

# Fourth Quarter 2021 Chartbook

Data as of September 30, 2021

## Economy – Supply Issues Denting Growth

- Labor and supply-chain bottlenecks are a headwind for the economy in the fourth quarter.
- Unemployment claims remain elevated versus pre-pandemic levels, but the downward trend remains intact.
- Consumer sentiment is trending lower because of rising inflation. Positively, consumer spending remains strong.

## Equities – Rising Risks

- Valuation metrics are at high levels for U.S. large cap and growth stocks.
- Headwinds are rising because of Fed uncertainty and a weakening growth outlook.
- International developed economies are earlier in their recovery stage, which could benefit foreign equities.

## Fixed Income – Tapering Likely in Q4

- Treasury yields have drifted higher since the September Fed meeting.
- A Fed rate hike is likely off the table until late-2022, but tapering is likely to arrive by year-end.
- The economic recovery is shifting away from the initial expansion. Default risks in credit are low, but so are yields.

# U.S. Economic Risk Overview

Indicator	Recession Risk	Trend Signal	Trend											Latest
			2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	
ISM Manufacturing PMI	LOW	→	58.8	57.7	60.5	58.7	60.8	64.7	60.7	61.2	60.6	59.5	59.9	61.1
ISM Services PMI	LOW	↓	56.2	56.8	57.7	58.7	55.3	63.7	62.7	64.0	60.1	64.1	61.7	61.9
Industrial Production - YoY Change	LOW	↓	-6.6%	-4.7%	-4.7%	-3.3%	-1.7%	-4.9%	1.8%	17.8%	16.3%	10.1%	6.6%	5.9%
Building Permits - YoY Change (3 Mo. Avg.)	LOW	↓	8.5%	6.3%	9.5%	12.9%	18.3%	19.8%	21.6%	31.9%	38.9%	37.8%	20.2%	13.4%
Unemployment Rate	LOW	↑	6.9%	6.7%	6.7%	6.3%	6.2%	6.0%	6.1%	5.8%	5.9%	5.4%	5.2%	4.8%
Temporary Help Employment - YoY Change	LOW	↓	-14.5%	-13.2%	-11.2%	-7.8%	-6.0%	-4.6%	35.6%	32.6%	24.7%	18.3%	13.2%	12.1%
Real Retail Sales - YoY Change (3 Mo. Avg.)	LOW	↓	3.5%	3.8%	2.6%	3.9%	4.6%	12.6%	24.5%	31.1%	25.9%	14.6%	10.7%	9.1%
U. of Michigan Consumer Sentiment	LOW	↓	81.8	76.9	80.7	79.0	76.8	84.9	88.3	82.9	85.5	81.2	70.3	72.8
Leading Economic Index (LEI) - YoY Change	LOW	↓	-3.8%	-2.9%	-2.2%	-1.6%	-1.7%	-1.6%	7.8%	16.7%	14.6%	12.0%	10.6%	10.0%
Treasury Yield Curve (10yr - 2yr)	LOW	→	0.74%	0.68%	0.80%	1.00%	1.30%	1.58%	1.49%	1.44%	1.20%	1.05%	1.10%	1.24%

## Recession Riskometer

## Economic Trend Signal

## Commentary



LOW



NEGATIVE

The dials on the left show our combined estimate of near-term recession risk and direction of economic growth, based on the average reading of ten economic indicators. The Recession Riskometer focuses on producer sentiment, output and manufacturing growth, employment, consumer strength and leading economic indicators.

- The U.S. economy grew at a 6% rate in the first half of the year, but the pace of growth likely peaked in the second quarter. Although growth is slowing, we are still firmly in an expansion stage and all ten indicators in our Recession Riskometer are still signaling a low recession risk.
- The economic trend signal flipped to negative. One out of ten indicators has a positive trend, two have a neutral trend, and seven have a negative trend. The pace of growth remains healthy, though most indicators are slowing down from high levels of activity. We anticipate growth moderating in the coming quarters.

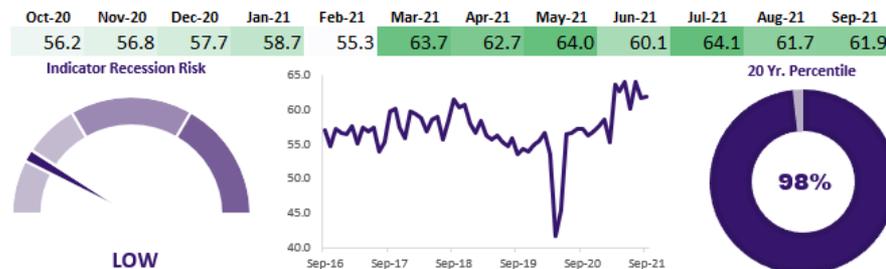
Sources are listed on pages 33-34. Data as of 9/30/2021.

## U.S. Economic Risk Indicators

### ISM Manufacturing PMI



### ISM Services PMI



The ISM Manufacturing PMI rose to 61.1 in September (4-month high). Manufacturing activity remains at an historically high level. This index is in the 98<sup>th</sup> percentile over the last 20 years.

The ISM Services PMI increased slightly to 61.9 in September. Services activity remains elevated at the start of fall. This indicator is in the 98<sup>th</sup> percentile over the last 20 years.

A reading over 50 indicates expansion, below 50 signals contraction, and in the mid 40's suggests recession.

A reading over 50 indicates expansion, below 50 signals contraction, and in the mid 40's suggests recession.

# U.S. Economic Risk Indicators

## Industrial Production - YoY Change



Industrial Production increased 5.9% YoY in August, easing from 6.6% growth in July. The pace is slowing, but the level of activity remains strong. This indicator is in the 96<sup>th</sup> percentile over the past 20 year.

*Industrial Production Index measures real output for manufacturing, mining, and utilities. The YoY change in Industrial Production signals a high risk of recession when it falls into negative territory. There is a low recessionary risk when greater than 1%.*

## Building Permits - YoY Change (3 Mo. Avg.)



The 3-month average of building permits slowed to 13.4% YoY through August. Housing starts have stagnated in recent months, but the recovery remains intact. The current permits reading is in the 82<sup>nd</sup> percentile over the past 20 years.

*Building Permits are a measure of the issuance of permits to build new housing units. Building permit growth is a measure of the total year-over-year percentage change in building permits (3-month average). This indicator signals a high recession risk when growth falls below -15% YoY.*

## U3 Unemployment Rate



The unemployment rate fell to 4.8% in September despite monthly jobs growth slowing to the lowest level of the year. The current reading is in the 74<sup>th</sup> percentile over the last 20 years.

*The U3 Unemployment Rate measures the percentage of people without jobs who are actively seeking work. This is often the officially quoted unemployment rate.*

## Temporary Help Employment - YoY Change



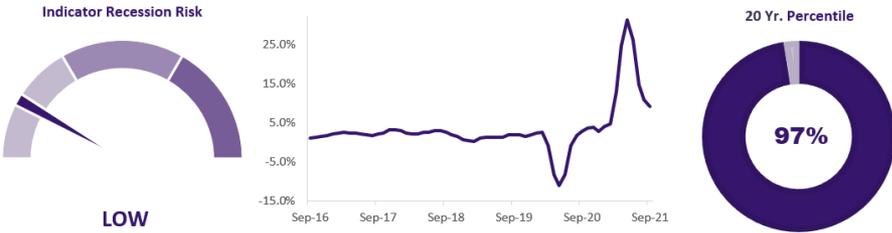
The year-over-year change in temporary help employment eased to 12.1% in September. The large YoY increase in recent months was caused by the base effects from depressed employment levels in 2020. The current reading is in the 92<sup>nd</sup> percentile over the last 20 years.

*Temporary help employment figures are viewed favorably if they are positive and trending higher. Changes in temporary help numbers are often used as a predictor of changes in future employment.*

# U.S. Economic Risk Indicators

## Real Retail Sales (3 Mo. Avg.) - YoY Change

Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
3.5%	3.8%	2.6%	3.9%	4.6%	12.6%	24.5%	31.1%	25.9%	14.6%	10.7%	9.1%

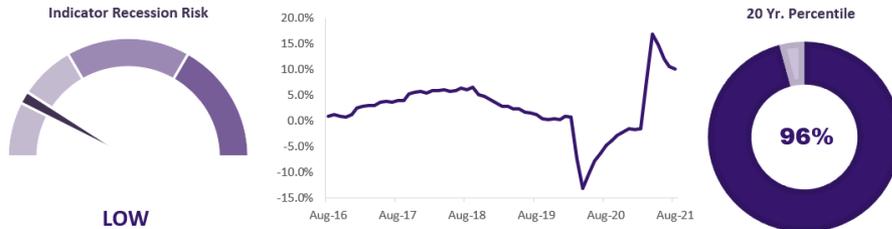


The 3-month average of Real Retail Sales eased to 9.1% YoY through September. Retail sales are well above pre-pandemic levels, but the pace of growth is slowing.

*Real retail sales growth is a measure of the total year-over-year change in retail and food sales adjusted for inflation using the Consumer Price Index. Real retail sales typically decline heading into a recession, and a weaker reading is a concern for the economy.*

## Leading Economic Index (LEI) - YoY Change

Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21
-3.8%	-2.9%	-2.2%	-1.6%	-1.7%	-1.6%	7.8%	16.7%	14.6%	12.0%	10.6%	10.0%



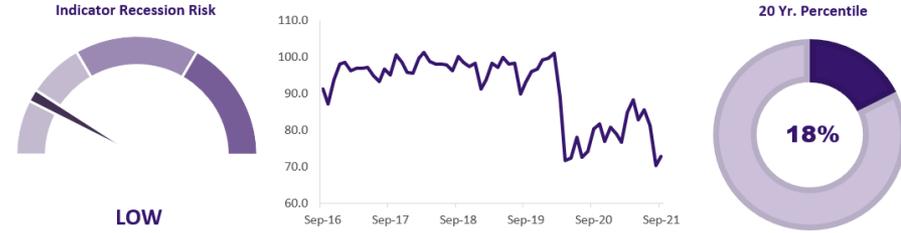
The Leading Economic Index (LEI) eased to 10.0% YoY in August. The LEI is in the 96<sup>th</sup> percentile over the last 20 years, although this indicator's outsized YoY increase is impacted by weak economic activity a year ago. The LEI signals a weakening outlook for the economy when it drops into negative territory. Positively, it remains at an elevated level.

*The Conference Board Leading Economic Index (LEI) is a composite index of several U.S. economic indicators that lead the economy. This indicator historically has declined in recessions and rises back into positive territory in expansions.*

Sources are listed on pages 33-34. Data as of 9/30/2021.

