INVESTMENT STRATEGY BRIEF:

Watching for a Slowdown Despite the Optimism

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STIFEL

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Outlook 2024: *Embracing Change*

[Report](#) [Video](#) [Webinar](#)

WHAT ARE SOME OF THE CHANGES IN THE WORLD CREATING OPPORTUNITY FOR INVESTORS TO EMBRACE THIS TRANSFORMATION?

1 **AI is rapidly changing how businesses improve processes and productivity.**

In focus: Semiconductors, cloud computing, data storage, and cybersecurity companies driving AI advancements. Explore opportunities in AI applications within healthcare, industrials, finance, and retail.

2 **The structural effects of the pandemic highlight the need for new supply chain and infrastructure investments.**

In focus: Companies in strategic industries prioritized amid rising geopolitical tensions and supply chain restructuring. Consider investments in logistics services and infrastructure development.

3 **Higher debt and higher rates and the ensuing *Fiscal Transition* call for greater focus, and opportunities, in debt and equity investing.**

In focus: Companies with prudent capital allocation and manageable debt burdens that are poised to successfully navigate higher debt and rising rates while potentially capturing market share from competitors.

4 **The 2024 global election supercycle, with 40 major elections, may well transform the geopolitical landscape.**

In focus: Remain diversified and stick to your long-term objectives. Be prepared for risks and opportunities that may arise based on potential policy changes stemming from the election supercycle.

5 **Increasing geopolitical tensions are amplifying further deglobalization.**

In focus: In addition to being diversified, consider companies benefiting from increasing militarization and defense spending. Identify companies that are able to execute well globally and penetrate local markets.

THE FIVE THEMES

3

FOURTH INDUSTRIAL REVOLUTION

Technological innovation has broken down the boundaries between the physical, digital, and biological worlds.

Data as a Commodity

Enhanced Computing

Workforce Optimization

Future of Transportation

SECURING STRATEGIC RESOURCES

Companies and governments are prioritizing the development and protection of critical industries, resources, and services.

Food and Water Security

Net Zero Transition

Renewable Energy

Circular Economy

SHIFTING DEMOGRAPHICS

Changes in global population dynamics will bring about challenges and opportunities.

Millennials

Emerging Global Middle Class

Aging Population

Future of Health

THE NEW CONSUMER

Consumer preferences, expectations, and behavior are altering business models and corporate strategies.

Reimagined Convenience

Digitalization of Human Connectivity

Future of Finance

Future of Leisure

PRODUCTIVE COMPETITION

Rivalry ultimately drives innovation, improves quality of life, and creates value for consumers and the economy.

The New Cold War

Geopolitical Tensions

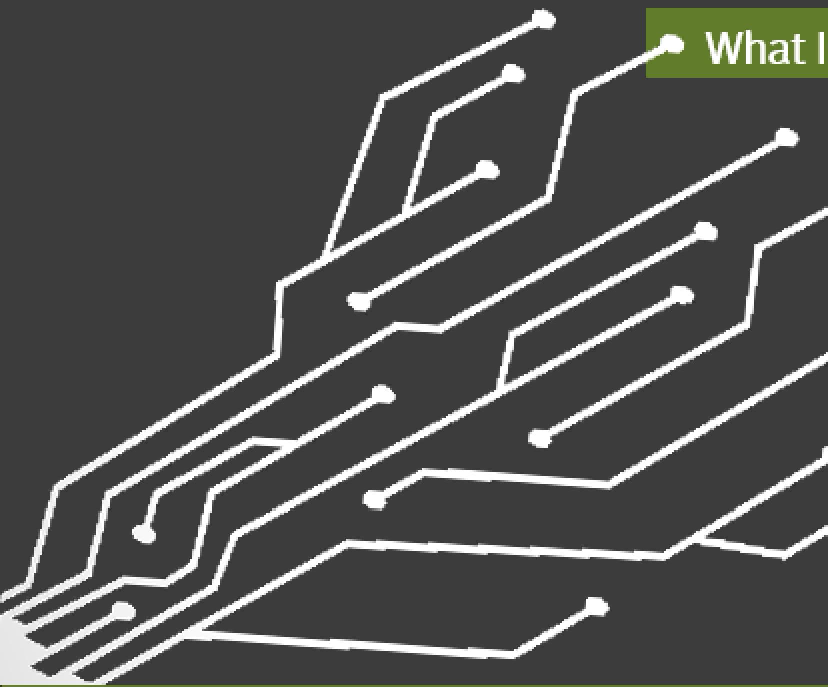
Localization

Transforming Business Models

Get to Know Our Long-Term Investment Themes

Full Report

Source: Stifel CIO Office via *From Vision to Value: Our Long-Term Investment Themes*



What Is AI?

A machine's ability to perform tasks that typically require human intelligence

What Is ChatGPT?

A chatbot that allows the user to ask for help like one would a human

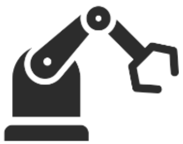
Economic Impacts

- Labor Market Transformation
- Increasing Productivity
- Productive Competition

Investment Opportunity

- Enablers: *The Backbone of AI*
- Innovators: *The Evolution of AI*
- Disruptors: *The Revolution of AI*

2.5 billion gigabytes (GB) of data are created each day. That's equivalent to more than **19 million 128GB iPhones**



By 2030

One-Third

of hours worked could be automated

In **200 seconds, a quantum computer** can solve a problem that the world's current **fastest computer** would need **10,000 years** to compute

Sources: Stifel CIO Office via *Oberlo, McKinsey & Company, Google as of June, 2023.*

Watching for a Slowdown

Debt Added Since GFC

Households	**$5.1 trillion**
Corporate	**$8.5 trillion**
Federal	**$24.8 trillion**

10-year Treasury Yield

Now	**4.3%**
10 Years Forward	**4.9%**
20 Years Forward	**4.0%**

In a higher rate regime, the cost of debt will increase going forward

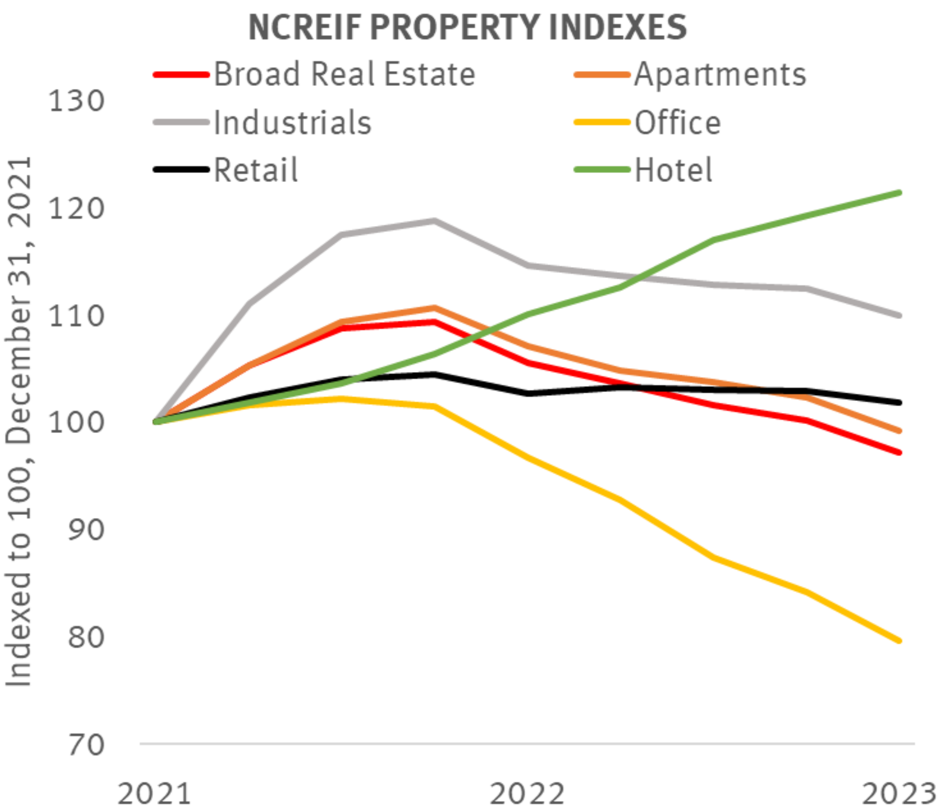
Consumers must manage debt more carefully, in a possibly slowing economy, and defaults and bankruptcies could increase

