

STIFEL

FAVORITE

15

April 2026

Insights From Stifel's CIO Office

1. **Key Watchpoints:** We highlight the key areas to monitor, including energy flows, military escalation, political responses, diplomatic off-ramps, and market impacts as the U.S./Israel-Iran conflict evolves.
2. **Four Possible Scenarios:** We share four possible scenarios for the Iran conflict: a managed off-ramp, shadow war, severe tail, or regime change.
3. **U.S.-Iran Ceasefire:** We review the ceasefire terms, conditions for de-escalation, and the key risks that could determine whether the pause holds or tensions re-escalate.
4. **Monitoring the Conflict:** We outline major changes in energy prices, markets, and expectations since the onset of the conflict.
5. **Oil – Forward Curve:** Energy forward prices show the market’s expectations for oil prices over the next 10 years.
6. **Downstream Problems:** We examine how supply disruptions can create broader challenges for the economy and markets over time.
7. **Global Market Valuation Levels:** We compare current valuation levels across major equity markets to show where pricing remains elevated relative to history and where valuations look more moderate.
8. **Artificial Intelligence: Runway for Growth:** We examine how AI is creating growth opportunities across sectors by improving productivity, expanding use cases, and reshaping how companies operate.
9. **AI Capabilities and Adoption:** We examine how AI capabilities are advancing quickly and how adoption is spreading across industries as businesses expand practical use cases.
10. **AI-Related Industries:** We review performance across AI-related industries to show where market leadership has been strongest and how exposure is distributed across the S&P 500.
11. **AI Dislocations:** A discussion of the recent AI-fueled volatility in equity markets and the recent episodes of “sell now, ask questions later.”
12. **Market Performance:** Major market indices have shown a rotation away from the trends we saw last year.
13. **Historical Geopolitical Shocks:** We look at short-term impacts and recoveries of the market amid geopolitical shocks.
14. **Allocation Insights:** We maintain an underweight position in European equities, while overweighting Japanese equities. We moved our emerging market equities position to overweight and Chinese equities to neutral weight.
15. **Allocation Insights (Continued):** We maintain an underweight position on Treasuries, while overweighting investment-grade credit and mortgage-backed securities.

1. Energy & Shipping

- Strait of Hormuz status
- OPEC+ / IEA response
- War risk insurance, tanker rates

2. Military & Escalation Dynamics

- Scope of targeting
- Proxy activation
- Cyber operations

3. Politics & Geopolitics

- U.S.: Public sentiment, administration messaging (midterms)
- Iran: Leadership stability, protest activity
- China/Russia/India/Turkey response and import behavior

4. Diplomacy & Off-Ramps

- Backchannel activity with intermediaries
- Gulf state posture

5. Markets & Economy

- Oil prices and futures curve
- Inflation and expectations
- Equity and bond market volatility

The motivations and goals of four distinct parties will define the timing and shape of an off-ramp.

- *How quickly does this conflict move to an off-ramp?*
- *What factors are driving this timing?*
- *What are the near-, medium-, and long-term implications for the global economy and markets?*

MANAGED OFF-RAMP

(50% Probability)

- **Timeline:** Resolved within weeks.
- **Action:** All parties accept a "face-saving" stand-down.
- **Market:** Oil prices recede and shipping normalizes quickly.

SHADOW WAR

(25% Probability)

- **Timeline:** Persists for months.
- **Action:** U.S./Israel declare victory; Iran continues proxy/intermittent attacks.
- **Market:** Ongoing volatility as markets remain "shaken" by friction.

SEVERE TAIL

(15% Probability)

- **Timeline:** Prolonged for many months.
- **Action:** Blockade of Strait of Hormuz and defense system depletion.
- **Market:** Inflation spikes alongside supply disruption; potential deflation.

REGIME CHANGE

(10% Probability)

- **Timeline:** Long term (many months).
- **Action:** U.S./Israel focus explicitly on toppling the regime.
- **Market:** Sustained high inflation; remote chance of internal uprising.

SightLines: [Unpacking Motivations: Four Scenarios to an End to the War With Iran](#)

Relief — Monitoring for Resolution

What Happened

- U.S. and Iran agreed to a 14-day ceasefire on April 7, subject to Iran opening the Strait of Hormuz.
- Initial talks in Islamabad led by Vice President JD Vance failed to produce a breakthrough.
- U.S. imposed a naval blockade effective April 13, deploying more than 15 warships to restrict Iran's maritime traffic.
- Iran briefly reopened the Strait of Hormuz on April 17 but reimposed restrictions on April 18, accusing the U.S. of violating the deal by maintaining its blockade; Iranian gunboats fired on a tanker attempting transit.
- President Trump set an April 23 deadline for a deal, warning he may resume bombing if no agreement is reached.

Reality on the Ground

- Hormuz status remains volatile: Iran briefly reopened it on April 17, allowing at least eight tankers to transit, but reimposed closure on April 18, claiming the U.S. blockade violated terms.
- The Pentagon is sending additional troops to maintain pressure during negotiations.

