REVIEW OF MARKET PERFORMANCE

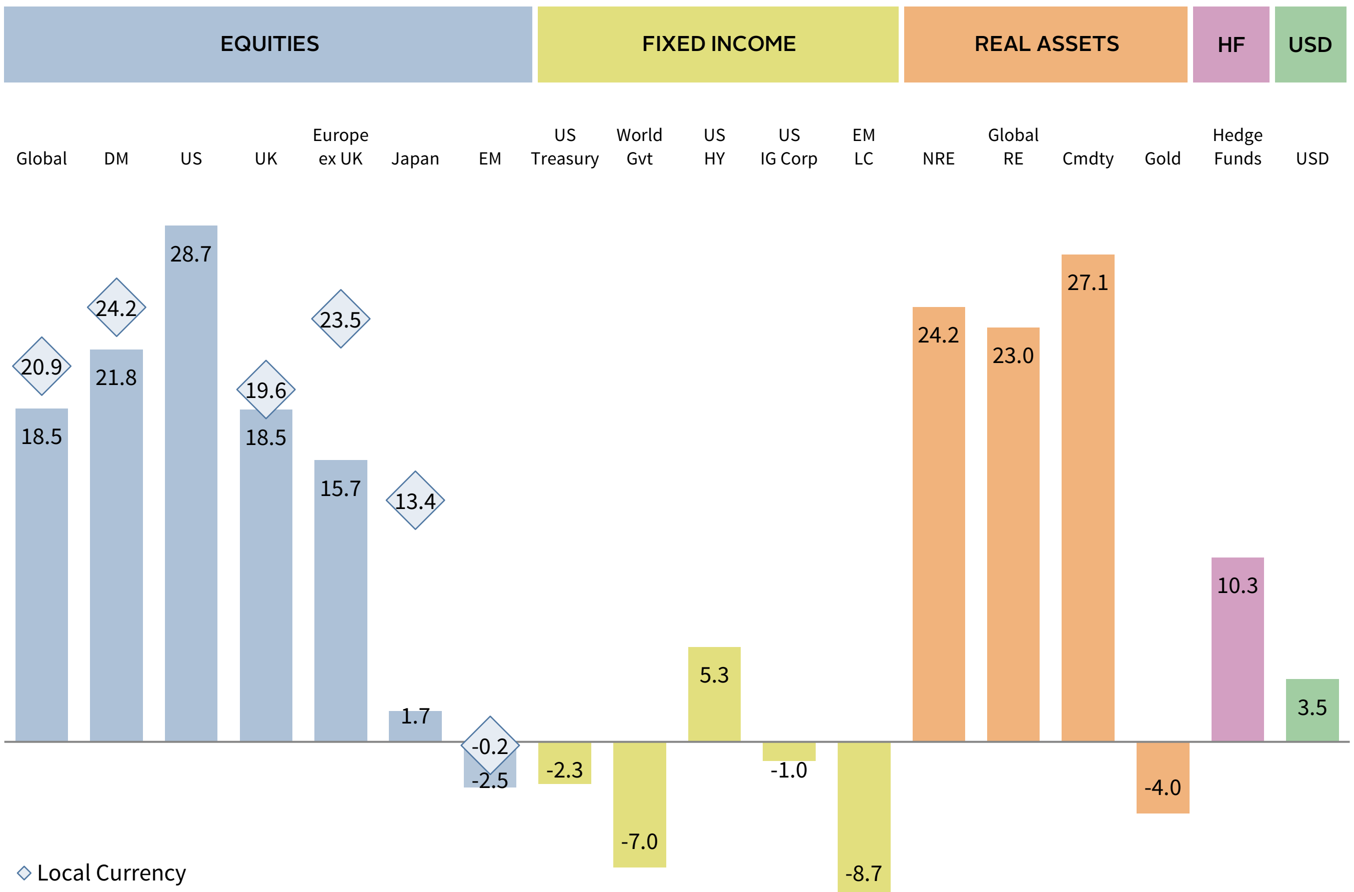
CALENDAR YEAR 2021

CAMBRIDGE ASSOCIATES

Equities were to the fore again, as rising inflation boosted real assets but dented fixed income

GLOBAL ASSET CLASS PERFORMANCE: CY 2021

As of December 31, 2021 • Total Return (%) • US Dollar



Sources: Bloomberg Index Services Limited, Bloomberg L.P., EPRA, Federal Reserve, FTSE Fixed Income LLC, FTSE International Limited, Hedge Fund Research, Inc., Intercontinental Exchange, Inc., J.P. Morgan Securities, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

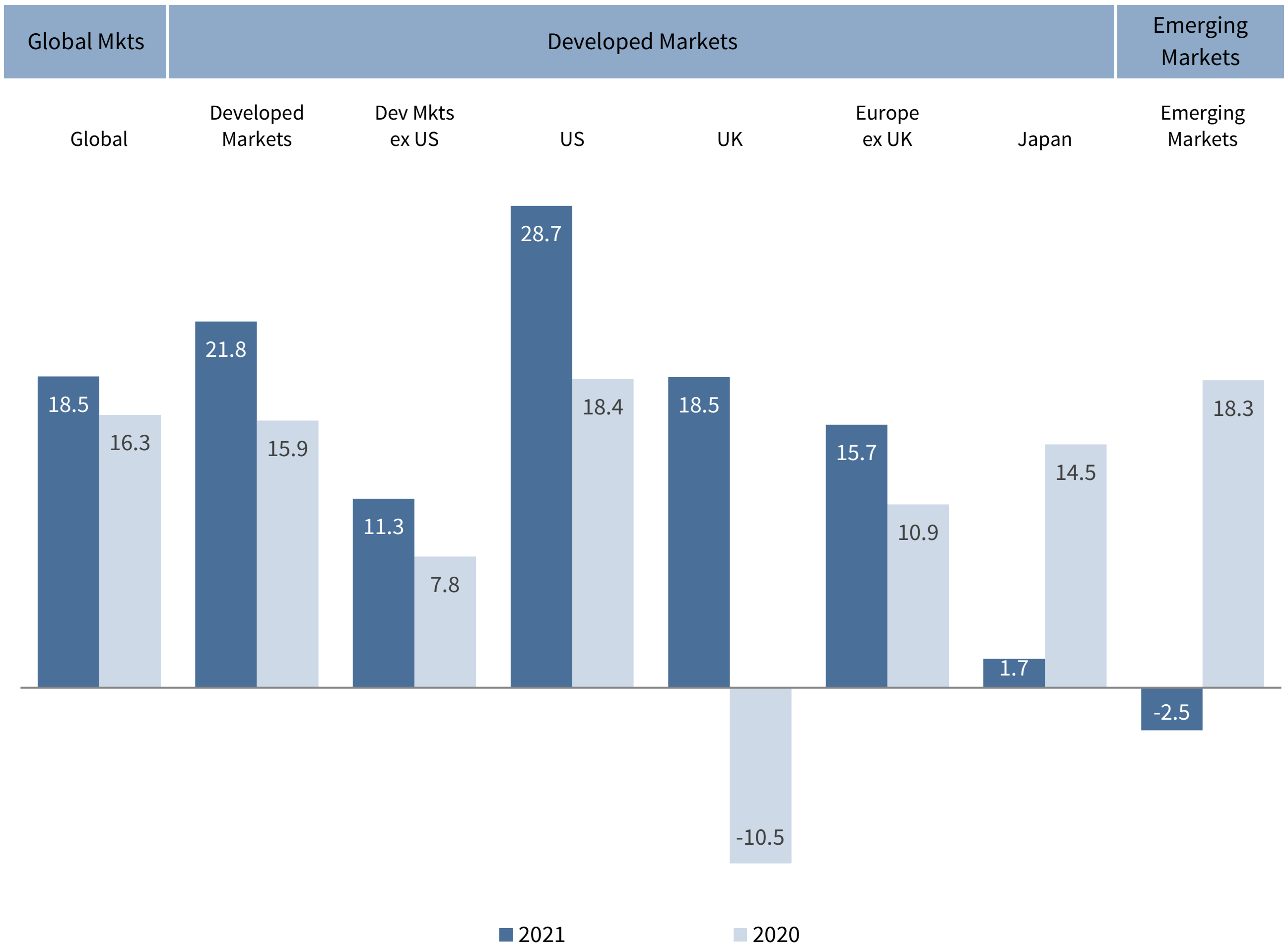
Notes: Asset classes represented by: MSCI AC World Index ("Global"), MSCI World Index ("DM"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), MSCI Emerging Markets Index ("EM"), Bloomberg US Treasury Index ("US Treasury"), FTSE World Government Bond Index ("World Gvt"), Bloomberg US High Yield Bond Index ("US HY"), Bloomberg US Corporate Investment Grade Bond Index ("US IG Corp"), J.P. Morgan GBI-EM Global Diversified Index ("EM LC"), market cap-weighted Datastream World Energy Index and Datastream World Basic Resources Index blend ("NRE"), FTSE® EPRA/NAREIT Global Real Estate Index ("Global RE"), Bloomberg Commodity TR Index ("Cmdty"), LBMA Gold Price ("Gold"), Hedge Fund Research Fund Weighted Composite Index ("Hedge Funds"), and Nominal Trade Weighted US Dollar Index: Broad ("USD"). Total return data for all MSCI indexes are net of dividend taxes. Hedge Fund Research data are preliminary for the preceding five months. Gold performance is based on spot price returns.

The global economy continued its road to recovery in 2021, as the most severe economic impacts of the COVID-19 pandemic gradually receded. There were fresh waves of infection during the year, but the public health actions taken to counter them were less economically damaging. In the meantime, fiscal and monetary policy remained at extremely supportive levels. Equities delivered another year of strong performance as a result of this backdrop. Demand-side support combined with supply-side impediments to push up inflation meaningfully. This supported the performance of real assets, in addition to challenging the performance of government bonds as interest rate increases came into view.

EM equities were the laggard as the US dominated gains across developed markets

GLOBAL EQUITY PERFORMANCE: CY 2021 VS CY 2020

Total Return (%) • US Dollar



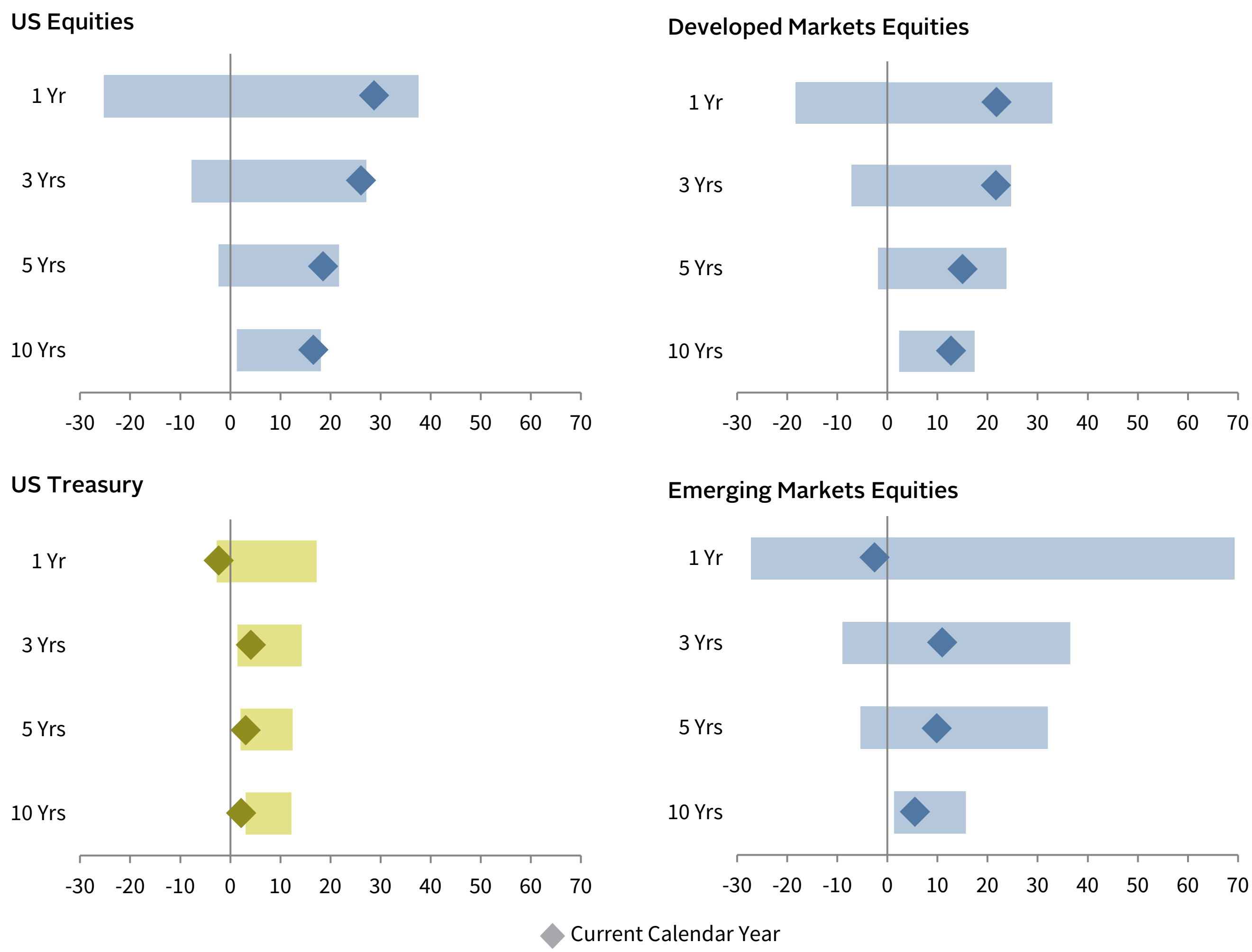
The US once more delivered the strongest equity market performance among the major regions. Fiscal support in the US exceeded that of most peers, while the restrictions imposed also tended to be less severe. A large overweight to IT, the second best-performing sector globally, also boosted relative returns. The divergence with other regions was amplified in USD terms due to the strength of the greenback during the year; however, the outperformance was also evident in local currency terms. EM equities were the notable laggard. The region was weighed down by the performance of Chinese equities, particularly those listed overseas, as Chinese authorities embarked on regulatory crackdowns in several areas.

