STIFEL

FAVORITE 15

December 29, 2021

Michael O'Keeffe, CFA
Chief Investment Officer

Nik Eftimov, CFA
Director, Investment Management & Guidance

David Motsonelidze, CFA
Director of Macro Strategy

Dori Schwartz
Portfolio Solutions Specialist

Brian Moody
Investment Strategist

Sneha Jose
Director of Behavioral Finance

Carlos Mieles
Investment Strategist

Arnez Rodriguez
Investment Strategist

Insights from Stifel's CIO Office

Previewing our 2022 Outlook

- Robust economic recovery remains intact, another above-trend year for GDP
- A turning point to the next normal – pandemic to endemic?
  - Vaccinations and continued medical innovation
  - Possible challenges of Omicron
- Key considerations (4 Ps) – Politics, Policy, Prices, Profits
  - U.S. Midterm elections
  - Monetary and fiscal policy
  - Inflation and supply chain bottlenecks
  - Corporate and personal income taxes
- Outlook published first week in January 2022

See our Stifel Outlook 2021 report and video.

Risks

Troublesome coronavirus variants
- Faster-spreading variants of the virus
- Possibly resistant to vaccine
- Impact of the boundary of herd immunity

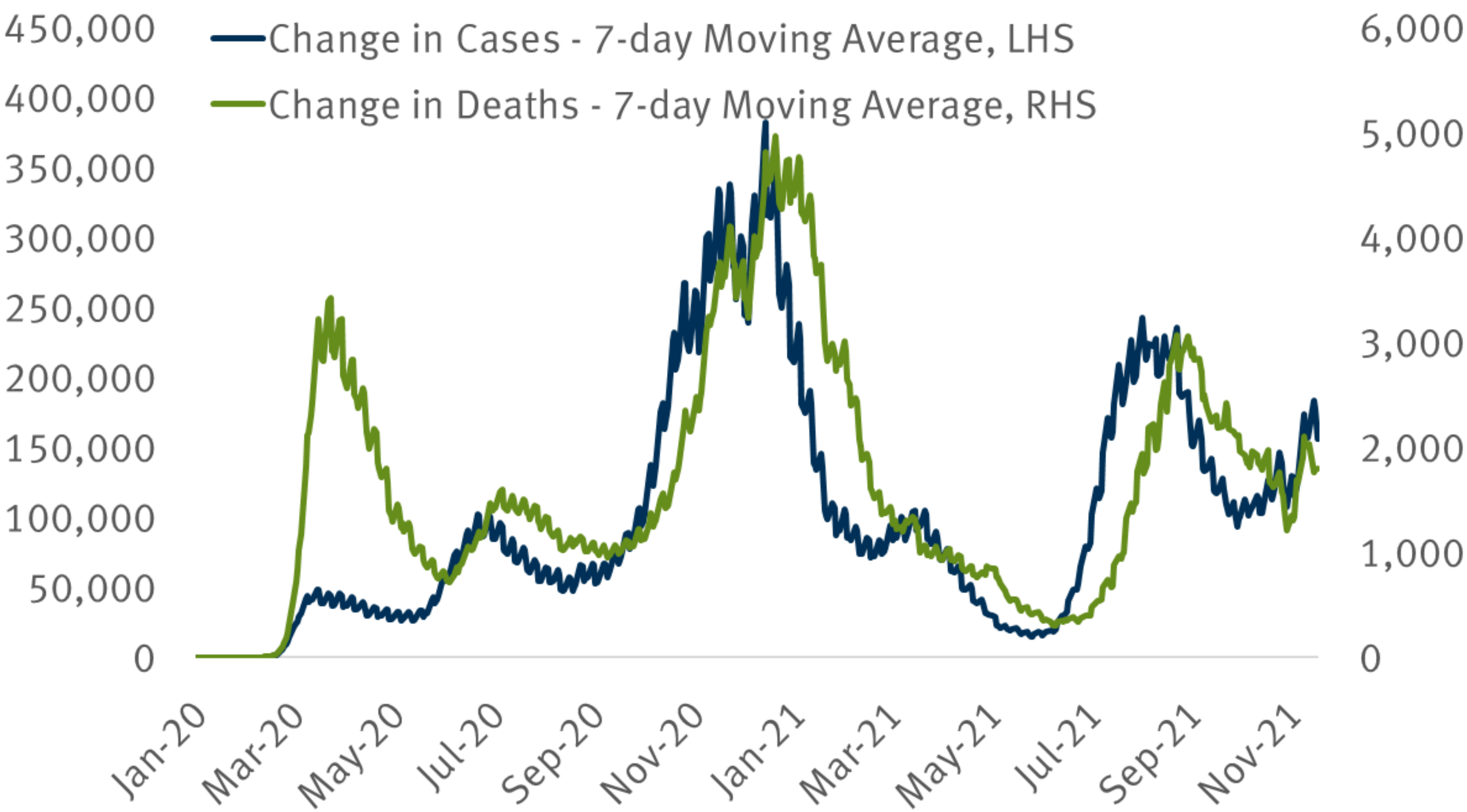
Market Excess
- Focused segments of the market are richly valued
- Certain market areas are disconnected from fundamentals