Negotiation Dynamics

- Iran's demands include Hormuz control, sanctions relief, enriched uranium retention, and U.S. troop withdrawal.
- President Trump claims Iran has agreed to suspend its nuclear program indefinitely and hand over enriched uranium, but Iran has not confirmed these claims and disputes Trump's characterization.
- Mediators are seeking technical talks to resolve the most contentious issues: reopening Hormuz and Iran's nuclear enrichment.
- Iran may allow ships to sail through the Oman side of Hormuz without interference while maintaining control over its own waters.
- Investor expectations for a prolonged truce and eventual formal end to the war have risen over the past few days.

Market Impact

- Oil and petrochemical prices remain well above pre-war levels despite retreating from crisis highs.
- Risk assets have rallied on de-escalation optimism; Japan's Nikkei Index hit record highs, erasing losses.

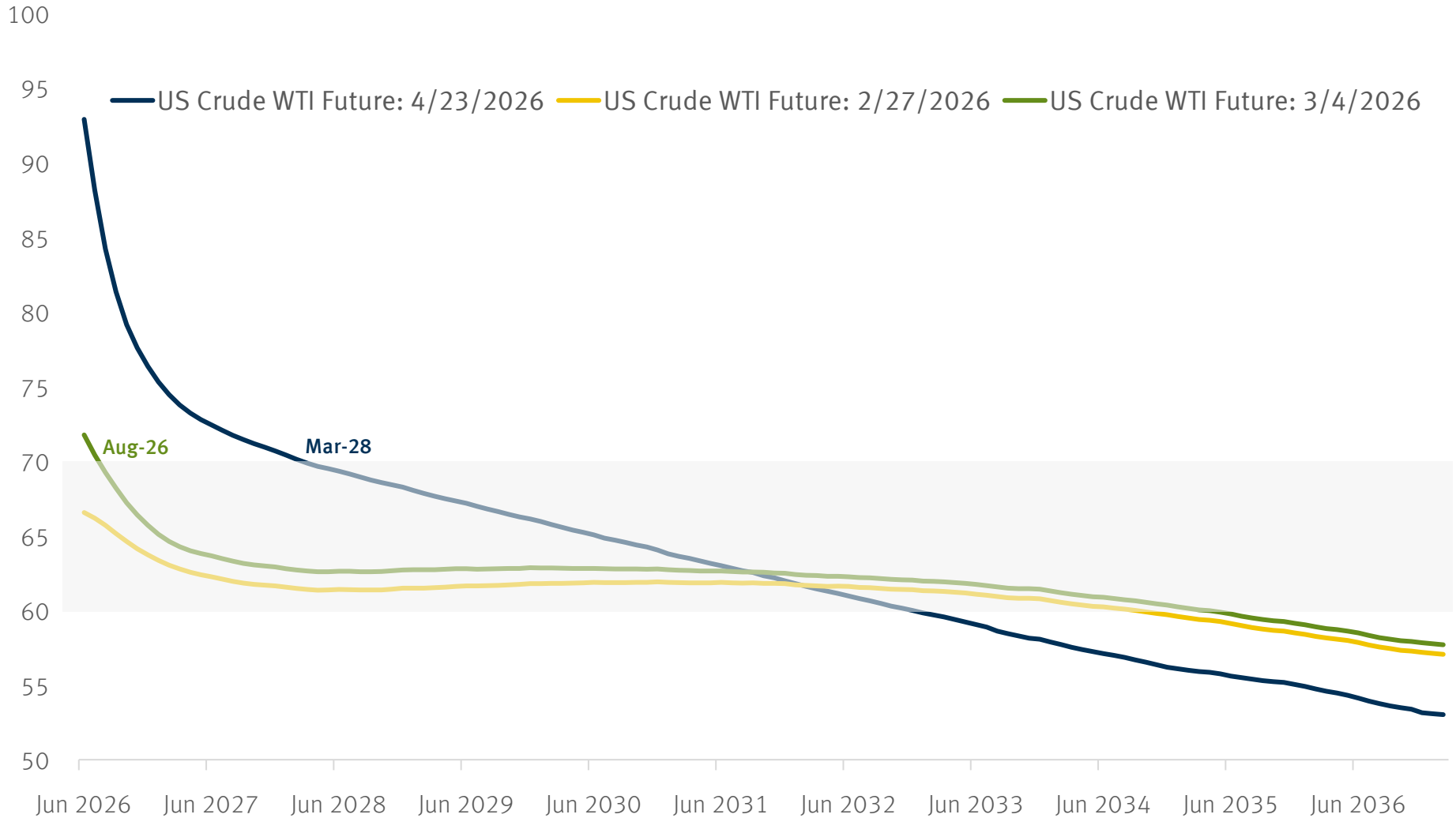
What to Watch

- Whether a deal is reached by Trump's April 23 deadline or if the ceasefire expires without extension.
- Effectiveness of the U.S. blockade vs. Iran's evasion tactics.
- Progress on technical talks regarding Hormuz transit arrangements and nuclear enrichment.
- Risk of breakdown: Administration considering limited strikes if talks fail, though full-scale bombing campaign appears less likely.

