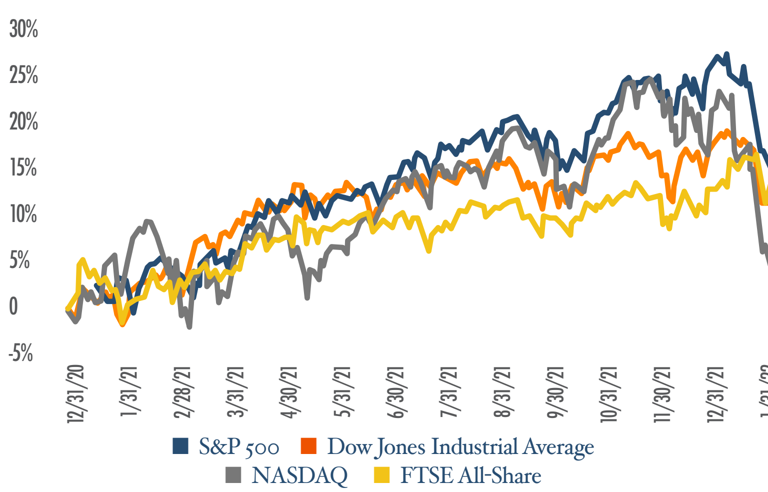
I. YEAR BEGINS WITH HIGH VOLATILITY AND MARKET UNCERTAINTY

Global stock markets in the developed world for the first month of 2022 are experiencing a turbulent start with the CBOE Volatility Index (VIX) at a high of 31.96, which it has not reached since the peak of Covid in January of 2021. Through January, the major USA stock indices have all reported losses of at least -4%, while the UK market has remained flat with -0.6% loss in the FTSE All-Share Index. The Nasdaq Composite Index has reported a loss of approximately -12% as the shadows of rising interest rates from the Fed, higher inflation and increased volatility are causing investors to shift away from the tech sector toward safe harbor investments that provide less growth but more consistent dividend income. As the omicron variant continues to cause supply chain issues for companies and global political uncertainty continues with Russia and the Ukraine, there is a quest for certainty in the market and until this is restored, volatility will continue to be an issue in 2022.

II. 2021 – A BANNER YEAR

Chart I: *Global Index Returns 2021-2022*



The performance of global stock markets was markedly different in 2021. In the United States, the S&P 500 index reported a return of 26.9% for the year. The Dow Jones industrial average gained 18.7%, while the Nasdaq Composite Index returned 21.4%. Compared to the United Kingdom, the FTSE All-Share index reported a return of 14.6% for 2021. The stock market continued to generate strong returns in both the USA and UK, despite the continued prevalence of the Covid-19 pandemic and new Delta and Omicron variants. In the United States, the S&P 500 Index sustained record highs throughout 2021.

In 2021, the USA stock market performance was aided by a robust recovery in the labor market. The USA averaged 537,000 job creations each month through 2021. The unemployment rate dropped from 6.3% in January to 3.9% in December and is forecasted to be below 3.5% by the end of 2022. However, one area of concern in the USA, UK and EU economies is dramatic rise in inflation. The U.S. consumer price index climbed 7% in 2021, the largest gain since 1982. The USA economy continues to see demand outpacing supply for goods and finding even greater disruptions in the supply chain with the impact of the Omicron variant. The Federal Reserve has signaled that they could raise interest rates several times in 2022 to combat higher inflation while at the same time instituting tapering.

Similar to the USA economic conditions, inflation in the UK has risen to its highest level in thirty years to 5.4% in December 2021 and is expected to reach 6% in the coming months. In an effort to combat rising inflation, the UK C entral Bank raised its benchmark policy rate from 0.1% to 0.25% in December and is expected to make a further increase of 0.5% in February 2022. This would be the first back-to-back interest rate hikes in the UK since 2004 and may signal a rapid global tightening of monetary policy as other developed nations enact similar interest rate increases to further combat inflation.

