Insights from Stifel's CIO Office

January 19, 2022

INVESTMENT STRATEGY BRIEF:
Outlook 2022: Balancing Acts

STIFEL

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OUTLOOK 2022: BALANCING ACTS

See our Stifel Outlook 2022 report, video, and client webinar replay.

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COVID-19

POLICY

MARKETS

Rise in consumer spending*
8.0%

Jobs created*
6 million

GDP growth*
5.6%

Core PCE inflation*
4.4%

**Numbers are estimates and do not yet reflect the final result.*

See our Stifel Outlook 2022 report, video, and client webinar replay.

A MORE DIGITAL WORLD

- E-Commerce
- Telehealth
- Extended Reality

INDUSTRIES DISRUPTED

- Labor Market
- Supply Chains
- Semiconductors

See our Stifel Outlook 2022 report, video, and client webinar replay.

EVENT	LIKELIHOOD	MARKET IMPACT
European Fragmentation	4	5
D.C. Gridlock	4	6
North Korea Conflict	5	3
The New Cold War	5	8
Emerging Market Uncertainty	6	4
Post-Brexit Tensions	6	4
Climate Change Compromise	6	5
South China Sea Military Conflict	6	7
Coronavirus Resurgence	7	8
U.S.-China Competition	10	7

THE END OF FISCAL EXPANSION:

- Build Back Better
- Taxes

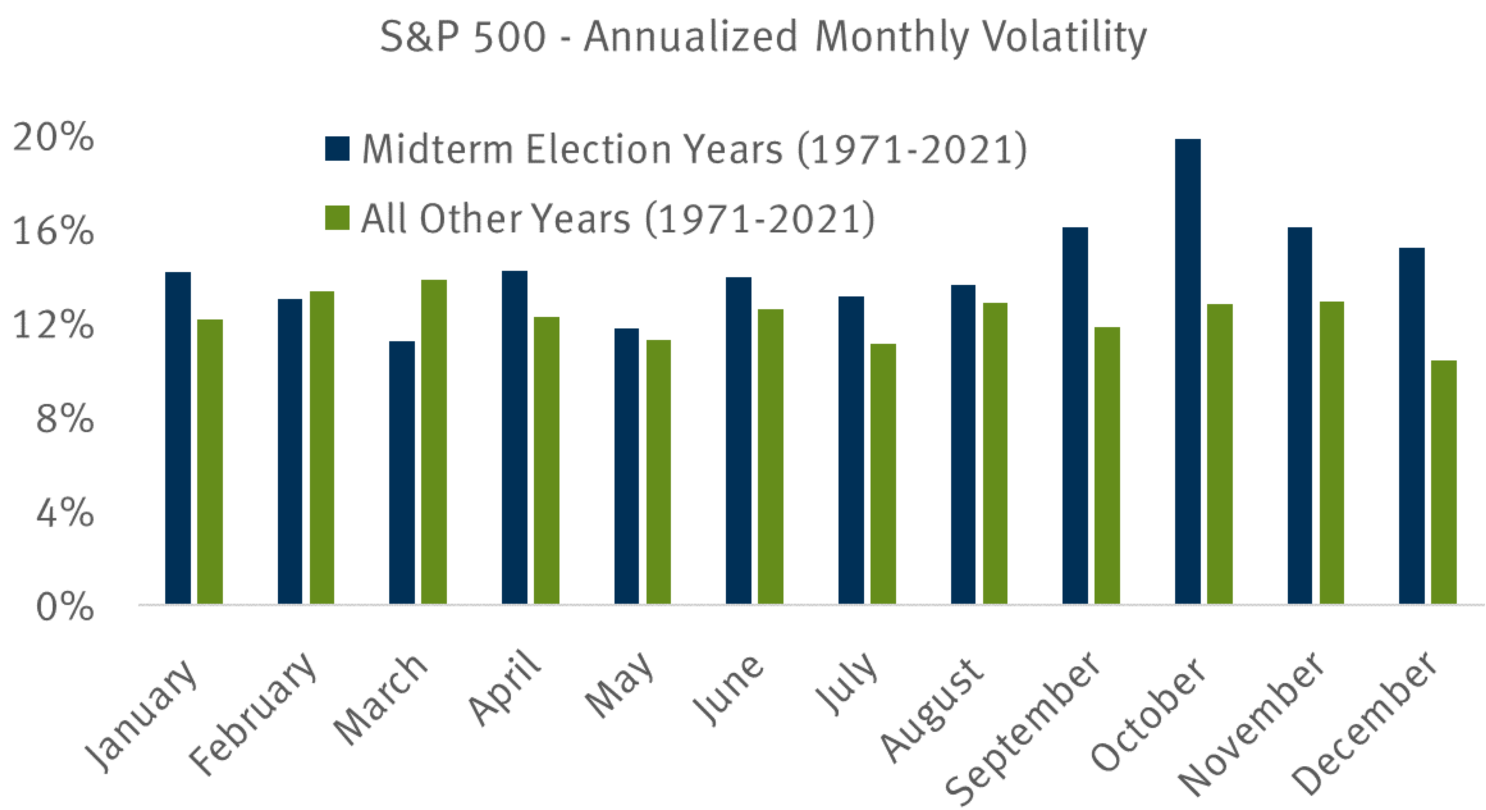
MIDTERMS:

- Republican Gains
- Control of the Senate

SHIFT TO REGULATORY FOCUS:

- Tech/Social Media
- Cryptocurrency
- Supply Chains

 See our Stifel Outlook 2022 report, video, and client webinar replay.



Source: Stifel Investment Strategy via Bloomberg, as of December 31, 2021
Volatility is calculated based on the standard deviation of daily returns for each individual month using 252 trading days a year. The median volatility for each month is displayed.

	2021 RESULT	2022 FORECAST
U.S. Real GDP*	5.6%	3.5% - 4.0%
Core PCE Inflation (YoY)**	4.4%	2.5% - 3.0%
Federal Funds Rate	0% - 0.25%	0.75% - 1.0%

*2021 result based on latest Bloomberg consensus estimate.
**Based on the Fed's latest estimate.

	2021 RESULT	2022 FORECAST
S&P 500	4,766 28.7% (TR)	5,005 7% (TR)
10-Year Treasury (%)	1.52%	1.75% - 2.0%
Market Pulse Publications*	8	12
Investment-Grade Spreads (bps)	92	100 - 125
High-Yield Spreads (bps)	283	325 - 350

*The Stifel Investment Strategy team issues a Market Pulse publication when the S&P 500 closes up or down by at least 2% on a given day.

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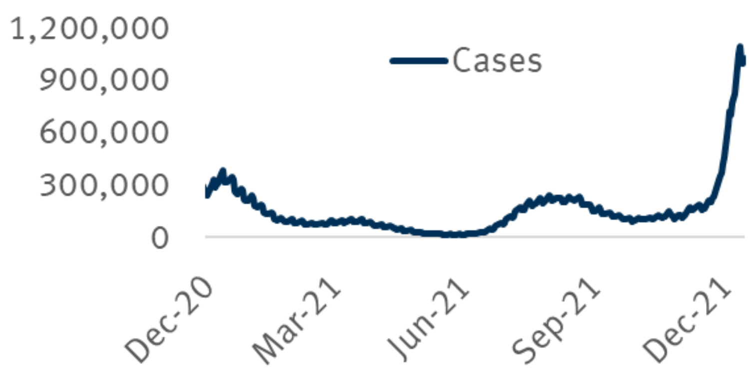
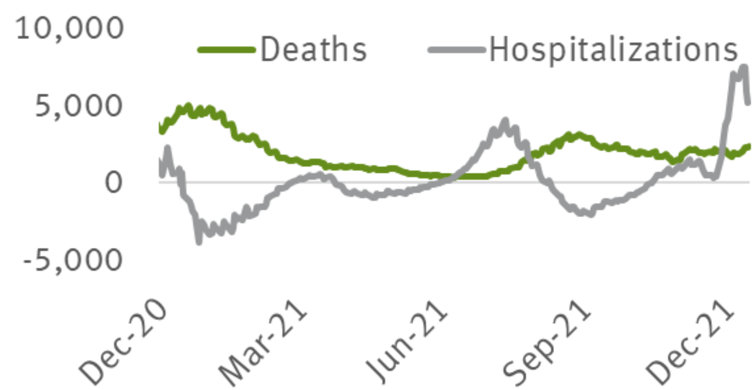
CORONAVIRUS	INFLATION	FISCAL AND MONETARY POLICY
The trajectory of the virus will influence how quickly the supply chain imbalances resolve, consumer confidence improves, and pent-up demand is released.	The Fed has made a hawkish shift due to higher inflation, but the path of inflation through 2022 may cause the Fed to adjust its policy during the year.	In the wake of historical levels of policy support, any policy misstep could lead to periods of uncertainty, investor anxiety, and volatility in the markets.
Bear case: Cases surge, putting a strain on the healthcare system, and the virus mutates to evade vaccines. Consumer behavior is permanently changed, and the pent-up demand fades.	***Bear case:*** The Fed either tightens too quickly or is behind the curve. High inflation curbs consumer spending, impacts profit margins, and keeps economic and earnings growth lower.	***Bear case:*** The economy isn't able to "stand on its own." As policy support fades and current benefits like the child tax credits expire, consumers engage less, and businesses suffer.
Bull case: Future mutations are benign in severity, and global restrictions lift faster than expected. Animal spirits awaken, and the economy grows more quickly than expected.	***Bull case:*** Inflation falls more quickly than anticipated, proving more transitory than current forecasts so that the Fed can raise rates at a slower pace.	***Bull case:*** A Goldilocks scenario with balanced fiscal spending and an accommodative Fed unfolds. The economy grows well above trend, and markets deliver double-digit returns.

