Insights from Stifel's CIO Office

July/August 2023

INVESTMENT STRATEGY BRIEF:

Mid-Year Outlook

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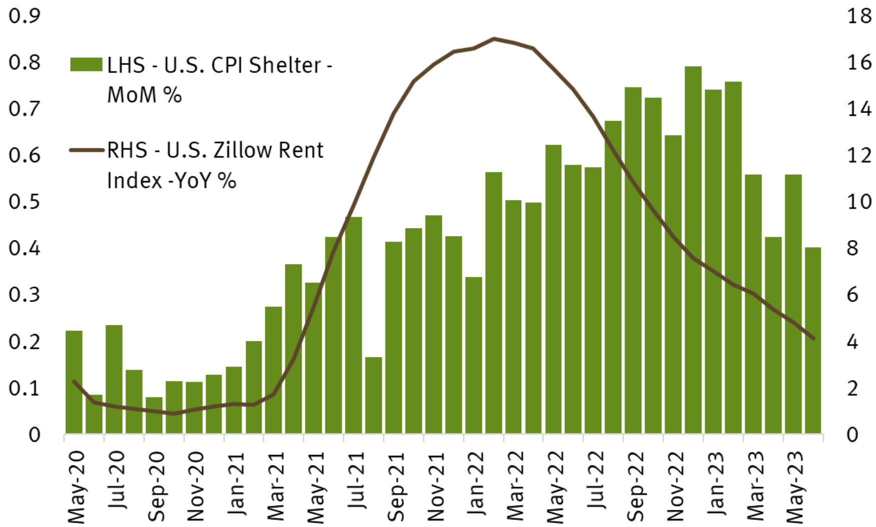
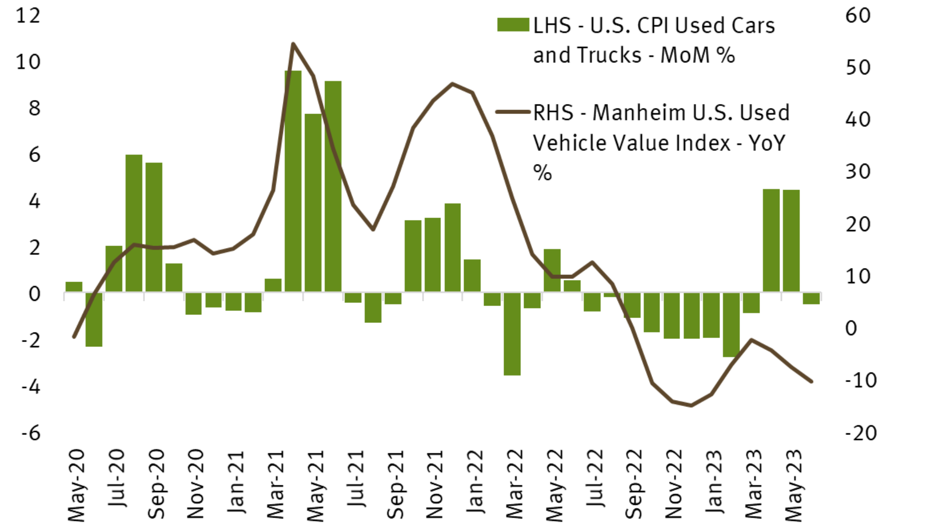
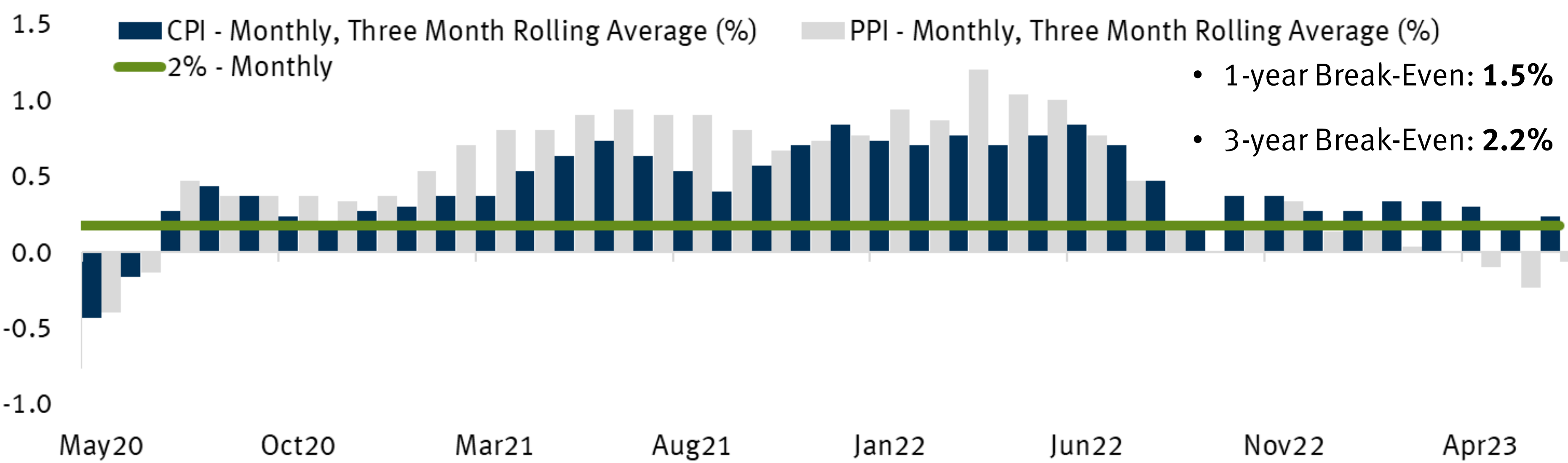
Inflation and Fed Policy

Real-time inflation data vs. Consumer Price Index (CPI)



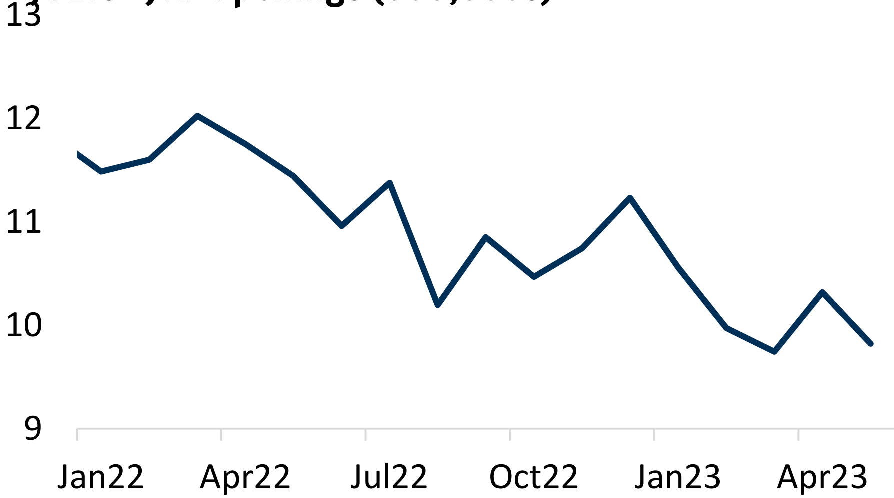




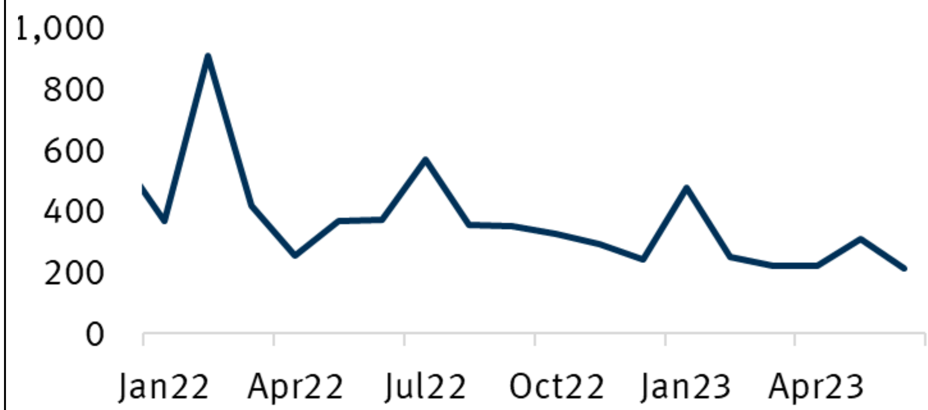
- 1-year Break-Even: **1.5%**
- 3-year Break-Even: **2.2%**

Source: Stifel CIO Office via Bloomberg, as of July 27, 2023 PPI = Producer Price Index

JOLTs - Job Openings (000,000s)

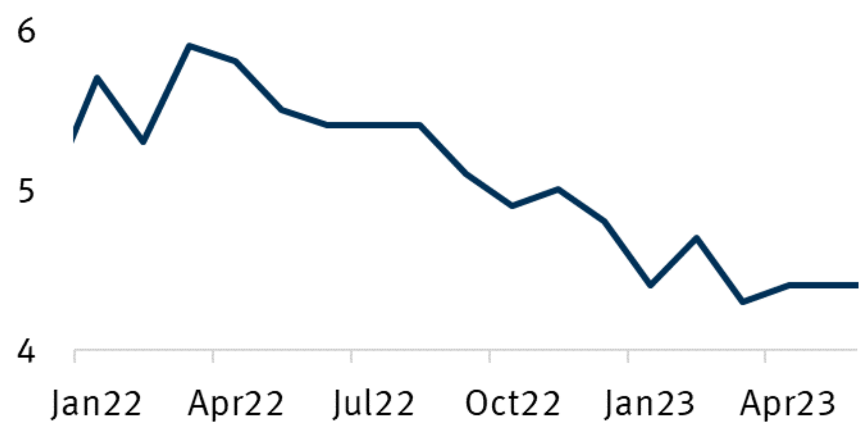


Nonfarm Payrolls (000s)

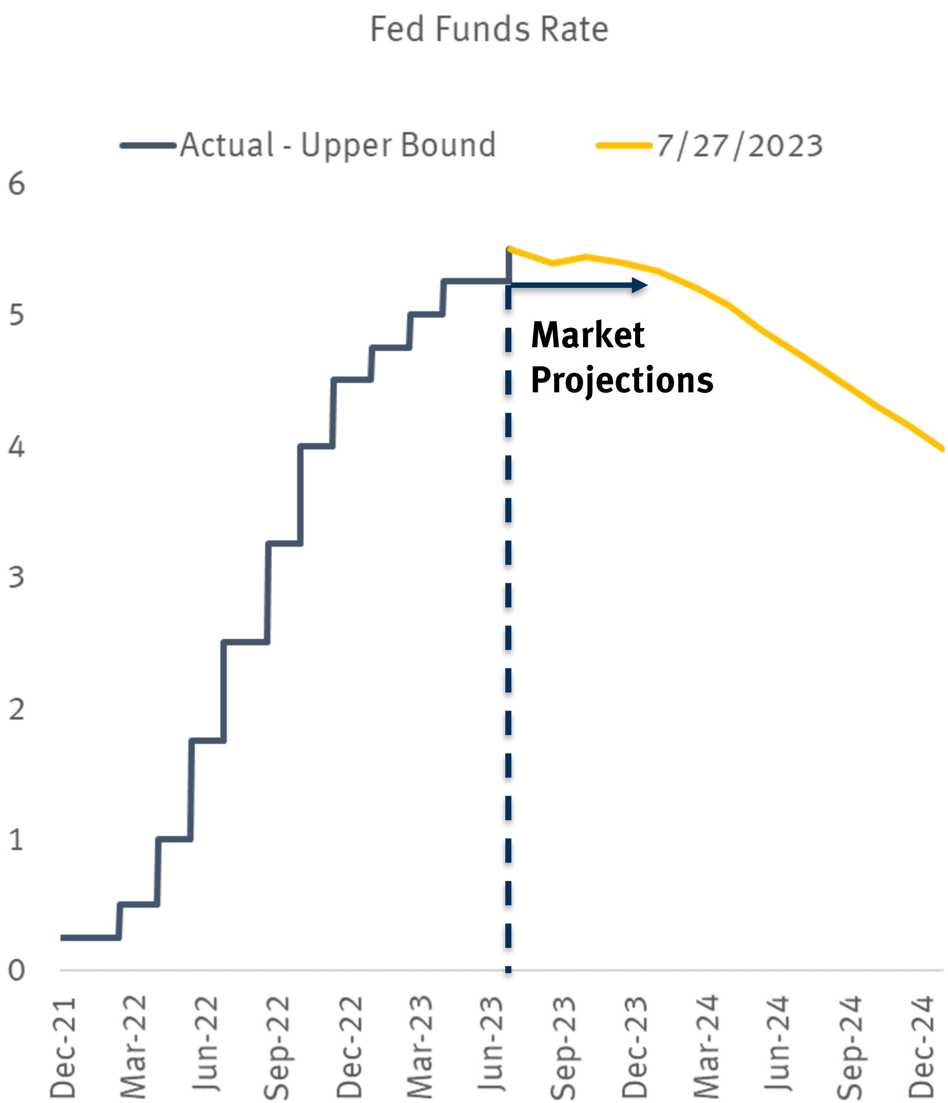


Jobless Claims (000s)

