First Republic Private Wealth Management

Q1 2022

QUARTERLY UPDATE

Highlights

- Equities suffered their worst quarterly performance since the depths of the pandemic, burdened by the omicron variant, high inflation and geopolitical tensions from the Russia-Ukraine conflict.
- Economic growth remained stable but materially slower than the previous quarter, weighed down by shrinking consumer balance sheets, disruptions from the omicron variant and uncomfortably high consumer prices; however, more positive signals include a strong labor market and stable corporate earnings.
- The Federal Reserve hiked interest rates by 25 basis points (bps) in March and is prepared to hike interest rates by 50 bps at its next Federal Open Market Committee (FOMC) meeting, if necessary, to combat runaway inflation.
- U.S. inflation rose from 7.5% in January to 7.9% in February, year over year, sinking consumer sentiment and reducing consumer spending.

Overview

Equities were humbled in the first quarter (Q1) of 2022 after ending 2021 with significant gains. The S&P 500 staged the worst performance since the depths of the pandemic in March 2020, with a loss of –4.95%. Bond markets suffered their worst quarterly performance in almost 40 years, as measured by the Barclays Capital U.S. Aggregate Bond Index, as the Federal Reserve (the Fed) began its tightening cycle that led to a backup in bond yields.

Market volatility increased over the quarter as the macroeconomic backdrop became cloudier and Russia invaded Ukraine. The surge of omicron in January worried investors, exacerbating labor and supply shortages. However, this variant left a shorter and smaller economic drag than expected as cases declined in recent months. Worries of a broader economic slowdown increased throughout the quarter. Waning fiscal stimulus and high consumer prices weakened consumer demand. Oil and energy prices soared significantly higher from geopolitical tensions, in turn hurting consumer sentiment.

Inflation worries were exacerbated by the Russian invasion of Ukraine in February, which specifically drove energy and oil prices higher due to Europe's heavy reliance on Russia for both. Inflation rose to 7.9% year over year in February, as measured by February's Consumer Price Index (CPI). Higher energy prices act as a tax on consumers and manufacturers and put downward pressure on economic activity while exacerbating higher trends in inflation.

The Fed acknowledged these building concerns and will begin quantitative tightening to slow inflation. In March, the Fed hiked interest rates by 25 basis points (bps) for the first time since 2018 and is prepared to hike interest rates by 50 bps, if necessary, at the next

Federal Open Market Committee (FOMC) meeting in May. Fed Funds futures are pricing in eight or more hikes in 2022 with a terminal rate of 2.5%. With only six meetings left, this implies larger than 25 bps moves sometime this year. Rising uncertainties could alter the Fed's plans. Regardless of potential tweaks, the Fed's current plans highlight that it is prepared for more tightening as opposed to less.

Our expectations for equities and the economy shifted as uncertainty rose. We expect supply shortages, exacerbated by the Russian invasion of Ukraine, will keep inflation above our original and the Fed's expectations. This will hurt consumer confidence, decrease demand and weigh on the economy. We expect economic growth to slow in upcoming months but remain positive as corporate earnings growth remains stable, and the labor force strengthens. Going forward, we expect greater market volatility, more muted gains and a wider range of outcomes as economic growth slows and geopolitical volatility remain high.

Economic Summary

The U.S. macroeconomic backdrop became more challenging as the quarter progressed. Real Gross Domestic Product (GDP) is expected to have risen by only 1.5% in Q1, after rising by 5.1% in Q4 2021. Economic growth slowed from its robust pace the past couple of quarters. Main headwinds to economic growth included waning fiscal stimulus, the omicron variant, sticky inflation and geopolitical risk. However, economic growth continued, supported by consumer savings, the strong labor market and strong corporate earnings.

U.S. consumers grew extremely pessimistic on the current state of the economy as well as its prospects, underpinned by higher inflation expectations. Consumer sentiment began deteriorating in January amid omicron concerns and fell to an over 10-year low in February and an 11-year low in March. We anticipate sentiment will continue to decline in the near term. Households will remain pessimistic over personal finances as cost pressures ascend further, leading to weaker demand for goods and services.