Sources: MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Asset classes represented by the following: MSCI All Country World Index ("Global"), MSCI World Index ("Developed Markets"), MSCI EAFE Index ("Dev Mkts ex US"), S&P 500 Index ("US"), MSCI UK Index ("UK"), MSCI Europe ex UK Index ("Europe ex UK"), MSCI Japan Index ("Japan"), and MSCI Emerging Markets Index ("Emerging Markets"). Total return data for all MSCI indexes are net of dividend taxes.

Trailing US equity returns were well above average, while US Treasury returns have diminished

AVERAGE ANNUAL COMPOUND RETURN RANGE FOR VARIOUS TIME PERIODS

Periods Ended December 31, 2021 • Total Return (%) • US Dollar

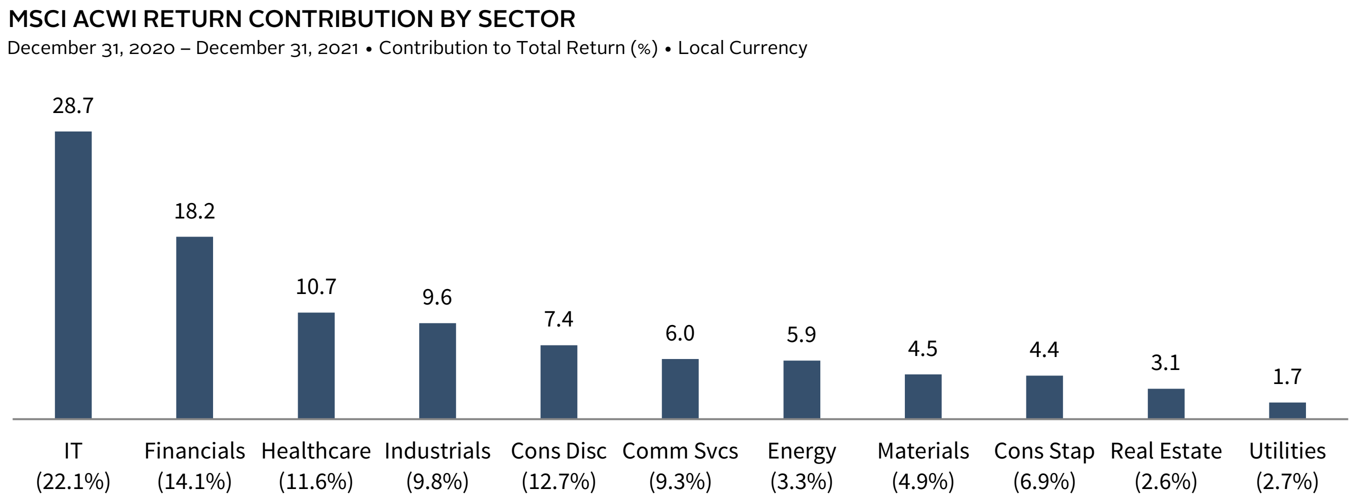


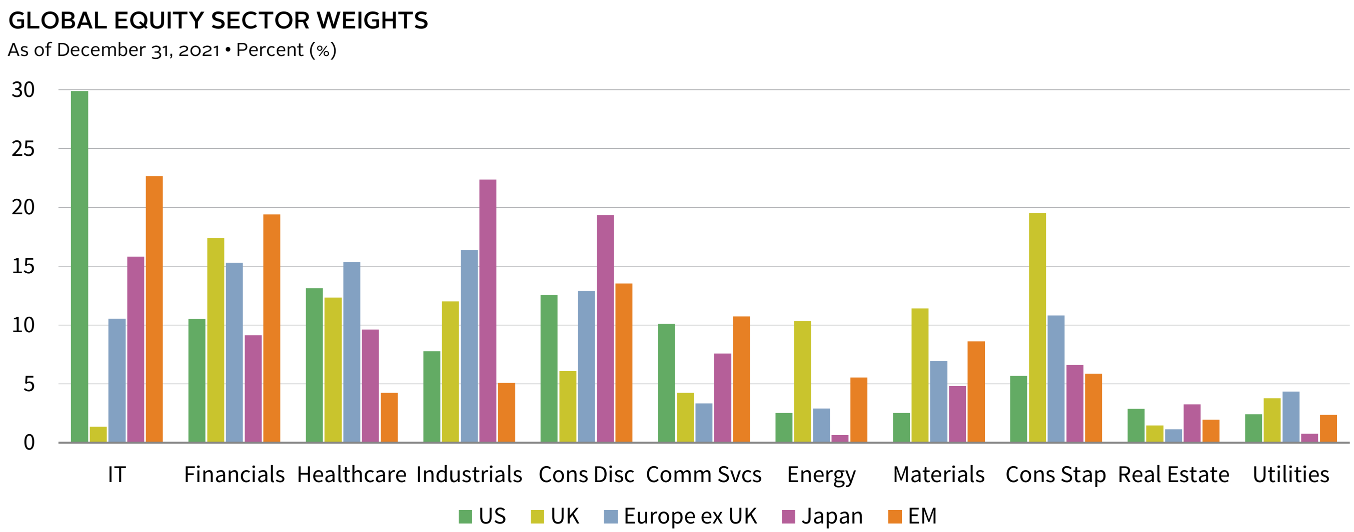
DM equities delivered returns well above their long-run average in 2021. This marked their third straight year of doing so, putting three-year returns at the 94th percentile of such observations. Returns over longer horizons also remained robust, particularly in the US. By contrast, US Treasuries delivered their first negative return since 2013 and only their fifth negative calendar-year return in the 49-year history of the series. Longer horizon returns are also weak, with the ten-year return coming in at just the 3rd percentile of observations. As interest rates have approached zero, this has crimped their return potential.

Sources: Bloomberg Index Services Limited, Global Financial Data, Inc., MSCI Inc., Standard & Poor's, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Ranges reflect the 5th and 95th percentile of calendar year returns. Asset classes are represented by the following indexes: S&P 500 Index ("US Equities"), MSCI World Index ("Developed Markets Equities"), Bloomberg US Treasury Index ("US Treasury"), and MSCI Emerging Markets Index ("Emerging Markets Equities"). Total returns for all MSCI indexes are net of dividend taxes. Total returns for the MSCI Emerging Markets Index are gross of dividend taxes prior to calendar year 2001. The first full calendar-year periods are 1901 for S&P 500, 1970 for MSCI World, 1973 for Bloomberg US Treasury, and 1988 for MSCI Emerging Markets. Data prior to 1968 for the S&P 500 Index are sourced from Global Financial Data, Inc.

Energy outperformed among sectors, but IT remained the primary driver of returns





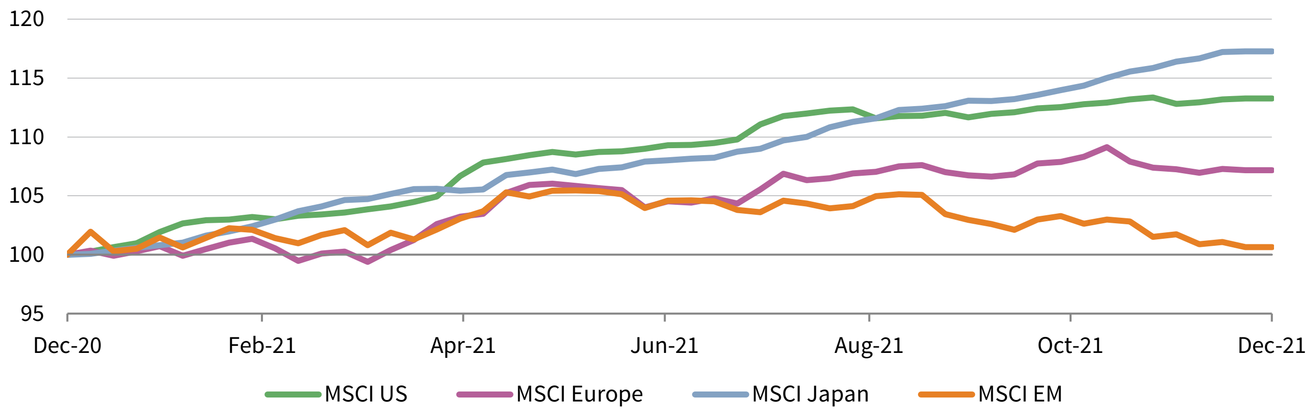
IT continued to be the major driver of returns in global equities, contributing a little under one-third of the total returns of the MSCI ACWI index in 2021. The pandemic amplified secular trends that have supported the sector, such as internet-based retail and working from home. Those benefits continued accruing to these firms during 2021. Nonetheless, IT was only the second best-performing sector. It was surpassed by energy, 2020's worst-performing sector. Energy benefited from a resurgence in demand, as well as relatively tighter supply of oil. Financials also experienced a major turnaround from the prior year as rising interest rates aided the sector.

Sources: FactSet Research Systems and MSCI Inc. MSCI data provided "as is" without any express or implied warranties.
Note: Top chart shows each sector's contribution as a percentage of the full index return, with average sector weights during the year shown in parentheses.

As forward multiples peaked, earnings were the source of returns in 2021

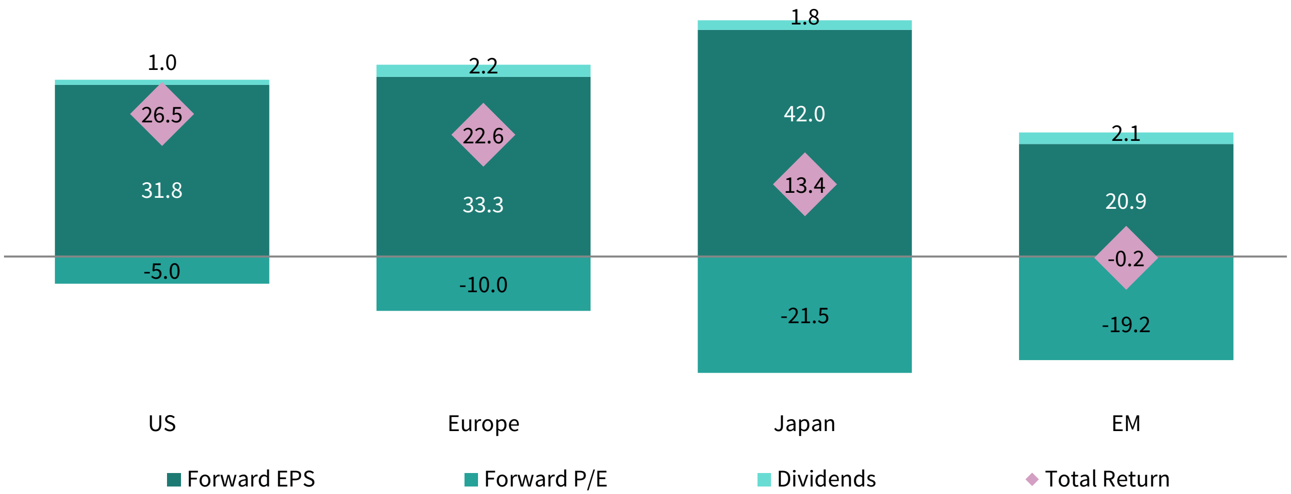
CHANGES IN CALENDAR YEAR 2022 EPS ESTIMATES

