

### Current Investment Strategy and Themes

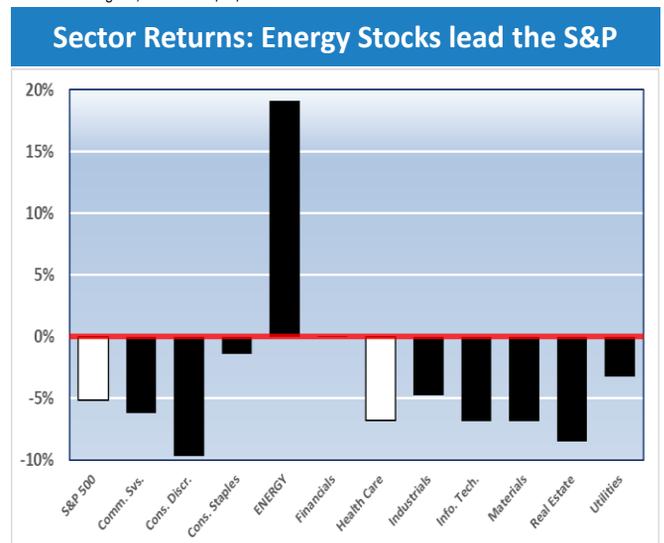
- **Longer dated risk assets decline as uncertainty shortens investor horizons.**
- **Portfolios need to balance that increased short-term risk with the longer-term innovation opportunities.**
- **Remaining diversified across both bond and stock strategies helps reduce the total portfolio risk.**

### The Markets in Review: January 2022

- All asset classes generated negative returns in January except Emerging Markets Debt and Commodities. All economic sectors in the S&P 500 produced negative returns in January except the Energy sector. Risk assets everywhere were priced lower at the end of January versus just one month earlier. Great concerns regarding higher inflation, GDP decline, geopolitical risks, and interest-rate hikes were among the numerous reasons given for the price declines. Fear surpassed greed as the capital market driver in January.
- The equity declines were global and across all size and sector classifications, except energy stocks which reflected the 17.1% rise in oil prices in the month. US stocks now have their worst rolling 3-month period since March 2020 and the beginning of Covid. The US market underperformed the international developed and emerging equity markets. Within the US, large-cap stocks performed better than mid-cap stocks which performed better than small-cap stocks. But that oversimplifies the market behavior. The real issue was the decline of growth-oriented stocks within the particular capitalization ranges. Because growth stocks have a greater percentage of their future earnings farther into the future than value stocks, they generally suffer more as investors shorten their investment horizon to favor near-term certainty over long-term opportunity.
- The Federal Reserve is now in the difficult balancing act of 1.) reining in inflation through increasing interest rates and changing their monetary policy of asset purchases, 2.) protecting the price level of financial assets, and 3.) stabilizing the labor markets and GDP growth. Rarely can all those objectives be achieved simultaneously. Bearish interest rate sentiment sent all fixed-income sectors lower in the month. Evidence of worsening sentiment was reflected in the change in how many times the Fed is expected to raise rates in 2022. From the beginning to the end of the month, the expectation rose from 3 to 5 times.
- The supply chain bottlenecks, and shortages have raised inflation expectation for at least the first-half of 2022. Input costs and disruptions will ripple through the economy and risk inflation and GDP growth. Issues within the labor market and real wages also threaten GDP growth in 2022 as consumers change their spending patterns. Interest rates rose in January at both the long-end and short-end of the interest rate curve. The 2-year Treasury rose 45 basis points and the 10-year Treasury rose 27bps. These factors lead to an increasing risk during 2022 that GDP suffers negative growth, aka a recession. Recessions have often been a tactic to regain control of prices and inflation. In 2022 the market will need to balance a new interest rate policy (rising rates) with minimal downside to the economy and investors. The renewed rise in market volatility just reflects this uncertainty.

