INVESTMENT STRATEGY BRIEF:
Reprise: The Fourth Industrial Revolution

Insights from Stifel’s CIO Office

Michael O’Keeffe, CFA
Chief Investment Officer

Nik Eftimov, CFA
Senior Investment Strategist

Brian Moody
Investment Strategist

David Motsonelidze, CFA
Director of Macro Strategy

Sneha Jose
Director of Behavioral Finance
<table>
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<td>39</td>
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</table>
An Outlook for a Strong Recovery
Our Outlook 2021 – Three Scenarios

Base Case (70%)
• Successful vaccination campaign in the U.S. and abroad
• Federal government support of the economy continues
• President Biden prioritizes economic recovery
• Geopolitical tensions and policy uncertainty decreases

Bull Case (15%)
• A faster timeline to herd immunity
• Back closer to “normal” for Consumers
• Even more business spending

Bear Case (15%)
• A meaningful delay in vaccination efforts
• COVID-19 cases continue to surge
• Business and economic headwinds remain
• “Animal Spirits” impacted

See our Stifel Outlook 2021 report and video.
Risks

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

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

Results Are “Too Good”
• Heating up inflation
• Higher rates

Slower Global Recovery
• Certain countries falling behind vaccination curve

Possible Market Correction
• Some possibility of a market correction in the first half of 2021
• Pullback as a temporary pause possible even in our Base Case
Coronavirus/Major Investment Themes

Productive Competition

Fourth Industrial Revolution

Shifting Demographics

Geopolitical Tensions and Protectionism

Managing Through Economic Recovery

VIEW REPORT

VIEW VIDEO
Pandemic Update
Estimated Daily COVID-19 Infections

Source: Stifel Investment Strategy via Institute for Health Metrics and Evaluation (IHME), as of May 14, 2021

Source: Stifel Investment Strategy via Bloomberg, as of May 14, 2021
## Vaccination Progress Globally

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Doses Administered</th>
<th>Pct. of population</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Per 100 people</td>
<td>Total</td>
</tr>
<tr>
<td><strong>World</strong></td>
<td>18</td>
<td>1,370,024,391</td>
</tr>
<tr>
<td>Seychelles</td>
<td>132</td>
<td>128,919</td>
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<tr>
<td>U.A.E.</td>
<td>116</td>
<td>11,366,954</td>
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<td>Israel</td>
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<td>San Marino</td>
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<td>Bahrain</td>
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<td>Chile</td>
<td>85</td>
<td>16,064,227</td>
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<tr>
<td>Maldives</td>
<td>82</td>
<td>437,912</td>
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<tr>
<td>U.K.</td>
<td>81</td>
<td>54,160,993</td>
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<tr>
<td>United States</td>
<td>80</td>
<td>264,680,844</td>
</tr>
<tr>
<td>Malta</td>
<td>78</td>
<td>392,929</td>
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</table>

Source: Stifel Investment Strategy via New York Times, as of May 14, 2021
New Confirmed Cases of Covid-19 in the U.S. - Seven-day Rolling Average, LHS
Share of people who received at least one dose of COVID-19 vaccine, RHS

Source: Stifel Investment Strategy via Bloomberg and Our World In Data, as of May 17, 2021
Source: Stifel Investment Strategy via Google Mobility Trends, as of May 9, 2021; based on 7-day moving average data.
The Fourth Industrial Revolution
The integration of technology through digitalization, thereby blurring the boundaries between physical and virtual, changing the way we live, work, and do business.
### Top 10 Stocks in the World by Market Capitalization

**2010**
- Exxon Mobil
- PetroChina
- Apple
- BHP Billiton
- Microsoft
- ICBC
- Petrobras
- China Construction Bank
- Royal Dutch Shell
- Nestle

**2020**
- Apple
- Microsoft
- Amazon
- Alphabet
- Tencent
- Tesla
- Facebook
- Alibaba
- Taiwan Semiconductor
- Berkshire Hathaway

### Annual Data Generation

Source: Stifel Investment Strategy via Bloomberg, as of May 17, 2021

Source: Stifel Investment Strategy via Statista, as of May 17, 2021
COVID Accelerated Trends

