ACG Market Review – Fourth Quarter 2024

- **Economy – Growth remains strong, with some worry over another wave of inflation**
  - Year/year GDP estimates for Q3 2024 have shown that the U.S. economy has remained firmly on a growth trajectory.
  - Strong consumer spending and corporate profits, coupled with fiscal deficits have provided tailwinds for the economy that look poised to continue for the foreseeable future.
  - Goods inflation has cooled but services inflation has remained stubborn.
    - The Federal Reserve cut their benchmark rate twice during the quarter. Chairman Powell cautioned markets during his December remarks that further cuts were not preordained and would depend on incoming data.

- **Equity – U.S. stocks continue momentum and post another strong year**
  - The S&P 500 gained +2.41% in Q4 to finish the year up +25.02%. 2024 marked the second year in a row of gains north of +20% for U.S. Large Caps.
  - U.S. Mid Cap and Small Cap stocks eked out small gains for the quarter after pulling back in December. Each posted respectable gains for the full year with the Russell Mid Cap Index up +15.34% and the small cap Russell 2000 Index rising +11.54%.
  - International and Emerging Markets equities struggled in Q4, with the MSCI EAFE Index falling -8.11% and the MSCI EM Index falling -8.01% during the quarter.

- **Fixed Income – Bonds pull back as expectations shift towards higher for longer interest rates**
  - The 10-year Treasury yield rose from below 4.00% to near 4.60% during the quarter, which pushed the Bloomberg U.S. Aggregate Index to a -3.06% return in Q4.
    - Yields adjusted to the possibilities for a pickup in inflation, higher economic growth, and/or worries over expanding deficits.

- **Risks/Other Considerations**
  - A second Trump term has renewed worries over tariffs and possible trade wars. Markets seem to be expecting less severe tariff policies than what was promised on the campaign trail but expect continued posturing.
  - Valuations remain stretched relative to history for U.S. stocks and corporate bonds. Valuations can always remain elevated or stretch further and are not good predictors of short-term performance.

Statistic	Last 10 Year Avg.	12 Month Prior	Prior Quarter	Current Quarter
Fed Funds Rate	1.78%	5.33%	4.83%	4.33%
Prime Rate	4.80%	8.50%	8.00%	7.50%
10-Year Treasury Yield	2.48%	3.88%	3.81%	4.55%
30-Year Fixed Mortgage Rate	4.49%	6.61%	6.08%	6.85%
S&P 500 P/E Ratio (Forward Earnings)	20.0x	21.1x	21.4x	21.9x
Projected Earnings Growth (S&P 500)	+8.5%	N/A	+4.6% (y/y est.)	+11.9% (y/y est.)
U.S. GDP (Real, Quarterly)	+2.5%	+2.3% (Q3 2023)	+3.0% (Q2 2024 est.)	+2.7% (Q3 2024 est.)

Source: Morningstar, ACG, Federal Reserve, FactSet

Market Index Review – December 2024

Major Market Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500	-2.38	2.41	25.02	25.02	8.94	14.52	13.10
Russell 2000	-8.26	0.33	11.54	11.54	1.24	7.40	7.82
Russell 3000	-3.06	2.63	23.81	23.81	8.01	13.86	12.54
MSCI ACWI	-2.37	-0.99	17.49	17.49	5.43	10.06	9.23
MSCI ACWI ex USA	-1.94	-7.60	5.53	5.53	0.82	4.10	4.80
Bloomberg US Aggregate TR	-1.64	-3.06	1.25	1.25	-2.41	-0.33	1.35

International Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
MSCI EAFE	-2.27	-8.11	3.82	3.82	1.64	4.73	5.20
MSCI Europe	-2.44	-9.74	1.79	1.79	1.20	4.90	4.98
MSCI Pacific	-2.14	-5.47	7.04	7.04	2.38	4.27	5.63
MSCI EAFE Small Cap	-2.30	-8.36	1.82	1.82	-3.25	2.30	5.52
MSCI Emerging Markets	-0.14	-8.01	7.50	7.50	-1.92	1.70	3.64
MSCI Frontier Markets	0.18	-1.16	9.42	9.42	-3.46	1.79	2.24

Russell Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Russell 1000	-2.79	2.75	24.51	24.51	8.41	14.28	12.87
Russell 1000 Growth	0.88	7.07	33.36	33.36	10.47	18.96	16.77
Russell 1000 Value	-6.84	-1.98	14.37	14.37	5.63	8.68	8.49
Russell MidCap	-7.04	0.62	15.34	15.34	3.79	9.92	9.63
Russell MidCap Growth	-6.22	8.14	22.10	22.10	4.04	11.47	11.54
Russell MidCap Value	-7.32	-1.75	13.07	13.07	3.88	8.59	8.10
Russell 2000 Growth	-8.19	1.70	15.15	15.15	0.21	6.86	8.09
Russell 2000 Value	-8.33	-1.06	8.05	8.05	1.94	7.29	7.14

Bond Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
FTSE T-Bill 3 Months	0.39	1.23	5.45	5.45	4.05	2.54	1.79
Bloomberg US Municipal TR	-1.46	-1.22	1.05	1.05	-0.55	0.99	2.25
Bloomberg US Govt/Credit TR	-1.67	-3.08	1.18	1.18	-2.59	-0.22	1.50
Bloomberg US Govt/Credit Int TR	-0.62	-1.60	3.00	3.00	-0.18	0.85	1.71
Bloomberg US Credit 1-3 Yr TR	0.19	0.15	5.11	5.11	2.25	2.04	2.14
Bloomberg US Credit Long TR	-4.29	-6.26	-2.01	-2.01	-6.76	-1.92	2.11
Bloomberg US Corporate High Yield TR	-0.43	0.17	8.19	8.19	2.92	4.21	5.17
FTSE WGBI	-2.29	-5.44	-2.87	-2.87	-5.83	-3.08	-0.56

Sector Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
S&P 500 Materials	-10.72	-12.42	-0.04	-0.04	-0.44	8.69	7.87
S&P 500 Consumer Discretionary	2.39	14.25	30.14	30.14	5.28	14.12	13.62
S&P 500 Consumer Staples	-4.97	-3.26	14.87	14.87	4.69	8.56	8.43
S&P 500 Energy	-9.47	-2.44	5.72	5.72	20.02	12.13	4.91
S&P 500 Financials	-5.43	7.09	30.56	30.56	9.42	11.70	11.43
S&P 500 Health Care	-6.21	-10.30	2.58	2.58	0.87	7.99	9.14
S&P 500 Industrials	-7.95	-2.27	17.47	17.47	9.46	12.03	10.75
S&P 500 Information Technology	1.16	4.84	36.61	36.61	15.69	24.55	22.35
S&P 500 Real Estate	-8.59	-7.94	5.23	5.23	-4.41	4.55	--
S&P 500 Communication Services	3.58	8.87	40.23	40.23	9.51	14.57	11.19
S&P 500 Utilities	-7.94	-5.51	23.43	23.43	5.22	6.61	8.43

