ACG Market Review – Second Quarter 2024

- **Economy – Growth is still positive, but slowing, while inflation continued to decelerate towards the Fed's target**
  - After strong GDP readings in the second half of 2023, Q1 2024 GDP slowed to slightly over 1.0%. There have been some signs that the labor market is cooling, but consensus GDP estimates for Q2 currently point to a small reacceleration towards 2.0% growth.
  - Progress on inflation continued in Q2 as consumers spent less on discretionary items. Prices for non-discretionary items like shelter and health care continued to put some upward pressure on inflation numbers.
  - Given the overall slowing of inflation and some deceleration for the economy, markets have begun to price a Fed rate cut during the second half of the year. For their part, the Fed has signaled that more evidence of progress on inflation is needed to start cutting rates.

- **Equity – More all-time highs for the S&P 500 as mega-cap companies continue to buoy stocks**
  - The S&P 500 crossed the 5,500 mark for the first time in late June.
    - The largest companies in the index are driving returns, as the top 10% of stocks based on market cap drove most of the return in Q2.
    - US Small and Mid Cap stocks printed negative returns in Q2 and continue to lag Large Cap counterparts.
  - Emerging Markets have quietly rallied and enjoyed a strong Q2 by rising approximately +5.0% as measured by the MSCI EM Index.

- **Fixed Income – Bonds were mostly flat in Q2 as rates remained relatively range-bound**
  - The 10-year Treasury yield generally bounced between 4.0% and 4.5% during the quarter given near-term uncertainty over inflation and the path for the Fed.
  - The Bloomberg US Aggregate was essentially flat, rising +0.07% in Q2.

- **Risks/Other Considerations**
  - Excitement over AI has driven stock prices in some of the biggest names in major indexes. Any change in optimism could turn momentum the other direction for trades that have become crowded.
  - Elections across the globe, including in the US, add a layer of uncertainty. Especially if outcomes surprise markets.

Statistic	Last 10 Year Avg.	12 Month Prior	Prior Quarter	Current
Fed Funds Rate	1.53%	5.07%	5.33%	5.33%
Prime Rate	4.67%	8.25%	8.50%	8.50%
10-Year Treasury Yield	2.39%	3.81%	4.21%	4.36%
30-Year Fixed Mortgage Rate	4.37%	6.71%	6.79%	6.86%
S&P 500 P/E Ratio (Forward Earnings)	19.8x	18.9x	21.1x	21.2x
Projected Earnings Growth (S&P 500)	+8.4%	+8.4% (2024/2023) est.	+3.2% (year/year) est.	+8.8% (year/year) est.
U.S. GDP (Real, Quarterly)	2.40%	+1.7% (Q1 2023) est.	+2.5% (Q4 2023) est.	2.9% (Q1 2024) est.

Source: Morningstar, ACG, Federal Reserve, FactSet

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Market Index Review – June 2024

Major Market Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500	3.59	4.28	15.29	24.56	10.01	15.04	12.86
Russell 2000	-0.93	-3.28	1.73	10.06	-2.58	6.94	7.00
Russell 3000	3.10	3.22	13.56	23.12	8.05	14.14	12.15
MSCI ACWI	2.23	2.87	11.30	19.38	5.43	10.76	8.43
MSCI ACWI ex USA	-0.10	0.96	5.69	11.62	0.46	5.55	3.84
Bloomberg US Aggregate TR	0.95	0.07	-0.71	2.63	-3.02	-0.23	1.35

International Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
MSCI EAFE	-1.61	-0.42	5.34	11.54	2.89	6.46	4.33
MSCI Europe	-2.25	0.55	5.81	11.67	3.87	7.13	4.16
MSCI Pacific	-0.39	-2.18	4.39	11.03	1.11	5.22	4.75
MSCI EAFE Small Cap	-3.04	-1.84	0.51	7.78	-3.35	4.19	4.29
MSCI Emerging Markets	3.94	5.00	7.49	12.55	-5.07	3.10	2.79
MSCI Frontier Markets	-0.02	0.65	5.93	12.32	-3.21	2.21	0.71

Russell Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Russell 1000	3.31	3.57	14.23	23.88	8.74	14.61	12.51
Russell 1000 Growth	6.74	8.33	20.70	33.48	11.28	19.34	16.33
Russell 1000 Value	-0.94	-2.17	6.62	13.06	5.52	9.01	8.23
Russell MidCap	-0.66	-3.35	4.96	12.87	2.37	9.46	9.04
Russell MidCap Growth	1.67	-3.21	5.98	15.05	-0.08	9.93	10.51
Russell MidCap Value	-1.60	-3.40	4.54	11.98	3.65	8.49	7.60
Russell 2000 Growth	-0.17	-2.92	4.44	9.14	-4.86	6.17	7.39
Russell 2000 Value	-1.69	-3.64	-0.85	10.90	-0.53	7.07	6.23

Bond Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
FTSE T-Bill 3 Months	0.45	1.37	2.76	5.64	3.17	2.22	1.53
Bloomberg US Municipal TR	1.53	-0.02	-0.41	3.21	-0.88	1.16	2.39
Bloomberg US Govt/Credit TR	0.87	0.05	-0.68	2.74	-3.11	-0.07	1.51
Bloomberg US Govt/Credit Int TR	0.80	0.64	0.49	4.19	-1.18	0.71	1.54
Bloomberg US Credit 1-3 Yr TR	0.50	1.05	1.78	5.64	1.03	1.73	1.83
Bloomberg US Credit Long TR	0.57	-1.68	-3.30	2.00	-6.76	-0.87	2.40
Bloomberg US Corporate High Yield TR	0.94	1.09	2.58	10.44	1.64	3.92	4.31
FTSE WGBI	-0.03	-1.58	-3.96	-0.63	-6.92	-3.20	-1.20

Sector Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Materials	-3.03	-4.50	4.05	8.69	4.53	10.90	8.13
S&P 500 Consumer Discretionary	4.89	0.65	5.66	13.08	2.25	10.54	12.24
S&P 500 Consumer Staples	-0.18	1.35	8.98	8.15	7.13	9.45	8.92
S&P 500 Energy	-1.29	-2.42	10.93	15.85	24.42	12.95	3.30
S&P 500 Financials	-0.89	-2.03	10.17	24.21	5.90	10.58	10.58
S&P 500 Health Care	1.91	-0.96	7.81	11.68	6.75	11.53	11.33
S&P 500 Industrials	-0.94	-2.90	7.75	15.53	7.78	11.52	10.39
S&P 500 Information Technology	9.32	13.81	28.24	41.78	19.79	27.17	22.78
S&P 500 Real Estate	2.02	-1.91	-2.45	5.60	-1.35	4.41	--
S&P 500 Communication Services	4.80	9.37	26.68	44.87	6.42	14.72	9.93
S&P 500 Utilities	-5.51	4.66	9.44	7.82	5.88	6.11	8.04

Other Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Morningstar US Long-Short Equity	0.48	0.57	7.54	12.71	3.80	5.99	4.01
Morningstar US Equity Market Neutral	0.42	1.46	7.13	12.31	7.37	4.16	2.68
Morningstar US Multistrategy	-0.19	-0.11	4.54	8.05	2.99	3.58	2.52
Wilshire Liquid Alternative TR USD	0.30	0.49	3.67	7.31	1.35	2.69	1.68
FTSE EPRA/NAREIT Developed NR USD	0.34	-2.43	-3.70	4.54	-4.77	-0.69	2.04
Alerian MLP TR USD	4.45	3.35	17.71	35.79	22.74	12.17	2.03
Bloomberg Commodity Index TR USD	-1.54	2.89	5.14	5.00	5.65	7.25	-1.29
S&P Global Infrastructure TR USD	-2.92	2.67	4.04	7.02	5.59	4.33	4.58
WTI Crude BL	5.91	-1.96	13.80	15.43	3.53	6.88	-2.53
US Dollar Index	1.14	1.26	4.47	2.87	4.63	1.95	2.87
Consumer Price Index *	0.17	0.56	2.39	3.27	5.27	4.17	2.82

