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Date of first use: July 2020 RIFIS-22889
Agenda

Markets in review 04
Equities 07
Fixed income 12
Global outlook 15
Elections and market returns 17
Stay diversified 21
Economic indicators dashboard

MARKET VOLATILITY
- Still elevated, but off prior highs

TREASURY YIELD
- Remained at historically low levels

UNEMPLOYMENT
- Surged in the wake of COVID-19 related business closures

CONSUMER SENTIMENT
- Fell marginally over the quarter

http://www.russellinvestments.com, current state as of 07/03/2020. See appendix for category definitions. Russell Investments’ Economic Indicators Dashboard charts several key indicators to help investors assess economic and market trends.
Capital markets
Periods ending June 30, 2020

U.S. equity: (Russell 3000® Index) U.S. stock index which includes the 3,000 largest U.S. stocks as measured by market capitalization

Non-U.S. developed equity: (MSCI EAFE Index) International market index that includes Western Europe, Japan, Australia

Emerging markets: (MSCI Emerging Markets Index) Emerging markets index that includes S. Korea, Brazil, Russia, India and China

U.S. bonds: (Bloomberg Barclays U.S. Aggregate Bond Index) Broad index for U.S. Fixed Income market

Global REITs: (FTSE EPRA/NAREIT Developed Index) Index for global publicly traded real estate securities

Commodities: (Bloomberg Commodity Index Total Return) Broad index of common commodities

CAPITAL MARKETS JUNE 2020:
- **U.S. equity** had the best quarter since 1998 as investors became hopeful the economy would rebound after the sharp decline in 1Q
- **Non-U.S. developed equity** up as Coronavirus (COVID-19) cases appeared to have peaked and the fatality rate decreased
- **Emerging markets** up as central banks around the world announced stimulus measures
- **U.S. bonds** up on continued support from the Federal Reserve
- **Global REITs** up as the reopening of the economy buoyed retail sectors
- **Commodities** up; unleaded gas was up over 69% as energy prices rebounded from the lows of 1Q

Source: FTSE/Russell, Bloomberg Barclays, MSCI and FTSE NAREIT. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.
What worked and what didn’t
Sharp reversal from 1Q

2Q 2020 returns (%)

<table>
<thead>
<tr>
<th>(%) Return</th>
<th>Equities</th>
<th>Alternatives</th>
<th>Fixed Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Small Cap</td>
<td>25.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Large Cap</td>
<td>21.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EM Equity</td>
<td>18.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-U.S. Equity</td>
<td>14.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure</td>
<td>13.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balanced Index Portfolio</td>
<td>12.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global HY</td>
<td>12.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global REITs</td>
<td>10.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EMD</td>
<td>9.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commodities</td>
<td>5.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Bonds</td>
<td>2.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Municipals</td>
<td>2.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: U.S. Small Cap: Russell 2000® Index; U.S. Large Cap: Russell 1000® Index; Global: MSCI World Net Index; Non-U.S.: MSCI EAFE Net index; Infrastructure: S&P Global Infrastructure Index; Global High Yield: Bloomberg Barclays Global High Yield Index; Global REITs: FTSE EPRA/NAREIT Developed Index; Municipals: Bloomberg Barclays Municipal Index, Cash: FTSE Treasury Bill 3 Month Index; EM Equity: MSCI Emerging Markets Index; U.S. Bonds: Bloomberg Barclays U.S. Aggregate Bond Index; EMD: JPM EMBI Plus Bond Index; Commodities: Bloomberg Commodity Index Total Return; Balanced Index: 5% U.S. Small Cap, 15% U.S. Large Cap, 10% Global, 12% Non-U.S., 4% Infrastructure, 5% Global High Yield, 4% Global REITs, 0% Cash, 6% EM Equity, 30% U.S. Bonds, 5% EMD and 4% Commodities.

Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.
Market volatility has whipsawed investors in 2020
- Sharp drop in Q1 followed by rebound in Q2 highlights difficulty of timing the market
- Investors who stuck with the plan have recovered most losses from start of the year

Source: Morningstar. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.
The S&P 500 index is down just -3.1% for the year, but a wide range between best and worst performers.

