

Monthly Global Markets Update

May 2022

Our investment experts share their perspectives on market events, economic data and developing themes in our monthly view of the global capital markets.

Equity Market Highlights

- All constituents of the equity opportunity set posted negative returns for the month of April. The top performer in the opportunity set was the MSCI World Ex. USA value Index which returned -5.02% during the month. Other top performers were the Russell Top 200 Value Index, returning -5.48%, and the MSCI Emerging Markets IMI Index, returning -5.49%. U.S. growth equities were the worst performers in the opportunity set as the Russell 2000 Growth Index returned -12.27%, the Russell Top 200 Growth Index returned -12.24% and the Russell Mid Cap Growth Index returned -11.26% during the month.
- Year to date, only active strategies in the U.S. Large Blend and U.S. Small Value categories outperformed their passive counterparts. On average, passive strategies outperformed their active counterparts by 1.10% year to date.
- U.S. growth outperformance on a rolling five-year basis relative to value moved lower for the fifth consecutive month during April, but remained elevated relative to levels seen after the Great Financial Crisis. Growth's outperformance was driven partially by a prolonged low economic growth environment and significant outperformance from large-cap information technology, communication services, and consumer discretionary companies. Stretched growth valuations could lead to improvement in value-relative performance.

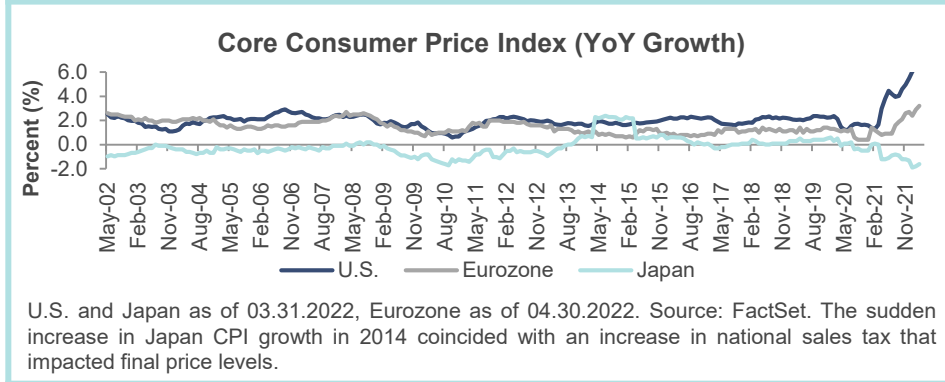
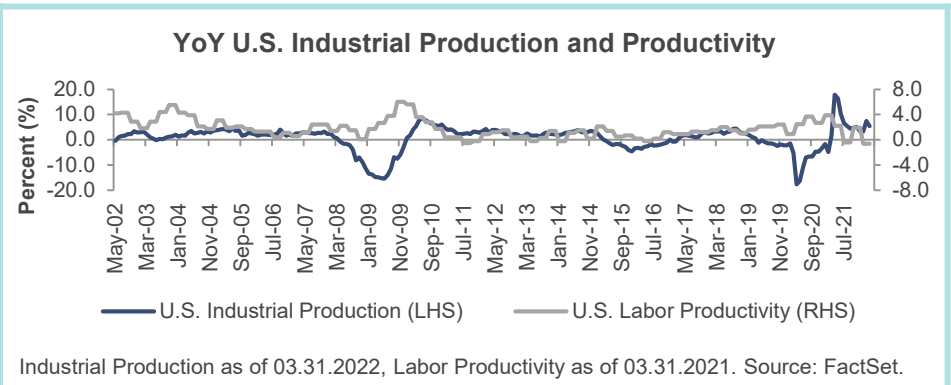
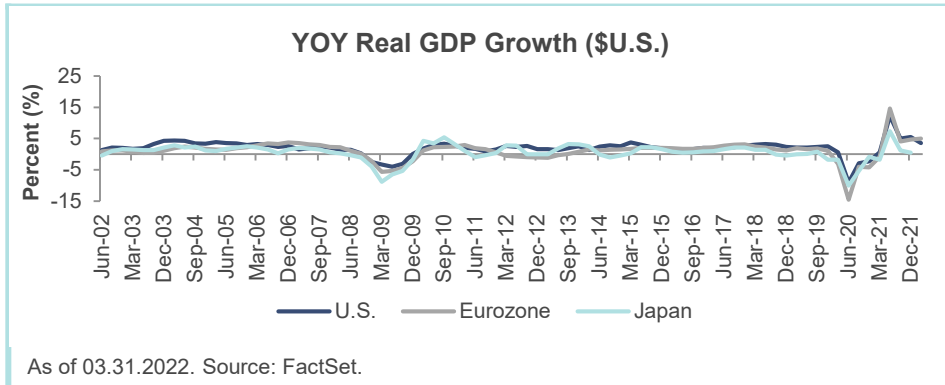
Fixed Income Market Highlights

