CAPITAL MARKETS OUTLOOK

REVIEWING THE QUARTER ENDED March 31, 2023

120 W 45th Street, Suite 3800 | New York, NY 10036
212-867-7647 | www.klingmanria.com

Klingman & Associates, LLC
An Independent Registered Investment Advisor

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By Gerard A. Klingman, CFP®, CLU®, ChFC®
Founder and President

Gerry provides financial planning and investment advisory services to corporate executives, entrepreneurs, professional athletes and other high-net-worth individuals.

Gerry received a bachelor's degree in Economics from Princeton University and attained his Certified Financial Planner™ certification from the College of Financial Planning in 1989. He later earned CLU® and ChFC® designations from the American College, as well as a CFS® designation from the Institute of Business & Finance. He is a member of the Financial Planning Association.

With more than 30 years of experience, Gerry is widely recognized as a leader in the field of financial planning and investment management. Gerry has been consistently ranked on many of the industry's lists of top financial advisers including Barron's Top 100 Independent Advisors, the Financial Times' F400 Top Financial Advisers, and the Forbes ranking of America's Top Wealth Advisors.

April 2023

The coveted Goldilocks economy, which is not too "hot" or too "cold" but just right, continues to be the "holy grail" for investors. Financial markets were volatile in the first quarter of 2023 as investors assessed the temperature of the economy and the Federal Reserve's path going forward. Slower inflation readings clear a path for the Fed to slow the pace of interest rate hikes and normalize monetary policy. February's core PCE index, the Fed's preferred measure of inflation, only increased 0.3% monthly and 4.6% versus a year ago (page 14). Markets have responded positively to the prospect of lower interest rates, as they support consumers, businesses, and overall asset valuations. But the strength of the economy and labor market have proved resilient, making it hard for the Fed to back off its fight against inflation. GDP growth was a healthy +2.6% in the fourth quarter (page 7), but only +0.9% versus a year ago. And there is still excess demand for labor, with monthly job gains (page 10) and the unemployment rate remaining near historic lows at 3.5% (page 9). Markets do not like to fight the Fed.

We were thrown a curveball in March when Silicon Valley Bank unexpectedly failed, provoking broader concerns about the safety of the banking system and the health of the economy. The Federal Reserve, US Treasury and FDIC's quick actions helped stabilize the situation and shore up deposit issues. We believe these issues are now largely controlled and contained to a few mismanaged institutions, and do not see parallels to the Great Financial Crisis given much less leverage and better capitalization across the banking industry. That is not to say serious damage was avoided. Banks are tightening lending standards further to protect their capital bases as deposits flee (page 23). Over the last month, hundreds of billions of dollars have moved out of the regional banking system into larger money center banks, money market funds and Treasuries. These are dollars that regional banks can no longer lend to small and medium-sized businesses, in effect further tightening financial conditions. We believe the Federal Reserve should take note and pause further interest rate hikes until the impact of their policy and the money supply is better known. It is too soon to tell if the economy is running too hot, too cold, or just right.

Continued

Despite this uneven economic backdrop, global equity markets continued their rebound in the first quarter of 2023. US Large Cap Equities, as measured by the S&P 500 Index, returned +7.5% in the first quarter (page 15) and now trade at 17.8x forward earnings (page 16). With corporate earnings season upon us, investors' attention will no longer be predominantly focused on the Fed or the banking crisis. The bad news is that corporate earnings estimates have been revised lower, with 2023 earnings only expected to grow 1% versus 2022. The good news is that this is already well known and has likely been "priced into" current valuations given that the Fed is intentionally slowing the economy. And despite the slowdown in the pace of earnings growth, consensus earnings (page 26) are still expected to grow in 2023 (to $219/sh) and 2024 (to a record high $245/sh). With this longer-term outlook, we remain Neutral weight US Large Cap Equities in our asset allocation models. US Mid Cap Equities (S&P 400 Index) and US Small Cap Equities (S&P 600 Index) returned +3.8% and +2.6% respectively in the first quarter. While smaller businesses are typically less insulated from an economic slowdown, we believe long-term investors are being fairly compensated for these risks with current valuations of 13-14x forward earnings. If signs emerge that the Fed can successfully navigate a soft economic landing, we believe these markets are poised to perform well in response. We remain Neutral weight both US Mid Cap and US Small Cap Equities.

Non-US Developed Equities, as measured by the MSCI EAFE Index, returned +8.6% in the first quarter and are now nearly 30% above their October 2022 lows. Better than expected economic and corporate earnings activity, combined with stronger currencies against the dollar (page 21), have supported these markets. Valuations remain historically and relatively attractive at 12.8x forward earnings with a 3.1% dividend yield. We remain Neutral weight in our models. Non-US Emerging Markets Equities, as measured by the MSCI EM Index, returned +4% for the quarter and now trade at 12.4x forward earnings. The "re-opening" of China's economy has progressed slower than expected, but we believe economic activity and thus corporate earnings should benefit as we progress through 2023. We remain slightly Overweight.

Global Real Estate Income Trusts (REITs) were +1% in the first quarter, as measured by the FTSE Developed Real Estate Index. Since the Federal Reserve started raising interest rates in March 2022, concerns around valuations, borrowing costs and economic activity have weighed heavily on the asset class. Investors are now also assessing the potential impact of regional banks pulling back in commercial real estate lending. However, we believe fundamentals remain relatively strong with both earnings growth expected to continue in 2023 and manageable leverage levels. Valuations remain attractive with public REITs trading at historically wide discounts to net asset value (NAV) and a 4.4% dividend yield (page 27). We remain Neutral weight in our models.

Continued

The Federal Reserve raised short-term interest rates 0.25% at their February and March meetings. With inflation levels trending down, markets now expect the Federal Reserve to hold rates steady at today's 4.75 - 5% target range and eventually reduce them by the end of the year (page 25). This has provided bond investors with some much needed relief after a historically bad year in 2022. The Bloomberg US Aggregate Bond Index was +3% in the first quarter, following a 13% decline last year. Bond yields have generally peaked around the same time as federal funds rates, offering an attractive entry point to long-term bond investors. We remain overweight to high quality bonds in our asset allocation models, which include a mix of Treasuries, Treasury Inflation Protected Securities (TIPs) and Investment Grade Corporates. Attractive yields can be found in lower quality bonds, but tighter credit spreads make these bonds more susceptible to losses if the economy falters (page 19). We remain neutral weight to Strategic Bonds. Cash management has become even more important as short-term rates approach 5%. Our team continues to employ various forms of cash management strategies based on individual client needs (and those of their businesses), including taxable and tax-free institutional money market funds and Treasury Bills.

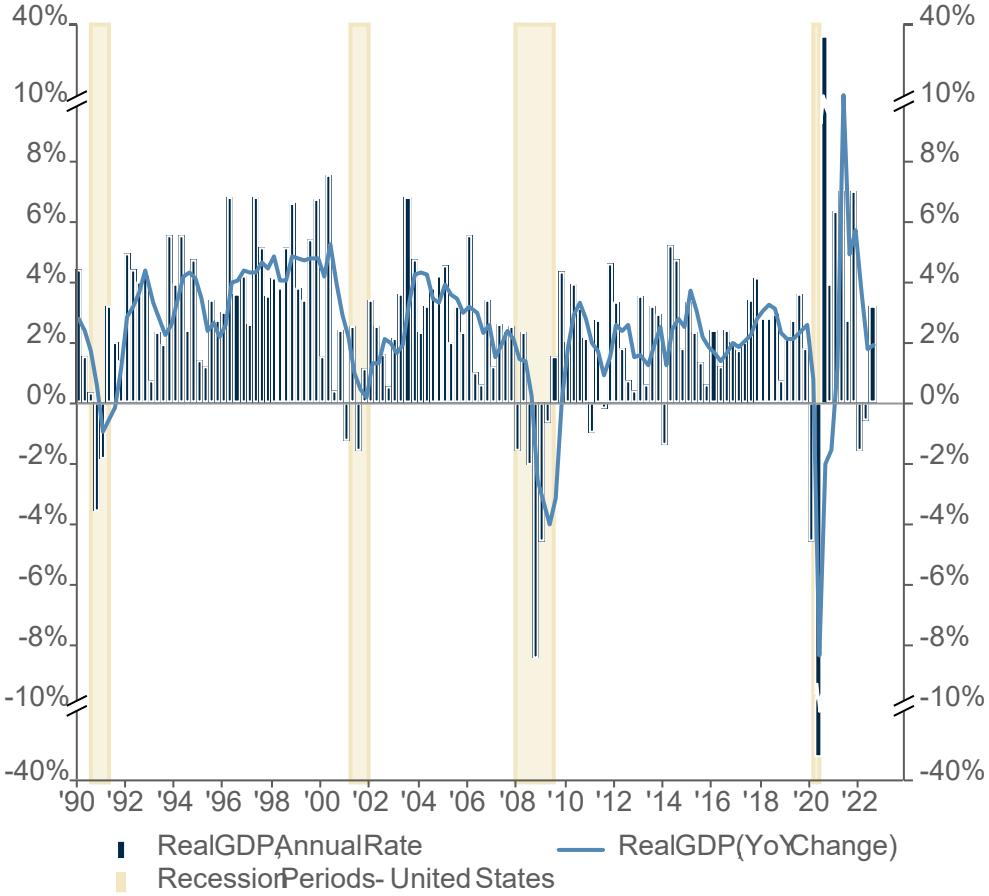
Certainly, 2022 was a dreadful year for investors. But we must not forget the strong rally leading up to it, with US stock markets returning +18% in 2020 and +29% in 2021 as measured by the S&P 500 Index. With the volatility, up and down, we thought it was timely to revisit the illusion of market averages. The US stock market has delivered an annual average return of ~10% since 1926. In reality, these average returns are rarely achieved in a given year. The chart on page 28 shows calendar year returns for the US market since 1926. The market has returned close to the average (we define as a return between 8% and 12%) in only 4 of the past 96 years, or 4% of the time. In most years, the index's return was outside of the range – often above or below by a wide margin – with no obvious pattern. The last three years have been no different. While we cannot predict what 2023 will ultimately bring and whether Goldilocks will find the right temperature for her porridge, we do feel good reviewing portfolios with clients, as we believe many asset classes have attractive valuations that will continue to help them to meet their long-term goals.

