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CHIEF INVESTMENT OFFICE

Educational Series

Staying the Course: A Disciplined Financial Strategy Roadmap

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AUTHORED BY:

Chief Investment Office

In extraordinary times, market volatility can tend to rise to extremes and create extended periods of concern for investors. We have experienced many of these episodes just in the past two decades, let alone over the course of history. With such an interconnected and, at times, unknown world, how can you plan for this reset period and as we eventually head toward a new cycle? In this report, we discuss a number of important elements to review when assessing your portfolio and the potential adjustments to consider.

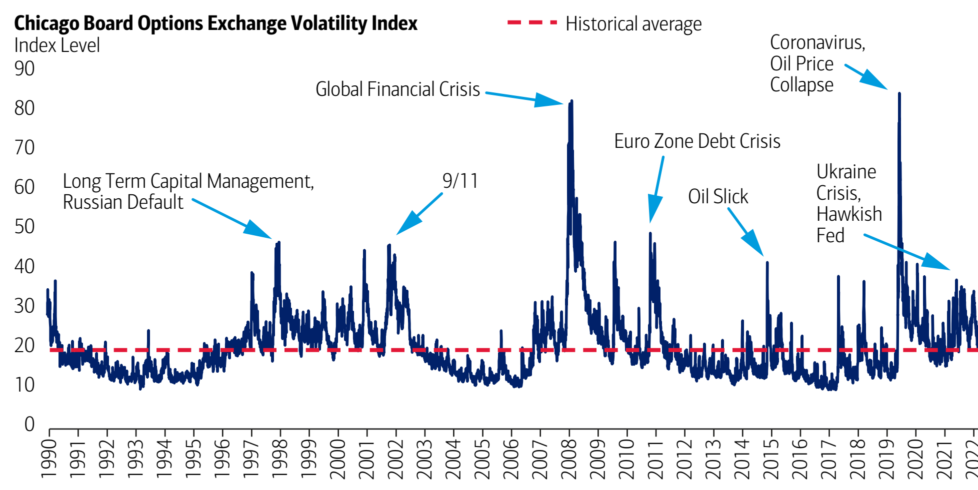
Investing would be so much easier if you could plan for your financial future against a backdrop of market and geopolitical stability. Unfortunately, the reality is far different. Industries or geographical regions that appear to be safe havens may be disrupted by a health crisis, political unrest or game-changing innovation.

In our view, the key principles that help ensure that your portfolio will remain properly aligned to your long-term financial strategy during periods of market volatility include:

- Staying disciplined with a goals-based plan
- Maintaining a diversified portfolio and adequate liquidity
- Considering a defined portfolio rebalancing strategy

Volatility, as measured by the Chicago Board Options Exchange (CBOE) Volatility Index (VIX), surged to its highest level on record at the start of the pandemic amid the sharp risk-off shock (Exhibit 1).

Exhibit 1: Market Volatility and Times of Crisis.



Sources: Bloomberg; Chief Investment Office as of December 30, 2022. **Past performance is no guarantee of future results.**

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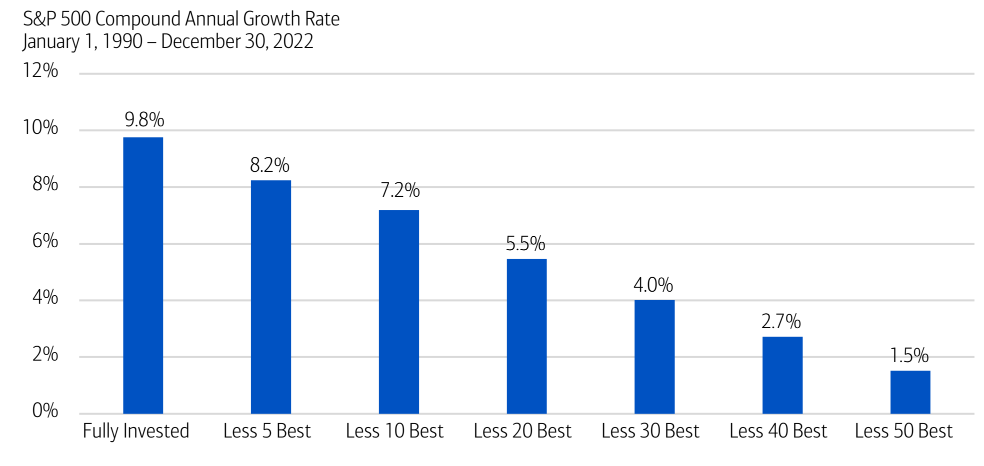
During periods of uncertainty, it is important to have a goals-based plan and stay invested.