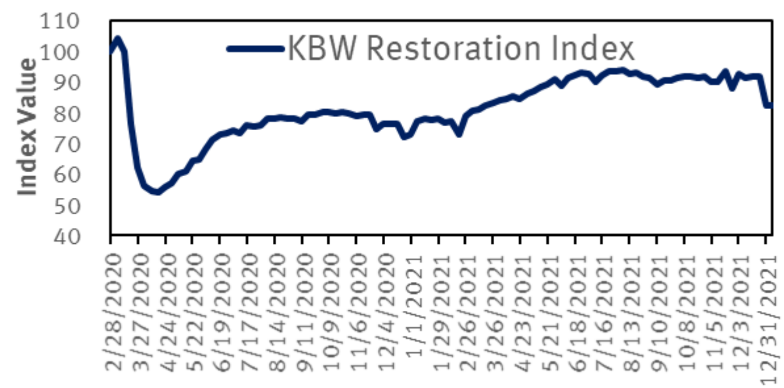
PANDEMIC UPDATE





Source: Stifel Investment Strategy via Bloomberg, Our World in Data, as of January 14, 2022 ; based on 7-day moving average data. Change in cases, deaths, and hospitalizations shown above.

This data shows how community movement in specific locations has changed relative to the period before the pandemic. Source: Stifel Investment Strategy via Google Mobility Trends, as of January 14, 2022; based on 7-day moving average data.

