



INVESTMENT STRATEGY BRIEF:

Caution or Optimism:
Can AI Counter a Potential Economic Slowdown?

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STIFEL

Artificial Intelligence/Macro Environment

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Inflation/Federal Reserve Policy/Economy

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Dynamic Leanings

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Artificial Intelligence and Macro Environment

THE FIVE THEMES

3



FOURTH INDUSTRIAL REVOLUTION

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

- Data as a Commodity
- Enhanced Computing
- Workforce Optimization
- Future of Transportation



SECURING STRATEGIC RESOURCES

Companies and governments are prioritizing the development and protection of critical industries, resources, and services.

- Food and Water Security
- Net Zero Transition
- Renewable Energy
- Circular Economy



SHIFTING DEMOGRAPHICS

Changes in global population dynamics will bring about challenges and opportunities.

- Millennials
- Emerging Global Middle Class
- Aging Population
- Future of Health



THE NEW CONSUMER

Consumer preferences, expectations, and behavior are altering business models and corporate strategies.

- Reimagined Convenience
- Digitalization of Human Connectivity
- Future of Finance
- Future of Leisure

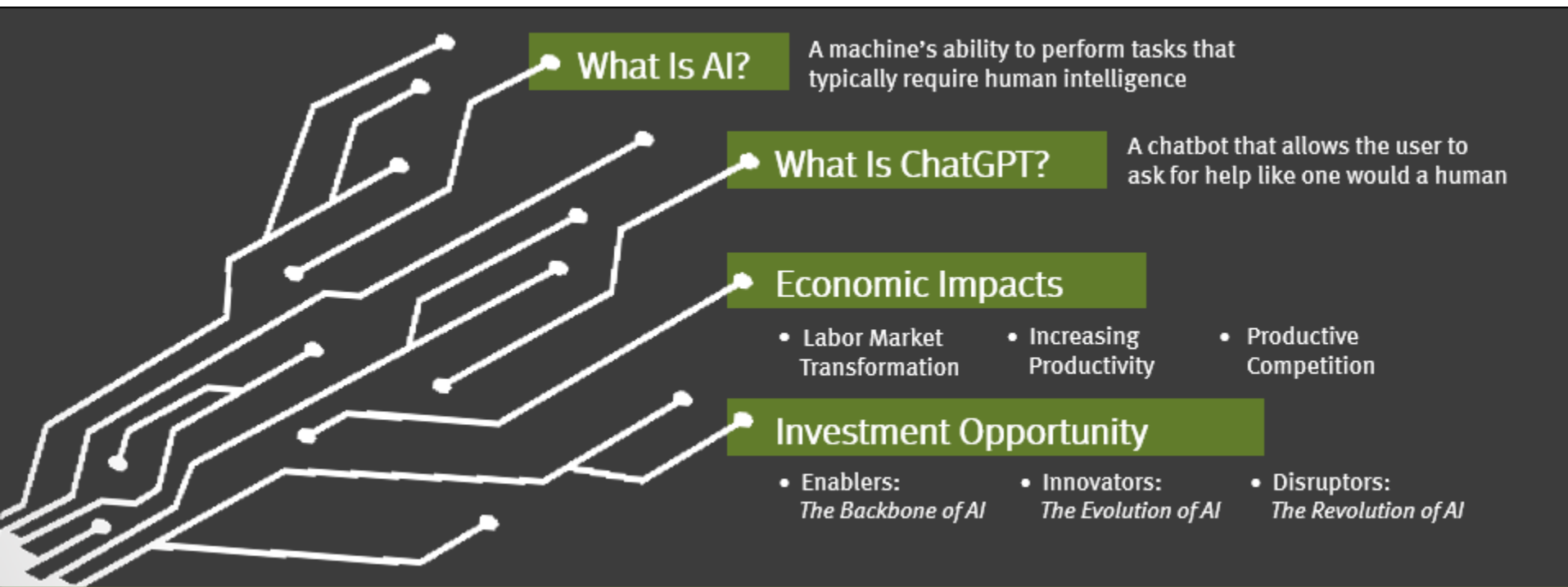


PRODUCTIVE COMPETITION

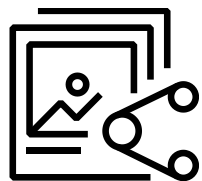
Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

- The New Cold War
- Geopolitical Tensions
- Localization
- Transforming Business Models

Get to Know Our Long-Term Investment Themes



Sources: Stifel CIO Office via Oberlo, McKinsey & Company, PricewaterhouseCoopers, as of April 2023.



1.3 billion
photos shared on Instagram



300 billion
e-mails sent and received every day

22.3 million



packages delivered by UPS

2.5 billion gigabytes (GB)

of data are created each day.
That's equivalent to more than
19 million 128GB iPhones

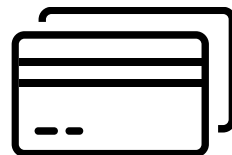
8.5 billion

searches
on Google



1 billion

hours of YouTube content streamed



150 million
U.S. credit card transactions

Global GDP is estimated to be 14% higher in 2030 - \$15.7 trillion

Improved productivity

(\$6.6 trillion increase in GDP by 2030)

- Examples
 - Automation
 - Improved traffic flow
 - Digital twins

Product enhancements

(\$9.1 trillion increase in GDP by 2030)

- Examples
 - AI-powered diagnostics
 - Predict consumer behavior
 - Customized apparel

Source: Stifel CIO Office via PricewaterhouseCoopers, *Global Artificial Intelligence Study (2017)*

HEALTH CARE

Instantly predict the shape of a protein, leading to drug discovery

Enabling a tool to diagnose sepsis



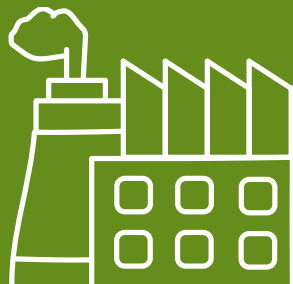
AGRICULTURE

Scan 2,100 square feet of farmland per second, allowing farmers to spray only weeds, reduce herbicide costs, and improve quality of crops



INDUSTRIALS

Evaluate data from sensors installed on equipment to predict failure before it occurs, limiting down time



AEROSPACE

Using augmented reality to assist technicians with real-time, hands-free, interactive 3D wiring diagrams



Debt Added Since GFC

Households	\$5.1 trillion
Corporate	\$8.5 trillion
Federal	\$24.8 trillion

10-year Treasury Yield

Now	4.6%
10 Years Forward	5.0%
20 Years Forward	4.1%

In a higher rate regime, the cost of debt will increase going forward

Consumers must manage debt more carefully, in a possibly slowing economy, and defaults and bankruptcies could increase

Businesses will adjust how they manage debt, with some companies unable to handle increased debt costs and failing

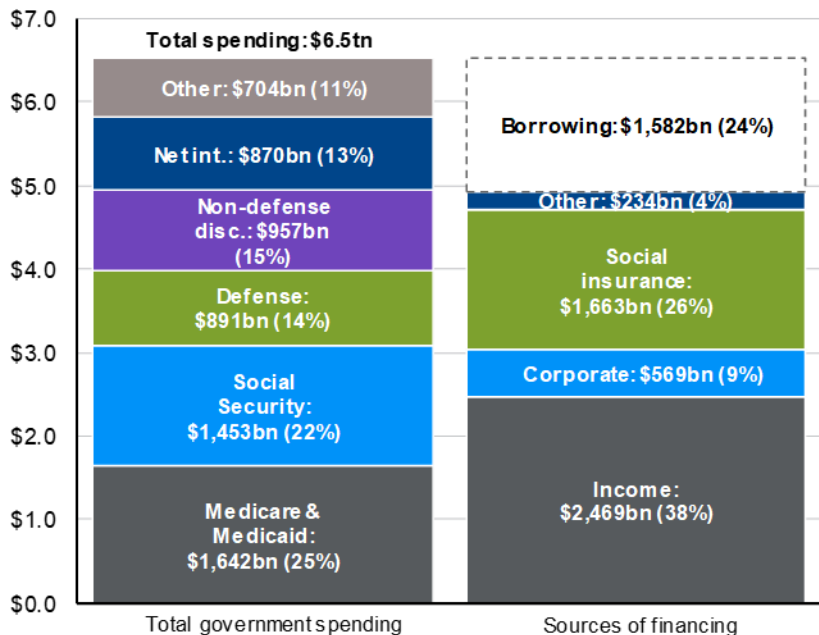
Government spending, deficits, and debt will come more into focus as the cost of our debt rises and attention turns to fiscal discipline

We remain optimistic that, as a country, we'll get through this fiscal transition stronger. But how much pain will we experience through the process, and when?

