MARKET PERSPECTIVES QUARTERLY | Q1 2023

WEALTH MANAGEMENT INSIGHTS FROM STIFEL'S CIO OFFICE

KEY TAKEAWAYS

- For 2022, our outlook focused on "Balancing Acts" related to the pandemic, inflation, Federal Reserve (Fed) policy, and geopolitics, for example.
- These proved challenging as imbalances triggered by the war in Ukraine kept inflation elevated and led to an aggressively hawkish Fed policy.
- The U.S. economy is forecasted to have grown 1.9% for the full year, and both stock and bond markets fell, with the S&P 500 returning -18.1% for the year.
- The paths for inflation, monetary policy, the economy, and markets remain uncertain, but we expect to find balance with these issues as the year progresses.
- We're anticipating modestly positive calendar year returns for stocks in 2023, but with continued volatility and market weakness in the near term.
- Given the near-term uncertainty, we lean to a defensive stance in our portfolios as we start the year. We anticipate opportunities will emerge once inflation and the economy show signs of stabilizing.

OVERVIEW

The Balancing Acts we identified for 2022, most notably the Fed and its ability to rein in inflation without a recession, created significant volatility and made 2022 a challenging year for investors. The paths for inflation, monetary policy, and the economy remain uncertain, but we expect to find balance with these issues as the year progresses, initiating a transition to a new cycle of positive but lower economic growth and the next bull market.

IMBALANCES CAUSE TROUBLE

As we made our way through the year, it became increasingly clear that a number of imbalances were driving higher inflation, volatility, and a bear market in equities.

While the omicron wave was significant, the fast-spreading variant faded pretty quickly, and the world's economy continued its reopening. The reopening, however, was tougher than expected. This was further aggravated when Russia invaded Ukraine on February 24. In addition to the human tragedy, the war sent energy and food prices higher.

China's pandemic troubles and tense relations with the U.S. aggravated supply chain issues further. China maintained a "zero-COVID" policy throughout the year, shutting down factories and other businesses when COVID cases appeared.

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"During 2023, we expect wage growth to normalize and fall closer to a level that's consistent with 2% inflation."

FED POLICY SEEKS A SOFT LANDING

The Fed became increasingly hawkish through the year, increasing the fed funds rate from 0.00%–0.25% to 4.25%–4.50% and modestly reducing its balance sheet from almost $9 trillion to $8.6 trillion. The Fed's goal has been to bring down inflation while not severely impacting employment and the economy. And despite negative GDP growth in the first half of the year, the economy is expected to have grown 1.9% in 2022 compared to 2021 and seems to have avoideda recession.

The job market remained tight throughout the year. Unemployment sat at 4% in January and fell to 3.5% in December. Wages are forecasted to have grown 5.2% for the full year.

Finally, the consumer was engaged despite a decline in sentiment. Retail sales were up 9.2% in 2022. Interestingly, the consumer had over $2 trillion of excess savings at the beginning of the year, much the result of government stimulus and support, and is estimated to have spent down $1.2 trillion to end the year close to $0.9 trillion.

OUR 2023 OUTLOOK – FULL REPORT

We're anticipating modestly positive calendar year returns for stocks in 2023, but with continued volatility and market weakness in the near term. A soft landing is still possible and more likely if the Fed hikes rates by less than what Fed officials are currently forecasting. In our view, a soft landing would mean no Fed rate cuts in 2023, contrary to consensus expectations. We expect core personal consumption expenditure (PCE) inflation to fall to 3.50%–3.75% by the end of 2023, modestly above the Fed's latest projections and consensus estimates. Wage pressures should gradually ease as the economy slows and unemployment rises, but not yet to a level to support 2% inflation. We expect economic growth to be muted in 2023. We see a reasonable chance of a soft landing (0.0% to 0.5% GDP growth), but a roughly equal chance of a mild recession (-0.1% to -0.5% GDP growth). The consumer will be a deciding factor. We remain focused on quality. In equities, we have a preference for companies that have strong balance sheets, considerable pricing power, and the ability to grow dividends. Within fixed income, the investment-grade bond market offers attractive yields and valuations.

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"The U.S. economy added 4.5 million jobs last year, bringing many of the hardest-hit industries back to or beyond pre-pandemic levels."

"The consumer will be a deciding factor for economic growth, specifically the consumer's confidence and willingness to keep spending."

