ACG Market Review

Fourth Quarter 2022

Global Highlights:

- **Economy** – Resiliency in light of recessionary risks as inflation wanes and the Federal Reserve continues to tighten policy
- **Equities** – Some relief in Q4 during a difficult year with focus turning to earnings growth amid the possibility for a recession
- **Fixed Income** – Higher yields led to one of the worst years ever for bond investors, but forward expectations have greatly improved

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Inflation Fears Shifting to Recession Fears

2022 will likely be remembered as an inflection point for low inflation and easy monetary policy into a new regime of elevated inflation and hawkish Federal Reserve (Fed) policy. The year began with annual inflation running well above the Fed's stated 2.0% target and with debate around when and how fast the central bank would raise its policy rate. Ultimately, the Fed hiked rates seven consecutive times to end the year with a policy rate of 4.5% from a starting point near zero. Year-over-year inflation peaked around 9.0% amid the policy turn and showed signs of slowing during Q4.

Many of the inflationary drivers post-pandemic have recently flipped to deflationary forces which has helped slow price-growth in the short-term. Among other factors contributing to inflation, expansive monetary and fiscal policy, stressed supply chains, and the war in Ukraine all caused significant upward pressure on prices in the two years after COVID. These factors generally reversed in the second half of 2022 to provide relief in the near-term. The Fed began tightening financial conditions, government stimulus in response to the pandemic has largely rolled off, supply chains have begun to normalize, and the initial spike in food and energy prices due to geopolitical conflict has abated. As inflation concerns have peaked, market focus has turned towards recession odds.

The base-case for many economists looking ahead to 2023 is for some form of recession. A Bloomberg survey in December showed that over 80% of economists are expecting a recession in the next 24 months. In evidence of a looming recession, data points such as the Index of Leading Economic Indicators and the Global Purchasing Managers Index have fallen into contractionary territory. There does seem to be hope in some pockets that the U.S. can avoid recession and experience a “soft landing” or a mild slowdown without the normal recessionary pain. GDP based on the Federal Reserve Bank of Atlanta's GDPNow estimates are showing approximately 4.0% growth in Q4 2022 after negative growth in the first half of the year. Consumer spending and excess savings rates have also generally remained resilient and point to some baseline support for the economy.

The natural cycles of the economy dictate that a recession is on the horizon at an undetermined distance. One of the big questions for markets looking ahead to 2023 is how much recession risks have been priced into asset prices. Fixed income markets have largely priced-in recession with inverted yield curves betting the Fed will need to begin cutting rates soon. The interplay between inflation, rates, and recession risk largely drove markets in 2022 and will continue to be closely watched next year.

Signs of Life for Equities During Tough Year

Q4 provided a welcome relief in equity markets to end what was a difficult calendar year for stocks. The S&P 500 was up +7.56% on a total return basis for the quarter but finished the year down -18.11% in 2022. The rotation from growth-oriented companies to value continued to close the year. After several years of relative outperformance leading into 2022, the Russell 1000 Growth Index fell -29.14% for the year compared to -7.54% for the Russell 1000 Value. The value index gained +12.42% in Q4 compared to +2.20% for its growth counterpart. The S&P 500 Energy sector was the clear winner for both the quarter and year, returning +22.81% and +65.72%, respectively. Growth-heavy sectors like Communication Services (-40.05%) and Information Technology (-28.19%) endured the steepest losses as valuations reset for previous market leaders.

In fact, the six largest stocks in the S&P 500 by market cap leading into 2022 (Apple, Amazon, Microsoft, Alphabet, Tesla, Meta) accounted for nearly half the decline in the index for the year. Value stocks continue to look cheap relative to their growth counterparts based on many long-term valuation metrics.

Small Cap, International, and Emerging Market stocks also remain historically cheap relative to U.S. Large Cap. The Russell 2000 Index, which tracks U.S. small-company equities, generally mirrored the performance of the large-company focused S&P 500. The Russell 2000 gained +6.23% in Q4 to bring 2022 performance to -20.44%. International markets enjoyed a period of relative outperformance compared to the U.S. The MSCI EAFE Index gained +17.34% in Q4 and was down -14.45% for the year, beating the S&P 500 on both timeframes. The MSCI Emerging Markets Index rose +9.70% for the quarter and fell -20.09% during the year. Domestic Small Cap and overseas markets could be places for U.S. based investors to look for pockets of relative outperformance within their equity allocations in the intermediate term.

Broad equity market declines were entirely driven by declines in valuation multiples in 2022 rather than deteriorating earnings. Equity strategists will be looking closely at earnings growth estimates as markets shift focus towards a possible recession. Forward earnings growth expectations across geographies have decreased steadily from late-2020 through Q4 2022. Estimates for 2023 have remained in positive territory. Past recessions have been marked by significant negative earnings growth, so continued deterioration in earnings growth numbers could be a sign that a recession is here.

Bond Market Reset

Fixed income markets did not provide the diversification benefits that investors have come to expect during 2022. Treasury yields began to stabilize in Q4, and the Bloomberg U.S. Aggregate Index provided some positive performance at +1.87%. The gain was small relative to the -13.01% calendar year loss in 2022 for the index. The magnitude of the annual loss for bond investors was in ways both expected and a surprise. Some level of pain had always been in store for fixed income as the Fed lifted rates from years of near-zero policy, but it has been rare to experience negative returns from both stocks and bonds in the same year. 2001/2002 and 2008, for example, saw positive returns for fixed income during painful drawdowns in equities. Truly one of the only places to hide from a broad allocation perspective in 2022 was cash, at least in nominal terms, as the Bloomberg US Treasury Bill 1-3 Month Index gained +1.52% for the year.

It has taken a historically aggressive Federal Reserve to push bond yields above historic lows. One of the byproducts of higher yields, and a ray of hope for fixed income allocations, is that bonds now offer a much more attractive alternative to other asset classes. One of the best long-term proxies for fixed income returns is the starting yield. Higher yields now portend higher future returns after a year of disappointment. Starting yields across fixed income sectors from U.S. Treasuries to Investment Grade Corporates to Mortgage/Asset-Backed Securities are higher than the 10-year average across the board and among the highest seen in over a decade. From an asset allocation perspective the implication is that portfolios may be able to generate similar expected returns with less volatility due to increased return expectations for fixed income.

Prediction Season

The turn of a calendar year always brings a new wave of market predictions for the next year and beyond. Next year-end price targets for the S&P 500 are an often publicized but rarely useful mechanism for Wall Street to publish thoughts on their near-term outlooks. Interestingly for 2023, year-end targets have the largest spread between highest and lowest estimates since 2009, reflecting some of the uncertainty and wide range of outcomes that could play out over the next twelve months. Over the longer-term, it feels like 2022 marked a clear shift in the investing environment from the previous decade or more after the Great Financial Crises. Low rates, a stimulative Fed, optimistic sentiment, and low risk aversion have been replaced by inflationary pressures, tightening monetary policy, and a turn in the risk cycle. Accurate forecasts are nearly impossible, but investors should be thoughtful about preparing for an environment that is unlikely to see steady appreciation across markets like the prior decade.