Source: Stifel CIO Office, as of April 11, 2024; data via St. Louis Federal Reserve (FRED), New York Federal Reserve, Strategas; GFC = Great Financial Crisis

The 2024 federal budget

USD trillions

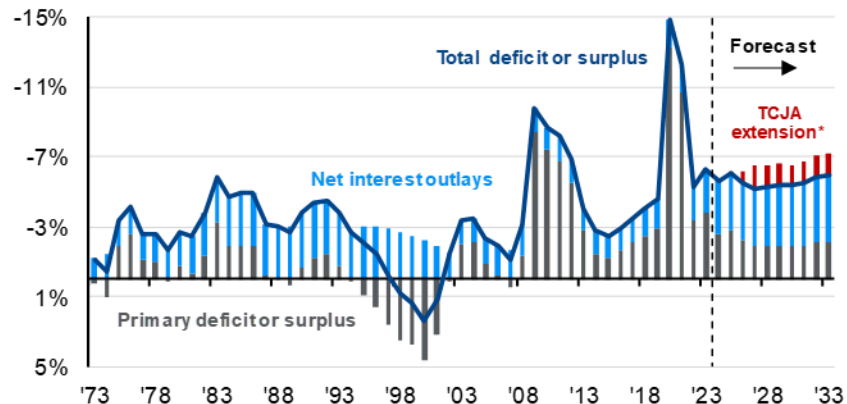


CBO's Baseline economic assumptions

	2024	'25-'26	'27-'28	'29-'34
Real GDP growth	1.8%	2.1%	2.1%	1.9%
10-year Treasury	4.6%	4.3%	3.8%	4.1%
Headline inflation (CPI)	2.6%	2.4%	2.2%	2.2%
Unemployment	4.2%	4.4%	4.4%	4.5%

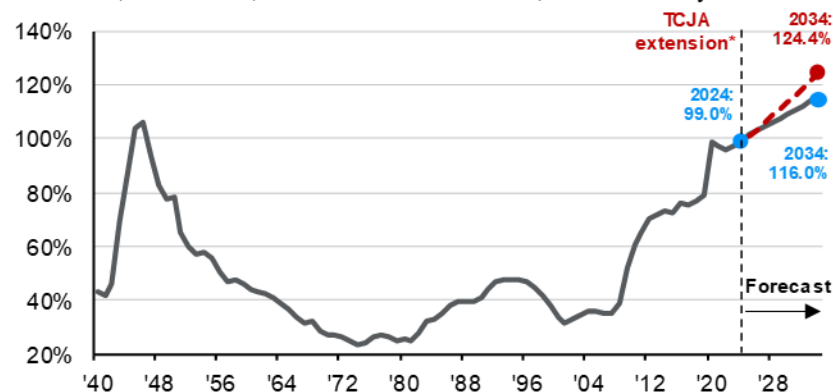
Federal deficit and net interest outlays

% of GDP, 1973-2034, CBO Baseline Forecast



Federal net debt (accumulated deficits)

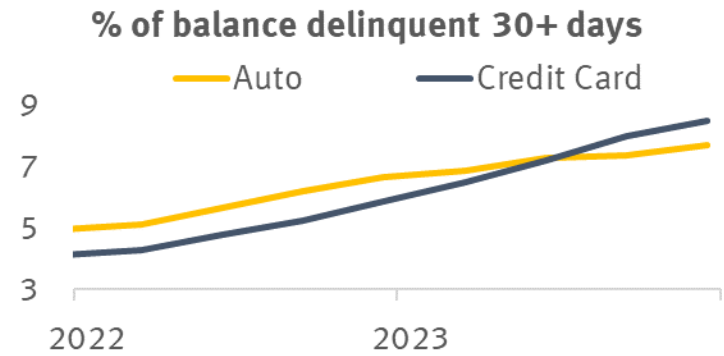
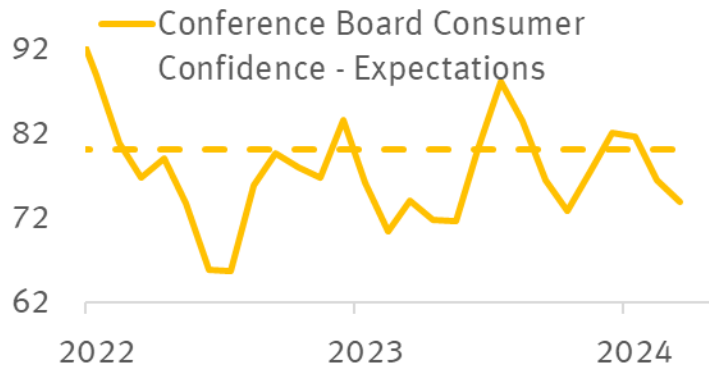
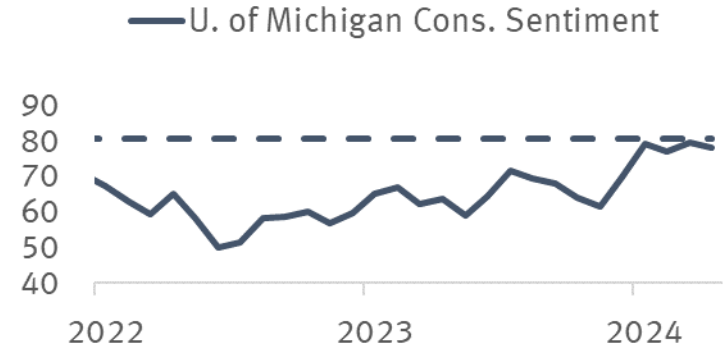
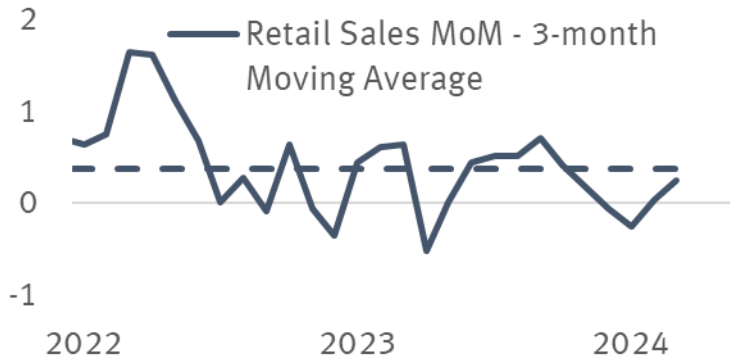
% of GDP, 1940-2034, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) February 2024 An Update to the Budget Outlook: 2024 to 2034. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years.

*Adjusted by JPMAM to include estimates from the CBO May 2023 report "Budgetary Outcomes Under Alternative Assumptions About Spending and Revenues" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

Guide to the Markets – U.S. Data are as of April 10, 2024.



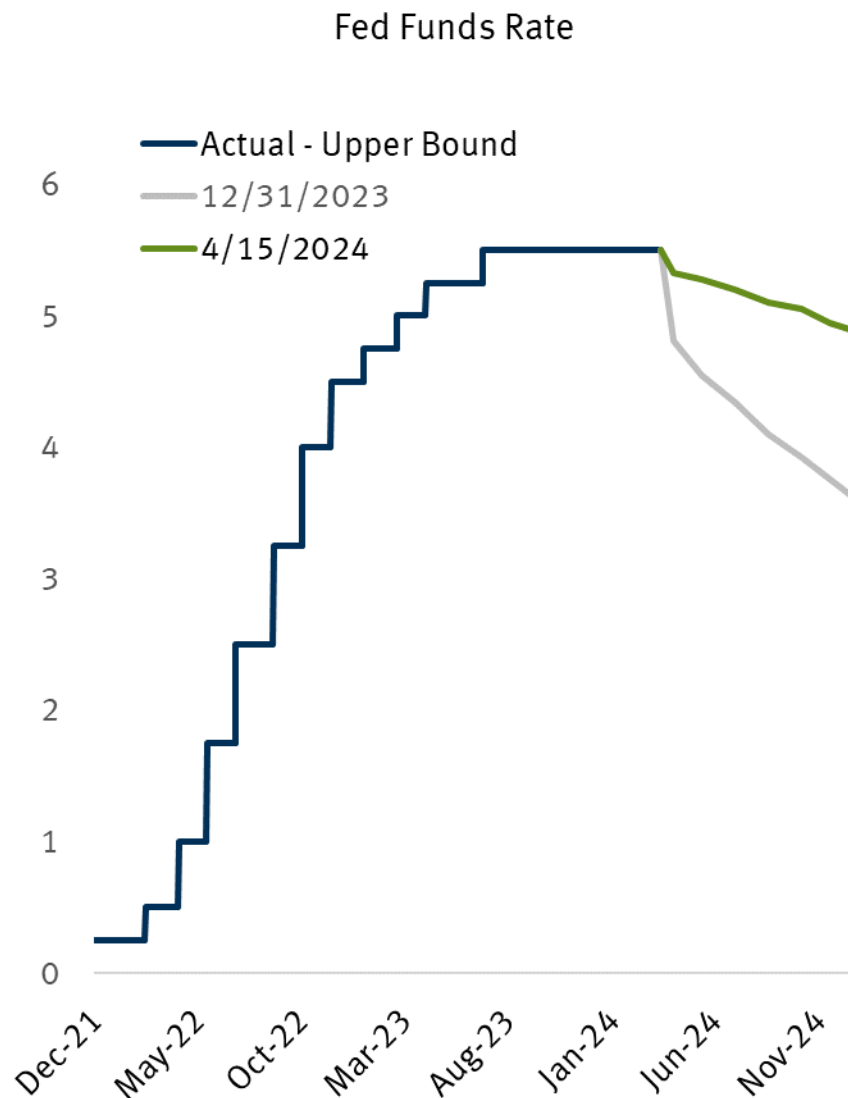
Source: Stifel CIO Office via Bloomberg, as of April 15, 2024; Dashed lines represent historic averages except for Conf. Board Cons. Confidence Expectations.