Wage Growth - Hourly Earnings (%)



Source: Stifel CIO Office via Bloomberg, as of July 24, 2023

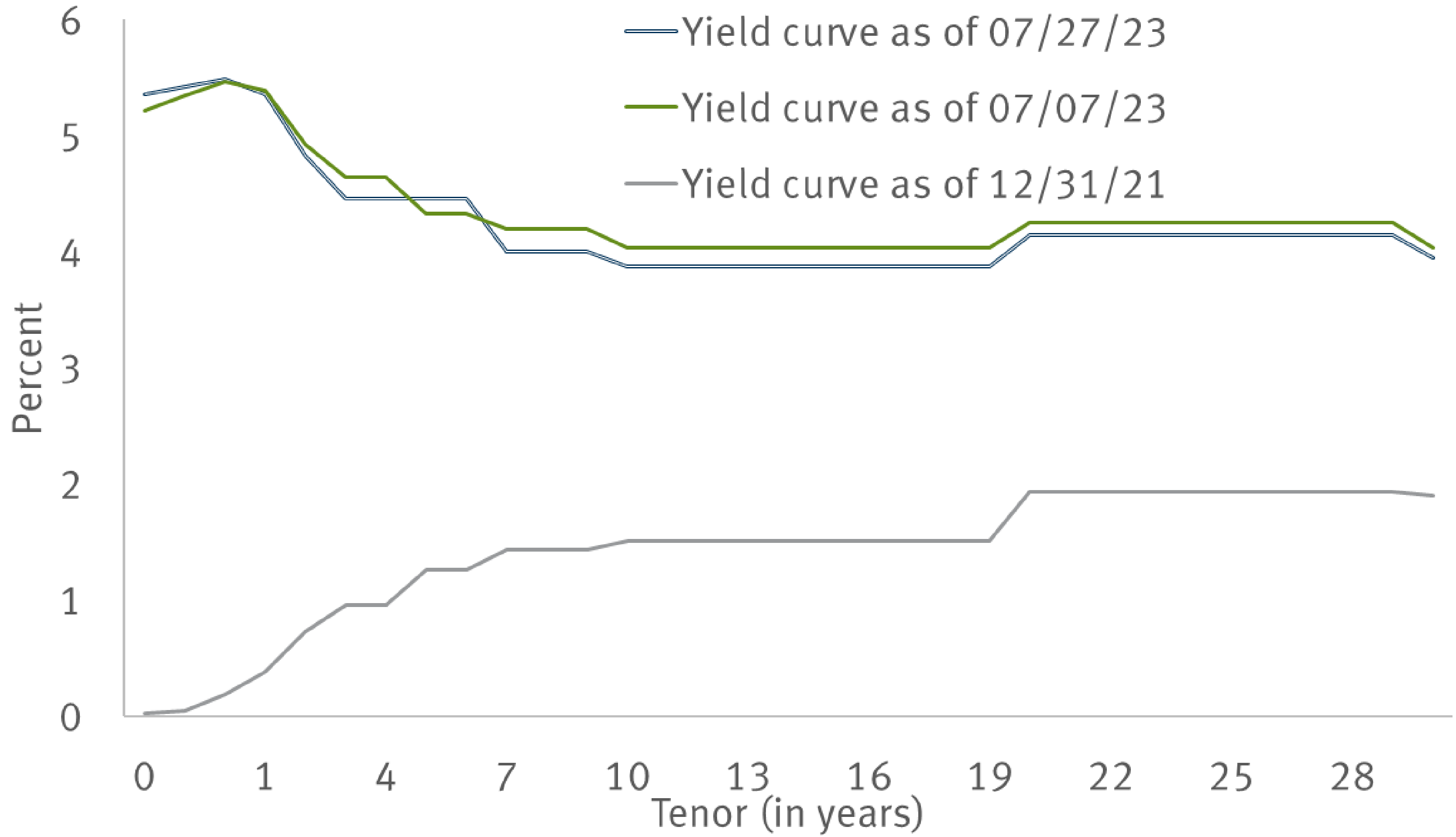


Source: Stifel CIO Office via Bloomberg, as of July 27, 2023 (intra-day)

Learnings From the Fed Meeting

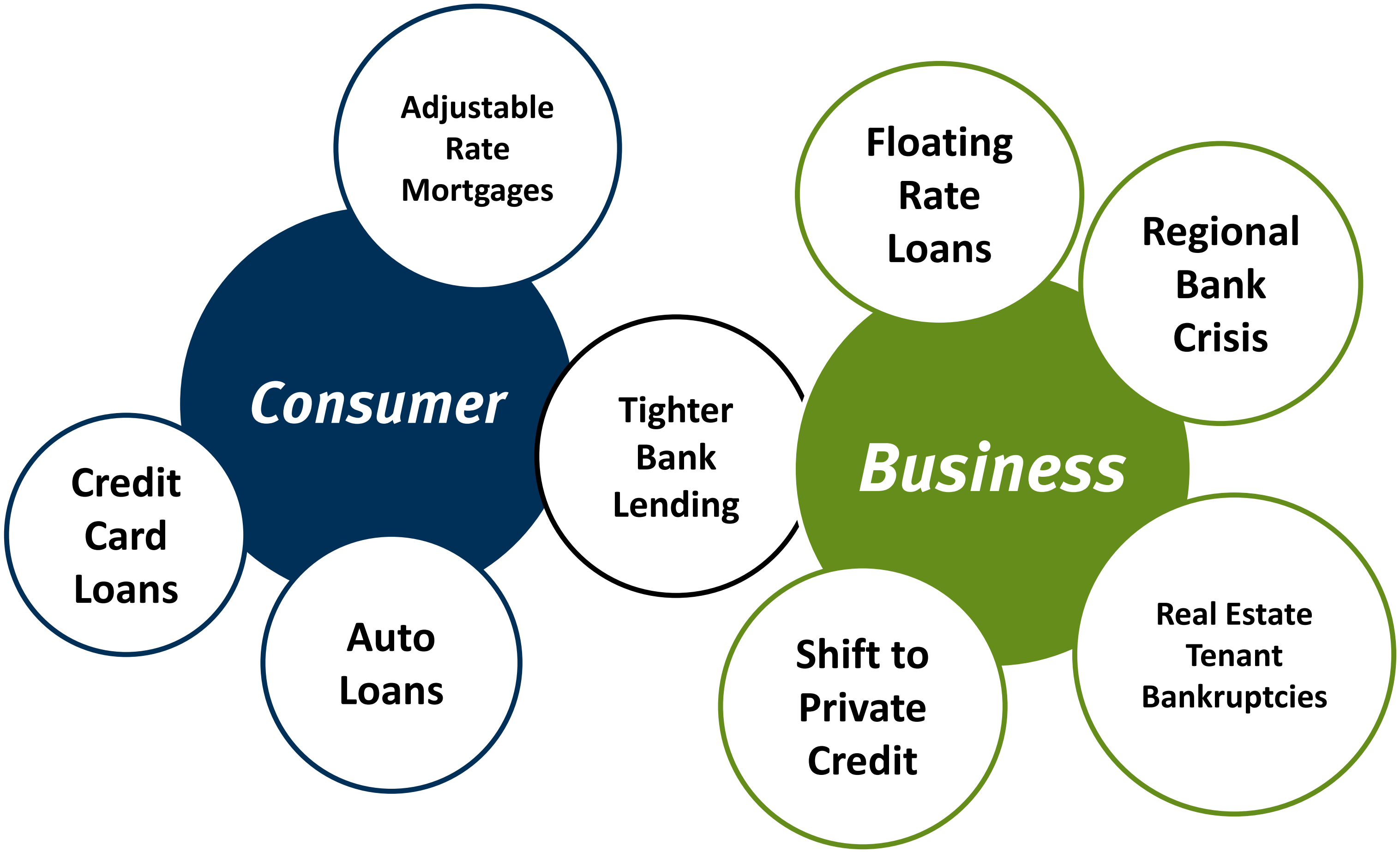
- Raised rates **by 25 basis points (bps) to 5.25-5.50%**
- Statement little changed: economy expanding at a **"moderate"** rate vs. **"modest"** in last statement.
- Fed staff **no longer forecasting** a recession – Powell still believes in soft landing
- **Balance sheet reduction** could continue even while cutting the funds rate
- No clear signal for **September meeting**

Higher Rates Present Challenges



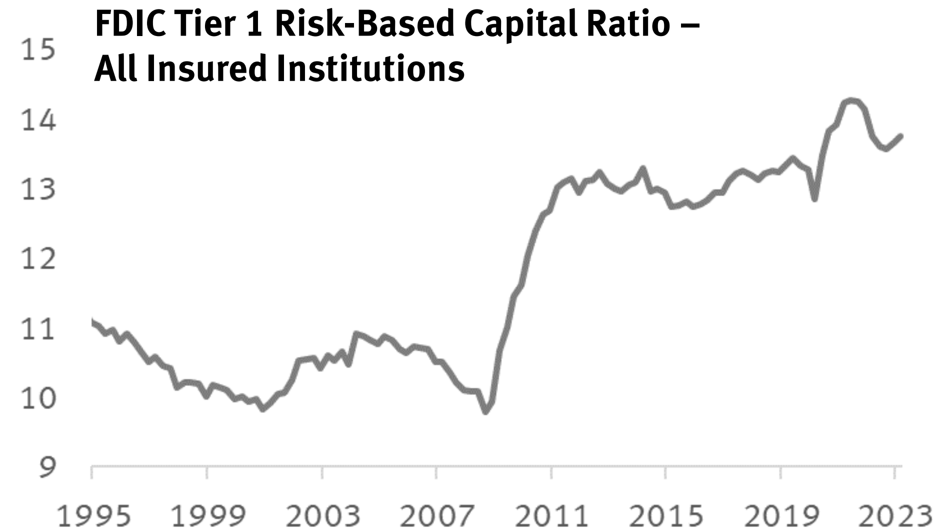
Source: Stifel CIO Office via Bloomberg, as of July 27, 2023

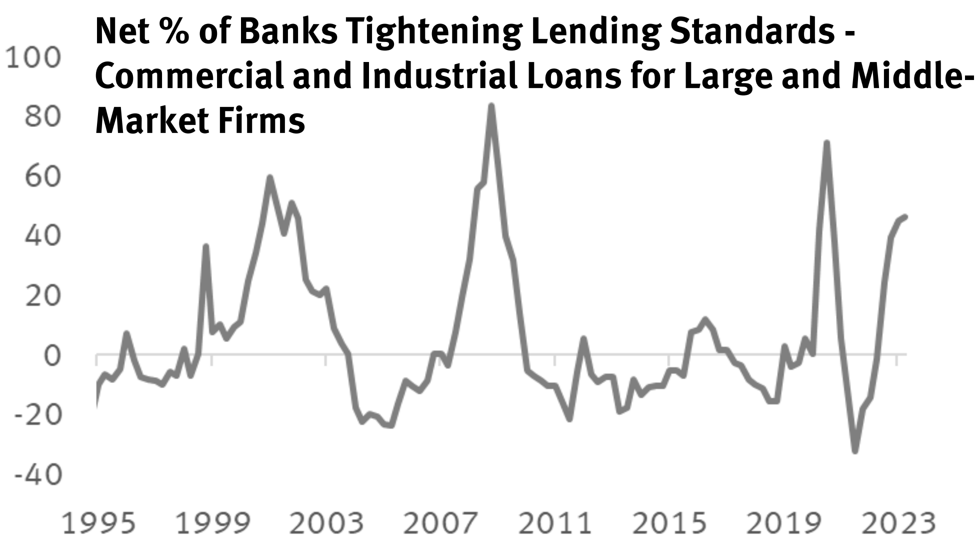
HIGHER RATES PRESENT CHALLENGES



Source: Stifel CIO Office via Bloomberg, as of June 22, 2023

"The U.S. banking system is sound and resilient" – Federal Open Market Committee (FOMC) Statement





