QUANTITATIVE ASSET MANAGEMENT, LLC
Investment & Advisory Services

April 7, 2022

Quarter Ending March 31, 2022

Quarterly Performance	Q1 Index	Close
Dow Jones Industrial Average	-4.57%	34,678.35
NASDAQ Composite Price	-9.10%	14,220.52
Standard & Poor's Averages	-4.60%	4,530.41

As we expected, 2022 started off with some significant market volatility. Q1 saw the first sharp break lower for US/global equities and bonds since the March 2020 pandemic lows. During the quarter, at its low, the S&P 500 was down a staggering 12.7%. This correction is in sharp contrast to 2021, when the largest pullback was only 5.2%. After a quarter-end rally, the S&P 500 finished the quarter down 4.6%.

Perhaps the most interesting takeaway from Q1 was the significant volatility in the bond markets. The meltdown across global bonds was unprecedented. Broad-based bond indices, like the Barclay's Bond Index, experienced drops of more than 6% during the quarter. Those intra-quarter declines exceed any full-year declines experienced by the index. To put the decline into perspective, according to Bloomberg, the global bond market suffered its greatest drawdown *ever*. According to Bank of America, since the US Civil War, 10-year US treasuries have only seen a worse total return quarter in the early 1980s and in Q4 1931. In our previous quarterly letters, we have talked at length about the underlying risks of owning bonds. As painful as the decline has been, we expect the volatility to persist as long as the Federal Reserve continues to raise interest rates.

For the first time since the start of the pandemic, COVID-19 and its impact on the world economy is no longer front page news for investors. Although COVID-19 will most likely never go away, Wall Street has now returned its focus to more traditional metrics and talking points. Institutions, analysts, and investors are now focused on the Federal Reserve's rate plan, inflation, GDP growth, and geopolitical issues stemming from the Russian invasion of Ukraine.

It is safe to say that market dynamics are becoming significantly more complicated. The Federal Reserve has started to implement their quantitative tightening cycle. Gone are the days of stimulus payments, zero percent interest rates, and excess liquidity. With global growth slowing and major Federal Reserve policy shifts underway, we expect the market volatility to continue.

It's important to remember that volatility and market pullbacks are a very common process and occur most years. As we pointed out above and in our Q4 2021 letter, the lack of volatility in 2021 was an anomaly. Market corrections can be healthy in resetting stock valuations and investor expectations. According to Schwab, an intra-year stock market decline of at least 10% occurred in 10 out of the last 20 years, with an average pullback of 15%.

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At QAM, we have been able to avoid most of the collateral damage inflicted by the bond markets. In addition, our patience and value-oriented investment philosophy has started to pay off. We will

continue to focus on investments with healthy balance sheets, cash flow and reasonable valuations. These investments will be defensive in nature, attempting to mitigate risk through dividends and income, and allowing us to continually diversify portfolios. Broad market volatility can never be avoided but it should be mitigated by owning investments with the above attributes.

If you have any specific questions, please send us an email or give us a call.

All the best,

Jeffrey L. Farni, Sr.   John C. Farni