Market Index Review – December 2022

Major Market Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500	-5.76	7.56	-18.11	-18.11	7.66	9.42	12.56
Russell 2000	-6.49	6.23	-20.44	-20.44	3.10	4.13	9.01
Russell 3000	-5.86	7.18	-19.21	-19.21	7.07	8.79	12.13
MSCI ACWI	-3.94	9.76	-18.36	-18.36	4.00	5.23	7.98
MSCI ACWI ex USA	-0.75	14.28	-16.00	-16.00	0.07	0.88	3.80
Bloomberg US Aggregate TR	-0.45	1.87	-13.01	-13.01	-2.71	0.02	1.06

International Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
MSCI EAFE	0.08	17.34	-14.45	-14.45	0.87	1.54	4.67
MSCI Europe	0.01	19.35	-15.06	-15.06	1.35	1.87	4.58
MSCI Pacific	0.33	14.13	-13.04	-13.04	-0.03	0.95	4.89
MSCI EAFE Small Cap	1.07	15.79	-21.39	-21.39	-0.93	-0.05	6.21
MSCI Emerging Markets	-1.41	9.70	-20.09	-20.09	-2.69	-1.40	1.44
MSCI Frontier Markets	-1.47	-0.83	-26.34	-26.34	-3.65	-2.48	3.23

Russell Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Russell 1000	-5.81	7.24	-19.13	-19.13	7.35	9.13	12.37
Russell 1000 Growth	-7.66	2.20	-29.14	-29.14	7.79	10.96	14.10
Russell 1000 Value	-4.03	12.42	-7.54	-7.54	5.96	6.67	10.29
Russell MidCap	-5.40	9.18	-17.32	-17.32	5.88	7.10	10.96
Russell MidCap Growth	-6.00	6.90	-26.72	-26.72	3.85	7.64	11.41
Russell MidCap Value	-5.08	10.45	-12.03	-12.03	5.82	5.72	10.11
Russell 2000 Growth	-6.42	4.13	-26.36	-26.36	0.65	3.51	9.20
Russell 2000 Value	-6.56	8.42	-14.48	-14.48	4.70	4.13	8.48

Bond Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
FTSE T-Bill 3 Months	0.34	0.87	1.50	1.50	0.71	1.25	0.74
Bloomberg US Municipal TR	0.29	4.10	-8.53	-8.53	-0.77	1.25	2.13
Bloomberg US Govt/Credit TR	-0.48	1.80	-13.58	-13.58	-2.57	0.21	1.16
Bloomberg US Govt/Credit Int TR	-0.18	1.54	-8.24	-8.24	-1.26	0.73	1.12
Bloomberg US Credit 1-3 Yr TR	0.22	1.28	-3.40	-3.40	-0.01	1.31	1.37
Bloomberg US Credit Long TR	-1.13	5.30	-25.29	-25.29	-5.78	-0.77	2.13
Bloomberg US Corporate High Yield TR	-0.62	4.17	-11.19	-11.19	0.05	2.31	4.03
FTSE WGBI	-0.17	3.82	-18.26	-18.26	-5.75	-2.54	-1.22

Sector Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Materials	-5.56	15.05	-12.27	-12.27	10.47	7.45	9.80
S&P 500 Consumer Discretionary	-11.26	-10.18	-37.03	-37.03	1.46	6.14	11.74
S&P 500 Consumer Staples	-2.82	12.72	-0.62	-0.62	9.30	8.83	11.03
S&P 500 Energy	-2.94	22.81	65.72	65.72	19.34	9.25	5.97
S&P 500 Financials	-5.23	13.60	-10.53	-10.53	5.90	6.42	12.16
S&P 500 Health Care	-1.91	12.80	-1.95	-1.95	11.95	12.53	15.32
S&P 500 Industrials	-2.97	19.22	-5.48	-5.48	8.33	7.36	11.94
S&P 500 Information Technology	-8.37	4.74	-28.19	-28.19	11.60	15.81	18.32
S&P 500 Real Estate	-4.83	3.82	-26.13	-26.13	1.85	5.91	--
S&P 500 Communication Services	-7.84	-1.38	-39.89	-39.89	-3.33	0.95	4.26
S&P 500 Utilities	-0.53	8.64	1.57	1.57	6.29	9.57	11.08

Other Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
HFRI FOF: Diversified Index	0.40	1.37	-3.06	-3.06	4.35	3.50	3.68
HFRI FOF: Conservative Index	1.28	2.47	1.11	1.11	5.03	4.07	3.74
HFRI Equity Hedge (Total) Index	-0.93	3.99	-10.37	-10.37	5.67	4.50	5.54
Wilshire Liquid Alternative Equity Hedge	-2.33	4.89	-6.35	-6.35	2.75	1.85	2.39
Wilshire Liquid Alternative TR USD	-1.31	1.73	-5.65	-5.65	0.58	0.77	1.32
FTSE EPRA/NAREIT Global TR USD	-2.47	7.49	-23.58	-23.58	-5.12	-0.06	3.43
FTSE EPRA/NAREIT Developed NR U:	-2.79	6.85	-25.09	-25.09	-4.93	-0.23	2.99
Alerian MLP TR USD	-4.69	10.11	30.92	30.92	9.38	4.08	1.99
Bloomberg Commodity Index TR USD	-2.45	2.22	16.09	16.09	12.65	6.44	-1.28
S&P Global Infrastructure TR USD	-2.20	11.04	-0.17	-0.17	1.72	3.88	6.51
Consumer Price Index *	-0.10	0.30	6.78	7.11	5.00	3.83	2.60

* Consumer Price Index returns will be reported as of the previous month end due to the delayed release of data.

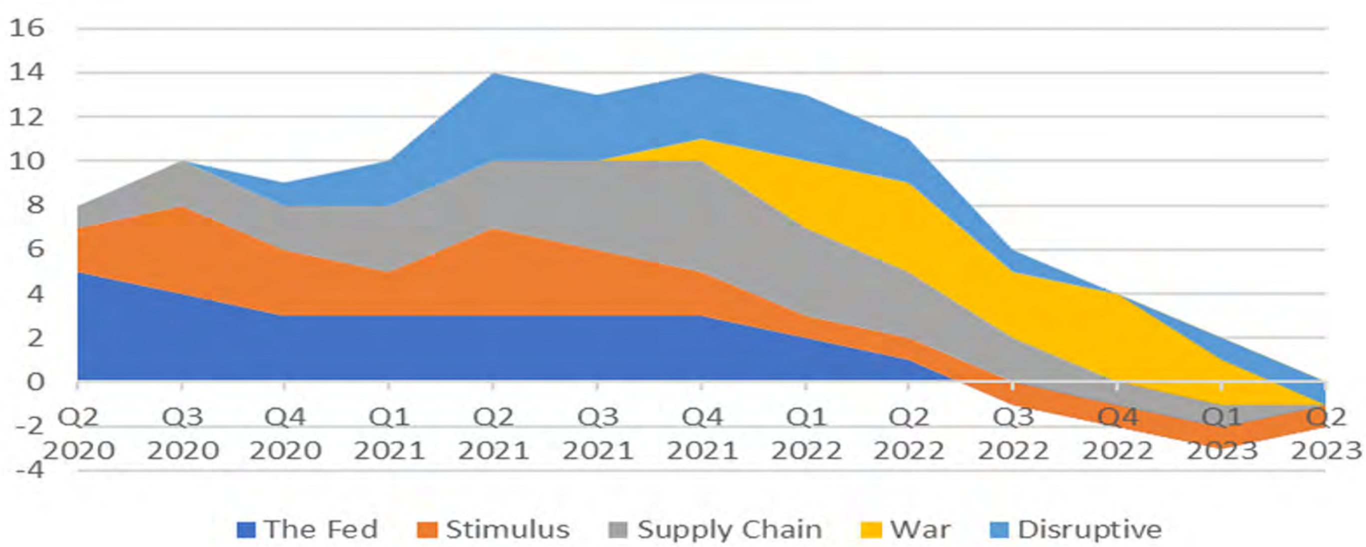
Source: Morningstar, ACG
Returns include dividends; 3-year, 5-year and 10-year returns are annualized. Indices are unmanaged.
You cannot invest directly into an index. Past performance is not indicative of future results