Deglobalization*Increased localization and protectionism***Multipolarity***A more divided world*

EVENT	LIKELIHOOD	MARKET IMPACT
U.S.-China Competition	10	7
The New Cold War	8	8
Emerging Market (EM) Political Uncertainty	8	5
Cyberattacks	8	5
Washington D.C. Gridlock	7	7
Financial Instability	7	7
Major Terror Attacks	7	4
Climate Policy Error	6	7
South China Sea Military Conflict	6	7
European Fragmentation	6	6
Structurally Higher Inflation	5	8
Middle East Conflict	5	7
North Korea Conflict	5	4
Russia-West Conflict	4	8

	<u>Scenario 1</u>	<u>Scenario 2</u>	<u>Scenario 3</u>	<u>Scenario 4</u>
	War Limited to Gaza	Multi-Front War (Hezbollah)	War Expands to Region (Iran)	Great Power Conflict (China)
Likelihood	Most Likely	Somewhat Likely	Small Likelihood	Remote
Global Economic Impact	Limited and fades quickly	Limited and fades quickly	<ul style="list-style-type: none"> • Inflation rises as a result of oil supply disruption • Recession likely • Potential for long-lasting impact to local markets 	<ul style="list-style-type: none"> • Decoupling of U.S. - China relations (deglobalization) • Global recession
Global Market Impact	Limited and fades quickly	Limited and fades quickly	<ul style="list-style-type: none"> • Risk-off sentiment and volatility increases • Sell-off in global stocks, potentially U.S. stocks • Yields decline 	<ul style="list-style-type: none"> • Risk-off sentiment and volatility increases • Bear market (stocks) • Monetary policy easing and yields falling sharply
Investment Implications	<ul style="list-style-type: none"> • Prevailing macroeconomic conditions continue to warrant an emphasis on quality for investor portfolios • Diversify across and within asset classes, consider rebalancing to target asset allocation • The ongoing geopolitical uncertainty reinforces this view 			

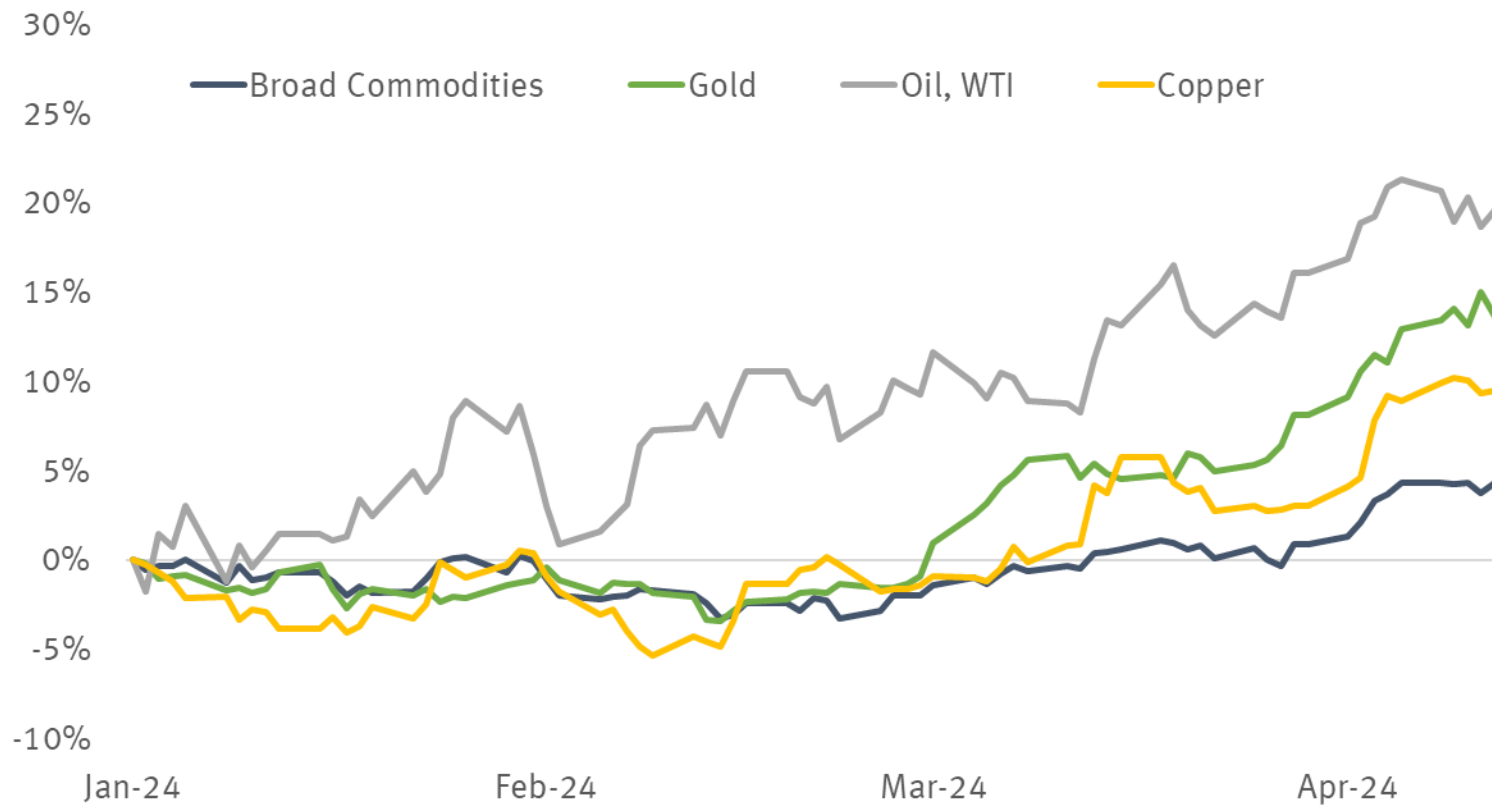
Inflation/Federal Reserve Policy



Source: Stifel CIO Office via Bloomberg, as of April 15, 2024

PPI = Producer Price Index
 CPI = Consumer Price Index
 Fed = Federal Reserve

Year-to-Date Change in Commodity Spot Prices



Source: Stifel CIO Office via Bloomberg as of April 12, 2024

Less Dovish Signals

March Fed Meeting

- Rates steady and shrinking holdings.
- In reference to job gains, removed “moderated since early last year” and kept “remained strong.”
- Sticking with its slow and steady approach: “The Committee does not expect it will be appropriate to **reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2 percent.**”
- Remains data-dependent and will balance risks.

March Fed Minutes

- “Almost all participants judged that it would be appropriate to **move policy to a less restrictive stance** at some point this year if the economy evolved broadly as they expected.”
- **Discussed but no decision on slowing the pace of balance sheet runoff:** slow then stop the decline when reserve balances are above a level consistent with ample reserves.

Source: Stifel CIO Office

SEP: Year-End 2024

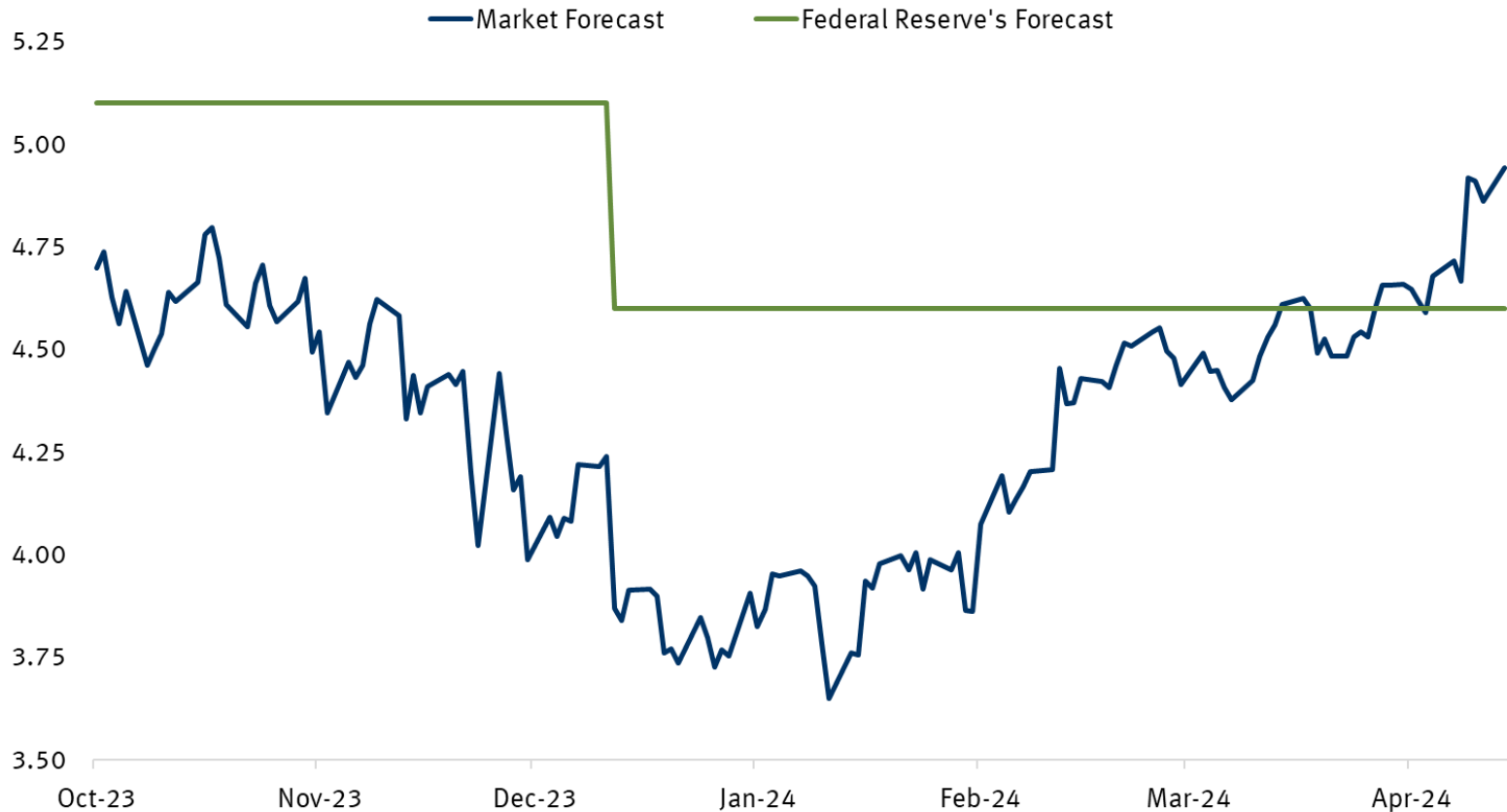
	PCE	Fed Funds	Real GDP		
	Inflation	Rate	2024	2025	Longer Run
December 23	2.4%	4.6%	1.4%	1.8%	2.5%
March 24	2.4%	4.6%	2.1%	2.0%	2.6%
Change	0.0%	0.0%	0.7%	0.2%	0.1%