Bank 2Q 2023 earnings insights from KBW

- Banking environment stabilized as banks returned to trading on fundamentals rather than sentiment
- Bar for 2Q results was reduced significantly pre-earnings, but banks so far have exceeded these low expectations
- Focus is now on 2024 earnings and profitability
- Non-interest bearing (NIB) deposits continued to shrink in 2Q2023 (6% quarter over quarter decline)
  - Most banks messaged that additional downward pressure was likely in second half 2023
- Is the worst of the decline in NIB behind us?
  - Investors need greater confidence in assessing downside risk to Net Interest Income/Earnings Per Share (EPS) before sustained interest in the group occurs

KBW KEEFE, BRUYETTE & WOODS A Stifel Company

Source: Stifel CIO Office via Bloomberg, as of July 24, 2023

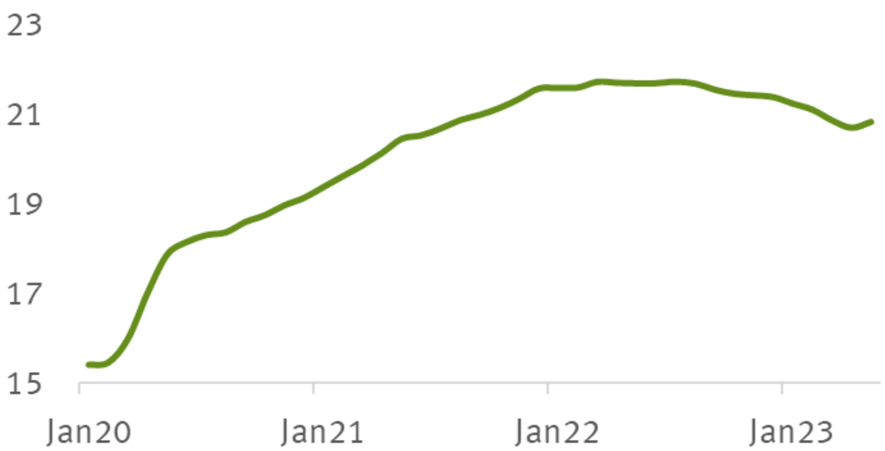
Global Commercial Real Estate (CRE) Market
- Segments include Offices, Retail, Hotels, Multi-Family
- ~$11 trillion, ~$4.5 trillion of debt

Risks
- $2.6 trillion set to mature 2023-2027
- 70% of CRE loans are from small to mid-size banks

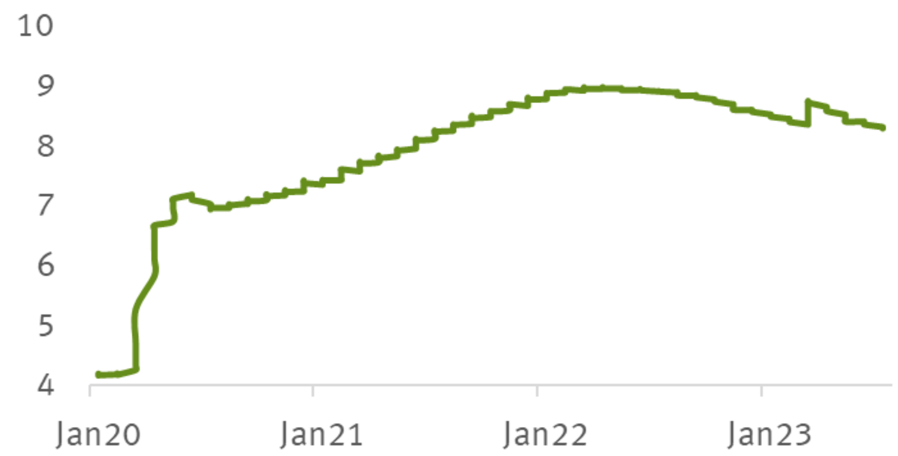
Other
- ~30% of private label Commercial Mortgage-Backed Securities in Offices, high-quality and potentially obsolete
- Signs of strength in other segments (e.g., multi-family & industrial)
- Underwriting standards better post-Great Financial Crisis
- CRE down cycles are less detrimental to GDP than residential real estate down cycles, given less spillover to the consumer

Economy: A Soft Landing?

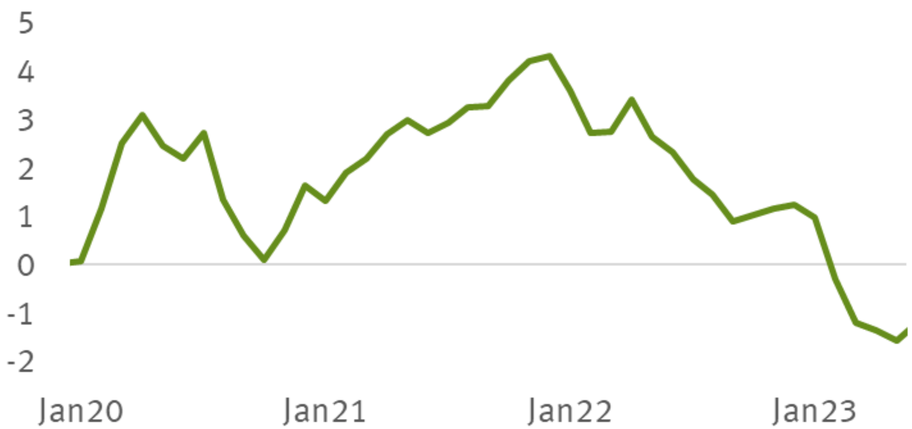
Money Supply (Trillions)



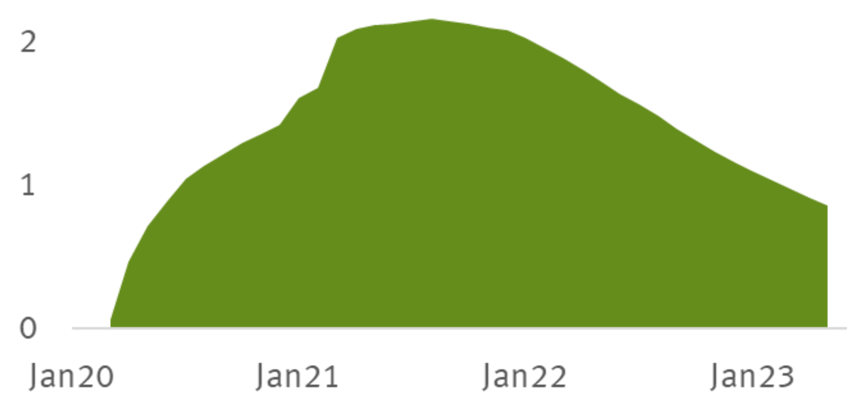
Fed's Balance Sheet (Trillions)



Global Supply Chain Pressure Index



Excess Savings (Trillions)



Source: Stifel CIO Office via Bloomberg, Strategas Research Partners, as of July 21, 2023

Retail Sales Year Over Year (YoY)

Personal Spending YoY

Personal Income YoY

University Of Michigan Consumer Sentiment

Source: Stifel CIO Office via Bloomberg, as of July 21, 2023

Industrial Production YoY is Slowing

Slowing Corporate Profits Could Mean Slower Capital Expenditures

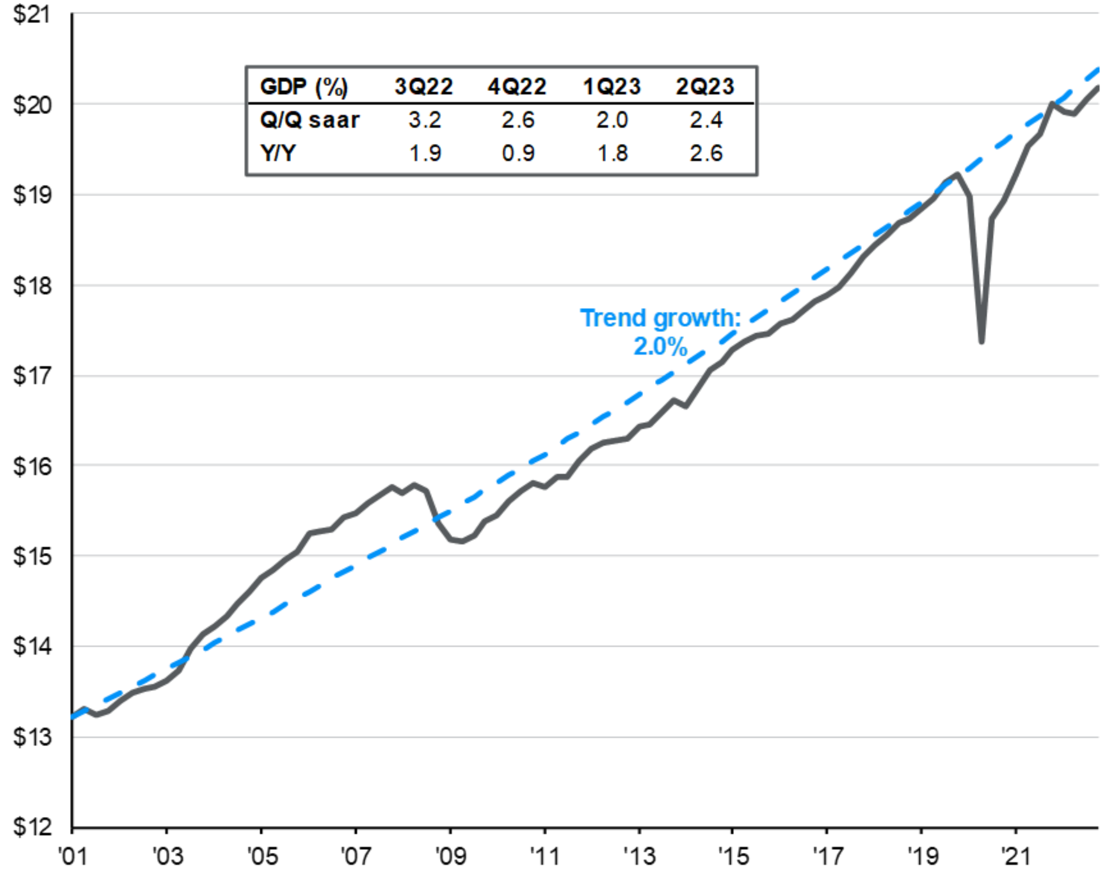
Factory Orders YoY are Slowing

National Federation of Independent Business Small Business Sentiment at Lows

Source: Stifel CIO Office via Bloomberg, as of July 21, 2023

Real GDP

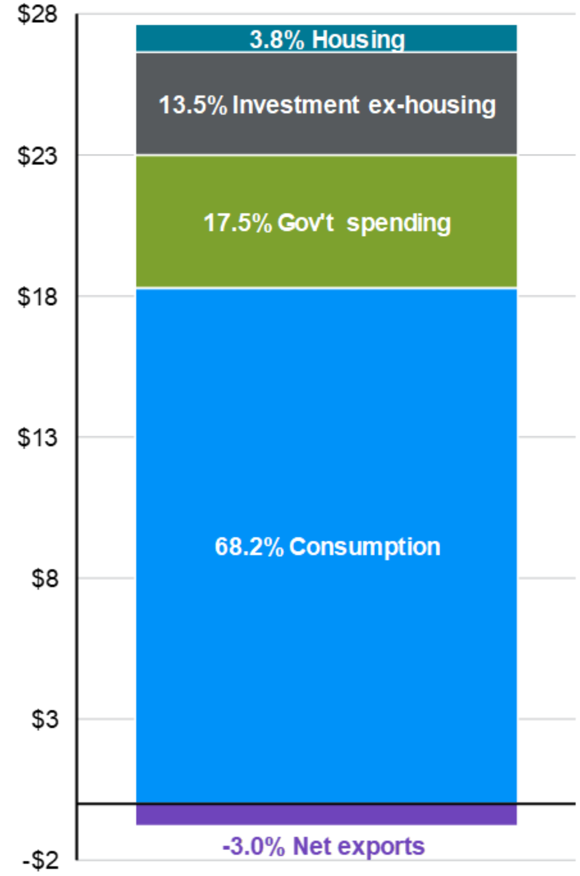
Trillions of chained (2012) dollars, seasonally adjusted at annual rates



GDP (%)	3Q22	4Q22	1Q23	2Q23
Q/Q saar	3.2	2.6	2.0	2.4
Y/Y	1.9	0.9	1.8	2.6

Components of GDP

2Q23 nominal GDP, USD trillions



Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.