Q4 2022: "Fed Watching" Becomes The New National Pastime

Source: Hedgeye, ACG

Focus of Investor Worry Shifts from Inflation to Recession

Inflationary Drivers
(Annualized Contribution by Issue)

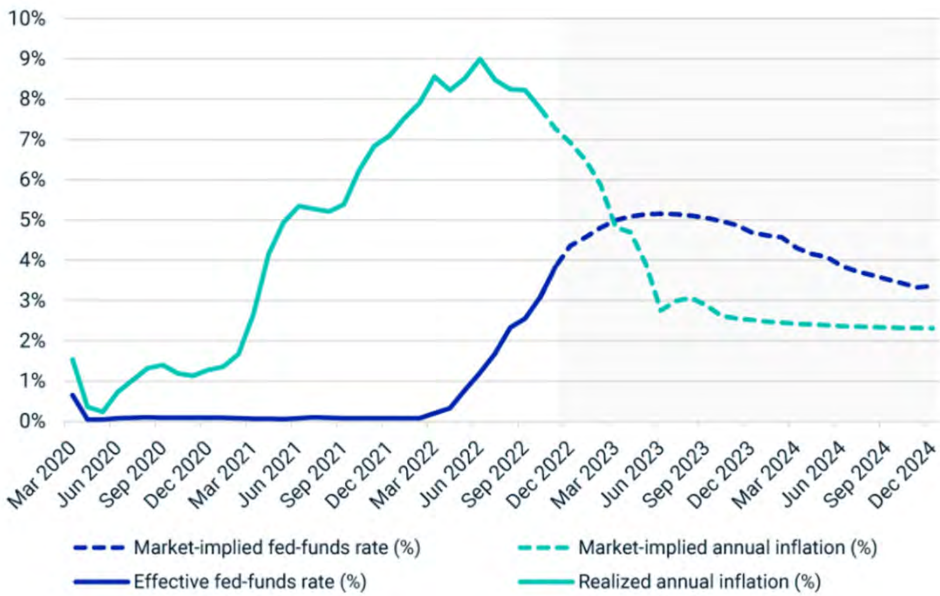


- Taking a deeper look at the underlying causes of the recent inflationary spike shows that most items that contributed to the spike have recently flipped over to deflationary factors in the short-term
  - **The Fed** - Expansive monetary policy in 2020 and 2021 to battle pandemic turned restrictive in 2022
  - **Stimulus** - Fiscal stimulus to help companies and individuals through the pandemic has rolled off
  - **Supply Chain** - Global supply chains that were stressed during the pandemic are being repaired
  - **The War in Ukraine** – Energy, commodities and food supply continue to be under pressure
  - **Disruptive** – “Bubbly” behavior that was fostered by the brief but dramatic boom in “meme” stocks and cryptocurrencies. Most of these have since declined significantly recently

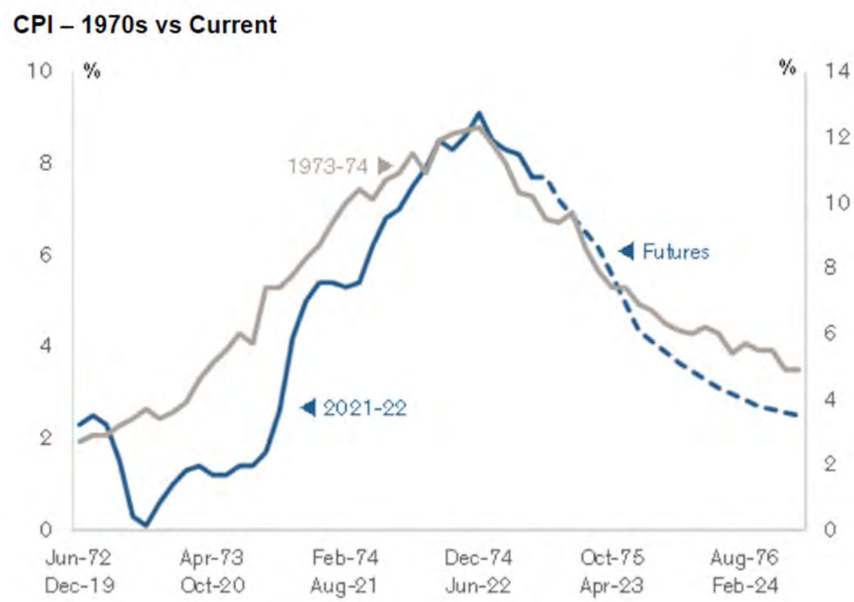
Source: Academy Securities, Bloomberg, ACG

The Beginning of the End?

Inflation vs. Federal Funds Rate
(Dotted Line = Market Implied Forecast)



Annualized Inflation
(1970s vs. Current)



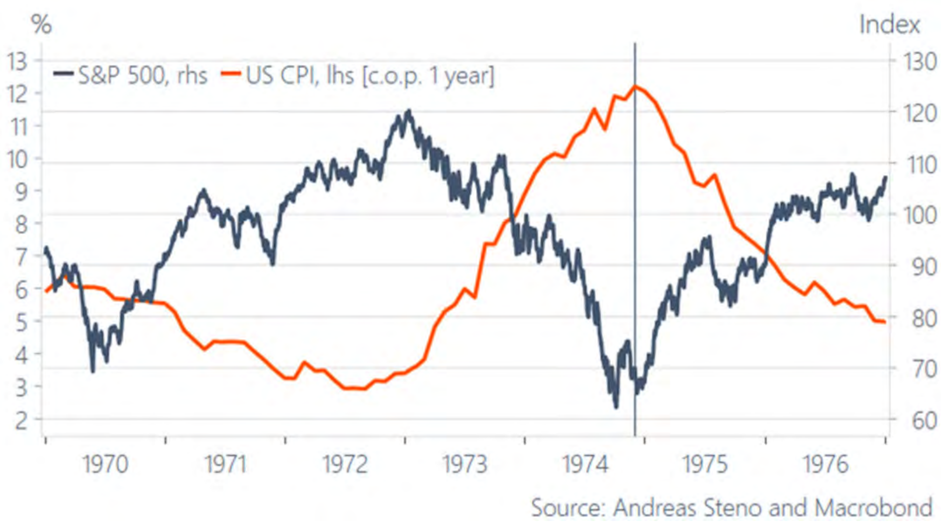
- The market's current expectation is that the Fed Funds Rate peaks just over 5% while inflation declines to an annualized rate of under 5% by Spring of 2023. Importantly, this will result in a positive real fed funds rate, which many economists point out was necessary to stamp out similar past spikes in inflation

- One way to put our current inflationary situation into context is to look at the past. Current pricing on inflation futures have it coming back to more normal levels over the next year. The pace of this decline looks very similar to what happened during the mid-1970s

Source: MSCI, Bloomberg, Federal Reserve, Bureau of Labor Statistics, Credit Suisse, ACG

Equity Market Performance Around Inflationary Peaks

Annualized Inflation vs. S&P 500
(1970 – 1976, S&P 500 = right axis, CPI = left axis)



Date of Inflation Peak vs. Future Equity Returns
(S&P 500 Cumulative Change)

	S&P 500 Index Price Change		
Inflation Peak	Next 1 Year	Next 3 Years	Next 5 Years
3/31/1947	-0.6%	14.0%	60.6%
2/28/1951	6.7%	20.0%	108.0%
1/31/1970	12.7%	36.5%	-9.5%
12/31/1974	31.5%	38.7%	57.4%
3/31/1980	33.2%	49.8%	77.0%
11/30/1990	16.4%	43.3%	87.9%
7/31/2008	-22.1%	2.0%	33.0%

- Looking back at the 1970s specifically, once inflation peaked and the Consumer Price Index (CPI) began to roll over, equity markets rallied significantly