TACTICAL OVERLAY TO STRATEGIC ASSET ALLOCATION MODELS

CASH ALTERNATIVES	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
FIXED INCOME			
US INVESTMENT GRADE BOND	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
TIPS	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
STRATEGIC BOND	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
NON-US BOND	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
US STOCKS			
US LARGE CAP EQUITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
US MID CAP EQUITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
US SMALL CAP EQUITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
NON-US STOCKS			
NON-US DEVELOPED MARKETS EQUITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
NON-US EMERGING MARKETS EQUITY	UNDERWEIGHT	NEUTRAL	OVERWEIGHT
ALTERNATIVES			
REAL ESTATE	UNDERWEIGHT	NEUTRAL	OVERWEIGHT

GROSS DOMESTIC PRODUCT

Real gross domestic product (GDP) increased at an annual rate of 2.6 percent in the fourth quarter of 2022 according to the Bureau of Economic Analysis, driven by increases in consumer spending and inventory investment.

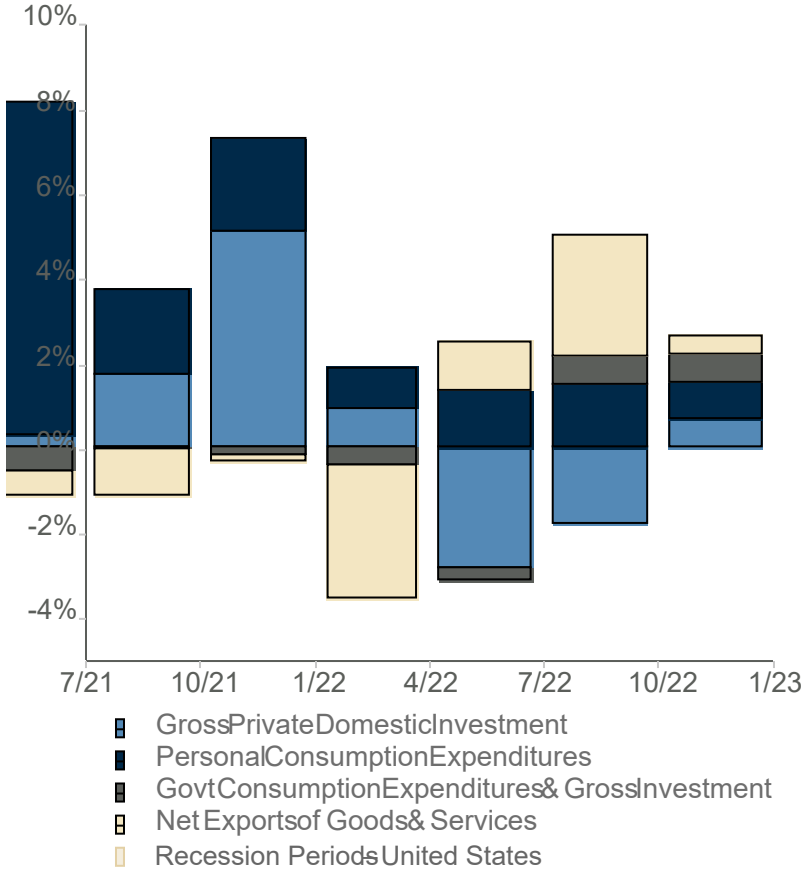


Source: FactSet, as of 12/31/2022

CONTRIBUTIONS TO % CHANGE IN REAL GDP

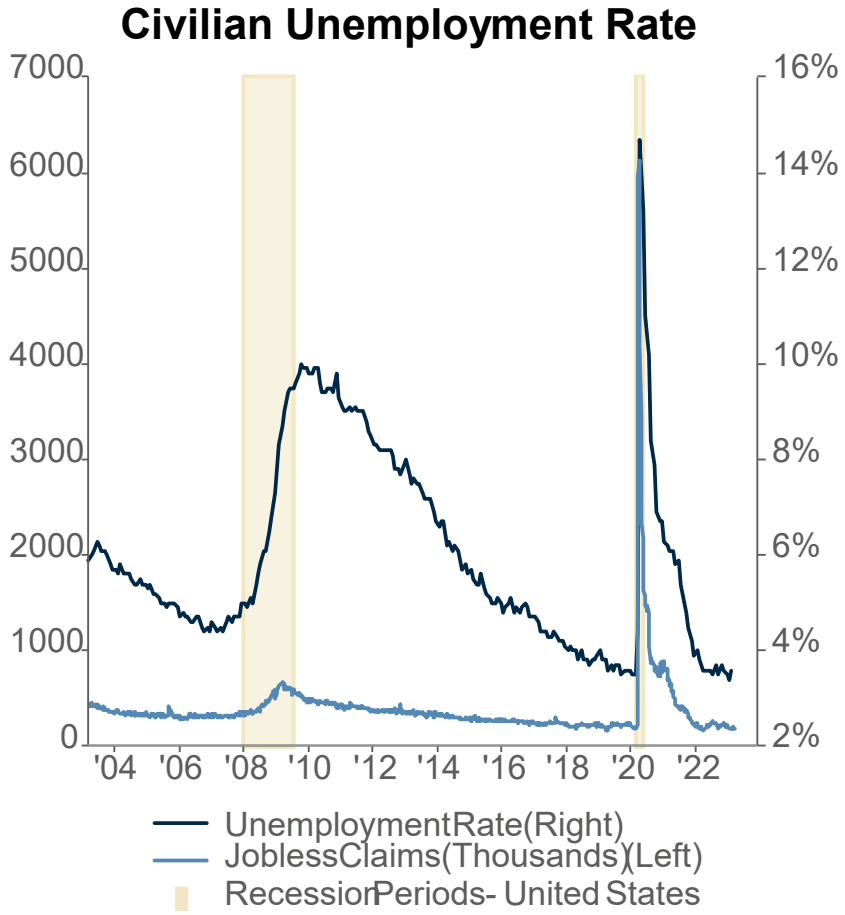
The 2.6% real GDP increase reflected increases in personal and government consumption, gross private domestic investment, and net exports.

Source: FactSet, as of 12/31/2022



EMPLOYMENT

The unemployment rate remained unchanged at 3.5% at the end of the first quarter. While unemployment is low compared with historical levels, concerns around a tight labor market remain. Initial jobless claims are also low by historical standards but trended upward in March, reaching 228,000 at the end of the month.

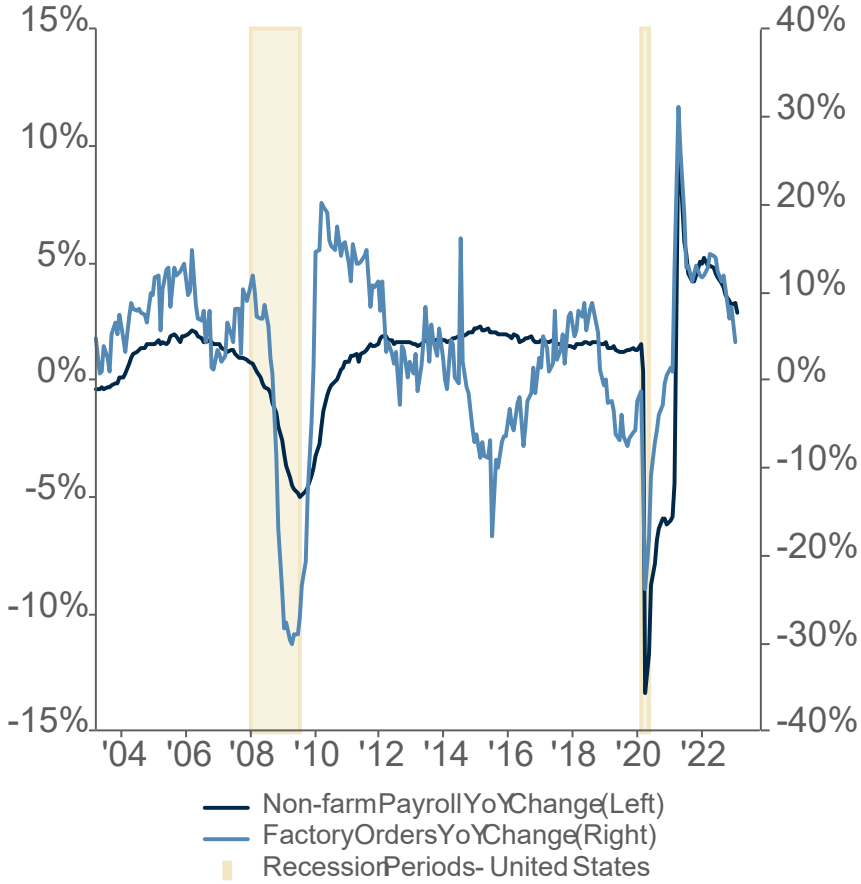


Source: FactSet, as of 3/31/2023

EMPLOYMENT

Non-farm payrolls rose by 236,000 in March, slightly below expectations for an increase of 238,000. This increase reflects additions within leisure and hospitality, government, professional and business services, and health care jobs.