Information technology and large growth companies are positive for the year / Energy and smaller companies have not kept pace.
Growth stocks widen lead over value

Current market conditions have historically favored value

**U.S. large cap comparison**
10 years ending 6/30/2020

<table>
<thead>
<tr>
<th>Date Range</th>
<th>Growth</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>7/1/2010 – 12/31/2016</td>
<td>155%</td>
<td>144%</td>
</tr>
<tr>
<td>1/1/2017 – 6/30/2020</td>
<td>92%</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Environment**

<table>
<thead>
<tr>
<th>Condition</th>
<th>% of time value beats growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Falling high yield spreads</td>
<td>74%</td>
</tr>
<tr>
<td>Following business cycle trough</td>
<td>73%</td>
</tr>
<tr>
<td>Government spending increases</td>
<td>63%</td>
</tr>
<tr>
<td>During market recoveries</td>
<td>57%</td>
</tr>
</tbody>
</table>

U.S. Large Cap: Russell 1000® Index; U.S. Large Cap Growth: Russell 1000® Growth Index; U.S. Large Cap Value: Russell 1000® Value Index; Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.

Sources: Russell Investments calculations based on data from Kenneth French for the “High Minus Low” (HML) value factor for US equities which is available back to 1926.
Leading companies can hit rough patches
Especially when priced for perfection

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Du Pont -58%</td>
<td>Cisco Systems -89%</td>
<td>Google -65%</td>
</tr>
<tr>
<td>Eastman Kodak -62%</td>
<td>Microsoft -65%</td>
<td>Bank of America -94%</td>
</tr>
<tr>
<td>Exxon -46%</td>
<td>JP Morgan -77%</td>
<td>Merck -66%</td>
</tr>
<tr>
<td>General Electric -61%</td>
<td>Intel -82%</td>
<td>Coca Cola -42%</td>
</tr>
<tr>
<td>IBM -58%</td>
<td>McDonalds -74%</td>
<td>AT&amp;T -49%</td>
</tr>
<tr>
<td>McDonalds -72%</td>
<td>Disney -68%</td>
<td>Cisco Systems -60%</td>
</tr>
<tr>
<td>PepsiCo -67%</td>
<td>IBM -59%</td>
<td>Boeing -73%</td>
</tr>
<tr>
<td>Sears -66%</td>
<td>Apple -81%</td>
<td>Apple -61%</td>
</tr>
</tbody>
</table>

Firms with above average market returns are not immune from pullbacks

Source: Crisis of Conscience 2019
# Global equity market rotation

Non-U.S. markets may be poised to take leadership

<table>
<thead>
<tr>
<th>Five Years Ending</th>
<th>1970-2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>NonUS Stocks</td>
<td>1.5%</td>
</tr>
<tr>
<td>EM Stocks</td>
<td></td>
</tr>
<tr>
<td>U.S. Stocks</td>
<td>-1.3%</td>
</tr>
<tr>
<td>NonUS Stocks</td>
<td>1.8%</td>
</tr>
<tr>
<td>EM Stocks</td>
<td></td>
</tr>
<tr>
<td>U.S. Stocks</td>
<td>14.8%</td>
</tr>
<tr>
<td>NonUS Stocks</td>
<td></td>
</tr>
<tr>
<td>EM stocks</td>
<td>2.0%</td>
</tr>
<tr>
<td>U.S. Stocks</td>
<td>-2.3%</td>
</tr>
<tr>
<td>NonUS Stocks</td>
<td></td>
</tr>
<tr>
<td>EM Stocks</td>
<td>2.1%</td>
</tr>
<tr>
<td>U.S. Stocks</td>
<td>0.4%</td>
</tr>
<tr>
<td>NonUS Stocks</td>
<td></td>
</tr>
<tr>
<td>EM Stocks</td>
<td>6.0%</td>
</tr>
</tbody>
</table>

## Potential international tailwinds

- Weakening dollar
- Greater European coordination efforts
- Cyclical stock market composition
- More attractive equity valuations
- Better results in flattening the curve

