QUARTERLY

MARKET PERSPECTIVES

Q3 2024

WEALTH MANAGEMENT INSIGHTS FROM STIFEL'S CIO OFFICE

Many economic indicators point to further economic expansion in the second quarter, albeit at a slower pace.

Consumer spending, buoyed by a still-tight labor market, remains positive but may also be slowing given higher debt costs and depleted excess savings. Given the positive economic environment, the Federal Reserve (Fed) has been able to maintain its restrictive monetary policy to combat elevated inflation.

Turning to the stock market, robust earnings and strong performance of some of the biggest tech-oriented companies drove the market to all-time highs. However, combined earnings for the rest of the companies in the S&P 500 were weaker than expected, translating to less positive performance for these stocks, on average.

As we look ahead to the second half of the year, we continue to see opportunities in both equities and fixed income for investors. As the Fed eventually cuts rates, this may well result in market leadership broadening out beyond the big tech-oriented companies. However, the potential downward revisions in company earnings forecasts can lead to market volatility, especially as the election approaches. This backdrop supports our preference for quality companies and active management.

Turning to fixed income, bond yields remain elevated. We see fixed income remaining an important part of an asset mix strategy for two reasons: 1) bonds can generate reliable income, helpful to investors drawing on and spending portfolio income, and 2) total portfolio volatility can be softened due to the diversification benefits of bonds combined with stocks.

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MACROECONOMIC OVERVIEW

U.S. ECONOMY LEADS THE WAY, GROWING AT A FASTER PACE THAN THE MAJORITY OF G20 COUNTRIES.

Following six quarters of above 2% annualized growth, in the first quarter 2024, GDP increased at an annualized rate of 1.4%, according to the second estimate from the Bureau of Economic Analysis. While the headline number indicates a slowing in economic activity, a measure that removes more volatile components like trade and inventory (final sales to private domestic purchasers) showed a 2.4% advance, led by consumer spending. Still, U.S. economic momentum is cooling. The Fed's latest Summary of Economic Projections (SEP) forecasts the economy will grow 2.1% in 2024 after growing 2.5% last year.

THE LABOR MARKET IS THE FOUNDATION FOR CONTINUED CONSUMER STRENGTH.

The labor market remains tight, characterized by low unemployment and the demand for workers outstripping supply. In turn, wage pressures remain elevated, so the consumer continues to spend, even amid higher prices. That said, we expect the job market to continue to normalize as the year progresses, bringing labor demand and supply into better balance.

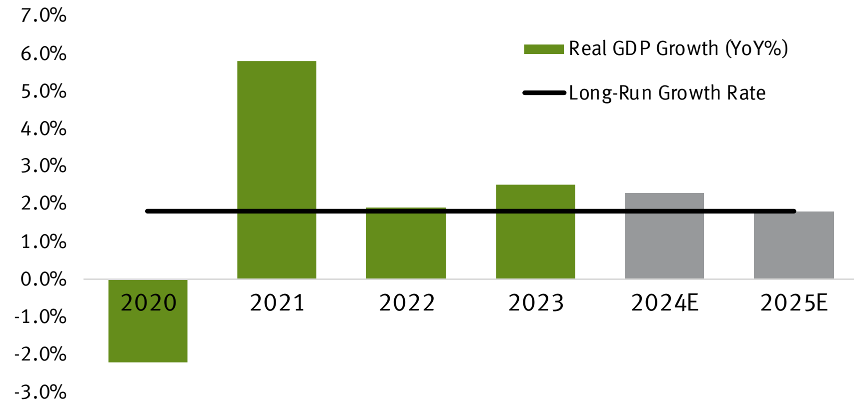
The unemployment rate rose 0.1% in May to 4.0% after being below 4% for 28 months. Wage growth has moderated slightly but remains above the pace the Fed sees as consistent with its inflation target. The number of job openings is at the lowest level in more than three years, with roughly 1.24 unfilled positions for every job seeker. The Fed forecasts unemployment to end the year at 4.0% and rise to 4.2% in 2025.

CONSUMERS ARE MORE DISCERNING WITH PURCHASES.

