NAVELLIER

Calculated Investing

www.navellier.com

1987-2022 35 YEARS NAVELLIER

INVESTMENT COMMENTARY & OUTLOOK

April 2022

The first quarter stumbled out of the gate, but finished strong during March's quarter-end window dressing. The big change in the Navellier portfolios is that we have added companies we believe will profit from inflation to our portfolios. Specifically, energy, fertilizer, food, and shipping companies are more prevalent in our portfolios. These companies have pricing power and are benefitting from the stagflation that has enveloped the world in the wake of Russia's invasion of Ukraine, which has further disrupted commodity markets and global supply chains.

While Europe is slipping into a recession, the U.S. remains an oasis around the world. The U.S. manufacturing sector is benefitting from strong order backlogs, while the U.S. service sector remains very strong. The strength behind the U.S. economy remains the U.S. consumer, since consumer sentiment surged in March and consumer spending/credit growth remains strong. The recent rise in interest rates and the anticipation of more Fed rate hikes has not yet "pricked" the housing bubble, since median prices continue to rise and new home starts remain amazingly strong.

As an example of strong consumer spending, the Commerce Department announced that retail sales rose 0.5% in March and that February's retail sales were revised up to a 0.8% increase (up from 0.3% previously reported). Overall, stagflation still persists, since inflation is outpacing retail sales, but we are encouraged by some of the details in the March retail sales report that consumers are still spending outside of gasoline sales.

Although consumers may be happy in the U.S., the population of Shanghai are not happy campers due to the oppressive Covid lockdown by Chinese authorities. Shanghai is three times larger than New York City and its citizens have been forced to remain in their apartments and undergo mass virus testing. Shanghai citizens who test positive are forcefully put into mass quarantine centers with 24/7 lighting and no showers. If a Shanghai citizen cannot have someone take care of their pets, they are killed by the Covid authorities.

Shanghai accounts for a tremendous amount of China's GDP and operates its biggest port. Both Apple and Tesla have been negotiating to restart their respective production that stalled due to the oppressive Covid lockdown. Essentially, if Apple and Tesla are allowed to restart production, their workers must sleep at the manufacturing plants while the Covid lockdown persists in Shanghai.

When China announced that its GDP rose at a 4.8% annual pace in the first quarter, many economists were skeptical that this GDP growth can be sustained due to the Shanghai lockdown and the fact that home sales have fallen 25.6% in the first quarter in the wake of the Evergrande debt crisis. Officially, Chinese officials

Investment in equity securities involves substantial risk and has the potential for partial or complete loss of funds invested. Please read important disclosures at the end of this report. NCD-22-0440

are expecting 5.5% annual GDP growth in 2022, so unless there is a surge in the second half of this year, it looks like China will fall short of its GDP growth goal.

Due to the fact that China's economic growth has stalled and much of Europe is in a recession, many economists now believe that inflation "peaked" in March. Obviously, any inflation relief will be welcome, but the real break in energy inflation may be postponed until September, when worldwide demand naturally falls as the weather cools in the Northern Hemisphere.

The Wall Street Journal recently had a great article pointing out that in the past 80 years the Fed has never been able to lower inflation "as much as it is setting to do now … by 4% … without causing a recession." The key this time around is the unemployment rate is very low and consumers are still increasing their credit card debt, which is a sign of consumer confidence. Jamie Dimon, the JPMorgan CEO, recently said, "Charge-offs are extraordinarily good," and added, "As a matter of fact, way better than they should be." So if credit remains available to consumers, it is very possible that the Fed could engineer a soft landing and avoid a recession as key interest rates rise.

Treasury yields continue to rise as the Fed unwinds its quantitative easing. The 10-year Treasury bond yield is at its highest level in three years and should "crack" the 3% level soon. However, soaring intermediate yields and the threat of more yield curve inversions are what really rattles investors.

Despite some profit taking in technology stocks as Treasury yields rose, it is important to remind investors that interest rates have very little, if anything, to do with technology stocks. Wall Street loves to try to shake investors out of growth stocks before their quarterly earnings announcements. It is important to remind all investors to wait for the first-quarter announcements that will commence next week for our growth stocks.

SUMMARY

We are amazed that the first-quarter earnings continue to accelerate after we added energy, fertilizer, food, and shipping companies to our portfolios. Frankly, we were expecting earnings to decelerate due to more difficult year-over-year comparisons, but after adding more inflation plays to our portfolios, our stocks are still sustaining strong sales and earnings momentum.