## U. of Michigan Consumer Sentiment

Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
81.8	76.9	80.7	79.0	76.8	84.9	88.3	82.9	85.5	81.2	70.3	72.8

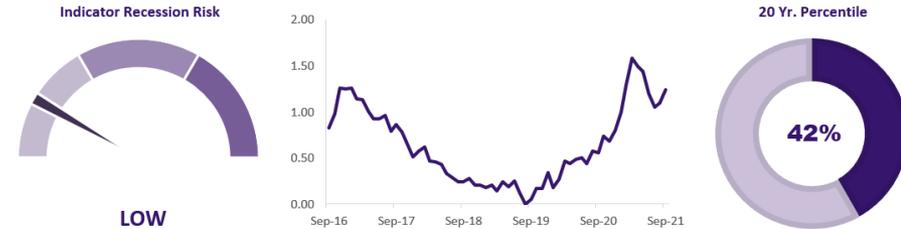


The University of Michigan Consumer Sentiment index rose to 72.8 in September. Consumer confidence has been negatively impacted by inflation concerns in recent months. The current reading is lower than 82% all readings in the last 20 years.

*Strong consumer confidence is a positive signal for future consumer spending, but it is a concern if this indicator is trending lower. The index uses surveys to gather information on consumer expectations regarding the economy.*

## Treasury Yield Curve (10 Yr. Minus 2 Yr.)

Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21
0.74%	0.68%	0.80%	1.00%	1.30%	1.58%	1.49%	1.44%	1.20%	1.05%	1.10%	1.24%



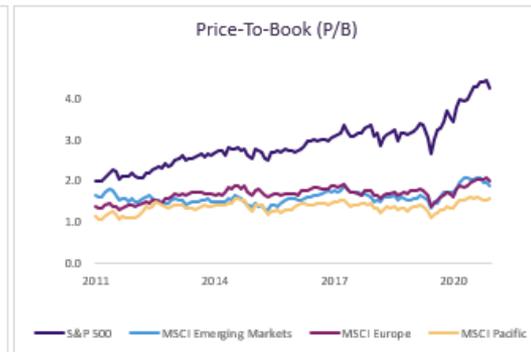
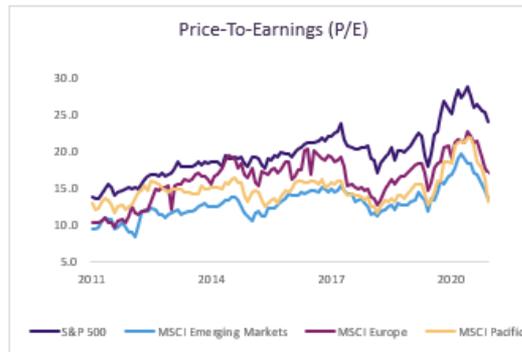
The 2-10 yield curve spread increased slightly to 1.24% at the end of September and is in the 42<sup>nd</sup> percentile over the last 20 years. A rising yield curve signals increased optimism for future economic growth and inflation prospects.

*The difference (spread) between the yields of the 10-Year and 2-Year maturity Treasury bonds is one of the early and reliable predictors of a recession. Under normal conditions the 10-Year/2-Year spread is positive, and as recession nears the spread flattens and turns negative. This indicator will shift to high recession risk when the spread is below zero.*

# Equity Valuation Overview

Price/Earnings (P/E)				
Index	Current	15 Yr. Avg.	St. Dev. From	
			15 Yr. Mean	Percentile (15 Yrs.)
S&P 500	24.1	18.3	1.6	92%
S&P 500 Growth	32.5	21.3	2.0	93%
S&P 500 Value	18.2	15.8	1.0	85%
S&P MidCap 400	18.6	19.2	-0.2	36%
S&P MidCap 400 Growth	24.5	22.3	0.5	73%
S&P MidCap 400 Value	15.3	16.8	-0.7	26%
S&P SmallCap 600	15.4	19.2	-1.4	7%
S&P SmallCap 600 Growth	19.3	21.3	-0.6	23%
S&P SmallCap 600 Value	12.9	17.3	-1.8	4%
MSCI EAFE	15.4	14.8	0.2	58%
MSCI EAFE Growth	24.7	18.9	1.3	91%
MSCI EAFE Value	11.1	12.1	-0.4	31%
MSCI Emerging Markets	13.6	13.1	0.2	59%
MSCI Europe	17.1	14.9	0.6	70%
MSCI Pacific	13.1	15.0	-0.8	17%
MSCI ACWI	19.3	16.2	1.0	88%

Price/Book Value (P/B)				
Index	Current	15 Yr. Avg.	St. Dev. From	
			15 Yr. Mean	Percentile (15 Yrs.)
S&P 500	4.3	2.7	2.6	97%
S&P 500 Growth	9.9	4.5	3.1	98%
S&P 500 Value	2.5	1.9	2.0	97%
S&P MidCap 400	2.6	2.2	1.4	95%
S&P MidCap 400 Growth	4.1	3.2	1.7	95%
S&P MidCap 400 Value	1.9	1.6	1.3	89%
S&P SmallCap 600	2.0	1.9	0.3	60%
S&P SmallCap 600 Growth	3.2	2.7	1.1	89%
S&P SmallCap 600 Value	1.5	1.5	0.1	52%
MSCI EAFE	1.8	1.7	0.3	84%
MSCI EAFE Growth	4.0	2.7	2.1	98%
MSCI EAFE Value	1.2	1.2	-0.2	53%
MSCI Emerging Markets	1.9	1.8	0.2	68%
MSCI Europe	2.0	1.9	0.2	83%
MSCI Pacific	1.6	1.4	0.4	85%
MSCI ACWI	2.8	2.1	1.8	89%



## Commentary

- As measured by Price-to-Earnings, U.S. large cap stocks were 1.6 standard deviations above their 15-year mean at month-end. Large cap growth stocks are 2 st. dev's above their 15-year average and large cap value stocks are 1 st. dev's above. Small cap value stocks are 1.8 st. dev's below their 15-year average.
- Most international equity categories have valuations slightly above their 15-year averages. However, they continue to trade at a valuation discount versus U.S. large cap equities.
- Based on Price-to-Book, U.S. large cap stocks are near their highest valuation levels in the last 15 years. Small cap stocks are slightly above their 15-year average.
- The P/B ratio for International Developed and Emerging Markets (MSCI Emerging Markets) are narrowly above their 15-year average. International value stocks are in-line with their historical average.

The two charts above show equity valuations based on the average Price-to-Earnings (P/E) and Price-to-Book (P/B) ratios for commonly used equity benchmarks. To the left, current valuations are compared to their 15-year average, and we show how far (as measured by standard deviation) the current valuation is from the average. Valuations within 0.5 standard deviations are close to historic norms, a reading around 1.5 indicates high valuation, and figures above 2 are near historic highs. The percentile figure shown next provides a ranking of each index valuation relative to its 15-year history. As an example, if the percentile is 80%, valuation is higher than 80% of all other observations for that index over the past 15-years and lower than 20% of the observations.

# Sector Valuation Overview

Price/Earnings (P/E)				
Index	Current	15 Yr. Avg.	St. Dev. From	
			15 Yr. Mean	Percentile (15 Yrs.)
S&P 500	24.1	18.3	1.6	92%
S&P 500 Consumer Discretionary	30.3	20.6	1.8	92%
S&P 500 Consumer Staples	24.9	19.9	1.5	94%
S&P 500 Energy	39.4	15.5	3.8	100%
S&P 500 Financials	11.2	14.4	-1.2	9%
S&P 500 Health Care	26.4	20.8	1.3	91%
S&P 500 Industrials	24.4	18.4	1.6	92%
S&P 500 Information Technology	31.7	21.2	1.9	93%
S&P 500 Materials	22.3	19.3	0.6	80%
S&P 500 Real Estate*	41.9	N/A	N/A	N/A
S&P 500 Utilities	24.3	17.8	1.7	97%
S&P 500 Communication Services	26.6	20.1	0.7	81%

Price/Book Value (P/B)				
Index	Current	15 Yr. Avg.	St. Dev. From	
			15 Yr. Mean	Percentile (15 Yrs.)
S&P 500	4.3	2.7	2.6	97%
S&P 500 Consumer Discretionary	8.6	4.1	2.4	95%
S&P 500 Consumer Staples	5.8	4.1	2.1	94%
S&P 500 Energy	1.8	1.9	-0.4	31%
S&P 500 Financials	1.6	1.3	1.1	90%
S&P 500 Health Care	5.0	3.5	2.1	99%
S&P 500 Industrials	4.8	3.5	1.6	96%
S&P 500 Information Technology	10.3	4.9	2.7	98%
S&P 500 Materials	3.1	2.9	0.4	69%
S&P 500 Real Estate*	4.0	N/A	N/A	N/A
S&P 500 Utilities	2.2	1.8	1.1	81%
S&P 500 Communication Services	4.5	2.6	2.4	98%

## Commentary

### Cyclical sectors:

- Valuations for consumer discretionary stocks remain above the 15-year average based on P/E (1.8 st. dev's above the 15-year mean) and P/B. Financial stocks are trading at a discount versus their historical P/E ratio (1.2 st. dev's below the 15-year mean) and are slightly above their historical P/B ratio. The Materials sector is trading at a slight premium versus its historical average P/E ratio (0.6 st. dev's above).

### Economically-sensitive sectors:

- Energy stocks are 3.8 st. dev's above their 15-year average and slightly below their 15-year average P/B ratio. The technology sector is trading near its 15-year high based on P/E (1.9 st. dev's above the historical mean) and more than double the historical P/B average. Industrial stocks are well above their 15-year average P/E ratio.

### Defensive sectors:

- The defensive sectors (Consumer Staples, Health Care, and Utilities) continue to trade at a premium versus their historical valuation levels, largely because they generate higher yields in a low interest rate environment.

