



Market

WISE

April 2022 Edition

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Wise Words

Current Events and the Economy

- Inflation continues to be a nuisance and remains the biggest worry amongst investors, per a Bank of America investor survey. Headline inflation is the highest in 40 years, real interest rates are also the most negative they have been in decades underpinning strong and rising commodities prices, and the Fed has indicated they will do “whatever it takes” to bring inflation down.
- On the economic front, the economy remains vibrant with low unemployment, record open jobs, rising wages, the strongest real growth in many years, and a Fed that has begun to raise rates has led many to wonder whether a rotation to value stocks from the growth stocks that led the market for the past 10 years has begun.
- The housing market remains hot, however, there are some emerging signs that price appreciation may have peaked for now. We've had five consecutive months of slowing growth rates and mortgage rates rising in tandem with interest rates have made affordability a consideration for many.

Asset Performance

- Equity markets had a tough quarter as most global indices hover around correction territory. Value tilts provided meaningful outperformance versus benchmarks as Small Value (-1.1%) beat Small Core (-7.7%) by 660bps, Large Value (-1.1%) beat Large Core (-5.7%) by 460bps, and Intl Large Value (+0.4%) beat Intl Large Core (-5.9%) by 630bps.
- Bonds struggled through one of their worst quarters in history as low starting yields provided no cushion for rising rates. Multi-Sector Bonds (-6.5%) and Intermediate-Term Bonds (-5.8%) were the biggest negative contributors while Short Term Bonds (-3.6%) and TIPS (-3.1%) provided some relative outperformance.
- Alternatives added much needed diversification - Trend Following (+12.7%), Real Assets (+8.2%), and Reinsurance (+0.6%) were all positive in the quarter.

Perspective

- Despite the strong run in recent months, U.S. value stocks are trading at their cheapest level since World War II excluding the dotcom bubble. Historically, extreme levels of cheapness have preceded periods of strong outperformance for value stocks relative to growth stocks. There's reason to believe 2021's value stock performance won't be a one hit wonder.
- Historically, commonly known factors such as size, value, quality, and momentum post positive returns about as frequently as stocks in general. Since factors tend to outperform and underperform at different times, diversifying across these factors may enhance risk-adjusted returns.
- Over shorter periods rebalancing may seem trivial, but it can add significant value over longer time horizons.

Inflation Heatmap

Mar-22 Weight	Component	22-Mar	22-Feb	22-Jan	21-Dec	21-Nov	21-Oct	21-Sep	21-Aug	21-Jul	21-Jun	21-May	21-Apr	21-Mar	21-Feb	21-Jan
100.0	Headline CPI	8.5%	7.9%	7.5%	7.0%	6.8%	6.2%	5.4%	5.3%	5.4%	5.4%	5.0%	4.2%	2.6%	1.7%	1.4%
14.0	Food	8.8%	7.9%	7.0%	6.3%	6.1%	5.3%	4.6%	3.7%	3.5%	2.4%	2.2%	2.4%	3.5%	3.6%	3.8%
7.5	Energy	32.0%	25.6%	27.0%	29.3%	33.3%	30.0%	24.8%	25.0%	23.8%	24.5%	28.6%	25.1%	13.1%	2.4%	-3.7%
78.5	Core CPI (ex-Food and Energy)	6.5%	6.4%	6.0%	5.5%	4.9%	4.6%	4.0%	4.0%	4.3%	4.5%	3.8%	3.0%	1.7%	1.3%	1.4%
3.8	Household Furnishing & Supplies	10.8%	10.3%	9.3%	7.4%	6.0%	6.1%	4.8%	3.3%	3.0%	3.4%	3.7%	3.2%	2.8%	2.3%	2.4%
2.7	Apparel	6.8%	6.6%	5.3%	5.8%	5.0%	4.3%	3.4%	4.2%	4.2%	4.9%	5.6%	1.9%	-2.5%	-3.6%	-2.5%
7.9	Motor Vehicles & Parts	14.2%	14.3%	12.6%	11.3%	19.2%	16.5%	15.0%	17.2%	19.8%	20.3%	13.3%	9.2%	4.5%	4.2%	4.6%
	New Vehicles	12.5%	12.4%	12.2%	11.8%	11.1%	9.9%	8.7%	7.6%	6.4%	5.3%	3.3%	1.9%	1.5%	1.2%	1.4%
	Used Cars & Trucks	35.3%	41.2%	40.5%	37.3%	31.4%	26.5%	24.4%	32.0%	41.7%	45.2%	29.7%	21.0%	9.4%	9.3%	10.0%
1.5	Medical Care Commodities	2.7%	2.5%	1.4%	0.4%	0.2%	-0.4%	-1.6%	-2.5%	-2.1%	-2.2%	-1.9%	-1.7%	-2.4%	-2.6%	-2.3%
2.0	Recreation Commodities	4.7%	4.6%	4.1%	3.3%	4.0%	4.0%	3.5%	3.3%	3.2%	3.2%	3.5%	2.9%	0.8%	0.3%	-0.2%
0.5	Education Commodities	1.3%	0.3%	0.8%	0.2%	0.9%	2.5%	2.6%	-0.5%	-0.2%	-1.2%	-1.4%	-2.2%	-4.9%	-2.7%	-1.9%
1.0	Alcoholic Beverages	3.7%	3.5%	2.7%	2.3%	1.9%	2.2%	2.8%	2.6%	2.4%	1.9%	1.6%	1.9%	2.0%	2.0%	2.4%
1.5	Other Goods	5.3%	4.9%	4.3%	4.6%	4.3%	4.5%	3.4%	3.4%	2.7%	2.5%	2.5%	2.3%	1.9%	2.1%	2.2%
32.4	Shelter	5.0%	4.7%	4.4%	4.1%	3.8%	3.5%	3.2%	2.8%	2.8%	2.6%	2.2%	2.1%	1.7%	1.5%	1.6%
	Owners Equivalent Rent	4.5%	4.3%	4.1%	3.8%	3.5%	3.1%	2.9%	2.6%	2.4%	2.3%	2.1%	2.0%	2.0%	2.0%	2.0%
	Rent of Primary Residence	4.4%	4.2%	3.8%	3.8%	3.1%	2.7%	2.4%	2.1%	1.9%	1.9%	1.8%	1.8%	1.8%	2.0%	2.1%
	Lodging Away From Home	25.1%	25.1%	23.6%	23.9%	22.2%	22.3%	17.5%	17.4%	21.5%	15.1%	9.0%	7.4%	-6.4%	-14.9%	-11.5%
1.1	Water/Sewer/Trash Collection	4.0%	4.2%	4.0%	3.5%	3.5%	3.7%	3.7%	3.5%	3.7%	3.6%	3.4%	3.6%	3.5%	3.6%	3.6%
0.9	Household Operations	9.4%	9.4%	9.0%	9.4%	8.4%	6.9%	6.6%	7.3%	7.0%	7.2%	8.3%	4.9%	4.3%	4.3%	4.7%
7.0	Medical Care Services	2.9%	2.4%	2.7%	2.5%	2.1%	1.7%	0.9%	1.0%	0.8%	1.0%	1.5%	2.2%	2.7%	3.0%	2.9%
5.0	Transportation Services	7.7%	6.6%	5.6%	4.2%	3.9%	4.5%	4.4%	4.6%	6.4%	10.4%	11.2%	5.6%	-1.6%	-4.4%	-4.0%
	Airline Fares	23.6%	12.7%	4.9%	1.4%	-3.7%	-4.6%	0.8%	6.7%	19.0%	24.6%	24.1%	9.6%	-15.1%	-25.7%	-21.3%
3.7	Recreation Services	4.8%	5.1%	5.0%	3.3%	2.8%	3.8%	3.5%	3.5%	3.7%	1.9%	0.6%	1.8%	1.2%	1.1%	0.3%
6.0	Education Services	1.6%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.3%	1.2%	2.4%	2.2%	2.0%	2.0%	2.1%	2.0%
1.6	Other Personal Services	5.7%	5.6%	5.4%	4.3%	4.5%	4.1%	3.5%	3.6%	3.1%	2.5%	2.8%	3.0%	2.9%	2.2%	2.0%

Data as of 4/13/2022. Data source: Bureau of Economic Analysis.



The Bond Market

Barclays U.S. Aggregate: Drawdowns > 3% (Daily, Since 1995)

Start Month	End Month	# Months	Max Drawdown (Daily)	# Months to New High
August 2020	April 2022	21	(-9.9%)	??
March 2020	March 2020	1	(-6.3%)	2
September 2017	May 2018	10	(-3.3%)	15
July 2016	December 2016	5	(-4.4%)	10
May 2013	September 2013	4	(-4.9%)	12
September 2008	November 2008	3	(-5.1%)	15
March 2004	May 2004	3	(-4.2%)	7
June 2003	August 2003	3	(-4.6%)	8
November 2001	December 2001	3	(-3.6%)	8
September 1998	August 1999	11	(-3.6%)	18

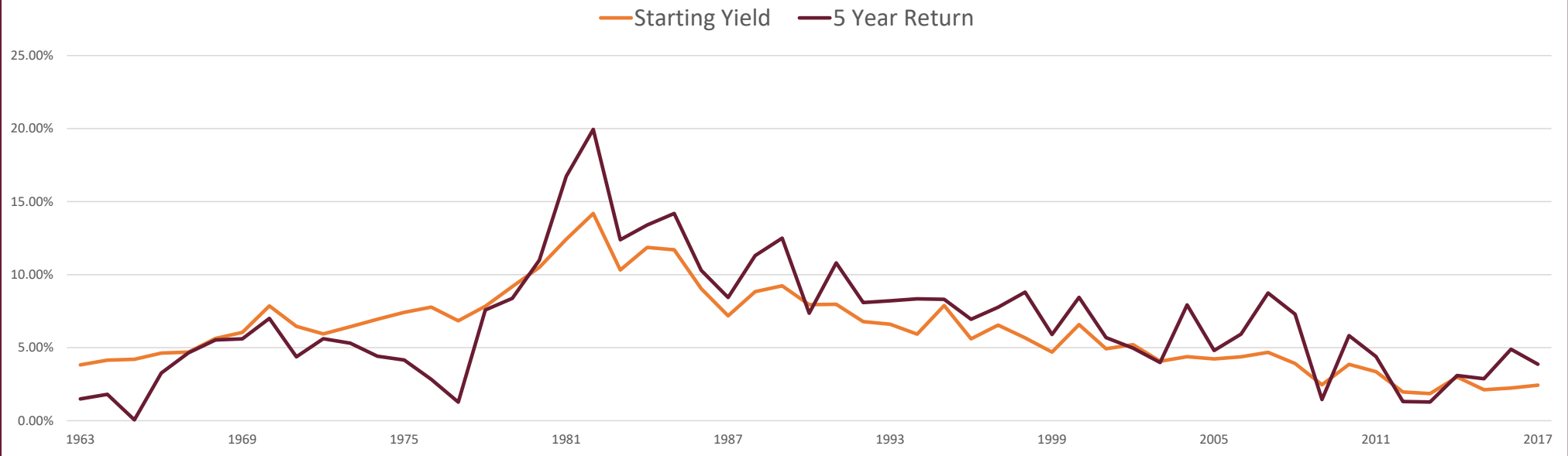
The uptick in interest rates has had a significant negative impact on bonds which had little ability to weather rising rates given historically low starting yields.

This is now the longest U.S. bond market drawdown in history (21 months) and the largest drawdown since at least the early 1980s.

The good news? The single best predictor of future bond returns is starting yield. As rates rise, the returns we should expect in the future rise with them.

Rising rates are painful, but necessary, for bond investors.

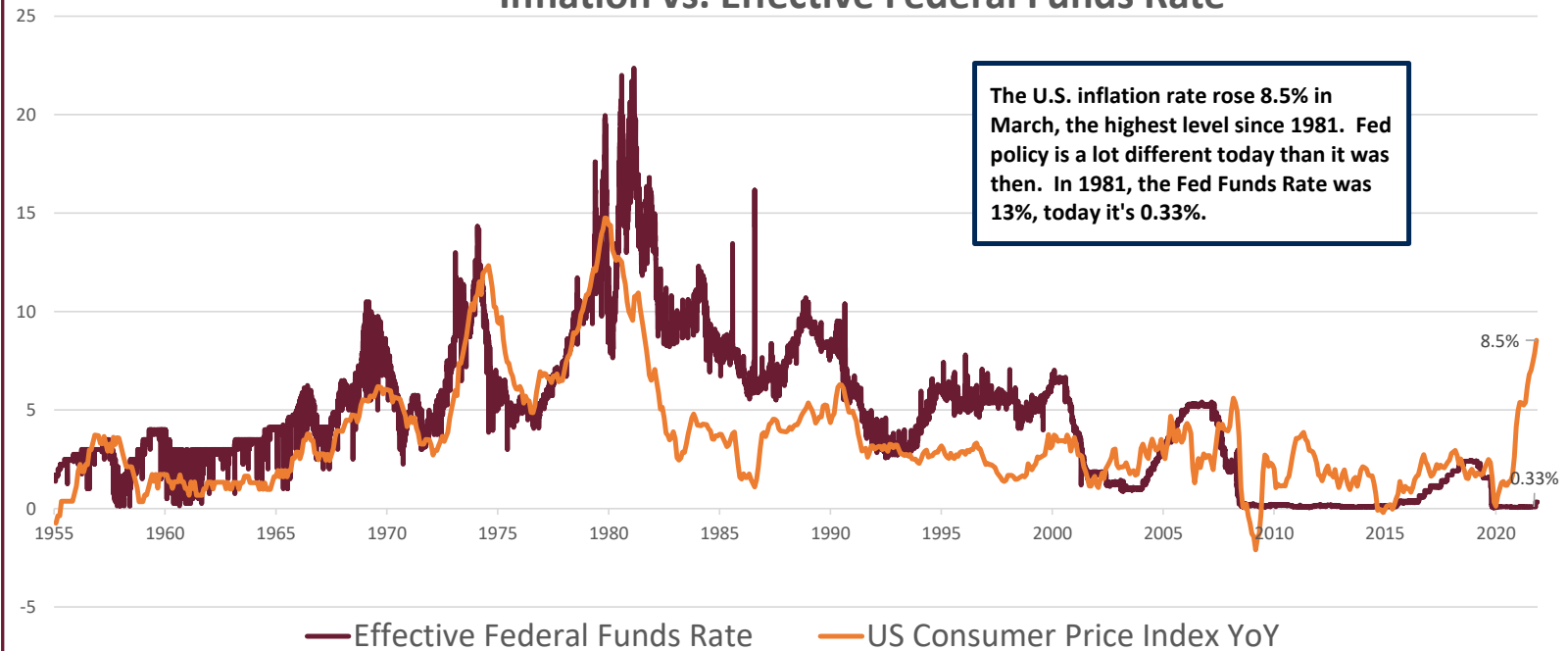
The Impact of Starting Bond Yields on Future Bond Returns



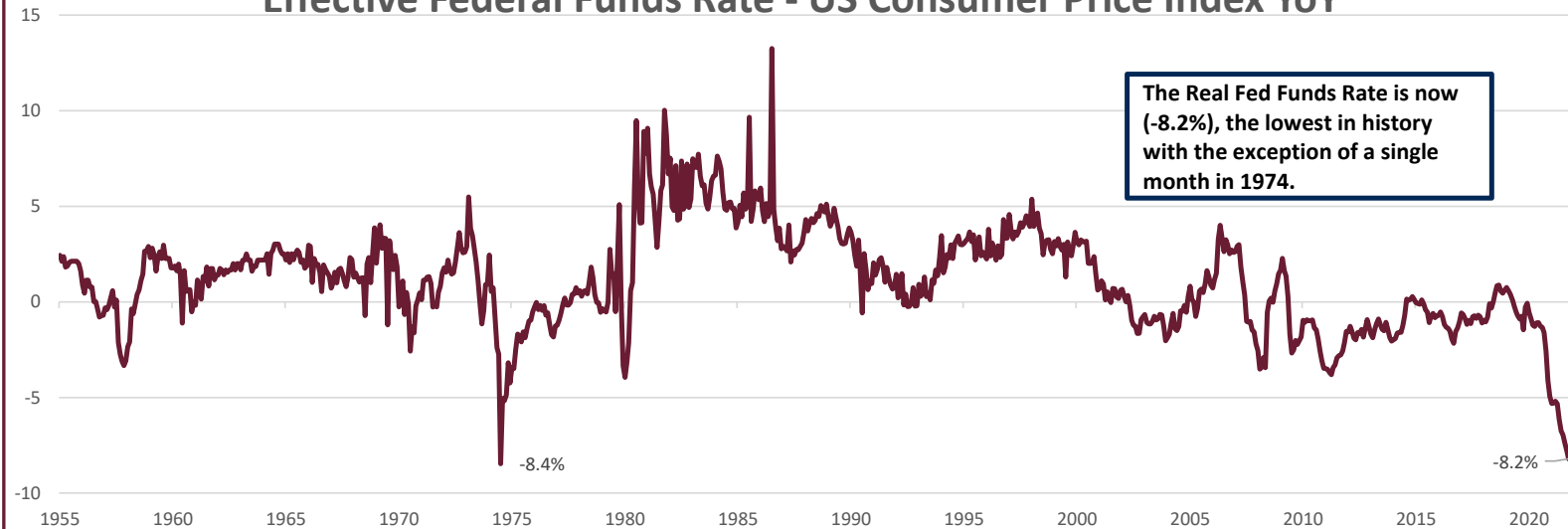
Data as of 4/13/2022. Data source: Ycharts.