---

- Leadership rotates – capital finds values and opportunities
- No market has finished at the top or bottom for three straight five-year stretches
- Global portfolios provide the most consistent pattern

Why underweight treasuries?
Market dislocations create active management opportunities

Excess return over treasuries (%)

<table>
<thead>
<tr>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. Agency</td>
<td>0.8</td>
<td>-0.5</td>
<td>-1.1</td>
<td>2.4</td>
<td>0.7</td>
<td>0.2</td>
<td>0.9</td>
<td>-0.1</td>
<td>0.5</td>
<td>0.1</td>
<td>0.4</td>
<td>0.7</td>
<td>-0.1</td>
<td>0.5</td>
<td>-1.1</td>
<td>0.5</td>
</tr>
<tr>
<td>U.S. Mortgage Backed Securities</td>
<td>1.2</td>
<td>-1.8</td>
<td>-2.3</td>
<td>4.9</td>
<td>2.3</td>
<td>-1.1</td>
<td>0.9</td>
<td>0.9</td>
<td>0.4</td>
<td>-0.1</td>
<td>-0.1</td>
<td>0.5</td>
<td>0.4</td>
<td>-0.6</td>
<td>0.6</td>
<td>-0.8</td>
</tr>
<tr>
<td>U.S. Asset Backed Securities</td>
<td>0.9</td>
<td>-6.3</td>
<td>-22.2</td>
<td>24.9</td>
<td>1.7</td>
<td>0.5</td>
<td>2.5</td>
<td>0.5</td>
<td>0.2</td>
<td>0.5</td>
<td>0.4</td>
<td>0.9</td>
<td>0.9</td>
<td>0.1</td>
<td>0.7</td>
<td>-3.2</td>
</tr>
<tr>
<td>U.S. Commercial Mortgage Backed Securities</td>
<td>1.4</td>
<td>-4.4</td>
<td>-32.7</td>
<td>29.6</td>
<td>15.0</td>
<td>0.5</td>
<td>8.4</td>
<td>0.9</td>
<td>1.1</td>
<td>-0.3</td>
<td>2.4</td>
<td>1.6</td>
<td>-0.4</td>
<td>1.8</td>
<td>-5.9</td>
<td>3.2</td>
</tr>
<tr>
<td>U.S. Investment Grade Credit</td>
<td>1.2</td>
<td>-4.6</td>
<td>-17.9</td>
<td>19.9</td>
<td>1.9</td>
<td>-3.2</td>
<td>6.9</td>
<td>2.3</td>
<td>-0.2</td>
<td>-1.7</td>
<td>4.4</td>
<td>3.4</td>
<td>-2.8</td>
<td>6.2</td>
<td>-12.7</td>
<td>7.7</td>
</tr>
<tr>
<td>U.S. High Yield</td>
<td>8.4</td>
<td>-7.8</td>
<td>-38.3</td>
<td>59.6</td>
<td>9.7</td>
<td>-2.4</td>
<td>13.9</td>
<td>9.2</td>
<td>-1.1</td>
<td>-5.8</td>
<td>15.7</td>
<td>6.1</td>
<td>-3.6</td>
<td>9.3</td>
<td>-17.0</td>
<td>9.7</td>
</tr>
<tr>
<td>Emerging Market Debt</td>
<td>7.0</td>
<td>-4.6</td>
<td>-28.4</td>
<td>37.9</td>
<td>5.1</td>
<td>-5.4</td>
<td>15.0</td>
<td>-0.3</td>
<td>-1.2</td>
<td>0.0</td>
<td>8.8</td>
<td>6.1</td>
<td>-3.4</td>
<td>6.4</td>
<td>-17.4</td>
<td>9.3</td>
</tr>
</tbody>
</table>

**Blue:** Years of Outperformance  
**Gray:** Years of Underperformance  
**Orange:** Years of Worst Performance

- Non-treasury fixed income sectors have historically outperformed treasuries
- Credit concerns starting in first quarter 2020 led to treasuries producing higher returns than many fixed income sectors
- With improving liquidity and narrowing credit spreads in second quarter 2020, markets have moved towards more traditional relationships

Source: Barclays Live. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly. All sectors referenced are Barclays Capital Fixed Income Sectors.
State/local governments and rainy day funds
Entering the crisis from a position of strength

- Learning from the GFC, municipalities have grown their “rainy day” balances to soften deficit impacts during times of crisis.