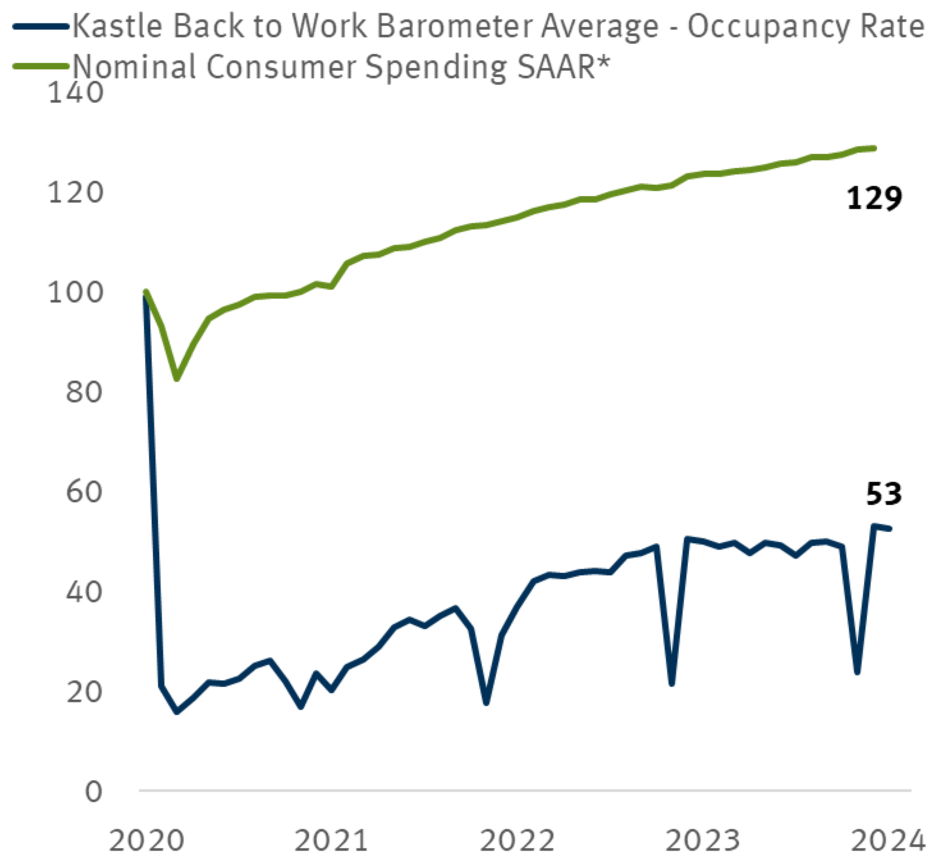
Businesses will adjust how they manage debt, with some companies unable to handle increased debt costs and failing

Government spending, deficits, and debt will come more into focus as the cost of our debt rises and attention turns to fiscal discipline

We remain optimistic that, as a country, we'll get through this fiscal transition stronger. But how much pain will we experience through the process, and when?

Source: Stifel CIO Office, as of March 14, 2024; data via St. Louis Federal Reserve (FRED), New York Federal Reserve, Strategas; GFC = Great Financial Crisis

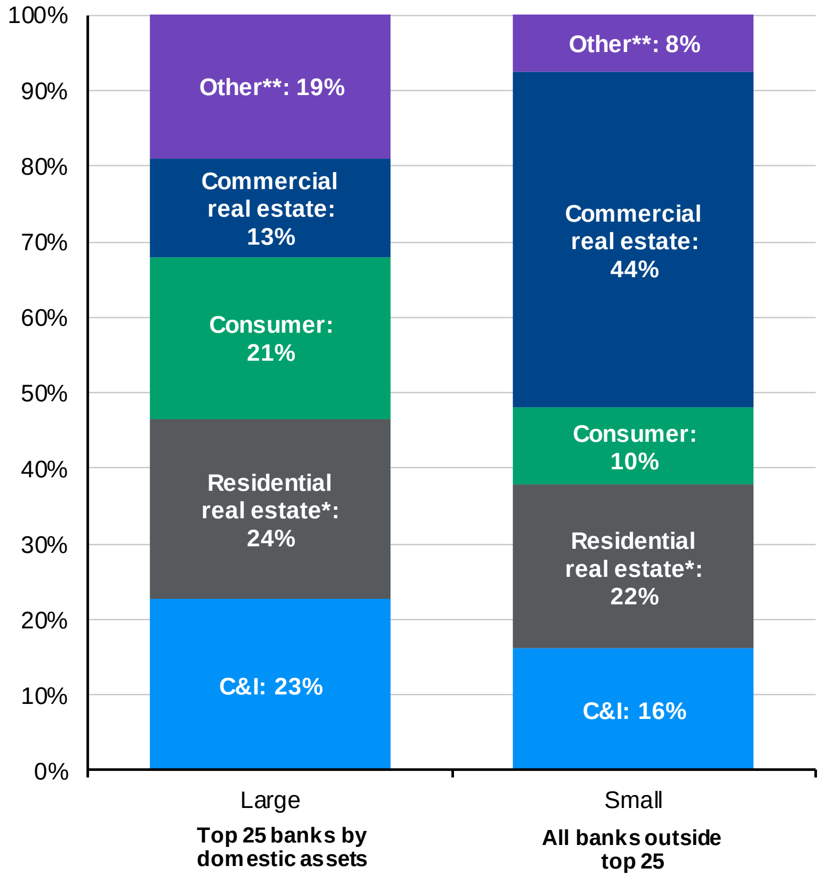




Source: Stifel CIO Office via Bloomberg, as of March 15, 2024; *SAAR – Seasonally Adjusted Annual Rate. Nominal Consumer Spending has been indexed to 100 on February 2020.
NCREIF = National Council of Real Estate Investment Fiduciaries.

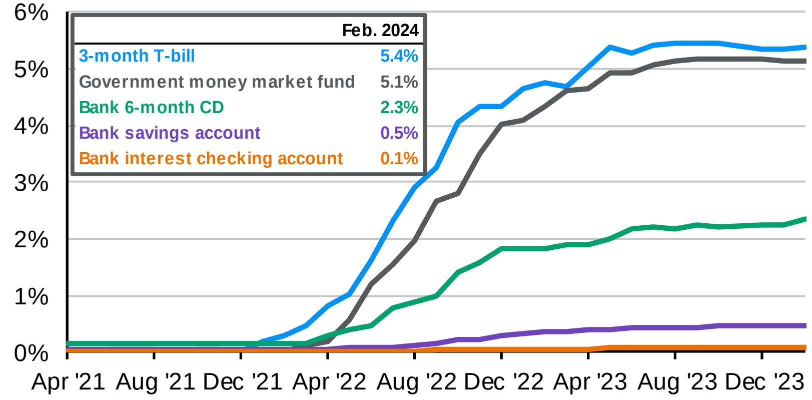
Asset exposure by bank size

% of total loans and leases, domestically chartered commercial banks



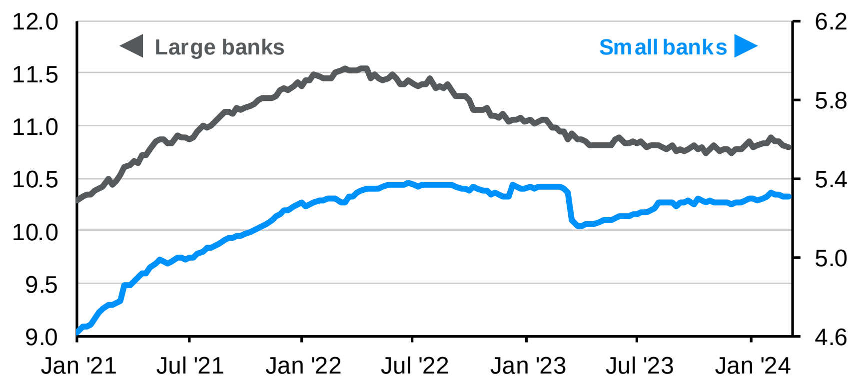
Important market interest rates

Monthly



Bank deposits by bank size

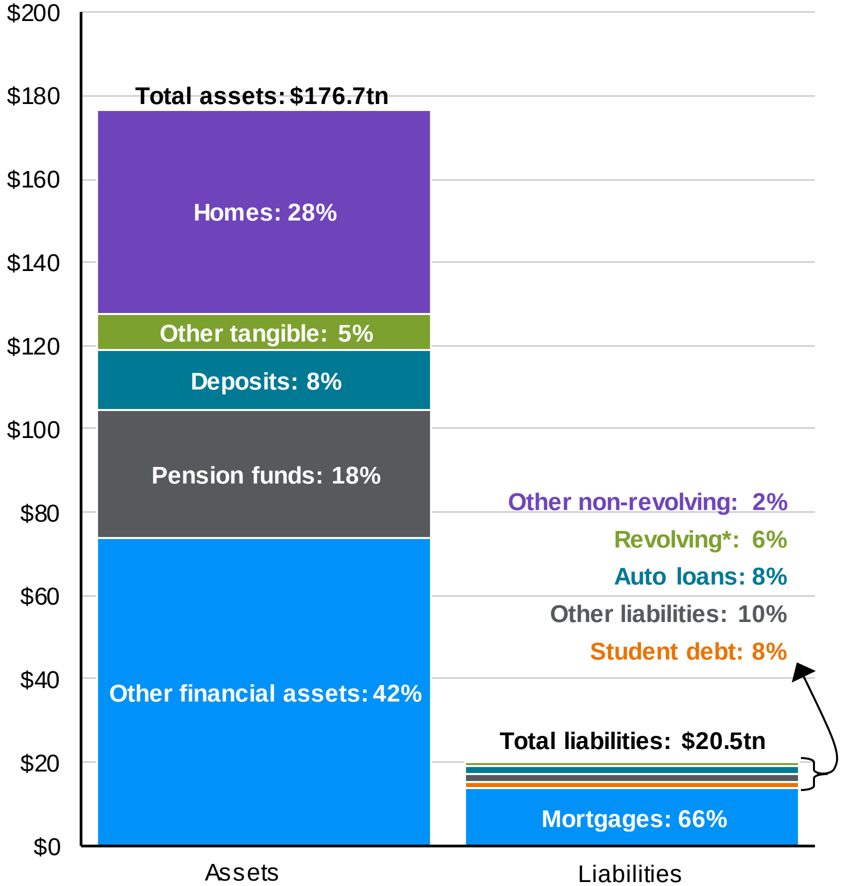
Trillions of USD



Source: Bankrate, Bloomberg, Crane Data, FDIC, Federal Reserve, J.P. Morgan Asset Management. Bank asset exposure is based on the monthly H.8 report by the Federal Reserve. Large banks are defined as the top 25 domestically chartered commercial banks ranked by domestic assets while small banks are defined as all other domestically chartered commercial banks. *Residential real estate includes residential real estate loans, revolving home equity loans and closed-end real estate loans. **Other includes loans for purchasing or carrying securities, loans to finance agricultural production, loans to foreign governments and foreign banks, obligations of states and political subdivisions, loans to nonbank depository institutions, unplanned overdrafts, loans not elsewhere classified and lease financing receivables. (Top right) Bank rates reflect FDIC national rates, which are defined as the average of rates paid by all insured depository institutions and credit unions for which data are available, weighted by each institution's share of domestic deposits.
Guide to the Markets – U.S. Data are as of March 13, 2024.

