

# STIFEL

**FAVORITE**

**15**

**May 2026**

Insights From Stifel's CIO Office

1. [AI: From Promise to Measured Impact](#): We look for an economic impact from AI and how the disruption is translating to results.
2. [AI Capabilities and Adoption](#): We look at the improvements of LLM models over time and implementation across sectors.
3. [Herfindahl-Hirschman Index - S&P 500](#): We assess the concentration of the S&P 500 through the lens of Herfindahl-Hirschman index.
4. [Near-Term Risks and Opportunities](#): Equities remain elevated on a cap-weighted basis, with the S&P 500 P/E ratio about 23% above its 10-year average. However, equal-weighted valuations appear more reasonable, presenting opportunities as market breadth is expected to expand.
5. [U.S.-Iran Ceasefire](#): A look at the demands from both sides of the U.S.-Iran conflict as negotiations continue.
6. [Monitoring the War](#): We outline major changes in energy prices, markets, and expectations since the onset of the conflict.
7. [Fed Funds Target Rate](#): Fed funds futures had priced in two quarter-point cuts over 2026 prior to the conflict with Iran. Fed funds futures are now pricing in one hike over 2026.
8. [U.S. Government Finances Are Not Ready for a Recession](#): We examine the Congressional Budget Office's expectation for federal debt as a share of GDP to rise.
9. [Excel and Levons Paradox](#): We show the increase in accountants and bookkeepers employed since the release of Excel VBA, which allowed automation of tasks.
10. [Inflation and Fed Policy](#): Inflation expectations currently vary significantly based on political affiliation.
11. [In Credit Markets, Things Are Getting Better, Not Worse](#): High yield default rates can be a leading indicator for the economy and are maintaining a reasonable level.
12. [Why G7 Government Bond Yields Are at Their Highest Levels Since 2004](#): Government bond yields have reached the highest level since 2007.
13. [Market Performance](#): We look at the performance of fixed income indices amid rising yields.
14. [Historical Geopolitical Shocks](#): We look at short-term impacts and recoveries of the market amid geopolitical shocks.
15. [AI Dislocations](#): A discussion of the recent AI-fueled volatility in equity markets and the recent episodes of "sell now, ask questions later."

**Artificial intelligence is now showing up in capex, earnings, estimate revisions, markets, and GDP.**

### **Investment is accelerating**

- Hyperscalers\* are spending aggressively on data centers, equipment, and software needed to support AI adoption – \$750 billion between 2023-2025.

### **Earnings impact is real**

- The Magnificent Seven\*\* is projected to drive 37% of the S&P 500's earnings growth for the full year.

### **AI is contributing to economic growth**

- Spending on data centers, equipment, software, and R&D is visible in GDP data.

### **Investor focus is shifting**

- Moving from how much companies are spending to whether that spending produces revenue growth, margin expansion, productivity gains, and monetization.

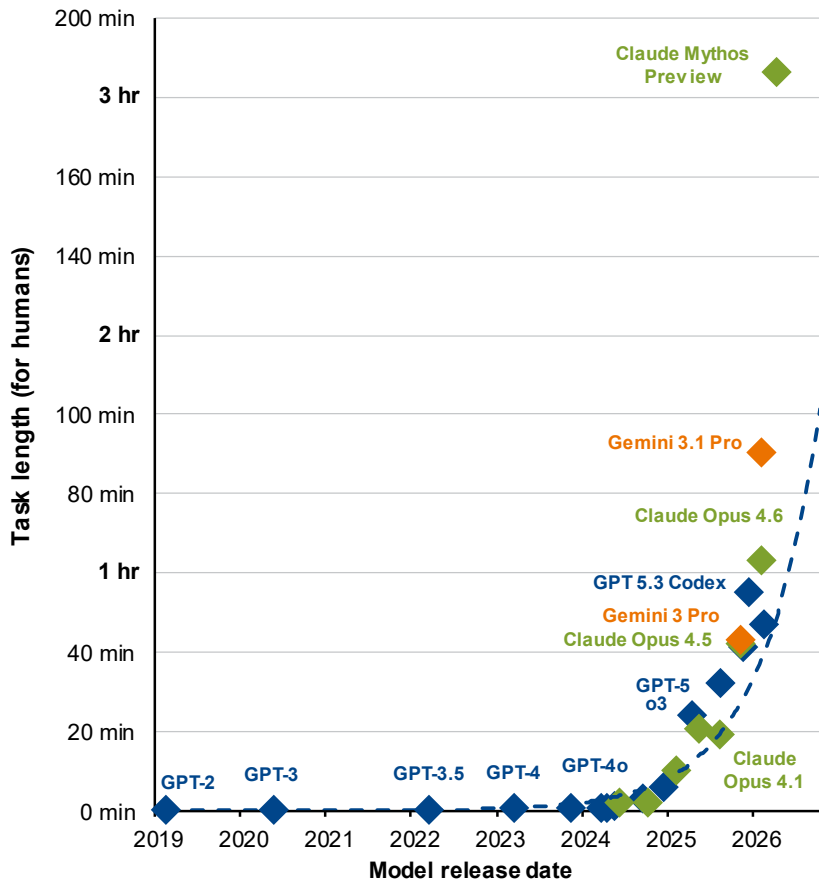
### **Bottom line**

- AI remains one of the most important long-term investment themes.

