CETERA® INVESTMENT MANAGEMENT

QUARTERLY RECAP

Second Quarter 2022 Recap

Market Indices[1]	June	2Q 2022	Year-to-Date
S&P 500	-8.25%	-16.10%	-19.96%
Russell 3000	-8.37%	-16.70%	-21.10%
Russell 2000	-8.22%	-17.20%	-23.43%
MSCI EAFE	-9.28%	-14.51%	-19.57%
MSCI Emerging Markets	-6.65%	-11.45%	-17.63%
Bloomberg US Aggregate Bond	-1.57%	-4.69%	-10.35%
Bloomberg US Municipal Bond	-1.64%	-2.94%	-8.98%
Bloomberg US Corporate High Yield	-6.73%	-9.83%	-14.19%

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

At-A-Glance

The S&P 500 ended the quarter 20.48% below its January 3, 2022 peak and all-time high.

The Nasdaq Composite fell 8.65% in June, extending its 2Q loss to 22.28% for its worst quarter since 2008. The tech-heavy index is down 29.23% YTD.

The Dow Industrials shed 2,215 points (-6.56%) in June and lost 3,903 points (-10.78%) in the 2Q. The 30-stock index has lost 5,563 points (-14.44%) since the start of the year.

Although U.S. equities are in a bear market, the S&P 500 still has outsized gains since the pandemic bear-market low on March 23, 2020. Since that date, the S&P 500 and Nasdaq Composite have held onto gains of 75% and 63% respectively.

At $1,807.30/ounce, Gold had its worst quarter since Q1 2021, down 7.5% to more than erase earlier 2022 gains (-1.2% YTD).

U.S. WTI crude oil fell 5.5% in the 2Q, trimming its YTD gain to 40.6%.

Overall, the Bloomberg Commodity Index fell 5.66% in the 2Q, trimming its YTD gain to 18.44%.

The S&P 500 and Dow Industrials posted their worst quarterly performances since the first quarter of 2020 when lockdowns sent stocks plummeting. The S&P 500 slumped more than 16% in the second quarter to cap its worst two-quarter start to a year since 1970, down nearly 20% versus a 21% loss 52-years ago. Moreover, the tech-heavy Nasdaq Composite skidded more deeply into a bear market, down nearly 31% from its peak on November 19, 2021. The Nasdaq was hard hit as investors rotated out of growth-oriented areas of the market in favor of value. Rising interest rates can make future profits from growth companies less attractive.

This year's cascading list of calamities began with spiking cases of the Omicron COVID-19 variant, followed by Russia's invasion of Ukraine, forty-year high inflation and aggressive inflation-fighting interest rate hikes from the Federal Reserve. Added together this stoked fears of a possible recession. More recently, revisions showed the first quarter Gross Domestic Product (GDP) contracted by 1.6% and GDP forecasts from the Atlanta Fed's economic data-tracker point toward a possible second quarter GDP contraction. Investor sentiment worsened on data released on the last day of the quarter showing real consumer spending adjusted for inflation fell for the first time this year, down 0.4% in May. Spending unadjusted for inflation rose 0.2%, while wage-based incomes increased 0.5%.

Looking at stocks by market capitalization, mid caps slightly underperformed both large and small capitalization stocks in June. Looking out longer, on a year-to-date (YTD) basis, stocks of all market caps pretty much fell in tandem, all down over 20%. However, larger cap stocks fared slightly better.

As shown in the style box performance boxes below, while growth stocks moderately outperformed their value counterparts in June, the opposite prevailed in the second quarter and YTD with significantly smaller losses in value versus growth. Investors favoring large cap value had losses that were over 15% lower than their growth counterparts.

June

	Value	Core	Growth
Large	-8.74%	-8.38%	-7.92%
Mid	-10.99%	-9.98%	-7.48%
Small	-9.88%	-8.22%	-6.19%

Second Quarter

	Value	Core	Growth
Large	-12.21%	-16.67%	-20.92%
Mid	-14.68%	-16.85%	-21.07%
Small	-15.28%	-17.20%	-19.25%

YTD 2022

	Value	Core	Growth
Large	-12.86%	-20.94%	-28.07%
Mid	-16.23%	-21.57%	-31.00%
Small	-17.31%	-23.43%	-29.45%

Morningstar Direct 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 the sector performance tables below, all 11 major sector groups ended negative in June. In the second quarter defensive sectors experienced significantly smaller losses than cyclical, more economically sensitive, sectors. At the other end of the performance spectrum, consumer discretionary stocks had their worst first-half of year performance on record, down almost 33% amid dual overhangs of surging costs and rising interest rates. Meanwhile, sector performance was again dominated by strong gains in energy, the only positive sector this year, up nearly 32% YTD. This was largely due to the 40.62% YTD surge in crude oil prices. U.S. WTI oil prices ended the quarter at $105.76/barrel after reaching a June 8 closing high of $119.78.

Top Sector Performers – June [1]	**Bottom Sector Performers – June [1]**
Consumer Staples (-2.50%)	Financials (-10.90%)
Healthcare (-2.66%)	Materials (-13.84%)
Utilities (-4.98%)	Energy (-16.80%)
Top Performers – Second Quarter [1]	**Bottom Performers – Second Quarter [1]**
Consumer Staples (-4.62%)	Technology (-20.24%)
Utilities (-5.09%)	Communication Services (-20.71%)
Energy (-5.17%)	Consumer Discretionary (-26.16%)
Top Performers – YTD 2022 [1]	**Bottom Performers – YTD 2022 [1]**
Energy (+31.84%)	Technology (-26.91%)
Utilities (-0.55%)	Communication Services (-30.16%)
Consumer Staples (-5.58%)	Consumer Discretionary (-32.82%)

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

Internationally, the MSCI EAFE Index, representing developed markets outside the U.S. and Canada, had comparable losses to the United States, but saw slightly deeper losses in June but a smaller second quarter and YTD losses. Contrarily, emerging markets saw comparatively smaller losses in all three-time periods. Globally, the MSCI All-Country World Index fell 15.66% in the second quarter, while the ACWI excluding U.S. performance fell 13.73%.

U.S. Treasurys, as measured by the Bloomberg U.S. Government Bond Index, fell 3.71% in the second quarter and slumped 9.04% YTD. The Fed raised its key Fed Funds interest rate by 0.75% in June, its largest policy change since 1994. Looking at longer maturity bonds, the yield on 10-year Treasury notes has jumped from 1.51% at the start of the year to 2.975% at the end of the second quarter.

In other fixed-income assets, investment-grade bonds of all types (as measured by the Bloomberg U.S. Aggregate Bond Index) also ended the quarter with outsized losses, sliding nearly 4.7% in the second quarter and down over 10.3% YTD. Municipal bonds had smaller losses, giving back almost 3% last quarter and nearly 9% YTD. Non-investment-grade high-yield debt fell the most, with the Bloomberg U.S. Corporate High Yield Index off 9.83% last quarter and nearly 14.2% YTD.

This report is created by Cetera Investment Management LLC. For more insights and information from the team, follow @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 U.S. 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.

The Bloomberg U.S. 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 pre-refunded 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.

The Bloomberg U.S. 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.

The **Bloomberg 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 **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 re-weightings 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 **MSCI All-Country World Index (ACWI)** is a market cap weighted index designed to represent performance of the full opportunity set of large- and mid-cap stocks across 23 developed and 26 emerging markets, covering more than 2,700 companies across 11 sectors and approximately 85% of the free float-adjusted market capitalization in each market.

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.