

Q1 2024

In 2023, the U.S. economy exceeded expectations, the S&P 500 advanced double digits, and elevated bond yields marked the beginning of a Fiscal Transition. Throughout the year, however, new risks and uncertainties emerged. Five U.S. banks failed, Treasury yields spiked, geopolitical tensions intensified, and there was political drama in D.C. This forced the Federal Reserve (Fed) to maintain its delicate balancing act aimed at reining in inflation without triggering a recession.

Entering 2024, we observe several enduring changes in the post-pandemic world that may well require a recalibration of market expectations. Long-term investors should benefit from confronting and assessing these changes, maintaining composure, and actively seeking ways to embrace the evolving landscape.

Our base case outlook calls for a soft landing, but we acknowledge a reasonable chance of a mild recession. The consumer, who of late may well be “spending beyond their means,” will be an important factor. We’re anticipating positive calendar year returns for stocks (6.3%), but with increased volatility and market weakness at some points throughout the year.

Learn more in our [Outlook 2024: Embracing Change](#).

MACROECONOMIC OVERVIEW

SOFT LANDING HOPES REVIVED

The U.S. economy defied expectations for a slowdown, prompting the Fed and economists to drop their forecasts for a recession and reigniting investor hopes for a soft landing. Consumer spending was the main driver, supported in part by a still tight labor market and rising real wages. The unemployment rate averaged 3.6% throughout 2023, while real average hourly earnings grew 0.8% through November. The job market showed signs of loosening as the year progressed, with the number of job openings falling and jobless claims rising. The economy is estimated to have expanded 2.4%, meaningfully above the 0.3% consensus forecast at the start of the year.

Recession or not, as we push forward into 2024, we maintain our 2023 view that economic growth will be muted. We still see a reasonable chance of a soft landing (0.0% to 1.0% GDP growth), but acknowledge a reasonable chance of a

IN THIS ISSUE:

Executive Summary	1
Macroeconomic Overview	1
Equity Markets	3
Fixed Income	4
Commodities	4
Portfolio Construction Implications	5
Dynamic Asset Allocation	6
Capital Markets Recap.....	8

mild recession (-0.1% to -0.5% GDP growth). The consumer, who of late may well be “spending beyond their means,” will be an important factor. Decelerating inflation would improve real incomes, but a slowing economy, rising unemployment, and diminished excess savings may erode consumer confidence and mute spending.

INFLATION EASES, BUT CHALLENGES PERSIST

The Fed’s aggressive tightening of monetary policy and easing supply chain pressures resulted in a gradual easing of inflation. The consumer price index (CPI) fell from its peak of 9.1% year over year in June 2022 to 3.4% in December, still above the Fed’s stated goal of 2% per year. Core services, which include housing, remained elevated, keeping the CPI above the Fed’s target. Real-time housing inflation measures, like the Zillow Observed Rent Index, fell to pre-pandemic levels, suggesting the CPI component should eventually catch up.

While inflation uncertainties persist, risks are now more balanced. We anticipate core Producer Consumption Expenditure inflation to decelerate, reaching 2.00%-2.25% by year end, slightly below the Fed’s latest projections. We expect more progress in 2024, with wage growth ultimately falling to the Fed’s target range of 3.0%-3.5%, which is a level consistent with 2% inflation. This labor market balance should result from a slowing economy, layoffs, fewer job postings, and a requisite increase in unemployment.