- During past periods of stress and lower RDF balances, municipal bonds have realized much lower default rates relative to corporates.

### Historical Default Rates

<table>
<thead>
<tr>
<th></th>
<th>Municipals</th>
<th>Corporates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Grade (IG)</td>
<td>0.28</td>
<td>3.61</td>
</tr>
<tr>
<td>Speculative Grade (SG)</td>
<td>9.61</td>
<td>26.96</td>
</tr>
</tbody>
</table>

- IG Corporate defaults 13x that of IG Municipals
- SG Corporate defaults 3x that of SG Municipals

Flight to cash
1Q market volatility = record dash to cash

Low interest rates suggest long term investors may need to own other asset classes to reach their desired rate of return.

Cash flows in context

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Total Net Inflows</th>
</tr>
</thead>
<tbody>
<tr>
<td>March 2020</td>
<td>$685 billion</td>
</tr>
<tr>
<td>Calendar Year 2019</td>
<td>$546 billion</td>
</tr>
<tr>
<td>4Q 2008</td>
<td>$388 billion</td>
</tr>
</tbody>
</table>

The cost of cash: Gain on $1,000 investment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Stocks</td>
<td>$2,204</td>
<td>$192</td>
</tr>
<tr>
<td>Global High Yield Bonds</td>
<td>$2,138</td>
<td>$111</td>
</tr>
<tr>
<td>Core Bonds</td>
<td>$638</td>
<td>$29</td>
</tr>
<tr>
<td>Cash</td>
<td>$105</td>
<td>$4</td>
</tr>
</tbody>
</table>

Source: Morningstar. Global Stocks: MSCI ACWI; Global High Yield Bonds: ICE BofA Gbl HY Hdg; Core Bonds: Bloomberg Barclays US Aggregate Bond; Cash: ICE BofA USD 3M Dep OR CM. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.
# Russell Investments’ global market outlook

## The great reopening

### UNITED STATES
- Extraordinary, record-breaking fiscal and monetary stimulus + muted inflation pressure supports risky assets
- U.S. equities have gone from fairly valued back to expensive
- Watchpoints: deterioration in U.S./China relations; U.S. political elections impact on taxes and corporate regulation; virus vaccine progress versus high U.S. infection rate

### EUROZONE
- Europe policy response surprised to upside. Proposed Eurobonds issuance would represent a historic step for European unity and stability.
- Europe’s exposure to financials and cyclically sensitive sectors like industrials, materials and energy give it the potential to outperform in the second phase of the recovery, when economic activity picks up and yield curves steepen
- Eurozone equities are attractively valued

### ASIA-PACIFIC
- China added fiscal and monetary stimulus; and seems well positioned for a strong rebound through the second half of 2020 and into 2021 as stimulus kicks in and the global economy recovers.
- Japan’s weak monetary policy and persistent deflation mean it will likely remain an economic laggard relative to other developed economies.
- High household debt levels and downturn in tourism will be a headwind to the recovery in Australia/New Zealand.

---

Markets have rallied on hopes for a recovery as lockdowns are eased, helped by oversold investor sentiment. Tactical market outlook is neutral, however, record levels of fiscal stimulus, sustained low interest rates and ongoing low inflation still create a supportive environment for risk-asset outperformance over the medium-term.