SightLines: [Artificial Intelligence: From Promise to Measured Impact](#)

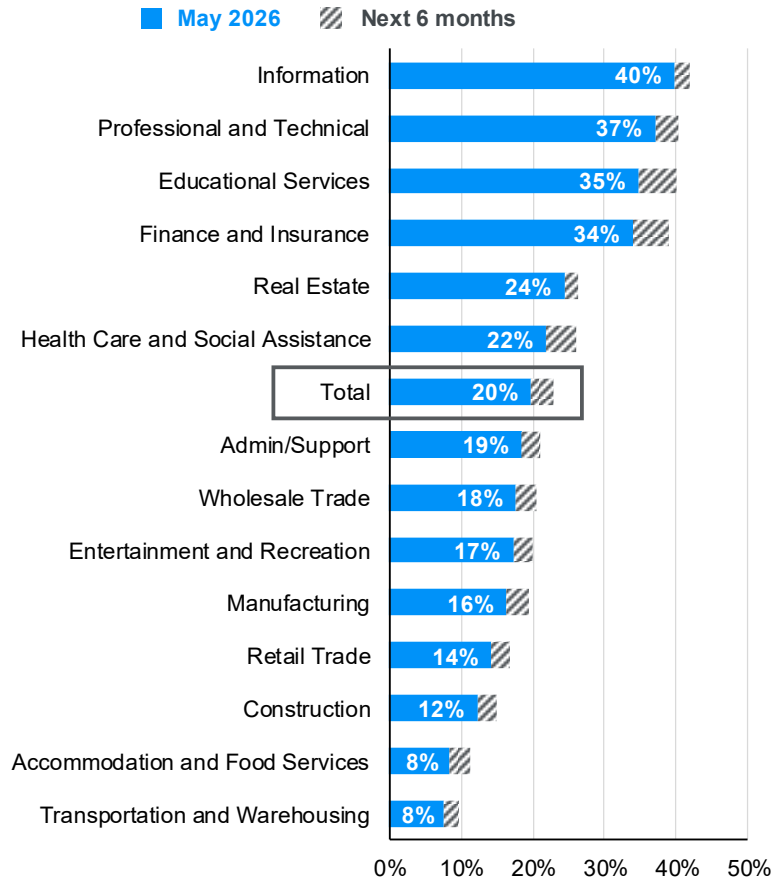
## Length of tasks AI agents can autonomously complete

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



## Businesses using AI in any business function

% of all firms reporting use of AI applications



Source: J.P. Morgan Asset Management; (Left) METR, "Measuring AI Ability to complete long tasks"; (Right) Census Business Trends and Outlook Survey. The length of tasks (measured by how long they take skilled human professionals) that generalist frontier model agents can complete autonomously with 80% reliability has been doubling approximately every seven months for the last six years. \*METR looks exclusively at multistep software engineer, cybersecurity, general reasoning, and machine learning tasks that require low or no prior context and are self-contained units of work. Guide to the Markets – U.S. Data are as of May 28, 2026.



## S&P 500 Herfindahl-Hirschman Index

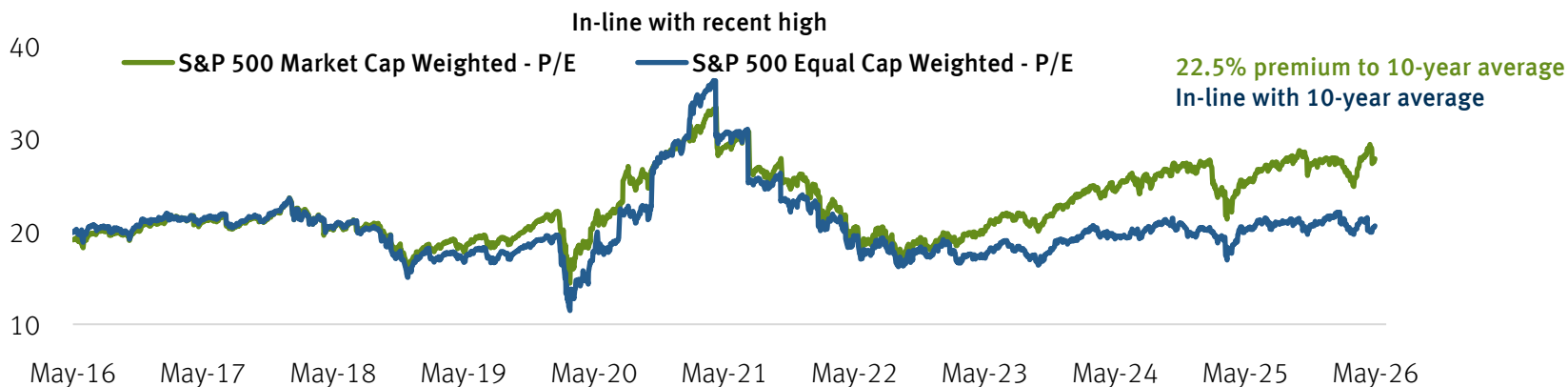
Effective Membership (measure of concentration)



Source: Stifel CIO Office via Bloomberg Intelligence, as of May 28, 2026.

Bloomberg HHI (Herfindahl-Hirschman Index) measures concentration and is calculated by summing the squared weights of each S&P 500 constituent.

	EPS	S&P 500 P/E						Current S&P 500 Index Level
		22x	23x	24x	25x	26x	27x	
Consensus 2026 EPS →	<b>\$334</b>	7,350	7,564	8,019	8,353	8,687	9,021	9,353
	<b>\$320</b>	7,040	7,244	7,680	8,000	8,320	8,640	8,958
	<b>\$310</b>	6,820	7,018	7,440	7,750	8,060	8,370	8,678
	<b>\$300</b>	6,600	6,791	7,200	7,500	7,800	8,100	8,398
	<b>\$290</b>	6,380	6,565	6,960	7,250	7,540	7,830	8,118
	<b>\$280</b>	6,160	6,339	6,720	7,000	7,280	7,560	7,838
Consensus 2025 EPS →	<b>\$270</b>	5,944	6,117	6,485	6,755	7,025	7,295	7,564



## Earnings

- For 2026, the forecast has been revised slightly upward to 23.7%, compared to 15.2% at the beginning of the year.
- For 2027, analysts are projecting earnings growth of 15.4%, in line with 15.0% at the beginning of the year.