Investors who work with their advisor to develop a goals-based plan generally exercise a more disciplined approach to investing and rebalancing. By doing so, the realization of goals such as early retirement, funding a dependent's college cost or home purchase, can become more likely, even as markets experience episodic turbulence.

Adhering to a disciplined investment process that provides an optimal mix of diversified assets helps to raise the probability of achieving an investor's long term financial goals.

It is time in the market, not timing the market. Indiscriminately pulling back from the market due to market volatility could negatively affect your investment and financial goals. Market timing is not a successful strategy, in our view, given that two difficult decisions must be made: when to get out and when to get back in. As shown in Exhibit 2, missing the best days of performance could impair returns. Extending out investment time horizons has also historically helped to reduce average equity return volatility (Exhibit 3).

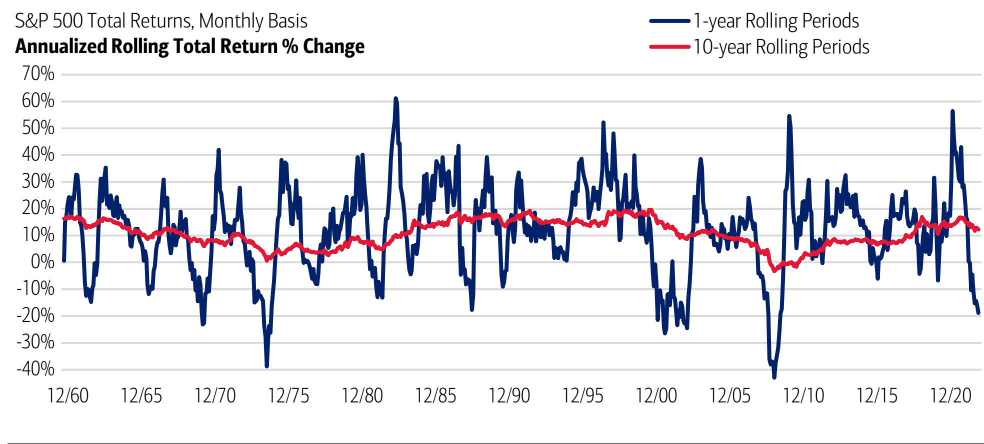
Exhibit 2: Excluding the Best Days of Performance for the S&P 500 Drastically Cuts Down Returns.



Sources: Bloomberg, Chief Investment Office. Data as of December 30, 2022. **FOR INFORMATIONAL PURPOSES ONLY. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Past performance is no guarantee of future results. Please refer to index definitions and important disclosures at the end of this report.**

The coronavirus crisis demonstrated the challenge with trying to time the market. Generally, the S&P 500's best days follow its worst. 2020 was no exception. The S&P 500 fell 9.5% on March 12, 2020, but quickly rebounded the next day, gaining 9.3%.

Exhibit 3: Lengthening Time Horizons Have Helped To Reduce Equity Return Volatility.



Source: FactSet. Data as of December 30, 2022. **Past performance is no guarantee of future results.** Please refer to index definitions and important disclosures at the end of this report.

