OLYMPUS
WEALTH MANAGEMENT®

Quarterly Investment Commentary

First Quarter 2021

Highlights

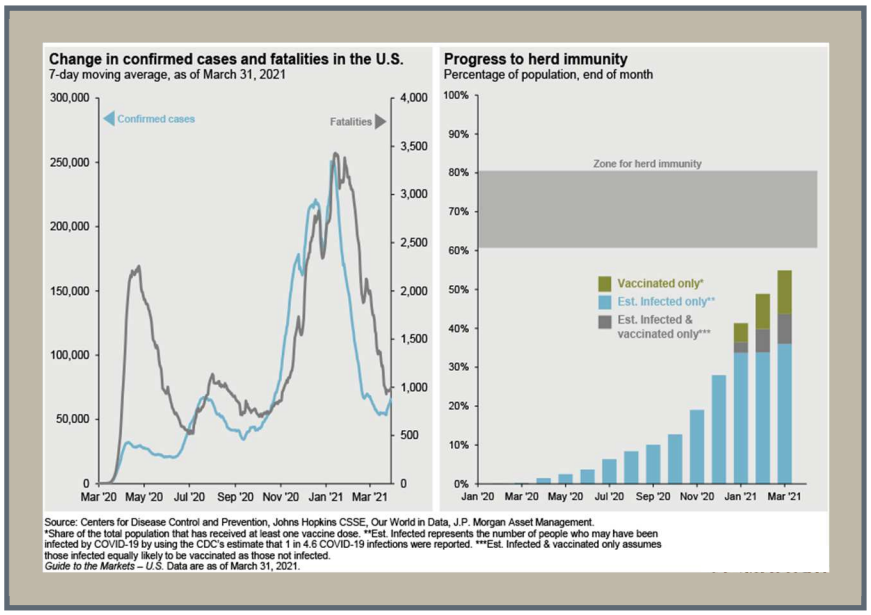
- U.S. economic data appears to be improving rapidly.
- Additional fiscal stimulus may cause U.S. economic growth and inflation to increase.
- We are optimistic that earnings will continue to rebound quickly, which we expect will lead to lower, more reasonable P/E valuations, however an increase in corporate tax rates is a risk for earnings and equity markets.
- The S&P 500 TR was up 6.17% in Q1 (as of 3/31/21).[1]
- The MSCI EAFE NR was up 3.48% in Q1 (as of 3/31/21).[1]
- The MSCI EM NR was up 2.29% in Q1 (as of 3/31/21).[1]
- It is difficult for investors to find income and positive returns in public fixed income markets.

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	YTD	2006 - 2020 Ann.	2006 - 2020 Vol.
REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	Small Cap 12.7%	Large Cap 9.9%	EM Equity 23.3%
EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	REITs 8.3%	Small Cap 8.9%	REITs 23.1%
DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 6.9%	High Yield 7.5%	Small Cap 22.6%
Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Large Cap 6.2%	REITs 7.1%	DM Equity 19.1%
Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	DM Equity 3.6%	EM Equity 6.9%	Comdty. 18.8%
Asset Alloc. 15.6%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	Asset Alloc. 3.3%	Asset Alloc. 6.7%	Large Cap 16.7%
High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	EM Equity 2.3%	DM Equity 5.0%	High Yield 12.2%
Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	Fixed Income 4.5%	Asset Alloc. 11.8%
Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	High Yield -1.0%	Cash 1.2%	Fixed Income 3.2%
Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	Fixed Income -3.4%	Comdty. -4.0%	Cash 0.8%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/05 to 12/31/20. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of March 31, 2021.

