AUM: $5.2 billion

MARKET REVIEW

U.S. stocks had a volatile start to 2022, as investors digested the potential for up to seven increases in the target range of the federal funds rate by the U.S. Federal Reserve, in an effort to stave off rising inflation, which, as measured by the Consumer Price Index, accelerated to 7.9% in February 2022, the highest level since January 1982. Investors faced additional worries about reduced economic growth expectations as the Russia/Ukraine conflict created the potential for significant, further disruptions to supply chains, as well as spikes in commodity prices, which could be key triggers of a global economic recession. The renewal of lockdown conditions in parts of China, due to rising COVID-19 cases, exacerbated those concerns.

In March, the U.S. unemployment rate dropped another 0.2% to 3.6% while 431,000 workers were added to payrolls. Gains were strong across all sectors including manufacturing which increased 38,000 in both February and March. It is especially heartening to note that the "U-6" unemployment rate that includes part-time workers and marginally attached workers has fallen to 6.9%, a level not seen since the COVID pandemic began in January 2020. As companies compete for a dwindling supply of labor, the wage rate has continued to move higher. Rising 0.4% in March, the average wage rate now stands 5.6% higher than it was one year ago, increasing the risk that a wage-price spiral may be in the not-too-distant future.

DOMESTIC EQUITY

Our **Large Cap Intrinsic Value Equity** strategy returned -1.6%, after a volatile first quarter of 2022, trailing the Russell 1000 Value return of -0.7%. For the one-year trailing, our Large Cap Intrinsic Value strategy has returned 14.2% compared to the 11.7% return of the Russell 1000 Value. For the three-year trailing our Strategy has outperformed, returning 18.2% compared to the Russell 1000 Value return of 13.0%. Higher interest rates weighed heavily on Growth indices leading Value to outpace Growth by more than +8% in the quarter. This was the first time we've seen meaningful outperformance from Value in a down quarter since the last Value cycle. Value has been outperforming Growth in international markets for over a year now, while performance has been more mixed domestically.

Our **U.S. Concentrated Growth** Strategy (composite) returned 2.88% for the month of March 2022, while the Russell 1000 Growth Index returned 3.91%. For the first quarter of 2022, the Strategy returned -7.86%, while the benchmark has returned -9.04%. Since inception (January 1, 1994), the Strategy has compounded at 12.57% compared to the benchmark return of 10.87%. During March 2022, the Portfolio lagged the benchmark in large part because it did not hold shares of Tesla Inc, for valuation reasons. Tesla Inc's stock price climbed 23% during March 2022, as investors rewarded the electric vehicle manufacturer in the wake of surging oil prices. Sector allocation results were the biggest driver of the Portfolio's benchmark-relative outperformance in the first quarter of 2022, as the Portfolio was overweight, for stock specific reasons, in the Energy and Financials sectors, which outperformed, as oil prices and interest rates increased. The Portfolio's benchmark-relative performance also benefited from not holding, for valuation reasons, stocks with large weightings in the Russell 1000 Growth Index that underperformed.

For the quarter, our **Small Company Equity** Portfolio returned -6.81%, outperforming the benchmark Russell 2000 index return of -7.53%. For the one-year trailing, our strategy returned 2.43%, again outperforming the Russell 2000 index return of -5.79%. Since inception (April 1, 2013), our strategy has compounded at 12.59% compared to the Russell 2000 index return of 10.47%.

INTERNATIONAL EQUITY

In **Global and Non-U.S. Value Equity,** stock selection in the Industrials sector, driven by defense contractors, contributed to relative performance for the quarter, as did stock selection and a favorable overweight in Energy. Our holdings in the sector benefited from strong commodity prices. An underweight and stock selection in the Information Technology sector also contributed, as we avoided expensive speculative growth stocks that sold off sharply during the quarter. Stock selection in the Utilities sector was the largest detractor from relative performance for the quarter, with a major European holding declining on concerns over the potential for Russian gas supply disruption, as was stock selection in the Materials sector.

In **International and Global Plus Equity**, our strategies faced headwinds during the first quarter of 2022. Many of our Information Technology holdings had a negative impact on relative performance across most portfolios, largely driven by stock-specific concerns among our e-commerce solutions providers coupled with the significant selloff of tech and tech-adjected companies in the first part of the year. Health Care holdings – particularly those among the biotechnology industry – faced headwinds during the period due to industry-wide headwinds and stock specific issues. For the five-year trailing, our EAFE Plus Equity composite has compounded at 11.14% compared to the 6.72% return of the MSCI EAFE – Net Returns Index and the 8.94% return of the MSCI EAFE Growth – Net Returns Index.

Fixed Income

In the **Fixed Income** market arena, the U.S. Treasury yield curve, which was already assessing the size and timing of rate hikes, took on added volatility in the first quarter. Risk on - Risk off periods ensued as the war unfolded. Hope of a quick truce faded as the weeks went by. Yields rose significantly during the quarter as strong GDP growth in the fourth quarter combined with surging inflation pressured prices the entire quarter. Policy is now transitioning from stimulative fiscal and monetary policy to higher short-term rates and reducing the Federal Reserve's bloated balance sheet. Expectations of short-term rates reaching 2.50% to 3.00% by yearend crushed bond prices. Yields increased from 70 to 160 bps across maturities from two to ten years. Two-year Treasury yields rose 158 bps to 2.31% while ten-year yields rose 81 bps to 2.33%, flattening the yield curve. The 2- to 10-year yield spread narrowed 77 bps, ending the quarter at only 2 basis points.