- Broadening the scope to look at other inflationary peaks, one can see that equity markets rallied in the years following the inflation peak in almost all cases going back to World War II

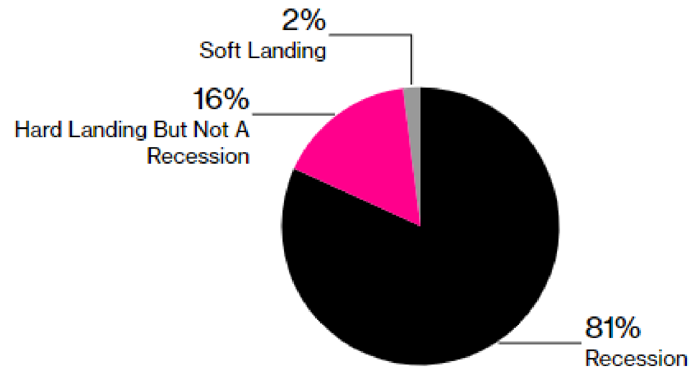
Looming Recession Keeps Market On Edge

- With the beginning of the end of the inflation spike potentially in sight, investors have shifted much of their focus to the potential for a recession in 2023 with over 80% of economists surveyed by Bloomberg feeling that the U.S. will experience a recession in the next 24 months

- In addition, data such as the Leading Economic Indicators and Purchasing Managers Index (charts below) both point to a likely recession. Investors remain hopeful, however, that any recession is mild in nature

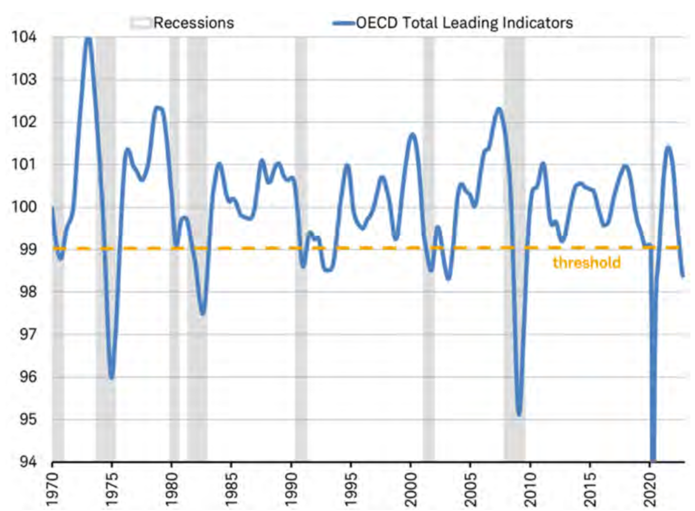
Four-Fifths of Economists Expect a US Recession

Survey shows a growing consensus for a downturn in next 24 months

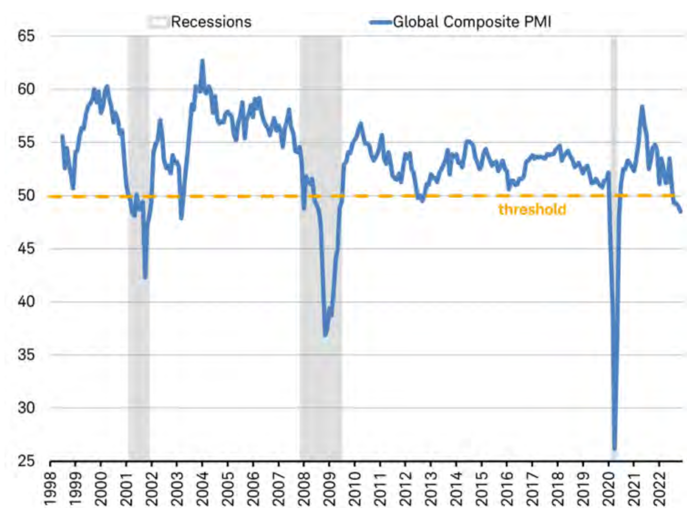


Bloomberg News survey of economists December 2-7
Economists were asked if US would have a recession in the next 24 months. Hard landing is defined as zero or negative growth for a time but not an officially declared recession.

Index of Leading Economic Indicators



Global Purchasing Managers Index



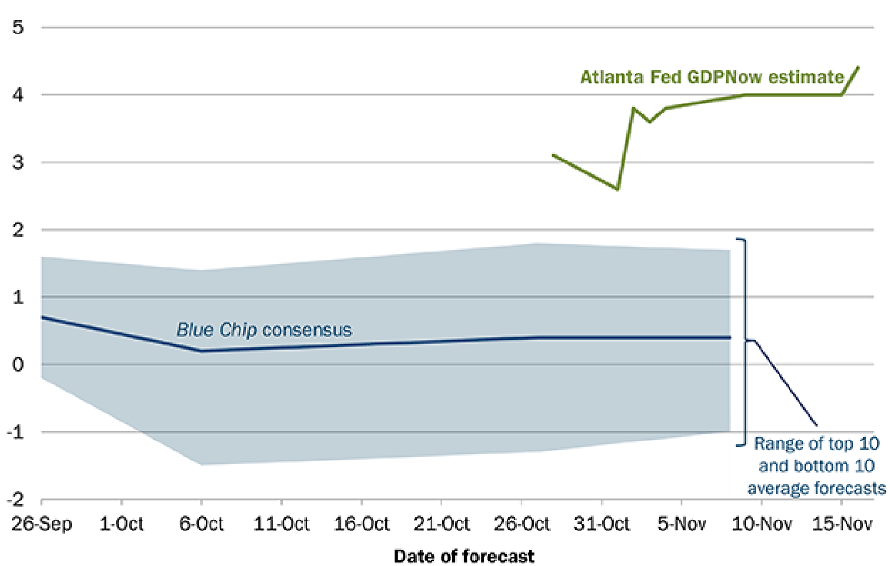
U.S. Economy Resilient & Confidence May Be Bottoming Out

- Despite the rapid pace of rate hikes in 2022, the Federal Reserve Bank of Atlanta's "GDPNow" real-time estimate of economic growth is showing 4% expected growth during the fourth quarter, marking an acceleration vs. third quarter GDP and a vast improvement over the negative growth seen during the first half of 2022

- From a contrarian standpoint, CEO Confidence (chart on the top right) is near prior troughs in the index. When you compare past troughs with equity markets, they line up very closely with significant market bottoms

