Market Perspectives

Quarterly | Q1 2022

Overview

At the start of last year, we offered optimistic forecasts as we anticipated a strong recovery from the COVID-19 pandemic. The vaccine program in the U.S. proved to be largely successful, rebuilding consumer confidence and allowing businesses to reopen. Economic growth accelerated above its long-term trend, and equity markets had another strong year as company earnings rebounded sharply.

In our view, the external forces that contributed to the notably strong economic growth and equity markets over the past 18 months will begin to fade in 2022. As a result, individuals, businesses, and the economy overall will increasingly have to stand on their own. And while we anticipate continued economic growth and equity markets to go higher, the range of potential outcomes is wider.

We'll see balancing acts all around:

- The Federal Reserve (Fed) will look to tighten just enough to rein in inflation without threatening recovery.
- Governments must balance the benefits of pandemic shutdowns with their economic and human costs.
- Companies must optimize pricing given increased production and wage costs while maintaining healthy profit margins.
- Our government will, at some point, have to weigh the short- and long-term debt costs with the benefits of fiscal spending and deficits.
- The U.S. and China will continue their strategic rivalry while also exploring ways to cooperate.

For the past 12 months, we've guided investors to position their portfolios in assets and segments of the economy impacted early by the pandemic. Many of these assets have performed well, and we see the opportunity still for relative outperformance of cyclical assets as we start the new year. As the economic cycle progresses and both fiscal and monetary policy support recede, investors should consider active management selectively, where managers can apply their skills to focus on traditional fundamentals and quality in this environment.

We believe U.S. large cap value, comprised of more cyclical sectors, should perform well. In terms of size, large cap versus small cap stocks, we believe there is still an opportunity for a continued overweight to small caps. Given our preference for strong fundamentals, we prefer to implement this overweight using active management as we progress through this economic cycle.

Despite last year's relative underperformance, we continue to favor non-U.S. equity versus U.S. equity, both developed and emerging markets.

We remain overweight to actively managed U.S. high yield relative to U.S. investment grade within fixed income while being neutral for passively managed exposure. Within investment-grade fixed income, we have closed our overweight to U.S. Treasury inflation-protected

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STIFEL

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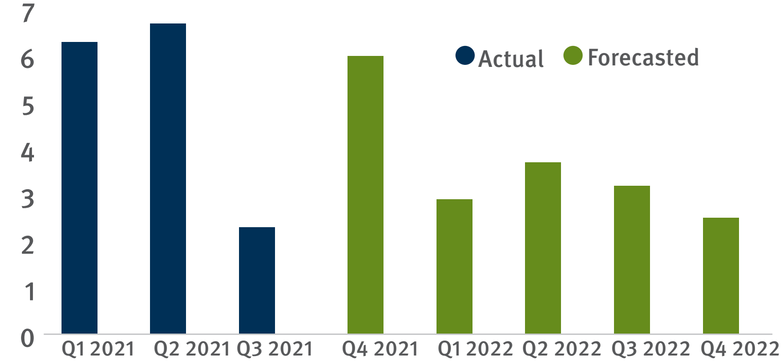
securities (TIPs), as we see inflation falling in 2022 given the Fed's more hawkish stance and the prospect of improving supply chain conditions.

We are neutral between corporate, government, and securitized investment-grade bonds. Lastly, while we expect rates to rise modestly, we remain neutral on duration to maintain fixed income's diversification benefits versus equities in multiasset class portfolios.

Figure 1. U.S. Real GDP (QoQ% SAAR)



Source: Stifel Investment Strategy via Bloomberg, as of January 24, 2022

The U.S. Economy

Economic growth was above its long-term trend in 2021, as as consumers and businesses kept spending, supported by accommodative fiscal and monetary policy. The latest estimate for GDP growth is 5.6%. In the second half of the year, the spread of the delta and omicron variants and shortages across numerous sectors due to supply chain frictions limited consumption in some industries.

Our 2022 forecast for gross domestic product (GDP) growth is 3.5%-4.0%, still well above the longer-term trend. We view growth driven by a strong consumer, higher capital expenditures, and inventory rebuilding by businesses.

Inflation

CPI inflation rose 7.0% year over year. The combination of pent-up demand, supply chain issues, and a shortage of workers pushed prices higher in 2021. We saw the sharpest year-over-year price increases in pandemic-disrupted categories such as used car and truck prices, energy prices, and travel prices. However, some slower-moving categories like rent and wages also rose meaningfully, prompting the Fed to remove the "transitory" label for inflation.