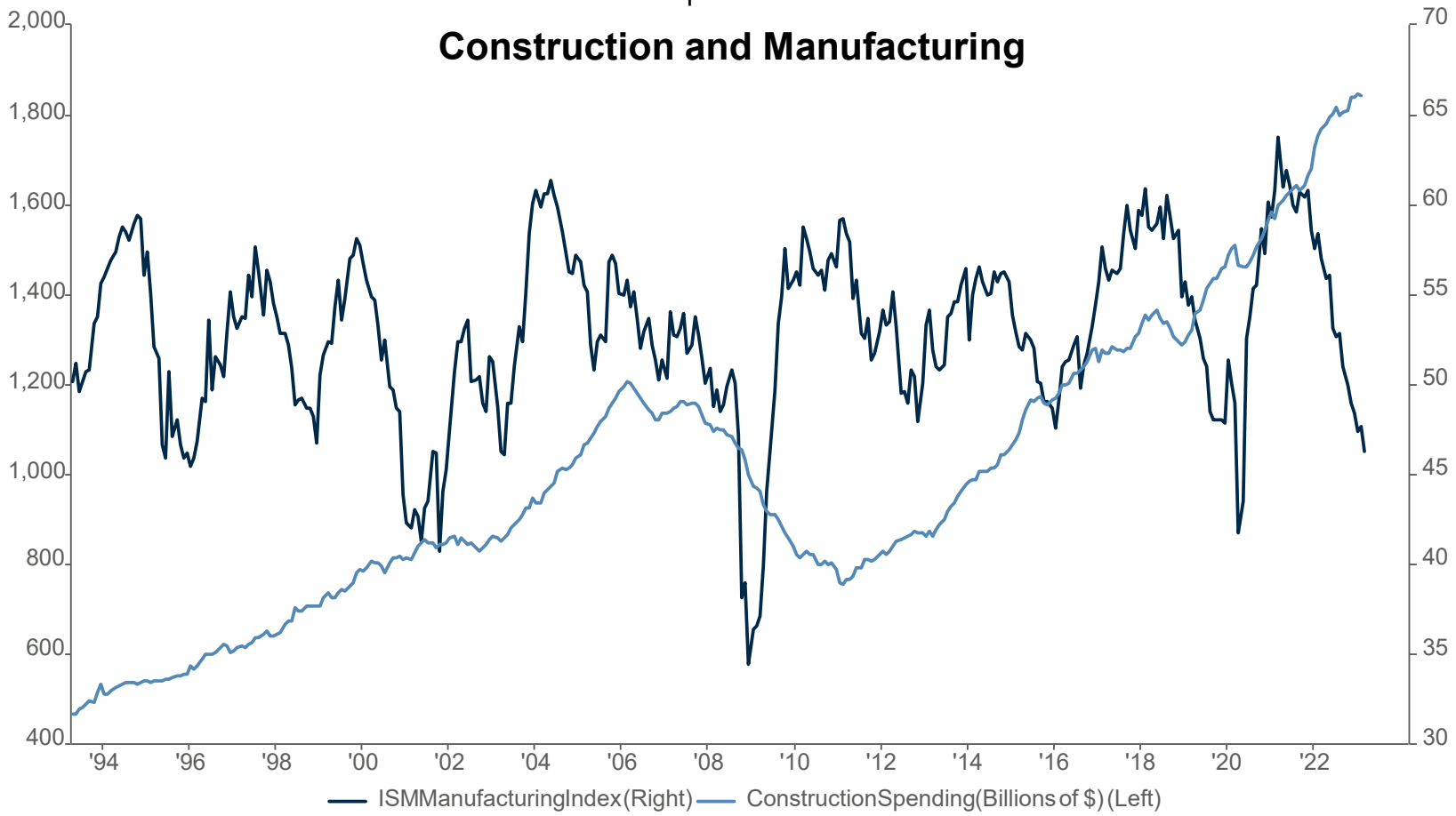
Non-Farm Payroll and Factory Orders



Source: FactSet, as of 3/31/2023

MANUFACTURING

The ISM Manufacturing Index decreased in the fourth quarter to 46.3 and remains in contractionary territory (a level below 50), reflecting weaker demand given the challenging economic outlook. Construction spending decreased slightly in the quarter.

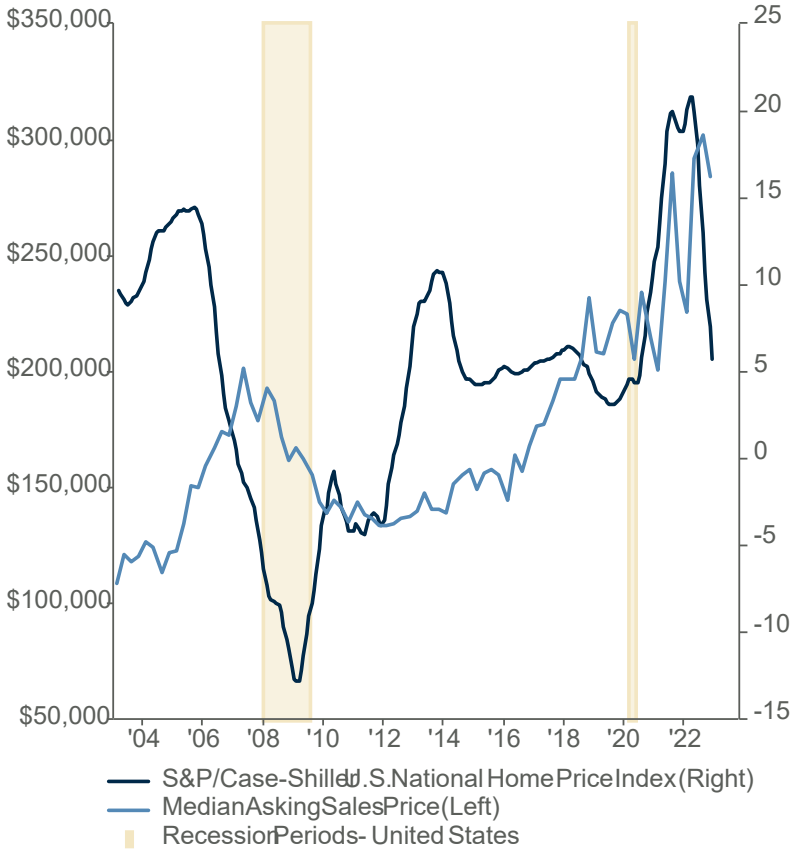


Source: FactSet, as of 3/31/2023

HOUSING MARKET

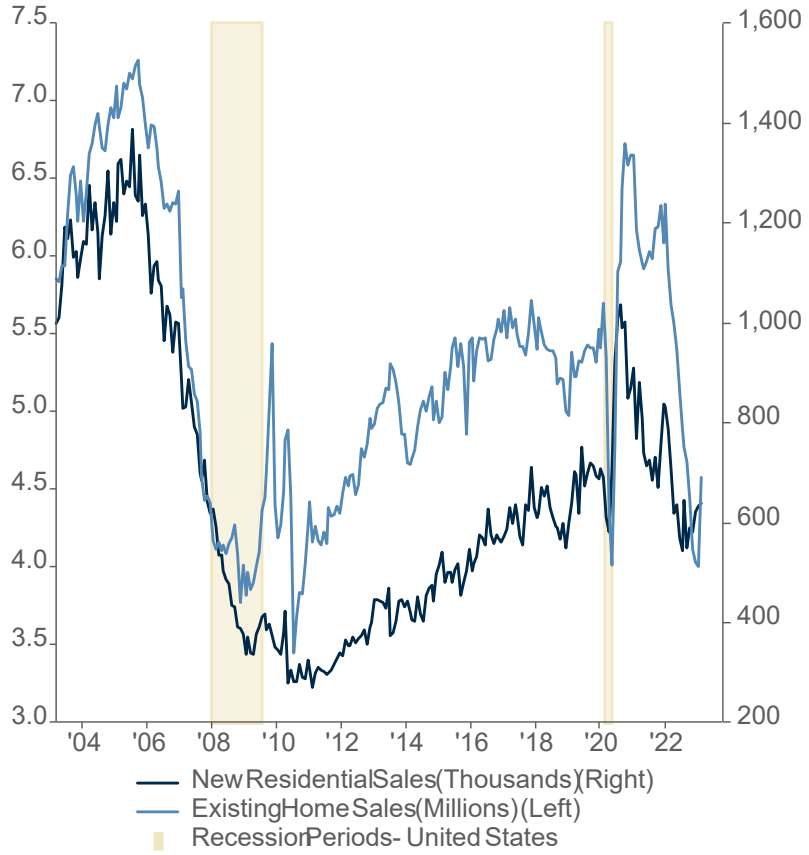
The national home price index increased in January, reversing the trend from last summer. Both new and existing home sales trended higher this winter.

National Home Price Index (YoY Change)