One important takeaway from the most recent earnings season conference calls? The combination of depleted excess savings, higher prices, and elevated debt servicing costs is weighing on the consumer. Amazon's CEO said, "Customers are shopping but remain cautious, trading down on price when they can." Similarly, Starbucks' CEO said "Many customers are being more exacting about where and how they choose to spend their money."

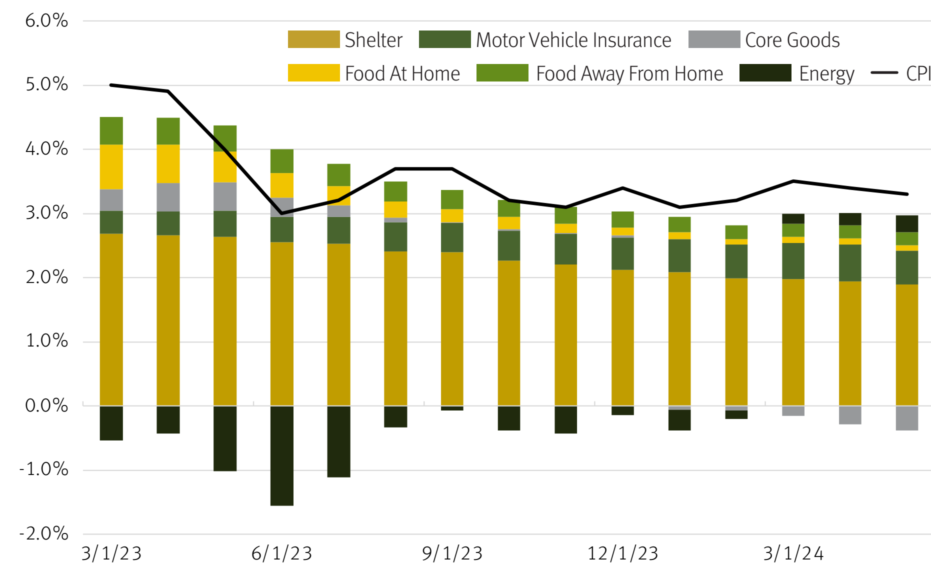
Retail sales rose just 0.1% in May after falling 0.2% in April. Meanwhile, the control group (a component that feeds into GDP and takes out more volatile components) rose 0.4% in May. The latest University of Michigan Consumer Sentiment Index was at 68.2 in June, down from 79.4 in March and well below the 85.4 average in the decade prior to the pandemic. We expect the gradual softening in the labor market, along with the pressure of higher rates and low savings, to lead to further moderation in consumer spending in the second half of 2024.

Figure 1. GDP Growth Expected to Cool to Long-Run Rate in 2025



Source: Stifel CIO Office via Bloomberg as of June 30, 2024

Figure 2. Shelter and Other Select Components of CPI (Year over Year)



Source: Stifel CIO Office via Bloomberg as of June 30, 2024

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INFLATION IS ON A BUMPY PATH TO 2%.

The headline consumer price index (CPI) was flat (0.0%) in May and rose 3.3% over the last year. This softness in the May CPI print followed a series of firmer-than-anticipated readings during the first four months of the year.

Shelter price increases remain sticky, rising 0.4% for the fourth consecutive month. Higher mortgage rates and limited housing supply are creating price pressure in the housing market. Other components of CPI, such as hospital services and prescriptions, have also risen and are adding to price pressures.

The Fed left the federal funds rate unchanged at its June meeting, continuing a pause that began last September. Fed officials have said they seek greater confidence that inflation is moving down sustainably toward 2% before lowering rates. The June SEP forecast shows that Fed officials don't see inflation returning to 2% until 2026.

FROM SIX TO MAYBE ONE OR TWO RATE CUTS THIS YEAR.

At the start of 2024, market participants anticipated six rate cuts by the Fed this year, a contrast to the Fed's projection of three at the time. We've held the view since the start of the year that "the consensus is too optimistic, as the tight labor market, a strong economy, and the specter of resurging inflation will mean the Fed will stand pat on its current policy. We expect the Fed may begin to cut rates in the second half of 2024 for a total of 0.50% to 0.75% before year-end."