Category	Description	Change Since the War Began
Energy	Natural Gas	From \$2.85 to \$2.68
	Oil, WTI	From \$67 to \$93
Market Volatility	VIX Index	-3.5%
	MOVE Index	-4.8%
Fixed Income Markets	Bloomberg U.S. Agg	-1.2%
	Bloomberg U.S. HY	0.6%
Equity Markets	S&P 500	3.8%
	MSCI EAFE	-3.6%
	MSCI Japan	-5.5%
	MSCI EM	0.1%
Category	Description	% Current Levels
Breakevens	1-Year Breakeven	3.5%
	2-Year Breakeven	2.9%
	1-year, 1-year Forward	2.3%
Rates	10-year	4.3%

Source: Stifel CIO Office via Bloomberg, as of April 23, 2026. (Intra-Day)

The oil futures curve has deepened its inversion since the war began.



Source: Stifel CIO Office via Bloomberg, as of April 23, 2026. (Intra-Day)

UPSTREAM SHORTAGES BECOME DOWNSTREAM PROBLEMS

The biggest economic effects of a supply shock can happen later



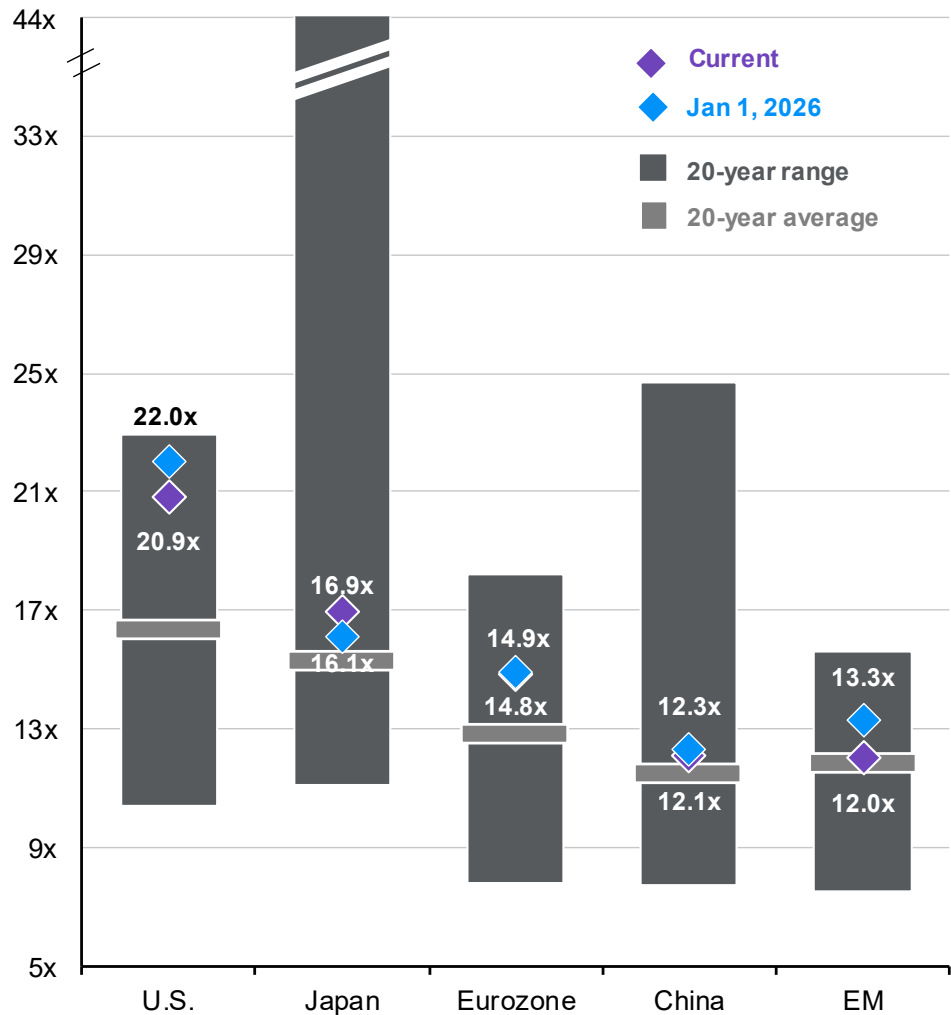
INVESTOR TAKEAWAY

What begins as a supply disruption upstream can become an availability, inflation, and earnings problem downstream.

SightLines: [Iran Conflict: The Hidden Shortages That May Matter Most](#)

Valuations by region/country

Forward P/E ratio



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management

Countries are represented by their respective MSCI country index except for the U.S., which is represented by the S&P 500.