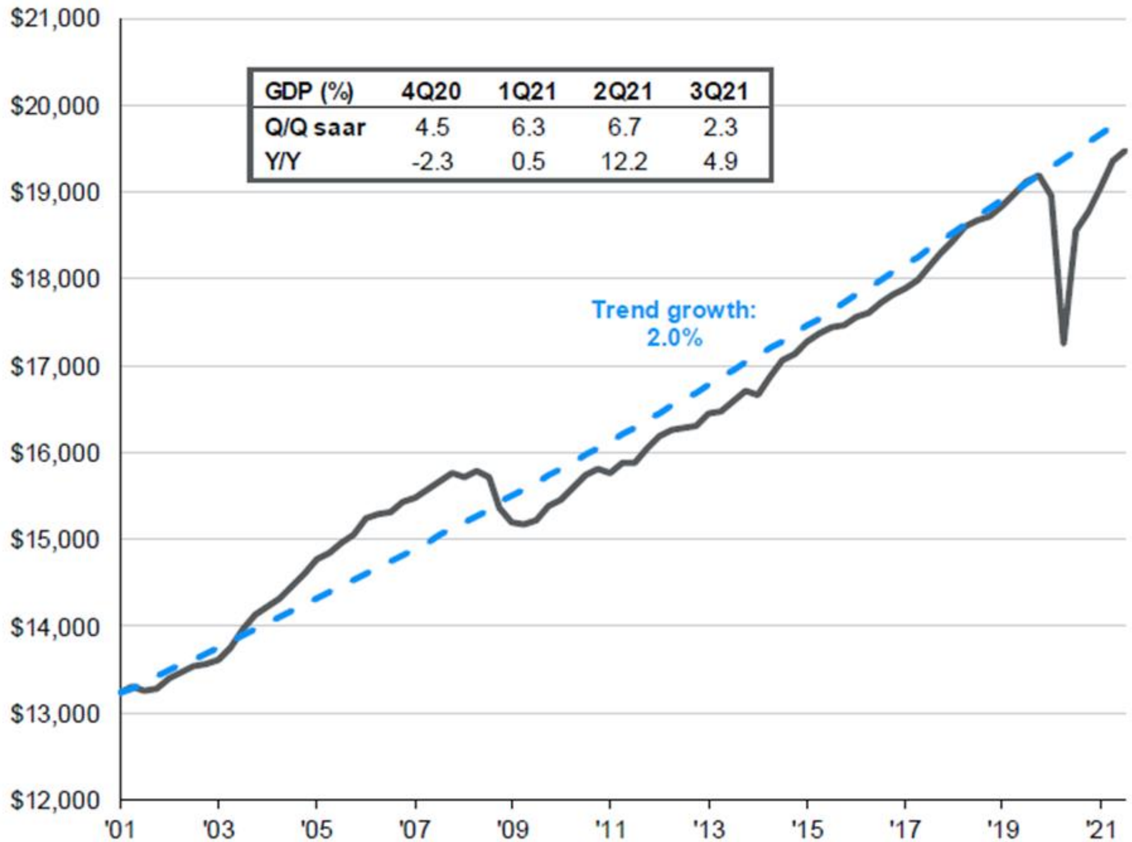


Source: Stifel Investment Strategy via KBW, as of January 12, 2022

MACRO ENVIRONMENT

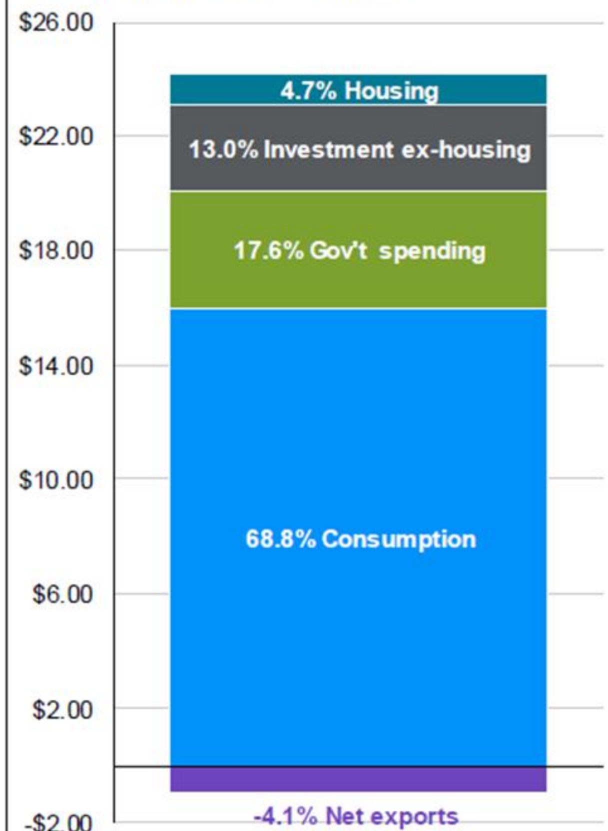
Real GDP

Billions of chained (2012) dollars, seasonally adjusted at annual rates



Components of GDP

3Q21 nominal GDP, USD trillions



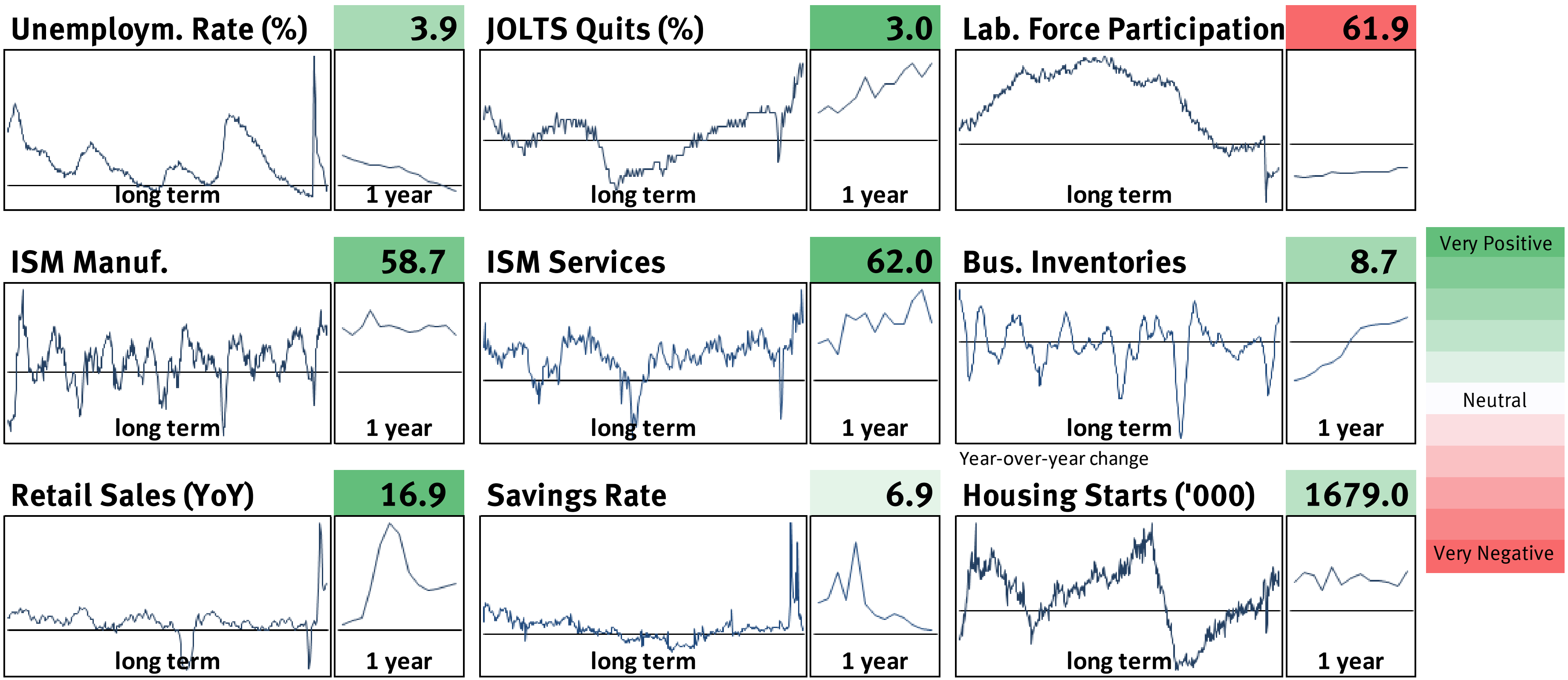
Source: BEA, FactSet, J.P. Morgan Asset Management. Values may not sum to 100% due to rounding. Trend growth is measured as the average annual growth rate from business cycle peak 1Q01 to business cycle peak 4Q19.
Guide to the Markets – U.S. Data are as of January 11, 2022.

The Consumer

115.8 **Conference Board Consumer Confidence** **(as of Dec 31, 2021)**	**+16.9%** **Retail Sales** **(as of Dec 31, 2021)**
6.9% **Savings Rate** **(as of Nov 30, 2021)**	**3.9%** **Unemployment Rate** **(as of Dec 31, 2021)**

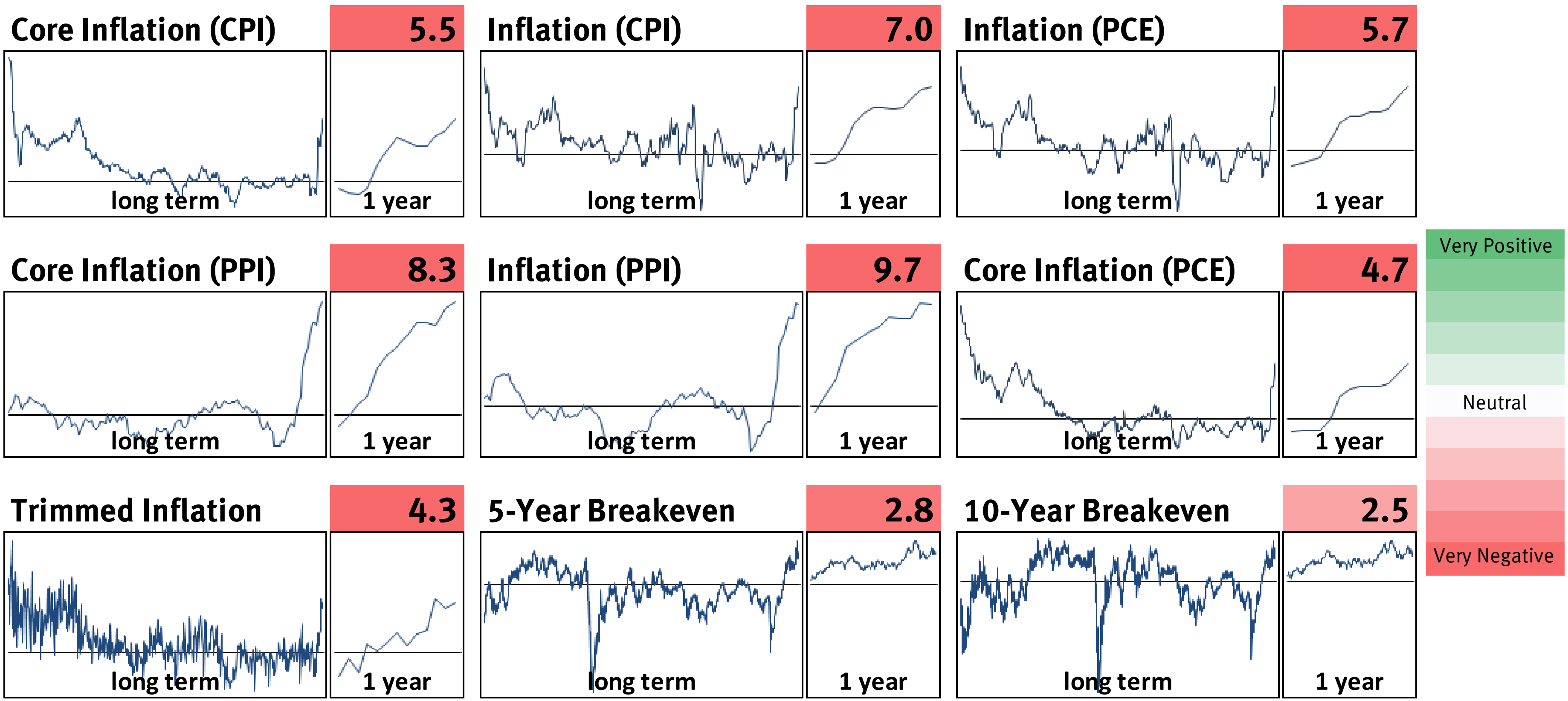
Source: Stifel Investment Strategy data via Bloomberg, as of January 14, 2022; Number of 100 and above is considered positive for Conference Board Consumer Confidence.