Other Indices	MTD	QTD	YTD	1 Year	3 Years	5 Years	10 Years
Morningstar US Long-Short Equity	-2.26	0.58	12.01	12.01	4.11	6.04	4.46
Morningstar US Equity Market Neutral	0.10	-0.33	8.95	8.95	6.75	4.33	2.77
Morningstar US Multistrategy	-0.19	0.36	5.85	5.85	3.02	3.43	2.62
Wilshire Liquid Alternative TR USD	-2.49	-1.87	4.33	4.33	1.49	2.43	1.80
FTSE EPRA/NAREIT Developed NR USD	-7.08	-9.69	0.94	0.94	-6.05	-1.00	2.23
Alerian MLP TR USD	-7.19	4.94	24.41	24.41	27.27	15.56	3.67
Bloomberg Commodity Index TR USD	1.02	-0.45	5.38	5.38	4.05	6.77	1.28
S&P Global Infrastructure TR USD	-4.48	-2.48	15.10	15.10	7.06	5.28	5.92
WTI Crude BL	5.47	5.21	0.10	0.10	-1.57	3.27	3.02
US Dollar Index	2.60	7.64	7.06	7.06	4.17	2.39	1.85
Consumer Price Index *	0.12	0.12	2.91	2.60	4.50	4.17	2.89

* 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

ACG Atlanta Consulting Group

Q4 2024: Post Election Rally Hits New Highs and Then Fizzles

Source: Hedgeye

Equity Markets Hit New All-Time Highs Then Fizzle to End Year

- Immediately following the election in early November, the S&P 500 rallied and hit new all-time highs during the fourth quarter of 2024. The Index moved above the 6,000 level and ended the calendar year with a return of +25%. The Index shot past even some of the most optimistic year-end 2024 Wall St. strategists' targets. Looking forward, the average strategist target level for year-end 2025 for the S&P 500 Index is above 6500, suggesting the potential for even more near-term upside

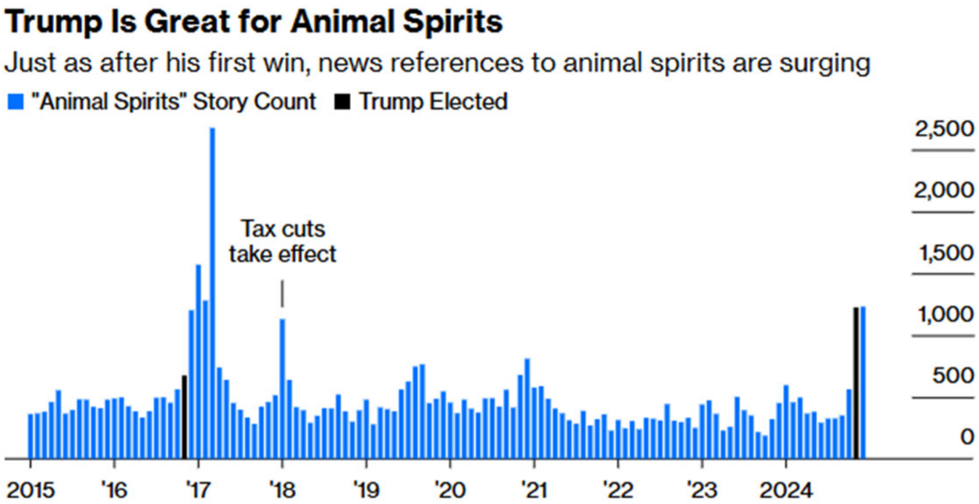
S&P 500 Index vs. Strategist Forecasts
(Price Level vs. Average Wall St. Forecast)

- While price-to-earnings multiples did increase in 2024 and contributed to the strong returns, earnings were the key driver. The economy and profits remain strong: Pre-tax corporate profits keep making record highs. At $3.8 trillion, profits are up 51% since the end of 2019. Not all companies are seeing this profit growth, but in the aggregate U.S. corporations are making plenty of money

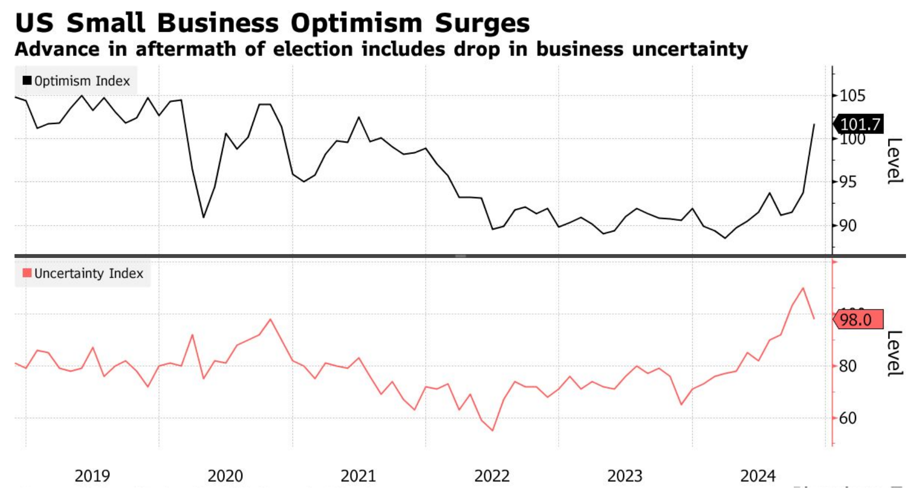
U.S Corporate Profits
(Before Tax)

Election Outcome Unleashes “Animal Spirits”

“Animal Spirits” Mentions
(Count of Phrase in Bloomberg News Trends)



Small Business Optimism vs. Uncertainty
(% From Surveys)



- Enthusiasm around Trump’s election victory unleashed a round of optimism centering on various policy initiatives that, taken as a whole, appear to be very positive for businesses and the stock market. This optimism was seen in a resurgence in mentions of “Animal Spirits” across finance related news stories

- Animal spirits is a term that describes the psychological and emotional factors that influence human behavior in financial and economic contexts. The term was coined by British economist John Maynard Keynes in his 1936 book ‘The General Theory of Employment, Interest, and Money’

  “A large proportion of our positive activities depend on spontaneous optimism rather than on a mathematical expectation… Most, probably, of our decisions to do something positive, can only be taken as a result of animal spirits — of a spontaneous urge to action rather than inaction, and not as the outcome of a weighted average of quantitative benefits multiplied by quantitative probabilities.”