* 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

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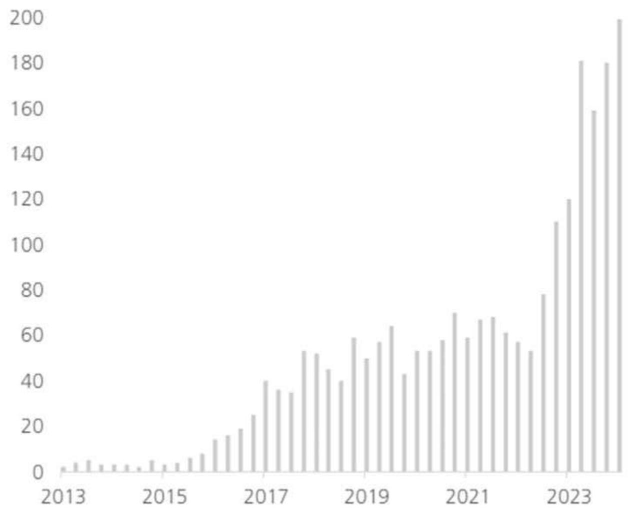
Q2 2024: Market Strength Driven by Artificial Intelligence

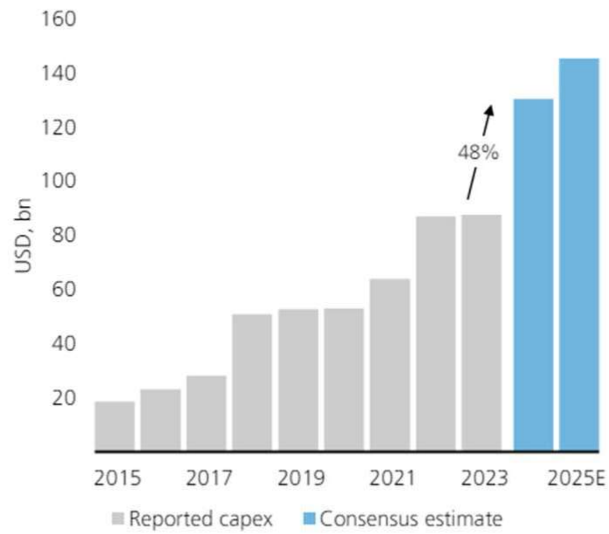
"The impact of technology is often overestimated in the next two years and underestimated in the next ten." – Bill Gates

Artificial Intelligence Boom Captivates Markets

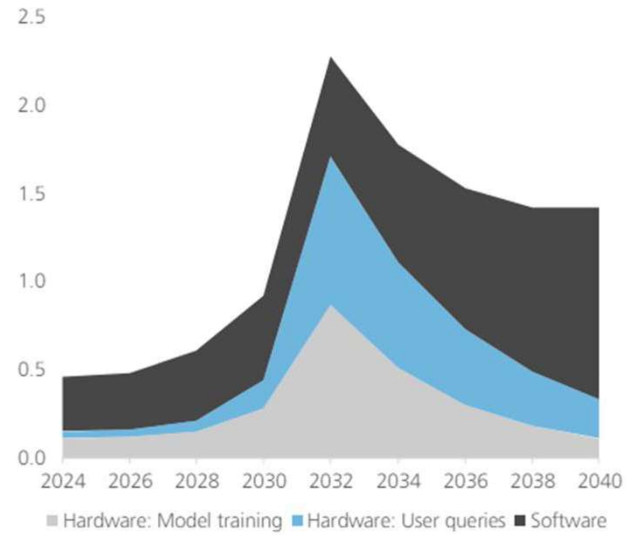
# of AI Mentions on S&P 500 Earnings Calls
(As % of GDP)



Data Center Capital Expenditures
(Mega Cap Companies)



AI Related Investment
(As % of GDP)

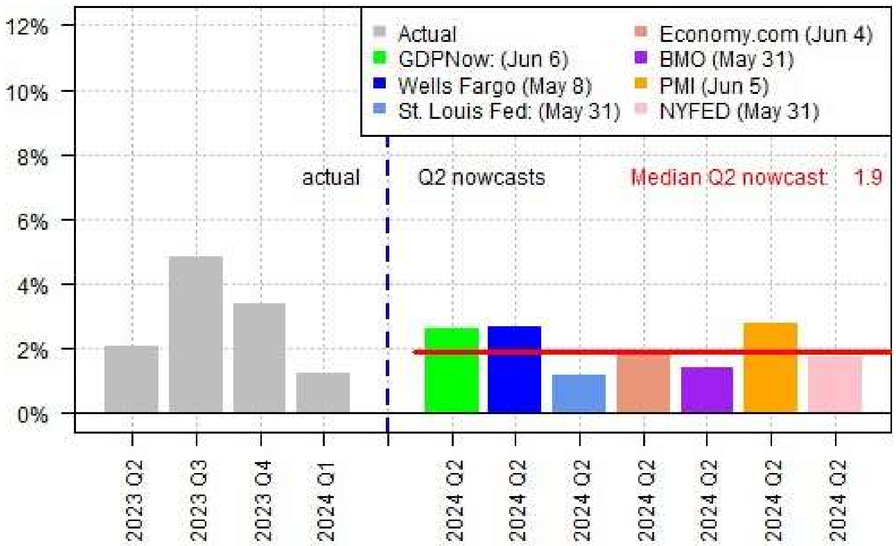


- Artificial Intelligence (or AI for short) has captured the imagination of investors as the new technology is being adopted across a wide range of industries in the hopes of new innovations, productivity gains, and ultimately profits
- Capital expenditures related to AI have also jumped. In the data center space, for example, capex in 2024 is expected to increase almost 50% vs. 2023 to well over $120 billion per year
- AI related investment is expected to peak in the early 2030s at over 2.0% of GDP and remain a significant portion of the economy going forward

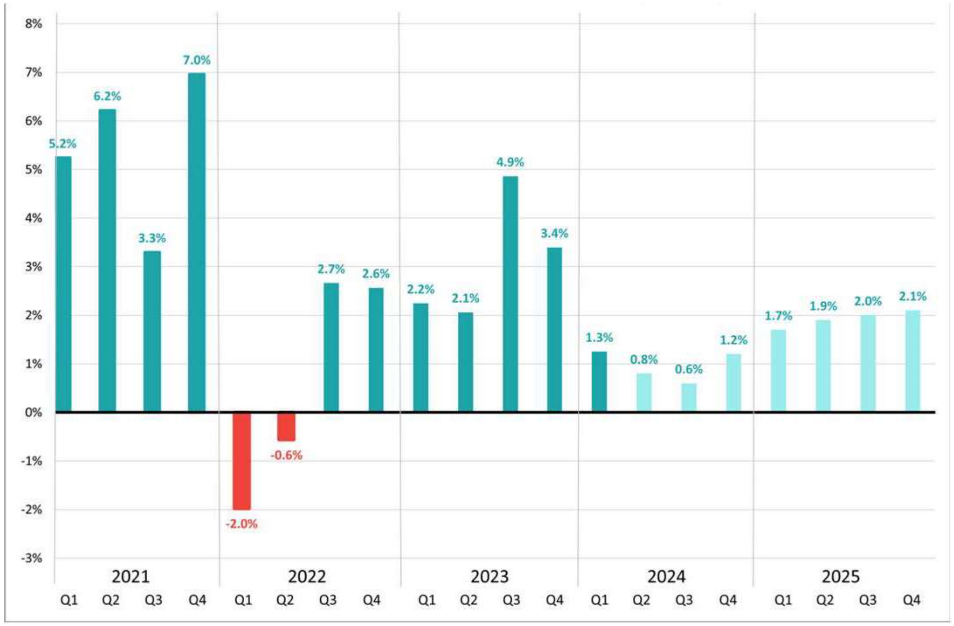
Source: UBS, Goldman Sachs, Microsoft, Meta, Google, ACG

US Economic Growth: Slowing but Steady

U.S. Real GDP Change
(Seasonally Adjusted, Annual Rate)



U.S. Real GDP Change
(Seasonally Adjusted, Annual Rate)



- U.S. economic growth, as measured by Gross Domestic Product (GDP), slowed during the first quarter of 2024. Most estimates of second quarter GDP growth show a slight reacceleration as compared to the first quarter slowdown

- Looking over the longer-term, consensus GDP forecasts expected a slowdown during 2024 and then projected a reacceleration towards the latter half of the year. This expected path is consistent with corporate earnings growth estimates as well

Source: Bureau of Economic Analysis, NY Fed, The Conference Board, ACG

Maybe We've Already Had A Recession?

