ACG Market Review – Third Quarter 2024

- **Economy – Growth remains strong, and inflation keeps cooling as the Fed begins cutting rates**
  - Year/year GDP estimates for Q2 2024 are hovering around +3.0% as consumers kept spending in Q3 and the U.S. economy remained in a growth trajectory, despite some signs that the labor market may be slowing.
  - Inflation numbers continued to moderate near the Fed's target, with a headline CPI reading of +2.6% from the prior year. Energy costs cooled during the quarter and were a net detractor from inflation readings.
  - The Federal Reserve cut their policy rate by 50 basis points in September in what markets expect to be the first in a series of rate cuts over the coming months. The Fed will be watching incoming data to attempt to balance labor market stability with keeping a lid on inflation going forward.

- **Equity – Another strong quarter for stocks despite elevated volatility**
  - The S&P 500 gained +5.89% in Q3 even after a spike in volatility due to some worse-than-expected jobs data and worries over an unwinding of the Japanese Yen carry trade.
  - U.S. stock performance broadened beyond the Magnificent 7, with the Small Cap Russell 2000 Index gaining +9.27% in Q3 and strong returns in International markets.
    - Stimulus measures in China towards the end of the quarter helped Emerging Market stocks, as the MSCI EM Index rose +8.72% in Q3.

- **Fixed Income – Bonds helped by falling yields as markets anticipated Fed easing**
  - The 10-year Treasury yield fell from 4.36% to 3.81% during the quarter, helping the Bloomberg U.S. Aggregate Index to a +5.20% gain in Q3. Corporate bonds also enjoyed positive performance during the quarter as spreads remained tight.

- **Risks/Other Considerations**
  - The U.S. Presidential election in November will continue to garner attention, but markets tend not to care much about election outcomes, especially over longer timeframes.
  - Geopolitical tensions remain high in the Middle East and will be closely monitored for signs of a broader conflict.

Statistic	Last 10 Year Avg.	12 Month Prior	Prior Quarter	Current Quarter
Fed Funds Rate	1.67%	5.33%	5.33%	4.83%
Prime Rate	4.80%	8.50%	8.50%	8.00%
10-Year Treasury Yield	2.43%	4.59%	4.36%	3.79%
30-Year Fixed Mortgage Rate	4.42%	7.31%	6.86%	6.08%
S&P 500 P/E Ratio (Forward Earnings)	18.0x	19.6x	21.2x	21.4x
Projected Earnings Growth (S&P 500)	+8.5%	N/A	+7.8% (y/y est.)	+4.6% (y/y est.)
U.S. GDP (Real, Quarterly)	+2.8%	+2.8% (Q2 2023 est.)	+2.9% (Q1 2024 est.)	+3.0% (Q2 2024 est.)

Source: Morningstar, ACG, Federal Reserve, FactSet

Market Index Review – September 2024

Major Market Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500	2.14	5.89	22.08	36.35	11.91	15.98	13.38
Russell 2000	0.70	9.27	11.17	26.76	1.84	9.39	8.78
Russell 3000	2.07	6.23	20.63	35.19	10.29	15.26	12.83
MSCI ACWI	2.32	6.61	18.66	31.76	8.09	12.19	9.39
MSCI ACWI ex USA	2.69	8.06	14.21	25.35	4.14	7.59	5.22
Bloomberg US Aggregate TR	1.34	5.20	4.45	11.57	-1.39	0.33	1.84

International Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
MSCI EAFE	0.92	7.26	12.99	24.77	5.48	8.20	5.71
MSCI Europe	0.39	6.58	12.77	25.23	6.66	8.90	5.59
MSCI Pacific	1.99	8.47	13.24	23.72	3.36	6.89	6.00
MSCI EAFE Small Cap	2.55	10.54	11.11	23.48	-0.37	6.40	6.21
MSCI Emerging Markets	6.68	8.72	16.86	26.05	0.40	5.75	4.02
MSCI Frontier Markets	0.59	4.50	10.70	15.09	-2.86	3.34	1.00

Russell Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Russell 1000	2.14	6.08	21.18	35.68	10.83	15.64	13.10
Russell 1000 Growth	2.83	3.19	24.55	42.19	12.02	19.74	16.52
Russell 1000 Value	1.39	9.43	16.68	27.76	9.03	10.69	9.23
Russell MidCap	2.23	9.21	14.63	29.33	5.75	11.30	10.19
Russell MidCap Growth	3.33	6.54	12.91	29.33	2.32	11.48	11.30
Russell MidCap Value	1.88	10.08	15.08	29.01	7.39	10.33	8.93
Russell 2000 Growth	1.33	8.41	13.22	27.66	-0.35	8.82	8.95
Russell 2000 Value	0.06	10.15	9.22	25.88	3.77	9.29	8.22

Bond Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
FTSE T-Bill 3 Months	0.44	1.37	4.17	5.63	3.63	2.38	1.67
Bloomberg US Municipal TR	0.99	2.71	2.30	10.37	0.09	1.39	2.52
Bloomberg US Govt/Credit TR	1.40	5.10	4.39	11.31	-1.51	0.41	2.00
Bloomberg US Govt/Credit Int TR	1.08	4.17	4.68	9.45	0.17	1.26	1.96
Bloomberg US Credit 1-3 Yr TR	0.90	3.12	4.95	8.12	2.02	2.17	2.14
Bloomberg US Credit Long TR	2.62	8.10	4.53	18.86	-4.25	-0.41	3.18
Bloomberg US Corporate High Yield TR	1.62	5.28	8.00	15.74	3.10	4.72	5.04
FTSE WGBI	1.64	6.95	2.72	11.02	-4.41	-2.05	-0.15

Sector Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Materials	2.64	9.70	14.14	25.20	9.09	13.00	9.12
S&P 500 Consumer Discretionary	7.09	7.80	13.91	28.06	4.85	12.10	13.06
S&P 500 Consumer Staples	0.90	8.96	18.74	25.32	10.36	10.03	9.65
S&P 500 Energy	-2.68	-2.32	8.36	0.84	24.14	13.90	3.99
S&P 500 Financials	-0.54	10.66	21.91	39.01	8.55	12.40	11.45
S&P 500 Health Care	-1.68	6.07	14.35	21.69	8.35	13.37	11.39
S&P 500 Industrials	3.39	11.55	20.20	35.89	13.40	13.76	11.73
S&P 500 Information Technology	2.49	1.61	30.31	52.68	19.89	26.74	22.40
S&P 500 Real Estate	3.31	17.17	14.31	35.83	3.70	6.18	--
S&P 500 Communication Services	4.63	1.68	28.81	42.91	6.45	14.59	9.78
S&P 500 Utilities	6.60	19.37	30.63	41.82	11.66	7.99	10.41

Other Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Morningstar US Long-Short Equity	0.86	3.56	11.37	18.03	5.49	6.74	4.54
Morningstar US Equity Market Neutral	0.07	2.08	9.35	10.72	8.17	4.31	2.85
Morningstar US Multistrategy	0.79	0.90	5.47	7.44	3.40	3.64	2.68
Wilshire Liquid Alternative TR USD	0.93	2.56	6.33	10.18	2.33	3.12	1.98
FTSE EPRA/NAREIT Developed NR USD	3.01	16.07	11.77	28.86	0.39	1.39	4.06
Alerian MLP TR USD	-0.29	0.72	18.56	24.46	25.47	13.50	1.82
Bloomberg Commodity Index TR USD	4.86	0.68	5.86	0.96	3.66	7.79	0.03
S&P Global Infrastructure TR USD	3.82	13.43	18.02	30.93	9.58	6.87	6.32
WTI Crude BL	-7.31	-16.40	-4.86	-24.91	-3.15	4.74	-2.86
US Dollar Index	-0.90	-4.81	-0.55	-5.13	2.27	0.28	1.61
Consumer Price Index *	0.08	0.20	2.62	2.53	4.79	4.18	2.84