The Economy



Source: Stifel Investment Strategy via Bloomberg, as of January 14, 2022

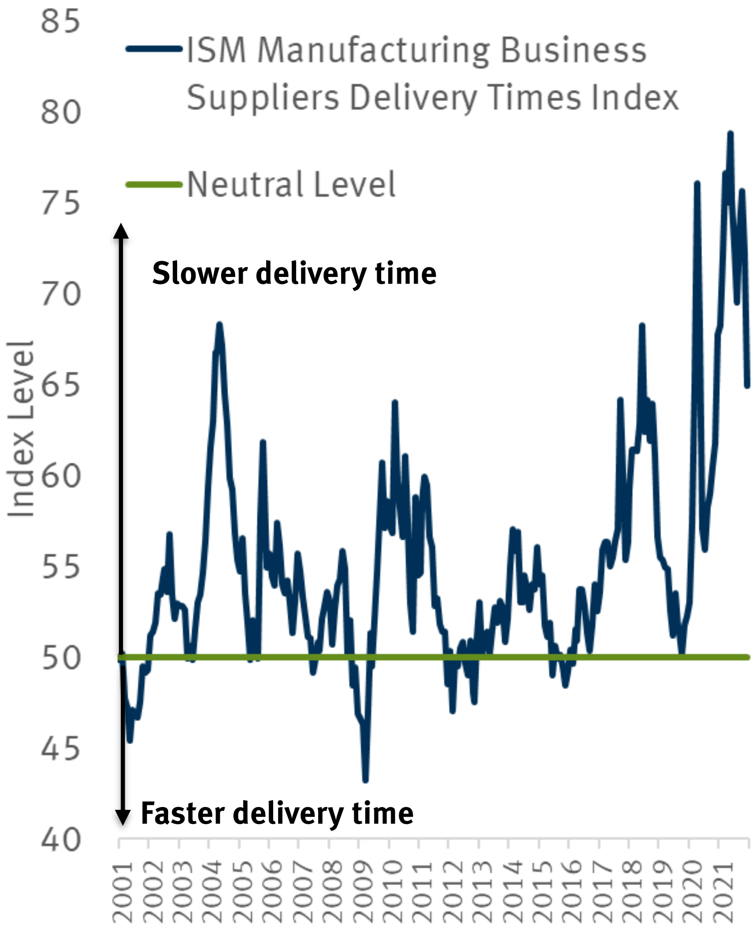
Inflation



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

Source: Stifel Investment Strategy via Bloomberg, as of January 14, 2022

MACRO ENVIRONMENT: **INFLATION**



Source: Stifel Investment Strategy via Bloomberg, as of January 13, 2022

CPI (7.0%)

	Housing	Food	Medical Care	Transportation	Education	Apparel	Recreation	Other goods & services
Weighting	42.4%	15.2%	8.9%	15.7%	6.8%	2.7%	5.8%	3.2%
Price % (yearly)	4.1%	6.3%	2.5%	4.2%	1.7%	5.8%	3.3%	4.6%
Notable Inflation Items	Lodging away from home 23.9%	Meats, fish, poultry, and eggs 12.5%	Physicians' Services 4.3%	Car and truck rental 37.3%	Day care and preschool 2.7%	Men's outerwear 10.7%	Sporting vehicles 7.8%	Stationery 9.0%

Source: Stifel Investment Strategy data via Capital Economics, Bloomberg, as of January 14, 2022 (https://www.bls.gov/cpi/tables/relative-importance/home.htm#Archived%20Relative%20Importance%20Data)

Monetary Policy

- 2022 a balancing act as the Fed tightens policy
- FOMC minutes indicate a more hawkish stance
  - Discussion around increasing rates sooner or at a faster pace
  - Balance sheet normalization (QT) closer to rate liftoff
- Fed's dual mandate: price stability and maximum employment
  - Unemployment at 3.9% - below long-term equilibrium rate
  - Core inflation (CPI) at 5.5%
  - Risk to monitor: Omicron's impact to economy
- Markets pricing in 4 rate hikes in 2022
- Equity market volatility to be elevated

Government Spending – End of Fiscal Expansion

- Fiscal stimulus to decelerate in 2022, shift to regulatory focus
- Spending from bipartisan infrastructure bill will start
- Some programs in the American Rescue Program could end - esp. if BBB fails
- Build Back Better (BBB) – almost $1.75 Trillion (likely to be scaled back)
    - 3 paths forward
        - Smaller bill with some programs removed
        - Separating into numerous bills – climate breakout
        - No deal
- Passing of bill (or lack thereof) will have an impact on 2022 midterms

Short Term	Long Term
Coronavirus	***Debt***
Variants	Government and Corporate
Herd Immunity	Foreign Holders of National Debt
Macro Environment	Misallocation of Capital
Money Supply	***Valuations***
Inflation	"Big-Tech"
Rates	Dollar Devaluation
Policy	***Social***
Fiscal Stimulus Appetite	Inequality
Taxes	Climate Change
Regulation	Environmental and Health
Fundamentals	***Economic Growth***
Valuations	Productivity
Earnings Growth	Labor Force
"Zombie" Companies	Policy Intervention
Geopolitics	***New Cold War***
Trade Tensions	
Productive Competition	
Technical	
Market Breadth	
Hedge Fund Leverage	
Seasonality	

U.S. GDP	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	2020	2021	2022
Consensus Estimates	6.3	6.7	2.3	6.0 (4.8)	3.9 (4.2)	3.6 (3.9)	-3.4	5.6 (5.5)	3.9 (3.9)
Stifel*	7.0	8.2	5.0	3.2 (3.2)	1.8 (2.0)	2.3 (3.2)	-3.5	5.3 (5.3)	2.7 (2.7)
IHS Markit	6.7	8.0	1.5	7.1 (4.6)	3.7 (5.0)	4.0 (4.7)	-3.6	5.7 (5.5)	4.3 (4.3)
Goldman Sachs	7.5	8.3	3.3	6.5 (4.5)	2.0 (4.5)	3.0 (4.0)	-3.4	5.7 (5.5)	3.5 (3.9)
Pantheon Macro	6.4	8.0	2.2	7.0 (8.0)	3.0 (6.0)	--	-3.4	5.7 (5.7)	4.5 (5.0)
Capital Economics	7.0	8.0	2.6	6.5 (3.5)	2.0 (2.1)	1.9 (2.4)	-3.5	5.7 (5.6)	4.5 (2.7)
Strategas	10.0	11.0	2.0	5.7 (4.0)	2.0 (3.0)	4.2 (3.5)	-3.2	5.6 (5.4)	3.5 (3.3)
Julius Baer	4.0	11.5	3.7	5.2 (5.5)	4.2 (4.2)	3.5 (3.5)	-3.5	5.5 (5.5)	3.8 (3.8)
UBS	4.0	9.0	3.4	5.6 (6.0)	2.8 (6.5)	4.1 (6.3)	-3.5	5.6 (5.7)	4.5 (5.2)
Wells Fargo	4.8	9.2	3.0	8.0 (5.6)	3.8 (4.4)	3.4 (3.3)	-3.5	5.7 (5.5)	4.4 (4.1)
Bloomberg Economics	6.0	9.3	3.5	7.2 (5.7)	5.8 (5.8)	4.6 (4.6)	-3.5	5.7 (5.6)	4.8 (4.5)
Barclays	5.0	8.5	3.0	5.0 (5.0)	4.5 (4.5)	4.0 (4.0)	-3.5	5.6 (5.5)	4.1 (4.0)
JPMorgan Chase	3.5	8.0	3.0	7.0 (4.0)	1.5 (3.5)	4.0 (3.0)	-3.5	5.7 (5.4)	3.7 (3.3)
Bank of America ML	7.0	10.0	4.5	6.0 (6.0)	6.0 (6.0)	5.0 (5.0)	-3.5	5.6 (5.6)	4.0 (4.8)
Congressional Budget Office**							-2.4	7.4	3.1
Federal Reserve**							-2.4	5.5 (5.9)	4.0 (3.8)

The (red number denotes a drop in estimated GDP) and (green a rise in GDP) from 11/18/21.

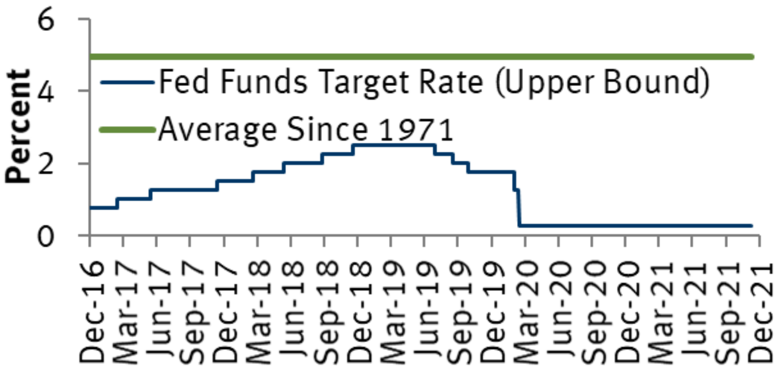
Annualized percent change from prior quarter and year-over-year change are shown for quarterly and yearly periods, respectively.