Guide to the Markets – U.S. Data are as of April 22, 2026.

P/E = price-to-earnings ratio



ARTIFICIAL INTELLIGENCE: RUNWAY FOR GROWTH

Artificial intelligence is reshaping how people work, create, and invest, unlocking a super-cycle of productivity with multitrillion-dollar effects on global GDP. AI's impact will expand to touch every major sector, transforming how industries operate, compete, and create value.

HEALTHCARE



- Drug Discovery
- Personalized Medicine
- Robotic Surgery

FINANCIALS



- Credit Scoring
- Fraud Detection
- Portfolio Optimization

REAL ESTATE



- Listing Descriptions
- Tenant Screening
- Virtual Staging

CONSUMER DISCRETIONARY



- Forecasting
- Hyper-Personalized Commerce
- Customer Service

INDUSTRIALS



- Quality Control
- Robot-Assisted Assembly
- Predictive Maintenance

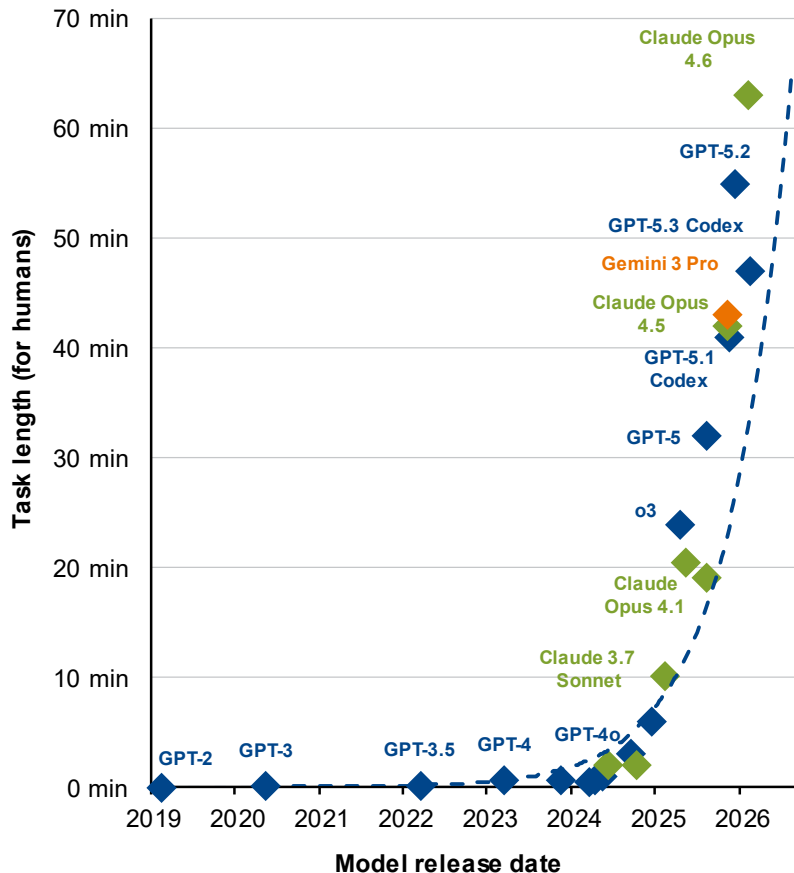
INFORMATION TECHNOLOGY



- AI Agents
- Software Development
- Cybersecurity

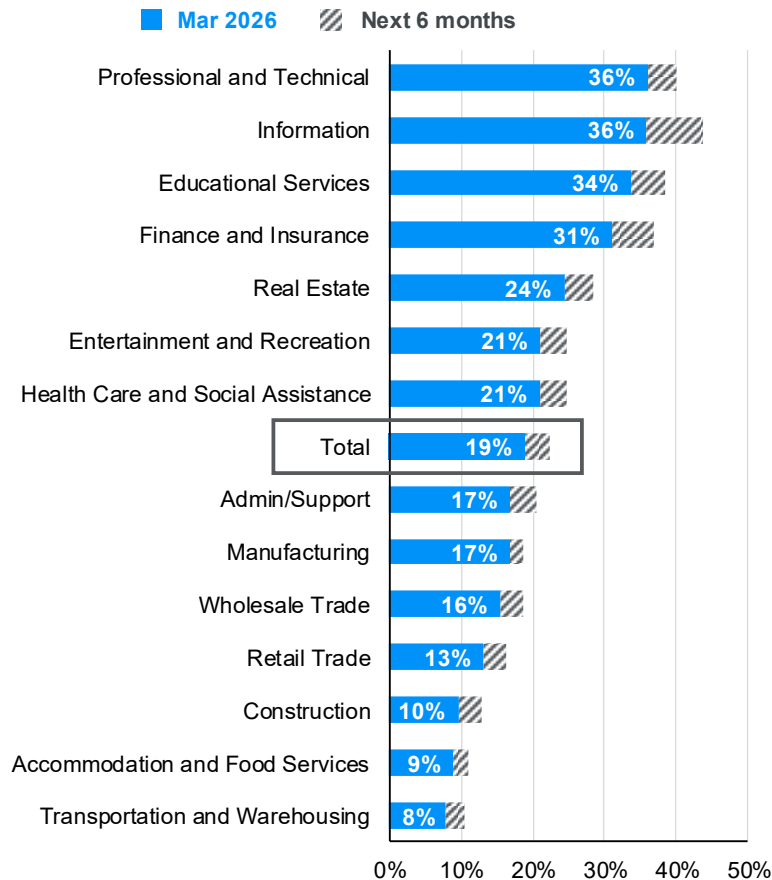
Length of tasks AI agents can autonomously complete