We expect inflation to decrease gradually through the year and likely settle below 3% by the end of 2022. In the Fed's latest Summary of Economic Projections (SEP), core personal consumption expenditure (PCE) inflation is projected to be 2.7% in 2022 and 2.3% in 2023.

Employment

The U.S. economy added more than 6 million jobs last year, many of which were in the hardest-hit industries, such as leisure and hospitality. The unemployment rate fell to 3.9% in December, which is below the 6.1% average over the past 20 years. The shortage of workers led, in part, to a sharp rise in wages for many industries.

The Fed will have to balance the strong employment situation with the elevated inflation. The Fed forecasts unemployment will fall to 3.5% by the end of 2022.

"The U.S. economy added more than 6 million jobs last year, many of which were in the hardest-hit industries, such as leisure and hospitality."

Consumer

Consumer spending is estimated to have risen 8.0% in 2021. Consumers spent more in 2021 due to pent-up demand and nearly doubled household savings. Even after expanded unemployment benefits expired in September, this positive trend continued. This higher spending was somewhat uneven through the year, as supply constraints, higher prices, and pandemic concerns dampened consumer confidence. Total retail sales for 2021 rose 19.3% from 2020. Fourth quarter sales rose 2.1% from Q3 2021 and 17.1% from the prior year.

Higher prices dampened consumer confidence. The University of Michigan Index of Consumer Sentiment was 68.8 in January and stood at 70.6 in December, falling on both inflation and variant concerns.

Service and Manufacturing Sectors

As with other economic releases, we saw expansion in the manufacturing and service sectors.

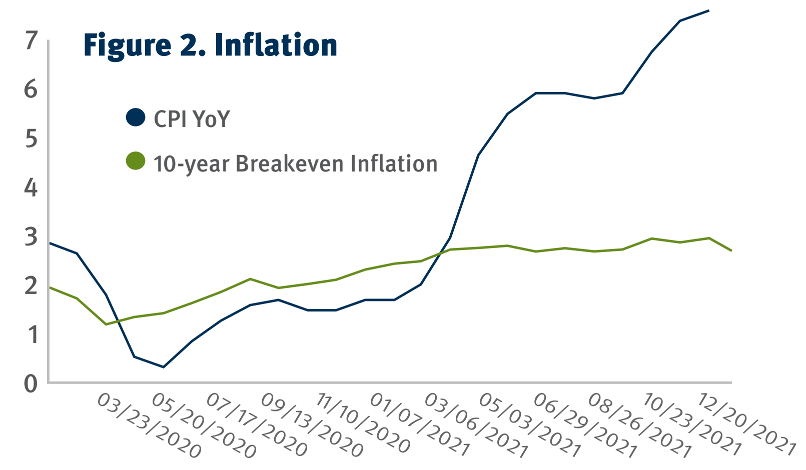
The IHS Markit U.S. Manufacturing PMI was above 50 all year and stood at 57.7 in December, below the July peak of 63.4.

The IHS Markit U.S. Services PMI was at 57.6 in December after reaching a high of 70.4 in May. The services sector has been expanding since July 2020.

Housing

The housing market remains strong despite higher prices and ongoing production bottlenecks. Building permits and housing starts rose 17.2% and 15.6%, respectively, in 2021 from 2020. As measured by the NAHB Home Builder Survey, homebuilder sentiment ended the year on an upward trend on strong consumer demand and limited inventory. The index was at 84 in December after declining to 75 in August.