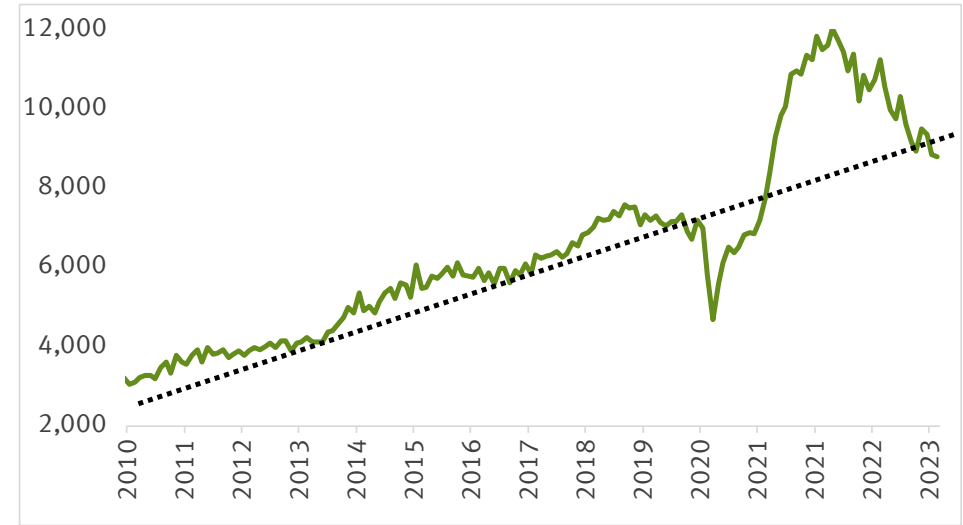
HIGHER FOR LONGER, WE MEAN IT

Investors and the Fed remained in an ongoing wrestling match, grappling with the timeline for rate cuts. Contrary to consensus expectations, the Fed raised the federal funds rate 100 basis points to a target range of 5.25%-5.50%. Chair Jerome Powell stuck to the “higher for longer” message to prevent the entrenchment of inflation expectations and to keep the market from preemptively pricing in cuts. The December Fed meeting marked a turning point, with Fed officials shifting the debate from how high to raise the policy rate to when to begin easing policy.

Many market participants have interpreted this to mean that the Fed will begin easing policy as early as March. We continue to believe the consensus view is too optimistic, as the tight labor market, a strong economy, and the specter of resurging inflation will mean the Fed will stand pat on its current policy. We expect the Fed may begin to cut rates in the second half of 2024 for a total of 0.50% to 0.75% before year end.

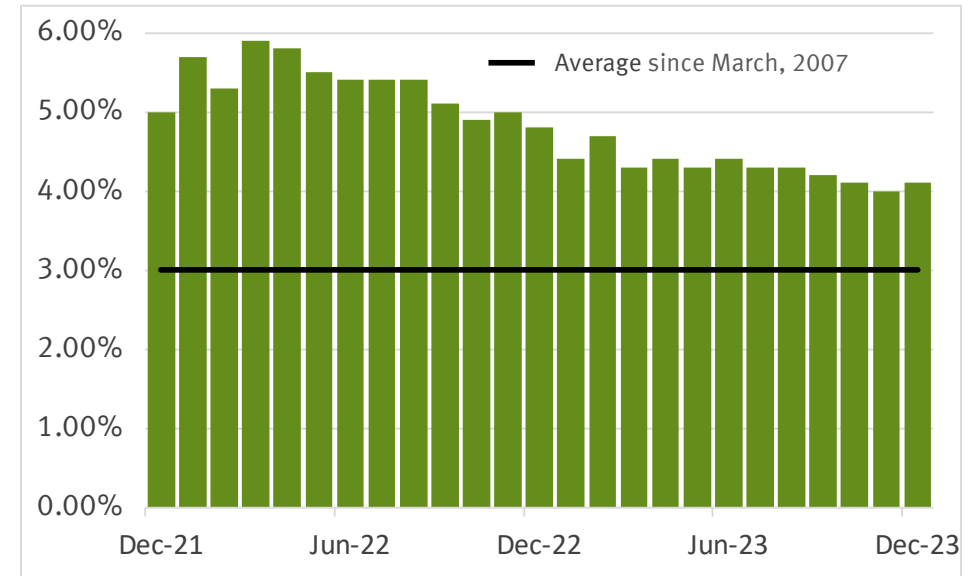
EQUITY MARKETS

Figure 1. U.S. Job Openings Back to Trend



Source: Stifel CIO Office via Bloomberg as of December 31, 2023

Figure 2. U.S. Average Hourly Earnings (Year Over Year)



Source: Stifel CIO Office via Bloomberg as of December 31, 2023

AN AI-FUELED RALLY, A CORRECTION, AND THEN A YEAR-END REBOUND FOR U.S. STOCKS

Enthusiasm around AI propelled mega cap tech stocks, with seven companies making up 90% of the S&P 500's 16.9% surge in the first half of 2023. The equal-weighted S&P 500 saw a 7.0% gain through June, helped by moderating inflation and good economic data.