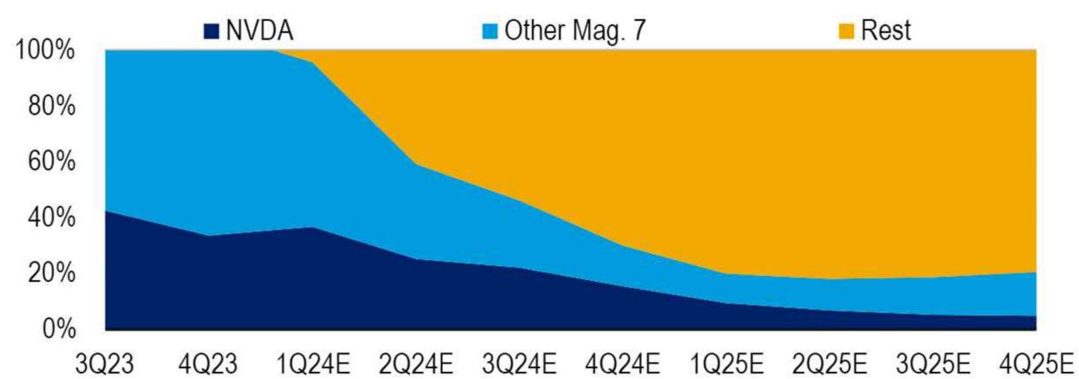
- The growth sector of the S&P 500 (dominated by technology) went through an EPS recession in 2022 and then recovered while other sectors were contracting. In 2024, estimates suggest defensive and cyclical stocks could emerge from their earnings contractions

S&P 500 Earnings growth by Sector
(Consensus, Year-over-Year Growth)

Quarter	Growth	Defensives	Cyclicals
Q1 2022	0%	15%	18%
Q2 2022	-10%	4%	30%
Q3 2022	-7%	0%	18%
Q4 2022	-17%	-1%	12%
Q1 2023	-5%	-12%	8%
Q2 2023	14%	-13%	-13%
Q3 2023	24%	-7%	-1%
Q4 2023	30%	-5%	-14%
Q1 2024E	21%	-1%	-8%
Q2 2024E	15%	10%	1%
Q3 2024E	12%	11%	1%
Q4 2024E	16%	15%	21%

- The market is currently priced for other companies to pick up the baton, after Nvidia and the other monopolistic tech platforms in the Magnificent 7 accounted for substantially all of the S&P 500's profits in the latter half of last year

Percent Contribution of S&P 500 Earnings
(Year-over-Year Growth)



Source: Bloomberg, PIMCO, , Bank of America, FactSet, ACG

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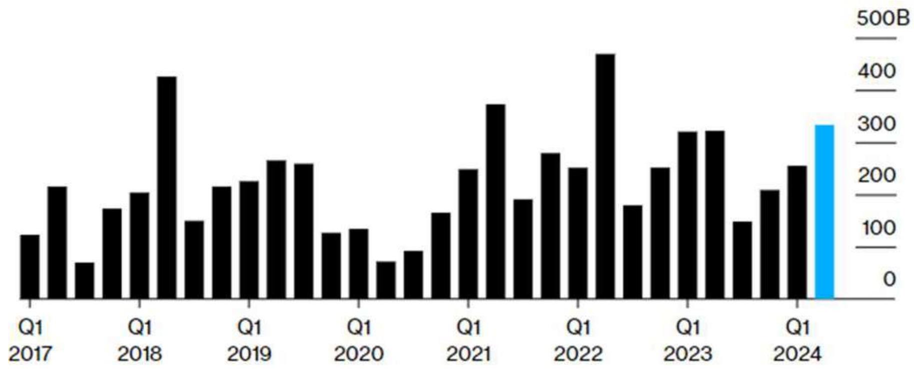
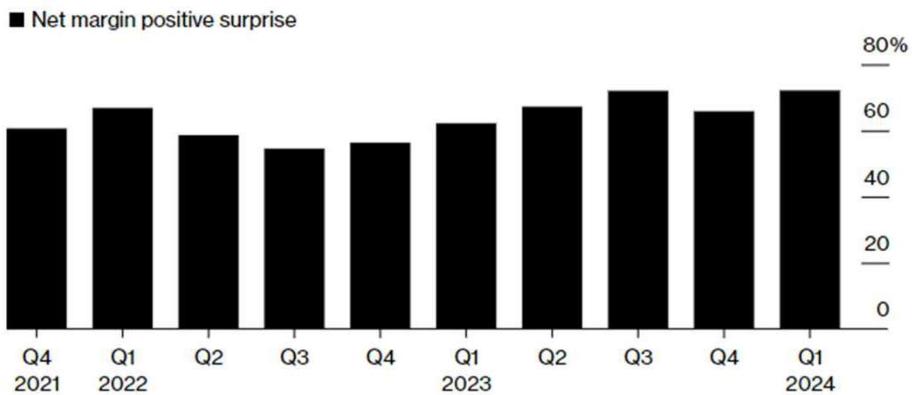
U.S. Corporate Profits Remain Strong

- U.S. corporate earnings remain resilient
- The amount of announced share buybacks in S&P 500 stocks is at a nearly two year high
- Companies continue to announce profitability that is better than analysts' estimates
- Overall margin levels remain elevated and with lower expected input costs, margins could potentially top the record highs seen during the pandemic

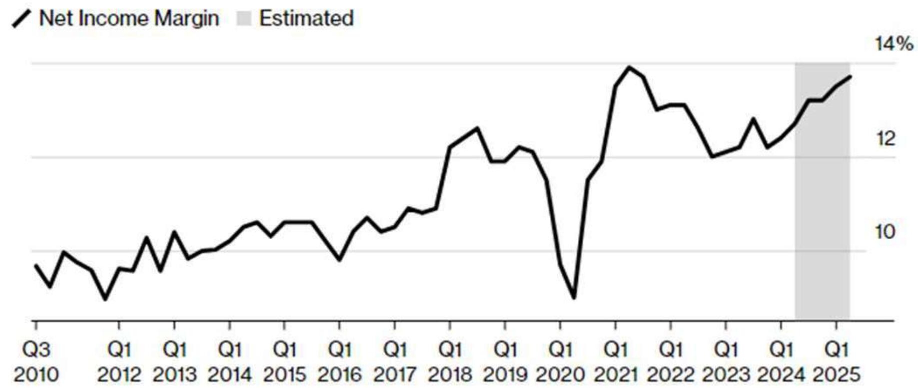
S&P 500 Announced Buybacks
($ Billion, Per Quarter)



Percent of S&P 500 Companies Beating Estimates
(Vs. Net Margin Expectations)