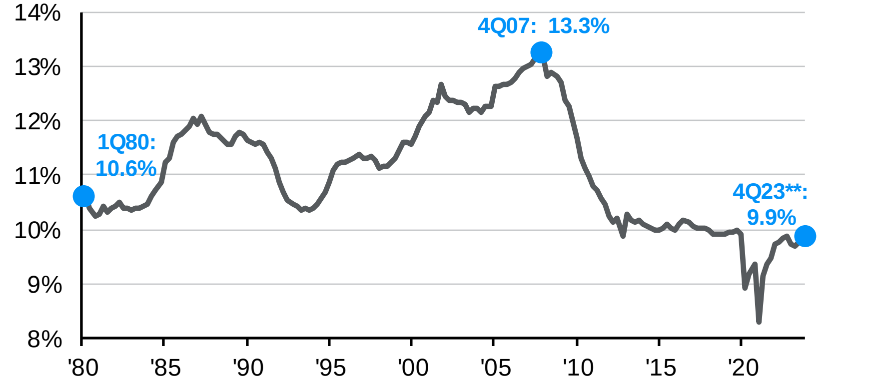
Consumer balance sheet

4Q23, USD trillions, not seasonally adjusted



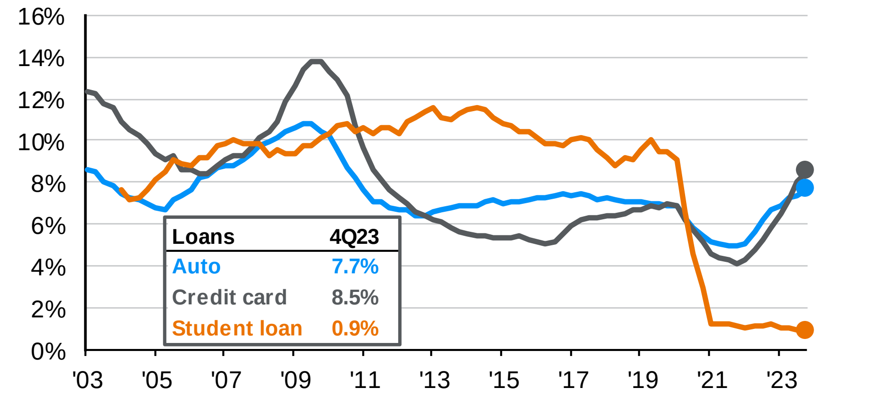
Household debt service ratio

Debt payments as % of disposable personal income, SA



Flows into early delinquencies

% of balance delinquent 30+ days

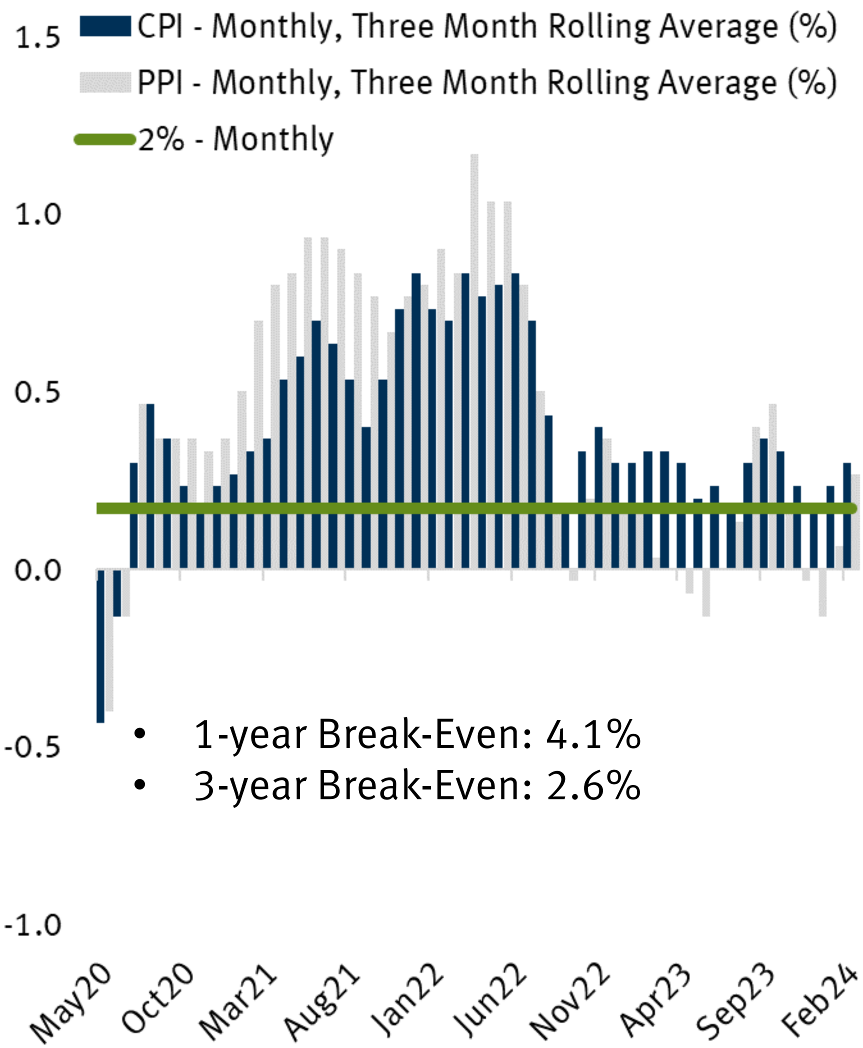


Loans	4Q23
Auto	7.7%
Credit card	8.5%
Student loan	0.9%

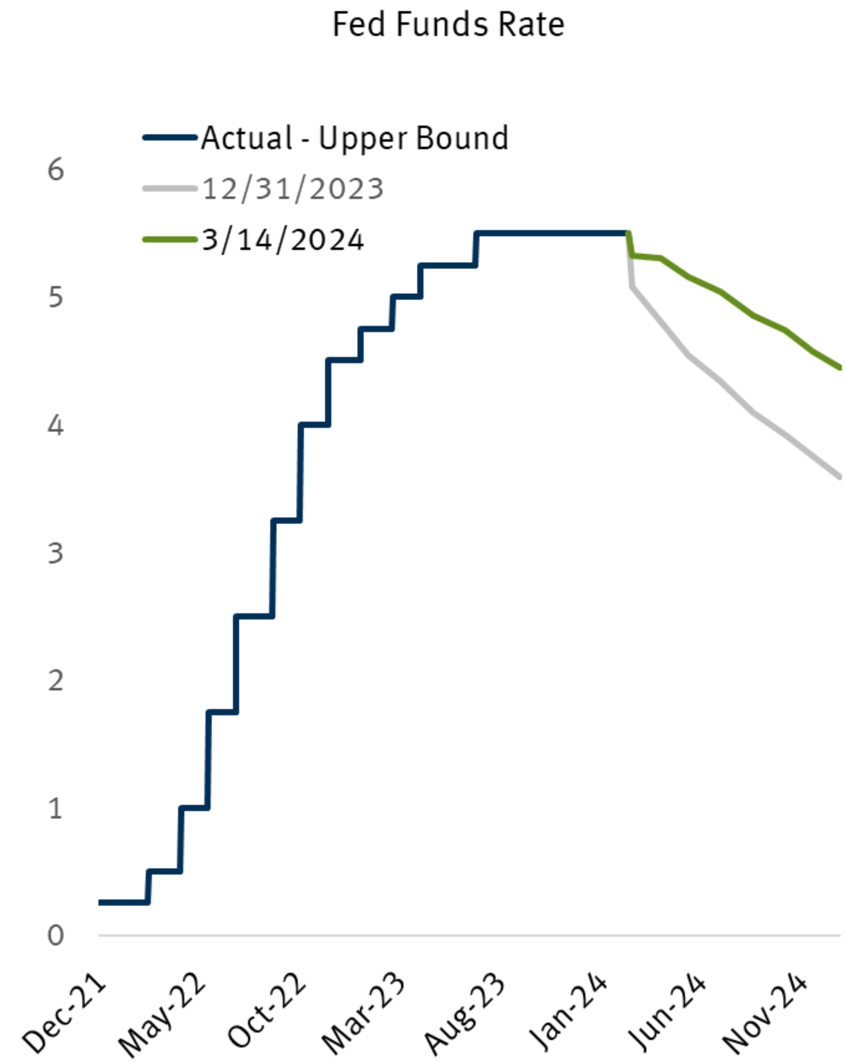
Source: FactSet, FRB, J.P. Morgan Asset Managment; (Top and bottom right) BEA.
Data include households and nonprofit organizations. SA – seasonally adjusted. *Revolving includes credit cards. Values may not sum to 100% due to rounding. **4Q23 figures for debt service ratio are J.P. Morgan Asset Management estimates.
Guide to the Markets – U.S. Data are as of March 13, 2024. e

Inflation/Federal Reserve Policy/Economy

INFLATION AND FED POLICY



- 1-year Break-Even: 4.1%
- 3-year Break-Even: 2.6%



Source: Stifel CIO Office via Bloomberg, as of March 14, 2024

PPI = Producer Price Index
CPI = Consumer Price Index
Fed = Federal Reserve

Some Dovish Signals

December Fed Meeting

- Inflation eased but “**elevated.**”
- “Added the word ‘any’ as an acknowledgement that we believe that we are **likely at or near the peak rate for this cycle.**”
- Remains data-dependent and will balance risks.