- Optimism from small business owners seen in survey data was also notable and likely drove some of the strong equity market rally immediately following the election

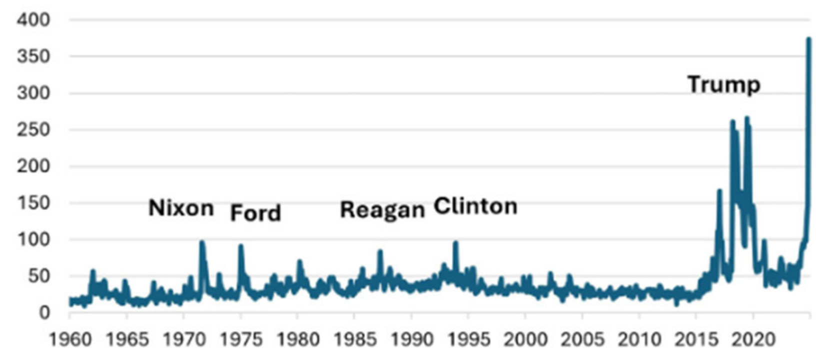
Source: National Federation of Independent Businesses, Bloomberg News Trends, Bloomberg, ACG

Trump, Tariffs, Taxes & More

- One of the most controversial policies that the Trump administration has championed is the widespread use of trade tariffs. While Trump may just be threatening their widespread use as a form of negotiation with other countries, the issue has created uncertainty

- In addition to tariffs, there are a number of other policy areas that have created increased uncertainty

Trade Policy Uncertainty Index
(1960-2024)



Source: "The Economic Effects of Trade Policy Uncertainty". Data as of November 2024.

<u>Key Potential Trump Administration Policy Changes</u>

- Tariffs ("America First")
- Lower taxes
- Reforming Immigration
- Deregulation
- Re-regulation (Healthcare + Social Media)
- Government efficiency (D.O.G.E.)

- Some potential winners from Trump policy initiatives could be U.S. banks, small and medium sized companies, domestic manufacturing, and cryptocurrencies

- Some potential losers include China, clean energy companies, foreign steel companies, and ESG related initiatives

- While many of these initiatives are still nascent in their formation, some potential risks of these new policies include a ballooning government deficit and debt and a resurgence of inflation as a result of additional tariffs and potential retaliation by other countries

Source: RBC Capital Markets, Lazard, ACG

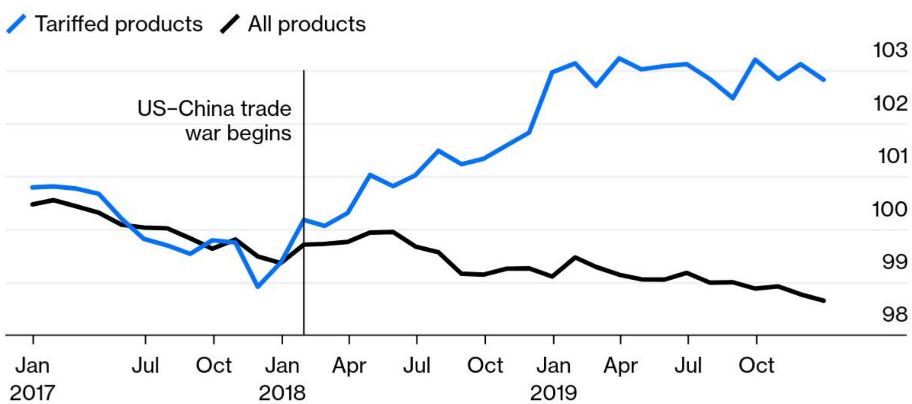
Trade War or a Bluff?

- Strategists are reviewing the potential impacts on economic growth and inflation from various tariff scenarios. All are highly dependent on the extent of their use
- During the last Trump administration, when tariffs were placed on Chinese imports, their prices went up
- Modest implementation of tariffs could have a small impact on inflation and GDP growth, but a full-scale trade war could be much more impactful

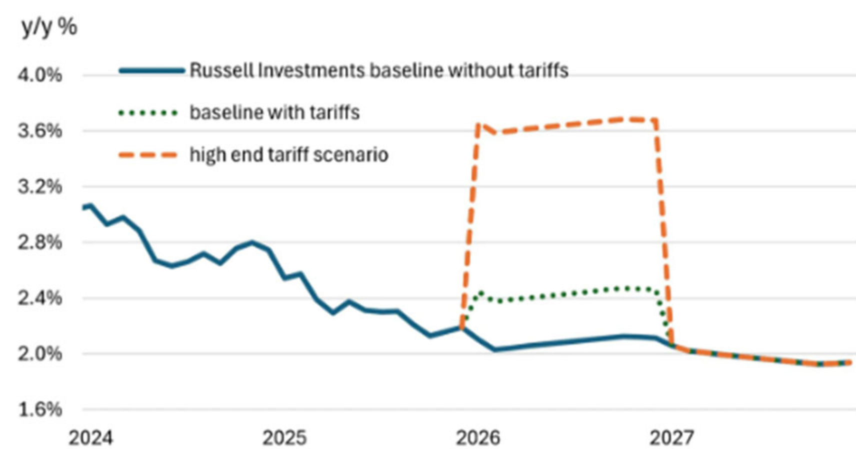
Likely Tariff Targets

Strategic to US Competitiveness	Critical to US Security	Politically Sensitive
• Advanced and emerging tech (e.g., semiconductors, batteries) • The full value chain of the automotive sector • Industrial machinery and heavy industry goods	• Defense and aerospace goods and tech • Foundational tech (e.g., legacy chips used in critical industries) • Raw material inputs for strategic goods (e.g., lithium) • Basic medical supplies and medicines	• Agricultural products (e.g., soybeans, corn, pork) • Heavy industry, labor-intensive goods (e.g., vehicles, machinery) • Industrial raw materials (e.g., steel and aluminum)

Personal Consumption Expenditure (PCE)
(2017-2019, Tariffed Goods vs. All Goods)