Figure 2. Inflation



Source: Stifel Investment Strategy via Bloomberg, as of January 24, 2022

The Federal Reserve and Interest Rates

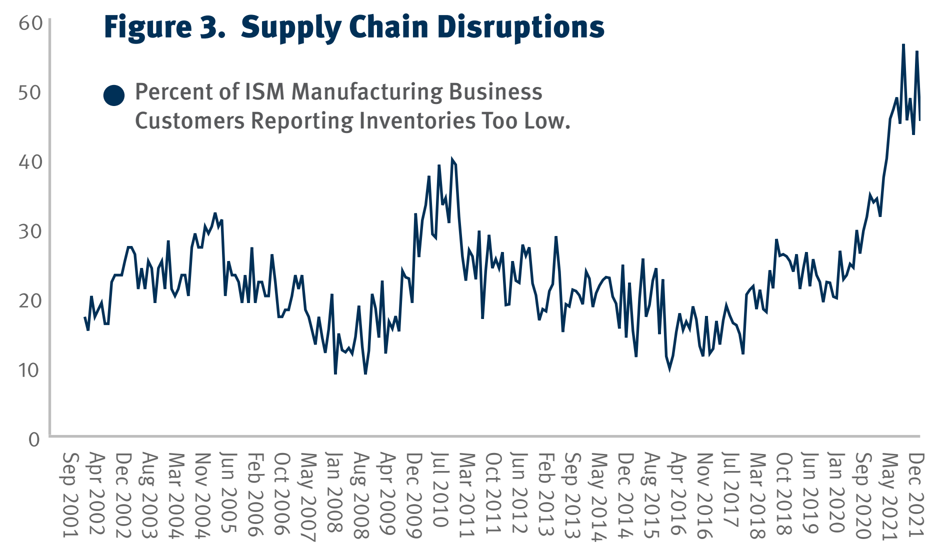
The Federal Open Market Committee (FOMC) met eight times in 2021. Through most of the year, the committee carefully communicated that monetary policy would remain unchanged until it saw evidence of "substantial further progress" on its dual mandate of stable prices and maximum employment.

"Given the labor market recovery and strong inflation, the FOMC signaled a more hawkish stance at its December meeting."

Given the labor market recovery and strong inflation, the FOMC signaled a more hawkish stance at its December meeting. The Fed announced a faster bond-buying taper, and the dot plot indicated officials projected a minimum of three rate hikes in 2022.

Equity Earnings

Analysts expect a 45.3% rise in earnings for the full year 2021, including a 21.8% advance for the fourth quarter (year over year). Analysts forecast a 9.4% earnings growth rate for the S&P 500 in 2022. First quarter 2022 earnings are forecasted to be up 6.2% from first quarter 2021.



Source: Stifel Investment Strategy via Bloomberg, as of January 24, 2022

If we go back to the beginning of 2021, the S&P 500 consensus estimated earnings growth rate was 20.2%. The actual results for the year reflect quite an improvement. The industrials and materials sectors saw the largest growth in earnings, up 98.3% and 85.1%, respectively. More defensive sectors such as utilities and consumer staples saw more muted numbers, up just 1.9% and 9.2%, respectively.

"For 2022 we expect high-single-digit earnings growth will lead to another year of modestly positive equity market returns. "

Throughout the year, pandemic-related supply chain challenges, inflation, and hiring challenges were frequently cited on earnings calls. For example, roughly 70% of the S&P 500 companies reporting mentioned supply chain issues in their communications about earnings during the third quarter earnings season. And about 63% of the companies reporting cited inflation as a headwind.

For 2022, we expect high-single-digit earnings growth will lead to another year of modestly positive equity market returns. Volatility will likely be higher than in 2021, especially as the midterm elections approach. We may even see a correction, or multiple mini-corrections, during the year. Nevertheless, we believe we are still in the first half of a new economic cycle and forecast the S&P 500 to end the year at 5,005.

Investment Themes

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

	ASSET CLASS	PREVIOUS	CURRENT	COMMENTS
EQUITY	**U.S. Equity vs. Non-U.S. Equity**	▼	▼	We continue to favor non-U.S. equity markets relative to the U.S. despite their underperformance in 2021. Non-U.S. equity valuations appear to be attractive, and we expect the economic risks related to COVID-19 to recede, allowing the global economy to reopen further, which should be supportive of non-U.S. equity earnings. The external forces that contributed to the notably strong economic growth and equity markets in the U.S. will likely begin to fade in 2022, whereas many non-U.S. economies are expected to benefit from further fiscal stimulus.
EQUITY	**U.S. Large Cap vs. U.S. Small Cap**	▼	▼	A strong U.S. economy and seasonal factors are still supportive of small cap stocks, which derive most of their revenue domestically. Rising rates, a shortage of labor, and higher cost pressures may pose a challenge for smaller companies. Given our preference for strong fundamentals, we prefer to implement this overweight through active management as we progress through this economic cycle. For passive implementation, we suggest a neutral small cap position.
EQUITY	*U.S. Large Value vs. U. S. Large Growth*	▲	▲	We believe value, comprised of more cyclical sectors, should perform well. A strong economy, rising rates, and higher inflation are conditions that benefit this style. Within value, we have a preference for profitable companies with solid financials.
EQUITY	**Non-U.S. Developed Markets vs. Emerging Markets**	■	■	We are neutral within non-U.S. equity between developed and emerging markets, as we find the risks to be balanced between both. However, we maintain an overweight to non-U.S. equities, both developed and emerging, relative to U.S. stocks.
EQUITY	*Europe vs. Japan*	■	■	The European economy is more exposed to global trade, with public companies generating 50% of revenue outside of Europe. Fiscal stimulus in Europe is expected to continue, and permanent changes seem likely. Japan's ongoing structural and corporate reform is a tailwind for company earnings. However, both Europe and Japan face some challenges that keep us at neutral within developed markets, for now.

