The Northwestern Mutual Life Insurance Company – Milwaukee, WI

MARKET REVIEW 1ST QUARTER – 2022

NERD NATION FINANCIAL
WEALTH MANAGEMENT & INSURANCE SERVICES

April 2022

All investments carry some level of risk, including the potential loss of principal invested. Diversification does not assure a profit and does not protect against loss in declining markets. The index returns illustrated are representative of past performance, are not a guarantee of future performance and are not indicative of any specific investment.

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Market Updates

- Equity markets started off the year hitting correction territory with both the S&P 500 and Dow Jones declining over 10% during the quarter.
- Russia's invasion of Ukraine elevated market volatility and caused a spike in commodity prices, with oil surging over $100/barrel.
- The Federal Reserve raised the federal funds rate by .25%.
- Hot inflation numbers reached 40-year highs and caused concern that the Fed may need to tighten monetary policy at a faster pace.

2022 1ST Quarter Returns

Asset Class	Indices	Q1
U.S. Large Cap	S&P 500	-4.60%
U.S. Mid Cap	S&P MidCap 400	-4.88%
U.S. Small Cap	S&P SmallCap 600	-5.62%
International Developed Markets	MSCI EAFE Developed Markets	-5.91%
International Emerging Markets	MSCI Emerging Markets	-6.97%
Fixed Income	Barclays U.S. Aggregate Bond	-5.93%
Real Estate	Dow Jones U.S. Select REIT	-3.71%
Commodities	Bloomberg Commodity Index	25.55%
Cash/Cash Alternatives	Citigroup 3 Month T-Bill	0.03%

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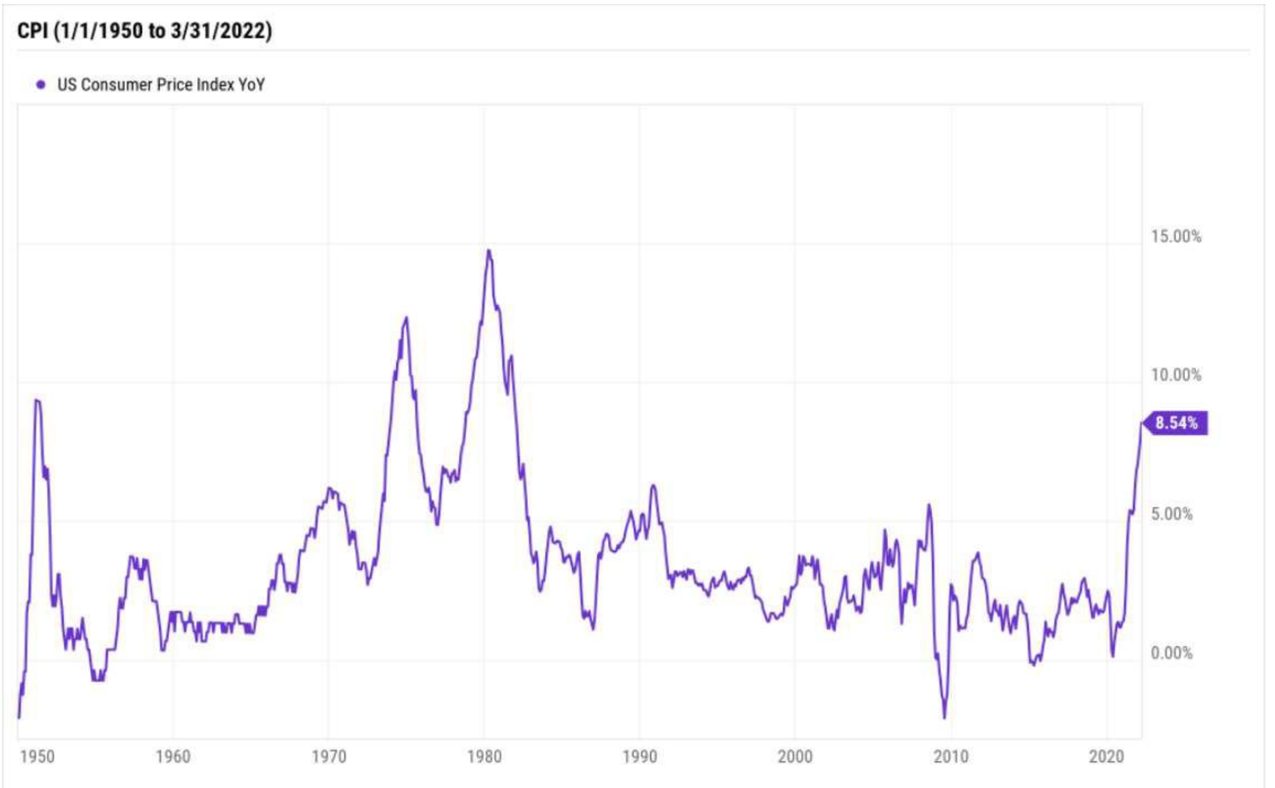
Inflation Remains High