Source: FactSet, as of 3/31/2023

New and Existing Home Sales

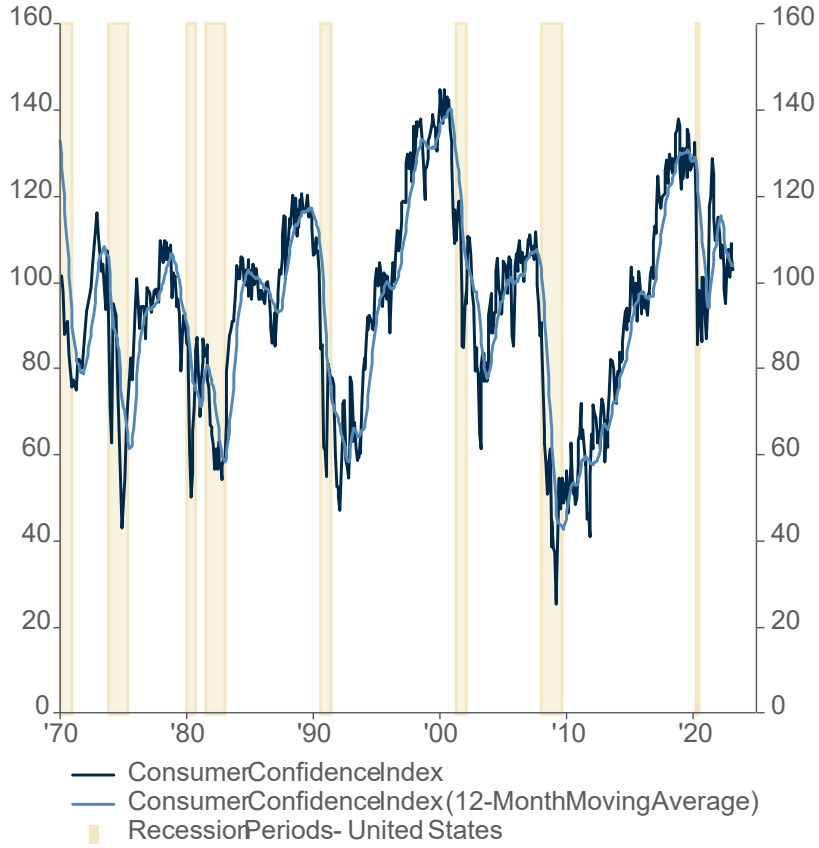


Source: FactSet, as of 3/31/2023

CONSUMER CONFIDENCE

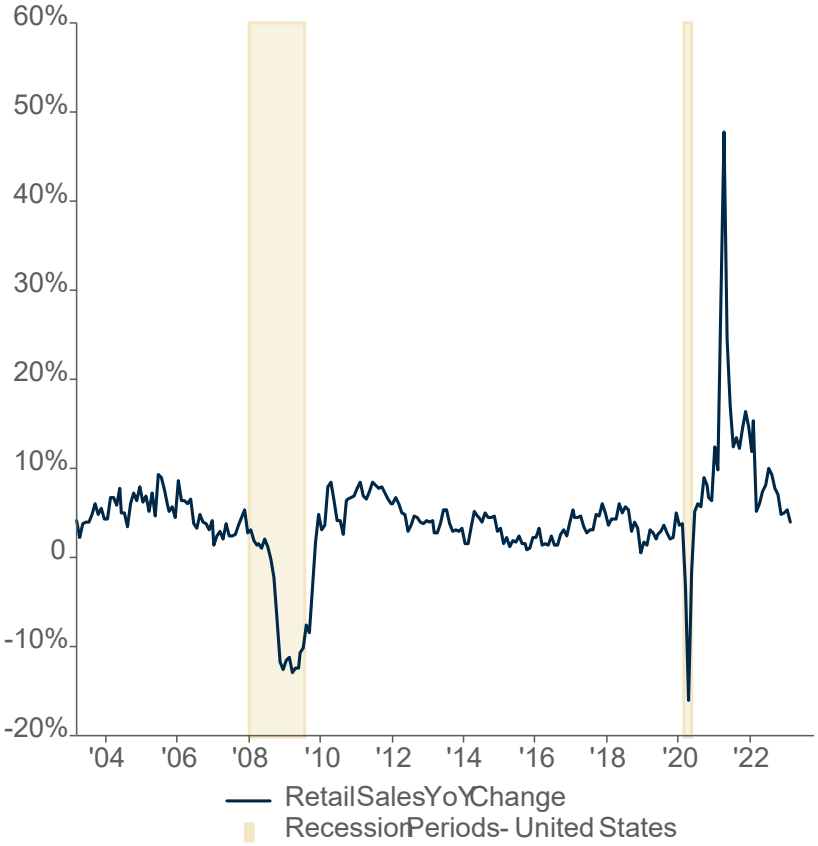
US Consumer confidence increased slightly to 104 in March after back-to-back declines in January and February. Retail sales declined by 0.4% in February after surging 3.2% in January.

Consumer Confidence



Source: FactSet, as of 3/31/2023

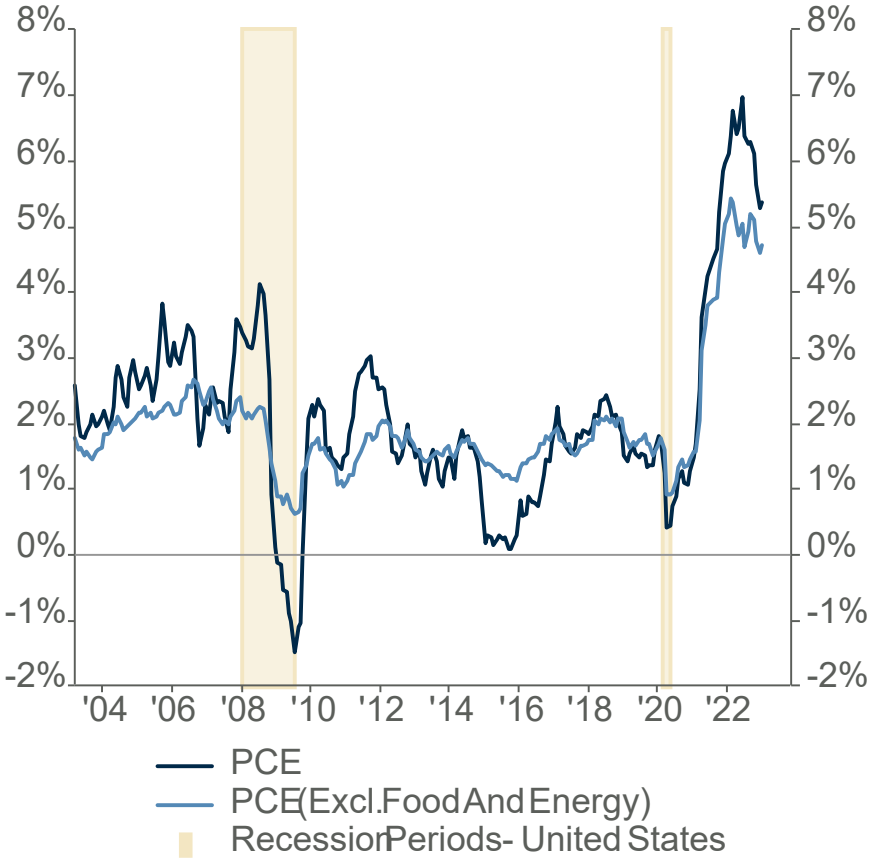
Retail Sales



Source: FactSet, as of 3/31/2023

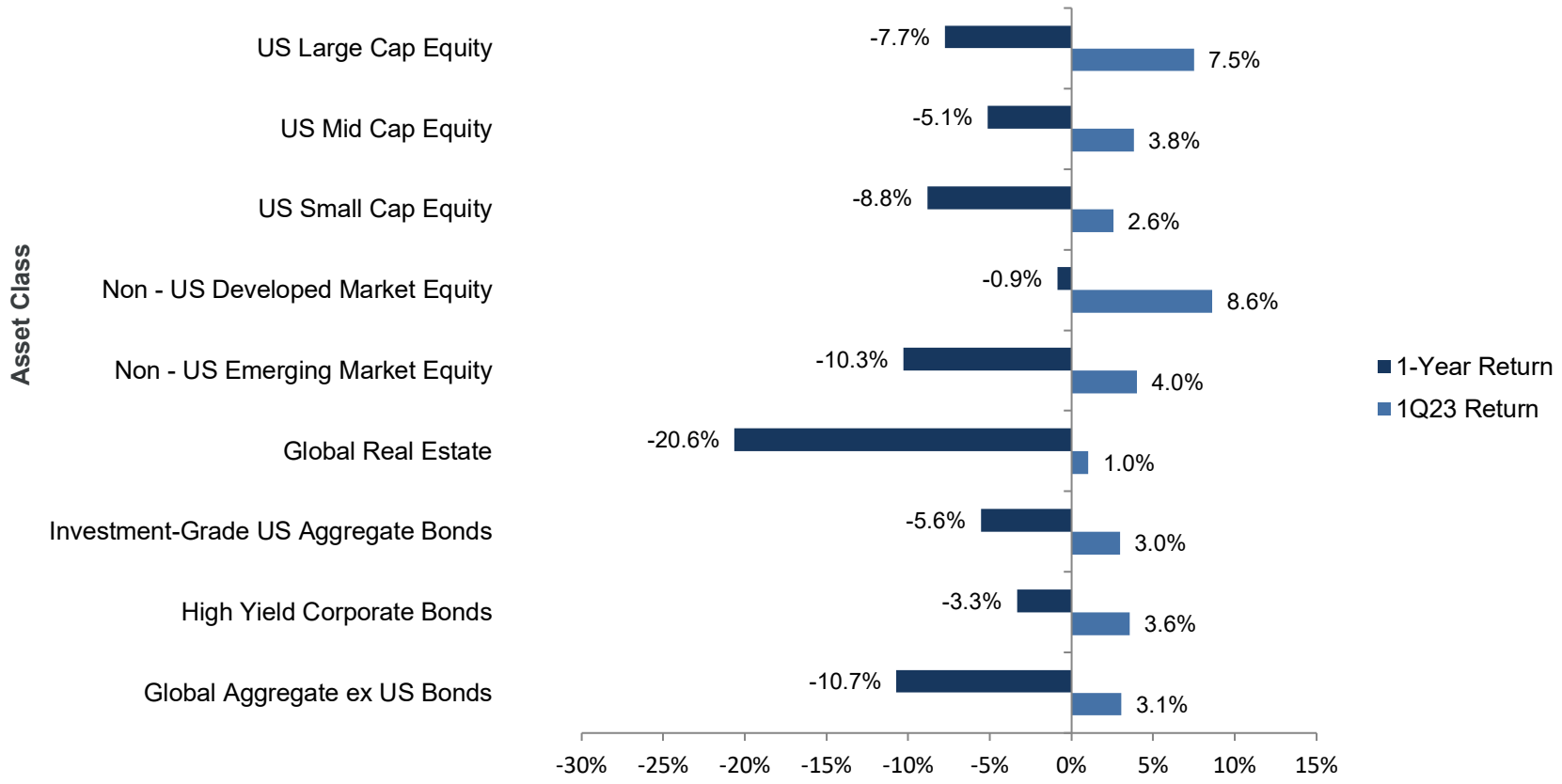
INFLATION

The PCE Price Index (PCE), as well as the Core PCE Index, which excludes the volatile food and energy components, both rose 0.3% in February versus a year ago. While there are signs inflation has started to roll over, the Fed has continued tightening to combat inflation, as these remain well above the central bank's target of 2%.



Source: FactSet, as of 3/31/2023. Personal Consumption Expenditure (PCE) is the preferred measure of inflation by the Bureau of Economic Analysis.

ASSET CLASS RETURNS



Past performance is not indicative of future results. Please see slides 31-33 for asset class definitions.

