The Northwestern Mutual Life Insurance Company – Milwaukee, WI

MARKET REVIEW 2ND QUARTER – 2022

NNF NERD NATION FINANCIAL
WEALTH MANAGEMENT & INSURANCE SERVICES

July 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

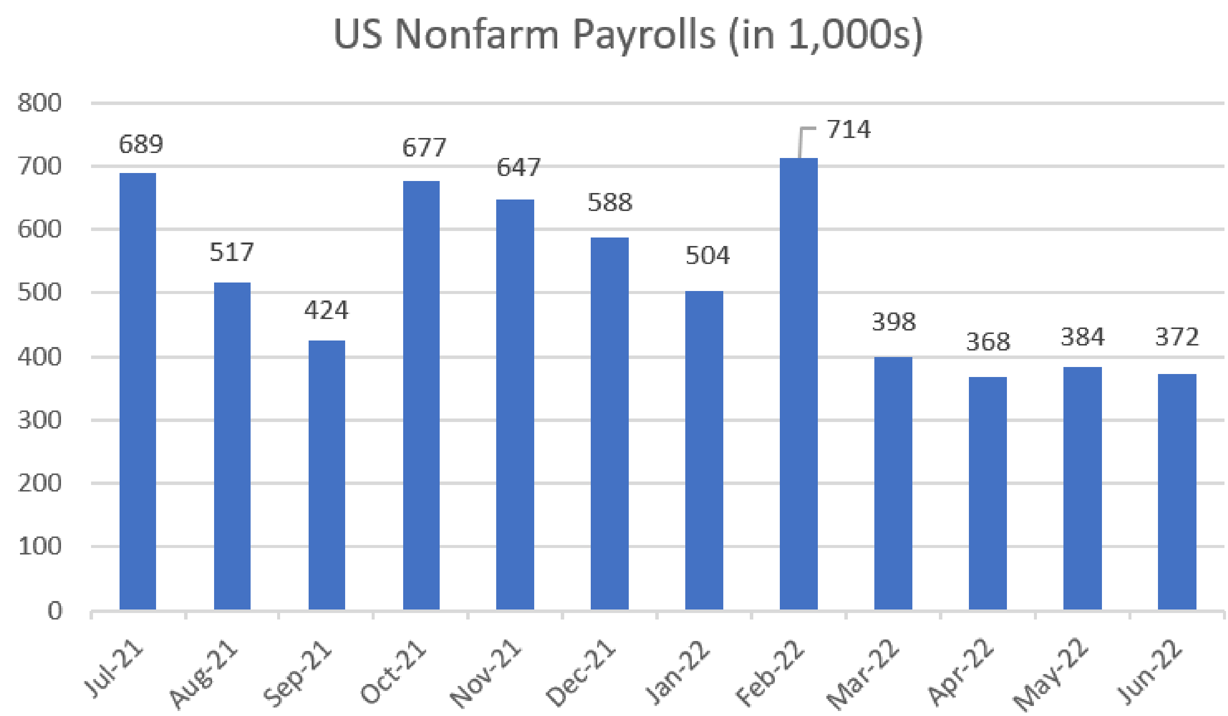
- Declining over 20% from its all-time highs, the S&P 500 fell into bear market territory caused by concerns over inflation, rising interest rates, and recession fears.
- The Federal Reserve raised the federal funds rate by .50% in May and another .75% in June.
- Inflation readings were elevated, but there are signs that inflation and commodity prices are peaking.

2022 2ND Quarter/YTD Returns

Asset Class	Indices	Q2	2022
U.S. Large Cap	S&P 500	-16.10%	-19.96%
U.S. Mid Cap	S&P MidCap 400	-15.42%	-19.54%
U.S. Small Cap	S&P SmallCap 600	-14.11%	-18.94%
International Developed Markets	MSCI EAFE Developed Markets	-14.51%	-19.57%
International Emerging Markets	MSCI Emerging Markets	-11.45%	-17.63%
Fixed Income	Barclays U.S. Aggregate Bond	-4.69%	-10.35%
Real Estate	Dow Jones U.S. Select REIT	-18.10%	-21.14%
Commodities	Bloomberg Commodity Index	-5.66%	18.44%
Cash/Cash Alternatives	Citigroup 3 Month T-Bill	0.14%	0.17%

Employment Remains Strong

- US job market remains strong, adding over 300,000 jobs per month in the 2nd quarter.