Higher Growth and Supply Chain/Reopening Frictions
- Higher inflation
- Increasing rates

Slower Global Recovery
- Certain countries falling behind vaccination curve

Possible Market Correction
- Pullback as a temporary pause possible even in our *Base Case*

Risks

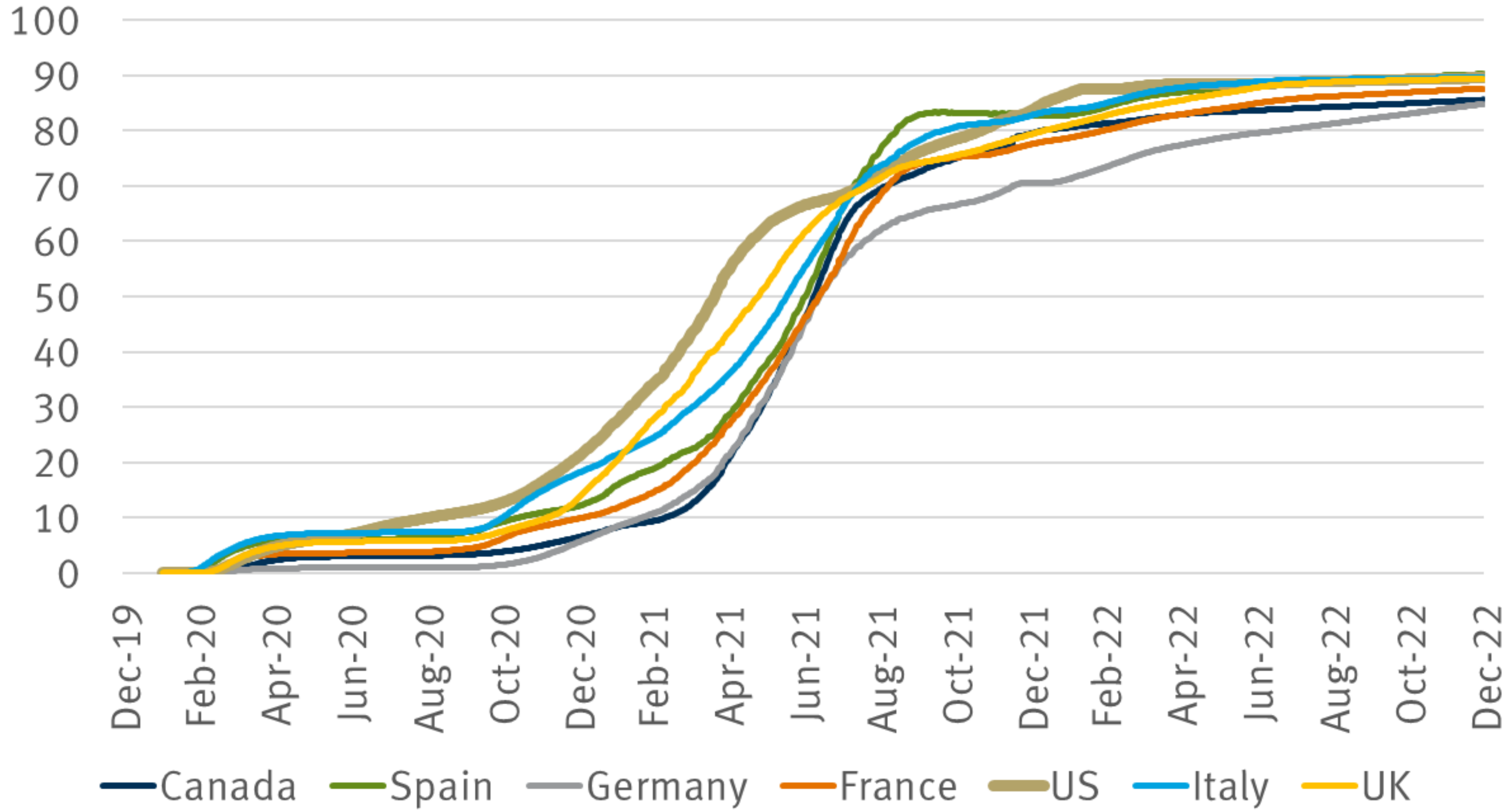


Source: Stifel Investment Strategy via Bloomberg, as of December 15, 2021

Omicron

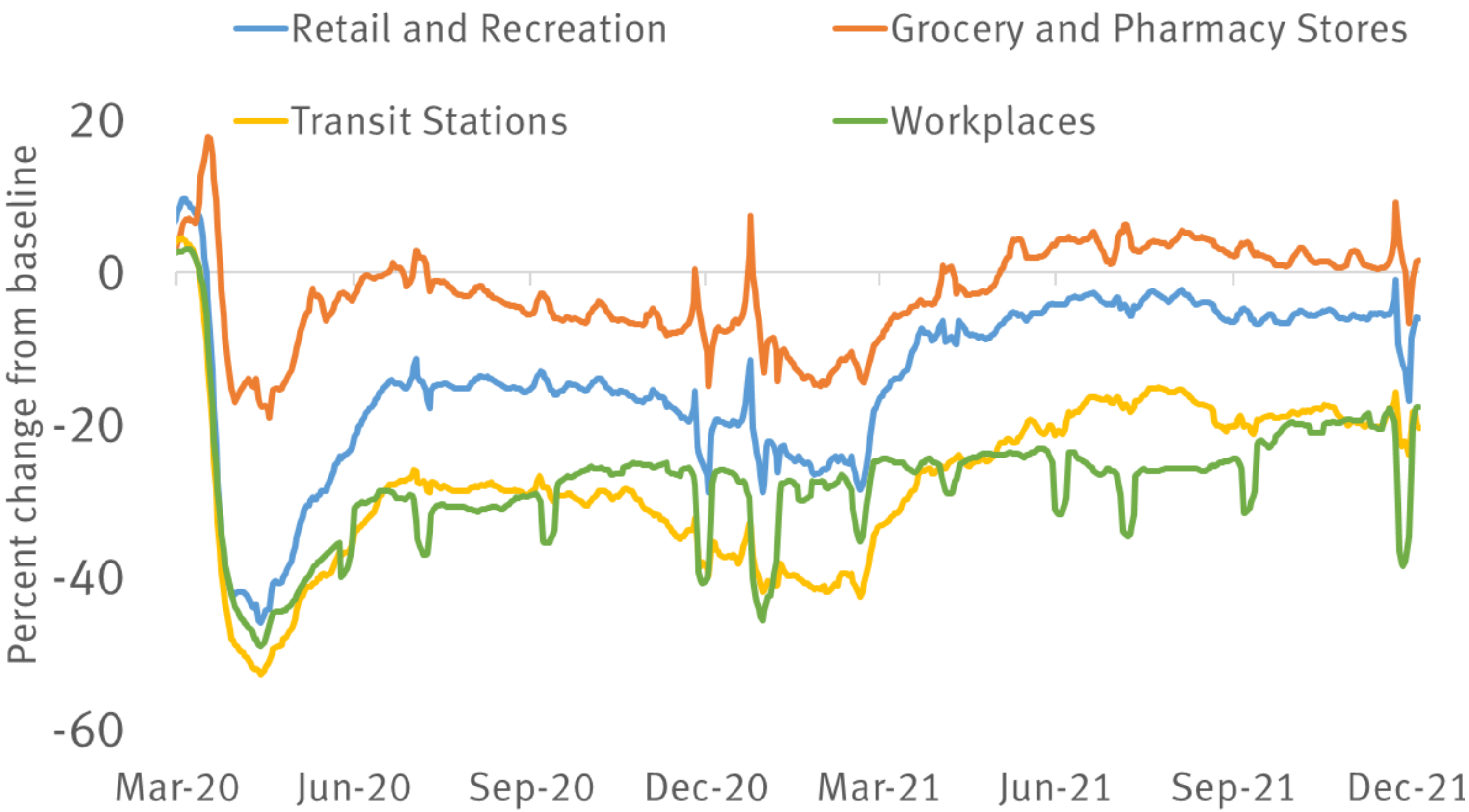
- Latest COVID-19 variant Omicron
- With each new variant of concern, needed to assess:
  - **More spread? More deadly?**
  - **Will current vaccines work? Natural immunity?**
- Limited data suggests virus may be more transmissible, but vaccines still likely effective in preventing severe disease
- Several regions are seeing Omicron cases…prompting investors to again question the continued economic recovery
- Market reaction has initially been negative/volatile…but has since reversed

Estimated Percent of Population With Immunity



Source: Stifel Investment Strategy via Goldman Sachs, as of December 9, 2021; Hospitalization protection measured above.