SEP = Summary of Economic Projections
PCE = Personal Consumption Expenditures

Fedspeak

- Recent **data hasn’t “materially** changed overall picture, which continues to be one of solid growth, a strong but rebalancing labor market, and inflation moving down to 2% on a sometimes **bumpy path.**” – Fed Chair Jerome Powell
- “There is a path where interest rates start to adjust this year, but we’re just not there yet. Growth is going strong, so there’s really **no urgency to adjust the rate.**” – San Francisco Fed President Mary Daly
- “**Smart for the Fed to take our time**” in cutting rates because “no one wants inflation to reemerge.” – Richmond Fed President Thomas Barkin
- “Disinflation may continue to be uneven...this also implies that **less easing of policy this year** than previously thought may be warranted.” – Boston Fed President Susan Collins

Federal Funds Rate Forecast for the End of 2024

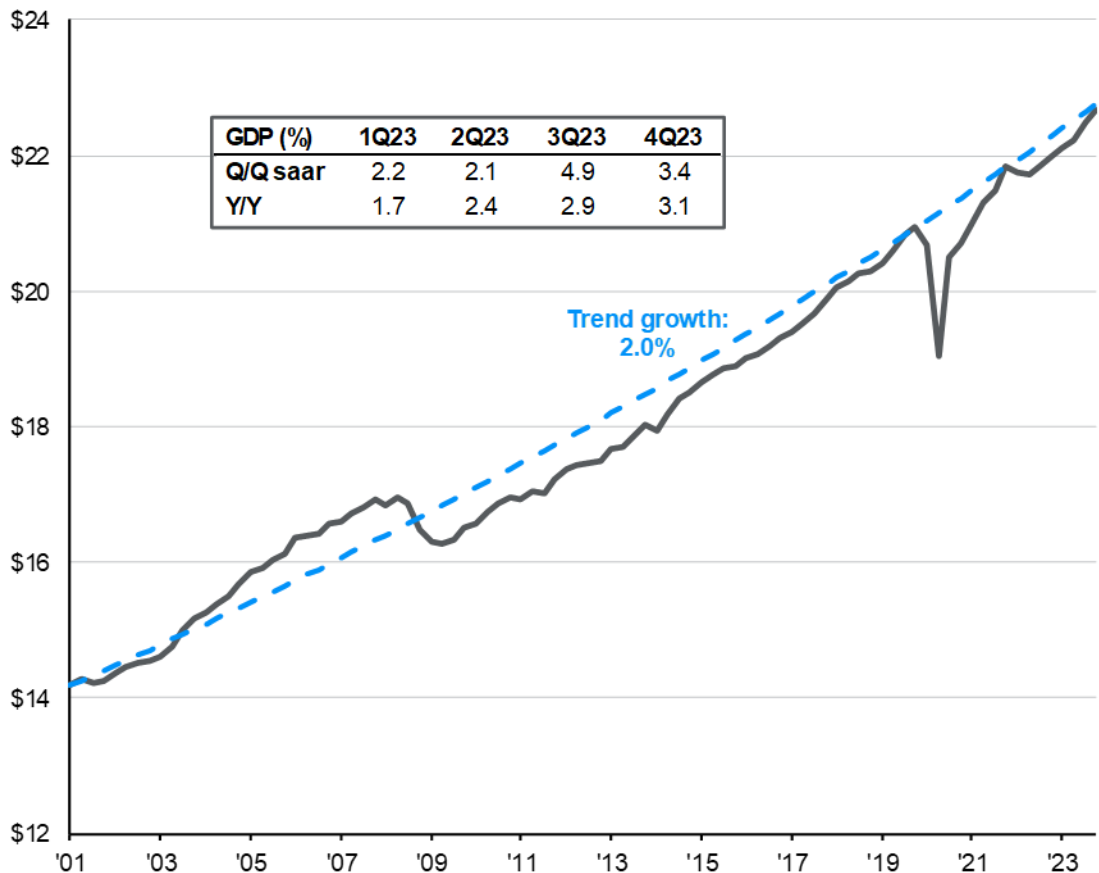


Source: Stifel CIO Office via Federal Reserve and Bloomberg data, as of April 15, 2024

Economy

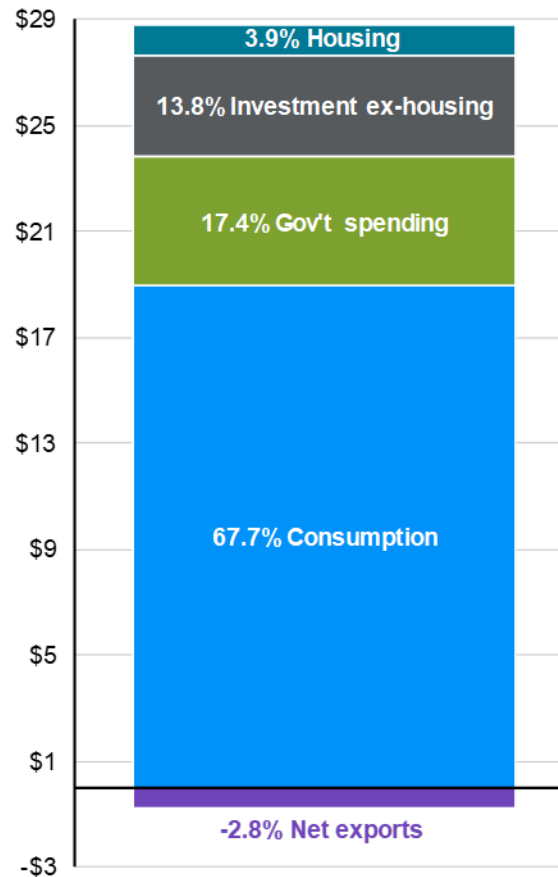
Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Components of GDP

4Q23 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 April 10, 2024.