Inflation and The Fed

Inflation vs. Effective Federal Funds Rate



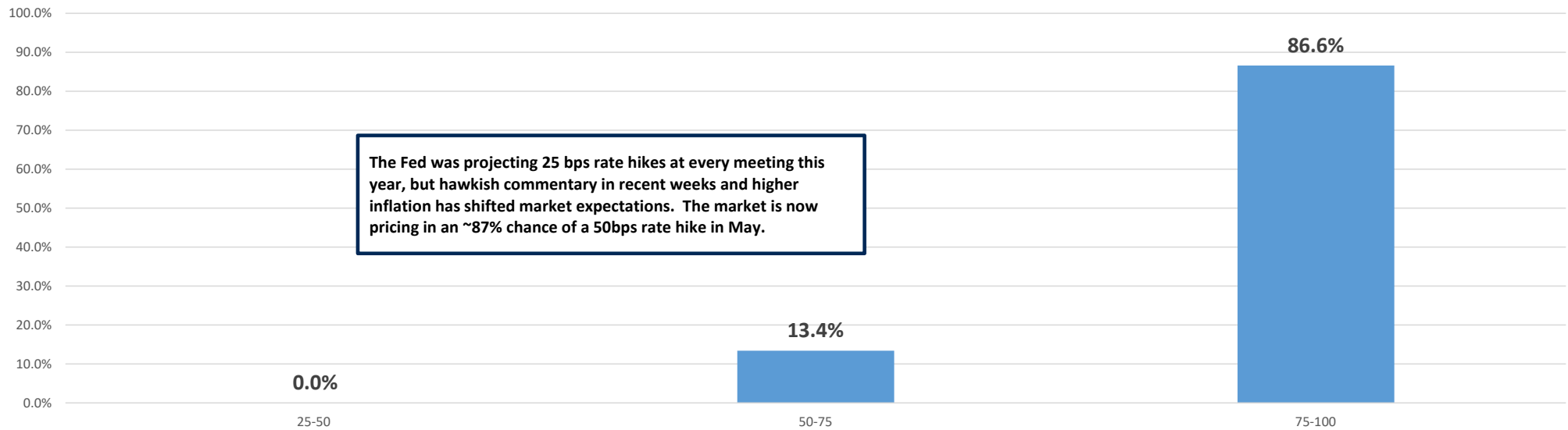
Effective Federal Funds Rate - US Consumer Price Index YoY



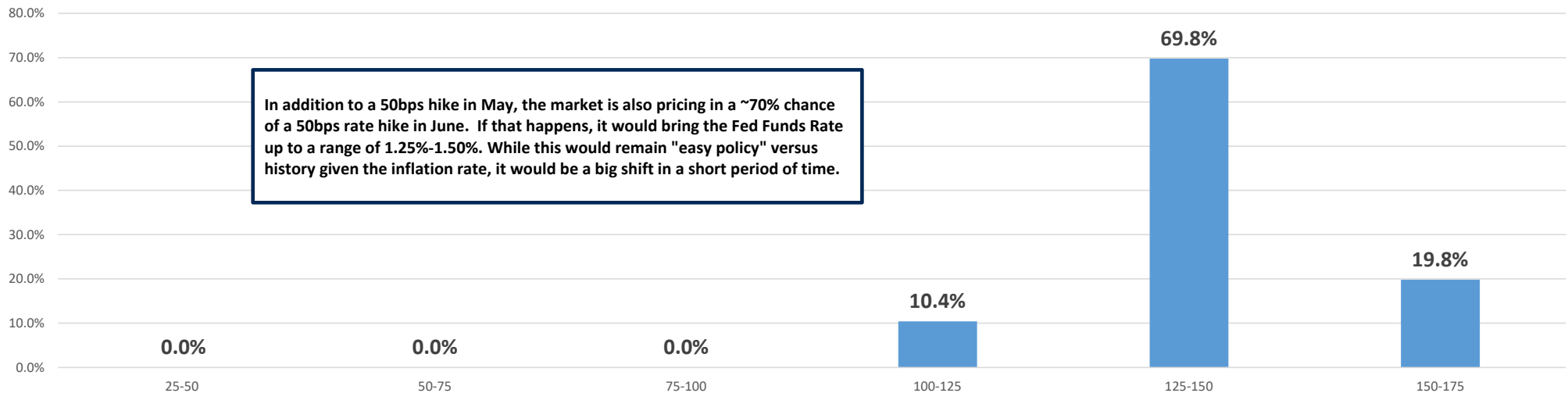
Data as of 3/31/2022. Data source: Ycharts.

Fed Watch - Here Come the Rate Hikes

May 2022 Fed Meeting: Target Rate Probabilities



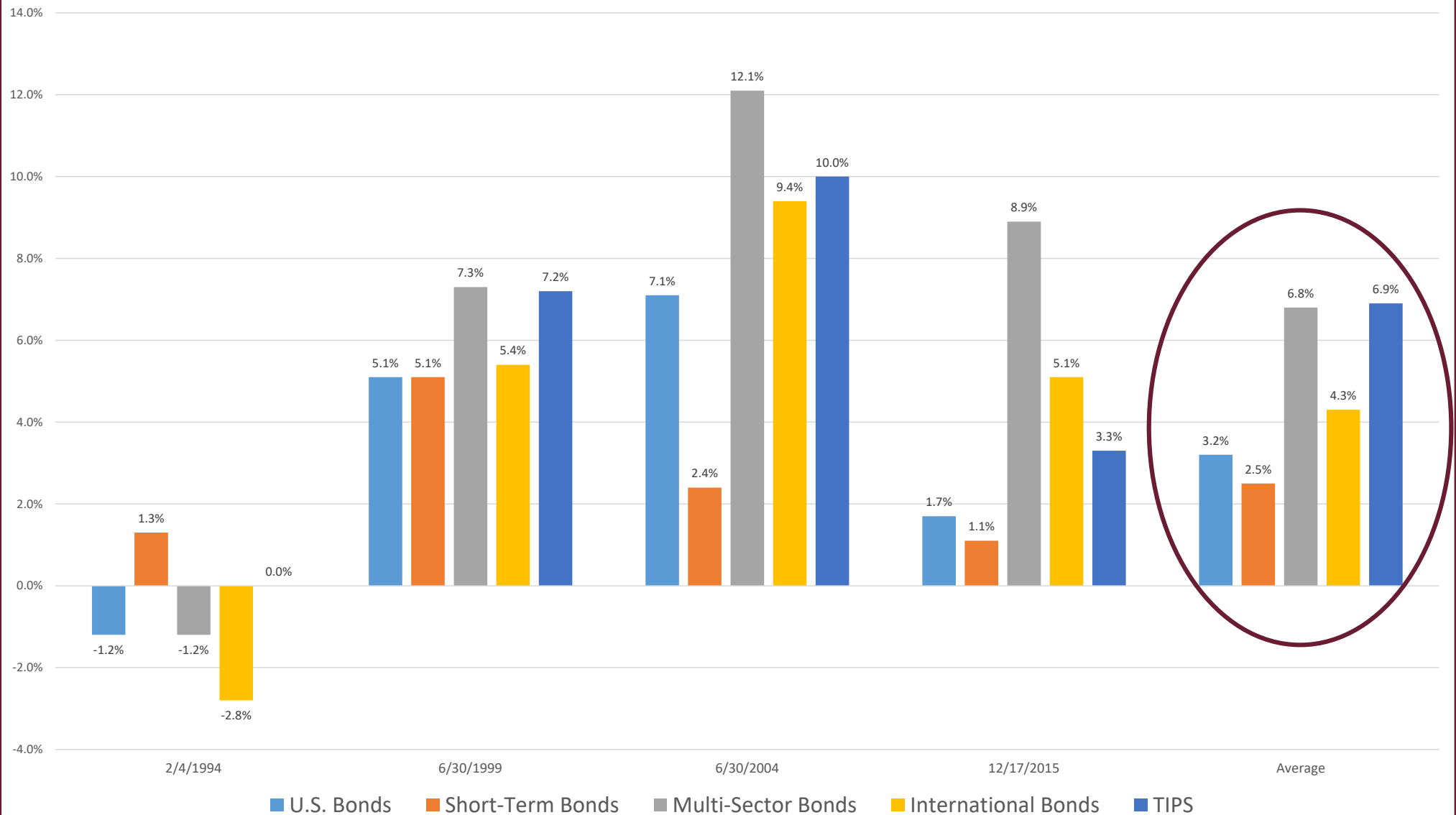
June 2022 Fed Meeting: Target Rate Probabilities



Data as of 4/13/2022. Data source: Chicago Mercantile Exchange Fed Watch Tool.

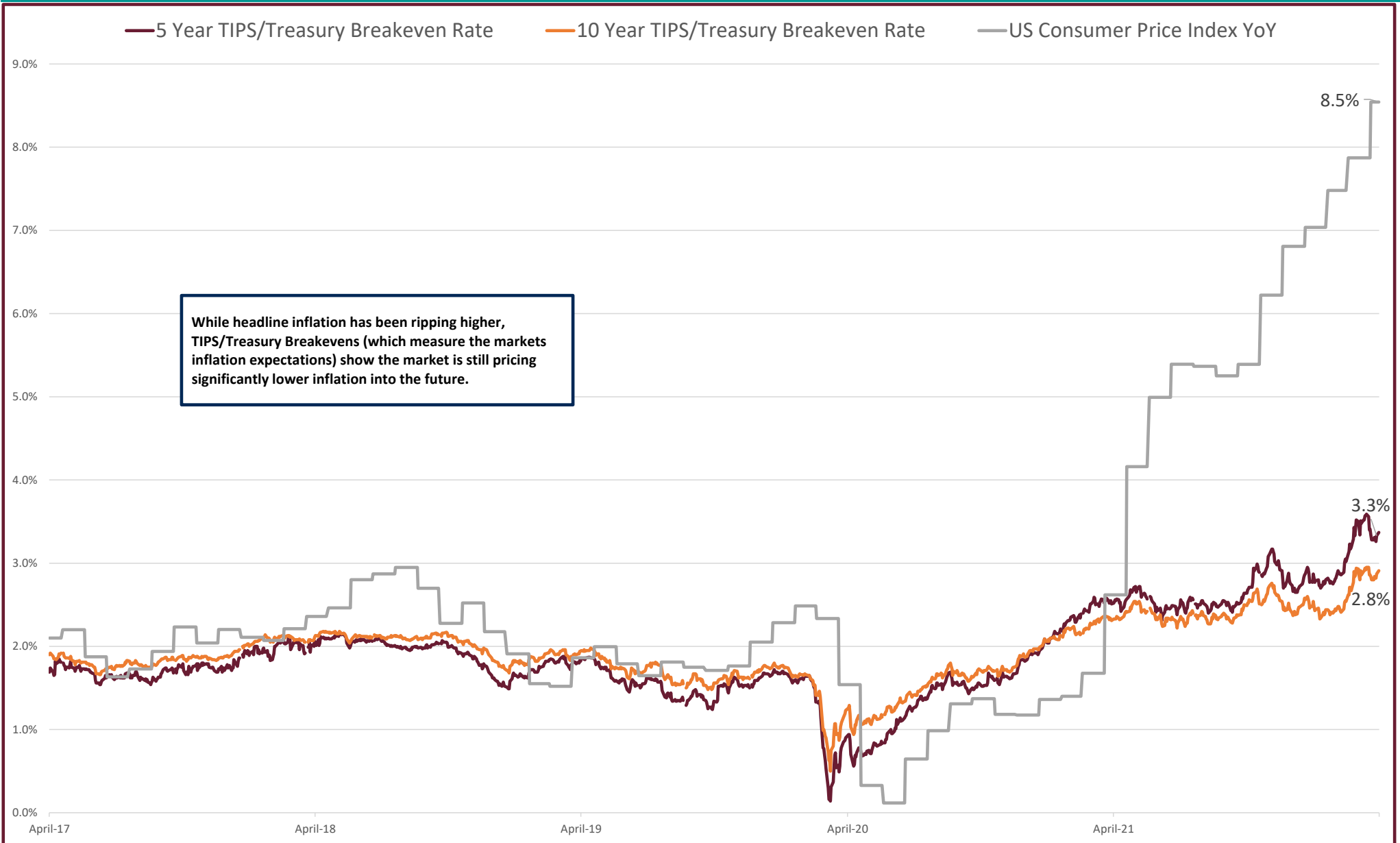
Bonds and Rate Hikes

Bond Performance 12 months following first Fed hike



Data as of 3/23/2022. Data source: Morningstar Direct.