- Ecommerce usage has jumped, and the 2030 penetration forecast has changed from 22% to 34%
- Individual screen time is up
- Peak-to-peak internet traffic grew about 50% from 2019 to 2020
- “Click to door” times are falling
1. Health care innovation will reach warp speed
2. A cure for cancer may be around the corner
3. Cash will be but a distant memory
4. Semiconductors will be everywhere – and in everything
5. Wearable technology will blur the lines of reality
6. Digital entertainment will take center stage
7. Autonomous vehicles will hit the fast lane
8. Green machines will rule the road
9. Renewable energy will power the world
10. Innovative companies will make the world better

Source: Capital Group.
Fourth Industrial Revolution

Macro Environment
**Macro, Markets, and Themes**

**MACRO**

**U.S. Economy**
- Q1 2021 GDP at 6.4%
- Peaking jobless claims
- Declining unemployment rate
- Non-farm Payrolls 1,572,000 (rolling 3-month total)
- Wage growth, 0.3%
- Inflation higher, 3.0% (Core CPI)
- V-shaped recovery
- $2.3 trillion stimulus package

**Central Bank Activity**
- Carefully rebuilt the tools
- Dovish global central banks
- Global M2 increasing
- Federal Reserve (Fed) – unprecedented measures
- Expanding balance sheet

**Global Economy**
- Global manufacturing significantly above pre-COVID levels
- Supportive Global Fiscal Policy
- Asia ex Japan GDP, 1.4% in 2020
- Japan Real GDP, -4.9% in 2020
- Europe core stronger than periphery

**Geopolitical Events**
- Protectionism and trade
- Gulf tensions
- China, Russia, Middle East, North Korea

**MARKETS**

**Market Environment**
- Increased volatility
- Modestly higher returns forward
- Exit bear market

**Equity Market**
- Earnings growth recovering, valuations are up
- Longer-term driven by fundamentals
- Market is up 90% since its low

**Bond Market**
- Rates rose, curve steepened
- Household credit rising but remains modest relative to GDP
- Stretched corporate credit no longer under pressure

**Foreign Exchange & Commodities**
- Dollar (DXY) up 0.5% YTD on rate differentials
- Gold down 3.1% YTD to $1,839
- Oil (WTI) up 34% YTD on supply curbs and positive vaccine news

**THEMES**

**Themes**
- Productive Competition
- Fourth Industrial Revolution ...and Globalism
- Shifting Demographics ...and Millennials
- Geopolitical Tensions ...and Protectionism
- Managing Through Economic Recovery

**Potential Headwinds**
- Coronavirus pandemic
- Inflation and price pressures picking up faster than expected
- Slower U.S. GDP growth
- Trade and tariff tensions
- Heightened geopolitical risks (Europe, Iran)

**Existing Tailwinds**
- Massive monetary support
- Historic fiscal support
- Started crisis with a strong economy
- Moderna’s, J&J’s, and Pfizer’s vaccines are approved
- Have hit a pandemic peak

Source: Stifel Investment Strategy data via Bloomberg, as of May 14, 2021
### The Economy

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

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemploym. Rate (%)</td>
<td>6.1</td>
<td>1 year long term</td>
</tr>
<tr>
<td>Consumer Confidence</td>
<td>121.7</td>
<td>1 year long term</td>
</tr>
<tr>
<td>Pers. Spending (%)</td>
<td>4.2</td>
<td>Based on a 3-month moving average</td>
</tr>
<tr>
<td>Industrial Prod. (YoY)</td>
<td>16.5</td>
<td>Based on a 3-month moving average</td>
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<tr>
<td>Markit Comp. PMI</td>
<td>63.5</td>
<td>1 year long term</td>
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<tr>
<td>NFIB Small Bus. Opt.</td>
<td>99.8</td>
<td>1 year long term</td>
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<tr>
<td>GDPNow (%)</td>
<td>10.5</td>
<td>Annual Rate from prior quarter</td>
</tr>
<tr>
<td>Inflation (CPI)</td>
<td>4.2</td>
<td>Year-over-year change</td>
</tr>
<tr>
<td>Estimated 2021 GDP (%)</td>
<td>6.5</td>
<td>Year-over-year change</td>
</tr>
</tbody>
</table>