Source: FactSet, as of 3/31/2023

PRICE-EARNINGS RATIOS VERSUS HISTORICAL AVERAGES

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

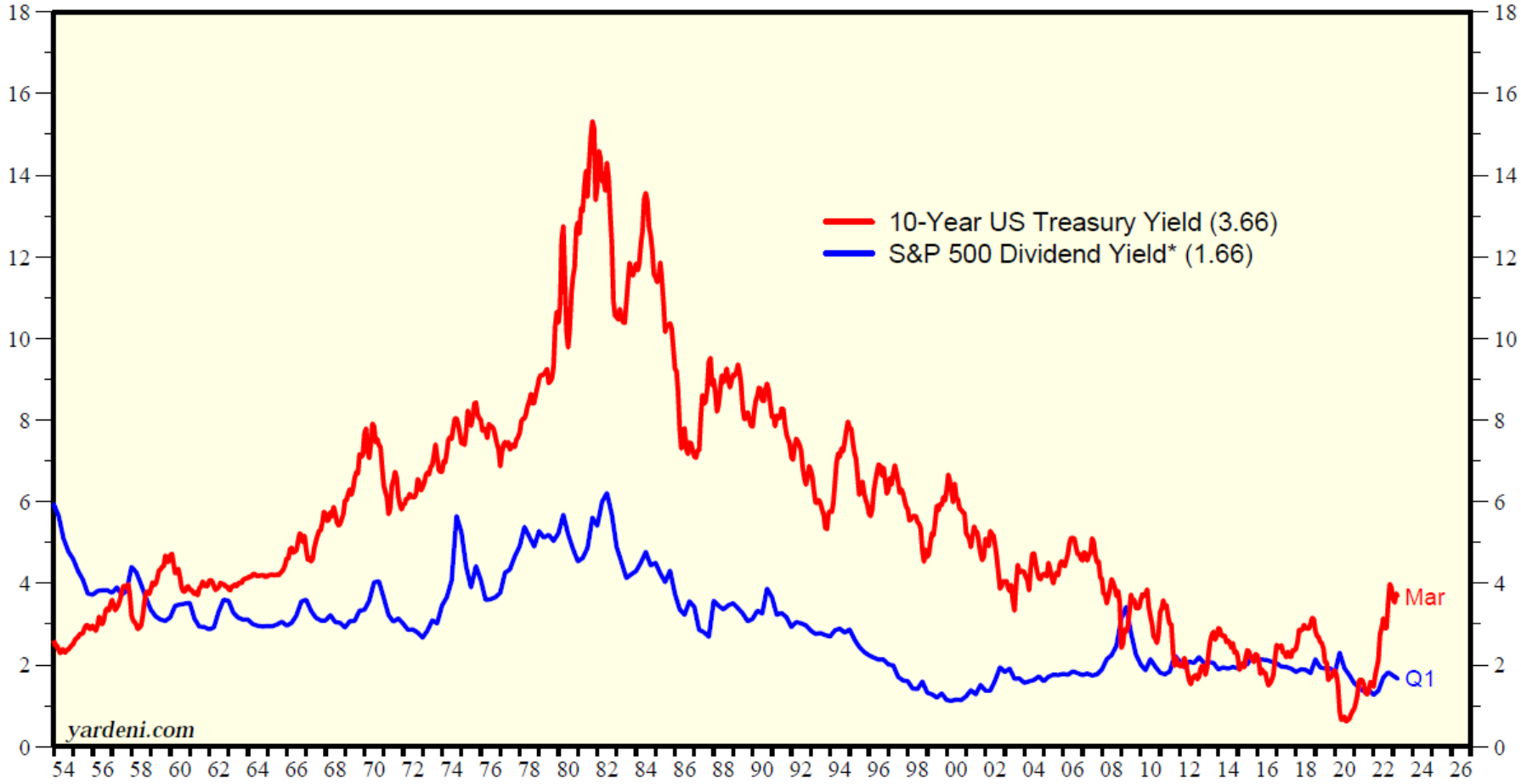
	Value	Blend	Growth
Large	14.1 / 13.7	17.8 / 15.5	23.8 / 18.7
Mid	13.6 / 14.5	16.0 / 16.4	22.8 / 20.4
Small	15.6 / 16.8	20.3 / 21.4	28.1 / 23.8

Current P/E as % of 20 –year avg. P/E

	Value	Blend	Growth
Large	103.1%	114.8%	127.5%
Mid	94.3%	97.7%	111.9%
Small	92.8%	95.2%	118.3%

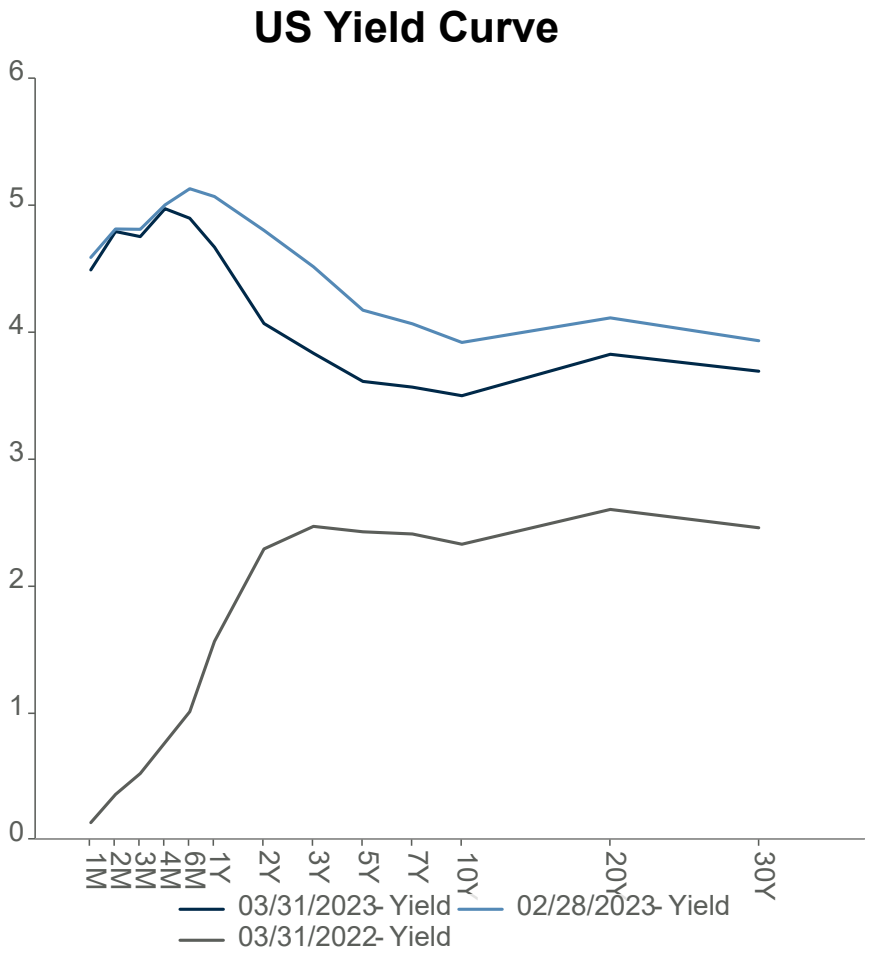
Source: FactSet, Standard & Poor's, JPMorgan Asset Management. Most recent S&P 500 Index price, divided by consensus earnings in the next twelve months and is provided by FactSet. Please see slides 31-33 for index definitions. Data as of 3/31/2023.

S&P 500 YIELDS VS. 10 YEAR TREASURY BOND YIELD

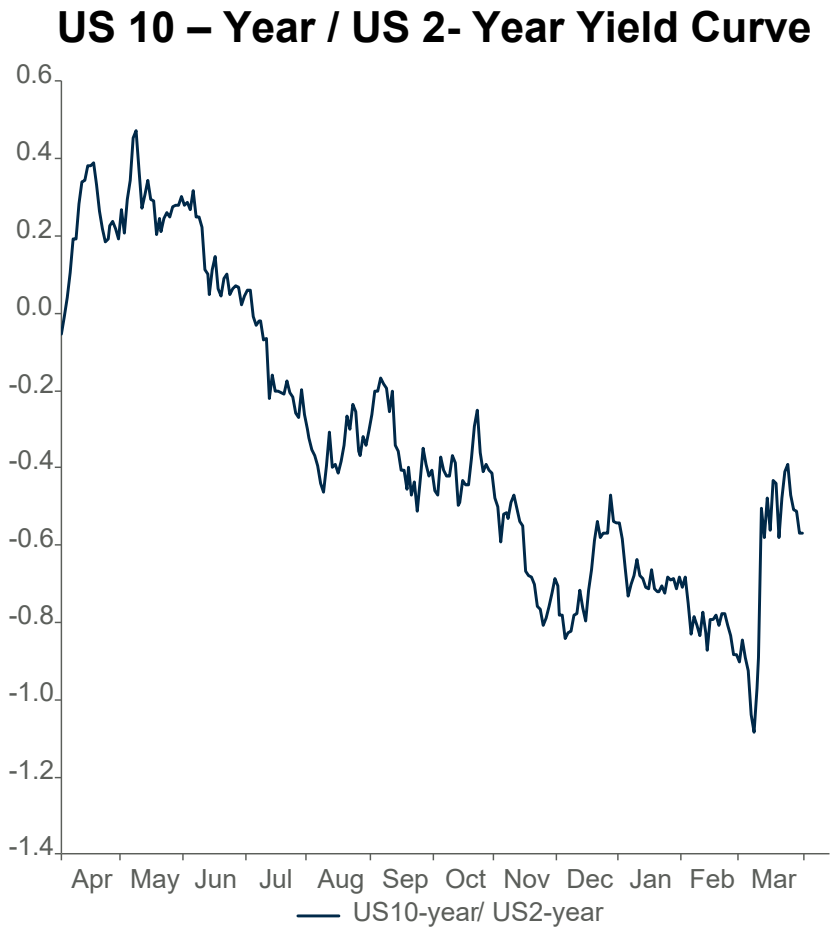


Source: Yardeni Research, Inc; S&P 500 Index and Federal Reserve System. S&P 500 four quarter trailing dividends per share divided by quarterly closing of the S&P 500 Index. Past performance is not indicative of future results. Data as of 3/31/23. Please see slides 31-33 for index definitions.