CEO Business Confidence Index

Atlanta Fed GDPNow Q4 2022 Estimate



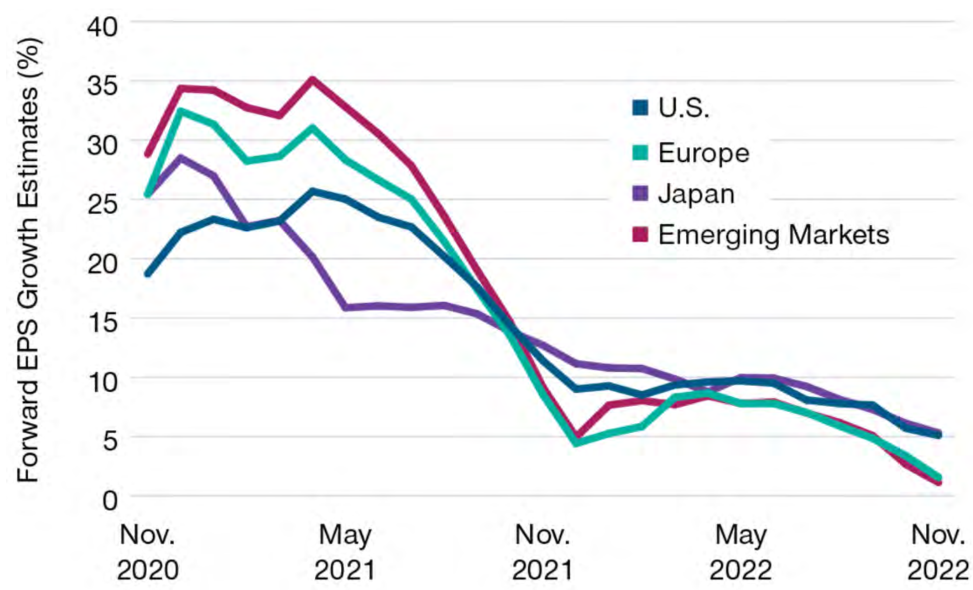
S&P 500 Index Return

Source: *Federal reserve Bank Atlanta, The Conference Board, Goldman Sachs, ACG*

Earnings Growth Deteriorating But Still Positive

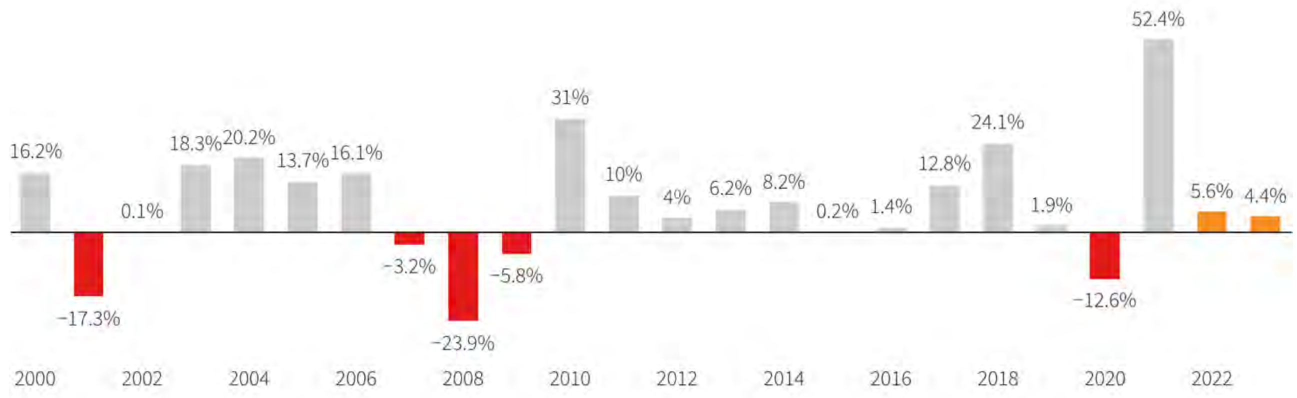
- With fears of a possible recession in 2023 reaching a near fever pitch, investors and Wall Street strategists are closely watching 2023 earnings estimates for signs of further deterioration. Currently, estimates still call for positive earnings growth, albeit at a much lower level

Forward Earnings Growth Estimates



- Looking back at past recessions, these periods were all marked by significant earnings declines

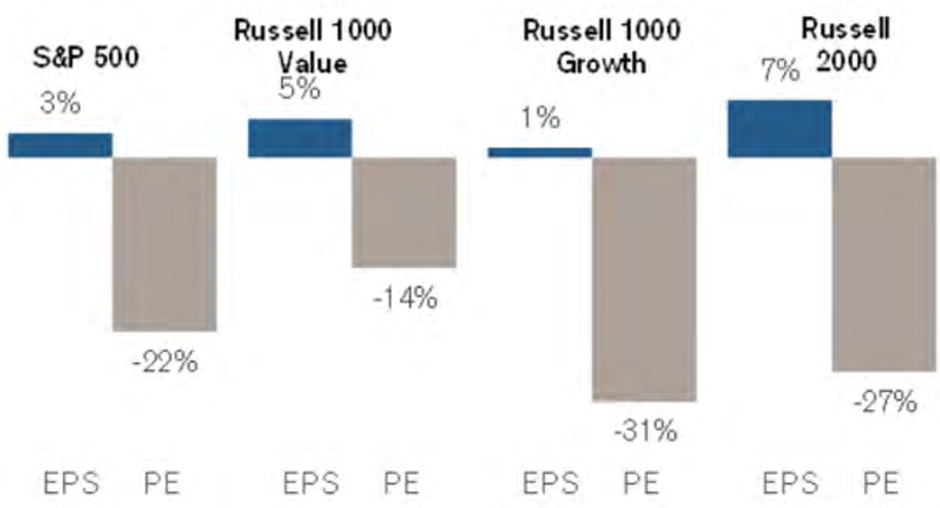
S&P 500 Annual Earnings Growth
(2022 and 2023 Are Estimates)



Source: T. Rowe Price, Refinitiv, I/B/E/S, ACG

2022 Equity Returns Driven by Valuation Declines

2022 Return Attribution
(Earnings Per Share "EPS" vs. Price to Earning Ratio "PE")



Annual Return Attribution
(Contribution of Apple, Amazon, Microsoft, Alphabet, Tesla and Meta to S&P 500)

- 2022's equity market declines were driven entirely by a decline in valuation multiples. Price-to-earnings ratios fell sharply last year while corporate earnings were relatively resilient. Many strategists point to higher interest rates and investors fears of a looming recession as primarily responsible for the re-rating

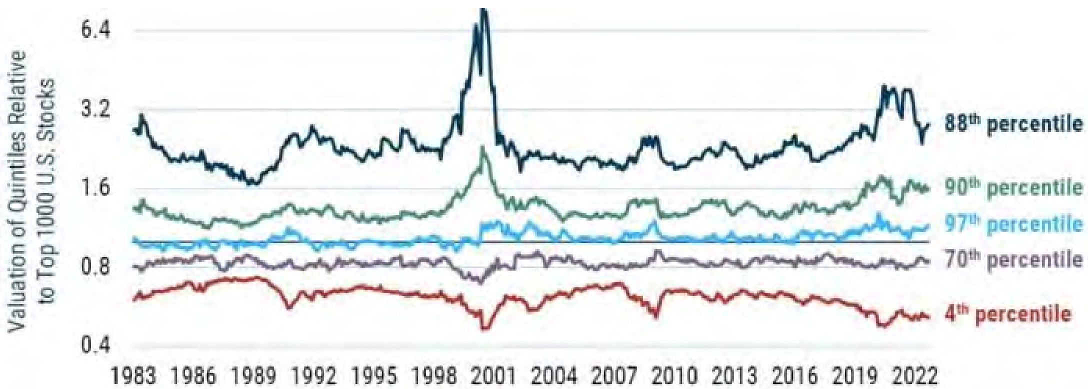
- After nearly a decade of positively contributing to overall market returns, the six stocks that started 2022 with the largest market capitalizations in the S&P 500 Index (Apple, Amazon, Microsoft, Alphabet, Tesla and Meta) together were responsible for nearly half of the decline in the index in 2022

Source: Credit, Suisse, Societe Generale, Standard & Poor's, Russell Investment Group, ACG

The Equity Market is Bifurcated

- The recent relative outperformance of value stocks vs. growth stocks is the best run for value in over two decades, prompting some to call for an end to the recent trend. When looking at the market by valuation quintiles, you can see that the relative valuation of the most expensive stocks (top line) has come down, but the cheapest stocks (bottom line) are still very cheap vs. history – in the 4th percentile when looking back over the last 40 years

U.S. Equity Market Valuation Percentile
(Based on Quintiles of Valuation)



- Much has been made recently of the effect of higher interest rates on stock valuation. Equity valuations also vary significantly based on prevailing inflation. From the chart to the right, you can see that price-to-earnings ratios tend to be lower when inflation is running higher. The effect is most notable when inflation exceeds 6% on an annualized basis