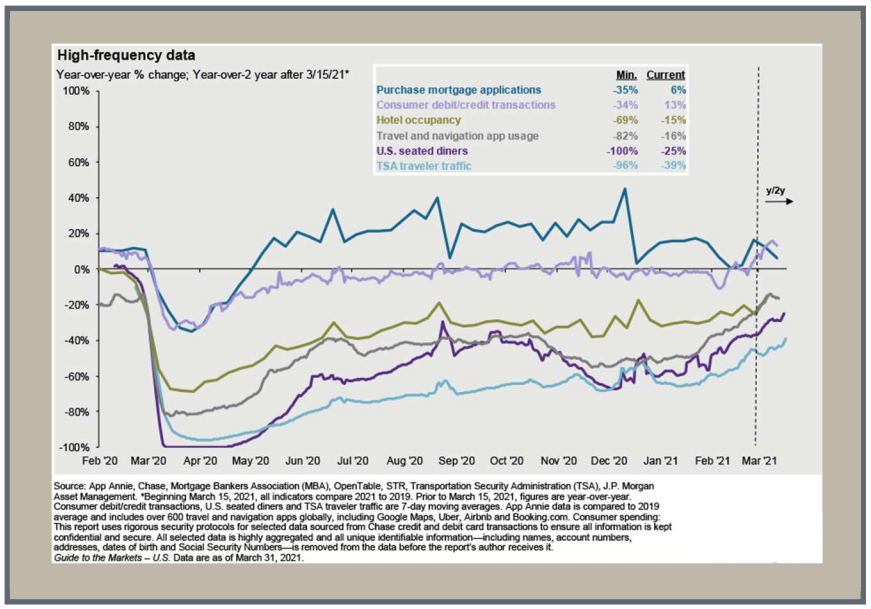
Economy

Today, many economic papers and presentations begin with an analysis of COVID. As you can see in the chart on the right, both confirmed cases and fatalities are substantially below 2020 peaks and many are focusing their discussion on vaccinations and reaching herd immunity. Herd immunity, however, may be fictious because viruses mutate, like the flu virus, and we are likely preparing for annual COVID vaccinations similar to flu vaccinations.

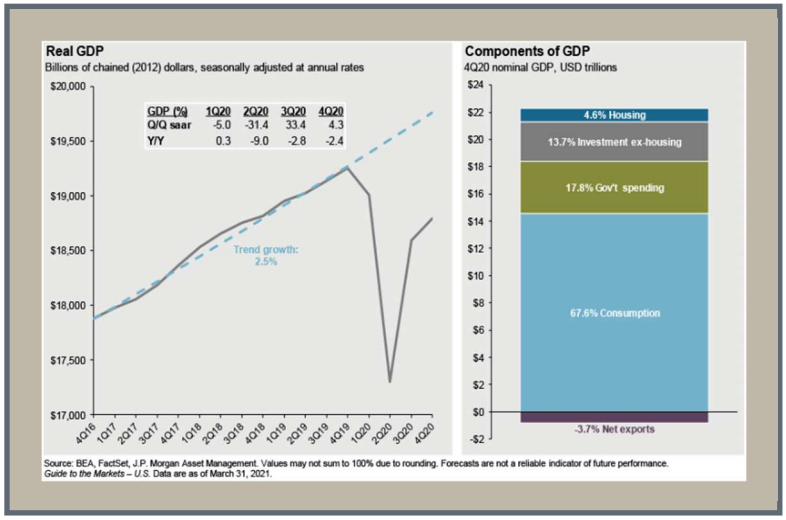


We continue to track getting back to normal and monitor high-frequency economic data (in the chart below). Looking at the chart below, it appears high frequency economic data has begun to improve during Q1. We believe this improving economic data is likely due to the vaccine rollout and COVID fatigue. As a result, it is possible that the combination of the massive $1.9t stimulus bill, high personal savings rates, vaccines, and pent-up demand may merge, potentially amplifying economic growth in 2021. We expect the U.S. economic recovery to continue improving from here as vaccinations are broadly distributed and additional fiscal stimulus measures are debated in Washington D.C. From an economic cycle perspective, this reaffirms our belief that the U.S. is coming out of a short and deep recession and entering its next phase of expansion.