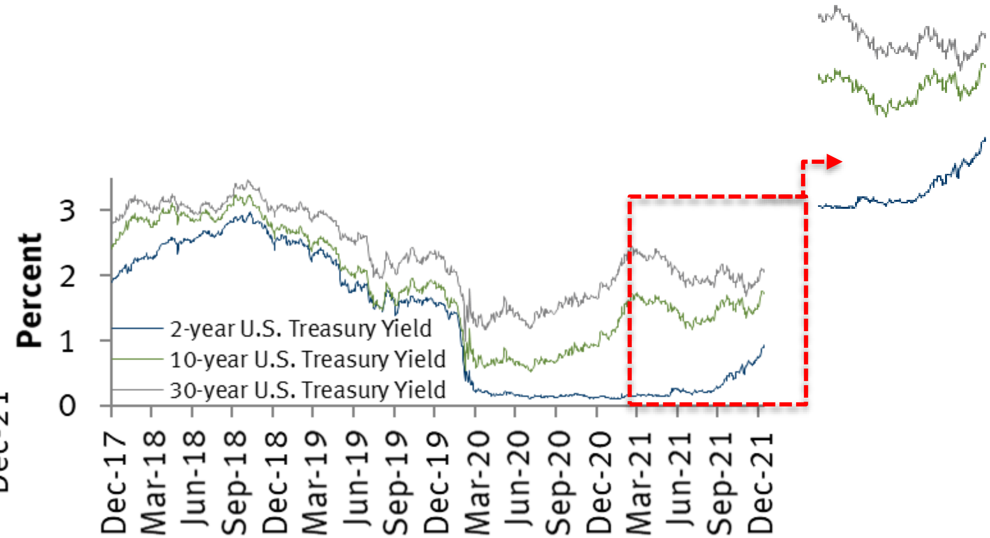
*Based on Stifel sell-side Economics department estimates. **Percent change from fourth quarter to fourth quarter one year ago.

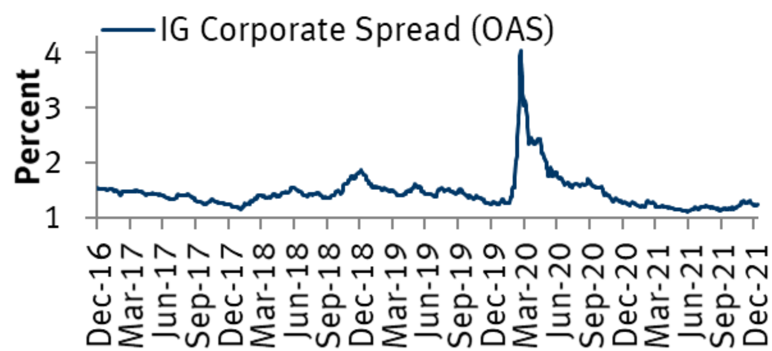
Source: Stifel Investment Strategy data via Bloomberg, as of January 13, 2022. Federal Reserve estimates are as of December 15, 2021. Congressional Budget Office estimates are as of July 1, 2021. Figures in grey areas under "Consensus Estimates" represent reported results.

MARKETS

Rates and Spreads







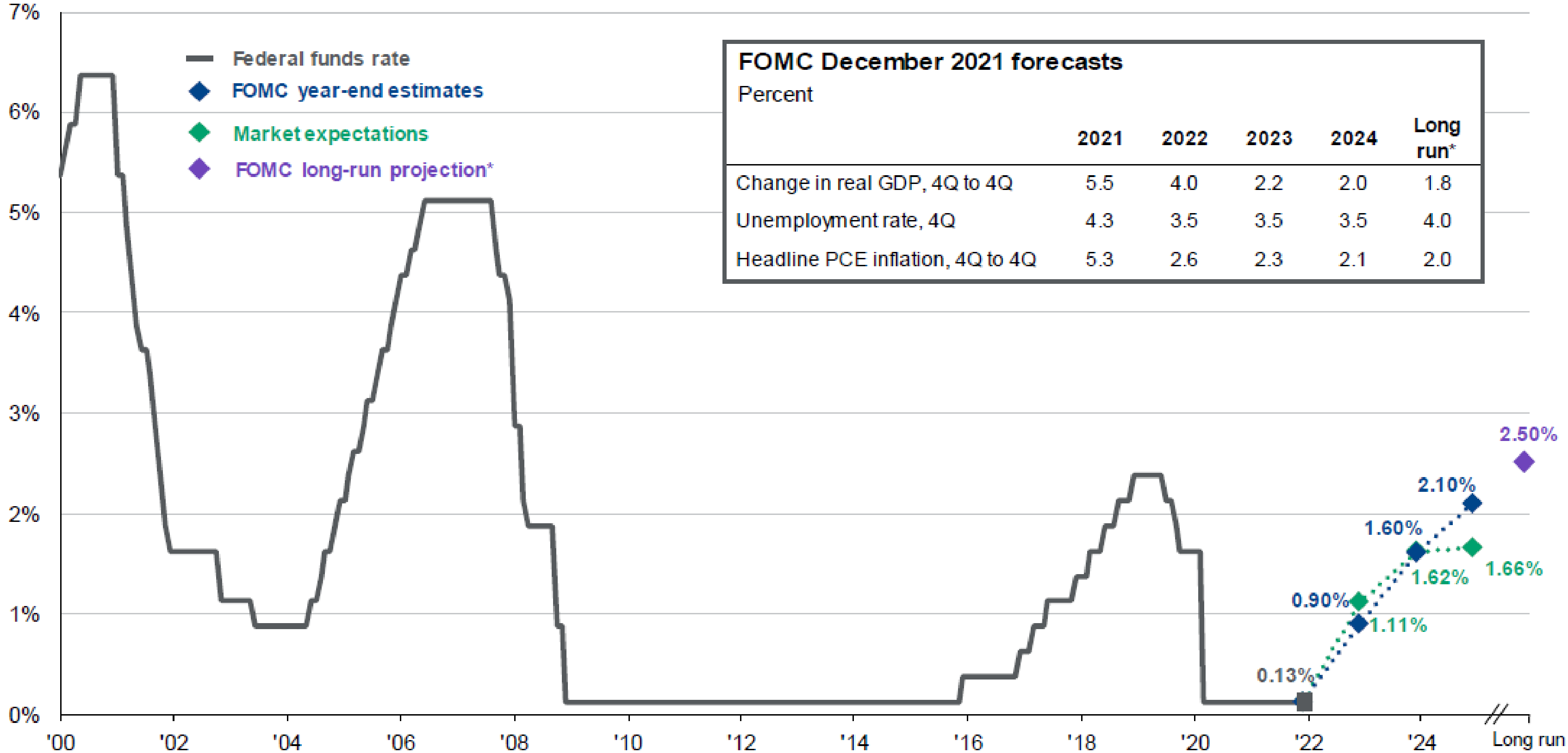
OAS Spread is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is adjusted to take into account an embedded option