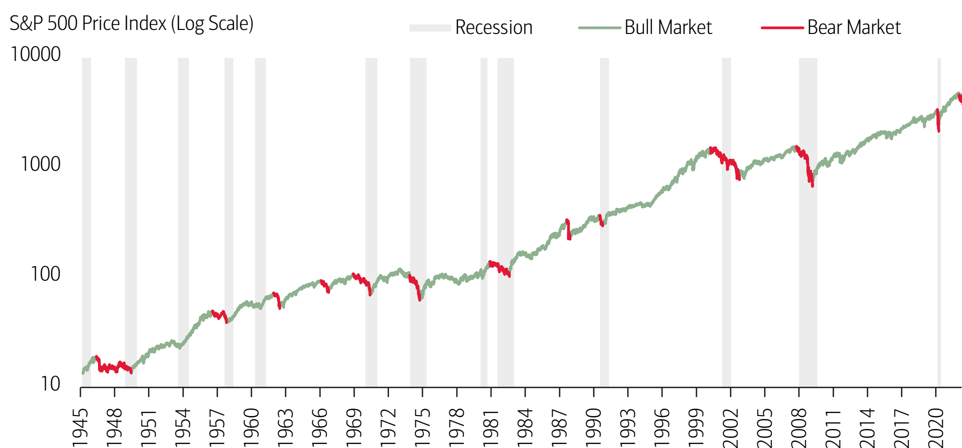
To further emphasize this point, Exhibits 4 and 5 show that, while exogenous shocks can have major negative effects on equities, markets have historically rebounded once uncertainty abates and fundamentals start to improve.

Exhibit 4: Recent Historical Dislocations and Rebounds In The Equity Market.

Market Event	S&P 500 Drawdown	EPS* Contraction	Length of Drawdown (Days)	Length to Recovery (Days)
1987: Black Monday	-21%	14%	49	321
1998: Russian Default and LTCM Collapse	-19%	0%	45	84
2000-2002: Dot-Com Bubble	-49%	-10%	929	1694
2001: September 11 Attacks	-12%	0%	11	20
2008-2009: Global Financial Crisis	-57%	-32%	517	1480
2011-2012: Euro Zone Debt Crisis	-19%	5%	157	144
2015-2016 Oil Slick	-14%	-3%	266	151
2018 Recession Scare	-20%	6%	95	120
2020 Coronavirus	-34%	0%	33	148

Note: Drawdowns for the S&P 500 for Black Monday and 9/11 are based on the day before the event. *Earnings Per Share (EPS) Contraction captures the fluctuations in earnings growth from peak to trough. The length of recovery is illustrated as the number of days it takes the broad equity market (S&P 500) to reach or surpass its previous peak from the trough level. The subsequent 12-month return depicts the performance since the equity market troughed. Sources: Chief Investment Office; Bloomberg as of December 30, 2022. **Past performance is no guarantee of future results.** Please refer to index definitions and important disclosures at the end of this report.

Exhibit 5: Time Can Be Healing for Equity Markets.



Note: Recession periods are defined by the National Bureau of Economic Research, and start at the peak month and end at the trough month of a business cycle. Bear markets describe conditions when the S&P 500 fell by 20% or more from a recent high. Bull markets describe the upward trending condition following a bear market contraction. Source: Bloomberg. Data as of December 30, 2022. **Past performance is no guarantee of future results.** Please refer to index definitions and important disclosures at the end of this report.

Asset allocation and diversification can help weather periods of uncertainty

The importance of asset allocation and diversification. It has been widely recognized that asset allocation is at the heart of a successful investment strategy.[1] Asset allocation entails diversifying across asset classes to help achieve your financial goals in a manner consistent with your time horizon, risk tolerance and liquidity needs. An effective asset allocation "smoothes the ride" through diversification, which helps reduce the overall impact of a drastic increase or decline in the value of one asset class (Exhibit 6).

Asset allocation and diversification do not ensure a profit or protect against loss in declining markets.

[1] Ibbotson, R. G., 2010, "The Importance of Asset Allocation." Financial Analysts Journal 66(2):18-20

Exhibit 6: Performance Fluctuations Across Asset Classes.