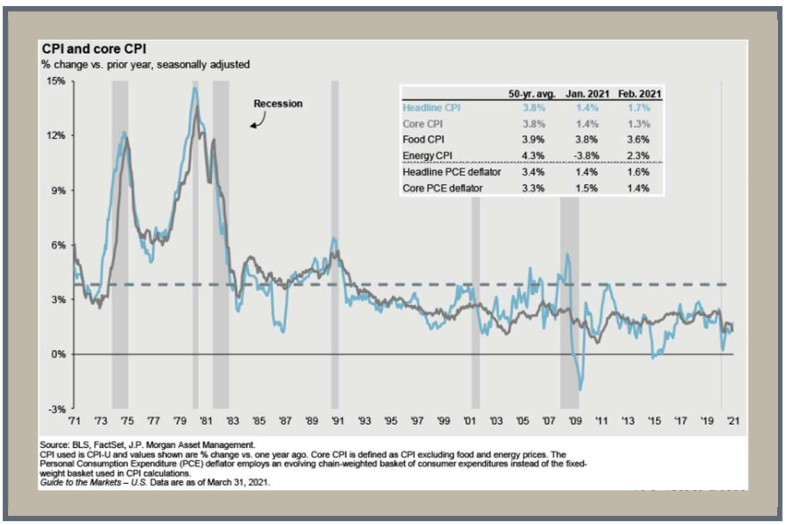
During Q1, congress was able to pass, albeit along party lines with V.P. Kamala Harris' tie-breaking vote, a $1.9 trillion stimulus bill. There was concern about the size and need for the stimulus bill given the improvement in economic data over Q1. For perspective, this massive bill is approximately 27% of US GDP, the largest fiscal stimulus bill since WWII. The bill sent payments up to $1,400 to many Americans and their dependents and extended an approximate $300 per week unemployment benefit until September 2021. $350b is slated to be sent to states and municipalities to reinforce balance sheets and fund vaccinations. $25b is allocated to rent and utility assistance.



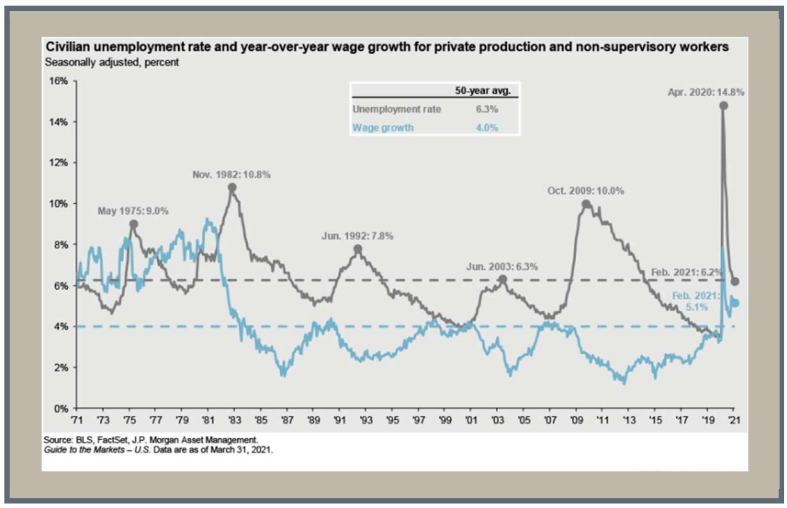
GDP[2,5]: The advanced estimate of Q1 2021 GDP was 6.4%. The advanced estimate is based on incomplete data and subject to revision in the coming months. According to the report, the Q1 increase was due to increases in personal consumption expenditures (PCE), nonresidential fixed investment, federal government spending, residential fixed investment, and state and local government spending. Imports, a subtraction from GDP, increased.



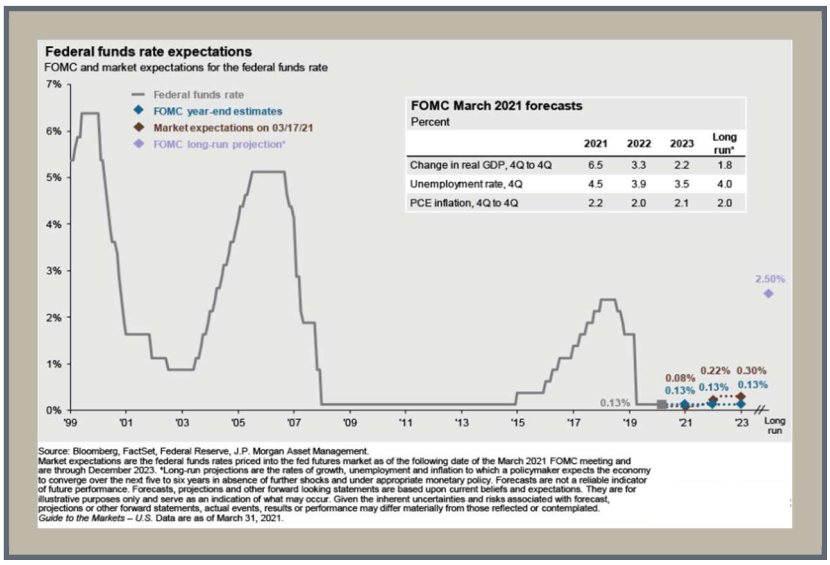
Inflation[3]: Headline inflation has been slowly increasing since the end of 2020. As of 3/31/2021, Headline CPI increased 2.6% over the prior 12 months.[4] Interestingly as of 3/31/2021, Core CPI (ex-food and energy) was up 1.6% for the prior 12-month period, in line with the 1.6% increase as of 12/31/2020.[4] The Consumer Price Index report lists increasing energy prices as the major contributor to the recent increase in inflation. The chart on the right illustrates different inflation measurements (CPI vs. PCE) for the last 50 years. We anticipate inflation data over the upcoming quarters to increase due to low levels last year and as pent-up demand is unleashed with supply chain challenges.