Guide to the Markets – U.S. Data are as of July 27, 2023.

U.S. GDP	Date of Estimate	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	2022	2023	2024
Consensus Estimates	**7/21/2023**	**2.0**	**1.5**	**0.4**	**-0.4**	**0.3**	**1.2**	**2.1**	**1.5**	**0.6**
Stifel	7/15/2023		1.8	0.3	-0.6	1.8	0.3		0.9	1.4
Goldman Sachs	7/21/2023		2.5	1.0	1.0	1.9	1.9		2.0	1.6
Capital Economics	7/14/2023		1.4	-1.5	-1.5	0.5	1.8		1.3	0.4
Strategas	7/17/2023		1.6	1.5	-0.5	-1.5	1.0		1.8	0.4
UBS	7/21/2023		1.6	-0.7	-1.9	-1.3	2.0		1.4	0.1
Wells Fargo	7/21/2023		0.9	1.7	0.2	-1.4	-1.8		1.7	0.1
Bloomberg Economics	7/7/2023		1.5	0.5	-1.2	-1.1	0.9		1.6	0.2
Barclays	7/21/2023		1.5	0.0	-0.5	-1.0	-0.5		1.6	-0.2
JPMorgan Chase	7/21/2023		1.7	0.5	-0.5	-0.5	0.5		1.7	0.4
Federal Reserve**	6/14/2023							**0.9**	1.0	1.1

Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively. Stifel estimates based on Stifel sell-side Economics department estimates.

**Percent change from fourth quarter to fourth quarter one year ago.

Source: Stifel CIO Office via Bloomberg, as of July 21, 2023. Federal Reserve estimates are as of June 14, 2023. Figures in grey areas under "Consensus Estimates" represent reported results

Politics and Geopolitics

SECOND HALF FOCUS – WASHINGTON D.C.

- **Government Shutdown** - Low odds, but not zero
- **Defense spending and Ukraine** – disagreements still exist
- **China outbound investment rules-** creating a process to vet outbound investments in China
- **Student loan forgiveness** – Supreme Court likely to block the administration's plan
- **Business tax legislation** – talks to suspend some business-related tax changes
- **M&A** – potential changes to merger guidelines
- **Banking Regulation** –banks with > $100 billion in assets
- **Deposit Insurance-** limited political will
- **SAFE Banking Act** – might be a "must-pass" bill
- **MiFID II** – unlikely to pass
- **Cryptocurrency** - watch for enforcement actions

VIEW REPORT

U.S. – CHINA RELATIONS

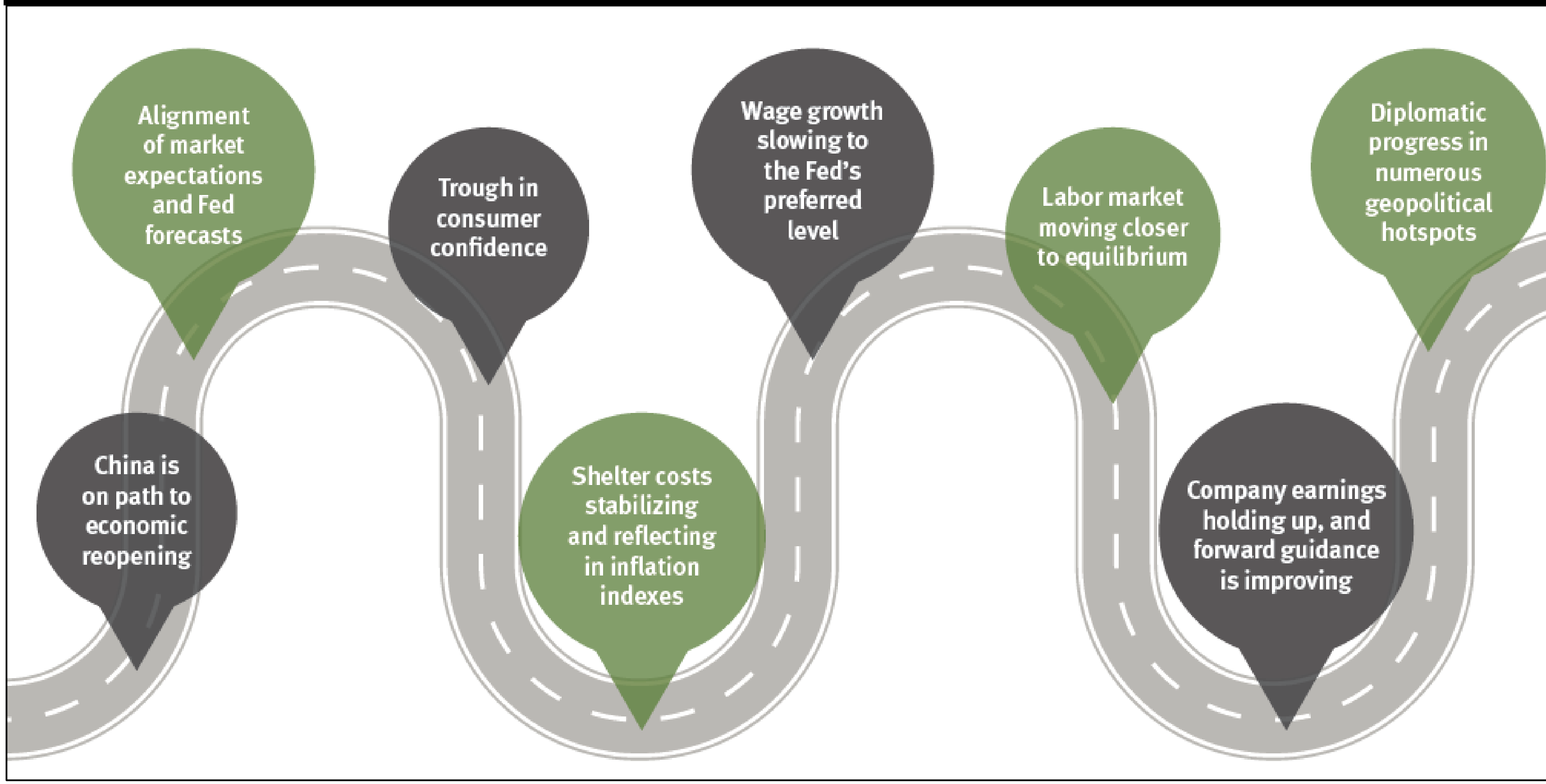
- Relationship strained
  - Spy balloons
  - China military facility in Cuba
  - U.S. – Taiwan Initiative on 21st Century Trade
- Secretary of State Blinken visit to China
  - First visit in 5 years, both sides agreed to talk further
  - Will "compete vigorously"…but seek to "reduce risk of miscalculation"
- Treasury Secretary Janet Yellen says 'premature' to remove tariffs

OTHER TOPICS WE'RE TRACKING

- Black Sea Grain Initiative (BSGI) expiration 7/18
- India's rice export ban
- Netherlands and Spain snap elections and EU fiscal reform

Mid-Year Outlook: Still Seeking to Finding Balance

SIGNPOSTS


China is on path to economic reopening
Alignment of market expectations and Fed forecasts
Trough in consumer confidence
Shelter costs stabilizing and reflecting in inflation indexes
Wage growth slowing to the Fed's preferred level
Labor market moving closer to equilibrium
Company earnings holding up, and forward guidance is improving
Diplomatic progress in numerous geopolitical hotspots

	2023 Forecast	Current
U.S. Real GDP	-0.5%- +0.5%	1.50%
Core PCE Inflation (4Q/4Q)*	3.50%-3.75%	4.70%
Federal Funds Rate	4.75%-5.00%	5.25%-5.50%
S&P 500	4,000	4,567
10-year Treasury (%)	3.25%-3.75%	3.87%
Market Pulse Publications**	25	2
Investment-Grade Spreads (bps)***	100-150 bps	118 bps
High-Yield Spreads (bps)***	450-500 bps	376 bps

*PCE is Personal Consumer Expenditures.

**The Stifel CIO Office issues a Market Pulse publication when the S&P 500 closes up or down by at least 2% on a given day.

***bps is basis points. 1 basis point is 0.01%.

Source: Stifel CIO Office via Bloomberg, as of July 27, 2023

Index	2020	2021	2022	YTD - Mar 8 2023	Mar 8 – June 1 2023	June 1– July 26 2023	YTD – July 26 2023
S&P 500 Index	18.4%	28.7%	-18.1%	4.3%	6.2%	8.4%	20.0%
S&P 500 Eq. Weight.	12.8%	29.6%	-11.5%	3.9%	-3.6%	10.7%	10.8%
S&P 500 Financials	-1.8%	34.9%	-10.6%	2.2%	-7.7%	11.4%	5.0%
KBW Reg. Banking	-8.7%	36.7%	-6.9%	-1.7%	-24.6%	23.6%	-8.5%
Russell 1000 Value	2.8%	25.1%	-7.6%	1.3%	-2.0%	9.7%	8.9%
Russell 1000 Growth	38.5%	27.6%	-29.1%	8.3%	12.8%	7.8%	31.8%
NYSE FANG+ Index	103.1%	17.7%	-40.0%	24.0%	32.7%	6.7%	75.6%
Russell 2000 Index	19.9%	14.8%	-20.5%	6.9%	-5.6%	12.2%	13.4%
MSCI EAFE Index	7.8%	11.3%	-14.5%	6.1%	2.0%	5.6%	14.4%
MSCI EM Index	18.3%	-2.5%	-20.1%	2.4%	-1.0%	8.3%	9.8%
Bloomberg U.S. Agg	7.5%	-1.5%	-13.0%	-0.1%	2.8%	-0.3%	2.4%

Source: Stifel CIO Office via Bloomberg, as of July 26, 2023

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NEAR-TERM RISKS AND OPPORTUNITIES

2023 EPS	EPS Forward P/E						
	19x	20x	21x	22x	23x	24x	25x
$240	4,560	4,800	5,051	5,280	5,520	5,760	6,000
$230	4,370	4,600	4,840	5,060	5,290	5,520	5,750
$220	4,180	4,400	4,630	4,840	5,060	5,280	5,500
$217	4,123	4,340	4,567	4,774	4,991	5,208	5,425
$210	3,990	4,200	4,419	4,620	4,830	5,040	5,250
$200	3,800	4,000	4,209	4,400	4,600	4,800	5,000
$190	3,610	3,800	3,999	4,180	4,370	4,560	4,750
$180	3,420	3,600	3,788	3,960	4,140	4,320	4,500