December 31, 2020 – December 31, 2021 • December 31, 2020 = 100



CY 2021 EQUITY TOTAL RETURNS BY SOURCE

As of December 31, 2021 • Percent (%) • Local Currency



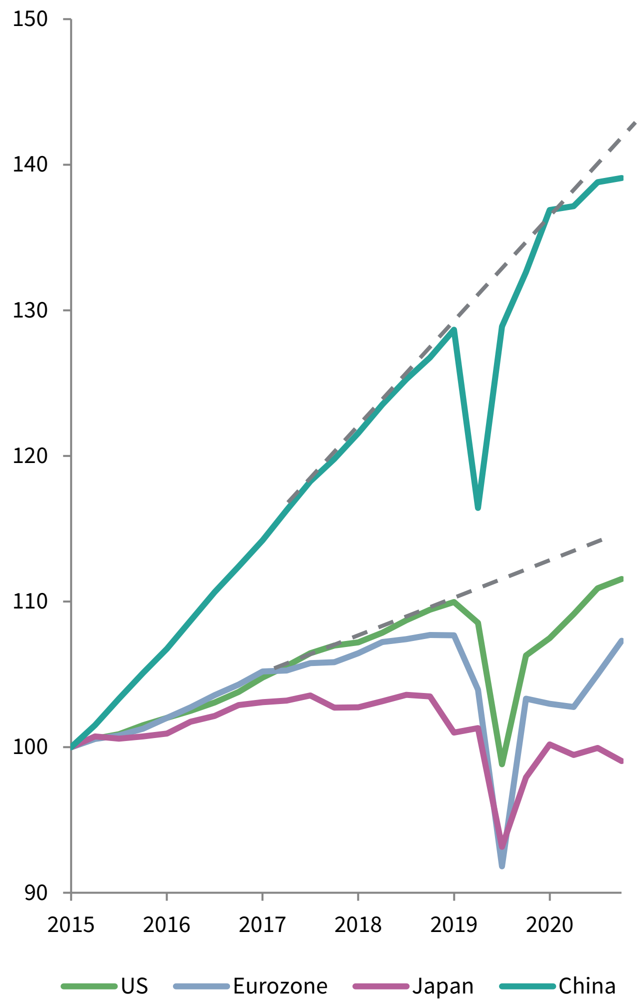
In contrast to 2020, returns during 2021 were driven overwhelmingly by improving earnings expectations. Forward valuation multiples, which drove much of the market recovery from the pandemic lows, have declined since late 2020. The earlier multiple expansion was supported by falling interest rates that reached multi-year lows, with the peak in forward multiples reached shortly after the low in US Treasury yields. Since that time, multiples have been challenged by rising interest rates and accelerating inflation. Such has been the rebound in earnings expectations that, as of the end of December, calendar year 2022 global consensus EPS estimates were 1% above where they stood pre-pandemic.

Sources: I/B/E/S, MSCI Inc., and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Top chart uses weekly data. EPS growth numbers are based on I/B/E/S estimates. Data reflect EPS growth estimates for calendar year 2022, except for Japan, which reflect EPS growth estimates for fiscal year 2023 (March 2022–March 2023). EPS growth estimates are in local currency terms, except for Europe and EM, which are in USD terms. Bottom chart shows EPS growth as the percent change in aggregate 12-month forward earnings, multiple expansion as the percent change in 12-month forward price-earnings ratio, and dividend income as the compound difference between the 12-month total return and the 12-month price return. All three components of return geometrically compound to total return.

Developed markets growth rebounded but remained below trend, while inflation surged

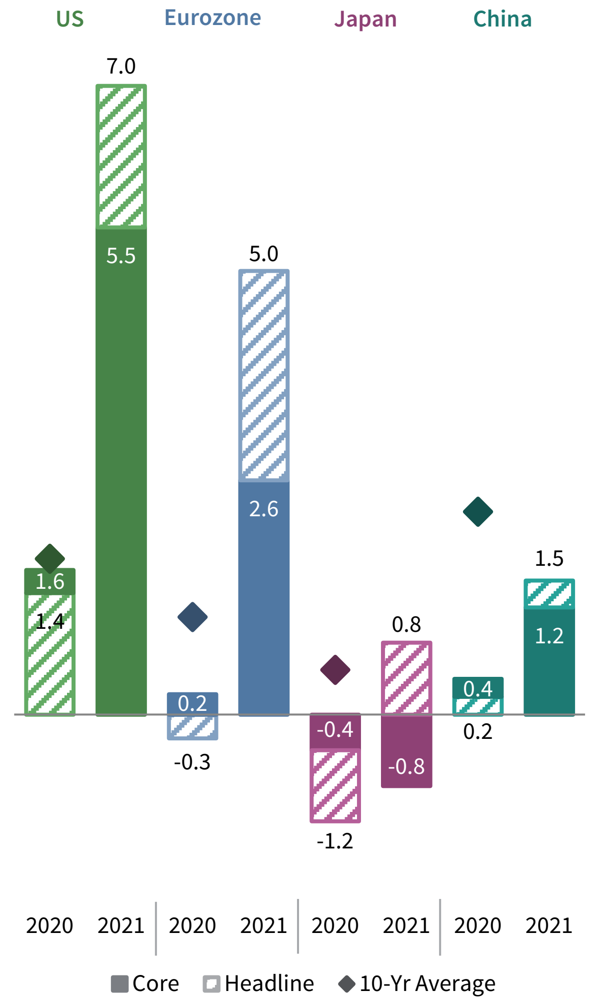
REAL GDP GROWTH

Fourth Quarter 2015 – Third Quarter 2021 • Fourth Quarter 2015 = 100



INFLATION

2011–21 • Percent (%)

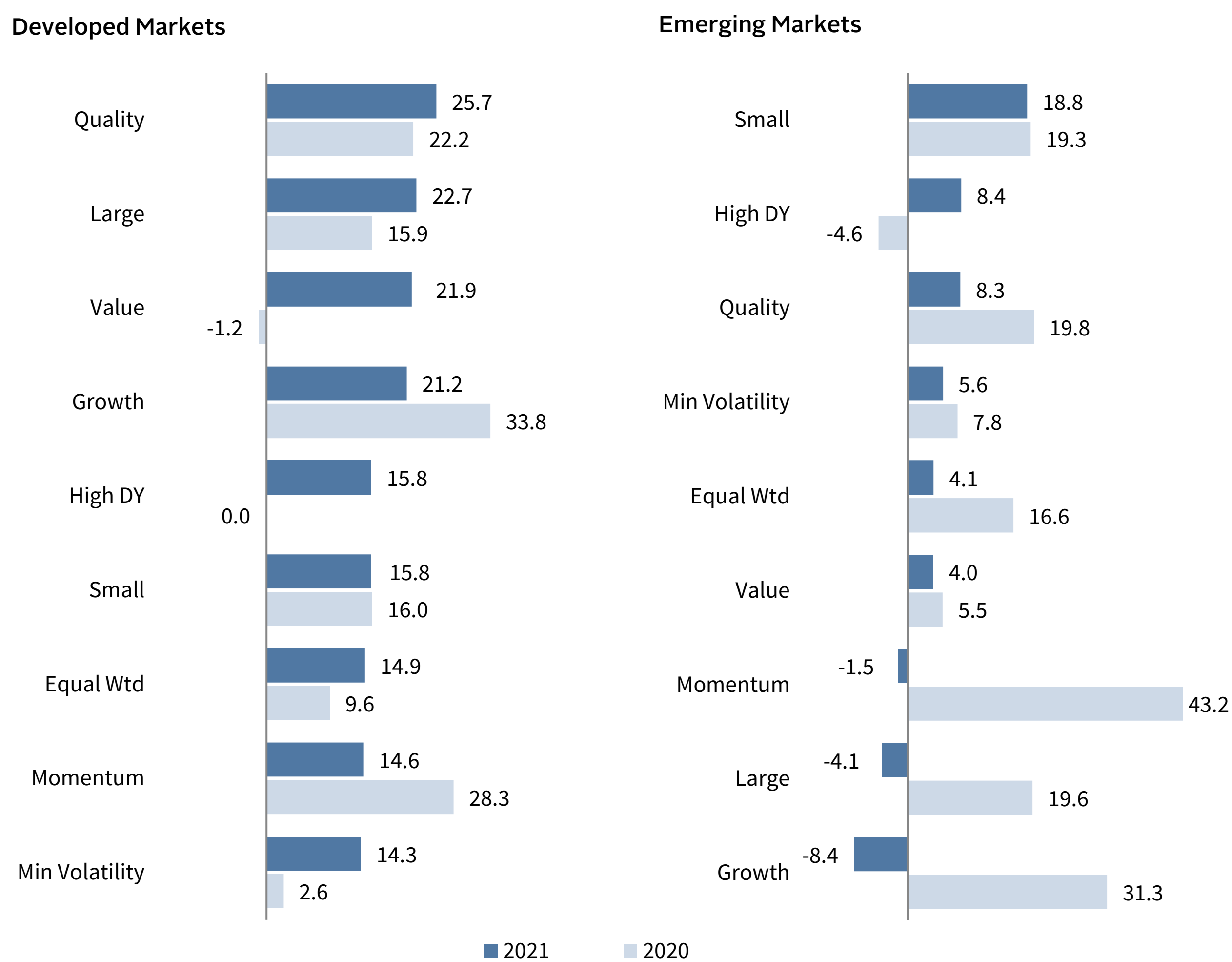


After the most sudden collapse in economic activity in modern history, the associated recessions proved to be deep but short-lived. China's recovery proved the swiftest and GDP there is back on a pre-pandemic trend. The US economy surpassed its pre-pandemic size but remained below trend. Other regions lagged further still. The development and deployment of COVID-19 vaccines paved the way for an eventual exit from public restrictions that hampered commercial activity. In the meantime, the provision of ample fiscal support helped to make up for shortfalls in private activity. However, this boost to the demand side, coming alongside a supply side that continued to experience challenges, contributed to a material firming in inflation.

Sources: National Sources and Thomson Reuters Datastream.
Note: Ten-year average inflation reflects the annual headline inflation from 2011 to 2020.

The primacy of earnings growth in 2021 saw the quality factor rise to the top

EQUITY PERFORMANCE BY FACTOR AND STYLE: CY 2021 VS CY 2020
As of December 31, 2021 • US Dollar • Percent (%)



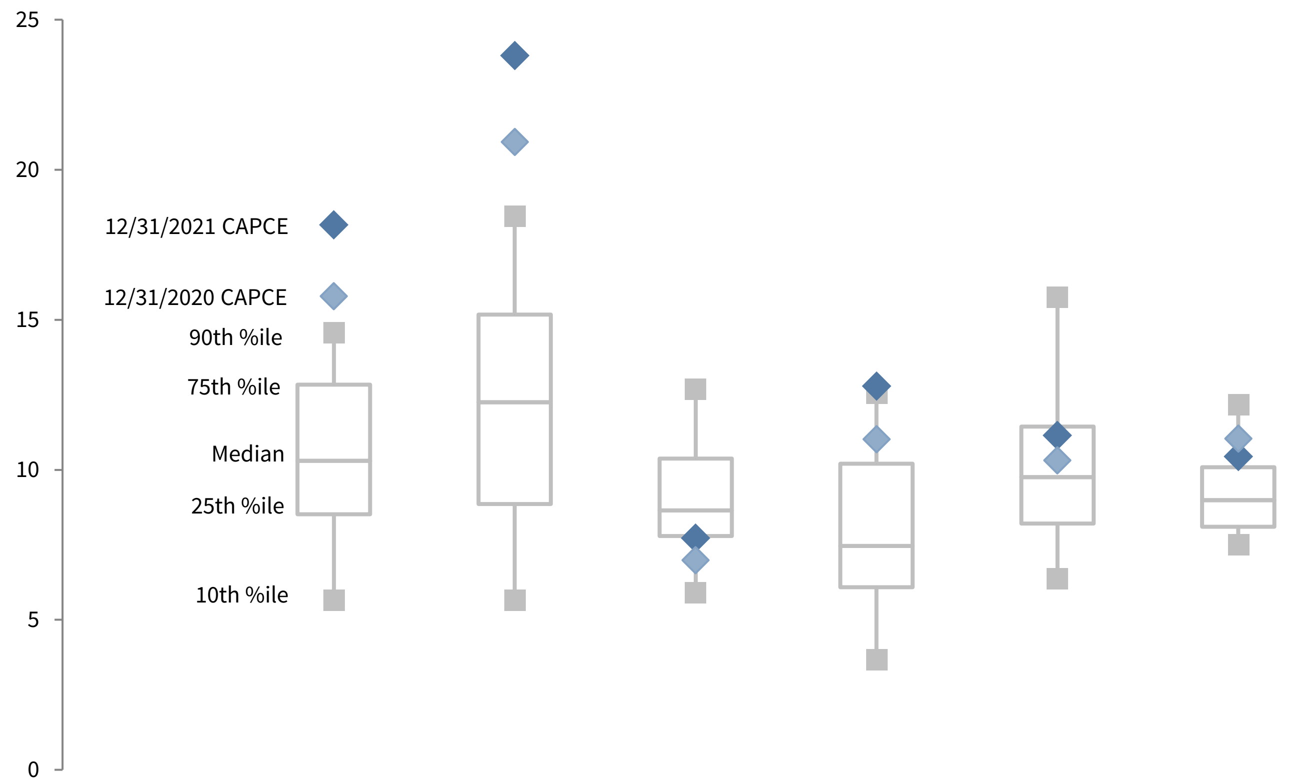
Quality emerged as the best-performing factor in developed markets in 2021. With valuation multiples topping out in late 2020, performance in 2021 was driven less by market spirits and more by the underlying economic performance of constituents. The high return on equity and competitive advantages of quality companies supported this outperformance. Also noteworthy was the large drop in the performance of the momentum factor between 2020 and 2021. The sectors that lagged in 2020, notably energy and financials, rebounded strongly in 2021. In addition, performance leadership switched frequently in 2021 between cyclicals and defensives. Neither development was conducive to momentum outperformance.

Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: Factors are based on the MSCI World Index and MSCI Emerging Markets Index. Total return data for all MSCI indexes are net of dividend taxes.

Cyclically adjusted valuation measures reached historically elevated levels

CYCLICALLY ADJUSTED PRICE-TO–CASH EARNINGS (CAPCE) RATIOS BY REGION

As of December 31, 2021



% Change	World	US	UK	Europe ex UK	Japan	EM
to 50th %ile	-43.3	-48.5	11.9	-41.6	-12.5	-13.9
to 25th %ile	-53.1	-62.8	0.9	-52.4	-26.4	-22.4
to 10th %ile	-68.8	-76.2	-23.6	-71.3	-42.8	-28.1

Despite forward price-earnings multiples declining from recent peaks, valuations in their entirety remained meaningfully elevated at the end of 2021. This was particularly true of cyclical measures, such as the CAPCE. In the case of the US, and therefore also developed markets, the CAPCE ended 2021 at historically elevated levels. A larger weighting to growth stocks was one reason US multiples were more elevated than those of peers; however, once sectoral composition was accounted for a premium persisted. The UK stood out both for its low absolute valuation, as well as for the moderate CAPCE expansion during 2021. Sectoral composition was again a factor; however, sentiment toward UK equities continued to trail that of its peers.

Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: The cyclically adjusted price-to-cash earnings (CAPCE) ratio is calculated by dividing the inflation-adjusted index price by trailing ten-year average inflation-adjusted cash earnings. Cash earnings are defined as net income from continuing operations plus depreciation and amortization expense. MSCI does not publish cash earnings for banks and insurance companies and therefore excludes these two industry groups from index-level cash earnings. EM is cyclically adjusted by trailing five-year data.
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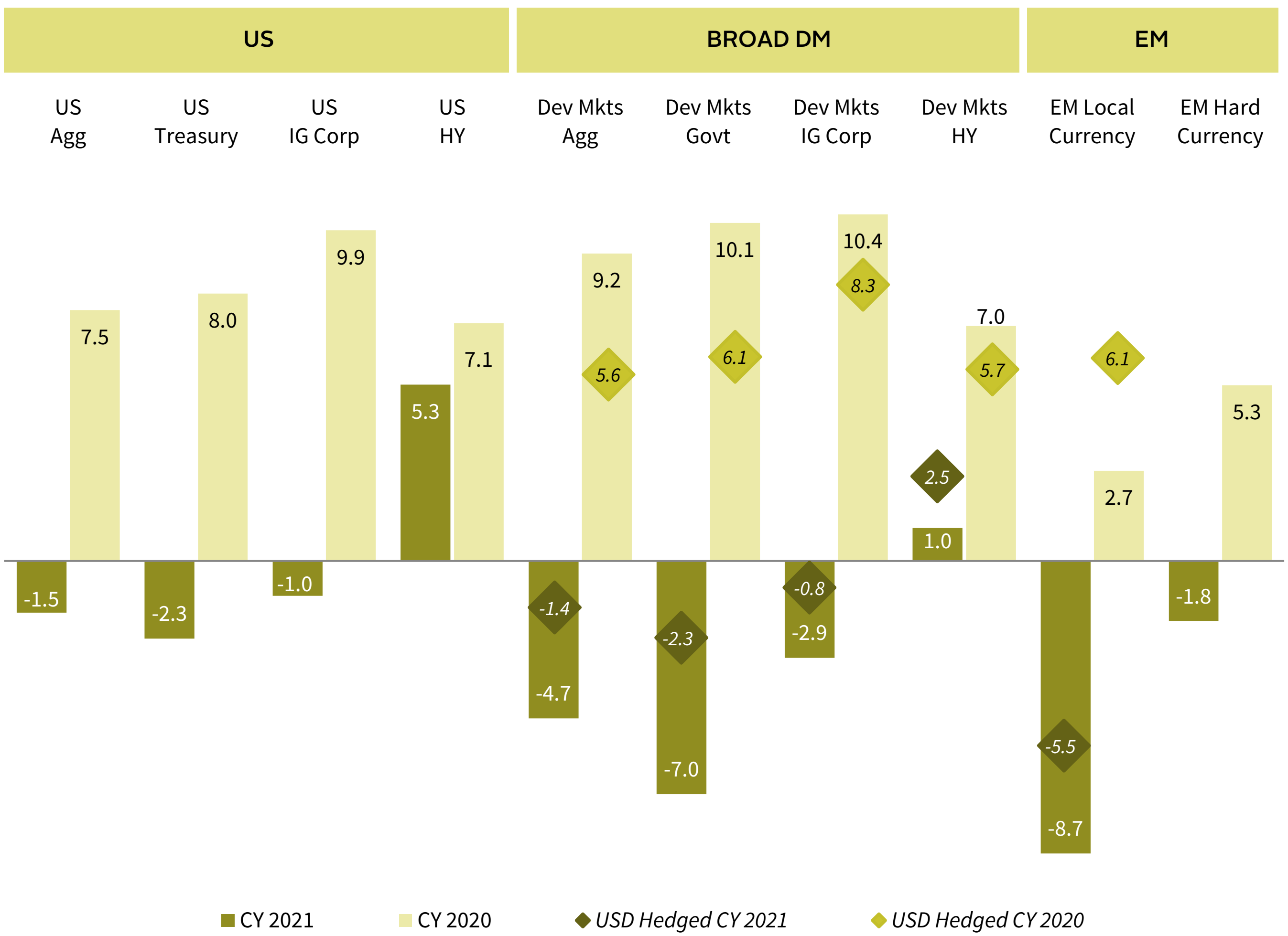
Fixed income delivered negative performance in a large turnaround from the prior year

GLOBAL BOND PERFORMANCE: CY 2021 VS CY 2020

Total Return (%) • US Dollar



Most major categories of bonds delivered negative performance in 2021. Inflationary pressures rose strongly during the year, while much of the economic damage wrought by the pandemic, particularly to the labor market, was repaired. As a result, several central banks adopted a more hawkish posture, indicating that rate hikes were likely in 2022. High-quality bond yields rose in response to these developments. The additional yield available in developed markets attracted capital away from emerging markets, which were also battling elevated inflation levels. High yield delivered positive returns as spread compression offset the rise in Treasury yields.

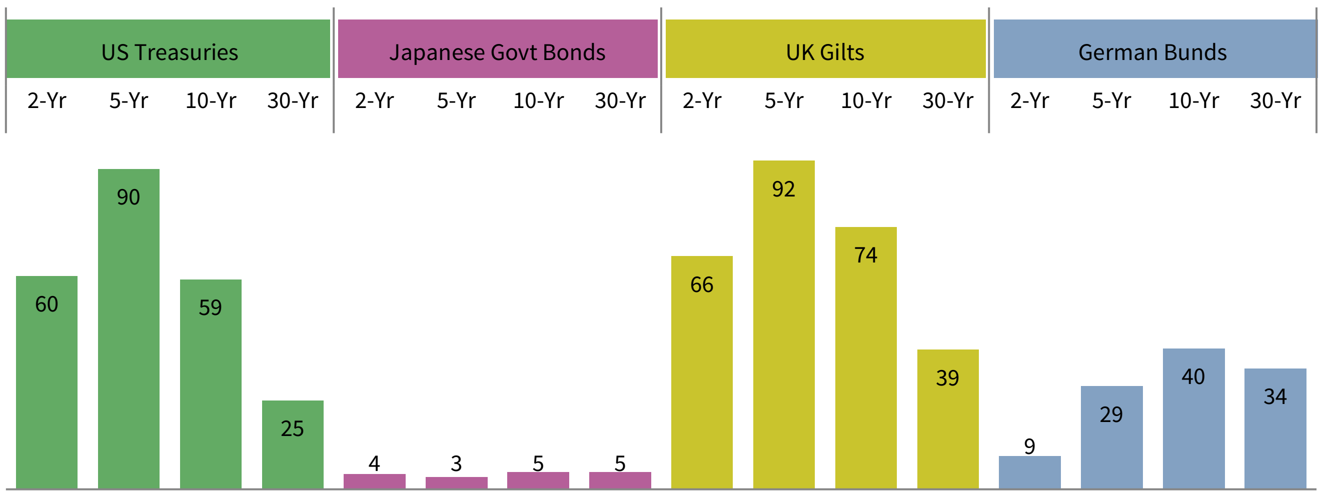
Sources: Bloomberg Index Services Limited, FTSE Fixed Income LLC, J.P. Morgan Securities, Inc., and Thomson Reuters Datastream.

Notes: Asset classes represented by Bloomberg US Aggregate Bond Index ("US Agg"), Bloomberg US Treasury Index ("US Treasury"), Bloomberg US Corporate Investment Grade Bond Index ("US IG Corp"), Bloomberg US High Yield Bond Index ("US HY"), Bloomberg Global Aggregate Bond Index ("Dev Mkts Agg"), FTSE World Government Bond Index ("Dev Mkts Govt"), Bloomberg Global Aggregate Corporate Bond Index ("Dev Mkts IG Corp"), Bloomberg Global High Yield Bond Index ("Dev Mkts HY"), J.P. Morgan Government Bond Index-Emerging Markets Global Diversified Index ("EM Local Currency"), and J.P. Morgan Emerging Markets Bond Index - Global Diversified Index ("EM Hard Currency").

Yields rose and curves flattened as future interest rate hikes were priced in by markets

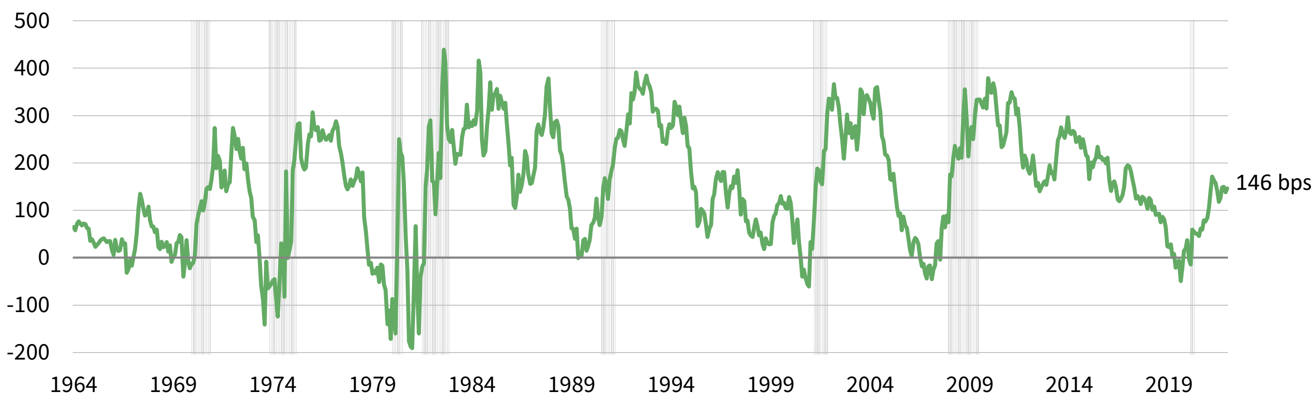
CHANGE IN YIELD VS DECEMBER 2020 FOR VARIOUS GOVERNMENT BOND MATURITIES

As of December 31, 2021 • Basis Points (bps)



10-YR/3-MO US TREASURY YIELD SPREAD

January 31, 1964 – December 31, 2021 • Basis Points (bps)



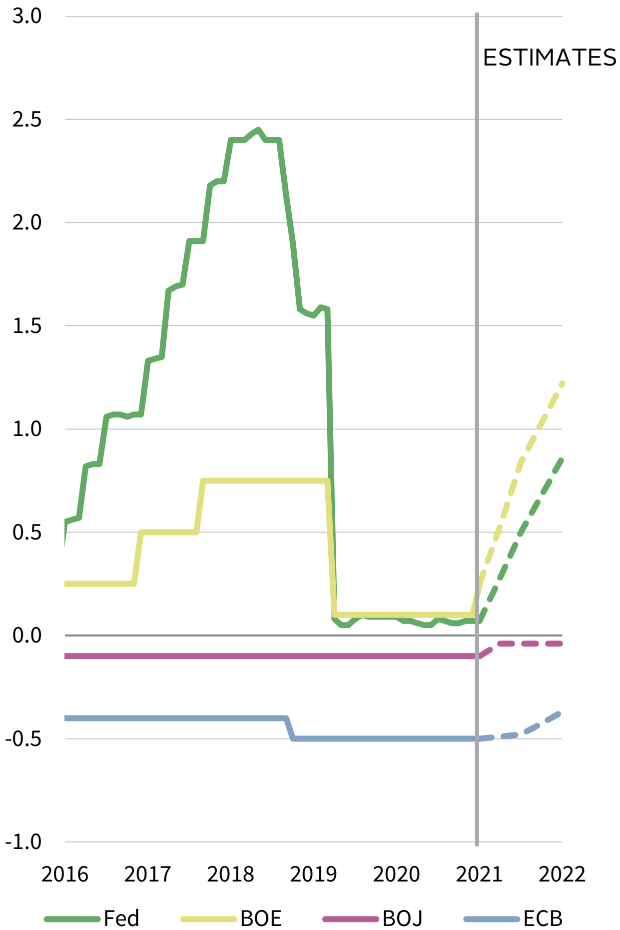
Government bond yields rose as the economic recovery from the worst of the pandemic continued. This recovery, combined with a rapid rise in inflation, led to expectations that a removal of monetary accommodation was imminent. This has since been validated by projections from the Fed, while the Bank of England delivered their first rate hike in December. As is typical in the run-up to rate increases, yield curves generally flattened. Shorter-dated bond yields fully reflect the likelihood of these rate rises. However, longer-dated bonds reflect multiple future economic and monetary cycles and so their reaction is more muted. Subdued growth and inflation in Japan, combined with a yield-curve control policy, saw its bond yields little changed.