- **2/28:** Conflict starts
  - **4/8:** Pakistan-mediated ceasefire begins
    - Back and forth counterproposals between Washington and Tehran
  - **5/11:** Ceasefire on "life support" per President Trump
  - **5/18:** President Trump calls off strikes as "serious negotiations are now taking place"
- 
- **U.S. demands:**
    - Halt enrichment
    - Hand over enriched uranium stockpiles
    - Limit missile development program
    - Open Strait of Hormuz
    - End to proxy support
  - **Iran demands:**
    - End hostilities, including Lebanon
    - Military withdrawal
    - Sanctions relief
    - Approximately \$270 billion reparations
    - Strait of Hormuz sovereignty
    - Nuclear sovereignty

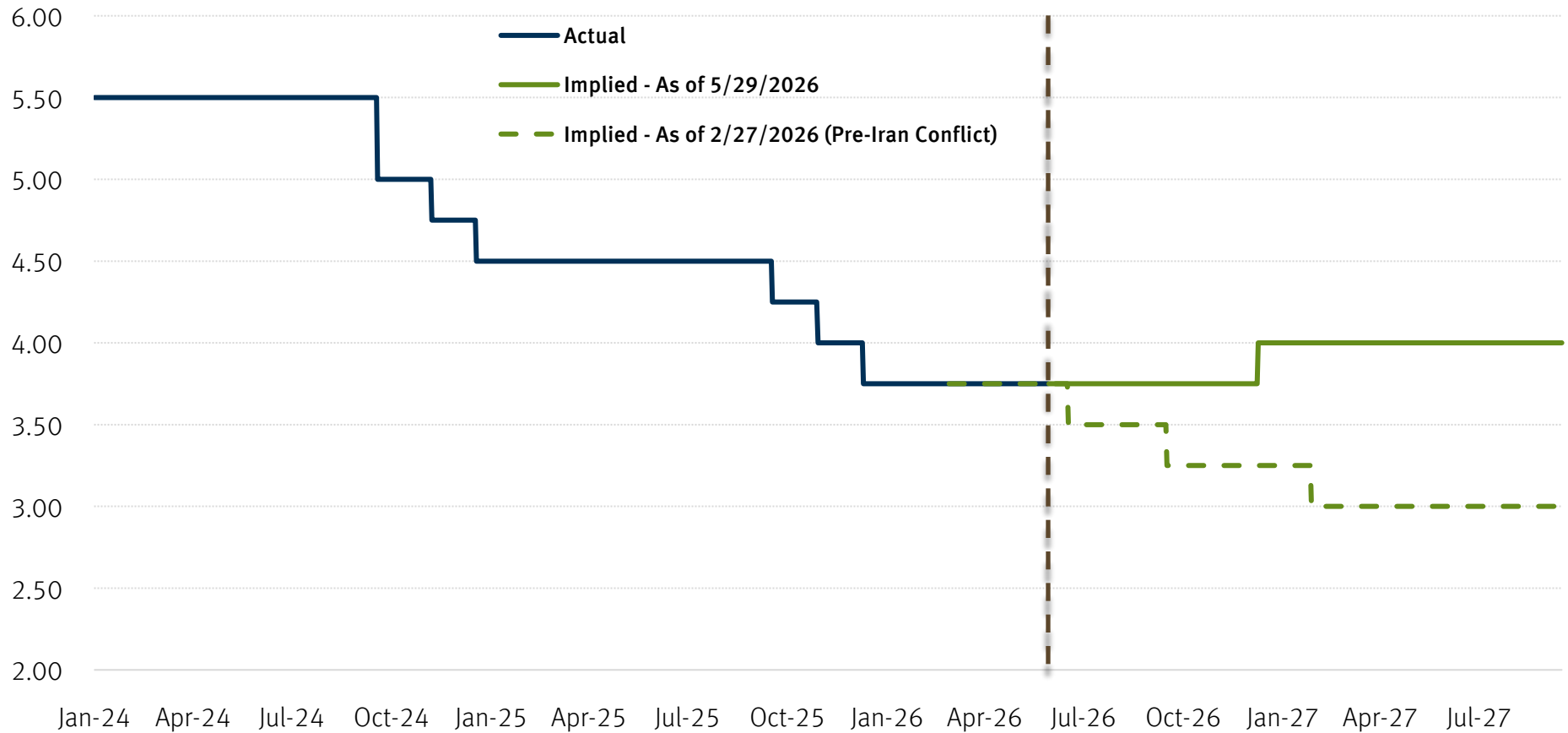
Category	Description	Change Since the War Began	Change Since Mar 30 (Bottom)
<b>Energy</b>	Natural Gas	From \$2.85 to \$3.67	From \$2.89 to \$3.67
	Oil, WTI	From \$67 to \$88	From \$103 to \$88
<b>Market Volatility</b>	VIX Index	-21.3%	-49.0%
	MOVE Index	-5.0%	-35.6%
<b>Fixed Income Markets</b>	Bloomberg U.S. Agg	-1.4%	0.5%
	Bloomberg U.S. HY	0.9%	2.7%
<b>Equity Markets</b>	S&P 500	10.2%	19.7%
	Bloomberg Mag 7	15.7%	28.2%
	MSCI EAFE	-1.4%	10.4%
	MSCI Japan	-1.2%	11.6%
	MSCI EM	7.7%	22.5%

Category	Description	% Mar 30 Level	% Current Levels
<b>Breakevens</b>	1-Year Breakeven	5.3%	2.6%
	2-Year Breakeven	3.3%	2.6%
	1-year, 1-year Forward	1.3%	2.6%
<b>Rates</b>	10-year	4.3%	4.4%