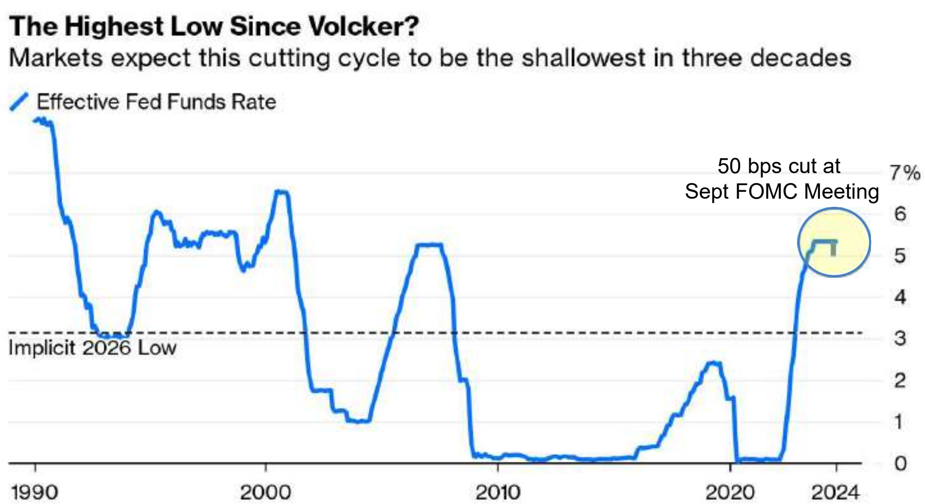
* Consumer Price Index returns will be reported as of the previous month end due to the delayed release of data.

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

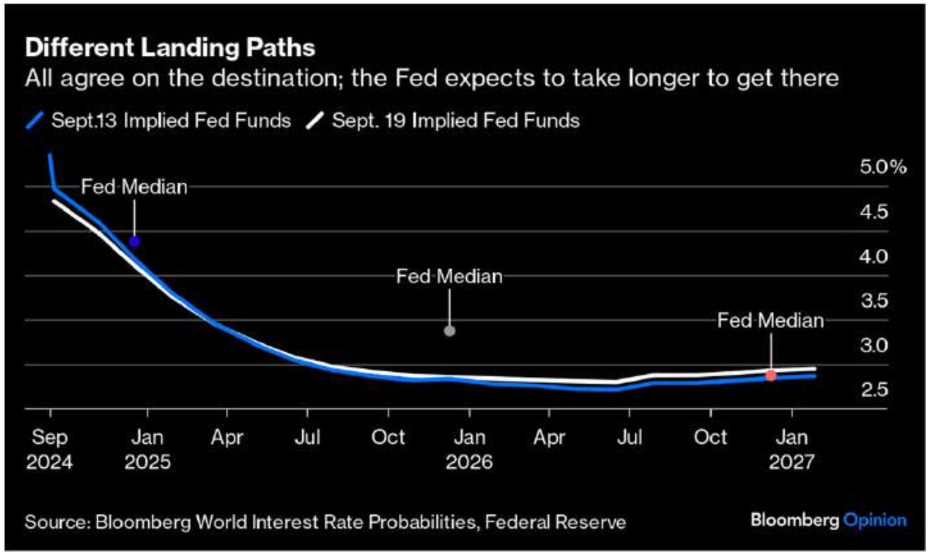
Q3 2024: Markets Focus on Interest Rate Cuts

Pace and Magnitude of Cuts Come Into Focus

Effective Fed Funds Rate
(1990 - 2024)



Implied Fed Funds Rate
(2024 to 2027 Projected)

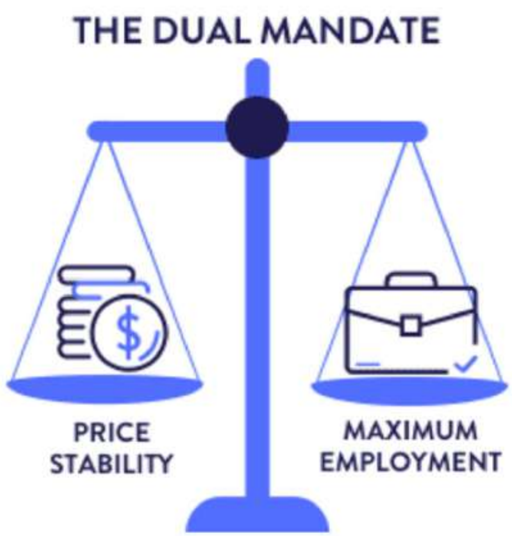


- At their September meeting, the Federal Open Market Committee (FOMC) decided to cut the Fed Funds rate by 50 basis points. If current expectations end up being accurate (always a big if), the current rate cycle will end up being the shallowest in three decades. Rate cuts in the early 2000s troughed at 1% and the cuts following the Global Financial Crisis and the Pandemic pushed short-term rates to zero, whereas the current cycle is expected to end near the 3.0% level.

- After some volatility in expectations leading up to the first Fed rate cut, implied Fed Funds futures currently show nearly 1% of rate cuts by the end of 2024 (implying a 25 bps cut at each of the two remaining FOMC meetings in 2024) and another 1.5% of cuts by year-end 2025. All of these projections, however, are subject to revision based on how the economy fares and how the Fed reacts over the next 12-18 months.