Sources: Federal Reserve, Global Financial Data, Inc., National Bureau of Economic Research (NBER), and Thomson Reuters Datastream.
Note: Shaded bars on the bottom chart reflect periods of US recession as defined by NBER.

The Bank of England kicked off the rate hiking cycle among major central banks in December

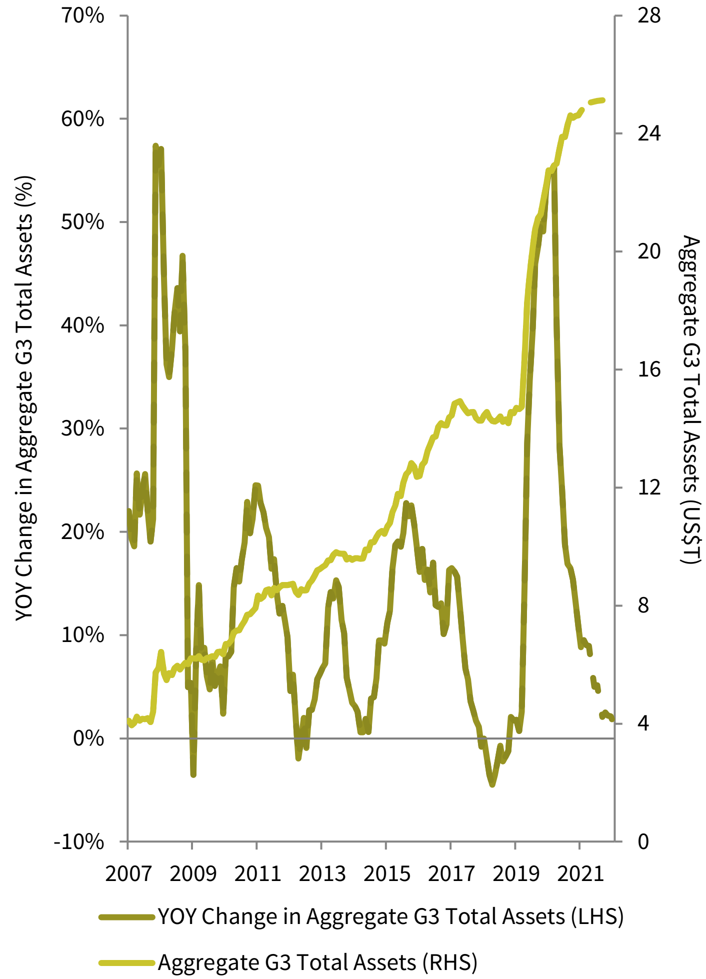
G4 GLOBAL POLICY RATES

December 31, 2016 – December 31, 2022 • Percent (%)



G3 CENTRAL BANK TOTAL ASSETS

December 31, 2007 – December 31, 2022 • US Dollar



The process of shifting monetary policy away from "emergency" settings began in 2021. The first step is generally the ending of government bond purchases, known as quantitative easing. The Fed plans to finish buying Treasuries by March 2022, while the ECB also plans to scale down its purchases. Concerns that labor market tightness could result in the current elevated levels of inflation becoming entrenched led the BOE to raise interest rates in December. They became the first major DM central bank to do so this cycle. At the end of 2021, the market expected four further hikes from the BOE and three hikes from the Fed in 2022.

Sources: Bloomberg L.P., J.P. Morgan Securities, Inc., MSCI Inc., National Sources, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Notes: Policy rate data are as of December 31, 2021. Policy rate data are estimated after December 31, 2021, and based on market implied rates on December 31, 2021. Federal Reserve data based on the effective federal funds rate. The G3 central bank total assets consists of the total assets of the US Federal Reserve, European Central Bank, and Bank of Japan. Estimates on the RHS chart are represented by dotted lines and begin after December 31, 2021. Estimates for Bank of Japan are based on J.P. Morgan estimates and estimates for European Central Bank are based on Bloomberg estimates.

Fiscal policy remained supportive in 2021 after expanding rapidly in 2020

GENERAL GOVERNMENT CYCLICALLY ADJUSTED PRIMARY BUDGET BALANCE

As of September 27, 2021 • Percent of Potential GDP

Monetary policy was somewhat limited in terms of its ability to assuage the worst of the economic impact of COVID-19. This was because interest rates were already either at or close to zero and because the primary issue was a collapse in demand. Therefore, fiscal policy was required to step into the breach. It did so in emphatic fashion, with many governments running their largest deficits since World War II. The IMF does not expect this fiscal accommodation to be withdrawn as swiftly as it was in the wake of the GFC. As we move into a post-pandemic world, governments are increasingly looking at infrastructure investments, both to stimulate demand and to aid in the carbon transition.

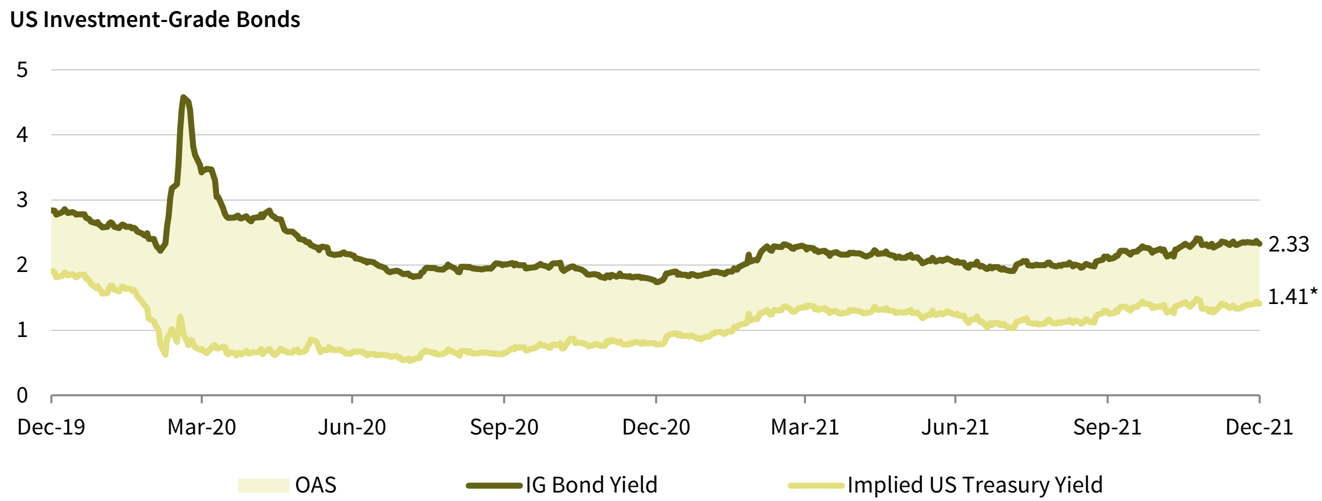
Source: IMF Fiscal Monitor October 2021.

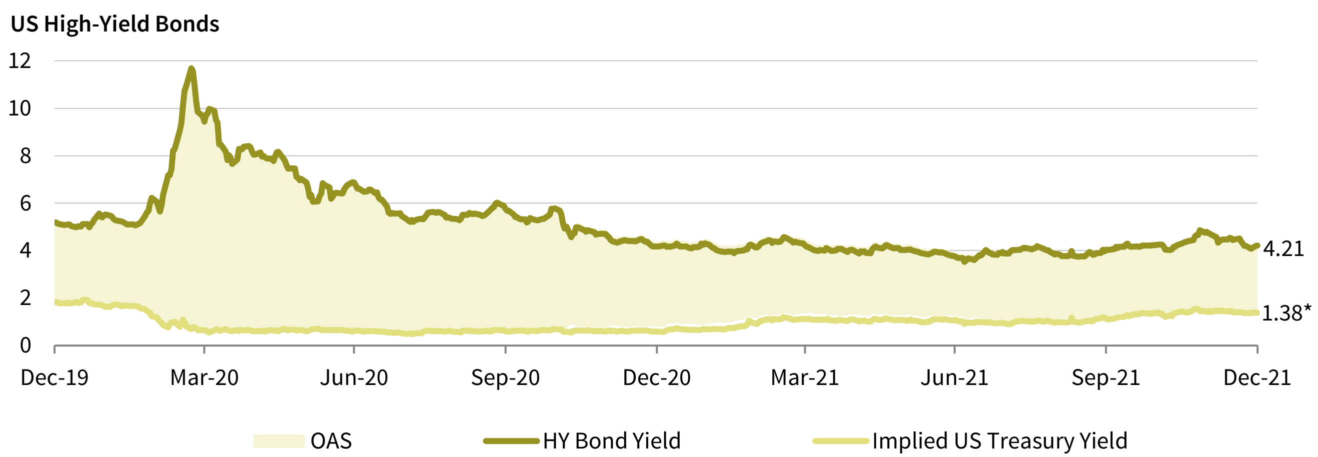
Notes: "Cyclically adjusted primary budget balance" is defined as the cyclically adjusted balance plus net interest payable/paid (interest expense minus interest revenue). Data are based on the IMF's October 2021 Fiscal Monitor publication.

Rising Treasury yields pressured investment-grade bonds, while spread compression supported high yield

OPTION-ADJUSTED SPREADS ON US INVESTMENT-GRADE AND HIGH-YIELD CORPORATE BONDS

December 31, 2019 – December 31, 2021 • Percent (%)





* US Treasury yields are calculated by subtracting the IG and HY OAS from the IG and HY bond yields.

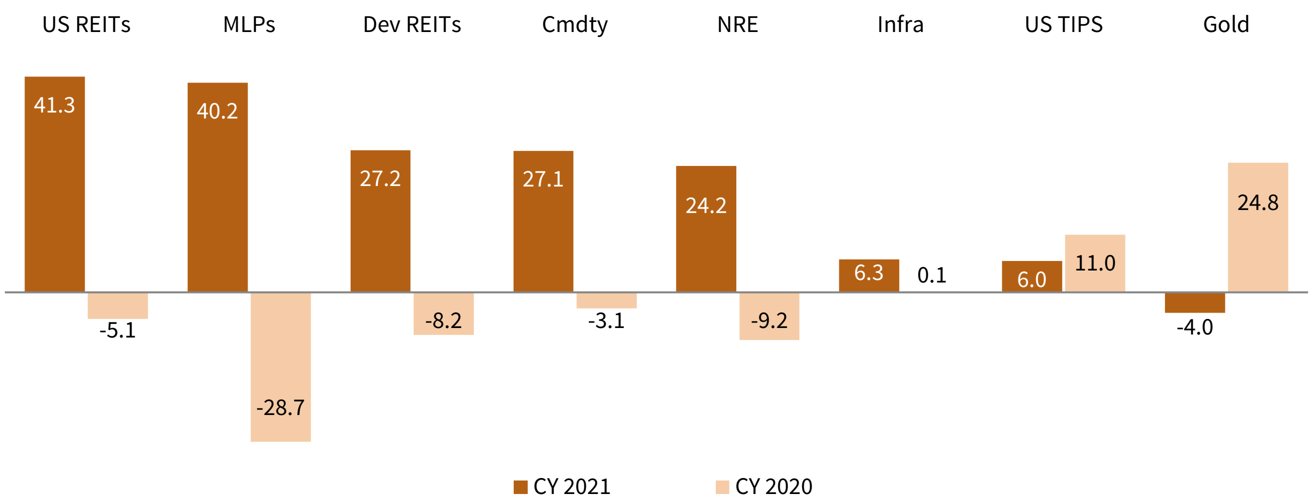
The expectation that the Fed would begin to raise interest rates in 2022 saw all high-quality bonds come under pressure. As a result, the yield on US investment-grade bonds rose during the year, contributing to a negative return of 1%. Nonetheless, the spread of investment-grade bonds remained stable, finishing the year at 92 basis points. By contrast, the greater starting spread of US high-yield bonds provided greater scope for spread contraction during 2022. Indeed, the positive risk environment allowed spread compression to almost exactly offset the rise in the underlying Treasury benchmark of the index. This left the all-in-yield virtually unchanged on the year, resulting in a return of 5.3% for the asset class.