Our **High Yield** Fixed Income strategy returned -4.49% on a gross basis, outperforming the Bloomberg U.S. Corporate High Yield Index return of -4.84% for the first quarter of 2022. Volatility and bearish sentiment featured prominently in the prior period. Multiple markets saw historic moves and weakness, ex-commodities, was relentless through the majority of 1Q22. High Yield entered the year vulnerable to negative catalysts due to rich valuations. The Federal Reserve ("Fed"), seemingly admitting in early January that it was behind the curve, provided the initial catalyst. The Biden Administration's unusual and repeated releases of intelligence detailing Russia's intentions vis-à-vis Ukraine well ahead of the invasion weighed on risk assets. In an increasingly uncertain environment, our prior under risked positioning was maintained. Exposure was added to the out of favor Cable Satellite sector, while two large Food/Beverage holdings were reduced as each had reached Investment Grade levels.

Thank You

We would like to thank the **West Virginia Laborers Pension Trust Fund** for additional contributions to Sierra's EAFE Plus Equity (International Equity) commingled fund and the **Marble, Tile and Terrazzo Workers Pension Fund** for additional contributions to Sierra's High Yield Fixed Income commingled fund.

We at Sierra Investment Partners, Inc., value each of our Taft-Hartley Fund clients and are grateful for the opportunity to manage a portion of your assets.

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Sierra client returns would be reduced by investment management fees. For example, a five-year gross annualized return of 20.10% would be reduced to 18.96% after the deduction of annualized fees of 1%. The information provided is historic in nature and should not be taken as any indication of future performance as future investments will be made under different economic conditions and may utilize different securities. The MSCI World Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market county-specific indexes. The secondary benchmark is the MSCI World Growth Index. The MSCI World Growth Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country-specific indexes that have more growth-oriented investment style characteristics. The MSCI EAFE Index is an equity index calculated by MSCI. The index measures the total returns (gross dividends are reinvested) of equity securities in the developed markets in Europe, Australasia and the Far East. Securities included in the index are weighted according to their Free Float adjusted market capitalization (Price x Shares outstanding x Foreign Inclusion Factor). The MSCI EAFE Growth is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market country specific-indexes, excluding the U.S. and Canada, that have more growth-oriented investment style characteristics. The MSCI All Country World Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed and emerging market country-specific indexes. The MSCI All Country World ex-U.S. Index is free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed and emerging market country-specific indexes, excluding the U.S. The MSCI World Index is a free float-adjusted market capitalization weighted equity index comprised of securities in MSCI's developed market county-specific indexes. The MSCI EAFE Value Index captures large and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. The Russell 2000 Index is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index. It was started by the Frank Russell Company in 1984. The index is maintained by FTSE Russell, a subsidiary of the London Stock Exchange Group. The Russell 1000 Growth Index measures the performance of the Russell 1000's growth segment, which is defined to include the firms whose share prices have higher price-to-book ratios and higher expected earnings growth rates. The Standard & Poor's 500 Index (S&P 500) is an index of 500 stocks chosen for market size, liquidity and industry grouping, among other factors. The S&P 500 is designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe. The S&P 500 is a market value weighted index where each stocks weight is proportionate to its market value. The Russell 1000 Value Index is a widely recognized index of market activity based on the aggregate performance of common stocks from the Russell 1000 Index, with lower price-to-book ratios and lower forecasted growth values. The performance data was supplied by Frank Russell Trust Company. The Bloomberg Barclays U.S. Corporate High Yield Bond 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. The Bloomberg Barclays Int. Gov't/Credit Index is a market capitalization weighted index consisting of all U.S. dollar denominated public obligations of U.S. and foreign Governments, their agencies and instrumentalities and all corporate issuers of fixed rate, non-convertible, investment grade bonds having maturities of greater than one year and less than 10 years. The Bloomberg Barclays Gov't/Credit Index is a market capitalization weighted index consisting of all U.S. dollar denominated public obligations of U.S. and foreign Governments, their agencies and instrumentalities and all corporate issuers of fixed rate, non-convertible, investment grade bonds having maturities of greater than one year. The Bloomberg Barclays Aggregate Bond Index is a market value-weighted index that tracks the daily price, coupon, pay-downs, and total return performance of fixed rate, publicly placed, dollar-denominated, and nonconvertible investment grade debt issues with at least $250 million par amount outstanding and with at least one year to final maturity. The indexes chosen to compare performance are not identical in structure to the composites and are provided to represent the investment environment existing during the time periods shown. ndexes are unmanaged, fully invested and do not include deduction of fees or expenses. This information is only an explanation of investment philosophy and historic performance and is not meant to be an investment recommendation. For a disclosure prepared in compliance with the Global Investment Performance Standards (GIPS®) and a list of composites and performance results, please call our corporate headquarters at (925) 941-6300. GIPS® has not been involved with the preparation or review of this report. Past performance is no guarantee of future results.