Renewed inflation concerns and Fed rate hike fears triggered a 10% dip from July to October. Markets recovered in the year's final months as inflation reports showed prices cooling again, culminating in full-year total returns of 26.3% for the S&P 500, 13.9% for the equal-weighted S&P, and 55.1% for the Nasdaq 100. Small caps, represented by the Russell 2000, returned 16.9%.

We're anticipating muted but positive calendar year returns for stocks in 2024, helped in part by stabilizing interest rates. We will likely need to weather increased volatility and market weakness at various points as the year progresses, especially approaching the U.S. presidential election in November.

2023 EARNINGS RESULTS – STILL POSITIVE, BUT LOWER THAN EXPECTED

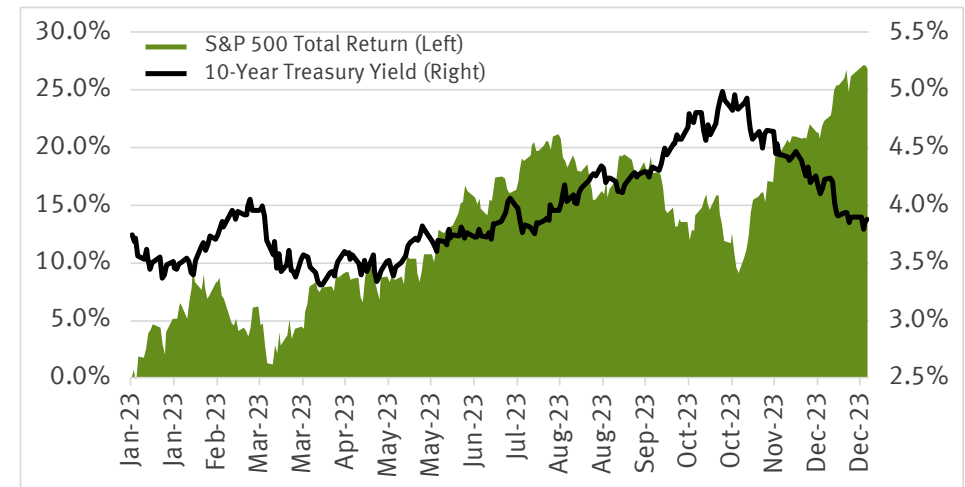
Consensus bottom-up forecasts estimate S&P 500 earnings to have grown 0.5% in 2023, below the 5.0% forecast at the start of the year. The results were primarily driven by a greater-than-expected decline in earnings for the energy (-29.6% vs. -13.3% forecast on December 31, 2022), materials (-23.2% vs. -11.1%), and healthcare (-21.6% vs. -3.5%) sectors.

At present, the consensus bottom-up earnings growth forecast for the S&P 500 is 11.5%. We believe this is too optimistic, possibly influenced by recency bias with analysts focused on the strong economy in 2023. We see earnings growth more in line with our long-term estimate of 6.5%, as the lag effect of monetary policy kicks in and influences company results.

NON-U.S. MARKETS WERE MIXED AS JAPANESE STOCKS OUTPERFORMED WHILE CHINA WEIGHED ON EMERGING MARKETS.

The broader non-U.S. equity complex, as measured by the MSCI All Country ex USA Index, ended the year up 15.6% (USD), trailing U.S. stocks. Japan was a standout performer, gaining 20.3% (USD), as economic growth was robust and the country saw inflation after a prolonged period of deflation. China's economic recovery faltered, and renewed worries about its property market weighed on sentiment. The MSCI China Index declined 11.2%.