Source: Stifel CIO Office via Bloomberg, as of May 29, 2026. (Intra-Day)

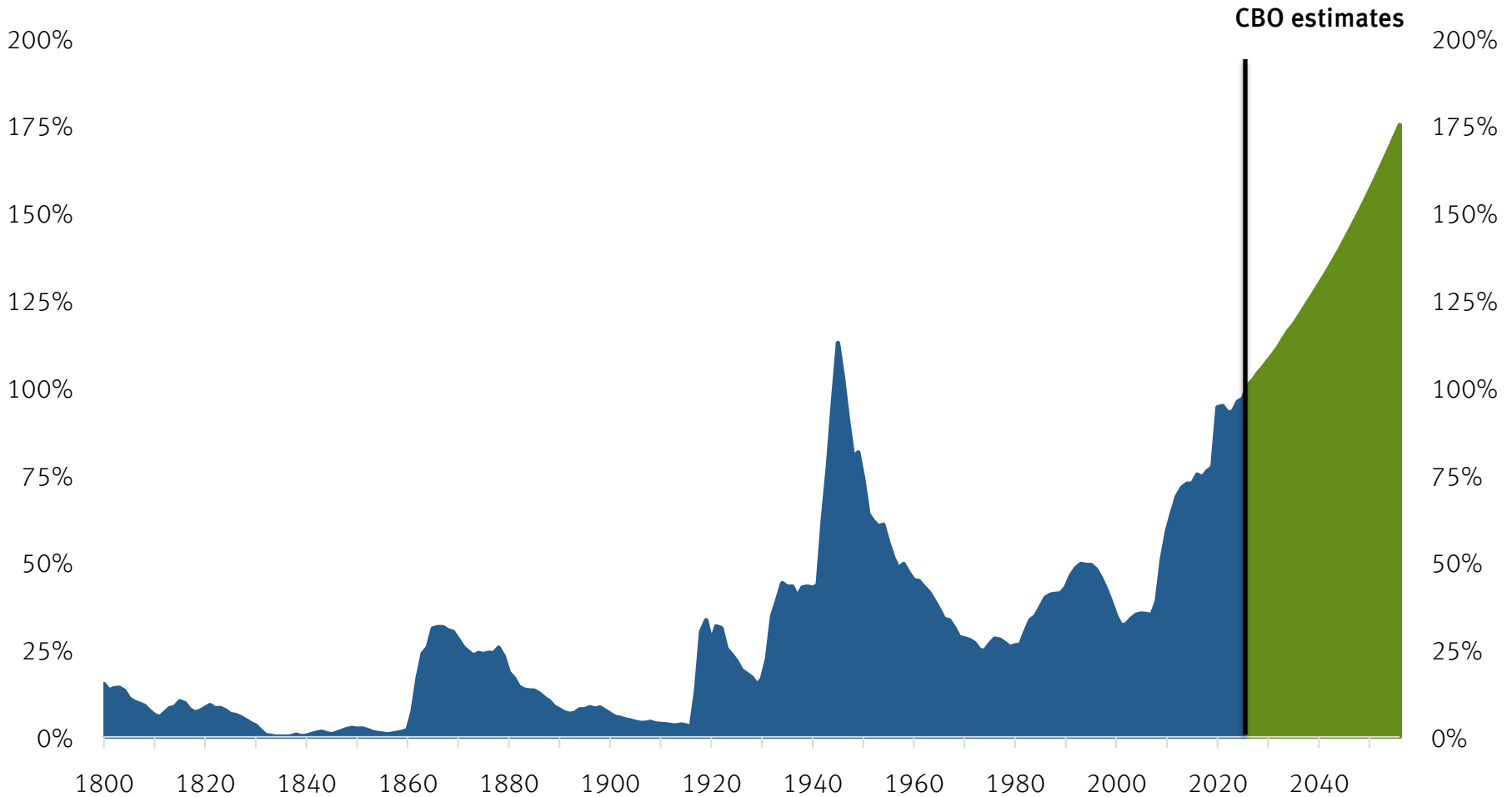
## Fed Funds Target Rate - Upper Bound



Source: Stifel CIO Office via Bloomberg, as of May 29, 2026. (Intra-Day)