III. LARGE CAP STOCKS TOP PERFORMING SHARES

A trend of investment began in 2021 with a surge of individual first-time retail traders teaming up to drive up the value of individual stocks that were heavily shorted by hedge funds. Two stocks that witnessed a significant rise in value in 2021 were GameStop Corp. (NYSE:GME) and AMC Entertainment Holdings Inc. (NYSE:AMC). GameStop (NYSE:GME), the video game retailer saw its shares increase 1745% from $18.84 to $347.51 in the month of January. The sharp rise in share price of GameStop shares, triggered massive short covering among hedge funds that had shorted the stock and fueled the rally even further. AMC Entertainment Holdings Inc. (NYSE:AMC) , which owns and operates movie theaters across the country, saw shares increase over a two-week period in May-June from $12.08 to $62.55%, a 2769% increase from the starting value in 2021, and a 2769% increase over the $2.12 price in January 2021. Both AMC and GameStop are now trading below their high-level marks, but still reported a 1183.0% and 687.6% increase over the full 2021 year.

The automotive sector had two stocks that saw gains of at least 280% in 2021. Electric vehicle manufacturer Lucid Group, Inc. (NASDAQ:LCID) rose 280% and car rental Avis Budget Group, Inc. (Nasdaq:CAR) rose 456% in 2021. Lucid Group merged with the SPAC listing Churchill Capital Corp IV (NSYE:CCIV) in July of 2021 and the company is developing luxury EV vehicles that will have the longest-range rating by the U.S. Environmental Protection Agency at 520 miles, more than 100 miles more than the Tesla Model S. The Company has reservations for 13,000 vehicles and is expanding its manufacturing facility to a capacity of 90,000 vehicles by the end of 2023. With the return of business and vacation travel in 2021 as vaccines were rolled out across the U.S., Avis Budget Group experienced steady growth in the first 10 months of 2021 from $35.44 in January to $171.36 (384% increase) in the start of November. The stock doubled in one day to a high of $357.17 on November 2nd with stronger than anticipated earnings announcement of $10.74 per share that was more than $4 than consensus estimates.

After several years of under-performance due to the pandemic, oil and gas stocks were the top performing groups in the S&P 500 Index for 2021. The recovery in oil prices and gas prices and increase in demand due to the increase in travel has seen the sector rebound tremendously in 2021. Two of the best performing large-cap stocks of 2021 included oil and gas exploration and production companies Devon Energy Corporation (NYSE:DVN) (178.6% gain) and Continental Resources (NYSE:CLR) (174.6% gain).

Table I: *Best Performing Large Cap U.S. Stocks 2021*

Company Name	Primary Industry	Headquarters Country	Return	Market Capitalization ($bn) 12/31/21
AMC Entertainment Holdings, Inc. (NYSE:AMC)	Movies and Entertainment	United States	1183.0%	14.0
GameStop Corp. (NYSE:GME)	Computer and Electronics Retail	United States	687.6%	11.3
Avis Budget Group, Inc. (Nasdaq:CAR)	Trucking	United States	456.0%	11.7
Lucid Group, Inc. (Nasdaq:LCID)	Automobile Manufacturers	United States	280.1%	62.6
Upstart Holdings, Inc. (Nasdaq:UPST)	Consumer Finance	United States	271.3%	12.4
BioNTech SE (Nasdaq:BNTX)	Biotechnology	Germany	216.2%	62.3
Synaptics Incorporated (Nasdaq:SYNA)	Semiconductors	United States	200.3%	11.4
Devon Energy Corporation (NYSE:DVN)	Oil and Gas Exploration and Production	United States	178.6%	29.8
Continental Resources, Inc. (NYSE:CLR)	Oil and Gas Exploration and Production	United States	174.6%	16.1
Alcoa Corporation (NYSE:AA)	Aluminum	United States	158.5%	11.1

IV. LARGE CAP STOCKS BOTTOM PERFORMING SHARES

Three stocks that had significant gains at the start of the pandemic in 2020 had significant losses in 2021. Peloton Interactive Inc. (NASDAQ:PTON) gained 410% in 2020; however, they generated a -76.4% loss in 2021. The company which makes stationary bikes and treadmills and offers a subscription service to fitness classes generated significant returns in 2020 as gyms across the country closed due to the Covid-19 pandemic and people were pushed to at-home workouts. As the country began to open up, subscription levels declined and sales fell by approximately 20% in 2021. Additionally, the company was forced to recall their treadmill due to safety concerns. Similar to Peloton, Zillow Group, Inc. (NasdaqGS:ZG) saw a -54.2% decline in 2021 after posting a 197.2% increase in 2020. The company which benefitted greatly from the pandemic fueled property market, saw a sharp decline in share price after announcement they would be ending its Zillow Offers program (in which the company would buy homes directly and attempt to sell later at a higher price.) Teladoc Health Inc. (NYSE:TDOC) which facilitates telemedicine doctor visits saw a 139% increase in 2020 as doctor offices around the country shifted to telemedicine visits due to the Covid-19 pandemic. However, as doctor offices began to fully open back up in 2021, the company has declined 54.1%.