Employment: The employment situation continued to improve over the past quarter. As of March 2021, the unemployment rate fell to 6.0%, down from 6.7% in December 2020.[4] In 2020, unemployment peaked at 14.7%.[4] The number of people on temporary layoff declined by 203,000 in March 2021, and the number of people employed part-time who want full-time work is at 5.8 million, down from 6.2 million in December 2020.[4] We believe the upcoming quarters will see continued improvement in unemployment as those most affected industries (hospitality, travel, tourism, retail, food services, etc.) reopen.



Interest Rates: The Federal Reserve has maintained their target range for the federal funds rate at 0.00% to 0.25% as COVID continued to pose significant risk to economic activity and employment during Q1. In their recent meeting minutes, The Federal Reserve summarized that COVID and measures to contain its spread continued to effect humans and the economy in the U.S. and around the world, and as a result the Federal Reserve is committed to continue using its full range of tools to support the U.S. economy during this challenging time. The Federal Reserve expects to keep interest rates at current levels until labor markets reach full employment and inflation is on track to "moderately exceed 2% for some time."



FOMC March 2021 forecasts
Percent

	2021	2022	2023	Long run*
Change in real GDP, 4Q to 4Q	6.5	3.3	2.2	1.8
Unemployment rate, 4Q	4.5	3.9	3.5	4.0
PCE inflation, 4Q to 4Q	2.2	2.0	2.1	2.0

Equity Investments

Equity markets continued to improve in Q1 2021 as many investors envisioned a COVID vaccinated world. During the quarter we began to see the U.S. economy slowly reopen and, in some locations, loosen COVID restrictions. We believe these actions will support sales and profit growth for local, regional, and national companies. Furthermore, we believe that those sectors hit hardest and longest by COVID lockdowns will experience a strong rebound in 2021 as the U.S. starts to normalize.

The strong rebound in U.S. equity markets continued into Q1 2021 and combined with slower earnings growth, created higher P/E valuations. We are optimistic that earnings will rebound more quickly looking forward, which we expect will lead to lower, more reasonable P/E valuations. As of 4/23/2021, FactSet reported the forward 12-month P/E ratio is 22.3x, which is above both the 5-year average of 17.9x and above the 10-year average of 16.0x. FactSet mentioned the S&P 500 is expected to report a 33.8% increase in earnings year over year for Q1 2021. From our vantage point, the outsized expected earnings growth is the result of a combination of stronger earnings in Q1 2021, but also significantly lower earnings during the initial months of COVID. Supporting today's high valuations there appears to be a potent cocktail of fiscal and monetary stimulus applied by the U.S. and other global central banks. In our opinion, two of the most important factors supporting today's high valuations are low interest rates and accommodative tax policy.

Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	21.88x	16.64x	1.60
CAPE	Shiller's P/E	35.91	27.57	1.35
Div. Yield	Dividend yield	1.52%	2.03%	1.57
P/B	Price to book	3.98	3.00	1.32
P/CF	Price to cash flow	15.93	10.87	2.45
EY Spread	EY minus Baa yield	0.76%	0.07%	-0.35

If, or dare we say when, one of these factors change we would expect the markets to reprice. We continue to strongly believe maintaining a low interest rate environment, continued fiscal stimulus (low taxes), and a successful vaccination rollout will all be important to support today's higher market valuations.