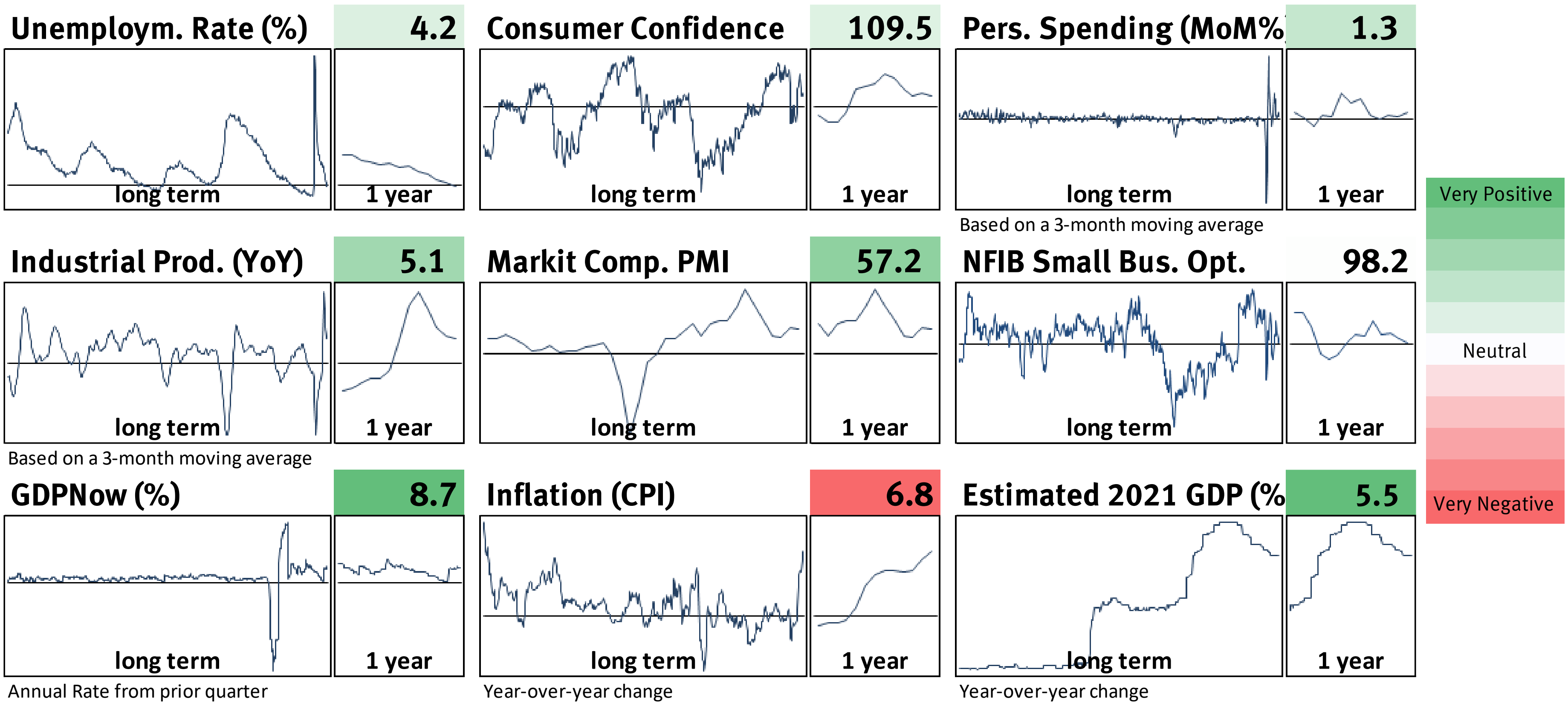
Mobility Trends



This data shows how community movement in specific locations has changed relative to the period before the pandemic.

Source: Stifel Investment Strategy via Google Mobility Trends, as of December 9, 2021; based on 7-day moving average data.
pandemic.