Macro Environment: Economy

- **Very Positive**
- **Neutral**
- **Very Negative**
Macro Environment: Inflation

Inflation

Core Inflation (CPI) 3.0
Inflation (CPI) 4.2
Inflation (PCE) 2.3
Core Inflation (PPI) 4.1
Inflation (PPI) 6.2
Core Inflation (PCE) 1.8
Trimmed Inflation 2.0
5-Year Breakeven 2.7
10-Year Breakeven 2.6

All Inflation numbers reflect percent year-over-year changes.

Source: Stifel Investment Strategy via Bloomberg, as of May 14, 2021
**Macro Environment: Employment**

**Jobs Lost and Regained by Industry**

Source: Stifel Investment Strategy data via Bloomberg and Bureau of Labor Statistics, as of May 14, 2021
Powell Comments and FOMC Minutes

• Outlook has been upgraded on vaccination progress – long way from fulfilling dual mandate
  • Recovery remains “uneven and far from complete”
  • Employment improved but below pre-pandemic levels

• Inflation: will look through temporary inflation due to year-over-year base effects
  • Powell: “it seems unlikely, frankly, that we would see inflation moving up in a persistent way that would actually move inflation expectations up while there’s still significant slack in the labor market…”

• Interest rates likely to stay low for some time
  • Observed that most central-bank officials see rates staying near zero through 2023
### Macro Environment: The Consumer

#### The Consumer

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
<th>Source</th>
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<tbody>
<tr>
<td>Conference Board Consumer Confidence (as of April 30, 2021)</td>
<td>121.7</td>
<td>Source: Stifel Investment Strategy data via Bloomberg, as of May 14, 2021</td>
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<tr>
<td>Savings Rate (as of March 31, 2021)</td>
<td>27.6%</td>
<td></td>
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<tr>
<td>Retail Sales (as of April 30, 2021)</td>
<td>51.2%</td>
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<td>Unemployment Rate (as of April 30, 2021)</td>
<td>6.1%</td>
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</table>
Macro Environment: Reopening

Source: Stifel Investment Strategy data via KBW, as of May 7, 2021
Macro Environment: GDP Survey

### U.S. GDP

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<tr>
<th></th>
<th>Q1 20</th>
<th>Q2 20</th>
<th>Q3 20</th>
<th>Q4 20</th>
<th>Q1 21</th>
<th>Q2 21</th>
<th>Q3 21</th>
<th>Q4 21</th>
<th>2020*</th>
<th>2021*</th>
<th>2022*</th>
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<td><strong>Consensus Estimates</strong></td>
<td>-5.0</td>
<td>-31.4</td>
<td>33.4</td>
<td>4.3</td>
<td>6.4</td>
<td>9.0</td>
<td>6.8</td>
<td>4.6</td>
<td>-3.5</td>
<td>6.5</td>
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<td><strong>Stifel</strong> ****</td>
<td>-2.6</td>
<td>-28.4</td>
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<td>3.8</td>
<td>7.0</td>
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<td><strong>IHS Markit</strong></td>
<td>3.0</td>
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<td>-3.6</td>
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<td><strong>Goldman Sachs</strong></td>
<td>-9.0</td>
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<td>35.0</td>
<td>5.0</td>
<td>7.5</td>
<td>10.5</td>
<td>8.0</td>
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<td>-3.4</td>
<td>7.1</td>
<td>5.1</td>
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<td><strong>Pantheon Macro</strong></td>
<td>-6.0</td>
<td>-30.0</td>
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<td>12.0</td>
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<td><strong>Capital Economics</strong></td>
<td>-3.5</td>
<td>-30.0</td>
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<td>10.0</td>
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<td>4.5</td>
<td>-3.2</td>
<td>6.5</td>
<td>3.5</td>
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<tr>
<td><strong>Julius Baer</strong></td>
<td>-4.0</td>
<td>-25.0</td>
<td>29.5</td>
<td>2.0</td>
<td>4.0</td>
<td>11.5</td>
<td>8.0</td>
<td>4.0</td>
<td>-3.7</td>
<td>7.0</td>
<td>3.5</td>
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<td><strong>UBS</strong></td>
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<td>4.0</td>
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<td><strong>Wells Fargo</strong></td>
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<td><strong>JPMorgan Chase</strong></td>
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<td>-32.9</td>
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<td>7.0</td>
<td>10.0</td>
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<td>5.1</td>
<td>-3.5</td>
<td>7.0</td>
<td>5.5</td>
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<td><strong>Federal Reserve</strong></td>
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<td></td>
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<td></td>
<td></td>
<td>6.5</td>
<td>3.3</td>
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*Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively.