Fiscal stimulus was reduced in Q1, after strongly supporting economic growth in 2021. With mostly expired pandemic-related stimulus, Congress grew hesitant to release more funds due to concerns of stoking inflation. In Washington, President Joe Biden's Build Back Better (BBB) plan struggled to receive enough support to be passed. Senator Joe Manchin strongly disapproved of the plan, citing inflation concerns as a top opposing argument.

The omicron variant slightly delayed demand and weighed on Q1's output and activity, especially in the services sector. The variant caused greater hospitalizations than originally expected as well as staff shortages and declining mobility in January. However, COVID-related hospitalizations declined in February and March, according to the Centers for Disease Control and Prevention (CDC).

Inflation climbed uncomfortably higher throughout Q1. January's headline CPI rose to 7.5% year over year, its highest level since February 1982. February's CPI rose even further to 7.9% year over year, to a 40-year high. The 0.8% month over month broad-based rise in February was primarily driven by a 6.6% increase in gas prices and 1.0% increase in food prices. Soaring gas prices reflected the impact from the Russian invasion of Ukraine. Beyond gas and food prices, consumer prices across all subcomponents (especially shelter and vehicle prices) rose significantly and will likely rise higher in the near term, keeping inflation elevated.

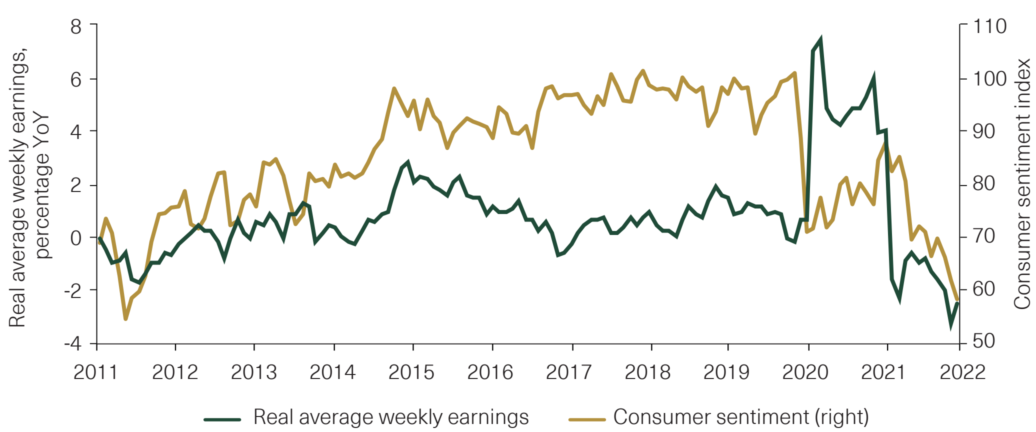
The Russian invasion of Ukraine in late February put pressure on already high oil prices, stirring consumer worries. Both West Texas Intermediate (WTI) and Brent Crude oil reached over $110 per barrel in March. We expect oil and other commodity prices to stay high and potentially jump higher in upcoming months. The result will be broadening price inflation that will continue to affect consumers through uncomfortably high food and transportation costs as people return to offices. Consumers will have less to spend on discretionary purchases, such as travel, leisure and dining out.

The rise in inflation dampened sentiment and real economic growth. We expect these effects to persist as high inflation sticks in the near term. Notably, while personal income remains high, it becomes negative when adjusted for inflation (see Figure 1). Rising inflation concerns added further support for the Fed to raise interest rates earlier than later this year, which markets had already priced in, alongside quantitative tightening.

We expect inflation to end around 6% year over year in 2022, lasting much deeper into the year than originally expected. It will be dragged higher by higher energy and shelter costs and supply issues. While high, we expect inflation later in the year to decline from its current levels due to easing supply constraints, lower energy prices and lower home affordability.

As economic growth slowed, the labor market continued to be a pillar of strength. The unemployment rate fell each month, declining from 4.0% in January to 3.6% in March. Nonfarm payrolls increased monthly, adding 467,000 in January, 678,000 in February and 431,000 in March. Strong gains on the employment front revealed omicron's smaller-than-expected impact. Applications for jobless claims remained relatively high throughout the quarter, but initial jobless claims fell to their lowest level since 1969 in March, which should help alleviate wage pressure. In upcoming months, we expect the strong labor market to help mitigate supply shortages and support economic growth. The demand for labor remained strong as job openings continued to outpace the number of unemployed. Difficulties in hiring forced employers to pay more to attract talented employees, which has been a positive for workers but a negative for employers. However, we view the surplus of job openings, paired with enticing wage increases, as a signal that jobless claims will decline in upcoming months.