S&P 500 P/E Ratio by Annual Inflation Bucket

Inflation vs. valuation				
	S&P 500 forward P/E			
CPI (y/y % change)	Average	Lowest	Highest	% of time
-2 to 0%	16.4	13.5	17.8	1%
0 to 2%	17.8	11.9	27.2	27%
2 to 4%	16.9	10.0	26.4	39%
4 to 6%	15.1	9.0	24.4	16%
6 to 8%	11.8	7.2	22.7	7%
8 to 10%	11.4	6.6	20.1	3%
10 to 12%	8.8	6.7	11.0	3%
Above 12%	8.0	6.8	9.4	2%

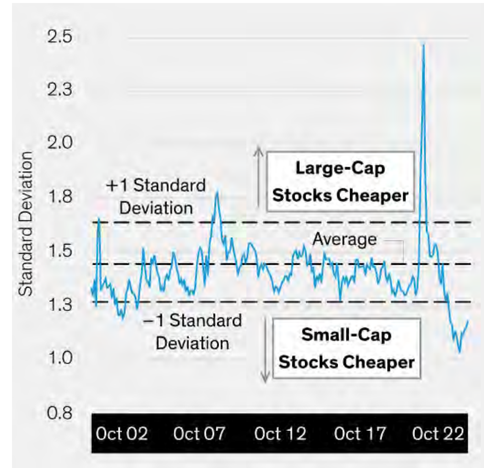
Source: GMO, Schwab, Standard & Poor's, Bureau of Labor Statistics, ACG

Relative Valuations

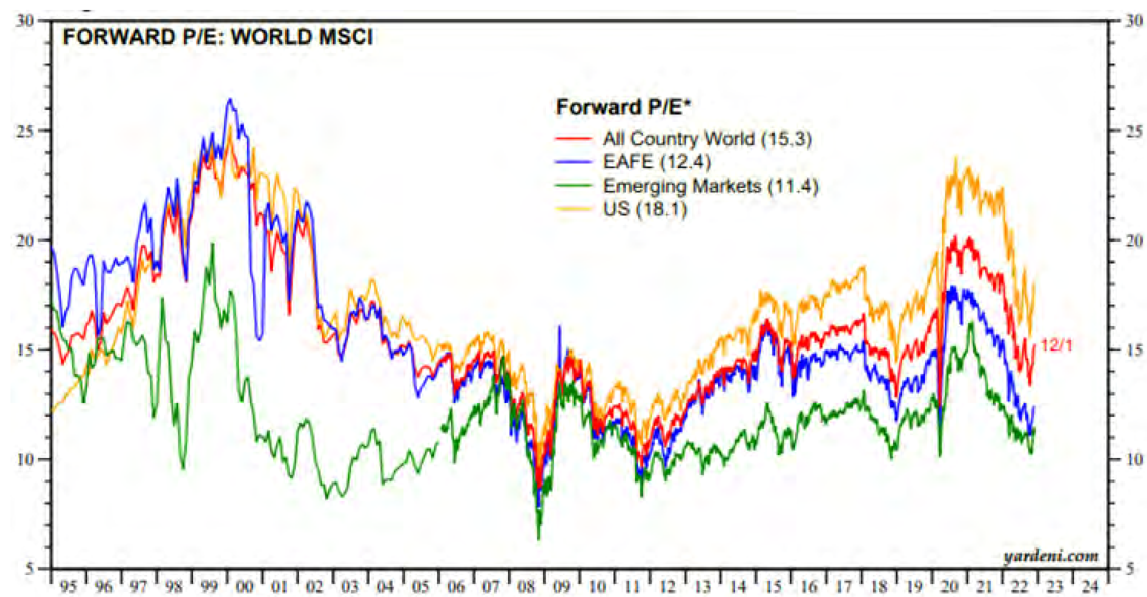
- While the valuation of all forms of equities declined in 2022, there are significant relative differences between geography and market capitalization
- Growth stocks typically trade at a premium to value stocks. Despite the strong performance of value stocks relative to growth in 2022, growth stocks are still expensive
- Small cap stocks typically trade at a premium to large cap stocks. Currently, small caps are at a discount vs. their average premium
- Foreign stocks typically trade at a discount to U.S. stocks. This discount is currently large vs. history

Relative Valuation
(Growth vs. Value)

Relative Valuation
(Large Cap vs. Small Cap)



Relative Valuation
(U.S. vs. Developed international and Emerging Markets)

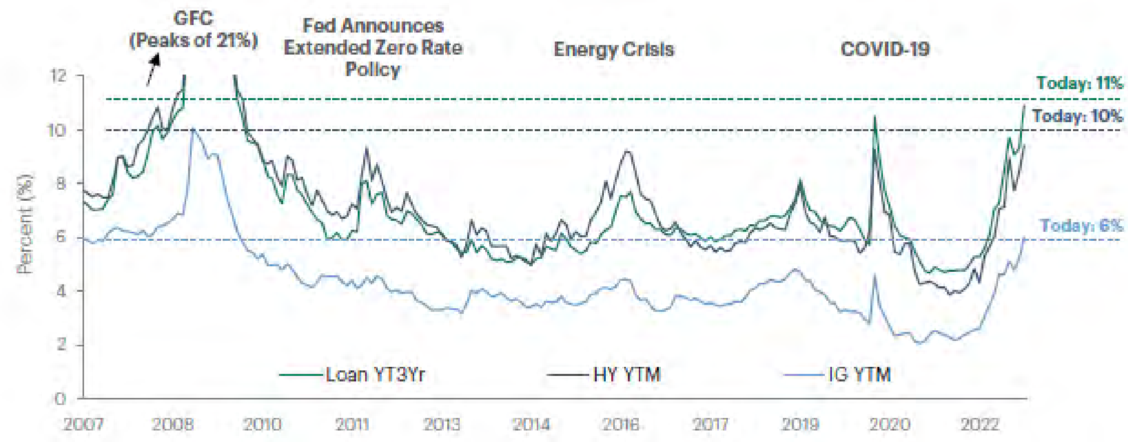


Source: Ed Yardeni, MSCI, JP Morgan, Standard & Poor's, Russell Investment Group, ACG

Bond Yields Reach Decade Highs

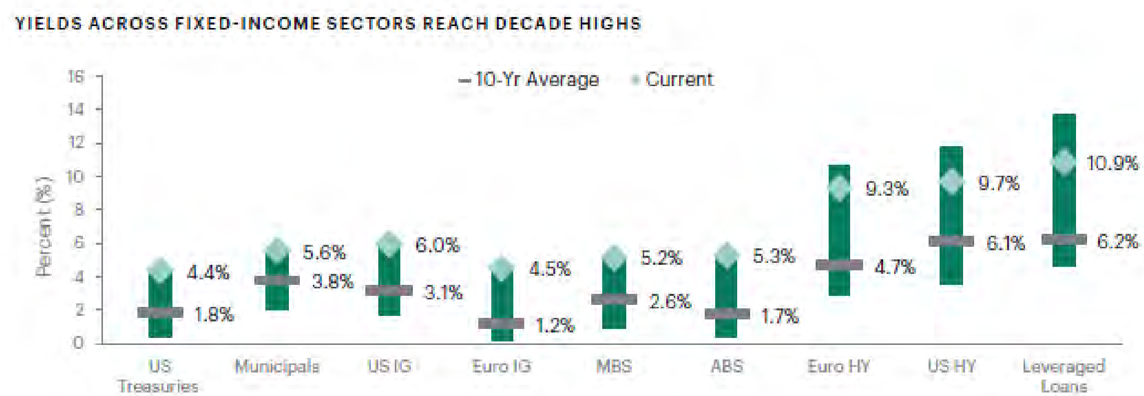
- One positive byproduct of the move to higher interest rates in 2022 is the surge in bond yields. After a long period of low rates which made bond investments less compelling vs. other market alternatives, bonds now offer an attractive rate vs. other instruments – namely the uncertainty of equities.

