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CHIEF INVESTMENT OFFICE

Capital Market Outlook

January 3, 2023

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IN THIS ISSUE

Macro Strategy—*Lessons from Bubbles Past:* Over the past century, secular valuation peaks such as in 1929, 1966 and 1999, have been followed by at least a decade before stock-price indexes made new highs. The valuation peak reached a year ago exceeded the 1929 and 1966 peaks, suggesting stocks could trade in a range over the next decade.

Post-bubble periods tend to sort out valuation discrepancies, which favor relatively undervalued stocks, while the overvalued darlings of the bubble-mania period tend to underperform.

Market View—*Portfolio Construction in an Age of "Permacrisis":* Rolling macro shocks are likely to persist into 2023. The Federal Reserve's (Fed) historic fight to contain inflation, China's struggle to corral the virus, and Ukraine's epic conflict with Russia will result in both risks and rewards for investors this year.

The age of "permacrisis" necessitates that investors rethink their investment playbook; successful portfolio construction hinges on diversification, active management[1] of risk tolerance, dividends, hard assets, defense, a U.S. bias and taking the long view of market returns.

Thought of the Week—*Good Riddance to 2022:* For the S&P 500, last year's performance was unusually bad, with the number of negative days exceeding positive daily returns. Given a number of crosscurrents and shocks encapsulated within the year, 2022 shaped up to be the 7th worst year for the S&P 500 on record.

Good riddance to 2022. Looking forward to 2023 and through the final stages of the bottoming process, this year could prove to be a foundational year for long-term investors.

MACRO STRATEGY ▶

Chief Investment Office
Macro Strategy Team

MARKET VIEW ▶

Joseph P. Quinlan
Managing Director and Head of CIO Market Strategy

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THOUGHT OF THE WEEK ▶

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MARKETS IN REVIEW ▶

Data as of 1/3/2023,
and subject to change

Portfolio Considerations

We favor bonds in the first half of 2023 and stocks in the second half. We remain neutral Equities with a preference for U.S. Equities relative to International, and maintain our slight overweight to high quality Fixed Income. We continue to believe that market volatility will be elevated for most asset classes and expect the "grind-it-out" environment to persist for markets over the next several months before stabilizing later in 2023. Portfolio diversification, including Alternative Investments* for qualified investors, can help mitigate volatility and allow for participation in a renewed bull market.

*Many products that pursue Alternative Investment strategies are available only to qualified investors.

[1] Active management seeks to outperform benchmarks through active investment decisions such as asset allocation and investment selection.

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MACRO STRATEGY

Lessons from Bubbles Past

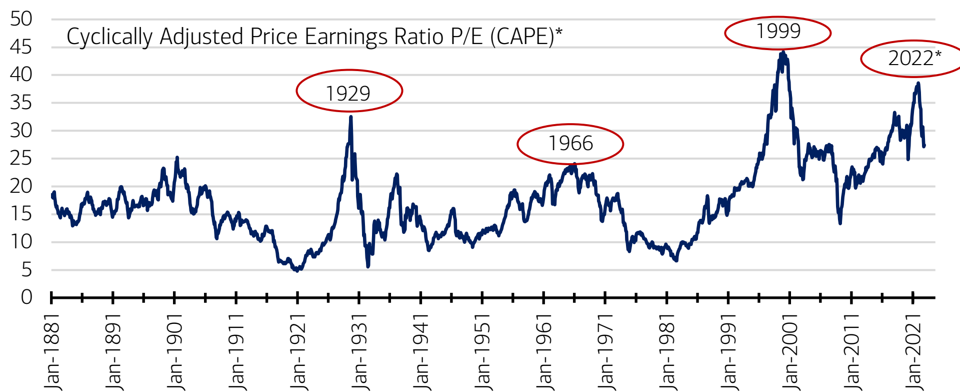
Chief Investment Office Macro Strategy Team

A popular stock-market concept often attributed to legendary investor Warren Buffett's mentor, Benjamin Graham, the father of Value investing, distinguishes between the stock market as a "voting machine" (a popularity contest) versus a "weighing machine" (assessing fundamental value). While the stock market can stay over- or undervalued longer than one can stay solvent, Value investors count on the fact that eventually the market weighs fundamentals that will be reflected in stock prices.

