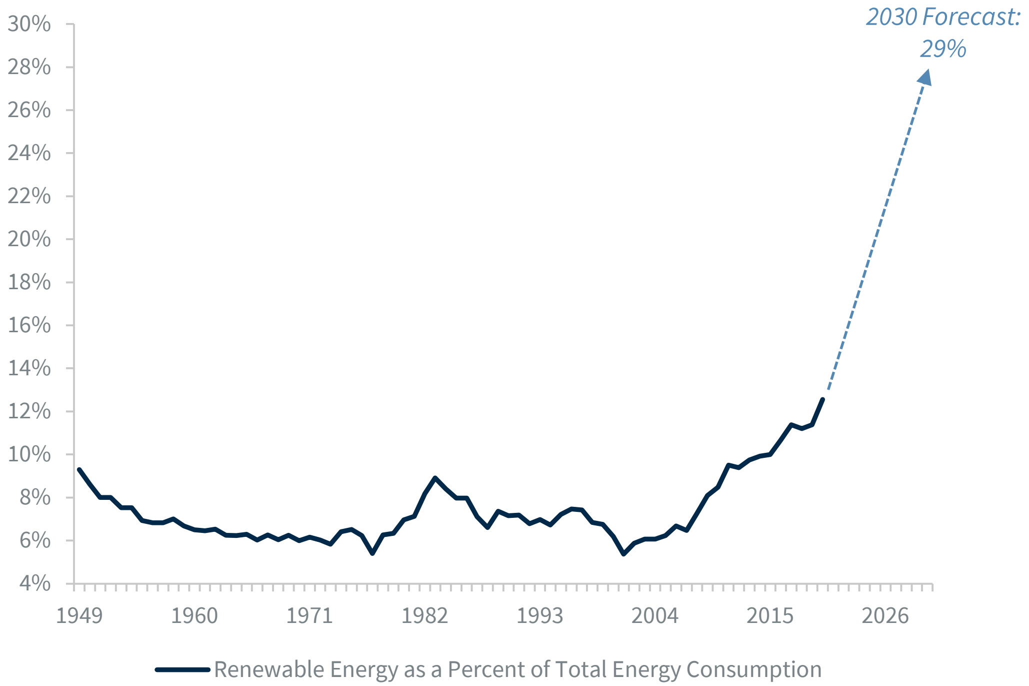
ELEVATED OIL PRICES A BOOST FOR RENEWABLES

ELEVATED OIL PRICES SHOULD CONTINUE TO BOOST DEMAND FOR RENEWABLE ENERGY

- Elevated oil prices will also boost demand for energy from renewable sources. In fact, energy consumption from renewable sources as a percentage of total consumption is expected to increase to 29% by 2030. This is up from ~5% just 20 years ago.
- It will also increase demand for electric vehicles, as the electric vehicle market should grow 4x through 2025.