Personal Consumption Expenditure (PCE)
(Core PCE Year-over-year inflation)



Source: Bureau of Economic Analysis, Russell Investment Group, ACG
Note High end tariff scenario assumes 10% tariffs on all imports and full retaliation by China and Europe

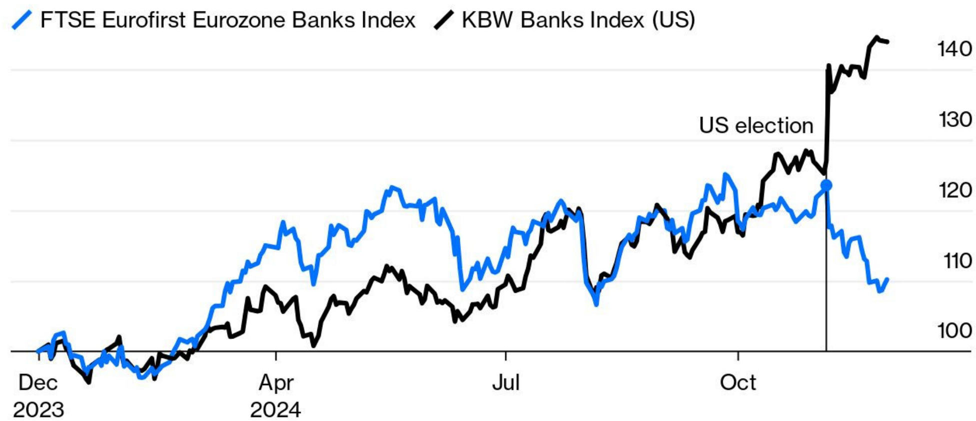
Atlanta Consulting Group

Sharp Divergence Between Domestic and Foreign Stocks

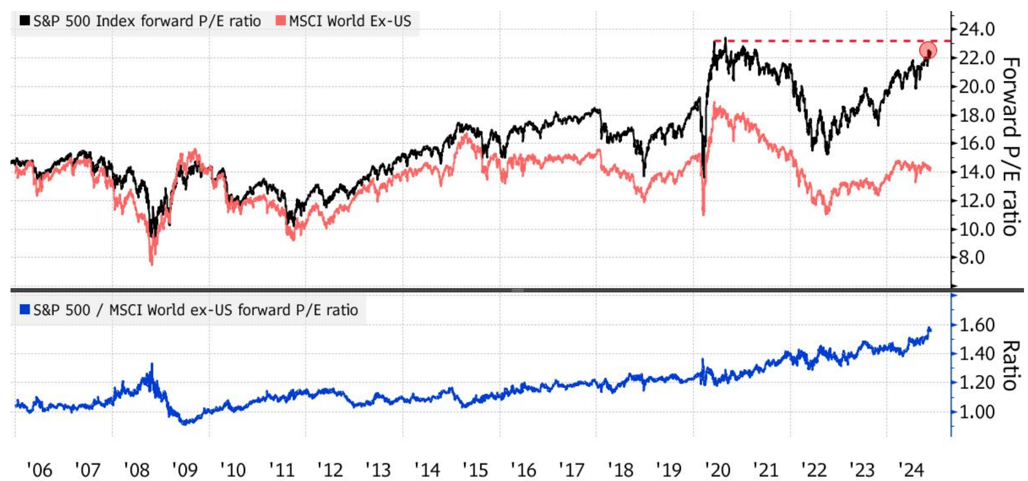
- One of the most immediate responses to the election outcome was a strong divergence between domestic and foreign stocks. The potential for deregulation and tariffs as well as a stronger U.S. dollar drove much of the move. In some industries, such as banks for example, the moves were drastic and occurred as soon as the election outcome was certain

- As a result of this performance divergence, foreign stocks, which were already trading at historically large valuation discounts to their U.S. counterparts, are now trading at a nearly 40% discount based on forward price-to-earnings multiples. Some bullish strategists point to Artificial Intelligence (AI) and the potential for a new age of American prosperity or that the rest of the world is doomed by tariffs, state intervention and/or geopolitics. Most agree that there should be a U.S. valuation premium, but with the gap so large, the question is how much of the above is priced into current valuations?

Bank Stock Performance
(FTSE European vs. U.S. Banks)



Price-to-Earnings Ratio
(S&P 500 vs. MSCI World ex U.S.)



Source: Bloomberg, FTSE, Standard & Poor's, MSCI, ACG

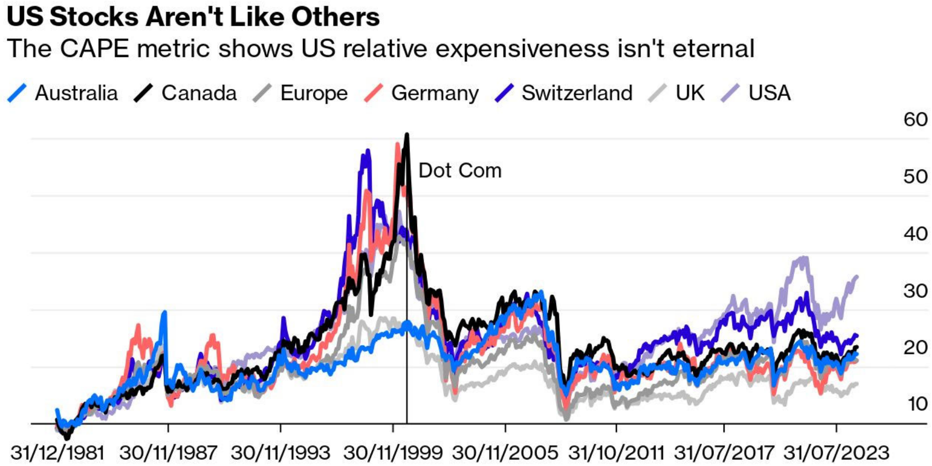
Reasons for U.S. Exceptionalism

- After nearly 15 years of U.S. equity outperformance vs. the rest of the world, many investors are questioning the validity of their foreign equity allocations. American exceptionalism, or the idea that the U.S. may in fact be different than the rest of the world and a valuation premium is justified, has convinced some investors that the U.S. is the only place to put their money