January Fed Meeting

- The economy is “expanding at a solid pace.”
- Path for easier policy: Added “**In considering any adjustments to the target range…**” and took out “additional policy firming.”
- “We will continue to make our decisions meeting by meeting.”
- Rate cut unlikely in March.
- While inflation has eased, officials need “**greater confidence** that inflation is moving sustainably toward 2 percent.”

Source: Stifel CIO Office

SEP: Year-End 2024

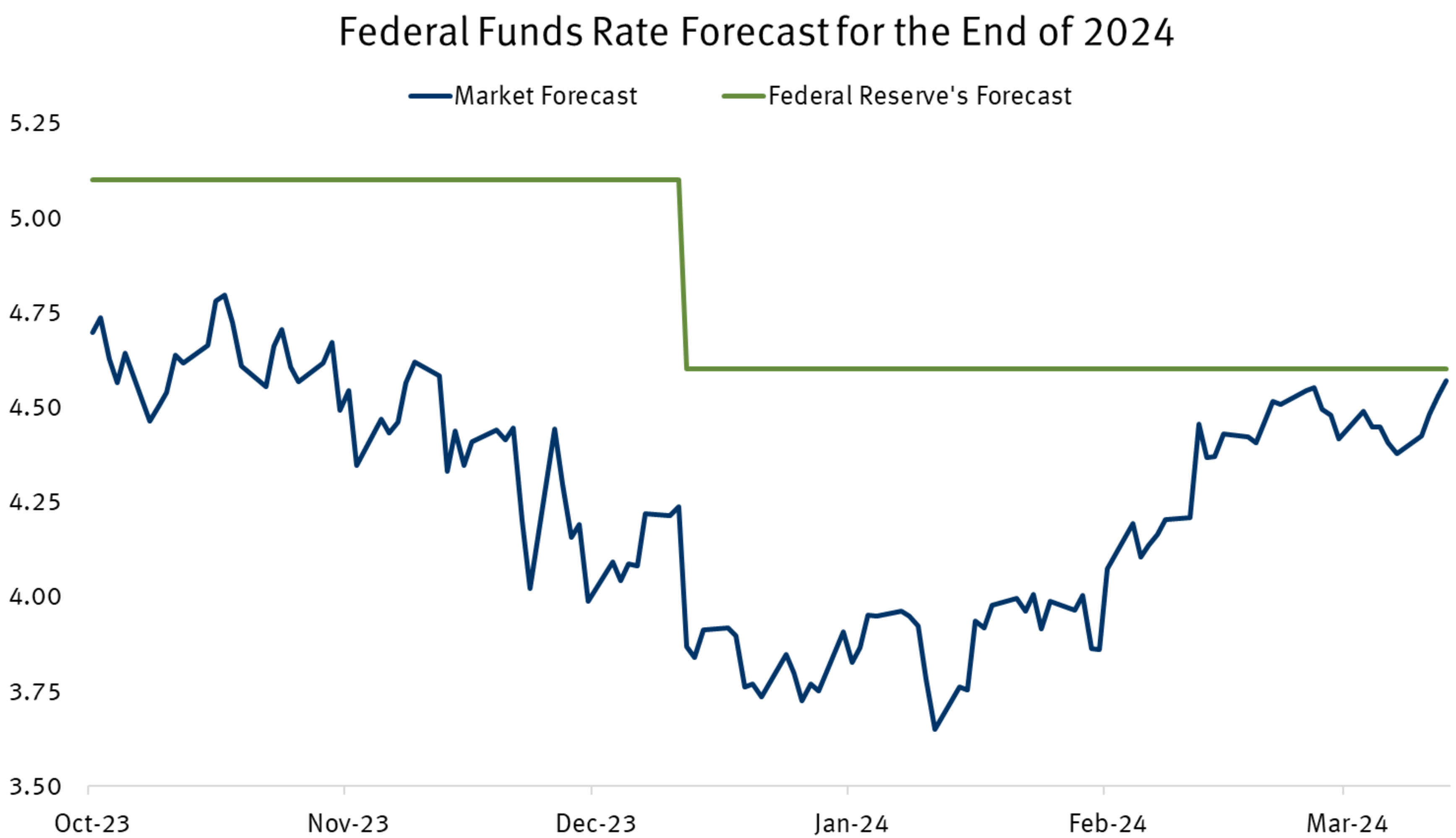
SEP = Summary of Economic Projections
PCE = Personal Consumption Expenditures

	PCE Inflation	Fed Funds Rate	Real GDP 2023	Real GDP 2024
September	2.5%	5.1%	2.1%	1.5%
December	2.4%	4.6%	2.6%	1.4%
Change	**-0.1%**	**-0.5%**	**0.5%**	**-0.1%**

All 19 members see the current rate as peak

Fedspeak

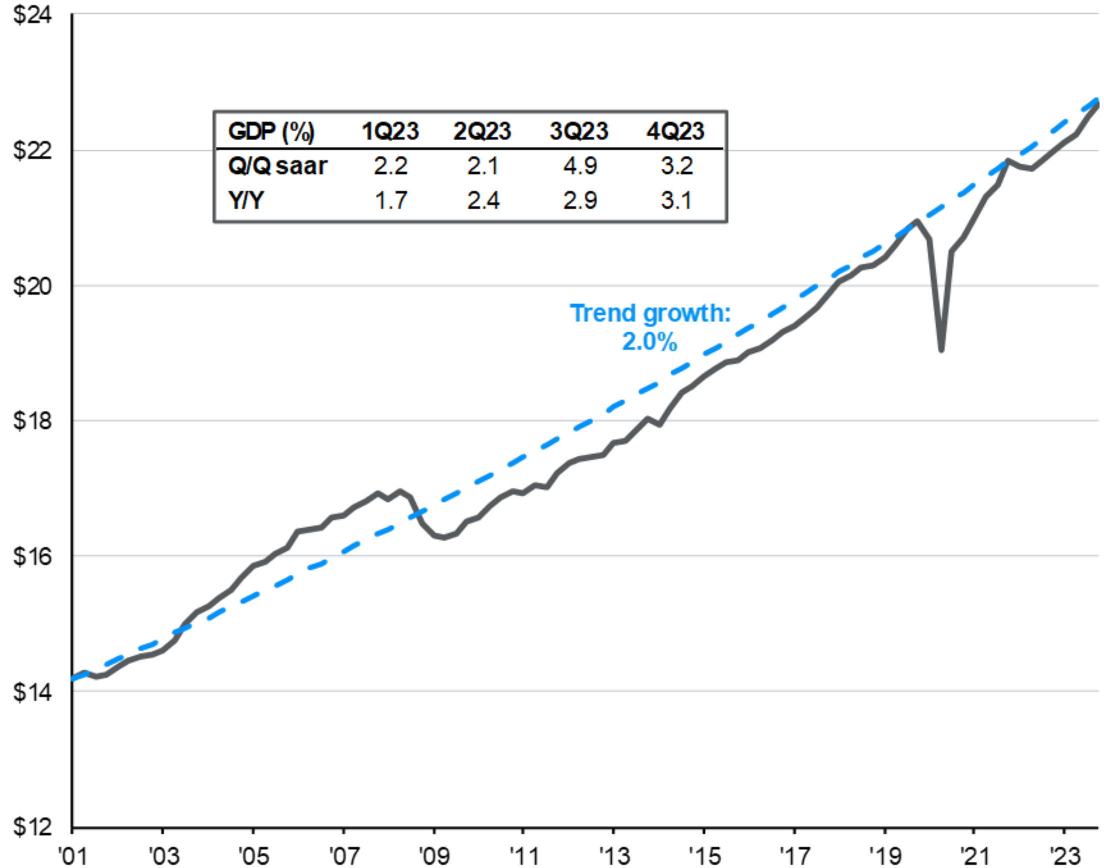
- Likely policy rate is at its peak for this tightening cycle and it will likely be appropriate to begin easing policy later this year.
- “Reducing policy restraint **too soon** or too much could result in a **reversal of progress** we have seen in inflation and ultimately require even tighter policy…reducing policy restraint **too late** or too little could **unduly weaken economic activity** and employment.”
- “When we do get that (inflation) confidence, and we’re not far from it, it will be appropriate to dial back” rates to avoid tipping the economy into a recession.