U.S. TREASURY YIELD CURVE



Source: FactSet, as of 3/31/2023

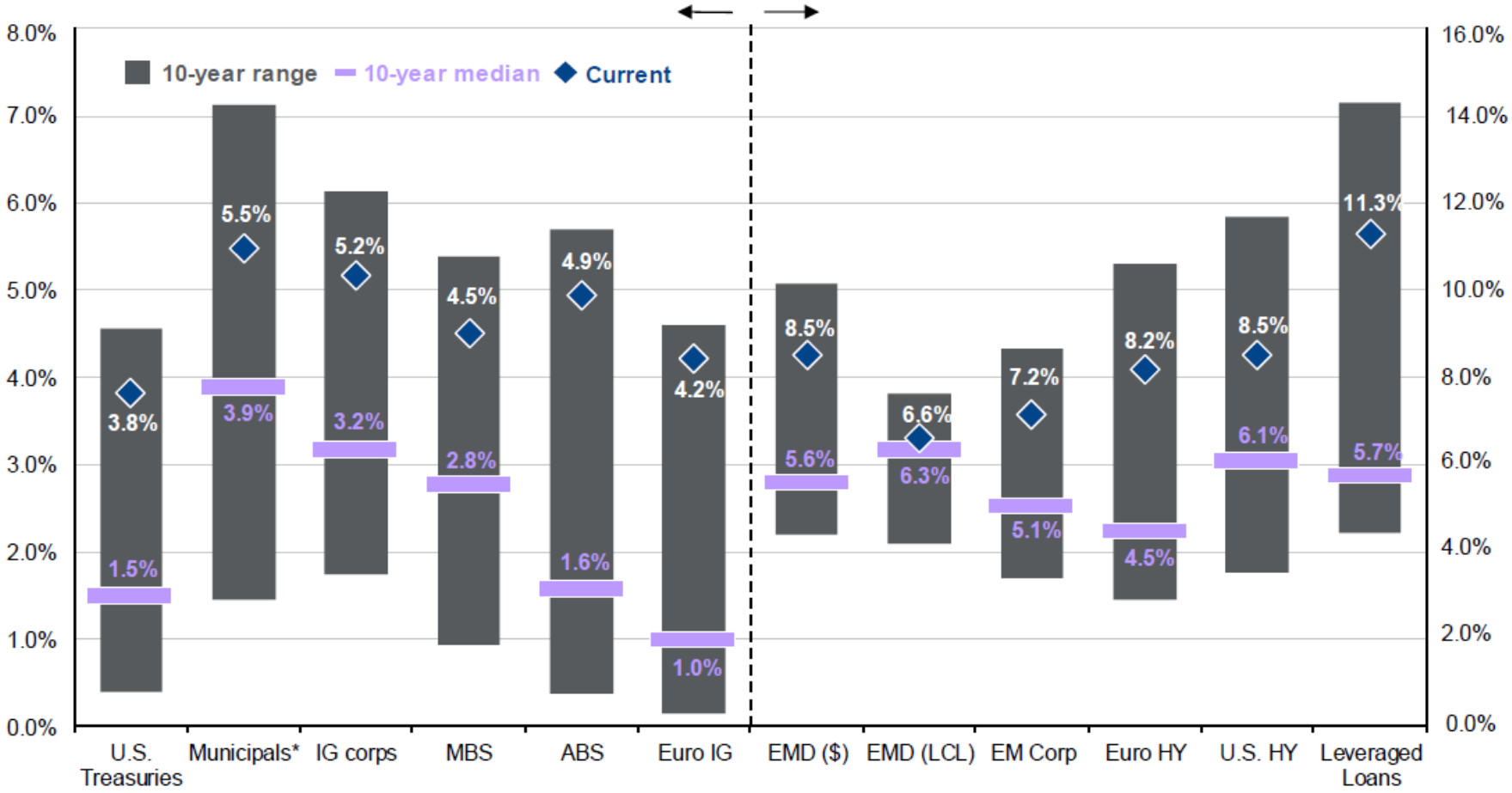


Source: FactSet, as of 3/31/2023

FIXED INCOME YIELDS

Source: FactSet, as of 3/31/2023. All yields are Yield to Worst. Past performance is not indicative of future results. Please see slides 31-33 for index definitions.

YIELD TO WORST ACROSS FIXED INCOME SECTORS



Source: Bloomberg, FactSet, JPMorgan, as of 3/31/23. All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%. Please see slides 31-33 for index definitions

FOREIGN EXCHANGE RATES

Expectations for tighter monetary policy outside the US caused the US dollar to fall during the first quarter, briefly reaching its lowest level since early 2022.

COMMODITY PRICES

WTI Price

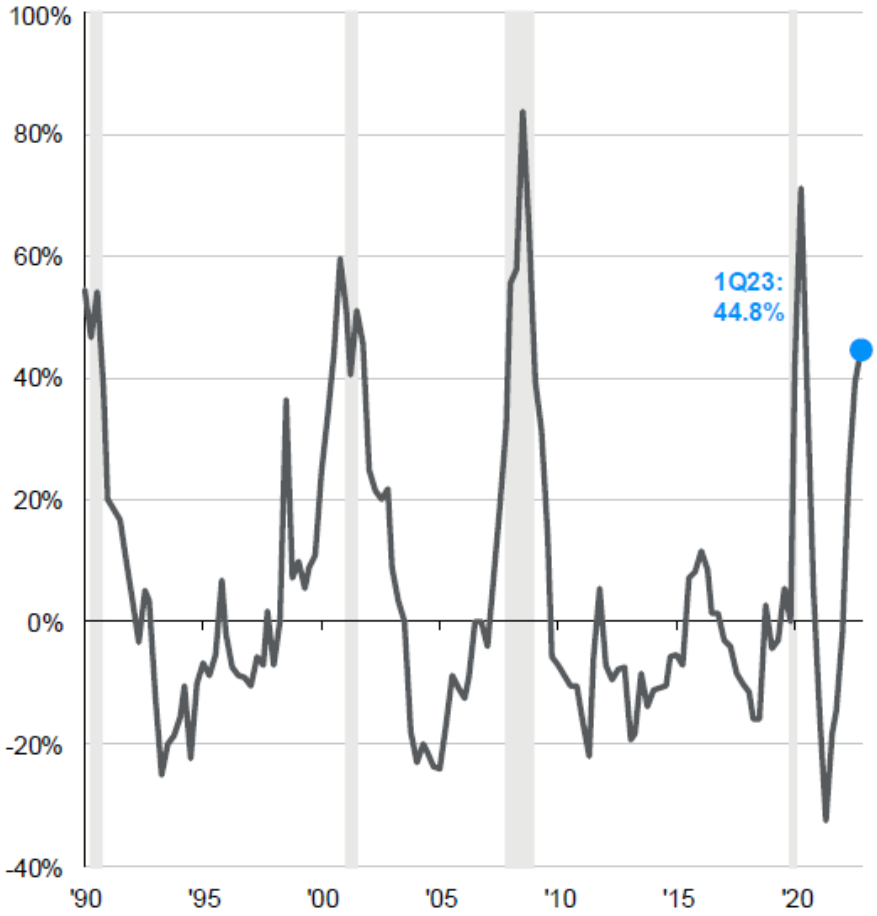
Source: FactSet, as of 3/31/2023

Gold Price

Source: FactSet, as of 3/31/2023

US ECONOMY

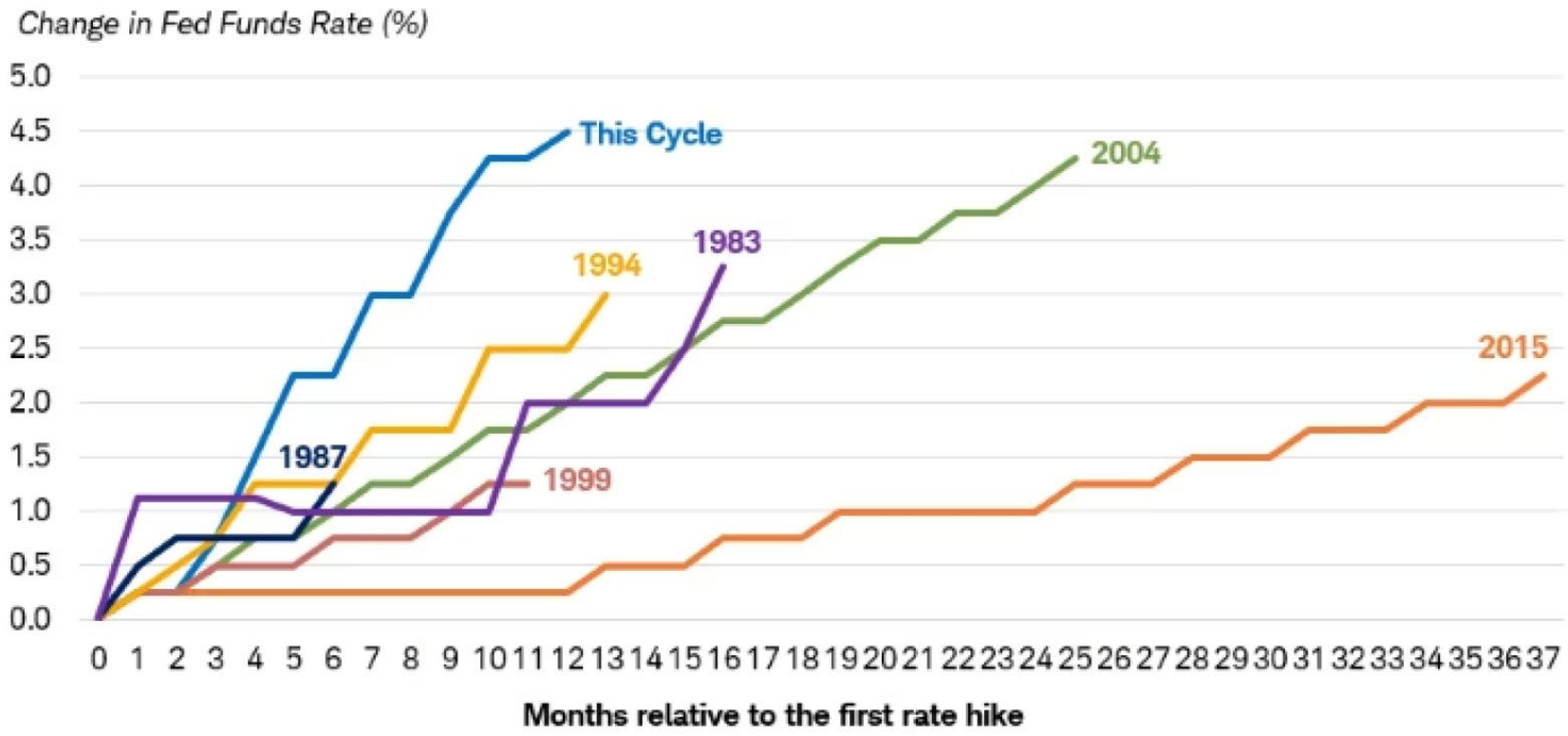
Percentage of Banks Tightening Lending Standards



Source: Bloomberg, FDIC, Federal Reserve, JPMorgan, as of 3/31/23. Graph represents commercial and industrial loans for large and middle-market firms.