We believe investors must look deeper to find more attractive valuations relative to the broad U.S. equity market measured by the S&P 500. As we consider new investments today, we are looking across equity styles, sectors, geographies, and market caps to find more attractive valuations. During Q1 momentum of U.S. equity performance shifted. Equity markets began to favor more cyclical, value style, high current cash flow companies rather than more high revenue growth style companies with potential for future cash flows. Furthermore, small- and mid-cap size companies began to outperform large-cap sized companies.

A potential increase in corporate tax rates remains a potential risk to equity markets because an increase in corporate taxes directly impacts earnings. Markets may begin to reprice as the discussion around tax reform progresses. We were hopeful that the administration would not consider such tax increases until the economy is further into expansion territory. Unfortunately, the tax reform discussion is heating up.

During the first quarter of 2021, equity markets continued their rebound, and major equity markets ended the quarter in positive territory. The S&P 500 TR (including dividends) was up 6.17% during the first quarter (as of 3/31/21).[1] Developed international markets measured by the MSCI EAFE NR were up 3.48% for the first quarter (as of 3/31/21).[1] Emerging markets measured by the MSCI EM NR were up 2.29% for the first quarter (as of 3/31/21).[1] The broad-based benchmark, MSCI ACWI NR, a market capitalization weighted index designed to measure the global equity market performance of 46 developed and emerging markets, was up 4.57% for the first quarter (as of 3/31/21).[1]

U.S.: Investors seem to be optimistic on the economic and earnings outlooks as vaccinations roll out and another round of fiscal stimulus was disbursed. To justify today's valuations, investors will likely expect a continued economic rebound supporting stronger earnings growth, continued low interest rates, and low tax rates. The stimulus package passed in Q1 2021 provides $1.9 trillion in stimulus to an already improving American economy. At some point Americans will need to pay for all their government's spending, and we believe the Biden Administration will attempt to address this fiscal imbalance through a modified version of his comprehensive tax plan released last year during his campaign. Currently, the markets do not seem to be pricing in the potential for corporate tax increases. As of 4/23/2021, looking forward, FactSet is reporting that analysts project the 12-month bottom-up price target for the S&P 500 at 4554.54, 10.1% above the recent 4134.98 closing.

10-year annualized

	Value	Blend	Growth
Large	11.0%	13.9%	16.6%
Mid	11.1%	12.5%	14.1%
Small	10.1%	11.7%	13.0%

YTD

	Value	Blend	Growth
Large	11.3%	6.2%	0.9%
Mid	13.1%	8.1%	-0.6%
Small	21.2%	12.7%	4.9%

Current P/E vs. 20-year avg. P/E

	Value	Blend	Growth
Large	18.2 / 13.7	21.9 / 15.4	29.2 / 18.5
Mid	18.9 / 14.4	22.5 / 16.3	36.5 / 20.3
Small	19.1 / 16.8	30.9 / 21.1	85.6 / 35.2

Since market peak (February 2020)

	Value	Blend	Growth
Large	13.0%	19.6%	28.0%
Mid	16.6%	22.0%	26.0%
Small	29.5%	33.1%	34.4%

Since market low (March 2020)

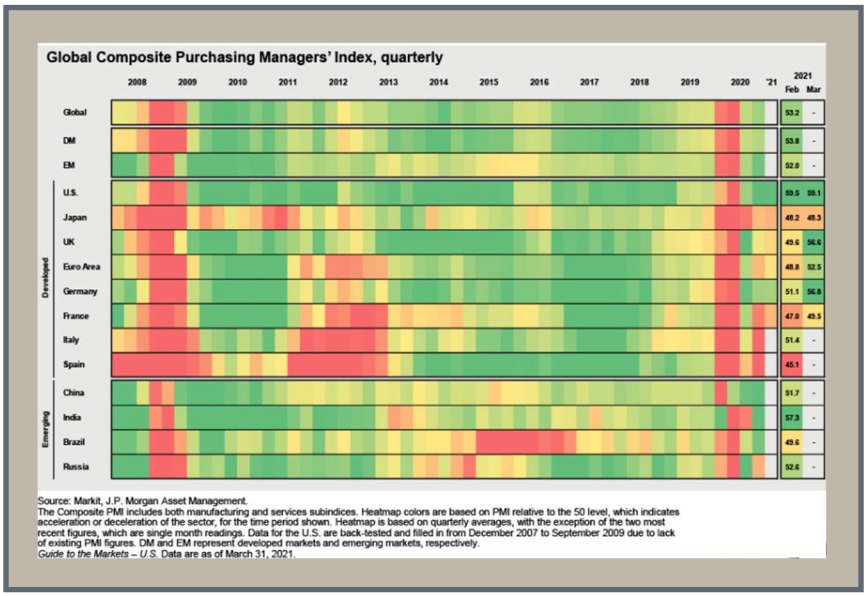
	Value	Blend	Growth
Large	82.7%	80.7%	86.7%
Mid	106.2%	104.2%	96.0%
Small	127.7%	124.3%	118.3%