Source: Stifel CIO Office via Federal Reserve and Bloomberg data, as of March 14, 2024

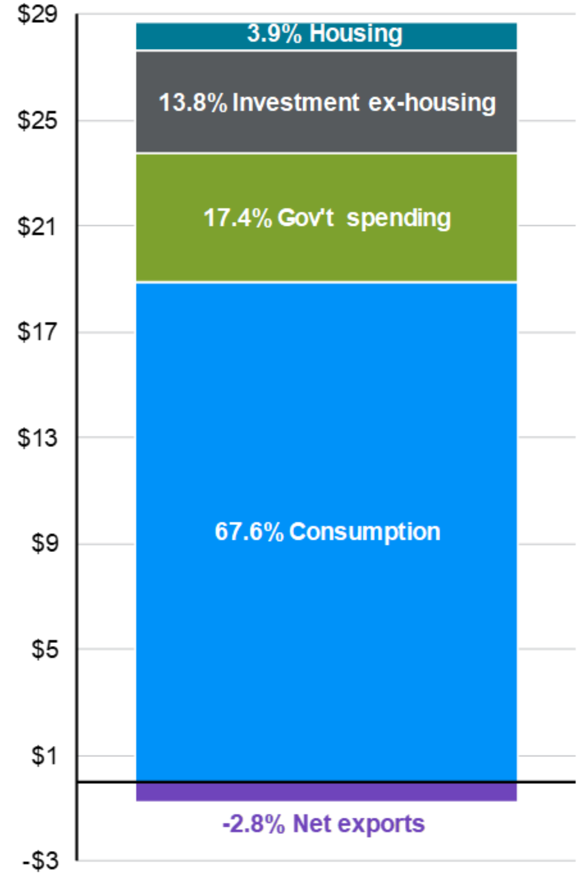
Real GDP

Trillions of chained (2017) dollars, seasonally adjusted at annual rates



Components of GDP

4Q23 nominal GDP, USD trillions



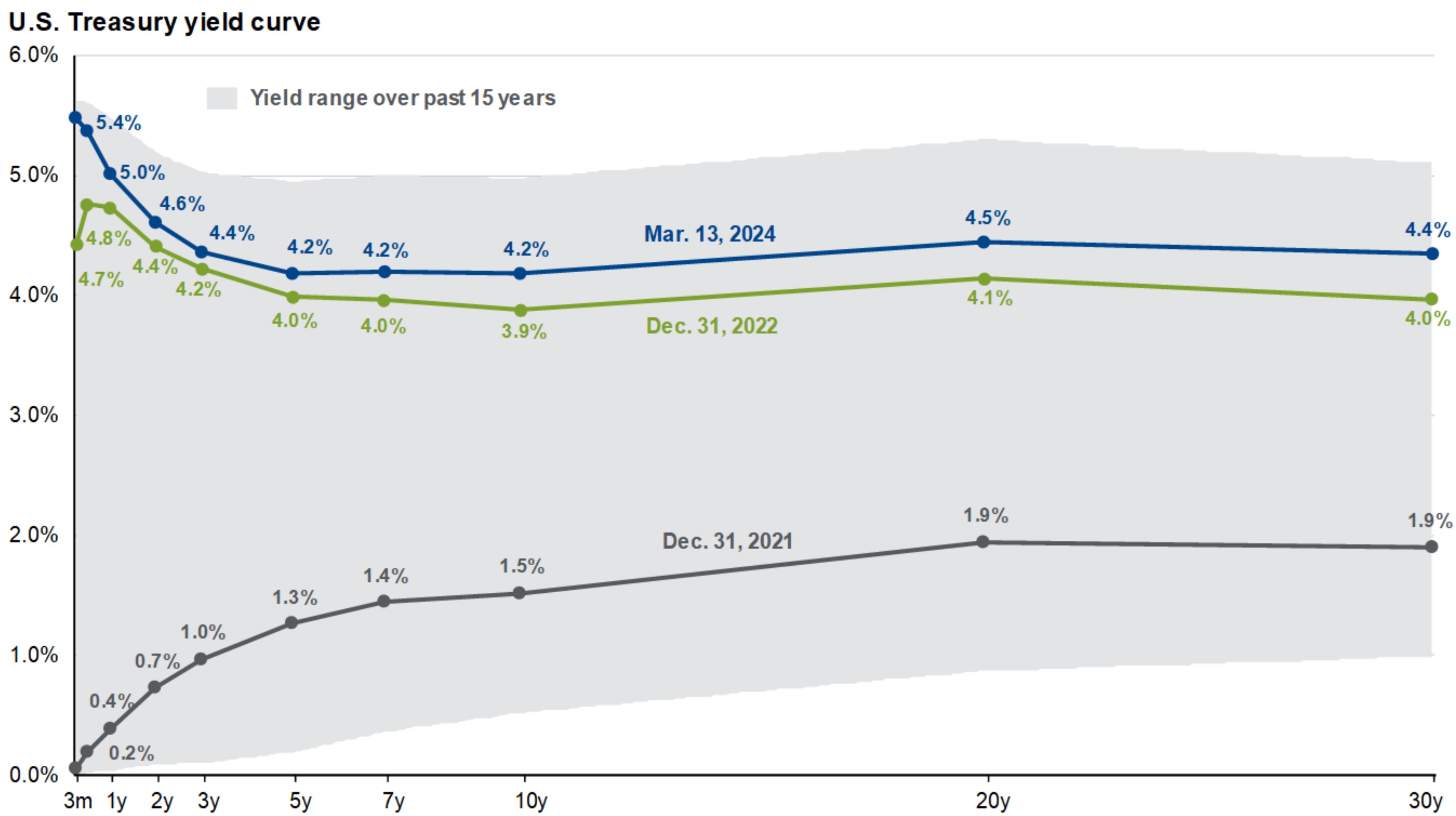
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19. Guide to the Markets – U.S. Data are as of March 14, 2024.

U.S. GDP	Date of Estimate	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023	Q1 2024	Q2 2024	Q3 2024	Q4 2024	2024	2025
Consensus Estimates	**3/14/2024**	**2.2**	**2.1**	**4.9**	**3.2**	**2.5**	**1.9**	**1.2**	**1.1**	**1.5**	**2.1**	**1.7**
Consensus Estimates	January	*0.1*	*-0.6*	*0.0*	*0.9*	*0.3*	*1.5*	*1.8*	*1.0*	*1.6*	*1.3*	*1.7*
Stifel	1/29/2024	1.2	1.8	2.6	1.9	2.8	1.9	2.4	2.2	1.8	2.7	2.2
Goldman Sachs	3/14/2024	1.5	2.5	4.6	2.1	2.8	1.7	2.6	2.3	1.9	2.7	2.1
Capital Economics	3/8/2024	1.2	1.4	3.5	1.9	2.4	2.4	1.5	1.5	1.7	2.5	2.0
Strategas	3/11/2024	1.0	1.6	3.0	2.0	2.4	2.0	1.8	2.0	2.0	2.5	2.5
UBS	3/8/2024	1.5	1.6	4.7	1.4	2.4	1.8	-0.7	-1.1	1.7	1.6	1.6
Wells Fargo	2/23/2024	0.6	0.9	4.7	1.7	2.4	2.4	1.3	1.0	1.1	2.4	1.7
Bloomberg Economics	2/5/2024	1.2	1.5	4.9	1.1	2.4	1.0	0.5	1.7	1.9	2.0	1.9
Barclays	3/8/2024	1.5	1.5	5.0	2.0	2.5	2.5	2.0	1.5	1.5	2.6	1.5
JPMorgan Chase	3/8/2024	1.1	1.7	4.3	2.0	2.5	2.3	1.5	0.8	0.8	2.3	1.6
Federal Reserve**	12/13/2023					2.6					1.4	1.8

Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively. Stifel estimates based on Stifel sell-side Economics department estimates. **Percent change from fourth quarter to fourth quarter one year ago. “Consensus Estimates” for time periods that have passed represent actual results and consensus estimates in grey shaded boxes represent first estimate of year.

Source: Stifel CIO Office via Bloomberg, as of March 14, 2024. Federal Reserve (Fed) estimates are as of December 13, 2023.

Markets



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of March 14, 2024.

