FIRST QUARTER 2022

Dividend Growth Commentary

March 31, 2022

MARKET REVIEW

Coming into the year 2022, there were certainly many risks looming on the horizon—chief among them were inflation and whether Russia would invade Ukraine. The Federal Reserve (Fed) was most certainly going to embark on a tightening of monetary policy, but the bigger concern was the possibility that it was already woefully behind the curve on inflation. At the beginning of the year, the eurodollar futures market was pricing in four 25-basis-point (bps) hikes for 2022. With a litany of Fed speakers suggesting that hikes of 50 bps could be in play at some Federal Open Market Committee Meetings (FOMC) this year, the market soon began pricing in a Fed Funds target of 2% by year end. When the FOMC finally met on March 16, it announced its hawkish stance on inflation by raising rates by 25 bps and its intention to announce a plan for shrinking its nearly $9 trillion balance sheet at its May meeting. In addition to reading the tea leaves on the Fed, the markets also had to contend with the Russian invasion of Ukraine on February 24 and the unprecedented sanctions levied against Russia by the West. Indeed, Russia and its banks were effectively banned from financial transactions with most of the world. This sent commodity prices skyrocketing as Russia and its allies are some of the largest energy exporters and key producers of metals, fertilizers, and other agricultural commodities.

With the Fed potentially behind the curve on inflation before the Russian invasion and additional inflationary impulses caused by commodity supply disruptions, the capital markets reacted accordingly. The best performing asset class during the quarter was commodities with the S&P Goldman Sachs Commodity Index® returning 29.05%. Those inflationary pressures, along with a Fed that will have to play catch-up on fighting inflation, were the catalyst behind the Bloomberg U.S. Aggregate Bond Index's worst ever start to a year with a total return of -5.93%. As investors repriced risk during the quarter due to these crosscurrents, the large cap Russell 1000® Index was at one point down 13.11% from peak to trough but managed to end the quarter at -5.14%. Growth stocks as represented by the Russell 1000 Growth Index underperformed with a -9.05% return, while the Russell 1000 Value Index ended the quarter with just a -0.75% return.

Investors are now faced with whether the Fed will be able to engineer a soft landing for the U.S. economy as it fights inflation in earnest for the first time in 40 years. Typically, an inverted yield curve is a good predictor of a recession. The slightly inverted 2s/10s yield spread of -0.06 bps could be signaling that the Fed is so far behind the curve on inflation that its only option will be to tighten aggressively until it sends the economy into recession. If this is the case, then equity and fixed income markets will need to price more risk into their respective markets.

DIVIDEND GROWTH PORTFOLIO REVIEW

The Dividend Growth Composite returned -7.26%, net of fees, for the quarter ending March 31, 2022. The strategy's benchmark, the S&P 500® Index, returned -4.60% during the same time period.

The stock market rally stalled in Q1 due initially to soaring inflation and the Fed's more hawkish pivot. Global supply chain disruptions caused by the COVID-19 pandemic and subsequent rise in inflation proved to be more resilient than previously thought. Russia's invasion of Ukraine at the end of February added more fuel to the inflation fire sending major commodity prices higher as the West imposed strict sanctions on Russia's economy and central bank. These developments resulted in a tightening of financial conditions and a flattening of the yield curve, signaling a possible dampening of economic recovery in the U.S.

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STRATEGY INFORMATION

Benchmark	S&P 500® Index
Business Minimum	$1M
Number of Holdings	56
Assets	$66.77M

PORTFOLIO MANAGEMENT TEAM

Julia Batchenko, CFA
Senior Portfolio Manager
Industry start date: 2011
Joined Red Cedar: 2019

INVESTMENT PHILOSOPHY

"We seek companies that possess a combination of three essential criteria: growth of dividends, consistency of earnings and enhanced profitability."
—Julia Batchenko

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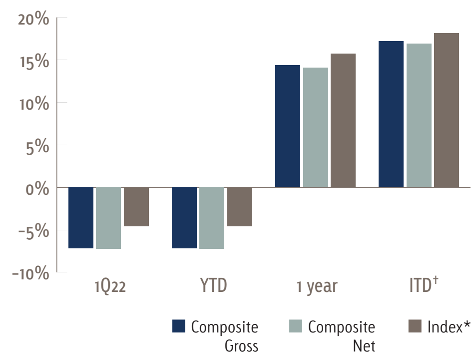
The uncertainty related to the Fed's actions and geopolitical events drove a more defensive positioning of the equity markets with utilities, consumer staples, and health care outperforming the S&P 500. Energy delivered a significant outperformance against the market driven by higher oil prices. Growth trailed value on fears of higher interest rates negatively impacting long duration stocks.