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2013 – 2022	
										Annualized Return	**Annualized Volatility**
U.S. Small cap Growth 43.30%	U.S. Large cap Value 13.45%	U.S. Large cap Growth 5.67%	U.S. Small cap Value 31.74%	Emerging Markets 37.28%	International Fixed Income 3.17%	U.S. Large cap Growth 36.39%	U.S. Large cap Growth 38.49%	U.S. Small cap Value 28.27%	Inflation 6.84%	U.S. Large cap Growth 14.10%	Cash 0.48%
U.S. Small cap Value 34.52%	U.S. Large cap Growth 13.05%	U.S. Mortgage Backed 1.46%	High Yield Fixed Income 17.34%	U.S. Large cap Growth 30.21%	Cash 1.87%	U.S. Small cap Growth 28.48%	U.S. Small cap Growth 34.63%	U.S. Large cap Growth 27.60%	Cash 1.46%	U.S. Large cap Value 10.29%	Inflation 1.87%
U.S. Large cap Growth 33.48%	International Fixed Income 9.07%	International Fixed Income 1.35%	U.S. Large cap Value 17.34%	International Equity 24.21%	Inflation 1.68%	U.S. Large cap Value 26.54%	Emerging Markets 18.31%	U.S. Large cap Value 25.16%	U.S. Large cap Value -7.54%	U.S. Small cap Growth 9.20%	U.S. Mortgage Backed 3.67%
U.S. Large cap Value 32.53%	U.S. Corporate Master 7.51%	U.S. Government & Quasi 0.84%	U.S. Small cap Growth 11.32%	U.S. Small cap Growth 22.17%	U.S. Mortgage Backed 1.00%	International Equity 22.49%	60/40% Allocations 12.76%	International Equity 12.62%	High Yield Fixed Income -11.10%	U.S. Small cap Value 8.48%	International Fixed Income 3.92%
International Equity 21.02%	U.S. Mortgage Backed 6.07%	Inflation 0.73%	Emerging Markets 11.19%	60/40% Allocations 15.80%	U.S. Government & Quasi 0.83%	U.S. Small cap Value 22.39%	U.S. Corporate Master 9.81%	60/40% Allocations 10.51%	U.S. Mortgage Backed -11.88%	60/40% Allocations 5.36%	U.S. Government & Quasi 5.11%
60/40% Allocations 12.87%	U.S. Government & Quasi 5.88%	Cash 0.05%	U.S. Large cap Growth 7.08%	U.S. Large cap Value 13.66%	U.S. Large cap Growth -1.51%	60/40% Allocations 19.45%	U.S. Government & Quasi 8.16%	Inflation 7.04%	International Fixed Income -11.89%	International Equity 4.59%	U.S. Corporate Master 6.67%
High Yield Fixed Income 7.38%	U.S. Small cap Growth 5.60%	U.S. Corporate Master -0.63%	U.S. Corporate Master 5.96%	U.S. Small cap Value 7.84%	U.S. Corporate Master -2.25%	Emerging Markets 18.42%	International Equity 7.59%	High Yield Fixed Income 5.29%	U.S. Government & Quasi -12.74%	High Yield Fixed Income 3.94%	High Yield Fixed Income 8.48%
Inflation 1.51%	60/40% Allocations 4.88%	60/40% Allocations -1.20%	60/40% Allocations 5.78%	High Yield Fixed Income 7.48%	High Yield Fixed Income -2.26%	High Yield Fixed Income 14.40%	High Yield Fixed Income 6.20%	U.S. Small cap Growth 2.83%	International Equity -14.29%	Inflation 2.62%	60/40% Allocations 9.82%
International Fixed Income 1.33%	U.S. Small cap Value 4.22%	U.S. Small cap Growth -1.38%	International Fixed Income 5.19%	U.S. Corporate Master 6.48%	60/40% Allocations -5.64%	U.S. Corporate Master 14.23%	U.S. Small cap Value 4.63%	Cash 0.05%	U.S. Small cap Value -14.48%	U.S. Corporate Master 2.01%	U.S. Large cap Value 15.74%
Cash 0.07%	High Yield Fixed Income 2.45%	International Equity -3.04%	International Equity 2.75%	International Fixed Income 2.51%	U.S. Large cap Value -8.27%	International Fixed Income 7.57%	International Fixed Income 4.20%	U.S. Corporate Master -0.95%	U.S. Corporate Master -15.44%	International Fixed Income 1.93%	International Equity 16.12%
U.S. Mortgage Backed -1.39%	Inflation 0.76%	U.S. Large cap Value -3.83%	Inflation 2.07%	U.S. Mortgage Backed 2.45%	U.S. Small cap Growth -9.31%	U.S. Government & Quasi 6.95%	U.S. Mortgage Backed 4.09%	U.S. Mortgage Backed -1.21%	60/40% Allocations -16.22%	Emerging Markets 1.43%	U.S. Large cap Growth 17.39%
U.S. Corporate Master -1.46%	Cash 0.03%	High Yield Fixed Income -4.55%	U.S. Mortgage Backed 1.67%	U.S. Government & Quasi 2.42%	U.S. Small cap Value -12.86%	U.S. Mortgage Backed 6.51%	U.S. Large cap Value 2.80%	International Fixed Income -1.67%	Emerging Markets -20.09%	Cash 0.76%	Emerging Markets 17.98%
Emerging Markets -2.60%	Emerging Markets -2.19%	U.S. Small cap Value -7.47%	U.S. Government & Quasi 1.15%	Inflation 2.24%	International Equity -14.09%	Inflation 2.29%	Inflation 1.30%	U.S. Government & Quasi -2.33%	U.S. Small cap Growth -26.36%	U.S. Mortgage Backed 0.75%	U.S. Small cap Value 22.29%
U.S. Government & Quasi -3.21%	International Equity -4.32%	Emerging Markets -14.92%	Cash 0.33%	Cash 0.86%	Emerging Markets -14.58%	Cash 2.28%	Cash 0.67%	Emerging Markets -2.54%	U.S. Large cap Growth -29.14%	U.S. Government & Quasi 0.62%	U.S. Small cap Growth 22.34%