The Economy

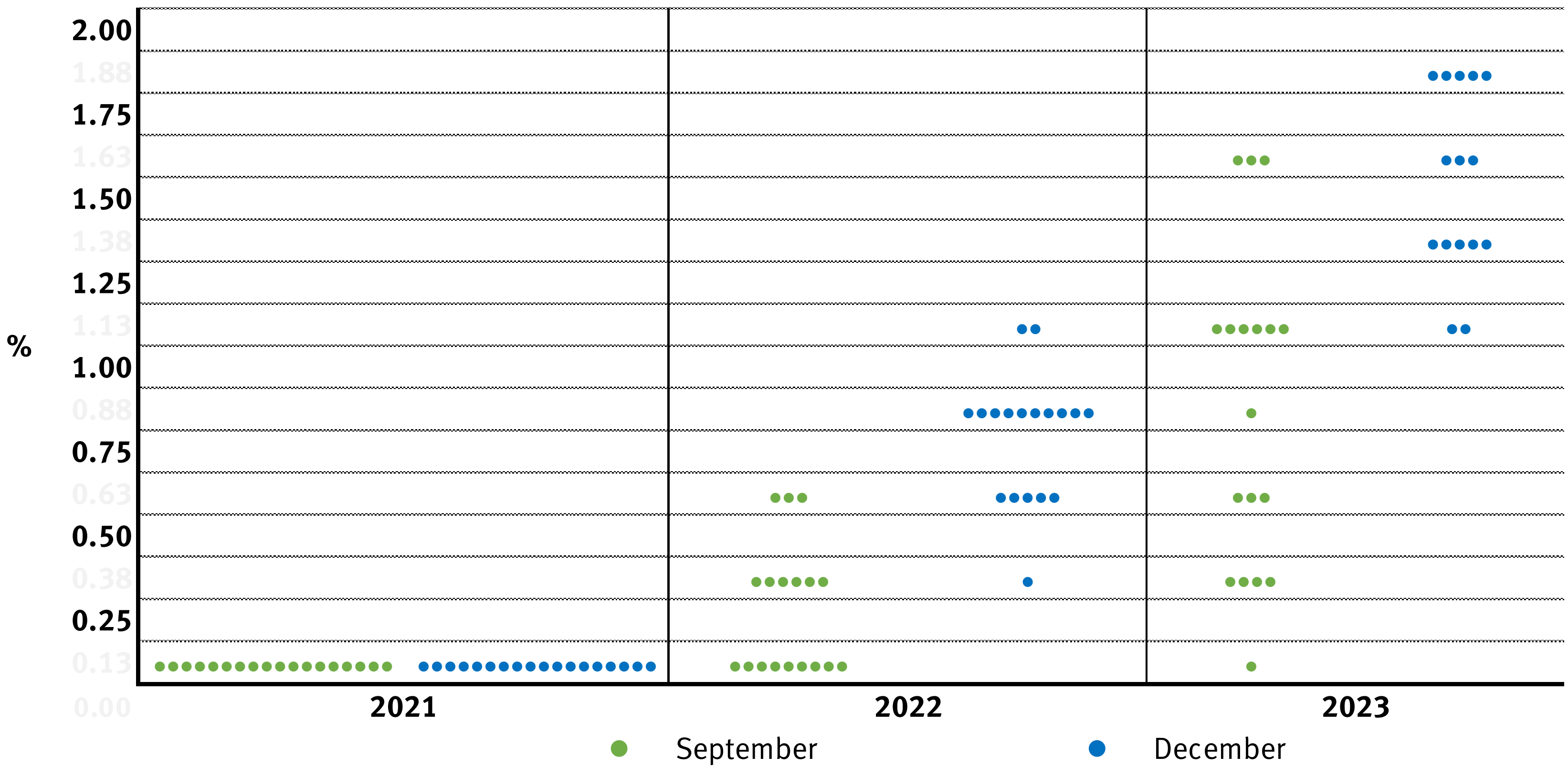


Source: Stifel Investment Strategy via Bloomberg, as of December 10, 2021

Monetary Policy

- President Biden renominated Chair Powell for another four-year term
  - Lael Brainard nominated for Vice Chair
- Dual mandate: price stability and maximum employment
- Key considerations:
  - Inflation? Now more persistent and higher than expected
  - What maximum employment means post-COVID?
  - Federal Reserve (Fed) will remain data dependent
- What to expect in 2022?
  - Tapering sped up and to conclude in 1Q 2022
  - 3 federal funds rate hikes in 2022