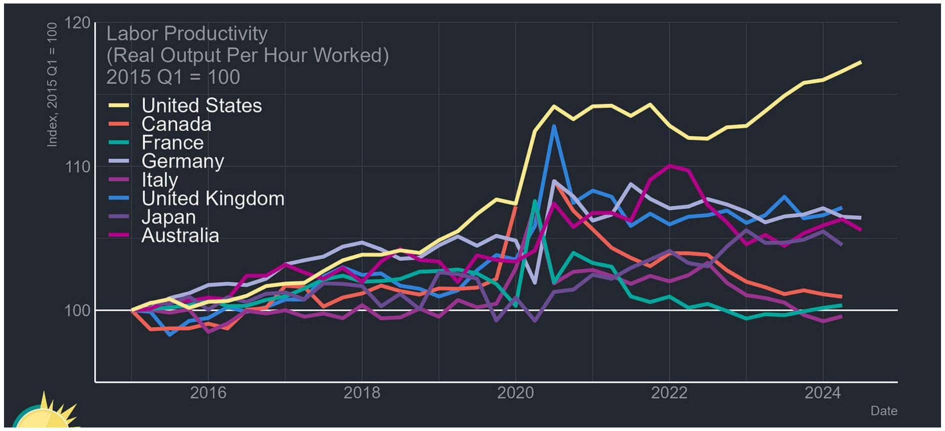
- The angst overseas about American innovativeness is similar to the fear that the U.S. had about Japan in the electronics and auto industries in the 1980s, or Europe and Nokia leading the telecom industry in the early 2000s. Even today, Japan leads in robotics, Denmark in anti-obesity drugs and Taiwan in microchip manufacturing. While the U.S. might keep its lead in innovation, there is a risk of repeating the overconfidence that doomed investors in Japan and Nokia to decades of losses

- The cyclically adjusted price-to-earnings ratio (CAPE), which uses long-term earnings, shows that the U.S. is now at a premium valuation vs. the rest of the world. Some worry that this valuation premium will result in lower future returns, while others point to factors like significantly higher productivity levels in the U.S. as justification for a changing premium

Cyclically adjusted Price-to Earnings (CAPE) Ratio
(by Country / Region, 1980-2024)



Labor Productivity
(by Country / Region, 2015 -2024)

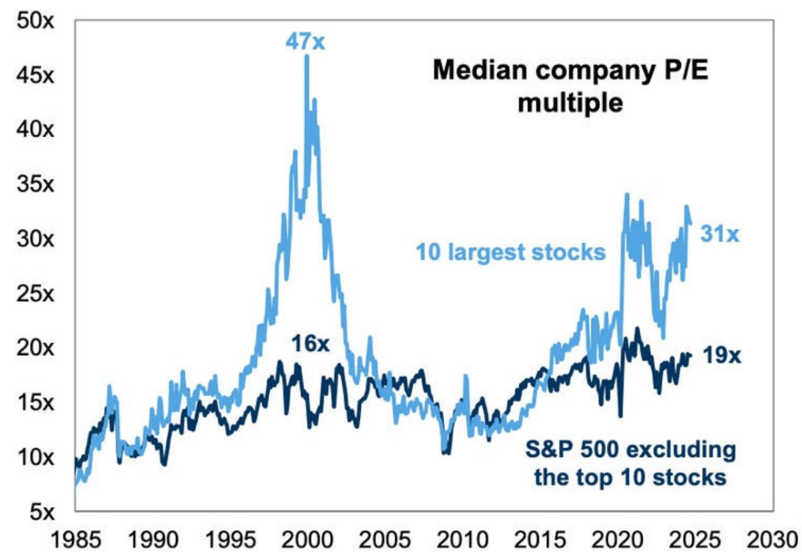


Source: Bloomberg, Wall Street Journal, Robert Shiller, ACG

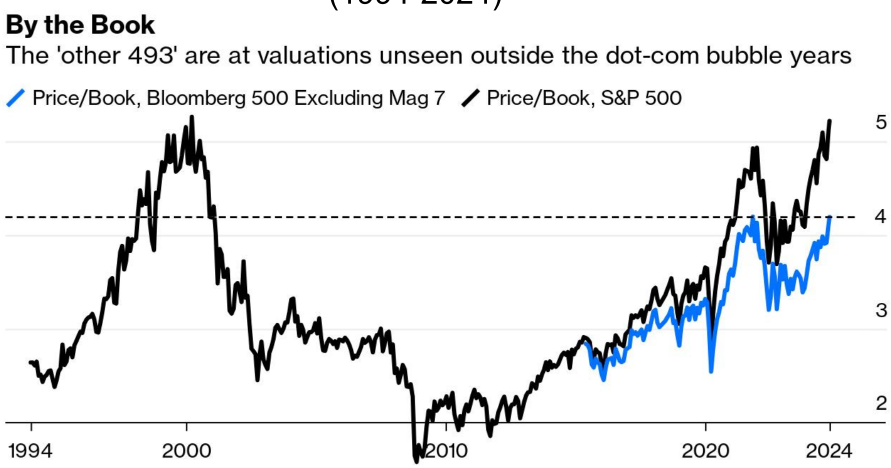
Despite Optimism, U.S. Valuations Warrant Caution

- From a price-to-earnings ratio perspective, the S&P 500 is near 23x forward earnings, which is well above historical long-term averages. Within the S&P 500, however, there is still a great deal of dispersion between the largest stocks and the rest of the markets. For example, the P/E ratio of the Top 10 largest stocks is 31x forward earnings as compared to 19x for the remaining 490 stocks in the index
- Other valuation metrics, such as price-to-book and price-to-sales ratios also show high valuations
- As a reminder, valuations can remain elevated for long periods of time and are generally not helpful short-term timing tools

Price to Earnings Ratio
(1985-2024)



Price to Book Ratio
(1994-2024)



Price to Sales Ratio
(1994-2024)

Source: Goldman Sachs, Standard & Poor's, Bloomberg, ACG

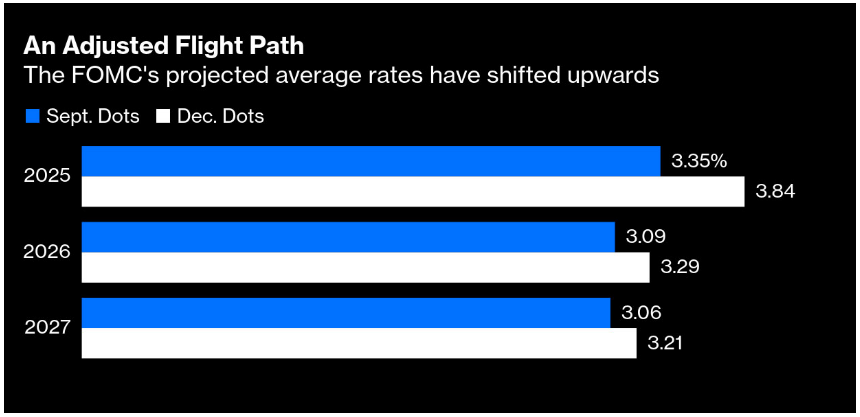
Revisiting Fed Interest Rate Policy

- Interest rates and expectations for future rates moved notably during the fourth quarter. At the end of September, the market expectation was for the Fed Funds Rate to drop to near 3.35% by December 2025. Now, with the potential for more inflationary policy and a stronger than expected economy, the expectation is for the rate to be near 3.84% by year-end 2025