S&P 500 Profit Margins

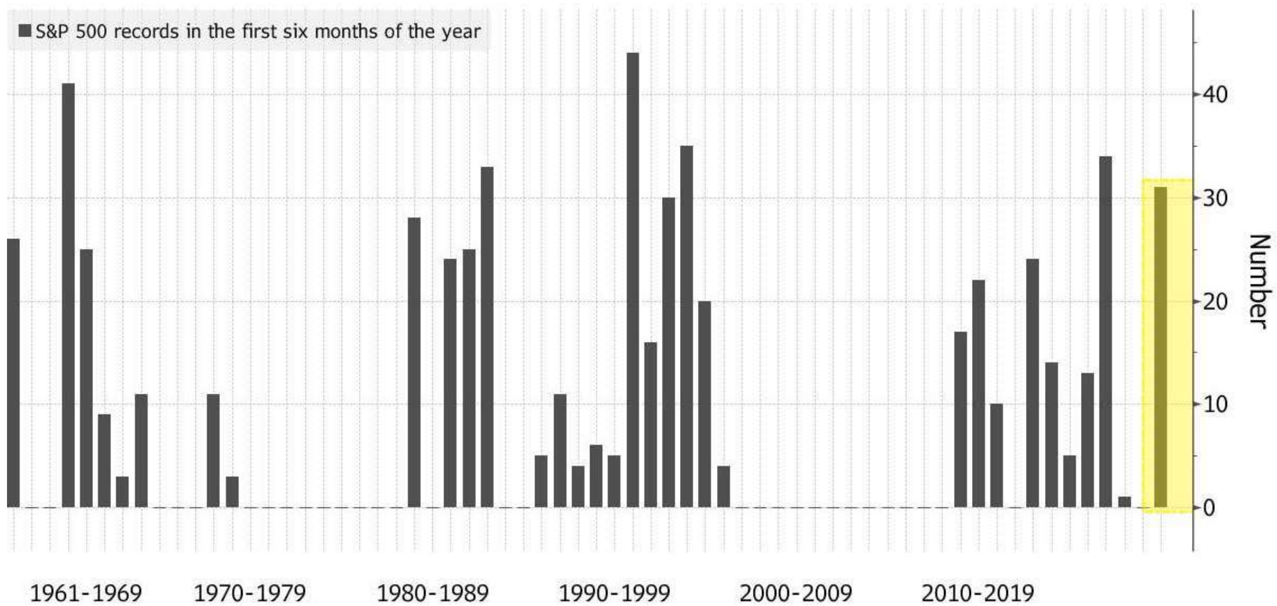


Source: Bloomberg, Standard & Poor's, ACG

All-Time Highs Are At All-Time Highs!

- The S&P 500 Index closed at its 31st all-time high of the year in late June. This puts the index on pace for one of its best years ever
- The S&P 500 also moved above the 5,500 level for the first time during the second quarter of 2024 which was only 8 days after hitting 5,400. This was the 7th 100-point milestone achieved during 2024 for the index

S&P 500 Number of All-Time Highs
(# Days With Records Highs Through First 6 Months)



S&P 500 Level	% Change vs. Last Milestone	# Days Between Milestone	Date
5500	1.9%	8	6/20/2024
5400	1.9%	28	6/12/2024
5300	1.9%	56	5/15/2024
5200	2.0%	26	3/20/2024
5100	2.0%	15	2/23/2024
5000	2.0%	15	2/8/2024
4900	2.1%	757	1/24/2024
4800	2.1%	53	12/28/2021
4700	2.2%	7	11/5/2021
4600	2.2%	65	10/29/2021
4500	2.3%	33	8/25/2021
4400	2.3%	24	7/23/2021
4300	2.4%	62	6/29/2021
4200	2.4%	19	4/28/2021
4100	2.5%	8	4/9/2021
4000	2.6%	52	4/1/2021
3900	2.6%	32	2/8/2021
3800	2.7%	30	1/7/2021
3700	2.8%	29	12/8/2020
3600	2.9%	74	11/9/2020
3500	2.9%	3	8/27/2020
3400	3.0%	221	8/24/2020
3300	3.1%	28	1/16/2020
3200	3.2%	37	12/19/2019
3100	3.3%	125	11/12/2019
3000	3.4%	316	7/10/2019
2900	3.6%	224	8/28/2018
2800	3.7%	13	1/16/2018
2700	3.8%	43	1/3/2018
2600	4.0%	67	11/21/2017
2500	4.2%	198	9/15/2017
2400	4.3%	34	3/1/2017
2300	4.5%	65	1/26/2017
2200	4.8%	644	11/22/2016
2100	5.0%	176	2/17/2015
2000	5.3%	104	8/25/2014
1900	5.6%	176	5/13/2014
1800	5.9%	109	11/18/2013
1700	6.3%	90	8/1/2013
1600	6.7%	4790	5/3/2013
1500	7.1%	260	3/22/2000
1400	7.7%	117	7/6/1999
1300	8.3%	80	3/11/1999

Source: Creative Planning, Charlie Bilello, ACG

Foreign Equity Markets Beginning to Perform

- International stocks continue to outperform the S&P 500 since the current bull market began in October 2022, as you can see in the chart to the right. The total return of the MSCI EAFE Index is outperforming the S&P 500 total return by about four percentage points, as measured in U.S. dollars. If the performance of the "Magnificent 7" stocks (Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla) are excluded, the outperformance is closer to 20 percentage points, illustrating the concentration of gains in the U.S. market among just a handful of stocks.

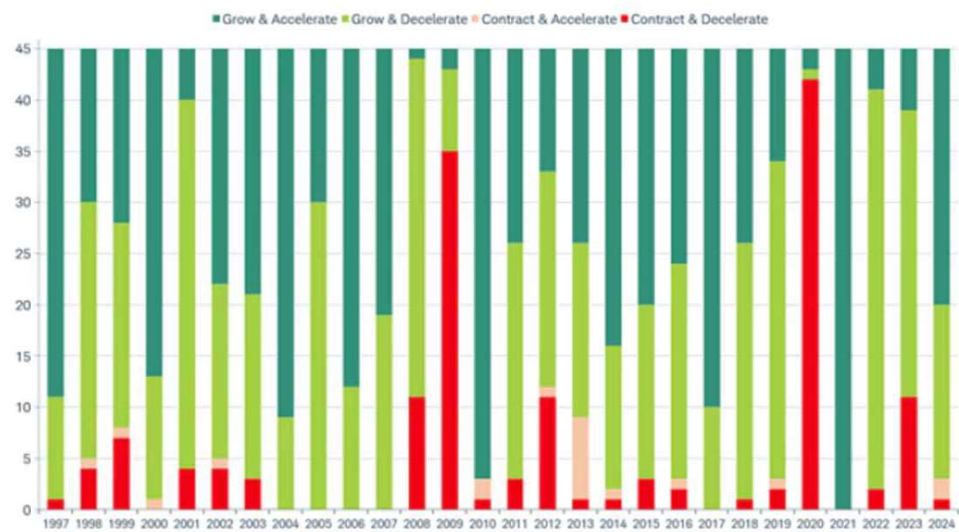
- After the pandemic-induced global slowdown in 2020, economies bounced back sharply in 2021. In 2022 and 2023 most global economies continued to grow, albeit at a slower pace. In 2024 more than half of the world's largest economies started to reaccelerate

Return Comparison

(Cumulative Return Since October 1, 2022)

GDP Growth Breakdown

(45 Biggest Global Economies)