  - Discussion around balance sheet “normalization”

Fed Dot Plot



Source: Stifel Investment Strategy, as of December 15, 2021

2022 FOMC Composition

A view on where U.S. Fed policymakers stand on setting monetary policy

Dove	Dovish	Neutral	Hawkish	Hawk
Brainard*	Williams*	Barkin	Harker*	Bullard*
Evans	Bostic	Bowman*	Waller*	George*
Kashkari		Daly		Mester*
		Powell*		Montgomery

** Denotes voting Federal Open Market Committee member in 2022*

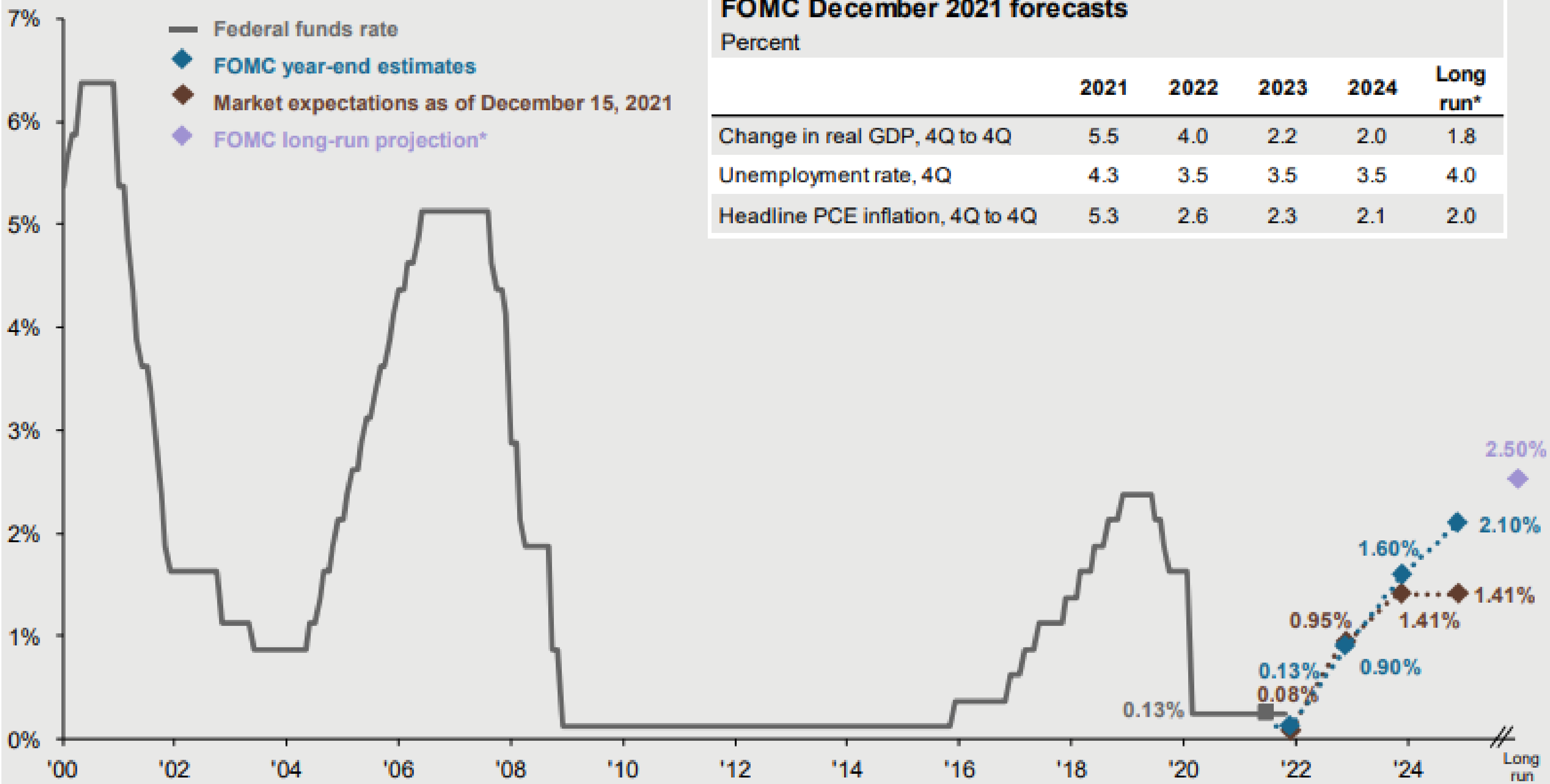
Source: Stifel Investment Strategy, Strategas Research Partners as of December 13, 2021