- US Consumer Price Index reaches 40-year highs.



Source: YCharts

Raising Rates

- The 10-year Treasury yield surged over 90 basis points during the quarter.

Source: YCharts

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Looking Ahead

- US economic data is expected to remain strong, although volatility is expected to remain elevated with concerns over inflation, Fed policy, and Russia-Ukraine war.
- The Fed is expected to tighten monetary policy by reducing its balance sheet and raising rates several times this year.

So what does this mean for my plan?

Security	All-Time High Price	2022Q1 Low Price	Decline (%)
SPDR S&P 500 ETF (SPY)	479.98	410.64	-14.45%
Apple (AAPL)	182.94	150.10	-17.95%
Alphabet (GOOG)	3,042.00	2,492.84	-18.05%
Invesco QQQ Trust (QQQ)	408.71	317.45	-22.33%
Intuit (INTU)	716.86	423.03	-40.99%
Tesla (TSLA)	1,243.49	700.00	-43.71%
Meta Platforms (FB)	384.33	185.82	-51.65%
Netflix (NFLX)	700.99	329.82	-52.95%
ARK Innovation ETF (ARKK)	159.70	51.85	-67.53%
Palantir (PLTR)	45.00	9.74	-78.36%
Robinhood (HOOD)	85.00	9.93	-88.32%
C3.ai (AI)	183.90	16.59	-90.98%

Source: YCharts

All investments carry some level of risk including the potential loss of principal invested.

- The year started off with corrections in the major market indices (ie S&P 500 and Dow Jones).
- Portfolios that had high concentration in growth and technology stocks have been hit the hardest.
- Having a sound strategy for diversifying concentrated stock positions is just as important as generating overall portfolio returns.
- On the chart to the left, you can see that many technology and growth stocks declined 20% or more from their recent all-time highs, with some crashing over 50%. That compares to a broad-based diversified market index ETF such as the S&P 500, falling less than 15%.
- Constructing a well-balanced and diversified portfolio and avoiding over-concentration in any single sector/stock can help lessen the impact of these kinds of market dips. Over time, those diversified assets should provide more safety and consistency as a key driver of your planning success.

So what does this mean for my plan?

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THE RISK OF MARKET TIMING

48 of the 50 largest single-day stock market gains over the past 20 years have occurred during bear markets which highlights why it is not easy to time the market. Typically, large up days are clustered around large down days. If you are lucky enough to miss the large down days, you could likely miss the corresponding large up days that tend to follow shortly thereafter.

Source: Bloomberg

Stocks represented are annualized total returns of the S&P 500. The chart is for illustrative purposes only and not intended as a recommendation. Past performance is not a guarantee of future results. All investments carry risk including potential loss of principal and no investment strategy can guarantee a profit or completely protect against loss. Indexes are unmanaged and cannot be invested in directly.

- During periods of market volatility, many investors choose to “sit on cash”, “ride out the storm”, or even sell positions to avoid a larger market drop.
- Unfortunately, the best days in the stock market are a huge factor in overall returns, and investors often miss those days when trying to “time the market”.
- For example, if you look at the past 20 years, the S&P 500 provided a total return of **9.49% per year**…BUT, if an investor missed just the 10 best days during those 2 decades, their return would only be **5.3% per year** over that same timeframe!
- If an investor missed the 40 or 50 best days, their return over those 20 years would actually have been negative!
- The best solution is to “stay the course” and avoid short-term market timing strategies, as they are more likely to fail than succeed. These “small misses” can add up to a significant cost over the long-run.