**Based on Stifel sell-side Economics department estimates.

Source: Stifel Investment Strategy data via Bloomberg, Strategas, Capital Economics, IHS Markit and Pantheon Macroeconomics, as of May 14, 2021. Federal Reserve estimates are as of March 17, 2021. Figures in grey areas under “Consensus Estimates” represent reported results.
INVESTMENT STRATEGY BRIEF

Risks

<table>
<thead>
<tr>
<th>Short Term</th>
<th>Long Term</th>
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<tbody>
<tr>
<td><strong>Coronavirus</strong></td>
<td><strong>Debt</strong></td>
</tr>
<tr>
<td>Variants</td>
<td>Government and Corporate</td>
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<tr>
<td>Herd Immunity</td>
<td>Foreign Holders of National Debt</td>
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<tr>
<td><strong>Macro Environment</strong></td>
<td>Misallocation of Capital</td>
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<tr>
<td>Money Supply</td>
<td><strong>Valuations</strong></td>
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<tr>
<td>Inflation</td>
<td>“Big-Tech”</td>
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<tr>
<td>Rates</td>
<td>Dollar Devaluation</td>
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<td><strong>Policy</strong></td>
<td><strong>Social</strong></td>
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<td>Fiscal Stimulus Appetite</td>
<td>Inequality</td>
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<td>Taxes</td>
<td>Climate Change</td>
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<td>Productivity</td>
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<td>Earnings Growth</td>
<td>Labor Force</td>
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<td>“Zombie” Companies</td>
<td>Policy Intervention</td>
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<td><strong>Geopolitics</strong></td>
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<td>Trade Tensions</td>
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<td>Productive Competition</td>
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<td><strong>Technical</strong></td>
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<td>Market Breadth</td>
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<td>Hedge Fund Leverage</td>
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<td>Seasonality</td>
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STIFEL
### Performance

#### 2020

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<tr>
<th>Index</th>
<th>12/31 to 2/19</th>
<th>2/19 to 3/23</th>
<th>3/23 to 9/2</th>
<th>9/2 to 12/31</th>
<th>Full 2020</th>
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<td>S&amp;P 500 Index</td>
<td>5.1%</td>
<td>-33.8%</td>
<td>61.4%</td>
<td>5.4%</td>
<td>18.4%</td>
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<tr>
<td>S&amp;P 500 Equal Weighted Index</td>
<td>2.6%</td>
<td>-39.0%</td>
<td>59.6%</td>
<td>12.9%</td>
<td>12.8%</td>
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<tr>
<td>NYSEFANG+ Index</td>
<td>25.6%</td>
<td>-30.9%</td>
<td>113.4%</td>
<td>9.6%</td>
<td>103.1%</td>
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<tr>
<td>Russell 2000 Index</td>
<td>1.6%</td>
<td>-40.7%</td>
<td>59.8%</td>
<td>24.5%</td>
<td>19.9%</td>
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<tr>
<td>MSCI EAFE Index</td>
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<td>-32.7%</td>
<td>43.1%</td>
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<td>MSCI EM Index</td>
<td>-0.9%</td>
<td>-31.2%</td>
<td>49.6%</td>
<td>15.9%</td>
<td>18.3%</td>
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<td>BBG/Barclays U.S. Agg</td>
<td>2.0%</td>
<td>-0.9%</td>
<td>6.2%</td>
<td>0.2%</td>
<td>7.5%</td>
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#### 2021