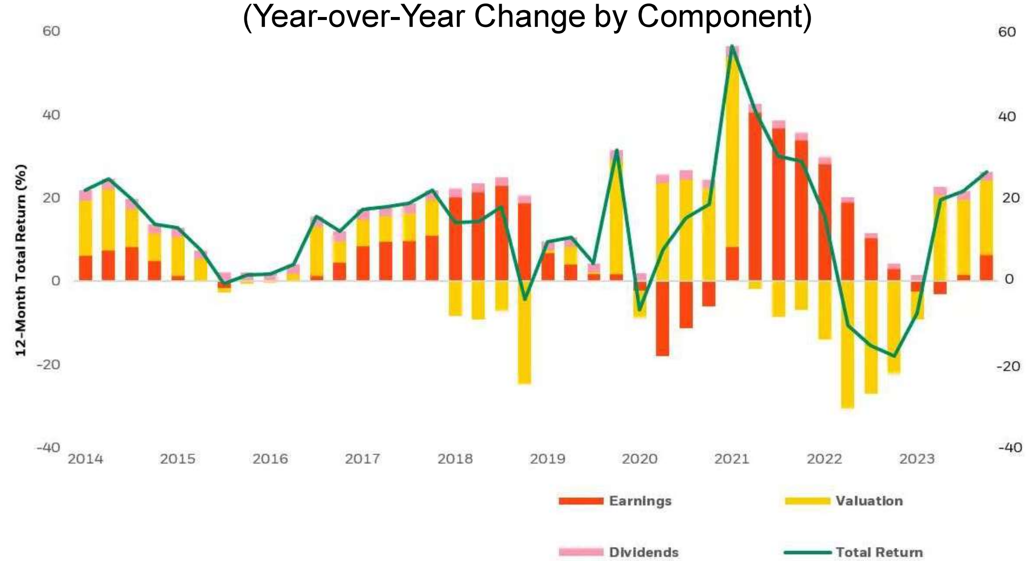


Source: Charles Schwab, Bloomberg, ACG

Valuation Update

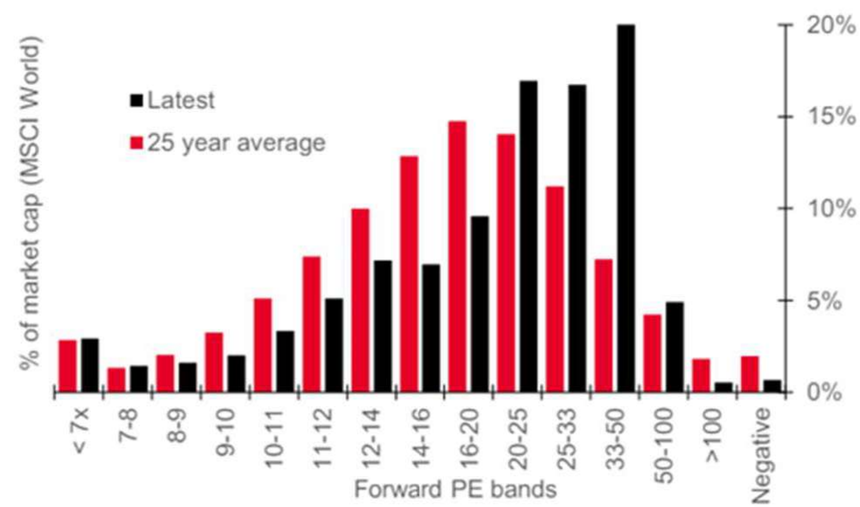
- While stocks continue to rise, the driver of returns has shifted. Last year's gains were powered by higher valuations – following the sell-off in 2022. In 2024, a better-than-expected economy is powering stronger earnings, which are increasingly driving returns for US stocks

S&P 500 Return Decomposition
(Year-over-Year Change by Component)



- On average, equity markets tend to exhibit a normal distribution of valuations across stocks. Currently, however, companies with relatively high valuations make up a far greater share of the MSCI World index of developed economies than on average for the last 25 years (a period that includes the dot-com bubble). This is a direct result of the high level of concentration in the equity markets today

Distribution of Valuation by Market Cap
(Forward Price-to-Earnings Ratio by Bucket)



Source: Blackrock, Societe General, FactSet, MSCI, ACG

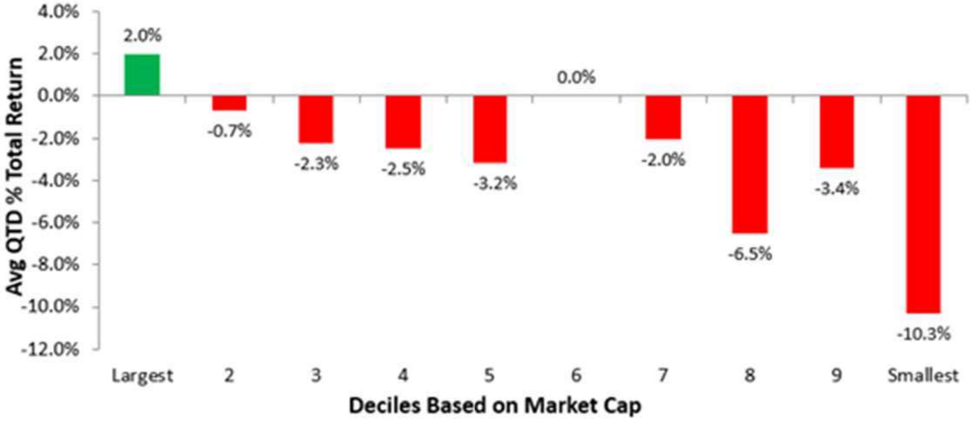
Performance Still Dependent on Company Size

- While the Magnificent Seven stocks have increased by a factor of five since the beginning of 2020, small cap stocks have lagged significantly. The average small cap stock, using the Russell 2000 equal weight index as a proxy, is up only 17% cumulative over the same period.

Magnificent 7 vs. Small Cap Performance
(Index Performance Since 2020)

- This trend of performance being driven by company size was very much in place during Q2 2024. As you can see in the chart to the right, only the largest decile of stocks in the S&P 500 actually had positive returns. All other deciles were flat or negative – with notable relative underperformance from the bottom three deciles

S&P 500 Deciles by Market Cap
(Q2 2024 Average Total Return)

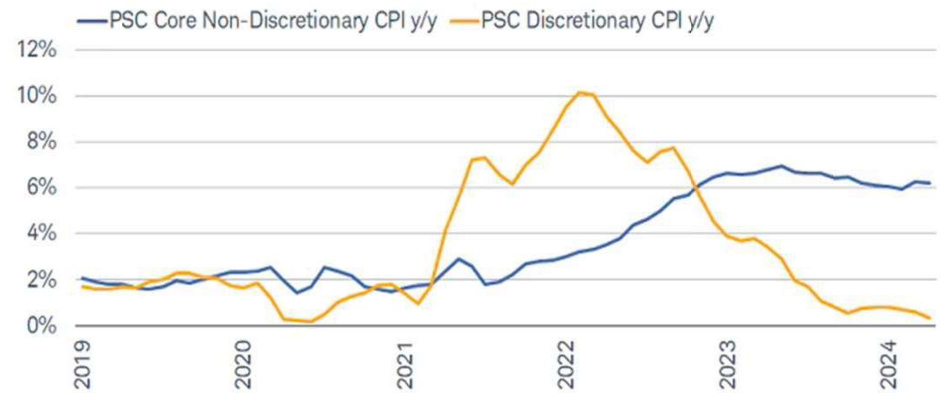


Source: Bloomberg, Bespoke Investment Group, Russell Investment Group, Standard & Poor's, ACG