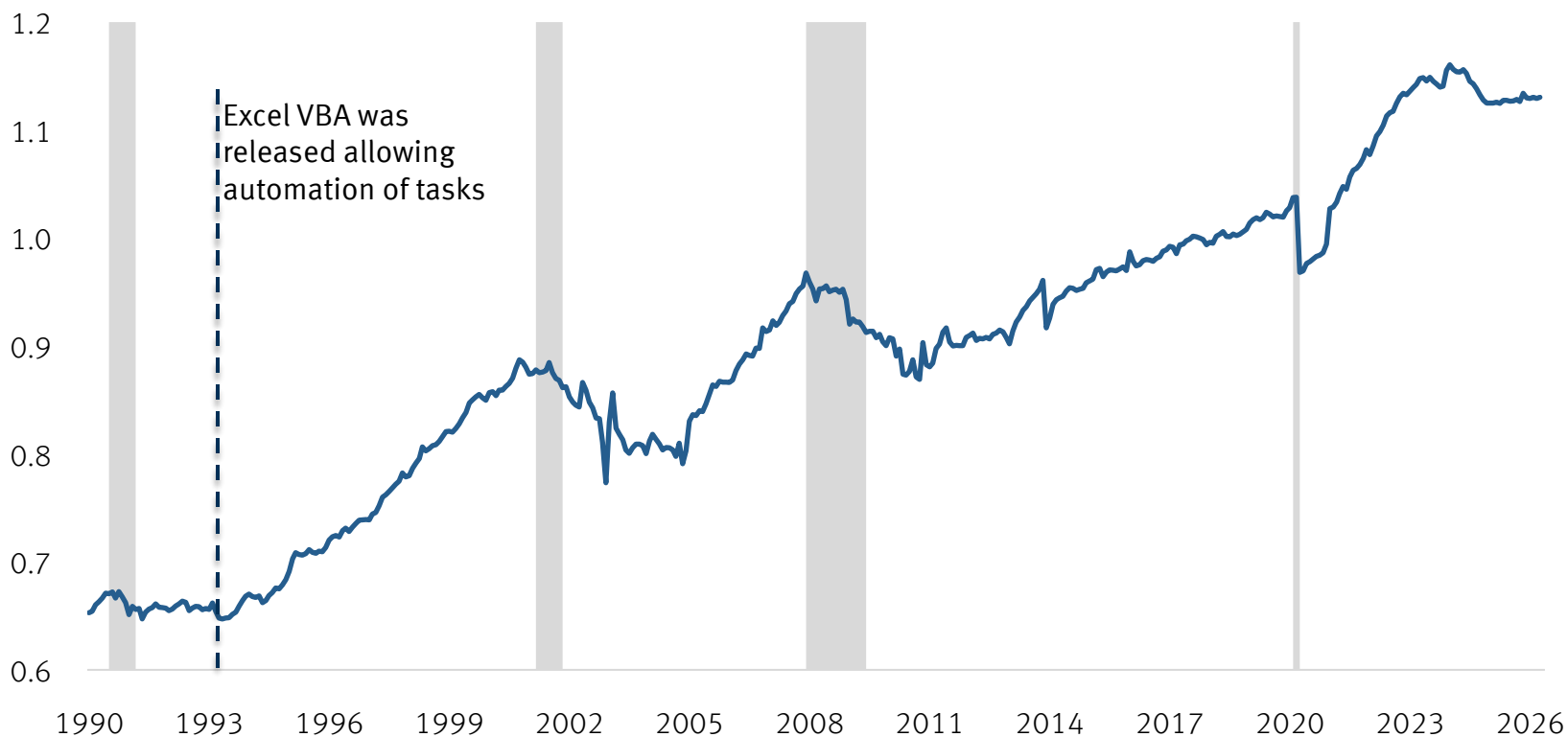
## Federal Debt Held by Public (% GDP)



CBO estimates

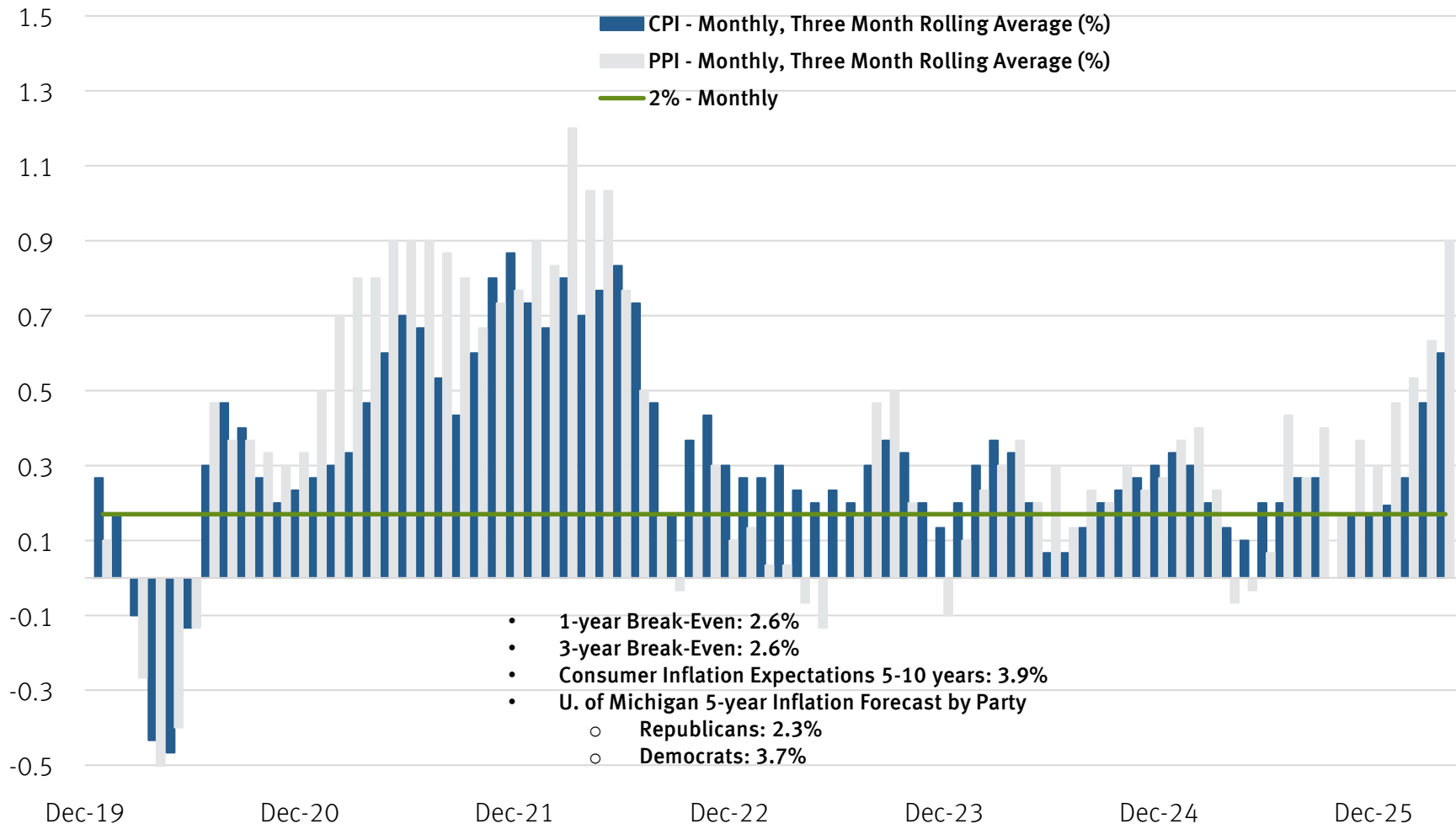
## Accounting and bookkeeping services employment