<table>
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<tr>
<th>Index</th>
<th>12/31 to 1/29</th>
<th>1/29 to 3/31</th>
<th>3/31 to 5/14</th>
<th>2021 YTD</th>
</tr>
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<tbody>
<tr>
<td>S&amp;P 500 Index</td>
<td>-1.0%</td>
<td>7.3%</td>
<td>5.2%</td>
<td>11.7%</td>
</tr>
<tr>
<td>S&amp;P 500 Equal Weighted Index</td>
<td>-0.8%</td>
<td>12.4%</td>
<td>6.2%</td>
<td>18.4%</td>
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<tr>
<td>NYSE FANG+ Index</td>
<td>1.9%</td>
<td>0.7%</td>
<td>-2.1%</td>
<td>0.4%</td>
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<tr>
<td>Russell 2000 Index</td>
<td>5.0%</td>
<td>7.3%</td>
<td>0.3%</td>
<td>13.0%</td>
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<tr>
<td>MSCI EAFE Index</td>
<td>-1.1%</td>
<td>4.6%</td>
<td>4.3%</td>
<td>7.9%</td>
</tr>
<tr>
<td>MSCI EM Index</td>
<td>3.1%</td>
<td>-0.8%</td>
<td>-0.5%</td>
<td>1.8%</td>
</tr>
<tr>
<td>BBG/Barclays U.S. Agg</td>
<td>-0.7%</td>
<td>-2.7%</td>
<td>0.7%</td>
<td>-2.7%</td>
</tr>
</tbody>
</table>

Source: Stifel Investment Strategy data via Bloomberg, as of May 14, 2021
OAS Spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option.

Source: Stifel Investment Strategy data via Bloomberg, as of May 14, 2021
Source: Stifel Investment Strategy via Bloomberg, as of May 14, 2021; LHS – left hand side, RHS – right hand side.
Market Monitor: Equities

**Earnings**

**S&P 500 Earnings**

- S&P 500 2021 Blended EPS, LHS*
- S&P 500 Q4 2020 Blended EPS, RHS*
- S&P 500 Q1 2021 Blended EPS, RHS*

Source: Stifel Investment Strategy via FactSet, as of May 13, 2021; The blended rate combines actual results for companies that have reported and estimated results for companies that have yet to report.

*LHS – left hand side, RHS – right hand side.
Market Monitor: Asset Classes

High and rising inflation*
Occurred 10 times since 1988

High and falling inflation
Occurred 6 times since 1988

Low and rising inflation
Occurred 4 times since 1988

Low and falling inflation
Occurred 13 times since 1988

Source: J.P. Morgan Asset Management. *High or low inflation distinction is relative to median CPI-U inflation for the period 1988 to 2020 (33 years), which was 2.5% y/y. Rising or falling inflation distinction is relative to previous year CPI-U inflation rate. Indices: Bonds – Bloomberg Barclays U.S. Aggregate; Cash – Bloomberg Barclays 1-3 Month T-Bill index since its inception in 1992 and 3-month T-Bill rates prior to that; U.S. high yield – Bloomberg Barclays US Aggregate Credit (corporate high yield); Equities – S&P 500; Value – Russell 1000 Value; Growth – Russell 1000 Growth; Small Cap – Russell 2000; EM equity – MSCI Emerging Markets (USD); REITs – FTSE NAREIT/All Equity REITs; Commodities – Bloomberg Commodity Index since its inception in 1992 and S&P GSCI prior to that; Gold – NYM $/ozt continuous future closing price. For illustrative purposes only. Past performance is not indicative of comparable future returns. Returns are based on calendar year performance and are total return unless otherwise specified.