Current Inflation vs. Market Expectations

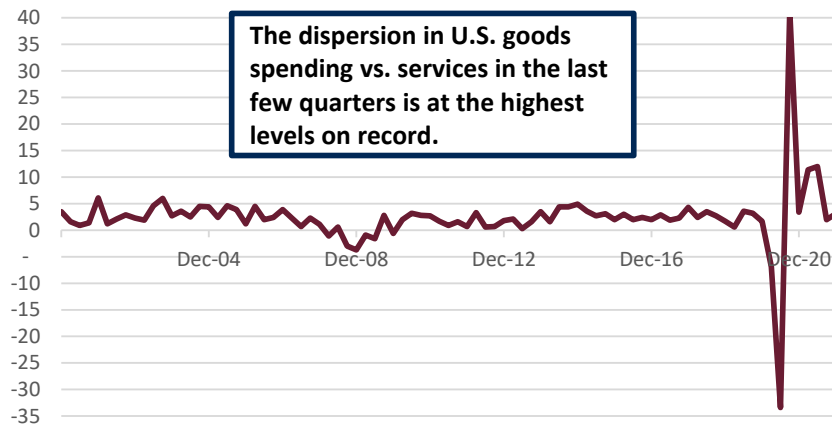


Data as of 4/11/2022. Data sources: Ycharts

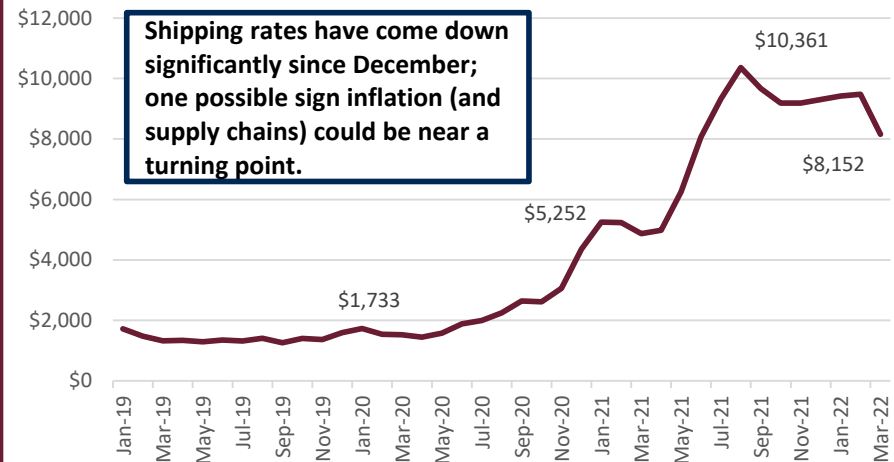
The Global Supply Chain

Surge in U.S. Goods Spending

Difference in quarterly growth rates, goods-services

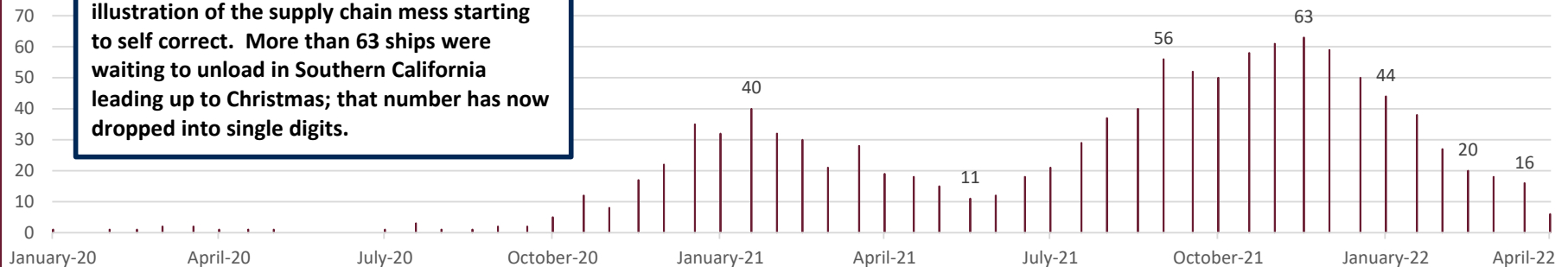


Container Shipping Rates



Container Ships at Anchor

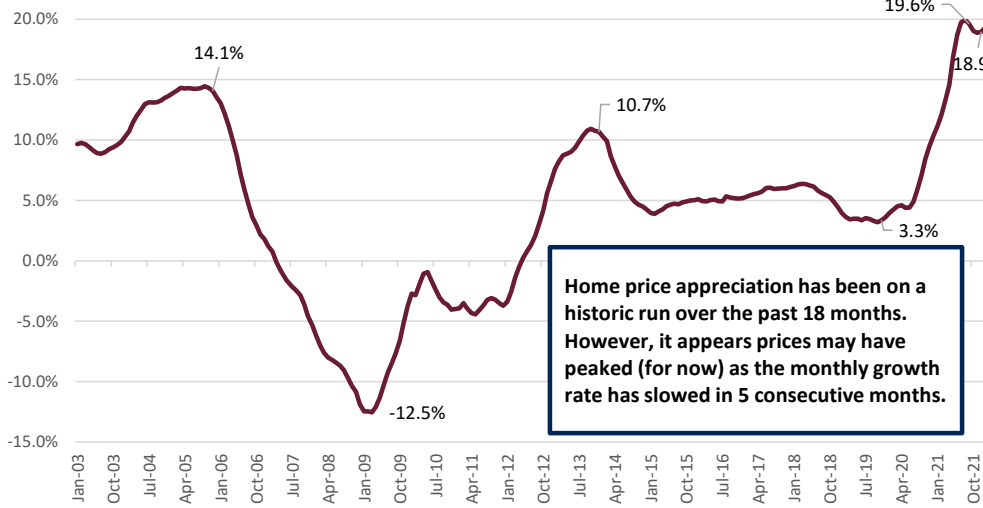
Ports of Los Angeles and Long Beach



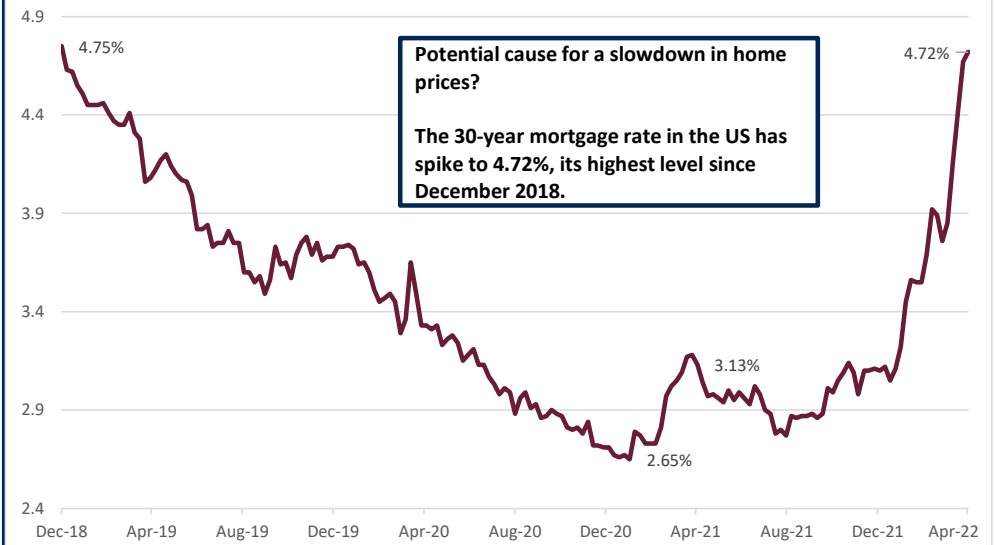
Data as of 4/12/2022. Data Sources: Ycharts and Port of Los Angeles and Long Beach

State of the Housing Market

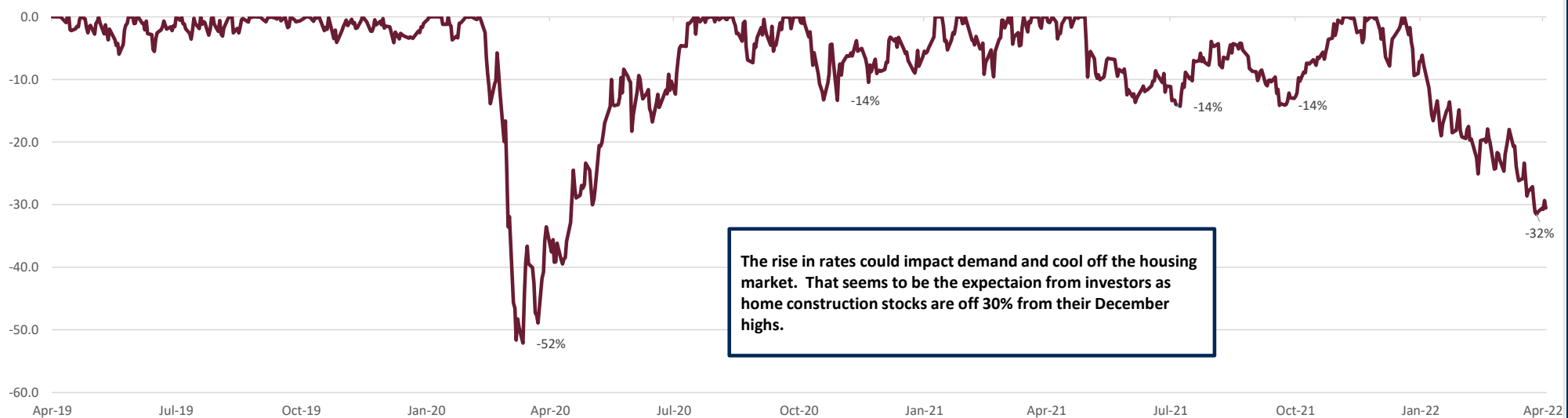
Case-Shiller National Home Price Index (YoY Percent Change)



30 Year Mortgage Rate

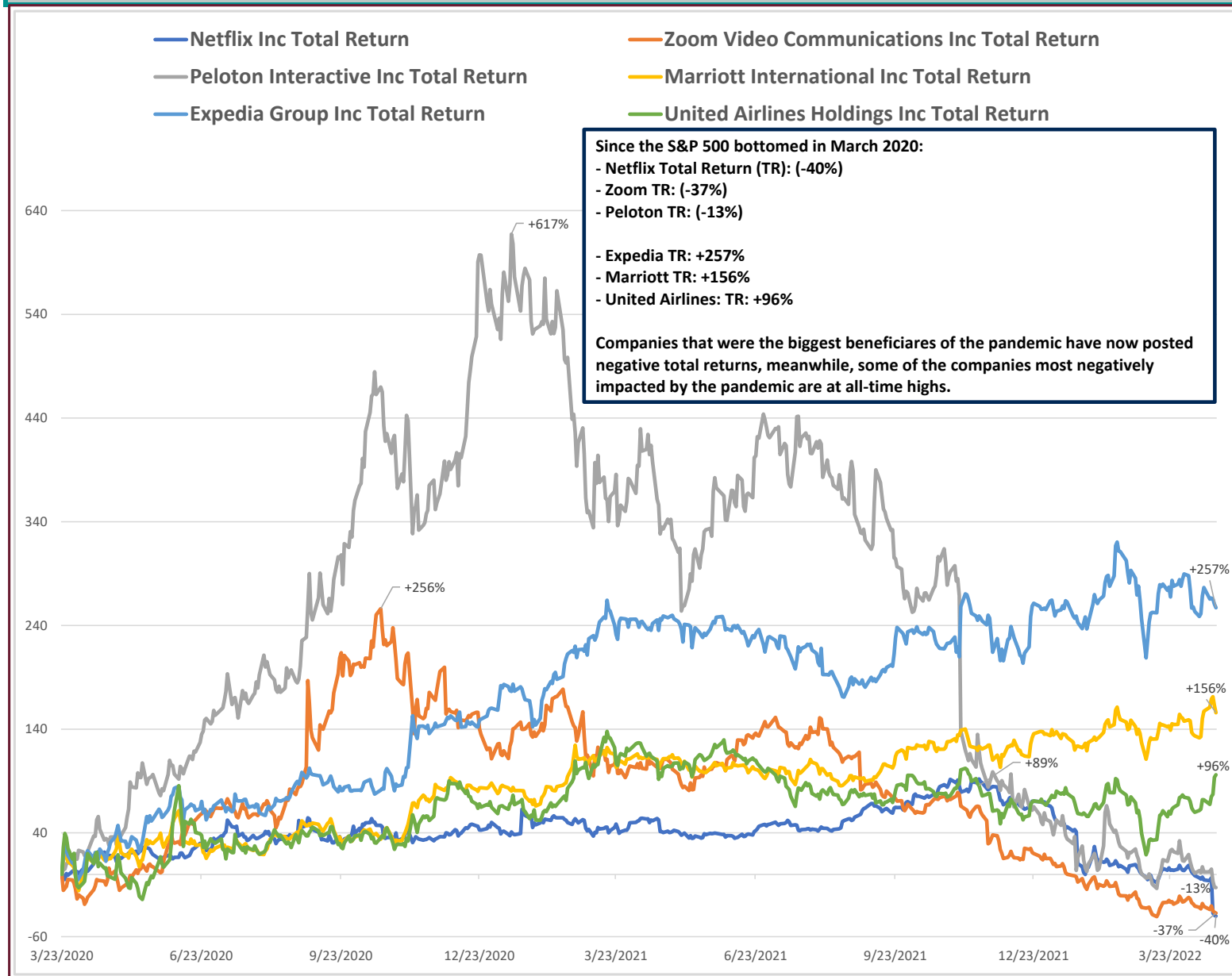


iShares US Home Construction ETF Price % Off High



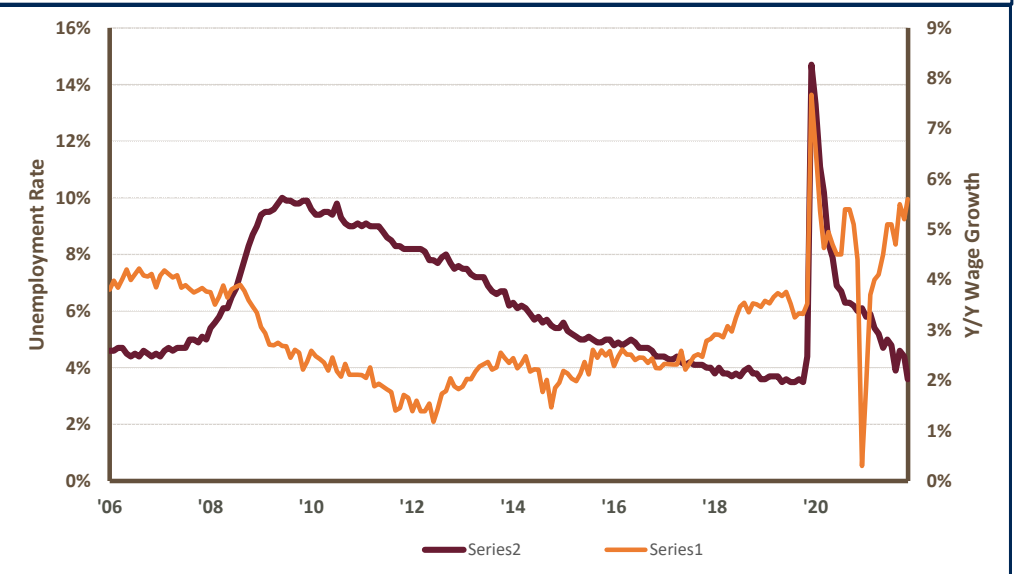
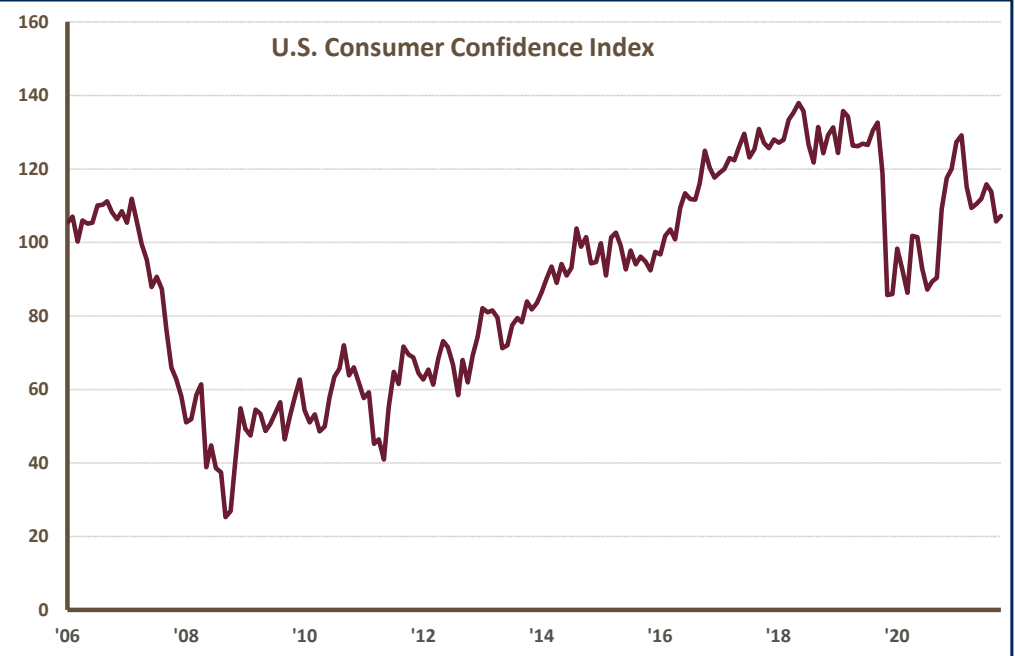
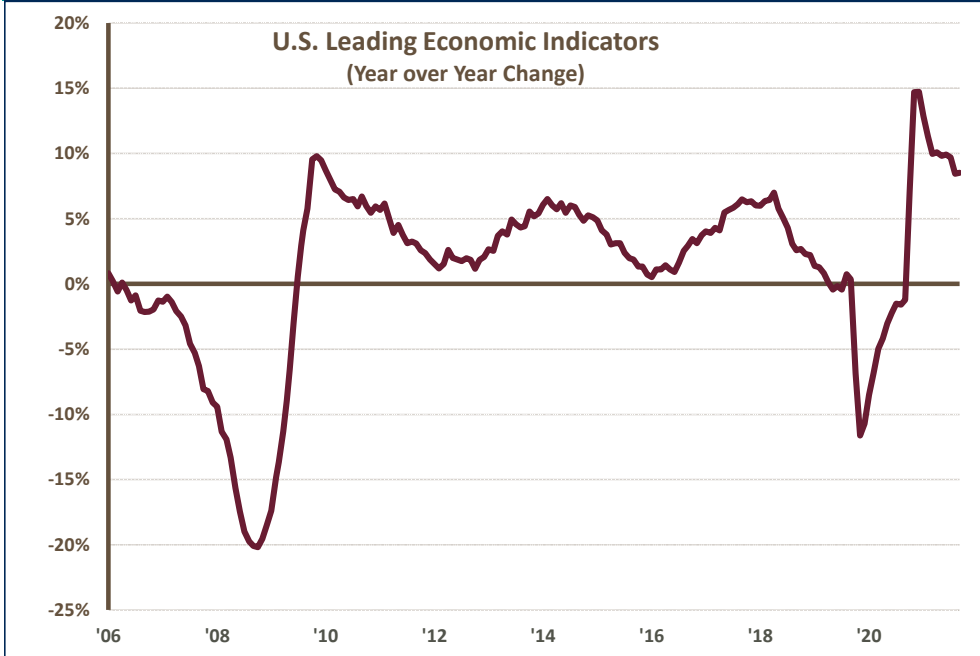
Data as of 4/15/2022. Data sources: Ycharts