Figure 3. 2023 Market Performance



Source: Stifel CIO Office via Bloomberg as of December 31, 2023

FIXED INCOME

A SURGE IN BOND YIELDS USHERS IN THE START OF A FISCAL TRANSITION

The yield on the 10-year U.S. Treasury reached 5.0% in October before ultimately ending the year at 3.9%, a level last seen prior to the Great Recession. While the catalysts for this rise could be debated, market participants seemingly accepted we are in a new regime for interest rates, with forward rates signaling the 10-year yield will remain above 4% for decades.

The Bloomberg U.S. Aggregate Index returned 5.5%, while the Bloomberg U.S. Municipal Bond Index returned 6.4%. High-yield bonds, as measured by the Bloomberg Corporate High Yield Index, were up 13.5%

We believe we are in a new interest rate regime and expect interest rates to remain meaningfully above their pre-COVID average in this new business cycle. We expect the 10-year Treasury to be less volatile in 2024 and remain range-bound, hovering much of the year between 3.75%-4.25%.

COMMODITIES

ECONOMY, GEOPOLITICAL TENSIONS, AND FED'S NEXT MOVE INFLUENCE COMMODITY PRICES

The S&P GSCI Commodity Index declined 12.20% for the year. Oil prices fell 10.3% despite output cuts by OPEC+ members, and the price per barrel of Brent crude oil ended the year at \$77.04.

Gold prices reach an all-time high of \$2,135.39/oz. in December, largely as a result of a weakening U.S. dollar and the market's expectations that the Fed will begin to ease policy in 2024. The commodity was also boosted during the fourth quarter as the Israel-Hamas war renewed geopolitical tensions. For the year, gold prices rose 13.1%.

The U.S. dollar fluctuated against a basket of currencies, ultimately to end the year 2.1% lower. The dollar strengthened mid-year, as inflation readings surprised to the upside and U.S. economic data was stronger than expected. The strength reversed in the fourth quarter as a result of escalating geopolitical tensions and the Fed's potential shift in policy.

PORTFOLIO CONSTRUCTION IMPLICATIONS

ENTERING A NEW REGIME

As we step into 2024, a global shift is underway, accompanied by evolving market and economic dynamics. Investors should recalibrate their portfolios for a new era in which interest rates are higher, money has a cost again, and our economy will be facing headwinds related to a *Fiscal Transition*. Our key allocation insights as we start the year include:

1 EMBRACE THE UNPREDICTABLE

One key lesson from the last few years is that anything can happen. And as we discuss in this report, there's no shortage of risks on the horizon, including the global election supercycle and the possibility of a recession. However, markets often prove to be resilient over the long term despite various shocks – whether it's inflation, recession, or geopolitical crisis.

In response, we feel an investor's strategy for long-term success is clear: embrace the unpredictable. Diversify your portfolio to soften the impact of the unforeseeable risks, and view uncertainty as opportunity. Avoid staying on the sidelines and devise a plan to deploy excess cash methodically with your long-term goals in mind.

2 BACK TO THE FUNDAMENTALS

A new interest rate regime means rates will likely remain above levels we grew to expect in the years following the Great Recession. This brings into further focus the meaningful increase in debt over the last 15 years and the need for a more judicious approach to capital allocation.

We believe this is an environment where companies with strong balance sheets and manageable debt will likely outperform, and skilled active managers in both equity and fixed income will see more opportunity to create relative value.

3 STRENGTHEN YOUR FOUNDATION

The case for a traditional 60/40 stock and bond portfolio is even stronger now than a year ago. With yields now much higher and the global economy slowing, bonds are better positioned to provide diversification and stability in a portfolio, which should boost investor confidence.

We continue to advocate for rebalancing even in volatile markets, and we recommend investors look to broaden equity exposure beyond mega cap technology stocks. Qualified investors may explore “alternative investments” as an added layer of diversification.

4 LONG-TERM IS NOT SO LONG









AI is a key element of our Fourth Industrial Revolution theme, one of the five megatrends we see influencing the direction of the economy and markets longer term. Moreover, there's an abundance of opportunities emerging across all of our themes, including AI, as companies integrate and adapt disruptive technology into their business models.