Guide to the Markets – U.S. Data are as of May 13, 2021.
Dynamic Leanings
144 Asset Allocation Models for Your Selection

6 Risk Profiles
- Conservative
- Moderately Conservative
- Moderate
- Moderate Growth
- Moderately Aggressive
- Aggressive Growth

2 Equity Choices
- U.S. Focused
- Global

2 Fixed Income Choices
- Tax Sensitive
- Taxable

3 Levels of Liquidity
- Tier 1
- Tier 2
- Tier 3

2 Time Frames
- Strategic (Long Term)
- Dynamic (Near Term)
### Allocation Insights

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>PREVIOUS</th>
<th>CURRENT</th>
<th>COMMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>U.S. Equity</strong></td>
<td></td>
<td>▼ ▼</td>
<td>Our base case assumes a strong global economic recovery in 2021, supported by fiscal and monetary stimulus, a gradual return to “normal,” and vaccine availability. Equity markets outside the U.S., which generally underperformed in 2020, are more dependent on trade and levered to cyclical sectors, which should bode well for their performance. A weakening dollar is expected to be a tailwind for non-U.S. markets.</td>
</tr>
<tr>
<td><strong>U.S. Large Cap</strong></td>
<td>▼ ▼</td>
<td></td>
<td>Smaller businesses, or those in weaker financial condition, have suffered and some have gone out of business as a result of the COVID-19 shutdowns. Risks still remain, but we are more upbeat looking forward as the vaccine provides clarity for a path forward, and the economic data continues to suggest that the economy is regaining ground.</td>
</tr>
<tr>
<td><strong>Large Value versus Large Growth</strong></td>
<td></td>
<td>△ △</td>
<td>The large cap value segment of the market has underperformed large cap growth as many of the underlying companies were more impacted by the COVID-19 lockdowns and social distancing measures. Now that the uncertainty of the election is largely behind us and a vaccine is available, value stocks are poised to outperform given their greater cyclical exposure.</td>
</tr>
<tr>
<td><strong>U.S. Small Cap</strong></td>
<td>△ △</td>
<td></td>
<td>Smaller businesses, or those in weaker financial condition, have suffered and some have gone out of business as a result of the COVID-19 shutdowns. Risks still remain, but we are more upbeat looking forward as the improving economic data suggests that the economy may be regaining ground.</td>
</tr>
<tr>
<td><strong>Small Value versus Small Growth</strong></td>
<td></td>
<td></td>
<td>We recommend a diversified approach, investing in both small cap value and growth.</td>
</tr>
<tr>
<td><strong>Non-U.S. Equity</strong></td>
<td></td>
<td>△</td>
<td>Our base case assumes a strong global economic recovery in 2021, supported by fiscal and monetary stimulus, a gradual return to “normal,” and vaccine availability. Equity markets outside the U.S., which generally underperformed in 2020, are more dependent on trade and levered to cyclical sectors, which should bode well for their performance. A weakening dollar is expected to be a tailwind for non-U.S. markets.</td>
</tr>
<tr>
<td><strong>Non-U.S. Developed Markets</strong></td>
<td></td>
<td></td>
<td>We are neutral within non-U.S. equity between developed and emerging markets as we find the risks to be balanced between both.</td>
</tr>
<tr>
<td><strong>Europe versus Japan</strong></td>
<td></td>
<td>▼ ▼</td>
<td>The European economy is more exposed to global trade with public companies generating 50% of revenue outside of Europe. Japan has been relatively successful at containing the virus, and 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.</td>
</tr>
<tr>
<td><strong>Emerging Markets</strong></td>
<td></td>
<td>▼ ▼</td>
<td>A weaker dollar, stable oil prices, and a stronger global economy should benefit most emerging market countries. However, weaker healthcare systems and less attractive relative valuations keep us on the sidelines, for now, relative to non-U.S. developed markets.</td>
</tr>
</tbody>
</table>