Table II: *Worst Performing Large Cap U.S. Stocks 2021*

Company Name	Primary Industry	Headquarters Country	Return	Market Capitalization ($bn) 12/31/21
Peloton Interactive, Inc. (Nasdaq:PTON)	Leisure Products	United States	-76.4%	11.8
KE Holdings Inc. (NYSE:BEKE)	Real Estate Services	China	-67.3%	24.0
Pinduoduo Inc. (Nasdaq:PDD)	Internet and Direct Marketing Retail	China	-67.2%	73.1
DiDi Global Inc. (NYSE:DIDI)	Trucking	China	-64.8%	24.0
Tencent Music Entertainment Group (NYSE:TME)	Movies and Entertainment	China	-64.4%	11.6
Lufax Holding Ltd (NYSE:LU)	Consumer Finance	China	-60.4%	13.9
Zillow Group, Inc. (Nasdaq:ZG)	Real Estate Services	United States	-54.2%	16.2
Teladoc Health, Inc. (NYSE:TDOC)	Health Care Technology	United States	-54.1%	14.7
Coupa Software Incorporated (Nasdaq:COUP)	Application Software	United States	-53.4%	11.8
RingCentral, Inc. (NYSE:RNG)	Application Software	United States	-50.6%	17.5

V. CLOSED-END FUNDS – HIGHEST DIVIDEND YIELD

Dividend paying investments are an important part of any portfolio and a strong strategy for generating income over time. High dividend producing companies can offer an alternative to low yield producing fixed income and government bond sectors. One particular financial instrument that is designed to translate their total returns into consistent predictable income over time through a high dividend stream are close-end funds (CEFs). CEFs can invest in specialized, less liquid sectors that open-end funds may avoid such as real estate, alternative securities and private placements. CEFs are able to apply leverage to gain greater exposure and amplify returns.

The CEF with the highest dividend yield in 2021 was Suro Capital Corp. (NASDAQ:SSSS) which delivered a 61.8% dividend yield. Suro Capital seeks to invest in high-growth, venture backed companies and returned $8.00 dividend per share in 2021. Suro Capital is founded by Michael Klein who also raised a series of SPACs under the Churchill Capital series name.

The Manager of the greatest number of high yield dividend CEFs in 2021 was Allianz, the German insurance company. The company manages four of the top fifteen highest dividend yielding CEFs in 2021. Their highest yield CEFs were The China Fund, Inc. (NYSE:CHN) 39.8% and The Korea Fund, Inc. (NYSE:KF) 26.5% which focus on country specific public equity investments. Additionally, Allianz was the manager of AllianzGI Diversified Income & Convertible Fund (NYSE:ACV) (24.2% dividend yield) and Virtus AllianzGI Artificial Intelligence & Technology Opportunities Fund (NYSE:AIO) (20.2% dividend yield).

Other managers with multiple CEFs in the top fifteen for dividend yield include Cornerstone and RiverNorth. Cornerstone funds include Cornerstone Total Return Fund, Inc. (NYSE:CRF) (15.1% dividend yield) and Cornerstone Strategic Value Fund, Inc. (NYSE:CLM) (14.3% dividend yield) which both invest in value and growth stocks across all market capitalizations. In addition to high dividend yields, both funds generated share price returns of over 20% in 2021. RiverNorth funds include RiverNorth Opportunities Fund, Inc. (NYSE:RIV) (15.1% dividend yield) and RiverNorth/DoubleLine Strategic Opportunity Fund, Inc. (NYSE:OPP) (13.4% dividend yield); however, both of these funds had slightly negative share prices returns of approximately -1% in 2021.

Dividend producing assets will continue to be an attractive asset for producing income and protecting against volatility in 2022.