Mean Reversion: Things are Normalizing



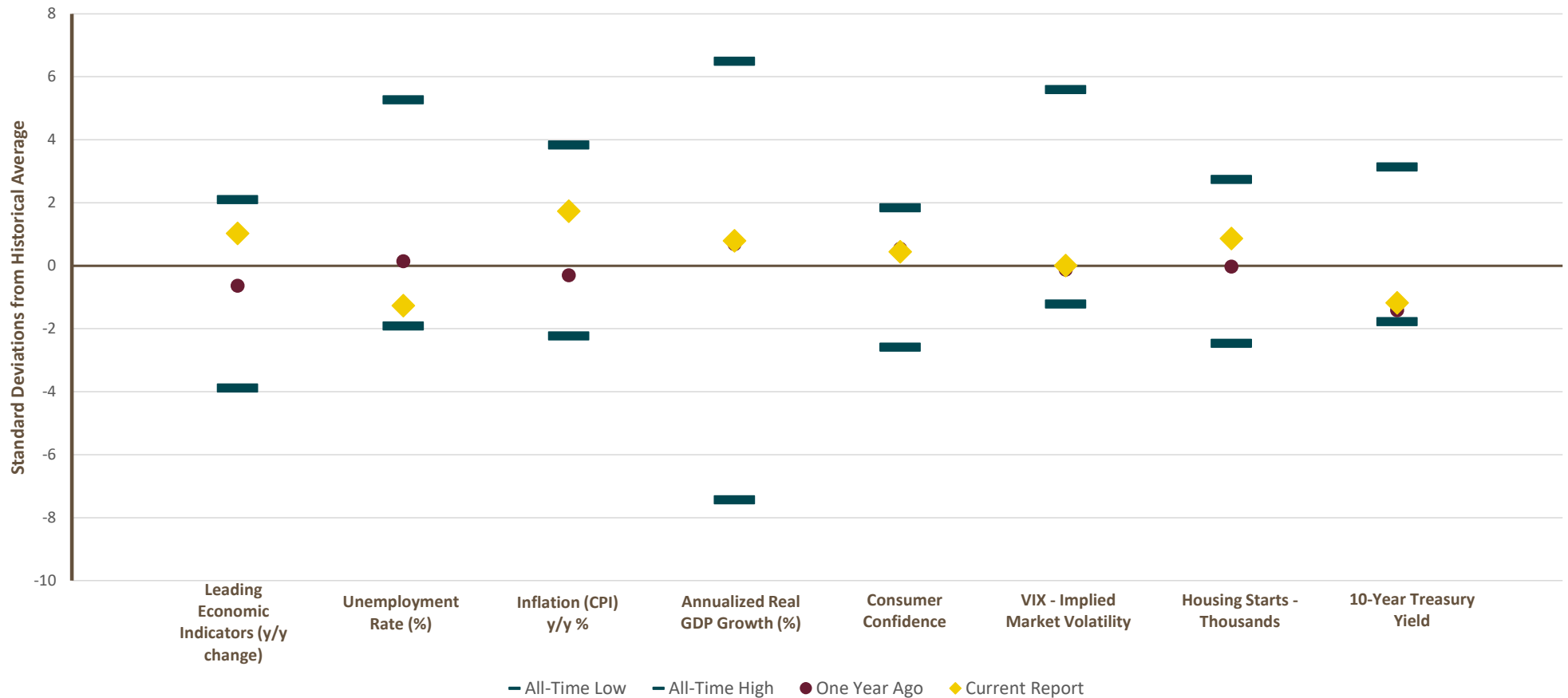
Data as of 4/25/2022. Data source: Ycharts.

Economic Indicators



Data as of 3/31/2022. Data sources: Morningstar Direct, FRED, The Conference Board.

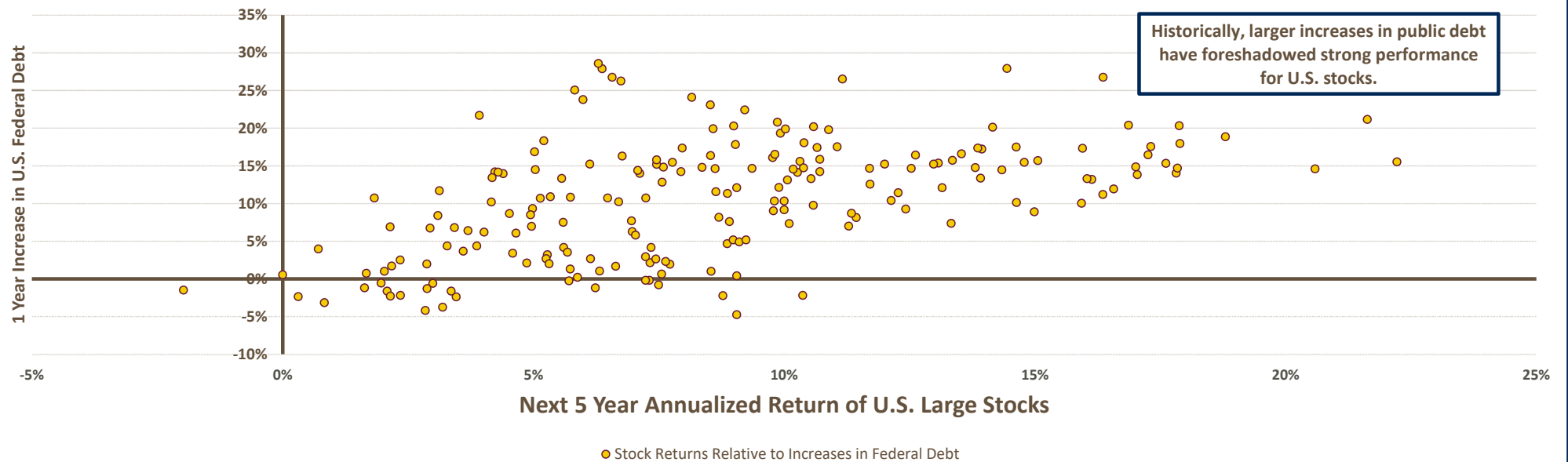
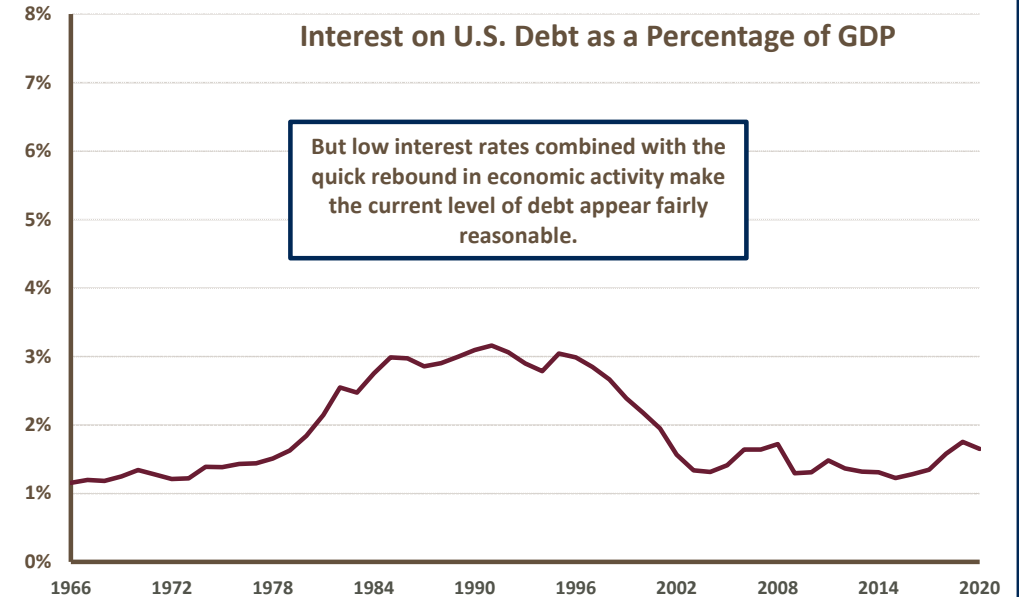
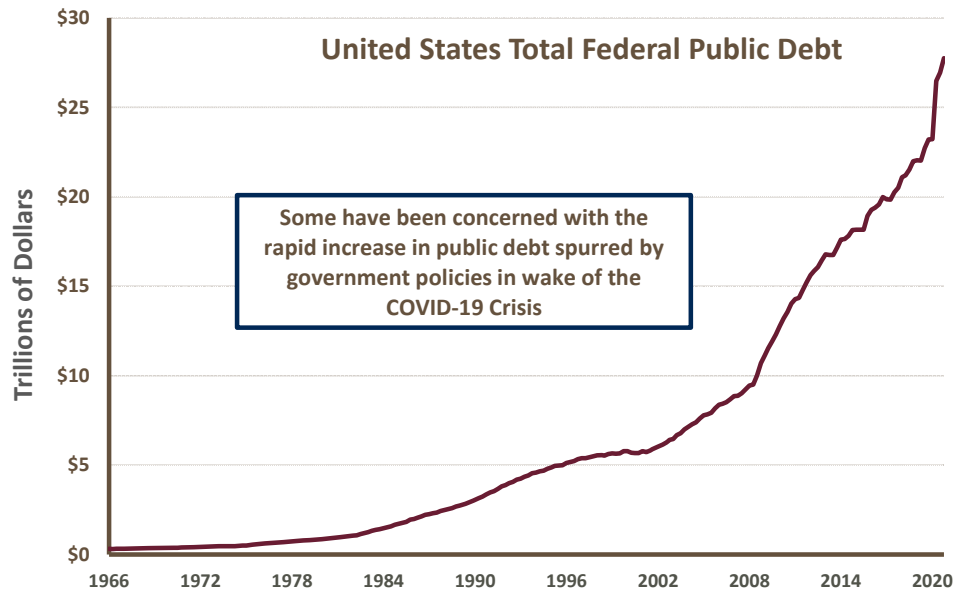
Economic Indicators: Relative to History



Economic Measure	All-Time Low	Historical Average	All-Time High	One Year Ago	Last Report	Current Report
Leading Economic Indicators (y/y change %)	-20.2%	2.5%	14.7%	-1.2%	8.5%	8.5%
Unemployment (%)	2.5%	5.8%	14.7%	6.0%	3.8%	3.6%
Inflation - CPI (y/y %)	-3.0%	3.5%	14.6%	2.6%	7.9%	8.5%
Annualized Real GDP Growth (%)	-31.4%	3.2%	33.4%	6.4%	2.3%	6.9%
Consumer Confidence	25.3	95.1	144.7	109.7	107.2	107.2
VIX - Implied Market Volatility	10.1	19.6	62.6	18.6	33.3	19.6
Housing Starts (Thousands)	478.0	1432.4	2494.0	1421.0	1657.0	1769.0
10-Year Treasury Yield (%)	0.6%	5.9%	15.3%	1.7%	1.7%	2.4%

Data as of 4/1/2022. Data sources: FRED, The Conference Board.

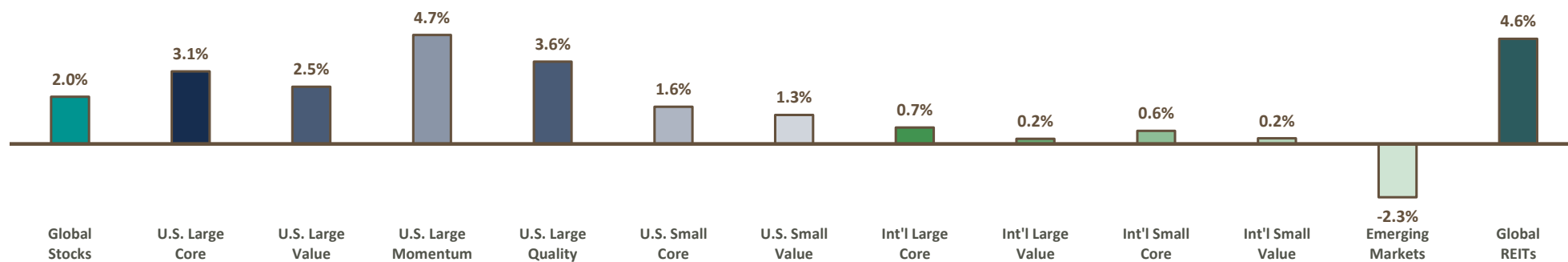
The Pile of Debt



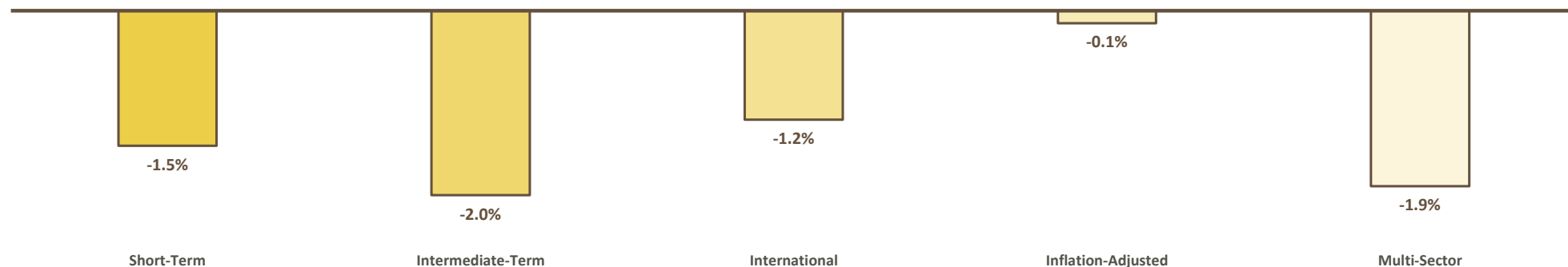
Data as of 3/31/2022. Data sources: FRED, Morningstar Direct. U.S. large stocks are represented by the IA SBBI US Large Stock Index.

Asset Class Performance: Last Month

Stocks



Bonds



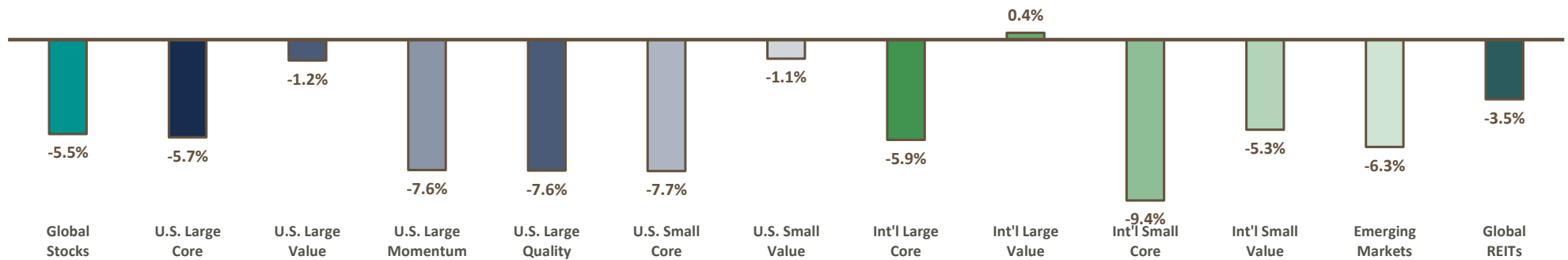
Alternatives



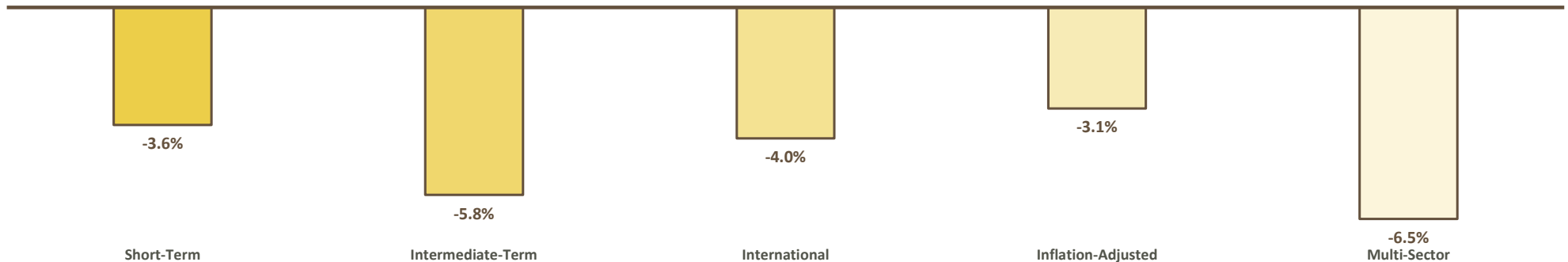
Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Asset Class Performance: Last Three Months