Number of Jobs, million



SightLines: [AI and the Future of Work: Efficiency, Demand, and the Jevons Effect](#)

## Monthly Inflation Trends

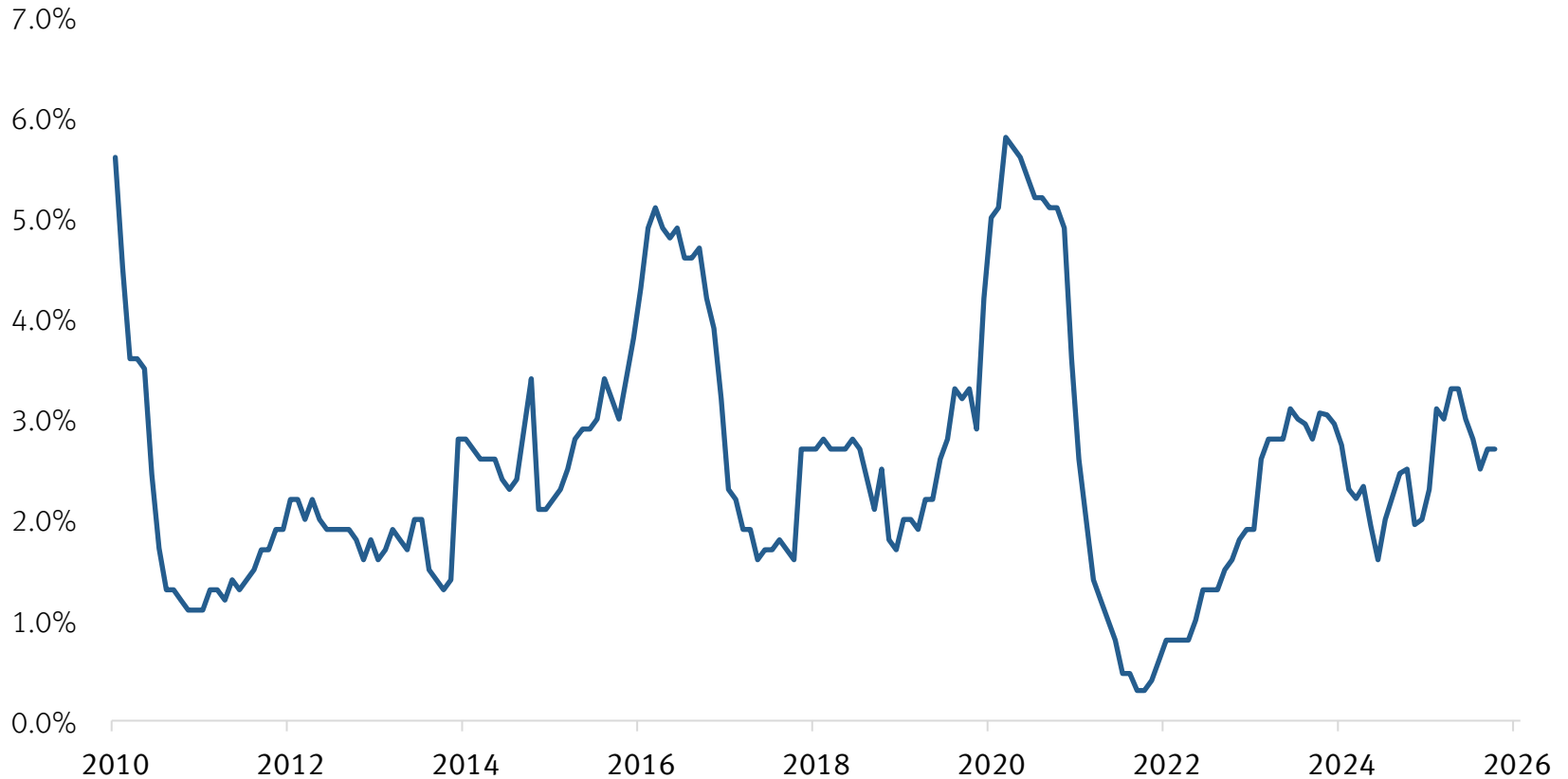


Source: Stifel CIO Office via Bloomberg, as of May 29, 2026. (Intra-Day)  
 CPI = Consumer Price Index  
 PPI = Producer Price Index



