

Overview

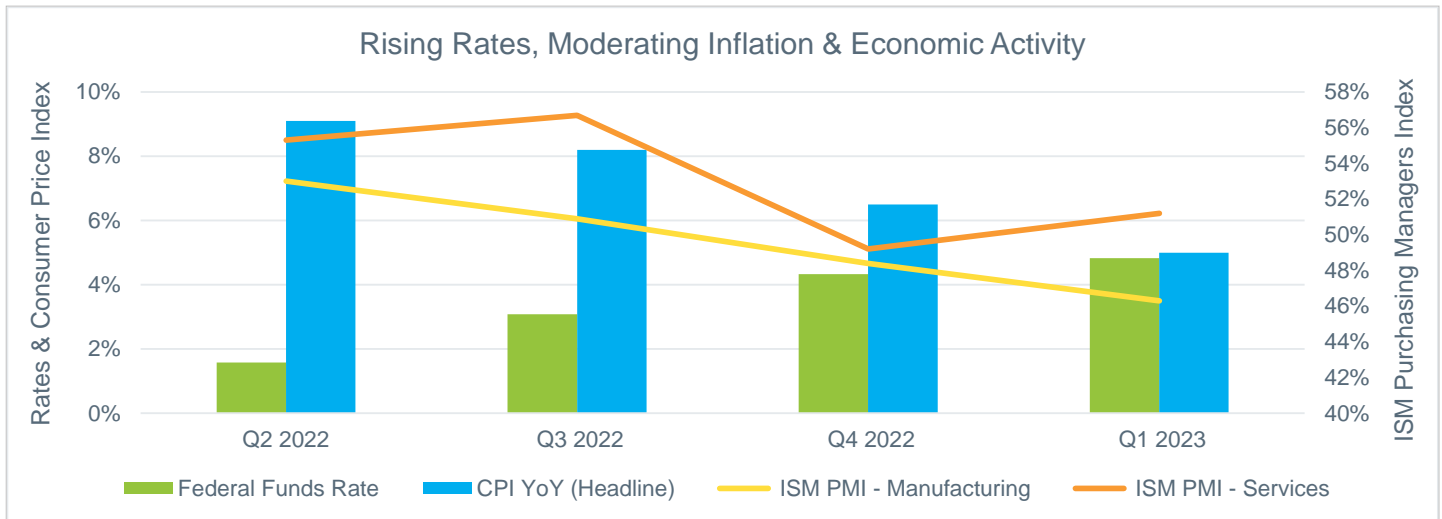
During Q1, both defensive and risk assets generally provided positive returns, following a difficult environment in 2022 characterized by geopolitical risk and rising interest rates, although capital markets continued to experience bouts of volatility. During the last month of the quarter, market price action, investor sentiment, and headlines were driven by the failure of multiple US banks, the most prominent being Silicon Valley Bank and Signature Bank—which represented the second and third largest bank failures in US history. Following the collapse of these banks, concerns around liquidity spread, causing sharp declines in market value for other US regional banks and some European banks. The Federal Reserve, US Treasury Department and Federal Deposit Insurance Corporation all intervened to assure depositors of access to their capital and calm funding markets. Among European banks, investor confidence in Credit Suisse declined most acutely, after which the firm sought liquidity from the Swiss National Bank before agreeing to an acquisition by UBS.

Despite the volatility experienced in the second half of the quarter, broad equity market indexes finished Q1 in positive territory. Improved sentiment in equity markets appeared to have been driven by moderating to declining inflation levels and a renewed focus on growth-oriented policies in China. However, the quarter saw significant dispersion among styles and market caps, with growth-oriented stocks providing positive returns. Conversely, US value, US small cap and European value indexes each depreciated sharply, given the heavier exposure to the failed banks and other banks perceived to be at-risk. Unlike in 2022, the broad bond market delivered positive returns amidst equity market volatility as market participants changed expectations on future interest rate moves from pricing in rate hikes to discounting rate pauses, or in some circumstances, cuts.

Following the bank failures, the Federal Open Market Committee (FOMC) decided to increase the federal funds rate to a target range between 4.75%-5.00%, representing a second straight monthly increase of 0.25% after a string of 0.50% to 0.75% increases. The FOMC’s actions demonstrated continued focus on combating inflation, although FOMC data indicated that most officials expect only one more rate hike in 2023. The increase to the federal funds rate was preceded by a Consumer Price Index (CPI) report finding year-over-year inflation of 6.0% in February, which met market expectations. The most recent data release indicated that Headline CPI for March came in slightly below average expectations, with estimated year-over-year inflation of 5.0%. Labor markets have provided mixed signals in recent months, as payroll growth was revised higher for