MONETARY POLICY

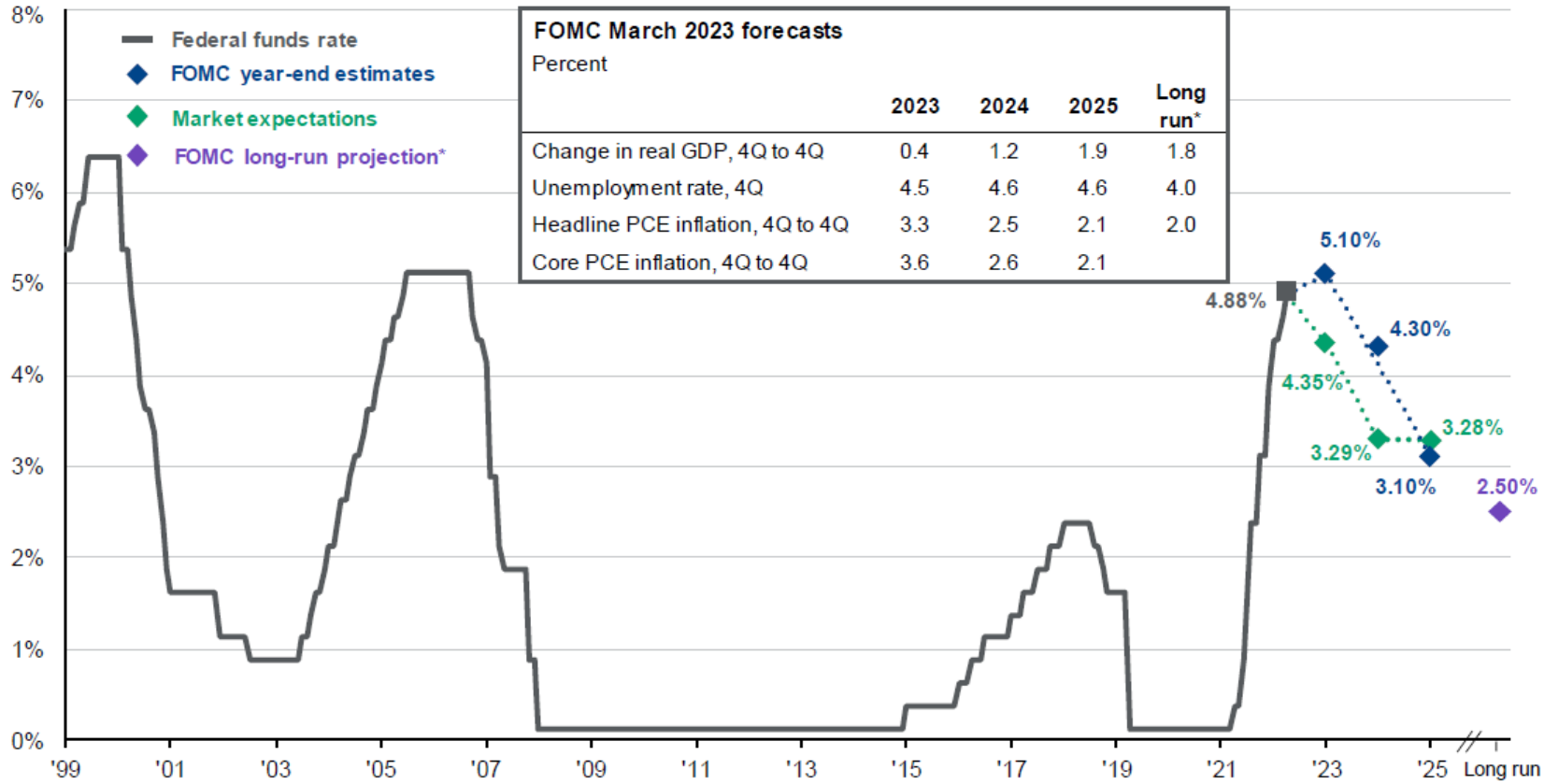
Pace of Federal Reserve Interest Rate Increases



Source: Bloomberg, Charles Schwab, as of 2/28/23.

MONETARY POLICY

Federal Funds Rate Expectations



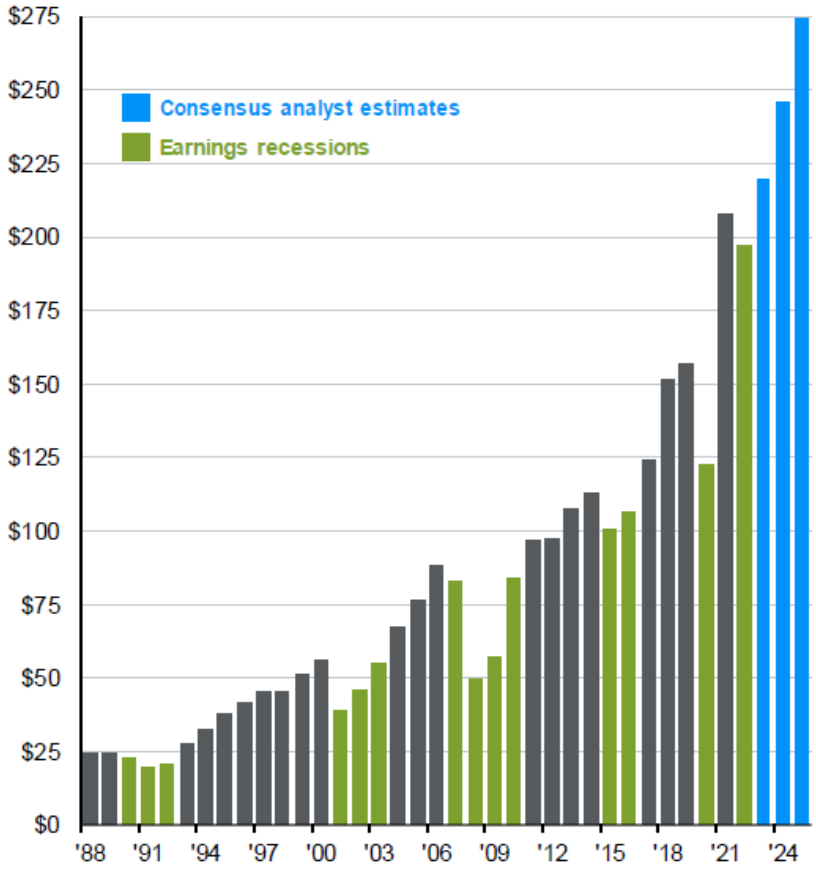
FOMC March 2023 forecasts
Percent

	2023	2024	2025	Long run*
Change in real GDP, 4Q to 4Q	0.4	1.2	1.9	1.8
Unemployment rate, 4Q	4.5	4.6	4.6	4.0
Headline PCE inflation, 4Q to 4Q	3.3	2.5	2.1	2.0
Core PCE inflation, 4Q to 4Q	3.6	2.6	2.1	

Source: Bloomberg, FactSet, Federal Reserve, JPMorgan. Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. *Long run projections are the rates of growth, unemployment, and inflation to which a policymaker expects the economy to converge over the next five years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Data as of March 31, 2023.

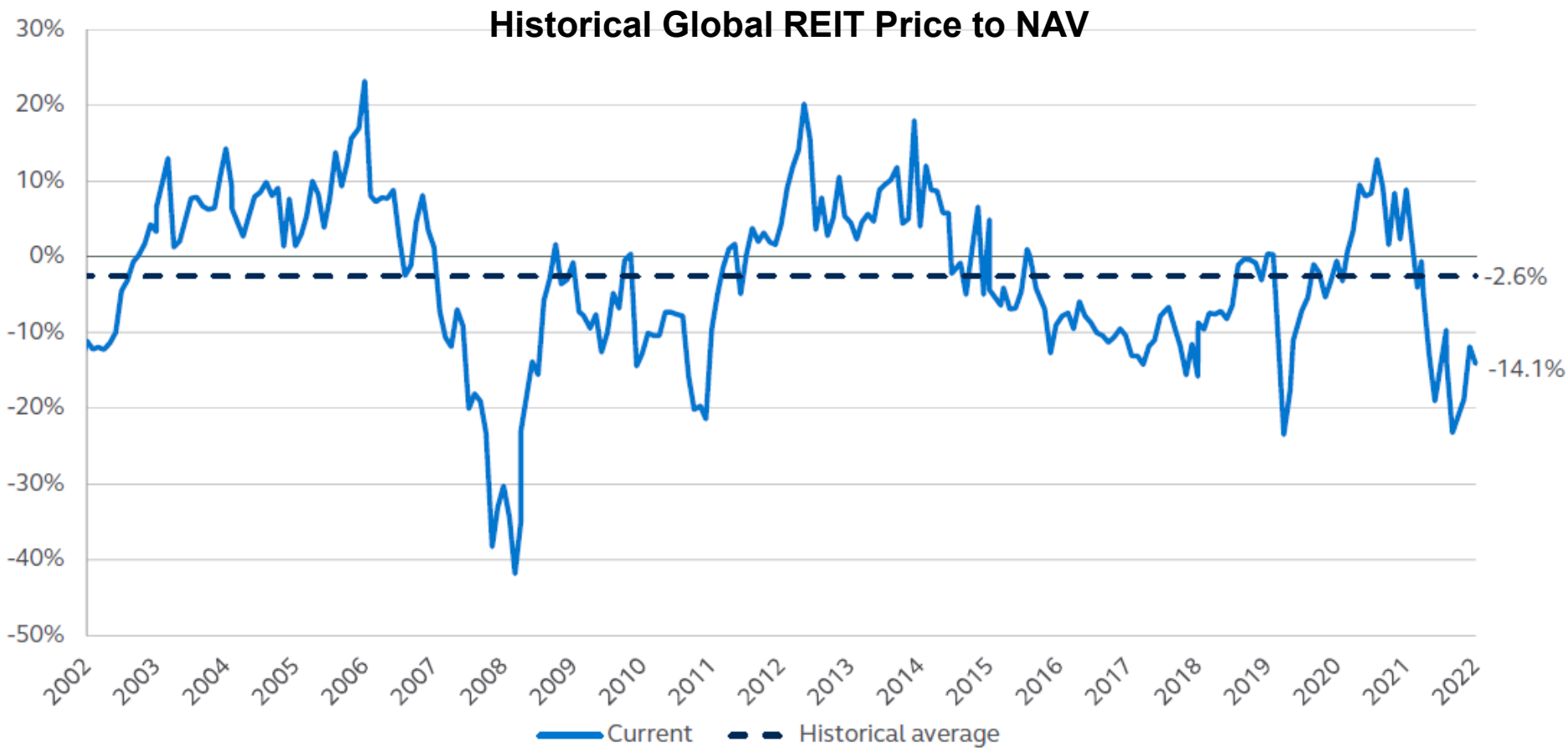
CORPORATE EARNINGS

S&P 500 Earnings



Source: FactSet, Compustat, Standard & Poor's, JPMorgan, as of 3/31/23. Please see slides 31-33 for index definitions.

REAL ESTATE



Source: Principal Global Investors, as of 12/31/22. Please see slides 31-33 for index definitions.