There is no guarantee the stated expectations will be met. As of 6/26/2020. Forecasting represents predictions of market prices and/or volume patterns utilizing varying analytical data. It is not representative of a projection of the stock market, or of any specific investment.
Global stimulus
Unprecedented worldwide

Committed capital in billions (USD)

Individual Countries
$8,650,560,000,000

Supranational Institutions
$1,845,660,000,000

Total: ~$10,500,000,000,000

Committed capital represents approximately 12.1% of global GDP
Increased from the first quarter by approximately $3.1 trillion dollars

Stimulus reported as of 7/2/2020, IMF, World Bank
Servicing federal debt near average levels
Historically low interest rates reduce impact of rising debt level

Interest Expense on Federal Debt as % of GDP
1940 - 2019

Interest expense on federal debt as % of GDP near long-term average

Source: https://fred.stlouisfed.org/series/FYOIGDA188S
Who is going to pay for federal stimulus?
Individual taxpayers are primary contributor to federal revenue

Sources of Federal Revenue: 2018

- Individual taxes include investment related taxes on:
  - Dividends
  - Interest income
  - Capital gains
- Corporations only
  - 4% of total
- U.S. tax rates in line with last 35 years
- Individual tax rates set to increase after 2025
- Speak with your financial advisor about being a tax-smart investor

Path of Individual Tax Rates

- Source: OECD Global Revenue Statistics Database, Tax Foundation, Internal Revenue Service

* Does not include 3.8% NIIT for unearned income

Who is going to pay for federal stimulus? Individual taxpayers are primary contributor to federal revenue

Sources of Federal Revenue: 2018

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  - Interest income
  - Capital gains
- Corporations only
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Path of Individual Tax Rates

- Source: OECD Global Revenue Statistics Database, Tax Foundation, Internal Revenue Service

* Does not include 3.8% NIIT for unearned income
Changes in employment: dramatic and swift
Job adds needed to return to prior peak

Jobs plummeted with mandatory business closures but have bounced back strongly as restrictions have eased. However it could still take some time to recover all the jobs lost.

Source: St. Louis Federal Reserve, U.S. Bureau of Labor Statistics
Politics and markets
U.S. stocks performance vs political makeup 1945-2020(YTD)

- Markets dislike uncertainty more than any specific party
- Since the end of World War II no party has consistently experienced superior market returns
- It is important to focus on the policies rather than the people

U.S. Stocks: S&P 500® Index. Indexes are unmanaged and cannot be invested in directly. Returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment.
Where does the market go from here?
Investors evenly divided on market expectations

Investor Poll: U.S. stock return expectations rest of year

- Up over 10% from current levels: 20%
- +5% to +10% from current levels: 21%
- Within 5% up or down from current levels: 21%
- -5% to -10% from current levels: 18%
- Down more than 10% from current levels: 19%

Reasons for optimism
- Supportive governments
- Job losses slowing
- Lockdowns lifting

Reasons for caution
- Record levels of unemployment
- Continued virus concerns
- Markets are no longer inexpensive

Historical 6 Month Market Returns 1970 – June 2020

<table>
<thead>
<tr>
<th>Result</th>
<th>Percent of Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10%</td>
<td>33.8%</td>
</tr>
<tr>
<td>+5% to 10%</td>
<td>21.5%</td>
</tr>
<tr>
<td>+5% to -5%</td>
<td>29.0%</td>
</tr>
<tr>
<td>-5% to -10%</td>
<td>8.5%</td>
</tr>
<tr>
<td>&lt; -10%</td>
<td>7.3%</td>
</tr>
</tbody>
</table>

U.S. Stocks: S&P 500 Index, Survey of Investors from DataTrek. Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.
Weighing uncertainty vs long-term results
Markets and diversification tend to win over time

- Current market concerns are real
  - Virus
  - High unemployment
  - Recession
- Risk avoidance can tempt investors
- History has demonstrated that timing is difficult
- Capital markets have rewarded long-term investors over most periods

**Balanced Portfolio**
Percent of Periods Producing Positive Returns
1970 – 2020 2Q

<table>
<thead>
<tr>
<th>Period</th>
<th>1970–2020 2Q</th>
</tr>
</thead>
<tbody>
<tr>
<td>One Qtr</td>
<td>74%</td>
</tr>
<tr>
<td>One Yr</td>
<td>86%</td>
</tr>
<tr>
<td>Three Yrs</td>
<td>92%</td>
</tr>
<tr>
<td>Five Yrs</td>
<td>99%</td>
</tr>
<tr>
<td>Ten Yrs</td>
<td>100%</td>
</tr>
<tr>
<td>Twenty Yrs</td>
<td>100%</td>
</tr>
</tbody>
</table>