Inflation Update

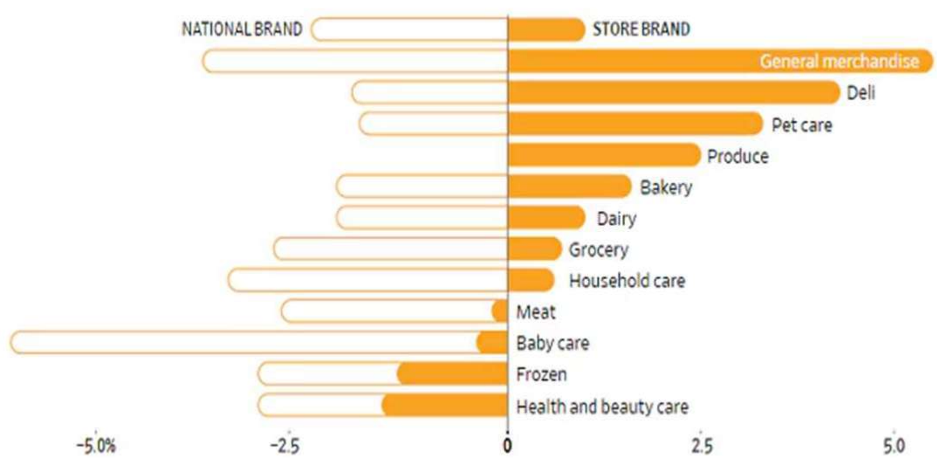
- The overall rate of inflation continues to decelerate, albeit slowly. An interesting way to view inflation is comparing the discretionary vs. non-discretionary components. Piper Sandler recently separated the consumer price index (CPI) into discretionary (wants) and non-discretionary (needs) cohorts. Over the past two years, there has been a plunge in inflation of discretionary items; while the inflation rate in non-discretionary categories (like health care, shelter, insurance, etc.) has accelerated sharply to more than 6% year-over-year

Discretionary vs. Non-Discretionary Consumer Prices
(Year-over-year Change by Grouping)



- Stubbornly high inflation has also started to change consumer behavior. A recent Nielsen study found an increase in spending on store brands relative to national brands. While consumers can change their behaviors to battle inflation to some degree, watching consumers for any signs of a pullback on overall spending will be key moving forward

National Brand vs. Store Brand Sales
(May 2024/ May 2023 Change)



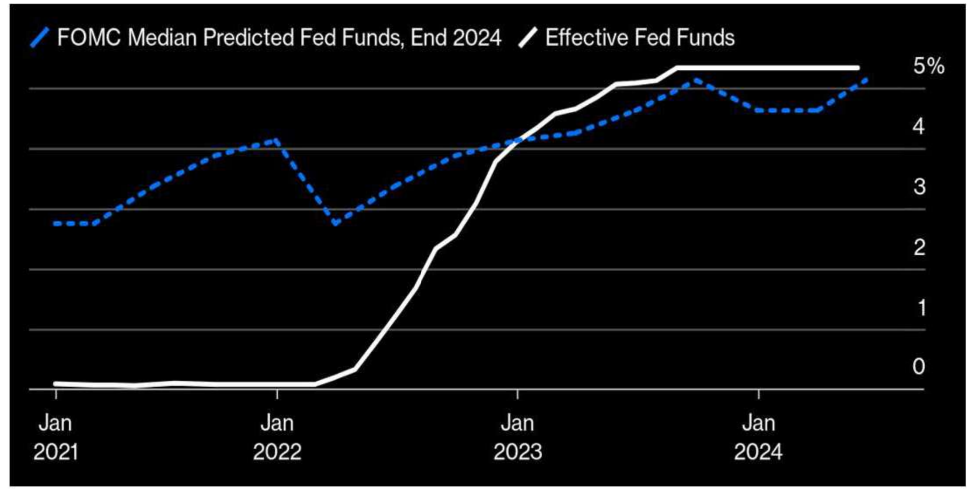
Source: Piper Sandler, Bureau of Labor Statistics, Nielsen, Wall Street Journal, ACG

Note:CPI indexes created by PSC. Core Non-Discretionary categories: Medial Care Commodities, Rent, Hospital Services, Motor Vehicle Maintenance, Motor Vehicle insurance, Motor Vehicle Fees, Day Care and Preschool, Wireless Telephone Services, Internet Services, Personal Care Products, Legal Services, Funeral Expenses, Haircuts & Other Personal Care Services, Financial Services, Pet Services including Veterinary.

(G)Rate Expectations

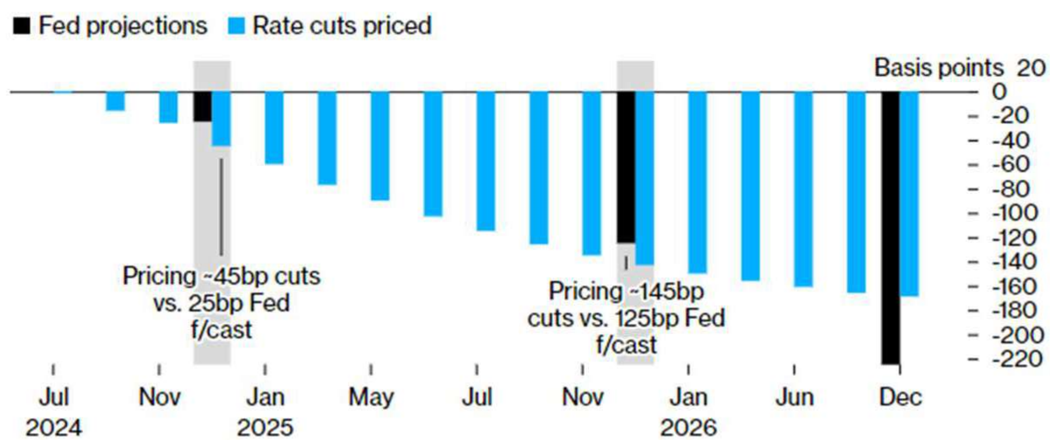
- Two years ago, the Federal Open Market Committee (FOMC) median projected Fed Funds Rate for the end of 2024 was near 2.75%. As the Federal Reserve kept short-term rates higher for longer, that projection has adjusted up to an expectation of near 5.0% at the end of 2024 as of today

Predicted vs. Actual Fed Funds Rate
(FOMC Median vs. Effective Rate)



- Looking forward, both the Fed and the market see rate cuts ahead, but they differ on the expectations for the timing of those cuts. The Fed now projects a single 25 basis point (bps) cut by the end of 2024 and 125 bps in cuts by year end 2025. The market sees almost 50 bps of cuts by December 2024 and 145 bps of cuts by year end 2025

Fed Funds Rate Expectations
(Options Implied Rate vs. Fed Projection)



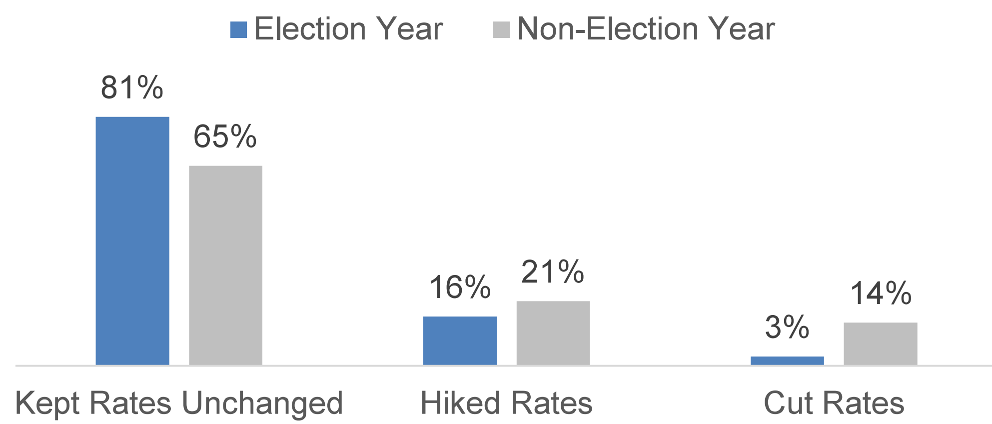
Source: Bloomberg, Federal Reserve, CBOE, ACG

Election Year Influence on Fed?