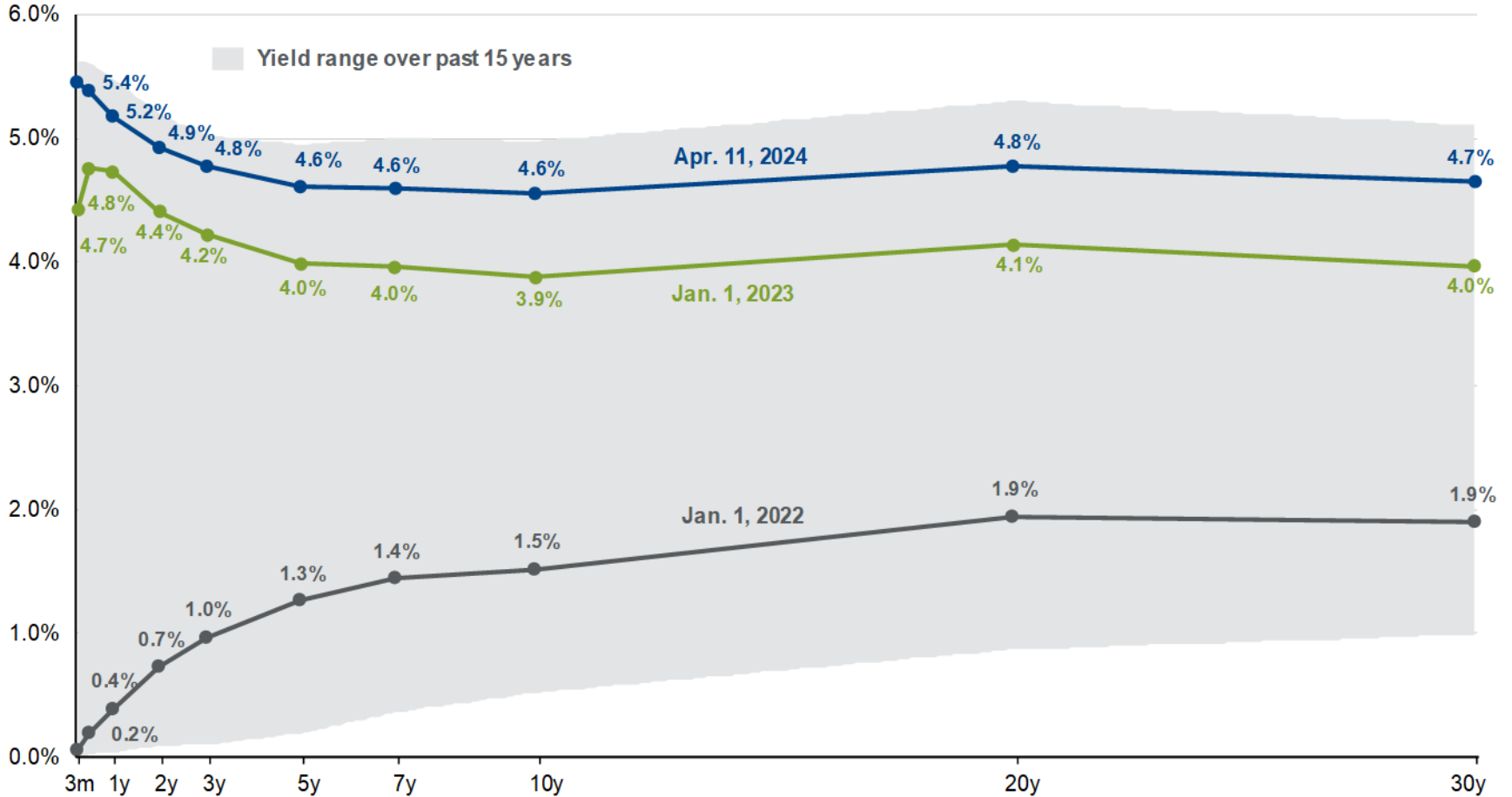
U.S. GDP	Date of Estimate	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	2025
Consensus Estimates	4/10/2024	2.2	2.1	4.9	3.2	2.5	2.0	1.4	1.2	1.5	2.2	1.7
Consensus Estimates	January	0.1	-0.6	0.0	0.9	0.3	1.5	1.8	1.0	1.6	1.3	1.7
Stifel	1/29/2024	1.2	1.8	2.6	1.9	2.8	1.9	2.4	2.2	1.8	2.7	2.2
Goldman Sachs	4/10/2024	1.5	2.5	4.6	2.1	2.8	2.5	2.4	2.7	2.4	2.9	2.2
Capital Economics	4/5/2024	1.2	1.4	3.5	1.9	2.4	2.1	1.5	1.6	1.7	2.4	2.0
Strategas	4/5/2024	1.0	1.6	3.0	2.0	2.4	2.0	1.8	2.0	2.0	2.6	1.9
UBS	4/5/2024	1.5	1.6	4.7	1.4	2.4	2.0	1.4	1.0	0.9	2.3	1.4
Wells Fargo	3/25/2024	0.6	0.9	4.7	1.7	2.4	2.4	1.3	1.3	1.4	2.4	1.8
Bloomberg Economics	3/25/2024	1.2	1.5	4.9	1.1	2.4	1.9	1.8	1.2	1.0	2.4	1.7
Barclays	4/5/2024	1.5	1.5	5.0	2.0	2.5	2.5	2.0	1.5	1.5	2.6	1.5
JPMorgan Chase	4/5/2024	1.1	1.7	4.3	2.0	2.5	2.3	1.5	1.0	1.0	2.4	1.7
Federal Reserve**	3/20/2024					2.6					2.1	2.0

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. "Consensus Estimates" for time periods that have passed represent actual results and consensus estimates in grey shaded boxes represent first estimate of year.

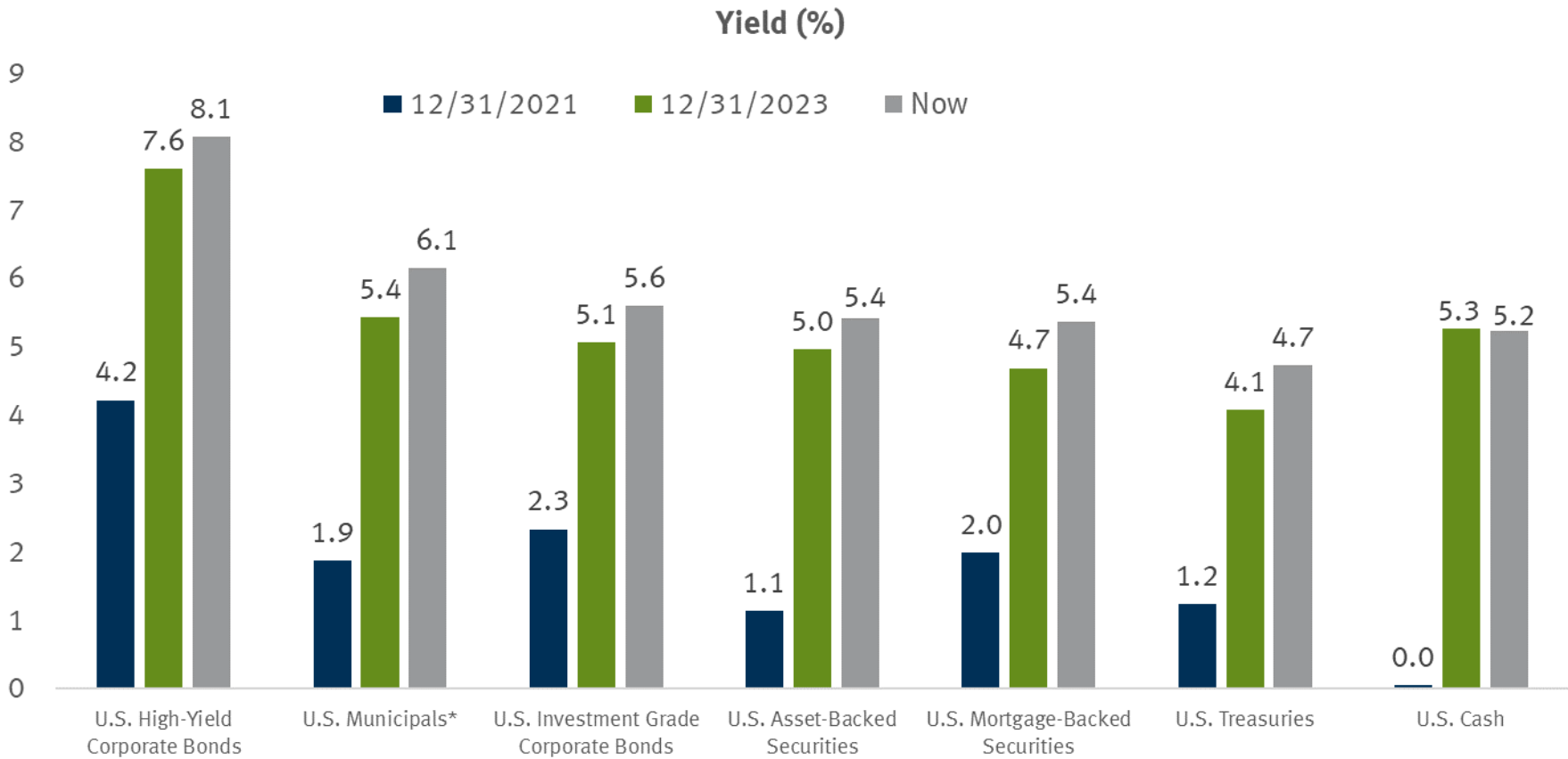
Source: Stifel CIO Office via Bloomberg, as of April 10, 2024. Federal Reserve (Fed) estimates are as of March 20, 2024.

Markets

U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
 Guide to the Markets – U.S. Data are as of April 11, 2024.