Figure 1 | Real average weekly earnings vs. consumer sentiment
As of 3/31/2022



Sources: Conference board, Bloomberg, First Republic Investment Management, as of March 31, 2022.

Overseas, China and Emerging Markets also endured high inflation as the pandemic recovery continued and geopolitical risk further disrupted supply chains. Europe specifically endured a shortage of oil and natural gas, driven by their reliance on Russia for both.

In our view, U.S. growth will be stable in 2022; however, 2023 growth will be slower as headwinds mount. We expect inflation to rise higher before moderating in the second half of the year as the Fed continues to hike rates. This will likely be uncomfortable for consumers but be positive for slowing inflation in the long run.

Global Equities

U.S. equities ended lower this quarter. The S&P 500 staged the worst performance since the outbreak of the pandemic in Q1 2020. The S&P 500 has returned –4.95% this quarter, compared to +10.65% last quarter.

Market headwinds escalated throughout the quarter, igniting market volatility and weakening growth. Top investor concerns included declining corporate earnings growth, high inflation and geopolitical tensions. The omicron variant was a primary concern in January, disrupting supply chains and the labor force, but omicron-related disruptions and concerns declined throughout the rest of the quarter. In February and March, the Russian invasion of Ukraine sparked significant periods of episodic volatility. That said, the market backdrop remained supportive for long-term growth, aided by stable corporate earnings.

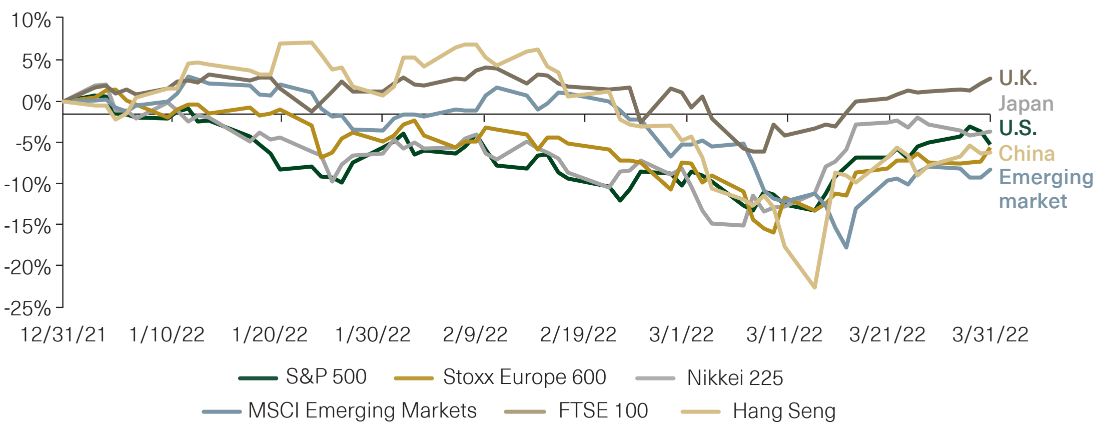
During this quarter, the best-performing S&P 500 sectors were energy, returning +37.66%, utilities, returning +3.96%, and consumer staples, returning +1.63%, while communications services, returning –12.1%, consumer discretionary, returning –9.19%, and technology, returning –8.55%, underperformed. Growth stocks significantly underperformed compared to value stocks. The Nasdaq 100 returned –9.10% and the Dow Jones returned –4.6%, lowering from the previous quarter's strong returns.

Markets focused on higher inflation and the Fed's response. U.S. equities started off 2022 with three straight weeks of losses. Immediately following the FOMC press conference in January, market volatility increased as the Fed minutes indicated that it would soon be appropriate to raise the Fed Funds rate. Equities significantly declined in January as investors feared the mixture of high inflation and rising interest rates.