- All constituents of the fixed income opportunity set delivered negative returns for the month of April. The top performer in the opportunity set during the month of April was the Bloomberg Global Treasury Ex U.S. Index, returning -1.84%. Other top performers were the Bloomberg U.S. TIPS Index, returning -2.04%, and the Bloomberg U.S. Government Index, returning -3.05%. The Bloomberg U.S. Credit Index was the worst performer in the opportunity set, returning -5.24% during the month. The Bloomberg Emerging Markets Aggregate Index and the Bloomberg U.S. Aggregate Index also underperformed relative to other opportunity set constituents, returning -4.33% and -3.79% during April.
- Yields on select ten-year government bonds moved higher during the month of April. The yield on the Italian ten year moved higher by the widest margin, increasing 70 basis points to 2.74% during April. The U.S. ten-year yield also exhibited a significant month-over-month increase, rising by 56 basis points to 2.89% month-over-month. The French ten-year yield increased by 43 basis points to 1.41% followed by the German ten-year yield which increased 35 basis points to 0.90%. Rounding out the opportunity set, the U.K. ten-year yield increased 24 basis points to 1.87% month-over-month.
- Municipal/Treasury ratios moved higher across the opportunity set month-over-month in April. The three-year Municipal/Treasury ratio exhibited the sharpest increase, rising from 75.64 to 82.58 during April. The two- and three-year Municipal/Treasury ratios remained below their five-year averages while the five-, seven- and ten-year ratios remained above their five-year averages as of 04.30.2022.

Stock Indices	YTD	Bond Indices	YTD	Other Indices	YTD	U.S. Treasury Yields	Rates/Commodities		
MSCI ACWI IMI	-12.97%	Bloomberg US Aggregate	-9.50%	US Fund Multialternative	-1.96%	6-month	1.37%	Prime Rate	3.50%
Russell 3000	-13.78%	Bloomberg Gbl Treas xUS Hdg	-5.71%	DJ Equity All REIT	-8.87%	1-year	1.99%	LIBOR (3 Mo)	1.33%
S&P 500	-12.92%	Bloomberg US TIPS	-5.00%	Bloomberg Commodity	30.75%	3-year	2.86%	Oil Price (\$/barrel)	\$104.69
MSCI EAFE	-12.00%	Bloomberg US High Yield	-8.22%			5-year	2.91%	Gold (\$/t oz)	\$1,911.70
MSCI EM	-12.15%	Bloomberg EM Aggregate	-13.15%			10-year	2.89%		
						30-year	2.94%		

As of 04.30.2022. Sources: Morningstar, FactSet, Russell Investments, MSCI, S&P, Bloomberg, U.S. Department of Treasury. Asset allocation and diversification do not assure a profit or protect against loss in declining financial markets. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful. Past performance is no guarantee of future results. For illustrative purposes only.

Global Economic Snapshot



- U.S. gross domestic product (GDP) surprisingly declined in the first quarter according to initial estimates. Nevertheless, year-over-year growth has remained strong in the U.S. and Europe while Japan has lagged.
- Job growth was strong in April but the U.S. unemployment rate was unchanged at 3.6%. Wage growth in the tight job market remains strong in nominal terms but has trailed inflation.
- High inflation continues to be problematic in the U.S. as year-over-year core inflation has reached 6.4%. Inflation has also continued to accelerate in Europe but remains muted in Japan.
- U.S. industrial production growth moderated in March but year-over-year growth remains strong at 5.5%. U.S. labor productivity moved below zero in the first quarter according to initial estimates.