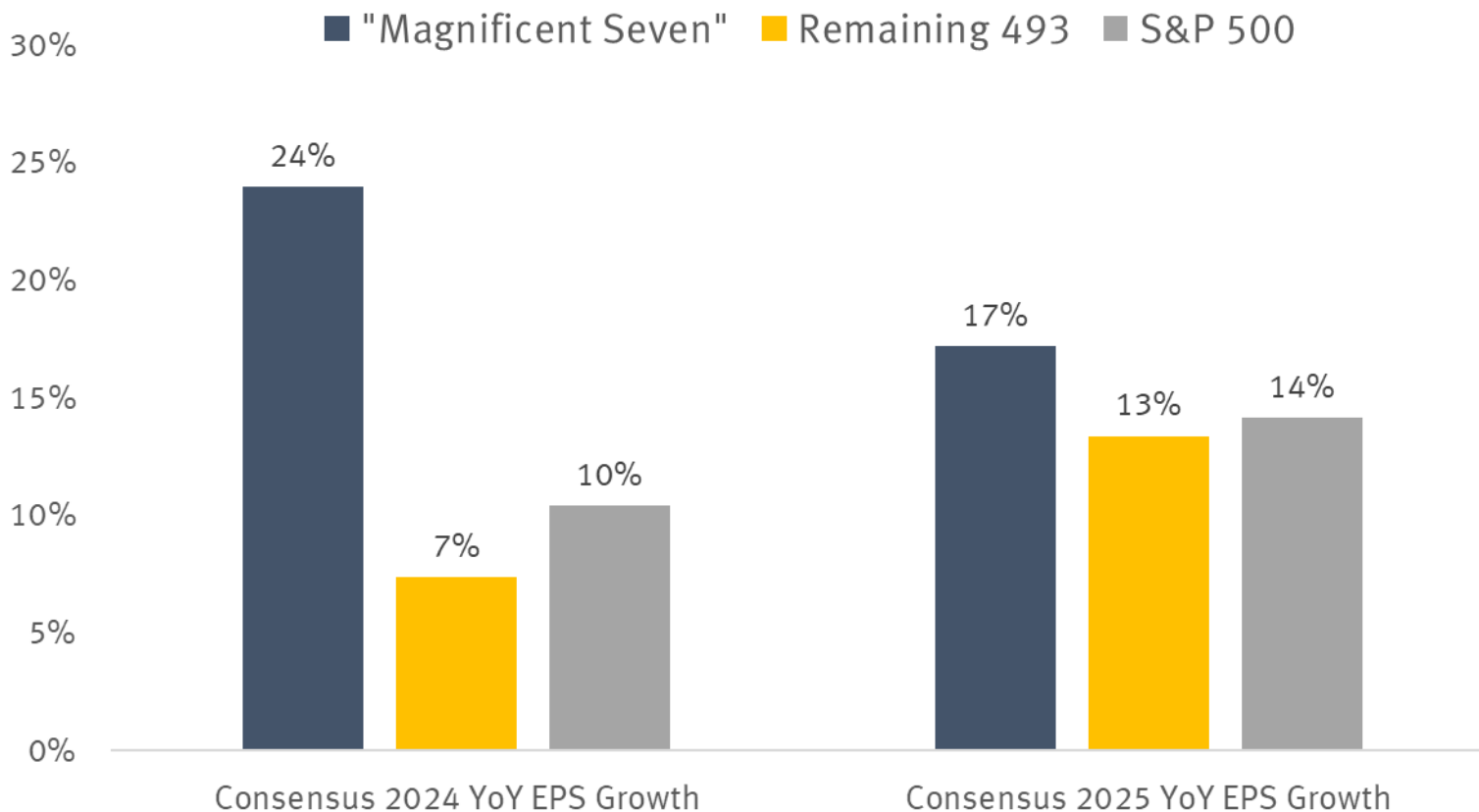
*Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax.

Source: Stifel CIO Office via Bloomberg, as of April 12, 2024

EPS	EPS Forward P/E							Current S&P 500 Index Level
	18x	19x	20x	21x	22x	23x	24x	
\$255	4,590	4,845	5,100	5,421	5,610	5,865	5,993	
\$250	4,500	4,750	5,000	5,315	5,500	5,750	5,875	
Consensus 2024 EPS → \$241	4,338	4,579	4,820	5,123	5,225	5,543	5,664	
\$240	4,320	4,560	4,800	5,102	5,280	5,520	5,640	
\$230	4,140	4,370	4,600	4,890	5,060	5,290	5,405	
Consensus 2023 EPS → \$218	3,924	4,142	4,360	4,634	4,796	5,014	5,123	
\$210	3,780	3,990	4,200	4,464	4,620	4,830	4,935	

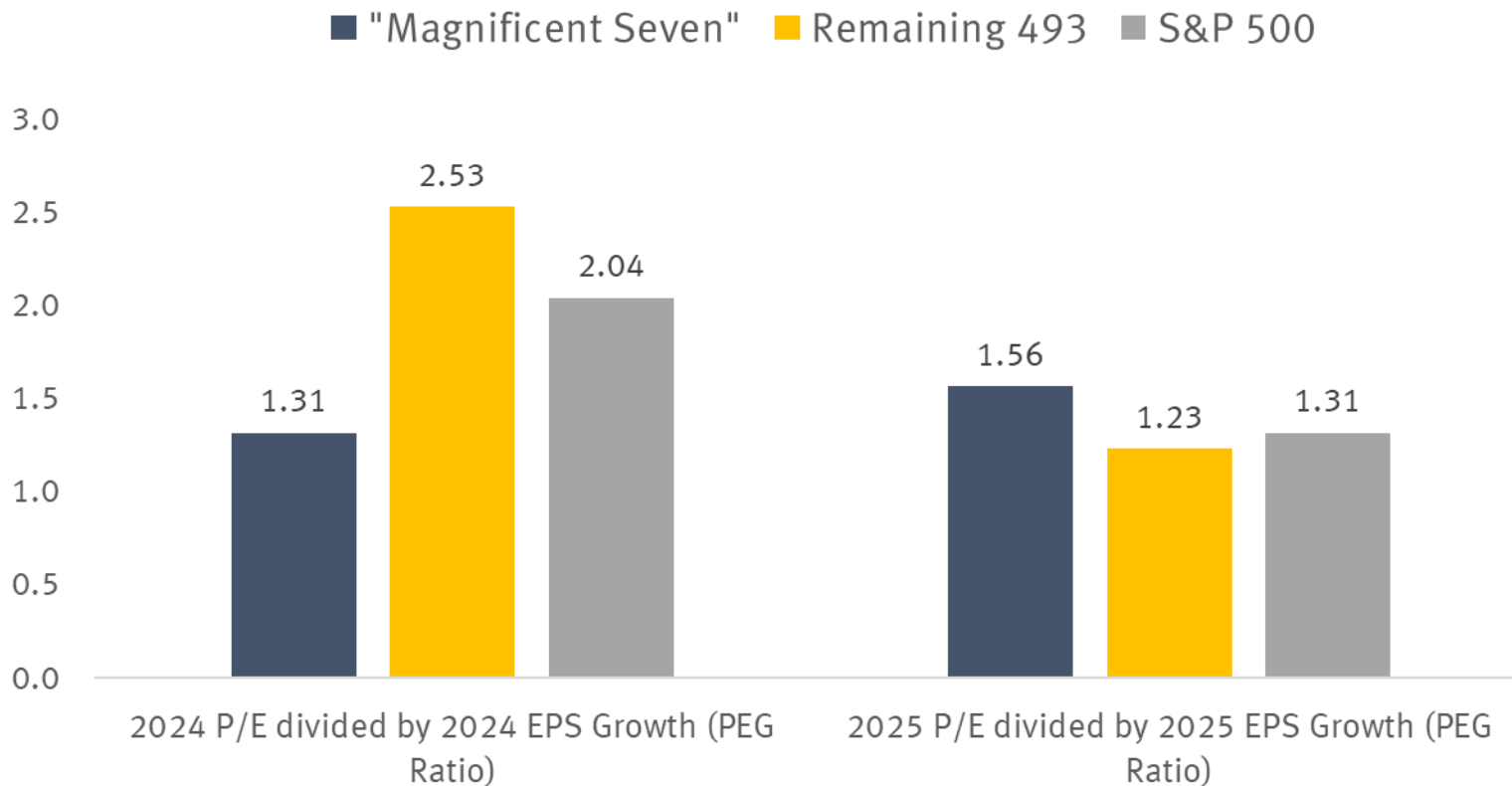


Source: Stifel CIO Office via Bloomberg, as of April 12, 2024
 EPS = Earnings Per Share