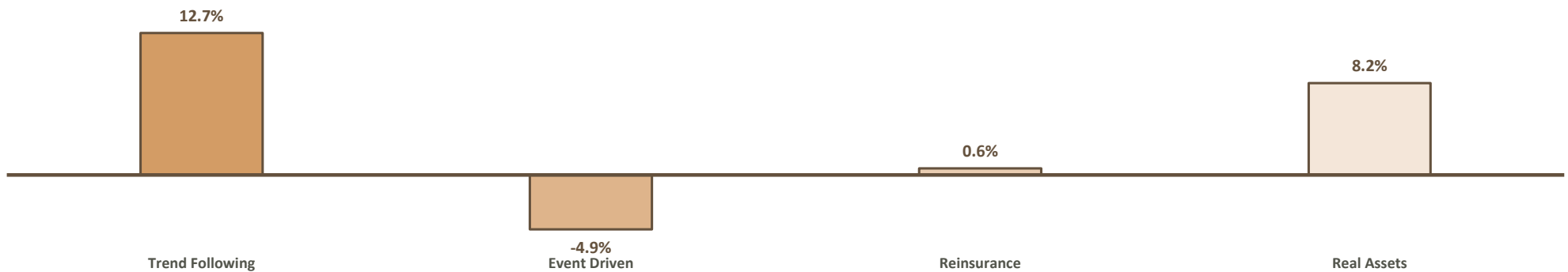
Stocks



Bonds



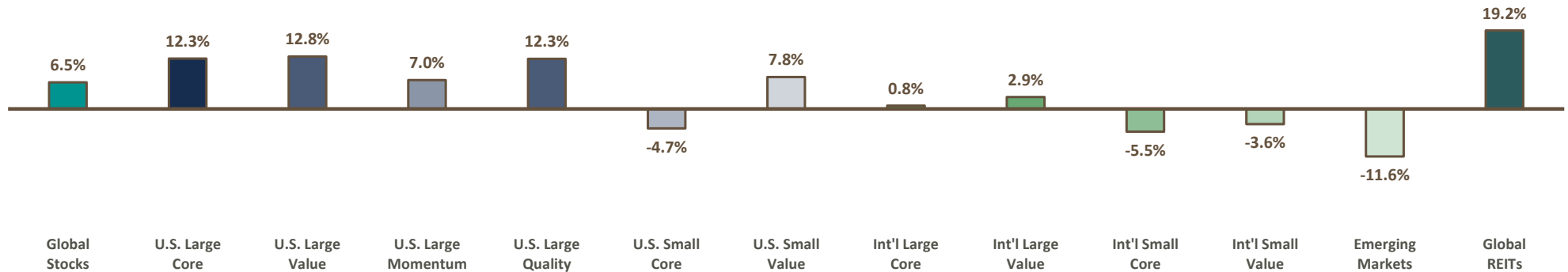
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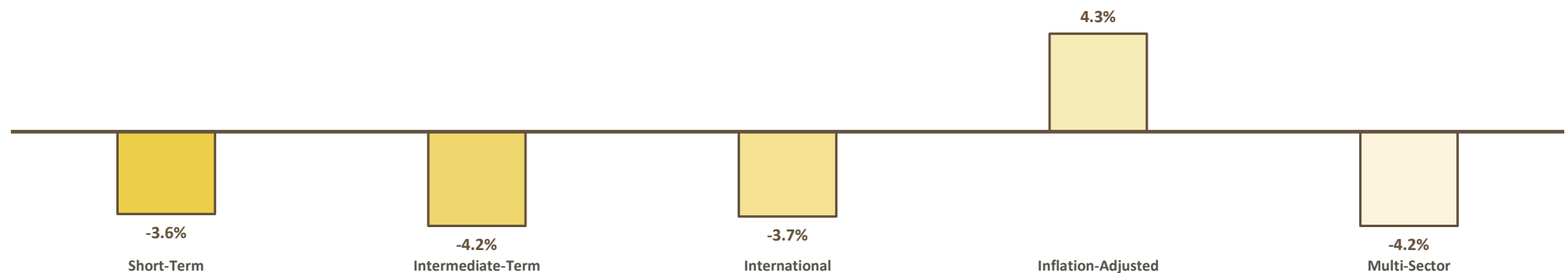
Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Asset Class Performance: Previous 12 Months

Stocks



Bonds

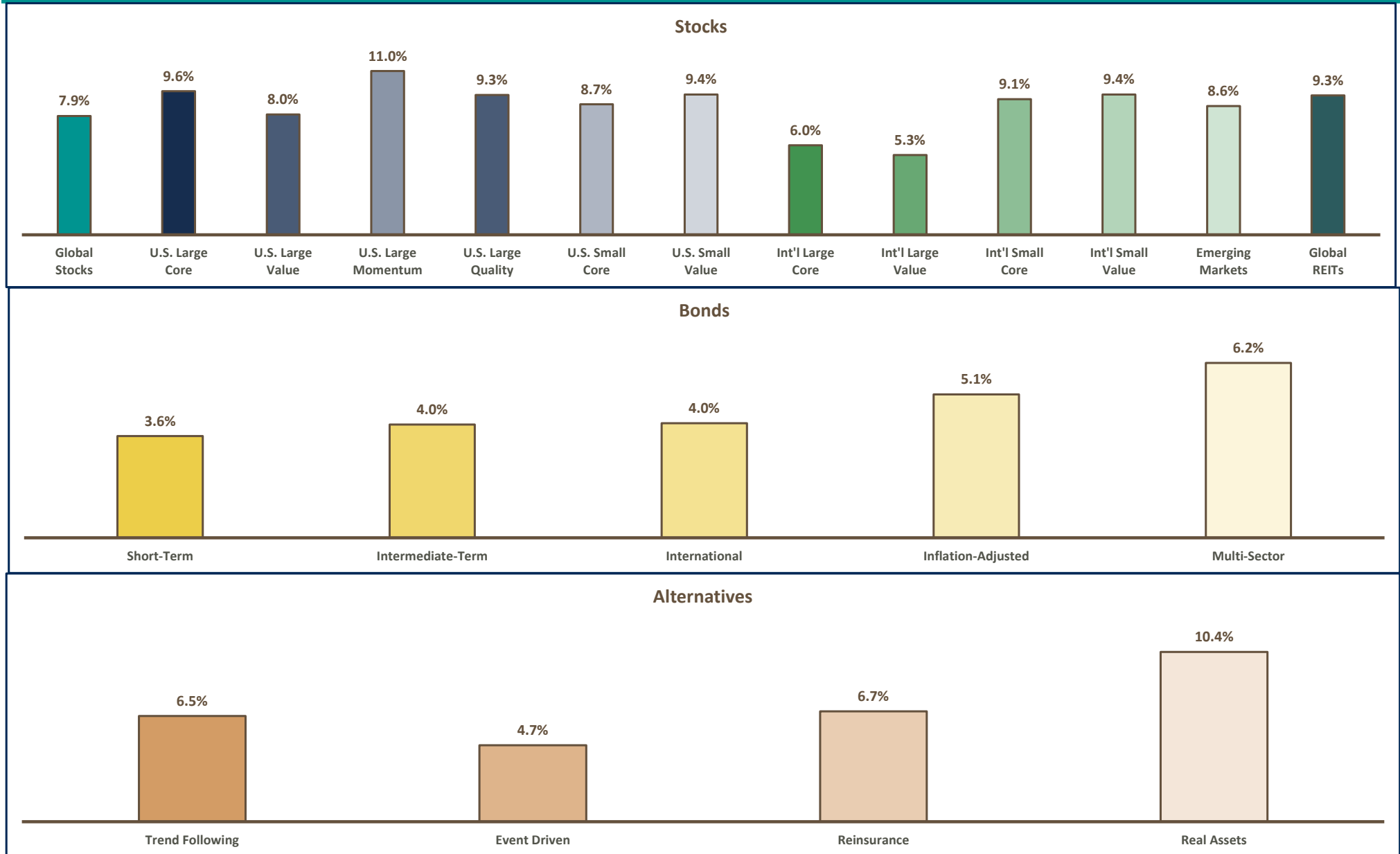


Alternatives



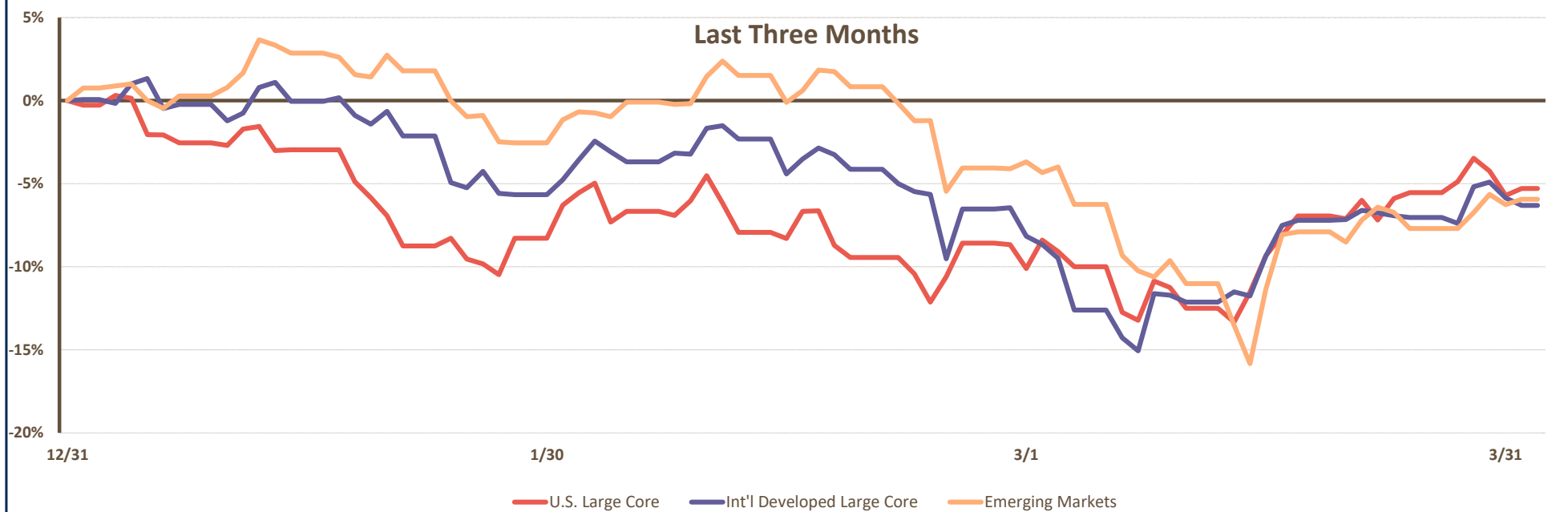
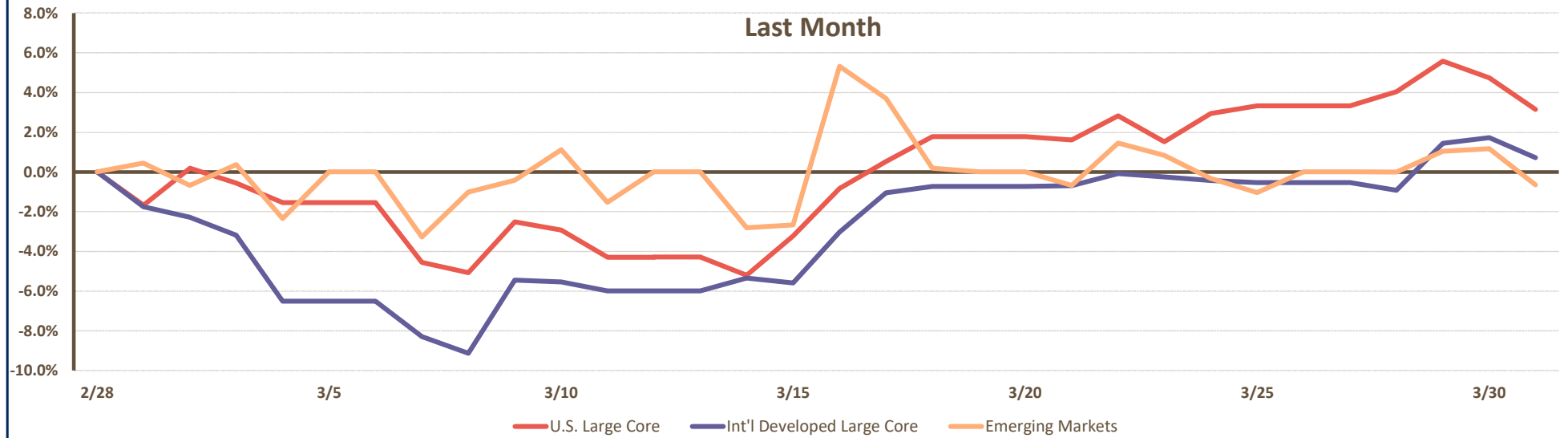
Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Asset Class Performance for the Long Term Investor: Previous 20 Years



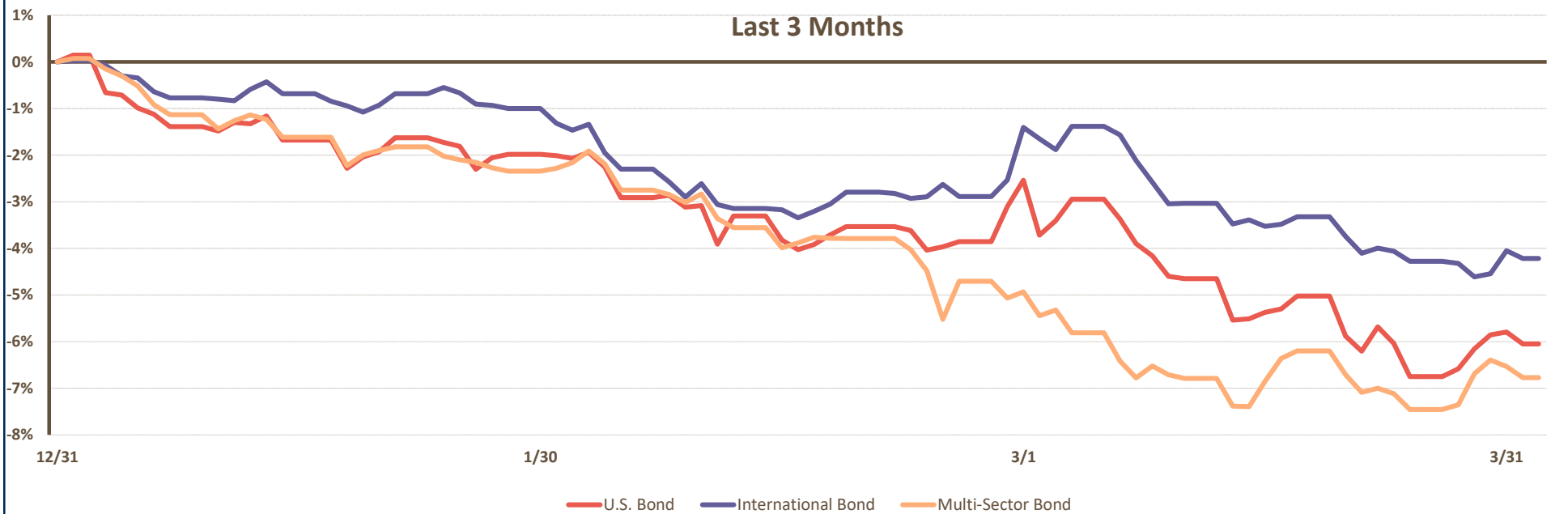
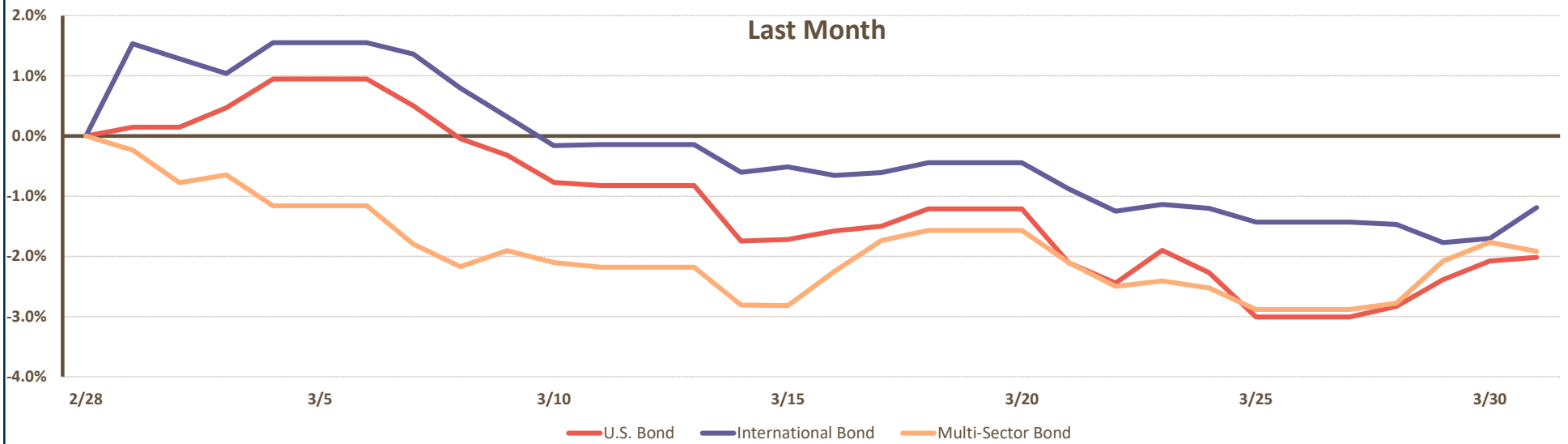
Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Equity Performance Tracker