▲ Overweight ▼ Underweight ■ Neutral

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Investment Themes (continued)

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

	ASSET CLASS	PREVIOUS	CURRENT	COMMENTS
FIXED INCOME	U.S. Investment Grade vs. U.S. High Yield	▼	▼	Within fixed income, we remain overweight to U.S. high yield relative to U.S. investment grade with the use of active management. Strong commodity prices have helped many companies shore up their balance sheets, and default rates have declined. While the impacts of COVID-19 will persist, we believe there is opportunity in certain cyclical sectors and the potential for yield enhancement in a low-yield environment.
FIXED INCOME	*Corporates* *Government/Agency* *MBS*	■	■	We recommend a diversified approach to the full spectrum of investment-grade fixed income.
FIXED INCOME	*Inflation Protected*	▲	■	We have closed our overweight to U.S. Treasury inflation-protected securities (TIPS), as we see inflation falling in 2022 given the Fed's more hawkish stance and the prospect of improving supply chain conditions.
FIXED INCOME	Duration	■	■	Rates are expected to rise modestly in 2022, but we believe we remain in a lower-for-longer environment. We view duration as a diversifier in a multi-asset class portfolio 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.

▲ Overweight ▼ Underweight ■ Neutral

“ Markets rotated several times between cyclical and growth sectors given periodic worries about the longevity of the economic recovery, elevated inflation, and virus variants.”

“The 10-year Treasury opened the year at 0.93% and ended at 1.52%.”

Capital Markets Recap

Equity markets reached record highs, Treasury yields rose, and commodities surged on account of increasing demand and rising oil prices.

Equity

U.S. equity markets reached record highs, with the S&P 500 finishing the year up 28.7% and the Russell 1000 returning 26.5%, both on a total return basis. Markets rotated several times between cyclical and growth sectors given periodic worries about the longevity of the economic recovery, elevated inflation, and virus variants.

Value stocks outperformed growth by more than 10% in the first quarter, only to gradually give up the relative outperformance as the year progressed. Small cap stocks, as measured by the Russell 2000 Index, rallied in the first half of the year, up more than 17% through June, but ended 2021 up 14.8%. As mentioned above, robust earnings growth (45%) and continued margin expansion contributed to U.S. equity market strength. The energy and real estate sectors were best performing in the S&P 500 (up 47.7% and 42.5%, respectively). Utilities were up 14.0%.

Non-U.S. market returns were mixed and trailed those of the U.S. For the year, the MSCI EAFE Index, representing non-U.S. developed markets, was up 11.3%.

As measured by the MSCI EM Index, emerging markets were down 2.5%, driven mainly by developments in China.

Fixed Income

The 10-year Treasury yield opened the year at 0.93% and ended at 1.52%. This, however, masks the intra-year high of 1.74% in March, which was sparked by investors’ forward-looking expectations of stronger growth and higher inflation. As the year progressed, a combination of renewed growth worries, increased demand for Treasuries, and a tempering of long-term inflation expectations resulted in the 10-year drifting lower.

The Bloomberg U.S. Aggregate Index, representing investment-grade taxable bonds, returned -1.5% for the year. The Bloomberg U.S. Municipal Bond Index, representing investment-grade municipal bonds, returned 1.5%. As measured by the Bloomberg Corporate High Yield Index, high-yield bonds were up 5.3%.

Commodities

The resurgence of COVID-19 due to the omicron variant impacted energy markets in the fourth quarter. Toward the end of the quarter, OPEC+ announced a decision to stick to its plans to boost oil supply slower than market expectations. West Texas Intermediate was almost unchanged, rising to $75.21 from $75.03 per barrel on September 30, masking intra-quarter volatility. The U.S. dollar rose slightly the last three months against a basket of currencies, closing the year at 95.7 versus 94.2 at the start of the quarter. Gold prices rose to $1,829.20 per ounce during the quarter while still being down 4.1% for the year.