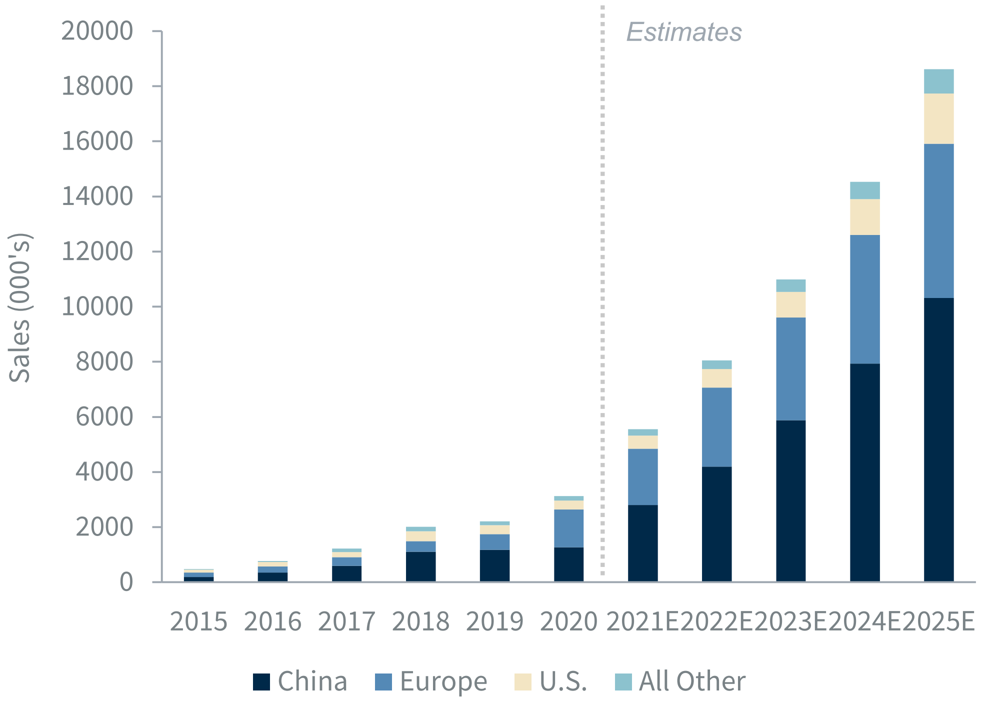
Renewable Energy Sources Set to Increase



$80

Year-End 2022 Oil Price Target

Leading to Greater EV Adoption



Source: FactSet, Raymond James Research. Investment Strategy Sentiment Survey. Data as of 12/31/2021

10 Market Volatility

Look Below the Surface For Opportunities

INSIGHT:
As the economy reopened and earnings recovered, the equity markets only experienced one 5%+ pullback last year – it usually experiences at least three.

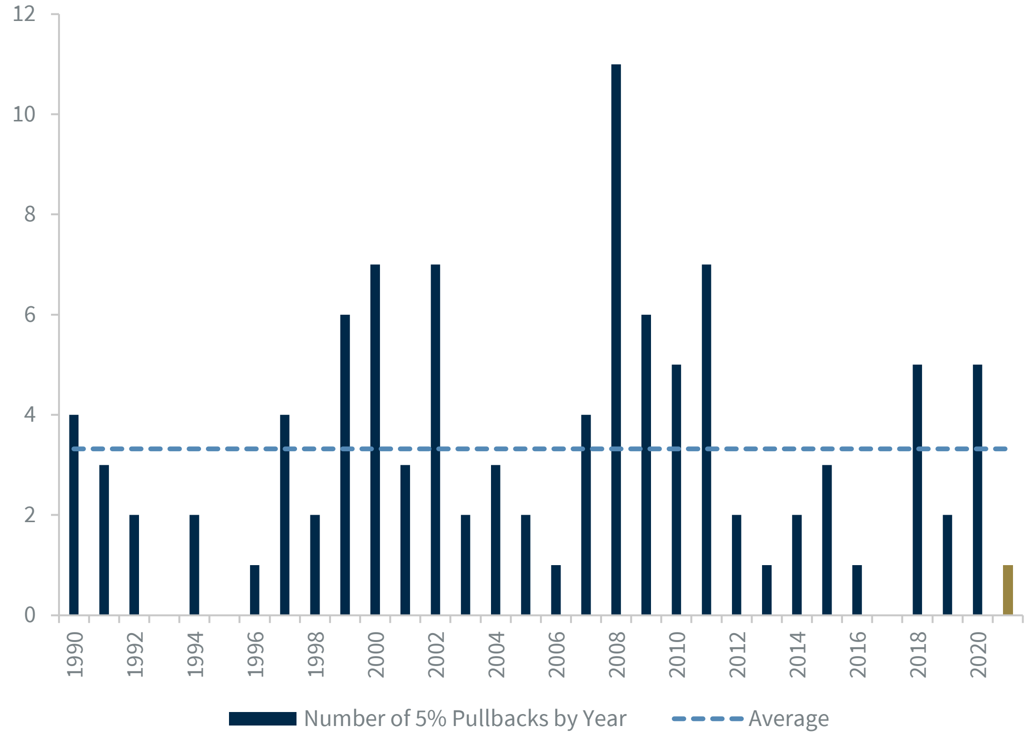
BOTTOM LINE:
As the bull market ages and as headlines related to the Fed's tightening cycle, COVID, midterm elections, and geopolitics circulate, the equity market is likely to experience more volatility relative to last year.