*These charts show sector valuations based on the average Price-to-Earnings (P/E) and Price-to-Book (P/B) ratios for the sectors within the S&P 500 index. Valuations are compared to 15-year averages, and we show by how many standard deviations the current is from the average. The percentile figure shown next provides a ranking of each index valuation relative to its 15-year history. As an example, if the percentile is 80%, it is greater than 80% of all other observations over the past 15 years and lower than 20% of observations.*

\*S&P 500 Real Estate Index does not have 15 years of historical data

# Fixed Income Overview

Yield					
Index	Yield		St. Dev. From		Percentile (15 Yrs.)
	Current	15 Yr. Avg.	15 Yr. Mean		
BofAML US Treasury Bill 3 Mon.	0.04	0.87	0.6	82%	
BBgBarc Treasury 1-3 Yr.	0.29	1.22	0.8	82%	
BBgBarc US Treasury 7-10 Yr.	1.43	2.42	1.0	85%	
BBgBarc US Treasury US TIPS	1.17	2.43	0.8	86%	
BBgBarc Municipal	1.12	2.72	1.7	96%	
BBgBarc GNMA	1.86	3.17	1.0	89%	
BBgBarc US Corp IG	2.13	3.83	1.2	93%	
BBgBarc US Corporate High Yield	4.04	7.51	1.2	97%	
BBgBarc US Aggregate 1-3 Yr.	0.39	1.70	1.0	92%	
BBgBarc US Agg Bond	1.56	2.84	1.1	91%	
BBgBarc Global Treasury Ex. US	0.73	1.53	0.8	72%	
JPM EMBI Global Diversified USD	5.13	5.98	0.8	82%	

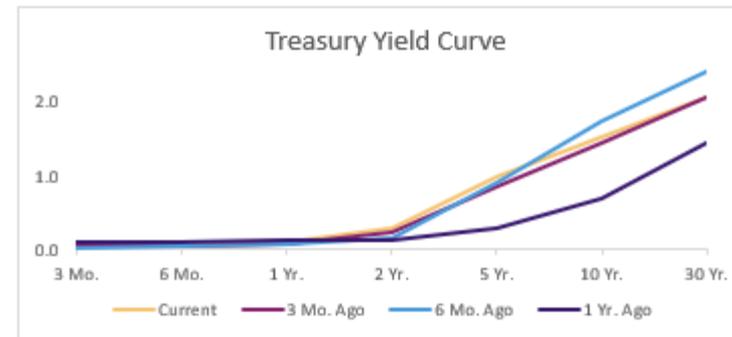
Treasury Spreads					
Index	Treasury Spreads		St. Dev. From		Percentile (15 Yrs.)
	Current	15 Yr. Avg.	15 Yr. Mean		
BBgBarc Municipal	0.11	0.84	0.9	78%	
BBgBarc GNMA	0.85	1.29	0.7	70%	
BBgBarc US Corp IG	1.12	1.95	0.8	91%	
BBgBarc US Corporate High Yield	3.03	5.63	0.9	96%	
BBgBarc US Agg Bond	0.55	0.96	0.9	91%	
BBgBarc Global Treasury Ex. US	-0.28	-0.35	-0.1	56%	
JPM EMBI Global Diversified USD	4.12	4.10	0.0	45%	

## Commentary

- Treasury yields advanced at the end of the third quarter following the Fed's slightly more hawkish outlook during the September FOMC Meeting. While tapering is likely before year-end, a rate hike is unlikely until late 2022 based on the Fed Dot Plot.
- High yield and investment-grade corporate debt have low yields versus historical levels. We don't anticipate a rise in defaults, but corporate debt could be volatile if economic growth is weaker than expected.

The Yield chart above shows current yields for several commonly used fixed income benchmarks, compared to their 15-year average. The Treasury Spreads chart shows spreads of credit-sensitive bond sectors relative to Treasury bonds. We also show by how many standard deviations the current yield is from its average, and how often has it been as high or as low for the past 15 years.

Source: Cetera Investment Management, Morningstar, BofAML, BBgBarc, JPMorgan, Federal Reserve Bank of St. Louis. Data as of 9/30/2021.



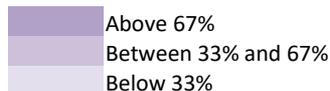
# Appendix

# U.S. Economic Overview

Category	As of	Latest	Previous	1 Yr. Ago	3 Mo. Avg.	12 Mo. Avg.	1 Mo. Diff.	1 Yr. Diff.	Percentile (10 Yrs.)	1 Yr. Trend	5 Yr. Trend	Trend	Latest
<b>Employment</b>													
US Nonfarm Monthly Payrolls ('000)	Sep-21	194	366	716	550	474	-172	-522	41%				194
US Total Nonfarm Payrolls - YoY Change	Sep-21	4.0%	4.4%	-6.3%	4.6%	0.4%	-0.4%	10.3%	96%				4.0%
U3 Unemployment Rate	Sep-21	4.8%	5.2%	7.8%	5.1%	6.0%	-0.4%	-3.0%	66%				4.8%
U6 Unemployment Rate	Sep-21	8.5%	8.8%	12.8%	8.8%	10.5%	-0.3%	-4.3%	74%				8.5%
Quit Rate	Aug-21	2.9%	2.7%	2.1%	2.8%	2.5%	0.2%	0.8%	100%				2.9%
Job Openings: Total Nonfarm ('000)	Aug-21	10,439	11,098	6,451	10,574	8,359	-659	3,988	99%				10,439
Initial Jobless Claims ('000) 4 Wk. MA - Month End	Sep-21	341	356	851	364	606	-16	-511	35%				341
KC Fed LMCI Momentum Indicator	Sep-21	0.6	0.7	1.2	0.7	0.7	0.0	-0.6	53%				0.6
Labor Force Participation Rate	Sep-21	61.6%	61.7%	61.4%	61.7%	61.6%	-0.1%	0.2%	8%				61.6%
Employment to Population Ratio	Sep-21	58.7	58.5	56.6	58.5	57.9	0.2	2.1	30%				58.7
<b>Consumer</b>													
Retail Sales - YoY Change	Sep-21	13.9%	15.4%	5.8%	14.9%	16.9%	-1.5%	8.1%	95%				13.9%
Vehicle Sales (Mil. Units, annualized)	Sep-21	12.2	13.0	16.3	13.3	15.8	-0.8	-4.1	3%				12.2
Personal Savings Rate	Aug-21	9.4%	10.1%	15.0%	9.5%	13.8%	-0.7%	-5.6%	85%				9.4%
<b>Production</b>													
Industrial Production - YoY Change	Aug-21	5.9%	6.6%	-6.6%	7.6%	2.7%	-0.7%	12.6%	97%				5.9%
Capacity Utilization	Aug-21	76.4%	76.2%	72.3%	76.1%	74.4%	0.3%	4.2%	34%				76.4%
Core Capital Goods Orders - YoY Change	Aug-21	13.9%	15.9%	3.4%	16.3%	13.6%	-2.0%	10.5%	94%				13.9%
<b>Housing &amp; Construction</b>													
Building Permits ('000)	Aug-21	1,721	1,630	1,522	1,648	1,697	91	199	96%				1,721
Housing Starts ('000)	Aug-21	1,615	1,554	1,376	1,609	1,575	61	239	97%				1,615
New Home Sales ('000)	Aug-21	740	729	977	718	843	11	-237	90%				740
S&P/Case-Shiller Home Price Index (20 city) - YoY Change	Jul-21	20.0%	19.2%	4.2%	18.8%	12.3%	0.8%	15.7%	100%				20.0%
Total Construction Spending - YoY Change	Aug-21	8.9%	10.0%	2.5%	9.7%	5.4%	-1.2%	6.4%	67%				8.9%
<b>Survey Data</b>													
ISM Manufacturing PMI Composite	Sep-21	61.1	59.9	55.7	60.2	60.4	1.2	5.4	97%				61.1
ISM Manufacturing PMI New Orders	Sep-21	66.7	66.7	60.2	66.1	65.8	0.0	6.5	93%				66.7
ISM Services PMI Composite	Sep-21	61.9	61.7	57.2	62.6	60.2	0.2	4.7	97%				61.9
ISM Services PMI New Orders	Sep-21	63.5	63.2	61.5	63.5	61.3	0.3	2.0	94%				63.5
U. of Michigan Consumer Sentiment	Sep-21	72.8	70.3	80.4	74.8	80.1	2.5	-7.6	7%				72.8
<b>Inflation</b>													
Consumer Price Index (CPI) - YoY Change	Sep-21	5.4%	5.3%	1.4%	5.3%	3.3%	0.1%	4.0%	99%				5.4%
Personal Consumption Expenditure (PCE) - YoY Change	Aug-21	4.3%	4.2%	1.3%	4.1%	2.5%	0.1%	3.0%	100%				4.3%
Producer Price Index (PPI) - YoY Change	Sep-21	8.6%	8.3%	0.3%	8.2%	4.7%	0.3%	8.3%	100%				8.6%
Average Hourly Earnings - YoY Change	Sep-21	4.6%	4.0%	4.8%	4.2%	4.0%	0.5%	-0.2%	92%				4.6%
<b>GDP</b>													
Real GDP - QoQ (SAAR)	Q2-21	6.7%	6.3%	-31.2%	6.5%	12.8%	0.4%	38.0%	97%				6.7%
Real GDP - YoY Change	Q2-21	12.2%	0.5%	-9.1%	6.4%	1.9%	11.7%	21.3%	100%				12.2%
<b>Other</b>													
Treasury Yield Curve (10 Yr. Minus 2 Yr.) - Month End	Sep-21	1.24%	1.10%	0.56%	1.13%	1.14%	0.14%	0.68%	53%				1.24%
Leading Economic Index (LEI) - YoY Change	Aug-21	10.0%	10.6%	-4.7%	10.8%	4.8%	-0.6%	14.7%	97%				10.0%

# Percent of Active Managers Beating Category Benchmark

Category	Performance						Standard Deviation	
	3 Mo.	YTD	1 Yr.	3 Yr.	2020	2019	1 Yr.	3 Yr.
Domestic Large Cap Core	42%	56%	37%	19%	17%	27%	43%	39%
Domestic Large Growth	22%	37%	43%	24%	35%	20%	38%	40%
Domestic Large Cap Value	46%	50%	48%	41%	52%	39%	56%	51%
Domestic Mid Cap Core	37%	52%	58%	14%	23%	22%	36%	44%
Domestic Mid Cap Growth	61%	54%	57%	39%	41%	32%	49%	46%
Domestic Mid Cap Value	37%	59%	68%	37%	41%	42%	31%	39%
Domestic Small Cap Core	84%	84%	61%	34%	16%	40%	84%	52%
Domestic Small Cap Growth	91%	86%	72%	80%	59%	46%	83%	65%
Domestic Small Cap Value	76%	55%	42%	38%	38%	46%	61%	41%
Foreign Large Core	75%	70%	60%	45%	45%	59%	34%	33%
Foreign Large Growth	81%	77%	77%	63%	53%	69%	14%	25%
Foreign Large Value	56%	48%	38%	78%	76%	77%	45%	53%
Global Equity	54%	45%	41%	35%	26%	43%	46%	48%
Emerging Markets	55%	58%	59%	60%	47%	67%	53%	25%
Intermediate Core Bond	41%	65%	70%	51%	58%	38%	32%	25%
World Bond	85%	96%	98%	74%	20%	73%	88%	53%
Municipal - Short Term	3%	22%	47%	29%	32%	37%	38%	51%
Municipal - Intermediate	14%	72%	69%	13%	8%	14%	75%	52%
Municipal - Long Term	33%	66%	55%	12%	17%	14%	79%	48%
Municipal - High Yield	37%	100%	100%	77%	21%	89%	6%	4%
High Yield Bond	18%	42%	37%	27%	33%	33%	55%	55%
Bank Loan	15%	31%	31%	15%	17%	26%	50%	65%
Short Govt/Corp	67%	78%	83%	32%	29%	42%	45%	15%
Emerging Markets Bond	39%	59%	86%	45%	44%	35%	32%	22%
TIPS	29%	50%	60%	28%	34%	28%	72%	47%
Multisector Bond	73%	98%	98%	52%	30%	64%	47%	3%
Real Estate	52%	33%	30%	75%	80%	82%	70%	77%
Global Real Estate	24%	8%	16%	50%	73%	48%	55%	81%
Natural Resources	33%	48%	70%	60%	74%	62%	19%	40%
Equity Long/Short	24%	15%	10%	7%	23%	7%	75%	88%
Market Neutral	62%	85%	69%	31%	31%	31%	0%	0%
Managed Futures	29%	22%	17%	55%	65%	91%	74%	45%
Multialternative	56%	33%	12%	5%	6%	5%	90%	88%



## Commentary

- In recent months, there has been solid outperformance for active managers in Mid Cap Growth, Small Cap Core, Small Cap Growth, Small Cap Value, Foreign Large Core, Foreign Large Growth, World Bond, Short Govt/Corp, Multisector Bond, and Market Neutral.
- Asset classes where managers struggled to outperform in the last three months include Large Cap Growth, Mid Cap Core, Mid Cap Value, Municipal - Intermediate, High Yield Bond, Bank Loan, TIPS, Global Real Estate, Equity Long/Short, and Managed Futures.