Our underweight in the underperforming communications sector, overweight and security selection of the energy sector, and security selection in the technology sector contributed the most to the performance.

Our overweight in banks in the financial sector, security selection in the discretionary sector, and security selection in the industrial sector were the largest detractors.

PERFORMANCE



	Composite Gross	Composite Net	Index*
1Q22	-7.21%	-7.26%	-4.60%
YTD	-7.21%	-7.26%	-4.60%
1 year	14.28%	14.03%	15.65%
ITD†	17.11%	16.87%	18.10%

†Inception Date 1/1/2020
Periods greater than 12 months are annualized
*S&P 500® Index
Source: Bloomberg, Clearwater Analytics

DIVIDEND GROWTH POSITIONING AND OUTLOOK

We think that equity volatility due to the Fed policy uncertainty and geopolitical events will linger in Q2. We have been reducing risk in the portfolio in Q1 and currently feel it is prudent to maintain a more defensive stance.

We favor sectors that have higher opportunity to deliver sales and earnings growth in a slowing economic environment with persisting inflation, such as energy, health care, consumer staples, utilities, and REITs.

DISCLOSURES

Red Cedar Investment Management, LLC ("RCIM") is an investment adviser registered under the Investment Advisers Act of 1940, founded in 2013. Registration as an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser. For more information please visit: www.adviserinfo.sec.gov and search for our firm name. Neither the information nor any opinion expressed herein should be construed as personalized investment, tax, or legal advice, or a recommendation of any particular security or strategy.

The securities discussed do not represent the Composite's entire portfolio. Actual holdings will vary depending on the size of the account, cash flows, and restrictions. It should not be assumed that any of the securities transactions or holdings discussed will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein.

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All information and performance are reported in U.S. dollars.

The "Net" returns presented are net of fees. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The "Gross" returns presented are gross of fees. The results do not reflect the deduction of investment management fees. The client's return will be reduced by the management fees and any other expenses incurred in the management of the account. For example, a US $100 million account, paying a 0.50% annual fee, with a given rate of 10% compounded over a 10-year period would result in a net of fee return of 9.5%. Management fees are described in Part 2A of RCIM's Form ADV Part 2A. Investing involves the risk of loss and investors should be prepared to bear potential losses. Past performance is not indicative of future results.

The information herein was obtained from various sources. RCIM does not guarantee the accuracy or completeness of information provided by third parties. The information in this report is given as of the date indicated and believed to be reliable. RCIM assumes no obligation to update this information, or to advise on further developments relating to it.

Dividend Growth Composite (the "Composite") includes all fully discretionary institutional portfolios that invest in common stocks with market capitalization of $2 billion and higher. The strategy is focused on investing at least 80% of the portfolio in high quality dividend paying and dividend raising stocks and up to 20% in non-dividend paying lower quality stocks. The Composite was created January 1, 2020. The inception date of the Composite was January 1, 2020.

The benchmark is the Standard & Poor's 500 Index ("S&P 500 Index"). The S&P 500 Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies.

Benchmark Definitions: The S&P Goldman Sachs Commodity Index serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. Russell 1000 Index is a stock market index that tracks the highest ranking 1,000 stocks in the Russell 3000 Index, which represent about 90% of the total market capitalization of that index. 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.

An index is an unmanaged portfolio of specific securities, the performance of which is often used as a benchmark in judging the relative performance of certain asset classes. Investors cannot invest directly in an index. An index does not charge management fees or brokerage expenses, and no such fees or expenses were deducted from the performance shown.

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