2021 WAS A REMARKABLY STABLE YEAR

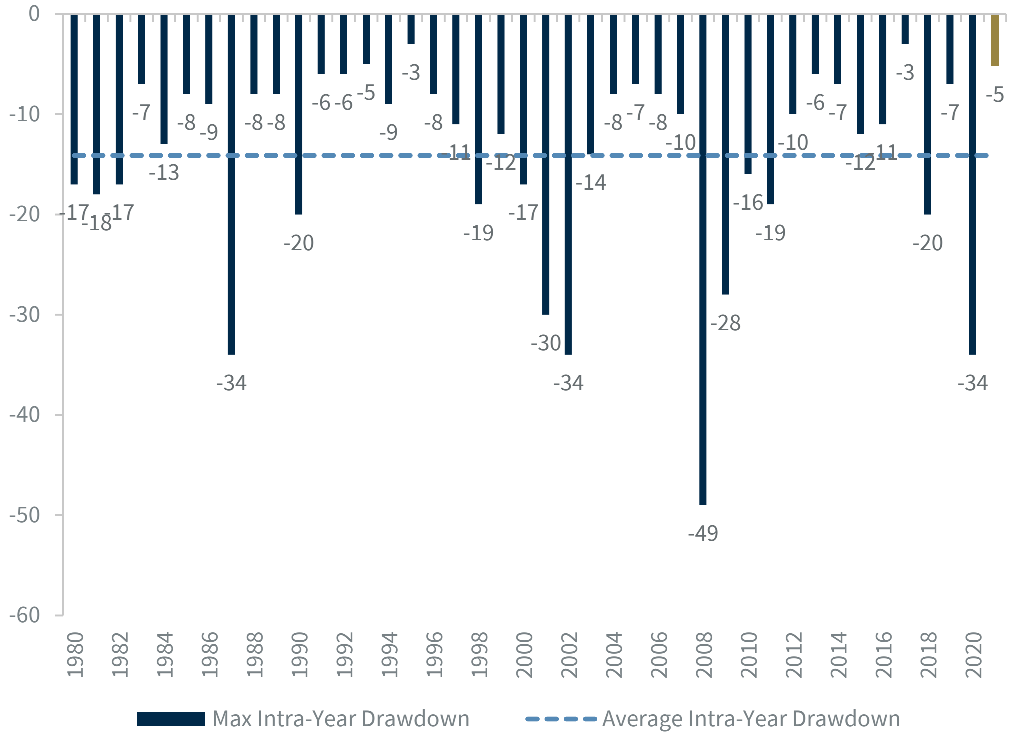
FROM A HEADLINE LEVEL, 2021 WAS A REMARKABLY STABLE YEAR FOR THE EQUITY MARKET

- The S&P 500 saw only one 5% pullback in 2021 (below the average of three to four) and saw a max intra-year decline of 5% (the second lowest since 1995).