Consensus 2023 EPS

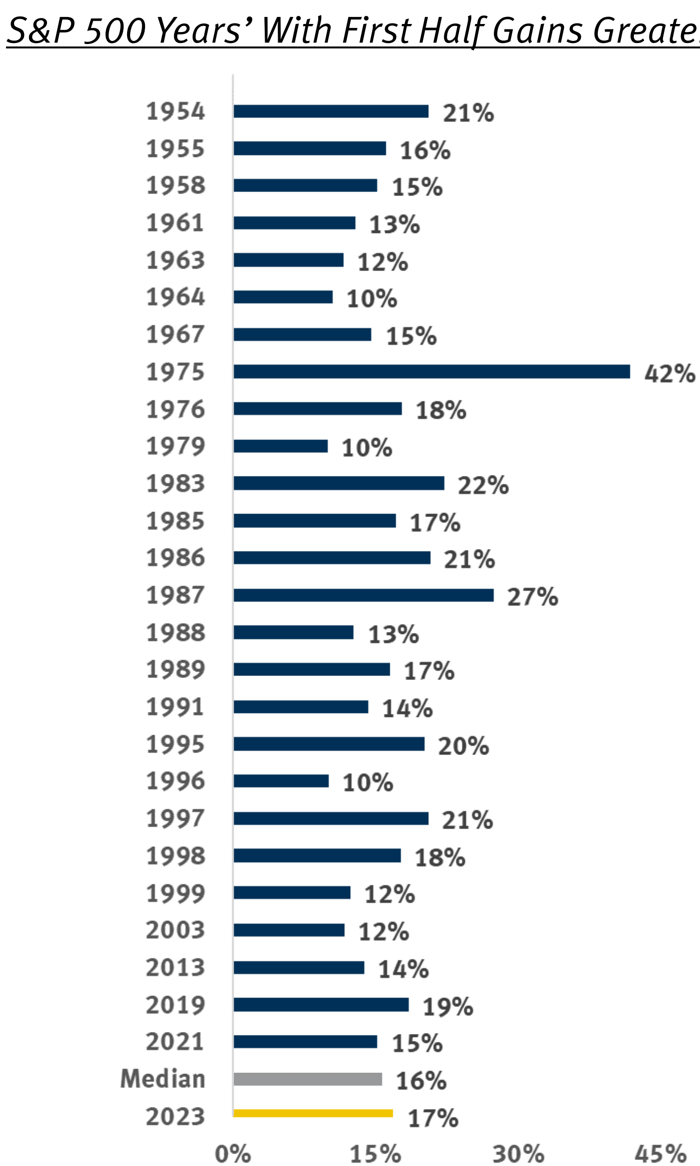
Current S&P 500 Index Level

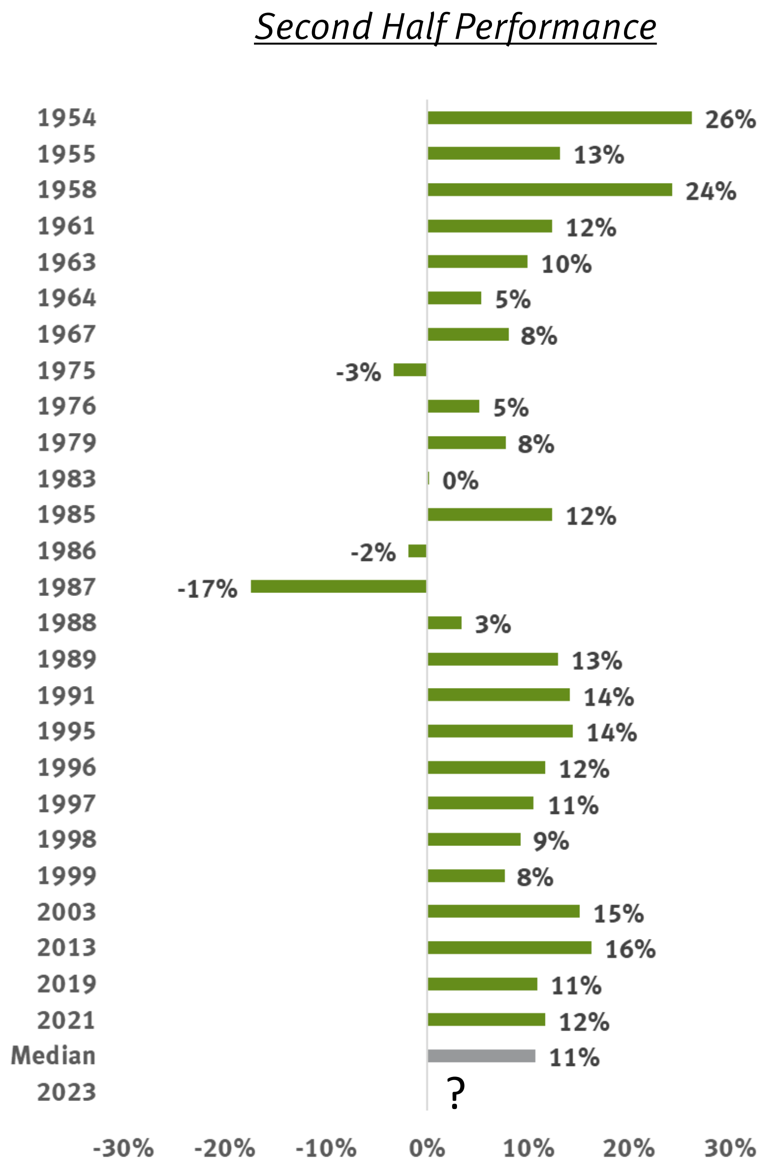
2024 EPS	EPS Forward P/E					
	17x	18x	19x	21x	22x	23x
$255	4,318	4,572	4,754	5,334	5,588	5,842
$250	4,233	4,482	4,660	5,229	5,478	5,727
$244	4,148	4,392	4,567	5,124	5,368	5,612
$240	4,080	4,320	4,492	5,040	5,280	5,520
$230	3,910	4,140	4,305	4,830	5,060	5,290
$220	3,740	3,960	4,118	4,620	4,840	5,060
$210	3,570	3,780	3,930	4,410	4,620	4,830

Consensus 2024 EPS

+5% needed to reach previous S&P 500 high

Source: Stifel CIO Office via Bloomberg, as of July 26, 2023





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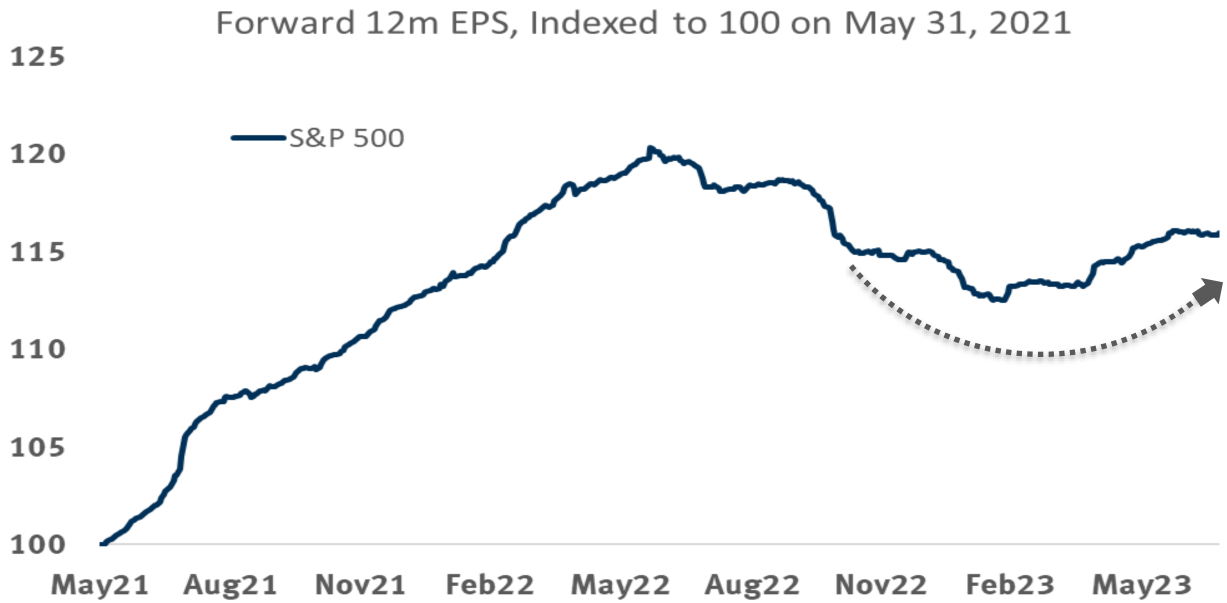
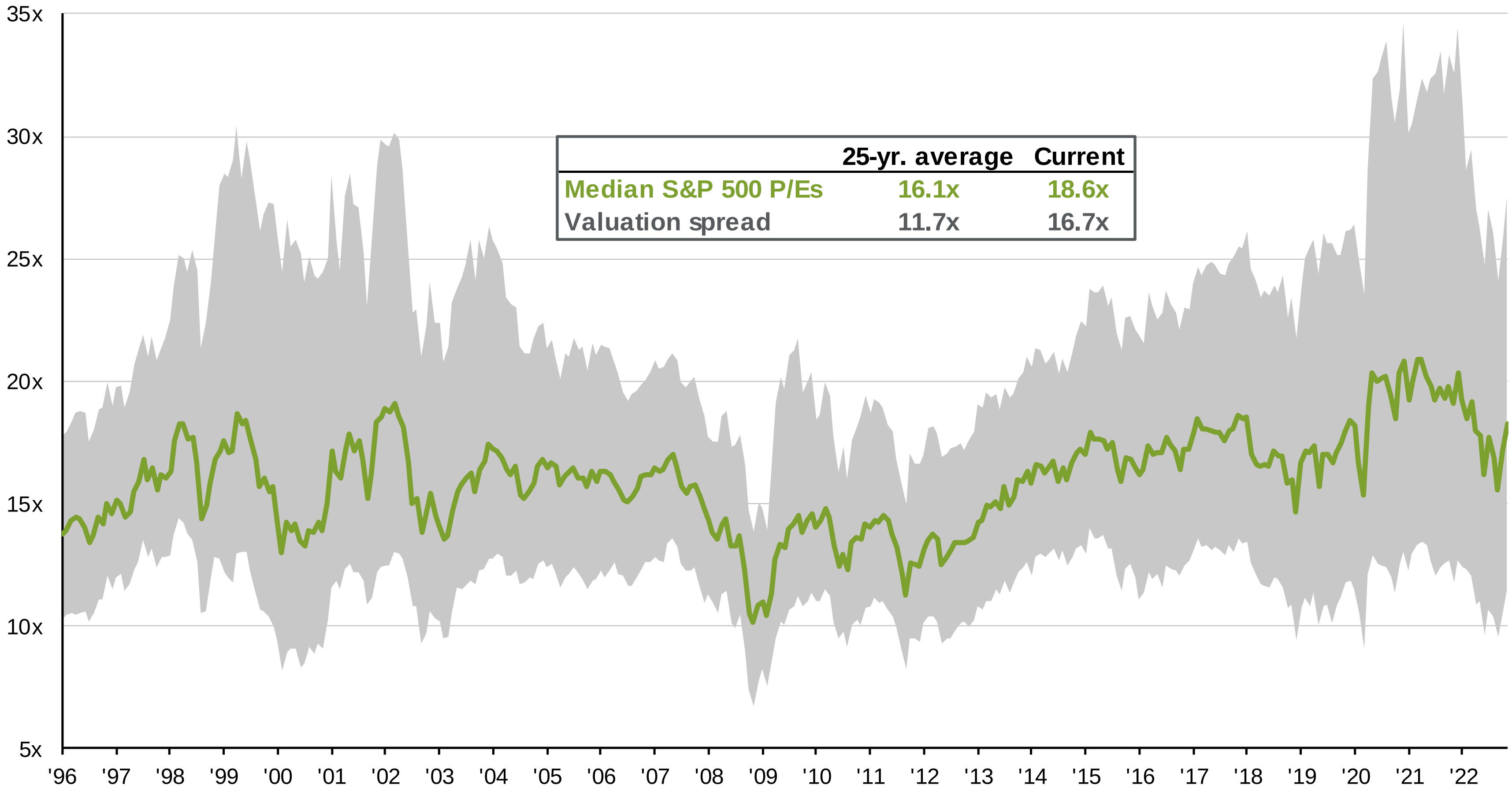


12% premium to 10-year average

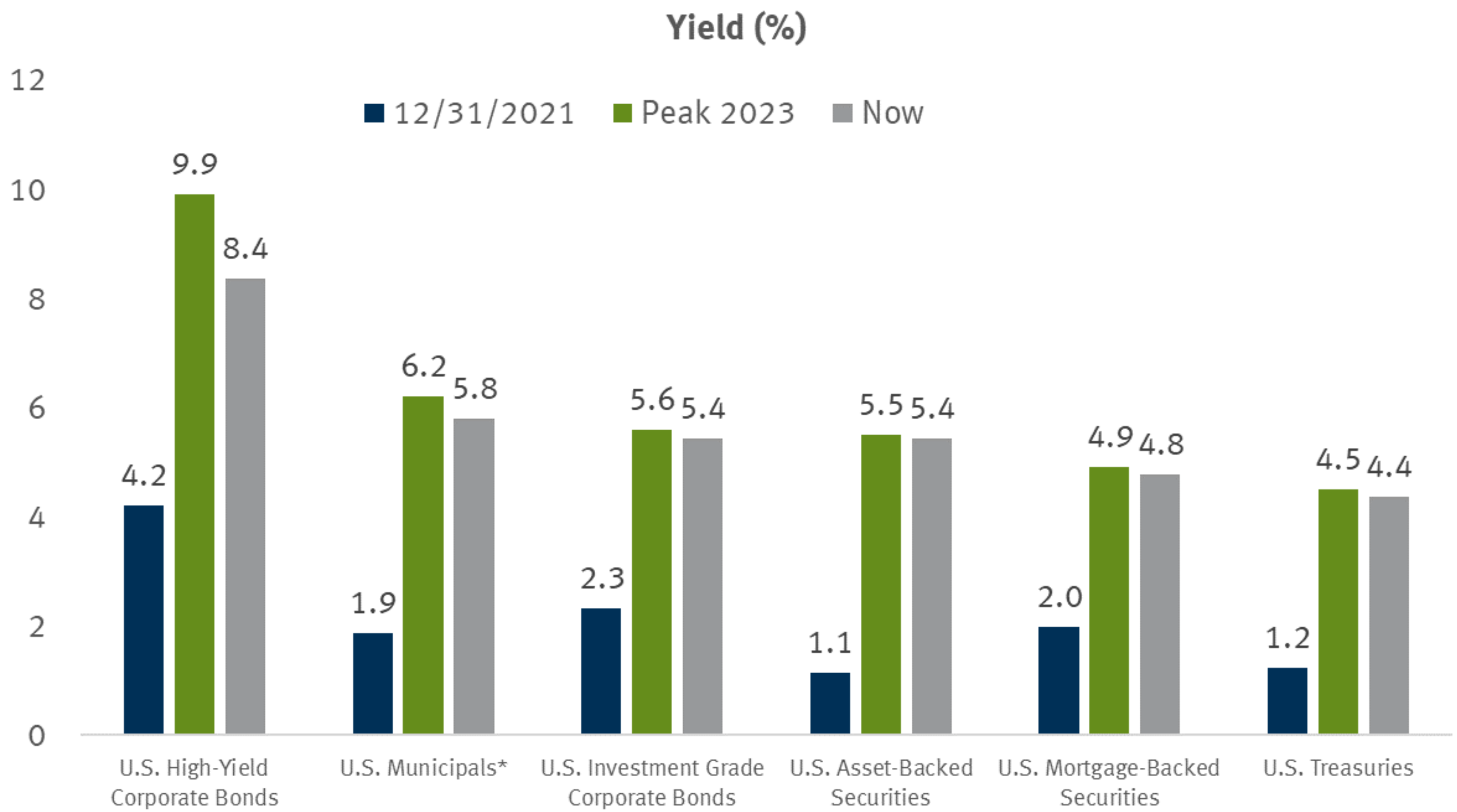
4% discount to 10-year average

Source: Stifel CIO Office via Bloomberg, as of July 27, 2023

Valuation dispersion between the 20th and 80th percentile of S&P 500 stocks



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of July 21, 2023.



**Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax.*

Source: Stifel CIO Office via Bloomberg, as of July 26, 2023

1 ECONOMY *Recession expectations pushed out, economy to slow*

3 things we're focused on:

- Labor market
- Consumer spending
- Lag effects

2 INFLATION *Significant progress, final 1% drop may take longer*

3 things we're focused on:

- Shelter prices
- Supercore services
- Inflation expectations

3 MARKETS *Returns broadening out, volatility to increase*

3 things we're focused on:

- Company earnings
- Profit margins
- Capital Expenditures

Long-Term Themes

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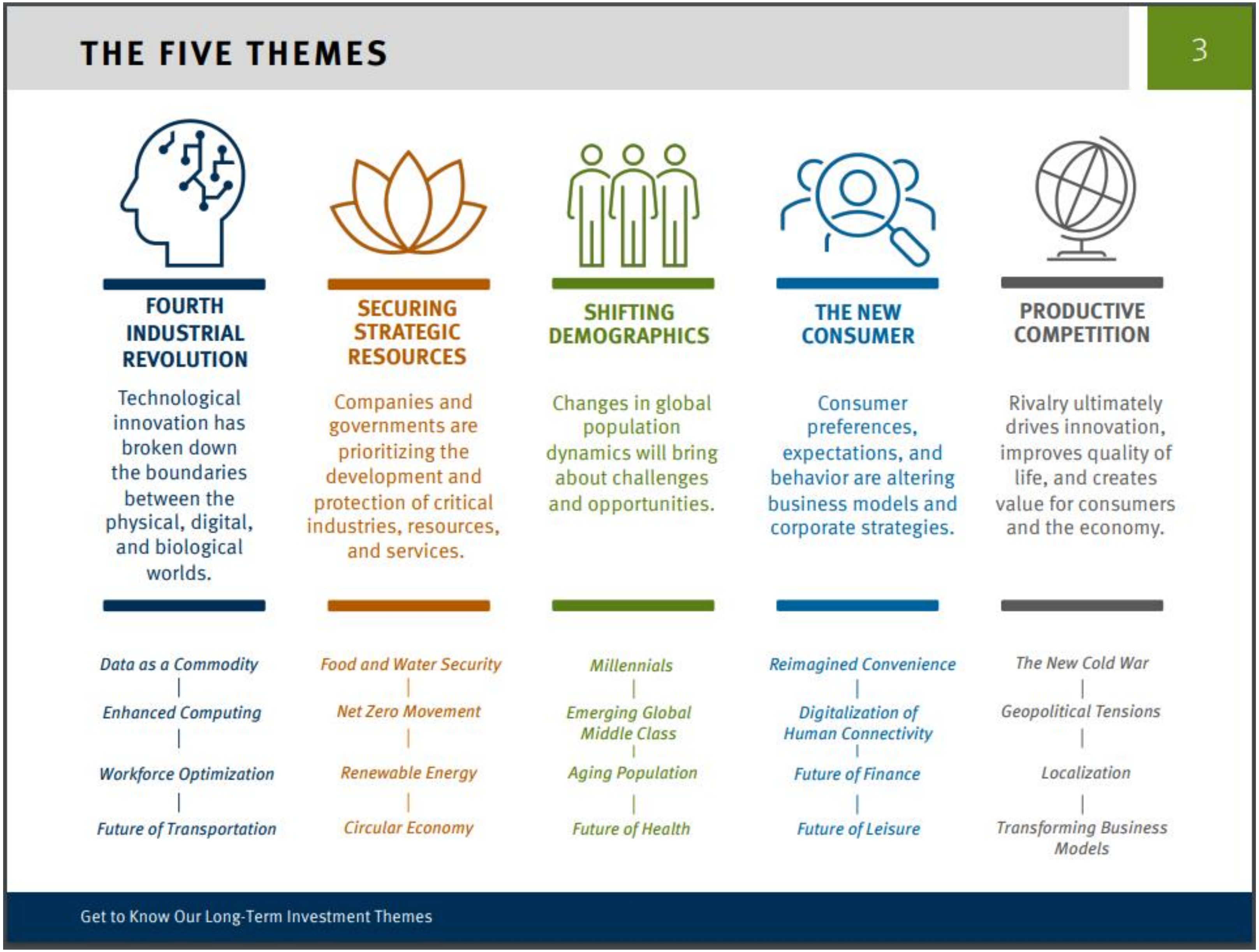
LONG-TERM INVESTMENT THEMES



Source: Stifel CIO Office via *From Vision to Value: Our Long-Term Investment Themes*

VIEW REPORT

WHERE TO FIND

STIFEL GUIDANCE

The Stifel CIO Office develops economic and market analysis, and corresponding investment guidance, for the benefit of Stifel clients.

CLIENT WEBINAR REPLAY

Popular insights from Stifel's CIO Office include:

NAVIGATING KEY DATES

JULY	
5	Federal Open Market Committee (FOMC) Minutes
7	Employment
12/13	Inflation
14	Consumer Sentiment
18	Retail Sales
19	Housing
26	Fed Policy Decision

AUGUST	
1	Employment
10/11	Inflation
11	Consumer Sentiment
15	Retail Sales
16	Housing
16	Federal Open Market Committee (FOMC) Minutes

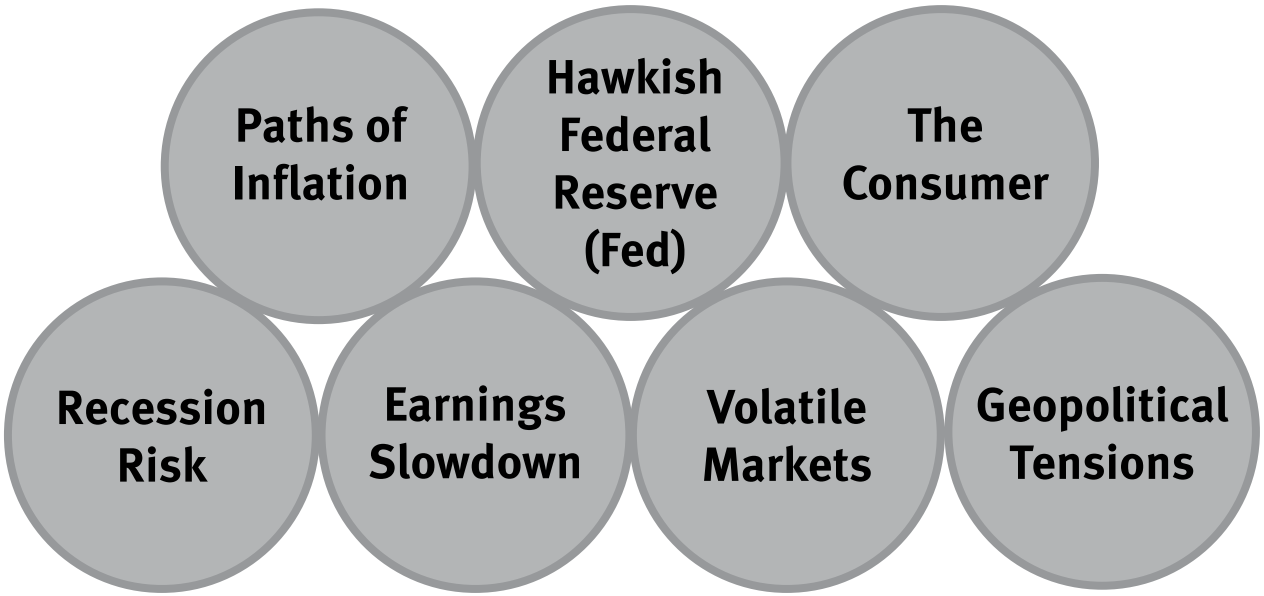
SEPTEMBER	
1	Employment
13/29	Inflation
14	Retail Sales
15	Consumer Sentiment
20	Fed Policy Decision
26	Housing

OCTOBER	
6	Employment
11	Federal Open Market Committee (FOMC) Minutes
12/27	Inflation
17	Retail Sales
19	Housing

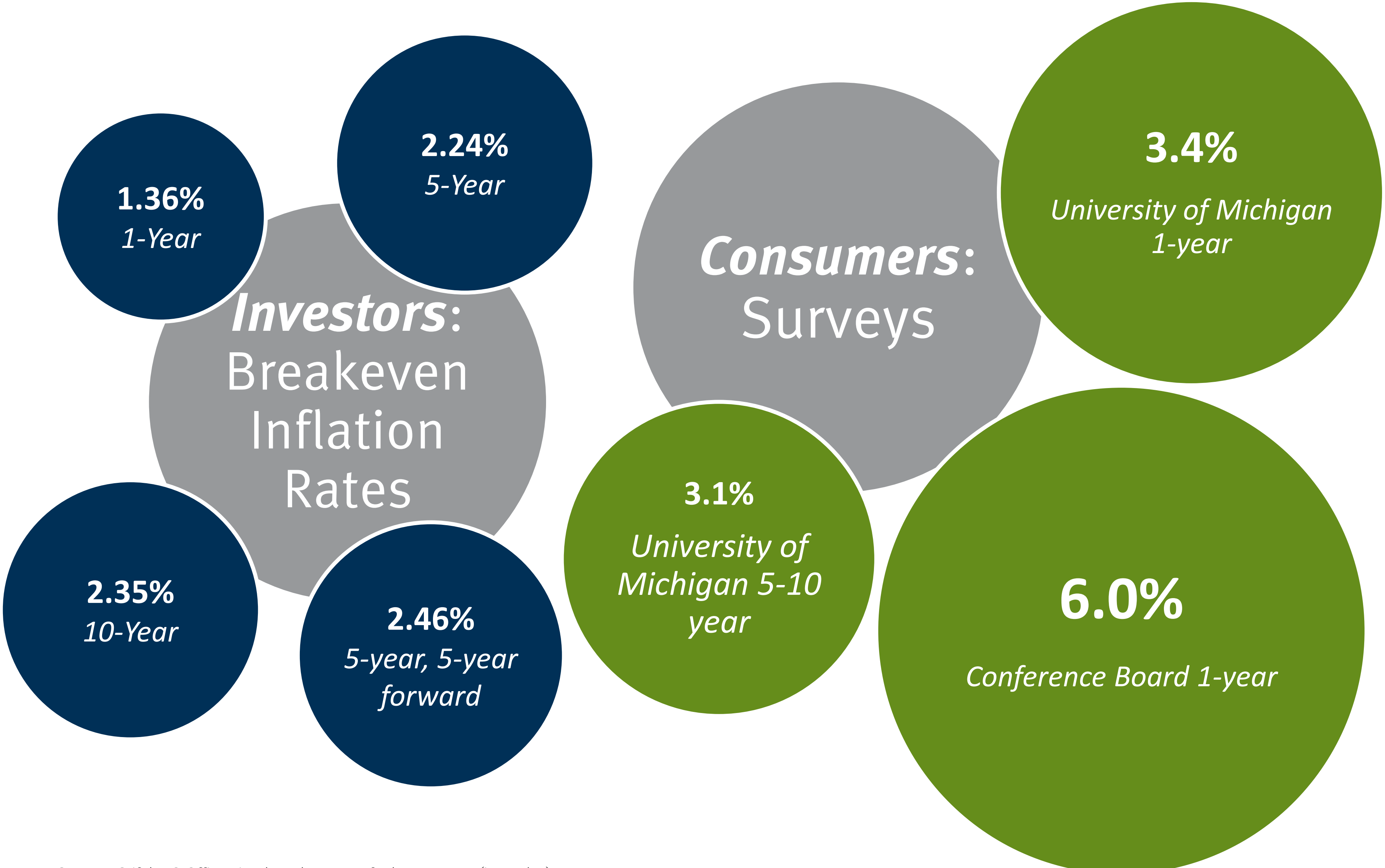
OTHER IMPORTANT TOPICS

- Russia-Ukraine War
- China-Taiwan Tensions
- Progression of Earnings Forecasts
- Second Quarter Earnings Season
- Progression of PMI measures
- Business and consumer sentiment
- Global Inflation
- Global Central Bank Policy