Source: Morningstar Direct & CIA System. 60% Stocks=MSCI All Country World Index (ACWI) and 40% Bonds= Bloomberg US Aggregate Bond Index. Income and dividends are included in all returns figures. Excludes alternative investments. Data as of December 31, 2022. **FOR INFORMATIONAL PURPOSES ONLY.** Results shown are based on an index and are illustrative; they assume reinvestment of income and no transaction costs or taxes. Indexes are unmanaged. Direct investment cannot be made in an index. **Past performance is no guarantee of future results. Please refer to asset class proxies, index definitions and important disclosures at the end of this report.**

Don't overlook liquidity. A thoughtful approach for managing liquidity is essential to funding unexpected needs while limiting the need to sell assets at unfavorable prices and adverse tax implications. During periods of crisis, investors may find themselves in a predicament needing to liquidate assets for purposes of funding a gap—this may tilt correlations unfavorably higher and assets that are not supposed to move in lockstep. In periods of crisis, having enough cash to meet essential living expenses and avoid liquidation of invested assets is critical. We have found that having about 18 to 36 months of near-term cash flow needs in a highly liquid short-duration fixed income portfolio may help overcome short-term market shocks while helping risk assets to recover.

While painful, market pullbacks are normal. Diversification is a powerful tool in environments of uncertainty.