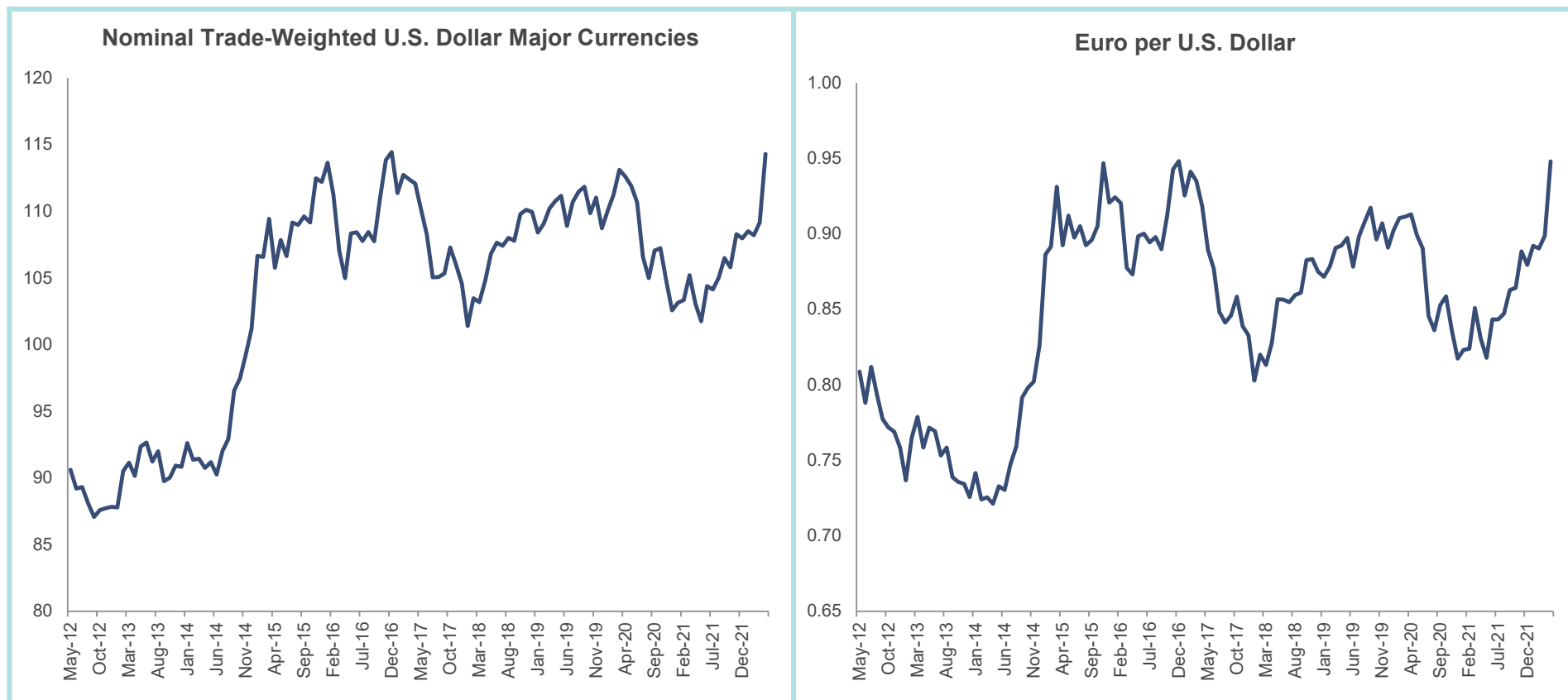
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U.S. Economic Indicators



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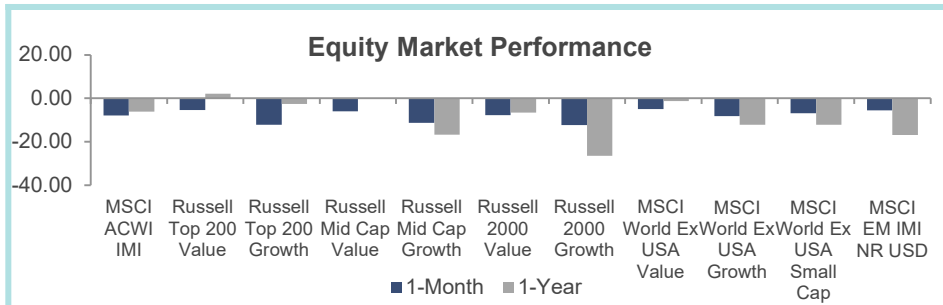
Currency



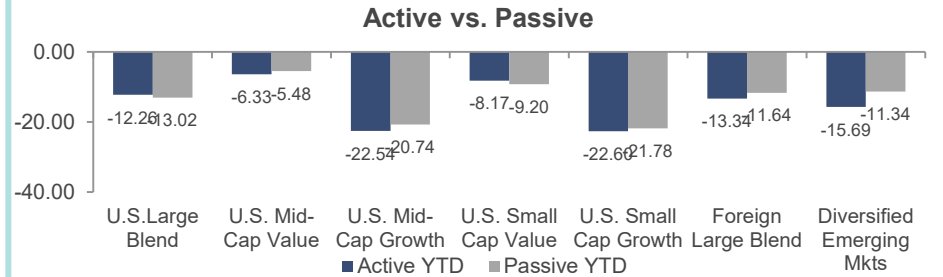
- The Trade-Weighted U.S. Dollar Index (Major Currencies) increased 4.7% in April and increased 5.9% year-to-date. The dollar was up 5.5% versus the Euro in April.