Table III: *Highest Dividend Yield Close-End Funds 2021*

Company Name	Market Capitalization ($m) 12/31/21	Dividend Yield (%) 12/31/21	Share Price Return 1 Year %
SuRo Capital Corp. (Nasdaq:SSSS)	372.7	61.8%	(1.07%)
The China Fund, Inc. (NYSE:CHN) (Managed by Allianz Global Investors)	190.9	39.8 %	(36.0%)
The Korea Fund, Inc. (NYSE:KF) (Managed by Allianz Global Investors)	173.3	26.5%	(14.8%)
AllianzGI Diversified Income & Convertible Fund (NYSE:ACV)	333.9	24.2%	(1.32%)
Virtus AllianzGI Artificial Intelligence & Technology Opportunities Fund (NYSE:AIO)	851.3	20.0%	(5.99%)
OFS Credit Company, Inc. (Nasdaq:OCCI)	102.9	16.5%	6.9%
Bancroft Fund Ltd. (NYSE:BCV)	145.8	15.6%	(12.3)%
Adams Diversified Equity Fund, Inc. (NYSE:ADX)	2,155.0	15.4%	12.3%
Sixth Street Specialty Lending, Inc. (NYSE:TSLX)	1,709.9	15.3%	12.7%
Cornerstone Total Return Fund, Inc. (NYSE:CRF)	855.6	15.1%	20.6%
RiverNorth Opportunities Fund, Inc. (NYSE:RIV)	208.9	14.3%	(0.932%)
Cornerstone Strategic Value Fund, Inc. (NYSE:CLM)	1,109.9	13.9%	21.8%
RiverNorth/DoubleLine Strategic Opportunity Fund, Inc. (NYSE:OPP)	272.9	13.4%	(0.838%)
Stone Harbor Emerging Markets Income Fund (NYSE:EDF)	112.2	12.9%	(17.6%)
Clough Global Opportunities Fund (NYSE:GLO)	423.7	12.3%	(4.23%)

VI. TOP PERFORMING ETF FUNDS

An Exchange Traded Fund (ETF) is a basket of securities that often track an underlying index and are listed on stock exchanges allowing investors to trade throughout the day. ETFs are a more liquid security than traditional mutual funds. The ETF industry has seen tremendous growth over the past decade and global AUM is over $9 trillion.

The top performing ETF in 2021 was the Breakwave Dry Bulk Shipping ETF which returned nearly 283%. The Breakwave Dry Bulk Shipping ETF is focused exclusively on dry bulk shipping and with supply chain issues around the globe, the demand for dry bulk shipping has increased dramatically. The fund provides long exposure to the dry bulk shipping market through a series of near-dated freight futures on dry bulk indices including iron ore, coal, grains, steel, cement, forest products agricultural products, non-ferrous minerals and metals.

Energy focused ETFs made up a majority of the top performing ETFs in 2021. Six of the top ten ETFs were focused on carbon, oil and gas and consumable fuels. The top performing energy related ETF was iPath® Global Carbon ETN. The fund is linked to the performance of the Barclays Global Carbon II TR USD Index. The Index provides exposure to the price of carbon as measured by the return of future contracts on carbon emissions credits from two of the world's major emissions-related mechanisms. Other notable top performing energy ETFs in 2021 include MicroSectors™ U.S. Big Oil Index 3X Leveraged ETNs (165.46%), iPath® Bloomberg Energy Subindex Total Return(SM) ETN (151.18%) and ProShares Ultra Bloomberg Crude Oil (139.26%).

An additional sector with multiple top performing ETFs in 2021 was real estate. Two of the top 10 best performing ETFs operate in the U.S. real estate sector, including Direxion Daily Homebuilders & Supplies Bull 3X Shares (168.2%) which invests in companies in the home construction sector and Direxion Daily MSCI Real Estate Bull 3X Shares (153.42%) which invests in large-, mid- and small capitalization segments of the U.S. equity universe in the real estate sector. Homebuilding in the United States surged to an eight-month high in November due to an acute shortage of properties on the market which drove the performance in Direxion Daily Homebuilders & Supplies Bull 3X Shares.

ETFs will continue to be an active area for investment in 2022. Should inflation continue through 2022, sector specific ETFs could continue to generate strong returns including real estate, energy and banking.