Source: Bloomberg, Federal Reserve, ACG

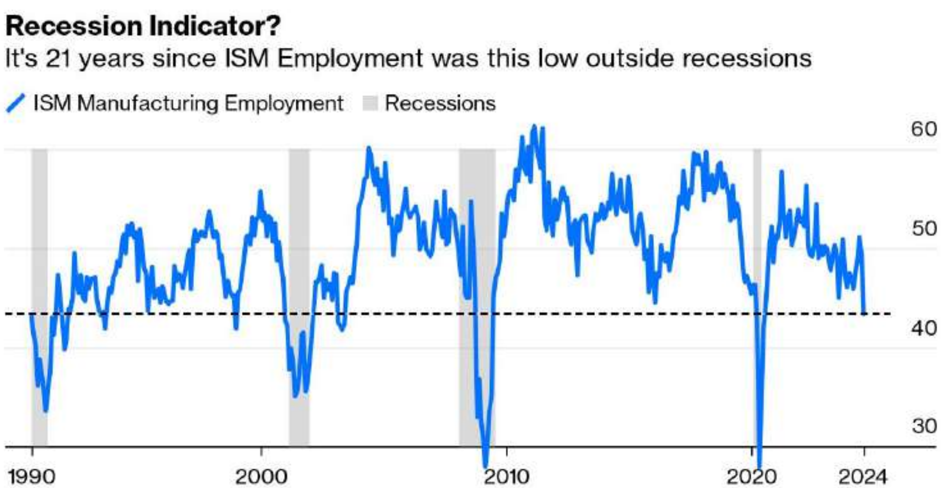
The Federal Reserve's Balancing Act



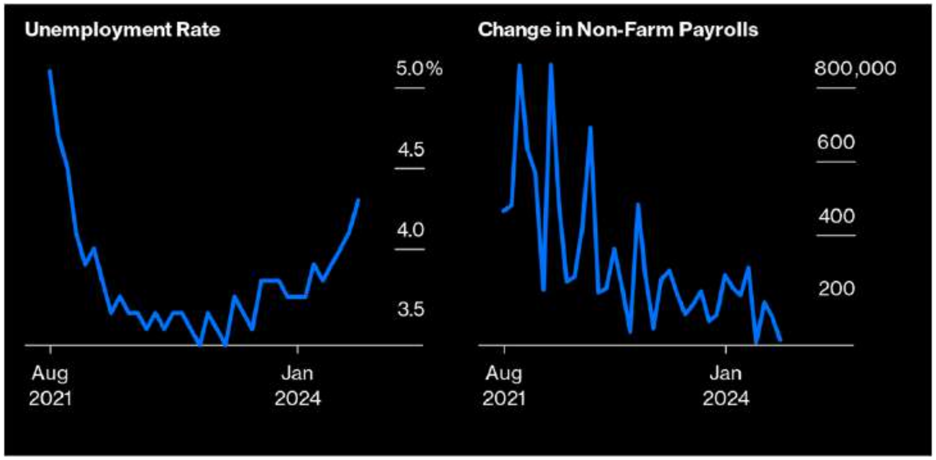
- The Federal Reserve's so called dual mandate tasks the institution with conducting monetary policy to keep prices stable and promote maximum employment.

- Balancing the dual mandate always precarious. After the historic spike in inflation, this has been a particularly tough balancing act over the last few years.

- There are now many economic indicators suggesting the economy is at risk of tipping into recession in the near future. As such, the Fed is in the process of shifting their focus from fighting inflation by hiking rates and maintaining stables prices to boosting economic growth and promoting full employment by cutting rates.



Employment and Payroll Data

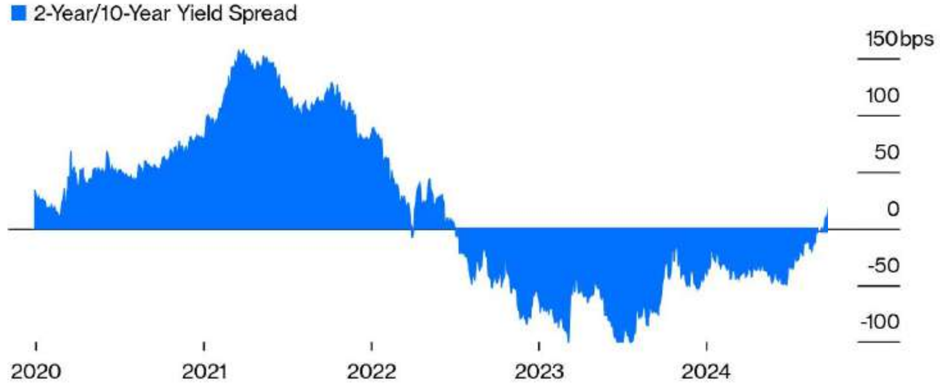


Source: Bloomberg, Bureau of Labor Statistics, Institute of Supply Management, ACG

Yield Curve Becomes “Normal”

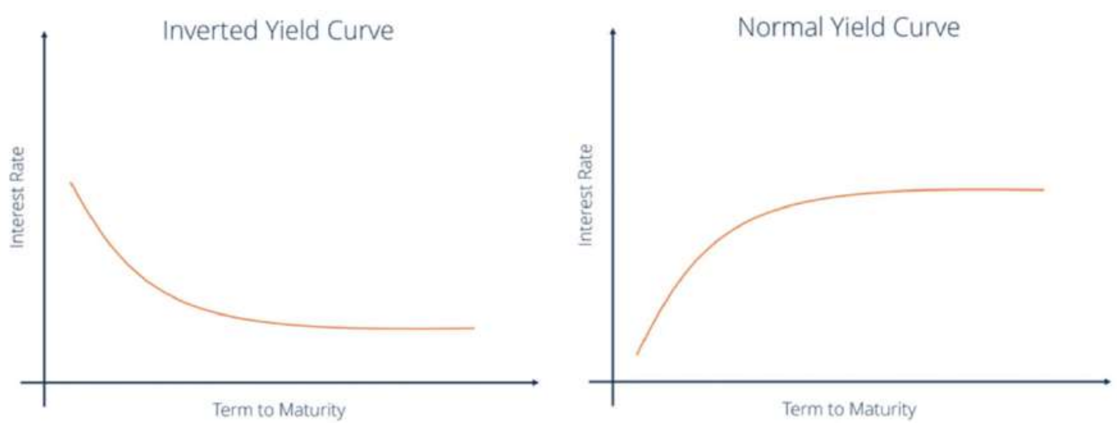
- After more than two years of inversion, the Treasury yield curve moved solidly into normal territory after the Fed’s rate cut in mid-September. The 2-year Treasury, which typically expresses where the Fed Funds rate will be in two years’ time, dipped below the 10-Year Treasury and ended the third quarter with 21 basis points of positive slope with the 2-Year at 3.58% and the 10-Year at 3.79%.

2-Year vs. 10-Year Treasury Yield Curve
(2-Year Minus 10-Year)



- Going forward, if the Fed follows through on the 200 plus basis points of future expected cuts to the Fed Funds rate, this will likely move the entire yield curve back into normal (upward sloping) territory. It remains to be seen where intermediate and long-term yields settle as they are set more by market forces as opposed to short-term rates which are set directly by the central bank.

Illustrative Yield Curve Comparison

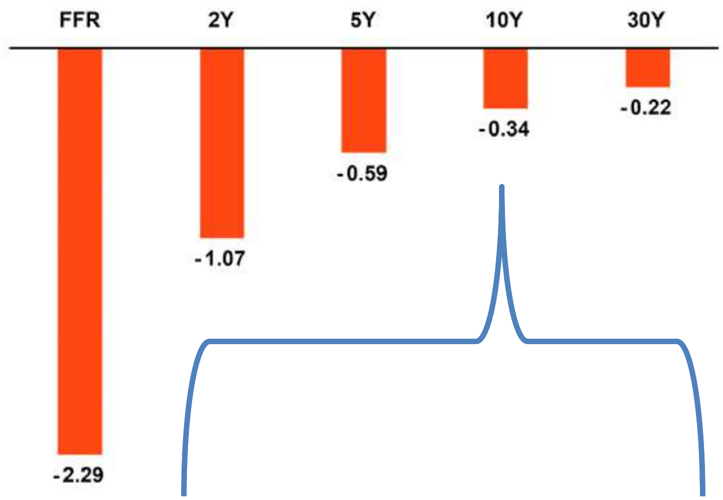


Source: Bloomberg, ACG

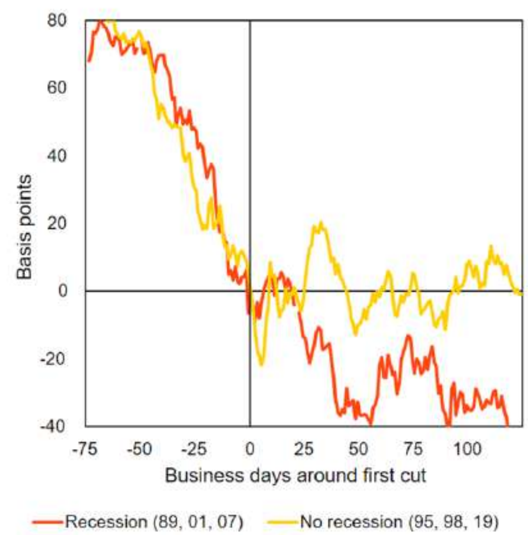
What Will the Full Yield Curve Look Like Going Forward?