The future is now. ■

DYNAMIC ASSET ALLOCATION

The following table summarizes our thinking across various asset classes and regions.

 Underweight
  Neutral
  Overweight

		ASSET CLASS	CHANGE	CURRENT	COMMENTS
EQUITY				  	
		U.S. Equity vs. Non-U.S. Equity	=		We remain neutral between U.S. and non-U.S. equity. Our base case calls for a soft landing in the U.S., but we believe valuations have priced in this scenario and the consensus earnings outlook is too optimistic. We recognize, however, that momentum is strong, and the eventual Fed easing should be supportive of U.S. stocks. Non-U.S. equity valuations are attractive; however, growth trends are diverging and Europe and China face headwinds. We guide investors to consider active management.
		U.S. Large Cap vs. U.S. Small Cap	=		Small cap equity valuations remain attractive and reflect worries about an economic downturn and the greater vulnerabilities from higher financing costs. We have a preference for quality companies with strong balance sheets regardless of market capitalization. We believe there is opportunity within small cap for skilled active investors.
		U.S. Large Value vs. U.S. Large Growth	=		We believe in this new regime investors should be diversified across both value and growth styles. Within U.S. large cap, we expect returns to broaden out and have a preference for quality companies and those that are expected to benefit from our long-term investment themes, such as AI and the Fourth Industrial Revolution.
		Non-U.S. Developed Markets vs. Emerging Markets	=		Both developed and emerging markets remain vulnerable to idiosyncratic risks and headwinds stemming from geopolitical tensions and a slowing global economy. China is facing structural headwinds, and investors are worried about policy uncertainty and possible stresses in its property sector.
		Europe vs. Japan	←		Japan was a solid performer in 2023, but we believe there is still the potential for relative outperformance. Japan's economic growth remains positive, and corporate governance reform is likely to enhance shareholder value in the medium to long term. In Europe, weaker Chinese growth and the Russia-Ukraine war remain headwinds for the growth outlook.

(continued on next page)

DYNAMIC ASSET ALLOCATION (CONTINUED)

The following table summarizes our thinking across various asset classes and regions.

 Underweight
  Neutral
  Overweight








	ASSET CLASS	CHANGE	CURRENT	COMMENTS
FIXED INCOME	U.S. Investment Grade vs. U.S. High Yield	=	  	We favor a quality tilt and prefer investment grade for passive investors. Spreads for high yield remain tight and do not appropriately reflect the increased risk of recession and credit deterioration, in our view.
	Corporates Government/Agency MBS	←		We have a modest preference for government securities relative to investment-grade corporate bonds, which can be expressed with passive investments or may be implemented by active managers. Treasury yields remain attractive and should provide an added diversification benefit if the economy deteriorates.
	Duration	=		We view duration as a diversifier in a multi-asset class portfolio given the macroeconomic uncertainty and volatility in yields, and so we remain neutral on duration as compared to the overall market.
ALTERNATIVES	Private Assets	=		For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of private equity, private debt, and/or private real estate can be considered as part of a diversified portfolio.
	Hedge Funds	=		For investors interested in alternative investments and able to handle less liquidity who have conviction about manager skill, exposure to hedge funds can be a helpful part of a diversified portfolio. This is especially true in volatile, low-return environments.

FIGURE 4. CAPITAL MARKET RETURNS (AS OF DECEMBER 31, 2023)