**Based on taxable equivalent yield. Taxable equivalent yield assumes a 37% federal tax and 3.8% net investment income tax.*

Source: Stifel CIO Office via Bloomberg, as of March 14, 2024

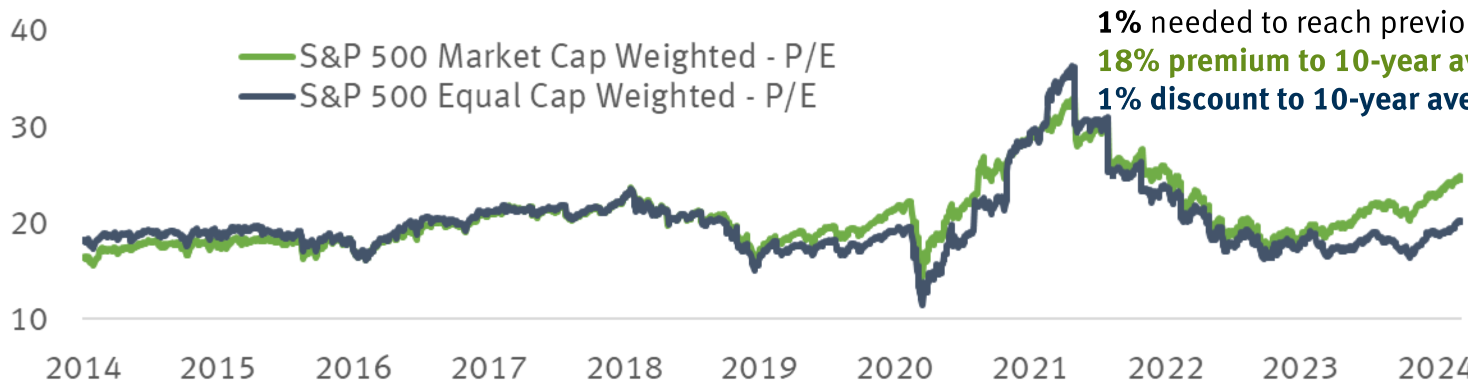
NEAR-TERM RISKS AND OPPORTUNITIES

EPS	EPS Forward P/E						
	17x	18x	19x	20x	21x	22x	23x
$255	4,335	4,590	4,845	5,100	5,370	5,610	5,986
$250	4,250	4,500	4,750	5,000	5,264	5,500	5,868
$243	4,131	4,374	4,617	4,860	5,117	5,346	5,704
$240	4,080	4,320	4,560	4,800	5,054	5,280	5,633
$230	3,910	4,140	4,370	4,600	4,843	5,060	5,399
$218	3,706	3,924	4,142	4,360	4,591	4,796	5,117
$210	3,570	3,780	3,990	4,200	4,422	4,620	4,929

Consensus 2024 EPS

Consensus 2023 EPS

Current S&P 500 Index Level



1% needed to reach previous S&P 500 high

18% premium to 10-year average

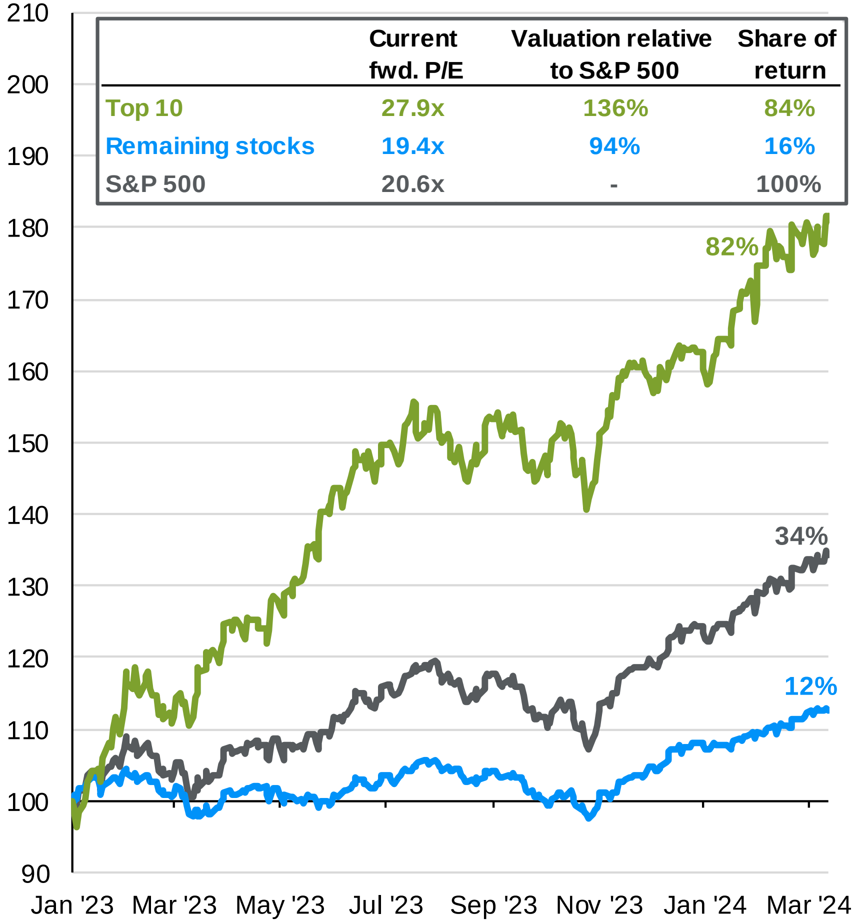
1% discount to 10-year average

Source: Stifel CIO Office via Bloomberg, as of March 15, 2024

EPS = Earnings Per Share

Performance of the top 10 stocks in the S&P 500

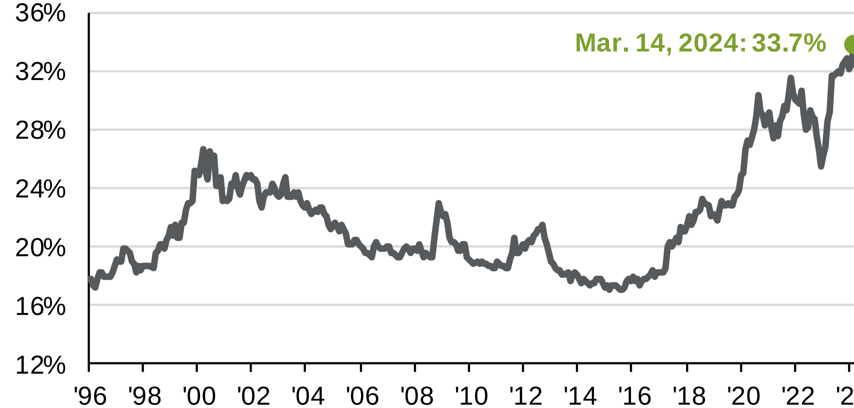
Indexed to 100 on 1/1/2023, price return, top 10 held constant



	Current fwd. P/E	Valuation relative to S&P 500	Share of return
Top 10	27.9x	136%	84%
Remaining stocks	19.4x	94%	16%
S&P 500	20.6x	-	100%