Forward Yield Curve Pricing

Average Yield Change After First Rate Cut
(12 Months After First Cut, 1981-2020)



10-Year Treasury
(Avg. Yield Change 1981-2020)

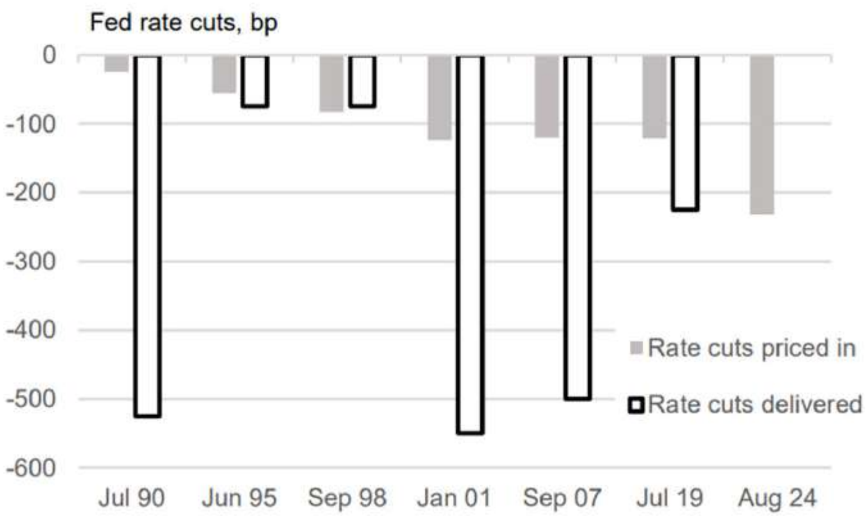


- The Treasury market's forward yield curve pricing currently suggests that despite the significant drop in intermediate-term rates that we saw in advance of the Fed's first cut, there is still room for intermediate and long-term rates to come down as the market adjusts from an inverted to a more normal yield curve over time.
- Historically, when the Fed cuts short-term rates, yields fall across all maturities over the subsequent 12 months.
- When looking at the 10-Year Treasury specifically, it tends to stay at or near prior levels during periods when a recession is avoided but falls during periods when the economy falls into recession.

Source: Bloomberg, PIMCO, Blackrock, ACG

Comparing This Rate Cycle to Past Cycles

Implied Fed Funds Rate Cuts
(Cuts Priced in at Start vs. Actual Cuts Delivered)



Bloomberg Aggregate Bond Index Return
(Following First Rate Cuts)

First Rate Cut Date	6 Month Return	12 Month Return
July 1990	4.89%	7.85%
June 1995	7.25%	5.54%
Sept 1998	-0.16%	-0.37%
Jan 2001	4.23%	7.56%
Sept 2007	5.23%	3.65%
July 2019	4.20%	10.12%
Sept 2024	?	?

- One thing that is noticeably different about the current rate cycle is that the expectation for rate cuts heading into the cycle is significantly larger as compared to past cycles, with over 200 basis points of Fed Funds rate cuts expected. In past cycles, the market often underestimated the full extent of cuts at the beginning of the cycle.

- Bond returns following past rate cuts have been widely positive with the notable exception of 1998. That particular year was unique in that the Fed was responding less to the U.S. economic cycle but more to the Russian debt default and currency devaluation and associated aftershocks like the lack of market liquidity and collapse of Long-Term Capital Management, a large hedge fund.

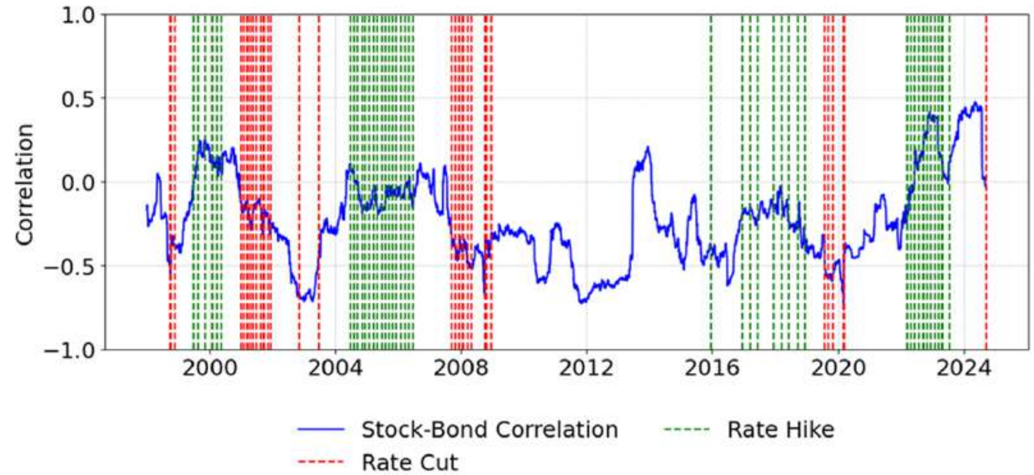
Source: Federal Reserve, Charles Schwab, Bloomberg, ACG

Treasuries Are Just One Part of the Fixed Income Markets

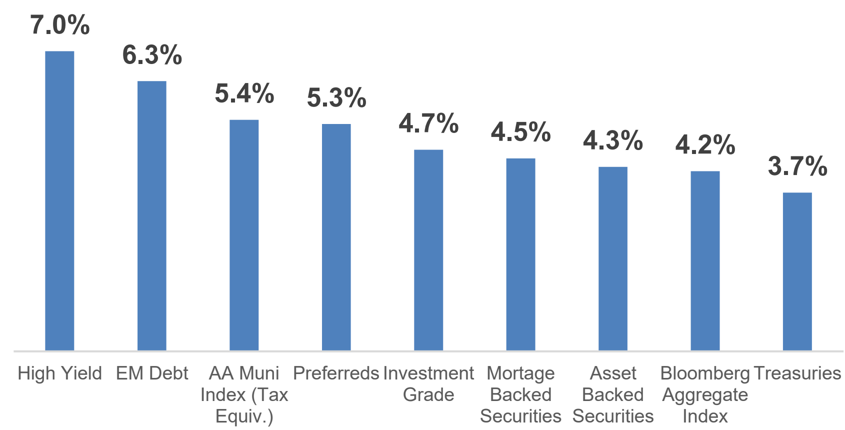
- Correlations, in general, tend to be relatively durable across different market environments, however, during periods with large macroeconomic change they can shift notably. For example, stock/bond correlations tend to change around Federal Open Market Committee (FOMC) policy shifts. During periods of Fed rate cuts, which have coincided with economic slowdowns, bond yields tend to decline, and Treasuries can act as a counterweight to weak equity markets.

- While Treasuries rallied and yields declined during the third quarter in anticipation of upcoming Fed rate cuts, other segments of the fixed income universe of similar duration still offer compelling yields and also warrant consideration for allocation. For example, investment grade corporate bonds yield nearly 1% more than Treasuries and high yield bonds yield over 3% more, but both also come with less correlation benefits.