60/40 Balanced Index Portfolio: 40% S&P 500 Index, 20% MSCI EAFE Index, 40% Bloomberg Barclays Aggregate Index (1976 to present, Ibbotson Intermediate Gov 1970 – 75). Index returns represent past performance, are not a guarantee of future performance, and are not indicative of any specific investment. Indexes are unmanaged and cannot be invested in directly.
Important information and disclosures

RISKS OF ASSET CLASSES DISCUSSED IN THIS PRESENTATION:

Global, International and Emerging markets: Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Investments in non-U.S. markets can involve risks of currency fluctuation, political and economic instability, different accounting standards and foreign taxation. Such securities may be less liquid and more volatile. Investors should carefully consider the additional risks involved in value investments.

Real Assets: Investments in infrastructure-related companies have greater exposure to adverse economic, financial, regulatory, and political risks, including, governmental regulations. Global securities may be significantly affected by political or economic conditions and regulatory requirements in a particular country. Declines in the value of real estate, economic conditions, property taxes, tax laws and interest rates all present potential risks. Investments in international markets can involve risks of currency fluctuation, political and economic instability, different accounting standards, and foreign taxation.

Commodities: Commodities may have greater volatility than traditional securities. The value of commodities may be affected by changes in overall market movements, changes in interest rates or sectors affecting a particular industry or commodity, and international economic, political and regulatory developments.

Bonds: With fixed income securities, such as bonds, interest rates and bond prices tend to move in opposite directions. When interest rates fall, bond prices typically rise and conversely when interest rates rise, bond prices typically fall. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds. Bond investors should carefully consider these risks such as interest rate, credit, prepayment and reverse repurchase transaction risks. Greater risk, such as increased volatility, limited liquidity, prepayment, non-payment and increased default risk, is inherent in portfolios that invest in high yield ("junk") bonds or mortgage backed securities, especially mortgage backed securities with exposure to sub-prime mortgages. Investment in non-U.S. and emerging market securities is subject to the risk of currency fluctuations and to economic and political risks associated with such foreign countries. When interest rates are at low levels there is risk that a sustained rise in interest rates may cause losses to the price of bonds.

Small capitalization (small cap) investments: Small capitalization (small cap) investments involve stocks of companies with smaller levels of market capitalization (generally less than $2 billion) than larger company stocks (large cap). Small cap investments are subject to considerable price fluctuations and are more volatile than large company stocks. Investors should consider the additional risks involved in small cap investments.

Large capitalization (large cap) investments: Large capitalization (large cap) investments involve stocks of companies generally having a market capitalization between $10 billion and $200 billion. The value of securities will rise and fall in response to the activities of the company that issued them, general market conditions and/or economic conditions. Although stocks have historically outperformed bonds, they also have historically been more volatile. Investors should carefully consider their ability to invest during volatile periods in the market.

Growth: Growth investments focus on stocks of companies whose earnings/profitability are accelerating in the short-term or have grown consistently over the long-term. Such investments may provide minimal dividends which could otherwise cushion stock prices in a market decline. A stock’s value may rise and fall significantly based, in part, on investors’ perceptions of the company, rather than on fundamental analysis of the stocks. Investors should carefully consider the additional risks involved in growth investments.

Value: Value investments focus on stocks of income-producing companies whose price is low relative to one or more valuation factors, such as earnings or book value. Such investments are subject to risks that the stocks’ intrinsic values may never be realized by the market, or, that the stocks may turn out not to have been undervalued. Investors should carefully consider the additional risks involved in value investments.

An Investment Grade is a system of gradation for measuring the relative investment qualities of bonds by the usage of rating symbols, which range from the highest investment quality (least investment risk) to the lowest investment quality (greatest investment risk).