Time to complete tasks at 80% success, by model*



Businesses using AI in any business function

% of all firms reporting use of AI applications

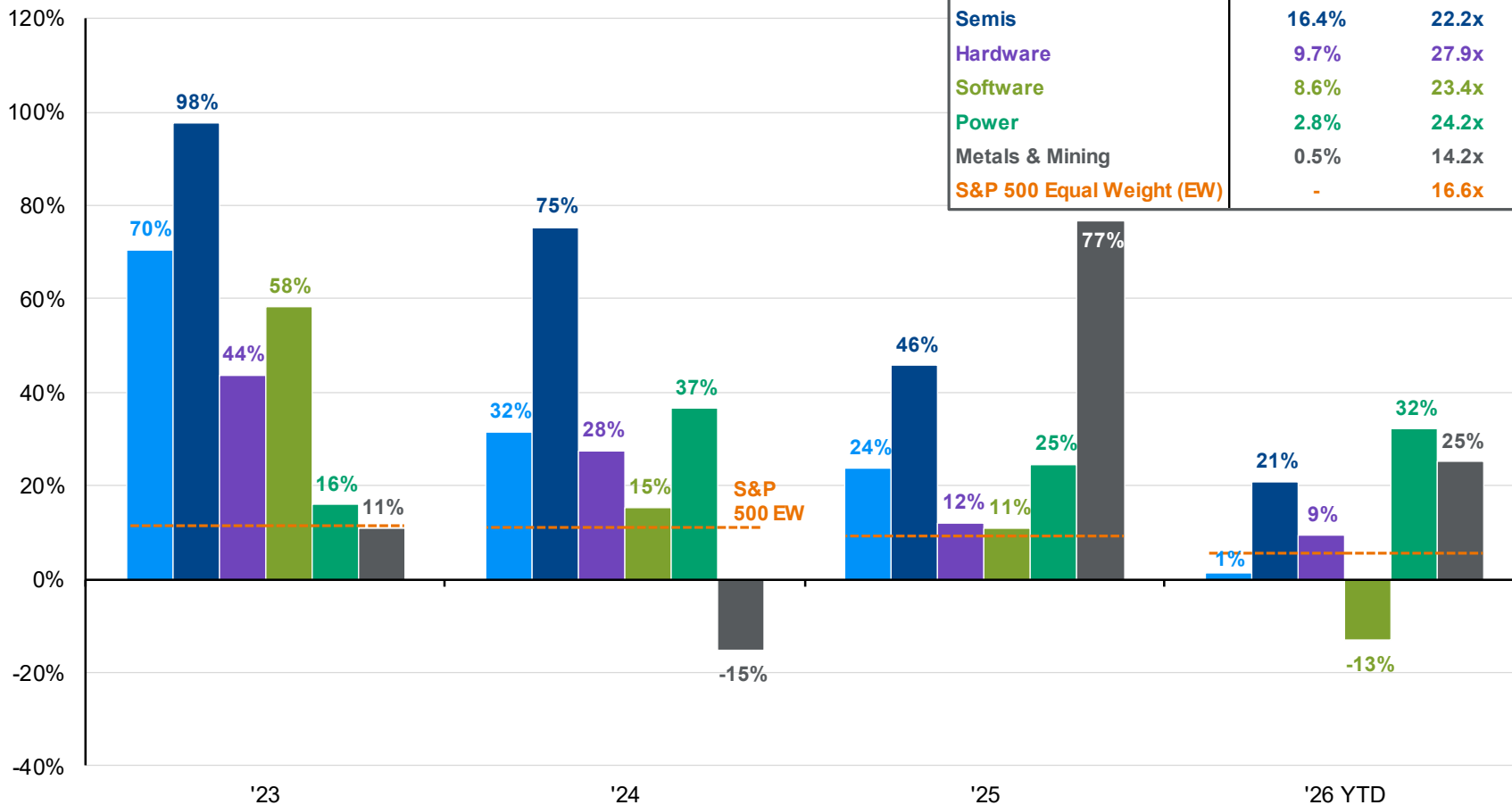


Source: J.P. Morgan Asset Management; (Left) METR, “Measuring AI Ability to complete long tasks”; (Right) Census Business Trends and Outlook Survey. The length of tasks (measured by how long they take skilled human professionals) that generalist frontier model agents can complete autonomously with 80% reliability has been doubling approximately every seven months for the last six years. *METR looks exclusively at multistep software engineer, cybersecurity, general reasoning, and machine learning tasks that require low or no prior context and are self-contained units of work. Guide to the Markets – U.S. Data are as of April 22, 2026.