Through the year so far, a stronger-than-expected economy, coupled with elevated inflation, has dampened enthusiasm about rate cuts. Based on the latest "dot plot" from the Fed's June meeting, officials now expect one rate cut this year, while traders of fed funds futures are pricing in two.

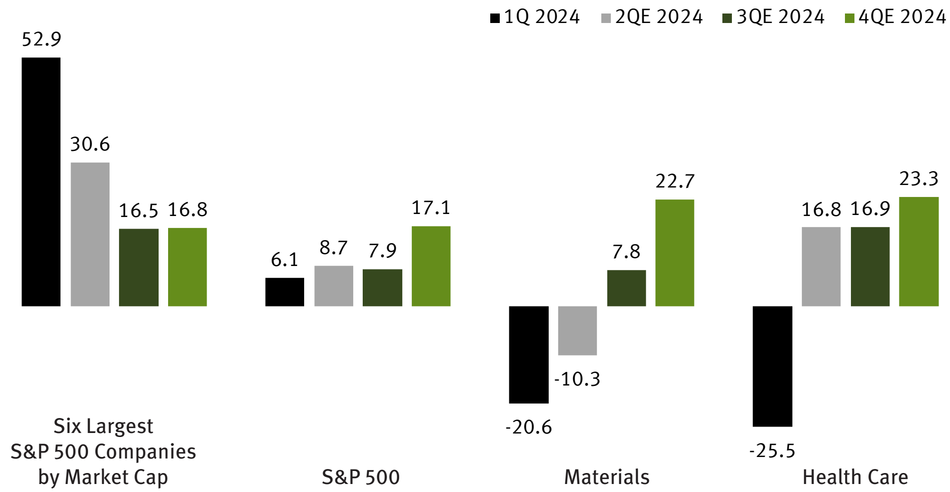
U.S. EQUITY

COMPANY EARNINGS MAY NOT BE AS GOOD AS THE HEADLINE NUMBER SUGGESTS.

S&P 500 earnings grew 6.0% in Q1 from a year ago, dominated by strong results from mega cap technology companies. When removing the six largest companies by market capitalization (Microsoft, Apple, Nvidia, Amazon, Meta Platforms, and Alphabet), earnings for the remainder of the index fell 2.1% in the quarter. At the start of the year, analysts were forecasting earnings growth of 1.1% for these remaining companies, so these results did not meet expectations.

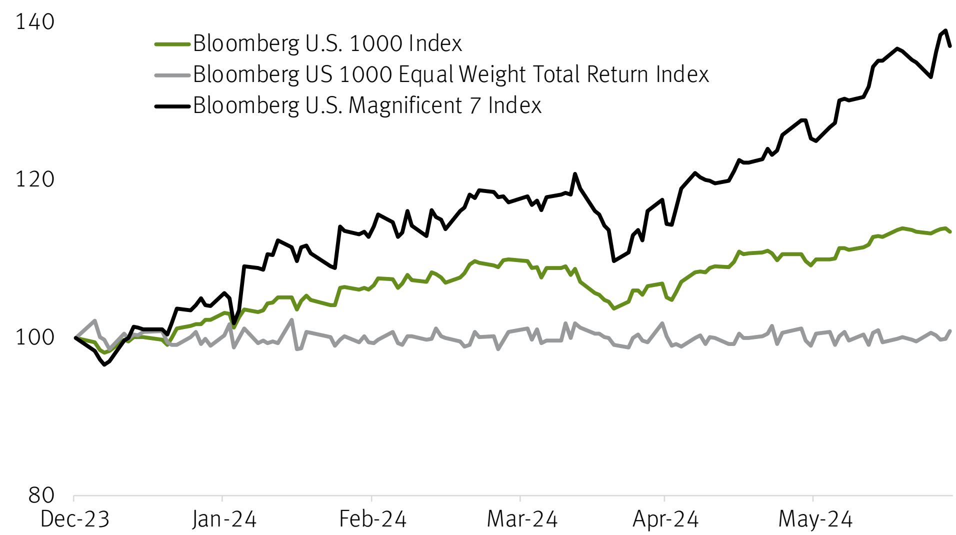
Figure 3. Mega Cap Technology Earnings Growth Projected to Slow

Year over Year Consensus Earnings Growth Estimates



Source: Stifel CIO Office via FactSet as of June 30, 2024

Figure 4. Market Performance



Source: Stifel CIO Office via Bloomberg as of June 30, 2024

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U.S. EQUITY (continued)

CAPITAL EXPENDITURE ON ARTIFICIAL INTELLIGENCE (AI) IS SKYROCKETING.