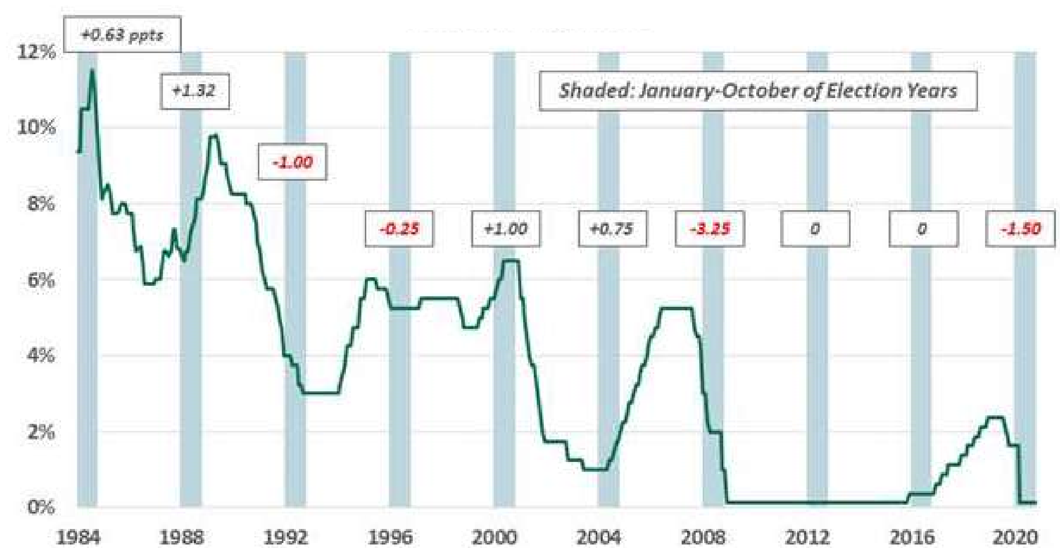
- Many pundits have suggested the potential for election year influence by the Fed. The Federal Open Market Committee (FOMC), which sets rates, was chartered to be apolitical. Seven of the twelve members of the FOMC are Fed Governors and five are presidents of regional Federal Reserve Banks. Most come from outside the political sphere. Historically, rate decisions in the months leading up to an election during both election and non-election years were not notably different

- Looking back and including the full election years, those years with large rate cuts were caused by significant events outside of the election. In 1992, the FOMC cut rates as a result of the fallout following the S&L crisis and early 1990s recession. In 2008, the FOMC cut rates due to the Global Financial Crisis. And in 2020, they were forced to cut due to the Pandemic

FOMC Rate Decisions*
(1994 – Current)



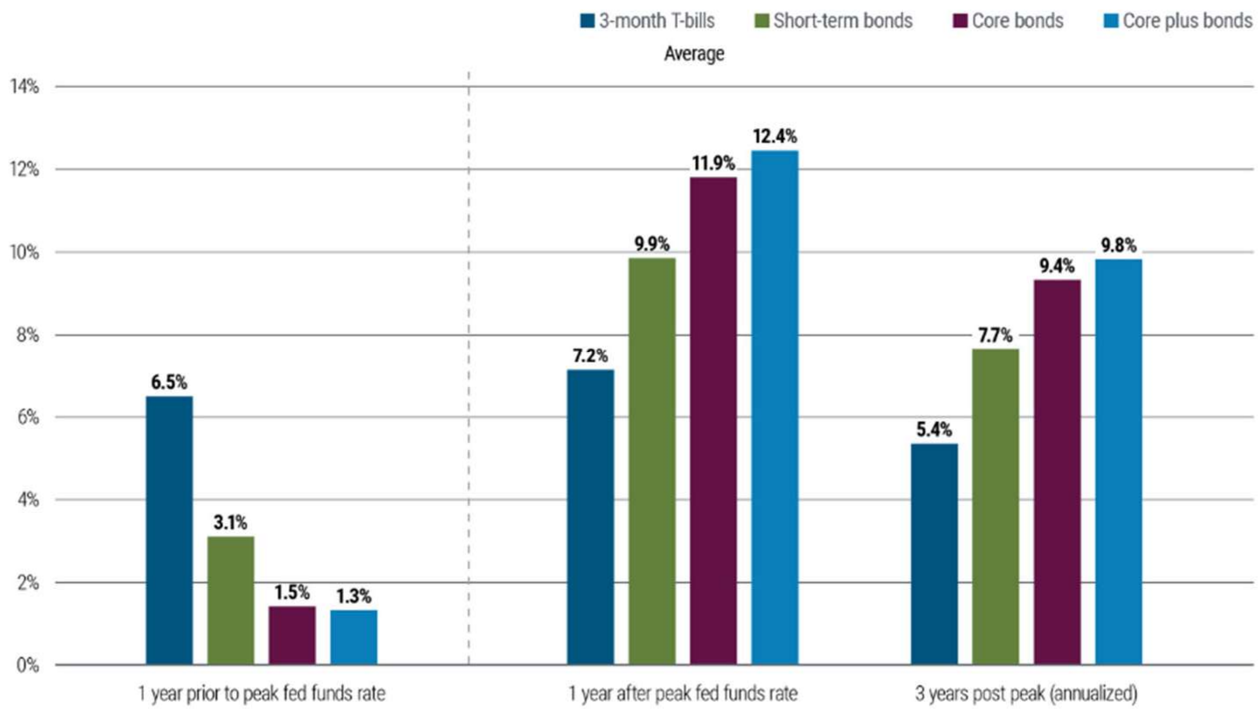
Fed Funds Target Rate
(1984 - 2020)



Source: Bloomberg, Bespoke Investment Group, ACG
** May to November*

Fixed Income Rates

Performance Across Hiking Cycles



- Historically, cash has almost never outperformed bonds at this stage of the cycle, with policy rates at peak levels and the Federal Reserve poised to cut
  - Only in 1981 did bond investors have to wait a little more than a year from the initial rate cut to outperform cash

- In all other cycles dating back to 1980, it took a year or less for bonds to outperform cash. On average, core plus bond portfolios (or short and intermediate maturities) outperformed cash by about 5 percentage points over the year following the peak in the federal funds rate, and by about 4.5 percentage points annualized over the ensuing three years

Hiking cycles are defined as periods where the Federal Reserve embarks on a sustained path of increasing the target fed funds rate and/or target range. We define the end of a hiking cycle as the month where the Fed reaches its peak policy rate for that cycle (i.e., it either pauses rate hikes or cuts). Hiking cycles include (start to peak), 1980 (Jul '80 to May '81), 1983 (Feb '83 to Aug '84), May 1988 (Feb '88 to Mar '89), 1994 (Jan '94 to Feb '95), 1999 (May '99 to May '00), 2004 (May '04 to Jun '06) and 2015 (Nov '15 to Dec '18).

Source: PIMCO, Bloomberg, Morningstar, ACG

Appendix: T+1 Settlement Changes

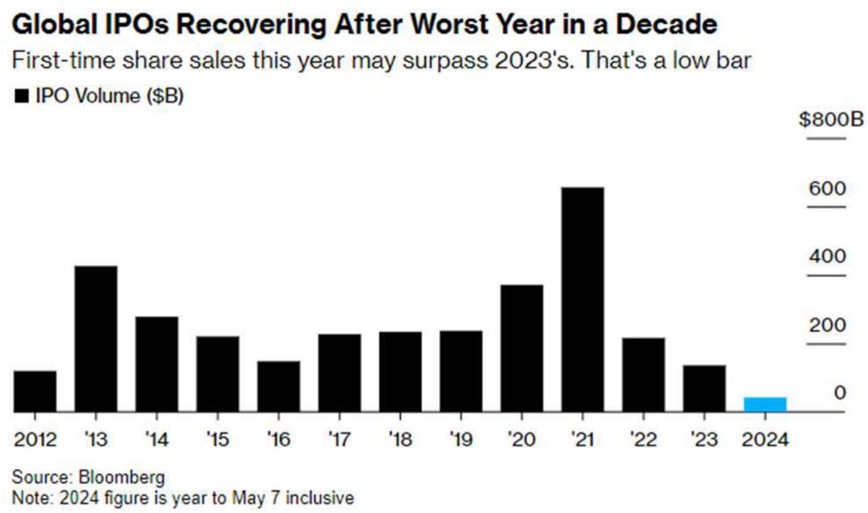
T+5 to T+1: Transaction Settlement in History