AI-related industry performance

Price return



Industry	% of S&P 500	NTM P/E
Hyperscalers	18.1%	25.9x
Semis	16.4%	22.2x
Hardware	9.7%	27.9x
Software	8.6%	23.4x
Power	2.8%	24.2x
Metals & Mining	0.5%	14.2x
S&P 500 Equal Weight (EW)	-	16.6x

Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management.

Hyperscalers is a market weighted composite of AMZN, GOOGL/GOOG, META, MSFT, and ORCL. The remaining categories are based on GICS Industries: Semis = Semiconductors & Semiconductor Equipment (Info. Tech.); Hardware = market weighted composite of Communications Equipment (Info. Tech.), Electronic Equipment Instruments & Components (Info. Tech.) and Technology Hardware Storage & Peripherals (Info. Tech.); Software = Software (Info. Tech.); Power = market weighted composite of Electrical Equipment (Industrials) and Electric Utilities (Utilities); Metals & Mining = Metals & Mining (Materials). Past performance is no guarantee of future results.

Guide to the Markets – U.S. Data are as of April 22, 2026.

- Investors should maintain a disciplined process during bouts of volatility.
- When valuations are elevated, as they have been recently, downside volatility with select stocks, industries, or the market can be amplified when uncertainty rises.
- AI is broadly viewed as positive for productivity, but when a credible tool targets a specific workflow, that industry's stocks can fall as investors debate the implications.
- Recent “sell now, ask questions later” episodes remind us to “stay the course” on process – avoid indiscriminate selling, do the work, and reaffirm conviction ... or not.
- The work must be bottom-up: Continue to assess each company's fundamentals, make a judgement about its role in this future AI-driven landscape, then make one of three decisions with conviction.
- Establish or expand a position as a buyer if selling is overdone, hold an existing position through this valuation reset, or sell and move on.
- In our view, much of the recent “sell now, ask questions later” behavior has been overdone.

SightLines: [AI Optimism Abounds, but Some Industries Are Punished with Indiscriminate Selling](#)

Index	2023	2024	2025	Since 2/28/26	Year to Date
S&P 500 Index	26.3%	25.0%	17.9%	3.9%	4.6%
S&P 500 Eq. Weight.	13.8%	13.0%	11.4%	-0.7%	6.3%
S&P High Dividend	5.5%	11.1%	3.3%	-4.3%	6.7%
S&P 500 Low Vol. High Div.	1.7%	18.3%	3.7%	-5.2%	4.5%
MSCI U.S. High Dividend	6.8%	11.7%	12.0%	-3.8%	6.6%
NASDAQ Composite Index	44.7%	29.6%	21.2%	8.9%	6.3%
S&P 500 Financials	12.1%	30.5%	15.0%	1.9%	-4.3%
KBW Reg. Banking	-0.4%	13.2%	6.5%	4.3%	8.9%
Bloomberg U.S. 1000	26.7%	24.2%	17.5%	3.9%	4.8%
Bloomberg U.S. 1000 Eq. Wt.	19.9%	13.1%	10.9%	0.3%	5.6%
Bloomberg U.S. 1000 Value	9.4%	13.6%	16.5%	-1.1%	8.6%
Bloomberg U.S. 1000 Growth	36.1%	28.9%	17.9%	5.9%	3.4%
Bloomberg Magnificent 7	107.0%	67.3%	24.9%	8.4%	1.1%
NYSE FANG+ Index	96.4%	51.0%	20.8%	12.5%	2.9%
S&P 600 Index	15.9%	8.6%	6.0%	4.7%	13.1%
S&P 600 Quality Index	24.3%	7.8%	1.4%	3.5%	8.8%
Bloomberg U.S. 2000	17.1%	12.0%	11.1%	5.8%	12.5%
MSCI EAFE Index	18.2%	3.8%	31.2%	-3.6%	6.1%
MSCI EM Index	9.8%	7.5%	33.6%	0.1%	15.0%
Bloomberg U.S. Agg	5.5%	1.3%	7.3%	-1.2%	0.6%