Monitor your portfolio and maintain a disciplined plan

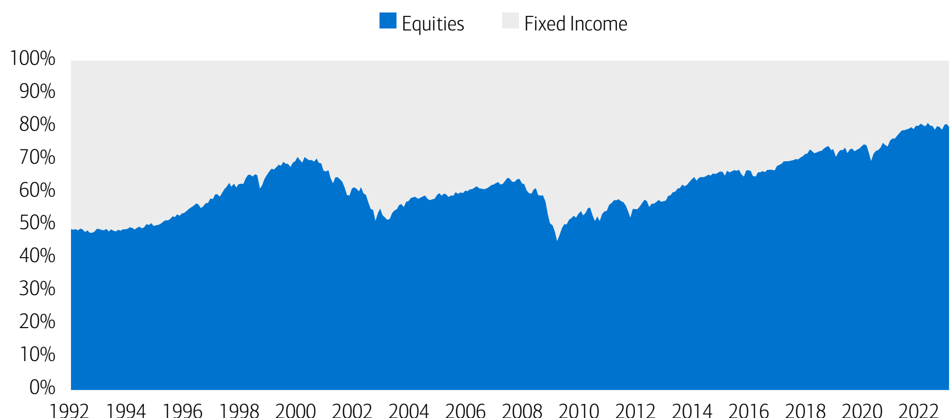
Rebalancing can make a difference. Portfolio rebalancing is a critical but often overlooked part of the investment process to facilitate de-risking, and re-risking. Rebalancing helps portfolios maintain an appropriate risk tolerance, helps lock in profits and facilitates asset purchases at potentially lower relative valuations. At the same time, rebalancing may entail certain costs, such as transaction fees, realizing capital gains and potential performance drag.

Rebalancing is a critical part of our investment process.

Asset allocation and diversification do not ensure a profit or protect against loss in declining markets.

Portfolio “drift” can be another reason to consider rebalancing (Exhibit 7). Over time, portfolio weights often diverge or “drift” from their initial targets due to differences in asset class performance, resulting in a materially different risk profile. For some, staying the course may mean taking no action at all and just simply allowing the portfolio risk-premiums to operate unconstrained through the diversified asset allocation. Sometimes “drift” may work to your advantage and rebalancing or attempting to time a rebalance may prove challenging and in some cases may lock in prices before they’ve had an opportunity to fully appreciate (Exhibit 8).

Exhibit 7: Portfolio “Drift” and Asset Weightings (1992 to 2022).



Sources: Chief Investment Office, Bloomberg as of December 30, 2022. Note: Equities: S&P 500 Total Return Index; Fixed Income: Bloomberg U.S. Aggregate Total Return Bond Index.

Exhibit 8: Effects of Portfolio Rebalancing (1992 to 2022)

	Rebalanced Portfolio	Non-Rebalanced Portfolio
Volatility	7.8%	9.8%
Max Drawdown	29.9%	31.1%

Sources: Chief Investment Office. Bloomberg. Data as of 2022. Note: Equities and Fixed Income represented by the S&P 500 Total Return Index and Bloomberg U.S. Aggregate Total Return Bond Index, respectively. Calculations are based on monthly returns, are gross of fees and does not take into account tax implications. The rebalanced portfolio represents a portfolio rebalanced on an annual basis to an equal-weighted portfolio (50% Equities, 50% Fixed Income). “Volatility” is measured as the annualized standard deviation and “Max Drawdown” is the maximum peak-to-trough percentage decline in value experienced during the given period. **Past performance is no guarantee of future results.** Please refer to index definitions and important disclosures at the end of this report.

Another technique worth exploring is dollar-cost averaging (DCA). DCA is a technique through which a fixed dollar amount is deployed on a regular basis, thus accumulating assets without trying to time a market entry point. Many investors may not even realize that they are often already employing such a technique through regular contributions to their 401(k) or perhaps a 529 plan. The thinking is that purchasing at pre-specified intervals can smooth out the entry price of that particular asset. DCA can help investors avoid investing too much when the market is high and too little when the market is low.

While DCA may not produce a higher return over a long time horizon when compared to lump sum investing, it may help to reduce investor stress during periods of market turmoil and fear, which may help prevent rash decisions to sell investments at a suboptimal time.[2]

[2] Smith, G. and Artigue H. M., “Another Look at Dollar Cost Averaging.” Journal of Investing, Summer 2018.