Source: Stifel Investment Strategy data via Bloomberg, as of January 13, 2022

Market Pricing Of Fed Interest Rate Hikes

Federal funds rate expectations

FOMC and market expectations for the federal funds rate



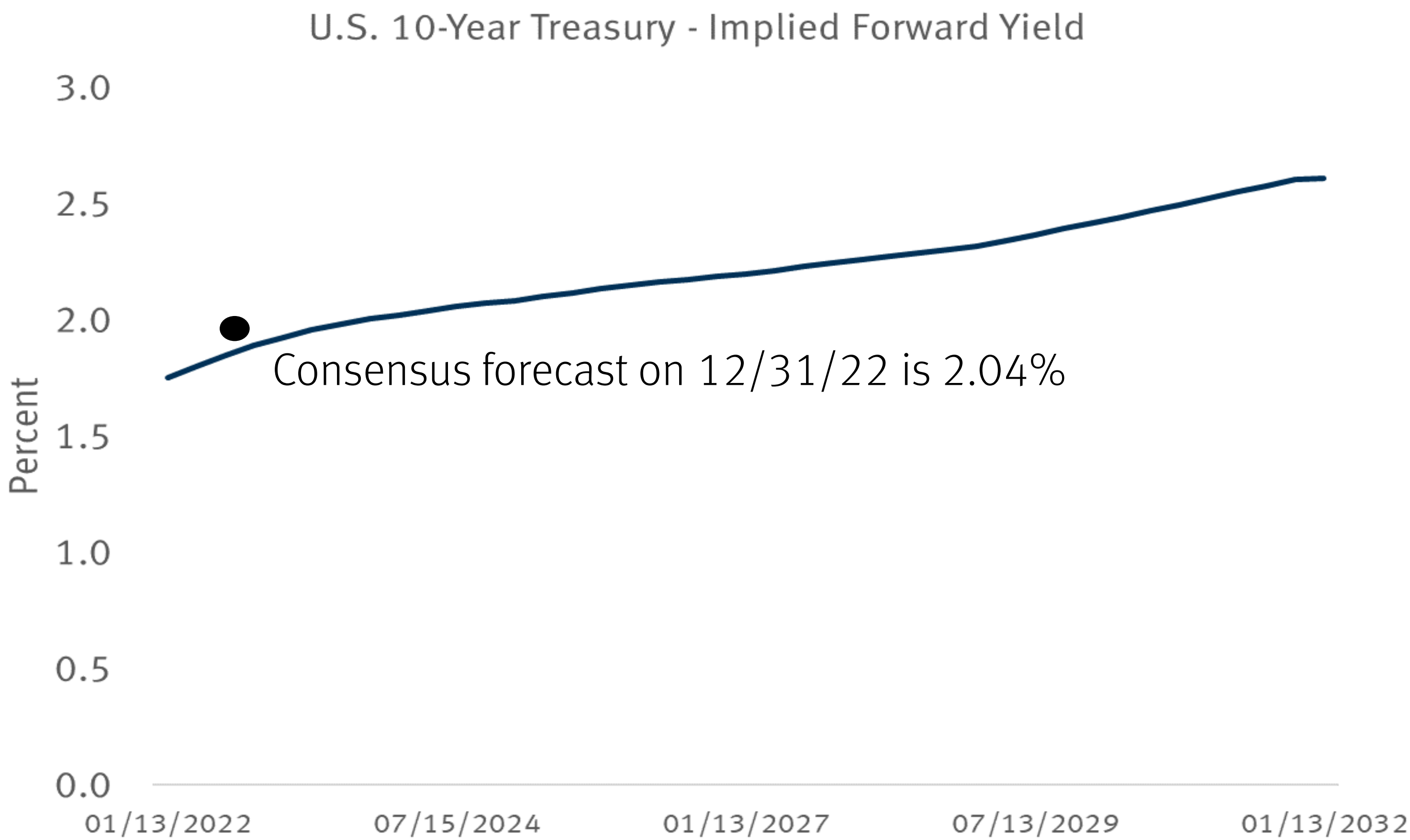
FOMC December 2021 forecasts

Percent

	2021	2022	2023	2024	Long run*
Change in real GDP, 4Q to 4Q	5.5	4.0	2.2	2.0	1.8
Unemployment rate, 4Q	4.3	3.5	3.5	3.5	4.0
Headline PCE inflation, 4Q to 4Q	5.3	2.6	2.3	2.1	2.0

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of the USD Overnight Index Forward Swap rates. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of January 11, 2022.

10-Year Treasury



Source: Stifel Investment Strategy via Bloomberg, as of January 13, 2022

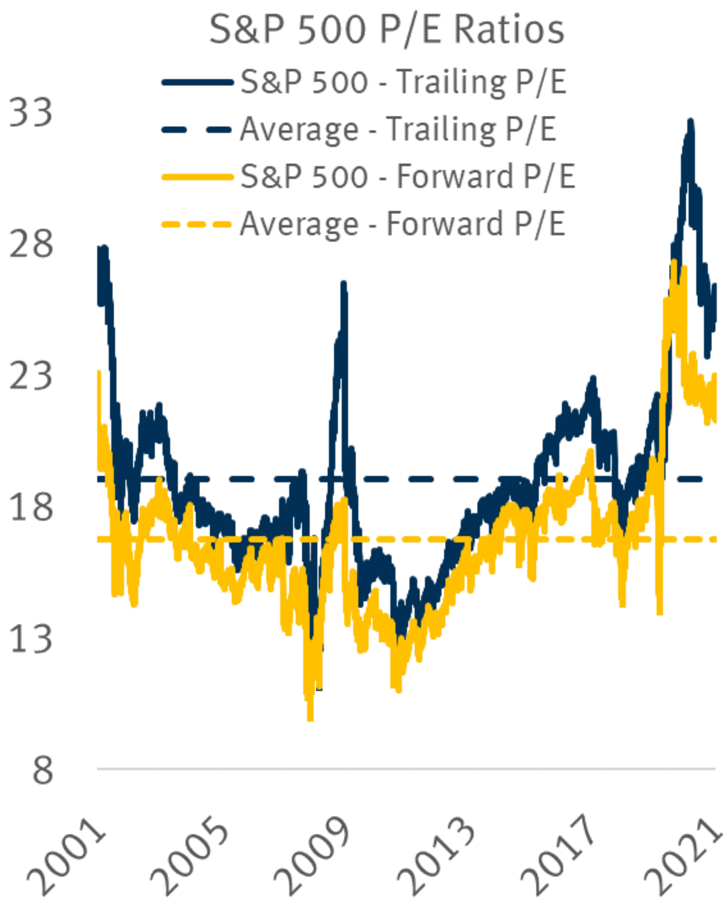
Performance

2021/2022

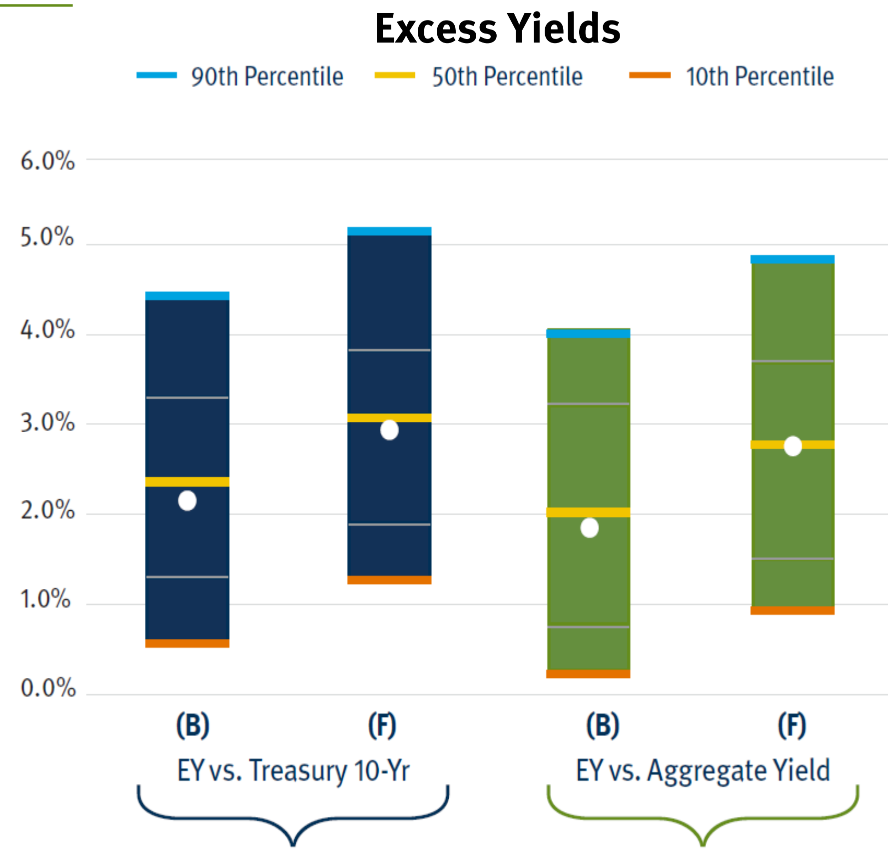
Index	12/31/20 to 1/29/21	1/29/21 to 12/31/21	2021	2022 YTD
S&P 500 Index	-1.0%	30.0%	28.7%	-2.1%
S&P 500 Equal Weighted Index	-0.8%	30.6%	29.6%	-0.7%
NYSE FANG+ Index	1.9%	15.5%	17.7%	-2.6%
Russell 2000 Index	5.0%	9.3%	14.8%	-3.7%
MSCI EAFE Index	-1.1%	12.5%	11.3%	-0.1%
MSCI EM Index	3.1%	-5.4%	-2.5%	2.1%
Barclays U.S. Aggregate	-0.7%	-0.8%	-1.5%	-1.8%