Bond Yield Comparison
(Leveraged Loan vs. Investment Grade vs. High Yield)



- One of the best determinants of future returns for bond investors is starting yield. As you can see in the chart to the right, across all areas of fixed income the current yield is at or near the high point of the range of the last decade. These higher yields bode well for future bond returns and also have broader asset allocation implications

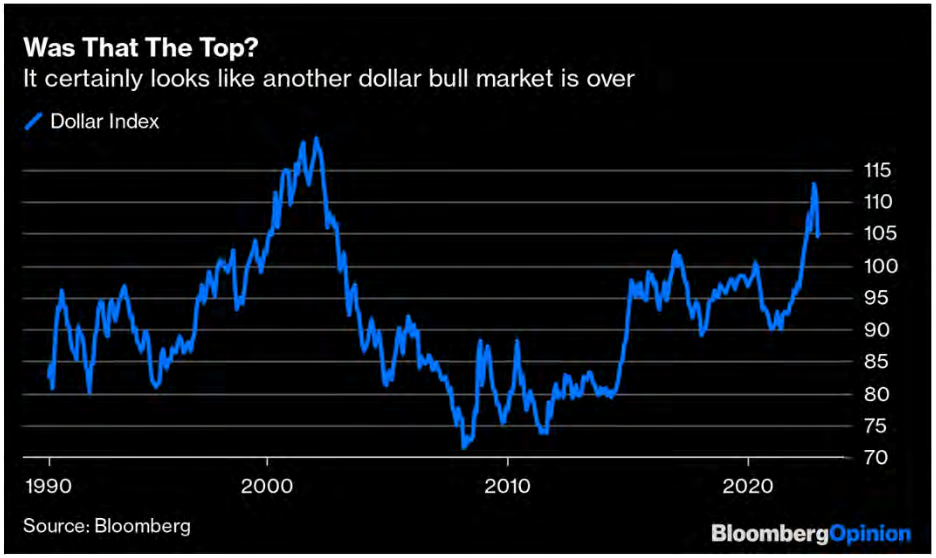
Bond Yield Comparison



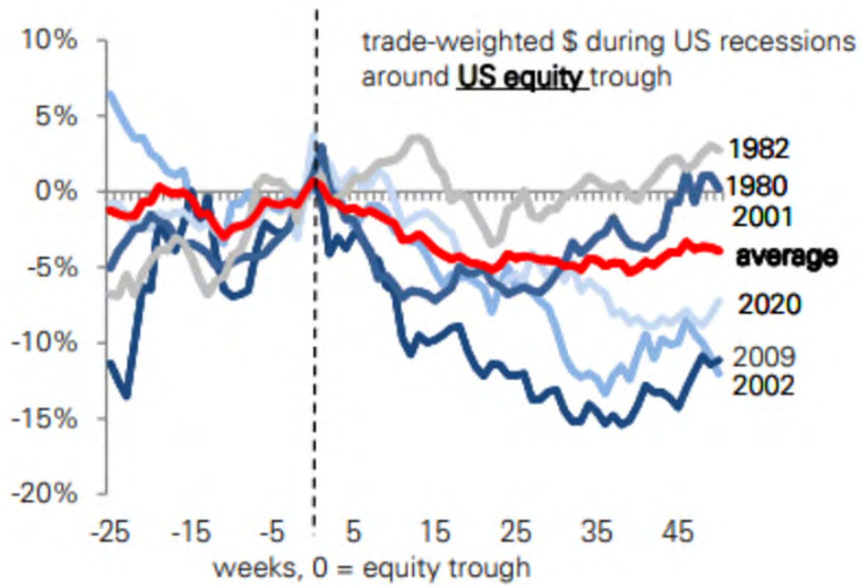
Source: Apollo, ACG

Currency Effect Looks Like It May Be Changing Direction

U.S. Dollar Performance
(Vs. A Basket of Major Foreign Currencies)



U.S. Dollar Performance
(Timeframe matched to equity market troughs)



- The U.S. Dollar had been on a strong run vs. foreign currencies for most of the last decade. This trend, however, quickly reversed itself during the fourth quarter, leaving many market strategists and economists to wonder whether this is a temporary correction or evidence of a changing dynamic in global currency markets

- With regards to recessionary periods, the trough for the stock market has tended to come almost exactly at the dollar's peak. The Federal Reserve's much-anticipated pause or pivot toward lower rates could further erode the dollar's position as a high-yielding currency and lead to further weakness in 2023

Source: Bloomberg, Deutsche Bank, ACG

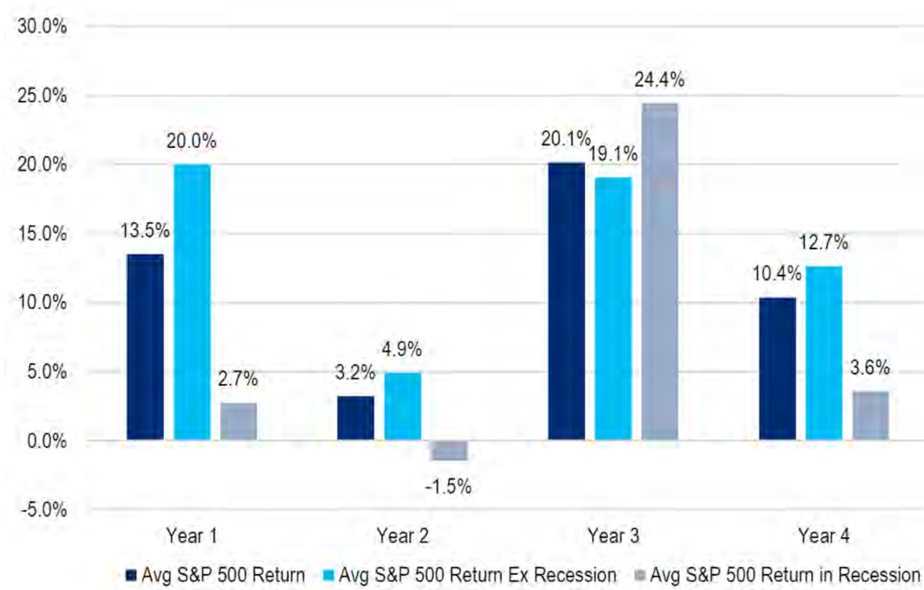
What Will 2023 Have In Store?

- Wall Street strategists' 2023 outlook shows the highest discrepancy in views in over a decade. Encouragingly for optimists, 2009 was the last year with such a wide dispersion in forward looking views and that was also the year when the market posted a very strong rebound from the 2008 Global Financial Crisis

- Optimists can also point to 2023 being year 3 of the current Presidential cycle. Historically, the third year of a President's term produces the best returns. As you can see in the chart to the right, the average is over 20% per year

