CETERA® INVESTMENT MANAGEMENT

MONTHLY RECAP

February 2022 Recap

At-A-Glance

The S&P 500 ended February 8.6% below its most recent all-time high set on January 3, 2022.

The Dow Industrials lost 1,239 points (-3.29%) last month. The Dow 30 index ended February 7.6% below its January 4, 2022 record high.

The Nasdaq Composite fell 3.4% in January, ending the month 14.2% below its November 19, 2021 record high and is down 12% YTD.

Despite the two-month 2022 slump, in the 23 months since the March 23, 2020 COVID-19 bear market low, U.S. stocks have still more than doubled (S&P 500 +101%, Nasdaq Comp.+103%).

Market Indices[1]	February	Year-to-Date
S&P 500	-2.99%	-8.01%
Russell 3000	-2.52%	-8.25%
Russell 2000	1.07%	-8.66%
MSCI EAFE	-1.77%	-6.52%
MSCI Emerging Markets	-2.99%	-4.83%
Barclays U.S. Aggregate Bond	-1.12%	-3.25%
Barclays U.S. Municipal Bond	-0.36%	-3.09%
Barclays U.S. Corporate High Yield	-1.03%	-3.73%

[1]Morningstar Direct (all equity performance is total return, which includes reinvested dividends)

All three major U.S. equity indices fell a second-straight month, whipsawed by Russia's war with Ukraine together with Western nations taking steps to isolate Russia. Disruptions to supplies from both nations' raw materials such as grain, metals and energy are likely to extend red-hot inflation and threaten global growth. The S&P 500 briefly dipped 10% below its peak and into correction status on February 23. It has slumped 8.2% over the past two months, its worst multi-month percentage loss since February-March 2020. The Cboe VIX Volatility Index surged a further 21% in February after soaring 44% in January. Geopolitical risks are overshadowing mostly solid fourth quarter corporate earnings as investors try to gauge what the impact will be to global economies.

Russia is paying a high price for its invasion into Ukraine with economic sanctions targeting Russian banks, companies and wealthy individuals, sparking a currency collapse for the ruble. This in turn, prompted Russia's central bank to more than double its primary interest rate to 20% from 9.5%. Sanction effects are also increasing risks that Russian securities may come under review for exclusion from benchmark indices, thus potentially cutting off their inclusion within the investment-fund industry. Moreover, the growing list of nations opting to exclude Russian lenders from the SWIFT messaging system could stir missed payments and overdrafts within the international banking system. As February drew to a close, S&P downgraded Russia's credit rating to below investment-grade status (BB+ from BBB-) and lowered Ukraine to B- from B.

As shown below, six of the nine style boxes ended negative last month, with small cap core, growth and value outperforming with small gains. The Russell 1000 Value index outperformed the Russell 1000 Growth index for the third-straight month and a year-to-date (YTD) performance differential of just over 9%. The top three performing sectors this year are all value-oriented, including Energy, Financials, and Consumer Staples.

February

	Value	Core	Growth
Large	-1.16%	-2.74%	-4.25%
Mid	-0.47%	-0.72%	-1.21%
Small	1.65%	1.07%	0.44%

YTD

	Value	Core	Growth
Large	-3.46%	-8.23%	-12.47%
Mid	-4.72%	-8.03%	-13.96%
Small	-4.27%	-8.66%	-13.03%

Style Box Index returns above are represented by: Large Value (Russell 1000 Value), Large Core (Russell 1000), Large Growth (Russell 1000 Growth), Mid Value (Russell Mid Cap Value), Mid Core (Russell Mid Cap), Mid Growth (Russell Mid Cap Growth), Small Value (Russell 2000 Value), Small Core (Russell 2000), Small Growth (Russell 2000 Growth). Source: Morningstar Direct, total return based, including reinvested dividends.

In additional sector performance below, among the 11 major groups only Energy posted positive returns last month and YTD. Real Estate and Communication Services fell the most in February, while Real Estate and Consumer Discretionary are down the most so far this year.