Note: Leanings of FOMC members is based on our interpretation of comments and is subject to change in the future. The above exhibit does not include vacant or soon-to-be vacant FOMC seats.

Market Pricing Of Fed Interest Rate Hikes

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



FOMC December 2021 forecasts

Percent

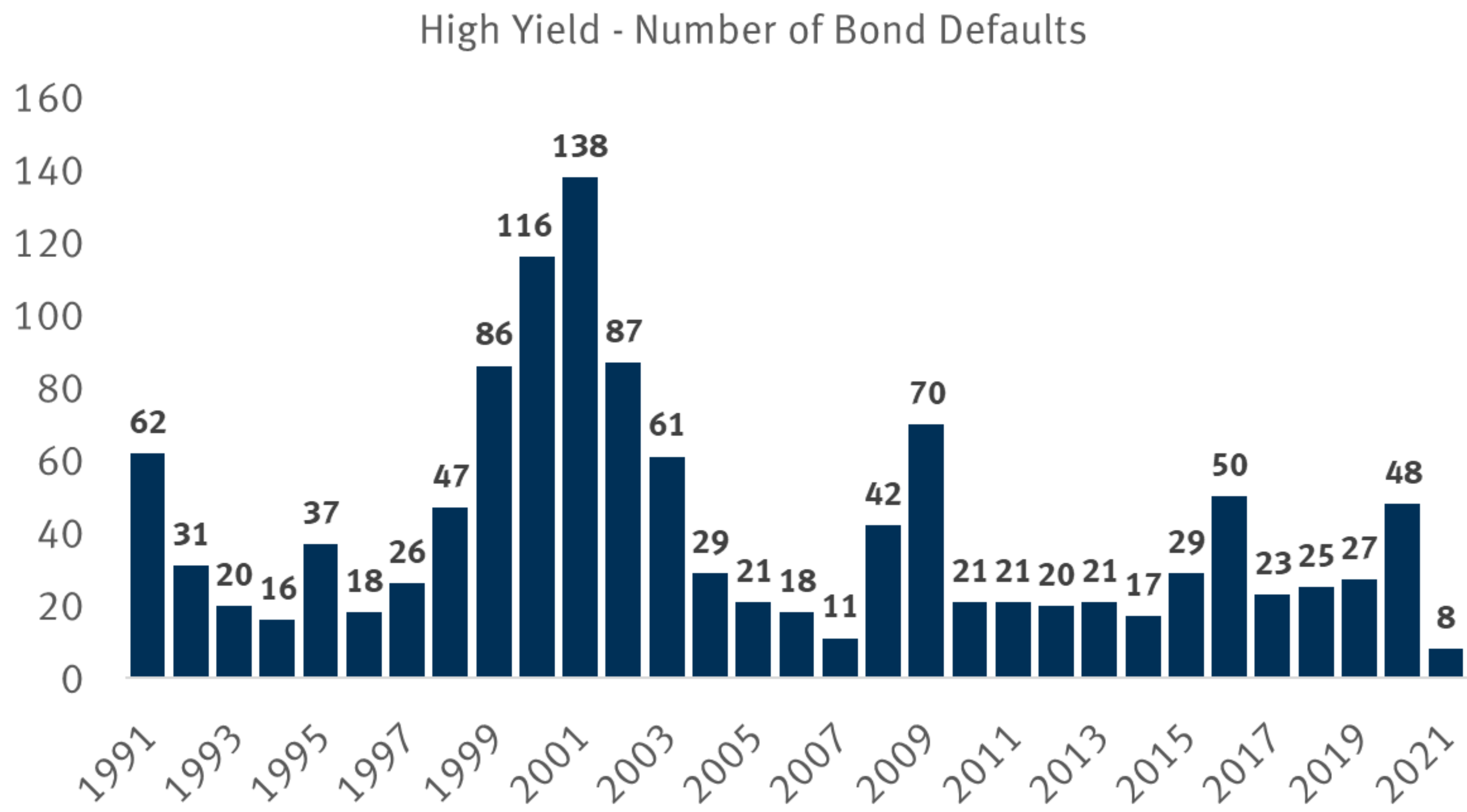
	2021	2022	2023	2024	Long run*
Change in real GDP, 4Q to 4Q	5.5	4.0	2.2	2.0	1.8
Unemployment rate, 4Q	4.3	3.5	3.5	3.5	4.0
Headline PCE inflation, 4Q to 4Q	5.3	2.6	2.3	2.1	2.0

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of the USD Overnight Index Forward Swap rates. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. 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 December 15, 2021.