Spread Between Highest and Lowest S&P 500 Target

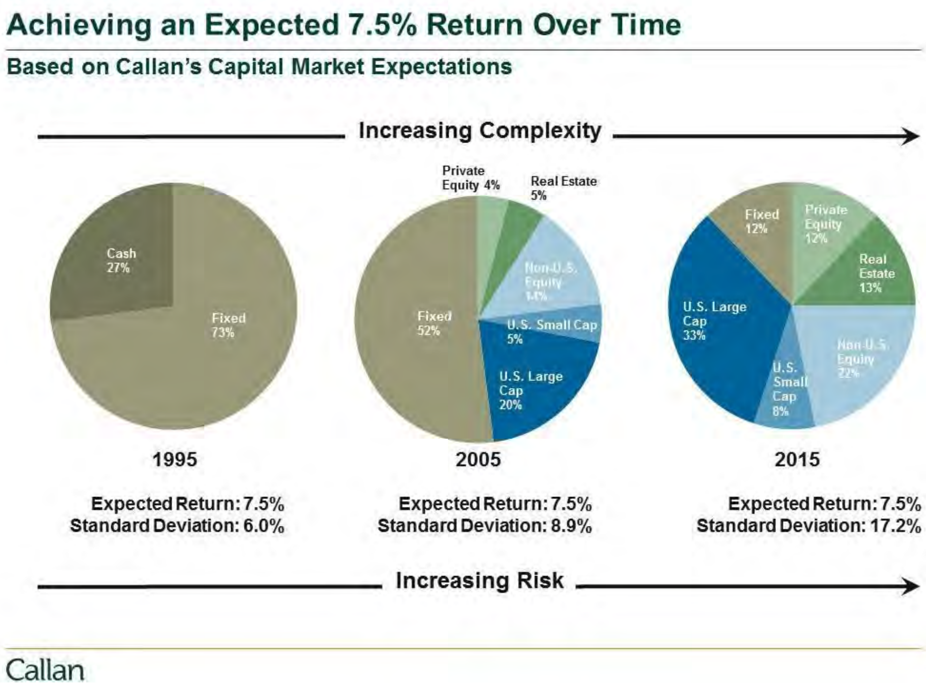
S&P 500 Returns by Presidential Year



Source: Bloomberg, Citigroup, Standard & Poor's, ACG

What About the Next 10 Years?

	2009 to 2021	Today
Fed behavior	Highly stimulative	Tightening
Inflation	Dormant	40-year high
Economic outlook	Positive	Recession likely
Likelihood of distress	Minimal	Rising
Mood	Optimistic	Guarded
Buyers	Eager	Hesitant
Holders	Complacent	Uncertain
Key worry	FOMO	Investment losses
Risk aversion	Absent	Rising
Credit window	Wide open	Constricted
Financing	Plentiful	Scarce
Interest rates	Lowest ever	More normal
Yield spreads	Modest	Normal
Prospective returns	Lowest ever	More than ample



- On a variety of metrics, the world we have become accustomed to over the last decade plus changed significantly in 2022
- These changes have a myriad of implications, from portfolio construction to allocation to manager selection
- While we don't know with certainty what the next year will look like, we do feel very confident that the next decade will not look like the last ten years

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We urge you to take a moment to compare the account balances contained in this report to those balances reflected on the statements that you receive directly from your account's custodian. Please contact us or the account custodian with any questions you may have. Also, please notify us promptly if you do not receive statements on all accounts from the custodian on at least a quarterly basis.

INDEX DEFINITIONS

Asset class and reference benchmarks:

ASSET CLASS	BENCHMARK
U.S. Equity	S&P 500 TR
International Developed Equity	MSCI EAFE NR
Emerging Market Equity	MSCI EM NR
U.S. Fixed Income	Bloomberg Barclays U.S. Aggregate Bond TR
Cash & Cash Alternatives	Citi Treasury Bill 3 Mon USD

Alerian MLP: The Alerian MLP Index is the leading gauge of large- and mid-cap energy Master Limited Partnerships (MLPs). The float-adjusted, capitalization- weighted index, which includes 50 prominent companies and captures approximately 75% of available market capitalization, is disseminated real-time on a price-return basis (AMZ) and on a total-return basis (AMZX).

Bloomberg Barclay 10-Year U.S. Treasuries: Measures the performance of U.S. Treasury securities that have a remaining maturity of 10 years.

Bloomberg Barclays U.S. Aggregate Index: Represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment- grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Bloomberg Barclays Global Aggregate ex-U.S. Dollar Bond Index: Tracks an international basket of bonds that currently contains 65% government, 14% corporate, 13% agency and 8% mortgage-related bonds.

Bloomberg Barclays High Yield: Covers the universe of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures and 144-As are also included.

Bloomberg Barclays U.S. Corporate High Yield: Composed of fixed-rate, publicly issued, non-investment grade debt.

The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities.

Dow Jones U.S. Total Stock Market Index, which comprises all U.S. equity securities with readily available prices.

FTSE 3-Month Treasury-Bill Index: This is an unmanaged index of three-month Treasury bills.

FTSE EPRA/NAREIT Global Real Estate Index: Designed to represent general trends in eligible listed real estate stocks worldwide. Relevant real estate activities are defined as the ownership, trading and development of income producing real estate.

INDEX DEFINITIONS

Gross Domestic Product (GDP) is the annual market value of all goods and services produced domestically by the US.

HFRI Fund of Funds Conservative: FOFs classified as 'Conservative' exhibit one or more of the following characteristics: seeks consistent returns by primarily investing in funds that generally engage in more 'conservative' strategies such as Equity Market Neutral, Fixed Income Arbitrage, and Convertible Arbitrage; exhibits a lower historical annual standard deviation than the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Conservative Index shows generally consistent performance regardless of market conditions.

HFRI Fund of Funds Diversified: FOFs classified as 'Diversified' exhibit one or more of the following characteristics: invests in a variety of strategies among multiple managers; historical annual return and/or a standard deviation generally similar to the HFRI Fund of Fund Composite index; demonstrates generally close performance and returns distribution correlation to the HFRI Fund of Fund Composite Index. A fund in the HFRI FOF Diversified Index tends to show minimal loss in down markets while achieving superior returns in up markets.

HFRI Fund of Funds Strategic: FOFs classified as 'Strategic' exhibit one or more of the following characteristics: seeks superior returns by primarily investing in funds that generally engage in more opportunistic strategies such as Emerging Markets, Sector specific, and Equity Hedge; exhibits a greater dispersion of returns and higher volatility compared to the HFRI Fund of Funds Composite Index. A fund in the HFRI FOF Strategic Index tends to outperform the HFRI Fund of Fund Composite Index in up markets and underperform the index in down markets.

MSCI All Country World Index Ex-U.S Index.: A market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. It includes both developed and emerging markets.

MSCI EAFE Index (Europe, Australasia, Far East): A free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States and Canada. The EAFE consists of the country indices of 21 developed nations.

MSCI EAFE Growth Index: Represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the growth style.

MSCI EAFE Small-Cap Index: An unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada.

MSCI EAFE Value: Represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the value style.

MSCI Emerging Markets Index: Designed to measure equity market performance in 25 emerging market indexes. The three largest industries are materials, energy and banks.

The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. Price Earnings Ratio (P/E) is the price of the stock divided by its earnings per share.

INDEX DEFINITIONS

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the investible U.S. equity market.

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

Russell 1000 Growth Index: Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index: Measures the performance of the 800 smallest companies of the Russell 1000 Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index.

Russell Mid-Cap Value Index: Measures the performance of those Russell Mid-cap companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid-Cap Growth Index: Measures the performance of those Russell Mid-cap companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Value Index: Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index: Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index: Measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market.

Wilshire Liquid Alternative Index: The Wilshire Liquid Alternative IndexSM measures the collective performance of the five Wilshire Liquid Alternative strategies that make up the Wilshire Liquid Alternative Universe. The Wilshire Liquid Alternative Index (WLIQA) is designed to provide a broad measure of the liquid alternative market by combining the performance of the Wilshire Liquid Alternative Equity Hedge IndexSM (WLIQAEH), Wilshire Liquid Alternative Global Macro IndexSM (WLIQAGM), Wilshire Liquid Alternative Relative Value IndexSM (WLIQARV), Wilshire Liquid Alternative Multi-Strategy IndexSM (WLIQAMS), and Wilshire Liquid Alternative Event Driven IndexSM (WLIQAED).