In February, equities further declined as geopolitical risk skyrocketed from the Russia-Ukraine conflict. Russia's invasion of Ukraine on February 24 immediately sparked a global risk-off movement with a flight to quality in equities, a surge in commodity prices and wider credit spreads. As Russia increased the severity of its attacks on Ukraine, the United States and Europe increased sanctions on Russia. By early March, oil prices soared to the highest level since 2013. Since then, investors focused on the cumulative impact of sanctions and how these events would impact the Fed's course of action. Escalating geopolitical risks resulted in episodic volatility and lower equity returns. Although escalating geopolitical risks increased volatility in March, equities still rose higher.

Overseas, developed markets (DM) grew at a slower rate than prior, while Emerging Markets and Asia suffered particularly from the Russia-Ukraine conflict. This quarter, China's stocks slightly returned −5.8%, measured by the Hang Seng Index (HSI); Japan's stocks suffered their worst quarterly performance since March 2020, returning −3.37%, measured by the Nikkei; and the United Kingdom's stocks returned +1.8%, measured by the FTSE 100 (see Figure 2).

Figure 2 | Global equities
As of 3/31/2022



Sources: Bloomberg, First Republic Investment Management, as of March 31, 2022.

Going forward, we expect greater episodic volatility, more muted gains and a wider range of outcomes as economic and geopolitical volatility remains high. Given that macroeconomic fundamentals remain favorable, we are more optimistic about the outlook for risk assets in the second half of the year, once the Russia-Ukraine conflict stabilizes and inflation peaks. While higher inflation will likely be accompanied by quantitative tightening and geopolitical risk, we expect stable corporate earnings and the labor market recovery to support growth.

Fixed Income

Bond markets suffered their worst quarter in almost 40 years as the Fed's aggressive tightening cycle began and drove a backup in bond yields, as measured by the Barclays Capital U.S. Aggregate Bond Index. U.S. Treasury yields flattened this quarter as rates increased. Rate volatility heightened throughout the quarter, reflected in the heightened MOVE Index.

The 10-year Treasury ended the quarter at around 2.33%. In March, the 2-year Treasury yield increased the most it has since May 1984 and the 2s/10s portion of the U.S. Treasury yield curve inverted. This inversion signals a potential economic slowdown is on the horizon. However, the 10-Year/3-Month Treasury Yield Spread remains steep (Fed's preferred yield curve measure), which signals more optimism for economic growth than the inversion suggests. The Fed's focus on the 3-month Treasury rate versus the10-year Treasury rate suggests the Fed views the economy as strong enough to withstand rate hikes. The Fed grew increasingly hawkish this quarter as inflation continued to surprise to the upside, exacerbated by the Russian invasion of Ukraine. Confident that the strong labor market and stable corporate earnings would keep the economy afloat, the hawkish Fed primed markets throughout Q1 for aggressive interest rate hikes.

At the start of the quarter, the Fed expected to only raise interest by increments of 25 bps at a time. At the January FOMC meeting, the Fed indicated that higher levels of inflation would force them to remove accommodation more quickly than previously anticipated. Therefore, the Fed shifted expectations for four to five rate hikes in 2022, well above its December 2021 expectation of two to three.

But the Fed expected four to five to six policy rate hikes in 2022, well above its December 2021 expectation of two to three, and slightly below the market's forecasts of six to seven. This policy rate hike expectation quickly shifted after the Russia-Ukraine conflict intensified. At the March FOMC meeting, the Fed raised interest rates by 25 bps and expressed plans to continue hiking interest rates at FOMC meetings this year. Fed rate hike expectations moved from higher to seven interest rate hikes this year, closer toward market expectations.