Exhibit 9: CIO Implementation Options

	Key Considerations
Periodic Rebalancing	• This involves checking on your portfolio at a preset time each year or quarter and making any necessary adjustments. • Keep in mind market volatility doesn't follow a schedule—you might find yourself rebalancing after a calm period during which not much has changed or waiting too long to address a particularly volatile market.
Tolerance Band Rebalancing	• This involves committing to making adjustments every time an asset rises or falls outside of a limit, or tolerance band, you establish—for example, a change of 5% in either direction. • Requires more diligent monitoring of the portfolio and greater adherence to discipline. • During volatile markets, the tolerance band method can be more expensive than periodic rebalancing because you could be buying and selling more frequently and potentially incurring more in trading costs.
Dollar-cost Averaging	• This involves investing a fixed dollar amount on a regular basis, thus accumulating assets without trying to time a market entry point.
Portfolio "Drift"	• Involves setting the right strategic asset allocation target and rather than rebalancing, allowing the portfolio to naturally "drift." • Process is considered easy to execute and helps remove timing decisions.

Asset allocation and diversification do not ensure a profit or protect against loss in declining markets. Keep in mind that dollar cost averaging cannot guarantee a profit or prevent a loss. Since such an investment plan involves continual investment in securities regardless of fluctuating price levels, you should consider your willingness to continue purchasing during periods of high or low price levels.

It is important to keep in mind that rebalancing should be viewed as a process, not a single-point-in-time exercise or an attempt to pick a market bottom. Also, as investing goals and time horizons change due to life events, you can work with your advisor to adjust your target asset allocation and DCA practices, as appropriate.

Combination strategies. During periods of heightened volatility, a combination of rebalancing and DCA is worth considering. For example, if a portfolio experiences significant "drift" due to rapidly changing market conditions, employing rebalancing and DCA techniques may help with re-risking, as well as with navigating through a bottoming process. As we have indicated, bottoming processes in markets take time and require, in our view, a period of assessment as new information and insight is realized and developed. Some more tactical investors may want to consider utilizing a combination strategy that includes an examination of volatility in the capital markets, the nature of the current business cycle, what the markets may or may not be discounting, and the prospects for a potential recovery in the broader economy. A combination strategy, in our opinion, should still maintain discipline, diversification characteristics, and components that are consistent with your overall risk profile and objectives.

CONCLUSION

At this point in the cycle, sift through the noise and identify the improvement factors. While every economic cycle and market dislocation is unique, equity markets over the medium term tend to be driven by underlying fundamentals including economic activity, corporate earnings, inflation, monetary and fiscal policy, and the level of interest rates. Headline noise or sentiment-driven market volatility tend to steer the market only in the short term and may not fully reveal the pillars driving the market forward over the longer term.

Given the "borderless" walls of finance, the perpetual changes in the investment landscape, and the potential for periods of extreme volatility to occur without notice, we believe it is important for investors to be prepared well ahead of the development of a potential "valley," so as you work through this reset period, you can potentially take advantage of the opportunities that unfold over time.

To recap, although geopolitical events and market volatility are beyond our control, there are steps that investors can take to weather periods of turbulence:

- Develop a goals-based plan and stay invested
- Maintain a well-diversified portfolio and adequate liquidity
- Adjust and rebalance your portfolio to align with your target asset allocation and goals

Your advisor can help guide you through these steps and the "all-season" resources of the Chief Investment Office that can be utilized to keep you on track.

Asset Class Proxies and 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 dollars.

Cash: IA SBBI US 30 Day TBill TR USD & BofA U.S. Treasury Bills 3 months is the source from 1926 to 1976. Each month a one-bill portfolio containing the shortest-term bill having not less than one month to maturity is constructed. (The bill's original term to maturity is not relevant). The ICE BofA Global Research US 3-Month Treasury Bill Index is comprised of a single issue 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 issue selected at each month-end rebalancing is the outstanding Treasury Bill that matures closest to, but not beyond, three months from the rebalancing date. To qualify for selection, an issue must have settled on or before the month-end rebalancing date.

International Equity: MSCI Daily TR Net World Ex USA USD captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries – excluding the United States. The index covers approximately 85% of the free float-adjusted market capitalization in each country.

Emerging Markets: MSCI Daily TR Net EM USD captures large and mid cap representation across 23 Emerging Markets countries and targets coverage of approximately 85% of the free float adjusted market capitalization in each country.