Number of 5% Pullbacks Below Average



Muted Max Intra-Year Decline



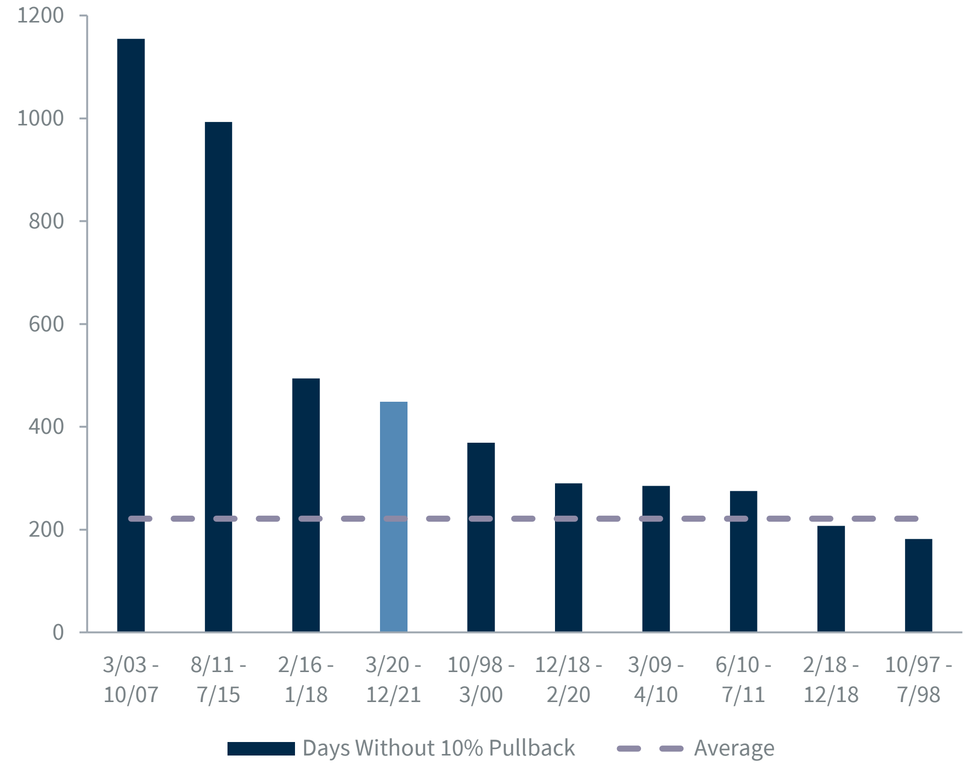
Source: FactSet. Data as of 12/31/2021

2022 LIKELY TO SEE MORE NORMAL LEVELS OF VOLATILITY

DESPITE STABILITY IN 2021, VOLATILITY WILL LIKELY INCREASE IN 2022

- Between the Fed tightening cycle, midterm elections and rising interest rates, we expect volatility to move higher in 2022.

Long Duration Without 10% Pullback



Source: FactSet. Data as of 12/31/2021

Reasons For an Uptick in Volatility

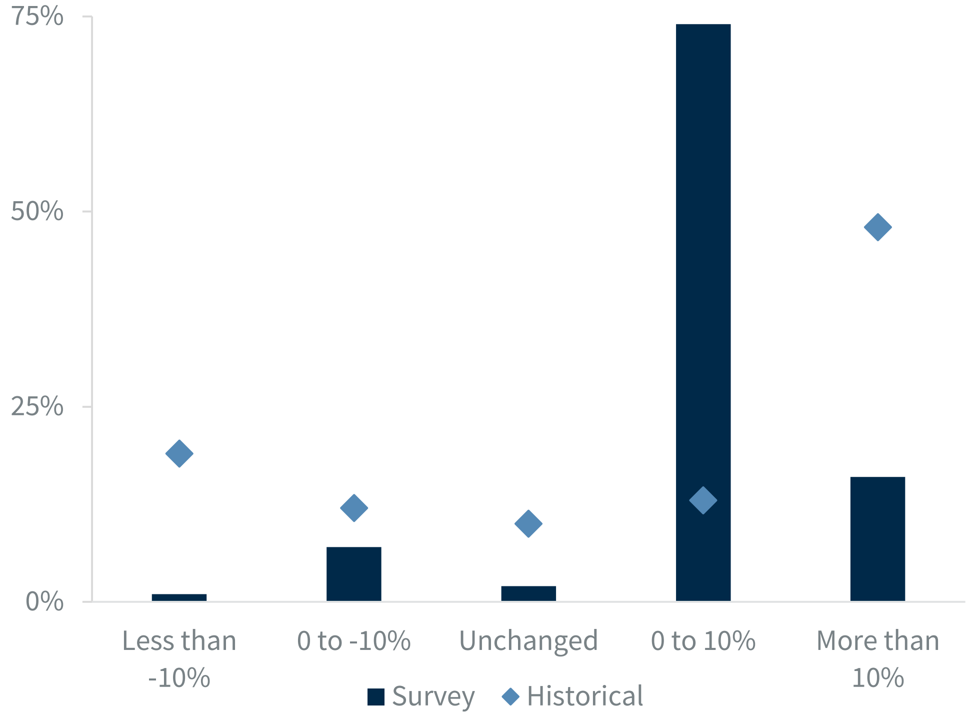
1. Onset of Fed Tightening Cycle
2. Midterm Elections/Geopolitical Risks
3. COVID-Related Impacts
4. Rising Interest Rates
5. Momentum & Complacency