*This chart shows the percentage of active managers beating their category benchmark in each of the Morningstar categories listed. We also show the percentage of active managers that have lower risk, or standard deviation, relative to their Morningstar category benchmark.*

*A darker background color indicates that actively managed funds are outperforming, with over 67% of non-index funds beating the category benchmark. The lightest color indicates that active management is lagging, with 33% or lower of active managers beating the category benchmark. The middle shade indicates results close to average. For risk, as measured by standard deviation, a darker color indicates risk lower than 67% of the peer group average risk, and the lightest color indicates risk higher than 33% of the peer group benchmark risk.*

# Asset Class Historical Return Heat Map

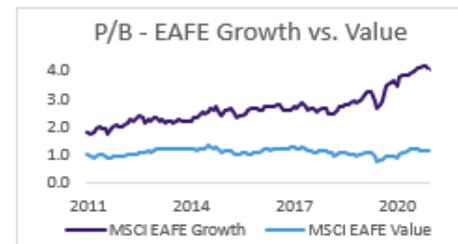
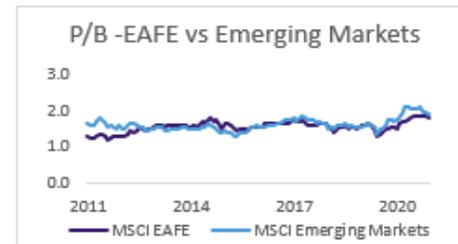
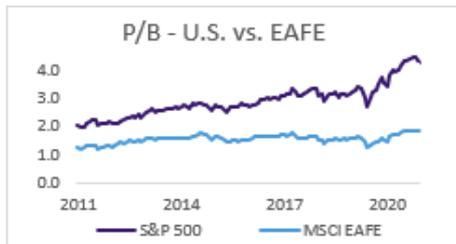
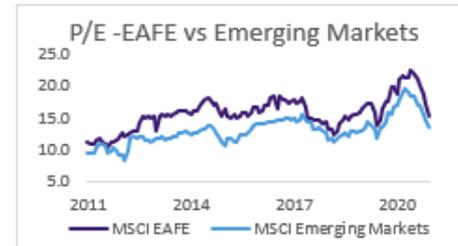
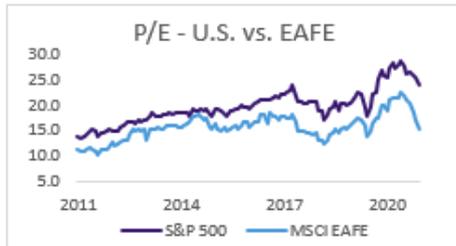
Asset Class	YTD	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
US Large Cap	15.92	18.40	31.49	-4.38	21.83	11.96	1.38	13.69	32.39	16.00	2.11
US Large Cap Growth	16.44	33.47	31.13	-0.01	27.44	6.89	5.52	14.89	32.75	14.61	4.65
US Large Cap Value	15.31	1.36	31.93	-8.95	15.36	17.40	-3.13	12.36	31.99	17.68	-0.48
US Mid Cap	15.52	13.66	26.20	-11.08	16.24	20.74	-2.18	9.77	33.50	17.88	-1.73
US Small Cap	20.05	11.29	22.78	-8.48	13.23	26.56	-1.97	5.76	41.31	16.33	1.02
International Developed	8.79	8.28	22.66	-13.36	25.62	1.51	-0.39	-4.48	23.29	17.90	-11.73
Emerging Market Equities	-0.99	18.69	18.90	-14.25	37.75	11.60	-14.60	-1.82	-2.27	18.63	-18.17
REITs	24.48	-11.20	23.10	-4.22	3.76	6.68	4.48	32.00	1.22	17.12	9.37
Commodities	29.13	-3.12	7.69	-11.25	1.70	11.77	-24.66	-17.01	-9.52	-1.06	-13.32
Gold	-7.92	20.95	18.03	-2.81	12.79	7.75	-10.88	-1.75	-28.65	6.08	9.63
Intermediate-Term Treasurys	-3.40	9.98	8.50	0.90	2.55	1.05	1.63	9.00	-6.04	4.16	15.59
Long-Term Treasurys	-7.63	18.10	15.11	-2.00	8.98	1.43	-1.59	27.48	-13.88	3.36	33.84
TIPS	3.51	10.99	8.43	-1.26	3.01	4.68	-1.44	3.64	-8.61	6.98	13.56
Mortgage-Backed Securities	-1.00	3.68	5.85	1.02	1.86	1.56	1.39	5.97	-2.12	2.42	7.90
Corporate IG Bonds	-1.27	9.89	14.54	-2.51	6.42	6.11	-0.68	7.46	-1.53	9.82	8.15
High Yield Corporate Bonds	4.53	7.11	14.32	-2.08	7.50	17.13	-4.47	2.45	7.44	15.81	4.98
Emerging Market Debt	-1.53	5.88	14.42	-4.61	9.32	10.19	1.23	5.53	-6.58	18.54	8.46
US Aggregate Bonds	-1.55	7.51	8.72	0.01	3.54	2.65	0.55	5.97	-2.02	4.21	7.84
60-40 Allocation	8.93	14.04	22.38	-2.63	14.52	8.23	1.05	10.60	18.62	11.29	4.40

For each time frame, the heat map colors range from green (stronger relative performance) to red (weaker relative performance). There is a box around the return of the best performing asset class in each time period.

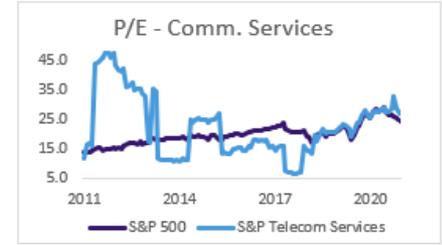
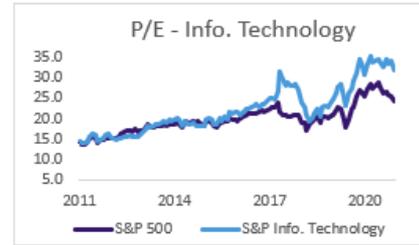
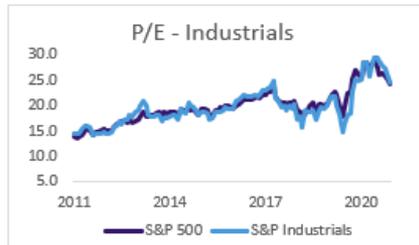
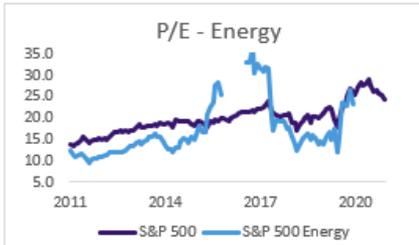
# S&P 500 Historical Returns

	January	February	March	April	May	June	July	August	September	October	November	December	Annual	
<b>YTD</b>	-1.01	2.76	4.38	5.34	0.70	2.33	2.38	3.04	-4.65				15.92	<b>YTD</b>
<b>2020</b>	-0.04	-8.23	-12.35	12.82	4.76	1.99	5.64	7.19	-3.80	-2.66	10.95	3.84	18.40	<b>2020</b>
<b>2019</b>	8.01	3.21	1.94	4.05	-6.35	7.05	1.44	-1.58	1.87	2.17	3.63	3.02	31.49	<b>2019</b>
<b>2018</b>	5.72	-3.69	-2.54	0.38	2.41	0.62	3.72	3.26	0.57	-6.84	2.04	-9.03	-4.38	<b>2018</b>
<b>2017</b>	1.90	3.97	0.12	1.03	1.41	0.62	2.06	0.31	2.06	2.33	3.07	1.11	21.83	<b>2017</b>
<b>2016</b>	-4.96	-0.13	6.78	0.39	1.80	0.26	3.69	0.14	0.02	-1.82	3.70	1.98	11.96	<b>2016</b>
<b>2015</b>	-3.00	5.75	-1.58	0.96	1.29	-1.94	2.10	-6.03	-2.47	8.44	0.30	-1.58	1.38	<b>2015</b>
<b>2014</b>	-3.46	4.57	0.84	0.74	2.35	2.07	-1.38	4.00	-1.40	2.44	2.69	-0.25	13.69	<b>2014</b>
<b>2013</b>	5.18	1.36	3.75	1.93	2.34	-1.34	5.09	-2.90	3.14	4.60	3.05	2.53	32.39	<b>2013</b>
<b>2012</b>	4.48	4.32	3.29	-0.63	-6.01	4.12	1.39	2.25	2.58	-1.85	0.58	0.91	16.00	<b>2012</b>
<b>2011</b>	2.37	3.43	0.04	2.96	-1.13	-1.67	-2.03	-5.43	-7.03	10.93	-0.22	1.02	2.11	<b>2011</b>
<b>2010</b>	-3.60	3.10	6.03	1.58	-7.99	-5.23	7.01	-4.51	8.92	3.80	0.01	6.68	15.06	<b>2010</b>
<b>2009</b>	-8.43	-10.65	8.76	9.57	5.59	0.20	7.56	3.61	3.73	-1.86	6.00	1.93	26.46	<b>2009</b>
<b>2008</b>	-6.00	-3.25	-0.43	4.87	1.30	-8.43	-0.84	1.45	-8.91	-16.79	-7.18	1.06	-37.00	<b>2008</b>
<b>2007</b>	1.51	-1.96	1.12	4.43	3.49	-1.66	-3.10	1.50	3.74	1.59	-4.18	-0.69	5.49	<b>2007</b>
<b>2006</b>	2.65	0.27	1.24	1.34	-2.88	0.14	0.62	2.38	2.58	3.26	1.90	1.40	15.79	<b>2006</b>
<b>2005</b>	-2.44	2.10	-1.77	-1.90	3.18	0.14	3.72	-0.91	0.81	-1.67	3.78	0.03	4.91	<b>2005</b>
<b>2004</b>	1.84	1.39	-1.51	-1.57	1.37	1.94	-3.31	0.40	1.08	1.53	4.05	3.40	10.88	<b>2004</b>
<b>2003</b>	-2.62	-1.50	0.97	8.24	5.27	1.28	1.76	1.95	-1.06	5.66	0.88	5.24	28.68	<b>2003</b>
<b>2002</b>	-1.46	-1.93	3.76	-6.06	-0.74	-7.12	-7.80	0.66	-10.87	8.80	5.89	-5.87	-22.10	<b>2002</b>
<b>2001</b>	3.55	-9.12	-6.34	7.77	0.67	-2.43	-0.98	-6.26	-8.08	1.91	7.67	0.88	-11.89	<b>2001</b>
<b>10 Yr. Avg.</b>	1.28	1.39	0.46	2.70	0.47	1.58	2.61	0.97	-0.21	1.77	2.98	0.36	15.87	
<b>25 Yr. Avg.</b>	0.27	-0.05	1.25	2.64	0.51	0.38	1.24	-0.39	-0.53	1.50	2.44	1.18	10.84	
<b>40 Yr. Avg.</b>	1.20	0.50	1.22	2.19	1.13	0.50	1.08	0.63	-0.48	1.20	1.94	1.63	13.31	
<b>% Positive (10 Yrs.)</b>	50%	70%	70%	90%	80%	80%	90%	70%	60%	60%	90%	70%	90%	
<b>% Positive (25 Yrs.)</b>	52%	56%	68%	80%	64%	68%	60%	60%	56%	64%	84%	76%	80%	
<b>% Positive (40 Yrs.)</b>	60%	63%	70%	75%	70%	65%	53%	65%	53%	65%	75%	78%	85%	