- Looking at market-implied futures, expectations for rates have shifted up notably too. As of September 30th, the terminal rate was expected to be under 3%, whereas currently this expectation has jumped up to nearly 4% - which is relatively close to where the FOMC Dot Plot projected

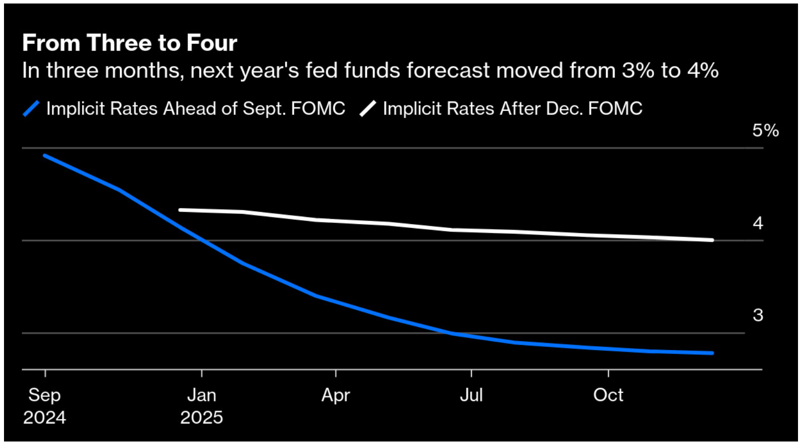
- While history suggests both can be useful directionally, neither are reliable predictors of the precise level of future rates

Federal Funds Rate Projections
(Expectations for December 2025,2026,2027)



10 Year U.S. Treasury Yield

Federal Funds Rate Projections
(Market Implied vs. FOMC Projections)



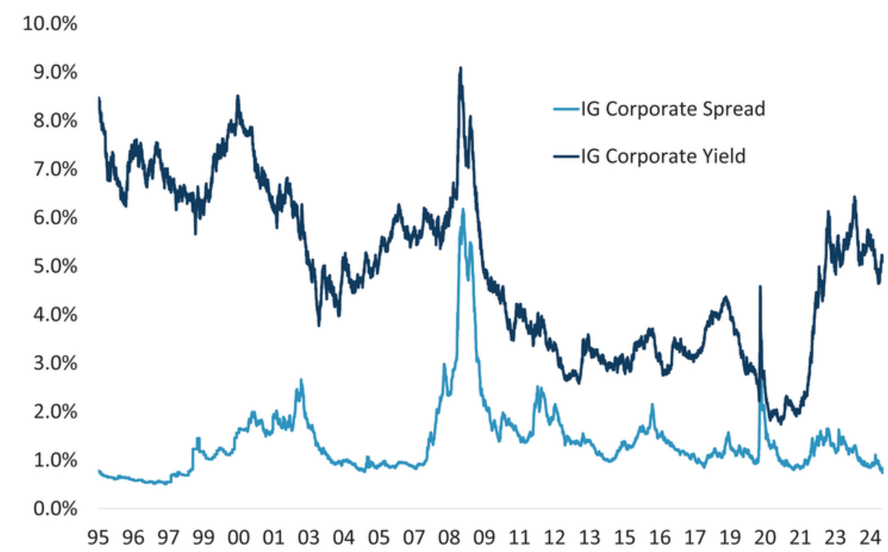
Source: Schwab, Bloomberg, Federal Reserve, ACG

Fixed Income Valuations Near Highs

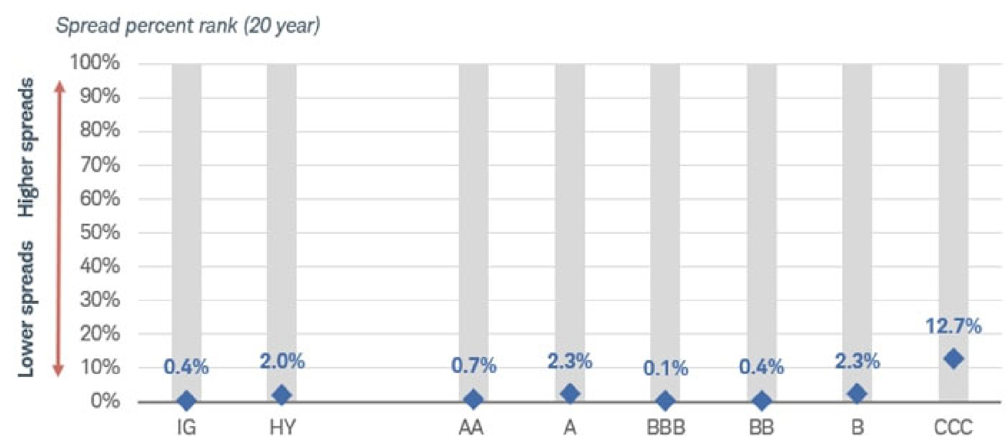
- Credit spreads shot higher during the Pandemic and then again in 2022, but they have grinded tighter since then as the economy and corporate profits recovered. Currently, the level of extra compensation investors are getting for bearing credit risks is near all-time lows. On an absolute basis, however, total yields are at levels significantly higher than during the low interest-rate period of the fifteen years prior to 2022

- Whereas absolute yield levels offer investors a margin of safety, credit spreads are a different story. Across all credit qualities and within both investment grade and high yield, spreads are nearly as tight as they have ever been over the trailing twenty years. If the economy remains resilient, this is not a worry. But if and when the long-awaited recession eventually materializes, credit investors could be vulnerable

Investment Grade Credit Spreads vs. Yields



Credit Spread Level
(Last 20 Years)