Gross domestic product (GDP): Gross domestic product (GDP) refers to the market value of all final goods and services produced within a country in a given period. It is often considered an indicator of a country's standard of living.

Trailing price-to-earnings (P/E): Trailing price-to-earnings (P/E) is a relative valuation multiple that is based on the last 12 months of actual earnings. It is calculated by taking the current stock price and dividing it by the trailing earnings per share (EPS) for the past 12 months.

Forward price to earnings (forward P/E): Forward price to earnings (forward P/E) is a quantification of the ratio of price-to-earnings (P/E) using forecasted earnings for the P/E ratio.

Price-to-book ratio: Price-to-book ratio compare a firm’s market to book value by dividing price per share by book value per share.
Index definitions


Bloomberg Barclays High Yield Municipal Bond Index: An unmanaged index considered representative of noninvestment-grade bonds. FactSet Research Systems Inc. Barclays Intermediate U.S. Credit Index is an unmanaged index of dollar-denominated, investment-grade, publicly issued securities with maturities of one to 10 years.

Bloomberg Barclays Intermediate Treasury Index: Measures the performance of U.S. Dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year and less than ten years.

Bloomberg Barclays Short Treasury Index: Is composed of all treasuries that have a remaining maturity between one and twelve months.


Bloomberg Barclays U.S. Credit Bond Index: Measures the performance of investment grade corporate debt and agency bonds that are dollar denominated and have a remaining maturity of greater than one year.


Bloomberg Barclays U.S. Municipal Index: Covers the USD-denominated long-term tax exempt bond market.

Bloomberg Commodity Index Family: Represents the major commodity sectors within the broad index: Energy (including petroleum and natural gas), Petroleum (including crude oil, heating oil and unleaded gasoline), Precious Metals, Industrial Metals, Grains, Livestock, Softs, Agriculture and ExEnergy. Also available are individual commodity sub-indexes on the 19 components currently included in the DJ-UBSCI™, plus brent crude, cocoa, feeder cattle, gas oil, lead, orange juice, platinum, soybean meal and tin.

Bloomberg Commodity Index Total Return: Composed of futures contracts on physical commodities. Unlike equities, which typically entitle the holder to a continuing stake in a corporation, commodity futures contracts normally specify a certain date for the delivery of the underlying physical commodity. In order to avoid the delivery process and maintain a long futures position, nearby contracts must be sold and contracts that have not yet reached the delivery period must be purchased. This process is known as “rolling” a futures position.

BofA Merrill Lynch Global High Yield Index: Tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate debt publicly issued in the major domestic or Eurobond markets.

Citigroup 1-3 Month T-Bill Index: An unmanaged index that tracks short-term U.S. government debt instruments.

FTSE NAREIT: An Index designed to present investors with a comprehensive family of REIT performance indexes that span the commercial real estate space across the U.S. economy, offering exposure to all investment and property sectors. In addition, the more narrowly focused property sector and sub-sector indexes provide the facility to concentrate commercial real estate exposure in more selected markets.

FTSE NAREIT all Equity Index: Measures the performance of the commercial real estate space across the U.S. economy offering exposure to all investment and property sectors.

FTSE EPRA/NAREIT Developed Index: A global market capitalization weighted index composed of listed real estate securities in the North American, European and Asian real estate markets.

Ibbotson Intermediate Bond Index: Measures the performance of U.S. Dollar denominated treasury and government-related bonds.
Index definitions (cont’d)

**JPM Emerging Market Bond Index (EMBI):** Dollar-denominated sovereign bonds issued by a selection of emerging market countries.

**JPM EMBI Plus Bond Index:** Tracks total returns for traded external debt instruments in the emerging markets.

**MSCI AC World ex-USA Index:** An index that tracks global stock market performance that includes developed and emerging markets but excludes the U.S.

**MSCI country indices:** Indices which include securities that are classified in that country according to the MSCI Global Investable Market Index Methodology, together with companies that are headquartered or listed in that country and carry out the majority of their operations in that country.