1st Quarter Performance



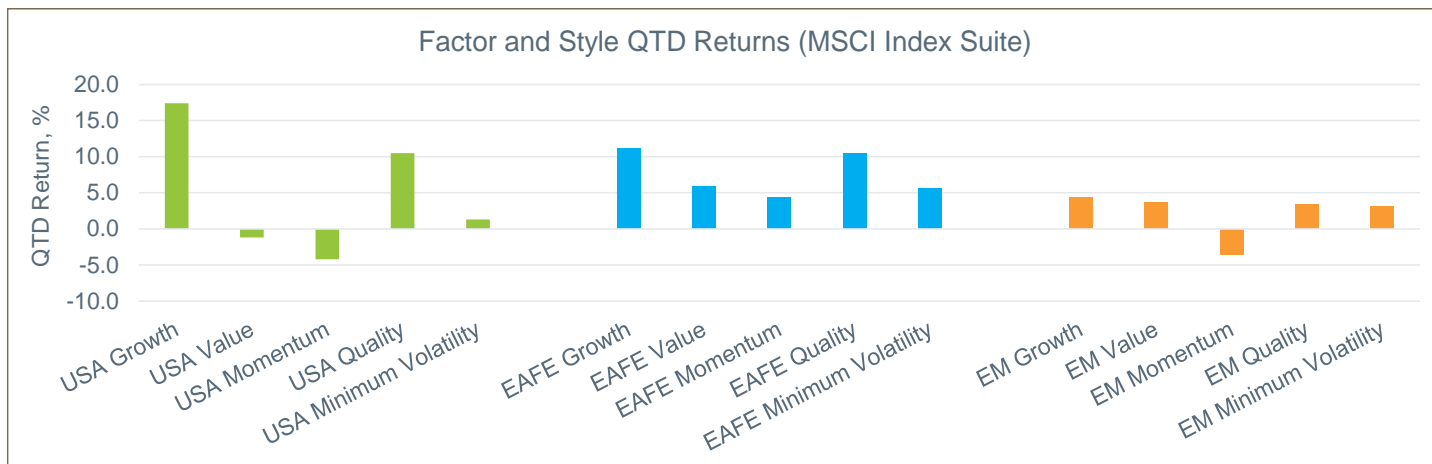


February (well above expectations), although reports for March indicated moderating levels of payroll growth. Recessionary risks remained a concern, and recent FOMC minutes indicated that members thought it was increasingly likely that the US will enter a recession later in 2023 due to the banking sector stress.

Internationally, moderate winter temperatures helped to ease energy price inflation in Europe, but uncertainty around supply shortages persisted due to the ongoing war in Ukraine. In early April, the International Monetary Fund (IMF) revised its global GDP growth forecast at the end of the quarter to 2.8%, a decline from its January 2023 forecast of 2.9%. While pockets of higher GDP growth are forecasted outside of developed markets, the growth from advanced economies was estimated at 1.3% in 2023. The IMF also outlined a scenario where banking sector stress persists, causing further tightening of global financial conditions and leading to global GDP growth of 2.5% in 2023—with developed economy growth sinking to 1.0%. Additionally, the IMF estimated that global inflation levels would moderate to 7.0% in 2023, a decline from 8.7% in 2022, while noting that target levels are unlikely to be reached until 2025.

Expanded Review of Key Economic Indicators

	Q1 2023	Q4 2022	Q3 2022	10 Year Average
Federal Funds Rate	4.83%	4.33%	3.08%	0.89%
Treasury - 1 Year	4.64%	4.73%	4.05%	1.12%
Treasury - 10 Year	3.48%	3.88%	3.83%	2.19%
Treasury - 30 Year	3.67%	3.97%	3.79%	2.77%
Breakeven Inflation - 5 Year	2.49%	2.38%	2.16%	1.88%
Breakeven Inflation - 10 Year	2.33%	2.30%	2.15%	1.97%
Breakeven Inflation - 30 Year	2.25%	2.35%	2.09%	2.03%
BB US Corp: Hi Yld Index - OAS	4.55%	4.68%	5.52%	4.28%
Capacity Utilization	79.11%	78.75%	80.06%	77.25%
Unemployment Rate	3.50%	3.50%	3.50%	5.15%
ISM PMI - Manufacturing	46.30%	48.40%	50.90%	54.36%
Baltic Dry Index - Shipping	1,560	1,383	1,760	1,355
Consumer Confidence (Conf. Board)	104.20	109.00	108.00	106.56
CPI YoY (Headline)	5.00%	6.50%	8.20%	2.59%
PPI YoY - Producer Prices	3.20%	9.00%	11.50%	2.81%
US Dollar Total Weighted Index	119.50	122.20	127.64	110.93
WTI Crude Oil per Barrel	\$80	\$80	\$79	\$65
Gold Spot per Ounce	\$2,004	\$1,824	\$1,661	\$1,446



