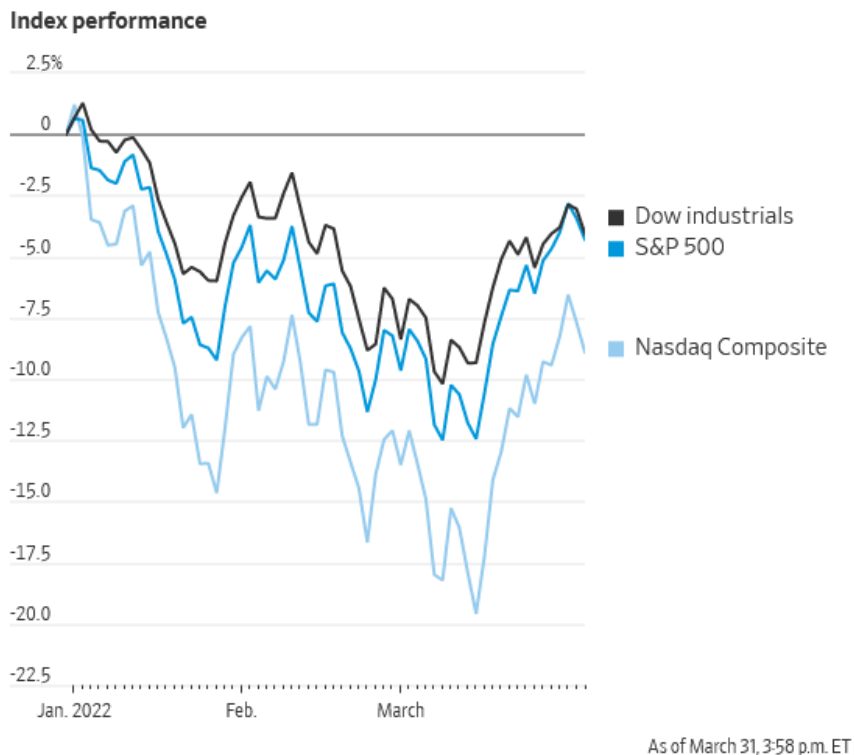


American Radio Relay League
Treasurer's Report
Rick Niswander, K7GM
For the quarter ended March 31, 2022

After a great market in 2021, the new year did not start on an auspicious note. There was no safe place for most of the quarter and both stocks and bonds were in negative territory.

Equities started to swoon almost immediately after the ball dropped in Times Square and by early March major indices were down between 10% and 20%. Only a vigorous rally in the last couple of weeks prevented a rout for the quarter.



The NASDAQ was the worst performer as increasing interest rates hammered growth stocks, many of which have scant (at best) earnings. On a theoretical level, stocks are valued at the present value of their future cash flows. When interest rates are low, the discount on future earnings is small which means values are high. When rates rise, the increased discount has an outsized negative effect on stock prices.

For the quarter, the total return (price change plus dividend income) of the broad market, measured by the Russell 3000, recorded a loss of 5.28%.

The only semi-safe place for equities was in value stocks. The graphic below is the Morningstar matrix for Q1 of 2022. It provides total returns for various combinations of types of stocks (value, mid, and growth) and company size (small, mid, and large). For many years, growth trounced value. For the last year or so, the gap has been shrinking and in the first quarter of 2022 the spread was big in favor of value. Our portfolio has a slight tilt towards value, so we have benefitted a bit so far this year.

		Value	Core	Growth
	US Market	2.35%	-5.45%	-11.97%
Company Size	Large Cap	1.63%	-5.99%	-13.55%
	Mid Cap	4.85%	-5.13%	-16.01%
	Small Cap	1.80%	-6.23%	-13.37%

Data as of 03-31-22

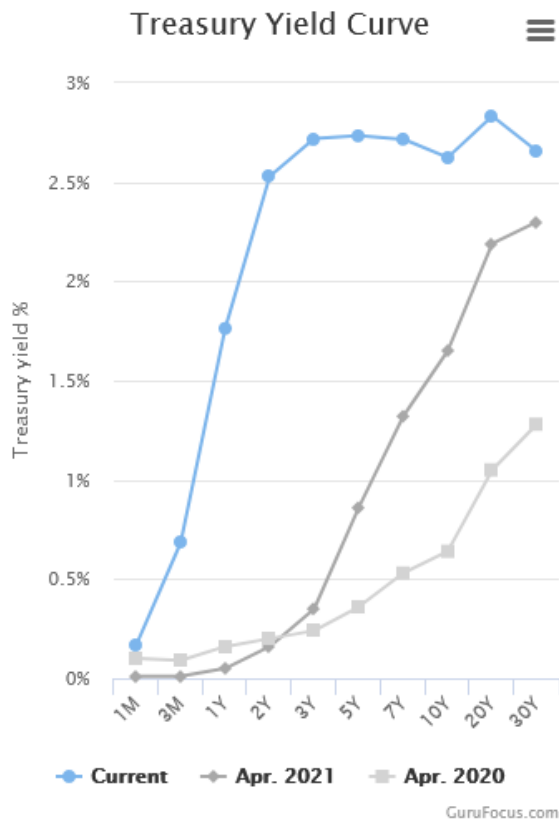
International equities also suffered in the quarter, with the international total return index falling 5.07%, just slightly better than the Russell 3000.