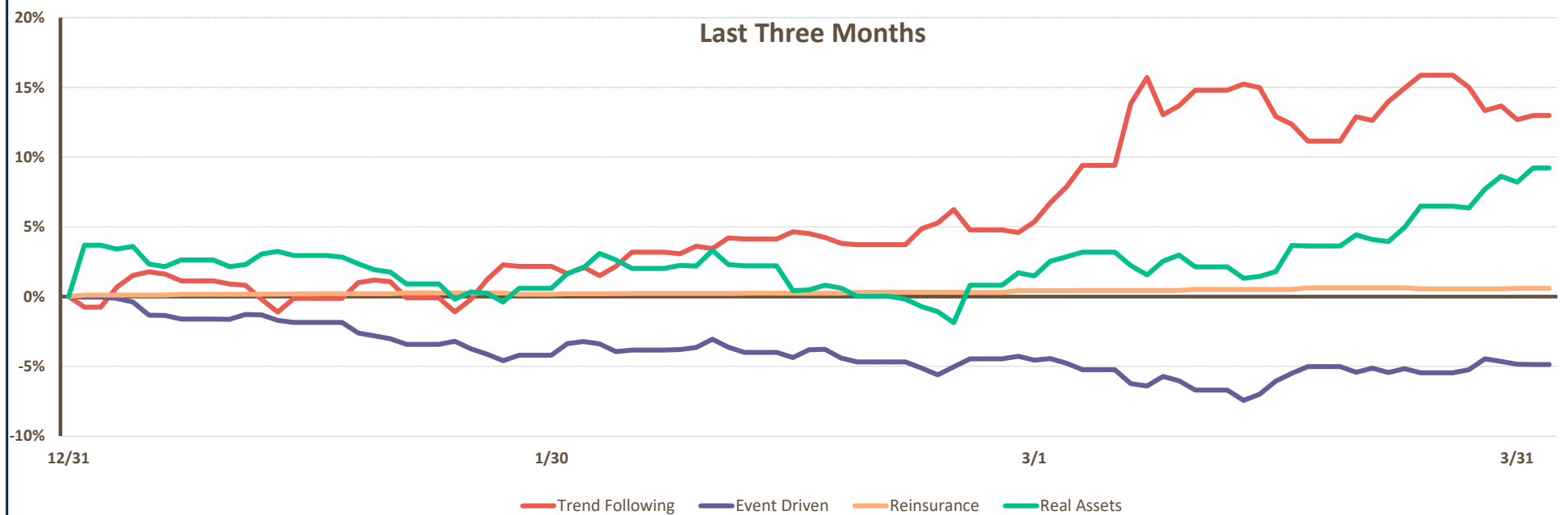
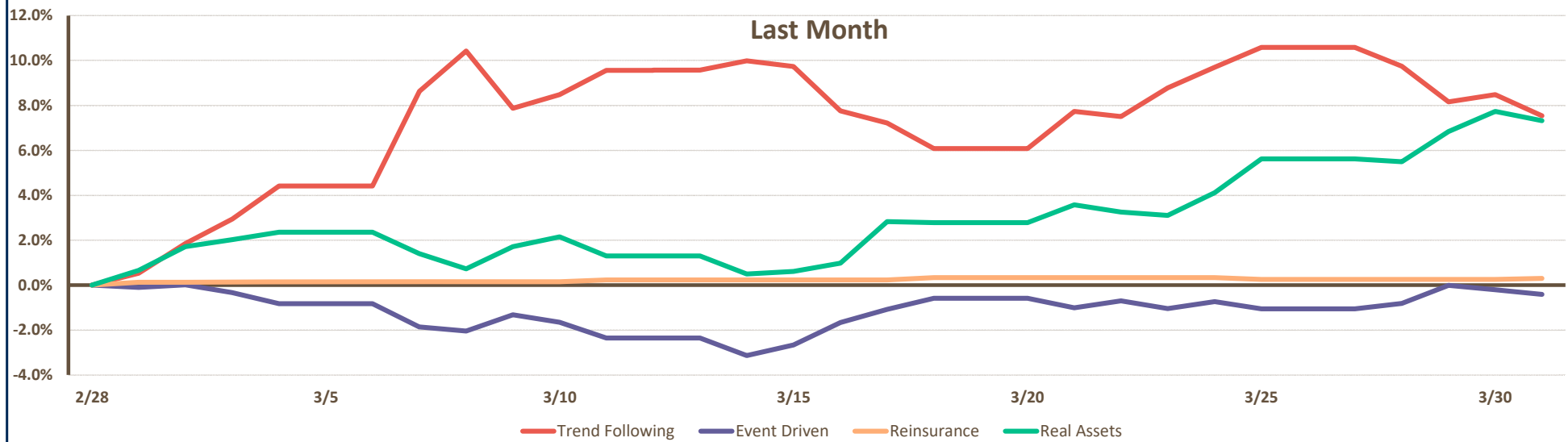
Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Fixed Income Performance Tracker



Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

Alternatives Performance Tracker



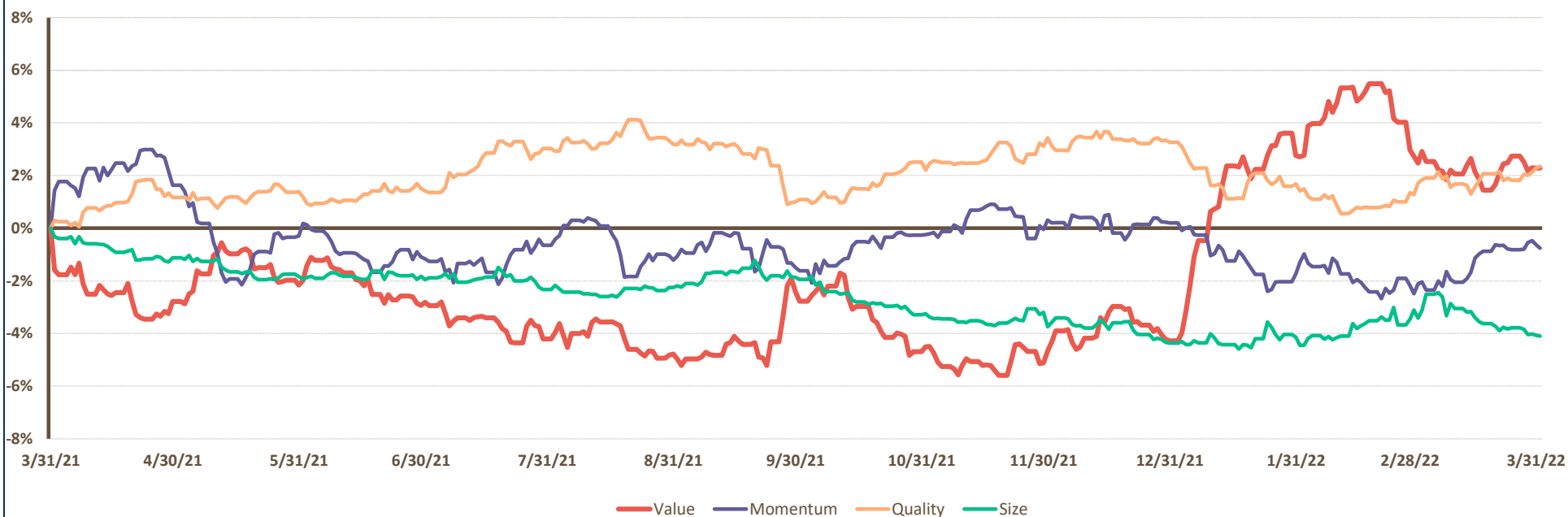
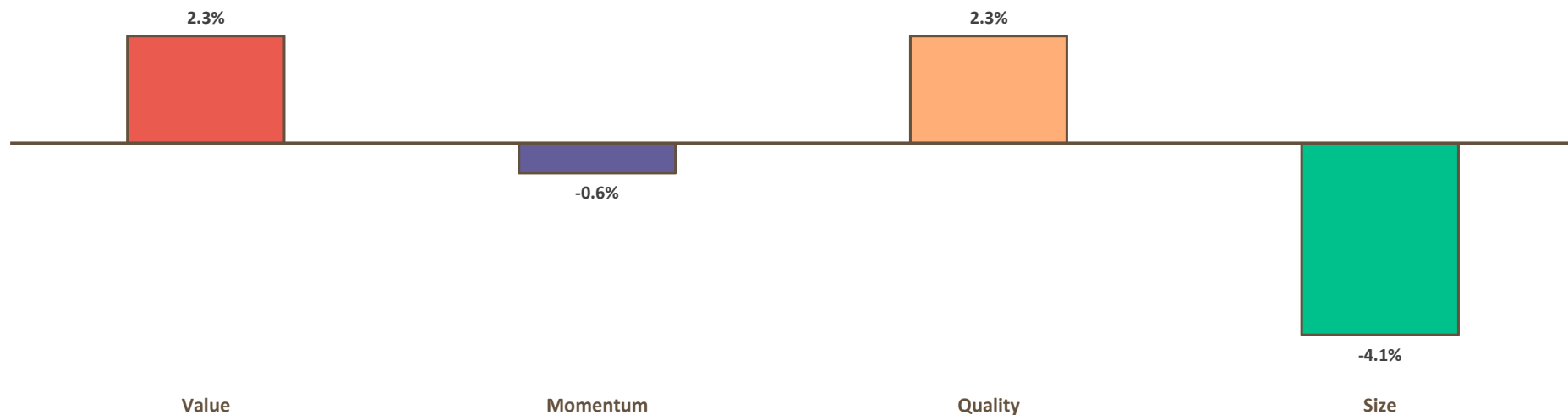
Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 1 for additional disclosures.

U.S. Equity Factor Performance Relative to Broad Market: Previous 12 Months



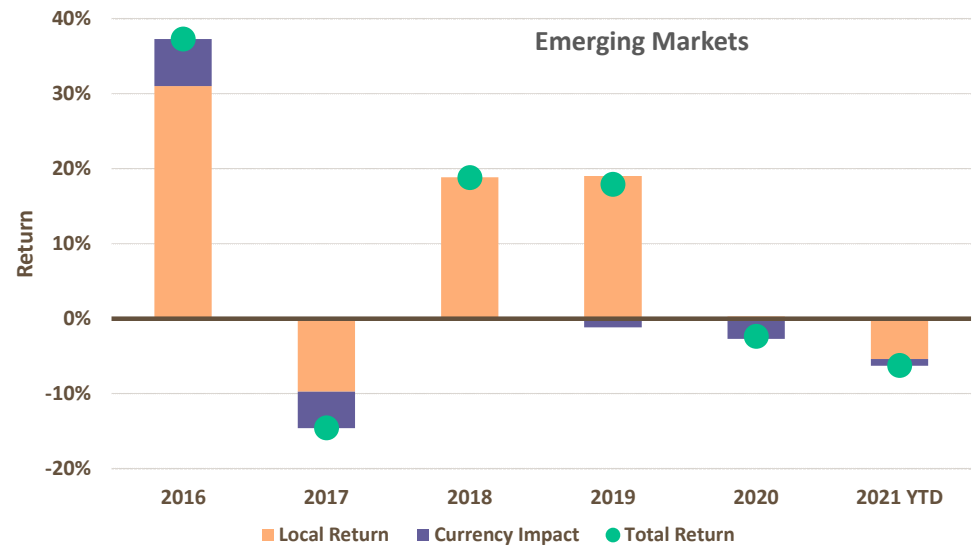
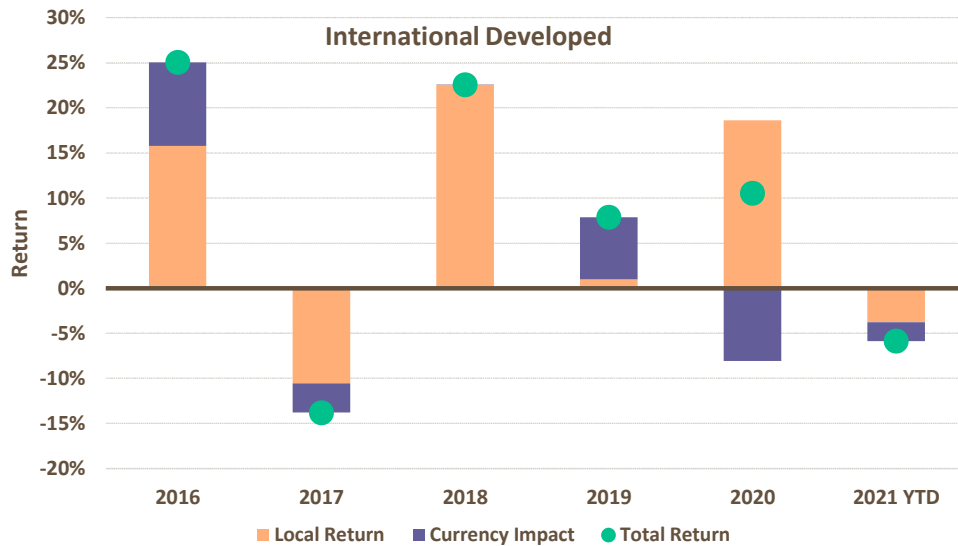
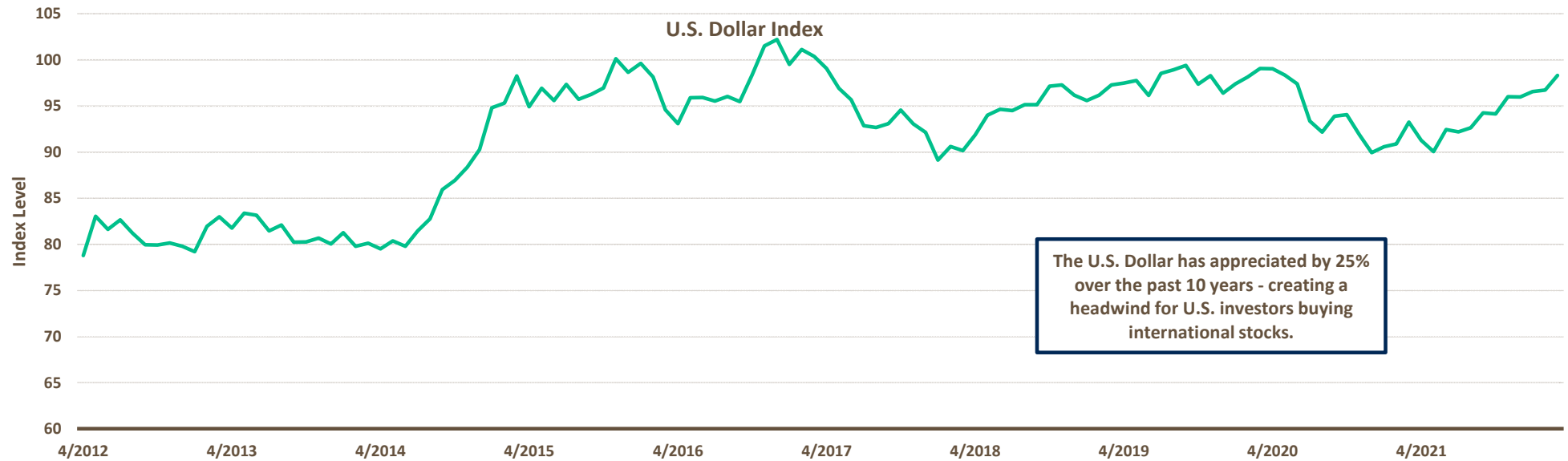
Data as of 3/31/2022. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

International Equity Factor Performance Relative to Broad Market: Previous 12 Months



Data as of 3/31/2022. Factor performance calculated relative to broad index. See Endnote 2 for additional disclosures.

