



MARKET UPDATE

February 2022

The ongoing Russia-Ukraine conflict has increased volatility across markets as concerns have grown regarding the potential impact on the global economy, the geopolitical landscape, and capital markets.

While the situation remains dynamic, we expect the conflict will elevate near-term market volatility. That said, historically, these types of conflicts do not have sustained impacts on markets – especially given the relatively small importance of Russia to the global economy and capital markets.

- Russia represents just 1.7% of global GDP
- Russia represents 2.75% of the MSCI Emerging Markets Index and 6.8% of the JPM GBI-EM Global Diversified Index (as of February 23, 2022)

Sources: IMF, MSCI, JPM, FactSet

We are also mindful of Russia's influence on global energy markets and the potential impact this may have on the near-term inflation environment. It is likely that the conflict will put further upward pressure on energy prices in the absence of additional supply; creating a higher upside for inflation over the next twelve months.

PORTFOLIO CONSIDERATIONS

At NEPC, our goal is to not only help steer your portfolio through tumultuous times, but also enable you to take advantage of the investment opportunities that arise from market turmoil.

The recent volatility and subsequent sell-off in global equities has been modest, but U.S. equities are now in correction territory. Our outlook for U.S. large-cap equity remains favorable and the recent volatility offers an opportunity to deploy marginal capital or cash flows to U.S. large-cap equity positions. We recognize the potential for additional market disruptions, which may require greater portfolio positioning adjustments.

In addition, we continue to advocate for investors to maintain a dedicated safe-haven fixed income allocation to provide downside protection in periods of stress, such as these, and to help support portfolio liquidity needs.

We will continue to communicate our thoughts and recommendations as the market evolves. Please reach out to your NEPC consultant with any further questions to ensure we are doing everything we can to support your long-term investment objectives. While our expertise is focused on investment portfolios, we cannot ignore the suffering that will result from the conflict and our thoughts are with the people impacted in Ukraine.

IMPORTANT DISCLOSURES

Past performance is no guarantee of future results.

All investments carry some level of risk. Diversification and other asset allocation techniques do not ensure profit or protect against losses.

This memo should not be considered customized investment advice. Please contact NEPC for advice specific to your investment program.

The information in this report has been obtained from sources NEPC believes to be reliable. While NEPC has exercised reasonable professional care in preparing this report, we cannot guarantee the accuracy of all source information contained within.

The opinions presented herein represent the good faith views of NEPC as of the date of this report and are subject to change at any time.