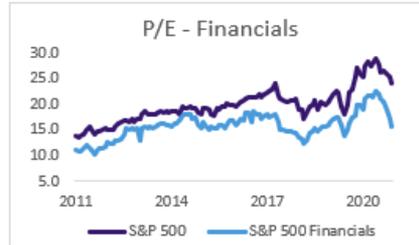
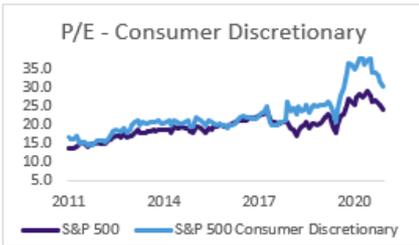
# Equity Valuation Charts



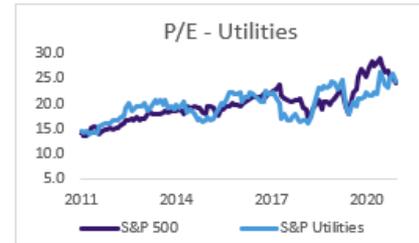
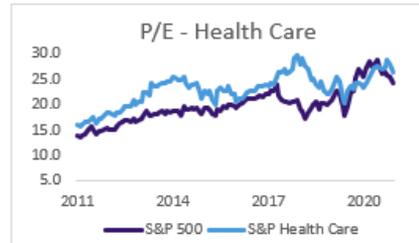
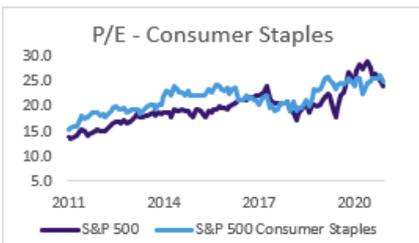
## Economically Sensitive Sectors