NORTH AMERICAN EQUITY	MTD (%)	QTD (%)	YTD (%)	1 YEAR (%)	3 YEAR (%)*	5 YEAR (%)*
Russell 3000 Index	5.30	12.07	25.96	25.96	8.54	15.16
Standard & Poor's 500	4.54	11.69	26.29	26.29	10.00	15.69
Standard & Poor's/TSX (CAD)	3.91	8.10	11.75	11.75	9.59	11.30
U.S. EQUITY BY SIZE/STYLE						
Russell 1000 Index	4.94	11.96	26.53	26.53	8.97	15.52
Russell 1000 Growth Index	4.43	14.16	42.68	42.68	8.86	19.50
Russell 1000 Value Index	5.54	9.50	11.46	11.46	8.86	10.91
Russell 2000 Small Cap Index	12.22	14.03	16.93	16.93	2.22	9.97
Russell 2000 Small Cap Growth Index	11.97	12.75	18.66	18.66	-3.50	9.22
Russell 2000 Small Cap Value Index	12.45	15.26	14.65	14.65	7.94	10.00
Russell Microcap Index	14.28	16.06	9.33	9.33	0.61	8.56
INTERNATIONAL EQUITY (USD)						
MSCI AC World ex U.S.	5.02	9.75	15.62	15.62	1.55	7.08
MSCI EAFE	5.31	10.42	18.24	18.24	4.02	8.16
MSCI Europe	5.00	11.05	19.89	19.89	5.80	9.09
MSCI Pacific	9.02	11.39	6.44	6.44	1.57	5.74
MSCI Japan	4.37	8.19	20.32	20.32	0.66	6.91
MSCI Emerging Markets	3.91	7.86	9.83	9.83	-5.08	3.68

FIGURE 4. CAPITAL MARKET RETURNS (AS OF DECEMBER 31, 2023)

U.S. FIXED INCOME	MTD (%)	QTD (%)	YTD (%)	1 YEAR (%)	3 YEAR (%)*	5 YEAR (%)*
Bloomberg U.S. Treasury Bills: 1-3 Months	0.47	1.38	5.14	5.14	2.21	1.87
Bloomberg U.S. Aggregate	3.83	6.82	5.53	5.53	-3.31	1.10
Bloomberg Gov't/Credit	3.68	6.63	5.72	5.72	-3.53	1.41
Bloomberg Treasury	3.37	5.66	4.05	4.05	-3.82	0.53
Bloomberg U.S. TIPS	2.69	4.71	3.90	3.90	-1.00	3.15
Bloomberg Municipal Bond Index	2.32	7.89	6.40	6.40	-0.40	2.25
Bloomberg U.S. Credit	4.19	8.15	8.18	8.18	-3.21	2.45
Bloomberg Corporate High Yield	3.73	7.16	13.45	13.45	1.98	5.37
REAL ESTATE/COMMODITIES/ALTERNATIVES						
Wilshire U.S. Real Estate Securities Index	10.22	16.27	16.26	16.26	7.56	7.58
Wilshire Global ex U.S. Real Estate Securities Index	9.34	16.42	11.73	11.73	-0.81	1.49
Wilshire Global Real Estate Securities	9.99	16.26	14.89	14.89	4.97	5.63
Bloomberg Commodity Index	-2.69	-4.63	-7.91	-7.91	10.76	7.23
S&P GSCI Commodity (S&P GSCI)	-3.31	-10.73	-4.27	-4.27	19.18	8.72
Wilshire Liquid Alternatives Index	0.40	1.89	4.42	4.42	1.06	2.58
Wilshire Liquid Alternative Equity Hedge Index	-0.25	2.79	8.62	8.62	4.72	5.21
Wilshire Liquid Alternative Event Driven Index	-1.01	0.02	2.18	2.18	0.39	2.41
Wilshire Liquid Alternative Global Macro Index	-1.66	-4.61	-3.21	-3.21	2.38	3.25
Wilshire Liquid Alternative Multi-strategy Index	-0.41	0.92	4.54	4.54	1.05	2.17
Wilshire Liquid Alternative Relative Value Index	1.95	3.72	4.13	4.13	-1.29	1.12
Wilshire Focused Liquid Alternative Index	-0.31	0.43	2.56	2.56	0.59	2.50

Source: Stifel Investment Strategy via Bloomberg as of December 31, 2023

*Represents annualized returns

DISCLOSURE

The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 322 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI EM (Emerging Markets) Europe, Middle East and Africa Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of Europe, the Middle East, and Africa.

The Bloomberg U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related, and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS (agency and nonagency). Provided the necessary inclusion rules are met, U.S. Aggregate-eligible securities also contribute to the multicurrency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt.