Table IV: *Top Performing ETFs 2021*

Fund	2021 Total Return	Ticker	Category	Expense Ratio
Breakwave Dry Bulk Shipping ETF	282.99%	BDRY	Alternatives: Freight Dry Freight	3.76%
iPath® Global Carbon ETN	245.86%	GRN	Commodities Focused	0.75%
Large Cap Growth Index-Linked ETN due 2028	197.28%	FRLG	Large Growth	1.46%
Direxion Daily Homebuilders & Supplies Bull 3X Shares	168.2%	NAIL	Leveraged Equity: U.S. Housing	1.00%
MicroSectors™ U.S. Big Oil Index 3X Leveraged ETNs	165.46%	NRGU	Leveraged Equity: U.S. Oil, Gas & Consumable Fuels	0.95%
Direxion Daily MSCI Real Estate Bull 3X Shares	153.42%	DRN	Leveraged Equity: U.S. Real Estate	0.99%
iPath® Bloomberg Energy Subindex Total Return(SM) ETN	151.18%	JJE	Commodities Focused	0.45%
ProShares Ultra Bloomberg Crude Oil	139.26%	SCO	Inverse Commodities: Energy Crude Oil	0.95%
iPath® Bloomberg Tin Subindex Total Return(SM) ETN	119.91%	JJT	Commodities Focused	0.45%
ProShares Ultra Oil & Gas	115.57%	DIG	Leveraged Equity: U.S. Oil, Gas & Consumable Fuels	0.95%

CONCLUSIONS

One of the most significant factors impacting share performance in global markets will be the decision of the Federal Reserve in the USA to raise interest rates to combat inflation joined by other G-7 countries. The Fed has signaled that there could be up to four interest rate increases in 2022. This, coupled with the end of government stimulus has precipitated market corrections globally. The impact of interest rates could create significant volatility in the stock market as investors shift out of the stock market to lower risk assets such as bonds. The Federal Reserve has signaled a possible 0.25%-0.50% increase in its benchmark rate in March 2022. This is causing turmoil in the U.S. stock market with a ripple effect to other capital markets. Tech and growth sectors that do well when financing costs are low are impacted by interest rate movements. Netflix, Inc. (NASDAQ:NFLX) witnessed a 21%+ decline in share value in one day after announcing lower forecasted subscriber growth as streaming competition affects its growth. There is potential for further stock market corrections throughout 2022 as markets react to further interest rate hikes. Value-oriented sectors such as financials, insurance energy and industrial sectors may continue to rise in the first half of 2022. Financial stocks generally benefit from higher interest rates as banks charge borrowers more, while not increasing deposit rates.

In addition to rate increases, the Fed announced in December 2021 that it would accelerate the pace in reducing its balance sheet. During the pandemic the Fed increased its bond portfolio to $8.3 trillion ($5.65 trillion in treasuries and $2.65 trillion in MBS) and could look to taper their holdings in 2022 as bonds begin to mature. Following the 2008 financial crisis, the Fed stopped adding to its bond position by 2014, and in 2018 started to shrink its position by not reinvesting the repaid principal of maturing bonds. The Fed allowed approximately $650bn of bonds to mature in 2019, but was forced to suspend reinvestment after the short-term credit market destabilized as too much money had been removed from the system. The Fed has since put in place a standing repo facility to support companies that are short of cash, thus allowing the Fed to reduce its balance sheet at a faster pace in 2022.

Additionally, it is anticipated that closed end funds will benefit from the ongoing increase in total assets of $307 billion ($25 billion increase through the first three quarters of 2021) and that in order to diversify risk and maintain high yield returns, some investors will focus on rated funds with diversified portfolios.

ABOUT WINCHESTER CAPITAL

Co-founded in 1986 by our Chairman, Ceasar N Anquillare JP and the Harriman Family Office of Brown Brothers Harriman, Winchester Capital is engaged in global research and asset management. Research is based at Winchester House located adjacent to Yale University in New Haven, CT USA with offices also in St James's Square, London UK. Our Clients include family offices, international asset management firms, private equity funds and institutional investors. We operate as a family office and manage our own capital. Following sustained returns (34.9% in 2021) we launched Winchester Capital Investments, a private limited partnership with a focus on closed end funds and exchange traded fund strategies.

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