MRM GROUP

Monthly Investment Commentary

February 2022

ECONOMIC UPDATE

- A hawkish shift in the Fed's tone triggered a negative response in U.S. financial markets in January, sending bond yields higher, spreads wider, and making it the worst January for the S&P 500 since 2009
- Fixed income markets are pricing in approximately 5 rate hikes in 2022, but uncertainty remains related to the Fed's preferred path to removing monetary accommodation in the near term

MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). Returns are net of fees. For more information visit www.mrminv.com.

Please contact MRM Group to obtain a Compliant Presentation and/or MRM's list of Composite descriptions.

MRM NET COMPOSITE PORTFOLIO RESULTS (As of 1/31/2022)

MRM PLATFORMS VS. BENCHMARK	YTD	1-YEAR	3 Years Annualized	5 Years Annualized
Dynamic Overlay	**-8.83%**	**+10.65%**	**+10.16%**	**+9.70%**
Morningstar Average Tactical Return (fixed & equities)	-4.45%	+7.97%	+9.44%	+7.46%
All Equity	**-13.73%**	**-3.68%**	**+8.28%**	**+12.29%**
S&P 500 Total Return	-5.17%	+23.29%	+20.71%	+16.78%
Dynamic International	**-5.99%**	**+0.46%**	**+5.40%**	**+2.61%**
MSCI EAFE with dividends	-4.82%	+7.52%	+9.85%	+8.36%
Global Strategies	**-11.39%**	**+0.60%**	**+9.03%**	**+9.06%**
(50%) S&P/ (50%) MSCI EAFE	-5.00%	+15.41%	+15.54%	+12.89%
Tax-Advantaged Income*	**-2.03%**	**+18.81%**	**+13.44%**	**NA**
Dow Jones US Select Dividend Total Return	+1.29%	+33.06%	+13.78%	NA

12444 Powerscourt Drive, Suite 350, St. Louis, Missouri 63131

(800) 233-1944 | www.mrminv.com

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First Month

The first month of 2022 was one broad financial markets would like to forget. Investment-grade fixed income had a tough year in 2021, particularly in the fourth quarter, but in January, U.S. equities and other risk markets joined the struggle. The S&P 500 posted a -5.17% return in January, its worst month since March 2020 and the worst January return since 2009. High-yield corporate debt, which performed very well in 2021, also had a terrible month, underperforming duration-matched Treasuries by 152 basis points (bps).

Big Questions

There have essentially been two big questions driving markets recently, and both center on uncertainty related to future actions of the Federal Reserve. One, what will be the path of short-term interest rates, and two, how/when will the Fed normalize its balance sheet? The bond market has been working on the first question for much of the last four months, and by year-end 2021, short-term rate markets were already pricing 3-4 rate hikes in the coming year. However, most communication from Fed leaders since that time, including the January 26 FOMC meeting, portrayed a central bank concerned that it was too tardy in its response to well-above average inflation and growth rates. As a result, markets are now pricing for approximately 5 rate hikes this year and another 2 hikes in 2023 (all 25 basis points), and the 2-year Treasury yield rose another 45 bps in January; even though Bank of America stated 7 hikes.

Balance Sheet

The other big question is when and how the Fed will reduce the size of its balance sheet after ballooning by more than $4 trillion since the onset of COVID. The minutes of the December FOMC meeting surprised market participants by opening the door to potential normalization in 2022. It also revealed that “almost all participants” favored initiating balance sheet runoff at some point after liftoff and that it would likely happen sooner “than in the Committee’s previous experience.” This sparked market pricing, at least partially, for normalization in the second half of the year, which had the biggest impact on fixed income spreads, risk assets, and long-end Treasury yields. In other words, the poor performance across most financial assets in January wasn’t just about the market pricing for a couple of extra rate hikes. It was more about expectations of a ~$9 trillion balance sheet potentially shrinking at a much more rapid pace than previously anticipated.

