
**Quarterly Commentary**
**March 31, 2022**

Dear Valued Client:

Inflation surging to 40-year highs, global supply chains broken by a pandemic, ubiquitous labor shortages, and a full-scale military invasion of Ukraine by Russia…we live in exciting times! These headwinds fueled a rise in volatility and pushed stocks lower in the first three months of the year. This environment reminds me of the Thomas Carlyle saying: "No pressure, no diamonds."

| US Equity Indexes | Q1 Return | YTD |
|---|---|---|
| S&P 500 | -4.60% | -4.60% |
| DJ Industrial Average | -4.10% | -4.10% |
| NASDAQ 100 | -8.91% | -8.91% |
| S&P MidCap 400 | -4.88% | -4.88% |
| Russell 2000 | -7.53% | -7.53% |

Source: YCharts.

**<u>Monthly Review of Market Drivers:</u>**

*January.* Federal Reserve signaled to investors that interest rates were going to rise much more quickly to deal with inflation. The S&P 500 ended January with the worst monthly return since March 2020 (the onset of the pandemic).

*February.* On February 24th, Russia invaded Ukraine. The conflict sent commodity prices such as oil, wheat, corn, and natural gas surging as commodity producers and end users feared production disruptions and reduced supply. The war combined with inflation concerns and anxiety over Federal Reserve rate hikes weighed on stocks again in February, and the S&P 500 declined for a second straight month.

| Commodity Indexes | Q1 Return | YTD |
|---|---|---|
| S&P GSCI (Broad-Based Commodities) | 33.13% | 33.13% |
| WTI Crude Oil | 34.42% | 34.42% |
| Gold Price | 6.61% | 6.61% |

Source: YCharts.

*March.* The Federal Reserve raised interest rates by 25 basis points, the first-rate hike in over three years. The rate hike was met with a "relief rally" in stocks that produced a solidly positive monthly return for the S&P 500 and carried the major indices to multi-week highs by the end of the quarter.

The first quarter of 2022 would be best characterized as volatile, as numerous threats to economic growth emerged. As we start the second quarter, we at DAC believe investors will be looking for incrementally positive progress on the geopolitical front as well as on inflation to be constructive on the market.

At DAC, we believe the best way to preserve purchasing power during inflation is to grow your income faster than the inflation rate. A portfolio of dividend growth stocks with increasing dividends can do just that. We have all lived through inflationary times and we believe that a dividend growth strategy is key in preserving purchasing power.

We understand the risks facing both the economy and the markets and are committed to help you navigate this investment environment. We have started the year strong by hosting calls with most of our portfolio companies and believe they will emerge from this current environment stronger than before. Companies with strong cash flows, strong brands, and strong pricing power will take share and make long-term investments to power future earnings and dividend growth.

Please rest assured that our entire team is dedicated to your success. Please do not hesitate to contact us with any questions, comments, or to schedule a portfolio review.

Your DAC Team

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