The Bloomberg U.S. Government/Credit Bond Index is a broad-based flagship benchmark that measures the non-securitized component of the U.S. Aggregate Index. It includes investment-grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related, and corporate securities.

The Bloomberg U.S. Treasury Index measures U.S. dollar-denominated, fixed-rate, nominal debt issued by the U.S. Treasury. Treasury bills are excluded by the maturity constraint, but are part of a separate Short Treasury Index. STRIPS are excluded from the index because their inclusion would result in double-counting. The U.S. Treasury Index is a component of the U.S. Aggregate, U.S. Universal, Global Aggregate, and Global Treasury Indices.

The Bloomberg U.S. Treasury U.S. TIPS index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

The Bloomberg U.S. Municipal Index covers the U.S. dollar-denominated, long-term, tax-exempt bond market. The index has four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and prerefunded bonds.

The Bloomberg U.S. Credit Index measures the investment-grade, U.S. dollar-denominated, fixed-rate, taxable corporate and government-related bond markets. It is composed of the U.S. Corporate Index and a non-corporate component that includes foreign agencies, sovereigns, supranationals, and local authorities.

The Bloomberg U.S. Corporate High Yield Bond Index measures the U.S. dollar-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on Barclays EM country definition, are excluded.

The Bloomberg Global Aggregate Bond Index is a flagship measure of global investment-grade debt from twenty-four local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers.

The Bloomberg Emerging Markets Hard Currency Aggregate Index is a flagship hard currency Emerging Markets debt benchmark that includes U.S. dollar-denominated debt from sovereign, quasi-sovereign, and corporate EM issuers.

The Wilshire U.S. REIT Index is a float-adjusted market capitalization-weighted index that measures U.S. publicly traded real estate investment trusts (REITs), excluding mortgage REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, hybrid REITs, and companies that have more than 25% of their assets in direct mortgage investments.

The Wilshire ex U.S. Real Estate Investment Trust IndexSM (Wilshire ex U.S. REIT) measures global publicly traded real estate investment trusts, less all U.S. securities.

The Wilshire ex U.S. REIT is a subset of the Wilshire ex U.S. Real Estate Securities IndexSM (Wilshire ex U.S. RESI).

The Wilshire Global REIT Index is a float-adjusted, market capitalization-weighted index that measures global publicly traded real estate investment trusts (REITs), excluding mortgage REITs, net-lease REITs, real estate finance companies, home builders, large landowners and sub-dividers, hybrid REITs, and companies that have more than 25% of their assets in direct mortgage investments.

Bloomberg Commodity Index (BCOM) is calculated on an excess return basis and reflects commodity futures price movements. The index rebalances annually weighted two-thirds by trading volume and one-third by world production, and weight-caps are applied at the commodity, sector, and group level for diversification. Roll period typically occurs from the sixth to the tenth business day based on the roll schedule.

The S&P GSCI (formerly the Goldman Sachs Commodity Index) serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. The index was originally developed by Goldman Sachs. In 2007, ownership transferred to Standard & Poor's, which currently owns and publishes it. Futures of the S&P GSCI use a multiple of 250. The S&P GSCI contains as many commodities as possible, with rules excluding certain commodities to maintain liquidity and investability in the underlying futures markets. The index currently comprises 24 commodities from all commodity sectors.

The Wilshire Liquid Alternative IndexSM measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. The Wilshire Liquid Alternative Index (WLIQA) is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge IndexSM (WLIQAEH), Wilshire Liquid Alternative Global Macro IndexSM (WLIQAGM), Wilshire Liquid Alternative Relative Value IndexSM (WLIQARV), Wilshire Liquid Alternative Multi-Strategy IndexSM (WLIQAMS), and Wilshire Liquid Alternative Event Driven IndexSM (WLIQAED).

The Russell 2000 Index measures the performance of the 2,000 smallest companies in the broader Russell 3000 Index, which measures the performance of the 3,000 largest U.S. companies based on total market capitalization. The average market capitalization is approximately \$490 million, and the median market capitalization is approximately \$395 million.