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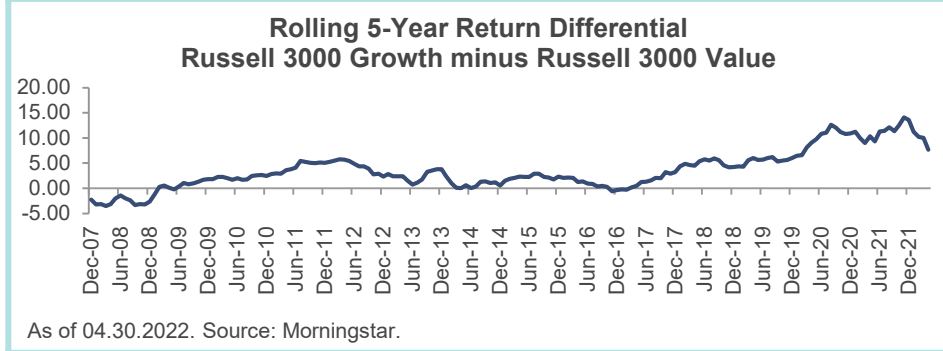
Global Equity Markets



As of 04.30.2022. Source: Morningstar, Russell Investments.



As of 04.30.2022. Source: Morningstar, Russell Investments. Median return of Morningstar open-end fund category (institutional share class). Russell return of U.S. categories.



As of 04.30.2022. Source: Morningstar.