YoY = year over year

Source: Stifel CIO Office via FactSet, as of April 15, 2024

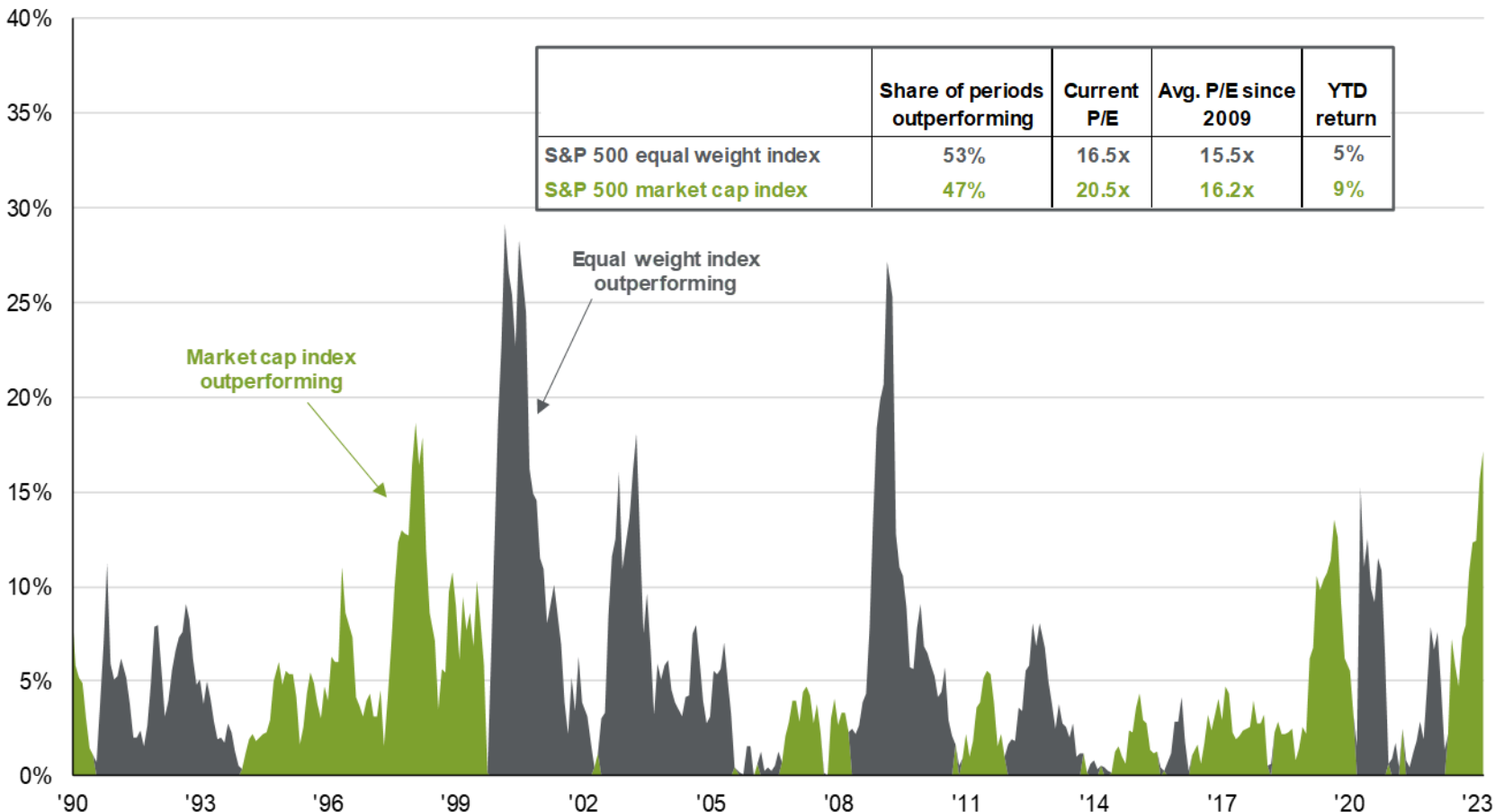


Source: Stifel CIO Office via FactSet, as of April 15, 2024

Index	2021	2022	2023	2024
S&P 500 Index	28.7%	-18.1%	26.3%	7.9%
S&P 500 Eq. Weight.	29.6%	-11.5%	13.8%	3.2%
S&P 500 Financials	34.9%	-10.6%	12.1%	7.0%
KBW Reg. Banking	36.7%	-6.9%	-0.4%	-12.6%
Bloomberg U.S. 1000 Value	28.6%	-2.5%	9.4%	4.6%
Bloomberg U.S. 1000 Growth	26.1%	-27.5%	36.1%	8.8%
UBS Magnificent Seven Index	39.9%	-40.0%	75.9%	15.3%
NYSE FANG+ Index	17.7%	-40.0%	96.4%	16.3%
Bloomberg U.S. 2000	18.6%	-20.1%	17.1%	-2.0%
MSCI EAFE Index	11.3%	-14.5%	18.2%	3.2%
MSCI EM Index	-2.5%	-20.1%	9.8%	2.3%
Bloomberg U.S. Agg	-1.5%	-13.0%	5.5%	-2.5%

S&P 500 market cap and equal weight relative performance

Rolling monthly y/y total returns, outperformance = high - low



Source: FactSet, J.P. Morgan Asset Management.

Guide to the Markets – U.S. Data are as of April 10, 2024.

Looking Forward

APRIL

5	Employment
10	Inflation
10	Federal Open Market Committee (FOMC) Minutes
12/26	Consumer Sentiment
15	Retail Sales
23	Housing

MAY

1	Fed Policy Decision
3	Employment
10	Consumer Sentiment
15/31	Inflation
15	Retail Sales
22	Federal Open Market Committee (FOMC) Minutes
23	Housing

JUNE

7	Employment
14	Consumer Sentiment
12/27	Inflation
18	Retail Sales
20	Housing
12	Fed Policy Decision

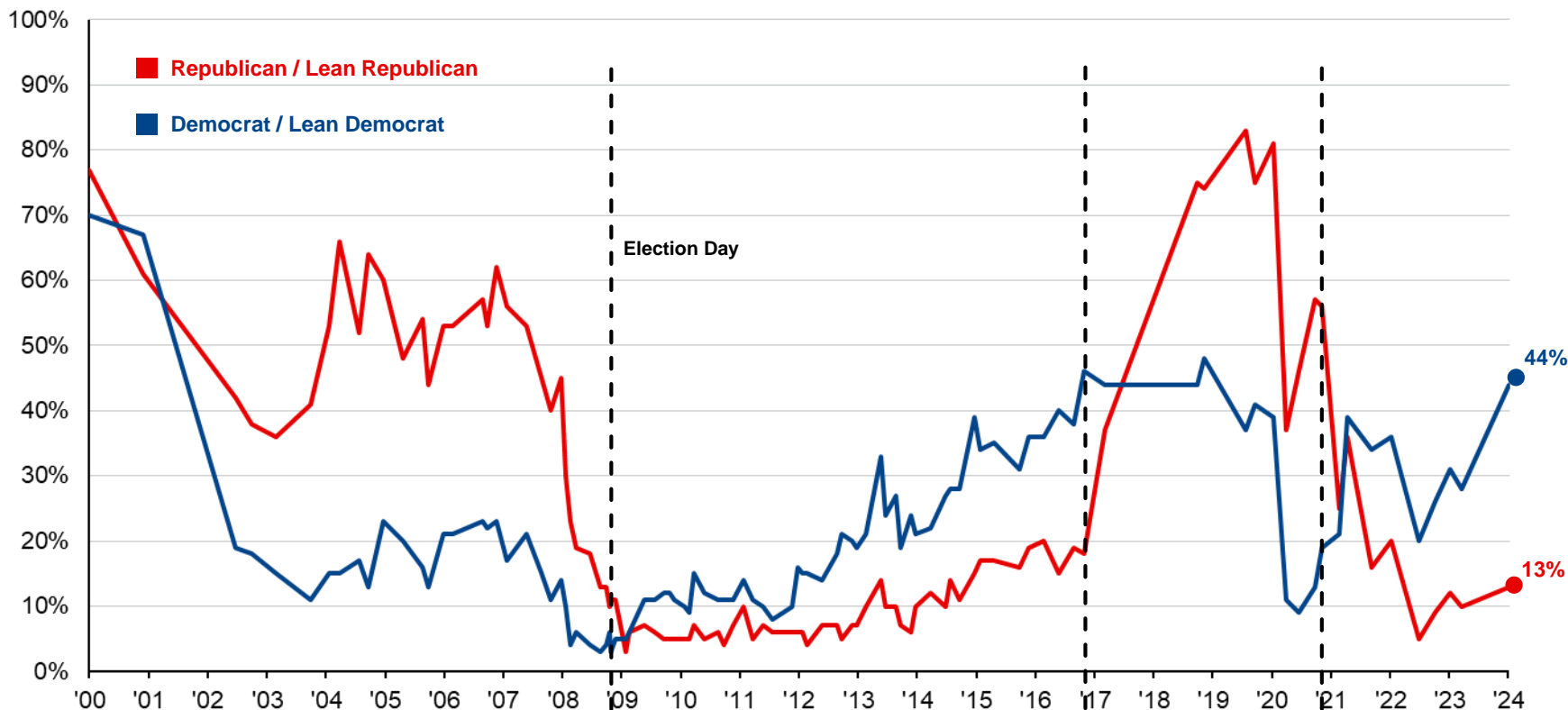
JULY

3	Federal Open Market Committee (FOMC) Minutes
5	Employment
11/26	Inflation
12/26	Consumer Sentiment
16	Retail Sales
24	Housing

Sources of Potential Volatility

- Macroeconomic Conditions
 - Economy
 - Inflation
 - Monetary Policy
 - Market Valuations
- Geopolitical Tensions
 - Russia – Ukraine
 - Israel – Hamas
 - Red Sea
 - South China Sea
- Global Election Supercycle
 - 40 major elections worldwide
 - U.S. Presidential Election
- Fiscal Transition
 - Regional Bank Stress
 - Commercial Real Estate Loans
 - Corporate Refinancing
 - Government Debt
 - Consumer Spending

Percentage of Republicans and Democrats who rate current economic conditions as excellent or good



Administration	Bush	Obama	Trump	Biden
Dates in office	Jan '01 – Jan '09	Jan '09 – Jan '17	Jan '17 – Jan '21	Jan '21 – Today
S&P 500 return	-4.5%	16.3%	16.0%	12.0%
Real GDP growth	1.9%	2.2%	1.8%	2.9%

Source: Pew Research Center, J.P. Morgan Asset Management. The survey was last conducted in January 2024, “Americans More Upbeat on the Economy; Biden’s Job Rating Remains Very Low.” Pew Research Center asks the question: “Thinking about the nation’s economy, How would you rate economic conditions in this country today... as excellent, good, only fair, or poor?”. S&P 500 returns are average annualized total returns between presidential inauguration dates. Real GDP growth are average annualized GDP growth rates.

Guide to the Markets – U.S. Data are as of April 10, 2024.