2022 LIKELY TO SEE MORE NORMAL LEVELS OF VOLATILITY

DESPITE STABILITY IN 2021, VOLATILITY WILL LIKELY INCREASE IN 2022

- According to our survey, 80% of respondents believe that equities will be the best performing class in 2022 and 76% favored US over international.

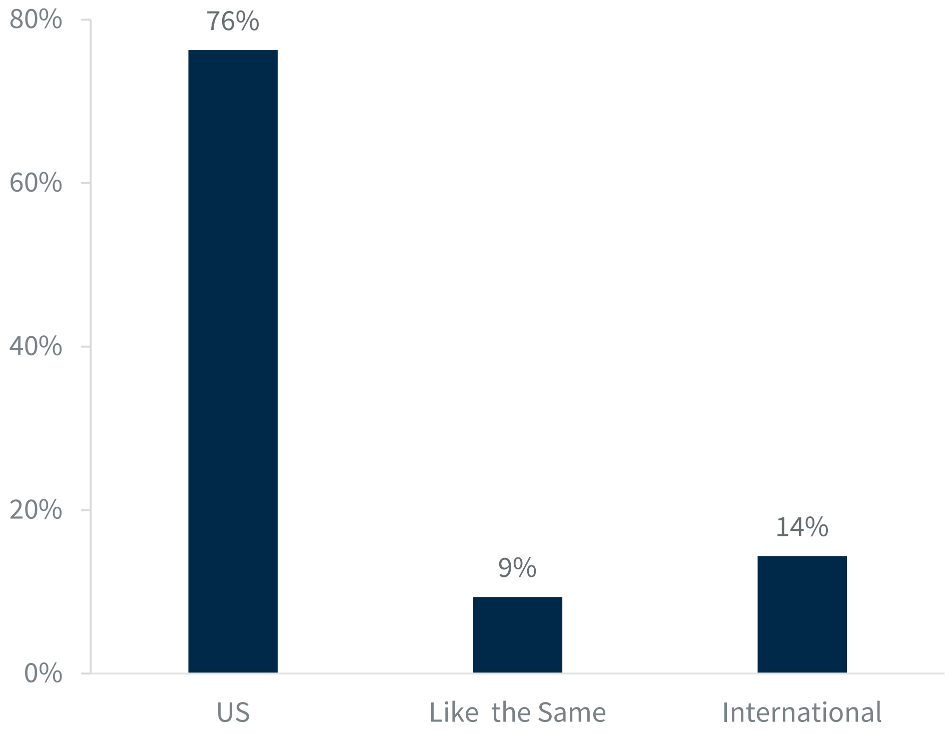
What Do You Think the Return of the S&P 500 Will Be in 2022?