Stock Bond Correlation During Fed Policy Changes
(Equities vs. 10-Year Treasury)



Yield Comparison
(Yield to Worst as of September 2024*)

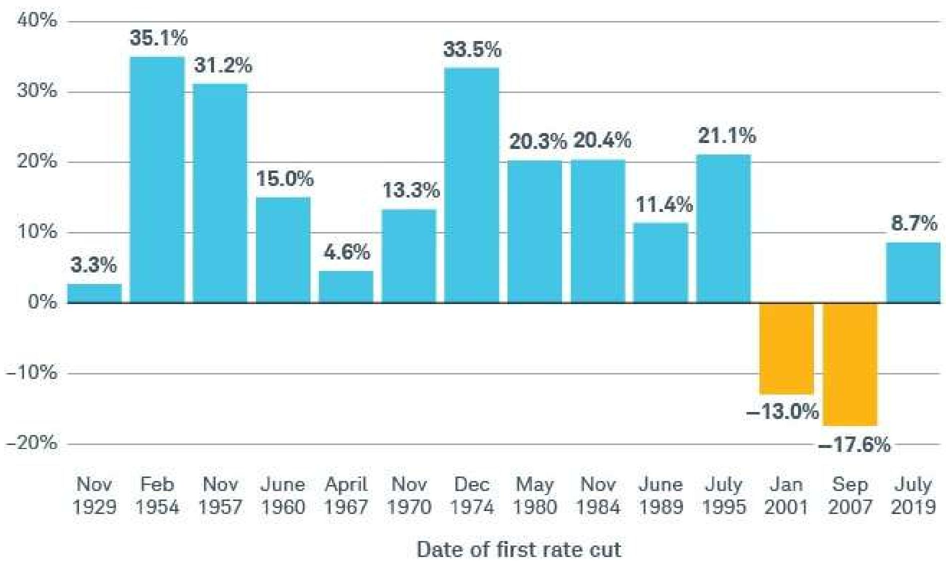


	High Yield	EM Debt	AA Muni Index (Tax Equiv.)	Preferreds	Investment Grade	Mortage Backed Securities	Asset Backed Securities	Bloomberg Aggregate Index	Treasuries
Duration	6.6	6.3	5.2	4.5	7.2	5.6	2.8	6.2	6.2
Correlation	.79	.55	.26	.63	.51	.23	.35	.25	-.02

Source: Bloomberg, Nuveen, Charles Schwab, Verdad, ACG
**Yield to Worst as of 09/20/24, correlation trailing 10 years*

How Do Equity Markets Typically React to Rate Cuts?

S&P 500 Return
(12 Months After First Rate Cut)



Smaller Capitalization vs. Larger Capitalization Stocks
(3, 6, 12-month Returns Following First Rate Cut, 1957-2024)

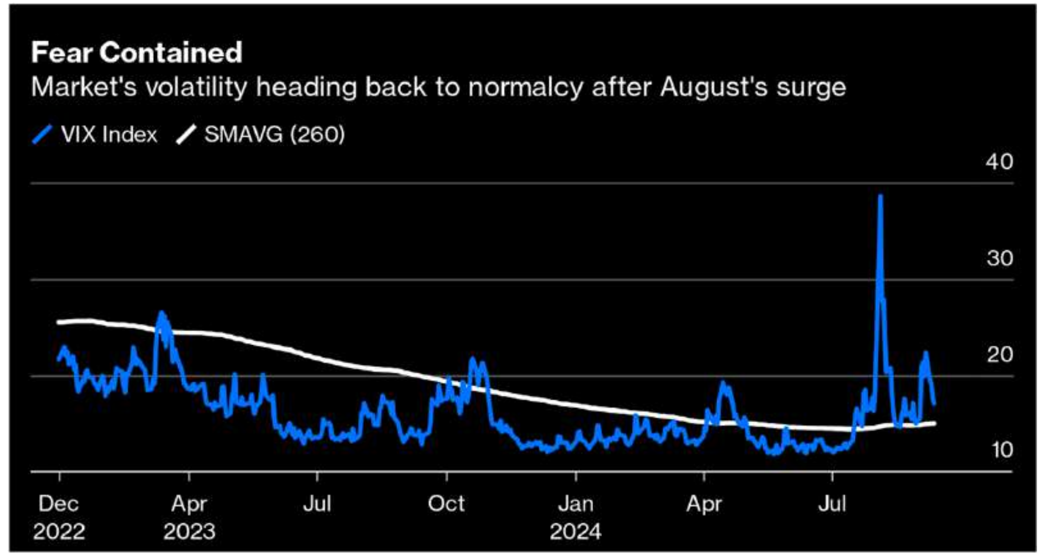
- While even with 100 years of data there is only a limited sample size, the data shows that equity markets were up 86% of the time following Fed rate cuts. The two periods when markets fell (2001 and 2007) followed the dot com bubble and Global Financial Crisis – two unique periods that are arguably very different than today.

- Looking deeper, if stocks are segmented into small and large capitalization groupings, you can see that smaller stocks have historically outperformed during the period immediately following Fed rate cuts. For example, over the first year following cuts smaller capitalization stocks have added almost 10% vs. larger capitalization stocks.

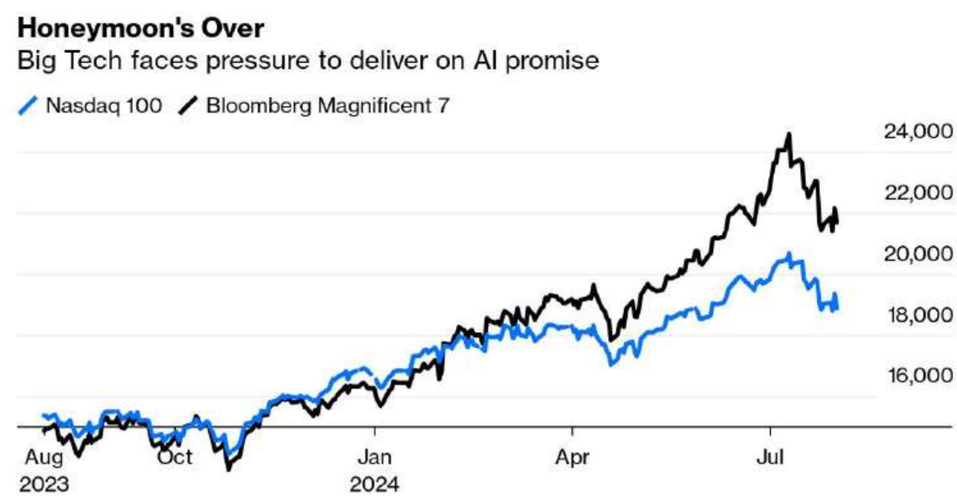
Source: Federal Reserve, Standard & Poor's, Royce, Center for Research in Security Prices (CRSP), ACG

Equity Volatility Returned During Third Quarter

- The third quarter saw a significant spike in volatility in the equity market. In early August, the prior month payroll data missed estimates and raised concerns that the Federal Reserve was behind the curve in their timing of rate cuts. In addition, global volatility was amplified by an unwinding of the yen carry trade given the divergence in U.S. and Japanese central bank policy expectations.