Disclosure

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- Although stocks have historically outperformed bonds, they also have historically been more volatile. With fixed income securities and bonds, when interest rates rise, the price of the assets you own declines, which could negatively affect overall performance. Bond prices correlate inversely with interest rates and this effect is usually more pronounced for longer-term bonds making their prices more volatile. At maturity, the issuer of the bond is obligated to return the principal (original investment) to the investor. Bond funds (mutual funds and ETFs) continuously replace the bonds they hold as they mature and thus do not usually have maturity dates, and are not obligated to return principal. Bond investors should carefully consider risks such as interest rate risk, credit risk, liquidity risk, securities lending risk, repurchase and reverse repurchase transaction risk. Currently, interest rates are at unprecedented historically low levels. A significant rise in interest rates in a short period of time would cause losses in the market value of any bonds or bond funds that you own.

- Investors should be aware of the risks of investments in foreign securities, particularly investments in securities of companies in developing nations. These include the risks of currency fluctuation, of political and economic instability and of less well-developed government supervision and regulation of business and industry practices, as well as differences in accounting standards.

- Investing in special sectors, such as real estate, can be subject to different and greater risks than more diversified investing and may present more financial and other risks than investing in companies of larger capitalizations and more seasoned companies. Investing in real estate companies entails some of the risks associated with investing in real estate directly, including sensitivity to general and local economic and market conditions, demographic patterns, changes in interest rates and governmental actions.

- Commodity prices fluctuate more than other asset prices with the potential for large losses and may be affected by market events, weather, regulatory or political developments, worldwide competition, and economic conditions. Investment can be made directly in physical assets or commodity linked derivative instruments, such as commodity swap agreements or futures contracts.

- **Index Information:** Indices are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment or the success of any investment strategy.
  - **S&P 500® Index:** Capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The total return version of the index is used, which reflects the effects of dividend reinvestment.
  - **S&P MidCap 400® Index:** Covers 7% of the U.S. equity market and is comprised of companies with market capitalization in the range of US $1.4 billion to US $5.9 billion. The total return version of the index is used, which reflects the effects of dividend reinvestment.
  - **S&P SmallCap 600® Index:** Covers approximately 3% of the domestic equities market covering companies with market capitalization in the range of US $400 million to US $1.8 billion. The total return version of the index is used, which reflects the effects of dividend reinvestment.
  - **MSCI EAFE Index:** Measures the equity market performance of developed markets, excluding the US & Canada. The index returns are calculated with gross dividends to approximate the maximum possible dividend reinvestment. The amount reinvested is the entire dividend distributed to individuals resident in the country of the company, but does not include tax credits.
  - **MSCI Emerging Markets Index:** Measures the equity market performance of emerging markets. The index returns are calculated with gross dividends to approximate the maximum possible dividend reinvestment. The amount reinvested is the entire dividend distributed to individuals resident in the country of the company, but does not include tax credits.

- **Barclays U.S. Aggregate Index:** Covers the USD-denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes bonds from the Treasury, Government-Related, Corporate, MBS (agency fixed-rate and hybrid ARM pass-through securities), ABS, and CMBS sectors.
- **Dow Jones U.S. Select REIT Index:** Comprised of companies whose charters are the equity ownership and operation of commercial real estate and which operate under the REIT Act of 1960. Each REIT in the REIT Index is weighted by its float-adjusted market capitalization. The total return version of the index is calculated with gross dividends reinvested.
- **Bloomberg Commodity Index:** A liquid and diversified benchmark for commodities as an asset class. The index is composed of futures contracts on 19 physical commodities which include oil, metals and agricultural products such as corn or soybean. The Bloomberg Commodity Index family includes nine subindexes that group commodities based on type, plus single-commodity indexes for each of the 19 individual commodities in the broad index, plus Cocoa, Lead, Platinum and Tin.
- **Citigroup 3-Month Treasury Bill Index:** With income reinvested, representative of the three-month Treasury bills.
- **Dow Jones Industrial Average (DJIA):** A price-weighted average of 30 blue-chip stocks that are generally the leaders in their industry. It has been a widely followed indicator of the stock market since Oct. 1, 1928.