THE U.S. ECONOMY

Despite negative GDP growth in the first half of 2022, the economy is expected to have grown 1.9% in 2022 compared to 2021 and seems to have avoided a recession. Looking ahead, a slowdown in both the consumer and business sectors, along with an inventory correction and the impact of the stronger dollar on net exports, should temper growth in 2023. We see a reasonable chance of a soft landing (0.0% to 0.5% GDP growth), but a roughly equal chance of a mild recession (-0.1% to -0.5% GDP growth).

INFLATION – COOLING TREND, FED CONTINUES FIGHT

Given elevated levels over the last two years, the path of inflation will greatly influence Fed policy, economic activity, earnings, and market performance. CPI inflation peaked at over 9% in June, before falling to 6.5% in December. Nonetheless, while inflation has been slowing, it remains well above the Fed's 2% target. Fed Chairman Jerome Powell has acknowledged goods inflation is improving and housing prices are likely to cool by mid-year, yet non-housing related core prices, which are largely a function of persistent wages, remain problematic. During 2023, we expect wage growth to normalize and fall closer to a level that's consistent with 2% inflation.

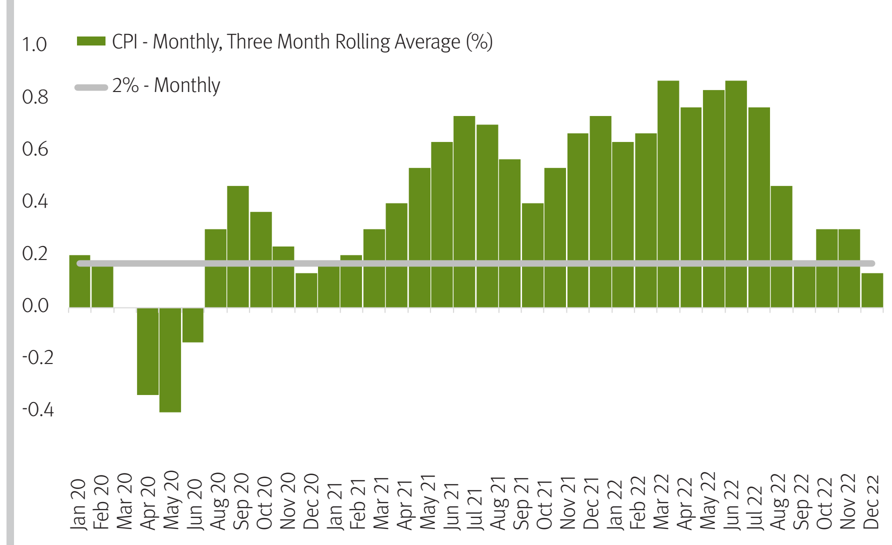


Figure 1. - CPI Monthly Inflation Chart

Absent an unexpected shock, we believe inflation will decrease gradually, given the Fed's restrictive monetary policy. We expect core PCE inflation to fall to 3.50%–3.75% by the end of 2023, modestly above the Fed's latest projections and consensus estimates. In the Fed's latest Summary of Economic Projections (SEP), core PCE inflation is projected to rise to 3.5% by year-end 2023, up from 3.1% projected in September, then fall to 2.5% in 2024.

EMPLOYMENT – STILL HISTORICALLY STRONG, FED WILL ALLOW REBALANCE

The U.S. economy added 4.5 million jobs last year, bringing many of the hardest-hit industries back to or beyond pre-pandemic levels. The unemployment rate fell back to 3.5% in December for the third time in 2022, matching the rate in February 2020, which was a 50-year low and below the 6% average over the past 20 years. There are almost two job openings for each person searching for a job, with demand for labor outstripping supply.

"The Fed increased the fed funds rate by 425 basis points in 2022 while expecting to raise it by another 75 basis points in 2023 and keeping it there."

The Fed would willingly allow the strong labor market to weaken to help inflation cool. In fact, the Fed forecasts unemployment will rise to an average of 4.6% in the fourth quarter of 2023 from 3.7% in the fourth quarter of 2022. However, this may take longer than consensus thinking, as structural forces like worker shortages and imperfect job matches may make employers reluctant to let employees go.

CONSUMER – A DECIDING FACTOR

The consumer will be a deciding factor for economic growth, specifically the consumer's confidence and willingness to keep spending. Cooling inflation and continued wage gains should improve real incomes, but a slowing economy and rising unemployment may serve to erode consumer confidence and mute spending. Having shifted their preferences to services from goods, consumers remain engaged and will likely continue to be into 2023. Retail sales rose 9.2% in 2022 as compared to 2021.

Consumer confidence weakened in 2022, given recession and inflation concerns. The University of Michigan Index of Consumer Sentiment stood at 59.7 in December, up from 56.8 in November but down from 70.6 in December of 2021, on improved views of inflation and despite market projections of an impending recession.