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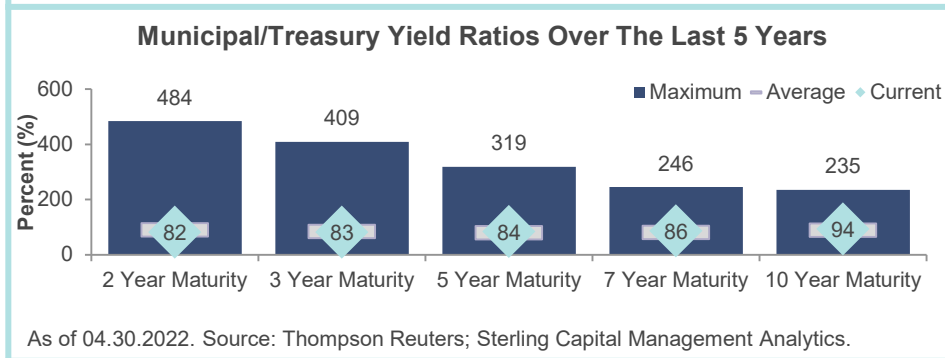
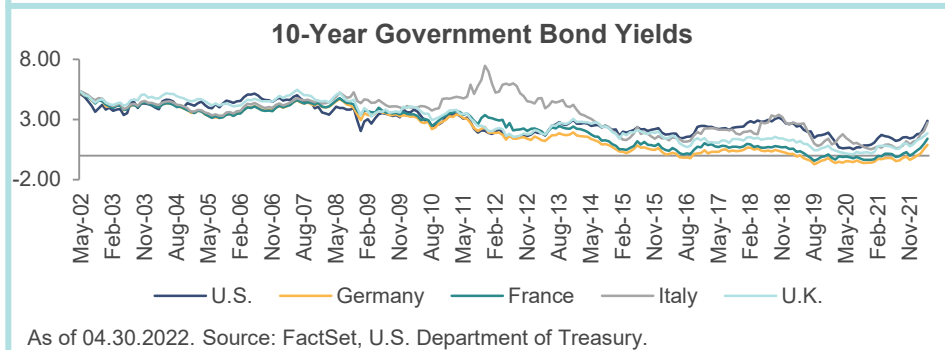
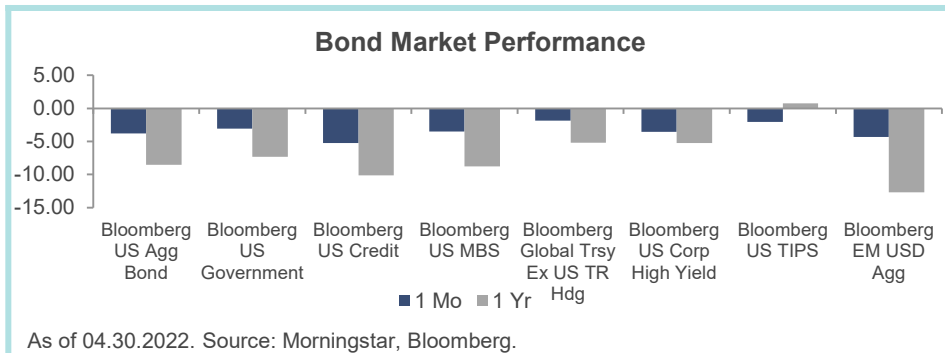
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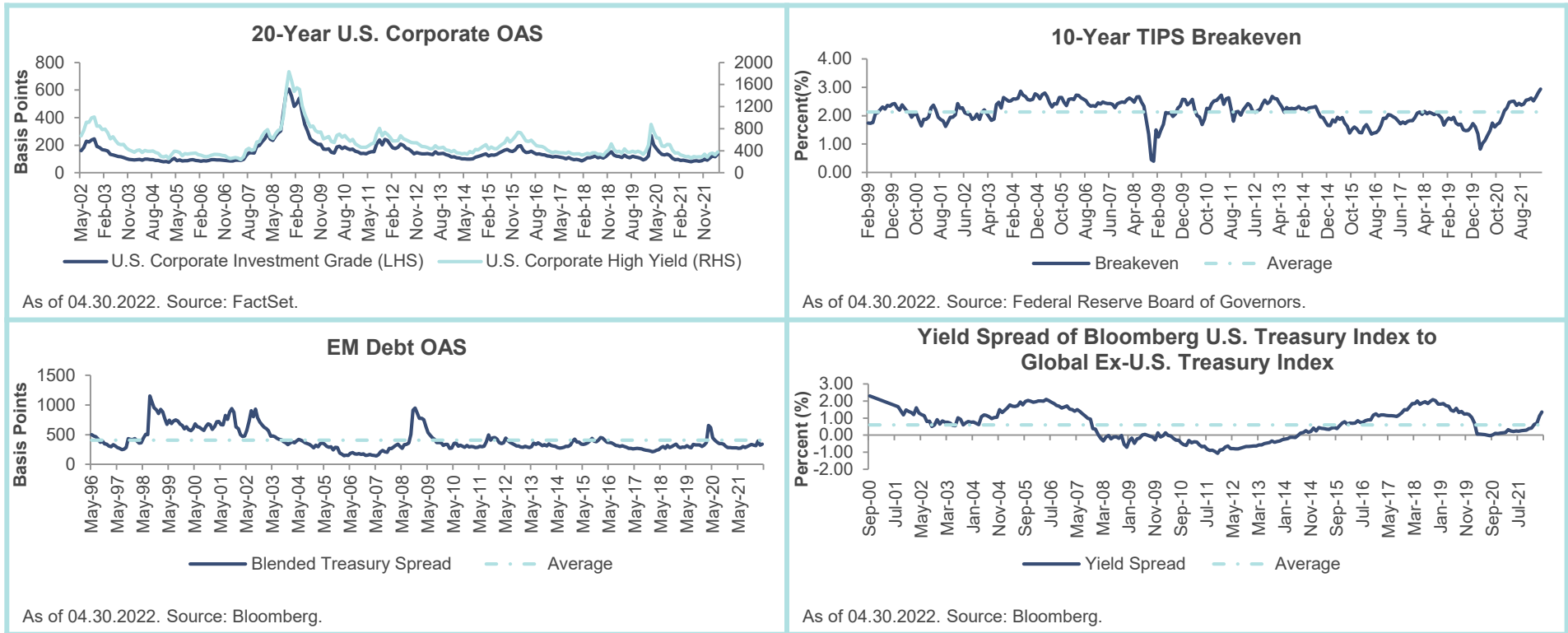
Fixed Income Markets



