



MEEDER PRIVATE WEALTH

Capital Markets Update Q1 2022

It was a difficult quarter for investors as equity and fixed income allocations experienced negative returns. In our quarterly review, we discuss inflation, the recent yield curve inversion and likelihood of a recession.

INFLATION

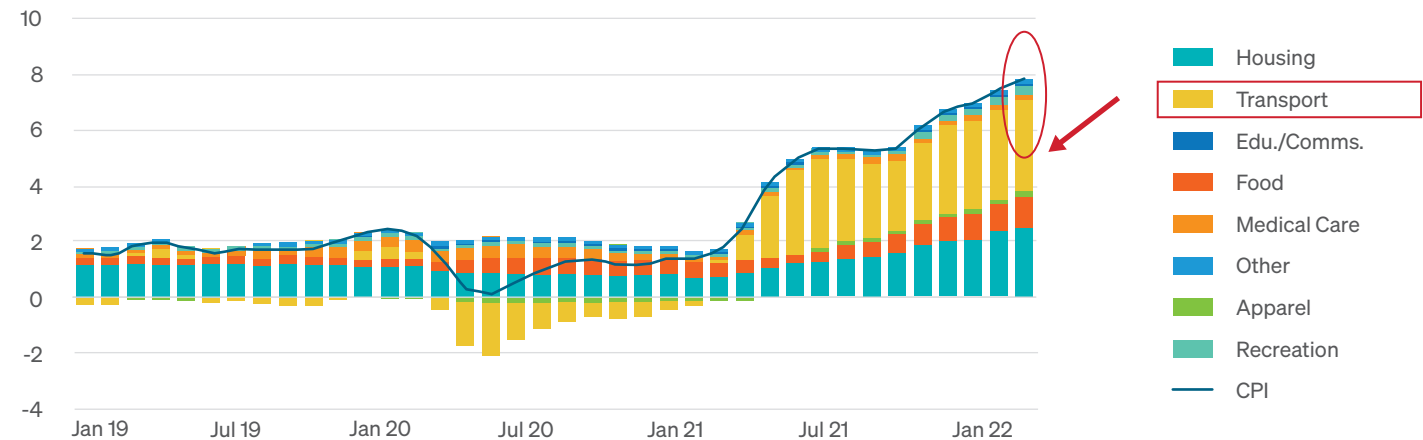
Inflation continues to climb and is now at 40-year highs. Figure 1 shows that transportation was a detractor to inflation in 2020 and early 2021, but transportation is now a key driver in the rise in inflation. The year-over-year growth will become more difficult

in the future, and we are closer to peak inflation. While we expect inflation to moderate through this year, we expect the supply chain bottlenecks and strong demand to keep inflation elevated above the Fed's 2% target.

FIGURE 1

CAN INFLATION SUSTAIN AT THIS RATE?

Roughly one-half of the contribution to inflation is coming from more cyclical, supply constrained categories



SOURCE: COLUMBIA THREADNEEDLE

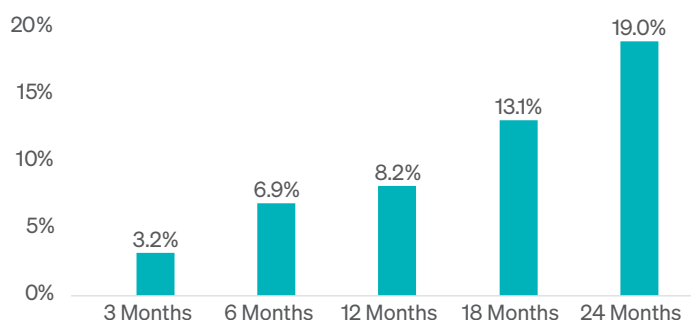
YIELD CURVE INVERSIONS

FIGURE 2

YIELD CURVE INVERSIONS AND FORWARD RETURNS

2S/10S INVERSION & RECESSION DATES		
Yield Curve Inverts	Recession Begins	Months Between
August 1978	January 1980	17
September 1980	July 1981	10
January 1989	July 1990	18
February 2000	March 2001	13
February 2006	December 2007	22
August 2019	February 2020	6
Average		14.3

AVERAGE S&P 500 PERFORMANCE FOLLOWING YIELD CURVE INVERSIONS



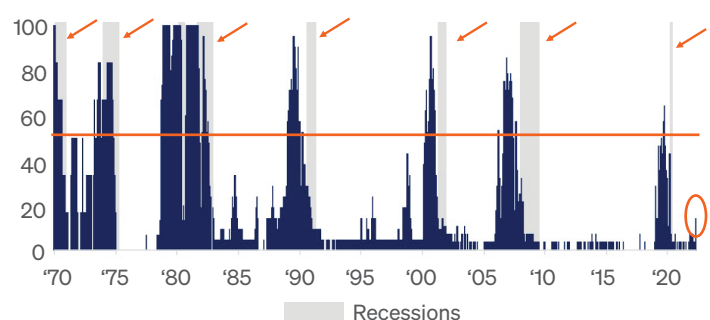
SOURCE: BLOOMBERG & STRATEGAS

The yield curve is an excellent predictor of a recession, but it lacks predictability in terms of magnitude and duration. Figure 2 illustrates that when looking back at previous recessions, there is an average of 14 months after the inversion of the 10-year Treasury and 2-year Treasury before a recession starts. While many investors are quick to move defensive on a yield curve inversion, history has shown that it can be detrimental to portfolio performance. Markets have historically outperformed in the years following an inversion.