In the current stagflation environment, your best inflation hedges are your home and stocks that are prospering from inflation. As the Fed raises key interest rates in the upcoming months to "catch up" with market rates, the Fed may "prick" the housing bubble a bit. As a result, I expect your best hedge against rising interest rates is companies prospering from the current inflationary environment.

Although the Ukraine war is now concentrated in the East and along the Caspian Sea, the Russia invasion of Ukraine is not over and threatens to draw in NATO countries; so uncertainty persists, which will weigh on markets and can cause much bigger spikes in the prices of oil and other commodities than what we have already seen.

In an uncertain environment, our best defense has always been a strong offense of fundamentally superior stocks that are poised to post strong quarterly sales and earnings. We are also encouraged by the fact

Investment in equity securities involves substantial risk and has the potential for partial or complete loss of funds invested. Please read important disclosures at the end of this report.

that the analyst community continues to revise their consensus earnings estimates higher. In fact, we are confident that our stocks will continue to be the crème de la crème in a fast changing and seemingly chaotic market environment!

LOUIS G. NAVELLIER
CEO/Chief Investment Officer

MICHAEL J. BORGEN
Senior Portfolio Manager

MICHAEL GARAVENTA
Portfolio Manager

TIM HOPE
Portfolio Manager

Important Disclosures:

Navellier & Associates owns Apple Computer (AAPL), and a few accounts own Tesla (TSLA), per client request in managed accounts. We do not own China Evergrande Group (EGRNF). Louis Navellier and his family own Apple Computer (AAPL), via a Navellier managed account and Apple Computer (AAPL), in a personal account. He does not own Tesla (TSLA) or China Evergrande Group (EGRNF) personally.

The views and opinions expressed are those of Navellier & Associates at the time of publication and are subject to change. There is no guarantee that these views will come to pass. Investment in equity securities involves substantial risk and has the potential for partial or complete loss of funds invested. Although the information in this communication is believed to be materially correct, no representation or warranty is given as to the accuracy of any of the information provided. Certain information included in this communication is based on information obtained from sources considered to be reliable. However, any projections or analysis provided to assist the recipient of this communication in evaluating the matters described herein may be based on subjective assessments and assumptions and may use one among alternative methodologies that produce different results. Accordingly, any projections or analysis should not be viewed as factual and should not be relied upon as an accurate prediction of future results. Furthermore, to the extent permitted by law, neither Navellier nor any of its affiliates, agents, or service providers assumes any liability or responsibility nor owes any duty of care for any consequences of any person acting or refraining to act in reliance on the information contained in this communication or for any decision based on it. Please obtain and review all financial material carefully before investing.

This communication has been provided to you for informational purposes only and may not be relied upon by you in evaluating the merits of investing in any Navellier investment strategy or composites. Past performance is not indicative of future results, and there can be no guarantee as to the accuracy of market forecasts. Opinions, estimates, and forecasts may be changed without notice. This material is not an offer, or a solicitation of an offer, to purchase any securities, including shares of any investment company. The views and opinions expressed are provided for general information only. The views and opinions expressed are those of Navellier at the time of publication and are subject to change. There is no guarantee that these views will come to pass.

The holdings identified do not represent all of the securities purchased, sold, or recommended for advisory clients and it should not be assumed that investments in securities identified and described were or would be profitable.

Dividend payments are not guaranteed. The amount of a dividend payment, if any, can vary over time and issuers may reduce dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer.

FactSet Disclosure: Navellier does not independently calculate the statistical information included in the attached report. The calculation and the information are provided by FactSet, a company not related to Navellier & Associates, Inc. Although information contained in the report has been obtained from FactSet and is based on sources Navellier believes to be reliable, Navellier does not guarantee its accuracy, and it may be incomplete or condensed. The report and the related FactSet sourced information are provided on an "as is" basis. The user assumes the entire risk of any use made of this information. Investors should consider the report as only a single factor in making their investment decision. The report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. FactSet sourced information is the exclusive property of FactSet. Without prior written permission of FactSet, this information may not be reproduced, disseminated or used to create any financial products.

All indices are unmanaged and performance of the indices include reinvestment of dividends and interest income, unless otherwise noted, are not illustrative of any particular investment and an investment cannot be made in any index. Past performance is no guarantee of future results.

No Financial Advice: The views and opinions expressed do not constitute specific tax, legal, or investment or financial advice to, or recommendations for, any person, and the material is not intended to provide financial or investment advice and does not take into account the particular financial circumstances of individual investors. Before investing in any investment product, investors should consult their financial or tax advisor, accountant, or attorney with regard to their specific situation.