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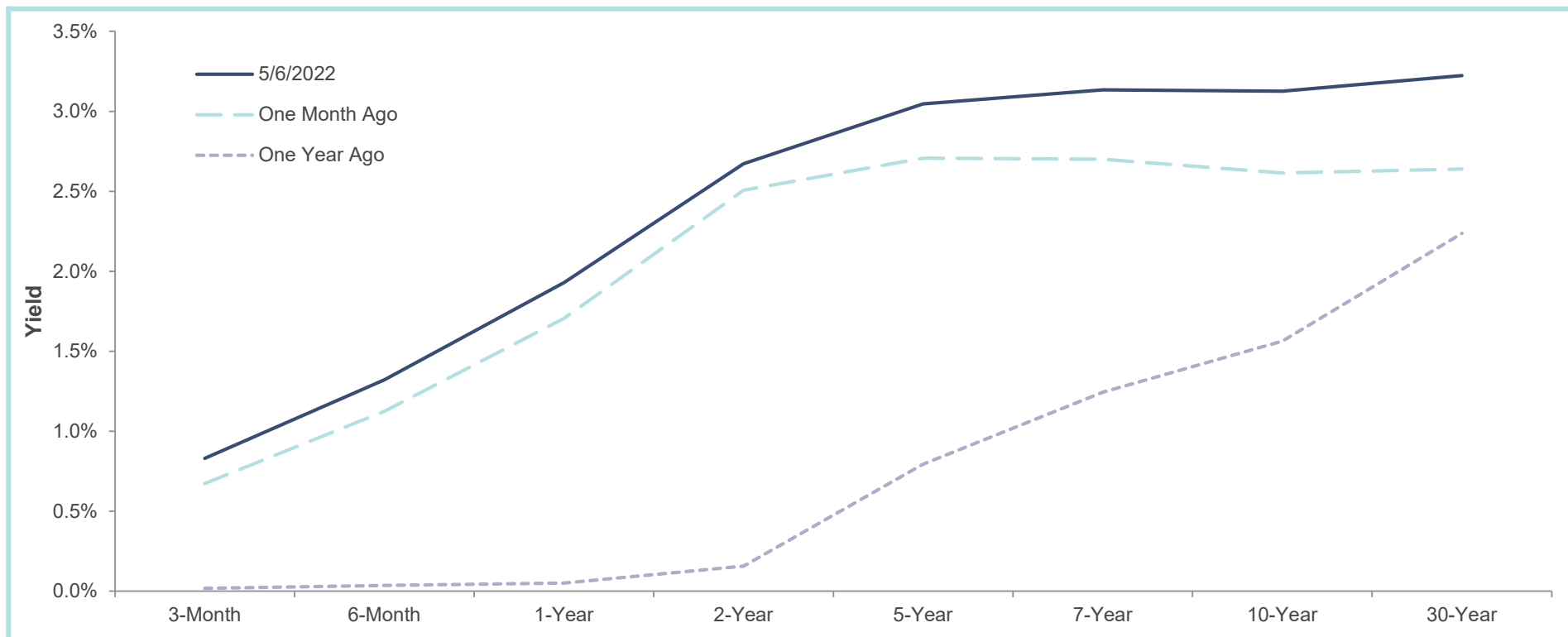
Fixed Income Spreads and TIPS Breakeven



- Investment grade and high yield credit spreads moved significantly higher in April on inflation concerns and increasing projections for Federal Reserve policy rate hikes. Investment grade credit spreads have moved above their historical median while high yield spreads remain low relative to history.
- Long-term market inflation expectations, as measured by TIPS breakeven rates, increased for the third consecutive month in April and are well above their long-term average.
- Emerging market debt spreads widened in April. The yield spread of U.S. to Global Treasuries increased for the ninth consecutive month in April and is higher than the historical average.

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U.S. Treasury Yield Curve

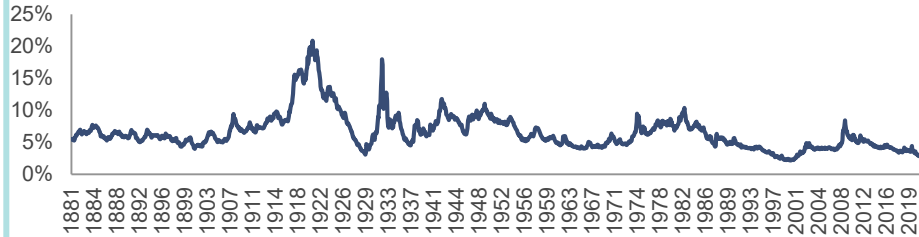


- As of 05.06.2022, yields across the treasury curve moved higher compared to a month earlier. Yields on the long end of the curve increased by the widest margin as exhibited by the 58 basis point month-over-month increase in the 30-year yield.