MARKET VOLATILITY

S&P 500 Calendar Year Returns: 1926-2022

-20% or worse	-20% to -10%	-10% to 0%	0% to 10%	10% to 20%	20% to 30%	30% or Better
				19.17%		
				19.03%		
				18.76%		52.56%
				18.52%		49.98%
				18.49%	29.28%	46.74%
			9.97%	18.30%	28.47%	43.81%
		-1.10%	7.49%	18.15%	28.36%	43.72%
		-1.19%	7.44%	18.01%	28.34%	37.20%
		-1.21%	6.51%	16.54%	26.64%	37.00%
		-3.06%	6.15%	16.42%	25.94%	35.82%
		-4.23%	5.81%	15.89%	25.06%	33.10%
		-4.70%	5.70%	15.61%	23.83%	32.60%
		-6.98%	5.48%	14.82%	23.80%	32.15%
		-8.24%	5.20%	14.22%	23.68%	31.94%
-21.97%	-10.46%	-8.30%	4.83%	13.52%	22.68%	31.74%
-25.12%	-10.67%	-8.43%	3.56%	12.40%	22.61%	31.48%
-25.90%	-11.85%	-8.64%	2.10%	12.06%	22.34%	31.24%
-35.34%	-12.77%	-8.81%	1.38%	11.77%	21.61%	31.22%
-36.55%	-14.31%	-9.03%	1.33%	10.81%	20.89%	30.81%
-43.84%	-18.11%	-9.97%	0.34%	10.74%	20.42%	30.23%

Source: Standard & Poor's Raymond James, as of 12/31/22.

DISCLOSURE

All of the accolades received by Klingman & Associates along with the full disclosure of the criteria used for awarding them can be found at: https://www.klingmanria.com/accolades_and_recognition.htm

Data provided by Morningstar, Bloomberg.

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Asset allocation and diversification does not guarantee a profit nor protect against loss. Dividends are not guaranteed and will fluctuate. Past performance is not indicative of future results. Investing in international securities involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. The values of real estate investments may be adversely affected by several factors, including supply and demand, rising interest rates, property taxes, and changes in the national, state and local economic climate. Companies engaged in business related to a specific sector are subject to fierce competition and their products and services may be subject to rapid obsolescence. There are additional risks associated with investing in an individual sector including limited diversification. Rebalancing a non-retirement account could be a taxable event that may increase your tax liability. Currencies investing are generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

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DISCLOSURE (continued)

Fixed Income: subject to credit risk and interest rate risk. An issuer's credit rating may impact their ability to pay the promised income and return of principal upon maturity. Generally, when interest rates rise, bond prices fall, and vice versa. Specific-sector investing can be subject to different and greater risks than more diversified investments.

Consumer Price Index (CPI): a common measure of inflation which examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food and medical care. Changes in CPI are used to assess price changes associated with the cost of living.

Gross Domestic Product (GDP): a broad measurement of a nation's overall economic activity. It is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, including all private and public consumption, government outlays, investments and net exports that occur within a defined territory.

Price-to-Earnings Ratio (P/E): a ratio for valuing a company that measures its current share price relative to its per-share earnings.

Price-to-Book Ratio (P/B): A ratio used to compare a stock's market value to its book value. It is calculated by dividing the closing stock price by the latest quarter's book value per share.

Small-cap and Mid-Cap Equity: generally involve greater risks, and may not be appropriate for every investor. International investing also involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility.

High-Yield Fixed Income: not suitable for all investors. Risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio.

Commodities: trading is generally considered speculative because of the significant potential for investment loss.

U.S. Government Fixed Income: guaranteed timely payment of principal and interest by the federal government.

U.S. Treasury Bills: A short-term debt obligation backed by the U.S. government with a maturity of less than one year.

Fixed Income Sectors: Returns based on the four sectors of Barclays Global Sector Classification Scheme: Securitized (consisting of U.S. MBS Index, the ERISA-Eligible CMBS Index and the fixed-rate ABS Index), Government Related (consisting of U.S. Agencies and non-corporate debts with four sub sectors: Agencies, Local Authorities, Sovereign and Supranational), Corporate (dollar-denominated debt from U.S. and non-U.S. industrial, utility, and financial institutions issuers), and Treasuries (includes public obligations of the U.S. Treasury that have remaining maturities of one year or more).

INDEX DESCRIPTIONS

Asset class and reference benchmarks:

ASSET CLASS	BENCHMARK
U.S. Equity	Russell 3000 TR
Non-U.S. Equity	MSCI ACWI ex US NR
U.S. Fixed Income	Barclays U.S. Aggregate Bond TR
Global Real Estate (prior to 2008)	NASDAQ Global Real Estate NR
Global Real Estate (2008-present)	FTSE EPRA/NAREIT Global Real Estate NR
Commodities	Bloomberg Commodity TR USD
Cash & Cash Alternatives	Citi Treasury Bill 3 Mon USD

Bloomberg Commodity Total Return Index: Formerly the Dow Jones-UBS Commodity Index TR (DJUBSTR),is composed of futures contracts and reflects the returns on a fully collateralized investment in the BCOM. This combines the returns of the BCOM with the returns on cash collateral invested in 3 Month U.S. Treasury Bills.

Barclays 10-Year Municipal: A rules-based, market-value weighted index engineered for the long-term tax-exempt bond market. This index is the 10 year (8-12) component of the Municipal Bond Index.

Barclays 10-Year U.S. Treasuries: Measures the performance of U.S. Treasury securities that have a remaining maturity of 10 years.

Barclays U.S. Aggregate Index: Represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment-grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

Barclays Global Aggregate ex-U.S. Dollar Bond Index: Tracks an international basket of bonds that currently contains 65% government, 14% corporate, 13% agency and 8% mortgage-related bonds.

Barclays High Yield: Covers the universe of fixed-rate, non-investment grade debt. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets (e.g., Argentina, Brazil, Venezuela, etc.) are excluded, but Canadian and global bonds (SEC-registered) of issuers in non-EMG countries are included. Original issue zeroes, step-up coupon structures and 144-As are also included.

Barclays U.S. Corporate High Yield: Composed of fixed-rate, publicly issued, non-investment grade debt.

Citi 3-Month Treasury-Bill Index: This is an unmanaged index of three-month Treasury bills.

FTSE EPRA/NAREIT Global Real Estate Index : Designed to represent general trends in eligible listed real estate stocks worldwide. Relevant real estate activities are defined as the ownership, trading and development of income producing real estate.

INDEX DESCRIPTIONS (continued)

Global Financial Data: Index data has calculated for world ex US indices back to 1919. Since the Morgan Stanley World index was not calculated before 1970, an index has been put together to simulate how a World Index would have performed had it been calculated back to 1919. From 1970 on, the indices are capitalization weighted and include the same countries as are now included in the MSCI World Index.

MSCI All Country World Index Ex-U.S Index.: A market-capitalization-weighted index maintained by Morgan Stanley Capital International (MSCI) and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. It includes both developed and emerging markets.

MSCI EAFE Index (Europe, Australasia, Far East): A free-float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States and Canada. The EAFE consists of the country indices of 21 developed nations.

MSCI EAFE Growth Index: Represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the growth style.

MSCI EAFE Small-Cap Index: An unmanaged, market-weighted index of small companies in developed markets, excluding the U.S. and Canada.

MSCI EAFE Value: Represents approximately 50% of the free-float adjusted market capitalization of the MSCI EAFE index, and consists of those securities classified by MSCI as most representing the value style.

MSCI Emerging Markets Index: Designed to measure equity market performance in 25 emerging market indexes. The three largest industries are materials, energy and banks.

MSCI Local Currency Index: A special currency perspective that approximates the return of an index as if there were no currency valuation changes from one day to the next.

NASDAQ Global Real Estate Index: The index measures the performance of real estate stocks which listed on an Index Eligible Global Stock Exchange. The index is market-capitalization weighted.

Russell 1000 Index: Measures the performance of the 1,000 largest companies in the Russell 3000 Index, which represents approximately 90% of the investible U.S. equity market.

Russell 1000 Value Index: Measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 1000 Growth Index: Measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell Mid-Cap Index: Measures the performance of the 800 smallest companies of the Russell 1000 Index, which represent approximately 30% of the total market capitalization of the Russell 1000 Index.

Russell Mid-cap Value Index: Measures the performance of those Russell Mid-cap companies with lower price-to-book ratios and lower forecasted growth values.

Russell Mid-Cap Growth Index: Measures the performance of those Russell Mid-cap companies with higher price-to-book ratios and higher forecasted growth values.

Russell 2000 Index: Measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Russell 2000 Value Index: Measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

Russell 2000 Growth Index: Measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

Russell 3000 Index: measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents 98% of the investable U.S. equity market.

INDEX DESCRIPTIONS (continued)

Standard & Poor's 500 (S&P 500): Measures changes in stock market conditions based on the average performance of 500 widely held common stocks. Represents approximately 68% of the investable U.S. equity market.

S&P 500 Consumer Discretionary: Comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer discretionary sector.

S&P 500 Consumer Staples: Comprises those companies included in the S&P 500 that are classified as members of the GICS® consumer staples sector.

S&P 500 Energy: Comprises those companies included in the S&P 500 that are classified as members of the GICS® energy sector.

S&P 500 Financials: Comprises those companies included in the S&P 500 that are classified as members of the GICS® financials sector

S&P 500 Health Care: Comprises those companies included in the S&P 500 that are classified as members of the GICS® health care sector.

S&P 500 Industrials: Comprises those companies included in the S&P 500 that are classified as members of the GICS® industrials sector.

S&P 500 Information Technology: Comprises those companies included in the S&P 500 that are classified as members of the GICS® information technology sector.

S&P 500 Materials: Comprises those companies included in the S&P 500 that are classified as members of the GICS® materials sector.

S&P 500 Telecom Services: Comprises those companies included in the S&P 500 that are classified as members of the GICS® telecommunication services sector.

S&P 500 Utilities: Comprises those companies included in the S&P 500 that are classified as members of the GICS® utilities sector.

S&P Mid Cap 400 (S&P 400): Provides investors with a benchmark for mid – cap companies. The index, which is distinct from the large-cap S&P 500, measures the performance of mid-cap companies, reflecting distinctive risk and return characteristics of this market segment.

S&P Small Cap 600 (S&P 600): Provides investors with a benchmark for small – cap companies. The index, which is distinct from the large-cap S&P 500, measures the performance of small-cap companies, reflecting distinctive risk and return characteristics of this market segment.

VIX is the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. It is a widely used measure of market risk.