Technology companies are spending a considerable amount of money to enhance and build out their future AI capabilities. In fact, Capital Group estimates that Alphabet, Amazon, Meta, and Microsoft will spend $189 billion in 2024, accounting for 21% of the total capex in the S&P 500 Index. Over the next three years, these companies are estimated to spend $500 billion. This spending is focused mostly on building or upgrading data centers, developing and procuring chips, and building out other infrastructure to power, train, and eventually deploy generative-AI models.

MARKET PERFORMANCE DOMINATED BY A HANDFUL OF COMPANIES.

The S&P 500 advanced 4.28% in the second quarter, but six of the 11 sectors in the index declined. In fact, the six largest stocks (by market capitalization) are responsible for more than half of that gain. The information technology sector has grown to be the largest weight within the index at 32%. The next closest sectors are financials and healthcare at around 12% each. Compared to a year ago, information technology was 26.1% of the S&P 500, while the healthcare sector was 14.2%.

NON-U.S. EQUITY

CHINA LEADS EMERGING MARKET EQUITIES HIGHER, WHILE JAPANESE STOCKS PARE BACK GAINS FROM THE PREVIOUS QUARTER.

The global equity market, represented by the MSCI All Country ex USA Index, trailed U.S. stocks this quarter, rising only 1.0 % (USD).

Elections for the European Parliament led to bond and equity market volatility in Europe, which saw an incremental political shift to the right and a snap election called in France. The MSCI Europe Index fell 3.0% following the election results but still advanced 0.6% for the quarter.

Japanese stocks underperformed this past quarter after being a standout performer in the first quarter. The MSCI Japan Index was down 0.5% on a shift in sentiment surrounding the weakening yen and uncertainty regarding the Bank of Japan's monetary policy.

Lastly, despite pressures from a real estate slump and a weak post-pandemic economic recovery, Chinese equities outperformed. This move was driven by a range of factors, including government stimulus measures, an improving economy, increased share buybacks, and appealing valuations. The MSCI China Index saw a 7.1% rise in the second quarter, following a 2.2% drop in the first quarter.

FIXED INCOME

U.S. TREASURY YIELDS VOLATILE TO END THE QUARTER SLIGHTLY HIGHER.

Treasury yields responded to incoming economic data and central bank activity. U.S. Treasury yields spiked at the beginning of the second quarter as April's economic data suggested increased inflationary pressures. The yield on the 10-year rose as high as 4.7%. However, subsequent inflation readings, along with softer economic data and emerging signs of a cooling consumer, led to a reversal. The 10-year yield was at 4.4% on June 30.

SPREADS NARROW FURTHER AS ECONOMY PROVES RESILIENT.

U.S. corporate bond spreads remain tight, even in light of concerns around commercial real estate and a pick-up in default rates. Both investment-grade and high-yield corporate bond spreads widened during the quarter to end at 94 basis points (bps) and 309 bps, respectively. We are closely monitoring the debt maturing in the coming years, particularly speculative-grade debt. Borrowers seeking to refinance this debt may encounter increased costs due to the rise in rates since the debt's initial issuance.

WE'RE HEADED TO A FISCAL TRANSITION.

The Fed's latest SEP sees the long-run neutral rate for monetary policy slightly higher at 2.8%. Meanwhile, the Congressional Budget Office (CBO) budget update from June estimates our annual debt cost will increase to $1.7 trillion in 2034. This reiterates the "higher for longer" message that emerged last year, reinforcing our view that we're headed to a Fiscal Transition.