*Continued on next page.*
## Allocation Insights

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Previous</th>
<th>Current</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Investment Grade</td>
<td></td>
<td>▼</td>
<td>Within fixed income, we are tilting to an overweight of U.S. high yield relative to U.S. investment grade with the use of active management. Default rates in high yield are above their 30-year average, and while the impacts of COVID will persist, we believe there is opportunity in certain cyclical sectors and the potential for yield enhancement in a low-yield environment.</td>
</tr>
<tr>
<td>Corporates</td>
<td></td>
<td></td>
<td>We recommend a diversified approach to the full spectrum of investment-grade fixed income.</td>
</tr>
<tr>
<td>Government/Agency MBS</td>
<td></td>
<td></td>
<td>The Fed has revised its policy framework to allow for inflation to be above 2% for extended periods of time. We believe inflation will trend higher through the year on account of accommodative central banks, continued fiscal support, and a restart of the economy.</td>
</tr>
<tr>
<td>Inflation Protected</td>
<td></td>
<td>▲</td>
<td></td>
</tr>
<tr>
<td>Duration</td>
<td></td>
<td>▲</td>
<td>The Fed is expected to stay accommodative for the foreseeable future, and while interest rates will likely move higher as the economy recovers, we don’t anticipate rates rising significantly. We believe we are in a “lower for longer” environment and remain neutral duration.</td>
</tr>
<tr>
<td>U.S. High Yield</td>
<td></td>
<td>▲</td>
<td>Within fixed income, we are tilting to an overweight of U.S. high yield relative to U.S. investment grade with the use of active management. Default rates in high yield are above their 30-year average, and while the impacts of COVID will persist, we believe there is opportunity in certain cyclical sectors and the potential for yield enhancement in a low-yield environment.</td>
</tr>
<tr>
<td>Private Assets</td>
<td></td>
<td>▲</td>
<td>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.</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td></td>
<td>▲</td>
<td>For investors who are interested in alternative investments, are able to handle less liquidity, and 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.</td>
</tr>
</tbody>
</table>

- ▲ Overweight
- ▼ Underweight
- ■ Neutral
Finding Our Guidance
The following summarizes how we deliver our economic and market analysis and corresponding investment guidance, along with some helpful links.

- Each day we broadcast [Stifel Investor Insights on iHeartRadio](https://www.iheart.com/)
- *Sight|Lines* is a weekly note for clients, along with a [video summary](https://www.spotify.com/) and a podcast on [Spotify](https://www.spotify.com/), [Apple](https://www.apple.com/), [Omny](https://www.omny.com/), and [Google](https://www.google.com/)
- [Market Pulse](https://www.marketpulse.com/) is shared when the S&P 500 Index moves up or down 2%
- In *Conversations Podcast*, Stifel’s Chief Investment Officer, Michael O’Keeffe, sits down with leaders at Stifel and in the finance industry to have thought provoking conversations related to the finance industry. Episodes are released monthly.
- The [weekly](https://www.marketpulse.com/), [monthly](https://www.marketpulse.com/), and [quarterly](https://www.marketpulse.com/) *Market Perspectives* provide a recap of the most recent period’s global market results.
- The monthly [Favorite 15](https://www.marketpulse.com/) shares our favorite 15 slides for the month.
- Stifel’s [Allocation Insights](https://www.marketpulse.com/) provides our dynamic asset allocation leanings quarterly.
- The [Stifel 2021 Outlook Report and Video](https://www.marketpulse.com/) provide our annual outlook and related articles.
- [Stifel's Approach to Asset Allocation](https://www.marketpulse.com/) summarizes our asset allocation approach and provides a catalogue of various recommended asset mix models.
- The [Stifel Financial ID video series](https://www.marketpulse.com/) provides an overview of our work in behavioral finance and the related [Stifel Financial ID model](https://www.marketpulse.com/).
Past performance is no guarantee of future results.

Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

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

Past performance does not guarantee future results. Investing involves risk, including the possible loss of principal. Asset allocation and diversification do not ensure a profit or protection against loss.

**Alternative Investments or Non-Traditional Assets** – Alternative investments may include, but are not limited to: Real Estate Investment Trusts (REITs), Commodities, Futures, Hedge Funds, Venture Capital, Limited Partnerships, etc.

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

**Commodities and Futures** – The risk of loss in trading commodities and futures can be substantial. You should therefore carefully consider whether such trading is suitable for you in light of your financial condition. The high degree of leverage that is often obtainable in commodity trading can work against you as well as for you. The use of leverage can lead to large losses as well as gains.