Sources: Bloomberg Index Services Limited and Thomson Reuters Datastream.
Notes: Data for US investment-grade (IG) bonds are represented by the Bloomberg US Corporate Investment Grade Bond Index, and data for US high-yield (HY) bonds are represented by the Bloomberg US High Yield Bond Index. Data are daily.
917m mod

A surge in inflation helped to support a variety of real assets

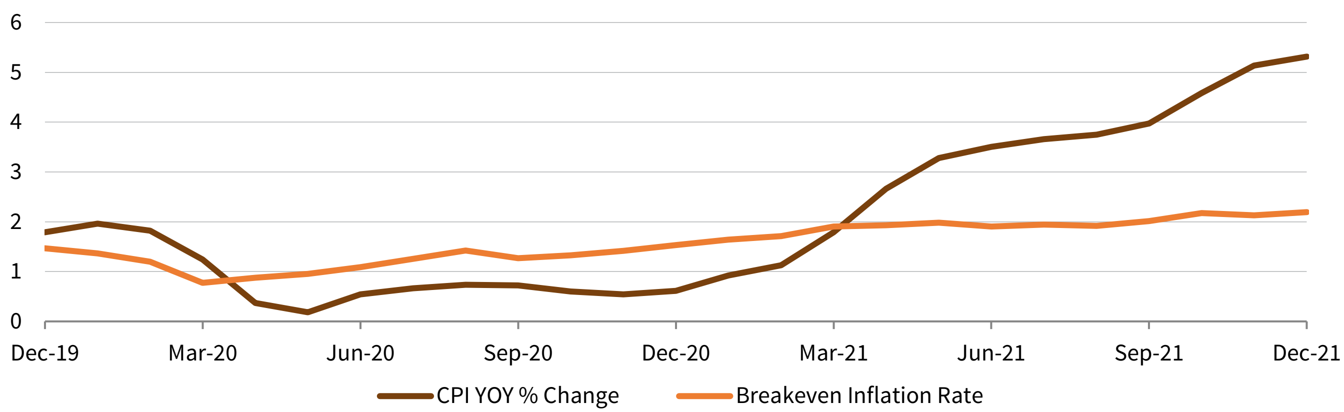
REAL ASSET AND INFLATION SENSITIVE PERFORMANCE: CY 2021 VS CY 2020

Total Return (%) • US Dollar



G7 CPI YOY % CHANGE AND BREAKEVEN INFLATION RATE

December 31, 2019 – December 31, 2021 • Percent (%)



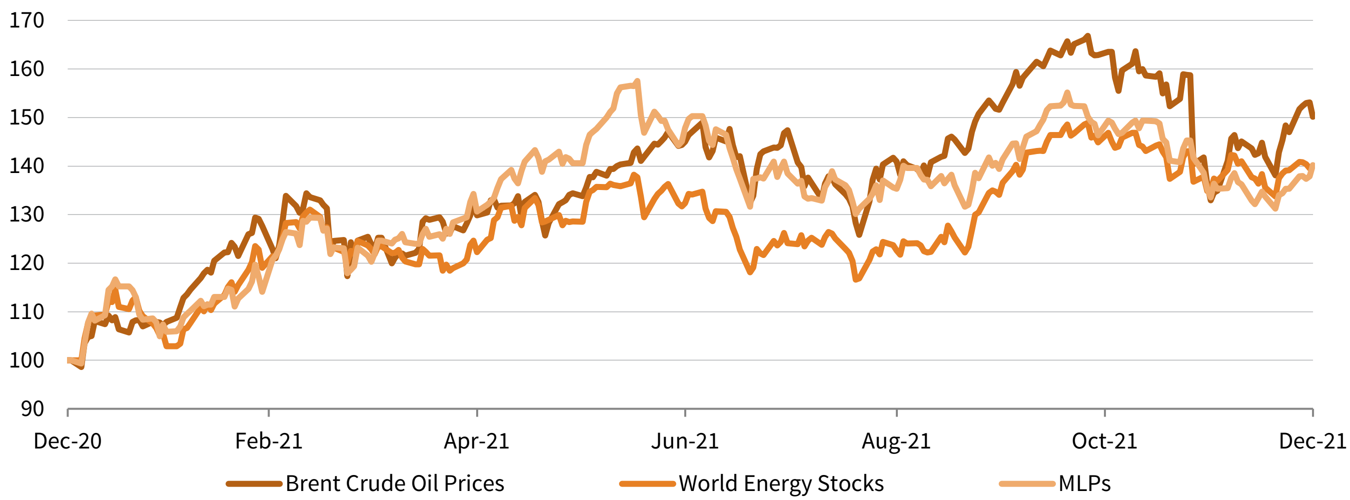
Inflation rose meaningfully as we progressed through 2021. The large demand-side supports provided by policymakers, along with some persistent constraints on the supply side of the economy, saw prices rise, particularly in the goods sector. Market-based measures of inflation expectations, such as inflation breakevens, also rose. However, their rise was much more muted as markets anticipated a large portion of this inflationary impulse to prove temporary. Nonetheless, inflation-sensitive assets performed strongly in 2021. US REITs led the way, supported by a very strong US housing market and a robust industrial property market. Commodities and energy-related assets benefited from a resurgence in demand as activity normalized.

Sources: Alerian, Bloomberg Index Services Limited, Bloomberg L.P., EPRA, FTSE International Limited, Intercontinental Exchange, Inc., MSCI Inc., National Association of Real Estate Investment Trusts, OECD, and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.
Notes: All returns are total returns, except those for gold, which are based on spot price returns. Asset classes represented by the following: FTSE® NAREIT All Equity REITs Index ("US REITs"), Alerian MLP Total Return Index ("MLPs"), FTSE® EPRA/NAREIT Developed Real Estate Index ("Dev REITs"), Bloomberg Commodity TR Index ("Cmdty"), market cap-weighted Datastream World Energy Index and Datastream World Basic Resources Index blend ("NRE"), MSCI World Infrastructure Index ("Infra"), Bloomberg US TIPS Index ("US TIPS"), and LBMA Gold Price ("Gold"). Total return data for all MSCI indexes are net of dividend taxes. G7 inflation rate and G7 breakeven inflation rate are calculated using country-level data weighted by 2020 nominal GDP.

Energy assets rebounded in 2021 as economic activity gradually normalized

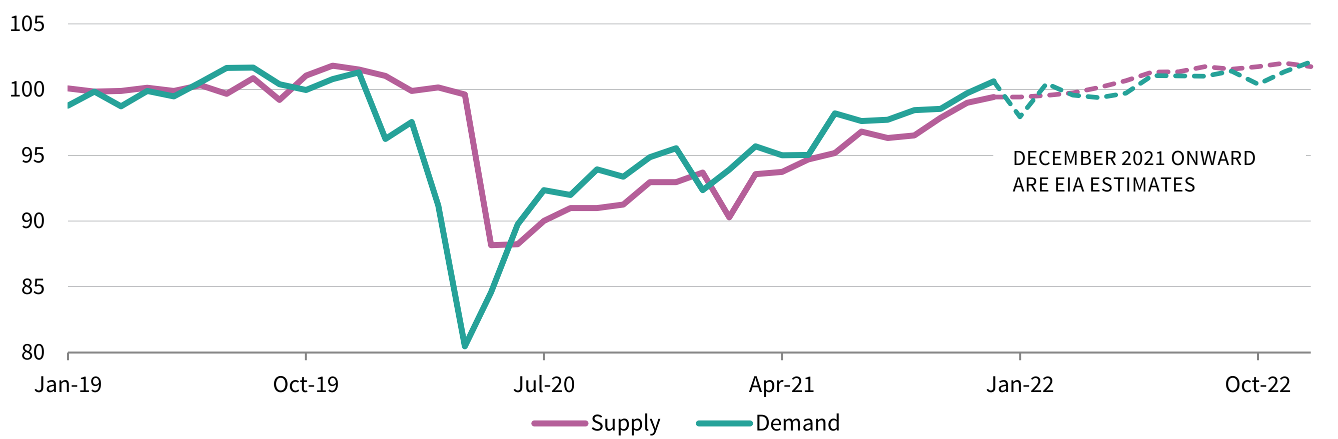
PERFORMANCE OF SELECT ENERGY ASSETS

December 31, 2020 – December 31, 2021 • December 31, 2020 = 100 • US Dollar



GLOBAL OIL SUPPLY AND DEMAND SINCE 2019

January 31, 2019 – December 31, 2022 • Million barrels per day



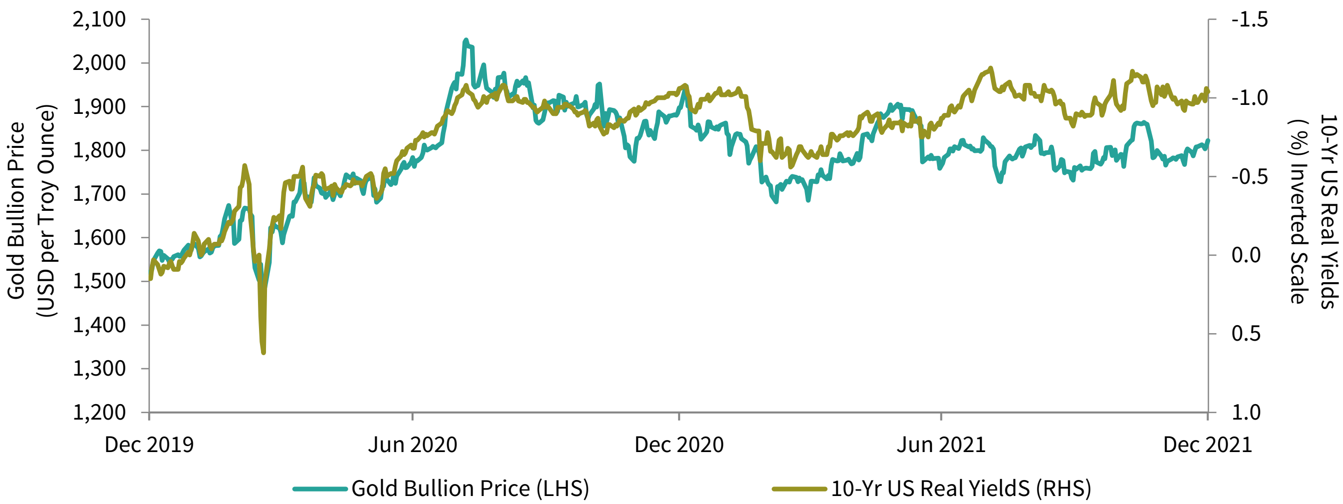
Energy and energy-related assets performed very strongly in calendar year 2021. Crude oil prices rose strongly as demand continued its recovery from the pandemic-induced collapse. The OPEC+ group also kept supply firmly under control, while expectations were that the market would broadly remain in balance during 2022. A multi-year decline in CAPEX has also impacted the extent to which western oil-producing nations can ramp up supply. Under pressure from investors, these firms have been returning cash to shareholders in lieu of engaging in fresh investment. That behavior was rewarded last year, with energy the best-performing sector in the MSCI ACWI.

Sources: Alerian, Bloomberg L.P., Intercontinental Exchange, Inc., MSCI Inc., Thomson Reuters Datastream, and US Energy Information Administration. MSCI data provided "as is" without any express or implied warranties.
Notes: Performance data are daily. Brent Crude Oil Prices, World Energy Stocks, and MLPs are represented by ICE Brent Crude Near-Month Futures, MSCI World Energy Index, and the Alerian MLP Total Return Index, respectively. Total return data for all MSCI indexes are net of dividend taxes. Global oil supply and demand data are monthly.