COMMODITIES

OIL ROSE ON GEOPOLITICAL TENSIONS, GOLD PRICES BENEFITED FROM CENTRAL BANK BUYING, AND NATURAL GAS PRICES WERE PROPPED HIGHER DUE TO WARMER WEATHER.

Oil prices were on a downward trend for much of the quarter, reaching as low as $73.25/barrel before reversing in June. Signs of a broadening military conflict between Israel and Hezbollah stoked fears of a direct confrontation with OPEC member Iran. The International Energy Agency (IEA) revised its view on oil demand and now sees a tighter-than-anticipated market in 2024. West Texas Intermediate (WTI) and Brent Crude Oil fell 2.6% and 1.1% in the second quarter, respectively.

Gold prices rallied for a third consecutive quarter, the best run since the start of the pandemic. At the end of the quarter, gold was trading at $2,326.75 per troy ounce, up 3.3% since March 31. Gold prices have been supported this year by expectations of rate cuts by the Fed, higher demand due to elevated geopolitical tensions, and central bank buying. A recent World Gold Council survey showed that several central banks plan to buy more gold in the coming year.

Natural gas prices rose in the second quarter, increasing by 41.5%. This increase was driven by higher demand from the warmer-than-normal weather throughout most of the U.S., which helped to offset the still oversupplied market.

DYNAMIC ASSET ALLOCATION

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**	=		■		We remain neutral between U.S. and non-U.S. equity. Our base case calls for a soft landing in the U.S., but we believe valuations have priced in this scenario and the consensus earnings outlook is too optimistic. We recognize, however, that momentum is strong, and the eventual Fed easing should be supportive of U.S. stocks. Non-U.S. equity valuations are attractive; however, growth trends are diverging, and Europe and China face headwinds. We guide investors to consider active management.
EQUITY	**U.S. Large Cap vs. U.S. Small Cap**	=	■			Small cap equity valuations remain attractive, reflecting the increased risks that are usually associated wtih smaller companies due to their higher borrowing costs. We have a preference for quality companies with strong balance sheets regardless of market capitalization. We believe there is opportunity within small cap for skilled active investors.
EQUITY	U.S. Large Value vs. U. S. Large Growth	=		■		We believe in this new regime investors should be diversified across both value and growth styles. Within U.S. large cap, we expect returns to broaden out and have a preference for quality companies and those that are expected to benefit from our long-term investment themes such as AI and the Fourth Industrial Revolution.
EQUITY	**Non-U.S. Developed Markets vs. Emerging Markets**	=		■		Both developed and emerging markets remain vulnerable to idiosyncratic risks and headwinds stemming from geopolitical tensions and a slowing global economy. China is facing structural headwinds, and investors are worried about policy uncertainty and possible stresses in its property sector.
EQUITY	Europe vs. Japan	=	■			Japanese equities have been performing well, but we believe there is still the potential for relative outperformance. Japan's corporate governance is likely to enhance shareholder value in the medium- to long-term. In Europe, weaker Chinese growth and the Russia-Ukraine war remain headwinds for the growth outlook.

(continued on next page)

DYNAMIC ASSET ALLOCATION (CONTINUED)

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
FIXED INCOME	**U.S. Investment Grade vs. U.S. High Yield**	=			■	We favor a quality tilt and prefer investment grade for passive investors. Spreads for high yield remain tight and do not appropriately reflect the increased risk of recession and credit deterioration, in our view.
FIXED INCOME	Corporates Government/Agency MBS	=	■			We have a modest preference for government securities relative to investment-grade corporate bonds, which can be expressed with passive investments or may be implemented by active managers. Treasury yields remain attractive and should provide an added diversification benefit if the economy deteriorates.
FIXED INCOME	**Duration**	=		■		We view duration as a diversifier in a multi-asset class portfolio given the macroeconomic uncertainty and volatility in yields, and so we remain neutral on duration as compared to the overall market.
ALTERNATIVES	**Private Assets**	=		■		For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of private equity, private debt, and/or private real estate can be considered as part of a diversified portfolio.
ALTERNATIVES	**Hedge Funds**	=		■		For investors interested in alternative investments and able to handle less liquidity who have conviction about manager skill, exposure to hedge funds can be a helpful part of a diversified portfolio. This is especially true in volatile, low-return environments.