Current P/E as % of 20-year avg. P/E

	Value	Blend	Growth
Large	133.0%	141.7%	157.7%
Mid	131.3%	138.2%	180.0%
Small	113.6%	146.3%	243.1%

Source: FactSet, Russell Investment Group, Standard & Poor's, J.P. Morgan Asset Management.
All calculations are cumulative total return, including dividends reinvested for the stated period. Since Market Peak represents period from February 19, 2020 to March 31, 2021. Since Market Low represents period from March 23, 2020 to March 31, 2021. Returns are cumulative returns, not annualized. For all time periods, total return is based on Russell style indices with the exception of the large blend category, which is based on the S&P 500 Index. Past performance is not indicative of future returns. The price-to-earnings is a bottom-up calculation based on the most recent index price, divided by consensus estimates for earnings in the next 12 months (NTM), and is provided by FactSet Market Aggregates.
Guide to the Markets – U.S. Data are as of March 31, 2021.

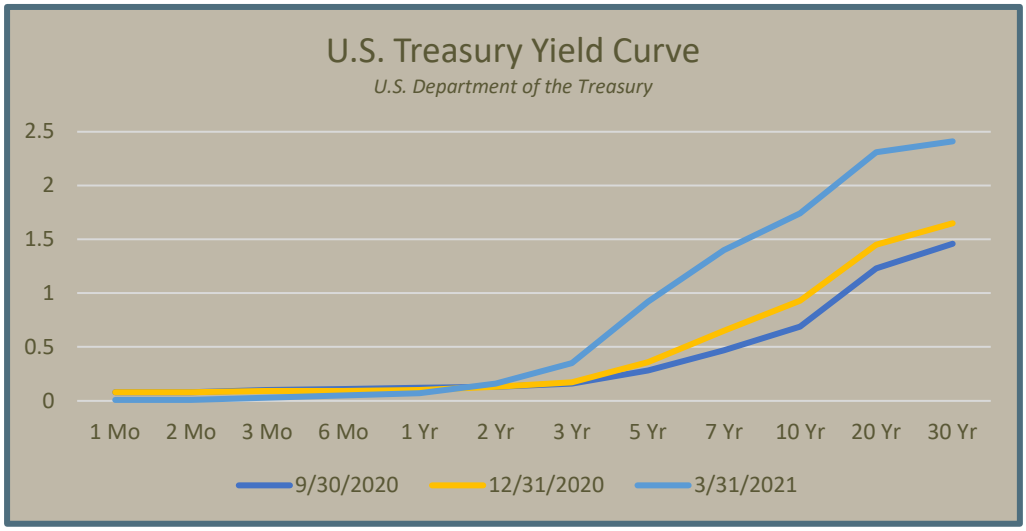
Developed International: We believe international equities benefited from the falling U.S. dollar. Developed international markets, particularly Western Europe continued to struggle with a COVID resurgence, continued lockdowns, and vaccine challenges during the quarter. Furthermore, Carlyle research reports a continued low rate of industrial production and manufacturing, consumption, retail sales, traffic, and likely a contraction in Q1 GDP.



Emerging International: Emerging market returns continue to struggle with COVID and lagged developed international markets during Q1 2021. Their valuations, however, remain more attractive relative to developed market valuations and relative to U.S. market valuations.

Fixed Income Investments

Fixed income struggled to provide a positive return as both inflation expectations and long-term yields increased and bond prices decreased. With interest rates near zero it is difficult for investors to find income and positive returns in public fixed income markets. When interest rates increase, the limited amount of income may not be sufficient to offset declining bond prices, resulting in negative returns. We believe investors need to increasingly consider other fixed income investment strategies to navigate this potential environment. As we think about investing in fixed income during a rising rate environment, we continue to diversify across short- and long-term investment grade core bonds (government, municipal, and corporate) for their diversification from equity market risk, but we will likely need to look more towards unconstrained fixed income strategies, international fixed income, extended credit, and liquid alternatives. Inflation-linked bonds may become a more important allocation as the Federal Reserve shifts to a range-bound inflation target, suggesting they want inflation to exceed 2% for some time.