Source: Stifel Investment Strategy via Bloomberg, as of January 14, 2022

Market Sight|Lines – September 17, 2021

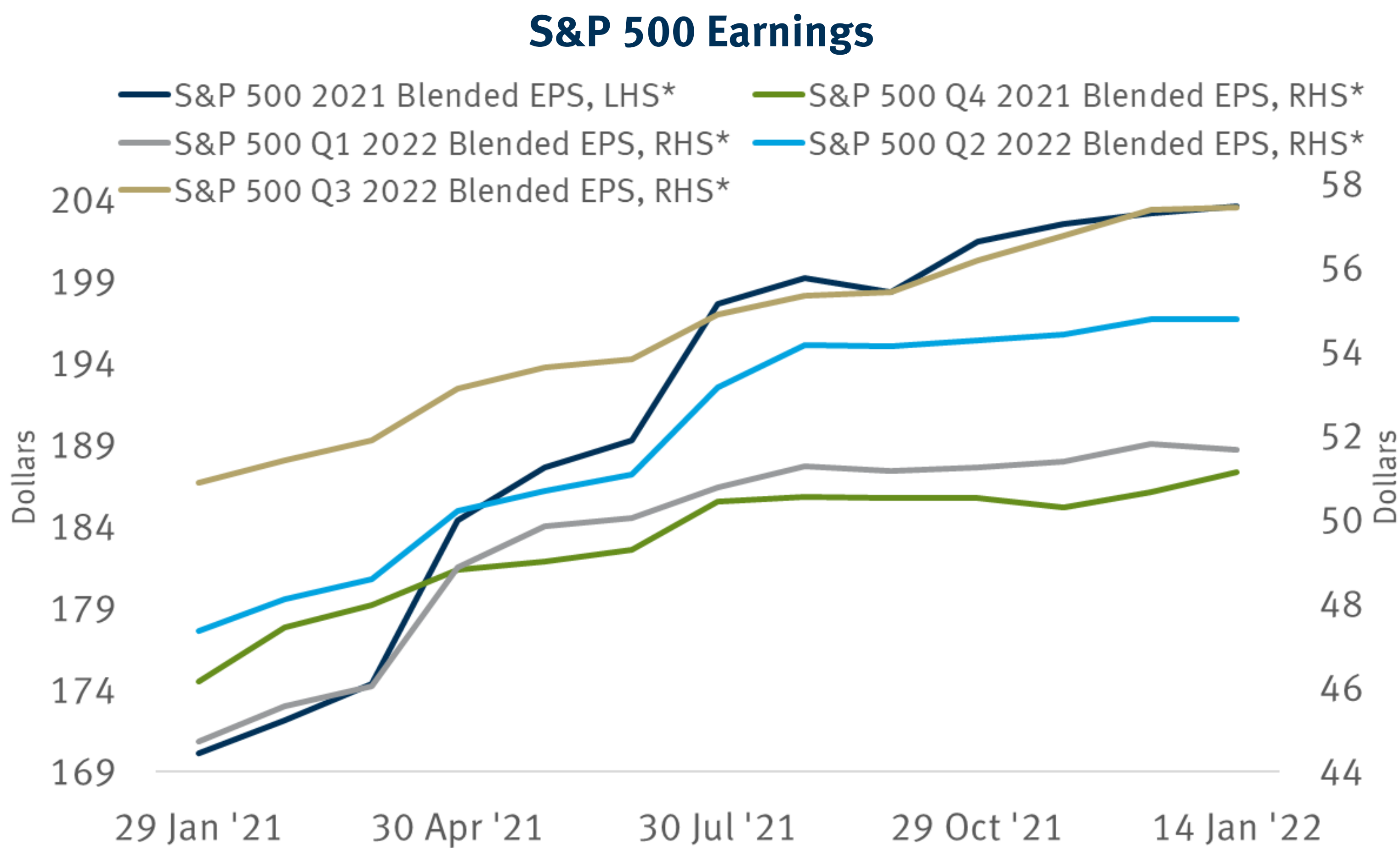


Source: Stifel Investment Strategy via Bloomberg, as of January 13, 2022



Source: Stifel Investment Strategy data via Bloomberg, as of January 14, 2022. EY – Earnings Yield, (B) – Backward-Looking, (F) – Forward-Looking. Dots represents current values. Aggregate Bond Index is the Bloomberg U.S. Aggregate Bond Index.

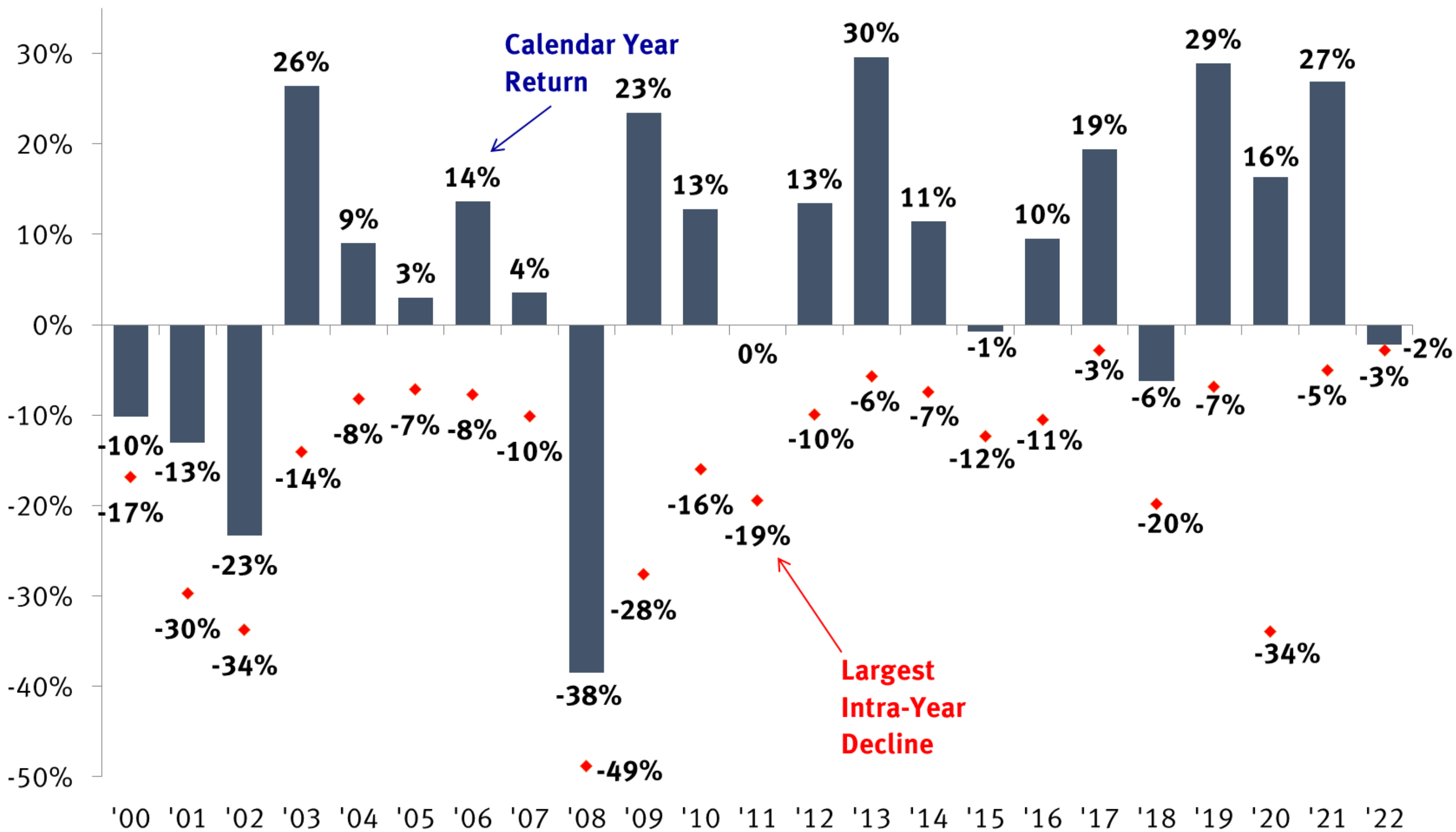
Earnings



Source: Stifel Investment Strategy via FactSet, as of January 18, 2022; The blended rate combines actual results for companies that have reported and estimated results for companies that have yet to report.*LHS – left hand side, RHS – right hand side.