80%

Select Equities as Favorite 2022 Asset Class

US Over International Equities



Source: FactSet. Data as of 12/31/2021. Investment Strategy Sentiment Survey

GOLD MEDAL MENTALITY

Jessie Diggins

Mikaela Shiffrin

Apolo Anton Ohno

Shaun White

GOLD MEDAL MENTALITY

Jessie Diggins

"A lot of puzzle pieces need to fit together in order to have the race of your life. Some you can control, and some you can't"

Mikaela Shiffrin

"When I am in the starting gate, it's just me and the hill"

Apolo Anton Ohno

"One thing to remember is consistency. You can't make up for three years of eating poorly in just one workout"

Shaun White

"You take a crash, you get back up and next time you succeed and that's a great feeling"

2021 IN REVIEW | GRADING OUR 2021 TEN THEMES

	Themes	Rationale	Grade
1	**Global Economy – Global Synchronized Economic Recovery**: Global economic growth will rebound out of recession in 2021.	None of the major global economies remained in recession in 2021 as global GDP rose at the fastest annual pace in over 10 years.	
2	**US Economic Recovery**: Robust consumer spending and strong business investment will drive above-trend economic growth.	Overall, the US economy grew at the fastest pace since 1984 driven by robust consumer spending and increased capex.	
3	**Fixed Income – Keeping Yields Engarde** : While stronger growth will lead to higher Treasury yields, the rise will be capped below 2%.	While rising Treasury yields brought negative performance for the overall fixed income market, the rise in Treasury yields was contained.	
4	**Equities – Earnings to Drive Positive Performance**: Robust earnings and economic momentum will propel the equity market to record highs.	On the back of record earnings growth, the S&P 500 was up ~29% in 2021 and posted 70 record highs throughout the year.	
5	**Info Tech – Hitting the Bullseye of the Tech Sector**: Movement toward tech will drive continued investment and strong earnings in the tech space.	The S&P 500 Tech sector was up ~35% in 2021 and outperformed the S&P 500 for the eighth consecutive year.	
6	**ESG – The ESG Wave to Continue**: ESG investing will continue to gain momentum and be a key part of the investing process.	The number of ESG mutual funds and ETFs now exceeds 500 for the first time; the SEC created a Climate and ESG Task Force to crack down on greenwashing.	
7	**International Equities – A Balancing Act**: Favor US over other developed market equities; Favor Asia within the EM space.	While the US continued to outperform developed market equities, Asia strongly underperformed within the EM space.	
8	**FX – US Dollar Will Not Have the Inside Track**: An elevated budget deficit and improving global economic growth will pressure the dollar.	On the back of stronger relative US growth and faster inoculations, the US dollar rallied ~7% in 2021.	
9	**Crude Oil – Oil to Catch a Crosswind**: Oil prices to rise as the reopening of the economy and strong global growth boost demand.	Crude oil prices rose 55% in 2021 as global crude oil demand rose at the fastest annual pace since at least 2000.	
10	**Asset Allocation**: Relative to 2020, volatility will likely be more muted. Asset allocation will remain critical.	The S&P 500 experienced only one 5% drawdown in 2021 (below the average of three to four) and saw the second smallest max intra-year drawdown since 1995.	
		2021 Ten Themes Grade	**85%**

UPCOMING WEBINARS

FEBRUARY 7 | 4:15 PM

Monthly Investment Strategy Webinar

This presentation will discuss recent market and economic tends and impacts.

MARCH 7 | 4:15 PM

Monthly Investment Strategy Webinar

This presentation will discuss recent market and economic trends and impacts.

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INTERNATIONAL INVESTING | International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. Investing in emerging markets can be riskier than investing in well-established foreign markets.

SECTORS | Sector investments are companies engaged in business related to a specific economic sector and are presented herein for illustrative purposes only and should not be considered as the sole basis for an investment decision. Sectors are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector, including limited diversification.

OIL | Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

WEST TEXAS INTERMEDIATE | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

CURRENCIES | Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

GOLD | Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated.

FIXED INCOME | Fixed-income securities (or “bonds”) are exposed to various risks including but not limited to credit (risk of default of principal and interest payments), market and liquidity, interest rate, reinvestment, legislative (changes to the tax code), and call risks. There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices generally rise.