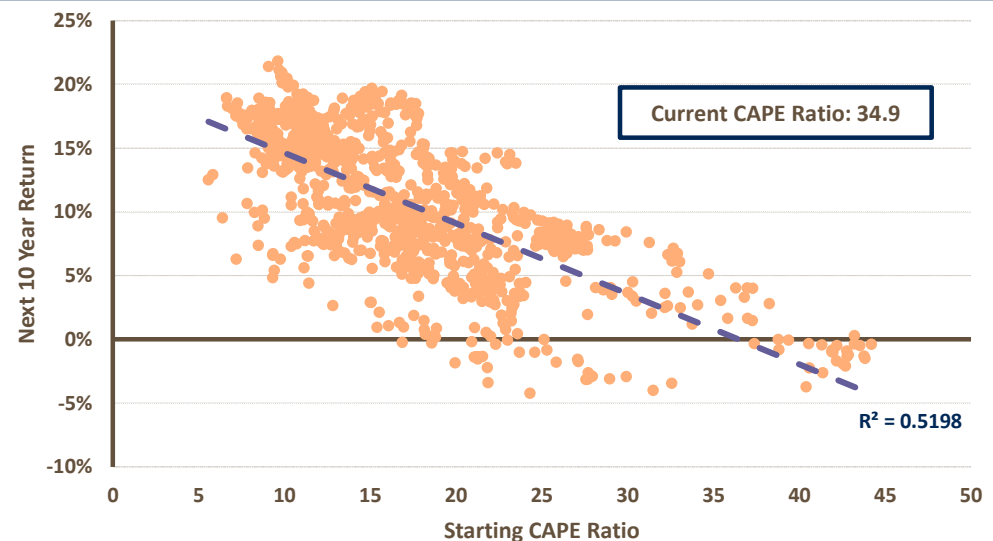
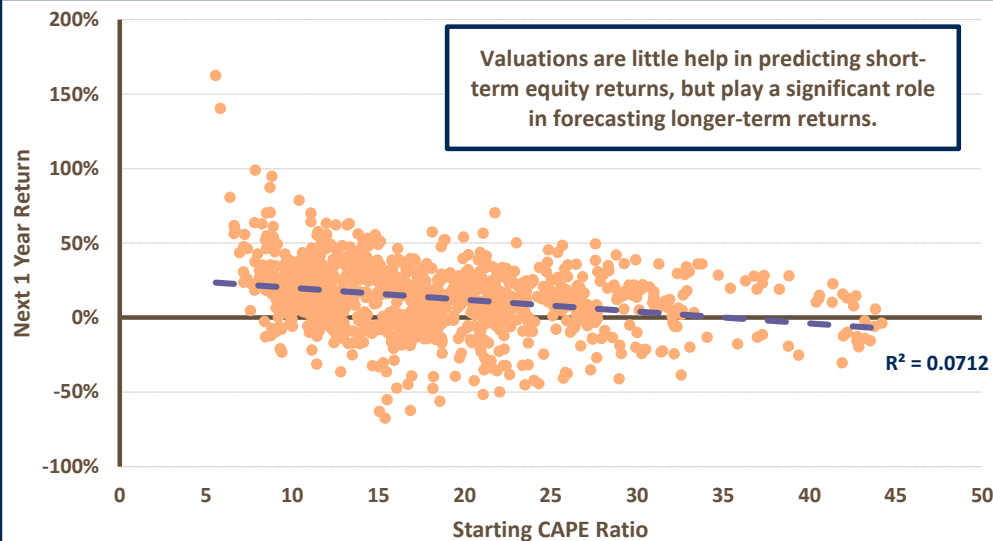
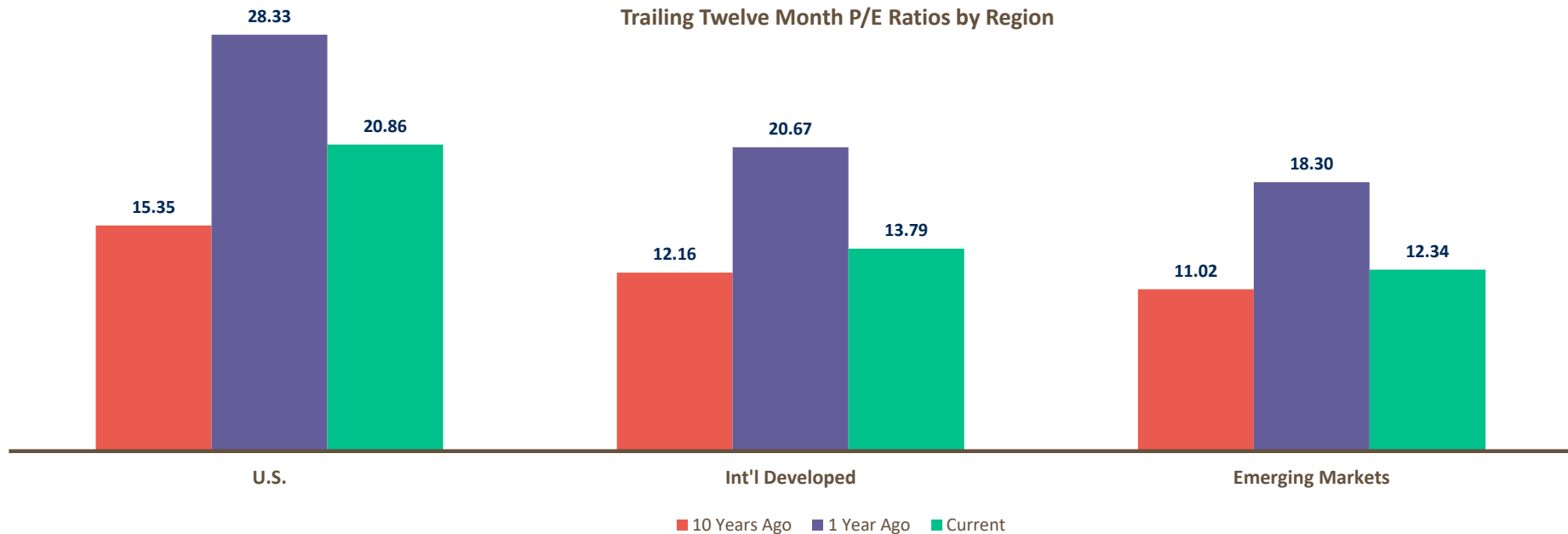
Currency Impact on International Equity Returns



Data as of 3/31/2022. Data source: Morningstar Direct. See Endnote 3 for additional disclosures.

Current Equity Valuations and The Impact on Future Returns

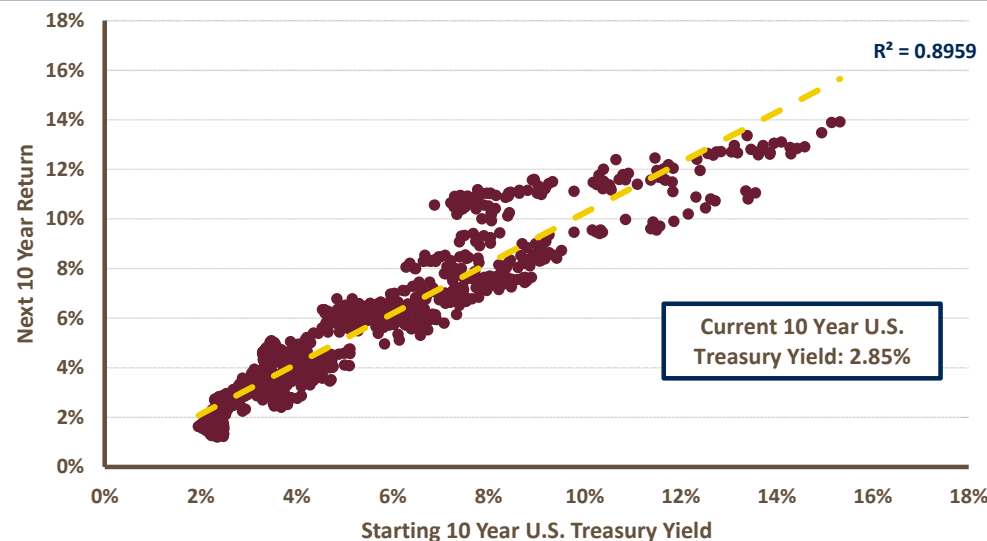
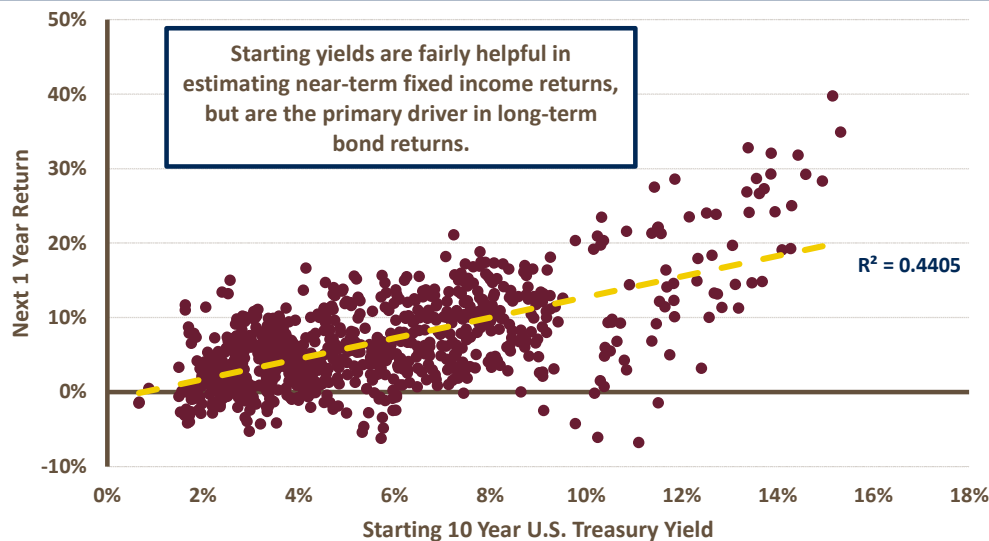
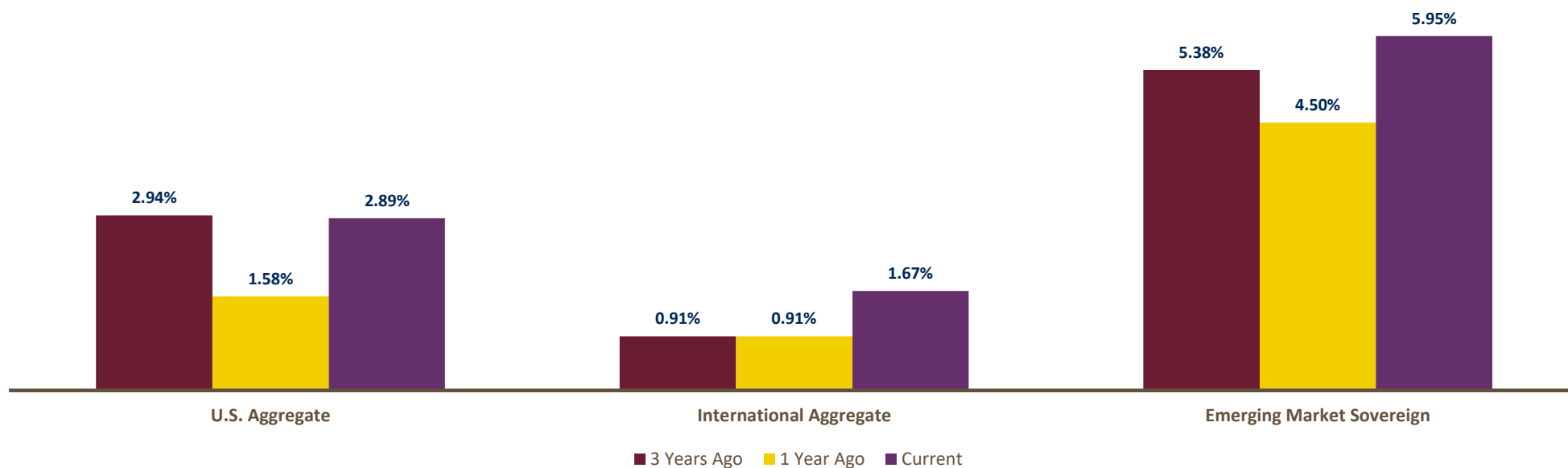
Trailing Twelve Month P/E Ratios by Region



Data as of 3/31/2022. R2 refers to the predictive power a variable has in a regression. A higher R2 (maximum of 1.0) implies a variable is more significant. See Endnote 4 for additional disclosures.

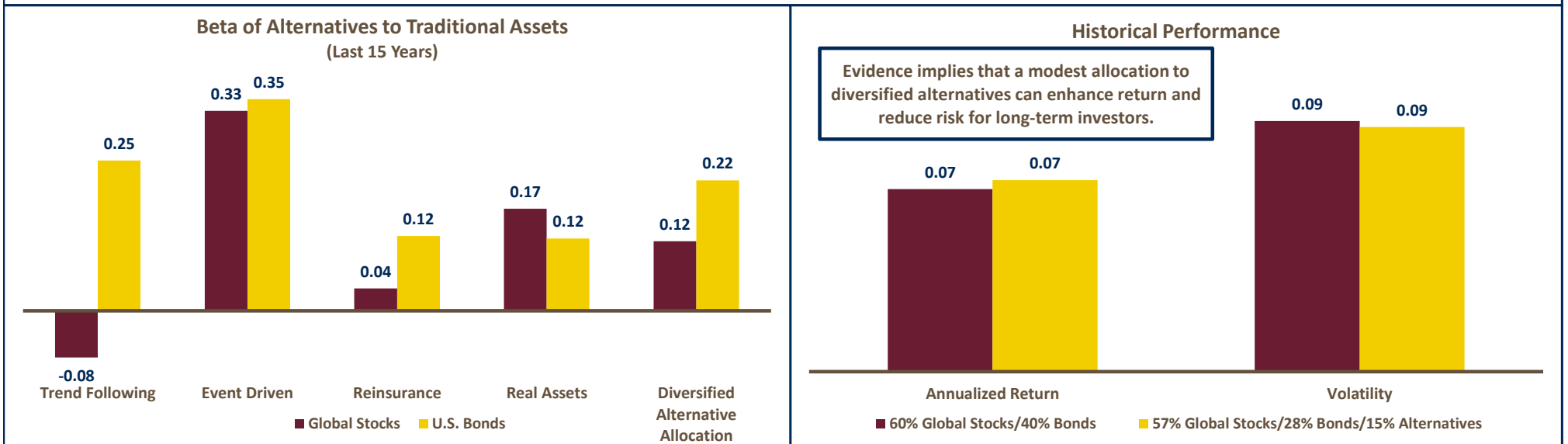
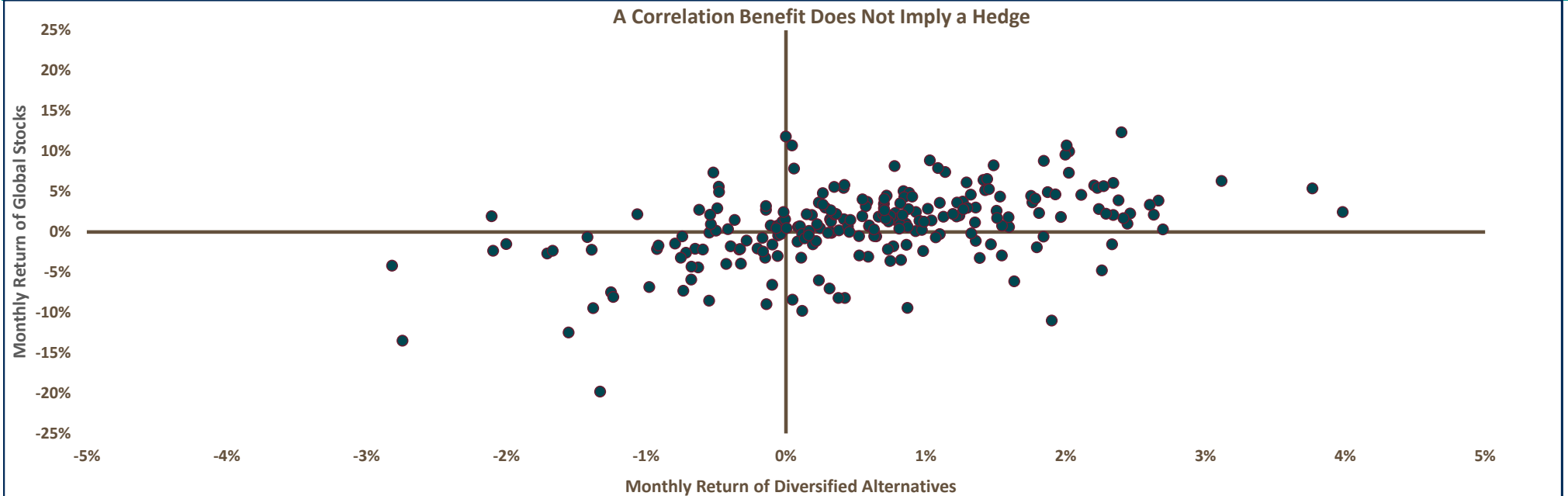
Current Fixed Income Yields and The Impact on Future Returns

Yield to Maturity by Region



Data as of 3/31/2022. R2 refers to the predictive power a variable has in a regression. A higher R2 (maximum of 1.0) implies a variable is more significant. See Endnote 5 for additional disclosures.