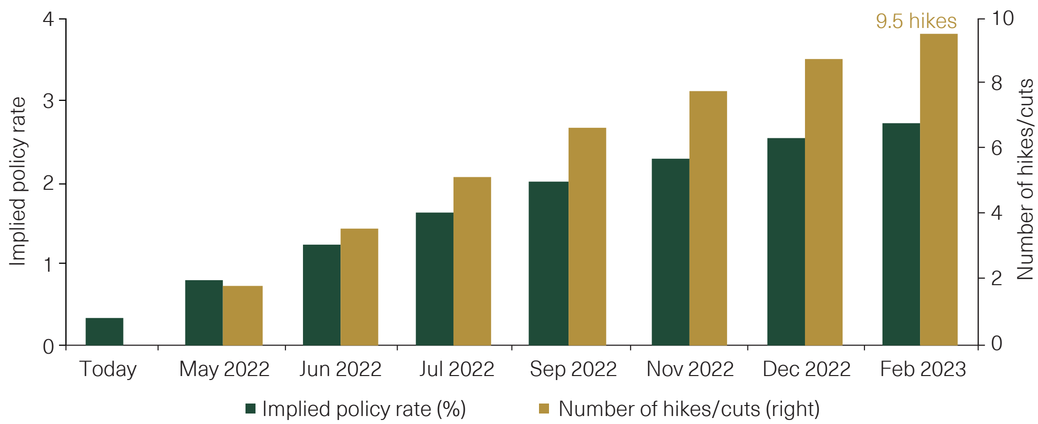
As inflationary pressures intensified in late March, Fed Chair Jerome Powell emphasized the central bank's commitment to slowing inflation and preparedness to hike interest rates more aggressively, potentially by 50 bps if needed, at the National Association for Business Economics (NABE) conference in late March. He expressed the Fed's priority of slowing inflation over concerns of a soft economic landing.

While the Fed has the tool kit to slow demand, it has negligible control over the suppressed supply, which is being exacerbated by the Russia-Ukraine conflict (oil, neon gas, wheat, nickel and a range of other commodities) and the troubling COVID-19 surge in Europe and China (including factory shutdowns). These supply-side shocks will ease at some point, but their effects could linger and complicate the Fed's task. The Fed raising rates will not alleviate these supply disruptions, which are amplifying the shortages that were already feeding inflation before Russia invaded Ukraine. We expect tight supply to be with us for some time, as there are a multitude of factors limiting supply.

We expect the inflation story to remain front and center as the Fed will continue to hike interest rates to slow inflation. Interest rates will continue to rise higher, and the shape of the yield curve will flatten throughout 2022, in our view. We expect spreads will outperform early in the rate-hiking phase and wane in the later stages, as they historically have done.

We fundamentally expect the Fed to continue quantitative tightening to combat high inflation, even at the cost of hurting growth. However, we expect the Fed to slow or pause their tightening process if the economic growth slows to a recessionary level. Fed Funds futures are pricing in eight or more interest rate hikes in 2022, with a terminal rate of 2.5%. With only six meetings left, this implies larger than 25 bps moves will occur sometime in the year. Futures tend to be wrong most of the time. However, the messaging is clear: There will be more tightening as opposed to less. The messaging around quantitative tightening will be a focal point, as this will also be a tightening phase, and how this may play into the tightening cycle.

Figure 3 | U.S. Fed Funds futures
As of 3/31/2022



Sources: Federal Reserve Bank, Bloomberg, First Republic Investment Management, as of March 31, 2022.

Given recent Fed comments and current inflation indicators, we now expect the Fed to increase rates by 50 bps in May and deliver a 25 bps hike at each meeting between July and December. This would bring the Fed Funds rate to 2.25%–2.50% by year-end with risk to the upside.

The terminal rate will likely be near neutral by the end of 2022, but the curve will continue to flatten and even invert early in the hiking cycle despite inflation concerns, in our view. Risks to the 10-year include the possibility that the Ukraine crisis escalates and/or oil prices grind significantly higher. An additional risk is if quantitative tightening is announced at one of the next Fed meetings and there are any implications of an operation twist or balance sheet runoff.

We anticipate U.S. yields to remain low as monetary policy is still accommodative, but higher rates will come with Fed hikes as the Russia-Ukraine conflict escalates and growth and inflation concerns rise, hurting real yields. Our view on credit spreads remains relatively unchanged. Credit spreads have surprisingly moved quickly wider; however, they have likely peaked in the current environment. After a tame 2021, credit spreads and yields moved higher in January, pricing in expectations of a Fed rate hike. Yields in the credit market finally caught up to the rates market. We attribute this to seasonal and technical pressures and expect the Fed's raising of rates to be a tailwind for credit. Despite recent widening in the credit spread environment, they are still performing well but bear watching for signs of fatigue. We are positive on municipals: Longer maturity municipals are very attractive at newfound levels. Fundamentals and technical support remain intact.