Government Spending

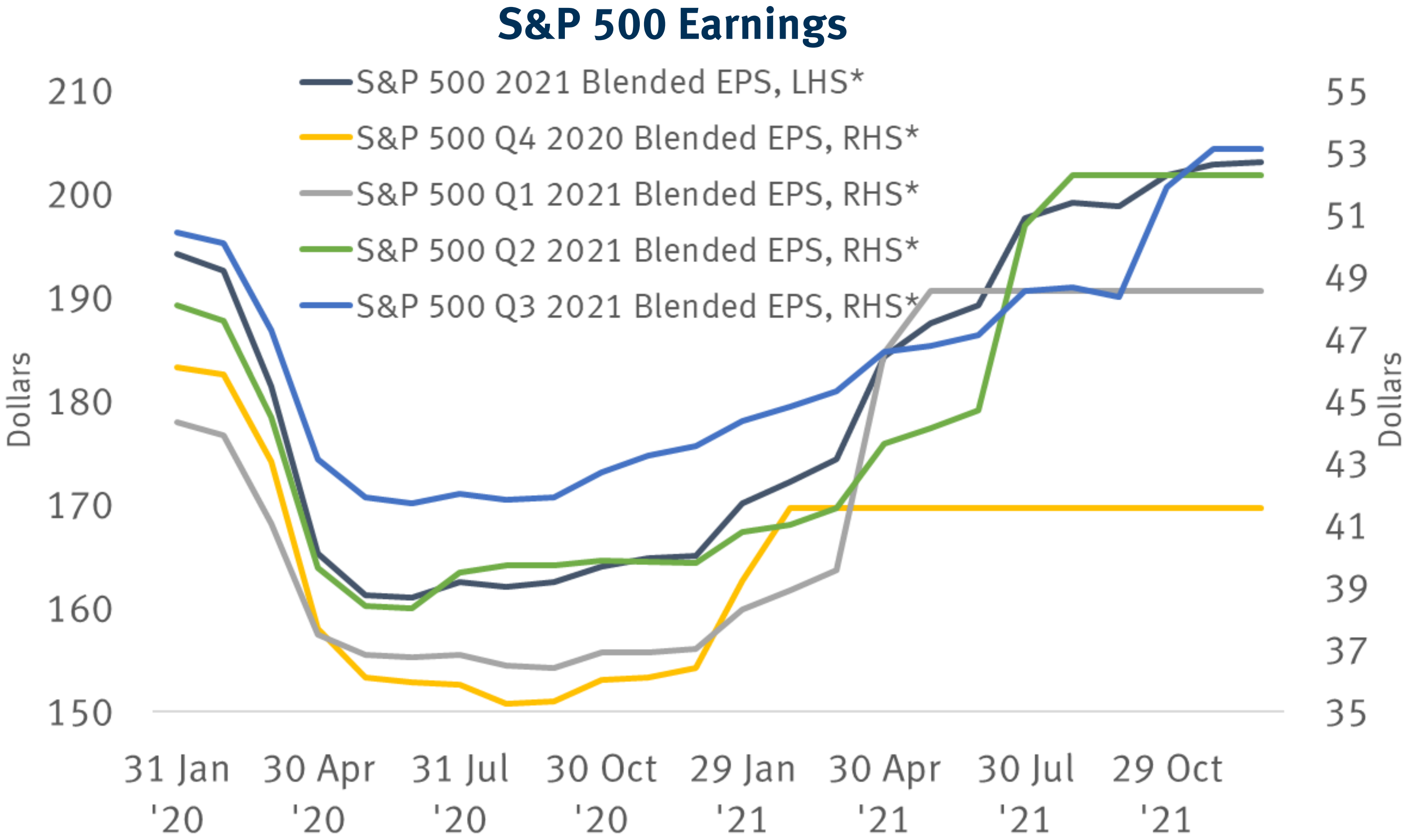
- End of government COVID-19 unemployment benefits poses test for consumer
- 2 major fiscal packages in focus
  - Bipartisan Infrastructure Package - $1.2 Trillion bill was signed into law
  - Build Back Better (BBB) – almost $1.75 Trillion (likely to be scaled back)
    - If temporary programs become permanent, plan would cost more:
      - *Congressional Budget Office:* Federal deficit would increase by $3 trillion over 10 years
      - *Penn Wharton:* Cost will be $4 trillion over 10 years
- Key considerations for BBB:
  - What programs to keep, what to scrap, and how to fund the proposals?
  - How willing is Congress to increase taxes?
  - Impact of passage (or lack thereof) on 2022 midterms