In our analysis of yield curve inversions, we place greater weight on the percentage of points on the yield curve that are inverted. Figure 3 shows that historically, it is difficult to avoid a recession when over 50% of points are inverted.

FIGURE 3

PERCENTAGE POINTS ON INVERTED YIELD CURVE



SOURCE: STRATEGAS

PORTFOLIO REVIEW

FIXED INCOME ASSET CLASS YIELDS AND Q1 RETURNS

The sharp rise in rates and spreads negatively impacted fixed income asset classes. Figure 4 shows how there really was nowhere to hide this past quarter. This has led many investors to question whether fixed income still makes sense in their portfolio. Interestingly, when you look at the percentile rank of the quarterly returns since inception, this was one of the worst quarters ever for many fixed income benchmarks.

“Income” has finally returned to fixed income. As shown in the chart, the US Bond Aggregate is yielding nearly 3% and US Municipals are yielding 2.63%, which is over 4% on a tax adjusted basis for investors in the highest tax bracket. High yield bonds are

yielding 6%. With the sharp rise in yields, investors are receiving greater income to support returns. Fixed income remains a valuable asset class for income and volatility mitigation.

It has been a challenging quarter that tested investors’ abilities to maintain longer term objectives. Over the course of the year, we expect inflation to moderate but remain above the Fed’s 2%. The sharp move higher in yield has priced in many of the upcoming Fed hikes. We continue to monitor economic indicators and market conditions for changes to portfolio positioning. Our team remains dedicated to analyzing market trends and indicators to determine the optimal positioning of client portfolios.

FIGURE 4
FIXED INCOME RETURNS
QUARTERLY LOSSES THAT HAVE NEVER BEEN SEEN BEFORE

ASSET	YIELD	%-TILE OF YIELD (LAST DECADE)	1Q22 RETURN	%-TILE OF QUARTERLY RETURNS SINCE INCEPTION	INDEX INCEPTION
U.S. Treasury	2.47%	88%	-5.91%	1%	1973
U.S. Treasury 1-5 Year	2.41%	90%	-3.49%	1%	1976
U.S. Long Treasury	2.61%	44%	-11.41%	2%	1973
U.S. Aggregate	2.97%	88%	-6.29%	2%	1976
Global Aggregate	2.21%	98%	-6.80%	2%	1990
Global Emerging Markets	5.36%	89%	-10.39%	1%	2001
U.S. Agency	2.55%	88%	-4.40%	1%	1976
U.S. CMBS Aggregate	3.40%	90%	-5.85%	3%	1997
U.S. Municipals	2.63%	81%	-6.41%	2%	1980
U.S. MBS	3.05%	80%	-5.33%	2%	1976
U.S. IG Credit	3.57%	88%	-7.82%	2%	1973
U.S. High Yield	6.04%	51%	-5.12%	5%	1983

SOURCE: BLACKROCK

WHAT IS MEEDER PRIVATE WEALTH?

Meeder Private Wealth is our customized separately managed account (SMA) which is managed with a strategic investment discipline. As we look at the core components of private wealth, it is important to note that we have a vast ability to customize. This is not a one size fits all approach. Each client is unique with their own goals and objectives, so each portfolio is built specifically to that client’s unique situation. Additionally, as we move through time and the client’s goals and objectives change, Private Wealth has the flexibility to adjust and change as needed.

We take a holistic approach to risk management, we want to know as much as possible about each client’s financial situation. The more information we have about their entire financial picture, the more effectively we can manage their investments and ensure we are maintaining their specific risk profile. We have the ability to manage around concentrated positions, excluding stocks, sectors, or industries. All this information can be taken into consideration as we are building the portfolio and allows our team to build the portfolio to be as effective and efficient as possible while maintaining the agreed-upon risk profile.

An area that we would consider to be one of the most underserved from a portfolio management standpoint is tax management, which often represents a large part of our conversations with advisors and clients. We implement active and ongoing tax-loss harvesting, as well as gain deferral when needed. The tax loss harvesting isn’t simply selling stocks that are down at the end of the quarter or the end of the year. This is a more thoughtful approach where every account is reviewed daily to determine if there are opportunities within the portfolio to harvest losses. This active tax management allows us to maximize after-tax wealth for our clients and generate tax alpha.

Finally, this is a transparent and unbiased approach. While Meeder does offer a full suite of mutual funds, we do not use any proprietary products inside of private wealth. Also, the clients will always be able to see in real-time the positions that are being held in the account, along with access to our investment team as needed to answer any questions that may arise.



ABOUT MEEDER

Meeder has been helping our advisors and clients achieve their goals and objectives for nearly 50 years. We are headquartered in Columbus, OH. At Meeder, we offer a full suite of investment solutions for you and your clients throughout their investment lifecycle, from accumulation to preservation, and into distribution. We offer turnkey asset management as well as custom solutions. As part of our turnkey offerings, you can select from our lineup of tactically managed mutual funds, or a combination of our funds which we have used to create models and portfolios.

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