Weight of the top 10 stocks in the S&P 500

% of market capitalization of the S&P 500

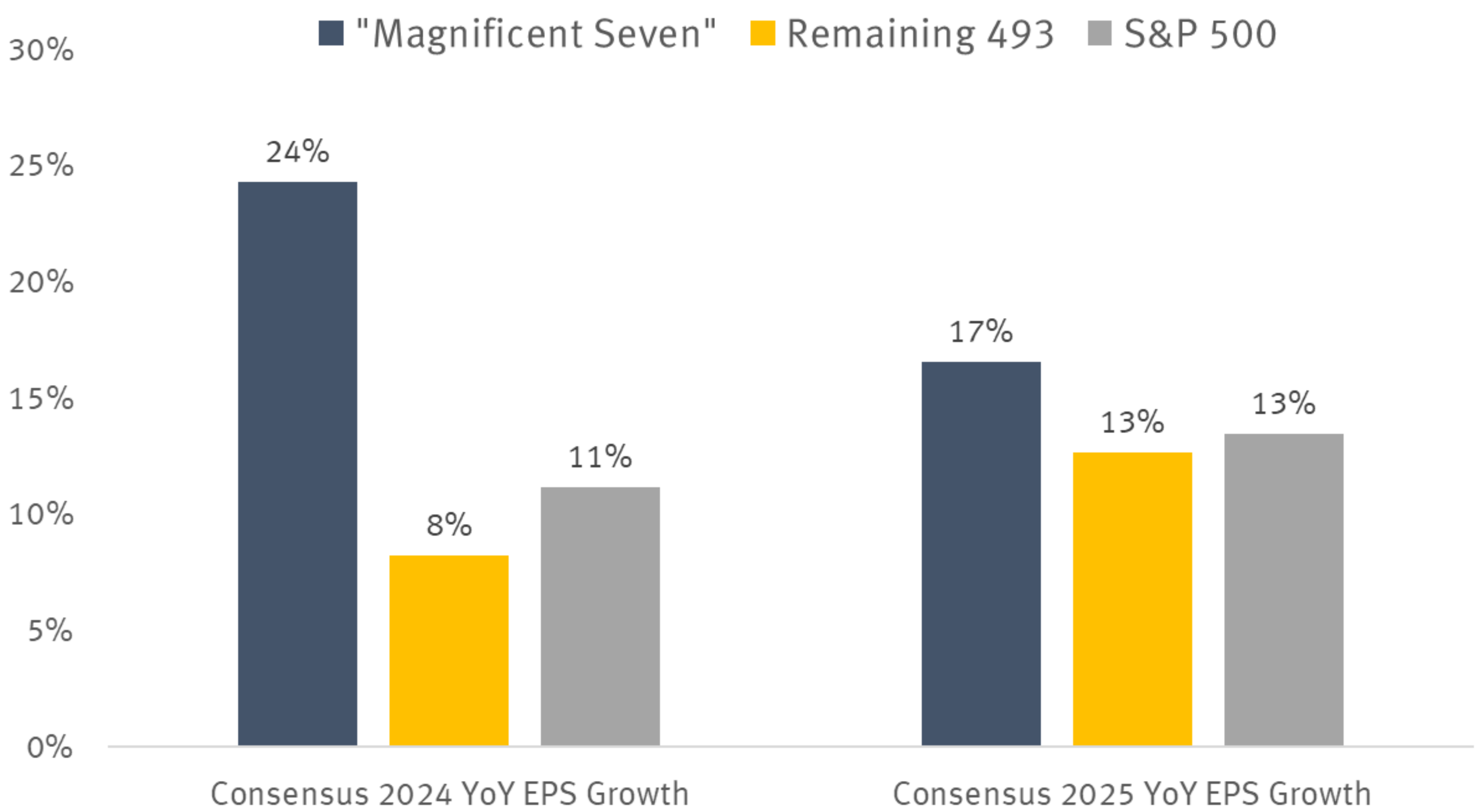


Earnings contribution of the top 10 in the S&P 500

Based on last 12 months' earnings

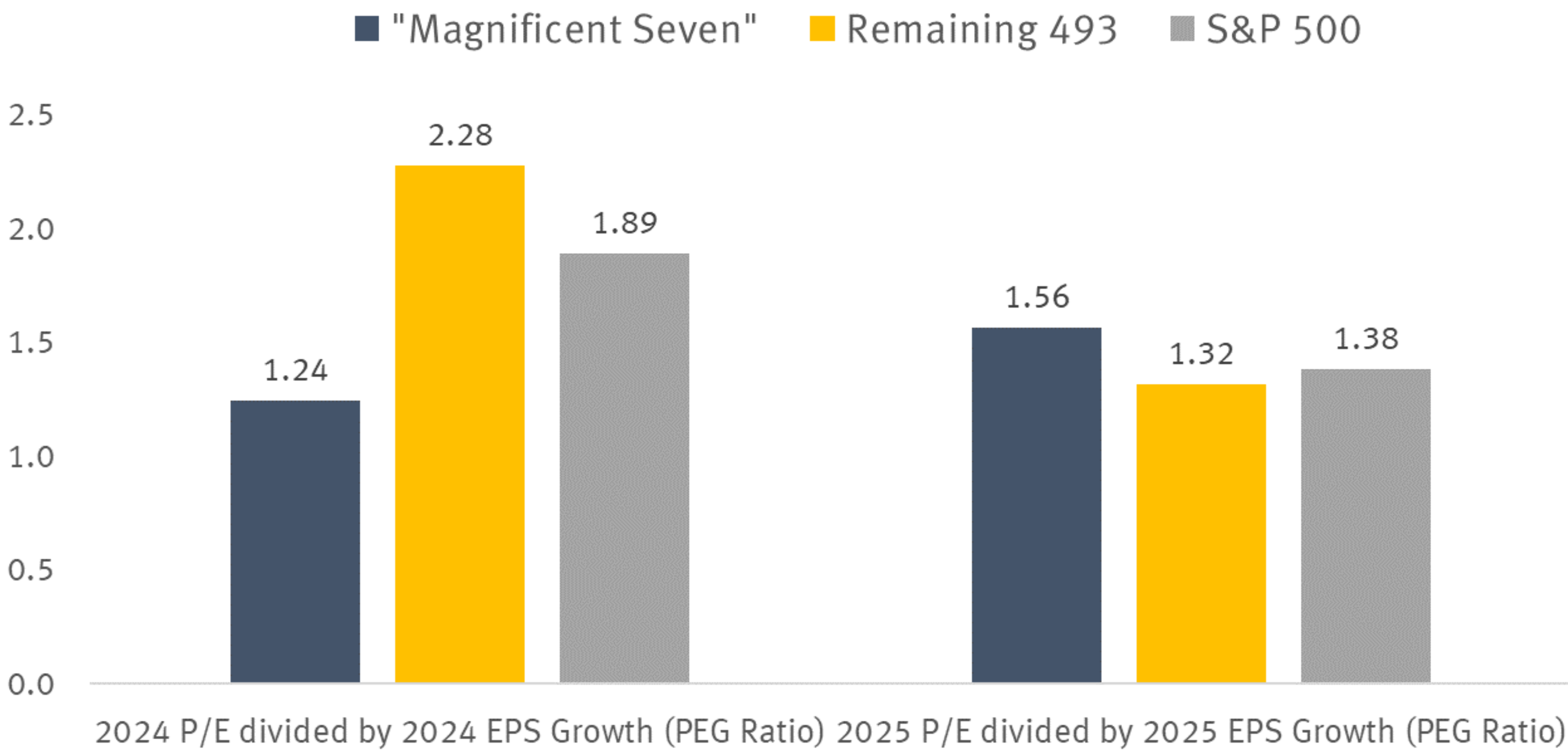
Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
(Left) The top 10 companies used for this analysis are held constant and represent the S&P 500's 10 largest index constituents at the start of 2023.
The top 10 stocks are: AAPL, MSFT, AMZN, NVDA, GOOGL, BRK.B, GOOG, META, XOM, UNH, and TSLA. The remaining stocks represent the rest of the 494 companies in the S&P 500. (Right) The top 10 companies used for these two analyses are updated monthly and are based on the 10 largest index constituents at the beginning of each month. As of 2/29/2024, the top 10 companies in the index were MSFT (7.2%), AAPL(6.2%), NVDA (4.6%), AMZNN (3.8%), META (2.5%), GOOGL (1.9%), BRK.B (1.7%), GOOG (1.6%), LLY (1.4%), AVGO (1.3%) and TSLA (1.3%).
Guide to the Markets – U.S. Data are as of March 14, 2024.

MAGNIFICENT 7 - EARNINGS



YoY = year over year
Source: Stifel CIO Office via FactSet, as of March 15, 2024

MAGNIFICENT 7 - VALUATIONS

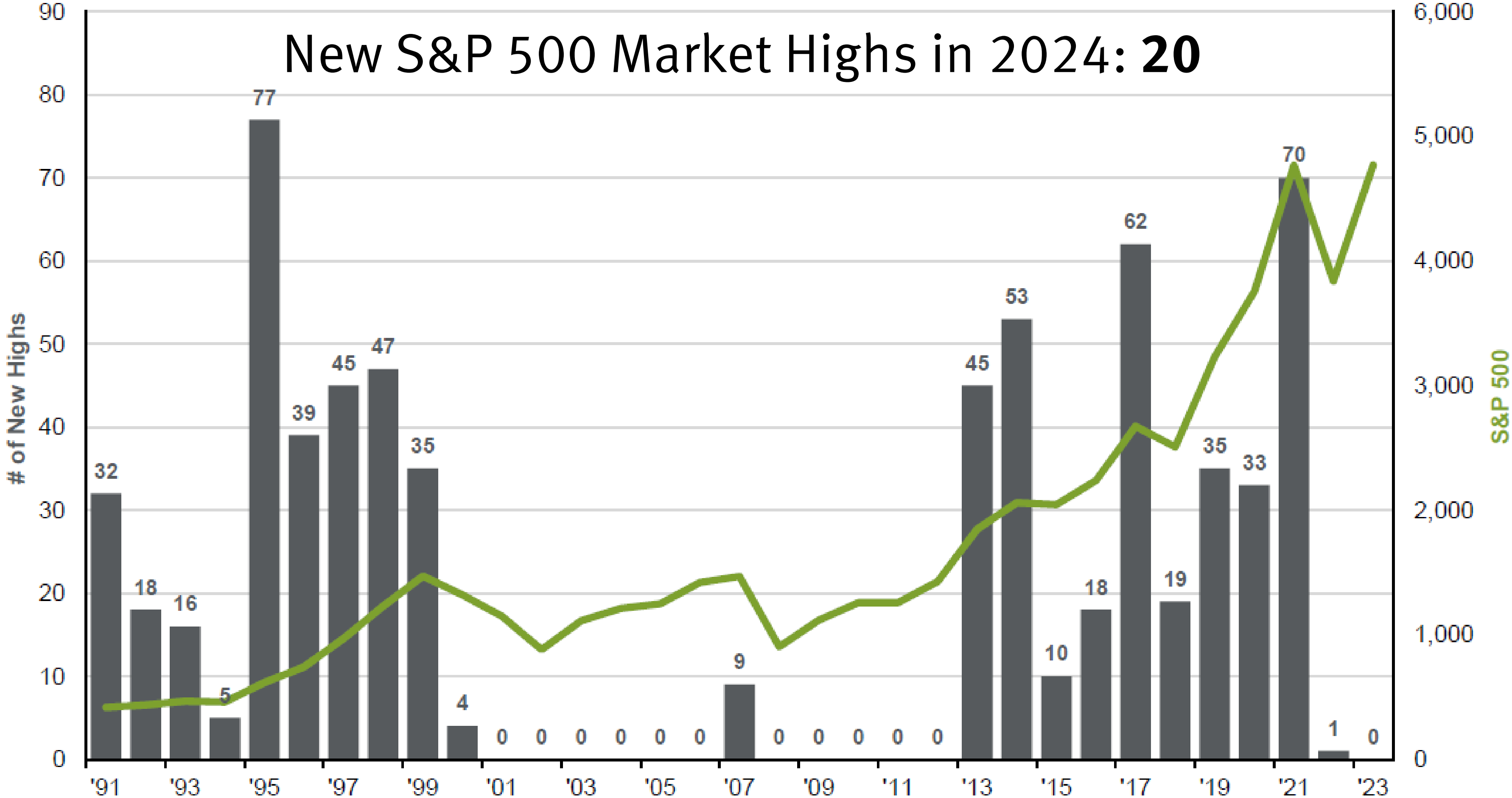


Source: Stifel CIO Office via FactSet, as of March 15, 2024

Index	2021	2022	2023	2024
S&P 500 Index	28.7%	-18.1%	26.3%	8.6%
S&P 500 Eq. Weight.	29.6%	-11.5%	13.8%	5.4%
S&P 500 Financials	34.9%	-10.6%	12.1%	9.3%
KBW Reg. Banking	36.7%	-6.9%	-0.4%	-9.3%
Russell 1000 Value	25.1%	-7.6%	11.4%	6.1%
Russell 1000 Growth	27.6%	-29.1%	42.7%	10.1%
Magnificent Seven Index	51.5%	-45.3%	107.0%	15.2%
NYSE FANG+ Index	17.7%	-40.0%	96.4%	12.9%
Russell 2000 Index	14.8%	-20.5%	16.9%	2.4%
MSCI EAFE Index	11.3%	-14.5%	18.2%	5.3%
MSCI EM Index	-2.5%	-20.1%	9.8%	2.5%
Bloomberg U.S. Agg	-1.5%	-13.0%	5.5%	-1.0%

Source: Stifel CIO Office via Bloomberg, as of March 13, 2024

New highs in an equity bull market tend to cluster together
S&P 500 price index and the number of new all-time highs ticked each year since 1991



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of December 31, 2023.