Professor Robert Shiller shared the 2013 Nobel Prize in Economic Sciences for his "empirical analysis of asset prices." This work included the development of the Shiller P/E (price-earnings) ratio, also known as the CAPE ratio (cyclically adjusted price-to-earnings ratio), which divides a stock's price by the average of its earnings during the previous 10 years, adjusted for inflation. The CAPE ratio is considered a useful fundamental indicator of stock valuation, as it smooths a company's earnings capacity through the ups and downs of the business cycle to avoid short-term distortions.

Exhibit 1 shows the CAPE ratio for the past 140 years for which data are available. While the CAPE ratio is not especially useful for short-term forecasting, it has a powerful association with 10-year forward returns. Extremely low CAPE levels are associated with extremely high 10-year forward returns, while extreme CAPE highs tend to be followed by long periods of subpar returns. For example, the lowest recorded CAPE was in 1921 and preceded the Roaring 20s decade of exceptionally high average annual returns. By 1929, however, the CAPE ratio reached the highest level recorded to that point (above 30), setting the stage for the dismal returns recorded over the next decade. In fact, it took 25 years for the U.S. market to get back to its 1929 level.

Exhibit 1: Equity Price Bubbles Cause CAPE Excesses.



*Last datapoint available=November 2022. Sources: Robert Shiller; Haver Analytics as of December 15, 2022.

That's because extremely high CAPE ratios are associated with asset-price bubbles, when the popularity of certain assets causes emotional investors to vote with their money and push valuations beyond fundamentally justified levels. Exhibit 1 marks those years since 1929 when secular peaks in the CAPE ratio reversed course (1929, 1966, 1999 and 2022). In the decade following the first three bubble tops, stocks never surpassed their prior peak, as earnings needed a long time to increase to the levels needed to justify the bubble price for the stocks. For example, the Dow Jones Industrial Average (Dow) first approached 1000 in the mid-1960s, when the CAPE ratio peaked at its highest level since 1929. After that, the index was unable to surpass that level until a new secular bull market began in 1982. Until then, the market fluctuated in a range that provided good trading opportunities. However, the Dow at 1000 in 1982 was worth a fraction of its 1966 value after adjusting for inflation. Also important, by the end of the 1970s, the composition of the market's capitalization had shifted heavily toward stocks in the Energy and Materials sectors that provided protection against the raging inflation of the 1970s.

Investment Implications

A post-bubble range market favors active management and a shift toward the stocks that lagged during the bubble period. In the current environment, that suggests Value stocks are in for a longer-term outperformance stretch, while overvalued Growth stocks continue to fall behind.

By the early 1980s, the CAPE ratio was back to a secular low point comparable to its 1921 low, setting the stage for the longest bull market in history and well-above-average returns that eventually resulted in the 1999 TMT (Technology, Media and Telecom) bubble, when the CAPE ratio exceeded its 1929 peak for the first time as a result of euphoria related to TMT earnings expectations. From their peaks in early 2000, the S&P 500 and the NASDAQ took more than a decade to break above those levels, again confirming that extreme highs in CAPE valuation tend to be followed by low 10-year forward returns (as returns revert to levels determined by fundamentals such as earnings growth, inflation and interest rates). Nevertheless, while the TMT darlings of the 1990s bubble languished, Value stocks in the Energy, Materials and Financial sectors had solid returns helped by China's accession to the World Trade Organization (WTO) and the resultant global boom.

After the 2008/2009 Great Financial Crisis, the CAPE ratio bottomed at about a third of its 2000 peak and began to rise again, culminating in its second-highest level ever in 2022, which was above the 1929 bubble peak but below the 2000 Tech-bubble peak. Based on prior experience, the early 2022 CAPE extreme suggests that the S&P 500 peak of about 4,800 a year ago is likely to stand as the high watermark through the rest of this decade.

Bubbles share the common feature that human nature (emotions) takes over at some point as investors throw caution to the wind for fear of missing out (FOMO). This phenomenon caused tulips to become more expensive than a house in the 1630s in Holland and the Japanese emperor's Tokyo palace grounds to exceed the value of all the real estate in California at the peak of the Japanese real estate and Equity bubble of 1989. Absurd valuations take time to correct. More than 30 years later, the Japanese stock market is still below its 1989 bubble peak level.