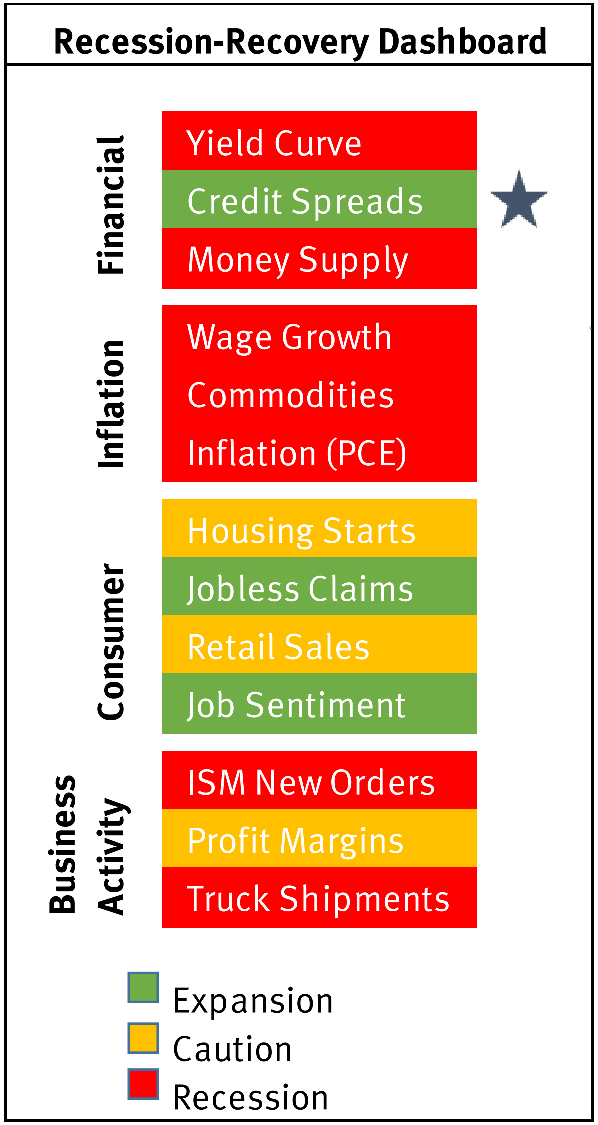
Macro Environment


Paths of Inflation
Hawkish Federal Reserve (Fed)
The Consumer
Recession Risk
Earnings Slowdown
Volatile Markets
Geopolitical Tensions

INFLATION EXPECTATIONS



Source: Stifel CIO Office via Bloomberg, as of July 21, 2023 (intra-day)



★ *Previously in cautionary territory.*

- Various **yield curve** indicators suggest +50% probability of recession.
- **Credit spreads** narrowed on better economic outlook.
- **Money supply** growth continues to be negative; but, levels of high liquidity remain on Fed's balance sheet.
- **Wage growth** slowing but continue to contribute to inflationary pressures.
- **Commodities** are lower on recession fears and energy market volatility.
- **Inflation** is still sticky, with modest progress.
- **Housing starts** boosted by low inventory..
- **Jobless claims** beginning to show signs of labor market growth slowdown.
- Overall **retail sales** remain supported by lower but positive consumer spending.
- **Job sentiment** continues to decelerate.
- **ISM New Orders** show volatility with manufacturing presenting downside risk.
- **Profit margins** remain historically high but risks are meaningful due to price pressures.
- **Truck shipments** are weak despite the stabilization of supply chain pressures.

Source: Stifel CIO Office via Bloomberg, as of July 24, 2023

MOVING CLOSER TO RECESSION

EARLY Acceleration in economic growth	MID Positive, but moderating growth	LATE Growth rate slows to trend or below-trend	RECESSION Growth contracts
Lower consumer spending	Recovering consumer spending	Strong consumer spending	Falling consumer spending
Credit creation low	Credit creation rising	Credit creation rising faster	Credit creation declining
Company profits recovering	Company profits peaking	Company profits under pressure	Company profits contracting
Fiscal/monetary policy accommodative	Fiscal/monetary policy shifting to neutral	Fiscal/monetary policy contractionary	Fiscal/monetary policy easing

A SHIFT TO TIGHTER FINANCIAL CONDITIONS

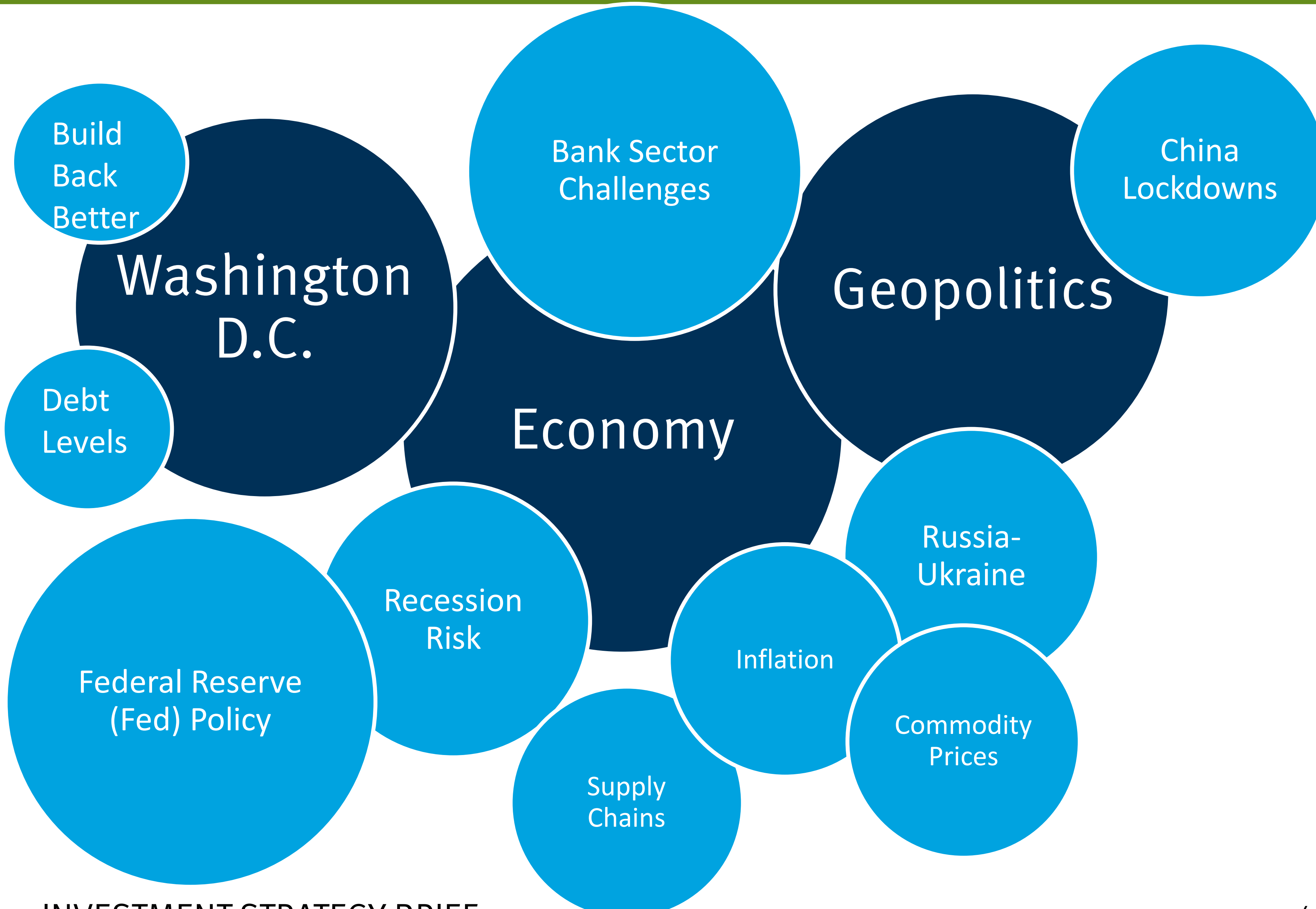
	10-year Yield	IG Spread	HY Spread	VIX Index	MOVE Index	Financial Conditions
High	4.24	1.65	5.83	33.6	198.7	0.5
Median	3.56	1.38	4.55	21.4	127.3	(0.3)
Low	2.57	1.15	3.85	12.9	97.3	(1.3)
Current	3.73	1.32	4.26	13.4	105.7	0.3
% Tile	30%	73%	78%	99%	95%	8%
2/28/23	3.92	1.24	4.12	20.70	123.60	0.19
% Tile	12%	88%	90%	57%	59%	17%

Source: Stifel CIO Office via Bloomberg, as of July 21, 2023; based on last 12 months data. (intra-day)

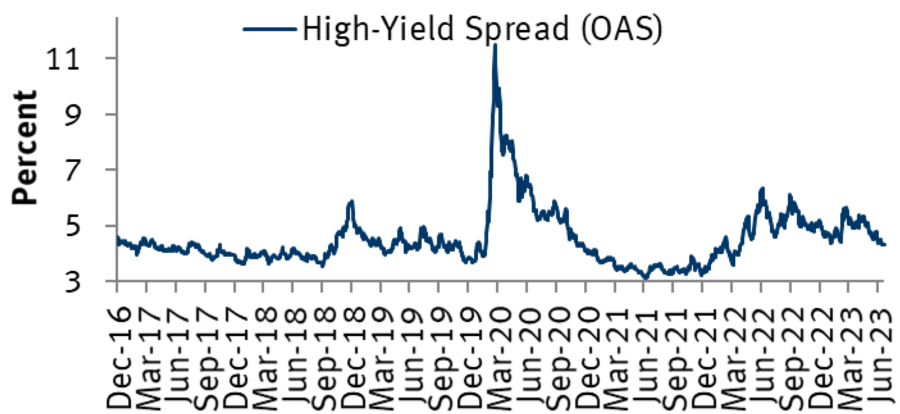

Geopolitics
Elections
European Fragmentation
Global Central Bank Policy
UK Policy
Energy Crisis
Russia-Ukraine
Export Controls
U.S. – China Competition
New Cold War
Russia – NATO
South China Sea
Taiwan