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

**Venture Capital** – Venture capital investments involve substantial risks. The risks associated with investing in companies in the start-up or expansion stages of development are greater than those of companies in later stages, because the companies’ business concepts generally are unproven and the companies have little or no track record.

**Limited Partnerships** – Generally, limited partnership investments are suitable only for a narrow class of relatively sophisticated investors. Limited partnership investments may be speculative in nature and be subject to resale restrictions or illiquidity. An investment is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

**Bonds** – When investing in bonds, it is important to note that as interest rates rise, bond prices will fall. High-yield bonds have greater credit risk than higher quality bonds.

**Duration** – Duration is a measure of the sensitivity of the price -- the value of principal -- of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

**Standard Deviation** – Standard deviation is a measure of the dispersion of a set of data from its mean. It is calculated as the square root of variance by determining the variation between each data point relative to the mean. If the data points are further from the mean, there is higher deviation within the data set.

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

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

**Short Positions** – The investor should note that when a short position moves in an unfavorable way, the losses are theoretically unlimited. The broker will demand more collateral and the manager might have to close out that short position at an inopportune time to limit any further losses.

**Small Company Securities** – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.
Bloomberg Barclays 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 Barclays U.S. Corporate IG Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg Barclays U.S. Aggregate Corporate Index is an unmanaged index considered representative of fixed-rate investment-grade taxable bond debt.

Bloomberg Barclays U.S. Corporate High Yield is an unmanaged index considered representative of fixed-rate, noninvestment-grade debt.

Bloomberg Barclays U.S. Government Bond Index is an unmanaged index considered representative of fixed-rate, investment-grade US Government debt.

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

DXY Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

S&P 500 Index is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

Russell 1000 Index represents approximately 1,000 of the largest companies in the U.S. equity markets, the Russell 1000 is a subset of the Russell 3000 Index. The Russell 1000 (maintained by the Russell Investment Group) comprises over 90% of the total market capitalization of all listed U.S. stocks and is considered a bellwether index for large cap investing.

Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 index.

MSCI EAFE Index captures large and mid cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. With 914 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

MSCI Emerging Markets (EM) Index captures large and mid cap representation across 23 Emerging Markets (EM) countries. With 837 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Morgan Stanley Market implied pace of hikes index (MSPOKE) is the number of Fed rate hikes in the 12 months following the first rate hike implied by the Eurodollar interest rate futures market.

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

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

VIX Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.
**EURO STOXX 50** is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is “to provide a blue-chip representation of Supersector leaders in the Eurozone.”

**Cash & Cash Eq.** is represented by the Bloomberg Barclays 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. Gov’t Bonds** is represented by the Bloomberg Barclays 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 Barclays U.S. Corporate Bond Index, comprised of the investment grade, fixed-rate, taxable corporate bond market.

**High-Yield Bonds** is represented by the Bloomberg Barclays U.S. Corporate High Yield Bond Index, comprised of U.S. Dollar denominated, high-yield, fixed-rate corporate bond market securities.

**U.S. LC (Large Cap)** equities is represented by Russell 1000 Index, comprised of 1,000 of the largest U.S. securities based on a combination of their market cap and current index membership.

**U.S. SC (Small Cap)** equities is represented by the Russell 2000 Index, comprised of 2,000 of the smallest U.S. securities based on a combination of their market cap and current index membership.

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

**EM Equities** is represented by the MSCI EM Index, comprised of equity securities that belong to emerging markets.

**Moderate Bench** stands for moderate benchmark portfolio return which is a blended portfolio of stocks (60% weight, represented by MSCI AC World Index) and bonds (40% weight, represented by Bloomberg Barclays U.S. Agg Gov/Credit).

**MSCI AC World Index** is comprised of equity securities belonging to 23 developed markets and 24 emerging markets countries.

**Bloomberg Barclays U.S. Government/Credit Bond Index** is comprised investment grade, dollar-denominated, fixed-rate Treasuries, government-related and corporate securities.

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