International Fixed Income: ICE BofA Global Broad Market TR ex USD (Hedged) tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities, excluding all securities denominated in US dollars.

USD High Yield: ICE BofA High Yield Cash Pay tracks the performance of US dollar denominated below investment grade corporate debt, currently in a coupon paying period, that is publicly issued in the US domestic market.

Inflation: IA SBBI US Inflation is used to measure inflation, which is the rate of change of consumer goods prices. All inflation measures are constructed by the U.S. Department of Labor, Bureau of Labor Statistics, Washington.

Stocks: MSCI All Country World Index (ACWI) is a stock index designed to track broad global equity-market performance.

US Large Cap Growth: Russell 1000 Growth Total Return Russell 1000 Growth Total Return measures the performance of the large-cap growth segment of the U.S. equity universe. It includes those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

US Large Cap Value: Russell 1000 Value Total Return Russell 1000 Value Total Return measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values.

US Small Cap Growth: Russell 2000 Growth Total Return measures the performance of the small- cap growth segment of the US equity universe.

US Small Cap Value: Russell 2000 Value Total Return measures the performance of the 2,000 smaller companies that are included in the Russell 3000 Index, which itself is made up of nearly all U.S. stocks.

US Governments FI: ICE BofA Global Govt Bond Index + ICE BofA Global Large Cap Quasi-Govt Index (Hedged) tracks the performance of publicly issued investment grade sovereign debt denominated in the issuer's own domestic currency. The ICE BofA Global Large Cap Quasi-Government Index tracks the performance of large capitalization investment grade quasi-government debt publicly issued in the major domestic and euro-bond markets, including agency, foreign government, local government, supranational and government guaranteed securities. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch).

US FI Corporates: ICE BofA U.S. Corporate Index tracks the performance of U.S. dollar-denominated Investment Grade corporate public debt issued in the U.S. domestic bond market. Qualifying bonds must have at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of $150 million. Bonds must be rated Investment Grade based on a composite of Moody's and S&P.

US Mortgages: ICE BofA US Mortgage Backed Securities Index tracks the performance of US dollar denominated fixed rate and hybrid residential mortgage pass-through securities publicly issued by US agencies in the US domestic market. 30-year, 20-year, 15-year and interest-only fixed rate mortgage pools are included in the Index provided they have at least one year remaining term to final maturity and a minimum amount outstanding of at least $5 billion per generic coupon and $250 million per production year within each generic coupon.

Bonds: Bloomberg U.S. Aggregate Bond Index is a market capitalization-weighted index, meaning the securities in the index are weighted according to the market size of each bond type. Most U.S. traded investment grade bonds are represented.

Chicago Board Options Exchange's (CBOE) Volatility Index (VIX), a popular measure of the stock market's expectation of volatility based on S&P 500 index options.

S&P 500 Total Return Index measures the performance of a strategy representing a total return swap on the S&P 500® with gross dividends reinvested.

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Investing involves risk, including the possible loss of principal. Past performance is no guarantee of future results.

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All 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.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Keep in mind that dollar cost averaging cannot guarantee a profit or prevent a loss. Since such an investment plan involves continual investment in securities regardless of fluctuating price levels, you should consider your willingness to continue purchasing during periods of high or low price levels.

Investments discussed have varying degrees of risk. Some of the risks involved with equities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Stocks of small- and mid-cap companies pose special risks, including possible illiquidity and greater price volatility than stocks of larger, more established companies. Bonds are subject to interest rate, inflation and credit risks. Investments in high-yield bonds (junk bonds) may be subject to greater market fluctuations and risk of loss of income and principal than securities in higher rated categories. Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risk are magnified for investments made in emerging market. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. Investing directly in Master Limited Partnerships, foreign equities, commodities or other investment strategies discussed in this document, may not be available to, or appropriate for, clients who receive this document. However, these Investments may exist as part of an underlying investment strategy within exchange-traded funds and mutual funds.

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