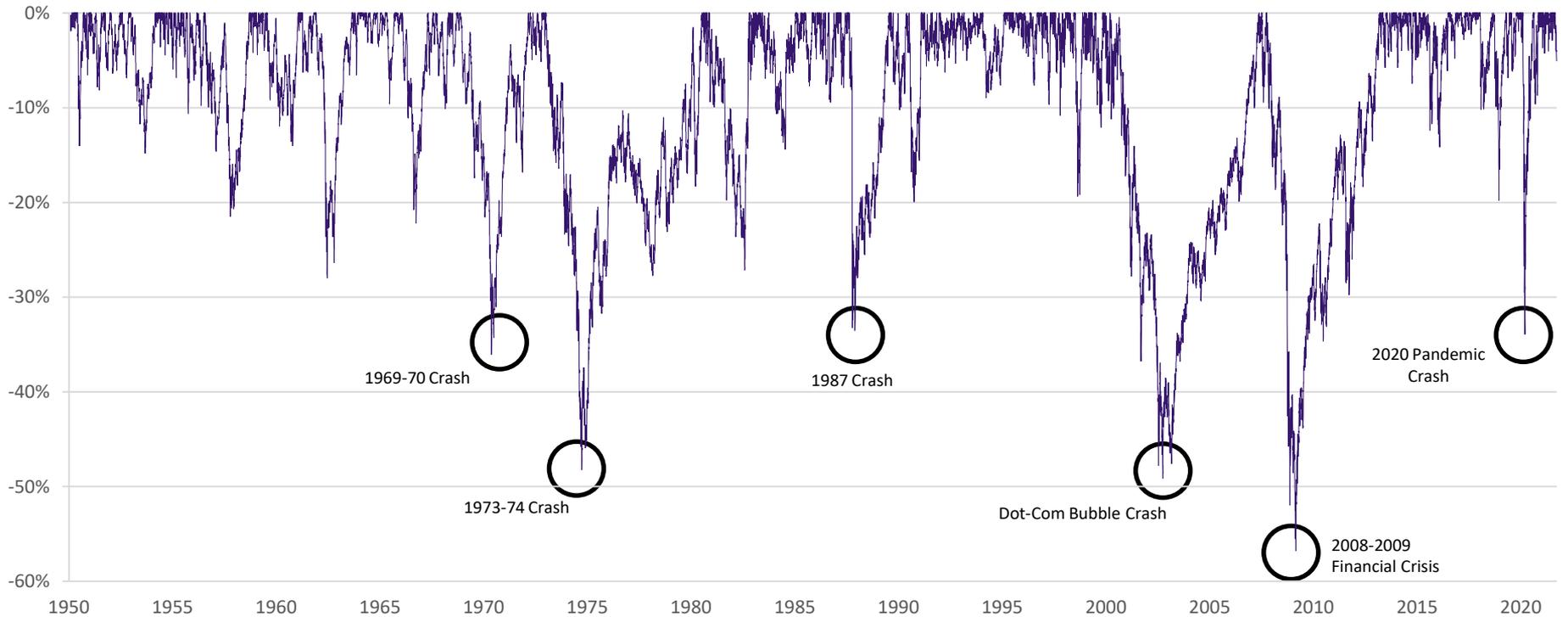
## Cyclical Sectors



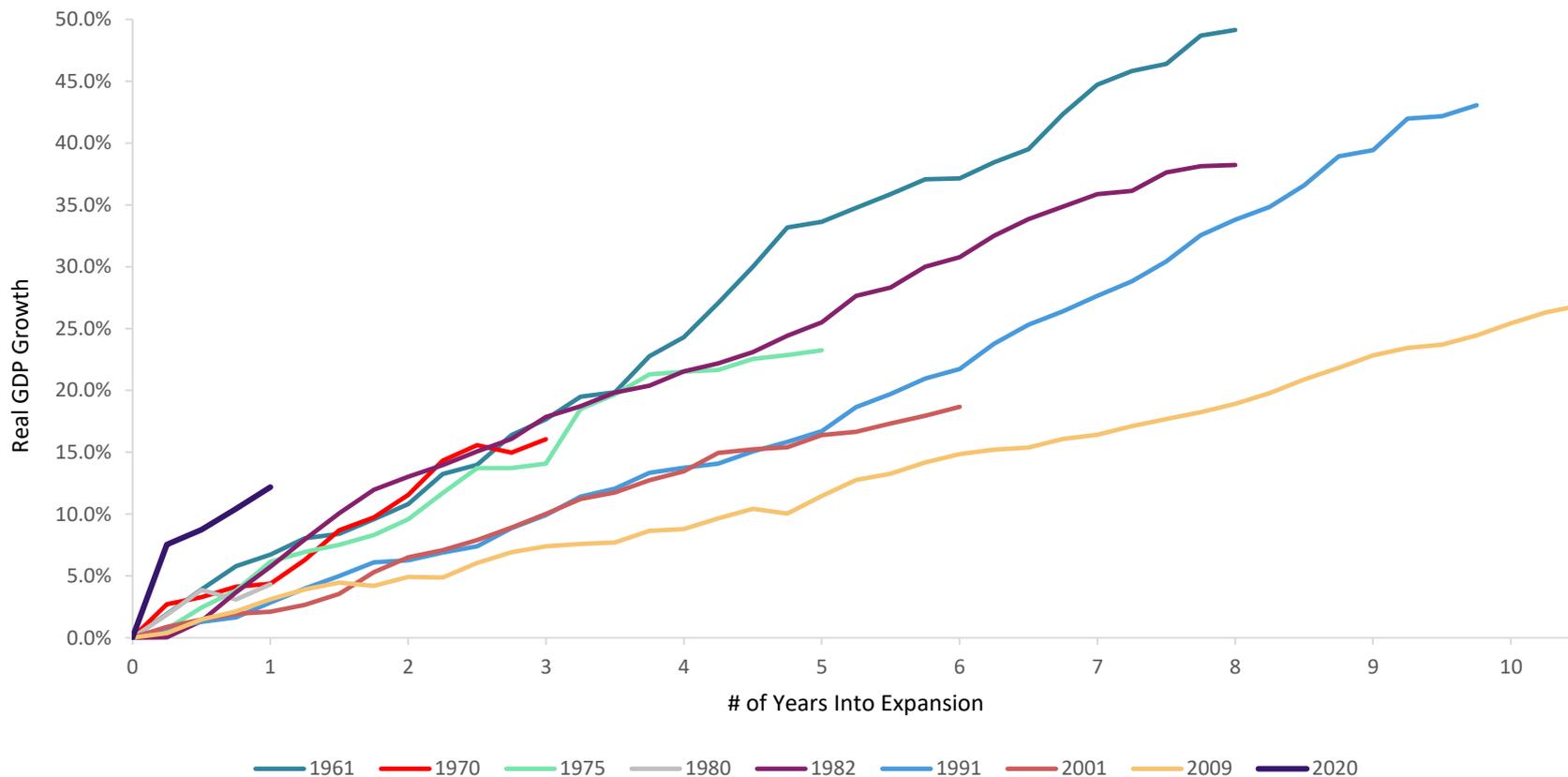
## Defensive Sectors



# S&P 500 Drawdowns (1950-2021)

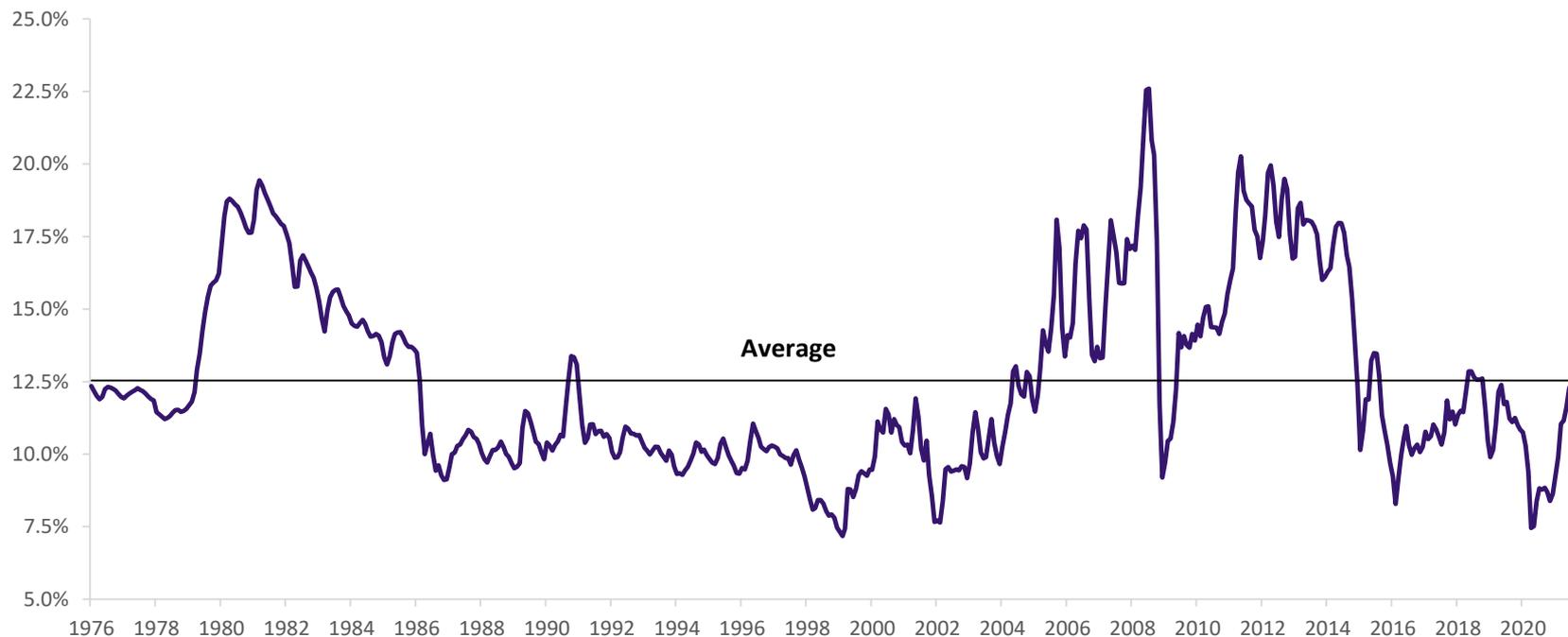


# Economic Expansions Since 1960



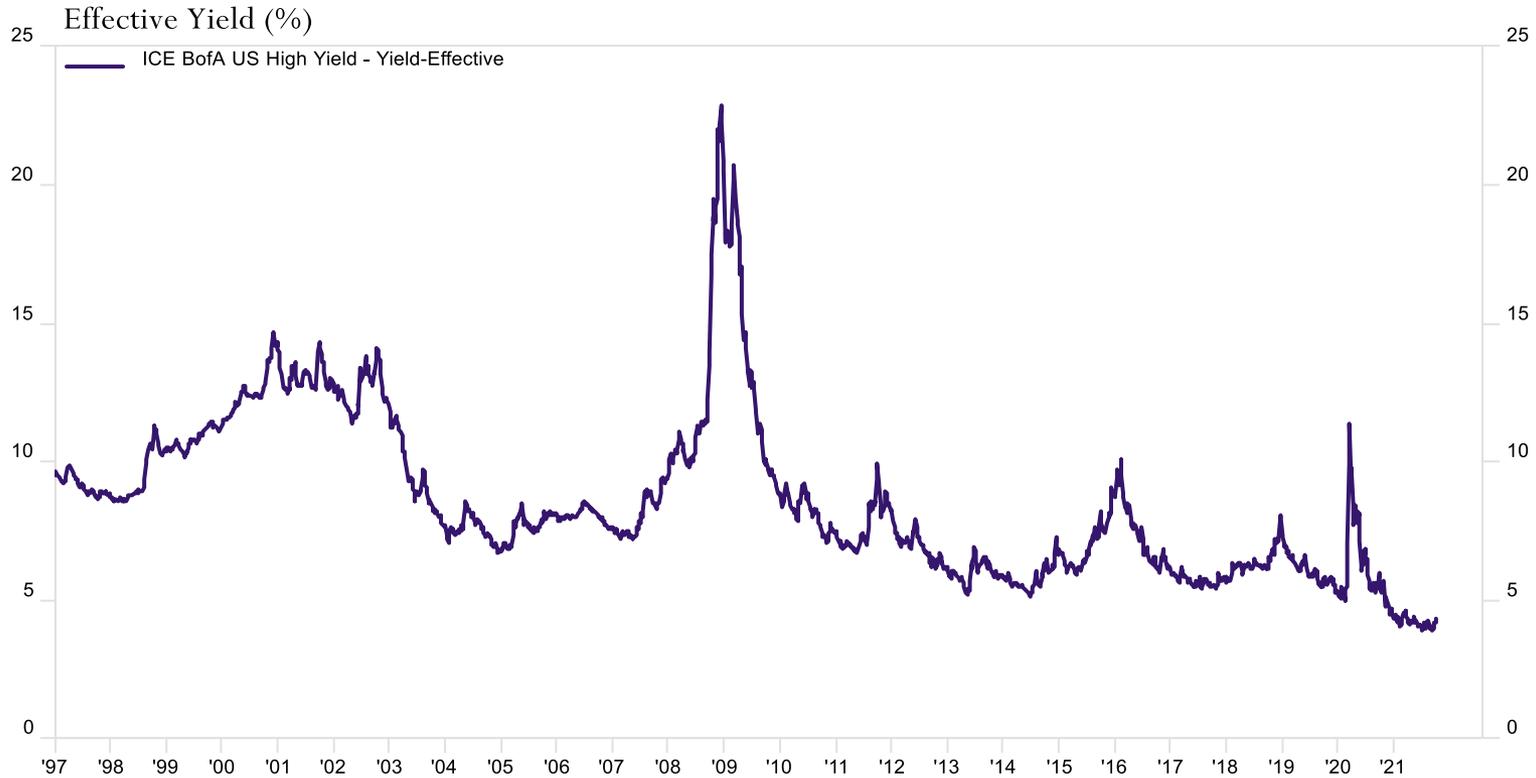
The post-pandemic economic expansion officially started in May 2020. Following an extremely deep, but short recession, our current expansion has the highest pace of economic growth through the first year of any U.S. recovery since 1960. While the pace of growth is unlikely to be sustained, the current path of the economy is in sharp contrast to the recovery following the great financial crisis. Lasting more than a decade, the last expansion was the longest in U.S. history, but the pace of growth was tepid.

## Unleaded Gas Price (per Gallon) as a % of Avg. Hourly Wages



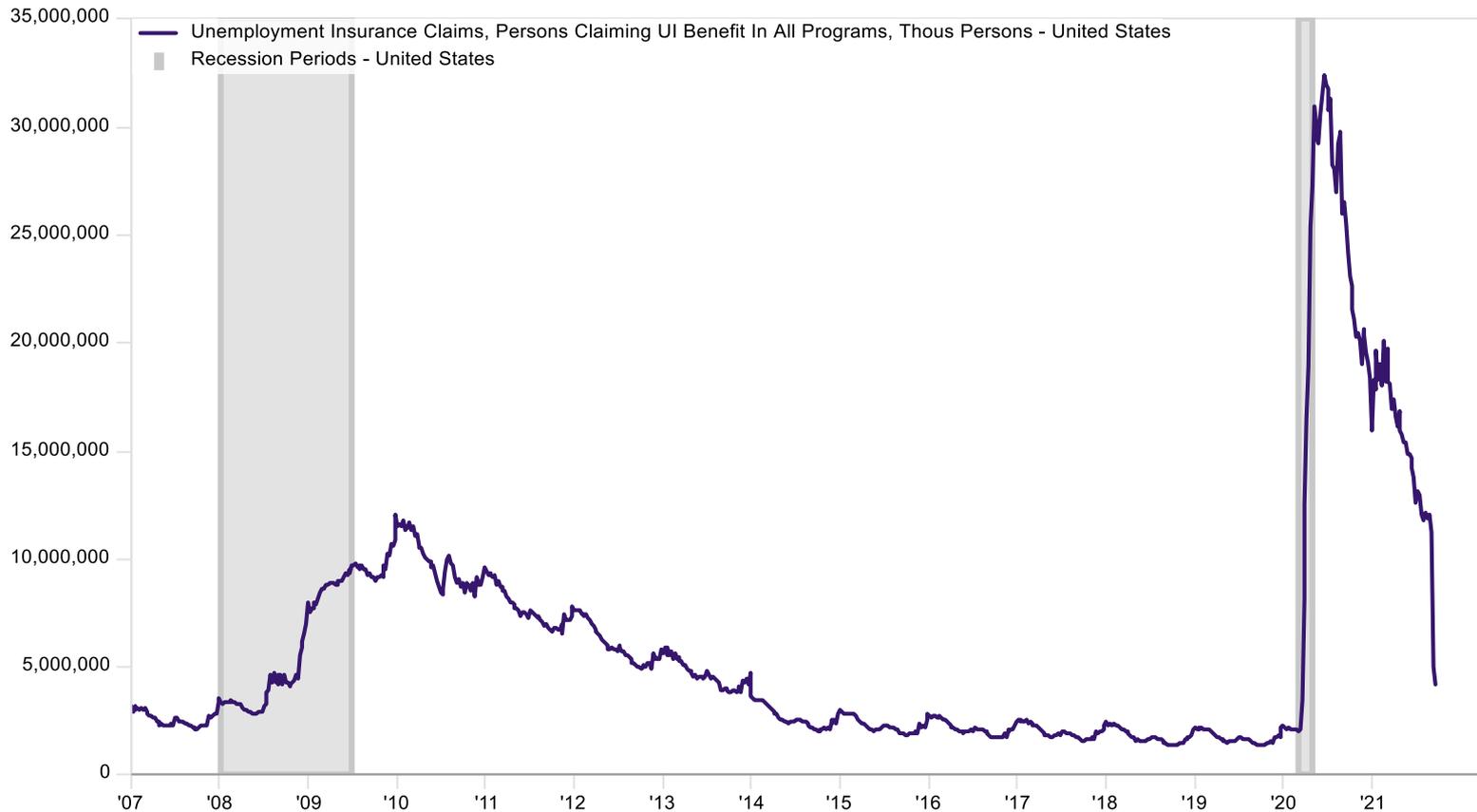
Gas prices are at a seven-year high but remain inline with the historical average when compared to wages. Since 1976, one gallon of gas has averaged 12.5% of the average hourly wage. Despite a 74% increase from the pandemic low in gas prices (April 2020), a gallon of gas is now 12.5% of the average hourly wage, matching the historical average.