SERVICE AND MANUFACTURING SECTORS – PACE OF GROWTH SLOWING

Both the manufacturing and service sectors continue to show weakness. The ISM and S&P Global surveys, which track business activity, each posted readings below 50, signaling contraction. Both sectors show a drop in new orders resulting from higher costs and restrained client demand, which were in turn weakened by higher interest rates and inflation.

HOUSING – DEMAND SLOWS AS MORTGAGE RATES RISE

Mortgage rates more than doubled in 2022, even as the average 30-year fixed mortgage rate fell some in late October. Higher mortgage rates and builder costs (labor and materials) have hurt demand and challenged builders, thus causing a housing slowdown.

NAHB builder sentiment fell each month in 2022, falling to pandemic lows in December. For the first 11 months of 2022, building permits and housing starts fell 2.4% and 1.2%, respectively, reflecting fewer single-family homes being built. The slowdown in demand has led to a deceleration in housing prices. Nonetheless, the housing shortage continues to lend support to the battered sector.

THE FEDERAL RESERVE – HIGHER RATES FOR LONGER, FIGHT AGAINST INFLATION CONTINUES

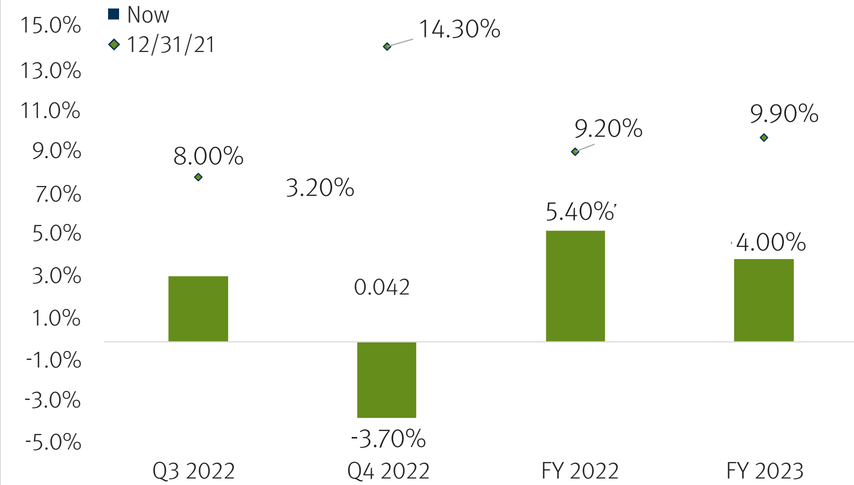
The Fed remains in a delicate balancing act of trying to reduce inflation without causing a recession. The Fed increased the fed funds rate by 425 basis points in 2022 while expecting to raise it by another 75 basis points in 2023 and keeping it there. Chair Powell has repeatedly stated that history cautions against premature policy easing and that policy will be restrictive "for some

"As unemployment moves higher and wage pressures slow, profit margins should somewhat stabilize."

time." He has emphasized the importance of the ultimate rate level and the length of time policy stays at this peak level.

We believe a soft landing is still possible but may require a lower terminal rate than currently forecasted by Fed officials. We see no rate cuts in 2023, contrary to consensus expectations. We believe the Fed is likely to pause after an additional 50 basis points (0.50%) of tightening. We consider this to be a sufficiently restrictive level, partially because the full effects of cumulative tightening have yet to fully impact the economy.

FIGURE 3. ANALYSTS HAVE BEEN REVISING LOWER EARNINGS ESTIMATES FOR THE S&P 500



EQUITY EARNINGS

Rising input costs along with tightening of monetary policy and a slowing economy led to a slowdown in earnings growth. Consensus bottom-up forecasts estimate S&P 500 earnings to have grown 4.8% in 2022.

Eight of the 11 S&P 500 sectors are projected have reported year-over-year (yoy) earnings growth. Estimates for earnings growth in 2022 are highest for the energy sector, with expected yoy growth of 150.7% on base effects from rising oil prices. The financials sector is expected to have been the largest detractor to earnings growth (-16.8%) as banks increased provisions for losses.

At present, the consensus bottom-up earnings growth forecast for the S&P 500 for 2023 is 4.6%. This is in line with our forecast for earnings growth in the 0%–5% range for 2023. The forward 12-month price-to-earnings (P/E) ratio for the S&P 500 is 17.3, below the five-year average, but in-line with the 10-year average. As unemployment moves higher and wage pressures slow, profit margins should somewhat stabilize. This, coupled with a modest price-earnings multiple expansion from the relief as investors find balance on inflation and monetary policy, leads us to a forecasted 2023 S&P 500 total return of roughly 6% and a related price target of 4,000 at year end.