The bond market suffered a significant loss in the quarter, from a bond perspective. Remember that bond prices and interest rates move in opposite directions. We have been in a 40-year period of falling interest rates. Ups and downs for sure, but overall down. That worm is beginning to turn.

Historically we have held bonds with maturities of 5 years or less. The price movement for these bonds is normally very modest. Last year short-term interest rates started to slowly creep up in the 4th quarter and our 1-5 year index was negative for the year, an outcome that has not occurred in at least 20 years.

Interest rates, particularly short- and medium-term interest rates, accelerated their increase in the first quarter of 2022. For example, the yield on 3-5 year corporate bonds rose from 1.76% to 3.51%. In the bond world, that is a big jump in a quarter for short term rates.

In the last year, rates have increased across the board. The graphic below is the yield curve on Treasuries of maturities from 1 month to 30 years. Rates at every maturity have increased, particularly in the 1-5 year range. While that is good in that we can now earn some interest income at a rate that is discernable from zero, it is bad in that bond prices fell during the quarter.



All this means that the bond market was not a safe place to be in Q1 2022 either. The 1-5 year total return index was down 3.52% for the quarter. With the Fed starting to enter a Fed Funds rate increase cycle, it is likely that shorter term rates will continue to increase during much of the year resulting in lower bond values.

Normally, we don't care much about interest rate wobbles because we hold our bonds to maturity. Over the life of the bond we will earn exactly what the yield was on the day we bought it. However, with the switch to an external Investment Manager, the bond portfolio will be liquidated. I started that process fairly aggressively right after the first of the year and by the end of March had sold \$7.5 million (face) of individual bonds leaving us with \$2.1 million. In the first few days of April I sold another \$1 million. The remaining bonds are set to mature between now and November 9. I plan to sell bonds that are priced above par value and retain (for normal repayment on the due date) those bonds priced below par since their prices will rise to par value upon repayment.

One advantage of selling all those bonds is that the proceeds then sat in the money market account. It did not earn much interest, but it did avoid much of the 3.5% decline in the bond index for the quarter.

ARRL Portfolio

For the first quarter of 2022, our portfolio recorded a total return (price changes plus interest and dividends) of (\$1,074,128), or a decrease of 2.83%. The portfolio benchmark decreased by 4.65%. So, we beat the benchmark by 1.82%. This significant overperformance was a result of missing much of the bond market decreases, a tilt towards value stocks which outperformed growth stocks, and simplifying the stock portfolio during the quarter.

When comparing benchmark return to actual return, variability from quarter-to-quarter or year-to-year should be expected. Comparisons should be made with caution over three-to-five-year time horizon. Further, comparison indexes do not include any transaction/holding costs (trading commissions and annual fees). While our transaction/holding costs are low, they are not zero.

The top of Appendix B provides detail concerning the dispersion of investment portfolio assets across investment classes. The portfolio conforms to the Investment Policy Statement. While the proportion of bonds is lower than normal and the proportion of cash is higher than normal, the Investment Policy Statement revised last July states that bonds and cash are to be considered together with a target of 35% and a range of 30-40%. The bonds+cash component conforms to those parameters.

We started the quarter with \$37,684,305, had a total return of (\$1,074,128), added contributions of \$279,397, transferred zero to the general account, and ended the quarter with \$36,889,574.