US Equity

US equity markets performed well in Q1 overall, despite market turmoil caused by the banking sector in March and uncertainty regarding the Fed’s path for short-term interest rates. The Russell 1000 Index finished Q1 up 7.5%, while the Russell 2000 Index was up 2.7%. At the beginning of Q1, US stocks were buoyed by investor optimism after economic data indicated that inflation continued to cool, leading to expectations that the Fed’s rate hiking cycle could end soon. However, the remainder of the quarter saw significant volatility, especially after both Silicon Valley Bank and Signature Bank were taken over by regulators and deposits were backstopped by multiple federal government agencies. Concerns around weakening earnings also contributed to market volatility.

There was a strong rotation back into growth stocks across market capitalizations in Q1. The Russell 1000 Growth and Russell 2000 Growth indexes exceeded their value counterparts by 13.4% and 6.7%, respectively. Information technology and communication services were the best performing sectors while energy, healthcare, financials, and utilities were the largest contractors.

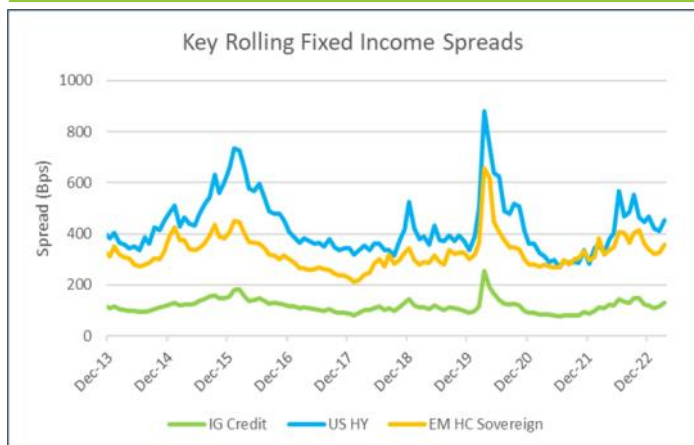
Active large- and mid-cap managers across all style groups struggled to outpace their respective benchmarks in Q1. Small-cap managers performed well, with value-oriented managers having a better success rate than core and growth managers.

Non-US Equity

Q1 represented another strong showing for developed international equity markets, with the MSCI EAFE returning 8.5%, which outperformed both US as well as emerging markets. Growth stocks outperformed value stocks during the quarter, but they still lagged when measured over the trailing three-year period. Small-cap stocks underperformed large-cap stocks. Active management was broadly additive during the quarter.

Although concerns about bank stability began in the US, they soon spread to Europe. After turmoil at Swiss bank Credit Suisse, UBS stepped in at the end of March to buy the troubled firm for \$3.25 billion, averting a major failure. The European Central Bank (ECB) is now forecasting economic growth of 1.0% due to tamer inflation, as well as improving business and consumer confidence.

As noted above, emerging markets continued to lag developed markets during Q1 with the MSCI Emerging Market Index returning 4.0%. Performance was similar across growth and value and large- and small-cap stocks. Positive sentiments for Chinese equities, which had performed well after COVID restrictions, waned; however, China still outperformed broader emerging markets. India was a significant detractor this quarter, as Hindenburg Research’s allegations of fraud and stock manipulation against companies owned by multi-billionaire Gautam Adani wiped out \$100 billion in market value.



Fixed Income

The decline in yields across Treasury notes and bonds produced a tailwind for fixed income markets, as the Bloomberg US Aggregate Bond Index experienced its best quarter in three years, returning 3.0% in Q1. However, volatility from 2022 continued into the new year as the Fed appeared to maintain its focus on fighting inflation, despite multiple bank failures and other signs of potential economic weakness. After initially declining in January, intermediate and long-term Treasury yields rose in February before falling again in March, ending the tumultuous quarter at least 0.30% lower on all Treasury maturities between 2-year and 30-year.

Corporate credit rallied to start the year amid expectations for a more dovish Fed. The optimism proved to be short-lived, however, as the banking crisis pushed spreads wider again in March. Nevertheless, corporate credit was resilient over the quarter, boosted by already higher yields and the rally in Treasuries. The Bloomberg US Credit Index returned 3.5% in Q1, lagging the Bloomberg US High Yield Index return of 3.6%.

Emerging market debt added to its recent rally, with the JPMorgan EMBI Global Diversified Index returning 1.9% in Q1, benefitting from the decline in Treasury yields. However, local currency debt far overshadowed its hard currency counterpart. Despite a resurgence in February, the US dollar weakened over the quarter vs. emerging market currencies, and the JPMorgan GBI-EM Global Diversified Index ended the quarter up 5.2%.