Globally, central banks also began the quantitative tightening process. As expected, the Bank of England (BoE) was the first developed central bank this year to raise interest rates in early January to 0.50%, and the European Central Bank (ECB) indicated a greater possibility about raising rates later in 2022. Following in the Fed's footsteps, global central banks will continue the tapering trend throughout the year. The Russia-Ukraine crisis lent the Fed and other central banks breathing room to slow down their pace of tapering.

We expect bond market volatility to persist. Now that the tightening cycle has started, we expect the yield curve to continue to flatten. While not our base case, an inversion of the yield curve runs the risk of an economic slowdown. In terms of positioning, we continue to remain underweight in fixed income markets, short duration, and remain positive on credit and municipals.

Investor Takeaways

Given emerging risks to equities yet decent corporate earnings and consumer savings, we expect equities to generate positive but modest returns for the remainder of the year. In fixed income markets, we expect bond market volatility to persist. Now that the tightening cycle has started, we expect the yield curve to continue to flatten.

- We continue to favor a “stay-at-home” strategy in which we favor U.S. equities, as we expect event risk from the Russian invasion of Ukraine to spark market volatility globally.
- We remain favorable on equities and prefer U.S. Large Cap equities over Emerging Markets.
- Our preference for Quality and Profitability exposure augurs for a preference toward Large Cap U.S. equities.
- Our expectation for a growth slowdown coupled with higher energy prices augurs for a balanced view regarding Value and Growth styles.
- Sectors that offer exposure to higher conviction revenue streams, possess higher quality and demonstrated profitability and offer solid shareholder yield are preferrable.
- We advise an underweight and short duration position in fixed income, in which we favor credit, municipals and preferreds. We recommend taking advantage of higher rates, particularly on the short end.

Q1
2022

Financial Market Returns

U.S. Equity	Q1 2022	1-Year	3-Year (Annualized)	5-Year (Annualized)	10-Year (Annualized)
DJ Industrial Average	−4.1%	7.1%	12.6%	13.4%	12.8%
NASDAQ Composite	−8.9%	8.1%	23.6%	20.3%	17.8%
S&P 500 TR Index	−4.6%	15.6%	18.9%	16.0%	14.6%
Russell 1000 Index	−5.1%	13.3%	18.7%	15.8%	14.5%
Russell 1000 Growth Index	−9.0%	15.0%	23.6%	20.9%	17.0%
Russell 1000 Value Index	−0.7%	11.7%	13.0%	10.3%	11.7%
Russell Mid Cap Index	−5.7%	6.9%	14.9%	12.6%	12.9%
Russell Mid Cap Growth Index	−12.6%	−0.9%	14.8%	15.1%	13.5%
Russell Mid Cap Value Index	−1.8%	11.5%	13.7%	10.0%	12.0%
Russell 2000 Index	−7.5%	−5.8%	11.7%	9.7%	11.0%
Russell 2000 Growth Index	−12.6%	−14.3%	9.9%	10.3%	11.2%
Russell 2000 Value Index	−2.4%	3.3%	12.7%	8.6%	10.5%

International Equity	Q1 2022	1-Year	3-Year (Annualized)	5-Year (Annualized)	10-Year (Annualized)
MSCI EAFE Index ($USD, net)	−5.9%	1.2%	7.8%	6.7%	6.3%
MSCI AC World Index ($USD, net)	−5.4%	7.3%	13.8%	11.6%	10.0%
MSCI AC World Ex US Index ($USD, net)	−5.4%	−1.5%	7.5%	6.8%	5.6%
MSCI Emerging Markets Index ($USD, net)	−7.0%	−11.4%	4.9%	6.0%	3.4%
MSCI BRIC Index ($USD, net)	−13.3%	−23.0%	−0.8%	4.1%	2.3%