Gold suffered a small decline as US real yields rose modestly

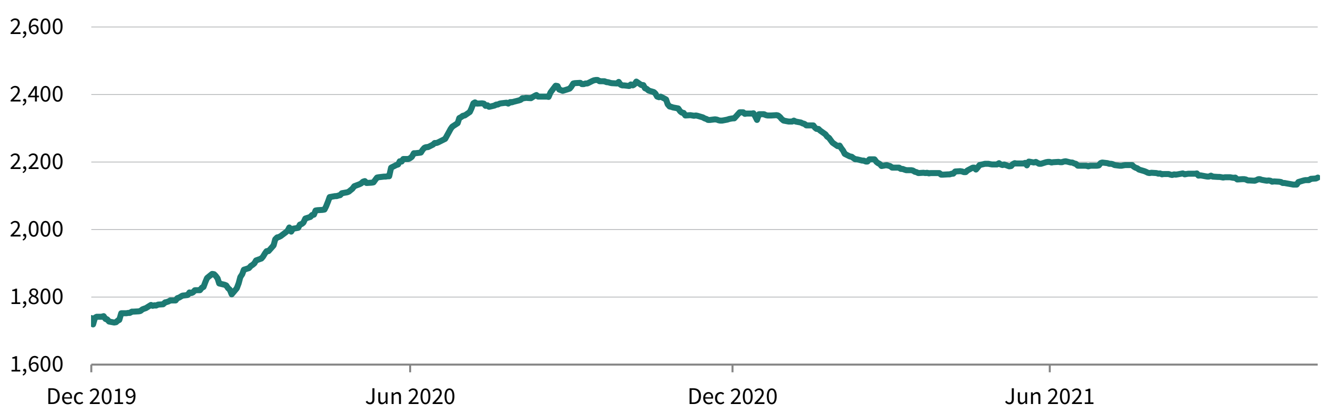
GOLD BULLION PRICE VS 10-YR US REAL YIELDS

December 31, 2019 – December 31, 2021



AMOUNT OF GOLD HOLDINGS BY GOLD-BACKED ETFS

December 31, 2019 – November 30, 2021 • Tonnes



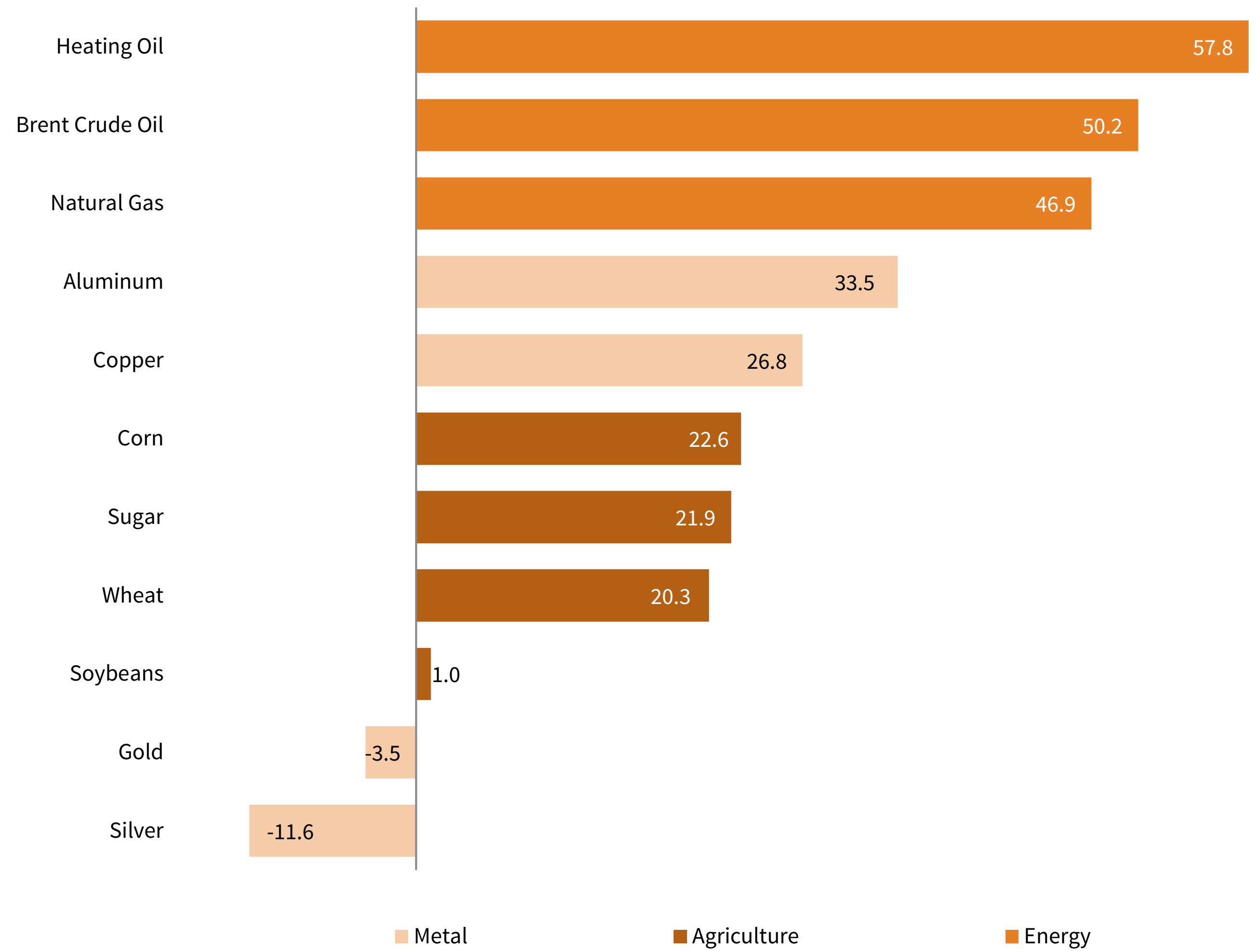
Gold tends to trade in line with long-dated real yields, particularly those of the US. This correlation partially held up as we moved through 2021; however, its return of -4.0% was a modest underperformance compared to the historical relationship. Over the course of the entire year, the US ten-year real yield rose a modest 2 basis points but remained deeply negative at -1.04%. The desire to hold gold for safe-haven purposes appeared to wane somewhat as the post-pandemic recovery matured. Holdings of gold by gold-backed ETFs peaked just before the final trial results of the COVID-19 vaccine candidates. In 2021, we saw a continuation of the outflows from the space.

Sources: Federal Reserve, Intercontinental Exchange, Inc., Thomson Reuters Datastream, and World Gold Council.
Notes: Real yields reflect the US ten-year TIPS yield. Data are daily.

A bumper year for commodities, with the exception of precious metals

SELECT COMMODITY SPOT PERFORMANCE: CY 2021

As of December 31, 2021 • Percent (%) • US Dollar



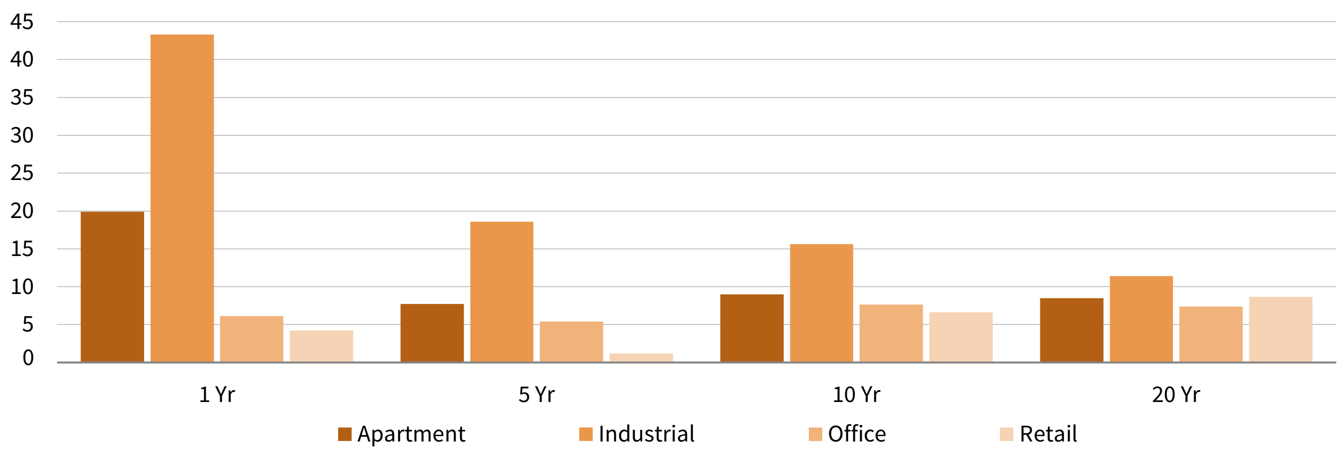
Commodities performed strongly in 2021. Energy topped the performance charts with oil & gas both rising in the region of 50%. Resurgent demand and a tight grip on supply saw these markets well supported. A spike in European gas prices also saw some contagion to other global prices. The normalization of activity also aided industrial metals, with copper supported by burgeoning renewable energy demand. Dry weather in South America led to concerns about local harvests, putting upward pressure on global agriculture benchmarks. Precious metals showed the weakest returns as real yields rose modestly.

Source: Bloomberg L.P.
Note: Spot returns reflect changes in near-month futures contracts, as reported by Bloomberg L.P.

Industrial property delivered robust returns as secular trends remained in place

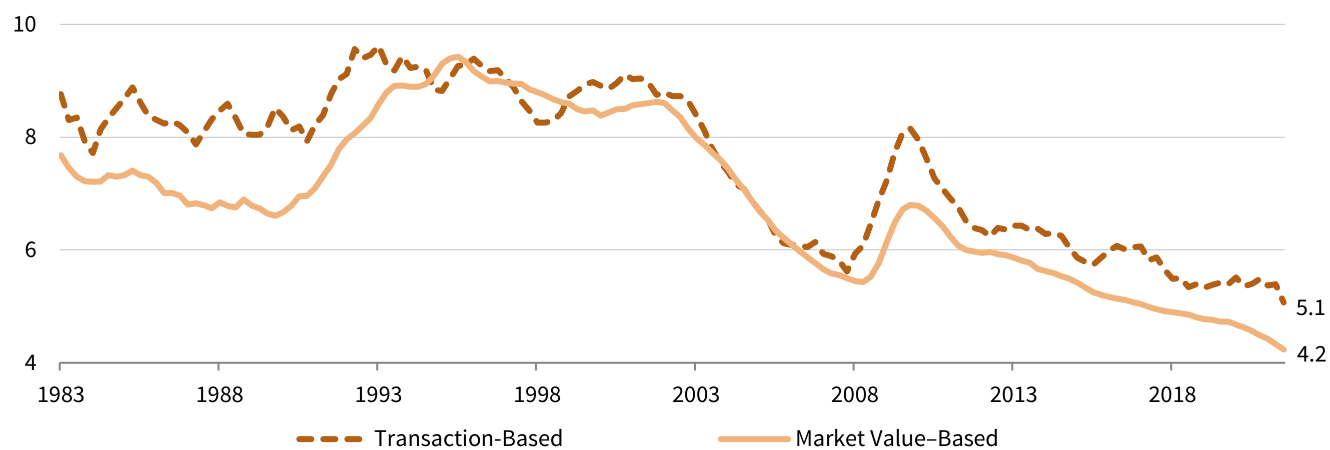
RETURNS BY PROPERTY TYPE

As of Fourth Quarter 2021 • AACR (%) • US Dollar



ALL PROPERTY CAP RATES

Second Quarter 1983 – Fourth Quarter 2021 • Percent (%)



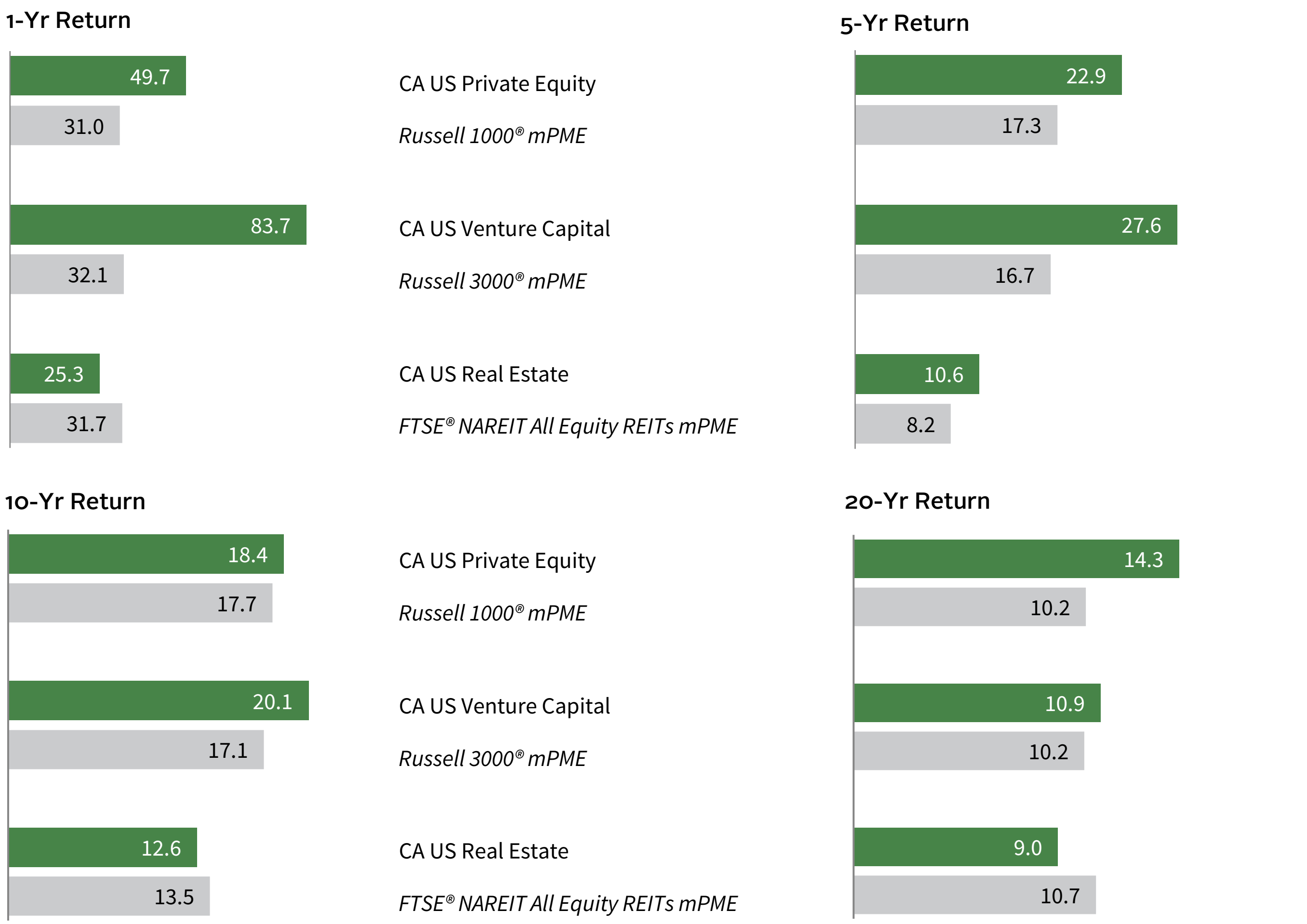
Property price appreciation accelerated meaningfully in the past year. Industrials remained the stand-out category, rising by more than 43% in the trailing one-year period. The sector continued to benefit from secular trends that have particularly helped distribution facilities, as well as telecom towers and data centers. Industrial properties have the strongest returns over all horizons examined. Retail has experienced several quarters of negative growth since 2018 as it has suffered from the secular trend toward online shopping. Growth turned positive in second quarter 2021 to leave trailing one-year growth at just under 5%. Five-year growth remains negligible in the sector. Apartments were supported by continued high affordability in the residential sector.