Top Performers – February	**Top Performers – YTD [1]**
Energy (+7.13%)	Energy (+27.59%)
Industrials (-0.87%)	Financials (-1.30%)
Healthcare (-1.02%)	Consumer Staples (-2.77%)
Bottom Performers – February	**Bottom Performers – YTD [1]**
Technology (-4.90%)	Communication Services (-12.75%)
Real Estate (-4.91%)	Real Estate (-13.00%)
Communication Services (-6.98%)	Consumer Discretionary (-13.28%)

[1] Morningstar Direct (all performance percentages are total return based, which include reinvested dividends)

Foreign equity market performance was uneven relative to U.S. equities in February, with the MSCI EAFE Index (representing developed markets outside of the U.S. and Canada) falling around 1.2% less than the S&P 500. Germany (-6.90%) posted outsized losses among Europe's overall 2.8% loss. Emerging markets matched the 3% U.S. loss even as Russian equities cratered nearly 53% to extend its YTD loss to nearly 57%. Mainland China tumbled 3.9% and is down 6.7% YTD.

Turning to fixed income markets, U.S. Treasurys outperformed equities, with the Bloomberg U.S. Government Bond Index (-0.66%) falling significantly less. On a broader basis, investment-grade bonds of all types fell just over 1.1% in February while higher-risk, non-investment grade high yield corporate bonds fell around 1%. Municipal bonds of all types fell the least, down 0.36%, becoming the second best bond performer behind U.S. Treasury TIPS which gained 0.85%.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow [@CeteraIM](https://twitter.com/CeteraIM) on Twitter.

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Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Glossary

The **Bloomberg Barclays Capital U.S. Aggregate Bond Index**, which was originally called the Lehman Aggregate Bond Index, is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government–related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The **Bloomberg Barclays US Municipal Bond Index** covers the USD-denominated long-term tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds. Eligible securities must be rated investment grade (Baa3/BBB- or higher) by Moody's and S&P and have at least one year until final maturity, but in practice the index holding have a fluctuating average life of around 12.8 years. This total return index is unhedged and rebalances monthly.

The **Bloomberg Barclays US Corporate High Yield Index** measures the USD-denominated, non-investment grade, fixed-rate, taxable 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, excluding emerging market debt. Payment-in-kind and bonds with predetermined step-up coupon provisions are also included. Eligible securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 6.3 years. This total return unhedged index was created in 1986, with history backfilled to July 1, 1983 and rebalances monthly.

The **Barclays U.S. Government Bond Index** is comprised of the U.S. Treasury and U.S. Agency Indices. The index includes U.S. dollar-denominated, fixed-rate, nominal US Treasuries and US agency debentures (securities issued by US government owned or government sponsored entities, and debt explicitly guaranteed by the US government). The US Government Index is a component of the U.S. Government/Credit and U.S. Aggregate Indices, and eligible securities also contribute to the multi-currency Global Aggregate Index. The U.S. Government Index has an inception date of January 1, 1973.

The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).

The **Cboe Volatility Index®** (VIX®) is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices.

The **MSCI EAFE** is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The **MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The **Russell 1000 Growth Index** measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower forecasted growth values

The **Russell 2000 Index** measures the performance of the small-cap segment of the U.S. equity universe and is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership.

The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.

The **Russell Midcap Index** measures the performance of the mid-cap segment of the U.S. equity universe and is a subset of the Russell 1000 Index. It includes approximately 800 of the smallest securities based on a combination of their market cap and current index membership. The Russell Midcap represents approximately 31% of the total market capitalization of the Russell 1000 companies.

The **S&P BSE SENSEX Index** is a free-float market-weighted index of 30 well-established and financially sound stocks on the Bombay Stock Exchange, representative of various industrial sectors of the Indian economy.

The **S&P 500** is a capitalization-weighted index of 500 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 **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.

The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad-based capitalization-weighted index.

The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.

The **U.S. Dollar Index** is a weighted geometric mean that provides a value measure of the United States dollar relative to a basket of major foreign currencies. The index, often carrying a USDX or DXY moniker, started in March 1973, beginning with
a value of the U.S. Dollar Index at 100.000. It has since reached a February 1985 high of 164.720, and has been as low as 70.698 in March 2008.

West Texas Intermediate (WTI) is a crude oil stream produced in Texas and southern Oklahoma which serves as a reference or "marker" for pricing a number of other crude streams. WTI is the underlying commodity of the New York Mercantile Exchange's oil futures contracts.