Looking Forward

MARCH	
1/15/28	Consumer Sentiment
8	Employment
12/28	Inflation
14	Retail Sales
19	Housing
20	Fed Policy Decision

APRIL	
5	Employment
10	Inflation
10	Federal Open Market Committee (FOMC) Minutes
12/26	Consumer Sentiment
15	Retail Sales
23	Housing

MAY	
1	Fed Policy Decision
3	Employment
10	Consumer Sentiment
15/31	Inflation
15	Retail Sales
22	Federal Open Market Committee (FOMC) Minutes
23	Housing

JUNE	
7	Employment
14	Consumer Sentiment
12/27	Inflation
18	Retail Sales
20	Housing
12	Fed Policy Decision

Sources of Potential Volatility

- Macroeconomic Conditions
  - Economy
  - Inflation
  - Monetary Policy
  - Market Valuations
- Geopolitical Tensions
  - Russia – Ukraine
  - Israel – Hamas
  - Red Sea
  - South China Sea
- Global Election Supercycle
  - 40 major elections worldwide
  - U.S. Presidential Election
- Fiscal Transition
  - Regional Bank Stress
    - Commercial Real Estate Loans
  - Corporate Refinancing
  - Government Debt
  - Consumer Spending

Getting Ready: The 2024-U.S. Presidential Election

Our approach on preparing for the election:

- Understanding the 4 phases of the election
    1. Early primary
    2. Late primary
    3. General election
    4. Post-election
- Anticipating each candidate's impact on businesses and markets
- Understanding each candidate's chances of winning
- Assessing any possible changes in congressional control

CONGRESS

HOUSE OF REPRESENTATIVES

213 Seats

219 Seats

3 Vacancy

All 435 seats up for re-election

SENATE

48 Seats

49 Seats

23 Up for Re-election

10 Up for Re-election

3 Independent

More than 40% of the world's population will be voting in 40 national elections

Key Themes

Economic Opportunity	Protectionism	International Relations

5 elections to watch as the U.S. and China compete for influence:

- Taiwan, Indonesia, India, Mexico, European Union

World's largest economies may be evolving…

GDP

2023	2050*
1. U.S.	1. China
2. China	2. U.S.
3. Germany	3. India
4. Japan	4. Indonesia (NEW)
5. India	5. Germany
6. U.K.	6. Japan
7. France	7. Brazil (NEW)

*Source: An Economist's Guide to the World in 2050 via Bloomberg

Sight|Lines: The 2024 Election Supercycle Brings Into Focus an Evolving World Order

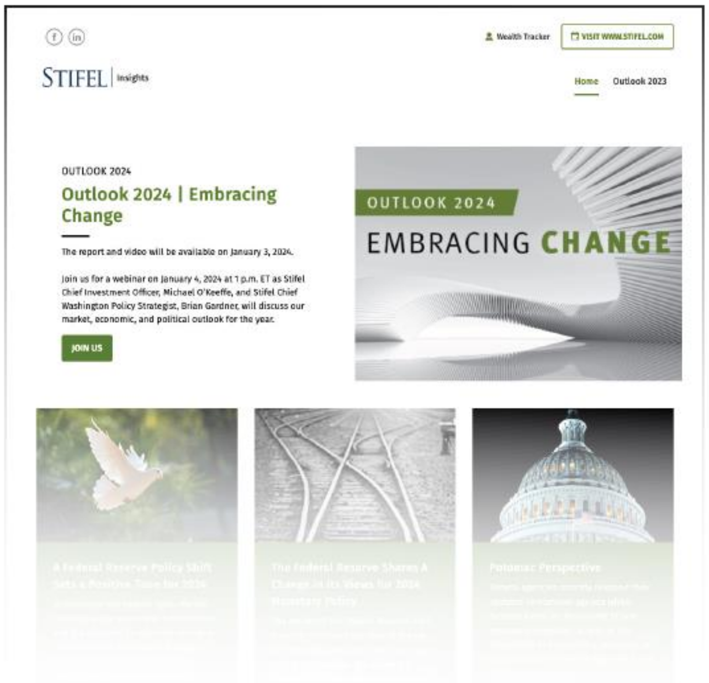
Bear and Bull Scenarios

THE CONSUMER	EARNINGS	ANIMAL SPIRITS
Consumption makes up about two-thirds of U.S. GDP, so how the consumer behaves during the year will greatly influence outcomes.	Actual earnings and views about future earnings will continue to drive market performance.	Investors, the consumer, and business leaders are all affected by animal spirits, or how emotions drive behavior, including consumer confidence.
***Bear case* | Deep Recession** The pain of higher rates, more layoffs and fewer jobs, and worries about geopolitical hotspots and the election causes the consumer to slow spending much more than expected.	***Bear case* | Deep Recession** Higher rates illustrate the fiscal challenges facing companies in 2024, and this, combined with a much less engaged consumer, triggers an unexpected earnings recession.	***Bear case* | Deep Recession** A slowdown in economic growth and global contagion greatly erode animal spirits, which would be magnified even more with a geopolitical shock, like the Israel-Hamas war expanding or conflict in Taiwan.
***Bull case* | Irrational Exuberance 2.0** Higher rates and a slightly softer job market don't discourage consumers, who continue "spending beyond their means." Companies are reluctant to lay off workers as one of the lasting effects of the pandemic.	***Bull case* | Irrational Exuberance 2.0** Businesses manage well through the start of the *Fiscal Transition* started by higher rates and increased debt, and this, combined with increased consumer demand, results in double-digit earnings growth.	***Bull case* | Irrational Exuberance 2.0** 2024 becomes a period of Irrational Exuberance 2.0, with businesses and consumers more confident than they probably should be, driving animal spirits higher.

WHERE TO FIND
STIFEL GUIDANCE

The Stifel CIO Office develops economic and market analysis, and corresponding investment guidance, for the benefit of Stifel clients. You can find all of our Stifel Guidance at:

stifelinsights.com



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WEEKLY | MONTHLY | QUARTERLY

VIDEO | PODCAST | NEWSLETTER

VIDEO | PODCAST | NEWSLETTER

Dynamic leanings

144 ASSET ALLOCATION MODELS FOR YOUR SELECTION

6
Risk Profiles

Conservative | Moderately Conservative | Moderate | Moderate Growth | Moderately Aggressive | Aggressive

2
Time Frames

- Strategic (Long Term)
- Dynamic (Near Term)

3
Levels of Liquidity

- Tier 1
- Tier 2
- Tier 3

2
Equity Choices

- U.S. Focused
- Global

2
Fixed Income Choices

- Tax Sensitive
- Taxable

DYNAMIC LEANINGS

Underweight / Neutral / Overweight

EQUITY

ASSET CLASS	CURRENT: Underweight	CURRENT: Neutral	CURRENT: Overweight	COMMENTS
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.
U.S. Large Cap vs. U.S. Small Cap	■			Small cap equity valuations remain attractive and reflect worries about an economic downturn and the greater vulnerabilities from higher financing 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.
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.
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.
Europe vs. Japan	■			Japan was a solid performer in 2023, but we believe there is still the potential for relative outperformance. Japan's economic growth remains positive, and corporate governance reform 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.

DYNAMIC LEANINGS

Underweight | Neutral | Overweight

	ASSET CLASS	CURRENT	COMMENTS
FIXED INCOME	U.S. Investment Grade vs. U.S. High Yield	Overweight	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 vs. Government vs. Agency MBS	Underweight	We have a modest preference for government and mortgage-backed securities relative to investment-grade corporate bonds, which can be expressed with passive investments or may be implemented by active managers. Agency MBS spreads remain well above their 2021 lows, and both fundamental and technical factors are supportive of this sector. Treasury yields remain attractive and should provide an added diversification benefit if the economy deteriorates.
FIXED INCOME	**Duration**	Neutral	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	Neutral	For investors interested in alternative investments and able to handle illiquidity, exposure to some combination of private equity, private debt, and/or private real estate can be considered as part of a diversified portfolio.
ALTERNATIVES	Hedge Funds	Neutral	For investors interested in alternative investments and able to handle less liquidity who have conviction about manager skill, exposure to hedge funds can be a helpful part of a diversified portfolio. This is especially true in volatile, low-return environments.

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 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 US Government debt.

Bloomberg 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.

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.

Russell 1000 Value Index measures the performance of those Russell 1000 index companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index measures the performance of those Russell 1000 index companies with lower price-to-book ratios and lower forecasted growth values.

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 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.

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.

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.

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.

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