Source: National Council of Real Estate Investment Fiduciaries.
Notes: AACR represents total returns. Cap-rate data represent a four-quarter moving average. All data are quarterly.

Private markets extended their outperformance against public markets with elevated returns

PERFORMANCE OF SELECT CAMBRIDGE ASSOCIATES PRIVATE INVESTMENT INDEXES VS PUBLIC EQUIVALENTS

As of Third Quarter 2021 • Percent (%)



Private equity and venture capital posted exceptionally strong returns over the latest trailing one-year period, which still captures much of the initial strong expansion immediately following the worst of the pandemic. Particularly in the case of venture capital, these returns far outstripped those generated by the comparable public market benchmark. The one-year numbers also meaningfully extended the outperformance of private markets over public markets on both a five-year and ten-year horizon. On a 20-year view, real estate is the only area where public markets outperformed the private equivalent.

Sources: Cambridge Associates LLC, Frank Russell Company, FTSE International Limited, National Association of Real Estate Investment Trusts, and Thomson Reuters Datastream.
Notes: Private index returns are pooled horizon IRRs, net of fees, expenses, and carried interest. The CA Modified Public Market Equivalent (mPME) replicates private investment performance under public market conditions. The public index's shares are purchased and sold according to the private fund cash flow schedule, with distributions calculated in the same proportion as the private fund, and mPME net asset value is a function of mPME cash flows and public index returns.
1788q mod

Hedge funds returns moderated in 2021 but were solid across most categories

Preliminary data from Hedge Fund Research, Inc. suggest that hedge funds delivered solid returns across categories in 2021. Equity hedge funds did not capture the same proportion of the underlying equity market return as in 2020, suggesting that net-long exposures were reduced during the year. Distressed/restructuring funds produced the strongest returns on the year, with the damage wrought on industries and firms by the pandemic still presenting plenty of opportunities. Macro funds did not, as a whole, generate the sort of returns evident in past cycles when the policy stance shifted, though this regime shift has not yet run its course.

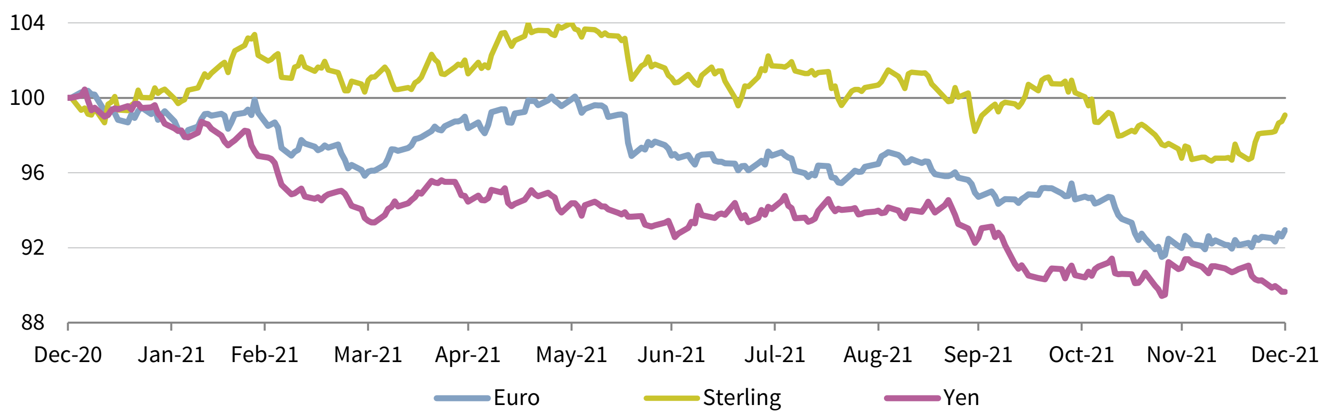
Source: Hedge Fund Research, Inc.
Note: Hedge Fund Research data are preliminary for the preceding five months.

Expectation of monetary policy divergence supported the dollar in 2021

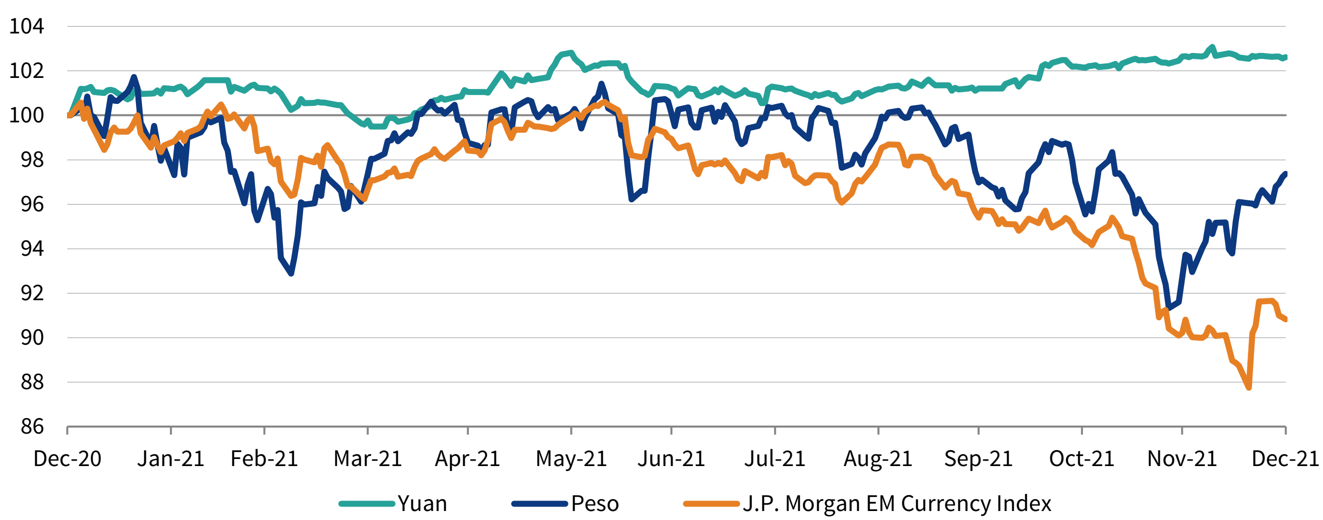
SELECT NOMINAL CURRENCY MOVEMENTS VS THE US DOLLAR

December 31, 2020 – December 31, 2021 • December 31, 2020 = 100

Euro, UK Sterling, and Japanese Yen vs US Dollar



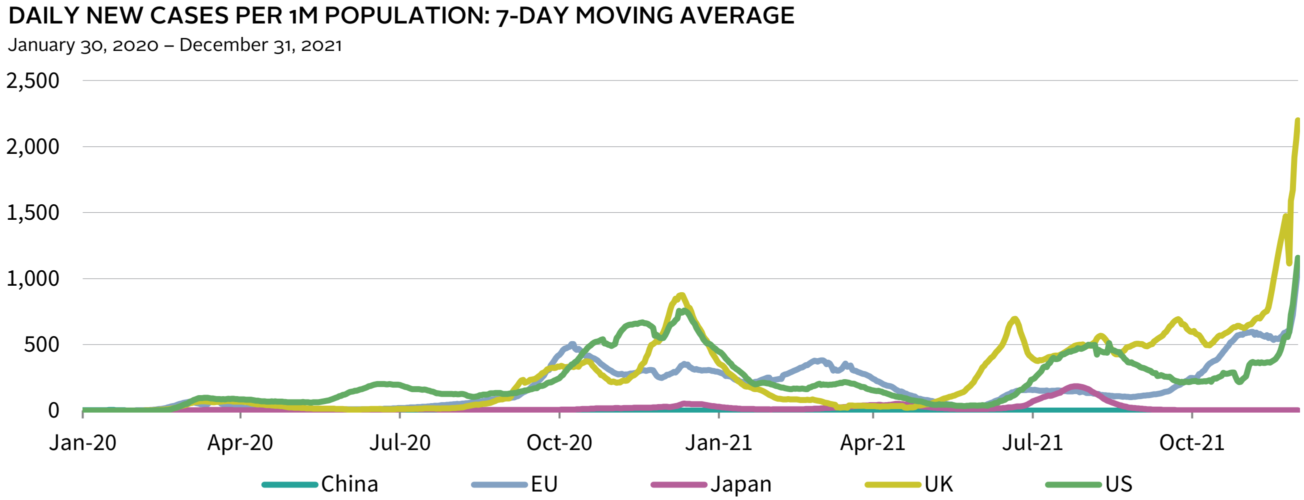
Chinese Yuan, Mexican Peso, and J.P. Morgan EM Currency Index vs US Dollar

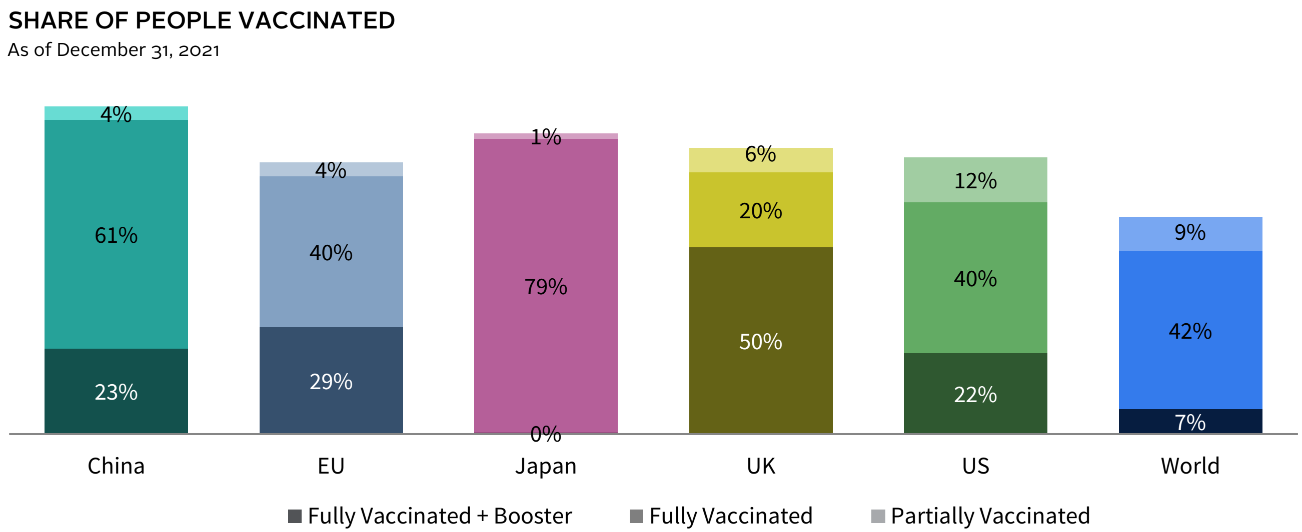


Sources: J.P. Morgan Securities, Inc. and Thomson Reuters Datastream.
Note: Data are daily.

The US dollar appreciated against the majority of currencies during 2021, with the Chinese yuan a notable exception. Policy divergence lay at the heart of the greenback's appreciation versus other DM currencies. A more robust recovery and elevated inflation saw the market price in expectations of US interest rate rises as the year went on. With the ECB and BOJ likely on hold for some time longer, this widening interest rate spread supported the US dollar against the Euro and Yen. EM central banks are also hiking rates to combat accelerating inflation; however, the expected negative growth impact of this has seen their currencies depreciate. Subdued Chinese inflation saw the yuan supported by a widening real interest rate spread, as well as a surging trade balance.

4Q GDP impacted by latest COVID-19 variant surge; however, it has proven to be less deadly





As we approached the close of 2021, new cases of COVID-19 surged once more. In many regions, case numbers rose to higher levels than had been witnessed during any prior wave. Nonetheless, hospitalizations and deaths did not rise to the same extent, with US hospitalizations a partial exception. The elevated level of vaccinations in the developed world was one reason behind this. Another was that the Omicron variant was less deadly than prior variants, despite being more transmissible. Restrictions were still implemented in many areas as a precaution. Consensus forecasts for developed markets GDP growth in 2021 dipped two-tenths between mid-October and year end, as fourth quarter growth was likely impacted.

Source: Our World in Data.

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