**MSCI EAFE (Europe, Australasia, Far East) Index:** 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.

**MSCI Emerging Markets Index:** A float-adjusted market capitalization index that consists of indices in 24 emerging economies.

**MSCI Europe Index:** 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 Europe Index consists of the following 15 developed market country indexes: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

**MSCI World Index:** A broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries.

**Russell 3000® Index:** Index measures the performance of the largest 3000 U.S. companies representing approximately 98% of the investable U.S. equity market.

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

**Russell 1000® Growth Index:** Measures the performance of the broad growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

**Russell 1000® Value Index:** Measures the performance of the broad value segment of U.S. equity value universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

**The S&P 500® Index:** A free[float-adjusted capitalization-weighted index published since 1957 of the prices of 500 large-cap common stocks actively traded in the United States. The stocks included in the S&P 500® are those of large publicly held companies that trade on either of the two largest American stock market exchanges: the New York Stock Exchange and the NASDAQ.

**The S&P Global Infrastructure Index:** Provides liquid and tradable exposure to 75 companies from around the world that represent the listed infrastructure universe. To create diversified exposure across the global listed infrastructure market, the index has balanced weights across three distinct infrastructure clusters: Utilities, Transportation, and Energy.

**S&P Global Natural Resources Index:** The index includes 90 of the largest publicly-traded companies in natural resources and commodities businesses that meet specific investability requirements, offering investors diversified and investable equity exposure across 3 primary commodity-related sectors: agribusiness, energy, and metals & mining.
Market Indicators

HOME PRICES – The S&P/Case-Shiller Home Price Index is a measurement of U.S. residential real estate prices, tracking changes in top 20 metropolitan regions. This indicator value represents the trailing year over year % change in the home prices index as of last month-end. Residential real estate represents a large portion of the U.S. economy and the Home Price index helps us monitor the value of real estate.

MARKET VOLATILITY(VIX) – CBOE VIX (Chicago Board Options Exchange Volatility Index) measures annualized implied volatility as conveyed by S&P 500 stock index option prices and is quoted in percentage points per annum. For instance, a VIX value of 15 represents an annualized implied volatility of 15% over the next 30 day period. The VIX measures implied volatility, which is a barometer of investor sentiment and market risk.

10 YR. U.S. TREASURY YIELD – The yield on the 10 year U.S. Treasury note issued by the U.S. Government. It is important because it is seen as a benchmark for interest rate movements and borrowing costs in the economy.

YIELD SPREAD – The spread between 3 month Treasury bill yields and 10 year Treasury note yields measures the market outlook for future interest rates. A normal or upward-sloping yield curve, can imply that investors expect the economy to grow and inflation to eat into asset returns. They thus demand a higher yield for long-term Treasuries. An inverted yield curve has often been an indicator of coming recessions, but not always. For example, reduced inflation expectations could cause the yield curve to flatten.

Economic Indicators

CONSUMER SENTIMENT – The University of Michigan Survey of Consumer Sentiment Index is an economic indicator which measures the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation.

ECONOMIC EXPANSION (GDP) – GDP (Gross Domestic Product) measures the total market value of a nation’s output of goods and services during a specific time period. It is usually measured on a quarterly basis. Current GDP is based on the current prices of the period being measured. Nominal GDP growth refers to GDP growth in nominal prices (unadjusted for price changes). Real GDP growth refers to GDP growth adjusted for price changes. Calculating Real GDP growth allows economists to determine if production increased or decreased, regardless of changes in the purchasing power of the currency.

INFLATION – The Consumer Price Index (CPI) NSA (non-seasonally adjusted) measures changes in the price level of a market basket of consumer goods and services purchased by households. This indicator value represents the trailing year over year % change in the CPI index as of last month-end.

UNEMPLOYMENT – The Bureau of Labor Statistics measures employment and unemployment of all persons over the age of 15 using two different labor force surveys conducted by the United States Census Bureau (within the United States Department of Commerce) and the Bureau of Labor Statistics (within the United States Department of Labor) that gather employment statistics monthly. The data reported here is seasonally adjusted (SA) to account for seasonal gains in employment leading up to Christmas.
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