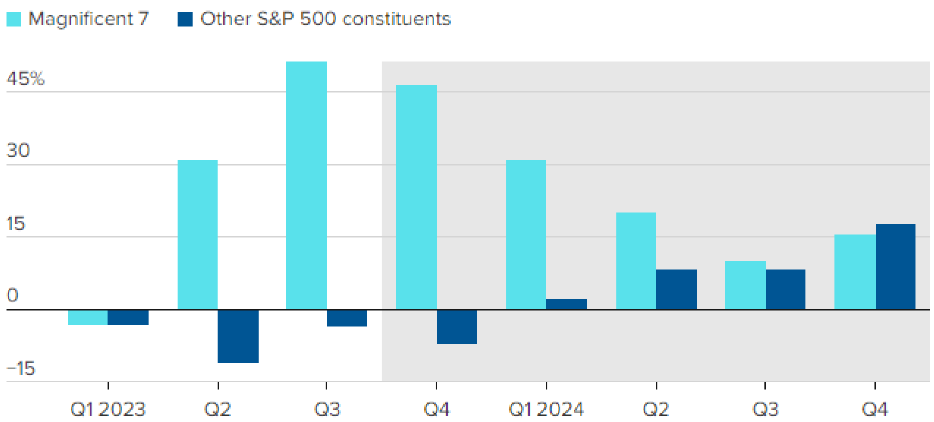


- The third quarter was notable also in that some of the Magnificent Seven stocks that drove so much of the first half's return came under pressure. On a positive note, the equity market overall was able to withstand the weakness in these stocks and the rally broadened to other segments, allowing equities to hit new all-time highs near the end of the quarter.



Earnings Growth Still Expected to be Strong and Broadening

Earnings Growth Estimates by Category
(Magnificent Seven vs. Other S&P 500 Constituents)



S&P 500 Earnings Growth Estimates
(Year-over-Year)

- Following weakness in 2022, earnings growth for the Magnificent Seven far outpaced the S&P 500 over the following few quarters. Looking forward, however, consensus analyst expectations project that the earnings growth differential, which powered the relative outperformance of those stocks, will continue to close.

- Overall year-over-year earnings growth for calendar year 2024 is still expected to be double digits. This is even reflective of recent downward revisions to Q3 2024 earnings. 2025 earnings growth is expected to be even stronger at +15%. While this expectation may prove to be too optimistic, it leaves a margin for error and room for some downward revisions.

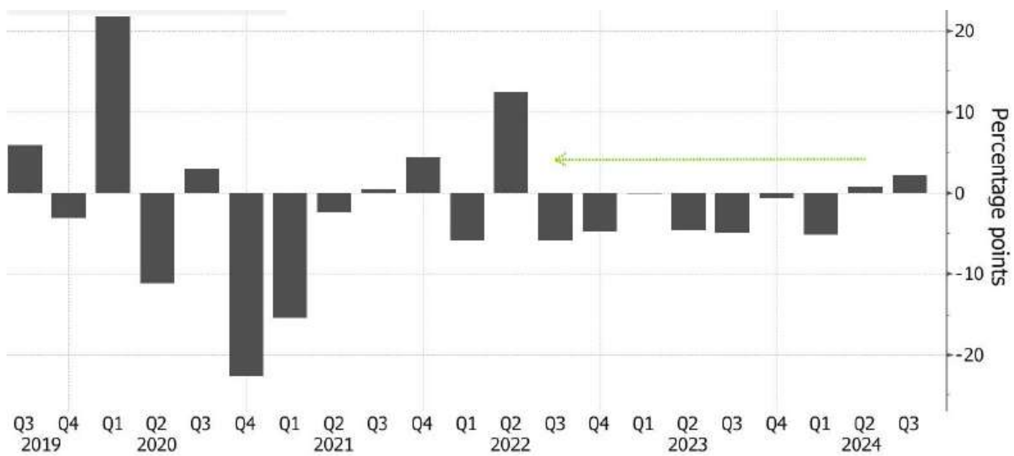
Source: LPL Financial, Bloomberg, Standard & Poor's, Strategas, ACG
Data as of September 2024

Defensives Outperform and Valuations Increase

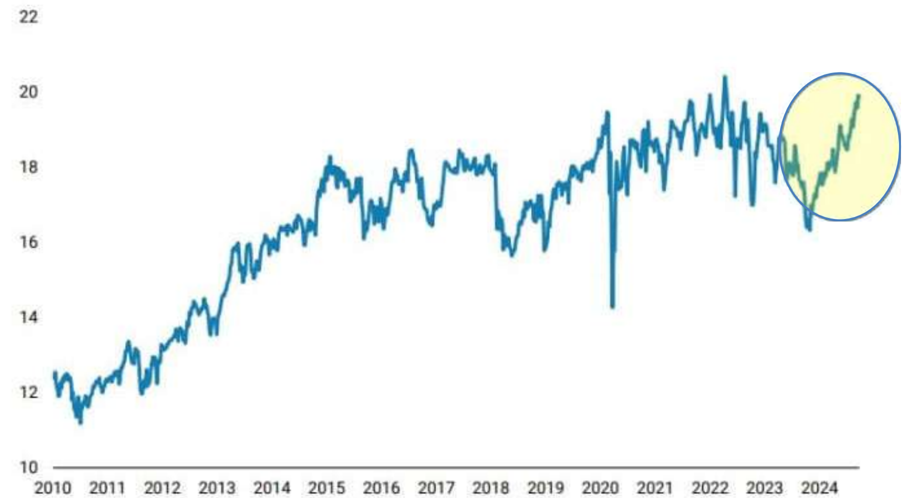
- With many economists focusing on the possibility of the U.S. economy tipping into recession in the near-term, defensive sectors (such as Utilities, Healthcare, and Staples) outperformed for the second quarter in a row. Looking back, investors have moved into these sectors in the past during periods of economic uncertainty.

- With significant capital flows rotating into defensive sectors, valuations have increased. The defensive sectors, which typically trade at a discount to the broad market, currently trade at a forward price-to-earnings ratio of near 20 times earnings, which is a level on par with recent highs and very close to the valuation of the broad market, which is currently trading near 21x next year's earnings.

Performance of Defensive vs. Cyclical Stocks
(Defensive Minus Cyclicals by Quarter)



Forward Price-to-Earnings Ratio
(Defensive Segments)



Source: Citigroup, Bloomberg, FactSet. Morgan Stanley, ACG
Defensives = Telecomm, Utilities, Healthcare, Staples / Cyclicals = Materials, Industrials, Financials, Technology, Discretionary