Source: YCharts, Bureau of Labor Statistics

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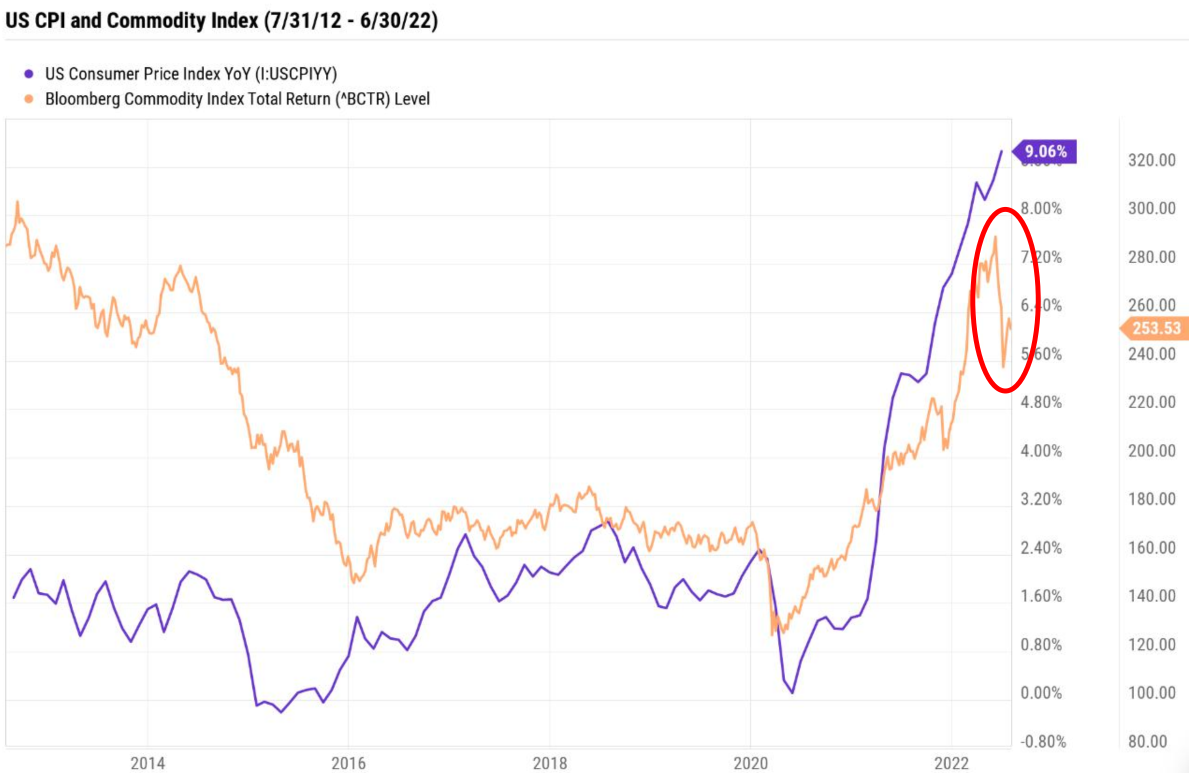
High Inflation

- Inflation remains at 40-year highs, but there are signs it may cool off as commodity prices start to retreat from peak levels.



Source: YCharts

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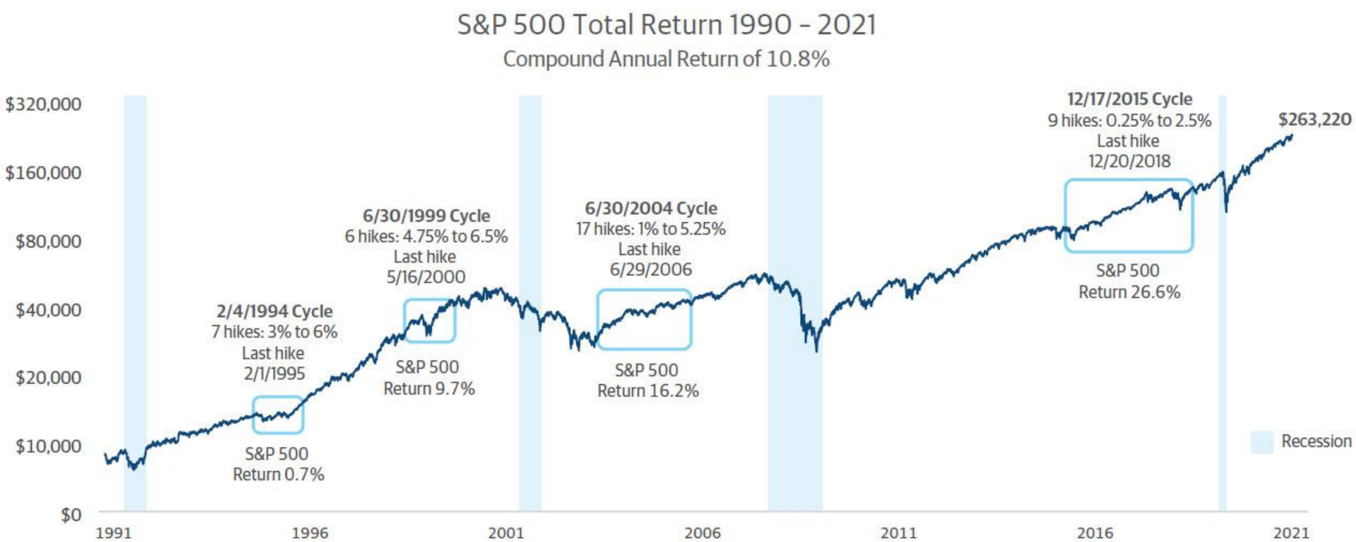
Looking Ahead

- Recession fears and rising inflation are likely to cause elevated volatility in equity markets.
- The Fed is expected to continue its monetary tightening policy with additional rate hikes this year.

So what does this mean for my plan?

FED RATE HIKES AND LONG-TERM PERFORMANCE

Short-term volatility immediately following an initial rate hike is not uncommon. However, the stock market was positive for the duration of each Fed tightening cycle since 1990.



Source: Northwestern Mutual Wealth Management Company, YCharts, Federal Reserve

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- Recessions are healthy and a normal part of the economic cycle. Every recession is different in terms of length and severity.
- As shown on the graph, recessions typically occur after the Fed raises interest rates, but on average, they start over 3-4 years after the initial hike.
- Over the past 4 Fed tightening cycles, the stock market actually generated positive returns during the period of rate hikes.
- Investors who decided to pull their money out of the markets in fear of rising interest rates and a possible recession would have missed out on significant positive returns.
- **Staying invested and not letting emotions dictate investment decisions can help investors maximize their portfolio's long-term performance.**

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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.
- **Consumer Price Index:** The Consumer Price Index (CPI), as provided by the Bureau of Labor Statistics, measures price fluctuations in a basket of goods and services purchased by American households.