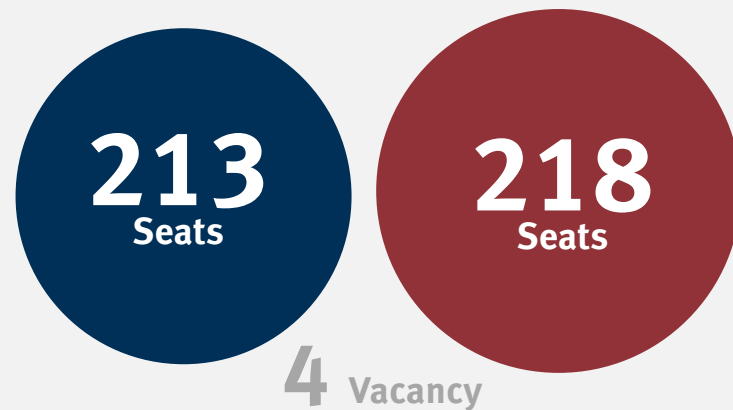
Getting Ready: The 2024-U.S. Presidential Election

Our approach on preparing for the election:

- Understanding the 4 phases of the election
 1. Early primary
 2. Late primary
 3. General election
 4. Post-election
- Anticipating each candidate's impact on businesses and markets
- Understanding each candidate's chances of winning
- Assessing any possible changes in congressional control

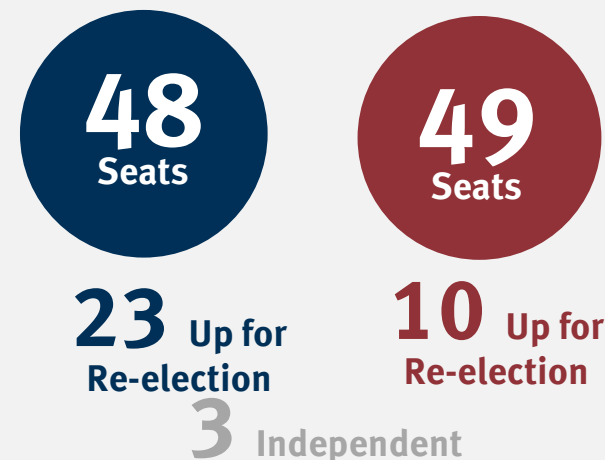
CONGRESS

HOUSE OF REPRESENTATIVES



All 435 seats up for re-election

SENATE



More than 40% of the world's population will be voting in 40 national elections

Key Themes

Economic Opportunity

Protectionism

International Relations

5 elections to watch as the U.S. and China compete for influence:

- Taiwan – manufactures 90% of the most advanced semiconductor chips
- Indonesia – plays pivotal role in supplying nickel for EVs
- India – significant trading partner for the West and China
- Mexico - now the largest U.S. trading partner and potential beneficiary from reshoring
- European Union – strong U.S. ally but also relies on Chinese consumers for exports

GDP

World's largest economies may be evolving...

	2023	2050*
1.	U.S.	China
2.	China	U.S.
3.	Germany	India
4.	Japan	Indonesia (NEW)
5.	India	Germany
6.	U.K.	Japan
7.	France	Brazil (NEW)

*Source: An Economist's Guide to the World in 2050 via Bloomberg

Sight | Lines: [The 2024 Election Supercycle Brings Into Focus an Evolving World Order](#)

WHERE TO FIND STIFEL GUIDANCE

The Stifel CIO Office develops economic and market analysis, and corresponding investment guidance, for the benefit of Stifel clients. You can find all of our Stifel Guidance at:

stifelinsights.com



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▲ Wealth Tracker VISIT WWW.STIFEL.COM

Home Outlook 2024

MARKET SIGHT | LINES

A Strong First Quarter 2024: We're (Still) Watching for a Slowdown

The U.S. stock market posted strong first quarter results, riding a wave of optimism anchored in a still-strong economy and the potential of artificial intelligence. In this week's SightLines, we review these strong first quarter results and the potential for cracks that may lead to a slowdown and a possible market pullback.

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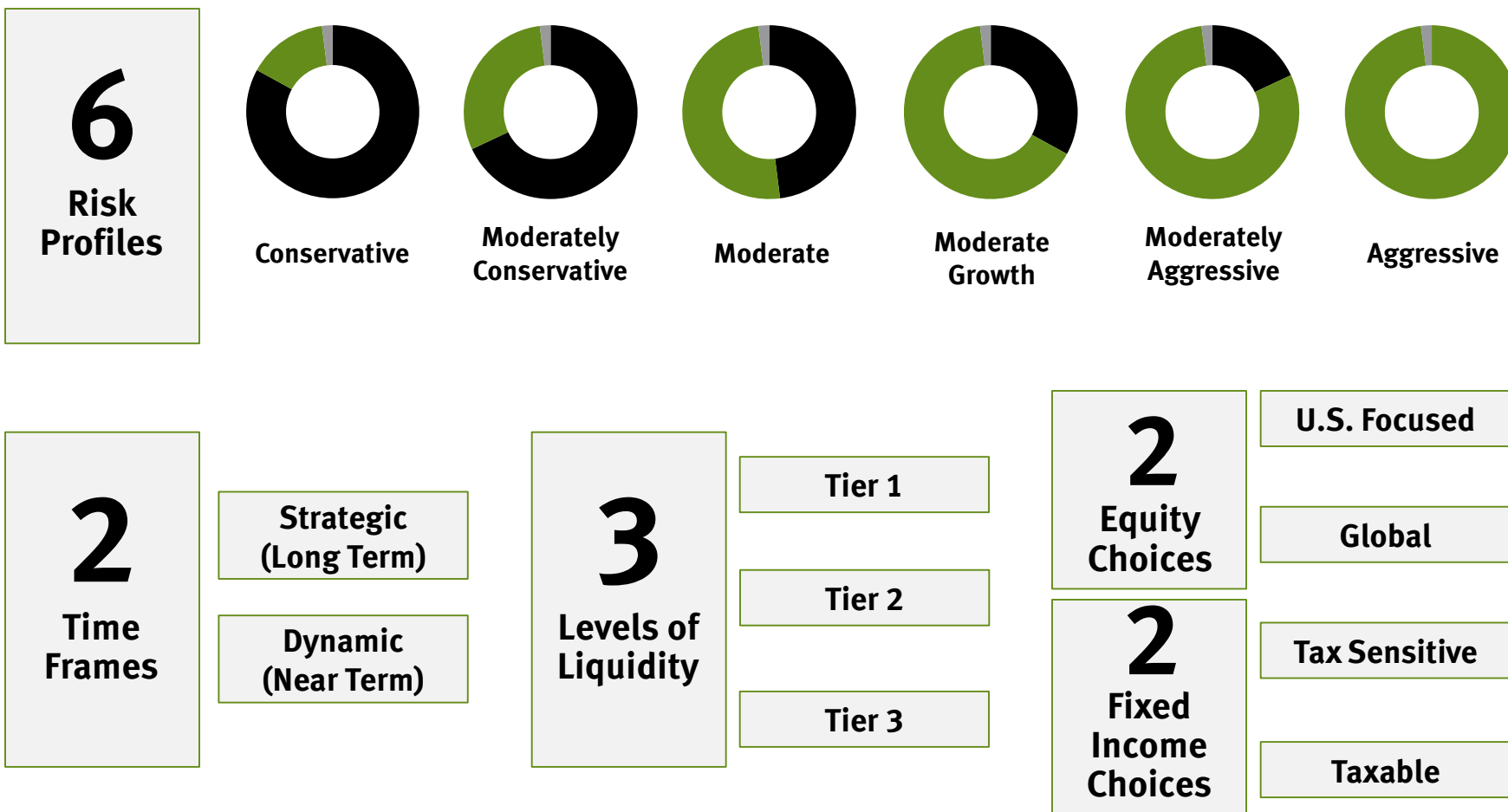
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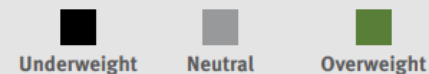




Dynamic leanings












144 ASSET ALLOCATION MODELS FOR YOUR SELECTION





EQUITY

DYNAMIC LEANINGS			
ASSET CLASS	CURRENT		COMMENTS
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.

DYNAMIC LEANINGS		 Underweight	 Neutral	 Overweight	
ASSET CLASS	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 vs. Government vs. Agency MBS				We have a modest preference for government and mortgage-backed securities relative to investment-grade corporate bonds, which can be expressed with passive investments or may be implemented by active managers. Agency MBS spreads remain well above their 2021 lows, and both fundamental and technical factors are supportive of this sector. 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.

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.

Bloomberg U.S. 1000 Value Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Growth Index provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

Bloomberg U.S. 1000 Index is a float market-cap-weighted benchmark of the 1000 most highly capitalized US companies.

Bloomberg U.S. 2000 Index is a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg US 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.

The **UBS Magnificent Seven Index** tracks a group of seven of the largest mega cap tech stocks listed in the U.S. The stocks mirror their respective S&P 500 weight reweighted pro-rata. Created October 2023 – rebalanced and reconstituted semi-annually.

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 the Bloomberg U.S. 1000 Index, comprised of a float market-cap-weighted benchmark of the 1000 most highly capitalized US companies.

U.S. SC (Small Cap) equities is represented by the Bloomberg U.S. 2000 Index, comprised of a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg US 3000 Index.

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.

NCREIF Property Index is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only.

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