Also, bubbles tend to be enabled by policy, especially easy monetary policy. For example, the Fed's zero-interest-rate policy and quantitative easing (QE) exceeded anything seen since at least World War II, as measured by the surge in money supply growth, for example. Similarly, the last gasp of the 2000 Tech bubble was amplified by extended monetary ease due to the Fed's fear of the Year 2000 (Y2K) problems, which kept investors giddy well beyond normal during that cycle.

Basically, bubbles are extremes where the "voting machine" takes over from the "weighing machine." The unprecedented pandemic policy stimulus provided massive fodder for widespread bubble blowing. Extreme valuation examples, such as crypto-related assets and long-duration Tech stocks without revenues or earnings, are already down about 80% from their bubble peaks. Many big-cap Tech stocks got extremely overvalued on the premise that they were now more Value-like because of their strong earnings and revenue growth, which, however, were exaggerated by pandemic stimulus, lockdowns and unusually low interest rates. Their share of market capitalization became excessive and is now shrinking, while more Value-oriented, traditional economy Equities see their share of earnings grow again.

The CAPE extremes of the past century provide useful lessons for investors. First, bubbles push valuations to excessive levels that require a long period for earnings to grow into excessive equity prices. It is not a coincidence that major market indexes take a decade to break above bubble peaks. During that time, stocks trade in a range that makes active management preferable to simply indexing on the presumption of a continual uptrend. Buying low in the range and selling high is a better strategy when the market is trendless.

Second, market leadership tends to shift when a bubble pops. The leaders of the runup to a CAPE peak tend to lose the most and languish afterwards because they are over-owned by investors who chased the fads of the market boom. Generally, the fad stocks lose most of their value and take a long time to recover as other lesser-valued stocks outperform in the range-trading environment that follows the bursting of a bubble. History suggests that the massive outperformance of Value stocks since the pandemic policy bubble burst a year ago—not coincidentally, the most since the Value stock outperformance in 2000—will last for years rather than months. It also suggests that investors continuing to plow money into the big winners of the pandemic bubble period are still throwing good money after bad.

MARKET VIEW

Portfolio Construction in an Age of "Permacrisis"

Joseph P. Quinlan, Managing Director and Head of CIO Market Strategy

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

"Permacrisis—an extended period of instability and insecurity, especially one resulting from a series of catastrophic events."

The word of the year for 2022, according to the editors of the Collins English Dictionary, was "permacrisis"—an apt phrase, in our opinion, considering the non-stop tumult of this decade. In just the past three years, the global economy has been rocked by a global pandemic, a multidecade spike in inflation, and an unthinkable ground war in the heart of Europe.

If this toxic trifecta weren't enough, the great power rivalry between the U.S. and China has intensified, as have the residual effects of climate change: think record droughts and floods in various parts of the world, along with the inexorable rise in the average surface temperature of the planet. Add to the above the disruptive effects of artificial intelligence and the rapid adoption of robotics, alongside the digitalization of virtually everything.

This backdrop, to say the least, makes the art and science of portfolio construction more taxing and challenging. And since we don't expect the forces of the "permacrisis" to dissipate anytime soon, there's no better time for investors to rethink and recalibrate their portfolio strategies.

A primer on investing in a "permacrisis"

Below are some elementary building blocks of portfolio construction for your consideration, as well as some investable solutions, in an era of unpredictable and unstable macro conditions:

Be diversified. This old chestnut has been around for as long as the abacus, but it's worth repeating because we aren't in the Land of Oz anymore. The Great Moderation—the prolonged period of macroeconomic stability of low inflation with stable growth—has long passed, as has the era of virtually free money and the resultant "bull market in everything." We now reside in a world of rolling global macro shocks that can rapidly deteriorate portfolio market returns. Hence, the broader, the more diversified the construction of a portfolio—incorporating not just stocks and bonds of all stripes, but alternatives like hedge funds, private real estate, etc., where appropriate—the greater the wherewithal to smooth out the cyclical ups and downs (volatility) of the markets. Macro volatility can emanate from any part of the world—think Wuhan, China or Kyiv, Ukraine, for instance, two parts of the world most investors are only vaguely aware of.