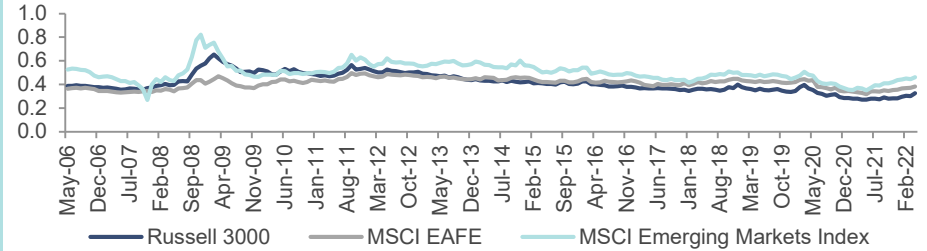
As of 05.06.2022. Source: FactSet. Past performance is no guarantee of future results. For illustrative purposes only. The views expressed represent the opinions of Sterling Capital Management. Any type of investing involves risk and there are no guarantees that these methods will be successful.

Global Equity Market Fundamentals

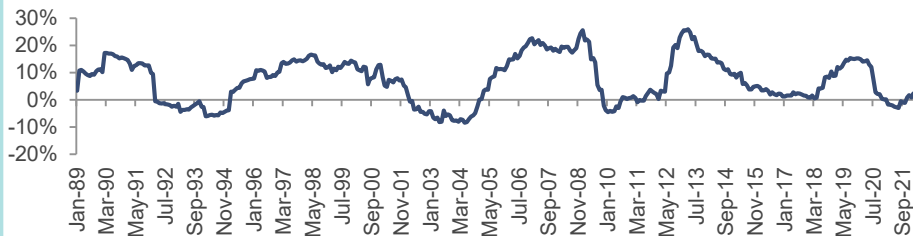
U.S. Cyclically Adjusted Earnings Yield



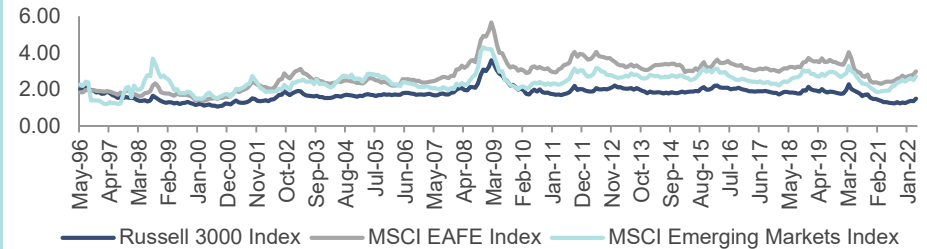
Revenue to Firm Value



U.S. 3-Year Real Revenue Growth - Russell 3000 Non-Financials



Dividend Yield



- The U.S. cyclically-adjusted earnings yield increased in April but remains low relative to the long-term history.
- After moving negative for an extended period as a result of the global pandemic, long-term real U.S. sales growth turned positive during the last six months despite headwinds of high inflation.
- Revenue and dividend yields increased in April following the move lower in equity prices. In recent months, Emerging Markets' yields have improved relative to Developed Markets.

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Appendix

Important Information

Technical Terms

Core Consumer Price Index: a measure of the aggregate price level in an economy, excluding certain volatile items.

Option Adjusted Spread (OAS): A bond's yield spread over comparable maturity government bonds, adjusted for any embedded options.

Real GDP: Real gross domestic product (GDP) is an inflation-adjusted measure that reflects the value of all goods and services produced by an economy in a given year, expressed in base-year prices.

Revenue to Firm Value: Total Index Revenues of the past 12 months divided by the sum of equity market value and the value of total debt. This is a measure of total sales generated on the total value (debt plus equity) of firms in the index.

TIPS Breakeven: The inflation rate implied by the spread in yield between U.S. TIPS (Treasury Inflation Protected Securities) and nominal U.S. Government Bonds of equal maturity.

U.S. 3-Year Real Revenue Growth, Russell 3000 Non-Financials: For the Russell 3000 excluding financial firms, the percentage change in trailing 12-month inflation adjusted revenue over 12-month inflation adjusted revenue three years prior.

U.S. Cyclically Adjusted Earnings Yield: The 10-year average of annual, inflation adjusted earnings divided by the current inflation adjusted price of the S&P 500 index. This measure is the inverse of the Shiller CAPE Ratio.