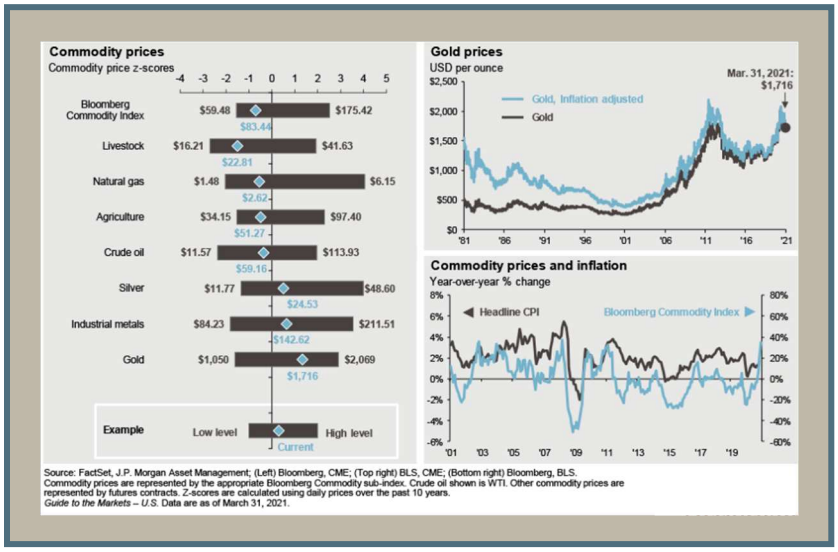
With short-term interest rates still at or near zero and longer-term interest rates still very low, investors should continue to consider their other options for generating income. Investors should expect to take on more credit risk, interest rate risk, and/or liquidity risk to increase income. One challenge is that increasing credit risk or interest rate risk also increases price volatility of the bonds. If investors can assume illiquidity with their credit risk, then private credit can potentially generate higher income with less price volatility when compared to publicly traded peers. If investors prefer to maintain liquidity, then in some circumstances, investors can take a total return approach when seeking income.

Extended credit (high yield bonds and floating rate loans) looks expensive as spreads remain below their historical averages. From a yield perspective, however, the sub-asset class remains attractive when compared to other bond yields. Defaults remain higher than historical averages in both high yield and floating rate bonds. We believe strong credit underwriting and active management is paramount during default cycles, where avoidance of, and underweights to, the riskiest bonds should prove beneficial. As Warren Buffett famously said, "it is only when the tide goes out that you discover who's been swimming naked." Applied here, it is during credit default cycles when you see who has done proper underwriting, managed risk, and kept strong lending covenants.

Alternative Investments

With the low interest rate environment, we utilize alternative investment strategies for portfolio diversification. When selected carefully, we believe that allocations to alternative investments can be helpful in managing portfolio volatility, diversifying sources of risk, adding low correlated returns, and thereby enhancing risk-adjusted returns. In this low interest rate environment, we continue to like and use global macro strategies, merger arbitrage strategies, and option strategies for liquid hedge fund exposure.

Commercial real estate appears to be recovering from the COVID pandemic, but it is still down -6% according to the *Commercial Real Estate Trends & Outlook* researched by The National Association of Realtors® Research Group. The National Association of Realtors® reported in April 2021 that the number of transactions of properties or portfolios valued over $2.5mm fell -28% year over year in Q1 2021 with transactions declining across all property types except hotel acquisitions.



Source: FactSet, J.P. Morgan Asset Management; (Left) Bloomberg, CME; (Top right) BLS, CME; (Bottom right) Bloomberg, BLS.
Commodity prices are represented by the appropriate Bloomberg Commodity sub-index. Crude oil shown is WTI. Other commodity prices are represented by futures contracts. Z-scores are calculated using daily prices over the past 10 years.
Guide to the Markets – U.S. Data are as of March 31, 2021.