Appendix A

American Radio Relay League Portfolio Flow - Two Years

de K7GM

	Investment Portfolio Market Value
Balance, March 30, 2020	<u>28,666,398</u>
Additions from contributions	329,767
Subtractions	0
Total Return	<u>2,509,707</u>
Balance, June 30, 2020	<u>31,505,872</u>
Balance, June 30, 2020	31,505,872
Additions from contributions	545,360
Subtractions	0
Total Return	<u>1,187,485</u>
Balance, September 30, 2020	<u>33,238,717</u>
Balance, September 30, 2020	33,238,717
Additions from contributions	98,311
Subtractions	0
Total Return	<u>1,878,823</u>
Balance, December 31, 2020	<u>35,215,851</u>
Balance, December 31, 2020	35,215,851
Additions from contributions	35,610
Subtractions	0
Total Return	<u>428,677</u>
Balance, March 31, 2021	<u>35,680,138</u>
Balance, March 31, 2021	35,680,138
Additions from contributions	157,126
Subtractions	0
Total Return	<u>1,376,997</u>
Balance, June 30, 2021	<u>37,214,261</u>
Balance, June 30, 2021	37,214,261
Additions from contributions	22,315
Subtractions	(500,000)
Total Return	<u>(266,976)</u>
Balance, September 30, 2021	<u>36,469,600</u>
Balance, September 30, 2021	36,469,600
Additions from contributions	49,048
Subtractions	(500,000)
Total Return	<u>1,665,657</u>
Balance, December 31, 2021	<u>37,684,305</u>
Balance, December 31, 2021	37,684,305
Additions from contributions	279,397
Subtractions	0
Total Return	<u>(1,074,128)</u>
Balance, March 31, 2022	<u>36,889,574</u>

Two-Year Summary

Beginning Balance, March 31, 2020	28,666,398
Cumulative Additions from contributions	1,516,934
Cumulative Subtractions	(1,000,000)
Cumulative Market Returns	<u>7,706,242</u>
Ending Balance, March 31, 2022	<u>36,889,574</u>

Appendix B

American Radio Relay League

de K7GM

Portfolio Composition as of March 31, 2022

	Fair Value	Portfolio Percentage	Amortized Cost
Investment Portfolio			
Stock (of which \$1,417,961 is international)	23,876,973	64.7%	17,539,803
Bond (of which \$0 is preferred)	4,286,130	11.6%	4,277,916
Cash	8,726,471	23.7%	8,726,471
Total Investment Portfolio	<u>36,889,574</u>	<u>100.0%</u>	<u>30,544,190</u>

American Radio Relay League

Portfolio Return and Total Return Metrics

	2022 1st Quarter	Calendar Year 2021	Calendar Year 2020	Calendar Year 2019	Calendar Year 2018	Calendar Year 2017	Calendar Year 2016	Calendar Year 2015	Calendar Year 2014	Calendar Year 2013	Calendar Year 2012
Applicable Total Return Indices											
US Stock - Russell 3000 TR	-5.28%	25.66%	20.89%	31.02%	-5.21%	21.13%	12.74%	0.48%	12.56%	33.55%	16.42%
Foreign Stock - FTSE AW Ex US TR	-5.07%	8.66%	11.52%	22.20%	-13.87%	27.47%	5.12%	-4.46%	-3.04%	15.63%	17.80%
Bonds - Bloomberg US Agg 1-5Yr TR	-3.52%	-1.08%	4.30%	5.13%	1.37%	1.30%	1.65%	1.07%	1.69%	0.25%	2.21%
Federal Money Market	0.00%	0.00%	0.02%	0.60%	0.20%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Benchmark Blended Total Return (60%US, 5% Intl, 35% bonds, 0% mmkt)	-4.65%	11.38%	11.91%	16.98%	-2.11%	11.11%	6.66%	0.48%	6.26%	15.99%	9.28%
Benchmark Bended Total Return (above)	-4.65%	11.38%	11.91%	16.98%	-2.11%	11.11%	6.66%	0.48%	6.26%	14.06%	9.28%
Actual Total Return											
In Percent	-2.83%	9.03%	7.71%	15.86%	-1.75%	10.11%	6.49%	-0.74%	5.77%	14.66%	11.04%
In Dollars	(1,074,128)	3,204,355	2,478,566	4,385,001	(486,201)	675,202	1,424,271	(160,892)	1,220,626	2,654,016	1,769,299

Notes:

Returns for greater than one quarter will be different than the sum of the quarterly returns because of compounding

The Russell 3000 Index is a measure of the total US stock market.

The FTSE index measures the World (All World) stock market, minus the US market

The Bloomberg index measures the aggregate US bond market for maturities of 1-5 years (generally the maturity of our portfolio)

The Benchmark Blended Total Return is calculated from the above indexes in the proportions noted. It represents the expected return on the portfolio.

The Actual Total Return is calculated based on the dollar amount of Total Return relative to the original principal amount for the period calculated.

If there are significant increases or decreases to the investment portfolio in the period, the calculated Actual Total Return is adjusted accordingly.