## High yield default rates remain contained

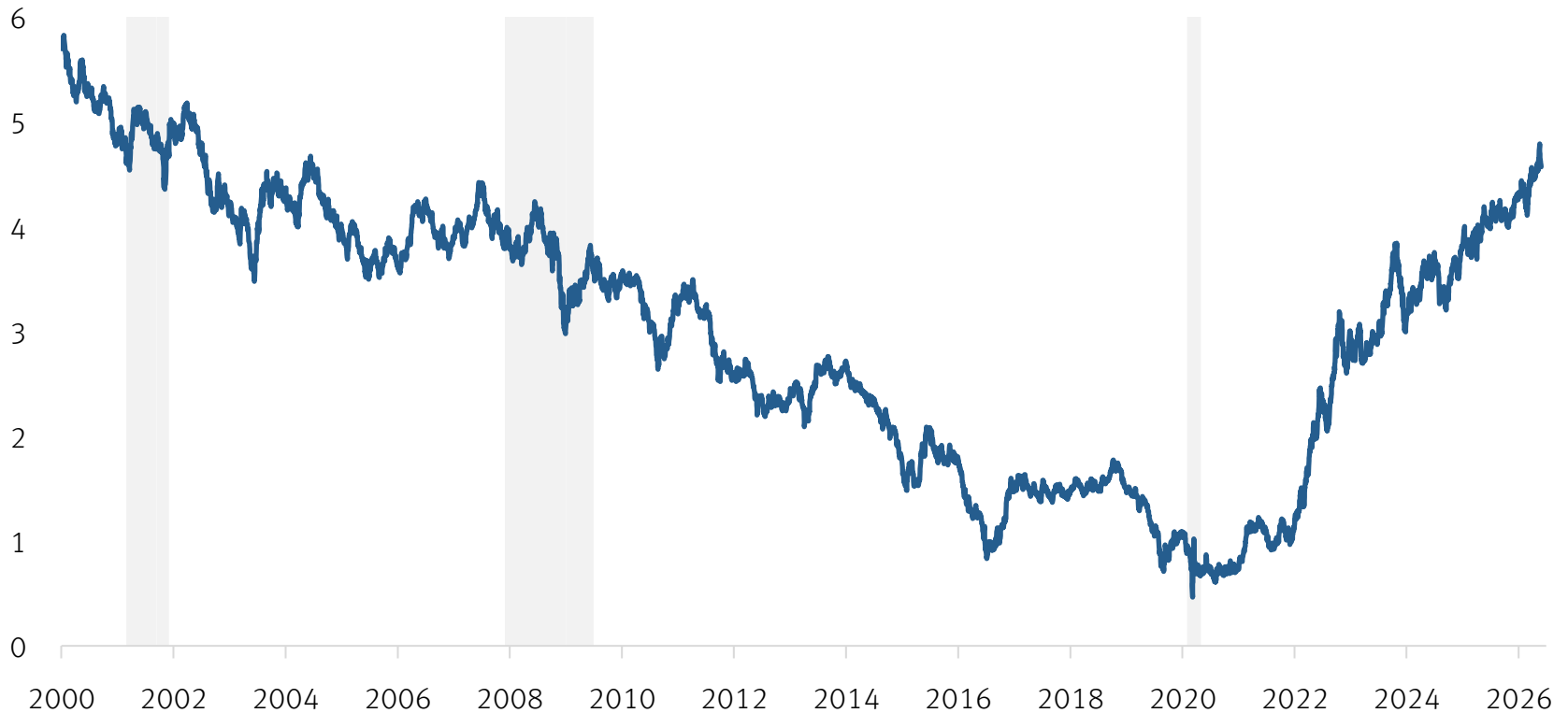
Default rate, %



Source: Stifel CIO Office via Strategas Research Partners and Fitch, as of May 29, 2026.

## Yield on G7 10 year government bonds

Percent



Index	2023	2024	2025	Since 2/28/26	Year to Date
Bloomberg U.S. Agg	5.5%	1.3%	7.3%	-1.4%	0.3%
Bloomberg U.S. HY Corp	13.4%	8.2%	8.6%	0.9%	1.6%
Bloomberg U.S. IG Corp	8.5%	2.1%	7.8%	-0.9%	0.5%
Blomberg U.S. Securitized	5.1%	1.5%	8.5%	-1.3%	0.7%
Bloomberg U.S. Treasury	4.1%	0.6%	6.3%	-1.8%	-0.1%
Bloomberg U.S. Lev. Loan	12.8%	8.8%	5.5%	2.2%	1.1%
Morningstar LSTA U.S. Lev. Loan	13.3%	9.0%	5.9%	2.3%	1.2%



Event	Start Date	S&P 500 Price Return					Primary Trigger/Incident
		One Week	1 Month	3 Months	6 Months	12 Months	
Korean War	6/28/1950	-1.1%	-2.3%	5.7%	10.8%	17.6%	Initial North Korean invasion across the 38th Parallel
Suez Crisis	10/29/1956	2.6%	-4.2%	-4.1%	-1.4%	-12.3%	Israel occupies Egypt's Sinai Peninsula
1958 Lebanon Crisis	7/15/1958	2.9%	6.2%	14.4%	23.7%	32.8%	U.S. Marines land in Beirut (Operation Blue Bat)
Berlin Crisis	8/14/1961	1.0%	0.4%	5.2%	4.0%	-15.1%	Erection of the Berlin Wall begins
Cuban Missile Crisis	10/16/1962	-6.3%	5.1%	14.2%	21.0%	26.6%	President Kennedy informed of missile sites (start of "13 Days")
Vietnam (Tonkin)	8/3/1964	-1.5%	-0.8%	2.6%	5.5%	2.0%	Gulf of Tonkin naval engagement involving USS Maddox
India-Pakistan War	8/5/1965	0.7%	2.6%	7.6%	7.9%	-4.1%	Outbreak of hostilities following Operation Gibraltar
Six-Day War	6/5/1967	4.1%	3.3%	5.9%	7.5%	10.7%	Israel initiates Operation Focus airstrikes
Vietnam (Tet Offensive)	1/30/1968	-1.1%	-3.8%	4.9%	5.1%	10.2%	Surprise North Vietnamese offensive begins
Yom Kippur War	10/5/1973	1.4%	-2.5%	-9.1%	-14.1%	-42.2%	Egypt and Syria launch surprise attack
Fall of Saigon	4/30/1975	2.0%	4.4%	1.0%	2.8%	17.3%	Capture of Saigon; final U.S. evacuation
Iran Hostage Crisis	11/5/1979	1.7%	5.3%	12.3%	4.5%	24.0%	Storming of the U.S. Embassy in Tehran
Soviet-Afghan War	12/24/1979	0.1%	5.2%	-8.0%	6.1%	23.3%	Soviet tanks cross into Afghanistan
Iran-Iraq War	9/22/1980	-5.3%	1.2%	4.1%	4.1%	-10.2%	Full-scale Iraqi invasion of western Iran
Force in Lebanon	8/25/1982	0.6%	4.9%	13.1%	25.9%	39.8%	Multinational force including U.S. Marines lands in Beirut
Gulf War	8/2/1990	-3.3%	-8.2%	-13.5%	-4.4%	9.0%	Iraq invades Kuwait; defense forces overwhelmed
Croatian War	4/1/1991	2.0%	2.4%	1.8%	4.5%	9.8%	Plitvice Lakes incident; outbreak of independence war
Kosovo War	2/27/1998	0.6%	4.4%	4.6%	3.3%	21.2%	KLA escalates attacks; Serbian army responds
9/11 Terror Attacks	9/11/2001	-5.5%	0.4%	4.3%	6.7%	-18.2%	Coordinated terrorist attacks on WTC and Pentagon
Iraq War (Invasion)	3/20/2003	-0.8%	2.0%	15.4%	17.5%	26.1%	"Shock and Awe" coalition invasion begins
Madrid Bombing	3/11/2004	1.4%	2.9%	2.2%	1.3%	10.7%	Coordinated terrorist train bombings
Crimea Annexation	2/20/2014	0.8%	1.5%	2.6%	7.7%	14.0%	Russian aggression/illegal crossing of Ukrainian border
COVID-19 Crash	2/19/2020	-8.0%	-31.9%	-13.7%	-0.1%	16.2%	S&P 500 reaches peak before pandemic sell-off
Russia-Ukraine War	2/24/2022	1.7%	5.9%	-7.2%	-3.7%	-4.9%	Russia launches full-scale invasion of Ukraine
Israel-Iran War	4/12/2024	-3.0%	1.9%	9.0%	13.1%	-1.2%	Iran launches direct drone and missile attack on Israel