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FIGURE 5. CAPITAL MARKET RETURNS (AS OF JUNE 28, 2024)

NORTH AMERICAN EQUITY	MTD (%)	QTD (%)	YTD (%)	1 YEAR (%)	3 YEAR (%)*	5 YEAR (%)*
Bloomberg U.S. 3000 Index	3.11	3.23	13.53	23.19	7.92	14.15
Standard & Poor's 500	3.59	4.28	15.29	24.56	10.01	15.05
Standard & Poor's/TSX (CAD)	-1.42	-0.53	6.05	12.13	5.98	9.28
U.S. EQUITY BY SIZE/STYLE						
Bloomberg U.S. 1000 Index	3.34	3.55	14.25	23.95	8.58	14.54
Bloomberg U.S. 1000 Growth Index	5.26	6.19	17.60	28.21	8.96	17.01
Bloomberg U.S. 1000 Value Index	-1.00	-2.28	6.87	14.72	7.01	10.15
Bloomberg U.S. 2000 Small Cap Index	-1.57	-3.20	0.51	9.36	-2.50	7.93
Bloomberg U.S. 2000 Small Cap Growth Index	-0.88	-2.92	2.24	7.53	-5.68	6.44
Bloomberg U.S. 2000 Small Cap Value Index	-2.46	-3.57	-1.66	11.55	1.31	9.65
Bloomberg U.S. Microcap Index	-4.72	-10.28	-5.18	-3.08	-14.29	5.96
INTERNATIONAL EQUITY (USD)						
MSCI AC World ex U.S.	-0.10	0.96	5.69	11.62	0.46	5.55
MSCI EAFE	-1.61	-0.42	5.34	11.54	2.89	6.46
MSCI Europe	-2.25	0.55	5.81	11.68	3.87	7.13
MSCI Pacific	0.29	2.47	0.70	6.84	-1.25	2.43
MSCI Japan	-0.71	-4.27	6.27	13.15	2.29	6.62
MSCI Emerging Markets	3.94	5.00	7.49	12.55	-5.07	3.10

FIGURE 5. CAPITAL MARKET RETURNS (AS OF JUNE 28, 2024)

U.S.FIXED INCOME	MTD (%)	QTD (%)	YTD (%)	1 YEAR (%)	3 YEAR (%)*	5 YEAR (%)*
Bloomberg U.S. Treasury Bills: 1-3 Months	0.41	1.34	2.68	5.50	3.11	2.17
Bloomberg U.S. Aggregate	0.95	0.07	-0.71	2.63	-3.02	-0.23
Bloomberg Gov't/Credit	0.87	0.05	-0.68	2.74	-3.11	-0.07
Bloomberg Treasury	1.01	0.09	-0.86	1.55	-3.26	-0.65
Bloomberg U.S. TIPS	0.78	0.79	0.70	2.71	-1.33	2.07
Bloomberg Municipal Bond Index	1.53	-0.02	-0.40	3.21	-0.88	1.16
Bloomberg U.S. Credit	0.67	-0.05	-0.46	4.42	-2.94	0.54
Bloomberg Corporate High Yield	0.94	1.09	2.58	10.44	1.64	3.92
REAL ESTATE/COMMODITIES/ALTERNATIVES						
Wilshire U.S. Real Estate Securities Index	3.01	-0.27	-0.18	8.61	0.41	4.06
Wilshire Global ex U.S. Real Estate Securities Index	-1.59	-3.99	-4.63	9.06	-4.98	-2.14
Wilshire Global Real Estate Securities	1.83	-1.21	-1.32	8.74	-1.13	2.15
Bloomberg Commodity Index	-1.54	2.89	5.14	5.00	5.65	7.25
S&P GSCI Commodity (S&P GSCI)	1.43	0.65	11.08	15.01	12.69	8.28
Wilshire Liquid Alternatives Index	0.30	0.49	3.67	7.30	1.37	2.75
Wilshire Liquid Alternative Equity Hedge Index	0.87	1.49	7.62	12.81	5.01	6.10
Wilshire Liquid Alternative Event Driven Index	0.31	0.27	1.28	5.78	0.60	2.42
Wilshire Liquid Alternative Global Macro Index	-1.13	-0.68	6.31	3.95	3.60	4.05
Wilshire Liquid Alternative Multi-strategy Index	0.30	0.76	5.36	9.79	1.76	2.71
Wilshire Liquid Alternative Relative Value Index	0.24	-0.02	0.05	3.67	-1.41	0.49
Wilshire Focused Liquid Alternative Index	0.08	0.20	3.53	6.59	1.05	2.67