Review your risk tolerance often. In an era of predictable unpredictability, being keenly aware of one's risk tolerance is key to successful investing. Knowing your risk tolerance acts like a compass in helping investors navigate the turbulence of the markets and help avoid changing course at the wrong juncture (aka liquidating portfolios at ill-gotten times). Risk tolerance, in other words, needs to be actively managed in the age of "permacrisis."

Hold the dividend champions for stable income streams. It's simple: In a world overflowing with uncertainty, adding a potential element of certainty to a portfolio—dividend-paying companies—can be key to generating healthy, long-term total returns. According to Morningstar and Hartford Funds, from 1930 to 2021, income from dividends have contributed to the total return of the S&P 500 an average of 40%. Even with the backup in bond yields, dividend-paying stocks are foundational to long-term successful investing.

Own hard assets. The age of "permacrisis" reflects the tectonic shifts of the past few years and the attendant seminal shifts from a pandemic to Putin; infections to inflation; Big Data to Big Oil; zoom to zinc; E-commerce to electric vehicles; swabs to sanctions; boosters to bombs; NFT (non-fungible token) to LNG (liquefied natural gas); and the cloud

Investment Implications

The past is not prologue: We have entered an era of instability and volatility—or "permacrisis." Market risks abound in this environment and require that investors stay nimble in terms of portfolio construction. The latter, for sure, has never been more challenging and important than today.

to cobalt. Think hard assets over light assets. Commodities emerged as one of the best performing asset classes of 2022, and we expect more of the same this year owing to tight supplies, inventory rebuilding, underinvestment, geopolitics, resource protectionism and the green transition.

Stay long defense. Like it or not, the U.S.-led world order that allowed investors to turn a blind eye to geopolitics is crumbling. The peace dividend is history. Today, geopolitics demand as much investor attention as earnings growth, interest rates, valuations and other traditional metrics of expected market returns. It's sloppy out there—with intensifying geopolitical risks triggering a global supercycle in defense spending. The latter—global military expenditures—topped $2 trillion for the first time in 2001 and are poised to continue growing over the balance of this decade owing to the growing military threats from China, Russia and Iran, in addition to nonstop cybersecurity threats.

Total U.S. defense spending in the current fiscal year is expected to reach $858 billion, a record amount and a figure greater than what the next nine countries combined shell out for munitions. America accounts for roughly 40% of global military spending, but the rest of the world isn't standing still. Setting aside their pacifist pasts, both Germany and Japan have ramped up their defense spending, as have regional powers like India, which now ranks as the world's third-largest defense spender.[2] While global defense spending has been on the upswing since 2015 thanks to rising U.S.-China tensions, the war in Ukraine has only added to the military bonanza. Restocking and resupplying the inventories of fighting forces has become urgent, with the *Wall Street Journal* recently noting that "Ukraine's battle against the Russian invasion is consuming ammunition at rates unseen since World War II."[3] From the same article was this quote from Michal Strand, owner of a Czech munitions company, "Even if the war were to stop overnight, Europe would need up to 15 years to resupply its stocks at current production rates."[3] Stay long U.S. defense leaders.

Maintain a home-country bias, i.e., don't bet against America. Yes, many developed and developing indices are cheap on a relative and absolute basis compared to the S&P 500. And after years of underperformance relative to the U.S., non-U.S. markets are under consideration—yet again—by investors. But that said, our preference: Proceed with caution. The Chief Investment Office remains underweight Developed Markets and neutral on Emerging Markets.

In an age of "permacrisis," rolling macro shocks will have the greatest negative effects on states and markets lacking resources, more dependent on global trade and capital flows, and deficient in military capabilities. Enter the U.S., a hydra-headed superpower whose $25 trillion economy is the most dynamic, diversified and resilient on the planet, and therefore well positioned to roll with the "permacrisis" punches. Pick virtually any sector or activity—Aerospace, Agriculture, Energy, Education, Finance, and Technology, or Manufacturing or Services—and U.S. companies lead the global pack and are well positioned to weather the turbulent storms of our time.

See the forest before the trees. Last but not least, while volatility and unpredictability are staples of the "permacrisis," investors need to see the big picture—or the forest before the trees. Rather than being caught up in the daily moves of the markets, investors need to take the long view and keep in mind that major periods of upheaval can be triggers for economic regeneration, and we expect the same this time around. As for the numbers, in the post-war period overall between 1945 and 2021, the S&P 500 has delivered an annualized total return of 11.6%. That's worth remembering as the markets navigate the "permacrisis."