Key Market Indicators					
	Bullish	Favorable	Neutral	Cautious	Bearish
	Jan 2022	Last 3 Months	Last 12 Months	Current View	
<b>Equities</b>					
U.S. Large Cap	-5.17%	-1.61%	23.29%	■	Neutral
U.S. Small Cap	-9.63%	-11.46%	-1.21%	■	Cautious
International Developed	-4.83%	-4.62%	7.03%	■	Favorable
Emerging Markets Equity	-1.89%	-4.13%	-7.23%	■	Neutral
<b>Fixed Income</b>					
U.S. Aggregate	-2.15%	-2.12%	-2.97%	■	Cautious
U.S. Government	-1.87%	-1.64%	-3.21%	■	Cautious
U.S. Corporate	-3.21%	-3.20%	-3.10%	■	Neutral
U.S. High Yield	-2.73%	-1.87%	2.06%	■	Cautious
Non-U.S. Developed	-2.47%	-3.51%	-10.38%	■	Cautious
Emerging Market Debt	0.27%	-1.54%	-8.02%	■	Bearish
<b>Alternatives</b>					
REITs	-6.85%	0.70%	33.29%	■	Neutral
Commodities	8.68%	7.38%	37.26%	■	Favorable
Managed Futures	2.43%	-2.09%	10.38%	■	Neutral
Hedge Funds	-1.47%	-2.28%	2.29%	■	Favorable

Source: Morningstar, data as of 1/31/2022



# Important Disclosures

---

Consultiva Wealth Management, Corp. (Consultiva) is a Registered Investment Adviser. The registration with the Securities and Exchange Commission does not imply a certain level of skill or training. The statements contained herein are based upon the opinions of Consultiva and the data available at the time of publication and are subject to change at any time without notice. Consultiva assumes no responsibility for the accuracy, reliability, completeness, or timeliness of the information provided, or methodologies employed, by any information providers external to Consultiva. Conclusions reflect the judgement of Consultiva Investment Strategy Committee at this time and is subject to change without prior notice.

Consultiva prepared this update utilizing information from a variety of sources that it believes to be reliable that may include, but is not limited to, custodians, mutual fund companies, investment managers, Morningstar, Bloomberg, other third-party service providers and in some cases as directed by the client or their representative

This communication does not constitute investment advice and is for informational purposes only, is not intended to meet the objectives or suitability requirements of any specific individual or account and does not provide a guarantee that the investment objective of any model will be met. An investor should assess his/her own investment needs based on his/her own financial circumstances and investment objectives. Neither the information nor any opinions expressed herein should be construed as a solicitation or a recommendation by Consultiva or its affiliates to buy or sell any securities or investments or hire any specific manager. Investment advice can be provided only after the delivery of Consultiva's Brochure and Brochure Supplement (ADV Part 2A, 2B and ADV Part 3 Form CRS \*Form CRS only apply for individual clients\*) once a properly executed investment advisory agreement has been entered into by a client and Consultiva.

It is important to remember that there are risks inherent in any investment and that there is no assurance that any investment, asset class, style or index will provide positive performance over time. Diversification and strategic asset allocation do not guarantee a profit or protect against a loss in a declining markets. Past performance is not a guarantee of future results. All investments are subject to risk, including the loss of principal. Portfolio positions referenced are subject to change at any time, your portfolio may not reflect the information referenced. Global and international investments may carry additional risks that are generally not associated with U.S. investments, such as currency fluctuations, political instability, economic conditions, and varying accounting standards. Annual, cumulative, and annualized total returns are calculated assuming reinvestment of income (dividends and interest) plus capital appreciation (depreciation) and realized gains (losses).

For more information about Consultiva, as well as its fees and services, please refer to Consultiva's website, [www.consultiva.com](http://www.consultiva.com) or call us at 787-763-5868.

The hyperlinks provided herein are going to websites that are not operated by Consultiva. We are not responsible for the content or availability of linked sites.