High Yield Default Monitor



Source: Stifel Investment Strategy via J.P. Morgan, as of December 1, 2021

Earnings



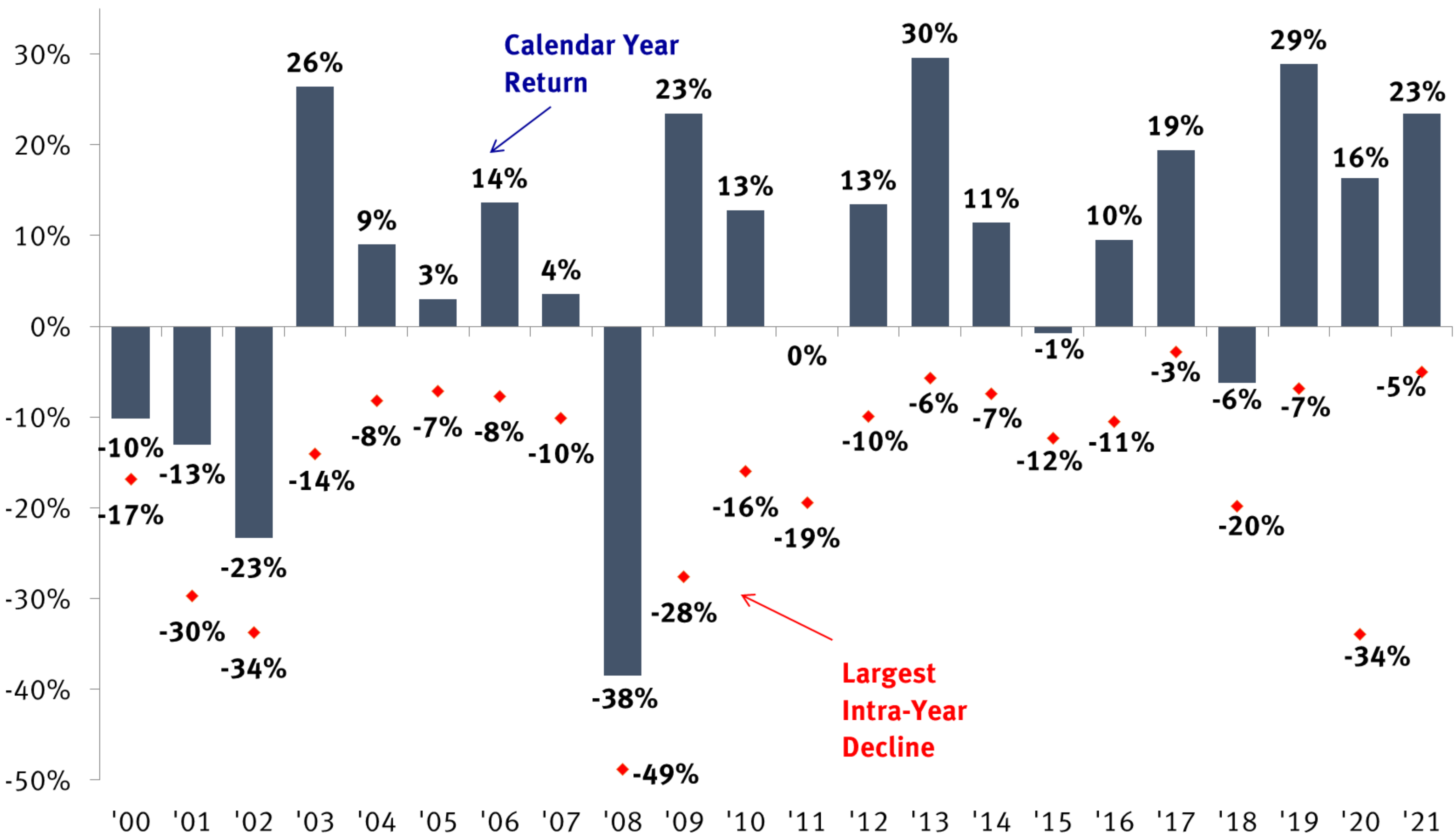
Source: Stifel Investment Strategy via FactSet, as of December 9, 2021; The blended rate combines actual results for companies that have reported and estimated results for companies that have yet to report.
*LHS – left hand side, RHS – right hand side.

FAVORITE 15

STIFEL

S&P 500 Calendar Year Returns vs. Intra-Year Declines

Despite frequent intra-year declines, returns are positive most of the time



Source: Stifel Investment Strategy via Bloomberg, as of December 14, 2021

INDEX DESCRIPTIONS CONTINUED

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

High-Yield Bonds is represented by the Bloomberg Barclays 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.

Dev Int'l Equities is represented by the MSCI EAFE Index, comprised of equity securities that belong to markets outside of the U.S. and Canada.

EM 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 Barclays 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 of investment-grade, dollar-denominated, fixed-rate Treasuries, government-related, and corporate securities.

KBW Restoration Index is composed of 13 high-frequency economic indicators. These indicators include those with longer histories (initial jobless claims, MBA mortgage applications, and steel production) along with newly developed gauges tracking mobility, dining reservations, and airport traffic, among others. KBW set each of the 13 indicators to 100 as of the end of February 2020, the official end of the longest economic cycle in U.S. history, and update the Index each week.

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

DISCLOSURES

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.

DISCLOSURES CONTINUED

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.