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INVESTMENT THEMES

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

Underweight | Neutral | Overweight

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

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INVESTMENT THEMES (CONTINUED)

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

Underweight | Neutral | Overweight

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

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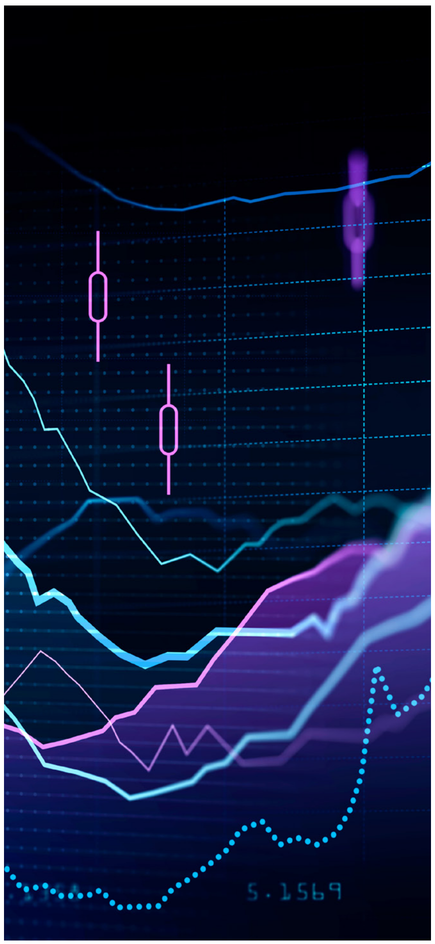
“After three quarters of negative returns, both the stock and bond markets recovered in the fourth quarter, though not enough to erase year-to-date losses.”



CAPITAL MARKETS RECAP

After three quarters of negative returns, both the stock and bond markets recovered in the fourth quarter, though not enough to erase year-to-date losses. Investors welcomed modest improvements in inflation, even as the Fed continued its hawkish shift.

EQUITY

After a strong 2021 anchored on robust earnings growth (50% in 2021, compared to 2020), U.S. equity markets fell in 2022, with the S&P 500 returning -18.1% and the Russell 1000 returning -19.1%, both on a total return basis. With rising rates tied to tighter Fed policy, longer-duration equities, like tech stocks, experienced more severe losses. The tech-heavy Nasdaq Index was off -32.5% for the year, and the Russell 1000 Growth Index, which has a tech overweight compared to the broad market, returned -29.1%. Small cap stocks, as measured by the Russell 2000 Index, returned -20.4% for the year. With tighter Fed policy and higher rates, earnings growth slowed materially, forecasted to be only 5.1% for 2022 compared to 2021.

Non-U.S. market returns were mixed but outperformed those of the U.S. For the year, the MSCI EAFE Index, representing non-U.S. developed markets, returned -14.5%. Europe’s geographic proximity and greater economic ties to Russia, especially its reliance on energy, led to high inflation and a slowing economy. As measured by the MSCI EM Index, emerging markets returned -20.1%, driven mainly by developments in China.

FIXED INCOME

Bond yields rose to their highest levels in more than a decade, driving prices lower. The 10-year Treasury yield opened the year at 1.51% and rose as high as 4.24% before settling at 3.87% at the end of the year. The aggressive monetary policy tightening led to an inverted curve, with the two-year Treasury yield ending the year at 4.43%. The Bloomberg U.S. Aggregate Index, representing investment-grade taxable bonds, returned -13.0% for the year, the lowest calendar year return since the index’s inception in 1976. The Bloomberg U.S. Municipal Bond Index, representing investment-grade municipal bonds, returned -8.5%. As measured by the Bloomberg Corporate High Yield Index, high-yield bonds were down -11.2%.

COMMODITIES

The war in Ukraine led to an initial surge in commodity prices, but prices stabilized and fell somewhat as the year progressed. West Texas Intermediate rose to as high as $123.70/barrel before falling to $80.26/barrel at year end, still 6.7% higher than at the start of the year. The Bloomberg Commodity Index was up 16.1% for the year.

The U.S. dollar strengthened against a basket of currencies, closing the fourth quarter at 103.52, up 8.2%. Gold reached a two-year low of $1,622.36 per ounce in September, but rallied in the fourth quarter to end the year within a percent of where it started.