[2] See "India's plan to build up military muscle." *Financial Times*, December 13, 2022.

[3] See "Europe Rushes Arms to the Front but Is Running Out of Ammunition." *Wall Street Journal*, December 23, 2022.

THOUGHT OF THE WEEK

Good Riddance to 2022

Lauren J. Sanfilippo, Director and Senior Investment Strategy Analyst

Multiple headwinds overwhelmed the economy and markets over 2022, generating disappointing returns for most asset classes. For U.S. Equities in particular, the year began on a high note, as indexes peaked on the first trading day of 2022 and went on to suffer double-digit percentage declines through year-end. The S&P 500 lost nearly a fifth of its value over the year (or -19%), its worst annual return dating back to the Great Financial Crisis and well below its 10-year average annualized returns of over 10%. Since inception, the benchmark index has ended in positive territory 73% of the time, making last year's decline somewhat of a rarity. It barely ever ends that bad, there being only 13 other instances of -10% (or worse) declines dating back to 1928. More the rule and less the exception, the majority of stocks (over 350) within the S&P 500 ended in the red, and nearly 30 of the worst performers shed more than 50%. In fact, only about a third of stocks in the index generated positive returns in 2022. As an interesting aside, just five trading sessions accounted for more than 95% of the S&P's losses last year, according to DataTrek. Two days were triggered by discouraging inflation data, while the others were driven by weak corporate earnings and hawkish commentary from Fed chairman Jay Powell.

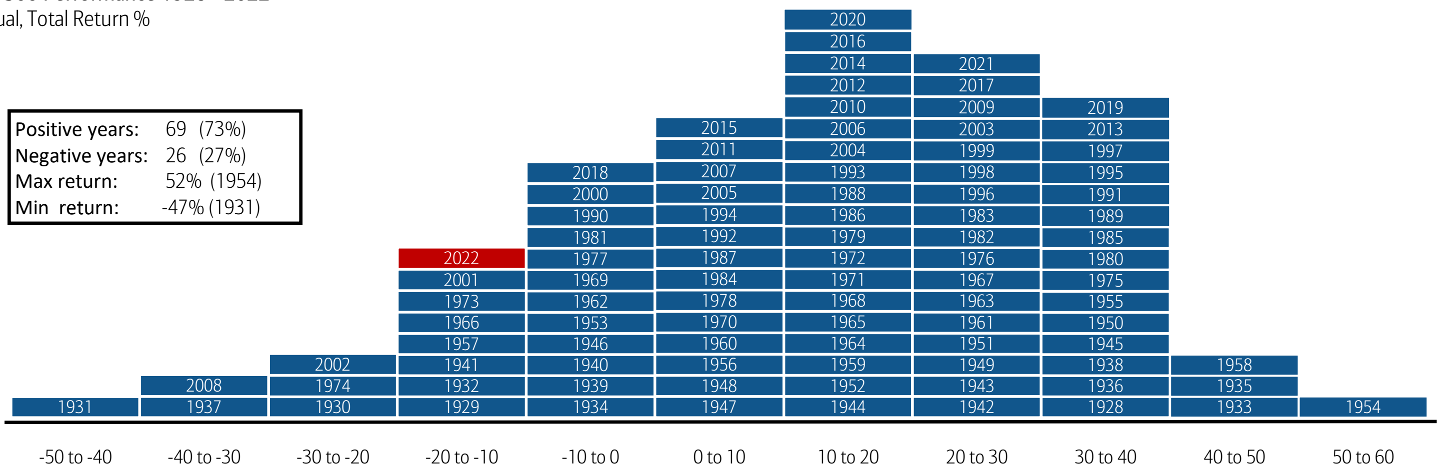
Beyond the large-cap benchmark, the small-cap Russell 2000 performance trailed large caps by declining over 20%. On a relative basis, the Dow fared the best of major U.S. indexes, losing only around 7%—a runaway performance compared to the tech-heavy Nasdaq Composite carnage of -33%. Globally, returns were generally paltry as an aggregate of all other Equities globally (represented by the MSCI All Country World Index excluding the U.S.) fell 15%. The MSCI Emerging Markets Index ended some 22% lower and in line with the MSCI China Index. Outside of Equities, bonds offered little ballast, with the benchmark Bloomberg U.S. Aggregate Bond Index down more than 13%, shaping up as its worst performance since the index's inception in 1976. Among the wreckage, there were a few notable bright spots. Gold being flat on the year was a relative winner, cash was anything but trash, the dollar, while on a tear for most of last year, finished up 8%, and Bloomberg Commodity Index boomed 14%.