Not a Simple Task

This is not a simple task for Fed leaders from this point forward, and for market participants, there is still notable near-term uncertainty. The January 26 FOMC meeting provided relatively clear certainty on two fronts, that liftoff would happen in March, and asset purchase tapering would finish that same month. Beyond that, there were no more clear answers, despite reporters’ best efforts to press Fed Chair Powell following the meeting. He was asked specifically whether liftoff would be a 50-bps hike, which he refused to close the door on, but to be fair, he also said they haven’t even discussed it. He also refused to commit to forward guidance of a quarterly rate hike schedule similar to what was done during the last Fed tightening cycle.

MRM’s View

Powell emphasized that the economy and inflation are very different now relative to the 2016-2019 timeframe, leaving the door open for rate hikes at every FOMC meeting if supported by incoming data. As such, financial markets may remain more volatile over the next two months as fresh inflation and other important economic metrics are released ahead of the March 16 meeting. We are cautious.

Source: ALM

MRM model holdings as of December 31, 2021

MRM Global Strategies

APPLE INC COM	5.00%
AMERICAN INTL GROUP INC	5.00%
AMERICAN EXPRESS CO	5.00%
CENTENE CORP DEL	5.00%
COSTCO WHSL CORP NEW	5.00%
CSX CORP	5.00%
ISHARES MSCI NEW ZEALAND	6.00%
ISHARES MSCI SWEDEN INDEX FUND	3.00%
GENERAL MTRS CO COM	5.00%
ALPHABET INC CAP STK CL C	6.00%
HOME DEPOT INC	4.00%
INTERNATIONAL BUSINESS MACHS	5.00%
MICROSOFT CORP	4.00%
METTLER TOLEDO INTERNATIONAL	5.00%
NIKE INC CL B	5.00%
NVIDIA CORP	5.00%
SHOPIFY INC CL A	5.00%
SPDR S&P 500 TRUST	5.00%
TJX COS INC NEW	3.00%
TRACTOR SUPPLY CO	3.00%
ZSCALER INC COM	5.00%
FDIC CASH NOT COVERED BY SIPC	1.00%

MRM Dynamic Overlay – ETFs

ISHARES MSCI EAFE INDEX FUND	1.00%
ISHARES RUSSELL 1000 GROWTH	5.00%
ISHARES RUSSELL 3000 INDEX FUND	6.00%
ISHARES DJ US REAL ESTATE	5.00%
ISHARES S&P 100 INDEX FUND	10.00%
POWERSHARES QQQ TRUST	8.00%
SPDR S&P 500 TRUST	23.00%
SPDR S&P 500 GROWTH ETF	7.00%
VANGUARD GROWTH INDEX FUND	13.00%
GUGGENHEIM RUSSELL TOP 50	10.00%
TECHNOLOGY SELECT SECTOR	5.00%
HEALTH CARE SELECT SECTOR	6.00%
FDIC CASH NOT COVERED BY SIPC	1.00%

MRM Dynamic International

WISDOMTREE INDIA EARNINGS FUND	14.00%
ISHARES MSCI CANADA INDEX FUND	20.00%
ISHARES MSCI SWEDEN INDEX FUND	25.00%
ISHARES MSCI NETHERLANDS	25.00%
ISHARES MSCI TAIWAN INDEX FUND	10.00%
SPDR S&P 500 TRUST	5.00%
FDIC CASH NOT COVERED BY SIPC	1.00%

MRM All Domestic Equity

APPLE INC COM	5.00%
AMERICAN INTL GROUP INC	5.00%
AMAZON COM INC	5.00%
CENTENE CORP DEL	2.00%
COSTCO WHSL CORP NEW	5.00%
CSX CORP	5.00%
GENERAL MTRS CO COM	5.00%
ALPHABET INC CAP STK CL C	6.00%
HOME DEPOT INC	5.00%
INTERNATIONAL BUSINESS MACHS	5.00%
MICROSOFT CORP	6.00%
METTLER TOLEDO INTERNATIONAL	5.00%
NETFLIX COM INC	5.00%
NIKE INC CL B	5.00%
NVIDIA CORP	5.00%
SHOPIFY INC CL A	5.00%
TARGET CORP	5.00%
TJX COS INC NEW	5.00%
TRACTOR SUPPLY CO	5.00%
ZSCALER INC COM	5.00%
FDIC CASH NOT COVERED BY SIPC	1.00%

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IMPORTANT DISCLOSURES

MRM Group, Inc. ("MRM") is a state-registered investment advisor and an independent management firm that is not affiliated with any parent organization. Using quantitative selection methods, each MRM strategy searches within a well-defined universe of securities, using consistent investment criteria to identify attractive investments and create diversified portfolios. MRM seeks to provide long-term capital growth.