Broad commodities were one of the best performing asset classes in Q1 2021, as energy prices rebounded with the economy. We continue to hold a small allocation to commodities because of their diversification of risks, low correlation with other asset classes, and as a hedge against inflation. It is difficult to achieve these characteristics with other asset classes. Because commodity prices can have significant price volatility, it only takes a small allocation to achieve the benefits mentioned above in a portfolio. For these reasons we maintained a small allocation to a broad basket of commodities and gold.

We continue to see opportunities within private investments such as private equity, private debt, and private real estate. These asset classes are complex, less regulated, and different than their publicly traded peers. Choosing the correct manager in these asset classes is key and the dispersion of returns are wide. Our experience and exposure give us perspective on current terms, fees, investment strategies, etc. available today and allows us to compare private investment opportunities for our clients who understand and desire this type of investment exposure.

Conclusion

U.S. economic data appears to be improving rapidly, and additional fiscal stimulus may cause U.S. economic growth and inflation to increase further. Inflation during Q1 was low but may be increasing. Employment during Q1 improved and will likely improve further. Interest rates during Q1 were low but increased and may increase further. S&P 500 earnings grew in Q4 and may increase more rapidly in upcoming quarters. We are optimistic that earnings will continue to rebound quickly and may lead to lower, more reasonable valuations, however an increase in corporate tax rates is a risk for earnings and equity markets. It remains difficult for investors to find income and positive returns in public fixed income markets.

We continue to advocate for investors to be thoughtful about putting money to work, staying invested, rebalancing, and sticking to their long-term plan. Investors should be prudent about how they diversify their assets, manage risks, and refrain from making big directional trades or trying to time the market. Afterall, it is about time in the market, not timing the market. We welcome discussing these and any other items of importance with you.

Best Regards,

The Olympus Wealth Management Team

Sources: American Rescue Plan Act of 2021, BlackRock, Carlyle Group, Eaton Vance, European Central Bank, FactSet, Franklin Templeton, Goldman Sachs, Invesco, JPMorgan, Morningstar Direct, National Association of Realtors®, Northern Trust, PIMCO, The Federal Reserve, Tax Foundation.org, U.S. Department of the Treasury, U.S. Department of Commerce Bureau of Economic Analysis, U.S. Department of Labor Bureau of Labor Statistics.

1. Morningstar Direct

2. GDP estimates are prepared on a schedule that requires three successive estimates – "advance", "preliminary" and "final". The advance estimate is prepared approximately 1 month after the end of the quarter. In most cases, the sources data for the quarter are not final and are subject to revision by the issuing agency. One month later the preliminary estimate replaces the advance estimate. The source data used for preliminary estimates, particularly the data for the third month of the quarter, are subject to further revision. One month later the final estimate replaces the preliminary estimate. The final estimate incorporates revisions in source data for the third month of the quarter. Source: http://www.bea.gov/scb/account_articles/national/1093od/maintext.htm

All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Equities:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** 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 EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

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** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index®** measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index®** measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index®** measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index®** measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index®** measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index®** measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index®** measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index®** measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index ®** measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index ®** measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

Source: Guide to the Markets March 31, 2021

Fixed income:

The **Bloomberg Barclays 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Bloomberg Barclays Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Barclays Municipal Index**: consists of a broad selection of investment- grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg Barclays US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Bloomberg Barclays US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg Barclays US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg Barclays US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg Barclays US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index (EMBI)** includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)** is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.

3. The Federal Reserve reviews multiple measures of inflation when making policy decisions. The Fed moved away from the concept of core CPI to the Personal Consumption Expenditure Price Index (PCE) as their key inflation measure. Specifically, the Fed said the PCE index is "…most consistent over the longer run with the Federal Reserve's statutory mandate targets."

4. U.S. Department of Labor Bureau of Labor Statistics

5. U.S. Bureau of Economic Analysis

6. FactSet

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Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index®** is based on data compiled from 1,768 global (U.S. & ex – U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index - Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Definitions:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Global macro strategies trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

Merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Relative Value Strategies maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

Source: Guide to the Markets March 31, 2021

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Unless otherwise stated, all data are as of March 31, 2021 or most recently available.

Guide to the Markets – U.S.

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Source: Guide to the Markets March 31, 2021

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MSCI EAFE NR - The MSCI EAFE Index is an equity index which captures large and mid cap representation across 21 Developed Markets countries around the world, excluding the US and Canada.*

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