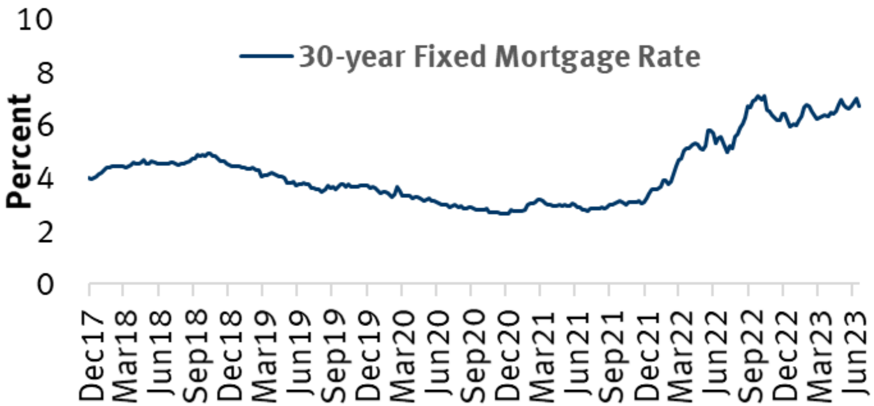
Markets

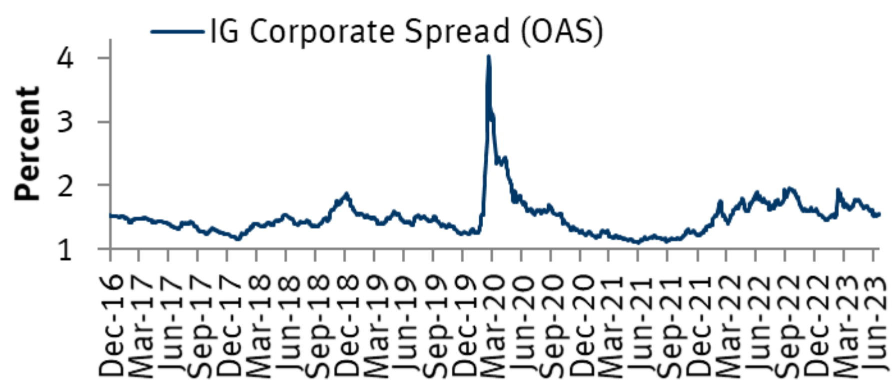
SOURCES OF VOLATILITY



Rates and Spreads



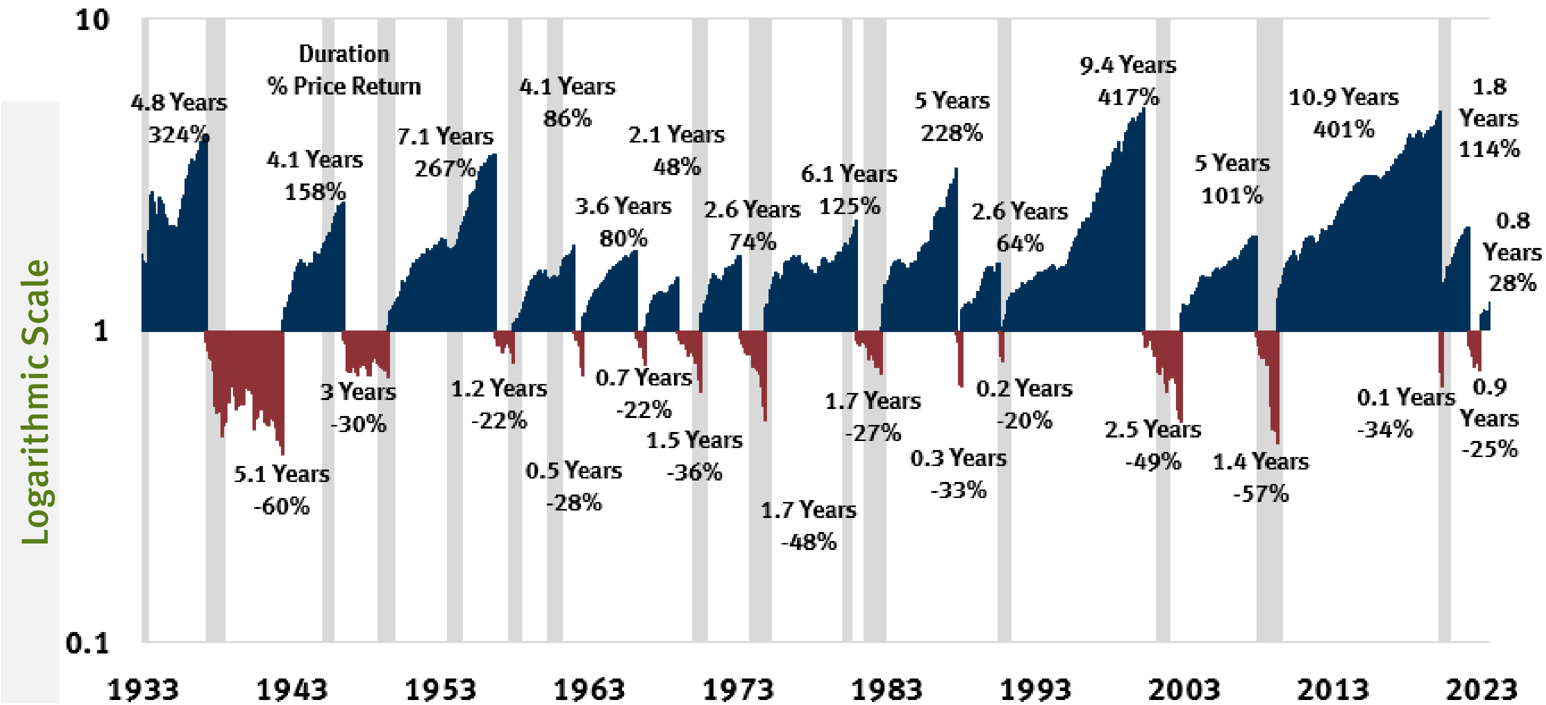


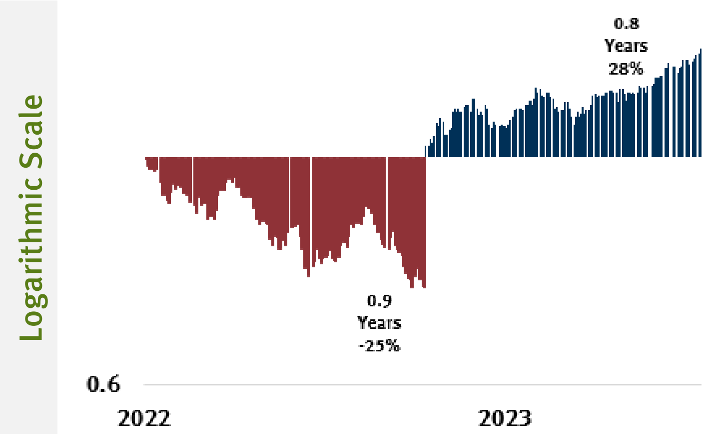


OAS Spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option

Source: Stifel CIO Office via Bloomberg, as of July 21, 2023 (intra-day)

POST-PANDEMIC ENVIRONMENT





S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment. Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Source: Stifel Investment Strategy via Strategas Securities, LLC and Bloomberg, as of July 21, 2023 (Intra-Day)

Dynamic leanings

144 ASSET ALLOCATION MODELS FOR YOUR SELECTION

6
Risk Profiles

Conservative | Moderately Conservative | Moderate | Moderate Growth | Moderately Aggressive | Aggressive

2
Time Frames

- Strategic (Long Term)
- Dynamic (Near Term)

3
Levels of Liquidity

- Tier 1
- Tier 2
- Tier 3

2
Equity Choices

- U.S. Focused
- Global

2
Fixed Income Choices

- Tax Sensitive
- Taxable

DYNAMIC LEANINGS

Underweight | Neutral | Overweight

EQUITY

ASSET CLASS	CURRENT: Underweight	CURRENT: Neutral	CURRENT: Overweight	COMMENTS
U.S. Equity vs. Non-U.S. Equity		■		While non-U.S. equity relative valuations remain attractive for longer-term investors, we remain neutral given the global economic and geopolitical headwinds. The strength of the U.S. consumer and corporate balance sheets put the U.S. on a stronger footing, but richer valuations mean near-term weakness is possible.
U.S. Large Cap vs. U.S. Small Cap	■			Small cap company valuations are providing an attractive entry point for skilled investors. Falling prices reflect, to a good degree, the concerns about higher interest rates and an economic slowdown. But lower valuations create opportunities. We guide investors to implement an overweight with active management.
U.S. Large Value vs. U.S. Large Growth		■		In this environment we believe investors should diversify across both value and growth styles. Within U.S. large cap, we have a modest overweight to dividend growth and quality companies, regardless of style.
Non-U.S. Developed Markets vs. Emerging Markets		■		Risks stemming from China and the war in Ukraine are each binary, meaning one or both could quickly dissipate, or get worse. Our team is closely following the developments in China and Europe, and we are prepared to act swiftly as we receive further clarity on the macroeconomic outlook.
Europe vs. Japan		■		We see investment opportunities across regions of the world. Japan's corporate governance reform is a positive and likely to enhance shareholder value in the medium-to-long term. Risks from the war in Ukraine are largely reflected in European stock valuations, and there is meaningful upside potential if and when we see a diplomatic resolution there.

DYNAMIC LEANINGS

Underweight | Neutral | Overweight

	ASSET CLASS	CURRENT (Underweight)	CURRENT (Neutral)	CURRENT (Overweight)	COMMENTS
FIXED INCOME	U.S. Investment Grade vs. U.S. High Yield			■	Bond yields are the most attractive they have been in the last 10–15 years, despite coming off of recent highs. Near-term volatility and an economic slowdown may exacerbate near-term price losses in high yield.
FIXED INCOME	Corporates/ Government/Agency MBS		■		While our base case is for Treasury yields and corporate spreads to remain range bound, we remain neutral and diversified across fixed income supersectors given the fat tail risks of our bear and bull scenarios.
FIXED INCOME	Duration		■		We view duration as a diversifier in a multi-asset class portfolio given the near-term uncertainty and remain neutral 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.
ALTERNATIVES	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.

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.

Indices are unmanaged, do not reflect fees and expenses, and are not available for direct investment.

Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

Alternative Investments or Non-Traditional Assets – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

Real Estate – 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.

Commodities and Futures – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

Hedge Funds – *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.*

Venture Capital – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies' business concepts generally are unproven and the companies have little or no track record.

Limited Partnerships – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Bonds – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

Duration – Duration is a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Standard Deviation – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

International and Emerging Markets – 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.

Private Equity – *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.*

Short Positions – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral and the manager might have to close out that short position at an inopportune time to limit any further losses.

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

Bloomberg U.S. Treasury Bills 1-3 Months 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.

Bloomberg U.S. Corporate IG Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Aggregate Corporate Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg U.S. Corporate High Yield is an unmanaged index considered representative of fixed-rate, noninvestment-grade debt.

Bloomberg U.S. Government Bond Index is an unmanaged index considered representative of fixed-rate, investment-grade US Government debt.

Bloomberg Global Aggregate This index provides a broad-based measure of the global investment-grade, fixed-rate debt market.

DXY Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.

S&P 500 Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

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

Russell 1000 Growth Index represents approximately 1,00S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 1000 Index represents approximately 1,000 of the largest companies in the U.S. equity markets, the Russell 1000 is a subset of the Russell 3000 Index. The Russell 1000 (maintained by the Russell Investment Group) comprises over 90% of the total market capitalization of all listed U.S. stocks and is considered a bellwether index for large cap investing.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index.

MSCI EAFE Index captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 914 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Morgan Stanley Market implied pace of hikes index (MSPOKE) is the number of Fed rate hikes in the 12 months following the first rate hike implied by the Eurodollar interest rate futures market.

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

Wilshire 5000 Index is a market-capitalization-weighted index of the market value of all stocks actively traded in the United States.

VIX Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

EURO STOXX 50 is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is "to provide a blue-chip representation of Supersector leaders in the Eurozone

Cash & Cash Equivalent is represented by the Bloomberg U.S. Treasury 3-6 months Bill Index, comprised of treasury bills issued by the U.S. government with less than one year to maturity.

U.S. Government Bonds is represented by the Bloomberg U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

U.S. Corp IG Bonds is represented by the Bloomberg U.S. Corporate Bond Index, comprised of the investment grade, fixed-rate, taxable corporate bond market.

High-Yield Bonds is represented by the Bloomberg U.S. Corporate High Yield Bond Index, comprised of U.S. Dollar denominated, high-yield, fixed-rate corporate bond market securities.

U.S. LC (Large Cap) equities is represented by Russell 1000 Index, comprised of 1,000 of the largest U.S. securities based on a combination of their market cap and current index membership.

U.S. SC (Small Cap) equities is represented by the Russell 2000 Index, comprised of 2,000 of the smallest U.S. securities based on a combination of their market cap and current index membership.

Developed International Equities is represented by the MSCI EAFE Index, comprised of equity securities that belong to markets outside of the U.S. and Canada.

Emerging Markets Equities is represented by the MSCI EM Index, comprised of equity securities that belong to emerging markets.

Moderate Bench stands for moderate benchmark portfolio return which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg U.S. Agg Gov/Credit).

MSCI AC World Index is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

Bloomberg U.S. Government/Credit Bond Index is comprised investment grade, dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.

KBW Nasdaq Regional Banking Index seeks to reflect the performance of U.S. companies that do business as regional banks of thrifts.

NYSE FANG+ Index is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

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