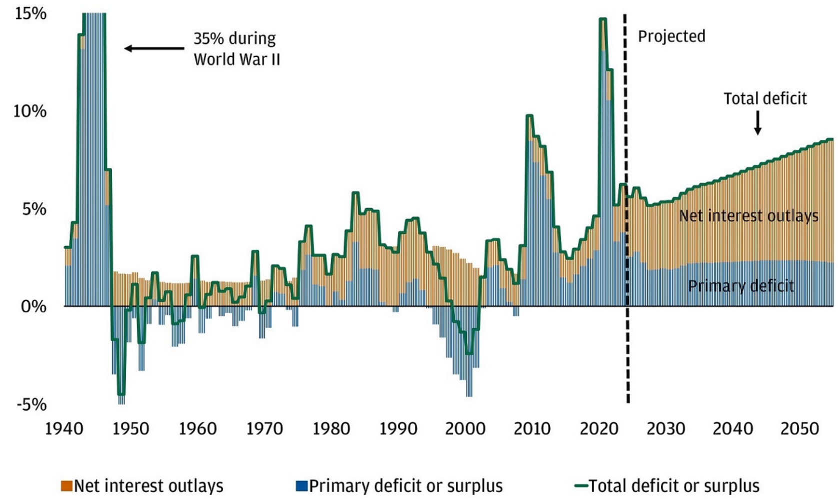


Source: Schwab, Bloomberg, ACG

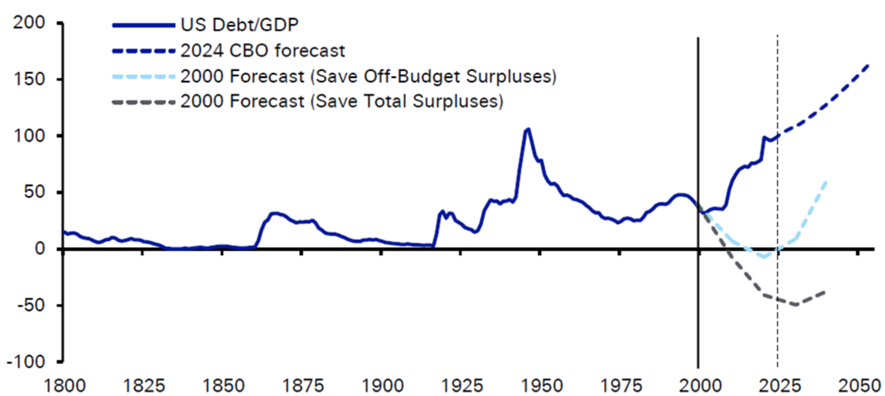
Risks: *How I Learned to Stop Worrying and Love the Debt*

- The U.S. budget deficit, at 6.5% of GDP, is at the highest level ever outside of wartime, recessions or the Pandemic. Under current laws, the Congressional Budget Office (CBO) forecasts similarly high deficits over the next decade
- Following the Pandemic in 2020, the U.S. debt to GDP ratio shot up to levels not seen since World War 2. At near 100% currently, the level is near all-time highs and expected to grow significantly over the next decade. With that said, accurate projections have proved elusive. In 2000, for example, the CBO projected the government was on pace to pay off all debt, which clearly never came to pass
- While many economists are rightly concerned about the level and growth of government borrowing, two pushbacks are 1) total debt as a percent of GDP is still significantly lower than that of some other countries (Japan, for example), and 2) Bridgewater Associates recently looked at total credit creation and, when you add private to public credit, the total growth in debt is more muted

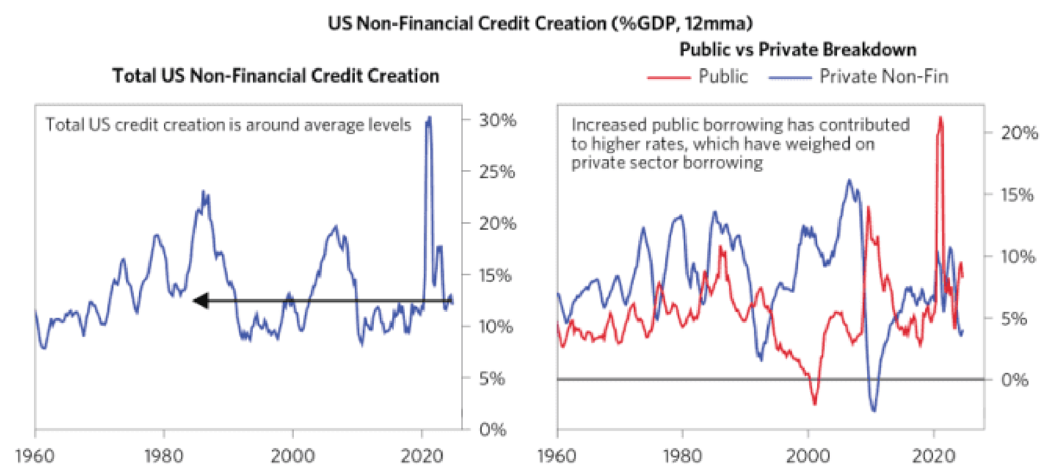
Federal Budget Deficit as % of GDP
(1940 – 2050E)



U.S. Debt to GDP Ratio
(Actual vs. Forecasts)



U.S. Credit Creation
(Public vs. Private)



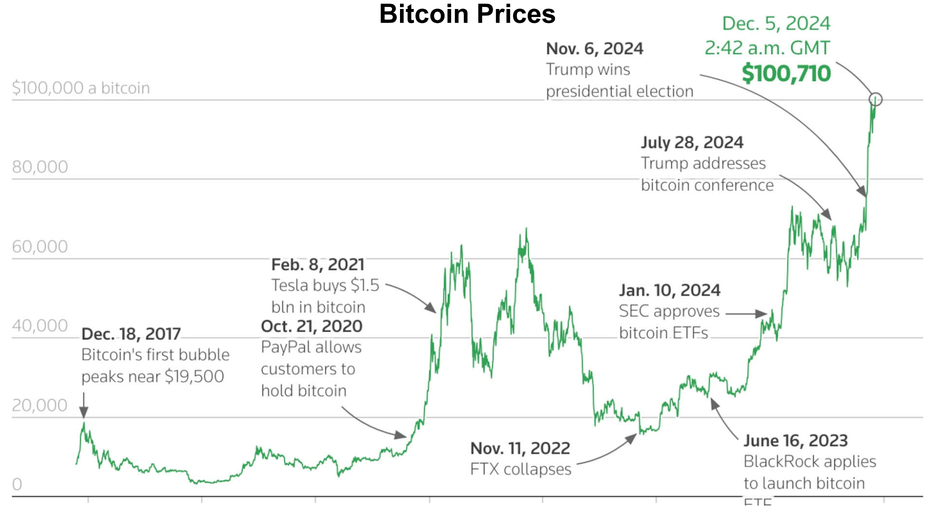
Source: Congressional Budget Office, Deutsche Bank, Bridgewater Associates, ACG