Source: Stifel CIO Office via Bloomberg, as of April 22, 2026



Event	Start Date	S&P 500 Price Return					Primary Trigger/Incident
		One Week	1 Month	3 Months	6 Months	12 Months	
Korean War	6/28/1950	-1.1%	-1.1%	5.7%	10.8%	17.6%	Initial North Korean invasion across the 38th Parallel
Suez Crisis	10/29/1956	2.6%	2.6%	-4.1%	-1.4%	-12.3%	Israel occupies Egypt's Sinai Peninsula
1958 Lebanon Crisis	7/15/1958	2.9%	2.9%	14.4%	23.7%	32.8%	U.S. Marines land in Beirut (Operation Blue Bat)
Berlin Crisis	8/14/1961	1.0%	1.0%	5.2%	4.0%	-15.1%	Erection of the Berlin Wall begins
Cuban Missile Crisis	10/16/1962	-6.3%	-6.3%	14.2%	21.0%	26.6%	President Kennedy informed of missile sites (start of "13 Days")
Vietnam (Tonkin)	8/3/1964	-1.5%	-1.5%	2.6%	5.5%	2.0%	Gulf of Tonkin naval engagement involving USS Maddox
India-Pakistan War	8/5/1965	0.7%	0.7%	7.6%	7.9%	-4.1%	Outbreak of hostilities following Operation Gibraltar
Six-Day War	6/5/1967	4.1%	4.1%	5.9%	7.5%	10.7%	Israel initiates Operation Focus airstrikes
Vietnam (Tet Offensive)	1/30/1968	-1.1%	-1.1%	4.9%	5.1%	10.2%	Surprise North Vietnamese offensive begins
Yom Kippur War	10/5/1973	1.4%	1.4%	-9.1%	-14.1%	-42.2%	Egypt and Syria launch surprise attack
Fall of Saigon	4/30/1975	2.0%	2.0%	1.0%	2.8%	17.3%	Capture of Saigon; final U.S. evacuation
Iran Hostage Crisis	11/5/1979	1.7%	1.7%	12.3%	4.5%	24.0%	Storming of the U.S. Embassy in Tehran
Soviet-Afghan War	12/24/1979	0.1%	0.1%	-8.0%	6.1%	23.3%	Soviet tanks cross into Afghanistan
Iran-Iraq War	9/22/1980	-5.3%	-5.3%	4.1%	4.1%	-10.2%	Full-scale Iraqi invasion of western Iran
Force in Lebanon	8/25/1982	0.6%	0.6%	13.1%	25.9%	39.8%	Multinational force including U.S. Marines lands in Beirut
Gulf War	8/2/1990	-3.3%	-3.3%	-13.5%	-4.4%	9.0%	Iraq invades Kuwait; defense forces overwhelmed
Croatian War	4/1/1991	2.0%	2.0%	1.8%	4.5%	9.8%	Plitvice Lakes incident; outbreak of independence war
Kosovo War	2/27/1998	0.6%	0.6%	4.6%	3.3%	21.2%	KLA escalates attacks; Serbian army responds
9/11 Terror Attacks	9/11/2001	-5.5%	-5.5%	4.3%	6.7%	-18.2%	Coordinated terrorist attacks on WTC and Pentagon
Iraq War (Invasion)	3/20/2003	-0.8%	-0.8%	15.4%	17.5%	26.1%	"Shock and Awe" coalition invasion begins
Madrid Bombing	3/11/2004	1.4%	1.4%	2.2%	1.3%	10.7%	Coordinated terrorist train bombings
Crimea Annexation	2/20/2014	0.8%	0.8%	2.6%	7.7%	14.0%	Russian aggression/illegal crossing of Ukrainian border
COVID-19 Crash	2/19/2020	-8.0%	-8.0%	-13.7%	-0.1%	16.2%	S&P 500 reaches peak before pandemic sell-off
Russia-Ukraine War	2/24/2022	1.7%	1.7%	-7.2%	-3.7%	-4.9%	Russia launches full-scale invasion of Ukraine
Israel-Iran War	4/12/2024	-3.0%	-3.0%	9.0%	13.1%	-1.2%	Iran launches direct drone and missile attack on Israel

Median 0.6% 0.6% 4.3% 5.1% 10.7%

Average -0.5% -0.5% 3.0% 6.4% 8.1%

Source: Stifel CIO Office via FactSet, as of April 23, 2026. Calculations assume 30 days per month.

DYNAMIC ASSET ALLOCATION

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

VIEW LEGEND

U Underweight
 N Neutral
 O Overweight

	ASSET CLASS	CHANGE	VIEW	COMMENTS
U.S. Equity	U.S. Large Cap Equity	=	N	While easing policy supports small caps, higher absolute rates and weaker earnings visibility offset the case; large caps offer greater earnings durability, supporting a neutral stance.
	U.S. Small Cap Equity	=	N	
	U.S. Large Cap Growth Equity	=	N	We believe investors should remain diversified across both growth and value styles. Recent rotation has been swift, but we believe it supports broader leadership rather than a wholesale move away from growth.
	U.S. Large Cap Value Equity	=	N	
Regional Equity Views	U.S. Equity	=	N	While recent volatility has eased valuation pressure, market concentration and high earnings expectations still leave returns sensitive to earnings execution.
	Non-U.S. Equity	=	N	Attractive valuations outside the U.S. are tempered by slower growth, policy divergence, and elevated geopolitical risk.
	Europe	=	U	Fiscal support and an easier policy backdrop are helping, but growth remains modest and uneven, with continued sensitivity to energy and external shocks. We remain selective rather than broadly constructive.
	Japan	=	O	Japan remains supported by reflation, improving domestic growth, and ongoing corporate reform. Better capital spending, rising shareholder returns, and a constructive earnings outlook support our overweight stance.
	Emerging Markets	→	O	Strong earnings growth and attractive valuations make emerging markets compelling. A weaker U.S. dollar and exposure to AI supply chains, global capex, and reshoring trends further support the case versus developed markets.
	China	→	N	Early signs of consumer improvement are emerging, but weak confidence, property softness, and uneven earnings visibility keep us selective. Risk/reward is becoming more balanced.