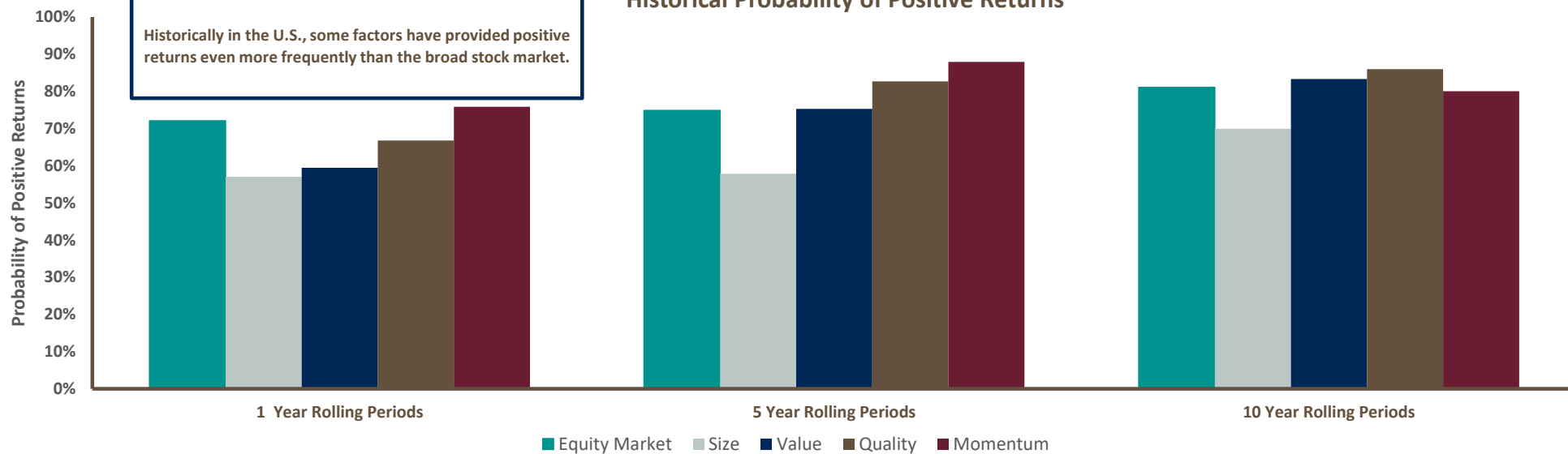
A Diversified Alternative Allocation Provides a Correlation Benefit



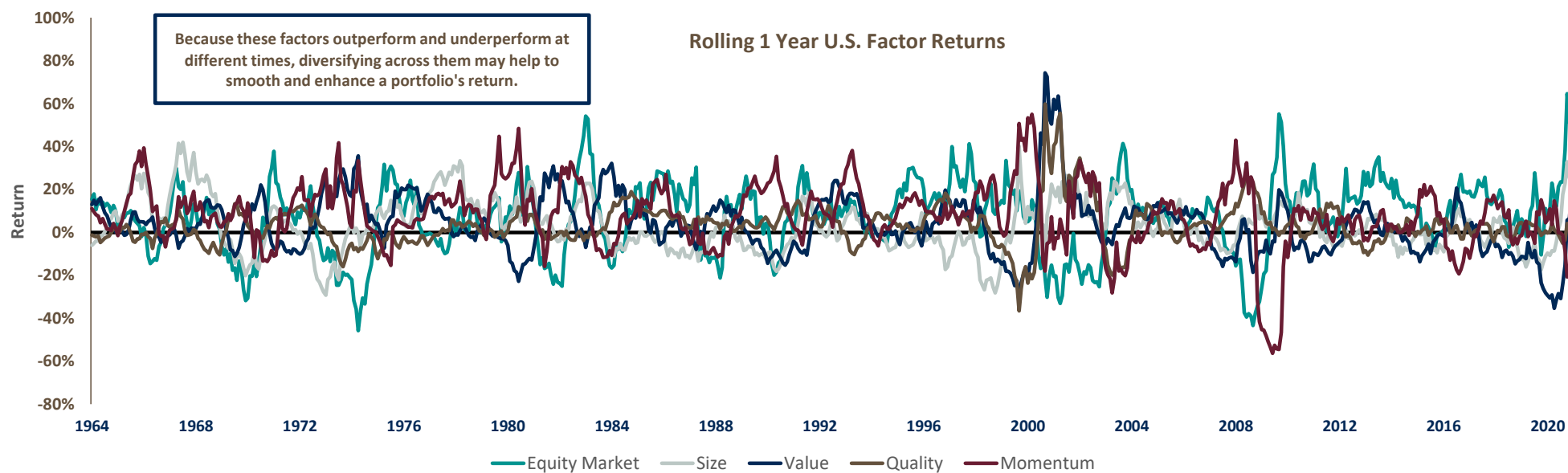
Based on data from 2/2002 through 3/31/2022. Data source: Morningstar Direct. See Endnote 6 for additional disclosures.

Diversifying Across Factors

Historical Probability of Positive Returns

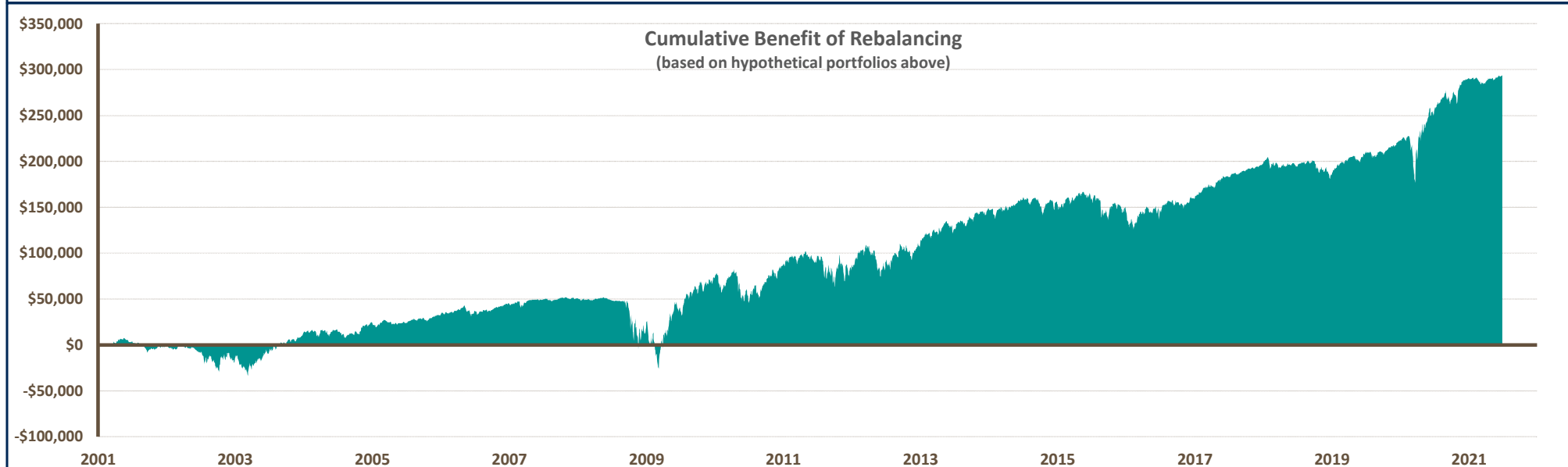
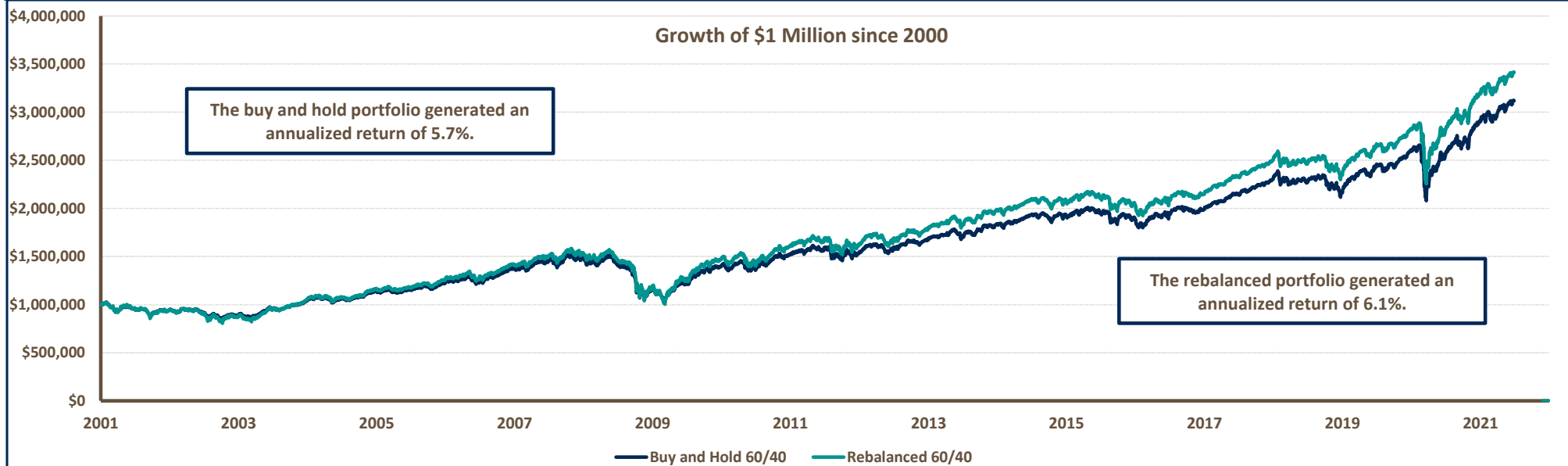


Rolling 1 Year U.S. Factor Returns



Data as of 3/31/2022. Data source: Kenneth R. French Data Library.

A Case Study in Rebalancing



Data as of 3/31/2022. See Endnote 7 for additional disclosures.

Disclosures

Endnote 1: Indices used - Global stocks: MSCI ACWI IMI; U.S. Large Core: CRSP US Total Market; U.S. Large Value: MSCI US Prime Market Value; U.S. Large Momentum: MSCI USA Momentum Index; U.S. Large Quality: MSCI USA Sector Neutral Quality Index; U.S. Small Core: Russell 2000; U.S. Small Value: MSCI US Small Cap Value; International Large Core: MSCI EAFE; International Large Value: MSCI EAFE Value; International Small Core: S&P EPAC Small; International Small Value: S&P EPAC Small Value; Emerging Markets: MSCI EM; Global REITs: S&P Global REIT; Short-Term Bond: BBgBarc Credit 1-5 Yr; Intermediate-Term Bond: BBgBarc US Agg Bond; International Bond: JPM GBI Global ex US TR Hdg USD; Inflation-Adjusted Bond: BBgBarc Gbl Infl Linked US TIPS; Multi-Sector Bond: 1/3 BBgBarc US Corporate High Yield, 1/3 BBgBarc US MBS, 1/3 JPM EMBI Global Diversified; Trend Following: Credit Suisse Mgd Futures Liquid; Event Driven: IQ Hedge Event-Driven (appended with other indices prior to inception - available upon request); Reinsurance: SwissRe Global Cat Bond; Real Assets: In the most recent quarter - DJ Brookeld Global Infra, earlier 1/4 DJ Brookfld Global Infra, 1/4 NCREIF Farmland, 1/4 NCREIF Propert, 1/4 NCREIF Timberland (appended with additional indices prior to inception - available upon request).

Endnote 2: Indices used - U.S. Large Core: MSCI USA All; U.S. Large Value: MSCI USA Enhanced Value; U.S. Large Momentum: MSCI USA Momentum; U.S. Large Quality: MSCI USA Sector Neutral Quality; U.S. Small Core: MSCI USA Low Size; Int'l Large Core: MSCI World ex USA All Cap; Int'l Large Value: MSCI World ex USA Enhanced Value; Int'l Large Momentum: MSCI World ex US Momentum; Int'l Large Quality: MSCI World ex US Sector Neutral Quality; Int'l Small Core: MSCI World Ex USA Low Size.

Endnote 3: Indices used - International: MSCI EAFE; Emerging Markets: MSCI EM. The total return refers to the NR (net return) version of each the index. The local return refers to the LCL (local version of each index). The current impact was determined by subtracting the return of the local return index from the net return index.

Endnote 4: P/E proxies for - U.S. Stocks: iShares Core S&P Total US Stock Market ETF; International Stocks: iShares MSCI ACWI ex US ETF; Emerging Markets: iShares MSCI Emerging Markets ETF. CAPE Ratio data is from the Online Shiller Data Library and refers to valuations of U.S. stocks. The corresponding annualized return uses the IA SBBI US Large Stock index.

Endnote 5: Yield to maturity proxies for - U.S. Bonds: iShares Core US Aggregate Bond ETF; International Aggregate: iShares Core International Agg Bond ETF; Emerging Market Sovereign: iShares JP Morgan USD Em Mkts Bond ETF. 10 Year Treasury data is from the Online Shiller Data Library and refers to valuations of U.S. stocks. The corresponding annualized return uses the IA SBBI US IT Govt Bond Index.

Endnote 6: Indices used - Trend Following: Credit Suisse Mgd Futures Liquid; Event Drive: IQ Hedge Event-Driven (appended with other indices prior to inception - available upon request); Reinsurance: SwissRe Global Cat Bond; Real Assets: In the most recent quarter - DJ Brookeld Global Infra, earlier 1/4 DJ Brookfld Global Infra, 1/4 NCREIF Farmland, 1/4 NCREIF Propert, 1/4 NCREIF Timberland (appended with additional indices prior to inception - available upon request). The 'Diversified Alternative Allocation' is an equal-weight index benchmark, allocating 25% to Trend Following, 25% to Event Driven, 25% to Reinsurance, and 25% to Real Assets via the benchmarks listed above.

Endnote 7: Stocks are represented by the MSCI ACWI IMI NR USD Index. Bonds are represented by the BBgBarc US Agg Bond TR USD Index. For the 'Buy and Hold 60/40', the investor is assumed to start with \$600,000 in stocks and \$400,000 in bonds. The investor simply holds the positions and accepts the changes to the portfolio allocation mandated by buy and hold returns. The 'Rebalanced 60/40' investor is assumed to start with the same \$600,000 in stocks and \$400,000 in bonds. However, when this investor's stock allocation drifts below 55% or above 65%, the portfolio is automatically rebalanced back to target. This exhibit does not take management fees, taxes, or taxes strategies such as tax loss harvesting nor tax considerations such as capital gain taxes into account. This case study utilizes returns from 1/1/2000 through last month end.

Savant Wealth Management ("Savant") is an SEC registered investment adviser headquartered in Rockford, Illinois. Past performance may not be indicative of future results. Different types of investments involve varying degrees of risk. All investment strategies have the potential for profit or loss.

Historical performance results for investment indices, benchmarks, and/or categories have been provided for general informational/comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results.

Data and illustrations reflect hypothetical, back-tested results that were achieved by means of the retroactive application of a back-tested portfolio and, as such, the corresponding results have inherent limitations, including: (a) the portfolio results do not reflect the results of actual trading using investor assets, but were achieved by means of the retroactive application of each of the referenced portfolios, certain aspects of which may have been designed with the benefit of hindsight; (b) back tested performance may not reflect the impact that any material market or economic factors might have had on the adviser's use of the hypothetical portfolio if the portfolio had been used during the period to actually manage investor assets; (c) for various reasons (including the reasons indicated below), clients may have experienced investment results during the corresponding time periods that were materially different from those reflected for the portfolio.