YOY US Productivity Growth: The year-over-year growth in real U.S. output produced per hour worked for non-farm workers.

Important Information

Indices

The volatility of an index varies greatly; all indices are unmanaged and investments cannot be made directly in an index. Indices are shown for illustrative purposes only and do not represent the performance of any specific investment. The indices selected by Sterling Capital Management to measure performance are representative of broad asset classes. Sterling Capital Management retains the right to change representative indices at any time.

The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes USD-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

The Bloomberg Global Treasury Ex US Hedged Index is comprised of securities issued by developed ex. US and emerging market governments. The index is hedged against constituent currencies versus the US dollar.

The Bloomberg U.S. Aggregate Bond Index is an unmanaged index composed of securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. It is not possible to invest in the Bloomberg U.S. Aggregate Bond Index, which is unmanaged and does not incur fees and charges.

The Bloomberg U.S. Corporate High Yield Index measures the US corporate market of non-investment grade, fixed-rate corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

The Bloomberg US Credit 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.

The Bloomberg US Government Index is comprised of securities issued by the US government and its agencies with at least one year until final maturity.

The Bloomberg U.S. MBS Index covers the mortgage-backed pass-through securities of Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). It is formed by grouping the universe of individual fixed rate MBS pools into generic aggregates.

The Bloomberg US Treasury Inflation-Linked Bond Index (Series-L) measures the performance of the US Treasury Inflation Protected Securities (TIPS) market. Federal Reserve holdings of US TIPS are not index eligible and are excluded from the face amount outstanding of each bond in the index.

The Bloomberg Commodity Index and related sub-indices are composed of futures contracts on physical commodities and represents 22 separate commodities traded on US exchanges, with the exception of aluminum, nickel and zinc.

The Dow Jones Equity All REIT Index is designed to measure all publicly traded real estate investment trusts in the Dow Jones U.S. stock universe classified as equity REITs according to the S&P Dow Jones Indices REIT Industry Classification Hierarchy. These companies are REITs that primarily own and operate income-producing real estate.

The MSCI ACWI Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US and Canada.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

Important Information

Indices

The MSCI Emerging Markets Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 26 Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI Emerging Markets Value Index captures large and mid cap securities exhibiting overall value style characteristics across 26 Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

The MSCI ACWI ex USA Growth Index captures large and mid cap securities exhibiting overall growth style characteristics across 22 Developed Markets (DM) countries and 26 Emerging Markets (EM) countries.

The MSCI World ex USA Small Cap Index captures small cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With 2,529 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country.

The MSCI World ex USA Value Index captures large and mid cap securities exhibiting overall value style characteristics across 22 of 23 Developed Markets countries.

The Russell 2000® Growth Index measures the performance of growth style of investing in small cap U.S. stocks. The Growth Index contains those Russell 2000 securities with greater-than-average growth orientation.

The Russell 2000® Value Index measures the performance of value style of investing in small cap U.S. stocks. The Value Index contains those Russell 2000 securities with less-than-average growth orientation. Securities in the Value Index generally have lower price-to-book and price-to-earnings ratios than those in the Growth Index.

The Russell 3000® Index measures the performance of the 3,000 largest US companies based on total market capitalization.

The Russell Midcap® Growth Index measures the performance of growth styles of investing in Mid Cap U.S. stocks. The Growth Index contains those Russell Mid Cap securities with greater-than-average growth orientation.

The Russell Midcap® Value Index measures the performance of value style of investing in Mid Cap U.S. stocks. The Value Index contains those Russell Mid Cap securities with less-than-average growth orientation. Securities in the Value Index generally have lower price-to-book and price-to-earnings ratios than those in the Growth Index.

The Russell Top 200® Growth Index offers measures the performance of the especially large cap segment of the US equity universe represented by stocks in the largest 200 by market cap. It includes Russell Top 200® Index companies with higher growth earning potential as defined by Russell's leading style methodology.

The Russell Top 200 Index is an index of the largest 200 companies in the Russell 3000 index. It is commonly used as a benchmark index for U.S.-based ultra large-cap (mega-cap) stocks with the average member commanding a market capitalization of upwards of \$200 billion.

The S&P 500 is an unmanaged capitalization-weighted index of 500 U.S. stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Trade-Weighted US Dollar Index, also known as the broad index, is a measure of the value of the United States dollar relative to other world currencies. It is a trade weighted index that improves on the older U.S. Dollar Index by using more currencies and the updating the weights yearly.

Important Information

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