Figure 4. Capital Market Returns (as of December 31, 2021)

North American Equity	MTD (%)	QTD (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*
Russell 3000 Index	3.94	9.28	25.66	25.66	25.79	17.97
STANDARD & POOR'S 500	4.48	11.03	28.71	28.71	26.07	18.47
Standard & Poor's/TSX (CAD)	3.06	6.47	25.09	25.09	17.52	10.04
U.S. Equity by Size/Style						
Russell 1000 Index	4.05	9.78	26.46	26.46	26.21	18.43
Russell 1000 Growth Index	2.11	11.64	27.60	27.60	34.08	25.32
Russell 1000 Value Index	6.31	7.77	25.16	25.16	17.64	11.16
Russell 2000 Small Cap Index	2.23	2.14	14.82	14.82	20.02	12.02
Russell 2000 Small Cap Growth Index	0.44	0.01	2.83	2.83	21.17	14.53
Russell 2000 Small Cap Value Index	4.08	4.36	28.27	28.27	17.99	9.07
Russell Microcap Index	0.50	(2.66)	19.34	19.34	20.90	11.69
International Equity (USD)						
MSCI AC World ex U.S.	4.13	1.82	7.82	7.82	13.18	9.61
MSCI EAFE	5.12	2.69	11.26	11.26	13.54	9.55
MSCI Europe	6.60	5.66	16.30	16.30	14.90	10.14
MSCI Pacific	3.29	(0.09)	4.68	4.68	9.70	8.31
MSCI Japan	1.89	(3.96)	1.71	1.71	11.68	8.51
MSCI Emerging Markets	1.88	(1.31)	(2.54)	(2.54)	10.94	9.87

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Figure 4. Capital Market Returns (as of December 31, 2021)

U.S.Fixed Income	MTD (%)	QTD (%)	YTD (%)	1 Year (%)	3 Year (%)*	5 Year (%)*
Bloomberg U.S. Treasury Bills: 1-3 Months	0.00	0.01	0.04	0.04	0.93	1.08
Bloomberg U.S. Aggregate	(0.26)	0.01	(1.54)	(1.54)	4.79	3.57
Bloomberg Gov't/Credit	(0.32)	0.18	(1.75)	(1.75)	5.50	3.99
Bloomberg Treasury	(0.51)	0.18	(2.32)	(2.32)	4.07	3.07
Bloomberg U.S. TIPS	0.32	2.36	5.96	5.96	8.44	5.34
Bloomberg Municipal Bond Index	0.16	0.72	1.52	1.52	4.73	4.17
Bloomberg U.S. Credit	(0.08)	0.22	(1.08)	(1.08)	7.17	5.05
Bloomberg Corporate High Yield	1.87	0.71	5.28	5.28	8.83	6.30
Real Estate/Commodities/Alternatives						
Wilshire U.S. Real Estate Securities Index	8.86	17.15	46.11	46.11	19.16	11.05
Wilshire Global ex U.S. Real Estate Securities Index	3.44	3.18	9.05	9.05	6.36	6.28
Wilshire Global Real Estate Securities	7.38	13.12	34.05	34.05	15.08	9.68
Bloomberg Commodity Index	3.53	(1.56)	27.11	27.11	9.86	3.66
S&P GSCI Commodity (S&P GSCI)	7.59	1.51	40.35	40.35	7.99	2.80
Wilshire Liquid Alternatives Index	0.75	0.62	4.72	4.72	4.85	3.01
Wilshire Liquid Alternative Equity Hedge Index	2.00	3.37	12.87	12.87	8.20	4.74
Wilshire Liquid Alternative Event Driven Index	0.03	(0.35)	2.05	2.05	4.35	3.21
Wilshire Liquid Alternative Global Macro Index	0.33	(1.33)	2.67	2.67	3.93	1.97
Wilshire Liquid Alternative Multi-strategy Index	0.85	0.98	5.39	5.39	4.38	2.98
Wilshire Liquid Alternative Relative Value Index	0.16	(0.64)	0.44	0.44	3.36	2.32
Wilshire Focused Liquid Alternative Index	0.46	(0.23)	3.37	3.37	4.75	3.16

Source: Stifel Investment Strategy via Bloomberg as of September 30, 2021

**Represents annualized returns*

Disclosure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The S&P GSCI Crude Oil Index is a sub-index of the S&P GSCI Commodity Index. The production-weighted index reflects the returns that are potentially available through an unleveraged investment in the West Texas Intermediate (WTI) crude oil futures contract.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Indices are unmanaged, do not reflect fees or expenses, and you cannot invest directly in an index.

Past performance is not indicative of future results.

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