GALLIARD
Capital Management, LLC
ARCHITECTS OF INVESTMENT SOLUTIONS

1st Quarter 2022

We need to lean into change because change is constant, a Berkeley neuroscientist told us recently. Her talk certainly seems to be pertinent as we close out the first quarter of 2022. From interest rates to global instability, we have been confronted with challenges and opportunities, as we continually adapt our portfolios. Yet, in this sea of change there still is comfort in continuity. One of those constants is how we factor in "character" into our analyst perspectives on the securities we populate in our portfolios. We strive to bring this sense of balance as we continue to blend new concepts and opportunities, while adhering to the very foundations that have made us strong over the past quarter century.

But first, we have to acknowledge change was everywhere in the markets this past quarter. High inflation numbers printed during the quarter. Adding to that pressure was the Russian invasion of Ukraine, which will continue to feed the economic pressures in the months ahead. In a nod to the accelerating inflation, the Fed formally raised rates for the first time in recent memory at their meeting in mid-March as well as concluded their net asset purchase taper program. The economy is strong, yet both the fixed income and equity markets for the most part posted negative total returns for the quarter. Finally, the U.S. Treasury yield curve inverted temporarily as we neared the end of last month. That can be an indicator of a recession in our future, or at the very least that the inference is inflation will be markedly lower in longer timeframes than what we may experience in the near term.

Yet even in the midst of change – there are pockets of stability. One of those is our investment process and how we approach the "character" component within the credit review. This perspective has been incorporated in many acronyms over the years from SRI of years past to ESG of today. Ever since our inception, we have worked to factor in the impacts that character – environmental, social, and governance perspectives – can have on overall credit worthiness and stability. As a total return manager, our character inputs may not necessarily preclude an issuer from inclusion in our portfolios, but it does impact the way we may look at a particular issuer (or credit sector for that matter) in the final allocations to our portfolios. We have factored in the review of "character" since we opened our doors in 1995 and will continue to incorporate into our portfolio construction thinking, as ESG considerations become increasingly important to all of us over the years to come.

One final thought on continuity in the midst of change. Many of you know us for our stable value management and in particular our management of one of the largest stable value pooled funds in the nation, the Wells Fargo Stable Return Fund. We are very pleased to note that effective April 1st, the name of that fund was officially changed to the Galliard Stable Return Fund. We are honored by this change, as Galliard can trace its roots back on this fund not just to the inception of the firm, but to staff that were involved with the management of the fund since the fund inception in 1985.

There's plenty of excitement here at the firm to manage through this sea of change. We're looking forward to giving you updates on our progress in the months to come.

Ajay Mirza, Mike Norman, and Andrew Owen

Senior Managing Principals