Fixed Income	Q1 2022	1-Year	3-Year (Annualized)	5-Year (Annualized)	10-Year (Annualized)
Bloomberg Barclays U.S. Treasury 1–3 Year Index	−2.5%	−3.0%	0.8%	1.0%	0.8%
Bloomberg Barclays U.S. Treasury 5–10 Year Index	−6.0%	−4.5%	1.4%	1.9%	1.9%
Bloomberg Barclays U.S. Long Treasury Index	−6.0%	−4.5%	1.4%	1.9%	1.9%
Bloomberg Barclays U.S. Treasury U.S. TIPS Index	−3.0%	4.3%	6.2%	4.4%	2.7%
Bloomberg Barclays U.S. Govt/Credit Intermediate Index	−4.5%	−4.1%	1.5%	1.8%	1.8%
ICE BofAML Municipals 1–10 Year A-AAA Index	−4.4%	−3.8%	0.8%	1.5%	1.7%
Bloomberg Barclays U.S. Corporate High Yield Index	−4.8%	−0.7%	4.6%	4.7%	5.7%
ICE BofAML Preferred Stock Fixed Rate Index	−6.7%	−3.6%	3.4%	3.8%	5.2%
JPMorgan GBI EM Global Diversified Index	−6.5%	−8.5%	−1.1%	0.2%	−0.7%

Sources: Bloomberg, Morgan Stanley Capital International, Russell®, Standard & Poor's and Barclays.

Index Definitions

U.S. Equity

Dow Jones Industrial Average is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

NASDAQ Composite Index is a market capitalization index of approximately 3,000 common equities listed on the NASDAQ exchange.

S&P 500 TR Index is a type of equity index that tracks both the capital gains of the equities in the S&P 500 and assumes any cash distributions (dividends) are reinvested back into the index.

Russell 1000 Index® measures the performance of the 1,000 largest companies in the Russell 3000.

Russell 1000 Growth Index® measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 1000 Value Index® measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid Cap Index® measures the performance of the 800 smallest companies in the Russell 1000 Index.

Russell Mid Cap Growth Index® measures the performance of those Russell Midcap® companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth Index.

Russell Mid Cap Value Index® measures the performance of those Russell Midcap® companies with lower price-to-book and lower forecasted growth values. The stocks are also members of the Russell 1000 Value Index.

Russell 2000 Index® measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

Russell 2000 Growth Index® measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Value Index® measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

International Equity

MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada.

MSCI AC World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

MSCI AC World Ex U.S. Index captures large and midcap representation across 22 of 23 developed market countries (excluding the United States) and 23 emerging markets countries.

MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

MSCI BRIC Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance across the following four emerging market country indexes: Brazil, Russia, India and China.

Fixed Income

Bloomberg Barclays U.S. Treasury 1–3 Year Index
measures the performance of U.S. Treasury securities that have a remaining maturity of at least one year and less than three years.

Bloomberg Barclays U.S. Treasury 5–10 Year Index
measures the performance of U.S. Treasury securities that have a remaining maturing of at least five years and less than 10 years.

Bloomberg Barclays U.S. Long Treasury Index
includes all publicly issued, U.S. Treasury securities that have a remaining maturity of 10 or more years, are rated investment grade and have $250 million or more of outstanding face value.

Bloomberg Barclays U.S. Treasury U.S. TIPS Index
includes all publicly issued U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade and have $250 million or more of outstanding face value.

Bloomberg Barclays U.S. Govt/Credit Intermediate Index
measures the performance of the USD-denominated U.S. Treasuries, government-related and investment-grade U.S. corporate securities that have a remaining maturity of greater than one year and less than 10 years.

Bloomberg Barclays U.S. Corporate High Yield Index
measures the USD-denominated, high-yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issues with an emerging markets country of risk, based on Barclay's emerging markets country definition, are excluded.

ICE BofAML Municipals 1-10 Year A-AAA Index
is a subset of the BofAML U.S. Municipal Securities Index and includes all securities with a remaining term to final maturity of less than 10 years and rated AAA through A3, inclusive.

ICE BofAML Preferred Stock Fixed Rate Index
is designed to replicate the total return of a diversified group of investment-grade preferred securities.

JPMorgan GBI EM Global Diversified Index
is an investable benchmark that includes only those countries that are directly accessible by most of the international investor base. This index excludes countries with explicit capital controls, but it does not factor in regulatory/tax hurdles in assessing eligibility.

Chart sources:
1. Conference board, Bloomberg, First Republic Investment Management.
2. Bloomberg, First Republic Investment Management.
3. Federal Reserve Bank, Bloomberg, First Republic Investment Management.

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