The Russell 2000 Growth Index measures the performance of those Russell 2000 index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2000 Value Index measures the performance of those Russell 2000 index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell Microcap Index is a capitalization-weighted index of 2,000 small cap and micro cap stocks, including the smallest 1,000 companies in the Russell 2000 plus 1,000 smaller U.S. based listed stocks. Over-the-counter stocks and pink sheet securities are excluded.

The MSCI World ex USA All Cap Index captures large, mid, small, and micro cap representation across 22 of 23 Developed Markets (DM) countries (excluding the United States). With 8,138 constituents, the index covers approximately 99% of the free float-adjusted market capitalization in each country.

The MSCI EAFE Index (Europe, Australasia, and the Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. and Canada.

The MSCI Europe Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of the developed markets in Europe.

The MSCI Pacific Index captures large and mid cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The Russell 1000 Index measures the performance of the 1,000 largest companies in the Russell 3000 Index, which measures the performance of the 3,000 largest U.S. companies based on total market capitalization. The average market capitalization is approximately \$11 billion, and the median market capitalization is approximately \$3.5 billion.

The Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 1000 Value Index measures the performance of those Russell 1000 index companies with lower price-to-book ratios and lower forecasted growth values.

The Russell 3000 Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. The average market capitalization is approximately \$4 billion, and the median market capitalization is approximately \$700 million.

The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The S&P/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange with about 250 companies included in it. The Toronto Stock Exchange is made up of over 1,500 companies.

The S&P 500 Equal Weight Index is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

The NASDAQ-100 is a modified capitalization-weighted index that is comprised of the largest non-financial companies listed on the National Association of Securities Dealers Automated Quotation System stock market. It includes both foreign and domestic companies, and does not include any financial or investment companies.

The Bloomberg 1-3 Month U.S. Treasury Bill Index includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have \$250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible.

The Zillow Observed Rent Index (ZORI): A smoothed measure of the typical observed market rate rent across a given region. ZORI is a repeat-rent index that is weighted to the rental housing stock to ensure representativeness across the entire market, not just those homes currently listed for-rent. The index is dollar-denominated by computing the mean of listed rents that fall into the 40th to 60th percentile range for all homes and apartments in a given region, which is once again weighted to reflect the rental housing stock. Details available in ZORI methodology.

The Wilshire Focused Liquid Alternative IndexSM is a subset of the Wilshire Liquid Alternative IndexSM and measures the performance of a focused basket of mutual funds that provides risk adjusted exposure to equity hedge, global macro, relative value, and event driven alternative investment strategies.

High yield bonds have greater credit risk than higher quality bonds.

Small company stocks are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

There are special considerations associated with international investing, including the risk of currency fluctuations and political and economic events. Investing in emerging markets may involve greater risk and volatility than investing in more developed countries.

When investing in real estate companies, property values can fall due to environmental, economic, or other reasons, and changes in interest rates can negatively impact the performance.

Alternative investments involve a high degree of risk, often engage in leveraging and other speculative investment practices that may increase the risk of investment loss, can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, may involve complex tax structures and delays in distributing tax information, are not subject to the same regulatory requirements as more traditional investments, and often charge high fees, which may erode performance. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Private equity funds are not appropriate for all investors. Investors should be aware that private equity funds may contain speculative investment practices that can lead to a loss of the entire investment. Private equity funds may invest in entities in which no secondary market exists and, as such, may be highly illiquid. The funds are not required to provide periodic pricing or valuation information to investors and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information.

Investors should be aware that hedge funds often engage in leverage, short-selling, arbitrage, hedging, derivatives, and other speculative investment practices that may increase investment loss. Hedge funds can be highly illiquid, are not required to provide periodic pricing or valuation information to investors, and often charge high fees that can erode performance. Additionally, they may involve complex tax structures and delays in distributing tax information. While hedge funds may appear similar to mutual funds, they are not necessarily subject to the same regulatory requirements as mutual funds.

Indices are unmanaged and are not available for direct investment. Past performance is no guarantee of future results. Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

Past performance is not indicative of future results.