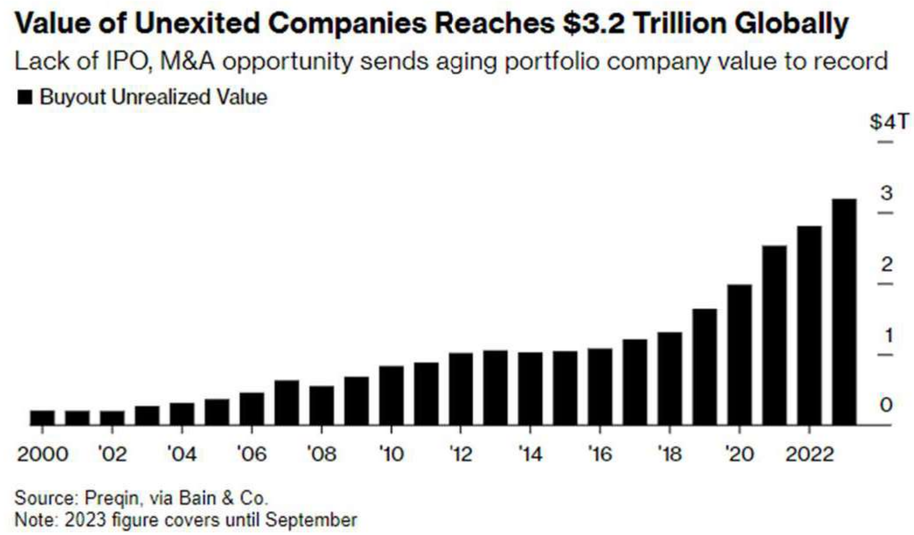
T+5	T+3	T+2	T+1
1976	**1995**	**2017**	**2024**
Through 1995, the equity settlement cycle was T+5 or five business days after the transaction date.	A 20-year push and advancements in technology making it operationally possible, the NSCC and DTCC successfully lead the industry in reducing T+5 to T+3.	Following the events of the 2008 financial crisis, there were calls to further reduce the settlement time to T+2.	Settlement changed to T+1 in May, 2024

- The transaction date is the day you successfully execute a trade
- The settlement date is when that trade becomes official. It's the date when payment is due for purchases, when securities sold must be delivered, and the security's transfer agent has verified the new shareholder and removed the former one.
- The recent move to T+1 settlement reflects improvements in technology that allow trades to settle more quickly.
  - With most trading and banking activity occurring online, extra days to physically deliver securities or funds are no longer needed.
  - Under the new T+1 settlement cycle, most securities transactions will settle on the next business day following their transaction date. For example, if you sell shares of a stock on Tuesday, the transaction will now settle on Wednesday.

Source: ACG

Appendix: Private Market Update





- Initial Public Offerings (IPOs) are off to a slow start in 2024 following the slowest year for IPO volumes in a decade in 2023. This has both slowed distributions in existing private equity funds and also slowed the pace of fundraising in newer vintage year funds

- After a slowdown in exit activity through fewer IPOs and less M&A activity, the value of unexited private companies has hit a record.

Source: Bloomberg, Prequin, Bain & Co., ACG

Appendix: 2024 U.S. Elections

- Neither political party has appetite for additional large-scale fiscal stimulus, nor for reforms to long-term spending
- However, divergences in trade, tax, industrial, and other policy areas mean that consequences will vary based on the occupant of the White House and the makeup of Congress

Democrats Win	Republicans Win
• Tariffs and export controls could be used tactically, but not to the extent they might under Republican leadership • Corporate taxes could rise, although an expansion of refundable tax credits for families could be pursued • A Democratic sweep would likely lead to expansion of Affordable Care Act subsidies, which would tend to benefit the health care sector • Financial sectors could face a tougher regulatory environment • Greater support for green energy – although fiscal space would tend to be constrained given the deficit and debt picture • Tighter restrictions on fossil fuel industries	• Likely to see tariffs rise • Prohibitions on immigration pursued • Expiring tax cuts either all or mostly extended • Sectors likely to benefit under Republican leadership include oil and gas, pipelines, autos, financials, and areas linked to defense spending • Renewable energy would face headwinds • Consumer companies would face elevated tariff risk • Technology firms could be hit with negative headlines

Source: ACG

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This report is based on transaction records, portfolio valuations, and performance supplied by the client, the custodian, the investment manager, and investment databases including Bloomberg and Morningstar. Due to the timeliness of this report performance information may be preliminary and therefore subject to audit. This report is complete and accurate to the best of our knowledge.

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 DESCRIPTIONS

Asset class and reference benchmarks:

ASSET CLASS	BENCHMARK
U.S. Equity	Russell 3000 TR
Non-U.S. Equity	MSCI ACWI ex US NR
U.S. Fixed Income	Bloomberg Barclays U.S. Aggregate Bond TR
Global Real Estate (prior to 2008)	NASDAQ Global Real Estate NR
Global Real Estate (2008-present)	FTSE EPRA/NAREIT Global Real Estate NR
Commodities	Bloomberg Commodity TR USD
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 10-Year U.S. Treasuries: Measures the performance of U.S. Treasury securities that have a remaining maturity of 10 years.

Bloomberg 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 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 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 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 DESCRIPTIONS

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

Morningstar US Equity-Market Neutral: These funds attempt to reduce systematic risk created by factors such as exposures to sectors, market-cap ranges, investment styles, currencies, and/or countries. They try to achieve this by matching short positions within each area against long positions. These strategies are often managed as beta-neutral, dollar-neutral, or sector-neutral. A distinguishing feature of funds in this category is that they typically have low beta exposures (less than 0.3 in absolute value) to equity market indexes such as the MSCI World. In attempting to reduce systematic risk, these funds put the emphasis on issue selection, with profits dependent on their ability to sell short and buy long the correct securities.

Morningstar US Event Driven : These funds attempt to profit from price changes related to a variety of corporate actions, including bankruptcy, emergence from bankruptcy, divestitures, stock buybacks, dividend issuance, major shifts in corporate strategy, and other atypical events. Many of these funds undertake activist techniques to spur further corporate changes at the underlying companies.

Morningstar US Long-Short Equity: These funds primarily take long and short positions in U.S. equities. These funds follow a strategy in which at least 75% of the fund's gross exposure is in equities, and 75% of equities exposure is in U.S. equities. The fund may also include some derivative instruments. These funds tend to have betas of 0.3 and higher relative to broad U.S. indexes like the S&P 500 and DJ Wilshire 5000.

Morningstar US Macro Trading: These funds base investment decisions on an assessment of the broad macroeconomic environment. They look for investment opportunities by studying such factors as the global economy, government policies, interest rates, inflation, and market trends. As opportunists, these funds are not restricted by asset class and may invest across such disparate assets as global equities, bonds, currencies, derivatives, and commodities. These funds primarily invest through derivatives markets. They typically make discretionary trading decisions rather than using a systematic strategy. At least 60% of the funds' exposure is obtained through derivatives.

Morningstar US Multistrategy: These funds offer investors exposure to several different hedge fund investment tactics. In most of these cases, all of the assets are managed in-house at the hedge fund, but the assets may be divided between multiple portfolio managers, each of whom focuses on a different strategy. This is not to be confused with a fund of funds, which uses external portfolio managers and strategies, as well as second layer of management and performance fees. An investor's exposure to different tactics may change slightly over time in response to market movements.

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.

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.

INDEX DESCRIPTIONS

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