STRATEGY	BENCHMARK	VEHICLES	CASH HOLDINGS *(When Potential Investments Look Unattractive)*
Dynamic Overlay	Morningstar Tactical Allocation	Domestic Securities	Up to 70%
All Domestic Equity	S&P 500 Total Return	Domestic Securities/ADR's	Up to 60%
Dynamic International	MSCI EAFE Gross	Exchange-Traded Funds (ETF's)/Other Securities	Up to 25%
Global Strategies	50% S&P 500 Total Return/ 50% MSCI EAFE Gross	Exchange-Traded Funds (ETF's)/Other Securities	Up to 50%
Tax-Advantaged Income	Dow Jones US Select Dividend Index	Domestic Securities	Up to 4%

The portfolios do NOT use inverse or leveraged ETFs. Universe vehicles may change, from time to time, when approved by the principal of MRM Asset Allocation Group at its sole discretion.

BENCHMARK NOTES

Effective Nov. 1, 2016 the Dynamic Overlay benchmark was changed to Morningstar's Tactical Allocation. The benchmark was applied retroactively to the beginning of the performance period, January 1, 2008. This change had the net effect of placing the Dynamic Overlay Model Portfolio in a more favorable light than would otherwise have been the case if we used the blended benchmark described below. Although this change had a favorable impact on the comparative effect on the model's performance but we believe the change in benchmark more appropriately aligns with our Dynamic Overlay Strategy in that it is designed a tactical allocation rather than a static blended benchmark of 75% S&P 500 Index Total Return and 25% MSCI EAFE. Morningstar's Tactical Allocation Category averages returns for the peer group based on the return of each fund within the group, for the period shown. The S&P 500 Index with dividends is an unmanaged composite of 500 large-capitalization companies whose data is obtained from the Standard & Poor's website. S&P 500 is a registered trademark of McGraw-Hill, Inc. The MSCI EAFE Gross Index is a free float–adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada, with data from the MSCI website using price with reinvestment of dividends. The performance of blended benchmarks is shown for comparison because MRM uses securities which track indices related to these products. The Dow Jones US Select Dividend Index comprises 100 stocks and aims to represent the U.S.'s leading stocks by dividend yield. An investment cannot be made directly into an index.

DISCLOSURES

MRM Group claims compliance with the Global Investment Performance Standards (GIPS®). MRM has been independently verified for the periods January 1, 2008 through December 31, 2021. The verification report is available upon request. Verification assesses whether (1) MRM has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) MRM's policies and procedures are designed to calculate the present performance in compliance with the GIPS standards. Verification does not ensure the accuracy of any specific composite presentation.

Valuations are computed and performance is reported in U.S. dollars. Client performance may differ based upon the structure of a particular investment program. For example, some programs are structured as wrap fee programs in which trading costs and brokerage commissions are included in one all-inclusive wrapped fee. As such, these costs may be higher than if the client were to pay trading costs and brokerage commissions separately. The standard management fee is 2.0%. Deviation from the model's diversified structure may result in different risk, return, and diversification characteristics and would therefore not be representative of the models.

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If you wish to modify or impose reasonable restrictions concerning the management of your account, or if your financial situation, investment objectives, or risk tolerance have changed, please contact your MRM Group investment advisor representative or contact the Manager at (800) 233-1944. We will contact you at least annually to determine if your investment goals, objectives, and risk tolerance have changed.

All MRM platforms are suitable for long term investing. Please read the fact sheets and disclosures for each platform carefully before investing.