S&P 500 CALENDAR YEAR RETURNS VS. INTRA-YEAR DECLINES

Despite frequent intra-year declines, returns are positive most of the time



Source: Stifel Investment Strategy via Bloomberg, as of January 14, 2022

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

EQUITY

ASSET CLASS	PREVIOUS	CURRENT	COMMENTS
U.S. Equity vs. Non-U.S. Equity	▼	▼	We continue to favor non-U.S. equity markets relative to the U.S. despite their underperformance in 2021. Non-U.S. equity valuations are attractive, and we expect the economic risks related to COVID-19 to recede, allowing the global economy to reopen further, which should be supportive of non-U.S. equity earnings. The external forces that contributed to the notably strong economic growth and equity markets in the U.S. will begin to fade in 2022, whereas many non-U.S. economies are expected to benefit from further fiscal stimulus.
U.S. Large Cap vs. U.S. Small Cap	▼	▼	A strong U.S. economy and seasonal factors are still supportive of small cap stocks, which derive most of their revenue domestically. Rising rates, a shortage of labor, and higher cost pressures may pose a challenge for smaller companies. Given our preference for strong fundamentals, we prefer to implement this overweight through active management as we progress through this economic cycle. For passive implementation, we suggest a neutral small cap position.
U.S. Large Value vs. U. S. Large Growth	▲	▲	We believe value, comprised of more cyclical sectors, should perform well. A strong economy, rising rates, and higher inflation are conditions that benefit this style. Within value, we have a preference for profitable companies with solid financials.
Non-U.S. Developed Markets vs. Emerging Markets	■	■	We are neutral within non-U.S. equity between developed and emerging markets, as we find the risks to be balanced between both. However, we maintain an overweight to non-U.S. equities, both developed and emerging, relative to U.S. stocks.
Europe vs. Japan	■	■	The European economy is more exposed to global trade, with public companies generating 50% of revenue outside of Europe. Fiscal stimulus in Europe is expected to continue, and permanent changes seem likely. Japan's ongoing structural and corporate reform is a tailwind for company earnings. However, both Europe and Japan face some challenges that keep us at neutral within developed markets, for now.

▲ Overweight ▼ Underweight ■ Neutral

	ASSET CLASS	PREVIOUS	CURRENT	COMMENTS
FIXED INCOME	**U.S. Investment Grade vs. U.S. High Yield**	▼	▼	Within fixed income, we remain overweight to U.S. high yield relative to U.S. investment grade with the use of active management. Strong commodity prices have helped many companies shore up their balance sheets, and default rates have declined. While the impacts of COVID-19 will persist, we believe there is opportunity in certain cyclical sectors and the potential for yield enhancement in a low-yield environment.
	Corporates Government/ Agency MBS	■	■	We recommend a diversified approach to the full spectrum of investment-grade fixed income.
	Inflation Protected	▲	■	We have closed our overweight to U.S. Treasury inflation-protected securities (TIPS) as we see inflation falling in 2022 given the Fed's more hawkish stance and the prospect of improving supply chain conditions.
	Duration	■	■	Rates are expected to rise modestly in 2022, but we believe we remain in a lower-for-longer environment. We view duration as a diversifier in a multi-asset class portfolio and remain neutral 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.
	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.

▲ Overweight ▼ Underweight ■ Neutral

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Disposition Effect. This refers to investors' reluctance to sell assets that have lost value and a greater tendency to sell assets that have made gains.

Availability Bias. The more individuals see information repeated, the more they believe it to be true without reviewing other potential outcomes.

Anchoring Bias. Anchoring bias occurs when investors rely too much on the first information they encounter when making a decision. For instance, when they see the price of an item first, as opposed to its physical features or value, they will make their decisions based primarily on the price.

Hindsight Bias. Hindsight bias occurs when investors' regret at not having acted in advance of a market-moving event that could not have been reasonably foreseen leads them to overestimate their ability to accurately predict future market events, potentially leading to poor decision making in the future.

Overconfidence Bias. This is the tendency of lay investors to be overconfident in their own abilities, even though they are not experts in the field.

Framing Bias. Framing bias occurs when investors make a decision based on the way data or information is presented, as opposed to the actual data. For example, charts versus data presented in a table format, or calendar year versus annualized returns.

Investment objectives, risk tolerance, liquidity needs, and behavioral preferences can all play a role in developing a financial plan and related investment strategy. By becoming familiar with these ten common investor biases and using tools like the Stifel Financial ID, you may become better equipped to handle volatility and have a better overall investment journey.

STIFEL'S **BEHAVIORAL FINANCE**

Stifel's behavioral finance capabilities synthesize academic insights, representing practical applications to help you have a **comfortable investment journey, despite market uncertainties and periods of heightened volatility.**

The Stifel Financial ID (SFID) is a simple questionnaire that enables us to build a highly detailed profile of your decision-making preferences and attitudes toward risk. **SFID's six key indicators reveal how you think and feel about investing.** Understanding them can help you make better investment decisions.

To learn more about SFID and our behavioral finance capabilities, speak with your Stifel Financial Advisor.

As you review this 2022 Outlook report, you may be wondering how this work influences our investment guidance and discretionary portfolios. While we offer forecasts for the coming year and discuss possible scenarios, when issuing investment guidance or managing our portfolios, **we often take a longer-term view, looking beyond the near-term changes in market and economic conditions.**

1 We routinely analyze the current **macroeconomic environment** as an input into our short-, medium-, and long-term views. From time to time, we identify secular investment themes and **megatrends** that influence the direction of the economy and the markets longer term.

2 Based on our assessment of the economic cycle, major investment themes, and secular forces, **we formulate long-term capital market assumptions (CMAs)**, which are long-term expected return, standard deviation, and correlation estimates for various asset classes.

We use CMAs to build portfolios and develop our asset allocation models. **Stifel's Wealth Planning Department incorporates our asset allocation models and CMAs to create a financial plan that's just right for you.**

Our Major Investment Themes

Productive Competition | Fourth Industrial Revolution | Shifting Demographics
Geopolitical Tensions and Protectionism | Managing Through Economic Recovery

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STOCK SELECTION

While our analysis for each security decision is unique, we use a framework as a general guide. We ask ourselves:

- Does the company align with our themes and economic trends?
- Is the company a potential disruptor in its industry? Is it competitive? Is it resilient?

We may also consider the following:

- Strength of the management team
- Economic moat
- Pricing power/profitability
- Financial strength
- Growth potential

MANAGER SELECTION

As with our approach to stock selection, each manager recommendation is unique, but we use a framework as general guide. We ask ourselves:

- Does the investment management firm have a strong business?
- Does the firm provide strong support for this specific product?

We may also consider the following:

- Experience of the investment team
- Investment philosophy
- Investment process
- Past performance
- Fees and other costs

STIFEL CHOICE PORTFOLIOS

To learn more about the Stifel Choice Portfolios and whether they are appropriate for your personal financial goals, contact your Stifel Financial Advisor.

FINDING OUR GUIDANCE

The following summarizes how we deliver our economic and market analysis and corresponding investment guidance, along with some helpful links.

- *Sight|Lines* is a weekly note for clients, along with a video summary and a podcast on Spotify, Apple, Omny, and Google.
- Market Pulse is shared when the S&P 500 Index moves up or down 2%.
- The monthly *Investment Strategy Brief* video series shares our update on the current economic and market environment. The podcast: Spotify, Apple, Omny, and Google.
- In *Conversations Podcast*, Stifel's Chief Investment Officer, Michael O'Keeffe, sits down with leaders at Stifel and in the finance industry to have thought-provoking conversations related to the finance industry. Episodes are released monthly.
- The weekly, monthly, and quarterly *Market Perspectives* provide a recap of the most recent period's global market results.
- The monthly Favorite 15 shares our favorite 15 slides for the month.
- *Stifel's Allocation Insights* provides our dynamic asset allocation leanings quarterly.
- The *Stifel 2022 Outlook Report and Video:* provide our annual outlook and related articles.
- Stifel's Approach to Asset Allocation summarizes our asset allocation approach and provides a catalogue of various recommended asset mix models.
- Stifel Bits is designed for clients and prospects who might appreciate a breezy, lighthearted approach to our insights.
- The *Stifel Financial ID* video series provides an overview of our work in behavioral finance and the related *Stifel Financial ID* model.

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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.

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

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

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

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

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

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

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

VIX Index shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

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

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

U.S. Gov't Bonds is represented by the Bloomberg Barclays U.S. Government Bond Index, comprised of the U.S. Treasury and U.S. Agency indexes.

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

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

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

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

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

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

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

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

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

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

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