Source: Stifel Investment Strategy via Bloomberg as of June 28, 2024

**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 Index℠ (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 Index℠ (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 (formerly the Goldman Sachs Commodity Index) serves as a benchmark for investment in the commodity markets and as a measure of commodity performance over time. The index was originally developed by Goldman Sachs. In 2007, ownership transferred to Standard & Poor's, which currently owns and publishes it. Futures of the S&P GSCI use a multiple of 250. The S&P GSCI contains as many commodities as possible, with rules excluding certain commodities to maintain liquidity and investability in the underlying futures markets. The index currently comprises 24 commodities from all commodity sectors.

The Wilshire Liquid Alternative Index℠ 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 Index℠ (WLIQAEH), Wilshire Liquid Alternative Global Macro Index℠ (WLIQAGM), Wilshire Liquid Alternative Relative Value Index℠ (WLIQARV), Wilshire Liquid Alternative Multi-Strategy Index℠ (WLIQAMS), and Wilshire Liquid Alternative Event Driven Index℠ (WLIQAED).

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.

The Bloomberg U.S. 1000 Total Return Index is a float market-cap-weighted benchmark of the 1,000 most highly capitalized U.S. companies.

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

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

The Bloomberg U.S. 3000 Total Return Index is a float market-cap-weighted benchmark of the 3,000 most highly capitalized U.S. companies.

The Bloomberg U.S. 2000 Total Return Index is a float market-cap-weighted benchmark of the lower 2,000 in capitalization of the Bloomberg U.S. 3000 Index.

The Bloomberg U.S. 2000 Value Total Return Index provides exposure to companies with superior value factor scores based on their earnings yield, valuation, dividend yield, and growth.

The Bloomberg U.S. 2000 Growth Total Return Index is a float market-cap-weighted equity benchmark derived from membership of the Bloomberg U.S. 2000 Index.

The Bloomberg U.S. Micro Cap Total Return Index is a float market-cap-weighted benchmark of those securities in the U.S. Aggregate Equity Index with a market capitalization ranking of lower than 2,500.

The Standard & Poor's 500 Index is a capitalization-weighted index that is generally considered representative of the U.S. large capitalization market.

The S&P/TSX Composite Index is the benchmark Canadian index, representing roughly 70% of the total market capitalization on the Toronto Stock Exchange with about 250 companies included in it. The Toronto Stock Exchange is made up of over 1,500 companies.

The 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.

The NASDAQ-100 is a modified capitalization-weighted index that is comprised of the largest non-financial companies listed on the National Association of Securities Dealers Automated Quotation System stock market. It includes both foreign and domestic companies, and does not include any financial or investment companies.

The Bloomberg 1-3 Month U.S. Treasury Bill 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. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non-convertible.

The Zillow Observed Rent Index (ZORI): A smoothed measure of the typical observed market rate rent across a given region. ZORI is a repeat-rent index that is weighted to the rental housing stock to ensure representativeness across the entire market, not just those homes currently listed for-rent. The index is dollar-denominated by computing the mean of listed rents that fall into the 40th to 60th percentile range for all homes and apartments in a given region, which is once again weighted to reflect the rental housing stock. Details available in ZORI methodology.

The Wilshire Focused Liquid Alternative Index℠ is a subset of the Wilshire Liquid Alternative Index℠ and measures the performance of a focused basket of mutual funds that provides risk adjusted exposure to equity hedge, global macro, relative value, and event driven alternative investment strategies.

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.

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.

Diversification and asset allocation do not ensure a profit or protect against loss.

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