Multi-Asset

Global Tactical Asset Allocation (GTAA) strategies that RVK follows closely generally posted positive returns during Q1 with moderate dispersion. Almost all active managers with significant diversification underperformed a US-centric blend of 60% equity and 40% fixed income during the quarter, which favored larger market cap companies globally.

Multi-Asset managers with value-oriented processes and an overweight to US holdings generally underperformed during the quarter, while those featuring greater developed markets and growth equity exposure outperformed. Asset managers who target reduced correlations, low volatility, and limited market sensitivity again produced widely disparate absolute returns, with certain managers underperforming peers due to short duration positions in developed markets.

Alternative Risk Premia strategies ranged from flat to strongly positive over the quarter. The best performing managers in this peer group benefitted from factor exposures within equities and commodities.

Diversified Inflation Strategy (DIS) managers tracked closely by RVK generally underperformed a US-centric blend of 60% equity and 40% fixed income over the quarter. Managers with larger exposures to TIPS and energy commodities, lagged peers most significantly in a quarter where strong equity performance on a global basis outperformed nearly all inflation sensitive asset classes.



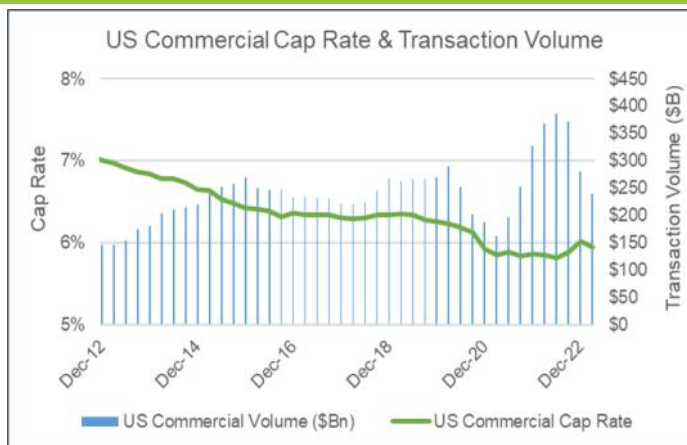
Diversified Hedge Funds

During Q1, hedge funds broadly delivered positive results across most peer groups. Led by strong conditions for long/short equity and fixed income trading, the HFRI Fund-Weighted Composite Index delivered a quarterly return of 1.3%.

Macro-oriented strategies, one of the top performing peer groups in 2022, widely struggled in Q1, driven by shifting momentum across interest rate and commodity trends that provided strong tailwinds in recent quarters. Although there were significant fluctuations throughout, overall alpha was broadly flat for the quarter, with longs performing above global indices as shorts struggled. Performance in Q1 represented a shift from patterns observed in both 2021 and 2022, where managers found themselves in significantly negative territory going into Q2.

On a sector level, alpha was driven by longs in technology, communication services, and consumer stocks. Shorts of energy and real estate securities generally fared best. Across managers that RVK follows closely, contrarian opportunities arising from industries such as software, automotive, and homebuilders were top contributors.

Across all major regions, hedge fund net exposures steadily increased throughout Q1 and are currently at levels not seen since mid-2020. The higher exposures suggest greater manager confidence in global market stability and a strong pipeline of buying opportunities.



Real Estate

Core private real estate returned -3.2% in Q1 (preliminary, gross of fees), as reported by the NFI-ODCE Index. The total return comprised of 0.8% income and -4.0% price appreciation. Income returns continue to trend at the lower end of historical levels, while price appreciation continues to trend negatively. Investors of publicly traded real estate outperformed private market, delivering a Q1 total return of 1.5%, as measured by FTSE NAREIT All REIT Index.

During Q1, private real estate markets experienced similar headwinds as the prior two quarters, as elevated volatility and wide bid-ask spreads continue to limit liquidity. Sectors with resilient fundamentals performed better, led by necessity-based retail, industrial and residential. However, all sectors were impacted by slower rent growth and upward revisions to valuation model assumptions.

The issues in the banking sector are top of mind at quarter end. Regional banks comprise 60% to 70% of commercial real estate lending, leading to concerns that continued banking instability amidst a rising rate environment could cause knock-on effects to the office sector. Tenants continue to downsize, and some borrowers are determining that it may be more economical to take a loss and “hand the keys back” to their lenders rather than put up additional capital. It is difficult to ascertain the impact of these challenges, but risks to the real estate market grow if the Fed overshoots on inflation or if a significant portion of borrowers turn away from the sector.

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To read more about the Coalition Greenwich award, please refer to the following URL: <https://www.rvkinc.com/about/about.php>.