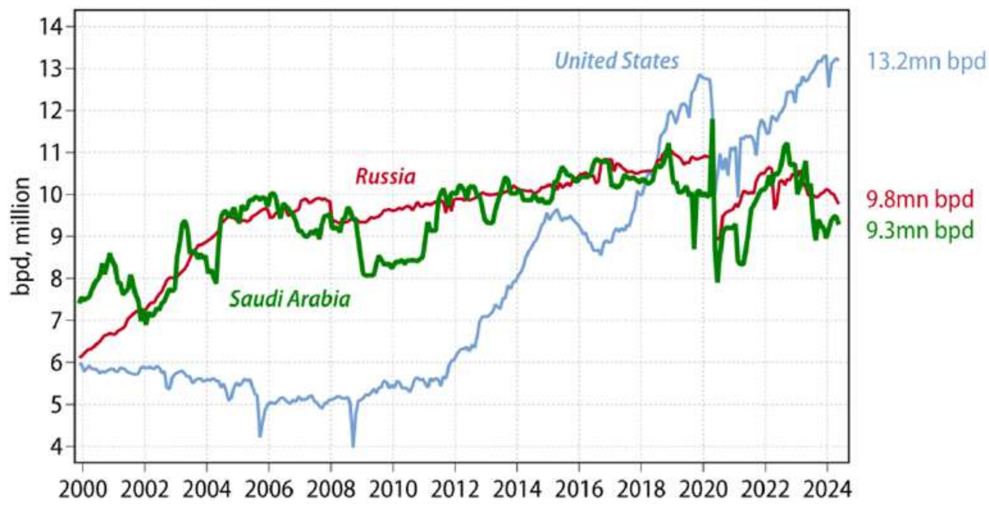
Atlanta Consulting Group

Energy Prices Decline During Q3 Despite Geopolitics

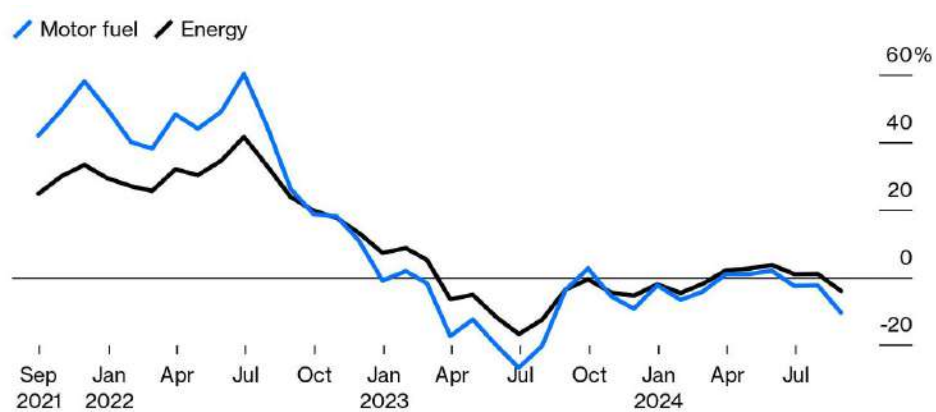
- The U.S. is again the biggest producer of crude oil in the world, pumping out 13.2 million barrels per day. Both Saudi Arabia and Russia, who had dominated production previously, have recently slowed their production to a pace of 9.3 and 9.8 million barrels per day, respectively. China's economic malaise has been a key driver of this slowdown due to their lack of demand.

- As a result, gas prices (and energy prices more broadly) have been relatively weak over the last year. While this could change with an escalation of the geopolitical issues in the Middle East, thus far those fears of higher oil prices have not played out and lower gas prices are acting as a buffer to many already financially stretched consumers.

Crude Oil Production
(Million Barrels Per Day by Country)



Energy & Gas Prices
(Year-over-Year Price Change from CPI)

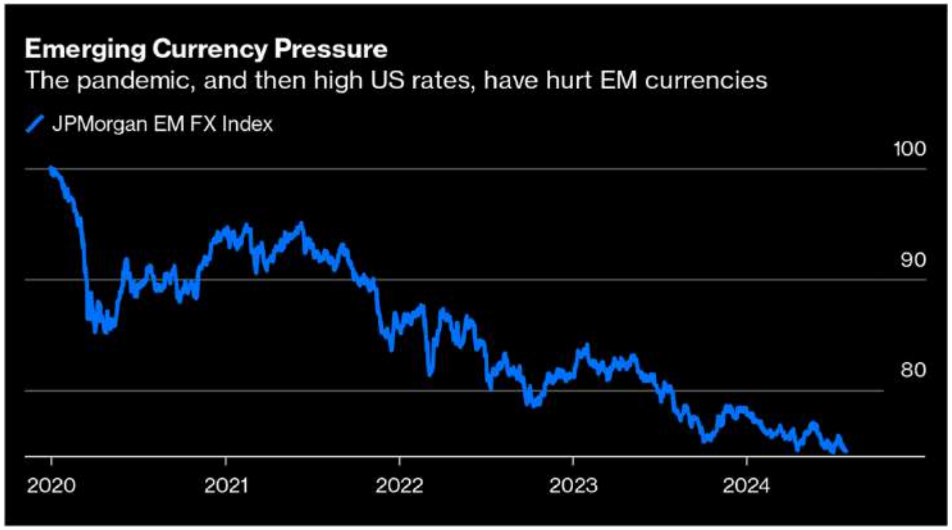


Source: Gavekal Research, MacroBond, Energy Information Administration, Bureau of Labor Statistics, ACG

U.S. Dollar Also Reacting to Prospect of Rate Cuts

- After a strong showing during the first half of 2024, the U.S. Dollar Index was particularly weak during Q3 2024. Pundits have generally pointed to U.S. rate cut expectations as the key reason for the weakness. This decline has acted as a boost to U.S. investors of foreign shares.

- Emerging markets, in particular, have been an area negatively affected by the strong U.S. Dollar. Looking forward, any continued weakness could add to the future return prospects of emerging market domiciled stocks and bonds.

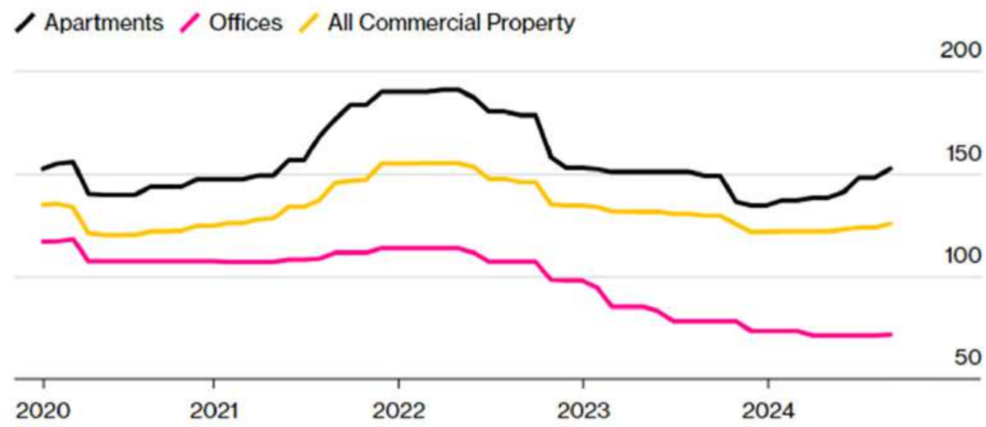


Source: Bloomberg, JP Morgan, ACG

Commercial Real Estate Update

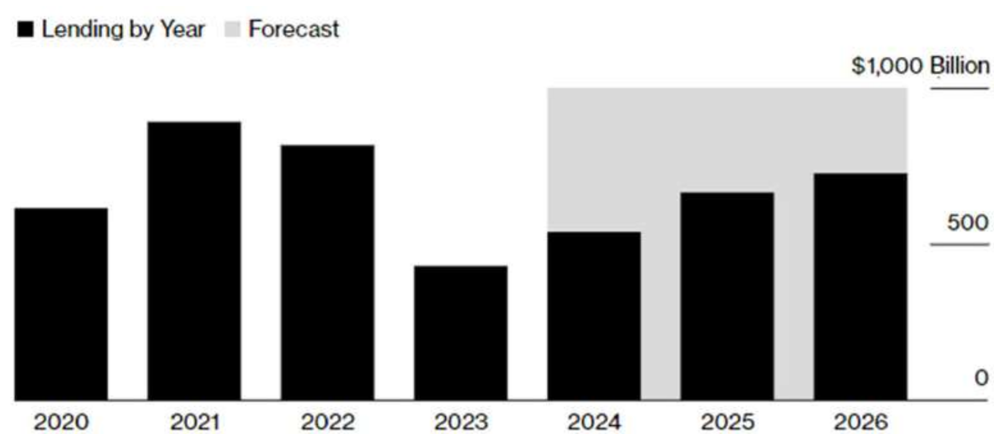
- The issues in the commercial real estate markets have been widely discussed in the last few quarters. Specifically, the office segment has come under increased pressure in some markets as many outdated downtown office buildings were negatively impacted from the trend of remote work lasting well past the Pandemic. It will likely take some time for the markets to clear, but it appears that in aggregate at least prices have stopped falling.