## ICE BofA U.S. High Yield Index



Falling bond yields are impacting all categories within fixed income. The effective yield for high yield and investment grade corporate debt are both hovering near all-time lows. Default risk is low at this stage of the expansion, but corporate debt is still susceptible to volatility within markets, particularly within high yield bonds.

# Continuing Unemployment Claims Fall



The total number of continuing unemployment claims from all government programs was above 12 million for the week ending August 28, before falling by more than 8 million the week ending September 25. The rapid decline was the result of extended Federal unemployment benefits expiring. Total continuing claims reached a pandemic peak of 32.4 million in June 2020.

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The **Recession Riskometer** is the average reading of ten economic indicators – Unemployment, ISM Manufacturing and Non-Manufacturing Indexes, Industrial Production Growth, Building Permits Growth, Temporary Staffing Employment Growth, Real Retail Sales Growth, Consumer Confidence as measured by the University of Michigan, Philadelphia Federal Reserve's Leading Indicator for the U.S. Index, as well as the difference between 10- and 2-year Treasury rates.

The Economic Trend Signal measures the average of whether each of the ten indicators in the **Recession Riskometer** are improving, neutral or declining in their most recent reading as compared to historical data.

The U3 Unemployment Rate measures the percentage of people without jobs who are actively seeking work. This is often the officially quoted unemployment rate. The U6 Unemployment Rate expands the definition of U3 by including "discouraged workers", or those who have stopped looking for work because current economic conditions make them believe that no work is available for them, other "marginally attached workers", or those who would like and are able to work, but have not looked for work recently, as well as part-time workers who want to work full-time, but cannot due to economic reasons.

The ISM Manufacturing Index is based on surveys of over 400 manufacturing firms across 20 industries by the Institute of Supply Management. Equal weight is given to responses in five areas - new orders, production, supplier deliveries, employment and inventories. Generally, a reading over 50 indicates expansion, and a reading in the low 40's suggests recessionary conditions. Changes in the index are also helpful in gauging the direction of economic growth.

The ISM Services Index is based on surveys of over 350 non-manufacturing firms in 17 industries representing over 80% of the U.S. economy by the Institute of Supply Management. The survey shows the percentage of managers reporting higher activity, lower activity or no change in the following areas: business activity, new orders, employment, supplier deliveries, backlog of orders, new export orders, inventory change, inventory sentiment, imports, and prices.

Industrial Production and Capacity Utilization is measured monthly by the United States Federal Reserve, based on hours worked by industrial-sector employees. The report shows total amount of US industrial production as a percentage compared to a baseline year. It also offers percentage changes from month to month and year to year, and a breakdown of production by industry grouping.

Building Permits are a measure of the issuance of permits to build new housing units (single and multi-family units). Building Permits Growth is a measure of the total year-over-year percentage change of the 3-month average of building permits. This indicator leads housing construction and provides a signal for potential weakness in the housing sector when it is declining.

# Definitions (cont.)

The US Bureau of Labor Statistics surveys the temporary staffing industry is surveyed in its Professional and Business Services. They produce a report on Temporary Help Employment - changes in this figure are often used as a predictor of changes in future employment. Changes in Temporary Help Employment is a coincident economic indicator.

Real Retail Sales Growth is a measure of the total year-over-year change in retail and food sales adjusted for inflation using the Consumer Price Index. Real Retail Sales figures provided are the year-over-year change of the 3-month average. By neutralizing the impact of inflation, the year-over-year change in retail and food sales provides a better view into consumer spending strength because growth in this figure indicates stronger demand without the impact of rising prices. Real Retail and Food Sales typically decline heading into recession, and a weaker read is a concern for the economy.

The University of Michigan Consumer Sentiment Index is survey of consumer confidence conducted via telephone surveys to gather information on consumer expectations regarding the overall economy.

The Leading Economic Index (LEI) is a composite index of several U.S. economic indicators that lead the economy including building permits, manufacturers' new orders, and consumer expectations. This index is often used as a proxy to gauge where the economy is heading over the next several months because it measures the strength of leading indicators. The Leading Economic Index historically has declined ahead of recessions and trends higher during expansions.

The difference (spread) between the yields of the 10-Year and 2-Year maturity Treasury bonds. Often referred to as the 10-Year/2-Year spread, this metric is one of the early and reliable predictors of recession. Under normal conditions the 10-Year/2-Year spread is positive, as investors demand higher risk premium for longer -term bonds. Spreads are usually wider early in an economic recovery and narrow as growth sets in. As recession becomes more likely, spreads tend to move toward zero or turn negative - this occurs because in periods when economic growth slows inflation decreases and demand for credit declines, pushing long term rates lower.

A Price/Earnings (P/E) ratio is a measure for equity analysis. It is calculated by dividing the current market price of a stock by its earning per share.

A Price/Book (P/B) ratio is a measure for equity analysis. It is calculated by dividing the current market price of a stock by the most recent book value per share.

The yield curve is a graphical representation of several yields or interest rates across different bond maturities. Typical maturities include 3-month, 6-month, 1-year, 2-year, 5-year, 10-year and 30-year.

The High-Yield - US Treasury spread is the percentage difference in current yields of various classes of high-yield bonds compared against U.S. Treasury bonds.

# Definitions (cont.)

Percentile is a method of ranking a metric versus its history by measuring the percentage of group observations equal to or lower than it. As an example, if a metric scores in the 80<sup>th</sup> percentile, it is greater than 80% of all other group observations over the stated time period and lower than 20% of the group observations.

Standard deviation is a statistical method used to gauge asset risk based on measuring the dispersion in returns relative to the average over a specified period of time.

The Global Industry Classification Standard (GICS) is a classification system for equities, it is used by various equity indexes to classify domestic and international stocks and breaks equities down to 11 sectors, which Morningstar breaks down into three groups as described below. Stocks in Energy, Industrials, Information Technology and Telecommunication Services are classified as Sensitive. Consumer Discretionary, Financials and Materials are defined as Cyclical, and Consumer Staples, Health Care and Utilities are classified as Defensive.

**Sensitive** - The sensitive super sector includes industries which ebb and flow with the overall economy, but not severely so. Sensitive industries fall between the defensive and cyclical industries as they are not immune to a poor economy but they also may not be as severely impacted by a poor economy as industries in the cyclical super sector. In general, the stocks in these industries move closely to the direction of the economy.

**Cyclical** - The cyclical super sector includes industries significantly impacted by economic shifts. When the economy is prosperous these industries tend to expand and when the economy is in a downturn these industries tend to shrink. In general, the stocks in these industries expand faster when the economy is growing and also contract faster in a recession.

**Defensive** - The defensive super sector includes industries that are relatively immune to economic cycles. These industries provide services that consumers require in both good and bad times, such as healthcare and utilities. In general, the stocks in these industries are not very sensitive to the direction of the economy.

A drawdown is a measure of the decline from a peak point for an investment or an index. It is typically quoted for a specified period of time, and measured as the percentage between the peak and the subsequent trough in value. The duration of a drawdown indicates the time elapsed before the investment returns to the starting peak value.

A simple moving average of an investment or an index calculates its average price for a set period to the most recent price. The moving average is updated each successive period by deleting the price from the earliest date and adding the newly available most recent price. The result is a trend line for price movements, which may be an indicator of market sentiment. Generally, if the moving average is trending higher and the investment or index price rises above the moving average, sentiment is considered to be bullish, as prices are likely to continue higher, and it may be a good time to buy. If the moving average trend slopes downward, and the investment price is below the moving average, this may be a bearish, or sell signal, as prices may continue to move down.

# Index Definitions

The S&P 500 is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.

The S&P Growth Index is a float adjusted, market capitalization weighted index of 317 stocks drawn from the S&P 500 Index that exhibit strong growth characteristics. S&P Dow Jones Indexes uses three factors to measure growth: sales growth, the ratio of earnings change to price, and momentum.

The S&P Value Index is a float adjusted, market capitalization weighted index of 364 stocks drawn from the S&P 500 Index that exhibit strong value characteristics. S&P Dow Jones Indexes uses three factors to measure value: the ratios of book value, earnings and the sales to price sales metric.

The S&P MidCap 400 provides investors with a benchmark for mid-sized companies. The index, which is distinct from the large-cap S&P 500®, measures the performance of 400 mid-sized companies, representing more than 7% of available market cap.

The S&P MidCap 400 Growth Index represents the growth companies of the S&P MidCap 400 Index which itself is composed of mid-cap stocks from the broad U.S. equity market. Growth companies are identified by three factors: book value to price ratio, earnings to price ratio, and sales to price ratio.

The S&P MidCap 400 Value Index represents the value companies of the S&P MidCap 400 Index which itself is composed of mid-cap stocks from the broad U.S. equity market. Value companies are identified by three factors: book value to price ratio, earnings to price ratio, and sales to price ratio.

The S&P SmallCap 600 measures the small-cap segment of the U.S. equity market. Introduced in 1994, the index is designed to track the performance of 600 small-size companies in the U.S, reflecting this market segment's distinctive risk and return characteristics. The index measures a segment of the market that is typically known for less liquidity and potentially less financial stability than large-caps, the index was constructed to be an efficient benchmark composed of small-cap companies that meet investability and financial viability criteria.

# Index Definitions (cont.)

The S&P SmallCap 600 Growth Index represents the growth companies of the S&P S&P SmallCap 600 Index which itself is composed of small cap stocks from the broad U.S. equity market. Growth companies are identified by three factors: book value to price ratio, earnings to price ratio, and sales to price ratio.