US TREASURIES | US Treasury securities are guaranteed by the US government and, if held to maturity, generally offer a fixed rate of return and guaranteed principal value.

CAPEX | CAPEX Capital Expenditures are funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.

FIXED INCOME DEFINITION

AGGREGATE BOND | **Bloomberg US Agg Bond Total Return Index:** The index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index includes bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors.

HIGH YIELD | **Bloomberg US Corporate High Yield Total Return Index:** The index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody’s, Fitch and S&P is Ba1/BB+/BB+ or below.

CREDIT | **Bloomberg US Credit Total Return Index:** The index measures the investment grade, US dollar-denominated, fixed-rate, taxable corporate and government related bond markets. It is composed of the US Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals and local authorities.

US DOLLAR | The U.S. Dollar Index is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies. The Index goes up when the U.S. dollar gains "strength" (value) when compared to other currencies.

200 DAY MOVING AVERAGE | The 200-day moving average is a popular technical indicator which investors use to analyze price trends. It is simply a security's average closing price over the last 200 days

US INDEXES AND EQUITY SECTORS DEFINITION

S&P 500 | The **S&P 500 Total Return Index:** The index is widely regarded as the best single gauge of large-cap U.S. equities. There is over USD 7.8 trillion benchmarked to the index, with index assets comprising approximately USD 2.2 trillion of this total. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

RUSSELL 2000 | **Russell 2000 Total Return Index:** This index covers 2000 of the smallest companies in the Russell 3000 Index, which ranks the 3000 largest US companies by market capitalization. The Russell 2000 represents approximately 10% of the Russell 3000 total market capitalization. This index includes the effects of reinvested dividends.

INTERNATIONAL EQUITY DEFINITION

EMERGING MARKETS EASTERN EUROPE | **MSCI EM Eastern Europe Net Return Index:** The index captures large- and mid-cap representation across four Emerging Markets (EM) countries in Eastern Europe. With 50 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

EMERGING MARKETS | **MSCI Emerging Markets Net Return Index:** This index consists of 23 countries representing 10% of world market capitalization. The index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 23 countries.

MSCI EAFE | The **MSCI EAFE** (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations.

GERMAN BUND | A bund is a debt security issued by Germany's federal government, and it is the German equivalent of a U.S. Treasury bond.

SMALL CAP | Investing in small-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. The prices of small company stocks may be subject to more volatility than those of large company stocks.

LARGE-CAP STOCK | also known as big caps are shares that trade for corporations with a market capitalization of $10 billion or more. Large-cap stocks tend to be less volatile during rough markets as investors fly to quality and stability and become more risk-averse

MSCI AC WORLD EX-US | **The MSCI AC ex USA** Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 26 Emerging Markets (EM) countries*. With 2,215 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.

LATAM | **MSCI EM Latin America Net Return Index:** The index captures large- and mid-cap representation across five Emerging Markets (EM) countries in Latin America. With 116 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

ASIA EX-JAPAN | **MSCI Pacific Ex Japan Net Return Index:** The index captures large- and mid-cap representation across four of 5 Developed Markets (DM) countries in the Pacific region (excluding Japan). With 150 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

JAPAN | **MSCI Japan Net Return Index:** The index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 319 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

COMMODITIES DEFINITION

BLOOMBERG COMMODITY INDEX | Bloomberg Commodity Index is a commodity group sub index of the Bloomberg CITR. The index is composed of futures contracts on crude oil, heating oil, unleaded gasoline and natural gas. It reflects the return on fully collateralized futures positions and is quoted in USD.

WTI | West Texas Intermediate can refer to a grade or a mix of crude oil, and/or the spot price, the futures price, or the assessed price for that oil; colloquially WTI usually refers to the price of the New York Mercantile Exchange WTI Crude Oil futures contract or the contract itself.

BLOOMBERG EMERGING MARKETS AGGREGATE BOND INDEX | The Bloomberg s Emerging Markets Aggregate Bond Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

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