Commercial Property Prices
(Index by Segment)



- Lenders in the commercial real estate space, such as many regional banks, have been willing to extend loans, but there is still the potential for significant losses as these loans eventually mature if the sector does not improve. On a positive note, many new entrants, such as distressed property funds, are lining up to buy properties and liquidity is projected to improve as rates are projected to come down over the next couple years.

Commercial Real Estate Lending
(Volume by Year)

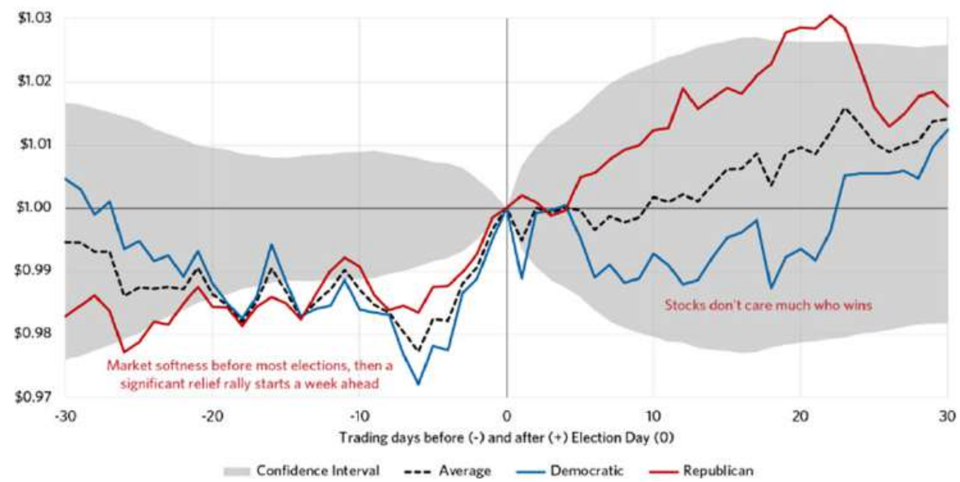


Source: Bloomberg, Green Street Financial, Mortgage Bankers Association, ACG

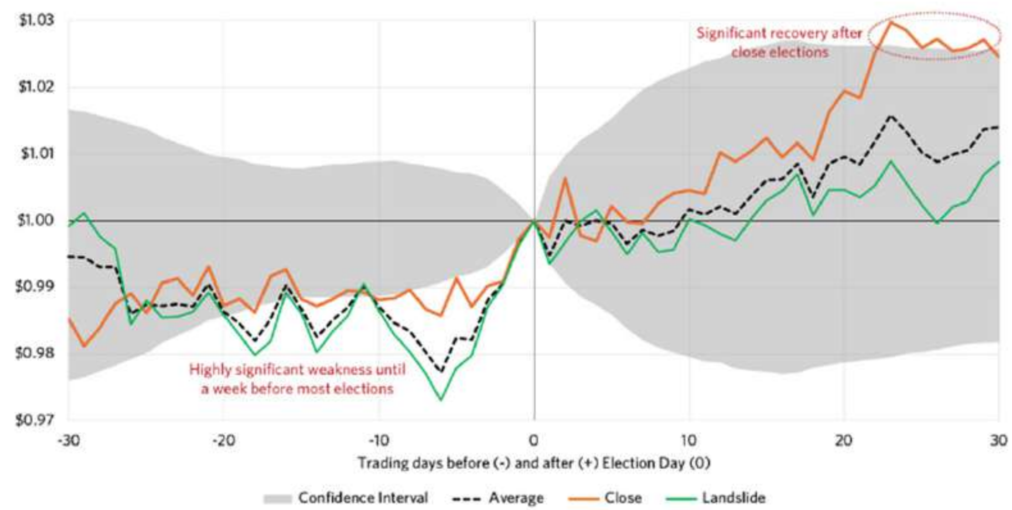
Appendix: 2024 U.S. Presidential Election

- While the 2024 U.S. Presidential election is expected to be among the closest contests on record, the short-term equity market reaction to elections tends to be positive.
- Research Affiliates looked at the 30 days before and after Presidential elections going back nearly 100 years:
    - Markets have tended to rally in the final days prior to the election.
    - On average, the market was up about 1% in the 30 days following the election.
    - In years in which there is a Republican victory, the market has outperformed over the first 30 days.
    - In years in which the election is a close call, markets tend to outperform over the subsequent 30 days.

Avg. S&P 500 Returns
(U.S. Presidential Election Outcome by Party)



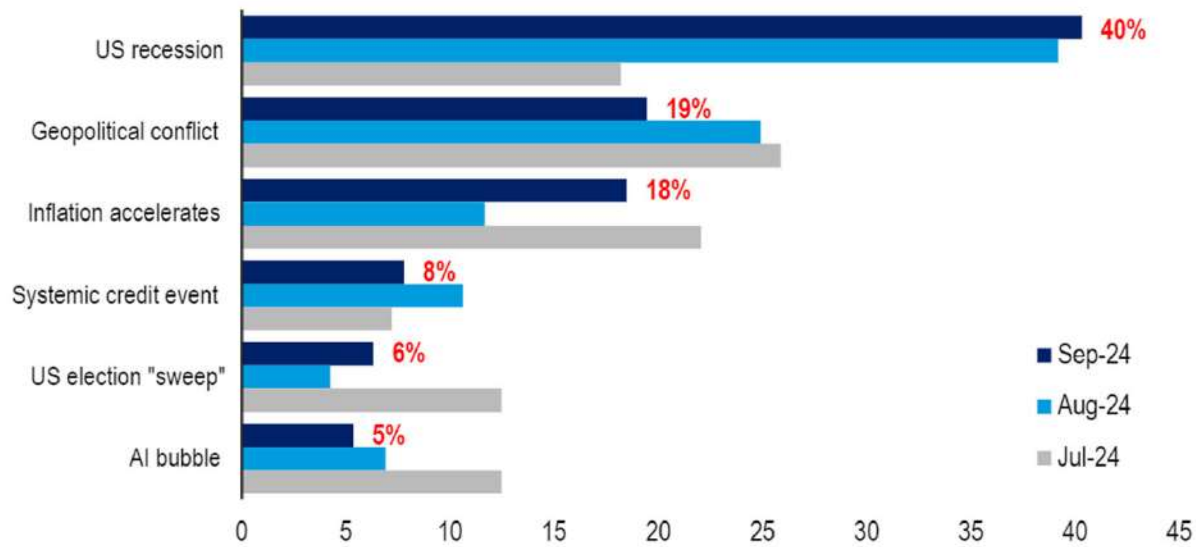
Avg. S&P 500 Returns
(U.S. Presidential Election Outcome by Election Type)



Source: Research Affiliates, Stand & Poor's, ACG

Risks: Survey Data Sees Recession as Biggest Risk

Bank America Fund Manager Survey Responses
("What do you see as the biggest tail risk?")



- Despite the recent Fed cuts and generally positive recent economic data, the latest survey of fund managers still sees a recession as the biggest risk.
- Geopolitics and a potential reacceleration in inflation were also noted by a sizable share of the respondents.

Source: Bank of America, 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^{SM} 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^{SM} (WLIQAEH), Wilshire Liquid Alternative Global Macro Index^{SM} (WLIQAGM), Wilshire Liquid Alternative Relative Value Index^{SM} (WLIQARV), Wilshire Liquid Alternative Multi-Strategy Index^{SM} (WLIQAMS), and Wilshire Liquid Alternative Event Driven Index^{SM} (WLIQAED).