Quarterly Market Perspectives : [Q2 2026](#)

DYNAMIC ASSET ALLOCATION

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

	ASSET CLASS	CHANGE	VIEW	COMMENTS	
Fixed Income	Treasuries	=	U	While Treasuries remain an important source of liquidity and portfolio ballast, heavy issuance, persistent fiscal deficits, and a higher-for-longer or volatile rate environment limit their return potential.	
	Investment-Grade Credit	=		O	A resilient economy and strong corporate fundamentals support investment-grade corporates as a high-quality income source.
	Mortgage-Backed Securities	=		O	Agency MBS provide higher income and wider spreads than Treasuries, while offering comparable risk and stronger yields than most credit sectors.
	High Yield	=		N	Credit fundamentals remain solid, but spreads are tight. High yield offers income but less margin for error if growth slows. Neutral positioning reflects a preference for selectivity over beta exposure.
Alternatives	Private Assets	=		N	For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of alternatives can be considered as part of a diversified portfolio.
	Hedge Funds	=		N	

Arrows indicate a change in position

VIEW LEGEND

U Underweight
 N Neutral
 O Overweight



INDEX DESCRIPTIONS

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.

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 U.S. Government debt.

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

Bloomberg U.S. 100 Equal Weight is an equity benchmark that tracks the performance of the 100 largest companies listed on the NASDAQ exchange within five specific sectors. It assigns a 1% weight to each constituent at rebalancing.

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 U.S. companies.

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

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 **MSCI Japan Index** is designed to measure the performance of the large and mid cap segments of the Japanese market.

INDEX DESCRIPTIONS

The **MSCI U.S. High Dividend Yield Index** is based on the MSCI USA Index, its parent index, and includes large and mid cap stocks. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

Bloomberg Magnificent Seven Index is an equal-dollar weighted equity benchmark consisting of a fixed basket of seven widely-traded companies classified in the United States and representing the Communications, Consumer Discretionary and Technology sectors as defined by Bloomberg Industry Classification System (BICS).

S&P 500 Quality High Dividend Index is designed to measure the performance of S&P 500 members that exhibit both high quality and high dividend yield characteristics.

The **S&P 600 Index** is a capitalization-weighted index that represents the U.S. small capitalization market, including 600 domestic stocks chosen for market size, liquidity, and industry representation.

The **S&P SmallCap 600 Quality Index** is designed to measure the 120 highest-quality stocks in the S&P SmallCap 600 on the basis of their quality score, which is calculated using three fundamental measures: return on equity, accruals ratio, and financial leverage ratio.

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

VIX is a trademarked ticker symbol for the Chicago Board Options Exchange Market Volatility Index, a popular measure of the implied volatility of S&P 500 index options.

Cboe S&P 500 Dispersion Index (DSPXSM) measures the expected dispersion in the S&P 500[®] over the next 30 calendar days, as calculated from the prices of S&P 500 index options and the prices of single stock options of selected S&P 500 constituents, using a modified version of the VIX[®] methodology.

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.

INDEX DESCRIPTIONS

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 1,000 most highly capitalized U.S. 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 2,000 in capitalization of the Bloomberg U.S. 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.

MOVE Index measures U.S. bond market volatility by tracking a basket of OTC options on U.S. interest rate swaps. The Index tracks implied normal yield volatility of a yield curve weighted basket of at-the-money one-month options on the 2-year, 5-year, 10-year, and 30-year constant maturity interest rate swaps.

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.

National Federation of Independent Business Small Business Optimism Index measures the overall optimism and outlook of small business owners regarding the economic conditions, sales expectations, hiring plans, and capital expenditures. It provides valuable insights into the sentiment of small businesses, which are a vital component of the U.S. economy.

The **NASDAQ Composite Index** is a capitalization-weighted index that is comprised of all stocks listed on the National Association of Securities Dealers Automated Quotation System stock market, which includes both domestic and foreign companies.

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.

Dollar-cost averaging does not assure a profit or protect against a loss. Investors should consider their ability to continue investing during periods of falling prices.

Rebalancing may have tax consequences, which you should discuss with your tax advisor.

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.

DISCLOSURES CONTINUED

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.

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