FIGURE 4. CAPITAL MARKET RETURNS (AS OF DECEMBER 31, 2022)

NORTH AMERICAN EQUITY	MTD (%)	QTD (%)	YTD (%)	1 YEAR (%)	3 YEAR (%)*	5 YEAR (%)*
Russell 3000 Index	-5.86	7.18	-19.21	-19.21	7.07	8.79
Standard & Poor's 500	-5.76	7.56	-18.11	-18.11	7.66	9.42
Standard & Poor's/TSX (CAD)	-4.90	5.96	-5.84	-5.84	7.54	6.85
U.S. EQUITY BY SIZE/STYLE						
Russell 1000 Index	-5.81	7.24	-19.13	-19.13	7.35	9.13
Russell 1000 Growth Index	-7.66	2.20	-29.14	-29.14	7.79	10.96
Russell 1000 Value Index	-4.03	12.42	-7.54	-7.54	5.96	6.67
Russell 2000 Small Cap Index	-6.49	6.23	-20.44	-20.44	3.10	4.13
Russell 2000 Small Cap Growth Index	-6.42	4.13	-26.36	-26.36	0.65	3.51
Russell 2000 Small Cap Value Index	-6.56	8.42	-14.48	-14.48	4.70	4.13
Russell Microcap Index	-4.27	4.72	-21.96	-21.96	4.05	3.69
INTERNATIONAL EQUITY (USD)						
MSCI AC World ex U.S.	-0.75	14.29	-16.00	-16.00	0.07	0.88
MSCI EAFE	0.08	17.34	-14.45	-14.45	0.87	1.54
MSCI Europe	0.01	19.35	-15.06	-15.06	1.35	1.87
MSCI Pacific	0.43	15.72	-5.94	-5.94	1.61	2.18
MSCI Japan	0.27	13.23	-16.65	-16.65	-0.99	0.23
MSCI Emerging Markets	-1.41	9.70	-20.09	-20.09	-2.69	-1.40

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FIGURE 4. CAPITAL MARKET RETURNS (AS OF DECEMBER 31, 2022)

U.S.FIXED INCOME	MTD (%)	QTD (%)	YTD (%)	1 YEAR (%)	3 YEAR (%)*	5 YEAR (%)*
Bloomberg U.S. Treasury Bills: 1-3 Months	0.35	0.88	1.52	1.52	0.70	1.22
Bloomberg U.S. Aggregate	-0.45	1.87	-13.01	-13.01	-2.71	0.02
Bloomberg Gov't/Credit	-0.47	1.80	-13.58	-13.58	-2.57	0.21
Bloomberg Treasury	-0.52	0.72	-12.46	-12.46	-2.62	-0.10
Bloomberg U.S. TIPS	-1.02	2.04	-11.85	-11.85	1.21	2.11
Bloomberg Municipal Bond Index	0.29	4.10	-8.53	-8.53	-0.77	1.25
Bloomberg U.S. Credit	-0.43	3.44	-15.26	-15.26	-2.86	0.42
Bloomberg Corporate High Yield	-0.62	4.17	-11.19	-11.19	0.05	2.31
REAL ESTATE/COMMODITIES/ALTERNATIVES						
Wilshire U.S. Real Estate Securities Index	-5.61	4.09	-26.75	-26.75	-0.50	3.36
Wilshire Global ex U.S. Real Estate Securities Index	0.69	12.38	-19.89	-19.89	-7.38	-2.08
Wilshire Global Real Estate Securities	-3.91	6.35	-24.91	-24.91	-2.69	1.61
Bloomberg Commodity Index	-2.45	2.22	16.09	16.09	12.65	6.44
S&P GSCI Commodity (S&P GSCI)	-1.38	3.44	25.99	25.99	10.49	6.46
Wilshire Liquid Alternatives Index	-1.34	1.70	-5.69	-5.69	0.64	0.81
Wilshire Liquid Alternative Equity Hedge Index	-2.35	4.87	-6.46	-6.46	2.76	1.85
Wilshire Liquid Alternative Event Driven Index	-0.37	0.80	-2.97	-2.97	1.28	2.02
Wilshire Liquid Alternative Global Macro Index	-2.35	-4.65	7.99	7.99	5.13	2.68
Wilshire Liquid Alternative Multi-strategy Index	-1.49	2.48	-6.34	-6.34	-0.07	0.25
Wilshire Liquid Alternative Relative Value Index	-0.55	1.10	-8.13	-8.13	-1.39	-0.08
Wilshire Focused Liquid Alternative Index	-1.22	0.83	-4.07	-4.07	1.16	1.38

Source: Stifel Investment Strategy via Bloomberg as of December 31, 2022

**Represents annualized returns*

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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 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.

Past performance is not indicative of future results.

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