The S&P SmallCap 600 Value Index represents the value companies of the S&P SmallCap 600 Index which itself is composed of small-cap stocks from the broad U.S. equity market. Value companies are identified by three factors: book value to price ratio, earnings to price ratio, and sales to price ratio.

The MSCI EAFE is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted.

The MSCI EAFE Growth index represents large and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada.

The MSCI EAFE Value index represents large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada.

The MSCI Emerging Markets is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.

The MSCI Europe Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The MSCI Pacific Index captures large and mid-cap representation across five Developed Markets (DM) countries in the Pacific region. With 470 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

# Index Definitions (cont.)

The MSCI ACWI is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 46 country indexes comprising 23 developed and 23 emerging market country indexes. The developed market country indexes included are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the United States. The emerging market country indexes included are: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.

The S&P 500® Consumer Discretionary Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Consumer Discretionary sector.

The S&P 500® Consumer Staples Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Consumer Staples sector.

The S&P 500® Energy Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Energy sector.

The S&P 500® Financials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Financials sector.

The S&P 500® Health Care Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Health Care sector.

The S&P 500® Industrials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Industrials sector.

The S&P 500® Information Technology Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Information Technology sector.

# Index Definitions (cont.)

The S&P 500® Materials Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Materials sector.

The S&P 500® Real Estate Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Real Estate sector.

The S&P 500® Telecommunication Services Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Telecommunication Services sector.

The S&P 500® Utilities Index comprises those companies included in the S&P 500 that are classified as members of the GICS® Utilities sector.

The Bank of America Merrill Lynch U.S. Treasury Bill 3 Month index measures the performance of a single issue of outstanding treasury bill which matures closest to, but not beyond, three months from the rebalancing date. The issue is purchased at the beginning of the month and held for a full month; at the end of the month that issue is sold and rolled into a newly selected issue.

The Bloomberg U.S. Treasury: 1-3 Year Index measures the performance of U.S. Treasury securities with remaining maturities of one to three years.

The Bloomberg U.S. Treasury: 7-10 Year Index measures the performance of U.S. Treasury securities that have a remaining maturity of at least seven years and less than 10 years.

The Bloomberg U.S. Treasury: U.S. TIPS Index includes all publicly issued, U.S. Treasury inflation-protected securities that have at least one year remaining to maturity, are rated investment grade, and have \$250 million or more of outstanding face value.

The Bloomberg U.S. Municipal Bond Index is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.

The Bloomberg GNMA Index measures the performance of Government National Mortgage Association (GNMA or “Ginnie Mae”) bonds. It is a subset of the Bloomberg Barclays U.S. Aggregate index.

# Index Definitions (cont.)

The Bloomberg U.S. Corporate (Investment Grade) Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD-denominated securities publicly issued by U.S. and non-US private-sector industrial, utility and financial issuers. Certificates of deposit are also included. Launched in July 1973, securities included must be rated investment grade (Baa3/BBB-/BBB- or higher). Eligible senior and subordinated corporate securities must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 10.75 years. The index is unhedged and rebalances monthly.

The Bloomberg U.S. Corporate High-Yield Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.

The Bloomberg U.S. Aggregate 1-3 Years Index consists of publicly issued investment grade corporate, US Treasury and government agency securities with remaining maturities of one to three years.

The Bloomberg Capital U.S. Aggregate Bond Index, which was originally called the Lehman Aggregate Bond Index, is a broad based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate debt securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency) debt securities that are rated at least Baa3 by Moody's and BBB- by S&P. Taxable municipals, including Build America bonds and a small amount of foreign bonds traded in U.S. markets are also included. Eligible bonds must have at least one year until final maturity, but in practice the index holdings has a fluctuating average life of around 8.25 years. This total return index, created in 1986 with history backfilled to January 1, 1976, is unhedged and rebalances monthly.

The Bloomberg Global Treasury ex U.S. Bond Index consists of those securities included in the Barclays Global Aggregate Bond Index that are Treasury securities, with the U.S. excluded. The Barclays Global Aggregate Bond Index is comprised of several other Barclays indexes that measure fixed income performance of regions around the world.

The JP Morgan Emerging Markets Bond Index (EMBI) Global Diversified measures the performance of fix-rate for external-currency denominated debt instruments including Brady bonds, loans, Eurobonds in emerging markets. Countries covered are Argentina, Brazil, Bulgaria, Mexico, Morocco, Nigeria, the Philippines, Poland, Russia, and South Africa. It covers more of the eligible instruments than the EMBI+ by relaxing somewhat the strict EMBI+ limits on secondary market trading liquidity.

# Index Definitions (cont.)

The Bloomberg Commodity Index is a broadly diversified index that measures 22 exchange-traded futures on physical commodities in five groups (energy, agriculture, industrial metals, precious metals, and livestock), which are weighted to account for economic significance and market liquidity. No single commodity can comprise less than 2% or more than 15% of the index; and no group can represent more than 33% of the index. However, between rebalancings, group weightings may fluctuate to levels outside the limits. The index rebalances annually, weighted 2/3 by trading volume and 1/3 by world production.

The Bloomberg US Treasury 20+ Year index represents the 20+ Year component of the Barclays US Treasury Index. Included securities must have at least 20 years to final maturity regardless of call features, and least \$250 million par amount outstanding. They must be rated investment grade (Baa3/BBB- or higher) by at least two of the following ratings agencies: Moody's, S&P, Fitch.

The Dow Jones U.S. Select REIT Index tracks the performance of publicly traded REITs and REIT-like securities and is designed to serve as a proxy for direct real estate investment, in part by excluding companies whose performance may be driven by factors other than the value of real estate. The index is a subset of the Dow Jones U.S. Select Real Estate Securities Index (RESI), which represents equity real estate investment trusts (REITs) and real estate operating companies (REOCs) traded in the U.S.

The S&P GSCI Gold Index, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future. The index is designed to be tradable, readily accessible to market participants, and cost efficient to implement. The more widely tracked S&P GSCI index is recognized as a leading measure of general price movements and inflation in the world economy. The index represents commodity market beta is world-production weighted and is designed to be investable by including the most liquid commodity futures.

Federal funds rate is the interest banks charge one another when lending reserve balances on an overnight basis. Typically banks with reserve capital above the minimum required to be held at the Federal Reserve will lend the excess to banks who need to meet minimums.

Treasury yield is the return on investment of U.S. government's debt obligations. Short-term Treasury bills offer no interest payments and are issued at discount from face value. The yield of the three-month Treasury bill is the difference between the discount price and face value, expressed as an annualized percentage rate.

Longer-term Treasury notes are issued for maturities from 1-10 years and offer an interest (or coupon) payment. They may be purchased at premium or discount from face value. The yield on 1- and 2- year Treasury notes is based on their coupon payment and face value, adjusted upward if the note was purchased at discount, and downward if the note was purchased at a premium. It is also expressed as an annualized percentage rate.

# Asset Class Indexes

## Asset Class

US Large Cap  
US Large Cap Growth  
US Large Cap Value  
US Mid Cap  
US Small Cap  
International Developed  
Emerging Market Equities  
REITs  
Commodities  
Gold  
Intermediate-Term Treasurys  
Long-Term Treasurys  
TIPS  
Mortgage-Backed Securities  
Corporate IG Bonds  
High Yield Corporate Bonds  
Emerging Market Debt  
US Aggregate Bonds  
60-40 Allocation

## Index

S&P 500  
S&P 500 Growth  
S&P 500 Value  
S&P Midcap 400  
S&P SmallCap 600  
MSCI EAFE  
MSCI Emerging Markets  
DJ US Select REIT  
Bloomberg Commodities  
S&P GSCI Gold  
Bloomberg US Treasury 7-10 Yr  
Bloomberg US Treasury 20+ Yr  
Bloomberg US Treasury US TIPS  
Bloomberg GNMA  
Bloomberg US Corporate IG  
Bloomberg US Corporate High Yield  
JPM EMBI Global  
Bloomberg US Aggregate Bond  
60% S&P 500, 40% Bloomberg US Aggregate Bond

# Data Sources

## Economic Indicator

Nonfarm Monthly Payrolls ('000)  
Total Nonfarm Payrolls - YoY Change  
U3 Unemployment Rate  
U6 Unemployment Rate  
Quit Rate  
Job Openings: Total Nonfarm Payroll  
Initial Jobless Claims ('000) 4 Wk. MA - Month End  
KC Fed LMCI Momentum Indicator  
Labor Force Participation Rate  
Employment to Population Ratio  
Temporary Help Employment  
Retail Sales - YoY Change  
Vehicle Sales (Mil. Units, annualized)  
Personal Savings Rate  
Real Retail Sales (3MMA) - YoY Change  
Industrial Production - YoY Change  
Capacity Utilization  
Core Capital Goods Orders - YoY Change  
Building Permits ('000)  
Housing Starts ('000)

## Source

U.S. Bureau of Labor Statistics  
U.S. Employment and Training Administration  
Federal Reserve Bank of Kansas City  
U.S. Bureau of Labor Statistics  
U.S. Bureau of Labor Statistics  
U.S. Bureau of Labor Statistics  
U.S. Bureau of the Census  
U.S. Bureau of Economic Analysis  
U.S. Bureau of Economic Analysis  
Federal Reserve Bank of St. Louis  
Board of Governors of the Federal Reserve System (US)  
Board of Governors of the Federal Reserve System (US)  
U.S. Bureau of the Census  
U.S. Bureau of the Census  
U.S. Bureau of the Census

# Data Sources (cont.)

## Economic Indicator

New Home Sales  
S&P/Case-Shiller Home Price Index (20 city) - YoY Change  
Total Construction Spending - YoY Change  
ISM Manufacturing Composite PMI  
ISM Manufacturing New Orders  
ISM Services Composite PMI  
ISM Services New Orders  
U. of Michigan Consumer Sentiment  
Consumer Price Index (CPI) - YoY Change  
Personal Consumption Expenditure (PCE) - YoY Change  
Producer Price Index (PPI) - YoY Change  
Average Hourly Earnings - YoY Change  
Real GDP – QoQ (SAAR)  
Real GDP – YoY Change  
Treasury Yield Curve (10-Yr. Minus 2-Yr.)  
Leading Economic Index (LEI) – YoY Change

## Source

U.S. Bureau of the Census  
S&P Dow Jones Indices LLC  
U.S. Bureau of the Census  
Institute for Supply Management  
Institute for Supply Management  
Institute for Supply Management  
Institute for Supply Management  
University of Michigan  
U.S. Bureau of Labor Statistics  
U.S. Bureau of Economic Analysis  
U.S. Bureau of Labor Statistics  
U.S. Bureau of Labor Statistics  
U.S. Bureau of Economic Analysis  
U.S. Bureau of Economic Analysis  
Federal Reserve Bank of St. Louis  
The Conference Board