**Median** 0.6% 2.0% 4.3% 5.1% 10.7%

**Average** -0.5% 0.3% 3.0% 6.4% 8.1%

Event	Start Date	One Week	1 Month	3 Months	6 Months	12 Months	
Iran Conflict	2/27/2026	-2.0%	-7.4%	8.1%	N/A	N/A	The current open-ended military engagement in Iran

Source: Stifel CIO Office via FactSet, as of May 29, 2026. Calculations assume 30 days per month. (Intra-Day)

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

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

## INDEX DESCRIPTIONS

Indices are unmanaged and are not available for direct investment. Past performance is no guarantee of future results. Index returns include the reinvestment of dividends but do not include adjustments for brokerage, custodian, and advisory fees.

**Bloomberg U.S. Treasury Bills 1-3 Months Index** includes all publicly issued zero-coupon U.S. Treasury Bills that have a remaining maturity of less than three months and more than one month, are rated investment grade, and have \$250 million or more of outstanding face value.

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

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

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

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

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

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

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

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

**S&P 500 Equal Weight Index** is the equal-weight version of the widely regarded Standard & Poor's 500 Index, which is generally considered representative of the U.S. large capitalization market. The index has the same constituents as the capitalization-weighted S&P 500, but each company in the index is allocated a fixed weight of 0.20% at each quarterly rebalancing.

**S&P 500 Financials Index** comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector.

**Bloomberg U.S. 1000 Value Index** provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

**Bloomberg U.S. 1000 Growth Index** provides exposure to companies with superior growth factor scores based on their earnings yield, valuation, dividend yield, and growth.

**Bloomberg U.S. 1000 Index** is a float market-cap-weighted benchmark of the 1000 most highly capitalized U.S. companies.

**Bloomberg U.S. 2000 Index** is a float market-cap-weighted benchmark of the lower 2000 in capitalization of the Bloomberg U.S. 3000 Index.

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

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

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

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

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

## INDEX DESCRIPTIONS

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

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

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

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

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

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

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

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

**EURO STOXX 50** is a stock index of Eurozone stocks designed by STOXX, an index provider owned by Deutsche Börse Group. According to STOXX, its goal is "to provide a blue-chip representation of Supersector leaders in the Eurozone.

**Cash & Cash Equivalent** is represented by the Bloomberg U.S. Treasury 3-6 months Bill Index, comprised of treasury bills issued by the U.S. government with less than one year to maturity.

**U.S. Government Bonds** is represented by the Bloomberg U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

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

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

**Bloomberg HHI (Herfindahl-Hirschman Index)** measures concentration and is calculated by summing the squared weights of each S&P 500 constituent.

## INDEX DESCRIPTIONS

**U.S. LC (Large Cap)** equities is represented by the Bloomberg U.S. 1000 Index, comprised of a float market-cap-weighted benchmark of the 1,000 most highly capitalized U.S. companies.

**U.S. SC (Small Cap)** equities is represented by the Bloomberg U.S. 2000 Index, comprised of a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the Bloomberg U.S. 3000 Index.

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

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

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

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

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

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

**KBW Nasdaq Regional Banking Index** seeks to reflect the performance of U.S. companies that do business as regional banks of thrifts.

**NYSE FANG+ Index** is an equal-dollar weighted index designed to track the performance of highly-traded growth stocks of technology and tech-enabled companies in the technology, media & communications and consumer discretionary sectors such as Facebook, Apple, Amazon, Netflix, and Alphabet's Google.

**NCREIF Property Index** is a quarterly, unleveraged composite total return for private commercial real estate properties held for investment purposes only.

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

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

## DISCLOSURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### DISCLOSURES CONTINUED

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

**Small Company Securities** – Small company securities are typically more volatile and carry additional risks, since smaller companies generally are not as well established as larger companies.

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