Given the inherited shocks and crosscurrents of last year, Equities limped into 2023 with little visibility for the New Year. But 2023 will be a tail of two halves, in our opinion—choppy and volatile over the first half as growth and earnings reset with the back half of the year benefiting from a pause in the Fed hiking cycle, the rollover in inflation, and improving/forward-looking economic and earnings prospects for 2024.

Investment Implications

We begin the year having a more defensive Equity positioning while maintaining a preference for Fixed Income. Other preferences include Value to Growth, Large-caps to Small-caps, and the U.S. to the rest of the world.

Exhibit 2: S&P 500 Performance 1928-2022.



Source: Bloomberg. Data through December 2022. **Past performance is no guarantee of future results.** It is not possible to invest in an index..

MARKETS IN REVIEW

Equities

	Total Return in USD (%)			
	Current	WTD	MTD	YTD
DJIA	33,147.25	-0.2	-4.1	-6.9
NASDAQ	10,466.48	-0.3	-8.7	-32.5
S&P 500	3,839.50	-0.1	-5.8	-18.1
S&P 400 Mid Cap	2,430.38	-0.1	-5.5	-13.1
Russell 2000	1,761.25	0.1	-6.5	-20.4
MSCI World	2,602.69	-0.1	-4.2	-18.1
MSCI EAFE	1,943.93	0.1	0.1	-14.5
MSCI Emerging Markets	956.38	0.3	-1.4	-20.1

Fixed Income†

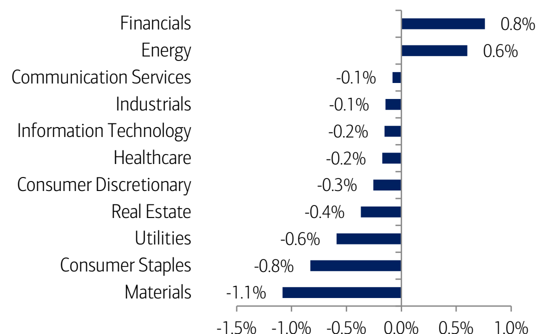
	Total Return in USD (%)			
	Current	WTD	MTD	YTD
Corporate & Government	4.65	-0.60	-0.47	-13.58
Agencies	4.58	-0.20	-0.05	-7.87
Municipals	3.55	-0.26	0.29	-8.53
U.S. Investment Grade Credit	4.68	-0.65	-0.45	-13.01
International	5.42	-0.71	-0.44	-15.76
High Yield	8.96	-0.93	-0.62	-11.19
90 Day Yield	4.34	4.28	4.32	0.03
2 Year Yield	4.43	4.32	4.31	0.73
10 Year Yield	3.87	3.75	3.61	1.51
30 Year Yield	3.96	3.82	3.74	1.90

Commodities & Currencies

	Total Return in USD (%)			
Commodities	Current	WTD	MTD	YTD
Bloomberg Commodity	245.89	0.3	-2.4	16.1
WTI Crude $/Barrel††	80.26	0.9	-0.4	6.7
Gold Spot $/Ounce††	1824.02	1.4	3.1	-0.3

	Total Return in USD (%)			
Currencies	Current	Prior Week End	Prior Month End	2020 Year End
EUR/USD	1.07	1.06	1.04	1.14
USD/JPY	131.12	132.91	138.07	115.08
USD/CNH	6.92	7.00	7.05	6.36

S&P Sector Returns



Sources: Bloomberg; Factset. Total Returns from the period of 12/26/2022 to 12/30/2022. †Bloomberg Barclays Indices. ††Spot price returns. All data as of the 12/30/2022 close. Data would differ if a different time period was displayed. Short-term performance shown to illustrate more recent trend. **Past performance is no guarantee of future results.**