Appendix: Bitcoin

- The recent move of Bitcoin over the $100,000 per coin level has captured investor attention

- After the recent U.S. Presidential election, many strategists have pointed out that the incoming administration appears to be much more favorably disposed to cryptocurrency. This has the potential to increase acceptance of these digital assets with a more favorable regulatory regime

- Despite increasing interest and a potentially favorable regulatory backdrop, cryptocurrencies remain difficult for investors to model and thus incorporate into broader asset allocation:



  - Questions remain around the fundamental underpinnings of these digital assets. For example, cryptocurrencies are not tied to the real economy in a way that is similar to stocks (producing earnings) or bonds (paying interest payments)
  - Cryptocurrencies have traded more in-line with risk assets at times, lowering their value as a diversifier
  - Short and long-term volatility remains extremely high. While this is not abnormal for emerging assets and ultimately could give way to a less volatile regime as the asset matures and gains wider acceptance, this has not happened yet
  - While the trailing return has been astronomical, creating a framework to forecast potential future returns is very difficult
  - Despite the strong trailing returns and ever-increasing interest, the largest cryptocurrency, Bitcoin, remains small relative to the total value of gold (under 10% of the value of all gold) and global money supply (well under 0.5%)
  - Uncertainty around the issues listed above can make it uncomfortable for fiduciaries to “bless” emerging assets

- Despite strong recent performance and a reinvigorated investor base with reasons to remain bullish on the future, strong recent returns alone do not change our prior view that cryptocurrency remains an asset class that is difficult to model and include in broader asset allocations. The traditional inputs of volatility, correlation, and return that drive mean variance optimization, which remains at the bedrock of institutional portfolio construction since Harry Markowitz’s Nobel Prize winning essay on Modern Portfolio Theory in 1952, create strong challenges to a meaningful inclusion in portfolio allocations

- We remain cognizant of change and open to re-examining potential new assets as they emerge and mature. We don’t want to be similar to the French Allied Supreme Commander in WWI, Ferdinand Foch, who confidently declared that “Airplanes are interesting toys, but of no military value.”

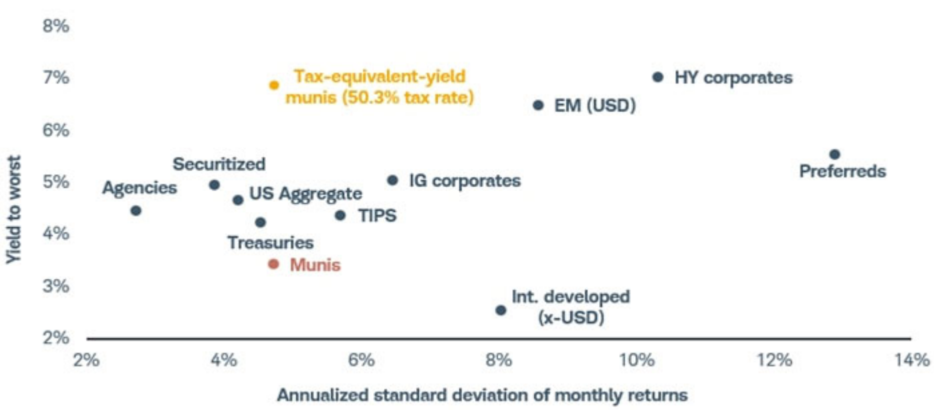
Source: ACG

Appendix: Municipal Bonds

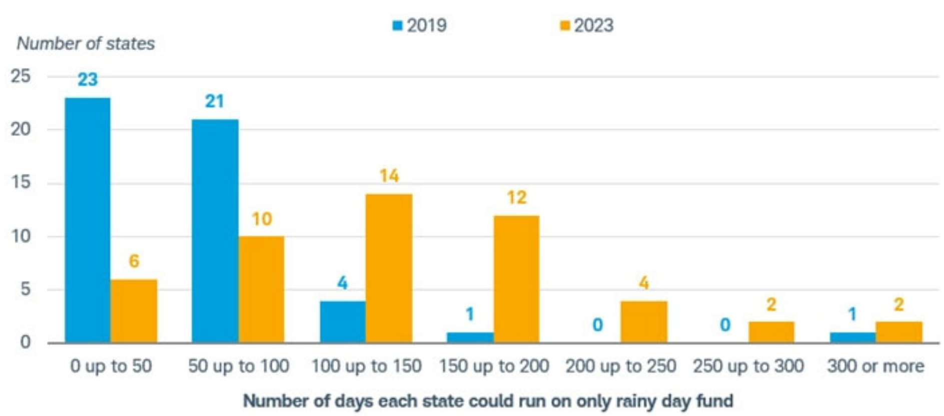
- Municipal Bonds currently offer a tax equivalent yield of approximately 7%
- When compared to other fixed income options, municipal bonds now offer extra yield with relatively low levels of absolute volatility
- While investment grade credit spreads are near lows and susceptible to a economic slowdown, municipal bonds offer more yield protection and state finances are broadly improving

Tax Equivalent Yield
(Assumes Highest Tax Rate)

Risk vs. Return
(Trailing 20 Years Ended 11/30/24)



State Finances
(2019 vs. 2023)



Source: Schwab, ACG

DISCLOSURE

Investing is subject to a high degree of investment risk, including the possible loss of the entire amount of an investment. You should carefully read and review all information provided by The Atlanta Consulting Group Advisors, LLC ("ACG"), including ACG's Form ADV, Part 2A brochure and all supplements thereto, before making an investment.

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Various indices, including, but not limited to the S&P 500 Index, the FTSE 3-Month Treasury Bill Index, and the Russell 2000 index (each, an "Index") are unmanaged indices of securities that are used as general measures of market performance, and their performance is not reflective of the performance of any specific investment. The Index comparisons are provided for informational purposes only and should not be used as the basis for making an investment decision. Further, the performance of an account managed by ACG and each Index may not be comparable. There may be significant differences between an account managed by ACG and each Index, including, but not limited to, risk profile, liquidity, volatility and asset comparison. The performance shown for each Index reflects no deduction for client withdrawals, fees or expenses. Accordingly, comparisons against the Index may be of limited use. Investments cannot be made directly into an Index.

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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.

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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).