Economic Forecasts (as of 12/30/2022)

	Q4 2022A	2022A	Q1 2023E	Q2 2023E	Q3 2023E	Q4 2023E	2023E
Real global GDP (% y/y annualized)	-	3.4*	-	-	-	-	2.3
Real U.S. GDP (% q/q annualized)	0.5*	1.9*	-1.0	-2.0	-1.5	1.0	-0.3
CPI inflation (% y/y)	7.2*	8.0*	5.4	3.9	3.3	2.9	4.0
Core CPI inflation (% y/y)	6.0*	6.2*	5.2	4.3	3.3	2.8	4.3
Unemployment rate (%)	3.7*	3.7*	3.7	4.2	4.8	5.4	4.5
Fed funds rate, end period (%)	4.33	4.33	5.13	5.13	5.13	4.88	4.88

The forecasts in the table above are the base line view from BofA Global Research. The Global Wealth & Investment Management (GWIM) Investment Strategy Committee (ISC) may make adjustments to this view over the course of the year and can express upside/downside to these forecasts. Historical data is sourced from Bloomberg, FactSet, and Haver Analytics. **There can be no assurance that the forecasts will be achieved. Economic or financial forecasts are inherently limited and should not be relied on as indicators of future investment performance.**

A = Actual. E/* = Estimate.

Sources: BofA Global Research; GWIM ISC as of December 30, 2022.

Asset Class Weightings (as of 12/6/2022)

	CIO View				
Asset Class	Underweight		Neutral	Overweight	
Global Equities	·	·	●	·	·
U.S. Large Cap Growth	·	·	●	·	·
U.S. Large Cap Value	·	·	·	●	·
US. Small Cap Growth	·	·	●	·	·
US. Small Cap Value	·	·	●	·	·
International Developed	·	●	·	·	·
Emerging Markets	·	·	●	·	·
Global Fixed Income	·	·	·	●	·
U.S. Governments	·	·	●	·	·
U.S. Mortgages	·	·	●	·	·
U.S. Corporates	·	·	·	●	·
High Yield	·	●	·	·	·
U.S. Investment Grade Tax Exempt	·	·	●	·	·
U.S. High Yield Tax Exempt	·	●	·	·	·
International Fixed Income	·	·	●	·	·
Alternative Investments*					
Hedge Funds					
Private Equity					
Real Assets					
Cash					

CIO Equity Sector Views

	CIO View				
Sector	Underweight		Neutral	Overweight	
Energy	·	·	·	●	·
Utilities	·	·	·	●	·
Healthcare	·	·	·	●	·
Financials	·	·	·	●	·
Real Estate	·	·	·	●	·
Information Technology	·	·	●	·	·
Consumer Staples	·	·	●	·	·
Industrials	·	·	●	·	·
Materials	·	●	·	·	·
Consumer Discretionary	●	·	·	·	·
Communication Services	●	·	·	·	·

*Many products that pursue Alternative Investment strategies, specifically Private Equity and Hedge Funds, are available only to qualified investors. CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio. Source: Chief Investment Office as of December 6, 2022. All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

MSCI All Country World Index (x-U.S.) captures large and mid-cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries.

MSCI Emerging Markets Index is a selection of stocks that is designed to track the financial performance of key companies in fast-growing nations.

MSCI China Index measures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges.

Bloomberg U.S. Aggregate Bond Index is a broad base, market capitalization-weighted bond market index representing intermediate term investment grade bonds traded in the United States.

Dow Jones Industrial Average Index is a stock market index of 30 prominent companies listed on stock exchanges in the United States.

Russell 2000 Index is a small-cap stock market index that makes up the smallest 2,000 stocks in the Russell 3000 Index.

Nasdaq Composite is a stock market index that includes almost all stocks listed on the Nasdaq stock exchange.

NASDAQ is the most active stock trading venue in the US by volume and ranked second on the list of stock exchanges by market capitalization of shares traded, behind the New York Stock Exchange.

Energy, Materials, Consumer Discretionary, Healthcare, Information Technology, Communication Services, Real Estate, Manufacturing/S&P 500 Global Industry Classification Standard (GICS®) is standardized system of categorizing companies into sectors and industries. GICS is used globally by market participants to classify domestic stock and international investment instruments.

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